PAUL HARRIS /
Chief Executive Officer

FirstRand's performance in the year to June 2006 represents the continuation of a track record of excellent growth and returns to shareholders since its inception in 1998. The Group has delivered a compound annual growth rate of 21% in earnings and 23% in dividends and has also maintained a return on equity ("ROE") well ahead of our stated target of 10% above the weighted average cost of capital.

The Group has achieved this consistent performance through focusing on a number of core strategies which underpin the way we run this business. During 2006, the combination of these strategies and a strong external environment meant that despite the high base created last year, the Group exceeded its earnings growth target of 10% above inflation.

With regard to the external environment we believe that there has been a fundamental structural change in the South African economy. Political and economic reform has essentially restructured the economy and increased competition across all sectors. This, together with a sound monetary policy and fiscal discipline has provided a favourable climate for growth in the economy and financial services has been one of the sectors to benefit. Micro-economic reform has increased social delivery and we have seen formal employment expand. Tax and interest rate cuts have increased disposable income levels and the impact of Black Economic Empowerment, particularly in the area of employment equity, is creating a new black middle class, which is critical to a stable political and economic landscape.

For FirstRand, this environment has provided a number of key growth themes, against which our businesses are particularly well positioned.

Firstly, **lower interest rates and inflation** created a climate for strong organic growth for our commercial bank, First National Bank ("FNB"), our instalment finance business, WesBank and our insurance businesses, Momentum and Discovery.

In every area of its business, in almost every segment and product line, FNB not only had robust growth but also grew faster than its peers and therefore grew market share. A pleasing feature was that both FNB and WesBank not only grew volumes but also had good growth in new customers. FNB's growth is evidenced in the table below.

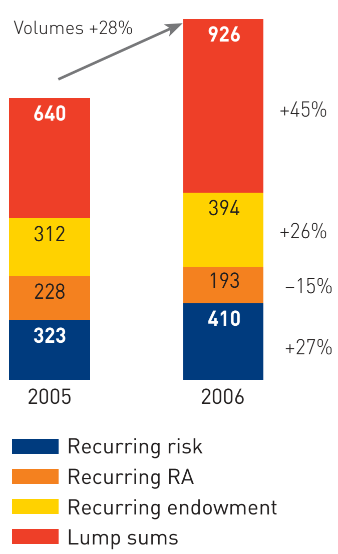
FNB growth in customers

	June 2005 000's	**June 2006 000's**	Volume growth %
Customer base*	4 422	**5 153**	↗ 17
InContact	1 855	**3 417**	↗ 84
eBucks customers	865	**982**	↗ 14
Internet bankers	389	**537**	↗ 38
Telephone bankers	159	**192**	↗ 21
Cellphone bankers	74	**218**	↗ >100

** Including WesBank, customers amount to 5.6 million.*

Momentum also benefited from the strong economy. As can be seen from the chart below, new business volumes grew strongly across all the main product areas except for retirement annuities.

Momentum's new business annualised premium income (Rm)



As a result of Black Economic Empowerment, significant wealth transfer has taken place in South Africa. The combination of employment equity policies, black ownership transactions, procurement policies and enterprise development has resulted in the rapid emergence of a new black consumer. The main beneficiaries of the rapid growth of this market have been FNB, WesBank, Momentum and OUTsurance. For example, the strong growth in transactional accounts, debit cards, micro loans and affordable housing loans experienced by FNB in the past year is off a low base but reflects how well positioned FNB is to capture customers in this market segment.

BEE has also been a big driver of growth at Rand Merchant Bank ("RMB") which has developed considerable expertise in advising, structuring and funding BEE transactions. Although RMB took advantage of the strong equity markets and realised three large investments in its Private Equity portfolio during the year, BEE created opportunities to provide capital to a number of new BEE entities that have established themselves in the market and add attractive investments to the portfolio.

In terms of BEE transactions, RMB's Structured Finance and Corporate Finance divisions have a dominant market share and have been mandated for 44% of the total BEE deals done to date by value since 2004.

I now turn to the core strategies of the Group that we believe have contributed to the Group's growth, over and above the opportunities provided by the market. For the past 18 months FirstRand has been consistently positive on the macro, environment and has pursued an **aggressive organic growth strategy**. As a result of this strategy strong organic growth was experienced across all of our main businesses, which resulted in excellent top line growth as a whole.

The table opposite, which is not an exhaustive list, provides a good indicator of how this strategy enabled the Group to perform ahead of the growth provided by the market, and in many areas grow market share.

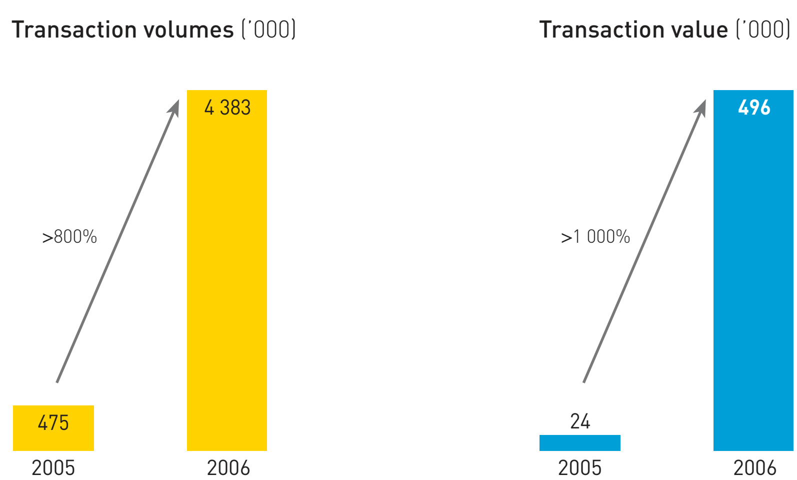
Organic growth indicators

WesBank new business	+28%
FNB HomeLoans new business	+58%
FNB Card advances	+36%
FNB Corporate deposits	+29%
RMB Private Bank advances	+28%
Momentum new business	+39%
Discovery Life new business	+25%

A critical driver of our organic growth strategy is our almost obsessive focus on innovation which I believe differentiates us from our peers, both in banking and insurance. Our innovative approach has its roots in our entrepreneurial culture and it has continued to thrive due to our structure and business philosophy.

A particular segment where we have used innovation to good effect is in the mass market. In this segment the challenge for the banks is to provide accessible and cost effective products and channels for customers. FNB has been particularly effective at responding to this challenge and has successfully used technology to provide low cost solutions. The mini ATM is a good example of deploying technology in an innovative way to service customers in rural communities and we have now deployed about 1 500 of these devices throughout South Africa. FNB's cellphone banking offering has also shown exponential growth since its launch in March 2005 (as can be seen in the charts below) and is the leading cellphone banking offering in South Africa.

FNB Cellphone banking



Given the levels of cellphone penetration in the country, we expect this growth trend to continue for some time.

We have often commented on the benefits of FirstRand's integrated structure in that it allows each business to leverage off the systems, platforms, client bases and skills of the rest of the Group. Significant top line growth has been created through the various businesses working together, we refer to this strategy as collaboration.

Examples of growth from collaboration include the success of the Discovery Card which made a significant contribution to the excellent performance of FNB Card, delivering 9% of the FNB Card's 33% growth in customer spend and 9% of its 36% growth in advances.

FNB's collaboration with Momentum has also gained traction. The strategy of selling Momentum manufactured but FNB branded insurance products through FNB's distribution channels contributed to Momentum's strong new business growth and showed an increase in earnings from R18 million in 2005 to R58 million in 2006. Momentum's short-term insurance start-up, which together with OUTsurance leverages off the skills and platform of FirstRand Short-Term Insurance, is well ahead of the business plan.

The table below demonstrates that collaboration between the banking and insurance businesses continued to contribute significantly to the Group's overall growth.

Retail NPBT from insurance operations

	June 05 (Rm)	**June 06 (Rm)**	% change
OUTsurance	214	**225**	5
FirstLink	60	**68**	13
WesBank	267	**394**	48
HomeLoans	63	**63**	0
FNB Life	20	**49**	>100
FNB Consultants	49	**63**	29
Total	673	**862**	**28**

The last point I would like to cover under our growth strategy is the extent to which our business philosophy has empowered our divisions and their management to provide the results we are reporting.

Unlike its peers, the Group is structured as a federation of profit centres or business units that are active in the various sectors of the financial services market. This structure is successful because it allows FirstRand to function as a number of small focused businesses that can find and swiftly exploit profitable niches. At the same time they can benefit from the financial muscle and operational critical mass of the Group. In this context we refer to FirstRand as a "jugger-niche" – a juggernaut with a niche market mentality.

Each profit centre has its own strategy and its own empowered management team supported by a brand specifically positioned to service that particular market segment or customer base. The Group has a strong portfolio of leading brands in FNB, RMB, WesBank, Momentum, OUTsurance and Discovery. All of these brands are "seeded players" and most are either the number one or two in their market segment. All this, combined with our focus on innovation has allowed us to exploit the growth opportunities the market has offered.

Looking forward, we remain generally positive on the overall macro environment, albeit that growth may not be at the exceptional levels of the past year. Our philosophy is that whilst the macro environment may make growth easier it is our business philosophy and the quality and empowerment of our staff and our strategies that must provide superior growth.

There are a number of issues and challenges that we need to address. GT Ferreira has covered at length in his Chairman's statement that one of the major issues facing financial services is increasing regulation. The only comment I would like to add is that both regulation and consumerism are "here to stay" and the financial services industry needs to get its house in order and focus on winning the customer over.

Transformation is an issue we take very seriously at FirstRand as we believe it is a significant contributor to the sustainability of the South African economy. We have spent a great deal of time trying to understand what transformation entails and have provided our business units with a detailed framework on how to implement it. We have communicated these guidelines internally and externally and I believe that we have been able to inspire our management to tackle transformation "from the heart" rather than as a "ticking the box exercise".

The five pillars of our strategy that are equally important are:

- Contributing to a better macro environment;
- Redressing investment imbalances;
- Employment equity;
- Facilitating the emergence of black businesses;
- Facilitating equitable ownership and control of companies.

Whilst the above pillars are relevant to all aspects of the Financial Sector Charter and Department of Labour measurements we see them as real deliverables and we have "hard-wired" them into every element of our business.

One of the perceived gaps in FirstRand's growth strategy is our apparently cautious approach to African and international expansion.

There are a few key principles that underpin our international strategy. The first is that we cannot replicate FirstRand internationally and we will therefore only expand the activities of those businesses within the Group that have a competitive advantage in other jurisdictions. This means that international expansion is driven at business unit level with the centre playing a facilitative and supportive role.

> **Looking forward I believe that the Group is in good shape and all our businesses are settled and focused on growth. We have a well-diversified earnings base, a portfolio of leading brands and empowered and committed people.**

Another key principle is that we have an incremental approach to international expansion and would seek to establish "greenfields" operations or joint ventures with partners who can provide brand credibility and distribution in chosen markets.

To illustrate this approach is the great success of our greenfields Australian Private Equity business which was achieved by leveraging off the infrastructure and skills developed in South Africa. Another example is Discovery's joint venture in the UK with Prudential which has a formidable presence in its markets and provides substantial benefits in terms of brand credibility and distribution capabilities.

The last strategic issue I would like to cover, is our decision to focus on maintaining ROE and not aggressively growing market share for the sake of it in those business lines that have become increasingly commoditised. This does not mean that we will not continue to grow in these businesses but we will focus on products that are profitable and provide our targeted returns. Whilst this may result in a loss of market share in some areas of our business we are comfortable with this strategy as we are confident that we can deploy our scarce capital in areas that provide a more sustainable ROE.

In summing up, I would like to join with GT Ferreira in acknowledging the hard work and commitment displayed by FirstRand's management team and staff to deliver these excellent results. Looking forward, I believe that the Group is in good shape and all our businesses are settled and focused on growth. We have a well-diversified earnings base, a portfolio of leading brands and empowered and committed people. All these, combined with a healthy operating environment, should allow us to continue to grow profits and deliver superior returns to shareholders in the coming years.

PK Harris
Chief Executive Officer
FirstRand Limited