FIRSTRAND

circular

to shareholders

for the six months ended

31 December 2007

contents

FIRSTRAND

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FIRSTRAND

Introduction

This report covers the unaudited financial results of FirstRand Limited ("FirstRand" or "the Group") for the six months ended 31 December 2007, and deals with the financial and operating performance of its main business units. The Group consists of a portfolio of leading financial services franchises; these are First National Bank ("FNB"), the retail and commercial bank, Rand Merchant Bank ("RMB"), the investment bank, WesBank, the instalment finance business, Momentum, the life insurance business and Discovery, the health and life business.

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

financial highlights

Actual

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Headline earnings	**5 702**	4 877	17	10 854
Normalised earnings	**6 138**	5 539	11	11 845
Diluted headline earnings per share (cents)	**107.4**	91.4	18	204.2
Diluted normalised earnings per share (cents)	**108.9**	98.2	11	210.1
Ordinary dividend per share (cents)	**44.25**	39.5	12	82.5
Normalised return on equity (%)	**26**	28		28
Assets under management or administration	**993 178**	868 604	14	900 148

In November 2007, FirstRand unbundled its 57% shareholding in Discovery and therefore the results to 31 December 2007 outlined in the table above include only four months of contribution from Discovery. The pro forma results for the Group excluding Discovery are detailed below:

Pro forma

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Headline earnings	**5 517**	4 647	19	10 298
Normalised earnings	**5 953**	5 319	12	11 309
Diluted headline earnings per share (cents)	**103.9**	87.1	19	193.7
Diluted normalised earnings per share (cents)	**105.6**	94.3	12	200.6
Normalised return on equity (%)	**26**	29		29
Assets under management or administration	**993 178**	861 054	15	891 648

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Earnings				
Normalised earnings	**6 138**	5 539	11	11 845
Pro forma normalised earnings	**5 953**	5 319	12	11 309
Headline earnings	**5 702**	4 877	17	10 854
Attributable earnings to ordinary shareholders	**6 283**	5 381	17	11 511
Normalised net asset value	**47 111**	41 545	13	46 622
Normalised return on equity (%)	**26**	28		28
Pro forma normalised return on equity (%)	**26**	29		29
Normalised price to book (times)	**2.36**	2.76		2.73
Normalised earnings per share (cents)				
– Basic	**108.9**	98.3	11	210.2
– Diluted	**108.9**	98.2	11	210.1
Pro forma normalised earnings per share (cents)				
– Basic	**105.6**	94.4	12	200.7
– Diluted	**105.6**	94.3	12	200.6
Earnings per share (cents)				
– Basic	**121.3**	103.8	17	222.9
– Diluted	**118.4**	100.8	17	216.6
Headline earnings per share (cents)				
– Basic	**110.1**	94.1	17	210.2
– Diluted	**107.4**	91.4	18	204.2
Ordinary dividend per share (cents)	**44.25**	39.5	12	82.5
Dividend in specie per share (cents)	**62.6**	–	100	–
Non cumulative non redeemable preference dividend per share (cents)				
B Class (68% of FNB prime lending rate)	**431.1**	363.0		772.7
B1 Class (68% of FNB prime lending rate)	**431.1**	363.0		772.7

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Attributable earnings to shareholders	**6 283**	5 381	17	11 511
Adjusted for:	**(581)**	(504)	15	(657)
Profit on disposal of available-for-sale assets	**(96)**	(631)		(863)
Profit on sale of shares in subsidiary and associate	**(570)**	–		(78)
Profit/(loss) on disposal of property and equipment	**–**	1		(8)
Impairment of intangible assets	**–**	–		55
Impairment of goodwill	**–**	–		61
Total tax effects of adjustments	**85**	101		106
Total minority interest of adjustments	**–**	25		70
Headline earnings	**5 702**	4 877	17	10 854
Adjusted for:	**436**	662	(34)	991
Discovery BEE transaction	**5**	11		19
IFRS 2 Share based expenses	**189**	180		401
Treasury shares	**242**	342		543
– adjustment for effective shareholding in Discovery	**(17)**	(21)		(50)
– consolidation of share trust	**221**	268		372
– FirstRand shares held by policyholders	**38**	95		221
Adjustment of listed property associates to net asset value	**–**	129		28
Normalised earnings[1]	**6 138**	5 539	11	11 845
Segmental normalised earnings				
Banking Group[2]	**5 283**	4 783	10	10 089
Momentum Group[2]	**913**	768	19	1 668
Discovery Group	**185**	220	(16)	536
FirstRand Limited (company)	**(49)**	(69)	(29)	(100)
Dividend paid to non cumulative non redeemable preference shareholders	**(194)**	(163)	19	(348)
Normalised earnings[1]	**6 138**	5 539	11	11 845
Segmental headline earnings				
Banking Group[3]	**5 140**	4 629	11	9 752
Momentum Group	**881**	652	35	1 610
Discovery Group	**185**	230	(20)	556
FirstRand Limited (company)	**(51)**	(108)	(53)	(123)
Consolidation of share trusts	**(221)**	(268)	(18)	(372)
Dividend paid to non cumulative non redeemable preference shareholders	**(194)**	(163)	19	(348)
Consolidation of treasury shares: policyholders	**(38)**	(95)	60	(221)
Headline earnings	**5 702**	4 877	17	10 854

1. Refer to page 103 for description of normalised earnings.

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

3. Prior year numbers have been restated for Circular 8/2007, "Headline Earnings".

OPERATING ENVIRONMENT

Both the international and South African financial services environments were particularly challenging during the six months to December 2007.

Inflation and interest rates continued to rise, which resulted in slower asset growth in the retail banking sector. This was compounded by sharp increases in bad debts in the retail portfolios due to higher levels of customer indebtedness, although retail transaction volumes remained robust.

Corporate demand for credit continued to show resilience to the rising interest rates, although some pressure is being experienced in the small and medium enterprise segments. Continued capital expenditure, infrastructure development and corporate action resulted in good growth in the corporate and investment banking sectors. The insurance operating environment was characterised by a recovery in industry new business volumes.

The local equity, currency and interest rate markets were volatile on the back of the turmoil experienced in the international capital markets. Whilst this was positive for local trading activities, severe dislocations in the international equity markets negatively impacted trading activities.

FirstRand's diverse portfolio of banking businesses allowed the Group to deliver growth in earnings, despite the significantly tougher conditions in both the retail segments and international markets. The Group's insurance activities also showed good earnings growth.

FINANCIAL PERFORMANCE

For the six months to 31 December 2007 the FirstRand Group grew pro forma normalised earnings 12% and achieved a pro forma normalised return on equity of 26%.

FirstRand Banking Group contributed 10% growth in earnings from R4.8 billion to R5.3 billion and an ROE of 27% with the Momentum Group increasing earnings 19% from R768 million to R913 million and an ROE of 31%.

A detailed financial and operating review of the separate business units can be found on pages 29 to 40 of this document.

The table below represents the relative contribution to the pro forma normalised earnings from the banking and insurance groups:

R million	Six months ended 31 December 2007	2006	% contri-bution	Year ended 30 June 2007
Banking Group	**5 283**	4 783	89	10 089
Momentum	**913**	768	15	1 668
FirstRand and preference dividends	**(243)**	(232)	(4)	(448)
Total	**5 953**	5 319	100	11 309

For the first time since its formation the Banking Group's performance did not exceed the Group's targeted earnings growth of 10% above inflation, although the ROE at 27% continued to exceed its targeted ROE of 10% above the weighted average cost of capital. Momentum delivered ahead of both targets.

The performance of the Group's banking operations was impacted by:

- increased levels of consumer indebtedness which pushed bad debts to much higher levels than previously experienced (particularly in WesBank, HomeLoans and Card); and
- losses in the investment bank's Equity Trading Division, as well as the high base achieved by RMB in the previous period.

RMB

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Normalised earnings	**1 927**	1 690	14	3 910
Total assets	**258 721**	194 427	33	198 929
ROE (%)	**33**	38		43

RMB's normalised earnings growth slowed to 14%. The Private Equity, Investment Banking and Fixed Income Currency and Commodity Trading ("FICC") divisions showed strong growth for the period. The Equity Trading Division incurred net losses of R760 million. The diversified nature of RMB's portfolio enabled it to still give a creditable performance despite the losses. Further details are set out in page 37 of the circular.

FNB

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Normalised earnings	**2 741**	2 187	25	4 140
Total assets	**204 734**	166 297	23	183 257
Total liabilities	**199 997**	162 414	23	176 069
Bad debt ratio	**1.2**	0.8		0.91
ROE (%)	**34**	35		33

Despite difficult market conditions caused by increased interest rates and inflation pressures, FNB, the commercial bank, delivered 25% growth in normalised earnings, achieved on the back of robust growth in advances (+23%) and deposits (+20%). This performance can be attributed to FNB's strong franchise in the corporate and commercial segments, which now comprise approximately half of FNB's earnings. In addition, its diversified portfolio of retail segments meant that whilst the consumer segment experienced a slow down, the mass and wealth segments continued to show good growth.

WesBank

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Normalised earnings	**462**	538	(14)	918
Total assets	**109 643**	90 399	21	100 479
Bad debt ratio	**1.5**	1.0		1.39
ROE (%)	**17**	21		18

As already mentioned, WesBank's overall profitability was impacted by significant increases in credit defaults in its local lending business. In addition, although losses continued to be incurred in the international operations these were at lower levels than the prior period. This resulted in normalised earnings declining 14% to R462 million which is disappointing.

Momentum

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Normalised earnings	**913**	768	19	1 668
Insurance new business	**15 459**	11 073	40	23 464
Return on EV (%)	**15**	30		28
ROE (%)	**31**	24		25

Despite subdued investment markets the Momentum Group delivered 19% growth in normalised earnings to R913 million and an excellent return on equity of 31%. This performance exceeded all of FirstRand's targets and can be attributed to good new business flows with margins holding up and new initiatives that are beginning to contribute to growth; in particular, the collaboration with FNB in the mass and middle market segments and the continuing diversification of Momentum's distribution infrastructure.

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

R million	Six months ended 31 December 2007	% contribution	2006[1]	% contribution	% change	Year ended 30 June 2007[1]
Retail banking						
FNB Retail	1 404		1 189			2 154
FNB Africa	249		209			456
WesBank	292		400			641
	1 945	33	1 798	34	8	3 251
Corporate banking						
FNB Corporate	251		224			365
FNB Commercial	1 086		774			1 669
WesBank	170		138			277
	1 507	25	1 136	21	33	2 311
Investment banking						
RMB	1 927	32	1 690	32	14	3 910
Insurance						
Momentum	913	15	768	14	19	1 668
Other						
FirstRand and preference dividends	(243)		(232)			(448)
Banking Group Support	(96)		159			617
	(339)	(5)	(73)	(1)	>100	169
Pro forma normalised earnings	5 953	100	5 319	100	12	11 309

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

STRATEGIC ISSUES

Regulatory changes

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

The capital impact of Basel II is expected to be largely neutral with a bias to a potential increase due to the changes in the credit cycle. The capital levels of the Banking Group are adequate in terms of the regulatory capital requirements, as well as the capital requirement determined through the Banking Group's internal capital adequacy assessment process.

The Competition Commission Enquiry into Banking is expected to release a detailed report shortly containing recommendations for improvements in the payments industry. The implementation of any of the Commission's recommendations will be over a period of time.

FUNDING THE GROWTH

FirstRand adopts a holistic and integrated approach to capital, funding and liquidity. This allows it to ensure the protection of the intrinsic value of the Group, meet prudential regulatory requirements and protect credit ratings while continuing to add sustainable shareholder value.

Capital management strategy and actions

The Group aims to fulfil the requirements of shareholders and maintain an efficient capital structure with limited excesses, while supporting its medium term growth requirements. It does not hold surplus capital for acquisitions and the need for additional capital is assessed on a transaction by transaction basis.

The Group's targeted return on invested shareholders' capital is 10% above the weighted average cost of capital. The Group constantly monitors whether this target is met by the business units, and if not, businesses are changed or terminated.

The period under review was characterised by continued balance sheet growth, particularly from the Banking Group, which was funded by internal capital generation. It is expected that both domestic growth and international expansion will continue in the next financial year, which will increase the demand for capital. The Group is considering a number of capital management actions to ensure this growth is funded in the most efficient manner. Given that FirstRand's international growth strategy is incremental in nature, the Group does not need to raise core equity to fund that strategy.

The turmoil in the international markets led to a decrease in the appetite for Asset Backed Securities ("ABS"). It was the Group's intention to issue R25 billion ABS and Residential Backed Securities in the international market during the period under review, but, conditions were not favourable. It is unlikely that the markets will improve sufficiently within the next 12 to 18 months to issue these instruments.

In August 2007 FirstRand Bank concluded Fresco II, which was a partially funded synthetic securitisation of a portfolio of South African and international corporate credit exposures held on the balance sheet. This transaction relieved R1.4 billion of current regulatory capital under Basel I and R700 million under Basel II. In November 2007 the Bank raised R1 billion of subordinated debt. This was followed with a further R500 million during December 2007.

Basel II, which is applicable from 1 January 2008, will have an immaterial impact on the capital requirements of the Banking Group. The new regulations will allow for more innovative Tier 1 and Tier 2 capital instruments, which the Group is planning to issue to further strengthen the capital base and to fund growth.

The proposed issue of hybrid instruments will not only improve the Bank's Total and Tier I capital adequacy ratios, but also bolster the Bank's capital buffers against the backdrop of pro-cyclicality introduced by Basel II. This will reduce the weighted average cost of capital. These instruments are more expensive since the turmoil in the international markets, and, given their capital nature, cost more than subordinated debt.

Given the increase in interest rates over the past 12 months, the Group expects retail lending to slow to more sustainable levels and this will reduce pressure on capital requirements. Whilst it is expected that corporate lending will increase, the use of the Group's balance sheet will be limited to those asset classes that provide an appropriate return.

One of the benefits of being an integrated group is the flexibility to move capital between the businesses. During the period excess capital in Momentum of R557 million was used to fund growth in the Bank. Given the changes in the equity markets Momentum is not expected to generate further excess capital in the immediate future.

Funding strategy and actions

The objective of the Group's funding strategy is to secure funding at an optimal cost from diversified and sustainable funding sources.

The impact of the recent turmoil in international credit markets is likely to continue in the medium term. Investors' risk appetite and liquidity has reduced significantly which in turn has led to a fundamental repricing across the full spectrum of risk. Against this background, the Group continues to monitor demand and supply of structured credit products in the international markets. This change in dynamics means that entry by the Group into certain international markets, without a deposit franchise in those markets, will be more difficult as the resultant increased cost of funding will make the requisite returns more difficult to achieve.

The low savings rate and the ongoing demand for credit in South Africa continues to force the Group to rely on the professional markets for funding, with the resultant impact on liquidity and margin.

Diversification of funding sources (by market, product and currency), provides a well balanced portfolio of liabilities, generates a stable flow of financing and provides protection in the event of market disruptions.

During the period the Group focused on four strategic funding imperatives:

- build a credit curve;
- diversify funding sources;
- lengthen the duration of the funding book; and
- ensure limited impact for the international businesses following turmoil in international capital markets.

Overall the Group approved the following actions to diversify funding sources and fund organic growth:

- bi-lateral funding lines;
- three corporate conduits (iNdwa, iNkotha, iVuzi) and a warehouse facility;
- scheduled capital market issuance programme; and
- inflation linked bonds.

DIVIDEND POLICY

As previously stated the Group aligns its dividend policy with sustainable normalised earnings. It does not wish to expose its dividend to the volatility in earnings from the investment banking businesses which are expected to grow over time. At the year end 2007, the dividend growth was lower than the growth in normalised earnings and capital was retained, as the Group was cognisant of the exceptional performances of certain of its trading businesses. Therefore, in line with its policy to maintain the dividend at a consistent level over the medium to longer term, the Group has decided to pay a dividend for the six months to December 2007, in line with normalised earnings. The Group believes earnings growth will remain under pressure going forward.

PRESENTATION

Basis of presentation

FirstRand prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34: Interim Financial Reporting and on a going concern basis using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting.

Normalised earnings

The Group believes that normalised earnings more accurately reflect actual operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on page 103.

Restatement of prior year numbers

A table reflecting the restatement of prior year numbers and reasons therefore can be found on pages 105 to 107.

PROSPECTS

The Group anticipates that, given the continuing volatility in global and local capital markets, combined with rising inflation and interest rates, the second half of the financial year will continue to represent a challenging operating environment. Consumer spending and credit extension is expected to slow further, and bad debts could also continue to increase. The corporate sector is expected to remain resilient due to anticipated public sector investment combined with private fixed investment, however, trading activities may continue to be impacted by market turmoil and uncertainty.

Against this background, the Group remains cautious regarding earnings prospects for the year to June 2008. The diversity of the Group's portfolio, the banking businesses, particularly RMB and FNB, will benefit from their strong franchises within the corporate and commercial segments. Given the current levels of consumer indebtedness, the retail segments will face significant headwinds.

The increased volatility in equity markets together with some economic slowdown could impact Momentum in the second half of the financial year. The new business prospects combined with the new growth initiatives should continue to positively impact earnings.

The Group believes that given the pressures facing its businesses in the second six months, combined with the significant earnings base created in the year to 30 June 2007 (32% growth), FirstRand is unlikely to meet its long term targeted growth in earnings of 10% above inflation in the current financial year.

The Group anticipates that with the quality of its franchises and the diversified nature of its portfolio, over the medium term earnings will trend back to the stated target.

SUBSEQUENT EVENTS

Since 31 December 2007 WesBank has announced that, following a strategic review of its Australian businesses, it is considering exit options for its vehicle finance and car care operations. MotorOne Finance, the vehicle finance operation, will cease new business origination, and WesBank will explore options with respect to exiting the portfolio. Offers will be sought for Worldmark, the car care business.

WesBank has evaluated MotorOne Finance and concluded the business model will not deliver WesBank's required returns in the medium to long term. As a result of the decision to exit the MotorOne Finance business, Worldmark, which was complementary to the finance company, becomes a non core operation.

In total, these transactions are not expected to have a material impact on the profitability of WesBank.

BOARD CHANGES

Ms Sonja Sebotsa resigned from the FirstRand Limited board on 31 December 2007, following her resignation as an executive of WDB Investment Holdings. Ms Sebotsa was appointed to the board in May 2005 as a representative of the WDB Trust. Ms Sebotsa has been replaced on the FirstRand board by Ms Tandi Nzimande, a chartered accountant and WDB Investment Holdings executive.

It is with great sadness that the Group records the death of Mr Yunus Mahomed on 6 January 2008. Mr Mahomed who was appointed to the board in May 2005 was the representative of the Kagiso Charitable Trust. During his time with us he made an invaluable contribution to our debate. He was a great South African who made a huge contribution to our democracy. His wisdom and insight will be sorely missed. A replacement for Mr Mahomed will be announced in due course.

GT Ferreira	PK Harris
Chairman	*Chief Executive Officer*

INTERIM DIVIDEND DECLARATIONS

Ordinary shares

The following ordinary cash dividend was declared in respect of the six months ended 31 December 2007:

	Year ended 30 June	
Cents per share	**2007**	2006
Interim [declared 3 March 2008]	**44.25**	39.5

* *The last day to trade in FirstRand shares on a cum-dividend basis in respect of the interim dividend will be Wednesday 19 March 2008 and the first day to trade ex-dividend will be Thursday 20 March 2008. The record date will be Friday 28 March 2008 and the payment date Monday 31 March 2008. Please note that no FirstRand share certificates may be dematerialised or rematerialised between Thursday 20 March 2008 and Friday 28 March 2008, both days inclusive.*

Preference shares

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

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

AH Arnott
Company Secretary

3 March 2008

consolidated income statement

R million	Six months ended 31 December 2007	2006[1]	% change	Year ended 30 June 2007[1]
Interest and similar income	27 677	21 696	28	45 324
Interest expense and similar charges	(15 246)	(11 866)	28	(25 821)
Net interest income before impairment of advances	12 431	9 830	26	19 503
Impairment losses on loans and advances	(1 625)	(1 151)	41	(2 857)
Net interest income after impairment of advances	10 806	8 679	25	16 646
Non interest income	12 035	25 274	(52)	47 763
– fees and commissions	8 098	6 939	17	14 545
– fair value income	1 364	2 151	(37)	5 987
– gains less losses from investment activities	1 402	15 375	(91)	25 258
– other non interest income	1 171	809	45	1 973
Net insurance premium income	2 429	2 307	5	5 081
Insurance premium income	2 765	2 413	15	5 570
Premium ceded to reinsurers	(336)	(106)	>100	(489)
Net claims and benefits paid	(2 715)	(2 421)	12	(5 590)
Gross claims and benefits paid on insurance contracts	(2 973)	(2 703)	10	(6 125)
Reinsurance recoveries	258	282	(9)	535
Increase in value of policyholder liabilities	(2 942)	(15 124)	(81)	(25 535)
Fair value adjustment to financial liabilities	(43)	(7)	>100	(54)
Income from operations	19 570	18 708	5	38 311
Operating expenses	(12 431)	(11 160)	11	(23 288)
Net income from operations	7 139	7 548	(5)	15 023
Share of profit of associates and joint ventures	964	766	26	2 198
Profit before tax	8 103	8 314	(3)	17 221
Tax	(1 876)	(2 610)	(28)	(5 216)
Net profit from continuing operations	6 227	5 704	9	12 005
Profit after tax from discontinued operation	374	404	(7)	1 073
Profit after tax on disposal/unbundling of discontinued operation	494	–	100	–
Profit for the period	7 095	6 108	16	13 078
Attributable to minorities	618	564	10	1 219
Attributable to preference shareholders	194	163	19	348
Attributable to ordinary shareholders	6 283	5 381	17	11 511

1. These numbers have been restated, refer to pages 105 to 107.

R million	At 31 December 2007	At 31 December 2006	At 30 June 2007
ASSETS			
Cash and short term funds	**53 567**	51 058	46 952
Derivative financial instruments	**39 592**	45 358	33 244
Advances	**412 364**	340 078	378 945
Investment securities and other investments	**236 114**	205 150	221 950
Commodities	**239**	873	1 118
Accounts receivable	**8 795**	7 821	9 257
Reinsurance assets	**570**	532	595
Property and equipment	**6 761**	4 948	6 411
Investment properties	**3 155**	2 458	2 356
Policy loans on insurance contracts	**188**	139	166
Assets arising from insurance contracts	**–**	2 812	3 114
Investments in associates and joint ventures	**13 829**	9 936	11 809
Intangible assets and deferred acquisition costs	**4 409**	4 261	4 302
Tax asset	**21**	24	34
Deferred tax asset	**1 632**	1 059	1 306
Total assets	781 236	676 507	721 559
EQUITY AND LIABILITIES			
Liabilities			
Deposits	**478 854**	369 857	416 507
Short trading positions	**34 194**	37 716	36 870
Derivative financial instruments	**31 146**	34 574	24 505
Creditors and accruals	**11 779**	19 340	13 887
Provisions	**2 285**	2 634	3 598
Tax liability	**853**	910	1 368
Post retirement benefit fund liability	**1 946**	1 986	1 882
Deferred revenue liability	**265**	398	387
Deferred tax liability	**5 814**	5 540	6 279
Long term liabilities	**11 249**	10 290	9 250
Reinsurance liabilities	**–**	22	20
Policyholder liabilities under insurance contracts	**46 175**	45 337	46 979
Policyholder liabilities under investment contracts	**109 240**	105 605	111 239
Liabilities arising to third parties	**1 374**	563	1 568
Total liabilities	735 174	634 772	674 339
Equity			
Capital and reserves attributable to equity holders			
Ordinary share capital and share premium	**1 094**	2 239	2 389
Non distributable reserves	**4 777**	4 512	5 028
Distributable reserves	**33 756**	27 096	31 612
	39 627	33 847	39 029
Non cumulative non redeemable preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equity holders	**44 146**	38 366	43 548
Minority interest	**1 916**	3 369	3 672
Total equity	**46 062**	41 735	47 220
Total equity and liabilities	781 236	676 507	721 559

summarised consolidated cash flow statement

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Cash flows from operating activities			
Net cash flows from operating activities	**7 955**	9 957	21 717
Net cash flows from operating funds	**7 582**	5 388	(4 637)
Tax paid	**(2 228)**	(3 497)	(3 912)
Dividends paid	**(2 418)**	(2 200)	(3 795)
Net cash inflow from operating activities	**10 891**	9 648	9 373
Net cash outflow from investment activities	**(5 673)**	(4 989)	(9 887)
Net cash inflow/(outflow) from financing activities	**1 712**	(285)	(102)
Net increase/(decrease) in cash and cash equivalents	**6 930**	4 374	(616)
Cash and cash equivalents at the beginning of the period	**46 952**	46 684	46 684
Cash and cash equivalents at the end of the period	**53 882**	51 058	46 068
Cash and cash equivalents sold*	**(450)**	–	–
Cash and cash equivalents bought*	**135**	–	884
Cash and cash equivalents at the end of the period	**53 567**	51 058	46 952

* *Cash and cash equivalents sold and bought relate to subsidiaries acquired and sold during the year.*

for the six months ended 31 December

R million	Share capital and share premium	Non distri-butable reserves	Distri-butable reserves	**Total ordinary share-holders' funds**	Non cumulative non redeemable preference share capital and premium	Minority interest	**Total share-holders' funds**
Balance at 1 July 2007	**2 389**	**5 028**	**31 612**	**39 029**	**4 519**	**3 672**	**47 220**
Movement in other associates	–	57	–	**57**	–	–	**57**
Currency translation differences	–	(164)	–	**(164)**	–	(22)	**(186)**
Movement in revaluation reserves	–	(17)	–	**(17)**	–	7	**(10)**
Movement in other reserves	–	15	–	**15**	–	4	**19**
Earnings attributable to shareholders	–	–	6 283	**6 283**	194	618	**7 095**
Ordinary dividends	–	–	(2 224)	**(2 224)**	–	(413)	**(2 637)**
Preference dividends	–	–		**–**	(194)	–	**(194)**
Transfer (to)/from reserves	–	(41)	41	**–**	–	–	–
Effective change of shareholding of subsidiary	–	–	–	**–**	–	146	**146**
Subsidiary sold/unbundled – Discovery	(1 201)	(192)	(2 051)	**(3 444)**	–	(2 100)	**(5 544)**
Share based payment reserve	–	101	–	**101**	–	4	**105**
Consolidation of treasury shares	(94)	(10)	95	**(9)**	–	–	**(9)**
Balance at 31 December 2007	**1 094**	**4 777**	**33 756**	**39 627**	**4 519**	**1 916**	**46 062**
Balance at 1 July 2006 as previously stated	3 635	3 522	24 854	**32 011**	4 519	2 974	**39 504**
BEE share based payment reserve	–	1 655	(1 655)	**–**	–	–	–
Balance at 1 July 2006 as restated	**3 635**	**5 177**	**23 199**	**32 011**	**4 519**	**2 974**	**39 504**
Issue of share capital	–	–	–	**–**	–	(1)	**(1)**
Conversion of convertible redeemable preference shares	(165)	–	165	**–**	–	–	–
Currency translation differences	–	(64)	–	**(64)**	–	1	**(63)**
Movement in revaluation reserves	–	(153)	–	**(153)**	–	69	**(84)**
Movement in other reserves	–	(1)	2	**1**	–	(1)	–
Earnings attributable to shareholders	–	–	5 381	**5 381**	163	564	**6 108**
Ordinary dividends	–	–	(1 753)	**(1 753)**	–	(284)	**(2 037)**
Preference dividends	–	–	–	**–**	(163)	–	**(163)**
Transfer (to)/from reserves	–	(2)	2	**–**	–	–	–
Effective change of shareholding of subsidiary	–	–	(1)	**(1)**	–	–	**(1)**
Share based payment reserve	–	116	–	**116**	–	10	**126**
Consolidation of treasury shares	(1 231)	(561)	101	**(1 691)**	–	37	**(1 654)**
Balance at 31 December 2006	**2 239**	**4 512**	**27 096**	**33 847**	**4 519**	**3 369**	**41 735**

segmental income statement

for the six months ended 31 December

R million	Banking Group 2007	Banking Group 2006	Momentum Group 2007	Momentum Group 2006	Discovery Group 2007	Discovery Group 2006
Net interest income	8 134	7 130	4 513	2 972	–	–
Impairment of advances	(1 625)	(1 151)	–	–	–	–
Net interest income after impairment of advances	6 509	5 979	4 513	2 972	–	–
Non interest income	9 832	9 108	2 268	16 205	–	–
Net insurance premium income	–	–	2 429	2 414	–	–
Net claims and benefits paid	–	–	(2 715)	(2 516)	–	–
(Increase)/decrease in value of policyholder liabilities	–	–	(2 942)	(15 124)	–	–
Fair value adjustment to financial liabilities	–	–	(43)	(7)	–	–
Income from operations	16 341	15 087	3 510	3 944	–	–
Operating expenses	(10 204)	(9 333)	(2 189)	(1 867)	–	–
Share of profit of associates and joint ventures	970	875	5	(10)	–	–
Profit before tax	7 107	6 629	1 326	2 067	–	–
Tax	(1 434)	(1 572)	(428)	(949)	–	–
Net profit from continuing operations	5 673	5 057	898	1 118	–	–
Profit after tax from discontinued operation	–	–	–	–	374	404
Profit after tax on disposal/unbundling of discontinued operation	–	–	–	–	–	–
Profit for the year	5 673	5 057	898	1 118	374	404
Attributable to:						
Minorities	495	413	(5)	–	140	151
Preference shareholders	129	109	22	18	–	–
Ordinary shareholders	5 049	4 535	881	1 100	234	253
Attributable earnings to shareholders	5 178	4 644	903	1 118	234	253
Headline earnings adjustments	(38)	(15)	(22)	(466)	(49)	(23)
Profit on disposal of available-for-sale assets	(39)	(20)	–	(534)	(57)	(77)
Profit on sale of shares in subsidiary and sale of Southern Life Namibia Book	–	–	(22)	–	–	–
Profit/(loss) on disposal of property and equipment	–	1	–	–	–	–
Total tax effects of adjustments	1	4	–	68	8	29
Total minority interest of adjustments	–	–	–	–	–	25
Headline earnings	5 140	4 629	881	652	185	230
Normalised earnings adjustments	143	154	32	116	–	(10)
Discovery BEE transaction	–	–	–	–	5	11
IFRS 2 Share based expense	143	123	32	18	12	–
Treasury shares	–	–	–	–	(17)	(21)
– adjustment for effective shareholding in Discovery	–	–	–	–	(17)	(21)
– consolidation of share trust	–	–	–	–	–	–
– FirstRand shares held by policyholders	–	–	–	–	–	–
Transfer of Ashburton to Banking Group	–	31	–	(31)	–	–
Adjustment of listed property associates to net asset value	–	–	–	129	–	–
Normalised earnings	5 283	4 783	913	768	185	220

1. Elimination of Swabou Life from Banking Group minorities.
2. Preference dividend paid by Banking Group and Momentum Group to FirstRand moved to ordinary shareholders.
3. Net of R22 million profit on Southern Life book sold to Swabou Life, R12 million equity accounted earnings, R12 million included in minorities of Banking Group, R142 million difference between Group profit and company profit on Discovery and preference dividend paid to FirstRand by Banking Group and Momentum Group.

FirstRand Group		Consolidation of treasury shares		Subtotal		Consolidation		**Total**	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
(45)	–	**(170)**	(268)	**12 432**	9 834	**(1)**	(4)	**12 431**	9 830
–	–	**–**	–	**(1 625)**	(1 151)	**–**	–	**(1 625)**	(1 151)
(45)	–	**(170)**	(268)	**10 807**	8 683	**(1)**	(4)	**10 806**	8 679
43	67	**(84)**	(95)	**12 059**	25 285	**(24)**	(11)	**12 035**	25 274
–	–	**–**	–	**2 429**	2 414	**–**	(107)	**2 429**	2 307
–	–	**–**	–	**(2 715)**	(2 516)	**–**	95	**(2 715)**	(2 421)
–	–	**–**	–	**(2 942)**	(15 124)	**–**	–	**(2 942)**	(15 124)
–	–	**–**	–	**(43)**	(7)	**–**	–	**(43)**	(7)
(2)	67	**(254)**	(363)	**19 595**	18 735	**(25)**	(27)	**19 570**	18 708
(38)	(105)	**–**	–	**(12 431)**	(11 305)	**–**	145	**(12 431)**	(11 160)
–	–	**–**	–	**975**	865	**(11)**	(99)	**964**	766
(40)	(38)	**(254)**	(363)	**8 139**	8 295	**(36)**	19	**8 103**	8 314
(11)	(70)	**(5)**	–	**(1 878)**	(2 591)	**2**	(19)	**(1 876)**	(2 610)
(51)	(108)	**(259)**	(363)	**6 261**	5 704	**(34)**	–	**6 227**	5 704
–	–	**–**	–	**374**	404	**–**	–	**374**	404
454	–	**182**	–	**636**	–	**(142)**	–	**494**	–
403	(108)	**(77)**	(363)	**7 271**	6 108	**(176)**	–	**7 095**	6 108
–	–	**–**	–	**630**	564	**(12)**[1]	–	**618**	564
194	163	**–**	–	**345**	290	**(151)**[2]	(127)	**194**	163
209	(271)	**(77)**	(363)	**6 296**	5 254	**(13)**[3]	127	**6 283**	5 381
209	(271)	**(77)**	(363)	**6 447**	5 381	**(164)**	–	**6 283**	5 381
(454)	–	**(182)**	–	**(745)**	(504)	**164**	–	**(581)**	(504)
–	–	**–**	–	**(96)**	(631)	**–**	–	**(96)**	(631)
(485)	–	**(227)**	–	**(734)**	–	**164**	–	**(570)**	–
–	–	**–**	–	**–**	1	**–**	–	**–**	1
31	–	**45**	–	**85**	101	**–**	–	**85**	101
–	–	**–**	–	**–**	25	**–**	–	**–**	25
(245)	(271)	**(259)**	(363)	**5 702**	4 877	**–**	–	**5 702**	4 877
2	39	**259**	363	**436**	662	**–**	–	**436**	662
–	–	**–**	–	**5**	11	**–**	–	**5**	11
2	39	**–**	–	**189**	180	**–**	–	**189**	180
–	–	**259**	363	**242**	342	**–**	–	**242**	342
–	–	**–**	–	**(17)**	(21)	**–**	–	**(17)**	(21)
–	–	**221**	268	**221**	268	**–**	–	**221**	268
–	–	**38**	95	**38**	95	**–**	–	**38**	95
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	129	**–**	–	**–**	129
(243)	(232)	**–**	–	**6 138**	5 539	**–**	–	**6 138**	5 539

segmental balance sheet

as at 31 December

R million	Banking Group 2007	Banking Group 2006	Momentum Group 2007	Momentum Group 2006	Discovery Group 2007	Discovery Group 2006
Assets						
Cash and short term funds	**34 661**	30 096	**22 941**	22 228	**–**	882
Derivative financial instruments	**28 511**	27 396	**14 982**	20 707	**–**	–
Advances	**414 507**	343 614	**–**	–	**–**	–
Investment securities and other investments	**114 361**	82 685	**126 290**	121 598	**–**	2 849
Commodities	**239**	873	**–**	–	**–**	–
Accounts receivable	**12 022**	7 990	**1 941**	1 569	**–**	638
Reinsurance assets	**–**	–	**570**	495	**–**	37
Property and equipment	**6 015**	4 430	**545**	330	**–**	189
Investment properties	**–**	–	**3 155**	2 458	**–**	–
Policy loans on insurance contracts	**–**	–	**172**	137	**–**	–
Assets arising from insurance contracts	**–**	–	**–**	–	**–**	2 812
Investments in associates and joint ventures	**5 826**	4 304	**8 146**	5 571	**–**	3
Investment in subsidiary companies	**–**	–	**–**	–	**–**	–
Intangible assets and deferred acquisition costs	**1 487**	875	**3 039**	3 269	**–**	74
Tax asset	**–**	–	**15**	6	**–**	18
Deferred tax asset	**897**	371	**736**	640	**–**	48
Total assets	**618 526**	502 634	**182 532**	179 008	**–**	7 550
EQUITY AND LIABILITIES						
Liabilities						
Deposits	**481 172**	372 217	**–**	–	**–**	–
Short trading positions	**34 194**	37 716	**–**	–	**–**	–
Derivative financial instruments	**27 458**	27 889	**7 847**	11 811	**–**	–
Creditors and accruals	**13 669**	13 585	**3 651**	5 272	**–**	568
Provisions	**2 062**	2 213	**219**	378	**–**	43
Tax liability	**198**	511	**586**	396	–	–
Post retirement benefit fund liability	**1 907**	1 948	**39**	38	**–**	–
Deferred revenue liability	**–**	–	**265**	239	**–**	159
Deferred tax liability	**3 814**	2 938	**2 002**	1 924	**–**	659
Long term liabilities	**8 369**	7 385	**5 814**	1 765	**–**	133
Reinsurance liabilities	**–**	–	**–**	–	**–**	22
Policyholder liabilities under insurance contracts	**1 219**	181	**44 956**	44 613	**–**	568
Policyholder liabilities under investment contracts	**–**	–	**109 512**	104 903	**–**	691
Liabilities arising to third parties	**–**	–	**1 374**	628	**–**	–
Total liabilities	**574 062**	466 583	**176 265**	171 967	**–**	2 843
Equity						
Capital and reserves attributable to equity holders						
Ordinary share capital and share premium	**4 433**	2 408	**1 041**	1 041	**–**	1 387
Non distributable reserves	**2 714**	2 646	**665**	566	**–**	849
Distributable reserves	**32 188**	26 324	**4 047**	4 903	**–**	2 471
	39 335	31 378	**5 753**	6 510	**–**	4 707
Non cumulative non redeemable preference shares	**3 100**	3 100	**500**	500	**–**	–
Capital and reserves attributable to equity holders	**42 435**	34 478	**6 253**	7 010	**–**	4 707
Minority interest	**2 029**	1 573	**14**	31	**–**	–
Total equity	**44 464**	36 051	**6 267**	7 041	**–**	4 707
Total equity and liabilities	**618 526**	502 634	**182 532**	179 008	**–**	7 550

FirstRand Group		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
–	–	–	–	57 602	53 206	(4 035)	(2 148)	53 567	51 058
–	–	–	–	43 493	48 103	(3 901)	(2 745)	39 592	45 358
5 610	3 332	(5 304)	(6 373)	414 813	340 573	(2 449)	(495)	412 364	340 078
–	566	(704)	(157)	239 947	207 541	(3 833)	(2 391)	236 114	205 150
–	–	–	–	239	873	–	–	239	873
130	802	17	–	14 110	10 999	(5 315)	(3 178)	8 795	7 821
–	–	–	–	570	532	–	–	570	532
–	–	–	–	6 560	4 949	201	(1)	6 761	4 948
–	–	–	–	3 155	2 458	–	–	3 155	2 458
–	–	–	–	172	137	16	2	188	139
–	–	–	–	–	2 812	–	–	–	2 812
476	6	–	–	14 448	9 884	(619)	52	13 829	9 936
17 771	16 018	–	–	17 771	16 018	(17 771)	(16 018)	–	–
–	167	–	–	4 526	4 385	(117)	(124)	4 409	4 261
6	–	–	–	21	24	–	–	21	24
–	–	–	–	1 633	1 059	(1)	–	1 632	1 059
23 993	20 891	(5 991)	(6 530)	819 060	703 553	(37 824)	(27 046)	781 236	676 507
–	–	–	(276)	481 172	371 941	(2 318)	(2 084)	478 854	369 857
–	–	–	–	34 194	37 716	–	–	34 194	37 716
–	–	–	–	35 305	39 700	(4 159)	(5 126)	31 146	34 574
298	208	–	–	17 618	19 633	(5 839)	(293)	11 779	19 340
1	–	–	–	2 282	2 634	3	–	2 285	2 634
22	3	45	–	851	910	2	–	853	910
–	–	–	–	1 946	1 986	–	–	1 946	1 986
–	–	–	–	265	398	–	–	265	398
(7)	19	4	–	5 813	5 540	1	–	5 814	5 540
4 877	3 950	–	–	19 060	13 233	(7 811)	(2 943)	11 249	10 290
–	–	–	–	–	22	–	–	–	22
–	–	–	–	46 175	45 362	–	(25)	46 175	45 337
–	–	–	–	109 512	105 594	(272)	11	109 240	105 605
–	–	–	–	1 374	628	–	(65)	1 374	563
5 191	4 180	49	(276)	755 567	645 297	(20 393)	(10 525)	735 174	634 772
7 514	8 507	(6 188)	(5 947)	6 800	7 396	(5 706)	(5 157)	1 094	2 239
1 688	1 668	(20)	(463)	5 047	5 266	(270)	(754)	4 777	4 512
5 081	2 017	168	156	41 484	35 871	(7 728)	(8 775)	33 756	27 096
14 283	12 192	(6 040)	(6 254)	53 331	48 533	(13 704)	(14 686)	39 627	33 847
4 519	4 519	–	–	8 119	8 119	(3 600)	(3 600)	4 519	4 519
18 802	16 711	(6 040)	(6 254)	61 450	56 652	(17 304)	(18 286)	44 146	38 366
–	–	–	–	2 043	1 604	(127)	1 765	1 916	3 369
18 802	16 711	(6 040)	(6 254)	63 493	58 256	(17 431)	(16 521)	46 062	41 735
23 993	20 891	(5 991)	(6 530)	819 060	703 553	(37 824)	(27 046)	781 236	676 507

sources of normalised earnings

for the six months ended 31 December

R million	2007	% composition	2006	% composition	% change
FNB	2 741	45	2 187	39	25
FNB Africa	249	4	209	4	19
RMB	1 927	31	1 690	30	14
WesBank	462	7	538	10	(14)
Momentum	783	13	652	12	20
– Insurance operations	643		513		
– Asset management operations	140		139		
Discovery	185	3	220	4	(16)
Group Support	34	1	275	5	(88)
Banking Group	(96)		159		
Momentum Group	130		116		
FirstRand	(49)	(1)	(69)	(1)	(29)
Dividend payment to non cumulative non redeemable preference shareholders	(194)	(3)	(163)	(3)	19
Normalised earnings[1]	6 138	100	5 539	100	11

1. *The definition of normalised earnings is provided on page 103.*

FIRSTRAND
Banking Group

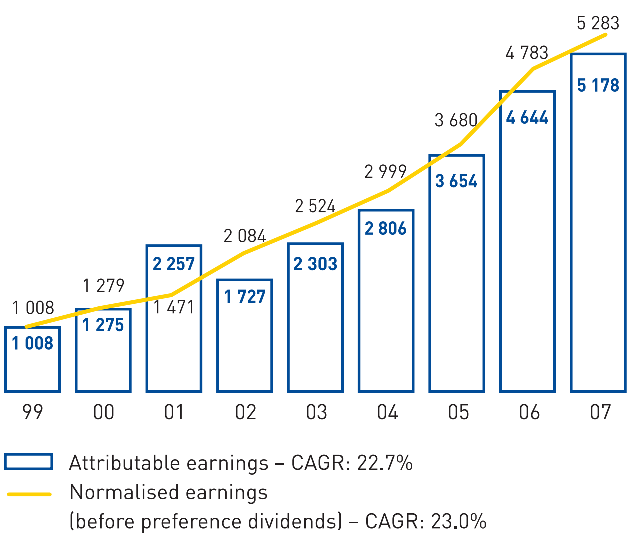
Introduction

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

financial highlights

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	% change	Year ended 30 June 2007
Attributable earnings	**5 178**	4 644	11	9 826
Headline earnings	**5 140**	4 629	11	9 752
Normalised (before preference dividends)				
Earnings	**5 283**	4 783	10	10 089
Return on equity (%)	**25.9**	28.6		28.8
Normalised (after preference dividends)				
Earnings	**5 154**	4 674	10	9 857
Return on equity (%)	**27.3**	31.6		30.9

Earnings performance
(R million)



INTRODUCTION

The Banking Group experienced a very challenging trading environment during the reporting period, in stark contrast with the buoyant conditions that were experienced in the comparative period and the year ended 30 June 2007.

The trend of rising inflation and interest rates experienced during the year ended 30 June 2007 continued during the period under review. This was borne out by further interest rate increases during the period, which negatively affected absolute asset growth, as well as putting further strain on bad debt levels due to the increasing levels of customer indebtedness.

In addition, the international credit and liquidity crunch impacted global credit and equity markets, which resulted in substantial losses in the Banking Group's international trading operations.

The Banking Group had a small indirect exposure to sub prime of $3 million which was closed out at a loss of R10 million during the period.

OVERVIEW OF RESULTS

The results for the period under review were achieved in a local and international operating environment characterised by:

- a continuing trend from the prior financial year of sharply rising CPIX inflation in South Africa, resulting in a further 150 basis point increase in interest rates during the period;
- a resultant further slow down in consumer credit demand, especially in asset backed finance;
- a significant rise in impairment charges, primarily due to the higher interest rate environment and higher levels of customer indebtedness;
- competitive pricing pressures especially on the asset side of the banking book;
- the turmoil in the international debt and equity markets, following the US sub prime mortgage market quality deterioration and the liquidity squeeze that followed;
- the resultant negative contagion, repricing and fundamental value dislocation of international markets, which negatively affected the Banking Group's international trading businesses;
- buoyant South African equity markets, which benefited the Banking Group's local trading businesses;
- strong deal flow in corporate and structured finance, which benefited from continued robust BEE and M&A activity, commercial property and leveraged finance opportunities;
- favourable market conditions for the realisation of private equity businesses, both locally and internationally; and
- growth in retail client numbers and transactional volumes, with a positive impact on fee and commission income.

Reconciliation of normalised earnings

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Attributable earnings	**5 178**	4 644	11	9 826
Adjusted for:				
– Profit on sale of subsidiaries	**–**	–	–	(78)
– Other	**(39)**	(19)	>100	(8)
– Minorities	**–**	–	–	–
– Tax effect on adjustments	**1**	4	(75)	12
Headline earnings	**5 140**	4 629	11	9 752
Adjusted for:				
– Ashburton*	**–**	31	(100)	48
– IFRS 2 share based payment expense	**143**	123	16	289
Normalised earnings	**5 283**	4 783	10	10 089
Preference dividends paid	**(129)**	(109)	18	(232)
Normalised earnings attributable to ordinary shareholders	**5 154**	4 674	10	9 857

* *Ashburton was transferred from the Momentum Group to the Banking Group with effect from 1 July 2007.*

Return on equity – normalised

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Normalised (before preference dividends)				
Earnings	**5 283**	4 783	10	10 089
Average equity[1]	**40 831**	32 667	25	35 041
Return on equity (%)	**25.9**	28.6		28.8
Normalised (after preference dividends)				
Earnings	**5 154**	4 674	10	9 857
Average equity[2]	**37 731**	29 567	28	31 941
Return on equity (%)	**27.3**	31.6		30.9

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

Performance against targets

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

%	Performance target	Actual 2007
Return on equity[1]	23.3	**27.3**
Normalised earnings growth[2]	17.2	**10.0**
Cost to income ratio	52 – 54	**52.6**
Impairment charge as a percentage of average gross advances[3]	0.7 – 0.9	**0.8**

1. Calculated as normalised earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity. The Banking Group targets a return on average ordinary shareholders' equity figure of weighted average cost of capital + 10 percentage points.
2. The Banking Group targets a growth of average CPIX + 10 percentage points.
3. After credit protection.

Business unit performance

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

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
FNB	**3 436**	2 815	22	5 738
FNB Africa	**525**	428	23	907
RMB	**2 383**	2 207	8	5 281
WesBank	**591**	711	(17)	1 370

* *More detailed information on the performance of the business units are set out on pages 29 to 40.*

FNB performed well in a challenging operating environment, influenced by:

- an increase of 9% in the number of customers;
- growth of 23% in advances (before set off), with growth of 19% in HomeLoans, 29% in the Wealth segment, 21% in card advances, 20% in personal loans and 18% in commercial advances;
- strong deposit growth of 20% (before set off) with the Commercial, Personal and Corporate segments the main contributors;
- interest income growth of 27%, benefiting from the balance sheet growth in advances and deposits as well as the increased endowment effect on liability balances; and
- non interest income growth of 19% as a result of the increase in client numbers and higher transaction volumes across all segments, although absolute growth levels were negatively affected by the higher interest rate environment.

This performance was achieved despite significantly higher bad debt levels, especially in Card Issuing, which was adversely affected by the rise in interest rates and higher levels of customer indebtedness.

FNB Africa performed well, with results affected by:

- good performances from FNB Namibia and FNB Swaziland, benefiting from balance sheet growth, improved efficiencies and higher transaction levels;
- FNB Botswana showed strong balance sheet and transactional volume growth, although overall profit growth was negatively affected by the depreciation in the Rand/Pula exchange rate and higher infrastructure expansion costs during the period;
- a positive contribution through the acquisition of FNB Mozambique during the period; and
- the negative impact on bad debt levels from the higher interest rate environment.

RMB's results were characterised by vastly different trading environments locally and internationally, resulting in:

- excellent results from the investment banking division, benefiting from high levels of corporate activity, corporates re-leveraging their balance sheets, good corporate finance deal flow in an environment still buoyed by high BEE and M&A activity and a continued strong performance from the property finance businesses;
- a continued trend of profitable private equity realisation opportunities, both locally and internationally, as well as strong associate earnings from underlying investments;
- gains from the local trading businesses, benefiting from increased market volatility, rising interest rates in South Africa, volatile currency markets and higher trading volumes; and
- a negative contribution from the international trading businesses, which were severely affected by the contagion impact of the US sub prime fallout on international debt, equity and credit markets.

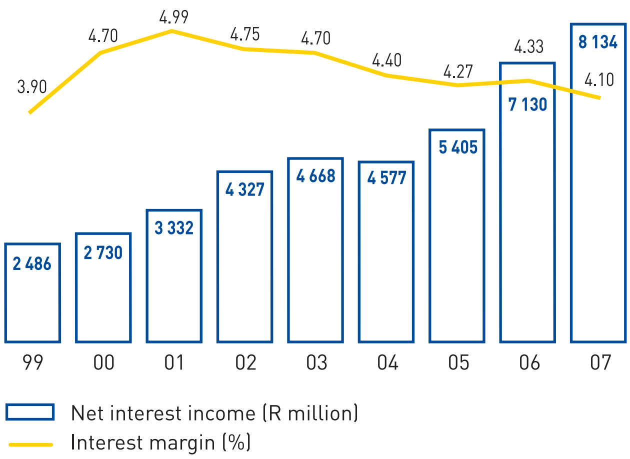
WesBank's results for the period were affected by:

- a significant slowdown in new car sales in the motor industry during the period, primarily as a result of higher levels of consumer indebtedness and due to the rising interest rate cycle;
- the positive benefit of a buoyant corporate advances market, benefiting from capacity expansion;
- a 10% increase in consolidated gross advances (9% after the impact of securitisations during the period);
- a 24% increase in non interest income, benefiting from increased insurance revenue, although absolute levels of growth were affected in part by the slowdown in lending activity as well as due to the disposal of MobileData to Tracker during June 2007 (now reported as part of income from associates);
- the higher interest rate environment and increased consumer indebtedness, which resulted in significantly higher bad debt levels; and
- continued negative results in its international operations.

FINANCIAL REVIEW

Net interest income ("NII") (before impairment of advances) – up 14%

Net interest income – December



Interest rates increased by 1.5% during the period under review as the South African Reserve Bank announced further rate increases in August, October and December 2007. The average prime overdraft rate was 2% higher than in the comparative period.

Overall, margins on advances declined, negatively affected by margin pressure on certain asset generators such as HomeLoans and WesBank.

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

As the advances book is still growing at a faster rate than the deposit book, the Banking Group has continued the trend reflected for the year ended June 2007 of increasing the level of funding raised from the professional market. This change in funding mix increased the average cost of funding for the group.

Interest margins showed a decrease from 4.33% at 31 December 2006 to 4.10%.

Net interest income and interest margins were positively influenced by:

- the volume effect from the growth in advances and deposits and the higher capital base;
- the positive impact of the higher interest rates on the endowment effect on capital and deposits; and
- the widening of certain asset and liability margins due to the higher interest rate environment.

Negative factors included:

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

Advances – up 21%

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

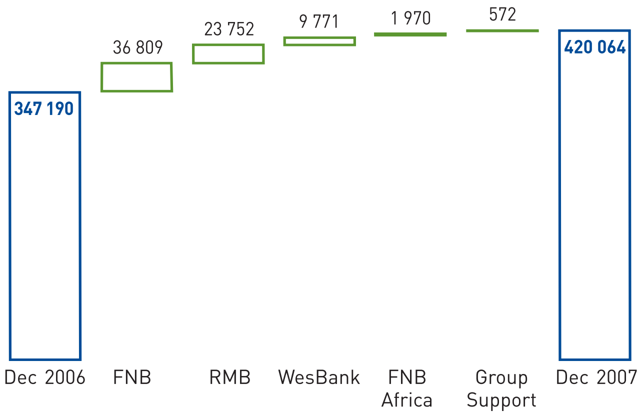
The Banking Group achieved growth of 21% in net accrual advances, from R283.2 billion to R341.6 billion.

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

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Accrual advances	**341 608**	283 237	21	310 724
Fair value advances*	**72 899**	60 377	21	72 761
Net advances	**414 507**	343 614	21	383 485
Impairments	**5 557**	3 576	55	4 550
Gross advances	**420 064**	347 190	21	388 035

* *Primarily RMB.*

Gross advances
(R million)



FNB achieved growth of 23% in advances (before set off) due to:

- a 19% growth in HomeLoans, driven by new business growth, and to some extent, by further increases in the value of properties although at much lower levels than in the comparative period. New business market share has increased significantly from 15.8% at June 2007 to 22% in December 2007, primarily due to HomeLoans being better positioned than its competitors post NCA implementation, thereby attracting higher levels of new business;
- Card Issuing grew advances by 21% year on year, although growth slowed to 4% for the six month period to December 2007, reflecting a reduction in consumer demand for credit due to higher interest rates as well as a tightening of credit scorecards;
- Personal loans increased advances by 20%, benefiting from strong sales growth in the latter half of the 2007 financial year rather than from current year sales;
- advances in the Wealth segment grew by 29% as a result of increased client numbers; and
- the Commercial segment's growth of 18% due primarily to commercial property finance loans increasing by 51% and mid corporate by 29% due to higher utilisation of facilities.

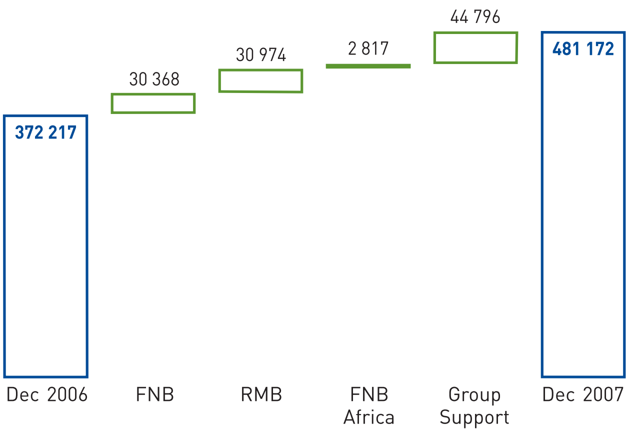
WesBank's advances grew by 10% (9% after the impact of securitisations):

- affected by a significant slowing of the new retail motor advances growth due to the higher interest rate environment and a general downturn in the motor sector, although this was offset to some extent by growth in the second hand retail car market; and
- benefiting from continued strong growth in the corporate sector, reflecting the benefits of increased capital expenditure, capacity building and increased infrastructure development.

The African subsidiaries increased advances by 16%, generally hampered by lower growth in the underlying economies as well as the higher interest rate environment. Advances growth was positively impacted by the acquisition of FNB Mozambique during August 2007.

Deposits – up 29%

Deposits
(R million)



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

There is a continued focus by management to optimise the mix of the deposit book.

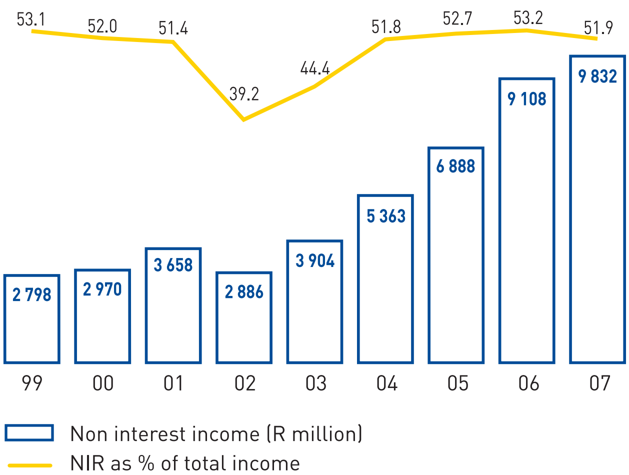
FNB's deposits increased by 20% (before set off), with all segments contributing to the increase. Growth remained focused in shorter dated products on the retail side of the book, reflecting the rising interest rate trend attracting investment related and savings products. Growth of 19% in Commercial, 21% in Corporate and 39% in Public sector reflect, respectively, the cash flush position of businesses and new mandates won during the period.

Overall Africa increased deposits by 16%. Deposit levels were positively impacted by Botswana, which benefited from the introduction of new products, and by the acquisition of FNB Mozambique during the period.

RMB's deposits have increased by 68% primarily due to higher client activity and cash collateral requirements associated with these activities.

Non interest income ("NIR") – up 8%

Non interest income ("NIR") – December



The various components of non interest income are discussed in more detail below:

Fee and commission income

There was strong growth year on year in customer numbers and value of spend, although the slowdown noticed in the latter half of the financial year ended 30 June 2007 continued during the period under review.

FNB's operations benefited from a 9% increase in customer numbers as well as overall higher transaction volumes and value:

- the Consumer segment's growth of 15% results from a 7% growth in the active account base and a 9% increase in transactions per account, benefiting from continued strong consumer activity in Card and Core Banking (cheque and transmission accounts);
- the Mass segment's growth of 19% results from increased transaction volumes by 16%, benefiting from a 9% growth in customer base and strong growth of 39% in debit card transactions;
- the Corporate segment's growth of 15% was primarily due to increased electronic transaction channel use, in part due to organic growth but also as a result of an increased footprint of point of sale devices as well as new product offerings; and
- the Commercial segment's growth of 11% was driven by higher transaction volumes in Speedpoint and electronic banking as well as increased turnover in international banking.

WesBank's consolidated non interest income growth was 24%. Local growth was a robust 28%, benefiting from higher levels of insurance income earned, although absolute growth levels were hampered by a slowdown in new business as well as by the disposal of MobileDate to Tracker during June 2007 (now reported as part of income from associates).

Knowledge based fee income increased by more than 100%, primarily as a result of continued buoyant deal flow in RMB due to BEE and M&A activity as well as strong business flows in the structured finance environment.

Income from fair value assets

RMB's trading businesses experienced mixed results during the period under review.

The local trading businesses conducted by RMB performed well, benefiting from volatility and direction in the local interest rate and currency markets, as well a strong performance from the fee based businesses resulting from strong client flows.

The international trading operations experienced a very difficult six month period. These businesses were negatively affected by the market dislocation after the sub prime credit crises in the USA impacted other international markets.

The international operations incurred significant losses in the six months to December. These losses were, however, substantially reduced by profits on the domestic trading portfolios. Further details are set out on page 37.

RMB's debt businesses continued to perform well, benefiting from robust corporate activity and strong lending volumes experienced, especially in the property, preference share funding and acquisition and leveraged finance areas, where a significant number of large transactions were concluded.

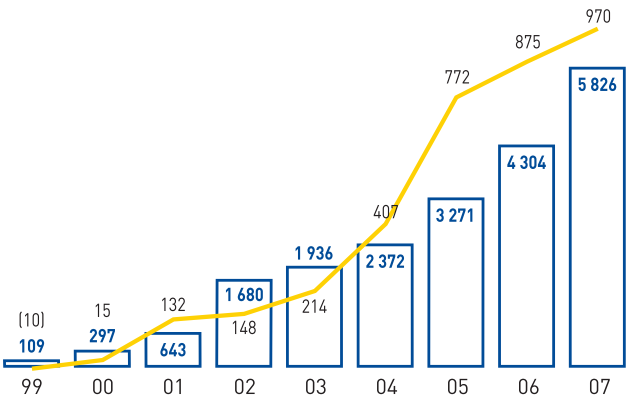
Investment income

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

The private equity businesses performed exceptionally well during the period under review. Good profits were realised both locally and internationally in an environment conducive to realisations. In spite of the realisations, unrealised profits in the portfolio grew to over R2.2 billion (2006: R1.27 billion) due to investments made over the previous two years and new investment opportunities during the period (R604 million of new investments were made during the period under review). Consistent with prior years, the unrealised profit is not recognised in income until realised.

Equity accounted income – up 11%

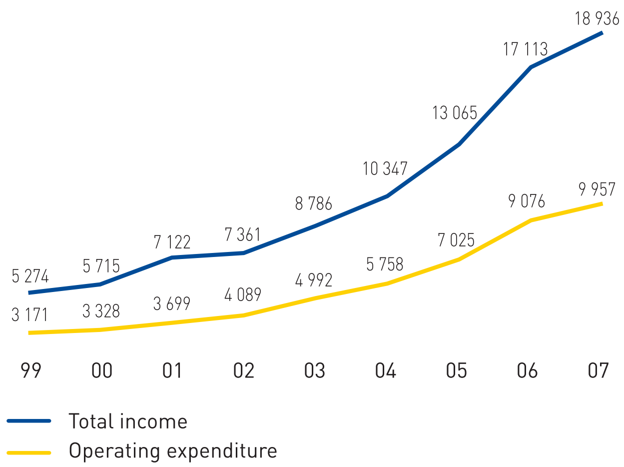
Analysis of income from associates and joint ventures – December
(R million)



These results were characterised by:

- a satisfactory performance from FirstRand Short Term Insurance, benefiting from increased client numbers and strong new business flows;
- a disappointing performance from the international associates, which were negatively impacted by the decline of certain resource and energy prices;
- a good performance from private equity associates, benefiting from the strong underlying economic conditions; and
- an increase in earnings from WesBank's associates, in part due to the inclusion for the first time of Tracker during the current period.

Operating "jaws" – December
(R million)



Operating expenses – up 10%

Operating expenses increased by 10% year on year.

The increase in operating expenses was affected by:

- direct staff remuneration increased by 13%, due in part to the growth in staff numbers to support the new business growth across the Banking Group;
- variable costs directly related to income, including profit shares, joint ventures, incentives and loyalty programmes decreased by 19% from R1 469 million to R1 183 million, reflecting the more subdued profit growth during the period;
- costs associated with brand building increasing by 12%; and
- an increase of 46% in professional fees and 46% in computer expenses.

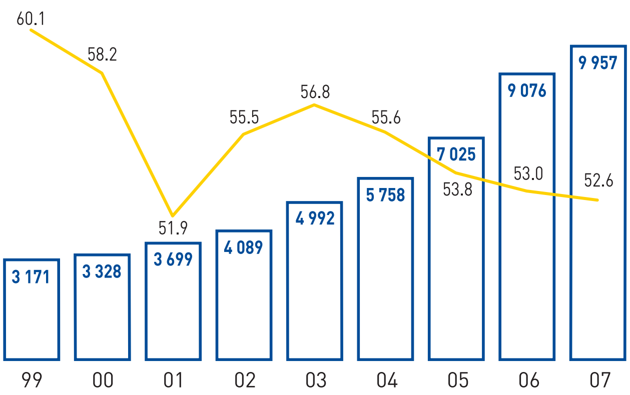
A detailed analysis of operating expenditure is set out on page 69.

Cost to income ratio

The cost to income ratio improved from 53.0% at 31 December 2006 to 52.6 %.

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

Operating efficiency – December



The year on year improvement was driven primarily by the slight widening of operating "Jaws" during the period under review.

Direct taxation

The direct tax charge as a percentage of income before direct tax decreased from 23.7% to 20.2%. The Banking Group benefited from a high level of STC credits earned relative to the comparative period.

CREDIT RISK MANAGEMENT

Non performing loans and credit impairments

Increasing interest rates during the six months under review resulted in higher levels of non performing loans and bad debts. Non performing loans increased to 2.0% (2006: 1.4%) of gross advances while the income statement impairment charge on average gross advances increased to 0.80% (2006: 0.69%) after taking into account income from credit protection strategies. Before taking this into account, the income statement impairment on average gross advances was 1.00%.

The sustained higher interest rates anticipated over the remaining six months of the current financial year will contribute towards further increases in the arrears, NPLs and impairment charges. The Banking Group continues to actively manage its credit portfolio under the current macro economic conditions through appropriate origination strategies and credit portfolio hedging activities.

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

	Six months ended 31 December			Year ended 30 June
	2007	2006	% change	2007
Total advances net of interest in suspense ("ISP") (R million) (restated)[1]	**420 064**	347 190	21	388 035
NPLs (R million)	**8 464**	4 955	71	6 490
NPLs as % of gross advances (%)	**2.01**	1.43	41	1.67
Specific and portfolio impairments reflected in the balance sheet (R million)	**5 557**	3 576	55	4 550
Impairment charge (R million)[2]	**1 625**	1 151	41	2 857
Impairment charge as a % of average gross advances[2] (%)	**0.80**	0.69	16	0.81
Total impairments as a % of NPLs (after ISP) (%)	**72.2**	81.6	(12)	77.4
Total impairments as a % of residual risk (%)	**158.6**	154.4	3	165.5

1. *During the 2007 financial year the Banking Group changed its application of set off rules in terms of the requirements of IAS 32 and due to evolving local and international best practice. This resulted in the gross up of the Banking Group balance sheet.*
2. *Impairment charge after recovery on credit protection strategies. The impairment charge before credit protection amounted to R2 015 million and an impairment charge percentage of 1.00%. As the impairment charge percentage is showed on an annualised basis, the benefit of the credit protection is overstated in the impairment charge percentage.*

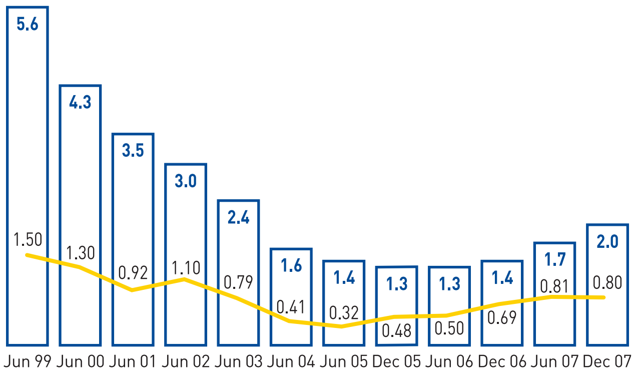
The R3.5 billion increase in non performing loans can be ascribed to the characteristics of the current market environment, being:

- the increased interest rate environment which has led to increased credit default levels; and
- high levels of customer credit extension impacting affordability.

The mix of NPLs changed during the period due to a significantl increase in NPLs in HomeLoans, WesBank and other secured portfolios. Due to the higher expected recoveries on these secured advances, NPLs increased at a faster rate than balance sheet impairments.

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

NPL and impairment charge
(%)



Non performing loans are classified as such based on the definition of default used by the Banking Group. The non performing loans percentage includes the total value of non performing loans classified into this category in the current year, as well as those of previous years that are still being collected/worked out. The impairment charge percentage is the bad debt charge to the income statement as a percentage of total average advances based on the application of the Banking Group's internal provisioning policies and on the accounting basis applicable at the time (SA GAAP prior to 2006). The impairment charge for 2007 is after the recognition of the credit protection strategies.

A further analysis of the credit quality of the advances book is set out on pages 61 to 66.

Credit quality overview

The FirstRand master rating scale, the FR ratings, range from FR 1 to FR 100, with FR 1 being the best rating with the lowest probability of default. The FR rating has been mapped to default probabilities as well as external rating agency international rating scales. The granular 100 point scale is summarised for internal purposes into 18 buckets and for reporting purposes into 9 performing buckets as described below.

The FR scale is summarised in the following table:

FR rating	Mid point PD	International scale mapping*
FR 1 – 12	0.04%	AAA, AA, A
FR 13 – 25	0.27%	BBB
FR 26 – 32	0.77%	BB+, BB
FR 33 – 37	1.34%	BB-
FR 38 – 48	2.15%	B+
FR 49 – 60	3.53%	B+
FR 61 – 83	6.74%	B
FR 84 – 91	15.02%	B, B-
Above FR 92		Below B-
FR 100	100%	D (defaulted)

* *Indicative mapping to international rating scale of Fitch and S&P.*

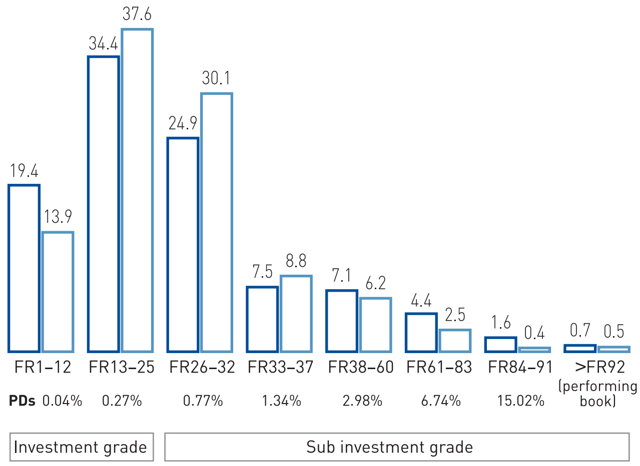
The credit quality of the wholesale credit book remained stable around FR 33. The exposure to investment grade counterparties amounted to 54% (2006: 52%). The weighted average rating for retail credit counterparties deteriorated further due to the current market characteristics of sustained higher interest rates. The overall internal counterparty rating, ignoring collateral effects, was FR 48 at 31 December 2007 (December 2006: FR 43). The rating is equivalent to a national scale credit rating of zaBB (December 2006: zaBB).

The graphs in the section below describe the main credit portfolios in terms of distribution across rating grades. These distributions provide an overview of the credit quality of the book.

Wholesale credit exposures

The following graph indicates the credit distribution based on the wholesale corporate counterparty's probability of default ("PD") and FR ratings for the portfolio (excluding the financial institution and sovereign exposures):

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

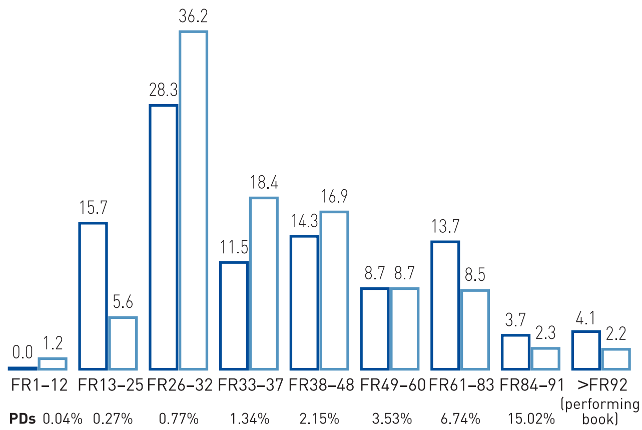


The weighted average probability of default ("PD") for the wholesale corporate credit portfolio is generally around 1%. The loss given default ("LGD") for the wholesale credit portfolio is generally between 35% and 45%.

Retail and SME credit exposures

The following graph indicates the credit distribution based on the retail and SME counterparty's probability of default ("PD") and FR ratings for the portfolio:

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



The weighted average probabilities of default ("PD") for the retail and SME credit portfolios are generally between 2% and 5%. The LGDs for these exposures are dependent on the level and type of security held. The LGD for residential mortgages typically ranges between 10% and 20% and for asset backed finance transactions (typically in WesBank) between 10% and 35%. For the unsecured exposures, the average LGD ranges between 40% and 80%.

Portfolio analysis – Expected loss

The expected loss ("EL") of the portfolio is a function of the exposure at default, probability of default (reflected in the credit distributions above) and the loss given default dimension which incorporates collateral. It is a forward looking measure of risk through the cycle. The forward looking long run average expected loss estimated at 31 December 2007 for the Bank's portfolio is estimated at 0.8% (2006: 0.7%). The longer term average through the cycle expected loss is below the current impairment charge and the expectation of impairments for the next six months.

The Bank conducts macro economic sensitivity analysis to test the resilience of the credit portfolios to events such as interest rate shocks. The results of these sensitivity analyses provide a number of potential impairment scenarios that are considered in the internal credit mitigation and credit hedging strategies.

Securitisation structures

The Banking Group has in place a number of securitisation structures. Securitisation enhances the bank's liquidity position through diversification of funding source, matching of the cash flow profile of assets and liabilities and a reduction of on balance sheet risk and capital requirements. Furthermore, it provides capability to manage concentrations of credit risk to some extent.

The Banking Group uses both traditional (true sale) and synthetic securitisation structures. During the six months under review, the Banking Group launched its Fresco 2 transaction, a corporate synthetic securitisation programme of R20 billion. Fresco 2 was used as a mechanism to improve credit risk capital requirements, credit concentration risk as well as liquidity risk. In addition to the synthetic securitisation, a second home loan securitisation programme of R2.8 billion, Ikhaya 2, was structured.

The table below provides an overview of the securitisation structures currently in place:

Name of securitisation	Year initiated	Assets securitised R million	Assets outstanding R million	Current balance of amount retained R million
Procul	2002	2 000	1 099	1 013
Nitro 1	2006	2 000	814	10
Nitro 2	2007	5 000	2 684	62
Nitro 3	2007	5 000	3 844	92
Ikhaya 1	2007	1 900	1 701	52
Ikhaya 2	2007	2 884	723	117
Fresco 2*	2007	20 000	20 000	18 259

* *Includes the retained super senior tranche of R17.8 billion.*

The following table presents the conduit programmes facilitated by RMB:

Name of conduit	Type of loans	Date of transaction	Programme size R million	Current size R million
iNdwa	Corporate term loans	2003	15 000	10 137
iNkotha	Call loans	2006	10 000	6 000
iVusi	Corporate term loans	2007	15 000	4 404

The securitisation structures and conduits have been performing satisfactorily during the period under review.

BASEL II

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

The capital impact of Basel II is expected to be largely neutral with a bias to a potential increase due to the changes in the credit cycle. The capital levels of the Banking Group are adequate in terms of the regulatory capital requirements of the Banking Group, as well as the capital requirement determined through the Banking Group's internal capital adequacy assessment process.

CHANGE IN DISCLOSURE

As set out in the results for the year ended June 2007, in line with international accounting practice, the Banking Group has grossed up advances and deposits subject to legal right of set off. Previously these amounts were set off. The impact of the change is set out in the table below:

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	% change	Year ended 30 June 2007
Gross advances	**420 064**	347 190	21	388 035
Adjustment for set off	**(19 380)**	(14 846)	31	(17 969)
Gross advances – as previously disclosed	**400 684**	332 344	21	370 066
Deposits	**481 172**	372 217	29	419 965
Adjustment for set off	**(19 380)**	(14 846)	31	(17 969)
Deposits – as previously disclosed	**461 792**	357 371	29	401 996

OPERATIONAL RESULTS BY BUSINESS UNITS

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
FNB	**3 436**	2 815	22	5 738
Mass	**598**	466	28	981
Consumer	**1 059**	952	11	2 035
– HomeLoans	**256**	326	(21)	729
– Card (Issuing)	**33**	74	(55)	109
– Other Consumer	**770**	552	39	1 197
Wealth	**219**	155	41	320
Commercial	**1 344**	1 011	33	2 191
Corporate	**311**	292	7	603
FNB Other and Support	**(95)**	(61)	(56)	(392)
FNB Africa	**525**	428	23	907
RMB	**2 383**	2 207	8	5 281
WesBank	**591**	711	(17)	1 370
FirstRand Short Term Insurance and Group Support	**334**	552	(39)	1 407
	7 269	6 713	8	14 703
Less: Divisions disclosed elsewhere	**(162)**	(84)	93	(210)
Income before direct tax	**7 107**	6 629	7	14 493

FNB – South Africa

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Income before indirect tax	**3 592**	2 955	22	6 061
Indirect tax	**(156)**	(140)	11	(323)
Income before tax	**3 436**	2 815	22	5 738
Advances	**197 973**	161 164	23	180 281
Total deposits	**183 700**	153 332	20	168 280
Assets under management	**43 580**	21 523	>100	26 489
Cost to income ratio (%)	**56.5**	60.0		59.8
Non performing loans (%)	**2.8**	1.8		2.2

R million	2007	2006	% change	2007
Mass	**598**	466	28	981
Consumer	**1 059**	952	11	2 035
– HomeLoans	**256**	326	(21)	729
– Card (Issuing)	**33**	74	(55)	109
– Other Consumer	**770**	552	39	1 197
Wealth	**219**	155	41	320
Commercial	**1 344**	1 011	33	2 191
Corporate	**311**	292	7	603
FNB Other and Support	**(95)**	(61)	(56)	(392)
Total FNB	**3 436**	2 815	22	5 738

INTRODUCTION

The six month period to December 2007 remained challenging given the continued increase in interest rates and general levels of consumer indebtedness. FNB's performance during this period can be ascribed to the following:

- a strong franchise in the commercial and corporate segments, which now comprise approximately half of FNB's earnings;
- a diversified portfolio of retail segments, which has meant that whilst the consumer segment has experienced a slow down in growth, the mass and wealth segments continued to show good growth; and
- a continued focus on efficiencies which has resulted in a further reduction in FNB's cost to income ratio.

CHANGES IN STRUCTURE AND SEGMENTATION

During the period certain operations, including Money Market and Direct Foreign Dealing were transferred from FNB to RMB effective 1 January 2007. In addition, FNB has taken transfer of the Custody business from RMB, with effect from 1 July 2007. The historical results have been restated accordingly.

The FNB Wealth segment acquired FirstRand International Asset Management ("FRIAM") from Momentum effective 1 July 2007. The Mass segment results include the acquisition of the housing finance business acquired from Transnet effective 26 September 2007. The historical results do not incorporate the impact of these acquisitions. Where appropriate, the impact of these two acquisitions is separately disclosed.

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

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

PERFORMANCE

FNB has produced another set of very good results with profit before tax increasing 22% from R2 815 million to R3 436 million.

Interest income grew 27% mainly due to the continued strong balance sheet growth in both advances (up 23%) and deposits (up 20%). Deposit margins benefited from the endowment impact and margins in Card advances improved due to re-pricing following the removal of the Usury Act ceiling.

Bad debts increased to 1.24% (2006: 0.79%) of average advances resulting in an 87% increase in the impairment charge. This increase is in line with expectations, given the current economic cycle and the interest rate increases, which are driving up arrears and non performing loans ("NPLs"). The December 2006 ratio also benefited from provision reversals relating to certain corporate exposures that were repaid.

Non interest income increased 19% driven by 9% growth in customer numbers and higher revenue generating transactional volumes across all segments. The non interest income growth includes the increased fees from asset management, growth in assurance revenue and other non transactional fees.

Operating expenses increased 15% and includes additional costs related to the incorporation of FRIAM and Transnet housing business in the current year. The increase was mainly driven by staff costs resulting from growth in headcount to ensure improved client service, coupled with above inflation salary increases but also include certain variable costs associated with increased volumes, and investment in infrastructure.

Deposits increased R30 billion or 20%. This growth was largely driven by product innovation and by sales of shorter term products as the interest rate increases made deposits more attractive.

Advances increased R37 billion or 23%. The increase is primarily driven by property financing in both HomeLoans (R17 billion) and Wealth (R5 billion), with the other segments achieving growth in excess of 15%.

SEGMENT PERFORMANCE

Mass (Smart Solutions)

Smart and Mzansi accounts
Microloans (SmartSpend)
ATMs (including Retail & Mini-ATMs)
Cellphone banking & Prepaid products
Housing finance (SmartBond & Smart Housing Plan)
FNB Life

This segment focuses on individuals earning less than R81 000 per annum and is principally serviced by FNB Smart branded products and services.

The segment performed very well during the period under review with profit before tax increasing 28% from R466 million to R598 million.

The main driver of this segment's performance was the strong growth in non interest income, which increased 19%, driven by an overall 16% growth in revenue generating transactions, including debit card transactions which grew 39%, while a 32% growth in prepaid airtime turnover also contributed positively. The customer base increase of 9% to 3.4 million contributed to the overall transactional volume growth.

Interest income growth of 30% is the result of a 71% increase in advances to R6 billion (30% increase excluding the acquired Transnet advances of R1.3 billion) and an 8% deposit growth. The advances growth relates to the SmartSpend, Smart Housing Plan and SmartBond products, where sales increased 26%. The segment benefited from the widening of margins on the endowment balances.

Operating costs increased 22% driven mainly by growth in variable costs relating to the increased customers and transactional volumes, as well as the software upgrade on ATMs and the costs associated with the operations acquired from Transnet. InContact SMS volumes grew 15% to 224 million for the six months.

The new software rollout across the ATM base contributed to a decrease in market share of Saswitch transactions to 26% (2006: 29%) as downtime during conversion had a negative impact on volume growth, despite the share of Saswitch devices remaining at 21% (Dec 2006 – 21%).

By December 2007 Cellphone banking had nearly 550 000 registered customers. The use of this channel provides convenience and cost efficiencies and in tandem with InContact is expected to continue to contribute to good market share growth.

FNB Life had achieved significant growth due to its strategy of adding value and enhancing insurance features to existing products, however, given the impact of the current economic environment, policy lapse rates have increased. The in-force policies have remained constant over the period at 2.6 million.

Consumer

Cheque & transmission products including overdrafts
Investments & equity products
Personal loans (including Student loans)
FNB Insurance Brokers (previously First Link)
eBucks
HomeLoans (including One Account)
Card (Issuing)

This segment focuses on providing banking and insurance solutions to customers with incomes ranging from R81 000 to R750 000 per annum and certain sub segments (youth and teens, students, graduates and seniors).

The segment increased profit 11% from R952 million to R1 059 million. Interest income increased 20%, largely as a result of the widening deposit margins but also assisted by good growth in both deposits and advances.

Non interest income grew 15%. This was as a result of 7% growth in the active account base as well as 9% growth in transactions per account.

Total advances grew 19% to R123 billion, as a result of continued good growth in HomeLoans. Bad debt charges increased to 1.54% (2006: 0.89%) of average advances, which is the result of the increase in NPLs to 3.34% (2006: 1.65%) of gross advances.

Deposits increased 17% to R48 billion, attributable to improved sales of products and higher rates attracting deposits. The strategy to lower the entry level on savings accounts resulted in additional growth.

Operational expenses growth was limited to 2% driven by the focus on efficiency and cost savings in procurement and shared services.

Personal Loans (including Student Loans) increased advances 20%. First half sales were impacted by rising interest rates, with year on year sales decreasing. Bad debts to average advances increased in excess of 100% to 8.18% (2006: 3.76%).

FNB Insurance Brokers (previously FirstLink) grew total revenue 19% with expenses increasing 14%, resulting in a 55% growth in operating profit.

eBucks increased the spend to award ratio to 93% and was voted one of the two largest online shopping malls in South Africa.

HomeLoans

HomeLoans increased new business market share to 22% in December 2007 (December 2006: 15.8%) against a background of 7% growth in total new business registrations. This market share growth was due to HomeLoans being better positioned than its competitors post the implementation of the NCA.

HomeLoans advances grew 19% to R107 billion, however, the anticipated slowdown in house prices will impact overall advances growth for the remainder of the financial year.

Profit before taxation decreased 21% to R256 million. The increase in bad debts and NPLs impacted both interest income (up 1%) and credit impairment charges (up 44%). As expected, given the prior year lows, the higher interest rate environment had a significant impact on arrears and NPLs (up 182%), with NPLs as % of advances more than doubling to 2.45% (2006: 1.04%) and an impairment charge at 0.44% (2006: 0.36%) of average advances.

Interest income was relatively flat given the increase in funding costs, loss of interest due to increased NPLs, and the amortisation of new business acquisition costs incurred in prior years.

Non interest income grew 7%. Operating expenses increased 3% due to ongoing improvements in process efficiencies.

Card (Issuing)

Tough conditions continued to impact Card with profits 55% lower at R33 million.

Interest income increased 40% as a result of the widening of the margins compared to the previous period when the Usury Act rate was fixed, resulting in a margin squeeze during 2006. Advances increased 21% to R12 billion although sales reduced 78%.

The bad debt charge increased 150% to R557 million representing 9.16% of average advances. This was predominantly due to the inability of customers to pay in an increasing interest rate environment, and resulted in NPLs increasing to 10.33% of gross advances (2006: 6.6%). Management continues to focus on collections initiatives and early detection of distressed customers, and has seen some improvement in arrears.

Non interest income increased 22% whilst operating cost decreased by 1% largely due to the base created in the previous period due to the start up cost of cooperation agreements.

Wealth

RMB Private Bank
FNB Private Clients
FNB Trust Services
First Rand International Asset Management (FRIAM)

The Wealth segment profit before tax increased 41% to R219 million (24% excluding FRIAM). The focus on achieving diversity of income, both geographically and operationally, has continued to support the operating fundamentals of the segment. A strong performance in RMB Private Bank, which grew profit before tax 32% to R104 million and FNB Private Clients (benefiting from the re-segmentation of Wealth Clients) which grew profits 24% to R57 million were significant contributors.

Assets under management increased 102% to R44 billion (35% excluding FRIAM). The growth was largely due to investment selection and net new business inflows.

Strong growth in advances of 29% to R24 billion and deposits of 17% to R14 billion contributed to interest income increasing 27%. Bad debts, however, increased 73% to R45 million on the back of NPLs increasing to 1.84% (2006: 1.37%) of gross average advances.

Non interest income grew 88% (26% excluding FRIAM), largely due to fees on asset management.

Operating expenditure increased 55% for the segment (22% excluding FRIAM), largely due to the investment in skills, and marketing. Whilst this represents a substantial investment by the Wealth segment, future growth potential is expected to be significant.

Commercial

SMMEs, Business and Medium Corporate overdraft and transactional products
Investment products
Agricultural products
BEE finance
Commercial property finance
Debtor finance
FNB Leveraged finance, BEE funding, franchises, tourism and start-ups

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

The Commercial segment had an excellent first half of the year with profit before taxation increasing 33% to R1 344 million. Profit before taxation showed growth across all sub segments with Medium Corporate up 15%, Business up 39% and Agriculture up 73%.

Deposits grew 19% to R57 billion due the healthier balance sheets and cash flows of customers. A further contribution came from the Money Market product where competitive rates and transactional functionality improved the attractiveness of the product.

Advances increased 18% to R22 billion. Commercial Property Finance loans increased 51% due to the focus on the coastal regions, property development and affordable housing markets. Agricultural term loans increased 11%, a result of new business and increased utilisation of existing facilities. Leverage Finance loans grew 59% largely due to client business acquisitions and Mid Corporate advances increased 29% as a result of increased utilisation of facilities.

Interest income increased 35% due to strong liability and asset growth, as well as improved deposit margins. The segment continues to experience good credit quality with NPLs at 2.28% (2006: 2.56%) of average advances, however, the interest rate cycle has resulted in increased bad debts at the lower end of the segment.

Commercial's non interest income growth of 11% is mainly attributable to SpeedPoint (21%), Electronic banking (14%) and International banking (12%). International banking growth was negatively impacted by low Rand volatility for a large part of the period.

Operating costs increased 13% as a result of increased variable costs and continued investments in higher growth areas including technology investments.

Corporate

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

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

Profit before tax grew 7%, largely due to the base created in the previous period following the credit provision release of some R50 million resulting from the repayment of certain corporate exposures. The NPLs improved to 1.02% (2006: 1.39%) of advances while the bad debts charge is 0.47% (2006: (0.32%)) of average advances.

Interest income grew 5%, reflecting the continued pressure on margins.

Deposit volumes grew 18% to R28 billion (R40 billion before set off) indicating that many large corporates continue to show strong balance sheets and earnings growth. However, margins are under pressure, notably in the financial institutions sector due to strong competition. Advances increased to R3.7 billion (R16 billion before set off).

Non interest income growth of 15% was largely driven by increased transactional volumes in the electronic channels, FNB Online (12%) and SpeedPoint (30%). Whilst organic growth was a significant contributor to the above increases, Online Banking developed and implemented new product offerings that improved sales and SpeedPoint increased its footprint of point of sale devices by 23%. The strong performance of the Rand negatively impacted the growth of the International banking business.

Operating expenditure grew only 4% given the focus on efficiency. This positively impacted the cost to income ratio resulting in a decrease from 64% to 60%.

FNB Other and Support

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

Public Sector Banking

The segment provides transactional banking and other financial products and services to the three spheres of government; namely, national, provincial and local government. Public Sector Banking also services universities and public schools.

The continued economic growth and government's budget surplus has had a significant impact on the demand for borrowing by government entities. Other non-conventional banking opportunities have also been pursued to ensure business growth.

Despite increased competitor activity, FNB's focus on this market has continued to yield positive results in the form of tenders awarded and business retained.

Branch Banking

Branch Banking provides banking services to FNB's 6 million customers through 709 representation points distributed nationally. Some 26% (2006: 25%) of these are positioned in designated Financial Sector Charter communities.

	Six months ended 31 December			Year ended 30 June
R million	2007	2006	% change	2007
Representation points (Branches, agencies, Sales centres, etc.)	**709**	690	3	698
ATMs	**4 642**	4 484	4	4 561

FNB – Africa

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Income before indirect tax	**537**	438	23	926
Indirect tax	**(12)**	(10)	20	(19)
Income before tax	**525**	428	23	907
Attributable earnings	**247**	209	18	563
Advances	**14 664**	12 694	16	13 492
Total deposits	**20 490**	17 673	16	17 409
Cost to income ratio (%)	**46.5**	46.6		45.7
Non performing loans (%)	**3.1**	3.0		2.9

Income before tax

millions	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
FNB Botswana (Pula)	*211*	*179*	*18*	*367*
FNB Botswana (Rand)	**239**	212	13	428
FNB Namibia	**253**	195	29	435
FNB Swaziland	**36**	30	20	62
FNB Mozambique (Meticais)	*41*	–	100	–
FNB Mozambique (Rand)	**11**	–	100	–
FNB Lesotho	**1**	0	100	2
FNB Africa Centre & Expansion	**(15)**	(9)	67	(20)
Total	525	428	23	907

PERFORMANCE

FNB Africa Consolidated

Net income before tax increased 23% for the period to R525 million. The FNB Mozambique acquisition in July 2007 contributed R11 million (2.5%) to the growth in the portfolio. Profits from long and short term insurance increased 39% and contributed 1.3% to the growth in the portfolio. Profits attributed to banking operations increased 19.6%, attributable to advances and deposit growth and increased transaction volumes in all subsidiaries. Advances and deposits including FNB Mozambique, increased 16% year on year. Advances and deposits excluding FNB Mozambique increased 13% and 14% respectively. Return on equity improved from 29.9% to 31.8%, largely due to the capital maximisation programme undertaken during the period.

FNB Botswana

Net income before tax increased 18% to P211 million. Improved balance sheet and transactional volumes resulted in strong revenue growth for the half year. Total assets increased 29% and deposits increased 34%. Expansion cost for new branches, growth in staff and system upgrades resulted in lower profit growth for the half year, however, this produced strong revenue growth. Notwithstanding this cost increase, cost to income ratio remains well within the norms at 34.8%

FNB Namibia

Net income before tax increased 29% to N$253 million attributed to good results from banking, life and short term insurance operations. Profit before tax from banking operations increased 25% mainly attributed to improved margins as a result of the positive endowment effect due to the increase in repo rates experienced in the first six months of the year. Cost to income improved from 51.6% to 48.7% for the period and return on equity improved from 20.9% to 25.8%. Shareholdings purchased by Momentum and OUTsurance in the Swabou Life (35%) and Swabou Insurance (49%) businesses were concluded in the beginning of the financial year. Swabou Life continues to perform well with an increase of 27% on a profit before tax level. The new direct model with OUTsurance is doing well, but can only be evaluated in full once a full financial year has passed as January marks the start of the rainy season.

FNB Swaziland

Net income before tax increased 20% for the period to E36 million. This positive result can be attributed to good margin management and balance sheet volumes. Interest revenue increased 25% for the half year. Net advances increased 17% and deposits increased 15% for the period. Infrastructure investment cost to grow the business resulted in higher cost growth for the period. Cost to income improved from 50.7% to 49.9% year on year and ROE improved from 32.1% to 33.1%.

FNB Mozambique

FNB Mozambique was acquired in July 2007. Results are included in the consolidated FNB Africa results as from August 2007. FNB Mozambique posted a profit of M41 million for the period due to a combination of stable interest turn and non interest revenue streams, good recoveries and cost containment initiatives. The FNB and FirstRand risk management frameworks and governance structures have been introduced and this is positioning the business to become more focused on growth.

FNB Lesotho

FNB Lesotho's profit before tax for the period ended 31 December 2007 was R1.4 million. Net advances increased 75% and deposits increased 83% year on year. The growth is attributable to FNB Lesotho gaining market share, being a new business in Lesotho.

FNB Expansion

In line with FirstRand's stated intent to be a strong regional player in Southern Africa, expansion opportunities in various Southern African countries are being pursued to build on FNB's regional franchise.

RMB

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Income before indirect tax	**2 408**	2 229	8	5 334
Indirect tax	**(25)**	(22)	14	(53)
Income before direct tax	**2 383**	2 207	8	5 281
Total assets	**258 721**	194 427	33	198 929
Cost to income ratio (%)	**38.8**	38.4		42.0

PERFORMANCE

RMB produced 8% growth in profit before tax to R2 383 million for the six months to December 2007. This growth was particularly pleasing given that it was achieved off the very high base created in the comparative period and in extremely challenging markets.

Market conditions in the six months to December 2007 differed substantially from those in the prior period with global capital markets in significant turmoil following the sub prime crisis. However, domestically corporate activity remained high providing a strong driver for growth in the lending and advisory businesses, which more than doubled profits.

The investing businesses concluded the half year very strongly, with sound earnings from underlying assets in the portfolio complementing good realisation profits.

Inflationary pressures in the local economy produced volatility in interest rate and currency markets which resulted in increased volumes of customer transactions and proprietary trading opportunities. This enabled the local fixed income and currency trading businesses to produce strong results.

Equity markets, especially the international markets, were extremely volatile and proved particularly challenging as long established correlations and underlying fundamental relationships experienced significant dislocation. Locally, the JSE experienced high levels of volatility which provided good volumes for the structuring and client businesses and at times opportunities for proprietary trading.

In contrast to the first six months of the prior year, which saw all divisions reporting profits, the half year results show three divisions, Private Equity, Investment Banking, and Fixed Income, Currencies and Commodities ("FICC"), reporting record performances, 65%, 125% and 117% up on the prior period respectively. The Equity Trading division reported a poor performance incurring losses of R760 million. These losses emanated from dislocations in the equity markets and were incurred within the bank's risk management framework.

Losses were reported on the mark to market of RMB's holding in Nufcor as the spot price of uranium fell. RMB's only exposure to sub prime was closed out during the period at a loss of about R10 million.

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

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Private Equity	**1 303**	791	65	1 352
Investment Banking	**1 073**	477	>100	1 271
FICC	**720**	332	>100	692
Equity Trading	**(760)**	403	>(100)	1 429
Other	**47**	204	(77)	537
	2 383	2 207	8	5 281

PRIVATE EQUITY

Private Equity reported record profits of R1 303 million, 65% up on the comparative period. This was driven by strong growth in associated earnings to R659 million and realisations from its portfolio. A number of new investments were made during the period, York Timbers Ltd, Ausreo Ltd and HMG Group, being the most significant. The overall book value of investments grew to R3 413 million. Unrealised profit in the portfolio grew to R2.2 billion (December 2006: R1.27 billion), despite realisations concluded in the period.

INVESTMENT BANKING

Investment Banking Division ("IBD") reported record profits for the six months to December 2007, growing net income before tax to R1 073 million, 125% growth over the comparative period. All product areas delivered strong growth with the most significant contributions coming from advisory, property financing, preference share and lending activities on a number of large leveraged buy outs, resources and BEE deals. The business delivered strong book growth over preceding periods, as well as increased fee revenue generated from excellent deal flow across most areas.

Landmark deals in the period included:

- Alexander Forbes – advising, underwriting, financing and hedging of the leveraged buy out by Actis;
- Primedia – advising, structuring, underwriting, financing and hedging of the management buy out;
- Tongaat Hullet – advising on, and structuring of, the Tongaat Hullet BEE transaction and the unbundling of Hulamin; and
- a number of commercial and retail property finance deals.

IBD continues to reap the rewards of its strategic investment and focus on maintaining strong client relationships to complement its excellence in product innovation. Over the period a number of new strategic initiatives, predominantly within Africa and India, commenced which should in time enhance the division's diversity from a geographic and product perspective.

FIXED INCOME, CURRENCY AND COMMODITY TRADING ("FICC")

The FICC division grew profits from R332 million to R720 million, an increase of 117%. This was predominantly due to exceptional performances from the fixed income and proprietary trading desks as well as the client sales and structuring teams.

Inflationary pressures locally and the resulting increases in interest rates, coupled with US recessionary fears and declining US interest rates, provided the fixed income teams with both increased volumes and proprietary trading opportunities. Results improved in both currency trading and structuring as volatile currency markets drew more hedging customers into the markets. Results from trading in commodities were marginally up on the comparative period but trading conditions remained challenging throughout the period from both a metals and soft commodities perspective.

Debt Capital Markets delivered a very strong performance, on the back of increased activities and corporate interest in accessing funding via South Africa's capital markets.

Although the global debt markets experienced significant funding and liquidity pressures, the SA market conduits and securitisations were largely unaffected though some decreased liquidity and increased funding costs have been experienced.

EQUITY TRADING

The Equity Trading division reported a R760 million loss, compared to a R403 million profit for the first half of the prior period. The local trading businesses reported profits of R613 million for the period, but substantial losses were reported in the international portfolios of US$200 million. These losses predominantly arose from the arbitrage portfolios which suffered from an extreme market dislocation on a scale larger than anticipated between deep value small and mid cap stocks and the more large liquid growth counters. As liquidity in the small and mid caps dried up, significant market losses were incurred on both the deep value portfolios in which the business is invested, and on their hedges which consisted largely of the major indices. November was a particularly difficult month in the equity markets. The total exposures in these portfolios at end December 2007 are roughly half their July 2007 peak levels. The remaining exposures are in positions that RMB believes will yield long term value. The losses were incurred within RMB's risk management framework and both the risks and positions were closely monitored throughout the period.

OTHER

SPJ International reported losses arising from exposures and trading positions in the global credit markets of which some related to a small indirect exposure to sub prime assets. This exposure was closed out during the period at a loss of about R10 million. Trading conditions in the global credit markets were difficult and over the period positions across all asset classes were substantially reduced or closed out completely.

RMB Resources reported a reduction in profit, largely due to a disappointing performance from the energy trading JV, Nufcor, whilst the offshore Resources advisory, investment and financing activities reported healthy growth in earnings on underlying investments and an increase in realisation profits.

Operating costs rose 13.9% over the comparative period as RMB continued to invest heavily in its operating and trading platforms. The cost to income ratio of 38.8% (38.4% in December 2006) remains low in comparison to many international and local peers. Staff numbers rose partly due to increased business volumes but also to assist in the development and implementation of new operating platforms.

WESBANK

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Income before indirect tax	**658**	766	(14)	1 481
Indirect tax	**(67)**	(55)	(22)	(111)
Income before tax	**591**	711	(17)	1 370
Advances WesBank Consolidated	**102 891**	93 120	10	98 434
Cost to income ratio (%) WesBank Consolidated	**53.4**	52.3		53.4
Cost to income ratio (%) WesBank South Africa	**43.6**	45.7		43.3
Non performing loans (%)	**2.1**	1.2		1.7

ENVIRONMENT

The motor industry continues to experience a tough credit cycle. Over the past 18 months growth in vehicle sales has been impacted by declining demand, in a market where consumers are under pressure from high inflation, increasing debt servicing costs and increased levels of overall indebtedness. The corporate sector remains buoyant as a result of high capital investment and infrastructure development. Pressure is beginning to be experienced in the commercial/SME market, due to the compound effect of the rapid interest rate hikes.

PERFORMANCE

WesBank's overall profitability was impacted by significant increases in credit defaults in its local lending business combined with further losses in the international operations. The compound effect of negative gearing (decreasing advances growth with increasing arrears growth) has also resulted in book growth slowing considerably. Overall profits declined by 17% to R591 million.

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

Divisional analysis of income before tax

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
SA operations	**635**	776	(18)	1 519
International operations	**(44)**	(65)	32	(149)
Total	**591**	711	(17)	1 370

SOUTH AFRICAN OPERATIONS

WesBank's local lending operations remain particularly sensitive to changes in the consumer credit cycle. The combined effects of slowing new business production (and hence book growth) and increasing arrear and provision levels have produced results that are disappointing but not unexpected. The decline in earnings reflects the increasing arrears position, brought about by increasing interest rates and lower consumer affordability. Local operations showed net income before tax of R635 million, a year on year decrease of 18%. New business in the retail sector showed a small year on year decline, while bad debts increased 86% over the same period. Excluding the impact of bad debts, net income grew 16% year on year.

Total new business written was R25.5 billion, compared to R26.0 billion in the prior year. Corporate new business continued to show good growth, whereas retail production declined year on year. Gross advances, inclusive of assets which have been securitised (totalling R7.5 billion), grew R8.7 billion to R96.0 billion, an increase of 10% on the prior period. Advances continue to grow while new business declines as advances are a function of business written over a five year period. There has also been evidence of a slowing down in early settlement/prepayment, typical in this cycle.

Interest margins remained flat year on year, with the abolition of early settlement interest and continued pressure on funding costs being offset by the improvement in the mix of fixed rate business within the loan portfolio.

The charge for bad debts, as a percentage of advances, was 1.53% compared to 0.9% in the comparative period. This is a direct result of higher levels of customer indebtedness and the 4.5% increase in the prime rate experienced since June 2006. Non performing loans increased to 2.3% from 1.6% of advances. In spite of the regular tightening in credit extension, the cumulative effect of high indebtedness and frequent interest rate hikes has placed some customers under pressure to meet financial repayments. It is evident that the length and depth of the current arrears cycle is worse than anticipated.

Non interest revenue grew 28% year on year, mainly due to insurance revenues and growth in income from the non lending operations. Non interest expenditure grew 18% year on year, although only 13% in the local finance operations and the balance comprised of the non lending operations. The cost to income ratio in the finance business improved from 45.7% to 43.6%, highlighting the improved efficiency levels in the operation.

INTERNATIONAL OPERATIONS

WesBank's International operations include Motor One Finance (the retail finance operation in Australia), WorldMark (the car care product business in Australia) and Carlyle Finance (the retail and business finance operation in the UK). These operations reflected a loss of R44 million for the period under review compared to R65 million in the prior year.

Due to increasing competition, margin pressures and the inability to generate sufficient scale, the decision has been taken to exit the Australian market. The finance business will not deliver WesBank's required returns in the short to medium term, and consequently investment and management attention will be redirected to more attractive opportunities and strategic imperatives. The exit will entail a sale, or run down, of the Motor One Finance advances book, whichever is financially preferable. Without the finance operation, there remains no strategic rationale to hold the investment in WorldMark and potential suitors will be sought to purchase this business, if the timing is considered appropriate and the price acceptable. The net financial impact of the decision is expected to be immaterial, but not negative to the bottom line.

Carlyle Finance operates in a different sector in the UK and delivers higher margins. The business will continue to be evaluated against Group return requirements, but has shown significant operational improvements in the past year. The generation of sufficient scale remains the outstanding challenge for the business. Carlyle generated an operating loss of R20 million in the current period compared with R35 million in the comparative period.

Other opportunities in attractive foreign markets will continue to be explored.

WesBank remains a cyclical business, prone to the double effects of reducing production and increasing arrears in the downward credit cycle. The challenges of implementing the changes brought about by the NCA placed additional pressure on the business. In spite of this, the operational foundation of the business remains strong and the strategy sound.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Banking Group attributable income before tax	**182**	140	30	310
Gross earned premiums	**1 725**	1 375	26	2 930
Operating income	**308**	262	18	556
Income after tax	**282**	216	31	487
Expense/cost to income ratio (%)	**16.6**	17.0		16.2
Claims and OUTbonus ratio (%)	**60.7**	58.3		58.8

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

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

PERFORMANCE

FRSTIH registered a pleasing performance for the six months ended 31 December 2007. Premium income grew by 25.5% on the back of strong new business flows from both OUTsurance and Momentum STI.

Operating income increased by an acceptable 17.6%, particularly given tough market conditions. The claims ratio of 60.7% (including OUTbonus costs) was 2.4% percentage points higher than the previous year, with significant losses incurred following floods in the Eastern Cape.

Income after tax for the year increased 30.8% with higher interest rates having a positive effect on investment income generated.

momentum

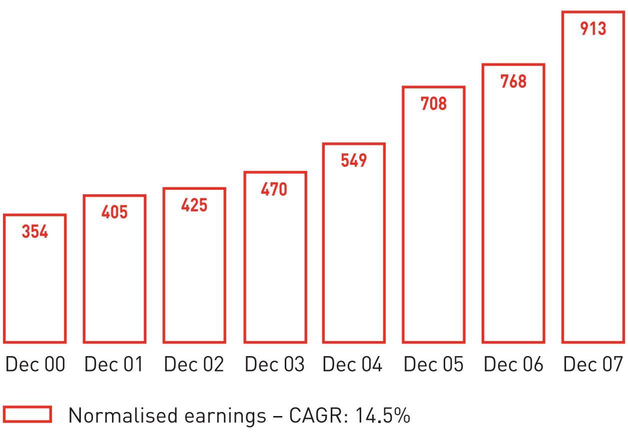
Introduction

The Momentum Group comprises the operations of Momentum Group Limited and its subsidiaries and associates, including Momentum Medical Scheme Administrators (MMSA), RMB Asset Management (RMBAM) and RMB Unit Trusts (RMBUT), FirstRand Alternative Investment Management (FRAIM), RMB Asset Management International (RMBAMI), 85% of Advantage Asset Managers (Advantage), 70% of Lekana Employee Benefit Solutions (Lekana), 50% of Momentum Short Term Insurance (MSTI) and 35% of Swabou Life.

financial highlights

	31 December			30 June
R million	**2007**	2006	% change	2007
Normalised earnings	**913**	768	19	1 668
Return on equity based on normalised earnings (annualised %)	**31**	24		25
New business from insurance operations	**15 459**	11 073	40	23 464
Value of new business	**298**	207	44	518

Normalised earnings
(R million)



OVERVIEW OF RESULTS

The Momentum Group results for the six months ended 31 December 2007 were characterised by the following:

- despite subdued investment markets insurance operations profits are up 25%;
- strong new business growth in insurance operations:
  - excellent growth in lump sum inflows in Momentum insurance operations;
  - very strong growth from FNB collaboration; and
  - overall new business margin maintained;
- value of new business up 44%;
- pleasing results from growth initiatives, especially the middle market initiative;
- an increase in collective investment scheme assets counter-balanced by some institutional client outflows in the asset management operations;
- continued distribution diversification; and
- capital efficiency and strong operating performance resulted in an excellent return on equity of 31% annualised.

Summarised results

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	% change	Year ended 30 June 2007
Normalised earnings[1,2]	**913**	768	19	1 668
– Group operating profit	**783**	652	20	1 437
– Insurance operations	**643**	513	25	1 145
– Asset management[2]	**140**	139	1	292
– Investment income on shareholders' assets	**130**	116	12	231
Group headline earnings	**881**	652	35	1 610
Earnings attributable to equity holders	**903**	1 118	(19)	2 076
Return on equity (annualised %)	**30.8**	23.9		25.3
New business volumes	**29 448**	27 529	7	58 910
– Insurance operations	**15 459**	11 073	40	23 464
– Asset management	**13 989**	16 456	(15)	35 446
New business embedded value	**298**	207	44	518
New business margins[3] (%)	**2.1**	1.9		2.1
Embedded value	**15 464**	15 428	–	15 927
Return on embedded value[4] (annualised %)	**14.9**	30.0		28.1
Ordinary shareholders' net worth	**7 643**	8 230	(7)	8 244
CAR cover (times)	**2.0**	3.0		2.3

1. *Represents Group headline earnings adjusted for the impact of non operational items and accounting anomalies. The details relating to these items are set out in the earnings table on page 43.*
2. *The comparative normalised earnings have been adjusted for the transfer of Ashburton to the FirstRand Banking Group.*
3. *Calculated as new business embedded value as % of present value of future premiums.*
4. *Represents the embedded value profit as % of opening embedded value, after adjusting for the transfer of Ashburton to the FirstRand Banking Group.*

BUSINESS UNIT PERFORMANCE

The Group increased normalised earnings 19% to R913 million. Momentum paid R1.9 billion in special dividends to FirstRand during 2007, which reduced normalised earnings growth from 24% to 19%. Significantly, however, this enhanced Momentum's return on equity, which increased from 25.3% at 30 June 2007 to 30.8% at 31 December 2007. The Group operating profit (excluding investment income on shareholders' assets) increased 20% to R783 million.

The insurance operations produced very strong results growing operating profits 25%. Momentum's retail insurance book continued to benefit from the strong profitable new business written during the past few years, as well as the scale benefits of strategic acquisitions. The FNB insurance operations continued to produce excellent growth in earnings on the back of strong new business growth, and a turnaround in the losses generated by the middle market initiative in the comparative period.

The insurance operations reflected excellent new business volumes, which grew 40% to R15.5 billion. Momentum's retail recurring premium new business increased 10%, despite increased pressure on household savings due to higher interest rates. Recurring employee benefits business saw good growth in the umbrella fund new business in the SME market but experienced increased competition in the standalone group scheme risk market. Despite increased volatility in the equity markets during the period lump sum inflows increased at an impressive rate of 41%, resulting in increased positive net cash flows in the wealth and retail areas.

The asset management operations experienced challenging conditions, increasing earnings 1% to R140 million. An increase in collective investment scheme assets (including a transfer of R11 billion in assets from the ex-Sage and Momentum collective investment schemes) was counter balanced to a certain extent by some institutional client outflows as well as a reduction in performance fees that were earned compared to the prior period.

The revised investment mandate for shareholders' funds, which resulted in these funds being invested in cash or near cash instruments, has immunised this portion of Momentum's results against the volatility experienced in investment markets. As a result, investment income earned on shareholders' funds increased 12% to R130 million. This increase was achieved despite the impact of the special dividends paid to FirstRand.

Despite subdued investment markets, the annualised return on embedded value totalled 15% (30 June 2007: 28%). The return was driven by significant growth in the value of new business, releases from existing business and positive experience variances. The embedded value of Momentum reduced marginally from R15.9 billion at 30 June 2007, to R15.5 billion at 31 December 2007, mainly as a result of the special dividends paid to FirstRand and the transfer of Ashburton to the FirstRand Banking Group.

The excellent 44% growth in the embedded value of new business to R298 million was driven by strong new business volumes. The average new business margin remained in line with the margin for the 2007 financial year, but improved from 1.9% in the comparative six months, to 2.1% for the current period.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of Group earnings:

Reconciliation of earnings

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Earnings attributable to equity holders	**903**	1 118	(19)	2 076
Adjusted for:				
Profit on sale of Southern Life Namibia book	**(22)**	–	–	–
Profit on sale of available-for-sale assets[1]	**–**	(466)	100	(567)
Impairment of goodwill	**–**	–	–	53
Impairment of intangible assets	**–**	–	–	48
Headline earnings	**881**	652	35	1 610
Adjusted for:				
Adjustment of listed property associates to net asset value[2]	**–**	129	(100)	28
IFRS 2 share based payment charge	**32**	18	78	78
Transfer of Ashburton to Banking Group[3]	**–**	(31)	100	(48)
Normalised earnings	**913**	768	19	1 668

1. *The change in the mandate relating to shareholders' assets in December 2006 necessitated the disposal of the equities held in the shareholders' portfolio.*
2. *Momentum's investments in the associate listed property funds Emira and Freestone, which were reflected at net asset value in the 2006 figures, are currently reflected at fair value as these assets back linked policyholder liabilities in terms of IAS 28.*
3. *The comparative normalised earnings have been adjusted for the transfer of Ashburton to the FirstRand Banking Group.*

The main contributors to normalised earnings are set out in the following table:

Normalised earnings

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Insurance operations	643	513	25	1 145
Momentum insurance[1,2,3]	533	454	17	1 000
FNB insurance	110	59	86	145
Asset management operations[1,2]	140	139	1	292
Group operating profit	783	652	20	1 437
Investment income on shareholders' assets[3]	130	116	12	231
Normalised earnings	913	768	19	1 668

1. *The operating profit of RMBAMI of R7 million for the six months ended 31 December 2006, which was previously included in "Momentum insurance", is now included in "Asset management operations", following the transfer of this business.*
2. *The operating profit of Momentum Collective Investments of R14 million for the six months to 31 December 2006, which was previously included in "Momentum insurance", is now included in "Asset management operations" following the transfer of the assets of this business to RMB Unit Trusts.*
3. *The equity accounted losses of MSTI of R10 million for the six months ended 31 December 2006, which were previously included in "Investment income on shareholders' assets" are now included in "Momentum insurance".*

Insurance operations

The insurance operations increased earnings by a pleasing 25% to R643 million. The Momentum insurance operations benefited from the strong growth in profitable new business over the past few years, as well as the scale benefits of strategic acquisitions. The FNB insurance results were impacted positively by strong growth in embedded credit life products, and a turnaround in the losses generated by the middle market initiative.

Momentum insurance increased operating profit 17% to R533 million. The turnaround in the growth initiatives such as Momentum's share of the middle market initiative, the short term insurance joint venture with FirstRand Short Term Insurance, and the Africa operations, collectively contributed more than half of the overall profit growth. The balance of the growth was mainly due to improved mortality profits and the benefits from strategic acquisitions.

The following table summarises new business generated by insurance operations:

Insurance operations – new business

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Recurring premiums	967	824	17	1 920
– Retail	638	581	10	1 166
– Employee benefits	130	131	(1)	390
– FNB collaboration	199	112	78	364
Lump sums	14 492	10 249	41	21 544
Total new business inflows	15 459	11 073	40	23 464
Annualised new business inflows[1]	2 416	1 849	31	4 074

1. *Represents new recurring premium inflows plus 10% of lump sum inflows.*

The 10% growth in Momentum's retail recurring new business premiums was driven mainly by a 17% increase in risk products. Sales of discretionary savings products are under pressure as a result of a reduction in the disposable income of consumers, whilst sales of retirement savings products remain satisfactory.

Risk rates in the employee benefits recurring premium market have become increasingly competitive, resulting in pressure on new business volumes. Momentum's umbrella fund business, targeting mainly SMEs, has, however, experienced significant growth from leveraging Momentum's already successful broker distribution capability. Given these competitive dynamics overall new recurring employee benefits business remained largely unchanged.

The excellent growth of 41% in lump sum inflows was underpinned by strong sales in discretionary investments, retirement lump sums and living annuities. Momentum's focus on specialist investment brokers delivered significant growth in the high net worth segment of the market. Momentum remains a significant player in the single premium broker market, with a market share of 30% according to the LOA statistics for the quarter ended 30 September 2007.

The agency distribution channel generated satisfactory growth in new business, increasing its contribution to Momentum's new business APE (Annual Premium Equivalent) from 16% for the year to 30 June 2007, to 20% in this past six months.

The total lives under administration in South Africa for the health administration business amounted to 485 000 at 31 December 2007. The main focus remains on integrating the various administrators to extract efficiencies and streamline service delivery in order to provide a solid platform for future organic growth.

The Momentum Africa operations, which currently provide mainly health insurance solutions to groups of employees in nine African countries, came in almost on breakeven for the six months. The acquisition of a 35% stake in Swabou Life, a subsidiary of FNB Namibia, was financed partly by the sale of the ex-Southern Life Namibia book to Swabou Life with effect from 1 August 2007.

The collaboration with FNB continues to contribute significantly to earnings growth. The mass market initiative, FNB Life, experienced strong new business growth in embedded credit life and funeral products. Although the penetration level amongst banking clients has increased significantly, two new distribution initiatives, being an up sell initiative into the embedded credit life book, and a new agency distribution force within the Bank, will assist in maintaining new business growth. The middle market initiative produced its maiden profit during the six months. The product set comprises single need products aimed at the middle market using the FNB brand, and distributed mainly via outbound call centres. Although this business currently generates only 2% of the insurance profits, it already contributes 14% of the total new business embedded value.

Asset management operations

The asset management operations experienced challenging conditions, increasing earnings 1% to R140 million. Collective investment scheme assets increased to R35 billion over the same period (R20 billion at 30 June 2007), boosted by the transfer of R11 billion in assets from the ex-Sage and Momentum collective investment schemes. Institutional assets declined marginally to R170 billion at 31 December 2007 (R174 billion at 30 June 2007), as investment growth was offset by client withdrawals.

The cooperation between RMB Asset Management and Momentum Wealth, which started in prior years, is beginning to deliver. Marketing efforts into the retail space are now done on a joint basis as a matter of course, and the two operations have further started to combine other functions.

FirstRand Alternative Investment Management has been created, leveraging off the SA and UK operations. The first multi managed hedge fund product has been launched successfully and a strong track record has been established in this early phase.

Investment income on shareholders' assets

The discretionary shareholders' portfolio mandate which was previously a combination of equity and cash, was changed to a fully cash mandate in December 2006. This change has effectively immunised shareholders' funds against the recent market volatility, with the result that investment income reflects healthy growth of 12% to R130 million. The reduction in investment income due to the special dividends paid to FirstRand, was offset by an increase in interest rates and the change in the mandate.

MARKETING AND ADMINISTRATION EXPENSES

Total marketing and administration expenses increased 7% to R1.4 billion for the six months. After adjusting for once off items, expenses in the existing operations increased 10% compared with the prior period. The increase in the asset management expenses is due to an investment in additional staff and capacity. The following table provides an analysis of these expenses:

Marketing and administration expenses

	Six months ended 31 December			Year ended
R million	2007	2006	% change	30 June 2007
Total marketing and administration expenses	**1 365**	1 281	7	2 760
New initiatives – Momentum Africa	**(30)**	(13)	>(100)	(29)
Impairment of intangibles and goodwill	**–**	–	–	(101)
Transfer of Ashburton to FirstRand Bank	**–**	(70)	100	(173)
IFRS 2 share based payments	**(32)**	(18)	(78)	(78)
Existing operations	**1 303**	1 180	10	2 379
Insurance operations	**1 115**	1 023	9	1 997
Asset management operations	**188**	157	20	382

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum reduced marginally from R15.9 billion at 30 June 2007, to R15.5 billion at 31 December 2007. Whilst the embedded value benefited mainly from an increase in the value of new business, the expected return on existing business and positive experience variations, it was impacted negatively by the special dividends of R1.9 billion paid to FirstRand and the transfer of Ashburton to the FirstRand Banking Group at lower than directors' value. The embedded value profit for the period represents an annualised return of 15% on the opening embedded value at 30 June 2007 (adjusted for the impact of the transfer of Ashburton on 1 July 2007).

Embedded value

R million	31 December 2007	30 June 2007
Ordinary shareholders' net worth[1]	7 643	8 244
• Strategic investments	3 625	4 406
• Discretionary assets net of debt	4 018	3 838
Net value of in-force insurance business	7 821	7 683
• Present value of future profits	8 709	8 458
• Cost of capital at risk	(888)	(775)
Embedded value attributable to ordinary shareholders	15 464	15 927

1. *The growth in ordinary shareholders' net worth was impacted negatively by the special dividends paid, as well as the transfer of Ashburton to the FirstRand Banking Group at its carrying value of R298 million (directors' value at 30 June 2007: R772 million), following a reorganisation within the FirstRand Group.*

The contributors to the annualised return on embedded value of 15% are:

• Value of new business	4%
• Expected return	6%
• Investment return on shareholders' net worth	5%
• Investment variance	(2%)
• Experience variances and assumption changes	3%
• Change in cost of capital at risk	(1%)

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

Embedded value profit

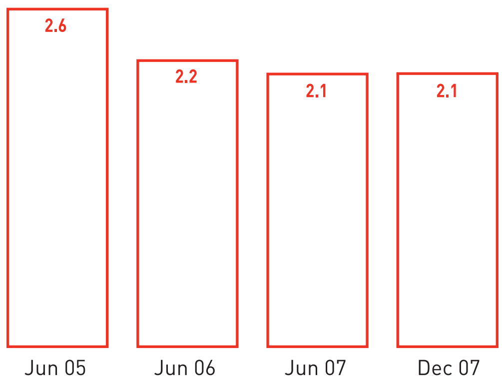
R million	31 December 2007	30 June 2007
Changes in ordinary shareholders' net assets	973	2 673
Earnings attributable to ordinary shareholders	903	2 076
Unrealised capital appreciation and other items	70	597
Change in net value of in-force business	251	1 484
Change in cost of capital at risk	(113)	(105)
Embedded value profit	1 111	4 052

The embedded value of new business increased 44% to R298 million due to strong new business volumes, particularly lump sums and FNB collaboration.

The new business margin of 2.1% was higher than the comparative margin of 1.9%, but in line with the margin for the full 2007 financial year.

The trend in the new business margins since 2005 can be seen in the following graph:

New business margins
(%)



GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R350.9 billion at 31 December 2007 compared with R349.2 billion at 30 June 2007. The investment growth for the six months was reduced by client outflows at RMB Asset Management.

Assets under management or administration

R billion	31 December 2007	30 June 2007	%
On balance sheet assets	182.5	184.1	(1)
Segregated third party funds	121.3	124.6	(3)
Unit trust funds managed[1]	28.0	23.4	20
Assets under management	331.8	332.1	–
Linked product assets under administration[2]	19.1	17.1	12
Total assets under management or administration	350.9	349.2	–

1. *The assets under management at 30 June 2007 have been adjusted for the transfer of Ashburton to the FirstRand Banking Group. The collective investment scheme assets managed by Ashburton amounted to R13.5 billion at 30 June 2007.*
2. *Excludes business written by the Momentum Group's Linked Investment Service Provider on the life company's balance sheet, as these assets are reflected under on-balance sheet assets above. Total linked product assets under administration amounted to R45.1 billion (June 2007: R40.9 billion).*

NET FLOW OF FUNDS

Net inflows into the Wealth and Retail areas within the insurance operations remained strong at R2.6 billion, mainly due to the lump sum sales success. The net outflows in the employee benefits area result from on-balance sheet client outflows.

The net outflow of funds in the asset management operations is disappointing. It should be noted that the comparative net flow of funds in the asset management operations includes the withdrawal of Public Investment Corporation (PIC) assets in December 2006.

FIRSTRAND

FirstRand Capital

CAPITAL POSITION

FirstRand implements a holistic and integrated approach to capital, funding and liquidity. This allows the Group to ensure the protection of the intrinsic value of the Group, meet prudential regulatory requirements and protect credit ratings while continuing to add sustainable shareholder value.

CAPITAL MANAGEMENT STRATEGY AND ACTIONS

The Group aims to fulfil the requirements of shareholders and maintain an efficient capital structure with limited excesses, but which supports its short term growth requirements. It does not hold surplus capital for acquisitions and the need for raising additional capital is assessed on a transaction by transaction basis.

The Group's targeted return on invested shareholders' capital is 10% above the weighted average cost of capital. The Group constantly monitors whether this target is met by the business units, and if not, businesses are changed or terminated.

The period under review was characterised by continued balance sheet growth, particularly from the Banking Group, which was funded by internal capital generation. It is expected that both domestic growth and international expansion will continue in the next financial year, which will increase the demand for capital. The Group is considering a number of capital management actions to ensure this growth is funded in the most efficient manner.

The turmoil in the international markets led to a decrease in the appetite for Asset Backed Securities ("ABS"). It was the Group's intention to issue R25 billion ABS and Residential Backed Securities in the international market during the period under review, however, conditions were not favourable. It is unlikely that the markets will improve sufficiently within the next 12 to 18 months to issue these instruments.

In August 2007, FirstRand Bank ("FRB") concluded Fresco II, which was a partially funded synthetic securitisation of a portfolio of South African and international corporate credit exposures held on the balance sheet. In addition, during the period under review, FRB raised R1.5 billion of subordinated debt.

Basel II, which is applicable from 1 January 2008, will have an immaterial impact on the capital requirements of the Banking Group, albeit a higher Core Equity and Tier 1 ratio. In addition, the new regulations will allow for more innovative Tier 1 and Tier 2 capital instruments, which the Group is planning to issue to further strengthen the capital base and to fund growth.

The proposed issue of hybrid instruments would not only improve FRB's Total and Tier I capital adequacy ratios, but also bolster capital buffers against the backdrop of pro-cyclicality introduced by Basel II.

Given the increase in interest rates over the past 12 months, the Group expects retail lending to slow to more sustainable levels and this will reduce pressure on capital requirements. Whilst it is expected that corporate lending will increase, the use of the Group's balance sheet will be limited to those asset classes that provide an appropriate return.

In addition, Momentum continues to generate surplus capital. One of the benefits of being an integrated group is the flexibility to move capital between the businesses. During the period excess capital in Momentum of R557 million was used to fund growth in the Bank.

Key ratios of the Group are set out below:

	At 31 December		At 30 June
R million	**2007**	2006	2007
Capital adequacy			
Capital adequacy ratio: Banking Group (Basel I regulatory requirement: 10%)	**13.8**	11.8	13.6
CAR cover: Momentum Group (Regulatory requirement: 1.0x)	**2.0**	3.0	2.3
CAR cover: Discovery Group (Regulatory requirement: 1.0x)	**–**	16.6	10.7
Capital leverage ratio			
Core equity (%)	**74.9**	73.7	77.2
Non cumulative non redeemable preference shares (%)	**7.2**	8.0	7.5
Debt instruments (%)	**17.9**	18.3	15.3
	100.0	100.0	100.0

FIRSTRAND BANKING GROUP

Capital supply and demand

Management aims to produce solid returns for the Banking Group's shareholders while maintaining sound capital ratios and a strong credit rating – all against the backdrop of an efficient capital structure with limited excesses.

The most optimal level of capital is achieved after taking into account business units' organic growth requirements – provided financial targets are met – as well as expectations of investors, considerations of rating agencies, targeted capital ratios and future business plans.

The focus of the Banking Group remains on core capital, or normalised net asset value, which it believes is the core of measuring strength, performance and capital requirements. Total capital in the broader sense is further enhanced with the issuance of mezzanine debt capital such as preference shares and subordinated debt, while the new Basel II environment allows for the use of hybrid and other innovative instruments.

Depending on market conditions, the Banking Group plans to issue hybrid instruments to further strengthen and optimise its capital base.

The six months under review

Credit growth remains strong, albeit at a lower level than in past periods. This has offered some respite after a sustained period of intensive capital consumption.

Management has also driven a number of capital initiatives during the period to improve the Bank's strong capital position, and to ensure that the Banking Group's sound Tier 1 and Total capital adequacy ratios are maintained.

- In August 2007 FRB concluded Fresco II. This transaction relieved R1.4 billion of current regulatory capital under Basel I and R700 million under Basel II.
- In November 2007 FRB raised R1 billion in subordinated debt. This was followed with a further R500 million during December 2007.

The capital adequacy ratio for the Banking Group has improved over the last year and is now well above the target ratio of 12.0%. The adequacy ratio is also above the ratio reported at the end of June 2007.

Basel II

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

As part of the transition to Basel II, banks may allow their capital to fall below Basel I levels. However, the absolute level is subject to a floor calculation for the next three years.

The Bank has been calculating capital adequacy under both Basel I and Basel II since September 2007. This was done as part of the parallel run process in preparation for Basel II.

The impact of Basel II on the Bank is slightly positive, as shown in the table below:

	Basel I	Basel II	Basel I floor	Minimum regulatory
FRB	11.58%	11.70%	11.13%	9.5%

Note: The adequacy ratio for the Banking Group is expected to be largely neutral.

The Bank has also finalised its Internal Capital Adequacy Assessment Process ("ICAAP") as part of Pillar 2. The ICAAP framework was approved by the Main Risk Committee in August 2007, and will be subject to development and annual review going forward. The document shows that the Bank is appropriately capitalised under a range of normal and severe scenarios and stress events.

CAPITAL ADEQUACY RATIOS

The registered banks in the Banking Group must comply with the SARB regulations and those of their home regulators. At FirstRand, capital adequacy is measured via three risk based ratios; Core Tier 1 capital, Tier 1 capital, and Total capital.

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. These minimum requirements are a Tier 1 capital ratio of 7.5% and a Total capital ratio of 10% under Basel I. FirstRand Banking Group and FirstRand Bank have always held Tier 1 capital and Total capital well in excess of these required ratios.

Banks in South Africa are only allowed to appropriate income to capital once formally approved by the board of directors. The appropriation of income to Tier 1 is considered at board meetings on at least a quarterly basis.

The table below shows the capital adequacy position of the Bank as per the regulatory returns before appropriation, as well as the ratio following the appropriation of profits:

FirstRand Bank Limited (%)	Total capital adequacy	Tier 1 capital	Tier 1 capital – core
Disclosed capital adequacy	11.09	7.74	6.76
Profits appropriated in February 2008	0.49	0.49	0.49
Actual capital adequacy	11.58	8.23	7.25

The table below highlights the targeted and actual capital levels for the period ended 31 December 2007:

	Total capital adequacy		Tier 1 capital		Tier 1 capital – core	
%	Target	Actual	Target	Actual	Target	Actual
FRBG	>12.0	13.80	>9.25	10.8	>7.25	10.0
FRB	>11.5	11.09	>8.75	7.74	>6.75	6.76

Note: The current targets reflect a Basel ll environment.

Total capital adequacy for FRB is exceeded if appropriated profits are taken into account. In addition, the Bank will issue hybrid instruments during 2008 which should increase the Tier 1 ratio above the target level. The timing of this issue will be dependent on market conditions and the necessary regulatory approvals received.

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

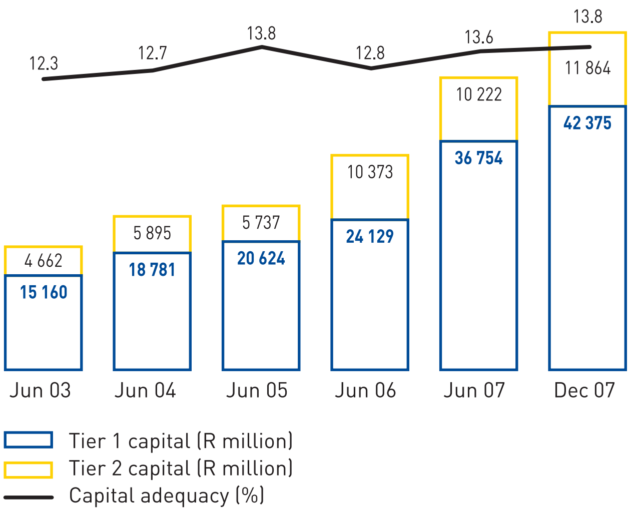
R million	At 31 December 2007	At 31 December 2006	At 30 June 2007
Total capital adequacy %	**13.8**	11.8	13.6
Tier 1 %	**10.8**	8.5	10.7
Tier 1 – core capital %	**10.0**	7.5	9.8
Risk weighted assets (R million)	**392 593**	316 653	344 368

The capital adequacy position of FirstRand Bank Limited can further be analysed as follows:

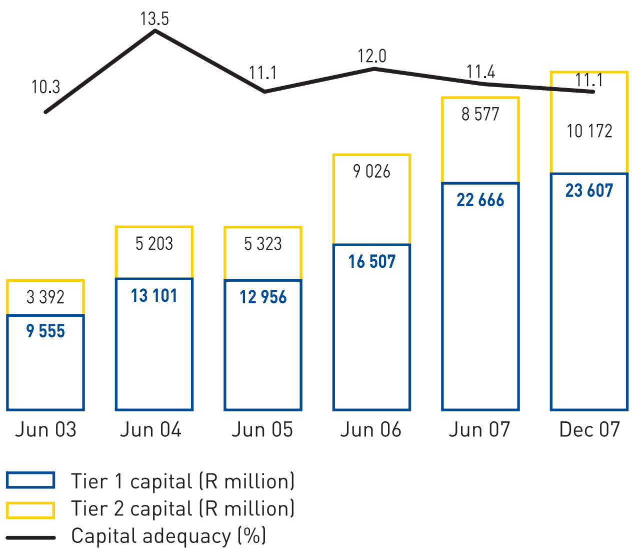
R million	At 31 December 2007	At 31 December 2006	At 30 June 2007
Total capital adequacy %	**11.1**	11.4	11.4
Tier 1 %	**7.7**	7.8	8.3
Tier 1 – core capital %	**6.8**	6.5	7.2
Risk weighted assets (R million)	**304 720**	242 012	274 558

The graphs below indicate the regulatory capital position of the Banking Group and FirstRand Bank Limited over the last five years:

FirstRand Banking Group



FirstRand Bank Limited



Economic capital

Economic capital is defined as the capital which the Banking Group must hold, commensurate with its risk profile under severe stress conditions, to give comfort to third party stakeholders (shareholders, counterparties and depositors, rating agencies and regulators) that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions, and would continue to operate as a going concern entity. The Bank remains well capitalised with current levels of qualifying capital exceeding the economic capital required.

Capital is allocated to business units at the higher of:

- regulatory capital; and
- economic capital.

Both measures include an appropriate buffer.

The Banking Group's ICAAP framework assists in the attribution of capital to business units in proportion to the risks inherent in their respective businesses, which also drives the optimisation of returns in terms of risk and reward. It allows for direct comparable performance measurements through net income after capital charge ("NIACC") and return on equity ("ROE").

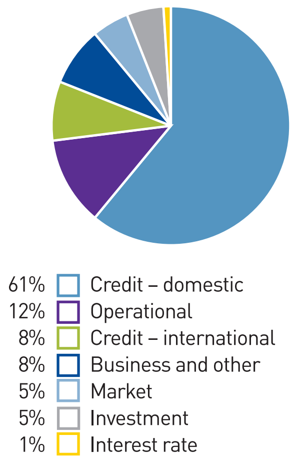
The framework also serves to consistently measure and align economic capital with the underlying risks associated with the activities of each business unit. The capital attribution methodologies involve a number of assumptions and estimates that are revised periodically. Any changes to these factors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

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

- credit risk;
- traded market risk;
- equity investment risk;
- interest rate risk in the banking book;
- operational risk; and
- business and other residual risks.

The following graph indicates the economic capital analysis per risk type for 2007:

Risk type split – including business risk – 2007



RETURN ON EQUITY AND ECONOMIC PROFIT

Return on equity ("ROE")

The return on equity for the Banking Group is 27.3%, compared to the prior year of 31.6%

Analysis of shareholders' equity and reserves

Total shareholders' equity and reserves per the Banking Group balance sheet totalled R42 435 million as at 31 December 2007 (2006: R34 478 million). The average ordinary shareholders' equity and reserves for the six months amounted to R37 731 million (2006: R29 567 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.

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

Six months ended 31 December 2007

R million	Normalised earnings[1]	ROE %
FNB	2 653	34.1
RMB	1 854	33.2
WesBank	430	16.8
FNB Africa	249	31.8
Group Support	(32)	–
Total	5 154	27.3

Six months ended 31 December 2006

R million	Normalised earnings[1]	ROE %
FNB	2 210	34.9
RMB	1 704	38.2
WesBank	548	20.8
FNB Africa	209	30.0
Group Support	3	–
Total	4 674	31.6

1. Normalised earnings include the net income on capital earned by the respective divisions less cost of preference shares.

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

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. Banks that disclose information on similar allocations and related return measures may use different assumptions, interpretations and techniques.

Economic profit, or net income after capital charge ("NIACC")

Many banks use a risk reward methodology to actively manage their portfolios of investments or activities, and for performance evaluation. At FirstRand, NIACC – a derivative from economic profit – is a performance measure that has been in place since July 2005.

Economic profit and risk adjusted performance measurement principles have been embedded in the management culture of the organisation through economic profit contribution measurement. Economic profit is a function of the normalised earnings and capital utilised in the businesses.

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

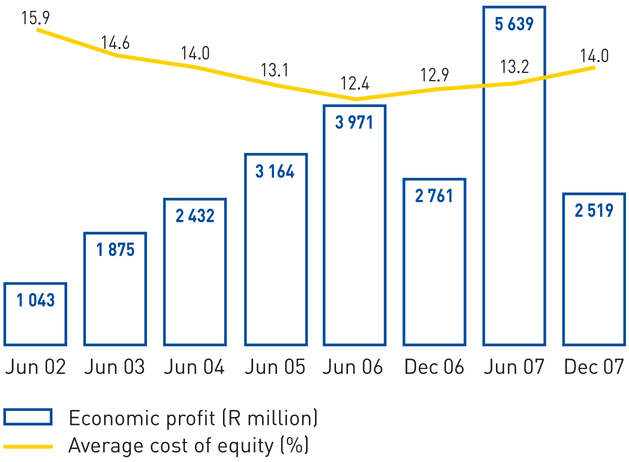
	At 31 December		At 30 June
R million	**2007**	2006	2007[1]
Normalised earnings	**5 283**	4 783	10 089
Preference dividends	**(129)**	(109)	(232)
Normalised earnings attributable to ordinary shareholders	**5 154**	4 674	9 857
Charge for capital*	**2 635**	1 913	4 218
Net economic profit	**2 519**	2 761	5 639
Average ordinary shareholders' equity	**37 731**	29 567	31 939
Return on average ordinary shareholders' equity (%)	**27.3**	31.6	30.9

** The capital charge is based on an average cost of equity of 14.0% (2006: 12.9%). At 30 June 2007, the average for the year was 13.2%.*

1. The cost of equity for June 07 has been restated to reflect the average for the year.

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

Net economic profit



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

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

CREDIT RATINGS

FirstRand subsidiaries continue to enjoy strong counterparty credit ratings in South Africa. The current strong credit rating is supported by the solid capital position, the diverse portfolio of activities within the Group, prudent risk management and an enterprise wide focus on value creation.

	Fitch Ratings	Standard and Poor's	Moody's Investor Services
FirstRand Bank Holdings			
Foreign currency			
– Long term	BBB+	–	
– Short term	F2	–	
– Outlook	Stable	–	
National			
– Long term	AA (zaf)	–	
– Short term	F1+ (zaf)	–	
– Outlook	Stable	–	
Individual	B/C	–	
Support	5	–	
Counterparty credit	–	BBB/A-2/Positive	
FirstRand Bank Limited			
Foreign currency			
– Long term	A-	BBB+	Baa1
– Short term	F2	A-2	P-2
– Outlook	Stable	Stable	–
Local currency			
– Long term	A-	BBB+	A1
– Short term	–	A-2	P-1
– Outlook	Stable	Positive	–

	Fitch Ratings	Standard and Poor's	Moody's Investor Services
National			
– Long term	AA+(zaf)	–	Aa1.za
– Short term	F1+(zaf)	–	P-1.za
– Outlook	Stable	–	–
Individual	B/C	–	–
Support	2	–	–
Counterparty credit (local currency)	–	BBB+/A-2/Positive	–
Bank Financial Strength	–	–	C
Outlook	–	–	Stable
Momentum Group Limited			
National long term rating	AA(zaf)		
– Outlook	Stable		
National insurer financial strength	AA+(zaf)		
– Outlook	Stable		
Sovereign ratings			
Foreign currency			
– Long term	BBB+	BBB+	Baa1
– Short term	F2	A-2	–
– Outlook	Positive	Stable	–
Local currency			
– Long term	A	A+	A2
– Short term	–	A-1	–
– Outlook	Positive	Stable	–
Outlook	–	–	Positive

REGULATORY CAPITAL

FirstRand Bank Limited

R million	At 31 December 2007	At 31 December 2006	At 30 June 2007
Regulatory capital			
Tier 1	**23 607**	18 799	22 666
Share capital	**4**	4	4
Share premium	**6 934**	4 361	6 161
Non redeemable non cumulative preference shares	**3 000**	3 000	3 000
Reserves	**14 091**	12 066	14 123
Less: Impairments	**(422)**	(632)	(622)
Tier 2	**10 172**	8 665	8 577
Subordinated debt instruments	**8 724**	7 382	7 183
Qualifying provisions	**2 365**	2 169	2 295
Less: Impairments	**(917)**	(886)	(901)
Total regulatory capital	**33 779**	27 464	31 243
Capital adequacy ratios (%)			
Tier 1	**7.7**	7.8	8.3
Tier 2	**3.4**	3.6	3.1
Total	**11.1**	11.4	11.4

Calculation of risk weighted assets of FirstRand Bank Limited

R million	At 31 December 2007	At 31 December 2006	Risk weighting	Risk weighted assets At 31 December 2007	Risk weighted assets At 31 December 2006	Risk weighted assets At 30 June 2007
Banking book	**1 217 207**	862 327		**288 509**	238 014	266 538
Cash, own bank and central government advances	**139 545**	106 527	0%	**–**	–	–
Central Securities Depository Participation	**704 923**	440 209	0%	**–**	–	–
Public sector body advances and letters of credit	**(129)**	1 838	5% – 10%	**(21)**	176	179
Other bank advances and letters of credit	**29 771**	29 785	20%	**5 954**	5 957	5 112
Mortgage advances, remittances in transit and performance related guarantees	**121 042**	104 175	50%	**60 521**	52 088	55 784
Other advances and lending related guarantees	**213 823**	173 492	100%	**216 731**	173 492	197 231
Counterparty risk exposure	**8 232**	6 301	100%	**5 324**	6 301	8 232
Trading book	**16 211**	3 998		**16 211**	3 998	8 020
Position risk	**7 494**	3 174	100%	**7 494**	3 174	6 280
Counterparty risk exposure	**8 717**	769	100%	**8 717**	769	1 740
Large exposures	**–**	55	100%	**–**	55	–
	1 233 418	866 325		**304 720**	242 012	274 558

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

R million	At 31 December 2007 Risk weighted assets	At 31 December 2007 Capital adequacy %*	At 31 December 2006 Risk weighted assets	At 31 December 2006 Capital adequacy %	At 30 June 2007 Risk weighted assets	At 30 June 2007 Capital adequacy %
FirstRand Bank Limited	**304 720**	**11.1**	242 012	11.4	274 558	11.4
FNB (Botswana) Limited	**4 732**	**16.8**	4 162	13.9	4 077	15.1
FNB (Namibia) Limited	**6 825**	**20.5**	6 361	20.0	6 564	20.9
FNB (Swaziland) Limited	**839**	**16.5**	827	15.4	807	15.9
FNB (Lesotho) Limited	**59**	**17.2**	19	56.9	54	13.7
FNB (Mozambique) S.A.	**3 512**	**22.6**	–	–	–	–
FirstRand (Ireland) PLC	**21 248**	**15.7**	26 549	13.7	23 206	16.1
RMB Australia Holdings Limited	**7 157**	**11.8**	5 324	11.0	6 599	11.7
Total FirstRand Banking Group (regulated bank entities)	**349 092**	**11.8**	285 254	11.8	315 865	12.0
FirstRand Banking Group (regulated and non bank entities)	**392 593**	**13.8**	316 653	11.8	344 368	13.6

** Excludes profits appropriated subsequent to submission of regulatory returns.*

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

MOMENTUM

Capital

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory capital adequacy requirement ("CAR") with cash or near cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest bearing assets. The discretionary cash assets of the shareholders' portfolio are managed by RMB Asset Management, and the mandate allows the manager to invest Momentum's discretionary capital assets in cash or short dated interest bearing instruments.

Subsidiary activities

Momentum transferred FirstRand International Asset Management ("FRIAM"), the holding entity of Ashburton, to the FirstRand Banking Group effective 1 July 2007.

Effective 1 August 2007, Momentum sold a block of Namibian policies to Swabou Life ("Swabou"), a Namibian life insurance company owned by FNB Holdings Namibia. Momentum also injected additional capital into Swabou. In return, Momentum acquired a 35% stake in Swabou.

Capital position

Momentum targets an economic capitalisation level in the range of 1.7 – 1.9 times CAR. At 31 December 2007, Momentum's CAR was covered 2.0 times by the excess of assets over liabilities (on the statutory valuation basis). The capital position at 31 December 2007 allows Momentum to pay a normal dividend to FirstRand Limited in March 2008. After allowing for the recommended interim dividends, the CAR cover will reduce to within the targeted range.

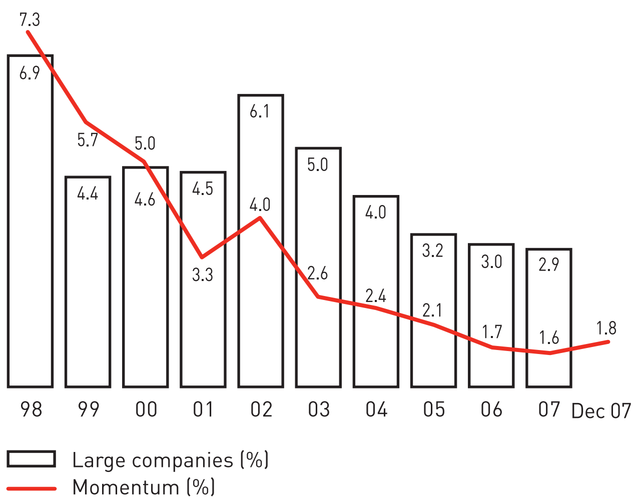
Statutory surplus and CAR

	At 31 December		At 30 June
R million	2007	2006	2007
Statutory excess over liabilities	5 591	6 021	5 794
CAR	2 775	2 015	2 467
CAR cover rate (times)	2.0	3.0	2.3

The graph below illustrates the improvements in Momentum's capital efficiency over the last few years. The capital efficiency is measured by expressing CAR as a percentage of Momentum's policyholder liabilities. The small increase at 31 December 2007 reflects the additional capital required as a buffer against investment risks. The results for the large companies at 31 December 2007 were not yet available.

Improvements in Momentum's capital efficiency

CAR %



Composition of regulatory capital

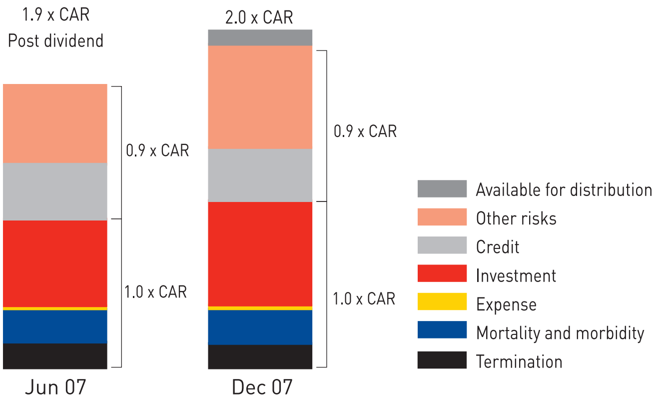
The Financial Services Board ("FSB") has not formally limited the extent to which South African life insurance companies can gear balance sheets. In line with FirstRand's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 31 December 2007.

Regulatory capital	At 31 December				At 30 June	
R million	2007	%	2006	%	2007	%
Tier 1	4 555	81	4 985	83	4 758	82
– Core Tier 1 (ie equity capital)	4 055	72	4 485	75	4 258	73
– Non redeemable preference shares	500	9	500	8	500	9
Subordinated qualifying bond[1]	1 036	19	1 036	17	1 036	18
Qualifying statutory capital	5 591	100	6 021	100	5 794	100

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

Composition of economic capital

The graph below shows the contribution of the different risk classes to Momentum's total economic capital requirement:



Return on equity

The active management of Momentum's capital plays an important role in achieving the targeted return on capital set by FirstRand Limited. The ROE for the six months ended 31 December 2007 was 30.8% (based on normalised earnings), compared to 23.9% in the comparative period. The increase in the ROE is mainly due to the capital reduction by way of the payment of special dividends during the 2007 calendar year, as well as the satisfactory increase in earnings.

FIRSTRAND
Banking Group

appendix 1

FirstRand Banking Group
Abridged financials
for the half year ended 31 December 2007

R million	Notes	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Interest and similar income		**23 060**	18 874	39 397
Interest expenses and similar charges		**(14 926)**	(11 744)	(25 399)
Net interest income before impairment of advances	1	**8 134**	7 130	13 998
Impairment losses on loans and advances	2	**(1 625)**	(1 151)	(2 857)
Net interest income after impairment of advances		**6 509**	5 979	11 141
Non interest income	3	**9 832**	9 108	20 836
Income from operations		**16 341**	15 087	31 977
Operating expenses	4	**(9 957)**	(9 076)	(19 042)
Net income from operations		**6 384**	6 011	12 935
Share of profit from associates and joint ventures	5	**970**	875	2 013
Income before tax		**7 354**	6 886	14 948
Indirect tax		**(247)**	(257)	(455)
Profit before tax		**7 107**	6 629	14 493
Direct tax		**(1 434)**	(1 572)	(3 844)
Profit for the year		**5 673**	5 057	10 649
Attributable to:				
Minorities		**495**	413	823
Shareholders		**5 178**	4 644	9 826
Preference shareholders		**129**	109	232
Ordinary shareholders		**5 049**	4 535	9 594

R million	Notes	At 31 December 2007	At 31 December 2006	At 30 June 2007
ASSETS				
Cash and short term funds		**34 661**	30 096	28 796
Derivative financial instruments		**28 511**	27 396	20 840
– qualifying for hedge accounting		**305**	199	144
– held for trading		**28 206**	27 197	20 696
Advances	6	**414 507**	343 614	383 485
– loans and receivables		**340 369**	282 033	309 461
– held-to-maturity		**348**	618	535
– available-for-sale		**891**	586	728
– fair value through profit and loss		**72 899**	60 377	72 761
Investment securities and other investments		**114 361**	82 685	90 081
Financial securities held for trading		**54 800**	35 047	45 317
Investment securities		**59 561**	47 638	44 764
– held-to-maturity		**188**	217	5
– available-for-sale		**14 265**	19 203	13 754
– fair value through profit and loss		**24 567**	12 302	15 055
– fair value through profit and loss non recourse investments		**20 541**	15 916	15 950
Commodities		**239**	873	1 118
Loans to Insurance Group		**4 915**	994	4 016
Accounts receivable		**7 107**	6 996	6 866
Investment in associates and joint ventures		**5 826**	4 304	5 457
Property and equipment		**6 015**	4 430	5 428
Deferred tax assets		**897**	371	537
Intangible assets		**1 487**	875	843
Total assets		**618 526**	502 634	547 467
EQUITY AND LIABILITIES				
Liabilities				
Deposits		**481 172**	372 217	419 965
– deposit and current accounts		**460 631**	356 301	404 015
– fair value through profit and loss non recourse deposits		**20 541**	15 916	15 950
Short trading positions		**34 194**	37 716	36 870
Derivative financial instruments		**27 458**	27 889	18 135
– qualifying for hedge accounting		**139**	72	30
– held for trading		**27 319**	27 817	18 105
Creditors and accruals		**7 811**	9 284	9 064
Provisions		**2 062**	2 213	3 211
Tax liability		**198**	511	1 123
Post retirement benefit fund liability		**1 907**	1 948	1 842
Deferred tax liability		**3 814**	2 938	3 268
Policyholder liabilities under insurance contracts		**1 219**	181	412
Long term liabilities		**8 369**	7 385	7 174
Loans from Insurance Group		**5 858**	4 301	5 522
Total liabilities		**574 062**	466 583	506 586
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares		**106**	106	106
Ordinary share premium		**4 327**	2 302	3 802
Non distributable reserves		**2 714**	2 646	3 302
Distributable reserves		**32 188**	26 324	28 916
Capital and reserves attributable to ordinary shareholders		**39 335**	31 378	36 126
Non cumulative non redeemable preference shares		**3 100**	3 100	3 100
Capital and reserves attributable to the group's equity holders		**42 435**	34 478	39 226
Minority interest		**2 029**	1 573	1 655
Total equity	7	**44 464**	36 051	40 881
Total equity and liabilities		**618 526**	502 634	547 467

A detailed segment report is set out in note 8.

NOTE 1: NET INTEREST INCOME AND MARGIN ANALYSIS

1.1 Net interest income

	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
FNB	**5 035**	3 979	27	8 425
Mass	**441**	339	30	701
Consumer segment	**2 315**	1 929	20	4 038
– HomeLoans	**795**	785	1	1 546
– Card Issuing	**539**	386	40	850
– Other Consumer	**981**	758	29	1 642
Wealth segment	**364**	286	27	637
Commercial segment	**1 651**	1 225	35	2 651
Corporate segment	**232**	222	5	440
FNB Other and support	**32**	(22)	>100	(42)
FNB Africa	**642**	540	19	1 101
RMB	**150**	66	>100	308
WesBank	**1 832**	1 620	13	3 343
Group Support	**475**	925	(49)	821
Net interest income	**8 134**	7 130	14	13 998

1.2 Interest paid and interest earned

	At 31 December 2007 Average balance	Interest	Average rate %	At 31 December 2006 Average balance	Interest	Average rate %
Prime rate (RSA)			**13.64**			11.67
Advances						
Property Finance	**131 316**	**8 023**	**12.12**	108 247	5 541	10.15
Instalment sales and lease payments receivable	**70 468**	**4 818**	**13.56**	64 823	3 925	12.01
Card	**12 583**	**1 107**	**17.46**	10 033	757	14.96
Overdrafts and loans	**30 488**	**2 069**	**13.46**	24 739	1 504	12.06
Term	**15 454**	**1 315**	**16.88**	13 280	997	14.9
Deposits						
Current & Savings	**48 733**	**711**	**2.9**	41 588	449	2.14
Call	**59 522**	**2 512**	**8.37**	49 989	1 601	6.35
Money Market	**25 880**	**1 095**	**8.39**	17 790	582	6.49
Term	**41 881**	**1 802**	**8.54**	36 663	1 248	6.75
Wholesale Funding	**136 571**	**7 148**	**10.38**	114 488	4 843	8.39
Africa						
Africa Advances	**14 005**	**995**	**14.09**	12 463	826	13.15
Africa Deposits	**19 020**	**732**	**7.63**	17 312	641	7.34

NOTE 2: ANALYSIS OF MOVEMENT IN IMPAIRMENT OF ADVANCES

2.1 Analysis of impairment

	2007			
R million	Total	Specific impairment	Portfolio impairment	Income statement
Opening balance	**4 550**	2 749	1 801	–
Exchange rate difference	**(1)**	–	(1)	–
Amounts written off	**(1 114)**	(1 108)	(6)	–
Unwinding of discounted present value on non performing loans	**(67)**	(67)	–	–
Reclassifications	**–**	95	(95)	–
Net new impairment created	**2 178**	1 834	344	(2 178)
– impairments created	**4 187**	3 762	425	(4 187)
– impairments released	**(2 009)**	(1 928)	(81)	2 009
Recoveries of bad debts	**–**	–	–	551
Acquisitions	**11**	–	11	2
Closing balance	**5 557**	3 503	2 054	(1 625)

	2006			
R million	Total	Specific impairment	Portfolio impairment	Income statement
Opening balance	3 131	2 010	1 121	–
Exchange rate difference	(1)	(1)	–	–
Amounts written off	(860)	(860)	–	–
Unwinding of discounted present value on non performing loans	(43)	(43)	–	–
Reclassifications	–	52	(52)	–
Net new impairment created	1 353	1 188	165	(1 353)
– impairments created	1 711	1 445	266	(1 711)
– impairments released	(358)	(257)	(101)	358
Recoveries of bad debts	–	–	–	202
Acquisitions/(disposals)	(4)	(30)	26	–
Closing balance	3 576	2 316	1 260	(1 151)

2.2. Credit risk and impairments

FNB

R million	Mass			HomeLoans		
	December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
Advances and NPLs						
Gross advances net of ISP[2]	**5 703**	3 863	3 339	**107 790**	97 820	90 483
NPL	**395**	394	264	**2 638**	1 573	937
NPL %	**6.9**	10.2	7.9	**2.4**	1.6	1.0
Securitised assets (traditional)	**–**	–	–	**2 424**	1 492	–
Income statement impairments						
Total impairment charge	**58**	211	75	**224**	247	156
Total impairment charge %	**2.43**	6.48	5.01	**0.44**	0.28	0.36
Balance sheet impairments						
Total balance sheet impairments	**347**	336	218	**764**	596	537
Nature of lending	Secured and unsecured			Secured		

FirstRand Bank	**2007**	
Risk measures (%)	Smart segment and personal loans	HomeLoans
– Indicative expected loss as % of EAD	**4.5 – 6**	**0.30**
– Indicative through the cycle PD	**9 – 11**	**2 – 2.5**
– Long run average LGD range	**45 – 55**	**10 – 20**

1. Includes overdrafts and personal loan products.
2. Includes securitised assets.

R million	Commercial			Corporate (Wholesale)		
	December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
Advances and NPLs						
Gross advances net of ISP[4]	**21 662**	20 290	18 431	**15 854**	12 834	11 734
NPL	**494**	432	471	**161**	184	163
NPL %	**2.3**	2.1	2.6	**1.0**	1.4	1.4
Securitised assets (traditional)	**–**	–	–	**–**	–	–
Income statement impairments						
Total impairment charge	**107**	114	64	**34**	10	(21)
Total impairment charge %	**1.02**	0.62	0.72	**0.47**	0.07	(0.32)
Balance sheet impairments						
Total balance sheet impairments	**407**	325	326	**248**	233	227
Nature of lending	Mostly secured			Mostly unsecured		

FirstRand Bank	**2007**	
Risk measures (%)	Commercial	Corporate (Wholesale)
– Indicative expected loss as % of EAD	**1 – 1.4**	**0.4**
– Indicative through the cycle PD	**3.2**	**1.0**
– Long run average LGD range	**25 – 45**	**35 – 45**

3. Includes Public sector and other FNB exposures. NCA provisions are included here.
4. Includes securitised assets.
** These numbers are for the period 1 July 2006 to 30 June 2007.*

	Card Issuing			Other Consumer[1]			Wealth		
	December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
	12 386	11 935	10 229	**3 589**	3 694	3 051	**24 357**	21 712	18 856
	1 280	954	679	**214**	148	101	**448**	275	258
	10.3	8.0	6.6	**6.0**	4.0	3.3	**1.8**	1.3	1.4
	–	–	–	**–**	–	–	**–**	–	–
	557	575	223	**134**	141	58	**45**	47	26
	9.16	5.44	4.59	**7.36**	4.42	4.04	**0.39**	0.25	0.29
	1 111	798	635	**217**	159	111	**121**	88	86
	Unsecured			Mostly unsecured			Mostly secured		

	Credit Cards	Retail Overdrafts	Wealth
	2 – 3	3 – 4	0.3
	4 – 5	5 – 6	2 – 2.5
	50 – 60	60 – 70	<10

	FNB Other and support[3]			FNB		
	December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
	6 632	8 133	5 041	**197 973**	180 281	161 164
	–	–	–	**5 630**	3 960	2 873
	–	–	–	**2.8**	2.2	1.8
	–	–	–	**2 424**	1 492	–
	9	172	44	**1 168**	1 517	625
	0.24	1.86	1.14	**1.24**	0.91	0.79
	185	175	45	**3 400**	2 710	2 185
	Secured and unsecured					

WESBANK

R million	WesBank asset backed finance domestic and international					
	Retail			Corporate		
	December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
Advances and NPLs						
Gross advances net of ISP[1]	**68 605**	66 524	64 898	**30 199**	27 862	24 683
NPL	**1 942**	1 338	1 000	**172**	257	120
NPL %	**2.8**	2.0	1.5	**0.6**	0.9	0.5
Securitised assets (traditional)	**7 342**	9 377	5 797	**–**	–	–
Income statement impairments						
Total impairment charge	**536**	959	277	**48**	83	94
Total impairment charge %	**1.59**	1.57	0.92	**0.33**	0.34	0.83
Balance sheet impairments						
Total balance sheet impairments	**952**	792	535	**177**	179	150
Nature of lending	Secured			Secured		

FirstRand Bank	**2007**	
Risk measures (%)	WesBank Retail asset finance[2]	WesBank Corporate asset finance
– Indicative expected loss as % of EAD	**1.0**	**0.5**
– Indicative through the cycle PD	**5 – 5.5**	**3.0**
– Long run average LGD range	**15 – 25**	**10 – 20**

1. Includes securitised assets.

2 . The PD and LGD model for WesBank was aligned to the exact Basel II definitions since the 2007 year end.

RMB, FNB AFRICA AND GROUP SUPPORT

R million	RMB[3]			FNB Africa		
	December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
Advances and NPLs						
Gross advances net of ISP	**100 536**	92 733	76 784	**14 664**	13 492	12 694
NPL	**500**	450	562	**450**	394	375
NPL %	**0.5**	0.5	0.7	**3.1**	2.9	3.0
Income statement impairments						
Total impairment charge	**95**	84	–	**54**	97	56
Total impairment charge %	**0.20**	0.11	–	**0.77**	0.75	0.89
Balance sheet impairments						
Total balance sheet impairments	**239**	146	–	**352**	289	289
Nature of lending	Mostly secured			Secured and unsecured		

FirstRand Bank	**2007**
Risk measures (%)	RMB
– Indicative expected loss as % of EAD	**0.4**
– Indicative through the cycle PD	**1.0**
– Long run average LGD range	**35 – 45**

3. Includes corporate term lending and structured transactions.

** These numbers are for the period 1 July 2006 to 30 June 2007.*

WesBank loans			WesBank total		
December 2007	June* 2007	December 2006	**December 2007**	June* 2007	December 2006
4 087	4 048	3 539	**102 891**	98 434	93 120
93	56	29	**2 207**	1 651	1 149
2.3	1.4	0.8	**2.1**	1.7	1.2
–	–	–	**7 342**	9 377	5 797
164	197	81	**748**	1 239	452
8.06	5.47	4.84	**1.49**	1.39	1.04
163	101	57	**1 292**	1 072	742
Unsecured					

WesBank loans
4.0
6.0
70 – 80

Group Support		
December 2007	June* 2007	December 2006
4 000	3 095	3 428
(323)	35	(4)
(8.1)	1.1	(0.1)
(440)	(80)	18
(24.81)	(1.54)	0.67
274	333	360
Mostly unsecured		

TOTAL FRBG

R million	December 2007	June* 2007	December 2006
Advances and NPLs			
Gross advances net of ISP[1]	**420 064**	388 035	347 190
NPL	**8 464**	6 490	4 955
NPL %	**2.0**	1.7	1.4
Securitised assets (traditional)	**9 766**	10 869	5 797
Income statement impairments			
– Portfolio impairment	**362**	538	167
– Specific impairment	**1 263**	2 319	984
Total impairment charge	**1 625**	2 857	1 151
Portfolio impairment charge %	**0.18**	0.15	0.10
Specific impairment charge %	**0.63**	0.66	0.59
Total impairment charge %	**0.80**	0.81	0.69
Total impairment charge before recognition of insurance claim	**1.00**	0.85	
Balance sheet impairments			
– Portfolio impairment	**2 054**	1 801	1 260
– Specific impairment	**3 503**	2 749	2 316
Total balance sheet impairments	**5 557**	4 550	3 576

1. Includes securitised assets.

Notes:

1. *The impairment charge percentages above are based on average advances for the year ended 30 June 2007 and the six months ended 31 December 2007.*
2. *The risk measures present the long run average probability of default ["PD"], loss given default ["LGD"] and expected loss ["EL"] and not the point-in-time or cycle specific forecast. Whilst the expected loss measurement, which is used for risk management purposes, is broadly comparable to the accounting bad debt measure, it should be noted that in these tables, the EL is expressed as a percentage of the exposure at default, whilst the bad debt percentage is relative to the drawn exposures. The exposure at default ("EAD") measurement is impacted significantly in portfolios with large unutilised facilities and commitments such as the credit card and corporate portfolios.*
3. *The risk measures for RMB and FNB Corporate Transactional Bank provides a wholesale lending average as these portfolios are managed as an aggregated credit portfolio.*
4. *All amounts in R million.*
5. *The HomeLoans historical data sets were updated with the information used for the Basel II process. The impairment charge for HomeLoans reflects the updated recovery experience yet is still conservative in the light of current market conditions.*
6. *During the June 2007 financial year the Banking Group changed its application of set off rules in terms of the requirements of IAS 32 and due to evolving local and international best practice. This resulted in the gross up of the Banking Group balance.*
7. *During the 2007 year the basis to classify non performing loans in WesBank changed. Should this change have been effected in the prior year, the non performing loan number of WesBank at 31 December 2006 would have been R1 293 million as opposed to R1 149 million.*

* *These numbers are for the period 1 July 2006 to 30 June 2007.*

NOTE 3: NON INTEREST INCOME

R million	Notes	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Fee and commission income	3.1	6 567	5 230	26	11 725
Fair value income	3.2	1 455	2 151	(32)	5 969
Investment income	3.3	923	821	12	1 304
Other income		887	906	(2)	1 838
Total non interest income		**9 832**	9 108	8	20 836

3.1 Fee and commission income

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Bank commissions and fee income	**4 765**	4 256	12	9 099
Card commissions	699	574	22	1 244
Cash deposit fees	571	468	22	958
Commitment fees	170	310	(45)	567
Acceptances, guarantees and indemnities	69	80	(14)	146
Commissions on bills, drafts and cheques	271	190	43	385
Other banking fee income	2 985	2 634	13	5 799
Knowledge based fees	563	241	>100	987
Management fees	601	275	>100	884
Insurance income	408	277	47	432
Other non bank commissions	230	181	27	323
Total fee and commission income	**6 567**	5 230	26	11 725

3.2 Fair value income

R million	Six months ended 31 December Forex	Debt	Equity	2007	2006	% change	Year ended 30 June 2007
Annuity	438	918	162	1 518	1 140	33	2 594
Originated/structuring	–	816	137	953	616	55	1 314
Secondary market	–	(78)	–	(78)	30	>(100)	65
Client flow	438	180	25	643	494	30	1 215
Risk income	52	433	(774)	(289)	944	>(100)	2 825
Equities	–	–	(774)	(774)	667	>(100)	2 096
Commodities	–	30	–	30	30	–	143
Interest rates	–	452	–	452	189	>100	468
Credit	–	(49)	–	(49)	45	>(100)	48
Forex	52	–	–	52	13	>100	70
Other	–	226	–	226	67	>100	550
Total	490	1 577	(612)	1 455	2 151	(32)	5 969

3.3 Investment activities

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Investment activities				
Income from private equity activities	**1 452**	1 001	45	1 974
– Profit on realisation of private equity investments	**636**	483	32	812
– Profit on realisation of other investment banking assets	**–**	–	–	75
– Dividends received	**157**	139	13	78
– Private equity associates (ongoing)	**659**	379	74	750
– Private equity associates (realisations)	**–**	–	–	259
Income from operational investment activities	**311**	496	(37)	1 004
– WesBank associates	**87**	49	78	97
– FirstRand International associates	**(36)**	268	>(100)	497
– FirstRand Short Term Insurance	**182**	140	30	310
– Other operational associates	**78**	39	>100	100
Income from investments	**130**	199	(35)	339
– Profit/(loss) on disposal of available-for-sale assets	**(1)**	22	<(100)	–
– Profit on assets held against employee liabilities	**131**	177	(26)	339
Total investment income	**1 893**	1 696	12	3 317
Less: Income from associates	**(970)**	(875)	11	(2 013)
Total	**923**	821	12	1 304

NOTE 4: OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	**2007**	2006	% change	2007
Staff expenditure	**5 585**	5 249	6	10 308
– Direct staff expenditure	**4 525**	3 991	13	7 940
– Other staff related expenditure	**1 060**	1 258	(16)	2 368
Depreciation	**430**	430	–	805
Amortisation of other intangible assets	**61**	50	22	103
Advertising and marketing	**440**	394	12	866
Insurance	**221**	157	41	261
Lease charges	**406**	372	9	732
Professional fees	**365**	250	46	677
HomeLoans third party origination costs	**29**	47	(38)	49
Audit fees	**49**	39	26	89
Computer expenses	**428**	294	46	681
Conveyance of cash	**102**	105	(3)	176
Maintenance	**326**	265	23	582
Telecommunications	**238**	196	21	445
eBucks rewards	**123**	122	1	203
Cooperation agreements and joint ventures	**146**	199	(27)	293
Other expenditure	**1 008**	907	11	2 772
Total	**9 957**	9 076	10	19 042

NOTE 5: ANALYSIS OF INCOME FROM ASSOCIATES AND JOINT VENTURES

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Private equity associates	**659**	379	74	1 009
– Private equity associates (ongoing)	**659**	379	74	750
– Private equity associates (realisations)	**–**	–	–	259
WesBank associates	**87**	49	78	97
– Toyota Finance Services	**41**	31	32	67
– Other	**46**	18	>100	30
FirstRand International associates and joint ventures	**(36)**	268	(>100)	497
FirstRand Short Term Insurance	**182**	140	30	310
FNB Insurance Brokers	**11**	9	22	19
Other	**67**	30	>100	81
Total	**970**	875	11	2 013

NOTE 6: GROSS ADVANCES

R million	At 31 December 2007	2006	% change	At 30 June 2007
Gross advances				
Total advances	**420 832**	347 763	21	388 646
Less: contractual interest suspended	**(768)**	(573)	34	(611)
Gross advances	**420 064**	347 190	21	388 035
Less: impairments	**(5 557)**	(3 576)	55	(4 550)
Net advances	**414 507**	343 614	21	383 485
Advances sector analysis				
Agriculture	**9 150**	8 201	12	8 056
Banks and financial services	**54 304**	40 732	33	48 901
Building and property development	**15 180**	12 312	23	13 608
Government, Land Bank and Public Authorities	**20 249**	9 472	>100	20 064
Individuals	**244 344**	206 853	18	229 958
Manufacturing and commerce	**43 160**	50 194	(14)	40 413
Mining	**7 647**	1 644	>100	4 789
Transport and communication	**9 121**	6 476	41	8 915
Other services	**17 677**	11 879	49	13 942
Total advances	**420 832**	347 763	21	388 646

Included in gross advances are fair value advances of R72.9 billion (31 December 2006: R60.4 billion). Fair value adjustments included in trading income amounted to R45 million (profit) (31 December 2006: R9.7 million (loss)) on performing book assets. Fair value adjustment with respect to defaulted assets amounted to R56.1 million (loss) (31 December 2006: R nil). Cumulative fair value adjustments (on performing and non performing book) amounted to R702 million (31 December 2006: R572 million).

R million	At 31 December 2007	2006	% change	At 30 June 2007
Rand and non Rand denominated advances				
All non Rand denominated advances	**4 546**	2 943	54	6 375
Exchange rate applied	**6.81**	6.98	(2)	7.07
Non Rand denominated advances	**30 958**	20 542	51	45 071
Rand denominated advances	**389 874**	327 221	19	343 575
Total advances	**420 832**	347 763	21	388 646

NOTE 6: ADVANCES

R million	At 31 December 2007	2006	% change	At 30 June 2007
Geographical split				
SA banking operations	**377 338**	310 657	21	339 306
International banking operations	**14 131**	13 961	1	17 305
African banking operations	**14 689**	12 742	15	13 526
SA non banking operations	**14 674**	10 403	41	18 509
Total advances	**420 832**	347 763	21	388 646
Product split				
Overdrafts and managed accounts	**51 902**	44 719	16	51 502
– FNB Consumer	**1 390**	1 330	5	1 519
– Smart cheques	**159**	206	(23)	248
– Wealth	**969**	459	>100	519
– FNB Commercial	**10 312**	8 656	19	10 687
– FNB Corporate	**15 397**	13 692	12	20 804
– RMB	**13 592**	13 201	3	12 439
– African subsidiaries	**2 293**	1 896	21	2 486
– Other	**7 790**	5 279	48	2 800
Loans to other financial institutions	**6 843**	19 761	(65)	6 279
Card loans	**13 607**	11 222	21	13 194
Instalment finance	**63 370**	49 046	29	57 071
Lease payments receivable	**27 159**	28 219	(4)	29 441
Property finance	**150 210**	123 569	22	135 725
– Home loans	**142 102**	116 909	22	127 856
– Commercial properties	**8 108**	6 660	22	7 869
Personal loans	**16 262**	13 295	22	14 929
– FNB Consumer	**2 221**	1 841	21	2 294
– Smart loans	**1 997**	1 451	38	1 597
– WesBank loans	**4 115**	3 516	17	4 012
– FNB Commercial	**5 681**	4 744	20	5 164
– African subsidiaries	**1 998**	1 437	39	1 569
– Other	**250**	306	(18)	293
Preference share advances	**2 321**	2 437	(5)	3 673
Other	**68 303**	54 728	25	56 918
Sub total	**399 977**	346 996	15	368 732
Assets under agreement to sell	**20 855**	767	>100	19 914
Total advances	**420 832**	347 763	21	388 646

NOTE 6: NON PERFORMING LOANS

R million	At 31 December 2007	2006	% change	At 30 June 2007
Non performing loans*	**8 464**	4 955	71	6 490
Add: Present value adjustment	**488**	264	85	346
Net credit exposure	**8 952**	5 219	72	6 836
Less: Security and recoverable amount	**(4 681)**	(2 330)	>100	(3 476)
Less: Contractual interest suspended	**(768)**	(573)	34	(611)
Residual risk	**3 503**	2 316	51	2 749
Specific impairments	**3 503**	2 316	51	2 749
Portfolio impairments	**2 054**	1 260	63	1 801
Total impairments	**5 557**	3 576	55	4 550

	%	%	% change	%
Non performing loans as a percentage of gross advances	**2.0**	1.4	43	1.7
Specific impairments as a percentage of non performing loans (after ISP)	**45.5**	52.9	(14)	46.8
Total impairments as a percentage of non performing loans (after ISP)	**72.2**	81.6	(12)	77.4
Total impairments as a percentage of residual risk	**158.6**	154.4	3	165.5
Specific impairments as a percentage of gross advances	**0.8**	0.6	33	0.7
Portfolio impairments as a percentage of gross advances	**0.5**	0.3	66	0.5
Total impairments as a percentage of gross advances	**1.3**	0.9	44	1.2

R million				
Income statement charge				
Specific impairments	**1 263**	984	28	2 319
Portfolio impairments	**362**	167	>100	538
Total	**1 625**	1 151	41	2 857

* *An amount of R353 million (31 December 2006: R464 million) of fair value assets is included in the non performing loans for 2007. Cumulative fair value credit adjustments of R147 million has been made against fair value NPLs as at 31 December 2007 (31 December 2006: R115 million), of which R56 million (31 December 2006: R nil) has been included in the 2007 income statement.*

NOTE 6: NON PERFORMING LOANS – FAIR VALUE ADVANCES

	At 31 December			At 30 June
R million	2007	2006	% change	2007
Accrual advances	**8 111**	4 491	81	6 212
Fair value advances	**353**	464	(24)	278
Non performing loans	**8 464**	4 955	71	6 490

Accrual advances are included in non performing loans at notional value plus accrued interest.
Fair value advances are included in non performing loans at their ruling market value. No portfolio or specific impairments are raised against fair value advances, other than as is implicitly required through fair value adjustments.

The table below sets out the effect of these market adjustments:

Fair value on non performing loans before credit adjustments	**500**	579	(14)	369
Less: Cumulative credit adjustments	**(147)**	(115)	28	(91)
	353	464	(24)	278
Less: Interest in suspense	**(39)**	(84)	(54)	(26)
Net non performing fair value loans	**314**	380	(17)	252
Cumulative credit adjustments				
– on performing book	**555**	457	21	600
– on non performing book	**147**	115	28	91
Total credit adjustments	**702**	572	23	691

NOTE 7: STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2007

R million	Share capital and share premium	General risk reserve	Cash flow hedge reserve
Balance as at 30 June 2006	4 838	1 136	173
Currency translation differences	–	–	–
Non distributable reserves of associates	–	–	–
Profit for the period	–	–	–
Final ordinary dividend – 23 October 2006	–	–	–
Interim ordinary dividend – 26 March 2007	–	–	–
Preference dividend – 28 August 2006	–	–	–
Preference dividend – 26 February 2007	–	–	–
Dividends attributable to outside shareholders	–	–	–
Transfer to General Risk Reserve (impaired capital reserve)	–	215	–
Revaluation of available-for-sale assets	–	–	–
Available-for-sale loss transferred to the income statement	–	–	–
Revaluation of cash flow hedges	–	–	(42)
Reserves arising on acquisition of subsidiaries	–	–	–
Revaluation of property	–	–	–
Movement in other non distributable reserves	–	–	–
Movement in other distributable reserves	–	–	–
Movement in share based payments reserve	–	–	–
Issue of ordinary shares	2 170	–	–
Disposal of subsidiaries	–	–	–
Cumulative redeemable shares redeemed	–	–	–
Share buy back in associate	–	–	–
Balance as at 30 June 2007	**7 008**	**1 351**	**131**
Reclassification of share based payment reserve to distributable reserves	–	–	–
Restated balance as at 01 July 2007	**7 008**	**1 351**	**131**
Currency translation differences	**–**	**–**	**–**
Non distributable reserves of associates	**–**	**–**	**–**
Earnings attributable to ordinary shareholders	**–**	**–**	**–**
Final preference dividend – 27 August 2007	**–**	**–**	**–**
Final ordinary dividend – 22 October 2007	**–**	**–**	**–**
Dividends attributable to outside shareholders	**–**	**–**	**–**
Transfer to General Risk Reserve (impaired capital reserve)	**–**	**(41)**	**–**
Revaluation of available-for-sale assets	**–**	**–**	**–**
Available-for-sale loss transferred to the income statement	**–**	**–**	**–**
Revaluation of cash flow hedges	**–**	**–**	**(4)**
Movement in other non distributable reserves	**–**	**–**	**–**
Movement in share based payments reserve	**–**	**–**	**–**
Movement in other distributable reserves	**–**	**–**	**–**
Issue of ordinary shares	**528**	**–**	**–**
Disposal of subsidiaries	**–**	**–**	**–**
Share buy back in associate	**(3)**	**–**	**–**
Balance as at 31 December 2007	**7 533**	**1 310**	**127**

Share based payment reserve	Available-for-sale reserve	Currency translation reserve	Other non distributable reserves	Distributable reserves	**Total permanent capital**	Minority interest	**Total equity**
288	133	583	425	23 279	30 855	1 378	32 233
–	–	14	–	–	14	(8)	6
–	–	–	39	–	39	3	42
–	–	–	–	9 826	9 826	823	10 649
–	–	–	–	(1 494)	(1 494)	–	(1 494)
–	–	–	–	(2 190)	(2 190)	–	(2 190)
–	–	–	–	(109)	(109)	–	(109)
–	–	–	–	(123)	(123)	–	(123)
–	–	–	–	–	–	(653)	(653)
–	–	–	–	(215)	–	(3)	(3)
–	241	–	–	–	241	–	241
–	(48)	–	–	–	(48)	(2)	(50)
–	–	–	–	–	(42)	–	(42)
–	–	–	(2)	–	(2)	–	(2)
–	–	–	–	–	–	60	60
–	–	–	–	–	–	10	10
–	–	–	–	3	3	–	3
147	–	–	–	–	147	1	148
–	–	–	–	–	2 170	–	2 170
–	–	–	–	–	–	51	51
–	–	–	–	–	–	(5)	(5)
–	–	–	–	(61)	(61)	–	(61)
435	326	597	462	28 916	39 226	1 655	40 881
(435)	–	–	–	435	–	–	–
–	326	597	462	29 351	39 226	1 655	40 881
–	–	(141)	–	–	(141)	(17)	(158)
–	–	–	57	–	57	(3)	54
–	–	–	–	5 178	5 178	495	5 673
–	–	–	–	(129)	(129)	–	(129)
–	–	–	–	(2 330)	(2 330)	–	(2 330)
–	–	–	–	–	–	(359)	(359)
–	–	–	–	41	–	–	–
–	1	–	–	–	1	–	1
–	(17)	–	–	–	(17)	–	(17)
–	–	–	–	–	(4)	–	(4)
–	–	–	(8)	–	(8)	(6)	(14)
–	–	–	–	78	78	–	78
–	–	–	–	(1)	(1)	–	(1)
–	–	–	–	–	528	–	528
–	–	–	–	–	–	264	264
–	–	–	–	–	(3)	–	(3)
–	310	456	511	32 188	42 435	2 029	44 464

PRIMARY SEGMENTS (BUSINESS)

2007

Segment information						FNB	
		Consumer Segment					
R million	Mass	Home-Loans	Card Issuing	Other Consumer	Consumer Segment	Wealth	Commercial
Net interest income before impairment of advances	441	795	539	981	**2 315**	364	1 651
Impairment of advances	(58)	(224)	(557)	(134)	**(915)**	(45)	(107)
Net interest income after impairment of advances	383	571	(18)	847	**1 400**	319	1 544
Non interest revenue	1 430	107	698	1 101	**1 906**	339	1 420
Net income from operations	1 813	678	680	1 948	**3 306**	658	2 964
Operating expenditure	(1 207)	(395)	(645)	(1 147)	**(2 187)**	(432)	(1 613)
Income from operations	606	283	35	801	**1 119**	226	1 351
Share of income from associates	–	(2)	–	11	**9**	–	–
FirstRand Short Term Insurance	–	–	–	–	**–**	–	–
Other	–	(2)	–	11	**9**	–	–
Income before taxation	606	281	35	812	**1 128**	226	1 351
Indirect taxation	(8)	(25)	(2)	(42)	**(69)**	(7)	(7)
Income before direct taxation	598	256	33	770	**1 059**	219	1 344
Direct taxation	(115)	(49)	(6)	(148)	**(203)**	(42)	(258)
Income after taxation	483	207	27	622	**856**	177	1 086
Attributable to:							
Equity holders of FirstRand Banking Group	483	207	27	622	**856**	177	1 086
Minority interests	–	–	–	–	**–**	–	–
	483	207	27	622	**856**	177	1 086
Equity holders of FirstRand Banking Group	483	207	27	622	**856**	177	1 086
Profit on sale of investments	–	–	–	(7)	**(7)**	–	–
Loss on sale of fixed assets	–	–	–	–	**–**	–	–
Plus: Goodwill – impairment	(36)	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Tax effect	–	–	–	–	**–**	–	–
Headline earnings	447	207	27	615	**849**	177	1 086
Profit on sale of investments	–	–	–	7	**7**	–	–
Impact of IFRS 2	–	–	–	1	**1**	1	–
Normalised earnings	447	207	27	623	**857**	178	1 086
Cost to income (%)	64.5	43.9	52.1	54.8	**51.7**	61.5	52.5
Diversity ratio (%)	76.4	11.9	56.4	52.6	**45.1**	48.2	46.2
Bad debt charge as a percentage of average advances (%)	2.4	0.4	9.2	7.4	**1.5**	0.4	1.0
NPLs as a percentage of advances (%)	6.9	2.4	10.3	6.0	**3.3**	1.8	2.3
Income statement includes							
Depreciation	(43)	(2)	–	(66)	**(68)**	(11)	(5)
Amortisation	–	–	–	(4)	**(4)**	(2)	(2)
Impairment charges	–	–	–	(2)	**(2)**	–	–
Balance sheet includes							
Advances (after ISP but before provisions)	5 703	107 790	12 386	3 589	**123 765**	24 357	21 662
– Normal advances	5 703	105 366	12 386	3 589	**121 341**	24 357	21 662
Advances net of LROS#	5 703	105 366	12 386	3 589	**121 341**	24 357	21 258
LROS adjustment	–	–	–	–	**–**	–	404
– Securitised advances (traditional)	–	2 424	–	–	**2 424**	–	–
Non performing loans	395	2 638	1 280	214	**4 132**	448	494
Investment in associated companies	–	(2)	–	40	**38**	–	–
Total deposits (ex Non recourse deposits)	7 668	51	1 330	46 290	**47 671**	14 227	56 684
Deposits net of LROS#	7 668	51	1 330	46 290	**47 671**	14 227	56 280
LROS adjustment	–	–	–	–	**–**	–	404
Total assets	6 638	107 368	11 346	4 682	**123 396**	24 488	21 741
Total liabilities	6 041	106 730	11 313	3 808	**121 851**	24 210	20 257
Capital expenditure	48	8	1	75	**84**	15	38

The segmental analysis is based on the management accounts for the respective segments.
All consolidation adjustments have been recorded in the Group Support.*
 # LROS stands for legal right of set off.

Card Acquiring's income before direct taxation amounts to R165 million (December 2006: R120 million and June 2007: R281 million).

Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	Wes-Bank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
232	32	5 035	642	150	1 832	475	8 134	–	8 134
(34)	(9)	(1 168)	(54)	(95)	(748)	440	(1 625)	–	(1 625)
198	23	3 867	588	55	1 084	915	6 509	–	6 509
635	164	5 894	462	3 261	1 100	(723)	9 994	(162)	9 832
833	187	9 761	1 050	3 316	2 184	192	16 503	(162)	16 341
(516)	(223)	(6 178)	(513)	(1 584)	(1 613)	(69)	(9 957)	–	(9 957)
317	(36)	3 583	537	1 732	571	123	6 546	(162)	6 384
–	–	9	–	676	87	198	970	–	970
–	–	–	–	–	–	182	182	–	182
–	–	9	–	676	87	16	788	–	788
317	(36)	3 592	537	2 408	658	321	7 516	(162)	7 354
(6)	(59)	(156)	(12)	(25)	(67)	13	(247)	–	(247)
311	(95)	3 436	525	2 383	591	334	7 269	(162)	7 107
(60)	18	(660)	(141)	(457)	(113)	(63)	(1 434)	–	(1 434)
251	(77)	2 776	384	1 926	478	271	5 835	(162)	5 673
251	(77)	2 776	247	1 927	464	(74)	5 340	(162)	5 178
–	–	–	137	(1)	14	345	495	–	495
251	(77)	2 776	384	1 926	478	271	5 835	(162)	5 673
251	(77)	2 776	247	1 927	464	(74)	5 340	(162)	5 178
–	–	(7)	–	–	–	7	–	–	–
–	(1)	(1)	–	–	(2)	1	(2)	–	(2)
–	–	(36)	–	–	–	–	(36)	–	(36)
–	–	–	–	(1)	–	–	(1)	–	(1)
–	–	–	–	–	–	1	1	–	1
251	(78)	2 732	247	1 926	462	(65)	5 302	(162)	5 140
–	–	7	–	–	–	(7)	–	–	–
–	–	2	2	1	–	138	143	–	143
251	(78)	2 741	249	1 927	462	66	5 445	(162)	5 283
59.5	113.8	56.5	46.5	38.8	53.4	(138.0)	52.1	–	52.6
73.2	83.7	53.9	41.8	79.8	36.4	1 446.0	52.3	100.0	51.9
0.5	0.2	1.2	0.8	0.2	1.5	(24.8)	0.8	–	0.8
1.0	0.0	2.8	3.1	0.5	2.1	(8.1)	2.0	–	2.0
(37)	(143)	(307)	(17)	(36)	(51)	(19)	(430)	–	(430)
(1)	–	(9)	(7)	(14)	(31)	–	(61)	–	(61)
–	–	(2)	–	–	–	1	(1)	–	(1)
15 854	6 632	197 973	14 664	100 536	102 891	4 000	420 064	–	420 064
15 854	6 632	195 549	14 664	100 536	95 549	4 000	410 298	–	410 298
3 763	(253)	176 169	14 664	100 536	95 549	4 000	390 918	–	390 918
12 091	6 885	19 380	–	–	–	–	19 380	–	19 380
–	–	2 424	–	–	7 342	–	9 766	–	9 766
161	–	5 630	450	500	2 207	(323)	8 464	–	8 464
–	48	86	5	4 141	861	733	5 826	–	5 826
39 773	17 677	183 700	20 490	76 564	710	179 167	460 631	–	460 631
27 682	10 792	164 320	20 490	76 564	710	179 167	441 251	–	441 251
12 091	6 885	19 380	–	–	–	–	19 380	–	19 380
17 139	11 332	204 734	25 353	258 721	109 643	20 075	618 526	–	618 526
16 406	11 232	199 997	22 709	254 169	108 958	(11 771)	574 062	–	574 062
30	311	526	38	27	80	–	671	–	671

PRIMARY SEGMENTS (BUSINESS)

2006 **FNB**

Segment information	Consumer Segment						
R million	Mass	Home-Loans	Card Issuing	Other Consumer	**Consumer Segment**	Wealth	Commercial
Net interest income before impairment of advances	339	785	386	758	**1 929**	286	1 225
Impairment of advances	(75)	(156)	(223)	(58)	**(437)**	(26)	(64)
Net interest income after impairment of advances	264	629	163	700	**1 492**	260	1 161
Non interest revenue	1 200	101	571	983	**1 655**	180	1 280
Net income from operations	1 464	730	734	1 683	**3 147**	440	2 441
Operating expenditure	(989)	(386)	(654)	(1 102)	**(2 142)**	(279)	(1 424)
Income from operations	475	344	80	581	**1 005**	161	1 017
Share of income from associates	–	–	–	11	**11**	–	–
FirstRand Short Term Insurance	–	–	–	–	**–**	–	–
Other	–	–	–	11	**11**	–	–
Income before taxation	475	344	80	592	**1 016**	161	1 017
Indirect taxation	(9)	(18)	(6)	(40)	**(64)**	(6)	(6)
Income before direct taxation	466	326	74	552	**952**	155	1 011
Direct taxation	(109)	(76)	(17)	(129)	**(222)**	(36)	(237)
Income after taxation	357	250	57	423	**730**	119	774
Attributable to:							
Equity holders of FirstRand Banking Group	357	250	57	423	**730**	119	774
Minority interests	–	–	–	–	**–**	–	–
	357	250	57	423	**730**	119	774
Equity holders of FirstRand Banking Group	357	250	57	423	**730**	119	774
Profit on sale of investments	–	–	–	–	**–**	–	–
Loss on sale of fixed assets	–	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Tax effect	–	–	–	–	**–**	–	–
Headline earnings	357	250	57	423	**730**	119	774
Profit on sale of investments	–	–	–	–	**–**	–	–
Transfer of division from Momentum Group/Ashburton	–	–	–	–	**–**	31	–
Impact of IFRS 2	–	–	–	–	**–**	–	–
Normalised earnings	357	250	57	423	**730**	150	774
Cost to income (%)	64.3	43.6	68.3	62.9	**59.6**	59.9	56.8
Diversity ratio (%)	78.0	11.4	59.7	56.1	**46.0**	38.6	51.1
Bad debt charge as a percentage of average advances (%)	5.0	0.4	4.6	4.0	**0.9**	0.3	0.7
NPLs as a percentage of advances (%)	7.9	1.0	6.6	3.3	**1.7**	1.4	2.6
Income statement includes							
Depreciation	(38)	(2)	–	(73)	**(75)**	(10)	(5)
Amortisation	–	–	–	(2)	**(2)**	(2)	–
Impairment charges	–	–	–	–	**–**	–	–
Balance sheet includes							
Advances (after ISP but before provisions)	3 339	90 483	10 229	3 051	**103 763**	18 856	18 431
– Normal advances	3 339	90 483	10 229	3 051	**103 763**	18 856	18 431
Advances net of LROS#	3 339	90 483	10 229	3 051	**103 763**	18 856	18 155
LROS adjustment	–	–	–	–	**–**	–	276
– Securitised advances (traditional)	–	–	–	–	**–**	–	–
Non performing loans	264	937	679	101	**1 717**	258	471
Investment in associated companies	–	–	–	28	**28**	–	–
Total deposits (ex Non recourse deposits)	7 103	31	1 306	39 558	**40 895**	12 173	47 500
Deposits net of LROS#	7 103	31	1 306	39 558	**40 895**	12 173	47 224
LROS adjustment	–	–	–	–	**–**	–	276
Total assets	4 099	90 184	9 852	3 981	**104 017**	18 916	18 145
Total liabilities	3 646	89 492	10 272	2 981	**102 745**	18 742	17 155
Capital expenditure	51	4	5	48	**57**	15	9

The segmental analysis is based on the management accounts for the respective segments.
All consolidation adjustments have been recorded in the Group Support.*
 # LROS stands for legal right of set off.

Corporate	FNB Other	Total FNB	FNB Africa	RMB	Wes-Bank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
222	(22)	3 979	540	66	1 620	925	7 130	–	7 130
21	(44)	(625)	(56)	–	(452)	(18)	(1 151)	–	(1 151)
243	(66)	3 354	484	66	1 168	907	5 979	–	5 979
550	98	4 963	382	2 941	888	65	9 239	(131)	9 108
793	32	8 317	866	3 007	2 056	972	15 218	(131)	15 087
(496)	(43)	(5 373)	(428)	(1 391)	(1 338)	(593)	(9 123)	47	(9 076)
297	(11)	2 944	438	1 616	718	379	6 095	(84)	6 011
–	–	11	–	613	48	203	875	–	875
–	–	–	–	–	–	140	140	–	140
–	–	11	–	613	48	63	735	–	735
297	(11)	2 955	438	2 229	766	582	6 970	(84)	6 886
(5)	(50)	(140)	(10)	(22)	(55)	(30)	(257)	–	(257)
292	(61)	2 815	428	2 207	711	552	6 713	(84)	6 629
(68)	14	(658)	(115)	(517)	(167)	(131)	(1 588)	16	(1 572)
224	(47)	2 157	313	1 690	544	421	5 125	(68)	5 057
224	(47)	2 157	209	1 690	538	118	4 712	(68)	4 644
–	–	–	104	–	6	303	413	–	413
224	(47)	2 157	313	1 690	544	421	5 125	(68)	5 057
224	(47)	2 157	209	1 690	538	118	4 712	(68)	4 644
–	–	–	–	–	–	–	–	–	–
–	(1)	(1)	–	–	–	2	1	–	1
–	–	–	–	–	–	(20)	(20)	–	(20)
–	–	–	–	–	–	4	4	–	4
224	(48)	2 156	209	1 690	538	104	4 697	(68)	4 629
–	–	–	–	–	–	–	–	–	–
–	–	31	–	–	–	–	31	–	31
–	–	–	–	–	–	123	123	–	123
224	(48)	2 187	209	1 690	538	227	4 851	(68)	4 783
64.2	56.6	60.0	46.4	38.4	52.3	49.7	52.9	35.9	53.0
71.2	128.9	55.4	41.4	81.2	34.7	5.4	53.6	100.0	53.2
(0.3)	1.1	0.8	0.9	–	1.0	0.7	0.7	–	0.7
1.4	–	1.8	3.0	0.7	1.2	(0.1)	1.4	–	1.4
(38)	(129)	(295)	(16)	22	43	677	431	(1)	430
–	4	–	–	13	27	354	394	–	394
–	(2)	(2)	(4)	–	–	5	(1)	–	(1)
11 734	5 041	161 164	12 694	76 784	93 120	3 428	347 190	–	347 190
11 734	5 041	161 164	12 694	76 784	87 323	3 428	341 393	–	341 393
2 118	87	146 318	12 694	76 784	87 323	3 428	326 547	–	326 547
9 616	4 954	14 846	–	–	–	–	14 846	–	14 846
–	–	–	–	–	5 797	–	5 797	–	5 797
163	–	2 873	375	562	1 149	(4)	4 955	–	4 955
–	–	28	–	3 243	295	738	4 304	–	4 304
32 998	12 663	153 332	17 673	45 590	54	139 652	356 301	–	356 301
23 382	7 709	138 486	17 673	45 590	54	139 652	341 455	–	341 455
9 616	4 954	14 846	–	–	–	–	14 846	–	14 846
12 827	8 293	166 297	21 281	194 427	90 399	30 230	502 634	–	502 634
11 923	8 203	162 414	18 818	191 523	95 579	(1 751)	466 583	–	466 583
93	203	428	33	9	16	–	486	–	486

NOTE 9: ACQUISITIONS AND DISPOSALS

9.1 FirstRand International Asset Management ("FRIAM")

On 1 July 2007, Momentum Group sold its 100% shareholding in FRIAM to the FirstRand Banking Group for a cash consideration of R298 million, which is equal to the aggregate of the net asset value of FRIAM and to the goodwill Momentum carried on its balance sheet in respect of its shareholding in FRIAM. FRIAM contributed R21.9 million income to the Banking Group for the period 1 July 2007 to 31 December 2007.

The assets and liabilities of FRIAM are summarised below:

R million	2007 Carrying amount before acquisition	2007 Fair value at acquisition
ASSETS		
Cash and cash equivalents	74	74
Loans and advances	55	55
– loans and receivables	51	51
– fair value	4	4
Deferred tax	1	1
Goodwill	267	267
Property, plant and equipment	10	10
	407	407
EQUITY AND LIABILITIES		
Accounts payable	82	82
Financial liabilities	3	3
Current income tax liabilities	14	14
Deferred revenue liability	10	10
	109	109
Net asset value as at date of acquisition		298
Cash consideration		298
Net asset value in excess of cash consideration		–

9.2 First National Bank Mocambique

On 24 July 2007, the Banking Group acquired 80% of Banco Desenvolvemento e Comercio with an effective date of 31 July 2007 through a wholly owned subsidiary FirstRand Mocambique Holdings Limitada. The existing operations have been rebranded as FNB Mozambique. FirstRand Mocambique Holdings Limitada contributed R11.2 million profit to the Banking Group for the period August to December 2007. If the acquisition had taken place on 1 July 2007, the profit contribution would have been R10.7 million. The details of the fair values of the assets, liabilities and contingent liabilities acquired and goodwill arising are provided in the table below. The fair values have been determined provisionally as the Banking Group is still obtaining information on these fair values.

	2007	
R million	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and cash equivalents	13	13
Investments	47	45
Loans and advances held to maturity	251	242
Property, plant and equipment	14	14
Other assets	23	23
	348	337
EQUITY AND LIABILITIES		
Financial liabilities	281	281
Other liabilities	18	18
	299	299
Net asset value as at date of acquisition		38
Cash consideration		139
Net asset value below cash consideration		(101)

No intangible assets were identified in terms of IFRS 3. The goodwill is attributable to obtaining control in the existing company and its banking operations in Mozambique. Fair value assets and liabilities acquired are based on market values and an indication of future benefits expected to flow from these assets. Intangible assets have not as yet been recognised for this acquisition. On 19 November 2007, the Banking Group acquired an additional 10% of the shares in FNB Mozambique for R18 million based on the same purchase value as the initial acquisition transaction. This generated a further R12 million goodwill.

9.3 RentWorks Africa (Pty) Ltd ("RentWorks")

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

RentWorks would have contributed income of R26.8 million for the half year had it been acquired at the beginning of the financial period. It contributed profit before tax of R12.2 million for the three months ended 31 December 2007.

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

	2007	
R million	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and cash equivalents	122	122
Loans and receivables	157	157
Property, plant and equipment	2	2
	281	281
EQUITY AND LIABILITIES		
Accounts payable	161	161
	161	161
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		120
Intangible assets identified in terms of IFRS 3		85
Net asset value as at date of acquisition		205
Cash consideration		320
Net asset value below cash consideration		(115)

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

9.4 Transnet housing

On 26 September 2007, the Banking Group acquired 100% of the Transnet Lending division. Transnet Lending contributed R10.8 million profit to the Banking Group for the period to 31 December 2007. If the acquisition had occurred on 1 July 2007, profit included in the Banking Group would have been R19 million. The fair values have been determined provisionally as the Banking Group is still obtaining information on these fair values.

	2007	
R million	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Loans and receivables	1 488	1 321
Trade receivables	29	29
Property, plant and equipment	12	12
	1 529	1 362
EQUITY AND LIABILITIES		
Provisions	147	147
	147	147
Net asset value as at date of acquisition		1 215
Cash consideration		1 179
Net asset value in excess of cash consideration		36

No intangible assets were identified in terms of IFRS 3. The negative goodwill is attributable to future restructuring costs. Fair value assets and liabilities acquired are based on using a discounted of future cash flows model. Acquisition provisions of R28 million were created.

appendix 2

Momentum Group
Abridged financials
for the six months ended 31 December 2007

consolidated income statement

for the six months ended 31 December

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	% change	Year ended 30 June 2007
Income from operations	**1 206**	1 362	(11)	2 627
Share of income of associates	**5**	(10)	>100	(19)
Income before tax	**1 211**	1 352	(10)	2 608
Tax[1]	**(313)**	(234)	(34)	(536)
Profit for the year	**898**	1 118	(20)	2 072
Attributable to minorities	**(5)**	–	>(100)	(4)
Attributable to preference shareholders	**22**	18	22	38
Attributable to ordinary shareholders	**881**	1 100	(20)	2 038

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

R million	31 December 2007	31 December 2006	30 June 2007
ASSETS			
Financial assets			
Cash and cash equivalents	**3 440**	2 296	4 088
Money market investments	**19 501**	19 932	17 680
Loans and receivables (including insurance receivables)	**1 941**	1 569	1 892
Disposal group held for sale	**–**	–	407
Government and public authority stocks	**24 599**	24 580	22 116
– held-to-maturity	**19**	–	38
– available-for-sale	**–**	678	158
– at elected fair value through profit and loss	**24 580**	23 902	21 920
Debentures and other loans	**11 668**	11 800	11 984
– available-for-sale	**427**	33	510
– at elected fair value through profit and loss	**11 241**	11 767	11 474
Equity investments	**90 023**	85 218	95 037
– held-to-maturity	**1 047**	952	998
– available-for-sale	**975**	798	921
– at elected fair value through profit and loss	**88 001**	83 468	93 118
Derivative financial instruments	**14 982**	20 707	17 385
Non financial assets			
Current income tax asset	**15**	6	16
Policy loans on insurance contracts	**172**	137	166
Reinsurance assets	**570**	495	544
Deferred tax asset	**736**	640	684
Investments in associates	**8 146**	5 571	6 146
Intangible assets	**2 742**	2 689	2 746
Goodwill	**297**	580	294
Investment properties	**3 155**	2 458	2 356
Property and equipment	**545**	330	547
Total assets	182 532	179 008	184 088
EQUITY AND LIABILITIES			
Liabilities			
Financial liabilities			
Accounts payable (including insurance payables)	**3 651**	5 272	3 141
Liabilities arising to third parties as a result of consolidating unit trusts	**1 374**	628	1 568
Derivative financial instruments	**7 847**	11 811	8 549
Other financial liabilities	**5 557**	1 484	4 283
Policyholder liabilities under investment contracts	**109 512**	104 903	110 768
Non financial liabilities			
Disposal group held for sale	**–**	–	109
Interest bearing borrowings	**257**	281	270
Provisions	**95**	282	172
Current income tax liabilities	**586**	396	210
Deferred tax liability	**2 002**	1 924	2 213
Employee benefits liabilities	**163**	134	204
Deferred revenue liability	**265**	239	255
Policyholder liabilities under insurance contracts	**44 956**	44 613	45 875
Total liabilities	176 265	171 967	177 617
EQUITY			
Capital and reserves attributable to equity holders			
Ordinary shares	**9**	9	9
Share premium	**1 532**	1 532	1 532
Non distributable reserves	**665**	566	595
Distributable reserves	**4 047**	4 903	4 316
Capital and reserves attributable to equity holders	6 253	7 010	6 452
Minority interest	14	31	19
Total equity	6 267	7 041	6 471
Total equity and liabilities	182 532	179 008	184 088

NEW BUSINESS INFLOWS

R million	Six months ended 31 December 2007	2006	% change	Year ended 30 June 2007
Recurring premiums	**967**	824	17	1 920
Momentum insurance – retail	**638**	581	10	1 166
Individual risk	**268**	230	17	449
Individual savings	**370**	351	5	717
Momentum insurance – employee benefits	**130**	131	(1)	390
FNB insurance – retail	**199**	112	78	364
Lump sums	**28 481**	26 705	7	56 990
Insurance operations	**14 492**	10 249	41	21 544
Wealth	**8 463**	6 005	41	13 781
Employee benefits	**6 002**	4 240	42	7 709
Institutional policies	**27**	4	>100	54
Asset management[1]	**13 989**	16 456	(15)	35 446
Unit trusts	**8 797**	6 806	29	13 993
Asset management – on balance sheet	**2 050**	2 925	(30)	7 688
Asset management – off balance sheet	**3 142**	6 725	(53)	13 765
Total new business inflows	**29 448**	27 529	7	58 910
Momentum insurance	**15 260**	10 961	39	23 100
FNB insurance	**199**	112	78	364
Asset management	**13 989**	16 456	(15)	35 446
Annualised new business inflows[2]	**3 815**	3 495	9	7 619
Momentum insurance	**2 217**	1 737	28	3 710
FNB insurance	**199**	112	78	364
Asset management	**1 399**	1 646	(15)	3 545

1. *As a result of the transfer of Ashburton to the FirstRand Banking Group the comparative new business inflows for Ashburton have been removed from the table. These were previously included under "Unit trusts – international".*
2. *Represents new recurring premium inflows plus 10% of lump sum inflows.*

NET FLOW OF FUNDS

	Funds received from clients (A)			
	Six months ended 31 December			Year ended 30 June
R million	2007	2006	% change	2007
Insurance operations	18 836	14 128	33	29 635
Wealth and retail	11 628	8 979	30	19 963
Employee benefits	7 181	5 145	40	9 618
Institutional policies	27	4	>100	54
Asset management[1]	13 989	16 456	(15)	35 446
Unit trusts	8 797	6 806	29	13 993
Asset management – on balance sheet	2 050	2 925	(30)	7 688
Asset management – off balance sheet	3 142	6 725	(53)	13 765
Total	**32 825**	30 584	7	65 081

	Payments to clients (B)			
	Six months ended 31 December			Year ended 30 June
R million	2007	2006	% change	2007
Insurance operations	18 213	11 937	53	27 950
Wealth and retail	9 034	6 682	35	14 639
Employee benefits	8 635	4 399	96	12 079
Institutional policies	544	856	(36)	1 232
Asset management[1]	26 968	53 119	(49)	77 242
Unit trusts	6 474	6 443	–	12 514
Asset management – on balance sheet	4 935	2 597	90	9 956
Asset management – off balance sheet	15 559	44 079	(65)	54 772
Total	**45 181**	65 056	(31)	105 192

	Net flow of funds (A – B)			
	Six months ended 31 December			Year ended 30 June
R million	2007	2006	% change	2007
Insurance operations	623	2 191	(72)	1 685
Wealth and retail	2 594	2 297	13	5 324
Employee benefits	(1 454)	746	>(100)	(2 461)
Institutional policies	(517)	(852)	39	(1 178)
Asset management[1]	(12 979)	(36 663)	65	(41 796)
Unit trusts	2 323	363	>100	1 479
Asset management – on balance sheet	(2 885)	328	>(100)	(2 268)
Asset management – off balance sheet	(12 417)	(37 354)	67	(41 007)
Total	**(12 356)**	(34 472)	64	(40 111)

1. As a result of the transfer of Ashburton to the FirstRand Banking Group the comparative funds received, payments to clients and net flow of funds have been removed from the table. These were previously included under "Unit Trusts – International".

DIRECTORS' VALUATION OF STRATEGIC INVESTMENTS

	Directors' value at				
	31 December	30 June	%	Valuation	
R million	2007	2007	change	method	PE ratio
RMB Asset Management	**2 590**	2 797	(7)	A	9
Ashburton[1]	**–**	772	(100)		
Advantage (85%)	**292**	273	7	A	7
Lekana (70%)[2]	**43**	73	(41)	B	
Momentum Medical Scheme Administrators	**473**	456	4	D	
Momentum Africa	**42**	35	20	C	
Swabou Life (35%)	**185**	–	>100	B	
Directors' valuation of strategic investments	**3 625**	4 406	(18)		

1. The investment in Ashburton was transferred to the FirstRand Banking Group effective 1 July 2007.

2. The decline in the valuation of Lekana is mainly due to the reduction in earnings during the period.

Valuation methods:

A – Price/earnings multiple using normalised forward earnings.

B – Discounted cashflow valuation.

C – Net asset value plus loans provided as start-up capital.

D – Number of members multiplied by a rand per member figure.

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED AS AT 31 DECEMBER 2007

The embedded value of Momentum Group Limited ("Momentum") as at 31 December 2007 and the value of new business for the six months ended on that date are set out in this section.

Definition of embedded value

An embedded value is an estimate of the value of a company, excluding any value attributable to future new business, and consists of:

- the ordinary shareholders' net worth
- plus the present value of future profits from in-force insurance business
- less the cost of capital at risk.

The ordinary shareholders' net worth is the excess of assets over liabilities on the statutory valuation method, but where deductions for inadmissible assets and impairments are added back and where directors' values are used for unlisted subsidiaries.

The present value of future profits is the present value of the projected stream of future after-tax profits in respect of insurance business in force at the calculation date, discounted at the risk discount rate.

The cost of capital at risk reflects the extent to which the expected long-term after-tax investment return on the assets backing the statutory capital adequacy requirement is less than the return required by shareholders, as reflected in the risk discount rate.

The value of in-force insurance business equals the present value of future profits less the cost of capital at risk.

Embedded value results

R million	31 December 2007	31 December 2006	30 June 2007
Ordinary shareholders' net worth[1]	**7 643**	8 230	8 244
• Strategic investments	**3 625**	4 037	4 406
• Discretionary assets net of debt	**4 018**	4 193	3 838
Value of in-force insurance business	**7 821**	7 198	7 683
• Present value of future profits[2]	**8 709**	7 888	8 458
• Cost of capital at risk	**(888)**	(690)	(775)
Embedded value attributable to ordinary shareholders	**15 464**	15 428	15 927
% return on embedded value (annualised)[3]	**15**	30	28

1. *Ordinary shareholders' net worth excludes the value attributable to preference shareholders.*
2. *The present value of future profits of R8 709 million as at 31 December 2007 includes an amount of R220 million in respect of linked business written off balance sheet.*
3. *Return on embedded value is the increase in embedded value, excluding the impact of dividends paid to ordinary shareholders of R1 100 million, expressed as a percentage of the embedded value at 30 June 2007, reduced by R474 million to reflect the impact of the transfer of Ashburton to the FirstRand Banking Group at its net asset value.*

Value of new business

The value of new business is a measure of the value added to Momentum as a result of writing new business. The value of new business is calculated as the present value (at point of sale) of the projected stream of future after-tax profits generated by new insurance business sold during the six months, discounted at the risk discount rate. The value of new business is net of acquisition expenses and is also appropriately reduced by the cost of capital at risk for new business.

Value of new business

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	% change	Year ended 30 June 2007
Value of new business (before cost of capital at risk)	**332**	231	44	580
• Wealth and retail[1,2]	**224**	193	16	389
• Employee benefits	**10**	21	(52)	57
• FNB collaboration	**98**	17	>100	134
Cost of capital at risk	**(34)**	(24)	(42)	(62)
Value of new business	**298**	207	44	518
Present value of premiums[3]	**14 352**	10 812	33	25 157
Margin	**2.1%**	1.9%		2.1%

1. *The wealth and retail value of new business of R224 million includes an amount of negative R3 million in respect of new local linked business not written on Momentum's life insurance balance sheet.*
2. *Included in the wealth and retail value of new business is an amount of R7 million in respect of new international linked business not written on Momentum's life insurance balance sheet.*
3. *The present value of premiums is defined as new single premiums plus the present value of expected future premiums on new recurring premium business, discounted at the risk discount rate.*

Value of new business as a percentage of present value of premiums

The value of new business, present value of premiums and profit margins compared as follows for different lines of business:

31 December 2007

R million	Value of new business	Present value of premiums	Margin %
Value of new business (before cost of capital at risk)	332	14 352	2.3
• Wealth and retail	224	12 474	1.8
• Employee benefits	10	1 352	0.7
• FNB collaboration	98	526	18.6
Cost of capital at risk	(34)	–	(0.2)
Value for the six months ended 31 December 2007	**298**	**14 352**	**2.1**

31 December 2006

R million	Value of new business	Present value of premiums	Margin %
Value of new business (before cost of capital at risk)	231	10 812	2.1
• Wealth and retail	193	8 801	2.2
• Employee benefits	21	1 693	1.2
• FNB collaboration	17	318	5.3
Cost of capital at risk	(24)	–	(0.2)
Value for the six months ended 31 December 2006	**207**	**10 812**	**1.9**

30 June 2007

R million	Value of new business	Present value of premiums	Margin %
Value of new business (before cost of capital at risk)	580	25 157	2.3
• Wealth and retail	389	20 881	1.9
• Employee benefits	57	3 257	1.8
• FNB collaboration	134	1 019	13.2
Cost of capital at risk	(62)	–	(0.2)
Value for the year ended 30 June 2007	**518**	**25 157**	**2.1**

Reconciliation of new business inflows

The following table provides a reconciliation of the total new business reported to the new business inflows used in the calculation of the value of new business for the six months ended 31 December 2007:

R million	Annualised recurring premiums	Lump sum inflows
Total new business inflows as reported	**967**	**28 481**
• Wealth and retail	638	8 490
• Employee benefits	130	6 002
• FNB collaboration	199	–
• Asset management	–	13 989
Inflows included/(not included) in value of new business	**18**	**(19 707)**
Wealth and retail:		
• Policy alterations and other retail items	–	(152)
• Linked products	18	(100)
Employee benefits:		
• Advantage, Lekana and short-term investments	–	(5 466)
Asset Management:		
• Unit trusts – local	–	(8 797)
• Asset management – on balance sheet	–	(2 050)
• Asset management – off balance sheet	–	(3 142)
Term extensions on maturing policies[1]	**4**	**405**
New business inflows included in value of new business	**989**	**9 179**
New business inflows included in value of new business consist of:		
• Wealth and retail	660	8 643
• Employee benefits	130	536
• FNB collaboration	199	–

1. Only client-initiated term extensions (R4 million recurring premiums and R405 million single premiums) were included in the value of new business calculation. Automatic term extensions (R1 288 million single premiums) were excluded from the calculation.

Composition of ordinary shareholders' net worth

R million	31 December 2007	31 December 2006	30 June 2007
Strategic investments	**3 625**	4 037	4 406
• RMB Asset Management (including unit trust subsidiaries)	**2 590**	2 663	2 797
• Ashburton[1]	**–**	580	772
• Advantage (85%)	**292**	287	273
• Lekana (70%)	**43**	81	73
• Momentum Medical Scheme Administrators	**473**	426	456
• Momentum Africa	**42**	–	35
• Swabou Life (35%)[2]	**185**	–	–
Shareholders' portfolio investments	**5 695**	5 911	5 538
• Equities	**–**	130	–
• Fixed interest instruments	**651**	533	630
• Preference shares	**913**	650	905
• Properties	**–**	116	139
• Share trust and subsidiary loans	**1 146**	1 121	1 148
• Cash and other	**2 985**	3 361	2 716
***Less:* Unsecured subordinated debt**	**(1 097)**	(1 082)	(1 090)
• Fair value of debt	**(979)**	(991)	(976)
• Accrued interest and interest rate swap	**(118)**	(91)	(114)
Shareholders' assets at directors' values	**8 223**	8 866	8 854
Adjustment to move from published to statutory valuation method for calculating liabilities	**(117)**	(136)	(124)
Shareholders' net worth for embedded value purposes	**8 106**	8 730	8 730
Attributable to preference shareholders[3]	**(463)**	(500)	(486)
Ordinary shareholders' net worth	**7 643**	8 230	8 244

1. Ashburton was included at the directors' value of R772 million at 30 June 2007. Ashburton was transferred to the FirstRand Banking Group on 1 July 2007 at its net asset value of R298 million, following a reorganisation within the FirstRand Group.

2. Momentum transferred a block of Namibian business to Swabou Life, a Namibian life insurance company, with effect from 1 August 2007. As part of this transaction, Momentum acquired a 35% share in Swabou Life.

3. The value of R463 million attributable to preference shareholders reflects the market value of the preference share issue of R500 million.

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

R million	31 December 2007	31 December 2006	30 June 2007
Ordinary shareholders' net worth	**7 643**	8 230	8 244
Impairment of subsidiaries' values for statutory purposes	**(3 460)**	(3 657)	(3 877)
Other impairments and inadmissible assets	**(34)**	(43)	(35)
Add back fair value of preference shares allowed as statutory capital	**463**	500	486
Add back fair value of subordinated debt allowed as statutory capital	**979**	991	976
Statutory surplus	**5 591**	6 021	5 794

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

R million	31 December 2007	31 December 2006	30 June 2007
Ordinary shareholders' net worth	**7 643**	8 230	8 244
Difference between statutory and published valuation methods	**117**	136	124
• Difference in investment contract liabilities	**(1 898)**	(1 627)	(1 729)
• Difference in insurance contract liabilities	**843**	738	707
• Deferred acquisition costs and deferred revenue liabilities	**1 220**	1 082	1 196
• Deferred tax on the items above	**(48)**	(57)	(50)
Impairment of value in respect of Ashburton[1]	**–**	–	(474)
Intangible asset relating to Sage	**719**	657	733
Adjustment in respect of Swabou Life[2]	**(51)**	–	–
Value of preference shares issued	**463**	500	486
Total shareholders' funds	**8 891**	9 523	9 113

1. Ashburton was transferred to the FirstRand Banking Group at its net asset value of R298 million on 1 July 2007, following a reorganisation within the FirstRand Group. The impairment value of R474 million is the difference between the directors' value of R772 million and the transfer value of R298 million.

2. The adjustment in respect of Momentum's share of Swabou Life reflects the difference between the fair value of R185 million (included in ordinary shareholders' net worth) and the equity accounted value included in the shareholders' funds of R134 million.

Analysis of embedded value profits

Embedded value profits represent the change in embedded value, adjusted for any capital raised and ordinary dividends paid. The components of the embedded value profits attributable to ordinary shareholders for the six months ended 31 December 2007 are set out below.

Analysis of embedded value profits

R million	Ordinary shareholders' net worth	Present value of future profits	Cost of capital at risk	Embedded value
Embedded value at 30 June 2007	**8 244**	**8 458**	**(775)**	**15 927**
Impact of transfer of Ashburton	(474)	–	–	(474)
Embedded value at 1 July 2007 (pro forma)	**7 770**	**8 458**	**(775)**	**15 453**
Embedded value profit	**973**	**251**	**(113)**	**1 111**
Factors related to operations:	608	410	(13)	1 005
• Value of new business[1]	(340)	672	(34)	298
• Expected return[2]	–	471	(43)	428
• Expected profit transfer to net worth[3]	702	(702)	–	–
• Expected release from cost of capital[4]	–	–	64	64
• Operating experience variances[5]	263	(79)	–	184
• Experience assumption changes[6]	(17)	48	–	31
Factors related to market conditions:	**365**	**(159)**	**(100)**	**106**
• Investment return on ordinary shareholders' net worth[7]	346	–	–	346
• Investment variance[8]	17	(154)	(61)	(198)
• Economic assumption changes[9]	2	(5)	(39)	(42)
Less: Dividends paid to ordinary shareholders	(1 100)	–	–	(1 100)
Embedded value attributable to ordinary shareholders at 31 December 2007	**7 643**	**8 709**	**(888)**	**15 464**

The embedded value profits attributable to ordinary shareholders of R1 111 million represents an annualised return of 15% on the pro forma embedded value of R15 453 million at 1 July 2007, compared to a return on embedded value of 28% for the year to 30 June 2007.

Notes

1. The value of new business is an estimate of the economic value of the new business written during the six months, determined at the point of sale. The negative contribution to the shareholders' net worth represents the new business strain on the statutory valuation method, which allows for the elimination of negative liabilities on whole life contracts.
2. The expected return is determined by applying the risk discount rate applicable at 30 June 2007 to the value of in-force insurance business at the start of the reporting period, and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to 31 December 2007.
3. The expected profit transfer from the value of in-force insurance business to the shareholders' net worth is calculated on the statutory valuation method.
4. The expected release from cost of capital at risk represents the difference between the expected after-tax investment return on the assets backing the capital adequacy requirements, and the risk discount rate over the six months.
5. The operating experience variances represent the impact of differences between the actual experience and the assumptions used in the embedded value calculations. The operating experience variances of R184 million include the following:

- R70 million from Momentum's individual life business, which includes R92 million from favourable mortality and morbidity experience and negative R44 million from unfavourable experience in respect of early terminations, premium cessations and other policy alterations as well as R22 million in respect of financial structures.
- R9 million in respect of working capital portfolio profits;
- R60 million in respect of the FNB collaboration;
- R61 million from employee benefits business;
- Negative R41 million in respect of maintenance expenses;
- R21 million in respect of Secondary Tax on Companies expected but not paid; and
- R4 million in respect of other items.

6. The impact of the experience assumption changes of R31 million consists of the following:

- Negative R9 million in respect of disability benefit enhancements;
- R42 million in respect of extending the projection period for credit life business (FNB collaboration);
- Modelling and miscellaneous changes of negative R2 million.

7. Investment returns on ordinary shareholders' net worth of R346 million comprise the following:

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Investment income (including dividends from strategic subsidiaries)	**283**	306	587
Capital appreciation (including strategic subsidiaries' retained earnings)	**61**	427	1 065
Preference share dividends paid and the change in fair value of the preference shares issued	**2**	30	23
Investment return on ordinary shareholders' net worth	**346**	763	1 675

8. The investment variance of negative R198 million represents the impact of the lower than assumed investment returns on current and future insurance profits.

9. The economic assumption changes include the effect of the reduction in the assumed rate of investment return, expense inflation rate and risk discount rate in respect of offshore business. In addition, it reflects a change in the mix of cash and cash-like instruments backing the capital adequacy requirement, resulting in a lower assumed investment return after tax.

Assumptions

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

Economic assumptions

%	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Risk discount rate	**11.0**	10.5	11.0
Investment returns (before tax)	**9.5**	9.0	9.5
Implied differential	**1.5**	1.5	1.5
Expense inflation rate	**6.5**	6.0	6.5
Implied real return	**3.0**	3.0	3.0

The investment return assumption of 9.5% per annum was derived from the yields on South African government bonds at 31 December 2007 taking into account the expected outstanding term of the in-force policy book. A notional long-term asset distribution was used to calculate a weighted expected investment return by adding the following premiums/(discounts) to the risk-free yield of 8.4% per annum.

% premium/(discount)	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Equities	**2.0**	2.0	2.0
Properties	**1.0**	1.0	1.0
Government stocks	**–**	–	–
Other fixed interest stocks	**0.5**	0.5	0.5
Cash	**(2.0)**	(2.0)	(2.0)

The future expense inflation assumption of 6.5% per annum was based on an assumed long-term differential of 3.0% relative to the assumed future investment return assumption of 9.5% per annum.

The risk discount rate was set equal to the risk free yield of 8.4% per annum plus 2.6%.

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

In the calculation of the cost of capital at risk, it was assumed that the capital adequacy requirements will be backed by surplus assets consisting of 55% cash or near-cash and 45% variable rate preference shares, to benefit from the effective after tax yield that can be obtained on variable rate preference shares.

Mortality, morbidity and discontinuance rates

The assumptions regarding future mortality, morbidity and discontinuance rates are based on the results of recent internal experience investigations. The mortality assumptions make provision for an expected deterioration in mortality as a result of AIDS, as well as expected improvements in mortality at older ages in respect of annuities in payment.

Expenses

The maintenance expense assumption is the same as at 30 June 2007 adjusted for expected inflation to 31 December 2007. It is based on an estimate of the average future maintenance expenses, and is sufficient to support the existing business on a going-concern basis.

Premium indexation arrangements

The embedded value of in-force insurance business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force insurance business, by using an expected take-up rate based on the results of recent experience investigations. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on the new business written during the six months ended 31 December 2007.

Directors' valuations of asset management subsidiaries

The directors' values of RMB Asset Management and Advantage include the value of expected profits from business written on Momentum's balance sheet as well as the value of profits derived from managing assets in respect of Momentum's insurance business. A price:earnings ratio approach was used to derive the directors' values of the asset management operations.

Reserving bases

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

Surrender and paid-up bases

It was assumed that the current surrender and paid-up bases and practices would be maintained in future.

Tax

Allowance was made for future income tax based on the four-fund tax dispensation, and for capital gains tax at face value in the policyholders' portfolios. No allowance was made for capital gains tax on the shareholders' strategic subsidiary investments, as these are not held with the intention of ultimate disposal.

The cost of capital at risk was based on projected after-tax returns on the assets backing the capital adequacy requirements.

Allowance was made for Secondary Tax on Companies ("STC") on future dividends ultimately payable to shareholders at a rate of 5.6% of net expected future profits. The STC assumption is based on the expected future cash dividends according to the dividend policy of Momentum, taking into account expected future STC credits arising from dividends received.

Sensitivities

This section illustrates the effect of different assumptions on the value of in-force insurance business and the value of new business.

For each sensitivity illustrated, all other assumptions have been left unchanged, except for the sensitivity to a 1% reduction in investment returns, where it was assumed that the inflation rate and the risk discount rate would also reduce by 1%.

No allowance was made for compensating management actions, except for a reduction in bonuses consistent with the reduction in investment returns. In the case of group risk benefits, it was assumed that the deterioration in mortality experience would be countered by a corresponding increase in premiums after a delay of one year.

The risk discount rate appropriate to an investor depends on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future insurance profits of Momentum. The sensitivities to changes in the risk discount rate are included in the tables below.

Value of in-force insurance business sensitivities as at 31 December 2007

R million	Present value of future profits	Cost of capital at risk	Value of in-force insurance business	Change from base (%)
Base value	8 709	(888)	7 821	–
Risk discount rate increases from 11.0% to 12.0%	8 282	(998)	7 284	(6.9)
Risk discount rate decreases from 11.0% to 10.0%	9 186	(766)	8 420	7.7
Renewal expenses increase by 10%	8 425	(888)	7 537	(3.6)
Expense inflation increases from 6.5% to 7.5%	8 574	(888)	7 686	(1.7)
Policy discontinuance rates increase by 10%	8 475	(839)	7 636	(2.4)
Mortality and morbidity experience deteriorates by 10%	7 598	(888)	6 710	(14.2)
Premium growth take-up reduces by 10%	8 557	(888)	7 669	(2.0)
Investment returns reduce from 9.5% to 8.5%	8 863	(918)	7 945	1.6
Equity values decrease by 10%[1]	8 251	(888)	7 363	(5.9)

1. *In addition to the impact on the value of in-force insurance business shown in the table above, an assumed decrease in equity values of 10% will reduce the value of the shareholders' strategic investments by R363 million (a reduction of 4.8% in the shareholders' net worth). The combined impact of a 10% reduction in equity values on the value of in-force insurance business and shareholders' net worth is a 5.3% reduction in embedded value. In the case of all other sensitivities, the values of the assets representing the shareholders' net worth are unaffected.*

Value of new business sensitivities at 31 December 2007

R million	Gross value of new business	Cost of capital at risk	Value of new business	Change from base (%)
Base value	332	(34)	298	–
Risk discount rate increases from 11.0% to 12.0%	296	(38)	258	(13.4)
Risk discount rate decreases from 11.0% to 10.0%	366	(30)	336	12.8
Renewal expenses increase by 10%	306	(34)	272	(8.7)
Expense inflation increases from 6.5% to 7.5%	314	(34)	280	(6.0)
Policy discontinuance rates increase by 10%	298	(32)	266	(10.7)
Mortality and morbidity experience deteriorates by 10%	222	(34)	188	(36.9)
Premium growth take-up reduces by 10%	313	(34)	279	(6.4)
Investment returns reduce from 9.5% to 8.5%	326	(40)	286	(4.0)
New business acquisition expenses increase by 10%	310	(34)	276	(7.4)
New business volumes decrease by 20%	219	(27)	192	(35.6)

appendix 3

FirstRand Group
Supplementary information

R million	Six months ended 31 December 2007	Six months ended 31 December 2006	% change	Year ended 30 June 2007
Return on equity				
Average normalised net asset value	**46 867**	39 674	18	42 213
Normalised earnings	**6 138**	5 539	11	11 845
Normalised return on equity (%)	**26.2**	27.9		28.1
Banking Group (%)	**27.3**	31.6		30.9
Momentum Group (%)	**30.8**	23.9		25.3
Discovery Group (%)	**–**	15.7		22.4
Price to book				
Market capitalisation (number of shares in issue x closing share price)	**111 331**	114 521	(3)	127 367
Normalised net asset value (refer below)	**47 111**	41 545	13	46 622
Normalised price to book (times)	**2.36**	2.76		2.73
Capital adequacy				
Capital adequacy ratio: Banking Group (Regulatory requirement: 10%)	**13.8**	11.8		13.6
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	**2.0**	3.0		2.3
CAR cover: Discovery Group (Regulatory requirement: 1.0 x)	**–**	16.6		10.7
Core leverage ratio				
Core equity (%)	**74.9**	73.7		77.2
Non cumulative non redeemable preference shares (%)	**7.2**	8.0		7.5
Debt instruments (%)	**17.9**	18.3		15.3
	100.0	100.0		100.0
Sources and application of capital				
Sources of consolidated capital at FirstRand				
Ordinary shareholders' equity and reserves				
Ordinary shareholders' equity and reserves	**44 146**	38 366	15	43 548
Less: Non cumulative non redeemable preference shares	**(4 519)**	(4 519)	–	(4 519)
Total ordinary shareholders' equity	**39 627**	33 847	17	39 029
Plus: Treasury shares	**6 040**	6 255	(3)	6 149
Plus: Excess cost of investment of net asset value at date of merger (Section 84 of Companies Act) High Court approval	**1 444**	1 444	–	1 444
Normalised ordinary shareholders' equity (normalised net asset value)	**47 111**	41 546	13	46 622
Non cumulative non redeemable preference shares	**4 519**	4 519	–	4 519
Debt capital instruments	**11 249**	10 290	9	9 250
Total capital sourced	**62 879**	56 355	12	60 391
Banking Group	**50 804**	41 863	21	46 400
Ordinary shareholders' equity	**39 335**	31 378	25	36 126
Non cumulative non redeemable preference shares	**3 100**	3 100	–	3 100
Debt capital instruments	**8 369**	7 385	13	7 174
Momentum Group	**7 565**	8 775	(14)	7 671
Ordinary shareholders' equity	**5 753**	6 510	(12)	5 952
Non cumulative non redeemable preference shares	**500**	500	–	500
Debt capital instruments[1]	**1 312**	1 765	(26)	1 219
Discovery Group	**–**	2 956	(100)	3 362
Unregulated entities	**4 510**	2 761	63	2 958
	4 510	5 717	(21)	6 320
Ordinary shareholders' equity	**2 023**	3 658	(45)	4 544
Non cumulative non redeemable preference shares	**919**	919	–	919
Debt capital instruments	**1 568**	1 140	38	857
Total capital applied	**62 879**	56 355		60 391

1. Excludes intergroup carry between Momentum and Banking Group.

R million	At 31 December 2007	2006[3]	% change	At 30 June 2007
Banking Group[1]	**618 526**	502 634	23	547 467
Momentum Group[1]	**182 532**	179 008	2	184 088
Discovery Group[1]	**–**	7 550	(100)	8 500
FirstRand company and consolidation[2]	**(19 822)**	(12 685)	56	(18 496)
Total on balance sheet assets	**781 236**	676 507	15	721 559
Off balance sheet assets managed or administered on behalf of clients	**211 942**	192 097	10	178 589
Total assets under management or administration	**993 178**	868 604	14	900 148

R million	Pro forma at 31 December 2007	2006[3]	% change	Pro forma at 30 June 2007
Banking Group[1]	**618 526**	502 634	23	547 467
Momentum Group[1]	**182 532**	179 008	2	184 088
FirstRand company and consolidation[2]	**(19 822)**	(12 685)	56	(18 496)
Total on balance sheet assets	**781 236**	668 957	17	713 059
Off balance sheet assets managed or administered on behalf of clients	**211 942**	192 097	10	178 589
Total assets under management or administration	**993 178**	861 054	15	891 648

Notes:

1. Assets are disclosed before elimination of intergroup balances. Refer note 2.

2. All consolidation entries have been included.

3. December 2006 numbers have been restated. Refer page 106.

R million	At 31 December 2007	2006	At 30 June 2007
Shares in issue			
Opening balance 1 July	**5 635 715 676**	5 634 120 503	5 634 120 503
Movements			
Outperformance conversion October 2006/2005	**–**	831 066	831 066
Outperformance conversion April 2007/2006	**–**	–	764 107
Outperformance conversion November 2007	**1 302 100**	–	–
Number of shares in issue	**5 637 017 776**	5 634 951 569	5 635 715 676
Less: Treasury shares	**(451 964 693)**	(476 327 240)	(464 663 200)
Staff schemes	**(252 278 439)**	(283 378 070)	(267 754 209)
BEE staff trusts	**(171 401 072)**	(179 401 072)	(171 401 072)
Shares held by policyholders	**(28 285 182)**	(13 548 098)	(25 507 919)
Number of shares in issue (after treasury shares)	**5 185 053 083**	5 158 624 329	5 171 052 476
Weighted average number of shares			
Actual number of shares in issue as at 1 July	**5 635 715 676**	5 634 120 503	5 634 120 503
Adjustment:			
Outperformance conversion weighting	**217 017**	415 533	745 071
Weighted average number of shares before treasury shares	**5 635 932 693**	5 634 536 036	5 634 865 574
Less: Treasury shares	**(456 951 799)**	(451 500 882)	(470 934 539)
Staff schemes	**(255 809 750)**	(259 906 960)	(282 667 735)
BEE staff trusts	**(171 401 072)**	(179 401 072)	(171 401 072)
Shares held by policyholders	**(29 740 977)**	(12 192 850)	(16 865 732)
Weighted average number of shares in issue	**5 178 980 894**	5 183 035 154	5 163 931 035
Dilution impact:			
Outperformance	**2 313 300**	4 252 007	3 857 700
Staff schemes	**86 992 499**	90 066 553	108 490 250
BEE staff trusts	**39 658 881**	59 147 515	38 552 823
Diluted weighted average number of shares in issue	**5 307 945 574**	5 336 501 229	5 314 831 808
Number shares for normalised earnings per share calculation			
Actual weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share			
Shares in issue at 1 July	**5 635 715 676**	5 634 120 503	5 634 120 503
Adjustment			
Outperformance conversion weighting	**217 017**	415 533	745 071
Weighted average number of shares in issue for normalised earnings calculation	**5 635 932 693**	5 634 536 036	5 634 865 574
Dilution impact:			
Outperformance	**2 313 300**	4 252 007	3 857 700
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	**5 638 245 993**	5 638 788 043	5 638 723 274

The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies.

These adjustments are consistent with those reported at 30 June 2007, except for private equity realisations.

Private equity realisations

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

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

Discovery BEE transaction

In December 2005 Discovery issued 38.7 million shares in terms of its BEE transaction. The special purpose vehicles and trusts to which these shares have been issued have been accounted for as share options of Discovery, eliminating the shares issued as treasury shares.

The normalised adjustment:

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

Treasury shares: Effective shareholding in Discovery Holdings Limited

Discovery consolidates in its results treasury shares relating to its BEE transaction, which effectively increases FirstRand's share in Discovery from 57.1% to 62.3%. This adjustment is to reflect the actual shareholding which existed pre the unbundling in Discovery at 57.1%.

Share based payments and treasury shares: Consolidation of share trusts

IFRS 2 – Share based payments requires that all share based payments transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005. FirstRand hedges itself against the price risk of the FirstRand share price in the various staff shares schemes. The staff schemes purchase FirstRand shares in the open market to ensure the company is not exposed to the increase in the FirstRand share price. Consequently, the cost to FirstRand is the funding costs of the purchases of FirstRand's shares by the staff share trust. These trusts are consolidated and FirstRand shares held by the staff share scheme are treated as treasury shares. For purposes of calculating the normalised earnings, the consolidation entries are reversed and the Group shares held by the staff share scheme are treated as issued to parties external to the Group.

The normalised adjustments:

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

Treasury shares: FirstRand shares held by policyholders

FirstRand shares held by Momentum Group and Discovery Life are invested for the risk and reward of its policyholders, not its shareholders, and consequently the Group's shareholders are not exposed to the fair value changes on these shares. In terms of IAS 32, FirstRand Limited and Discovery Holdings Limited shares held by Momentum Group and Discovery Life on behalf of policyholders are deemed to be treasury shares for accounting purposes. The corresponding movement in the policyholder liabilities is, however, not eliminated, resulting in a mismatch in the overall equity and income statement of the Group.

Increases in the fair value of Group shares and dividends declared on these shares increased the liability to policyholders. The increase in the liability to policyholders is accounted for in the income statement. The increase in assets held to match the liability position is eliminated. For purposes of calculating the normalised earnings, the adjustments described above are reversed and the Group shares held on behalf of policyholders are treated as issued to parties external to the Group.

Adjustment of listed property associates

Momentum's investments in its listed property associates (Emira and Freestone) were adjusted from fair value to net asset value in the Group consolidated financial statements until 31 December 2006. The policyholder liabilities are mainly based on the fair value of the units held, resulting in a mismatch between policyholder assets and liabilities that is reflected as a non operational item outside of normalised earnings. Since 1 January 2007, these investments in associates were reflected at fair value, as these assets back linked policyholder liabilities in terms of IAS 28.

Headline earnings

Background

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

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

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

FirstRand is obliged to adopt the first exception and has elected to early adopt the second exception.

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

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

Financial impact on the FirstRand Group

For the financial impact which the above changes had on the Group refer to pages 105 to 107.

The following line items on the face of the statement of headline earnings, income statement and balance sheet have been restated:

R million	Amount as previously stated	Amount as restated	Difference	Explanation
31 December 2006				
Statement of headline earnings				
Headline earnings	4 569	4 877	308	Profit on private equity realisation included in headline earnings.
Headline earnings per share (cents)				
– Basic	88.1	94.1	6.0	Refer above.
– Diluted	85.6	91.4	5.8	Refer above.
Income statement				
Interest and similar income	21 773	21 696	(77)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Interest expense and similar charges	(11 877)	(11 866)	11	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Non interest income	26 769	25 274	(1 495)	Reallocation of Discovery numbers to profit after tax on discontinued operation line and commissions paid to operating expenses line.
– fees and commissions	7 946	6 939	(1 007)	Refer above.
– fair value income	2 151	2 151	–	–
– gains less losses from investment activities	15 508	15 375	(133)	Refer above.
– other non interest income	1 164	809	(355)	Refer above.
Net insurance premium income	3 791	2 307	(1 484)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Insurance premium income	4 189	2 413	(1 776)	Refer above.
Premium ceded to reinsurers	(398)	(106)	292	Refer above.
Net claims and benefits paid	(3 112)	(2 421)	691	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Gross claims and benefits paid on insurance contracts	(3 655)	(2 703)	952	Refer above.
Reinsurance recoveries	543	282	(261)	Refer above.
Increase in value of policyholder liabilities	(14 799)	(15 124)	(325)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Fair value adjustment to financial liabilities	(102)	(7)	95	Reallocation of Discovery numbers to profit after tax on discontinued operation line.

R million	Amount as previously stated	Amount as restated	Difference	Explanation
Operating expenses	(11 709)	(11 160)	549	Reallocation of Discovery numbers to profit after tax on discontinued operation line and commissions paid to operating expenses line as well as Banking Group indirect tax moved from tax line.
Share of profit of associates and joint ventures	768	766	(2)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Tax	(3 083)	(2 610)	473	Reallocation of Discovery numbers to profit after tax on discontinued operation line as well as Banking Group indirect tax moved to operating expenses.
Profit after tax from discontinued operation	–	404	404	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Balance sheet				
Advances	325 232	340 078	14 846	Grossing up of advances in line with international practice relating to set off in terms of IAS 32.
Deposits	355 011	369 857	14 846	Grossing up of deposits in line with international practice relating to set off in terms of IAS 32.
Accounts receivable	7 958	7 821	(137)	Momentum policy loans on insurance disclosed on separate line.
Policy loans on insurance contracts	2	139	137	Refer above.
Investment securities and other investments	227 893	205 150	(22 743)	Sum of assets arising from insurance contracts and money market investments.
Assets arising from insurance contracts	–	2 812	2 812	Disclosed as separate line, previously included as part of investment securities and other investments.
Cash and short term funds	31 127	51 058	19 931	Money market investments disclosed as part of cash and short term funds for consistency, previously included as part of investment securities and other investments.

R million	Amount as previously stated	Amount as restated	Difference	Explanation
30 June 2007				
Headline earnings	10 457	10 854	397	Profit on private equity realisation included in headline earnings.
Headline earnings per share (cents)				
– Basic	202.5	210.2	7.7	Refer above.
– Diluted	196.8	204.2	7.4	Refer above.
Income statement				
Interest and similar income	45 463	45 324	(139)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Interest expense and similar charges	(25 844)	(25 821)	23	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Non interest income	51 040	47 763	(3 277)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
– fees and commissions	16 797	14 545	(2 252)	Refer above.
– fair value income	6 086	5 987	(99)	Refer above.
– gains less losses from investment activities	25 537	25 258	(279)	Refer above.
– other non interest income	2 620	1 973	(647)	Refer above.
Net insurance premium income	7 946	5 081	(2 865)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Insurance premium income	9 002	5 570	(3 432)	Refer above.
Premium ceded to reinsurers	(1 056)	(489)	567	Refer above.
Net claims and benefits paid	(6 844)	(5 590)	1 254	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Gross claims and benefits paid on insurance contracts	(7 837)	(6 125)	1 712	Refer above.
Reinsurance recoveries	993	535	(458)	Refer above.
Increase in value of policyholder liabilities	(25 064)	(25 535)	(471)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Operating expenses	(27 088)	(23 288)	3 800	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Share of profit of associates and joint ventures	2 101	2 198	97	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Tax	(5 721)	(5 216)	505	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Profit after tax from discontinued operation	–	1 073	1 073	Reallocation of Discovery numbers to profit after tax on discontinued operation line.

R million	Pro forma Six months ended 31 December 2007	2006	% change	Pro forma Year ended 30 June 2007
Pro forma attributable earnings to shareholders	**6 049**	5 128	18	10 838
Adjusted for:	**(532)**	(481)	11	(540)
Profit on disposal of available-for-sale assets	**(39)**	(554)		(649)
Profit on sale of shares in subsidiary and associate	**(570)**	–		(78)
Profit/(loss) on disposal of property and equipment	**–**	1		(8)
Impairment of intangible assets	**–**	–		55
Impairment of goodwill	**–**	–		61
Total tax effects of adjustments	**77**	72		79
Pro forma headline earnings	**5 517**	4 647	19	10 298
Adjusted for:	**436**	672	(35)	1 011
IFRS 2 Share based expense	**177**	180		390
Treasury shares	**259**	363		593
– Consolidation of staff share schemes	**221**	268		372
– FirstRand shares held by policyholders	**38**	95		221
Adjustment of listed property associates to net asset value	**–**	129		28
Pro forma normalised earnings[1]	**5 953**	5 319	12	11 309
Pro forma normalised earnings per share (cents)				
– Basic	**105.6**	94.4	12	200.7
– Diluted	**105.6**	94.3	12	200.6
Pro forma earnings per share (cents)				
– Basic	**116.8**	98.9	18	209.8
– Diluted	**113.9**	96.1	19	203.9
Pro forma headline earnings per share (cents)				
– Basic	**106.5**	89.6	19	199.4
– Diluted	**103.9**	87.1	19	193.7
Pro forma return on equity	**26.3**	28.9		28.9
Average normalised net asset value excluding Discovery	**45 186**	36 863	22	39 199
Pro forma normalised earnings	**5 953**	5 319	12	11 309

1. Refer to page 103 for description of normalised earnings.

R million	Pro forma 31 December 2007	Pro forma 31 December 2006	Pro forma 30 June 2007
Shares in issue			
Opening balance 1 July	**5 635 715 676**	5 634 120 503	5 634 120 503
Movements			
Outperformance conversion October 2006/2005	**–**	831 066	831 066
Outperformance conversion April 2007/2006	**–**	–	764 107
Outperformance conversion November 2007	**1 302 100**	–	–
Number of shares in issue	**5 637 017 776**	5 634 951 569	5 635 715 676
Less: Treasury shares	**(451 964 693)**	(475 556 190)	(463 264 178)
Staff schemes	**(252 278 439)**	(283 378 070)	(267 754 209)
BEE staff trusts	**(171 401 072)**	(179 401 072)	(171 401 072)
Shares held by policyholders	**(28 285 182)**	(12 777 048)	(24 108 897)
Number of shares in issue (after treasury shares)	**5 185 053 083**	5 159 395 379	5 172 451 498
Weighted average number of shares			
Actual number of shares in issue as at 1 July	**5 635 715 676**	5 634 120 503	5 634 120 503
Adjustment			
Outperformance conversion weighting	**217 017**	415 533	745 071
Weighted average number of shares before treasury shares	**5 635 932 693**	5 634 536 036	5 634 865 574
Less: Treasury shares	**(455 797 042)**	(450 729 832)	(469 986 193)
Staff schemes	**(255 809 750)**	(259 906 960)	(282 667 735)
BEE staff trusts	**(171 401 072)**	(179 401 072)	(171 401 072)
Shares held by policyholders	**(28 586 220)**	(11 421 800)	(15 917 386)
Weighted average number of shares in issue	**5 180 135 651**	5 183 806 204	5 164 879 381
Dilution impact:			
Outperformance	**2 313 300**	4 252 007	3 857 700
Staff schemes	**86 992 499**	90 066 553	108 490 250
BEE staff trusts	**39 658 881**	59 147 515	38 552 823
Diluted weighted average number of shares in issue	**5 309 100 331**	5 337 272 279	5 315 780 154
Number of shares for normalised earnings per share calculation			
Actual weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share			
Shares in issue at 1 July	**5 635 715 676**	5 634 120 503	5 634 120 503
Adjustment			
Outperformance conversion weighting	**217 017**	415 533	745 071
Weighted average number of shares in issue for normalised earnings calculation	**5 635 932 693**	5 634 536 036	5 634 865 574
Dilution impact:			
Outperformance	**2 313 300**	4 252 007	3 857 700
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	**5 638 245 993**	5 638 788 043	5 638 723 274

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

However, with Discovery's launch in the investment business and Momentum's ambition in the healthcare sector, a decision was taken to sell 21 569 301 Discovery shares and to unbundle the balance of 316 357 337 Discovery shares. Management and shareholders approved the transaction on 7 November 2007 in South Africa. From this date onwards, FirstRand no longer had any investment in Discovery.

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

Income statement

R million	Four months ended 7 November 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Interest and similar income	52	77	139
Interest expense and similar charges	(7)	(11)	(23)
Net interest income before impairment of advances	45	66	116
Impairment losses on loans and advances	–	–	–
Net interest income after impairments of advances	45	66	116
Non interest income	1 182	1 495	3 277
– Fees and commissions	788	1 007	2 252
– Fair value income	9	–	99
– Gains less losses from investment securities	150	133	279
– Other non interest income	235	355	647
Net insurance premium income	865	1 484	2 865
– Insurance premium revenue	1 074	1 776	3 432
– Premium ceded to reinsurers	(209)	(292)	(567)
Net claims and benefits paid	(342)	(691)	(1 254)
– Gross claims and benefits paid on insurance contracts	(527)	(952)	(1 712)
– Reinsurance recoveries	185	261	458
Increase in value of policyholder liabilities	257	325	471
Fair value adjustment to financial liabilities	–	(95)	–
Income from operations	2 007	2 584	5 475
Operating expenditure	(1 397)	(1 966)	(3 800)
Net income from operations	610	618	1 675
Share of profit of associates and joint ventures	(57)	2	(97)
Profit before tax of discontinued operation	553	620	1 578
Tax expense	(179)	(216)	(505)
Profit after tax of discontinued operation	374	404	1 073
Cash flow information:			
Cash flow from operating activities	524	90	575
Cash flow from investing activities	(420)	(388)	(625)
Cash flow from financing activities	(224)	(144)	(283)
Total cash flows	(120)	(442)	(333)

R million	As at 7 November 2007	As at 31 December 2006	As at 30 June 2007
Balance sheet			
Total assets	9 062	7 550	8 500
Total liabilities	3 431	2 843	3 138

A reconciliation of the profit on disposal of Discovery:	
Proceeds on disposal	1 184
Net asset value at date of disposal and unbundling of Discovery	(605)
Goodwill realised	(9)
Profit before tax on unbundling and sale of Discovery	570
Tax	(76)
Net profit from disposal/unbundling of Discovery	494

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

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

	Six months ended 31 December			Year ended 30 June
R million	**2007**	2006	% change	2007
Aggregate cost of portfolio	**2 082**	1 574	32	1 958
Aggregate carrying value	**3 537**	2 844	23	3 334
Aggregate fair value	**6 635**	4 400	51	6 436
Equity accounted income[1]	**606**	624	(3)	1 461
Private equity associates	**659**	379	74	1 009
Other private equity and venture capital related activities	**(53)**	245	(>100)	452
Profit on realisations[2]	**481**	308	56	397
Aggregate other income earned[1]	**96**	71	36	204

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

Issue 2 – Capital appreciation on investment properties

	Six months ended 31 December			Year ended 30 June
R million	**2007**	2006	% change	2007
Carrying value of investment properties	**3 155**	2 458	28	2 356
Fair value of investment properties	**3 155**	2 458	28	2 356
Capital appreciation after tax	**60**	55	9	291

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STOCK EXCHANGES

JSE Limited ("JSE")

Ordinary shares	Share code	ISIN code
– FirstRand Limited	FSR	ZAE 000066304
Non cumulative non redeemable preference shares		
– "B"	FSRP	ZAE 000060141
– "B1"	FSPP	ZAE 000070900

Namibian Securities Exchange ("NSE")

Ordinary shares	Share code	ISIN code
FirstRand Limited	FSR	ZAE 000066304
FNB Namibia Holdings Limited	FNB	NA 0003475176

Botswana Securities Exchange ("BSE")

Ordinary shares	Share code	ISIN code
FNB Botswana Holdings Limited	FNBB	BW 000000066

Bond Exchange of South Africa ("BESA")

Subordinated debt

Issuer	Code	ISIN code
FirstRand Bank Limited	FRB05	ZAG 000031337
FirstRand Bank Limited	FRB03	ZAG 000026774
FirstRand Bank Limited	FRB02	ZAG 000021593
FirstRand Bank Limited	FRB01	ZAG 000021585
Momentum Group Limited	MGL01	ZAG 000029935

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