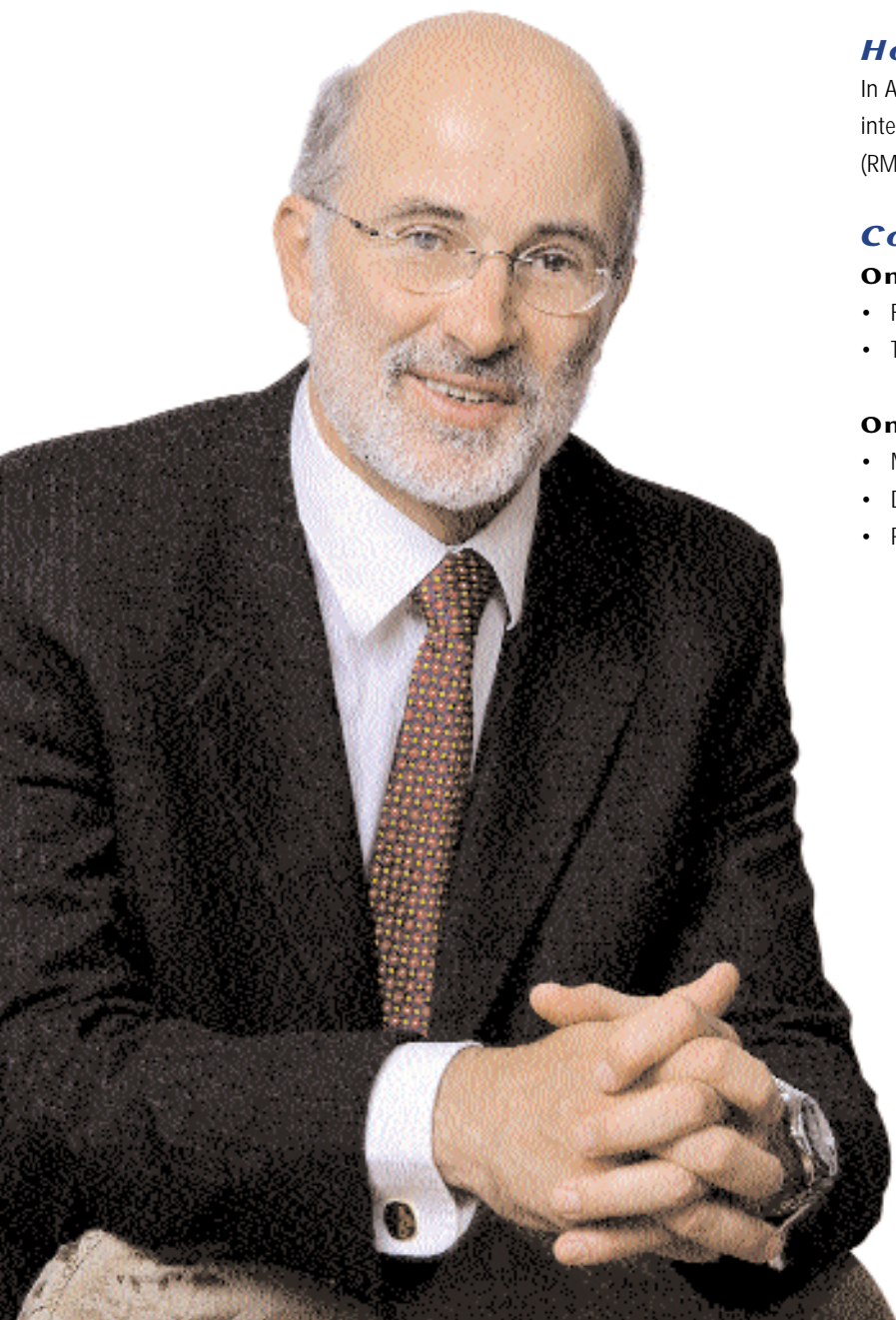


REPORT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE



***This report covers
the second full year
of the FirstRand Group***

Here is the group's history in a nutshell:

How FirstRand started

In April 1998, through the merger of the financial services interests of Anglo American Corporation (AAC) and RMB Holdings (RMBH).

Companies in merger

On the Anglo American side

- First National Bank Holdings of Southern Africa Limited (FNBH)
- The Southern Life Association Limited (Southern)

On the RMBH side

- Momentum Life Assurers Limited (Momentum)
- Discovery Health Limited (Discovery)
- Rand Merchant Bank Limited (RMB)

***G T FERREIRA
GROUP CHAIRMAN***

Guiding vision

To create a new group of companies structured with critical mass to take advantage of the blurring of boundaries and the convergence of products and services within the financial services industry, without the limitations imposed by minorities in operating companies.

Expected progress

We estimated that the full benefits of the merger would take three to five years to achieve.

Actual progress

- The merger of the operations of Southern and Momentum is now complete.
- The merger of FNBH's merchant banking operations with RMB is also complete.
- The transformation of the group's retail bank, reported last year, is on track.
- We are confident that the real benefits of the enlarged group will accelerate in the year ahead.

LAURIE DIPPENAAR
GROUP CEO



OPERATING ENVIRONMENT

The group faced a fairly challenging financial year marked by a number of significant events

The financial year to June 2000 was characterised by the following:

- A falling interest rate environment. This was positive for the levels of non-performing loans, but did not result in the expected increase in demand for retail credit.
- A modest increase of only 9,4% in the JSE Overall Index over the 12 months to June, which included a fall in the index in the last six months.
- An increase of 5,1% in the headline consumer price index.
- Relatively low market volatility, which had the effect of limiting trading opportunities in financial instruments.
- Uncertainty about the effects of the Y2K millennium bug, which delayed spending and investment in the closing half of 1999.
- Regulatory changes which included a significant increase in the tax paid by life insurance companies, the taxation of foreign dividends and material changes to the Medical Schemes Act which complicated the launch of new health insurance products.



PAUL HARRIS
BANKING GROUP CEO

FINANCIAL RESULTS

Headline earnings +19% to R2,95 billion

Total dividend +23% to 19 cents per share

Assets under management +18% to R303,7 billion

Attributable earnings

R MILLION	2000	1999	% CHANGE
Attributable earnings	3 056	2 489	23
Earnings per share (cents)	56,1	45,7	23

Headline earnings

R MILLION	2000	1999	% CHANGE
Headline earnings			
Banking	2 190	1 898	15
Insurance	790	631	25
Secondary tax on companies	(33)	(47)	30
Total headline earnings after tax	2 947	2 482	19
Headline earnings per share	54,1	45,6	19

Dividends

CENTS PER SHARE	2000	1999	% CHANGE
Interim	9,0	7,5	20
Final	10,0	8,0	25
Total	19,0	15,5	23
Cover (times)	2,9	2,9	

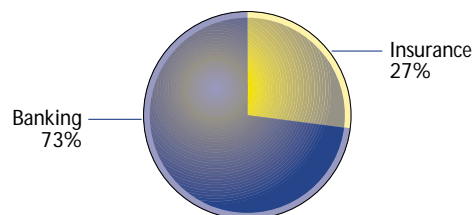


FINANCIAL RESULTS

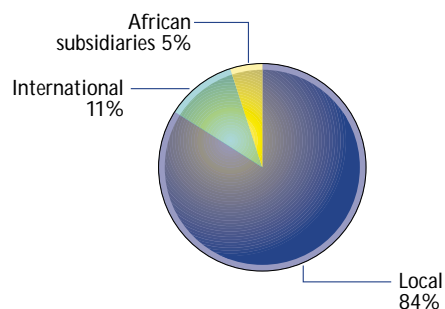
Contribution to earnings By major division (and ranked in descending order)

	2000	1999
	%	%
Merchant banking	17	17
Instalment finance	14	13
Retail banking	12	13
Bank head office and capital centre	11	31
Corporate and commercial	10	7
Individual life insurance	8	5
Asset management	7	5
Investment income on free reserves	6	9
African subsidiaries	4	4
Property finance	4	(10)
Employee benefits	3	3
Health insurance	3	3
Other	1	-
Total	100	100

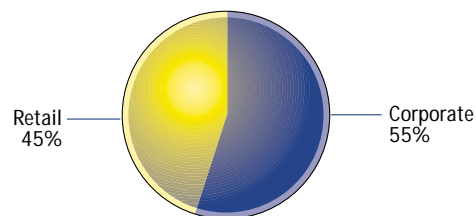
Insurance vs banking



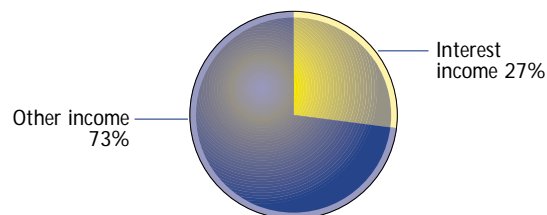
Local vs international



Corporate vs retail



Net interest vs other income



Embedded value of insurance group

23% return on embedded value before dividends

The embedded value of the Momentum Group, representing the sum of shareholders' net assets and the present value of the expected future profits arising from the existing in-force insurance business, totalled R9,4 billion at June 2000. The growth in embedded value for the year amounted to R1,9 billion before allowing for dividends. This growth represents a return of 23% on the opening embedded value.

Group assets under management

+18% to R303,7 billion

Group assets under management, after adjusting for intergroup holdings, increased by 18% to R303,7 billion as shown below:

<i>R MILLION</i>	<i>2000</i>	<i>1999</i>	<i>% CHANGE</i>
Holding company	1 113	-	-
Banking Group	155 513	145 871	7
Insurance Group	147 057	112 345	31
On-balance sheet	66 165	56 193	18
Off-balance sheet assets managed and administered on behalf of clients	80 892	56 152	44
Total	303 683	258 216	18



MANAGEMENT OF CAPITAL

Our capital position remains healthy

Share capital

R1,1 billion of preference shares issued

On 30 March 2000, FirstRand issued the first tranches of the "A" convertible preference shares which form the basis of an OutPerformance staff share incentive scheme. The capital raised in this manner amounts to approximately R1,1 billion and will ultimately be deployed in the operating units where the participants are employed. In terms of the share scheme, the preference shares may be converted into ordinary shares over the next three to five years. The number of ordinary shares arising upon conversion will be determined by the extent to which the FirstRand share price outperforms its peers (as represented by the FINI 15 index) over the period.

Share trading

24% of issued shares traded

The FirstRand share price in the year to 30 June 2000 averaged 742 cents per share, with a high of 1 010 cents per share and a low of 550 cents per share. The volume of shares traded remained constant at approximately 24% of the total issued share capital.

Shareholding structure

Anglo American will sell its 20,6% stake

FirstRand's two controlling shareholders are AAC with 20,6%, and RMBH with 25,0%. In addition, the AAC associate De Beers owns a further 3,1%. AAC has indicated that it does not regard FirstRand as part of its core holdings and will seek to dispose of its investment in the next 18 months. The RMBH management and AAC are working together to achieve this.

Return on equity

We achieved 24%

It is our policy at FirstRand to actively manage the capital invested in our subsidiaries and their respective businesses.

The benchmark return on capital for the group businesses has been set at an average of 12,5% real. The actual nominal return on average equity for the year under review was 24%.

During the year, we continued to refine the capital allocation principles which allow us to compare the returns achieved by each part of the business with the capital required to support it. Identifying the capital requirements, both statutory and economic, of the different business operations allows the executive committee to focus on maximising the expected return on any excess capital which might become available from time to time.

Capital adequacy

On track to meet proposed SARB ratios

The favourable surplus capital position in our Insurance Group allowed Momentum to declare a total dividend of R861 million, representing 83% of the total dividends received by FirstRand. At 30 June 2000, Momentum Group's free reserves exceeded its capital adequacy requirements 2,1 times. This favourable position was achieved as a result of the successful listing of Discovery Health and the skilful restructuring of certain investment portfolios which carried investment-related guarantees.

In our Banking Group, the capital adequacy ratio (CAR) increased from 10,5% to 10,9% while the ratio of primary to secondary capital changed from 60 : 40 to 63 : 37.

The South African Reserve Bank has indicated that it intends to increase the statutory capital requirements for banks from the present 8% to at least 10%, and to change the ratio of primary to secondary capital from 50 : 50 to 75 : 25.

We are confident of being able, through the retention of profits, to comply with the Reserve Bank's anticipated changes.

MANAGEMENT OF BRANDS

“In the 21st century, branding will ultimately be the only unique differentiator between companies” – Fortune Magazine

At FirstRand, we have chosen to follow a multibrand strategy. We believe that this allows us to take full advantage of the valuable brands already existing in the portfolio.

Changes in our insurance brands

Focus on Momentum brand

We have reviewed our life insurance strategy and decided to consolidate our activity under the Momentum brand. Consequently we have stopped using the Southern Life brand. The name of the company has also changed from FirstRand Insurance Limited to Momentum Group Limited.

Changes in our bank brands

Consolidation of the First National Bank brand

During the year the fragmentation of the FNB brand into, amongst others, First Commerce, First Express, Personal Bank, was stopped. These brands have been consolidated under the First National Bank brand. This brand has been positioned to deliver “sensible, simple banking solutions”. Furthermore, in the belief that service brands are built on a clear set of staff-owned values, distinctive brand values have been developed and comprehensively communicated internally. An external campaign will be launched in September.

Ansbacher – Recognising the value of a global brand for our high net worth customers, FNB Private Bank was renamed Ansbacher Private Bank to align it with our Ansbacher International Group.

Other – Brands earmarked for further development in the new year include Origin, OUTsurance, eBucks.com, CashPower and BOB.



DEREK CARSTENS



CONVERGENCE

This is the process of capitalising on the blurring boundaries in financial services – and we will exploit it fully

Convergence already a reality

The group is uniquely positioned to exploit it

Reference has already been made to the group's vision of capitalising on the blurring of boundaries and convergence within the financial services sector.

The FirstRand Group is uniquely positioned both in terms of structure and critical mass to take advantage of this trend. We enjoy financial strength, a massive customer base, huge transactional ability, a solid technological platform and virtually no conflict of interest between group companies.

Good progress so far

New strategies will improve this still further

In the new year, we will implement a number of strategies to increase the number of group products owned by our customers. The concept of bancassurance is already a reality in certain parts of the group. WesBank, for example, earns 15% of its income from insurance-related activities, while Momentum Life receives 40% of its new business from independent financial advisers associated with banks. FNB branded unit trusts, education savings schemes and retirement plans are being successfully sold in First National Bank's rural branches.

eBucks.com

Focused on cross-selling

An analysis of the many customer databases within the FirstRand Group reveals that our more than 5 million customers use on average only 1,45 group products. Our research shows that there is ample opportunity to increase this ratio, and this will form a major area of focus in the year ahead.

An important part of the convergence and cross-sell strategy is eBucks.com, our first major eCommerce initiative announced earlier this year. By creating the world's first real bank-backed eCurrency, eBucks.com will leverage all FirstRand group companies' business models via three key offerings:

- **Customer Appreciation Programme**

This rewards customers in eBucks for using group products, and will therefore be a powerful incentive for them to extend their relationship across group companies. Customers will also be rewarded in eBucks if they switch to more cost-effective online alternatives to traditional banking and other financial services.

- **Secure eShopping**

This is a secure method of shopping on the Internet. All major credit cards are accepted; even non-card holders will be able to

shop online via an eBucks.com account. No shopper will ever have to disclose confidential information to merchants.

• **eFinancial services**

This will offer customers:

- a consolidated view of accounts held with group companies
- a single access point from which to view detail and to transact on and across these accounts
- access to all products and services offered by the group via their websites.

On launch, FNB HomeLoans, FNB Card, WesBank, FNB Trust Services, Momentum, RMB Investment Services and CashPower will be represented on the site. As the functionality of this integrated bancassurance portal develops, the group will have an increasingly unique offering differentiating it from its competitors.

eBucks.com will be owned jointly by Momentum Group Limited and FirstRand Bank Holdings Limited. FirstRand will invest approximately R300 million over the next three years in this initiative. We believe this cost is more than offset by eBucks.com's vast potential to earn direct revenue and to add to the group's bottom line through cross-selling. It is an aggressive entry into the business-to-consumer eCommerce market and will form a central part of our future revenue potential.



MICHAEL JORDAN



MANAGEMENT OF PEOPLE

Our people are our most important asset

We attract excellent people

They are empowered to achieve maximum effect in the group

At FirstRand, our hiring philosophy is to attract, challenge and retain excellent people. We expect them to act with the utmost integrity. We empower them, hold them accountable and reward them appropriately.

By promoting the concept of FirstRand as a financial services group with the heartbeat of a merchant bank, we ensure that an entrepreneurial and innovative spirit are the pervasive ethos within the group. This allows us to attract quality staff, lift the level of the intellectual debate and implement tough and difficult decisions.

Our wide range of skills allows us to transfer staff between the Banking and Insurance groups so as to leverage our intellectual capital to best effect.

Details of management practices relating to training, development and remuneration structures are dealt with under our corporate governance report on page 38.

Employment Equity Act

We are compliant

In May 2000, all group companies submitted their plans to the Department of Labour who have confirmed that we are now compliant with the new Employment Equity Act. We believe that these plans are realistic in the light of the present skill shortage and global competition faced by the South African financial services industry. Our research shows that the Government's honourable intentions are unlikely to succeed unless there is close co-operation with business.

At 30 June 2000 the FirstRand Group employed 35 200 people of whom 92% were employed in South Africa, 5% in African subsidiaries and 3% in the rest of the world. Of those employed in South Africa 35% were male and 65% female, while 49% were people of colour and 51% were white.

New OutPerformance share incentive scheme

Aimed at destiny changers

On 30 March 2000, we launched our new OutPerformance staff share incentive scheme aimed at incentivising and retaining existing and potential leaders within the group – our destiny changers. Approximately R1,1 billion was raised in new preference shares to fund the venture. The money will be deployed in the operating units where the participants are employed. In terms of the share scheme, participants may convert their preference shares into ordinary shares over the next three to five years. The number of ordinary shares arising upon conversion will be determined by the extent to which the FirstRand share price outperforms its peers (as represented by the FINI 15 index) over the period.

The OutPerformance scheme is in addition to the share incentive schemes already operating in the Insurance and Banking groups.

CORPORATE SOCIAL INVESTMENT

Our grant pool now amounts to 1% of group after-tax profits

FirstRand Foundation established

It comprises two independently administered trusts

During the year we finalised the structure of the FirstRand Foundation. The Foundation now comprises two trusts, these are:

- FirstRand Foundation Educational Trust
- FirstRand Foundation

The administration of the Foundation has been outsourced to Tshikululu Social Investments, and its activities are overseen by a board of trustees which includes representatives from the major divisions within the Banking and Insurance groups and independent trustees with relevant community knowledge and expertise.

Contributions to the fund are equal to 1% of the group's after-tax profits.

In addition, the group is contributing over a 5-year period to the National Business Trust of which FirstRand is a founder member. This is an initiative by South African companies working in partnership with the Government to undertake targeted job creation and capacity-building programmes. The contribution during the year, based on market capitalisation, totalled approximately R12 million.

A report on the Foundation appears on page 43.



REPORT ON OPERATIONS —

FIRSTRAND BANKING GROUP

This group of companies is involved in retail, corporate and investment banking, both locally and internationally.

*Consolidated headline earnings +15% to R2,19 billion
Pro forma headline earnings +25%*

Earnings

Banking Group earnings during the year increased by 15% to R2 190 million. If the transfer by way of a special dividend of R2 billion of capital held by the Banking Group to Momentum Group on 30 June 1999 is recognised, the Banking Group's earnings represent a healthy pro forma increase of 25%.

An analysis of earnings is set out below:

<i>R MILLION</i>	<i>2000</i>	<i>1999</i>	<i>% CHANGE</i>
Rand Merchant Bank	630	540	17
WesBank	507	420	21
Retail Bank	451	424	6
Head Office and Capital Centre	424	1 001	(57)
Corporate and Commercial	349	219	59
African subsidiaries	263	217	21
Property Finance	132	(333)	>100
FirstRand International	70	(1)	>100
Broking and short-term insurance	40	52	(23)
Private Banking	3	0	>100
Income from operations	2 869	2 539	13
Less: Taxation	(548)	(584)	(6)
	2 321	1 955	19
Less: Outside shareholders	(131)	(57)	>100
Earnings attributable to ordinary shareholders	2 190	1 898	15

A comprehensive report by the Banking Group's Chief Financial Officer appears on page 66.

WESBANK

is a full-service provider of instalment credit finance for moveable assets to the retail and corporate market.

- Profits before tax increased by 21% to R506,7 million. Bad debts were kept at record low levels. Non-performing loans reduced to 2,4% of advances.
- WesBank retained its position as market leader in the vehicle finance area and was rated the top vehicle finance bank in the most recent PricewaterhouseCoopers survey on banking in South Africa.
- Monthly pay-outs exceeded R1,0 billion throughout the year.
- Joint ventures were established with Volkswagen and Toyota and a black empowerment initiative, Kgwerano Asset Finance. These are in addition to the existing joint ventures with Delta, Nissan, McCarthy and Fiat.
- WesBank entered its first e-commerce initiative through a joint venture with Dimension Data and the retail motor industry. The venture will trade as "Motoronline" and will provide business-to-business and business-to-consumer services to members and customers of the retail motor industry. R50 million is to be invested in the project.
- WesBank expanded the activities of CashPower, a readily accessible form of "paperless" credit available by telephone to consumers.
- A "centralised" group collections division was established within WesBank.



RONNIE WATSON

RAND MERCHANT BANK

RMB offers specialist services in the fields of corporate finance, special projects, investment banking and treasury.

Another good year

RMB tops charts in banking survey

RMB achieved record profits of R629,7 million before tax, representing an increase of 17%. These profits were achieved despite a relatively flat equity market with low volatility. However, the bank was able to make more efficient use of capital and leverage off the greater group's balance sheet.

RMB was rated by its peers in the most recent PricewaterhouseCoopers survey of banking in South Africa to have the best teams in structured finance, private equity and corporate finance (the latter including both listings and mergers and acquisitions). The survey encompasses both domestic and foreign participants in the local investment and merchant banking markets.

RMB Corporate Finance

Despite generally depressed market conditions and a significant slowdown in mergers and acquisitions activity, RMB Corporate Finance maintained its dominant position in the South African market.



MICHAEL PFAFF



RAND MERCHANT BANK

- Significant transactions concluded during the year included the acquisition of Comparex's international networking business by Didata and the listing of Discovery Health.
- In January 2000, Corporate Finance launched its Australian presence with the acquisition of a team of three senior directors with over 40 years of experience in the Australian and Asian investment banking markets. These directors have built up a team which is focused on large mergers and acquisitions, divestments and fund raising transactions for RMB's Australian and South African clients. In the short period under review, they advised on transactions with a value of more than R4 billion.
- Significant transactions included the financing of the N3 toll road and the acquisition of two new Boeing 747s for South African Airways.
- Several securitisation transactions were entered into. One of these was the raising of US\$250 million through the securitisation of FirstRand Bank's future foreign credit card receivables. The division has stated its intentions of making inroads into the structured trade market and leading the way in the creation of new markets for credit-linked securities and derivatives.
- Excellent progress is being made in Special Projects' offshore operations where assets now exceed US\$3 billion.

RMB Private Equity

RMB Private Equity has the most comprehensive portfolio of private equity investments in the market.

- RMB Ventures and RMB Corvest made a substantial surplus when they realised their joint equity interest in Railit Total Transportation.
- Ethos Private Equity concluded the Waco leverage buyout, which is the largest transaction of its type in South Africa.
- RMB Private Equity successfully expanded its operations into the specialist private equity senior and mezzanine debt business. More than R750 million was advanced to leverage buyouts.
- RMB Ventures Australia evolved into an established private equity player in that country.

RMB Special Projects

RMB Special Projects recorded its best year ever both in terms of current year profitability and present value of future profits arising from deals concluded. These deals contributed R7 billion to long-term asset growth.

RMB Treasury

RMB Treasury achieved a record performance in a year characterised by relatively low volatility and trading volumes. This performance was achieved with less reliance on traditional trading activities and greater reliance on annuity and arbitrage activities. The capacity now exists to ensure that this trend continues in the years ahead.

- RMB Treasury maintained its premier position in the foreign exchange, fixed-interest and money markets by once again being ranked within the top three in all of these categories by the PricewaterhouseCoopers survey of banking.
- During the year, RMB Treasury assumed full responsibility for the treasury function in the FirstRand Banking Group. The transfer pricing mechanism within the group has been redefined, and all business units are now measured on a fully geared basis. The funding base was diversified and good levels of liquidity were maintained throughout the year, particularly over the Y2K period.



RETAIL BANK (FIRST NATIONAL BANK)

The Retail Bank produces, administers and supports most of the group's core banking products. It is responsible for the strategic marketing functions to the consumer, rural and business market segments. It manages the distribution channels for the bank, delivering financial services to banking clients across all segments.

It is also responsible for managing certain centralised services for the Banking Group such as technology, premises and payroll activities.



WENDY LUCAS-BULL

Good progress on all fronts

The expected synergies are starting to be realised

Last year we reported that there would be increased management focus on the group's retail banking activity. We indicated that restructuring of its activities could be expected to, over the medium term, improve efficiencies, eliminate loss making activities, unlock human potential and exploit the significant potential for improved revenue, service and profitability.

We are pleased to be able to report impressive progress on all fronts:

- Profits before tax totalled R450,6 million.
- A pilot project to reengineer back-office cheque processing was completed. This revised model which significantly improves the efficiency of operations will be introduced in the year ahead.
- Pricing of products and services was reviewed and adjusted where required to reduce revenue leakage and bring pricing in line with market norms.
- The process of consumer credit approval was improved, using technology and scoring methodologies. This is expected to reduce bad debts and improve service.
- Branch operations in metropolitan areas were restructured and refocused to ensure that they operate as sales and service outlets. In line with this, sales and service directors and managers with appropriate profiles have been appointed.
- Service and efficiency improvements in the bank's contact centre resulted in FirstDirect winning "Best Customer Service in a Call Centre" accolade, awarded by Call Centre Africa 2000. Initiatives are in place to increase contact centre usage.
- The number of customers using Internet banking reached 70 000. The introduction of eBucks is expected to increase this number materially. The Internet banking offering is being revamped for release this year.
- The availability of our ATM network was improved and its functionality increased. FNB now operates more than 1 700 automatic teller machines (ATMs) in South Africa. The use of FNB ATMs has increased against the market trend of static or reduced transaction volumes.
- Client data was reviewed and restructured to identify client needs. The bank's ability to further improve client service depends on its management information system. In this regard, First National Bank enjoys a richness of data which presents an opportunity to service clients more effectively.
- The information technology team achieved annualised savings in excess of R200 million, while at the same time increasing operational capacity, reducing downtime and timeously delivering a number of strategic developments. Disaster recovery was upgraded.
- Annualised savings of R100 million were achieved in the premises and human resources area. It remains the bank's policy to keep head office support services to a minimum.
- FirstCard was restructured and improvements are under way.
- FNB's rural branch network continued to perform strongly, making a material contribution to operating profits and increasing market share.
- The strategy for emerging markets has been agreed and products and services are being rolled out.



CORPORATE BANK

FNB Corporate provides a complete range of banking products to the business community.

- Profits before tax increased to R349,4 million. New leadership was appointed and the innovative and entrepreneurial culture of the division strengthened.
- During the year, FNB Corporate Bank assumed the management of FNB's Business and Commercial division. Two separate divisions will be maintained, each operating in its traditional target markets. Substantial savings are expected from this rationalisation.
- Bad debts increased, and it was necessary for the bank to make substantial provisions for a number of well-publicised corporate failures. However, credit processes are being reviewed and pricing mechanisms established to better recognise the credit risks involved.
- Co-operation with RMB and Momentum Employee Benefits will extend the range of products and services available to business clients.



CORPORATE

THEUNIE LATEGAN

PROPERTY FINANCE

provides mortgage finance to homebuyers.

- There was a dramatic R465,0 million turnaround following the introduction of new management. Profits before tax of R131,7 million were achieved compared to a loss of R333,3 million during the previous year.
- Non-performing home loan balances were reduced to 4% of advances compared with 9% in June 1999.
- There was a 21% fall in the number of properties in possession following the establishment of a Home Traders division.
- The property valuations function was outsourced.
- A home loan pricing strategy was introduced which allowed the introduction of individualised risk lending rates and has focused on increasing the average size of advances.



First National Bank
Homeloans

ED GRONDEL



AFRICAN SUBSIDIARIES

comprise companies in Namibia, Botswana and Swaziland. FNB Namibia (78%-owned) and FNB Botswana (70%-owned), are quoted on their respective stock exchanges.

- First National Bank of Namibia increased profits by 17% to R149,5 million under difficult trading conditions. The company enjoys a market share in excess of 30% of advances in Namibia. A focus on improving the risk profile of the book has reduced bad debts.
- First National Bank of Botswana continued to show significant growth. Despite the impact of large corporate lending losses, profits increased by 17% to R105,3 million. Profitability is expected to rise significantly in the year ahead

following the high level of provisioning in the year under review. This will further improve the sound return of equity and operating ratios. Plans are well advanced to introduce new credit products, including micro-loans, to the emerging market and an insurance brokerage operation.

- Profits more than doubled to R8,4 million at First National Bank of Swaziland. While this is still a relatively small operation, impressive progress was made in improving operating efficiencies and return on equity.



VIV BARTLETT

FIRSTRAND INTERNATIONAL

serves as an umbrella under which a portfolio of businesses is managed.

These businesses are aligned to the group's core competencies and include:

- Private banking and wealth management under the Ansbacher brand
- Investment banking to resource-based businesses through RMB Resources
- Energy trading, dealing and settlement services via RMB Energy
- Corporate finance in Australia under RMB Corporate Finance
- Private equity investments in Australia with RMB Ventures

Management also facilitates the international activities of the domestic business units and promotes and protects the group's brands internationally.

- Total earnings before tax from the Banking Group's international activities totalled R458 million and are included, where appropriate, in the various operating divisions' results.
- Management and operating structures are now in place, which makes it possible to further increase the line of foreign-based earnings.
- Ansbacher International is expanding its range of products and services in conjunction with Momentum Wealth and FirstRand Asset Management.



FIRSTRAND

RICHARD SPILG



INSURANCE AND BROKING ACTIVITIES

OUTsurance

- In July 1999, the activities of OUTsurance, a wholly-owned subsidiary of RMB Holdings, were merged with First National Insurance (FNI). This gave FNI access to OUTsurance's outstanding actuarial skills. OUTsurance, in turn, gained access to FNI's large customer base. In terms of the merger, FirstRand Bank and RMB Holdings each own 47,5% of the merged entity, with staff holding the balance. These operations have now been sufficiently integrated, and progress is being achieved in building the OUTsurance brand.



RENÉ OTTO

KEITH YOUNG



First Bowring

- First Bowring finalised its joint venture with Marsh Inc, the world's largest insurance broker. FirstRand Bank is a 40% partner in the venture, which operates in the large corporate market. It allows First Bowring to concentrate on personal lines, small and medium businesses, and crop insurance.

PRIVATE BANKING

Origin

Origin provides wealth creation solutions to high income earners

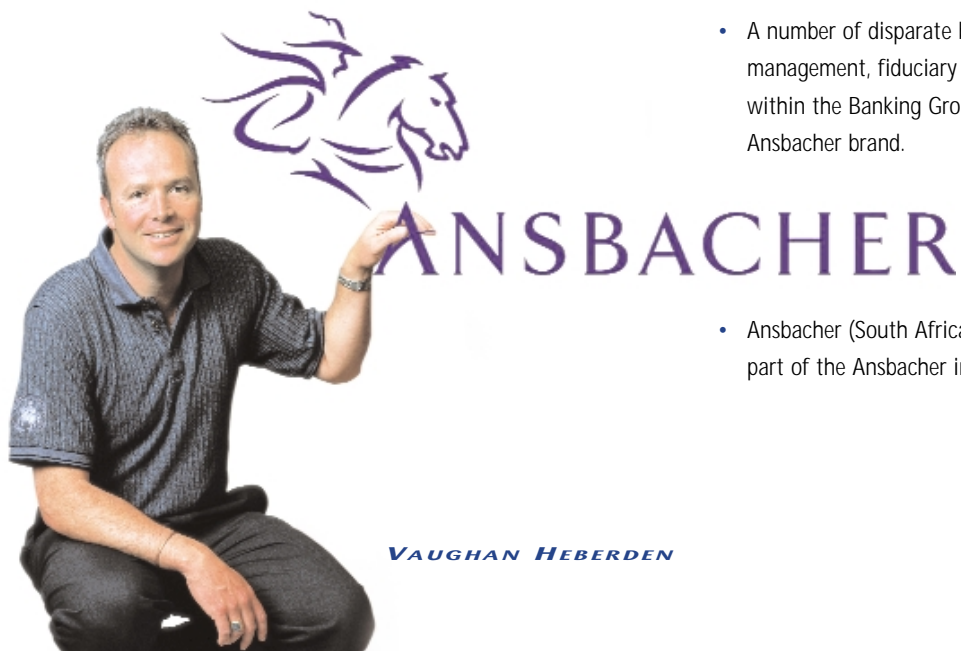
- The division's merchant banking parentage has allowed it to establish a reputation for innovation. Its single credit facility changed the rules of banking and is now being copied by competitors.
- Additional banking, insurance and investment related products will be introduced to Origin's target market in the new year as part of an aggressive marketing campaign.



Ansbacher Private Bank

Ansbacher is positioned to offer personalised holistic global wealth management to high net worth individuals

- A number of disparate business units including asset management, fiduciary services and private banking from within the Banking Group have been consolidated under the Ansbacher brand.



- Ansbacher (South Africa) is aligned as an integral part of the Ansbacher international group of companies.

BANKING GROUP RISK AND FINANCE

- Earnings before tax on the Banking Group's capital totalled R425,0 million compared with R1 001,0 million in the prior year. This lower figure reflects the impact of the transfer of R2 billion of capital to FirstRand Limited and the declining interest rate regime.
 - The finance division of FirstRand Bank has been consolidated to include Group Accounting, Tax, Internal Audit Services and the management of all aspects of risks including Credit, Market, Operations and ALCO. The group risk division is the custodian of the bank's new risk management framework. This framework is independently audited to ensure its effectiveness.
 - Financial officers were appointed in all of the major clusters.
 - Good progress is being made with the allocation of capital to measure performance.
 - The quality of reporting, based on the decentralised structure was improved and activity-based costing used to test pricing strategies.
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REPORT ON OPERATIONS —

MOMENTUM GROUP

Momentum and its subsidiaries are involved in activities related to the creation and protection of wealth.

Consolidated headline earnings +25% to R790 million

Earnings

An analysis of the earnings of the Momentum Group is summarised below:

R MILLION	2000	1999	% CHANGE
Insurance Operations	327	205	60
Individual Business	229	127	80
Employee Benefits	98	78	26
Asset Management operations	205	136	51
Health Insurance operations	88	64	38
Group operating profit after tax	620	405	53
Investment income on free reserves	170	226	(25)
Group headline earnings	790	631	25

The 53% increase in operating income after tax is particularly pleasing, while the 25% decline in investment income reflects the move from predominantly interest-bearing assets to equities which are expected to provide a better return over the long term.

A comprehensive report by the Chief Financial Officer of Momentum Group appears on page 118.

HILLIE MEYER
MOMENTUM GROUP MD



INDIVIDUAL BUSINESS

Earnings from individual business, comprising Momentum Life and Momentum Wealth, increased by 80% to R229 million.

MOMENTUM WEALTH* AND MOMENTUM ADVISORY SERVICE

Momentum Wealth is an administrator of packaged unit trusts. Momentum Advisory Service is the group's global multi-manager and investment research house.

- Momentum Wealth's assets under administration increased by 56% to R12,5 billion.
- Developments during the year included the introduction of a retirement product for small companies as well as the Group Investment Option which is a multi-manager product for the retirement fund market.
- Momentum Wealth UK was established to offer the Momentum Wealth concept to Henry Ansbacher's International client base. New business inflows during the year totalled R1,5 billion.
- Momentum Advisory Service's wrap funds under management exceeded R3,7 billion.



**previously Momentum Administration Services*

MOMENTUM LIFE

Momentum Life products and services create and protect wealth for the upper- and middle-income market.

- New single premiums increased by 80% to R4,9 billion. New business recurring premiums increased by 21% to R584 million.
- The conversion of Southern policyholder data to the Momentum administration systems was completed on time and within budget. The single operating platform will ensure substantial ongoing savings and operational efficiencies for Momentum Life estimated at R230 million per annum.
- The Southern conversion was not without its challenges, and service levels in some areas declined. In the circumstances, customer retention was satisfactory. However, Momentum Life takes great pride in being recognised as the leading administrator in South Africa and management is confident that the common systems now in place will ensure that service levels will once again exceed customer expectations.
- Further savings were achieved via a joint venture with Capital Alliance in terms of which the Southern field force was positioned to sell products from both companies. As a result the losses relating to this distribution channel were reduced from R60 million in the previous year to R22 million in the current year. No further losses are anticipated.
- Momentum Corporate Advisory Services (CAS) made a significant contribution to the operational profits. CAS specialises in structuring tailor-made insurance products for high net worth individuals and corporate clients.
- Growth in revenue is expected to emerge as a result of increased market share, flowing from an expansion of the capacity of Momentum Distribution Services and the launch of an exciting range of new products in both the investment and risk related fields. Improvements in operating efficiencies of 25% are targeted for the next three years. Staff incentives have been aligned with these targets.



**KOBUS
SIEBERHAGEN**

NIGEL DUNKLEY

DANIE BOTES

M O M E N T U M

MOMENTUM EMPLOYEE BENEFITS

MEB provides consulting and employee benefits solutions to a select range of employers.

- Profits after tax totalled R98 million – an increase of 26%. A large percentage of these profits came from risk-related business where MEB has established itself as a market leader.
- A restructuring of MEB's guaranteed fund portfolios resulted in a reduction of approximately R600 million in capital adequacy requirements. This restructuring, achieved with the use of derivative instruments, will improve MEB's return on equity.
- Plans are well advanced for the implementation of a new administration system, MEB Online. This enhanced consolidated administrative platform will result in improved operating efficiencies and a more effective customer interface.
- Opportunities are being explored to offer the division's products and services to the customers of the Corporate and Commercial Bank.



DISCOVERY

Discovery focuses on making people healthier and enhancing their lifestyle.



ADRIAN GORE

- Earnings attributable to Momentum's 64,1% shareholding in Discovery increased by 38% to R88 million.
- Discovery was successfully listed on the JSE in October 1999 with the initial listing price of R6,90 per share rising to R11,25 at June 2000. This resulted in considerable value being unlocked for the Momentum Group.
- Membership of Discovery's Health Plans grew 38% to more than 700 000 lives.
- The implementation of the new Medical Schemes Act during the year necessitated a substantial change in the structure of the Health Plans. The new plans are now well placed in terms of both the new regulations and products offered by competitors.
- The Vitality HealthStyle programme membership grew 64% to nearly 470 000 members.

Discovery

- Destiny Health, Discovery's US initiative, launched its products in Chicago in May 2000 after receiving the necessary regulatory approval. The initial response from the intermediary community has been most pleasing.
- Discovery's unique positioning in managing risk and health care presents an opportunity to expand into life, disability and dread disease products. To this end, a new subsidiary, Discovery Life, will launch a range of risk-related products aimed initially at its existing customer base in September 2000.
- Discovery World will launch during the coming year and will provide access to Discovery's products and services in a fully interactive online environment.

FIRSTRAND ASSET MANAGEMENT

provides a complete range of asset management products and services.

- Profits after tax increased by 51% to R205 million.
- Assets managed both locally and internationally reached R127 billion.
- The RMB Asset Management team achieved excellent returns for clients during the year. The team came second in the Alexander Forbes Large Manager Pension Fund Survey over two and ten years, and first in the latest "Plexus" Awards for overall excellence of investment returns across the full range of unit trusts.
- Southern Asset Management was merged with RMB Asset Management, resulting in substantial savings.
- Concurrent with this merger, FutureGrowth was established as a stand-alone asset manager concentrating on empowerment and infrastructure development. We are still seeking a suitable empowerment partner to co-invest in FutureGrowth.
- RMB Properties increased its contribution to profits and was involved in managing building projects totalling R650 million.
- The unit trust team is now also responsible for the administration and marketing of FNB Unit Trusts, which are sold through FNB's retail outlets. This initiative with the Banking Group will receive increased focus in the year ahead.
- FirstRand Asset Management increased its holding in the Jersey General Group (JGG) from 20% to 55%. JGG is a well-regarded and established wealth management and financial services company based in Jersey. It currently services international high net worth individuals. The acquisition represents an opportunity to increase our international investment expertise and to expand this target market.



JAN HUGO

HANNES DU PREEZ

RMB ASSET MANAGEMENT

PROSPECTS

We face the new year with confidence. Two difficult mergers are behind us and the transformation of the Retail Bank is on track.

An ambitious cost-cutting campaign has been launched by the Banking Group with the aim of reducing its cost-to-income ratio to 55% by June 2002. An integral part of the cost-cutting process will be the re-engineering of back office processes at the bank.

A more scientific credit process and credit risk-pricing model is being introduced by the bank. This is expected to impact favourably on the level of non-performing loans.

The establishment of the branches as stand-alone sales and service outlets is a key component of improving cross-sell ratios, customer retention and service levels.

The focus of the Momentum Group will be on product innovation and the development of FNB as a retail distribution outlet. A three-year programme has been devised to achieve significant operational efficiencies of 25%. There will also be a strong focus on improving the return on shareholders' free reserves while optimising the statutory capital employed by the Momentum Group.

Discovery Health has announced that it will launch a life insurance initiative in September 2000. Protection against death, disability and dread disease will be offered initially to its existing customer base and will eventually be expanded into the broader market.

We are confident that the real benefits of the enlarged group will continue to emerge in the year ahead.

THANKS

We would like to thank the board of directors for their support and guidance, and our staff for their ingenuity and hard work. We want our customers to know that we are committed to providing them with excellent products and services, and our shareholders to be richly rewarded for their confidence in our ability.



G T Ferreira
Chairman



L L Dippenaar
Chief Executive

