08

CIRCULAR TO SHAREHOLDERS

FOR THE YEAR ENDED 30 JUNE 2008

FIRSTRAND

FIRSTRAND

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FIRSTRAND

INTRODUCTION

This report covers the audited financial results of FirstRand Limited ("FirstRand" or "the Group") for the year ended 30 June 2008 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. Discovery was unbundled in November 2007.

FirstRand operates these franchises through various legal entities. Comprehensive reports on the Banking and Momentum Groups, both of which are wholly owned, are included in this circular and should be read in conjunction with this report.

FINANCIAL HIGHLIGHTS

CONTINUING AND DISCONTINUED OPERATIONS	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Headline earnings	**9 922**	10 854	(9)
Normalised earnings (unaudited)	**10 583**	11 845	(11)
Diluted headline earnings per share (cents)	**187.8**	204.2	(8)
Diluted normalised earnings per share (cents) (unaudited)	**187.7**	210.1	(11)
Ordinary dividend per share (cents)	**82.5**	82.5	–
Normalised return on equity (%) (unaudited)	**22**	28	
Assets under management or administration	**1 018 202**	900 148	13

In November 2007, FirstRand unbundled all of its 57% shareholding in Discovery. The results to 30 June 2008 outlined in the table above include only four months of contribution from Discovery. The results for the Group's continuing operations are detailed below.

CONTINUING OPERATIONS (UNAUDITED)	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Headline earnings	**9 737**	10 298	(5)
Normalised earnings (unaudited)	**10 398**	11 309	(8)
Diluted headline earnings per share (cents)	**184.3**	193.7	(5)
Diluted normalised earnings per share (cents) (unaudited)	**184.4**	200.6	(8)
Normalised return on equity (%) (unaudited)	**22**	29	
Assets under management or administration	**1 018 202**	891 648	14

KEY FINANCIAL RESULTS AND RATIOS
for the year ended 30 June

R MILLION	2008	2007	% change
From continuing and discontinued operations			
Normalised earnings (unaudited)	**10 583**	11 845	(11)
Headline earnings	**9 922**	10 854	(9)
Attributable earnings to ordinary shareholders	**11 309**	11 511	(2)
Normalised net asset value (unaudited)	**51 637**	46 622	11
Normalised return on equity (%) (unaudited)	**22**	28	
Normalised price to book (times) (unaudited)	**1.45**	2.73	
Normalised earnings per share (cents) (unaudited)			
– Basic	**187.8**	210.2	(11)
– Diluted	**187.7**	210.1	(11)
Earnings per share (cents)			
– Basic	**218.2**	222.9	(2)
– Diluted	**214.1**	216.6	(1)
Headline earnings per share (cents)			
– Basic	**191.5**	210.2	(9)
– Diluted	**187.8**	204.2	(8)
Ordinary dividend per share (cents)	**82.5**	82.5	–
Dividend in specie per share (cents)*	**61.1**	–	100
Non cumulative non redeemable preference dividend per share (cents)			
B Class (68% of FNB prime lending rate)	**908.9**	772.7	18
B1 Class (68% of FNB prime lending rate)	**908.9**	772.7	18
From continuing operations			
Normalised earnings (unaudited)	**10 398**	11 309	(8)
Normalised return on equity (%) (unaudited)	**22**	29	
Normalised earnings per share (cents) (unaudited)			
– Basic	**184.5**	200.7	(8)
– Diluted	**184.4**	200.6	(8)

* *Unbundling of Discovery.*

STATEMENT OF HEADLINE EARNINGS FROM CONTINUING AND DISCONTINUED OPERATIONS for the year ended 30 June

R MILLION	2008	2007	% change
Attributable earnings to ordinary shareholders	**11 309**	11 511	(2)
Adjusted for:	**(1 387)**	(657)	>(100)
Profit on disposal of available-for-sale assets	**(98)**	(863)	
Profit on sale of shares in subsidiary and associate	**(678)**	(78)	
Net asset value in excess of purchase price of subsidiaries	**(24)**	–	
Profit on disposal of property and equipment	**(4)**	(8)	
Impairment of intangible assets	**104**	55	
Impairment of goodwill	**33**	61	
VISA listing	**(1 052)**	–	
Other	**29**	–	
Total tax effects of adjustments	**257**	106	
Total minority interest of adjustments	**46**	70	
Headline earnings	**9 922**	10 854	(9)
Adjusted for:	**661**	991	(33)
Discovery BEE transaction	**5**	19	
IFRS 2 Share based expenses	**153**	401	
Treasury shares	**503**	543	
– adjustment for effective shareholding in Discovery	**(17)**	(50)	
– consolidation of staff share schemes	**517**	372	
– FirstRand shares held by policyholders	**3**	221	
Adjustment of listed property associates to net asset value	**–**	28	
Normalised earnings (unaudited)[1]	**10 583**	11 845	(11)
Segmental normalised earnings			
Banking Group	**8 814**	10 089	(13)
Momentum Group	**2 004**	1 668	20
Discovery Group	**185**	536	(65)
FirstRand Limited (company)	**(11)**	(100)	(89)
Dividend paid to non cumulative non redeemable preference shareholders	**(409)**	(348)	18
Normalised earnings (unaudited)[1]	**10 583**	11 845	(11)
Segmental headline earnings			
Banking Group	**8 701**	9 752	(11)
Momentum Group	**1 979**	1 610	23
Discovery Group	**185**	556	(67)
FirstRand Limited (company)	**(14)**	(123)	(89)
Consolidation of staff share schemes	**(517)**	(372)	39
Dividend paid to non cumulative non redeemable preference shareholders	**(409)**	(348)	18
Consolidation of treasury shares held by policyholders	**(3)**	(221)	>(100)
Headline earnings	**9 922**	10 854	(9)

1. Refer to page 117 for description of normalised earnings.

STATEMENT OF HEADLINE EARNINGS FROM CONTINUING OPERATIONS (PRO FORMA) (UNAUDITED) for the year ended 30 June

R MILLION	2008	2007	% change
Attributable earnings to shareholders	**10 581**	10 838	(2)
Adjusted for:	**(844)**	(540)	56
Profit on disposal of available-for-sale assets	**(7)**	(649)	
Profit on sale of shares in subsidiary and associate	**(108)**	(78)	
Net asset value in excess of purchase price of subsidiaries	**(24)**	–	
Profit on disposal of property and equipment	**(4)**	(8)	
Impairment of intangible assets	**104**	55	
Impairment of goodwill	**33**	61	
VISA listing	**(1 052)**	–	
Other	**29**	–	
Total tax effects of adjustments	**169**	79	
Total minority interest of adjustments	**16**	–	
Headline earnings	**9 737**	10 298	(5)
Adjusted for:	**661**	1 011	(35)
IFRS 2 share based expenses	**141**	390	
Treasury shares	**520**	593	
– consolidation of staff share schemes	**517**	372	
– FirstRand shares held by policyholders	**3**	221	
Adjustment of listed property subsidiary and associate to net asset value	**–**	28	
Normalised earnings[1]	**10 398**	11 309	(8)
Normalised earnings per share (cents)			
– Basic	**184.5**	200.7	(8)
– Diluted	**184.4**	200.6	(8)
Earnings per share (cents)			
– Basic	**204.2**	209.8	(3)
– Diluted	**200.3**	203.9	(2)
Headline earnings per share (cents)			
– Basic	**187.9**	199.4	(6)
– Diluted	**184.3**	193.7	(5)
Return on equity (%)	**21.9**	28.9	
Average normalised net asset value excluding Discovery	**47 449**	39 199	21
Normalised earnings	**10 398**	11 309	(8)

1. Refer to page 117 for description of normalised earnings.

OPERATING ENVIRONMENT

The international and South African operating environments were particularly challenging for the year to 30 June 2008. Globally there was higher inflation, resulting in slowing economic growth and recession concerns. The ongoing stress in the international credit markets created weakness and volatility in global financial markets.

In South Africa, inflation continued to rise, mainly driven by an increase in energy and food prices and this, combined with a cumulative 250 basis point increase in interest rates and resultant falling asset prices, put severe strain on the consumer. This led to slower retail asset growth and much higher bad debt levels which, as expected, negatively impacted retail lending portfolios.

Corporate demand for credit continued to show resilience with capital expenditure, infrastructure development and corporate action providing good growth opportunities for the Group's corporate and investment banking divisions. Certain segments within the Small Medium Enterprise ("SME") environment are feeling the impact of the credit cycle, however, large corporate balance sheets generally remain strong and relatively under leveraged.

The local equity, currency and interest rate markets were characterised by increased volatility which assisted the fixed income and proprietary trading areas of the Group, as well as greater trading volumes and structuring opportunities. Whilst this volatility was positive for local trading activities, severe dislocations in the international equity markets resulted in significant losses in the Group's international trading portfolios.

The insurance businesses showed good earnings growth despite tough conditions characterised by lower equity markets and increased interest rates.

FINANCIAL AND OPERATING PERFORMANCE

FirstRand's diverse portfolio of banking businesses provided some protection from the difficulties in the trading portfolios, but the size of the trading losses combined with the significant increases in retail bad debts resulted in the Group's continuing operations (pro forma) earnings declining 8% to R10.4 billion, with a normalised return on equity ("ROE") of 22%.

The Banking Group reported a 13% reduction in normalised earnings from R10.1 billion to R8.8 billion and a ROE of 20%.

The Momentum Group increased normalised earnings 20% from R1.7 billion to R2 billion and delivered an excellent ROE of 30%. The performance of the Momentum Group reflects the remarkable resilience of the business given the difficult trading environment. This is a result of Momentum's strong market position with the high end customer. In addition, its conservative capital management strategy immunises Momentum against volatility in equity markets. Sales via the FNB channels were strong, highlighting the success of its channel diversification strategy.

The table below represents the relative contribution from continuing operations to normalised earnings from the Banking and Insurance Groups:

YEAR ENDED 30 JUNE				
R MILLION (UNAUDITED)	**2008**	2007	% change	% contribution
Banking Group	**8 814**	10 089	(13)	85
Momentum Group	**2 004**	1 668	20	19
FirstRand and dividend paid to non cumulative non redeemable preference shareholders	**(420)**	(448)	6	(4)
Total FirstRand Group	**10 398**	11 309	(8)	100

The Banking Group was impacted by two significant issues:

- impairments in the retail lending operations of R4.7 billion (2007: R2.6 billion); and
- losses in the Equity Trading division of R1.4 billion (2007: Profit of R1.4 billion).

Impairments

The retail lending operations of the Banking Group were severely impacted by the dramatic increase in bad debts from R2.6 billion to R4.7 billion. This was a direct result of the deteriorating consumer credit cycle with the significant increase in interest rates combined with higher inflation placing serious strain on disposable income and eroding household affordability levels. The absolute level of bad debts in the year under review highlights the severity of the current cycle. It is not a reflection of structural asset quality issues such as those experienced in other markets (eg sub prime exposure), however, the Banking Group underestimated the overall extent of interest rate increases.

Given the current cycle, FirstRand's bad debt levels are in line with expectations, are correctly priced for and are not out of line with the South African industry, taking into account the different asset mixes of the local banks' portfolios. With the introduction of IFRS, banks' earnings with reference to bad debts are now more reflective of the economic cycle, and can therefore be more volatile.

FirstRand's diverse corporate portfolio is well represented across the strongest sectors of the economy. The Group is comfortable with its corporate asset mix and current levels of impairments.

Losses in equity trading

Losses in the Equity Trading division of RMB amounted to R1.4 billion (2007: Profit R1.4 billion). This included a loss of R1.9 billion in the international portfolio that was partially offset by a profit of R0.5 billion in the local businesses.

The losses in the international portfolio occurred at the time of extreme disruption and dislocation in international equity markets. There was a dramatic increase in volatility which necessitated additional capital to underpin the portfolios. There was a severe divergence in the correlation between the portfolio of small and mid cap stocks and the large cap indices that were used to hedge the portfolio. This resulted in losses being incurred on both the portfolio and the hedges. In addition the almost complete drying up of liquidity meant that realisation and mark-to-market prices were substantially below the valuations the division placed on the stocks in their portfolio. However, a decision was finally made to undertake a managed sell down of the portfolio in order to reduce earnings volatility and at year end the portfolio was 15% of its original size. Subsequent to year end it has been reduced to less than 5%.

The Group is satisfied that the losses were as a result of misreading the severity of the equity market dislocation and not due to a failure of risk management. However the Group recognises that the absolute level of risk taken in this portfolio was too high and that the consequent volatility in earnings should be avoided in future by reducing the risk appetite in this type of activity.

OVERVIEW OF OPERATING FRANCHISES

Below is a brief overview of each operating franchise, with a detailed review on pages 33 to 45 of this circular.

RMB	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Normalised earnings (unaudited)	**3 008**	3 868	(22)
Total assets	**296 433**	198 929	49
Total liabilities	**292 091**	153 886	90
ROE (%)	**25**	40*	

RMB reported normalised earnings of R3 billion for the year to June 2008, 22% lower than the previous year but a satisfactory performance given the high base created in the previous year when earnings increased 80%. The resilience of RMB's diversified portfolio of businesses mitigated to an extent the impact of the under-performance of the Equity Trading division as Investment Banking, Fixed Income Currencies and Commodities ("FICC") and Private Equity significantly exceeded their prior year results, showing growth of 64%, 76% and 37% respectively.

FNB	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Normalised earnings (unaudited)	**4 654**	4 245	10
Total assets	**211 412**	185 803	14
Total liabilities	**197 828**	172 424	15
Bad debt ratio (%)	**1.55**	0.91	
ROE (%)	**33**	35*	

** ROE % for prior year has been restated. Refer page 60.*

FNB's operating environment was characterised by continued increases in interest rates and higher inflation placing pressure on consumer affordability levels and resulting in higher levels of defaults. The credit markets were particularly challenging in the second half of the financial year, but FNB's solid performance can be ascribed to a number of operational factors. Its strong franchise in the commercial and corporate segments, which now comprise more than half of FNB's earnings, provided some mitigation to the significant increase in retail bad debts.

Its diversified retail portfolio also meant that whilst the consumer segment experienced a slow down in growth, the mass and wealth segments continued to perform well. The transactional and deposit businesses continued to grow, albeit at a slower rate than the prior year and a continued focus on efficiencies resulted in FNB's cost to income ratio reducing by a further 2.9 percentage points.

FNB Africa	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Normalised earnings (unaudited)	**499**	437	14
Total assets	**29 413**	21 615	36
Total liabilities	**26 160**	19 483	34
Bad debt ratio (%)	**0.72**	0.75	
ROE (%)	**34**	33*	

The FNB Africa subsidiaries performed well in the year under review, growing normalised earnings 14% on the back of good advances growth and excellent growth in deposits. Transaction volumes also grew strongly across all the subsidiaries. Unlike South Africa, the bad debt levels experienced during the year remained stable.

WesBank	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Normalised earnings (unaudited)	**573**	918	(38)
Total assets	**108 331**	100 479	8
Bad debt ratio (%)	**2.09**	1.39	
ROE (%)	**12**	23*	

WesBank's overall profitability was impacted by significant increases in bad debts in its local retail lending businesses. The compound effect of negative gearing has also resulted in asset growth slowing. Overall normalised earnings declined 38% to R573 million.

As previously reported, WesBank took the decision in the year under review to exit its Australian operations. The process to sell the auto loan book has been finalised and the sale of WorldMark is on track and the Group is optimistic that the net result of disposing of the lending operations should be largely offset by the eventual disposal of WorldMark. However, due to delays in the finalisation of the disposals, the Group is reporting only the costs, write downs and write offs associated with the operating assets and these have had a material negative impact on WesBank's earnings in the year under review.

Momentum	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Normalised earnings (unaudited)	2 004	1 668	20
Embedded value ("EV")	16 008	15 453	4
Return on EV (%)	15	28	
ROE (%)	30	25	

The Momentum Group delivered an excellent performance in tough economic conditions, with normalised earnings up 20% to R2 billion. In the insurance operations there was excellent growth in lump sum inflows and new business margins were maintained at 2.1%, whilst maintaining positive net cash flows. The business saw continued extension of its distribution channels and a pleasing turnaround from growth initiatives, especially in the middle market initiative with FNB. Capital efficiency and a strong operating performance led to a return on equity of 30%. The value of new business and a strong contribution from existing business once again delivered a robust return on embedded value of 15%.

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

	YEAR ENDED 30 JUNE				
R MILLION	2008	% contribution	2007	% contribution	% change
Retail banking					
FNB (retail)	2 040		2 213		
WesBank	218		641		
FNB Africa	499		437		
Total	2 757	26	3 291	29	(16)
Corporate banking					
FNB (corporate)	477		424		
FNB (commercial)	2 137		1 608		
WesBank	355		277		
Total	2 969	29	2 309	20	29
Investment banking					
RMB	3 008	29	3 868	34	(22)
Insurance					
Momentum	2 004	19	1 668	15	20
Other					
FirstRand and dividend paid to non cumulative non redeemable preference shareholders	(420)		(448)		
Banking Group Support	80		621		
Total	(340)	(3)	173	2	>(100)
Normalised earnings (unaudited)	**10 398**	**100**	11 309	100	

CAPITAL POSITION

Despite the difficult market conditions in the last 12 months, the capital adequacy ratios are well within the targeted range for both Tier 1 and Total capital adequacy. Credit growth has slowed offering some respite after a sustained period of intensive capital consumption; while the de-risking of the international businesses resulted in a lower capital requirement. Given the deterioration in the credit environment over the past 12 months, the Group remains vigilant to the effects of pro-cyclicality introduced by Basel II.

Momentum's decision to back its regulatory Capital Adequacy Requirement ("CAR") with cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investment and interest bearing assets, has shielded the capital base in declining investment markets. Momentum's CAR was covered 2.2 times by the excess of assets over liabilities at 30 June 2008.

Capital adequacy

	AT 30 JUNE	
	2008	2007
Capital adequacy ratio:		
Banking Group	**13.8**	13.6
	Basel II	Basel I
CAR cover: Momentum Group		
(Regulatory requirement: 1.0x)	**2.2**	2.3

PROSPECTS

As anticipated six months ago, the Group has had to weather further tightening in its operating environments across its franchises. Global and local capital markets will continue to see unusually high fluctuations, and conditions for the South African consumer will remain difficult.

Looking forward, it is expected that credit market conditions will continue to be challenging. Factors such as the impact of the recent electricity price changes and the new municipal rate structures currently being introduced will add to consumers' cash flow pressures. Further increases in arrears, non performing loans and impairment charges for bad debts are forecast for the aggregate credit portfolio.

On a product line basis, the main factors will be the slowdown in the growth of house prices and the continued pressure on second hand car prices, which respectively impact the defaults and recoveries of the residential mortgage and asset finance credit businesses. Unsecured credit is expected to continue to be negatively affected by consumers' cash flow pressures, however there will be less new business strain due to the slowdown in asset growth.

Investments in recovery processes and technology have already shown benefits in areas such as credit card in the past six months. Repricing initiatives for new business, which are well underway in asset finance and home loans, are expected to provide some mitigation against the ongoing bad debt pressures.

The corporate environment is still showing resilience in the current market conditions but there is increased pressure on smaller businesses in the SME market due to the economic environment. The business environment in the large corporate lending areas is expected to remain resilient over the next year, but with increasing levels of risk in those segments exposed to the consumer.

The Banking Group will continue to actively manage its credit portfolio in the light of deteriorating macro economic conditions. The focus is on the appropriate level of risk appetite that is set in origination strategies and the implementation of credit portfolio hedges where appropriate. Stable or possibly declining interest rates are expected to provide some support to improvements in credit conditions in the second half of the next financial year.

The strong new business growth experienced over the past few years, together with the ongoing product, channel and geographic diversification and recent improvements in the relative investment performance, should benefit Momentum's future earnings growth.

The current investment market volatility is expected to continue, which will impact on asset based fees, whilst more subdued growth is expected from the capital portfolio. New business volumes and the retention of existing clients will remain under pressure as the levels of disposable income continue to decline.

In terms of its growth prospects, the Group still believes that, despite its high market share in sections of the South African market, there are still opportunities to grow organically, particularly in the corporate and investment banking segments and certain retail segments such as mass and wealth. The Group believes that the interest rate cycle has peaked but it is difficult to predict or time the end of the current credit cycle. FirstRand is actively managing its businesses to ensure that they are well positioned to benefit quickly as the cycle improves. The Group recognises that as absolute growth in the topline slows down, an increased focus on efficiencies is a critical business imperative.

FirstRand continues to pursue its strategy of seeking growth opportunities in markets outside South Africa. It is actively looking at Africa, India and Brazil and believes that in the medium term, it can capitalise on a number of niche opportunities in those markets.

The Group believes that given the current uncertain market conditions it would not be appropriate to provide short and medium term earnings growth targets until stability returns to the macro environment and financial markets. The board however remains committed to delivering superior real returns to shareholders over the longer term.

SUBSEQUENT EVENTS

Subsequent to balance sheet date WesBank reached agreement to dispose of the MotorOne Autoloan book in Australia. In terms of the agreement, the Group will realise a loss of approximately

R114 million, which is in line with expectations. The loss will be reported in the Group's interim results for the six months ended 31 December 2008.

BOARD CHANGES

Messrs Denis Falck and Robbie Williams have retired from the board with effect from 11 September 2008.

DIVIDEND POLICY

Fair value accounting continues to impact earnings volatility, 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.

BASIS OF PRESENTATION

FirstRand prepares its consolidated financial statements in accordance with IFRS.

The Group believes that normalised earnings more accurately reflect 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 117.

A table reflecting the reallocation of prior year numbers and reasons therefore can be found on page 119.

GT Ferreira	**PK Harris**
Chairman	Chief executive officer

ANNUAL REPORT

Comprehensive financial information relating to all Group entities will be distributed to shareholders in due course. The financial information in this document has been extracted in a summarised format from the audited annual financial statements for the year ended 30 June 2008.

DIVIDEND DECLARATION

Ordinary shares

The following ordinary cash dividends were declared in respect of the 2008 and 2007 financial years:

	YEAR ENDED 30 JUNE	
Cents per share	**2008**	2007
Interim (declared 3 March 2008)	**44.25**	39.50
Final (declared 15 September 2008)*	**38.25**	43.00
	82.50	82.50

* *The last day to trade in FirstRand shares on a cum-dividend basis in respect of the final dividend will be 17 October 2008 and the first day to trade ex-dividend will be 20 October 2008. The record date will be 24 October 2008 and the payment date 27 October 2008. No dematerialisation or rematerialisation of shares may be done during the period 20 October 2008 to 24 October 2008, both days inclusive.*

Preference shares

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

Cents per share	**"B" Preference 2008**	"B1" Preference 2008
Period 28 August 2007 – 25 February 2008	**477.77**	477.77
Period 26 February 2008 – 25 August 2008	**511.30**	511.30

AH Arnott
Company secretary

15 September 2008

R MILLION	2008	2007	% change
Continuing operations			
Interest and similar income	55 009	45 324	21
Interest expense and similar charges	(31 830)	(25 821)	23
Net interest income before impairment of advances	23 179	19 503	19
Impairment of advances	(5 064)	(2 857)	77
Net interest income after impairment of advances	18 115	16 646	9
Non interest income	22 471	47 709	(53)
Net insurance premium income	5 374	5 081	6
Net claims and benefits paid	(5 530)	(5 590)	(1)
Increase in value of policyholder liabilities	(701)	(25 535)	(97)
Income from operations	39 729	38 311	4
Operating expenses	(26 189)	(23 288)	12
Net income from operations	13 540	15 023	(10)
Share of profit of associates and joint ventures	1 662	2 198	(24)
Profit before tax	15 202	17 221	(12)
Tax	(3 037)	(5 216)	(42)
Profit from continuing operations	12 165	12 005	1
Discontinued operations			
Profit after tax from discontinued operation	868	1 073	(19)
Profit for the year	13 033	13 078	<(1)
Attributable to:			
Non cumulative non redeemable preference shareholders	409	348	18
Ordinary shareholders	11 309	11 511	(2)
Equity holders of the Group	11 718	11 859	(1)
Minority interest	1 315	1 219	8
Profit for the year	13 033	13 078	<(1)

CONSOLIDATED BALANCE SHEET
as at 30 June

R MILLION	2008	2007
ASSETS		
Cash and short term funds	48 486	46 952
Derivative financial instruments	64 314	33 244
Advances	446 286	387 020
Investment securities and other investments	214 353	213 875
Commodities	1 916	1 118
Accounts receivable	8 093	9 257
Investments in associates and joint ventures	13 303	11 809
Property and equipment	8 859	6 411
Deferred tax asset	1 456	1 306
Intangible assets and deferred acquisition costs	4 497	4 302
Investment properties	3 808	2 356
Policy loans on insurance contracts	212	166
Reinsurance assets	550	595
Tax asset	833	34
Assets arising from insurance contracts	–	3 114
Non current assets held for sale	3 092	–
Total assets	820 058	721 559
EQUITY AND LIABILITIES		
Liabilities		
Deposits	488 423	421 568
Short trading positions	33 450	32 175
Derivative financial instruments	51 595	24 139
Creditors and accruals	13 051	13 887
Provisions	3 275	3 598
Tax liability	666	1 368
Post retirement benefit fund liability	1 980	1 882
Deferred tax liability	5 372	6 279
Long term liabilities	13 941	9 250
Reinsurance liabilities	–	20
Policyholder liabilities under insurance contracts	43 417	46 979
Policyholder liabilities under investment contracts	110 784	111 239
Liabilities arising to third parties as a result of consolidating unit trusts	2 742	1 568
Deferred revenue liability	296	387
Total liabilities	768 992	674 339
Equity		
Capital and reserves attributable to equity holders		
Ordinary shares	52	51
Share premium	1 036	2 338
Reserves	43 082	36 640
Capital and reserves attributable to ordinary equity holders	44 170	39 029
Non cumulative non redeemable preference shares	4 519	4 519
Capital and reserves attributable to equity holders	48 689	43 548
Minority interest	2 377	3 672
Total equity	51 066	47 220
Total equity and liabilities	820 058	721 559

R MILLION	2008	2007
Cash flows from operating activities		
Cash receipts from customers	75 755	67 979
Cash paid to customers, suppliers and employees	(56 279)	(48 214)
Dividends received	4 461	1 952
Dividends paid	(4 523)	(3 795)
Net cash flows from operating activities	19 414	17 922
Increase in income earning assets	(63 226)	(86 700)
Increase in deposits and other liabilities	55 647	82 063
Net cash generated from operations	(7 579)	(4 637)
Tax paid	(4 715)	(3 912)
Net cash inflow from operating activities	7 120	9 373
Cash flows from investment activities		
Purchase of property and equipment	(4 056)	(2 193)
Proceeds on disposal of property and equipment	320	59
Purchase of investment properties	(1 706)	(175)
Proceeds on disposal of investment properties	375	988
Proceeds on disposal of investments	182	–
Proceeds on disposal of subsidiary	697	–
Acquisition of subsidiaries	(1 526)	(5 143)
Purchase of associates and joint ventures	(3 623)	(3 274)
Proceeds on disposal of associates and joint ventures	1 439	–
Purchase of intangible assets	(678)	(149)
Net cash outflow from investment activities	(8 576)	(9 887)
Cash flows from financing activities		
Proceeds from/(repayment of) long term liabilities	3 129	(102)
Net cash inflow/(outflow) from financing activities	3 129	(102)
Net increase/(decrease) in cash and cash equivalents	1 673	(616)
Cash and cash equivalents at the beginning of the year	46 952	46 684
Cash and cash equivalents at the end of the year	48 625	46 068
Cash and cash equivalents sold*	(695)	–
Cash and cash equivalents purchased*	139	884
Effect of exchange rate changes on cash and cash equivalents	417	–
Cash and cash equivalents at the end of the year	48 486	46 952

** Cash and cash equivalents sold and purchased relate to the cash balances held by subsidiaries acquired and sold during the year.*

R MILLION	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share based payment reserve
Balance as at 30 June 2006	51	3 584	3 635	1 136	176	2 128
Issue of share capital	–	–	–	–	–	–
Conversion of convertible redeemable preference shares	–	(164)	(164)	–	–	–
Share issue expenses	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	–	–
Movement in other reserves	–	–	–	–	6	237
Profit for the year	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	215	(51)	–
Effect of change in shareholding in subsidiary	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	–
Reserve movements transferred to the income statement	–	–	–	–	–	–
Consolidation of share trusts	–	(1 082)	(1 082)	–	–	–
Balance as at 30 June 2007	51	2 338	2 389	1 351	131	2 365
Conversion of convertible redeemable preference shares	1	–	1	–	–	–
Currency translation differences	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	132	–
Movement in other reserves	–	–	–	–	–	111
Profit for the year	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	(1 343)	–	(77)
Effect of change in shareholding in subsidiary	–	(1)	(1)	–	–	–
Subsidiary sold/unbundled – Discovery	–	(1 201)	(1 201)	–	–	(151)
Contribution from parent company	–	–	–	–	–	–
Non distributable reserves of associates	–	–	–	–	–	–
Reserve movements transferred to the income statement	–	–	–	–	339	–
Consolidation of share trusts	–	(100)	(100)	–	–	–
Balance as at 30 June 2008	52	1 036	1 088	8	602	2 248

Available-for-sale reserve	Currency translation reserve	Other non distributable reserves	Retained earnings	Capital and reserves attributable to ordinary equity holders	Preference share-holders' funds	Minority interest	Total equity
1 003	575	159	23 199	32 011	4 519	2 974	39 504
–	–	–	–	–	–	45	45
–	–	–	164	–	–	–	–
–	–	–	–	–	–	(1)	(1)
–	10	–	–	10	–	(7)	3
869	–	–	–	869	–	83	952
–	–	(32)	3	214	–	10	224
–	–	–	11 511	11 511	348	1 219	13 078
–	–	–	(3 795)	(3 795)	–	(747)	(4 542)
–	–	–	–	–	(348)	–	(348)
44	–	47	(255)	–	–	51	51
–	–	(337)	355	18	–	26	44
–	–	–	–	–	–	19	19
(732)	–	–	–	(732)	–	–	(732)
–	–	(425)	430	(1 077)	–	–	(1 077)
1 184	**585**	**(588)**	**31 612**	**39 029**	**4 519**	**3 672**	**47 220**
–	–	–	–	1	–	–	1
–	780	–	–	780	–	56	836
737	–	(15)	–	854	–	(60)	794
–	–	62		173	–	32	205
–	–	–	11 309	11 309	409	1 315	13 033
–	–	–	(4 523)	(4 523)	–	(692)	(5 215)
–	–	–	–	–	(409)	–	(409)
–	–	–	1 420	–	–	–	–
–	–	(48)	(57)	(106)	–	141	35
(426)	–	385	(2 051)	(3 444)	–	(2 100)	(5 544)
–	–	–	–	–	–	12	12
–	–	19	–	19	–	1	20
(388)	–	–	–	(49)	–	–	(49)
–	–	–	227	127	–	–	127
1 107	**1 365**	**(185)**	**37 937**	**44 170**	**4 519**	**2 377**	**51 066**

SEGMENTAL INCOME STATEMENT
for the year ended 30 June

	Banking Group		Momentum Group		Discovery Group	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007
Continuing operations						
Net interest income	**17 098**	13 998	**6 457**	5 700	**–**	–
Impairment of advances	**(5 064)**	(2 857)	**–**	–	**–**	–
Net interest income after impairment of advances	**12 034**	11 141	**6 457**	5 700	**–**	–
Non interest income	**21 115**	20 778	**1 766**	27 732	**–**	–
Net insurance premium income	**–**	58	**5 392**	5 023	**–**	–
Net claims and benefits paid	**–**	–	**(5 530)**	(5 590)	**–**	–
Increase in value of policyholder liabilities	**–**	–	**(638)**	(25 535)	**–**	–
Income from operations	**33 149**	31 977	**7 447**	7 330	**–**	–
Operating expenses	**(21 525)**	(19 497)	**(5 001)**	(4 136)	**–**	–
Share of profit of associates and joint ventures	**1 690**	2 013	**20**	185	**–**	–
Profit before tax	**13 314**	14 493	**2 466**	3 379	**–**	–
Tax	**(2 565)**	(3 844)	**(470)**	(1 307)	**–**	–
Net profit from continuing operations	**10 749**	10 649	**1 996**	2 072	**–**	–
Discontinued operations						
Profit after tax from discontinued operation	**–**	–	**–**	–	**374**	1 073
Profit for the year	**10 749**	10 649	**1 996**	2 072	**374**	1 073
Attributable to:						
Non cumulative non redeemable preference shareholders	**273**	232	**45**	38	**–**	–
Equity holders of the Group	**9 271**	9 594	**1 957**	2 038	**234**	673
Minority interests	**1 205**	823	**(6)**	(4)	**140**	400
Attributable earnings to shareholders	**9 544**	9 826	**2 002**	2 076	**234**	673
Headline earnings adjustments	**(843)**	(74)	**(23)**	(466)	**(49)**	(117)
Profit on disposal of available-for-sale assets	**(7)**	–	**–**	(649)	**(91)**	(214)
Profit on sale of Southern Life Namibia book	**–**	–	**(22)**	–	**–**	–
Profit on sale of shares in subsidiary and associate	**(107)**	(78)	**(1)**	–	**–**	–
Net asset value in excess of purchase price of subsidiaries	**(24)**	–	**–**	–	**–**	–
Profit on disposal of property and equipment	**(4)**	(8)	**–**	–	**–**	–
Impairment of intangible assets	**104**	–	**–**	55	**–**	–
Impairment of goodwill	**33**	–	**–**	61	**–**	–
VISA listing	**(1 052)**	–	**–**	–	**–**	–
Other	**29**	–	**–**	–	**–**	–
Total tax effects of adjustments	**169**	12	**–**	67	**12**	27
Total minority interest of adjustments	**16**	–	**–**	–	**30**	70
Headline earnings	**8 701**	9 752	**1 979**	1 610	**185**	556
Normalised earnings adjustments	**113**	337	**25**	58	**–**	(20)
Discovery BEE transaction	**–**	–	**–**	–	**5**	19
IFRS 2 share based expenses	**113**	289	**25**	78	**12**	11
Treasury shares	**–**	–	**–**	–	**(17)**	(50)
– adjustment for effective shareholding in Discovery	**–**	–	**–**	–	**(17)**	(50)
– consolidation of staff share schemes	**–**	–	**–**	–	**–**	–
– FirstRand shares held by policyholders	**–**	–	**–**	–	**–**	–
Transfer of Ashburton to Banking Group	**–**	48	**–**	(48)	**–**	–
Adjustment of listed property associates to net asset value	**–**	–	**–**	28	**–**	–
Normalised earnings	**8 814**	10 089	**2 004**	1 668	**185**	536

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
27	(238)	(381)	(211)	23 201	19 249	(22)	254	23 179	19 503
–	–	–	–	(5 064)	(2 857)	–	–	(5 064)	(2 857)
27	(238)	(381)	(211)	18 137	16 392	(22)	254	18 115	16 646
43	258	(132)	(381)	22 792	48 387	(321)	(678)	22 471	47 709
–	–	–	–	5 392	5 081	(18)	–	5 374	5 081
–	–	–	–	(5 530)	(5 590)	–	–	(5 530)	(5 590)
–	–	–	–	(638)	(25 535)	(63)	–	(701)	(25 535)
70	20	(513)	(592)	40 153	38 735	(424)	(424)	39 729	38 311
(67)	(78)	(7)	(1)	(26 600)	(23 712)	411	424	(26 189)	(23 288)
–	–	–	–	1 710	2 198	(48)	–	1 662	2 198
3	(58)	(520)	(593)	15 263	17 221	(61)	–	15 202	17 221
(17)	(65)	–	–	(3 052)	(5 216)	15	–	(3 037)	(5 216)
(14)	(123)	(520)	(593)	12 211	12 005	(46)	–	12 165	12 005
454	–	182	–	1 010	1 073	(142)	–	868	1 073
440	(123)	(338)	(593)	13 221	13 078	(188)	–	13 033	13 078
409	348	–	–	727	618	(318)	(270)	409	348
31	(471)	(338)	(593)	11 155	11 241	154	270	11 309	11 511
–	–	–	–	1 339	1 219	(24)	–	1 315	1 219
31	(471)	(338)	(593)	11 473	11 511	(164)	–	11 309	11 511
(454)	–	(182)	–	(1 551)	(657)	164	–	(1 387)	(657)
–	–	–	–	(98)	(863)	–	–	(98)	(863)
–	–	–	–	(22)	–	22	–	–	–
(485)	–	(227)	–	(820)	(78)	142	–	(678)	(78)
–	–	–	–	(24)	–	–	–	(24)	–
–	–	–	–	(4)	(8)	–	–	(4)	(8)
–	–	–	–	104	55	–	–	104	55
–	–	–	–	33	61	–	–	33	61
–	–	–	–	(1 052)	–	–	–	(1 052)	–
–	–	–	–	29	–	–	–	29	–
31	–	45	–	257	106	–	–	257	106
–	–	–	–	46	70	–	–	46	70
(423)	(471)	(520)	(593)	9 922	10 854	–	–	9 922	10 854
3	23	520	593	661	991	–	–	661	991
–	–	–	–	5	19	–	–	5	19
3	23	–	–	153	401	–	–	153	401
–	–	520	593	503	543	–	–	503	543
–	–	–	–	(17)	(50)	–	–	(17)	(50)
–	–	517	372	517	372	–	–	517	372
–	–	3	221	3	221	–	–	3	221
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	28	–	–	–	28
(420)	(448)	–	–	10 583	11 845	–	–	10 583	11 845

SEGMENTAL BALANCE SHEET
as at 30 June

	Banking Group		Momentum Group		Discovery Group	
R MILLION	2008	2007	2008	2007	2008	2007
ASSETS						
Cash and short term funds	27 895	28 796	26 084	18 935	–	623
Derivative financial instruments	49 104	20 840	18 100	14 985	–	–
Advances	449 156	391 560	–	–	–	–
Investment securities and other investments	96 992	82 006	121 208	128 237	–	3 168
Commodities	1 916	1 118	–	–	–	–
Accounts receivable	5 872	6 866	2 444	1 759	–	743
Investments in associates and joint ventures	6 514	5 457	6 941	6 146	–	200
Investment in subsidiary companies	–	–	–	–	–	–
Property and equipment	8 063	5 428	596	557	–	226
Deferred tax asset	631	537	825	684	–	80
Intangible assets and deferred acquisition costs	1 470	843	3 126	3 307	–	93
Investment properties	–	–	3 808	2 356	–	–
Policy loans on insurance contracts	19	–	193	166	–	–
Reinsurance assets	–	–	550	544	–	51
Tax asset	809	–	24	17	–	4
Assets arising from insurance contracts	–	–	–	–	–	3 114
Non current assets held for sale	3 092	–	–	–	–	–
Loans to Insurance Group	6 561	4 016	–	–	–	
Loans to other group companies	–	–	–	6 395	–	198
Total assets	658 094	547 467	183 899	184 088	–	8 500
EQUITY AND LIABILITIES						
Liabilities						
Deposits	496 074	425 026	–	–	–	–
Short trading positions	33 688	32 175	–	–	–	–
Derivative financial instruments	45 653	17 769	9 190	7 817	–	2
Creditors and accruals	7 783	9 064	5 247	6 199	–	673
Provisions	3 023	3 211	246	336	–	48
Tax liability	205	1 123	434	224	–	–
Post retirement benefit fund liability	1 938	1 842	42	40	–	–
Deferred tax liability	3 532	3 268	1 840	2 213	–	806
Long term liabilities	9 512	7 174	1 088	1 219	–	40
Reinsurance liabilities	–	–	–	–	–	20
Policyholder liabilities under insurance contracts	1 435	412	41 982	45 875	–	692
Policyholder liabilities under investment contracts	108	–	111 116	110 768	–	735
Liabilities arising to third parties as a result of consolidating unit trusts	–	–	2 742	1 568	–	–
Deferred revenue liability	–	–	296	265	–	122
Loans from Insurance Group	5 614	5 522	–	–	–	–
Loans from other group companies	–	–	2 910	1 093	–	–
Total liabilities	608 565	506 586	177 133	177 617	–	3 138
Equity						
Capital and reserves attributable to equity holders						
Ordinary shares	106	106	9	9	–	1
Share premium	7 164	3 802	1 032	1 032	–	1 392
Reserves	36 616	32 218	5 229	4 911	–	3 969
	43 886	36 126	6 270	5 952	–	5 362
Non cumulative non redeemable preference shares	3 100	3 100	500	500	–	–
Cumulative redeemable preference shares	25	–	–	–	–	–
Capital and reserves attributable to equity holders	47 011	39 226	6 770	6 452	–	5 362
Minority interest	2 518	1 655	(4)	19	–	–
Total equity	49 529	40 881	6 766	6 471	–	5 362
Total equity and liabilities	658 094	547 467	183 899	184 088	–	8 500

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
–	–	**–**	–	**53 979**	48 354	**(5 493)**	(1 402)	**48 486**	46 952
–	–	**–**	–	**67 204**	35 825	**(2 890)**	(2 581)	**64 314**	33 244
–	–	**–**	(1 900)	**449 156**	389 660	**(2 870)**	(2 640)	**446 286**	387 020
–	712	**(345)**	(783)	**217 855**	213 340	**(3 502)**	535	**214 353**	213 875
–	–	**–**	–	**1 916**	1 118	**–**	–	**1 916**	1 118
21	24	**9**	3	**8 346**	9 395	**(253)**	(138)	**8 093**	9 257
–	476	**–**	–	**13 455**	12 279	**(152)**	(470)	**13 303**	11 809
19 547	17 753	**–**	–	**19 547**	17 753	**(19 547)**	(17 753)	**–**	–
–	–	**–**	–	**8 659**	6 211	**200**	200	**8 859**	6 411
–	5	**–**	–	**1 456**	1 306	**–**	–	**1 456**	1 306
–	–	**–**	–	**4 596**	4 243	**(99)**	59	**4 497**	4 302
–	–	**–**	–	**3 808**	2 356	**–**	–	**3 808**	2 356
–	–	**–**	–	**212**	166	**–**	–	**212**	166
–	–	**–**	–	**550**	595	**–**	–	**550**	595
–	13	**–**	–	**833**	34	**–**	–	**833**	34
–	–	**–**	–	**–**	3 114	**–**	–	**–**	3 114
–	–	**–**	–	**3 092**	–	**–**	–	**3 092**	–
4 715	2 299	**–**	–	**11 276**	6 315	**(11 276)**	(6 315)	**–**	–
–	1 867	**265**	6	**265**	8 466	**(265)**	(8 466)	**–**	–
24 283	23 149	**(71)**	(2 674)	**866 205**	760 530	**(46 147)**	(38 971)	**820 058**	721 559
–	–	**–**	(68)	**496 074**	424 958	**(7 651)**	(3 390)	**488 423**	421 568
–	–	**(90)**	–	**33 598**	32 175	**(148)**	–	**33 450**	32 175
–	–	**–**	–	**54 843**	25 588	**(3 248)**	(1 449)	**51 595**	24 139
78	118	**27**	–	**13 135**	16 054	**(84)**	(2 167)	**13 051**	13 887
6	1	**–**	–	**3 275**	3 596	**–**	2	**3 275**	3 598
26	19	**–**	–	**665**	1 366	**1**	2	**666**	1 368
–	–	**–**	–	**1 980**	1 882	**–**	–	**1 980**	1 882
–	21	**–**	–	**5 372**	6 308	**–**	(29)	**5 372**	6 279
3 595	938	**–**	–	**14 195**	9 371	**(254)**	(121)	**13 941**	9 250
–	–	**–**	–	**–**	20	**–**	–	**–**	20
–	–	**–**	–	**43 417**	46 979	**–**	–	**43 417**	46 979
–	–	**–**	–	**111 224**	111 503	**(440)**	(264)	**110 784**	111 239
–	–	**–**	–	**2 742**	1 568	**–**	–	**2 742**	1 568
–	–	**–**	–	**296**	387	**–**	–	**296**	387
1	–	**4 483**	–	**10 098**	5 522	**(10 098)**	(5 522)	**–**	–
–	3 536	**1 532**	3 543	**4 442**	8 172	**(4 442)**	(8 172)	**–**	–
3 706	4 633	**5 952**	3 475	**795 356**	695 449	**(26 364)**	(21 110)	**768 992**	674 339
56	56	**(4)**	(4)	**167**	168	**(115)**	(117)	**52**	51
7 083	8 451	**(6 190)**	(6 089)	**9 089**	8 588	**(8 053)**	(6 250)	**1 036**	2 338
8 919	5 490	**171**	(56)	**50 935**	46 532	**(7 853)**	(9 892)	**43 082**	36 640
16 058	13 997	**(6 023)**	(6 149)	**60 191**	55 288	**(16 021)**	(16 259)	**44 170**	39 029
4 519	4 519	**–**	–	**8 119**	8 119	**(3 600)**	(3 600)	**4 519**	4 519
–	–	**–**	–	**25**	–	**(25)**	–	**–**	–
20 577	18 516	**(6 023)**	(6 149)	**68 335**	63 407	**(19 646)**	(19 859)	**48 689**	43 548
–	–	**–**	–	**2 514**	1 674	**(137)**	1 998	**2 377**	3 672
20 577	18 516	**(6 023)**	(6 149)	**70 849**	65 081	**(19 783)**	(17 861)	**51 066**	47 220
24 283	23 149	**(71)**	(2 674)	**866 205**	760 530	**(46 147)**	(38 971)	**820 058**	721 559

SOURCES OF NORMALISED EARNINGS FROM CONTINUING AND DISCONTINUED OPERATIONS for the year ended 30 June

R MILLION	2008	% composition	2007	% composition	% change
FNB	4 654	44	4 245	36	10
RMB	3 008	28	3 868	33	(22)
WesBank	573	5	918	8	(38)
FNB Africa	499	5	437	3	14
Momentum	1 741	17	1 471	12	18
Insurance operations	1 459		1 145		
Asset management operations	282		326		
Group Support	343	3	818	7	(58)
Banking Group	80		621		
Momentum Group	263		197		
FirstRand Limited (company)	(11)	(0)	(100)	(1)	(89)
Dividend payment to non cumulative non redeemable preference shareholders	(409)	(4)	(348)	(3)	18
Normalised earnings from continuing operations (unaudited)	10 398	98	11 309	95	(8)
Discovery	185	2	536	5	(65)
Normalised earnings from continuing and discontinued operations (unaudited)[1]	**10 583**	**100**	11 845	100	(11)

1. *Refer to page 117 for description of normalised earnings.*

FIRSTRAND
Banking Group

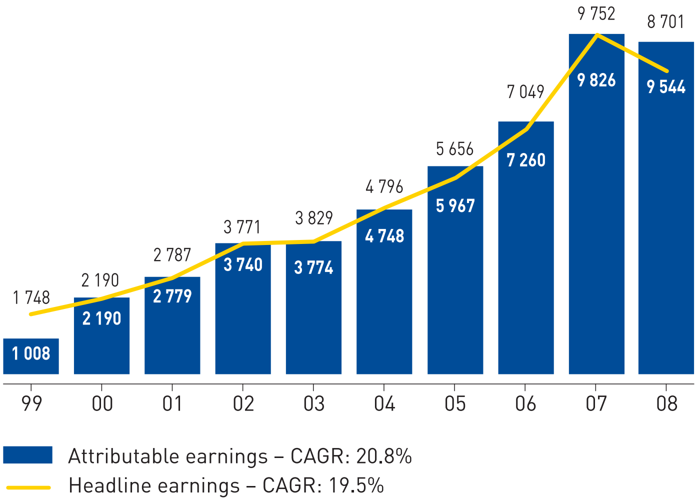
INTRODUCTION

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

FINANCIAL HIGHLIGHTS

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Attributable earnings to shareholders	9 544	9 826	(3)
Headline earnings	8 701	9 752	(11)
Normalised (before preference dividends)			
Earnings (unaudited)	8 814	10 089	(13)
Return on equity (%) (unaudited)	20	29	
Normalised (after preference dividends)			
Earnings (unaudited)	8 541	9 857	(13)
Return on equity (%) (unaudited)	21	31	

Earnings performance
(R million)



INTRODUCTION

The Banking Group experienced a very challenging trading environment during the year under review, in stark contrast with the buoyant conditions that were experienced in the comparative period.

The trend of rising inflation and interest rates experienced during the 2007 calendar year accelerated significantly during the second half of the current financial year, with CPIX inflation reaching a high of 11.6% in June 2008. This resulted in a further tightening of monetary policy, borne out by a cumulative 250 basis point increase in interest rates since June 2007 and a slowing of the South African economy. These factors negatively affected asset growth, as well as putting further strain on bad debt levels due to the high levels of customer indebtedness as well as their ability to service debt repayments.

As previously reported, the international credit and liquidity crunch which impacted on global credit and equity markets resulted in significant losses in the Banking Group's international equities trading operations in the six months ended 31 December 2007. The market volatility and resultant risk has been more prolonged than initially expected. Consequently, notwithstanding a belief that the Equities portfolio should yield long term value, a decision was taken to de-risk the Equities balance sheet on a controlled basis, by selling down whenever market liquidity allowed.

OVERVIEW OF RESULTS

The results for the financial year were achieved in a local and international operating environment characterised by:

- slower GDP growth and a widening current account deficit in South Africa, negatively impacting on the Rand;
- sharply rising CPIX inflation in South Africa, from 6.4% at June 2007 to 11.6% at June 2008;
- a further cumulative 250 basis point increase in interest rates during the year;
- a material slow down in consumer credit demand in the second half of the financial year, especially in asset backed finance;
- a significant rise in impairment charges, especially in the retail portfolios, primarily due to the higher interest rate environment, high levels of customer indebtedness and a deteriorating ability to service debt levels given reducing disposable income;
- ongoing competitive pricing pressure, especially on the asset side of the banking book;
- prolonged global market turmoil, following the US sub prime and subsequent liquidity crises;
- the resultant negative contagion, repricing and fundamental value dislocation of international markets, which negatively affected the Banking Group's international trading businesses;
- volatility in the South African equity, interest rate and currency markets, which benefited the Banking Group's local trading businesses;
- strong deal flow in corporate and structured finance, which benefited from continued robust BEE and M&A activity, commercial property and leveraged finance opportunities;
- favourable market conditions for the realisation of private equity businesses, both locally and internationally; and
- year on year growth in retail client numbers and transactional volumes, with a positive impact on fee and commission income.

The Banking Group benefited from a once off profit of R1 052 million on the initial listing of VISA Inc on the New York Stock Exchange ("NYSE") during March 2008, which amount, after tax, has been excluded from headline earnings.

Reconciliation of normalised earnings (unaudited)

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Attributable earnings	**9 544**	9 826	(3)
Adjusted for:			
– Profit on sale of subsidiaries	**(107)**	(78)	37
– VISA listing	**(1 052)**	–	100
– Other	**131**	(8)	>100
– Minorities	**16**	–	100
– Tax effect on adjustments	**169**	12	>100
Headline earnings	**8 701**	9 752	(11)
Adjusted for:			
– Ashburton	**–**	48	(100)
– IFRS 2 share based payment expenses	**113**	289	(61)
Normalised earnings	**8 814**	10 089	(13)
Preference dividends paid	**(273)**	(232)	18
Normalised earnings attributable to ordinary shareholders	**8 541**	9 857	(13)

Prior year numbers have been restated to reflect the transfer of Ashburton ("FRIWM") from Momentum to the Banking Group.

Return on equity – normalised (unaudited)

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Normalised (before preference dividends)			
Earnings	8 814	10 089	(13)
Average equity[1]	43 119	35 041	23
Return on equity (%)	20	29	
Normalised (after preference dividends)			
Earnings	8 541	9 857	(13)
Average equity[2]	40 006	31 941	25
Return on equity (%)	21	31	

1. Including non cumulative non redeemable preference shares.
2. Excluding non cumulative non redeemable preference shares.

Performance against targets

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

%	Performance target	Actual June 2008
Return on equity[1]	23.4	21
Normalised earnings growth[2]	19.6	(13)
Cost to income ratio	52 – 54	52.6
Impairment charge as a percentage of average gross advances[3,4]	1.30 – 1.45	1.19

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.
3. After credit protection. Before credit protection the ratio was 1.28%.
4. Current cycle target. Long term through the cycle target ratio of 0.7 – 0.9%.

Business unit performance

The major business units in the Banking Group produced mixed results as reflected in the profit before direct tax numbers below:

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
FNB	6 345	5 738	11
FNB Africa	1 156	907	27
RMB	4 204	5 281	(20)
WesBank	734	1 370	(46)

More detailed information on the performance of the business units are set out on pages 33 to 45.

FNB performed satisfactorily in an increasingly challenging environment, affected by:

- an increase of 8% in customer numbers;
- growth of 15% in gross advances on a year on year basis, with growth of 16% in home loans, 59% in mass segment loans and 42% in commercial property finance loans, although advances growth slowed to 5% for the second half of the financial year;
- satisfactory deposit growth of 14% with the Consumer, Commercial and Corporate segments the main contributors;
- interest income growth of 24%, benefiting from the balance sheet growth in advances and deposits, as well as the increased endowment effect on liability balances; and
- non interest income growth of 16% as a result of the increase in client numbers and higher transaction volumes across all segments, although absolute growth levels slowed down in the second half of the financial year as transaction volumes were negatively impacted by the higher interest rate environment.

FNB achieved this performance despite significantly higher bad debt levels, especially in HomeLoans and Card Issuing, which were adversely affected by the rise in interest rates, higher levels of customer indebtedness and in the case of HomeLoans, significantly lower or negative property value growth during the latter half of the financial year.

FNB Africa performed well, with a performance characterised by:

- a strong performance from FNB Namibia, driven by higher transaction volumes, strong deposit growth, increased margins due to positive endowment income on deposits and a very good performance in the underlying insurance businesses;
- strong balance sheet growth from FNB Botswana, especially on the deposit side due to increased marketing by Treasury and Corporate, and good non interest revenue growth due to increased transactional volumes;
- a good performance from FNB Swaziland, which benefited from an increase in interest income, higher deposit margins and higher non interest revenue due to increased transactional volumes and new products;
- good results from FNB Lesotho, off a low base, benefiting from strong deposit and advances growth;
- a positive contribution from the acquisition of FNB Moçambique during the year; and

- the negative impact of higher bad debt levels across all of the subsidiaries caused by the higher interest rate environment.

In addition, FNB Africa benefited from a profit on the VISA listing of R58 million during the year.

RMB's results were achieved in varying local and international operating and trading environments, resulting in:

- excellent results from the Investment Banking division, which benefited from continued robust corporate activity and strong corporate finance deal flow in an environment still experiencing high levels of BEE and M&A activity, supplemented by a good performance from the property finance businesses;
- an exceptional performance from the local trading businesses, in markets characterised by increased interest rate, currency and market volatility which assisted the fixed income and proprietary trading areas, as well as increased trading volumes and structuring opportunities;
- continued profitable private equity realisations, both locally and internationally, as well as strong equity accounted earnings from underlying investee companies; and
- major losses in the international trading businesses due to the severe market dislocation in the international debt and equity markets.

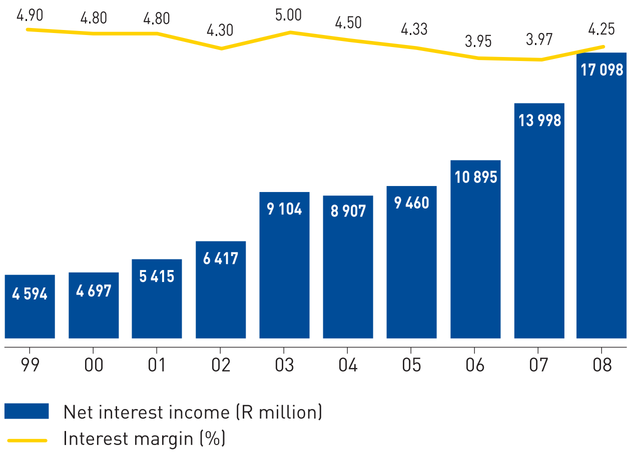
WesBank's results were characterised by:

- a significant slowdown in new car sales during the financial year, most specifically in the second half of the year, primarily as a result of increasing interest rates and the resultant higher levels of consumer indebtedness;
- resilience in the corporate market, benefiting from continued capacity expansion;
- a 6% increase in gross advances (2% after the impact of securitisations), with total new business production on local operations down 12% year on year;
- flat non interest income growth, negatively impacted by the slowdown in lending activity as well as a once off profit on the sale of MobileData in the prior year;
- significantly higher bad debt levels due to the increased interest rate environment and high levels of consumer indebtedness; and
- increased operational losses in Australia, including once off costs associated with closing down these lending operations.

FINANCIAL REVIEW

Net interest income ("NII") (before impairment of advances) – up 22%

Net interest income before impairments



The South African Reserve Bank announced five rate increases in August, October and December 2007 as well as in April and June 2008. The average prime overdraft rate was 2.09% higher than in the prior year.

Margins on advances deteriorated slightly from the comparative period, negatively affected by continuing margin pressure on asset generators such as HomeLoans and WesBank, primarily due to higher funding costs.

Deposit margins widened, especially on shorter dated products, and further benefited from the increased endowment effect given the higher interest rate environment.

The advances book continued the trend experienced during the previous financial year, growing faster than the retail deposit book, necessitating increased levels of more expensive funding raised from the professional market. This change in funding mix increased the average cost of funding for the Group with a negative impact on margins.

Interest margins showed an increase from 3.97% at 30 June 2007 to 4.25% at 30 June 2008. A more detailed analysis of the Banking Group margins is set out on page 69.

Net interest income and interest margins were positively influenced by:

- the volume effect from the growth in advances and deposits and the 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 due to the higher interest rate environment.

Negative factors included:

- competitive pressure on pricing in certain asset generators such as WesBank and HomeLoans; and
- the increasing cost of longer term and professional funding sources.

Advances – up 15%

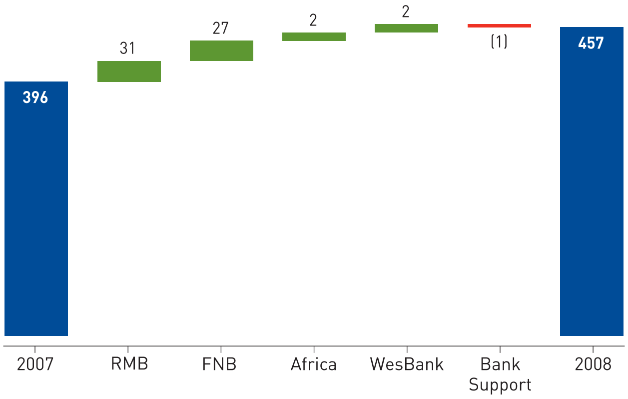
The Banking Group distinguishes between advances originated and managed on an accrual basis ("accrual advances") and those advances which are managed on a fair value basis within RMB's businesses.

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

	AT 30 JUNE		
R MILLION	2008	2007	% change
Accrual advances	346 559	310 724	12
Fair value advances*	102 557	80 836	27
Net advances	449 156	391 560	15
Impairments	7 383	4 550	62
Gross advances	456 539	396 110	15

* *Primarily RMB – prior year numbers restated by R8 075 million – refer page 32 for additional information.*

Gross advances
(R billion)



FNB achieved growth of 15% in advances due to:

- 16% growth in HomeLoans (13% after the impact of securitisation), although growth peaked in the first half of the financial year. Growth slowed substantially in the second half, reflecting a reduction in consumer demand for credit as well as the impact of significant tightening in credit scorecards. New business market share increased from 16% at June 2007 to 17% at June 2008, although slowing significantly off its high of 22% achieved at December 2007;
- the Mass segment's growth of 59%, benefiting from organic growth of 26%, primarily in the SmartSpend, SmartHousing and SmartBond products, as well as through the acquisition of Transnet advances book during the year;
- advances in the Wealth segment grew 27% as a result of higher client numbers in the high end of the market; and
- the Commercial segment's growth of 19%, primarily due to commercial property finance loans increasing by 42%, leveraged finance loans growing 37% and mid corporate by 10%.

Overall advances growth was negatively impacted by the lower than average growth of 5% in Card Issuing and a decline of 8% in Personal Loans and 35% in FNB Other.

WesBank's advances grew 2% (6% after the impact of securitisations) due to:

- a significant slowdown in new motor vehicle sales in South Africa, especially in the second half of the financial year; and
- the classification of the Australian finance book of R2.5 billion to "Non current asset held for sale"; but
- offset by resilient advances growth in the corporate sector of 10%, buoyed by continued capital expenditure, capacity building and infrastructure development; and
- growth in the Carlyle Finance operation in the UK.

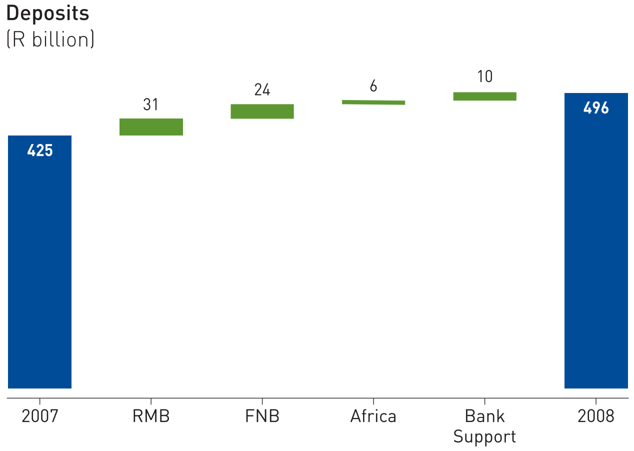
The African subsidiaries increased advances 17%, reflecting:

- low growth in Namibia and Swaziland due to lower credit demand, negatively affected by lower economic growth as well as high interest rates;
- strong growth in Botswana of 31%, assisted by stronger economic fundamentals, driving a stronger demand for both corporate and asset backed advances;
- significant growth of 79% in Lesotho, off a low base, reflecting an increase in market share; and
- the benefit from the acquisition of FNB Moçambique during the first half of the financial year.

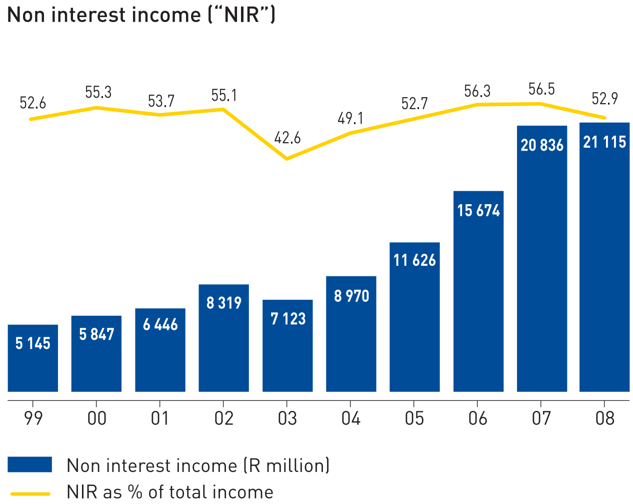
RMB increased advances 30%, due to:

- increased lending activities in the preference share, leveraged finance and property finance areas, due to various high value transactions concluded during the year; and
- an increase in treasury assets, reflecting higher Corporate client demand for cash and increased trading related advances.

Deposits – up 17%



Non interest income ("NIR") – up 1%



Growth in deposits was driven primarily by the need to fund the ongoing growth in advances.

There is a continued focus by management to optimise the mix of the deposit book, especially due to the higher cost of professional and longer term funding.

FNB's deposits increased 14%, with the Consumer, Commercial and Corporate segments driving the growth. Growth in the consumer environment was largely driven by product innovation and remained focused on shorter dated products, reflecting the attraction of investment and savings products in the rising interest rate environment. The growth in the Commercial and Corporate segments reflected the continuing strong balance sheet positions of businesses and corporates.

The African subsidiaries increased deposits 37%. Absolute growth was driven by very strong growth of 47% in Botswana resulting from a focus on marketing activities in the corporate and treasury environments. Growth further benefited from an increase of more than 100% in Lesotho, off a low base, as well as the acquisition of FNB Moçambique during the financial year.

RMB's deposits increased 38%, primarily as a result of increased client trading activity leading to higher cash collateral requirements, as well as increased cash placing from new mandates won during the year.

Fee and commission income – up 17%

The Banking Group experienced satisfactory growth in client numbers, volume and value of spend during the financial year in spite of the more unfavourable economic conditions experienced in the latter half of the year.

The slowdown in transactional volume growth experienced in the first half of the financial year has continued for the remainder of the year, affected by the higher interest rate environment which negatively impacted on customers' affordability levels and resultant transaction volumes.

FNB benefited from an increase of 8% in client numbers as well as an absolute increase in both transaction volumes and value:

- the Consumer segment showed 14% growth, resulting from a 11% growth in active clients and a 4% increase in transactions per account, although growth levels came under increasing pressure during the second half of the financial year, due to the effects of higher inflation and interest rates on transactional volume growth;
- the Mass segment's growth of 17% resulted from increased transaction volumes, in part due to a 6% growth in the active client base as well as strong growth of 12% in revenue generating transactions, including debit card transactions which grew 40%;
- growth of 80% in the Wealth segment, benefiting from the acquisition of FirstRand International Wealth Management during the year;
- the Corporate segment's growth of 14% primarily resulted from increased electronic channel use, from both an increased footprint and higher transaction volumes, although growth slowed significantly during the second half of the financial year; and
- the Commercial segment's growth of 10% was driven by increased transaction volumes in SpeedPoint, International banking and Electronic banking channels.

WesBank's non interest income growth was flat year on year. Local growth continued to benefit from good contributions from the fleet business, robust insurance revenue growth as well as the acquisition of Rentworks during the financial year. Absolute growth levels were negatively impacted by the general slowdown in new business levels as well as the disposal of MobileData to Tracker in June 2007 (now reported as part of income from associates).

RMB's knowledge based fee income increased 7%, benefiting from continued high levels of deal flow due to the high levels of BEE and M&A activity, as well as strong business flows in the structured finance environment.

Income from fair value assets – down 52%

RMB's trading businesses experienced mixed results during the year under review. As a result, income from fair value assets reduced by 52% to R2 842 million for the year ended 30 June 2008.

The domestic trading businesses performed well. In particular, the fixed income and currency businesses reported record performances, exploiting increased volatility and the trending nature in the local currency and interest rate markets. In addition, the fee based and client flow businesses benefited from increased volumes and strong client flows.

The international equity trading businesses experienced significant losses of $268 million during the financial year, negatively affected by the severe market dislocation experienced subsequent to the US sub prime credit crisis which spilled over into the international markets. These positions have been significantly reduced whenever market liquidity allowed, and was at 15% of its peak at year end.

Further information is presented on page 42.

Investment income – up >100%

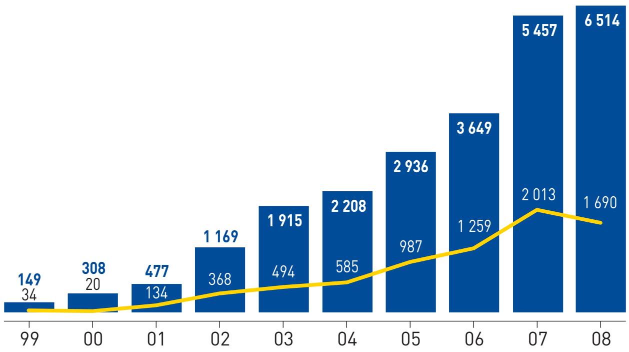
Investment income includes realised gains and losses from the Banking Group's private equity portfolios managed by RMB.

The Private Equity businesses had another exceptional year. Good profits were realised locally and internationally in an environment conducive to realisations. In spite of the realisations, unrealised profits in the portfolio was at R2 billion at year end, in part due to new investments made during the year (R1.1 billion of new investments were made during the financial year). Consistent with prior years, the unrealised profit on the portfolio is not recognised in income.

The Banking Group further benefited from a once off profit of R1 052 million on the initial listing of VISA on the NYSE during the year. This amount, after tax, has been excluded from headline earnings.

Equity accounted income – down 16%

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

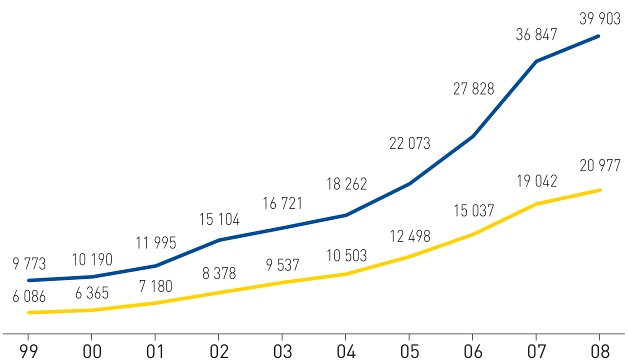


The results were impacted by:

- a good performance from FirstRand Short Term Insurance, benefiting from increased client numbers resulting in strong premium income growth of 22%, satisfactory new business flows on the commercial side and good investment returns;
- a strong performance from the Private Equity associates resulting from underlying business fundamentals and operating performance;
- an increase in the performance from WesBank's associates, assisted by the acquisition of Tracker in May 2007; and
- a disappointing performance from the international associates, primarily due to the sharp decline in certain commodity and energy prices during the financial year negatively affecting the results of Nufcor. FirstRand disposed of its 50% shareholding in Nufcor with effect 26 June 2008.

Operating expenses – up 10%

Operating "jaws"
(R million)



Operating expenses increased by 10% year on year.

The absolute increase in operating expenses was affected by:

- direct staff remuneration which increased 14%, 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 decreased 21% from R2 575 million to R2 026 million, reflecting the decrease in profit growth during the year;
- other staff related costs increasing 13%, impacted by increases in post retirement fund liabilities, although benefiting from lower IFRS 2 share based payment costs; and
- once off costs directly related to scaling down of WesBank's international operations in Australia of approximately R90 million (2007: R0).

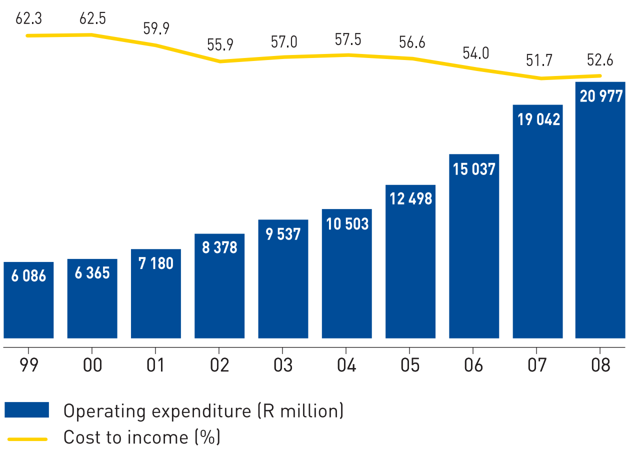
A detailed analysis of operating expenditure is set out on page 80.

Cost to income ratio

The cost to income ratio deteriorated from 51.7% at 30 June 2007 to 52.6%, reflecting the negative "Jaws" of 1.9% experienced during the year.

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

Operating efficiency



Direct tax

The direct tax charge as a percentage of income before direct tax decreased from 26.5% to 19.3%. The year on year decrease is primarily as a result of the Banking Group benefiting from a high level of STC credits earned during the year relative to the comparative period, as well as a high level of profits earned during the period which were subject to Capital Gains Tax.

CREDIT RISK MANAGEMENT

Non performing loans and credit impairments

The confluence of the macro economic factors in the current environment such as high interest rates and high inflation has resulted in pressure on consumers' ability to repay debt. Affordability levels have been negatively influenced by these factors which resulted in further increases in bad debts and lower growth in advances. The expectation is that the pressure on the consumer will continue for some time resulting in further increases in arrears, non performing loans and impairment charges for bad debts. The corporate environment is showing resilience in the current market conditions, however, with increased pressure on smaller businesses in the SME market due to the economic environment. The Banking Group does, however, actively manage its credit portfolio in the light of deteriorating macro economic conditions. The focus is on the appropriate level of risk appetite that is set in origination strategies and the implementation of credit portfolio hedges where appropriate. The levels of credit impairments are also considered carefully to ensure adequate impairment levels.

During the year under review, non performing loans ("NPLs") as a percentage of gross advances increased to 2.9% (2007: 1.5%) while the income statement impairment charge on average gross advances increased to 1.28% (2007: 0.83%) before taking into account income from credit protection strategies. After taking this into account, the income statement impairment on average gross advances was 1.19% (2007: 0.79%).

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

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Total advances net of interest in suspense ("ISP")	456 539	396 110	15
NPLs (gross)	14 279	6 490	>100
Interest in suspense	1 175	611	92
NPLs (net of ISP) as % of gross advances (%)[1]	2.9	1.5	94
Specific and portfolio impairments reflected in the balance sheet	7 383	4 550	62
– Portfolio impairments	2 465	1 801	37
– Specific impairments	4 918	2 749	79
Impairment charge[2]	5 064	2 857	77
Impairment charge as a % of average gross advances (%)[2]	1.19	0.79	50
Total impairments as a % of NPLs (after ISP) (%)	56.3	77.4	(27)
Total impairments as a % of residual risk (%)	150.1	165.5	(9)
Specific impairments as a % of NPLs (%)[1]	37.5	46.8	(20)

1. *The ratio is provided using non performing loans net of interest in suspense. The Banking Group amended its convention due to market practice.*

2. *Impairment charge after recovery on credit insurance policy. The impairment charge before the insurance policy amounted to R5 458 million (2007: R3 007 million) and the impairment charge percentage of 1.28% (2007: 0.83%) of average advances.*

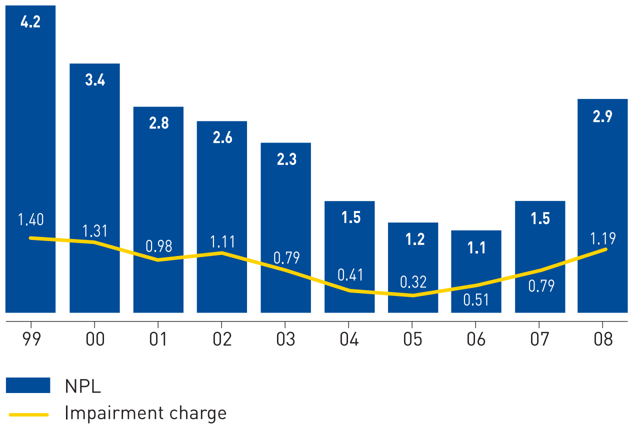
The R7.8 billion increase in non performing loans can be ascribed to:

- the sustained higher level of interest rates, which has led to increased credit default levels; and
- high levels of customer credit extension and inflation levels impacting affordability.

The decrease in the impairment coverage ratios in the table is due to the increased proportion of secured non performing loans (especially mortgages).

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

NPLs and impairment charge
(%)



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 impairment policies and on the accounting basis applicable at the time (SA GAAP prior to 2006). The impairment charge for 2007 and 2008 is after the recognition of the credit insurance.

Credit quality overview

The FirstRand master rating scale ("the FR rating") ranges 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	Midpoint 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.*

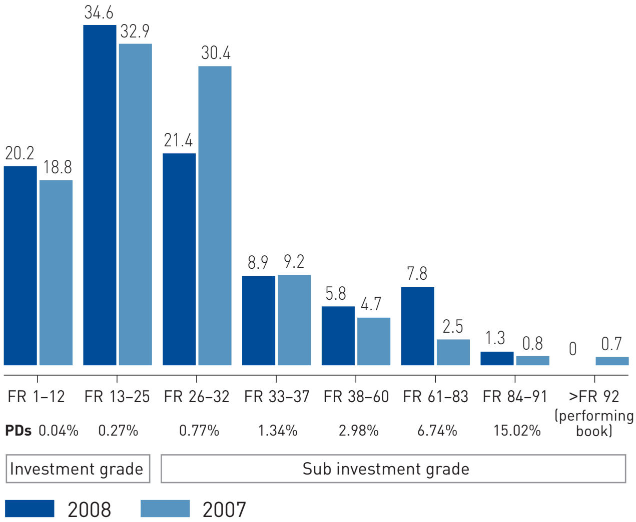
The credit quality of the wholesale (corporate) credit book remained stable around FR 32 (2007: FR 32). The exposure to investment grade counterparties amounted to 55% (2007: 52%). The weighted average rating for retail credit counterparties deteriorated due to the increased interest rate environment and higher levels of arrears. The overall internal counterparty rating, ignoring collateral effects, was FR 47 at 30 June 2008 (FR 45 at 30 June 2007). The rating is equivalent to a national scale credit rating of zaBB (2007: zaBB).

The graphs in the sections 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) on an exposure at default basis:

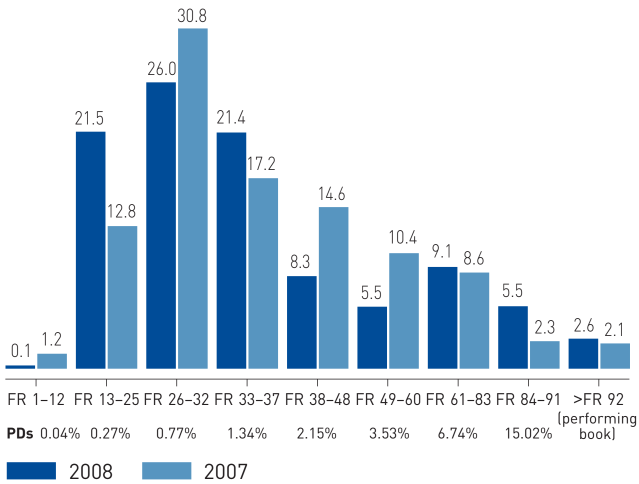
Wholesale credit portfolio (excluding banks and sovereigns)
Exposure distribution across rating buckets (%)



Retail and SME credit exposures

The following graph indicates the credit distribution based on the retail and SME counterparty's PD's and FR ratings for the portfolio on an exposure at default basis:

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



The loss given default measures for the material portfolios have been provided on page 76.

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 2008 for the Bank's portfolio is estimated at 0.8% (2007: 0.8%). 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.

The Banking Group 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 are considered in the internal credit mitigation and hedging programmes, as well as risk appetite levels for new business origination.

Securitisation structures

FirstRand Bank's ethos on securitisation is that it is an effective balance sheet management tool through which the bank is able to achieve a combination of some, or all, of the following results:

- enhanced liquidity position through the diversification of funding source;
- matching of cash flow profile of assets and liabilities;
- reduction of balance sheet risk;
- reduction of capital requirements; and
- management of credit concentration risk.

During the year under review, FirstRand concluded the FirstRand Enhanced Synthetic Credit Obligation II (Fresco II) securitisation transaction. This was a R20 billion collateralised loan obligation of corporate exposures, structured to enable FirstRand Bank to manage the economic and regulatory capital held against its large corporate credit portfolio.

The table below shows the original exposures and the current outstanding balances of each of the securitisations currently in place:

Transaction	Year initiated	Rating agency	Assets securitised (R million)	Assets outstanding (R million)	Group exposure (R million)
Traditional securitisations					
Nitro 1	2006	Moody's	2 000	534	8
Nitro 2	2006	Moody's	5 000	1 897	–
Nitro 3	2007	Moody's and Fitch	5 000	3 088	50
iKhaya 1	2007	Fitch	1 900	1 608	–
iKhaya 2	2007	Fitch	2 884	2 320	–
Total Traditional securitisations			16 784	9 447	58
Synthetic securitisations					
Procul	2002	Fitch	2 000	2 000	1 015
Fresco II	2007	Fitch	20 000	20 000	18 159
Total Synthetic securitisations			22 000	22 000	19 174
Total			38 784	31 447	19 232

In each of the securitisations mentioned above, the group played the role of originator, investor, servicer and swap counterparty.

All the above transactions continue to perform in line with expectations as detailed in each of the respective offering circulars.

The tables below show the conduit programmes currently in place that have been facilitated by the bank:

Transaction	Underlying assets	Year initiated	Rating agency	Programme size (R million)	Current size of non recourse investments (R million)
iNdwa	Corporate term	2003	Fitch	15 000	9 329
iVuzi	Corporate term	2007	Fitch	15 000	4 362
Total				30 000	13 691
iNkotha	Call loan bond	2006	Fitch	10 000	4 327
Total				10 000	4 327

BASEL II

FirstRand Bank received approval from the South African Reserve Bank ("SARB") to use the advanced internal ratings based approach for credit risk and the Standardised Approach for operational risk under Basel II. The Bank also received approval to use an internal model for market risk. The operational risk application for the advanced measurement approach for South African operations was submitted early in 2008, with targeted implementation during 2009.

The capital levels of the Banking Group is adequate in terms of the regulatory capital requirements of the Banking Group, as well as the capital requirement determined through the Banking Group's internal capital adequacy assessment process ("ICAAP").

CHANGE IN DISCLOSURE

The Banking Group has changed the following disclosure on the balance sheet:

R MILLION	As previously reported 2007	Restated amount	Change	Reason for change
Balance sheet				
Advances	383 485	391 560	8 075	Change in classification to align with industry practice and underlying nature of instruments
Investment securities and other investments	90 081	82 006	(8 075)	As above
Deposits	419 965	425 026	5 061	Reclassification of short trading positions and derivatives to deposits to align with industry practice in terms of IFRS 7
Short trading positions	36 870	32 175	(4 695)	As above
Derivative financial instruments	18 135	17 769	(366)	As above

OPERATIONAL RESULTS BY BUSINESS UNITS

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
FNB	6 345	5 738	11
Mass	1 276	981	30
Consumer segment	1 159	2 035	(43)
– HomeLoans	(381)	729	(>100)
– Card Issuing	120	109	10
– Other Consumer	1 420	1 197	19
Wealth	444	320	39
Commercial	2 907	2 191	33
Corporate	671	603	11
FNB Other and Support	(112)	(392)	71
FNB Africa	1 156	907	27
RMB	4 204	5 281	(20)
WesBank	734	1 370	(46)
FirstRand Short Term Insurance and Group Support	1 249	1 407	(11)
	13 688	14 703	(7)
Less: Divisions disclosed elsewhere	(374)	(210)	78
Income before direct tax	13 314	14 493	(8)

FNB – SOUTH AFRICA

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Income before indirect tax	6 698	6 060	11
Indirect tax	(353)	(322)	10
Income before tax	6 345	5 738	11
Advances	207 658	180 281	15
Total deposits	192 467	168 280	14
Assets under management	48 198	26 489	82
Cost to income ratio (%)	56.9	59.8	
Non performing loans (%)	4.2	2.0	

R MILLION	2008	2007	% change
Mass	1 276	981	30
Consumer segment	1 159	2 035	(43)
– HomeLoans	(381)	729	(>100)
– Card Issuing	120	109	10
– Other Consumer	1 420	1 197	19
Wealth	444	320	39
Commercial	2 907	2 191	33
Corporate	671	603	11
FNB Other and Support	(112)	(392)	71
Total FNB	6 345	5 738	11

INTRODUCTION

The year under review was difficult given the continued increase in interest rates, higher inflation and high levels of consumer indebtedness and reducing levels of disposable income. The operating environment was particularly challenging in the second half of the financial year. FNB's solid performance during the year can be ascribed to the following:

- a strong franchise in the commercial and corporate segments, which now comprise more than half of FNB's earnings;
- a diversified retail portfolio, which has meant that whilst the consumer segment has experienced a slowdown in growth, the mass and wealth segments continued to perform well;
- whilst the lending business experienced significant increases in arrears and NPLs and a marked slowdown in new business, the transactional and deposit businesses continued to grow, albeit at a slower rate than the previous year; and
- a continued focus on efficiencies which resulted in FNB's cost to income ratio reducing by a further 2.9%.

CHANGES IN STRUCTURE AND SEGMENTATION

During the year, FNB has taken transfer of the Custody business from RMB, with effect from 1 July 2007. The historical results have been restated accordingly.

The FNB Wealth segment acquired FirstRand International Wealth Management ("FRIWM"), from Momentum effectively 1 July 2007.

The Mass segment results include the acquisition of the housing finance business from Transnet which was effective 25 September 2007. The historical results do not incorporate the impact of these acquisitions. Where appropriate, the impact of these two acquisitions is separately disclosed.

As previously reported, FNB's segment view is not a "pure" indication of FNB's penetration into each segment as certain revenue from customers within a defined segment could be recognised in a different segment depending on the product segment categorisation as well as internal service level and revenue arrangements.

FNB Private Clients' segmentation refinements include the transfer of certain FNB clients from Consumer to Wealth. Similarly, certain Public Sector clients have been transferred from the Corporate and Commercial segments as well as the transfer of Africa Support. Further reallocations between segments include changes to the funds transfer pricing principles and internal service level agreements.

PERFORMANCE COMMENTARY

FNB has produced a solid set of results in challenging economic circumstances with profit before tax increasing 11% from R5 738 million to R6 345 million.

Interest income increased 24% mainly due to the balance sheet growth in both advances (up 15%) and deposits (up 14%), supported by the widening of margins resulting from the interest rate increases and the increased endowment benefit on deposits. Interest suspended on NPLs did, however, negatively impact overall interest income growth and advances margins.

Bad debts increased to 1.55% (2007: 0.91%) of average advances. This increase is in line with expectations, given the significant change in the economic and interest rate environment over the past two years, the relatively low arrears and NPLs in previous years, coupled with the impact of debt counselling in terms of the National Credit Act ("NCA"). The 2007 ratio also benefited from impairment reversals relating to certain corporate exposures that were repaid, while the slower advances growth impacted the 2008 ratio.

The increase in the bad debt charge is largely driven by residential mortgages at 0.84% (2007: 0.27%) and Card Issuing at 8.87% (2007: 5.44%) of average advances. FNB HomeLoans represents the largest component of residential mortgages as detailed below.

R MILLION	Advances	Impairment charge	Bad debts to average advances (%)
Affordable Housing	3 856	20	0.68
HomeLoans	113 092	1 014	0.96
Wealth	27 528	88	0.36
Total residential mortgages	**144 476**	**1 122**	**0.84**

Non interest income increased 16% on the back of an 8% growth in customer numbers to 6.3 million, higher transactional volumes across all segments and the impact of the FRIWM acquisition in the Wealth segment.

Operating expenses increased 14%. This was mainly driven by significant variable costs associated with increased volumes, new businesses acquisition, ongoing investment in the brand (FIFA sponsorship), new products, improved services, infrastructure and processes. Costs relating to the continued, above inflation increases in skilled staff salaries and crime prevention initiatives, specifically related to ATMs, also contributed to this increase.

Deposits grew R24 billion or 14% with the Consumer Money Market, Commercial and Corporate segments being the major contributors. This growth was largely driven by product innovation and by sales of shorter term products as the interest rate increases made these deposits more attractive.

Advances grew R27 billion or 15%, with HomeLoans (R15 billion), Wealth and Commercial the main contributors. Advances growth in the second half of the year (R10 billion) was markedly down on the R19 billion growth in the same period last year.

SEGMENT PERFORMANCE

Mass (Smart Solutions)

Smart and Mzansi accounts
Microloans (SmartSpend)
ATMs (including Retail & Mini-ATMs)
Cellphone banking and Prepaid 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 FNB Smart branded products and services.

The segment performed very well during the year under review with profit before tax increasing 30% from R981 million to R1 276 million.

The main driver of this segment's performance was the strong growth in interest income, which increased 46%. This was mainly as a result of a 59% growth in advances to R6 billion (this translates to 24% growth if the balance of the acquired Transnet advances of R1.2 billion is excluded) and 4% deposit growth, complemented by the widening of margins on the endowment balances. The advances growth (excluding the Transnet acquisition) relates to the SmartSpend, Smart Housing Plan and SmartBond products, where sales increased 30%.

Non interest revenue growth was also strong at 17% driven by an overall 12% growth in revenue generating transactions, including debit card transactions which grew 40%. A 49% growth in prepaid airtime turnover also contributed positively. The customer base increase of 6% to 3.5 million contributed to the overall transactional volume growth.

Operating costs increased 23% (21% up if the Transnet acquisition is excluded) driven mainly by growth in variable costs relating to increased customers and transactional volumes, the software upgrade on ATMs, ATM crime losses and prevention initiatives, and the costs associated with the operations acquired from Transnet. InContact SMS volumes grew 32% to R527 million for the year.

The new software rollout across the ATM base contributed to a decrease in market share of Saswitch transactions to 26% (2007: 29%) as downtime during conversion and subsequent availability issues had a negative impact on volume growth, while the share of Saswitch devices marginally decreased to

19% (June 2007: 21%). The number of ATMs (including Mini-ATMs) increased 5% (239 devices) to 4 800.

By June 2008 Cellphone banking had nearly 700 000 registered customers. The use of this channel provides convenience to customers and cost efficiencies for the segment and, in tandem with InContact, is expected to continue to contribute to good market share growth on general banking products and prepaid airtime sales.

FNB Life continued to show good growth, however, given the impact of the current economic environment, policy lapse rates have increased. The in force policies currently total 2.6 million, remaining constant since June 2007, despite declines in non essential type products like Law-on-Call and Personal Accident where high lapse rates are being experienced due to the current economic environment.

Consumer

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 financial services solutions to customers with incomes ranging from R81 000 to R750 000 per annum as well as certain sub segments (youth and teens, students, graduates and seniors).

The segment faced tough trading conditions as a result of the current macro economic environment. The second half of the year was particularly difficult as inflation negatively impacted growth in transactional volumes and operating costs, and interest rates and consumer indebtedness had a significant impact on customers' ability to repay debt. The segment recorded a profit before taxation of R1 159 million, down 43% from the prior year. This decline is largely attributable to reduced profitability from FNB HomeLoans.

The largest negative effect on profits for the year was the significant increase in the bad debt charge since June 2007, which increased from 0.93% to 1.99% of average advances as a result of the increase in NPLs to 5.4% (2007: 2.2%) of advances.

Interest income growth was lower than expected at 12% as a result of the reduced demand for credit in the latter part of the year as well as the impact of interest suspended on NPLs. Bad debts more than doubled to R2 410 million which resulted in net interest income being 31% lower than the prior year.

Non interest revenue grew 14%. This was off the back of an 11% increase in the active account base and transactions per account increasing 4% year on year.

Total advances growth slowed to 14% or R16 billion (2007: 22% or R20 billion) with a slowdown across all lending categories.

Deposits grew 16% to R51 billion, attributable to improved sales of products and higher rates attracting deposits. The closure of the MaMa account has had no significant financial impact.

Operational expenses were contained at 8%. Whilst certain efficiency and cost saving initiatives including procurement, as well as the success of Shared Services contributed to cost containment these were to some extent offset by the impact of higher inflation together with costs associated with increased collections activity.

Personal Loans decreased advances 8%, reflecting a new loans payout decline of 44%.

FNB Insurance Brokers total revenue grew by 18% while expenses have grown by 14%, resulting in operating profit growth of 29%.

FNB HomeLoans

The property market faced significant challenges during the year on the back of a negative credit cycle not seen since the late nineties. Several factors (inflation, rising interest rates, declining property values, client affordability, NCA) contributed to the residential property market deteriorating further than expected.

Advances grew 16% to R113 billion, however, market conditions suppressed new sales and readvances stayed flat year on year. Sales are expected to remain under pressure well into the 2009 year which will result in marginal to negative growth in advances for 2009.

FNB HomeLoans increased new business market share to 16.5% in June 2008 (June 2007: 15.8%), with the increase happening mainly in the first half of the financial year (December 2007: 22.0%) but then slowing in the second half.

FNB HomeLoans reported a loss of R381 million for the year. This decrease in profitability was driven by the significant increase in the bad debt charge to R1 014 million (driven by an increase in NPL balances to over R5 billion), substantial increases in interest suspended and more expensive funding which placed pressure on margins.

Non interest revenue grew 6% year on year driven mainly by NCA related pricing increases and growth in One Account transaction activity.

Operating expenses grew 9%. Benefits from the effective use of existing resources and a general focus on cost containment, was partially offset by investment in collections capacity.

Card Issuing

Card achieved a profit before tax of R120 million for the year. This reflects a growth of 10% compared to the previous year's performance and was achieved in tough market conditions.

Gross interest rose 33% to R1 129 million as a result of higher average balances as well as increased interest margins. The introduction of NCA also resulted in an increase in interest income with average NCA rates being higher than the average Usury Act rates for similar customers on similar products.

Non interest revenue increased 17%, whilst operating costs decreased 3% largely due to the high base created in the previous period due to the start up cost of cooperation agreements.

The bad debt charge of R1 084 million (2007: R575 million) represents 8.87% (2007: 5.44%) of average advances. NPLs also increased to 11.8% (2007: 7.4%) of advances as customers' ability to repay debts were negatively impacted by the current economic environment.

Significant progress has been made in the Card collections environment over the last six months. These efforts will be reinforced during the current financial year.

Wealth segment

RMB Private Bank
FNB Private Clients
FNB Trust Services
FirstRand International Wealth Management (FRIWM)

The Wealth segment profit before tax increased 39% to R444 million (22% excluding FRIWM). The focus on achieving diversity of income, both geographically and operationally, has continued to support the operating fundamentals of the segment. A strong performance in RMB Private Bank, which grew profit before tax 17% and the emergence of FNB Private Clients which grew profits 38%, were significant contributors given the challenging economic environment.

Assets under management increased 82% to R48 billion (16% excluding FRIWM). The growth was largely due to successful investment selection and net new business inflows.

Strong growth in advances of 27% to R27 billion and deposits of 21% to R15 billion contributed to interest income increasing 19%. Bad debts did, however, increase 87% to R88 million on the back of NPLs increasing to 2.2% (2007: 1.1%) of advances.

Non interest revenue grew 80% (19% excluding FRIWM), largely due to fees on asset management, international banking and estates.

Operating expenditure increased 41% for the segment (excluding FRIWM the increase is 13%), largely due to the investment in skills, marketing and professional fees.

Commercial segment

Small Business, Business and Medium Corporate transactional and overdraft products
Investment products
SMMEs
Commercial Property Finance
Debtor Finance
FNB Leveraged Finance, BEE funding, Franchises, Tourism, Agric and Start-ups

The Commercial segment is the provider of financial solutions, including working capital solutions, structured finance, investment products, transactional banking and term loans to the Mid Corporate, Business and Small Business sub segments.

The Commercial segment had an excellent year with interest income increasing 35%, non interest revenue increasing 10%, operating costs increasing 13% and profit before taxation increasing 33%.

Deposits grew 15% reflecting the continued strong cash flows from medium corporates, resulting in increased balances for cheques, savings and transmission accounts. A further contribution came from Money Market where competitive rates and transactional functionality made the product very attractive.

Advances increased 19% to R24 billion. Commercial Property Finance loans increased 42% due to the focus on the coastal regions and the Affordable Housing developments. Leverage Finance loans grew 37% as result of new business acquisitions and Mid Corporate advances increased by 10% as result of increased utilisation of facilities.

Interest income increased 35% as result of strong liability and asset growth, as well as improved liability margins. The segment has been impacted by bad debts increasing to 0.91% (2007: 0.62%) of average advances largely due to the current credit environment. NPLs increased to 2.1% (2007: 1.7%) of advances.

Commercial's non interest revenue growth of 10% is mainly attributable to International banking (14%), SpeedPoint (17%) and Electronic banking (17%).

Operating costs increased 13% year on year. The increased costs were as result of increased variable costs and upfront costs incurred with new growth initiatives such as IT, human capital management and high growth areas.

Corporate

Corporate current account services and associated working capital solutions
SpeedPoint (Card acquiring)
Bulk cash
Electronic banking (FNB Online and Hyphen)
International banking
Custody Services

Corporate and Transactional Banking provides working capital solutions and transactional banking to large corporates, financial institutions and state owned enterprises, as defined in schedule 2 of the PFM Act.

Profit before tax grew 11% to R671 million, a good performance given the high base created by the release of R50 million credit impairment in the previous year.

Interest income growth of 3% reflects the continued pressure on margins. The NPLs improved to 0.9% (2007: 1.2%) of advances while the bad debts charge of R91 million (2007: R10 million) is 0.64% (2007: 0.07%) of average advances.

Deposit volumes increased 14% to R31 billion (R43 billion including gross ups) indicating that many large corporates continue to show strong balance sheets and earnings growth. However, margins are under pressure, due to competition.

Advances remained flat at R3 billion or increased 20% to R15 billion including gross ups.

Non interest revenue growth of 14% was largely driven by increased transactional volumes in the electronic channels, particularly within FNB Online (18%) and SpeedPoint (21%), but with a marked slowdown in the second half of the financial year. Whilst organic growth was a significant contributor to the above increases, FNB Online developed and implemented new product offerings that improved sales and SpeedPoint increased its footprint of point of sale devices by 10%. The relatively weaker performance of the Rand positively impacted the growth of the International banking business.

Operating expenditure increase was limited to 3% given the focus on efficiency. This positively impacted the cost to income ratio resulting in a decrease from 62% to 58%.

FNB Other and Support

Included in FNB Other and Support is Public Sector Banking, Branch Banking, Brand and Support.

Public Sector Banking

The segment provides transactional banking, working capital requirements and other financial products and services to the three spheres of government; namely National, Provincial and Local Government. Public Sector Banking also services universities, public schools and public sector related trade unions.

Despite increased competitor activity, FNB's focus on this market has continued to yield positive results in the form of business gains and retentions. The success was attributed to offering client specific solutions backed by service excellence, in line with FNB's strategy.

Branch Banking

Branch Banking provides banking services to FNB's 6 million customers through its 712 representation points nationally. Some 26% (2007: 25%) of these points of representation are positioned in designated Financial Sector Charter communities.

	YEAR ENDED 30 JUNE		
	2008	2007	% change
Representation points (Branches, agencies, Bank on Wheels, etc)	**712**	698	2
ATMs	**4 800**	4 561	5

FNB AFRICA

FNB Africa comprises the FNB Africa subsidiaries (FNB Botswana, FNB Lesotho, FNB Namibia, FNB Swaziland and FNB Moçambique) as well as a support division acting as the strategic enabler, facilitator and coordinator for African expansion undertaken by FNB.

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007*	% change
Income before indirect tax	1 183	926	28
Indirect tax	(27)	(19)	42
Income before tax	1 156	907	27
Attributable earnings	533	440	21
Advances	15 755	13 492	17
Total deposits	23 867	17 409	37
Cost to income ratio (%)	46.5	45.7	
Non performing loans (%)	2.5	2.4	

** 2007 comparatives have been restated to include FNB Africa Centre and Expansion.*

Geographic contribution – income before tax

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
FNB Botswana	486	428	14
FNB Namibia	518	435	19
FNB Africa Other	59	44	34
FNB Africa operational income before taxation	1 063	907	17
FNB Africa: VISA profit & Swabou sale	93	–	100
Total	1 156	907	27

ENVIRONMENT

Due to proximity, the economies of Namibia, Swaziland and Lesotho closely mirror South Africa and inflationary and interest rate trends are similar. Notwithstanding the similarities, both Namibia and Swaziland did not increase interest rates to the same extent as South Africa, specifically to meet their own monetary policy requirements. This resulted in lower consumer pressure than that experienced in South Africa. Increased inflation and interest rates in all neighbouring countries where FNB operates have marginally impacted GDP growth but forecasts remain positive. Unlike South Africa, the bad debt experience remained stable over the past year. Similar to South Africa, each subsidiary has a centralised support function with active and close monitoring of credit and a strong focus on collections, which contributed to maintaining good quality credit.

PERFORMANCE

FNB Africa

Net income before tax increased 27% for the year to R1 156 million. The income before tax includes a profit recognised on VISA shares received by FNB Namibia and FNB Botswana following VISA's listing on the New York Stock Exchange in March 2008 as well as a profit on the sale of a 35% shareholding in Swabou Life to Momentum by FNB Namibia. Excluding these two extraordinary transactions totalling R93 million, income before tax increased 17% over the previous year. This growth was predominantly driven by growth in advances and deposits as well as good transaction volumes across all subsidiaries.

Advances and deposits increased 17% and 37% respectively (excluding FNB Moçambique the increases are 14% and 34%

respectively). Cost to income deteriorated from 45.7% to 48.5% (excluding the VISA and Swabou transactions) as a result of expansion costs. Return on equity improved from 32.8% to 33.8%.

FNB Botswana

Net income before tax increased 14% to R486 million. Improved balance sheet and transactional volumes resulted in strong revenue growth for the year. Gross advances increased 31% and deposits increased 47%, attributable to increased foreign currency deposits. Cost to income ratio increased from 34.3% to 38.6% (excluding the VISA transaction) as a consequence of expansion initiatives. Return on equity decreased from 47.1% to 44.6% (excluding the VISA transaction).

FNB Namibia

Net income before tax increased 19% to R518 million. Good results emanated from the entire portfolio of banking, life, and short term insurance operations. Gross advances increased 5% due to lower credit demand experienced in Namibia, while deposits increased 18% for the year. Cost to income marginally increased from 49.0% to 49.5% (excluding the VISA and Swabou transactions) for the year and return on equity improved from 25.2% to 26.2% (excluding the VISA and Swabou transactions).

FNB Africa Other

FNB Swaziland

Net income before tax increased 19% for the year to R74 million. Net advances and deposits increased by a moderate 7% and 5% respectively due to low economic growth experienced in the Swaziland economy. Cost to income increased from 50.3% to 52.0% year on year and return on equity marginally deteriorated from 33.9% to 32.7%.

FNB Moçambique

FNB acquired 90% of Banco de Desenvolvimento e Comércio ("BDC") in Moçambique in July 2007. BDC has been re-branded as FNB Moçambique. Results from August 2007 are included in the consolidated FNB Africa results. FNB Moçambique achieved a profit before tax of R15 million for the period. The FNB and FirstRand risk management frameworks and governance structures have been introduced to the business, positioning FNB Moçambique to focus on growth.

FNB Lesotho

FNB Lesotho achieved a profit before tax of R5 million for the year. Net advances increased 79% and deposits increased more than 100% year on year. The growth is attributable to FNB Lesotho gaining market share.

INTERNATIONAL INITIATIVES

FNB's stated intent is to be a leading financial services provider in the Southern African Development Community (SADC). Opportunities for expansion into Angola and East and West Africa are being investigated.

Apart from the acquisition in Moçambique in 2007, FNB has received approval from the South African Reserve Bank for the establishment of a full service bank in Zambia. The intention is for this bank to offer a comprehensive range of retail, business, commercial and corporate transactional banking products. Regulatory approval is awaited from the Bank of Zambia for the establishment of this operation.

RMB

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Income before indirect tax	4 265	5 329	(20)
Indirect tax	(61)	(48)	27
Income before direct tax	4 204	5 281	(20)
Total assets	296 433	198 929	49
Cost to income ratio (%)	42.8	41.7	

PERFORMANCE

The divisional results and comparatives are summarised in the table below:

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Private Equity	1 846	1 352	37
Investment Banking	2 090	1 271	64
Fixed Income, Currency & Commodities ("FICC")	1 215	692	76
Equity Trading	(1 412)	1 429	(>100)
Other	465	537	(13)
	4 204	5 281	(20)

RMB reported profits before tax of R4 204 million for the year to June 2008, 20% lower than the previous year but a satisfactory performance given the high base created in the previous year when earnings increased 81%, combined with the significant underperformance of the offshore equities trading activities which resulted in the Equity Trading division recording a net loss for the year. However, the resilience of RMB's portfolio of businesses mitigated to some extent the overall impact of this loss with Investment Banking, Fixed Income Currencies and Commodities (FICC) and Private Equity significantly exceeding their prior year results showing growth of 64%, 76% and 37% respectively.

Market conditions, both locally and offshore remained volatile and uncertain throughout the year. Global markets have been in turmoil, following the sub prime and subsequent liquidity crises, and suffered major disruption and dislocations throughout the financial year. In contrast, local market conditions generally remained favourable though conditions became more challenging in the latter six months of the financial year as business confidence in SA declined and the outlook for inflation and interest rates deteriorated.

Corporate activity in South Africa remained strong over the 12 months and Investment Banking and Debt Capital Markets ("DCM") maintained a healthy deal pipeline across all areas. RMB remains a dominant South African investment banking player with strong client and product expertise and was named the "Best Investment Bank in South Africa" and the best "M&A House in Africa" at the recent Euromoney Awards for Excellence.

PRIVATE EQUITY

Private Equity continued to experience favourable trading conditions overall, reporting a net profit before tax of R1 846 million for the year, 37% up on the comparative period. Two large realisations were executed during the year. There was good profit growth generated by the businesses in the underlying portfolios which resulted in healthy associate earnings being reported for the year. Two major realisations were completed in July 2008 after delays in the Competition Commission approvals and hence the profits on these realisations will only be reflected in the next financial year. Unrealised profit in the portfolio is largely unchanged at R1 960 million (2007: R2 196 million), despite the realisations concluded in the earlier part of the year. New investments in the current year amounted to R1 093 million (2007: R1 035 million).

INVESTMENT BANKING

The Investment Banking division recorded excellent results for the year, reporting net income before tax of R2 090 million, a 64% growth over the comparative period. Corporate activity and lending remained strong and a number of landmark deals were concluded in the period under review. Activity in the year covered a wide range of transaction types, sectors and clients, a direct result of RMB's product expertise, industry knowledge and significantly strengthened client relationships. The Property Finance, Leveraged Finance, Preference Share and Debt Capital Markets teams were the highest contributors within Investment Banking although all areas reported strong results and all managed to exceed their prior year performances. In addition to being named "Best Investment Bank in South Africa" and "Best M & A House in Africa", the Investment Banking team were also awarded the Dealmakers magazine "Deal of the Year" for the Anglo Platinum deal.

Overall, the client franchise remains strong and a healthy deal pipeline has been maintained, however, medium term prospects could be dampened in some areas by declining business confidence and the difficult economic conditions being experienced. Advisory and financing in areas, such as infrastructure, BEE and resources should, however, remain strong.

FIXED INCOME CURRENCY AND COMMODITIES (FICC)

FICC delivered a particularly strong performance for the year, recording net income before tax of R1 215 million, an increase of 76%. The performance was predominantly due to excellent results from the Fixed Income area, though the Currency and Commodities businesses also delivered exceptional performances. Throughout the period under review market conditions remained volatile partly due to the turmoil in global markets but also as a result of a deteriorating interest rate and inflation outlook locally. These volatile market conditions provided opportunities for short term positioning but also resulted in strong client flows (up by almost 50% on last year for both banks and corporates) and sales of hedging solutions as clients sought hedging strategies to protect themselves and limit their exposure to volatility in the underlying markets.

EQUITY TRADING

Equity Trading concluded a difficult year reporting a net loss before tax of R1 412 million. The Equities Trading division has local and offshore proprietary trading activities, local structuring, and a number of agency or client execution businesses – such as RMB Morgan Stanley, futures clearing, scrip lending and prime broking. Losses were reported in the offshore proprietary trading portfolios whilst the local proprietary trading portfolios and structuring and agency businesses have remained profitable.

The losses in the international trading portfolios resulted from disruption and dislocation in global equity markets. The typical trading strategy in these proprietary trading portfolios was to go long the undervalued, typically smaller cap stock and to hedge out the appropriate market risk by going short market indices. Over this volatile period there was a "flight to quality and liquidity" and, since the indices usually consist of the larger cap stocks, this resulted in a negative dislocation between these long positions and the indices. Throughout the period, management conducted regular reviews of the overall positions and all material strategies and trades on the book. By year end positions had been significantly reduced to around 15% of their peak and subsequently to less than 5%. A substantial review of the business has been conducted and a future strategy, with less emphasis on proprietary trading and more emphasis on agency and client flow businesses, has been formulated.

The local proprietary trading portfolios remained profitable as at the end of June but profits were less than half of their prior year levels, as performance in the last six months was negatively impacted as local equity markets weakened. The structuring desk remained profitable and fee based (agency) businesses benefited from the market volatility as JSE turnover volumes remained high throughout the period.

OTHER

RMB Resources remained profitable despite losses from Nufcor due to the mark to market valuation on the U308 price as it declined from its June 2007 highs. In June 2008, RMB Resources disposed of its investment in the Nufcor JV.

WESBANK

R MILLION	2008	2007	% change
	YEAR ENDED 30 JUNE		
Income before indirect tax	863	1 481	(42)
Indirect tax	(129)	(111)	16
Income before tax	734	1 370	(46)
Advances WesBank Consolidated	99 949	98 434	2
Cost to income ratio (%) WesBank Consolidated	53.5	53.4	
Cost to income ratio (%) WesBank South Africa	41.8	43.3	
Non performing loans (%)	3.2	1.6	

ENVIRONMENT

The motor industry continues to experience very tough trading conditions. Vehicle sales have been adversely impacted by declining demand in a market where consumers' affordability levels are under severe pressure from high inflation and increased debt servicing costs. The corporate sector remains more buoyant, especially in sectors that service the capital investment and infrastructure development activities that are underway in the South African economy. However, the commercial/SME market is experiencing increased pressure from declining demand and increasing inflation and interest rates.

PERFORMANCE

WesBank's overall profitability was impacted by significant increases in credit defaults in its local lending businesses. The compound effect of negative gearing (ie lower new business levels and higher arrear and impairment levels) has also resulted in book growth slowing. Overall profits declined 46% to R734 million. This performance included R97 million related to impairments (R65 million due to the impairment of capitalised IT development in the Australian operation, with the balance relating to goodwill impairment in a local non lending subsidiary), which fall outside of headline earnings. Excluding these items, the decline in profits was 39%.

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

Divisional analysis of income before tax

R MILLION	2008	2007	% change
	YEAR ENDED 30 JUNE		
SA operations	918	1 519	(40)
International operations	(184)	(149)	(23)
Total	734	1 370	(46)

SOUTH AFRICAN OPERATIONS

WesBank's local lending operations produced net income before tax of R918 million, a decline of 39% over the comparative year.

The decline in earnings is reflective of higher impairment as a consequence of increased arrears resulting from the impact of high inflation and interest rates on consumer affordability levels. Excluding the impact of bad debts, net income grew 7% over the prior year, which highlights the absolute impact of the cycle on the business.

The charge for bad debts, as a percentage of advances was 2.01% (R1.9 billion), compared to 1.31% (R1.1 billion) in the prior year. Non performing loans increased to 3.3% from 1.7% year on year. Despite regular tightening in credit extension, the cumulative effects of this cycle have placed a number of customers under severe pressure to meet their financial repayment obligations. The length and depth of the current arrears cycle is far worse than expected, and certainly worse than previous down cycles.

Total new business written was R45.0 billion, compared to R50.8 billion in the prior year. This represents a decline in new business of 11.5%. Corporate new business showed reasonable growth (10%), whereas retail production declined year on year (18%). Consequently, gross advances (inclusive of assets that have been securitised totalling R5.5 billion) grew R3.6 billion to R95.6 billion, an increase of 3.9%.

Interest margins remained fairly flat year on year. The impact of the abolition of early settlement interest and continued increases in the cost of funding and liquidity were partially offset by improvement in written rates and the mix of fixed rate business within the overall portfolio.

Within the lending business, non interest income grew 12%. This growth was driven by annuity insurance revenues, WesBank's fleet business and the introduction of monthly administration fees. Operating expenses grew 7% year on year. Cost to income and cost to asset ratios in the business improved from 43.3% and 2.28% to 41.8% and 2.14% respectively, highlighting improved levels of efficiency and a major focus on cost management.

WesBank has, over a number of years, 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 marketing arm of personal loans products), Tracker (the vehicle recovery and telematics business), Rentworks (the rentor of IT and other assets), WorldMark (the car care product retailer) and Norman Bisset & Associates (the 3rd party external collections operation).

INTERNATIONAL OPERATIONS

WesBank's International operations reflect the performance of the Carlyle Finance operation in the UK, as well as the Motor One Finance business and WorldMark operation in Australia. The losses in the international operations are shown in the table below. 'Other' in the table refers to asset financing activities in Africa and costs related to International expansion activities.

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Carlyle Finance (UK)	**(34)**	(52)	35
Australian entities	**(139)**	(95)	(46)
Other	**(11)**	(2)	>100
Total	**(184)**	(149)	(23)

As has been reported previously, WesBank has taken the decision to exit the Australian market completely. The Motor One Finance advances book was sold subsequent to year end. Potential suitors are being sought to purchase the WorldMark operation, which has delivered an exceptional financial performance again this year. There have been extraordinary costs, in the form of systems impairment, redundancy and loyalty payments, and professional fees that have been incurred since the decision to exit was taken, which have inflated the losses in the Australian operations.

Carlyle Finance has shown significant improvements in the current financial year. Although it reported a full year loss of R34 million, it has generated a profit in the most recent quarter and is expected to continue to generate profit in the years ahead.

SUMMARY

WesBank is a cyclical business, sensitive to the effects of reducing production and increasing arrears, particularly in a sharp economic downturn. This credit cycle has been particularly severe and has had a material impact on profitability, however, the operational foundation and strategies of the business remain strong and well positioned to benefit quickly from an improvement in trading conditions.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Banking Group attributable income before tax	367	310	18
Gross premiums	3 598	2 959	22
Operating income (including investment income)	872	723	21
Income after tax	574	480	20
Expense/cost to income ratio (%)	16.8	16.6	1
Claims and OUTbonus ratio (%)	62.0	59.3	5

FRSTIH houses the Banking Group's short term insurance interests, including OUTsurance and Momentum STI (a joint venture with the Momentum Group). OUTsurance is the leading direct insurance company in South Africa.

The FirstRand Banking Group, through FirstRand Bank Holdings, owns 45% of FRSTIH.

ENVIRONMENT

OUTsurance continued to maintain its healthy underwriting margin in a market that has experienced higher levels of competition. Momentum STI continues to mature and is close to breaking even.

MAIN FOCUS AREAS IN 2008

OUTsurance's main focus continues to be on its core personal lines business. Incremental innovation and improvement in all areas enabled OUTsurance to continue to deliver exceptional service and value for money to clients, while producing good returns for shareholders.

Business OUTsurance is performing exceptionally well, growing premium income 44%. Continued growth is expected on the back of further product expansion.

During the year under review, the required operational infrastructure has been built and the regulatory approvals have been obtained for the expansion into the Australian market. Youi Insurance Company (Pty) Limited ("You.Insured") was successfully launched on 1 August 2008. You.Insured is based on the OUTsurance business model, but employs a low cost on line delivery platform for sales and client service.

PERFORMANCE

The increase in operating income of 21% was driven by growth in premium income and higher investment returns.

OUTsurance managed to increase premium income by 22%. The growth was driven by an expansion of the client base, as premium increases were contained below inflation.

The claims ratio (including OUTbonus costs) of 62% was 3.7% higher than last year. The higher claims ratio can be explained by an increase in weather related claims and the below inflation premium adjustments.

Expenses, as a percentage of net premium income, increased from 16.6% to 16.8%. Increased staff numbers due to capacity expansion and start up expenses relating to Youi were the main reasons for the slight deterioration in the expense ratio. Improved operational efficiencies assisted in containing costs in the current high inflationary economy.

The short term insurance industry as a whole continued to register significantly higher claims ratios during the year under review. OUTsurance, however, maintained its profit margin, confirming the competitiveness of its low cost direct business model and scientific rating approach.

AREAS OF FOCUS FOR 2009

- Successfully launch operations in the Australian market;
- Successfully launch OUTsurance Life which aims to sell pure risk life products directly to the market through existing operational infrastructure;
- Continued focus on maintaining strong organic growth and increasing operational productivity in Personal OUTsurance; and
- Further increasing new business flows in Business OUTsurance by expanding the product range.

momentum

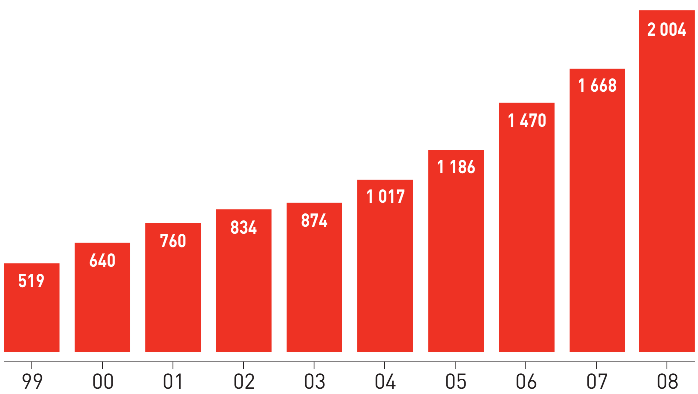
INTRODUCTION

The Momentum Group comprises the operations of Momentum Group Limited and its subsidiaries and associates, including Momentum Medical Scheme Administrators (MMSA), RMB Asset Management (RMBAM) and RMB Unit Trusts (RMBUT), FirstRand Alternative Investment Management (FRAIM), RMB Asset Management International (RMBAMI), Lekana Employee Benefit Solutions (Lekana), 85% of Advantage Asset Managers (Advantage), 50% of Momentum Short-Term Insurance (MSTI) and 35% of Swabou Life.

FINANCIAL HIGHLIGHTS

	YEAR ENDED 30 JUNE		
R MILLION (unaudited)	**2008**	2007	% change
Normalised earnings	**2 004**	1 668	20
Return on equity based on normalised earnings (%)	**30**	25	
New business from insurance operations	**28 873**	20 651	40
Value of new business	**590**	518	14

Normalised earnings (unaudited) (CAGR: 16.2%)
(R million)



SALIENT FEATURES

The Momentum Group results for the year ended 30 June 2008 were characterised by the following:

- An excellent performance in tough economic conditions with normalised earnings up 20%;
- Continued strong new business growth in insurance operations:
  - Excellent growth in lump sum inflows in Momentum insurance operations; and
  - Overall new business margin maintained at 2.1%;
- Positive net cashflows in the insurance operations;
- Continued product and distribution diversification;
- Positive turnaround in the results from growth initiatives, especially the middle market initiative;
- A significant improvement in the relative investment performance of RMB Asset Management;
- Capital efficiency and a strong operating performance resulted in an excellent return on equity of 30.3%, up from 25.3% in 2007; and
- The return on embedded value remained robust at 15.2%, driven by growth in the value of new business and a strong contribution from existing business.

Summarised results

R MILLION (unaudited)	2008	2007	% change
	YEAR ENDED 30 JUNE		
Normalised earnings[1,2]	2 004	1 668	20
– Operating profit	1 741	1 471	18
– Insurance operations	1 459	1 145	27
– Asset management[2]	282	326	(13)
– Investment income on shareholders' assets	263	197	34
Headline earnings	1 979	1 610	23
Return on equity (%)	30.3	25.3	

Summarised results (continued)

R MILLION (unaudited)	2008	2007	% change
	YEAR ENDED 30 JUNE		
New business volumes	68 178	56 097	22
– Insurance operations[3]	28 873	20 651	40
– Asset management	39 305	35 446	11
Value of new business	590	518	14
New business margins[4] (%)	2.1	2.1	
Embedded value[5]	16 008	15 453	4
Return on embedded value[6] (%)	15.2	28.1	
CAR cover (times)	2.2	2.3	

1. *Refer to page 117 for a description of normalised earnings. The reconciliation of normalised earnings to earnings attributable to equity holders and headline earnings is set out on page 49.*
2. *The comparative normalised earnings have been adjusted for the transfer of Ashburton to the Banking Group.*
3. *Portfolio switches in the employee benefits business, which were previously included in both new business and payments to clients, are no longer included in either new business or payments to clients. The comparative new business number has therefore been reduced by R2 813 million.*
4. *Calculated as the value of new business as % of the present value of future premiums.*
5. *The comparative embedded value of R15 927 million has been adjusted for the transfer of Ashburton to the Banking Group.*
6. *Represents the embedded value profit as % of opening embedded value, after adjusting for the transfer of Ashburton to the Banking Group.*

BUSINESS UNIT PERFORMANCE

Momentum's normalised earnings exceeded R2 billion for the first time, increasing by a very pleasing 20% to R2 004 million. The ongoing capital management programme has resulted in a significant increase in the return on equity from 25.3% in 2007 to 30.3% for the current year. The group operating profit (excluding the investment income on shareholders' assets) increased by 18% to R1 741 million.

The results from the insurance operations were strong, with earnings increasing 27% to R1 459 million. Momentum insurance benefited from a turnaround in new initiatives, better than expected risk profits and the positive contribution from new business written in the past few years. The FNB insurance operations produced excellent growth in earnings mainly due to good claims experience.

New business volume growth remained strong, especially in the insurance operations where total new business inflows increased 40% to R28.9 billion. Whilst the recurring premium new business volume growth has slowed somewhat from the prior year, individual risk new business reflected good growth of 16% for the year. The strong growth in recurring employee benefits umbrella fund new business was largely offset by lower recurring group risk new business. Lump sum inflows in the retail and employee benefits areas continue to show robust growth, with retail lump sums increasing 22%.

The value of new business showed a solid increase of 14% to R590 million, mainly due to increased new business volumes. The new business margin remained at 2.1%.

The earnings from asset management operations declined by 13% to R282 million. After adjusting for certain once off items in the 2007 base, operational earnings for 2008 reflected a marginal increase. The positive impact of net inflows into the retail collective investment scheme business was offset by the withdrawal of certain institutional mandates. There was a strong turnaround in investment performance, with RMB Asset Management ranked fourth out of 11 managers over 12 and 24 months to June 2008 in the Alexander Forbes Global Large Manager Watch.

Momentum's capital management mandate, which requires that discretionary shareholders' assets be invested in cash or near cash instruments, has largely immunised the earnings on shareholder assets against the volatility experienced in investment markets. Including the impact of higher interest rates, the investment income earned on shareholders' funds increased by 34% to R263 million. This increase was achieved despite the impact of the R700 million special dividend paid to FirstRand in October 2007.

Despite volatile investment markets, the return on embedded value totalled 15.2% (2007: 28.1%). This return is based on an embedded value profit of R2 355 million, and an opening embedded value of R15 453 million (after adjusting for the impact of the transfer of Ashburton to the Banking Group at book value). The return on embedded value benefited from the growth in the value of new business, the positive return on existing business and very strong risk experience profits. The embedded value of Momentum increased marginally to over R16 billion. It should however be noted that the embedded value was reduced by the special dividend paid to FirstRand in October 2007.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of group earnings:

Reconciliation of earnings

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Earnings attributable to equity holders	**2 002**	2 076	(4)
Adjusted for:			
Profit on sale of available-for-sale assets[1]	–	(649)	
Profit on sale of Southern Life Namibia book	(22)	–	
Profit on sale of subsidiary	(1)	–	
Impairment of goodwill	–	55	
Impairment of intangible assets	–	61	
Total tax effects of adjustments	–	67	
Headline earnings	**1 979**	1 610	23
Adjusted for:			
Adjustment of listed property associate to net asset value[2]	–	28	
IFRS 2 share based payment charge	25	78	
Transfer of Ashburton to the Banking Group[3]	–	(48)	
Normalised earnings (unaudited)	**2 004**	1 668	20

1. *The change in the mandate relating to shareholders' assets in December 2006 necessitated the disposal of the equities held in the shareholders' portfolio.*
2. *Momentum's investment in the associate listed property fund Emira, which was reflected at net asset value in the past, is currently reflected at fair value as this investment backs linked policyholder liabilities in terms of IAS28.*
3. *The comparative normalised earnings have been adjusted for the transfer of Ashburton to the Banking Group.*

Contributors to the normalised earnings

R MILLION (unaudited)	2008	2007	% change
	YEAR ENDED 30 JUNE		
Insurance operations	1 459	1 145	27
Momentum insurance[1,2]	1 184	1 000	18
FNB insurance	275	145	90
Asset management operations[1]	282	326	(13)
Group operating profit	**1 741**	1 471	18
Investment income on shareholders' assets[2]	263	197	34
Normalised earnings	**2 004**	1 668	20

1. *The comparative operating profit of Momentum Collective Investments of R34 million, which was previously included in "Momentum insurance", is now included in "Asset management operations" following the transfer of the assets of this business to RMB Unit Trusts.*
2. *An amount of R55 million (2007: R34 million), being the enhancement of the investment return on shareholders' assets in excess of certain benchmarks, which was previously included in "Investment income on shareholders' assets" is now included in "Momentum insurance".*

Insurance operations

The insurance operations generated excellent growth in operating profit of 27% to R1 459 million. Momentum insurance increased operating profit by 18%, with very strong risk profits, a pleasing contribution from new business written in prior years and a positive turnaround in the results generated by growth initiatives, more than offsetting the negative impact of lower asset based fees. The growth initiatives comprise Momentum's share of the middle market initiative with FNB, the short-term insurance joint venture and the Africa operations.

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

Insurance operations – new business

R MILLION (unaudited)	2008	2007	% change
	YEAR ENDED 30 JUNE		
Recurring premiums	2 079	1 920	8
– Retail	1 308	1 166	12
– Employee benefits	406	390	4
– FNB collaboration	365	364	–
Lump sums	26 794	18 731	43
– Retail	16 840	13 835	22
– Employee benefits[1]	9 954	4 896	>100
Total new business inflows	**28 873**	20 651	40
Annual premium equivalent[2]	**4 758**	3 793	25

1. *Portfolio switches, which were previously included in both new business and payments to clients, are no longer included in either new business or payments to clients. The comparative new business number has therefore been reduced by R2 813 million.*
2. *Represents new recurring premium inflows plus 10% of lump sum inflows.*

Momentum's 12% growth in retail recurring premiums included a 16% increase in risk product sales, and a 25% increase in recurring retirement annuity sales. Sales of recurring savings endowments, which came under pressure from lower levels of disposable income, increased marginally compared with the prior year.

The first half trend in employee benefits recurring product sales continued with group risk sales remaining under pressure due to an extremely competitive market. New business growth in the umbrella fund business continued to benefit from leveraging Momentum's successful broker distribution capability and grew 40%. In total, recurring employee benefits new business increased 4%.

Momentum's success in attracting a significant share of the retail lump sum market continued, with new business inflows increasing 22%. Sales of living annuities and discretionary investments were particularly strong, whilst endowment sales contracted somewhat. Momentum's success in this business is largely due to a combination of licence neutral product innovation, excellent service and a specific focus on specialist investment brokers via the extremely successful broker distribution engine.

The agency distribution channel generated satisfactory growth in new business, increasing its contribution to Momentum's new business APE (annual premium equivalent) from 16% for 2007, to 18% in the current year.

The healthcare business administered a total of 477 000 lives at 30 June 2008. The Momentum Health open scheme's total lives increased 10% to 175 500 at 30 June 2008. The focus in this business is currently on the alignment and integration of the operational components to a single IT platform to ensure a further improvement in efficiency levels.

Momentum Africa has a presence in nine African countries and generated a marginally positive earnings contribution for 2008. The Africa health insurance business currently has 105 000 lives under administration. The acquisition of the stake in Swabou Life, a subsidiary of FNB Namibia, was financed partly by the sale of the ex Southern Life Namibia book to Swabou Life with effect from 1 August 2007.

The earnings from the FNB insurance operations increased by an excellent 90%. Although lapses increased and new business volumes of embedded credit products in the mass market initiative reduced slightly, claims experience was better than anticipated. Penetration of the target market of this business is high and the focus is currently on upselling strategies to increase new business volumes. The middle market initiative, which focuses on single need products distributed using the FNB brand through outbound call centres, experienced strong premium growth and generated a positive contribution compared with the start up losses experienced in the prior year.

Asset management operations

The asset management operations experienced challenging conditions, with earnings declining by 13% to R282 million. Excluding certain once-off items in the comparative period, the operational performance was marginally positive. Collective investment scheme assets under management increased from R20 billion to R36 billion, mainly due to the transfer of R11 billion in assets from the ex Sage and Momentum collective investment schemes, and net inflows of R5 billion. The institutional asset base declined marginally to R171 billion due to client disinvestments and negative net contributions from existing clients.

The investment team and process of RMB Asset Management were refocused and relative investment performance showed a strong turnaround during the past 6 months, with the 1 year and 2 year performance being ranked fourth out of 11 managers in the Alexander Forbes Global Large Manager Watch. A number of unit trust funds achieved top performance in their respective categories.

Investment income on shareholders' assets

Momentum's decision to change to a cash and near cash mandate for discretionary shareholders' assets in December 2006 has effectively immunised shareholders' assets against the recent market volatility, with the result that investment income reflects strong growth of 34% to R263 million. The reduction in investment income due to the special dividend paid to FirstRand in October 2007, was more than offset by increased interest rates and the impact of the change in the mandate.

Marketing and administration expenses

Total marketing and administration expenses increased by 8% to R2.8 billion. After adjusting for once-off items, expenses in the existing operations increased 12% compared with the prior year. The increase in the asset management expenses is mainly due to an investment in additional staff and capacity. The following table provides an analysis of these expenses:

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Total marketing and administration expenses[1]	**2 799**	2 587	8
New initiatives – Momentum Africa	**(76)**	(29)	>(100)
Impairment of intangibles and goodwill	**–**	(101)	100
IFRS 2 share based payments	**(25)**	(57)	56
Existing operations	**2 698**	2 400	12
Insurance operations	**2 338**	2 090	12
Asset management operations	**360**	310	16

1. The comparative marketing and administration expenses have been adjusted for the transfer of Ashburton to the Banking Group.

CAPITAL MANAGEMENT

Momentum's excess of assets over liabilities, on the statutory basis, was R6 114 million (2007: R5 794 million). The Capital Adequacy Requirement (CAR) of R2 826 million (2007: R2 467 million) was covered 2.2 times (2007: 2.3 times) by the excess of assets over liabilities. The growth in CAR is mainly due to increased market volatility, which has been funded internally by earnings. Following the payment of the final dividend, the CAR cover will reduce to 2.0 times, which is marginally above the targeted range of 1.7 to 1.9 times. It is anticipated that the additional allowance for operational and credit risks required by the recently released CAR calculation guidance issued by the Actuarial Society of South Africa, which will become effective 31 December 2008, will increase the level of CAR. Momentum however expects to remain well capitalised following these changes.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased marginally from R15.9 billion at 30 June 2007, to R16.0 billion at 30 June 2008. The growth in the embedded value benefited mainly from the increase in the value of new business, the positive return on existing business and strong risk experience profits, whilst the special dividends paid to FirstRand in October 2007 and the transfer of Ashburton to the Banking Group at lower than directors' value reduced the overall growth.

The analysis of the main components of the embedded value is reflected in the following table:

R MILLION (unaudited)	AT 30 JUNE 2008	Pro forma[1] 2007	Originally disclosed 2007
Ordinary shareholders' net worth[2]	**7 701**	7 770	8 244
Net value of in-force insurance business	**8 307**	7 683	7 683
Present value of future profits	**9 271**	8 458	8 458
Cost of capital at risk	**(964)**	(775)	(775)
Embedded value attributable to ordinary shareholders	**16 008**	15 453	15 927

1. The embedded value at 30 June 2007 has been restated to take account of the transfer of Ashburton to the Banking Group at its carrying value of R298 million (the directors' valuation at 30 June 2007 was R772 million).
2. The growth in ordinary shareholders' net worth was impacted negatively by the special dividends paid.

The embedded value profit of R2 355 million for the year represents a return of 15.2% on the opening embedded value at 1 July 2007 of R15 453 million (after adjusting for the impact of the transfer of Ashburton on 1 July 2007).

The contributors to the return on embedded value of 15.2% are:

- Value of new business 3.8%
- Expected return on in-force insurance business 6.2%
- Investment return on shareholders' net worth 1.8%
- Investment variance and economic assumption changes (3.8%)
- Experience variances and operating assumption changes 6.4%
- Expected release from cost of capital 0.8%

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

Embedded value profit

R MILLION (unaudited)	YEAR ENDED 30 JUNE 2008	2007
Changes in ordinary shareholders' net assets	**1 731**	2 673
Earnings attributable to ordinary shareholders	**2 002**	2 076
Unrealised capital appreciation and other items	**(271)**	597
Change in net value of in-force insurance business	**813**	1 484
Change in cost of capital at risk	**(189)**	(105)
Embedded value profit	**2 355**	4 052

The decline in the embedded value profit was mainly due to the reduction in the directors' valuation of strategic subsidiaries, and the negative impact of lower market growth on future management fees in the value of in-force insurance business.

The value of new business increased by 14% to R590 million. Growth was impacted positively by a change in mix toward more profitable risk and retirement annuity products, and increased new business volumes across most product lines.

The new business margin of 2.1% was in line with the prior year margin, which is particularly pleasing given the negative impact of the increased risk discount rate.

GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R350.5 billion at 30 June 2008 compared with R349.2 billion at 30 June 2007. The strong growth in collective investment scheme and linked product assets was offset by institutional outflows. The following table provides an analysis of the assets managed or administered:

Assets under management or administration

	AT 30 JUNE		
R BILLION (unaudited)	**2008**	2007	% change
On balance sheet assets	**183.9**	184.1	–
Segregated third party funds	**117.5**	124.6	(6)
Collective investment scheme assets managed[1,2]	**28.8**	23.4	23
Assets under management	**330.2**	332.1	(1)
Linked product assets under administration[3]	**20.3**	17.1	19
Total assets under management or administration	**350.5**	349.2	–

1. *The assets under management at 30 June 2007 have been adjusted for the transfer of Ashburton to the Banking Group. The collective investment scheme assets managed by Ashburton amounted to R13.5 billion at 30 June 2007.*
2. *Excludes collective investment scheme assets included on the life company's balance sheet, as these assets are reflected under on balance sheet assets above. Total collective investment scheme assets under management amounted to R36 billion (2007: R31 billion).*
3. *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 R49 billion (2007: R41 billion).*

Net flow of funds

The retail savings and investment business within the insurance operations experienced positive net inflows of R3.7 billion, mainly due to the lump sum sales success.

There was a significant reduction in the net outflows of the asset management operations from R42 billion in 2007 to R10 billion in 2008. The comparative outflows however include the withdrawal of Public Investment Corporation (PIC) assets in December 2006.

FIRSTRAND

FIRSTRAND CAPITAL

(UNAUDITED)

CAPITAL MANAGEMENT

Management aims to produce solid returns to the 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.

The Group's targeted return on invested shareholders' capital is 10% above the weighted average cost of capital and the Group constantly monitors whether this target is being met by the business units. In 2008 the deteriorating credit conditions and losses in the Equity Trading division have resulted in a return on capital below the targeted level. Because of the current uncertain market conditions, the board has decided that it would not be appropriate to provide short and medium term targets. It has instead set risk appetite limits for earnings at risk for a period, variability in growth rates and variability in return on capital above weighted average cost of capital ("WACC").

The implementation of Basel II by FirstRand Bank Holdings Limited ("FRBH") in January 2008 has had little impact on the bank's capital ratios. Under Basel II banks are expected to hold capital commensurate with the underlying risks assumed, with focus on:

- Pillar 1 – minimum capital requirement
- Pillar 2 – supervisory review
- Pillar 3 – market discipline

Both FRBH and the FirstRand Bank Limited ("FRB" or the Bank") are well capitalised and within the targeted range for core equity and total capital adequacy. Despite the deteriorating credit conditions and the pro-cyclicality of capital introduced by Basel II, FRBH and FRB exceed the targeted minimum levels. In the next financial year demand for capital is likely to decline as asset growth, which has already started to slow, is expected to decline further and de-risking has taken place. FRBH has set aside capital for international expansion initiatives, but will only allocate capital to these initiatives if they meet or exceed targeted hurdle rates.

During the year, FRB issued R1 billion of upper Tier 2 instruments and R1.5 billion of lower Tier 2 instruments. Depending on market conditions, FRB will continue to issue various capital instruments to further enhance and optimise its capital base.

Momentum targets an economic capitalisation level range of 1.7 to 1.9 times CAR (based on the current formulae used to quantify CAR). At 30 June 2008, Momentum's capitalisation level was 2.2 times CAR. After the payment of the proposed dividend in October 2008, the level will fall to slightly above the top end of its targeted capitalisation range. Momentum will be subject to revised regulatory capital requirements from 31 December 2008. The impact is still being quantified but Momentum expects to be well capitalised under the new capital requirements.

Key ratios of the Group are set out below:

	AT 30 JUNE	
	2008	2007
Capital adequacy		
Capital adequacy ratio:		
FRBH	**13.8**	13.6
	Basel II	Basel I
CAR cover: Momentum Group (Regulatory requirement: 1.0x)	**2.2**	2.3
Capital leverage ratio		
Core equity (%)	**73.7**	77.2
Non cumulative non redeemable preference shares (%)	**6.4**	7.5
Debt instruments (%)	**19.9**	15.3
	100.0	100.0

Dividends

The total capital plan includes dividend policies, which are set in order to ensure sustainable dividend cover. Dividends paid are impacted by the following: sustainable dividend cover based on sustainable normalised earnings – after taking into account volatile earnings brought on by fair value accounting, anticipated earnings yield on capital employed, organic growth requirements and a safety margin for unexpected fluctuations in business plans.

BANKING GROUP

The Banking Group includes both regulated and unregulated entities. FRBH is the regulated entity and includes all regulated bank subsidiaries and other entities.

FIRSTRAND BANK HOLDINGS

Capital supply and demand

Capital serves as a foundation for a bank's future growth and acts as a buffer against unexpected losses.

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. In addition, capital planning ensures that the Total capital adequacy and Tier 1 ratios remain within the approved range during different economic and business cycles. The targeted and actual total capital adequacy ratios are set out on page 59.

The focus 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, while the Basel II environment allows for the use of hybrid and other innovative instruments.

The approved capital plan for FRBH is reviewed as part of its ICAAP and incorporates the expected capital utilisation, capital needs, planned issuance of capital instruments, appropriation of profits and dividend payments, desired level of capital (inclusive of a buffer), international expansion and general contingency planning for dealing with divergences, unexpected events and stress scenarios. It is concluded that FRBH is appropriately capitalised under a range of normal and severe scenarios and stress events.

The year under review

Credit growth has slowed offering some respite after a sustained period of intensive capital consumption; while the de-risking of the Banking Group's international businesses resulted in a lower capital requirement. Given the deterioration in the credit environment over the past 12 months, the Banking Group remains vigilant to the effects of pro-cyclicality introduced by Basel II and continues to focus on the level of core equity.

Management has driven a number of capital initiatives during the year under review to improve FRB's strong capital position, and to ensure that FRBH's sound Tier 1 and Total capital adequacy ratios are maintained.

- In August 2007, FRB concluded Fresco II. This partially funded synthetic securitisation of a portfolio of South African and international corporate credit exposures, relieved R700 million of regulatory capital.
- The inaugural issue of Upper Tier 2 instruments:
  - On 22 April 2008, R628 million fixed rate bonds were issued with no maturity date.
  - On 22 April 2008, R440 million variable rate bonds were issued with no maturity date.
- The following subordinated bonds (Lower Tier 2) were issued:
  - On 5 November 2007, R1 billion variable rate bonds were issued with a maturity date of 5 November 2017.
  - On 5 December 2007, R300 million variable rate bonds were issued with a maturity date of 5 December 2017.
  - On 10 December 2007, R200 million variable rate bonds were issued with a maturity date of 10 June 2021.

Basel II

FRBH implemented the International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version (June 2006), referred to as Basel II, at the start of January 2008. The framework aims to align regulatory capital requirements with the bank's underlying risk profile and risk management processes. Under Basel II, banks are expected to hold capital commensurate with the risks assumed, with focus on:

- Pillar 1 – minimum capital requirement
- Pillar 2 – supervisory review
- Pillar 3 – market discipline

Pillar 1

FRB has received approval from the South African Reserve Bank ("SARB") to use the Advanced Internal Ratings Based approach for credit risk and the Standardised Approach for operational risk under Basel II. An internal model, as approved by the SARB, is used for market risk. FRB has applied for the Advanced Measurement approach for operational risk with targeted implementation during 2009, subject to regulatory approval.

The standardised approach is used in the other regulated bank subsidiaries.

Pillar 2

FRBH has also finalised its ICAAP as part of Pillar 2. 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 ICAAP framework was submitted to the SARB in June 2008, and has been approved by the Banking Group's Risk Capital and Compliance committee. Going forward, the ICAAP will be subject to development and annual review.

The stress testing performed as part of the ICAAP estimates the impact of adverse events and formulates the management action required in response to these stress scenarios. The impact of four different economic scenarios – as well as four bespoke scenarios – on the level of earnings and risk weighted assets have been reviewed. FRBH remains well capitalised given the range of normal and severe scenarios and stress events.

Capital adequacy ratios

The registered banks in FRBH must comply with the SARB regulations and those of their home regulators. Capital adequacy is measured via three risk based ratios: Core Tier 1 capital, Tier 1 capital, and Total capital.

The Banks Act requires FRBH to maintain a minimum level of capital based on risk weighted assets. These minimum requirements are a Tier 1 capital ratio of 7.0% and a Total capital ratio of 9.5% (excluding the bank specific (Pillar 2b) add on). FRBH and FRB have always held Tier 1 capital and Total capital well in excess of these required ratios.

Composition of regulatory capital

	AT 30 JUNE 2008	
R MILLION	FRBH	FRB*
Tier 1		
Ordinary share capital and share premium	5 236	7 567
Minority interest	1 771	–
Non redeemable non cumulative preference shares	3 100	3 000
Reserves	33 748	17 363
Less: Total impairments	(2 289)	(574)
Excess of expected loss over allowable provisions (50%)	(379)	(379)
First loss credit enhancements in respect of securitisation structures (50%)	(283)	–
Other impairments	(1 627)	(195)
Total Tier 1 capital	**41 566**	**27 356**
Tier 2		
Upper Tier 2 instruments	1 188	1 068
Tier 2 subordinated debt instruments	9 004	7 513
Other reserves	286	–
Less: Total impairments	(662)	(379)
Excess of expected loss over allowable provisions (50%)	(379)	(379)
First loss credit enhancement provided in respect of securitisation scheme (50%)	(283)	–
Total Tier 2 capital	**9 816**	**8 202**
Total qualifying capital and reserves	**51 382**	**35 558**

Risk weighted assets by risk type

	AT 30 JUNE 2008	
R MILLION	FRBH	FRB*
Credit risk	256 567	200 424
Operational risk	56 472	44 352
Market risk	17 710	10 369
Equity investment risk	25 653	21 042
Other risk	17 182	13 467
Total risk weighted assets	**373 584**	**289 654**

* *Reflects solo supervision, ie FRB excluding subsidiaries and associates.*

The capital adequacy position of FRBH and its subsidiaries is set out below:

	AT 30 JUNE 2008	
R MILLION	Risk weighted assets	Capital adequacy %*
Basel II		
FRBH	373 584	13.75
FRB (solo)	289 654	12.28
FirstRand (Ireland) plc	18 625	16.97
RMB Australia Holdings Limited	7 917	15.71
Basel I		
FNB (Botswana) Limited	5 468	15.28
FNB (Namibia) Limited	7 518	20.73
FNB (Swaziland) Limited	888	21.04
FNB (Moçambique) S.A.	454	15.12

* *Entities operating under Basel II are subject to a minimum capital requirement of 9.5% (excludes the bank specific (pillar 2b) add on). All the banking operations under Basel I are subject to a 10% minimum capital requirement in terms of local rules, except for FNB (Botswana) Limited, where the minimum capital requirement is 15%. These entities also report under Basel II and are included on this basis for the consolidated position of FRBH.*

Targeted ratios

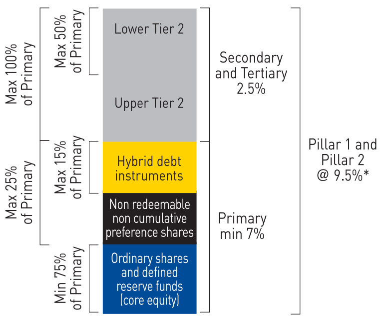
The total capital adequacy ratios for FRBH and FRB are within the target range as shown below. The Core Tier 1 ratios exceeded the respective targets. FRBH and FRB aim to remain within the targeted range during upturns and downturns.

	FRBH		FRB		
	Actual	Target	Actual	Target	Regulatory minimum
Capital adequacy ratio (%)	13.75	12.0 –13.5	12.28	11.5 – 13.0	9.50[1]
Tier 1 ratio (%)	11.13	10.00	9.44[2]	9.50	7.00
Core Tier 1 ratio (%)	10.30	8.25	8.41	7.75	5.25
Perpetual preference shares as a % of Tier 1 (%)	7.46		10.97		<25
Tier 2 subordinated debt as % of Tier 1 (%)	21.66		27.46		<50

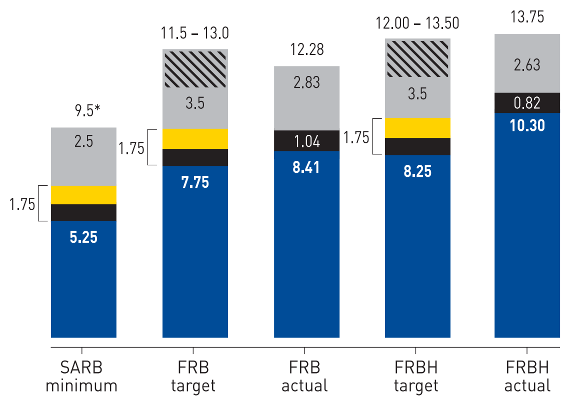
1. The regulatory minimum excludes the bank specific (pillar 2b) add on.
2. The Tier 1 target ratio for FRB is exceeded if unappropriated profits of R185 million are included.

The graphs below depict the current capital adequacy position:

Minimum capital adequacy



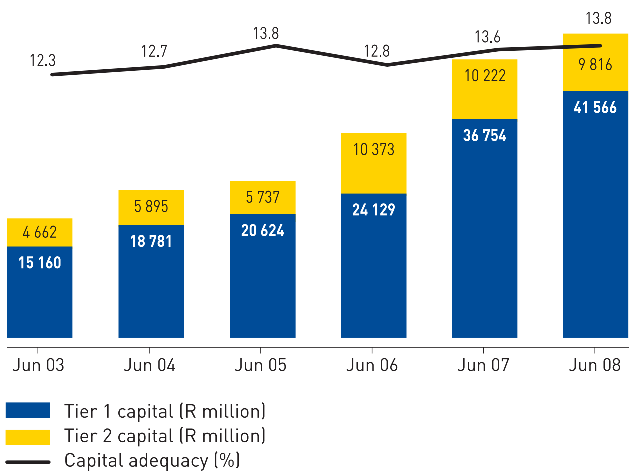
Capital adequacy
(%)



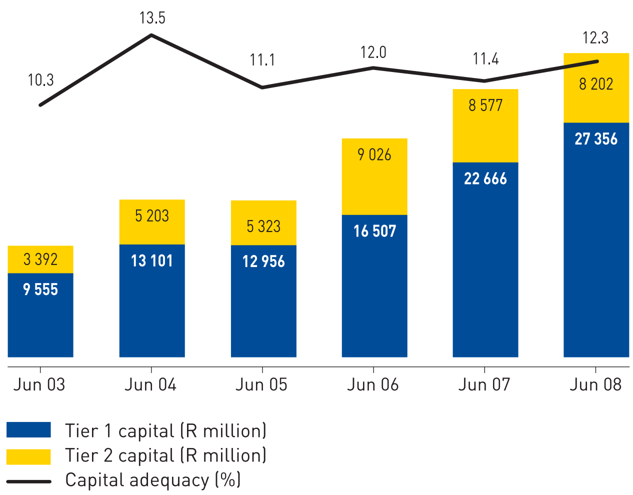
** Excludes bank specific (pillar 2b) add on.*

The graphs below indicate the regulatory capital position over the last six years*:

FRBH



FRB



** June 2007 and prior years reflect Basel I, while June 2008 is based on Basel II.*

Economic capital

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. The adequacy of the capital base is assessed via economic capital review. FRBH remains well capitalised with current levels of qualifying capital exceeding the economic capital required.

Capital is allocated to business units at the higher of:

- regulatory capital; and
- economic capital.

Both measures include an appropriate buffer.

The 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.

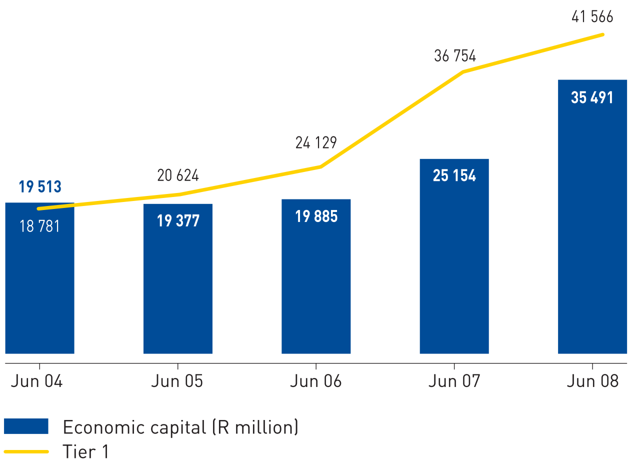
The framework also serves to consistently measure and align economic capital with the underlying risks associated with the activities of each business unit. The capital attribution methodologies involve a number of assumptions and estimates that are revised periodically. Any changes to these factors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

The economic capital allocation methodology is broadly based on the advanced approaches followed under Basel II and takes into account the following risk types (Pillar 1 and Pillar 2):

- Credit risk – the risk of loss due to non performance of a counterparty in respect of any financial or performance obligation due to a deterioration in the financial status of the counterparty;
- Traded market risk – the risk of loss on trading instruments and portfolios due to changes in market prices and rates;
- Equity investment risk – the risk associated with the buying and holding of unlisted and listed shares;
- Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events;
- Interest rate risk in the banking book – the risk of changes in the economic value of assets and liabilities due to changes in interest rates; and
- Business and other residual risks – the risk of loss due to variances in volumes, prices and costs caused by competitive forces, regulatory changes, reputation and strategic risks.

FRBH has consistently backed all economic risk with Tier 1 capital (core equity and innovative primary capital instruments). During 2007, the level of core equity was increased to prepare for the implementation of Basel II and the initial uncertainties introduced by the new accord.

Economic capital



BANKING GROUP

The Banking Group includes both regulated and unregulated entities.

Return on Equity ("ROE")

The return on equity for the Banking Group is 21.3%, compared to the prior year of 30.9%.

Analysis of shareholders' equity and reserves

Total shareholders' equity and reserves (excluding minority interests) per the Banking Group balance sheet totalled R47 011 million as at 30 June 2008 (2007: R39 226 million).

The average ordinary shareholders' equity and reserves for the year amounted to R40 006 million (2007: R31 941 million).

Segmental ROE

For purposes of segmental ROE reporting, ordinary shareholders' funds have been attributed to segments based on actual ordinary shareholders' funds utilised by divisions and separate legal entities. Ordinary shareholders' funds represent net asset value. This method of allocation has been changed, in the prior year only economic capital was allocated in the segmental ROE calculations and excess NAV was carried at the centre in Group Support. Prior year ROEs have been restated to reflect this change and are based on actual NAV utilisation.

The tables below provide a summary of the ROE numbers for the main segments based on normalised earnings:

	YEAR ENDED 30 JUNE	
R MILLION	Normalised earnings[1] 2008	ROE % 2008
FNB	4 676	33
FNB Africa	499	34
RMB	3 032	25
WesBank	583	12
Group Support[2]	(249)	
Total	8 541	21

	YEAR ENDED 30 JUNE	
R MILLION	Normalised earnings[1] 2007	ROE % 2007
FNB	4 372	35
FNB Africa	437	33
RMB	4 002	40
WesBank	975	23
Group Support [2]	71	
Total	9 857	31

1. *Normalised earnings include the net income on capital earned by the respective divisions less Group Support Centre costs and the cost of preference shares.*
2. *Group Support includes the income and expenses on capital transactions as well as the income from associates, eg OUTsurance.*

The allocation of the legal entities' ordinary shareholders' funds across segments 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. 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 of economic profit – is a performance measure that has been in place since July 2005.

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 normalised earnings and capital utilised in the businesses.

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

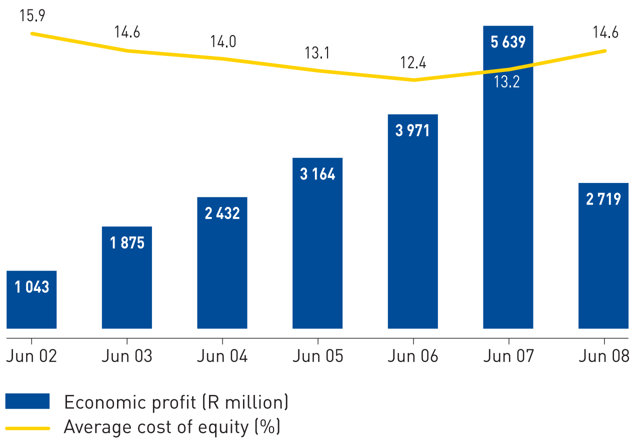
	YEAR ENDED 30 JUNE	
R MILLION	2008	2007
Normalised earnings	8 814	10 089
Preference dividends	(273)	(232)
Normalised earnings attributable to ordinary shareholders	8 541	9 857
Charge for capital*	(5 822)	(4 218)
Net economic profit	2 719	5 639
Average ordinary shareholders' equity	40 006	31 941
Return on average ordinary shareholders' equity (%)	21.3	30.9

* *The capital charge is based on an average cost of equity of 14.6% (2007:13.2%).*

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

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

Net economic profit



For the year under review the Banking Group added economic value, albeit at a lower level than the prior year. This was primarily driven by a combination of lower earnings and an increase in the average cost of equity.

MOMENTUM

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory Capital Adequacy Requirement ("CAR") with cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest bearing assets. Momentum awarded the mandate, to manage the discretionary cash held by the shareholders' portfolio, to RMB Asset Management. The investment mandate allows RMB Asset Management to invest the discretionary assets in cash or short dated interest bearing instruments.

Capital position

Momentum targets an economic capitalisation level range of 1.7 – 1.9 times CAR (based on the current formulae used to quantify CAR). At 30 June 2008, Momentum's CAR was covered 2.2 times by the excess of assets over liabilities (on the statutory valuation basis) before allowing for the dividend payable in October 2008.

R MILLION	**At 30 June 2008**	At 30 June 2007 Post dividend	At 30 June 2007 Before dividends
Statutory excess over liabilities	**6 114**	4 694	5 794
CAR	**2 826**	2 467	2 467
CAR cover rate (times)	**2.2**	1.9	2.3

The capital position at 30 June 2008 allows Momentum to pay a normal dividend (of R437 million) to FirstRand Limited in October 2008. This dividend represents a dividend cover of 2.5 times based on normalised earnings. The proposed dividend will reduce Momentum's capital level from 2.2 times to 2.0 times CAR (based on Momentum's financial position at 30 June 2008). This capital level is regarded as acceptable given the current market conditions and business environment.

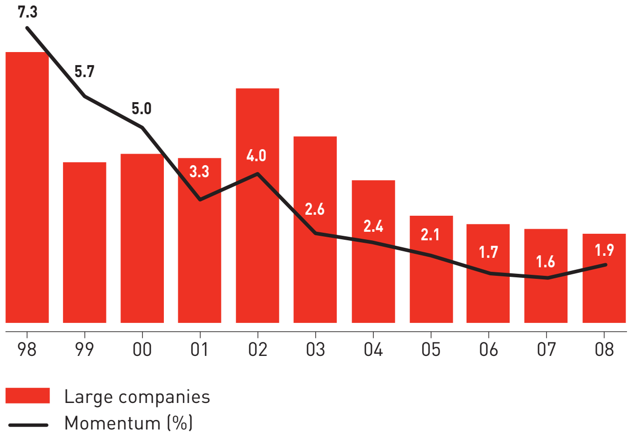
Momentum will be subject to the revised CAR formulae as issued by the Actuarial Society of South Africa, for the first time on 31 December 2008. The revised formulae explicitly allow for credit and operational risks, and also make changes to the allowance for interdependencies and minimum investment return guarantees.

The final impact of these changes on the quantum of CAR must still be established. Given the future changes to the CAR formulae and the current market conditions, a slight margin above the targeted capitalisation range is therefore considered prudent.

Capital efficiency

The graph below illustrates the improvements in Momentum's capital efficiency over the past number of years. The capital efficiency is measured by expressing CAR as a percentage of Momentum's total policyholder liabilities.

Improvements in Momentum's capital efficiency
CAGR %



The comparison in the graph above illustrates that Momentum's insurance business tends to be less capital intensive than the average of the large South African insurance companies.

The reduction in the CAR (as a percentage of liabilities), from F1998 to F2007 mainly resulted from a more capital efficient liability mix, as well as the positive impact of good investment performance. The increase in the ratio in F2008 was due to a reduction in policyholder bonus stabilisation accounts (given recent equity market weakness), as well as the increased capital requirement for high minimum benefits under certain products, in line with regulations that followed the Statement of Intent.

Composition of regulatory capital

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 2008.

Regulatory capital

	AT 30 JUNE			
R MILLION	2008	%	2007	%
Tier 1	5 078	83	4 758	82
– Core Tier 1 (ie equity capital)	4 578	75	4 258	73
– Non redeemable preference shares	500	8	500	9
Subordinated qualifying bond[1]	1 036	17	1 036	18
Qualifying statutory capital	6 114	100	5 794	100

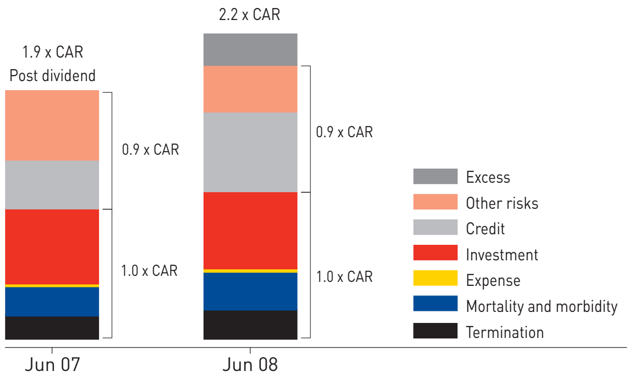
1. *This gearing level is within the limit of 30%.*

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") during November 2007. Fitch confirmed Momentum's Insurer Financial Strength credit rating of 'AA+(zaf)' in February 2008.

Composition of economic capital

The bar chart below sets out how the main risks contribute to Momentum's total economic capital requirement.



It should be noted that the credit component of Momentum's total economic capital requirement at 30 June 2008 was quantified using the revised professional guidance that will come into effect on 31 December 2008. Momentum's internal credit risk model was used to determine the credit capital component at 30 June 2007.

Funding and operational cash management

In response to its changing funding dynamics, Momentum has set up a dedicated capacity to coordinate and manage its operational cash requirements.

As part of the focus on funding, an Asset Liability Committee ("ALCO") was established, which operates as a subcommittee of the Momentum Group Risk Committee. The primary responsibility of the ALCO is to oversee and ensure proper management of the interest rate, funding and liquidity risks assumed on Momentum's balance sheet. The ALCO is also responsible to oversee and direct Momentum's capital management activities.

Return on equity ("ROE")

The active management of Momentum's capital plays an important role to achieve the targeted return on capital set by FirstRand Limited. The ROE for the year ended 30 June 2008 amounted to 30.3% (based on normalised earnings), compared with 25.3% for the year ended 30 June 2007. The increase in the ROE is mainly due to the reduction in capital resulting from special dividends paid to FirstRand in 2008, as well as the satisfactory increase in earnings.

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 Limited			
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 (local currency)	–	BBB+/A-2/Positive	–
Bank financial strength	–	–	C
Outlook	–	–	Positive
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	Positive
Local currency			
– Long term	A	A+	A2
– Short term	–	A-1	–
– Outlook	Stable	Stable	Stable

FirstRand
Banking Group

APPENDIX 1

FirstRand Banking Group
Abridged financials
for the year ended 30 June 2008

		YEAR ENDED 30 JUNE	
R MILLION	Notes	**2008**	2007
Interest and similar income		**49 018**	39 397
Interest expenses and similar charges		**(31 920)**	(25 399)
Net interest income before impairment of advances	1	**17 098**	13 998
Impairment losses on loans and advances	2	**(5 064)**	(2 857)
Net interest income after impairment of advances		**12 034**	11 141
Non interest income	3	**21 115**	20 836
Income from operations		**33 149**	31 977
Operating expenses	4	**(20 977)**	(19 042)
Net income from operations		**12 172**	12 935
Share of profit from associates and joint ventures	5	**1 690**	2 013
Income before tax		**13 862**	14 948
Indirect tax		**(548)**	(455)
Profit before tax		**13 314**	14 493
Direct tax		**(2 565)**	(3 844)
Profit for the year		**10 749**	10 649
Attributable to:			
Minorities		**1 205**	823
Shareholders		**9 544**	9 826
Preference shareholders		**273**	232
Ordinary shareholders		**9 271**	9 594

		AT 30 JUNE	
R MILLION	Notes	2008	2007
ASSETS			
Cash and short term funds		27 895	28 796
Derivative financial instruments		49 104	20 840
– qualifying for hedge accounting		1 053	144
– held for trading		48 051	20 696
Advances	6	449 156	391 560
– loans and receivables		345 618	309 461
– held-to-maturity		308	535
– available-for-sale		673	728
– fair value through profit and loss		102 557	80 836
Investment securities and other investments		96 995	82 006
Financial securities held for trading		43 653	45 317
Investment securities		53 342	36 689
– held-to-maturity		235	5
– available-for-sale		18 893	13 754
– fair value through profit and loss		14 944	6 980
– fair value through profit and loss non recourse investments		19 270	15 950
Commodities		1 916	1 118
Accounts receivable		5 869	6 866
Investments in associates and joint ventures		6 514	5 457
Property and equipment		8 063	5 428
Deferred tax asset		631	537
Intangible assets and deferred acquisition costs		1 470	843
Policy loans on insurance contracts		19	–
Tax asset		809	–
Non current assets and disposal groups held for sale		3 092	–
Loans to Insurance Group		6 561	4 016
Total assets		658 094	547 467
EQUITY AND LIABILITIES			
Liabilities			
Deposits		496 074	425 026
– deposits and current accounts		476 804	409 076
– fair value through profit and loss non recourse deposits		19 270	15 950
Short trading positions		33 688	32 175
Derivative financial instruments		45 653	17 769
– qualifying for hedge accounting		521	30
– held for trading		45 132	17 739
Creditors and accruals		7 783	9 064
Provisions		3 023	3 211
Tax liability		205	1 123
Post retirement benefit fund liability		1 938	1 842
Deferred tax liability		3 532	3 268
Long term liabilities		9 512	7 174
Policyholder liabilities under insurance contracts		1 435	412
Policyholder liabilities under investment contracts		108	-
Loans from Insurance Group		5 614	5 522
Total liabilities		608 565	506 586
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares		106	106
Ordinary share premium		7 164	3 802
Retained earnings		33 165	28 916
Other reserves		3 451	3 302
Total ordinary shareholders' funds		43 886	36 126
Non cumulative non redeemable preference shares		3 100	3 100
Cumulative redeemable preference shares		25	–
Capital and reserves attributable to the Group's equity holders		47 011	39 226
Minority interest		2 518	1 655
Total equity	7	49 529	40 881
Total equity and liabilities		658 094	547 467

A detailed segment report is set out in note 8.

NOTE 1: NET INTEREST INCOME AND MARGIN ANALYSIS

1.1 NET INTEREST INCOME

R MILLION	2008	2007	% change
FNB	10 429	8 424	24
Mass	1 020	701	46
Consumer segment	4 510	4 043	12
– HomeLoans	1 274	1 546	(18)
– Card Issuing	1 129	850	33
– Other Consumer	2 107	1 647	28
Wealth segment	756	634	19
Commercial segment	3 586	2 661	35
Corporate segment	441	428	3
FNB Other	116	(43)	>100
RMB	389	309	26
WesBank	3 747	3 343	12
FNB Africa	1 324	1 101	20
Group Support	1 209	821	47
Net interest income	17 098	13 998	22

1.2 MARGIN ANALYSIS

	2008		2007	
R MILLION	Average balance	% Margin	Average balance	% Margin
Average prime rate (RSA)		**14.20**		12.11
Advances				
Property Finance	**138 199**	**1.52**	112 963	1.82
Instalment sales and lease instalments receivable	**72 511**	**3.62**	66 646	3.81
Card	**12 744**	**7.38**	10 781	6.95
Overdrafts and loans	**23 405**	**4.38**	21 533	4.42
Term	**13 847**	**8.29**	11 571	7.88
Total advances	**260 706**	**3.01**	223 494	3.23
Deposits				
Current & Savings	**78 101**	**5.33**	68 071	4.43
Call	**25 757**	**1.90**	21 735	1.87
Money Market	**19 612**	**1.69**	12 609	1.57
Term	**34 098**	**1.43**	30 808	1.42
Total deposits	**157 568**	**3.47**	133 223	3.04
Africa				
Africa advances	**15 990**	**1.95**	14 296	2.30
Africa deposits	**16 547**	**4.47**	14 690	4.03

Average balances are daily average balances for the year ended 30 June.
Advances and deposits of the Southern African divisions of FNB and WesBank are included in this analysis.
Prior year margins have been restated for the effect of the new Funds Transfer Pricing ("FTP") methodology implemented in July 2007.
FTP rates are based on interest rate, liquidity and regulatory costs.
Margins are stated after IFRS and ISP adjustments.
Money Market Transactor accounts have been included in Current & Savings, consistent with BA reporting.
Advances and Deposits are shown net of legal right of set off ("LROS") balances.
FNB Botswana Advances and Deposits are shown excluding Bank of Botswana Certificates.

NOTE 2: ANALYSIS OF MOVEMENT IN IMPAIRMENT OF ADVANCES

2.1 NON PERFORMING LOANS

R MILLION	2008	2007	% change
Non performing loans*	14 279	6 490	>100
Add: Present value adjustment	1 015	346	>100
Net credit exposure	15 294	6 836	>100
Less: Security and recoverable amount	(9 201)	(3 476)	>100
Less: Contractual interest suspended (ISP)	(1 175)	(611)	92
Residual risk	4 918	2 749	79
Specific impairments	4 918	2 749	79
Portfolio impairments	2 465	1 801	37
Total impairments	7 383	4 550	62

	%	%
Non performing loans as a percentage of gross advances	2.9	1.5
Specific impairments as a percentage of non performing loans (after ISP)	37.5	46.8
Total impairments as a percentage of non performing loans (after ISP)	56.3	77.4
Total impairments as a percentage of residual risk (%)	150.1	165.5
Specific impairments as a percentage of gross advances	1.1	0.7
Portfolio impairments as a percentage of gross advances	0.5	0.5
Total impairments as a percentage of gross advances	1.6	1.1

R MILLION	2008	2007	% change
Income statement charge			
Specific impairments	4 270	2 319	84
Portfolio impairments	794	538	48
Total impairments	5 064	2 857	77

** An amount of R466 million (2007: R278 million) of fair value assets is included in the non performing loans. Cumulative fair value credit adjustments of R195 million has been made against fair value NPLs as at 30 June 2008 (2007: R91 million), of which R104 million loss (2007: R24 million profit) has been included in the income statement.*

2.2 NON PERFORMING LOANS – FAIR VALUE ADVANCES

R MILLION	2008	2007	% change
Accrual advances	13 813	6 212	>100
Fair value advances	466	278	68
Non performing loans	14 279	6 490	>100
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 on non performing loans before credit adjustments	661	369	79
Less: cumulative credit adjustments	(195)	(91)	>100
	466	278	68
Less: Interest in suspense	(48)	(26)	85
Net non performing fair value loans	418	252	66
Cumulative credit adjustments			
– on performing book	944	600	57
– on non performing book	195	91	>100
Total credit adjustments	1 139	691	65

2.3 ANALYSIS OF IMPAIRMENT

	2008			
R MILLION	**Total**	Specific impairment	Portfolio impairment	Income statement
Opening balance	**4 550**	2 749	1 801	
Exchange rate difference	**53**	45	8	
Amounts written off	**(2 889)**	(2 864)	(25)	
Unwinding of discounted present value on non performing loans	**(211)**	(211)	–	
Reclassifications	**–**	131	(131)	
Net new impairment created	**5 813**	5 019	794	(5 813)
– impairments created	**6 379**	5 526	853	(6 379)
– impairments released	**(566)**	(507)	(59)	566
Recoveries of bad debts				749
Acquisitions	**67**	49	18	–
Closing balance	**7 383**	4 918	2 465	(5 064)

	2007			
R MILLION	Total	Specific impairment	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 impairment 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)

2.4 SEGMENTAL ANALYSIS OF NON PERFORMING LOANS

	Non performing loans ("NPL") At 30 June			Interest in suspense At 30 June		NPL as % of advances At 30 June	
R MILLION	2008	2007	% change	2008	2007	2008	2007
FNB	9 428	3 960	>100	798	372	4.2	2.0
FNB Retail	8 663	3 344	>100	685	255	4.9	2.2
Residential mortgages	6 397	1 945	>100	464	156	4.1	1.5
– HomeLoans	5 571	1 573	>100	386	108	4.6	1.5
– Wealth	659	275	>100	58	36	2.2	1.1
– Affordable Housing (Mass segment)	167	97	72	20	12	3.8	4.2
Card Issuing	1 633	954	71	151	69	11.8	7.4
Personal banking	304	148	>100	33	15	7.6	3.6
Mass (secured and unsecured)	329	297	11	37	15	12.9	15.4
FNB Commercial	625	432	45	113	85	2.1	1.7
FNB Corporate Banking	140	184	(24)	–	32	0.9	1.2
WesBank	3 346	1 651	>100	165	111	3.2	1.6
Asset backed finance	3 190	1 595	100	157	110	3.2	1.6
– Retail	2 349	1 335	76	103	56	3.8	2.1
– Business and Corporate	789	257	>100	54	53	2.3	0.7
– International	52	3	>100	–	1	1.1	0.0
Loans	156	56	>100	8	1	3.6	1.4
RMB	980	450	>100	123	52	0.7	0.4
FNB Africa	478	394	21	89	75	2.5	2.4
Group Support	47	35	34	–	1	1.8	0.9
Total	**14 279**	6 490	>100	**1 175**	611	**2.9**	1.5

Refer page 83 for segmental analysis of advances.

2.4.1 INCOME STATEMENT IMPAIRMENTS

	2008			
R MILLION	Portfolio impairment charge	Specific impairment charge	Total impairment charge	As % of average advances
FNB	483	2 521	3 004	1.55
FNB Retail	345	2 343	2 688	1.78
Residential mortgages	207	915	1 122	0.84
– HomeLoans	178	836	1 014	0.96
– Wealth	10	78	88	0.36
– Affordable Housing (Mass segment)	19	1	20	0.68
Card Issuing	93	991	1 084	8.87
Personal banking	29	283	312	8.58
Mass (secured and unsecured)	16	154	170	8.30
FNB Commercial	34	167	201	0.91
FNB Corporate Banking	78	13	91	0.64
FNB Other	26	(2)	24	0.36
WesBank	220	1 852	2 072	2.09
Asset backed finance	181	1 462	1 643	1.73
– Retail	160	1 182	1 342	2.24
– Business and Corporate	33	142	175	0.59
– International	(12)	138	126	2.28
Loans	39	390	429	10.57
RMB	25	196	221	0.19
FNB Africa	36	69	105	0.72
Group Support	30	(368)	(338)	(10.53)
Total	794	4 270	5 064	1.19

2007			
Portfolio impairment charge	Specific impairment charge	Total impairment charge	As % of average advances
379	1 138	1 517	0.91
150	1 071	1 221	0.97
73	223	296	0.27
61	186	247	0.28
12	35	47	0.25
–	2	2	0.12
23	552	575	5.44
30	111	141	4.42
24	185	209	13.16
43	71	114	0.62
13	(3)	10	0.07
173	(1)	172	1.86
57	1 182	1 239	1.39
20	1 022	1 042	1.22
9	808	817	1.49
–	83	83	0.34
11	131	142	2.21
37	160	197	5.47
6	78	84	0.10
22	75	97	0.75
74	(154)	(80)	(1.43)
538	2 319	2 857	0.79

2.4.2 BALANCE SHEET IMPAIRMENTS

	2008			2007		
R MILLION	Portfolio	Specific	Total	Portfolio	Specific	Total
FNB	1 494	3 112	4 606	1 011	1 702	2 713
FNB Retail	952	2 700	3 652	599	1 381	1 980
Residential mortgages	538	1 180	1 718	311	412	723
– HomeLoans	444	1 036	1 480	256	343	599
– Wealth	52	112	164	44	44	88
– Affordable Housing (Mass segment)	42	32	74	11	25	36
Card Issuing	276	1 060	1 336	197	601	798
Personal banking	85	228	313	55	104	159
Mass (secured and unsecured)	53	232	285	36	264	300
FNB Commercial	170	291	461	134	191	325
FNB Corporate Banking	171	121	292	103	130	233
FNB Other	201	–	201	175	–	175
WesBank	542	1 288	1 830	438	634	1 072
Asset backed finance	446	1 177	1 623	386	585	971
– Retail	334	838	1 172	300	382	682
– Business and Corporate	67	226	293	30	149	179
– International	45	113	158	56	54	110
Loans	96	111	207	52	49	101
RMB	110	170	280	347	128	475
FNB Africa	179	198	377	139	150	289
Group Support	140	150	290	(134)	135	1
Total	2 465	4 918	7 383	1 801	2 749	4 550

FIRSTRAND BANK RISK MEASURES

(%)	Through the cycle PD	Long run LGD	Long run EL
FNB HomeLoans	3 – 3.5	15	0.50
Wealth	3 – 3.5	10	0.30
Revolving retail	6.5 – 7	60	4.00
FNB Commercial	3.3	35	1.20
WesBank Retail (asset backed finance)	5.5 – 6.0	20	1.10
WesBank Business and Corporate (asset backed finance)	3.5 – 4.0	15	0.55
WesBank Loans	5.5 – 6.0	70	4.00
Wholesale (RMB and FNB Corporate Banking)	0.9	32	0.30

COMMENTARY ON CREDIT IMPAIRMENTS

The confluence of macro economic factors in the current environment such as high interest rates and high food and energy inflation has resulted in pressure on consumers' ability to repay debt. Additional pressure is caused by the slowdown in property price growth and second hand car prices. Affordability levels have been negatively influenced by these factors which resulted in increases in bad debts and lower growth in advances.

The Banking Group manages its credit portfolio taking cognisance of the current macro economic conditions with the consideration of appropriate risk appetite through the cycle. The origination strategies are continuously reviewed in line with the economic outlook. Credit impairments are considered carefully to maintain adequate impairment levels.

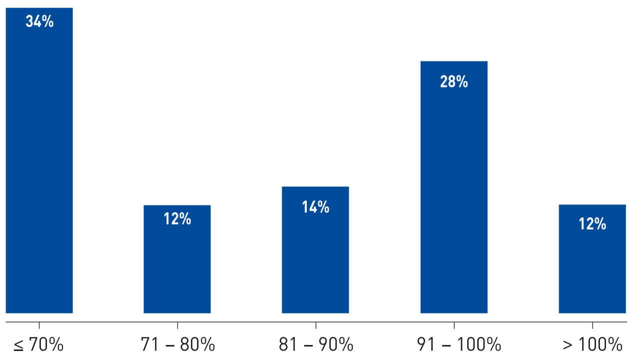
The retail portfolios' non performing loans and credit impairment charges have increased significantly due to the pressure on the consumers' ability to repay. The Banking Group has responded to the increased pressure in the following ways:

- Tightening of credit extension for higher risk counterparties;
- Increased portfolio impairments for the incurred but not reported events and the accounts in arrears. The portfolio impairment charge for retail related portfolios increased from 0.1% in 2007 to 0.23%. The balance sheet portfolio impairment increased by 42%;
- Close monitoring of account behaviour especially of early arrear accounts;
- Close monitoring of credit lead indicators to highlight potential problem loans and products as well as the analysis of "vintage" information for credit exposures; and
- Increased collection capabilities for the retail portfolios including increase in capacity technology as well as process improvements in the collections areas.

National Credit Act ("NCA") impairments have been made using an unidentified and identified methodology. For the unidentified impact of the NCA, appropriate impairments have been made for FNB and WesBank. Where the increased risk on the recoveries relating to the NCA has been identified at a customer level, this has been accounted for through the increase of the relevant loss given default.

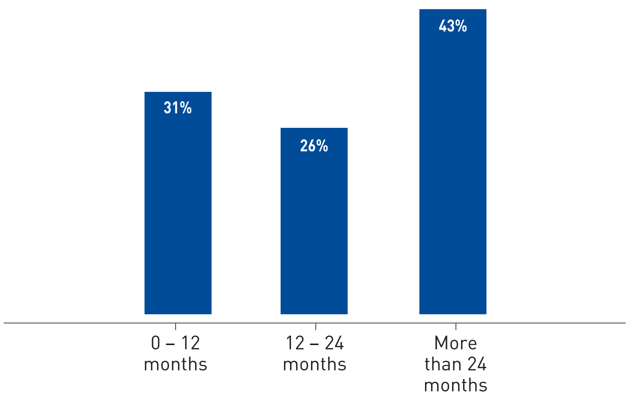
The following graph provides the balance to value distribution for the residential mortgages. The graph presents the balance to property value (at application date or physical valuation date) and excludes any non performing loans:

Residential mortgages balance to value



The graph below shows the aging of the residential mortgages portfolios:

Residential mortgages age distribution



The corporate portfolios have been resilient to the changes in the macro economic environment, although increases in non performing loans and impairments of smaller business entities have been recorded. In RMB, the increase of the non performing loans relates mostly to the Australian property portfolio which is being wound down. The corporate portfolios are closely monitored through the use of lead indicators to identify potential problem clients and industries. FNB Corporate Banking has increased its portfolio impairment charge to 0.55%. The fair value of the RMB fair value portfolios have been determined using prudent assumptions.

NOTE 3: NON INTEREST INCOME

R MILLION	Notes	2008	2007	% change
Fee and commission income	3.1	13 722	11 725	17
Fair value income	3.2	2 842	5 969	(52)
Investment income	3.3	2 765	1 304	>100
Other income		1 786	1 838	(3)
Total non interest income		21 115	20 836	1

3.1 FEE AND COMMISSION INCOME

R MILLION	2008	2007	% change
Bank commissions and fee income	10 472	9 099	15
Card commissions	1 401	1 244	13
Cash deposit fees	1 139	958	19
Commitment fees	218	567	(62)
Acceptances, guarantees and indemnities	167	146	14
Commissions on bills, drafts and cheques	577	385	50
Bank charges	6 970	5 799	20
Knowledge based fees	1 059	987	7
Management fees	1 240	884	40
Insurance income	387	323	20
Other non bank commissions	564	432	31
Total fee and commission income	13 722	11 725	17

3.2 FAIR VALUE INCOME

R MILLION	Forex	Debt	Equity	2008	2007	% change
Annuity	1 109	2 048	370	3 527	2 594	36
Originated/Structuring	–	1 667	254	1 921	1 314	46
Secondary market	–	66	–	66	65	2
Client flow	1 109	315	116	1 540	1 215	27
Risk income	186	786	(1 714)	(742)	2 825	>(100)
Equities	–	–	(1 714)	(1 714)	2 096	>(100)
Commodities	–	170	–	170	143	19
Interest rates	–	664	–	664	468	42
Credit	–	(48)	–	(48)	48	>(100)
Forex	186	–	–	186	70	>100
Other	–	57	–	57	550	(90)
Total fair value income	1 295	2 891	(1 344)	2 842	5 969	(52)

3.3 INVESTMENT INCOME

R MILLION	2008	2007	% change
Investment activities			
Income from private equity activities	2 370	1 974	20
– Profit on realisation of private equity investments	1 054	812	30
– Profit on realisation of other investment banking assets	97	75	29
– Dividends received	21	78	(73)
– Private equity associates (ongoing)	1 198	750	60
– Private equity associates (realisations)	–	259	(100)
Income from operational investment activities	492	1 004	(51)
– WesBank associates	159	97	64
– FirstRand International associates	(269)	497	>(100)
– FirstRand Short Term Insurance	367	310	18
– Listed associates	77	–	100
– Other operational associates	158	100	58
Income from investments	1 593	339	561
– Profit on disposal of available-for-sale assets	7	–	100
– Negative goodwill	24	–	100
– VISA listing	1 052	–	100
– Profit on assets held against employee liabilities and other income	510	339	50
Gross investment income	4 455	3 317	34
Less: Income from associates	(1 690)	(2 013)	(16)
Total investment income	2 765	1 304	>100

NOTE 4: OPERATING EXPENSES

R MILLION	2008	2007	% change
Staff expenditure	10 976	10 308	6
– Direct staff expenditure	9 078	7 940	14
– Other staff related expenditure	1 898	2 368	(20)
Depreciation	961	805	19
Amortisation of other intangible assets	125	103	21
Advertising and marketing	893	866	3
Insurance	302	261	16
Lease charges	866	732	18
Professional fees	840	677	24
HomeLoans third party origination costs	52	49	6
Audit fees	104	89	17
Computer expenses	846	681	24
Conveyance of cash	214	176	22
Maintenance	676	582	16
Telecommunications	512	445	15
eBucks rewards	232	203	14
WesBank joint ventures	114	171	(33)
Other expenditure	3 264	2 894	13
Total	20 977	19 042	10

NOTE 5: ANALYSIS OF INCOME FROM ASSOCIATES AND JOINT VENTURES

R MILLION	2008	2007	% change
Private equity associates	1 198	1 009	19
– Private equity associates (ongoing)	1 198	750	60
– Private equity associates (realisations)	–	259	(100)
WesBank associates	159	97	64
– Toyota Financial Services	81	67	21
– Other	78	30	>100
FirstRand International associates	(269)	497	>(100)
FirstRand Short Term Insurance	367	310	18
Listed associates	77	–	100
Other operational associates	158	100	58
Total	1 690	2 013	(16)

NOTE 6: ADVANCES

6.1 GROSS ADVANCES

R MILLION	2008	2007	% change
Gross advances			
Total advances	457 714	396 721	15
Less: Contractual interest suspended	(1 175)	(611)	92
Gross advances*	456 539	396 110	15
Less: Impairments	(7 383)	(4 550)	62
Net advances	449 156	391 560	15
Sector analysis			
Agriculture	9 000	8 056	12
Finance	64 292	53 174	21
Building and property development	15 246	14 334	6
Government, Land Bank and public authorities	20 503	20 144	2
Individuals	251 867	229 958	10
Manufacturing and commerce	46 799	41 290	13
Mining	12 829	5 528	>100
Transport and communication	11 061	9 512	16
Other services	26 117	14 725	77
Total advances	457 714	396 721	15

* *Included in gross advances are fair value advances of R102.5 billion (2007: R80.8 billion). Fair value losses included in fair value income amounted to R344 million (2007: R152 million) on performing book assets. Fair value losses with respect to defaulted assets amounted to R104 million (2007: R24 million (profit)). Cumulative fair value adjustments on performing and non performing book amounted to R1 139 million (2007: R691 million).*

R MILLION	2008	2007	% change
Rand and non-Rand denominated advances			
All non-Rand denominated advances (in USD)	5 736	6 375	(10)
@ exchange rate	7.82	7.07	11
Non-Rand denominated advances (in Rand)	44 856	45 071	–
Rand denominated advances	412 858	351 650	17
Total advances	457 714	396 721	15

6.2 ADVANCES – GEOGRAPHIC

R MILLION	2008	2007	% change
Geographical split			
SA banking operations	414 257	347 381	19
International banking operations	13 628	17 305	(21)
African banking operations	15 767	13 526	17
SA non banking operations	14 062	18 509	(24)
Total advances	457 714	396 721	15

6.3 ADVANCES – PRODUCT

R MILLION	2008	2007	% change
Product split			
Overdrafts and managed accounts	49 758	51 502	(3)
– FNB Consumer segment	1 364	1 519	(10)
– Mass	113	248	(54)
– Wealth	992	519	91
– FNB Commercial	11 856	10 687	11
– FNB Corporate Banking	14 986	20 804	(28)
– RMB	12 467	12 439	–
– FNB Africa	2 400	2 486	(3)
– Other	5 580	2 800	99
Loans to other financial institutions	9 461	6 279	51
Card loans	14 124	13 194	7
Instalment finance	65 122	57 071	14
Lease payments receivable	24 576	29 441	(17)
Property finance	161 349	135 725	19
– Home loans	149 957	127 856	17
– Commercial properties	11 392	7 869	45
Personal loans	15 949	14 929	7
– FNB Consumer segment	2 250	2 294	(2)
– Mass	2 201	1 597	38
– WesBank loans	4 094	4 012	2
– FNB Commercial	5 938	5 164	15
– FNB Africa	1 464	1 569	(7)
– Other	2	293	(99)
Preference share advances	18 171	11 748	55
Corporate lending and structured products	34 669	22 034	57
Other	33 166	34 884	(5)
Subtotal	426 345	376 807	13
Assets under agreement to sell	31 369	19 914	58
Total advances	457 714	396 721	15

6.4 ADVANCES – SEGMENTAL

R MILLION	2008	2007	% change
FNB	207 658	180 281	15
FNB Retail	162 841	139 024	17
Residential mortgages	144 476	121 564	19
– HomeLoans	113 092	97 820	16
– Wealth	27 528	21 712	27
– Affordable Housing (Mass segment)	3 856	2 032	90
Card Issuing	12 516	11 935	5
Personal banking	3 582	3 694	(3)
Mass (secured and unsecured)	2 267	1 831	24
FNB Commercial	24 109	20 290	19
FNB Corporate Banking	15 424	12 834	20
FNB Other	5 284	8 133	(35)
WesBank	99 949	98 434	2
Asset backed finance	95 881	94 386	2
– Retail	59 654	60 114	(1)
– Business and Corporate	31 573	27 862	13
– International	4 654	6 410	(27)
Loans	4 068	4 048	–
RMB	130 591	100 071	30
FNB Africa	15 755	13 492	17
Group Support	2 586	3 832	(33)
Gross advances	456 539	396 110	15
Less: Impairments	(7 383)	(4 550)	62
Net advances	449 156	391 560	15

NOTE 7: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary shareholders' funds						
R MILLION	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share based payment reserve	Available-for-sale reserve
Balance as at 30 June 2006	106	1 632	1 738	1 136	173	288	133
Issue of share capital	–	2 170	2 170	–	–	–	–
Conversion of convertible redeemable preference shares	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	(51)	–	241
Movement in other reserves	–	–	–	–	9	–	–
Profit for the year	–	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–	–
Dividends attributable to outside shareholders	–	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	215	–	–	–
Effective change of shareholding in subsidiary	–	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	147	–
Non distributable reserves of associates	–	–	–	–	–	–	–
Available-for-sale loss transferred to the income statement	–	–	–	–	–	–	(48)
Share buy back in associate	–	–	–	–	–	–	–
Balance as at 30 June 2007	106	3 802	3 908	1 351	131	435	326
Issue of share capital	–	3 362	3 362	–	–	–	–
Currency translation differences	–	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	132	–	530
Movement in other reserves	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	(1 343)	–	–	–
Effective change of shareholding in subsidiary	–	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	–	–
Non distributable reserves of associates	–	–	–	–	–	–	–
Reserves transferred from/(to) the income statement	–	–	–	–	346	32	(384)
Balance as at 30 June 2008	106	7 164	7 270	8	609	467	472

Ordinary share capital and ordinary shareholders' funds					Perpetual preference shareholders' funds				
Currency translation reserve	Other reserves	Other reserves	Retained income	Capital and reserves attributable to ordinary equity holders	Non cumulative redeem-able preference shares	Non cumulative non redeem-able preference share	Total preference share-holders' funds	Minority interest	Total equity
583	425	2 738	23 279	27 755	–	3 100	3 100	1 378	32 233
–	–	–	–	2 170	–	–	–		2 170
–	–	–	–	–	–	–	–	(5)	(5)
14	–	14	–	14	–	–	–	(8)	6
–	–	190	–	190	–	–	–		190
–	–	9	3	12	–	–	–	70	82
–	–	–	9 826	9 826	–	–	–	823	10 649
–	–	–	(3 684)	(3 684)	–	–	–		(3 684)
–	–	–	(232)	(232)	–	–	–		(232)
–	–	–	–	–	–	–	–	(653)	(653)
–	–	215	(215)	–	–	–	–	(3)	(3)
–	(2)	(2)	–	(2)	–	–	–	51	49
–	–	147	–	147	–	–	–	1	148
–	39	39	–	39	–	–	–	3	42
–	–	(48)	–	(48)	–	–	–	(2)	(50)
–	–	–	(61)	(61)	–	–	–	–	(61)
597	462	3 302	28 916	36 126	–	3 100	3 100	1 655	40 881
–	–	–	–	3 362	–	–	–	–	3 362
706	–	706	–	706	–	–	–	61	767
–	(15)	647	–	647	–	–	–	(60)	587
–	188	188	–	188	–	–	–	19	207
–	–	–	9 544	9 544	–	–	–	1 205	10 749
–	–	–	(6 429)	(6 429)	–	–	–	(638)	(7 067)
–	–	–	(273)	(273)	–	–	–		(273)
–	(64)	(1 407)	1 407	–	–	–	–		–
–	–	–	–	–	25	–	25	271	296
–	–	–	–	–	–	–	–	4	4
–	21	21	–	21	–	–	–	1	22
–	–	(6)	–	(6)	–	–	–	–	(6)
1 303	592	3 451	33 165	43 886	25	3 100	3 125	2 518	49 529

NOTE 8: SEGMENT REPORT

PRIMARY SEGMENTS (BUSINESS)

2008						FNB	
Segment information		Consumer segment					
R MILLION	Mass	Home-Loans	Card Issuing	Other Consumer	Consumer segment	Wealth	Commercial
Net interest income before impairment of advances	1 020	1 274	1 129	2 107	**4 510**	756	3 586
Impairment of advances	(190)	(1 014)	(1 084)	(312)	**(2 410)**	(88)	(201)
Net interest income after impairment of advances	830	260	45	1 795	**2 100**	668	3 385
Non interest income	2 957	242	1 367	2 254	**3 863**	709	2 823
Net income from operations	3 787	502	1 412	4 049	**5 963**	1 377	6 208
Operating expenses	(2 496)	(830)	(1 283)	(2 541)	**(4 654)**	(918)	(3 281)
Income from operations	1 291	(328)	129	1 508	**1 309**	459	2 927
Share of income from associates	–	(7)	–	7	**–**	–	–
FirstRand Short Term Insurance	–	–	–	–	**–**	–	–
Other	–	(7)	–	7	**–**	–	–
Income before taxation	1 291	(335)	129	1 515	**1 309**	459	2 927
Indirect taxation	(15)	(46)	(9)	(95)	**(150)**	(15)	(20)
Income before direct taxation	1 276	(381)	120	1 420	**1 159**	444	2 907
Direct taxation	(338)	101	(32)	(376)	**(307)**	(118)	(770)
Income after taxation	938	(280)	88	1 044	**852**	326	2 137
Attributable to:							
Equity holders of FirstRand Banking Group	938	(280)	88	1 044	**852**	326	2 137
Minority interests	–	–	–	–	**–**	–	–
	938	(280)	88	1 044	**852**	326	2 137
Equity holders of FirstRand Banking Group	938	(280)	88	1 044	**852**	326	2 137
Profit on sale of subsidiaries	–	–	–	7	**7**	–	–
VISA listing	–	–	–	–	**–**	–	–
Other	(25)	–	–	5	**5**	–	–
Minority interest on adjustments	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	–	–
Headline earnings	913	(280)	88	1 056	**864**	326	2 137
Impact of IFRS 2	1	–	–	2	**2**	1	–
Normalised headline earnings (unaudited)	914	(280)	88	1 058	**866**	327	2 137

The segmental analysis is based on the management accounts for the respective segments.
** All consolidation adjustments have been recorded in Group Support.*

Corporate	FNB Other and support	**Total FNB**	FNB Africa	RMB	WesBank	Group Support*	**Subtotal**	Divisions disclosed elsewhere	**Total**
441	116	**10 429**	1 324	389	3 747	1 209	**17 098**	–	**17 098**
(91)	(24)	**(3 004)**	(105)	(221)	(2 072)	338	**(5 064)**	–	**(5 064)**
350	92	**7 425**	1 219	168	1 675	1 547	**12 034**	–	**12 034**
1 386	337	**12 075**	1 077	6 358	2 406	(427)	**21 489**	(374)	**21 115**
1 736	429	**19 500**	2 296	6 526	4 081	1 120	**33 523**	(374)	**33 149**
(1 051)	(427)	**(12 827)**	(1 120)	(3 353)	(3 377)	(300)	**(20 977)**	–	**(20 977)**
685	2	**6 673**	1 176	3 173	704	820	**12 546**	(374)	**12 172**
–	25	**25**	7	1 092	159	407	**1 690**	–	**1 690**
–	–	**–**	–	–	–	367	**367**	–	**367**
–	25	**25**	7	1 092	159	40	**1 323**	–	**1 323**
685	27	**6 698**	1 183	4 265	863	1 227	**14 236**	(374)	**13 862**
(14)	(139)	**(353)**	(27)	(61)	(129)	22	**(548)**	–	**(548)**
671	(112)	**6 345**	1 156	4 204	734	1 249	**13 688**	(374)	**13 314**
(178)	30	**(1 681)**	(297)	(1 114)	(195)	617	**(2 670)**	105	**(2 565)**
493	(82)	**4 664**	859	3 090	539	1 866	**11 018**	(269)	**10 749**
493	(82)	**4 664**	533	2 941	478	1 197	**9 813**	(269)	**9 544**
–	–	**–**	326	149	61	669	**1 205**	–	**1 205**
493	(82)	**4 664**	859	3 090	539	1 866	**11 018**	(269)	**10 749**
493	(82)	**4 664**	533	2 941	478	1 197	**9 813**	(269)	**9 544**
–	–	**7**	–	(118)	–	4	**(107)**	–	**(107)**
–	–	**–**	(58)	–	–	(994)	**(1 052)**	–	**(1 052)**
(16)	15	**(21)**	–	35	105	12	**131**	–	**131**
–	–	**–**	16	–	–	–	**16**	–	**16**
–	–	**–**	8	10	(10)	161	**169**	–	**169**
477	(67)	**4 650**	499	2 868	573	380	**8 970**	(269)	**8 701**
–	–	**4**	–	–	–	109	**113**	–	**113**
477	(67)	**4 654**	499	2 868	573	489	**9 083**	(269)	**8 814**

NOTE 8: SEGMENT REPORT CONTINUED

PRIMARY SEGMENTS (BUSINESS)

2008						FNB	
Segment information		Consumer segment					
R MILLION	Mass	Home-Loans	Card Issuing	Other Consumer	**Consumer segment**	Wealth	Commercial
Cost to income (%)	62.8	55.0	51.4	58.2	**55.6**	62.7	51.2
Diversity ratio (%)	74.4	16.0	54.8	51.6	**46.1**	48.4	44.0
Bad debt charge as a percentage of average advances (%)	3.81	0.96	8.87	8.58	**2.00**	0.36	0.91
NPLs as a percentage of advances (%)	7.2	4.6	11.8	7.6	**5.4**	2.2	2.1
Assets under management	–	–	–	–	**–**	48 198	–
Income statement includes							
Depreciation	(87)	(5)	(1)	(150)	**(156)**	(23)	(10)
Amortisation	–	–	–	(15)	**(15)**	(4)	(6)
Impairment charges	–	–	–	(5)	**(5)**	–	–
Other non cash provisions	(31)	(15)	(10)	(142)	**(167)**	(114)	(104)
Balance sheet includes							
Advances (after ISP – before provisions)	6 123	113 092	12 516	3 582	**129 190**	27 528	24 109
– Normal advances	6 123	109 164	12 516	3 582	**125 262**	27 528	24 109
Advances net of LROS	6 123	109 164	12 516	3 582	**125 262**	27 528	23 796
LROS adjustment	–	–	–	–	**–**	–	313
– Securitised advances	–	3 928	–	–	**3 928**	–	–
Non performing loans (gross)	496	5 571	1 633	304	**7 508**	659	625
– Accrual advances	496	5 571	1 633	304	**7 508**	659	625
– Fair value advances	–	–	–	–	**–**	–	–
Impairments (Balance sheet)	359	1 480	1 336	313	**3 129**	164	461
– Portfolio	95	444	276	85	**805**	52	170
– Specific	264	1 036	1 060	228	**2 324**	112	291
Investment in associated companies	–	(7)	–	37	**30**	–	–
Total deposits (incl Non recourse deposits)	7 748	103	1 252	49 872	**51 227**	15 347	58 357
Deposits net of LROS	7 748	103	1 252	49 872	**51 227**	15 347	58 044
LROS adjustment	–	–	–	–	**–**	–	313
Total assets	6 707	111 897	11 234	3 989	**127 120**	27 689	23 748
Total liabilities	8 005	176	1 301	51 275	**52 752**	15 531	58 557
Capital expenditure	276	1	310	71	**382**	55	47
– Property, plant and equipment	276	1	300	71	**372**	46	24
– Intangible assets	–	–	10	–	**10**	9	23

The segmental analysis is based on the management accounts for the respective segments.
** All consolidation adjustments have been recorded in Group Support.*

Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Group Support*	Subtotal	Divisions disclosed elsewhere	Total
57.5	89.3	56.9	46.5	42.8	53.5	25.2	52.1	–	52.6
75.9	70.5	53.6	44.7	81.1	38.1	(35.9)	53.4	100.0	52.9
0.64	0.36	1.55	0.72	0.19	2.09	(10.53)	1.19	–	1.19
0.9	–	4.2	2.5	0.7	3.2	1.8	2.9	–	2.9
–	–	49 198	862	–	–	–	49 060	–	49 060
(76)	(315)	(667)	(33)	(60)	(143)	(58)	(961)	–	(961)
(2)	(1)	(28)	(19)	(31)	(44)	(3)	(125)	–	(125)
(4)	(14)	(23)	–	–	(104)	(10)	(137)	–	(137)
(107)	(244)	(767)	(123)	(1 096)	(122)	96	(2 012)	–	(2 012)
15 424	5 284	207 658	15 755	130 591	99 949	2 586	456 539	–	456 539
15 424	5 284	203 730	15 755	130 591	94 430	2 586	447 092	–	447 092
2 792	(289)	185 212	15 755	130 591	94 430	2 586	428 574	–	428 574
12 632	5 573	18 518	–	–	–	–	18 518	–	18 518
–	–	3 928	–	–	5 519	–	9 447	–	9 447
140	–	9 428	478	980	3 346	47	14 279	–	14 279
140	–	9 428	478	514	3 346	47	13 813	–	13 813
–	–	–	–	466	–	–	466	–	466
292	201	4 606	377	280	1 830	290	7 383	–	7 383
171	201	1 494	179	110	542	140	2 465	–	2 465
121	–	3 112	198	170	1 288	150	4 918	–	4 918
–	63	93	8	4 920	858	635	6 514	–	6 514
43 201	16 587	192 467	23 867	114 409	555	164 776	496 074	–	496 074
30 569	11 014	173 949	23 867	114 409	555	164 776	477 556	–	477 556
12 632	5 573	18 518	–	–	–	–	18 518	–	18 518
16 865	9 283	211 412	29 413	296 433	108 331	12 505	658 094	–	658 094
44 985	17 998	197 828	26 160	292 091	108 323	(15 837)	608 565	–	608 565
115	796	1 671	71	78	122	2 168	4 110	–	4 110
110	794	1 622	71	78	122	1 982	3 875	–	3 875
5	2	49	–	–	–	186	235	–	235

NOTE 8: SEGMENT REPORT CONTINUED

PRIMARY SEGMENTS (BUSINESS)

2007						FNB	
Segment information		Consumer segment					
R MILLION	Mass	Home-Loans	Card Issuing	Other Consumer	**Consumer segment**	Wealth	Commercial
Net interest income before impairment of advances	701	1 546	850	1 647	**4 043**	634	2 661
Impairment of advances	(211)	(247)	(575)	(141)	**(963)**	(47)	(114)
Net interest income after impairment of advances	490	1 299	275	1 506	**3 080**	587	2 547
Non interest income	2 525	229	1 168	2 005	**3 402**	395	2 559
Net income from operations	3 015	1 528	1 443	3 511	**6 482**	982	5 106
Operating expenses	(2 029)	(759)	(1 324)	(2 240)	**(4 323)**	(650)	(2 901)
Income from operations	986	769	119	1 271	**2 159**	332	2 205
Share of income from associates	–	–	–	25	**25**	–	–
FirstRand Short Term Insurance	–	–	–	–	**–**	–	–
Other	–	–	–	25	**25**	–	–
Income before taxation	986	769	119	1 296	**2 184**	332	2 205
Indirect taxation	(5)	(40)	(10)	(99)	**(149)**	(12)	(14)
Income before direct taxation	981	729	109	1 197	**2 035**	320	2 191
Direct taxation	(261)	(194)	(29)	(319)	**(542)**	(85)	(583)
Income after taxation	720	535	80	878	**1 493**	235	1 608
Attributable to:							
Equity holders of FirstRand Banking Group	720	535	80	878	**1 493**	235	1 608
Minority interests	–	–	–	–	**–**	–	–
	720	535	80	878	**1 493**	235	1 608
Equity holders of FirstRand Banking Group	720	535	80	878	**1 493**	235	1 608
Profit/(loss) on sale of investments	–	–	–	–	**–**	–	–
Profit/(loss) on sale of property and equipment	–	–	–	–	**–**	–	–
Plus: Impairments incurred	–	–	–	–	**–**	–	–
Plus: Goodwill – on associates	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	–	–
Headline earnings	720	535	80	878	**1 493**	235	1 608
Transfer of FRIWM from Momentum Group	–	–	–	–	**–**	48	–
Impact of IFRS 2	–	–	–	–	**–**	–	–
Normalised headline earnings (unaudited)	720	535	80	878	**1 493**	283	1 608

The segmental analysis is based on the management accounts for the respective segments.
** All consolidation adjustments have been recorded in Group Support.*

Corporate	FNB Other and support	**Total FNB**	FNB Africa	RMB	WesBank	Group Support*	**Subtotal**	Divisions disclosed elsewhere	**Total**
428	(43)	**8 424**	1 101	309	3 343	821	**13 998**	–	**13 998**
(10)	(172)	**(1 517)**	(97)	(84)	(1 239)	80	**(2 857)**	–	**(2 857)**
418	(215)	**6 907**	1 004	225	2 104	901	**11 141**	–	**11 141**
1 215	303	**10 399**	783	7 442	2 397	25	**21 046**	(210)	**20 836**
1 633	88	**17 306**	1 787	7 667	4 501	926	**32 187**	(210)	**31 977**
(1 018)	(365)	**(11 286)**	(862)	(3 870)	(3 117)	93	**(19 042)**	–	**(19 042)**
615	(277)	**6 020**	925	3 797	1 384	1 019	**13 145**	(210)	**12 935**
–	15	**40**	1	1 532	97	343	**2 013**	–	**2 013**
–	–	**–**	–	–	–	310	**310**	–	**310**
–	15	**40**	1	1 532	97	33	**1 703**	–	**1 703**
615	(262)	**6 060**	926	5 329	1 481	1 362	**15 158**	(210)	**14 948**
(12)	(130)	**(322)**	(19)	(48)	(111)	45	**(455)**	–	**(455)**
603	(392)	**5 738**	907	5 281	1 370	1 407	**14 703**	(210)	**14 493**
(160)	104	**(1 527)**	(234)	(1 404)	(365)	(375)	**(3 905)**	61	**(3 844)**
443	(288)	**4 211**	673	3 877	1 005	1 032	**10 798**	(149)	**10 649**
443	(288)	**4 211**	440	3 857	992	475	**9 975**	(149)	**9 826**
–	–	**–**	233	20	13	557	**823**	–	**823**
443	(288)	**4 211**	673	3 877	1 005	1 032	**10 798**	(149)	**10 649**
443	(288)	**4 211**	440	3 857	992	475	**9 975**	(149)	**9 826**
(23)	–	**(23)**	–	–	(135)	80	**(78)**	–	**(78)**
4	5	**9**	–	11	–	(28)	**(8)**	–	**(8)**
–	–	**–**	–	–	61	(61)	**–**	–	**–**
–	–	**–**	(3)	–	–	3	**–**	–	**–**
–	–	**–**	–	–	–	12	**12**	–	**12**
424	(283)	**4 197**	437	3 868	918	481	**9 901**	(149)	**9 752**
–	–	**48**	–	–	–	–	**48**	–	**48**
–	–	**–**	–	–	–	289	**289**	–	**289**
424	(283)	**4 245**	437	3 868	918	770	**10 238**	(149)	**10 089**

NOTE 7: SEGMENT REPORT CONTINUED

PRIMARY SEGMENTS (BUSINESS)

2007						FNB	
Segment information		Consumer segment					
R MILLION	Mass	Home-Loans	Card Issuing	Other Consumer	**Consumer segment**	Wealth	Commercial
Cost to income (%)	62.9	42.8	65.6	60.9	**57.9**	63.2	55.6
Diversity ratio (%)	78.3	12.9	57.9	54.5	**45.5**	38.4	49.0
Bad debt charge as a percentage of average advances (%)	6.48	0.28	5.44	4.42	**0.93**	0.25	0.62
NPLs as a percentage of advances (%)	9.5	1.5	7.4	3.6	**2.2**	1.1	1.7
Assets under management	–	–	–	–	**–**	26 489	–
Income statement includes							
Depreciation	(81)	(3)	–	(151)	**(154)**	(19)	(7)
Amortisation	–	–	–	(4)	**(4)**	(3)	–
Impairment charges	–	(2)	–	–	**(2)**	–	–
Other non cash provisions	–	–	–	–	**–**	–	–
Balance sheet includes							
Advances (after ISP – before provisions)	3 863	97 820	11 935	3 694	**113 449**	21 712	20 290
– Normal advances	3 863	96 328	11 935	3 694	**111 957**	21 712	20 290
Advances net of LROS	3 863	96 328	11 935	3 694	**111 957**	21 712	19 996
LROS adjustment	–	–	–	–	**–**	–	294
– Securitised advances	–	1 492	–	–	**1 492**	–	–
Non performing loans (gross)	394	1 573	954	148	**2 675**	275	432
– Accrual advances	394	1 573	954	148	**2 675**	275	432
– Fair value advances	–	–	–	–	**–**	–	–
Impairments (Balance sheet)	336	599	798	159	**1 556**	88	325
– Portfolio	47	256	197	55	**508**	44	134
– Specific	289	343	601	104	**1 048**	44	191
Investment in associated companies	–	–	–	39	**39**	–	–
Total deposits (ex Non recourse deposits)	7 449	40	1 303	42 652	**43 995**	12 645	50 582
Deposits net of LROS	7 449	40	1 303	42 652	**43 995**	12 645	50 288
LROS adjustment	–	–	–	–	**–**	–	294
Total assets	4 362	97 363	11 190	4 157	**112 710**	21 739	20 035
Total liabilities	7 610	137	1 362	43 601	**45 100**	12 777	50 779
Capital expenditure	89	10	8	174	**192**	34	17
– Property, plant and equipment	89	10	8	174	**192**	34	17
– Intangible assets	–	–	–	–	**–**	–	–

The segmental analysis is based on the management accounts for the respective segments.
** All consolidation adjustments have been recorded in Group Support.*

Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Group Support*	Subtotal	Divisions disclosed elsewhere	Total
62.0	132.7	**59.8**	45.7	41.7	53.4	(7.8)	**51.4**	–	**51.7**
74.0	110.2	**55.1**	41.5	80.2	41.1	2.1	**56.8**	100.0	**56.5**
0.07	1.86	**0.91**	0.75	0.10	1.39	(1.43)	**0.79**	–	**0.79**
1.2	–	**2.0**	2.4	0.4	1.6	0.9	**1.5**	–	**1.5**
–	–	**26 489**	596	–	–	–	**27 085**	–	**27 085**
(86)	(259)	**(606)**	(23)	(65)	(91)	(20)	**(805)**	–	**(805)**
–	–	**(7)**	(15)	(33)	(45)	(3)	**(103)**	–	**(103)**
9	(17)	**(10)**	(97)	–	(61)	156	**(12)**	–	**(12)**
–	–	**–**	–	–	(113)	(2 500)	**(2 613)**	–	**(2 613)**
12 834	8 133	**180 281**	13 492	100 071	98 434	3 832	**396 110**	–	**396 110**
12 834	8 133	**178 789**	13 492	100 071	89 057	3 832	**385 241**	–	**385 241**
2 969	323	**160 820**	13 492	100 071	89 057	3 832	**367 272**	–	**367 272**
9 865	7 810	**17 969**	–	–	–	–	**17 969**	–	**17 969**
–	–	**1 492**	–	–	9 377	–	**10 869**	–	**10 869**
184	–	**3 960**	394	450	1 651	35	**6 490**	–	**6 490**
184	–	**3 960**	394	172	1 651	35	**6 212**	–	**6 212**
–	–	**–**	–	278	–	–	**278**	–	**278**
233	175	**2 713**	289	475	1 072	1	**4 550**	–	**4 550**
103	175	**1 011**	139	347	438	(134)	**1 801**	–	**1 801**
130	–	**1 702**	150	128	634	135	**2 749**	–	**2 749**
–	48	**87**	–	3 925	615	830	**5 457**	–	**5 457**
36 730	16 879	**168 280**	17 409	83 078	982	155 277	**425 026**	–	**425 026**
26 865	9 069	**150 311**	17 409	83 078	982	155 277	**407 057**	–	**407 057**
9 865	7 810	**17 969**	–	–	–	–	**17 969**	–	**17 969**
14 051	12 906	**185 803**	21 615	198 929	100 479	40 641	**547 467**	–	**547 467**
37 899	18 259	**172 424**	19 483	153 886	8 298	152 495	**506 586**	–	**506 586**
109	558	**999**	62	48	96	605	**1 810**	–	**1 810**
109	558	**999**	62	48	96	605	**1 810**	–	**1 810**
–	–	**–**	–	–	–	–	**–**	–	**–**

NOTE 9: ACQUISITIONS AND DISPOSALS

9.1 FIRSTRAND INTERNATIONAL WEALTH MANAGEMENT ("FRIWM")

On 1 July 2007 Momentum Group sold its 100% shareholding in FirstRand International Asset Management, subsequently renamed FirstRand International Wealth Management (FRIWM) to the Banking Group for a cash consideration of R298 million, which is equal to the net asset value of FRIWM added to the goodwill Momentum carried on its balance sheet in respect of its shareholding in FRIWM.

	2008	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and short term funds	74	74
Accounts receivable	51	51
Investment securities and other investments	4	4
Current income tax asset	1	1
Goodwill	267	267
Property and equipment	10	10
Total assets acquired	**407**	**407**
LIABILITIES		
Accounts payable	82	82
Other financial liabilities	3	3
Current tax liability	14	14
Deferred revenue liability	10	10
Total liabilities acquired	**109**	**109**
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3	298	298
Cash consideration	298	298
Net asset value in excess of cash consideration	**–**	**–**

9.2 FIRST NATIONAL BANK MOÇAMBIQUE

On July 24, 2007, the Banking Group acquired 80% of Banco Desenvolvimento e Comércio with an effective date of 31 July 2007 through a wholly owned subsidiary FirstRand Moçambique Holdings Limitada. The existing operations have been rebranded to FNB Moçambique. FNB Moçambique Holdings contributed R15 million profit to the Banking Group for the period August to June 2008.

If the acquisition had taken place on 1 July 2007, the profit contribution would have been R14.6 million.

The details of the fair values of the assets, liabilities and contingent liabilities acquired and goodwill arising are provided in the table below:

	2008	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and short term funds	17	17
Investment securities and other investments	58	57
Advances	314	302
Property and equipment	17	18
Accounts receivable	28	31
Total assets acquired	**434**	**425**
LIABILITIES		
Creditors and accruals	352	352
Other financial liabilities	22	24
Total liabilities acquired	**374**	**376**
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		49
Less: Minority share of the net asset value		(10)
Net asset value as at date of acquisition after intangible assets in terms of IFRS 3		39
Cash consideration		139
Cash consideration in excess of net asset value		**100**
The net asset value in excess of the cash consideration was recognised under other operating income.		
On 19 November 2007, the Banking Group acquired an additional 10% of the shares in FNB Moçambique for R18 million based on the purchase value of the initial acquisition transaction. This generated a further R12 million goodwill.		
Goodwill at acquisition date		100
Goodwill arising on acquisition of additional 10% shareholding		12

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified at 30 June 2008.

9.3 TRANSNET LENDING

On 26 September 2007, the Banking Group acquired 100% of the Transnet Lending division.

Transnet Lending contributed R67.0 million profit to the Banking Group for the period to 30 June 2008. If the acquisition had occurred on 1 July 2007, the profit included in the Banking Group would have been R75.2 million.

The details of the fair values of the assets, liabilities and contingent liabilities acquired and goodwill arising are as follows:

	2008	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Advances	1 490	1 323
Trade receivables	29	29
Property, plant and equipment	12	12
Total assets acquired	1 531	1 364
LIABILITIES		
Provisions	161	161
Total liabilities acquired	161	161
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		1 203
Net asset value as at date of acquisition		1 203
Cash consideration		1 179
Net asset value in excess of cash consideration		24

No intangible assets were identified in terms of IFRS 3. The excess net asset value is attributable to future restructuring costs. The fair value of assets and liabilities acquired are based on discounted cash flows.

Impairment provisions created at acquisition of R28 million are included above.

9.4 RENTWORKS AFRICA (PTY) LIMITED ("RENTWORKS")

The Banking Group acquired 65% of RentWorks with an effective date of 1 October 2007.

The company has contributed profit before tax of R88.2 million since acquisition. If the acquisition had occurred on 1 July 2007, the company would have contributed profit before tax of R122.6 million.

The details of the fair values of the assets, liabilities and contingent liabilities acquired and goodwill arising are as follows:

	2008	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and cash equivalents	122	122
Advances	214	214
Property, plant and equipment	2	2
Total assets acquired	338	338
LIABILITIES		
Financial liabilities	161	161
Total liabilities acquired	161	161
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		177
Intangible assets identified in terms of IFRS 3		(62)
Minority interests		55
Net asset value as at date of acquisition		170
Cash consideration		(208)
Cash consideration in excess of net asset value		(38)

The goodwill is attributable to the expected realisation of future secondary income on assets currently under rental contracts.
Intangible assets recognised consist of the RentWorks brand name, customer list and inhouse developed software.
No acquisition provisions were created.

9.5 RMB PROPERTIES (PTY) LIMITED ("RMB PROPERTIES")

Effective 2 April 2008, the Banking Group sold 60% of its shareholding in RMB Properties to a consortium consisting of management and BEE partners for a cash consideration of R203 million resulting in the Banking Group losing control of RMB Properties. RMB Properties, now trading as Eris Property Group, is therefore no longer consolidated but included in the financial statements using the equity accounting method.

Summarised financial information of RMB Properties as at the date of the sale were as follows:

R MILLION	2008
ASSETS	
Cash and short term funds	245
Investment securities	24
Accounts receivable	77
Investment properties	70
Properties held for resale	15
Property, plant and equipment	4
Total assets disposed	435
LIABILITIES	
Creditors and accruals	76
Shareholders for dividends	155
Current tax and VAT liabilities	32
Deferred tax liability	1
Long term liabilities	5
Total liabilities disposed	269
Net asset value	166
60% of net asset value sold	100
Consideration received	203
Profit on sale of controlling interest of a subsidiary	103
Proceeds from sale discharged by cash	203
Less: Cash and cash equivalents in subsidiary sold	245
Net cash outflow on sale	(42)

momentum

APPENDIX 2

Momentum Group
Abridged financials
for the year ended 30 June 2008

INCOME STATEMENT
for the year ended 30 June

R MILLION	2008	2007	% change
Income from operations	2 720	2 627	4
Share of income of associates	9	(19)	>100
Income before tax	2 729	2 608	5
Direct taxation[1]	(733)	(536)	(37)
Profit for the year	1 996	2 072	(4)
Attributable to equity holders	2 002	2 076	(4)
Attributable to ordinary shareholders	1 957	2 038	(4)
Attributable to preference shareholders	45	38	18
Attributable to minorities	(6)	(4)	(50)

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

R MILLION	2008	2007
ASSETS		
Cash and cash equivalents	5 006	4 088
Loans and receivables (including insurance receivables)	23 522	19 572
Disposal group held for sale	–	407
Investment securities		
– held-for-trading	15	–
– held-to-maturity	460	1 036
– available-for-sale	3 100	1 589
– designated fair value through profit or loss	117 633	126 512
Derivative financial instruments	18 100	17 385
Current income tax asset	24	16
Policy loans	193	166
Reinsurance assets	550	544
Deferred tax asset	825	684
Investments in associates		
– designated fair value through profit or loss	6 666	6 074
– at equity accounted value	275	72
Intangible assets	2 829	2 746
Goodwill	297	294
Investment properties	3 808	2 356
Property and equipment	596	547
Total assets	183 899	184 088
EQUITY AND LIABILITIES		
Liabilities		
Accounts payable (including insurance payables)	5 202	3 141
Liabilities arising to third parties as a result of consolidating unit trusts	2 742	1 568
Derivative financial instruments	9 190	8 549
Other financial liabilities	3 801	4 283
Policyholder liabilities under investment contracts		
– with discretionary participation features	14 494	14 296
– without discretionary participation features	96 622	96 472
Disposal group held for sale	–	109
Interest bearing borrowings	242	270
Provisions	108	172
Current income tax liabilities	434	210
Deferred tax liability	1 840	2 213
Employee benefits liabilities	180	204
Deferred revenue liability	296	255
Policyholder liabilities under insurance contracts	41 982	45 875
Total liabilities	177 133	177 617
EQUITY		
Capital and reserves attributable to equity holders		
Ordinary shares	9	9
Share premium	1 532	1 532
Non distributable reserves	708	595
Distributable reserves	4 521	4 316
Capital and reserves attributable to equity holders	6 770	6 452
Minority interest	(4)	19
Total equity	6 766	6 471
Total equity and liabilities	183 899	184 088

NEW BUSINESS INFLOWS

R MILLION (unaudited)	2008	2007	% change
Recurring premiums	2 079	1 920	8
Momentum insurance – retail	1 308	1 166	12
Individual risk	520	449	16
Individual savings	788	717	10
Momentum insurance – employee benefits	406	390	4
FNB collaboration	365	364	–
Lump sums	66 099	54 177	22
Insurance operations	26 794	18 731	43
Retail investments	16 802	13 781	22
Employee benefits	9 954	4 896	>100
Institutional policies	38	54	(30)
Asset management[1]	39 305	35 446	11
Unit trusts	18 597	13 993	33
Asset management – on balance sheet	5 707	7 688	(26)
Asset management – off balance sheet	15 001	13 765	9
Total new business inflows	68 178	56 097	22
Momentum insurance	28 508	20 287	41
FNB insurance	365	364	–
Asset management	39 305	35 446	11
Annualised new business inflows[2]	8 689	7 338	18
Momentum insurance	4 393	3 429	28
FNB insurance	365	364	–
Asset management	3 931	3 545	11

1. *As a result of the sale of Ashburton to the Banking Group the comparative new business inflows for Ashburton have been removed from the table. These were previously included under "Unit trusts – international".*
2. *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 (unaudited)	**2008**	2007	% change	**2008**	2007	% change	**2008**	2007	% change
Insurance operations	**35 633**	26 822	33	**33 008**	25 137	31	**2 625**	1 685	56
Wealth and retail	**23 259**	19 963	17	**19 517**	14 639	33	**3 742**	5 324	(30)
Employee benefits	**12 336**	6 805	81	**12 741**	9 266	38	**(405)**	(2 461)	84
Institutional policies	**38**	54	(30)	**750**	1 232	(39)	**(712)**	(1 178)	40
Asset management	**39 305**	35 446	11	**49 362**	77 242	(36)	**(10 057)**	(41 796)	76
Unit trusts	**18 597**	13 993	33	**14 513**	12 514	16	**4 084**	1 479	>100
Asset management – on balance sheet	**5 707**	7 688	(26)	**6 072**	9 956	(39)	**(365)**	(2 268)	84
Asset management – off balance sheet	**15 001**	13 765	9	**28 777**	54 772	(47)	**(13 776)**	(41 007)	66
Total	**74 938**	62 268	20	**82 370**	102 379	(20)	**(7 432)**	(40 111)	81

DIRECTORS' VALUATION OF STRATEGIC INVESTMENTS

R MILLION	2008	2007	% change	Valuation method	PE ratio
RMB Asset Management	2 437	2 797	(13)	A	8
Ashburton[1]	–	772	(100)		
Advantage (85%)	276	273	1	A	6
Lekana[2]	–	73	(100)		
Momentum Medical Scheme Administrators	442	456	(3)	B	
African operations	239	35	>100	B	
Directors' valuation of strategic investments	**3 394**	4 406	(23)		

1. *The investment in Ashburton was sold to the Banking Group effective 1 July 2007.*
2. *Due to the fact that the minorities in Lekana were bought out during the year, and the fact that the business has subsequently been divisionalised, the value of this business is now included in the value of in force business as part of the embedded value.*

Valuation method:

A – Price/Earnings multiple using normalised forward earnings
B – Discounted cashflow valuation

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED

at 30 June

The embedded value of Momentum Group Limited (Momentum) as at 30 June 2008 and the value of new business for the year ended on that date 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 and associate companies.

The present value of future profits is the present value of the projected stream of future after-tax profits in respect of insurance and off-balance sheet linked 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

R MILLION (unaudited)	30 June 2008	1 July[1] 2007 Pro forma	30 June 2007
Ordinary shareholders' net worth[2]	**7 701**	7 770	8 244
Ordinary shareholders' net worth[2]	**7 701**	8 244	8 244
Impact of the transfer of Ashburton	**–**	(474)	–
Value of in-force insurance business	**8 307**	7 683	7 683
Present value of future profits[3]	**9 271**	8 458	8 458
Cost of capital at risk	**(964)**	(775)	(775)
Embedded value attributable to ordinary shareholders	**16 008**	15 453	15 927
% Change	**4**		10
% Return on embedded value[4]	**15**		28

1. *The pro forma embedded value as at 1 July 2007 reflects the position after allowing for the impact on ordinary shareholders' net worth of the transfer of Ashburton to the Banking Group. Ashburton was transferred at its net asset value of R298 million as at 30 June 2007.*
2. *Ordinary shareholders' net worth excludes the value attributable to preference shareholders.*
3. *The value of in-force insurance business of R8 307 million as at 30 June 2008 includes an amount of R235 million in respect of linked business written off balance sheet (30 June 2007: R242 million).*
4. *Return on embedded value is the increase in embedded value, excluding the impact of dividends paid to ordinary shareholders of R1 800 million (2007: R2 563 million), expressed as a percentage of the pro forma embedded value as at 1 July 2007.*

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 year, 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

R MILLION (unaudited)	2008	2007	% change
Value of new business (before cost of capital at risk)	640	580	10
Cost of capital at risk	(50)	(62)	19
Value of new business (net of cost of capital at risk)	590	518	14
• Wealth and retail[1,2]	385	345	12
• Employee benefits	51	50	2
• FNB collaboration	154	123	25
Present value of premiums[3]	28 222	25 157	12
Margin %	2.1	2.1	

1. *The wealth and retail value of new business of R385 million includes an amount of R14 million in respect of new local linked business written off balance sheet (30 June 2007: R2 million).*
2. *The wealth and retail value of new business includes an amount of R16 million in respect of new international linked business written off balance sheet (30 June 2007: R17 million).*
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 by line of business

The value of new business (after cost of capital at risk), present value of premiums and margins on new business written during the year ended 30 June 2008 compare as follows with the new business written during the previous year for different lines of business:

Wealth and retail

R MILLION (unaudited)	2008	2007	% change
Value of new business	385	345	12
Present value of premiums	23 469	20 881	12
Margin %	1.6	1.7	

Employee benefits

R MILLION (unaudited)	2008	2007	% change
Value of new business	51	50	2
Present value of premiums	3 917	3 257	20
Margin %	1.3	1.5	

FNB collaboration

R MILLION (unaudited)	2008	2007	% change
Value of new business	154	123	25
Present value of premiums	836	1 019	(18)
Margin %	18.4	12.1	

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 (unaudited)	Year ended 30 June 2008 Annualised recurring premiums	Single premium inflows
Total new business inflows as reported	2 079	66 099
• Wealth and retail	1 308	16 840
• Employee benefits	406	9 954
• FNB collaboration	365	–
• Asset management	–	39 305
Inflows included/(not included) in value of new business	–	(48 617)
Wealth and retail:		
• Policy alterations and other retail items	(36)	(197)
• Linked products	36	(185)
• Guernsey cell captive business	–	(418)
Employee benefits:		
• Advantage, Lekana and short-term investments	–	(8 512)
Asset Management:		
• Unit trusts	–	(18 597)
• Asset management – on balance sheet	–	(5 707)
• Asset management – off balance sheet	–	(15 001)
Term extensions on maturing policies[1]	9	885
New business inflows included in value of new business	2 088	18 367
New business inflows included in value of new business consist of:		
• Wealth and retail	1 317	16 925
• Employee benefits	406	1 442
• FNB collaboration	365	–

1. *Only client-initiated term extensions (R9 million recurring premiums and R885 million single premiums) were included in the value of new business calculation. Automatic term extensions (R2 330 million single premiums) were excluded from the calculation.*

Composition of ordinary shareholders' net worth

R MILLION (unaudited)	2008	2007
Strategic subsidiaries and associate companies	3 394	4 406
• RMB Asset Management	2 437	2 797
• Ashburton[1]	–	772
• Advantage (85%)	276	273
• Lekana[2]	–	73
• Momentum Medical Scheme Administrators	442	456
• Momentum Africa (including Swabou Life (35%))[3]	239	35
Shareholders' portfolio investments	5 950	5 538
• Fixed interest instruments	4	630
• Preference shares	1 688	905
• Properties	–	139
• Share trust and subsidiary loans	898	1 148
• Cash and other	3 360	2 716
***Less:* Unsecured subordinated debt**	(1 079)	(1 090)
• Fair value of debt	(849)	(976)
• Accrued interest and interest rate swap	(230)	(114)
Shareholders' assets at directors' values	8 265	8 854
Adjustment to move from published to statutory valuation method for calculating liabilities	(129)	(124)
Shareholders' net worth for embedded value purposes	8 136	8 730
Attributable to preference shareholders[4]	(435)	(486)
Ordinary shareholders' net worth	7 701	8 244

1. *Ashburton was included at the directors' value of R772 million as at 30 June 2007. Ashburton was transferred to the Banking Group on 1 July 2007 at its net asset value of R298 million.*
2. *Momentum's 70% share of Lekana was included at its directors' value of R73 million as a strategic subsidiary as at 30 June 2007. During the year ended 30 June 2008 Momentum increased its share in Lekana to 100%. Following the divisionalisation of parts of Lekana's business, Lekana's net asset value is included in the share trust and subsidiary loans, and the values of the divisions are reflected in Momentum's value of in-force business, cost of capital and value of new business.*
3. *Momentum transferred a block of Namibian business to Swabou Life, a Namibian life insurance company, with effect from 1 August 2007. As part of this transaction, Momentum Group acquired a 35% share in Swabou Life.*
4. *The value of R435 million (30 June 2007: R486 million) attributable to preference shareholders reflects the market value of the preference share issue of R500 million.*

Reconciliation of ordinary shareholders' net worth for embedded value purposes to statutory surplus

R MILLION (unaudited)	2008	2007
Ordinary shareholders' net worth	7 701	8 244
Impairment of subsidiary and associate companies' values for statutory purposes	(2 807)	(3 877)
Other impairments and inadmissible assets	(64)	(35)
Add back fair value of preference shares allowed as statutory capital	435	486
Add back fair value of subordinated debt allowed as statutory capital	849	976
Statutory surplus	**6 114**	5 794

Reconciliation of ordinary shareholders' net worth for embedded value purposes to total shareholders' funds in the financial statements

R MILLION (unaudited)	2008	2007
Ordinary shareholders' net worth	**7 701**	8 244
Difference between statutory and published valuation methods	**129**	124
• Difference in investment contract liabilities	(2 108)	(1 729)
• Difference in insurance contract liabilities	962	707
• Deferred acquisition costs and deferred revenue liabilities	1 325	1 196
• Deferred tax on the items above	(50)	(50)
Impairment of value in respect of Ashburton[1]	–	(474)
Intangible asset relating to Sage	704	733
Adjustment in respect of Swabou Life[2]	(40)	–
Value of preference shares issued	435	486
Total shareholders' funds (net of minority shareholders' interest)	**8 929**	9 113

1. *Ashburton was transferred to the Banking Group at its net asset value of R298 million, on 1 July 2007. The impairment value is the difference between the directors' value and the transfer value.*
2. *The adjustment in respect of Momentum's share of Swabou Life reflects the difference between the directors' value of R193 million (included in ordinary shareholders' net worth) and the equity accounted value of R153 million included in the total shareholders' funds.*

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 2008 are set out below.

Analysis of embedded value profits

R MILLION (unaudited)		Ordinary shareholders' net worth	Present value of future profits	Cost of capital at risk	Embedded value
Embedded value at 30 June 2007		**8 244**	**8 458**	**(775)**	**15 927**
Impact of transfer of Ashburton		(474)	–	–	(474)
Embedded value at 1 July 2007 (pro forma)		**7 770**	**8 458**	**(775)**	**15 453**
Embedded value profits		**1 731**	**813**	**(189)**	**2 355**
Factors related to operations:		**1 562**	**1 106**	**(2)**	**2 666**
• Value of new business	(a)	(718)	1 358	(50)	590
• Expected return	(b)	–	1 037	(85)	952
• Expected profit transfer to net worth	(c)	1 496	(1 496)	–	–
• Expected release from cost of capital	(d)	–	–	127	127
• Operating experience variances	(e)	670	2	–	672
• Experience assumption changes	(f)	114	205	6	325
Factors related to market conditions:		**169**	**(293)**	**(187)**	**(311)**
• Investment return on ordinary shareholders' net worth	(g)	283	–	–	283
• Investment variances	(h)	31	(237)	(145)	(351)
• Economic assumption changes	(i)	(145)	(56)	(42)	(243)
Dividends paid to ordinary shareholders	(j)	**(1 800)**	**–**	**–**	**(1 800)**
Embedded value attributable to ordinary shareholders at 30 June 2008		**7 701**	**9 271**	**(964)**	**16 008**

The embedded value profits attributable to ordinary shareholders of R2 355 million represents a return of 15% on the pro forma embedded value of R15 453 million at 1 July 2007, compared to a return on embedded value of 28% for the year to 30 June 2007.

(a) The value of new business is an estimate of the economic value of the new business written during the year, determined at the point of sale. 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.

(b) The expected return is determined by applying the risk discount rate applicable at 30 June 2007 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 2008.

(c) The expected profit transfer from the value of in-force insurance business to the shareholders' net worth is calculated on the statutory valuation method.

(d) 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 requirement, and the risk discount rate over the year.

(e) 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 R672 million include the following:

Source of variation (unaudited)	R MILLION
Momentum's individual life business[1]	137
Financial structures	79
Working capital portfolio profits	27
FNB collaboration	198
Employee benefits business	99
Maintenance expenses	(19)
Secondary Tax on Companies expected but not paid	48
Tax	105
Tax rate on profits for the year changing from 29% to 28%	22
Other items	(24)
Total	**672**

1. Includes R217 million from favourable mortality and morbidity experience and negative R80 million from unfavourable experience in respect of early terminations, premium cessations and other policy alterations.

(f) The impact of the experience assumption changes of R325 million consists of the following:

Assumption change (unaudited)	R MILLION
Mortality (including AIDS) and morbidity	190
Early policy terminations	(49)
Premium growth: voluntary take-up rates	47
Extending the projection period for credit life business (FNB collaboration)	71
Employee benefits administration margins	(53)
Change in corporate tax rate from 29% to 28%	111
Modelling and miscellaneous changes	8
Total	**325**

(g) Investment returns on ordinary shareholders' net worth of R283 million comprise the following:

R MILLION (unaudited)	2008	2007
Investment income (including dividends from strategic subsidiaries)	603	587
Capital appreciation (including strategic subsidiaries' retained earnings)	(326)	1 065
Change in fair value of the preference shares issued	51	62
Preference share dividends paid	(45)	(39)
Investment return on ordinary shareholders' net worth	283	1 675

The investment return can also be presented as follows:

R MILLION (unaudited)	2008	2007
Investment income (excluding dividends from subsidiaries)	305	241
Subsidiaries' earnings	235	352
Capital appreciation (including revaluation of subsidiaries)	(263)	1 059
Change in fair value of the preference shares issued	51	62
Preference share dividends paid	(45)	(39)
Investment return on ordinary shareholders' net worth	283	1 675

(h) The investment variance of negative R351 million represents the impact of the lower than assumed investment returns on current and future insurance profits.

(i) The economic assumption changes of negative R243 million include the effect of the reduction in the assumed rate of investment return, expense inflation rate and risk discount rate in respect of local and offshore business. The economic assumption changes' impact on the opportunity cost of capital reflects the higher differential between the risk discount rate and the assumed investment return after tax.

Assumptions

The embedded value calculations comply with the Actuarial Society of South Africa's Professional Guidance Note PGN107 (version 3). The same best-estimate assumptions were used for the embedded value calculations and the statutory valuation. The main assumptions used in the embedded value calculations are described below:

Economic assumptions

% (unaudited)	2008	2007
Risk discount rate	13.5	11.0
Investment returns (before tax)	12.0	9.5
Implied differential	1.5	1.5
Expense inflation rate	9.5	6.5
Implied real return	2.5	3.0

The investment return assumption of 12.0% per annum (30 June 2007: 9.5% per annum) was derived from the yields on South African government bonds at 30 June 2008 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 10.9% per annum (30 June 2007: 8.4% per annum).

% (unaudited)	2008 premium/ (discount)	2007 premium/ (discount)
Equities	2.0	2.0
Properties	1.0	1.0
Government securities	–	–
Other fixed interest securities	0.5	0.5
Cash	(2.0)	(2.0)

The future expense inflation assumption of 9.5% per annum (30 June 2007: 6.5% per annum) was based on an assumed long term differential of 2.5% (30 June 2007: 3.0%) relative to the assumed future investment return assumption of 12.0% per annum (30 June 2007: 9.5% per annum).

The risk discount rate was set equal to the risk free yield of 10.9% per annum plus 2.6% (30 June 2007: 8.4% per annum plus 2.6%).

For offshore business there was a small reduction in the investment return, expense inflation rate and risk discount rate assumptions, relative to the previous financial year.

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 discontinuance rates

The assumptions regarding future mortality, morbidity and discontinuance rates are based on the results of recent internal experience investigations. The mortality assumptions allow 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.

Mortality rates (excluding AIDS) were left unchanged from 30 June 2007, but morbidity rates were reduced for individual life products. Allowance for AIDS related mortality was reduced to be in line with the latest professional guidance note PGN105 (version 2) of the Actuarial Society of South Africa.

Expenses

The maintenance expense assumptions are based on the budgeted maintenance expenses for the financial year to 30 June 2009, are differentiated by main product group, and are sufficient to support the existing business on a going-concern basis.

Premium growth take up rates

The embedded value of in-force insurance business includes the expected value of future premium increases resulting from voluntary premium growth 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 twelve months ended 30 June 2008.

The assumptions and modelling methodology for voluntary premium growth were changed as at 30 June 2008, following the investigation into recent voluntary take up experience.

Directors' valuations of asset management subsidiaries

The directors' values of RMB Asset Management 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.

Reserving bases

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

Policy and premium discontinuance bases

It was assumed that the current policy and premium discontinuance 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% (30 June 2007: 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. This allowance does not anticipate any changes in STC and the projections allow for STC over the entire projection term. The impact on the embedded value of allowing for STC is negative R493 million.

The assumed future corporate tax rate was reduced from 29% to 28%.

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%.

Allowance was made for compensating management actions. It was assumed that bonus rates would be reduced 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. In the calculation of the new business sensitivity to a reduction in investment returns, it was assumed that new business premium rates for products with guaranteed investment returns (annuities and guaranteed endowments) would be adjusted. This assumption is in line with the current practice of weekly reviews of new business premium rates.

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

R MILLION (unaudited)	Present value of future profits	Cost of capital at risk	Value of in-force insurance business	Change from base (%)
Base value	9 271	(964)	8 307	
Risk discount rate increases from 13.5% to 14.5%	8 838	(1 066)	7 772	(6.4)
Risk discount rate decreases from 13.5% to 12.5%	9 752	(851)	8 901	7.2
Renewal expenses increase by 10%	8 912	(964)	7 948	(4.3)
Expense inflation increases from 9.5% to 10.5%	9 124	(964)	8 160	(1.8)
Policy discontinuance rates increase by 10%	9 026	(913)	8 113	(2.3)
Mortality and morbidity experience deteriorate by 10%	8 201	(964)	7 237	(12.9)
Premium growth take-up reduces by 10%	9 151	(964)	8 187	(1.5)
Investment returns reduce from 12% to 11%	9 262	(998)	8 264	(0.5)
Equity values decrease by 10%[1]	8 744	(964)	7 780	(6.3)

1. *In addition to the impact on the value of in-force insurance business shown in the table above, an assumed decrease of 10% in equity values will reduce the value of strategic subsidiaries and associate companies by R339 million, a reduction of 4.4% in the ordinary shareholders' net worth. The combined impact of a 10% reduction in equity values on the value of in-force insurance business and the ordinary shareholders' net worth is a 5.4% reduction in embedded value.*

Value of new business sensitivities

R MILLION (unaudited)	Gross value of new business	Cost of capital at risk	Value of new business	Change from base (%)
Base value	640	(50)	590	
Risk discount rate increases from 13.5% to 14.5%	583	(55)	528	(10.5)
Risk discount rate decreases from 13.5% to 12.5%	704	(45)	659	11.7
Renewal expenses increase by 10%	597	(50)	547	(7.3)
Expense inflation increases from 9.5% to 10.5%	620	(50)	570	(3.4)
Policy discontinuance rates increase by 10%	564	(47)	517	(12.4)
Mortality and morbidity experience deteriorate by 10%	458	(50)	408	(30.8)
Premium growth take-up reduces by 10%	617	(50)	567	(3.9)
Investment returns reduce from 12% to 11%	682	(58)	624	5.8
New business acquisition expenses increase by 10%	596	(50)	546	(7.5)
New business volumes decrease by 20%	416	(40)	376	(36.3)

Review by the independent actuaries

The methodology and the assumptions underlying the calculation of the embedded value and the value of new business were reviewed by Deloitte & Touche. 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 (version 3) 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.

FIRSTRAND

APPENDIX 3

FirstRand Group
Supplementary information
for the year ended 30 June 2008

R MILLION	2008	2007	% change
Return on equity			
Average normalised net asset value	49 130	42 213	16
Normalised earnings	10 583	11 845	(11)
Normalised return on equity (%)	21.5	28.1	
Banking Group (%)	21.3	28.8	
Momentum Group (%)	30.3	25.3	
Discovery Group (%)	–	22.4	
Price to book			
Market capitalisation (number of shares in issue 30 June closing share price)	74 983	127 367	(41)
Normalised net asset value (refer below)	51 637	46 622	11
Normalised price to book (times)	1.45	2.73	
Capital adequacy			
Capital adequacy ratio: FRBH (Regulatory requirement: 9.5%)[1]	13.8	13.6[2]	
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	2.2	2.3	
CAR cover: Discovery Group (Regulatory requirement: 1.0 x)	–	10.7	
Core leverage ratio			
Core equity (%)	73.7	77.2	
Non cumulative non redeemable preference shares (%)	6.4	7.5	
Debt instruments (%)	19.9	15.3	
	100.0	100.0	

1. *Excludes the bank specific (pillar 2b) add on.*
2. *Prior year based on Basel I requirement of 10%.*

R MILLION	2008	2007	% change
Sources and application of capital			
Sources of consolidated capital at FirstRand			
Ordinary shareholders' equity and reserves			
Ordinary shareholders' equity and reserves	48 689	43 548	12
Less: Non cumulative non redeemable preference shares	(4 519)	(4 519)	–
Total ordinary shareholders' equity	44 170	39 029	13
***Plus:* Treasury shares**	6 023	6 149	(2)
***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)	51 637	46 622	11
Non cumulative non redeemable preference shares	4 519	4 519	–
Debt capital instruments	13 941	9 250	51
Total capital sourced	70 097	60 391	16
Banking Group	56 498	46 400	22
Ordinary shareholders' equity	43 886	36 126	21
Non cumulative non redeemable preference shares	3 100	3 100	–
Debt capital instruments	9 512	7 174	33
Momentum Group	7 858	7 671	2
Ordinary shareholders' equity	6 270	5 952	5
Non cumulative non redeemable preference shares	500	500	–
Debt capital instruments	1 088	1 219	(11)
Discovery Group	–	3 362	(100)
Unregulated entities	5 741	2 958	94
	5 741	6 320	(9)
Ordinary shareholders' equity	1 481	4 544	(67)
Non cumulative non redeemable preference shares	919	919	–
Debt capital instruments	3 341	857	>100
Total capital applied	70 097	60 391	16

	Continuing and discontinued operations		
R MILLION	2008	2007	% change
Banking Group[1]	658 094	547 467	20
Momentum Group[1]	183 899	184 088	<(1)
Discovery Group[1]	–	8 500	(100)
FirstRand company and consolidation[2]	(21 935)	(18 496)	19
Total on balance sheet assets	820 058	721 559	14
Off balance sheet assets managed or administered on behalf of clients	198 144	178 589	11
Total assets under management or administration	1 018 202	900 148	13

	Continuing operations		
R MILLION	2008	2007	% change
Banking Group[1]	658 094	547 467	20
Momentum Group[1]	183 899	184 088	<(1)
FirstRand company and consolidation[2]	(21 935)	(18 496)	19
Total on balance sheet assets	820 058	713 059	15
Off balance sheet assets managed or administered on behalf of clients	198 144	178 589	11
Total assets under management or administration	1 018 202	891 648	14

1. *Assets are disclosed before elimination of intergroup balances. Refer note 2.*
2. *All consolidation entries have been included.*

NUMBER OF SHARES INFORMATION CONTINUING AND DISCONTINUED OPERATIONS at 30 June

	2008	2007
Shares in issue		
Opening balance 1 July	5 635 715 676	5 634 120 503
Movements		
Outperformance conversion November 2007/October 2006	1 302 100	831 066
Outperformance conversion May 2008/April 2007	812 442	764 107
Number of shares in issue	5 637 830 218	5 635 715 676
Less: Treasury shares	(456 949 451)	(464 663 200)
Staff schemes	(244 971 470)	(267 754 209)
BEE staff trusts	(171 401 072)	(171 401 072)
Shares held by policyholders	(40 576 909)	(25 507 919)
Number of shares in issue (after treasury shares)	5 180 880 767	5 171 052 476
Weighted average number of shares		
Actual number of shares in issue as at 1 July	5 635 715 676	5 634 120 503
Adjustment		
Outperformance conversion weighting	894 965	745 071
Weighted average number of shares before treasury shares	5 636 610 641	5 634 865 574
Less: Treasury shares	(454 646 397)	(470 934 539)
Staff schemes	(252 261 709)	(282 667 735)
BEE staff trusts	(171 401 072)	(171 401 072)
Shares held by policyholders	(30 983 616)	(16 865 732)
Weighted average number of shares in issue	5 181 964 244	5 163 931 035
Dilution impact:		
Outperformance	1 501 133	3 857 700
Staff schemes	71 285 985	108 490 250
BEE staff trusts	28 350 297	38 552 823
Diluted weighted average number of shares in issue	5 283 101 659	5 314 831 808
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	5 635 715 676	5 634 120 503
Adjustment		
Outperformance conversion weighting	894 965	745 071
Weighted average number of shares in issue for normalised earnings calculation	5 636 610 641	5 634 865 574
Diluted impact: Outperformance	1 501 133	3 857 700
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	5 638 111 774	5 638 723 274

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 2007, except for private equity realisations.

Private equity realisations

In August 2007 a new headline earnings circular, Circular 8/2007, was issued by the South African Institute of Chartered Accountants ("SAICA").

The Group has applied this circular in preparation of this document. Private equity realisations are included in headline earnings per the new circular under an industry specific rule, and consequently no normalised adjustment is necessary.

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 accounted for as share options of Discovery, eliminating the shares issued as treasury shares.

The normalised adjustment:

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

Treasury shares: Effective shareholding in Discovery Holdings Limited

Discovery consolidates in its results treasury shares relating to their 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 payments 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 share schemes. The staff schemes purchase FirstRand shares in the open market to ensure 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 schemes 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 effect.

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 increases 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 until 31 December 2006. The policyholder liabilities are 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.

Since 1 January 2007, these investments in associates were reflected at fair value, as these assets back linked policyholder liabilities in terms of IAS 28.

HEADLINE EARNINGS

Background

Circular 8/2007 "Headline Earnings", was issued by SAICA on 1 August 2007, effective for periods ending on or after 31 August 2007. Circular 8/2007 replaces the previous headline earnings circular, Circular 7/2002. Circular 8/2007 includes a provision for sector specific rules ("Rules"), subject to JSE defined approval process. Two rules are currently in force, the most recent of which was approved by the JSE on 22 February 2008, both of which are applicable to the results of FirstRand.

The first rule requires the inclusion in headline earnings of profits and losses made on the sale of associates and joint ventures held in a Private Equity portfolio, and is applicable for periods ended on or after 31 August 2007.

The second rule requires the inclusion in headline earnings of revaluation gains or losses on investment property held by long term insurers and is applicable for periods ended on or after 31 January 2008.

In previous periods, the profits and losses made on sale of private equity associates and joint ventures were excluded from headline earnings based on the requirement of Circular 7/2002. In line with industry practice, FirstRand has in the past included revaluation gains or losses on investment property in headline earnings.

As a consequence of the adoption of Circular 8/2007, and the related exclusions, FirstRand has amended its treatment of profits and losses on the disposal of Private Equity associates and joint ventures and will maintain its previous treatment of revaluation gains and losses on investment property.

Financial impact on the FirstRand Group

For the financial impact which the above changes had on the Group refer to page 119.

R MILLION	Amount as previously stated	Amount as restated	Difference	Explanation
Headline earnings	10 457	10 854	397	Profit on private equity realisation included in headline earnings.
Headline earnings per share (cents)				
– Basic	202.5	210.2	7.7	As above
– Diluted	196.8	204.2	7.4	As above
Income statement				
Interest and similar income	45 463	45 324	(139)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Interest expense and similar charges	(25 844)	(25 821)	23	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Non interest income	51 040	47 709	(3 331)	Reallocation of Discovery numbers to profit after tax on discontinued operation line as well as reallocation of fair value adjustment to financial liabilities.
Net insurance premium income	7 946	5 081	(2 865)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Net claims and benefits paid	(6 844)	(5 590)	1 254	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Increase in value of policyholder liabilities	(25 064)	(25 535)	(471)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Fair value adjustment to financial liabilities	(54)	–	54	Reallocation to non interest income.
Operating expenses	(27 088)	(23 288)	3 800	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Share of profit of associates and joint ventures	2 101	2 198	97	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Tax	(5 721)	(5 216)	505	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Profit after tax from discontinued operation	–	1 073	1 073	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Balance sheet				
Advances	378 945	387 020	8 075	Change in classification to align with industry practice and underlying nature of instruments.
Investment securities and other investments	221 950	213 875	(8 075)	As above
Deposits	416 507	421 568	5 061	Reclassification of certain short trading positions and derivatives to deposits, to align with industry practice in terms of IFRS 7.
Short trading positions	36 870	32 175	(4 695)	As above
Derivative financial instruments	24 505	24 139	(366)	As above

	2008	2007
Shares in issue		
Opening balance 1 July	5 635 715 676	5 634 120 503
Movements		
Outperformance conversion November 2007/October 2006	1 302 100	831 066
Outperformance conversion May 2008/April 2007	812 442	764 107
Number of shares in issue	5 637 830 218	5 635 715 676
Less: Treasury shares	(464 256 420)	(463 264 178)
Staff schemes	(252 278 439)	(267 754 209)
BEE staff trusts	(171 401 072)	(171 401 072)
Shares held by policyholders	(40 576 909)	(24 108 897)
Number of shares in issue (after treasury shares)	5 173 573 798	5 172 451 498
Weighted average number of shares		
Actual number of shares in issue as at 1 July	5 635 715 676	5 634 120 503
Adjustment		
Outperformance conversion weighting	894 965	745 071
Weighted average number of shares before treasury shares	5 636 610 641	5 634 865 574
Less: Treasury shares	(454 069 018)	(469 986 193)
Staff schemes	(252 261 709)	(282 667 735)
BEE staff trusts	(171 401 072)	(171 401 072)
Shares held by policyholders	(30 406 237)	(15 917 386)
Weighted average number of shares in issue	5 182 541 623	5 164 879 381
Dilution impact:		
Outperformance	1 501 133	3 857 700
Staff schemes	71 285 985	108 490 250
BEE staff trusts	28 350 297	38 552 823
Diluted weighted average number of shares in issue	5 283 679 038	5 315 780 154
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	5 635 715 676	5 634 120 503
Adjustment		
Outperformance conversion weighting	894 965	745 071
Weighted average number of shares in issue for normalised earnings calculation	5 636 610 641	5 634 865 574
Dilution impact:		
Outperformance	1 501 133	3 857 700
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	5 638 111 774	5 638 723 274

FirstRand's strategy of owning two insurance companies, Discovery and Momentum, has been consistently monitored by the boards of FirstRand, Discovery and Momentum. This strategy has produced significant growth and created shareholder value as both businesses were able to balance growth in market share with increasing levels of competition.

However, with Discovery's launch of an investment business and Momentum's ambition in the healthcare sector, a decision was taken to sell 21 569 301 Discovery shares and to unbundle the balance of 316 357 337 Discovery shares.

Management and shareholders approved the transaction on 7 November 2007. From this date onwards FirstRand no longer had any investment in Discovery.

An analysis of the results of the discontinued operation is as follows:

R MILLION	Four months ended 7 November 2007	Year ended 30 June 2007
Interest and similar income	52	139
Interest expense and similar charges	(7)	(23)
Net interest income	45	116
Non interest income	1 182	3 277
Net insurance premium income	865	2 865
Net claims and benefits paid	(342)	(1 254)
Increase in value of policyholder liabilities	257	471
Income from operations	2 007	5 475
Operating expenditure	(1 397)	(3 800)
Net income from operations	610	1 675
Share of profit of associates and joint ventures	(57)	(97)
Profit before tax of discontinued operation	553	1 578
Tax expense	(179)	(505)
Profit after tax of discontinued operation	374	1 073
Cash flow information:		
Cash flow from operating activities	524	575
Cash flow from investing activities	(420)	(625)
Cash flow from financing activities	(224)	(283)
Total cash flows	(120)	(333)

Balance sheet	As at 7 November 2007	As at 30 June 2007
Total assets	9 062	8 500
Total liabilities	3 431	3 138
Reconciliation of the profit on disposal of Discovery:		
Proceeds on disposal	1 184	
Net asset value of Discovery at date of disposal and unbundling of Discovery	(605)	
Goodwill realised	(9)	
Profit before tax on unbundling and disposal of Discovery	570	
Tax	(76)	
Net profit from disposal/unbundling of Discovery	494	
Profit after tax of discontinued operation	374	
Profit after tax from discontinued operation	868	

Set out below is additional information pertaining to Section 1 of Circular 8/2007 – sector specific rules in calculating headline earnings.

Issue 1 – Re-measurement relating to private equity activities (associates and joint ventures, excluding any private equity investments carried at fair value in terms of IAS 39) regarded as operating or trading activities

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Aggregate cost of portfolio	**2 699**	1 958	38
Aggregate carrying value	**4 334**	3 334	30
Aggregate fair value	**6 510**	6 436	1
Equity accounted income[1]	**929**	1 461	(36)
Private equity associates	**1 198**	1 009	19
Other private equity and venture capital related activities	**(269)**	452	>(100)
Profit on realisations[2]	**753**	397	>89
Aggregate other income earned[1]	**127**	204	(38)

1. *Pre tax.*
2. *Post tax and minorities.*

Issue 2 – Capital appreciation on investment products

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Carrying value of investment properties	**3 808**	2 356	62
Fair value of investment properties	**3 808**	2 356	62
Capital appreciation after tax	**86**	291	(70)

DIRECTORS

GT Ferreira (Chairman), PK Harris (CEO), VW Bartlett, DJA Craig (British), LL Dippenaar, DM Falck, PM Goss, Dr NN Gwagwa, G Moloi, AP Nkuna, SE Nxasana, AT Nzimande, KB Schoeman, KC Shubane, RK Store, BJ van der Ross, Dr F van Zyl Slabbert, RA Williams.

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STOCK EXCHANGES

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 ("BSE")

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	FRB01	ZAG 000021585
FirstRand Bank Limited	FRB02	ZAG 000021593
FirstRand Bank Limited	FRB03	ZAG 000026774
FirstRand Bank Limited	FRB05	ZAG 000031337
FirstRand Bank Limited	FRB06	ZAG 000045758
FirstRand Bank Limited	FRB07	ZAG 000047598
FirstRand Bank Limited	FRB08	ZAG 000047796
FirstRand Bank Limited	FRB09	ZAG 000047804
Momentum Group Limited	MGL01	ZAG 000029935

Upper Tier 2

Issuer	Code	ISIN Code
FirstRand Bank Limited	FRBC21	ZAG 000052283
FirstRand Bank Limited	FRBC22	ZAG 000052390

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