08

ANNUAL REPORT

FIRSTRAND

The Group's operating brands are presented below

FNB First National Bank	advantage
OUTSURANCE	momentum
WesBank A division of FirstRand Bank Ltd.	RAND MERCHANT BANK A division of FirstRand Bank Limited
RMB ASSET MANAGEMENT	RMB PRIVATE BANK A division of FirstRand Bank Limited
LEKANA Employee Benefit Solutions	eBucks The Reward of Choice

contents

NATURE OF BUSINESS

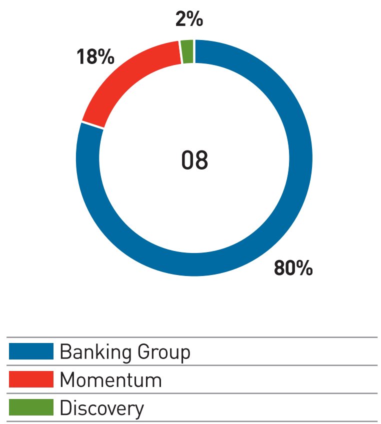
THIS REPORT COVERS THE FINANCIAL RESULTS OF FIRSTRAND LIMITED ("FIRSTRAND" OR "THE GROUP") FOR THE YEAR ENDED 30 JUNE 2008 and deals with the financial and operating performance of its main business units. The Group consists of a portfolio of leading financial services franchises; these are First National Bank ("FNB"), the retail and commercial bank, Rand Merchant Bank ("RMB"), the investment bank, WesBank, the instalment finance business and Momentum, the life insurance business. The results to 30 June 2008 include four months earnings contribution from Discovery which was unbundled in November 2007.

FINANCIAL HIGHLIGHTS

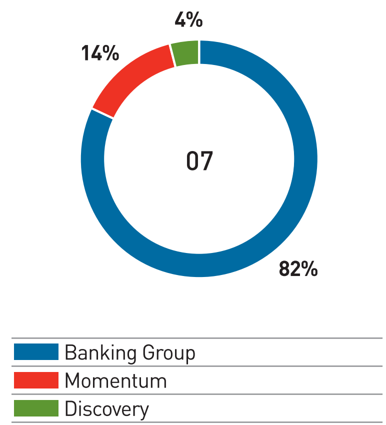
Continuing and discontinued operations	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Headline earnings	**9 922**	10 854	(9)
Normalised earnings	**10 583**	11 845	(11)
Diluted headline earnings per share (cents)	**187.8**	204.2	(8)
Diluted normalised earnings per share (cents)	**187.7**	210.1	(11)
Ordinary dividend per share (cents)	**82.5**	82.5	–
Normalised return on equity (%)	**22**	28	
Assets under management or administration	**1 018 202**	900 148	13

RESULTS HIGHLIGHTS

Normalised earnings analysis



Normalised earnings analysis



BANKING GROUP	BUSINESS PROFILE
FNB	Retail, corporate and commercial banking, and wealth management
FNB Africa	African subsidiaries and growth strategy into Africa
RMB	Investment banking
WesBank	Instalment finance
Bank Support and divisions disclosed elsewhere	Support services and capital centre
Total Banking Group	

MOMENTUM	BUSINESS PROFILE
Insurance operations	Long term risk and investment products
Asset management operations	Domestic and international asset management products
Investment income on shareholders' assets	Investment income earned on the surplus assets
Total Momentum Group	

DISCOVERY	BUSINESS PROFILE
Discovery	

In November 2007, FirstRand unbundled all of its 57% shareholding in Discovery. The results to 30 June 2008 outlined in the table above includes only four months of contribution from Discovery.

	Normalised earnings (R MILLION)		Cost to income ratio (%)		ROE based on normalised earnings (%)		Impairment charge (%)		Non performing loans (%)		Normalised earnings contribution (%)	
	08	07	08	07	08	07	08	07	08	07	08	07
	4 654	4 245	56.9	59.8	33	35	1.5	0.91	4.2	2.0	53	42
	499	437	46.5	45.7	34	33	0.72	0.75	2.5	2.4	6	5
	3 008	3 868	42.8	41.7	25	40	0.19	0.10	0.7	0.4	34	38
	573	918	53.5	53.4	12	23	2.09	1.39	3.2	1.6	6	9
	80	621	–	–	–	–	–	–	1.8	0.9	1	6
	8 814	10 089	52.6	51.7	21	31	1.19	0.79	2.9	1.5	100	100

	Normalised earnings (R MILLION)		New business (R MILLION)		Funds received from clients (R MILLION)		Net flow of funds (R MILLION)		Embedded value (R MILLION)		Normalised earnings contribution (R MILLION)	
	08	07	08	07	08	07	08	07	08	07	08	07
	1 459	1 145	28 873	20 651	35 633	26 822	2 625	1 685	13 518	12 656	73	69
	282	326	39 305	35 446	39 305	35 446	(10 057)	(41 796)	2 490	2 797	14	19
	263	197	–	–	–	–	–	–	–	–	13	12
	2 004	1 668	68 178	56 097	74 938	62 268	(7 432)	(40 111)	16 008	15 453	100	100

	Normalised earnings (R MILLION)	
	08	07
	185	536

Cees Bruggemans

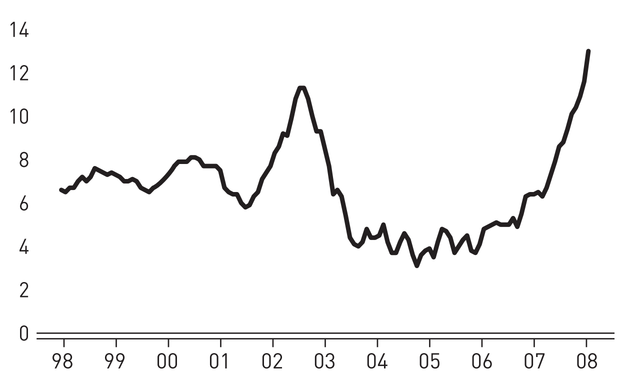
Chief Economist,
First National Bank

The start of FirstRand's financial year in July 2007 coincided with the emergence of the sub-prime mortgage crisis in the United States, which then rapidly spread to other credit markets. By early 2008 the liquidity crisis and financial disruption had escalated to a point where a number of banks and other financial institutions in the United States, the United Kingdom and Europe had to be assisted or rescued. In late January policy interest rates in the United States were cut by 125 basis points and by a further 75 basis points in March, but the problems in the financial system and the global economy remain far from resolved. The combined profit of a sample of 16 top global banks declined from a peak of around $140 billion in 2006 to less than $100 billion in 2007 and to around only $4 billion in the first half of 2008. Global equity prices, as measured by the MSCI World Index, declined 17% over the Group's financial year. House prices, led initially by the United States, started to decline in a number of countries, leading to a weakening in consumer spending and also in economic activity. Going against these weaker world economic growth trends, most commodity prices, particularly food and oil, continued to rise sharply. This prompted tightening monetary policies in many countries, contributing further to the slowdown in consumer spending and economic growth.

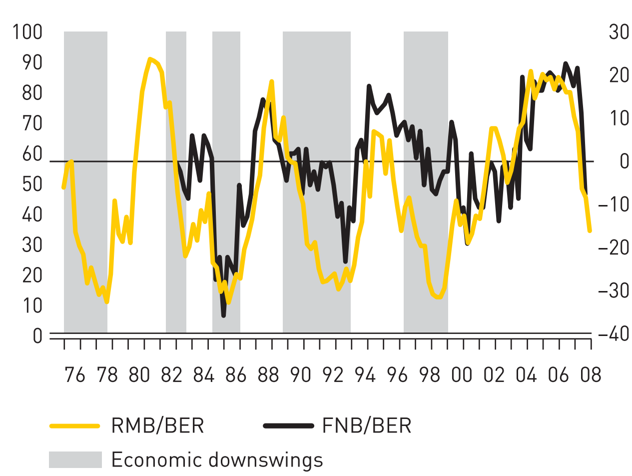
These global developments impacted directly on South Africa. Sharply higher fuel and food prices raised South Africa's inflation rate, with CPIX inflation increasing from 6.4% to 11.6% over the 12 months to June this year. The danger of these developments triggering more generalised inflation prompted the Reserve Bank to raise its repo rate by a further 250 basis points during the financial year under review, having already raised it by 250 basis points over the previous financial year. Despite sharply higher prices for South African exports such as platinum and gold, the already large deficit on the current account of the balance of payments rose to record levels, as imports increased along with continued strength of domestic demand in the first half of the financial year. The rand responded to the widening current account deficit, as well as investors' general increased risk aversion towards emerging markets, by falling 22% on a trade weighted basis between the end of October 2007 and June 2008.

In South Africa, economic activity slowed throughout the financial year. Just as domestic expenditure had been the driver of the strong expansion of the economy over the previous four years, it subsequently became the reason for a weakening in activity from late 2007. The impact of high borrowing costs, slower growth in real disposable incomes and weaker house price inflation saw consumers cut back sharply on discretionary spending such as motor vehicles, other durable goods and new homes. Activity in the mining and manufacturing sectors was particularly

CPIX
(y/y%)



RMB/BER Business Confidence and FNB/BER Consumer Confidence Index



Rudolf Gouws

Chief Economist,
Rand Merchant Bank

RAND MERCHANT BANK
A division of FirstRand Bank Limited

severely impacted by electricity outages in the early part of 2008. Considering weakening household expenditure, deteriorating global growth and a higher cost of capital, growth in private sector fixed investment held up well, except in residential construction. Investment by the public sector accelerated as part of the government's drive to address infrastructure bottlenecks.

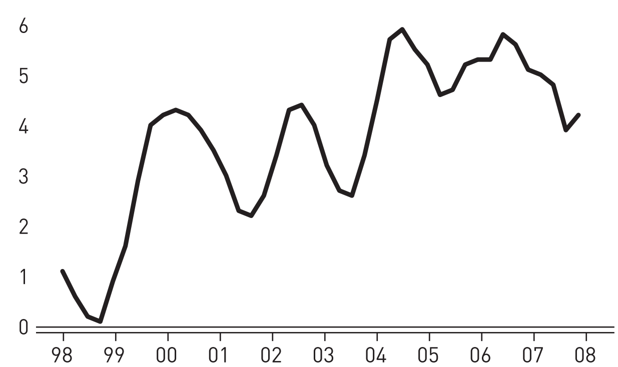
The reduction in the demand for retail credit reflects the general economic slowdown. This was particularly noticeable in asset backed lending where growth, adjusted for inflation, reduced from a peak of 20.6% in 2006 to 14.8% in June 2007 and to only 5.7% at the end of the financial year. Banks' bad debt experience, which had improved consistently between 2002 and 2006, turned around in 2007.

After four years of expanding at a rate of more than 5%, real GDP growth is likely to ease to around 3%.

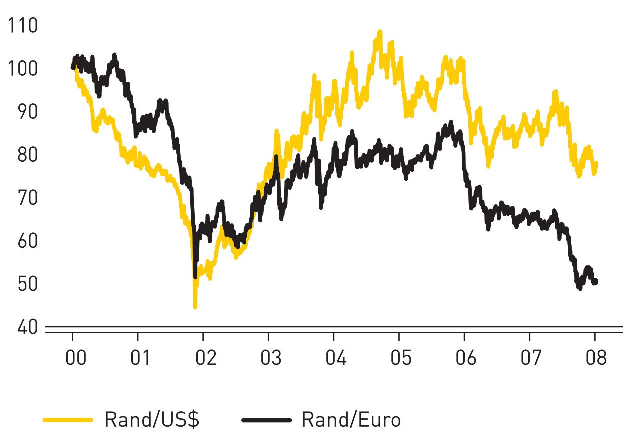
The financial year ahead should see economic activity continue to slow. After four years of expanding at a rate of more than 5%, real GDP growth is likely to ease to around 3%. The slowdown will continue to be concentrated in sectors in which output is driven by consumer expenditure, such as passenger vehicle and retail trade. Households still need to digest the sharp increase in indebtedness of recent years. Due to weaker household expenditure, coupled with softer global demand, real growth in private sector fixed investment will also decelerate somewhat, particularly in residential construction. However, private fixed investment in other building and construction will be underpinned by strong public sector infrastructure investment.

Though there are important risks to the inflation outlook (notably in the oil price and the value of the rand), the most likely trend is for inflation to decline quite sharply through next year. This would create scope for the Reserve Bank to start easing its policy stance and for the economy to subsequently resume its longer term growth path.

Real growth in domestic product
(y/y%)



Exchange rates



GT Ferreira Chairman

When, a year ago, I warned that our 2007 earnings were exceptional and that it would consequently be difficult to improve on this performance in 2008 and that we should prepare ourselves for some difficult times, I did not imagine the carnage that would visit the financial markets during the last year.

CHAIRMAN'S

STATEMENT

It is with more than a touch of sadness that I am writing my 10th and last Chairman's statement this year. However, since I had occasion to celebrate both my 60th birthday as well as my 10th anniversary as Chairman of the FirstRand Group during 2008, I believe it to be the opportune time to pass on the baton.

As a group we are incredibly fortunate to have a person of the calibre of Laurie Dippenaar to take the baton from me. Laurie was one of the founders of RCI/RMB and has been intimately involved in the creation and growth of the FirstRand Group. He was CEO for the period 1998 to 2005 and is, in the FirstRand board's opinion, the ideal person to run the next lap of the relay for us as Chairman of the Group.

There were times during this past year when I wished that I had already handed him the baton at the end of 2007, however, on reflection, I am actually glad that I am offering him the baton after, and not before, the most difficult year in our short history. In fact, I do not think I would be exaggerating if I had said "the most difficult year for the banking sector in living memory" especially since most people with any firsthand experience of 1929 today probably have very few memories left. While the year/s ahead will certainly not be easy, Laurie is inheriting a very stable and diversified financial services group, with excellent management, lots of experience and enormous potential.

When, a year ago, I warned that our 2007 earnings were exceptional and that it would consequently be difficult to improve on this performance in 2008 and that we should prepare ourselves for some difficult times, I did not imagine the carnage that would visit the financial markets during the last year.

WHY DID THIS HAPPEN?

It appears as if two of the horsemen of the Apocalypse namely "Leverage" and "Greed" initially entered the race under the banner "this time it is different". They thus started running the race at breakneck speed, creating sophisticated collateralised debt obligations as if there was no tomorrow and pushed the US mortgage market (as well as other securities markets) to unprecedented heights. Just when it seemed as if this time these two horsemen and their horses would never tire, two new horsemen namely "Lack of Liquidity" and "Fear" entered the race and proved, once again, that cycles are never different. If you spend too much energy during the first part of the race you never have the stamina to finish well. When last seen "Lack of Liquidity" and "Fear" were leading by a mile and are likely stay ahead for the foreseeable future.

Since my statement in last year's annual report, a multitude of US and European banks have failed and Freddie Mac and Fanny Mae have been rescued by the US Government. Deleveraging on a massive scale has been the theme of the last 12 months and should probably be regarded as one of the key determinants of the depth and duration of the current cycle and going forward will have a significant impact on global growth.

Despite the deployment of hundreds of billions of dollars of liquidity into the global banking systems, financial markets remained extremely fractious and I believe we are likely to experience ongoing financial turbulence and economic strain for an extended period of time. In fact as I write this year's statement Bear Sterns is long gone, Merrill Lynch has been acquired by Bank of America and Lehman Brothers has filed for bankruptcy – great names of investment banking have become victims of a relentless meltdown of markets.

> Great names of investment banking have become victims of a relentless meltdown of markets

WHAT HAVE WE LEARNT OVER THE LAST 12 MONTHS?

I am sure that by the time you read this document there would have been hundreds of articles about what went wrong and why it went wrong and I do not want to bore you with my lengthy version of the "truth". However, for what it is worth, the following are a few of my own observations of what happens to the value of assets in the financial markets when things go wrong and liquidity dries up:

- it is not the price of credit that matters but the availability of credit;
- it is not the quality of the asset that matters but the quality of the holder of the asset;
- it is not the realistic value (NAV) of the asset that matters but the market value of the asset;
- it is not the strongest holder of the asset that determines the market value but the weakest holder (fire sale); and
- it is not what you think the asset is worth (even if you are correct) but what someone else (the buyer) thinks the asset is worth.

So beware the third horseman, ie "lack of liquidity" – he is, in my opinion, probably the most dangerous of them all.

FINANCIAL PERFORMANCE

Someone somewhere once said that "success is never permanent and failure is rarely fatal". I believe it was said by a rueful coach in the context of his baseball team which had finally, after a long successful run, hit a bad patch.

I feel a bit like that coach. FirstRand records ten years of operations this year, and nine of those ten years can only be described as successful. The Group consistently delivered superior returns to its shareholders (NAV and ROE) and I believe fulfilled much of its potential. However, there is no doubt that the year under review did not match our previous performances with normalised earnings growth significantly below the Group's target. Returning briefly to our rueful coach it is important to acknowledge that although profoundly disappointing this under-performance is not, however, fatal. The franchise remains in good shape, testament to the strength of its diversified earnings base, which withstood some big hits in the offshore equity trading business. The Group still made R10.4 billion of profit and will return R4.6 billion in dividends to its shareholders.

If we analyse the reason for this year's "under-performance" part of it lies in the base effect of last year's 32% earnings increase, which was driven by a stellar performance from RMB, particularly the trading businesses. It is one of these businesses that in the year under review did a complete reverse and negatively impacted RMB and the Group's earnings, showing a massive R1.4 billion loss.

Looking at the overall financial performance of the Group; FirstRand's results reflect the resilience of its diversified portfolio of banking and insurance businesses. It allowed the Group to post earnings of R10.4 billion which on a normalised basis were 8% lower than the exceptional performance of the year to 30 June 2007.

Normalised net asset value increased 11% to R51.6 billion partly as a result of the R0.9 billion profit on VISA shares, but mainly due to the strong profitability of the Group. This also allowed us to maintain our 2007 dividend. The ROE of 22% was respectable given market conditions.

These results were achieved within an operating environment characterised by high inflation and high interest rates, which placed significant pressure on consumers and resulted in a dramatic increase in bad debts in the retail lending books of banks. The absolute level of our bad debts highlights the severity of the current cycle, but they are in line with expectations and are priced for.

Looking at the performances of the individual franchises; RMB's earnings were significantly impacted by the losses in its Equities Trading division, showing a 20% year on year decline. However, RMB's diversified portfolio mitigated to some extent the under-performance of this division, with the Investment Banking, Private Equity and FICC divisions showing excellent growth of 64%, 76% and 37% respectively.

WesBank showed a decrease of 38% in normalised earnings as a result of higher bad debts and the write off of certain operating assets in its Australian business which is in the process of being sold. WesBank has navigated several bad debt cycles in the past and has demonstrated that it is a profitable business through the cycle.

FNB posted solid growth in earnings and despite a slowdown in the top line continued to extract efficiencies, taking a further 2.9 percentage points off its cost to income ratio.

Momentum Group posted growth in normalised earnings of 20%, an excellent performance given the tough conditions facing the insurance industry. It reflects the incredible resilience of its business model and the benefits of its conservative capital management strategy.

Before I analyse the specific situation of our Equities Trading division, I would again like to briefly refer you back to my thoughts on the current scenario in global financial markets, as this does provide some real context to our experience.

How does this relate to our own international equities trading book? Well the losses occurred at a time of extreme dislocation and disruption in global equity markets and were compounded by the "arbitrage portfolio" being long of small and mid sized international equities while short of major indices. The hedge with the indices proved ineffective as investors moved from illiquid stocks to the highly liquid indices with the result that money was lost on both sides of the portfolio.

During the first half of 2008 it was decided to aggressively de-risk the exposure to this portfolio as the markets kept worsening and whilst there has been significant economic cost to this process, especially as a result of a lack of liquidity, hindsight shows it was exactly the right decision in these uncertain times.

We have consistently said that we are satisfied our risk processes were robust and capital allocation to these activities was within normal thresholds. These losses occurred as a result of feeding incorrect assumptions into the risk models and poor market judgement by management. It can be argued that "Lack of Liquidity" (the third horseman) in the markets magnified these losses, but we also have to recognise that the appetite for risk was just too big in this portfolio.

Obviously there is also the issue of "accountability" with regards to these mistakes. Our philosophy on this issue is that we take a view on our intellectual capital across entire careers; people are not punished on a single mistake as this kills innovation, which has been a cornerstone of RMB and FirstRand's success. Just because there have been no en masse firings does not mean that internally we did not embark on some heavy introspection. On behalf of the management and board I would like to apologise to all our shareholders for this hiccup and assure them that the lessons learnt will not easily be forgotten. We collectively have to take responsibility for what happened.

Whilst assessing the Banking Group's performance there is another issue I would like to address. That is the issue of bad debts.

The retail lending operations of the Banking Group were severely impacted by the dramatic increase in bad debts. This was as a direct result of the severity of the current credit cycle and is not a reflection of the structural asset quality issues we are seeing in other parts of the world such as the sub-prime markets in the USA.

What we have seen in this recent reporting period is that FirstRand's bad debts are in line with its peers. At the time of our interim results the Group was somewhat punished by the market for seemingly having worse bad debts than the rest of the domestic banks. In hindsight it is clear that it was purely a timing issue, both in terms of our reporting cycle and the dominance of the asset book of WesBank. Vehicle finance is one of the first lending books to be negatively impacted in a downward credit cycle. If we do a proper comparison now, we can see that on a product comparative basis, the Group is in line with its peers, if not better positioned in certain product categories.

PROSPECTS

In terms of our growth prospects, we still believe that despite the fact that the Group has high market shares in sections of the South African market, there are still opportunities to grow organically, particularly in the corporate and investment banking segments.

Whilst we believe that the interest rate cycle has peaked, it is difficult to predict, or time, the end of the current credit cycle. In the coming year we will continue to experience high bad debts, particularly in homeloans, and the required de-leveraging by the South African consumer will constrain overall growth. In addition, there is heightened risk of corporate defaults particularly in those sectors exposed to the consumer.

Against this background FirstRand's key focus therefore remains on maintaining a robust balance sheet and protecting the operating franchises to weather the current cycle, thus ensuring the Group is positively positioned for the future upturn.

We continue to pursue our strategy of seeking growth in markets outside South Africa and we are actively looking at exciting opportunities in Africa, Brazil and India.

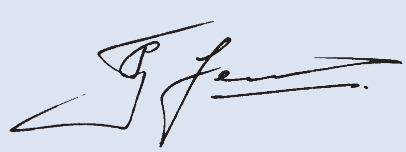
Given the current uncertain environment, particularly in global markets, we do not believe it is appropriate to provide short term earnings growth targets until stability returns. However, we remain committed to delivering superior real returns to shareholders in the medium to long term.

PERSONAL THANKS

I would like to thank my board of directors, our shareholders, our clients and, last but not least, our management and staff for the incredible support you have given me and the FirstRand Group over the last ten years. I trust that you shall continue to support the new Chairman and the Group in a similar fashion over the next decade.

I regard myself as having been incredibly privileged and I am also very, very proud and honoured to have been Chairman of an organisation with such a remarkable spirit and "can do" attitude. As a shareholder, I shall follow your progress with great interest. Good luck and goodbye.

In conclusion, I would like to leave all of you with some advice from Donald Keough, a former president of the Coca-Cola Company. In his book "The Ten Commandments for Business Failure" he explains that the first (and most important) of these commandments for business failure is when a company "quits takings risks". So, while it is natural (and correct) for a company to be more careful in turbulent times, especially when they have recently suffered heavy losses, one should always remember that a company is destined to mediocrity unless it is prepared to accept the risk that comes from trying to outperform the competition. Remember "Fear of failure guards the portals of possibility" (anon).



GT Ferreira
Chairman

Paul Harris CEO FirstRand

Whilst growth in the South African market remains our highest priority, we believe that as a Group we have the **maturity and capacity** to seek growth opportunities outside our borders.

CEO'S

STATEMENT

One of the issues most frequently raised by FirstRand's shareholders relates to the Group's strategy to grow in markets outside South Africa. This report seeks to outline for shareholders the Group's philosophy and approach to international expansion and provide context for its current and future initiatives.

Following the success of its growth strategy in South Africa, FirstRand now occupies a dominant position in the South African market. We believe that there is still significant growth potential in South Africa in many of the major markets in which our diversified portfolio of businesses are active. The growth potential is on the back of the growth themes of the South African economy, namely, the favourable macro economic fundamentals, the sound management of the economy, infrastructure spend, a fast growing black middle class and BEE. In addition, many of our business units are confident that they can continue to grow market share.

While growth in the South African market remains our highest priority, we believe that as a Group we have the maturity and capacity to seek growth opportunities outside our borders.

The Group is a collection of businesses operating in a complex environment which changes quickly. Because we have businesses in all sectors that make up the financial services sector in South Africa (eg retail banking, investment banking, asset finance, asset management, life insurance, short term insurance, etc), which means that both the nature of the businesses and the dynamics of markets in which they operate are unique. In addition we have the added

FIRSTRAND HAS A PREFERENCE FOR EMERGING MARKETS BECAUSE WE BELIEVE OUR STRENGTHS CAN BE TRANSLATED INTO THE BIGGEST OPPORTUNITIES AT AN ACCEPTABLE LEVEL OF RISK. FIRSTRAND'S PRIMARY GROWTH MARKETS ARE AFRICA, INDIA AND BRAZIL.

complexity arising from the diverse nature of the South African market place. For example we are active in the mass market on the one hand and the highly sophisticated capital markets on the other. Consequently we do not believe that we can or should attempt to replicate FirstRand in other jurisdictions. We believe that it would be too complex and risky and we would have to "cover too much ground" to create the scale required to be successful. Our strategy is therefore to drive our international expansion at divisional level within a strategic framework approved and monitored at Group level.

Each of the divisions constantly assesses it own core competencies in relation to the market. Divisions are encouraged not to confine their focus only to South Africa but to also view their potential in a broader international perspective. They are encouraged to find and pursue opportunities in international markets where they have a competitive advantage. The objective is to ensure that each division's growth prospects are not limited by the size of the South African market.

Whilst playing an enabling and facilitative role, FirstRand has nevertheless identified countries it believes offer the best future growth prospects for several of the Group's divisions. In order to provide a regulatory and administrative infrastructure in these countries, FirstRand will, where appropriate, create a small physical presence as a "beachhead" to assist divisions in familiarising themselves with that market.

The Group has a well articulated strategy that has been approved by the Banking and Insurance Group exco's and boards. However, within this broad strategy each division drives its own international strategy which is carefully monitored by the FirstRand Excos and Boards.

FIRSTRAND'S PHILOSOPHY ON GROWTH

FirstRand's growth philosophy has its roots in our entrepreneurial culture. The Group believes that every expansion initiative it pursues must make business sense. A FirstRand business will only enter a new market if we believe its core competencies, that have proved successful in South Africa, can provide a sustainable competitive advantage in the new market and that they suit the structure and economics of the new market.

FirstRand has a preference for emerging markets because we believe our strengths can be translated into the biggest opportunities at an acceptable level of risk. FirstRand's primary growth markets are Africa, India and Brazil.

GREENFIELDS AND "ACCELERATED GREENFIELDS"

The Group has a proud history of starting and developing new businesses. Likewise, in the international markets this "Greenfields" approach is our preferred strategy. We believe that it minimises risk and protects shareholder value. Furthermore, when entering a new jurisdiction and making acquisitions of existing businesses, we prefer such acquisitions to be relatively small so that we do not pay too much goodwill. The capital commitment is such that the Group can comfortably afford to write it off if unsuccessful and we are able to use the acquisition as a stepping stone to potentially larger acquisitions. Small acquisitions are made to provide access to local knowledge in foreign countries or access to basic operating infrastructure and/or licences for regulated jurisdictions. We refer to these small acquisitions as "accelerated Greenfields".

The nature of start-ups means that capital and funding is allocated to these ventures incrementally as they prove themselves. The Group accepts that some initiatives will not succeed but the benefit is that they can be terminated when this becomes evident. It also means that even in the event of failure, the Group is unlikely to lose amounts of capital which materially impact the capital adequacy of the Group. We accept that in an entrepreneurial culture mistakes will be made. What is important is that we learn from them and they are not too costly.

PARTNERSHIPS AND ALLIANCES

The Group also favours partnerships with "best-of-breed" local players in countries where establishing our own brand would be costly, time consuming and risky. We have a carefully developed partnership and alliance framework honed by many years of experience from WesBank who have built their business on a partnership model.

Partnerships with strong local or regional players enable FirstRand to offer complementary skills, systems or product expertise to complement the partner's brand, client base, distribution network and/or balance sheet. This strategy also allows for a quicker start-up time, lower capital investment and greater flexibility.

ACQUISITIONS

We do not exclude the option of making significant acquisitions in other jurisdictions. However, unless there is a very compelling case, we would prefer to consider such acquisitions once we have established a successful track record on the back of a Greenfields or partnership strategy.

KEY MARKETS

Africa

FirstRand is a leading financial institution in Africa and its various brands such as First National Bank, Rand Merchant Bank, WesBank, Momentum and OUTsurance are already established in several African markets.

The Group seeks to expand its activities on the African continent by;

- Leveraging synergies and platforms between its various brands;
- Growing the commercial banking activities initially in Sub-Saharan Africa and later potentially in East, Central and West Africa; and
- Growing its investment and merchant banking activities in various parts of the continent where it has a product and skills competitive advantage.

India

FirstRand hopes to be the first bank from the African continent to be granted a branch licence to operate in India. It will initially focus on trade with Southern African and other selected African countries. We believe that there are significant opportunities in these markets. India's trade with Southern Africa comprises about 20% of the total trade with Africa, and this percentage increases significantly if one excludes Nigeria's oil exports. FirstRand has already established a representative office in Mumbai. It is staffed by seconded FirstRand staff and new Indian management. It is able to pave the way for the various FirstRand divisions that are already implementing business plans that have been through the internal approval process. They also support those divisions that are still conducting research into new opportunities.

Brazil

South Africa is part of the India, Brazil and South Africa (IBSA) initiative which was signed by the respective governments to promote trade and other relations between the three countries. Brazil is a potentially significant trading partner of South Africa. It has a population of 160 million, a GDP growth of about 4%, a stable political environment and a commitment to sound macro economic policies. FirstRand believes that there are many similarities between the Brazilian and South African economy that provide excellent opportunities for some of our divisions.

CURRENT INTERNATIONAL OPERATIONS AND PLANNED INITIATIVES

The most appropriate way to detail the Group's current international operations is by franchise.

FNB, the commercial bank, is already present in Namibia, Botswana, Swaziland, Lesotho and Moçambique. These operations currently represent around 5% of total Group earnings and have consistently delivered strong growth in profits and superior ROE's.

Going forward, FNB's strategy is to enter certain additional strategic African markets with particular focus on the SADEC region given its proximity to South Africa. FNB's long term objective is to become a full service bank offering a comprehensive range of commercial, retail and corporate transactional banking products and services. It has already demonstrated that in these markets it can offer a competitive advantage particularly given its strong brand and innovative technology platforms.

FNB favours a "Greenfields" or "accelerated Greenfields" approach, and board approval has been granted to pursue the establishment of a branch in Zambia and a representative office in Angola.

RMB has already had success in several business areas, including Private Equity in Australia, Infrastructure and Project Finance predominantly in Africa, Trade Finance in Africa and other emerging markets and Resources in Africa. It is well placed to capitalise on the planned infrastructure plans of rapidly emerging African economies such as Nigeria and Angola and is focused on building this already successful business.

RMB is currently exploring investment banking partnerships with local banks in several jurisdictions that have the presence and balance sheet to complement its expertise in investment banking, most notably in Nigeria.

WesBank has identified the Brazilian asset finance market as its most attractive off shore business opportunity due to the macro economic environment and the rapid growth in vehicle finance. At this stage WesBank is investigating entering this market via a partnership with Banco do Brazil. It will allow WesBank to access a powerful brand, funding from a strong balance sheet and a very extensive distribution network.

In addition to the Brazilian initiative, WesBank currently operates in the UK market with the Carlyle Finance franchise. This is a niche operation which has now found itself in a very difficult market, so its focus is on achieving operational efficiencies in order to create a stable platform for future growth.

Momentum's strategy in Africa is currently focused on a health product driven strategy. It currently operates in 8 countries.

In addition it has a successful London office of RMB Asset Management, which operates alongside Ashburton, the established fund and private client investment manager based in the Channel Islands. Together they provide a comprehensive range of international asset management capabilities to South African and international clients.

In conclusion, FirstRand's primary focus is on the South African market where we believe we have significant opportunities for growth. In addition, we are actively exploring international markets in our divisions with the objective of providing growth impetus to the Group over the medium to long term.

PK Harris
Chief executive officer

Johan Burger CFO FirstRand

It's all about **financial prudence and robust balance sheets** to ensure banks weather the current cycle and are prepared for the future upturn.

CFO'S

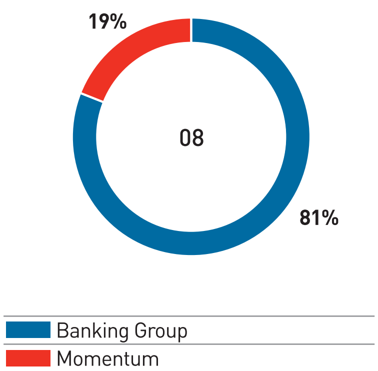
STATEMENT

This report represents a high level overview of FirstRand Limited's results and its balance sheet management ("BSM") strategies.

These results and strategies must be seen in the context of the current global credit crisis and local credit cycle.

The impact of the local credit cycle is reflected in the absolute increase in bad debts whilst the losses in the offshore equity trading portfolio were a direct result of the turbulence in the international markets.

THE PERFORMANCE OF THE MOMENTUM GROUP REFLECTS THE REMARKABLE RESILIENCE OF THE BUSINESS GIVEN THE DIFFICULT TRADING ENVIRONMENT. THIS IS A RESULT OF MOMENTUM'S STRONG MARKET POSITION WITH THE HIGH END CUSTOMER. IN ADDITION, ITS CONSERVATIVE CAPITAL MANAGEMENT STRATEGY IMMUNISES MOMENTUM AGAINST VOLATILITY IN EQUITY MARKETS.



* *Based on normalised earnings, excluding the FirstRand centre, NCNR preference shares and Discovery.*

Financial review

FirstRand Limited comprises two main operating entities, the FirstRand Banking Group and the Momentum Group. The included chart illustrates the relative contribution by each of these entities to the normalised earnings of the Group.

Key financial ratios for the Banking Group and Momentum are as follows:

BANKING GROUP

	June 2008	June 2007	% change
Normalised earnings[1] (R millions)	8 814	10 089	(13)
Return on equity[2] (%)	21	31	
Return on assets (%)	1.4	2.0	
Credit loss ratio[3] (%)	1.28	0.83	
Cost to income ratio (%)	52.6	51.7	

1 Before deducting preference share dividends.
2 After deducting preference share dividends and capital.
3 Impairment charge after deducting credit insurance amounted to 1.19% (2007: 0.79%).

MOMENTUM

	June 2008	June 2007	% change
Normalised earnings (R millions)	2 004	1 668	20
Return on equity (%)	30	25	
Return on embedded value (%)	15	28	
CAR cover (times) (before dividend)	2.2	2.3	

FirstRand's diverse portfolio of businesses provided some protection from the difficulties in the trading portfolios, but the size of the trading losses combined with the significant increases in retail bad debts resulted in the Group's continuing operations (pro forma) earnings declining 8% to R 10.4 billion, with a normalised return on equity ("ROE") of 22%.

The Banking Group produced a 13% reduction in normalised earnings before preference shares from R10.1 billion to R8.8 billion and an ROE of 21%.

The Momentum Group increased normalised earnings 20% from R 1.7 billion to R 2 billion and delivered an excellent ROE of 30%. The performance of the Momentum Group reflects the remarkable resilience of the business given the difficult trading environment. This is a result of Momentum's strong market position with the high end customer. In addition, its conservative capital management strategy immunises Momentum against volatility in equity markets. Sales via the FNB channels were strong, highlighting the success of its channel diversification strategy.

Overview of operating franchises

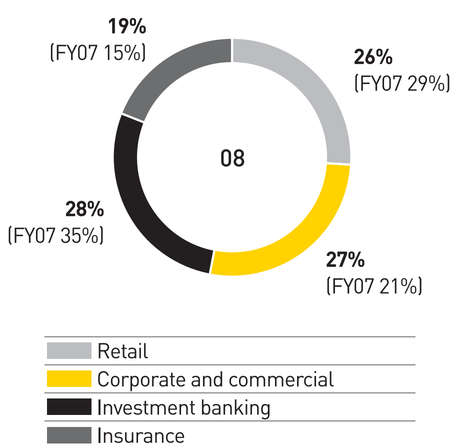
The Group's operational style is to break these legal entities down into a portfolio of autonomous business units ("franchises"), which operate within a broader FirstRand strategic framework.

Franchise normalised earnings from continuing operations

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
FNB	4 654	4 245	10
FNB Africa	499	437	14
RMB	3 008	3 868	(22)
WesBank	573	918	(38)
Group Support	80	621	(>100)
Banking Group	8 814	10 089	(13)
Momentum Group	2 004	1 668	20
FirstRand Limited	(11)	(100)	89
Dividends to NCNR preference shareholders	(409)	(348)	(18)
	10 398	11 309	(8)

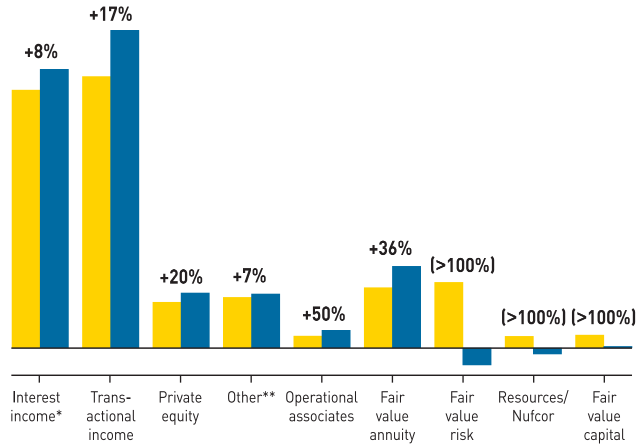
FirstRand's ability to compete and grow in a diverse range of businesses has allowed the Group to add significant value to all its stakeholders from a segment and revenue sources perspective.

Segment diversification



* *Based on normalised earnings, excluding the FirstRand centre and NCNR preference shares.*

Banking Group
(R million)



* *Interest income is shown after deduction of impairments.*
** *Other income excludes VISA revenue.*

Insurance operations

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Insurance	1 459	1 145	27
Momentum insurance	1 184	1 000	18
FNB insurance	275	145	90
Asset management	282	326	(13)
Group operating profit	1 741	1 471	18
Investment income	263	197	34
Normalised earnings	2 004	1 668	20

Balance Sheet Management strategies

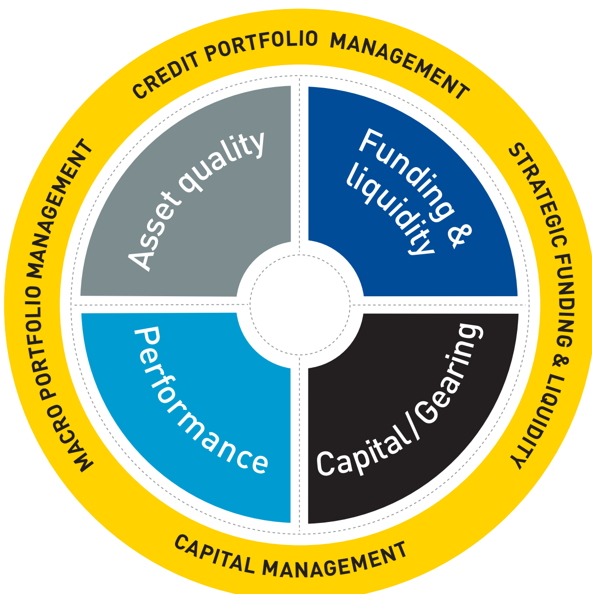
FirstRand's approach to Balance Sheet Management has always been to manage the Group through all business cycles.

The Group formulates a "core" macro economic outlook. The purpose of this view is to ensure there is alignment between the business credit, capital and funding strategies within the appropriate risk appetite. This is reviewed on a regular basis.

In the current environment, within the strategic framework developed for BSM, there are a number of critical focus areas:

- Asset quality
- Funding and liquidity
- Capital/Gearing
- Performance

The objective is to ensure a robust balance sheet through the cycle, and to protect the operating franchises so that they are well positioned for improved conditions.

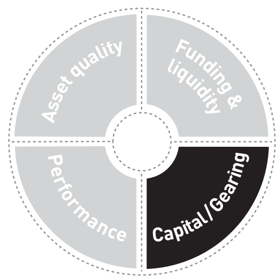


CAPITAL MANAGEMENT

The objective of capital management is to maintain the optimal level of capital in the most cost efficient way, given the Group's risk profile and targeted credit counterparty rating. The optimal capital level is achieved through balancing the needs of regulators, rating agencies, depositors, shareholders and debt holders. Gearing is monitored on a Group wide basis in line with limits set by the board.

The focus continues to be on ensuring capital strength after taking into account the expected capital utilisation, new initiatives, planned issuance of capital instruments, appropriation of profits and dividend payments, and general contingency planning for dealing with divergences, unexpected events and stress scenarios. The approved capital plan is reviewed and tested on an ongoing basis. More recently, the newly developed BSM economic outlook (produced for a 24 month time horizon), has been used in forecasting capital. This outlook incorporates both a core and a risk view. The Group is appropriately capitalised under a range of normal and severe scenarios and stress events.

Capital is an input into decision making at all levels within the organisation. In order to ensure that the Group achieves its performance targets, capital management monitors performance to ensure that the capital deployed into the business units meets these targets. Support is also provided in formulating expansion plans for Greenfields, accelerated Greenfields or acquisitions to ensure that new initiatives meet both the strategic and financial expectations of stakeholders.

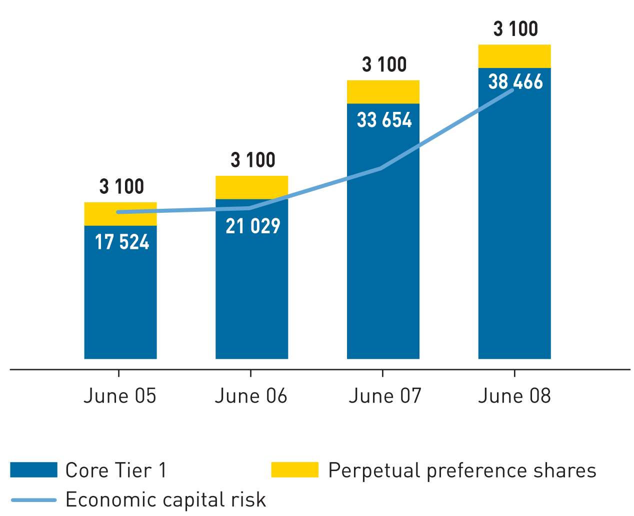


Capital/Gearing

The Group's policy is to capitalise at the higher level of economic or regulatory capital, and to provide an appropriate capital buffer to give confidence to debt holders, depositors, regulators, shareholders and rating agencies. The focus of the Group remains on core capital (normalised net asset value) by ensuring that economic risk is backed by core capital. Capital is invested in low risk assets and the profile of these assets depends on the Group's interest rate view.

The table below indicates the level of economic risk which is backed with core Tier 1 capital.

Economic capital risk – FirstRand Bank Holdings
(R million)



Going forward it is critical for CFOs to manage the relationship between risk, capital and performance

Basel II was implemented from 1 January 2008 and had very little impact on the capital requirements of the Group. The Group has also increased the required buffers thereby increasing the targeted capital ratios for 2009. As at June 2008, both the overall and core capital ratios were within the new targeted levels.

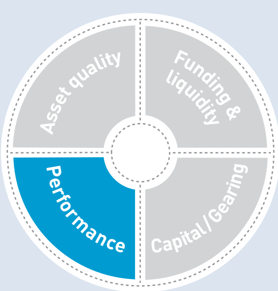
The table below illustrates the strong capitalisation ratios of FirstRand Bank Holdings and FirstRand Bank.

	FRBH		FRB		Regulatory Minimum*
	Actual	Target	Actual	Target	
Capital adequacy ratio (%)	13.75	12.0 –13.5	12.28	11.5 – 13.0	9.50
Tier 1 ratio (%)	11.13	10.00	9.44**	9.50	7.00
Core Tier 1 ratio (%)	10.30	8.25	8.41	7.75	5.25

Note, the regulatory minimum excludes the pillar 2b add-on.
*** The Tier 1 targeted ratio for FirstRand Bank is exceeded if unappropriated profits of R185 million are included.*

Momentum's decision to back its regulatory Capital Adequacy Requirement ("CAR") with cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investment and interest bearing assets, has shielded the CAR ratio in declining investment markets. Momentum targets an economic capitalisation level range of 1.7 to 1.9 times CAR (based on the current formulae used to quantify CAR). As at June 2008, Momentum's CAR was covered 2.2 times by the excess assets over liabilities. Momentum will be subject to revised regulatory capital requirements from 31 December 2008. The impact is still being quantified but Momentum expects to be well capitalised under the new requirements.

Credit growth has slowed, offering some respite after a sustained period of intensive capital consumption; while the de-risking of the Banking Group's international balance sheet will further lower the capital requirements. Given the deterioration in the credit environment over the past 12 months, the Group remains vigilant to the effects of pro-cyclicality introduced by Basel II and continues to focus on the level of core equity.



Performance management

FirstRand's performance management strategy remains a key component of the Group's overall strategy. Its focus is to deliver superior, sustained returns to shareholders.

The Group continues to monitor the effectiveness of its long term performance management strategy using two financial targets, namely real growth in normalised earnings and return on equity of 10% above FirstRand's weighted average cost of capital.

The Group believes normalised earnings most accurately reflect the sustainable operational performance of the business given the non-operational and accounting anomalies that impact headline earnings. The table below shows the reconciliation between normalised earnings and headline earnings in the current and prior year.

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Headline earnings	9 737	10 298	(5)
Adjustments	661	1 011	(35)
IFRS 2: Share based payments	141	390	
Treasury shares	520	593	
Listed property adjusted to NAV	–	28	
Normalised earnings	10 398	11 309	(8)

At FirstRand, net income after capital charge ("NIACC") – a derivative of Economic profit, has been in place as a performance measure since July 2005. Economic profit and risk adjusted performance measurement principles are embedded in the management culture of the organisation through economic profit contribution measurement. Economic profit is a function of the normalised headline earnings and capital utilised in the businesses.

The table below provides a summary of the ROE numbers for the Group.

	YEAR ENDED 30 JUNE	
	% ROE	
	2008	2007
FNB	33	35
FNB Africa	34	33
RMB	25	40
WesBank	12	23
Banking Group	21	31
Momentum	30	25
FirstRand	22	29

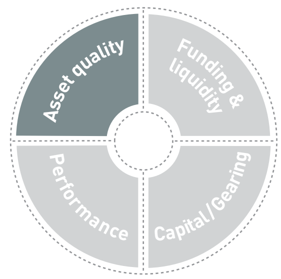
CREDIT PORTFOLIO MANAGEMENT

Credit Portfolio Management ("CPM") has a dedicated focus on the analysis, interpretation and initiation of appropriate actions on the credit portfolio and is key in the management of the Group's targeted balance sheet. The portfolio management takes place in consultation and close co-operation with the credit business owners and credit segment heads and focuses on the entire credit portfolio, ie retail, corporate and commercial and investment banking. Portfolio management takes place on both the existing credit portfolios (ie "in-force" business) as well as new business origination.

CPM influences the balance sheet via active participation in credit origination and pricing forums. The existing credit portfolios are managed through in depth scenario analysis and stress testing. This results in credit structuring, macro hedges or single name credit protection and is done in conjunction with the BSM Macro Portfolio Management as well as RMB divisions.

In the past the key focus from a Credit Portfolio Management perspective was to understand and analyse the Group's credit portfolio, with the specific aim to identify significant credit concentrations arising within or across credit portfolios, as well as potential portfolio vulnerabilities. As part of the process, detailed forecasting of portfolio results in terms of expected losses and portfolio sensitivities were conducted. The objective was to address these either through changes in origination strategy or financial markets hedging. An example of this, is for instance the interest rate hedges on the retail credit portfolios in 2006/7 and 2007/8, which reduced the reported bad debt charge.

The strategic focus has now shifted to focus more on the new business origination strategy. At the core of this is the new BSM economic outlook that is produced for a 24 month time horizon, which sets out "likely" and "risk" expectations on a range of key variables (eg interest rates, GDP and asset growth) which impact the balance sheet and the credit portfolio. This view is updated on a monthly basis, and is complemented by a set of credit lead indicators to isolate potential impacts on the individual credit portfolios. Targeted risk appetite loss thresholds have been defined for all the major credit portfolios, and origination strategies are articulated against the backdrop of the macro economic outlook and the targeted credit appetite. It is the focus of the CPM team to facilitate this strategy articulation process, to challenge the business decisions, and to ensure consistency across various portfolios in their application of the BSM economic outlook.



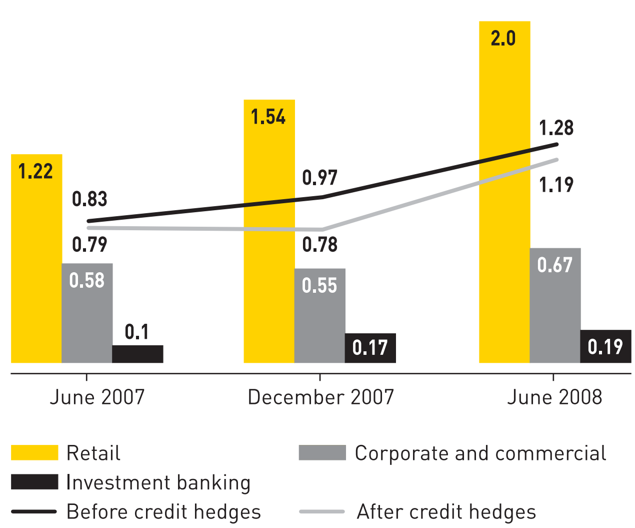
Asset quality

The retail lending operations of the Group were severely impacted by the dramatic increase in bad debts from R2.6 billion to R4.7 billion. This was a direct result of the deteriorating consumer credit cycle with the significant increase in interest rates, combined with higher inflation, placing serious strain on disposable income and eroding household affordability levels. The absolute level of bad debts in the year under review highlights the severity of the current cycle. It is not a reflection of structural asset quality issues such as those experienced in other markets (ie sub prime exposure), however the Banking Group underestimated the overall extent of interest rate increases.

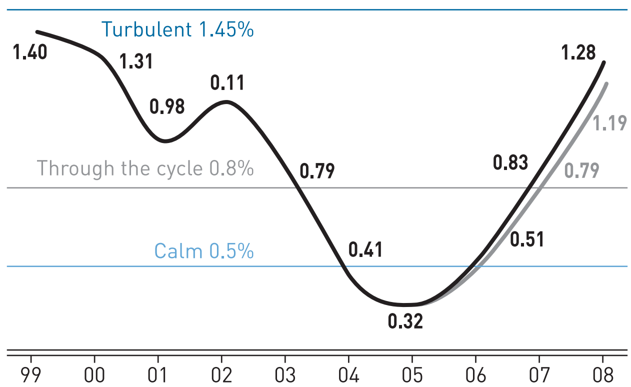
FirstRand's diverse corporate portfolio is well represented across the strongest sectors of the economy. The Group is comfortable with its corporate asset mix and current levels of impairments.

The graph below illustrates FirstRand's bad debt ratios by segments.

Impairment charge
(%)

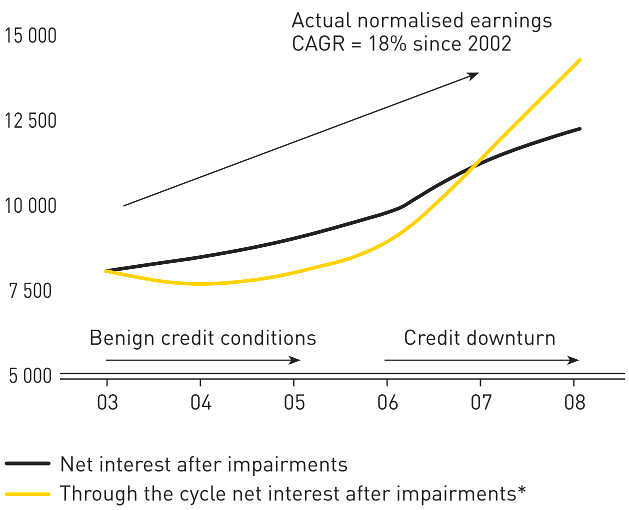


Although bad debt ratios are continuing an upward trend, this is still within the risk reward profile as illustrated below.

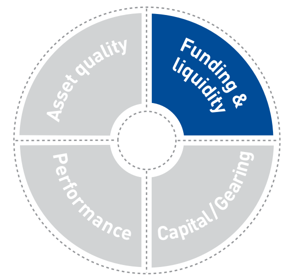


Given the current cycle, FirstRand's bad debt levels are in line with expectations, are priced for and are not out of line with the South African industry, taking into account the different asset mixes of the local banks' portfolios. With the introduction of IFRS, banks' earnings with reference to bad debts are now more reflective of the economic cycle, and can therefore be more volatile. The graph below illustrates the effect of bad debts through the cycle.

Effects of bad debts
(R million)



* *Through the cycle net interest after impairments calculated assuming long run average bad debt ratio of 0.8.*



FUNDING AND LIQUIDITY

Given the current uncertainty in the international and domestic markets, funding and liquidity is a primary focus.

The South African banking system has effectively been insulated from the global financial crisis mainly as a result of the prevailing Exchange Control regulations. The interbank market in South Africa has functioned normally throughout the global financial crisis. The rand liquidity therefore moves between the domestic clearing banks. FirstRand Bank is one of the clearing banks and is predominantly a domestic player.

FirstRand Bank's funding position remains robust and it has low reliance on funding in the international markets. There are appropriate liquidity buffers in place given the level of uncertainty in financial markets. The international balance sheet has been significantly derisked and the excess liquidity buffers are sufficient to deal with roll-over risk in the international balance sheet.

Key focus areas are:

- Grow deposit franchise
- Limit dependence on wholesale funding
- Lengthen the funding profile
- Minimise roll over risk
- Limit off balance sheet activities
- Introduce marginal matched maturity transfer pricing

CONCLUSION

In the current macro economic environment it is all about financial prudence. The objective is to ensure a robust balance sheet that can weather the current cycle, and to protect the operating franchises to ensure that FirstRand is well positioned when business conditions improve.

Johan Burger
Chief financial officer

R MILLION	1999	2000	2001	2002
Balance sheet				
Total assets	202 064	222 791	271 431	374 766
Advances	93 718	102 667	123 343	175 161
Deposit and current accounts	115 392	117 559	141 461	201 404
Total equity	11 014	14 134	16 585	20 306
Treasury shares	1 272	1 272	1 272	1 272
Dividend	844	1 035	1 157	1 415
Total equity before dividend and treasury shares	13 130	16 441	19 014	22 993
Assets under administration	255 412	303 683	373 452	473 094
Income statement				
Earnings attributable to ordinary shareholders	2 489	3 056	3 575	4 495
Headline earnings	2 483	2 947	3 689	4 734
Normalised earnings	2 483	2 947	3 450	4 186
Earnings per share (cents)				
– Basic	45.7	56.1	65.7	82.5
– Diluted	45.7	56.1	65.7	82.5
Headline earnings per share (cents)				
– Basic	45.6	54.1	67.7	86.9
– Diluted	45.6	54.1	67.7	86.9
Normalised earnings per share (cents)				
– Basic	45.6	54.1	63.4	76.9
– Diluted	45.6	54.1	63.4	76.9
Dividends per share (cents)				
– Interim	7.5	9.0	11.3	13.5
– Final	8.0	10.0	12.5	15.0
Total dividends per share	15.5	19.0	23.8	28.5
Dividend cover	2.9	2.8	2.7	2.7
Perpetual preference dividend per share (cents)				
– February	–	–	–	–
– August	–	–	–	–
Net asset value per ordinary share	2.02	2.60	3.05	3.50
Shares in issue	5 445.3	5 445.3	5 445.3	5 445.3
Key ratios				
Return on average ordinary equity (%)	24.4	24.3	23.3	25.2
Price earnings ratio	15	13	14	10
Price to book ratio	3.4	2.7	2.8	2.2
Market capitalisation (R million)	37 573	38 117	46 884	41 657
Closing share price (cents)	690	700	861	765
Banking Group				
Return on average ordinary equity (%)	20.7	25.0	26.0	27.2
Cost to income ratio (%)	61.5	60.3	59.9	57.6
Bad debts as a percentage of advances (%)	1.5	1.3	0.9	1.1
Bad debts as a percentage of average advances (%)	2.9	1.4	1.0	1.1
Other operating income as a percentage of total income (%)	52.8	55.5	52.9	53.9
Return on average total assets (%)	1.2	1.5	1.6	1.6
Interest margin on average advances (%)	4.9	4.8	4.8	4.3

2003	2004	2005	2006	2007	2008	Compound growth %
393 674	424 821	462 231	602 596	721 559	**820 058**	17
188 112	208 874	221 851	313 885	387 020	**446 286**	19
215 637	219 061	245 793	332 113	421 568	**488 423**	17
20 793	23 912	29 910	36 530	43 548	**48 689**	18
1 272	1 590	3 786	5 792	6 149	**6 023**	19
1 715	1 956	2 767	3 114	3 795	**4 523**	21
23 780	27 458	36 463	45 436	53 492	**59 235**	18
488 242	529 039	616 348	794 693	900 148	**1 018 202**	17
4 516	5 676	7 137	8 825	11 511	**11 309**	18
4 847	5 727	7 129	8 334	10 854	**9 922**	17
5 379	6 097	7 276	8 958	11 845	**10 583**	17
86.2	109.3	137.3	171.6	210.2	**218.2**	17
84.5	106.8	134.5	166.0	204.2	**214.1**	17
92.5	110.3	129.3	157.8	202.5	**191.5**	17
90.7	107.7	126.7	152.6	196.8	**187.8**	17
102.6	117.4	132.4	159.4	210.2	**187.8**	17
100.7	115.3	131.4	159.2	210.1	**187.7**	17
16.5	19.3	26.6	32.0	39.5	**44.3**	22
18.5	26.8	28.5	34.0	43.0	**38.2**	19
35.0	46.1	55.1	66.0	82.5	**82.5**	20
2.9	2.5	2.4	2.4	2.5	**2.3**	
–	–	228.00	356.00	409.70	**477.77**	
–	–	360.00	363.00	431.00	**511.30**	
3.97	4.61	5.77	6.71	8.27	**8.64**	18
5 445.3	5 476.4	5 613.6	5 634.1	5 635.7	**5 637.8**	
22.6	25.4	25.2	25.1	28.1	**21.5**	
7	9	10	11	11	**7**	
1.9	2.2	2.4	2.5	2.7	**1.5**	
41 602	55 805	77 861	95 216	127 367	**74 983**	
764	1 019	1 387	1 690	2 260	**1 330**	
22.2	24.2	24.2	23.6	27.4	**21.5**	
57.0	57.5	56.6	53.8	51.7	**52.6**	
0.8	0.4	0.3	0.4	0.7	**1.1**	
0.8	0.4	0.3	0.5	0.8	**1.2**	
44.4	49.6	55.1	59.0	59.8	**55.3**	
1.5	1.8	1.8	1.7	1.9	**1.5**	
5.0	4.5	4.3	4.0	4.0	**4.1**	

R MILLION	1999	2000	2001	2002
Momentum Group				
Return on average ordinary equity (%)	22.4	25.0	27.4	28.6
New business	29 153	30 594	28 740	31 151
Funds received from clients	32 628	34 461	32 751	35 848
Net flow of funds	13 399	12 439	4 685	3 724
Embedded value	8 340	9 391	10 306	9 532
Exchange rates				
Rand/USD				
– Closing	6.03	6.77	8.07	10.31
– Average	5.95	6.40	7.42	9.19
Rand/£				
– Closing	9.51	10.26	11.35	15.75
– Average	9.63	9.88	10.81	14.81
Balance sheet[1] (USD)				
Total assets	33 510	32 896	33 647	36 350
Advances	15 542	15 159	15 290	16 989
Deposit and current accounts	19 136	17 358	17 536	19 535
Total equity	1 827	2 087	2 056	1 851
Assets under administration	42 357	44 841	46 294	45 887
Income statement[2] (USD)				
Earnings attributable to ordinary shareholders	418	477	482	489
Headline earnings	417	460	497	515
Normalised earnings	417	460	465	456
Balance sheet[1] (GBP)				
Total assets	21 259	21 717	23 912	36 350
Advances	9 860	10 008	10 866	16 989
Deposit and current accounts	12 140	11 459	12 462	19 535
Total equity	1 159	1 378	1 461	1 851
Assets under administration	26 871	29 602	32 900	45 887
Income statement[2] (GBP)				
Earnings attributable to ordinary shareholders	258	309	331	489
Headline earnings	258	298	341	515
Normalised earnings	258	298	319	456

1 The balance sheet is converted using the closing rates as disclosed.
2 The income statement is converted using the average closing rate as disclosed.

2003	2004	2005	2006	2007	**2008**	Compound growth %
27.0	24.3	24.5	24.1	25.3	**30.3**	
25 975	28 734	42 689	59 403	56 097	**68 178**	10
30 307	33 171	47 226	64 661	62 268	**74 938**	10
2 247	727	3 562	2 069	40 011	**7 432**	(6)
10 002	9 666	11 856	14 438	15 453	**16 008**	8
7.56	6.18	6.68	7.13	7.07	**7.82**	
8.89	6.77	6.19	6.44	7.21	**7.30**	
12.47	11.20	11.97	13.15	14.17	**15.60**	
14.12	11.83	11.50	11.48	13.99	**14.66**	
52 090	68 741	69 243	84 516	102 059	**111 952**	13
24 890	33 798	33 234	44 023	54 741	**57 051**	15
28 532	35 447	36 820	46 580	59 628	**62 437**	13
2 751	3 869	4 481	5 123	6 160	**6 224**	14
64 603	85 605	92 330	111 458	127 319	**130 162**	13
508	838	1 152	1 370	1 597	**1 549**	16
545	846	1 085	1 260	1 505	**1 359**	15
605	900	1 175	1 391	1 643	**1 450**	16
31 564	37 932	38 622	45 825	50 922	**56 135**	10
15 082	18 650	18 537	23 870	2 713	**28 606**	12
17 289	19 560	20 537	25 256	29 751	**31 307**	10
1 667	2 135	2 499	2 778	3 073	**3 121**	11
39 146	47 238	51 499	60 433	63 525	**65 265**	10
320	480	621	769	823	**771**	14
343	484	585	707	776	**677**	13
381	516	633	780	847	**722**	14

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

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

Private equity realisations

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

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

Discovery BEE transaction

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

The normalised adjustment:

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

Treasury shares: Effective shareholding in Discovery Holdings Limited

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

Share based payments and treasury shares: Consolidation of staff share schemes

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

The normalised adjustments:

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

Treasury shares: FirstRand shares held by policyholders

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

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

Adjustment of listed property associates

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

Since 1 January 2007, these investments in associates were reflected at fair value, as these assets back linked policyholder liabilities in terms of IAS 28.

In reading this document

On pages 352 to 354 a summary of commonly used definitions and abbreviations has been provided for ease of reference.

SOURCES OF NORMALISED EARNINGS FROM CONTINUING AND DISCONTINUED OPERATIONS for the year ended 30 June

R MILLION	2008	% composition	2007	% composition	% change
FNB	4 654	44	4 245	36	10
RMB	3 008	28	3 868	33	(22)
WesBank	573	5	918	8	(38)
FNB Africa	499	5	437	3	14
Momentum	1 741	17	1 471	12	18
Insurance operations	1 459		1 145		
Asset management operations	282		326		
Group Support	343	3	818	7	(58)
Banking Group	80		621		
Momentum Group	263		197		
FirstRand Limited (company)	(11)	(0)	(100)	(1)	(89)
Dividend payment to non cumulative non redeemable preference shareholders	(409)	(4)	(348)	(3)	18
Normalised earnings from continuing operations (unaudited)	10 398	98	11 309	95	(8)
Discovery	185	2	536	5	(65)
Normalised earnings from continuing and discontinued operations[1]	**10 583**	**100**	11 845	100	(11)

1 *Refer to page 26 for description of normalised earnings.*

STATEMENT OF HEADLINE EARNINGS FROM CONTINUING OPERATIONS (PRO FORMA)

for the year ended 30 June

R MILLION	2008	2007	% change
Attributable earnings to shareholders	**10 581**	10 838	(2)
Adjusted for:	**(844)**	(540)	56
Profit on disposal of available-for-sale assets	**(7)**	(649)	
Profit on sale of shares in subsidiary and associate	**(108)**	(78)	
Net asset value in excess of purchase price of subsidiaries	**(24)**	–	
Profit on disposal of property and equipment	**(4)**	(8)	
Impairment of intangible assets	**104**	55	
Impairment of goodwill	**33**	61	
VISA listing	**(1 052)**	–	
Other	**29**	–	
Total tax effects of adjustments	**169**	79	
Total minority interest of adjustments	**16**	–	
Headline earnings	**9 737**	10 298	(5)
Adjusted for:	**661**	1 011	(35)
IFRS 2 Share based expenses	**141**	390	
Treasury shares	**520**	593	
– consolidation of staff share schemes	**517**	372	
– FirstRand shares held by policyholders	**3**	221	
Adjustment of listed property subsidiary and associate to net asset value	**–**	28	
Normalised earnings[1]	**10 398**	11 309	(8)
Normalised earnings per share (cents)			
– Basic	**184.5**	200.7	(8)
– Diluted	**184.4**	200.6	(8)
Earnings per share (cents)			
– Basic	**204.2**	209.8	(3)
– Diluted	**200.3**	203.9	(2)
Headline earnings per share (cents)			
– Basic	**187.9**	199.4	(6)
– Diluted	**184.3**	193.7	(5)
Return on equity (%)	**21.9**	28.9	
Average normalised net asset value, excluding Discovery	**47 449**	39 199	21
Normalised earnings	**10 398**	11 309	(8)

1 Refer to page 26 for description of normalised earnings.

FIRSTRAND

The listed holding company

100% FirstRand Bank Holdings Limited — Banking

- 100% » FirstRand Bank
  - First National Bank [1]
  - Rand Merchant Bank [1]
  - WesBank [1]
  - FNB Lesotho [2]
  - FNB India [2]
- 60% » FNB Namibia
- 100% » FNB Swaziland
- 70% » FNB Botswana
- 90% » FNB Moçambique
- 47% » OUTsurance [3]
- 100% » FNB Insurance Brokers
- 100% » FirstRand International
  - – Ireland
  - – UK
  - – Mauritius
  - – RMB Australia

100% FirstRand Investment Holdings [4] (Pty) Limited — Unregulated activities

- 97% » RMB Private Equity Holdings
- 92% » RMB Private Equity
- 100% » RMB Stockbroking [5]
- 100% » FirstRand International Wealth Management
- 40% » Eris Property Holdings
- 50% » RMB Morgan Stanley

100% Momentum Group Limited — Insurance & Asset Management

- 100% » Momentum Group
  - FNB Life [1]
  - Momentum Life [1]
- 85% » Advantage Asset Managers
- 100% » Momentum Medical Scheme Administrators
- 100% » Lekana Employee Benefit Solutions
- 100% » RMB Asset Management
- 100% » RMB Unit Trust
- 50% » Momentum Short Term Insurance

1 Division
2 Branch
3 Effective shareholding in FirstRand Short Term Insurance Holdings
4 For segmental analysis purposes entities included in FIH are reported as part of the Banking Group Supersegment within the respective franchise results
5 Regulated

Sizwe Nxasana CEO FirstRand Banking Group

FirstRand Bank's diverse portfolio of franchises provided some protection from the difficulties in the trading portfolios. However, the absolute size of the losses combined with increases in retail bad debts resulted in normalised earnings declining 13% to R8.8 billion.

FIRSTRAND
Banking Group

Sizwe Nxasana / 50 /
BCom, BCompt (Hons), CA(SA)
CEO: FirstRand Banking Group

Johan Burger / 49 /
BCom (Hons), CA(SA)
CFO: FirstRand

Paul Harris / 58 /
MCom
CEO: FirstRand

Michael Jordaan / 40 /
MCom (Economics)
PhD (Banking Supervision)
CEO: First National Bank

Theunie Lategan / 51 /
DCom, CA(SA), Advanced
Diploma Banking
CEO and Country Manager
Representative Office India

Elizabeth Maepa / 57 /
BCom, CAIB
CEO: FNB Public
Sector Banking
Appointed September 2007

Zweli Manyathi / 46 /
BCom (Hons) Professional
Development Programme
(NY) Sen Exec Prog
(HBS and WBS)
CEO: FNB Corporate Bank

Yatin Narsai / 42 /
BSc Hons
CEO: FNB Consumer
Segment and CIO

Michael Pfaff / 46 /
BCom, CA(SA), MBA
(Duke University)
CEO: Rand Merchant Bank
Resigned September 2008

Alan Pullinger / 42 /
MCom, CA(SA), CFA
CEO: Rand Merchant Bank
Appointed September 2008

Brian Riley / 51 /
FHA Diploma, AEP (Unisa)
AMP (Harvard)
CEO: WesBank

Ronnie Watson / 61 /
AMP (Harvard)
Executive Chairman: WesBank
Retired September 2008

MICHAEL JORDAAN | CEO, First National Bank

FNB has produced a solid set of results in challenging economic circumstances with profit before tax increasing 11% from R5 738 million to R6 345 million.

FNB – SOUTH AFRICA

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Income before indirect tax	**6 698**	6 060	11
Indirect tax	**(353)**	(322)	10
Income before tax	**6 345**	5 738	11
Advances	**207 658**	180 281	15
Total deposits	**192 467**	168 280	14
Assets under management	**48 198**	26 489	82
Cost to income ratio (%)	**56.9**	59.8	
Non performing loans (%)	**4.2**	2.0	

R MILLION	**2008**	2007	% change
Mass	**1 276**	981	30
Consumer segment	**1 159**	2 035	(43)
– HomeLoans	**(381)**	729	(>100)
– Card Issuing	**120**	109	10
– Other Consumer	**1 420**	1 197	19
Wealth	**444**	320	39
Commercial	**2 907**	2 191	33
Corporate	**671**	603	11
FNB Other and Support	**(112)**	(392)	71
Total FNB	**6 345**	5 738	11

INTRODUCTION

The year under review was difficult given the continued increase in interest rates, higher inflation and high levels of consumer indebtedness and reducing levels of disposable income. The operating environment was particularly challenging in the second half of the financial year. FNB's solid performance during the year can be ascribed to the following:

- a strong franchise in the commercial and corporate segments, which now comprise more than half of FNB's earnings;
- a diversified retail portfolio, which has meant that whilst the consumer segment has experienced a slowdown in growth, the mass and wealth segments continued to perform well;
- whilst the lending business experienced significant increases in arrears and NPLs and a marked slowdown in new business, the transactional and deposit businesses continued to grow, albeit at a slower rate than the previous year; and
- a continued focus on efficiencies which resulted in FNB's cost to income ratio reducing by a further 2.9%.

THE INCREASE IN BAD DEBTS IS IN LINE WITH EXPECTATIONS GIVEN THE ECONOMIC AND INTEREST RATE ENVIRONMENT.

CHANGES IN STRUCTURE AND SEGMENTATION

During the year, FNB has taken transfer of the Custody business from RMB, with effect from 1 July 2007. The historical results have been restated accordingly.

The FNB Wealth segment acquired FirstRand International Wealth Management ("FRIWM"), from Momentum effective 1 July 2007.

The Mass segment results include the acquisition of the housing finance business from Transnet which was effective 25 September 2007. The historical results do not incorporate the impact of these acquisitions. Where appropriate, the impact of these two acquisitions is separately disclosed.

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

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

PERFORMANCE COMMENTARY

FNB has produced a solid set of results in challenging economic circumstances with profit before tax increasing 11% from R5 738 million to R6 345 million.

Interest income increased 24% mainly due to the balance sheet growth in both advances (up 15%) and deposits (up 14%), supported by the widening of margins resulting from the interest rate increases and the increased endowment benefit on deposits. Interest suspended on NPLs did, however, negatively impact overall interest income growth and advances margins.

Bad debts increased to 1.55% (2007: 0.91%) of average advances. This increase is in line with expectations, given the significant change in the economic and interest rate environment over the past two years, the relatively low arrears and NPLs in previous years, coupled with the impact of debt counselling in terms of the National Credit Act ("NCA"). The 2007 ratio also benefited from impairment reversals relating to certain corporate exposures that were repaid, while the slower advances growth impacted the 2008 ratio.

The increase in the bad debt charge is largely driven by residential mortgages at 0.84% (2007: 0.27%) and Card Issuing at 8.87% (2007: 5.44%) of average advances. FNB HomeLoans represents the largest component of residential mortgages as detailed below.

R MILLION	Advances	Impairment charge	Bad debts to average advances (%)
Affordable Housing	3 856	20	0.68
HomeLoans	113 092	1 014	0.96
Wealth	27 528	88	0.36
Total residential mortgages	**144 476**	**1 122**	**0.84**

Non interest income increased 16% on the back of an 8% growth in customer numbers to 6.3 million, higher transactional volumes across all segments and the impact of the FRIWM acquisition in the Wealth segment.

Operating expenses increased 14%. This was mainly driven by significant variable costs associated with increased volumes, new business acquisitions, ongoing investment in the brand (FIFA sponsorship), new products, improved services, infrastructure and processes. Costs relating to the continued, above inflation increases in skilled staff salaries and crime prevention initiatives, specifically related to ATMs, also contributed to this increase.

Deposits grew R24 billion or 14% with the Consumer Money Market, Commercial and Corporate segments being the major contributors. This growth was largely driven by product innovation and by sales of shorter term products as the interest rate increases made these deposits more attractive.

Advances grew R27 billion or 15%, with HomeLoans (R15 billion), Wealth and Commercial the main contributors. Advances growth in the second half of the year (R10 billion) was markedly down on the R19 billion growth in the same period last year.

SEGMENT PERFORMANCE

Mass (Smart Solutions)

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

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

The segment performed very well during the year under review with profit before tax increasing 30% from R981 million to R1 276 million.

The main driver of this segment's performance was the strong growth in interest income, which increased 46%. This was mainly as a result of a 59% growth in advances to R6 billion (this translates to 24% growth if the balance of the acquired Transnet advances of R1.2 billion is excluded) and 4% deposit growth, complemented by the widening of margins on the endowment balances. The advances growth (excluding the Transnet acquisition) relates to the SmartSpend, Smart Housing Plan and SmartBond products, where sales increased 30%.

Non interest revenue growth was also strong at 17% driven by an overall 12% growth in revenue generating transactions, including debit card transactions which grew 40%. A 49% growth in prepaid airtime turnover also contributed positively. The customer base increase of 6% to 3.5 million contributed to the overall transactional volume growth.

Operating costs increased 23% (21% up if the Transnet acquisition is excluded) driven mainly by growth in variable costs relating to increased customers and transactional volumes, the software upgrade on ATMs, ATM crime losses and prevention initiatives, and the costs associated with the operations acquired from Transnet. InContact SMS volumes grew 32% to R527 million for the year.

The new software rollout across the ATM base contributed to a decrease in market share of Saswitch transactions to 26% (2007: 29%) as downtime during conversion and subsequent availability issues had a negative impact on volume growth, while the share of Saswitch devices marginally decreased to 19% (June 2007: 21%). The number of ATMs (including Mini-ATMs) increased 5% (239 devices) to 4 800.

By June 2008, Cellphone banking had nearly 700 000 registered customers. The use of this channel provides convenience to customers and cost efficiencies for the segment and, in tandem with InContact, is expected to continue to contribute to good market share growth on general banking products and prepaid airtime sales.

FNB Life continued to show good growth, however, given the impact of the current economic environment, policy lapse rates have increased. The in-force policies currently total 2.6 million, remaining constant since June 2007, despite declines in non essential type products like Law-on-Call and Personal Accident where high lapse rates are being experienced due to the current economic environment.

Consumer

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

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

The segment faced tough trading conditions as a result of the current macro economic environment. The second half of the year was particularly difficult as inflation negatively impacted growth in transactional volumes and operating costs, and interest rates and consumer indebtedness had a significant impact on customers' ability to repay debt. The segment recorded a profit before taxation of R1 159 million, down 43% from the prior year. This decline is largely attributable to reduced profitability from FNB HomeLoans.

The largest negative effect on profits for the year was the significant increase in the bad debt charge since June 2007, which increased from 0.93% to 1.99% of average advances as a result of the increase in NPLs to 5.4% (2007: 2.2%) of advances.

Interest income growth was lower than expected at 12% as a result of the reduced demand for credit in the latter part of the year as well as the impact of interest suspended on NPLs. Bad debts more than doubled to R2 410 million which resulted in net interest income being 31% lower than the prior year.

Non interest revenue grew 14%. This was off the back of an 11% increase in the active account base and transactions per account increasing 4% year on year.

Total advances growth slowed to 14% or R16 billion (2007: 22% or R20 billion) with a slowdown across all lending categories.

Deposits grew R24 billion or 14%, driven largely by product innovation and sales of shorter term products.

Deposits grew 16% to R51 billion, attributable to improved sales of products and higher rates attracting deposits. The closure of the MaMa account has had no significant financial impact.

Operational expenses were contained at 8%. Certain efficiency and cost saving initiatives such as procurement, as well as the success of Shared Services, contributed to cost containment however, these were to some extent offset by the impact of higher inflation together with costs associated with increased collections activity.

Personal Loans decreased advances 8%, reflecting a new loans payout decline of 44%.

FNB Insurance Brokers total revenue grew by 18% while expenses have grown by 14%, resulting in operating profit growth of 29%.

FNB HomeLoans

The property market faced significant challenges during the year on the back of a negative credit cycle not seen since the late nineties. Several factors (inflation, rising interest rates, declining property values, client affordability and NCA) contributed to the residential property market deteriorating further than expected.

Advances grew 16% to R113 billion, however, market conditions suppressed new sales and readvances stayed flat year on year. Sales are expected to remain under pressure well into the 2009 year which will result in marginal to negative growth in advances for 2009.

FNB HomeLoans increased new business market share to 16.5% in June 2008 (June 2007: 15.8%), with the increase happening mainly in the first half of the financial year (December 2007: 22.0%) but then slowing in the second half.

FNB HomeLoans reported a loss of R381 million for the year. This decrease in profitability was driven by the significant increase in the bad debt charge to R1 014 million (driven by an increase in NPL balances to over R5 billion), substantial increases in interest suspended and more expensive funding which placed pressure on margins.

Non interest revenue grew 6% year on year driven mainly by NCA related pricing increases and growth in One Account transaction activity.

Operating expenses grew 9%. Benefits from the effective use of existing resources and a general focus on cost containment, was partially offset by investment in collections capacity.

Card Issuing

Card achieved a profit before tax of R120 million for the year. This reflects a growth of 10% compared to the previous year's performance and was achieved in tough market conditions.

Gross interest rose 33% to R1 129 million as a result of higher average balances as well as increased interest margins. The introduction of NCA also resulted in an increase in interest income with average NCA rates being higher than the average Usury Act rates for similar customers on similar products.

Non interest revenue increased 17%, whilst operating costs decreased 3% largely due to the high base created in the previous period due to the start up cost of cooperation agreements.

The bad debt charge of R1 084 million (2007: R575 million) represents 8.87% (2007: 5.44%) of average advances. NPLs also increased to 11.8% (2007: 7.4%) of advances as customers' ability to repay debts were negatively impacted by the current economic environment.

Significant progress has been made in the Card collections environment over the last six months. These efforts will be reinforced during the current financial year.

Wealth segment

RMB Private Bank
FNB Private Clients
FNB Trust Services
FirstRand International Wealth Management ("FRIWM")

The Wealth segment profit before tax increased 39% to R444 million (22% excluding FRIWM). The focus on achieving diversity of income, both geographically and operationally, has continued to support the operating fundamentals of the segment. A strong performance in RMB Private Bank, which grew profit before tax 17% and the emergence of FNB Private Clients which grew profits 38%, were significant contributors given the challenging economic environment.

Assets under management increased 82% to R48 billion (16% excluding FRIWM). The growth was largely due to successful investment selection and net new business inflows.

Strong growth in advances of 27% to R27 billion and deposits of 21% to R15 billion contributed to interest income increasing 19%. Bad debts did, however, increase 87% to R88 million on the back of NPLs increasing to 2.2% (2007: 1.1%) of advances.

Non interest revenue grew 80% (19% excluding FRIWM), largely due to fees on asset management, international banking and estates.

Operating expenditure increased 41% for the segment (excluding FRIWM the increase is 13%), largely due to the investment in skills, marketing and professional fees.

Commercial segment

Small Business, Business and Medium Corporate transactional and overdraft products
Investment products
SMMEs
Commercial Property Finance
Debtor Finance
FNB Leveraged Finance, BEE funding, Franchises, Tourism, Agric and Start-ups

The Commercial segment is the provider of financial solutions, including working capital solutions, structured finance, investment products, transactional banking and term loans to the mid corporate, business and small business sub segments.

The Commercial segment had an excellent year with interest income increasing 35%, non interest revenue increasing 10%, operating costs increasing 13% and profit before taxation increasing 33%.

Deposits grew 15% reflecting the continued strong cash flows from medium corporates, resulting in increased balances for cheques, savings and transmission accounts. A further contribution came from money market where competitive rates and transactional functionality made the product very attractive.

Advances increased 19% to R24 billion. Commercial Property Finance loans increased 42% due to the focus on the coastal regions and the affordable housing developments. Leverage finance loans grew 37% as result of new business acquisitions and mid corporate advances increased by 10% as result of increased utilisation of facilities.

Interest income increased 35% as result of strong liability and asset growth, as well as improved liability margins. The segment has been impacted by bad debts increasing to 0.91% (2007: 0.62%) of average advances largely due to the current credit environment. NPLs increased to 2.1% (2007: 1.7%) of advances.

Commercial's non interest revenue growth of 10% is mainly attributable to International banking (14%), SpeedPoint (17%) and Electronic banking (17%).

Operating costs increased 13% year on year. The increased costs were as result of increased variable costs and upfront costs incurred with new growth initiatives such as IT, human capital management and high growth areas.

Corporate

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

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

Profit before tax grew 11% to R671 million, a good performance given the high base created by the release of R50 million credit impairment in the previous year.

Interest income growth of 3% reflects the continued pressure on margins. The NPLs improved to 0.9% (2007: 1.2%) of advances while the bad debts charge of R91 million (2007: R10 million) is 0.64% (2007: 0.07%) of average advances.

Deposit volumes increased 14% to R31 billion (R43 billion including gross ups) indicating that many large corporates continue to show strong balance sheets and earnings growth. However, margins are under pressure, due to competition.

Advances remained flat at R3 billion or increased 20% to R15 billion when including gross ups.

Non interest revenue growth of 14% was largely driven by increased transactional volumes in the electronic channels, particularly within FNB Online (18%) and SpeedPoint (21%), but with a marked slowdown in the second half of the financial year. Whilst organic growth was a significant contributor to the above increases, FNB Online developed and implemented new product offerings that improved sales and SpeedPoint increased its footprint of point of sale devices by 10%. The relatively weaker performance of the rand positively impacted the growth of the International banking business.

Operating expenditure increase was limited to 3% given the focus on efficiency. This positively impacted the cost to income ratio, resulting in a decrease from 62% to 58%.

FNB Other and Support

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

Public Sector Banking

The segment provides transactional banking, working capital requirements and other financial products and services to the three spheres of government; namely National, Provincial and Local Government. Public Sector Banking also services universities, public schools and public sector related trade unions.

Despite increased competitor activity, FNB's focus on this market has continued to yield positive results in the form of business gains and retentions. The success was attributed to offering client specific solutions backed by service excellence, in line with FNB's strategy.

Branch Banking

Branch Banking provides banking services to FNB's 6 million customers through its 712 representation points nationally. Some 26% (2007: 25%) of these points of representation are positioned in designated Financial Sector Charter communities.

	YEAR ENDED 30 JUNE		
	2008	2007	% change
Representation points (Branches, agencies, Bank on Wheels, etc)	712	698	2
ATMs	4 800	4 561	5

FNB AFRICA

FNB Africa comprises the FNB Africa subsidiaries (FNB Botswana, FNB Lesotho, FNB Namibia, FNB Swaziland and FNB Moçambique) as well as a support division acting as the strategic enabler, facilitator and coordinator for African expansion undertaken by FNB.

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007*	% change
Income before indirect tax	1 183	926	28
Indirect tax	(27)	(19)	42
Income before tax	1 156	907	27
Attributable earnings	533	440	21
Advances	15 755	13 492	17
Total deposits	23 867	17 409	37
Cost to income ratio (%)	46.5	45.7	
Non performing loans (%)	2.5	2.4	

** 2007 comparatives have been restated to include FNB Africa Centre and Expansion.*

Geographic contribution – income before tax

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
FNB Botswana	486	428	14
FNB Namibia	518	435	19
FNB Africa Other	59	44	34
FNB Africa operational income before taxation	1 063	907	17
FNB Africa: VISA profit & Swabou sale	93	–	100
Total	1 156	907	27

ENVIRONMENT

Due to proximity, the economies of Namibia, Swaziland and Lesotho closely mirror South Africa and inflationary and interest rate trends are similar. Notwithstanding the similarities, both Namibia and Swaziland did not increase interest rates to the same extent as South Africa, specifically to meet their own monetary policy requirements. This resulted in lower consumer pressure than that experienced in South Africa. Increased inflation and interest rates in all neighbouring countries where FNB operates have marginally impacted GDP growth but forecasts remain positive. Unlike South Africa, the bad debt experience remained stable over the past year. Similar to South Africa, each subsidiary has a centralised support function with active and close monitoring of credit and a strong focus on collections, which contributed to maintaining good quality credit.

PERFORMANCE

FNB Africa

Net income before tax increased 27% for the year to R1 156 million. The income before tax includes a profit recognised on VISA shares received by FNB Namibia and FNB Botswana following VISA's listing on the New York Stock Exchange in March 2008 as well as a profit on the sale of a 35% shareholding in Swabou Life to Momentum by FNB Namibia. Excluding these two extraordinary transactions totalling R93 million, income before tax increased 17% over the previous year. This growth was predominantly driven by growth in advances and deposits as well as good transaction volumes across all subsidiaries.

Advances and deposits increased 17% and 37% respectively (excluding FNB Moçambique the increases are 14% and 34% respectively). Cost to income deteriorated from 45.7% to 48.5%

(excluding the VISA and Swabou transactions) as a result of expansion costs. Return on equity improved from 32.8% to 33.8%.

FNB Botswana

Net income before tax increased 14% to R486 million. Improved balance sheet and transactional volumes resulted in strong revenue growth for the year. Gross advances increased 31% and deposits increased 47%, attributable to increased foreign currency deposits. Cost to income ratio increased from 34.3% to 38.6% (excluding the VISA transaction) as a consequence of expansion initiatives. Return on equity decreased from 47.1% to 44.6% (excluding the VISA transaction).

FNB Namibia

Net income before tax increased 19% to R518 million. Good results emanated from the entire portfolio of banking, life, and short term insurance operations. Gross advances increased 5% due to lower credit demand experienced in Namibia, while deposits increased 18% for the year. Cost to income marginally increased from 49.0% to 49.5% (excluding the VISA and Swabou transactions) for the year and return on equity improved from 25.2% to 26.2% (excluding the VISA and Swabou transactions).

FNB Africa Other

FNB Swaziland

Net income before tax increased 19% for the year to R74 million. Net advances and deposits increased by a moderate 7% and 5% respectively due to low economic growth experienced in the Swaziland economy. Cost to income increased from 50.3% to 52.0% year on year and return on equity marginally deteriorated from 33.9% to 32.7%.

FNB Moçambique

FNB acquired 90% of Banco de Desenvolvimento e Comércio ("BDC") in Moçambique in July 2007. BDC has been re-branded as FNB Moçambique. Results from August 2007 are included in the consolidated FNB Africa results. FNB Moçambique achieved a profit before tax of R15 million for the period. The FNB and FirstRand Risk Management frameworks and governance structures have been introduced to the business, positioning FNB Moçambique to focus on growth.

FNB Lesotho

FNB Lesotho achieved a profit before tax of R5 million for the year. Net advances increased 79% and deposits increased more than 100% year on year. The growth is attributable to FNB Lesotho gaining market share.

INTERNATIONAL INITIATIVES

FNB's stated intent is to be a leading financial services provider in the Southern African Development Community ("SADC"). Opportunities for expansion into Angola and East and West Africa are being investigated.

Apart from the acquisition in Moçambique in 2007, FNB has received approval from the South African Reserve Bank for the establishment of a full service bank in Zambia. The intention is for this bank to offer a comprehensive range of retail, business, commercial and corporate transactional banking products. The Group awaits regulatory approval from the Bank of Zambia for the establishment of an operation.

MICHAEL PFAFF | CEO, Rand Merchant Bank

RAND MERCHANT BANK
A division of FirstRand Bank Limited

RMB reported profits before tax of R4 204 million for the year to June 2008, 20% lower than the previous year but a satisfactory performance given the high base created in the previous year when earnings increased 81%.

RMB

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Income before indirect tax	4 265	5 329	(20)
Indirect tax	(61)	(48)	27
Income before direct tax	4 204	5 281	(20)
Total assets	296 433	198 929	49
Cost to income ratio (%)	42.8	41.7	

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Private Equity	1 846	1 352	37
Investment Banking	2 090	1 271	64
Fixed Income, Currency and Commodities ("FICC")	1 215	692	76
Equity Trading	(1 412)	1 429	(>100)
Other	465	537	(13)
Total RMB	4 204	5 281	(20)

RMB reported profits before tax of R4 204 million for the year to June 2008, 20% lower than the previous year but a satisfactory performance given the high base created in the previous year when earnings increased 81%, combined with the significant underperformance of the offshore equities trading activities which resulted in the Equity Trading division recording a net loss for the year. However, the resilience of RMB's portfolio of businesses mitigated to some extent the overall impact of this loss with Investment Banking, Fixed Income Currencies and Commodities ("FICC") and Private Equity significantly exceeding their prior year results showing growth of 64%, 76% and 37% respectively.

Market conditions, both locally and offshore remained volatile and uncertain throughout the year. Global markets have been in turmoil, following the sub prime and subsequent liquidity crises, and suffered major disruption and dislocations throughout the financial year. In contrast, local market conditions generally remained favourable though conditions became more challenging in the latter six months of the financial year as business confidence in SA declined and the outlook for inflation and interest rates deteriorated.

Corporate activity in South Africa remained strong over the 12 months and Investment Banking and Debt Capital Markets ("DCM") maintained a healthy deal pipeline across all areas. RMB remains a dominant South African investment banking player with strong client and product expertise and was named the "Best Investment Bank in South Africa" and the best "M&A House in Africa" at the recent Euromoney Awards for Excellence.

PRIVATE EQUITY

Private Equity continued to experience favourable trading conditions overall, reporting a net profit before tax of R1 846 million for the year, 37% up on the comparative period. Two large realisations were executed during the year. There was good profit growth generated by the businesses in the underlying portfolios which resulted in healthy associate earnings being reported for the year. Two major realisations were completed in July 2008 after delays in the Competition Commission approvals and hence the profits on these realisations will only be reflected in the next financial year. Unrealised profit in the portfolio is largely unchanged at R1 960 million (2007: R2 196 million), despite the realisations concluded in the earlier part of the year. New investments in the current year amounted to R1 093 million (2007: R1 035 million).

INVESTMENT BANKING

The Investment Banking division recorded excellent results for the year, reporting net income before tax of R2 090 million, a 64% growth over the comparative period. Corporate activity and lending remained strong and a number of landmark deals were concluded in the period under review. Activity in the year covered a wide range of transaction types, sectors and clients, a direct result of RMB's product expertise, industry knowledge and significantly strengthened client relationships. The Property Finance, Leveraged Finance, Preference Share and Debt Capital Markets teams were the highest contributors within Investment Banking although all areas reported strong results and all managed to exceed their prior year performances. In addition to being named "Best Investment Bank in South Africa" and "Best M&A House in Africa", the Investment Banking team were also awarded the Dealmakers magazine "Deal of the Year" for the Anglo Platinum deal.

Overall, the client franchise remains strong and a healthy deal pipeline has been maintained, however, medium term prospects could be dampened in some areas by declining business confidence and the difficult economic conditions being experienced. Advisory and financing in areas, such as infrastructure, BEE and resources should, however, remain strong.

FIXED INCOME CURRENCY AND COMMODITIES ("FICC")

FICC delivered a particularly strong performance for the year, recording net income before tax of R1 215 million, an increase of 76%. The performance was predominantly due to excellent results from the Fixed Income area, though the Currency and Commodities businesses also delivered exceptional performances. Throughout the period under review market conditions remained volatile partly due to the turmoil in global markets but also as a result of a deteriorating interest rate and inflation outlook locally. These volatile market conditions provided opportunities for short term positioning but also resulted in strong client flows (up by almost 50% on last year for both banks and corporates) and sales of hedging solutions as clients sought hedging strategies to protect themselves and limit their exposure to volatility in the underlying markets.

EQUITY TRADING

Equity Trading concluded a difficult year reporting a net loss before tax of R1 412 million. The Equities Trading division has local and offshore proprietary trading activities, local structuring, and a number of agency or client execution businesses – such as RMB Morgan Stanley, futures clearing, scrip lending and prime broking. Losses were reported in the offshore proprietary trading portfolios whilst the local proprietary trading portfolios and structuring and agency businesses have remained profitable.

The losses in the international trading portfolios resulted from disruption and dislocation in global equity markets. The typical trading strategy in these proprietary trading portfolios was to go long the undervalued, typically smaller cap stock and to hedge out the appropriate market risk by going short market indices. Over this volatile period there was a "flight to quality and liquidity" and, since the indices usually consist of the larger cap stocks, this resulted in a negative dislocation between these long positions and the indices. Throughout the period, management conducted regular reviews of the overall positions and all material strategies and trades on the book. By year end positions had been significantly reduced to around 15% of their peak and subsequently to less than 5%. A substantial review of the business has been conducted and a future strategy, with less emphasis on proprietary trading and more emphasis on agency and client flow businesses, has been formulated.

The local proprietary trading portfolios remained profitable as at the end of June but profits were less than half of their prior year levels, as performance in the last six months was negatively impacted as local equity markets weakened. The structuring desk remained profitable and fee based (agency) businesses benefited from the market volatility as JSE turnover volumes remained high throughout the period.

OTHER

RMB Resources remained profitable despite losses from Nufcor due to the mark to market valuation on the U308 price as it declined from its June 2007 highs. In June 2008, RMB Resources disposed of its investment in the Nufcor JV.

BRIAN RILEY | CEO, WesBank

A division of FirstRand Bank Ltd.

WesBank's overall profitability was impacted by significant increases in credit defaults in its local lending businesses. The compound effect of negative gearing (ie lower new business levels and higher arrear and impairment levels) has also resulted in book growth slowing.

WESBANK

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Income before indirect tax	863	1 481	(42)
Indirect tax	(129)	(111)	16
Income before tax	734	1 370	(46)
Advances WesBank Consolidated	99 949	98 434	2
Cost to income ratio (%) WesBank Consolidated	53.5	53.4	
Cost to income ratio (%) WesBank South Africa	41.8	43.3	
Non performing loans (%)	3.2	1.6	

ENVIRONMENT

The motor industry continues to experience very tough trading conditions. Vehicle sales have been adversely impacted by declining demand in a market where consumers' affordability levels are under severe pressure from high inflation and increased debt servicing costs. The corporate sector remains more buoyant, especially in sectors that service the capital investment and infrastructure development activities that are underway in the South African economy. However, the commercial/SME market is experiencing increased pressure from declining demand and increasing inflation and interest rates.

PERFORMANCE

WesBank's overall profitability was impacted by significant increases in credit defaults in its local lending businesses. The compound effect of negative gearing (ie lower new business levels and higher arrear and impairment levels) has also resulted in book growth slowing. Overall profits declined 46% to R734 million. This performance included R97 million related to impairments (R65 million due to the impairment of capitalised IT development in the Australian operation, with the balance relating to goodwill impairment in a local non lending subsidiary), which fall outside of headline earnings. Excluding these items, the decline in profits was 39%.

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

Divisional analysis of income before tax

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
SA operations	918	1 519	(40)
International operations	(184)	(149)	(23)
Total	734	1 370	(46)

SOUTH AFRICAN OPERATIONS

WesBank's local lending operations produced net income before tax of R918 million, a decline of 40% over the comparative year.

The decline in earnings is reflective of higher impairments as a consequence of increased arrears resulting from the impact of high inflation and interest rates on consumer affordability levels. Excluding the impact of bad debts, net income grew 7% over the prior year, which highlights the absolute impact of the cycle on the business.

The charge for bad debts, as a percentage of advances was 2.01% (R1.9 billion), compared to 1.31% (R1.1 billion) in the prior year. Non performing loans increased to 3.3% from 1.7% year on year. Despite regular tightening in credit extension, the cumulative effects of this cycle have placed a number of customers under severe pressure to meet their financial repayment obligations. The length and depth of the current arrears cycle is far worse than expected, and certainly worse than previous down cycles.

Total new business written was R45.0 billion, compared to R50.8 billion in the prior year. This represents a decline in new business of 11.5%. Corporate new business showed reasonable growth (10%), whereas retail production declined year on year (18%). Consequently, gross advances (inclusive of assets that have been securitised totalling R5.5 billion) grew R3.6 billion to R95.6 billion, an increase of 3.9%.

Interest margins remained fairly flat year on year. The impact of the abolition of early settlement interest and continued increases in the cost of funding and liquidity were partially offset by improvement in written rates and the mix of fixed rate business within the overall portfolio.

Within the lending business, non interest income grew 12%. This growth was driven by annuity insurance revenues, WesBank's fleet business and the introduction of monthly administration fees. Operating expenses grew 7% year on year. Cost to income and cost to asset ratios in the business improved from 43.3% and 2.28% to 41.8% and 2.14% respectively, highlighting improved levels of efficiency and a major focus on cost management.

WesBank has, over a number of years, developed a number of non lending businesses that are complementary to its core business, providing related services and products to retail and corporate customers. The key operations include Direct Axis (the marketing arm of personal loans products), Tracker (the vehicle recovery and telematics business), RentWorks (the rentor of IT and other assets), WorldMark (the car care product retailer) and Norman Bisset & Associates (the third party external collections operation).

INTERNATIONAL OPERATIONS

WesBank's international operations reflect the performance of the Carlyle Finance operation in the UK, as well as the Motor One Finance business and WorldMark operation in Australia. The losses in the international operations are shown in the table below. "Other" in the table refers to asset financing activities in Africa and costs related to international expansion activities.

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Carlyle Finance (UK)	(34)	(52)	35
Australian entities	(139)	(95)	(46)
Other	(11)	(2)	>100
Total	(184)	(149)	(23)

As has been reported previously, WesBank has taken the decision to exit the Australian market completely. The Motor One Finance advances book was sold subsequent to year end. Potential suitors are being sought to purchase the WorldMark operation, which has delivered an exceptional financial performance again this year. There have been extraordinary costs, in the form of systems impairment, redundancy and loyalty payments, and professional fees that have been incurred since the decision to exit was taken, which have inflated the losses in the Australian operations.

Carlyle Finance has shown significant improvements in the current financial year. Although it reported a full year's loss of R34 million, it has generated a profit in the most recent quarter and is expected to continue to generate profit in the years ahead.

SUMMARY

WesBank is a cyclical business, sensitive to the effects of reducing production and increasing arrears, particularly in a sharp economic downturn. This credit cycle has been particularly severe and has had a material impact on profitability, however, the operational foundation and strategies of the business remain strong and well positioned to benefit quickly from an improvement in trading conditions.

WILLEM ROOS | CEO, OUTsurance

OUTsurance's premium income increased 22%, driven by an expansion of the client base and premium increases were contained below inflation.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Banking Group attributable income before tax	**367**	310	18
Gross premiums	**3 598**	2 959	22
Operating income (including investment income)	**872**	723	21
Income after tax	**574**	480	20
Expense/cost to income ratio (%)	**16.8**	16.6	1
Claims and OUTbonus ratio (%)	**62.0**	59.3	5

The short term insurance industry as a whole continued to register significantly higher claims ratios during the year under review. OUTsurance, however, **MAINTAINED ITS PROFIT MARGIN**, confirming the competitiveness of its low cost direct business model and scientific rating approach.

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

The FirstRand Banking Group, through FirstRand Bank Holdings, owns 47% of FRSTIH.

ENVIRONMENT

OUTsurance continued to maintain its healthy underwriting margin in a market that has experienced higher levels of competition. Momentum STI continues to mature and is close to breaking even.

MAIN FOCUS AREAS IN 2008

OUTsurance's main focus continues to be on its core personal lines business. Incremental innovation and improvement in all areas enabled OUTsurance to continue to deliver exceptional service and value for money to clients, while producing good returns for shareholders.

Business OUTsurance is performing exceptionally well, growing premium income 44%. Continued growth is expected on the back of further product expansion.

During the year under review, the required operational infrastructure has been built and the regulatory approvals have been obtained for the expansion into the Australian market. Youi Insurance Company (Pty) Limited ("You.Insured") was successfully launched on 1 August 2008. You.Insured is based on the OUTsurance business model, but employs a low cost on line delivery platform for sales and client service.

PERFORMANCE

The increase in operating income of 21% was driven by growth in premium income and higher investment returns.

OUTsurance managed to increase premium income by 22%. The growth was driven by an expansion of the client base, as premium increases were contained below inflation.

The claims ratio (including OUTbonus costs) of 62% was 3.7% higher than last year. The higher claims ratio can be explained by an increase in weather related claims and the below inflation premium adjustments.

Expenses, as a percentage of net premium income, increased from 16.6% to 16.8%. Increased staff numbers due to capacity expansion and start up expenses relating to Youi were the main reasons for the slight deterioration in the expense ratio. Improved operational efficiencies assisted in containing costs in the current high inflationary economy.

The short term insurance industry as a whole continued to register significantly higher claims ratios during the year under review. OUTsurance, however, maintained its profit margin, confirming the competitiveness of its low cost direct business model and scientific rating approach.

AREAS OF FOCUS FOR 2009

- Successfully launch operations in the Australian market;
- Successfully launch OUTsurance Life which aims to sell pure risk life products directly to the market through existing operational infrastructure;
- Continued focus on maintaining strong organic growth and increasing operational productivity in Personal OUTsurance; and
- Further increasing new business flows in Business OUTsurance by expanding the product range.

EB Nieuwoudt CEO Momentum Group

Momentum's normalised earnings exceeded R2 billion for the first time, increasing by a very pleasing 20% to R2 004 million. The ongoing capital management programme has resulted in a significant increase in the return on equity from 25.3% in 2007 to 30.3% for the current year.

momentum

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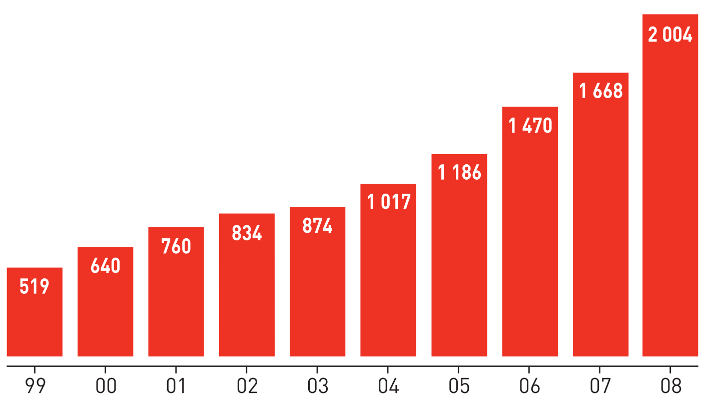
CEO: Momentum Wealth

MOMENTUM

FINANCIAL HIGHLIGHTS

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Normalised earnings	**2 004**	1 668	20
Return on equity based on normalised earnings (%)	**30**	25	
New business from insurance operations	**28 873**	20 651	40
Value of new business	**590**	518	14

Normalised earnings (CAGR: 16%)
(R million)



SALIENT FEATURES

The Momentum Group results for the year ended 30 June 2008 were characterised by the following:

- An excellent performance in tough economic conditions with normalised earnings up 20%;
- Continued strong new business growth in insurance operations:
  - Excellent growth in lump sum inflows in Momentum insurance operations; and
  - Overall new business margin maintained at 2.1%;
- Positive net cash flows in the insurance operations;
- Continued product and distribution diversification;
- Positive turnaround in the results from growth initiatives, especially the middle market initiative;
- A significant improvement in the relative investment performance of RMB Asset Management;
- Capital efficiency and a strong operating performance resulted in an excellent return on equity of 30.3%, up from 25.3% in 2007; and
- The return on embedded value remained robust at 15.2%, driven by growth in the value of new business and a strong contribution from existing business.

Summarised results

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Normalised earnings[1,2]	2 004	1 668	20
– Operating profit	1 741	1 471	18
– Insurance operations	1 459	1 145	27
– Asset management[2]	282	326	(13)
– Investment income on shareholders' assets	263	197	34
Headline earnings	1 979	1 610	23
Return on equity (%)	30.3	25.3	
New business volumes	68 178	56 097	22
– Insurance operations[3]	28 873	20 651	40
– Asset management	39 305	35 446	11
Value of new business	590	518	14
New business margins[4] (%)	2.1	2.1	
Embedded value[5]	16 008	15 453	4
Return on embedded value[6] (%)	15.2	28.1	
CAR cover (times)	2.2	2.3	

1 *Refer to page 26 for a description of normalised earnings. The reconciliation of normalised earnings to earnings attributable to equity holders and headline earnings is set out on page 50.*
2 *The comparative normalised earnings have been adjusted for the transfer of Ashburton to the Banking Group.*
3 *Portfolio switches in the employee benefits business, which were previously included in both new business and payments to clients, are no longer included in either new business or payments to clients. The comparative new business number has therefore been reduced by R2 813 million.*
4 *Calculated as the value of new business as % of the present value of future premiums.*
5 *The comparative embedded value of R15 927 million has been adjusted for the transfer of Ashburton to the Banking Group.*
6 *Represents the embedded value profit as % of opening embedded value, after adjusting for the transfer of Ashburton to the Banking Group.*

BUSINESS UNIT PERFORMANCE

Momentum's normalised earnings exceeded R2 billion for the first time, increasing by a very pleasing 20% to R2 004 million. The ongoing capital management programme has resulted in a significant increase in the return on equity from 25.3% in 2007 to 30.3% for the current year. The group operating profit (excluding the investment income on shareholders' assets) increased by 18% to R1 741 million.

The results from the insurance operations were strong, with earnings increasing 27% to R1 459 million. Momentum insurance benefited from a turnaround in new initiatives, better than expected risk profits and the positive contribution from new business written in the past few years. The FNB insurance operations produced excellent growth in earnings mainly due to good claims experience.

New business volume growth remained strong, especially in the insurance operations where total new business inflows increased 40% to R28.9 billion. Whilst the recurring premium new business volume growth has slowed somewhat from the prior year, individual risk new business reflected good growth of 16% for the year. The strong growth in recurring employee benefits umbrella fund new business was largely offset by lower recurring group risk new business. Lump sum inflows in the retail and employee benefits areas continue to show robust growth, with retail lump sums increasing 22%.

The value of new business showed a solid increase of 14% to R590 million, mainly due to increased new business volumes. The new business margin remained at 2.1%.

The earnings from asset management operations declined by 13% to R282 million. After adjusting for certain once off items in the 2007 base, operational earnings for 2008 reflected a marginal increase. The positive impact of net inflows into the retail collective investment scheme business was offset by the withdrawal of certain institutional mandates. There was a strong turnaround in investment performance, with RMB Asset Management ranked fourth out of 11 managers over 12 and 24 months to June 2008 in the Alexander Forbes Global Large Manager Watch.

Momentum's capital management mandate, which requires that discretionary shareholders' assets be invested in cash or near cash instruments, has largely immunised the earnings on shareholder assets against the volatility experienced in investment markets. Including the impact of higher interest rates, the investment income earned on shareholders' funds increased by 34% to R263 million. This increase was achieved despite the impact of the R700 million special dividend paid to FirstRand in October 2007.

Despite volatile investment markets, the return on embedded value totalled 15.2% (2007: 28.1%). This return is based on an embedded value profit of R2 355 million, and an opening embedded value of R15 453 million (after adjusting for the impact of the transfer of Ashburton to the Banking Group at book value). The return on embedded value benefited from the growth in the value of new business, the positive return on existing business and very strong risk experience profits. The embedded value of Momentum increased marginally to over R16 billion. It should, however, be noted that the embedded value was reduced by the special dividend paid to FirstRand in October 2007.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of group earnings:

Reconciliation of earnings

	YEAR ENDED 30 JUNE		
R MILLION	**2008**	2007	% change
Earnings attributable to equity holders	**2 002**	2 076	(4)
Adjusted for:			
Profit on sale of available-for-sale assets[1]	**–**	(649)	
Profit on sale of Southern Life Namibia book	**(22)**	–	
Profit on sale of subsidiary	**(1)**	–	
Impairment of goodwill	**–**	55	
Impairment of intangible assets	**–**	61	
Total tax effects of adjustments	**–**	67	
Headline earnings	**1 979**	1 610	23
Adjusted for:			
Adjustment of listed property associate to net asset value[2]	**–**	28	
IFRS 2 Share based payment charge	**25**	78	
Transfer of Ashburton to the Banking Group[3]	**–**	(48)	
Normalised earnings	**2 004**	1 668	20

1 The change in the mandate relating to shareholders' assets in December 2006 necessitated the disposal of the equities held in the shareholders' portfolio.
2 Momentum's investment in the associate listed property fund Emira, which was reflected at net asset value in the past, is currently reflected at fair value as this investment backs linked policyholder liabilities in terms of IAS 28.
3 The comparative normalised earnings have been adjusted for the transfer of Ashburton to the Banking Group.

Contributors to the normalised earnings

	YEAR ENDED 30 JUNE		
R MILLION (unaudited)	**2008**	2007	% change
Insurance operations	**1 459**	1 145	27
Momentum insurance[1,2]	**1 184**	1 000	18
FNB insurance	**275**	145	90
Asset management operations[1]	**282**	326	(13)
Group operating profit	**1 741**	1 471	18
Investment income on shareholders' assets[2]	**263**	197	34
Normalised earnings	**2 004**	1 668	20

1 The comparative operating profit of Momentum Collective Investments of R34 million, which was previously included in "Momentum insurance", is now included in "Asset management operations" following the transfer of the assets of this business to RMB Unit Trusts.
2 An amount of R55 million (2007: R34 million), being the enhancement of the investment return on shareholders' assets in excess of certain benchmarks, which was previously included in "Investment income on shareholders' assets" is now included in "Momentum insurance".

Insurance operations

The insurance operations generated excellent growth in operating profit of 27% to R1 459 million. Momentum insurance increased operating profit by 18%, with very strong risk profits, a pleasing contribution from new business written in prior years and a positive turnaround in the results generated by growth initiatives, more than offsetting the negative impact of lower asset based fees. The growth initiatives comprise Momentum's share of the middle market initiative with FNB, the short term insurance joint venture and the Africa operations.

The following table summarises the new business generated by the insurance operations:

Insurance operations – new business

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Recurring premiums	2 079	1 920	8
– Retail	1 308	1 166	12
– Employee benefits	406	390	4
– FNB collaboration	365	364	–
Lump sums	26 794	18 731	43
– Retail	16 840	13 835	22
– Employee benefits[1]	9 954	4 896	>100
Total new business inflows	28 873	20 651	40
Annual premium equivalent[2]	4 758	3 793	25

1 Portfolio switches, which were previously included in both new business and payments to clients, are no longer included in either new business or payments to clients. The comparative new business number has therefore been reduced by R2 813 million.
2 Represents new recurring premium inflows plus 10% of lump sum inflows.

Momentum's 12% growth in retail recurring premiums included a 16% increase in risk product sales, and a 25% increase in recurring retirement annuity sales. Sales of recurring savings endowments, which came under pressure from lower levels of disposable income, increased marginally compared with the prior year.

NEW BUSINESS VOLUME GROWTH REMAINED STRONG, ESPECIALLY IN THE INSURANCE OPERATIONS WHERE TOTAL NEW BUSINESS INFLOWS INCREASED 40% TO R28.9 BILLION.

The first half trend in employee benefits recurring product sales continued with group risk sales remaining under pressure due to an extremely competitive market. New business growth in the umbrella fund business continued to benefit from leveraging Momentum's successful broker distribution capability and grew 40%. In total, recurring employee benefits new business increased 4%.

Momentum's success in attracting a significant share of the retail lump sum market continued, with new business inflows increasing 22%. Sales of living annuities and discretionary investments were particularly strong, whilst endowment sales contracted somewhat. Momentum's success in this business is largely due to a combination of licence neutral product innovation, excellent service and a specific focus on specialist investment brokers via the extremely successful broker distribution engine.

The agency distribution channel generated satisfactory growth in new business, increasing its contribution to Momentum's new business APE (annual premium equivalent) from 16% for 2007, to 18% in the current year.

The healthcare business administered a total of 477 000 lives at 30 June 2008. The Momentum Health open scheme's total lives increased 10% to 175 500 at 30 June 2008. The focus in this business is currently on the alignment and integration of the operational components to a single IT platform to ensure a further improvement in efficiency levels.

Momentum Africa has a presence in nine African countries and generated a marginally positive earnings contribution for 2008. The Africa health insurance business currently has 105 000 lives under administration. The acquisition of the stake in Swabou Life, a subsidiary of FNB Namibia, was financed partly by the sale of the ex Southern Life Namibia book to Swabou Life with effect from 1 August 2007.

The earnings from the FNB insurance operations increased by an excellent 90%. Although lapses increased and new business volumes of embedded credit products in the mass market initiative reduced slightly, claims experience was better than anticipated. Penetration of the target market of this business is high and the focus is currently on upselling strategies to increase new business volumes. The middle market initiative, which focuses on single need products distributed using the FNB brand through outbound call centres, experienced strong premium growth and generated a positive contribution compared with the start up losses experienced in the prior year.

Asset management operations

The asset management operations experienced challenging conditions, with earnings declining by 13% to R282 million. Excluding certain once off items in the comparative period, the operational performance was marginally positive. Collective investment scheme assets under management increased from R20 billion to R36 billion, mainly due to the transfer of R11 billion in assets from the ex Sage and Momentum collective investment schemes, and net inflows of R5 billion. The institutional asset base declined marginally to R171 billion due to client disinvestments and negative net contributions from existing clients.

The investment team and process of RMB Asset Management were refocused and relative investment performance showed a strong turnaround during the past six months, with the one year and two year performance being ranked fourth out of 11 managers in the Alexander Forbes Global Large Manager Watch. A number of unit trust funds achieved top performance in their respective categories.

Investment income on shareholders' assets

Momentum's decision to change to a cash and near cash mandate for discretionary shareholders' assets in December 2006 has effectively immunised shareholders' assets against the recent market volatility, with the result that investment income reflects strong growth of 34% to R263 million. The reduction in investment income due to the special dividend paid to FirstRand in October 2007, was more than offset by increased interest rates and the impact of the change in the mandate.

Marketing and administration expenses

Total marketing and administration expenses increased by 8% to R2.8 billion. After adjusting for once off items, expenses in the existing operations increased 12% compared with the prior year. The increase in the asset management expenses is mainly due to an investment in additional staff and capacity. The following table provides an analysis of these expenses:

	YEAR ENDED 30 JUNE		
R MILLION	2008	2007	% change
Total marketing and administration expenses[1]	2 799	2 587	8
New initiatives – Momentum Africa	(76)	(29)	>(100)
Impairment of intangibles and goodwill	–	(101)	100
IFRS 2 Share based payments	(25)	(57)	56
Existing operations	**2 698**	2 400	12
Insurance operations	2 338	2 090	12
Asset management operations	360	310	16

1 The comparative marketing and administration expenses have been adjusted for the transfer of Ashburton to the Banking Group.

CAPITAL MANAGEMENT

Momentum's excess of assets over liabilities, on the statutory basis, was R6 114 million (2007: R5 794 million). The Capital Adequacy Requirement ("CAR") of R2 826 million (2007: R2 467 million) was covered 2.2 times (2007: 2.3 times) by the excess of assets over liabilities. The growth in CAR is mainly due to increased market volatility, which has been funded internally by earnings. Following the payment of the final dividend, the CAR cover will reduce to 2.0 times, which is marginally above the targeted range of 1.7 to 1.9 times. It is anticipated that the additional allowance for operational and credit risks required by the recently released CAR calculation guidance issued by the Actuarial Society of South Africa, which will become effective 31 December 2008, will increase the level of CAR. Momentum, however, expects to remain well capitalised following these changes.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased marginally from R15.9 billion at 30 June 2007, to R16.0 billion at 30 June 2008. The growth in the embedded value benefited mainly from the increase in the value of new business, the positive return on existing business and strong risk experience profits, whilst the special dividends paid to FirstRand in October 2007 and the transfer of Ashburton to the Banking Group at lower than directors' value reduced the overall growth.

The analysis of the main components of the embedded value is reflected in the following table:

	AT 30 JUNE		
R MILLION	2008	Pro forma[1] 2007	Originally disclosed 2007
Ordinary shareholders' net worth[2]	7 701	7 770	8 244
Net value of in-force insurance business	8 307	7 683	7 683
Present value of future profits	9 271	8 458	8 458
Cost of capital at risk	(964)	(775)	(775)
Embedded value attributable to ordinary shareholders	**16 008**	15 453	15 927

1 The embedded value at 30 June 2007 has been restated to take account of the transfer of Ashburton to the Banking Group at its carrying value of R298 million (the directors' valuation at 30 June 2007 was R772 million).
2 The growth in ordinary shareholders' net worth was impacted negatively by the special dividends paid.

The embedded value profit of R2 355 million for the year represents a return of 15.2% on the opening embedded value at 1 July 2007 of R15 453 million (after adjusting for the impact of the transfer of Ashburton on 1 July 2007).

The contributors to the return on embedded value of 15.2% are:

- Value of new business 3.8%
- Expected return on in-force insurance business 6.2%
- Investment return on shareholders' net worth 1.8%
- Investment variance and economic assumption changes (3.8%)
- Experience variances and operating assumption changes 6.4%
- Expected release from cost of capital 0.8%

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

Embedded value profit

	YEAR ENDED 30 JUNE	
R MILLION	2008	2007
Changes in ordinary shareholders' net assets	1 731	2 673
Earnings attributable to ordinary shareholders	2 002	2 076
Unrealised capital appreciation and other items	(271)	597
Change in net value of in-force insurance business	813	1 484
Change in cost of capital at risk	(189)	(105)
Embedded value profit	2 355	4 052

The decline in the embedded value profit was mainly due to the reduction in the directors' valuation of strategic subsidiaries, and the negative impact of lower market growth on future management fees in the value of in-force insurance business.

The value of new business increased by 14% to R590 million. Growth was impacted positively by a change in mix toward more profitable risk and retirement annuity products, and increased new business volumes across most product lines.

The new business margin of 2.1% was in line with the prior year margin, which is particularly pleasing given the negative impact of the increased risk discount rate.

GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R350.5 billion at 30 June 2008, compared with R349.2 billion at 30 June 2007. The strong growth in collective investment scheme and linked product assets was offset by institutional outflows. The following table provides an analysis of the assets managed or administered:

Assets under management or administration

	AT 30 JUNE		
R BILLION	2008	2007	% change
On balance sheet assets	183.9	184.1	–
Segregated third party funds	117.5	124.6	(6)
Collective investment scheme assets managed[1,2]	28.8	23.4	23
Assets under management	330.2	332.1	(1)
Linked product assets under administration[3]	20.3	17.1	19
Total assets under management or administration	350.5	349.2	–

1 *The assets under management at 30 June 2007 have been adjusted for the transfer of Ashburton to the Banking Group. The collective investment scheme assets managed by Ashburton amounted to R13.5 billion at 30 June 2007.*
2 *Excludes collective investment scheme assets included on the life company's balance sheet, as these assets are reflected under on balance sheet assets above. Total collective investment scheme assets under management amounted to R36 billion (2007: R31 billion).*
3 *Excludes business written by the Momentum Group's Linked Investment Service Provider on the life company's balance sheet, as these assets are reflected under on balance sheet assets above. Total linked product assets under administration amounted to R49 billion (2007: R41 billion).*

Net flow of funds

The retail savings and investment business within the insurance operations experienced positive net inflows of R3.7 billion, mainly due to the lump sum sales success.

There was a significant reduction in the net outflows of the asset management operations from R42 billion in 2007 to R10 billion in 2008. The comparative outflows however include the withdrawal of Public Investment Corporation ("PIC") assets in December 2006.

The FirstRand Group continues to strive for the **highest possible standards in good corporate citizenship** and reporting in respect of sustainable business practices. It recognises that it has a duty not only to its shareholders, but to its many other stakeholders. These include the environment and the communities in which we operate, our customers, employees, suppliers, government and our regulators.

Our progress towards building mutually rewarding long term relationships with all our stakeholders in the interests of ensuring sustainable profit growth is summarised in this abridged report. A comprehensive Group report backed by reports from each of FirstRand's major divisions can be found on the web at www.firstrandsustain.co.za.

Included in this annual report to shareholders is a comprehensive report on our governance structures (see page 79) and reports on how we manage risk across the Group (see page 96). These two reports form part of the Sustainability report to stakeholders.

Some of the most exciting work we have done in our journey to constantly improve our status as a responsible corporate citizen occurred during the 2008 financial year. These include:

- Ensuring that we exceed many of the Financial Sector Charter transformation targets
- Investing extensively in employee talent and leadership
- Measuring our carbon footprint and ensuring ongoing reductions in our environmental impact
- Impressive growth in the number of innovations identified and implemented by staff, thereby helping to assist our customers, especially in these difficult times
- Ensuring that all our business decisions remain informed by sustainability imperatives and risk identification
- Strengthening our compliance structures and our relationships with the regulatory authorities
- Positioning our international structures to ensure best corporate governance and sustainable business practices

We remain a listed entity on the JSE's Social Responsibility Index and are also a proud supporter of the UN Global Compact and the Carbon Disclosure Project. For FirstRand, sustainable business practices are common sense: we take account of both the material risks posed to our business and the opportunities available in enhancing our position as a responsible corporate citizen. Through this approach, we believe that we can create value for all our stakeholders.

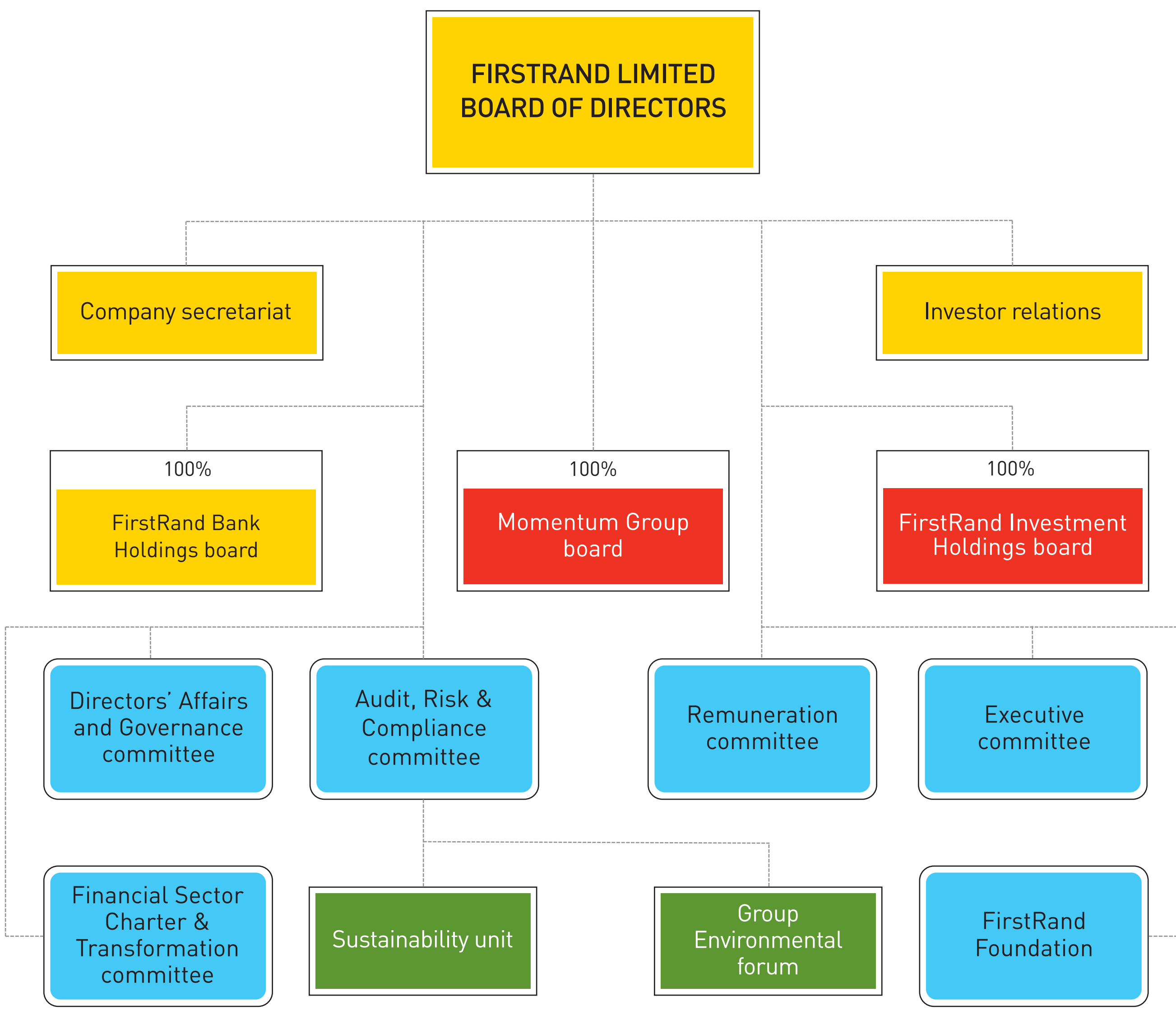
FIRSTRAND'S BUSINESS PHILOSOPHY, ETHOS AND MODUS OPERANDI STATES THAT **"ALL BUSINESS UNITS ARE EXPECTED TO CLEARLY UNDERSTAND AND MONITOR THE COST AND REVENUE AND SOCIAL AND ENVIRONMENTAL IMPLICATIONS OF ALL ACTIONS. THE EXTENT TO WHICH SUCH ACTIONS DO OR DO NOT ADD VALUE MUST BE UNDERSTOOD"**

(The complete statement is available at www.firstrandsustain.co.za)

IMPLEMENTATION OF FIRSTRAND'S BUSINESS SUSTAINABILITY PRACTICES

The FirstRand federated business model enables each of its operating divisions to develop their own strategies. This is based on the belief that each division is informed by common values and beliefs which are articulated in the FirstRand business philosophy. This philosophy remains the compass for expected practices across the Group. The governance structure is shown below.

GROUP GOVERNANCE OF SUSTAINABILITY



The boards of subsidiary companies are subject to the same corporate governance criteria as the holding company. FirstRand board committees include representatives from the subsidiary board committees and where appropriate divisional executive management.

As the divisions and their related business units form the closest and most direct relationships with the majority of FirstRand's stakeholders and face unique operational challenges from each other and from the Group, the divisions are empowered to interpret the Group's sustainability philosophy according to their particular operating context (ranging from retail and corporate and merchant banking through to asset management, short term and life insurance) and to design and implement solutions accordingly.

THE NON NEGOTIABLES OF THE GROUP'S SUSTAINABLE BUSINESS PRACTICES INCLUDE THE FOLLOWING:

- The primary objective of the FirstRand Group is the generation of sustainable profits
- FirstRand is obsessive regarding real governance
- We obey both the letter and the spirit of the law
- We strive for the highest ethical standards, and apply integrity in all we do
- FirstRand is and will remain an equal opportunity employer
- Our employees have complete freedom of association
- We value open and honest communication
- We respect the value of the natural environment
- We are transparent in our pricing

Driven/Reported at FirstRand Group level	Driven/Reported at major operating division and subsidiary level
Sustainability philosophy, approach and broad direction setting	→ Business strategy integrating sustainability imperatives
Governance	→ Objectives, deliverables, activities, targets and results
Adoption of global and local sustainability standards and protocols	→ Implementation of Group sustainability standards and protocols adopted as applicable to operations
Group Risk incorporates divisional sustainability risks identified and tracked	→ Group and business specific sustainability risks to be identified and addressed → Business specific commercial and operational opportunities relating to social, environmental or ethical solutions to be identified, developed along business case driven lines, and implemented
Corporate social investment programme (Foundation and employee volunteerism)	→ Corporate social investment programme implementation (funds and volunteer projects)
Overseeing of consolidated Group measurement, reporting and performance management	→ Detailed divisional measurement, reporting and performance management
Consolidated Group BEE transformation performance monitoring and reporting, and advice and encouragement to executive management on how best to achieve transformation goals	→ BEE transformation strategy implementation to achieve Group objectives: plans, actions and performance monitoring

As the business and activities of our operating divisions and subsidiaries are so diverse, we believe that we best serve sustainability reporting principles and demonstrate how we have added value and managed sustainability risk by presenting the objectives set by FNB, Momentum, RMB, OUTsurance and WesBank in independent reports. Consolidated FirstRand information, such as our transformation efforts, employment equity and workforce profile, and our relationship with regulators and shareholders is presented as such.

SUSTAINABILITY REPORTING PRINCIPLES INCLUDE MATERIALITY, TRANSPARENCY, COMPLETENESS, ACCURACY, AND COMPARABILITY.

ABRIDGED SUSTAINABILITY REPORTS

We have set out below abridged sustainability reports for FNB, RMB, WesBank, Momentum and OUTsurance. For detailed reports, including this FirstRand Abridged Sustainability report, and FNB Africa reports, please go to www.firstrandsustain.co.za.

FNB

IN THE YEAR UNDER REVIEW, FNB SET OUT TO ADDRESS THE IMPACT OF WORSENING ECONOMIC CONDITIONS ON ITS CUSTOMERS, DEVELOP STAFF THROUGH STRATEGIC HR INITIATIVES AND ONGOING SKILLS INVESTMENT, CONTINUE UPLIFTING COMMUNITIES IN NEED AND REDUCE ITS ENVIRONMENTAL IMPACT.

Material sustainability issues

Below are the risks and opportunities that could have a material impact on our operations, and the actions we are taking to manage these.

Opportunity/Issue	Action
Impact of rising inflation, interest rates, food and fuel prices on consumer debt affordability levels and ability to save	→ Launched a consumer advice campaign offering practical advice on saving, and provided debt rehabilitation and counselling services → Held discussions with customers to seek alternative to home repossessions and encouraged customers to negotiate flexible payment terms for home loan obligations
Continuing to invest in value-add for customers while maintaining affordable banking levels	→ For most accounts, maintained overall banking fees below inflation → Launched Unlimited Option, reducing banking fees to R66 a month for personal cheque accounts → Competition Commission findings impact analysis will be conducted to determine implementation requirements. Some recommendations will also require legislative changes and industry agreements
Ongoing skills shortages and the war for talent	→ Developed a human capital strategy focused on effectively growing and developing our talent aligned to business needs, and ensure staff retention → Implemented training interventions: recruitment, selection and retention strategies to meet FSC transformation targets and work towards dti targets
Meeting customer demand for accessible and convenient banking service	→ Continued repositioning and upgrading of branch network to align service demand and supply, and ensure reduced access costs for customers → Rolled out new branch operating model to improve client experience at branches → Promoted alternative and more convenient delivery channels such as online banking, ATMs and call centres to improve service and reduce customer waiting period
Partnerships to alleviate market shortages of housing stock for the affordable housing market	→ Collaborated with developers to get stock to fund as part of our Bulk Housing Finance programme, which also seeks to create mixed-use developments to promote the development of sustainable communities

2008: COMMITMENTS AND PROGRESS

Providing value to our customers

- Commitments:
  - Entrench personal client relationships, improve service delivery and consistency, and enhance customer satisfaction
  - Refine offerings
  - Improve banking access through infrastructure roll out
  - Take advantage of opportunities presented by our 2010 FIFA World Cup sponsorship, in key sectors such as tourism and construction
- Progress:
  - Promoted financial inclusion through basic banking access for previously unbanked people; affordable home loan finance; small and medium enterprise ("SME"), black economic empowerment ("BEE") and agriculture finance; and free financial literacy education
  - Extended physical banking infrastructure and enhanced internet banking for partially sighted and learning impaired customers
  - Actively targeted finance for start ups, SMEs and new ventures
  - Encouraged saving and continued to remain a responsible lender
  - Kept fee increases below inflation
  - Improved customer experiences
  - Addressed staff and customer safety
  - Maintained innovative spirit

Being a responsible employer

- Commitments:
  - Increase transformation pace and address BEE skills retention
  - Improve performance management
  - Focus on leadership development, remuneration, mentoring, training and cultural sensitivity
  - Introduce company wide talent management and promotion process, and promote visibility of opportunities across the Group
  - Increase disabled staff representation
  - Open BankCity crèche to assist working parents
- Progress:
  - Met and, in some areas, exceeded transformation targets
  - Worked on sustaining this performance through African, Coloured and Indian ("ACI") attrition management
  - Focused on talent retention and attraction, skills investment, performance and talent management
  - Enhanced wellness programme
  - Opened crèche

Working with our suppliers

- Commitments:
  - Implement integrated procurement system underpinned by improved standards and policies
  - Continue supplier base transformation
  - Establish a centre led service level management department
  - Increase focus on enterprise development
  - Develop an approach to work with suppliers on social and environmental issues
  - Assess supplier satisfaction
- Progress:
  - Exceeded transformation targets
  - Saved R92.6 million as a result of procurement and process efficiencies
  - Established governance framework
  - Determined supplier satisfaction
  - The procurement system is being developed

Reducing our environmental impact

- Commitments:
  - Undertake ISO 14001 audit of BankCity
  - Review environmental risk policy
  - Research/implement further environment-saving projects
  - Implement total waste management solution at head office
  - Encourage energy-saving ideas from staff
- Progress:
  - Determined carbon footprint (Baseline 1A)
  - Implemented an Environmental Management System
  - Updated environmental and social risks as applicable
  - Undertook United Nations Environmental Programme Finance Initiative Environmental and Social Risk Analysis training
  - Addressed electricity and water use, and waste output
  - Conducted staff awareness

Investing in our community

- Commitments:
  - Increase long term engagement through multi year grants by FNB Fund
  - Align Corporate Social Investment ("CSI") to renewed focus areas
  - Undertake second measurement and impact assessment of funding
  - Increase internal awareness of staff volunteering
- Progress:
  - Implemented sustainable programmatic approach to funding, focusing on longer term community partnerships and flagship projects with established Non-Profit Organisations ("NPOs")
  - Focused on support for hospice and community care and provided bursaries
  - Measured our CSI impact
  - Enhanced Volunteers Programme governance and communication
  - Encouraged sustainable volunteer initiatives by staff

IN 2009 WE WILL

- Our customers:
  - Meet demand for accessible, convenient banking
  - Reinforce service in branches
  - Continue stakeholder collaboration to address critical housing stock shortages
  - Continue efforts to provide safe, secure banking
- Our people:
  - Drive transformation
  - Provide a compelling employee value proposition
  - Focus on skills development, and performance and talent management
  - Ensure an integrated HR approach
  - Extend our outcomes based remuneration strategy
- Our suppliers:
  - Drive transformation
  - Support supplier development
  - Ensure efficiency in systems and processes
- The environment:
  - Commence Baseline 1B carbon footprint extended assessment
  - Manage our environmental footprint
  - Maintain focus on reducing energy consumption
  - Manage significant environmental risks
  - Report back on our engagement with the Clinton Climate Initiative Building Retrofit Programme
  - Determine implementation issues for FNB following FirstRand's draft Climate Change Strategy development
  - Continue staff education on environmental awareness
- Our community:
  - Facilitate best practice sharing between hospices
  - Enable bursary service providers engagement
  - Conduct the second monitoring and evaluation of funding
  - Determine volunteer community impact
  - Refine our CSI focus areas
  - Encourage payroll giving among staff and encourage more staff to volunteer

RMB

NOTWITHSTANDING THE LOCAL AND GLOBAL ECONOMIC SLOWDOWN AND DIFFICULT OPERATING CONDITIONS, RMB CONTINUED TO DELIVER VALUE TO STAKEHOLDERS. OUR SUCCESS IS PARTLY ATTRIBUTABLE TO OUR RECOGNITION THAT SUSTAINABLE BUSINESS PRACTICES REMAIN MORE IMPORTANT THAN EVER IN TIMES OF UNCERTAINTY.

MATERIAL SUSTAINABILITY ISSUES

Below are the risks and opportunities that could have a material impact on our operations, and the actions we are taking to manage these.

Opportunity/Issue	Action
Maintaining and improving our skilled staff retention and attraction value proposition	→ Focus on sustainable development and diversity as a base for ensuring that our people provide clients with innovative solutions and ideas
Maintaining client relationships	→ Establish and maintain strong, long term relationships with clients and offer innovative and relevant financial solutions
Lowering our carbon footprint	→ In striving to be a good corporate citizen, will make every effort to reduce our carbon footprint

2008: COMMITMENTS AND PROGRESS

Providing value to our customers

- Commitments:
  - Ongoing FSC transformation
  - Maintain culture of innovation
- Progress:
  - Conducted 60% of all BEE transactions in South Africa
  - Infrastructure finance included road, rail and port transport, and water, electricity, housing and healthcare services
  - Helped clients deal with volatile market conditions by providing interest hedging instruments, corporate advice and structured solutions

Being a responsible employer

- Commitments:
  - Attract and retain talent
  - Increase diversity among staff
  - Undertake industry building initiatives
- Progress:
  - Improved performance management
  - Focused on leadership development through various programmes
  - Recruited ACI candidates into specialist and management roles
  - Enhanced graduate programme, marketing and processes
  - Introduced a "stay" interview (asking staff questions similar to those in an exit interview)

Working with our suppliers

- Commitments:
  - Promote transformation among suppliers
  - Formalise procurement policy and strategy
  - Appoint procurement officer
  - Implement supplier list
- Progress:
  - Advised suppliers about transformation imperative and BEE rating process
  - Developed procurement policy and strategy
  - Appointed procurement officer to combine procurement efforts across the business and standardise spending patterns

Reducing our environmental impact

- Commitments:
  - Measure effectiveness of lighting replacement programme
- Progress:
  - Undertook first carbon footprint assessment (Baseline 1A)
  - Targeted Clean Development Mechanism projects to generate emission reduction credits
  - Maintained environmental risk policy aligned to requirements of Equator Principles
  - Updated environmental and social risks as applicable
  - Improved lighting use and efficiency

Investing in our community

- Commitments:
  - Implement programmatic approach to CSI funding
  - Design Monitoring, Evaluation and Reporting ("MER") system to determine CSI funding impact
- Progress:
  - Implemented programmatic approach of longer term community partnerships, with increased focus on flagship projects with established NPOs
  - Enhanced employee Volunteers Programme through training for programme coordinators
  - Granted staff time off during working hours to enable staff volunteering

IN 2009 WE WILL

- Our customers:
  - Continue to focus on strengths in areas of targeted investments, infrastructure and BEE finance
- Our people:
  - Market RMB at universities
  - Work with top tier recruitment agents
  - Ensure that compensation strategies are market-related
  - Focus on diversity recruitment
  - Roll out Live Life Well programme among staff
- Our suppliers:
  - Encourage divisions to use BEE suppliers
  - Ensure sourcing accords with procurement strategy
- The environment:
  - Commence Baseline 1B carbon footprint assessment
  - Reduce energy consumption
  - Provide input into draft Group Climate Change Strategy, determining implementation requirements for RMB
  - Ensure requirement for clients to complete Environmental Impact Assessments prior to obtaining finance
- Our community:
  - Implement MER system
  - Host workshops with NPOs to get feedback on employee Volunteers programme
  - Encourage more staff to volunteer by activating matching financial grants for volunteer initiatives

WESBANK

WESBANK IS COMMITTED TO RETAINING ITS LEADERSHIP POSITION IN INSTALMENT FINANCE IN SOUTH AFRICA. THIS COMMITMENT NECESSITATES SUSTAINABLE PROFITABLE GROWTH, ONGOING EVOLUTION AS AN EMPLOYER OF CHOICE AND RESPONSIBLE INVOLVEMENT IN INITIATIVES THAT HAVE AN IMPACT ON THE ENVIRONMENT.

MATERIAL SUSTAINABILITY ISSUES

Below are the risks and opportunities that could have a material impact on our operations, and the actions we are taking to manage these.

Opportunity/Issue	Action
Management of regulatory issues	→ As a major focus area, set targets and measurements against those contained in the legislation and FSC
FSC target achievement, specifically for employment equity	→ Identified senior management positions for equity candidates and developed programmes to recruit suitable candidates
HIV/AIDS in the workplace	→ Staff wellness programme in place. Comprehensive awareness communication to all staff and interventions from management
Environmental impact of vehicle emissions	→ Introduced "Trees" project to educate consumers on the harmful effects of carbon emissions. Moved to low emission company
Customer service and satisfaction standards	→ CSI in place at customer and dealer level. Complaints dealt with at CEO and senior management level
Key person dependencies, in IT and other specialist areas, and staff retention in general	→ Ongoing improvement of employee value proposition. Academy training in place
Industry positioning	→ Introduce Dealer Confidence Indicator. Ran countrywide dealer roadshow
Environmental Management	→ Kaizen philosophy inculcated, reduction in business travel, new Fairland building
Economic pressure impact on customer ability to service debt	→ Consumer education, new product offerings and dedicated call centre

2008: COMMITMENTS AND PROGRESS

Providing value to our customers

- Commitments:
  - Identify ACI customers
  - Offer customers more product choice
  - Migrate accounts into an integrated platform to improve telephonic service
- Progress:
  - Undertook new joint ventures in support of our partnership strategy
  - Addressed financing terms to avoid vehicle repossessions where possible
  - Provided R194 million in BEE entrepreneur financing
  - Migrated accounts onto one platform to improve telephonic service

Being a responsible employer

- Commitments:
  - Design compelling Enhanced Employer Value Proposition ("EEVP")
  - Integrate HIV/AIDS policy into staff well being programme
  - Enhance staff well being programme to ensure greater personalisation
  - Achieve Employment Equity ("EE") targets
- Progress:
  - Exceeded EE targets, although we remain stretched for EE representation at senior and middle management levels
  - Invested just over R35 million in skills development and leadership
  - Focused on talent acquisition, retention and performance management
  - Improved HR practices by grouping jobs by responsibility
  - Wellness formed an important part of the EEVP

Working with our suppliers

- Commitments:
  - Automate manual commodity ordering systems and procurement process Management Information System ("MIS")
  - Implement new procurement system

- Have preferred supplier lists
- Launch procurement section on website
- Establish good supplier relationships

- Progress:
  - Focused on BEE transformation and small business support
  - Developing a solution to manual ordering and management reports
  - Worked towards building supplier relationships through improved communication

Reducing our environmental impact

- Commitments:
  - Increase scope of ISO 14001:2004 certified buildings from which we operate and ensure certification for our Fairland office
  - Increase employee awareness of environmental challenges through communication
  - Raise awareness importance of trees and environmental issues at motor sport events
  - Determine the impact of offsetting CO_2 emissions generated by motor sport events

- Progress:
  - Determined carbon footprint (Baseline 1A)
  - Worked on obtaining ISO 14001:2004 for Fairland building, and ensured this was the most environmentally friendly office premises in South Africa
  - Implemented Environmental Management System audited by PriceWaterhouseCoopers Inc.
  - Extended Kaizen philosophy to identify waste and inefficiency
  - Focused on reducing electricity, water and paper consumption, and waste output
  - Launched "Trees" campaign to encourage motorists to offset travel emissions
  - Educated communities about importance of trees

Investing in our community

- Commitments:
  - Implement programmatic approach to community investment, to optimise funding effectiveness
  - Increase internal awareness of the WesBank employee Volunteers programme

- Progress:
  - Programmatic approach to CSI was implemented, enabling us to focus on agricultural livelihoods, substance abuse, emergency relief, and community care and education
  - Enhanced Volunteers Programme governance and communication
  - Encouraged sustainable volunteer initiatives by staff

IN 2009 WE WILL

- Our customers:
  - Add self-help functionality to our internet site, allowing customers to manage their own accounts
  - Develop a Guest Experience Matrix to determine how to service customers as guests

- Our people:
  - Refine performance contracts
  - Provide performance MIS
  - Enhance leadership development programmes
  - Drive an integrated wellness approach
  - Continue to meet changing learning and development business needs

- Our suppliers:
  - Evaluate all Service Level Agreements ("SLAs") and put SLAs in place where necessary
  - Enhance procurement governance processes

- The environment:
  - Commence Baseline 1B carbon footprint extended assessment
  - Determine Climate Change Strategy implementation requirements after Group develops draft strategy
  - Reduce emissions from business flights and company cars
  - Reduce paper consumption
  - Enhance staff environmental awareness

- Our community:
  - Conduct research to inform further financial commitment to "sustainable thinking"
  - Explore how volunteers can engage with WesBank Fund beneficiaries
  - Get NPO feedback on Volunteers programme
  - Encourage more staff members to volunteer and encourage payroll giving among staff

MOMENTUM

IN CURRENT DIFFICULT ECONOMIC CONDITIONS, OUR RESOLUTION TO BUILD SUSTAINABLE AND MUTUALLY BENEFICIAL RELATIONSHIPS WITH OUR STAKEHOLDERS HAS BECOME EVEN STRONGER. WE EMBRACE THE CHALLENGES OF OUR INDUSTRY, AND THE OPPORTUNITIES THEY CREATE, AS A MEANS TO ENSURE THAT WE MEET THE NEEDS OF OUR CLIENTS, THE BROADER MARKET AND ALL OUR OTHER STAKEHOLDERS.

MATERIAL SUSTAINABILITY ISSUES

Below are the risks and opportunities that could have a material impact on our operations, and the actions we are taking to manage these.

Opportunity/Issue	Action
Consumer spending is under pressure as a result of high inflation and interest rates. Investment markets are volatile	→ Flexibility is core to our product design and in order to mitigate the negative impact of volatile investment markets, we allow access to a variety of asset classes. We make it possible to reduce premium payments if there is such a need, and (within the constraints of our regulatory framework) also permit customers access to their funds
Earnings under pressure as a result of negative and volatile investment markets	→ Our capital is invested in such a way to immunise us against poor investment performance. We closely match assets and liabilities and outsource the management of our assets to specialist investment managers who optimise investment opportunities in the cycle
Slow growth in the mature life insurance market and a slowdown in South Africa's economic growth	→ We continue to diversify into new products, markets and segments, and also use alternative distribution channels to sustain growth
Constantly changing regulatory environment	→ We engage with government and industry associations to assist policymakers to balance the interests of all stakeholders. Examples in this regard include the new commission regulations and the proposed National Social Security and Retirement Reform
Meeting the needs of emerging market segments	→ We differentiate our product offering and distribution channels to best meet the savings and protection needs of new and emerging market segments

2008: COMMITMENTS AND PROGRESS

Providing value to our customers

- Commitments:
  - Obtain 80% client satisfaction
  - Analyse impact of retirement reforms on institutional clients
  - Consider alternative distribution channels to accelerate Zimele compliant product sales to LSM 1-5 market
- Progress:
  - Launched a Fair Practices committee
  - Focused on product line integration and cross-selling
  - Assisted clients in prevailing economic conditions through investment portfolio switching, flexible premium payments, and policy loans and partial withdrawals
  - Ensured increased client savings
  - Provided access to insurance and consumer financial literacy
  - Exceeded client satisfaction targets

Being a responsible employer

- Commitments:
  - Address leadership development and performance management
  - Increase ACI skills spending
  - Transform remuneration system to ensure equitable pay for job profiles
  - Place wellness at centre of HR strategy
  - Implement integrated HR MIS
  - Continue BEE transformation progress, particularly at senior management level
- Progress:
  - Exceeded EE targets
  - Further developed integrated HR management and payroll system to improve data quality
  - Invested 1.22% of payroll in skills development
  - Finalised leadership development framework
  - Developing database of potential leaders

  - Implemented remuneration benchmarking system and adopted performance based remuneration philosophy
  - Appointed a wellness manager

Working with our suppliers

- Commitments:
  - Increase BEE expenditure to more than 42%
  - Continue extracting cost savings in controllable spend
  - Ensure all major suppliers have written contracts
  - Promote use of small enterprises without compromising price and quality
  - Identify ways to leverage off FirstRand to enhance procurement efforts
- Progress:
  - Making steady progress towards obtaining BEE accreditation of suppliers
  - Started formalising relationships through documented contracts and SLA terms
  - Started benchmarking cost of services
  - Obtained monthly electronic file containing supplier information from FirstRand
  - Started work with other divisions in FirstRand to eliminate manual management of key information on supplier contracts

Reducing our environmental impact

- Commitments:
  - Minimise negative impact of Gautrain development near head office on our staff and environment
  - Raise staff awareness of key environmental impacts
  - Identify opportunities to reduce our direct environmental impact
  - Formalise processes and procedures around environmental issues
- Progress:
  - Determined carbon footprint (Baseline 1A)
  - Asset management operations (Advantage Asset Management), a UN Principles for Responsible Investment signatory, will be launching a socially responsible investment solution
  - Conducted environmental, social and governance research on top 40 JSE listed companies, to be extended to research all JSE listed companies
  - Reduced electricity use, and took steps to promote responsible water use
  - Implemented initiatives to reduce waste
  - Established Momentum Gautrain committee to ensure a safe environment for staff during construction

Investing in our community

- Commitments:
  - Continue support for people with disabilities and develop community HIV/AIDS programme
  - Implement programmatic approach to optimise funding effectiveness, sensitively exiting grant provision to organisations no longer aligned to funding strategy
  - Encourage employee volunteering
  - Provide training to employee Volunteers programme coordinators
  - Support community partner events and campaigns: have 25 000 active clients supporting community partners
  - Allow online client donations
  - Enable clients to attend community partner functions
- Progress:
  - Implemented programmatic approach, enabling focus on support for the disabled, HIV/AIDS and provision of bursaries
  - Developed MER system to measure CSI funding impact
  - Enhanced Volunteers programme governance and communication
  - Encouraged sustainable volunteer initiatives by staff
  - A number of save thru spend (product) clients contribute to community partner programmes

IN 2009 WE WILL

- Our customers:
  - Refocus customer satisfaction index given prevailing client needs
  - Measure customer satisfaction
  - Meet more insurance needs of middle market segment
- Our people:
  - Develop leadership
  - Improve staff wellness
  - Maintain diversity
  - Manage talent via retention and management pipeline development approaches
  - Improve HR MIS
- Our suppliers:
  - Undertake supplier satisfaction assessment to determine implementation changes required
  - Meet transformation targets
  - Ensure top 50 major agreements are at least BEE level 4 contributors
- The environment:
  - Extend Baseline of carbon footprint assessment
  - Determine targets to reduce carbon footprint
  - Reduce electricity use
  - Raise environmental awareness among staff
- Our community:
  - Determine CSI funding and staff volunteering impact on community
  - Encourage more volunteerism and payroll giving among staff

OUTSURANCE

THE LAST YEAR HAS BEEN CHARACTERISED BY SOCIAL AND ECONOMIC TURBULENCE WORLDWIDE. WE BELIEVE, HOWEVER, THAT THE GREATER THE DEGREE OF UNCERTAINTY, THE SUM OF COMPLEXITY AND STABILITY, THE GREATER THE STRATEGIC CHALLENGE. AT OUTSURANCE, WE ADDRESS OUR CHALLENGES BY CONTINUOUSLY SEEKING NEW SOLUTIONS, OFFERINGS AND PRODUCTS IN LINE WITH OUR STAKEHOLDERS' NEEDS.

MATERIAL SUSTAINABILITY ISSUES

Below are the risks and opportunities that could have a material impact on our operations, and the actions we are taking to manage these.

Opportunity/Issue	Action
Economic challenges such as possible further increases in interest rates and the increase in inflation could have an impact on new business and retention	→ Monitor trends and determine their impact on our business. Develop products and identify solutions to ensure continued affordability of premiums for clients, while sustaining our policy business performance. For instance, our Essential products is a more affordable insurance solution
Prioritising leadership development to improve our ability to address challenges and opportunities	→ Introduced Leadership Development programme to identify aspiring leaders. Provide training, support and mentoring to ensure staff understand their leadership role and are equipped to deal with challenges and opportunities
Impact of an increase in competitors and product offerings	→ Will expand product range, enabling cross-selling of other products and cementing of client relationships
International expansion for business growth	→ Have established international operations in Namibia and Australia, managed by senior management teams and supported by well trained staff and robust systems, to extend offering to new markets

2008: COMMITMENTS AND PROGRESS

Providing value to our customers

- Commitments:
  - Enhance customer feedback model
  - Enable business processes through technology
  - Launch and measure uptake of more affordable insurance offering called Essential
- Progress:
  - Customer Satisfaction Index remained at 86%
  - Used electronic logging solutions, tracking and reviews of Ombudsman complaints to monitor satisfaction
  - Limited premium increases to 8.9%
  - Launched Essential OUTsurance
  - Launched Buddy@OUT, to provide safe transport

Being a responsible employer

- Commitments:
  - Finalise FAIS accreditation of staff and embark on second round for 2009 compliance
  - Take in more learners
  - Continue focusing on leadership development and create learning paths for all employees
- Progress:
  - Introduced OUTsurance Leadership Development Programme and learning programme called "Pump My Skillz"
  - Took on 15 additional learners
  - Enhanced corporate values
  - Made significant progress in staff diversity representation
  - Completed FAIS accreditation

Working with our suppliers

- Commitments:
  - Improve procurement transformation
  - Provide BEE educational drives
  - Facilitate establishment of BEE small, medium and micro enterprises ("SMMEs")
  - Develop web interface to allocate and monitor tasks, and pay for work completed
- Progress:
  - Actively monitored BEE performance and discussed BEE with existing suppliers
  - Assured suppliers of our loyalty during their transition to BEE certification status
  - Appointed dedicated resource to assist service providers with process of BEE certification
  - Hosted our first service provider roadshow

Reducing our environmental impact

- Commitments:
  - Manage waste more effectively
  - Ensure 30% of paper used is recycled
  - Implement disaster recovery programme
- Progress:
  - Colour-coded bins used for waste separation
  - Contracted licensed waste disposal company to dispose of normal refuse waste, and contracted Mondi Recycling to recycle all paper and cardboard boxes
  - Recycle at least 30% of all paper
  - Implemented reliable disaster recovery facilities

Investing in our community

- Commitments:
  - Expand traffic assistance solution (Pointsmen initiative)
- Progress:
  - Increased Pointsmen representation by 40%
  - Ran 24 community projects, investing 1 140 hours in community service

IN 2009 WE WILL

- Our customers:
  - Use technology to optimise claims system
  - Improve staff training and complaints resolution
  - Offer comprehensive credit life product
- Our people:
  - Investigate extending holiday time crèche to full time crèche for working parents
  - Continue Management Induction programme and Foundational Management programme for team leaders
  - Focus on recruitment and development to meet transformation targets
- Our suppliers:
  - Increase supplier footprint nationally
  - Review service level agreements and prescribed rates
- The environment:
  - Determine carbon footprint
  - Replace incandescent bulbs with energy saving bulbs
- Our community:
  - Introduce trip planning for Johannesburg motorists via online facility
  - Encourage staff payroll giving

CONSOLIDATED GROUP REPORTS

CORPORATE SOCIAL INVESTMENT

The FirstRand Foundation and the FirstRand Educational Trust have, since their formation in 1998, made grants totalling R550 million.

Governance

The Foundation is professionally managed by Tshikululu Social Investments, a non profit corporate social investment consultancy. The trustees comprise seven executives from within the Group and three independent trustees with expert knowledge in areas of need which we seek to support. Sizwe Nxasana, CEO of FirstRand Bank, is the chairman of the board of trustees, which meets at least four times a year. Grant making is done in the name of the various brands. Sub committees of the board, representing the brands, provide value-added input to the process and ensure alignment of grants with the brand strategy, while also factoring a sense of pride amongst employees of the work of the Foundation.

Identified areas of need

During the 2007 financial year, the trustees further reduced the number of grants made. The strategy is to develop long term working relationships with sustainable projects that are proven to be leaders in their particular field. In the process, the size of the grants has increased compared with prior years. The strategy also involves in-depth research into real community needs, ongoing discussions with beneficiaries, and joint conferences to share ideas and discuss best practice. All projects are subject to measurement and evaluation reports on an annual basis.

Areas of focus are as follows:

R'000	2008 R'000	2007 R'000	2006 R'000
Business Trust/Skills Development	6 236	7 477	9 025
Heartlines/Values	7 500	–	7 500
Employee Volunteers	3 000	2 500	2 000
HIV/AIDS and Vulnerable Children	10 421	7 602	3 303
Community Core	12 563	13 313	12 406
Education – Maths, Outreach Programmes and Early Childhood Development	18 503	32 226	21 454
Bursaries	6 665	1 000	500
Arts, Culture and Heritage	8 270	3 177	3 136
Environment	5 624	2 864	1 816
Agricultural Livelihoods	3 610	3 265	–
Substance Abuse	2 300	–	–
People with disabilities	10 862	10 952	3 890
Safe Communities/Business Against Crime	650	1 114	1 757
Policy Formulation	610	661	940
Total	**96 814**	86 151	67 727

Other significant developments include:

- The first recipients of the FirstRand/Laurie Dippenaar Scholarship for overseas postgraduate study started at Cambridge and University of London School of Oriental and African Studies in September 2007.
- Momentum will, in the 2009 academic year, grant bursaries up to a total value of R1 million per year. These bursaries will also be for postgraduate study with an emphasis on social work. Of the total grants, 25% will be available for people with disabilities, to study in any discipline of their choice.
- As part of its ten year celebration, the Foundation partnered with the National Research Foundation to establish chairs in Maths Education at a maximum of five South African universities. The academic staff involved in the project will seek to implement strategies to enhance the teaching of mathematics at South African schools. An initial amount of R20 million has been set aside to fund these chairs over a five year period.

Ongoing commitment

The Foundation is funded from 1% of the after tax profits of the Group. The funding of postgraduate bursaries, referred to above, is via endowments held by the Foundation and managed by RMB Asset Management.

Employee volunteerism

We estimate that 25% of our approximately 40 000 staff actively participate in the FirstRand Volunteers programme. In terms of this project, staff are encouraged to give of their time, skills and money to assist community upliftment projects. These projects include providing food, blankets and clothing to the destitute, painting schools, building homes for poor communities, visiting the sick, elderly and disabled; and working with abandoned animals. In addition they provided bread ovens and assisted with setting up of veggie tunnels. In the year under review, the value of the contributions from staff, including funding matched by the Volunteers Programme, totalled R2.8 million.

WORKFORCE PROFILE

The Group employs approximately 40 000 people across the globe as follows:

	2008		2007	
	Number	**%**	Number	%
South Africa	**38 863**	**91.7**	39 726	92.7
Rest of Africa	**2 992**	**7.1**	2 626	6.1
Other countries	**515**	**1.2**	530	1.2
Total workforce	**42 370**	**100.0**	42 882	100.0

In respect of the South African workforce, the change was as follows:

	2008	2007
Staff complement at 1 July	**39 726**	39 738
New appointments	**7 890**	6 179
Resignations	**(5 431)**	(3 491)
Retrenchments	**(295)**	(279)
Dismissals	**(345)**	(365)
Deaths or disability	**(244)**	(148)
Other*	**(2 438)**	(1 908)
Staff complement at 30 June	**38 863**	39 726

** Contract workers*

	AIC		White		Total		
South African workforce	Male	Female	Male	Female	Male	Female	Grand total
Top management	26	17	129	48	155	65	220
Senior management	242	150	589	269	831	419	1 250
Professionally qualified and experienced specialists and mid management	1 374	1 577	2 278	1 868	3 652	3 445	7 097
Skilled technical and academically qualified workers, junior management, supervisors	2 985	5 666	1 532	3 534	4 517	9 200	13 717
Semi-skilled and discretionary decision making	4 239	8 043	888	2 602	5 127	10 645	15 772
Unskilled	460	278	4	–	464	278	742
Total	9 326	15 731	5 420	8 321	14 746	24 052	38 798
Foreign nationals					47	18	65
Grand total	**9 326**	**15 731**	**5 420**	**8 321**	**14 793**	**24 070**	**38 863**

As a member of Business Leadership South Africa, FirstRand is committed to ongoing skills development in South Africa. During the year under review, FirstRand spent just under R209 million on skills development.

TRANSFORMATION

Transformation within the Group is overseen by the Financial Sector Charter and Transformation Monitoring committee which reports directly to the FirstRand board. The role of the committee and its composition is dealt with in the Governance section of this report and can be found on page 84. While the FSC has yet to be gazetted, there is ongoing debate within the industry as to whether it should comply with the Department of Trade and Industry's Codes of Good Practice or the requirements of the FSC. At FirstRand we are implementing processes to be able to report on both.

At 31 December 2007 FirstRand's audited (by SizweNtsaluba VSP) scorecard was as follows:

Charter component	Maximum points 2008	Actual points 2007	Actual points 2006
HR development	**20**	**17.83**	**15.85**
• Employment equity	15	13.25	11.93
• Skills development	3	3.00	3.00
• Learnerships	2	1.58	0.92
Procurement and enterprise development	**15**	**14.97**	**13.05**
Access to financial services	**18**	**14.43**	**12.91**
• Transactions and origination	16	12.43	12.91
• Consumer education	2	2.00	0.00
Empowerment financing	**22**	**22.00**	**11.41**
• BEE transactions	5	5.00	2.14
• Targeted investments	17	17.00	9.27
Ownership and control	**22**	**21.00**	**20.00**
• Ownership	14	13.00	12.00
• Control: Board	3	3.00	3.00
• Control: Management	5	5.00	5.00
Corporate social investment	**3**	**3.00**	**3.00**
Total	100	93.23	76.22

RELATIONSHIP WITH GOVERNMENT AND REGULATORY AUTHORITIES

Certain companies within the Group are subject to the oversight of the Registrar of Banks or the Financial Services Board. Compliance with the relevant regulations affecting our industry is regarded as being of the utmost importance. In addition to seeking to comply with both the spirit and the letter of the law, FirstRand executives interact with these bodies and their peers in various industry forums. The objective is to contribute to ensuring that regulations affecting our industry are of world class standard.

At a political level, FirstRand Group executives, Laurie Dippenaar and Sizwe Nxasana, are members of the Big Business Working Group. This group meets quarterly with the President, certain cabinet ministers and senior business leaders. In this way, the Group is able to contribute to intellectual debate on important issues such as crime.

ENVIRONMENTAL GOVERNANCE

The Group Environmental Forum was mandated by the board in early 2007 to set strategic objectives for and direction on environmental issues. The Forum, attended by representatives from the major operating divisions across the Group, addresses issues of relevance to FirstRand as a financial services group. The Forum reports to the board through the Audit, Risk and Compliance committee. The Forum is chaired by the Group Environmental Health and Safety manager and is accountable for delivering on planned targets and objectives that have been identified from business expectation, market demands and the Group's overall commitment to the planet.

Sizwe Nxasana, in his capacity as CEO of FirstRand Bank and a member of the FirstRand board, is responsible for environmental issues, the approval of international and national submissions, and FirstRand's Climate Change Strategy (currently being drafted).

CONTRIBUTION TO SOCIETY

The products and services within the Group straddle the complete range of financial services available in South Africa. These products and services enhance the lives of the millions of FirstRand customers, both individual and corporate. It is difficult to measure this impact and until a better format can be developed, we deem it appropriate to reflect our contribution by way of the traditional value added statement. This can be found on page 88. A summary is set out below.

VALUE ADDED DISTRIBUTION

Value added distribution over five years	**2008**	2007	2006	2005	2004
To employees	**12 594**	11 917	10 230	7 882	7 058
To providers of capital	**4 932**	4 143	4 998	2 885	1 956
To government	**3 862**	5 085	4 306	2 387	2 664
To policyholders	**42 255**	64 276	57 348	34 362	19 577
To expansion and growth	**7 539**	9 365	6 027	7 539	4 745
Total value added	**71 182**	94 786	82 909	55 055	36 000

REPORTING STANDARDS

FirstRand's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and have been audited by PriceWaterhouseCoopers Inc. Information supplied for the Sustainability report has been audited by the FirstRand Group Internal Audit division with the exception of the information supplied regarding the Financial Sector Charter scorecard, which was independently audited by SizweNtsaluba VSP.

The schedule below shows the key indicators that were used for reporting, their source and where to find the relevant data.

(AR) = Annual Report; (SD) = www.firstrandsustain.co.za

Topics and indicators	JSE SRI criteria	King II	GRI G3[1]	FSC	UN Global Compact	Where to find it	Page in annual financial report
Strategy							
Group strategy			1.1			(AR); (SD)	14
Structure including significant changes						(AR); (SD)	29
Sustainability approach							
Philosophy	Governance Survey; Environmental Survey; Social Survey; Climate Change Survey					(AR); (SD)	54
Implementation						(AR); (SD)	55
Scope/Boundary/ Organisational structure			2.3; 3.6			(AR); (SD)	55
Executive statement			1.1		Statement of commitment	(SD)	
Reporting principles, guidelines, focus			3.5				
Contact			3.4			(AR); (SD)	55
Corporate Governance							
Overview		X	4.1			(AR)	79
Board composition	Governance Survey	X	4.1	Control		(AR)	74
Philosophy/Values	Governance Survey; Environmental Survey; Social Survey; Climate Change Survey		4.8		Principle 5; Principle 6	(AR); (SD)	79
Policies/Codes	Governance Survey; Environmental Survey; Social Survey; Climate Change Survey	X	4.8		Principle 10		
Regulatory environment	Governance Survey; Environmental Survey; Social Survey; Climate Change Survey	X			Principle 10	(AR); (SD)	96
Compliance	Governance Survey; Environmental Survey; Social Survey	X			Principle 10	(AR); (SD)	96

Topics and indicators	JSE SRI Criteria	King II	GRI G3[1]	FSC	UN Global Compact	Where to find it	Page in annual financial report
Corporate Governance *(continued)*							
Risk management	Governance Survey; Environmental Survey; Social Survey; Climate Change Survey	X	4.1		Principle 10	(AR); (SD)	96
Sustainable business practice management (risks, opportunities, governance)	Governance Survey; Environmental Survey; Social Survey; Climate Change Survey	X	1.2; 3.5; 4.1; 4.9; CSR2		Principle 10	(AR); (SD)	144 and 173
Assurance	Governance Survey	X	3.13; 4.17			(AR); (SD)	55
Stakeholders							
Stakeholder list			4.14			(SD)	
Stakeholder engagement			3.5; 4.15; 4.16; CSR6			(SD)	
Regulators							
Regulatory overview/Changes						(SD)	
Customers							
How strategy and sustainability are integrated		X				(SD)	
Policies	Environmental Survey; Social Survey					(SD)	
Scope/Profile	Social Survey		2.2; 2.7			(SD)	
Material issues to customers			4.17			(SD)	
2008 Objectives and progress						(SD)	
Transformation/ Access to Financial Services	Social Survey		RB3; IB3; INS4	Access; Empowerment Financing; Enterprise Development		(SD)	
Distribution						(SD)	
Customer satisfaction			INS3			(SD)	
Innovation						(SD)	
Health and safety	Social Survey	X				(SD)	
Awards in reporting period			2.10			(SD)	
2009 Objectives						(SD)	

Topics and indicators	JSE SRI criteria	King II	GRI G3[1]	FSC	UN Global Compact	Where to find it	Page in annual financial report
Employees							
How strategy and sustainability are integrated						(SD)	
Policies	Governance Survey; Environmental Survey; Social Survey					(SD)	
Scope/Profile	Social Survey	X				(SD)	
Material issues to staff			4.17			(SD)	
Workforce profile	Social Survey	X	2.8; INT7; LA1; LA2; LA13	Human Resource Development		(SD)	
2008 Objectives and progress						(SD)	
Transformation	Governance Survey; Social Survey	X	EC7			(SD)	
Staff satisfaction			INT3			(SD)	
Staff consultation/ human rights/ labour rights	Social Survey				Principle 1; Principle 2	(SD)	
Employee relations/ freedom of association/ collective bargaining	Social Survey		LA4		Principle 3; Principle 4	(SD)	
Non discrimination	Social Survey	X	LA13	Employment Equity	Principle 6	(SD)	
Health and safety including HIV/AIDS	Social Survey		LA7; LA8			(SD)	
Training, Skills and Leadership Development	Social Survey	X	LA10	Skills Development		(SD)	
Retention and Recruitment	Social Survey	X	INT2	Human Resource Development		(SD)	
Remuneration	Governance Survey		INT4			(SD)	
Awards in reporting period			2.10			(SD)	
2009 Objectives						(SD)	
Supply Chain							
How strategy and sustainability are integrated						(SD)	
Policies	Governance Survey; Environmental Survey; Social Survey					(SD)	
Scope/Profile	Governance Survey; Social Survey					(SD)	
Material issues to suppliers			4.17			(SD)	
2008 Objectives and progress						(SD)	
Transformation	Governance Survey; Social Survey		EC6	Procurement and Enterprise Development		(SD)	
Supplier satisfaction			SUPP2			(SD)	
2009 Objectives						(SD)	

Topics and indicators	JSE SRI criteria	King II	GRI G3[1]	FSC	UN Global Compact	Where to find it	Page in annual financial report
Environment							
How strategy and sustainability are integrated						(SD)	
Policies	Environmental Survey; Climate Change Survey					(SD)	
Scope/Profile	Social Survey					(SD)	
2008 Objectives and progress						(SD)	
Carbon Footprint	Environmental Survey; Climate Change Survey		EN16		Principle 8	(SD)	
Energy Use	Environmental Survey; Climate Change Survey		EN3; EN5		Principle 8	(SD)	
Water Use	Environmental Survey; Climate Change Survey				Principle 8	(SD)	
Waste Management/ Reduce, Reuse, Recycle	Environmental Survey; Climate Change Survey				Principle 8	(SD)	
Indirect Impact/ New Solutions	Environmental Survey; Climate Change Survey		EC2; EN6; EN26		Principle 8; Principle 9	(SD)	
Staff/community education/research	Environmental Survey; Climate Change Survey				Principle 8	(SD)	
Risk Management/ Environmental Responsibility/ Social Responsibility	Environmental Survey; Climate Change Survey	X	4.11	AM3	Principle 1; Principle 2; Principle 7	(SD); Momentum	
Awards in reporting period			2.10			(SD)	
2009 Objectives							
Community							
How strategy and sustainability are integrated						(SD)	
Policies	Governance Survey; Social Survey					(SD)	
Scope/Profile	Governance Survey; Social Survey					(SD)	
2008 Objectives and progress						(SD)	
Sustainable CSI	Governance Survey; Social Survey					(SD)	
Total contribution			SOC1	Corporate Social Investment		(SD)	
Community satisfaction/impact measurement/ social responsibility	Governance Survey; Social Survey		S01		Principle 1	(SD)	
Volunteerism	Social Survey					(SD)	
Economic Impact							
Statement of economic value added			SOC2; EC1			(AR)	
Sustainability in numbers			3.10			(SD)	

1 GRI G3 guidelines have been used in all cases, and include the Environmental and Social guidelines, indexed in terms of the definitions set by the Finance Sector Supplement.

Gerrit Thomas Ferreira (60) *Non executive chairman*
BCom, Hons B (B&A), MBA
Appointed May 1998

GT Ferreira has been involved in the financial services sector since graduating from the University of Stellenbosch. He started his career at the Bank of Johannesburg in 1972 and was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he was managing director of RMB from 1985 to 1988 after which he was elected as executive chairman. When RMB Holdings was founded in 1987 he was appointed chairman, a position which he still holds. Following the formation of FirstRand in 1998 he was appointed non executive chairman. He is also chairman of the FirstRand Banking Group. He is a member of the Council of the University of Stellenbosch. In November 2008 he will retire as chairman and director of FirstRand, and will resign from all the boards of the FirstRand Group companies.

FirstRand – committee membership
Directors' affairs and governance
Remuneration
Directorships – FirstRand Group
FirstRand Bank Holdings Limited – chairman
Momentum Group Limited
Rand Merchant Bank*
Directorships – external
Glenrand MIB Limited
RMB Holdings Limited – chairman
** Divisional board*

Paul Kenneth Harris (58) *Chief executive officer*
MCom
Appointed May 1998

Paul Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation. He was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as chief executive officer. Subsequent to the formation of FirstRand, he was appointed chief executive officer of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed chief executive officer of FirstRand.

FirstRand – committee memberships
Audit, risk and compliance – Ex officio
Executive committee – chairman
Directorships – FirstRand Group
FirstRand Bank Holdings Limited
FirstRand Investment Holdings (Pty) Limited
First National Bank*
Momentum Group Limited
Rand Merchant Bank*
RMB Asset Management (Pty) Limited
Directorships – external
Remgro Limited
RMB Holdings Limited
** Divisional board*

Vivian Wade Bartlett (65) *Independent non executive*
AMP (Harvard), FIBSA
Appointed May 1998

Viv Bartlett started his career with Barclays Bank DCO South Africa, which in 1987 became First National Bank of Southern Africa. After four years of overseas secondments he returned to South Africa in 1972 where he served as general manager and managing director in various group companies until being appointed as group managing director and chief executive officer of First National Bank of Southern Africa in 1996. In 1998, he was appointed deputy chief executive officer of FirstRand Bank, a position he held until his retirement in 2004.

FirstRand – committee membership
Directors' affairs and governance
Audit, Risk and Compliance
Directorships – FirstRand Group
First National Bank*
FirstRand Bank Holdings Limited
FirstRand STI Holdings Limited
Makalani Holdings Limited – chairman
WesBank*
Directorships – external
FNB Pension Fund – Trustee
** Divisional board*

David John Alastair Craig (60) *Independent non executive*
British
Appointed May 1998

David Craig is managing director and chief investment officer of Sand Aire Limited, a large multi-family investment management office located in London.

He held the position of director – International Capital Markets Division at Hambros Bank until 1979 when he was recruited to set up JP Morgan Securities, where he was offered the role of CEO designate. In 1983 he set up IFM Asset Management, the first major hedge fund group in London, which he ran until the time of its sale in 1994. He has served as chairman of Northbridge Management since 1995. In 2006 Northbridge merged with Sand Aire, where he currently holds the position of group managing director.

FirstRand – committee membership
Directors' affairs and governance
Directorships – FirstRand Group
Rand Merchant Bank*
** Divisional board*

Lauritz Lanser Dippenaar (59) *Non executive*
MCom, CA(SA)
Appointed May 1998

Laurie Dippenaar graduated from Pretoria University, qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years with the Industrial Development Corporation before becoming a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he became an executive director. He was appointed managing director of RMB in 1988, a position which he held until 1992 when RMB Holdings ("RMBH") acquired a controlling interest in Momentum Life Assurers ("Momentum"). He served as executive chairman of that company from 1992 until the formation of FirstRand in 1998. He was appointed as the first chief executive officer of FirstRand and held this position until the end of 2005 when he assumed a non executive role. In November 2008 he will assume the position of chairman of the FirstRand board of directors.

FirstRand – committee memberships
Directors' affairs and governance
Remuneration
Directorships – FirstRand Group
First National Bank*
FirstRand Bank Holdings Limited
FirstRand STI Holdings Limited – chairman
Momentum Group Limited – chairman
Rand Merchant Bank*
RMB Asset Management (Pty) Limited
Directorships – external
RMB Holdings Limited
** Divisional board*

Denis Martin Falck (62) *Non executive*
CA(SA)
Appointed February 2001

Denis Falck left the auditing profession in 1971 to join the Rembrandt Group. He was appointed group financial director in 1990 and held the same portfolio on the board of Remgro Limited until his retirement during June 2008. He resigned from the board of FirstRand during September 2008.

FirstRand – committee memberships
Directors' affairs and governance
Directorships – FirstRand Group
FirstRand Bank Holdings Limited
Directorships – external
RMB Holdings Limited

Patrick Maguire Goss (60) *Independent non executive*
BEcon (Hons), BAccSc (Hons), CA(SA)
Appointed May 1998

Pat Goss, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students ("AIESEC"), representing South Africa at The Hague and Basle. He qualified as a chartered accountant with Ernst & Young and subsequently joined the Industrial Development Corporation. He has served as a director of various group companies for the past 30 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and other conservation related activities.

FirstRand – committee memberships
Directors' affairs and governance – chairman
Remuneration – chairman
Directorships – FirstRand Group
FirstRand Bank Holdings Limited
Rand Merchant Bank*
Directorships – external
AVI Limited
RMB Holdings Limited
** Divisional board*

Nolulamo (Lulu) Gwagwa (49) *Independent non executive*
BA (Fort Hare), MTRP (Natal), MSc (cum laude) (London), PhD (London)
Appointed February 2004

Lulu Gwagwa worked as a town planner in the private, public and NGO sectors between 1981 and 1986, whereafter she proceeded to further her studies. In 1992 she joined the University of Natal as a senior lecturer in the Department of Town and Regional Planning. In 1995 she was appointed as a deputy director general in the national Department of Public Works, where she was responsible for the national public works programme and the transformation of the construction industry. From 1998 to 2003 she was the chief executive officer of the Independent Development Trust. She is currently the chief operating officer of Lereko Investments.

FirstRand – committee memberships
Directors' affairs and governance
Financial sector charter and transformation monitoring
Directorships – external
Development Bank of Southern Africa
Massmart Holdings Limited
Sun International Limited

Gugu Moloi (40) *Independent non executive*
BA (Law), MA (Town and Regional Planning), Diploma (General Management)
Appointed February 2004

Gugu Moloi was chief executive officer of Umgeni Water from 2002 until 2006. Prior to that she was chief executive officer of the government's Municipal Infrastructure Investment Unit. She has considerable expertise in the field of development at both national and local level. She currently runs her own company Iman Africa and is chairperson of Soul City Investment company.

FirstRand – committee membership
Directors' affairs and governance

Aser Paul Nkuna (56) *Non executive*
AMP (Wits Business School)
Appointed: May 2005

Paul Nkuna began his career as a teacher before joining the mining industry in 1977. He joined the National Union of Mineworkers in 1984 and later served as Treasurer General and was instrumental in local government negotiations as chairman of the management committee of the Brakpan Transitional Local Council. He also served in a number of executive structures within local government, including the Gauteng Association of Local Government (GALA) and the South African Local Government Association ("SALGA"). He joined the Mineworkers Investment Company as executive chairman in 1997 and in 2003 became chief executive officer, a position he currently holds.

FirstRand – committee memberships
Directors' affairs and governance
Financial sector charter and transformation monitoring
Directorships – external
Council for Geoscience
Metrofile Holdings Limited – chairman
Primedia Limited – non executive chairman

Sizwe Errol Nxasana (50) *Executive*
BCom, BCompt (Hons), CA(SA)
Appointed January 2006

Sizwe Nxasana started his career at Unilever. In 1989 he established Sizwe & Co, the first black owned audit practice in KwaZulu-Natal. In 1996 he became the founding partner of Nkonki SizweNtsaluba, the first black owned national firm of accountants, and was national managing partner until 1998 when he joined Telkom SA as chief executive officer. He held this position until August 2005.

His experience in the financial services industry includes being a non executive director of NBS Boland Bank from 1995 to 1998, a non executive director of the Development Bank of Southern Africa from 1995 to 1998 and chairman of Msele-Hoskens Insurance Group from 1994 to 1996. He joined the board of FirstRand Bank Holdings in 2003 and was appointed chief executive officer with effect from January 2006. In February 2006 he was appointed an executive director of FirstRand.

FirstRand – committee memberships
Executive committee
FirstRand Foundation – chairman
Directorships – FirstRand Group
First National Bank*
FirstRand Bank Holdings Limited – CEO
FirstRand Investment Holdings Limited
Rand Merchant Bank*
** Divisional boards*

Amanda Tandiwe Nzimande (37) *Non executive*
CA(SA) , BCom (UCT), Diploma in Company Law (Wits)
Appointed February 2008

Tandi Nzimande is the chief financial officer at WDB Investment Holdings, the investment vehicle for the WDB Trust. In addition to overall financial oversight of WDB Investment Holdings, her role also includes executing transactions and the monitoring of ongoing investment relationships. She qualified in 1996 as a chartered accountant with KPMG. She was a senior associate in the investment banking division of Deutsche Bank, where she spent five years gaining experience in mergers and acquisitions internationally and in South Africa.

FirstRand – committee memberships
Directors' affairs and governance
Financial sector charter and transformation monitoring
Directorships – external
Paracon Holdings

Kgotso Buni Schoeman (44) *Non executive*
BA Economics, Advanced Financial Management Diploma
Appointed May 2008

Kgotso Schoeman is currently the chief executive officer of Kagiso Trust. He has been involved with the trust for over 13 years. He led the team that implemented the new development strategy of the trust from being a general conduit grant funding agency to a development and implementing agency in the education and rural finance fields. He is currently heading negotiations with the provincial education department and the private sector to secure long term partnership for a possible national rollout of a programme to improve rural education. He has considerable experience in programme design and management. He has over the past ten years participated as a team member or led a number of projects including: the Alexandra Renewal Programme, the Local Economic Development Study for the Amajuba Municipality in Newcastle, the impact study of the SMME Micro-financing sector around the Tshwane area and the Public Participation Process that led to Robben Island gaining world heritage status.

FirstRand – committee memberships
Directors' affairs and governance
Financial sector charter and transformation monitoring
Directorships – external
Kagiso Trust Investments
Kagiso Enterprises Rural Private Equity Fund
Johannesburg Housing Company

Khehla Cleopas Shubane (52) *Independent non executive*
BA (Hons), MBA
Appointed May 1998

Khehla Shubane graduated from the University of the Witwatersrand. Prior to this he was a student at the University of the North where his studies were terminated following his arrest for political activities. He was convicted and served his term on Robben Island. Upon his release he was employed at Liberty Life for a short time. He served on various political organisations until joining the Centre for Policy Studies in 1988. He is an author and has co-authored several political publications, and is a member of the board of the Centre for Policy Studies.

FirstRand – committee membership
Directors' affairs and governance
Directorships – external
RMB Holdings Limited

Ronald Keith (Tim) Store (65) *Independent non executive*
CA(SA)
Appointed May 2007

Tim Store retired in 2004 from Deloittes, South Africa where he completed his career as chairman of the board of Partners. He founded the firm's Financial Institutions Services Team ("FIST") in 1984. In that capacity, he rendered regulatory, risk management and corporate governance consulting services to Southern African banking institutions, central banks and the World Bank.

Tim has had an ongoing interest in training in regulatory, governance and risk management topics relating to banks. He has lectured in this capacity to most South African banks. Since 1997 he has convened a course with the University of Johannesburg (formerly RAU) where he holds an honorary professorship.

He is a member of the board of the National Credit Regulator and chairs the FirstRand Banking Group's Audit and Risk committees.

He was appointed curator for four failed South African Banks during the period 1991 to 2004.

FirstRand – committee memberships
Audit, risk and compliance – chairman
Directors' affairs and governance
Directorships – FirstRand Group
FirstRand Bank Holdings Limited
Rand Merchant Bank*
** Divisional board*

Benedict James van der Ross (61) *Independent non executive*
Dip Law (UCT)
Appointed May 1998

Ben van der Ross is a director of companies. He has a diploma in Law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and conveyancer. He practiced for his own account for 16 years. He became an executive director with the Urban Foundation for five years up to 1990 and thereafter of the Independent Development Trust where he was deputy chief executive officer from 1995 to 1998. He acted as chief executive officer of the South African Rail Commuter Corporation from 2001 to 2003 and as chief executive officer of Business South Africa from 2003 to 2004. He served on the board of The Southern Life Association from 1986 until the formation of the FirstRand Group in 1998.

FirstRand – committee memberships
Audit, risk and compliance
Directors' affairs and governance
Financial sector charter and transformation monitoring – chairman
Remuneration
Directorships – FirstRand Group
First National Bank*
FirstRand Bank Holdings Limited
Makalani Holdings Limited
Momentum Healthcare (Pty) Limited – chairman
Momentum Group Limited
RMB Asset Management (Pty) Limited – chairman
Strategic Real Estate Management (Pty) Limited – chairman (managers of the EMIRA Property Fund)
Directorships – external
Distell Group Limited
Lewis Group Limited
Naspers Limited
Pick 'n Pay Stores Limited
** Divisional board*

Frederik van Zyl Slabbert (68) *Independent non executive*
BS, BA (Hons) (cum laude), MA (cum laude), DPhil
Appointed November 2001

Frederik van Zyl Slabbert is a graduate of Stellenbosch University where he received a Doctorate in Philosophy in 1967. He lectured at various South African universities until 1974 when he was elected to the South African Parliament as a member of the Progressive Party for the Rondebosch Constituency. At the time of his retirement from politics in 1986, he was the leader of the Progressive Federal Party, which was the official opposition in Parliament. He is currently a political analyst. He holds honorary doctorates from the Simon Fraser University in Canada, the University of Natal and the University of the Free State. He is the author of a number of books dealing with demographics and change in South Africa and also a member of the board of the Open Society of South Africa NY.

FirstRand – committee membership
Directors' affairs and governance
Directorships – external
Adcorp Holdings Limited – chairman
Caxton CTP Publishers and Printers Limited – chairman

Robert Albert Williams (67) *Independent non executive*
BA, LLB
Appointed May 1998

Robbie Williams graduated from the University of Cape Town and joined Barlows Manufacturing Company where he became the managing director in 1979. In 1983 he was appointed chief executive officer of Tiger Brands and in 1985 he was appointed chairman of CG Smith Foods and Tiger Brands. Following the unbundling of CG Smith, he remained chairman of Tiger Brands until 2006. He is currently chairman of Illovo Sugar Limited. He retired from the FirstRand board in September 2008, thereby ending 20 years of service to FirstRand and First National Bank.

FirstRand – committee memberships
Directors' affairs and governance
Remuneration
Directorship – FirstRand Group
FirstRand Bank Holdings Limited
Directorships – external
Illovo Sugar Limited – chairman
Nampak Limited
Oceana Group Limited

Paul Harris / 58 /
MCom
CEO: FirstRand

Johan Burger / 49 /
BCom (Hons), CA(SA)
CFO: FirstRand

Derek Carstens / 58 /
BEcon (Hons), MA (Cantab)
Director of Brands

Michael Jordaan / 40 /
MCom (Economics)
PhD (Banking Supervision)
CEO: First National Bank

Theunie Lategan / 51 /
DCom, CA(SA),
Advanced Diploma Banking
CEO and Country Manager
Representative Office India

Elizabeth Maepa / 57 /
BCom, CAIB
CEO: FNB Public Sector Banking
Appointed September 2007

Zweli Manyathi / 46 /
BCom (Hons) Professional
Development Programme (NY)
Sen Exec Prog (HBS and WBS)
CEO: FNB Corporate Bank

Sam Moss / 47 /
BA (Hons) UK, MA
(Exeter University)
Director of Investor
Relations, FirstRand

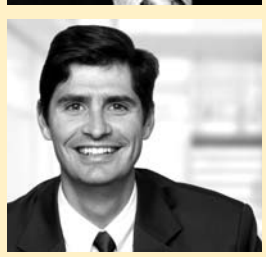
Yatin Narsai / 42 /
BSc (Hons)
CEO: FNB Consumer
Segment and CIO

EB Nieuwoudt / 46 /
MCom
CEO: Momentum Group

Sizwe Nxasana / 50 /
BCom, BCompt (Hons), CA(SA)
CEO: FirstRand Banking Group

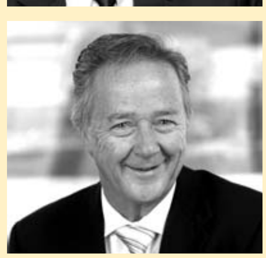
Michael Pfaff / 46 /
BCom, CA(SA), MBA (Duke
University)
CEO: Rand Merchant Bank
Resigned September 2008

Alan Pullinger / 42 /
MCom, CA(SA), CFA
CEO: Rand Merchant Bank
Appointed September 2008



Willem Roos / 36 /
BCom (Hons), FIA
CEO: OUTsurance

Brian Riley / 51 /
FHA Diploma
AEP (Unisa)
AMP (Harvard)
CEO: WesBank



Ronnie Watson / 61 /
AMP (Harvard)
Executive chairman: WesBank
Retired September 2008

GOVERNANCE ETHOS

Good corporate governance is an integral part of FirstRand's business philosophy. The values espoused in this philosophy govern the way in which the Group operates and interfaces with all its stakeholders. Included in these values are the importance of being a good corporate citizen, ethical behaviour, integrity and the desire to be a world class company. Central to this strategy is the belief in individual empowerment and personal accountability.

The directors of FirstRand and its subsidiaries endorse the Code of Corporate Practices and Conduct (the "King Code 2002", or "the Code") contained within the King Report on Corporate Governance for South Africa 2002 (the "King Report 2002" or "the Code"). They are satisfied that the Group has complied with the provisions and the spirit of the King Code 2002.

Corporate governance is standardised across the Group to ensure that the high standards that FirstRand has set itself are implemented and monitored in a consistent manner in all its operations. Where the Group conducts business internationally, appropriate best practice is adopted and monitored accordingly.

FirstRand believes that the implementation of Group strategies is best managed at subsidiary level. While the non executive directors acknowledge the need for their independence, they recognise the importance of good communication and close co-operation between executive management and non executive directors. To this end the annual FirstRand strategy conference is attended by all the FirstRand directors and senior management across the Group. The FirstRand directors, in this context, include individuals who are also directors of the subsidiary companies and divisional boards.

STAKEHOLDER COMMUNICATION

FirstRand actively distributes information to shareholders through the Stock Exchange News Service (SENS), the print media and its website (www.firstrand.co.za). Following the publication of its interim and year end financial results it engages with investors and analysts both locally and internationally to present the results and answer questions in respect of them. The presentations of both the interim and final results are accessible via satellite television. FirstRand bases its disclosure on the principles of openness and substance over form. In these interactions FirstRand addresses material matters of significant interest and concern to all stakeholders.

Shareholders are encouraged to attend the annual general meeting. All voting at the meeting is by way of ballot. The proceedings of the meeting are not recorded via satellite television. Electronic voting is not available to shareholders.

Across the Group, strategies are developed in each of the business units for effective engagement and communication with their specific stakeholders. These include segment based customer groups, employees, suppliers, regulatory and industry bodies and the communities in which they operate. Details of these engagements are reported in the company's Sustainability report to stakeholders which is available on the company website at www.firstrandsustain.co.za.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Definition of independence

For the purpose of this annual report directors are classified as follows:

- Executive directors are employed in a full time capacity by FirstRand Limited or any company in the FirstRand Group.
- Non executive directors are those who represent FirstRand's BEE partners and those who are also directors of RMB Holdings and are not classified in that company as independent. Directors who were previously employed in the FirstRand Group in an executive capacity in the previous three years are, in terms of the King Report 2002, classified as non executive.
- Independent non executive directors are all other directors. This includes those black directors who participate in the FirstRand black non executive directors' share trust established as part of FirstRand's BEE transaction. Directors who are also directors of RMB Holdings and who are classified as independent in that company are similarly classified at FirstRand.

All directors are expected to act in the best interests of the company in all deliberations. No director has an automatic right to a position on the FirstRand board. The appointment of all directors to the board requires the confirmation of shareholders at the annual general meeting.

The current board of directors, their profiles and their individual classifications are shown on pages 74 to 77.

APPOINTMENT OF DIRECTORS

There is a clear policy in place detailing procedures for appointments to the board and such appointments are formal and a matter for the board as a whole, assisted by the Directors' Affairs and Governance committee. Prior to the appointment of a new director a Nominations committee is appointed. This committee is responsible for interviewing the nominee and making recommendations as to his or her suitability to the rest of the board. During the year the Nominations committee, which was comprised of Messrs Ferreira, Goss, and Van der Ross and Dr Gwagwa met twice to review the nominations received in respect of Ms AT Nzimande and Mr KB Schoeman. The Nominations committee for these meetings was chaired by Mr Goss in his capacity as chairman of the Directors' Affairs and Governance committee. When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics. All directors are regarded as fit and proper.

A brief CV of each director standing for election or re-election at the annual general meeting accompanies the notice of the meeting contained in the annual report. A staggered rotation of directors ensures continuity of experience and knowledge. Non executive directors are appointed for three years and are subject to provisions relating to their removal as per the Companies Act, Act 61 of 1973, as amended. The re-appointment of non executive directors is not automatic and is subject to performance and eligibility for re-appointment. The retirement age for non executive directors is set at age 70 across the Group in respect of its South African operations. There is no limit to the number of times that a director can be re-elected to the board. The terms of employment of the executive directors are such that they can be terminated at one month's notice.

New directors participate in induction programmes and ongoing training and education courses to familiarise themselves with FirstRand's operations, the business environment, their fiduciary duties and responsibilities and the board's expectations of their commitment and ethical behaviour.

Composition

FirstRand has a unitary board. Its chairman is non executive, but not independent in terms of the definitions stated above. The board members believe that given his specialist knowledge, it was appropriate for Mr Ferreira to continue to lead FirstRand, notwithstanding the fact that he either controls or influences a considerable number of RMBH shares, and does not fulfil the strict criteria of "independence" as set out in King Report 2002. It is also the view of the directors that a strong independent element of non executive directors already exists on the FirstRand board and those of its major subsidiaries and that this provides the necessary objectivity essential for the effective functioning of boards of directors. The roles of the chairman and chief executive officer are separate. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision making. Mr Ferreira has announced his intention to resign as chairman of the company. He will also resign from the board. The board has unanimously agreed that Mr Ferreira should be replaced by Mr Dippenaar. Mr Dippenaar is also a major shareholder in RMB Holdings Limited, which company owns 30.06% of the issued share capital of FirstRand. Mr Dippenaar relinquished his position as chief executive of FirstRand in November 2005.

At 30 June 2008 the board of FirstRand comprised eighteen directors. Two of the directors are executive, a further six are defined as non executive and the balance are classified as independent non executive directors. The board includes three women. Eight of the directors are classified as black in terms of the Financial Sector Charter. Three of the directors, Messrs Nkuna and Schoeman and Ms Nzimande represent FirstRand's three broadbased Black Economic Empowerment partners. These directors were nominated by the Trusts they represent, and their appointment was subject to the approval of the rest of the board. The appointment of Mr Schoeman and Ms Nzimande will require the approval of shareholders at the forthcoming annual general meeting. The profiles of the directors appear on pages 74 to 77 of this report.

The boards of the Group's major subsidiaries are similarly constituted with an appropriate mix of skills, experience and diversity. There is also an appropriate mix between executive and non executive appointments. The appointment of directors to the Banking Group requires the prior approval of the Registrar of Banks.

Role and function of the board

The directors have a duty and responsibility to ensure that the principles outlined in the King Code 2002 are observed. In exercising its duties, the board balances its conformance with governance constraints and its performance in an entrepreneurial way. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the company and all stakeholders. They are the guardians of the values and ethics of the company and its subsidiaries. All directors subscribe to the code of ethics which forms part of the board charter. The Code deals with duties of care and skill as well as issues of good faith, including honesty and integrity, and the need to always act in the best interests of the company. Procedures exist in terms of which unethical business practices can be brought to the attention of the board by directors or employees. The code of ethics can be found on the FirstRand website (www.firstrand.co.za).

The fundamental responsibility of the board is to improve the economic prosperity of the Group over which it has full and effective control. In terms of its charter, the board is responsible for appointing the chief executive, approving corporate strategy, major plans of action and policies and procedures and the monitoring of operational performance. This includes identifying risks which impact on the Group's sustainability, the monitoring and management of these risks and internal controls, corporate governance, key performance indicators established in terms of the company's business plans, including non financial indicators and annual budgets. It monitors major capital expenditure, acquisitions and disposals and any other matters that are defined as material. The board is also responsible for overseeing successful and productive relationships with all stakeholders.

In exercising control of the Group, the directors are empowered to delegate. This is in line with the Group's federal and decentralised management philosophy and is done through the boards of the major subsidiaries and their respective CEO's, the Executive committee and various board committees. A number of FirstRand directors are also directors of the major subsidiaries thereby enhancing reporting between the subsidiary boards and FirstRand. The board committees are structured to ensure that they include representatives from similar subsidiary board committees. This ensures that there is a common understanding across the Group of the challenges that it faces, how these are managed and the decisions that are being taken. Reports from the subsidiaries and board committees are reviewed at quarterly board meetings.

The board understands its accountability and responsibility for all the actions of the board committees including the Executive committee. This is emphasised in the induction training provided to new directors. This training also keeps them abreast of industry and related developments.

Directors have full and unrestricted access to management and all Group information and properties. They are entitled to seek independent professional advice at the Group's expense in support of their duties. Directors may meet separately with management without the attendance of executive directors.

It is not a requirement of the company's articles of association or the board charter that directors own shares in the company.

Board proceedings

The board meets quarterly. The May meeting includes a review of the strategic plans and resulting budgets for the year ahead. Additional meetings are convened as and when necessary. Directors' interests in contracts in terms of Section 234 of the Companies Act are disclosed at every meeting.

The board met four times during the year and attendance was as follows:

	Sept 2007	Nov 2007	Feb 2008	May 2008
GT Ferreira (Chairman)	√	√	√	√
PK Harris	√	√	√	√
VW Bartlett	√	√	√	√
DJA Craig	√	√	A	√
LL Dippenaar	√	√	√	√
DM Falck	A	√	√	√
PM Goss	√	√	√	√
NN Gwagwa	√	√	√	√
YI Mahomed (Deceased January 2008)	√	√	–	–
G Moloi	√	A	√	√
AP Nkuna	√	A	√	√
SE Nxasana	√	√	√	√
AT Nzimande (Appointed February 2008)	–	–	√	√
KB Schoeman (Appointed May 2008)	–	–	–	√
SEN Sebotsa (Resigned December 2007)	√	√	–	–
KC Shubane	√	√	√	√
RK Store	√	√	√	√
BJ van der Ross	√	√	√	√
F van Zyl Slabbert	√	√	√	√
RA Williams	√	√	A	√

A = apologies tendered

The chairman is satisfied with the reasons given for any absences from meetings.

SUBSIDIARY BOARDS AND BOARD COMMITTEES

FirstRand has three wholly owned subsidiaries. These are FirstRand Bank Holdings Limited, Momentum Group Limited and FirstRand Investment Holdings (Pty) Limited. The boards of FirstRand Bank Holdings and Momentum Group are subject to the oversight of the relevant regulatory authorities which include the South African Reserve Bank and the Financial Services Board.

In November 2007 FirstRand disposed by way of a distribution in specie of its 57% shareholding in Discovery Holdings, which is separately listed on the JSE. Discovery reports directly to all its shareholders. Its corporate governance procedures during the period as a subsidiary of FirstRand are the same as those practiced by the holding company. As a medical aid administrator, certain companies in the Discovery Group are accountable to the Registrar of Medical Schemes and the Financial Services Board.

Board committees assist the directors in their duties and responsibilities. In addition to the Executive committee ("Exco"), FirstRand board committees have been appointed to deal with Remuneration, Audit, Risk and Compliance, Directors' Affairs and Governance and the monitoring of the implementation of the Financial Sector Charter and Transformation. These committees have formal charters and report to the quarterly FirstRand board meetings. With the exception of Exco they are chaired by independent non executive directors and have a majority of independent non executive directors as members. The Financial Sector Charter and Transformation committee includes the three directors representing FirstRand's BEE partners and does therefore not have a majority of independent non executive directors. Independent professional advice necessary in support of their duties may be obtained at the Group's expense.

Additional board committees exist at subsidiary company level and are established specifically for the purposes of managing risk. These include large exposure and credit committees in the Banking Group and actuarial committees which exist where companies are involved in insurance related activities.

When FirstRand directors retire by rotation they automatically retire from the committees on which they serve. Their re-appointment to the committees is not automatic and is subject to the approval of the FirstRand Directors' Affairs and Governance committee.

All committees have satisfied their responsibilities during the year in compliance with their terms of reference.

EXECUTIVE COMMITTEE

Composition

Exco is chaired by the chief executive officer of FirstRand. Membership of Exco includes the CEOs of the major subsidiaries and operating divisions, the Group chief financial officer and certain members of senior management. The members of the FirstRand Exco are listed on page 78.

Role

Exco is empowered and responsible for implementing the strategies approved by the FirstRand board and for managing the affairs of the Group. The Exco charter encompasses strategy, which includes optimisation of the Group's capital base and its financial resources and also the Group's technical and human resources. Of particular importance in terms of strategy is the ongoing development and inculcation of an enduring and widely embraced Group value system which creates an enabling environment in which operating units can grow and prosper. This value system is reflected in the FirstRand Business Philosophy. Other responsibilities of the FirstRand Exco include acting as custodian of the FirstRand brand and managing the Group image and reputational issues. Group profitability is optimised through synchronising the strategies of the major operating units and leveraging off Group strength.

The committee meets monthly.

REMUNERATION COMMITTEE

Composition

Membership includes representatives of the Remuneration committees of the Group's principal subsidiaries. The CEO of FirstRand attends in an ex officio capacity.

Role

The primary objective of the Remuneration committee is to develop the reward strategy for the Group. It is responsible for:

- evaluating the performance and rewarding of executive directors and senior executives;
- recommending remuneration packages for executive directors and senior management including, but not limited to, basic salary, benefits in kind, performance based incentives, pension and other benefits;
- recommending policy relating to the Group's bonus and share incentive schemes;
- recommending to shareholders the basis for non executive directors' fees; and
- reviewing the process for an approval of annual salary increases.

FirstRand espouses a remuneration philosophy that promotes commitment to the meeting of organisational goals and recognises individual contribution to the achievement of those goals. Further details relating to FirstRand's remuneration practices can be found on pages 86 and 87 of this report.

No executive director is involved in the setting of his own remuneration.

Proceedings

Membership and attendance at the meetings held during the year was as follows:

	July 2007	June 2008	July 2008
PM Goss (Chairman)	√	√	√
LL Dippenaar	√	√	A
GT Ferreira	√	√	√
BJ van der Ross	√	√	√
RA Williams	√	√	√

A = apologies tendered

The chairperson attends the annual general meeting.

Details of each director's remuneration for the year under review can be found on page 349 of this report. Details of share options and dealings in FirstRand shares is reported on pages 350 to 351. The remuneration of the non executive directors is reviewed annually and proposals relating to increases in fees are submitted to the annual general meeting of shareholders for approval.

AUDIT, RISK AND COMPLIANCE COMMITTEE

Composition

The committee includes the chairpersons of the Group's major subsidiary audit committees. In addition the board deems it appropriate that the chief executive and the chief financial officer should attend all committee meetings in an ex officio capacity. The external auditors are present at all audit committee meetings and meet independently with the non executives as and when required. Representatives from the Group's internal audit teams attend all meetings.

Role

The FirstRand Audit, Risk and Compliance committee reviews the findings and reports of the subsidiary company Audit, Risk and Compliance committees and addresses matters of both a Group and a head office nature. All the committees have adopted terms of reference approved by their respective boards dealing with membership, structure, authority and duties.

The responsibility of the FirstRand Audit, Risk and Compliance committee is to:

- ensure the integrity, reliability and accuracy of accounting and financial reporting systems;
- ensure that appropriate systems are in place to identify and monitor risk, controls and compliance with the law and codes of conduct;
- evaluate the adequacy and effectiveness of internal audit, risk and compliance;
- recommend appointment of the auditors and evaluate their services and independence;
- approve the scope of the external audit engagement;
- maintain transparent and appropriate relationships with the respective firms of external auditors;
- review the appropriateness of the expertise and experience of the financial director when appointed;
- review the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors; and
- set principles for the use of the external auditors for non audit services.

Issues relating to sustainable business practices and the Group's status as a good corporate citizen are monitored by this committee. The integrity of the Sustainability report is reviewed by the Group's internal auditors.

Disclosure of fees paid to the auditors in respect of non audit related work can be found in note 7 of this report.

The committee has complied with its terms of reference. The independent auditor attends all audit committee meetings and the annual general meeting of shareholders. The senior partner responsible for the audit is required to be replaced every five years. The committee meets with the auditor independently of senior management.

Proceedings

Membership and attendance at the two meetings held during the year was as follows:

	Sept 2007	Feb 2008
RK Store – Chairman and Chairman of the Banking Group audit committee	√	√
BJ van der Ross – Chairman of the Insurance Group audit committee	√	A
VW Bartlett – Appointed January 2008	–	√

A = apologies tendered

The FirstRand chief executive, chief financial officer and the Group's auditors were present at both meetings.

The chairman attends the annual general meeting.

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE

Composition

This committee comprises all the non executive directors and is chaired by an independent non executive director.

Role

In terms of its charter, the prime objective of this committee is to assist the board in discharging its responsibilities relative to corporate governance structures, matters relating to performance and remuneration of directors and the appointment of new directors, the effectiveness of the board and succession planning at executive level.

The committee is responsible for ensuring the highest standard of ethical behaviour on the part of all the directors.

Proceedings

This committee met twice during the year. Membership and attendance was as follows:

	Sept 2007	Feb 2008
PM Goss (Chairman)	√	√
VW Bartlett	√	√
DJA Craig	√	A
LL Dippenaar	√	√
DM Falck	A	√
GT Ferreira	√	√
NN Gwagwa	√	√
YI Mahomed – Deceased January 2008	√	–
G Moloi	√	√
AP Nkuna	√	√
AP Nzimande – Appointed February 2008	–	–
KB Schoeman – Appointed May 2008	–	–
SEN Sebotsa – Resigned December 2007	√	–
KC Shubane	√	√
RK Store	√	√
BJ van der Ross	√	√
F van Zyl Slabbert	√	√
RA Williams	√	A

A = apologies tendered

No issues of impropprietary or unethical behaviour on the part of any of the directors was drawn to the attention of the committee during the year.

The chairman attends the annual general meeting.

FINANCIAL SECTOR CHARTER AND TRANSFORMATION MONITORING COMMITTEE

Composition

This committee is chaired by an independent non executive director of FirstRand, who is also a director of FirstRand Bank Holdings Limited and Momentum Group Limited. The committee comprises directors and executive representatives from FirstRand Limited, FirstRand Bank Holdings Limited and Momentum Group Limited. The members include the three representatives from FirstRand's BEE partners.

Role

This committee was established to monitor the implementation of the Group's strategy to embrace the Financial Sector Charter. The committee also oversees transformation related activities.

The charter of the committee lists its principal responsibilities as being:

- to receive reports from the FirstRand Transformation Unit. This unit collates the data and information necessary to complete the "scorecard" against which the Group is measured;
- to offer advice and encouragement to executive management on how best to achieve the charter's goals; and
- to review practices facilitating transformation and employment equity.

The responsibility for the implementation of strategies to achieve the objectives of the Financial Sector Charter rests with executive management.

Proceedings

Membership and attendance of FirstRand directors at the meetings held during the year was as follows:

	Aug 2007	Nov 2007	Jan 2008	May 2008
BJ van der Ross (Chairman)	√	√	√	√
NN Gwagwa	√	√	√	√
YI Mahomed (Deceased January 2008)	√	√	–	–
AP Nkuna	√	√	√	√
AT Nzimande (Appointed February 2008)	–	–	√	A
SEN Sebotsa (Resigned December 2007)	√	√	–	–

A = apologies tendered

Progress with regard to the Financial Sector Charter scorecard is reported on page 69. Details regarding the company's workforce statistics are available in the FirstRand Sustainability report.

PERFORMANCE EVALUATION

The board and all its committees conducted evaluations to measure their effectiveness during the year. No material concerns were expressed in these evaluations and the committees in their opinion have honoured their responsibilities during the year.

These evaluations include an appraisal of the chairman of the board or committee being evaluated. The performance of the CEO is also addressed formally at least once per annum and is measured against an appropriate scorecard. It is not the practice of FirstRand to evaluate individually the effectiveness of each director's contribution. The directors are aware of the need to convey any concerns that they might have with regard to performance and conduct to the chairman. The directors of the FirstRand Bank board are subject, in terms of the Bank's Act, to individual assessment.

SUCCESSION PLANNING

FirstRand benefits from an extensive pool of people with diverse experience and competence at senior management level. Succession planning is an ongoing process. The board is confident that it should be possible to identify suitable short term and long term replacements from within the Group should the need arise.

TRADING IN COMPANY SHARES

The company has closed periods prohibiting trade in FirstRand shares by directors, senior executives and participants in the various share option schemes. The closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results and during any period where the company is trading under cautionary or where they have knowledge of price sensitive information. Similar prohibitions exist in respect of trading in RMB Holdings shares.

All directors' dealings require the prior approval of the chairman and the company secretary retains a record of all such share dealings and approvals.

Trading in securities by members of the Executive committee and the company secretary are subject to the Group's Personal Account Trading rules.

POLITICAL DONATIONS/SOLICITATION OF GIFTS

The company does not make donations to political parties.

The making or acceptance of payments, other than declared remuneration, gifts and entertainment, as consideration to act or fail to act in a certain way are prohibited. Directors are required to disclose any potential conflict of interests.

COMPANY SECRETARY

AH Arnott was appointed company secretary on 25 November 2002. He is suitably qualified and empowered and has access to the Group's secretarial resources. The company secretary provides support and guidance to the board in matters relating to governance and ethical practices across the Group. He assists the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of FirstRand. He facilitates, where necessary, induction and training for directors and assists the chief executive in determining the annual meeting timetable.

AUDITOR INDEPENDENCE

The Group financial statements have been audited by the independent auditors PricewaterhouseCoopers Inc. FirstRand believes that they have observed the highest level of business and professional ethics. It has no reason to believe that they have not at all times acted with unimpaired independence.

Details of fees paid to the external auditors are included in note 7 of this report, together with details of non audit services provided and the fees paid in respect thereof.

The FirstRand Group companies operate in a number of sectors within the broader financial services industry. Each of these sectors has its own distinct employment practices and unique human resources pressures. To recognise and address such divergent needs, FirstRand follows a practice of devolving the design and implementation of appropriate "industry specific" remuneration strategies through various board Remuneration committees:

- the Momentum Group (insurance and asset management);
- First National Bank (retail and corporate banking); and
- Rand Merchant Bank (merchant and investment banking).

The FirstRand Remuneration committee oversees the activities of the subsidiary Remuneration committees and coordinates Group remuneration strategy, thereby ensuring its appropriateness across all divisions. Details of the committee's charter and its membership form part of the Corporate Governance report on pages 79 to 85.

REMUNERATION STRATEGY

Within the divisional framework, referred to above, remuneration structures for employees include:

- basic salary plus benefits; and, where appropriate
- annual performance related rewards; as well as
- share incentive schemes.

The performance of the executive team and senior management is measured against pre-determined goals, both financial and non financial. Scorecards are used where appropriate.

Where employees belong to recognised trade unions, appropriate bargaining platforms exist to satisfy all parties.

From time to time processes are reviewed by independent consultants to ensure that they remain appropriate and in line with best practice.

Basic salary and benefits

Salaries are reviewed annually, in the context of individual and business unit performance, inflation and specific industry practices and trends. Reference is made to independent salary surveys on a regular basis.

All full time employees are members of defined benefit or defined contribution pension and/or provident fund schemes operated under the control of the relevant governing legislation. New employees joining the Group become members of a defined contribution pension and/or provident fund scheme. All schemes are regularly valued by independent actuaries, and are in a financially sound position. Should the actuaries advise any deficits, such deficits are funded, either immediately or through increased contributions to ensure the ongoing soundness of the fund concerned. Retirement funding contributions are charged against expenditure when incurred. The assets of retirement funds are managed separately from the Group's assets. Trustees, who include staff and pensioner representatives, oversee the management of the funds and ensure compliance with the relevant legislation.

All full time employees are required to belong to a medical aid scheme. On retirement, facilities exist for ex-employees to join medical aid schemes in their individual capacities. Where, as the result of past practice, the Group is required to contribute towards post retirement medical aid costs, the present value of such contributions is calculated and provided for. Current employment practice is for the Group not to contribute to post retirement medical aid costs.

Performance related payments

Where appropriate, annual performance related payments are made to employees. The level of such payments is dependent upon a number of key measures including the contribution of the individual to benchmarks relating to financial targets such as return on equity and growth in earnings for the business unit concerned. Also included in the scorecard are measurements relating to the meeting of employment equity targets, the results of customer satisfaction surveys and innovation. The payment of bonuses is always subject to the discretion of management and bonuses are not formula driven. In respect of senior positions, there is no guarantee in respect of bonuses. In certain business units, bonus payments take place in tranches during the 12 months following the financial year to which they relate. Notwithstanding such deferral, the bonuses are provided for in full in the current year's expenditure. Should an employee resign or be dismissed from the Group's employ, unpaid bonus tranches are forfeited. Bonuses are not capped at any particular level.

Share incentive schemes

Share incentive schemes operated by the Group are a powerful tool in aligning the interests of staff with those of FirstRand shareholders. All of the share incentive schemes currently in operation in the Group have received the prior approval of FirstRand shareholders in general meeting. A maximum of 564 million ordinary shares in the capital of FirstRand may be allocated to the schemes. This represents approximately 10% of FirstRand's ordinary shares currently in issue.

The share incentive schemes historically operated by the Group fall into two main categories, namely:

- A series of conventional share incentive schemes (collectively "the FirstRand share incentive schemes"); and

- The FirstRand Outperformance share scheme, in terms of which participants are rewarded only if the performance of the FirstRand share price exceeds that of the FINI 15 over a 60 month period.

The Outperformance scheme was introduced in 2000. The last of the grants will expire in October 2008.

For options issued subsequent to 30 June 2006, the essence of the FirstRand share option scheme has been refined to take cognisance of further developments in corporate governance and the impact of changes flowing from the implementation of International Financial Reporting Standards. Options issued since then involve share appreciation rights and the achievement of vesting hurdles which are based on real growth in earnings. Allocations are reviewed annually and the time horizon of the schemes still being used for new issues is five years. Details of the company's share options can be found in note 37 to the annual financial statements.

Participation in FirstRand BEE transaction

As part of FirstRand's BEE transaction approved at the general meeting of shareholders held on 21 April 2005:

- Certain black non executive directors serving on the boards of FirstRand, FirstRand Bank Holdings and Momentum Group participate in the FirstRand black non executive directors share trust. The trust holds 15 million FirstRand ordinary shares. The extent of the participation of the black directors concerned is disclosed separately on page 351.
- FirstRand's previously disadvantaged South African employees participate in the FirstRand black employee share trust. This share trust holds 136.4 million ordinary shares in FirstRand representing 2.4% of the company's issued share capital.

Comprehensive details relating to all the share option schemes, the pricing thereof and the vesting criteria are explained in note 37 to the annual financial statements.

DISCOVERY UNBUNDLING

Following the unbundling of Discovery Holdings, the strike price for participants in the share incentive schemes were adjusted to reflect the impact thereof.

In the case of the BEE participants, the proceeds from the sale of Discovery shares which would have accrued to them, was used to reduce their financing loans.

EXECUTIVE DIRECTOR REMUNERATION

The basis for remunerating executive directors is similar to that of senior management and comprises a basic salary plus benefits, an annual performance related reward and participation in the Group's share incentive schemes.

The scorecard against which the performance related reward of the FirstRand CEO's is judged include financial performance, business process, societal and external impact, customer perspective and internal perspective.

The services of the Chief executive officer are subject to one month's notice and no protection is provided in the event of a hostile take-over.

The employment contracts of the executive directors of the major subsidiary companies are similar in structure. Remuneration is benchmarked against peer group companies and is subject to external professional advice when deemed appropriate.

NON EXECUTIVE DIRECTOR REMUNERATION

Non executive directors receive fees for their services as directors and for services provided as members of board committees. These fees vary depending on the role of the committee. Non executive directors do not qualify for participation in share incentive schemes and have no contracts with the company except for participation in the FirstRand black non executive directors trust.

As described in the corporate governance section of this report, non executive directors are appointed for a period of three years after which they are required to retire by rotation. Their re-appointment to the board is subject to internal governance processes and the approval of shareholders at the annual general meeting.

Fees paid to non executive directors are based on current market practice and are approved by shareholders at the annual general meeting.

Details of fees paid to the directors are set out on page 362.

VALUE ADDED STATEMENT
for the year ended 30 June

	2008		2007*	
	R MILLION	%	R MILLION	%
Value added				
Net interest income earned				
by FirstRand Banking Group	12 034	16.9	11 141	11.8
Net premium income and fees earned				
by Momentum	47 873	67.3	43 874	46.3
Net income earned by Discovery	234	0.3	673	0.7
Net profit/(loss) by FirstRand Limited	100	0.1	(195)	(0.2)
Value added by Group	60 241	84.6	55 493	58.6
Non operating income	22 958	32.3	49 146	51.8
Non operating expenditure	(12 017)	(16.9)	(9 853)	(10.4)
Value added by Group	71 182	100.0	94 786	100.0
To employees				
Salaries, wages and other benefits	12 594	17.7	11 917	12.6
To providers of capital				
Dividends to shareholders	4 932	6.9	4 143	4.4
To government	3 862	5.4	5 085	5.3
Normal tax	3 105		4 040	
Value added tax	504		606	
Regional services levy	1		5	
Capital gains tax	315		383	
Other	(63)		51	
To policyholders				
Policyholder claims and benefits	42 255	59.4	64 276	67.8
Insurance contracts	5 530		5 590	
Investment contracts	36 024		33 151	
Adjustment to liabilities under investment				
and insurance contracts	701		25 535	
To expansion and growth	7 539	10.6	9 365	9.9
Retained income	6 786		7 716	
Depreciation	1 020		856	
Deferred tax	(267)		785	
	71 182	100.0	94 786	100.0

** Prior year numbers have been restated to ensure consistency and due to the Discovery unbundling.*

FIRSTRAND GROUP

FIRSTRAND

F I R S T R A N D   G R O U P

contents

TO THE MEMBERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of the company and the Group at the end of the financial year, and of the results and cash flows for the year. In preparing the accompanying financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been applied and reasonable estimates have been made. The board approves significant changes to accounting policies and the effects of these are fully explained in the annual financial statements. The financial statements incorporate full and responsible disclosure in line with the Group's philosophy on corporate governance.

The directors have reviewed the Group's budget and flow of funds forecast for the year to 30 June 2009. On the basis of this review, and in the light of the current financial position, the directors have no reason to believe that FirstRand Limited will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

The Group's external auditors, PricewaterhouseCoopers Inc. have audited the financial statements and their unqualified report appears on page 92.

The financial statements of the Group and the company for the year ended 30 June 2008, which appear on pages 176 to 328 and 330 to 351 respectively, have been approved by the board of directors and are signed on its behalf by:

GT Ferreira
Chairman

PK Harris
Chief executive officer

Sandton

15 September 2008

GROUP SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 268G (D) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

AH Arnott
Company secretary

15 September 2008

TO THE MEMBERS OF FIRSTRAND LIMITED

We have audited the annual financial statements and Group annual financial statements of FirstRand Limited, which comprise the Directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 93 to 95 and from 176 to 351 and certain tables defined as "audited" in the risk report on pages 96 to 175.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as of 30 June 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Incorporated
Director: Fulvio Tonelli
Registered Auditor

Johannesburg

15 September 2008

NATURE OF BUSINESS

FirstRand Limited ("FirstRand") is the holding company of the FirstRand group of companies. These companies are engaged in diverse financial services activities in the areas of retail, corporate, investment and merchant banking, life and health insurance, employee benefits, short term insurance and asset and property management. While the group is predominantly South African based, it has operations in the neighbouring countries, the United Kingdom, the Middle East and Australia. Start up operations exist in Brazil and India.

FirstRand Limited is listed under "Financial – Banks" on the Securities Exchange of the JSE Limited ("JSE") and the Namibian Stock Exchange.

A simplified FirstRand organogram is shown on page 357.

GROUP RESULTS

A general review of the financial results of the Group and the operations of its subsidiaries commences on page 30.

The financial results have been prepared in accordance with International Financial Reporting Standards. During November 2007 FirstRand unbundled its 57% shareholding in Discovery Holdings Limited. This will impact the year on year comparability which is disclosed on page 27.

Earnings

Headline earnings were as follows:

R MILLION	2008	2007
Banking Group	8 701	9 752
Momentum Group	1 979	1 610
Discovery Group	185	556
FirstRand Limited	(14)	(123)
Consolidation of share trusts	(520)	(593)
Dividend paid to non cumulative non redeemable preference shares	(409)	(348)
Headline earnings	9 922	10 854
Diluted headline earnings per share (cents)	187.8	204.2

Dividends

Ordinary shares

The following ordinary cash dividends were declared in respect of the 2008 financial year:

Cents per share	2008	2007
Interim (declared 3 March 2008)	44.25	39.50
Final (declared 15 September 2008*)	38.25	43.00
	82.50	82.50

* *The last day to trade in FirstRand shares on a cum-dividend basis in respect of the final dividend will be Friday, 17 October 2008 and the first day to trade ex-dividend will be Monday, 20 October 2008. The record date will be Friday, 24 October 2008 and the payment date Monday, 27 October 2008. No dematerialisation or rematerialisation of shares may be done during the period Monday, 20 October 2008 to Friday, 24 October 2008, both days inclusive.*

Preference shares

Dividends on the "A" preference shares are calculated at a rate of 65% of the prime lending rate of First National Bank. The following dividends were declared and paid during the year:

For the six months to 31 December 2007:	R1 473 060 (2006: R2 795 257)
For the six months to 30 June 2008:	R1 040 335 (2007: R2 412 645)

Dividends on the "B" and "B1" preference shares are calculated at a rate of 68% of the prime lending rate of First National Bank. The following dividends have been declared for payment:

Cents per share	2008	2007
	"B"	"B1"
Period 29 August 2006 – 26 February 2007	409.7	409.7
Period 27 February 2007 – 27 August 2007	431.1	431.1
Period 28 August 2007 – 25 February 2008	477.7	477.7
Period 26 February 2008 – 25 August 2008	511.3	511.3

SHARE CAPITAL

Authorised – ordinary and preference share capital

Details of the company's authorised share capital as at 30 June 2008 are shown in note 35 to the financial statements.

No changes were made to FirstRand's authorised ordinary and preference share capital.

Issued – ordinary share capital

During the year under review the following changes were made to the issued ordinary share capital of the company:

On 28 November 2007 FirstRand converted 1 302 100 "A" variable rate, convertible, redeemable, cumulative preference shares issued by the company in terms of the FirstRand Outperformance share incentive scheme into the same number of ordinary shares.

On 21 May 2008 FirstRand converted 812 442 "A" variable rate, convertible, redeemable, cumulative preference shares issued by the company in terms of the aforesaid FirstRand Outperformance share incentive scheme into the same number of ordinary shares.

Issued – preference share capital

During the year under review the following changes were made to the preference share capital of the company:

"A" preference shares

The following "A" preference shares were redeemed or converted in terms of the Outperformance scheme:

Redemptions Date	Number of shares	Premium
28 November 2007	2 207 900	R6.53
21 May 2008	839 558	R7.44
1 June 2008	187 500	R6.53
1 June 2008	97 500	R7.44

Conversions Date	Number of shares	Premium
28 November 2007	1 302 100	R6.53
21 May 2008	812 442	R7.44

For reporting purposes, the "A" preference shares are shown as part of long term liabilities, as the substance of these instruments is debt.

"B" and "B1" preference shares

There were no changes during the year to the number of "B" and "B1" preference shares in issue during the year.

SHAREHOLDER ANALYSIS

(Disclosure in terms of section 140 A (8 (a)) of the Companies Act.)

Based on information disclosed by STRATE and investigations conducted on behalf of the company, the following shareholders have a beneficial interest of 5% or more in the issued ordinary shares of the company.

%	2008	2007
RMB Holdings Limited	**30.06**	30.07
Financial Securities Limited (Remgro)	**8.53**	8.54
Public Investment Corporation	**9.48**	9.05
FirstRand Empowerment Trust and related parties	**9.49**	9.50

A further analysis of shareholders is set out on page 358.

DIRECTORATE

Details of the directors are on page 74 to 77.

Ms Sonja Sebotsa resigned as a director on 31 December 2007. Ms Sebotsa's resignation followed the unbundling of FirstRand's holding in Discovery Holdings, where she is also a director. Ms Sebotsa's resignation ensures that there is no conflict of interest between Momentum and Discovery's health operations. Ms Sebotsa has been replaced by Ms Tandi Nzimande who was nominated by WDB Trust.

The board learned with great sadness of the death of Mr Yunus Mahomed on 6 January 2008. Mr Mahomed has been replaced on the board by Mr Kgotso Schoeman who was nominated by the Kagiso Charitable Trust.

Messrs Denis Falck and Robbie Williams have retired from the board with effect 11 September 2008.

Mr Leon Crouse has been nominated by Remgro Limited to replace Mr Falck as their representative on the FirstRand board. In terms of the new JSE listing requirements FirstRand will appoint a financial director in the new financial year.

DIRECTORS' INTEREST IN FIRSTRAND

(Disclosure in terms of paragraph 8.63 (d) of the Listings Requirements of the JSE)

Details of the directors' interest in the issued ordinary and preference shares of FirstRand are on page 351.

DIRECTORS' EMOLUMENTS

Directors' emoluments and their participation in share incentive schemes are on page 349 Information relating to the determination of directors' emoluments, share option allocations and related matters are contained in the Remuneration report on page 86.

INTEREST OF DIRECTORS AND OFFICERS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the Group. The directors had no interest in any third party or company responsible for managing any of the business activities of the Group except to the extent that they are shareholders in RMB Holdings, which together with Remgro, has management control of FirstRand.

PROPERTY AND EQUIPMENT

There is no change in the nature of the property and equipment of the Group or in the policy regarding their use during the year.

INSURANCE

The Group protects itself against crime risks as well as professional indemnity by carrying large deductibles through a structured insurance risk financing programme and carries levels of cover commensurate with the size and stature of the organisation.

SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates which are considered material in the light of the Group's financial position and its results are on page 29.

COMPANY SECRETARY AND REGISTERED OFFICES

Mr AH Arnott was appointed company secretary on 25 November 2002. The address of the company secretary is that of the registered office as stated on page 359.

SUBSEQUENT EVENTS

Subsequent to balance sheet date WesBank reached agreement to dispose of the MotorOne Autoloan book in Australia. In terms of the agreement, the Group will realise a loss of approximately R114 million, which is in line with expectations. The loss will be reported in the Group's interim results for the six months ending 31 December 2008.

GT Ferreira	**PK Harris**
Chairman	Chief executive officer

EXECUTIVE SUMMARY

Introduction

FirstRand Limited (or referred to as "the Group"), defines risk as any factor which could prevent the Group from achieving its desired business objectives or result in adverse outcomes, including reputational damage. In line with its business philosophy, FirstRand recognises that effective risk management and governance is essential to the generation of sustainable profits, to safeguard its reputation, comply with regulations, create a competitive edge and achieve an optimal risk reward profile.

FirstRand's strategy and its day to day operating activities are underpinned by its Risk Management framework, which is designed to ensure that all risks across all subsidiaries are appropriately managed within the defined and approved risk-reward appetite framework. The board is responsible for oversight of the business performance and risk management activities. The Group's Enterprise Risk Management ("ERM") function has independent oversight and is responsible for driving improvements in risk management.

The Risk Management report reviews in detail the Group's processes and procedures relating to the identification, management, measurement and reporting for the different risk types and complies with the risk disclosure requirements of Basel II Pillar III and IFRS 7.

The subsidiaries of FirstRand Limited are FirstRand Bank Holdings Limited ("FRBH"), FirstRand Investment Holdings Limited ("FRIHL"), and Momentum Group Limited ("Momentum"). FRBH and the investments held in FRIHL forms the Banking Supersegment, referred to as the FirstRand Banking Group ("FRBG").

FirstRand's two major subsidiaries, FRBH and Momentum, operate in specific markets that present different financial and non financial risks and opportunities, and risk management in each of these subsidiaries is therefore governed by separate frameworks. Risk is reported separately for banking operations and insurance operations. Risks in the unregulated entities within FRIHL are managed by the different FRBG franchises, namely, FNB, RMB and WesBank and are subject to the Group's and the franchises' risk management policies and procedures and are governed by the franchises' risk, compliance and capital committees.

FirstRand Banking Group

The major risk types faced by FRBG include strategic and business risk, credit risk, market risk, liquidity risk, interest rate risk in the banking book, operational risk and compliance risk. For each, the report outlines the definition, governance structures and processes, measurement, management/mitigation and an assessment of the risk.

A brief overview of the most important risks is presented below. For more detail on these as well as information on the types not covered in the executive summary, refer to the main body of the Risk Management report.

Credit risk

Credit risk constitutes the most significant risk that FRBG is exposed to and its contribution to the total regulatory and economic capital requirement of FRBG is the highest of all risk types. Credit risk is managed within FRBG's risk reward appetite to ensure appropriate capital levels are maintained and that risk is priced for on an individual and portfolio basis.

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring, control and reporting of credit risk exposure. The objective is to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement and monitoring through the implementation of adequate risk management controls.

During the year under review FirstRand Bank Limited ("FRB" or "the Bank") received formal approval from the South African Reserve Bank ("SARB") to use the Basel II Advanced Internal Ratings Based ("AIRB") approach in its calculations of credit risk regulatory capital. The remaining FRBG subsidiaries are using the Standardised Approach for Basel II.

In its transition to the AIRB approach, the Group revised its risk management functions, creating a Group Credit Risk Control function within the Group's ERM division. This function is responsible for credit risk oversight. The Credit Pillar in Balance Sheet Management will now focus only on credit portfolio management (refer to the CFO report for more detail on the Group's balance sheet management approach).

At the end of June 2008, FRBG's advances totalled R457 billion (2007: R396 billion), of which R208 billion (45%) was derived from lending activities within FNB, and R131 billion (29%) from the Group's investment banking activities within RMB. The advances in the asset finance operations of WesBank totalled R100 billion, which is 22% of FRBG's total advances.

High interest rates and inflation have resulted in pressure on consumers' ability to repay debt. Affordability levels have been negatively influenced by these factors, resulting in further increases in bad debts and lower advances growth. The pressure on the consumer is expected to continue for some time, resulting in further increases in arrears, non performing loans and impairment charges for bad debts. The corporate environment is, however, showing resilience in current market conditions, while there is increased pressure on smaller businesses in the SME market due to the economic environment. FRBG manages its credit portfolio actively to minimise the impact of the deteriorating macro economic environment. The focus is on keeping origination strategies in line with risk appetite and implementing credit portfolio hedges where possible. Credit impairment levels are also carefully considered to ensure adequate provisioning levels.

During the year under review, non performing loans increased to 2.9% (2007: 1.5%) while the income statement impairment charge on average gross advances increased to 1.28% (2007: 0.83%) before taking into account income from credit protection strategies. After taking this into account, the income statement impairment on average gross advances was 1.19% (2007: 0.79%).

Market risk

RMB has approval from the SARB to measure regulatory market risk capital for the local trading book under the internal model approach, as stipulated in the Basel II Accord. For all international legal entities, the Standardised Approach is used to calculate regulatory market risk capital. For economic capital measurement, the internal model approach based on distressed expected tail loss ("ETL") is used for all legal entities.

In addition to the distressed ETL and Value At Risk ("VaR") methodologies, FRBG supplements its measurement techniques with defined stress tests and scenario analyses. The calibration of the stress tests are reviewed from time to time, which ensures that the tests are indicative of possible market moves under distressed market conditions and provide additional insight into possible outcomes under stressed market conditions.

The aggregate market risk VaR exposure for the trading book exposure increased from R265.5 million in 2007 to R304.7 million at 30 June 2008. The VaR risk measure estimates the potential loss over a ten day holding period at a 99% confidence level.

Liquidity risk

During the year under review FRBG successfully complied with Basel II principles relating to liquidity risk and funding management. FRBG has a diversified funding mix by term, source and product to protect the Group against concentration risk and to mitigate possible market disruptions. To protect the balance sheet against a stress event, liquidity buffers (in excess of the statutory requirements) were accumulated and maintained over the past financial year. FRBG continues to maintain these buffers and actively manages and monitors these portfolios. Enhancements have been made to the measurement and analytical processes, applying best practice principles to high-level international standards. Events in the global banking sector and recent international bank failures were examined to test the conservativeness of FRBG's liquidity risk assumptions and analyses. Processes have also been expanded to the extent that the risks arising from the off balance sheet activities are fully consolidated with the liquidity risk management, measurement and stress testing processes and are managed conservatively from a liquidity risk point of view.

Interest rate risk in the banking book

In line with the objective to protect and enhance FRBG's balance sheet and income statement, interest rate risk in the banking book is managed from an earnings approach over a specified horizon. Changes to economic value are also monitored and managed within defined risk tolerance levels. The net interest rate profile is adjusted by changing the profile of liquid assets or through transactions in derivative instruments. The desired profile is based on FRBG's interest rate outlook with reference to other risk factors impacting FRBG's balance sheet, most notably credit risk.

The natural position of the domestic banking book remains asset sensitive (positively gapped), since interest earning assets reprice sooner than interest paying liabilities, making the projected net interest income ("NII") vulnerable to a drop in interest rates. Projected 12 month NII would decline by 11.39% for a 200 bps instantaneous, parallel downward shift in the yield curve (assuming no management intervention to mitigate the impact of the changes in the level of interest rates). The banking book was positioned to benefit from the 250 bps repo rate increase over the period.

Operational risk

FRBG obtained approval from the SARB to use the Basel II Standard Approach ("TSA") for calculating operational risk capital for internal capital allocation as well as regulatory purposes from 1 January 2008. A more sophisticated operational risk quantification and capital calculation methodology has been developed and is being implemented using the Advanced Measurement Approach ("AMA") for operational risk in accordance with Basel II and SARB requirements. An application to use AMA on a partial use basis for the South African operations has been submitted to the SARB during the first quarter of 2008.

Independent monitoring of operational risk occurs through a number of functions within the Group's ERM division, including business continuity management, legal, information risk services, forensic services and operational risk governance.

Momentum Group

The risks inherent to the business of Momentum are strategic and business risk, insurance risk, credit risk, market risk, liquidity risk, operational risk, compliance risk and risk arising from fiduciary activities. A brief overview of the most significant risks is presented below. For more detail on these as well as information on the types not covered in the executive summary, refer to the main body of the Risk Management report from pages 148 to 175.

Insurance risk

Momentum is exposed to mortality, longevity and morbidity risk, persistency risk, expense risk and business volume risk as a result of the insurance contracts it issues. In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected.

Policyholder liabilities under insurance contracts amounted to R42 billion as at 30 June 2008 (2007: R45.9 billion) and policyholder liabilities under investment contracts totalled R111.1 billion as at 30 June 2008 (2007: R110.8 billion).

Credit risk

Credit risk arises from the investment in corporate debt in the shareholders' guaranteed and linked portfolios. In order to limit this risk, the Credit Risk committee has formulated guidelines regarding the investment in corporate debt instruments. These include a framework of limits based on Momentum's credit risk appetite, the nature of the exposure, a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry classification and other qualitative factors. Credit mitigation instruments are used where appropriate and include collateral, netting agreements and guarantees or credit derivatives.

Momentum Group's maximum exposure to credit risk rose by 29.4% from R75.8 billion in 2007 to R98.1 billion in 2008, mainly as a result of a change in the overall asset allocation toward a greater proportion of investment securities and cash and short term funds.

Market risk

Momentum's profit and net asset value is sensitive to market risk as a result of insurance contracts issued, investment contract business, and investments made using the shareholder free reserves. Substantially all market risk within Momentum is taken in the Asset Management division of Momentum as this is the division where the market risk taking and management expertise lies.

Momentum has put in place policies and procedures to manage and monitor each of the major market risk components in terms of its overall risk appetite. These are discussed in more detail in the main body of the Risk Management report.

Operational risk

A number of operational risk management methodologies have been developed to deal with the practical implementation of operational risk management challenges. These methodologies are supplemented by a number of risk tools. These include risk self assessments, internal operational loss data and incident reporting, as well as key risk indicators.

FIRSTRAND LIMITED – OVERVIEW

PHILOSOPHY

The Group Business Philosophy embodies sustainable business practices and good corporate governance. The values espoused in this philosophy include the importance of being a good corporate citizen, integrity, individual empowerment and personal accountability. In support of accountability all employees of the Group subscribe to the code of ethics which forms part of the Group's board charter. Adherence to the code of ethics is a strategic business imperative and a source of competitive advantage.

Management recognises the importance of good communication between non executive directors, executive management, and senior management across the Group to ensure compliance with banking, insurance and other regulations applicable to the Group and communication with external stakeholders.

In line with the business philosophy, the Group recognises that effective risk management and governance is essential to generate sustainable profits, safeguard its reputation, comply with regulations, create a competitive edge and achieve an optimal risk reward profile.

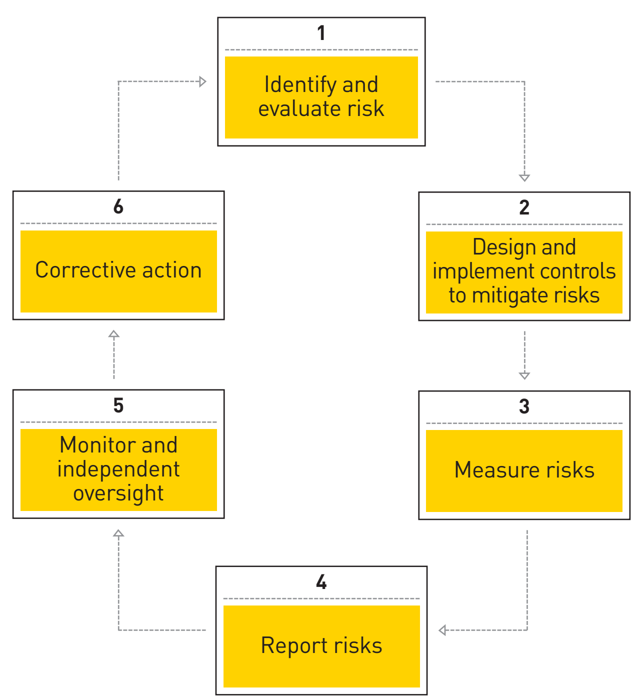
RISK GOVERNANCE

The Group defines risk as any factor which could cause the entity not to achieve its desired business objectives or result in adverse outcomes, including reputational damage. The ERM function of the Group is responsible for the independent oversight and discipline required to continuously drive improvement of the Group's risk management capabilities in a challenging and ever changing operating environment. The objective of the risk management programme is not only to protect, but also to add enterprise value to the Group's strategy, people, processes, technology and knowledge. Risk management is embedded in the Group's strategy and is integrated in its day to day operating activities. Direction and oversight of risk management occur at the top of the organisation.

The board of FirstRand through the FirstRand Audit, Risk and Compliance committee, in line with its board charter, is responsible for oversight of the business performance and risk management activities of the Group. The board is supported in these tasks by the boards of the major subsidiaries, board committees and their sub committees; independent and deployed risk management functions as well as internal auditors and compliance. These committees and functions monitor the Group's risks and provide assurance that risk management processes operate effectively throughout the organisation.

The FirstRand Audit, Risk and Compliance committee reviews the findings and reports of the subsidiary boards' (FRBH, FRIHL and Momentum) and Audit, Risk and Compliance committees. The subsidiary Audit, Risk and Compliance committees review the findings and reports of its sub committees and the independent risk management functions. The independent risk management functions are responsible to ensure that appropriate, effective and efficient business performance and risk management processes, controls and compliance are in place and integrated in the day to day activities.

The Group adopts the following approach to risk management:



RISK MANAGEMENT FRAMEWORK

Each of the major subsidiaries, FRBG and Momentum, has adopted their own Risk Management Framework. The individual frameworks have been jointly approved as the Risk Management Framework of FirstRand, and are a policy of the Board of directors. The framework governs the risk management process and provides a matrix of business, strategic, financial and non-financial risks that the Group will monitor. In terms of this Risk Management Framework, risk management is vested as an integral part of management's functions at all levels of the Group and includes the management of governance, strategy, business performance, competitiveness, human resources, external factors, processes, information technology, and operational, financial and tax risk.

FRBG and Momentum operate in specific markets that present different financial and non financial risks and opportunities, and for this reason, risk management in each of these subsidiaries is governed by separate Risk Management Frameworks.

The risk management frameworks are based on the experience that:

- top performing organisations of long standing excel at good governance, strategic and competitive positioning, the management of key risks and the implementation of world class processes and systems;
- entrepreneurs add value to an organisation through innovation, management of risk and the identification of profitable opportunities which will yield superior and sustainable returns and minimise negative impacts on all stakeholders;
- successful businesses are those that manage their business performance and risks better than their competitors; and
- a business has to get many things right to be successful, whilst a single factor could cause it to fail.

The Group's risk management frameworks aim to incorporate risk management processes into the overall management process. Management drives strategy, products, services and processes to generate profits and growth in a sustainable manner. The risk management processes support management by providing checks and balances to ensure sustainability, performance, the achievement of desired objectives and avoidance of adverse outcomes and reputational damage through risk quantification, qualitative assessments, monitoring and the initiation of corrective measures.

The risk management frameworks comply with statutory and regulatory requirements and are in line with King II and the Committee of Sponsoring Organisations ("COSO") requirements. The frameworks have been reviewed and benchmarked against international best practice and have proved to be thorough, effective and robust in fully supporting enterprise risk management principles.

RISK REWARD APPETITE

The Group's ERM functions provide independent risk management oversight for all the risks across the various subsidiaries to ensure that these risks are appropriately managed within the defined and approved risk reward appetite framework.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the risks from its activities, if the risks are adequately managed and controlled. The Group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and return, called the risk reward appetite. This balance is achieved by controlling risk at the level of individual exposures, at a portfolio level and in aggregate across all risk types and businesses, relative to the risk reward appetite.

FirstRand Risk reward appetite is articulated in terms of earnings at risk and capital preservation.

Capital preservation	Earnings at risk
→ Targeted credit rating – Target for FRBG, FRB and Momentum are the same as the RSA sovereign counterparty credit rating. – FirstRand ensures the level and composition of capital is consistent with the credit rating of FRBG, FRB and Momentum. – FirstRand's profitability and risk profile are the primary drivers behind the credit rating of FRBG, FRB and Momentum. → Robust liquidity and funding position – Adequate liquidity buffers are held to ensure that there is enough funding for stress scenarios. → Targeted capital adequacy ratios – FirstRand Limited's policy is to be adequately capitalised at Group and at FRBG and at Momentum level. → Prudent risk limits – Risk limits are put in place for specific risk types and exposures are monitored to stay within these limits.	The board has set risk appetite limits for the following measures: → Earnings at risk for a period. → Variability in growth rate. → Variability in return on capital above Weighted Average Cost of Capital ("WACC").

PROTECTION OF FIRSTRAND'S REPUTATION

Safeguarding FirstRand's reputation is of paramount importance to its continued prosperity and is the responsibility of every staff member. Reputational risks can arise from environmental, social and governance issues or as a consequence of financial or operational risk events. FirstRand's good reputation depends on the way in which it conducts business and protects its reputation by managing and controlling risks incurred in the course of business. This means avoiding large concentrations or exposures and limiting potential stress losses from credit, market, liquidity and operational risk, and taking account of reputational risk to its business.

RISK CATEGORIES

The financial and operational risks for each of the major subsidiaries, FRBG and Momentum are discussed separately in this report. Financial risks include credit risk, market risk, liquidity risk, interest rate risk, and insurance risk. The key non financial and business risks and opportunities for each major subsidiary are identified and discussed in their operational reports. The non financial business risks and opportunities include issues such as reputation, regulation, transformation, customer relationships and the impact of HIV/AIDS on the customer base. Managing sustainability and reputational risk is a key component of the risk governance process at FirstRand. The principal risks to which the FirstRand Group is exposed and which it manages are defined as follows:

Strategic and business risk – Strategic risk is the risk to current or prospective earnings and capital, arising from adverse business decisions or the improper implementation of decisions. Business risk describes the risk FRBG assumes due to potential changes in general business conditions, such as the Group's market environment, client behaviour and technological progress. This can affect the Group's earnings if it fails to adjust quickly or respond to changes in the business environment.

Credit risk – The risk of loss due to non performance of a counterparty in respect of any financial or performance obligation due to a deterioration in the financial status of the counterparty.

Market risk – The risk of revaluation of any financial instrument as a consequence of adverse changes in the market prices or rates exists in all trading, banking and investment portfolios. For the purpose of these financial statements market risk is considered to be contained within the trading portfolios and Momentum's investment business.

Liquidity risk – The risk that the Bank will not meet all payment obligations as liabilities fall due. It also represents the risk associated with not being able to realise assets to meet depositor repayment obligations in a stress scenario.

Interest rate risk in the banking book – Interest rate risk in the banking book is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements in interest rates and can be an important source of profitability and shareholder value. Excessive interest rate risk could potentially pose a significant threat to a bank's earnings and capital base, therefore, effective risk management that maintains the risk within prudent levels is essential to the safety and soundness of banks.

Insurance risk – The risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, withdrawal and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations.

Operational risk – Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic, business and reputational risk.

Compliance risk – Compliance risk is defined as the risk of legal or regulatory sanction, material loss or loss of reputation suffered as a result of failure to comply with laws, regulations, rules, related self regulatory organisation standards and codes of conduct applicable to its banking activities.

IN THIS REPORT

Within FirstRand, as the holding company, each of the major subsidiaries, FRBG, the banking operations and Momentum, the insurance operations, operate in specific markets that present different financial and non financial risks and opportunities. A risk management report is presented for each of these two major subsidiaries, FRBG and Momentum. FRBG's risk management report includes its risk governance, Risk Management Framework, 2008 achievements, focus areas for 2009, as well as its risk exposures and the policies and procedures to manage and measure these risks. Momentum's risk management report includes its risk governance approach and structure, Risk Management Framework, Solvency II as well as its risk exposures and the policies and procedures to manage and measure these risks.

Qualitative risk management information within the following sections forms an integral part of the financial statements and has been audited:

- Capital risk pages 101 to 105
- Credit risk pages 109 to 123
- Market risk pages 134 to 137
- Liquidity risk pages 137 to 142
- Interest rate risk in the banking book pages 142 to 144
- Momentum risk report pages 148 to 173.

The quantitative information included in the pages listed above has not been audited unless otherwise specified.

CAPITAL RISK

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

The implementation of Basel II by FRBH in January 2008 has had little impact on the Bank's capital ratios. Under Basel II banks are expected to hold capital commensurate with the underlying risks assumed, with focus on:

- Pillar 1 – minimum capital requirement;
- Pillar 2 – supervisory review; and
- Pillar 3 – market discipline.

Both FRBH and FRB are well capitalised and within the targeted range for core equity and total capital adequacy. Despite the deteriorating credit conditions and the pro-cyclicality of capital introduced by Basel II, FRBH and FRB exceed the targeted minimum levels. In the next financial year demand for capital is likely to decline as asset growth, which has already started to slow, is expected to decline further and de-risking has taken place. FRBH has set aside capital for international expansion initiatives, but will only allocate capital to these initiatives if they meet or exceed targeted hurdle rates.

During the year, FRB issued R1 billion of upper Tier 2 instruments and R1.5 billion of lower Tier 2 instruments. Depending on market conditions, FRB will continue to issue various capital instruments to further enhance and optimise its capital base.

Momentum targets an economic capitalisation level range of 1.7 to 1.9 times CAR (based on the current formulae used to quantify CAR). At 30 June 2008, Momentum's capitalisation level was 2.2 times CAR. After the payment of the proposed dividend in October 2008, the level will fall to slightly above the top end of its targeted capitalisation range. Momentum will be subject to revised regulatory capital requirements from 31 December 2008. The impact is still being quantified but Momentum expects to be well capitalised under the new capital requirements.

Key ratios of the Group are set out below (unaudited):

	AT 30 JUNE	
	2008	2007
Capital adequacy		
Capital adequacy ratio:		
FRBH	**13.8**	13.6
	Basel II	Basel I
CAR cover: Momentum Group (Regulatory requirement: 1.0x)	**2.2**	2.3

FirstRand Banking Group

Capital adequacy ratios

The registered banks in FRBH must comply with the SARB regulations and those of their home regulators. Capital adequacy is measured via three risk based ratios: Core Tier 1 capital, Tier 1 capital, and Total capital.

The Banks Act requires FRBH to maintain a minimum level of capital based on risk weighted assets. These minimum requirements are a Tier 1 capital ratio of 7.0% and a Total capital ratio of 9.5% (excluding the bank specific (Pillar 2b) add on). FRBH and FRB have always held Tier 1 capital and Total capital well in excess of these required ratios.

Composition of regulatory capital (unaudited):

	AT 30 JUNE 2008	
R MILLION	FRBH	FRB*
Tier 1		
Ordinary share capital and share premium	5 236	7 567
Minority interest	1 771	–
Non redeemable non cumulative preference shares	3 100	3 000
Reserves	33 748	17 363
Less: Total impairments	(2 289)	(574)
Excess of expected loss over allowable provisions (50%)	(379)	(379)
First loss credit enhancements in respect of securitisation structures (50%)	(283)	–
Other impairments	(1 627)	(195)
Total Tier 1 capital	41 566	27 356
Tier 2		
Upper Tier 2 instruments	1 188	1 068
Tier 2 subordinated debt instruments	9 004	7 513
Other reserves	286	–
Less: Total impairments	(662)	(379)
Excess of expected loss over allowable provisions (50%)	(379)	(379)
First loss credit enhancement provided in respect of securitisation scheme (50%)	(283)	–
Total Tier 2 capital	9 816	8 202
Total qualifying capital and reserves	51 382	35 558

Risk weighted assets by risk type (unaudited):

	AT 30 JUNE 2008	
R MILLION	FRBH	FRB*
Credit risk	256 567	200 424
Operational risk	56 472	44 352
Market risk	17 710	10 369
Equity investment risk	25 653	21 042
Other risk	17 182	13 467
Total risk weighted assets	373 584	289 654

* *Reflects solo supervision, ie FRB excluding subsidiaries and associates.*

Targeted ratios (unaudited):

The total capital adequacy ratios for FRBH and FRB are within the target range as shown below. The Core Tier 1 ratios exceeded the respective targets. FRBH and FRB aim to remain within the targeted range during upturns and downturns.

	FRBH		FRB		
	Actual	Target	Actual	Target	Regulatory minimum
Capital adequacy ratio (%)	13.75	12.0 –13.5	12.28	11.5 – 13.0	9.50[1]
Tier 1 ratio (%)	11.13	10.00	9.44[2]	9.50	7.00
Core Tier 1 ratio (%)	10.30	8.25	8.41	7.75	5.25
Perpetual preference shares as a % of Tier 1 (%)	7.46		10.97		<25
Tier 2 subordinated debt as % of Tier 1 (%)	21.66		27.46		<50

1 The regulatory minimum excludes the bank specific (pillar 2b) add on.
2 The Tier 1 target ratio for FRB is exceeded if unappropriated profits of R185 million are included.

Economic capital (unaudited):

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

Capital is allocated to business units at the higher of:

- regulatory capital; and
- economic capital.

Both measures include an appropriate buffer.

The ICAAP Framework assists in the attribution of capital to business units in proportion to the risks inherent in their respective businesses, which also drives the optimisation of returns in terms of risk and reward.

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

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

- Credit risk – the risk of loss due to non performance of a counterparty in respect of any financial or performance obligation due to a deterioration in the financial status of the counterparty;
- Traded market risk – the risk of loss on trading instruments and portfolios due to changes in market prices and rates;
- Equity investment risk – the risk associated with the buying and holding of unlisted and listed shares;
- Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events;
- Interest rate risk in the banking book – the risk of changes in the economic value of assets and liabilities due to changes in interest rates; and
- Business and other residual risks – the risk of loss due to variances in volumes, prices and costs caused by competitive forces, regulatory changes, reputation and strategic risks.

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

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

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

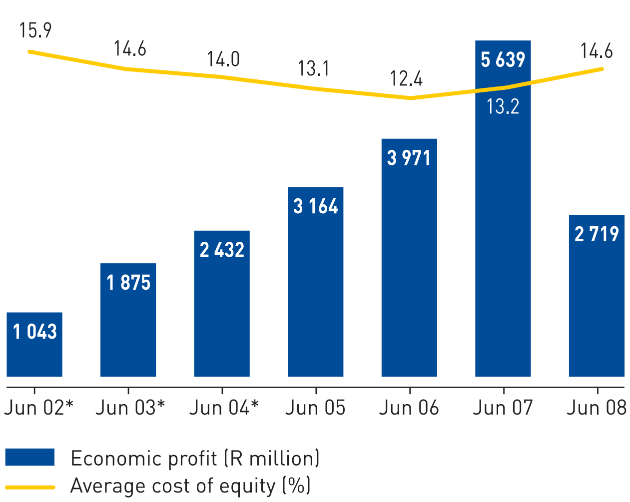
Economic profit = normalised earnings – (cost of equity x average ordinary shareholders' equity and reserves)

	YEAR ENDED 30 JUNE	
R MILLION	**2008**	2007
Normalised earnings	**8 814**	10 089
Preference dividends	**(273)**	(232)
Normalised earnings attributable to ordinary shareholders	**8 541**	9 857
Charge for capital*	**(5 822)**	(4 218)
Net economic profit	**2 719**	5 639
Average ordinary shareholders' equity	**40 006**	31 941
Return on average ordinary shareholders' equity (%)	**21.3**	30.9

** The capital charge is based on an average cost of equity of 14.6% (2007:13.2%).*

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

Net economic profit



** Economic profit for 2002 to 2004 based on pre IFRS basis.*

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

Momentum

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory Capital Adequacy Requirement ("CAR") with cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest bearing assets. Momentum awarded the mandate, to manage the discretionary cash held by the shareholders' portfolio, to RMB Asset Management. The investment mandate allows RMB Asset Management to invest the discretionary assets in cash or short dated interest bearing instruments.

Capital position (unaudited):

Momentum targets an economic capitalisation level range of 1.7 – 1.9 times CAR (based on the current formulae used to quantify CAR). At 30 June 2008, Momentum's CAR was covered 2.2 times by the excess of assets over liabilities (on the statutory valuation basis) before allowing for the dividend payable in October 2008.

	AT 30 JUNE		
	2008	2007	2007
R MILLION		Post dividend	Before dividends
Statutory excess over liabilities	**6 114**	4 694	5 794
CAR	**2 826**	2 467	2 467
CAR cover rate (times)	**2.2**	1.9	2.3

The capital position at 30 June 2008 allows Momentum to pay a normal dividend (of R437 million) to FirstRand Limited in October 2008. This dividend represents a dividend cover of 2.5 times based on normalised earnings. The proposed dividend will reduce Momentum's capital level from 2.2 times to 2.0 times CAR (based on Momentum's financial position at 30 June 2008). This capital level is regarded as acceptable given the current market conditions and business environment.

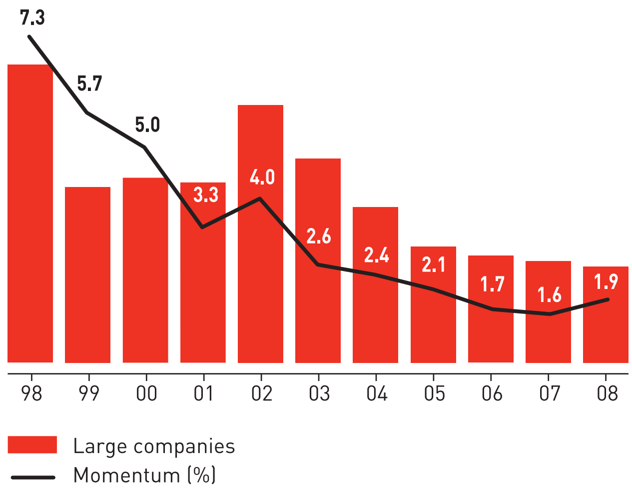
Momentum will be subject to the revised CAR formulae as issued by the Actuarial Society of South Africa, for the first time on 31 December 2008. The revised formulae explicitly allow for credit and operational risks, and also make changes to the allowance for interdependencies and minimum investment return guarantees.

The final impact of these changes on the quantum of CAR must still be established. Given the future changes to the CAR formulae and the current market conditions, a slight margin above the targeted capitalisation range is therefore considered prudent.

Capital efficiency (unaudited):

The graph below illustrates the improvements in Momentum's capital efficiency over the past number of years. The capital efficiency is measured by expressing CAR as a percentage of Momentum's total policyholder liabilities.

Improvements in Momentum's capital efficiency
CAGR %



The comparison in the graph above illustrates that Momentum's insurance business tends to be less capital intensive than the average of the large South African insurance companies.

The reduction in the CAR (as a percentage of liabilities), from F1998 to F2007 mainly resulted from a more capital efficient liability mix, as well as the positive impact of good investment performance. The increase in the ratio in F2008 was due to a reduction in policyholder bonus stabilisation accounts (given recent equity market weakness), as well as the increased capital requirement for high minimum benefits under certain products, in line with regulations that followed the Statement of Intent.

Composition of regulatory capital (unaudited):

In line with FirstRand's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 30 June 2008.

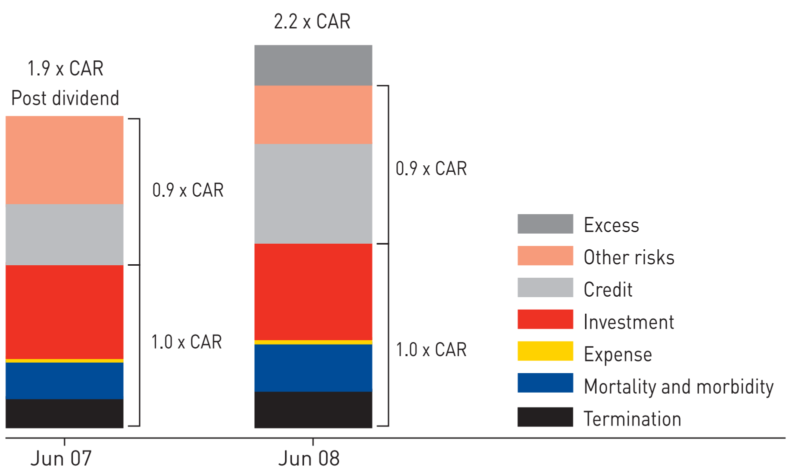
Regulatory capital

	AT 30 JUNE			
R MILLION	**2008**	%	2007	%
Tier 1	**5 078**	83	4 758	82
– Core Tier 1 (ie equity capital)	**4 578**	75	4 258	73
– Non redeemable preference shares	**500**	8	500	9
Subordinated qualifying bond[1]	**1 036**	17	1 036	18
Qualifying statutory capital	**6 114**	100	5 794	100

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

Composition of economic capital (unaudited):

The bar chart below sets out how the main risks contribute to Momentum's total economic capital requirement.



It should be noted that the credit component of Momentum's total economic capital requirement at 30 June 2008 was quantified using the revised professional guidance that will come into effect on 31 December 2008. Momentum's internal credit risk model was used to determine the credit capital component at 30 June 2007.

BANKING SUPERSEGMENT ("FRBG")

RISK GOVERNANCE

FRBG's governance structure is illustrated in the diagram below:

BOARD

BOARD COMMITTEES

***Audit committee**
- Considers the annual financial statements for approval by the Board of directors
- Monitors the quality of the internal controls and processes of the Banking Group and the implementation of corrective actions

***FRBG Risk, Capital and Compliance committee**
- Approves risk management policies, standards and processes
- Monitors Group risk assessments
- Monitors the effectiveness of risk management and high priority corrective actions
- Monitors the Group's risk profile

***Large Exposures Credit committee**
- Approves credit exposures in excess of 10% of bank capital

®Banking Group Credit committee
- Credit approvals of Group or individual credit facilities in excess of sub committee mandates and limits
- Approves all credit products and product policies

SUB COMMITTEES OF FRBG RISK AND COMPLIANCE COMMITTEE

©FRBG Credit Portfolio Management committee
- Approves credit risk management policies, standards and processes
- Monitors the effectiveness of the credit risk management processes
- Monitors the Group's credit risk profile

®Market Risk committee
- Approves market risk management policy, standards and processes
- Monitors the effectiveness of the market risk management process
- Monitors the Group's market risk profile

***Model Risk and Validation committee**
- Considers and approves all material aspects of model validation work including credit rating and estimation, international models for market risk and advance measurement operational risk models

***Asset and Liability committee**
- Approves management policies, methodologies, standards and processes for interest rate risk in the banking book and for liquidity risk in FRBG
- Monitors the effectiveness of these risk management processes

***Capital Management committee**
- Approves objectives, policies and principles relating to the capital management process of accounting capital, regulatory capital and economic capital
- Approves buffers over regulatory capital and monitors capital adequacy ratios

#Operational Risk committee
- Monitors the risk management processes, operational risk management, the effectiveness of risk management, process breakdowns and corrective actions

#Banking Group Compliance committee
- Approves compliance risk management principles, frameworks, plans, policies and standards for the Group
- Monitors the effectiveness of compliance risk management, breaches and corrective action taken across the Group

DIVISIONAL RISK, AUDIT AND COMPLIANCE COMMITTEES

GROUP SUPPORT

INDEPENDENT RISK OVERSIGHT		FINANCIAL MANAGEMENT AND OPTIMISATION	
Enterprise Risk Management	Banking Group Compliance	Finance and Audit functions	Balance Sheet Management

* Denotes chairperson is a non executive board member.
\# Denotes chairperson is a non executive non board member.
© Denotes chairperson is an executive board member.
® Denotes chairperson is executive management. The Banking Group Credit Committee has non executive board representation.

FRBG's risk management governance structures cascade down from the board to the subsidiaries and main divisions and their business units. Divisional and risk sub committees oversee the risk management processes of FRBG.

The ERM function provides independent risk oversight and the FRBG Compliance ("BGC") function provides independent compliance oversight. These independent oversight functions report directly to the CEO and are responsible for coordinating and monitoring the risk governance functions and oversight of FRBG, as well as establishing and driving implementation of risk management standards, methodology and processes.

Balance Sheet Management ("BSM") is responsible for balance sheet optimisation and portfolio management of credit risk, interest rate risk, liquidity risk and capital and funding requirements. The Finance and Audit function manages financial reporting, tax risk and legal risk. BSM and the Financial function report to the CFO.

Deployed risk managers in the various divisions and business units are responsible for supporting the implementation of the Risk Management Framework at business unit level. All the business units report on the effectiveness of their risk management processes to their relevant risk management functions and risk committees via a bottom up process. The risk reporting process is designed to provide an appropriate representation of the risk profile. The risk reports for each of the main business divisions are submitted quarterly for review by the FRBG Risk, Compliance and Capital committee ("RCC committee"). The FRBG RCC committee reports on a quarterly basis to the board.

FRBG has aligned the responsibilities and tasks of the various board committees and sub committees with the recommendations of Basel II.

All FRBG's subsidiaries, divisions and major business units have their own risk and audit committees. All audit committees and the FRBG RCC committee have non executive representation. The FRBG RCC committee and all audit committee meetings are attended by representatives from the external and internal auditors and the independent risk management functions. The independent and deployed risk managers attend all risk committees as appropriate.

These mechanisms ensure the integrity of reports presented to the board committees through external and independent oversight observers at all levels of governance.

Risks in the unregulated entities within FRIHL are managed by the different FRBG franchises, namely, FNB, RMB and WesBank. These unregulated entities are subject to the Group's and the franchises' risk management policies and procedures and are governed by the franchises' risk, compliance and capital committees. The risks of FRIHL are reported through the risk governance structures of FRBH.

RISK MANAGEMENT FRAMEWORK

The Business Performance and Risk Management Framework ("Risk Management Framework") of FRBG, a policy of the board, governs the risk management process and provides a matrix of business, strategic, financial and non financial risks that FRBG monitors. In terms of this framework, risk management is vested as an integral part of management's functions at all levels of FRBG and includes the management of governance, strategy, business performance, competitiveness, human resources, external factors, processes, information technology, and operational, financial and tax risk.

ACHIEVEMENTS AND FOCUS

2008 ACHIEVEMENTS

ENTERPRISE RISK MANAGEMENT:

- Successful implementation of phase II of the Integrated Risk Reporting project.
- Implementation of IFRS 7 risk reporting and disclosure.

Credit risk:

- Formal approval from the SARB to use the AIRB approach for credit risk regulatory capital calculations in FRB.
- Successful implementation of the Banks' Act reporting systems for reporting of credit risk exposure and capital to the SARB.
- Successful implementation of the Basel II Pillar III and IFRS 7 credit risk reporting requirements.
- Enhancement of internal economic capital model implementation including enhancement of stress tests for credit risk and assessment of volatility of credit risk under different scenarios.
- Successful implementation of the revised Group risk management functions including the creation of the Group Credit Risk control function in ERM and the revised focus in Balance Sheet Management on credit portfolio management.

2008 ACHIEVEMENTS *continued*

Market risk:

- Adoption and implementation of the internal model approach to measure regulatory market risk capital.
- Accurate performance of the internal distressed expected tail loss risk measure.

Liquidity risk:

- Successful implementation of Basel II requirements regarding liquidity risk funding and management.
- Successful implementation of a new Basel II approach to measure, manage and monitor liquidity risk.
- Successful management of liquidity risk and funding during the credit turmoil, subprime credit crisis in the US and its consequential liquidity concerns.
- Research and case studies of recent bank failures during the credit turmoil were applied to test the conservativeness in the new approach to measure and manage liquidity risk and the results were satisfactory.
- Enhancement of the approach to measure liquidity risk with numerous new Key Risk Indicators in place to depict possible liquidity stresses and risks.

Interest rate risk in the banking book:

- Positioned the book to take advantage of interest rate hikes.
- Transition to Basel II/Basel II progress – in compliance with SARB/Basel II, requirements, the BA330 regulatory return went live in January 2008, replacing the previous DI410 submission. The BA330 return is used to disclose the interest rate risk of the domestic banking book to the SARB. The relevant assumptions and methodologies were approved by a technical committee (mandated by the FRBG's Model Risk and Validation committee) and presented and ratified by FRBG ALCO.

Operational risk:

- Approval from the SARB to use The Standard Approach ("TSA") for operational risk.
- Submitted the application to the SARB for Advanced Measurement Approach ("AMA").

FOCUS AREAS FOR 2009

ENTERPRISE RISK MANAGEMENT:

- Refinement of risk appetite.

Credit risk:

- Roll out of the enhanced credit risk appetite and portfolio management processes across FRBG.
- Enhance the dynamic loss forecasting and stress testing process.
- Ongoing enhancement of the credit risk economic capital models.
- Further alignment of the international businesses' credit processes, systems and models with the domestic business.

Market risk:

- Defining and implementing a process of determining stop loss limits at entity level to align with the capital allocation process and Market Risk Limit Framework.

Liquidity risk:

- Expand on the dynamic management of liquidity risk through the economic and interest rate cycle to sustain profitability without compromising liquidity risk.

Interest rate risk in the banking book:

- Implementation of new integrated risk software, improvement in the integration of economic value and earnings at risk methodologies in determining economic capital charges.

Operational risk:

- Further refinement of quantification for operational risk capital.
- Further refinement of risk scorecards for risk sensitive operational risk capital.
- Risk optimisation process focusing on convergence of risk tools.

STRATEGIC AND BUSINESS RISK

STRATEGIC RISK IS THE RISK TO CURRENT OR PROSPECTIVE EARNINGS AND CAPITAL, ARISING FROM ADVERSE BUSINESS DECISIONS OR THE IMPROPER IMPLEMENTATION OF DECISIONS. BUSINESS RISK DESCRIBES THE RISK FRBG ASSUMES DUE TO POTENTIAL CHANGES IN GENERAL BUSINESS CONDITIONS, SUCH AS OUR MARKET ENVIRONMENT, CLIENT BEHAVIOUR AND TECHNOLOGICAL PROGRESS.

This can affect our earnings if we fail to adjust quickly or lack in our responsiveness to change in the business environment. In essence it is any risk that can result in us not meeting our business performance objectives.

Accountability for strategic risk

The risk is primarily addressed through the development and implementation of an effective strategic plan. The FRBG board is responsible for approving FRBG's objectives and the strategies and plans for achieving those objectives. The FRBG board approves any subsequent material changes in strategic direction, as well as significant acquisitions, mergers, take overs, equity investments and new strategic alliances by the company or its subsidiaries. The CEO is responsible for the development and implementation of the strategic plan.

Risk identification

FRBG's executive management continually reviews the Bank's strategy, taking into account the business, legal and regulatory environments in which it operates. Executive management identifies and assesses strategic and business opportunities and addresses the associated risks throughout the strategic planning process.

Risk management

Executive management and business unit management monitor the external business environment (industry trends, regulatory changes, customer behaviour, competitors) and report on risks and opportunities through FRBG's risk reporting structure. The board reviews the performance of FRBG every quarter and ensures that management takes corrective action to address potential strategic and business risks.

CREDIT RISK

The pages from 109 to 123 have been audited (to the start of the Risk parameters table). All tables and graphs are unaudited unless stated otherwise.

CREDIT RISK IS THE RISK OF LOSS DUE TO NON PERFORMANCE OF A COUNTERPARTY IN RESPECT OF ANY FINANCIAL OR PERFORMANCE OBLIGATION DUE TO DETERIORATION IN THE FINANCIAL STATUS OF THE COUNTERPARTY.

Credit risk arises from advances to customers, lending commitments, contingent products (eg letters of credit) and traded products such as investments in debt securities and derivative instruments. It could also arise from the reduction in value of an asset subsequent to the downgrading of the counterparty.

Country risk relates to the likelihood that changes in the business environment will occur that would reduce the profitability of doing business in a country and ultimately might result in credit losses arising from cross border transactions.

Credit risk is the most significant risk type FRBG is exposed to. The contribution of credit risk to the total regulatory and economic capital requirement of FRBG is also the highest of all risk types.

Credit risk governance

Credit risk in FRBG is managed in terms of the Credit Risk Management Framework. This framework is a sub framework of FRBG's Risk Management Framework. Through the establishment of formal credit risk management and governance structures, policies, procedures and methodologies, FRBG aims to achieve effective management of credit risk to provide an adequate return on risk adjusted capital in line with FRBG's risk reward appetite.

The overall responsibility for the effectiveness of credit risk management vests with the board. Through its establishment of formal credit risk management governance structures, the board has delegated the oversight responsibility for credit risk management to FRBG's RCC committee and its sub committees, the Credit Approval committees, and boards of subsidiary companies. Operational responsibility is delegated to executive management and risk functions both at group and business unit level.

The approval of credit vests with FRBG's Credit committee (a sub committee of the board) and its committee structures. The approval committee approves credit facilities according to delegated mandates. The Large Exposures Credit committee, which is also a sub committee of the board, approves the credit facilities in excess of 10% of capital. For the African subsidiaries, each subsidiary company has its own set of delegated authorities approved by the subsidiary's board and the FRBG Credit committee.

FRBG's RCC committee (a sub committee of the board) approves the Credit Risk Management Framework. It receives and reviews reports that demonstrate the effectiveness of credit risk management and information on the credit risk profile of FRBG. Operational breakdowns or significant weaknesses in the credit risk management process are reported to the committee. It is supported by a sub committee structure which includes the FRBG Credit Portfolio Management committee ("Credit Exco"), as well as the Model Risk and Validation ("MRV") committee.

The Credit Exco is responsible for the strategic management of credit risk and the oversight of the credit risk profile of the Group. Its responsibilities include the review of the following:

- macro economic and credit conditions outlook;
- credit risk profile;
- credit portfolio performance, including the appropriateness of loss impairments;
- new business origination including credit risk reward appetite, and adjustments thereto based on the macro cycle;

- sensitivity and scenario analyses, credit economic capital and stress testing; and
- credit concentrations.

The MRV committee is responsible for the oversight of credit risk measurement systems such as the credit rating systems. Reports on the design and operation of the rating systems are submitted to the MRV committee for challenge and approval. All model development and validation frameworks are set by the MRV committee.

The operational roles and functions for credit risk management are fulfilled by both centralised group functions as well as decentralised functions within the business units. During the year under review, FRBG implemented a two tiered structure in the centralised group functions. The new structure provides for a Group Credit Risk Control unit within the ERM division as well as a Credit Portfolio Management function that resides within the BSM division. ERM reports to the CEO, whilst BSM reports to the CFO.

The Group Credit Risk Control function is responsible for the independent oversight of credit segments in the business units and credit portfolio management in BSM. It owns the Credit Risk Management Framework and policies and monitors the implementation of the frameworks. Its role also includes the following:

- oversight of the Risk Reward Appetite Framework for credit risk;
- monitoring of the credit risk profile of the group;
- review of all credit rating systems as well as independent revalidation of material credit rating systems;
- management of the interaction of third party stakeholders such as the regulator;
- oversight of the aggregate credit impairment process;
- regulatory reporting; and
- risk profile reporting.

The Group Credit Portfolio Management function is responsible for the balance sheet management aspects of credit risk, including the following:

- formulation of macro economic and credit outlook;
- quantification and allocation of credit economic risk and capital including the credit risk assessment used for the internal capital adequacy assessment process and assessment of capital buffer requirements;
- active participation in the credit strategy and origination activities;
- management of the risk appetite implementation across business units;
- credit risk stress testing, scenario analysis and portfolio modelling;
- management of impairments including the impairment reporting analysis and assessment;
- initiation of structured credit transactions to optimise the balance sheet;
- coordination of the group securitisation process; and
- credit portfolio reporting and analysis for Credit Exco and other stakeholders.

The diagram below shows the Group and segment credit functions. The credit segment heads are supported by teams within the business units and subsidiaries. These functions are responsible for the operational implementation of credit risk policies. This includes the implementation of sufficient credit risk structures, processes and infrastructure to manage the credit process effectively. These functions are responsible for the operational credit business management including the following:

- formulation of credit strategy and determination of credit appetite;
- provision of strategic support to business unit heads to ensure appropriate origination and effectiveness of returns on risk adjusted capital;
- formulation and implementation of risk policies, procedures, methodologies and standards for credit risk management in each segment;
- development of credit rating systems, processes and other decision support tools and pricing approaches;
- monitoring of the quality of new business origination and the existing portfolio;
- implementation of structures for ongoing risk management including management of collateral and facilities;
- reporting on credit risk profile, pricing trends and other key measures; and
- ongoing management of the credit risk processes and infrastructure.

<table>
<tr><td>GROUP CREDIT FUNCTIONS</td><td colspan="2">ENTERPRISE RISK MANAGEMENT:
GROUP CREDIT CONTROL UNIT (CRC)</td><td>BALANCE SHEET MANAGEMENT
CREDIT PORTFOLIO MANAGEMENT</td></tr>
<tr><td>SEGMENT CREDIT FUNCTIONS</td><td>RETAIL CREDIT
(WesBank & FNB)</td><td>COMMERCIAL CREDIT
(FNB)</td><td>WHOLESALE CREDIT
(FNB & RMB)</td></tr>
</table>

Credit risk management

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring and control as well as reporting of credit risk exposure. The objectives of the policies and processes are to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement and monitoring through the implementation of adequate risk management controls.

Based on FRBG's risk reward appetite for credit risk, the risk is managed with reference to such principles including appropriate levels of capital and pricing for risk on an individual and portfolio basis.

The credit value chain incorporates credit risk management at every level in the organisation. Upon application, creditworthiness of the counterparty is assessed and measured in terms of the risk appetite. The counterparty's credit risk is measured using internally developed and validated risk models as described in the credit risk measurement section below. The credit exposure is approved at appropriate levels as prescribed per the delegated mandates.

Processes are in place for the wide range of product and counterparty types in FRBG. Based on product/counterparty characteristics, the credit processes are aligned to manage the specific risk at business unit level. Subsequent to credit approval, all facilities are continually measured, managed and monitored as part of the ongoing credit risk management processes designed at credit segment level. This includes the following:

- quantification of exposure and risk as well as management of facility utilisation within the predetermined and approved credit limits;
- ongoing monitoring of creditworthiness of the counterparty to ensure early identification of high risk exposures;
- reviewing facilities at appropriate intervals;
- collateral and covenant management;
- management of high risk exposures ("watch list exposures");
- collections and work out processes for defaulted assets; and
- credit risk reporting.

Credit defaults are monitored relative to expected losses. Impairments are created against the portfolio and against non performing loans as described in the section below on impairments.

Credit risk mitigation

Although, in principle, the credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce FRBG's lending risk resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by segment, product or counterparty type:

- Mortgage and instalment sale finance portfolios in FNB HomeLoans, Wealth and WesBank are secured by the underlying assets financed.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured via guarantees and suretyships.
- FNB Commercial credit counterparties are mostly secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and the cash flows received from the use thereof.
- Working capital facilities in FNB Corporate Banking are unsecured whereas the structured facilities in RMB are mostly secured as part of the structure through financial collateral including guarantees or credit derivative instruments and assets. The credit risk in RMB's treasury environment is mitigated through the use of netting agreements and financial collateral.

Policies and processes for collateral valuation and collateral management

Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For wholesale and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness. For mortgage portfolios, collateral is revalued using an index model on an ongoing basis. For all the retail portfolios, including the mortgage portfolio, collateral is again valued through physical inspection at the time the exposure enters the workout process.

Collateral is managed internally to ensure the Bank's title to the collateral is maintained on an ongoing basis.

The concentrations within credit risk mitigation types, such as property, are monitored and managed within the credit segments' portfolios. FNB HomeLoans and the Wealth segment monitor their exposure to a number of geographical areas, as well as within loan to value bands.

For FRB, collateral is taken into account for capital calculation purposes through the determination of the loss given default ("LGD"). The existence of collateral results in a reduced LGD, and the level of the LGD is determined through statistical modelling techniques based on the historical experience of the recovery processes.

Use of netting agreements

FRBG uses International Swaps and Derivative Association ("ISDA") agreements to govern the netting of derivative transactions. All transactions are valued on a daily basis and the appropriate netting of exposures is applied. The master agreement contains internationally accepted valuation and default covenants. For accounting purposes, netting is only applied where there is legal right of setoff and there is an intention to settle on a netted basis.

Credit concentration risk management

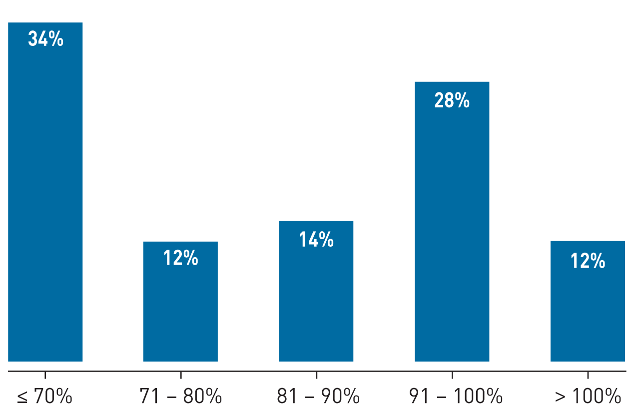
Concentration risk is managed in the credit portfolios, based on the nature of the credit concentration within each segment:

- Wholesale credit portfolio:
  - concentration risk management is based on individual name limits for large exposures (which are reported to and approved by the Large Exposures Credit committee) and the monitoring of industry and country concentrations. A sophisticated simulation portfolio model has been implemented to quantify concentration risk and the potential impact thereof on the credit portfolio. FRBG also uses securitisation structures and the purchase of credit derivatives as a credit mitigation tool to address credit concentration risk management;
- Commercial credit portfolio:
  - for the Commercial (SME level) exposures, the emphasis of concentration risk measurement is on industry distribution; and
- Retail credit portfolios:
  - due to the inherent diversification in the retail portfolios, concentrations are managed with reference to collateral concentrations.

Residential mortgages balance to value (unaudited)

The following graph provides the balance to value distribution for the residential mortgages. The graph presents the balance to property value (at application date or physical valuation date) and excludes any non performing loans.

Residential mortgages balance to value



Credit risk measurement

The credit risk measurement models developed internally in FRBG provide the basis for credit risk management in all segments. The models are widely used in the determination of capital levels, pricing, impairment calculations and scenario and stress testing.

Through the implementation of the Basel II requirements for the AIRB approach, FRB has developed a number of rating systems and risk quantification models. The SARB provided the Bank with approval to use its internal rating models for the assessment of regulatory capital under Basel II. The remaining FRBG subsidiaries are using the Standardised Approach for Basel II.

The FNB Africa subsidiaries have implemented the Standardised Approach of Basel II for regulatory reporting to the SARB. However, for internal purposes, the credit measurement models are being aligned to those used in FRB as far as possible. Currently, similar processes have been implemented to a large extent in most of these subsidiaries using similar models and principles.

Where possible, the remaining subsidiaries of FRBG use similar credit measurement systems to those implemented in FRB. Although the Standardised Approach is used for regulatory capital purposes, internally, the credit measurement systems are being used to assign ratings and estimate the probability of default and loss given default.

The risk parameters measured are described below:

i. Probability of default ("PD") and credit ratings

The probability of default is the probability that a counterparty will default within the next year and considers the ability and willingness of the counterparty to repay. The definition of default is dependent on the earlier of the following two drivers:

- a time driven element where an exposure is more than 90 days in arrears; or
- an event driven element when there is reason to believe that the exposure will not be recovered in full.

The definition of default is used in the modelling of credit rating systems described below. The definition of default used for the recognition of non performing loans is similar to the above definition. For some portfolios, the definition used in the credit modelling is slightly more conservative than the definition described above due to the different conventions of day count to determine the time driven component.

Cumulative default probabilities over a multi year cycle are established for internal purposes.

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

The ratings and associated PDs reflect two different conventions. The Point In Time ("PIT") PD reflects the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect a longer term average over the economic cycle. These PDs are applied in different circumstances as appropriate to the business and regulatory requirements under Basel II. Typically, the PIT estimates are used for the calculation of impairments, whereas the "through the cycle" estimates are used for regulatory and economic capital calculations.

The FR scale is summarised in the following table, together with a mapping to international scale ratings from external rating agencies (unaudited):

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

* *Indicative mapping to international rating scale of Fitch and Standard & Poor's.*

The rating assignment process depends on the type of counterparty. The processes vary from an automated scorecard process in the retail areas to an extensive analysis on an individual basis for corporate counterparties. The retail portfolio is segmented into homogeneous pools through an automated scoring process using statistical models of customer behaviour and application data, delinquency status and other client or product specific parameters. Based on internal product level history associated with the homogeneous pools, the probabilities of default are estimated for each pool. For the Commercial portfolios, counterparties are scored using the Moody's RiskCalc model which output has been calibrated to internal historical default experience. The corporate counterparties are rated through a combination of a detailed individual assessment of the counterparty's creditworthiness and an internally developed statistical rating model. The assessment of the counterparty's creditworthiness is performed through a qualitative analysis of the business and financial risks of the counterparty. The quantitative rating model was developed using internal and external data of more than ten years.

ii. Loss given default ("LGD")

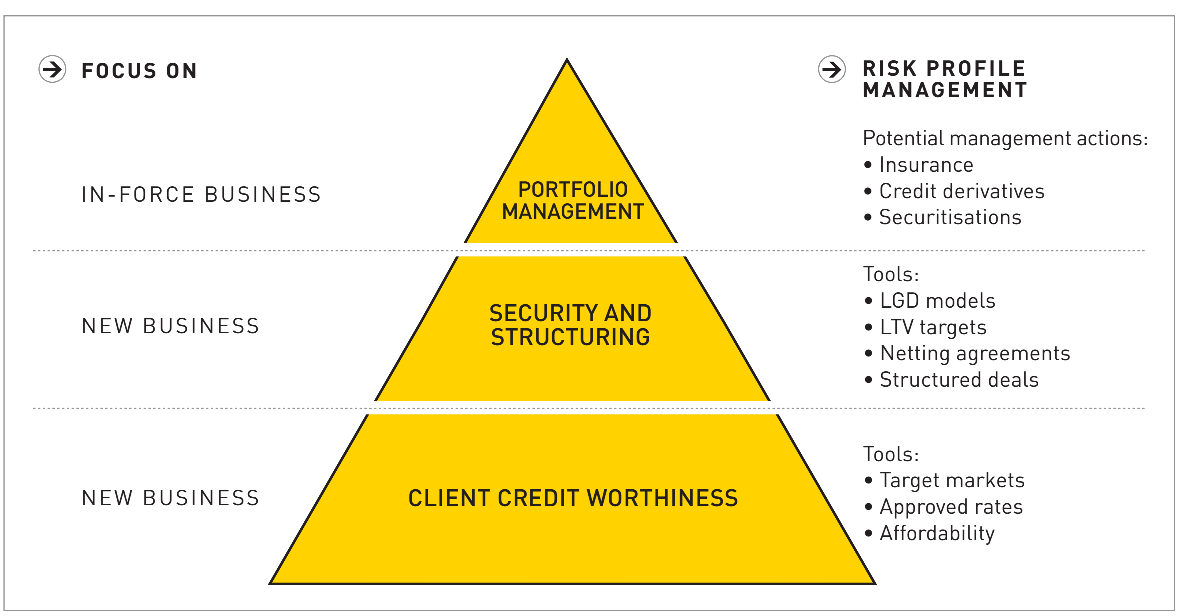
The loss given default is defined as the economic loss that will be suffered on an exposure following default of the counterparty, expressed relative to the amount outstanding at the time of default as a percentage. The recoveries are significantly impacted by the types and levels of collateral held against the exposure, the level of subordination, the effectiveness of the recovery processes and the timing of the recovered cash flows. The estimation of LGD is determined through the use of internal data as well as benchmarking to external data. A long run and a downturn LGD is determined where applicable. The downturn LGD reflects increased LGDs relative to long run average LGD estimates during periods of high defaults (ie where a positive correlation exists between the PD and LGD). For the calculation of capital, "downturn" LGDs are used.

iii. Exposure at default ("EAD")

Exposure at default is defined as the gross exposure of a facility upon default of a counterparty. This measurement reflects potential credit exposure for off balance sheet exposures such as the probability of further drawdown under a committed facility and the potential future exposure of derivative exposures.

Use of credit risk measures

The credit risk measures are used extensively in FRBG's processes for pricing and credit impairments. The assigned ratings are also used in the setting of credit risk appetite. Credit ratings and loss parameters also provide input into the capital assigned and are used to determine the return on risk adjusted capital. The following diagram provides an overview of the elements of the risk appetite and how they interact:



Expected loss

Expected loss is calculated as PD x LGD x EAD. This measurement is a forward looking measure of risk through the cycle. For internal purposes, such as inputs into pricing and impairment processes, the PIT probability of default is used in the determination of a point in time expected loss.

The PD, LGD and EAD estimates are used as inputs into the credit approval process, pricing process, provisioning, reporting and regulatory and economic capital estimates where appropriate.

More information on the credit risk measurement for the current portfolio position is provided in the Risk parameters and Basel II sections below.

Credit portfolio management

The PD, LGD and EAD estimates provide input into the portfolio level credit exposure assessment of FRBG. In addition to these metrics, the correlations between counterparties and industries are assessed as well as the potential diversification benefits.

Portfolio management includes monitoring of the following:

- credit concentrations to single counterparties and industry sectors relative to capital levels;
- economic capital (unexpected loss) measurement using internally developed macro economic models and simulations for the retail credit portfolios and a sophisticated simulation portfolio model for wholesale credit portfolios;
- assessment of economic risk with reference to potential downturn and severe downturn scenarios, together with the earnings and capital impact thereof and the link to the internal capital adequacy assessment process;
- portfolio stress tests on expected losses, including the assessment of the impact of macro economic factors on the credit portfolio, for example the impact of interest rate changes, property downturns, and general recession conditions; and
- consideration of the need for macro credit hedges given the potential scenarios determined, including the identification of structured transactions such as securitisations and credit insurance.

Maximum exposure to credit risk (audited)

The table below provides the maximum exposure to credit risk for all balance sheet items where credit risk exposures exist:

Total exposure (after interest in suspense)

	AT 30 JUNE	
R MILLION	**2008**	2007
Cash and short term funds	**24 737**	26 468
– Money at call and short notice	**2 214**	4 731
– Balances with central banks and guaranteed by central banks	**11 762**	9 267
– Balances with other banks	**10 761**	12 470
Gross advances	**456 539**	396 110
Total FNB	**207 658**	180 281
– FNB Retail	**162 841**	139 024
– FNB Corporate	**20 708**	20 967
– FNB Commercial	**24 109**	20 290
WesBank	**99 949**	98 434
RMB	**130 591**	100 071
FNB Africa	**15 755**	13 492
Other	**2 586**	3 832
Derivatives	**49 104**	20 840
Investment securities (excluding non recourse investments)	**58 578**	41 467
– Listed debt investment securities	**24 310**	19 988
– Unlisted debt investment securities	**34 268**	21 479
Accounts receivable	**5 869**	6 866
Loans to Insurance Group	**6 561**	4 016
Credit risk not recognised on the balance sheet	**66 917**	65 395
Guarantees	**19 713**	26 432
Acceptances	**1 992**	340
Letters of credit	**4 843**	4 766
Irrevocable commitments	**40 143**	33 857
Underwriting exposures	**226**	–
Total	**668 305**	561 162

Quality of credit exposures (audited)

The table below provides the age analysis of the advances considered past due. Advances are considered past due where a specific expiry date is in place or regular instalments are required and such payments have not been received by FRBG. A loan payable on demand is treated as overdue where a demand for repayment has been served but repayment has not been made in accordance with the demand requirements. Based on the description above, it is mostly residential mortgages, instalment sale products, credit cards and personal loans that are classified as past due in the table below:

R MILLION	AT 30 JUNE 2008						
			Past due but not impaired				
Age analysis of advances	Neither past due nor impaired	Re-negotiated but current	1 – 30 days	31 – 60 days	>60 days	Impaired*	Total
FNB Retail	131 035	876	14 735	4 611	3 606	7 978	162 841
FNB Corporate	20 526	–	25	17	–	140	20 708
FNB Commercial	23 393	–	107	51	46	512	24 109
FNB	174 954	876	14 867	4 679	3 652	8 630	207 658
WesBank	93 508	–	2 195	808	257	3 181	99 949
RMB	129 442	126	133	23	10	857	130 591
FNB Africa	14 533	–	590	106	137	389	15 755
Other	2 539	–	–	–	–	47	2 586
Total	414 976	1 002	17 785	5 616	4 056	13 104	456 539

* *Impaired advances are net of interest in suspense.*

R MILLION	AT 30 JUNE 2007						
			Past due but not impaired				
Age analysis of advances	Neither past due nor impaired	Re-negotiated but current	1 – 30 days	31 – 60 days	>60 days	Impaired*	Total
FNB Retail	122 299	420	8 351	3 116	1 749	3 090	139 024
FNB Corporate	20 803	–	7	5	–	152	20 967
FNB Commercial	19 743	–	85	21	94	347	20 290
FNB	162 845	420	8 443	3 142	1 843	3 588	180 281
WesBank	90 717	5	4 503	1 244	425	1 540	98 434
RMB	99 228	305	116	18	6	398	100 071
FNB Africa	12 156	10	665	143	199	319	13 492
Other	3 798	–	–	–	–	34	3 832
Total	368 744	740	13 727	4 547	2 473	5 879	396 110

* *Impaired advances are net of interest in suspense.*

Advances considered past due is defined in the accounting policies. For internal risk reporting, a distinction is drawn between technical past due or arrear accounts (ie accounts in arrears by less than one payment) which typically arise from small short payments eg debit orders not yet updated for recent interest rate increases or other technical factors, and normal arrears (ie accounts in arrears by one to three full payments). The past due advances in the tables above includes both technical arrears as well as normal arrears. Total technical arrears included in the past due analysis (mostly relating to retail exposures) amounted to R6.6 billion.

Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, FRBG granted a concession where original terms and conditions of the facility were amended. The objective of such amendment is to mitigate the risks where the current situation could result in the counterparty no longer being able to meet the terms and conditions originally agreed. Renegotiated advances include only those that have been reclassified as *neither past due nor impaired*. In most business units, it is the practice to continue recognition of the renegotiated advances as past due and therefore it is not included above as renegotiated but rather as past due in the table above. Where the advances were reclassified as *neither past due nor impaired*, the adherence to the new terms and conditions are closely monitored. The renegotiated advances exclude any advances where the facility terms were extended or renewed as part of the ordinary course of business on terms and conditions equivalent to the current terms or conditions for new debt with similar risk.

The table below presents an analysis of the credit quality of the *neither past due nor impaired* (ie performing) advances. (Refer to page 113 above for the FR rating mapping to international scale and average probability of default levels) (audited).

	AT 30 JUNE 2008							
	Total neither past due nor impaired	FNB						
R MILLION		Retail	Corporate	Commercial	WesBank	RMB	FNB Africa	Other
FR 1 – 25	100 959	25 639	7 939	3 454	5 371	56 629	309	1 618
FR 26 – 91	299 779	96 170	12 587	19 190	84 451	72 365	14 095	921
Below FR 92	14 238	9 226	–	749	3 686	448	129	–
Total	**414 976**	**131 035**	**20 526**	**23 393**	**93 508**	**129 442**	**14 533**	**2 539**

	AT 30 JUNE 2007							
	Total neither past due nor impaired	FNB						
R MILLION		Retail	Corporate	Commercial	WesBank	RMB	FNB Africa	Other
FR 1 – 25	104 196	26 989	11 221	1 819	2 258	58 111	–	3 798
FR 26 – 91	260 778	93 795	9 577	17 137	87 964	40 272	12 033	–
Below FR 92	3 770	1 515	5	787	495	845	123	–
Total	368 744	122 299	20 803	19 743	90 717	99 228	12 156	3 798

The table below provides the credit quality of financial assets other than advances. (Refer to page 113 above for the mapping of international scale ratings to average probability of default levels) (audited).

	AT 30 JUNE 2008				
R MILLION	Investment securities	Derivatives	Cash and short term funds	Due by FirstRand non Banking Group companies	Total
Credit quality of financial assets other than advances neither past due nor impaired					
AAA to BBB	48 444	28 074	23 445	6 561	106 524
BB, B	9 822	20 943	615	–	31 380
CCC	283	82	–	–	365
Unrated	29	5	677	–	711
Total	**58 578**	**49 104**	**24 737**	**6 561**	**138 980**

	AT 30 JUNE 2007				
R MILLION	Investment securities	Derivatives	Cash and short term funds	Due by FirstRand non Banking Group companies	Total
Credit quality of financial assets other than advances neither past due nor impaired					
AAA to BBB	33 194	15 344	24 730	4 016	77 284
BB, B	4 941	5 343	1 076	–	11 360
CCC	115	150	1	–	266
Unrated	3 217	3	661	–	3 881
Total	41 467	20 840	26 468	4 016	92 791

For further information on the impaired advances, refer to note 14 in the annual financial statements.

Risk concentrations (audited):

Refer to note 13 in the annual financial statements for an industry distribution and geographical distribution of advances.

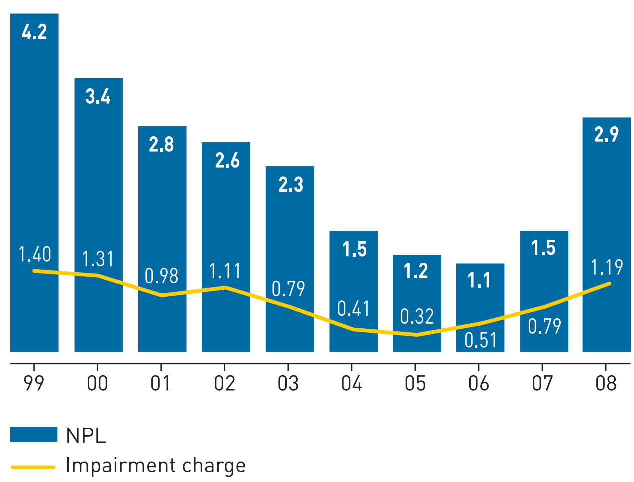
Non performing loans and impairments on advances (audited)

FRBG assesses the adequacy of impairments on an ongoing basis through review of the quality of the credit exposures. Although credit management and workout processes are similar for amortised cost advances and for fair value advances, the creation of impairments differ. For amortised cost advances, impairments are charged through the income statement impairment charge resulting in a balance sheet impairment reserve. For fair value advances, the credit valuation adjustment is charged to the income statement through trading income and recognised as a change to the carrying value of the asset.

Specific impairments are created in respect of non performing advances where there is objective evidence that an incurred loss event had an adverse impact on the estimated future cash flows of the asset. The amounts recoverable from guarantees and collateral are incorporated into the calculation of the impairment. All assets not individually impaired as described, are included in portfolios with similar credit characteristics (homogeneous pools) and are collectively assessed. Portfolio impairments are created in respect of these performing advances based on historical patterns of losses in each component of the performing portfolio. Reference is made to the arrears, arrears roll rates, point in time PDs, LGDs and the economic climate. When a loan is considered uncollectible, it is written off against the reserve for loan impairment. Subsequent recoveries of amounts previously written off decrease the credit impairment in the income statement in the year of the recovery.

The graph below indicates the history of FRBG's actual losses reflected by the impairment charge percentage and Non Performing Loans ("NPLs") as at 30 June 2008 (unaudited):

NPLs and impairment charge
(%)



Note:
NPLs are classified as such based on the definition of default used by FRBG. The NPLs percentage includes the total value of NPLs classified into this category in the current year, as well as those of previous years that are still being collected. The impairment charge percentage is the bad debt charge to the income statement as a percentage of total average advances based on the application of the Group's internal provisioning policies and on the accounting basis applicable at the time (SA GAAP prior to 2006). The impairment charge for 2007 and 2008 is after recognition of the credit insurance.

The tables contained on the following pages provide an overview of the key credit risk information per FRBG segment.

Segmental analysis of advances (audited):

	AT 30 JUNE		
R MILLION	2008	2007	% change
FNB	207 658	180 281	15
FNB Retail	162 841	139 024	17
Residential mortgages	144 476	121 564	19
– HomeLoans	113 092	97 820	16
– Wealth	27 528	21 712	27
– Affordable Housing (Mass segment)	3 856	2 032	90
Credit Card	12 516	11 935	5
Personal banking	3 582	3 694	(3)
Mass (secured and unsecured)	2 267	1 831	24
FNB Commercial	24 109	20 290	19
FNB Corporate Banking	15 424	12 834	20
FNB Other	5 284	8 133	(35)
WesBank	99 949	98 434	2
WesBank asset backed finance	95 881	94 386	2
– WesBank Retail	59 654	60 114	(1)
– WesBank Business and Corporate	31 573	27 862	13
– WesBank International	4 654	6 410	(27)
WesBank loans	4 068	4 048	–
RMB	130 591	100 071	30
FNB Africa	15 755	13 492	17
Group Support	2 586	3 832	(33)
Gross advances	456 539	396 110	15
Less impairments	(7 383)	(4 550)	62
Net advances	449 156	391 560	15

Segmental analysis of NPLs (audited):

	NPLs At 30 June			Interest in suspense At 30 June		NPLs as % of advances At 30 June	
R MILLION	2008	2007	% change	2008	2007	2008	2007
FNB	9 428	3 960	>100	798	372	4.2	2.0
FNB Retail	8 663	3 344	>100	685	255	4.9	2.2
Residential mortgages	6 397	1 945	>100	464	156	4.1	1.5
– HomeLoans	5 571	1 573	>100	386	108	4.6	1.5
– Wealth	659	275	>100	58	36	2.2	1.1
– Affordable Housing (Mass segment)	167	97	72	20	12	3.8	4.2
Credit Card	1 633	954	71	151	69	11.8	7.4
Personal banking	304	148	>100	33	15	7.6	3.6
Mass (other than Affordable Housing)	329	297	11	37	15	12.9	15.4
FNB Commercial	625	432	45	113	85	2.1	1.7
FNB Corporate Banking	140	184	(24)	–	32	0.9	1.2
WesBank	3 346	1 651	>100	165	111	3.2	1.6
WesBank asset backed finance	3 190	1 595	100	157	110	3.2	1.6
– WesBank Retail	2 349	1 335	76	103	56	3.8	2.1
– WesBank Business and Corporate	789	257	>100	54	53	2.3	0.7
– WesBank International	52	3	>100	–	1	1.1	0.0
WesBank loans	156	56	>100	8	1	3.6	1.4
RMB	980	450	>100	123	52	0.7	0.4
FNB Africa	478	394	21	89	75	2.5	2.4
Group Support	47	35	34	–	1	1.8	0.9
Total	**14 279**	6 490	>100	**1 175**	611	**2.9**	1.5

NPLs analysis (audited):

	AT 30 JUNE		
R MILLION	**2008**	2007	% change
Non performing loans*	**14 279**	6 490	>100
Add: Present value adjustment	**1 015**	346	>100
Net credit exposure	**15 294**	6 836	>100
Less: Security and recoverable amount	**(9 201)**	(3 476)	>100
Less: Contractual interest suspended ("ISP")	**(1 175)**	(611)	92
Residual risk	**4 918**	2 749	79
Specific impairments	**4 918**	2 749	79
Portfolio impairments	**2 465**	1 801	37
Total impairments	**7 383**	4 550	62
	%	%	% change
NPLs as a percentage of gross advances	**2.9**	1.5	–
Specific impairments as a percentage of NPLs (after ISP)	**37.5**	46.8	–
Total impairments as a percentage of NPLs (after ISP)	**56.3**	77.4	–
Total impairments as a percentage of residual risk (%)	**150.1**	165.5	–
Specific impairments as a percentage of gross advances	**1.1**	0.7	–
Portfolio impairments as a percentage of gross advances	**0.5**	0.5	–
Total impairments as a percentage of gross advances	**1.6**	1.1	–
R MILLION			
Income statement charge			
Specific impairments	**4 270**	2 319	84
Portfolio impairments	**794**	538	48
Total	**5 064**	2 857	77

* *An amount of R466 million (2007: R278 million) of fair value assets is included in the NPLs for 2008. Cumulative fair value credit adjustments of R195 million have been made against fair value NPLs as at 30 June 2008 (2007: R91 million), of which R104 million loss (2007: R24 million profit) has been included in the 2008 income statement.*

Non performing loans – fair value advances (audited):

	AT 30 JUNE		
R MILLION	**2008**	2007	% change
Accrual advances	**13 813**	6 212	>100
Fair value advances	**466**	278	68
Non performing loans	**14 279**	6 490	>100
Accrual advances are included in non performing loans at notional value plus accrued interest			
Fair value advances are included in non performing loans at their ruling market value. No portfolio or specific impairments are raised against fair value advances, other than as is implicitly required through fair value adjustments.			
The table below sets out the effect of these market adjustments:			
Fair value on non performing loans before credit adjustments	**661**	369	79
Less: Cumulative credit adjustments	**(195)**	(91)	>100
	466	278	68
Less: Interest in suspense	**(48)**	(26)	85
Net non performing fair value loans	**418**	252	66
Cumulative credit adjustments			
– on performing book	**944**	600	57
– on non performing book	**195**	91	>100
Total credit adjustments	**1 139**	691	65

Segmental analysis of impairment charges (audited):

Income statement impairments

	AT 30 JUNE							
	2008				2007			
R MILLION/%	Portfolio impairment charge	Specific impairment charge	Total impairment charge	as % of average advances	Portfolio impairment charge	Specific impairment charge	Total impairment charge	as % of average advances
FNB	483	2 521	3 004	1.55	379	1 138	1 517	0.91
FNB Retail	345	2 343	2 688	1.78	150	1 071	1 221	0.97
Residential mortgages	207	915	1 122	0.84	73	223	296	0.27
– HomeLoans	178	836	1 014	0.96	61	186	247	0.28
– Wealth	10	78	88	0.36	12	35	47	0.25
– Affordable Housing (Mass segment)	19	1	20	0.68	–	2	2	0.12
Credit Card	93	991	1 084	8.87	23	552	575	5.44
Personal banking	29	283	312	8.58	30	111	141	4.42
Mass (other than Affordable Housing)	16	154	170	8.30	24	185	209	13.16
FNB Commercial	34	167	201	0.91	43	71	114	0.62
FNB Corporate Banking	78	13	91	0.64	13	(3)	10	0.07
FNB Other	26	(2)	24	0.36	173	(1)	172	1.86
WesBank	220	1 852	2 072	2.09	57	1 182	1 239	1.39
WesBank asset backed finance	181	1 462	1 643	1.73	20	1 022	1 042	1.22
– WesBank Retail	160	1 182	1 342	2.24	9	808	817	1.49
– WesBank Business and Corporate	33	142	175	0.59	–	83	83	0.34
– WesBank International	(12)	138	126	2.28	11	131	142	2.21
WesBank loans	39	390	429	10.57	37	160	197	5.47
RMB	25	196	221	0.19	6	78	84	0.10
FNB Africa	36	69	105	0.72	22	75	97	0.75
Group Support	31	(368)	(338)	(10.53)	74	(154)	(80)	(1.43)
Total	794	4 270	5 064	1.19	538	2 319	2 857	0.79

Segmental analysis of balance sheet impairments (audited):

Balance sheet impairments

	AT 30 JUNE					
	2008			2007		
R MILLION	**Portfolio**	**Specific**	**Total**	Portfolio	Specific	Total
FNB	**1 494**	**3 112**	**4 606**	1 011	1 702	2 713
FNB Retail	**952**	**2 700**	**3 652**	599	1 381	1 980
Residential mortgages	**538**	**1 180**	**1 718**	311	412	723
– HomeLoans	**444**	**1 036**	**1 480**	256	343	599
– Wealth	**52**	**112**	**164**	44	44	88
– Affordable Housing (Mass segment)	**42**	**32**	**74**	11	25	36
Credit Card	**276**	**1 060**	**1 336**	197	601	798
Personal banking	**85**	**228**	**313**	55	104	159
Mass (other than Affordable Housing)	**53**	**232**	**285**	36	264	300
FNB Commercial	**170**	**291**	**461**	134	191	325
FNB Corporate Banking	**171**	**121**	**292**	103	130	233
FNB Other	**201**	**–**	**201**	175	–	175
WesBank	**542**	**1 288**	**1 830**	438	634	1 072
WesBank asset backed finance	**446**	**1 177**	**1 623**	386	585	971
– WesBank Retail	**334**	**838**	**1 172**	300	382	682
– WesBank Business and Corporate	**67**	**226**	**293**	30	149	179
– WesBank International	**45**	**113**	**158**	56	54	110
WesBank loans	**96**	**111**	**207**	52	49	101
RMB	**110**	**170**	**280**	347	128	475
FNB Africa	**179**	**198**	**377**	139	150	289
Group Support	**140**	**150**	**290**	(134)	135	1
Total	**2 465**	**4 918**	**7 383**	1 801	2 749	4 550

Risk parameters (unaudited)

The following table provides a summary of the probability of default, loss given default and expected losses for each of the material segments in the Bank:

	AT 30 JUNE 2008		
FRB risk measures	**Through the cycle PD**	**Long run LGD**	**Long run EL**
%			
FNB HomeLoans	**3 – 3.5**	**15**	**0.50**
Wealth	**3 – 3.5**	**10**	**0.30**
Revolving retail	**6.5 – 7**	**60**	**4.00**
FNB Commercial	**3.3**	**35**	**1.20**
WesBank Retail (Asset Finance)	**5.5 – 6.0**	**20**	**1.10**
WesBank Business and Corporate (Asset Finance)	**3.5 – 4.0**	**15**	**0.55**
WesBank loans	**5.5 – 6.0**	**70**	**4.00**
Wholesale (RMB and FNB Corporate Banking)	**0.9**	**32**	**0.30**

The values in the table above are weighted by drawn exposures and not by facility sizes.

The "through the cycle PD" is the expected default probability over the next year based on a long term time horizon. This value is different from the "point in time PD" which is calibrated over the most recent data history.

The "long run LGD" is the loss given default estimate based on a long term time horizon. This value is less than or equal to the "downturn LGD" which is specifically stressed to reflect downturn conditions.

The "long run EL" is the expected loss when combining the "through the cycle PD" and the long run LGD with this expected loss expressed as a percentage of drawn exposures.

For capital purposes the "through the cycle PD" and downturn LGD are used in the capital calculation. For credit impairments, the point in time measurements are used resulting in higher credit losses under the current market conditions.

Commentary on credit impairments and risk information

The confluence of the macro economic factors in the current environment such as high interest rates and high food and energy inflation has resulted in pressure on consumers' ability to repay debt. Additional pressure is caused by the slowdown in property price growth and second hand car prices. Affordability levels have been negatively influenced by these factors which resulted in further increases in bad debts and lower growth in advances.

FRBG manages its credit portfolio taking cognisance of the current macro economic conditions with the consideration of appropriate risk appetite through the cycle. The origination strategies are continuously reviewed in line with the economic outlook. The credit impairment levels are considered carefully to maintain adequate impairment levels.

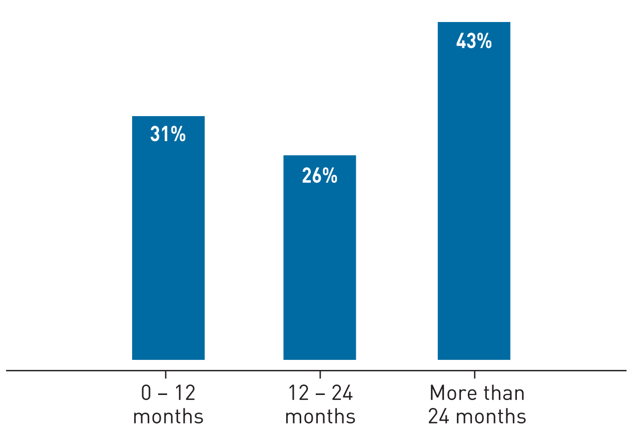
The retail portfolios' non performing loans and credit impairment charges have increased significantly due to the pressure on the consumers' ability to repay. FRBG has responded to the increased pressure in the following ways:

- tightening of credit extension for higher risk counterparties;
- increased portfolio impairments for the incurred but not reported events and the accounts in arrears. The portfolio impairment charge for retail related portfolios increased from 0.1% in 2007 to 0.23%. The balance sheet portfolio impairments increased by 42%;
- close monitoring of account behaviour especially of early arrear accounts;
- close monitoring of our credit lead indicators to highlight potential problem loans and products as well as the analysis of "vintage" information for credit exposures; and
- increased collection capabilities for the retail portfolios including increase in capacity technology as well as process improvements in the collections areas.

The National Credit Act No 34 of 2005 ("NCA") impairments have been made considering an unidentified and identified methodology. For the unidentified impact of the NCA, appropriate impairments have been made for FNB and WesBank. Where the increased risk on the recoveries relating to the NCA has been identified at a customer level, this has been accounted for through the increase of the relevant loss given default.

The graph below shows the ageing of the residential mortgages portfolios (unaudited):

Residential mortgages age distribution



The corporate portfolios have been resilient to the changes in the macro economic environment, although increases in non performing loans and impairments of smaller business entities are recorded. In RMB, the increase of the non performing loans relates mostly to the Australian property portfolio which is being wound down. The corporate portfolios are closely monitored through the use of our lead indicators to identify potential problem clients and industries. FNB Corporate Banking has increased its portfolio impairment charge to 0.55%. The fair value of the RMB fair value portfolios have been determined using prudent assumptions.

Further detail regarding the credit rating systems and processes used for Basel II (unaudited)

In terms of Pillar III of Basel II, banks have to disclose to the market information regarding credit risk and the credit rating systems applied in its capital calculations. The section below provides further detail as required by Pillar III on areas not already disclosed above.

FRBG implemented the AIRB approach for the exposures of FRB and the Standardised Approach for all other legal entities in FRBG. These approaches have been approved by the SARB. Due to the data scarcity in some markets and materiality levels of subsidiaries within the context of the Group, FRBG envisages the Standardised Approach to be used in the subsidiaries for the foreseeable future. Basel II was implemented over the past number of years and has been used in FRBG's regulatory capital calculations since 1 January 2008.

Exposures to credit risk

The table below provides the credit exposure of FRBG (audited):

Maximum exposure to credit risk (after interest in suspense)

R MILLION	At 30 June 2008
Cash and short term funds	24 737
– Money at call and short notice	2 214
– Balances with central banks and guaranteed by central banks	11 762
– Balances with other banks	10 761
Gross advances	456 539
FNB	207 658
– FNB Retail	162 841
– FNB Corporate	20 708
– FNB Commercial	24 109
WesBank	99 949
RMB	130 591
FNB Africa	15 755
Other	2 586
Derivatives	49 104
Debt investment securities	58 578
Accounts receivable	5 869
Loans to Insurance Group	6 561
Credit risk not recognised on the balance sheet	66 917
Guarantees	19 713
Acceptances	1 992
Letters of credit	4 843
Irrevocable commitments	40 143
Underwriting exposures	226
Total	668 305

The table below provides the geographic distribution of FRBG's material credit exposures (unaudited):

Concentration risk of significant credit exposures:

	AT 30 JUNE 2008								
R MILLION	South Africa	Other Africa	United Kingdom	Ireland	Other Europe	North America	South America	Other	Total
Advances	411 891	18 847	14 594	1 764	5 700	454	1 512	1 777	456 539
Derivatives	20 754	812	10 052	10 006	4 675	2 655	–	150	49 104
Debt securities	48 557	8 392	465	–	–	789	–	375	58 578
Off balance sheet exposures									
Guarantees acceptances and letters of credit	25 102	1 345	–	–	–	–	–	101	26 548
Irrevocable commitments	37 801	2 072	60	–	–	76	–	134	40 143

The credit exposures in the table below are classified into the Basel II approaches followed by FRBG. The exposures below are the IFRS accounting exposures and not those used for regulatory capital calculations. The exposures used in the regulatory capital calculations are after recognition of regulatory netting and other capital related impacts.

Exposure to credit risk – Basel II approaches (unaudited):

	AT 30 JUNE 2008			
		AIRB*	Standardised Approach subsidiaries	
R MILLION	Total	FirstRand Bank	Regulated bank entities within FNB Africa	Other subsidiaries
Cash and short term funds	24 737	19 088	1 114	4 535
– Money at call and short notice	2 214	828	23	1 363
– Balances with central banks and guaranteed by central banks	11 762	10 390	506	866
– Balances with other banks	10 761	7 870	585	(2 306)
Gross advances	456 539	407 196	15 724	33 619
FNB	207 658	197 838	–	9 821
– FNB Retail	162 841	153 021	–	9 820
– FNB Corporate	20 708	20 708	–	–
– FNB Commercial	24 109	24 109	–	–
WesBank	99 949	87 773	–	12 176
RMB	130 591	120 282	–	10 309
FNB Africa	15 755	78	15 724	(47)
Other	2 586	1 225	–	1 361
Derivatives	49 104	48 257	5	842
Debt investment securities	58 578	42 495	7 206	8 877
Accounts receivable	5 869	3 186	364	2 319
Loans to Insurance Group	6 561	1 841	–	4 720
Credit risk not recognised on the balance sheet	66 917	61 283	3 336	2 298
Guarantees	19 713	18 340	1 168	205
Acceptances	1 992	1 992	–	–
Letters of credit	4 843	4 668	175	–
Irrevocable commitments	40 143	36 057	1 993	2 093
Underwriting	226	226	–	
Total	668 305	583 346	27 749	57 210

– the subsidiaries' balance sheets above exclude any intergroup balances with FRBG entities.
** AIRB: advanced internal ratings based approach.*

For the portfolios using the Standardised Approach, the following rating agencies are used; however, exposures in the relevant jurisdictions are mostly unrated:

- Fitch Ratings
- Moody's
- Standard & Poor's

The ratings are mostly used for corporate, bank and sovereign counterparties in the portfolios where available. Where applicable, FRBG uses the internally developed rating mapping between the rating agencies and the risk weightings.

The following table provides the regulated bank entities (mostly FNB Africa) exposures after risk mitigation in each risk bucket (unaudited):

	AT 30 JUNE 2008
	Exposure
0%	23
10%	–
20%	1 996
35%	5 668
50%	760
75%	7 572
100%	11 730
Deducted	–
Total risk weighted	**27 749**

FirstRand Bank Limited – exposures on the advanced internal rating based approach (unaudited)

The following table summarises the rating PD, LGD and EAD approaches used in FRB:

Portfolio and type of exposures	Description of rating system
1. *Large corporate portfolios (Wholesale: FNB Corporate Banking and RMB)* Exposures to private sector counterparties including corporates, securities firms and public sector counterparties. A wide range of products gives rise to the credit exposures, including loan facilities, structured finance facilities, contingent products and derivative instruments.	The default definitions applied in the rating systems are aligned to the requirements of Basel II. *Rating process:* → The rating assignment to corporate credit counterparties is based on a detailed individual assessment of the counterparty's credit worthiness. → This assessment is performed through a qualitative analysis of the business and financial risks of the counterparty and is supplemented by internally developed statistical rating models. → The rating models were developed using internal and external data of more than ten years. The qualitative analysis is based on the methodology followed by international rating agencies. → The rating assessment is reviewed by the FRBG Credit committee and the rating (and associated PD) is approved by this committee. → After approval by the FRBG Credit committee, no overrides of the rating or probability of default is possible. → LGD and EAD estimates are based on modelling of a combination of internal and suitable adjusted international data. *Validation methodology:* Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.

Portfolio and type of exposures	Description of rating system
2. Low default portfolios: Sovereign and bank rating systems (Wholesale: FNB Corporate Banking and RMB) Exposures to sovereign and bank counterparties.	The default definitions applied in the rating systems are aligned to the requirements of Basel II. ***Rating process:*** → Expert judgement models are used with external rating agencies and structured peer group analyses forming key inputs in the ratings process. The analysis is supplemented by internally developed statistical models. → Calibrations of PD and LGD are done using mappings to external default history and calibrations based on credit spread market data. → The rating assessment is reviewed by the FRBG Credit committee and the rating (and associated PD) is approved by this committee. → After approval by the FRBG Credit committee, no overrides of the rating or probability of default is possible. ***Validation methodology:*** Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.
3. Specialised lending rating systems (Wholesale: FNB Corporate Banking, RMB and FNB Commercial) Exposures to private sector counterparties for the financing of income producing real estate.	The default definitions applied in the rating systems are aligned to the requirements of Basel II. → The rating system is based on hybrid models using a combination of statistical cash flow simulation models and qualitative scorecards calibrated to a combination of internal and benchmark data. → The rating assessment is reviewed by the FRBG Credit committee and the rating (and associated PD) is approved by this committee. → After approval by the FRBG Credit committee, no overrides of the rating or probability of default is possible. ***Validation methodology:*** Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.

Portfolio and type of exposures	Description of rating system
4. Commercial portfolio (SME Corporate and SME retail counterparties in FNB Commercial and WesBank) Exposures to SME clients. A wide range of products gives rise to the credit exposures including loan facilities, contingent products, and term lending products.	The default definitions applied in the rating systems are aligned to the requirements of Basel II. **SME Retail** *Rating process:* → The retail portfolio is segmented into homogeneous pools and sub pools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status. → Based on internal product level history associated with the homogeneous pools and sub pools, probabilities of default are estimated for each sub pool. → LGD and EAD estimates are applied on portfolio level, estimated from internal historical default and recovery experience. **SME Corporate** *Rating process:* → PD: Counterparties scored using Moody's RiskCalc, of which the output was calibrated to internal historical experience. → LGD: Collateral type determines recovery rate. Recovery rates set with reference to internal historical experience, external data (Fitch) and Basel II guidelines. → EAD: Portfolio level credit conversion factor ("CCF") estimated from internal historical experience and benchmarked against international studies. *Validation methodology:* Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.
5. Residential mortgages (Retail exposure rating systems for FNB HomeLoans, RMB Private Bank exposures and mortgages exposures in the Mass segment) Exposures to individuals for the financing of residential mortgages.	The default definition applied in the rating systems is aligned to the requirements of Basel II. *Rating process and approach:* → The retail portfolio is segmented into homogeneous pools and sub pools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. → Based on internal product level history associated with the homogeneous pools and sub pools, probabilities of default are estimated for each sub pool. → No overrides of the probability of default are possible. The only potential override is not that of the PD, but rather of the automated decision to lend or not. Such overrides are done judgementally by credit managers in the segments and are supported by business reasons. → LGD and EAD estimates are based on sub segmentation based on the collateral or product type, and associated modelling of internal data history. The loan to value data is used as an input into the rating system. *Validation methodology:* Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.

Portfolio and type of exposures	Description of rating system
6. ***Qualifying revolving retail exposures (Retail exposure rating systems for FNB Card and FNB Consumer overdrafts and RMB Private Bank)*** Exposures to individuals providing a revolving limit through a credit card or overdraft facility.	The default definitions applied in the rating systems are aligned to the requirements of Basel II. ***Rating process and approach:*** → The retail portfolio is segmented into homogeneous pools and sub pools through an automated scoring process using statistical models that incorporate product type, bureau data, internal customer behaviour, application data and delinquency status. → Based on internal product level history associated with the homogeneous pools and sub pools, probabilities of default are estimated for each sub pool. → No overrides of the probability of default are possible. The only potential override is not that of the PD, but rather of the automated decision to lend or not. Such overrides are done judgementally by credit managers in the segments and are supported by business reasons. → LGD and EAD estimates are based on sub segmentation and the respective collateral or product type, and associated modelling of internal data history. In general, the revolving credit exposures are unsecured and therefore only the efficiency of the recovery processes impacts on the level of LGD. The EAD measurement plays a significant role due to the high level of undrawn limits inherent in these product types. The EAD estimate is based on actual historic EAD and is segmented depending on whether the facility is straight or budget (credit card) and utilisation size. ***Validation methodology:*** Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.
7. ***Other retail exposures (Retail rating systems for FNB Personal Loans, Smart Products and WesBank retail auto finance and personal loans)***	The default definitions applied in the rating systems are aligned to the requirements of Basel II. ***Rating process and approach:*** → The retail portfolio is segmented into homogeneous pools and sub pools through an automated scoring process using statistical models that incorporate product type, customer behaviour, application data and delinquency status. → Based on internal product level history associated with the homogeneous pools and sub pools, probabilities of default are estimated for each sub pool. → No overrides of the probability of default are possible. The only potential override is not that of the probability of default, but rather of the automated decision to lend or not. Such overrides are done judgementally by credit managers in the segments and are supported by business reasons. → LGD and EAD estimates are based on sub segmentation and the respective collateral or product type, and associated modelling of internal data history. ***Validation methodology:*** Annual validations are performed where ranking and calibrations are assessed using statistical tests as well as expert comparisons. Independent validation is also conducted internally using similar statistical tests which may include full re-estimation of model parameters.

Control mechanisms implemented for credit risk measurement (unaudited)

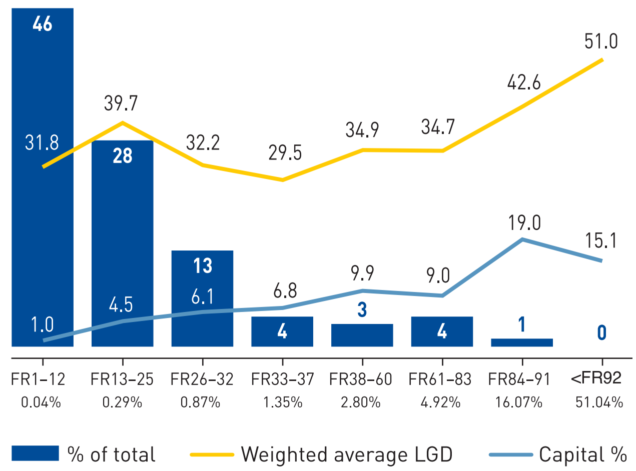
Rating systems are recalibrated and validated independently on an annual basis to ensure their validity and accuracy. The focus remains on the predictive power of the underlying models. The models are appropriately conservative and incorporate data of downturn periods such as 2001 and 2007. The independent validation of the rating systems are conducted by the Group Credit Risk control function in the ERM division. The function is responsible for the review of all rating systems and a comprehensive revalidation of all material rating systems. The rating systems are also reviewed by an actuarial auditing team within Internal Audit, and sampled revalidation is also carried out. The MRV committee, being the board sub committee responsible for the independent oversight and approval of the rating systems, reviews the results of the independent validations.

The table below provides the Basel II asset classes and the relevant FRB portfolio:

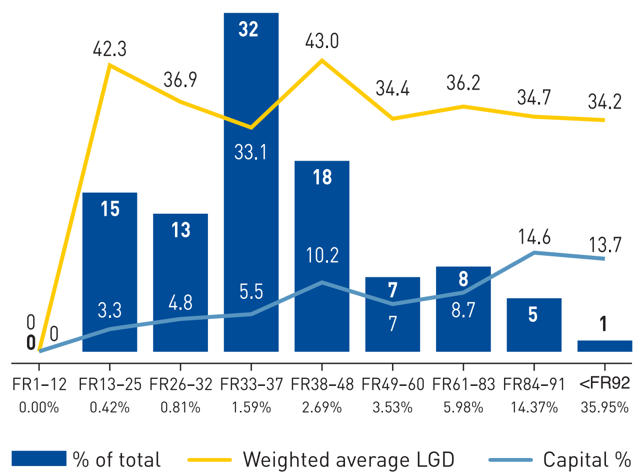
Basel II asset class	FRB portfolio
Corporate, Bank and Sovereign	RMB FNB Corporate Banking Balance Sheet Management
SME corporate and retail	FNB Commercial
Residential mortgages	FNB HomeLoans RMB Private Bank and FNB Private Clients Mortgages in FNB Mass
Qualifying revolving retail	FNB Card FNB Personal Banking (Overdrafts) RMB Private Bank and FNB Private Clients
Other Retail	FNB Mass (secured and unsecured Smart Products) FNB Personal Banking (Personal loans, student loans)
Other Retail SME Corporate	WesBank

The section below provides the exposure distribution per EAD as well as the exposure weighted average, through the cycle ("TTC") PD, LGD and indicative capital ratio for each Basel II asset class. The TTC PD is lower than the point in time PD in the current cycle. The credit conversion factor for FRB is estimated at 79% for off balance sheet products.

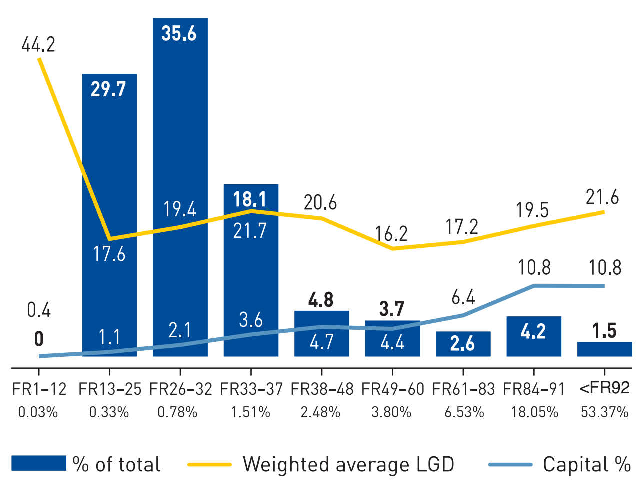
Corporate, bank and sovereign (unaudited)
(%)



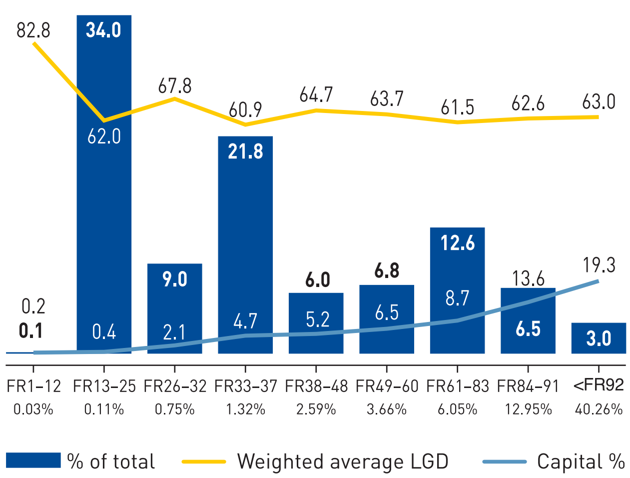
SME exposures (FNB Commercial) (unaudited)
(%)



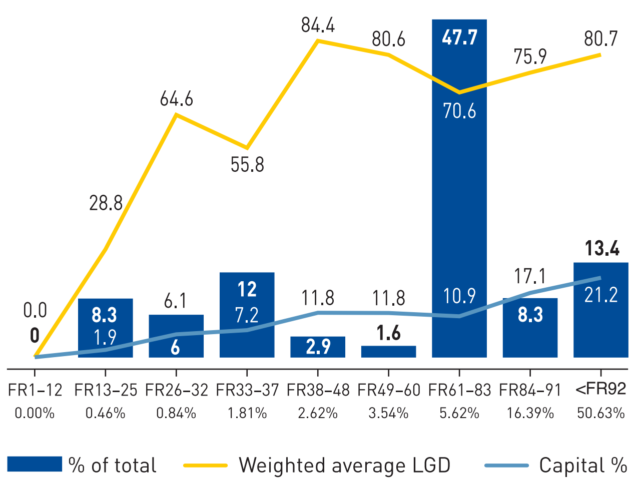
Residential mortgages (unaudited)
(%)



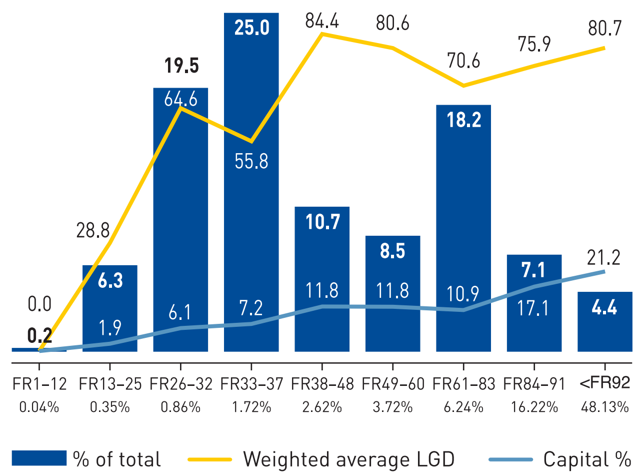
Qualifying revolving retail (unaudited)
(%)



Other retail (unaudited)
(%)



WesBank
(%)



Securitisations (unaudited):

FRBG uses securitisations as a tool to achieve a combination of some or all of the following results:

- Enhanced liquidity position through the diversification of funding source;
- Matching of cash flow profile of assets and liabilities;
- Reduction of balance sheet risk;
- Reduction of capital requirements; and
- Management of credit concentration risk.

During the year under review, the Bank concluded the FirstRand Enhanced Synthetic Credit Obligation II (Fresco II) securitisation transaction. This was a R20 billion collateralised loan obligation of corporate exposures, structured to enable the Bank to manage the economic and regulatory capital held against its large corporate credit portfolio.

The Bank has in place a number of traditional and synthetic securitisation structures. From an accounting perspective, the traditional securitisation transactions are treated as sales transactions. At inception, the assets are sold by the Bank to the Special Purpose Vehicle at carrying value and no gains or losses are recognised. For the synthetic securitisations, the credit derivative is recognised at fair value, with any fair value adjustments reported in profit or loss. The securitisation entities are consolidated into FRBH.

The two tables below show the exposures arising from securitisation activities split between on balance sheet and off balance sheet:

On Balance Sheet Securitisation Exposures – own transactions

				AT 30 JUNE 2008		
Transaction	Year initiated	Rating agency	Asset type	Assets securitised (R million)	Assets outstanding (R million)	Exposure (R million)
Traditional securitisations						
Nitro 1	2006	Moody's	Retail instalment sales	2 000	534	15
Nitro 2	2006	Moody's	and leasing	5 000	1 897	49
Nitro 3	2007	Moody's and Fitch		5 000	3 088	125
Ikhaya 1	2007	Fitch	Retail mortgages	1 900	1 608	52
Ikhaya 2	2007	Fitch		2 884	2 320	133
Total Traditional securitisations				16 784	9 447	374
Synthetic securitisations			Retail instalment sales			
Procul	2002	Fitch	and leasing	2 000	2 000	1 015
Fresco II	2007	Fitch	Corporate receivables	20 000	20 000	18 259
Total Synthetic securitisations				22 000	22 000	19 274
Total securitisation				38 784	31 447	19 648

In each of the securitisations mentioned above, FRBG played the role of originator, investor, servicer and swap counterparty. All the above transactions continue to perform in line with expectations as detailed in each of the respective offering circulars.

Off Balance Sheet Exposures[1]

Off Balance Sheet Securitisation Exposures

			AT 30 JUNE 2008
Transaction	Transaction type	Exposure type	Exposure (R million)
Own transactions			
iNdwa	Conduit	Liquidity facility	9 126
iVuzi	Conduit	Credit enhancement	680
Third party transactions			
Freestone	Securitisation	Liquidity facility	200
Freestone	Securitisation	Liquidity facility	260
ABSA CARS	Securitisation	Liquidity facility	298
ABSA HOMES	Securitisation	Liquidity facility	233
PROPS	Securitisation	Liquidity facility	625
Total			**11 422**
of which:			
Own transactions			9 806
Third party transactions			1 616

1 *It is important to note that from an accounting perspective, upon consolidation, the underlying assets in the off balance sheet entities are consolidated back onto FRBG's balance sheet.*

All the liquidity facilities in the transactions above will rank senior in the priority of payments in the event of a drawdown. As such the inferred rating on the liquidity facility to iNdwa is F1+(zaf), while the inferred ratings on the other liquidity facilities are AAA on a national scale level. Economic capital is allocated to the liquidity facility extended to iVuzi as if the underlying assets are on balance sheet to reflect the risk that these assets may come on balance sheet in a stress scenario.

The tables below show the conduit programmes that have been facilitated by FRBG, in place as at 30 June 2008:

Conduits

Transaction	Underlying assets	Year initiated	Rating agency	Programme size (R MILLION)	Current size of non recourse investments (R MILLION)
iNdwa	Corporate term loans	2003	Fitch	15 000	9 329
iVuzi	Corporate term loans	2007	Fitch	15 000	4 362
Total				**30 000**	**13 691**

Other

Transaction	Underlying assets	Year initiated	Rating agency	Programme size (R MILLION)	Current size of non recourse investments (R MILLION)
iNkotha	Call loan bond fund	2006	Fitch	10 000	4 327
Total				**10 000**	**4 327**

The table below shows the roles played by FRBG in each of the above conduit programmes:

Transaction	Originator	Investor	Servicer	Liquidity provider	Credit enhancement provider	Swap counterpart
iNdwa	–	–	√	√	–	√
iNkotha	–	–	√	–	–	–
iVuzi	–	–	√	√	√	√

All the above conduit programmes continue to perform in line with the expectations as detailed in each of the respective offering circulars.

FRBG has neither securitised any exposures that were impaired or past due at the time of securitisation nor has it suffered any losses during the current period on the assets that remained on its balance sheet. All the securitisation transactions were subject to the regulatory securitisation framework.

The table below shows the securitisation exposures retained or purchased and the associated IRB capital charge per risk band:

	AT 30 JUNE 2008		
Risk weight bands	AIRB Exposure (R MILLION)	Capital (R MILLION)	Deduction (R MILLION)
=<10%	17 840	129	–
>10% =<20%	10 742	133	–
>20% =<50%	230	9	–
>50% =<100%	1 015	41	–
>100% =<650%	827	218	–
Total	30 654	531	–

None of the securitisations transactions are subject to the early amortisation treatment.

COUNTERPARTY CREDIT RISK (unaudited)

COUNTERPARTY CREDIT RISK IS DEFINED AS THE RISK THAT THE COUNTERPARTY TO A TRANSACTION COULD DEFAULT BEFORE THE FINAL SETTLEMENT OF THE TRANSACTION'S CASH FLOWS. AN ECONOMIC LOSS WOULD OCCUR IF THE TRANSACTIONS OR PORTFOLIO OF TRANSACTIONS WITH THE COUNTERPARTY HAS A POSITIVE ECONOMIC VALUE AT THE TIME OF DEFAULT. THE MARKET VALUE IS UNCERTAIN AND CAN VARY OVER TIME WITH THE MOVEMENT OF UNDERLYING MARKET FACTORS.

Risk governance and management

Counterparty credit risk is managed in terms of the Credit Risk Management Framework for Wholesale Credit Exposure which is a sub framework of the FRBG Credit Risk Management Framework.

Counterparty credit exposure limits are set at a counterparty level in line with the credit risk appetite of FRBG. To accommodate the business requirement of all operating divisions across FRBG (eg WesBank's moveable asset finance division, FNB's transactional banking division and RMB's Investment Banking, FICC and Equity Trading divisions) the approved credit risk appetite is allocated to the operating divisions taking into account the credit standing of the obligor and credit pricing considerations.

Counterparty credit risk limit applications are assessed and approved individually. In order to determine the appropriate level of such limits the Bank requires a comprehensive analysis of the counterparty credit risk, including the extent to which the exposure can increase under distressed conditions. This analysis is done by an independent specialist credit analyst, in conjunction with market risk, who recommends a counterparty limit. All limit recommendations are considered and approved by business unit owners who have co-responsibility for ensuring the counterparty credit risks are acceptable, appropriate processes and procedures are in place to monitor and manage the level of credit risk, and the rewards are commensurate for the proposed risks. These recommendations are then motivated to appropriate credit committees comprising executive and non-executive members who are sufficiently independent from the business requesting the credit facility to objectively decide on such a credit facility. All counterparty credit risk limits are reviewed annually and resubmitted to the relevant credit committee for approval. Approved counterparty credit limits may be allocated to various groups of products.

Wherever possible, derivative trading is pursued under ISDA master agreements previously mentioned, International Securities Market Association ("ISMA") contracts, or Credit Support Annexes ("CSA"). These agreements provide for the ability to settle the net exposures due and payable by both counterparties where there are payables and receivables owing by both counterparties respectively. They also provide for margining or collateral arrangements where appropriate.

Risk measurement and economic capital

Limit and exposure management processes are supported by various management information systems as well as manual intervention processes. A credit risk resource within each business unit ("BU") is responsible for ensuring that limits are monitored and adhered to. Credit risk reports are reviewed on a daily basis by the credit operations staff. These reports are created at the desk level and sent to the dealers who use the report to check limit availability before concluding new transactions. The credit operations staff also checks the daily credit risk reports which will identify any dealing excesses that have arisen. Exposures are monitored both at business unit level and in aggregate for FRBG.

Any excess exposure over a sub allocated limit has to be reported to the BU head, the head of BU risk management and RMB Risk and Compliance without delay and corrective actions must be agreed by all parties. Such excess exposure is evaluated taking cognisance of the sub allocated limit and of total actual exposure at FRBG level in relation to the total approved counterparty credit limit at FRBG level. Excesses against sub allocated limits require risk management to identify the cause of the excess (eg dealer non compliance, unexpected market moves, settlement failure, counterparty credit deterioration). It is the responsibility of the dealers to remedy the cause of the excess.

Failure to correct a breach as agreed, or recurrence of the same or similar breaches from desk level upwards, are reported to the RMB Finance, Risk and Capital committee, FRBG ERM division and to the next meeting of the FRBG RCC committee. These committees are responsible for raising these issues to appropriate board forums to take corrective action.

Economic capital is assessed in terms of the AIRB approach to credit risk. However, the estimated exposure at default is measured under the Basel II current exposure method for FRB.

Counterparty credit risk arising from derivative and structured finance transactions of FRB (unaudited)

R MILLION	AT 30 JUNE 2008
Gross positive fair value	111 891
Netting benefits	55 087
Netted current credit exposure before mitigation	56 804
Collateral value	17 746
Exposure at default	54 235

Distribution of credit derivatives of FRB based on nominal values (unaudited)

	AT 30 JUNE 2008			
R MILLION	Credit default swaps	Total return swaps	Other	Total
Own credit portfolio				
– protection bought	2 102	–	4 118	6 220
– protection sold	152	–	–	152
Intermediation activities				
– protection bought	–	–	250	250
– protection sold	970	420	–	1 390

MARKET RISK

MARKET RISK IS THE RISK OF ADVERSE REVALUATION OF ANY FINANCIAL INSTRUMENT AS A CONSEQUENCE OF CHANGES IN MARKET PRICES OR RATES. IT EXISTS IN ALL TRADING, BANKING AND INVESTMENT PORTFOLIOS. FOR THE PURPOSE OF THESE FINANCIAL STATEMENTS MARKET RISK IS CONSIDERED TO BE FULLY CONTAINED WITHIN THE TRADING PORTFOLIOS. SUBSTANTIALLY ALL MARKET RISK WITHIN FRBG IS TAKEN IN RMB AS THIS IS THE DIVISION WITHIN FRBG WHERE THE MARKET RISK TAKING AND MANAGEMENT EXPERTISE LIES.

Market risk governance and management

Market risk is managed in terms of the Market Risk Framework which is a sub framework of FRBG's Risk Management Framework. Trading activities currently include trading in the foreign exchange, interest rate, equities, commodities and credit markets in both physical and derivative instruments.

A two tiered governance structure governs market risk taking activities within FRBG. The first tier consists of determining the appetite of the Bank for market risk taking activities, and the independent prudential oversight attached thereto. The second tier involves the non statutory governance forums that actively oversee the implementation of board policies at the divisional level. Appetite for market risk taking activities is determined by the FRBG board, with primary independent prudential oversight of market risk then vesting with the FRBG RCC committee. At the divisional level, the RMB Proprietary board (an executive management committee) has the primary task of strategic risk allocation to the transacting units and ensuring the implementation of the prudential aspects of the board mandate. The RMB Finance, Risk and Capital committee is the market risk committee of RMB and is a sub committee of FRBG RCC committee, and is charged with the independent oversight of market risk within RMB and reports all material aspects of market risk to the FRBG RCC committee. Longer term equity investments, both listed and unlisted, are approved by the Investment committee on an individual basis and are managed under the Investment Risk Framework. Market risk limits are reviewed at least annually.

Market risk measurement

Market risk exposures are limited by means of distressed ETL limits, whilst soft VaR triggers indicate that positions need to be reviewed by management. Both sets of limits are approved by the RMB Proprietary Board and ratified by the FRBG RCC committee and the board. Risk concentrations are controlled by means of appropriate sub limits attached to both asset class (interest rate, equity, foreign exchange, commodities and traded credit) and business unit maximum allowable exposures.

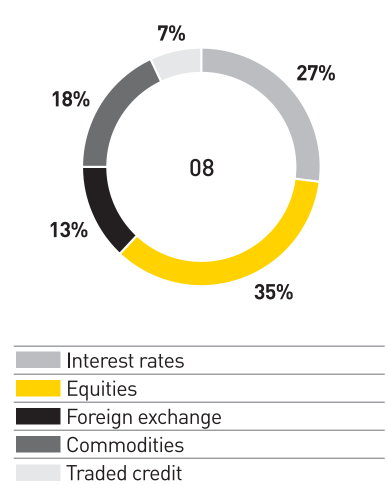
Stress conditions are represented by historic systemic disaster scenarios over which the portfolio is fully revalued. The disaster scenarios have been deliberately set to reflect the illiquid conditions and volatile price movements experienced during a typical systemic breakdown in the markets.

RMB has approval from the SARB to measure regulatory market risk capital under the internal model approach, as stipulated in the Basel II Accord, for the local trading book. For all international legal entities the Standardised Approach is used to calculate regulatory market risk capital although for internal economic capital measurement, the internal model approach is used for all legal entities and is based on distressed ETL.

In addition to the distressed ETL and VaR methodologies, FRBG supplements its measurement techniques with defined stress tests and scenario analyses across all material risk factors. The calibration of the stress tests are reviewed from time to time to ensure that they are indicative of possible market moves under distressed market conditions and they provide additional insight into possible outcomes under stressed market conditions to the RMB Proprietary board.

The following pie chart shows the distribution of exposures per risk factor across FRBG's trading activities at the end of the financial year based on the distressed ETL methodology.

FRBG's market risk exposure per risk factor (audited)



Market risk exposures are quantified on a daily basis across all trading activities of RMB and monitored by the business and central risk managers, desk heads, business unit heads, and designated executive management. The business and central risk managers at RMB monitor exposure against limits, the causes of any excesses and the correction thereof. These functions also track the daily profits and losses against risk exposures and monitor the attribution of profits and losses by risk factor to ensure that risk exposures do not go undetected and that profits and losses are explained within the risk measurement framework.

Realised market risk exposures

The market risk management processes are well vested and have functioned effectively for a number of years. Notwithstanding this, risk processes are only really properly tested through times of market distress and turmoil. The RMB market risk process functioned well through the recent period of distress, displaying a good deal of robustness and flexibility in carrying out its day to day requirements as well as accommodating the addition of bespoke, point in time requirements. The risk measures, which were predicated on distressed markets, proved in the main, to be well calibrated to cope with the distress over the past year. Neither internal audit nor the external independent model valuator nor the SARB internal model process approval team identified significant process deficiencies in the 2008 financial year. Process shortcomings identified are corrected and the progress with corrective actions is monitored by the risk managers and the RMB Finance, Risk and Capital committee as they arise.

Trading book VaR analysis

The VaR exposures below reflect the aggregate market risk exposure per asset class across different trading activities. The VaR risk measure estimates the potential loss over a ten day holding period at a 99% confidence level. The VaR scenario set comprises the most recent 250 scenarios, as is required for internal model capital regulatory market risk measurement.

The table below reflects the aggregate market risk exposure per asset class across different trading activities (audited):

	30 JUNE 2008				30 JUNE 2007
R MILLION	Min	Max	Ave	Year end	Year end
Risk type					
Equities	192.6	575.3	390.8	233.8	269.0
Interest rates	61.0	214.4	102.8	100.7	93.4
Foreign exchange	19.7	194.6	63.0	69.0	40.5
Commodities	36.1	152.8	82.8	119.8	68.1
Traded credit	23.5	87.8	48.4	46.5	21.4
Diversification				(265.1)	(226.9)
Total				304.7	265.5

In order to validate the VaR calculations, back testing is conducted on a daily basis. This is accomplished by comparing the one day VaR at the 99% confidence level to actual and theoretical trading profits or losses for that particular day.

Stress analysis

A revaluation of the portfolio is calculated over 500 scenarios of which 250 scenarios represent a distressed market period. Once the current financial crisis plays itself out the distressed scenario set will be supplemented with data from the current market crisis.

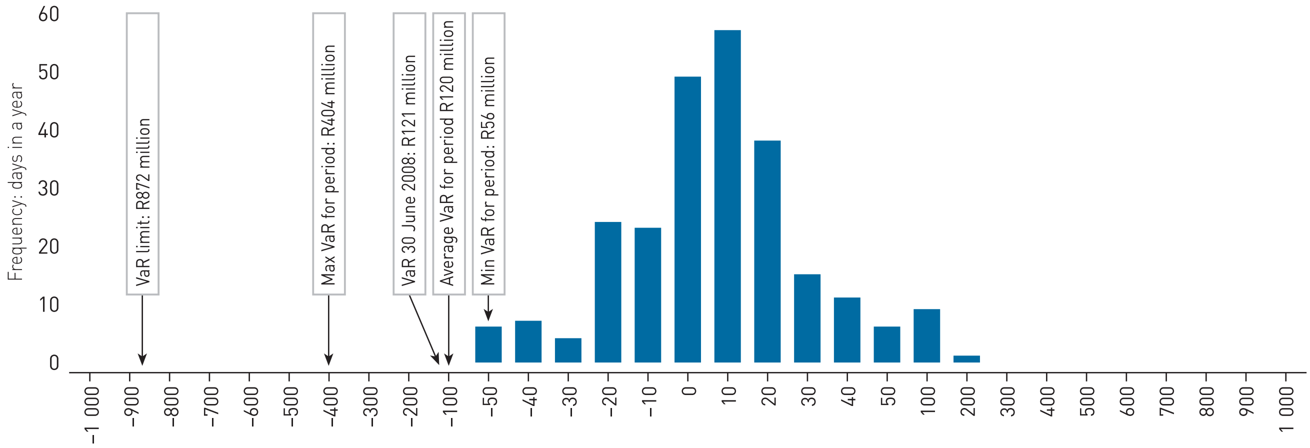
Stress analysis (audited):

	AT 30 JUNE 2008				AT 30 JUNE 2007
R MILLION	Min	Max	Ave	Year end	Year end
Risk type					
Equities	302.2	910.7	656.3	346.4	504.5
Interest rates	171.6	612.2	319.2	270.1	222.9
Foreign exchange	55.3	333.9	128.2	124.6	92.0
Commodities	70.3	264.8	141.9	180.5	118.5
Traded credit	47.6	217.3	89.4	67.6	251.4
Diversification				(496.2)	(592.1)
Total				493.0	597.2

Daily earnings at risk

The graphs below show the daily trading earnings profile for the past year. The distribution is skewed to the profit side. The graph also shows that exposures have been contained within risk limits during the trading year.

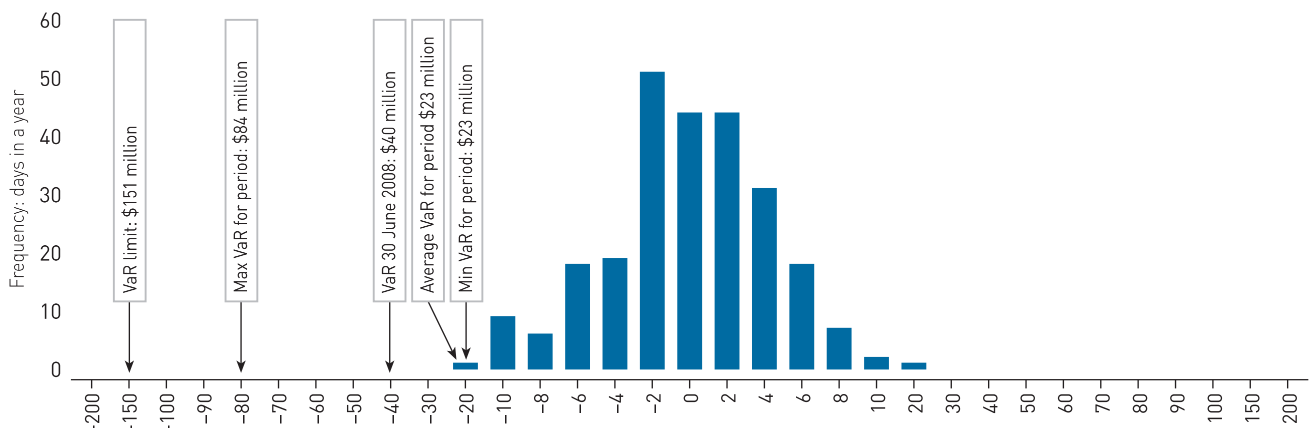
Distribution of trading income for the 2008 financial year for local divisions (unaudited)
(PnL in ZAR millions)



FirstRand International

FirstRand Ireland PLC represents the most material international subsidiary exposed to market risk. FirstRand Ireland plc makes use of both the distressed ETL and VaR methodologies as well as additional stress scenario analysis to estimate the potential profit and loss impact of the market risk exposures, based on assumptions for changes in market prices and interest rates. The board sets market risk limits for each business area. The risk exposures are monitored against risk limits on a daily basis for all business units.

Distribution of trading for the 2008 financial year for offshore divisions (unaudited)
(PnL in USD millions)



FNB Africa subsidiaries

FNB Namibia and FNB Botswana represent the most material FNB Africa subsidiaries. Both of these entities make use of a stress methodology to estimate the market risk positions held and the maximum losses expected.

Equity positions in the banking book (unaudited):

EQUITY INVESTMENT RISK GENERALLY REFERS TO THE RISK ASSOCIATED WITH THE ACQUISITION OF EQUITY/ OWNERSHIP OR PARTICIPATION IN A LISTED COMPANY OR AN UNLISTED COMPANY OR A START UP.

Risk governance and management

Equity investments are approved by business unit investment committees, the RMB Investment committee or the FRBG Large Exposures Credit committee depending on the value of individual investments. The FRBG Large Exposures Credit committee also approves investments comprising both debt and equity portions, irrespective of the percentage split, should the total exceed approved thresholds.

Risk associated with private equity investments is managed through various means. Prior to investing, a comprehensive due diligence is performed for each investment providing a thorough understanding of a business and comfort around its management team. Management incentives and constraints are structured such that the interests of the buyer and those of management are aligned for the success of the investment. In the majority of cases, RMB seeks a seat(s) on the board of the investee company. Investments are further monitored regularly throughout the life of the deal. Investee company financial statements are received and analysed on a regular basis. Personal contact with portfolio companies' management is maintained regularly and any concerns are raised with management at the time.

RMB conducts a bi-annual review of all private equity portfolio companies. Matters such as the valuation of the companies are peer reviewed, and the outlook for the companies and any upcoming events that are deemed potential risks to the value of a company are discussed.

On a portfolio level, risk in the private equity portfolio is managed through the diversification of investments across geography, industry, stage (ie venture capital, leveraged buy-out or structured deals) and vintage (annual replacements of realisations).

Risk on listed equities is managed in accordance with the Market Risk Framework. This includes the role of both management and oversight bodies.

Risk measurement and economic capital

Economic capital for equity exposures held for investment purposes is calculated using a stress test approach similar to the Basel II approach for equity investments, ie applying a risk weighting of 300% and 400% of exposure value for listed and unlisted investments respectively. A conservative portfolio offset is allowed for unlisted investments that are equity accounted should the carrying value be less than the risk weighted market value.

Where price discovery permits for liquid listed equity positions, the ETL under distressed market conditions is calculated on a standalone basis (per the trading book methodology and scenarios). This measure is used as the economic capital, subject to a floor of 20% of market value on the capital calculation.

Where price discovery into the underlying assets of hedge funds permits for a look though to those underlying assets, the modelling of economic capital is based on such a look through approach as opposed to the simplistic 300% (risk weight) stress tests. The underlying assets are modelled onto FRBG's market risk systems and capital is assigned on a market risk basis, with an appropriate scaling to account for the time taken to liquidate the investment. The look through approach is also applied to the underlying assets of companies where those underlying assets consist entirely of investments with adequate pricing discovery.

Those funds where asset prices or values are not available on a frequent basis are treated in the same manner as unlisted equity investments with the assumption that the valuation provided by the fund is correct as this is the value at which the fund is carried on book.

The following table provides information relating to equity investments in the banking book of those entities regulated as banks within FRBG (unaudited):

	AT 30 JUNE 2008		
R MILLION	Publicly quoted investments	Privately held	Total
Carrying value	2 399	6 703	9 102
Fair value*	2 231	7 484	9 715
Total unrealised gains recognised through equity instead of the income statement**	891	92	983
Latent revaluation gains not recognised in the balance sheet**	(168)	781	613
Economic capital held	483	1 569	2 052

* *Fair values of publicly quoted investments were not considered to be materially different from the quoted prices.*
** *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital.*

LIQUIDITY RISK

LIQUIDITY RISK IS THE RISK THAT THE BANK WILL NOT MEET ALL PAYMENT OBLIGATIONS AS LIABILITIES FALL DUE. IT ALSO REPRESENTS THE RISK ASSOCIATED WITH NOT BEING ABLE TO REALISE ASSETS TO MEET DEPOSITOR REPAYMENT OBLIGATIONS IN A STRESS SCENARIO.

Liquidity risk: a broader definition

Due to rapidly changing markets, technologies, governance, accounting policies, and regulatory monitoring, risk management has become more sophisticated, with liquidity risk being no exception. Understanding what the impacts of these factors are on liquidity is extremely important and it starts by broadening the definition of liquidity risk into market liquidity risk and funding liquidity risk. Funding liquidity risk is the risk that the Bank will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, the Bank's financial position or its reputation. Market liquidity risk is the risk that market disruptions or lack of market liquidity causes the Bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly. Furthermore we also acknowledge that liquidity risk is a consequential risk and continue to monitor and understand possible impacts of other risks and events on the funding and liquidity risk of our organisation. This also comes into place when stress testing and scenario analysis is performed.

Liquidity risk governance

FRBG's Liquidity Risk Management Framework aims to apply sound principles for managing liquidity risk, based on best practice international standards. It is designed – in line with BASEL II – to identify, measure and manage the liquidity risk position of FRBG. Rapidly changing markets with growing product complexities, changes in the economy, international expansion, the entry of new participants to the market and historical catastrophic consequences due to overexposure to liquidity risk highlight the need for continual reassessment of and improvements to the framework. Hence our obligation to update and review this framework regularly and ensure appropriate liquidity risk management within FRBG. The underlying policies are reviewed regularly by FRBG's BSM division. These policies are also independently approved by FRBG's ERM division, FRBG's Asset and Liability Management committee ("ALCO") and FRBG's RCC committee.

The Liquidity Risk Management Framework covers three broad topics:

- governance and organisational structure for managing liquidity;
- analytical framework for measuring, monitoring, and managing liquidity; and
- stress testing and contingency planning.

FRBG acknowledges that good governance and an effective organisational structure are imperative for the efficient management of liquidity risk.

BSM is responsible for the measurement and management of liquidity risk. The ERM division, with a dedicated Asset and Liability oversight team is responsible for independent oversight of liquidity risk and reports to FRBG ALCO.

Liquidity risk measurement

Liquidity risk for FRBG is measured in a combination of daily and monthly procedures for the purpose of determining the Bank's liquidity risk status. As a strategic management tool, this assists dynamically in strategy formulation and tracking of effectiveness. The liquidity risk measurement processes attempt to analyse and depict liquidity risks evident in the material portfolios and legal entities of the banking operations. The risk measurement processes are classified into the following broad categories:

i. diversification (term, source, product);
ii. off balance sheet exposures;
iii. available funding resources;
iv. performance measurement;
v. reputation (risks & events);
vi. regulatory requirements;
vii. asset quality; and
viii. other risks/events.

Each category has multiple key risk indicators, highlighting the risks and trends on and off balance sheet. Conduits, securitisations, contingent liabilities and undrawn facilities are all included and managed as if on balance sheet. Limits are set on two levels (amber and red) for each key risk indicator. Amber levels indicate a warning signal and possible negative trends and that action required to restore the status to green (depending on tolerance levels). Red levels indicate immediate action required and possibly activating contingency plans. These key risk indicators are monitored regularly (daily and monthly) to enable the BSM division to effectively manage the Banks' liquidity position and are reported monthly to FRBG ALCO and quarterly to the FRBG RCC committee.

Management of liquidity risk

Liquidity risk is managed in terms of the Liquidity Risk Management Framework, which is ancillary to FRBG's Risk Management Framework. Liquidity risk is centrally managed by the BSM division. The liquidity risk management approach firstly includes intraday management (operational liquidity), managing the daily payment queue, forecasting cash flows and factoring in access to central banks. Secondly, tactical liquidity risk management deals with access to unsecured funding sources and the liquidity characteristics of FRBG's asset inventory (asset liquidity). Finally, dynamic liquidity risk measurement and analysis assists in the strategic decision making process, when defining our issuance strategy. The following diagram illustrates the liquidity risk management cycle.

The term funding diversification is considered a very important analysis for liquidity risk. Liquidity risk resides in the short term exposure the Bank faces, where most of FRBG's liabilities mature within one month and relatively few assets mature in that period. To manage this risk, the steps indicated in the diagram above are followed. Determining the liquidity risk target profile is the key starting point. Comparing the current profile with that of the industry and identifying the target risk profile forms part of the measurement process which filters through the Liquidity Risk Management Framework. Stress testing is performed to determine how effectively the current and targeted risk profiles would withstand certain stress events at certain severity levels. Stress testing also plays a key role in the methodology for calculating the size of the liquidity buffers, considering FRBG's risk appetite. These unencumbered liquidity risk buffers are in excess of the statutory requirements and are actively managed in portfolios of high quality liquid assets, maintained at suggested levels for protection against any unexpected disruptions. The current funding profile is strategically adjusted to reach the target risk profile by implementing certain short, medium and long term action plans. The wholesale funding market is utilised to correct any strategic adjustment differences. The costs of these strategic decisions are passed on to the respective business units via the internal matched maturity funds transfer pricing models. Once the cycle is complete, the risk profile is reassessed, considering current market and economic conditions as well as risk appetite, and the cycle would start once again.

The following actions are taken within this process to maintain an adequate liquidity risk profile and status:

- industry benchmarking;
- analyse & decrease concentration of short term funding maturities;
- diversify the range of products offered to financial institutions and maintain an appropriate mix of funding sources;
- maintain and manage a portfolio of available liquid securities;

- perform assumptions based sensitivity analyses to assess potential cash flows at risk in stressed conditions;
- maintain liquidity contingency plans;
- monitor sources of funding for contingency funding needs;
- monitor daily cash flow movements across the Bank's various payment streams;
- actively manage the daily settlements and collateral management processes;
- define, measure and monitor key risk indicators;
- define and monitor liquidity risk limits;
- monitor balance sheet liquidity ratios against internal and regulatory requirements;
- maintain an appropriate term mix of funding;
- consider off balance sheet exposure and contagion risks (for example conduits) and manage within appropriate risk appetite levels;
- consider key risk indicators on reputation risk and performance measurement as an integral part of determining the liquidity risk status for the Bank; and
- assess the liquidity risk position on a daily basis to support decision making on liquidity risk and funding management.

Although FRBG also engages in financial transactions utilising special purpose entities, we are not reliant upon these entities to any material extent in terms of our funding and liquidity capacity. These entities (and FRBG's obligations to them) are fully consolidated in our liquidity risk measurement, stress testing and management processes and are managed conservatively from a liquidity risk perspective.

FRBG is adequately funded and able to meet all its current obligations.

i. Management of the Bank's funding profile

BUILDING BLOCKS

DIVERSIFICATION	EFFICIENCY	FLEXIBILITY	STRONG RELATIONSHIP
Natural market	Infrastructure	Liquid balance sheet	Segments
Investor base	Cost of funding	Geographical market	Customers
Tenor	Liquidity cost curve	Capacity	Financial Institutions
Maturity	Interest rate curve	Innovation	Credit ratings
Segments	MMMFTP	MMMFTP	Capital markets
Instruments	Instruments	Platforms	Regulatory
Products			Road shows
Geographic			
Markets			

Funding risk is the risk that the Bank does not have an appropriate mix of funding sources. This represents the risk of not having a diversified funding base by market segment, term structure (term to maturity), product range and client mix. High concentration in any one of these categories poses the risk that the Bank may have insufficient funding opportunities for advances growth or during a liquidity stress scenario. FRBG's funding strategy adapts to an integrated strategic approach to financing activities with regards to funding, contingent funding and capital. The above table sets out the key building blocks of our funding strategy, ie diversification, efficiency, flexibility and relationship management.

The Bank's overall funding profile is managed through a matched maturity funds transfer pricing methodology. BSM is involved in relevant product developments, pricing committees and product funding/pricing solutions with certain business units. The Bank's funding base is compared monthly with our industry peers to ensure that we are well diversified in terms of term structure and market segment of funding (financial institutions, government, corporates and retail clients). On both counts, the Bank is in line with market norms and has a well diversified funding portfolio.

ii. Management of liquidity and funding risks in the international operations

BSM is involved in FRBG treasury issues associated with the businesses of FirstRand International Ireland plc, and the FNB Africa subsidiaries. This involves ensuring that the FRBG treasury operations of the offshore businesses operate within appropriate business mandates, are in compliance with the FRBG liquidity risk management policy and that they are active in the international market for cost effective funding in a manner which does not re-price the Bank's funding base inappropriately.

FNB Africa subsidiaries:

Liquidity risk management forms an integral part of risk management in the FNB Africa subsidiaries. The primary risk management process takes place in country, with monthly review of exposures performed by local ALCOs in each jurisdiction. Governance and oversight occurs via reporting of the static and cumulative contractual gaps to FRBG ALCO on a monthly basis. Intergroup funding (where permitted given the constraints of Exchange Control) is also subject to limits which are monitored continuously. Breaches are reported via the FRBG ALCO and RCC committee.

FirstRand International:

BSM operates in all of these business entities and is also responsible for managing liquidity risk and funding within these entities. International ALCO monitors and oversees the risks undertaken by these entities and reports to FRBG ALCO. The liquidity risk management processes of all international entities are set up to comply with the principles as set out by the regulatory authorities in each jurisdiction as well as the principles contained in the FRBG Liquidity Risk Management Framework. These same principles would apply for any new business venture as a prerequisite.

Liquidity cash flow analysis

Undiscounted cash flows (audited):

	AT 30 JUNE 2008			
		Term to maturity		
R MILLION	Carrying amount	Call – 3 months	3 – 12 months	Over 12 months
Maturity analysis of assets and liabilities based on the undiscounted amount of the contractual payment				
LIABILITIES				
Deposits	514 537	368 146	81 167	65 224
Short trading positions	33 689	33 689	–	–
Derivative financial instruments	48 521	42 229	3 441	2 851
Creditors and accruals	8 614	3 210	3 584	1 820
Long term liabilities	24 165	1 343	586	22 236
Policy holder liabilities under investment contracts	108	6	5	97
Loans from Insurance Group	6 381	3 521	712	2 148
Financial and other guarantees	38 061	26 434	1 502	10 125
Facilities not drawn	40 143	38 333	827	983

	AT 30 JUNE 2007			
		Term to maturity		
R MILLION	Carrying amount	Call – 3 months	3 – 12 months	Over 12 months
Maturity analysis of assets and liabilities based on the undiscounted amount of the contractual payment				
LIABILITIES				
Deposits	431 252	297 268	80 047	53 937
Short trading positions	32 175	32 175	–	–
Derivative financial instruments	25 284	17 110	886	7 288
Creditors and accruals	9 643	7 538	1 661	444
Long term liabilities	12 619	489	1 662	10 468
Loans from Insurance Group	5 758	2 673	998	2 087
Financial and other guarantees	39 445	16 339	1 809	21 297
Facilities not drawn	33 858	31 320	53	2 485

The above represents the undiscounted cash flows of liabilities for FRBG and includes all cash outflows related to the principal amounts as well as future payments. The balances in the table above will not agree directly with the balances on the balance sheet for the following reasons:

- The amounts included in the table above are contractual undiscounted amounts whereas the balance sheet is prepared using the discounted amounts;
- The table includes contractual cash flows with respect to off balance sheet items which have not been recorded on the balance sheet;
- All instruments held for economic purposes are included in the “call to 3 month” bucket and not by contractual maturity because trading instruments are typically held for short periods of time; and
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

Contractual discounted cash flows (audited):

R MILLION	AT 30 JUNE 2008 Carrying amount	Term to maturity Call – 3 months	3 – 12 months	Over 12 months
Maturity analysis of assets and liabilities based on the present value of the expected payment				
Total assets	658 094	237 200	65 570	355 324
Total equity and liabilities	658 094	404 957	101 376	151 761
Net liquidity gap	–	(167 757)	(35 806)	203 563
Cumulative liquidity gap	–	(167 757)	(203 563)	–

R MILLION	AT 30 JUNE 2007 Carrying amount	Term to maturity Call – 3 months	3 – 12 months	Over 12 months
Maturity analysis of assets and liabilities based on the present value of the expected payment				
Total assets	547 467	210 302	50 309	286 856
Total equity and liabilities	547 467	342 113	81 591	123 763
Net liquidity gap	–	(131 811)	(31 282)	163 093
Cumulative liquidity gap	–	(131 811)	(163 093)	–

The table above represents the contractual discounted cash flows of Assets, Liabilities and Equity for FRBG. Relying solely on the contractual liquidity mismatch when looking at a bank's maturity analysis would overstate the risk, since this represents the absolute worst case maturity analysis. As an industry phenomenon in South Africa, banks are particularly negatively gapped (contractually) in the shorter term due to the country's structural liquidity position. This implies that more short term obligations are due than short term assets maturing, hence (in addition to the table above) FRBG's calculation of an adjusted liquidity mismatch analysis, applying the methodology of business under normal circumstances and a framework to manage this mismatch.

Liquidity mismatch analysis

The purpose of liquidity mismatch analysis is to anticipate the maturities in the balance sheet when business is done under normal conditions, ie applying behaviourally adjusted assumptions. This analysis disregards the overstated liquidity risk reflected in the contractual mismatch, when business as usual applies. Through analysis of the various products and business segments on the balance sheet the "business as usual" liquidity gap is derived. It describes the liquidity gap of the bank after taking into account product behavioural assumptions for rolling of maturities and days to realise assets. For example, a cheque account deposit which has an ambiguous maturity is classified as having a contractual maturity profile on demand. The behaviour (under normal circumstances and on a going concern basis) of such an account is, however, of a longer term nature when assuming reinvestment takes place. Similarly the wholesale call loan book has a contractual maturity on call, but a portion of the wholesale call book may not be called upon, due to customer relationship repercussions or other incentives.

Risk profile

FRBG has a diversified funding mix by term, source and product. This balanced portfolio of liabilities is maintained to enable a stable flow of financing and to protect against possible market disruptions. The retail funding base in FNB also provides FRBG with a very valuable and reliable/stable source of funding. Medium and long term funding activities are continually planned by assessing the funding profile of our balance sheet. For this we take the following into account:

- the overall industry profile;
- effective maturities of the asset base;
- obligations that will have to be replaced; and
- the ability to fund ongoing business.

Liquidity contingency planning

Product behavioural assumptions are assessed and stress analyses are performed on the current liquidity position in order to assess potential cash flows at risk. Consideration is given to a variety of appropriate contingency funding mechanisms aimed at ensuring that FRBG remains liquid during stress conditions. In addition, the liquidity risk management team monitors and manages FRBG's portfolio of available liquid sources against these stress assumptions. Given the recent macro economic outlook, global focus on bank risks and turmoil in certain financial markets, the Bank has increased the size of the portfolios of high quality liquid assets (over and above the required prudential liquid assets) to be kept as unencumbered liquidity buffers. This was done for FRBG's banking operations in South Africa as well as the international banking operations in Europe. These liquidity buffers are currently maintained at appropriate levels, given the Bank's risk appetite.

INTEREST RATE RISK IN THE BANKING BOOK

INTEREST RATE RISK IN THE BANKING BOOK IS DEFINED AS THE SENSITIVITY OF THE BALANCE SHEET AND INCOME STATEMENT TO UNEXPECTED, ADVERSE MOVEMENTS IN INTEREST RATES AND CAN BE AN IMPORTANT SOURCE OF PROFITABILITY AND SHAREHOLDER VALUE. EXCESSIVE INTEREST RATE RISK COULD POTENTIALLY POSE A SIGNIFICANT THREAT TO A BANK'S EARNINGS AND CAPITAL BASE, THEREFORE, EFFECTIVE RISK MANAGEMENT THAT MAINTAINS THE RISK WITHIN PRUDENT LEVELS IS ESSENTIAL TO THE SAFETY AND SOUNDNESS OF BANKS.

Banks are typically exposed to the following sources of interest rate risk:

- **repricing risk** (which arises from the differences in timing between repricing of assets, liabilities and off balance sheet positions);
- **yield curve risk** (when unanticipated changes in the shape of the yield curve adversely affects a bank's income or underlying economic value);
- **basis risk** (imperfect correlation in the adjustment of the rates earned and paid on different instruments with similar repricing characteristics); and
- **optionality** (the right that the holder has to alter the cash flow of the underlying position).

Interest rate risk governance

Interest rate risk in the banking book is managed in terms of FRBG's Framework for the Management of Interest Rate Risk in the Banking Book, which is a sub framework of the Risk Management Framework. The framework is reviewed at least annually.

Interest rate risk management is part of FRBG's BSM division. The objective of BSM is to protect and enhance the balance sheet and income statement of FRBG. In line with this objective, interest rate risk in the banking book is managed from an earnings approach over a specified horizon and changes to economic value are monitored and managed within defined risk tolerance levels.

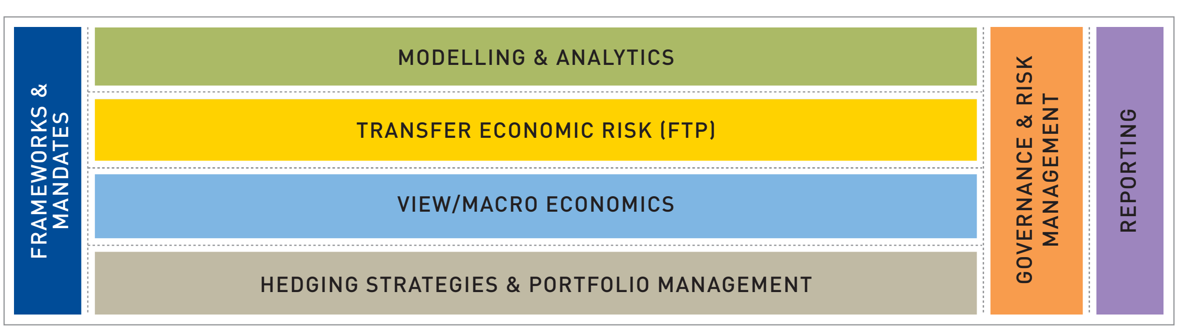
Interest rate risk in the banking book is reported to FRBG ALCO, a sub committee of the board's RCC committee, on a monthly basis. FRBG ALCO is responsible for monitoring the implementation of the Interest Rate Risk Management Framework and the management of interest rate risk in the banking book across FRBG (ie it monitors the risk exposures and the effectiveness of the interest rate risk management). Interest rate risk that arises from trading activities is managed under the Market Risk Framework.

The board (through FRBG RCC committee) approves overall risk limits for the interest rate risk in the banking book. FRBG ALCO approves additional sub limits. In addition to the monthly risk reporting to FRBG ALCO, any limit breaches and proposed remedies are reported immediately to the chairperson of FRBG ALCO, the Head of ERM, the Risk Officer for Interest Rate Risk in the banking book and to the next meeting of the FRBG RCC committee (where deemed appropriate).

To ensure that region specific issues are addressed, the effectiveness of interest rate risk management in the banking books of international businesses is monitored by FRBG's International ALCO, which is a sub committee of FRBG ALCO. Each of the FNB Africa subsidiaries has its own ALCO, which monitors interest rate risk associated with the banking book of that subsidiary and reports back to FRBG ALCO on a monthly basis.

Interest rate risk management process

The net interest rate risk profile of the domestic banking book is managed centrally by the Macro Portfolio Management ("MPM") pillar in Balance Sheet Management. The graph below illustrates their portfolio management process. The banking book of RMB is managed separately. It is managed in terms of the Market Risk Framework and limits.



The interest rate profile is adjusted by changing the profile of liquid assets or through transactions in derivative instruments, based on FRBG's interest rate outlook with reference to other risk factors impacting FRBG's balance sheet, most notably credit risk. Risk measurement and hedging is, in general, done at an aggregate level (ie the net interest rate risk profile of the Bank is hedged). Micro hedging is generally reserved for large and complex once off transactions. The management of the interest rate profile is done within the risk limits approved by FRBG ALCO. An investment committee oversees these activities and challenges the macro economic view and debates proposed investment strategies.

Where possible, cash flow hedge accounting is applied to derivatives that are used to hedge interest rate risk in the banking book. In cases where hedges do not qualify for cash flow hedge accounting, mismatches may arise due to timing differences in the recognition of income between hedges, which are fair valued, and underlying banking book exposures, which are accounted for on an accrual basis or on a fair value basis (depending on the type of instrument).

Interest rate risk measurement

Several measures are used to quantify interest rate risk in the banking book, some of which measure the risk from an earnings perspective and others from an economic value perspective. A selection of earning and economic value measures are reported to FRBG ALCO on a monthly basis.

The table below show the repricing schedules for FRBH banking book (excluding RMB) at the financial year end. All assets, liabilities and derivative instruments are placed in time buckets based on their repricing characteristics. Instruments which have no explicit contractual repricing or maturity dates are placed in time buckets according to management's judgement and analysis, based on the most likely repricing behaviour.

Repricing schedule for FRBH banking book as at 30 June 2008 (audited):

	Term to repricing				
R MILLION	Within 3 months	After 3 months, but within 6 months,	After 6 months but within 12 months	After 12 months	Non rate sensitive
Net repricing gap	32 852	5 066	(10 899)	1 068	(28 087)
Cumulative repricing gap	32 852	37 918	27 019	28 087	–

Note 1: *This repricing analysis excludes the banking books of RMB as this is managed on an ETL and VaR basis separately.*

Repricing Schedule for FRBH banking book as at 30 June 2007 (audited):

	Term to repricing				
R MILLION	Within 3 months	After 3 months, but within 6 months,	After 6 months but within 12 months	After 12 months	Non rate sensitive
Net repricing gap	48 517	(23 373)	(3 222)	(2 927)	(18 994)
Cumulative repricing gap	48 517	25 144	21 922	18 994	–

Note 1: *This repricing analysis excludes the banking books of RMB as this is managed on an ETL and VaR basis separately.*

Interest rate risk in the RMB banking book is managed as part of Market risk and reported accordingly.

The natural position of the banking book remains asset sensitive (positively gapped), since interest earning assets reprice sooner than interest paying liabilities. This makes our projected net interest income ("NII") vulnerable to a drop in interest rates (as reflected above). The Macro Portfolio Management team positioned the banking book to take advantage of interest rate hikes.

NII is forecast using the current balance sheet position. The NII simulation assumes that there is no management intervention in response to changes in the level of interest rates. The implied forward curve (with spreads where appropriate) is used as the base forecast of rates in the future to facilitate simulation of the base case projected NII for the 12 month forecast horizon. A static balance sheet (based on current position) is used in the modelling of NII to isolate the impact of rate changes on NII by preventing other assumptions relating to volume growth from masking/offsetting the impact of adverse rate movements (that would reduce NII), by increasing NII as a result of growing volumes.

New volume points are assigned to balances as and when they mature to maintain balance sheet size. Derivatives that mature are not replaced as there is no rule based derivative trading strategy which can be used to predict how derivative positions will be replaced. Several assumptions are made with respect to the repricing characteristics of instruments which have no explicit contractual repricing or maturity dates when performing NII simulation:

- Non maturity deposits ("NMDs") do not have a specific maturity and individual depositors can freely withdraw or deposit balances. The interest rates associated with these products are administered by the bank, but not indexed to market rates. Examples of NMDs include current, savings and transmission accounts. NMDs are assumed to reprice overnight since the administered rate can change on any day at the Bank's discretion.
- Prime linked products are assumed to reprice instantaneously when the repo rate changes.

Several interest rate scenarios are modelled to assess their impact on projected earnings in the banking book. For example, a 200 basis point instantaneous, parallel downward (upward) shift in the yield curve is modelled to determine the potential impact on NII over the next 12 months (assuming no management intervention to mitigate the impact of changes in the level of interest rates).

Sensitivity of FRBH projected NII as at 30 June 2008 (audited):

	Change in projected 12 month NII as a % of base
Downward 200 bps	**–11.39%**
Upward 200 bps	**+11.52%**

Note 2: *This NII sensitivity analysis excludes the banking books of RMB as this is managed separately. Mark to market bonds and hedges are excluded.*

Sensitivity of FRBH projected NII as at 30 June 2007 (audited):

	Change in projected 12 month NII as a % of base
Downward 200 bps	–10.95%
Upward 200 bps	+11.14%

Note 2: *This NII sensitivity analysis excludes the banking books of RMB as this is managed separately. Mark to market bonds and hedges are excluded.*

Interest Rate Risk sensitivity in the RMB banking book is managed as part of Market risk and reported accordingly.

The following represents our sensitivity of available-for-sale (assets) and cash flow hedges reserves' to interest rate movements (based on a static balance sheet), assessing the expected decrease or increase in valuation due to parallel movements in yield curves.

Sensitivity of FRBH reported reserves to interest rate movements as at 30 June 2008 (audited):

	As % of total shareholders' equity
Downward 200 bps	**–0.48%**
Upward 200 bps	**+0.60%**

Note 3: *This sensitivity analysis excludes the banking books of RMB, as this is managed separately.*

Sensitivity of FRBH reported reserves to interest rate movements as at 30 June 2007 (audited):

	As % of total shareholders' equity
Downward 200 bps	+1.63%
Upward 200 bps	–1.35%

Note 3: *This sensitivity analysis excludes the banking books of RMB, as this is managed separately.*

OPERATIONAL RISK

OPERATIONAL RISK IS DEFINED AS THE RISK OF LOSS RESULTING FROM INADEQUATE OR FAILED INTERNAL PROCESSES, PEOPLE AND SYSTEMS OR FROM EXTERNAL EVENTS. THIS DEFINITION INCLUDES LEGAL RISK BUT EXCLUDES STRATEGIC AND REPUTATIONAL RISK.

Operational risk governance

The FRBG Operational Risk committee ("ORC") is a sub committee of FRBG RCC committee, and is established to assist the board and the RCC committee in discharging its responsibilities in terms of the management of operational risk across FRBG. Operational risk is managed in terms of the Operational Risk Management Framework ("ORMF"), which is a sub framework of FRBG's Risk Management Framework. The framework covers methodologies and policies that ensure adequate identification, measurement, monitoring, control and reporting of operational risk exposure.

Operational risk management process

Governance and oversight of operational risk is carried out by the ORC. The committee is chaired by an independent non executive member and its membership includes, inter alia, the divisional heads of risk as well as senior members of the ERM division. Independent monitoring of operational risk occurs through a number of ERM functions across FRBG. Examples of these functions include Risk Insurance, Legal, Information Risk Services, Operational Risk Governance, and Forensic Services. Each of the functions has defined roles, responsibilities and performance objectives to ensure that operational risk is effectively managed and reported across FRBG.

The management of operational risk is inherent in the day to day execution of duties by management of business units. Business unit and subsidiary risk managers are responsible for implementing and embedding the operational risk policies, frameworks and methodologies within their business environments. The deployed risk managers and divisional risk committee structures play a key role in monitoring adherence to policies, processes and procedures.

Operational risk management tools

A number of operational risk management tools are used within FRBG to intelligently and proactively deal with the practical implementation of day to day operational risk management. These include:

- Internal loss data – loss data reporting and analyses are being used by risk managers to understand the root causes of loss incidents and to understand where corrective action needs to be taken to mitigate against losses;
- External data – subscription to an external database that is a repository of all global publicly known loss events;
- Key risk indicators – key risk indicators ("KRI") are being used as an early warning risk management measure to highlight areas of increasing risk exposure. KRI reports are included in management information packs to assist management' in its decision making processes;
- Self assessment – Risk Effectiveness Reports ("RER") and Risk and Control Self Assessments ("RCSA") are integrated in the risk management process to assist risk managers to identify key risk areas and to assess the effectiveness of the controls in place;
- Incident and issue reporting – a process of reporting and escalating operational risk incidents and issues through the risk committee structures; and
- Risk scenario analysis – risk scenarios are used to help management understand where areas of potential severe losses exist.

Operational risk quantification and capital calculation

Operational risk capital is calculated based on the Basel II operational risk Standardised Approach ("TSA") for internal capital allocation as well as for regulatory purposes. FRBG obtained approval from the SARB to use TSA for regulatory capital purposes from 1 January 2008.

A more sophisticated operational risk quantification and capital calculation methodology has been developed and is being implemented using the Advanced Measurement Approach ("AMA") for operational risk in accordance with Basel II and SARB requirements. An application to use AMA on a partial use basis for South African operations was submitted to the SARB during the first quarter of 2008. The FNB Africa subsidiaries will remain on TSA for the 2008/2009 period.

Capital charges for operational risk will be calculated using statistical models under the Basel II AMA Framework. Risk scenarios and internal loss data are the key inputs in the AMA operational risk capital modelling process, and qualitative risk measures such as the RCSAs, KRIs and audit findings will provide input to internal operational risk capital allocation mechanisms.

Business continuity management

Business continuity management in FRBG focuses on improving the resilience of banking operations in order to withstand unexpected disruptions and disasters.

Business continuity management is an ongoing process of assessing needs, identifying weaknesses and single points of failure, developing strategies and keeping plans current and tested. The approach involves following a well established annual cycle of actions, designed to ensure plans and associated measures are kept relevant and tested.

The status of readiness for disruptions is measured through quarterly reporting reflecting the organisation's compliance with the cyclical requirements, eg full testing of plans annually. These are reported through the governance structure to the FRBG RCC committee and the board.

Legal risk

Legal risk is the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed (implemented changes are dealt with as part of compliance risk).

Legal risk is managed in terms of the Legal Risk Management Framework and through activities such as the monitoring of new legislation, awareness initiatives, identifying significant legal risks and by managing and monitoring the impact of these risks through appropriate processes and procedures, one of which was the establishment of the Legal Risk committee.

There were no significant legal risk breakdowns during the year.

Information risk

Information risk is defined as the possibility of harm being caused to a business as a result of a loss of confidentiality, integrity or availability of information.

The Information Technology Governance and Information Security Framework ("IT Framework") is a customisation of ISACA's Control Objectives for the Information and Related Technology (COBIT®) Framework and the Information Security Forum's Standard of Good Practice for FirstRand. The IT Framework is approved by the TIMCO (Technology and Information Management Risk committee), and applies to FRBG.

The IT Framework:

- defines the objectives for managing IT Governance and Information Security;
- outlines the processes that need to be addressed across FRBG in terms of IT Governance and Security; and
- sets out the measurement framework for IT Governance and Security across FRBG.

Due to the changing nature of information risk and information security, FRBG constantly faces new threats and challenges. The risk management structure for information risk is specifically structured to enable and support the measurement of the status and the resolution of issues.

Fraud and security risks

FRBG is committed to creating an environment that safeguards its customers, staff and assets through policies, frameworks and actions. To this end, FRBG distributes and communicates its Ethics Policy to existing staff members on a quarterly basis. The Ethics Policy reiterates FRBG's commitment to a stance of "zero tolerance" towards crime. Executive management throughout FRBG is committed to living the values of "zero tolerance" and enforce them stringently.

FRBG believes it has appropriate governance structures in place to address fraud and security risks. The risk management structure for fraud and security risks is adequate to address these risks and find solutions to safeguard its people and assets.

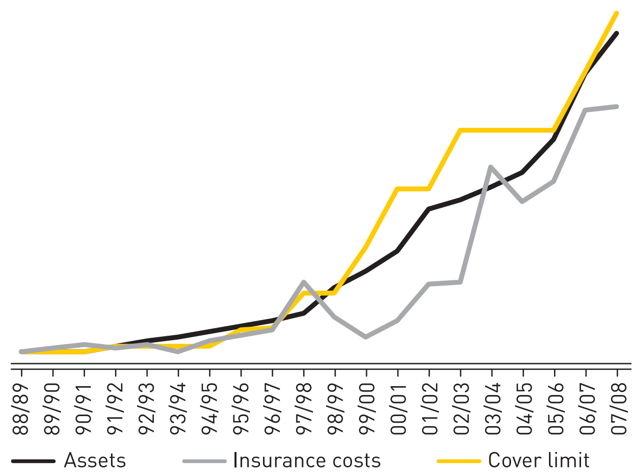
Risk insurance

For many years the FirstRand Group, which includes all majority owned and management controlled companies, has had a structured approach to insurance risk financing to protect against unexpected material losses arising from non trading risks. These structures are continuously refined and enhanced through the ongoing assessment of changing risk profiles, organisational growth and the monitoring of international insurance markets. The levels and extent of the various covers are also benchmarked annually which is achieved through close working relationships with service providers and association with the ERM division of FRBG.

FirstRand's insurance buying philosophy is to carry as much risk to its own account as is economically viable within the financial resources of the Group, and to only protect itself against catastrophic risks through the use of third party insurance providers. Therefore, considerable self retentions are built into the insurance risk financing structures. The retentions are insured into a dedicated insurance company which enhances the Group's ability to carry risk for its own account.

The financial institutions insurance programme remains the largest of the insurance risk financing structures and, as can be seen from the graph below, the levels of cover have kept pace with FirstRand's growth, whilst total cost is maintained within an acceptable band (unaudited):

Financial institutions insurance programme – increase in assets, insurance cover limit (base 1988/1989)



Developments within the Group continue to be monitored and the risk insurance team ensures that the insurance financing programme is adapted where appropriate.

COMPLIANCE RISK

COMPLIANCE RISK CAN DEFINED AS THE RISK OF LEGAL OR REGULATORY SANCTION, MATERIAL LOSS OR LOSS OF REPUTATION SUFFERED BY A BANK AS A RESULT OF ITS FAILURE TO COMPLY WITH LAWS, REGULATIONS, RULES, RELATED SELF REGULATORY ORGANISATIONAL STANDARDS AND CODES OF CONDUCT APPLICABLE TO ITS BANKING ACTIVITIES.

Compliance risk management is essential to ensure business success and it is nothing more than best practice management in line with regulatory requirements imposed by law. It promotes confidence with all stakeholders by meeting the expectations of customers, the markets and society as a whole, and aligns the business with international best practices and enables global competitiveness.

FRBG is continuously taking action to further embed compliance in the group through a four phase process:

- self assessments and reporting;
- monitoring;
- use of internal audit reports; and
- external independent reviews.

The results of all four phases are reviewed through a strong governance process that starts with the FRBG Compliance committee, through to the FRBG RCC committee and finally to the FRBG Audit committee.

The tone is set at the top by strong pronouncements from the FRBG board, FRBG RCC committee and FRBG Audit committee and divisional executives on non compliance as stated in the FRBG Risk Management Framework.

The responsibility to ensure that FRBG complies with all relevant laws, regulations and supervisory requirements rests with the boards of directors, management boards, business entity heads, senior management, management and employees of FRBG, as stipulated by the Risk Management Framework. Compliance risk management is an integral part of the management process. The Risk Management Framework classifies compliance under its governance component which deals with principles, policies, conduct, values, compliance, oversight and the management of performance and includes the following:

- implementing structured and transparent governance structures;
- ensuring compliance with statutes and regulations;
- identifying and managing all risks and measuring the effectiveness of risk management;
- implementing corrective actions to address deficiencies;
- working with lawmakers and regulators to protect our interests, avoiding reputational damage and preventing or mitigating the potential negative impact of changes in statutes or regulations; and
- ensuring zero tolerance towards non compliance, fraud and criminal activities.

Compliance governance in FRBG is done through a structured and formalised process, which integrates divisional compliance and group structures. Each of FRBG's divisions has its own compliance governance committees, namely a risk and compliance committee and an audit committee. A detailed report of each division's status of compliance is presented to its risk and compliance committee and escalated to its audit committee and divisional board. At FRBG level a report on the status of compliance in all three the operating divisions is tabled at the FRBG RCC committee and escalated to the FRBG Audit committee and board.

Changes in the regulatory environment posed a specific challenge to FRBG during the past year. The implementation of the National Credit Act, No 34 of 2005 and the South African Banks Act, No 94 of 1990, as amended, had a major impact on compliance risk management in FRBG. FRBG, however, successfully implemented both acts. FRBG is actively participating in the formulation of new legislation such as the Consumer Protection Bill and the Protection of Personal Information Bill.

INDEPENDENT ASSURANCE – INTERNAL AUDIT

FRBG Internal Audit is an independent, objective assurance and consulting function designed to add value and improve the organisation's operations.

The internal auditors perform comprehensive process, systems, compliance and business audits across the spectrum of business entities to identify shortcomings and to augment the risk effectiveness self assessments. All audit reports are reviewed by the FirstRand Group Internal Audit Quality Assurance Department as well as at the appropriate audit committees of the business units. Major issues are escalated to higher levels for review. Internal Audit attends the meetings of the FRBG Audit and FRBG RCC committees. Internal Audit also attends various governance and management committees in order to stay abreast of new developments in business and aligns its risk based audit approach accordingly.

Action plans to address identified process weaknesses are agreed with management of the relevant business unit and progress is then monitored by the appropriate risk committees. Internal Audit further conducts independent reviews of risk management functions. These reviews include reviews of the various committees to ensure that they operate effectively and efficiently and comply with the requirements of good corporate governance, Basel II and the Banks Act Regulations.

Internal Audit cooperates with the external auditors through regular liaison with joint audits, and by making available working papers and other relevant information to avoid duplication of effort. The external auditors conduct an assessment of the internal audit function on an annual basis in line with the International Standards of Auditing, ISA 610: Considering the Work of Internal Audit. This standard requires that the external auditors assess the internal audit function in order to determine the use that may be made of the work of internal audit in modifying the nature and timing, and reducing the extent of external audit procedures. The ISA 610 review conducted in April 2008 concluded that reliance can be placed on the work performed by Internal Audit.

MOMENTUM GROUP ("MOMENTUM")

APPROACH TO ENTERPRISE RISK MANAGEMENT

The underlying premise of the ERM process is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value.

Uncertainty presents both risk and opportunity with the potential to erode or enhance value. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

Value is maximised when management sets strategy and objectives that strike an optimal balance between growth and return goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives.

ERM in Momentum encompasses:

- **Aligning risk and strategy –** management takes into account the subjective assessment of risk in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.
- **Enhancing risk response decisions –** ERM provides the rigor to identify and select among alternative risk responses – risk avoidance, reduction, sharing, and acceptance.
- **Identifying and managing multiple and cross enterprise risks –** every enterprise faces a myriad of risks affecting different parts of the organisation and ERM facilitates effective response to the interrelated impacts and integrated responses to multiple risks.
- **Seizing opportunities –** by considering a full range of potential events, management is positioned to identify and proactively realise opportunities.
- **Improving deployment of capital –** obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.
- **Reducing operational surprises and losses –** entities gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses.

These capabilities inherent in ERM help management achieve the entity's performance and profitability targets and prevent loss of resources. ERM helps to ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the entity's reputation and associated consequences.

RISK GOVERNANCE

Momentum recognises that clear accountability is fundamental to the management of risk. The risk governance model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance.

Business Unit Management

Momentum's chief executive has overall responsibility for the management of risks facing Momentum and is supported in the management of these risks by business unit executives and line management.

Statutory Actuary and ERM function

The Statutory Actuary has a duty under the Long Term Insurance Act to ensure that the legal entity remains solvent and able to meet liabilities at all times. The Statutory Actuary reports on these matters to the board, Independent Auditors and the Financial Services Board ("FSB"). An actuarial committee is also in operation at Momentum. The committee has been appointed by the board to ensure that the highly technical actuarial aspects specific to insurance companies are debated and reviewed independently.

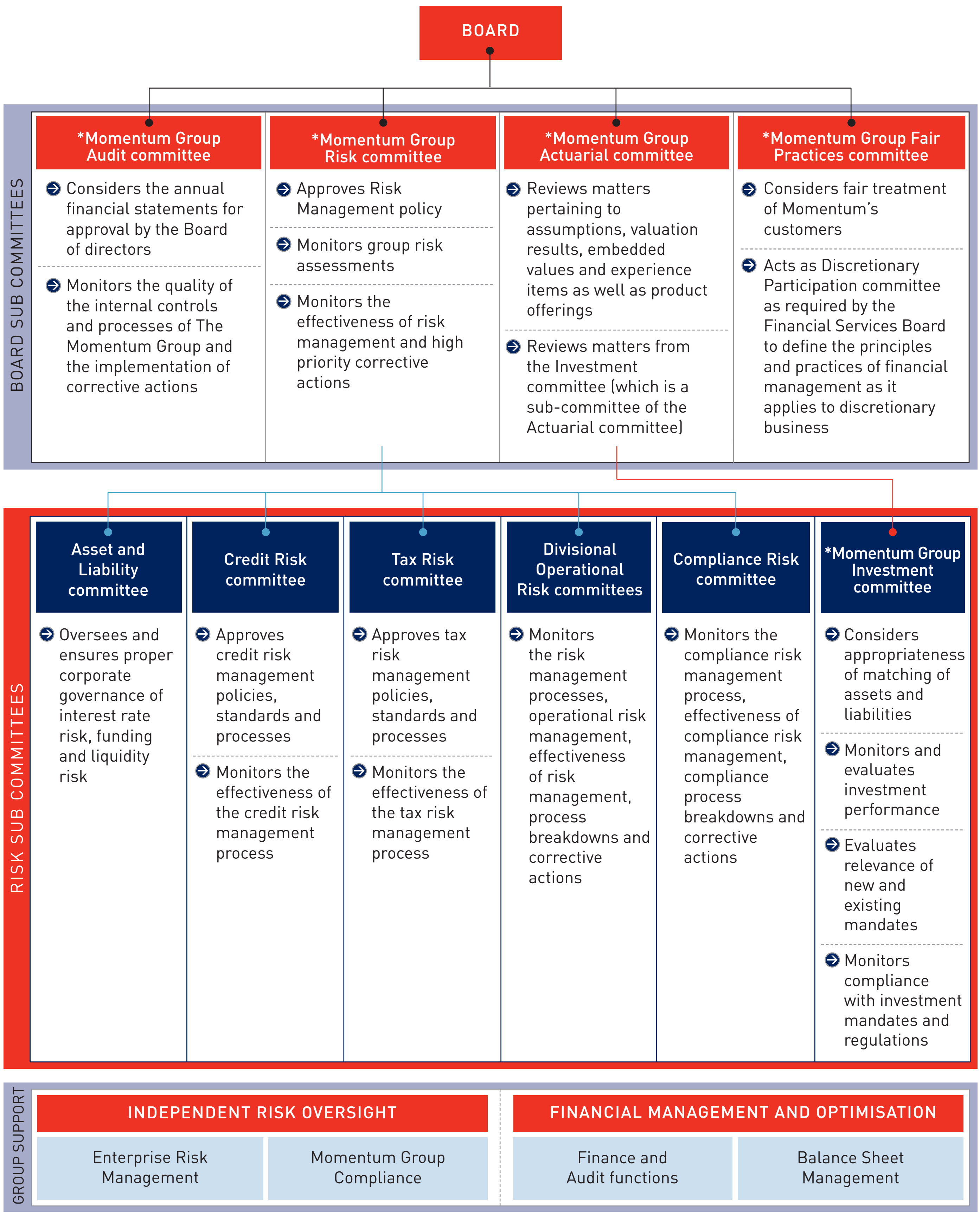
The ERM function provides objective oversight and coordinates the enterprise risk management process. This function is supported by other specialist in house functions, including forensics and compliance, at company and subsidiary levels that provide technical support and advice to assist with the identification, assessment, management, monitoring and reporting of financial and non financial risks. Momentum's Risk committee and its sub committees are responsible for the quality, integrity, reliability and quantification of the company's risk management process. The results of the committee's work is reported to and considered by Momentum's board and Momentum's Audit committee.

Independent assurance

Independent, objective assurance on the effectiveness of the management of risks across Momentum is provided to Momentum's board through the FirstRand Group Internal Audit function, the external auditors and Momentum's Audit committee, supported by audit committees at subsidiaries.

GOVERNANCE STRUCTURE

The Momentum board is responsible for oversight of business performance and risk management activities. The board is supported in these tasks by the sub committees of the board ("board sub committees") and their sub committees, independent and deployed risk management functions, as well as internal auditors. These committees and risk functions monitor Momentum's risks and provide assurance that risk management processes operate effectively. The governance structure is illustrated in the diagram below:



*Denotes chairperson is a board member

The risk management governance structures of Momentum cascade down from the board to the subsidiaries and main divisions and their business units. Divisional and risk sub committees oversee the risk management processes of Momentum.

In the various divisions and business units, deployed risk managers are responsible for supporting the implementation of the Risk Framework at business unit level. All the business units report on the effectiveness of their risk management processes to their relevant risk management functions and risk committees via a bottom up process. The risk reporting process is designed to provide an appropriate representation of the risk profile. The risk reports for each of the main business divisions are submitted quarterly for review by Momentum's Risk committee. Momentum's Risk committee reports on a regular basis to the Momentum board.

All subsidiaries, divisions and major business units of Momentum have risk committees. Momentum's Audit committee and Momentum's Risk committee have non-executive representation. Momentum's Audit committee meetings are attended by representatives from the external and internal auditors and the independent risk management functions. The independent and deployed risk managers attend all risk committees as appropriate.

These mechanisms ensure the integrity of reports to the board committees through the presence of external and independent observers at all governance levels.

RISK MANAGEMENT FRAMEWORK

The Business Success and Enterprise Risk Management Framework ("Risk Management Framework") of Momentum, a policy of the Board of directors, governs the risk management process and provides a matrix of risks inherent to the business of Momentum, being:

- Strategic and business risk;
- Insurance risk;
- Credit risk;
- Market risk;
- Liquidity risk;
- Operational risk;
- Compliance risk; and
- Risk arising from fiduciary activities.

The risk management framework aims to incorporate the risk management process into the overall management process. The framework is in line with the King Report 2002 and Committee of Sponsoring Organisations ("COSO") ERM guidelines and has been reviewed and benchmarked against international best practice.

Deployed risk managers form part of the various business units and subsidiaries and are responsible for coordinating and monitoring the risk management functions of Momentum, as well as establishing and driving implementation of risk management standards, methodologies and processes.

SOLVENCY II

Although the FSB has not issued a formal statement concerning the local adoption of Solvency II, Momentum expects this initiative from the European Union to become a global benchmark for insurance regulation. Momentum also recognises the significant business benefits which can flow from the adoption of the proposed economic risk and capital measurement and management approach. In order to ensure that Momentum is adequately prepared for Solvency II and to drive business benefit, Momentum has initiated a programme that will transform risk and capital management over the next two to three years. This programme covers a number of areas of activity, including:

- further articulation and quantification of risk appetite;
- improvement and extension of internal risk based capital models;
- transformation of risk measurement and profitability metrics; and
- embedding the above metrics into pricing and asset liability management decisions.

ACHIEVEMENTS AND FOCUS

2008 ACHIEVEMENTS

ENTERPRISE RISK MANAGEMENT:

→ Implementation of IFRS 7 risk reporting and disclosure.

Credit risk:

→ Further refinements of the stochastic and related credit risk models.

Tax risk:

→ Further refinement and implementation of the tax risk management framework and articulation of tax risk appetite.

Operational risk:

→ Successful implementation of an internal loss database.
→ Fully integrated operational risk management reporting including loss data, key risk indicators and risk self assessments per risk category.
→ Successful implementation of the project risk framework.
→ Testing of business continuity and IT continuity (disaster recovery) plans for all major business units.

FOCUS AREAS FOR 2009

ENTERPRISE RISK MANAGEMENT:

→ Further investigation of the Solvency II requirements for the insurance industry.

Credit risk:

→ Further refinement of internal credit economic capital model and regulatory model.

Operational risk:

→ Development of a model to quantify operational risk in line with Solvency II requirements and the Momentum internal capital model.
→ Further identification and implementation of key risk indicators.
→ Continue to embed regulatory compliance throughout Momentum.
→ Implementation of a fully automated business continuity management system.

STRATEGIC AND BUSINESS RISK

STRATEGIC RISK IS THE RISK THAT MOMENTUM'S FUTURE BUSINESS PLANS AND STRATEGIES MAY BE INADEQUATE TO PREVENT FINANCIAL LOSS OR PROTECT MOMENTUM'S COMPETITIVE POSITION AND RETURNS TO SHAREHOLDERS. BUSINESS RISK ARISES FROM UNEXPECTED LOSSES DUE TO CHANGES IN BUSINESS VOLUMES, MARGINS AND COSTS.

Accountability for strategic risk

Strategic risk is primarily addressed through the development and implementation of an effective strategic plan. The Momentum board is responsible for approving Momentum's objectives and the strategies and plans for achieving those objectives. Momentum's board approves any subsequent material changes in strategic direction, as well as significant acquisitions, mergers, take overs, equity investments and new strategic alliances by the company or its subsidiaries. The chief executive is responsible for the development and implementation of the strategic plan.

Risk identification

Momentum's executive management continually reviews the strategy of Momentum, taking into account the business, legal and regulatory environments in which Momentum operates. Executive management identifies and assesses strategic and business opportunities and addresses the associated risks throughout the strategic planning process.

Risk management

Executive management and business unit management monitor the external business environment (industry trends, regulatory changes, customer behaviour and competitors) and report on risks and opportunities through Momentum's risk reporting structure. The board reviews the performance of Momentum quarterly and ensures that management takes corrective action to address potential strategic and business risks.

INSURANCE RISK

INSURANCE RISK IS THE RISK THAT FUTURE RISK CLAIMS AND EXPENSES WILL EXCEED THE VALUE PLACED ON INSURANCE LIABILITIES. IT OCCURS DUE TO THE UNCERTAINTY OF THE TIMING AND AMOUNT OF FUTURE CASH FLOWS ARISING UNDER INSURANCE CONTRACTS. THE TIMING IS SPECIFICALLY INFLUENCED BY FUTURE MORTALITY, LONGEVITY, MORBIDITY, WITHDRAWAL AND EXPENSES ABOUT WHICH ASSUMPTIONS ARE MADE IN ORDER TO PLACE A VALUE ON THE LIABILITIES. DEVIATIONS FROM ASSUMPTIONS WILL RESULT IN ACTUAL CASH FLOWS DIFFERING FROM THOSE PROJECTED IN THE POLICYHOLDER LIABILITY CALCULATIONS. AS SUCH, EACH ASSUMPTION REPRESENTS A SOURCE OF UNCERTAINTY.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks.

The Momentum Actuarial committee supports the Statutory Actuary in his responsibility for the oversight of insurance risk.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected, and, in the extreme, that the actual claims and benefits exceed the liabilities.

Insurance events are by nature random and the actual number and amount of claims and benefits could be different from the number and amount of claims and benefits estimated. The larger the portfolio of contracts, the smaller the expected variation between actual and expected experience becomes. In addition, the more diversified a portfolio of risks, the smaller the impact of deviation of actual experience in a particular risk factor, compared to the assumption. The lack of diversification in respect of type and amount of risk can increase insurance risk.

Momentum is exposed to the following types of risks as a result of the insurance contracts it issues:

- Mortality, longevity and morbidity risk;
- Persistency risk;
- Expense risk; and
- Business volume risk.

The following table shows the balance sheet of the insurance operations per type of contract (audited):

	AT 30 JUNE 2008		
R MILLION	Linked/ Market related business	Reversionary and smoothed bonus business	Annuities and non participating business
Assets			
Financial assets less non policyholder liabilities	117 318	23 396	19 150
Liabilities			
Policyholder liabilities under insurance contracts	15 593	9 917	16 472
Policyholder liabilities under investment contracts	95 289	13 252	2 575
Excess assets	6 436	227	103
Total	117 318	23 396	19 150

	AT 30 JUNE 2007		
R MILLION	Linked/ Market related business	Reversionary and smoothed bonus business	Annuities and non participating business
Assets			
Financial assets less non policyholder liabilities	117 139	24 588	21 387
Liabilities			
Policyholder liabilities under insurance contracts	16 805	11 058	18 012
Policyholder liabilities under investment contracts	94 222	13 284	3 262
Excess assets	6 112	246	113
Total	117 139	24 588	21 387

The main insurance risks are set out below, as well as Momentum's approach to the management of these risks.

Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may be higher than what is assumed in pricing and valuation varies, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

i. Individual insurance business

Products are sold directly to individuals providing benefits on death and disability, including impairment, or in the event of suffering a critical illness. The main insurance risk relates to the possibility that rates of death or disability may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of insurance events;
- Incorrect assumptions regarding future experience;
- Natural catastrophes such as floods or earthquakes, and unnatural catastrophes such as acts of terrorism;
- The impact of HIV/AIDS or epidemics such as Avian Bird Flu;
- Anti selection such as where a client who has a pre-existing condition or disease purchases a product where a benefit will be paid on death or in the event of contracting such a disease;
- The effect of selective withdrawal which means policyholders are less likely to withdraw voluntarily if they are more likely to need the cover in the foreseeable future;
- Economic conditions resulting in more disability claims; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms that reduce the risk accepted by Momentum. Therefore Momentum employs the following underwriting controls to ensure that only acceptable risks are accepted:

- Underwriting, which is the assessment of health risk, hazardous pursuits or financial risk, including the requirement of a negative HIV test as a condition for accepting risk, charging extra premiums or declining cover where applicable based on the outcome of the underwriting, and differentiating premiums for risk factors such as age and smoker status;
- Appropriate pricing including allowing for known risks based on actual claims experience, and making use of profit testing techniques;
- Regular review of premium rates and approval of the approach to setting premium rates by the Statutory Actuary;
- A guarantee period shorter than the policy term applies to risk business, and enables Momentum to review premium

rates on in force contracts during the life of contracts. The guarantee period on whole life products is generally within the range of ten to 15 years; and

- Appropriate policy conditions, including setting appropriate maximum income replacement ratios in the case of products providing disability benefits, and approval of policy conditions by the Statutory Actuary.

The following additional controls and measures are in place in order to ensure that Momentum manages its exposure to mortality and morbidity risk:

- Claims assessment processes to ensure only valid claims are paid;
- Reserving for AIDS risk in accordance with the guidelines issued by the Actuarial Society of South Africa as set out in Professional Guidance Note ("PGN") 105;
- Reinsurance to limit Momentum's liability on particularly large claims or substandard risks. On individual pure risk business, Momentum reinsures 30% of the mortality risk and 35% of the morbidity risk. The maximum retention on aggregate mortality and morbidity risks on any one life is R3 million; and
- Concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance, as well as by taking out catastrophe reinsurance. Momentum's catastrophe reinsurance cover for the current financial year is R250 million in excess of R50 million for any single event involving three or more lives, in respect of both individual and group business, with a second layer of R35 million in excess of R15 million in respect of group business.

The following table shows the concentration of amounts at risk per life and in total, both gross and net of reinsurance as at 30 June 2008. Benefits include those payable on death, as well as both stand alone and accelerated dread disease and disability benefits (audited):

	AT 30 JUNE 2008		
Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R MILLION)	Total amount of risk net of reinsurance (R MILLION)
0 – 50 000	233 480	2 252	2 006
50 001 – 100 000	46 579	3 739	3 090
100 001 – 200 000	86 258	12 957	10 171
200 001 – 500 000	202 295	70 956	51 244
500 001 – 1 000 000	178 437	131 219	91 526
More than 1 000 000	168 610	379 641	207 007
Total	915 659	600 764	365 044

	AT 30 JUNE 2007		
Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R MILLION)	Total amount of risk net of reinsurance (R MILLION)
0 – 50 000	261 969	2 481	2 307
50 001 – 100 000	49 963	3 973	3 365
100 001 – 200 000	90 373	13 628	10 937
200 001 – 500 000	205 702	71 851	52 982
500 001 – 1 000 000	168 359	123 202	88 040
More than 1 000 000	142 095	304 863	175 920
Total	918 461	519 998	333 551

Before reinsurance 63% of the total amount at risk is for sums at risk exceeding R1 million per benefit. This reduces to 57% if reinsurance is taken into account.

ii. Group risk business

Employee benefit products provide life and disability cover to members of a group, such as employees of companies or members of trade unions. Typical benefits are:

- Life insurance (mostly lump sum, but some children and spouse's annuities)
- Disability insurance (lump sum and income protection)
- Dread disease cover
- Continuation of insurance option

The products are, as a rule, quite simple and mostly basic products with a one year renewable term. In most cases the products are compulsory for all employees although it has become more common recently to provide members with a degree of choice when selecting risk benefits.

Underwriting on group business is much less stringent than for individual business as there is typically less scope for anti selection. The main reason for this is that participation in Momentum's insurance programmes is normally compulsory, and as a rule members have limited choice in the level of benefits. Where choice in benefits and levels is offered, this is accompanied by an increase in the level of underwriting to combat anti selection.

Groups are priced using standard mortality and morbidity tables plus an explicit AIDS loading. The price for an individual scheme is adjusted for the following risk factors:

- Region
- Salary structure
- Gender structure
- Industry

For large schemes (typically 200 or more members), a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience.

Rates are guaranteed for one year. Rates may be guaranteed for up to three years on request but will be subject to an additional loading. Momentum does not pay claims resulting from active participation in war or from atomic, biological or chemical weapon risks.

To manage the risk of anti selection, there is an "Actively at Work" clause, which requires members to be actively at work and attending to their normal duties for cover to take effect. This is waived if we take over a scheme from another insurer for all existing members. In addition, a pre-existing clause applies, which states that no disability benefit will be payable if a member knew about a disabling condition within a defined period before the cover commenced and the event takes place within a defined period after cover has commenced. There is a standard reinsurance treaty in place covering group business.

Lump sum benefits in excess of R2 million and disability income benefits above R20 000 per month are reinsured.

There are some facultative arrangements in place on some schemes where a special structure is required, for example a very high free cover limit or high benefit levels.

In addition, there is a Catastrophe Treaty in place for both group business and individual business. Such a treaty is particularly important for Momentum's "group risk" business as there are considerably more concentrations of risks compared to individual business. The catastrophe cover is for losses over and above R20 million with an upper limit of R200 million.

An indication of the concentration risk in respect of group business can be obtained by noting that the five largest group schemes contribute 10% to the total risk exposure under group life cover in force at 30 June 2008 (2007:20%).

iii. Individual annuity business

Annuity contracts provide a specified regular income in return for a lump sum consideration. The income is normally provided for the life of the annuitant. In the case of a joint life annuity, the income is payable until the death of the last survivor. The income may furthermore be paid for a minimum guaranteed period and may be fixed or increased at a fixed rate or in line with inflation. The mortality risk in this case is that the annuitants may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

Momentum manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. Momentum measures deviations of experience from assumptions bi-annually and also performs more detailed actuarial experience investigations every two years and adjusts assumptions in pricing for new contracts and valuation of existing contracts when necessary. The last detailed investigation was performed in June 2007.

The following table shows the distribution of number of annuities by total amount per annum (audited):

Income category per annum	AT 30 JUNE 2008 Number of annuitants	AT 30 JUNE 2008 Amount per annum (R MILLION)	AT 30 JUNE 2007 Number of annuitants	AT 30 JUNE 2007 Amount per annum (R MILLION)
0 – 10 000	**62 405**	**258**	67 260	277
10 001 – 50 000	**25 890**	**555**	28 754	611
50 001 – 100 000	**4 071**	**280**	4 257	293
100 001 – 200 000	**1 631**	**218**	1 628	218
200 001+	**404**	**114**	390	111
Grand total	**94 401**	**1 425**	102 289	1 510

The largest concentration in terms of the number of annuitants is for small amounts of income per annum. 92% of the total amount of income payable per year relates to income per annuity of R200 000 or less.

iv. Permanent health insurance business

Momentum also pays Permanent Health Insurance ("PHI") income to disabled employees, the bulk of which are from employee benefit insured schemes. The income payments continue to the earlier of death, recovery or retirement of the disabled employee. There is therefore the risk of lower recovery rates or lower mortality rates than assumed, resulting in claims being paid for longer periods. Claims in payment are reviewed annually to ensure claimants still qualify and rehabilitation is managed and encouraged.

Persistency risk

Persistency risk relates to the risk that policyholders may cease or reduce their contributions, or withdraw their benefits and terminate their contracts prior to the contractual maturity date of a contract. Expenses such as commission and acquisition expenses are largely incurred at outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract or premiums are terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred. As a result, the amount payable on withdrawal normally makes provision for recouping any outstanding expenses. However, losses may still occur if the expenses incurred exceed the value of a policy, which normally happens early on in the term of recurring premium policies, or where the withdrawal amount does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum applying, or because of product design.

The recovery of expenses is in line with the regulatory limitations introduced in 2006. Therefore, in addition to setting realistic assumptions with regards to termination rates (rates of withdrawal and lapse), based on Momentum's actual experience specific amounts are set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts.

Expense risk

There is a risk that Momentum may experience a loss due to actual expenses being higher than those assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in a smaller in force book size.

Momentum regularly performs expense investigations and sets pricing and valuation assumptions to be in line with actual experience, with allowance for inflation. The latest investigation was performed at 30 June 2007. The inflation assumption furthermore allows for the expected gradual shrinking of the number of policies arising from the run off of books closed to new business arising from past acquisitions.

Business volume risk

There is a risk that Momentum may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes. The fixed cost component can be scaled down if there is an indication of a permanent decline in business volumes. A further mitigating factor is that the distribution channels used to generate new insurance and investment business are also used to distribute other product lines within Momentum, such as health insurance and short term insurance.

Sensitivities

The following table sets out the impact on liabilities of changes in the key valuation assumptions relating to insurance risk. The numbers in the table demonstrate the impact on liabilities if experience deviates from our "best estimate" assumptions in all future years – not only in one given time period. For mortality, morbidity and discontinuance rates, the sensitivities that result in liability increases was shown. On some product lines, this means an increase in the assumption, whereas on others it will represent a decrease. For instance, the "10% worsening in mortality" sensitivity assumes that future mortality experience on insurance policies will be 10% heavier than assumed in the valuation basis, while annuitant mortality will be 10% lighter.

Liability sensitivities at 30 June 2008 (audited):

R MILLION	Liability	Renewal expenses increase by 10%	Expense inflation increases by 1%	Disconti-nuance rates worsen by 10%	Mortality and morbidity worsen by 10%	Invest-ment returns reduce by 1%
Insurance Business (as defined under IFRS 4)						
Retail Insurance Business (excluding annuities)	26 281	26 344	26 311	26 248	27 148	26 162
Annuities (retail and employee benefits)	13 978	14 232	14 356	13 978	14 560	15 314
Employee Benefits Business	1 724	1 724	1 724	1 724	1 723	1 724
Investment Business (as defined under IFRS 4)	111 116	111 184	111 180	111 179	111 176	111 267
Total	153 099	153 484	153 571	153 129	154 607	154 467

Liability sensitivities at 30 June 2007 (audited):

R MILLION	Liability	Renewal expenses increase by 10%	Expense inflation increases by 1%	Disconti-nuance rates worsen by 10%	Mortality and morbidity worsen by 10%	Invest-ment returns reduce by 1%
Insurance Business (as defined under IFRS 4)						
Retail Insurance Business (excluding annuities)	28 556	28 700	28 708	28 461	29 506	28 570
Annuities (retail and employee benefits)	15 671	16 008	16 014	15 672	16 396	17 370
Employee Benefits Business	1 648	1 648	1 648	1 648	1 648	1 648
Investment Business (as defined under IFRS 4)	110 768	110 839	110 835	110 833	110 830	110 848
Total	156 643	157 195	157 205	156 614	158 380	158 436

The above sensitivities were chosen, because they represent the main assumptions regarding future experience that Momentum employs in determining its insurance liabilities. The magnitudes of the variances were chosen to be consistent with the sensitivities shown in Momentum's published embedded value report and also to facilitate comparisons with similar sensitivities published by other insurance companies in South Africa.

It is not uncommon to experience one or more of the stated deviations in any given year. However, a 10% change in mortality and morbidity experience is less likely to occur and a change of this magnitude can be considered an extreme event. There might be some correlation between sensitivities. For instance, changes in investment returns are normally correlated with changes in discontinuance rates. The table above shows the impact of each sensitivity in isolation, without taking into account possible correlations.

The table does not show the financial impact of variances in lump sum mortality and morbidity claims in respect of employee benefit business, because of the annually renewable nature of this class of insurance. An indication of the sensitivity of financial results to mortality and morbidity variances on this class of business can be obtained by noting that a 10% increase in mortality and morbidity lump sum benefits paid on employee benefits in any given year will result in a reduction of R68 million in the before tax earnings of Momentum.

It should be pointed out that the table shows only the sensitivity of liabilities to changes in valuation assumptions. It does not fully reflect the impact of the stated variances to Momentum's financial position. In many instances, changes in the fair value of assets will accompany changes in liabilities. An example of this is the annuity portfolio, where assets and liabilities are closely matched. A change in annuitant liabilities, following a change in long term interest rates, will be countered by an almost equal change in the value of assets backing these liabilities, resulting in a relatively modest overall change in net asset value.

FINANCIAL RISK

FINANCIAL RISK IS DEFINED AS "THE RISK OF A POSSIBLE FUTURE CHANGE IN ONE OR MORE OF A SPECIFIED INTEREST RATE, FINANCIAL INSTRUMENT PRICE, COMMODITY PRICE, FOREIGN EXCHANGE RATE, INDEX OF PRICES OR RATES, CREDIT RATING OR CREDIT INDEX OR OTHER VARIABLE, PROVIDED IN THE CASE OF A NON FINANCIAL VARIABLE THAT ITS NOT SPECIFIC TO A PARTY TO THE CONTRACT".

Momentum is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities.

Financial risks may affect the fair value of the assets held by Momentum, in respect of a reduction in market values, changes in interest rates and currency fluctuations. In addition, Momentum is subject to financial risks on the liabilities associated with investment, maturity and pricing guarantees.

Financial risks may result in a reduction in current and future fees, policyholders' expectations not being met, or damage to Momentum's reputation, and, in the extreme, insolvency of the company.

Momentum, with the assistance of the Momentum Investment committee, measures the exposure to financial risks by matching the assets held by Momentum with the liabilities payable by Momentum.

Investments are made in assets which are expected to provide cash flows that match liability outflows as and when they are expected to occur – this is monitored by the Momentum Investment committee.

In addition, the Momentum Investment committee monitors investment performance of all investment portfolios, compares performance against benchmarks and evaluates the appropriateness of investment mandates and benchmarks.

CREDIT RISK

CREDIT RISK IS THE RISK OF LOSS DUE TO NON PERFORMANCE OF A COUNTERPARTY IN RESPECT OF ANY FINANCIAL OR PERFORMANCE OBLIGATION DUE TO DETERIORATION IN THE FINANCIAL STATUS OF THE COUNTERPARTY. IT COULD ALSO ARISE FROM THE DECREASE IN VALUE OF AN ASSET SUBSEQUENT TO THE DOWNGRADING OF A COUNTERPARTY.

Credit risk arises from the investment in corporate debt in the shareholders' and guaranteed portfolios as well as linked portfolios.

Credit risk governance

Credit risk in Momentum is managed in terms of the Credit Risk Management Framework, which is a sub framework of Momentum's Risk Management Framework. The governance of credit risk is comprehensively set out in the credit risk charter. The overall responsibility for the effectiveness of credit risk management processes vests with the board. The operational responsibility has been delegated to Momentum's Risk committee, the Credit Risk committee, executive management and the credit risk management function. The Credit Risk committee is also responsible for setting and monitoring the credit risk sections of mandates for linked policyholder portfolios.

The Credit Risk committee is a sub committee of the Momentum Risk committee and is comprised of executive and non executive members and is chaired by a non executive member. This committee reports to the Momentum Risk committee on the effectiveness of credit risk management and provides an overview of the credit portfolio of Momentum. The Momentum Credit Risk committee and its sub committees are responsible for the approval of relevant credit policies and the ongoing review of the credit exposure of Momentum. This includes the monitoring of the following:

- quality of the credit portfolio;
- stress quantification;
- credit defaults against expected losses;
- credit concentration risk;
- return on risk; and
- appropriateness of loss provisions and reserves.

Credit risk procedures

Management recognises and accepts that losses may occur through the inability of corporate debt issuers to service their debt obligations. In order to limit this risk, the Credit Risk committee has formulated guidelines regarding the investment in corporate debt instruments, including a framework of limits based on Momentum's credit risk appetite, the nature of the exposure, a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry classification and other qualitative factors.

To achieve the above, an internal credit risk function performs ongoing risk management of the credit portfolio. This is made possible by the use of stochastic portfolio credit risk modelling in order to gauge the level of portfolio credit risk, consider levels of capital and identify sources of concentration risk and the implications thereof.

Regular risk management reporting to the Momentum Credit Risk committee includes credit risk exposure reporting, which contains relevant data on the counterparty, credit limits and ratings (internal and external). Counterparty exposures in excess of set credit limits are monitored and corrective action is taken where required.

Credit mitigation instruments are used where appropriate. These include collateral, netting agreements and guarantees or credit derivatives.

Concentration risk

Concentration risk is managed at the credit portfolio level. The nature thereof differs according to segment. Concentration risk management in the credit portfolio is based on individual name limits and exposures (which are reported to and approved by the Credit Risk committee) and the monitoring of industry concentrations. A sophisticated simulation portfolio model has been implemented to quantify concentration risk and its potential impact on the credit portfolio.

Portfolio overview (audited):

The following represents Momentum's total exposure to credit risk (before taking into account any security held):

R MILLION	AT 30 JUNE 2008			
	Insurance	Asset management	Other	Total
Maximum exposure to credit risk before taking into account any collateral held:				
Cash and short term funds	25 685	307	93	26 085
Accounts receivable	2 297	109	38	2 444
– Premium debtors	399	–	–	399
– Commission debtors	59	–	–	59
– Reinsurance assets	180	–	–	180
– Other	1 659	109	38	1 806
Investment securities	50 772	–	–	50 772
Derivative financial instruments	18 100	–	–	18 100
Policy loans on insurance contracts	193	–	–	193
Reinsurance assets	550	–	–	550
Total	97 597	416	131	98 144

R MILLION	AT 30 JUNE 2007			
	Insurance	Asset management	Other	Total
Maximum exposure to credit risk before taking into account any collateral held:				
Cash and short term funds	21 716	52	–	21 768
Accounts receivable	1 551	172	169	1 892
– Premium debtors	149	–	–	149
– Commission debtors	(8)	–	–	(8)
– Reinsurance assets	212	–	–	212
– Other	1 198	172	169	1 539
Investment securities	34 100	–	–	34 100
Derivative financial instruments	17 063	322	–	17 385
Policy loans on insurance contracts	166	–	–	166
Reinsurance assets	544	–	–	544
Total	75 140	546	169	75 855

Corporate and government debt (unaudited):

Momentum adopts a portfolio management approach to credit exposures. In order to achieve appropriate diversification, limits are applied at industry sector level, the number of single obligor exposures within rating categories, and the targeted weighted average rating of the portfolio.

Momentum's total exposure to corporate and government debt amounted to R50.7 billion at 30 June 2008 (2007: R34.1 billion):

R MILLION	Banks	RSA Government	Utilities	Mining	Other sectors	Total
2008	**8 488**	**14 069**	**4 275**	**22**	**23 918**	**50 772**
2007	11 500	22 116	–	–	484	34 100

The exposure to "other sectors" is spread across 30 industry sectors, with no single sector representing more than 8.7% of the total corporate debt exposure.

The exposure to banks represents debt, cash on deposit, derivative and other exposures to the largest A rated banks in South Africa. The largest counterparty exposure is to the RSA Government with R14.1 billion in exposure at 30 June 2008 (2007: R22.1 billion).

The total debt portfolio is spread as follows across the various ZAR rating categories (based on Standard and Poor's rating scale) at 30 June:

R MILLION	AT 30 JUNE 2008					
	Cash and short term funds	**Reinsurance assets**	**Investment securities**	**Scrip lending**	**Deriva-tives**	**Total**
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	**26 085**	**549**	**50 755**	**8 897**	**18 037**	**104 323**
B+ to B- (B+ to B-)	**–**	**–**	**17**	**–**	**63**	**80**
Below B- (CCC)	**–**	**–**	**–**	**–**	**–**	**–**
Unrated	**–**	**0.6**	**–**	**–**	**–**	**0.6**
Total	**26 085**	**550**	**50 772**	**8 897**	**18 100**	**104 404**

R MILLION	AT 30 JUNE 2007					
	Cash and short term funds	Reinsurance assets	Investment securities	Scrip lending	Deriva-tives	Total
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	21 767	516	30 969	10 446	17 385	81 083
B+ to B- (B+ to B-)	1	–	2 725	–	–	2 726
Below B- (CCC)	–	28	406	–	–	434
Unrated	–	–	–	–	–	–
Total	21 768	544	34 100	10 446	17 385	84 243

Investment grade

AAA to BBB-: These are obligations which are judged to be of a high credit quality and are subject to low credit risk.

BB+ to B-: These are obligations which are of a medium quality and are subject to moderate credit risk.

Below B-: These are obligations which have a low credit quality. They are considered to be riskier than the other classes.

Commission debtors

Commission debtors arise when upfront commission paid on recurring premium policies is clawed back on a sliding scale within the first two years of origination. As the largest portion of Momentum's new business arises from brokerages that are subsidiaries of A rated South African banks, the risk of default is low, and relates mainly to independent intermediaries.

An impairment of commission debits is made to the extent that these are not considered to be recoverable, and a legal recovery process commences.

The total provision for commission debtors amounted to R26 million at 30 June 2008 (2007: R16 million), compared with total commission payments of R1 475 million for the year (2007: R1 172 million).

Reinsurance

Momentum only enters into reinsurance treaties with reinsurers registered with the FSB. The reinsurers contracted represent subsidiaries of large international reinsurance companies, and no instances of default have yet been encountered.

Regular monthly reconciliations are performed regarding claims against reinsurers, and the payment of premiums to reinsurers.

The table below indicates the distribution to reinsurers used by Momentum (audited):

	AT 30 JUNE			
	2008		2007	
Reinsurer	**Reinsured proportion**	**International credit rating of reinsurer (Standard & Poor's)**	Reinsured proportion	International credit rating of reinsurer (Standard & Poor's)
Swiss Re	**48%**	**AA-**	48%	AA-
Hannover Re	**23%**	**AA-**	24%	AA-
General Cologne Re	**18%**	**AAA**	17%	AAA
RGA Re	**8%**	**AA-**	10%	AA-
Other	**3%**		1%	

Policy loan debt

Momentum's policy is to automatically lapse a policy where the policy loan debt exceeds the fund value. There is therefore little risk that policy loan debt will remain irrecoverable. The policy is therefore considered to be collateral for the debt. The fair value of the collateral is considered to be the value of the policy as determined in accordance with the accounting policies.

Policy loans are secured by policies issued by Momentum. In terms of the regulations applicable to Momentum, the value of the policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which Momentum owns. The value of the collateral is the value of the policy which is determined as set out in Momentum's Accounting Policies.

Scrip lending

Momentum lends out listed equity holdings. At 30 June 2008 a total of R8 896 million (2007: R10 446 million), or 11% (2007: 11%) of the total equity holding, was out on loan. Fees received for scrip lending are included in fee income.

Collateral, in the form of either cash or fixed interest government bonds, at least equal to the value of scrip on loan is retained on an ongoing basis in order to mitigate the risk of default.

Derivative contracts

Momentum enters into derivative contracts with A rated local banks on terms set out by the industry standard International Swaps and Derivatives Agreements ("ISDA"). In terms of these ISDA agreements, derivative assets and liabilities can be setoff with the same counterparty resulting in only the net exposure being included in the overall Group counterparty exposure analysis.

Included in investment securities are amounts relating to corporate debt for which Momentum holds collateral. The fair value of the collateral is determined from time to time using valuation techniques generally accepted for the underlying assets.

MARKET RISK

MARKET RISK IS THE RISK THAT MOMENTUM IS UNABLE TO MEET ITS OBLIGATIONS DUE TO CHANGES IN THE MARKET VALUE OF THE ASSETS MATCHING THE LIABILITIES, AS WELL AS A DECREASE IN THE NET ASSET VALUE DUE TO A DECLINE IN THE FAIR VALUE OF SHAREHOLDER ASSETS.

Market risk comprises the risk of changes in market value of its assets/liabilities due to changes in rates of exchange of currency, interest rates, property prices and equity prices.

Market risk exists in all trading, banking and investment portfolios. For the purpose of these financial statements market risk is considered to be fully contained within the trading portfolios. Substantially all market risk within Momentum is taken in the asset managers in Momentum as this is the division where the market risk taking and management expertise lies.

The Asset and Liability committee which is a sub committee of Momentum Risk committee provides market risk oversight for interest rate risk, funding and liquidity risk assumed on Momentum's balance sheet.

For each of the major components of market risk, described in more detail below, Momentum has put in place mechanisms to manage and monitor each risk in terms of Momentum's overall risk appetite.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The majority of currency exposure within Momentum results from the offshore assets held by policyholders' portfolios to provide the desired international exposure, subject to the limitations imposed by the SARB. The largest portions of these assets back linked policyholders' liabilities. This results in the majority of the currency risk being passed on to the policyholder in terms of the policy agreement.

The following assets and liabilities, denominated in foreign currencies, where the currency risk resides with Momentum, are included in Momentum's balance sheet:

Shareholders' assets and liabilities as at 30 June 2008 (audited):

	GBP MILLION	US$ MILLION	Euro MILLION	Other MILLION	Total MILLION
Assets					
Cash and short term funds	41	–	–	6	47
Money market investments	–	–	–	–	–
Investment securities	–	–	–	31	31
Derivative assets	–	–	–	–	–
Investment assets	41	–	–	37	78
Accounts receivable	2	–	–	7	9
Current income tax asset	–	–	–	–	–
Deferred taxation	–	–	–	3	3
Intangible assets	–	–	–	–	–
Property, plant and equipment	–	–	–	–	–
Total assets	43	–	–	47	90
Liabilities					
Accounts payable					
Provisions	24	–	–	2	26
Taxation	7	–	–	1	8
Deferred revenue liability	–	–	–	1	1
Other financial liabilities	–	–	–	–	–
Total liabilities	31	–	–	4	35

Assets backing policyholder liabilities as at 30 June 2008 (audited):

	GBP MILLION	US$ MILLION	Euro MILLION	Other MILLION	Total MILLION
Assets					
Cash and short term funds	178	116	53	9	356
Money market investments	11	254	22	–	287
Accounts receivable	122	31	5	34	192
Investment securities	188	11 408	737	102	12 435
Investment properties	–	–	–	–	–
Property, plant and equipment	13	–	–	4	17
Derivative financial instruments	–	2	–	–	2
Total assets	512	11 811	817	149	13 289
Liabilities					
Accounts payable (including insurance payable)	153	33	–	13	199
Interest bearing borrowings	–	–	–	–	–
Policyholder liabilities under investment contracts	100	696	227	–	1 023
Policyholder liabilities under insurance contracts	–	–	–	18	18
Total liabilities	253	729	227	31	1 240

	GBP	US$	Euro	Pula
Foreign exchange rates as at 30 June 2008				
Closing rate	15.6010	7.8226	12.3452	1.1949
Average rate	14.6642	7.3006	10.8654	1.1662

Shareholders' assets and liabilities as at 30 June 2007 (audited):

	GBP MILLION	US$ MILLION	Euro MILLION	Other MILLION	Total MILLION
Assets					
Cash and short term funds	331	148	3	42	524
Money market investments	–	–	–	–	–
Investment securities	11	11	–	–	22
Derivative assets	–	2	–	–	2
Investment assets	342	161	3	42	548
Accounts receivable	76	27	4	22	129
Current income tax asset	1	–	–	–	1
Deferred taxation	–	–	–	2	2
Intangible assets	9	–	–	–	9
Property, plant and equipment	21	–	–	4	25
Total assets	449	188	7	70	714
Liabilities					
Accounts payable	238	19	2	9	268
Provisions	9	–	–	–	9
Taxation	12	6	–	1	19
Employee benefit liabilities	17	–	–	–	17
Deferred revenue liability	10	–	–	–	10
Other financial liabilities	10	–	–	–	10
Total liabilities	296	25	2	10	333

Assets backing policyholder liabilities as at 30 June 2007 (audited):

	GBP MILLION	US$ MILLION	Euro MILLION	Other MILLION	Total MILLION
Assets					
Cash and short term funds	–	–	–	43	43
Money market investments	86	1 272	339	3	1 700
Accounts receivable	–	4	–	8	12
Investment securities	102	10 076	411	199	10 788
Investment properties	–	–	–	–	–
Property, plant and equipment	–	–	–	–	–
Derivative financial instruments	1	1 045	2	–	1 048
Total assets	189	12 397	752	253	13 591
Liabilities					
Accounts payable (including insurance payable)	–	5	–	20	25
Interest bearing borrowings	–	–	–	3	3
Policyholder liabilities under investment contracts	–	615	–	–	615
Policyholder liabilities under insurance contracts	–	–	–	11	11
Total liabilities	–	620	–	34	654

	GBP	US $	Euro	Pula
Foreign exchange rates as at 30 June 2007				
Closing rate	14.1732	7.0700	9.5516	1.1489
Average rate	13.9869	7.2072	9.4483	1.1703

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates, which may result in mismatches between Momentum's assets and liabilities.

The following sections set out the areas where Momentum is exposed to interest rate risk, as well as how this is managed.

i. Non profit annuity business

An annuity pays an income to the annuitant for life, in return for a lump sum consideration paid on origination of the annuity. Income payments may be subject to a minimum period. The income may be fixed, or increase at a fixed rate or in line with inflation.

Momentum guarantees this income and is therefore subject to interest rate risk, in addition to the risk of longer than anticipated life expectancy. In order to hedge against the interest rate risk, Momentum invests in an actively managed portfolio of government and corporate bonds, promissory notes from banks and swaps of the same duration as the liabilities. The mismatch risk is measured in terms of duration and convexity risk. The asset manager aims to minimise both of these risks. Index linked annuities, which provide increases in line with inflation, are matched with index linked bonds. Where perfect cash flow matching is not possible, interest rate risk is minimised by ensuring the values of assets and liabilities respond similarly to small changes in interest rates, and a mismatching liability is raised as a component of the investment stabilisation account. In a monthly meeting with the asset managers, the matching position of the portfolio is considered as well as the need for corrective action. The asset managers are motivated, by way of performance fees, to minimise any mismatching risk.

As an indication of the robustness of the asset liability management, it is worth noting that a 25% horizontal shift in the risk free yield curve as at 30 June 2008 would have resulted in a 1.4% (2007:0.8%) move in the liability relative to assets. Similar to the annuity portfolio, the liability for permanent health insurance payments to disabled employees of insured group schemes is matched by fixed and index linked bonds to protect Momentum against interest rate movements.

ii. Guaranteed endowments and structured products

Momentum issues guaranteed endowment policies – the majority of these contracts are five year single premium endowment policies providing guaranteed maturity values. In terms of these contracts, policyholders are not entitled to receive more than the guaranteed maturity value as guaranteed at inception. Momentum hedges the risk of being unable to meet the guaranteed maturity value by investing in assets that will provide the required yield at the relevant durations.

A variation on guaranteed endowment policies are contracts where the capital guarantee is combined with a guaranteed return linked to the returns on local and offshore market indices. Momentum manages the risk associated with the guarantee on these contracts through the purchase of appropriate assets and the risk of the offshore indices is hedged through equity linked notes issued by banks. In addition to these hedging strategies, a portion of the guaranteed endowment policies is reinsured with reputable reinsurers in terms of Momentum reinsurance policies.

To demonstrate the effect of the interest rate hedging on guaranteed and structured endowments, it was calculated that, at 30 June 2008, a 25% horizontal shift in the yield curve would have resulted in a 0.1% (2007: 0 4%) move in liabilities relative to assets.

iii. Other non profit business

In addition to mortality risk, morbidity risk, expense risk and persistency risk, there is also the risk that investment return experienced may be lower than that assumed when the price of insurance business was determined. Momentum reduces this risk by investing in assets comparable to the nature of these liabilities, such as fixed interest investments.

iv. Impact of changes in interest rates

The tables below provide a split of interest bearing assets that are exposed to cash flow interest rate risk and those that are exposed to fair value interest rate risk (audited):

	AT 30 JUNE 2008		
R MILLION	Total	Cash flow interest rate risk	Fair value interest rate risk
Cash and short term funds	5 006	5 006	–
Money market investments	21 078	14 790	6 288
Investment securities	50 772	–	50 772
Total	**76 856**	**19 796**	**57 060**

	AT 30 JUNE 2007		
R MILLION	Total	Cash flow interest rate risk	Fair value interest rate risk
Cash and short term funds	4 162	4 162	–
Money market investments	17 680	17 274	406
Investment securities	34 100	–	34 100
Total	55 942	21 436	34 506

The table below illustrates the amount where there is a contractual repricing of the coupon interest rate prior to the maturity date (unaudited):

	AT 30 JUNE	
R MILLION	**2008**	2007
Government and public authority stocks	–	2 635
Debentures and other loans	–	120
Total	–	2 755

Refer to the section on liquidity risks for maturity profiles of interest bearing liabilities.

Property risk

Property risk is the risk that the value of investment properties will fluctuate as a result of changes in the rental market and interest rates.

Property investments are made on behalf of policyholders, shareholders and other investment clients and are reflected at market value. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

The ability of Momentum to let investment property as well as the future fair value of investment properties may be affected by the current electricity crisis in the country. Momentum has limited its exposure to direct investment properties through the diversification of assets and ownership of participatory interests in property unit trusts rather than direct ownership of the properties.

Equity risk

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market price.

Equity exposure arises from equity investments made on behalf of shareholders and policyholders, including equities backing guaranteed liabilities, minimum investment return guarantees in some universal life products, and as a result of fees charged as a percentage of policyholder assets that are invested in equities.

Equities are reflected at market values, which are susceptible to fluctuations. The risks from these fluctuations can be separated into systematic risk (affecting all equity instruments) and specific risk (affecting individual securities). In general, specific risk can be reduced through diversification but systematic risk cannot.

Momentum manages its equity risk by employing the following procedures:

- mandating specialist equity fund managers to invest only in listed equities, where there is an active market and where access is gained to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce specific risk. Diversification is guided by the concentration rules imposed on admissible assets by the Long Term Insurance Act;
- requiring these fund managers to maintain the overall equity exposure within the prudential investment guidelines set by the Financial Services Board; and

- considering the risk reward profile of holding equities and assuming appropriate risk in order to obtain higher expected returns on assets.

i. Individual insurance and investment contracts with discretionary participation features

Momentum offers various product lines in this category. Some of these products have been closed to new business.

Assets are invested in a balanced mix of local and offshore equities, fixed interest assets, property and cash, according to the asset manager's best investment view. The Investment committee regularly monitors the asset mix and performance to ensure that the expected returns are in line with policyholders' expectations. Separate investment portfolios are managed for smoothed bonus products.

The investment return earned on the underlying assets, after tax and charges, is distributed to policyholders in the form of bonuses in line with product design, policyholders' reasonable expectations, affordability and management discretion. The use of bonuses is a mechanism to smooth returns to policyholders, in order to reduce the risk of volatile investment performance. Any returns not yet distributed are retained in a Bonus Stabilisation Account ("BSA"), for future distribution to policyholders.

In the event of adverse investment performance, such as a sudden or sustained fall in the market value of assets backing smoothed bonus business, the BSA may be negative. In such an event, Momentum has the following options:

- To assume lower bonuses will be declared in future in valuing the liabilities;
- To actually declare lower bonuses;
- A portion of bonuses declared is not guaranteed and in the event of a fall in the market value of assets, Momentum has the right to remove previously declared non guaranteed bonuses. This will only be done if it is believed that markets will not recover in the short term;
- A market value adjuster may be applied in the event of voluntary withdrawal to ensure that withdrawal benefits do not exceed the market values. This is to protect remaining policyholders. The application of market value adjusters is in line with the principles of the Statement of Intent agreed between the Insurance Industry and National Treasury in South Africa in December 2005 and the resultant ongoing project between the industry and the National Treasury. The limitations imposed on the size of market value adjusters under these agreements could result in surrender values higher than the market value of assets under some market conditions which limits the effectiveness of this risk management tool;
- Using funds in the Additional Bonus Stabilisation Account to temporarily or permanently top up the BSA on recommendation of the Actuarial committee and approval from the board. This is a general bonus stabilisation account set aside as a buffer to support all smoothed bonus business. This account is not attributable to any specific class of smoothed bonus business and is not intended for distribution under normal market conditions; and
- In very extreme circumstances, funds may be transferred from the shareholder portfolio into the BSA on a temporary or permanent basis.

The Performance Guaranteed Fund product offered is a variation to the smoothed bonus products. Policyholders are guaranteed to receive at least a return of capital after five and ten years for single premium and recurring premium contracts respectively. In addition, management fees will be returned to policyholders if the portfolio did not achieve an investment return at least equal to inflation. Assets are invested in local and international equities, bonds and cash and the portfolio is managed as an absolute return fund.

ii. Individual contracts offering investment guarantees

Momentum has a book of universal life business that is closed to new business, which offers minimum maturity values based on a specified rate of investment return. This guaranteed rate is around 4.5% p.a. for the bulk of business. This applies to smoothed bonus portfolios as well as certain market linked portfolios. On some smoothed bonus portfolios, there is also a guarantee to policyholders that the annual bonus rate will not be less than a contractual minimum (also around 4.5% per year).

Momentum no longer automatically offers these guarantees on new business. Policyholders do, however, have the option to purchase a minimum guaranteed return of up to 3.5% per annum. The guarantee charge is set at a level that will cover the expected cost of guarantees, including the opportunity cost of additional capital held in respect of these guarantees. Only selected portfolios qualify for this guarantee and the guarantee also applies only for specific terms.

Momentum manages the risk of being unable to meet guarantees by holding a specific liability for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns in accordance with local actuarial guidance. A stochastic model is used to quantify the reserve required to finance possible shortfalls in respect of minimum maturity values and other guaranteed benefits. The model is calibrated to market data and the liability is calculated every six months. Momentum's also holds statutory capital in respect of the guarantee risk. The amount of capital is calculated to be sufficient to cover the cost of guarantees in the event of a 30% fall in market value of equities and an adverse move of 25% in interest rates.

iii. Group contracts with discretionary participation features ("DPF")

The Momentum Secure Bonus ("MSB"), Momentum Structured Growth ("MSG") and Momentum Capital Plus ("MCP") portfolios are offered to institutional investors and provide a continuous guarantee on capital and declared bonuses. Bonuses are fully vesting and are declared monthly in advance in the case of MSB and MCP, or annually in arrears in the case of MSG.

No market value adjuster applies but allowance is made for the payment of benefits over a period of up to 12 months if large collective outflows may prejudice remaining investors. Extensive use is made of derivative instruments to minimise downside market risk in the group DPF portfolios. Because of this strategy, bonus stabilisation accounts in respect of group DPF business are small, relative to the bonus stabilisation accounts on individual (retail) business.

iv. Market related/unit linked business

Market related or unit linked contracts are those invested in portfolios where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. These may be investment contracts or insurance contracts, and include universal life contracts which also provide cover on death or disability.

Policyholders carry the investment risk; however, Momentum carries a risk of reduced income from fees where these are based on investment returns or the underlying fund value, or where investment conditions affect its ability to recoup expenses incurred. There is furthermore also the reputational risk if actual investment performance is not in line with policyholders' expectations. These risks are managed through the rigorous investment research process applied by Momentum's investment managers, which is supported by technical as well as fundamental analysis.

Sensitivity to market risk

Momentum's profit and net asset value is sensitive to market risk as a result of the following:

- Insurance contracts issued;
- Investment contract business; and
- Investments made using the shareholder free reserves.

The following table represents the effect on net profit and equity as a result of plausible changes in market factors which give rise to market risk for each of the categories identified above. (audited):

	AT 30 JUNE 2008						
	Equity prices		Interest rates		Exchange rates		
R MILLION	Increase by 10%	Decrease by 10%	Increase by 100 bps	Decrease by 100 bps	Improve by 10%	Worsen by 10%	Combined scenario
Net profit after tax for the year	2 002	2 002	2 002	2 002	2 002	2 002	2 002
Change in profit from insurance contracts as a result of the reasonably plausible change[1]	–	–	(48)	48	–	–	(48)
Change in profit from investment contracts as a result of the reasonably plausible change	87	(94)	(13)	10	(33)	31	(76)
Change in profits attributable to asset manager operations	33	(33)	(2)	2	(7)	7	(28)
Change in profit from shareholders free assets as a result of the change:	–	–	21	(21)	–	–	21
– Returns on shareholders' assets	–	–	21	(21)	–	–	21
– Gains on available-for-sale financial instruments recycled from equity[2]	–	–	–	–	–	–	–
Net change in profit for the year as a result of the reasonably plausible change	120	(127)	(42)	39	(40)	38	(131)
Net profit for the year after the plausible change	2 122	1 875	1 960	2 041	1 962	2 040	1 871
Effect on equity of the reasonably possible change							
Available-for-sale reserve	–	–	–	–	–	–	–
Foreign currency translation reserve	–	–	–	–	–	–	–
Retained earnings	72	(76)	(25)	23	(24)	23	(78)
– Net profit	120	(127)	(42)	39	(40)	38	(131)
– Dividends	(48)	51	17	(16)	16	(15)	53
Equity	72	(76)	(25)	23	(24)	23	(78)

	AT 30 JUNE 2007						
	Equity prices		Interest rates		Exchange rates		
	Increase by 10%	Decrease by 10%	Increase by 100 bps	Decrease by 100 bps	Improve by 10%	Worsen by 10%	Combined scenario
Net profit after tax for the year	2 076	2 076	2 076	2 076	2 076	2 076	2 076
Change in profit from insurance contracts as a result of the reasonably plausible change[1]	–	–	(54)	55	–	–	(54)
Change in profit from investment contracts as a result of the reasonably plausible change	84	(86)	–	(4)	(27)	26	(60)
Change in profits attributable to asset manager operations	39	(39)	(1)	1	(6)	6	(35)
Change in profit from shareholders' free assets as a result of the change:	–	–	23	(23)	–	–	23
– Returns on shareholders' assets	–	–	23	(23)	–	–	23
– Gains on available-for-sale financial instruments recycled from equity[2]	–	–	–	–	–	–	–
Net change in profit for the year as a result of the reasonably plausible change	123	(125)	(32)	29	(33)	32	(125)
Net profit for the year after the reasonably plausible change	2 199	1 951	2 044	2 105	2 043	2 108	1 951
Effect on equity of the plausible change							
Available-for-sale reserve	–	–	–	–	–	–	–
Foreign currency translation reserve	–	–	–	–	–	–	–
Retained earnings	74	(75)	(19)	18	(19)	19	(75)
– Net profit	123	(125)	(32)	29	(32)	32	(125)
– Dividends	(49)	50	13	(12)	13	(13)	50
Equity	74	(75)	(19)	18	(19)	19	(75)

1 During the 2007 financial year Momentum amended the investment mandate for the shareholders' portfolio. Investments in equity instruments are no longer made using shareholder free reserves. In order to effect this change in mandate a large number of equities were sold during the 2007 year. As the investments of shareholder free reserves are classified as available-for-sale financial instruments the gains realised on the sale of these assets were included in the 2007 profit for the year. The gain is considered to be a once off gain and because the exposures no longer existed at year end the sensitivity of this amount has not been determined.

2 Equity prices decrease by 10%, interest rates increase by 100 bps, property values decrease by 10% and exchange rates worsen by 10%.

The sensitivity ranges represent estimates of a range of plausible (although not equally likely) changes within a 12 month period from the reporting date are prescribed by actuarial professional guidance. It is current market practice in South Africa to disclose these sensitivities.

Using the same sensitivities for the IFRS7 disclosure requirements facilitates comparison with other industry participants.

Market risk sensitivities have been applied as an event on the balance sheet date, 30 June 2008. The change factors were applied to:

- assets at the balance sheet date
- policyholder liabilities at the balance sheet date
- income and expenditure over a 12 month period

Assets at the balance sheet date were impacted as follows:

- equities and property were revalued, using the relevant market price sensitivities
- bonds were revalued, using the relevant interest rate sensitivities (parallel shift in the yield curve)
- all offshore asset classes were revalued, using the relevant exchange rate sensitivities
- strategic subsidiaries, which are shown at fair value in the company accounts, have been revalued to reflect the relevant equity and interest rate sensitivities

The impact of the sensitivities on policyholder liabilities was quantified as follows:

- Investment accounts were adjusted.
- Changes were made to the expected future investment returns and the rate at which cash flows are discounted in the liability calculation.
- Policyholder options and guarantees (including investment guarantees) as described in actuarial professional guidance note PGN 110 were revalued.

In determining the impact of the sensitivities on income and expenses over 12 months, the following items were considered:

- fee income that is a function of investment returns
- asset management fee income that is a function of the amount of assets under management
- asset management expenditure that is a function of the amount of assets under management
- interest income
- revaluation of shareholder assets (fair value adjustment)

In line with current Momentum practices, the profits from insurance contracts were stabilised. This is particularly relevant for asset price movements away from the long term average, provided that the investment stabilisation accounts have a positive balance.

The calculations were performed in isolation for the separate categories of business and aggregated to indicate the overall effect on Momentum.

The following assumptions are specific to the scenarios presented above:

Equity market value sensitivity:

- The change in equity prices was assumed to be a once off change;
- Future dividend yields were assumed to remain unchanged; and
- No change was assumed in expected future returns and discount rates used in valuing liabilities as a result of changes to equity prices.

Interest rate sensitivity:

- The expected future real rates of return were assumed to remain unchanged; and
- Future inflation rates were assumed to change in line with interest rates.

Exchange rate sensitivity:

- The value of foreign currency denominated assets were assumed to change as a result of changes in the exchange rates; and
- No changes were assumed in respect of expected future returns and discount rates used in valuing liabilities as a result of changes in the exchange rates.

Overall, market risk is considered to be within acceptable risk levels and is managed effectively in Momentum.

LIQUIDITY RISK

Liquidity risk is the risk that Momentum will encounter difficulty in raising funds to meet commitments to policyholders under policy contracts and in respect of other obligations.

Our approach to liquidity risk management is explained below.

Guaranteed policyholder benefits

Where possible, the expected liability outflow is matched by assets that provide the required cash flows as and when they become payable. Examples of guaranteed benefits that are matched by suitable assets include annuities and guaranteed endowments.

Unitised and smoothed bonus policyholder benefits

These benefits are determined mainly by the market value of underlying assets. On maturity of policy contracts, assets are disposed of in the market, but only to the extent that cash flows into the fund are insufficient to cover the outflow. Assets are generally easy to realise, as they consist mainly of large listed equity counters, government securities or funds on deposit.

Maturity dates are normally known in advance and cash flow projections are performed to aid in portfolio and cash flow management. Where the product design allows for the payment of an early termination value (ie a benefit payment before the contractual maturity date), such value is not normally guaranteed, but is determined at the company's discretion (subject to certain minima prescribed by legislation). This limits the loss on early termination. If underlying assets are illiquid, the terms of the policy contract normally allows for a staggered approach to early termination benefit payments. Examples of the latter are contracts that invest in unlisted equity and certain property funds.

When a particular policyholder fund is contracting (ie outflows exceed inflows), care is taken to ensure that the investment strategy and unit pricing structure of the fund are appropriate to meet liquidity requirements (as determined by cash flow projections). In practice, such a fund is often merged with cash flow positive funds, to avoid unnecessary constraints on investment freedom.

Other policyholder benefits

Policyholder contracts that provide mostly lump sum risk benefits do not normally give rise to significant liabilities (compared to policies that provide mostly savings benefits). Funds supporting risk benefits normally have substantial cash inflows, from which claims can be paid. Accrued liabilities are matched by liquid assets, to meet cash outflows in excess of expected inflows.

On certain large corporate policy contracts, the terms of each individual contract takes into account the relevant liquidity requirements. Examples of such contractual provisions include the payment of benefits in specie, or a provision for sufficient lag times between the termination notification and payment of benefits.

Shareholder funds

The only significant shareholders' liability is the callable bond issued during 2005. Momentum shareholders' funds include sufficient cash resources to fund the coupon payments under this bond, and the nominal amount, which is callable in 2014, will be funded from cash resources at that time.

Liquidity risk – policyholders

The following tables indicate the liquidity needs in respect of obligations arising under long term insurance and investment contracts (as defined under IFRS 4). The amounts in the table represent the excess of claims and expenses over premium income, expressed in present value terms (ie adjusted for the time value of money). Only contractual expected cash flows from the current in force book have been modelled. Future new business has been ignored. Non contractual cash flows (eg those arising from early terminations of policy contracts) have also been ignored.

Cash flow relating to specific policy contract types have been apportioned between future time periods in the following manners:

i. Annuities, guaranteed endowments and PHI claims in payment

These contracts have clearly defined future payment dates. The present values of expected future payments, taking into account expected future life expectancy and guarantee terms, have been apportioned according to when they become payable.

ii. Unitised and smoothed bonus savings contracts

These contracts provide mainly savings benefits, but may contain elements of death or disability cover. The savings benefits mostly have clearly defined maturity dates. They make up the bulk of the liability in respect of this class of business. Policyholder liabilities at the reporting date have therefore been apportioned according to contractual maturity dates of the savings benefits. For policies without defined maturity dates, the liability has been apportioned according to the earliest possible date when benefits can be paid without regulatory restrictions.

Early termination payments and lump sum risk benefits have not been treated as contractual obligations.

On this class of business, death or disability before the contractual maturity will cause acceleration of the maturity payment. Such contingent benefit payments have been ignored, as their timing is uncertain and they comprise only a small portion of the total liability on this class of business.

iii. Employee benefits investment business

Liabilities have been classified as being payable in less than one year.

iv. Employee benefits risk business

These are mostly short term contracts. It has been assumed that all future liabilities will be extinguished between one and five years from the reporting date.

v. Individual risk policies

The bulk of this class of business comprises whole life policies, providing lump sum death or disability benefits. The liabilities in respect of this class of business have been assumed to fall due between five and ten years after the reporting date.

vi. Credit life and funeral policies

Claims on these classes of business are mostly met from future premium inflows. Liabilities are small, relative to risk exposure, and have been assumed to fall due within one year.

The following maturity profiles have been presented as discounted and estimated analysis in accordance with the management of these financial instruments (audited):

The maturity profile of policyholder liabilities under insurance contracts is set out below:

Period when cash flow becomes due (insurance contracts)

	AT 30 JUNE 2008				
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	15 547	817	3 580	2 643	8 507
Employee benefits	46	46	–	–	–
Smoothed bonus business					
Individual	9 917	548	2 095	2 144	5 130
Employee benefits	–	–	–	–	–
Non profit business					
Individual	817	131	62	61	563
Employee benefits	1 677	–	1 677	–	–
Annuity business	13 978	1 075	5 995	2 398	4 510
Total policyholder liabilities under insurance contracts	41 982	2 617	13 409	7 246	18 710

	AT 30 JUNE 2007				
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	16 760	914	3 627	3 389	8 830
Employee benefits	45	45	–	–	–
Smoothed bonus business					
Individual	11 058	565	2 185	2 441	5 867
Employee benefits	–	–	–	–	–
Non profit business					
Individual	738	123	66	75	474
Employee benefits	1 603	–	1 603	–	–
Annuity business	15 672	1 243	6 440	2 773	5 216
Total policyholder liabilities under insurance contracts	45 876	2 890	13 921	8 678	20 387

The maturity profile of policyholder liabilities under investment contracts is set out below: (audited):

Period when cash flow becomes due (investment contracts)

	AT 30 JUNE 2008				
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	**58 529**	**6 842**	**21 355**	**6 683**	**23 649**
Employee benefits	**36 760**	**36 751**	**9**	**–**	**–**
Smoothed bonus business					
Individual	**8 040**	**753**	**2 524**	**2 068**	**2 695**
Employee benefits	**5 212**	**5 212**	**–**	**–**	**–**
Non profit business					
Individual	**1 752**	**623**	**963**	**29**	**137**
Employee benefits	**–**	**–**	**–**	**–**	**–**
Annuity business	**823**	**95**	**156**	**12**	**560**
Total policyholder liabilities under investment contracts	**111 116**	**50 276**	**25 007**	**8 792**	**27 041**

	AT 30 JUNE 2007				
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	54 148	6 549	19 656	6 875	21 068
Employee benefits	40 074	40 074	–	–	–
Smoothed bonus business					
Individual	8 458	1 045	2 429	2 215	2 769
Employee benefits	4 826	4 826	–	–	–
Non profit business					
Individual	2 522	1 040	1 257	28	197
Employee benefits	–	–	–	–	–
Annuity business	740	20	163	29	528
Total policyholder liabilities under investments contracts	110 768	53 554	23 505	9 147	24 562

Net cash outflows expected in respect of insurance and investment contracts

30 June 2008	**153 098**	**52 893**	**38 416**	**16 038**	**45 751**
30 June 2007	156 644	56 444	37 426	17 825	44 949

The following is the expected maturity analysis of the policyholder assets (audited):

Assets backing policyholder liabilities:

	AT 30 JUNE 2008				
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Cash and short term funds	4 959	4 220	368	371	–
Money market investments	21 078	16 743	4 039	296	–
Accounts receivable	2 435	2 371	64	–	–
Investment securities	121 177	76 669	10 321	34 187	–
Derivative financial instruments	18 100	8 532	6 945	2 623	–
Reinsurance assets	550	250	139	161	–
Total	168 299	108 785	21 876	37 638	–

Assets backing policyholder liabilities:

	AT 30 JUNE 2007				
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Cash and short term funds	3 063	3 063	–	–	–
Money market investments	14 128	13 722	308	1	97
Accounts receivable	1 892	1 892	–	–	–
Investment securities	127 549	8 186	13 130	99 077	7 156
Derivative financial instruments	17 385	7 729	5 981	3 675	–
Reinsurance assets	544	216	167	72	89
Total	164 561	34 808	19 586	102 825	7 342

Net liquidity gap on policyholder liabilities

30 June 2008	(111 116)	(50 275)	(25 007)	(35 834)	–
30 June 2007	(110 768)	(14 669)	(40 338)	(19 893)	(35 868)

Liquidity risk – shareholders

The following tables represent the expected cash flows to be made on shareholder liabilities (audited):

	AT 30 JUNE 2008			
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
Accounts payable (including insurance payables)	5 246	4 542	704	–
Liabilities arising as a result of consolidating collective investment schemes	2 742	2 742	–	–
Derivative financial instruments	9 190	3 884	2 235	3 071
Interest bearing borrowings	114	27	87	–
Other financial liabilities	974	–	129	845
Provisions	246	204	42	–
Employee benefit liabilities	179	99	80	–
Deferred revenue liability	296	21	275	–
Total	18 987	11 519	3 552	3 916

R MILLION	Total	AT 30 JUNE 2007 Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
Accounts payable (including insurance payables)	3 141	3 141	–	–
Liabilities arising as a result of consolidating collective investment schemes	1 568	1 568	–	–
Derivative financial instruments	8 435	2 494	3 262	2 679
Interest bearing borrowings	270	29	241	–
Other financial liabilities	4 283	3 211	1 072	–
Provisions	172	7	165	–
Employee benefit liabilities	204	126	78	–
Deferred revenue liability	255	4	251	–
Total	18 328	10 580	5 069	2 679

R MILLION	Total	AT 30 JUNE 2008 Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
Cash and short term funds	47	47	–	–
Money market investments	–	–	–	–
Accounts receivable	9	9	–	–
Investment securities	31	31	–	–
Total	87	87	–	–

R MILLION	Total	AT 30 JUNE 2007 Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
Cash and short term funds	1 025	1 025	–	–
Money market investments	3 552	3 552	–	–
Accounts receivable	–	–	–	–
Investment securities	1 588	1 588	–	–
Total	6 165	6 165	–	–

Undiscounted maturity analysis

The following table represents the contractual undiscounted amounts payable in respect of liabilities at the earliest date on which those liabilities are payable for all liabilities, except policyholder liabilities under insurance and investment contracts which have been included the section on liquidity risk for policyholders (audited):

R MILLION	Total	AT 30 JUNE 2008 Period when cash flow becomes due Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
LIABILITIES				
Accounts payable (including insurance payable)	5 246	4 542	704	–
Liabilities arising to third parties as a result of consolidating Collective investment schemes	2 742	2 742	–	–
Derivative financial instruments	11 636	3 998	2 866	4 772
Other financial liabilities	2 130	224	321	1 585
Finance lease liabilities	114	27	87	–
Off balance sheet commitments	305	126	179	–
Total	22 173	11 659	4 157	6 357

		AT 30 JUNE 2007		
		Period when cash flow becomes due		
R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
LIABILITIES				
Accounts payable (including insurance payable)	3 141	2 476	665	–
Liabilities arising to third parties as a result of consolidating	1 568	1 568	–	–
Collective investment schemes				
Derivative financial instruments	8 550	2 496	6 054	–
Other financial liabilities	9 425	7 069	2 356	–
Finance lease liabilities	270	28	242	–
Off balance sheet commitments	450	73	289	88
Total	23 404	13 710	9 606	88

The balances in the table above will not agree directly with the balances on the balance sheet for the following reasons:

- The amounts included in the table above are contractual undiscounted amounts whereas the balance sheet is prepared using the discounted amounts;
- The table includes contractual cash flows with respect to off balance sheet items which have not been recorded on the balance sheet;
- All instruments held for economic trading purposes are included in the "call to 3 months" bucket and are not by contractual maturity because trading instruments are typically held for short periods of time; and
- Cash flows relating to principal and associated future coupon payments have been included on a undiscounted basis.

The Asset Liability committee ("ALCO") is responsible for liquidity risk oversight.

Financial risk inherent in consolidated collective investment schemes

Momentum consolidates a number of collective investment schemes as a result of ownership of more than 50% of the participatory units in the scheme.

As a result of the control exercised by Momentum over the schemes, Momentum's Risk Management Framework is applicable to the risk management of the collective investment schemes.

Because of the specific nature of the business of a collective investment scheme, the risk management principles may be applied differently to managing the risks relevant to the collective investment scheme compared to how the overall financial risks of Momentum are managed. This section describes how the financial risk management of collective investment schemes is different from the financial risk management for Momentum overall.

The unit trust management company has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolios' risk appetite over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the chief operating officer of the management company.

When considering any new investment for a scheme, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio level.

A portfolio's market risk appetite is measured as a function of current market conditions and a benchmark which translates into a targeted tracking error which is monitored by the independent risk unit.

Credit and liquidity risk are mitigated through diversification of issuers in line with the policy.

All amounts disclosed include amounts attributable to the consolidated collective investment schemes.

OPERATIONAL RISK

MOMENTUM DEFINES OPERATIONAL RISK AS THE RISK OF LOSS RESULTING FROM INADEQUATE OR FAILED INTERNAL PROCESSES, PEOPLE AND SYSTEMS OR FROM EXTERNAL EVENTS. THIS DEFINITION INCLUDES LEGAL RISK BUT EXCLUDES STRATEGIC AND REPUTATIONAL RISK.

Ownership and accountability

Ownership of and accountability for operational risk management is of primary importance. Management and staff at every level of the business are accountable for the day to day identification, management and monitoring of operational risks.

ERM provides oversight of the effectiveness of Momentum's operational risk management processes and assists business unit managers by facilitating the identification and assessment of risks within the business units and subsidiaries.

Independent assurance is provided on the management of operational risks by the FirstRand Internal Audit team. The FirstRand Internal Audit function follows a risk based audit approach.

Operational risk governance

Operational risk is managed in terms of the Operational Risk Management Framework ("ORMF"), which is a sub framework of the Risk Management Framework.

The Operational Risk committees in the business units of Momentum are sub committees of the Momentum Risk committee, and are established to oversee the operational risk management process. Monitoring of operational risk occurs through a number of functions across Momentum.

Overall, operational risk is considered to be within acceptable risk levels and is managed effectively in Momentum.

Operational risk management methodologies and tools

A number of operational risk management methodologies have been developed to deal with the practical implementation of operational risk management challenges. These methodologies are supplemented by a number of risk tools. These include:

- Risk Self Assessments – self assessment to identify and assess risks within the business processes in the business units and subsidiaries;
- Internal operational loss data and incident reporting – a process to record and analyse the root cause of losses and incidents; and
- Key Risk Indicators ("KRI's") – a process whereby measurable, quantifiable metrics are tracked to assess the level of operational risk and provide early warning indications of potential breakdowns.

Operational risk quantification and capital calculation

The Life Assurance committee (and CAR sub committee) of the Actuarial Society of South Africa is in the process of amending that part of Professional Guidance Note 104 (Valuation of Long Term Insurers) that relates to the Capital Adequacy Requirement, which will require Statutory Actuaries to include an allowance for operational risk. The guidance note will state that the Statutory Actuary must ensure that an appropriate level of capital is held to cover operational risk.

Momentum is currently busy with the development of an internal model for quantifying operational risk based on a combination of statistical distribution models (for frequency and severity) applied to internal data and statistical models derived from extreme risk scenarios. The requirements of the Solvency II draft directive are also being taken into account during the development of this model.

Process risk

Momentum defines process risk as the risk associated with the execution and the day to day running of the business processes within business units and subsidiaries of the Group.

These include risks related to:

- inadequately designed or missing processes;
- inappropriate new product and system development;
- ineffective management of information, data quality and records;
- failure of operations due to processing errors; and
- failure of execution of business processes.

Sound management of process risk is important to the delivery of efficient and effective services. As the principal risk owner, the chief operating officer ("COO") of each business unit and subsidiary in Momentum sets the guidelines and measurement standards for processes and is responsible for ensuring that a consistent framework for process risk management is applied across the business unit they are responsible for. These risks are monitored by Operational Risk committees within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

People risk

People risk encompasses all of the risks Momentum is exposed to by virtue of being an employer, in all of its businesses and fields of operation. It is the aim of Momentum to be the "Employer of Choice" and vital to the success of this is the management of risk relating to people.

People risk includes:

- the inability to attract resources with appropriate skills and experience;
- inability to retain key resources;
- failure to comply with health and safety requirements;
- failure to comply with equality and diversity requirements; and
- failure to comply with employment legislation.

The executive management of the business units and subsidiaries of Momentum are responsible for the management of people risk and the implementation of appropriate strategies. These risks are monitored by Operational Risk committees within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

Business continuity management

Business continuity management in Momentum focuses on improving the resilience of business operations in order to withstand unexpected disruptions and disasters.

Business continuity management is an ongoing process of assessing needs, identifying weaknesses and single points of failure, developing strategies and keeping plans current and tested. The approach involves following a well established annual cycle of actions, designed to ensure plans and associated measures are kept relevant and tested.

These risks are monitored by Operational Risk committees within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

Information risk

Momentum defines information risk as the possibility of harm being caused to a business as a result of a loss of confidentiality, integrity or availability of information.

Information risk management establishes appropriate good practice and control measures to protect the information assets of Momentum and to ensure confidentiality, integrity and availability of Momentum's information. Information risk management assists and drives business entities of Momentum to establish appropriate good practice and control measures to protect the information assets of Momentum.

The Information Technology Governance and Information Security Framework ("IT Risk Management Framework") is a customisation of ISACA's Control Objectives for Information and related Technology (COBIT®) Framework and the Information Security Forum's Standard of Good Practice for FirstRand.

Due to the changing nature of information risk and information security, Momentum constantly faces new threats and challenges. The risk management structure for information risk is specifically structured to enable and support the measurement of status and the resolution of issues.

These risks are monitored by Operational Risk committees within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

Fraud and security risks

Momentum is committed to creating an environment that safeguards its people, customers and assets through policies and actions.

Momentum operates in an environment where we adopt a "zero tolerance" stance to criminal activities. Momentum enhances this environment with robust control structures and policies to safeguard the employees, clients and assets of Momentum.

In this regard Momentum relies on line management and formal structures that include assurance and risk management as well as forensic services to enforce the "zero tolerance" attitude. This attitude is further completely underwritten by the Momentum senior management and board.

To reach these goals, Momentum has not only a code of expected conduct that applies to all staff, but also various mechanisms to create anticrime awareness, as well as mechanisms that assist in the detection of and formal prosecution of offenders.

Legal risk

Momentum defines legal risk as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed (implemented changes are dealt with as part of compliance risk).

Legal risk is managed in terms of the Legal Risk Management Framework and through activities such as monitoring of new legislation, awareness initiatives, identifying significant legal risks and by managing and monitoring the impact of these risks through appropriate processes and procedures.

Risk insurance

Risk insurance is defined as the risk that material unexpected operational losses, arising from non trading risks, are not identified and/or adequately covered by appropriate insurance risk financing structures.

Momentum forms part of FirstRand's global insurance risk financing programme with cover limits that are commensurate with the size and stature of Momentum. The risks written into the programme are Bankers Blanket Bond, Computer Crime, Professional Indemnity, Directors & Officers Liability, Assets and various Liabilities.

Momentum will continue to monitor developments and ensure that the insurance financing programme is adapted accordingly where appropriate.

COMPLIANCE RISK

MOMENTUM DEFINES COMPLIANCE RISK AS THE RISK OF LEGAL OR REGULATORY SANCTIONS, MATERIAL FINANCIAL LOSS, OR LOSS TO REPUTATION THAT THE GROUP MAY SUFFER AS A RESULT OF ITS FAILURE TO COMPLY WITH APPLICABLE LAWS, REGULATIONS, AND CODES OF CONDUCT AND STANDARDS OF GOOD PRACTICE.

Compliance risk is managed in terms of Momentum's Risk Management Framework. Momentum has a hybrid model for the day to day running of compliance risk management in the business.

The head of compliance reports to the company secretary, but has access to the chief financial officer and chief executive, as well as to Momentum Risk and Audit committees and is therefore able to report compliance risks directly to these governance functions.

Momentum has also established a Fair Practices committee, and where appropriate, compliance matters are escalated to this forum in addition to the above structures.

RISKS ARISING FROM FIDUCIARY ACTIVITIES

Momentum provides investment management and advisory services to third parties. These services result in Momentum making allocation, purchase and sale decisions in respect of a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in the financial statements. These arrangements expose Momentum to the risk that it may be accused of misadministration or under-performance.

The asset management subsidiaries of Momentum are required to comply with the Risk Management Framework of Momentum. These subsidiaries employ risk management techniques which are considered best practice in the industry and constantly monitor actual performance against benchmarks and investigate differences.

1 INTRODUCTION

FirstRand Limited ("the Group") is an integrated financial services company consisting of banking, insurance and asset management and health operations.

The Group adopts the following accounting policies in preparing its consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 BASIS OF PRESENTATION

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of:

- IFRS 7 Financial Instruments: Disclosures which is effective for years commencing on or after 1 January 2007. The Standard deals with the disclosure of financial instruments and the related qualitative and quantitative risks. The statement therefore does not impact the results of the Group but does impact the disclosure related to financial instruments. Comparative information has been provided where applicable.
- Amendment to IAS 1 Presentation of Financial Statements effective for years commencing on or after 1 January 2007, regarding capital disclosures which requires specific disclosures regarding an entity's objectives, policies and processes for managing capital.
- IFRIC 10 Interim financial reporting and impairment and IFRIC 11 IFRS 2 – Group and Treasury Share transactions, neither of which had an impact on the Group's results for the year ended 30 June 2008.

The Group adjusts comparative figures to conform to changes in presentation in the current year. For details refer to note 55.

The Group prepares its consolidated financial statements in accordance with the going concern principle using the historical cost basis, except for certain assets and liabilities.

These assets and liabilities include:

- financial assets and liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;
- financial instruments at fair value through profit and loss;
- investment properties valued at fair value;
- employee benefit liabilities, valued using projected unit credit method; and
- policyholder liabilities under insurance contracts that are valued in terms of the Financial Soundness Valuation ("FSV") basis as outlined below.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined in note 50.

All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise indicated.

3 CONSOLIDATION

The consolidated financial statements include the assets, liabilities and results of the operations of the holding company and its subsidiaries. Subsidiaries are companies in which the Group, directly or indirectly, has the power to exercise control over the operations for its own benefit. The Group considers the existence and effect of potential voting rights that are presently exercisable or convertible in determining control. Subsidiaries are consolidated from the date on which the Group acquires effective control. Consolidation is discontinued from the effective date of disposal.

Minority shareholders are not treated as equity participants. Therefore, all acquisitions of minority interests or disposals by the Group of its minority interests in subsidiary companies, where control is maintained, are treated as transactions with external parties. Any differences between the purchase price and the book value of a minority interest acquired, is recorded as goodwill or in cases where the book value exceeds the purchase price, in the income statement for the period. All profits and losses arising as a result of the disposal of interest in subsidiaries to minorities, where control is maintained subsequent to disposal, are recorded in the income statement for the period.

The Group consolidates a special purpose entity ("SPE") when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries held exclusively with the view of disposal in the near future (12 months) are accounted for at the lower of fair value less the cost to sell and its carrying amount in terms of the requirements of IFRS 5. Refer to accounting policy 29.

3.1 Consolidation of collective investment schemes

The Group consolidates collective investment schemes in which it is considered to have control through its size of investment, voting control or related management contracts. The consolidation principles as described in interests in subsidiaries above are applied.

4 ASSOCIATES AND JOINT VENTURES

Associates are entities in which the Group holds an equity interest of between 20% and 50% or over which it has the ability to exercise significant influence, but does not control. Joint ventures are entities in which the Group has joint control over the economic activity of the joint venture, through a contractual agreement. Investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but carried at fair value less cost to sell in terms of the requirements of IFRS 5.

The Group includes the results of associates and joint ventures in its consolidated financial statements using the equity accounting method, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Earnings attributable to ordinary shareholders include the Group's share of earnings of associates and joint ventures. Reserves include the Group's share of post acquisition movements in reserves of associates and joint ventures. The cumulative post acquisition movements are adjusted against the cost of the investment in the associate or joint venture.

Goodwill on the acquisition of associates and joint ventures is included in the carrying amount of the investment in associates or joint ventures. Investments in associates and joint ventures are assessed annually for impairment in accordance with IAS 36.

The Group discontinues equity accounting when the carrying amount of the investment in an associate or joint venture reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking.

After discontinuing equity accounting the Group applies the requirements of IAS 39 to determine whether it is necessary to recognise any additional impairment loss with respect to the net investment in the associate or joint venture as well as other exposures to the investee.

The Group increases the carrying amount of investments with its share of the associate or joint venture's income when equity accounting is resumed. The Group resumes equity accounting only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in associates held in policyholder portfolios backing investment linked policyholder liabilities are measured at fair value in terms of IAS 28. Movements in fair value are recognised in the income statement.

4.1 Collective investment schemes

Collective investment schemes in which the Group has less than 50% economic interest, but significant influence through the management company, are accounted for as associates.

5 INTEREST INCOME AND EXPENSE

The Group recognises interest income and expense in the income statement for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments. Net interest income on advances and deposits designated at fair value through profit or loss, which are not trading in nature, are recognised in interest income and expense.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

From an operational perspective, the Group suspends the accrual of contractual interest on non recoverable advances. However, in terms of IAS 39, interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the discounted recoverable amount of the advance. This difference between the discounted and undiscounted recoverable amount is released to interest income over the expected collection period of the advance.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long term liabilities. Dividends received or paid on these instruments are included and accrued in interest income and expense using the effective interest method.

6 FAIR VALUE INCOME

The Group includes profits, losses and fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39) as well as financial instruments designated at fair value through profit or loss, other than advances and deposits not of a trading nature, as fair value income in non interest income as it is earned.

7 FEE AND COMMISSION INCOME

The Group generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments. These fees and transaction costs are recognised as part of the net interest income and not as non interest revenue.

Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportionment basis.

8 DIVIDEND INCOME

The Group recognises dividends when the Group's right to receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

9 FOREIGN CURRENCY TRANSLATION

9.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Rand ("R"), which is the functional and presentation currency of the holding company of the Group.

9.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items, such as equities at fair value through profit or loss, are reported as part of the fair value gain or loss.

Foreign currency translation differences on monetary items classified as available-for-sale, such as foreign currency bonds designated as available-for-sale, are not reported as part of the fair value gain or loss in equity, but are recognised as a translation gain or loss in the income statement when incurred.

Translation differences on non monetary items, classified as available-for-sale, such as equities are included in the fair value reserve in equity when incurred.

9.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates) prevailing on the transaction dates, in which case income and expenses are translated at the actual rates at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

10 BORROWING COSTS

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

11 DIRECT AND INDIRECT TAXES

Direct taxes include South African and foreign jurisdiction corporate tax payable, secondary tax on companies, as well as capital gains tax.

Indirect taxes include various other taxes paid to central and local governments, including value added tax and regional services levies.

Indirect taxes are disclosed as part of operating expenditure in the income statement.

The charge for current tax is based on the results for the year as adjusted for items which are non taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, in each particular jurisdiction within which the Group operates.

Tax in respect of the South African life insurance operation is determined using the four fund method applicable to life insurance companies.

12 RECOGNITION OF ASSETS

12.1 Assets

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

12.2 Contingent assets

The Group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non occurrence of one or more uncertain future events which are not wholly within the Group's control.

13 LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

13.1 Liabilities and provisions

The Group recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

13.2 Contingent liabilities

The Group discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity; or
- it has a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

14 CASH AND CASH EQUIVALENTS

In the cash flow statement, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice;
- balances with central banks;
- balances guaranteed by central banks; and
- balances with other banks.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

15 FINANCIAL INSTRUMENTS

15.1 General

Financial instruments carried on the balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in associates and joint ventures, commodities, property and equipment, investment property, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, inventory, provisions and post retirement liabilities. The Group recognises a financial asset or a financial liability on its balance sheet when and only when, it becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement as gains and losses from investment securities. However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established and are included in investment income.

The Group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received. Otherwise such transactions are treated as derivatives until settlement.

The fair values of financial assets quoted in active markets are based on current bid prices. The fair values of financial liabilities quoted in active markets are based on current ask/offer prices. Alternatively, it derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making maximum use of market inputs and relying as little as possible on entity specific inputs.

15.1.1 Financial instruments at fair value through profit or loss

This category has two sub categories: financial instruments held for trading, and those designated at fair value through profit or loss at inception.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated as effective hedges.

Financial assets and liabilities are designated on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

i. results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
ii. is a group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
iii. is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and liabilities designated at fair value through profit and loss under criteria (i) are:

- Various loans to customers, structured notes and other investments that form part of the Merchant Banking division. These financial instruments have been designated to eliminate the accounting mismatch between these assets and the underlying derivatives and funding instruments. If the assets were not designated at fair value, the mismatch would be as a result of the assets being recognised at amortised cost and the derivatives and funding instruments being recognised at fair value.
- Policyholder assets and liabilities under investment contracts. The liabilities under linked investment contracts have cash flows that are contractually determined with reference to the performance of the underlying assets. The changes in fair value of assets held in linked funds are recognised in the income statement. Liabilities to customers under other types of investment contracts are measured at amortised cost. If these assets were not designated on initial recognition, they would be classified as available-for-sale and the changes in their fair value would be recognised directly in equity. This would result in a significant accounting mismatch, as the movements in the fair value of the policyholder liability are recognised directly in the income statement.

Financial instruments designated under criteria (ii), include:

- certain private equity and other investment securities; and
- financial assets held to meet liabilities under insurance contracts.

The amount of change in the fair value, during the period and cumulatively, of designated loans and receivables and designated financial liabilities that is attributable to changes in credit risk, is determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk, ie currency, interest rate and other price risk.

15.1.2 Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the Group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

This category also includes purchased loans and receivables, where the Group has not designated such loans and receivables in any of the other financial asset categories.

15.1.3 Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale.

The Group carries held-to-maturity investments at amortised cost using the effective interest method, less any impairment.

15.1.4 Available-for-sale financial assets

Available-for-sale investments are non derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Group recognises gains and losses arising from changes in the fair value of available-for-sale assets, in equity. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate. Interest income is excluded from the fair value gains and losses reported in equity. When the advances and receivables or investment securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Treasury bills, debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value through profit and loss are classified as available-for-sale.

15.1.5 Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

15.1.6 Policyholder liabilities under investment contracts

The Group accounts for policyholder liabilities under investment contracts at fair value through profit and loss. Refer to sections 31.4 and 31.5 for a detailed description of the valuation of policyholder liabilities under investment contracts.

15.1.7 Liabilities arising to third parties as a result of consolidating collective investment schemes

A financial liability is recognised for the fair value of external investors' interest where the issued units of the fund are classified as financial liabilities in terms of IAS 39. The consolidation of collective investment schemes has no effect on net equity.

15.2 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the balance sheet where:

- there is a legally enforceable right to setoff; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

15.3 Embedded derivatives

The Group treats derivatives embedded in other financial or non financial instruments such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in income.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

15.4 Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the asset expires; or
- where there is a transfer of the contractual rights that comprise the asset; or
- the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

Where the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Group recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case:

- if the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Group derecognises a financial liability when it is extinguished, ie when the obligation specified in the contract is discharged, cancelled or expires.

15.5 Sale and repurchase agreements and lending of securities

The financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as trading or investment securities. These instruments are recognised at fair value through profit or loss. The counterparty liability is included in deposits from other banks, other deposits, or deposits due to customers, as appropriate at amortised cost.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate and recognised at amortised cost. The difference between purchase and resale price is treated as interest and accrued over the life of the reverse repos using the effective interest method.

Securities lent to counterparties are retained in the financial statements of the Group.

The Group does not recognise securities borrowed in the financial statements, unless sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return these securities is recorded as a liability at fair value.

15.6 Impairment of financial assets

15.6.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

15.6.2 Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

i. Significant financial difficulty of the issuer or counterparty;
ii. A breach of contract, such as a default or delinquency in payments of principal or interest;
iii. It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
iv. The disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
v. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the Group, including:

- Adverse changes in the payment status of issuers or debtors in the Group; or
- National or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

15.6.2.1 Past due advances

Advances are considered past due in the following circumstances:

- Loans with a specific expiry date (eg term loans) are treated as overdue where the principal or interest is overdue and remains unpaid as at the reporting date.
- Consumer loans repayable by regular instalments (eg mortgage loans, personal loans) are treated as overdue when an instalment payment is overdue and remains unpaid as at the reporting date.
- A loan payable on demand is treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.

In these instances, the full outstanding amount is considered overdue even if part of it is not yet due. The days past due is referenced to the earliest due date of the loan.

The past due analysis is only performed for advances with specific expiry dates or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of riskiness on these types of products is done with reference to the counterparty ratings of the exposures and reported as such.

15.6.2.2 Renegotiated advances

Financial assets that would otherwise be past due or impaired that have been renegotiated, are classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the Bank granted a concession where original terms and conditions of the facility were amended. Where the advances were reclassified as neither past due nor impaired, the adherence to the new terms and conditions are closely monitored. These assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

15.6.3 Available-for-sale financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

15.7 Derivative financial instruments and hedging

The Group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the balance sheet at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in the income statement, unless it is a designated and effective hedging instrument.

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held.

The fair value of non traded derivatives is based on discounted cash flow models and option pricing models as appropriate, the Group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits or losses on day one.

Where fair value is determined using valuation techniques whose variables include non observable market data, the difference between the fair value and the transaction price ("the day one profit or loss") is deferred in equity and released over the life of the instrument. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to income.

The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedge of the fair value of recognised assets or liabilities or firm commitments ("fair value hedge"); or
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction ("cash flow hedge").

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as, its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

15.7.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non interest income. Any ineffectiveness is recorded as fair value income in non interest income.

If the hedge, of an instrument carried at amortised cost, no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item is amortised to the income statement based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognised whereby it is released to the income statement. The adjustment of the carrying amount of a hedged equity security remains in retained earnings until disposal of the equity security.

15.7.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the non distributable reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value income in non interest income in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place) and are recognised as part of non interest income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non financial asset or liability. For financial assets and liabilities, the Group transfers amounts deferred in equity to the income statement and classifies them as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the income statement.

16 COMMODITIES

16.1 Agricultural commodities

Commodities, where the Group has a shorter term trading intention, are carried at fair value less cost to sell in accordance with the broker-trader exception in IAS 2. The fair value of agricultural commodities is measured in accordance with IAS 41.

16.2 Other commodities

Commodities, where the Group has a longer term investment intention, are carried at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of commodities includes the transfer from equity of any gain or losses on qualifying cash flow hedges relating to purchases of commodities.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments and fair valued.

17 PROPERTY AND EQUIPMENT

The Group carries property and equipment at historical cost less depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property and equipment are depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Freehold properties and properties held under finance leases are broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

The periods of depreciation used are as follows:

• Leasehold premises	Shorter of estimated life or period of lease
• Freehold property and property held under finance lease	
– Buildings and structures	50 years
– Mechanical and electrical	20 years
– Components	20 years
– Sundries	3 – 5 years
• Computer equipment	3 – 5 years
• Furniture and fittings	3 – 10 years
• Motor vehicles	5 years
• Office equipment	3 – 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in the income statement on disposal.

18 INVESTMENT PROPERTIES

The Group classifies investment properties as properties held to earn rental income and/or capital appreciation that are not occupied by the companies in the Group.

Investment properties comprise freehold land and buildings and are carried at fair value. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available the Group uses valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by a combination of independent and internal valuation experts. Investment properties that are being redeveloped for continuing use as investment property, or for which that market has become less active, continues to be measured at fair value.

Property located on land that is held under operating lease is classified as investment property as long as it is held for long term rental yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. Subsequent to initial recognition the property is carried at fair value.

When investment properties become owner occupied, the Group reclassifies it to property and equipment, using the fair value at the date of reclassification as the cost, and depreciates it on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over the expected useful lives.

Fair value adjustments on investment properties are included in the income statement as net fair value gains on assets at fair value through profit and loss. These fair value gains or losses are adjusted for any double counting arising from the recognition of lease income on the straight line basis compared to the accrual basis normally assumed in the fair value determination.

The Group carries properties under development at cost, less adjustments to reduce the cost to open market value, if appropriate.

19 LEASES

19.1 A group company is the lessee

19.1.1 Finance leases

The Group classifies leases of property and equipment where it assumes substantially all the benefits and risks of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The Group allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is recognised in the income statement over the lease period. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the Group will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

19.1.2 Operating leases

The Group classifies leases as operating leases where the lessor effectively retains the risks and benefits of ownership. It recognises operating lease payments in the income statement on a straight line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year end are reflected under commitments.

The Group recognises as an expense any penalty payment to the lessor for early termination of an operating lease, in the period in which termination takes place.

19.2 A group company is the lessor

19.2.1 Finance leases

The Group recognises as advances assets sold under a finance lease at the present value of the lease payments. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Lease income is recognised over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

19.2.2 Operating leases

The Group includes in a separate category as "assets held under operating lease" property and equipment assets leased out under operating leases. It depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised on a straight line basis over the lease term.

19.3 Instalment credit agreements

The Group regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable hereunder, less unearned finance charges, in advances.

The Group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to income in proportion to capital balances outstanding.

20 INTANGIBLE ASSETS

20.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For impairment purposes goodwill is allocated to the lowest components of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill ("cash generating unit"). Each cash generating unit represents a grouping of assets no higher than a primary business or reporting segment.

20.2 Computer software development costs

The Group generally expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Group exceeding the costs incurred for more than one financial period, the Group capitalises such costs and recognises it as an intangible asset.

The Group carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years. Management reviews the carrying value wherever objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

20.3 Other intangible assets

The Group generally expenses the costs incurred on internally generated intangible assets such as trademarks, concessions, patents and similar rights and assets, to the income statement in the period in which the costs are incurred. Internally generated intangible assets which are separately identifiable, where the costs can be reliably measured and where the Group is expected to derive a future benefit for more than one accounting period is capitalised.

The Group capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one financial period.

The Group carries capitalised trademarks, patents and similar assets at cost less amortisation and any impairment. It amortises these assets at a rate applicable to the expected useful life of the asset, but not exceeding 20 years. Management reviews the carrying value whenever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

Amortisation and impairments of intangible assets are reflected under operating expenses in the income statement.

20.4 Agency force

As a result of certain acquisitions and the application of purchase accounting, the Group carries an agency force intangible asset representing the value of the agency force acquired in the acquisition. The value of the agency force is determined by estimating the future value of the new business generated by the agents acquired. The Group amortises the agency force over its expected useful life of ten years.

Management reviews the carrying value whenever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

Amortisation and impairments of intangible assets are reflected under operating expenses in the income statement.

20.5 Contractual customer relationships – rights to receive investment management fees

Incremental costs paid which are directly attributable to securing the rights to receive fees for investment management services sold with investment contracts are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered. The asset represents the Group's contractual right to benefit from providing asset management services and is amortised over the expected life of the contract as a constant percentage of expected gross profit margins. The costs of securing the right to provide asset management services do not include transaction costs relating to the origination of the investment contract. The resulting change to the carrying value of the contractual customer relationship asset is recognised as an expense in the income statement. An impairment test is conducted annually at the reporting date on the contractual customer relationship asset balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

20.6 Value of in-force business

As a result of certain acquisitions of insurance contracts and the application of purchase accounting, the Group carries a customer contract intangible asset representing the present value of in-force ("PVIF") business acquired. PVIF is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. The Group amortises PVIF on the expected life of the contract as a constant percentage of expected gross margins over the estimated life of the acquired contracts. The estimated life is evaluated regularly. The PVIF is carried in the balance sheet at fair value less any accumulated amortisation and impairment losses.

21 DEFERRED TAX

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Group recognises deferred tax assets if the directors of FirstRand Limited consider it probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred tax is provided at the use rate if the property is considered to be a long term strategic investment or at the capital gains effective rate if recovery is anticipated to be mainly through disposals.

22 EMPLOYEE BENEFITS

22.1 Post employment benefits

The Group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. The pension plans are generally funded by payments from employees and the relevant Group companies, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the pension accounting costs are assessed using the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity resembling to the terms of the related pension liability.

The Group recognises current service costs immediately, while it expenses past service costs, experience adjustments, changes in actuarial assumptions and plan amendments over the expected remaining working lives of employees. The costs are expensed immediately in the case of retired employees.

These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all Group employees.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

22.2 Post retirement medical benefits

In terms of certain employment contracts, the Group provides for post retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. The Group created an independent fund in 1998 to fund these obligations. IAS 19 requires that the assets and liabilities in respect thereof be reflected on the balance sheet.

The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completing a minimum service period. Qualified actuaries perform annual valuations.

22.3 Termination benefits

The Group recognises termination benefits as a liability in the balance sheet and as an expense in the income statement when it has a present obligation relating to termination. The Group has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

22.4 Leave pay provision

The Group recognises in full employees rights to annual leave entitlement in respect of past service.

22.5 Bonuses

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

22.6 Recognition of actuarial gains and losses

Recognition of actuarial gains and losses occurs as a result of:

- increases or decreases in the present value of defined benefit plan liabilities;
- increases or decreases in the fair value of plan assets; or
- a combination of the above.

Increases or decreases in the fair value of plan liabilities can be caused by changes in the discount rate used, expected salaries or number of employees, plan benefits and expected inflation rates.

Increases or decreases in the fair value of plan assets occur as a result of the difference between the actual and expected return on the plan assets.

The Group does not recognise actuarial gains or losses below the corridor limit of 10% in the period under review, but defers such gains or losses to future periods.

23 BORROWINGS

The Group initially recognises borrowings, including debentures, at the fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective interest rate on the debentures over their life span. Interest paid is recognised in the income statement on an effective interest rate basis.

The Group separately measures and recognises the fair value of the debt component of an issued convertible bond in liabilities, with the residual value separately allocated to equity. It calculates interest on the debt portion of the instrument based on the market rate for a non convertible instrument at the inception thereof.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

Where the Group purchases its own debt, the debt is derecognised from the balance sheet and any difference between the carrying amount of the liability and the consideration paid is included in trading income.

24 SHARE CAPITAL

24.1 Share issue costs

Shares are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity.

24.2 Dividends paid

Dividends on ordinary shares and non cumulative non redeemable preference shares are recognised against equity in the period in which they are approved by the company's shareholders. Dividends declared after the balance sheet date are not recognised but disclosed as a post balance sheet event.

24.3 Treasury shares

Where the company or other members of the consolidated Group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Fair value changes recognised in the subsidiary's financial statements on equity investments in the holding entity's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, is included in shareholders' equity.

24.3.1 Share trusts

The Group's remuneration schemes are operated through various share trusts. These share trusts are considered to be special purpose vehicles of the Group ("SPVs") and therefore consolidated.

The share trusts purchase FirstRand shares for the various remuneration schemes in the open market to hedge the Group against price risk of the FirstRand share and to limit the dilutive effect on current shareholders. The purchase of the shares by the share trusts is treated as a reduction in the Group's equity. For purposes of the earnings per share calculation, the weighted average number of shares in issue is reduced by the number of shares held by the share trusts.

25 ACCEPTANCES

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group accounts for and discloses acceptances as a contingent liability.

26 SEGMENT REPORTING

The Group defines a segment as a distinguishable component or business that provides either:

- unique products or services ("business segments"); or
- products or services within a particular economic environment ("geographical segments"),

subject to risks and rewards that are different from those of other segments.

Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Group accounts for intersegment revenues and transfer as if the transactions were with third parties at current market prices. Tax is allocated to a particular segment on a pro rata basis.

Funding is provided to business units and segments based on internally derived transfer pricing rates taking into account the funding structures of the Group.

27 FIDUCIARY ACTIVITIES

The Group excludes assets and the income thereon, together with related undertakings to return such assets to customers, from these financial statements where it acts in a fiduciary capacity such as nominee, trustee or agent for which a fee is earned.

28 SHARE BASED PAYMENT TRANSACTIONS

The Group operates equity settled and cash settled share based compensation plans for employees and historically disadvantaged individuals and organisations. All compensation plans are recognised in accordance with the accounting policy depending on whether it meets the equity settled or cash settled definition.

28.1 Equity settled share based compensation plans

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each balance sheet date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through the income statement. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

28.2 Cash settled share based payment compensation plans

The Group measures the services received and liability incurred in respect of cash settled share based payment plans at the current fair value of the liability. The Group remeasures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

29 DISPOSAL GROUPS HELD FOR SALE

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale.

In light of the Group's primary business being the provision of banking, insurance and asset management and health operations, non current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the non current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

The non current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date, will be the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

30 DISCONTINUED OPERATIONS

The Group classifies a component as a discontinued operation when that component has been disposed of, or is classified as held for sale; and

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of a Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group.

31 INSURANCE AND INVESTMENT CONTRACTS

Contracts issued by the Group are governed by the South African Long Term Insurance Act 1998.

31.1 Classification of contracts

The contracts issued by the Group transfer insurance risk, financial risk or both. As a result of the differing risks transferred by contracts, for the purposes of valuation and profit recognition, contracts are divided into investment and insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk to the Group, whereas investment contracts transfer financial risk.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

31.2 Insurance contracts

An insurance contract is one that transfers significant insurance risk to the Group. Significant insurance risk exists when it is expected that the present value of benefits payable in terms of the policy on the occurrence of an insured event will materially differ from the amount payable, had the insured event not occurred. Financial penalties levied on early termination of policy contracts are not taken into account when classifying the contracts. If the difference between the benefit payable on an insured event and a non insured event arises solely from an early termination penalty, the contract is not classified as an insurance contract.

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract.

Certain insurance contracts also contain discretionary participation features (DPFs).

A DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. These additional benefits have the following features:

- The benefits constitute a significant portion of the total contractual benefits payable under each policy;
- The timing and amount of the benefits are at the discretion of the Group; and
- The benefits are contractually based on the investment performance of a specified pool of assets underlying a specified pool of contracts or a specified type of contract.

The following types of contracts issued by the Group are classified as insurance contracts:

- Insurance policies providing lump sum benefits on death, disability or ill health of the policyholder. These contracts are issued for either a defined period or for the whole life of the policyholder;
- Life annuity policies where the policyholder transfers the risk of longevity to the Group;
- Policies which provide for retrenchment or funeral cover; and
- Policies providing Permanent Health Insurance ("PHI").

The terms of these contracts may also allow for embedded options. These include minimum guaranteed rates of investment return resulting in a minimum level of benefit payable at expiry of the contractual term, after allowing for the cost of risk cover. These embedded options are treated in terms of the company's policies in respect of embedded derivatives.

Insurance contracts and Insurance contracts with DPF are within the scope of IFRS 4 and therefore accounted for in terms of the requirements of IFRS 4 Insurance contracts.

31.3 Investment contracts

These are contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index prices or other variable.

For the purposes of valuation and profit recognition, investment contracts are further classified into the following sub categories:

31.3.1 Investment contracts with DPF

An investment contract with DPF is an investment contract which contains discretionary participation features. The identification of a DPF in an insurance and investment contract is the same. The distinction between investment and insurance contracts hinges on the transfer of significant insurance risk as described in the "Classification of contracts".

These contracts fall within the scope of IFRS 4 and therefore are accounted for in terms of the requirements of IFRS 4.

The following types of contracts issued by the Group are classified as investment contracts with DPF:

- Universal life smoothed bonus policies, where discretionary bonuses are added to the investment account annually.
- Reversionary bonus policies, where discretionary bonuses are added to a guaranteed sum assured, payable at the end of the contract term.

The carrying amounts in respect of the DPF benefits are included as "policyholder liabilities under insurance contracts" on the balance sheet.

31.3.2 Investment contracts without discretionary participating features ("DPF")

These contracts fall within the scope of IAS 39: Financial Instruments: Recognition and measurement ("IAS 39") and are accounted for in terms of the requirements of IAS 39. They are further classified as:

- contracts with investment management service components; and
- contracts without investment management service components.

The following two sub sections further describe these two product groupings.

31.3.2.1 Contracts with investment management services

These represent investment contracts with services provided to policyholders whereby the Group undertakes to actively manage the investments of the policyholder over the lifetime of the policy contract.

The following types of contracts issued by the Group are classified as investment contracts with investment management services:

- unit linked contracts, where lump sum benefits payable at the end of the contracts' terms, are determined using unit values that reflect the fair value of the assets in the unitised fund underlying the group of policies, multiplied by the number of units attributed to the policyholder; and

- living annuities, where the number of units is payable to policyholders on a monthly basis. The monetary value of the monthly benefit payments is determined by the number of units attributable to the policyholder, multiplied by a unit price determined by the fair value of underlying assets.

These contracts may incorporate embedded options, such as a minimum guaranteed rate of unit price increase credited to a policy over its lifetime. These embedded options are accounted for in terms of the company's accounting policy for embedded derivatives in insurance contracts.

31.3.2.2 Contracts without investment management services

These are investment contracts where Group does not actively manage the investments of the policyholder over the lifetime of each policy contract. Benefits are guaranteed at inception of the policy contract or linked to the performance of a specified index or pool of assets.

The following types of contracts issued by the Group are classified as investment contracts where no investment management services are rendered:

- Guaranteed endowments, where a guaranteed benefit specified at the inception date of the policy is paid at the end of the contract term.
- Certain structured products, where the benefit payable at expiry of the contract is linked to a published market index.

31.4 Valuation and recognition

31.4.1 Insurance contracts (with and without DPF) and investment contracts with DPF

The next section provides detail in respect of the general valuation and profit recognition principles in respect of insurance contracts (with and without DPF) and investment contracts with DPF. The sections following thereafter give more detail on how these valuation assumptions are applied to particular product lines falling within the category.

31.4.2 Principles of valuation and profit recognition

Under IFRS 4, liabilities in respect of insurance and investment (with DPF) contracts are valued according to the requirements of the South African Long Term Insurance Act (1998) and in accordance with professional guidance notes ("PGN") issued by the Actuarial Society of South Africa ("ASSA"). Of particular relevance to the liability calculations, are the following actuarial guidance notes:

PGN 104 (v6; Jan 2005): Life Offices – Valuation of Long Term Insurers

PGN 110 (v3.0 Dec 2007): Reserving for minimum investment return guarantees

PGN 102 (Mar 1995): Life Offices – HIV/AIDS

PGN 105 (Mar 2007): Recommended AIDS extra mortality bases

PGN 106 (v3.0; Jul 2005): Actuaries and Long Term Insurance in South Africa

These guidance notes are available on the website of the Actuarial Society of South Africa (www.actuarialsociety.co.za).

31.4.3 Valuation

Liabilities are valued in terms of the financial soundness valuation ("FSV") method as described in PGN 104, issued by the Actuarial Society of South Africa.

The FSV method is a discounted cash flow method which requires the expected income (premiums and charges) and outgo (claims, expenses and taxation) arising from each policy contract to be projected into the future, using appropriate assumptions regarding future investment returns, taxation, inflation, claims experience and persistency. The projected expenses are only those required to service the existing policy book, and not the expenses expected to be incurred in acquiring future new business. Similarly, expected income from future sales is not included in the projection – only income emanating from the in-force policy book.

The assumptions used to project cash flows are best estimates of future experience. The best estimate assumptions are reviewed annually, taking into account actual and expected changes to the underlying experience of the portfolio. A degree of prudence is introduced by the addition of compulsory margins. The compulsory margins are defined by PGN 104. PGN 104 allows for the addition of discretionary margins.

The projected cash flows (income less outgo) under each policy contract are discounted at a market related rate of interest, to arrive at the liability held in respect of each policy contract. The discount rate used to value the liability is consistent with the market value of assets underlying the liability.

The valuation assumptions take into account current and expected future experience, as well as revised expectations of future income, claims and expenditure. The assumptions are applied to the whole in-force policy book. Differences between the assumptions used at the start and the end of the accounting period give rise to a revised liability quantification.

The effect of policyholder options that would result in a decrease in liabilities were excluded from the liabilities in order to prevent unnecessarily reducing the liabilities. Policyholder options that would result in an increase in the liabilities were incorporated into the valuation on a best estimate basis, as described above.

The expected level of early terminations is incorporated into the liabilities irrespective of whether this leads to an increase or a decrease in the liabilities.

If future experience under a policy contract is exactly in line with the assumptions employed at inception of the contract, the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins.

In addition to the profit recognised at the origination of a policy contract, and the unwinding of margins and the Group is released from risk, any differences between the best estimate valuation assumptions and actual experience over each accounting period also gives rise to profits and losses. These profits and losses emerge over the lifetime of a policy contract. Other sources of profit or loss include the change in liabilities from basis changes, profits on group business that are recognised as earned and shareholders' share of the cost of bonus for certain segregated DPF pools.

31.4.4 Recognition

31.4.4.1 Premiums

Premiums receivable from insurance contracts and investment contracts with DPF are recognised as revenue in profit or loss, gross of commission and reinsurance premiums and excluding taxes and levies. Premiums and annuity considerations on insurance contracts are recognised when they are due in terms of the contract. Premium income received in advance is included in trade and other payables (including insurance payables).

31.4.4.2 Benefits and claims

Insurance benefits and claims incurred under insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in profit or loss gross of any related reinsurance recoveries. Death, disability and surrender claims are recognised when notified. Maturity and annuity claims are recognised when they are due for payment in terms of the contract. The estimate of the expected settlement value of claims that are notified but not paid before the balance sheet date is included in trade and other payables (including insurance payables).

31.4.4.3 Reinsurance premiums

Reinsurance premiums are recognised as an expense in profit or loss when they become due for payment, in terms of the contracts at the undiscounted amounts payable in terms of the contract.

31.4.4.4 Reinsurance recoveries

Reinsurance recoveries are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

31.4.4.5 Liability adequacy test

On insurance contracts, the liability adequacy test is inherent in the Financial Soundness Valuation methodology applied to these contracts and this meets the minimum requirements of the test required under IFRS 4, after deducting the PVIF.

A liability adequacy test is performed for insurance liabilities which are not measured in terms of the Financial Soundness Valuation to verify that the liability is sufficient to cover future claims and servicing expenses after the expected future income over the remaining contractual lifetime.

31.4.4.6 Acquisition costs

Acquisition costs, disclosed as sales remuneration, for insurance contracts and investment contracts with DPF include all commission and expenses directly related to acquiring new business and is expensed in profit or loss when incurred. The Financial Soundness Valuation methodology implicitly creates a deferred acquisition cost ("DAC") asset by reducing the liabilities to the extent of margins included in the premium, which are intended to recover acquisition costs. Thus, no explicit deferred acquisition cost asset is recognised in the balance sheet for contracts valued on this basis.

31.5 Application of the above valuation methodology to individual product lines

The preceding paragraphs highlighted the principles followed in valuation and profit recognition in respect of insurance and investment (with DPF) contracts. The next section outlines how these principles are applied to the main product lines within this category. The main product lines are:

- Universal life unit linked or smoothed bonus policies: These policies have unit accounts, similar to unit trust investments. The policies might offer additional life or disability cover. The benefit structure might be a DPF, or unit linked to the fair value of the assets supporting the liabilities. On expiry of the contracts, the fair value of units is paid to policyholders.
- Immediate annuities, which provide regular payments (usually monthly) to policyholders. Payments normally cease on death of the insured life or lives, but different options, such as guaranteed payment periods and maximum payment terms, are offered to policyholders.
- Employee benefits insurance business: The main products on offer within this category are group Permanent Health Insurance ("PHI") cover, which provides regular annuity benefits while an insured is disabled, Consumer Price Index ("CPI") linked annuities, as well as lump sum death and disability benefits.
- Employee benefits investment business: Two DPF unitised pooled funds are offered to policyholders.
- Conventional (reversionary bonus or non profit) policies: These policies do not have unit accounts like universal life products, but rather provide a guaranteed sum assured at death or maturity. The guaranteed payment is augmented by discretionary bonuses if the contract has DPF features. The difference between conventional and universal life DPF policy types is that, on universal life policies, annual bonus

additions are made to the policy's investment account, whereas additions of bonuses on conventional policies are made to the lump sum payable on death or maturity.

31.5.1 Universal life unit linked or smoothed bonus policies

Liabilities for individual smoothed bonus and market related "unit linked" business are set equal to the fair value of units attributable to the policyholder at the balance sheet date. This is the so called unit liability. In addition, the present value of expected future cash flows (income less outgo) in respect of each policy is added or deducted from the unit liability to arrive at the total liability in respect of each universal life policy contract. This adjustment represents the so called Rand liability. If future income is expected to exceed future outgo under a universal life policy contract, the Rand liability is negative, whereas it is positive if future outgo is expected to exceed future income.

Projected future outgo includes claims payments and maintenance expenses, whereas projected future income includes deductions of risk premium and other charges. In performing the projections of future income and outgo, allowance is made for future growth in unit account values at a level consistent with the assumed future market related investment return, after allowing for contractual expense charges and taxation.

Future additions of bonuses to smoothed bonus policies are projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and taxation.

In respect of smoothed bonus universal life policies, bonus stabilisation accounts are also held. Bonus stabilisation reserves have been discussed above, but more detail about these provisions is given in the section below.

Profits arising from universal life policy contracts are recognised as described above.

31.5.2 Policies with a DPF switching option

On some new generation investment contracts, policyholders have a choice of a wide range of investment funds, including a DPF fund. Policyholders also have the option to switch, without penalty, between smoothed bonus and unit linked funds within the same policy structure. The DPF portions of these policies are valued, using the FSV valuation methodology applicable to universal life DPF policies (as described above), but the capitalised value of discounted charges (net of expenses) on each policy is limited to the value of the DAC asset less deferred revenue liability ("DRL") liability that would have been held, had the whole policy been classified as an investment without DPF investment contract. This is done so that switches between unit linked and smoothed bonus components do not give rise to discontinuities in liabilities held against these contracts.

The practical implication of this treatment is that liabilities and profit recognition on these products are the same as similar "investment without DPF contracts". For the purposes of valuation and recognition, these policies are therefore treated in the same way as investment policies without DPF (even though they have a DPF component).

31.5.3 Immediate annuities

Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market related yield curve as at the balance sheet date. The yield curve is based on risk free securities (either fixed or CPI linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio and reduced by compulsory and discretionary margins. Explicit liabilities are set aside for expected credit losses, to avoid a reduction in liabilities caused by capitalisation of credit spreads.

31.5.4 Conventional (reversionary bonus or non profit) policies

The liabilities for conventional policies are calculated as the difference between the present values of projected future benefits and expenses, and the present value of projected future premiums, using the best estimated rate of return, plus prescribed margins as per PGN 104. It is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

Profits arising on conventional policy contracts are recognised as described above.

31.6 Employee benefits insurance business

The main liability types in respect of this class of business are:

- Discounted cash flow liabilities for Permanent Health Insurance ("PHI") claims in payment and CPI linked annuities;
- The liability related to the claims which relate to insurance events which have occurred before year end and thus have been incurred but have not been reported to the Group, is known as the Incurred but not Reported ("IBNR") liability claims on group risk benefits;
- Unearned premium provisions in respect of risk exposure remaining after the balance sheet date where premiums relating to the risk have been received before the balance sheet date; and
- CPI linked annuities.

The liabilities for PHI and other annuity claimants and funeral paid up benefits are calculated using a prospective cash flow method, discounted at a discount rate consistent with the average term of the liabilities and market yields on the assets supporting the liabilities.

Liabilities in respect of IBNR claims are determined, using a basic triangulation or chain ladder method to derive, from past claims run off patterns, an estimate of the amount of claims that have been incurred but not yet reported. The liability is undiscounted.

An unearned premium provision is also held in respect of the portion of premiums received that relate to future risk exposure, which is assumed to be constant over the premium term. These liabilities are measured at the undiscounted value because of the short term nature of the liabilities.

Group CPI linked annuities are valued in the same way as CPI linked annuities on individual life business.

Profits arising on group risk contracts are recognised as premiums received less claims and expenses paid, plus or minus the move in the IBNR and unearned premium provisions over the relevant accounting period.

31.6.1 Employee benefits investment business (with DPF)

The liability in respect of group investment (with DPF) business is set equal to the fair value of the assets supporting the liabilities. The liability is reflected as the face value of policyholders' balances, plus a bonus stabilisation account. The bonus stabilisation account is the difference between the market value of assets and the face value of policyholders' balances.

No discounting of future cash flows (such as premiums, claims and expenses) is performed in respect of this class of business.

An additional unexpired risk provision is held if the expected premiums and investment returns are not sufficient to meet expected future claims and expenses. This meets the requirements of the liability adequacy test in IFRS 4 and thus no additional liability adequacy test is performed.

31.6.2 Policyholder bonus stabilisation accounts

DPF liabilities (insurance and investment) are adjusted by policyholder bonus stabilisation accounts. Bonus stabilisation accounts have been introduced under the general description of policy contracts issued by the Group in the section preceding the accounting policies.

If the fair value of the assets underlying a smoothed bonus or conventional with profit portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation account is created which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation account is created. A negative bonus stabilisation account will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long term assumptions. Negative bonus stabilisation accounts in excess of 7,5% of the investment accounts are disclosed.

The purpose with bonus stabilisation accounts is therefore to allocate all investment surpluses or deficits to policyholders after deduction of all related contractual charges.

The policyholder bonus stabilisation accounts in respect of the closed Lifegro portfolio and Southern Pre 84 segregated portfolio are set equal to the policyholders' full future entitlement to the assets in these portfolios (which includes not only investment surpluses, but other sources of surplus as well), as per the respective profit share agreements between policyholders and shareholders.

Bonus stabilisation accounts are included in policyholder liabilities under insurance contracts and investment with DPF contracts.

31.6.3 Guaranteed maturity value liabilities

A number of contracts contain embedded derivatives in the form of guaranteed maturity values. The liability in respect of these guarantees is calculated using stochastic modelling techniques, whereby assets and liabilities are projected into the future under a range of possible future investment return scenarios, with parameters calibrated to market data. The expected present value of the cost of the guarantee over and above base liabilities is taken as the liability in respect of the guarantee.

The modelling approach is governed by professional guidance note PGN 110, which sets minimum criteria that the stochastic model should adhere to, being minimum numbers of simulations to be performed and minimum variability characteristics of the stochastic input parameters. The model uses 2 000 scenarios and is calibrated to use market consistent parameters at the valuation date.

31.6.4 Other options and guarantees

The effect of policyholder options that would result in a decrease in liabilities were excluded from the liabilities in order to prevent unnecessarily reducing the liabilities. Policyholder options that would result in an increase in the liabilities were incorporated into the valuation on a best estimate basis, as described above.

The expected level of early terminations is incorporated into the liabilities irrespective of whether this leads to an increase or a decrease in the liabilities.

The best estimates used to determine the value of the liabilities include estimates that take into account maturity, mortality and disability guarantees, as well as expected lapses and surrenders.

31.7 Discretionary margins

Discretionary margins are held in addition to the compulsory margins. These discretionary margins are used to ensure that profit and risk margins in the premiums are not capitalised prematurely so that profits are recognised in line with product design and in line with the risks borne by the company.

The main discretionary margins utilised in the valuation are as follows:

- Additional bonus stabilisation accounts are held to provide an additional layer of protection for policyholders against the risk of removal of non vested bonuses caused by fluctuations in the values of assets backing smoothed bonus liabilities. This account is in addition to the policyholder bonus stabilisation account described elsewhere, and is not distributed as bonuses to policyholders under normal market conditions. The size of this account is monitored according to the results of stochastic modelling of the investment risk. Excess assets over the size indicated by the results of the stochastic modelling are released as profit.
- For the closed Lifegro portfolio and segregated portion of the Southern Life book, appropriate liabilities are held to reverse the capitalisation of future profits to ensure that the Lifegro profits are recognised in line with the terms of the Lifegro take over agreement and the statute of the Old Southern Segregated Fund.
- Investment stabilisation accounts are held to reduce the risk of future losses, caused by the impact of market fluctuations on capitalised fees and on the assets backing guaranteed liabilities. This liability is built up retrospectively and released if adverse market conditions cause a reduction in the capitalised value of fees or in the value of assets backing guaranteed liabilities.
- Additional prospective margins are held in respect of decrement assumptions and asset related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the company.
- An additional margin on the discount rates derived from the yield curve is held, if the actual investment return is different from the assumption used in valuing annuity benefit payments (both group and individual business). Further margins are held on the discount rates derived from the yield curve in respect of long dated guaranteed liabilities, where exact matching of assets and liabilities is difficult to achieve. These margins are held to reflect the potential for credit spreads widening and parameter risk associated with the long end of the yield curve and are related to the extent of corporate debt backing liabilities and the uncertainties relating to long dated liabilities.

31.8 Investment contracts without DPF, with provision of investment management services

Under this category, the Group issues unit linked contracts, where benefits payable are determined using unit values that reflect the fair value of the assets in the unitised fund underlying the group of policies, multiplied by the number of units attributed to the policyholder. Policyholder liabilities for this class of business are set equal to the fair value of the assets in the unitised fund underlying the group of policies, as reflected in the value of units held by each policyholder at the valuation date.

31.8.1 Amounts received and benefits paid

Amounts received under investment contracts, being additional investments by the policyholders, are recorded as deposits to investment contract liabilities whereas benefits incurred are recorded as deductions from investment contract liabilities.

Service fee income on investment management contracts is recognised as and when the services are rendered. Service fee income includes policy administration fees, surrender charges and bid offer spreads on premium allocations. The surrender charges are applied based on regulation 5 issued by the Financial Services Board.

31.8.2 Deferred revenue liability ("DRL")

A DRL is recognised in respect of fees paid at the inception of the contract by the policyholder which are directly attributable to a contract. The DRL is then released to revenue as the investment management services are provided, over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DRL is recognised in revenue.

31.8.3 DAC asset

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is recognised as an expense in profit or loss. Amortisation of the DAC is done separately for each policy contract. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

31.8.4 Onerous contracts

The Group recognises a provision for an onerous contract, when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

31.8.5 Profit recognition

Profits or losses that accrue to shareholders in respect of investment contracts where investment management services are rendered are equal to fees received during the period concerned plus the movement in the DAC asset and DRL liability, less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded option. The valuation methodology is the same as the methodology applied to investment guarantees on insurance contracts.

31.9 Investment contracts without DPF, without provision of investment management services

The Group issues single premium investment contracts with fixed and guaranteed terms under this category (guaranteed endowments and term certain annuities).

31.9.1 Valuation

The liabilities of endowments with guaranteed maturity values are fair valued using a valuation model, as the policies are not traded in an active market. The model values the liabilities as the present value of the maturity values, using appropriate market related yields to maturity net of tax and investment management expenses. If liabilities calculated in this manner fall short of the single premium paid at inception of the policy, the liability is increased to the level of the single premium, to ensure that no profit is recognised at inception. This additional liability is amortised over the lifetime of the policy. The amortisation pattern is such that profits are recognised in line with expected investment returns on the underlying assets supporting the liabilities. The amortisation pattern is determined at point of sale and not re adjusted during the term of the policy contract.

31.9.2 Amounts received and benefits paid

Amounts received under this class of investment contracts, being additional investments and investment returns, are recorded as deposits to investment contract liabilities whereas benefits paid are recorded as deductions from investment contract liabilities.

31.10 Embedded derivatives in insurance contracts

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through profit or loss.

A number of contracts contain embedded derivatives in the form of guaranteed maturity values. Refer to note 31.6.3.

31.11 Reinsurance contracts

Contracts entered into by the Group with reinsurers under which it is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified as loans and receivables), as well as long term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities consist of premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the period. Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

31.12 Receivables and payables related to insurance and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated following the same method used for these financial assets.

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June

R MILLION	Note	2008	2007
Continuing operations			
Interest and similar income	1	**55 009**	45 324
Interest expense and similar charges	1	**(31 830)**	(25 821)
Net interest income before impairment of advances		**23 179**	19 503
Impairment of advances	14	**(5 064)**	(2 857)
Net interest income after impairment of advances		**18 115**	16 646
Non interest income	2	**22 471**	47 709
Net insurance premium income	3	**5 374**	5 081
Net claims and benefits paid	4	**(5 530)**	(5 590)
Increase in value of policyholder liabilities	5	**(701)**	(25 535)
Income from operations		**39 729**	38 311
Operating expenses	7	**(26 189)**	(23 288)
Net income from operations		**13 540**	15 023
Share of profit from associates and joint ventures	18	**1 662**	2 198
Profit before tax		**15 202**	17 221
Direct tax	8	**(3 037)**	(5 216)
Profit for the year from continuing operations		**12 165**	12 005
Discontinued operations			
Profit attributable to discontinued operations	53	**868**	1 073
Profit for the year		**13 033**	13 078
Attributable to:			
Non cumulative non redeemable preference shares		**409**	348
Equity holders of the Group		**11 309**	11 511
		11 718	11 859
Minority interest		**1 315**	1 219
Profit for the year		**13 033**	13 078
From continuing operations and discontinued operations			
Earnings per share (cents)			
Basic	9	**218.2**	222.9
Diluted	9	**214.1**	216.6
From continuing operations			
Earnings per share (cents)			
Basic	9	**204.2**	209.8
Diluted	9	**200.3**	203.9

CONSOLIDATED BALANCE SHEET
as at 30 June

R MILLION	Notes	2008	2007
ASSETS			
Cash and short term funds	11	**48 486**	46 952
Derivative financial instruments	12	**64 314**	33 244
Advances	13	**446 286**	387 020
Investment securities and other investments	15	**214 353**	213 875
Commodities	16	**1 916**	1 118
Accounts receivable	17	**8 093**	9 257
Investments in associates and joint ventures	18	**13 303**	11 809
Property and equipment	19	**8 859**	6 411
Deferred tax asset	20	**1 456**	1 306
Intangible assets and deferred acquisition costs	21	**4 497**	4 302
Investment properties	22	**3 808**	2 356
Policy loans on insurance contracts		**212**	166
Reinsurance assets	23	**550**	595
Tax asset		**833**	34
Assets arising from insurance contracts	24	**–**	3 114
Non current assets and disposal groups held for sale	36	**3 092**	–
Total assets		**820 058**	721 559
EQUITY AND LIABILITIES			
Liabilities			
Deposits	25	**488 423**	421 568
Short trading positions	26	**33 450**	32 175
Derivative financial instruments	12	**51 595**	24 139
Creditors and accruals	27	**13 051**	13 887
Provisions	28	**3 275**	3 598
Tax liability		**666**	1 368
Post retirement benefit fund liability	29	**1 980**	1 882
Deferred tax liability	20	**5 372**	6 279
Long term liabilities	30	**13 941**	9 250
Reinsurance liabilities		**–**	20
Policyholder liabilities under insurance contracts	31	**43 417**	46 979
Policyholder liabilities under investment contracts	32	**110 784**	111 239
Liabilities arising from collective investment schemes	33	**2 742**	1 568
Deferred revenue liability	34	**296**	387
Total liabilities		**768 992**	674 339
Equity			
Capital and reserves attributable to ordinary equity holders			
Ordinary shares	35	**52**	51
Share premium	35	**1 036**	2 338
Reserves		**43 082**	36 640
		44 170	39 029
Non cumulative non redeemable preference shares	35	**4 519**	4 519
Capital and reserves attributable to ordinary equity holders		**48 689**	43 548
Minority interest		**2 377**	3 672
Total equity		**51 066**	47 220
Total equity and liabilities		**820 058**	721 559

R MILLION	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share based payment reserve
Balance as at 30 June 2006	**51**	**3 584**	**3 635**	**1 136**	**176**	**2 128**
Issue of share capital	–	–	–	–	–	–
Conversion of convertible redeemable preference shares	–	(164)	(164)	–	–	–
Reduction of share capital	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	–	–
Movement in other reserves	–	–	–	–	6	237
Profit for the year	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Dividends attributable to outside shareholders	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	215	(51)	–
Effect of change in shareholding in subsidiary	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	–
Non distributable reserves of associates	–	–	–	–	–	–
Reserve movements transferred to the income statement	–	–	–	–	–	–
Consolidation of share trusts	–	(1 082)	(1 082)	–	–	–
Balance as at 30 June 2007	**51**	**2 338**	**2 389**	**1 351**	**131**	**2 365**
Issue of share capital	–	–	–	–	–	–
Conversion of convertible redeemable preference shares	1	–	1	–	–	–
Share issue expenses	–	–	–	–	–	–
Reduction of share capital	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	132	–
Movement in other reserves	–	–	–	–	–	111
Profit for the year	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Dividends attributable to outside shareholders	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	(1 343)	–	(77)
Effect of change in shareholding in subsidiary	–	(1)	(1)	–	–	–
Subsidiary sold/unbundled – Discovery	–	(1 201)	(1 201)	–	–	(151)
Contribution from parent company	–	–	–	–	–	–
Non distributable reserves of associates	–	–	–	–	–	–
Reserve movements transferred to the income statement	–	–	–	–	339	–
Consolidation of share trusts	–	(100)	(100)	–	–	–
Balance as at 30 June 2008	**52**	**1 036**	**1 088**	**8**	**602**	**2 248**

Available-for-sale reserve	Currency translation reserve	Other non distributable reserves	Retained earnings	Capital and reserves attributable to ordinary equity holders	Preference share-holders' funds	Minority interest	Total equity
1 003	**575**	**159**	**23 199**	**32 011**	**4 519**	**2 974**	**39 504**
–	–	–	–	–	–	45	45
–	–	–	164	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	(1)	(1)
–	10	–	–	10	–	(7)	3
869	–	–	–	869	–	83	952
–	–	(32)	3	214	–	10	224
–	–	–	11 511	11 511	348	1 219	13 078
–	–	–	(3 795)	(3 795)	–	(747)	(4 542)
–	–	–	–	–	(348)	–	(348)
–	–	–	–	–	–	–	–
44	–	47	(255)	–	–	51	51
–	–	(337)	355	18	–	26	44
–	–	–	–	–	–	19	19
–	–	–	–	–	–	–	–
(732)	–	–	–	(732)	–	–	(732)
–	–	(425)	430	(1 077)	–	–	(1 077)
1 184	**585**	**(588)**	**31 612**	**39 029**	**4 519**	**3 672**	**47 220**
–	–	–	–	–	–	–	–
–	–	–	–	1	–	–	1
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	780	–	–	780	–	56	836
737	–	(15)	–	854	–	(60)	794
–	–	62		173	–	32	205
–	–	–	11 309	11 309	409	1 315	13 033
–	–	–	(4 523)	(4 523)	–	(692)	(5 215)
–	–	–	–	–	(409)	–	(409)
–	–	–	–	–	–	–	–
–	–	–	1 420	–	–	–	–
–	–	(48)	(57)	(106)	–	141	35
(426)	–	385	(2 051)	(3 444)	–	(2 100)	(5 544)
–	–	–	–	–	–	12	12
–	–	19	–	19	–	1	20
(388)	–	–	–	(49)	–	–	(49)
–	–	–	227	127	–	–	127
1 107	**1 365**	**(185)**	**37 937**	**44 170**	**4 519**	**2 377**	**51 066**

for the year ended 30 June

R MILLION	Note	2008	2007
Cash flows from operating activities			
Cash receipts from customers	38.2	75 755	67 979
Cash paid to customers, suppliers and employees	38.3	(56 279)	(48 214)
Dividends received		4 461	1 952
Dividends paid	38.7	(4 523)	(3 795)
Net cash flows from operating activities	38.1	19 414	17 922
Increase in income earning assets	38.4	(63 226)	(86 700)
Increase in deposits and other liabilities	38.5	55 647	82 063
Net cash generated from operations		(7 579)	(4 637)
Tax paid	38.6	(4 715)	(3 912)
Net cash inflow from operating activities		7 120	9 373
Cash flows from investment activities			
Purchase of property and equipment		(4 056)	(2 193)
Proceeds from the disposal of property and equipment		320	59
Purchase of investment properties		(1 706)	(175)
Disposal of investment properties		375	988
Proceeds on the disposal of investments		182	–
Proceeds on the disposal of subsidiary	38.8	697	–
Acquisition of subsidiaries	38.8	(1 526)	(5 143)
Purchase of associates and joint ventures	38.9	(3 623)	(3 274)
Proceeds on the disposal of associates and joint ventures		1 439	–
Purchase of intangible assets		(678)	(149)
Net cash outflow from investment activities		(8 576)	(9 887)
Cash flows from financing activities			
Proceeds from/(repayment of) long term liabilities		3 129	(102)
Net cash inflow/(outflow) from financing activities		3 129	(102)
Net increase/(decrease) in cash and cash equivalents		1 673	(616)
Cash and cash equivalents at the beginning of the year	38.10	46 952	46 684
Cash and cash equivalents at the end of the year		48 625	46 068
Cash and cash equivalents sold*		(695)	–
Cash and cash equivalents purchased*		139	884
Effect of exchange rate changes on cash and cash equivalents		417	–
Cash and cash equivalents at the end of the year	38.10	48 486	46 952

** Cash and cash equivalents sold and purchased relate to the cash balances held by subsidiaries acquired and sold during the year.*

R MILLION	2008	2007
Headline earnings per share (cents)		
– Basic	191.5	210.2
– Diluted	187.8	204.2
Ordinary dividend per share (cents)		
– Interim	44.25	39.50
– Final	38.25	43.00
Total dividend per ordinary share (cents)	82.50	82.50
Basic headline earnings		
Basic headline earnings per share is calculated by dividing the Group's attributable earnings to ordinary equity holders after excluding separately identifiable remeasurements, net of tax and minority interest, by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.		
Earnings attributable to ordinary shareholders (R million)	9 922	10 854
Weighted average number of ordinary shares in issue	5 181 964 244	5 163 931 035
Diluted headline earnings		
Diluted headline earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.		
Earnings attributable to ordinary shareholders (R million)	9 922	10 854
Diluted weighted average number of shares in issue	5 283 101 659	5 314 831 808

	2008		2007	
R MILLION	Gross	Net*	Gross	Net*
Headline earnings reconciliation				
Banking Group	13 314	9 544	14 493	9 826
Momentum Group	2 466	2 002	3 379	2 076
Discovery Group	374	234	1 073	673
FirstRand Limited (company)	(58)	276	(58)	(123)
Consolidation of share trusts	(517)	(335)	(372)	(372)
Dividend payment of non cumulative non redeemable preference shares	(409)	(409)	(348)	(348)
Consolidation of treasury shares: policyholders	(3)	(3)	(221)	(221)
Attributable earnings to ordinary equity holders	15 167	11 309	17 946	11 511
Adjusted for				
– Profit on sale of available-for-sale financial instruments	(98)	(55)	(863)	(684)
– Profit on sale of shares in subsidiary and associate	(678)	(598)	(78)	(68)
– Net asset value in excess of purchase price of subsidiaries	(24)	(24)	–	–
– (Profit)/loss on sale of property and equipment	(4)	(3)	(8)	(6)
– VISA listing	(1 052)	(853)	–	–
– Impairment of intangible assets	104	89	55	48
– Impairment of goodwill	33	28	61	53
– Other	29	29	–	–
Headline earnings to ordinary equity holders	13 477	9 922	17 113	10 854

** Net of tax and minority interest*

	2008	2007
Dividend information		
Dividend on non cumulative non redeemable preference share (cents)		
"B" preference share		
– 25 February 2008/27 February 2007	478	410
– 25 August 2008/28 August 2007	511	431
Total "B" preference share	989	841
"B1" preference share		
– 25 February 2008/27 February 2007	478	410
– 25 August 2008/28 August 2007	511	431
Total "B1" preference share	989	841
Dividends declared (R million)		
Ordinary dividends	4 650	4 658
Non cumulative non redeemable preference shares	445	379

1 ANALYSIS OF INTEREST INCOME, INTEREST EXPENDITURE AND NON INTEREST INCOME

	2008				
R MILLION	Fair value	Amortised cost	Hedging instruments	Non financial assets and liabilities	Total
1.1 Interest and similar income					
Interest on:					
– Advances	183	42 581	–	–	42 764
– Cash and short term funds	–	2 805	–	–	2 805
– Investment securities	5 050	32	–	–	5 082
– Unwinding of discounted present value on non performing loans	–	211	–	–	211
– Accrued on off market advances	–	8	–	–	8
– Other	2 955	971	154	59	4 139
Interest and similar income	8 188	46 608	154	59	55 009

	2007				
R MILLION	Fair value	Amortised cost	Hedging instruments	Non financial assets and liabilities	Total
Interest on:					
– Advances	64	32 928	–	–	32 992
– Cash and short term funds	–	2 269	–	–	2 269
– Investment securities	8 241	53	–	–	8 294
– Unwinding of discounted present value on non performing loans	–	106	–	–	106
– Other	476	735	42	410	1 663
Interest and similar income	8 781	36 091	42	410	45 324

1 ANALYSIS OF INTEREST INCOME, INTEREST EXPENDITURE AND NON INTEREST INCOME continued

1.2 Interest expense and similar charges

	2008				
R MILLION	Fair value	Amortised cost	Hedging instruments	Non financial assets and liabilities	Total
Interest on:					
– Deposits from banks and financial institutions	(269)	(1 241)	–	–	(1 510)
– Current accounts	(15)	(10 969)	–	–	(10 984)
– Savings deposits	–	(121)	–	–	(121)
– Term deposit accounts	(4 582)	(5 710)	–	–	(10 292)
– Negotiable certificates of deposit	(3 746)	(137)	–	–	(3 883)
– Finance leases	–	–	–	(70)	(70)
– Debentures	(266)	(2 109)	–	–	(2 375)
– Other	(1 622)	(908)	(9)	(56)	(2 595)
Interest expense and similar charges	(10 500)	(21 195)	(9)	(126)	(31 830)

	2007				
R MILLION	Fair value	Amortised cost	Hedging instruments	Non financial assets and liabilities	Total
Interest on:					
– Deposits from banks and financial institutions	(442)	(321)	–	–	(763)
– Current accounts	(330)	(5 333)	–	–	(5 663)
– Savings deposits	–	(93)	–	–	(93)
– Term deposit accounts	(8 639)	(6 692)	–	–	(15 331)
– Negotiable certificates of deposit	–	(76)	–	–	(76)
– Finance leases	–	–	–	(233)	(233)
– Debentures	(294)	(853)	–	–	(1 147)
– Other	(1 329)	(1 113)	–	(73)	(2 515)
Interest expense and similar charges	(11 034)	(14 481)	–	(306)	(25 821)

R MILLION	2008	2007
2 NON INTEREST INCOME		
Fee and commission income		
– Instruments at amortised cost	8 352	9 756
– Instruments at fair value	1 379	3 534
– Non financial assets and liabilities	5 282	1 255
Fee and commission income	15 013	14 545
Fair value income		
– Held for trading	495	4 709
– Designated at fair value	(189)	473
– Other	54	805
Fair value income	360	5 987
Gains less losses from investment activities		
– Designated at fair value	2 073	22 188
– Available-for-sale	9	804
– Other	1 123	2 266
Gains less loss from investment activities	3 205	25 258
Other non interest income	3 893	1 919
Total	22 471	47 709
Fee and commission income:		
– Banking fee and commission income	9 041	9 099
– Card commissions	1 401	1 244
– Cash deposit fees	1 139	958
– Commissions: bills, drafts and cheques	577	385
– Service fees	4 010	3 520
– Other commissions	1 914	2 992
– Knowledge based fee and commission income	776	987
– Non banking fee and commission income	2 629	982
– Asset management and related fees	1 763	2 648
– Fees for health administration	457	408
– Amortisation of deferred revenue liability	50	44
– Other	297	377
Fee and commission income	15 013	14 545

Non banking fee and commission earned relates to fees and commissions for rendering services to clients other than those related to the banking operations.

This includes commission earned on the sale of insurance products.

R MILLION	2008	2007
2 NON INTEREST INCOME continued		
Fair value income:		
– Foreign exchange trading	54	805
– Treasury trading operations	495	4 709
– Designated at fair value through profit or loss	(189)	473
Fair value income	360	5 987
Included in gains and losses from fair value income:		
Dividend income on trading securities	337	1 444
Dividend income on available-for-sale securities	1 446	–

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities. Trading operations include interest rate instruments and equity trading income.

Interest rate instruments include the results of making markets in instruments in government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives. Equity trading income includes the results of making markets globally in equity securities and equity derivatives such as swaps, options, futures and forward contracts.

R MILLION	2008	2007
Gains less losses from investment activities		
– Gains on investment securities	2 073	22 188
– Transfer from revaluation reserve on sale of available-for-sale assets	7	567
– Gain on realisation of available-for-sale securities	–	320
– Dividends received	122	804
– Share of profit of associates and joint ventures (note 18)	1 662	2 198
– Unrealised profit on assets held against employee liabilities	263	339
– Net income on non recourse vehicles	69	–
– Investment banking assets	–	429
– Fair value gains on investment properties held at fair value through profit or loss	120	410
– Rental income from investment properties	150	201
– Other investment income	401	–
Gross gains less losses from investment activities	4 867	27 456
Less: Profit of associates and joint ventures (disclosed separately on the face of income statement)	(1 662)	(2 198)
Gains less losses from investment activities	3 205	25 258
Other non interest income		
– Gain on sale of property and equipment	4	6
– Excess of fair value of net assets acquired over the fair value of consideration paid (negative goodwill)	24	–
– Other income	3 865	1 913
Other non interest income	3 893	1 919
Total non interest income	22 471	47 709

R MILLION	2008	2007
3 NET INSURANCE PREMIUM INCOME		
Insurance premiums		
Long term insurance contracts		
Individual life	4 699	4 346
– Single premiums	205	185
– Recurring premiums	3 952	3 689
– Annuities	542	472
Employee benefits	1 254	1 224
– Single premiums and investment lump sums	6	4
– Recurring premiums	1 248	1 220
Total long term insurance contracts	5 953	5 570
Total insurance premium revenue	5 953	5 570
Insurance premium ceded to reinsurers		
Long term insurance contracts	(579)	(489)
– Individual life	(549)	(323)
– Employee benefits	(30)	(166)
Total insurance premium ceded to reinsurers	(579)	(489)
Net insurance premium income from long term insurance contracts	5 374	5 081
4 NET CLAIMS AND BENEFITS PAID		
Benefits paid in respect of long term insurance contracts		
Individual life	(3 529)	(3 715)
– Death	(1 001)	(952)
– Disability	(204)	(194)
– Maturities	(1 172)	(1 810)
– Surrenders	(1 152)	(759)
Lump sum annuities	(1 428)	(1 408)
– Annuities paid	(1 396)	(1 388)
– Commutations	(32)	(20)
Total benefits paid in respect of individual life business	(4 957)	(5 123)
Employee benefits		
– Death	(683)	(605)
– Disability	(316)	(318)
– Scheme terminations and member withdrawals	(3)	(2)
– Annuities	(114)	(77)
Total benefits paid in respect of employee benefits business	(1 116)	(1 002)
Gross claims and benefits paid on insurance contracts	(6 073)	(6 125)
Insurance benefits recovered from reinsurers		
– Individual life	475	472
– Employee benefits	68	63
– Health	(21)	–
– Short term insurance contract	21	–
Total insurance benefits recovered from reinsurers	543	535
Total net claims and benefits paid	(5 530)	(5 590)

R MILLION	2008	2007
5 INCREASE IN VALUE OF POLICYHOLDER LIABILITIES		
Fair value adjustment on investment contracts (note 32)	(3 934)	(19 625)
Net transfer to/from policyholders under insurance contracts (note 31)	3 233	(5 910)
Transfer to policyholder liabilities under insurance contracts	3 233	(5 910)
Increase in value of policyholder liabilities	**(701)**	(25 535)
6 FAIR VALUE ADJUSTMENT TO FINANCIAL LIABILITIES		
Included in non interest income is:		
Fair value adjustment to liabilities arising to third parties as a result of the consolidation of collective investment schemes.		
Other consolidated collective investment schemes	(122)	(54)
Fair value adjustment to financial liabilities	**(122)**	(54)
7 OPERATING EXPENSES		
Fee and commission expense	**(1 372)**	(1 097)
Auditors' remuneration		
– Audit fees	(109)	(87)
– Fees for other services	(24)	(22)
– Technical advice	(6)	(10)
– Other	(18)	(12)
– Prior year under provision	(5)	(10)
Auditors' remuneration	**(138)**	(119)
Amortisation of intangible assets		
– Deferred acquisition cost asset	(365)	(113)
– Software	(85)	(79)
– Value of in-force business	(36)	(27)
– Contractual customer relationships	(33)	(32)
– Other	(42)	(39)
Amortisation of intangible assets	**(561)**	(290)
Depreciation		
– Property	(263)	(196)
– Freehold property	(109)	(44)
– Leasehold premises	(154)	(152)
– Equipment	(688)	(656)
– Computer equipment	(461)	(471)
– Furniture and fittings	(100)	(87)
– Motor vehicles	(41)	(28)
– Office equipment	(86)	(70)
– Capitalised leased assets	(69)	(4)
Depreciation	**(1 020)**	(856)
Impairments incurred		
– Goodwill	(33)	(53)
– Property and equipment	(26)	(18)
– Software	(83)	(48)
– Other	–	(2)
Impairments incurred	**(142)**	(121)

R MILLION	2008	2007
7 OPERATING EXPENSES continued		
Impairments reversed		
– Property and equipment	5	8
Impairments reversed	5	8
Operating lease charges		
– Property	(716)	(571)
– Equipment	(219)	(252)
– Motor vehicles	(18)	(23)
Operating lease charges	(953)	(846)
Professional fees		
– Managerial	(126)	(28)
– Technical	(570)	(396)
– Other	(313)	(315)
Professional fees	(1 009)	(739)
Direct staff costs		
– Salaries, wages and allowances	(8 191)	(7 128)
– Contributions to employee benefit funds	(1 355)	(1 332)
– Defined contribution schemes	(1 313)	(900)
– Defined benefit schemes	(42)	(432)
– Social security levies	(121)	(104)
– Share based payments	(143)	(392)
– Other	(792)	(593)
Direct staff cost	(10 602)	(9 549)
– Staff related cost	(1 992)	(2 368)
Total staff cost	(12 594)	(11 917)
Other operating costs		
– Insurance	(192)	(268)
– Advertising and marketing	(934)	(920)
– Maintenance	(710)	(582)
– Property	(495)	(338)
– Computer	(1 071)	(894)
– Stationery	(255)	(269)
– Telecommunications	(580)	(519)
– eBucks customer rewards	(232)	(203)
– Conveyance of cash	(214)	(176)
– Origination costs	(52)	(49)
– Other operating expenditure	(3 112)	(2 431)
Other operating costs	(7 847)	(6 649)
Value added tax (net)	(504)	(606)
Regional services levy	(1)	(5)
Stamp duties	(16)	(14)
Other	(37)	(37)
Indirect tax	(558)	(662)
Total operating expenses	(26 189)	(23 288)

R MILLION	2008	2007
8 TAX		
Direct tax		
Normal tax		
– Current	(2 614)	(2 800)
– Current year	(3 043)	(2 587)
– Prior year adjustment	429	(213)
– Deferred	(122)	(372)
– Current year	345	(612)
– Prior year adjustment	(538)	240
– Tax rate adjustment	71	–
– Share of associate and joint venture tax (note 18)	(362)	(496)
Total normal tax	(3 098)	(3 668)
Foreign company and withholding tax		
– Current	(60)	(596)
– Current year	162	(592)
– Prior year adjustment	(222)	(4)
– Deferred tax	16	(37)
– Current year	18	(43)
– Prior year adjustment	(2)	6
Total foreign company and withholding tax	(44)	(633)
Secondary tax on companies	(140)	(166)
– Current	(69)	(100)
– Deferred	(71)	(66)
– Current year	(62)	(66)
– Prior year adjustment	(9)	–
Capital gains tax	129	(701)
– Current tax	(315)	(383)
– Deferred tax	444	(318)
Direct tax	(3 153)	(5 168)
Retirement fund tax	116	(48)
Total tax	(3 037)	(5 216)

The rate of STC was changed from 12.5% to 10% in October 2007 as a result of Revenue Laws amended by the Minister of Finance.

The rate of corporate tax was changed from 29% to 28% in February 2008 as a result of the Revenue Laws amended by the Minister of Finance.

Tax rate reconciliation – South African normal tax	%	%
Effective rate of tax	20.0	30.4
Total tax has been affected by:		
– Non taxable income	17.5	3.4
– Foreign tax rate differential	(0.1)	0.2
– Prior year adjustments	1.3	0.1
– Tax rate adjustment	1.5	–
– Effect of income at capital gains tax rate	(0.2)	–
– Other permanent differences	(11.8)	(5.1)
Standard rate of South African tax	28.0	29.0

R MILLION	2008	2007
9 EARNINGS PER SHARE		
Basic		
Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.		
Earnings attributable to ordinary shareholders (R million)	**11 309**	11 511
From continuing operations	**10 581**	10 838
From discontinued operations	**728**	673
Weighted average number of ordinary shares in issue	**5 181 964 244**	5 163 931 035
Basic earnings per share (cents)	**218.2**	222.9
From continuing operations (cents)	**204.2**	209.8
From discontinued operations (cents)	**14.0**	13.1
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.		
Earnings attributable to ordinary shareholders (R million)	**11 309**	11 511
From continuing operations	**10 581**	10 438
From discontinued operations	**728**	673
Actual number of shares:		
Shares in issue as at 1 July	**5 635 715 676**	5 634 120 503
– Outperformance conversion October 2006/2005	**1 302 100**	831 066
– Outperformance conversion April 2007/2006	**812 442**	764 107
Number of shares in issue as at 30 June	**5 637 830 218**	5 635 715 676
Less: Treasury shares	**(456 949 451)**	(464 663 200)
– Staff schemes	**(244 971 470)**	(267 754 209)
– BEE staff trusts	**(171 401 072)**	(171 401 072)
– Policyholder and mutual funds "deemed treasury shares"	**(40 576 909)**	(25 507 919)
Number of shares in issue (after treasury shares)	**5 180 880 767**	5 171 052 476

R MILLION	2008	2007
9 EARNINGS PER SHARE continued		
Weighted number of shares		
Actual number of shares as at 1 July	**5 635 715 676**	5 634 120 503
Adjustments	**894 965**	745 071
– Outperformance conversion	**894 965**	745 071
Weighted average number of shares before treasury shares	**5 636 610 641**	5 634 865 574
Less: Treasury shares	**(454 646 397)**	(470 934 539)
– Staff schemes	**(252 261 709)**	(282 667 735)
– BEE staff trusts	**(171 401 072)**	(171 401 072)
– Policyholder and mutual funds "deemed treasury shares"	**(30 983 616)**	(16 865 732)
Weighted average number of shares	**5 181 964 244**	5 163 931 035
Weighted average number of shares	**5 181 964 244**	5 163 931 035
Dilution impact		
– Outperformance conversion	**1 501 133**	3 857 700
– Staff schemes	**71 285 985**	108 490 250
– BEE staff trust	**28 350 297**	38 552 823
Diluted weighted average number of shares in issue	**5 283 101 659**	5 314 831 808
Diluted earnings per share (cents)	**214.1**	216.6
From continuing operations (cents)	**200.3**	203.9
From discontinued operations (cents)	**13.8**	12.7

10 ANALYSIS OF ASSETS AND LIABILITIES

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 176 to 197 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the balance sheet per category of financial instrument to which they are assigned and therefore by measurement basis:

R MILLION	Note	Held for trading	Designated at fair value through profit or loss	Held-to-maturity investments
ASSETS				
Cash and short term funds	11			
Derivative financial instruments	12	63 261	–	–
Advances	13	–	99 674	308
Investment securities and other investments	15	43 638	149 135	600
Commodities	16	1 916	–	–
Accounts receivable	17	–	–	–
Investment in associate and joint ventures	18	–	–	–
Property and equipment	19	–	–	–
Deferred tax asset	20	–	–	–
Intangible assets and deferred acquisition costs	21	–	–	–
Investment properties	22	–	–	–
Policy loans on insurance contracts		–	–	–
Reinsurance assets	23	–	–	–
Tax asset		–	–	–
Non current assets and disposal groups held for sale	36	–	–	–
Total assets		108 815	248 809	908
LIABILITIES				
Deposits	25	–	192 787	–
Short trading positions	26	33 450	–	–
Derivative financial instruments	12	50 844	–	–
Creditors and accruals	27	–	–	–
Provisions	28	–	–	–
Tax liability				
Post retirement benefit fund liability	29	–	–	–
Deferred tax liability	20	–	–	–
Long term liabilities	30	–	2 997	–
Policyholder liabilities under insurance contracts	31	–	–	–
Policyholder liabilities under investment contracts	32	–	110 784	–
Liabilities arising from collective investment schemes	33	–	2 742	–
Deferred revenue liability	34	–	–	–
Total liabilities		84 294	309 310	–

2008						
Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Derivatives designated as cash flow hedging instruments	Non financial assets and liabilities	Total
48 486	–	–	–	–	–	48 486
–	–	–	–	1 053	–	64 314
345 631	673	–	–	–	–	446 286
–	20 980	–	–	–	–	214 353
–	–	–	–	–	–	1 916
8 093	–	–	–	–	–	8 093
–	–	–	–	–	13 303	13 303
–	–	–	–	–	8 859	8 859
–	–	–	–	–	1 456	1 456
–	–	–	–	–	4 497	4 497
–	–	–	–	–	3 808	3 808
212	–	–	–	–	–	212
–	–	–	–	–	550	550
–	–	–	–	–	833	833
–	–	–	–	–	3 092	3 092
402 422	21 653	–	–	1 053	36 398	820 058
–	–	295 636	–	–	–	488 423
–	–	–	–	–	–	33 450
–	–	–	230	521	–	51 595
–	–	13 051	–	–	–	13 051
–	–	–	–	–	3 275	3 275
–	–	–	–	–	666	666
–	–	–	–	–	1 980	1 980
–	–	–	–	–	5 372	5 372
–	–	10 794	–	–	150	13 941
–	–	–	–	–	43 417	43 417
–	–	–	–	–	–	110 784
–	–	–	–	–	–	2 742
–	–	–	–	–	296	296
–	–	319 481	230	521	55 156	768 992

10 ANALYSIS OF ASSETS AND LIABILITIES continued

R MILLION	Note	Held for trading	Designated at fair value through profit or loss	Held-to-maturity investments	Loans and receivables
ASSETS					
Cash and short term funds	11	–	–	–	46 329
Derivative financial instruments	12	33 100	–	–	–
Advances	13	–	80 475	535	305 282
Investment securities and other investments	15	45 276	146 743	1 041	–
Commodities	16	1 118	–	–	–
Accounts receivable	17	–	–	–	8 514
Investment in associate and joint ventures	18	–	–	–	–
Property and equipment	19	–	–	–	–
Deferred tax asset	20	–	–	–	–
Post retirement benefit asset	29	–	–	–	–
Intangible assets and deferred acquisition costs	21	–	–	–	–
Investment properties	22	–	–	–	–
Policy loans on insurance contracts		–	–	–	166
Reinsurance assets	23	–	–	–	–
Tax asset		–	–	–	–
Assets arising from insurance contracts	24	–	–	–	–
Total assets		79 494	227 218	1 576	360 291
LIABILITIES					
Deposits	25	–	171 181	–	–
Short trading positions	26	32 175	–	–	–
Derivative financial instruments	12	23 991	–	–	–
Creditors and accruals	27	–	–	–	–
Provisions	28	–	–	–	–
Tax liability		–	–	–	–
Post retirement benefit fund liability	29	–	–	–	–
Deferred tax liability	20	–	–	–	–
Long term liabilities	30	–	4 226	–	–
Reinsurance liabilities		–	–	–	–
Policyholder liabilities under insurance contracts	31	–	–	–	–
Policyholder liabilities under investment contracts	32	–	110 504	–	–
Liabilities arising from collective investment schemes	33	–	1 568	–	–
Deferred revenue liability	34	–	–	–	–
Total liabilities		56 166	287 479	–	–

2007						
Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Derivatives designated as cash flow hedging instruments	Non financial assets and liabilities	Discovery	Total
–	–	–	–	–	623	46 952
–	–	4	140	–	–	33 244
728	–	–	–	–	–	387 020
17 647	–	–	–	–	3 168	213 875
–	–	–	–	–	–	1 118
–	–	–	–	–	743	9 257
–	–	–	–	11 609	200	11 809
–	–	–	–	6 185	226	6 411
–	–	–	–	1 226	80	1 306
–	–	–	–	–	–	–
–	–	–	–	4 209	93	4 302
–	–	–	–	2 356	–	2 356
–	–	–	–	–	–	166
–	–	–	–	544	51	595
–	–	–	–	30	4	34
–	–	–	–	–	3 114	3 114
18 375	–	4	140	26 159	8 302	721 559
–	250 387	–	–	–	–	421 568
–	–	–	–	–	–	32 175
–	–	116	30	–	2	24 139
–	12 862	–	–	352	673	13 887
–	–	–	–	3 550	48	3 598
–	–	–	–	1 368	–	1 368
–	–	–	–	1 882	–	1 882
–	–	–	–	5 473	806	6 279
–	4 857	–	–	127	40	9 250
–	–	–	–	–	20	20
–	–	–	–	46 287	692	46 979
–	–	–	–	–	735	111 239
–	–	–	–	–	–	1 568
–	–	–	–	265	122	387
–	268 106	116	30	59 304	3 138	674 339

R MILLION	2008	2007
11 CASH AND SHORT TERM FUNDS		
Coins and bank notes	3 158	2 328
Money at call and short notice	3 998	5 340
Balances with central banks	11 761	9 267
Balances with other banks	11 599	12 645
Money market investments	17 970	17 372
Cash and short term funds	**48 486**	**46 952**
The carrying value approximates the fair value.		
Mandatory reserve balances included in above:	**11 177**	**8 327**

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the Group's day to day operations. These deposits bear no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.

12 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The Group transacts in derivatives for three purposes: to create risk management solutions for clients, for proprietary trading purposes, and to manage and hedge the Group's own risk. For accounting purposes, derivative instruments are classified as held either for trading or hedging. Derivatives that are held as hedging instruments are formally designated as hedging instruments as defined in IAS 39.

All other derivatives are classified as held for trading. The held for trading classification includes two types of derivative instruments those used in sales and trading activities, and those that do not meet the qualifying criteria for hedge accounting. The second type of held for trading category includes derivatives managed in conjunction with financial instruments designated at fair value.

The Group's derivative activities give rise to significant open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Whilst the Group employs the same credit risk management procedures to approve the potential credit exposures for derivatives as are used for traditional lending, the calculations and procedures used to assess credit risk for derivatives are more complex.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the Group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, overtime.

The Group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the risk report on pages 96 to 175 of the annual report ("the risk report").

Trading derivatives

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities in derivatives are entered into principally for the purpose of generating profits from short term fluctuations in price or margin.

Positions may be traded actively or be held over a period of time to benefit from expected changes in currency rates, interest rates, equity prices or other market parameters. Trading includes market making, positioning and arbitrage activities. Market making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume; positioning means managing market risk positions in the expectation of benefiting from favourable movements in prices, rates or indices; arbitrage involves identifying and profiting from price differentials between markets and products.

12 DERIVATIVE FINANCIAL INSTRUMENTS continued

As mentioned above, other derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

The Momentum Group makes use of derivative instruments in order to achieve exposure to a desired asset spread where liquidity constraints limit the purchase of sufficient physical assets as well as to provide a hedge against a known liability. Derivative contracts are not entered into purely for speculative purposes. The Group's asset managers have been mandated to enter into derivative contracts on an agency basis, with agreed upon internal controls being instituted to ensure that exposure limits are adhered to. These controls include the regular monitoring of sensitivity analyses designed to measure the behaviour and exposure to derivative instruments under conditions of market stress.

Other derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

Hedging instruments

The Group hedges interest rake risk in the Group's balance sheet using separate risk portfolios. These portfolios are managed under separate mandates, which take into account the underlying risk inherent in each portfolio. Counterparty credit risk is managed centrally by FirstRand Credit.

The inherent complexity of interest rate risks in the Group balance sheet and consequently in each portfolio, requires that interest rate risk be analysed and managed using various analytical tools and frameworks. While each analytical process may highlight a different aspect of interest rate risk, each analytical tool is intended to corroborate and support the overall interest rate risk management objectives of the Group.

The Momentum Group decided to hedge the fixed interest payable on its callable notes. The Momentum Group entered into a swap agreement with FirstRand Bank whereby Momentum earns fixed interest and pays variable interest. This was done to match the variable nature of the investment income earned on the shareholders' portfolio.

The Group's fair value hedges principally consist of interest rate and currency swaps that are used to protect against changes in fair value of fixed rate long term financial instruments and non rand denominated financial instruments due to movement in the market interest rates and currency fluctuations. For qualifying fair value hedges, all changes in fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in profit or loss. If the hedge relationship is terminated, the fair value adjustment to the item continues to be reported as part of the basis of the item and is amortised to income as a yield adjustment over the remainder of the hedging period.

Rand overnight deposits

Rand overnight deposit swaps are commitments to exchange fixed rate interest flows with floating rate interest flows where the repricing takes place daily on the floating leg based on the daily overnight rates.

The Group uses the following financial instruments for hedging purposes:

Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

Fair value hedges

The Group's fair value hedges principally consist of commodity derivatives and interest rate derivatives used to hedge the price risk associated with physical commodity positions and interest rate products.

For qualifying fair value hedges, all changes in fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in profit or loss.

If the hedge relationship is terminated, the fair value adjustment to the item continues to be reported as part of the basis of the item and will be realised upon sale of the hedged item.

R MILLION	2008	2007
12 DERIVATIVE FINANCIAL INSTRUMENTS continued		
Gains or losses for the period arising form the change in fair value of fair value hedges:		
– on hedging instrument	403	15
– on hedged items attributable to the hedged risk	(304)	(16)
Total	99	(1)

Cash flow hedges

These instruments have quarterly resets and settlements.

The amounts of these resets are dependent upon a number of factors including notional amounts, reset rates and reset dates. The maturities of these instruments are negotiated at the time of the deal and are dependent on future yields and maturity profile of the underlying hedged book.

Underlying hedged items have monthly cash flows based on the underlying reference rate.

A single swap cash flow hedges the cumulative change in cash flow for three subsequent months.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is released to income.

Amounts accumulated in equity are released to the income statement in periods in which movements in the hedged item will affect profit or loss.

When hedging instruments are sold or when the hedge no longer meets the criteria for hedge accounting, the gains or losses continue to be deferred in equity and are released to profit or loss as the risks, previously hedged affects profit or loss.

When the hedge risk is no longer expected to occur, the gains or losses deferred in equity are released to profit or loss immediately.

R MILLION	2008	2007
Reconciliation of movements in the cash flow hedge reserve		
Opening balance (net of deferred tax)	131	176
Amount recognised directly in equity during the year	132	6
Amounts removed from equity and included in the income statement for the year	339	(51)
– Gross amount	495	(72)
– Deferred tax	(156)	21
Disposal of subsidiaries	(2)	–
Other	2	–
Closing balance	602	131

During the period, the hedging relationship was highly effective and the Group deferred the lesser of changes in fair value on the hedging instruments and changes in fair value on the hedged items. As the changes on the hedging instruments were less than the changes on the hedged items, no ineffectiveness was recognised in profit or loss.

12 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2008		2007	
R MILLION	Assets	Liabilities	Assets	Liabilities
Hedge ineffectiveness recognised in the income statement				
Cash flows on the underlying hedged items are expected to impact the income statement as follows:				
– 1 – 3 months	1 110	(1 648)	164	(133)
– 3 – 12 months	2 234	(3 744)	373	(300)
– 1 – 5 years	2 731	(4 691)	395	(348)
– Over 5 years	205	(170)	–	–
Total	6 280	(10 253)	932	(781)
The cash flows on the hedging instruments are expected to be released to the income statement as follows:				
– 1 – 3 months	(152)	261	(52)	18
– 3 – 12 months	(290)	566	(123)	48
– 1 – 5 years	(307)	651	(130)	55
– Over 5 years	(18)	15	–	–
Total	(767)	1 493	(305)	121

	Assets		Liabilities	
R MILLION	Notional	Fair value	Notional	Fair value
2008				
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives	83 575	1 053	44 730	521
– Swaps	83 575	1 053	44 730	521
Total cash flow hedges	83 575	1 053	44 730	521
2008				
Fair value hedges				
Commodity derivatives	704	–	1 110	–
– Futures	704	–	1 110	–
Interest rate derivatives	–	–	1 000	230
– Swaps	–	–	1 000	230
Total fair value hedges	704	–	2 110	230
Total qualifying for hedge accounting	84 279	1 053	46 840	751

12 DERIVATIVE FINANCIAL INSTRUMENTS continued

	Assets		Liabilities	
R MILLION	Notional	Fair value	Notional	Fair value
Held for trading				
Currency derivatives	401 322	16 360	338 616	10 663
– Forward rate agreements	164 913	2 799	180 408	3 708
– Swaps	219 071	6 035	144 296	4 617
– Options	17 137	6 715	13 495	1 503
– Futures	201	811	417	835
Interest rate derivatives	2 943 406	41 002	2 755 758	34 635
– Forward rate agreements	1 841 487	5 325	1 751 835	5 982
– Swaps	682 482	33 888	588 456	26 753
– Options	389 753	1 571	385 974	1 579
– Futures	29 684	218	29 493	321
Equity derivatives	21 039	2 820	24 653	2 353
– Swaps	2 410	1 783	664	1 842
– Options	12 018	801	16 283	258
– Futures	6 611	236	7 706	253
Commodity derivatives	18 574	2 899	7 517	2 623
– Swaps	10 038	1 402	2 507	817
– Options	3 628	1 002	3 001	461
– Futures	4 908	495	2 009	1 345
Credit derivatives	6 047	180	3 924	570
Total held for trading	3 390 388	63 261	3 130 468	50 844
Total	3 474 667	64 314	3 177 308	51 595

	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R MILLION	Notional	Fair value	Notional	Fair value	Notional	Fair value
2008						
Qualifying for hedge accounting						
Cash flow hedges	2 174	44	81 401	1 009	83 575	1 053
Interest rate derivatives	2 174	44	81 401	1 009	83 575	1 053
Fair value hedges	704	–	–	–	704	–
Commodity derivatives	704	–	–	–	704	–
Not qualifying for hedge accounting						
Held for trading	24 687	11 136	3 365 701	52 125	3 390 388	63 261
Currency derivatives	473	–	400 849	16 360	401 322	16 360
Interest rate derivatives	14 453	9 431	2 928 953	31 571	2 943 406	41 002
Equity derivatives	8 385	1 684	12 654	1 136	21 039	2 820
Commodity derivatives	1 376	19	17 198	2 880	18 574	2 899
Credit derivatives	–	2	6 047	178	6 047	180
Total	27 565	11 180	3 447 102	53 134	3 474 667	64 314

12 DERIVATIVE FINANCIAL INSTRUMENTS continued

	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
R MILLION	Notional	Fair value	Notional	Fair value	Notional	Fair value
2008						
Qualifying for hedge accounting						
Cash flow hedges	–	–	44 730	521	44 730	521
Interest rate derivatives	–	–	44 730	521	44 730	521
Fair value hedges	1 110	–	1 000	230	2 110	230
Interest rate derivatives	–	–	1 000	230	1 000	230
Commodity derivatives	1 110	–	–	–	1 110	–
Not qualifying for hedge accounting						
Held for trading	18 115	4 992	3 112 353	45 852	3 130 468	50 844
Currency derivatives	758	91	337 858	10 572	338 616	10 663
Interest rate derivatives	8 281	3 434	2 747 477	31 201	2 755 758	34 635
Equity derivatives	7 678	1 461	16 975	892	24 653	2 353
Commodity derivatives	1 398	6	6 119	2 617	7 517	2 623
Credit derivatives	–	–	3 924	570	3 924	570
Total	19 225	4 992	3 158 083	46 603	3 177 308	51 595

	Assets		Liabilities	
R MILLION	Notional	Fair value	Notional	Fair value
2007				
Qualifying for hedge accounting				
Cash flow hedges				
Currency derivatives	–	–	41	2
– Forward rate agreements	–	–	41	2
Interest rate derivatives	34 332	140	11 400	28
– Swaps	33 671	135	11 400	28
– Options	661	5	–	–
Total cash flow hedges	34 332	140	11 441	30
Interest rate derivatives	120	4	1 000	116
– Swaps	120	4	1 000	116
Total fair value hedges	120	4	1 000	116
Total qualifying for hedge accounting	34 452	144	12 441	146

12 DERIVATIVE FINANCIAL INSTRUMENTS continued

	Assets		Liabilities	
R MILLION	Notional	Fair value	Notional	Fair value
2007				
Held for trading				
Currency derivatives	199 614	7 554	173 796	4 660
– Forward rate agreements	77 812	2 215	70 367	2 166
– Swaps	120 125	5 192	102 057	2 356
– Options	1 677	147	1 353	138
– Futures	–	–	19	–
Interest rate derivatives	1 049 843	17 148	1 066 819	12 081
– Forward rate agreements	636 854	1 727	679 746	1 427
– Swaps	352 857	14 954	345 809	10 295
– Options	57 218	466	37 913	356
– Futures	2 914	1	3 351	3
Equity derivatives	13 071	4 213	39 805	3 356
– Forward rate agreements	2	2	–	–
– Options	5 082	432	27 232	623
– Futures	7 987	3 779	12 573	2 733
Commodity derivatives	15 910	4 100	21 029	3 832
– Forward rate agreements	3 185	111	9 029	1 329
– Swaps	276	3	932	32
– Options	10 172	3 977	8 871	2 465
– Futures	2 277	9	2 197	6
Credit derivatives	14 423	85	10 889	64
Total held for trading	1 292 861	33 100	1 312 338	23 993
Total	1 327 313	33 244	1 324 779	24 139

12 DERIVATIVE FINANCIAL INSTRUMENTS continued

	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R MILLION	Notional	Fair value	Notional	Fair value	Notional	Fair value
2007						
Qualifying for hedge accounting						
Cash flow hedges	–	–	34 332	140	34 332	140
Interest rate derivatives	–	–	34 332	140	34 332	140
Fair value hedges	–	–	120	4	120	4
Interest rate derivatives	–	–	120	4	120	4
Not qualifying for hedge accounting						
Held for trading	11 639	131	1 281 222	32 969	1 292 861	33 100
Currency derivatives	–	–	199 614	7 554	199 614	7 554
Interest rate derivatives	5 402	5	1 044 441	17 143	1 049 843	17 148
Equity derivatives	3 702	117	9 369	4 096	13 071	4 213
Commodity derivatives	2 288	9	13 622	4 091	15 910	4 100
Credit derivatives	247	–	14 176	85	14 423	85
Total	11 639	131	1 315 674	33 113	1 327 313	33 244

	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
R MILLION	Notional	Fair value	Notional	Fair value	Notional	Fair value
2007						
Qualifying for hedge accounting						
Cash flow hedges	41	2	11 400	28	11 441	30
Interest rate derivatives	–	–	11 400	28	11 400	28
Currency derivatives	41	2	–	–	41	2
Fair value hedges	–	–	49	116	49	116
Interest rate derivatives	–	–	49	116	49	116
Not qualifying for hedge accounting						
Held for trading	14 226	74	1 298 112	23 919	1 312 338	23 993
Currency derivatives	11	–	173 785	4 660	173 796	4 660
Interest rate derivatives	3 351	3	1 063 468	12 078	1 066 819	12 081
Equity derivatives	8 594	65	31 211	3 291	39 805	3 356
Commodity derivatives	2 270	6	18 759	3 826	21 029	3 832
Credit derivatives	–	–	10 889	64	10 889	64
Total	14 267	76	1 309 561	24 063	1 323 828	24 139

13 ADVANCES

R MILLION	2008 Loans and receivables	Held-to-maturity	Available-for-sale	Held for trading	Designated at fair value through profit or loss	Total
Sector analysis						
Agriculture	8 030	–	–	–	969	8 999
Banks and financial services	16 852	–	673	–	43 899	61 424
Building and property development	5 668	–	–	–	9 578	15 246
Government, Land Bank and public authorities	11 529	–	–	–	8 974	20 503
Individuals	251 468	257	–	–	142	251 867
Manufacturing and commerce	33 681	–	–	–	13 118	46 799
Mining	3 616	–	–	–	9 213	12 829
Transport and communication	3 254	–	–	–	7 807	11 061
Other services	20 075	67	–	–	5 974	26 116
Notional value of advances	354 173	324	673	–	99 674	454 844
Contractual interest suspended	(1 168)	(7)	–	–	–	(1 175)
Gross advances	353 005	317	673	–	99 674	453 669
Impairment of advances (note 14)	(7 374)	(9)	–	–	–	(7 383)
Net advances	345 631	308	673	–	99 674	446 286
Geographic analysis (based on credit risk)						
South Africa	330 698	324	673	–	78 291	409 986
Other Africa	16 711	–	–	–	2 226	18 937
United Kingdom	4 937	–	–	–	9 657	14 594
Other	1 827	–	–	–	9 500	11 327
Total value of advances	354 173	324	673	–	99 674	454 844
Contractual interest suspended	(1 168)	(7)	–	–	–	(1 175)
Gross advances	353 005	317	673	–	99 674	453 669
Impairment of advances (note 14)	(7 374)	(9)	–	–	–	(7 383)
Net advances	345 631	308	673	–	99 674	446 286
Category analysis						
Overdrafts and managed accounts	49 758	–	–	–	–	49 758
Loans to other financial institutions	6 395	–	–	–	1 994	8 389
Card loans	14 124	–	–	–	–	14 124
Instalment sales	65 122	–	–	–	–	65 122
Lease payments receivable	24 576	–	–	–	–	24 576
Property finance	159 147	257	–	–	1 945	161 349
– Home loans	149 700	257	–	–	–	149 957
– Commercial property finance	9 447	–	–	–	1 945	11 392
Personal loans	15 946	–	–	–	–	15 946
Preference share advances	2 406	–	–	–	15 728	18 134
Other	15 937	67	673	–	51 160	67 837
Assets under agreement to resell	762	–	–	–	28 847	29 609
Notional value of advances	354 173	324	673	–	99 674	454 844
Contractual interest suspended	(1 168)	(7)	–	–	–	(1 175)
Gross advances	353 005	317	673	–	99 674	453 669
Impairment of advances (note 14)	(7 374)	(9)	–	–	–	(7 383)
Net advances	345 631	308	673	–	99 674	446 286

13 ADVANCES continued

R MILLION	Loans and receivables	Held-to-maturity	Available-for-sale	Held for trading	Designated at fair value through profit or loss	Total
	2007					
Sector analysis						
Agriculture	6 930	–	–	–	1 126	8 056
Banks and financial services	11 611	–	740	–	36 644	48 995
Building and property development	5 091	–	–	–	8 882	13 973
Government, Land Bank and public authorities	10 486	–	–	–	9 658	20 144
Individuals	229 517	346	–	–	95	229 958
Manufacturing and commerce	30 544	–	–	–	10 746	41 290
Mining	1 337	–	–	–	4 191	5 528
Transport and communication	5 875	–	–	–	3 637	9 512
Other services	9 034	193	–	–	5 498	14 725
Notional value of advances	310 425	539	740	–	80 477	392 181
Contractual interest suspended	(605)	(4)	–	–	(2)	(611)
Gross advances	309 820	535	740	–	80 475	391 570
Impairment of advances (note 14)	(4 538)	–	(12)	–	–	(4 550)
Net advances	305 282	535	728	–	80 475	387 020
Geographic analysis (based on credit risk)						
South Africa	286 959	539	740	–	52 902	341 140
Other Africa	13 913	–	–	–	1 750	15 663
United Kingdom	5 694	–	–	–	13 193	18 887
Other	3 859	–	–	–	12 632	16 491
Total value of advances	310 425	539	740	–	80 477	392 181
Contractual interest suspended	(605)	(4)	–	–	(2)	(611)
Gross advances	309 820	535	740	–	80 475	391 570
Impairment of advances (note 14)	(4 538)	–	(12)	–	–	(4 550)
Net advances	305 282	535	728	–	80 475	387 020

13 ADVANCES continued

	2007					
R MILLION	Loans and receivables	Held-to-maturity	Available-for-sale	Held for trading	Designated at fair value through profit or loss	Total
Category analysis						
Overdrafts and managed accounts	49 306	–	–	–	2 159	51 465
Loans to other financial institutions	943	–	–	–	5 384	6 327
Card loans	13 194	–	–	–	–	13 194
Instalment sales	57 071	–	–	–	–	57 071
Lease payments receivable	29 441	–	–	–	–	29 441
Property finance	132 639	346	–	–	2 379	135 364
– Home loans	127 510	346	–	–	–	127 856
– Commercial property finance	5 129	–	–	–	2 379	7 508
Personal loans	14 929	–	–	–	–	14 929
Preference share advances	2 444	–	–	–	8 075	10 519
Other	10 038	193	740	–	42 986	53 957
Assets under agreement to resell	420	–	–	–	19 494	19 914
Notional value of advances	310 425	539	740	–	80 477	392 181
Contractual interest suspended	(605)	(4)	–	–	(2)	(611)
Gross advances	309 820	535	740	–	80 475	391 570
Impairment of advances (note 14)	(4 538)	–	(12)	–	–	(4 550)
Net advances	305 282	535	728	–	80 475	387 020

For a schedule of the periods when cash flows are expected to occur refer to note 43.

Advances relating to Synthetic securitisations are:

- Procul is a Synthetic securitisation transaction amounting to R2.0 billion of WesBank retail instalment sale advances. In terms of the transaction WesBank has transferred the credit risk up to the value of a reference portfolio to a bankruptcy remote special purpose vehicle.
- Fresco II is a Synthetic securitisation transaction of FirstRand Bank Limited corporate advances. In terms of the transaction, FirstRand Bank Limited has transferred the credit risk up to the value of the reference portfolio to Fresco, a bankruptcy remote special purpose entity.

Included in instalment sale advances above are R5.6 billion (2007: R9.4 billion) of non recourse securitised instalment advances.

Additional information relating to these transactions are set out in note 14.

13 ADVANCES continued

R MILLION	Within 1 Year	Between 1 and 5 years	More than 5 years	Total
2008				
Analysis of instalment sales and lease payments receivable				
Lease payments receivable	8 505	25 982	370	34 857
Suspensive sale instalments receivable	19 167	52 331	1 074	72 572
Sub total	27 672	78 313	1 444	107 429
Less: Unearned finance charges	(4 741)	(12 727)	(265)	(17 733)
Total	22 931	65 586	1 179	89 696
2007				
Analysis of instalment sales and lease payments receivable				
Lease payments receivable	9 421	23 659	9 457	42 537
Suspensive sale instalments receivable	13 607	40 651	141	54 399
Sub total	23 028	64 310	9 598	96 936
Less: Unearned finance charges	(2 707)	(7 689)	(28)	(10 424)
Total	20 321	56 621	9 570	86 512

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the balance sheet date is R452 million (2007: R250 million).

Collateral is an important mitigant of credit risk. In accordance with the Group credit risk management strategy the following principle types of collateral are held as security for monies lent by the Group:

- Vehicle finance: Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and a notice of default has been issued.

Where more than one third of all instalments have been paid, legal judgement has to be passed before vehicles can be repossessed. For some products, title over vehicles are held by the Group. Title only passes to the customer once repayments reach a specified level.

- Resource and property finance: Collateral consists of first and second mortgages over property, individual's pension plans, employer and personal guarantees, loss insurance purchased by the client as well as fixed and floating charges over mining assets and business.

The collateral can only be sold or exercised on default by the customer.

- Personal loans, overdrafts and credit card exposures are generally unsecured or secured via guarantees and suretyships.
- Agricultural finance: Collateral includes grain, barley, sorghum and fertilisers held at various storage facilities and warehouses.
- Securities lending: Collateral held is in the form of cash and investment securities. The level of collateral held is monitored individually on a daily basis to ensure the adequacy of the collateral balance held.

The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non performing loan or when the Group is to sell the asset on auction.

No physical valuation is performed between these two dates.

The valuation at inception is based on physical inspection or index valuation methods. Updated valuations are performed using index valuation models or by revaluing security during the counterparty review process for SME and large corporate counterparties.

14 IMPAIRMENT OF ADVANCES

Significant loans and advances are monitored by the Credit committee and impaired according to the Group impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- The estimated amount of collateral held against the loans and advances;
- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Loss given default ("LGD"), probability of default ("PD") and exposure at default ("EAD");
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

	FNB		
R MILLION	Retail	Corporate	Commercial
Analysis of movement in impairment of advances per class of advance			
Opening balance	2 155	233	325
Exchange rate difference	–	–	–
Amounts written off	(1 166)	(24)	(50)
Unwinding of discounted present value on non performing loans	(95)	–	(36)
Reclassifications	–	–	–
Net new impairments created	2 934	100	207
– impairments created	3 466	100	207
– impairments released	(532)	–	–
Acquisitions/Disposals of subsidiaries	26	–	–
Transfers from/(to) other divisions	(1)	(17)	15
Closing balance	3 853	292	461
New and increased provision	(2 934)	(100)	(207)
Recoveries of bad debts previously written off	218	9	6
(Profit)/Loss on sale of property in possession	4	–	–
Impairment loss recognised in the income statement	(2 712)	(91)	(201)

	FNB		
R MILLION	Retail	Corporate	Commercial
Opening balance	1 259	395	295
Exchange rate difference	–	–	–
Amounts written off	(635)	(119)	(65)
Unwinding of discounted present value on non performing loans	(60)	–	(23)
Reclassifications	–	–	–
Net new impairments created	1 588	19	126
– impairments created	2 173	95	349
– impairments released	(585)	(76)	(223)
Acquisitions/Disposals of subsidiaries	–	–	–
Transfers from/(to) other divisions	3	(62)	(8)
Closing balance	2 155	233	325
New and increased provision	(1 588)	(19)	(127)
Recoveries of bad debts previously written off	194	9	13
Impairment loss recognised in the income statement	(1 394)	(10)	(114)

2008						
WesBank	RMB	FNB Africa	Other	Total impairment	Specific impairment	Portfolio impairment
1 072	475	289	1	4 550	2 749	1 801
21	24	8	–	53	45	8
(1 509)	(117)	(56)	33	(2 889)	(2 864)	(25)
–	–	(18)	(62)	(211)	(209)	(2)
–	–	–	–	–	129	(129)
2 248	182	114	28	5 813	5 019	794
2 239	231	107	29	6 379	5 526	853
9	(49)	7	(1)	(566)	(507)	(59)
–	–	40	1	67	49	18
(2)	(284)	–	289	–	–	–
1 830	280	377	290	7 383	4 918	2 465
(2 248)	(182)	(114)	(28)	(5 813)	(5 019)	(794)
175	(39)	9	367	745	745	–
–	–	–	–	4	4	–
(2 073)	(221)	(105)	339	(5 064)	(4 270)	(794)

2007						
WesBank	RMB	FNB Africa	Other	Total impairment	Specific impairment	Portfolio impairment
640	327	266	(51)	3 131	2 010	1 121
7	2	(3)	–	6	3	3
(965)	(54)	(52)	143	(1 747)	(1 740)	(7)
–	–	(23)	–	(106)	(106)	–
–	–	–	–	–	(111)	111
1 354	121	101	(78)	3 231	2 693	538
671	165	187	243	3 883	3 002	881
683	(44)	(86)	(321)	(652)	(309)	(343)
35	–	–	–	35	–	35
1	79	–	(13)	–	–	–
1 072	475	289	1	4 550	2 749	1 801
(1 354)	(121)	(101)	79	(3 231)	(2 693)	(538)
114	37	4	3	374	374	–
(1 240)	(84)	(97)	82	(2 857)	(2 319)	(538)

14 IMPAIRMENT OF ADVANCES continued

R MILLION	2008 Total value including interest in suspense	Security held and recoverable amount	Specific impairments	Contractual interest suspended
Non performing lendings by sector				
Agriculture	121	75	37	17
Banks and financial services	66	29	26	6
Building and property development	592	62	216	141
Government, Landbank and public authorities	281	8	13	3
Individuals	11 688	5 374	3 895	854
Manufacturing and commerce	646	129	381	97
Mining	33	3	9	3
Transport and communication	163	44	29	7
Other	689	146	312	47
Total non performing lendings	14 279	5 870	4 918	1 175
Non performing lendings by category				
Overdrafts and managed accounts	803	180	677	131
Loans to other financial institutions				
Card loans	1 658	–	1 102	154
Instalment sales	2 053	365	766	105
Lease payments receivable	1 066	165	395	54
Property finance	6 774	4 993	1 240	511
– Home loans	6 655	4 904	1 209	487
– Commercial property finance	119	89	31	24
Personal loans	928	161	532	94
Other	997	6	206	126
Total non performing lendings	14 279	5 870	4 918	1 175
Non performing lendings by class				
FNB Retail	8 663	4 679	2 695	684
FNB Corporate	140	–	121	–
FNB Commercial	625	349	291	113
Total FNB	9 428	5 028	3 107	797
WesBank	3 345	523	1 287	165
RMB	982	16	191	123
FNB Africa	478	217	198	90
Other (BGT, Capital Centre, other subsidiaries)	46	86	135	–
Total non performing lendings	14 279	5 870	4 918	1 175
Non performing lendings by geographical area				
South Africa	13 151	5 629	4 434	965
Other Africa	513	217	205	90
UK	52	24	40	–
Other	563	–	239	120
Europe	78	–	–	–
Australasia	485	–	239	120
Total non performing lendings	14 279	5 870	4 918	1 175

The net recoverable amount on non performing loans is R8 186 million.

For asset finance the total security value reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession.

Where the repossessions has not occurred yet the realisation value of the vehicle is estimated using internal models and is included as part of the recoveries total.

R MILLION	2007 Total value including interest in suspense	Security held and recoverable amount	Specific impairments	Contractual interest suspended
14 IMPAIRMENT OF ADVANCES continued				
Non performing lendings by sector				
Agriculture	143	92	44	18
Banks and financial services	40	9	13	5
Building and property development	343	61	101	74
Government, Landbank and public authorities	241	–	–	2
Individuals	4 599	3 831	1 907	337
Manufacturing and commerce	743	138	374	139
Mining	11	2	2	3
Transport and communication	153	26	47	17
Other	217	39	261	16
Total non performing lendings	6 490	4 198	2 749	611
Non performing lendings by category				
Overdrafts and managed accounts	798	147	685	130
Card loans	979	–	638	70
Instalment sales	1 057	167	422	75
Lease payments receivable	468	79	177	32
Property finance	2 312	3 673	440	243
– Home loans	2 131	3 659	419	179
– Commercial property finance	181	14	21	64
Personal loans	546	106	281	56
Other	330	26	106	5
Total non performing lendings	6 490	4 198	2 749	611
Non performing lendings by class				
FNB Retail	3 344	3 505	1 377	255
FNB Corporate	184	–	130	32
FNB Commercial	432	213	191	85
Total FNB	3 960	3 718	1 698	372
WesBank	1 651	240	633	112
RMB	450	34	104	52
FNB Africa	394	206	150	75
Other (BGT, Capital Centre, other subsidiaries)	35	–	164	–
Total non performing lendings	6 490	4 198	2 749	611
Non performing lendings by geographical area				
South Africa	5 859	3 982	2 460	486
Other Africa	400	206	154	76
UK	23	10	14	–
Other	208	–	121	49
Europe	23	–	23	–
Australasia	185	–	98	49
Total non performing lendings	6 490	4 198	2 749	611

The net recoverable amount on non performing loans is R3 130 million.

15 INVESTMENT SECURITIES AND OTHER INVESTMENTS

Refer to note on fair value of financial instruments for the methodologies used to determine the fair value of investment securities and other investments.

	2008					
R MILLION	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Held-to-maturity	Fair value through profit or loss non recourse investments	Total
Total						
Negotiable certificates of deposit	7 046	110	55	–	–	7 211
Treasury bills	9 253	–	4 901	65	–	14 219
Other government and government guaranteed stock	15 886	15 057	11 765	57	146	42 911
Other dated securities	3 669	14 143	72	–	2 958	20 842
Other undated securities	–	20 725	1 022	403	–	22 150
Money market investments	–	25 486	2	–	–	25 488
Other	7 784	54 345	3 163	75	16 165	81 532
Total	43 638	129 866	20 980	600	19 269	214 353
Listed						
Negotiable certificates of deposit	–	–	–	–	–	–
Treasury bills	922	–	92	–	–	1 014
Other government and government guaranteed stock	15 102	13 120	5 284	–	146	33 652
Other dated securities	1 022	5 264	6	–	48	6 340
Other undated securities	–	10 194	1 022	–	–	11 216
Other	6 577	29 636	1 079	75	–	37 367
Listed	23 623	58 214	7 483	75	194	89 589
Unlisted						
Negotiable certificates of deposit	7 046	110	55	–	–	7 211
Treasury bills	8 331	–	4 809	65	–	13 205
Other government and government guaranteed stock	784	1 937	6 481	57	–	9 259
Other dated securities	2 647	8 879	66	–	2 910	14 502
Other undated securities	–	10 531	–	403	–	10 934
Money market investments	–	25 486	2	–		25 488
Other	1 207	24 709	2 084	–	16 165	44 165
Unlisted	20 015	71 652	13 497	525	19 075	124 764

15 INVESTMENT SECURITIES AND OTHER INVESTMENTS continued

	2007					
R MILLION	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Held-to-maturity	Fair value through profit or loss non recourse investments	Total
Total						
Negotiable certificates of deposit	905	108	249	–	–	1 262
Treasury bills	9 865	21 904	5 459	42	–	37 270
Other government and government guaranteed stock	11 675	1 028	7 740	–	11 009	31 452
Other dated securities	2 175	13 607	642	–	–	16 424
Other undated securities	(26)	94 182	1 301	–	–	95 457
Money market investments	–	810	456	–	–	1 266
Other	20 682	2 322	1 800	999	4 941	30 744
Total	45 276	133 961	17 647	1 041	15 950	213 875
Listed						
Negotiable certificates of deposit	–	–	249	–	–	249
Treasury bills	–	18 379	–	–	–	18 379
Other government and government guaranteed stock	10 630	986	7 258	–	11 009	29 883
Other dated securities	1 200	177	–	–	–	1 377
Other undated securities	(26)	86 080	399	–	–	86 453
Money market investments	–	702	81	–	–	783
Other	14 502	319	82	–	4 941	19 844
Listed	26 306	106 643	8 069	–	15 950	156 968
Unlisted						
Negotiable certificates of deposit	905	108	–	–	–	1 013
Treasury bills	9 865	3 525	5 459	42	–	18 891
Other government and government guaranteed stock	1 045	42	482	–	–	1 569
Other dated securities	975	13 430	642	–	–	15 047
Other undated securities	–	8 102	902	–	–	9 004
Money market investments	–	108	375	–	–	483
Other	6 180	2 003	1 718	999	–	10 900
Unlisted	18 970	27 318	9 578	1 041	–	56 907

R27 300 million (2007: R19 409 million) of the financial instruments held for trading form part of the Group's liquid asset portfolio in terms of the South African Reserve Bank and other foreign banking regulators requirements.

The Group holds certain interests in collateralised debt obligation structures. The Group has no obligations toward other investors beyond the amounts already contributed. The Group has no management control or influence over these investments which are recorded at fair value under the available-for-sale category in the above table.

15 INVESTMENT SECURITIES AND OTHER INVESTMENTS continued

Non recourse investments represent government bonds which were acquired to serve as security in terms of the Fresco and Procul Synthetic Collateralised Debt Obligation structures. The Group has no control over these assets, but these assets were consolidated as the Group is deemed to control these structures in terms of SIC 12. These assets are categorised as trading and carried at fair value, with changes in fair value taken to the income statement.

R MILLION	2008	2007
Other government and government guaranteed stock	146	11 009
– Other	146	–
– R194 at fair value	–	11 009
Investment grade commercial paper[1]	21 276	4 941
Less: Banking Group's share thereof	(2 153)	–
Total non recourse investments	**19 269**	**15 950**

1 iNdwa, iNkotha, iVusi, and iNguza are asset backed conduits that provide South African institutional investors with short dated investment grade commercial paper. These conduits are consolidated, as the Group is deemed to control these assets in terms of SIC 12. The Group has no obligation towards other investors beyond the amounts already contributed. The Group has no management control or influence over these investments which are recorded at fair value under the available-for-sale category in the above table.

Analysis of investment securities

R MILLION	2008	2007
Listed	**89 589**	**156 968**
Equities	37 293	106 297
Debt	52 296	50 671
Unlisted	**124 764**	**56 907**
Equities	22 608	21 350
Debt	102 156	35 557
Total	**214 353**	**213 875**
Valuation of investments		
Market value of listed investments	89 589	156 968
Directors' valuation of unlisted investments	124 764	56 907
Total valuation	**214 353**	**213 875**

The directors' valuation of unlisted investments is considered to be fair value.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 113 of the Companies Act.

16 COMMODITIES

	2008	2007
Agricultural stock	1 777	1 022
Other	139	96
Commodities	**1 916**	**1 118**

R MILLION	2008	2007
17 ACCOUNTS RECEIVABLE		
Items in transit	586	2 259
Interest and commissions accrued	156	114
Accounts receivable	6 385	5 987
Premium debtors	413	327
Less: Provision for impairment of premium debtors	(4)	(35)
Prepayments	373	54
Unsettled trades	–	137
Reinsurance debtors	184	414
Accounts receivable	**8 093**	9 257

The carrying value approximates the fair value.

The credit quality of the above balances is provided in the table below:

	2008						
			Past due but not impaired				
R MILLION	Neither past due nor impaired	Renegotiated but current	1 – 30 days	31 – 60 days	>60 days	Impaired	Total
Items in transit	586	–	–	–	–	–	586
Accrued interest	151	–	1	–	4	–	156
Accounts receivable	6 658	7	442	125	56	63	7 351
Total	**7 395**	**7**	**443**	**125**	**60**	**63**	**8 093**

	2007						
			Past due but not impaired				
R MILLION	Neither past due nor impaired	Renegotiated but current	1 – 30 days	31 – 60 days	> 60 days	Impaired	Total
Items in transit	2 259	–	–	–	–	–	2 259
Accrued interest	114	–	–	–	–	–	114
Accounts receivable	5 032	44	561	71	393	40	6 141
Discovery	–	–	–	–	–	–	743
Total	7 405	44	561	71	393	40	9 257

R MILLION	2008	2007
18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		
Listed investments		
Investments at cost less amounts written off	7 211	6 760
Unlisted investments		
Investments at cost less amounts written off	3 699	3 457
Income before tax for the year	1 720	2 048
Transfer to other reserves	(6)	(28)
Tax for the year (note 8)	(362)	(496)
Dividends received for the year	(924)	(1 105)
Retained income for the year	428	419
Exchange differences	41	8
Disposals and acquisitions	240	(2)
Share of retained income at beginning of the year	1 592	1 149
Share of retained income at end of the year	2 301	1 574
Share of other reserves	92	18
Total retained income and reserves	2 393	1 592
Total carrying value	13 303	11 809
Reconciliation of share of profit from associate and joint ventures to income before tax:		
Income before tax for the year	1 720	2 048
Share of profit before impairment and tax (including discontinued operations)	–	97
Impairment	(58)	53
Share of profit from associate and joint ventures	1 662	2 198
Goodwill included in carrying value above		
Gross amount	203	251
Less: Accumulated impairment losses	–	(197)
Goodwill	203	54
Movement in goodwill		
Opening balance	54	226
Exchange differences	7	–
Acquisitions	53	34
Disposals	89	(211)
Impairment losses	–	5
Closing balance	203	54
Valuation		
Listed investments at market value	7 159	8 205
Unlisted investments at directors' valuation	11 970	8 501
Total valuation	19 129	16 706
Included in listed investments		
Debenture loans	–	408
Included in unlisted investments		
Shareholder loans	1 596	1 021

The directors' valuation of unlisted investments is considered to be fair value.

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

	Nature of business	Issued ordinary shares (R)	Number of ordinary shares held	Year end
Listed				
Makalani Holdings Limited	Investment holding	21 352 568	5 480 885	30 Jun
Collective investment schemes	Collective investment schemes	Various	Various	Various
Emira Property Fund	Property Unit Trust	3 563 635 000	181 060 731	30 Jun
Other	Various	Various	Various	Various
Unlisted				
OUTsurance Insurance Company Limited	Insurance	33 988 000	1 584 225 400	30 Jun
Toyota Financial Services (Pty) Limited	Leasing	4 695	1 565	31 Mar
Marsh Holdings SA (Pty) Limited	Insurance brokers	4 500	40 000	31 Dec
Tracker Investment Holdings Pty Limited	Vehicle trading	915	297	30 Jun
Private Equity Associates	Various	Various	Various	Various
Tembisa Plaza Share Block (Pty) Limited	Share block shopping centre	1 000	480	30 Jun

	Effective holding %		Group valuation amount		Group carrying value	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007
Listed						
Makalani Holdings Limited	**26**	24	**493**	2 131	**611**	584
Emira Property Fund[1]	**37**	37	**1 482**	1 945	**1 482**	1 945
Collective investment schemes	**Various**	Various	**5 184**	4 129	**5 184**	4 129
Other	**Various**	Various	**–**	–	**–**	–
Total listed			**7 159**	8 205	**7 277**	6 658
Unlisted						
OUTsurance Insurance Company Limited	**47**	48	**1 323**	1 113	**675**	600
Toyota Financial Services (Pty) Limited	**33**	33	**663**	330	**377**	319
Tracker Investment Holdings (Pty) Limited	**33**	–	**840**	434	**480**	434
Marsh Holdings SA (Pty) Limited	**40**	40	**44**	40	**28**	29
Momentum short term insurance company limited	**50**	–	**28**	–	**28**	–
Tembisa Plaza Share Block (Pty) Limited	**50**	50	**50**	49	**50**	49
Private Equity Associates	**Various**	Various	**6 632**	4 479	**2 910**	2 154
Other	**Various**	Various	**2 390**	2 056	**1 478**	1 566
Total unlisted			**11 970**	8 501	**6 026**	5 151
Total listed and unlisted			**19 129**	16 706	**13 303**	11 809

1 Emira is accounted for at fair value in terms of IAS 28 as it is held in the insurance linked funds.

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

Summarised financial information of associates:

	Marsh Holdings (Pty) Limited Associate		Makalani Holdings Limited Associate		Private Equity Associates Associate		OUTsurance Insurance Company Limited Associate	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Balance sheet								
Current assets	**235**	179	**141**	277	**12 082**	9 847	**1 096**	1 131
Non current assets	**101**	92	**2 433**	2 105	**21 820**	18 911	**1 998**	1 465
Current liabilities	**(199)**	(157)	**(27)**	(82)	**(9 315)**	(8 019)	**(217)**	(230)
Non current liabilities	**(38)**	(24)	**–**	(8)	**(13 918)**	(16 295)	**(58)**	(64)
Equity	**99**	90	**2 547**	2 292	**10 669**	4 444	**2 819**	2 302
Income statement								
After tax profit attributable to the Group	**5**	20	**80**	60	**874**	727	**268**	225
Loans to associates – included in investments	**–**	–	**–**	–	**1 507**	1 011	**–**	-
Loans to associates – ordinary loans	**12**	12	**–**	–	**–**	–	**–**	-
Share of associate contingent liabilities	**–**	–	**–**	–	**–**	–	**–**	-

	Tracker Investment Associate		Toyota Financial Services (Pty) Limited Associate		Collective investment schemes Associate		Emira Property Fund Associate	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Balance sheet								
Current assets	**198**	–	**4 486**	4 371	**756**	779	**300**	206
Non current assets	**720**	–	**9 337**	8 028	**28 589**	14 357	**7 492**	7 204
Current liabilities	**(136)**	–	**(6 207)**	(5 391)	**(550)**	(642)	**(491)**	(144)
Non current liabilities	**(146)**	–	**(6 490)**	(6 017)	**-**	-	**(1 540)**	(1 569)
Equity	**636**	–	**1 126**	991	**28 795**	14 494	**5 761**	5 697
Income statement								
After tax profit attributable to the Group	**56**	–	**58**	47	**–**	188	**–**	10
Loans to associates – included in investments	**–**	–	**–**	–	**–**	–	**–**	–
Loans to associates – ordinary loans	**–**	–	**1 870**	1 259	**–**	–	**–**	–
Share of associate contingent liabilities	**–**	–	**–**	–	**–**	–	**–**	–

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

Summarised financial information of associates:

	Tembisa Plaza Share Block (Pty) Limited Associate		Other Associates		Other Joint Ventures	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007
Balance sheet						
Current assets	**–**	–	**8 509**	4 570	**–**	357
Non current assets	**118**	109	**17 919**	10 440	**–**	2
Current liabilities	**(42)**	–	**(6 899)**	(3 847)	**–**	(156)
Non current liabilities	**(11)**	(52)	**(11 920)**	(8 101)	**–**	–
Equity	**65**	57	**7 609**	3 062	**–**	203
Income statement						
After tax profit attributable to the Group	**–**	12	**17**	415	**–**	(99)
Loans to associates – included in investments	**–**	–	**89**	–	**–**	–
Loans to associates – ordinary loans	**–**	–	**–**	10	**–**	–
Share of associate contingent liabilities	**–**	–	**–**	504	**–**	–

The most recent audited annual financial statements of associates are used by the Group in applying the equity method of accounting for associates. These are not always drawn up to the same date as the financial statements of the Group.

In instances where significant events occurred between the last financial statement date of an associate and the financial statement date of the Group, the effect of such events are adjusted for. Where the last statement date of an associate or joint venture was more than six months before the financial statement date of the Group, the Group uses the unaudited management accounts of the associate. The Group has applied this principle consistently since adopting the equity accounting method for associates.

19 PROPERTY AND EQUIPMENT

	2008			2007		
R MILLION	**Gross carrying amount**	**Accumulated depreciation and impairments**	**Net carrying amount**	Gross carrying amount	Accumulated depreciation and impairments	Net carrying amount
Property	6 317	(1 008)	5 309	5 014	(784)	4 230
Freehold land and buildings*	**2 398**	**(271)**	**2 127**	2 226	(201)	2 025
Leasehold premises*	**3 919**	**(737)**	**3 182**	2 788	(583)	2 205
Assets held under lease agreements**	911	(33)	878	27	(6)	21
Equipment*	6 430	(3 758)	2 672	5 894	(3 734)	2 160
Computer equipment	**4 053**	**(2 581)**	**1 472**	3 920	(2 665)	1 255
Furniture and fittings	**1 399**	**(717)**	**682**	1 231	(699)	532
Motor vehicles	**270**	**(104)**	**166**	196	(81)	115
Office equipment	**647**	**(309)**	**338**	492	(247)	245
Capitalised leased assets	**61**	**(47)**	**14**	55	(42)	13
Total	13 658	(4 799)	8 859	10 935	(4 524)	6 411

* *Assets utilised by the Group in the normal course of operations to provide services.*
** *Assets which are owned by the Banking Group and leased to third parties under operating leases as part of the Group's revenue generating operations.*

19 PROPERTY AND EQUIPMENT continued

R MILLION	Freehold land and buildings	Leasehold premises
Movement in property and equipment – net carrying amount		
Net carrying amount at 30 June 2006	1 523	1 480
Foreign currency adjustments on translation	–	22
Changes in group structure	1	–
Additions	530	665
Depreciation charge for period (discontinuing operations)	–	(7)
Depreciation charge for period (continuing operations)	(44)	(152)
Impairments recognised	–	(9)
Impairments reversed	–	–
Disposals	(10)	–
Disposal of subsidiary	67	–
Reclassifications	(116)	200
Other	74	27
Net carrying amount at 30 June 2007	2 025	2 226
Foreign currency adjustments on translation	4	4
Additions	560	1 729
Depreciation charge for period	(109)	(154)
Impairments recognised	(2)	(1)
Impairments reversed	–	–
Disposals	(259)	–
Disposal of subsidiary	(70)	(148)
Reclassifications	–	(454)
Other	(22)	(20)
Net carrying amount at 30 June 2008	2 127	3 182

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information will be open for inspection in terms of section 113 of the Companies Act, 1973.

During June 1999 the Group sold certain immovable assets and then entered into a lease back agreement. The initial period of the lease is for nine years and 11 months and concludes in 2009. The rentals payable in terms of the lease escalate annually. There are two options, each to renew the lease for a period of ten years.

At the end of the lease period, the Group will acquire effective control of the property owning company as a result of the structure of the arrangement.

The unguaranteed residual values that may accrue to the benefit of the lessor is not material within the Group.

Assets held under lease agreements	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Capitalised leased assets	Total
–	1 116	594	74	224	–	5 011
–	–	–	–	–	–	22
–	–	–	–	(1)	–	–
–	651	145	76	118	8	2 193
–	(33)	(21)	(2)	(2)	–	(65)
–	(471)	(87)	(28)	(70)	(4)	(856)
–	1	(7)	–	(3)	–	(18)
–	8	–	–	–	–	8
–	(17)	(6)	(5)	(14)	(1)	(53)
–	–	1	–	(3)	7	72
–	–	–	–	–	–	84
–	–	(87)	–	(4)	3	13
–	1 255	532	115	245	13	6 411
28	4	2	2	2	1	47
402	734	344	102	179	6	4 056
(6)	(461)	(100)	(41)	(86)	(69)	(1 026)
–	(5)	(17)	–	(1)	–	(26)
–	–	–	–	5	–	5
–	(42)	(3)	(6)	(2)	(4)	(316)
–	(53)	(74)	(6)	(5)	–	(356)
454	–	–	–	–	–	–
–	40	(2)	–	1	67	64
878	1 472	682	166	338	14	8 859

R MILLION	2008	2007
20 DEFERRED TAX		
Deferred tax		
The movement on the deferred tax account is as follows:		
Deferred tax liability		
Opening balance	6 279	5 159
– Exchange rate difference	11	7
– Charge to the income statement (including discontinued operations)	494	1 169
– STC charge/(release) to the income statement	52	72
– Acquisitions and disposals	(785)	–
– Tax rate adjustment	(103)	–
– Deferred tax on amounts charged/(transferred) directly to equity	(9)	(11)
– Other	(567)	(117)
Total credit balance	5 372	6 279
Deferred tax asset		
Opening balance	1 306	1 043
– Exchange rate difference	(31)	11
– (Release)/charge to the income statement (including discontinued operations)	(246)	240
– STC charge/(release) to the income statement	19	6
– Acquisitions and disposals	80	80
– Tax rate adjustment	31	–
– Deferred tax on amounts charged/(transferred) directly to equity	6	(1)
– Other	291	(73)
Total debit balance	1 456	1 306
Net balance for the year	3 916	4 973
Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority and there is a legal right to set off.		
Deferred tax assets and liabilities and deferred tax charged/(released) to the income statement are attributable to the following items:		

20 DEFERRED TAX continued

	2008						
R MILLION	Opening balance	Tax charge	Exchange rate	Tax rate adjustment	Acquisitions and disposals	Other	Closing balance
Deferred tax liability							
Tax losses	–	76	–	–	(721)	950	305
Provision for loan impairment	(462)	(193)	–	–	–	76	(579)
Provision for post retirement benefits	90	12	–	–	–	(76)	26
Other provisions	–	507	–	–	(1)	(844)	(338)
Cash flow hedges	57	76	–	–	–	70	203
Fair value adjustments of financial instruments	1 367	2	–	(5)	8	(884)	488
Instalment credit assets	1 908	375	2	(31)	–	–	2 254
Accruals	896	278	–	(32)	–	(1)	1 141
Revaluation of available-for-sale securities to equity	66	(4)	–	–	(63)	96	95
Capital gains tax	130	(435)	–	–	–	–	(305)
Insurance contracts	1 077	–	–	–	–	–	1 077
STC	–	37	–	2	(9)	127	157
Other	1 150	(237)	9	(37)	1	(38)	848
Total deferred tax liability	6 279	494	11	(103)	(785)	(524)	5 372
Deferred tax asset							
Tax losses	279	122	21	(8)	–	14	428
Provision for loan impairment	126	(21)	3	–	–	(50)	58
Provision for post retirement benefits	12	1	–	(1)	–	(20)	(8)
Other provisions	–	1	5	(3)	(14)	116	105
Cash flow hedges	–	–	–	–	–	–	–
Fair value adjustments of financial instruments	8	(13)	1	–	–	(12)	(16)
Instalment credit assets	(916)	(2)	–	–	–	83	(835)
Accruals	(773)	(19)	–	–	4	(6)	(794)
Revaluation of available-for-sale securities to equity	(1)	1	–	–	–	(5)	(5)
Capital gains tax	6	9	–	–	–	–	15
Insurance contracts	583	7	–	–	–	–	590
STC	–	–	–	–	(4)	10	6
Other	1 982	160	1	(19)	(66)	(146)	1 912
Total deferred tax asset	1 306	246	31	(31)	(80)	(16)	1 456
Total deferred tax	4 973	248	(20)	(72)	(705)	(508)	3 916

20 DEFERRED TAX continued

	2007						
R MILLION	Opening balance	Tax charge	Exchange rate	Tax rate adjustment	Acquisitions and disposals	Other	Closing balance
Deferred tax liability							
Tax losses	136	–	–	–	(2)	(134)	–
Provision for loan impairment	(64)	(207)	–	–	(192)	1	(462)
Provision for post retirement benefits	3	(44)	–	–	131	–	90
Other provisions	–	–	–	–	–	–	–
Cash flow hedges	(71)	11	–	–	149	(32)	57
Fair value adjustments of financial instruments	1 187	320	–	–	(6)	(134)	1 367
Instalment credit assets	1 646	236	(1)	–	27	–	1 908
Accruals	795	142	–	–	(41)	–	896
Revaluation of available-for-sale securities to equity	79	(38)	–	–	(37)	62	66
Capital gains tax	74	50	–	–	–	6	130
Insurance contracts	779	298	–	–	–	–	1 077
STC	–	–	–	–	–	–	–
Other	595	473	8	–	(29)	103	1 150
Total deferred tax liability	5 159	1 241	7	–	–	(128)	6 279
Deferred tax asset							
Tax losses	143	137	–	–	–	(1)	279
Provision for loan impairment	97	2	2	–	–	25	126
Provision for post retirement benefits	11	1	–	–	–	–	12
Other provisions	–	–	–	–	–	–	–
Cash flow hedges	–	–	–	–	–	–	–
Fair value adjustments of financial instruments	6	(5)	–	–	–	7	8
Instalment credit assets	(996)	80	–	–	–	–	(916)
Accruals	(765)	(10)	–	–	–	2	(773)
Revaluation of available-for-sale securities to equity	–	(1)	–	–	–	–	(1)
Capital gains tax	–	6	–	–	–	–	6
Insurance contracts	526	57	–	–	–	–	583
STC	–	–	–	–	–	–	–
Other	2 021	(22)	9	–	80	(106)	1 982
Total deferred tax asset	1 043	245	11	–	80	(73)	1 306
Total deferred tax	4 116	996	(4)	–	(80)	(55)	4 973

R MILLION	2008	2007
20 DEFERRED TAX continued		
20.1 Secondary tax on companies ("STC")		
Accumulated STC credits	69	–
Deferred tax asset raised	72	5
Movement in deferred tax asset for the period	72	5
20.2 Total reserves		
If the total reserves of R43 082 million as at 30 June 2008 (2007: R36 640 million) were to be declared as dividends, the secondary tax impact at a rate of 10% (2007: 12.5%) would be R3 917 million (2007: R4 071 million).		
20.3 Deferred tax not provided for		
Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of tax related benefit is probable.		
The Group has recognised deferred tax on deductible temporary differences, unused tax losses and unused tax credits.		
Deferred tax assets not provided for:		
Tax losses	365	1
Temporary difference	119	4
Closing balance	484	5

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested.

The Group has recognised certain deferred tax liabilities on all temporary differences associated with investments in subsidiaries, branches, associates and interest in joint ventures.

21 INTANGIBLE ASSETS AND DEFERRED ACQUISITION COSTS

	2008			2007		
R MILLION	Gross	Accumulated amortisation and impairments	Net	Gross	Accumulated amortisation and impairments	Net
Goodwill						
Movement in goodwill – book value						
Opening balance	1 265	(116)	1 149	1 133	(8)	1 125
Subsidiary balance acquired/disposed	91	–	91	(1)	1	–
IFRS 3 adjustment	–	–	–	54	(54)	–
Exchange differences	67	–	67	19	–	19
Disposals	–	–	–	(4)	–	(4)
Additions	23	–	23	61	–	61
Impairment losses	–	(33)	(33)	–	(53)	(53)
Other	–	1	1	3	(2)	1
Closing balance	1 446	(148)	1 298	1 265	(116)	1 149
Software						
Movement in software – book value						
Opening balance	392	(226)	166	427	(194)	233
Reclassification	–	–	–	(51)	51	–
Subsidiary balance acquired/disposed	(17)	10	(7)	(70)	46	(24)
IFRS 3 adjustment	–	–	–	(2)	2	–
Exchange differences	35	(27)	8	11	(3)	8
Disposals	(4)	2	(2)	77	–	77
Additions	138	–	138	–	–	–
Impairment losses	–	(83)	(83)	–	(48)	(48)
Amortisation to the income statement	–	(85)	(85)	–	(79)	(79)
Other	–	1	1	–	(1)	(1)
Closing balance	544	(408)	136	392	(226)	166
Development costs						
Movement in development costs – book value						
Opening balance	259	(145)	114	26	(3)	23
Reclassification	–	–	–	(40)	40	–
Subsidiary balance acquired/disposed	(235)	130	(105)	–	–	–
Disposals	(19)	4	(15)	–	–	–
Additions	41	–	41	273	(143)	130
Amortisation to the income statement	–	(5)	(5)	–	(39)	(39)
Closing balance	46	(16)	30	259	(145)	114
Trademarks						
Movement in trademarks – book value						
Opening balance	163	(74)	89	113	(1)	112
Reclassification	–	–	–	17	(17)	–
Subsidiary balance acquired/disposed	34	–	34	–	–	–
Exchange differences	4	(1)	3	–	–	–
Disposals	–	–	–	(114)	–	(114)
Additions	–	–	–	147	(35)	112
Amortisation to the income statement	–	(20)	(20)	–	(21)	(21)
Other	(2)	3	1	–	–	–
Closing balance	199	(92)	107	163	(74)	89
Deferred acquisition cost asset						
Movement in deferred acquisition cost assets – book value						
Opening balance	1 702	(242)	1 460	1 375	(137)	1 238
Reclassification	–	–	–	(8)	8	–
Subsidiary balance acquired/disposed	(15)	–	(15)	–	–	–
Deferred acquisition costs on new business	527	–	527	335	–	335
Amortisation to the income statement	–	(365)	(365)	–	(113)	(113)
Closing balance	2 214	(607)	1 607	1 702	(242)	1 460
Value of in-force business						
Movement in value of in-force business – book value						
Opening balance	1 057	(45)	1 012	1 057	(18)	1 039
Amortisation to the income statement	–	(36)	(36)	–	(27)	(27)
Closing balance	1 057	(81)	976	1 057	(45)	1 012

The value of the in-force business and the deferred acquisition costs are amortised at a constant percentage of the expected gross margins of the underlying contract.

21 INTANGIBLE ASSETS AND DEFERRED ACQUISITION COSTS continued

	2008			2007		
R MILLION	Gross	Accumulated amortisation and impairments	Net	Gross	Accumulated amortisation and impairments	Net
Contractual customer relationships						
Movement in contractual customer relationships – book value						
Opening balances	286	(55)	231	261	(23)	238
Reclassification	–	–	–	5	–	5
IFRS 3 adjustment	–	–	–	20	–	20
Amortisation to the income statement	–	(33)	(33)	–	(32)	(32)
Closing balance	286	(88)	198	286	(55)	231
Agency force						
Movement in agency force – book value						
Opening balance	22	(4)	18	22	(2)	20
Amortisation to the income statement	–	(2)	(2)	–	(2)	(2)
Closing balance	22	(6)	16	22	(4)	18
Other						
Movement in other– book value						
Opening balance	175	(112)	63	78	(30)	48
Reclassification	–	(1)	(1)	119	(119)	–
Subsidiary balance acquired/disposed	42	(3)	39	–	–	–
IFRS 3 adjustment	–	–	–	(7)	7	–
Exchange differences	15	(12)	3	1	1	2
Disposals	–	–	–	(168)	38	(130)
Additions	43	–	43	152	–	152
Impairment charge	–	–	–	–	(2)	(2)
Amortisation to the income statement	–	(17)	(17)	–	(7)	(7)
Other	(1)	–	(1)	–	–	–
Closing balance	274	(145)	129	175	(112)	63
Total intangible assets						
Goodwill	1 446	(148)	1 298	1 265	(116)	1 149
Software	544	(408)	136	392	(226)	166
Development costs	46	(16)	30	259	(145)	114
Trademarks	199	(92)	107	163	(74)	89
– Deferred acquisition cost asset	2 214	(607)	1 607	1 702	(242)	1 460
– Value in-force business	1 057	(81)	976	1 057	(45)	1 012
– Contractual customer relationships	286	(88)	198	286	(55)	231
– Agency force	22	(6)	16	22	(4)	18
Other	274	(145)	129	175	(112)	63
Total intangible assets	6 088	(1 591)	4 497	5 321	(1 019)	4 302

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units ("CGU") at the lowest level of operating activity (business) to which it relates, and is therefore not combined at Group level.

21 INTANGIBLE ASSETS AND DEFERRED ACQUISITION COSTS continued

	2008	2007
The CGUs to which the goodwill balance as at 30 June 2008 relates to:		
FNB Botswana	32	31
FNB Moçambique	143	–
FNB	270	–
RMB Corvest	10	10
RMB Other	51	–
WesBank	478	209
Other	17	281
Momentum	297	618
Total	**1 298**	1 149

When testing for impairment, the recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period.

Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long term average past growth rate for the business in which the CGU operates and the discount rates are as follows:

	Discount rates		Growth rates	
	2008	2007	2008	2007
FNB Botswana	11.50	12.17	5.00	3.50
FNB Moçambique	8.00	n/a	32.00	n/a
FNB	6.75	n/a	12.00	n/a
RMB Corvest	20.00	15.00	9.00	9.00
RMB Other	*	n/a	*	n/a
WesBank	13.00	12.04	5.00	5.00
Other	14.00	12.04	5.00	10.00
Momentum	14.41	18.24	10.00	10.00

* *Acquisition close to year end therefore no impairment test performed.*

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

R MILLION	2008	2007
22 INVESTMENT PROPERTIES		
Completed properties		
Fair market value at beginning of the year	2 356	6 012
Properties owned by listed property subsidiaries as at 30 June 2006, changing to an associate as from 1 July 2006	–	(2 998)
Reclassification of listed property equities to equity investments	–	(268)
Net revaluations (included in gains and losses from investment activities – note 2)	120	410
– Gross revaluations	120	410
Additions	1 706	37
– Acquisitions	1 706	18
– Capitalised subsequent expenditure	–	19
Disposals	(374)	(988)
Disposal group held for sale	–	(67)
Reclassifications	–	147
Transfer from properties under development	–	71
Fair market value at end of year	3 808	2 356
Properties under development	–	–
Cost at the beginning of year	–	129
Additions – capitalised subsequent expenditure	–	138
Completed property transferred to property and equipment as an owner occupied building	–	(196)
Properties completed during the year	–	(71)
Total investment properties	3 808	2 356
Comprising:		
Office buildings	1 904	1 507
Shopping malls	1 797	627
Industrial buildings	107	102
Vacant land	–	117
Listed property equities	–	3
Total investment properties	3 808	2 356
The following amounts have been included in the income statement:	340	201
Rental income (included in other operating income – note 2)	150	201
Direct operating expenses arising from investment properties that generate rental income	190	–

Investment properties are acquired for letting to external tenants with the intention to generate future rental income.

One third of the property portfolio in Emira was valued by CB Richard Ellis, Mills Fitchet, Old Mutual Properties, Investec Property Group and Valuation Alliance. Valuations on the remaining two thirds were performed by RMB Properties (Pty) Limited who employs registered valuators using mainly the discounted cash flow of the future income stream method. The independent valuations are obtained on a rotational basis to ensure that external independent valuation professionals have valued each property every three years.

The valuation calculations are based on the aggregate of the net annual rents receivable and associated costs, using the discounted cash flow method. The discounted cash flow method takes projected cash flow and discounts them at a rate which is consistent with the comparable market transactions. The discount rates used vary between 10% and 20% (depending on the risks associated with the respective properties).

All other investment properties have historically not been independently valued, but valued annually by RMBP's registered valuators. These properties will be valued on the same basis as Emira's properties from the next financial year. The latest date of valuation was 30 June 2008 on all investment properties.

Any gains or losses arising from changes in fair value are included in the income statement for the year.

R MILLION	2008	2007
Carrying amount of unlet or vacant investment property at 30 June	31	96

Schedules of freehold property and equity investments are open for inspection at the offices of the various group companies in terms of the provisions of the Companies Act, 1973.

R MILLION	2008	2007
23 REINSURANCE ASSETS		
Insurance contracts	550	595
Life reinsurance contracts	550	595
Investment contracts	–	–
Total reinsurance contracts	550	595
Movements for the year		
Balance at the beginning of the year	595	292
Movement in reinsurer's share of insurance liabilities	(45)	303
Total reinsurance assets	550	595
24 ASSETS ARISING FROM INSURANCE CONTRACTS		
Assets arising from insurance contracts		
Long term insurance contracts – gross	–	3 374
Less: Recovery from reinsurers	–	(260)
Long term insurance contracts – net	–	3 114
Non current	–	3 114
Movement in long term insurance contract liabilities		
Opening balance	3 114	1 766
Movement for the year:		
Expected release of liability	–	(326)
New business	–	1 388
Experience variances	–	73
– Mortality	–	3
– Economic basis	–	(2)
– Lapses	–	(48)
– Policy alterations	–	(39)
– Premium increases	–	159
Modelling changes	–	10
Benefit enhancements	–	(10)
Changes in assumptions	–	213
– Lapses	–	(22)
– Economic basis	–	18
– Mortality and morbidity	–	246
– Other	–	(29)
Disposal of Discovery	(3 114)	–
Closing balance	–	3 114

R MILLION	At amortised cost	Designated at fair value through profit or loss	Total
25 DEPOSITS			
2008			
Deposits			
Deposit and current accounts			
From banks and financial institutions	34 352	35 321	69 673
– In the normal course of business	34 234	17 713	51 947
– Under repurchase agreements	118	17 608	17 726
From customers	234 256	65 854	300 110
– Current accounts	168 600	2 620	171 220
– Savings accounts	3 034	–	3 034
– Term deposits	62 622	63 234	125 856
Other deposits	27 028	72 343	99 371
– Negotiable certificates of deposit	1 660	40 505	42 165
– Buy backs	–	2 955	2 955
– Other	25 368	28 883	54 251
*Non recourse deposits**	–	19 269	19 269
– Total fair value of notes issued	–	21 422	21 422
– *Less:* Notes acquired by the Banking Group	–	(2 153)	(2 153)
Deposits and current accounts	295 636	192 787	488 423
2007			
Deposits			
Deposit and current accounts			
From banks and financial institutions	17 707	31 551	49 258
– In the normal course of business	17 707	17 651	35 358
– Under repurchase agreements	–	13 900	13 900
From customers	207 125	50 221	257 346
– Current accounts	145 909	882	146 791
– Savings accounts	2 982	–	2 982
– Term deposits	58 234	49 339	107 573
Other deposits	25 555	73 459	99 014
– Negotiable certificates of deposit	939	40 214	41 153
– Buy backs	–	2 621	2 621
– Other	24 616	30 624	55 240
*Non recourse deposits**	–	15 950	15 950
– Total fair value of notes issued	–	17 995	17 995
– *Less:* Notes acquired by the Banking Group	–	(2 045)	(2 045)
Deposits and current accounts	250 387	171 181	421 568

* *Refer to note 15 for description of non recourse investment securities.*

R MILLION	2008	2007
25 DEPOSITS continued		
Geographic analysis (based on counterparty risk)		
South Africa	430 322	363 093
Other Africa	29 350	22 921
United Kingdom	20 209	23 186
Other	8 542	12 368
– Ireland	427	–
– Other Europe	6 089	9 165
– North America	1 427	936
– South America	36	29
– Australasia	301	1 832
– Other	262	406
Total deposits before notes acquired by Group	488 423	421 568

Deposits include amounts raised under repurchase agreements with a carrying value of R20 681 million (2007: R16 521 million).

R MILLION	2008	2007
26 SHORT TRADING POSITIONS		
Short trading positions		
Government and government guaranteed	24 103	22 418
Other dated securities	6 625	6 711
Undated securities	2 722	3 046
Short trading positions	33 450	32 175
Analysed as follows:		
Listed	26 737	26 946
Unlisted	6 713	5 229
Short trading positions	33 450	32 175

Short trading positions are carried at fair value. Fair market value for listed securities are their market quoted prices, and for unlisted securities are based on the directors' valuation using suitable valuation methods. Refer note 44 for a description of the valuation methods employed for unlisted equities.

R MILLION	2008	2007
27 CREDITORS AND ACCRUALS		
Accrued interest	220	305
Short term portion of long term liabilities (note 30)	550	1 173
Short term portion of financial leases (note 30)	281	221
Short term portion from share based payments and preference shares	156	–
Accounts payable and accrued liabilities	10 492	10 787
Accrued benefit payments (including insurance payables)	1 352	1 380
Unsettled trades	–	21
Creditors and accruals	13 051	13 887

R MILLION	2008	2007
28 PROVISIONS		
Staff related provision*		
Opening balance	3 485	2 220
– Subsidiary balances acquired/disposed	(63)	(24)
– Exchange differences	41	14
– Charge to the income statement (including discontinued operations)	1 991	2 504
– Additional provisions created	2 411	2 504
– Unused amounts reversed	(420)	–
– Utilised	(2 261)	(1 229)
Closing balance	3 193	3 485

** Staff related provision mainly consists of provision for leave pay and staff bonuses.*

R MILLION	2008	2007
Audit fees		
Opening balance	35	32
– Subsidiary balances acquired/disposed	–	(10)
– Exchange differences	1	–
– Charge to the income statement (including discontinued operations)	109	81
– Additional provisions created	109	81
– Unused amounts reversed	–	–
– Utilised	(102)	(68)
Closing balance	43	35
Other**		
Opening balance	78	155
– Subsidiary balances acquired/disposed	68	72
– Exchange differences	9	1
– Charge to the income statement (including discontinued operations)	3	148
– Additional provisions created	340	314
– Unused amounts reversed	(337)	(166)
– Utilised	(119)	(298)
Closing balance	39	78
Total provisions	3 275	3 598

*** Other provisions mainly consist of provisions for litigation, fraud and restructuring.*

For expected settlement date refer to note 43.

29 POST RETIREMENT BENEFIT FUND LIABILITIES

The Group operates two defined benefit plans. A pension plan which provides retired employees with an annuity income after their service and a medical scheme which provides retired employees with medical benefits.

	2008			2007		
R MILLION	Pension	Medical	Total	Pension	Medical	Total
Post retirement benefit fund liability						
Present value of funded obligation	19 587	1 470	21 057	19 650	1 939	21 589
Fair value of plan assets	(19 254)	–	(19 254)	(20 313)	–	(20 313)
Pension fund deficit	333	1 470	1 803	(663)	1 939	1 276
Transfer of liability	–	–	–	67	–	67
Unrecognised actuarial gains/(losses)	(234)	411	177	732	(193)	539
Post retirement liability	99	1 881	1 980	136	1 746	1 882
The amounts recognised in the income statement are as follows:						
Current service cost	283	48	331	341	41	382
Interest cost	701	159	860	1 377	135	1 512
Actuarial loss recognised	22	–	22	(1 341)	–	(1 341)
Expected return on plan assets	(785)	–	(785)	(121)	–	(121)
Limit imposed by IAS 19	19	–	19	69	–	69
Total included in staff costs	240	207	447	325	176	501
Movement in post retirement benefit fund liability						
Present value at the beginning of the year	136	1 746	1 882	140	1 495	1 635
Exchange differences	1	–	1	1	–	1
Amounts recognised in the income statement as above	240	207	447	325	176	501
Benefits paid	(278)	(72)	(350)	(319)	(63)	(382)
Limitation imposed by IAS 19	–	–	–	(11)	–	(11)
Settlement of liability	–	–	–	–	138	138
Present value at the end of the year	99	1 881	1 980	136	1 746	1 882
Movement in the fair value of plan assets of the year is as follows:						
Opening balance	20 313	–	20 313	16 691	–	16 691
Expected return on plan assets	1 910	–	1 910	1 371	–	1 371
Actuarial (losses)/gains	(1 837)	–	(1 837)	3 245	–	3 245
Exchange differences	14	–	14	11	–	11
Employer contributions	371	–	371	262	–	262
Employee contributions	276	–	276	258	–	258
Benefits paid and settlements	(1 793)	–	(1 793)	(1 525)	–	(1 525)
Closing balance	19 254	–	19 254	20 313	–	20 313
Plan assets comprised of the following:						
Equity	10 413	–	10 413	12 162	–	12 162
Debt	8 523	–	8 523	1 796	–	1 796
Other	318	–	318	6 355	–	6 355
Total	19 254	–	19 254	20 313	–	20 313
Included in plan assets were the following:						
FirstRand Limited ordinary shares with a fair value of:	285	–	285	499	–	499
Buildings occupied by the Group with a fair value of:	520	–	520	386	–	386
Total	805	–	805	885	–	885

29 POST RETIREMENT BENEFIT FUND LIABILITIES continued

	Pension %	Medical %	Pension %	Medical %
The principal actuarial assumptions used for accounting purposes were:				
Expected return on plan assets				
– Momentum Group Fund	**14.20**	**–**	10.07	–
– Banking Group Fund	**11.50**	**–**	9.50	–
Discount rate				
– Momentum Group Fund	**11.00**	**11.00**	8.50	8.50
– Banking Group Fund	**10.75**	**10.75**	8.50	8.50
Expected rates of salary increases				
– Momentum Group Fund	**10.75**	**–**	5.75	–
– Banking Group Fund	**9.25**	**–**	7.00	–
Long term increase in health cost				
– Momentum Group Fund	**–**	**9.75**	–	7.00
– Banking Group Fund	**–**	**9.00**	–	7.30
The effects of a 1% movement in the assumed health cost rate were as follows:				
Increase of 1%				
Momentum Group Fund				
Effect on the aggregate of the current service cost and interest cost	**–**	**–**	–	–
Effect on the defined benefit obligation	**–**	**–**	–	113.00
Banking Group Fund				
Effect on the aggregate of the current service cost and interest cost	**–**	**117.49**	–	117.98
Effect on the defined benefit obligation	**–**	**116.02**	–	118.04
Decrease of 1%				
Momentum Group Fund				
Effect on the aggregate of the current service cost and interest cost	**–**	**–**	–	–
Effect on the defined benefit obligation	**–**	**–**	–	89.00
Banking Group Fund				
Effect on the aggregate of the current service cost and interest cost	**–**	**86.01**	–	85.37
Effect on the defined benefit obligation	**–**	**87.29**	–	82.54
Net increase in rate used to value pensions, allowing for pension increases				
– Banking Group Fund	**–**	**–**	0.25	–

– Mortality rate	Active members	Pensioners	Active members	Pensioners
Pension Fund				
Normal retirement age	**60**	**–**	60	–
Mortality rate table used	**PA(90)-1**	**PA(90)-1**	SA72-77	PA(90)-1
Post retirement medical benefits				
Normal retirement age	**60**	**–**	60	–
Mortality rate table used	**PA(90)-1**	**PA(90)-1**	SA72-88	PA(90)-1

SA72-77 refers to standard actuarial mortality tables for active members on a defined benefit plan where the chance of dying before normal retirement is expressed at each age for each gender.

PA(90)-1 refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender.

29 POST RETIREMENT BENEFIT FUND LIABILITIES continued

	2008		2007	
	Pension	Medical	Pension	Medical
– Mortality rate The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:				
Male	15	16	15	15
Female	19	17	19	19
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet is as follows:				
Male	15	16	15	15
Female	19	17	19	19
The Group has set aside certain assets against these liabilities. The assets are managed and invested to achieve a return which reflects the growth in the underlying liability.				
Five year analysis on total pension and medical post retirement plans				

AS AT 30 JUNE	2008	2007	2006	2005	2004	2003
Present value of defined benefit obligation	21 057	21 589	18 377	14 437	11 710	10 739
Fair value of plan assets	(19 254)	(20 313)	(16 691)	(13 168)	(10 351)	(9 239)
Deficit	1 803	1 276	1 686	1 269	1 359	1 500

The Group has set aside certain assets against these liabilities. The assets are managed and invested to achieve a return which reflects the growth in the underlying liability.

The amount transferred to meet the post retirement benefit liability was made in order to meet the increase in liability as a result of changes to the fund in respect of non clerical staff being included on the scheme and changes in structure to the contribution tables.

The board agreed that a portion of the liability be recognised in this financial year.

The Pension Fund provides a pension that can be purchased with the member's Fund Credit (equal to member and employer contributions of 7.5% of pensionable salary each year, plus net investment returns). Death, ill health and withdrawal benefits are also provided.

The employer's post employment healthcare liability consists of a commitment to pay a portion of the members' post employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post employment medical subsidy.

The net discount rate (the difference between the discount rate and the assumed rate of future medical cost inflation) increased by 0.5 percentage points from the previous valuation to the current one. This resulted in a reduction in the liability of R62 024 million.

R MILLION	2008	2007
30 LONG TERM LIABILITIES		
Debentures		
120 debentures of R1 million each carrying interest at prime minus 2%[a]	120	120
Debentures	**120**	**120**

The instrument above relates to debentures which are convertible into non redeemable preference shares.

a The holder has the right, at any stage after 30 June 2005, to convert the debentures into non redeemable preference shares. The debentures will automatically convert into non redeemable preference shares in the event that such conversion has not already taken place by 30 June 2020. Interest is payable six monthly in arrears on 30 June and 31 December each year at the prime overdraft rate minus 2%.

	2008	2007
Preference shares		
Authorised		
500 million (2007: 500 million) cumulative redeemable shares with a par value of R0.0001	*	*
100 million non cumulative non redeemable shares with a par value of R0.01	1	1
FRBH co investment preference shares	–	–

** Less than R500 000*

Issued

The preference shares of FirstRand Investment Holdings (Pty) Limited and FirstRand Bank Holdings Limited have been classified as long term liabilities and comprise the following:

	2008	2007
Preference shares subscribed for by third parties[b]	3 494	903
FRBH co investment preference shares	9	114
Preference shares	**3 503**	**1 017**

b These preference shares are redeemable at the company's discretion, at the full subscription price. Dividends are paid at a variable rate based on prime and currently amounts to 10.54% (2007: 7.8%). These preference shares have been issued on the back of a put option issued by FirstRand Limited.

	2008	2007
Other long term liabilities		
Other long term employee related liabilities		
Unsecured debt securities amortising over the period to 2008[a]	463	510
Secured loan[b]	10	660
Subordinated notes[c]	1 053	1 649
Fixed rate bonds[d]	700	700
Floating rate bond[e]	7 319	4 151
Securitisation[f]	972	967
Less: Portion repayable within 12 months transferred to current liabilities (note 27)	(550)	(1 173)
Other long term liabilities	**9 967**	**7 464**

a Various local and foreign unsecured loans with nominal interest rates ranging from 0% to 17%.
b This secured loan is repayable on 11 April 2011 and is stated at net present value, using a discount rate of 15.32%.
c The subordinated notes are redeemable in six monthly tranches until 2009 and do not bear interest. The notes were issued at a discount to notional value and bear an effective interest rate of 16.5%.
d The fixed rate bonds mature 31 August 2010 and bear interest at 1.2% above the R153 bond rate.
e The floating rate bonds mature 31 August 2010 and bear interest at 0.715% above the three month JIBAR rate.
f These notes bear interest at an average rate of 9%, with the earliest maturity date of 12 September 2006 and latest maturity date of 12 December 2009.

R MILLION	2008	2007
30 LONG TERM LIABILITIES continued		
Finance lease liabilities		
Not later than one year	298	270
Later than one year and not later than five years	201	553
Total finance lease liabilities	499	823
Future finance charges on finance leases	(17)	(80)
Present value of finance lease liability	482	743
Less: Portion repayable within 12 months transferred to current liabilities (note 27)	(281)	(221)
Long term finance lease charges	201	522
The finance lease liability extends to 2009 and is secured over property occupied for banking operations. Repayments are based on an interest rate of 16.64% and are payable six months in advance.		
Share based payment (cash settled)	150	127
Long term liabilities	13 941	9 250
31 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Opening balance	46 979	40 740
Reclassification to reinsurance assets	3	–
Subsidiary balances acquired	618	–
Subsidiary balances disposed	(1 376)	–
Revaluation of liability	43	203
Exchange differences	1	–
Other	382	–
Transfer to policyholder liabilities under insurance contracts (note 5)	(3 233)	5 910
– Increase in retrospective liabilities	1 298	8 238
– Unwind of discount rate	1 305	1 084
– New business	417	296
– Change in economic assumptions	(1 988)	58
– Change in non economic assumptions	(299)	(39)
– Expected cash flows	(3 651)	(3 035)
– Expected release of margins	(743)	(633)
– Expected variances	428	(59)
Fair value adjustment to policyholder liabilities under insurance contracts	–	87
Transfer from cell owner to policyholder liabilities under insurance contracts	–	39
Closing balance	43 417	46 979
Insurance contracts with discretionary participation features	10 875	11 646
Insurance contracts without discretionary participation features	32 542	35 333
Policyholder liabilities under insurance contracts	43 417	46 979
Included in the balance above is the following with respect to short term insurance contracts:		
Gross		
Claims reported and loss adjustment expense	(13)	384
Claims incurred but not yet reported	9	307
Unearned premium	–	1
Total liability arising from short term insurance contracts	(4)	692

R MILLION	2008	2007
31 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS continued		
Actuarial liabilities under unmatured policies comprise the following:	%	%
Linked (market related) business – Individual life	37.1	35.5
Smoothed bonus business – Individual life	23.6	15.8
With profits reversionary bonus business	–	8.9
Non profit business		
– Individual life	1.9	1.0
– Employee benefits	4.0	3.9
Annuity business	33.4	33.5
Life business		
– Individual life	–	0.8
– Employee benefits	–	0.4
Health insurance business short term	–	0.2
Total	100.0	100.0

The amounts above are based on the actuarial valuations of Momentum Group Limited at 30 June 2008.

The ten year zero coupon risk free yield, derived from SA government bonds, is used as the starting point to determine the gross valuation interest rate for South African Rand (ZAR) denominated businesses. Similarly, the corresponding ten year yield, derived from US Treasury Bills, is used to determine the gross valuation interest rate for the United States Dollar (US$) denominated businesses.

	2008	2007
ZAR ten year zero coupon risk free yield	10.85	8.44
USD ten year zero coupon risk free yield	3.97	5.00

Valuation interest rate

The gross valuation interest rate of 12% per annum for ZAR denominated businesses (2007: 9.5% per annum) was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities, properties, gilt edged stocks, corporate bonds and cash.

Notional portfolio used as at 30 June:	2008	2007
– Equities	60%	60%
– Properties	10%	10%
– Government bonds	10%	10%
– Corporate bonds	10%	10%
– Cash	10%	10%
Assumed performance of other asset classes relative to government bonds:		
– Equities (including overseas equities)	+2.0% per annum	+2.0% per annum
– Properties	+1.0% per annum	+1.0% per annum
– Corporate bonds	+0.5% per annum	+0.5% per annum
– Cash	–2.0% per annum	–2.0% per annum

Rounding to the nearest 0.25% was performed.

Using the same methodology, the gross valuation rate of 5.25% per annum (2007: 6.25% per annum) was determined for US$ denominated business.

Liabilities in the annuity portfolio were valued at the risk free zero coupon yield curve, adjusted for credit and liquidity spreads.

31 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS continued

Inflation

An expense inflation rate of 6.5% per annum for ZAR denominated business was used to project future renewal expenses. The ZAR inflation rate was derived by deducting the ten year real return on CPI linked government bonds of 2.2% (2007: 2.6%) from the risk free rate and adding an allowance for salary inflation and increases in unit costs of 0.75% per annum. Rounding to the nearest 0.25% was performed. US$ inflation was assumed to be 2.75% per annum (2007: 3.25% per annum), thus maintaining the same 3% margin relative to the valuation rate of return (compared to ZAR expense inflation). A real rate of return of 3% per year was used to value CPI linked annuity payments.

Tax

To provide for tax, the gross valuation interest rate expected to be earned in future was reduced appropriately for taxable business and retirement annuity business. These reductions in the investment return represent the expected tax payable on the assumed investment return on the notional policyholders' portfolio, based on the four fund tax dispensation. It was assumed that the Group will remain in an "Excess investment income" position (as opposed to "Excess expense") for the purposes of projecting tax on income and relief on expenses.

Mortality, morbidity and terminations

Demographic assumptions, such as those in respect of future mortality, disability and persistency rates are set based by calibrating standard tables to internal experience investigations. The investigations are performed and assumptions set for individual product lines, but ensuring that assumptions are consistent where experience is not expected to deviate between product lines.

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in June 2008. The investigations covered a period of seven years, from 2002 to 2008. The experience on policies and annuities were analysed.

Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS and for expected improvements in mortality rates in the case of annuity business. Allowance for AIDS was made according to professional guidance notes PGN 102 (Mar 1995): Life Offices – HIV/AIDS and PGN 105 (Nov 2002): Recommended AIDS extra mortality bases, issued by the Actuarial Society of South Africa.

PHI termination of claim rates

Disability claim recovery probabilities are modelled, using the Group Long Term Disability Table ("GLTD"), developed in the United States of America. The table details recovery rates for given:

- Ages;
- Waiting periods; and
- Duration since disability.

We adjust the recovery rates for South African circumstances by taking the following proportions of the GLTD rates:

	2008	2007
Year 1:	+40%	+40%
Year 2:	+80%	+80%
Year 3:	+130%	+130%

Where the years represent duration of disability.

Expenses

The sustainable annual renewal expense per policy was based on an analysis of budgeted expenses for the year ending 30 June 2008. The analysis distinguished between renewal and acquisition costs.

Expenses expected to be once off in nature or not relating to long term insurance business were removed from the budgeted expenses.

Asset management expenses were expressed as an annual percentage of assets under management.

Policyholder bonuses

Future additions of discretionary bonuses to smoothed bonus (universal life) policies have been projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and tax.

On conventional policies, it is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

31 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS continued

Compulsory margins

The compulsory margins to best estimate assumptions are detailed in actuarial professional guidance note PGN 104 and are intended to provide a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely.

The following prescribed margins were applied to the best estimate assumptions applicable to individual life business:

Assumption	Margin
– Mortality	7.5% – increase to assumption for assurance – decrease to assumption for annuities
– Morbidity	10% – increase to best estimate assumption
– Medical	15% – increase to best estimate assumption
– Lapses	25% (eg if best estimate is 10%, the margin is 2.5%) – increase or decrease, depending on which alternative increases liabilities
– Surrenders	10% – increase or decrease, depending on which alternative increases liabilities
– Terminations for disability	10%
– Income benefits in payment	– decrease to best estimate assumption
– Expenses	10% – increase to best estimate assumption
– Expense inflation	10% (of estimated escalation rate) – increase to best estimate assumption
– Charge against investment return based or investment performance based margin;	– 25 basis points reduction in the management fee or an equivalent asset – 25 basis points reduction in the assumed rate of future investment return on contracts that do not have an asset based or investment performance based fee

Discretionary margins

As described in the accounting policies, discretionary margins are used to prevent the premature capitalisation of profit. The specific discretionary margins that are added to the best estimate assumptions are as follows:

- Cost of capital charges levied against smoothed bonus portfolios are not capitalised against current liabilities, but are recognised as and when they are earned. This avoids the premature recognition of income that is required to mitigate the additional cost of capital required to support smoothed bonus liabilities.
- An asset charge, equal to 10% of investment return, is levied on some universal life linked and smoothed bonus policies. Not all income arising from this asset based charge is discounted against the liability, but is recognised as and when it is earned.
- Additional margins are held in respect of mortality and disability claims assumptions, as well as termination assumptions, on certain individual life product lines. This allows risk profits to be recognised in the period in which the risks are borne by the company.
- A margin of 10% is added to expected group PHI claims termination rates, to reduce the risk of premature recognition of profits from uncertain claim termination experience.
- Other discretionary liabilities, not described above, have been outlined under the accounting policies.

R MILLION	2008	2007
32 POLICYHOLDERS LIABILITIES UNDER INVESTMENT CONTRACTS		
Opening balance	111 239	93 720
Subsidiary balances acquired	21	(275)
Subsidiary balances disposed	(735)	–
Movement for the year	259	17 794
– Deposits received	11 839	10 827
– Policyholder benefits on investment contracts	(36 024)	(33 151)
– Fees on investment contracts	(1 460)	(1 796)
– Movement in policy loans for the year	14	(42)
– Exchange differences	120	(11)
– Fair value adjustment to policyholder liabilities under investment contracts (discontinued operations)	–	141
– Fair value adjustment to policyholder liabilities under investment contracts (continued operations) (refer note 5)	3 934	19 625
– Employee benefits	21 836	22 201
Closing balance	110 784	111 239
Investment contracts with discretionary participation features	14 494	14 307
Investment contracts without discretionary participation features	96 290	96 932
– With investment management service components	93 034	92 238
– Without investment management service components	3 256	4 694
Total policyholder liabilities under investment contracts	110 784	111 239

R MILLION	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
2008					
Linked (market related) business					
– Individual life	58 111	6 845	21 054	6 705	23 507
– Employee benefits	36 761	36 751	10	–	–
Smoothed bonus business					
– Individual life	8 057	756	2 528	2 073	2 700
– Employee benefits	5 212	5 212	–	–	–
Non profit business					
– Individual life	1 752	623	963	29	137
– Employee benefits	–	–	–	–	–
Annuity business	891	99	166	24	602
Total policyholder liabilities under investment contracts	110 784	50 286	24 721	8 831	26 946
2007					
Linked (market related) business					
– Individual life	53 943	6 547	19 382	6 886	21 128
– Employee benefits	40 748	5 475	15 970	9 568	9 735
Smoothed bonus business					
– Individual life	8 458	1 045	2 429	2 215	2 769
– Employee benefits	4 827	541	1 537	1 192	1 557
Non profit business					
– Individual life	2 522	1 040	1 257	28	197
– Employee benefits	–	–	–	–	–
Annuity business	741	21	163	29	528
Total policyholder liabilities under investment contracts	111 239	14 669	40 738	19 918	35 914

R MILLION	2008	2007
33 LIABILITIES ARISING TO THIRD PARTIES AS A RESULT OF CONSOLIDATING COLLECTIVE INVESTMENT SCHEMES		
Other consolidated collective schemes	2 742	1 568
– RMB Balanced Fund	970	722
– Momentum Global Fund	–	277
– RMB Property Fund	146	178
– Momentum Money Market Fund	–	105
– RMB High Dividend Fund	75	70
– RMB International Conservative Fund of Funds	–	44
– RMB International Balance Fund of Funds	–	13
– Momentum Industrial Fund	–	6
– RMB SA Rand Focus Equity Fund	2	2
– Momentum Stable Fund of Funds	–	2
– RMB Euro Income Fund	–	1
– Momentum Conservative Fund of Funds	–	1
– Momentum Multi Focus Fund	–	20
– Momentum Income Fund	–	18
– RMB Financial Services Fund	232	60
– RMB Industrial Fund	36	47
– RMB Structured Equity Fund	1	2
– RMB Emerging Companies Fund	129	–
– RMB Private Bank Income Fund of Funds	12	–
– RMB Private Bank Growth Fund of Funds	82	–
– RMB Private Bank Defensive Fund of Funds	109	–
– RMB Absolute Focus Fund	721	–
– RMB Institutional Strategic Income Fund	1	–
– Momentum Balanced Prudential Fund of Funds	(14)	–
– Momentum Aggressive Prudential Fund of Funds	(32)	–
– Momentum Aggressive Equity Fund of Funds	(29)	–
– Momentum Balanced Income Fund of Funds	202	–
– VPFP CPI Plus 2% Fund of Funds	43	–
– VPFP CPI Plus 4% Fund of Funds	68	–
– VPFP CPI Plus 6% Fund of Funds	6	–
– Advantage Macro Value Fund	(18)	–
Total liabilities arising to third parties as a result of consolidating collective investment schemes	**2 742**	1 568
Current	–	–
Non current	2 742	1 568
Total	**2 742**	1 568

Collective investment schemes where the Group (through Momentum Group) exercises control are consolidated in terms of IFRS.

This liability is measured at fair value and represents the interest of third parties in the collective investment schemes that are consolidated.

R MILLION	2008	2007
34 DEFERRED REVENUE LIABILITY		
Opening balance	387	451
Amount recognised in the income statement during the year	(50)	(182)
Deferred income relating to new business	109	118
Subsidiary balances acquired/disposed	(150)	–
Closing balance	**296**	387

Deferred revenue relates to various income and fees which have been spread over the life of the transaction.

35 SHARE CAPITAL AND SHARE PREMIUM

Authorised

Ordinary shares – number

Issued
Ordinary shares
Opening balance
Conversion of convertible redeemable preference shares
Unbundling of Discovery

Closing balance

"A" shares
Opening balance
– Redeemed during the year
– Converted during the year

Closing balance

"B" shares
Opening balance

Closing balance

"B1" shares
Opening balance

Closing balance

Total issued share capital – closing balance

Analysis of total issued share capital closing balance:
Ordinary issued share capital closing balance as above (ordinary shares of 1 cent each)
"A" variable rate, convertible, redeemable, cumulative preference shares (of 1 cent each)
"B" variable rate, non cumulative non redeemable preference shares (of 1 cent each)
"B1" variable rate, non cumulative non redeemable preference shares (of 1 cent each)
Preference shares disclosed under liabilities
Treasury shares

Total issued share capital – closing balance

Disclosed on the face of the balance sheet
Ordinary share capital
Ordinary share premium
Non cumulative non redeemable preference shares

Total

** Less than R1 million*

The following represents the shareholding of subsidiaries in FirstRand Limited at 30 June:
Momentum Group Limited – held on behalf of policyholders. These shares have been treated as "deemed treasury shares".

Share option schemes
The investment in FirstRand Limited by the share incentive schemes in existence within the Group have been treated as treasury shares as set out above.

For detail on capital management of the Group please refer to pages 101 to 105 of the risk report which form part of the audited financial statements.

2008						
No of ordinary shares	No of "A" preference shares	No of "B" and "B1"preference shares	No of "C" and "D" preference shares	Share capital R million	Share premium R million	Total R million
6 001 576 979	198 423 021	100 000 000	200 000 000	–	–	–
5 635 715 676	–	–	–	56	8 427	8 483
2 114 542	–	–	–	*	–	–
–	–	–	–	–	(1 200)	(1 200)
5 637 830 218	–	–	–	56	7 227	7 283
–	8 767 500	–	–	1	58	59
–	(3 330 458)	–	–	(1)	(22)	(23)
–	(2 114 542)	–	–	–	(14)	(14)
–	3 322 500	–	–	–	22	22
–	–	30 000 000	–	–	2 992	2 992
–	–	30 000 000	–	–	2 992	2 992
–	–	15 000 000		–	1 527	1 527
–	–	15 000 000	–	–	1 527	1 527
5 637 830 218	3 322 500	45 000 000	–	56	11 768	11 824
5 637 830 218	–	–	–	56	7 227	7 283
–	3 322 500	–	–	–	22	22
–	–	30 000 000	–	–	2 992	2 992
–	–	15 000 000	–	–	1 527	1 527
–	–	–	–	–	(22)	(22)
(456 949 451)	–	–	–	(4)	(6 191)	(6 195)
5 180 880 767	3 322 500	45 000 000	–	52	5 555	5 607
–	–	–	–	–	–	52
–	–	–	–	–	–	1 036
–	–	–	–	–	–	4 519
–	–	–	–	–	–	5 607

–	–	–	–	–	–	2008
–	–	–	–	–	–	%
–	–	–	–	–	–	0.7
–	–	–	–	–	–	7.4

35 SHARE CAPITAL AND SHARE PREMIUM continued

Authorised
Ordinary shares – number
Issued
Ordinary shares
Opening balance
– Disposal of subsidiaries
Conversion of convertible redeemable preference shares
Closing balance
"A" shares
Opening balance
– Redeemed during the year
– Converted during the year
Closing balance
"B" shares
Opening balance
Closing balance
"B1" shares
Opening balance
Closing balance
Total issued share capital – closing balance
Analysis of total issued share capital closing balance:
Ordinary issued share capital closing balance as above (ordinary shares of 1 cent each)
"A" variable rate, convertible, redeemable, cumulative preference shares (of 1 cent each)
"B" variable rate, non cumulative non redeemable preference shares (of 1 cent each)
"B1" variable rate, non cumulative non redeemable preference shares (of 1 cent each)
Preference shares disclosed under liabilities
Treasury shares
Total issued share capital – closing balance
Disclosed on the face of the balance sheet
Ordinary share capital
Ordinary share premium
Non cumulative non redeemable preference shares
Total

** Less than R1 million*

The following represents the shareholding of subsidiaries in FirstRand Limited at 30 June:
Momentum Group Limited – held on behalf of policyholders. These shares have been treated as "deemed treasury shares".

Share option schemes
The investment in FirstRand Limited by the share incentive schemes in existence within the Group have been treated as treasury shares as set out above.

			2007			
No of ordinary shares	No of "A" preference shares	No of "B" and "B1" preference shares	No of "C" and "D" preference shares	Share capital R million	Share premium R million	Total R million
5 999 462 437	200 537 563	100 000 000	200 000 000	–	–	–
5 634 120 503	–	–	–	56	8 591	8 647
–	–	–	–	–	–	–
1 595 173	–	–	–	*	(164)	(164)
5 635 715 676	–	–	–	56	8 427	8 483
–	15 127 500	–	–	1	101	102
–	(4 764 827)	–	–	*	(32)	(32)
–	(1 595 173)	–	–	*	(11)	(11)
–	8 767 500	–	–	1	58	59
–	–	30 000 000	–	–	2 992	2 992
–	–	30 000 000	–	–	2 992	2 992
–	–	–	15 000 000	–	1 527	1 527
–	–	–	15 000 000	–	1 527	1 527
5 635 715 676	8 767 500	30 000 000	15 000 000	57	13 004	13 061
5 635 715 676	–	–	–	56	8 427	8 483
–	8 767 500	–	–	1	58	59
–	–	30 000 000	–	*	2 992	2 992
–	–	–	15 000 000	*	1 527	1 527
–	–	–	–	(1)	(58)	(59)
(464 663 200)	–	–	–	(5)	(6 089)	(6 094)
5 171 052 476	8 767 500	30 000 000	15 000 000	51	6 857	6 908
						51
						2 338
						4 519
						6 908

2007 %
0.4
7.8

	Disposal group held for sale	
R MILLION	2008	2007
36 NON CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		
In terms of IFRS 5 – Non current Assets Held for Sale and Discontinued Operations, WorldMark Holdings (Pty) Limited's advances book and the assets and liabilities of the investments in Alstom SA (Pty) Limited and Stocks and Stocks Limited have been disclosed as separate lines on the balance sheet.		
ASSETS		
Advances	2 690	–
Investment securities and other investments	95	–
Other	307	–
Total assets classified as disposal group held for sale	3 092	–
LIABILITIES		
Total liabilities classified as disposal group held for sale	–	–
Net assets of disposal group held for sale	3 092	–
37 REMUNERATION SCHEMES		
The income statement charge for share based payments is as follows:		
FirstRand share incentive scheme	69	104
FNB Botswana	1	1
FNB Namibia	2	2
FirstRand black employee trust	42	78
FirstRand black non executive directors' trust	5	22
FirstRand share appreciation right scheme	23	127
Momentum subsidiary scheme	1	21
Banking Group other remuneration scheme	–	37
Charge to income statement	143	392

Share option schemes

The FirstRand share option schemes are equity settled schemes, except for the FirstRand Limited share appreciation scheme which is cash settled.

The FirstRand share appreciation right scheme was implemented in 2006 to provide selected FirstRand Group employees, including executive directors of the participating companies, the opportunity of receiving incentive remuneration payments based on the increase in the market value of ordinary FirstRand shares.

This scheme is better aligned to employment and governance practices currently prevailing in the market.

37 REMUNERATION SCHEMES continued

Description of the trusts

FirstRand share incentive scheme

The rules of the FirstRand share scheme ("the Scheme") are constituted in the FirstRand Limited share trust.

The purpose of the Scheme is to increase the proprietary interests of identified employees in the Group's success and to encourage them to render and continue to render their best services to the Group. Options over FirstRand ordinary shares are granted by the trust to these employees.

The FNB Botswana and FNB Namibia schemes are generally aligned to the Scheme in terms of purpose and rules.

The sale of shares arising from the exercise of options may only be exercised as to one third of the total number of options issued after the third year, two-thirds after the fourth year and all of the shares on the fifth anniversary of the date of issue.

FirstRand black economic empowerment trusts

FirstRand is committed to the process of achieving transformation in South Africa and in creating its transformation initiative sought to ensure that the long term benefits of the transaction reach the widest possible community of black South Africans.

171.4 million shares, representing approximately 3.1% of the issued share capital of FirstRand, are held by the BEE trusts which have granted participation to black South African directors and employees.

- 20.0 million shares to the FirstRand staff assistance trust
- 136.4 million shares to the FirstRand black employee trust (subject to IFRS 2)
- 15.0 million shares to the FirstRand black non executive directors' trust (subject to IFRS 2)

FirstRand black employee trust

This trust was set up specifically for the benefit of the black employees. The participation in this trust is in addition to participation in any existing FirstRand share incentive scheme.

The first issue of participation rights in the trust was made on 20 July 2005, the second issue was done on 1 November 2006, and a further issue of participation rights were granted on 3 December 2007.

The remainder will be granted at the discretion of the directors.

Distribution to beneficiaries takes place at 31 December 2014.

FirstRand black non executive directors' trust

The beneficiaries of this trust are the black non executive and those executive directors who were non executives prior to becoming executives of FirstRand Group companies.

Distribution to beneficiaries takes place at 31 December 2014.

FirstRand share appreciation right scheme

The purpose of this scheme is to provide identified Group employees, including executive directors with the opportunity of receiving incentive remuneration payments based on the increase in the market value of ordinary shares in FirstRand Limited.

Entitlement to incentive remuneration payments is predicated on the achievement of certain key performance objectives which are set by the Remuneration committee prior to each grant of appreciation rights to participating employees.

Appreciation rights may only be exercised as to one third of the total number of rights issued after the third, two-thirds after the fourth and all of the shares by the fifth anniversary of the date of grant, provided that the performance objectives set for the grant have been achieved.

37 REMUNERATION SCHEMES continued

Co-investment arrangement

A co-investment arrangement was established in 2007 whereby certain key executives and decision makers of FirstRand are allowed to co-invest with FirstRand in certain pre defined portfolios.

The rationale for the co-investment arrangement includes:

- Alignment of management and shareholder objectives;
- Retention of key employees and decision makers; and
- Attracting new talent in a highly competitive market.

The participants who co-invest with FirstRand buy into existing portfolios at the disclosed fair values, are required to place capital at risk and receive no additional gearing from FirstRand.

Participants share in future profits to the extent of their capital as a percentage of the total capital at risk in the portfolios.

Where losses are incurred, participants share in the losses to the full extent of their capital committed and profits made on other portfolios.

The co-investment arrangement encourages a long term perspective and commitment from employees. The arrangement also encourages executives to remain in the employ of the FirstRand Group companies in excess of three years, as the value of the underlying investments are expected to realise over a longer time frame.

The FirstRand Remuneration committee determines annually:

- The portfolios in which co-investment will be allowed;
- The level of co-investment allowed; and
- Which key executives and decision makers qualify for co-investment.

The amounts invested by key management personnel have been included in the related parties note.

Valuation methodology

FirstRand share incentive scheme

Fair values for the share incentive schemes are calculated at the date of grant using a modification of the Cox Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates. The days on which the options can be exercised has been assumed to be the last day that the shares trade cum dividend.

Market data consists of the following:

- Volatility is the expected volatility over the period of the option. In the absence of other available data, historical volatility can be used as a proxy for expected volatility.
- The interest rate is the risk free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

Dividend data consists of the following:

- The last dividend paid is the Rand amount of the last dividend before the options were granted;
- The last dividend date is the ex date of the last dividend; and
- The dividend growth is the annual expected dividend growth, which should be based on publicly available information.

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binomial model, which is limited to 500.

The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

37 REMUNERATION SCHEMES continued

FirstRand black employee trust

Economically, FirstRand has granted European call options and is repurchasing shares. The strike price equates to the expected outstanding amount of the funding. The value of the implicit options is determined using the Black Scholes option pricing model.

Market data consists of the following:

- Volatility is the expected volatility over the period of the option. In the absence of other available data, historical volatility can be used as a proxy for expected volatility.
- The interest rate used was the RMB forward prime curve (extrapolated where necessary) as the funding of the option is linked to the prime lending rate.

Dividend data consists of the following:

- A fixed dividend yield was assumed.

Employee statistic assumptions:

- The weighted average forfeiture rate used is based on historical forfeiture data for this scheme.

FirstRand black non executive directors' trust

The FirstRand black non executive directors' trust is valued on the same methodology as used for the FirstRand black employee trust, except that a zero % weighted average forfeiture rate was used due to the fact that there are only 11 participants.

Market data consists of the following:

- Volatility is the expected volatility over the period of the option. In the absence of other available data, historical volatility can be used as a proxy for expected volatility.
- The interest rate used was the RMB forward prime curve (extrapolated where necessary) as the funding of the option is linked to the prime lending rate.

Dividend data consists of the following:

- A fixed dividend yield was assumed.

37 REMUNERATION SCHEMES continued

FirstRand share appreciation right scheme

The share appreciation right scheme issues are valued as European options using the Black Scholes model. The scheme is cash settled and will thus be repriced at each reporting date.

Market data consists of the following:

- Volatility is the expected volatility over the period of the option. In the absence of other available data, historic volatility could be used as a proxy for expected valuation.
- The interest rate is the risk free rate of return, as recorded on the last day of the financial year, on a swap curve of a term equal to the expected life of the share appreciation right.

Dividend data consists of the following:

- A fixed dividend yield was assumed.

Employee statistic assumptions:

- The number of options granted is reduced by the actual staff turnover at year end. This turnover is then assumed to be constant over the period of the options and used to estimate future turnover.

The significant weighted average assumptions used to estimate the fair value of options granted and the IFRS 2 expenses for the year under review are:

	FirstRand share incentive scheme	FNB Botswana	FNB Namibia	FirstRand black employment trust	FirstRand black non executive directors' trust	FirstRand share appreciation right scheme
2008						
Weighted average share price (Rands)	**6.80 – 19.49**	**2.80 – 15.10**	**4.00 – 8.23**	**12.28 – 23.55**	**12.28 – 17.60**	**16.33 – 23.05**
Expected volatility (%)	**27 – 33**	**11 – 33**	**4 – 17**	**27 – 35**	**27.00**	**34.62**
Expected option life (years)	**5.00**	**5.00**	**5.00**	**10.00**	**10.00**	**5.00**
Expected risk free rate (%)	**6.80 – 12.00**	**8.68 – 11.85**	**7.89 – 14.46**	**6.91 – 9.90**	**6.91**	**12.48 – 13.35**
Expected dividend yield (%)				**3.81 – 5.57**	**3.81**	**6.54**
Expected dividend growth (%)	**20 – 23**	**17 – 24**	**15 – 19**	**–**	**–**	**–**
2007						
Weighted average share price (Rands)	6.80 – 19.49	7.75 – 15.1	4.0 – 7.21	15.43 – 18.62	12.28 – 17.60	22.6
Expected volatility (%)	27 – 33	11 – 33	8 – 17	27	27	35
Expected option life (years)	5	5	5	10	10	5
Expected risk free rate (%)	6.8 – 12	8.68 – 11.85	7.89 – 14.46	6.91 – 9.9	6.91	9.47
Expected dividend yield (%)	–	–	–	3.81	3.81	3.2
Expected dividend growth (%)	20 – 22.87	17 – 24	15 – 19	–	–	–

37 REMUNERATION SCHEMES continued

	2008					
	FirstRand (FSR shares)	Southern Life (FSR shares)	FNB (FSR shares)	FirstRand share appreciation right scheme (FSR shares)	FirstRand black employee trust	FirstRand black non executive directors' trust
Number of options in force at the beginning of the year (millions)	199.8	0.2	3.3	79.9	107.5	11.0
Granted at prices ranging between (cents)	655 – 1 787**	648 – 1 029	424 – 562**	1 633 – 2 305**	1 228 – 2 280	1 228 – 1 760
Weighted average (cents)	1 043**	661	471**	1 646**	1 385	1 272
Number of options granted during the year (millions)	–	–	–	74.7	30.9	1.0
Granted at prices ranging between (cents)	–	–	–	1 566 – 2 053	1 470 – 2 355	2 185
Weighted average (cents)	–	–	–	2 051	2 228	2 185
Number of options exercised/ released during the year (millions)	(58.0)	(0.2)	(1.6)	–	–	–
Market value range at date of exercise/release (cents)	1 280 – 2 626	1 590 – 2 450	1 310 – 2 625	–	–	–
Weighted average share price for the year (cents)	1 974	1 974	1 974	–	–	–
Number of options cancelled/lapsed during the year (millions)	(11.0)	–	–	(9.5)	(10.3)	(1.0)
Granted at prices ranging between (cents)	608 – 1 787	–	–	1 633 – 2 053	1 228 – 2 520	2 185
Weighted average (cents)	1 195	–	–	1 738	1 569	2 185
Number of options in force at the end of the year (millions)	130.8	–	1.7	145.1	128.1	11.0
Granted at prices ranging between (cents)	608 – 1 787	–	424 – 508	1 566 – 2 305	1 228 – 2 355	1 228 – 1 760
Weighted average (cents)	1 172	–	468	1 849	1 574	1 276
Options are exercisable over the following periods (first date able to release)						
Financial year 2006/2007 (millions)	4.3	–	1.7	–	–	–
Financial year 2007/2008 (millions)	15.7	–	–	–	–	–
Financial year 2008/2009 (millions)	54.3	–	–	–	–	–
Financial year 2009/2010 (millions)	36.4	–	–	24.2	–	–
Financial year 2010/2011 (millions)	20.1	–	–	48.4	–	–
Financial year 2011/2012 (millions)	–	–	–	48.4	–	–
Financial year 2012/2013 (millions)	–	–	–	24.1	–	–
Financial year 2014/2015 (millions)	–	–	–	–	128.1	11.0
Total	130.8	–	1.7	145.1	128.1	11.0

37 REMUNERATION SCHEMES continued

Options outstanding (by expiry date)	FirstRand (FSR shares)		
	Expiry date	Outstanding Exercise price (Rands)**	Outstanding options 2008 Millions
	2008/09/17	6.08	29.2
	2009/06/15	8.53	*
	2009/10/01	10.50	40.6
	2009/11/15	10.87	0.1
	2010/03/01	12.37	0.3
	2010/03/15	12.32	0.2
	2010/06/15	12.78	*
	2010/10/03	15.33	57.9
	2010/10/20	13.29	2.0
	2010/11/15	15.38	0.3
	2011/03/01	17.08	0.2
	2011/03/15	17.87	*
	2011/06/01	16.09	*
			130.8
Total options outstanding – in the money (millions)			72.4
Total options outstanding – out of the money (millions)			58.4
Total (millions)			130.8
Value of company loans to share option trust at the beginning of the year (R million)			2 369
Value of company loans to share option trust at the end of the year (R million)			1 909
Number of participants			1 633

** less than R1 million*
*** = adjusted for Discovery unbundling*

FirstRand share appreciation right scheme FirstRand (FSR shares)			FirstRand black non executive directors' trust (FSR shares)		(FSR shares)
Expiry date	Exercise price (Rands)**	Outstanding options 2008 Millions	Expiry date	Exercise price (Rands)	Outstanding options 2008 Millions
2011/10/01	16.33	70.9	2014/12/31	12.28	10.0
2011/12/01	18.15	*	2014/12/31	17.60	1.0
2012/02/27	23.05	0.2			
2012/03/01	22.33	*			
2012/03/15	20.88	0.4			
2012/04/01	22.98	0.6			
2012/06/15	22.12	0.6			
2012/10/01	20.53	72.0			
2013/03/04	17.99	0.1			
2013/05/01	15.66	0.3			
		145.1			11.0
		–			10.0
		145.1			1.0
		145.1			11.0
		1 185			201
		1 906			186
		1 976			11

37 REMUNERATION SCHEMES continued

	FNB		
	Expiry date	Exercise price (Rands)	Outstanding options 2008 Millions
	2008/10/15	4.68	0.8
	2009/03/24	4.66	0.9
	2009/05/01	5.08	*
	2009/05/31	4.24	*
	2009/08/01	5.05	*
			1.7
Total options outstanding – in the money (millions)			1.7
Total options outstanding – out of the money (millions)			–
Total (millions)			1.7
Value of company loans to share option trust at the beginning of the year (R million)			28
Value of company loans to share option trust at the end of the year (R million)			20
Number of participants			39

** = less than R1 million*

FirstRand black employee trust		
Expiry date	Exercise price (Rands)**	Outstanding options 2008 Millions
2014/12/31	12.28	75.2
2014/12/31	14.70	0.1
2014/12/31	14.91	1.0
2014/12/31	15.66	0.1
2014/12/31	16.00	*
2014/12/31	17.81	0.1
2014/12/31	18.62	22.0
2014/12/31	18.72	0.1
2014/12/31	19.81	*
2014/12/31	20.78	*
2014/12/31	21.50	0.2
2014/12/31	22.10	*
2014/12/31	22.34	27.5
2014/12/31	22.60	0.1
2014/12/31	22.80	0.5
2014/12/31	23.35	*
2014/12/31	23.55	0.1
2014/12/31	23.75	0.1
2014/12/31	24.60	0.9
2014/12/31	25.20	0.1
		128.1
		75.2
		52.9
		128.1
		1 829
		1 714
		12 997

37 REMUNERATION SCHEMES continued

Number of options in force at the beginning of the year (millions)
Granted at prices ranging between (cents)
Weighted average (cents)
Number of options granted during the year (millions)
Granted at prices ranging between (cents)
Weighted average (cents)
Number of options exercised/released during the year (millions)
Market value range at date of exercise/release (cents)
Weighted average share price for the year (cents)
Number of options cancelled/lapsed during the year (millions)
Granted at prices ranging between (cents)
Weighted average (cents)
Number of options in force at the end of the year (millions)
Granted at prices ranging between (cents)
Weighted average (cents)
Options are exercisable over the following periods (first date able to release)
Financial year 2006/2007 (millions)
Financial year 2007/2008 (millions)
Financial year 2008/2009 (millions)
Financial year 2009/2010 (millions)
Financial year 2010/2011 (millions)
Financial year 2011/2012 (millions)
Financial year 2014/2015 (millions)
Total

2007					
FirstRand (FSR shares	Southern Life (FSR shares)	FNB share trust (FSR shares)	FirstRand share appreciation right scheme (FSR shares)	FirstRand black employee trust (FSR shares)	FirstRand black non executive directors' trust (FSR shares)
249.2	0.5	6.9	–	91.8	10.0
655 – 1 949	474 – 1 029	325 – 1 069	–	1 228 – 2 078	1 228.0
1 115	657.0	530.0	–	1 232.0	1 228.0
–	–	–	82.9	28.0	1.0
–	–	–	1 795 – 2 467	1 781 – 2 280	1 760.0
–	–	–	1 808.0	1 869.0	1 760.0
(40.0)	(0.3)	(3.6)	–	–	–
1 637 – 2 600	1 682 – 2 533	1 650 – 2 524	–	–	–
2 088.0	2 088.0	2 088.0	–	–	–
(9.4)	–	–	(3.0)	(12.3)	–
655 – 1695	–	–	1 795.0	1 228 – 1 862	–
1 275.0	–	–	1 795.0	1 337.0	–
199.8	0.2	3.3	79.9	107.5	11.0
655 – 1949	648 – 1029	586 – 724	1 795 – 2 467	1 228 – 2 280	1 228 – 1 760
1 180	661	633	1 808	1 385	1 272
18.8	0.2	3.3	–	–	–
58.0	–	–	–	–	–
60.5	–	–	–	–	–
40.3	–	–	26.7	–	–
22.2	–	–	26.6	–	–
–	–	–	26.6	–	–
–	–	–	–	107.5	11.0
199.8	0.2	3.3	79.9	107.5	11.0

37 REMUNERATION SCHEMES continued

Options outstanding (by expiry date)	FirstRand (FSR shares)		
	Expiry date	Exercise price (Rands)	Outstanding options 2007 Millions
	2007/09/16	6.55	28.4
	2007/11/15	7.85	0.8
	2008/03/17	6.8	1.6
	2008/06/14	7.72	0.2
	2008/09/17	7.7	47.8
	2009/06/15	10.15	0.3
	2009/10/01	12.12	53.5
	2009/11/15	12.49	0.1
	2010/03/01	13.99	0.2
	2010/03/15	13.94	0.2
	2010/06/15	14.4	0.1
	2010/10/03	16.95	63.7
	2010/10/20	14.91	2
	2010/11/15	17	0.3
	2011/03/01	18.7	0.5
	2011/03/15	19.49	*
	2011/06/01	17.71	0.1
			199.8
Total options outstanding – in the money (millions)			199.8
Total options outstanding – out of the money (millions)			–
			199.8
Value of company loans to share option trust at the beginning of the year (R million)			2 548
Value of company loans to share option trust at the end of the year (R million)			2 369
Number of participants			1 961

** = less than R1 million*

Southern Life			FirstRand black non executive directors' trust (FSR shares)		
Expiry date	Exercise price (Rands)	Outstanding options 2007 Millions	Expiry date	Exercise price (Rands)	Outstanding options 2007 Millions
2007/10/01	6.48	0.2	2014/12/31	12.28	10.0
2008/04/01	10.29	*	2014/12/31	17.6	1.0
		0.2			11.0
		0.2			11.0
		–			–
		0.2			11.0
		6.3			202
		5.8			201
		55			11

37 REMUNERATION SCHEMES continued

	FNB share trust (FSR shares)		
	Expiry date	Exercise price (Rands)	Outstanding options 2007 Millions
	2008/02/01	6.96	0.1
	2008/10/15	6.3	1.5
	2008/10/30	7.24	0.1
	2009/03/24	6.28	1.3
	2009/05/01	6.7	0.1
	2009/05/31	5.86	0.1
	2009/08/01	6.67	*
	2009/10/01	6.2	0.1
			3.3
Total options outstanding – in the money (millions)			3.3
Total options outstanding – out of the money (millions)			–
			3.3
Value of company loans to share option trust at the beginning of the year (R million)			44
Value of company loans to share option trust at the end of the year (R million)			28.6
Number of participants			79

** = less than R1million*

FirstRand share appreciation right scheme			FirstRand black employee trust (FSR shares)		
Expiry date	Exercise price (Rands)*	Outstanding options 2007 Millions	Expiry date	Exercise price (Rands)	Outstanding options 2007 Millions
2011/10/01	17.95	78	2014/12/31	12.28	80.5
2011/12/01	19.77	*	2014/12/31	14.91	1
2012/02/27	24.67	0.2	2014/12/31	19.81	*
2012/03/01	23.95	*	2014/12/31	20.78	0.1
2012/03/15	22.5	0.4	2014/12/31	17.20	*
2012/04/01	24.6	0.6	2014/12/31	17.81	0.1
2012/06/15	23.74	0.7	2014/12/31	18.62	25.3
			2014/12/31	22.80	0.5
		79.9			107.5
		78.4			107.0
		1.5			0.5
		79.9			107.5
		–			1 837
		1 185			1 829
		1 591			13 646

R MILLION	2008	2007
38 CASH FLOW INFORMATION		
38.1 Reconciliation of operating profit before income tax to cash flows from operating activities		
Operating profit before income tax (continuing operations)	15 202	17 221
Operating profit before income tax (discontinued operations)	–	1 578
Total operating profit before tax	15 202	18 799
Adjusted for:		
– Depreciation, amortisation and impairment costs	1 718	1 391
– Impairment of advances	5 064	2 857
– Associate earnings less dividends received	(738)	(996)
– Unrealised profits on assets held against employee liabilities	(263)	(339)
– Movement in provisions	2 103	2 732
– (Profit)/loss on disposal of property and equipment	(4)	(6)
– Profit on disposal of investments	316	–
– Revaluation reserve	(171)	(1 192)
– Deferred expenses and income	(464)	(199)
– Share based payment expense (discontinued operations)	–	63
– Share based payment expense (continuing operations)	143	392
– Net fair value gains on assets through profit or loss	1 456	(1 739)
– Accruals	75	384
– Present value adjustments	(219)	–
– Dividends paid	(4 523)	(3 795)
– Consolidation of share trusts	(227)	(430)
– Foreign currency translation reserve	(149)	–
– Goodwill	(24)	–
– Profit on available for sale assets and cash flow hedges transferred	119	–
Net cash flows from operating activities	19 414	17 922
38.2 Cash receipts from customers		
Interest income	54 655	45 144
Fee and commission income	15 013	16 797
Trading and other income	7 089	4 936
Premium less claims	(1 002)	1 102
Cash receipts from customers	75 755	67 979
38.3 Cash paid to customers, suppliers and employees		
Interest expense	(31 922)	(25 704)
Other operating expenses	(24 357)	(22 510)
Cash paid to customers, suppliers and employees	(56 279)	(48 214)
38.4 Increase in income earning assets		
Liquid assets and trading securities	(3 333)	(21 199)
Advances	(59 893)	(65 501)
Increase in income earning assets	(63 226)	(86 700)

R MILLION	2008	2007
38 CASH FLOW INFORMATION continued		
38.5 Increase in deposits and other liabilities		
Term deposits	18 283	6 719
Current deposit accounts	24 429	13 469
Deposits from banks	20 415	26 600
Negotiable certificates of deposits	1 012	8 095
Savings accounts	52	226
Creditors, net of debtors	(336)	(3 095)
Other	(8 208)	30 049
Increase in deposits and other liabilities	55 647	82 063
38.6 Tax paid		
Tax payable and deferred tax at beginning of the year	(1 334)	(1 017)
Other	(177)	1 492
Charge to income statement (discontinued operations)	–	(505)
Charge to income statement (continuing operations)	(3 037)	(5 216)
Tax payable and deferred tax at end of the year	(167)	1 334
Tax paid	(4 715)	(3 912)
38.7 Dividends paid		
Charged to distributable reserves	(4 523)	(3 795)
Dividends paid	(4 523)	(3 795)
38.8 Acquisitions and proceeds on disposal of subsidiaries		
Discovery Limited disposal		
FirstRand Limited unbundled Discovery Holdings Limited on 7 November 2007.		
Discontinued operation (note 53)	494	–
Net cash inflow	494	–
RMB Properties disposal		
Cost of disposal	203	–
– discharged by cash consideration	203	–
Less: Cash and cash equivalents in subsidiary disposed	245	–
Cash outflow on disposal	(42)	–
BDC Moçambique		
Cost of acquisition	139	–
– discharged by cash consideration	139	–
Less: Cash and cash equivalents in subsidiary acquired	17	–
Cash outflow on acquisition	122	–
Transnet finance		
Cost of acquisition	1 179	–
– discharged by cash consideration	1 179	–
Less: Cash and cash equivalents in subsidiary acquired	–	–
Cash outflow on acquisition	1 179	–

R MILLION	2008	2007
38 CASH FLOW INFORMATION continued		
38.8 Acquisitions and proceeds on the disposal of subsidiaries continued		
RentWorks		
Cost of acquisition	208	–
– discharged by cash consideration	208	–
Less: Cash and cash equivalents in subsidiary acquired	122	–
Cash outflow on acquisition	86	–
Carlyle		
Cost of acquisition	–	3 423
– discharged by cash consideration	–	3 423
Less: Cash and cash equivalents in business combination acquired	–	3 422
Cash outflow on acquisition	–	1
Tracker Investment Holdings Limited		
Cost of acquisition	–	361
– discharged by cash consideration	–	361
Less: Cash and cash equivalents in subsidiary acquired	–	470
Cash outflow on acquisition	–	(109)
Darkroom Investments no 1		
Cost of acquisition – discharged by cash consideration	–	1 255
– discharged by cash-consideration	–	1 255
Less: Cash and cash equivalents in business combination acquired	–	1 251
Cash outflow on acquisition	–	4
38.9 (Acquisition)/proceeds on disposal of associates		
Carrying amount of investments purchased	(3 623)	(3 274)
(Acquisition)/proceeds on disposal of associates	(3 623)	(3 274)
38.10 Cash and cash equivalents		
Cash and cash equivalents consist of cash on hand and balances with banks, and other investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash and short term funds	30 516	29 580
Money market investments	17 970	17 372
Cash and cash equivalents	48 486	46 952

R MILLION	2008	2007
39 CONTINGENCIES AND COMMITMENTS		
Contingencies and commitments		
Guarantees*	19 713	26 432
Acceptances	1 992	340
Letters of credit	4 843	4 766
Total contingencies	26 548	31 538
Irrevocable commitments	25 219	33 604
Irrevocable commitments – original maturity more than one year	14 924	253
Underwriting exposure	226	–
Committed capital expenditure	687	340
Operating lease commitments	2 070	2 340
Other	7 747	7 638
Contingencies and commitments	77 421	75 713

** Guarantees consist predominantly of endorsements and performance guarantees.*

Other contingencies

The Group is exposed to various actual or potential claims.

Legal proceedings

There are a number of legal or potential claims against the Group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a group basis. Provision is made for all liabilities which are expected to materialise.

Employee benefit contingent liability

A contingent liability exists in respect of pension fund holidays taken since 15 December 2001.

	2008	2007
Claims		
– The Group has contingent liabilities in respect of certain outstanding claims	150	150
– The Group has reciprocal claims against other institutions. These claims qualify as contingent assets.	(134)	(134)
Commitments		
Commitments in respect of capital expenditure and long term investments approved by directors:		
– Total contracted for	687	340
– Total not contracted for	626	634
Made up of the following:		
– *Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:*		
• Property and equipment	687	340
– *Capital commitments not yet contracted for at balance sheet date but have been approved by the directors:*		
• Property and equipment	626	499
• Intangible assets	–	135
Funds to meet these commitments will be provided from Group resources.		

39 CONTINGENCIES AND COMMITMENTS continued

Group commitments under operating leases where the Group is the lessee

The Group's significant operating leases relates to property rentals of the various branch network channels represented by full service branches, agencies, mini branches and ATM lobbies. The rentals are negotiated on a fixed monthly rental basis, with a percentage contribution of the monthly operating costs.

Escalation clauses are negotiated at market related rates for a period of at least five years with an option to renew for a further five year period. Restrictions are more an exception than the norm.

The leases are non cancellable.

The Group has various operating lease agreements, which may or may not contain renewal options.

R MILLION		2008	
	Next year	2nd to 5th year	After 5th year
Office premises	564	1 323	61
Recoverable under subleases	–	–	–
	564	1 323	61
Equipment and motor vehicles	68	44	10
Total operating lease commitments	632	1 367	71

R MILLION		2007	
	Next year	2nd to 5th year	After 5th years
Office premises	558	1 372	256
Recoverable under subleases	–	–	–
	558	1 372	256
Equipment and motor vehicles	79	75	–
Total operating lease commitments	637	1 447	256

Group commitments under operating leases where the Group is the lessor

The minimum future lease payments under non cancellable operating leases on investment properties:

R MILLION		2008	
	Next year	2nd to 5th year	After 5th year
Office premises	580	1 188	71

R MILLION		2007	
	Next year	2nd to 5th year	After 5th years
Office premises	474	1 076	127

R MILLION	2008	2007

40 COLLATERAL PLEDGED AND HELD

40.1 Collateral pledged

R MILLION	2008	2007
The Group has pledged assets as security for the following liabilities:		
Deposits	**20 681**	16 521
Short trading positions	**7 678**	4 102
Other	**5 306**	3 490
Total	**33 665**	24 113

The Group pledges assets under the following terms and conditions:

Mandatory reserve deposits are held with the Central Bank in accordance with statutory requirements. These deposits are not available to finance the Group's day to day operations.

Assets are pledged as collateral under repurchase agreements with other banks and non banks for security deposits relating to local futures and options.

Collateral in the form of cash and other investment securities is pledged when the Group borrows equity securities from third parties.

These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

R MILLION	2008	2007
Assets pledged to secure the above liabilities are carried at and included under the following:		
Investment securities and other securities	**6 162**	10 236
Total	**6 162**	10 236

40.2 Collateral held

R MILLION	**Fair value**	**Fair value of collateral sold or re-pledged**	Fair value	Fair value of collateral sold or re-pledged
Collateral the Group holds which it has the ability to sell or repledge in the absence of default by the owner of the collateral				
Advances	**29 609**	**14 519**	19 914	6 285
Commodities	**579**	**–**	400	–
Total	**30 188**	**14 519**	20 314	6 285

When the Group takes possession of collateral which is not cash or not readily convertible into cash the Group determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount.

Where the Group is unable to obtain the pre-set sale amount in an auction the Group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

R MILLION	2008	2007
Collateral taken possession of and recognised on the balance sheet		
Vehicles	**499**	230
Total	**499**	230

41 LOANS AND RECEIVABLES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

41.1 Loans and receivables designated as at fair value through profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as loans and receivables in terms of IAS 39 were it not for this designation. The table below contains details on the change in credit risk attributable to these instruments.

			Change in fair value			
R MILLION			Of mitigating instrument		Due to credit risk	
2008	**Carrying value**	**Mitigated credit risk***	**Current period**	**Cumulative**	**Current period**	**Cumulative**
Included in advances	99 674	2 517	62	88	424	1 105
Included in investment securities	13 534	166	16	16	78	51
Included in non recourse investments	19 075	–	–	–	–	–
Total	**132 283**	**2 683**	**78**	**104**	**502**	**1 156**

			Change in fair value			
R MILLION			Of mitigating instrument		Due to credit risk	
2007	Carrying value	Mitigated credit risk*	Current period	Cumulative	Current period	Cumulative
Included in advances	80 475	1 678	26	26	(19)	681
Included in investment securities	28 683	–	–	–	(9)	(27)
Included in non recourse investments	–	–	–	–	–	–
Total	109 158	1 678	26	26	(28)	654

** Amount by which any related credit derivatives or similar instruments mitigate the maximum exposure to credit risk.*

Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk for investment securities and advances. This is due to the differing inherent credit risk of these instruments.

The methods used are described below:

Investment Securities

The change in fair value for investments designated at fair value through profit or loss is calculated by stripping out the movements which result from a change in market factors that give rise to market risk.

The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.

Advances

The current and cumulative change in fair value due to changes in credit risk for advances designated at fair value through profit or loss is calculated as the amount of change in fair value that is attributable to changes in credit risk.

The change in credit risk is the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

41 LOANS AND RECEIVABLES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS continued

41.2 Financial liabilities designated as at fair value through profit or loss

R MILLION	2008 Fair value	2008 Contractually payable at maturity
Deposits and current accounts	**173 518**	**178 750**
Fair value through profit or loss non recourse deposits	**19 269**	**22 463**
Long term liabilities	**2 997**	**3 246**
Policyholder liabilities under investment contracts	**110 784**	**110 094**
Liabilities arising from collective investment schemes	**2 472**	**2 472**
Total	**309 040**	**317 025**

R MILLION	2007 Fair value	2007 Contractually payable at maturity
Deposits and current accounts	155 231	146 055
Fair value through profit or loss non recourse deposits	15 950	15 114
Long term liabilities	4 226	4 205
Policyholder liabilities under investment contracts	111 239	111 252
Liabilities arising from collective investment schemes	1 568	1 568
Total	288 214	278 194

The current and cumulative change in fair value that is attributable to credit risk of financial liabilities designated at fair value through profit or loss is determined with reference to changes in the Group's published credit rating.

The change in fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in credit risk was zero for the current and comparative period.

42 DERECOGNITION OF ASSETS, SECURITISATIONS AND OTHER STRUCTURED TRANSACTIONS

In the normal course of business the Group enters into transactions in terms of which it transfers financial assets directly to third parties or to special purpose entities.

These transfers may give rise to the full or partial derecognition of the financial asset concerned.

- Full derecognition occurs when the Group transfers its contractual right to receive cash flows from the financial assets and substantially all the risks and rewards of ownership.

The risks include credit, interest rate, currency, prepayment and other price risks.

- Partial derecognition occurs when the Group sells or otherwise transfers financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained.

These financial assets are recognised on the balance sheet to the extent of the Group's continuing involvement.

The majority of transferred financial assets that do not qualify for derecognition are debt securities given by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements.

Securitisation transactions arranged by the Group may also result in the continued recognition of the securitised assets to the extent of the Group's continuing involvement in such assets.

In a securitisation transaction, assets or interests in a pool of assets are transferred to a special purpose entity ("SPE") which then issues liabilities to third party investors. Details of securitisations entered into by the Group are provided below.

1. Nitro 1, a bankruptcy remote special purpose entity, has been created to facilitate a securitisation transaction amounting to R2 billion of WesBank retail instalment sale advances. The Group consolidates Nitro 1 under SIC 12 and has therefore not derecognised the securitised assets.

42 DERECOGNITION OF ASSETS, SECURITISATIONS AND OTHER STRUCTURED TRANSACTIONS continued

2. Nitro 2, a bankruptcy remote special purpose entity, has been created to facilitate a securitisation transaction amounting to R5 billion of WesBank retail instalment sale advances. The Group consolidates Nitro 2 under SIC 12 and has therefore not derecognised the securitised assets.
3. Nitro 3, a bankruptcy remote special purpose entity, has been created to facilitate a securitisation transaction amounting to R5 billion of WesBank retail instalment sale advances. The Group consolidates Nitro 3 under SIC 12 and has therefore not derecognised the securitised assets.
4. iKhaya 1, a bankruptcy remote special purpose entity, has been created to facilitate a securitisation transaction amounting to R1.9 billion of FNB home loan advances. The Group consolidates iKhaya 1 under SIC 12 and has therefore not derecognised the securitised assets.
5. iKhaya II, a bankruptcy remote special purpose entity, has been created to facilitate a securitisation transaction amounting to R2.9 billion of FNB home loan advances. The Group consolidates iKhaya II under SIC 12 and has therefore not derecognised the securitised assets.

The rights and obligations that the Group retains from its continuing involvement in securitisations are initially recorded as an allocation of the fair value of the financial asset between the part that is derecognised and the part that continues to be recognised on the date of transfer. The following is an analysis of the carrying amount of financial assets, to the extent of the Group's continuing involvement, that qualified for partial derecognition, and their associated liabilities:

- Continuing involvement may entail retaining the rights to future cash flows arising from the assets after investors have received their contractual terms, providing subordinated interest, continuing to service the underlying asset or entering into derivatives with the securitisation vehicle.
- Repurchase agreements, securities lending and securitisation transactions may, depending on the individual arrangement result in the derecognition of the assets and the separate recognition as assets or liabilities, of any rights or obligations created or retained in the transfer.

The table below sets out the asset classes together with the carrying amounts of the assets and associated liabilities for those asset transfers where substantially all of the risks and rewards of the assets have been retained by the Group:

	2008		2007	
R MILLION	**Carrying amount of assets**	**Carrying amount of associated liability**	Carrying amount of assets	Carrying amount of associated liability
Assets under agreements to repurchase				
Investment securities	**6 162**	**8 971**	10 236	7 508

The Group remains exposed to the interest rate risk on the repurchase agreements and market risk on the securities lending agreements.

The Group has entered into the following synthetic securitisation and conduit transactions:

1. iNdwa Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper. The Group has no obligations toward other investors beyond the amount already contributed. The Group has no management control or influence over these investments which are recorded at fair value under the available-for-sale category.
2. iNkotha Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper. The Group has no obligations toward other investors beyond the amount already contributed. The Group has no management control or influence over these investments which are recorded at fair value under the available-for-sale category.
3. iVuzi Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper is consolidated. The Group has no obligations toward other investors beyond the amount already contributed. The Group has no management control or influence over these investments which are recorded at fair value under the available-for-sale category.
4. iNguza Investments Limited is a secured debenture programme that provides South African institutional investors with a debenture linked to a specific underlying credit exposure. The Group has no obligations toward other investors beyond the amount already contributed. The Group has no management control or influence over these investments which are recorded at fair value under the available-for-sale category.

43 CURRENT/NON CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE BALANCE SHEET

	2008		
R MILLION	Carrying amount	Current	Non current
ASSETS			
Cash and short term funds	48 486	44 279	4 207
Derivative financial instruments	64 314	28 948	35 366
Advances	446 286	176 583	269 703
Investment securities and other investments	214 353	135 366	78 987
Commodities	1 916	1 916	–
Accounts receivable	8 093	7 256	837
Investment in associate and joint ventures	13 303	270	13 033
Property and equipment	8 859	157	8 702
Deferred tax asset	1 456	500	956
Intangible assets and deferred acquisition costs	4 497	801	3 696
Investment properties	3 808	6	3 802
Policy loans on insurance contracts	212	–	212
Reinsurance assets	550	250	300
Tax asset	833	701	132
Non current assets and disposal groups held for sale	3 092	1 023	2 069
Total assets	820 058	398 056	422 002
EQUITY AND LIABILITIES			
Deposits	488 423	436 351	52 072
Short trading positions	33 450	29 728	3 722
Derivative financial instruments	51 595	20 821	30 774
Creditors and accruals	13 051	11 368	1 683
Provisions	3 275	2 856	419
Tax liability	666	592	74
Post retirement benefit fund liability	1 980	56	1 924
Deferred tax liability	5 372	2 332	3 040
Long term liabilities	13 941	456	13 485
Policyholder liabilities under insurance contracts	43 417	3 311	40 106
Policyholder liabilities under investment contracts	110 784	50 286	60 498
Liabilities arising from collective investment schemes	2 742	2 742	–
Deferred revenue liability	296	21	275
Shareholders' equity	48 689	57	48 632
Minority interest	2 377	(4)	2 381
Total equity and liabilities	820 058	560 973	259 085
Net liquidity gap	–	(162 917)	162 917

43 CURRENT/NON CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE BALANCE SHEET continued

	2007		
R MILLION	Carrying amount	Current	Non current
ASSETS			
Cash and short term funds	46 952	46 952	–
Derivative financial instruments	33 244	15 818	17 426
Advances	387 020	147 348	239 672
Investment securities and other investments	213 875	188 238	25 637
Commodities	1 118	1 118	–
Accounts receivable	9 257	8 690	567
Investment in associate and joint ventures	11 809	48	11 761
Property and equipment	6 411	67	6 344
Deferred tax asset	1 306	116	1 190
Intangible assets and deferred acquisition costs	4 302	29	4 273
Investment properties	2 356	–	2 356
Policy loans on insurance contracts	166	–	166
Reinsurance assets	595	267	328
Tax asset	34	–	34
Assets arising from insurance contracts	3 114	–	3 114
Total assets	721 559	408 691	312 868
EQUITY AND LIABILITIES			
Deposits	421 568	361 737	59 831
Short trading positions	32 175	31 538	637
Derivative financial instruments	24 139	9 966	14 173
Creditors and accruals	13 887	13 890	(3)
Provisions	3 598	3 499	99
Tax liability	1 368	1 123	245
Post retirement benefit fund liability	1 882	57	1 825
Deferred tax liability	6 279	16	6 263
Long term liabilities	9 250	1 616	7 634
Reinsurance liabilities	20	7	13
Policyholder liabilities under insurance contracts	46 979	2 251	44 728
Policyholder liabilities under investment contracts	111 239	14 669	96 570
Liabilities arising from collective investment schemes	1 568	–	1 568
Deferred revenue liability	387	103	284
Shareholders' equity	43 548	–	43 548
Minority interest	3 672	–	3 672
Total equity and liabilities	721 559	440 472	281 087
Net liquidity gap	–	(31 781)	31 781

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group determines fair value with the maximum possible use of quoted market prices and/or observable market data as indicated in the accounting policy note. If market prices are not available or the market for a financial instrument is not active, fair value is determined by using valuation techniques that make maximum use of market inputs.

Where market inputs are not available, non observable market inputs are used to determine the fair value, based on the Group's best estimate. Such inputs include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Valuation techniques applied by the Group and that incorporates non observable market inputs include, inter alia, discounted cash flows, earnings multiples, the underlying net asset value of the business and recent similar transactions. Refer below for a description of the principle methods and assumptions used to determine the fair value of financial instruments.

Changes in the Group's best estimate of the non observable inputs could affect the reported fair values recognised on balance sheet and the movement in fair values recognised in the income statement. However, changing these inputs to reasonably possible alternatives is not likely to change the fair value significantly. The total amount of the change in fair value estimated using a valuation technique not based on non observable market data that was recognised in the income statement for the year ended 30 June 2008 was a profit of R212 million (2007: R25 million).

The following principle methods and assumptions are used to determine the fair value of financial instruments:

Unlisted equities
The fair value of unlisted equities is determined using a price earnings (P/E) model.

The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.

The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions which have taken place.

Negotiable certificates of deposit
Where market prices are not available for a specific instrument, fair value is determined using discounted cash flow techniques. Inputs to these models include as far as possible information which is consistent with similar market quoted instruments.

Treasury bills
Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using the closing BESA mark to market bond yield.

Government, public and utility stocks
Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

Other dated securities
Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

Derivatives
Contracts for difference are valued by using the differential between the market price and the traded price multiplied by the notional amount.

Market prices are obtained from applicable trading exchanges.

Credit derivatives are valued using the discounted cash flow model. Where prices are obtained from the market, individual credit spreads are added.

Option contracts are valued using the Black Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swaplet is determined in terms of legal documents pertaining to the swap.

Commodity linked instruments are measured by taking into account the price, the location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.

Deposits and current accounts
Fair value of deposits and current accounts is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.

Call deposits are valued at the undiscounted amount of the cash balance, this is considered appropriate because of the short term nature of these instruments.

Fair valuation will only be applied to deposits that have a maturity profile of longer than 30 days. For all non term products it is assumed that fair value will equal the amortised cost.

Loans and advances to customers
The fair value of advances is the present value of the expected future cash flows determined using an appropriate discount rate adjusted for credit spreads where necessary.

Projected cash flows, taking into account behaviour, loss given default and probability of default are grouped according to their maturity dates.

The discount rate for fixed interest rate instruments is adjusted by an appropriate risk premium while floating rate cash flows are discounted by means of a yield curve which represents the projected cash flows.

Long term liabilities
Fair value of debentures, unsecured debt securities and finance lease liabilities are determined by discounting the future cash flows at market related interest rates.

The fair value of subordinated notes and fixed and floating rate bonds are determined by discounting the future cash flows at market related interest rates.

The fair value of the post retirement funding liability has been calculated based on the value of the corresponding assets, since the value of the liability is limited to the value of the assets in the cell captive.

Liabilities arising to third parties as a result of consolidating collective investment schemes
The fair value of these liabilities is the quoted unit price for the collective investment scheme multiplied by the number of units held by third parties.

Policyholder liabilities under investment contracts
Refer to the accounting policies for a description of the valuation of investment contracts.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

R MILLION	2008	
	Carrying value	Fair Value
Assets		
Total advances at amortised cost	345 939	344 664
Total investment securities at amortised cost	600	657
Liabilities		
Total deposits and current accounts at amortised cost	295 636	294 086
Long term liabilities	10 794	10 046

The following represents the fair values of financial instruments not carried at fair value on the balance sheet.

For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

R MILLION	2007	
	Carrying value	Fair Value
Assets		
Total advances at amortised cost	305 817	305 307
Total investment securities at amortised cost	1 041	1 041
Liabilities		
Total deposits and current accounts at amortised cost	250 387	249 371
Long term liabilities	4 857	4 856

R MILLION	2008	2007
45 TRUST ACTIVITIES		
Market value of assets held or placed on behalf of customers in a fiduciary capacity	34 352	29 944

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial statements.

Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care.

	2008	2007
Other	1 235	1 000
Income received from trust and fiduciary services	1 235	1 000

46 DIVISIONAL INFORMATION

Income statement for the year ended 30 June

	Banking Group		Momentum Group		Discovery Group	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007
Continued operations						
Net interest income	**17 098**	13 998	**6 457**	5 700	**–**	–
Impairment of advances	**(5 064)**	(2 857)	**–**	–	**–**	–
Net interest income after impairment of advances	**12 034**	11 141	**6 457**	5 700	**–**	–
Non interest income	**21 115**	20 778	**1 766**	27 732	**–**	–
Net insurance premium income	**–**	58	**5 392**	5 023	**–**	–
Net claims and benefits paid	**–**	–	**(5 530)**	(5 590)	**–**	–
Increase in value of policyholder liabilities	**–**	–	**(638)**	(25 535)	**–**	–
Income from operations	**33 149**	31 977	**7 447**	7 330	**–**	–
Operating expenses	**(21 525)**	(19 497)	**(5 001)**	(4 136)	**–**	–
Share of profit of associates and joint ventures	**1 690**	2 013	**20**	185	**–**	–
Profit before tax	**13 314**	14 493	**2 466**	3 379	**–**	–
Tax	**(2 565)**	(3 844)	**(470)**	(1 307)	**–**	–
Net profit from continuing operations	**10 749**	10 649	**1 996**	2 072	**–**	–
Discontinued operations						
Profit after tax from discontinued operation	**–**	–	**–**	–	**374**	1 073
Profit for the year	**10 749**	10 649	**1 996**	2 072	**374**	1 073
Attributable to:						
Non cumulative non redeemable preference shareholders	**273**	232	**45**	38	**–**	–
Equity holders of the group	**9 271**	9 594	**1 957**	2 038	**234**	673
Minority interests	**1 205**	823	**(6)**	(4)	**140**	400
Attributable earnings to shareholders	**9 544**	9 826	**2 002**	2 076	**234**	673
Headline earnings adjustments	**(843)**	(74)	**(23)**	(466)	**(49)**	(117)
Profit on disposal of available-for-sale assets	**(7)**	–	**–**	(649)	**(91)**	(214)
Profit on sale of Southern Life Namibia book	**–**	–	**(22)**	–	**–**	–
Profit on sale of shares in subsidiary and associate	**(107)**	(78)	**(1)**	–	**–**	–
Net asset value in excess of purchase price of subsidiaries	**(24)**	–	**–**	–	**–**	–
Profit on disposal of property and equipment	**(4)**	(8)	**–**	–	**–**	–
Impairment of intangible assets	**104**	–	**–**	55	**–**	–
Impairment of goodwill	**33**	–	**–**	61	**–**	–
VISA – listing	**(1 052)**	–	**–**	–	**–**	–
Other	**29**	–	**–**	–	**–**	–
Total tax effects of adjustments	**169**	12	**–**	67	**12**	27
Total minority interest of adjustments	**16**	–	**–**	–	**30**	70
Headline earnings	**8 701**	9 752	**1 979**	1 610	**185**	556
Normalised earnings adjustments	**113**	337	**25**	58	**–**	(20)
Discovery BEE transaction	**–**	–	**–**	–	**5**	19
IFRS 2 Share based expense	**113**	289	**25**	78	**12**	11
Treasury shares	**–**	–	**–**	–	**(17)**	(50)
– adjustment for effective shareholding in Discovery	**–**	–	**–**	–	**(17)**	(50)
– consolidation of staff share schemes	**–**	–	**–**	–	**–**	–
– FirstRand shares held by policyholders	**–**	–	**–**	–	**–**	–
Transfer of Ashburton to Banking Group	**–**	48	**–**	(48)	**–**	–
Adjustment of listed property associates to net asset value	**–**	–	**–**	28	**–**	–
Normalised earnings	**8 814**	10 089	**2 004**	1 668	**185**	536

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
27	(238)	**(381)**	(211)	**23 201**	19 249	**(22)**	254	**23 179**	19 503
–	–	**–**	–	**(5 064)**	(2 857)	**–**	–	**(5 064)**	(2 857)
27	(238)	**(381)**	(211)	**18 137**	16 392	**(22)**	254	**18 115**	16 646
43	258	**(132)**	(381)	**22 792**	48 387	**(321)**	(678)	**22 471**	47 709
–	–	**–**	–	**5 392**	5 081	**(18)**	–	**5 374**	5 081
–	–	**–**	–	**(5 530)**	(5 590)	**–**	–	**(5 530)**	(5 590)
–	–	**–**	–	**(638)**	(25 535)	**(63)**	–	**(701)**	(25 535)
70	20	**(513)**	(592)	**40 153**	38 735	**(424)**	(424)	**39 729**	38 311
(67)	(78)	**(7)**	(1)	**(26 600)**	(23 712)	**411**	424	**(26 189)**	(23 288)
–	–	**–**	–	**1 710**	2 198	**(48)**	–	**1 662**	2 198
3	(58)	**(520)**	(593)	**15 263**	17 221	**(61)**	–	**15 202**	17 221
(17)	(65)	**–**	–	**(3 052)**	(5 216)	**15**	–	**(3 037)**	(5 216)
(14)	(123)	**(520)**	(593)	**12 211**	12 005	**(46)**	–	**12 165**	12 005
454	–	**182**	–	**1 010**	1 073	**(142)**	–	**868**	1 073
440	(123)	**(338)**	(593)	**13 221**	13 078	**(188)**	–	**13 033**	13 078
409	348	**–**	–	**727**	618	**(318)**	(270)	**409**	348
31	(471)	**(338)**	(593)	**11 155**	11 241	**154**	270	**11 309**	11 511
–	–	**–**	–	**1 339**	1 219	**(24)**	–	**1 315**	1 219
31	(471)	**(338)**	(593)	**11 473**	11 511	**(164)**	–	**11 309**	11 511
(454)	–	**(182)**	–	**(1 551)**	(657)	**164**	–	**(1 387)**	(657)
–	–	**–**	–	**(98)**	(863)	**–**	–	**(98)**	(863)
–	–	**–**	–	**(22)**	–	**22**	–	**–**	–
(485)	–	**(227)**	–	**(820)**	(78)	**142**	–	**(678)**	(78)
–	–	**–**	–	**(24)**	–	**–**	–	**(24)**	–
–	–	**–**	–	**(4)**	(8)	**–**	–	**(4)**	(8)
–	–	**–**	–	**104**	55	**–**	–	**104**	55
–	–	**–**	–	**33**	61	**–**	–	**33**	61
–	–	**–**	–	**(1 052)**	–	**–**	–	**(1 052)**	–
–	–	**–**	–	**29**	–	**–**	–	**29**	–
31	–	**45**	–	**257**	106	**–**	–	**257**	106
–	–	**–**	–	**46**	70	**–**	–	**46**	70
(423)	(471)	**(520)**	(593)	**9 922**	10 854	**–**	–	**9 922**	10 854
3	23	**520**	593	**661**	991	**–**	–	**661**	991
–	–	**–**	–	**5**	19	**–**	–	**5**	19
3	23	**–**	–	**153**	401	**–**	–	**153**	401
–	–	**520**	593	**503**	543	**–**	–	**503**	543
–	–	**–**	–	**(17)**	(50)	**–**	–	**(17)**	(50)
–	–	**517**	372	**517**	372	**–**	–	**517**	372
–	–	**3**	221	**3**	221	**–**	–	**3**	221
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	28	**–**	–	**–**	28
(420)	(448)	**–**	–	**10 583**	11 845	**–**	–	**10 583**	11 845

46 DIVISIONAL INFORMATION continued

Consolidated balance sheet as at 30 June

	Banking Group		Momentum Group		Discovery Group	
R MILLION	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS						
Cash and short term funds	**27 895**	28 796	**26 084**	18 935	**–**	623
Derivative financial instruments	**49 104**	20 840	**18 100**	14 985	**–**	–
Advances	**449 156**	391 560	**–**	–	**–**	–
Investment securities and other investments	**96 992**	82 006	**121 208**	128 237	**–**	3 168
Commodities	**1 916**	1 118	**–**	–	**–**	–
Accounts receivable	**5 872**	6 866	**2 444**	1 759	**–**	743
Investments in associates and joint ventures	**6 514**	5 457	**6 941**	6 146	**–**	200
Investment in subsidiary companies	**–**	–	**–**	–	**–**	–
Property and equipment	**8 063**	5 428	**596**	557	**–**	226
Deferred tax asset	**631**	537	**825**	684	**–**	80
Intangible assets and deferred acquisition costs	**1 470**	843	**3 126**	3 307	**–**	93
Investment properties	**–**	–	**3 808**	2 356	**–**	–
Policy loans on insurance contracts	**19**	–	**193**	166	**–**	–
Reinsurance assets	**–**	–	**550**	544	**–**	51
Tax asset	**809**	–	**24**	17	**–**	4
Assets arising from insurance contracts	**–**	–	**–**	–	**–**	3 114
Non current assets held for sale	**3 092**	–	**–**	–	**–**	–
Loans to Insurance Group	**6 561**	4 016	**–**	–	**–**	–
Loans to Banking Group	**–**	–	**–**	6 395	**–**	198
Total assets	**658 094**	547 467	**183 899**	184 088	**–**	8 500
EQUITY AND LIABILITIES						
Liabilities						
Deposits	**496 074**	425 026	**–**	–	**–**	–
Short trading positions	**33 688**	32 175	**–**	–	**–**	–
Derivative financial instruments	**45 653**	17 769	**9 190**	7 817	**–**	2
Creditors and accruals	**7 783**	9 064	**5 247**	6 199	**–**	673
Provisions	**3 023**	3 211	**246**	336	**–**	48
Tax liability	**205**	1 123	**434**	224	**–**	–
Post retirement benefit fund liability	**1 938**	1 842	**42**	40	**–**	–
Deferred tax liability	**3 532**	3 268	**1 840**	2 213	**–**	806
Long term liabilities	**9 512**	7 174	**1 088**	1 219	**–**	40
Reinsurance liabilities	**–**	–	**–**	–	**–**	20
Policyholder liabilities under insurance contracts	**1 435**	412	**41 982**	45 875	**–**	692
Policyholder liabilities under investment contracts	**108**	–	**111 116**	110 768	**–**	735
Liabilities arising from collective investment schemes	**–**	–	**2 742**	1 568	**–**	–
Deferred revenue liability	**–**	–	**296**	265	**–**	122
Loans from Insurance Group	**5 614**	5 522	**–**	–	**–**	–
Loans from Banking Group	**–**	–	**2 910**	1 093	**–**	–
Total liabilities	**608 565**	506 586	**177 133**	177 617	**–**	3 138
Equity						
Capital and reserves attributable to equity holders						
Ordinary shares	**106**	106	**9**	9	**–**	1
Share premium	**7 164**	3 802	**1 032**	1 032	**–**	1 392
Reserves	**36 616**	32 218	**5 229**	4 911	**–**	3 969
	43 886	36 126	**6 270**	5 952	**–**	5 362
Non cumulative non redeemable preference shares	**3 100**	3 100	**500**	500	**–**	–
Cumulative redeemable preference shares	**25**	–	**–**	–	**–**	–
Capital and reserves attributable to equity holders	**47 011**	39 226	**6 770**	6 452	**–**	5 362
Minority interest	**2 518**	1 655	**(4)**	19	**–**	–
Total equity	**49 529**	40 881	**6 766**	6 471	**–**	5 362
Total equity and liabilities	**658 094**	547 467	**183 899**	184 088	**–**	8 500

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
–	–	**–**	–	**53 979**	48 354	**(5 493)**	(1 402)	**48 486**	46 952
–	–	**–**	–	**67 204**	35 825	**(2 890)**	(2 581)	**64 314**	33 244
–	–	**–**	(1 900)	**449 156**	389 660	**(2 870)**	(2 640)	**446 286**	387 020
–	712	**(345)**	(783)	**217 855**	213 340	**(3 502)**	535	**214 353**	213 875
–	–	**–**	–	**1 916**	1 118	**–**	–	**1 916**	1 118
21	24	**9**	3	**8 346**	9 395	**(253)**	(138)	**8 093**	9 257
–	476	**–**	–	**13 455**	12 279	**(152)**	(470)	**13 303**	11 809
19 547	17 753	**–**	–	**19 547**	17 753	**(19 547)**	(17 753)	**–**	–
–	–	**–**	–	**8 659**	6 211	**200**	200	**8 859**	6 411
–	5	**–**	–	**1 456**	1 306	**–**	–	**1 456**	1 306
–	–	**–**	–	**4 596**	4 243	**(99)**	59	**4 497**	4 302
–	–	**–**	–	**3 808**	2 356	**–**	–	**3 808**	2 356
–	–	**–**	–	**212**	166	**–**	–	**212**	166
–	–	**–**	–	**550**	595	**–**	–	**550**	595
–	13	**–**	–	**833**	34	**–**	–	**833**	34
–	–	**–**	–	**–**	3 114	**–**	–	**–**	3 114
–	–	**–**	–	**3 092**	–	**–**	–	**3 092**	–
4 715	2 299	**–**	–	**11 276**	6 315	**(11 276)**	(6 315)	**–**	–
–	1 867	**265**	6	**265**	8 466	**(265)**	(8 466)	**–**	–
24 283	23 149	**(71)**	(2 674)	**866 205**	760 530	**(46 147)**	(38 971)	**820 058**	721 559
–	–	**–**	(68)	**496 074**	424 958	**(7 651)**	(3 390)	**488 423**	421 568
–	–	**(90)**	–	**33 598**	32 175	**(148)**	–	**33 450**	32 175
–	–	**–**	–	**54 843**	25 588	**(3 248)**	(1 449)	**51 595**	24 139
78	118	**27**	–	**13 135**	16 054	**(84)**	(2 167)	**13 051**	13 887
6	1	**–**	–	**3 275**	3 596	**–**	2	**3 275**	3 598
26	19	**–**	–	**665**	1 366	**1**	2	**666**	1 368
–	–	**–**	–	**1 980**	1 882	**–**	–	**1 980**	1 882
–	21	**–**	–	**5 372**	6 308	**–**	(29)	**5 372**	6 279
3 595	938	**–**	–	**14 195**	9 371	**(254)**	(121)	**13 941**	9 250
–	–	**–**	–	**–**	20	**–**	–	**–**	20
–	–	**–**	–	**43 417**	46 979	**–**	–	**43 417**	46 979
–	–	**–**	–	**111 224**	111 503	**(440)**	(264)	**110 784**	111 239
–	–	**–**	–	**2 742**	1 568	**–**	–	**2 742**	1 568
–	–	**–**	–	**296**	387	**–**	–	**296**	387
1	–	**4 483**	–	**10 098**	5 522	**(10 098)**	(5 522)	**–**	–
–	3 536	**1 532**	3 543	**4 442**	8 172	**(4 442)**	(8 172)	**–**	–
3 706	4 633	**5 952**	3 475	**795 356**	695 449	**(26 364)**	(21 110)	**768 992**	674 339
56	56	**(4)**	(4)	**167**	168	**(115)**	(117)	**52**	51
7 083	8 451	**(6 190)**	(6 089)	**9 089**	8 588	**(8 053)**	(6 250)	**1 036**	2 338
8 919	5 490	**171**	(56)	**50 935**	46 532	**(7 853)**	(9 892)	**43 082**	36 640
16 058	13 997	**(6 023)**	(6 149)	**60 191**	55 288	**(16 021)**	(16 259)	**44 170**	39 029
4 519	4 519	**–**	–	**8 119**	8 119	**(3 600)**	(3 600)	**4 519**	4 519
–	–	**–**	–	**25**	–	**(25)**	–	**–**	–
20 577	18 516	**(6 023)**	(6 149)	**68 335**	63 407	**(19 646)**	(19 859)	**48 689**	43 548
–	–	**–**	–	**2 514**	1 674	**(137)**	1 998	**2 377**	3 672
20 577	18 516	**(6 023)**	(6 149)	**70 849**	65 081	**(19 783)**	(17 861)	**51 066**	47 220
24 283	23 149	**(71)**	(2 674)	**866 205**	760 530	**(46 147)**	(38 971)	**820 058**	721 559

46 DIVISIONAL INFORMATION continued

46.1 Segmental reporting

Business segment

	FirstRand Banking Group							
	FNB							
		Consumer segment						
	Mass	Home-Loans	Card Issuing	Other Consumer	Consumer Segment	Wealth	Com-mercial	Corporate
2008								
Segmental income statement information:								
Segmental operating income	3 787	502	1 412	4 049	5 963	1 377	6 208	1 736
Intercompany eliminations	–	–	–	–	–	–	–	–
Total income	3 787	502	1 412	4 049	5 963	1 377	6 208	1 736
Net operating income	1 291	(335)	129	1 515	1 309	459	2 927	685
Share of profits from associates and joint venture companies	–	(7)	–	7	–	–	–	–
Profit for the year	938	(280)	88	1 044	852	326	2 137	493
Segmental balance sheet information:								
Segmental assets	6 707	111 904	11 234	3 952	127 090	27 689	23 748	16 865
Associates and joint venture companies	–	(7)	–	37	30	–	–	–
Total assets	6 707	111 897	11 234	3 989	127 120	27 689	23 748	16 865
Total external segmental liabilities	8 005	176	1 301	51 275	52 752	15 531	58 557	44 985
Other segment items								
Depreciation	(87)	(5)	(1)	(150)	(156)	(23)	(10)	(76)
Amortisation	–	–	–	(15)	(15)	(4)	(6)	(2)
Impairment charges – other assets	–	–	–	(5)	(5)	–	–	(4)

* *FirstRand Limited company, share trusts and consolidation entries*

Geographical segment

	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Segmental income	83 201	3 762	998	908	(2 363)	86 506
Segmental expenses	(64 360)	(2 728)	(1 645)	(1 430)	(273)	(70 436)
Segment assets	708 733	30 516	34 752	7 319	38 738	820 058
Segment liabilities	685 896	32 219	32 708	742	17 427	768 992
Segmental capital expenditure	4 115	–	–	–	–	4 115

								Momentum		Discovery		
FNB Other	Total FNB	FNB Africa	RMB	WesBank	Group Support	Divisions disclosed elsewhere	Banking Group	Insur-ance	Asset manage-ment	Total Discovery	Other*	Total
429	19 500	2 296	6 526	4 081	1 120	(374)	33 149	6 359	676	–	(455)	39 729
–	–	–	–	–	–	–	–	–	–	–	–	–
429	19 500	2 296	6 526	4 081	1 120	(374)	33 149	6 359	676	–	(455)	39 729
27	6 698	1 183	4 265	863	1 227	(374)	13 862	2 154	312	–	(1 126)	15 202
25	25	7	1 092	159	407	–	1 690	20	–	–	(48)	1 662
(82)	4 664	859	3 090	539	1 866	(269)	10 749	2 174	312	374	(576)	13 033
9 220	211 319	29 405	291 513	107 473	11 870	–	651 580	176 349	609	–	(21 783)	806 755
63	93	8	4 920	858	635	–	6 514	6 941	–	–	(152)	13 303
9 283	211 412	29 413	296 433	108 331	12 505	–	658 094	183 290	609	–	(21 935)	820 058
17 998	197 828	26 160	292 091	108 323	(15 837)	–	608 565	176 792	338	–	(16 703)	768 992
(315)	(667)	(33)	(60)	(143)	(58)	–	(961)	59	1	–	(119)	(1 020)
(1)	(28)	(19)	(31)	(44)	(3)	–	(125)	441	2	–	(879)	(561)
(14)	(23)	–	–	(104)	(10)	–	(137)	–	–	–	–	(137)

46 DIVISIONAL INFORMATION continued

46.1 Segmental reporting

Business segment

	FirstRand Banking Group							
	FNB							
		Consumer segment						
	Mass	Home-Loans	Card Issuing	Other Consumer	Consumer Segment	Wealth	Com-mercial	Corporate
2007								
Segmental income statement information:								
Segmental operating income	3 015	1 528	1 443	3 511	6 482	982	5 106	1 633
Intercompany eliminations	–	–	–	–	–	–	–	–
Total income	3 015	1 528	1 443	3 511	6 482	982	5 106	1 633
Net operating income	986	769	119	1 296	2 184	332	2 205	615
Share of profits from associates and joint venture companies	–	–	–	25	25	–	–	–
Profit for the year	720	535	80	878	1 493	235	1 608	443
Segmental balance sheet information:								
Segmental assets	4 362	97 363	11 190	4 118	112 671	21 739	20 035	14 051
Associates and joint venture companies	–	–	–	39	39	–	–	–
Total assets	4 362	97 363	11 190	4 157	112 710	21 739	20 035	14 051
Total external segmental liabilities	7 610	137	1 362	43 601	45 100	12 777	50 779	37 899
Other segment items								
Depreciation	(81)	(3)	–	(151)	(154)	(19)	(7)	(86)
Amortisation	–	–	–	(4)	(4)	(3)	–	–
Impairment charges – other assets	–	(2)	–	–	(2)	–	–	9

* *FirstRand Limited company, share trusts and consolidation entries.*

Geographical segment

	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Segmental income	100 433	3 318	2 456	1 562	1 696	109 465
Segmental expenses	(84 378)	(2 441)	(2 223)	(908)	(716)	(90 666)
Segment assets	631 686	23 248	27 527	7 060	32 038	721 559
Segment liabilities	592 957	20 758	23 320	7 041	30 263	674 339
Segmental capital expenditure	2 832	21	10	–	–	2 863

								Momentum		Discovery		
FNB Other	Total FNB	FNB Africa	RMB	WesBank	Group Support	Divisions disclosed elsewhere	Banking Group	Insurance	Asset management	Total Discovery	Other*	Total
88	17 306	1 787	7 667	4 501	926	(210)	31 977	6 413	917	5 475	(354)	44 428
–	–	–	–	–	–	–	–	–	–	–	(642)	(642)
88	17 306	1 787	7 667	4 501	926	(210)	31 977	6 413	917	5 475	(996)	9 954
(262)	6 060	926	5 329	1 481	1 362	(210)	14 948	3 336	427	1 675	(1 675)	18 711
15	40	1	1 532	97	343	–	2 013	185	–	(97)	–	2 101
(288)	4 211	673	3 877	1 006	1 031	(149)	10 649	1 758	314	1 073	(716)	13 078
12 858	185 716	21 615	195 004	99 864	39 811	–	542 010	177 255	687	8 300	(18 502)	709 750
48	87	–	3 925	615	830	–	5 457	6 146	–	200	6	11 809
12 906	185 803	21 615	198 929	100 479	40 641	–	547 467	183 401	687	8 500	(18 496)	721 559
18 259	172 424	19 483	153 886	8 298	152 495	–	506 586	177 228	389	3 138	(13 002)	674 339
(259)	(606)	(23)	(65)	(91)	(20)	–	(805)	(51)	–	(67)	–	(923)
–	(7)	(15)	(34)	(45)	(2)	–	(103)	(187)	–	(31)	–	(321)
(17)	(10)	(97)	–	(61)	156	–	(12)	(101)	–	–	–	(113)

47 SUBSIDIARIES

	Nature of business	Country	Issued ordinary Listed/ Unlisted	Issued ordinary Capital R million	Effective holding % 2008	Effective holding % 2007
Significant subsidiaries						
Banking						
First National Bank Holdings (Botswana) Limited	Commercial banking	Botswana	Listed	28	100	100
First National Bank of Namibia Limited	Commercial banking	Namibia	Listed	1	60	57
First National Bank of Swaziland Limited	Commercial banking	Swaziland	Unlisted	28	100	100
FirstCorp Merchant Bank Holdings Limited	Commercial banking	South Africa	Unlisted	10	100	100
FirstRand Bank Limited	Commercial and merchant banking	South Africa	Unlisted	4	100	100
FirstRand Moçambique Holdings Limitada	Commercial banking	Moçambique	Unlisted	157	100	–
FirstRand Finance Company Limited	Commercial banking	South Africa	Unlisted	–	100	100
Non banking						
First National Asset Management and Trust Company (Pty) Limited	Asset management and trust services	South Africa	Unlisted	–	100	100
RMB Asset Finance Limited	Merchant banking	South Africa	Unlisted	19	100	100
FirstRand International Limited Ireland	International holding company	Guernsey	Unlisted	–	100	100
FirstRand (International) Mauritius Limited	Financial services	Mauritius	Unlisted	25	100	100
FNB Insurance Brokers Holdings (Pty) Limited	Insurance brokers	South Africa	Unlisted	–	100	100
RMB Private Equity (Pty) Limited	Investment and financial services	South Africa	Unlisted	–	–	100
RMB Private Equity Holdings (Pty) Limited	Investment and financial services	South Africa	Unlisted	–	–	100
Norman Bisset and Associates (Pty) Limited	Debt collection	South Africa	Unlisted	–	100	88
RMB Investment and Advisory (Pty) Limited	Investment and financial services	South Africa	Unlisted	1	100	n/a

47 SUBSIDIARIES continued

	Nature of business	Country	Issued ordinary Listed/ Unlisted	Issued ordinary Capital R million	Effective holding % 2008	Effective holding % 2007
Insurance						
Momentum Property Investments (Pty) Limited	Property company	South Africa	Unlisted	–	**100**	100
Momentum Life Assurers Limited	Dormant	South Africa	Unlisted	3	**100**	100
Momentum Administration Services (Pty) Limited	Investment business	South Africa	Unlisted	–	**100**	100
Momentum Medical Scheme Administrators (Pty) Limited	Health administration services	South Africa	Unlisted	–	**100**	100
African Life Health (Pty) Limited	Health administration services	South Africa	Unlisted	3	**100**	100
Community Property Holdings Limited	Property company	South Africa	Unlisted	2	**100**	100
Momentum Collective Investments (Pty) Limited	Unit trusts	South Africa	Unlisted	6	**100**	100
Momentum Ability Limited	Insurance services	South Africa	Unlisted	10	**100**	100
FirstLife Assurance (Pty) Limited	Insurance services	Botswana	Unlisted	3	**100**	100
Lekana Employee Benefit Solutions (Pty) Limited	Employee benefits services	South Africa	Unlisted	–	**100**	70
Momentum International Multimanagers (Pty) Limited	Multi management	South Africa	Unlisted	–	**95**	95
Momentum Netherlands BV	Multi management	Netherlands	Unlisted	–	**100**	100
FirstRand Asset Management (Pty) Limited	Asset management	South Africa	Unlisted	–	**100**	100
Health						
Discovery Life Limited	Insurance services	South Africa	Unlisted	1 016	**–**	100
Discovery Health (Pty) Limited	Administration and managed care services	South Africa	Unlisted	*	**–**	100
Vitality Healthstyle (Pty) Limited	Health and lifestyle benefits	South Africa	Unlisted	*	**–**	100
Destiny Health Inc	Short term health insurance	USA	Unlisted	963	**–**	98
Discovery Nominees (Pty) Limited	Dormant	South Africa	Unlisted	–	**–**	100
Discovery Offshore Holdings Limited	International holding company	United Kingdom	Unlisted	547	**–**	100

** Issued ordinary capital and shares at cost are R1 000*
*** Issued ordinary capital and shares at cost are R1*

47 SUBSIDIARIES continued

	Group carrying amount	
R MILLION	2008	2007
FirstRand Banking Group – Banking		
First National Bank Holdings (Botswana) Limited	56	56
First National Bank of Namibia Limited	32	30
First National Bank of Swaziland Limited	17	17
FirstCorp Merchant Bank Holdings Limited	54	54
FirstRand Bank Limited	6 988	5 834
First National Bank of Moçambique	157	–
FirstRand Banking Group – Non banking		
RMB Asset Finance Limited	334	334
FirstRand International Limited Ireland	2 727	1 142
First Land Developments Limited	1	1
FNB Insurance Brokers Holdings (Pty) Limited	14	14
Norman Bisset and Associates (Pty) Limited	85	76
RMB Investment and Advisory (Pty) Limited	1 604	–
Momentum		
Momentum Property Investments (Pty) Limited	877	849
Momentum Life Assurers Limited	36	36
Momentum Administration Services (Pty) Limited	13	60
Momentum Medical Scheme Administrators (Pty) Limited	(171)	(107)
African Life Health (Pty) Limited	62	88
Community Property Holdings Limited	333	146
Momentum Collective Investments (Pty) Limited	–	(5)
Momentum Ability Limited	23	18
FirstLife Assurance (Pty) Limited	27	16
Lekana Employee Benefit Solutions (Pty) Limited	(63)	47
Momentum International Multimanagers (Pty) Limited	305	196
Momentum Netherlands BV	198	280
FirstRand Asset Management (Pty) Limited	2 399	3 061
Health		
Discovery Life Limited		
Discovery Health (Pty) Limited	–	1 289
Vitality Healthstyle (Pty) Limited	–	156
Destiny Health Inc	–	5
Discovery Nominees (Pty) Limited	–	75
Discovery Offshore Holdings Limited	–	**

*** Issued ordinary capital and shares at cost are R1*

48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS

Significant acquisitions during the 2008 financial year

48.1 Banco de Desenvolvimento e Comércio SARL ("BDC") Moçambique

On 24 July 2007, the Banking Group acquired 80% of Banco Desenvolvemento e Comércio with an effective date of 31 July 2007 through a wholly owned subsidiary First Rand Moçambique Holdings Limitada.

The existing operations have been rebranded to FNB Moçambique.

First Rand Moçambique Holdings Limitada contributed R15 million profit to the Banking Group for the period August to June 2008.

If the acquisition had taken place on 1 July 2007, the profit contribution would have been R14.6 million.

The details of the fair values of the assets, liabilities and contingent liabilities acquired and goodwill arising are provided in the table below.

	2008	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and short term funds	17	17
Investments securities and other investments	58	57
Advances	314	302
Property and equipment	17	18
Accounts receivable	28	31
Total assets acquired	**434**	**425**
LIABILITIES		
Creditors and accruals	352	352
Other financial liabilities	22	24
Total liabilities acquired	**374**	**376**
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		49
Less: Minority share of the net asset value		(10)
Net asset value as at date of acquisition		(39)
Cash consideration		139
Net asset value in excess of cash consideration		**(100)**
On 19 November 2007, the Banking Group acquired an additional 10% of the shares in FNB Moçambique for R18 million based on the purchase value as the initial acquisition transaction.		
This generated a further R12 million goodwill.		
Goodwill at acquisition date		100
Goodwill arising on acquisition of additional 10% shareholding		12
Total goodwill		**112**

The goodwill is attributable to obtaining control in the existing company and its banking operations in Moçambique.

The fair value assets and liabilities acquired are based on market values and an indication of future benefits expected to flow from these assets.

Intangible assets have not been recognised for this acquisition.

48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS continued

Significant acquisitions during the 2008 financial year continued

48.2 Transnet Lending

On 26 September 2007, the Banking Group acquired 100% of the Transnet Lending division.

Transnet Lending contributed R67.0 million profit to the Banking Group for the period 30 June 2008. If the acquisition had occurred on 1 July 2007, the profit included in the Banking Group would have been R75.2 million.

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

	2008	
R MILLION	Carrying amount before	Fair value at acquisition
ASSETS		
Advances	1 490	1 323
Trade receivables	29	29
Property, plant and equipment	12	12
Total assets acquired	1 531	1 364
LIABILITIES		
Provisions	161	161
Total liabilities acquired	161	161
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		1 203
Net asset value as at date of acquisition		1 203
Cash consideration		(1 179)
Net asset value in excess of cash consideration		24

No intangible assets were identified in terms of IFRS 3. The excess net asset value is attributable to future restructuring costs. The fair value of assets and liabilities acquired are based on discounted cash flows.

Impairment provisions created at acquisition of R28 million are included above.

48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS continued

Significant acquisitions during the 2008 financial year continued

48.3 Rentworks Africa (Pty) Limited ("RentWorks")

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

RentWorks has contributed profit before tax of R88.2 million to the Group since acquisition. If the acquisition had occurred on 1 July 2007, the company would have contributed profit before tax of R122.6 million.

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

	2008	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and cash equivalents	122	122
Advances	214	214
Property, plant and equipment	2	2
Total assets acquired	**338**	**338**
Liabilities		
Financial liabilities	161	161
Total liabilities acquired	**161**	**161**
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		177
Intangible assets identified in terms of IFRS 3		(62)
Minority interest		55
Net asset value as at date of acquisition		170
Cash consideration		(208)
Net asset value in excess of cash consideration		**(38)**

The goodwill is attributable to the expected realisation of future secondary income on assets currently under rental contracts.

Intangible assets recognised consist of the RentWorks brand name, customer list and in house developed software.

No acquisition provisions were created.

48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS continued

Significant acquisitions for the 2007 financial year

48.4 Carlyle Finance

On 1 July 2006, the Group acquired Carlyle Finance a division of Julian Hodge Bank with an effective date of 1 July 2006. Carlyle Finance contributed R48.4 million loss to the Group for the period 1 July 2006 to 30 June 2007.

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

	2007	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Advances	3 441	3 441
– loans and receivables	3 441	3 441
Accounts receivable	4	1
Property and equipment	5	12
Total assets acquired	3 450	3 454
LIABILITIES		
Financial liabilities	–	3
Provisions	5	5
Deferred income	26	81
Total liabilities acquired	31	89
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		3 365
Intangible assets identified in terms of IFRS 3		58
Net asset value as at date of acquisition		3 423
Cash consideration		(3 422)
Net asset value in excess of cash consideration		1

The trademark is attributable to value put on the Carlyle Finance name acquired from Julian Hodge Bank. The fair value of assets and liabilities acquired are based on market value price paid by two unconnected parties.

The intangible assets acquired consist of the trademark put on the "Carlyle Finance" name acquired from Julian Hodge Bank and the distribution channel acquired from Julian Hodge Bank. The intangible assets were valued using a discounting of future revenue streams.

No acquisition provisions were created.

48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS continued

Significant acquisitions for the 2007 financial year continued

48.5 Tracker Investment Holdings (Pty) Limited

As part of a transaction to obtain a 32.5% interest in Tracker Investment Holdings (Pty) Limited ("Tracker"), the Group obtained an additional 50% interest in Mobile Data (Pty) Limited ("Mobile Data") effective 31 May 2007.

On that same day, the Group disposed of its 100% interest in Mobile Data for R295 million to Tracker for a 20.4% shareholding in Tracker.

The Group acquired a further 12.1% shareholding in Tracker for an amount of R174.6 million, thereby obtaining an effective 32.5% shareholding in Tracker.

The Group paid an amount of R170.8 million to acquire an additional 50% of Mobile Data. The purchase price is broken down as follows:

R MILLION	Purchase value 2007
Payment to vendor (discharge by cash)	144
Acquisition of loan from vendor	10
Payment of interest	7
Net cash outflow on purchase of 50% of Mobile Data	161
Capitalisation of loan to Mobile Data	10
Net cost of purchase of 50% of Mobile Data	171

Tracker contributed R3.26 million income to the Group for the period 1 July 2006 to 30 June 2007.

48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS continued

Significant acquisitions for the 2007 financial year continued

48.5 Tracker Investment Holdings (Pty) Limited continued

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

	2007	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
ASSETS		
Cash and short term funds	252	252
Accounts receivable	15	15
Inventory	43	43
Intangible assets and deferred acquisition costs	179	179
Property and equipment	40	40
Total assets acquired	529	529
LIABILITIES		
Financial liabilities	110	110
Tax liability	85	85
Deferred tax liability	39	39
Total liabilities acquired	234	234
Net asset value as at date of acquisition before intangible assets in terms of IFRS 3		95
Intangible assets identified in terms of IFRS 3		266
Net asset value as at date of acquisition		361
Cash consideration		(470)
Net asset value in excess of cash consideration		(109)

The goodwill is attributable to the ability of Tracker to generate additional profit in the future by making use of synergies that are available to Tracker based on its relationship with the Group and the expectation of the generation of additional business through interaction with the Group.

Fair value assets and liabilities acquired are based on the values as reflected in the management accounts of Tracker as at 31 May 2007.

Intangible assets recognised as a result of the purchase price allocation for Tracker were R266.4 million.

No acquisition provisions were created.

48.6 Dark Room Investments no 1 (Pty) Limited

On 1 August 2006 the Group acquired 100% of Dark Room Investments no 1 (Pty) Limited ("Dark Room"). Dark Room contributed R60 million loss to the Group for the period 1 August 2006 to 30 June 2007.

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

	2007	
R MILLION	Carrying amount before acquisition	Fair value at acquisition
Investment	154	555
Cash and short term funds	620	620
Deferred tax asset	31	80
Net asset value as at date of acquisition	805	1 255
Cash consideration		(1 251)
Net asset value in excess of cash consideration		4

The fair value of the deferred tax asset and the negative goodwill are based on the value of future STC credits. The fair value of the investment is based on the closing bid price of the shares, as listed on the JSE, on 31 July 2006.

R MILLION	2008
48 SIGNIFICANT SUBSIDIARIES AND ASSOCIATES ACQUISITION AND DISPOSALS continued	
Significant disposals	
48.7 RMB Properties	
Effective 2 April 2008, the Banking Group sold 60% of its shareholding in RMB Properties (Pty) Limited to a consortium consisting of management and BEE partners for a cash consideration of R203 million resulting in the Banking Group losing control of RMB Properties. RMB Properties, now trading as Eris Property Group, is therefore no longer consolidated but included in the financial statements using the equity accounting method.	
Summarised financial information of RMB Properties as at the date of sale were as follows:	
ASSETS	
Cash and short term funds	245
Investment securities	24
Accounts receivable	77
Investment properties	70
Properties held for resale	15
Property, plant and equipment	4
Total assets sold	**435**
LIABILITIES	
Creditors and accruals	76
Shareholders for dividends	155
Current tax and VAT liabilities	32
Deferred tax liability	1
Long term liabilities	5
Total liabilities sold	**269**
Net asset value	166
60% of net asset value sold	100
Consideration received	203
Profit on sale of controlling interest of a subsidiary	**103**
Proceeds from sale discharged by cash	203
Less: Cash and cash equivalents in subsidiary sold	(245)
Net cash inflow on sale	**(42)**

No significant disposals during the prior year by the Group.

49 RELATED PARTIES

The FirstRand Group defines related parties as:

- The parent company
- Associate companies
- Joint ventures
- Post retirement benefit funds (pension funds)
- Key management personnel as the FirstRand Limited board of directors and the FirstRand executive committee
- Key management personnel includes close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the Group. This may include enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies

The principal shareholder of the FirstRand Group is RMB Holdings Limited, incorporated in South Africa.

49.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 47.

Transactions between FirstRand Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

49.2 Associates and joint ventures

Details of investments in associate and joint venture companies are disclosed in note 18.

49.3 Details of transactions with relevant related parties appear below:

R MILLION	**2008 Principal shareholder**	2007 Principal shareholder
Loans and advances		
Opening balance	**354**	36
Issued during year	**(297)**	318
Closing balance	**57**	354
Deposits		
Opening balance	**8**	6
Received during year	**1**	2
Closing balance	**9**	8
Interest received	**18**	21
Fees and commissions earned/(paid)	**–**	2
Dividends paid	**1 463**	1 235

During the current year FirstRand sold 3 209 301 Discovery Holdings Limited shares to RMB Holdings Limited directly and 22 691 417 shares through its various Incentive Schemes as part of the unbundling of Discovery.

R MILLION	2008	2007
49 RELATED PARTIES continued		
49.4 Key management personnel		
Total advances		
In normal course of business (mortgages, other, instalment finance and credit cards)		
Opening balance	**138**	52
Issued during year	**405**	419
Repayments during year	**(482)**	(343)
Interest earned	**11**	10
Closing balance	**72**	138
Share scheme loans		
Opening balance	**–**	2
Repayments during year	**–**	(2)
Closing balance	**–**	–
The FirstRand share schemes are different from other similar schemes in that the underlying shares are bought and an equivalent loan granted.		
Advances in normal course of business by product:		
Mortgages		
Opening balance	**132**	29
Issued during year	**248**	294
Repayments during year	**(324)**	(200)
Interest earned	**10**	9
Closing balance	**66**	132
No impairment has been recognised for loans granted to key management (2007: nil). Mortgage loans are repayable monthly over 20 years.		
Other loans		
Opening balance	**4**	22
Issued during year	**155**	110
Repayments during year	**(156)**	(129)
Interest earned	**1**	1
Closing balance	**4**	4
Instalment finance		
Opening balance	**2**	1
Issued during year	**2**	2
Repayments during year	**(2)**	(1)
Closing balance	**2**	2
No impairments have been recognised in respect of instalment finance.		
Credit cards		
Balance 1 July	**–**	–
Total annual spend	**19**	13
Repayments	**(18)**	(13)
Closing balance	**1**	–

No impairments have been recognised in respect of credit cards held by key management (2007: nil). Interest rates are in line with normal rates charged to customers.

R MILLION	2008	2007
49 RELATED PARTIES continued		
49.4 Key management personnel		
Deposits		
Deposits by product		
Cheque and current accounts		
Opening balance	35	28
Net deposits and withdrawals	(139)	7
Net service interest, fees and bank charges	(11)	–
Closing balance	(115)	35
Savings accounts		
Opening balance	55	36
Interest income	(26)	6
Net new investments	3	13
Closing balance	32	55
Other including term deposits		
Opening balance	33	–
Interest income	(29)	2
Net new investments	1	31
Closing balance	5	33
Insurance and investment		
Insurance		
Life and disability insurance		
Aggregate insured cover	1	1
Surrender value	1	2
Other insurance		
Premiums received	1	1
Claims paid	1	–
Investment products		
Fund value opening balance	1 054	523
Deposits/withdrawals	(63)	172
Net investment return credited	19	362
Commission and other transaction fees	(5)	(3)
Closing balance	1 005	1 054
Other fees		
Financial consulting fees and commissions	5	4
Key management compensation		
Salaries and other short term benefits	166	170
Share based payments	114	48
Total compensation	280	218
A listing of the board of directors of the FirstRand Group is on page 74 of the annual report.		
49.5 Post employment benefit plan		
Details of transactions between the Group and the Group's post employment benefit plan are listed below:		
Insurance premium	20	–
Fee income	1	9
Deposits held with the Banking Group	30	1
Interest expenses	1	33
Value of assets under management	2 534	2 343
Deposits held in bonds and money market	–	454

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Credit impairment losses on loans and advances

The Group assesses its credit portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

For purposes of these judgements the performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where there is objective evidence of the occurrence of an impairment event. In the Retail and WesBank portfolios the account status, namely arrears versus non arrears status, is taken as a primary indicator of an impairment event. In the Commercial portfolios other indicators such as the existence of "high risk" accounts, based on internally assigned risk ratings and management judgement, are used, while the Wholesale portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

A portfolio specific impairment ("PSI") calculation to reflect the decrease in estimated future cash flows is performed for this sub segment of the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.

(ii) The second part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. A so called incurred but not reported ("IBNR") provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from one to 12 months.

Non performing loans

Retail loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this that the customer is unlikely to repay its obligations in full. WesBank's loans are impaired upon its classification status, ie following an event driven approach and specific assessment of the likelihood to repay. Commercial and Wholesale loans are analysed on a case by case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 14 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

National Credit Act ("NCA")

The NCA came into effect on 1 June 2007 and has impacted the Group's levels of credit impairment. Specifically, the NCA had an impact on the judgements and estimates made regarding the default ratios and the recovery periods (resulting from debt counselling programmes and outcomes).

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments. Note 44 provides an analysis of the effect of changes in management's estimates on the fair value of financial instruments.

Refer to notes 12 for a detailed analysis of the derivatives and the carrying amounts of the different types of derivative instruments. Note 44 provides additional details on the calculation of fair value of financial instruments not quoted in active markets.

(c) Impairment of available-for-sale equity instruments

The Group determines that available-for-sale equity instruments are impaired and recognised as such in the income statement, when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Group determined that the impairment of available-for-sale equity instruments were not appropriate for the year under review.

(d) Securitisations and special purpose entities

The Group sponsors the formation of special purpose entities ("SPEs") primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection. The Group consolidates SPEs that it does control in terms of IFRS. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear decision. In such cases, the SPE is accounted for based on management's best estimate of the economic reality of the underlying transaction.

Refer to note 42 for more information regarding the Group's synthetic securitisations and the respective carrying amounts.

(e) Income taxes

The Group is subject to direct tax in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Refer to notes 8 and 20 for more information regarding the direct and deferred tax charges, assets and liabilities.

(f) Financial risk management

The Group's risk management policies are disclosed in the risk report on pages 96 to 175 of the annual report. The repricing analysis on page 143 forms part of the audited annual financial statements.

(g) Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units ("CGU") has been determined based on value-in-use calculations, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in notes 21 to these financial statements.

Refer to note 21 for the impairment loss recorded on Goodwill.

50 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

(h) Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds and post retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to the income statement arising from these obligations include the expected long term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to the income statement and may affect planned funding of the pension plans.

The assumptions related to the expected return on plan assets are determined on a uniform basis, considering long term historical returns, assets allocation and future estimations of long term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the expected cash outflows required to settle the pension and post retirement medical obligations. In determining the appropriate discount rate, the Group considers the interest rate on high quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

Additional information is provided in note 29.

(i) Share based payments

Share based payment costs arise from the issue of share options to employees. These share options are classified as equity settled share based payments and as such, the fair value cost is determined on date of grant on an actuarial basis using a number of assumptions. These assumptions used in determining the fair value cost include expected volatility, expected dividend yield, the discount rate and the expected forfeit of lapse rate. In accordance with the principles of valuing equity settled share based payments, only a change in the actual experience of forfeits compared to the estimated forfeit rate assumption, will impact on the charge in the income statement. All other assumptions are determined at grant date and are not amended.

The expected volatility assumption is determined based on a ruling historical volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on zero coupon government bonds and have terms to maturity consistent with the assumed life of the share option. The expected forfeit rate has been based on historical experience and management estimates.

Refer to note 37 for the detailed information regarding the share based payment expense and the assumptions used in determining the expense, liability and reserve.

(j) Fair value of commodities

The Group is long on certain commodities through the outright purchase of the specific commodity or through a series of OTC forward purchase agreements. Judgement has been applied in determining the fair value of the most recent transactions between market participants that is used to calculate the fair value of the physical commodity positions. In addition, judgement and estimation has been applied in determining the method for calculating the fair value of the commodity forward purchase agreements.

51 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group will comply with the following new standards and interpretations applicable to its business from the stated effective date.

		Effective date
IFRIC 12	**Service Concession Arrangements** The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. This interpretation is not applicable to the Group.	Annual periods commencing on or after 1 March 2008
IFRIC 13	**Customer Loyalty Programmes** The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits (such as "points" or travel miles) and recognise that portion of the proceeds as revenue only when the entity has fulfilled its obligations. An entity may fulfil its obligation by supplying awards themselves or engaging a third party to do so. This interpretation is not expected to have a significant impact on the Group's results.	Annual periods commencing on or after 1 July 2008
IFRIC 14	**IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** This interpretation addresses the interaction between the minimum funding requirement and the limit on the measurement of the defined asset or liability. To determine the limit, the interpretation requires an entity to measure any economic benefits available to them through either refunds or reduction in future contributions. The impact of this interpretation on the Group is not considered to be significant.	Annual periods commencing on or after 1 March 2009
IFRIC 15	**Real Estate Sales** The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is not applicable to the Group.	Annual periods commencing on or after 1 January 2009
IFRIC 16	**Hedges of a Net Investment of a Foreign Operation** The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the Group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation. The Group does not currently apply hedge accounting to net investments in foreign operations.	Annual periods commencing on or after 1 October 2008
IFRS 1 and IAS 27 (revised)	**Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** The amendments to IFRS 1 allow first time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment will not impact the Group as the Group adopted IFRS in full in the financial year ending 30 June 2006. Consequently, IFRS 1 is no longer appropriate.	Annual periods commencing on or after 1 January 2009
IFRS 2 (amended)	**Vesting Conditions and Cancellations** The amendments to IFRS 2 clarify that vesting conditions are performance conditions and service conditions only. The amendment also clarify that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the Group's results significantly.	Annual periods commencing on or after 1 January 2009
IFRS 3 and IAS 27 (revised)	**Revision to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements** The revised IFRS 3 retains the current basic requirements. The most significant amendments are that the acquisition related costs will now be recognised as an expense in the income statement when incurred, rather than including it in goodwill. The revised IFRS 3 also states that contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in the income statement rather than by adjusting goodwill. The amendment to IAS 27 requires that changes in a parent's ownership interest in a subsidiary that does not result in a loss of control should be accounted for within equity. The amendments are expected to affect the Group's accounting for business combinations that arise after the effective date. The amendment to IAS 27 requires that transactions with minorities be accounted for as equity, which is the current accounting policy of the Group.	Annual periods commencing on or after 1 July 2009

51 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IFRS 8	**Operating Segments** IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable operating segments. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The standard addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact on the revised disclosure is not expected to be significant.	Annual periods commencing on or after 1 January 2009
IAS 1 (revised)	**Presentation of Financial Statements** The main change in the revised IAS 1 is the requirement to present all non owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances. The amendments will not affect the financial position or results of the Group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the Group.	Annual periods commencing on or after 1 January 2009
IAS 23 (amended)	**Borrowing Costs** The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost of such assets is therefore now required. The Group's accounting policy is to capitalise borrowing costs on a qualifying asset. The amendment will therefore not have an effect on the Group's results.	Annual periods commencing on or after 1 January 2009
IAS 32 (amended)	**Financial Instruments Puttable at Fair value** The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro rata share of the entity only on liquidation as equity. The amendments set out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to impact the Group.	Annual periods commencing on or after 1 January 2009
IAS 39 (amended)	**Eligible Hedged Items** The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cash flows of a recognised financial instrument. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non financial item and to improve effectiveness, an entity is allowed to exclude the time value of money from the hedging instrument. This amendment is not expected to have a significant impact to the Group.	Annual periods commencing on or after 1 July 2009
Annual Improvements	**Annual Improvements Project** As part of its first annual improvements projects, the IASB has issued its edition of annual improvements. The annual improvement project aims to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. There are no significant changes in the current year's improvement that will affect the Group.	Annual periods commencing on or after 1 January 2009

52 TRANSACTIONS INVOLVING THE LEGAL FORM OF A LEASE

The Group entered into an arrangement with the counterparty for the refurbishment of moveable assets, which are for the exclusive use of the counterparty. The duration of the arrangement is for 14 years and will conclude in May 2016. The transactions are a series of back to back leases, which, although the transactions are structured as leases, are in substance a financing arrangement.

Fees received are recognised annually in non interest income.

Income received for the period amounted to R37 million (2007: R60 million) and is reflected in interest and similar income in the consolidated income statement.

53 DISCONTINUED OPERATION

Discontinued operations

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

However, with Discovery's launch of an investment business and Momentum's ambition in the healthcare sector, a decision was taken to sell 21 569 301 Discovery shares and to unbundle the balance of 316 357 337 Discovery shares.

Management and shareholders approved the transaction on 7 November 2007. From this date onwards FirstRand no longer had any investment in Discovery.

An analysis of the results of the Discovery Group Limited operations is set out below:

R MILLION	Four months ended 7 November 2007	Year ended 30 June 2007
Interest and similar income	52	139
Interest expense and similar charges	(7)	(23)
Net interest income	45	116
Non interest income	1 182	3 277
Net insurance premium income	865	2 865
Net claims and benefits paid	(342)	(1 254)
Increase in value of policyholder liabilities	257	471
Income from operations	2 007	5 475
Operating expenditure	(1 397)	(3 800)
Net income from operations	610	1 675
Share of profit of associates and joint ventures	(57)	(97)
Profit before tax of discontinued operation	553	1 578
Tax expense	(179)	(505)
Profit after tax of discontinued operation	374	1 073
Cash flow information:		
Cash flow from operating activities	524	575
Cash flow from investing activities	(420)	(625)
Cash flow from financing activities	(224)	(283)
Total cash flows	(120)	(333)

53 DISCONTINUED OPERATION continued

R MILLIONS	As at 7 November 2007	As at 30 June 2007
Balance sheet		
Total assets	9 062	8 500
Total liabilities	3 431	3 138
A reconciliation of the profit on disposal of Discovery Group Limited:		
Proceeds on disposal	1 184	
Net asset value at date of disposal and unbundling of Discovery Group Limited	(605)	
Goodwill realised	(9)	
Profit before tax on unbundling and sale of Discovery	570	
Tax	(76)	
Net profit from disposal/unbundling of Discovery Group Limited	494	
Profit after tax of discontinued operation	374	
Profit after tax from discontinued operation	868	

Discovery was previously shown as the "Discovery Segment" in note "Segment report".

54 SUBSEQUENT EVENTS

Subsequent to balance sheet date WesBank reached agreement to dispose of the MotorOne Autoloan book in Australia. In terms of the agreement, the Group will realise a loss of approximately R114 million, which is in line with expectations.

The loss will be reported in the Group's interim results for the six months ended 31 December 2008.

55 RESTATEMENT OF PRIOR YEAR NUMBERS

R MILLION	Amount as previously stated	Amount as restated	Difference	Explanation
Headline earnings	10 457	10 854	397	Profit on private equity realisation included in headline earnings.
Headline earnings per share (cents)				
– Basic	202.5	210.2	7.7	As above.
– Diluted	196.8	204.2	7.4	As above.
Income statement				
Interest and similar income	45 463	45 324	(139)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Interest expense and similar charges	(25 844)	(25 821)	23	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Non interest income	51 040	47 709	(3 331)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Net insurance premium income	7 946	5 081	(2 865)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Net claims and benefits paid	(6 844)	(5 590)	1 254	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Increase in value of policyholder liabilities	(25 064)	(25 535)	(471)	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Operating expenses	(27 088)	(23 288)	3 800	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Share of profit of associates and joint ventures	2 101	2 198	97	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Tax	(5 721)	(5 216)	505	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Fair value adjustment to financial liabilities	(54)	–	54	Reallocation to non interest income.
Profit after tax on discontinued operation	–	1 073	1 073	Reallocation of Discovery numbers to profit after tax on discontinued operation line.
Balance sheet				
Advances	378 945	387 020	8 075	Change in classification to align with industry practice and underlying nature of instruments.
Investment securities and other investments	221 950	213 875	(8 075)	As above.
Deposits	416 507	421 568	5 061	Reclassification of certain short trading positions and derivatives to deposits, to align with industry practise in terms of IFRS 7.
Short trading position	36 870	32 175	(4 695)	As above.
Derivative financial instruments	24 505	24 139	(366)	As above.

FIRSTRAND

FINANCIAL STATEMENTS

FIRSTRAND LIMITED

INCOME STATEMENT
for the year ended 30 June

R MILLION	Notes	2008	2007
Interest and similar income	2	33	10
Interest expense and similar charges	2	(3)	(13)
Net interest income		30	(3)
Non interest income	3	9 125	6 678
– fees and commissions	3	21	15
– gains less losses from investment securities	3	8 618	6 663
– profit on sale of subsidiary	3	486	–
Income from operations		9 155	6 675
Operating expenses	4	(72)	(115)
Income before tax		9 083	6 560
Tax	5	(44)	(47)
Profit for the year		9 039	6 513
Attributable to:			
Equity holders of the company		8 630	6 165
Non cumulative non redeemable preference shareholders		409	348
Profit for the year		9 039	6 513

R MILLION	Notes	2008	2007
ASSETS			
Cash and short term funds	7	**48**	41
Loans and accounts receivable	8	**27**	62
Investment in subsidiaries	9	**20 496**	18 077
Property and equipment		*****	*
Deferred tax asset	10	**–**	5
Tax asset		**–**	13
Total assets		**20 571**	18 198
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	11	**86**	88
Tax liability		**26**	–
Long term liabilities	12	**2**	25
Total liabilities		**114**	113
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	13	**56**	56
Share premium	13	**7 083**	8 426
Reserves		**8 799**	5 084
		15 938	13 566
Non cumulative non redeemable preference shares	13	**4 519**	4 519
Total equity		**20 457**	18 085
Total equity and liabilities		**20 571**	18 198

** Less than R500 000*

	Ordinary share capital and		
R MILLION	Share capital (note 13)	Share premium (note 13)	Retained earnings
Balance at 1 July 2006	**56**	**8 591**	**1 214**
Conversion of convertible redeemable preference shares	*	(165)	165
Movement in other reserves	–	–	(6)
Earnings attributable to ordinary shareholders	–	–	6 165
Ordinary dividends	–	–	(4 141)
Preference dividends	–	–	–
Share based payment reserve	–	–	–
Balance at 30 June 2007	56	8 426	3 397
Balance at 1 July 2007	56	8 426	3 397
Conversion of convertible redeemable preference shares	*	–	–
Earnings attributable to ordinary shareholders	–	–	8 630
Ordinary dividends	–	–	(4 918)
Preference dividends	–	–	–
Unbundling of Discovery	–	(1 343)	–
Share based payment reserve	–	–	10
Balance at 30 June 2008	**56**	**7 083**	**7 119**

* *Less than R500 000*

ordinary shareholders' funds			Perpetual preference shareholders' funds			
Share based payment reserve	Capital redemption reserve	Total ordinary shareholders' funds	Non cumulative preference share capital	Non cumulative preference share premium	Total preference shareholders' funds	Total equity
1 663	**1**	**11 525**	*	**4 519**	**4 519**	**16 044**
–	–	–	–	–	–	–
–	–	(6)	–	–	–	(6)
–	–	6 165	–	348	348	6 513
–	–	(4 141)	–	–	–	(4 141)
–	–	–	–	(348)	(348)	(348)
23	–	23	–	–	–	23
1 686	1	13 566	*	4 519	4 519	18 085
1 686	1	13 566	*	4 519	4 519	18 085
–	–	*	–	–	–	*
–	–	8 630	–	409	409	9 039
–	–	(4 918)	–	–	–	(4 918)
–	–	–	–	(409)	(409)	(409)
–	–	(1 343)	–	–	–	(1 343)
(7)	–	3	–	–	–	3
1 679	**1**	**15 938**	*	**4 519**	**4 519**	**20 457**

for the year ended 30 June

R MILLION	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	15.1	8 597	6 577
Working capital changes	15.2	33	62
Net cash flow from operations		8 630	6 639
Tax paid	15.3	(88)	(116)
Dividends paid	15.4	(5 327)	(4 489)
Net cash flows from operating activities		3 215	2 034
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investment in subsidiaries		(3 270)	(2 170)
Proceeds on sale of subsidiary		577	–
Loan from/(to) subsidiaries		(492)	179
Net cash flows from investment activities		(3 185)	(1 991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term debt		(23)	(39)
Net cash flows from financing activities		(23)	(39)
Increase in cash and cash equivalents		7	4
Cash and cash equivalents at the beginning of the year		41	37
Cash and cash equivalents at the end of the year		48	41

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements of FirstRand Limited ("FirstRand") are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Group. For detailed accounting policies refer to pages 176 to 197 of this report.

	2008		
R MILLION	Amortised cost	Non financial assets and liabilities	Total
2 ANALYSIS OF INTEREST INCOME AND EXPENSE			
Interest and similar income			
– Cash and short term funds	30	–	30
– "A" preference share dividends received	–	3	3
Interest and similar income	30	3	33
Interest expense and similar charges			
– "A" preference share dividends paid	–	3	3
Interest expense and similar charges	–	3	3

	2007		
R MILLION	Amortised cost	Non financial assets and liabilities	Total
Interest and similar income			
– Cash and short term funds	5	–	5
– "A" preference share dividends received	–	5	5
Interest and similar income	5	5	10
Interest expense and similar charges			
– Borrowed funds	8	–	8
– "A" preference share dividends paid	–	5	5
Interest expense and similar charges	8	5	13

R MILLION	2008	2007
3 ANALYSIS OF NON INTEREST INCOME		
– Fees and commissions		
Fees from subsidiaries[1]	21	15
Other fees	*	*
Total fees and commissions	21	15
– Gains less losses from investment activities		
– Dividends received from subsidiaries – unlisted shares		
– Ordinary dividends[1]	8 300	6 393
– Preference dividends[1]	318	270
– Other non interest income		
Profit on sale of subsidiary	486	–
Total gains less losses from investment activities	9 104	6 663
Total non-interest income	9 125	6 678

1 Non interest income relating to non financial assets and liabilities
** Less than R500 000*

R MILLION	Notes	2008	2007
4 OPERATING EXPENSES			
Advertising and marketing		5	4
Annual reports		6	6
Auditors' remuneration			
– Audit fees		4	3
– Fees for other services		1	*
– Prior year under provision		–	2
Depreciation			
– Motor vehicles		*	*
Directors' fees paid		4	4
Direct staff costs			
– Salaries, wages and allowances		15	11
– Contributions to employee benefit funds		2	1
– Share based payment expense		3	26
– Other		*	*
Donations		–	2
Investor relations		4	3
Operating lease charges			
– Property		3	3
– Furniture and equipment		1	1
Professional fees paid to subsidiaries		7	1
Indirect tax			
– Value added tax		4	3
Other		13	45
Total operating expenses		**72**	115

** Less than R500 000*

R MILLION	Notes	2008	2007
5 TAX			
South African normal taxation			
– Normal tax – current year		8	3
– Deferred – current year		5	(5)
South African secondary taxation on companies ("STC")		1	49
Capital gains tax– current year		30	–
Total tax charge		44	47

Tax rate reconciliation	Actual R MILLION	%	%
Effective rate of taxation	44	–	0.7
Total tax has been affected by:			
Dividends received	2 413	28.0	29.5
Non deductible expenses	(128)	(2.0)	(0.5)
Secondary taxation on companies ("STC")	(1)	–	(0.7)
Secondary taxation on companies ("STC") credits	(5)	–	–
Taxable accounting capital profit – sale of subsidiary	136	2.0	–
Taxable capital profit – sale of subsidiary	(30)	–	–
Standard rate of taxation	2 429	28.0	29.0

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on pages 176 to 197 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet per category of financial instrument to which they are assigned and therefore by measurement basis:

	2008			
R MILLION	Loans and receivables	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
ASSETS				
Cash and short term funds	48	–	–	48
Loans and accounts receivable	27	–	–	27
Investment in subsidiaries	–	–	20 496	20 496
Property and equipment	–	–	*	*
Total assets	75	–	20 496	20 571
LIABILITIES				
Creditors and accruals	–	86	–	86
Tax liability	–	–	26	26
Long term liabilities	–	2	–	2
Total liabilities	–	88	26	114

	2007			
ASSETS				
Cash and short term funds	41	–	–	41
Loans and accounts receivable	62	–	–	62
Investment in subsidiaries	–	–	18 077	18 077
Property and equipment	–	–	*	*
Deferred tax asset	–	–	5	5
Tax asset	–	–	13	13
Total assets	103	–	18 095	18 198
LIABILITIES				
Creditors and accruals	–	88	–	88
Long term liabilities	–	25	–	25
Total liabilities	–	113	–	113

** Less than R500 000*

R MILLION	2008	2007
7 CASH AND SHORT TERM FUNDS		
Balances with other banks	48	41
Cash and short term funds	**48**	**41**
8 LOANS AND ACCOUNTS RECEIVABLES		
Receivables		
Dividends receivable ("A" preference shares)	5	3
Sundry debtors	*	*
Total receivables	**5**	**3**
Loans		
Outperformance share incentive scheme loan		
Short term portion of loan to share trust	22	36
Long term portion (asset)	–	23
Total loans	**22**	**59**
Total loans and accounts receivable	**27**	**62**
Fair value of loans and accounts receivable	**27**	**62**

At the balance sheet date all loans and accounts receivables are considered to be neither past due nor impaired.

** Less than R500 000*

	Investment of holding company					
	Effective percentage holding		Amounts owing by/(to) subsidiaries		Shares at net carrying amount	
	2008 %	2007 %	**2008 R million**	2007 R million	**2008 R million**	2007 R million
9 INVESTMENT IN SUBSIDIARIES						
Banking Group						
FirstRand Bank Holdings Limited (FRBH)						
– Ordinary shares	**100**	100	**165**	(134)	**9 354**	8 027
– Non redeemable preference shares	**100**	100	**–**	–	**3 000**	3 000
Momentum						
Momentum Group Limited						
– Ordinary shares	**100**	100	**–**	(9)	**4 633**	4 633
– Non redeemable preference shares	**100**	100	**–**	–	**500**	500
Discovery						
Discovery Holdings Limited	**–**	63.3	**–**	–	**–**	1 435
FirstRand Investment Holdings Limited						
– Ordinary shares (FRIH)	**100**	100	**784**	600	**2 035**	–
– Non redeemable preference shares (FRIH)	**100**	100	**–**	–	**25**	25
FirstRand empowerment trust	**100**	100	**–**	–	**–**	–
Total			**949**	457	**19 547**	17 620
Total interest in subsidiary					**20 496**	18 077
Carrying amount at the beginning of the year					**17 620**	15 450
Movement for the year:						
Disposal/unbundling of Discovery					**(1 435)**	–
Increase in investment in FirstRand Banking Group					**1 327**	2 170
Increase in investment in FirstRand Investment Holdings Limited					**2 035**	–
Carrying amount at the end of the year					**19 547**	17 620

The following share trusts are controlled by FirstRand Limited:
- Momentum Life Assurers Limited share trust
- Southern Life Association Limited share scheme
- First National Bank share purchase/option scheme
- FirstRand Limited share trust
- FirstRand staff assistance trust
- FirstRand black employee trust
- FirstRand black non executive directors' trust

The carrying amount of these investments is nil, except for the loan to the FirstRand Limited share trust which is disclosed in note 8.

R MILLION	2008	2007
10 DEFERRED TAX		
Deferred income tax assets and liabilities are offset when the income taxes relate to the same fiscal authority and there is a right to offset at settlement.		
The following amount is disclosed:		
Deferred tax asset	–	5
Tax effects of temporary differences between tax and book value for:		
Deferred tax asset		
Opening balance	5	–
– STC credits	(5)	5
Closing balance	–	5
Movement on deferred tax account is as follows:		
Opening balance	5	–
– Charge to the income statement	(5)	–
– STC charge to the income statement	–	5
Closing balance	–	5
11 CREDITORS AND ACCRUALS		
Unclaimed dividends	24	20
Dividends payable ("A" preference shares)	5	3
Sundry creditors	35	29
Loan from FirstRand empowerment trust	*	*
Short term portion of long term liability (note 11)	22	36
Total creditors and accruals	86	88
The carrying value of creditors and accruals approximates their fair value at year end.		
** Less than R500 000*		
12 LONG TERM LIABILITIES		
Outperformance share incentive scheme liability		
Total Outperformance share incentive scheme liability	22	59
Short term portion disclosed under creditors and accruals	(22)	(36)
Long term portion	–	23
This liability represents the preference shares issued in terms of the Outperformance share incentive scheme.		
Other		
Share based payment	2	2
Total long term liabilities	2	25

13 SHARE CAPITAL AND SHARE PREMIUM

Authorised

Number of shares

Issued

Ordinary shares

Opening balance

– Conversion of convertible redeemable preference shares

– Unbundling of Discovery

Closing balance

"A" preference shares

Opening balance

– Redeemed during the year

– Converted during the year

Closing balance

"B" preference shares

Opening balance

– Redeemed during the year

– Converted during the year

Closing balance

"B1" preference shares

Opening balance

– Redeemed during the year

– Converted during the year

Closing balance

Total issued share capital and share premium – closing balance

Analysis of total issued share capital at the end of the year

Ordinary issued share capital at end of year as above (1 cent each)

"A" variable rate convertible redeemable cumulative preference shares (1 cent each)

"B" variable rate non cumulative non redeemable preference shares (1 cent each)

"B1" variable rate non cumulative non redeemable preference shares (1 cent each)

Preference shares presented under long term liabilities

Total issued share capital and share premium – closing balance

Disclosed on the face of the balance sheet

– Ordinary share capital and share premium

– Non cumulative non redeemable preference shareholders

Total issued share capital and share premium – closing balance

** Less than R500 000*

*** The "A" preference shares are not listed*

2008							
Number of ordinary shares	Number of "A" preference shares**	Number of non redeemable "B" and "B1" preference shares	Number of non redeemable preference "C" shares	Number of redeemable preference "D" shares	Share capital R million	Share premium R million	Total R million
6 001 576 979	198 423 021	100 000 000	100 000 000	100 000 000			
5 635 715 676					56	8 426	8 482
2 114 542					*	–	–
					–	(1 343)	(1 343)
5 637 830 218					56	7 083	7 139
	8 767 500				1	58	59
	(3 330 458)				(1)	(22)	(23)
	(2 114 542)				*	(14)	(14)
	3 322 500				*	22	22
		30 000 000			–	2 992	2 992
					–	–	–
					–	–	–
		30 000 000			–	2 992	2 992
		15 000 000			–	1 527	1 527
					–	–	–
					–	–	–
		15 000 000			–	1 527	1 527
5 637 830 218	3 322 500	45 000 000			56	11 624	11 680
					56	7 083	7 139
					–	22	22
					–	2 992	2 992
					–	1 527	1 527
					–	(22)	(22)
5 637 830 218	3 322 500	45 000 000			56	11 602	11 658
							7 139
							4 519
							11 658

13 SHARE CAPITAL AND SHARE PREMIUM continued

Authorised
Number of shares
Issued
Ordinary shares
Opening balance
– Conversion of convertible redeemable preference shares
Closing balance
"A" preference shares
Opening balance
– Redeemed during the year
– Converted during the year
Closing balance
"B" preference shares
Opening balance
– Redeemed during the year
– Converted during the year
Closing balance
"B1" preference shares
Opening balance
– Redeemed during the year
– Converted during the year
Closing balance
Total issued share capital and share premium – closing balance
Analysis of total issued share capital at the end of the year
Ordinary issued share capital at end of year as above (1 cent each)
"A" variable rate convertible redeemable cumulative preference shares (1 cent each)
"B" variable rate non cumulative non redeemable preference shares (1 cent each)
"B1" variable rate non cumulative non redeemable preference shares (1 cent each)
Preference shares presented under long term liabilities
Total issued share capital and share premium – closing balance
Disclosed on the face of the balance sheet
– Ordinary share capital and share premium
– Non cumulative non redeemable preference shareholders
Total issued share capital and share premium – closing balance

** Less than R500 000*

*** The "A" preference shares are not listed*

2007							
Number of ordinary shares	Number of "A" preference shares**	Number of non redeemable "B" and "B1" preference shares	Number of non redeemable preference "C" shares	Number of redeemable preference "D" shares	Share capital R million	Share premium R million	Total R million
5 999 462 437	200 537 563	100 000 000	100 000 000	100 000 000			
5 634 120 503					56	8 591	8 647
1 595 173					*	(165)	(165)
5 635 715 676					56	8 426	8 482
	15 127 500				1	101	102
	(4 764 827)				*	(32)	(32)
	(1 595 173)				*	(11)	(11)
	8 767 500				1	58	59
		30 000 000			–	2 992	2 992
					–	–	–
					–	–	–
		30 000 000			–	2 992	2 992
		15 000 000			–	1 527	1 527
					–	–	–
					–	–	–
		15 000 000			–	1 527	1 527
5 635 715 676	8 767 500	45 000 000			57	13 003	13 060
					56	8 426	8 482
					1	58	59
					–	2 992	2 992
					–	1 527	1 527
					(1)	(58)	(59)
5 635 715 676	8 767 500	45 000 000			56	12 945	13 001
							8 482
							4 519
							13 001

R MILLION	2008	2007
14 DIVIDENDS		
Ordinary dividends		
An interim dividend of 44.25 cents (2007: 39.5 cents) per share was declared on 31 March 2008 in respect of the six months ended 31 December 2007	2 494	2 226
A final dividend of 38.25 cents (2007: 43 cents) per share was declared on 15 September 2008 in respect of the six months ended 30 June 2008	2 156	2 423
Total ordinary dividends declared for the year	4 650	4 649
Preference dividends		
"B" preference shares		
An interim dividend of 477.77 cents (2007: 409.67 cents) per share was declared on 25 February 2008 in respect of the six months ended 31 December 2007	143	123
A final dividend of 511.3 cents (2007: 431 cents) per share was declared on 25 August 2008 in respect of the six months ended 30 June 2008	153	129
"B1" preference shares		
An interim dividend of 477.77 cents (2007: 409.67 cents) per share was declared on 25 February 2008 in respect of the six months ended 31 December 2007	72	61
A final dividend of 511.3 cents (2007: 431 cents) per share was declared on 25 August 2008 in respect of the six months ended 30 June 2008	77	66
Total preference dividends declared for the year	445	379
15 CASH FLOW INFORMATION		
15.1 Cash generated by operations		
Net income before tax attributable to shareholders	9 083	6 560
Adjustment for non cash items	–	17
Profit on sale of subsidiary	(486)	–
Cash generated by operations	8 597	6 577
15.2 Working capital changes		
Decrease in current assets	35	68
Decrease in current liabilities	(2)	(6)
Net working capital changes	33	62
15.3 Tax paid		
Tax payable and deferred tax at beginning of the year	(18)	(51)
Charge to income statement	(44)	(47)
Tax payable and deferred tax at the end of the year	(26)	(18)
Tax paid	(88)	(116)

R MILLION	2008	2007
15 CASH FLOW INFORMATION continued		
15.4 Dividends paid		
Ordinary dividends		
Final dividend paid on:		
– 22 October 2007 in respect of the year ended 30 June 2007	(2 424)	–
– 23 October 2006 in respect of the year ended 30 June 2006	–	(1 915)
Interim dividend paid on:		
– 31 March 2008 in respect of the period ended 31 December 2007	(2 494)	–
– 26 March 2007 in respect of the period ended 31 December 2006	–	(2 226)
Ordinary dividends paid	**(4 918)**	**(4 141)**
Preference dividends on "B" preference shares		
Final dividend paid on:		
– 25 August 2007 in respect of the year ended 30 June 2007	(129)	–
– 28 August 2006 in respect of the year ended 30 June 2006	–	(109)
Interim dividend paid on:		
– 25 February 2008 in respect of the period ended 31 December 2007	(143)	–
– 26 February 2007 in respect of the period ended 31 December 2006	–	(123)
Preference dividends on "B1" preference shares		
Final dividend declared on:		
– 25 August 2007 in respect of the year ended 30 June 2007	(65)	–
– 28 August 2006 in respect of the year ended 30 June 2006	–	(55)
Interim dividend declared on:		
– 25 February 2008 in respect of the period ended 31 December 2007	(72)	–
– 26 February 2007 in respect of the period ended 31 December 2006	–	(61)
Preference dividends paid	**(409)**	**(348)**
Total dividends paid	**(5 327)**	**(4 489)**

R MILLION	2008	2007

16 RELATED PARTY

FirstRand Limited defines related parties as:

- The parent company
- Associate companies
- Joint ventures
- Post retirement benefit funds (pension funds)
- Key management personnel are the FirstRand board of directors and the FirstRand executive committee
- Key management personnel includes close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the Group.
  This may include:
- Enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies.

The ultimate parent of the FirstRand Limited is RMB Holdings Limited, incorporated in South Africa.

During the current year FirstRand Limited sold 3 209 301 Discovery Group Limited shares at R26.77 to RMB Holdings. During the prior year FirstRand Limited did not enter directly into transactions with its parent company.

16.1 Subsidiaries

Details of interest in subsidiaries as well as loan account balances are disclosed in note 9.

16.2 Details of transactions with relevant related parties appear below:

R MILLION	2008	2007
Interest received/(paid)	30	(8)
Fees and commissions earned	21	15
Dividends received	8 618	6 663

16.3 Key management personnel

Please refer to note 49.4 for detailed disclosure.

17 SUBSEQUENT EVENTS

No matter which is material to the financial affairs of the company occurred between the balance sheet date and the date of the approval of the annual financial statements.

18 CONTINGENT LIABILITIES

FirstRand Limited provides put options to holders of certain debt instruments issued by its subsidiaries. The term of put option determines that in the instance where the subsidiaries default on the terms of debt instrument agreements, the capital amount of the debt and any accrued dividend will be repaid by FirstRand Limited. At 30 June 2008 no instance of default by a subsidiary had occurred.

DETAILS OF DIRECTORS

The names of the directors, their age, qualifications and other details appear on page 74 of this report.

DIRECTORS' EMOLUMENTS

Remuneration and fees

Payments to directors during the year for services rendered are as follows:

	Services as directors FSR R000's	Services as directors Group R000's	Cash package[1] R000's	Retirement and medical aid fund contributions R000's	Performance related[2] R000's	Other benefits[3,4,5] R000's	Total 2008 R000's
Executive							
PK Harris	–	–	4 495	705	8 200	2 000	15 400
SE Nxasana	–	–	4 065	555	8 100	128	12 848
Subtotal	–	–	8 560	1 260	16 300	2 128	28 248
Non executive							
GT Ferreira (chairman)	705	1 426	–	–	–	–	2 131
VW Bartlett	197	923	–	–	–	5 000	6 120
DJA Craig	175	–	–	–	–	–	175
LL Dippenaar	213	1 177	–	–	–	–	1 390
DM Falck	175	417	–	–	–	–	592
PM Goss	264	391	–	–	–	–	655
NN Gwagwa	201	–	–	–	–	–	201
YI Mahomed (deceased)	145	–	–	–	–	–	145
G Moloi	175	–	–	–	–	–	175
AP Nkuna	201	–	–	–	–	–	201
AT Nzimande (appointed)	66	116	–	–	–	–	182
KB Schoeman (appointed)	24	–	–	–	–	–	24
SEN Sebotsa (resigned)	118	198	–	–	–	–	316
KC Shubane	175	–	–	–	–	–	175
RK Store	265	1 139	–	–	–	–	1 404
BJ van der Ross	301	1 447	–	–	–	–	1 748
F van Zyl Slabbert	140	–	–	–	–	–	140
RA Williams	213	477	–	–	–	–	690
Subtotal	3 753	7 711	–	–	–	5 000	16 464
Total	3 753	7 711	8 560	1 260	16 300	7 128	44 712

1 *"Cash package" includes travel and other allowances.*

2 *"Performance related" payments are in respect of the year ended 30 June 2008, but will be paid (together with an interest factor) in three tranches, during the year ending 30 June 2009.*

3 *Fees earned by executive directors from FirstRand and its subsidiaries are waived and ceded to companies in the FirstRand Group and do not accrue to them in their private capacity. These fees are not reflected in the above schedule.*

4 *Other benefits comprise the profit share entitlement from the Group co-investment scheme (see note 37 to the financial statements). The amount reflected as accruing to Mr Bartlett relates to a payment made in recognition of the outstanding work done by him in chairing the VISA listing.*

5 *Benefits derived by executive directors in terms of their share option schemes are disclosed on page 350. No options are granted to executive directors who have attained the age of 57 by September of each year, however a payment is made in lieu thereof.*

DIRECTORS' EMOLUMENTS continued

	Services as directors FSR R000's	Group R000's	Cash package R000's	Retirement and medical aid fund contributions R000's	Performance related R000's	Other benefits R000's	Total 2007 R000's
Executive							
PK Harris	–	–	4 092	611	9 100	2 650	16 453
SE Nxasana	–	–	3 684	502	9 000	247	13 433
Subtotal	–	–	7 776	1 113	18 100	2 897	29 886
Non executive							
GT Ferreira (chairman)	681	1 151					1 832
VW Bartlett	178	680					858
DJA Craig	166	–					166
LL Dippenaar	213	1 070					1 283
DM Falck	177	378					555
PM Goss	231	299					530
NN Gwagwa	190	–					190
MW King	214	680					894
YI Mahomed	201	–					201
G Moloi	177	–					177
AP Nkuna	167	–					167
SEN Sebotsa	201	377					578
KC Shubane	177	–					177
RK Store	89	661					750
BJ van der Ross	296	1 207					1 503
F van Zyl Slabbert	177	–					177
RA Williams	213	417					630
Subtotal	3 748	6 920					10 668
Total	3 748	6 920	7 776	1 113	18 100	2 897	40 554

The current interests of executive directors in share incentive schemes, together with benefits derived from sales and redemptions are as follows:

First Rand share option scheme	Opening balance (number of shares)	Strike price (cents)	Expiry date	Granted/ Taken up this year (number of shares)	Closing balance (number of shares)	Benefit derived (Rand)
PK Harris	657 933	655	17/09/2007	(657 933)	–	10 033 478
	328 966	608	16/09/2008	(164 483)	164 483	2 319 210
	394 760	1050	01/10/2009	–	394 760	–
	540 000	1533	03/10/2010	–	540 000	–
	*800 000	1633	31/10/2011	–	*800 000	–
Total	2 721 659			(822 416)	1 899 243	12 352 688
SE Nxasana	2 000 000	1329	20/10/2010	–	2 000 000	–
	*350 000	1633	31/10/2011	–	*350 000	–
		2053	31/10/2012	*2 000 000	*2 000 000	–
Total	2 350 000			2 000 000	4 350 000	–

* *Share appreciation rights (APRs)*

The strike prices reflected above are those after the unbundling of Discovery Holdings. The strike price has been reduced by R1.62 per share to reflect this unbundling.

Mr Harris being within three years of retirement does not participate in new issues of options or share appreciation rights. Accordingly his bonus has been adjusted to recognise the value of options not awarded. On retirement at the age of 60, all options will vest and Mr Harris will be required to take transfer.

FIRSTRAND OUTPERFORMANCE SCHEME

No directors currently participate in this scheme which will come to an end in October 2008.

PARTICIPATION BY CERTAIN BLACK DIRECTORS IN THE FIRSTRAND BLACK NON EXECUTIVE DIRECTORS' SHARE TRUST

Messrs KC Shubane, SE Nxasana and BJ van der Ross and Mesdames NN Gwagwa and G Moloi were each granted rights to 1 000 000 FirstRand ordinary shares in terms of the FirstRand black non executive directors' trust deed. The rights entitle the non executive directors to a distribution based on the difference between the market value of the shares on the distribution date and the net allocated cost.

In the event of a director ceasing to be a director prior to 31 December 2014, the participation rights of that director are reduced by 10% in respect of each year prior to 31 December 2014 during which he/she is not a director. The trust owns 15 000 000 FirstRand ordinary shares. In terms of the trust deed, executive directors who were previously non executive directors are entitled to retain their interests in the trust upon their appointment to the executive.

DIRECTORS' INTERESTS

According to the Register of Directors' Interest, maintained by FirstRand in accordance with the provisions of section 140A of the Companies Act, directors of FirstRand have disclosed the following interest in the company at 30 June 2008.

Certain directors have also disclosed their effective interest in FirstRand as a result of their shareholding in RMB Holdings Limited, which company holds 30.06% (2007: 30.07%) of the issued share capital of FirstRand.

Ordinary shares

000's	Direct beneficial	Indirect* beneficial	Indirect via RMBH	**Total 2008**	Total 2007
VW Bartlett	3 693	376	–	**4 069**	4 069
LL Dippenaar	–	3 555	126 634	**130 189**	132 461
GT Ferreira	–	–	122 217	**122 217**	124 409
PM Goss	1	–	16 232	**16 233**	16 417
PK Harris	–	2 864	41 185	**44 049**	44 984
G Moloi	1	–	–	**1**	1
AP Nkuna	28	–	–	**28**	28
KC Shubane	41	–	4	**45**	41
RA Williams	–	54	–	**54**	54
Total	3 764	6 849	306 272	**316 885**	322 464

Since the end of the financial year end to the date of this report, the interest of directors remained unchanged.
** Includes shareholding through associates as defined per the JSE listing requirements.*

"B" preference shares

000's	Direct beneficial	Indirect* beneficial	**Total 2008**	Total 2007
LL Dippenaar	–	520	**520**	520
PM Goss	–	49	**49**	49
RA Williams	–	4	**4**	4
Total	–	573	**573**	573

Since the end of the financial year end to the date of this report, the interest of directors remained unchanged.
** Includes shareholding through associates as defined per the JSE listing requirements.*

Group share incentive schemes

In addition the executive directors participate in Group share incentive schemes. Their participation is subject to the specific approval of the FirstRand Remuneration committee and allocations are done on pricing parameters consistent with those extended to other senior executives.

Companies Act	Companies Act, Act 61 of 1973 as amended
Dividend cover	Normalised earnings per share divided by dividend per share.
Diluted normalised earnings per share	Normalised earnings attributable to ordinary shareholders divided by the weighted average number of shares including treasury shares adjusted for potential dilution effect of Outperformance scheme.
King Code 2002/the Code	King report on Corporate Governance for South Africa 2002.
National Credit Act ("NCA")	National Credit Act, No 34 of 2005.
Net asset value (R million)	Equity attributable to ordinary shareholders.
Net asset value per share	Equity attributable to ordinary shareholders divided by number of issued ordinary shares.
Net income after capital charge ("NIACC")	Normalised earnings less the cost of equity times the average ordinary shareholders' equity and reserves.
Normalised earnings	The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies. Refer to page 26 for a detailed description of normalised earnings.
Normalised earnings per share	Normalised earnings attributable to ordinary shareholders divided by the weighted average number of shares including treasury shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price to book (times)	Market capitalisation divided by normalised net asset value.
Profit attributable to ordinary shareholders (R million)	Profit for the year less dividend paid on non cumulative non redeemable preference shares and minorities.
Return on equity ("ROE")	Normalised earnings divided by average normalised ordinary shareholders' equity.
Shares in issue (number)	Number of ordinary shares listed on the JSE.
Weighted average number of ordinary shares (number)	The weighted average number of ordinary shares in issue during the year as listed on the JSE.

BANKING GROUP

Bank's Act	Banks Act, No 94 of 1990 as amended.
Capital adequacy ratio ("CAR")	Capital divided by risk weighted assets.
Cost to income ratio (%)	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profit from associates and joint ventures.
Exposure at default ("EAD")	Exposure at default is defined as the gross exposure of a facility upon default of a counterparty.
Loss given default ("LGD")	The loss given default is defined as the economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Probability of default ("PD")	The probability of default is the probability than a counterparty will default within the next year and considers the ability and willingness of the counterparty to repay.
Risk weighted assets (R million)	Prescribed risk weightings relative to the credit risk of counterparty, operational risk, market risk, equity investment risk and other risk multiplied by on and off balance sheet assets.

MOMENTUM GROUP

Capital adequacy ratio ("CAR")	The amount by which the Financial Services Board requires an insurer's assets to exceed it liabilities. The assets, liabilities and capital adequacy requirement must be calculated using a method which meets the Financial Services Board's requirements. For the current period Momentum's CAR was calculated using the statutory basis. A revised CAR formula has been issued by the Actuarial Society of South Africa and will come into effect on 31 December 2008.
Deferred revenue liability ("DRL")	A DRL is recognised in respect of fees paid at the inception of a contract by a policyholder which are directly attributable to a contract. The DRL is then released to revenue as the investment management services are provided, over the expected duration of the contract, as a constant percentage of the expected gross profit margin (including investment income) arising from the contract.
Discretionary participation featured ("DPF")	A DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses.
Embedded value	The embedded value is defined as: • the shareholders' net worth, which includes subsidiaries and associates at the directors' valuations; plus • the present value of future profits less the opportunity cost of capital in respect of the in-force insurance business. The value of the in-force insurance business is calculated as the present value of the projected stream of future after tax profits at the calculation date. The opportunity cost of capital reflects the fact that the expected long term investment return on the assets backing the capital adequacy requirements is less than the return assumed to be required by the shareholders, as reflected by the risk discount rate.
Present value of in-force ("PVIF")	PVIF is determined by estimating the net present value of future cash flows from contracts in force at the date of acquisition.

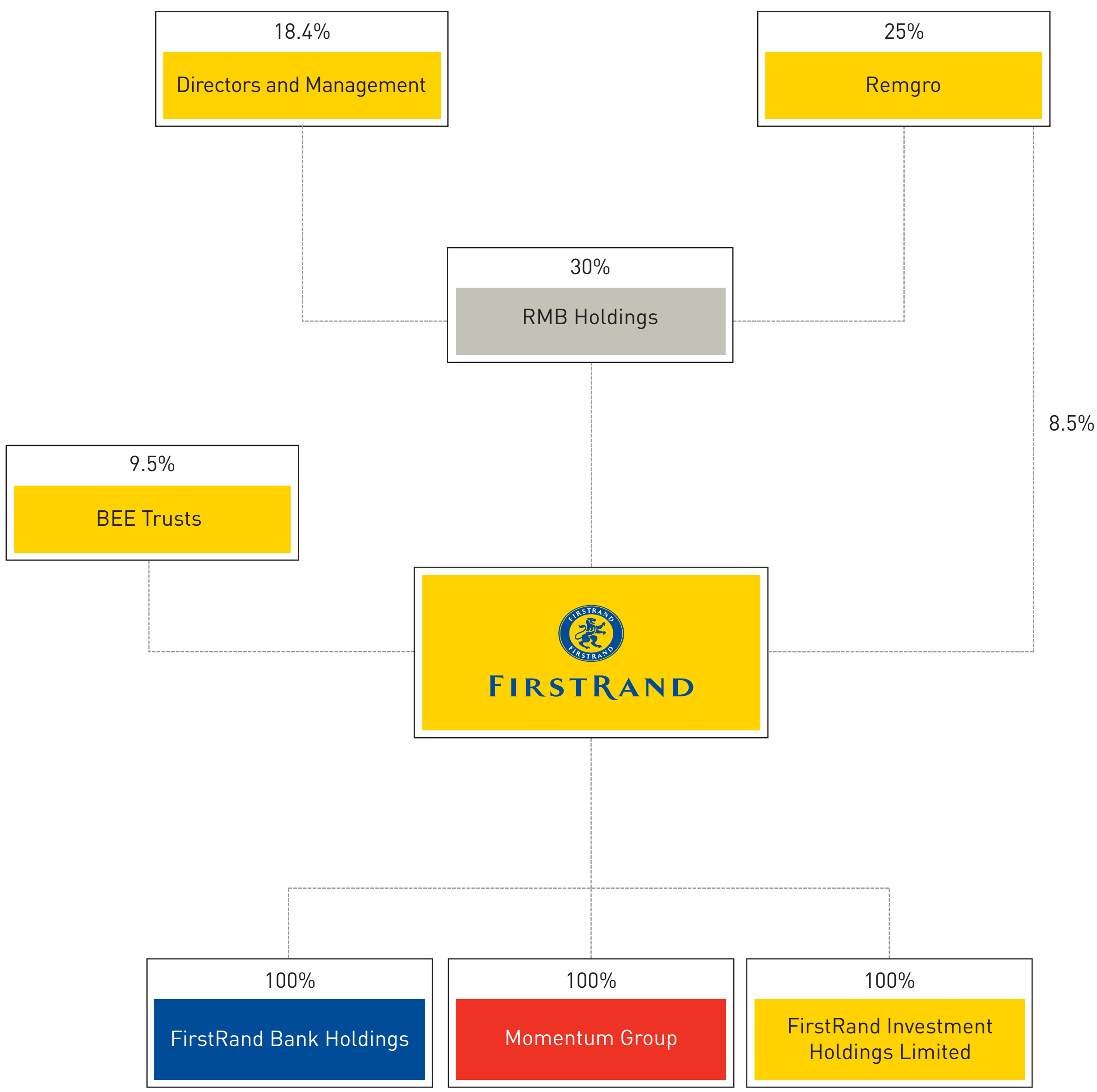
AIRB	Advanced internal ratings based approach
ALCO	Asset and Liability Management committee
AMA	Advance Measurement Approach
ASSA	Actuarial Society of South Africa
ATM	Automated teller machine
BEE	Black Economic Empowerment
BSA	Bonus stabilisation account
BSM	Balance Sheet Management
CAGR (%)	Compound annual growth rate
CEO	Chief executive officer
CFO	Chief financial officer
CGT	Capital gains tax
CIS	Corporate Social Investment
CPIX	Consumer Price Index
CSA	Credit Support Annexes
CV	Curriculum Vitae
DAC	Deferred acquisition cost
DPF	Discretionary participation features
DRL	Deferred revenue liability
EAD	Exposure at default
ERM	Enterprise Risk Management
ETL	Expected tail loss
FNB	First National Bank
FRB	FirstRand Bank Limited
FRBG	FirstRand Banking Group Supersegment
FRBH	FirstRand Bank Holdings Limited
FRIHL	FirstRand Investment Holdings (Pty) Limited
FSB	Financial Services Board
FSV	Financial Soundness Valuation
FTP	Funds transfer pricing
ICAAP	Internal capital adequacy assessment process
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRB	Internal rating based approach
ISDA	International Swaps and Derivative Association
ISMA	International Securities Market Association
JSE	Johannesburg Stock Exchange
KRI	Key risk indicators
LGD	Loss given default
LTV	Loan to value
MMMFTP	Marginal matched maturity funds transfer pricing
NCNR	Non cumulative non redeemable
NII	Net interest income
NMD	Non maturity deposit
NPL	Non performing loans
PD	Probability of default
PE	Price earnings
PGN	Professional Guidance Note
PIT	Point-In-Time
PVIF	Present value of in-force
RCC	Risk Compliance and Capital
RMB	Rand Merchant Bank
S&P	Standard and Poor
SARB	South African Reserve Bank
SENS	Stock Exchange News Service
SME	Small and medium enterprise
SPE	Special purpose entity
STC	Secondary tax on companies
TSA	The Standard Based approach
UK	United Kingdom
US	United States
VaR	Value at risk
WACC (%)	Weighted average cost of capital

FIRSTRAND

SHAREHOLDERS' INFORMATION

THE ANNUAL GENERAL MEETING WILL TAKE PLACE AT 09:00 ON 27 NOVEMBER 2008
IN THE AUDITORIUM, FNB TRAINING CENTRE, GRAYSTON DRIVE, SANDTON.

contents


18.4%
Directors and Management
25%
Remgro
30%
RMB Holdings
8.5%
9.5%
BEE Trusts
FIRSTRAND
100%
FirstRand Bank Holdings
100%
Momentum Group
100%
FirstRand Investment Holdings Limited

ANALYSIS OF SHAREHOLDERS
as at 30 June 2008

	Shares held 000's	%
Shareholders holding more than 5%		
RMB Holdings Limited	1 694 847	30.06
Financial Securities Limited (Remgro)	481 142	8.53
Public Investment Commissioner	534 563	9.48
FirstRand empowerment trust and related parties	535 201	9.49
Subtotal	3 245 753	57.56
Other	2 392 077	42.44
Total	5 637 830	100.00
Shareholder type		
Corporates (RMB Holdings and Remgro)	2 175 989	38.60
Pension funds	922 444	16.36
Insurance companies and banks	818 253	14.51
Unit trusts	462 054	8.20
Individuals	155 142	2.75
Empowerment trusts	535 201	9.49
Employee share trusts	246 090	4.37
Other	322 657	5.72
Total	5 637 830	100.00

	Number of shareholders	Shares held 000's	%
Public and non public shareholders			
Public	29 990	2 669 835	47.35
Non public			
– Corporates (RMB Holdings and Remgro)	2	2 175 989	38.60
– Directors	8	10 715	0.19
– Empowerment trusts	5	535 201	9.49
– Employee share trusts	3	246 090	4.37
Total	30 008	5 637 830	100.00

	Shares held 000's	%
Geographic ownership		
South Africa	4 723 938	83.79
International	913 892	16.21
Total	5 637 830	100.00

PERFORMANCE ON THE JSE SECURITIES EXCHANGE SOUTH AFRICA
as at 30 June 2008

	2008	2007
Number of shares in issue (000's)	**5 637 830**	5 635 716
Market prices (cents per share):		
Closing	**1 330**	2 260
High	**2 628**	2 606
Low	**1 271**	1 569
Weighted average	**1 957**	2 058
Closing price/net asset value per share	**1.45**	2.73
Closing price/earnings (headline)	**6.95**	11.16
Volume of shares traded (millions)	**3 888**	2 937
Value of shares traded (R millions)	**74 692**	60 434
Market capitalisation (R billions)	**74.98**	127.37

FIRSTRAND LIMITED

(Registration number 1966/010753/06)
Share code: FSR
ISIN code ZAE000066304

SECRETARY AND REGISTERED OFFICE

AH Arnott, BCom, CA(SA)
4th Floor, 4 Merchant Place
1 Fredman Drive, Sandton, 2196

Postal address
PO Box 786273, Sandton, 2146
Telephone : +27 11 282 1808
Telefax: +27 11 282 8088
Web address: www.firstrand.co.za

SPONSOR

(In terms of JSE requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)

Corporate Finance
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
Telephone: +27 11 282 1075
Telefax: +27 11 282 8215

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001

Postal address
PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Telefax: +27 11 688 5221

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Limited
Shop No 12, Kaiserkrone Centre
Post Street Mall, Windhoek

Postal address
PO Box 2401, Windhoek, Namibia
Telephone: +264 612 27647
Telefax: +264 612 48531

STOCK EXCHANGES

JSE Limited ("JSE")

Ordinary shares	Share code	ISIN code
FirstRand Limited	FSR	ZAE 000066304

Non cumulative non redeemable preference shares

"B"	FSRP	ZAE 000060141
"B1"	FSPP	ZAE 000070900

Namibian Securities Exchange ("NSE")

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

Botswana Securities Exchange of South Africa ("BSE")

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

Bond Exchange of South Africa ("BESA")
Subordinated debt

Issuer	Code	ISIN code
FirstRand Bank Limited	FRB01	ZAG 000021585
FirstRand Bank Limited	FRB02	ZAG 000021593
FirstRand Bank Limited	FRB03	ZAG 000026774
FirstRand Bank Limited	FRB05	ZAG 000031337
FirstRand Bank Limited	FRB06	ZAG 000045758
FirstRand Bank Limited	FRB07	ZAG 000047598
FirstRand Bank Limited	FRB08	ZAG 000047796
FirstRand Bank Limited	FRB09	ZAG 000047804
Momentum Group Limited	MGL01	ZAG 000029935

Upper Tier 2

Issuer	Code	ISIN Code
FirstRand Bank Limited	FRBC21	ZAG 000052283
FirstRand Bank Limited	FRBC22	ZAG 000052390

AUDITORS

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill

Postal address
Private Bag X36, Sunninghill, 2157
Telephone: +27 11 797 4000
Telefax: +27 11 797 5800

REPORTING

Financial year end	30 June
Announcement of results for 2008	16 September 2008
Annual report posted by	End October 2008
Annual general meeting	27 November 2008

DIVIDENDS

Final for 2008	
– Declared	15 September 2008
– Last day to trade cum dividend	17 October 2008
– First day to trade ex dividend	20 October 2008
– Record date	24 October 2008
– Payment date	27 October 2008

INTERIM FOR 2009

– Declared	February 2009
– Payable	March 2009

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
Share code: FSR ISIN: ZAE000066304

("FirstRand" or "the company")

Notice is hereby given that the eleventh annual general meeting of FirstRand Limited will be held in the auditorium, FNB Training Centre, Grayston Drive, Sandton on Thursday, 27 November 2008 at 09:00 to, if approved, pass the following resolutions with or without modification:

1. Ordinary resolution number 1

Adoption of annual financial statements

To receive and adopt the audited annual financial statements of the company and the Group for the year ended 30 June 2008 including the reports of the directors and auditors.

2. Ordinary resolution number 2

Final dividend

To note and confirm the final dividend of 38.25 cents per ordinary share declared on 15 September 2008.

3. Ordinary resolution number 3

Re-election of directors

To appoint the undermentioned directors who retire in terms of the company's articles of association and who, being eligible, offer themselves for re-election:

3.1 Patrick Maguire Goss (60)

Independent non executive
Date of appointment: May 1998

Educational qualifications

- BEcon (Hons)
- BAccSc (Hons)
- CA(SA)

Directorships

FirstRand Group
FirstRand Bank Holdings Limited
AVI Limited
RMB Holdings Limited

3.2 Aser Paul Nkuna (56)

Non executive
Date of appointment: May 2005

Educational qualifications

- AMP (Wits Business School)

Directorships

Council for Geoscience
Metrofile Holdings Limited – Chairman
Primedia Limited – Non executive chairman

3.3 Khehla Cleopas Shubane (52)

Independent non executive
Date of appointment: May 1998

Educational qualifications

- BA (Hons), MBA

Directorship

RMB Holdings Limited

4. Ordinary resolution number 4

Election of directors

To elect directors appointed during the year and who retire in terms of the company's Articles and being eligible offer themselves for re-election.

4.1 Leon Crouse (55)

Non executive
Date of appointment: September 2008

Educational qualifications

- CA(SA)

Directorships

Remgro Limited
RMB Holdings Limited

4.2 Amanda Tandiwe Nzimande (37)

Non executive
Date of appointment: February 2008

Educational qualifications

- CA(SA)
- BCom (UCT)
- Certified Theory in Accounting (UCT)
- Diploma in Company Law (Wits)

Directorships

Dinatla Investment Holdings
Maemo Motors
Masana Petroleum Solutions (Chair of Audit committee)
Mintbrooke Technologies
Paracon Holdings (Chair of Audit committee)
Rennies Travel

4.3 Kgotso Buni Schoeman (44)

Non executive
Date of appointment: May 2008

Educational qualifications

- BA Economics
- Advanced Financial Management Diploma

Directorships

Kagiso Trust Investment
Kagiso Enterprises Rural Private Equity Fund
Johannesburg Housing Company

5. Ordinary resolution number 5

Approval of directors' remuneration for the year to June 2008

Resolved that the remuneration of the directors as reflected on page 349 to the financial statements be approved.

6. Ordinary resolution number 6

Approval of directors' fees for the year to June 2009

Resolved that the fees of the directors, as reflected below be approved for the year to June 2009.

Rand	Proposed new fee
FirstRand board	
Chairman	800 000
Director	133 500
Audit committee	
Chairman	80 000
Member	40 000
Remuneration committee	
Chairman	80 000
Member	40 000
Directors' Affairs and Governance committee	
Chairman	27 000
Member	13 500
Financial Sector Charter Compliance committee	
Chairman	53 000
Member	26 750
Ad hoc meetings (in exceptional circumstances)	2 500

The board recommends that directors who are based overseas and are therefore required to spend a substantial amount of time travelling to and from meetings should be paid twice the fees which are paid to local directors. This arrangement will not apply if the director is absent from the meeting.

The above fees represent an increase of approximately 5% over those paid in respect of the year ended 30 June 2008, with the exception of that paid to the chairman of the board. This fee has been increased by 19.4%. It is the opinion of the Remuneration committee that the current fee paid is out of line with that paid to the chairmen of similar institutions and it is their recommendation that the fee be adjusted over a period of time to bring it into line with current market practice.

7. Ordinary resolution number 7

Approval of re-appointment of auditors

Resolved that, as recommended by the Audit committee, PricewaterhouseCoopers Inc. be re-appointed as auditors of the company until the next annual general meeting and Fulvio Tonelli as the individual registered auditor who undertakes the audit for the company for the ensuing year.

8. Ordinary resolution number 8

Approval of auditors' remuneration

Resolved that the directors fix and pay the auditors' remuneration for the year ended 30 June 2008, as recommended by the Audit committee.

9. Ordinary resolution number 9

Place the unissued ordinary shares under the control of the directors

Resolved as an ordinary resolution that the authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the companies Act (Act 61 of 1973) as amended ("the Companies Act"), the articles of association of the company and the Listings Requirements of the JSE Limited ("JSE"), when applicable.

10. Ordinary resolution number 10

General issue of ordinary shares for cash

Resolved that the board of directors of the company be hereby authorised, by way of a renewable general authority, to issue ordinary shares in the authorised but unissued ordinary share capital of the company for cash as and when they in their discretion deem fit, subject to the Companies Act, the articles of association and the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- this authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
- the ordinary shares must be issued to public shareholders as defined by the JSE Listings Requirements and the Namibian Stock Exchange Listings Requirements and not related parties;
- the ordinary shares which are the subject of the issue for cash may not exceed 5% in the aggregate in any one financial year of the number of equity shares in issue of that class;
- a maximum discount at which the ordinary shares may be issued is 10% of the weighted average traded price of the company's ordinary shares measured over 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company and the party subscriber for the securities; and
- a paid press announcement giving full details, including the impact on net asset value and earning per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements.

Approval for this ordinary resolution is obtained by achieving a 75% majority of the votes cast in favour of this resolution at the annual general meeting by all equity security holders present or represented by proxy.

11. Ordinary resolution number 11

General issue of preference shares for cash

Resolved that the board of directors of the company be hereby authorised, by way of a renewable general authority, to issue the unissued but authorised "B" variable rate, non cumulative, non redeemable preference shares of the company for cash as and when they in their discretion deem fit, subject to the Companies Act, the articles of association and the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- this authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter; and
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements.

Approval for this ordinary resolution is obtained by achieving a 75% majority of the votes cast in favour of this resolution at the annual general meeting by all equity security holders present or represented by proxy.

12. Special resolution number 1

Authority to repurchase company shares

Resolved that in terms of the company's articles of association, the company's directors be hereby authorised, by way of a general authority, to repurchase issued shares in the company or to permit a subsidiary of the company to purchase shares in the company, as and when deemed appropriate, subject to the following initiatives :

- that this authority shall be valid until the company's next annual general meeting provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- that any such repurchase be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- that a paid press release giving such details as may be required in terms of the JSE Listings Requirements be published when the company or its subsidiaries have repurchased in aggregate of 3% of the initial number of shares in issue, as at the time that the general authority was granted, and for each 3% in aggregate of the initial number of shares which is acquired thereafter;
- that a general repurchase may not in the aggregate in any one financial year exceed 10% of the number of shares in the company's issued share capital as at the beginning of the financial year provided that a subsidiary of the company may not hold at any one time more than 10% of the number of issued shares of the company;
- that no repurchases will be effected during a prohibited period as defined in the JSE Listing Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- that at any point in time, the company may only appoint one agent to effect repurchases on the company's behalf;
- that the company may only undertake a repurchase of securities if, after such repurchase, the shareholder spread requirements of the company comply with the JSE Listings Requirements;
- that, in determining the price at which shares may be repurchased in terms of this authority, the maximum premium permitted be 10% above the weighted average traded price of the shares as determined over the five business days prior to the date of repurchase;
- the sponsor to the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the JSE Listings Requirements prior to any repurchases being implemented on the open market of the JSE; and
- that such repurchase shall be subject to the Companies Act and the applicable provisions of the JSE Listings Requirements.

The board of directors of the company ("the board') has no immediate intention to use this authority to repurchase company shares. However, the board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

Having considered the effect in the event that the maximum allowed repurchase is effected, the directors are of the opinion that:

- the company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the repurchase;
- the assets of the company and the Group will be in excess of the liabilities of the company and the Group for a period of 12 months after the date of the repurchase. The assets and liabilities have been recognised and measured for this purpose in accordance with the accounting policies used in the latest audited annual Group financial statements;
- the company's and the Group's ordinary share capital and reserves will be sufficient for ordinary business purposes for a period of 12 months after the date of the repurchase; and

- the company and the Group will, after such payment, have sufficient working capital to meet their needs for a period of 12 months following the date of the annual general meeting.

Reason for and effect of the special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company. The effect of special resolution number 1 is to grant a general authority to the company's directors accordingly.

For purposes of considering the special resolution and in compliance with Rule 11.26 of the JSE Listings Requirements, the information listed below has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated:

- directors and management – refer pages 74 to 78 of this report;
- major shareholders – refer page 358 of this report;
- for material changes refer page 93;
- directors' interest in securities – refer page 351 of this report;
- share capital of the company – refer note 13 of this report;
- the directors, whose names are set out on page 74 this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard that this resolution contains all information required by the JSE Listing Requirements; and
- litigation – save as reported in note 39 to the financial statements on page 289 of the Group, there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware) which may have or have had in the previous 12 months, a material effect on the Group's financial position.

By order of the Board of directors

AH Arnott
BCom, CA(SA)
Company secretary

15 September 2008

IMPORTANT NOTES REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

GENERAL

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

CERTIFICATED MEMBERS AND "OWN NAME" DEMATERIALISED SHAREHOLDERS

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms must be forwarded to reach the registered office of the company/company's transfer secretaries by 48 hours prior to the meeting, excluding Saturdays, Sundays and public holidays.

DEMATERIALISED SHAREHOLDERS OTHER THAN WITH "OWN NAME" RIGISTRATION

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

Votes of holders of unlisted securities will not be taken into account in determining either a quorum or for approval of any resolutions considered at the annual general meeting. In addition, shares held by a share trust or share scheme will not have their votes taken into account for JSE Listing Requirements resolution approval purposes.

FORM OF PROXY
for the year ended 30 June

FIRSTRAND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
Share code: FSR
ISIN: ZAE000066304
("FirstRand" or "the company")

Only for use by shareholders who have not dematerialised their shares or shareholders who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered members who hold ordinary shares of the company and who are unable to attend the 2008 annual general meeting of the company to be held in the FNB Training Centre, Grayston Drive, Sandton on Thursday, 27 November 2008 at 09:00 ("the annual general meeting").

I/We,

Of (address)

Being the holder/s of ordinary shares in the company, hereby appoint (see instruction overleaf)

1. or, failing him/her

2. or, failing him/her

3. the chairperson of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see instructions overleaf).

	Insert an "X" or the number of votes exercisable (one vote per ordinary share)		
	In favour of	Against	Abstain
Ordinary resolution number 1 Adoption of annual financial statements			
Ordinary resolution number 2 Final dividend			
Ordinary resolution number 3 Re-election of directors			
3.1 Patrick Maguire Goss			
3.2 Aser Paul Nkuna			
3.3 Khehla Cleopas Shubane			
Ordinary resolution number 4 Election of directors			
4.1 Leon Crouse			
4.1 Amanda Tandiwe Nzimande			
4.1 Kgotso Buni Schoeman			
Ordinary resolution number 5 Approval of directors' remuneration for the year to June 2008			
Ordinary resolution number 6 Approval of directors' fees for the year to June 2009			
Ordinary resolution number 7 Approval of re-appointment of auditors			
Ordinary resolution number 8 Approval of auditors' remuneration			
Ordinary resolution number 9 Place unissued shares under the control of directors			
Ordinary resolution number 10 General issue of ordinary shares for cash			
Ordinary resolution number 11 General issue of preference shares for cash			
Special resolution number 1 Authority to repurchase company shares			

Signed at on 2008

Signature/s

Assisted by
(where applicable)

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

USE OF PROXIES

A member who holds ordinary shares in FirstRand ("shareholder") is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, every ordinary share in the company shall have one vote.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms must forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Limited, Shop No 12, Kaiserkrone Centre, Post Street Mall, Windhoek (PO Box 2401, Windhoek, Namibia), fax number +264 6124-8531 by no later than 09:00 on Tuesday 25 November 2008. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.
5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.