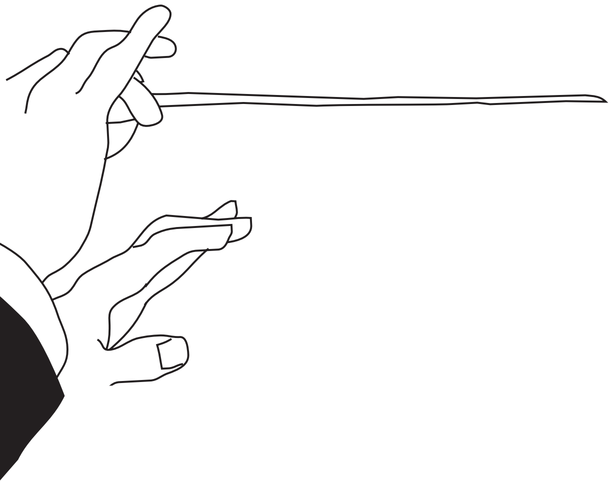

best perfomance ever

Allow me to reflect on a truly outstanding set of results. For the year to 30 June 2007, the FirstRand Group of companies grew normalised earnings 32% and achieved a normalised return on equity of 28%. All of these performances exceeded the Group's two main performance targets; earnings growth of 10% real and return on equity of 10% above the weighted average cost of capital.

GT Ferreira Chairman

The changing landscape is meaningful for a business such as ours and whilst our diverse portfolio of businesses produced an impressive performance for the year under review, there clearly are challenges ahead.

Dear shareholder

As I sat down to write this year's Chairman's statement I realised that almost three months had passed since the year end and the global financial markets were looking very different to when we closed the books at 30 June 2007. We witnessed a significant correction on the world's financial markets which has created increased uncertainty and investor nervousness. The changing credit market dynamics have caused investors to re-evaluate risk appetite which in turn has led to a broad repricing of risk in all financial markets.

The South African landscape is also changing with CPIX increasing steadily on the back of higher oil prices and the current account deficit, and since the year end South Africa has seen another interest rate increase resulting in a total increase of 250 bps in the last 13 months. There are signs emerging that this tightening of monetary policy has started to have some impact, with the absolute growth in consumer credit slowing.

This changing landscape is meaningful for a business such as ours and whilst our diverse portfolio of businesses produced an impressive performance for the year under review, there clearly are challenges ahead.

However, before we get too despondent, allow me to reflect on a truly outstanding set of results. For the year to 30 June 2007, the FirstRand Group of companies grew normalised earnings 32% and achieved a normalised return on equity of 28%.

FirstRand Banking Group contributed 35% growth in normalised earnings from R7.05 billion to R10.04 billion and an ROE of 31% with the Momentum Group increasing earnings 13% from R1.5 billion to R1.7 billion and an ROE of 25%. Momentum's earnings were impacted by the payment of R2.14 billion of special dividends to FirstRand, after adjusting for this, normalised earnings would have increased 19%. Discovery Group increased earnings from R424 million to R536 million, representing a 26% increase year on year.

All of these performances exceeded the Group's two main performance targets; earnings growth of 10% real and return on equity of 10% above the weighted average cost of capital.

The gem in this year's results was the performance of our investment bank, Rand Merchant Bank ("RMB"), which in my view, should be considered "exceptional".

We would like to believe that RMB is South Africa's pre-eminent investment bank, with a very strong portfolio of inherently diverse businesses which allows it to perform well across different cycles. That said, the base that RMB created this year (particularly by the very strong growth emanating from certain of its trading businesses), will be difficult to exceed in the next financial year. However, please allow me the opportunity to explain how we believe one could evaluate RMB's performance.

Volatility in earnings has always been and always will be the reality of all true investment banks, particularly as they take on increased risk. However, the advent of IFRS with its fair value accounting rules (which seems to have taken the place of prudence and common sense as far as the disclosure of results is concerned) accentuates such volatility even further. How I long back for the years when "hidden reserves" were considered admirable and not classified in the same category as a proverbial four letter word.

Investment banking revenues are increasingly tied to the fortunes of the markets and those that rely on them – such as private equity and hedge funds. However, in spite of sub prime losses in the US, plenty of investment banking business will still get done. According to recent market estimates, corporate clients represent more than 30% of international investment banking revenues and they are becoming much more active after a long period of strong profitability. Certainly within the South African context corporates are releveraging their very strong balance sheets, either as a result of a need to build capacity or perhaps fear of an aggressive US private equity firm offering to do it for them!

It is somewhat ironic that when RMB acquired Momentum in the early 1990's, we assumed that the insurance earnings would be somehow more stable and sustainable than that of the investment bank. This didn't turn out to be the case and the investment bank has shown consistent growth in earnings of above 20% for the past 15 years, while the performance from the insurance business has been more erratic. One of the reasons for the consistent performance from RMB is the strong annuity income that it generates, and this, interestingly, is where comparisons with other global investment banks diverge. RMB's strategy to originate and hold assets resulted in a large structured finance book and whilst this may shrink going forward, as we assess the benefits of an "originate and distribute" model, there is still good annuity income in the earnings base. Likewise in Private Equity where, despite realisations, we continue to invest, resulting in unrealised profits in the portfolio totaling R2.2 billion this year. It is also interesting to note that over 50% of the private equity division's earnings can be attributed to earnings generated by the underlying investments in the portfolio. These equity accounted earnings are more consistent in nature than the more lumpy profits from realisations.

I would like to take this opportunity to congratulate Michael Pfaff and his team at RMB. It is an amazing achievement to grow earnings by 80% off an already high level, notwithstanding the best investment banking environment ever. RMB is very well positioned in its chosen markets and although earnings volatility will increase, we believe it has the ability to grow faster than its peers. The quality of the people and their ability to be swift and opportunistic in rapidly changing markets, both local and international, means that over time RMB can be a very sustainable growth story for shareholders.

Our commercial bank, FNB, also deserves to be congratulated. It continues on its path to becoming South Africa's most profitable commercial bank. Its strategy to focus on ROE rather than market share growth has already started to have an impact especially in the home loans business which delivered strong profitability and a satisfactory ROE for the first time. In addition, the management team has delivered on its promise to become more efficient, shaving almost 3% off its cost to income ratio. Well done to Michael Jordaan and his team.

Our asset finance business, WesBank had a difficult year experiencing "negative gearing" in its local franchise with retail asset growth slowing and a significant increase in bad debts. These issues are to be expected at this point in the cycle, and combined with increased start up costs and operating losses in the international operations, negatively impacted earnings. We are, however, confident that WesBank has the ability to bounce back and trust that it will be able to resume earnings growth once the international businesses gain traction.

Turning to the non banking businesses of the Group, Momentum's insurance operations showed continued strong new business growth and improving margins. What is particularly pleasing is that we finally seem to have achieved traction in terms of collaboration with FNB in the mass and middle market segments, and bancassurance is finally contributing to growth. Furthermore, Momentum has been a stalwart in consistently delivering much needed capital to the banking businesses through the payment of special dividends.

Despite the under performance of Destiny Health in the USA, Discovery has managed to deliver another year of solid results for the Group. However, a critical issue for the Group was its decision to unbundle Discovery, which we announced to shareholders in September.

Discovery is an excellent example of FirstRand's strategy to establish and grow "new age businesses" from scratch. Adrian Gore approached the Group with an idea to revolutionise the South African healthcare industry, and we were happy to support his vision which subsequently created more than R8 billion of value for FirstRand shareholders. Increasingly, however, our shareholders have questioned the merits of having two insurance companies within the Group. Our philosophy has always been that having "two horses in the same race" was not such a bad idea, particularly as one was coming first and one second. We were always very clear, however, that should the competition between the two "horses" became unmanageable inside the Group, we would take the appropriate action. Discovery and Momentum are now competing head on in a number of areas and we anticipate that this is likely to increase significantly in the medium term, particularly as Discovery moves into the investment space. It is therefore no longer optimal for the Group to continue with the "two horses in one race" strategy. We believe that through the unbundling exercise we are offering our shareholders the best possible alternative in that they now have the option to decide for themselves whether they wish to retain their interest in one or both of these two thoroughbreds in future.

I would like to thank Adrian Gore and his team for the energy and effort they have expended at Discovery and the considerable value they have contributed over the years to the Group and its shareholders. I also wish to congratulate them and pay tribute to their achievements over the past 15 years.

I would now like to cover the proposed changes at Board level following my decision to step down as Chairman and Director of both FirstRand Limited and FirstRand Bank in September 2008, which was announced to shareholders at the time of the publication of our results.

I think it is important to provide some additional perspective on this development. I am turning 60 in April next year and have decided, for a variety of reasons, that it may be the right time for me to step down as Chairman. At some point in the evolution of RMB the "founders" had to make a choice of whether we wanted to retain control and keep the business small or whether we wanted to grow the business to a point where it no longer mattered whether we were part of the team or not. With the purchase of Momentum in 1992 and the formation of FirstRand in 1998 we clearly chose the latter strategy. As a result of this decision we developed a business model that is decentralised in structure and entrepreneurial in nature, which has created a very deep pool of management talent. Hence, I am extremely comfortable that as the "founders" exit executive and/or non executive management roles, we are leaving FirstRand in very capable hands.

The Group has often been described as an "owner managed" business, where shareholder and management interests are truly aligned, and this has been an important component of our investment proposition. I do not believe that the eventual departure of the "founders" destroys this proposition given the philosophy and culture that is deeply embedded in the way the Group operates.

It is 10 years since the creation of the Group and I have been Chairman for the entire period. International best practice suggests that a Chairman should only be re-elected three times and then, after his ninth year, step down but with the option of remaining on the Board. This suggests to me that my timing is just about right!

Looking forward to financial year 2008, given the increased uncertainty in financial markets since the year end, we would be remiss, while acknowledging the excellent performance in 2007, not to draw the attention of shareholders to the turmoil that has been visited upon global financial markets since the Group's year end. We have witnessed a significant correction in global markets which has created increased uncertainty and investor nervousness, causing a broad repricing of risk in all financial markets. We cannot avoid this kind of contagion and clearly this turmoil will also impact on South Africa. With interest rates and inflation increasing, consumer spending is expected to slow down, with growth in retail credit moderating. As levels of consumer indebtedness rise, bad debts could also increase further. The corporate sector, however, is expected to continue to show robust growth due to public sector investment combined with private fixed investment.

Against this background, the banking businesses should show continued growth in assets and earnings, although the mix will change and WesBank and FNB are likely to experience stronger demand for credit from their corporate and commercial businesses. RMB will continue to benefit from increased infrastructure spend, corporate capacity building and BEE activity, however, it will be a challenge to exceed the exceptional performance in the current year, especially from certain of the trading businesses.

The Group continues to deliver only because of our people's dedication, energy and innovation.

Momentum should continue to grow new business volumes, particularly as collaboration with FNB gains further traction and new distribution channels come on line.

FirstRand's strategy remains focused on building a diverse portfolio of leading financial services franchises in South Africa, but with an increasing focus on selected niche international opportunities, particularly in Africa, India and Brazil. In line with this strategy RMB is currently building investment banking and private equity capacity in India, and WesBank has identified some specific vehicle financing opportunities in Australia, the UK and Brazil. FNB is accelerating its strategy to become a significant player within the SADC region and is actively seeking opportunities to establish greenfields or acquire platforms from which it can leverage its products and services into the region over the longer term.

The Group believes that the anticipated organic growth in the local franchises combined with growing returns from the international initiatives over the medium term, will underpin the Group's ability to continue to achieve a 10% real growth in earnings to shareholders over time.

It only remains for me to humbly thank the staff and management of FirstRand for their continued efforts on behalf of our shareholders. The Group continues to deliver only because of your dedication, energy and innovation. It has, once again, been a privilege, a pleasure and an honour to be the Chairman of such a magnificent group of people during the past year.

GT Ferreira
Chairman