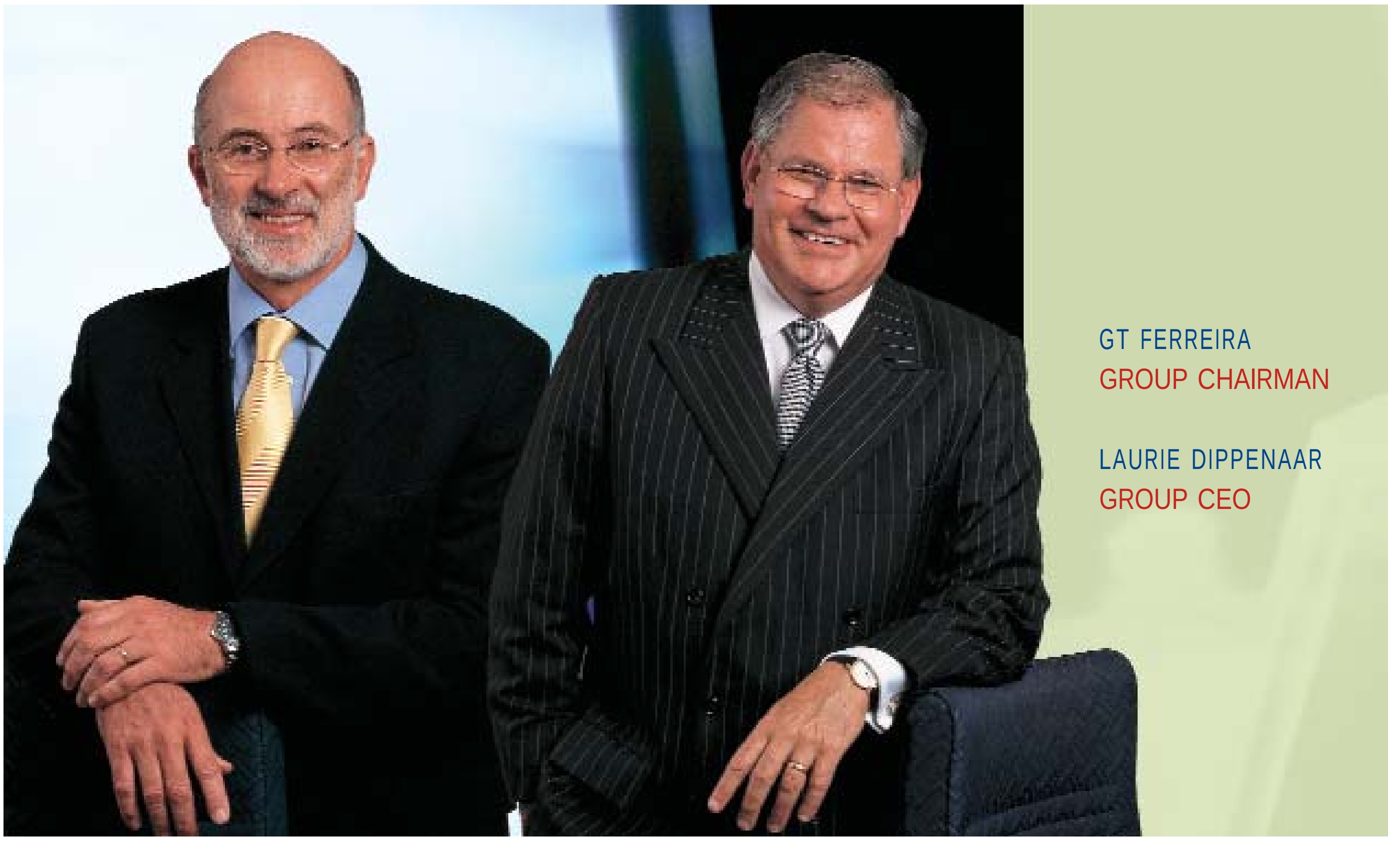
REPORT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE



GT FERREIRA
GROUP CHAIRMAN

LAURIE DIPPENAAR
GROUP CEO

This report covers the third full year of operations since the formation of FirstRand in April 1998.

PROGRESS SINCE THE MERGER

At the time of the merger we said that it would take between three to five years for the benefits to be realised. We are exceptionally pleased with the progress to date. During the last three years we have:

- Created stand alone businesses to provide product and customer focus and to allow our entrepreneurial culture to demonstrate itself
- Merged similar operations to extract cost efficiencies
- Engineered remarkable turnarounds in divisions that benefited from new management and lateral thinking
- Ensured that champion divisions were allowed to grow and prosper
- Inspired our people to adopt the FirstRand business philosophy which endorses the belief that consistent long-term growth requires a balance of the demands of all our stakeholders

CHANGE IN SHAREHOLDERS

The formation of FirstRand was the result of the merger of the financial services interests of Anglo American Corporation ("AAC") and RMB Holdings ("RMBH"). At that point AAC and its associate De Beers, held 23,64% of FirstRand and RMBH 25,03%. In our report last year we indicated that AAC had signalled their intention to exit their investment in order to concentrate on their core business of exploration and mining.

On 6 December 2000 AAC and De Beers announced that they had entered into an agreement with Remgro in terms of which Remgro would acquire from them 17% of the share capital of FirstRand. A portion of these newly acquired shares were then exchanged for shares in RMBH.

On 9 February 2001, RMBH shareholders approved a share exchange in terms of which Remgro acquired a 23,08% stake in RMBH while retaining a direct stake of 9,32% in FirstRand. The net effect is that RMBH now owns 32,83% of FirstRand, and management control of FirstRand continues to vest in RMBH. AAC and De Beers indicated at the time of the transaction that they would exit the remainder of their investment in an orderly manner. Since the year-end, De Beers have advised that they have disposed of their remaining 1,27% stake.

MARKET OVERVIEW

Competitive, regulatory and macro-economic environment

The South African financial services market remains very competitive. The year under review has been one of takeovers, mergers and restructuring within the financial services industry. Some well-known names and brands have disappeared from the local scene.

During the year to 30 June 2001, the local economy grew by 2,8%. The JSE All Share Index increased by 19% although most of this growth occurred in the last quarter of the financial year. Interest rates were stable with expectations that they would decline. The consumer price index inflation averaged 6,8%. The rand depreciated by 7,4% on a weighted average basis and by nearly 16% against the US dollar. The world economy has faltered for the first time in many years, bringing an air of uncertainty to local markets.

Against this background the demand for both credit products and savings remained subdued. Sluggish growth in corporate borrowing in particular, was concerning. Exceptions were to be found in the housing and motor vehicle markets, and for savings products with an off-shore investment element. Interest margins of FirstRand Bank were squeezed as a result of the endowment effect on banking deposits and the capital base.

The regulatory environment was one of constant change. Our health operations were challenged by legislation surrounding the new Medical Schemes Act and the level of new business in our long-term insurance investment products was curtailed by the limitation placed on institutional investors to invest abroad. The SARB has now formally announced an increase in the capital adequacy requirements for banks from 8% to 10%. This, and the phasing out of cash holdings (“vault cash”) as liquid assets, will increase operating costs.

Policyholder protection legislation will be introduced on 1 July 2001 by the Financial Services Board. Our insurance companies do not foresee problems as their current licensing and underwriting practices already comply with most of the legislation. The cost of compliance monitoring is expected to increase throughout the group.

The South African Revenue Services (“SARS”) have indicated that they will target banks in general, and their structured finance deals in particular, for special attention in the year ahead. While the group is confident that its structures will stand up to scrutiny, SARS’ comments have led to uncertainty surrounding much needed capital investment in our country. Corporates will remain cautious when entering into structured finance deals until such time as the fiscus has made its intentions clear. Discussions between the Banking Council and SARS are taking place.

Our health company expects that changes to the Medical Schemes Act will also be necessary. A balance between the objectives of the State and investors is needed if many companies and schemes operating in this arena are to survive.

The changing regulatory environment creates increasing uncertainty, and challenges the long-term planning for the group companies and its clients.

VALUE STRATEGY

Vision, strategy, governance and organisation

Vision and strategy

To understand the current FirstRand vision and strategy it is necessary to go back to the late 1980s. At that time the management team of what is now RMB Holdings realised that they needed to be less dependent on volatile investment banking income. They set themselves the objective of achieving more secure annuity income and a diversified earnings base. The result was the acquisition of Momentum Life and its related asset management activities.

In the early 1990s, the creation of the new South Africa and our country’s return to its rightful place in the global economy presented both opportunities and threats to the group. An internal management team predicted that, as with other emerging economies, international banks would enter our market with the intention of capturing corporate and parastatal business. Relatively low barriers to entry in the latter markets made it possible for this strategy to be successfully pursued. The management team also recognised that barriers to entry in the retail market were much higher and that there were opportunities for growth in this area without meaningful competition from international players.

As a result the group acquired a 20% stake in NBS, a retail banking operation and also created a "new age" retail bank, Origin, which serves the high income market. The investment in NBS, which was subsequently sold, highlighted the difficulty of minority holdings and strengthened our belief that the boundaries between banking, insurance and asset management were starting to blur.

It was against this background of knowledge and experience that the merger in 1998 of the financial services interests of AAC and RMBH took place. The merger and the raising of R5,1 billion of additional capital by the RMBH team ensured critical mass, an absence of cross holdings and minority shareholder conflict, and a diverse earnings base. It positioned us to exploit the convergence occurring in the financial services industry.

For the new group of companies to grow and prosper they required a solid foundation. Our foundation for growth had three cornerstones:

Structure – A "chunking" strategy was adopted. Profit centres were established and the group was structured into product houses, delivery channels and strategic marketing teams called gateways.

Operations – We needed to get the basics right. Costs, revenue leakage and poor risk management, amongst others, were attacked. The problem of underperforming and loss making business units was addressed.

Culture – A cultural revolution in the merged operation was embarked upon and the FirstRand business philosophy was inculcated. This philosophy determines how the group is managed and how we expect our people to behave across all divisions.

From the outset our guiding vision has remained unchanged. We seek to build an *integrated financial services* group structured with critical mass to take advantage of the blurring of boundaries in the financial services industry and the convergence of products and services without the limitations imposed by minorities in operating companies.

FirstRand is a very large, complex group. Given the diversity of the group and the fact that we have decentralised the management structure, there is no "one strategy fits all". However, we take great care to co-ordinate the strategies of the business units at the holding company level.

We are confident that the foundations that we have established are solid. The growth of our business from these foundations is based on three overarching strategies:

The first strategy focuses on migrating our merchant banking ethos and culture into all our retail operations. This ethos and culture is formally captured in the FirstRand business philosophy and can be neatly encapsulated into two words, namely "financial imagineering". This is the ability to imagine, to visualise and at the same time to have the implementation skills and robust disciplines usually associated with engineering. The nurturing of this culture and its migration throughout our group, results in the lifting of the level of intellectual debate, instilling an entrepreneurial spirit and culture of innovation and finally, quite simply, empowering our people. More importantly, it allows us to attract and retain quality leaders and staff.

Our second strategy is to leverage intellectual capital. We apply insurance skills to banking and banking skills to insurance. We have, for example, started calculating embedded values for some of our banking operations. This exercise provides management with a deeper understanding of their business. We have used actuarial skills originally developed in the short-term insurance industry to apply a more scientific approach to credit management. We believe that insurance companies have a stronger sales culture than banks, and that the merchant bank has a lot to offer the insurance group in terms of designing sophisticated investment products, using derivatives. There are opportunities for each discipline to learn from the other.

The third overarching FirstRand strategy is cross-selling. We are well positioned because we have two very strong enabling building blocks, namely the manner in which our group is structured and the eBucks.com project.

With the exception of Discovery, our banking, insurance and asset management units are wholly owned. Our structure of product houses, gateways and delivery channels facilitates the cross-selling process because any division can access any product and distribute it via appropriate distribution channels.

eBucks.com is our electronic-based customer appreciation programme and internet banking initiative. It rewards our customers for using as many of our products and services as possible. The eBucks.com initiative encompasses the entire group.

We acknowledge that cross-selling is an illusive concept. We have launched a number of initiatives, many of which are proving to be extremely successful. Our cross-selling initiatives will receive increased attention and focus in the year ahead.

Financial objectives

The group comprises many divisions, each operating independently and subject to targets applicable to their market place. Our targeted growth in earnings is a minimum of inflation plus 10%.

Corporate governance

The FirstRand Group is firmly committed to good corporate governance. It is our view that strong corporate governance is common sense for good business. Further information relating to our practices is set out on pages 31 to 35.

MANAGING FOR VALUE

Financial performance, risk management and segmental reporting

Operating results

Our financial results were most pleasing.

R million	2001	2000	% change
Attributable earnings	**3 582**	3 062	17
Earnings per share (cents)	**65,8**	56,2	17
Headline earnings			
Banking	**2 795**	2 190	28
Insurance	**943**	790	19
Secondary tax on companies	**(41)**	(26)	(58)
Headline earnings after tax	**3 697**	2 954	25
Headline earnings (cents per share)	**67,9**	54,2	25
Dividends (cents per share)			
Interim	**11,25**	9,0	25
Final	**12,50**	10,0	25
Total	**23,75**	19,0	25
Cover (times)	**2,9**	2,9	

The consolidated headline earnings for the year ended 30 June 2001 totalled R3 697 million (67,9 cents per share) representing an excellent increase of 25% on the R2 954 million (54,2 cents per share) of the previous year. The rate of growth in earnings in the second half of the year was consistent with that announced at the interim stage.

Attributable earnings, which include goodwill amortisation and exceptional items, increased by 17% to R3 582 million.

Banking operations contributed 75% of headline earnings and insurance and asset management 25%. International operations, including African banking subsidiaries, represented 22% of headline earnings.

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Headline earnings of the Banking Group totalled R2 795 million, representing an exceptional increase of 28%. The Insurance Group headline earnings increased by a solid 19% to R943 million. Good growth was achieved in all the major operating divisions.

A final dividend of 12,5 cents per share (2000: 10,0 cents per share) has been declared, bringing the total dividend for the year to 23,75 cents per share (2000: 19,0 cents per share). This represents an increase of 25%. The dividend cover has been maintained at 2,9 times.

The group's assets under management and administration now total R367 billion, representing a pleasing 22% increase on last year.

Segmental reporting

The FirstRand Group has a diversified earnings base with no single division contributing more than 20% of the group's headline earnings. An analysis of these earnings is set out below. A report on each of the operations appears on pages 14 to 30.

	30 June 2001 %	30 June 2000 %
Retail banking	19,6	12,2
Merchant and investment banking	14,4	16,5
Instalment banking	13,4	13,8
Corporate banking	9,3	9,5
Individual life insurance	8,2	7,7
African banking subsidiaries	6,3	4,7
Asset management	6,2	6,9
Home loans	5,8	3,6
Bank capital centre	5,2	10,1
Income on insurance shareholders' funds	4,6	5,7
Employee benefits	3,2	3,3
Health insurance	3,1	3,0
Other	0,7	3,0
	100,0	100,0

** Banking figures assume that the average tax rate each year is common across all divisions.*

Share price

The FirstRand share price averaged 771 cents per share during the year under review, with a high of 874 cents per share in January 2001 and a low of 620 cents per share in October 2000. The number of shares traded, excluding the Anglo/Remgro transaction was equivalent to 23,11% of the number of shares in issue.

Return on equity

Capital is regarded as a scarce resource. We seek to optimise our return on capital and to do this, we aggressively manage the capital which is invested in our various operating companies.

Our structure of wholly-owned banking and insurance subsidiaries facilitates the transfer of capital across the group, depending on needs and available returns. The return on average equity for the year was an excellent 25,4% compared with 24,2% the previous year. For the purpose of this calculation, the convertible preference shares of the OutPerformance Incentive Scheme are treated as debt.

Capital adequacy

At 30 June 2001 the shareholders' surplus of the Insurance Group covered the statutory capital adequacy requirements 2,4 times (2000: 2,1 times). In the Banking Group the consolidated capital adequacy ratio was 11,4%, compared with the statutory requirement of 8%. Since the year-end the Registrar of Banks has formally announced that the statutory minimum ratio for domestic operations is to be increased to 10% from 1 October 2001. The bank is confident that it will meet the new statutory requirements.

Risk management

We pride ourselves in our ability to manage risk across the group. An extensive system of risk management controls is in place covering all aspects of our business. Details of this important aspect of our business are provided in the sections relating to corporate governance on pages 31 to 35 and the report of the bank's Chief Financial Officer on pages 70 to 88.

VALUE PLATFORM

Innovation, brands, customers, suppliers, people and reputation

Innovation and strategic initiatives

In **July 2000** we embarked on a programme to consolidate our international asset management operations under one holding company with one management structure. Previously these operations were fragmented. In terms of this decision Jersey General Group Holdings ("JGG") will be used as the vehicle and will be renamed FirstRand International Asset Management ("FRIAM"). JGG was 55%-held at 30 June 2001, and with effect from 1 July 2001 the remaining minority shareholding, excluding the shares owned by the share trust, and management was acquired by FirstRand Asset Management. JGG includes a private client fund manager, Ashburton, and a fiduciary or trust business. The latter is to be sold to a group company, Ansbacher UK, which is a much larger player in the trust business area.

FRIAM will have three teams, two of whom will be based in London. One team is responsible for our multi-manager activities, and services both the retail and institutional markets. The second team is responsible for alternative investments, more popularly known as hedge funds. The third team, Ashburton, is based in Jersey and is responsible for fundamental asset management services. Virtually 100% of the funds managed by Ashburton are retail. It is the intention that these operations will expand slowly and selectively into institutional fund management.

In **September 2000** Discovery Life was launched. This company, specialising in life insurance risk products, made an immediate impact on the market and was able to report promising results at the year-end.

In **November 2000** we began with the implementation of a plan to convert the Banking Group's retail branches, operating in the metropolitan areas, into sales and service outlets. This, together with extensive training in sales and group product knowledge, will enable the group to use these important outlets to service customers more effectively.

In **December 2000** the Momentum Group increased its direct shareholding in African Life, which stands at 31,7% at 30 June 2001. This enabled us to achieve increased access to a segment of the insurance market where we are not currently well represented. Subsequent to year-end this stake has been increased to 33%.

In **January 2001** we announced that eBucks.com had entered into an agreement with cellular phone operator, MTN, and Johnnic to merge their respective customer appreciation programmes. The decision to transfer all of the group's internet banking operations to a single entity, and the addition of the MTN customers, will mean that by June 2002 eBucks.com can target 350 000 customers. eBucks.com was successfully launched in October 2000.

In **May 2001** we created three important divisions in the group to align strategic thinking with appropriate target market segments. These are:

- **Wealth Cluster** – This cluster services high net worth individuals and the high income segments. It comprises both banking and insurance operations which distribute either directly or through brokers. An executive committee is chaired by Hillie Meyer, CEO of Momentum, and ensures that it optimises client relationships, data bases and intellectual capital. This is a management structure, not a legal or financial reporting structure.
- **Corporate Cluster** – The common denominator in the second cluster is that all the business units have corporates as their target markets. The statement that this is not a legal or financial reporting structure, also applies here. The Corporate Cluster's executive committee is chaired by Paul Harris, CEO of FirstRand Bank.
- **Retail Cluster** – This comprises the remaining business units in the banking group. These units service individual consumers and its executive committee is also chaired by Paul Harris.

In **June 2001**, for strategic reasons and also for the purpose of operational efficiency we decided to merge the back office operations of Momentum Life and Momentum Wealth (Wealth is our unit trust linked product provider). With insurance companies adapting to competition from unit trust linked providers, the degree of product and service overlap has increased to the point where rationalisation is viable. Many of their respective product ranges have become indistinguishable.

People

In line with our FirstRand business philosophy we remain firm in our commitment to our people. We seek to attract and retain the best people, to create an environment that realises their real potential, empowers and holds them accountable and rewards them appropriately. Our remuneration practices are set out on pages 36 to 41.

Skills development plans are in place and are being implemented. We involve our staff at all levels in the implementation of our vision.

All group companies are delivering in terms of their Employment Equity Workforce Plans submitted to the Department of Labour. We have begun with an integrated plan to deal with the impact of HIV/Aids on our workforce. The plan will involve education and awareness programmes, counselling and testing.

At year-end, the group employed a total of 34 720 people, of whom 89% were in South Africa.

An analysis of the workforce is set out on page 41.

Brands and customers

Closely linked to our corporate governance ethic, is the importance which we place on the image and reputation of the FirstRand Group of companies. We strive to make our brands symbols of excellence.

The brand strategy is based on the following principles:

- A portfolio approach – also known as multi-branding
- A belief that service brands are built from the inside out
- FirstRand is an internal endorsing brand, not an external operating brand

During the year we conducted extensive research across the group into levels of customer satisfaction and the image associated with our brands. The First National Bank brand was re-launched with most satisfactory results. Our insurance broking brand was changed from First Bowring to First Link. The role and nature of the FirstRand brand was also confirmed. It remains an endorsing brand and its nature is encapsulated in the concept of "financial imagineering" referred to earlier.

Good progress is being made across the group to improve access by customers to products and services. Our call centres have been recognised as the best in Africa. eBucks.com is positioned as the electronic enabler for all our products and services.

Corporate citizenship

The FirstRand Group contributes 1% of its after tax profits to the FirstRand Foundation. During the year approximately R34,0 million was donated, with education and training projects receiving the largest portion of funds donated, and the Business Trust being the largest recipient.

FirstRand employees are encouraged to identify with the projects. The group companies all adopt sound safety, health and environmental practices.

Steps are being taken to improve service offerings to people living in the more remote areas of South Africa.

Procurement practices include the use of BEE suppliers, e-Business initiatives and open contracts.

PROSPECTS

Competition in the South African financial services industry is expected to increase.

The international economy, especially in the United States, remains a cause for concern. The potential impact of this on domestic investment markets, interest rates and credit demand introduces a large element of uncertainty and risk into the business environment.

FirstRand operates in a frequently changing regulatory framework. These changes have become a major issue of contention in our forward planning and introduce a greater degree of uncertainty into our environment.

At the end of its third year of operations, FirstRand has established an integrated financial services group with a solid foundation. We are pleased with our progress and believe that we are now in a position to move our prime emphasis from fixing to building.

Subsequent to the directors' meeting which approved these financial statements and the despatch of our circular to shareholders dealing with those results, world events have been overtaken by the World Trade Center tragedy in New York on 11 September 2001.

There is no doubt that this attack has increased the level of volatility in an already uncertain international economic environment. While volatility creates opportunities for trading profits in certain parts of the group, a weaker and more uncertain economic environment is also likely to lead to an increase in defaults, insolvencies and lower stock exchange prices. It may be a long time before confidence is restored.

We concur with the view that in many cases the world as we knew it has changed forever.

Against this background, maintaining profit growth at the high level achieved in the past year will be difficult. However, FirstRand is well positioned to continue with its good performance relative to its peers.

THANKS

Following the sale by AAC of its shares in FirstRand, Mr Rupert Pardoe resigned as a director. We would like to take this opportunity to thank him for his excellent contribution during his term of office. Mr Denis Falck has been nominated by Remgro to replace him and we welcome him to our board. We are pleased that Mr Mike King, who has retired as an executive director of AAC, has agreed to remain on our board as an independent non-executive director.

We are pleased to announce that Mr Cyril Ramaphosa and Mr Frederik van Zyl Slabbert have accepted nominations to be appointed to the board at the forthcoming annual general meeting of shareholders.

We would like to thank the directors for their support and guidance and our people for their ingenuity and hard work. We remain committed to providing excellent products and services to our customers and it is our aim to ensure that shareholders are richly rewarded for their confidence in our group.

G T FERREIRA
Chairman

L L DIPPENAAR
Chief Executive