FirstRand

Interim profit announcement for the six months ended 31 December 2000

The financial services group with the heartbeat of a merchant bank

FirstRand

Interim profit announcement for the six months ended 31 December 2000

Introduction

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

The financial services group with the heartbeat of a merchant bank

Financial highlights

- **Group headline earnings** +26%
- **Dividends** +25%
- **Assets under management** R333 billion

This report is available on our website at:

www.firstrand.co.za

SUMMARISED INCOME STATEMENT

for the six months ended 31 December

R million	2000 (Unaudited)	1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Headline earnings				
Banking operations	1 288	1 008	28	2 190
Insurance operations	423	359	18	790
Unallocated holding company costs	–	(5)	–	–
	1 711	1 362	26	2 980
STC [1]	(26)	(26)	–	(26)
Headline earnings	1 685	1 336	26	2 954
Headline earnings reconciliation				
Attributable earnings				
Banking operations	1 275	1 008	26	2 190
Insurance operations	413	545	(24)	1 003
Sale of shares in insurance subsidiary – intergroup profit	–	(104)	–	(104)
Goodwill amortised – intergroup	3	–	–	–
Unallocated holding company costs	–	(5)	–	–
	1 691	1 444	17	3 089
STC	(26)	(26)	–	(26)
Earnings attributable to ordinary shareholders	1 665	1 418	17	3 063
Add: Goodwill amortised	20	–	–	6
Add: Once-off effect of insurance transitional tax on prior years	–	35	–	35
Less: Disposal of shares in insurance subsidiary	–	(117)	–	(150)
Headline earnings	1 685	1 336	26	2 954
Dividends (Rm)	613	490	25	1 035
Return on average equity (%)	22	22	–	23
Number of shares in issue (million)	5 445	5 445	–	5 445
Earnings per share (cents)	30,5	26,0	17	56,3
Headline earnings per share (cents)	30,9	24,5	26	54,2
Dividend per share (cents)				
Interim	11,25	9,00	25	9,00
Final	n/a	n/a	–	10,00
Total	11,25	9,00	25	19,00

[1]*The charge represents the STC paid during the six months ended 31 December 2000. This treatment is in line with recent changes to Generally Accepted Accounting Practice, details of which are contained in the commentary on these results. The STC charge during the prior year has been restated to take account of this change.*

BALANCE SHEET

at 31 December

R million	2000 (Unaudited)	1999 (Unaudited)	30 June 2000 (Audited)
ASSETS			
Banking operations	154 303	134 323	140 176
Cash and short-term funds	7 771	10 389	8 309
Short-term negotiable securities	16 560	9 188	14 470
Liquid assets and trading securities	11 552	8 765	9 773
Securities purchased under agreements to resell	38	3 764	2 434
Advances	115 900	100 992	102 668
Other investments	2 482	1 225	2 522
Insurance operations	64 249	59 044	60 991
Funds on deposit	7 009	7 244	7 930
Government and public authority stocks	6 465	5 406	4 800
Mortgages, debentures and other loans	6 622	5 175	5 964
Policy loans	655	616	465
Equity investments	40 350	37 169	38 703
Property investments	3 148	3 434	3 129
Current assets	18 628	13 084	15 936
Loans	1 108	–	1 108
Investments in associated companies	722	410	672
Deferred taxation	370	–	184
Goodwill	536	32	58
Property and equipment	3 588	3 460	3 666
Total assets	243 504	210 353	222 791
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Deposits and current accounts	129 375	117 670	117 559
Current liabilities	29 349	14 274	23 491
Securities sold under agreements to repurchase	–	3 723	2 387
Deferred taxation	1 671	1 410	1 556
Debentures and long-term liabilities	3 396	2 496	3 847
Life insurance funds	62 549	57 695	58 591
Total liabilities	226 340	197 268	207 431
Outside shareholders' interests	1 015	623	641
Shareholders' funds			
Share capital and share premium	9 595	8 486	9 595
Convertible debentures	350	350	350
Reserves	6 204	3 626	4 774
Total shareholders' funds	16 149	12 462	14 719
Total liabilities and shareholders' funds	243 504	210 353	222 791

SUMMARISED CASH FLOW STATEMENT

for the six months ended 31 December

R million	31 December 2000 (Unaudited)	31 December 1999 (Unaudited)	Year ended 30 June 2000 (Audited)
Cash flows from operating activities			
Cash generated by operations	5 658	5 917	11 454
Working capital changes	3 233	(4 314)	3 404
Cash inflow from operations	8 891	1 603	14 858
Normal tax paid	(607)	(494)	(898)
Dividends paid	(545)	(436)	(926)
Net cash inflow from operating activities	7 739	673	13 034
Net cash outflow from investment activities	(8 899)	(3 067)	(18 172)
Net cash (outflow)/inflow from financing activities	(299)	183	1 533
Net decrease in cash and cash equivalents	(1 459)	(2 211)	(3 605)
Cash and cash equivalents at beginning of period	16 239	19 844	19 844
Cash and cash equivalents at end of period	14 780	17 633	16 239

STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2000

R million	Retained earnings	Non-distributable reserves	Convertible debentures	Preference shares	Share capital and share premium	Total share-holders' funds
Balance as at 1 July 2000						
– As previously stated	3 932	257	350	1 109	8 486	14 134
– Provision for dividends	545	–	–	–	–	545
– Provision for STC	40	–	–	–	–	40
Restated balance as at 1 July 2000	4 517	257	350	1 109	8 486	14 719
Movement on foreign currency translation reserves	–	298	–	–	–	298
Non-distributable reserves arising on the purchase of subsidiaries and associates	–	12	–	–	–	12
Earnings attributable to shareholders	1 665	–	–	–	–	1 665
Dividends paid	(545)	–	–	–	–	(545)
Transfer (to)/from reserves	(15)	15	–	–	–	–
Balance as at 31 December 2000	**5 622**	**582**	**350**	**1 109**	**8 486**	**16 149**
Balance as at 31 December 1999	3 181	445	350	–	8 486	12 462

ASSETS UNDER MANAGEMENT

at 31 December

R million	2000 (Unaudited)	1999 (Unaudited)	30 June 2000 (Audited)
Holding company	1 111	–	1 113
Banking Group	172 275	147 101	155 513
Insurance Group	159 474	134 755	146 369
On-balance sheet	70 118	63 252	66 165
Off-balance sheet assets managed and administered on behalf of clients	89 356	71 503	80 204
Total	332 860	281 856	302 995

SOURCES OF PROFIT

for the six months ended 31 December

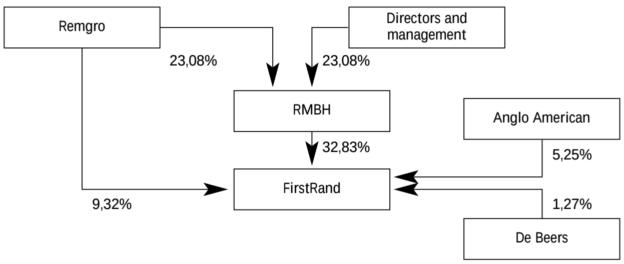
	2000 %	1999 %
Banking operations	**77**	**75**
Bank head office and capital centre	15	25
Retail bank	15	9
WesBank	13	12
Merchant bank	11	13
Corporate bank	8	9
Property finance	6	4
African subsidiaries	4	2
International	4	2
Short-term insurance	1	1
Origin	0	(2)
Insurance operations	**26**	**27**
Individual Life	8	8
Asset Management	7	7
Income on other shareholder investments	5	7
Employee Benefits	4	3
Health insurance	2	2
Other	**(3)**	**(2)**
e-Bucks	(1)	0
STC	(2)	(2)
Total headline earnings	**100**	**100**

CHANGE IN SHAREHOLDER STRUCTURE

On 6 December 2000, Anglo American and De Beers announced that they had entered into an agreement with Remgro in terms of which Remgro would acquire from them 17% of the share capital of FirstRand. A portion of these newly acquired shares was then exchanged for shares in RMB Holdings (RMBH).

On 9 February 2001, RMBH shareholders approved the transaction. In terms of a shareholders' agreement, RMBH will continue to have management control of FirstRand.

At 1 January 2001, the shareholder structure was as follows:



This transaction removed the overhang created when Anglo American announced its intention to dispose of its non-core interests in FirstRand. Investor sentiment has been positive.

ACCOUNTING POLICIES

The accounting policies adopted for purposes of this interim announcement comply in all material respects with South African statements of Generally Accepted Accounting Practice and the Companies Act 1973. These accounting policies are consistent with those applied during the six months ended 31 December 1999, except for a change in the basis of accounting for dividends paid and the corresponding Secondary Tax on Companies (STC). Previously, dividends paid and the corresponding STC were accrued for at the end of the accounting period, but prior to the dividend declaration. In accordance with recent changes to GAAP, notably the provisions contained in AC107 and AC130, dividends paid and STC are now accounted for upon declaration of the dividend. The effect of this change on the results to 31 December 1999 is a reduction of R26 million in attributable earnings.

FINANCIAL OVERVIEW

The FirstRand Group of companies has again produced an excellent set of results.

Consolidated headline earnings increased by 26% to R1 685 million (30,9 cents per share) compared with R1 336 million (24,5 cents per share) in the corresponding period of the previous financial year.

This increase has been sourced from all the major divisions within the Group, with the Banking Group performing exceptionally well.

An interim dividend of R613 million (11,25 cents per share) has been declared, which represents an increase of 25% over the interim dividend for the prior year. Dividend cover has been maintained at approximately 2,75 times. The dividend will be sourced 33% from the Insurance Group (1999: 79%) and 67% from the Banking Group (1999: 21%).

The return on average equity was 22% compared with 23% for the year to 30 June 2000. This dilution follows the issue of R1,1 billion of redeemable preference shares in March 2000. These shares form part of the OutPerformance Incentive Scheme.

Total assets under management have increased by 18% to R333 billion during the calendar year.

OPERATING ENVIRONMENT

In the Banking operations

- Increasing demand for retail credit, particularly in the area of home loan and vehicle finance
- A stable interest rate environment
- Relatively difficult treasury trading conditions

In the Insurance operations

- Continued demand for off-shore products and guaranteed products
- Lower demand for unit trust products
- Modest growth in domestic investment markets

STRATEGIC INITIATIVES

In our 2000 annual report to shareholders we indicated that it would take between three and five years before we could start to reap the full benefits of the transaction which led to the creation of the FirstRand Group. These results reflect that excellent progress continues to be made on all fronts.

The emphasis in the six month trading period has been on the transformation on FNB's Metro Retail Branch operation. By November 2000, plans to address revenue leakage, improve credit management, consolidate back-office operations and convert the branches into sales and service outlets had been implemented. The people and structures are in place and we are able to move from an internal to an external focus.

The Banking Group's capital adequacy ratio at 31 December was 11,4% and in the Momentum Group the excess of assets over liabilities exceeded the minimum capital adequacy requirements 2,2 times.

International expansion saw continued progress with Destiny Health in the USA and Momentum Wealth in the UK. RMB increased its international activity through the application of funds raised by a credit card securitisation and through the implementation of a US collateralised debt obligation.

In December 2000 the Momentum Group increased its stake in African Life from 25% to 32%. The strategic positioning of African Life will give meaningful exposure to markets currently not serviced by the Momentum brand.

FirstRand Group's e-commerce offering, eBucks.com, was successfully launched in mid-October 2000. Within only three months, eBucks.com had established a significant brand presence and had attracted 18 000 customers. This initiative, which includes electronic financial services, a customer appreciation plan and a secure anonymous on-line payment mechanism will be one of the central drivers of a strategy to encourage new and existing customers to purchase more products from the Group's financial services offerings. In January 2001 eBucks.com entered into an agreement with MTN and Johnnic to merge their respective customer appreciation programmes. This transaction positions eBucks.com at the centre of the convergence between the cellular and banking industries.

Through the FirstRand Foundation and the Business Trust, the Group continues to contribute to the development of South Africa and its people. RMB has retained its close association with Business Against Crime.

FINANCIAL AND OPERATING RESULTS

FirstRand Banking Group

The Banking Group's after-tax earnings are set out below:

R million	Six months to December 2000 (Unaudited)	Six months to December 1999 (Unaudited)	Year to June 2000 (Audited)
Interest income	7 176	8 911	14 398
Interest expenditure	(4 446)	(6 425)	(9 701)
Gross interest income	2 730	2 486	4 697
Charge for bad and doubtful debts	(564)	(646)	(1 329)
Net interest income	2 166	1 840	3 367
Total other operating income	2 917	2 798	5 847
Net interest and other operating income	5 083	4 638	9 214
Total other operating expenditure	(3 328)	(3 171)	(6 348)
Income from operations	1 755	1 467	2 867
Share of earnings of associate companies	15	(10)	2
Income before taxation	1 770	1 457	2 869
Taxation	(406)	(417)	(548)
Income after taxation	1 364	1 040	2 321
Earnings attributable to outside shareholders	(89)	(32)	(131)
Net income	1 275	1 008	2 190

KEY RATIOS

	December 2000 %	December 1999 %	June 2000 %
Increase in headline earnings	27,7	16,4	15,4
Cost to income	58,9	60,0	60,2
Growth in expenses (annualised)	5,0	8,4	4,3
Return on capital	23,5	23,6	24,3
Diversity ratio	51,7	53,0	55,5
Bad debt charge	1,0	1,3	1,3
Increase in other income	4,3	13,9	13,4
Margin on average advances	5,0	5,1	4,9
Average tax rate	22,9	28,4	19,1
Margin on average assets	3,3	3,4	3,8
Risk weighted capital adequacy	11,4	10,1	10,9

HIGHLIGHTS

- An improvement in the level of non-performing loans
- A reduced charge of 1% of average advances in respect of bad debt provisioning
- Annualised operating cost increase limited to 5%
- On track to achieve cost-to-income ratio of 57,5% by year end
- Increased market share in Rural Bank and HomeLoans Division
- Excellent earnings contribution from RMB's Special Projects team and FNB's African subsidiaries
- Completion of the restructuring of the Metro branches of FNB Retail division
- eBucks.com successfully launched and joint venture established between eBucks.com, MTN and Johnnic to take advantage of the convergence of the cellular and banking industries
- RMB voted best company to work for by Deloitte & Touche Human Capital Corporation

Momentum Group

The Momentum Group's headline earnings are set out below:

R million	Six months ended 31 December 2000	1999	% change	Year ended 30 June 2000
Group operating profit	344	263	31	620
Income on other shareholder investments	79	96	(18)	170
Group headline earnings	423	359	18	790

Disappointing operating results from African Life contributed to the decline in income on other shareholder investments.

The embedded value of Momentum Group at 31 December 2000, after allowing for the interim dividend, is as follows:

R million	31 December 2000 Rm	30 June 2000 Rm
Shareholders' net assets	6 873	6 803
Net value of in-force insurance business	2 760	2 588
Value of in-force insurance business	3 070	2 875
Opportunity of cost capital adequacy requirements	(310)	(287)
Embedded value	9 633	9 391

The embedded value of Momentum's new business totalled R136 million. The new business profit margin has increased from 15% to 22% of notional new business premiums (10% of single premiums plus new recurring premiums).

HIGHLIGHTS

- Operating profit increased by 31%
- New business premiums totalled R15,7 billion
- New individual life single premium income increased by 30%
- Net positive inflow of funds in excess of R5,8 billion
- Strong earnings growth from Discovery
- Discovery Life successfully launched in October 2000
- Top quartile performance from RMB Asset Managers

PROSPECTS

In his budget speech on Wednesday 21 February 2001, the Minister of Finance expressed concern regarding the low effective tax rate on banks. Government has indicated that it will engage in discussions with the industry to address this. We welcome the opportunity to explore such concerns with Government. The matters being debated have a direct impact on the availability and cost of funding provided by the banking sector for infrastructure and other capital projects. Consequently a sense of balance is required if the broader economic thrust of the budget is to be preserved.

His surprise announcement removing the asset swap mechanism, whereby certain financial institutions are able to invest in foreign portfolios, will have a significant impact on the financial services industry. In particular, this will impact on the industry's ability to continue to satisfy the demands of clients to prudently diversify their risk through offshore investment products.

In the banking group we anticipate a continued stable economic environment which is expected to lead to increased consumer confidence and demand for retail credit. We are satisfied with the progress to date in transforming the Retail Bank. We believe we have created a stable platform from which to concentrate on improved customer service delivery, client retention and certain cross-selling initiatives.

The Momentum Group is currently investigating a number of initiatives to minimise the impact of the foreign exchange changes referred to above. Depending on the outcome of these initiatives we expect that earnings over the remaining six months should approximate those of the half year under review.

Management is pleased with the excellent progress being made in all divisions of the Group and is confident that shareholders can continue to expect strong real earnings growth.

DIVIDEND DECLARATION

Notice is hereby given that an interim dividend of 11,25 cents per share has been declared on 27 February 2001 in respect of the six months ended 31 December 2000, payable to ordinary shareholders registered in the books of the company at the close of business on 16 March 2001. Dividends will, where applicable, be transferred electronically on 30 March 2001 to bank accounts of shareholders. Dividend cheques will, in the absence of appropriate mandates, be posted to shareholders on or about this date.

On behalf of the directors

G T Ferreira
Chairman

L L Dippenaar
Chief Executive

Transfer secretaries

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Secretary

P F de Beer (FCIS)

FirstRand Banking Group

Interim profit announcement for the six months ended 31 December 2000

Introduction

These results reflect the trading position of the banking interests of the FirstRand Limited Group of companies and should be read in conjunction with the report on FirstRand Limited elsewhere in this publication. FirstRand Bank Holdings Limited ("the Banking Group") is 100% held by FirstRand Limited. The consolidated figures in this report include the operations of First National Bank ("FNB"), FNB Corporate, WesBank, Rand Merchant Bank ("RMB"), FNB Namibia, FNB Botswana and FNB Swaziland as well as FirstRand International, First Bowring, OUTsurance, Origin, eBucks.com and the Ansbacher Group.

Financial highlights

- **Earnings** +26%
- **Headline earnings** +28%
- **Return on equity** 24%
- **Cost to income ratio** 59%
- **Operating expenditure increase** +5%
- **Bad debt charge** -13%

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INCOME STATEMENT

for the six months ended 31 December

R million	31 December 2000 (Unaudited)	31 December 1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Interest income	7 176	8 911	(19)	14 398
Interest expenditure	(4 446)	(6 425)	31	(9 701)
Net interest income before impairment of advances	2 730	2 486	10	4 697
Charge for bad and doubtful debts	(564)	(646)	13	(1 329)
Net interest income after impairment of advances	2 166	1 840	18	3 368
Non-interest income	2 917	2 798	4	5 847
Net income from operations	5 083	4 638	10	9 215
Operating expenditure	(3 328)	(3 171)	(5)	(6 348)
Income from operations	1 755	1 467	20	2 867
Share of earnings of associate companies	15	(10)	>100	2
Income before taxation	1 770	1 457	21	2 869
Taxation	(406)	(417)	3	(548)
Income after taxation	1 364	1 040	31	2 321
Earnings attributable to outside shareholders	(89)	(32)	<(100)	(131)
Earnings attributable to ordinary shareholders	1 275	1 008	26	2 190

BALANCE SHEET

at 31 December

R million	31 December 2000 (Unaudited)	31 December 1999 (Unaudited)	30 June 2000 (Audited)
ASSETS			
Cash and short-term funds	7 771	10 389	8 309
Short-term negotiable securities	16 570	9 198	14 480
Liquid assets and trading securities	11 552	8 765	9 773
Securities purchased under agreements to resell	38	3 764	2 434
Advances	115 885	101 118	102 652
Debtors	13 845	9 531	11 822
Other investments	2 482	1 225	2 522
Investment in associated companies	297	109	290
Property and equipment	3 238	3 303	3 330
Deferred taxation	370	–	184
Goodwill	615	–	137
Total assets	172 663	147 402	155 933
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Deposits and current accounts	129 414	118 363	117 592
Securities sold under agreements to repurchase	–	3 723	2 387
Creditors and accruals	25 942	11 359	32 751
Deferred taxation	1 609	1 374	1 492
Long-term liabilities	3 311	3 214	3 638
Total liabilities	160 276	138 033	145 246
Outside shareholders' interest	821	413	580
Shareholders' funds			
Ordinary share capital	106	106	106
Share premium	1 332	1 332	1 332
Non-distributable reserves	1 226	952	921
Distributable reserves	8 902	6 566	7 748
Total equity	11 566	8 956	10 107
Total liabilities and shareholders' funds	172 663	147 402	155 933
Contingencies and commitments	12 270	16 043	14 181

OVERVIEW OF RESULTS

Operating environment

The half-year period was characterised by difficult trading conditions in financial markets, and a stable interest rate environment. Following this return to stability, consumer demand for credit has increased moderately. The expected improvement in the level of non-performing loans from the latter part of the previous financial year, continued with the resultant improvement in the charge for bad and doubtful debts. The Banking Group continues to maintain conservative levels of both specific and general provisions.

Operating results

The Banking Group once again achieved excellent results with earnings attributable to shareholders of R1 275 million (December 1999: R1 008 million). This represents an increase in earnings attributable to shareholders of 26%, and headline earnings improvement of 28%, after adjusting for goodwill write-offs.

R million	Dec 2000	Dec 1999	%
Earnings attributable to shareholders	1 275	1 008	26
Goodwill	13	–	-
Headline earnings	1 288	1 008	28

INTEREST MARGIN

The prime interest rate remained unchanged over the reporting period, giving rise to the most stable interest rate environment in recent years. Gross interest received and paid decreased year-on-year, due to the lower average interest rates prevailing in the six months to 31 December 2000. Net interest income before impairment of advances, increased by 9,8% over the corresponding period in 1999, largely as a result of:

- the growth in advances;
- an increase in the Banking Group's average capital base following the retention of earnings in the previous financial year;
- the switch to cash packages for employees' salaries during the course of the previous financial year, which has the effect of decreasing subsidised assets;
- the reduced endowment effect arising from the lower interest rates received on the capital base; and
- a further, slight tightening of core interest margins to 3,7% (1999: 3,9%).

ADVANCES

Advances have grown significantly in the current six month period. This should be seen against the backdrop of minimal growth in the six months to 30 June 2000. Growth in advances is analysed as follows:

R million	Dec 2000	Jun 2000	%
Overdrafts and managed accounts	31 954	29 090	10
Credit cards	3 390	3 015	12
Moveable asset finance	24 836	23 628	5
Property finance	23 661	20 610	15
Offshore loans	9 566	7 337	30
Other advances	25 677	22 103	16
Interest in suspense	968	919	5
	120 052	106 702	13

A strong focus on growth in FNB Homeloans and Origin contributed to an increase in the Banking Group's market share in mortgage lending between June and December 2000. The securitisation of mortgage book advances for third parties is also included in advances for the first time.

WesBank maintained its leading position in the South African moveable asset finance market through continued growth in both the consumer and corporate markets.

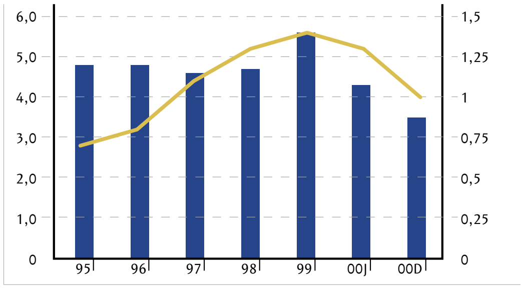
Offshore loans increased substantially as a result of the application of the funds raised by the credit card securitisation and US Collateralised Debt Obligation structures put in place during the current financial period, by the RMB Special Projects division.

Other advances, mainly comprised of corporate advances, in particular to financial institutions and government, grew considerably in the period under review. The nature of these advances, being predominantly short-term, does not necessarily imply that the balances will remain at these levels.

BAD DEBT CHARGE AND NON-PERFORMING LOANS

An increased focus on credit management and the more stable interest rate environment have resulted in a significant improvement in the credit profile and relative level of non-performing loans. The charge to the income statement for bad and doubtful debts reflects a decrease relative to the prior period of 13%.

Bad debt charge and non-performing loans



Non-performing loans and provisions R million	Dec 2000	Jun 2000	%
Credit exposure	4 110	4 180	(2)
Less:			
Security	(1 381)	(1 454)	(5)
Interest suspended	(968)	(919)	5
Residual risk	1 761	1 807	(3)
Specific provision	1 761	1 807	(3)
General provision	1 438	1 324	9
Total provisions	3 199	3 131	2
Gross advances	120 052	106 702	13
Less:			
Interest suspended	(968)	(919)	5
Provisions	(3 199)	(3 131)	2
Net advances	115 885	102 652	13
	%	%	
Specific provision as a % of non-performing loans	43	43	
Specific provisions as a % of total advances	1,5	1,7	
General provision as a % of total advances	1,2	1,2	
Total provision as a % of total advances	2,7	2,9	
Total provision as a % of residual risk	182	173	

The total provisions reflected in the balance sheet represent a conservative 2,7% of advances (June 2000: 2,9%), which follows the positive trend in non-performing loans. The general provision has remained constant at 1,2% of advances.

NON-INTEREST INCOME

R million	Dec 2000	Dec 1999	%
Fee and commission income	1 867	1 749	7
Other transactional income	460	382	20
Transactional income	2 327	2 131	9
Dividends received	192	203	(5)
Trading and investment income	367	456	(20)
Other income	31	8	>100
Trading income	590	667	(12)
Non-interest income	2 917	2 798	4

The increase in fees and commissions earned is largely the result of initiatives undertaken towards the end of the previous financial year to stem revenue leakage, as well as the introduction of pricing initiatives. Transaction volumes have remained in line with expectations. Other transactional income, consisting largely of structured and project finance income, has grown strongly on the back of excellent results from RMB Special Projects.

The trend in foreign exchange markets during the course of the reporting period, together with continued transactional volume demand, provided excellent profit opportunities to the Banking Group's forex trading teams.

Domestic financial markets were characterised by difficult trading conditions. However, satisfactory results were achieved on strong annuity flows from existing and new structured transactions.

Dividends received arise from the Banking Group's trading and investment banking operations.

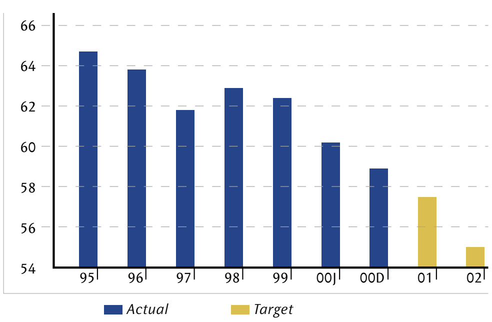
Although considerable value accrued to the Banking Group's private equity business during the reporting period, a lack of realisation opportunities impacted the profits from this business area.

NON-INTEREST EXPENDITURE

R million	Dec 2000	Dec 1999	%
Staff costs	1 803	1 706	6
Depreciation	226	241	(6)
Other costs	1 162	1 224	(5)
Operational costs	3 191	3 171	1
Rationalisation costs	137	-	-
Total costs	3 328	3 171	5

The efficiency ratio has further improved during the period under review. The sensible management of costs, the re-engineering of the back office processing operations and re-organising of the metro branches has contributed to the improvement in the efficiency ratio from 60,2% to 58,9%, against a target of 57,5% for the full financial year. The focus on costs kept the year-on-year increase to only 5%.

Efficiency ratios



We are confident that the targeted efficiency ratio of 57,5% for the financial year 2001 is achievable, and continue to target 55,0% for the financial year ending 30 June 2002.

Divisional performances

The after-tax divisional performances of the Banking Group can be analysed as follows:

R million	Dec 2000	Dec 1999	%
Retail Bank	250	122	105
WesBank	222	165	34
Rand Merchant Bank	189	179	5
African subsidiaries	142	72	97
FNB Corporate	134	117	14
FNB Homeloans	106	50	112
International	50	26	92
Broking and short-term insurance	28	9	211
Ansbacher	1	0	20
Origin	(3)	(27)	88
eBucks	(22)	0	<(100)
Head Office and Capital Centre	267	327	(18)
Income after taxation	1 364	1 040	31

RETAIL BANK

The significant increase in profitability has been achieved as a result of a focus on external and internal cost management. Client accounts and transaction volumes have largely remained static and advances have decreased slightly during the major re-organisation that has occurred. The rural branch network continues to perform well, despite negative credit experience in certain agricultural sectors.

The past six months have been a period in which considerable progress has been made in re-organising the operations of the Retail Bank:

– The re-engineering of the back office processing operations and centralisation of cheque processing into operation centres for metro outlets have been completed, leading to a considerable improvement in efficiencies;
– The metro outlets have been re-organised into focused sales and service centres;
- An enhanced disaster recovery capability has been implemented; and
- The micro-finance operation has been successfully launched.

The rationalisation costs of these initiatives have been expensed in full during the reporting period. Having largely completed the re-organisation of the metro outlets, the second half of the year will see an increased focus on client service, customer retention and product delivery.

WESBANK

WesBank has once again delivered an exceptional performance, with strong asset growth, record monthly new business payouts, and a steadily decreasing arrears book, all contributing to strong income growth. In an extremely competitive environment, WesBank has maintained market share, while continuing a parallel strategy of entering into joint ventures with asset suppliers.

RAND MERCHANT BANK

"Best company to work for"

Despite difficult trading conditions experienced in the Treasury business, RMB still produced results ahead of the prior year interim results. Once again, Special Projects was a significant component of these results, having written R3,5 billion of local new business during the period. This excluded a material contribution to the international diversification of the Banking Group's asset base and income stream through the implementation of a US Collateralised Debt Obligation structure of US$540 million.

Corporate Finance also experienced a very successful six months and advised on a number of high profile transactions, including the restructuring of the Rembrandt Group.

A highlight for RMB, a business driven by intellectual capital, was receiving South Africa's first ever "Best Company To Work For" award from Deloitte & Touche Human Capital Corporation.

AFRICAN SUBSIDIARIES

FNB Namibia, FNB Botswana and FNB Swaziland reported excellent results for the first six months of the year. FNB Botswana, which reflected subdued results in the prior period due to large credit provisions, increased earnings by 242% to R87,5 million. FNB Namibia grew profits by 30% to R98,4 million, largely on the back of substantially lower provisioning requirements for credit, and strong growth in non-interest income. FNB Swaziland increased profits by 101%, through strong balance sheet growth, tight cost control and an increase in non-interest income.

FNB CORPORATE

FNB Corporate is a major relationship holder for the FirstRand Group in the corporate segment, specialising in harnessing the full potential of the FirstRand Group's specialist businesses and providing tailored solutions for its corporate client base. The integration of the former medium corporate segment of FNB with FNB Corporate has progressed satisfactorily, albeit that this has had an adverse impact on the half-year results.

The project to achieve "best of breed" credit approval and monitoring systems has progressed significantly. Greater emphasis has been placed on developing electronic banking initiatives. To enable synergies to be gained from the bancassurance drive within FirstRand, FNB Corporate has focused on several long-term initiatives in order to enhance the value-added financial solutions which the Banking Group is offering.

FNB Corporate remains confident that the new strategies implemented will see improved performance in the forthcoming six months.

FNB HOMELOANS

The property finance division continues to grow from strength to strength characterised by significant improvements in the growth of new mortgage business during the period under review. This has been achieved through marked improvements in service levels, turnarounds, strategic pricing, marketing and focusing on its intermediary channels. Bad debts and non-performing loans have fallen to new lows as a result of focused collection activities and an improved consumer credit environment.

Increased focus and activity on reducing the levels of properties in possession during the half year has resulted in only 35 unsold properties being held on 31 December 2000, against over 4 000 properties just 18 months ago.

The division's focus going forward will be on continued growth in market share in the residential mortgage industry together with continued development and investment in new products.

INTERNATIONAL

The International cluster earned profit after tax of US$6,4 million for the half year representing a 54% increase on the previous half year. This increase was driven by a 45% increase in Ansbacher Plc's profit before tax. As a result of the listing of Commander Communications (formerly Plestel), a total dividend of US$2,3 million was received from Plessey Asia Pacific. During the period, the realisation of investments contributed US$2,7 million to profits.

The Ansbacher Plc re-branding exercise was rolled out, and an e-business project started during the reporting period. A decision has been taken to close down the Ansbacher Plc treasury division activity by the end of February 2001, given its historical poor returns and lack of strategic fit within the business.

Unprecedented volatility in the Australian electricity markets has led to a poor electricity trading performance during the period. The Australian group will be exiting this business, given its unacceptable risk/reward experience. It will concentrate its efforts on the M-Co business. M-Co is the market administrator of the New Zealand electricity market, providing trading, pricing, clearing and settlement services. It has continued to expand into the Australian market.

BROKING AND SHORT-TERM INSURANCE

Overall First Bowring delivered a very good result for the first six months, an indication that the restructuring and strategic focus changes are now paying dividends. A new personalised product aimed at the high net worth market will be launched in February.

OUTsurance and First National Insurance merged with effect 1 January 2000. The merged entity operates under the OUTsurance brand, and posted a profit of R25 million before tax, compared to a combined profit of R11,8 million for the previous six months. The Banking Group owns 47,5% of OUTsurance.

ANSBACHER (SA)

Ansbacher (SA) is the Banking Group's gateway providing personalised holistic global wealth management to high net worth South Africans. Ansbacher (SA) is rapidly gaining a reputation for superlative client service.

Ansbacher (SA) recorded a small profit for the period under review, ahead of budget. The major contributors to profitability are banking and asset management and both these divisions have positive growth prospects.

ORIGIN

Origin achieved its maiden profit in December although it still reflects a loss for the year to date. Origin has continued its strong growth in advances and expects this to be enhanced through the expansion of its product range over the remainder of the year.

eBUCKS.COM

The FirstRand Group's e-commerce offering, eBucks, was successfully launched in mid-October 2000. eBucks has three main economic activities. These are electronic financial services, a customer appreciation plan and a secure anonymous online payment mechanism that caters for either rand or eBuck payments. This business to consumer initiative allows the customer to interface via Internet, call centre, Wireless Application Protocol or Wireless Internet Gateway, and is the first true e-currency. As at 31 December, eBucks had established a significant brand presence, having attracted 18 000 customers and signed agreements with some of South Africa's leading online shopping merchants. Start-up costs, net of income received, amounted to R32 million before tax for the half-year. These have been expensed in line with the Banking Group's accounting policy.

In January 2001, eBucks entered into an agreement with MTN and Johnnic whereby eBucks, MTN and Johnnic will merge their respective customer appreciation programmes with the common unit of appreciation being the eBuck. The effective date of this transaction is 1 March 2001. It positions eBucks at the centre of the convergence between the cellular and banking industries.

HEAD OFFICE AND CAPITAL CENTRE

Head Office owns the capital of the Banking Group. As such, the results of Head Office were negatively impacted by the adverse endowment effect, arising from the reduction in interest rates.

CAPITAL ADEQUACY

The significant changes in the regulatory capital requirements of banks proposed by the South African Reserve Bank in the early part of 2000 have not yet been enacted. These changes include the proposed raising of the capital adequacy ratio to a minimum of 10%, and increasing the Tier 1 component of capital from 50% to 75%.

The Banking Group continues to actively manage its capital structure to optimise shareholder returns, while progressively moving to meet the new requirements. The current risk weighted capital ratios within the Banking Group are:

R million	Dec 2000	Jun 2000
Banking Group	%	%
Tier 1	8,1	6,9
Tier 2	3,3	4,0
	11,4	10,9

Having reviewed the proposed changes, management is confident that through the ongoing process of balance sheet optimisation and the re-allocation of capital within the Banking Group, the regulatory capital requirements will be achieved by the proposed implementation dates.

PROSPECTS

The continued stable economic environment is expected to lead to increased consumer confidence, and a resultant increase in demand for retail credit. We are satisfied with the progress to date in transforming, in particular, the Retail Bank. We believe we have created a stable platform from which to concentrate on improved customer service delivery, client retention and a selective focus on cross-selling. The Board is confident that, bar unforeseen circumstances, the Banking Group will achieve its targets for the full year.

On behalf of the directors

G T Ferreira
Chairman

P K Harris
Chief Executive

27 February 2001

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MOMENTUM

Interim profit announcement for the six months ended 31 December 2000

Introduction

This interim profit announcement relates to the insurance interests of the FirstRand Limited Group of Companies and should be read in conjunction with the report on FirstRand Limited elsewhere in this publication.

Momentum Group Limited ("Momentum Group") is 100% owned by FirstRand Limited. The consolidated figures in this report comprise the operations of Momentum Life, Momentum Wealth, Momentum Employee Benefits, FirstRand Asset Management and the Discovery group of companies.

Financial highlights

- **Group operating profit** +31%
- **Group headline earnings** +18%
- **Embedded value** R9,6 billion
- **New business inflows** R15,7 billion
- **Net positive flow of funds** R5,8 billion
- **Asset under management** R160,5 billion

This report is available on our website at:

www.momentum.co.za

SUMMARISED INCOME STATEMENT

for the six months ended 31 December

R million	2000 (Unaudited)	1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Group operating profit	344	263	31	620
Income on other shareholder investments	79	96	(18)	170
Headline earnings	423	359	18	790
Headline earnings reconciliation				
Earnings attributable to ordinary shareholders	413	545	(24)	1 003
Add: Goodwill amortised	10	–	–	6
Add: Once-off effect of transitional tax on prior years	–	35	–	35
Less: Profit on disposal of subsidiary shares	–	(221)	–	(254)
Headline earnings attributable to ordinary shareholders	423	359	18	790

Note: The headline earnings to 31 December 1999 have been restated to take account of the effect of the transitional tax applicable to life insurers, only provided for in full at 30 June 2000.

BALANCE SHEET

at 31 December

R million	2000 (Unaudited)	1999 (Unaudited)	30 June 2000 (Audited)
ASSETS			
Funds on deposit	7 164	7 937	8 047
Government and public authority stocks	6 465	5 406	4 800
Mortgages, debentures and other loans	6 829	6 073	6 140
Policy loans	655	616	465
Equity investments	40 501	37 169	38 939
Investment in associated company	425	301	382
Property investments	3 148	3 435	3 129
Investment assets	65 187	60 937	61 902
Current assets	5 027	3 728	4 402
Goodwill	453	32	25
Fixed assets	559	170	538
Total assets	71 226	64 867	66 867
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Current liabilities	3 509	3 027	3 563
Deferred taxation	62	36	64
Long-term liabilities	939	280	590
Life insurance fund	62 674	57 685	58 717
Total liabilities	67 184	61 028	62 934
Outside shareholders' interest	373	210	225
Shareholders' funds			
Share capital and share premium	1 041	1 041	1 041
Convertible debentures	350	350	350
Reserves	2 278	2 238	2 317
Total shareholders' funds	3 669	3 629	3 708
Total liabilities and shareholders' funds	71 226	64 867	66 867

OVERVIEW OF RESULTS

The Momentum Group's interim results to December 2000 reflect a satisfactory increase over the comparative period to December 1999. Group operating profit after tax increased by an excellent 31%, whilst income on other shareholder investments declined by 18%. This resulted in an overall increase of 18% in headline earnings.

The strong operating profit growth reflects the pleasing operational performance in most major business units. Of particular interest is the strong growth in individual life single premium new business volumes, as consumers continue to seek the relative security offered by guaranteed products and the rand-hedge exposure of offshore portfolios. The linked product and unit trust industries have however come under pressure from reduced consumer discretionary savings and volatile investment markets over the 2000 calendar year. The asset management operations of the group continue to produce good investment performance, which, coupled with positive inflows, has resulted in a satisfactory earnings increase. Discovery continues to play a leading role in the health insurance industry, again producing exceptional new business growth.

The decline in income on other shareholder investments resulted mainly from the negative impact of the disappointing interim results of African Life to 30 September 2000, which are equity accounted. African Life's earnings declined sharply following a change in accounting practice, as well as disappointing operational results. In addition to lower African Life earnings, the large dividend paid by Momentum Group during the prior year has reduced interest-bearing cash holdings.

Shareholders' net assets at 31 December 2000 comprise the following:

SHAREHOLDERS' NET ASSETS R million	31 December 2000	30 June 2000
Subsidiary investments		
– Discovery (64%)	2 913	2 780
– FirstRand Asset Management	1 500	1 430
– Momentum Wealth	210	210
Other investments		
– African Life (28%) (30/6/2000: 21%)	373	610
– Fixed-interest instruments	587	545
– Equities	383	335
– Properties	223	219
– Share trust loans and other	684	674
Total shareholders' net assets	6 873	6 803

Note: The income from subsidiary investments is included in group operating profit, whilst the income on other investments is reflected separately in headline earnings.

Following a review of the strategic involvement of the Momentum Group with its associate investment African Life, it was decided to increase our stake. African Life is a niche player that provides exposure to a target market in which Momentum is not currently represented. It is intended to build a closer working relationship with African Life management and to be a constructive, value-adding shareholder. An additional 7% was acquired during December 2000, increasing the Momentum Group's total (direct and indirect) shareholding to 31,7%. Of this holding, 1,1% is held in policyholder funds and 2,6% is currently held indirectly.

RESULTS OF THE EMBEDDED VALUE CALCULATIONS

The embedded value of the Momentum Group, representing the sum of the shareholders' net assets and the present value of the expected future profits arising from the existing in-force insurance business, totalled R9 633 million at 31 December 2000 (30 June 2000: R9 391 million). The embedded value calculation includes the Momentum Group's 64% share of the market value of Discovery as part of the shareholders' net assets. All unlisted companies in the Group are included at directors' valuation as part of the shareholders' net assets.

The embedded value of the six months' new business amounted to R136 million. This represents 73% of the value of new business of R187 million for the full prior year. The new business profit margin has increased from 15% to 22% of notional new business premiums (10% of single premiums plus new recurring premium business). Profitability across all product ranges has improved.

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

GROUP EMBEDDED VALUE R million	31 December 2000	30 June 2000
Shareholders' net assets	6 873	6 803
Net value of in-force insurance business	2 760	2 588
Value of in-force insurance business	3 070	2 875
Opportunity cost of capital adequacy requirements	(310)	(287)
Embedded value	9 633	9 391

The following table provides an analysis of the main economic assumptions used in calculating the embedded value at 31 December 2000:

ECONOMIC ASSUMPTIONS %	31 December 2000	30 June 2000
Risk discount rate	16,5	18,0
Investment returns (before tax)	14,5	16,0
Expense inflation rate	10,5	12,0

The adjustments to these assumptions from 30 June 2000 to 31 December 2000 reflect the reduction in long-term interest rates over the period. The overall impact of these changes in economic assumptions on the embedded value is not material.

CAPITAL ADEQUACY

The excess of assets over liabilities of Momentum Group was calculated as R6 873 million at 31 December 2000, after allowing for dividends to shareholders. The capital adequacy requirement of R3 116 million was covered 2,2 times by this excess.

OPERATIONAL REVIEW

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

EARNINGS SOURCE R million	Six months ended 31 December 2000 (Unaudited)	 1999 (Unaudited)	 % change	Year ended 30 June 2000 (Audited)
Insurance operations	201	150	34	327
Individual business	140	111	26	229
Employee benefits	61	39	56	98
Asset management operations	111	91	22	205
Health insurance operations	32	22	45	88
Group operating profit	344	263	31	620

Individual business

The individual business of the group, comprising the results of Momentum Life and Momentum Wealth, generated an increase in operating profits after tax of 26% to R140 million for the six months.

Individual Life new business continues to gain market share, especially in the intermediary market, where Momentum Distribution Services has been extremely successful. New single premium business increased by 30% over the already strong inflows to 31 December 1999, whilst new recurring premium income remained at the same level as the comparative period.

Momentum Wealth, the group's linked product provider, experienced a decrease in net funds invested during the past six months, due to pressure on consumer discretionary savings and the volatility of investment markets. In addition, a significant national broker formed its own linked product provider, impacting negatively on our new business volumes.

Momentum Advisory Service continues to play a leading role in the wrap fund market, with R4,0 billion in wrap funds, and R0,8 billion in fund-of-funds under management at 31 December 2000.

Employee benefits

Momentum Employee Benefits experienced an exceptional six months, increasing profits after tax by 56% to R61 million. Sound risk management practices resulted in improved underwriting results. The introduction of structured products catering for guaranteed pension liabilities also contributed to profit growth.

Asset management

The FirstRand Asset Management Group, comprising RMB Asset Management, RMB Investment Services, Futuregrowth and RMB Properties, increased profits after tax by 22% to R111 million for the six months.

Assets under management totalled R138 billion at 31 December 2000 (30 June 2000: R127 billion), comprising R74 billion (30 June 2000: R66 billion) in off-balance sheet funds, with the balance being group assets managed. RMB Asset Management, which manages wholesale portfolio investments, continues to attract credible ratings in authoritative surveys of fund managers. Net inflows remained comfortably positive at R3,5 billion during the period under review.

RMB Investment Services, which manages the unit trust portfolios under the RMB brand, continued its record of success by being ranked third overall in the Personal Finance/Association of Unit Trusts awards for unit trust management companies to 31 December 2000. Net inflows into unit trust funds marginally exceeded R1 billion during the six months, compared with R1,4 billion during the prior period.

The acquisition of an additional 35% in the Jersey General Group (JGG) by the FirstRand Asset Management Group has taken the group's share of JGG to 55%. Goodwill generated by this acquisition is being amortised in line with the group's accounting policy in this regard.

Health insurance

Discovery, the 64%-owned subsidiary of Momentum Group, continued to produce outstanding results, increasing headline earnings per share by 57% during the six months under review. Momentum Group's attributable portion of this profit totalled R32 million, an increase of 45% over the prior period. These results include the start-up costs of Discovery's two new ventures, namely the US venture, Destiny Health, and Discovery Life. Destiny Health is now fully operational. Discovery Life was launched in September 2000, and has been well received by the market.

New business volumes increased by 36% over the comparative period, resulting in the total number of covered and administered lives increasing to 770 000.

GROUP ASSETS UNDER MANAGEMENT AND ADMINISTRATION

The Momentum Group managed or administered total assets of R160,5 billion at 31 December 2000 compared with R147,1 billion at 30 June 2000, an increase of 9%. The majority of this increase can be attributed to the strong segregated fund new business inflows experienced during the six months. The following table provides a more detailed breakdown of the assets managed or administered by Group companies:

ASSETS UNDER MANAGEMENT AND ADMINISTRATION R billion	31 December 2000 (Unaudited)	30 June 2000 (Audited)	% change
On-balance sheet assets	71,2	66,9	6
Assets managed on behalf of third parties	74,2	66,0	12
Unit trust funds managed	7,8	6,7	16
Assets under management	153,2	139,6	10
Linked product assets under administration[1]	7,3	7,5	(3)
Total assets under management and administration	160,5	147,1	9

[1]*Excludes business written by the Momentum Group's linked product 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 R13 billion (30 June 2000: R12,5 billion).*

FLOW OF FUNDS

Funds received from clients

Total new business inflows of R15,7 billion were received during the six months, compared with R16,1 billion for the same period during the prior year. As mentioned earlier, the pressure on linked product inflows resulted in reduced new business in this area. This reduction has been compensated for by increased inflows into individual life single premium products as well as increased employee benefits investment business. Considering the highly competitive nature of the segregated third party fund market, the new inflows received by RMB Asset Management, in excess of R6 billion, are particularly gratifying. A more detailed breakdown of the new business inflows, which includes 100% of the Discovery figures, is provided in the table below:

NEW BUSINESS R million	Six months ended 31 December 2000 (Unaudited)	Six months ended 31 December 1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Annualised recurring premiums	1 188	928	28	1 984
Individual life	318	307	4	584
Employee benefits	64	30	>100	78
Health insurance	806	591	36	1 322
Lump sum inflows	8 421	8 502	(1)	18 958
Individual life premium income	2 416	1 854	30	4 880
Employee benefits premium income	1 688	734	>100	1 661
Linked product sales[1]	1 652	2 949	(44)	5 704
Unit trust sales	2 665	2 965	(10)	6 713
Segregated third party inflows	6 136	6 643	(8)	10 612
Total new business inflows	15 745	16 073	(2)	31 554

[1]*Includes sales of products on the life insurance balance sheet of R771 million (1999: R1 155 million).*
All transfers between on and off-balance sheet funds have been excluded from the above.

Taking into account the inflows from existing business as well as the new business inflows detailed above, the total funds received from clients amounted to R17,8 billion for the six months, once again marginally down from the comparative inflows to 31 December 1999 of R18 billion. The following table provides a more detailed analysis of these inflows:

FUNDS RECEIVED FROM CLIENTS R million	Six months ended 31 December 2000 (Unaudited)	Six months ended 31 December 1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Individual life premium income	3 924	3 265	20	7 721
Single premiums[1]	2 416	1 854	30	4 880
Recurring premiums	1 508	1 411	7	2 841
Employee benefits premium income	2 311	1 309	77	2 800
Single premiums	1 688	734	>100	1 661
Recurring premiums	623	575	8	1 139
Health insurance premium income	1 088	871	25	1 871
Gross premium income	2 334	1 491	57	3 547
Less: Reinsurance premiums and medical scheme contributions	(1 246)	(620)	(>100)	(1 676)
Linked product sales[2]	1 652	2 949	(44)	5 704
Unit trust sales	2 665	2 965	(10)	6 713
Segregated third party inflows	6 136	6 643	(8)	10 612
Total funds received from clients	17 776	18 002	(1)	35 421

[1]*Single premiums exclude funds retained of R249 million (1999: R296 million) through the extension of the original policy term.*
[2]*Includes sales of products on the life insurance balance sheet of R771 million (1999: R1 155 million).*
All transfers between on and off-balance sheet funds have been excluded from the above.

Payments to clients

Total payments to clients for the six months of R11,9 billion represent a reduction of 1% compared to the prior period. The increased withdrawals in the linked product area were offset by a greater retention of funds in the individual life and segregated third party funds. The following table provides a detailed analysis of these outflows:

PAYMENTS TO CLIENTS R million	Six months ended 31 December 2000 (Unaudited)	1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Individual life	2 756	3 097	(11)	5 136
Employee benefits	2 771	2 365	17	4 856
Health insurance	641	609	5	1 208
Linked products[1]	1 531	940	63	2 020
Unit trusts	1 608	1 527	5	4 198
Segregated third party funds	2 638	3 509	(25)	4 604
Total payments to clients	11 945	12 047	(1)	22 022

[1]*Includes outflows relating to products on the life insurance balance sheet of R314 million (1999: R390 million).*
All transfers between on and off-balance sheet funds have been excluded from the above.

Net flow of funds

The net flow of funds from clients for the six months was marginally lower at R5,8 billion. The following table provides a more detailed analysis of the components of this net inflow of funds, which takes account of the total inflows set out above, and the outflows to clients for the six months:

NET FLOW OF FUNDS R million	Six months ended 31 December 2000 (Unaudited)	1999 (Unaudited)	% change	Year ended 30 June 2000 (Audited)
Individual life	1 168	168	>100	2 585
Employee benefits	(460)	(1 056)	56	(2 056)
Health insurance	447	262	71	663
Linked products	121	2 009	(94)	3 684
Unit trusts	1 057	1 438	(26)	2 515
Segregated third party funds	3 498	3 134	12	6 008
Total net flow of funds	5 831	5 955	(2)	13 399

All areas, except linked products and unit trusts, experienced healthy increases in net inflows, which had a positive impact on assets under management and consequently asset-based fee income.

PROSPECTS

The surprise announcement in the recent budget speech removing the asset swap mechanism, whereby certain financial institutions are able to invest in foreign portfolios, will have a significant impact on the financial services industry. In particular, this will impact on the industry's ability to continue satisfying the demand of clients to prudently diversify their risk by investing in offshore investment products. We are currently investigating a number of initiatives that should minimise this impact.

Depending on the outcome of these initiatives, it is expected that the increase in group earnings over the remaining six months should approximate that of the first six months.

On behalf of the directors

L L Dippenaar
Chairman

H P Meyer
Managing Director

27 February 2001

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