CHAIRMAN'S REPORT

BACKGROUND

The Group's results were achieved in a domestic environment characterised by continued growth in consumer spending, strong increases in corporate output, net new employment creation, a strong property market and sharply rising share prices against a backdrop of structurally lower inflation and interest rates. The global economy expanded rapidly resulting in rising commodity prices and international trade volumes.

Local markets experienced strong growth in asset prices, with the property, bond and share markets posting substantial gains. Many households in South Africa therefore enjoyed both "wealth effects" i.e. higher asset prices and lower interest rates, which encouraged them to spend whilst enjoying the benefit of much lower borrowing costs.

Local equity markets were particularly buoyant which had a positive impact on the Group's equity related businesses and sales of discretionary investment products, unit trusts and living annuities.

The long-term insurance industry continued to experience strong demand for individual risk products.

The year under review was a challenging but rewarding one with all the major business units of the Group **delivering strong top-line growth.**

OUR PERFORMANCE

The year was a challenging but rewarding one with all the major business units of the Group delivering strong top-line growth. This performance was assisted by buoyant equity, bond and property market conditions. In addition, the Group's diversified income streams, its relentless focus on innovation and its ability to leverage its many different businesses to create "greenfields" or new sources of growth, resulted in a 32% increase in headline earnings to R7.6 billion. After excluding the impact of foreign currency translations, the growth in headline earnings was still a very respectable 20%.

The favourable economic environment provided strong organic growth opportunities, particularly for our Banking Group. This was evident in the high levels of new business growth at Rand Merchant Bank (RMB), WesBank and First National Bank (FNB) and resulted in the Banking Group producing headline earnings growth of 35% to R6.5 billion. Whilst the sustained lower interest rate environment continued to result in margin squeeze, the impact was partly offset by improved credit quality and a lower bad debt charge, as well as an absolute increase in advances and deposits.

The assurance and insurance businesses of the Group also benefited from the benign economic environment. Momentum produced excellent results, growing headline earnings by 19% (the highest growth in five years) to R1.3 billion, with earnings attributable to shareholders increasing by 28%. These results were driven by strong new business inflows, significant growth in assets under management and a focus on business efficiencies.

Discovery Group delivered a strong performance for the year with headline earnings increasing by 32% to R350 million. The performance reflects strong growth in all Discovery's businesses, with the new business Annual Premium Income (API) increasing by 35% to R4.3 billion. It also appears as if subsidiary Destiny Health, based in the USA, has finally turned the corner.

GT FERREIRA | Chairman

STRATEGIC ISSUES

The disposal of Ansbacher

In July 2004 FirstRand agreed to dispose of its interest in its UK subsidiary Ansbacher Holdings Limited (Ansbacher) to Qatar National Bank (QNB) at a premium to NAV.

Ansbacher had become increasingly non-core to FirstRand's overall strategy and required a strategic partner that would facilitate and support its growth aspirations and ensure business continuity. Acquiring Ansbacher fitted with QNB's long-term strategic objectives to grow its private banking operations.

Going forward FirstRand's stated international strategy is to focus on areas which are more complementary to our South African strategy as well as areas where we believe we have a sustainable, competitive advantage in the international arena.

The disposal of Ansbacher unlocked capital which we can either allocate to other international initiatives or repatriate back to South Africa to fund growth opportunities in our local operations.

Black Economic Empowerment transaction

In February 2005 FirstRand announced the details of its Black Economic Empowerment (BEE) deal.

FirstRand facilitated a transaction over 10% of its issued share capital using a combination of vendor and third party funding. At the time of the announcement the transaction, worth R7.9 billion, was the largest ever BEE deal and it comprised two components.

Four broad-based BEE groups, Kagiso Trust, Mineworkers Investment Trust, the Women's Development Bank Trust and the FirstRand Empowerment Foundation (a newly created FirstRand BEE entity, with a mandate for broad-based transformation), hold 6.5% of FirstRand. This is held through the FirstRand Empowerment Trust, a newly created Trust for the purpose of this transaction. The remaining 3.5% is held by FirstRand's black South African staff and directors.

To implement the BEE transaction, approximately 7.6% of FirstRand's issued ordinary shares were procured from shareholders at a price of R12.28, through a Scheme of Arrangement.

In addition, to provide sufficient security to the third party funders and for the transaction to be viable with limited further involvement from FirstRand, the Group issued 119 million FirstRand ordinary shares to the FirstRand Empowerment Trust at par value. This aspect of the transaction led to a dilution of approximately 2.1% for existing FirstRand shareholders. The total cost of the BEE transaction to current shareholders was 3.15% of the market capitalisation.

We believe our BEE transaction demonstrates FirstRand's commitment to broad-based BEE. The Group is dedicated to achieving transformation in South Africa and specifically wishes to ensure that the long-term benefits of our BEE transaction reach the widest community of black South Africans as possible, with a specific focus on the lower income groups.

The Group selected its BEE partners because they have excellent reputations, successful track records and long-standing relations with us and with each other. In addition, they share our objectives of achieving broad-based BEE by addressing the needs of a wide constituency.

FirstRand also believes that further broad-based BEE will be achieved through the participation of its black staff in the BEE transaction. This will assist the Group to retain its black management, incentivise out performance by black managers and attract new black professionals to the Group.

FirstRand and its BEE partners are also committed to ensuring that real transformation takes place within the organisation and the BEE partners will play an active role in both FirstRand's existing transformation programme and the strategic direction of the Group.

The executive leadership of FirstRand remains fully committed to embracing the spirit of the Financial Sector Charter and exceeding the targets set by it.

SUSTAINABILITY REPORTING

We believe that the Charter will play a major role in the transformation process of South Africa and we also recognise that a Group as large and diverse as FirstRand can have a significant impact on broader society.

Ongoing interaction with a wide range of stakeholders is an integral part of our business and we are increasingly aware that non-financial issues are key to our sustainable performance. This year in the Annual Report we have identified some of these issues as part of our operational review and outlined on pages 22 and 23 is our new approach to sustainability reporting.

PROSPECTS

Looking forward in general the increased economic activity experienced in this year is expected to continue and barring unforeseen events, we believe the South African economy will remain in a structurally lower inflation and interest rate environment for some time to come.

Whilst the lower interest rate environment will continue to place the Banking Group's margins under pressure, it is also expected to drive continued growth in both credit demand and consumer spending, albeit at a slower rate than was experienced during this financial year. The challenge for the Banking Group going into 2006 will be to maintain profitable growth and efficiencies at current levels.

The rising level of consumerism in the insurance industry has resulted in an increased focus on product profit margins and the need to achieve scale benefits through consolidation. Momentum is actively addressing these issues firstly by having much lower charges on its new generation savings products, and secondly through the acquisitions of Advantage, Sovereign, African Life Health and Sage.

Momentum is also currently embarking on a number of strategic initiatives to accelerate organic growth, including a joint venture with FNB to penetrate the middle market, and the growth of its agency force through the Sage acquisition.

In the context of the current strong economic growth in South Africa, the existing strategies of the Group and the diversified income streams generated from the underlying businesses should ensure that FirstRand is well positioned to achieve its stated objective of 10% real growth in earnings per share.

MANAGEMENT CHANGES AND VOTE OF THANKS FROM THE CHAIRMAN

Since the year end FirstRand has announced certain management changes. Hillie Meyer, the MD of Momentum, left the Group as he wishes to spend more time on his outside interests. He also felt that in his eight years as MD he had achieved as much as he could for Momentum and it was time for a change at the top.

FirstRand has always believed that change is constructive for a company in that it creates opportunities for new energy and fresh ideas. However we are sorry to lose an executive of the calibre and experience of Hillie. He has proved to be a remarkable leader of people, to possess great strategic insight, a fierce sense of loyalty and deep seated integrity. He was a formidable MD at Momentum and his track record speaks for itself. We wish Hillie and his family a well deserved rest and it is my fervent hope that we may, sometime in the future, again see Hillie's photograph gracing the pages of our Annual Report.

Hillie has been replaced by EB Nieuwoudt, the CEO of the FirstRand Africa and Emerging Markets division. I am confident that under EB's leadership Momentum will continue to build on the sustainable earnings base established during Hillie's tenure.

We also recently informed shareholders that Laurie Dippenaar will be stepping down as Group CEO. Paul Harris, currently FirstRand Bank CEO will become Group CEO and Sizwe Nxasana, previously the CEO of Telkom SA, will join the Group as CEO of FirstRand Bank.

Laurie had indicated for some time that he would like to take on a more strategic non-executive role and hand over the day to day management of FirstRand and we were extremely fortunate to have a person of the calibre of Paul to replace Laurie as they have worked in successful partnership for the past 25 years. I thus anticipate the handover to be seamless given Paul's previous role as CEO of the Banking Group, which represents 80% of the Group's business activities.

As far as a successor for Paul is concerned, we are extremely privileged to have attracted an executive of the calibre of Sizwe. For the past seven years he has steered Telkom SA through the process of privatisation and transformed it into a profitable and efficient communications company, now ranked amongst the best in emerging markets. During his tenure Telkom delivered exceptional growth in shareholder value.

Sizwe is a Chartered Accountant who founded Nkonki Sizwe Ntsaluba, the first black-owned national firm of accountants in 1996 before joining Telkom. He has been a non-executive director of FirstRand Bank since 2003 and served on the NBS Boland Board with Paul Harris and myself from 1995 to 1998.

I believe that the decentralised structure of the Group has allowed us to develop highly effective and empowered CEOs in the underlying businesses. This structure will create a strong support base for Sizwe and facilitate an expeditious handover by Paul. Moreover we still have the added benefit of Laurie's immense experience, now to be deployed more at a strategic level.

Laurie's resignation and Paul's appointment as FirstRand Limited CEO will be effective 1st January 2006. Sizwe's appointment as CEO of FirstRand Bank will be effective on the same date. Laurie will remain non-executive Chairman of Momentum, Discovery and OUTsurance and serve as a non-executive director on the Boards of FirstRand Bank and FirstRand Limited. Sizwe's appointment as CEO of FirstRand Bank has been approved by the South African Reserve Bank.

Since the creation of FirstRand in 1998 Laurie has been an incredibly effective CEO, and the Group's track record speaks for itself. From 1998 to date FirstRand has delivered significant shareholder value reflected in a compound growth in diluted headline earnings per share of 20.3% per annum over this seven year period and a current market capitalisation of R78 billion.

The creation of FirstRand in 1998 represented the bringing together of some very large and very separate businesses, FNB and WesBank, together with RMB and Momentum. The challenge was to create a structure and an environment that would facilitate these businesses working together for the benefit of the Group and its shareholders. I believe that it is testament to Laurie's foresight and unstinting commitment to the concept of an integrated financial services model that, seven years later, the Group is fulfilling its promise.

I would like to thank Laurie on behalf of everyone at FirstRand for the vision, hard work, integrity and absolute conviction he has displayed in the past seven years as CEO.

GT Ferreira
Chairman

Sandton
19 September 2005