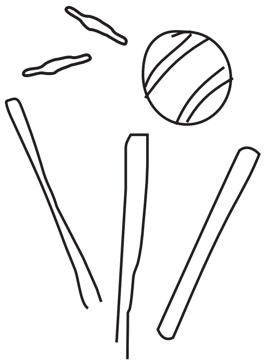
Paul Harris Chief Executive Officer



excellent results

Despite the high base created last year, the Group's growth strategy has once again allowed FirstRand to outperform its two performance targets. The Group has delivered an annual compound growth rate in earnings of 22% over the past five years and has achieved this consistent performance through focusing on a number of core strategies which underpin the way we run this business.

DESPITE THE HIGH BASE CREATED LAST YEAR, THE GROUP'S GROWTH STRATEGY HAS ONCE AGAIN ALLOWED FIRSTRAND TO OUTPERFORM ITS TWO PERFORMANCE TARGETS OF 10% REAL GROWTH IN EARNINGS AND RETURN ON EQUITY OF 10% ABOVE OUR WEIGHTED COST OF CAPITAL. THE GROUP HAS DELIVERED AN ANNUAL COMPOUND GROWTH RATE IN EARNINGS OF 22% OVER THE PAST FIVE YEARS AND HAS ACHIEVED THIS CONSISTENT PERFORMANCE THROUGH FOCUSING ON A NUMBER OF CORE STRATEGIES WHICH UNDERPIN THE WAY WE RUN THIS BUSINESS, NAMELY:

- **ORGANIC GROWTH THROUGH INNOVATION, COLLABORATION ACROSS BUSINESS UNITS AND OUR EMPOWERING BUSINESS PHILOSOPHY;**
- **ACQUISITIONS WHICH HAVE PROVIDED DIVERSIFICATION AND OFTEN A QUANTUM LEAP IN SIZE;**
- **THE ESTABLISHMENT OF NEW BUSINESSES FROM SCRATCH, BACKING ENTREPRENEURIAL MANAGEMENT TEAMS WITH CAPITAL AND OPERATING PLATFORMS; AND**
- **HOLISTIC CAPITAL AND BALANCE SHEET MANAGEMENT.**

These strategies have remained very consistent over the past 20 years, although it often doesn't appear that way as the components do not all "kick in" every year. Also they are sometimes not all that visible as they are implemented at business unit level and not driven from "the centre". However, we have consistently used these core strategies with the ultimate objective of producing superior returns to shareholders and looking at the year under review, apart from acquisitions, they were clearly evident in the Group's performance.

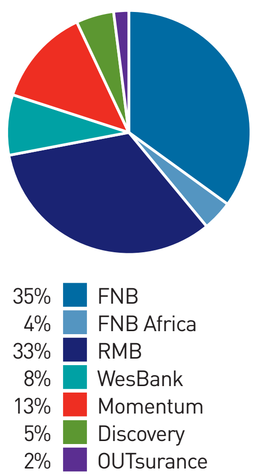
There was strong organic growth in the majority of our franchises, which resulted in excellent topline growth for the Group as a whole. New business volumes, transaction volumes and customer numbers increased in both the banking and insurance businesses and we saw good market share gains in many of our market segments. Whilst there is no doubt that the favourable economic conditions we are currently experiencing in South Africa provided very good natural growth, it was pleasing that organic growth was also driven by our continuous efforts to innovate and collaborate.

For example, the collaboration between Momentum and FNB has really gained traction in the current year. FNB insurance made a significant contribution to Momentum's growth in operating profits, recurring new business volumes and new business embedded value. This was driven by strong sales growth in funeral policies and embedded credit life policies. These sales, which are generated within FNB's branch network, have also positively contributed to Momentum's strategy to diversify its distribution network. Over the past three years FNB's contribution to distribution volumes has increased 6% whilst sales through other bank brokers have dropped 9%.

One of the strengths of FirstRand is its well diversified portfolio of businesses, and this allows the Group to deliver good returns to shareholders across the entire economic cycle. The following charts breakdown the Group's earnings in two different ways.

Firstly, earnings broken down by franchise which shows that whilst the banking operations continue to dominate the earnings base, the commercial bank and the investment bank now contribute almost the same. This was not the case three years ago when FNB's contribution was significantly higher.

Franchise composition



The second chart shows the Group's earnings broken down by segment and this is relevant as the South African growth story rotates from consumer driven growth to corporate driven growth and it is clear that FirstRand will continue to benefit.

Segment diversification

However, there is no doubt that the increasing contribution from the investment bank inevitably raises questions regarding the sustainability and quality of those earnings.

In the Chairman's statement, GT Ferreria touches on the drivers behind the very strong growth of investment banking earnings in general, which has been a global phenomenon. I would like to focus briefly on RMB, its history and its unique position in the South African market.

Since RMB's inception in the late 1970's we have been both traders and advisors. Our trading style has always been relative value. We have developed strong arbitrage and market making skills and technical expertise in valuations, the workings of the markets and the nature of the instruments that we trade. I believe that the consistent success RMB has had in trading is grounded in sophisticated risk management systems and capital allocation models which have ensured that we commit the appropriate amount of capital to our trading activities.

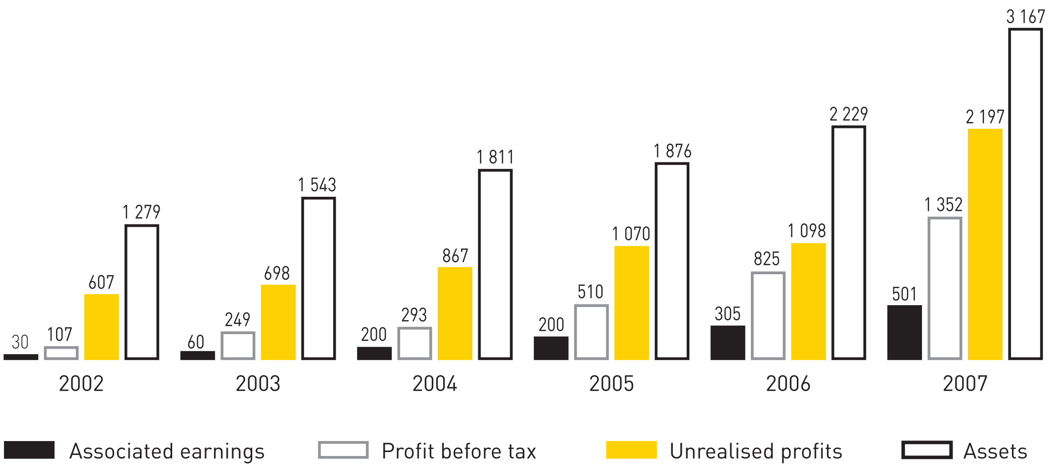
Given our success in bonds and derivatives it was a natural extension to enter the equities markets where we have now successfully deployed our relative valuation and arbitrage skills. These skills have allowed us to perform well, particularly in highly volatile markets as values can become distorted and significant opportunities open up. In addition, the amount of capital we allocate to principal trading and investing is very small relative to both the size of our capital and compared to other investment banks around the world.

I believe that the combination of strong and proven trading skills, combined with the appropriate risk management and capital disciplines will enable RMB to prosper in volatile markets whether the trend is up or down.

Another large component of RMB's earnings is its private equity business which has been built over many years into a very diversified portfolio of over 100 investments, well diversified over a number of different sectors of the market.

We see our private equity business like a plantation. Ideally, one third of your time should be spent planting, one third maintaining and one third harvesting and this is roughly where we are at the moment as can be seen from the chart below.

Private equity growth story
(R million)



Whilst we continued to make the most of positive markets and realise investments from the portfolio, we also made over R1 billion of new investments. This extremely strong pipeline has been driven by BEE and is expected to continue for the foreseeable future. Many more South African companies need to undergo BEE transactions which create opportunities for RMB to invest, at a discount, into high quality corporate assets.

We are often questioned about the sustainability of private equity earnings and I believe that the previous chart should provide shareholders with a great deal of comfort. It is worth noting that in the current year, more than double that number, R750 million, was generated from the underlying earnings from the portfolio. This represents a significant annuity income stream.

The diversified nature of the local portfolio means that some businesses perform above average and others perform below. Inevitably some make spectacular contributions such as all the divisions of RMB this year, while others such as WesBank and Card Issuing can take a breather without impacting the achievements of our Group wide targets. Divisions that don't perform above average in any one year are encouraged to re-evaluate their strategies with the objective of becoming better performers in future years. Group businesses do not compete with each other in the market. One exception has been Discovery and Momentum which will no longer be the case after the unbundling of Discovery. Divisions do, however, compete fiercely to be the best contributor to Group profitability, which is very healthy competition.

Whilst we expect increased volatility in investment banking earnings in the future, we believe that 25 years of experience in trading, combined with risk management skills, M&A leadership and a highly sustainable private equity business will result in good growth going forward.

Overall, I believe that RMB's earnings are of a higher quality than many commentators believe as it has a 46% annuity underpin in its earnings.

In addition, it is a very strong franchise in a market with excellent investment banking opportunities, particularly around infrastructure finance, BEE and corporate action. Whilst we expect increased volatility in investment banking earnings in the future, we believe that 25 years of experience in trading, combined with risk management skills, M&A leadership and a highly sustainable private equity business will result in good growth going forward.

Our statement of intent remains to build a diverse portfolio of leading financial services franchises in South Africa, with selected niche international operations where we think we have a competitive advantage.

Regarding expansion across geographic boundaries there are a few key principles that underpin our international strategy. The first is that we do not seek to replicate FirstRand in other jurisdictions but rather to encourage those businesses that have the capabilities and potential to expand their businesses into offshore markets. That means that international expansion has been driven at business unit level. RMB has been successful in transporting its intellectual capital into selected markets, especially by participating in structured finance transactions in Africa. Also, its private equity business in Australia has been a consistent contributor to profits. RMB is also currently building investment banking and private equity capacity in other emerging markets.

FNB is accelerating its strategy to become a significant player within the SADC region and is actively seeking opportunities to establish new greenfields operations or acquire platforms from which it can leverage its products and services into the region.

Opportunities for growth are also being evaluated in India and Brazil. Exploiting opportunities will be dependent on being able to leverage our South African infrastructure in these markets, forging relationships with local partners and obtaining the proper regulatory approvals.

WesBank has a unique business model that focuses its distribution on the motor manufacturers and dealers. It has built the business up successfully, managing numerous joint ventures and providing an impressive range of ancillary services to motor dealers that enhance that quality of their franchises. Their model is transferable into other international markets and so far they have businesses in Australia and the United Kingdom and are evaluating other opportunities in other markets.

Momentum has made excellent progress in expanding its health business into Africa where they are currently active in eight countries.

We also believe that OUTsurance has an exportable model and they are evaluating a number of comparable international markets. As with our banking business the insurance business will seek to leverage off the South African infrastructure.

We are currently committed to our local and international growth strategies and the achievement of our growth and ROE targets. The FirstRand corporate culture of breaking the businesses into lots of small business units and empowering the management is very strong. It has been the single greatest secret of our success. As the leadership of the Group we realise that our role is to nurture the culture. It brings out the best in our people and ensures that the best leadership emerges thereby ensuring that succession planning is well catered for. All these factors make us confident but not arrogant about our future prospects.

PK Harris
Chief executive officer