banking supplementary information

FOR THE YEAR ENDED 30 JUNE 2006

FIRSTRAND
Banking Group

Contents

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www.firstrand.co.za

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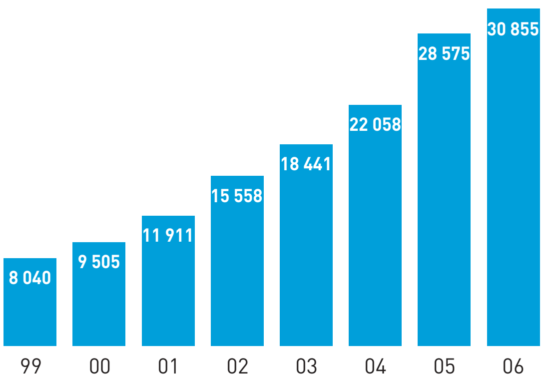
FIRSTRAND
Banking Group

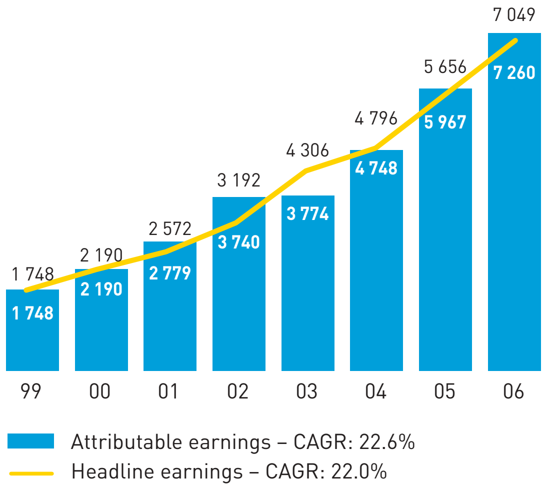
Highlights

R million	Year ended 30 June 2006	2005	% change
Attributable earnings	**7 260**	5 967	22
Headline earnings	**7 049**	5 656	25
Total ordinary shareholders' equity	**27 755**	24 530	13
ROE on average ordinary shareholders' equity (based on headline earnings)	**26.0%**	24.2%	
Cost to income ratio	**53.8%**	56.6%	

Total shareholders' equity
(R million)
CAGR: 21.2%



Earnings performance
(R million)

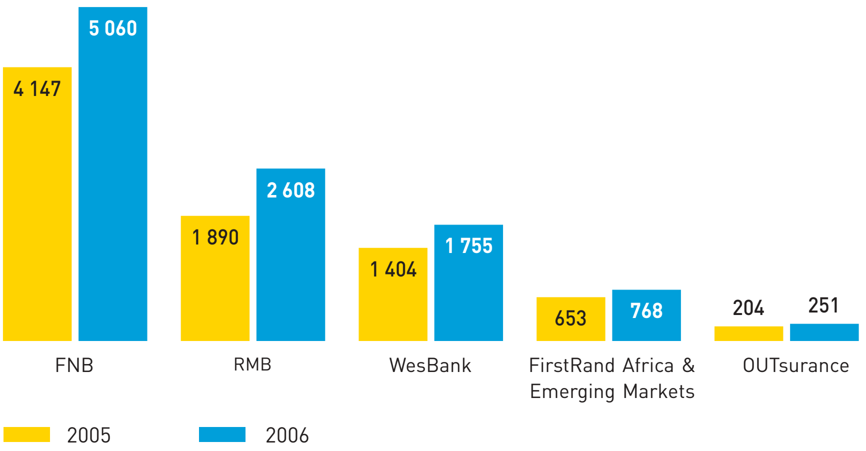


Net interest income before impairment of advances	+15%
Bad debts	+100%
Non interest income	+33%
Operating expenditure	+19%
Equity accounted income from associates and joint ventures	+28%
Direct taxation	+39%

All businesses showing growth

Income before taxation

Pre-IFRS (R million)

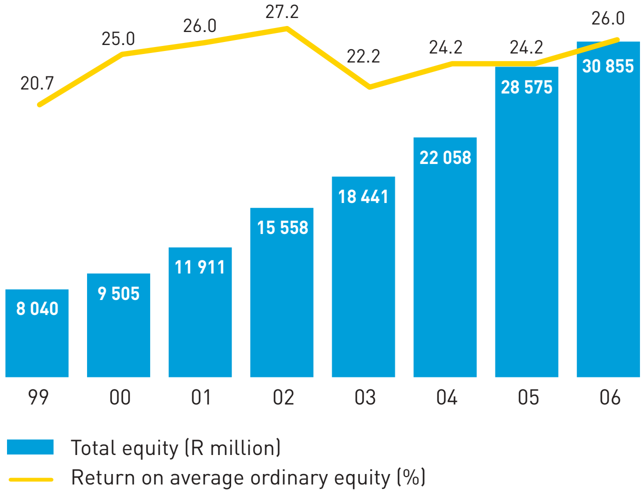


TRADING CONDITIONS	MARKET CONDITIONS
• strong economic growth	• continued high consumer spending
• rising fixed investment	• high demand for asset-backed credit
• stable interest rates	• high levels of BEE activity
• strong commodity prices	• consumer and business confidence levels remain high
• higher equity markets	
• high international oil price	

Reconciliation between earnings attributable to ordinary shareholders and headline earnings – IFRS

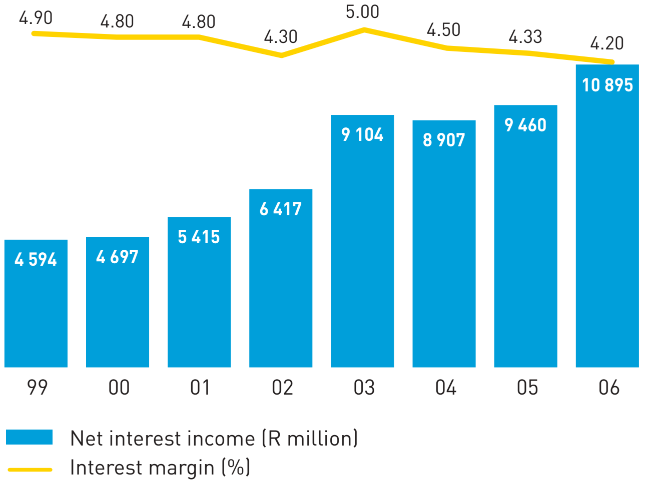
R million	Year ended 30 June 2006	2005	% change
Earnings attributable to ordinary shareholders	**7 260**	5 967	22
Loss on sale of discontinuing operations	**–**	67	(100)
Loss on sale of property and equipment	**19**	7	>100
(Profit)/loss on sale of available-for-sale assets	**(11)**	21	>100
Profit on sale of private equity associate realisations	**(219)**	(406)	(46)
Headline earnings	**7 049**	5 656	25

Return on average shareholders' equity and total equity



Net interest income and margin analysis

Net interest income



POSITIVE	NEGATIVE
• volume effect from organic growth in advances	• lower average interest rates and strong competitive pressure affected interest income
• increase in average capital base following retention of earnings in previous financial year	• margin squeeze on prime-linked portion of banking book (partly from competitive pressures)
• improved mix from increase in retail advances and decrease in corporate advances	• run-off and lower contribution of hedges on endowment and funding portfolios
	• the replacement of the older fixed-rate book with new advances at lower rates
	• compression of short-term funding rates

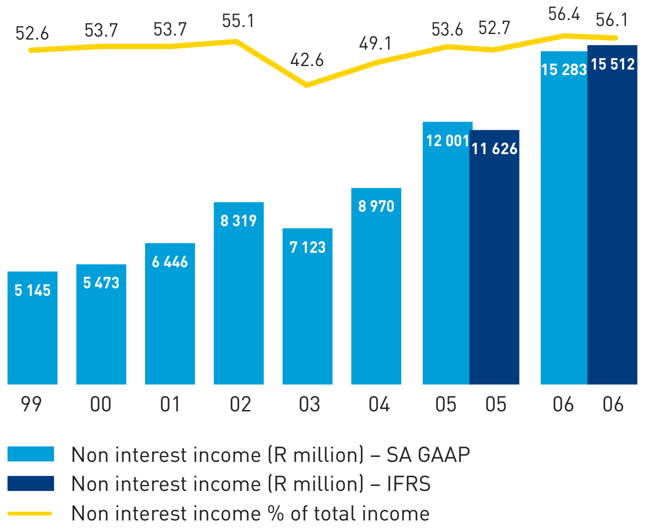
IFRS 2006	IFRS 2005
• a net increase of R374 million on net interest income before impairment of advances due to the capitalisation of certain fees and expenses previously recognised as non interest revenue and operating expenses, now amortised as part of interest income	• a decrease of R37 million on net interest income before impairment of advances due to a change in the accounting policy for the treatment of joint ventures
• a decrease in interest income of R195 million due to the reclassification of interest paid and received on fair value assets and liabilities. This income is now reported on the fair value income line	

Product margin analysis

R million	June 05 Turn	June 05 Daily average balance	June 05 Margin	June 06 Turn	June 06 Daily average balance	June 06 Margin
South Africa						
Advances	**5 431**	**146 070**	**3.72%**	**6 461**	**186 126**	**3.47%**
Asset-backed mortgages	1 582	62 438	2.53%	1 942	85 356	2.27%
Instalment finance	1 665	46 277	3.60%	2 091	59 233	3.53%
Other advances	901	15 570	5.79%	652	14 049	4.64%
Overdrafts and managed account debtors	477	9 879	4.83%	541	10 614	5.10%
Card debtors	449	6 042	7.43%	627	8 338	7.52%
Personal loans	357	5 864	6.08%	608	8 536	7.12%
Deposits	**2 454**	**105 918**	**2.32%**	**2 834**	**122 960**	**2.30%**
Current and savings accounts	1 907	51 805	3.68%	2 248	63 159	3.56%
Call deposits	257	16 569	1.55%	306	17 939	1.71%
Other deposits	47	12 827	0.36%	33	15 602	0.21%
Fixed deposits	86	12 564	0.68%	87	13 273	0.66%
Notice deposits	157	12 153	1.29%	160	12 987	1.23%
FNB Africa	**602**	**10 305**	**5.84%**	**747**	**11 177**	**6.68%**

The balances in this table will not reconcile to those in the financial statements as daily average balances have been used. The financial statements use a simple average for the period. All numbers are pre-IFRS. The margins above exclude long-term funding, trading and investment activities. The margins are actively managed by the Banking Group's Alco desk.

Non interest income
(R million)



Non interest income

R million	Year ended 30 June 2006	2005	% change
Fee and commission income	**9 396**	8 188	15
Investment income	**1 142**	497	>100
Fair value income	**3 733**	2 187	71
Other income	**1 241**	754	65
Total non interest revenue	**15 512**	11 626	33

IFRS 2006

- a decrease in fee and commission income of R876 million due to a change in the disclosure and a reclassification of certain fees and expenses
- an increase in fair value income of R783 million
- an increase in other non interest income of R243 million

IFRS 2005

- a decrease in fair value income of R315 million of which R264 relates to translation gains
- a decrease in other non interest income of R60 million

The information presented in the following sections is on a functional basis, and not on a statutory basis:

FEE AND COMMISSION INCOME

	Year ended 30 June		
R million	**2006**	2005	% change
Bank commissions and fee income	**6 588**	5 623	17
Card commissions	**892**	655	36
Cash deposit fees	**811**	686	18
Commitment fees	**500**	354	41
Acceptances	**141**	132	7
Commissions on bills, drafts and cheques	**532**	439	21
Bank charges	**3 712**	3 357	11
Other banking fee income	**1 037**	1 102	(6)
Knowledge based fees	**491**	491	(0)
Management fees	**517**	296	75
Insurance income	**598**	467	28
Other non bank commissions	**165**	209	(21)
Total	**9 396**	8 188	15

- **FNB**
  - increases in customers and transaction volumes across all segments
  - Consumer segment up 14% in customers (card up 28% and personal loans up 32%)
  - Mass segment up 18% in transacting accounts
  - Corporate up from increased electronic channel use
  - Commercial's business segment increase of 18% in active accounts

- **WesBank**
  - up 26%
  - high new business growth, increased contribution from Auto division and greater penetration of insurance products

- **FNB Africa**
  - new account growth and transaction

- **RMB**
  - M&A and BEE activity up
  - higher deal flow in Structured Finance

IFRS 2006

- bank charges and other banking related income decreased by R876 million. This is the result of the inclusion of certain upfront fees, previously recognised as fees, now amortised as part of interest income

IFRS 2005

- no effect

INVESTMENT INCOME

R million	2006	2005	% change
	Year ended 30 June		
Investment activities			
Income from private equity activities	1 521	1 046	45
– Profit on realisation of private equity investments	503	414	21
– Profit on realisation of other investment banking assets	68	93	(27)
– Dividend received	212	175	21
– Private Equity associates (ongoing)	570	364	57
– Private Equity associates (realisations)	168	–	100
Income from operational investment activities	521	562	(7)
– WesBank associates	89	74	20
– FirstRand International associates	173	117	48
– OUTsurance	251	212	18
– Listed associates	–	133	(100)
– Other operational associates	8	26	(65)
Income from investments	359	205	75
– Profit/loss on disposal of AFS assets	15	(30)	>100
– Profit on assets held against employee liabilities	344	235	46
Total investment income	2 401	1 813	32
Less: Income from associates	(1 259)	(987)	28
Included in other income	–	(329)*	>100
Total	1 142	497	>100

* R329 million income on the realisation of investments is included in Other non interest income per SA GAAP and IFRS. It has been included in this analysis.

- **RMB Private Equity**
  - outstanding results
  - local and foreign realisations

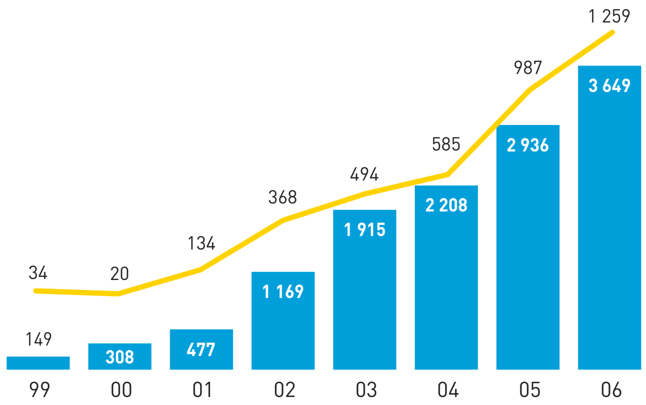
FAIR VALUE INCOME

R million	Forex	Debt	Equity	**June 2006**	June 2005	% change
Annuity	639	1 194	280	**2 113**	1 702	24
– Originated/Structuring	–	787	164	**951**	581	64
– Secondary market	–	213	–	**213**	234	(9)
– Client flow	639	194	116	**949**	887	7
Risk Income	120	220	667	**1 007**	479	>100
– Equities	–	–	606	**606**	226	>100
– Commodities	–	–	61	**61**	38	61
– Interest rates	–	232	–	**232**	176	32
– Forex	120	(12)	–	**108**	39	(>100)
Non effective hedges				**314**	–	100
Other				**299**	6	>100
Total	759	1 414	947	**3 733**	2 187	71

- RMB's Equity Trading business performed exceptionally
- improved performance from RMB's debt businesses, in particular property finance

IFRS 2006	IFRS 2005
An increase of R783 million as a result of: • the grossing up of certain expenses previously set off against income • the reclassification of interest recovered and paid on fair value assets • the reclassification of fee income on certain structured products	• no effect

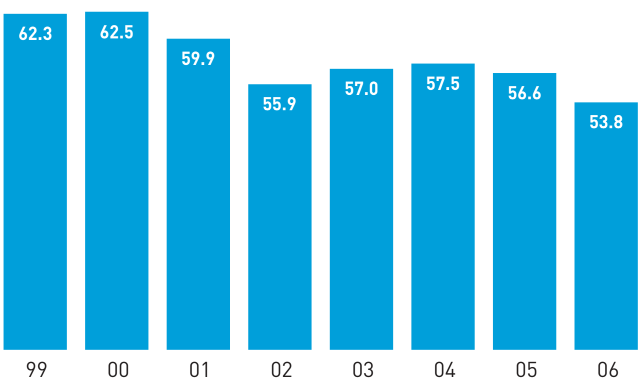
Analysis of income from associates and joint ventures
(R million)



ANALYSIS OF INCOME FROM ASSOCIATES AND JOINT VENTURES

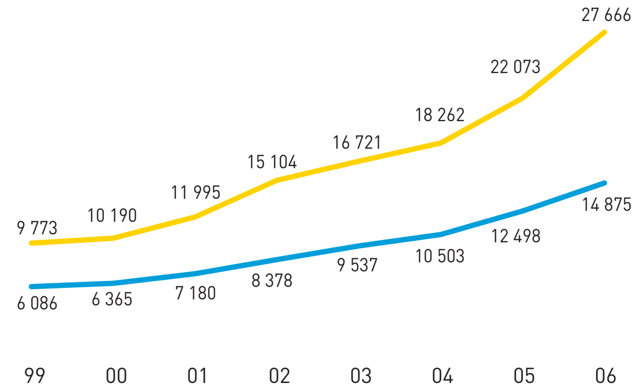
R million	Year ended 30 June **2006**	2005	% change
Private equity associates			
– Private equity associates (ongoing)	**570**	433	32
– Private equity associates (realisations)	**168**	6	>100
– Less impairments	**–**	(75)	(100)
WesBank associates			
– Toyota Financial Services	**48**	39	23
– Zeda Car Leasing	**29**	25	16
– Other	**12**	10	20
FirstRand International associates and joint ventures	**173**	178	(3)
OUTsurance	**251**	204	23
Listed associates (Relyant)	**–**	133	(100)
Other	**8**	34	(76)
Total	**1 259**	987	28

Efficiency ratio
(%)



Cost to income ratio – IFRS

Operating "Jaws"
(R million)



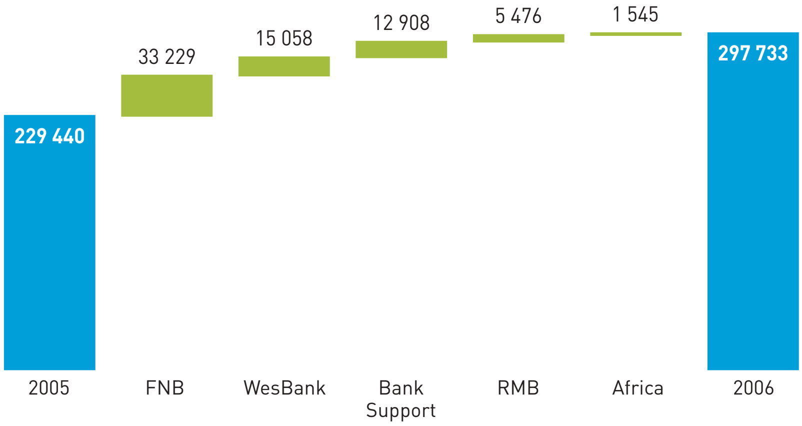
Operating expenditure
Total income

OPERATING EXPENSES

R million	Year ended 30 June **2006**	2005	% change
Staff expenditure	**8 114**	6 523	24
Advertising and marketing	**707**	618	14
Audit fees	**68**	50	36
Computer expenses	**505**	370	36
Conveyance of cash	**152**	127	(24)
Depreciation	**769**	625	23
eBucks rewards	**190**	161	18
Thirdparty origination costs	**24**	312	(92)
Insurance	**196**	201	(2)
Maintenance	**486**	442	(10)
Professional fees	**429**	430	0
Profit share	**207**	188	10
Telecommunications	**377**	359	5
Other	**2 651**	2 092	29
Total	**14 875**	12 498	19

IFRS 2006	IFRS 2005
• an increase in staff expenditure of R728 million, for grossing up of expenditure and income items previously set off and share option expenditure	• an increase in staff expenditure of R121 million in respect of share options
• a decrease in home loan origination expenditure of R446 million	
• an increase in other expenditure of R243 million	

Total advances
(R million)



R million	Year ended 30 June **2006**	2005	% change
Gross advances			
Total advances	**297 733**	229 440	30
Less: contractual interest suspended	**(571)**	(494)	16
Gross advances*	**297 162**	228 946	30
Less: Impairments	**(3 131)**	(2 510)	25
Net advances	**294 031**	226 436	30
Advances sector analysis			
Agriculture	**7 345**	5 337	38
Banks and financial services	**36 684**	28 933	27
Building and property development	**7 194**	11 081	(35)
Government, Land Bank and Public Authorities	**7 808**	6 318	24
Individuals	**171 384**	125 637	36
Manufacturing and commerce	**39 366**	27 357	44
Mining	**1 800**	3 952	(54)
Transport and communication	**11 329**	7 504	51
Other services	**14 823**	13 321	11
Total advances	**297 733**	229 440	30

- **FNB up by 31%**
  - HomeLoans up 40%
  - Card up 36%
  - Personal loans up 34%
  - Wealth segment up 29%
  - Commercial segment up 25%

- **Africa up 15%**
  - FNB Namibia up 17% mainly WesBank and home loans
  - FNB Botswana up 10%
  - Swaziland's advances up 11%

- **WesBank up 27%**
  - Motor up 27%
  - Corporate up 25%
  - Fleet up 5%
  - Personal loans up 60%

IFRS 2006

- the impact of IFRS on 2006 was immaterial

IFRS 2005

- the impact of IFRS on 2005 was a decrease of R116 million

ADVANCES

R million	Year ended 30 June 2006	2005	% change
	2006	2005	
Geographical split			
SA banking operations	**265 072**	206 590	28
International banking operations	**10 928**	5 695	92
US Corporate debt (CDO advances)	**161**	182	(12)
African banking operations	**12 246**	12 068	1
SA non banking operations	**9 326**	4 905	90
Gross advances	**297 733**	229 440	30
Product split			
Overdrafts and managed accounts	**24 691**	28 280	(13)
Loans to other financial institutions	**6 548**	11 261	(42)
Card loans	**10 120**	7 569	34
Instalment finance	**45 314**	36 533	24
Lease payments receivable	**25 602**	19 199	33
Property finance	**111 431**	80 016	39
Home loans	**104 674**	75 801	38
Commercial properties	**6 757**	4 215	60
Personal loans	**11 575**	4 889	>100
Preference share advances	**2 043**	1 536	33
Other advances	**47 945**	31 672	51
	285 269	220 955	29
Collateralised debt obligation	**161**	182	(12)
Assets under agreement to sell	**12 303**	8 303	48
Gross advances	**297 733**	229 440	30
Rand and non Rand denominated advances			
All non Rand denominated advances	**1 529**	1 540	(0)
@ exchange rate	**7.13**	6.68	7
Non Rand denominated advances	**10 903**	10 287	6
Rand denominated advances	**286 830**	219 153	31
Gross advances	**297 733**	229 440	30

14 Non-performing loans

R million	Year ended 30 June **2006**	2005	% change
Non-performing loans	**4 211**	3 045	38
Add: present value adjustment	**308**	196	57
Net credit exposure	**4 519**	3 241	39
Less: security and recoverable amount	**(1 938)**	(867)	>100
Less: contractual interest suspended	**(571)**	(494)	16
Residual risk	**2 010**	1 880	7
Specific impairments	**2 010**	1 880	7
Portfolio impairments	**1 121**	630	78
Total impairments	**3 131**	2 510	25
Impairment of advances	%	%	% change
Non-performing loans as a percentage of gross advances	**1.4**	1.4	0
Specific impairments as a percentage of non-performing loans (after ISP)	**55.2**	68.5	(19)
Total impairments as a percentage of non-performing loans (after ISP)	**86.0**	91.4	(6)
Total impairments as a percentage of residual risk (%)	**156**	134	17
Specific impairments as a percentage of gross advances	**0.7**	0.8	(18)
Portfolio impairments as a percentage of gross advances	**0.4**	0.3	37
Total impairments as a percentage of gross advances	**1.1**	1.1	(4)
	R million	R million	% change
Income statement charge			
Specific impairments	**1 132**	755	50
Portfolio impairments	**279**	(49)	>100
Total	**1 411**	706	100

R million	Year ended 30 June **2006**	2005	% change
Accrual advances	**3 818**	2 814	36
Fair value advances	**393**	427	(8)
Non-performing loans	**4 211**	3 241	30
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 provisions are raised against fair value advances, other than as is implicitly required through fair value adjustments. The table below sets out the effect of these market adjustments:			
Fair value of non-performing loans before credit adjustments	**508**	542	(6)
Less: cumulative credit adjustments	**(115)**	(115)	–
Net non-performing fair value loans	**393**	427	(8)
Cumulative credit adjustments			
– on performing book	**448**	362	24
– on non-performing book	**115**	115	–
	563	477	18

	FNB											
R million	Home Loans		Card		Wealth		Other Retail		Commercial		Corporate	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Advances	**81 608**	57 833	**9 192**	6 737	**15 909**	12 383	**5 349**	3 588	**17 276**	13 943	**11 263**	12 717
NPLs	**691**	411	**504**	263	**188**	200	**300**	161	**415**	402	**415**	427
Portfolio impairment charge %	**0.03**	–	**0.73**	0.12	**0.09**	0.05	**0.39**	0.07	**–**	(0.03)	**–**	–
Specific impairment charge %	**0.19**	(0.01)	**3.18**	2.23	**0.05**	0.02	**3.83**	2.91	**0.26**	0.51	**0.10**	(0.09)
Total impairment charge %	**0.22**	(0.01)	**3.91**	2.35	**0.14**	0.07	**4.22**	2.98	**0.26**	0.48	**0.10**	(0.09)

R million	FNB		RMB		WesBank		FRAEM		Other		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Advances	**140 597**	107 201	**57 512**	52 036	**79 604**	63 318	**12 206**	10 671	**7 243**	(4 280)	**297 162**	228 946
NPLs	**2 513**	1 864	**529**	550	**945**	550	**356**	293	**(132)**	(16)	**4 211**	3 241
Portfolio impairment charge %	**0.09**	0.01	**–**	–	**0.16**	–	**(0.03)**	0.24	**4.05**	1.56	**0.11**	(0.02)
Specific impairment charge %	**0.50**	0.28	**–**	–	**0.73**	0.56	**0.52**	0.42	**(4.59)**	(2.45)	**0.43**	0.34
Total impairment charge %	**0.59**	0.29	**–**	–	**0.89**	0.56	**0.49**	0.66	**(0.54)**	(0.89)	**0.54**	0.32

2006 based on IFRS numbers

Impairment charge % is calculated on average advances

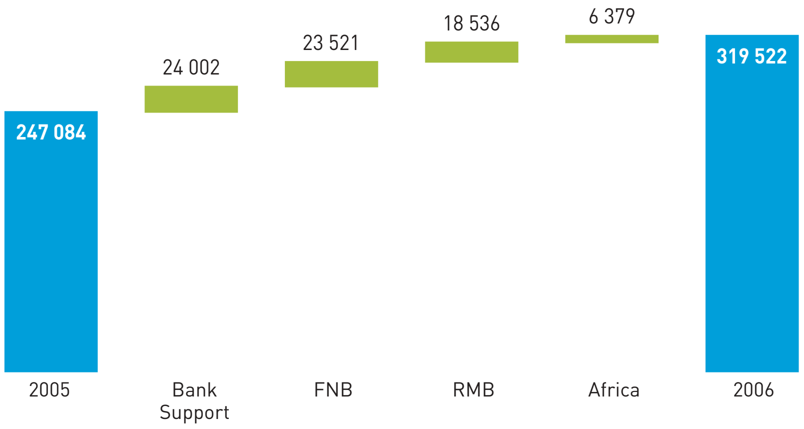
Analysis of movement in impairment of advances

R million	Total impairment **2006**	Specific impairment	Portfolio impairment	Income statement
Opening balance	**2 510**	1 880	630	–
IFRS adjustment	**77**	(214)	291	–
– IFRS reclassification	**(235)**	(86)	(149)	–
– IFRS remeasurement	**312**	(128)	440	–
Restated opening balance	**2 587**	1 666	921	–
Exchange rate difference	**(8)**	(7)	(1)	–
Amounts written off	**(1 020)**	(1 020)	–	–
Reclassifications	**–**	82	(82)	–
Unwinding of discounted present value on non-performing loans	**(172)**	(172)	–	–
Net new impairments created	**1 729**	1 447	282	(1 729)
– impairments created	**3 225**	2 504	721	(3 225)
– impairments released	**(1 496)**	(1 057)	(439)	1 496
Recoveries of bad debts				312
Acquisitions	**15**	14	1	–
Profit/(Loss) on realisation of security	**–**	–	–	6
Closing balance	**3 131**	2 010	1 121	(1 411)

R million	Total impairment 2005	Specific impairment	Portfolio impairment	Income statement
Opening balance	3 027	2 195	832	–
Exchange rate difference	10	10	–	–
Amounts written off	(1 254)	(1 254)	–	–
Unwinding of discounted present value on non-performing loans	(260)	(260)	–	–
Reclassifications	–	152	(152)	–
Net new impairments created	925	975	(50)	(925)
– impairments created	1660	1604	56	(1 660)
– impairments released	(735)	(629)	(106)	735
Recoveries of bad debts	–	–	–	220
Acquisitions	62	62	–	–
Loss on realisation of security	–	–	–	(1)
Closing balance	2 510	1 880	630	(706)

Deposits

Deposits
(R million)



- customer trend to shorter dated products
- customer disposable income up
- medium and large corporates cash flush

- FNB 20% up
  - Commercial (+20%), Consumer (+15%) segments up
  - deposit margins in Corporate segment under pressure
- Africa 13% up mostly in Botswana and Lesotho
- RMB up 53%
  - higher collateral in equity trading
  - increased repo activity in Treasury Trading

Staff

Number of permanent employees	**2006**	2005	% change
FNB	**23 825**	22 464	6
RMB	**942**	863	9
WesBank	**3 258**	3 114	5
Africa	**2 436**	2 450	(1)
Bank Support*	**1 228**	1 430	(14)
Total	**31 689**	30 321	5

	2006	2005	% change
SA Banking	**29 253**	27 871	5
Africa	**2 436**	2 450	(1)
Total	**31 689**	30 321	5

** Includes BGT*

FNB, WesBank and RMB
- increase in staff numbers to support significant new business growth

New business growth impacted on the overall increase in staff numbers

Operational results by business unit (pre-IFRS)

R million	Year ended 30 June 2006	2005	% change
FNB	**5 060**	4 147	22
Consumer segment	**1 639**	1 545	6
– Personal banking	**942**	788	20
– HomeLoans	**268**	454	(41)
– Card Issuing	**429**	303	42
Wealth segment	**121**	97	25
Commercial segment	**1 916**	1 563	23
Corporate segment	**642**	512	25
FNB other	**742**	430	73
RMB	**2 608**	1 890	38
WesBank	**1 755**	1 404	25
FirstRand: Africa and Emerging Markets	**768**	653	18
OUTsurance	**251**	204	23
Group Support*	**1 184**	982	21
	11 626	9 280	25
Profit on sale of Ansbacher	**–**	346	(100)
Income before tax	**11 626**	9 626	21

** Includes BGT*

FNB

	2006	2005	% change
Income before tax (R million)	**5 060**	4 147	22
Advances (R million)	**140 111**	107 201	31
Total deposits (R million)	**142 038**	118 517	20
Cost to income ratio (%)	**64.2**	66.7	(4)
Non-performing loans (%)	**1.8**	1.7	6

R million	**2006**	2005	% change
Consumer segment	**1 639**	1 545	6
– *Personal Banking*	**942**	788	20
– *HomeLoans*	**268**	454	(41)
– *Card Issuing*	**429**	303	42
Wealth	**121**	97	25
Commercial	**1 916**	1 563	23
Corporate	**642**	512	25
FNB Other	**742**	430	73
Total FNB	**5 060**	4 147	22

PERFORMANCE COMMENTARY

FNB has produced another set of excellent results with profit before taxation increasing by 22% from R4 147 million to R5 060 million.

Interest income grew by 19%. This increase is attributable to the continued strong balance sheet growth in both advances and deposits, offset to some extent by a reduced endowment effect.

Bad debts have increased to 0.5% (2005: 0.3%) of advances. This increase was expected given the abnormally low arrears and NPLs in recent years.

Non interest income increased by 21% as a result of a significant increase in customer numbers and higher transactional volumes, particularly in Mass, Card, and Consumer and Commercial segments.

Operating expenses increased by 16%. This was mainly driven by significant variable costs such as new business acquisition expenses and investment in infrastructure and processes. Excluding these costs, there was an increase of 9% in the base costs.

Deposits increased by R24 billion or 20%, with the Commercial, Corporate and Consumer Segments being the major contributors.

Advances increased by R33 billion or 31%, with HomeLoans (R23 billion), Card Issuing, Wealth and Commercial being the major contributors. Corporate advances continued to decline as a result of low credit demand and increased pricing competition.

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. It is also likely that segmentation of clients will be revised on a continuous basis as the model refines.

SEGMENT PERFORMANCE COMMENTARY

Consumer segment

Cheque products including overdrafts
Investments
Personal Loans (including Student Loans)
First Link Insurance Brokers
eBucks
HomeLoans
Card Issuing

This segment focuses on customers with incomes ranging from R60 000 to R750 000 per annum, providing banking and insurance solutions covering the full customer lifecycle from youth to senior and includes HomeLoans and Card Issuing.

This segment continued to perform well with profit before taxation increasing by 6% from R1 545 million to R1 639 million. On an IFRS compliant basis the profit before taxation increased by 14% largely due to the impact of the capitalisation of the HomeLoans acquisition costs to the value of the loan and amortisation over the life of the loan through interest income. The business benefited from the continued strong growth in customer numbers and transaction volumes.

Low interest rates dominated the operating environment resulting in continued pressure on margins. The bad debt charge increased off prior year lows with NPLs returning to more normalised levels within the risk appetite of the bank.

Interest income grew 20% during the year as a result of strong growth in both advances and deposits.

Advances grew 39% to R93 billion as a result of focused sales activities and the continued strong demand for consumer credit. The bad debt charge increased from 0.3% to 0.5% of advances, in line with the growth in non-performing loans ("NPLs") which ended the year at 1.4% (2005: 1.2%) of advances.

Deposits grew by 15%, attributable to increased market share of the transactional banking as well as savings and investment products. Investments showed strong growth in customers and number of accounts, driven by innovative products and marketing as well as new distribution channels. This compensated for increased competitive pressure on margins and the low consumer savings rate.

The success of the Million-a-Month Account ("MAMA"), launched during January 2005, continued during the year, increasing the customer base to over 400 000 accounts and contributing to the deposit growth.

Non interest income grew by 25%, driven by a 9.5% growth in active accounts and 8.7% increase in transactions per customer.

Operating expenses increased by 22%, reflecting the costs associated with the strong transactions and sales revenues. A significant factor contributing to this growth is HomeLoans acquisition costs which are expensed as incurred. A base cost increase of 18% would result if these costs were excluded, (under IFRS these costs are now capitalised to the value of the loan and are amortised through interest income). Investments for growth such as Discovery Card, MAMA account and additional relationship managers were a component of the operating expenses increase. Excluding these, the costs growth would further decrease to 16%.

Personal Loans (including Student Loans) had an excellent year with advances growing 34% to R1.6 billion largely driven by increased sales volume.

First Link performed well and continues to add a range of value added services to FNB's customers, particularly in the Premier and Wealth segments. Revenue and operating profit growth of 20% and 18% respectively are excellent in a competitive environment characterised by soft conditions in the commercial market segment and largely commoditised product offerings in Personal Lines.

The eBucks rewards programme continues to perform well as a strategy to retain customers and incentivise profitable behaviour. Since inception, more than R680 million worth of eBucks have been awarded to members. On average, more than 70% of eBucks allocations are spent on a monthly basis. eBucks rewards both personal and business customers.

InContact, FNB's SMS and e-mail messaging service, has become a standard feature of FNB's transactional products, providing transaction and security notifications to account holders. During the year 3.4 million subscribers benefited from this innovative value-add service.

Telephone banking increased customers by 21% to 192 000 with transactions increasing by 18%.

FNB HomeLoans

The property market continued to show impressive loan growth of 31.5% over the year. FNB HomeLoans benefited from this growth and retained a new business market share of 20.7% (2005: 20.8%). The increase in advances of 40% to R81 billion results from a 58% (R37 billion) increase in new business written.

The One Account has over 10 000 customers and continues to perform extremely well and increased its loan book to R4.9 billion from R1.3 billion in the previous year.

Profit before taxation decreased by 41% (1% decrease on an IFRS compliant basis) and although there was a significant increase in advances, interest income grew by only 20%. This was due to margin pressures, as a result of the lower interest rate environment, competitive market pricing and an increase in bad debt provisions due to increased arrears in the second half of the year. Non interest income increased by 19% driven by increased volumes.

The results on a pre-IFRS basis were further negatively impacted by the significant (46%) increase in new business acquisition costs from R327 million to R478 million, as well as increased staff costs relating to an enhanced sales force and processing capability. Together, these were the major contributors to operating costs increasing by 36%. On an IFRS compliant basis with the capitalisation of the acquisition costs, the cost increase reduces to 22%.

During the year FNB resolved the Saambou interest calculation dispute and recalculated the incorrect Saambou interest calculations on the acquired home loan and housing finance books. The amount of R154 million which is being refunded to customers is largely covered by warranties and provisions.

Card Issuing

Card Issuing produced another excellent performance, increasing its profit before taxation by 42% and growing advances by 36% to R9 billion. This growth results from increased customer numbers, success in selling balance transfers and continued customer spending, with cardholder turnover increasing by 33%. The 28% growth in customer numbers was achieved by an increased sales focus and success in cross-selling to existing FNB customers and the successful launch of the Discovery Card. Operating expenses increased by 22%, due in the main to Discovery Card.

Wealth segment

RMB Private Bank
FNB Private Clients
FNB Trust Services
Senior Suites

The Wealth Segment's profit before taxation grew 25% to R121 million, driven in the main by a particularly strong performance by RMB Private Bank, which grew profit before taxation by 76% to R139 million.

Assets under management grew 57% to R18 billion, due to growth in the equity market, investment selection and net new business inflows. Growth in advances of 29% to R16 billion and growth in deposits of 32% contributed to this performance. As a result, interest income increased by 35% and non interest income by 21%.

The 25% increase in operating costs for the segment is largely related to the start-up and rapid growth of FNB Private Clients, which required an investment of R49 million.

FNB Private Clients, grew advances to over R800 million and has a healthy pipeline awaiting payouts. Assets under management totalled R1.2 billion. This represents a substantial investment by the Wealth Segment for the future, as the growth potential is significant.

FNB Trust Services also had good profit growth of 15%. This was a result of good new estate inflows, continued strong equity markets and a focus on cost containment.

Commercial segment

Commercial Property Finance
Debtor Finance
FNB Leveraged Finance
BEE Funding, Franchises and Start-ups

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

The Commercial Segment had an excellent year with profit before taxation increasing by 23%.

Deposits grew 20% largely due to strong consumer demand and retail sales resulting in increased cash balances of commercial entities. South African business tends to be conservative and as such retains cash buffers given previous historic economic volatility.

Advances grew 25% driven in the main by FNB Leveraged Finance (growth in excess of 200%), Commercial Property Finance (up 72%), both business units growing from a low base. Agriculture term loans grew 40% as a result of the targeted acquisition of Land Bank customers and Debtor Finance grew 36% driven by a renewed marketing focus and penetration into the Business segment.

Interest income increased by 12% as a result of the growth in advances, improved advances margins due to a change in product mix in favour of higher margin products, and strong deposit growth. The growth has been impacted by lower deposit margins given the increased competition in the market for deposits. Further, this growth was substantially reduced by the run-off of the endowment hedge.

Commercial experienced continued good credit quality with non-performing loans as a % of gross advances improving from 2.9% (June 2005) to 2.4% in June 2006. The bad debt charge as a % of gross advances also improved from 0.4% in June 2005 to 0.2% at year-end.

Commercial experienced strong transactional volumes in 2006 resulting in non interest income increasing by 19%, with a 31% increase in Electronic delivery channels and SpeedPoint. Excellent new active account growth of 18% in the Business segment along with increased activity, resulted in increased transactional revenue of 19%.

International banking's non interest income showed a growth of only 4%, largely due to suppressed margins as a result of the reduced Rand volatility for the major part of the year.

Operating expenses increased by 13%, largely due to the upfront cost associated with new growth initiatives, including the enhanced Franchise capability and the new Commercial Start-up initiative (offering transactional banking and financing solutions to early stage businesses), together with increased costs, associated with balance sheet and transactional volume increases. Commercial focused on streamlining its key processes beginning with the credit environment, where a scaleable scoring model was rolled out across the Business and Agriculture segments which contributed to certain cost savings.

Collaboration with other FirstRand Banking Group businesses continues to be strong. The Commercial/WesBank collaboration delivered advances payout growth of 86%, while RMB Structured Finance payout in the Commercial segment increased 91%.

The Commercial segment market share increased from 21% to 25% (Tracker Survey – Nov 05).

Corporate segment

Corporate Transactional Banking
Associated Working Capital Solutions
SpeedPoint (Card Acquiring)
Bulk Cash
Electronic Banking

This segment is the provider of transactional banking and other services to large corporates, financial institutions and state-owned enterprises in terms of Schedule 2 of the PFMA Act.

Profit before taxation increased by 25%. Growth in non interest income of 11% was driven by growth in the utilisation of electronic channels, with the main contributors being Electronic Banking and Speedpoint. This was due in part to new client acquisition and a favourable economic environment in the retail market, resulting in strong organic growth.

Deposit volumes increased by 29% within the segment, reflecting the overall condition of the South African large corporate environment and the cash surpluses that exist. However, actual deposit margins dropped by 5 bps from the comparative period and remain under pressure.

Given these market conditions, advances have shrunk by 11% with continued low credit demand and increased pricing competition being a major factor.

The current year bad debt charge is R13 million, against a net recovery of R11 million in the prior year. The current year charge, however, has been reduced by R50 million as a result of a provision reversal, relating to a corporate exposure which was repaid during the year.

International Banking remains a significant contributor to the segment's profitability. Notwithstanding the reduced volatility of the Rand in the first six months and margin pressures, the overall volumes in the international and cross border businesses for large corporates increased, resulting in a 16% growth in profits.

Operating expenses increased by only 2%, with existing infrastructure growing marginally in the environments of Speedpoint and Electronic Banking to accommodate volume growth.

Electronic Banking achieved significant growth in customer numbers, volumes and values during the period. Transactions to the value of R549 billion were processed for the period (2005: R355 billion), an increase of 55%.

FNB Other

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

Mass (Smart Solutions)

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

This segment focuses on individuals earning less than R60 000 per annum and is principally serviced by the FNB Smart branded products and services. In addition, this segment focuses on innovation, particularly where technology can provide convenience and cost efficiency to the customer as this segment requires cheaper delivery channels to operate profitably. The segment performed exceptionally during the period under review with profits increasing significantly during the year.

The main driver of this segment's performance was the strong growth in non interest income, which increased by 26%. This was primarily driven by an 18% growth in transacting accounts and 19% growth in ATM transactions (FNB and Saswitch), as well as debit card transactions and SmartSpend loans payout growth in excess of 100%, and more than doubling prepaid airtime turnover.

The ongoing roll-out of the mini-ATMs (now 100% on GPRS) and process efficiency, contributed to a stable market share of Saswitch transactions of 28% while the number of Saswitch devices remained at 22%. The number of ATMs increased by 13% to 4 185.

FNB is pursuing a strategy of increased customer product holding, with focus on lending and assurance in this segment, where profitability is strongly correlated to process efficiency and customer "share of wallet". The segment achieved advances growth of 82% in this period. The advances growth relates to the SmartSpend, Smart Housing Plan and SmartBond products, where sales have increased by more than 100% (R996 million). In addition, assurance sales of Law-on-Call and Personal Accident increased by more than 100%, while Funeral Cover sales grew by 26%.

By June 2006, Cellphone banking had over 215 000 registered customers and the cellphone channel and prepaid airtime sales business unit was generating profits on a monthly basis. This initiative remains in a startup phase and required a significant investment in the period under review, with the majority of benefits only expected to materialise in the medium term. The use of this channel provides convenience and cost efficiencies and in tandem with InContact is expected to contribute to good market share growth.

Operating costs include the cost relating to the Cellphone banking business which only commenced operations in the second half of the previous financial year and also the variable costs relating to the increased customers and transactional volumes.

FNB Life achieved significant growth due to its strategy of adding value and enhancing insurance features to existing products. At June 2006, there were 2.0 million in-force policies, a growth of 40% against June 2005.

Public Sector Banking

This segment is the provider of financial services to the three spheres of government; namely, national, provincial and local. Customers also include universities and schools.

FNB's increased focus on this segment resulted in a number of tenders being won despite increased competitor activity in this market segment. Government's under-spending has resulted in this sector having a reduced appetite for credit and increased cash holdings. This segment's main focus is therefore on transactional banking.

Branch Banking

Branch Banking continues to reposition its network to reflect demographic shifts and new retail and commercial development in previously disadvantaged areas. As a result, 26 new branches were opened,13 closed and 15 relocated. At the end of the year of the total 680 representation points, which include the sales centres, mobile banks, community banks and branches, 24% (2005: 19%) are in previously disadvantaged areas (as defined in the financial services charter).

Branch Banking continued with its infrastructure improvement programme converting 112 branches to its new retail design which gives easy navigation to customers.

FNB has developed the following in its strategy to service previously unbanked communities:

- Community banks provide full banking services to customers in remote and other previously unbanked areas, with 27 of these units currently deployed;
- FNB improved its distribution capability by introducing "Bank on wheels", which provide FNB with the ability to deliver banking services effectively to various communities and allow FNB to take banking to remote communities as well as to employees of corporates at their place of employment. Ten of these units have been deployed.
- FNB also launched FNB Sales Centres to expand its network during the year. These units focus on sales and convenience given their locations and longer operating hours. These Sales Centres have proved to be cost efficient in providing more banking solutions to customers and/or in acquiring new customers.

Branch Banking commenced with a major project introducing a new front line system in all branches. Elements of this new system will be implemented in the next 18 months. The system is, however, expected to be fully deployed in 24 months.

During the year Branch Banking experienced strong growth in sales which contributed to the increase in FNB's market share.

The establishment of commission based sales teams that operate in the Bancassurance arena encountered initial implementation problems which was to be expected given the startup nature of this unit. This unit is now poised to add value with regard to customer acquisitions and assist with market share growth.

Infrastructure

R million	Year ended 30 June **2006**	2005	% change
Representation points (Branch, agencies, etc)	**680**	667	2
ATMs	**4 185**	3 718	13

	2006	2005	% change
Income before tax (R million)	1 755	1 404	25
Advances (R million)	80 156	63 318	27
Cost to income ratio (%)	43.0	46.8	(8)

WesBank had a very good year with earnings increasing by 25%. This performance extends a sustained period of exceptional profit growth, with annual compound growth over the last three years of 36.5%. Growth was driven by increased market share and high new business volumes. Total new business written was R50.8 billion, an increase of 28.4%. Included in this is R700 million written in the Motor One Finance business in Australia.

On a divisional basis the Motor, Corporate, Fleet and Personal Loans divisions increased new business by 22.2%, 46.8%, 19.7% and 48.5% respectively. The Motor Division comprises 70% of total new business and its growth reflects the continued buoyancy in the motor industry. Increasing capital investment demands as well as growth in collaborative efforts with FNB, resulted in high growth in the Corporate Division. Personal Loan growth reflected the higher debt appetite in the middle-income market.

Advances increased by R16.8 billion (26.6%), excluding the impact of securitisations during the year, as a result of the high growth in new business written.

Bad debts were 0.8% of gross advances and non-performing loans 1.2% of gross advances. These figures are up from 0.5% and 0.9% respectively in the prior year. The combination of the rise in consumer indebtedness, as well as the reduction in realisation values on vehicles as security, caused increases in arrear and bad debt levels, but remain within WesBank's long-term target range. Provision levels also increased in line with the IFRS provisioning requirements.

Interest margins declined from 3.61% to 3.46% due to further compression of short-term funding rates, as well as competitive pressures on customer rates.

Non interest income increased by 26.2%, driven largely by the high new business volumes and increased penetration of insurance products. WesBank Auto, the operation providing a fleet card offering, showed further growth in customer base and corresponding revenue streams.

Costs increased by 18.4%, against new business growth of 28.4%. The cost to income and cost to asset ratios both improved, from 46.8% to 43.0% and from 2.39% to 2.28% respectively. The cost increases resulted from an investment in capacity to deal with the high volumes currently experienced and expected into the future. The platform has now been built and this level of annual cost increases is not forecast to persist into the new financial year.

	2006	2005	% change
Income before tax (R million)	2 608	1 890	38
Total assets (R million)	162 355	101 346	60
Cost-to-income ratio (%)	37.7	38.1	(1)

Divisional analysis of net profit

R million	2006	2005	% change
Private Equity	826	556	49
Equity Trading	387	230	68
Corporate Finance	206	141	46
Structured Finance	552	403	37
Project, Trade and Commodity Finance	106	121	(12)
Treasury Trading	243	227	7
SPJ International	97	117	(17)
Offshore Division	216	107	>100
Other	(25)	(12)	>100
Total	2 608	1 890	38

RMB delivered an exceptional performance in 2006 producing year on year growth of 38%. The primary drivers of this performance were the equity businesses, which excelled in buoyant equity markets. High levels of business confidence and continued BEE activity were also conducive to good originated debt and advisory performances. The proprietary trading businesses enjoyed varied success in challenging market conditions which prevailed for most of the year. However, the weakening Rand and steepening interest rate curves aided a strong close to the year for the forex and interest rate trading books. A particularly pleasing aspect of the performance was the tangible impact on bottomline of our decision to invest in client relationships and the extent to which business units collaborated to produce innovative solutions to a broader array of clients.

Private Equity produced outstanding results, eclipsing their performance of 2005. The robust economy and a market conducive to realisations combined to drive strong growth in equity accounted earnings and profits on realisations. However, in spite of some large realisations, strong growth in equity accounted earnings and a number of new investments contributed to an increase in the carrying value of the portfolio. The robust market conditions and strong earnings projections also boosted unrealised profits in the remainder of the portfolio to R1.1 billion (2005: R1.07 billion).

Equity Trading recorded an excellent performance in 2006, posting year on year growth of 68%. All components of this business – trading, structuring and broking – combined to produce this outstanding result. In addition, the division has successfully established a diversified offshore trading portfolio.

Corporate Finance delivered exceptional results for 2006. The mergers and acquisitions team consolidated its market leading position with a number of notable deals. For the second year running RMB was the top corporate finance house according to both the Dealmakers and PWC league tables. The Equity Capital business delivered spectacular returns and the Preference Share business led the market with continued growth and innovation.

The debt businesses made a strong comeback in 2006, in particular, Structured Finance posted good earnings growth and cemented RMB's reputation as South Africa's leading debt house. This result was boosted by a very strong contribution from the recently established Property Finance division and healthy growth in fee income, achieved on the back of strong deal flow and innovative structuring solutions.

Although the "explosion" of infrastructure development projects locally and regionally has not yet materialised, Project Trade and Commodity Finance's focus on Africa contributed substantially to a solid performance. The V Mobile transaction in Nigeria, for which RMB was joint lead arranger, was voted Africa Emerging Telecom Deal of the Year by Euromoney. Benefits from the merger in the prior year of the hard and soft commodities business with Project Finance were evident but the trading environment proved challenging in the period, in particular the extremely volatile precious and base metal commodity markets.

Treasury was successful in increasing its market share in 2006. The related growth in client flows, together with more volatile markets, should provide a platform for a strong growth in the coming year.

SPJ International's performance was below that of the comparable period having run down the remainder of the high yield corporate positions and reduced its exposures to emerging markets in the current environment of extremely tight credit spreads.

The Offshore Resources division comprising of a joint venture in an energy business and a resources focused, lending and investing business, delivered a record performance, doubling the prior year's contribution.

FirstRand Africa and Emerging Markets ("FRAEM") comprises the FNB Africa subsidiaries (FNB Botswana, FNB Lesotho, FNB Namibia and FNB Swaziland) as well as a division acting as the strategic enabler, facilitator and coordinator for international expansion undertaken by the FirstRand brands.

	2006	2005	% change
Income before tax (R million)	**768**	653	18
Attributable earnings (R million)	**378**	313	21
Advances (R million)	**12 237**	10 671	15
Total deposits (R million)	**16 302**	9 920	64
Cost to income ratio (%)	**45.3**	47.5	(5)
Non-performing loans as a % of gross advances	**2.9**	2.7	7
Geographic Contribution – Income after Tax			
FNB Botswana (Pula)	**238**	194	23
R million			
FNB Botswana	**278**	257	8
FNB Namibia	**262**	216	21
FNB Swaziland	**31**	15	>100
FNB Lesotho	**(2)**	(7)	71
Total	**569**	481	18

FNB Africa subsidiaries

Despite the stagnant economies, the income after tax of the subsidiaries grew by 18.3% for the financial year. New CEOs were appointed in Botswana, Namibia and Swaziland and they brought a fresh approach and drive to sales and cost control initiatives. Operating expenses increased by only 6% and with revenue enhancements the cost to income ratio improved from 47.5% to 45.3%.

Total consolidated assets have grown by 45% and deposits by 64% year-on-year. This growth has been dominated by the growth in deposits of FNB Botswana by 143% with the revision in requirements by the Bank of Botswana only permitting commercial banks as bidders for Bank of Botswana Certificates (BoBCs). Asset managers, corporates and parastatals have, as a result, switched surplus funds previously placed in BoBCs to alternative deposit instruments through commercial banks.

Although non-performing loans have increased to 2.9%, the levels remain well under control.

FNB Botswana

The business continued to perform well with income after tax increasing by 22.7% to P238.4 million, but only by 8.2% in Rand terms due to the Pula depreciation.

Non interest income grew 22.4%. The main drivers behind this increase were the increased product offerings and resultant increase in transactional volumes, as well as growth in forex income.

Despite inflation running at 12%, operating expenses were well contained to a 10% increase and this, together with the solid non interest income increase, resulted in the cost to income ratio reducing further from 38% to an excellent 35%.

Although advances grew by only 9.7%, the property portfolio performed exceptionally well growing by 42%. As stated above, with deposits growing by 143% as a result in the Bank of Botswana changing the bidding requirements for BoBCs, total assets grew by 116% to P7.2 billion.

FNB Namibia

FNB Namibia is a diversified financial services group offering a wide range of banking services, unit trusts, life and short-term insurance. Brands include FNB, WesBank and RMB Asset Management, all of which provide diversified revenue sources.

Despite the moderate growth in the economy, income after tax grew 21.3% to N$262 billion.

Non interest income grew by 19.2% due to the focus on sales and effective cross-selling across all businesses in the group, substantially increasing the number of accounts and transactional volumes.

Operating expenses were well controlled, increasing by 10.4% and the cost to income ratio reduced to 47%.

Total assets grew by 15.8% to N$9.5 billion and advances grew 17.3% to N$8 billion, predominantly driven by home loans and WesBank.

In a market with tight liquidity, the strategy of diversifying the deposit base benefited the bank with deposits growing 16.4% resulting in a substantially reduced reliance on inter-group funding.

FNB Swaziland

There has been a significant turnaround in the Swaziland business compared to 2005. Whilst the economic environment remains stagnant, the restructuring efforts of local management, together with FirstRand Group support, are yielding results. Income after tax grew 106.6% to E31 million.

Non interest income grew 33% and operating expenses were well maintained, increasing by only 7.1%. The cost to income ratio reduced to 59% after exceeding 80% in the previous year.

Total assets grew by 20% to over E1 billion, advances grew by 11% and deposits by 22.9%. Deposit raising was, however, predominantly at the wholesale level, which had a small effect on margins.

FNB Lesotho

Despite the difficult operating environment, FNB Lesotho performed well above expectations and achieved a maiden monthly profit in December 2005, thirteen months after start-up. Further investment in the year ahead is planned which will impact costs and profitability.

The main drivers of the operation were the growth in the liability base as well as transactional revenues allied to the growing account base. Credit growth has been in line with expectations, although off a low base, and this growth is attributed primarily to the WesBank operation.

	2006	2005	% change
Gross premiums (R million)	**2 341**	1 901	23
Operating profit (R million)	**451**	373	21
Headline earnings (R million)	**384**	298	29
Expense/cost to income ratio (%)	**16.4**	16.2	1
Claims and OUTbonus ratio (%)	**58.3**	57.6	1
Banking Group attributable profit before tax (R million)	**251**	204	23

The increase in operating profit of 21% was largely driven by growth in premium income. The latter resulted principally from growth in client numbers, as premium adjustments were contained in line with inflation.

Management and marketing expenses, as a percentage of net premium revenue, increased slightly from 16.2% to 16.4%. The main reasons for the higher costs include an increase in the development of sales channels for Business OUTsurance, as well as increased compliance costs.

The claims ratio of 58.3% (including OUTbonus costs) was 0.7 percentage points higher than the previous year. The slight increase was mainly due to weather-related claims. During 2006, more normal wet weather conditions prevailed compared to the unusually clement conditions in the prior period.

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

Headline earnings for the year increased by 28.9%. The higher increase compared to operating profits is due to careful cash and investment management, resulting in increased investment income.

Active capital management remains one of the five growth pillars in the strategy of FirstRand. This is done through the proactive management of the level of capital, the investment of capital and the allocation of capital.

The purpose of the framework is to create objectives, policies and principles relating to the capital management process of book capital (accounting capital), regulatory capital and economic capital. As a result, the framework assesses the overall capital adequacy commensurate with the bank's risk profile, along with a strategy for maintaining the capital levels.

1. LEVEL OF CAPITAL

The targeted level of capital for the Banking Group is governed by the Internal Capital Adequacy Assessment Process ("ICAAP"). The Banking Group follows a rigorous process to determine the optimal level, which is illustrated below.

The Banking Group is capitalised at the higher of economic and regulatory capital (inclusive of an appropriate buffer). This is done at group level, as well as each of the operating entities within the group. The following targets are documented in the approved FirstRand Capital Management Framework:

FirstRand Bank Limited – 11% to 11.5%

FirstRand Banking Group – 12% to 12.5%

Economic capital is defined as the capital which FirstRand 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 "bottom-up" statistical economic capital calculation is done at a 99.9% confidence interval.

ICAAP is part of the new Basel II capital accord Pillar 2 requirements, which call for banks to assess their capital adequacy relative to their overall risk profile. This process will assist regulators in their review of the group's capital adequacy, which is the so-called Supervisory Review and Evaluation Process ("SREP").

The Banking Group's ICAAP document is presented to the Capital Management Committee for review and sign-off. The document is updated annually.

As presented in the diagram above, FirstRand Bank follows a four-pronged approach in arriving at the targeted capital levels.

Stage One – Assessment of capital adequacy in relation to risk profile (bottom up)

The Banking Group establishes the level of capital based on the weighting ascribed in the Basel II accord for credit, market and operational risk. Additional capital may be required where FirstRand Bank's economic models indicate that risk is not adequately assessed using only Basel II methodology. Finally, items such as interest rate risk in the banking book and insurance risk are also taken into account when arriving at a final number.

Based on our assessment of risk, the Banking Group does not require capital over and above the regulatory amount.

Stage Two – Strategy to maintain capital levels (top down)

This phase of the process gauges the impact of four different economic scenarios (expected, upturn, downturn and extreme downturn) on the level of earnings and capital adequacy. It serves as input on which strategic and tactical decisions can be made, based on observed and anticipated economic conditions.

The risk assessment can be classified into distinct steps:

- Based on an assumed macro-economic scenario the impact on the different risk elements is estimated through the use of historical analysis of the relationship between risk types and economic variables.
- The underlying correlation between the risk types implies an expected change to income and expenditure and therefore gives a scenario specific earnings result.
- The combination of earnings and risk-weighted assets would give an estimate of capital adequacy for the Banking Group as well as the capital capacity available to the bank.

Capital levels in the Banking Group are sufficient for unexpected up- and downturns in the economy.

Risk exposure under stress conditions

The Banking Group did not experience any unexpected or stress conditions during the past year in the markets in which it operates. The Banking Group assesses the potential impact and losses which it might experience under stress conditions. In the exercise to quantify potential stress losses a number of factors are considered, including:

- a worsening of business conditions which causes a substantial increase in credit losses
- one or more severe price movements in the financial and commodity markets
- a substantial rise or fall in interest rates
- potential currency fluctuations
- unexpected operational losses, and
- unexpected declines in revenues and increases in operating costs

The aggregation of potential losses across these factors and based on the underlying assumptions, though the coincidence of such hypothetical events is highly unlikely, yields a range of potential stress losses. The aggregate of these hypothetical losses under extreme stress conditions is substantially less than the annual operating income, before tax, of the Banking Group. This confirms the relatively low risk profile of the Banking Group relative to its income and capital base. Conversely, it demonstrates a very high degree of organisational sustainability and capital adequacy.

Stage Three – Internal considerations

It is not the policy of the Banking Group to keep a "war chest" for future acquisitions. However, there may be circumstances where it makes sense to build up its capital base, eg time may be right to obtain cheaper capital.

In addition, the Banking Group's dividend policies, historical volatility of capital, as well as ability to generate capital (ie capacity) are all taken into account when arriving at an appropriate level of capital.

Stage Four – External considerations

Finally, management considers a number of factors, including expectations of investors and ratings agencies, requirements of the SARB, the Banking Group's capital position relative to its peers, as well as the need to maintain flexibility in issuing capital instruments.

2. INVESTMENT OF CAPITAL

FirstRand Bank invests its capital in near risk free instruments that are managed as part of the liquid assets of the bank. The capital adequacy ratios for the bank and the Banking Group are 12.0% and 12.5%, respectively. Refer the target ranges on page 30.

Share capital and reserves are managed as part of the net interest rate risk profile of the bank by changing the risk profile of liquid assets or through derivative instruments. For other subsidiaries capital is generally placed in the funding pool, which falls within the mandate of ALCO.

3. ALLOCATION OF CAPITAL

Capital is allocated to business units at the higher of:

- Regulatory capital (plus buffer), and
- Economic capital

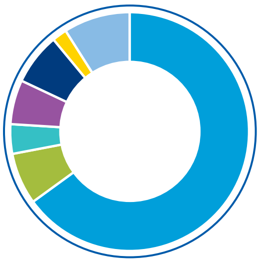
The economic capital allocation methodology is broadly based on the advanced approaches followed under Basel II. The economic capital allocation is widely used in the Banking Group. It is a key input into deal pricing, risk management, the measurement of business performance on a risk adjusted basis,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

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

- credit risk
- traded market risk
- equity investment risk
- structural interest rate risk

- operational risk, and
- business and other residual risks

The following graph indicates the economic capital analysis per risk type for 2006:



65% Credit risk – domestic
7% Credit risk – international
4% Market risk
6% Investment risk
7% Operational risk
2% Interest rate risk
9% Business and other residual risks

RETURN ON EQUITY AND CAPITAL ADEQUACY

Return on Equity ("ROE")

The return on equity for the Banking Group is 26.0%, compared to the prior year of 24.2%.

Analysis of shareholders' equity and reserves

Total shareholders' equity and reserves per the Banking Group balance sheet totalled R30 855 million as at 30 June 2006 (2005: R28 575 million). The average ordinary shareholders' equity and reserves for the year amounted to R26 143 million (2005: R22 594 million).

Segmental ROE

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

The tables below provide a summary of the ROE numbers for the main business units based on normalised headline earnings (pre-IFRS).

R million	Adjusted normalised earnings**	ROE
For the year ended 30 June 2006		
FNB	3 749	32%
RMB	1 933	36%
WesBank	1 335	29%
FirstRand Africa and Emerging Markets	378	29%
Group Support Services	89	
Total	7 484	29%
For the year ended 30 June 2005		
FNB	3 208	32%
RMB	1 504	33%
WesBank	1 107	22%
FirstRand Africa and Emerging Markets	313	29%
Group Support Services*	90	
Total	6 222	28%

** Includes Ansbacher.*

*** Adjusted normalised earnings include the net income on capital earned by the respective divisions.*

Note

Group Support Services includes the income and expenses on capital transactions as well as the income from associates, eg OUTsurance.

The capital base used in calculating the segmental ROEs is the higher of regulatory capital (inclusive of target buffer) or economic capital utilisation.

It is important to note that IFRS does not prescribe a methodology for allocating equity or risk capital to business segments, or for the calculation of segment ROEs. Allocating equity involves the use of assumptions, interpretations and techniques that are regularly reviewed and updated as deemed necessary. The allocation of risk capital is based on certain assumptions, interpretations and techniques that quantify economic risks as described in the "allocation of capital" section. Banks that disclose information on similar allocations and related return measures may use different assumptions, interpretations and techniques.

FirstRand continues to be one of the top rated banks 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. These objectives are directly linked into the performance measurement system in place for business units and management.

	Fitch Ratings	Standard and Poor's	Moody's Investor Services
FirstRand Bank Holdings	January 2006	January 2006	
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	January 2006	January 2006	January 2005
Foreign currency	–	–	Baa1/Prime-2
– Long-term	BBB+	BBB+	–
– Short-term	F2	A-2	–
– Outlook	Stable	Stable	–
Local currency	–	–	A1/P-1
– Long-term	A-	BBB+	–
– Short-term	–	A-2	–
– Outlook	Positive	Positive	–
National	–	–	–
– Long-term	AA+(zaf)	–	–
– Short-term	F1+(zaf)	–	–
– Outlook	Stable	–	–
Individual	B/C	–	–
Support	2	–	–
Counterparty credit	–	BBB/A-2/Positive	–
Bank Financial Strength	–	–	C
Sovereign ratings	August 2005	August 2005	January 2005
Foreign currency	–	–	Baa1
– Long-term	BBB+	BBB+	–
– Short-term	F2	A-2	–
– Outlook	Stable	Stable	–
Local currency	–	–	A2
– Long-term	A	A+	–
– Short-term	–	A-1	–
– Outlook	Stable	Stable	–
Other short-term	–	–	P-2

In December 2005, Fitch Ratings upgraded FirstRand Bank Limited's National Long Term Rating to AA+ and remarked that "the ratings assigned to FirstRand Bank Holdings Limited and its main operating subsidiary FirstRand Bank Limited reflect a strong South African franchise, consistent earnings track record and improved asset quality".

BANKING GROUP

The registered banks within the Banking Group are subject to regulatory capital requirements. The capital adequacy of the Group is measured in terms of the Banks' Act,1990. The Banks' Act requires the Banking Group to maintain a minimum level of capital based on the Banking Group's risk-weighted assets and off-balance sheet exposures.

Banks in South Africa are only allowed to appropriate income once approved by the board of directors, requiring the Banking Group to demonstrate that the board has applied its mind in the process. Going forward, the appropriation of income to Tier 1 will be considered at board meetings (at least every 3rd month). The table below shows the capital adequacy position of the Banking Group as per the regulatory returns before appropriation (net of March dividend), as well as the ratio following the appropriation of profits.

%	Total capital adequacy	Tier 1 capital
Disclosed capital adequacy	12.5	8.4
Appropriation of profits (net of dividend)	0.2	0.2
True capital adequacy	12.7	8.6

R million	**2006**	2005
Regulatory capital		
Tier 1	**20 993**	16 842
Share capital	**792**	523
Share premium	**3 372**	2 612
Non-redeemable non-cumulative preference shares	**3 000**	3 000
Reserves	**15 232**	13,722
Less: Impairments*	**(1 403)**	(3 015)
Tier 2	**10 373**	5 737
Subordinated debt instruments and preference shares	**7 927**	3 712
Qualifying provisions	**2 446**	2 025
Total regulatory capital	**31 366**	22 579
Capital adequacy ratios – Group banking operations		
Tier 1	**8.4%**	8.8%
Tier 2	**4.1%**	3.0%
Total	**12.5%**	11.8%

Calculation of risk-weighted assets	**2006**	2005	Risk weighting	Risk-weighted assets **2006**	Risk-weighted assets 2005
Banking book	**725 168**	537 506		236 605	183 556
Cash, own bank and central government advances	**142 910**	85 606	0%		
Central Securities Depository Participation	**268 011**	205 267	0%		
Public sector body advances and letters of credit	**1 389**	2 338	5% – 10%	123	220
Other bank advances and letters of credit	**30 849**	31 427	20%	6 170	6 285
Mortgage advances, remittances in transit and performance related guarantees	**103 395**	71 635	50%	51 698	35 818
Other advances and lending related guarantees	**169 744**	133 408	100%	169 744	133 408
Counterparty risk exposure	**7 477**	4 880	100%	7 477	4 880
Large exposures	**1 393**	2 945	100%	1 393	2 945
Trading book	**13 879**	8 010		13 879	8 010
Position risk	**11 828**	6 798	100%	11 828	6 798
Counterparty risk exposure	**1 289**	1 144	100%	1 289	1 144
Large exposures	**762**	68	100%	762	68
Total	**739 047**	545 516		250 484	191 566

** The impairments reduced from June 2005 to June 2006 due to the restructuring of the vendor finance element of the BEE transaction.*

R million	2006	2005
Regulatory capital		
Tier 1	**16 507**	12 956
Share capital	**376**	4
Share premium	**3 372**	2 612
Non-redeemable non-cumulative preference shares	**3 000**	3 000
Reserves	**10 341**	9 961
Less: Impairments*	**(582)**	(2 621)
Tier 2	**9 026**	5 323
Subordinated debt instruments	**6 867**	3 503
Qualifying provisions	**2 159**	1 820
Total regulatory capital %	**25 533**	18 279
Capital adequacy ratios		
Tier 1	**7.7**	7.9%
Tier 2	**4.3**	3.2%
Total	**12.0**	11.1%

Calculation of risk-weighted assets	2006	2005	Risk weighting	Risk-weighted assets 2006	Risk-weighted assets 2005
Banking book	**670 474**	496 781		210 175	160 924
Cash, own bank and central government advances	**123 525**	73 259	0%		
Central Securities Depository Participation	**268 011**	205 267	0%		
Public sector body advances and letters of credit	**575**	2 185	5% – 10%	42	204
Other bank advances and letters of credit	**24 021**	27 437	20%	4 804	5 487
Mortgage advances, remittances in transit and performance related guarantees	**98 026**	66 799	50%	49 013	33 399
Other advances and lending related guarantees	**149 006**	117 175	100%	149 006	117 175
Counterparty risk exposure	**7 310**	4 659	100%	7 310	4 659
Trading book	**3 382**	3 385		3 382	3 385
Position risk	**2 336**	2 400	100%	2 336	2 400
Counterparty risk exposure	**955**	972	100%	955	972
Large exposures	**91**	13	100%	91	13
Total	**673 856**	500 166		213 557	164 309

* The impairments reduced from June 2005 to June 2006 due to the restructuring of the vendor finance element of the BEE transaction.

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

	Year ended 30 June 2006 Risk-weighted assets R million	2006 Capital adequacy %	2005 Risk-weighted assets R million	2005 Capital adequacy %
Banking operations				
FirstRand Bank Limited	**213 557**	**12.0%**	164 309	11.1%
FNB (Botswana) Limited	**3 747**	**15.1%**	3 251	15.8%
FNB (Namibia) Limited	**6 046**	**20.9%**	5 357	19.0%
FNB (Swaziland) Limited	**735**	**14.0%**	632	17.5%
FNB (Lesotho)	**26**	**45.2%**	9	35.0%
RMB International (Dublin) Limited	**22 259**	**14.7%**	14 655	14.0%
RMB Australia Holdings Limited	**4 055**	**12.6%**	2 688	11.3%
RMB Mauritius Limited	**59**	**182.2%**	665	44.3%
Total FirstRand Banking Group (regulated bank entities)	**250 484**	**12.5%**	**191 566**	**11.8%**
FirstRand Banking Group (regulated and non bank entities)	**269 272**	**12.8%**	**191 022**	**13.8%**

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

Basel II will be operational in South Africa from 1 January 2008, with a parallel run during 2007. Under the Basel II regime, the Banking Group's regulatory capital requirement will be determined based on the risk sensitive measurement approaches of Basel II.

The Banking Group has progressed well with the implementation of the requirements of Basel II. It has performed a number of impact assessments on capital levels and operational processes. As indicated in the June 2005 annual report, the intention is to implement the advanced internal ratings based approach for credit risk for the material portfolios in FirstRand Bank. The standardised approach for credit risk will be implemented in the international and African subsidiaries. For operational risk, the standardised or alternative standardised approach will be implemented for FirstRand Bank, with the intention to migrate to the advanced measurement approach during 2009. The international and African subsidiaries will also implement the standardised or alternative standardised approach for operational risk.

CAPITAL IMPACT

The Banking Group has assessed the capital impact of Basel II since 2003. The internal assessments were supplemented with the quantitative impact studies conducted by the industry and submitted to the South African Reserve Bank ("SARB") for analysis. The latest quantitative impact study, QIS 5, has recently been finalised for FirstRand Bank and is being completed for the other group entities currently.

The expected impact based on the above assessments indicates that the overall capital impact of pillar I is expected to be neutral. The saving on the capital requirement for retail credit assets is almost fully offset by the increased charge in non retail credit risk and operational risk. The increase in the capital charge for non retail credit risk is mostly due to the capital charge for unutilised facilities, whereas the operational risk capital charge is new under Basel II.

A number of issues that could impact capital levels are still outstanding. These include the final position of the SARB on a number of national discretion items, including the minimum capital adequacy percentage and the implementation of supervisory "add-ons" to capital.

PROCESS AND RISK MANAGEMENT IMPACTS

The requirements of Basel II provide a foundation for credit risk measurement that is used extensively in business processes. For all exposures a probability of default, loss given default and exposure at default measure are determined. These measurements or a derivative thereof are used as inputs into a variety of management processes, including pricing, provisioning, capital allocation, and credit risk reporting. FirstRand Bank has completed its internal calibration of these estimates for all material portfolios.

SUCCESSES FOR 2006	FOCUS FOR 2007
• improvements in exposure systems for credit risk management	• further enhancement of underlying exposure and reporting systems
• significant enhancements on the internal capital adequacy assessment process including the credit capital quantification for concentration risk	• application to the South African Reserve Bank for advanced internal ratings based approach approval for credit risk in FirstRand Bank
• incorporation of downturn effects into LGD for affected portfolios	• application to the South African Reserve Bank for internal model approval for market risk
• refinements to a number of rating systems across the bank including the incorporation of longer data histories and enhanced calibration techniques	• continued development of operational risk quantification models
	• automation of regulatory reporting under Basel II

DIVISIONS	SEGMENT	BRANDS	TARGET SEGMENT	DESCRIPTION
FNB	Consumer	First National Bank FNB Card, FNB HomeLoans, First Link, eBucks	Individuals in the middle and upper income market Home loans Card issuing	Retail banking Insurance broking Rewards programme Support
	Wealth	RMB Private Bank FNB Trust Services FNB Private Clients	High net worth individuals	Retail banking Wealth management Trust services
	Commercial	First National Bank	Mid corporate, business and agriculture	Commercial banking (Corporate and retail banking)
	Corporate	First National Bank	Large corporates, financial institutions and state-owned enterprises	Corporate banking
	FNB Other (Mass, Public Sector Banking, Branch Banking and support)	First National Bank BOB	Government, individuals in the Mass market, universities and schools and includes the banking infrastructure	Retail banking Infrastructure Support services
FirstRand: Africa & Emerging Markets	African subsidiaries	FNB Namibia, FNB Botswana, FNB Swaziland	Corporates and individuals	Corporate and retail banking
RMB	Investment banking	Rand Merchant Bank, RMB Private Equity, RMB International RMB Resources RMB Australia	Large corporates, parastatals and government	Merchant and investment banking services
OUTsurance	Short-term insurance	OUTsurance	Corporates and individuals	Short-term insurance
WesBank	Instalment finance	WesBank	Corporates and individuals	Motor vehicle and instalment finance
Group Support	Capital Centre			Owns the capital of the Banking Group and provides banking support

Primary segments (business)

2006 R million	Personal Banking	Home-Loans	Card Issuing	Consumer Segment	Wealth	Commercial
	FNB					
	Consumer Segment					
Net interest income before impairment of advances	1 271	1 451	699	3 421	295	2 051
Impairment of advances	(74)	(123)	(267)	(464)	(20)	(41)
Net interest income after impairment of advances	1 197	1 328	432	2 957	275	2 010
Non interest income	1 872	220	982	3 074	353	2 487
Net income from operations	3 069	1 548	1 414	6 031	628	4 497
Operating expenditure	(2 127)	(1 280)	(985)	(4 392)	(507)	(2 581)
Income from operations	942	268	429	1 639	121	1 916
Share of income from associates and joint ventures	–	–	–	–	–	–
Income before discontinuing operations	942	268	429	1 639	121	1 916
Discontinuing operations	–	–	–	–	–	–
Income before taxation	942	268	429	1 639	121	1 916
Indirect taxation	(78)	(73)	(18)	(169)	(14)	(21)
IFRS – adjustments	(21)	358	(44)	293	(5)	(65)
Income before direct taxation	843	553	367	1 763	102	1 830
Direct taxation	(234)	(153)	(102)	(489)	(28)	(507)
Income after taxation	609	400	265	1 274	74	1 323
Attributable to:						
Equity holders of FirstRand Banking Group	609	400	265	1 274	74	1 323
Minority interests		–	–	–	–	–
	609	400	265	1 274	74	1 323
Profit attributable to Equity holders of FirstRand Banking Group	609	400	265	1 274	74	1 323
Profit on disposal of investments	(11)	–	–	(11)	–	–
Loss on disposal of property and equipment	3	–	–	3	–	–
Profit on disposal of available for sale assets	–	–	–	–	–	–
Headline Earnings	601	400	265	1 266	74	1 323
Cost to income (%)	67.7	76.6	58.6	67.6	78.2	56.9
Diversity ratio (%)	59.6	13.2	58.4	47.3	54.5	54.8
Bad debt charge as a percentage of advances (%)	2.7	0.2	2.9	0.5	0.1	0.2
NPLs as a percentage of advances (%)	3.2	0.9	5.5	1.4	1.2	2.4
Income statement includes (Pre-IFRS)						
Depreciation	(128)	(18)	(5)	(151)	(13)	(32)
Amortisation	(2)	–	–	(2)	–	(4)
Impairment charges	–	–	–	–	–	–
Balance sheet includes (Pre-IFRS)						
Advances (after ISP – before provisions)	2 784	80 754	9 192	92 730	15 939	17 396
Non-performing loans	89	691	504	1 284	188	415
Investment in associated companies	33	–	–	33	–	–
Total deposits (ex non-recourse deposits)	43 853	12	1 221	45 086	3 275	53 185
Segment assets (total)	3 111	80 582	8 857	92 550	16 050	17 108
Segment liabilities (external)	44 495	235	1 291	46 021	3 403	53 335
Capital expenditure	(130)	(20)	(8)	(158)	(30)	(4)

* Group support includes Ansbacher and OUTsurance

Corporate	FNB Other	Total FNB	RMB	Africa & Emerging Markets	WesBank	Group Support *	Sub-total	IFRS	Total
478	418	6 663	–	874	2 585	683	10 805	90	10 895
(13)	(106)	(644)	–	(57)	(618)	8	(1 311)	(100)	(1 411)
465	312	6 019	–	817	1 967	691	9 494	(10)	9 484
1 246	2 115	9 275	3 334	635	1 324	715	15 283	229	15 512
1 711	2 427	15 294	3 334	1 452	3 291	1 406	24 777	219	24 996
(1 069)	(1 695)	(10 244)	(1 581)	(684)	(1 789)	(76)	(14 374)	(501)	(14 875)
642	732	5 050	1 753	768	1 502	1 330	10 403	(282)	10 121
–	10	10	855	–	253	105	1 223	36	1 259
642	742	5 060	2 608	768	1 755	1 435	11 626	(246)	11 380
–	–	–	–	–	–	–	–	–	–
642	742	5 060	2 608	768	1 755	1 435	11 626	(246)	11 380
(9)	(128)	(341)	(33)	(16)	(94)	15	(469)	–	(469)
–	(119)	104	–	(8)	(196)	(146)	(246)	–	–
633	495	4 823	2 575	744	1 465	1 304	10 911	–	10 911
(176)	(137)	(1 337)	(714)	(193)	(406)	(362)	(3 012)	–	(3 012)
457	358	3 486	1 861	551	1 059	942	7 899	–	7 899
457	358	3 486	1 782	378	1 059	555	7 260	–	7 260
–	–	–	79	173	–	387	639	–	639
457	358	3 486	1 861	551	1 059	942	7 899	–	7 899
457	358	3 486	1 782	378	1 059	555	7 260	–	7 260
–	–	(11)	(328)	(1)	–	121	(219)	–	(219)
1	7	11	–	–	–	8	19	–	19
(13)	–	(13)	–	–	–	2	(11)	–	(11)
445	365	3 473	1 454	377	1 059	686	7 049	–	7 049
62.0	66.7	64.2	37.7	45.3	43.0	5.1	52.6	–	53.8
72.3	83.2	58.2	81.7	42.1	31.8	41.6	56.0	–	56.1
0.1	3.8	0.5	0.0	0.5	0.8	(0.1)	0.4	–	0.9
3.7	7.6	1.8	0.9	2.9	1.2	(1.8)	1.4	–	1.4
(54)	(290)	(540)	(47)	(29)	(68)	(61)	(745)	(24)	(769)
8	–	2	–	(7)	–	(47)	(52)	–	(52)
–	–	–	2	–	–	(58)	(56)	–	(56)
11 263	2 783	140 111	57 512	12 216	80 156	7 232	297 227	(65)	297 162
415	211	2 513	529	356	945	(132)	4 211	–	4 211
–	–	33	2 379	3	152	1 082	3 649	–	3 649
34 073	6 419	142 038	55 364	16 299	69	105 752	319 522	–	319 522
11 099	6 216	143 023	162 355	19 200	80 552	37 432	442 562	(174)	442 388
34 410	7 555	144 724	126 018	16 796	1 977	120 640	410 155	–	410 155
(131)	(545)	(868)	(48)	(52)	(73)	(120)	(1 161)	–	(1 161)

Primary segments (business) *(continued)*

2005 R million	Consumer Segment: Personal Banking	Consumer Segment: Home-Loans	Consumer Segment: Card Issuing	Consumer Segment: Consumer Segment	FNB: Wealth	FNB: Commercial
Net interest income before impairment of advances	1 142	1 204	508	2 854	218	1 826
Impairment of advances	(44)	8	(140)	(176)	(7)	(59)
Net interest income after impairment of advances	1 098	1 212	368	2 678	211	1 767
Non interest income	1 534	186	742	2 462	293	2 091
Net income from operations	2 632	1 398	1 110	5 140	504	3 858
Operating expenditure	(1 842)	(944)	(807)	(3 593)	(407)	(2 295)
Income from operations	790	454	303	1 547	97	1 563
Share of income from associates and joint ventures	(2)	–	–	(2)	–	–
Income before discontinuing operations	788	454	303	1 545	97	1 563
Discontinuing operations	–	–	–	–	–	–
Income before taxation	788	454	303	1 545	97	1 563
Indirect taxation	(68)	(52)	(15)	(135)	(10)	(18)
IFRS – adjustments	(13)	178	(16)	149	(11)	(17)
Income before direct taxation	707	580	272	1 559	76	1 528
Direct taxation	(179)	(147)	(69)	(395)	(19)	(387)
Income after taxation	528	433	203	1 164	57	1 141
Attributable to:						
Equity holders of FirstRand Banking Group	528	433	203	1 164	57	1 141
Minority interests	–	–	–	–	–	–
	528	433	203	1 164	57	1 141
Profit attributable to Equity holders of FirstRand Banking Group	528	433	203	1 164	57	1 141
Loss on discontinued operations	–	–	–	–	–	–
Profit on disposal of investments	(3)	–	–	(3)	–	–
Loss on disposal of property and equipment	–	1	–	1	–	–
Plus: Goodwill – Impairment	2	–	–	2	–	–
Loss on disposal of available for sale assets	–	–	–	–	–	–
Headline Earnings	527	434	203	1 164	57	1 141
Cost to income (%)	68.9	67.9	64.6	67.6	79.6	58.6
Diversity ratio (%)	57.4	13.4	59.4	46.3	57.3	53.4
Bad debt charge as a percentage of advances (%)	2.2	0.0	2.1	0.3	0.1	0.4
NPLs as a percentage of advances (%)	6.3	0.7	3.9	1.2	1.6	2.9
Income statement includes (Pre-IFRS)						
Depreciation	(81)	(9)	(4)	(94)	(10)	(6)
Amortisation	(4)	–	–	(4)	–	–
Impairment charges	–	–	–	–	–	–
Balance sheet includes (Pre-IFRS)						
Advances (after ISP – before provisions)	1 967	57 833	6 737	66 537	12 383	13 943
Non-performing loans	123	411	263	797	200	402
Investment in associated companies	16	–	–	16	–	–
Total deposits (ex non-recourse deposits)	38 253	–	1 102	39 355	2 473	44 481
Segment assets (total)	2 708	57 600	6 533	66 841	12 721	13 672
Segment liabilities (external)	38 856	100	1 155	40 111	2 538	44 644
Capital expenditure	(201)	(35)	(4)	(240)	(18)	(7)

* Group Support includes Ansbacher and OUTsurance
** Excluding R264 million foreign currency translation gain and the profit on sale of Ansbacher, the ratio is 56.0%

Corporate	FNB Other	Total FNB	RMB	Africa & Emerging Markets	WesBank	Group Support *	Sub-total	IFRS	Total
418	293	5 609	–	814	2 068	1 006	9 497	(37)	9 460
11	(44)	(275)	–	(66)	(316)	(49)	(706)	–	(706)
429	249	5 334	–	748	1 752	957	8 791	(37)	8 754
1 126	1 696	7 668	2 691	518	1 049	75	12 001	(375)	11 626
1 555	1 945	13 002	2 691	1 266	2 801	1 032	20 792	(412)	20 380
(1 043)	(1 528)	(8 866)	(1 165)	(639)	(1 511)	(208)	(12 389)	(109)	(12 498)
512	417	4 136	1 526	627	1 290	824	8 403	(521)	7 882
–	13	11	364	26	114	362	877	110	987
512	430	4 147	1 890	653	1 404	1 186	9 280	(411)	8 869
–	–	–	–	–	–	346	346	(413)	(67)
512	430	4 147	1 890	653	1 404	1 532	9 626	(824)	8 802
(9)	(111)	(283)	(21)	(5)	(74)	5	(378)	–	(378)
–	(72)	49	–	1	(219)	(655)	(824)	–	–
503	247	3 913	1 869	649	1 111	882	8 424	–	8 424
(127)	(63)	(991)	(457)	(166)	(324)	(225)	(2 163)	–	(2 163)
376	184	2 922	1 412	483	787	657	6 261	–	6 261
376	183	2 921	1 359	314	787	586	5 967	–	5 967
–	1	1	53	169	–	71	294	–	294
376	184	2 922	1 412	483	787	657	6 261	–	6 261
376	183	2 921	1 359	314	787	586	5 967	–	5 967
–	–	–	–	–	–	67	67	–	67
–	–	(3)	–	–	1	(403)	(405)	–	(405)
1	12	14	–	–	–	(8)	6	–	6
–	–	2	12	–	–	(14)	–	–	–
–	–	–	(65)	–	–	86	21	–	21
377	195	2 934	1 306	314	788	314	5 656	–	5 656
67.6	76.3	66.7	38.1	47.1	46.8	14.4	55.4**	–	56.6
72.9	84.7	57.7	88.1	38.1	32.5	5.2	53.6	–	52.7
(0.1)	2.7	0.3	0.0	0.6	0.5	(1.2)	0.3	–	0.3
3.4	2.3	1.7	1.1	2.7	0.9	0.0	1.4	–	1.4
(54)	(223)	(387)	(39)	(31)	(51)	(90)	(598)	(27)	(625)
–	–	(4)	–	–	–	(37)	(41)	8	(33)
(19)	–	(19)	–	–	–	8	(11)	–	(11)
12 717	1 621	107 201	52 036	10 671	63 318	(4 164)	229 062	(116)	228 946
427	38	1 864	550	293	550	(16)	3 241	–	3 241
–	10	26	20	3	152	2 579	2 780	156	2 936
26 450	5 758	118 517	36 828	9 920	83	81 736	247 084	–	247 084
13 410	5 089	111 733	101 346	13 041	64 063	57 506	347 689	271	347 960
26 764	6 621	120 678	50 064	10 588	1 111	135 797	318 238	156	318 394
(54)	(424)	(743)	(144)	(36)	(80)	(67)	(1 070)	–	(1 070)

Secondary segments (geographic)

R million	South Africa	Other Africa	United Kingdom	Australasia	Other	Total
2006						
Segment income - external	39 413	2 361	1 648	840	(1 509)	42 753
Segment expenditure	(25 702)	(1 791)	(600)	(444)	(2 836)	(31 373)
Segment assets	370 978	21 029	18 795	2 664	28 912	442 378
Segment liabilities	345 250	18 616	15 699	2 773	27 817	410 155
Segment capital expenditure	993	52	1	2	113	1 161
2005						
Segment income - external	31 375	2 094	575	451	1 426	35 921
Segment expenditure	(24 255)	(1 436)	(559)	(293)	(576)	(27 119)
Segment assets	274 853	14 774	22 127	1 765	34 441	347 960
Segment liabilities	252 363	18 161	22 010	1 674	24 186	318 394
Segment capital expenditure	986	31	-	20	33	1 070

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