ANNUAL REPORT 2001

South African artist Jackson Hlungwani has an amazing gift.
His unique and beautiful works are a process of imagination, creation and delivery. We work the same way. We imagine the impossible and engineer it into a workable solution that benefits all stakeholders.

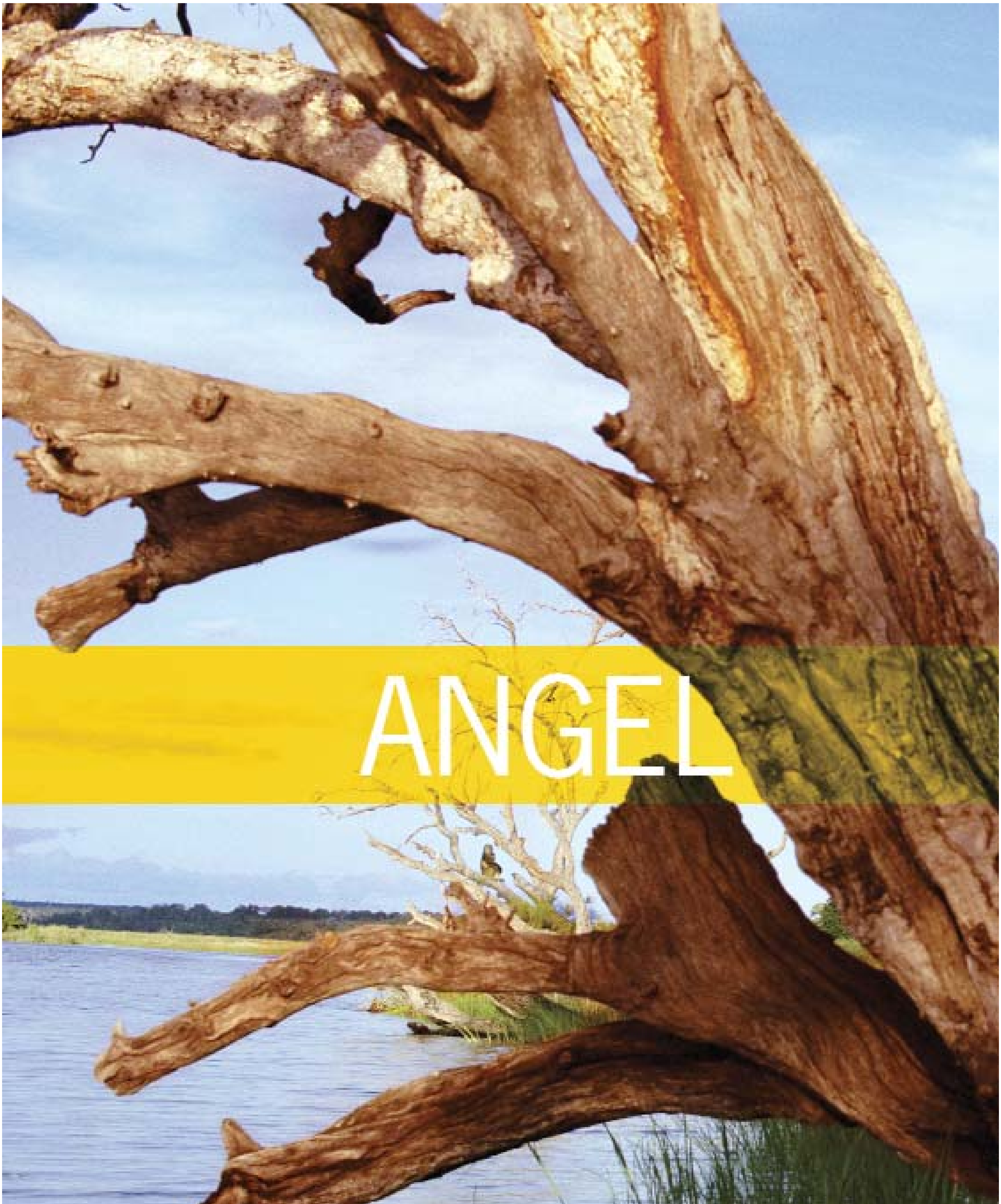
THIS IS FINANCIAL IMAGINEERING.

FIRSTRAND

1966/010753/06 Share code: FSR ISIN code ZAE0000 14973

This year's annual report contains intriguing images of natural elements that can be engineered into something exceptional with just a little imagination.

ANNUAL REPORT 2001



We imagine what can be created. We engineer it. We deliver it. We call it Financial Imagineering.

OUR VISION HAS REMAINED UNCHANGED

We seek to build an integrated financial services group structured with critical mass to take advantage of the blurring of boundaries in the financial services industry and the convergence of products and services without the limitations imposed by minorities in operating companies.

TAKE 5 MINUTES TO . . .

Imagine releasing the grace and intensity of vision

AFTER THREE YEARS A SOLID FOUNDATION IS IN PLACE

The cornerstones were:

- we created stand-alone businesses – we chunked our business
- we concentrated on getting the basics right
- we embarked on a cultural revolution

Our overarching strategies were:

- leveraging intellectual capital
- cross-selling of products and services
- the migration of the FirstRand business philosophy across the entire group

In short, we dealt with the soft issues while taking some tough decisions.

SEE WHAT WE'VE CREATED

THE FIRSTRAND BUSINESS PHILOSOPHY ENCOMPASSES HOW WE DO THINGS

- We seek **long-term sustainable profit growth**.
- We chunk our business into **small focused units**.
- We aim to **attract the best people,** we empower them, hold them accountable and reward them appropriately.
- We **encourage entrepreneurial thinking** and an **owner-manager culture**.
- We provide **value for money products and services**.
- We are first league players – we **aim for excellence** in all that we do.
- **Integrity** is paramount and **good corporate governance** is practised throughout the group.
- We are **good corporate citizens**.

WE HAVE ALL THE INGREDIENTS OF A WORLD-CLASS FINANCIAL SERVICES GROUP

- **A long history**. Our Banking operation was founded more than 150 years ago and our Insurance operation is more than 100 years old.
- A range of **products and services**, backed by **strong brands**, capable of meeting the financial needs of all South Africans.
- **Talented and enthusiastic people** seeking to help our customers.
- **State-of-the-art technology** capable of handling huge volumes, facilitating efficient and convenient delivery of products and services.
- **A nationwide footprint**. Our customers can access us at more than 640 sales and service outlets throughout the country. Interaction is also possible on a 24-hour basis via call centres, BOB machines, point of sales devices and the internet.
- **Capital** that is well managed.

Imagine the fusing of each grain into glass

SOME REMARKABLE OPERATIONAL ACHIEVEMENTS

- FNB re-engineered and centralised its back office cheque processing with major cost savings.
- FNB's Metropolitan branches re-organised to focus on sales and service.
- FNB HomeLoans reduced its properties in possession from 4 500 in 1999 to 29 and increased its market share of new business from 4% to 15%.
- OUTsurance increased its underwriting profit from R4 million to R44 million.
- Origin grew its advances book by 42% to R3,4 billion.
- Momentum's Individual Business reduced its operating expenses by 2%, and Momentum Life increased its market share of new broker business from 11% to 24% over the past three years.
- Momentum Employee Benefits restructured its Guaranteed Portfolio and was able to reduce the capital required for this portfolio by R1,3 billion over two years.
- Discovery Health increased its consolidated embedded value of new business by 72% to R582 million, and generated a 49% return on embedded value.

SEE HOW WE'VE DELIVERED

WE WERE RATED 1ST IN INDEPENDENT SURVEYS

- RMB voted "best company to work for".
- RMB teams voted best in Corporate Finance, Structured Finance and Private Equity.
- WesBank rated number 1 in motor vehicle sales financing.
- FNB Direct received the award for the "best call centre in Africa".
- Momentum Life voted best life insurer by independent financial advisers.
- Discovery Life voted best health insurer.

BIG INCREASES IN PROFITS

First National Bank (Retail Banking)	**+105%**
FNB HomeLoans	**+106%**
African Banking Subsidiaries	**+48%**
Momentum Individual Business	**+35%**
Discovery	**+31%**

FINANCIAL PROOF OF DELIVERY

Income statement for the year ended 30 June

R million	1999	2000	2001
Banking	1 898	2 190	**2 795**
Insurance	631	790	**943**
STC	(13)	(26)	**(41)**
Total headline earnings	2 516	2 954	**3 697**
Headline earnings per share (cents)	46,2	54,2	**67,9**
Dividend per share (cents)	15,5	19,0	**23,75**
Return on equity (%)	24,7	24,2	**25,4**

Imagine the sound created by wind through reeds

Assets managed at 30 June

R million	1999	2000	2001
Holding company	–	1 113	**1 112**
Banking Group	145 871	155 501	**184 944**
Insurance Group	112 339	145 236	**180 842**
On-balance sheet	56 187	66 169	**78 821**
Off-balance sheet assets managed and administered on behalf of clients	56 152	79 067	**102 021**
Total	258 210	301 850	**366 898**

SEE HOW MUCH WE DELIVER

Earnings contribution for the year ended 30 June

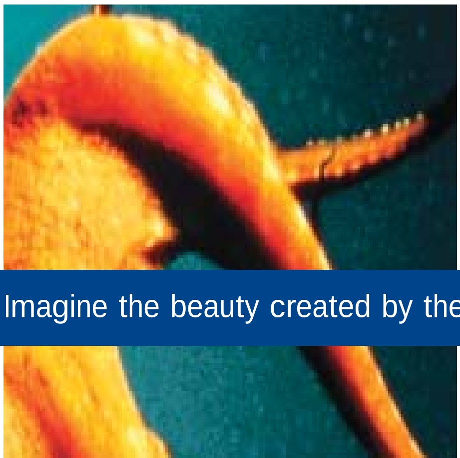
%	2001	2000
Retail banking	**20**	12
Merchant and investment banking	**15**	16
Instalment banking	**13**	14
Corporate banking	**9**	9
Individual life insurance	**8**	8
Asset management	**6**	7
African banking subsidiaries	**6**	5
Home loans	**6**	4
Bank capital centre	**5**	10
Income on insurance shareholders' portfolio	**5**	6
Employee benefits	**3**	3
Health insurance	**3**	3
Other	**1**	3
Headline earnings	**100**	100

WE STARTED SOME NEW BUSINESSES

- Discovery Life markets innovative life and disability cover products.
- Momentum Ability, a long-term cell captive was established to assist companies wanting to fund post-retirement health care benefits.
- Discovery World, an interactive online environment for Discovery's customer base.
- eBucks.com, an eCommerce initiative and customer appreciation programme.

INCREASED OUR STAKE IN OTHERS

- Our investment in African Life has been increased from 21% to 32%. This will give us a larger exposure share of the emerging market.
- We now own the entire issued share capital of the Jersey General Group (JGG), with the exception of the portion owned by the employee share trust. JGG operates a private client fund management business under the Ashburton brand.



Imagine the beauty created by the flow of ink

AND ENTERED A NUMBER OF PARTNERSHIPS

- eBucks.com merged its customer appreciation programme with that of MTN.
- WesBank sold 25% of its fleet management business to Pamodzi, an empowerment company.
- Discovery reached agreement with VirginActive to offer health club membership to Vitality members.

WE CONSOLIDATED SOME OF OUR OPERATIONS

- FirstRand International Asset Management (FRIAM) is the vehicle under which international asset management activities will be organised. Teams will be based in London and Jersey in the Channel Islands.
- In the new financial year the back-office operations of Momentum Wealth and Momentum Life will be merged.
- Responsibility for all international banking operations has been assumed by RMB.

SEE HOW WE ENGINEER

AND REORGANISED FOR CROSS-SELLING

- Our structure of wholly-owned subsidiaries encourages cross-selling. We have established three clusters to ensure that our growth strategies are aligned with target market segments. These are:
  - The Wealth Cluster – targeting high income and high net worth individuals
  - The Corporate Cluster – dealing with large and medium-sized companies
  - The Retail Cluster – focusing on consumers

WE ARE CONTRIBUTING TO A BETTER SOCIETY BY

- taking banking to the remote areas of our country
- contributing to needy causes
- working with regulators to improve our industry
- investing in the training and development of our people
- meeting the real needs of our customers through innovative products and services.

PROSPECTS ARE INFLUENCED BY THE ENVIRONMENT

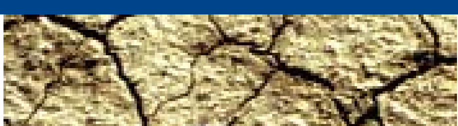
• INCREASING COMPETITION

- Competition remains fierce but we aim to win over customers from our competitors.
- The role of technology is fundamental to improving service standards and operating cost ratios.

• NEW REGULATIONS

- The South African Reserve Bank has increased capital requirements for banks.
- The South African Revenue Services has indicated that it wishes to review the taxation of banks.
- Policyholder protection rules will be introduced in the new financial year.
- Changes to the Medical Schemes Act are anticipated.
- Money laundering legislation is likely to increase.

Imagine wonders created to last for centuries



UNCERTAIN ECONOMY

- The faltering of the US economy has increased uncertainty in local markets.
- Events following the World Trade Center tragedy have raised the level of uncertainty internationally.
- Prices in the local and international stock exchanges will influence earnings.
- Interest rates are expected to remain low and the demand for credit sluggish.
- Aids is expected to influence expenditure patterns.
- Crime statistics discourage foreign investment.

SEE WHERE WE STAND NOW

THE FUTURE

- we have an excellent foundation from which to grow
- we have excellent products, strong brands and enthusiastic and dedicated people
- we are ready to move from fixing to building
- our targeted growth in earnings is a minimum of inflation plus 10%
- we are confident that we can produce another good set of results

YOU'VE SEEN THE BIG PICTURE

Now take a look at the details.

FIRSTRAND

ANNUAL REPORT 2001

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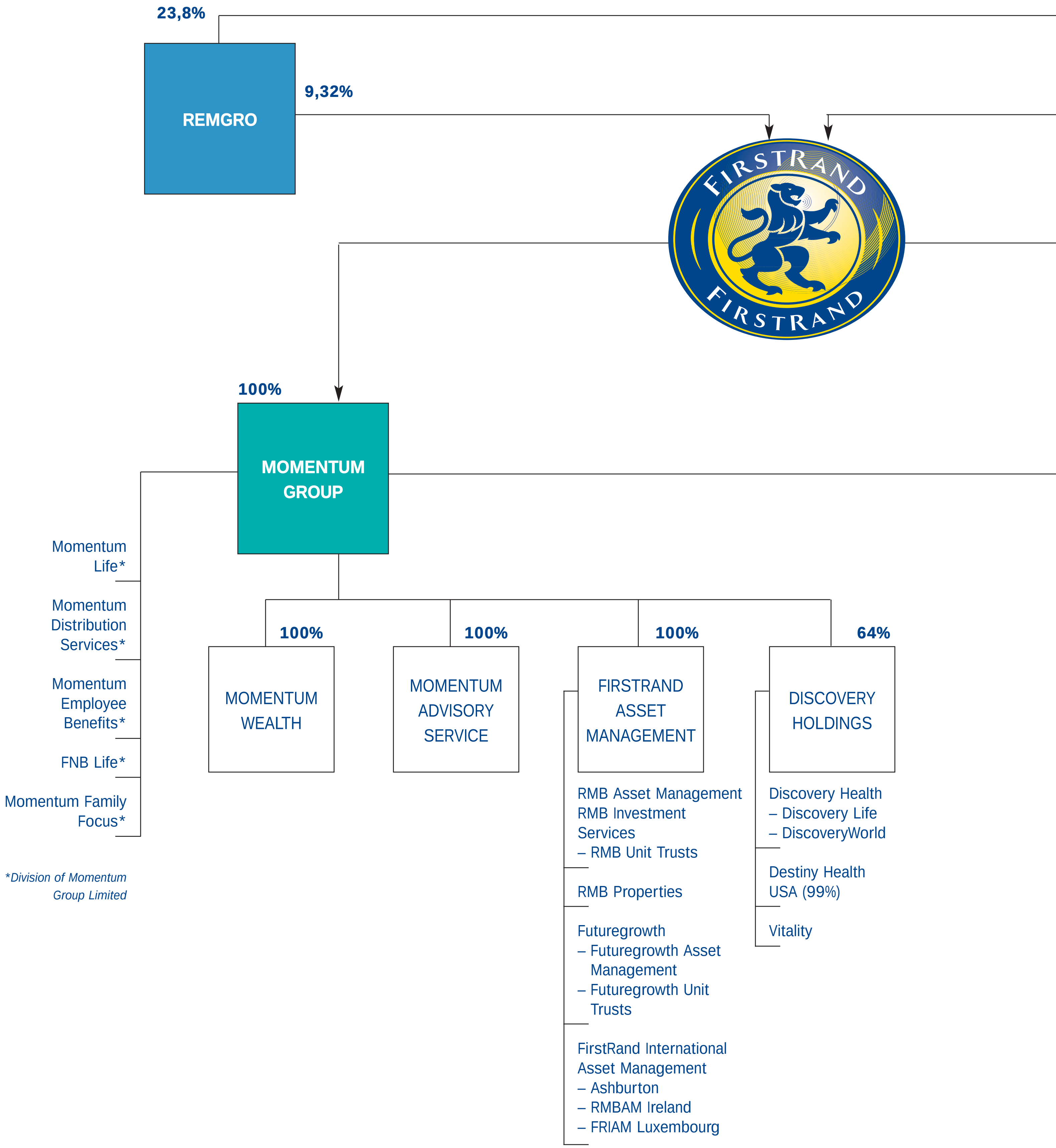
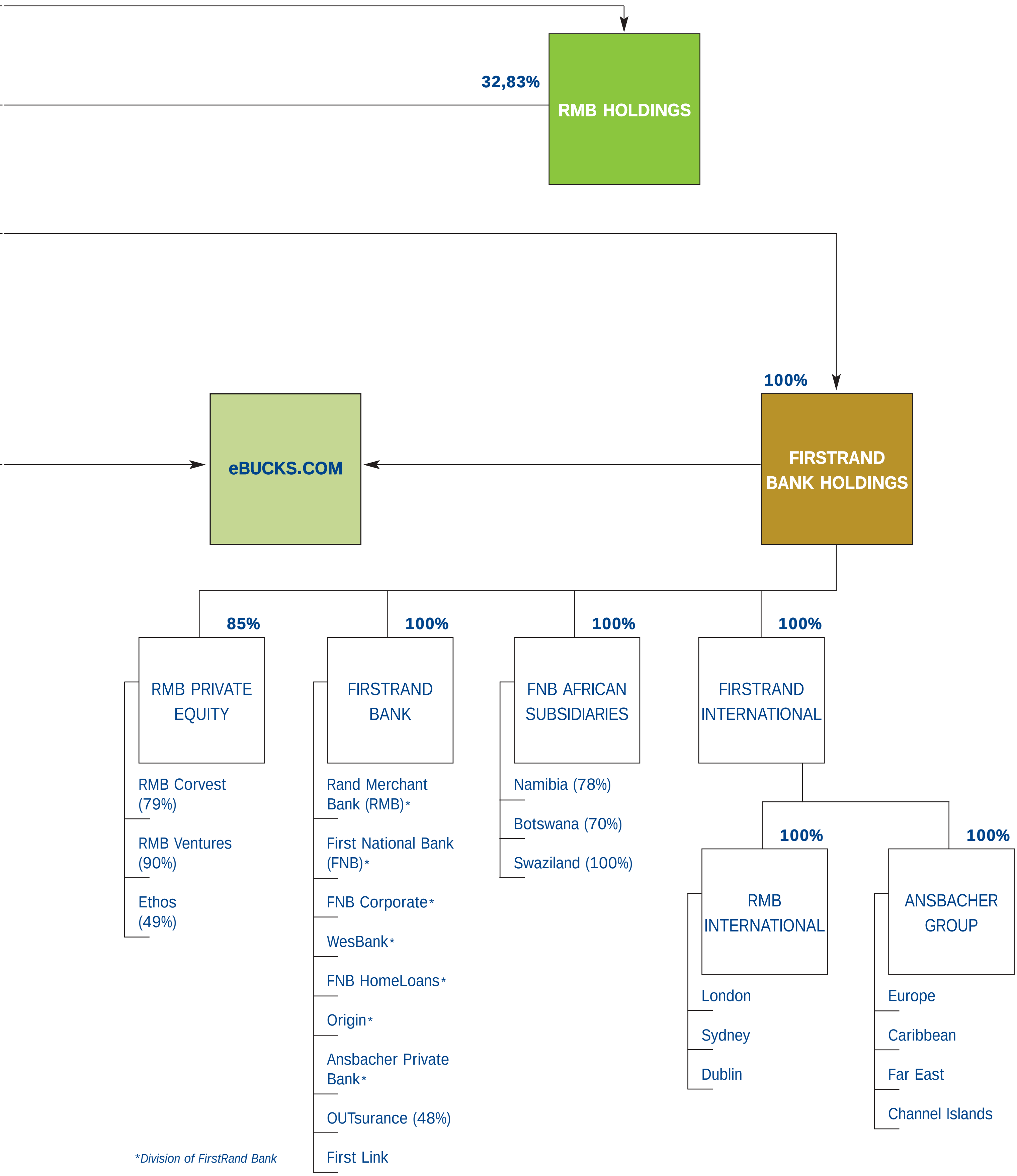
FINANCIAL IMAGINEERING

GROUP STRUCTURE



*Division of Momentum Group Limited



*Division of FirstRand Bank

FIRSTRAND BOARD OF DIRECTORS

Gerrit Thomas Ferreira (53)*

BCom (Hons) (B&A), MBA – Chairman.

Appointed: 1 July 1992

Lauritz Lanser Dippenaar (52)†

MCom, CA(SA) – CEO.

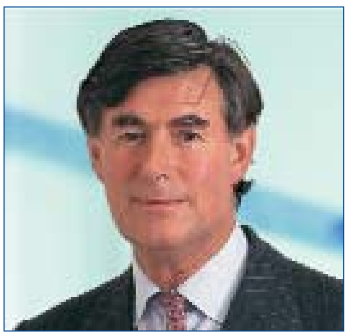
Appointed: 1 July 1992

Barry Hilton Adams (65)**

CA(SA). Appointed: 1 July 1992

Vivian Wade Bartlett (58)†

AMP(Harvard), FIBSA – Deputy CEO FirstRand Bank Holdings Limited. Appointed: 27 May 1998



David John Alistair Craig (53)**

Appointed: 27 May 1998

British

Denis Martin Falck (55)*

CA(SA). Appointed: 27 February 2001

Patrick Maguire Goss (53)**

BEcon (Hons), BAccSc (Hons), CA(SA).

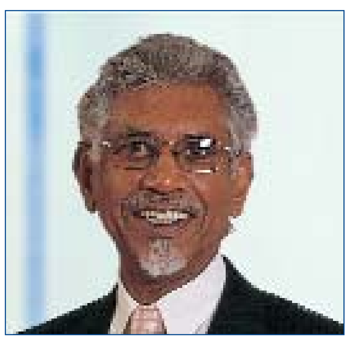
Appointed: 27 May 1998

Paul Kenneth Harris (51)†

MCom – CEO FirstRand Bank Holdings Limited. Appointed: 1 July 1992

Michael Wallis King (64)**

CA(SA), FCA. Appointed: 27 May 1998



Sathyandranath Ragunanan Maharaj (66)**

BA, BAdmin. Appointed: 17 September 1999

Khehla Cleopas Shubane (45)**

BA (Hons). Appointed: 10 September 1996

Benedict James van der Ross (54)**

Dip Law (UCT). Appointed: 27 May 1998

Robert Albert Williams (60)**

BA, LLB. Appointed: 27 May 1998

* Non-executive

** Independent non-executive

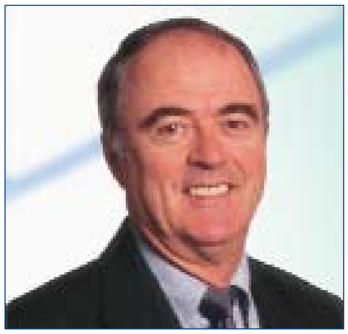
† Executive director

FIRSTRAND EXECUTIVE COMMITTEE

Laurie Dippenaar (52)

MCom, CA(SA) –

CEO FirstRand



Adrian Arnott (54)

BCom, CA(SA), PMD (Harvard) –

CFO FirstRand

Viv Bartlett (58)

AMP(Harvard), FIBSA – Deputy CEO FirstRand Banking Group

Derek Carstens (52)

BEcon (Hons), MA (Cantab) –

Director of Brands

L P Collett (40)

BBusSc (Hons), MBA, CFA, AMP (Harvard) –

Executive Director – RMB Special Projects

Peter Cooper (45)

BCom (Hons), CA(SA), H Dip Tax –

COO RMB Holdings Limited

Adrian Gore (37)

BSc (Hons), FFA, ASA, MAAA, FASSA –

CEO Discovery Holdings Limited

Paul Harris (51)

MCom –

CEO FirstRand Banking Group

Jan Hugo (43)

BCom (Hons), CA(SA) –

CEO FirstRand Asset Management

Wendy Lucas-Bull (48)

BSc –

CEO First National Bank

Hillie Meyer (43)

BCom, FIA, AMP (Oxford) –

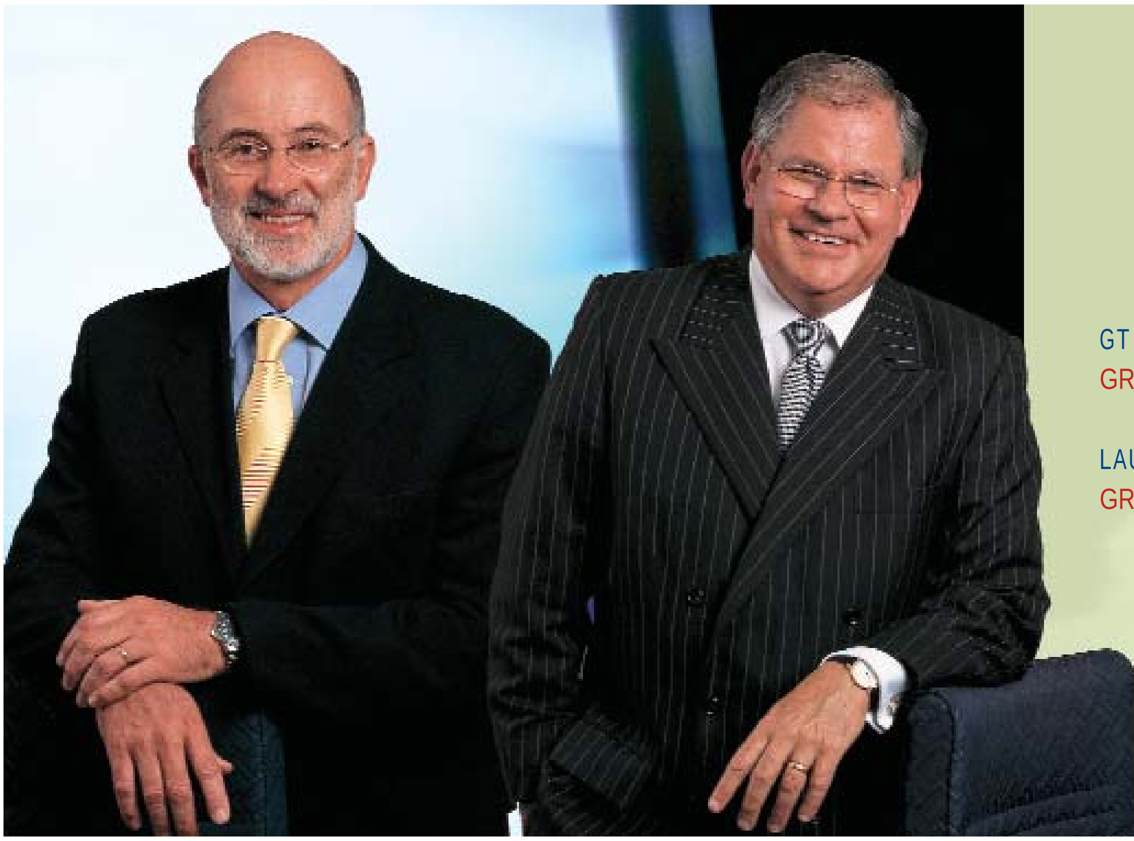
MD Momentum Group Limited

Michael Pfaff (39)

BCom, CA(SA), MBA (Duke) –

CEO Rand Merchant Bank

REPORT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE



GT FERREIRA
GROUP CHAIRMAN

LAURIE DIPPENAAR
GROUP CEO

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

PROGRESS SINCE THE MERGER

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

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

CHANGE IN SHAREHOLDERS

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

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

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

MARKET OVERVIEW

Competitive, regulatory and macro-economic environment

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

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

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

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

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

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

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

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

VALUE STRATEGY

Vision, strategy, governance and organisation

Vision and strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial objectives

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

Corporate governance

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

MANAGING FOR VALUE

Financial performance, risk management and segmental reporting

Operating results

Our financial results were most pleasing.

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

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

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

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

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

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

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

Segmental reporting

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

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

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

Share price

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

Return on equity

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

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

Capital adequacy

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

Risk management

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

VALUE PLATFORM

Innovation, brands, customers, suppliers, people and reputation

Innovation and strategic initiatives

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

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

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

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

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

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

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

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

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

People

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

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

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

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

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

Brands and customers

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

The brand strategy is based on the following principles:

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

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

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

Corporate citizenship

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

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

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

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

PROSPECTS

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

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

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

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

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

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

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

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

THANKS

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

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

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

G T FERREIRA
Chairman

L L DIPPENAAR
Chief Executive

REPORT ON OPERATIONS

FirstRand Banking Group

The FirstRand Banking Group is involved in retail, corporate and investment banking, both locally and internationally.

PAUL HARRIS
BANKING GROUP CEO

DIVISIONAL EARNINGS CONTRIBUTION

R million	% contribution	2001	2000	% change
First National Bank	25,1	**924**	451	105
Rand Merchant Bank	19,0	**700**	630	11
WesBank	17,2	**631**	507	25
FNB Corporate	11,9	**437**	349	25
African Banking subsidiaries	10,6	**390**	263	48
FNB Botswana		**180**	105	71
FNB Namibia		**195**	149	31
FNB Swaziland		**15**	9	67
FNB HomeLoans	7,4	**272**	132	106
Ansbacher UK	2,2	**80**	50	60
Short-term insurance	1,1	**44**	40	10
Outsurance		**15**	7	>100
FirstLink		**29**	33	(12)
Private Banking (South Africa)	(0,7)	**(25)**	3	(>100)
Ansbacher SA		**(22)**	27	(>100)
Origin		**(3)**	(24)	(88)
eBucks.com	(1,7)	**(62)**	0	(>100)
Capital Centre	7,9	**289**	444	(35)
	100	**3 680**	2 869	28
Less: Taxation		**(762)**	(548)	39
Less: Earnings attributable to outside shareholders		**(131)**	(131)	–
Earnings attributable to ordinary shareholders		**2 787**	2 190	27
Headline earnings*		**2 795**	2 190	28

** Headline earnings is after adjusting for goodwill*

Momentum Group

The Momentum Group is involved in the entire spectrum of wealth creation and wealth preservation products, for individuals as well as corporate clients.

HILLIE MEYER
MOMENTUM GROUP MD

DIVISIONAL EARNINGS CONTRIBUTION

R million	% contribution	2001	2000	% change
Insurance operations	45,3	**427**	327	31
Momentum Individual Business		**308**	229	35
Momentum Employee Benefits		**119**	98	21
FirstRand Asset Management	24,4	**230**	205	12
Discovery Health	12,2	**115**	88	31
Group operating profit after tax	81,9	**772**	620	25
Investment income on the shareholders' portfolio	18,1	**171**	170	1
Headline earnings	100	**943**	790	19

The group operating profit growth of 25% was driven mainly by the excellent results of the individual life and health insurance operations, and a solid performance by the employee benefits area. Results from the asset management operations were pleasing considering the limited growth in equity markets for the first nine months of the current financial year.

Investment income on the shareholders' portfolio has been maintained at the prior year's level. This is satisfactory considering the significant capital reduction of R500 million, resulting from the payment by Momentum of an unusually large dividend to FirstRand in respect of the 2000 financial year. The restructuring of the other assets in the shareholders' portfolio during the current year produced pleasing results which compensated for the effect of the capital reduction.

REPORT ON OPERATIONS – RETAIL CLUSTER

This cluster targets individual consumers.

FIRST NATIONAL BANK

First National Bank ("FNB") produces, administers and supports most of the group's core banking products. It is responsible for the strategic marketing functions of the consumer, rural and business market segments. It manages the distribution channels for the bank, delivering financial services to banking clients across all segments. It is also responsible for managing certain centralised services for the Banking Group, including technology, premises and payroll activities.

FINANCIAL HIGHLIGHTS

- Profit before tax increased by 105% to R 924 million. The excellent increase in profitability can be attributed to a focus on cost management and revenue leakage.

OPERATIONAL ACHIEVEMENTS

In the past financial year considerable progress was made in re-organising operations and the following was achieved:

- The re-engineering and centralisation of the back office cheque processing operations of the metro outlets has led to a considerable improvement in efficiencies. The number of cheque processing sites has been reduced from sixteen to eleven.
- The metro branch network has been re-organised to focus on sales and service.

FIRSTRAND RETAIL CLUSTER EXECUTIVES

FROM LEFT TO RIGHT: Paul Harris (Chairman), Johan Burger (Finance, Risk and Compliance), Derek Carstens (Branding and Communications), Michael Jordaan (eBucks.com), Viv Bartlett (FirstRand Banking Group)

- The *"How can we help you"* advertising campaign and service recognition programme in the metro outlets is starting to show results.
- The card product house has shown significantly improved results arising from its focus on customer convenience, operational efficiency and credit administration.
- The increased availability of the ATM network has resulted in the bank gaining a greater proportion of a declining pool of Saswitch transactions.
- The rural branch network has performed consistently well despite negative credit experience in certain agricultural sectors.

PROSPECTS

FNB has made excellent progress during the past year and is confident of its ability to continue to produce good results. The focus areas are:

- The development of metro branch staff to meet the challenging targets set for client service and sales.
- An extension of the scope of the cheque processing centres to service the requirements of the rural branches.
- The re-engineering of credit processes.
- Technology and systems enhancements to improve the ability of the front office to service clients.
- The further development of the strategy for emerging markets.

FNB consists of the following divisions: FNB Rural, Strategic Marketing for Consumer, Business, Small and Micro enterprises, Village Banking, Basic Banking Product House, FNB Trust Services, Card Issuing, Micro Finance, Metro Branch Delivery, Contact Centres, ATM Network, Cheque Processing, Generic Services, Interbank and Cash, Payroll Administration and Technology

FNB also houses two new business facilitators namely: SCION, a technology incubator for new business product and delivery initiatives, as well as d.Business.tap, which is a front office hot house. Outlets, which fall under the d.Business.tap catchment area are ring-fenced and used as a laboratory for innovations. Their mandate is to create a superior customer experience through process, people and technology re-design.

Ed Grondel (FNB HomeLoans), Ronnie Watson (WesBank), Edward Kieswetter (FNB PeopleLink), Wendy Lucas-Bull (FNB Retail), Laurie Dippenaar (FirstRand), Yatin Narsai (FNB Technology)

WESBANK

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

FINANCIAL HIGHLIGHTS

- Profit before tax increased by 25% to R631 million.
- Non-interest income increased by 55%, following gains in new sources of income.

OPERATIONAL ACHIEVEMENTS

- WesBank's focus on its target markets and its strong partnerships with motor manufacturers and dealers has resulted in record levels of new business.
- Attention to asset quality and credit processes is reflected in a steadily decreasing arrears book.
- FirstRand Bank's instalment loan business has been transferred to WesBank and is marketed under the product brand, CashPower. WesBank's expertise in this market was further enhanced through its purchase of a controlling interest in Direct Axis, a company focussed on direct marketing of personal loan products.
- In line with the group's strategy of creating new cross-sell opportunities, WesBank outsourced the provision of branded home loans and credit card products for their customer base to the respective divisions within the Banking Group.
- WesBank sold 25% of its fleet management subsidiary, First Auto, to Pamodzi, an empowerment company that has other complementary interests.
- In the PricewaterhouseCoopers survey of the Banking Industry, WesBank was once again rated first in the vehicle finance section.
- During the past year a separate division, Collection Solutions was formed. Collection Solutions will service WesBank and the rest of the group. There is potential to attract customers from outside the group.

PROSPECTS

- WesBank is confident that it can retain its number one position in market share in motor vehicle finance and increase earnings through cross-sell opportunities.

FNB HOMELOANS

FNB HomeLoans provides mortgage finance to metropolitan homebuyers.

First National Bank
HomeLoans

FINANCIAL HIGHLIGHTS

- Profit before tax increased by an excellent 106% to R272 million.

OPERATIONAL ACHIEVEMENTS

- Pay-outs, which include both new business and advances on existing business, have more than doubled from the previous year.
- Non-performing loans were reduced to a record low of 2,8% of advances.
- The market share of new business rose from 4% to 13,9%.
- The Home Traders Business Unit reduced the number of properties in possession from 4 500 in 1999 to 29 at the end of the current financial year.
- The time taken to approve home loan requests has reduced from 12 days to 2 hours.

PROSPECTS

- The emphasis on growth of market share of new business in a careful and considered manner, will continue in the new financial year. This is part of a medium term strategic initiative and will continue until the cluster achieves its targeted share of the market.
- The new business strain implicit in this growth strategy, together with expected diminishing returns from Home Traders, means that the cluster is anticipating subdued results in the next 12 months. However embedded value will increase as a result of the growth in advances.

SHORT-TERM INSURANCE

OUTSURANCE

OUTsurance is the group's direct personal lines short-term insurer. OUTsurance pioneered the OUTbonus concept, which involves rewarding clients for a good claims record with a cash bonus. RMBH and FirstRand Bank Holdings each own 47,5%, with the staff share trust holding the balance.

FINANCIAL HIGHLIGHTS

- The Banking Group's share of profit before tax increased by 114% to R15 million.
- Gross premium income increased by 51% to R425 million. This reflects both organic growth and the consolidation of First National Insurance which was merged with OUTsurance in January 2000.
- An underwriting profit of R43,6 million was recorded compared to R3,9 million for the previous financial year.
- A focus on expenses resulted in the operating expense ratio decreasing from 42% to 35%.

OPERATIONAL ACHIEVEMENTS

- Underwriting margins improved, notwithstanding strong growth in new business.
- OUTsurance currently estimates that it has more than a 10% share of the new business market in personal lines.
- The year also marked the first payments of OUTbonuses. During 2001 more than 6 000 OUTsurance clients have received bonuses totalling more than R6 million.

PROSPECTS

- The business model of applying actuarial risk analysis, sophisticated claims management and selling directly to the public has proved to be robust.
- Continued strong organic growth and further gains in efficiencies are expected in the coming year.

FIRST LINK INSURANCE BROKERS
(FORMERLY FIRST BOWRING)

First Link offers insurance broking to personal lines, small and medium businesses and crop insurance. In addition, there is a joint venture with Marsh Inc, the world's largest insurance broker.

FINANCIAL HIGHLIGHTS

- Profit before tax decreased by 12% to R29 million. Prior year figures include non-recurring income.
- Expenditure was well contained and showed an 8,2% saving over the previous year.

OPERATIONAL ACHIEVEMENTS

- Good new business results and declining attrition rates were a feature of the year under review.
- Independent market research showed excellent customer satisfaction.
- Two new personal lines products were launched. These are Goldensure aimed at the seniors market and First Platinum aimed at the high net worth market.
- An underwriting agency joint venture with Santam and Sentraoes was established to focus on the agricultural market of "growing crops insurance". The joint venture has an 80% market share.

PROSPECTS

First Link management is confident that it can increase revenues in the year ahead through a number of initiatives.

- Pursuing cross-sell opportunities.
- Implementing strategies to acquire small to medium size brokers.
- Increasing direct mailing activity.

eBUCKS.COM

The FirstRand Group's e-commerce offering, eBucks.com was successfully launched in mid October 2000. This business to consumer initiative encompasses internet banking, online shopping and a customer appreciation programme.

Online Shopping is a secure method of shopping on the Internet. No shopper will ever have to disclose confidential information to merchants.

eFinancial services offers customers:

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

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

FINANCIAL ACHIEVEMENTS

- The total net investment in eBucks.com is R62 million. This amount has been expensed.

OPERATIONAL RESULTS

- In the eight months since its launch, the eBucks.com initiative has attracted 78 000 customers, roughly half of whom are new FNB internet bankers. Organic growth of some 7 000 customer per month is being maintained.
- With effect from 1 March 2001, a 40% stake in the customer appreciation programme was sold to the MTN/Johnnic group of companies, paving the way for cross-sell opportunities between FirstRand and these companies.
- In June 2001 FNB launched cellular banking powered by eBucks.com. This makes FNB the first Bank to have launched cellular banking on two platforms, ie Wireless Appreciation Protocol (WAP) and Wireless Internet Gateway (WIG).

PROSPECTS

- The eBucks.com team have set an ambitious target of reaching 350 000 customers by June 2002. Aside from organic growth, this should be achieved by migrating callAwards customers from MTN, FirstOnline customers and Airmiles customers from FNB Card to the eBucks.com database. As these customers will all have been captured onto a single database, a number of cross-sell initiatives will be aggressively marketed from January 2002 onwards.

AFRICAN BANKING SUBSIDIARIES

The African Banking Subsidiaries comprise registered banks in Namibia, Botswana and Swaziland. FNB Namibia (78%-owned) and FNB Botswana (70%-owned), are quoted on their respective stock exchanges.

FINANCIAL HIGHLIGHTS

The African Banking Subsidiaries increased consolidated profits before tax by 48% to R390 million

- FNB Botswana increased by 71% to R180 million.
- FNB Namibia increased by 31% to R195 million.
- FNB Swaziland increased by 67% to R15 million.

OPERATIONAL ACHIEVEMENTS

These results can be attributed to:

- focusing on cost containment;
- an improvement in asset quality, which was reflected in a reduction of non-performing loans; and
- a significant increase in non-interest revenue, which was achieved through a reduction in revenue leakage and innovative product offerings.

PROSPECTS

The African Banking Subsidiaries enjoy a large share of the local markets and have a good reputation for delivering sound products and services. While the performance of the economies in which they operate will impact directly upon the results, the African Banking Subsidiaries are well placed to continue to achieve good growth in profits.

REPORT ON OPERATIONS – CORPORATE CLUSTER

This cluster targets corporate and commercial enterprises.

RAND MERCHANT BANK

RAND MERCHANT BANK

Rand Merchant Bank ("RMB") offers specialist services, and takes principal positions, in the fields of corporate finance, structured finance, project finance, private equity and trading markets.

FINANCIAL HIGHLIGHTS

- Net income before tax increased by 11% to R700 million
- Return on equity of 46% was achieved.

OPERATIONAL ACHIEVEMENTS

- Received the first Deloitte & Touche Human Capital "Best Company to Work For" award.
- Special Projects wrote R7 billion of new business and contributed 50% of profits.
- Corporate Finance was rated number one in the annual Ernst & Young rankings.
- RMB Trading countered the continued erosion of margins on vanilla products by developing a structuring and an origination capability, principally in the equity and interest rate markets.
- Private Equity made significant realisations and increased the unrealised profit on the portfolio to R750 million.
- RMB assumed responsibility for all the group's international merchant banking activities.

PROSPECTS

- In a market characterised by relatively volatile and unpredictable income and increasing competition, RMB is well placed to retain its position as one of South Africa's premier merchant banks.
- RMB will continue to position itself as an employer of choice to attract and retain the quality intellectual capital that is so paramount to its business.

FIRSTRAND CORPORATE CLUSTER EXECUTIVES

FROM LEFT TO RIGHT: Paul Harris (Chairman), Viv Bartlett (FirstRand Banking Group), Derek Carstens (Branding and Communications), Michael Pfaff (Rand Merchant Bank), Johan Burger (Finance, Risk and Compliance), Theunie Lategan (FNB Corporate)

FNB CORPORATE

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

FINANCIAL HIGHLIGHTS

- FNB Corporate increased profit before tax by 25% to R437 million.

OPERATIONAL ACHIEVEMENTS

- The strengthening of the leadership and people in the division was achieved through:
  - the development of a customised leadership programme with a leading business school;
  - the introduction of incentivised culture building; programmes focusing on entrepreneurship and innovation;
  - a strong commitment to Employment Equity;
- innovative value-added solution sets, normally associated with the large corporate market, were extended to the Commercial and Medium Corporate market;
- a new tendering process focussing on customised solutions was introduced for the large corporate market.
- A number of new initiatives were put in place to achieve growth targets.
  - the introduction of strategic planning using the balanced scorecard methodology;
  - the vesting of a culture of cost management;
  - the re-engineering of credit processes including a comprehensive credit grading, provisioning and pricing system.
- The following businesses were successfully integrated into the Corporate Bank:
  - The Mid Corporate segment;
  - Business to Business Electronic Banking (Hyphen); and
  - The Card Acquiring division of FNB.

PROSPECTS

- FNB Corporate now has a solid foundation in place from which it can confidently expect to grow.

EB Nieuwoudt (RMB Treasury), Laurie Dippenaar (FirstRand), Don Brown (Momentum Employee Benefits), Jan Hugo (FirstRand Asset Management), LP Collet (RMB Special Projects), Ronnie Watson (WesBank)

MOMENTUM EMPLOYEE BENEFITS

MEB offers insurance benefits, consulting, administration, risk and investment solutions to the corporate and union market.

FINANCIAL HIGHLIGHTS

- Profits after tax increased by 21% to R119 million.
- Total employee benefit premium income increased by 43% to R4 billion.
- Risk-based capital was reduced from R2 billion in 1999 to R700 million in 2001 through the restructuring of the Guaranteed Fund.

OPERATIONAL ACHIEVEMENTS

- Two derivative-based structured investment products have replaced the traditional Guaranteed Fund. These products require minimal capital to back liabilities.
- Momentum Ability Limited, a long-term cell captive subsidiary of Momentum Group, has been registered with the intention of providing corporate clients with long-term risk structuring opportunities, including funding for post-retirement healthcare liabilities.

PROSPECTS

MEB is a leading player in the South African employee benefits market and the leader in the field of risk management. In the new year a number of new initiatives will be undertaken.

- MEB's income base will be expanded to further reduce its dependency on risk profits.
- The consolidation of the various IT platforms currently in operation will result in efficiency gains, lower costs and improved service to customers.

FIRSTRAND ASSET MANAGEMENT

RMB ASSET MANAGEMENT

FRAM is a global asset management group offering a complete range of domestic and international products to pension and provident funds, institutional and unit trust clients.

FINANCIAL HIGHLIGHTS

- Profits after tax increased by 12% to R230 million.
- Assets under management increased by 23% to R156 billion.
- Off-balance sheet assets managed on behalf of third parties increased from 54% to 57% of total assets under management. The remaining 43% are assets managed on behalf of group companies.

OPERATIONAL ACHIEVEMENTS

- RMB Asset Management's three-year performance ranked third out of ten asset managers in the Alexander Forbes Asset Consultants Large Manager Watch.
- RMB Unit Trusts ranked in the top quartile overall in the Plexus Survey of unit trust performance to 30 June 2001.
- International fund management activities are being consolidated. An additional 35% was acquired in the Jersey General Group (JGG), a fundamental asset manager based in Jersey with R7,5 billion in assets under management. This brings the total stake in JGG to 55% at 30 June 2001. Subsequent to the year-end, the remaining minority stake, excluding the portion directly held by the share trust and management, was acquired.
- RMB Properties continued to show strong growth in profits.

PROSPECTS

FRAM has an excellent reputation for sound investment performance. While a weak global economy could restrict growth in asset values in the coming year, FRAM plans to grow revenue by:

- an aggressive marketing campaign to promote the RMBAM brand; and
- a drive to enhance the offshore asset management capability of the group.

REPORT ON OPERATIONS – WEALTH CLUSTER

This cluster targets individuals in the high income and high net worth sector.

MOMENTUM LIFE, MOMENTUM WEALTH AND MOMENTUM ADVISORY SERVICE

Momentum Life and Momentum Wealth develop and distribute products that create and preserve wealth in the middle- to upper-income market. Momentum Advisory Service is the group's multi-manager and investment research house.

FINANCIAL HIGHLIGHTS

- Profits after tax increased by 35% to R308 million.
- Individual life single premium income increased by 31% to R3,9 billion.
- Individual business management expenses reduced by 2% compared with the prior year.
- Embedded value of new business increased by 52% to R285 million.

OPERATIONAL ACHIEVEMENTS

- Investo, a flexible endowment product that offers a wide range of investment options, was launched.

FIRSTRAND WEALTH CLUSTER EXECUTIVES

FROM LEFT TO RIGHT: Danie Botes (Momentum Life), Graham McPhearson (Ansbacher, FNB Trust Services), Nigel Dunkley (Momentum Corporate Advisory Services), Hillie Meyer (Chairman), Don Brown (Momentum Employee Benefits), Niel Krige (Momentum Employee Benefits)

- Momentum Life successfully channelled a large portion of new investment business away from offshore portfolios to local portfolios. This followed the SA Reserve Bank's announcement not to increase the limit on offshore portfolio investments.
- The continued focus by Momentum Distribution Services on the intermediary market resulted in Momentum's share of the individual life broker new business market growing from 11% in 1997 to 24% in 2000.
- The offshore product offering was expanded to include a R750 000 offshore allowance product in both investment and risk markets.
- Real savings in individual life expenses of R240 million per annum have been achieved since the merger.
- Momentum Wealth launched a new individual choice pension product.
- Subsequent to the year-end, Momentum Advisory Service entered into a multi-manager agreement to manage R5 billion of Anglo American Pension Fund assets.

PROSPECTS

The Momentum brand has an excellent reputation for reliable products and services. It faces the future with confidence.

- In the new year the back-office operations of Momentum Life and Momentum Wealth are to be integrated into a single client-focused product house.
- The performance of investment markets will determine the extent to which historic growth in earnings levels can be maintained.

Riaan van Dyk (Momentum Advisory Service), Frans Truter (Momentum Group), Laurie Dippenaar (FirstRand), Willie Miller (Origin), Kobus Sieberhagen (Momentum Distribution Services), Schoeman Rudman (Alternative Distribution), Peter Göbel (Momentum Wealth)

PRIVATE BANKING – DOMESTIC

ANSBACHER SA

Ansbacher SA is the Group's private bank providing personalised, holistic, global wealth management for high net worth South Africans. With its link to Ansbacher's numerous offshore locations it is well positioned for multi-jurisdictional delivery.

FINANCIAL HIGHLIGHTS

- Ansbacher SA incurred a loss of R22 million for the financial year. This includes R21 million of non-recurring expenditure relating to the restructuring of the cluster

OPERATIONAL ACHIEVEMENTS

- Transactional banking, personalised portfolio management and wealth management have been integrated to allow for a high degree of personalised attention via a relationship manager.
- The consolidation of the various business units, the rebranding and the rollout of Ansbacher SA to the regions has been completed.
- The strong growth in client acquisition continued throughout the year, particularly in the transactional banking environment.
- Assets under management increased to R5,7 billion by year-end.

PROSPECTS

- Key initiatives include a strong focus on cross-sell amongst the existing client base and wider penetration of the various Gateways within the FirstRand Group.

ORIGIN

Origin provides holistic financial solutions including a single credit facility, transactional banking, financial planning and advice to high income earners

FINANCIAL HIGHLIGHTS

- Origin reduced its operating loss from R24 million to R3 million in the year under review.
- The advances book, including commercial and industrial property grew by 42% to R3,4 billion.

OPERATIONAL ACHIEVEMENTS

- Origin launched transactional banking functionality to selected clients. This offering can be used as part of the Origin Single Credit Facility or as a self-standing banking facility.
- A financial planning and advice capability has been introduced through the Origin Investment Services Division.

PROSPECTS

- Origin is budgeting to achieve its maiden profit in 2002.

HEALTH INSURANCE

DISCOVERY

Discovery, a 64%-owned subsidiary of Momentum Group focuses on making people healthier and protecting and enhancing their lifestyles through providing clients with access to affordable, quality healthcare. Discovery provides products relating to healthcare funding and life and disability cover. These are underpinned by the Vitality wellness programme.

FINANCIAL HIGHLIGHTS

- Momentum Group's share of headline earnings increased by 31% to R115 million.
- Start up costs of Discovery Life (R39 million) and Destiny Health (R60 million) were expensed during the year.
- New business volumes increased by 57% to R2,1 billion.
- The consolidated embedded value of new business increased by 72% to R582 million.
- A return on embedded value of 49% was achieved.

OPERATIONAL ACHIEVEMENTS

- The total number of covered and administered lives increased to 960 000 at 30 June 2001.
- Discovery Life was successfully launched.
- Agreement was reached with VirginActive following the liquidation of LeisureNet.
- An interactive on-line environment for the Discovery community, DiscoveryWorld, was successfully launched.

PROSPECTS

The growth of Discovery Health and its related businesses has been spectacular. Discovery is now the largest independent medical aid fund in South Africa. The Medical Aid industry remains heavily regulated and is a difficult one in which to operate.

- Discovery will continue to play a constructive role in working towards an environment of increasing access, affordability and stability.
- Discovery Life and Destiny Health are well positioned to meet the challenges of growth and provide opportunities to diversify earnings.

ANSBACHER UK

Ansbacher offers personalised holistic global wealth management to high net worth individuals in international markets.

FINANCIAL HIGHLIGHTS

- Ansbacher Group pre-tax profits attributable to its wealth management activities increased by 60% to R80 million. Operating performance in sterling terms improved by 32%.

OPERATIONAL ACHIEVEMENTS

- With effect from 1 January 2001, the Ansbacher Group was established as a separate cluster within the international group, working in close co-operation with the banking and insurance groups to provide maximum benefit to FirstRand clients.
- Marketing activities in Europe, the Caribbean, the Far East and Channel Islands are co-ordinated on a regional basis.
- Ansbacher Wealth has been established in the UK as an investment advisory business that seeks to complement the group's existing international banking and fiduciary products and services.

PROSPECTS

- Ansbacher is a well known and respected brand. Opportunities exist to provide existing customers with additional products and services.
- In the new year all the Ansbacher banking sites will be converted into a common systems platform aimed at improving client relationship management.
- Good results are expected from the delivery of Ansbacher's e-business initiative, which is targeted at key intermediaries.

CAPITAL CENTRE

Capital Centre owns the capital of the Banking Group.

OPERATIONAL RESULTS

- Earnings before tax attributed to the Capital Centre, reduced by 35% from R444 million to R289 million.
- The results were negatively impacted by the endowment effect, arising from the reduction in interest rates.
- Additional provisions against potential bad debts were raised during the year to maintain the overall conservative level of provisioning favoured by the group.

CORPORATE GOVERNANCE

SCOPE

A strong belief in good corporate citizenship is an integral part of the FirstRand business philosophy to which all group companies subscribe. Each principal subsidiary has its own board of directors, executive, audit and remuneration committees that monitor operations. A consistent policy of corporate governance is applied throughout the group. FirstRand regards its customers, employees, suppliers, shareholders, regulators and the community in which it operates as key stakeholders.

COMPLIANCE STATEMENT

FirstRand is dedicated to the highest standards of corporate governance. It is committed to good corporate citizenship and organisational integrity in its directing, control and stewardship of the group's affairs.

This commitment provides stakeholders with the comfort that the group's affairs are being managed in an ethical and disciplined manner. This philosophy is based on transparency, accountability and responsibility.

The directors of FirstRand and its various subsidiaries endorse the Code of Corporate Practices and Conduct recommended in the King Report. The directors are satisfied that the group has observed and applied both the letter and the spirit of the code consistently during the period under review.

As corporate governance is continually evolving, the group takes cognisance of reports issued by such bodies as the OECD, the Commonwealth Association of Corporate Governance, the Basel Committee on Banking Supervision, and the Turnbull Report (UK). FirstRand is supportive of the recommendations in King II.

The corporate governance framework ensures the strategic guidance of the group, the effective monitoring of management by the board and the board's accountability to shareholders and responsibilities to stakeholders. Communication is designed to allow investors to make informed decisions about the acquisition and ownership of shares.

Mechanisms that ensure good corporate governance are discussed in more detail below.

DISCLOSURE AND TRANSPARENCY

The group subscribes to a philosophy of providing meaningful, transparent, timely and accurate communication to its primary stakeholders. The financial statements are subject to high-quality audit and incorporate full and responsible disclosure.

BOARD OF DIRECTORS

Responsibilities of directors

The board of directors has a fiduciary duty to act in good faith, with due diligence and care, and in the best interests of the company and all shareholders. It is accountable to the shareholder body as a whole. The fundamental responsibility of the board is to improve the economic prosperity of the group. The board has full and effective control over the group. It is responsible for guiding and reviewing corporate strategy and major plans of action, corporate performance and risk policy. In so doing the board monitors business plans, key performance indicators, including non-financial criteria, and annual budgets, while overseeing major capital expenditures, acquisitions and disposals and any other matters that it has defined as material. The board is also responsible for managing successful and productive relationships with its stakeholders.

Composition and frequency of FirstRand Group meetings

FirstRand has a unitary board with a chairman who is a non-executive director. The roles of chairman and chief executive officer are separate with segregated roles and duties.

The board comprises thirteen directors. Eight are considered independent non-executive directors, while two are non-executive and three are executive directors. The directors of FirstRand are listed on page 4 of this report and their profiles appear in appendix 2. Those who are regarded as independent and non-executive have been noted.

Independent and other non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise, each of whom can add value and bring independent judgement to bear on the decision-making process.

The board has a formal schedule of matters it oversees and meets once a quarter. Additional meetings are convened when major issues arise which need to be resolved between scheduled meetings.

To fulfil their responsibilities, board members have full and unrestricted access to relevant information and all group properties. Directors are also entitled to seek independent professional advice at the group's expense in support of their duties.

Limitation to appointment period

There is a formal transparent board nomination process. Each non-executive director is appointed for three years, subject to re-election and to Companies Act provisions relating to removal, retiring by rotation every three years. Re-appointment of non-executive directors is not automatic. The retirement age of directors is set at age 70 across the group.

Company secretary

The company secretary of FirstRand is suitably qualified and experienced and was appointed by the board in 1998.

BOARD SUBCOMMITTEES

To assist the board in discharging its collective responsibility for corporate governance, several committees have been established to which certain of the board's responsibilities have been delegated. The board subcommittees are:

Executive committees

The FirstRand Executive Committee (Exco) is empowered and responsible for carrying out the strategies decided by the board and managing the business affairs of the group. Exco comprises the CEO of FirstRand Limited and certain executives of the operating subsidiaries. The Executive Committee members are listed on page 5. Management responsibility for the day-to-day operations of subsidiary companies is delegated to various executive committees operating within each major business unit in the group. These executive committees consist of the senior management within each business unit, and meet regularly during the year.

Audit committees

The Audit Committee of FirstRand includes the chairmen of the various group audit committees. The chairman of the Audit Committee is an independent non-executive director who is a chartered accountant. The function of the Audit Committee is to review the findings and reports of the group audit committees, which exist in the Banking Group, Momentum Group and Discovery Holdings.

All audit committees have adopted formal written terms of reference dealing with membership, structure, authority and duties.

The primary objective of the audit committees is to promote the overall effectiveness of corporate governance in the group. Their objectives include:

- ensuring the integrity, reliability and accuracy of the group's accounting and financial reporting systems;
- ensuring that appropriate systems are in place for monitoring risk, control, and compliance with the law and codes of conduct;
- evaluating the adequacy and effectiveness of the internal audit, risk, compliance and forensic investigation management functions in relation to their coverage plans and against best practice;
- maintaining transparent appropriate relationships with the respective firms of external auditors; and
- reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors.

The members of the FirstRand Audit Committee are:
B H Adams (Chairman)
L L Dippenaar
M W King
R A Williams

Remuneration committees

The FirstRand Remuneration Committee comprises the chairmen of the remuneration committees of the main operating subsidiaries. The committee determines on behalf of the shareholders the group's policy on executive remuneration and approves the remuneration of executives and employees of the company and certain group CEOs. It is also responsible for the group's share incentive schemes. The chairman of the Remuneration Committee is an independent non-executive director.

The members of the FirstRand remuneration committee are:
G T Ferreira (Chairman)
M W King
L L Dippenaar

Remuneration of the directors and the Report on Remuneration Practices appear on pages 36 to 41.

Actuarial committee

Actuarial committees exist where the group is involved in life insurance. The approved statutory valuator has a fiduciary duty to ensure that sound risk management practices are employed consistently and that the financial soundness of the life insurance operations is maintained with specific regard to actuarial, investment and underwriting risks. Actuarial committees are in operation to help the board and the valuator in this regard. An independent non-executive director, who is a qualified actuary, chairs these committees. The actuarial committees have written charters that clearly set out responsibilities and objectives. Attention is focused on the appropriateness of the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory valuator.

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISMS

The group's philosophy on risk recognises that managing risk is an integral part of generating sustainable shareholder value and enhancing stakeholder interests.

The board is ultimately responsible for establishing, maintaining and monitoring the effectiveness of the group's process of risk management and system of internal control.

The risk and control framework covers the following:

- Identifying of key performance indicators and significant business risks.

- Maintaining proper accounting records and the reliability of financial and non-financial information used within the business for decision making or for publication.

- Assisting in compliance with applicable laws, regulations and codes of conduct.

- Ensuring that the group is not unnecessarily exposed to avoidable financial risks such as the risks associated with fraud, potential liability and loss, including the safeguarding of assets.

- Managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

- Effectiveness and efficiency of operations.

The key internal control procedures, which are embedded in the business processes, can be summarised as follows:

Risk assessment and management

Operational risk differs throughout the group due to differences between business units in regulatory oversight, business activities, culture, attitude, controls and procedures. Accordingly, the primary responsibility for risk management lies with the management and employees of each profit centre or subsidiary, considering their particular circumstances. Profit centre management has clear responsibilities and accountabilities for identifying, assessing and understanding known risks facing their businesses, and for carrying out procedures to monitor the risks and limit them to acceptable levels, based on cost benefit analyses.

A risk management report in respect of the Banking Group is incorporated in the report of the bank's Chief Financial Officer on pages 70 to 88. This report deals with the asset liability committee, the various credit committees and other committees operating within the bank. It also deals at length with improvements that have been implemented during the course of the year.

Control environment and activities

The group is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations.

The group has an organisational structure for planning, executing, controlling and monitoring business operations to achieve group objectives. The structure is designed to provide clear responsibilities, accountabilities and control for key areas in the group's business. Internal affairs are organised and controlled in a responsible manner, keeping proper records and having well-defined procedures. The control structure provides for appropriate segregation of duties such as approval, accounting, verification and reconciliation. Suitable staff who are adequately trained and properly supervised are provided with the appropriate tools to support the achievement of the company's objectives and to effectively manage risks to their achievement.

Monitoring and corrective action processes

To react dynamically to changing circumstances, the system of internal control is continually monitored and, where necessary, modified. Monitoring processes include management review, control risk self-assessment and testing by the risk managers and internal auditors and specific testing of financial controls by the external auditors. Risk managers, compliance officers, internal and external auditors base their plans on continuous risk assessments and report weaknesses in control to the respective audit committees and senior management for their consideration and remedial action. All these monitoring functions have the respect and cooperation of the board and management.

The internal audit activities have formally defined purposes, authority and responsibility consistent with the Institute of Internal Auditors' definition of internal auditing and include evaluating the effectiveness of the processes by which risks are identified, prioritised, managed and controlled. To this end a systematic, disciplined and objective approach has been developed to help the group to accomplish its objectives and assist in evaluating and improving the effectiveness of risk management, control and governance processes. The internal audit activities include reviews of the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the group's resources, and the conduct of its operations.

Momentum Group

Each of the Momentum Group's profit centres and its subsidiaries have their own risk and assurance management departments. The generally recognised COSO and Cobit frameworks for risk management and internal controls are used. The risk and assurance managers are responsible for facilitating the internationally recognised control and risk self-assessment (CRSA) programmes. The CRSA process helps management have a clear common understanding of the risk assessment, while emphasising that they are accountable for managing the risk. The risk and assurance managers are also responsible for internal audit activities and control testing where the need is indicated.

The risk and assurance management functions of the Momentum Group report directly to their respective audit committees and have unrestricted access to the chairmen of the audit committees.

Banking Group

The internal audit function of the Banking Group is independent of management. The head of internal audit has unrestricted access to the chairman of the Banking Group Audit Committee. Independent auditors, KPMG, have been appointed to perform certain elements of the internal audit function at Rand Merchant Bank, bolstering the skills base of the in-house internal auditors. KPMG is encouraged to communicate regularly with both the Audit Committee and the external auditors.

Regulatory compliance and business ethics

The prime responsibility for compliance with relevant laws, regulations and codes of business practice rests with the board and in particular the chief executive officer. The group has operating procedures and computer systems to ensure that the business is conducted according to regulatory requirements and adherence to the companies' codes of conduct. The latter have been tailored for the various types of business and include personal dealing and insider trading avoidance procedures. At a minimum the codes of conduct comply with the recommendations on ethic codes by the King Report. Each location, where asset management or dealing takes place, has dedicated compliance officers, of appropriate experience, to direct day-to-day compliance activities. The compliance functions operate within the framework being developed by the Compliance Institute of South Africa. When individuals become aware of any material price-sensitive, non-public information the relevant securities are embargoed and no further trades are allowed without the authority of executive management. All personal account dealing by investment staff requires prior approval by a member of senior management. All transactions must be placed through the group's dealing rooms. The compliance officers also monitor personal account dealing. The group is in the process of appointing compliance officers in the insurance divisions.

In terms of formal policies established by the board and implemented by the company secretary, “closed seasons” are identified during which all dealings by directors and staff in group securities are prohibited. The “closed season” includes designated periods before the release of interim and final financial results and any other period considered sensitive.

Business continuity

Business continuity and disaster recovery plans are in place to address the need for the organisation to continue its critical business processes in the event of a disastrous incident impacting its activities and to respond effectively to such incidents.

Overall effectiveness of control environment

As with most systems of internal control, the effectiveness of internal control systems in the group is subject to inherent limitations, including the possibility of human error, poor decision-making, the deliberate circumventing of controls by employees or others, management overriding controls, and the occurrence of unforeseeable circumstances. Control systems are also designed to manage, rather than eliminate, the risk of failure. Accordingly, it is recognised that a sound system of internal control can provide only reasonable and not absolute assurance against the achievement of business objectives or any material misstatement or loss.

Management maintains adequate accounting records and has developed, and continues to maintain, an effective system of internal controls. An ongoing process of identifying, evaluating and managing the significant risks faced by the group has been in place for the year under review. During this year, nothing has come to the attention of the directors to suggest that any material breakdown in the functioning of the controls, procedures and systems, has occurred, which could result in material losses, contingencies or uncertainties that would require disclosure in the financial statements.

RELATIONSHIP WITH REGULATORS

The majority of the financial services and products provided by the group are regulated by law and supervised by a regulatory authority. A variety of licences to conduct the businesses concerned have been granted to group companies by the appropriate supervisory bodies. The Bank Supervision Department of the South African Reserve Bank is responsible for the effective supervision of banks. In doing so, it contributes towards a stable and efficient payments and banking system. The supervisory environment promotes sound risk management in banks, together with corporate governance, transparency and full disclosure. The Financial Services Board fulfils a similar function in supervising the group’s asset management, pension and insurance operations. Medical schemes are supervised by the Registrar for Medical Schemes in the Department of Health.

The group enjoys a good relationship with the supervisory bodies in general. This relationship is prized as it enhances the interaction necessary between the parties. The relationship is primarily the result of two factors: firstly there is a group culture of compliance which is fostered and promoted on an ongoing basis, secondly, contact occurs on a regular basis between the staff of the various group companies and the supervisory bodies. These contacts include the submission of returns, correspondence, comments on proposed legislative amendments, personal visits and participation in initiatives of industry representative bodies. The group firmly believes that this good relationship with the supervisory bodies must be maintained as an essential element of future activities.

The Banks Act requires the directors of the banks within the Banking Group to report to the Registrar of Banks on the systems of internal controls relating to financial and regulatory reporting and their compliance with the Banks Act and Regulations. Such a report is substantially contained in the statement on the Responsibility of Directors for Annual Financial Statements and in the Report of the External Auditors to the shareholders and other users of the financial statements. In terms of the Financial Market Control Act and Stock Exchange Act, the independent auditors and compliance officers of asset management companies are required to report to the Registrar of Financial Markets on the system of internal controls and compliance with relevant legislation.

REPORT ON REMUNERATION PRACTICES AND WORKFORCE PROFILE

REMUNERATION POLICY

FirstRand's overall objective is to ensure that:

- through the group's remuneration policies and practices we continue to motivate and retain our existing staff members (including senior executives and directors); and at the same time
- we strive to create an attractive environment for potential employees.

A pleasing indication of our success in this area was the recent selection of Rand Merchant Bank as South Africa's "*Best Company to work for*".

Industry specific approach

The FirstRand Group operates in a number of sectors within the broader financial services industry, each with its own distinct employment practices and unique human resource pressures. To recognise and address such divergent needs, FirstRand follows a practice of devolving the design and implementation of appropriate remuneration structures to the divisional boards of its three main operating groups, being:

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

The group believes it is best able to respond to the differing needs of the individual business units with fair and attractive remuneration structures on a timely basis.

Within such divisional framework, remuneration structures comprise:

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

As far as possible, annual remuneration reviews encompass all three elements, thereby allowing the focus to be placed on a holistic overall impact, rather than the individual remuneration components.

Salaries and benefits

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

Benefits are largely determined by specific industry practices. All full-time employees are members of defined benefit or defined contribution pension and/or provident fund schemes under the auspices of the relevant governing legislation. New employees joining the group become members of the defined contribution pension and/or provident fund schemes. All schemes are regularly valued by independent actuaries, and are in a financially sound position. Retirement funding contributions are charged against expenditure when incurred. Should the actuaries advise any deficits, such deficits are funded, either immediately or through increased contributions to ensure the ongoing soundness of the funds concerned. The assets of such retirement funds are held separate from the group's assets.

In general, where the group provides for medical aid contributions beyond the date of retirement the present value of such contributions for existing pensioners has been determined and the liability provided for. In the case of current employees, such cost is charged over the service period of the employees concerned*. Employees now joining the group do not receive post retirement medical aid benefits.

Annual performance-related awards

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 performance of the individual and the business unit concerned. Reference is also made to key economic drivers, including revenue generation, cost containment and return on capital utilised. In certain business units actual bonus payments take place in tranches during the twelve months following the financial year to which they relate. Notwithstanding such deferral, the bonuses are provided for in full in the current year's

**An exception to this practice has arisen in the case of First National Bank employees. In this regard refer to note 23 to the FirstRand Banking Group annual financial statements (page 115 of this Annual Report), where further details are provided.*

expenditure. Should an employee leave the group's employ, unpaid bonus tranches are forfeited.

Share incentive schemes

Historically, the share incentive schemes operated by the group have been a powerful tool in aligning the interests of staff with that of FirstRand shareholders. Share options are awarded on both individual and corporate performance.

All of the share incentive schemes currently in operation in the group have received the prior approval of FirstRand shareholders in general meeting. In terms of such general approval, a maximum of 544 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 operated by the group fall into two main categories, namely:

- A series of conventional share option schemes (collectively "the FirstRand Share Option Schemes") and
- The FirstRand Out-performance Share Scheme.

Up to half of the ordinary shares available may be allocated to the FirstRand Out-performance Share Scheme, with the balance remaining being available for allocation under the FirstRand Share Option Scheme.

The FirstRand Share Option Schemes

At the time of the formation of the FirstRand Group in 1998, each of the founder entities operated their own share option schemes. Save for the scheme operated by Rand Merchant Bank, which for historical reasons utilises shares in RMB Holdings Limited ("RMBH") as basis, the basis of such schemes were automatically converted to FirstRand shares.

Given the differing historical approaches to factors such as bases of allocation, exercise dates, etc, it was decided to treat such schemes as being closed, with no further issues being made under them, and to run them down over time.

In their stead, a new FirstRand Share Option Scheme has been implemented. While the scheme is used to incentivise a broad range of the group's personnel, it still remains focused on those employees that can have an impact on the long-term future of the group. This scheme:

- Has a five-year time horizon;
- Allows the option holder to exercise and take delivery of the FirstRand shares in three equal tranches from the third year onwards;
- The participant is compelled to exercise the option and take delivery of the shares at the end of the fifth year; and
- To derive a benefit under the scheme, a participant must be in the group's employ when the relevant exercise date arrives.

At 30 June 2001, participants had been granted options over 213,9 million FirstRand shares (2000: 171,5 million) and 37,3 million RMBH shares (2000: 48,0 million). Details of the options issued under the FirstRand Share Option Schemes are presented in note 28 to the FirstRand annual financial statements (page 58 of this Annual Report).

When the share incentive trusts grant options to participants:

- The trusts follow the practice of covering their anticipated future liability to the participants by acquiring existing FirstRand shares in the open market;
- The group company that employs the participant provides the funding required for this process to the trust on loan account; and
- The attendant interest and other expenses are charged to current expenditure in such group company.

Such conservative approach protects the general body of FirstRand shareholders from a future dilution as a result of the operation of the schemes. Instead, it matches the current year cost of operating the scheme against the current year benefit of employing the participant. At 30 June 2001 the total loans advanced to the trusts in this manner amounted to R1 523,3 million (2000: R1 386,7 million).

The FirstRand Out-performance Share Scheme

It is a group objective that, over time, FirstRand should be the preferred investment vehicle in the South African financial services sector, both for existing and future shareholders. The FirstRand Out-performance Share Scheme is directed at the realisation of this objective.

This scheme is, as far as we know, unique in South Africa and will, over time, allow the group to attract and build a strong manager core that seeks to create superior shareholder wealth on a consistent basis. The scheme has a narrower focus than the FirstRand Share Option Schemes and is directed at those individuals who can be expected to have a major impact on the future destiny of the group.

Utilising convertible redeemable preference shares as the basis, the scheme allows participants, over a six-year time horizon, to convert such shares into ordinary FirstRand shares in four equal tranches from the third year onwards. An element of the margin (if any) by which the FirstRand ordinary share price exceeds the growth in the Fini 15 index* over the period will be transferred to the participants as part of the conversion ratio.

Should the FirstRand share price not have outperformed that of its peer group on the relevant conversion dates, the preference shares in question are redeemed and the participant receives no benefit. The participant is required to be in the employ of the group on the relevant conversion date to benefit under the scheme.

The maximum number of FirstRand ordinary shares into which a preference share may be converted is one. At 30 June 2001 the 201 participants had subscribed for 126,4 million preference shares (2000: 132,2 million preference shares). On the basis prescribed in South African Generally Accepted Accounting Practice, the convertible preference shares currently have an “anti-dilutory” impact. It is thus not necessary to reflect a future dilution of earnings per share.

As the participants are only entitled to share in an element of the extent of the future out-performance of the FirstRand share price relative to its peers, the group does not follow a practice of providing for the future dilution.

**The Fini 15 is a published index prepared by the JSE Securities Exchange in consultation with the South African Society of Actuaries. It computes the price performance, on the basis of market capitalisation, of the fifteen largest financial services groups listed on the Exchange. As such, its constituents include all the largest SA banks, insurers and financial services organisations. These are, in essence, FirstRand’s peer grouping.*

From a shareholders perspective, the group believes this scheme to be very attractive, in that a shareholder only sacrifices part of the benefit realised and, on a marginal and relative basis, can never be worse off.

REMUNERATION COMMITTEES

An independent remuneration committee, comprising non-executive directors, has oversight of the remuneration practices at each of the main divisional groups. Committee members are:

Momentum	FirstRand Banking Group	
B H Adams	R A Williams	G T Ferreira
L L Dippenaar	P K Harris	P M Goss
R J Hutchison	V W Bartlett	P K Harris

Each of these committees also has representation on the FirstRand Remuneration Committee, whose members include:

G T Ferreira
M W King
L L Dippenaar

The Remuneration Committees operate under a delegated authority from the FirstRand board. When appropriate, report backs by the committees are tabled for consideration by the FirstRand board.

The FirstRand Remuneration Committee sets the reward strategy for the greater group and is also responsible for the policy of the group’s share incentive schemes. The divisional committees approve the remuneration of executives and employees of the group. No executive director is involved in the setting of his own remuneration.

SPECIFIC DISCLOSURES REGARDING DIRECTORS

The remuneration of executive directors in the group is consistent with the practice for senior staff as outlined above. As such they:

- Receive salaries and benefits;
- Performance linked payments; and
- Participate in the share incentive schemes.

Non-executive directors receive fees for their services as directors and for services on the various board committees.

Emoluments

The emoluments of the directors of FirstRand for the year ended 30 June 2001 were as follows:

R000's	Services as directors FirstRand	Group	Cash package[1]	Other benefits[2]	Performance related[3]	Total 2001
Executive						
V W Bartlett [4]			1 821	216	1 500	3 537
L L Dippenaar [4]			2 295	455	2 750[5]	5 500
P K Harris [4]			2 388	362	2 750[5]	5 500
Sub-total	–	–	6 504	1 033	7 000	14 537
Non-executive						
G T Ferreira (Chairman)	238	262	–	–	–	500[6]
B H Adams	38	72	–	–	–	110
D J A Craig	23	143	–	–	–	166
D M Falck	23	12	–	–	–	35
P M Goss	38	69	–	–	–	107
M W King	34	172	–	–	–	206
S R Maharaj	46	495	–	–	–	541
G R Pardoe	50	145	–	–	–	195
K C Shubane	15	–	–	–	–	15
B J van der Ross	46	68	–	–	–	114
R A Williams	23	48	–	–	–	71
Sub-total	574	1 486	–	–	–	2 060
Total	574	1 486	6 504	1 033	7 000	16 597

Notes:

(1) *"Cash package" includes travel and entertainment allowances.*

(2) *"Other benefits" comprises provident fund and medical aid contributions.*

(3) *"Performance related" payments are in relation to the year ended 30 June 2001, but are only paid (together with an interest factor) in three tranches during the year ended 30 June 2002.*

(4) *Messrs Bartlett, Dippenaar and Harris were also entitled to directors' fees from FirstRand and its subsidiaries. Any fees receivable by them in this regard have been waived and ceded to companies in the FirstRand Group and do not accrue to them in their private capacity.*

(5) *The performance related payments to Messrs Dippenaar and Harris are capped at one times annual package.*

(6) *The emoluments due to Mr Ferreira have been waived in favour of RMB Holdings Limited and do not accrue to him in his private capacity.*

Participation in share incentive schemes

Executive directors participate in the FirstRand Share Incentive Schemes on the basis outlined above. Invitations to participate are subject to specific approval by the FirstRand Remuneration Committee, and are done on pricing parameters consistent with that extended to other senior executives. The current interests of executive directors in the share incentive schemes are as follows:

000's	Share option schemes FirstRand shares	RMBH shares	FirstRand Out-performance Scheme Preference shares
V W Bartlett			
Prior years' allocations	1 977	–	1 500
Offer price range of FirstRand options (cents) – 325 to 628			
Granted during the current year	1 170	–	–
Offer price (cents) – 690			
Delivered during the year	(346)	–	–
Offer price (cents) – 148 to 225			
Current interest	2 801	–	1 500
The gain made by Mr Bartlett on taking delivery of the shares above amounted to R1 965 675.			
L L Dippenaar			
Prior years' allocation	–	585	2 000
Offer price range of RMBH options (cents) – 330 to 1 400			
Granted during the current year	2 750	–	–
Offer price (cents) – 690			
Delivered during the year	–	(60)	–
Offer price (cents) – 330			
Current interest	2 750	525	2 000
The gain made by Mr Dippenaar on taking delivery of the shares above amounted to R406 485.			
P K Harris			
Prior years' allocation	–	585	2 000
Offer price range of RMBH options (cents) – 300 to 1 400			
Granted during the current year	2 750	–	–
Offer price (cents) – 690			
Delivered during the year	–	(60)	–
Offer price (cents) – 330			
Current interest	2 750	525	2 000

The gain made by Mr Harris on taking delivery of the shares above amounted to R424 485.

Directors' interest

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 ordinary shares of the company at 30 June 2001.

Certain directors have also disclosed their effective interest in FirstRand as a result of their shareholdings in RMB Holdings Limited, which company holds a 32,8% interest in FirstRand.

000's	Direct Beneficial	Indirect Beneficial	Indirect via RMBH	Total
B H Adams	–	293	263	556
V W Bartlett	1 365	–	–	1 365
D J Craig	–	–	–	–
L L Dippenaar	4	419	136 782	137 205
D M Falck	–	–	–	–
G T Ferreira	–	–	131 412	131 412
P M Goss		–	17 225	17 225
P K Harris	–	34	39 443	39 477
M W King	–	–	–	–
S R Maharaj	–	–	–	–
G R Pardoe	–	–	–	–
K C Shubane	20	–	–	20
B J van der Ross	–	–	–	–
R A Williams	3	59	–	62
Total 2001	**1 392**	**805**	**325 125**	**327 322**
Total 2000	1 375	1 337	317 978	320 690

There has been no change in the above position between 30 June 2001 and the date of this report.

WORKFORCE PROFILE

The South African operations of the FirstRand Group are required to comply with the Employment Equity Act. In this regard, a workforce plan has been submitted to the Department of Labour. The plan commits the group to the following:

- Increasing the overall racial diversity of the workforce.
- Increasing the number of black managers.
- Creating awareness of employment equity and diversity amongst employees.
- The establishment of representative diversity forums.
- Awareness of employment opportunities for people with disabilities.

At 30 June 2001 the composition of the workforce was as follows:

	Momentum		FirstRand Bank		Total	
	Number of staff	%	Number of staff	%	Number of staff	%
RACE						
White	3 093	58	12 495	49	15 588	51
ABC (*)	2 239	42	13 005	51	15 244	49
Total	5 332	100	25 500	100	30 832	100
GENDER						
Male	2 047	38	8 864	35	10 911	35
Female	3 285	62	16 636	65	19 921	65
Total	5 332	100	25 500	100	30 832	100
GEOGRAPHICAL						
South Africa	5 332	97	25 500	87	30 832	89
Rest of Africa	–	–	1 879	7	1 879	5
Rest of world	152	3	1 857	6	2 009	6
Total	5 484	100	29 236	100	34 720	100

* *Asian, Black and Coloured.*

REPORT ON CORPORATE SOCIAL INVESTMENT

The companies within the FirstRand Group contribute 1% of their after tax profits to the FirstRand Foundation. This is supplemented by income from certain investments held by the Foundation. The Foundation is governed by a board of trustees that includes company executives and community representatives. Its activities are administered by Tshikululu Social Investments (TSI) a not-for-profit corporate social investment consultancy which reviews each request made to the Foundation, puts forward recommendations for consideration to group company fund committees and trustees and ensures that proper accounting and reporting is adhered to by projects once assistance has been approved.

South Africa has many urgent and obvious development challenges. The realities of South Africa are often stark but there are thousands of people willing to make a difference. The Foundation seeks to add value in meaningful ways, complementing and extending the role that the group companies themselves play in the country's economic life by bringing the same commitment to enterprise and growth to areas of social need and development.

During the year ended 30 June 2001 givings from the Foundation totalled R32,9 million. The Business Trust received R12,2 million and the Joint Education Trust R2,2 million. The Business Trust is a major national initiative through which business and government have joined hands to support strategic interventions in education and job creation, focused on the critical obstacles hindering progress in these vital areas of development. In addition more than 440 grants totalling R18,5 million were made. An analysis of the grants by sector and province is set out below.

EDUCATION

Support for education projects spanning the spectrum of need from pre-school to tertiary study provides the Foundation with the opportunity to make a difference in the lives of thousands of young people, expanding their learning skills and helping to build a stronger base for future economic growth.

HEALTH CARE INITIATIVES

Health care programmes include those relating to the provision of care to people infected and affected with HIV/Aids. The Foundation's HIV/Aids policy makes provision for funding at four levels. These are:

- Educational programmes, particularly those designed to assist people to develop alternative strategies for dealing with life challenges, healthy lifestyles and relationships
- Community-based care programmes targeting Aids orphans and their care givers
- Hospice care for the terminally ill
- Homes for HIV/Aids orphans who are not being cared for in their immediate community

Support is also provided to community health programmes that provide services and care to communities beyond the reach of mainstream health care.

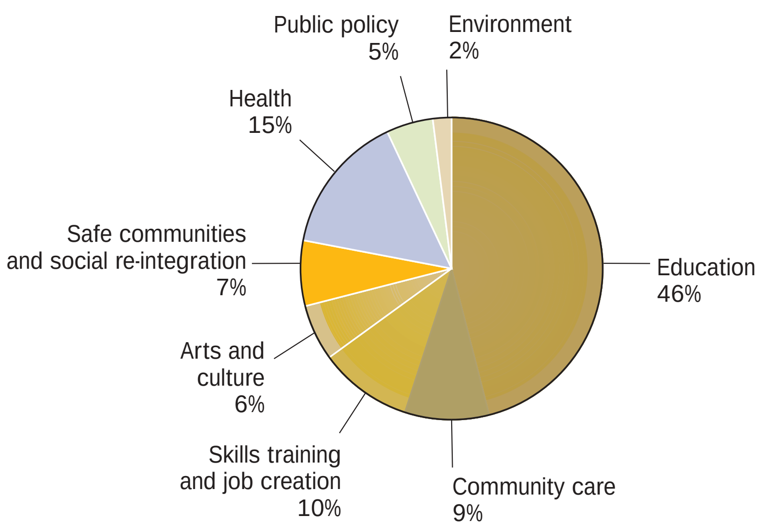
COUNT – Mathematics upgrade programme

READ Educational Trust

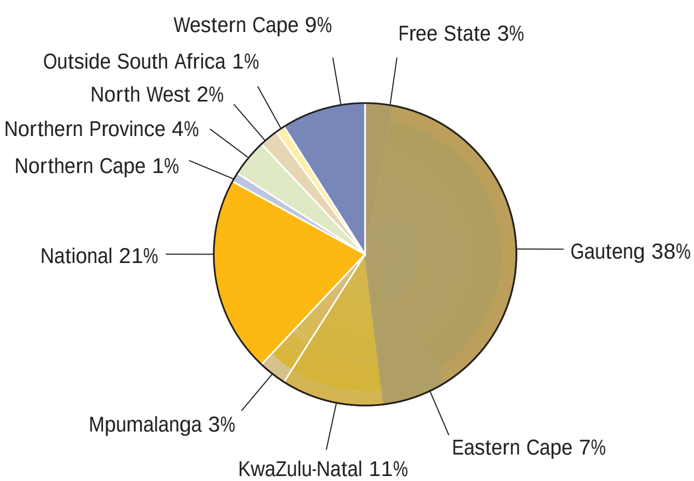
Viljoenskroon Hospice – Training of community care givers

Official opening of Alexandra Antenatal Clinic

Funding per sector



Giving per province



SKILLS TRAINING AND JOB CREATION

These projects are aimed at improving the economic livelihoods of people in rural areas and include training programmes. This is a particularly challenging area of development but even modest gains in income generation can make a real difference for people on the economic margins.

COMMUNITY CARE

These projects seek to extend care and support to individuals and communities in need and not served by the mainstream. These projects include, assistance to the homeless and destitute, children's homes, old age homes and family counselling and support programmes for people in distress.

SAFE COMMUNITIES AND SOCIAL RE-INTEGRATION PROGRAMMES

These projects support people who are at risk of infringing the law through drug, alcohol and physical abuse. A major recipient is Business Against Crime which has for many years been supported by Rand Merchant Bank.

ARTISTIC AND CULTURAL ACTIVITIES

These programmes include a range of cultural, performing arts and community recreation projects, where such activities help build community spirit and a sense of identity and self-expression for individuals.

PUBLIC POLICY AND ENVIRONMENTAL PROGRAMMES

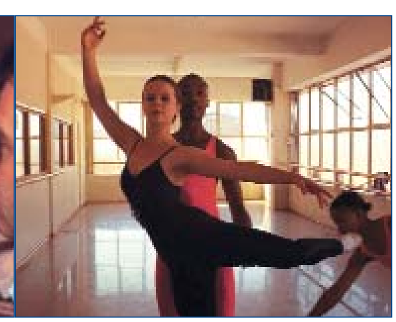
These initiatives play an important role in stimulating debate regarding national policy issues and promoting the conservation and development of our environment in collaboration with meaningful community development structures.

More details of the group's givings can be found on the FirstRand web site www.firstrand.co.za


Ethembeni Training Centre


Junior Achievement – Mini enterprise education programme


Medunsa – Ophthalmic research


University of Natal – Centre of Creative Arts

ANNUAL FINANCIAL STATEMENTS –
FIRSTRAND GROUP

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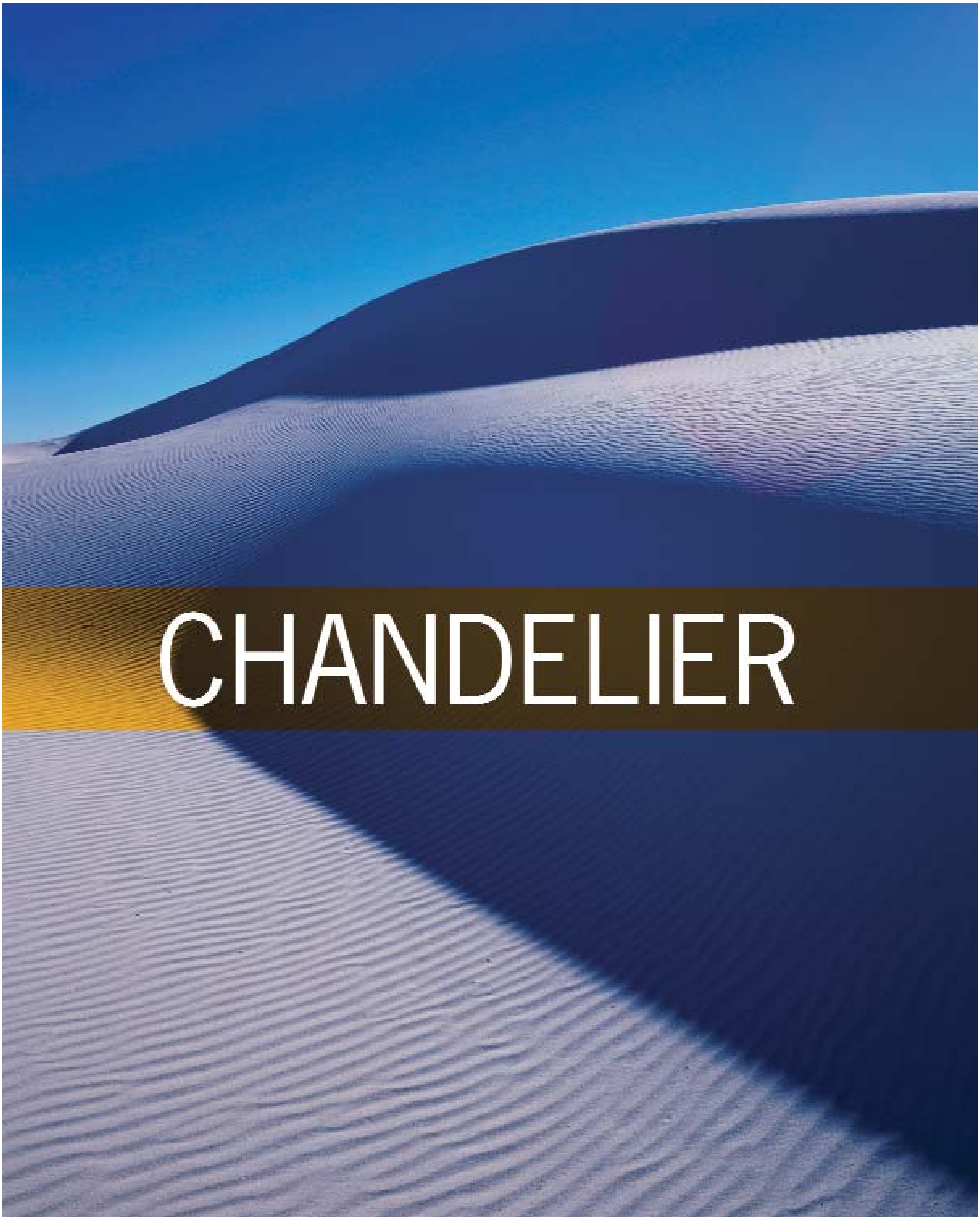
FIRSTRAND

FINANCIAL IMAGINEERING



Imagine the fusing of each grain into glass.

DIRECTORS' RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY 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 which 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 period. In preparing the accompanying financial statements, generally accepted accounting practices have been followed, suitable accounting policies have been used and reasonable estimates have been made. 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 2002. On the basis of this review, and in the light of the current financial position, the directors have no reason to believe that FirstRand 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 below.

The financial statements of the group and the company for the year ended 30 June 2001, which appear on pages 47 to 63 and 180 to 187 respectively, have been approved by the board of directors and are signed on its behalf by:

G T FERREIRA
Chairman

L L DIPPENAAR
Chief Executive Officer

Sandton
6 September 2001

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF FIRSTRAND LIMITED

We have audited the annual financial statements of the group and company set out on pages 47 to 63 and 180 to 187 for the year ended 30 June 2001. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the group and the company at 30 June 2001, and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INCORPORATED
Registered Accountants and Auditors
Chartered Accountants (SA)

Sandton
6 September 2001

DIRECTORS' REPORT

for the year ended 30 June 2001

NATURE OF BUSINESS

FirstRand Limited ("FirstRand") is listed on the JSE Securities Exchange South Africa ("JSE") and the Namibian Stock Exchange and is the holding company of the FirstRand group of companies, which comprise diverse financial services activities in the areas of retail, corporate, investment and merchant banking, life insurance, employee benefits, health insurance and asset management.

The banking and insurance activities of the group are consolidated in the wholly owned subsidiaries FirstRand Bank Holdings Limited and Momentum Group Limited.

A schedule of group companies is set out on pages 2 and 3.

SHARE CAPITAL

Ordinary share capital

There were no changes to the authorised and issued ordinary share capital of the company during the year.

Preference share capital

There were no changes to the authorised and issued "A" preference share capital of the company during the year.

EARNINGS

Headline earnings from banking and insurance were as follows:

R million	**2001**	2000
Banking	**2 795**	2 190
Insurance	**943**	790
Secondary tax on companies	**(41)**	(26)
Total headline earnings after tax	**3 697**	2 954
Earnings per share (cents)	**67,9**	54,2

DIVIDENDS

The following ordinary cash dividends were declared for the 2001 financial year:

Cents per share	**2001**	2000
Interim (declared 27 February 2001)	**11,25**	9,0
Final (declared 6 September 2001)*	**12,50**	10,0
	23,75	19,0

** The final dividend will become payable on 31 October 2001 to all shareholders registered on 12 October 2001.*

Dividends on the "A" preference shares are calculated at a rate of 65% of the prime lending rate of banks and the following dividends have been declared for payment:

For the six months to 31 December 2000:
R52,7 million (1999: Nil)

For the six months to 30 June 2001:
R51,6 million (2000: R26,0 million)

These dividends are payable at the end of March and October respectively. The "A" preference shares in issue are held by various investment companies owned by the participants in the "OutPerformance" share incentive scheme administered by the FirstRand Limited Trust ("The Trust"). The Trust holds preference shares issued by these investment companies as well as the surplus FirstRand Limited "A" preference shares that have not been allotted or that have been redeemed since allotment. The preference dividends are received on the same date and at the same rate as that of the First Rand Limited "A" preference shares per above. The Trust has ceded its right to such dividends to FirstRand Limited which results in a cash flow neutral result for FirstRand Limited.

DIRECTORS AND SECRETARY

The names of the directors are on page 4 and the name and address of the company secretary appear on page 193.

DIRECTORS' REPORT (CONTINUED)

Mr D M Falck was appointed as a director on 27 February 2001.

Mr G R Pardoe, who represented the interests of Anglo American on the board, resigned on 6 September 2001. We wish to record our thanks to him for his contribution at the board and also in the various committees on which he served.

In terms of the Articles of Association of the company, one third of the directors retire by rotation each year.

The following directors retire by rotation in 2001. All are eligible and available for re-election at the annual general meeting:

Messrs B H Adams, D M Falck, G T Ferreira, B J van der Ross and R A Williams.

The following persons have accepted nomination for election to the board at the annual general meeting:

Messrs C Ramaphosa and F van Zyl Slabbert.

BENEFICIAL INTEREST OF 5% OR MORE OF THE ISSUED ORDINARY SHARES

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

%	**2001**	2000
RMB Holdings Limited	**32,83**	25,03
Financial Securities Limited (Remgro)	**9,32**	Nil
Anglo American Corporation of South Africa Limited	**5,25**	20,56

STRATE

FirstRand has been scheduled to dematerialise its issued ordinary shares as from 29 October 2001, after which settlement of any trade on or outside the JSE can only be done in electronic format. A separate brochure was included with the profit announcement to give guidance to ordinary shareholders. A corporate action is scheduled for October in terms of which ordinary shareholders are encouraged to make use of the Issuer Sponsored Nominee ("ISN") facility offered by Computershare Services Limited.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There is no material fact or circumstance that has occurred between the accounting date and the date of this report.

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF S268G(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.

P F DE BEER (FCIS)
Company Secretary

ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements have been prepared on the going-concern basis, using the historical cost concept, except for insurance investments and certain banking assets which are stated at fair value, in accordance with Statements of Generally Accepted Accounting Practice and the Companies Act, 1973. The principal accounting policies of the group set out below are consistent in all material respects with those adopted in the previous year, except where specifically noted.

CONSOLIDATION

The group financial statements comprise the financial statements of FirstRand Limited and its subsidiaries.

The results of subsidiaries are included from the effective dates of acquisition to the effective dates of disposal. The assets and liabilities acquired are assessed and included in the balance sheet at their estimated fair value to the group. Such fair values are reviewed and amended as appropriate in financial years subsequent to the acquisition.

Where material, adjustments are made to update consolidated results and balances of subsidiaries that have financial year-ends which differ from that of the group.

INVESTMENT IN SUBSIDIARIES

FirstRand's investment in subsidiaries is reflected at the attributable net asset value of the subsidiaries. This is achieved by applying equity accounting principles.

GOODWILL

Goodwill represents the excess of the purchase consideration of shares over the attributable fair value of the net assets acquired, and is capitalised and amortised on the straight-line basis over the period of expected benefit, limited to 20 years.

Where the fair value of net assets of subsidiaries at date of acquisition exceed the cost of shares acquired, the excess is stated as negative goodwill.

ACCOUNTING POLICIES SPECIFIC TO BANKING AND INSURANCE

For detailed accounting policies relating to the Banking and Insurance operations, please refer to pages 90 to 93 and pages 145 to 147 respectively.

BALANCE SHEET

as at 30 June

R million	Notes	Group 2001	Group 2000
ASSETS			
Banking operations		**164 678,4**	140 175,6
Cash and short-term funds	3	**9 788,4**	8 309,4
Short-term negotiable securities	4	**6 104,7**	14 469,8
Liquid assets and trading securities	5	**26 398,5**	9 772,9
Securities purchased under agreements to resell	6	**–**	2 434,3
Advances	7	**119 674,4**	102 667,2
Other investments	8	**2 712,4**	2 522,0
Insurance operations		**70 518,6**	60 964,3
Funds on deposit	9	**6 169,3**	7 930,0
Government and public authority stocks		**8 738,6**	4 800,1
Debentures and other loans	10	**8 723,7**	5 958,3
Policy loans		**516,8**	464,9
Equity investments	11	**43 331,3**	38 702,9
Investment properties	12	**3 038,9**	3 108,1
Current assets	13	**5 650,0**	5 036,3
Loan	14	**1 108,4**	1 108,4
Investments in associated companies	15	**945,3**	689,9
Derivative assets	16	**17 681,7**	10 900,3
Deferred taxation	17	**254,0**	193,0
Goodwill	18	**530,1**	57,8
Intangible assets	19	**13,9**	25,8
Property and equipment	20	**3 497,0**	3 631,3
Total assets		**264 877,4**	222 782,7
LIABILITIES AND SHAREHOLDERS’ FUNDS			
Liabilities			
Deposits and current accounts	21	**137 584,3**	117 559,3
Current liabilities	22	**11 299,5**	9 081,9
Taxation	23	**376,2**	128,4
Derivative liabilities	24	**23 919,7**	14 189,2
Securities sold under agreements to repurchase	6	**–**	2 387,0
Deferred taxation	17	**1 698,2**	1 565,0
Long-term liabilities	25	**4 132,6**	4 139,4
Life insurance fund	26	**67 943,1**	58 722,8
Total liabilities		**246 953,6**	207 773,0
Outside shareholders’ interest	27	**950,3**	641,0
Shareholders’ funds			
Share capital and share premium	28	**9 594,9**	9 594,9
Reserves	29	**7 378,6**	4 773,8
Total shareholders’ funds		**16 973,5**	14 368,7
Total liabilities and shareholders’ funds		**264 877,4**	222 782,7
Contingencies and commitments	30	**17 927,8**	14 181,2

INCOME STATEMENT

for the year ended 30 June

R million	Notes	Group 2001	Group 2000
Net income after tax			
Banking operations		**2 923,3**	2 321,1
Insurance operations		**899,9**	933,2
Holding company expenses		**(40,8)**	(25,7)
Total net income after tax		**3 782,4**	3 228,6
Earnings attributable to outside shareholders of:			
Banking operations		**(131,3)**	(131,4)
Insurance operations		**(68,8)**	(34,8)
Net income after tax attributable to ordinary shareholders	33	**3 582,3**	3 062,4
Earnings per share (cents)	33	**65,8**	56,2
Headline earnings per share (cents)	33	**67,9**	54,2
Dividend per share (cents)	32	**23,75**	19,0

CASH FLOW STATEMENT

for the year ended 30 June

R million	Notes	Group 2001	Group 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	35.1	**13 640,6**	11 490,8
Working capital changes	35.2	**4 609,7**	3 557,9
Cash inflow from operations		**18 250,3**	15 048,7
Taxation paid	35.3	**(954,6)**	(897,8)
Dividends paid	35.4	**(1 157,1)**	(925,7)
Net cash inflow from operating activities		**16 138,6**	13 225,2
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Banking investment activities	35.5	**(6 202,1)**	(9 117,4)
Insurance investment activities	35.6	**(8 777,7)**	(8 624,3)
Net purchase of equipment		**(389,6)**	(582,5)
Investment in associates		**(278,6)**	(139,0)
Net purchase of intangible assets		**(17,5)**	(27,3)
Proceeds on disposal of shares in subsidiary		**–**	143,7
Net cash outflow from investment activities		**(15 665,5)**	(18 346,8)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from long-term borrowings		**(827,0)**	1 366,5
Proceeds from issue of preference shares		**–**	150,0
Net cash (outflow)/inflow from financing activities		**(827,0)**	1 516,5
Net decrease in cash and cash equivalents		**(353,9)**	(3 605,1)
Cash and cash equivalents at the beginning of the year		**16 239,4**	19 844,5
Cash and cash equivalents acquired		**72,2**	–
Cash and cash equivalents at the end of the year	35.7	**15 957,7**	16 239,4

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital (Note 28)	Share premium (Note 28)	Convertible debentures	Retained earnings (Note 29)	Non-distributable reserves (Note 29)	Total shareholders' funds
Balance at 1 July 1999						
– As previously stated	54,4	8 432,1	350,0	1 950,2	227,2	11 013,9
– Restatement of debenture structure	–	–	(350,0)	–	–	(350,0)
– Provision for dividends	–	–	–	435,6	–	435,6
– Provision for STC	–	–	–	34,1	–	34,1
Restated balance at 1 July 1999	54,4	8 432,1	–	2 419,9	227,2	11 133,6
Preference shares issued	1,4	1 107,0	–	–	–	1 108,4
Net losses not recognised in the income statement	–	–	–	–	(10,0)	(10,0)
Earnings attributable to shareholders	–	–	–	3 062,4	–	3 062,4
Dividends	–	–	–	(925,7)	–	(925,7)
Transfer (to)/from reserves	–	–	–	(39,5)	39,5	–
Balance at 30 June 2000	55,8	9 539,1	–	4 517,1	256,7	14 368,7
Balance at 1 July 2000	**55,8**	**9 539,1**	**–**	**4 517,1**	**256,7**	**14 368,7**
Net gains not recognised in the income statement	**–**	**–**	**–**	**–**	**179,6**	**179,6**
Earnings attributable to shareholders	**–**	**–**	**–**	**3 582,3**	**–**	**3 582,3**
Dividends	**–**	**–**	**–**	**(1 157,1)**	**–**	**(1 157,1)**
Balance at 30 June 2001	**55,8**	**9 539,1**	**–**	**6 942,3**	**436,3**	**16 973,5**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1. ACCOUNTING POLICIES

The accounting policies of the group are set out on page 49. These accounting policies are consistent with those applied during the year to 30 June 2000, except for the provision for dividends payable and the corresponding STC liability.
In accordance with the provisions contained in AC 107 and AC 130, dividends paid and STC are now accounted for upon declaration of the dividend. Previously, dividends paid and STC were accrued at the end of the accounting period, prior to the dividend declaration. The effect of this change on the results to 30 June 2000 is an increase of R6,6 million in attributable earnings.

2. TURNOVER

Turnover is a concept not relevant to the business of banking and insurance

R million	Reference	Group 2001	Group 2000
3. CASH AND SHORT-TERM FUNDS			
Banking operations	Banking note 3	**9 788,4**	8 309,4
4. SHORT-TERM NEGOTIABLE SECURITIES			
Banking operations	Banking note 4	**6 114,4**	14 479,5
Consolidation adjustment		**(9,7)**	(9,7)
		6 104,7	14 469,8
5. LIQUID ASSETS AND TRADING SECURITIES			
Banking operations	Banking note 5	**26 398,5**	9 772,9
6. REPURCHASE AGREEMENTS			
Banking operations			
Assets			
Securities purchased under agreements to resell	Banking note 6	**–**	2 434,3
Liabilities			
Securities sold under agreements to repurchase	Banking note 6	**–**	2 387,0
7. ADVANCES			
Banking operations	Banking note 7, 8	**119 659,4**	102 652,2
Consolidation adjustment		**15,0**	15,0
		119 674,4	102 667,2
8. OTHER INVESTMENTS			
Banking operations	Banking note 10	**2 712,4**	2 522,0
9. FUNDS ON DEPOSIT			
FirstRand Limited	FirstRand Limited pg 180	**1,9**	4,2
Insurance operations	Momentum pg 148	**6 220,9**	8 046,7
Consolidation adjustment		**(53,5)**	(120,9)
		6 169,3	7 930,0
10. DEBENTURES AND OTHER LOANS			
Insurance operations	Momentum pg 148	**8 978,3**	6 134,4
Consolidation adjustment		**(254,6)**	(176,1)
		8 723,7	5 958,3
11. EQUITY INVESTMENTS			
Insurance operations	Momentum note 2	**43 466,8**	38 938,9
Consolidation adjustment		**(135,5)**	(236,0)
		43 331,3	38 702,9

R million	Reference	Group 2001	Group 2000
12. INVESTMENT PROPERTIES			
Insurance operations	Momentum note 5	**3 038,9**	3 108,1
13. CURRENT ASSETS			
FirstRand Limited	FirstRand Limited pg 180	**1,7**	–
Banking operations	Banking note 9	**2 361,6**	2 162,0
Insurance operations	Momentum note 6	**3 316,0**	3 162,1
Consolidation adjustment		**(29,3)**	(287,8)
		5 650,0	5 036,3
14. LOAN			
OutPerformance share incentive scheme loan	FirstRand Limited note 2	**1 108,4**	1 108,4
15. INVESTMENTS IN ASSOCIATED COMPANIES			
Banking operations	Banking note 11	**477,0**	308,0
Insurance operations	Momentum note 3	**468,3**	381,9
		945,3	689,9
16. DERIVATIVE ASSETS			
Banking operations	Banking note 25.4	**14 208,8**	9 660,3
Insurance operations	Momentum note 4	**3 472,9**	1 240,0
		17 681,7	10 900,3
17. DEFERRED TAXATION			
FirstRand Limited	FirstRand Limited note 3	**0,2**	–
Banking operations – Debit balances	Banking note 13	**246,3**	183,6
Insurance operations – Debit balances	Momentum note 7	**7,5**	9,4
		254,0	193,0
Banking operations – Credit balances	Banking note 13	**1 696,3**	1 491,7
Insurance operations – Credit balances	Momentum note 7	**1,9**	73,3
		1 698,2	1 565,0
18. GOODWILL			
Banking operations	Banking note 14	**160,8**	136,9
Insurance operations	Momentum note 8	**468,3**	25,1
Consolidation adjustment		**(99,0)**	(104,2)
		530,1	57,8
19. INTANGIBLE ASSETS			
Insurance operations	Momentum note 9	**13,9**	25,8
20. PROPERTY AND EQUIPMENT			
FirstRand Limited	FirstRand Limited note 4	**–**	0,1
Banking operations	Banking note 12	**2 910,6**	3 099,9
Insurance operations	Momentum note 10	**588,4**	532,7
Consolidation adjustment		**(2,0)**	(1,4)
		3 497,0	3 631,3

for the year ended 30 June

R million	Reference	Group 2001	Group 2000
21. DEPOSITS AND CURRENT ACCOUNTS			
Banking operations	Banking note 15	**137 584,3**	117 591,6
Consolidation adjustment		**–**	(32,3)
		137 584,3	117 559,3
22. CURRENT LIABILITIES			
FirstRand Limited	FirstRand Limited pg 180	**4,4**	20,2
Banking operations	Banking note 16	**9 318,3**	7 502,0
Insurance operations	Momentum note 11	**1 880,5**	1 788,8
Consolidation adjustment		**96,3**	(229,1)
		11 299,5	9 081,9
23. TAXATION			
FirstRand Limited	FirstRand Limited pg 180	**1,3**	–
Banking operations	Banking pg 94	**30,1**	10,8
Insurance operations	Momentum pg 148	**344,8**	117,6
		376,2	128,4
24. DERIVATIVE LIABILITIES			
Banking operations	Banking note 25.4	**20 220,0**	12 613,0
Insurance operations	Momentum note 12	**3 699,7**	1 576,2
		23 919,7	14 189,2
25. LONG-TERM LIABILITIES			
Banking operations	Banking note 17	**3 303,8**	3 638,1
Insurance operations	Momentum note 13	**1 401,9**	883,2
Consolidation adjustment		**(573,1)**	(381,9)
		4 132,6	4 139,4
26. LIFE INSURANCE FUND			
Insurance operations	Momentum note 14	**68 062,0**	58 848,1
Consolidation adjustment		**(118,9)**	(125,3)
		67 943,1	58 722,8
27. OUTSIDE SHAREHOLDERS' INTEREST			
Banking operations	Banking pg 94	**564,8**	579,7
Insurance operations	Momentum pg 148	**368,9**	224,6
Consolidation adjustment		**16,6**	(163,3)
		950,3	641,0

R million	Group 2001	Group 2000
28. SHARE CAPITAL AND SHARE PREMIUM		
Share capital		
Authorised		
6 228 000 000 ordinary shares of 1 cent each (2000: 6 228 000 000)	**62,3**	62,3
272 000 000 "A" variable rate, convertible, redeemable, cumulative preference shares of 1 cent each (2000: 272 000 000)	**2,7**	2,7
Issued		
Balance at the beginning of the year		
5 445 303 089 ordinary shares of 1 cent each (2000: 5 445 303 089)	**54,4**	54,4
136 000 000 "A" variable rate, convertible, redeemable, cumulative preference shares of 1 cent each	**1,4**	–
	55,8	54,4
Shares issued during the year		
136 000 000 "A" variable rate, convertible, redeemable, cumulative preference shares of 1 cent each	**–**	1,4
Balance at the end of the year	**55,8**	55,8
Share premium		
Balance at beginning of year	**9 539,1**	8 432,1
Arising on issue of preference shares	**–**	1 107,0
	9 539,1	9 539,1
Share capital and share premium	**9 594,9**	9 594,9
The following represents the shareholding of subsidiaries in FirstRand Limited at 30 June:	**%**	%
Momentum Group Limited – held on behalf of policyholders	**3,0**	4,1

Share option schemes

Details of the investment in FirstRand by the share incentive schemes in existence within the group are set out below. These schemes comprise the Momentum Life Assurers Limited Share Trust ("Momentum Life"), The Southern Life Association Limited Share Scheme ("Southern Life"), the First National Bank Share Purchase/Option Scheme ("FNB") and the FirstRand Limited Share Trust ("FirstRand").

for the year ended 30 June

	Momentum Life	Southern Life	FNB	FirstRand
28. SHARE CAPITAL AND SHARE PREMIUM (continued)				
2001				
Number of options in force at end of year (millions)	**35,1**	**9,7**	**71,2**	**97,9**
Granted at prices ranging between (cents)	**295 – 990**	**189 – 1 029**	**40 – 1 026**	**674 – 852**
Number of options granted during year (millions)	**–**	**–**	**–**	**98,3**
Granted at prices ranging between (cents)	**n/a**	**n/a**	**n/a**	**674 – 852**
Number of options exercised/ released during year (millions)	**12,7**	**2,2**	**34,2**	**–**
Market value range at date of exercise/release (cents)	**690 – 874**	**658 – 874**	**636 – 874**	**n/a**
Number of options cancelled/ lapsed during year (millions)	**4,2**	**0,2**	**2,0**	**0,4**
Granted at prices ranging between (cents)	**180 – 700**	**93 – 1 029**	**325 – 690**	**676 – 690**
Number of shares in portfolio (millions)	**55,8**	**38,0**	**123,8**	*****
Value of company loan to share option trust (R million)	**391,6**	**297,3**	**834,4**	*****
Number of participants	**451**	**947**	**718**	**1 156**
2000				
Number of options in force at end of year (millions)	52,0	12,1	107,4	–
Granted at prices ranging between (cents)	180 – 990	93 – 1 029	40 – 1 026	n/a
Number of options granted during year (millions)	2,6	–	8,0	–
Granted at prices ranging between (cents)	591 – 867	n/a	590 – 837	n/a
Number of options exercised/ released during year (millions)	7,2	3,6	26,1	–
Market value range at date of exercise/release (cents)	617 – 935	556 – 996	590 – 996	n/a
Number of options cancelled/ lapsed during year (millions)	3,1	–	4,0	–
Granted at prices ranging between (cents)	180 – 700	n/a	325 – 1 026	n/a
Number of shares in portfolio (millions)	55,8	53,8	126,7	–
Value of company loan to share option trust (R million)	307,1	360,7	718,9	–

** At 30 June 2001 the FirstRand Trust held no FirstRand Limited shares and therefore had no loan account. It did, however, hold call options in respect of the surplus FirstRand Limited shares held in the other share trusts in the group at a price equal to the price at which the options were granted.*

R million	Reference	Group 2001	Group 2000
29. RESERVES			
Distributable reserves			
Retained income at the beginning of the year		**4 517,1**	2 419,9
Earnings attributable to shareholders		**3 582,3**	3 062,4
Dividend for the current year		**(1 157,1)**	(925,7)
Transfer to non-distributable reserves		**–**	(39,5)
Retained income at the end of the year		**6 942,3**	4 517,1
Non-distributable reserves			
Non-distributable reserves relating to:			
Banking operations		**361,4**	189,8
Currency translation reserve		**354,5**	220,2
Revaluation of investments		**4,9**	0,1
Other		**2,0**	(30,5)
Insurance operations		**74,9**	66,9
Currency translation reserve		**15,7**	9,0
Revaluation of investments		**6,8**	5,6
Reserve on capitalisation of subsidiary		**50,8**	50,8
Other		**1,6**	1,5
Balance at the end of the year		**436,3**	256,7
Total reserves		**7 378,6**	4 773,8
Movement for the year in non-distributable reserves			
Balance at the beginning of the year		**256,7**	227,2
Transfer from income statement relating to insurance operations		**–**	39,5
Currency translation reserve		**141,0**	72,9
Revaluation of investments		**6,0**	0,6
Other		**32,6**	(83,5)
Balance at the end of the year		**436,3**	256,7
30. CONTINGENCIES AND COMMITMENTS			
Banking operations	Banking note 20	**17 927,8**	14 181,2

for the year ended 30 June

R million	Group 2001	Group 2000
31. NET INCOME AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS		
Net income after tax is stated after charging the following:		
Directors' emoluments paid		
Executive directors		
Salaries, pension and medical aid contributions	14,5	18,6
Non-executive directors		
Fees for services as directors/consultants	2,1	3,2
	16,6	21,8
Directors' emoluments paid by:		
Company	0,6	2,7
Subsidiaries	16,0	19,1
	16,6	21,8
32. DIVIDENDS		
Ordinary dividends		
An interim dividend of 11,25 cents (2000: 9,0 cents) per share was declared on 27 February 2001 in respect of the six months ended 31 December 2000, payable to shareholders registered in the books of the company at the close of business on 16 March 2001.	612,6	490,1
A final dividend of 12,5 cents (2000: 10,0 cents) per share was declared on 6 September 2001, payable to shareholders registered in the books of the company at the close of business on 12 October 2001. This final dividend was not provided for at year-end in terms of the revised AC 107.	680,7	544,5
	1 293,3	1 034,6

R million	Group 2001	Group 2000
33. EARNINGS PER SHARE		
Attributable earnings basis		
Earnings per share is based on the net income after tax attributable to ordinary shareholders and the weighted number of ordinary shares in issue.		
Earnings attributable to ordinary shareholders amounted to R3 582,3 million (2000: R3 062,4 million) and the weighted average number of ordinary shares in issue during the year amounted to 5 445 303 089 (2000: 5 445 303 089).		
Headline earnings basis		
Headline earnings per share is based on the net income after tax attributable to ordinary shareholders adjusted for items of a non-trading nature, and the weighted average number of ordinary shares in issue.		
Headline earnings reconciliation		
Attributable earnings		
Banking operations	**2 786,8**	2 189,8
Insurance operations	**831,1**	1 002,6
Goodwill amortised – intergroup	**5,2**	–
Sale of shares in insurance subsidiary – intergroup profit	**–**	(104,3)
	3 623,1	3 088,1
Holding company expenses	**(40,8)**	(25,7)
Net income after tax attributable to ordinary shareholders	**3 582,3**	3 062,4
Exceptional items in respect of African Life	**47,3**	–
Portion of goodwill written off	**36,7**	6,3
Effect of insurance transitional tax on prior years	**30,6**	34,6
Disposal of shares in subsidiary	**–**	(149,5)
Headline earnings attributable to ordinary shareholders	**3 696,9**	2 953,8

34. RELATED PARTIES

Major shareholders

The major shareholders of FirstRand Limited are RMB Holdings Limited and Remgro Limited. Both of these companies are incorporated in South Africa.

Transactions with directors

There are no material transactions with directors other than the directors' emoluments detailed in note 31.

Transactions with entities in the group

FirstRand Limited is the ultimate controlling entity in the group. The company advanced, repaid and received loans from other entities in the group during the current and previous financial years.

Fixed interest securities and derivative instruments

The Momentum Group invests from time to time in fixed interest securities and derivative instruments issued by FirstRand Bank. These assets are acquired at market rates in accordance with the group accounting policy. Due to the fact that these assets are acquired to back liabilities to policyholders under unmatured policies, they are not eliminated upon consolidation.

for the year ended 30 June

R million	Group 2001	Group 2000
35. CASH FLOW INFORMATION		
35.1 Cash generated by operations		
Net income after tax attributable to ordinary shareholders	**3 582,3**	3 062,4
Adjustment for non-cash items and taxation	**10 058,3**	8 428,4
	13 640,6	11 490,8
35.2 Working capital changes		
Net increase in current assets	**(5 151,0)**	(4 952,0)
Net increase in current liabilities	**9 760,7**	8 509,9
Net working capital changes	**4 609,7**	3 557,9
35.3 Taxation paid		
Balance at the beginning of the year	**(128,4)**	(350,1)
Taxation charged for the year – excluding deferred taxation	**(1 202,4)**	(676,1)
Balance at the end of the year	**376,2**	128,4
Taxation paid	**(954,6)**	(897,8)
35.4 Dividends paid		
Final dividend declared on:		
– 7 September 2000 in respect of the year ended 30 June 2000	**(544,5)**	
– 17 September 1999 in respect of the year ended 30 June 1999		(435,6)
Interim dividend declared on:		
– 27 February 2001 in respect of the period ended 31 December 2000	**(612,6)**	
– 29 February 2000 in respect of the period ended 31 December 1999		(490,1)
Dividends paid	**(1 157,1)**	(925,7)
35.5 Banking investment activities		
(Increase)/decrease in:		
Short-term negotiable securities	**8 365,1**	(3 827,7)
Liquid assets and trading securities	**(16 625,6)**	3 695,9
Repurchase agreements	**47,3**	11,5
Advances	**(18 150,2)**	(9 909,4)
Other investments	**136,3**	(1 255,5)
	(26 227,1)	(11 285,2)
Deposits and current accounts	**20 025,0**	2 167,8
Net increase in banking investment activities	**(6 202,1)**	(9 117,4)

R million	Group 2001	Group 2000
35.6 Insurance investment activities		
(Increase)/decrease in:		
Government and public authority stocks	**(3 372,0)**	983,2
Debentures and other loans	**(2 249,9)**	(1 427,4)
Policy loans	**(51,9)**	42,5
Equity investments	**(3 129,3)**	(8 415,3)
Property investments	**148,3**	359,6
Derivative instruments	**(122,9)**	(166,9)
Net increase in insurance investment activities	**(8 777,7)**	(8 624,3)
35.7 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	**9 788,4**	8 309,4
Funds on deposit	**6 169,3**	7 930,0
	15 957,7	16 239,4

ANNUAL FINANCIAL STATEMENTS – BANKING GROUP

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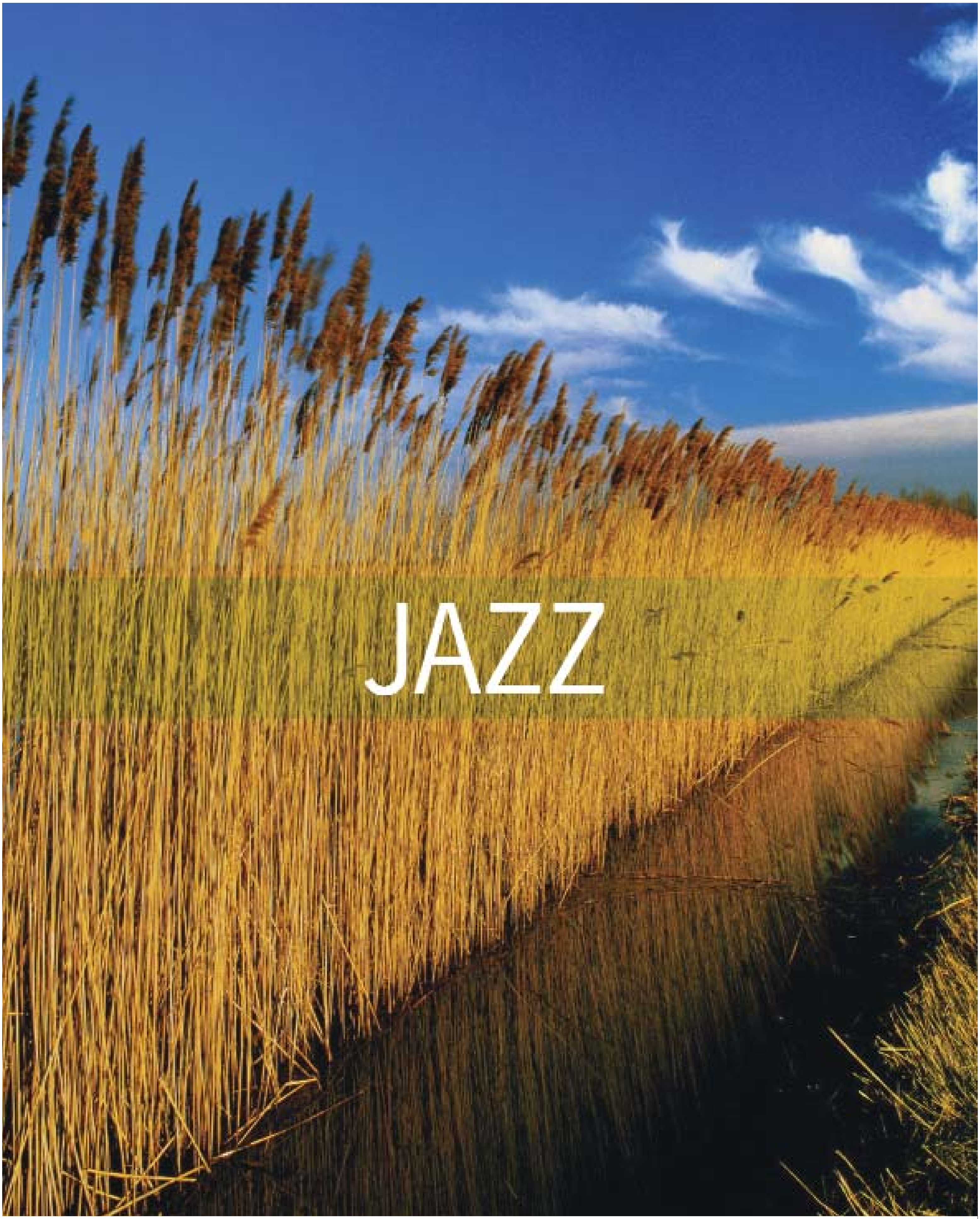
FIRSTRAND

Banking Group

FINANCIAL IMAGINEERING

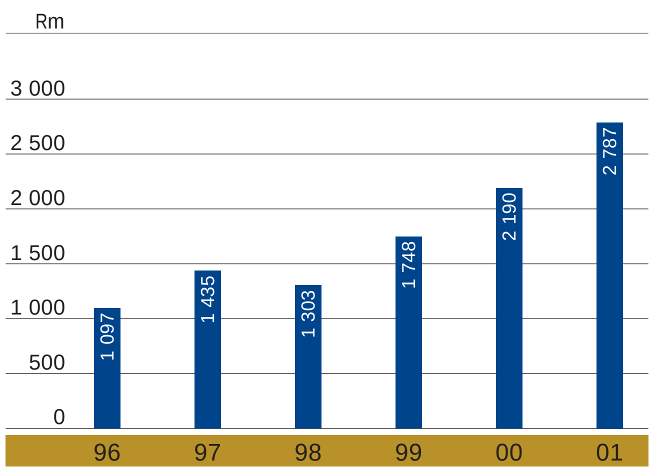


Imagine the sound created by wind through reeds.

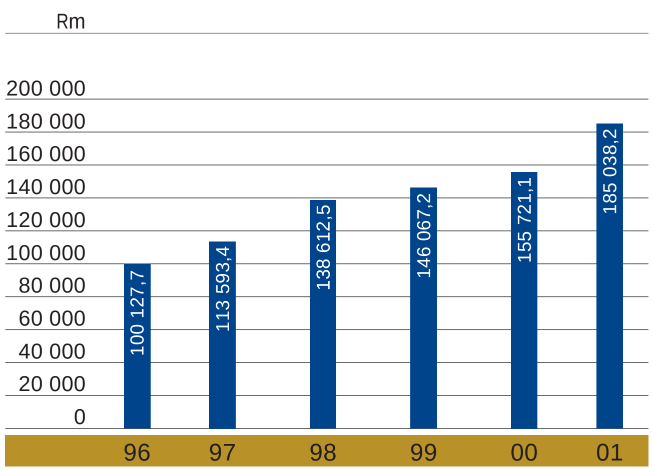
FINANCIAL HIGHLIGHTS

- Increase in attributable earnings **+27%**
- Increase in headline earnings **+28%**
- Return on equity **+25%**
- Decrease in charge for bad and doubtful debts **–14%**

Earnings attributable to ordinary shareholders



Total assets

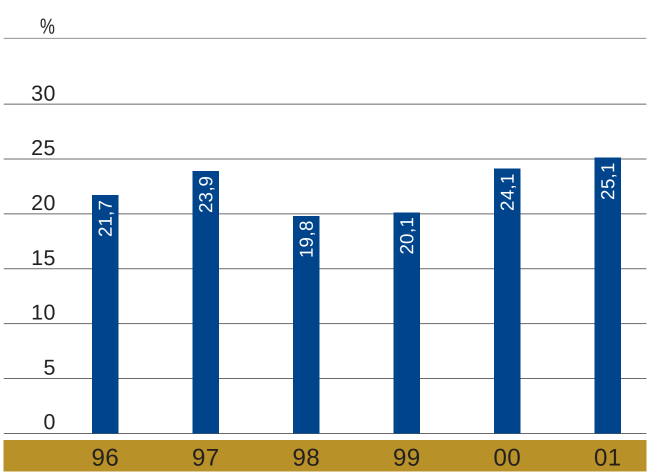


SIX-YEAR REVIEW

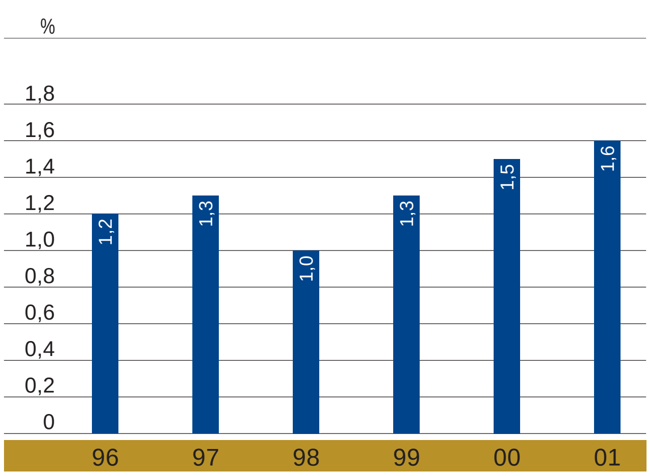
for the year ended 30 June

R million	1996	1997	Pro forma for twelve months 1998	1999	2000	**2001**
BALANCE SHEET						
Total assets	100 127,7	113 593,4	138 612,5	146 067,2	155 721,1	**185 038,2**
Advances	73 058,7	83 420,9	95 126,7	93 824,4	102 652,2	**119 659,4**
Deposits	86 327,4	98 202,5	115 938,6	116 305,9	117 591,6	**137 584,3**
Shareholders' funds	5 494,6	6 502,0	8 811,2	8 040,0	9 907,2	**12 320,6**
INCOME STATEMENT						
Net interest income	3 348,1	3 604,4	3 980,6	4 594,2	4 696,6	**5 415,4**
Charge for bad and doubtful debts	(569,9)	(847,9)	(1 169,6)	(1 362,8)	(1 329,4)	**(1 143,4)**
Other operating income	2 923,2	3 522,9	4 339,5	5 145,1	5 847,1	**6 364,0**
Operating expenditure	(4 003,3)	(4 403,2)	(5 232,9)	(6 086,4)	(6 365,3)	**(7 090,5)**
Earnings attributable to ordinary shareholders	1 096,5	1 435,3	1 302,6	1 748,1	2 189,8	**2 786,8**
RATIOS						
Return on average equity (%)	21,7	23,9	19,8	20,1	24,1	**25,1**
Efficiency ratio (%)	63,8	61,8	62,9	61,1	60,3	**59,5**
Bad debt charge as a percentage of advances (%)	0,8	1,1	1,3	1,4	1,4	**0,9**
Other operating income as a percentage of total income (%)	46,6	49,4	52,2	52,8	55,5	**54,0**
Return on average total assets (%)	1,2	1,3	1,0	1,3	1,5	**1,6**
Interest margin on average total assets (%)	3,6	3,4	3,1	3,3	3,1	**3,2**
Interest margin on average advances (%)	4,9	4,6	4,4	5,0	4,8	**4,9**

Return on average equity



Return on average total assets



BOARD OF DIRECTORS AND BOARD COMMITTEES OF FIRSTRAND BANK HOLDINGS LIMITED

G T FERREIRA (53)
BCom (Hons) (B&A), MBA
Chairman of FirstRand, FirstRand Bank Holdings and RMB Holdings

P K HARRIS (51)
MCom
Director of FirstRand, Chief Executive Officer of FirstRand Bank Holdings, Director of RMB Holdings

V W BARTLETT (58)
AMP (Harvard), FIBSA
Director of FirstRand, Deputy Chief Executive Officer of FirstRand Bank Holdings

M P C BROGAN (52)*
FCA
Chairman of FirstRand International and Ansbacher Group of Companies

J P BURGER (42)
BCom (Hons), CA(SA)
Financial Director

L L DIPPENAAR (52)
MCom, CA(SA)
Chief Executive Officer of FirstRand, Chairman of Momentum Group, Director of RMB Holdings

D M FALCK (55)
CA(SA)
Director of FirstRand and RMB Holdings

J W GAFNEY (67)
CTC, CA(SA)

P M GOSS (53)
BEcon (Hons), BAccSc (Hons), CA(SA)
Director of FirstRand, Director of RMB Holdings

S R MAHARAJ (66)
BA, B Admin
Director of FirstRand

M W PFAFF (39)
BCom, CA(SA), MBA (Duke)

A S VAHED (67)
DCom (Hons), UDW (Hons), DEcon (Natal)

R A WILLIAMS (60)
BA, LLB
Director of FirstRand

The following directors served on the board during the year and have resigned on the dates indicated below:
D G K FISH – 26 June 2001
M W KING – 26 June 2001
G R PARDOE – 28 August 2001

AUDIT COMMITTEE

D M Falck
P K Harris
R A Williams
A H Arnott (ex officio)
V W Bartlett (ex officio)
J P Burger (ex officio)

REMUNERATION COMMITTEE

G T Ferreira
V W Bartlett
P M Goss
P K Harris
R A Williams

*Australian

FIRSTRAND BANKING GROUP STRATEGIC COMMITTEE

LAURIE DIPPENAAR (52)
MCom, CA(SA)
Chairman of FirstRand Banking Group Strategic Committee

PAUL HARRIS (51)
MCom
Chief Executive Officer of FirstRand Banking Group

VIV BARTLETT (58)
AMP (Harvard), FIBSA
Deputy Chief Executive Officer of FirstRand Banking Group

JOHAN BURGER (42)
BCom (Hons), CA(SA)
Financial Director of FirstRand Banking Group

DEREK CARSTENS (52)
BEcon (Hons), MA (Cantab)
Branding and Communications

L P COLLETT (40)
BBusSc (Hons), MBA, CFA, AMP (Harvard)
Rand Merchant Bank

E D GRONDEL (49)
SAIB (Lic) Dip, MBA (Henley)
FNB HomeLoans

MICHAEL JORDAAN (33)
MCom, PhD
eBucks.com

EDWARD KIESWETTER (43)
NHD (Elec Eng), HDE (Technical), BEd, MEd
Banking Products and PeopleLink

THEUNIE LATEGAN (44)
DCom, CA(SA), Dip Adv Banking
FNB Corporate

WENDY LUCAS-BULL (48)
BSc
First National Bank

YATIN NARSAI (37)
BSc
Information Technology Services and FirstCard

E B NIEUWOUDT (40)
MCom
Rand Merchant Bank

MICHAEL PFAFF (39)
BCom, CA(SA), MBA (Duke)
Rand Merchant Bank

RONNIE WATSON (54)
AMP (Harvard)
WesBank

REPORT OF THE CHIEF FINANCIAL OFFICER

JOHAN BURGER Chief Financial Officer

The FirstRand Banking Group ("the Banking Group") is 100% held by FirstRand Limited. The consolidated figures in this report include the operations of First National Bank ("FNB"), FNB Corporate, WesBank, Rand Merchant Bank ("RMB"), FNB Namibia, FNB Botswana and FNB Swaziland as well as FirstRand International, FirstLink, OUTsurance, Origin, eBucks.com and the Ansbacher Group.

The attached annual financial statements relate to the banking interests of the FirstRand Group of companies, and should be read in conjunction with the FirstRand Group financial statements set out on pages 47 to 63.

FINANCIAL REVIEW

The financial year was characterised by quiet conditions in most financial markets and a steady, downward trend in interest rates. The stable interest environment and improved credit management has resulted in a continued improvement in the credit quality of the Banking Group. This is evidenced in the reduced charge for bad and doubtful debts and the reduction in non-performing loans.

The Banking Group continues to reflect conservative levels of specific and general provisioning, relative to its peers.

The Banking Group once again produced strong results with earnings attributable to shareholders increasing by 27,3% from R2 190 million in 2000 to R2 787 million in 2001. These results have been achieved despite the Banking Group absorbing both retrenchment costs of R137 million and the start-up cost of eBucks.com of R85 million. After the adjustment for goodwill written off in the current period, headline earnings increased by 27,6%.

R million	**2001**	2000	% change
Earnings attributable to shareholders	**2 787**	2 190	27,3
Goodwill	**8**	–	>100,0
Headline earnings	**2 795**	2 190	27,6

Changes in accounting policies

During the year, the Banking Group changed its accounting policy, applied retrospectively, with respect to the following:

Depreciation of land and buildings

The Banking Group's accounting policy in respect of the depreciation of land and buildings held for investment purposes was changed during the current financial year. Previously, land and buildings were not depreciated. The effect on income of this change in accounting policy is to reduce the 2001 headline earnings by an amount of R30 million (2000: R30 million), and to reduce the opening retained income of the banking group at 30 June 1999 by R200 million.

At the time of the creation of the FirstRand group of companies, an impairment of R200 million was created against the land and buildings of the Banking Group. This amount is set off against the reduction in retained income at the Banking Group level.

Accounting for private equity investments

Previously, the Banking Group's private equity investments were recorded at the lower of historical cost and net realisable value. Income from private equity investments was accounted for only to the extent that dividends were received. These investments are now either consolidated or equity accounted. The effect on income of this change in accounting policy is to increase headline earnings in 2001 by R47,6 million (2000: R17,8 million).

Effect on financial statements

The impact of the changes on accounting policy on the income statement with regard to the 2000 financial year is immaterial. Consequently, and in the interests of consistency, no change has been made to the prior year earnings. Had the prior year adjustment been processed, the combined impact of the change in accounting policies is as follows:

R million	2001	2000	% change
Depreciation of land and buildings	**(30)**	(30)	–
Equity accounting for private equity associates	**48**	18	>100,0
Effect of change	**18**	(12)	>100,0

Interest

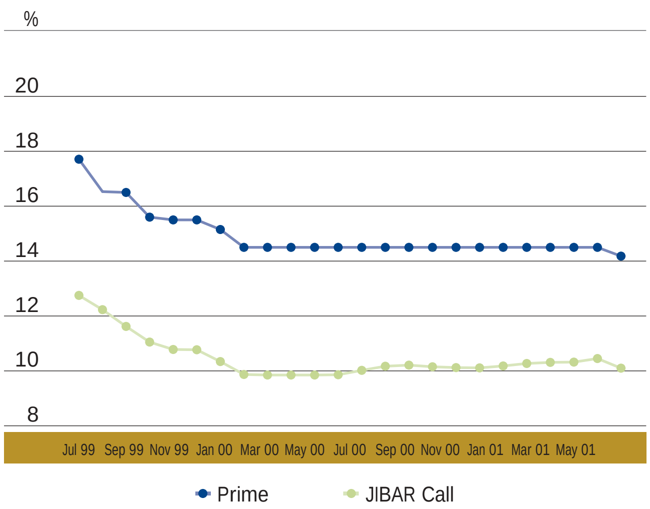
The prime interest rate remained unchanged for most of the reporting period. This gave rise to the most stable interest rate environment in recent times. Net interest income, which increased by 15,3%, was positively influenced by:

- the volume impact on margins arising from the growth in both assets and liabilities;
- the positive effect of lower levels of non-performing assets and the consequent recognition of interest during the current period; and
- an increase in the Banking Group's average capital base following the higher retention of earnings in the previous financial year.

These positive factors outweighed the negatives, which included:

- the reduced endowment effect arising from the slightly lower interest rate received on the capital base; and
- a reduced mismatch profit.

Interest rates



Interest margins

Core interest margin based on average assets remained consistent with the previous year at 4,7%, in spite of economic pressure on margins throughout the financial year. This consistency arose from a change in the mix of advances, as the Banking Group's retail, home loan and instalment sale books increased relative to corporate advances and other lower margin exposures.

Advances

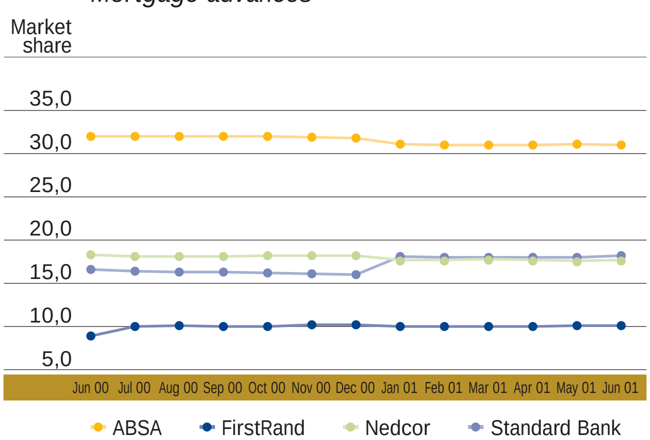
Advances grew by 16,6% compared to growth of 8% in the previous financial year. Geographically, growth in advances can be analysed as follows:

R million	2001	2000	% change
SA banking operations	**105 622**	91 803	15,1
African banking operations	**5 102**	4 379	16,5
International banking operations	**10 466**	8 206	27,5
Other operations	**1 770**	1 395	26,9
	122 960	105 783	16,2
Less: Provisions	**(3 301)**	(3 131)	5,4
Net advances	**119 659**	102 652	16,6

The Banking Group continued to grow its international advances portfolio and the African subsidiaries also recorded a strong increase in advances. The strong growth in advances has been consistent across all the Banking Group's major geographical areas.

FNB HomeLoans and WesBank actively pursued asset growth strategies which resulted in significant growth in their advances. FNB HomeLoans, with a market share of only 10,1% (June 2000: 8,8%), has significant scope to increase advances. In line with the Banking Group's accounting policy, new business acquisition costs of R48 million were expensed by FNB HomeLoans during the current financial year.

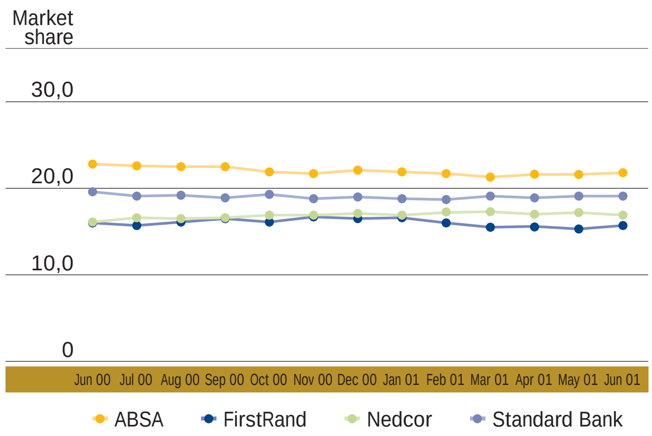
Mortgage advances



WesBank is a market leader in asset based finance. Growth was achieved through strengthening alliances with product distributors. This broad network of alliances with a significant number of the major vehicle manufacturers and suppliers, provides a strong platform for future growth.

As anticipated in the half-year report, certain of the short-term and call advances in FNB Corporate and RMB were redeemed during the second half of the year. In spite of this, the Banking Group's overall market share of advances has improved to 16,1% (2000: 15,9%).

Total advances



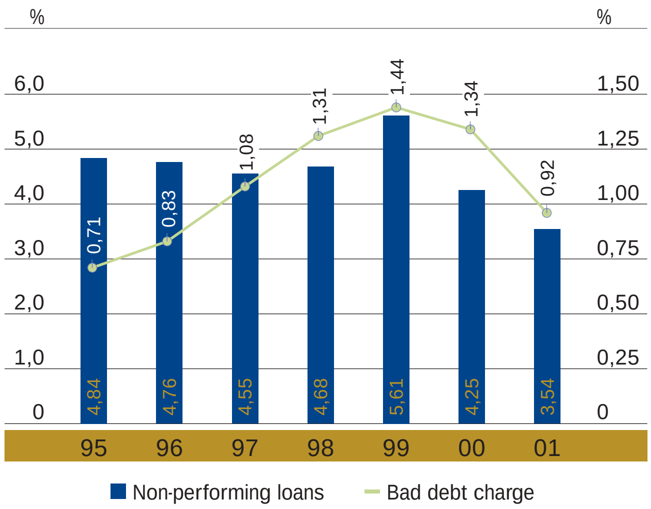
Bad debt charge

Non-performing loans

The stable interest rate environment and an increased focus on non-performing loans has resulted in a continued improvement in the credit profile of the Banking Group. This was evidenced by a reduction in non-performing loans.

The total provision reflected in the balance sheet represents a conservative 2,7% of advances (June 2000: 2,9%). This mirrors the downward trend in non-performing loans.

% of advances



Analysis of bad debt provisions

R million	Balance sheet Specific provision	General provision	Interest in suspense	Income statement
2000				
Opening balance	2 137,2	1 112,5	1 193,6	–
Exchange rate differences	10,8	12,8	2,0	–
Amounts written off	(1 639,5)	–	(920,9)	
Reclassifications	(178,0)	186,6	(8,6)	–
Net provisions created	1 490,8	12,6	–	(1 503,4)
Provisions created	1 904,8	12,6	–	(1 917,4)
Provisions released	(414,0)	–	–	414,0
Net interest suspended	–	–	628,1	–
Interest suspended	–	–	797,9	–
Interest released from suspense	–	–	(169,8)	–
Recoveries of bad debts	–	–	–	132,2
Profit on sale of security	–	–	–	56,0
Other	(14,5)	–	24,6	(14,2)
Closing balance	1 806,8	1 324,5	918,8	(1 329,4)
2001				
Opening balance	**1 806,8**	**1 324,5**	**918,8**	**–**
Exchange rate differences	**18,4**	**19,6**	**2,9**	**–**
Amounts written off	**(1 219,8)**	**–**	**(536,1)**	**–**
Net provisions created	**1 349,7**	**(5,8)**	**–**	**(1 343,9)**
Provisions created	**1 785,6**	**(5,8)**	**–**	**(1 779,8)**
Provisions released	**(435,9)**	**–**	**–**	**435,9**
Net interest suspended	**–**	**–**	**448,5**	**–**
Interest suspended	**–**	**–**	**541,5**	**–**
Interest released from suspense	**–**	**–**	**(93,0)**	**–**
Recoveries of bad debts	**–**	**–**	**–**	**139,3**
Profit on sale of security	**–**	**–**	**–**	**66,2**
Other	**–**	**7,4**	**(0,5)**	**(5,0)**
Closing balance	**1 955,1**	**1 345,7**	**833,6**	**(1 143,4)**

Non-performing loans

R million	2001	2000	% change
Gross credit exposure	**4 423**	4 520	(6,1)
Less: Recoverable amount	**(476)**	(340)	(12,9)
Net credit exposure	**3 947**	4 180	(5,6)
Less: Security	**(1 158)**	(1 454)	(20,4)
Interest suspended	**(834)**	(919)	(9,2)
Residual risk	**1 955**	1 807	8,2
Specific provision	**1 955**	1 807	8,2
General provision	**1 346**	1 324	1,7
Total provisions	**3 301**	3 131	5,4
Gross advances	**123 794**	106 702	16,0
Less: Interest suspended	**(834)**	(919)	(9,2)
Provisions	**(3 301)**	(3 131)	5,4
Net advances	**119 659**	102 652	16,6

%	2001	2000
Specific provision as a percentage of non-performing loans	**46,1**	40,0
Specific provision as a percentage of total advances	**1,6**	1,7
General provision as a percentage of total advances	**1,1**	1,2
Total provisions as a percentage of total advances	**2,7**	2,9
Total provisions as a percentage of residual risk	**169**	173

Subsequent to year-end, shareholders in McCarthy Retail Limited voted in favour of the recapitalisation of the McCarthy Retail Group. The Banking Group's exposure to the McCarthy Retail Group has been partially converted into equity. Adequate provisions are held against this exposure.

Income statement charge

The income statement charge for bad and doubtful debts reflects a decrease of 14% relative to the prior year. This is as a result of continued improvement in the management of credit and the improving economic situation in South Africa. The Banking Group achieved a reduced bad debt charge of 0,92% of advances notwithstanding the additional provisions created to cover certain large corporate exposures. Good progress has been made on projects aimed at introducing comprehensive credit grading and dynamic provisioning methodologies. This should result in the bad debt charge reflecting lower volatility in the future. These initiatives will also enable the Banking Group to be fully compliant with the New Based Capital Accord published in January 2001.

Non-interest income

R million	2001	2000	% change
Fee and commission income	**3 891**	3 263	19,2
Other transactional income	**173**	150	15,3
Transactional income	**4 064**	3 413	19,1
Exchange earnings	**663**	614	8,0
Treasury operations	**413**	364	13,5
Other trading income	**225**	260	(13,5)
Trading income	**1 301**	1 238	5,1
Investment income	**63**	287	(78,0)
Income from associated companies	**134**	20	>100,0
Dividends received	**356**	373	(4,6)
Profit on sale of plant and equipment	**71**	39	82,1
Investment income	**624**	719	(13,2)
Other income	**509**	497	2,4
Total non-interest income*	**6 498**	5 867	10,8

** Includes income from associated companies.*

Initiatives undertaken towards the end of the previous financial year to stem revenue leakage and introduce sensible pricing initiatives are reflected in the increase in fees and commissions earned.

Other transactional income, consisting largely of structured and project finance income, has grown strongly on the back of excellent results from Special Projects.

Fluctuating currencies and strong transactional volume demand provided good profit opportunities to the Banking Group's domestic foreign exchange trading teams.

Exchange earnings

R million	2001	2000	% change
Domestic based currency trading	**372**	351	6,0
Foreign based currency trading	**84**	148	(43,2)
Currency translation profits	**207**	115	80,0
Exchange earnings	**663**	614	8,0

The group recognises currency gains and losses when these emanate from the translation of foreign currency denominated trading assets and advances. Other currency gains and losses are credited to non-distributable reserves.

Currency gains

R million	2001	2000	% change
Non-distributable reserve	**135**	48	>100,0
Income statement	**207**	115	80,0
Total currency gains	**342**	163	109,8

Domestic financial markets were characterised by difficult trading conditions. However, satisfactory results were achieved on strong annuity flows from existing and new structured transactions within the treasury operations of the Banking Group.

Investment income includes gains and losses from the Banking Group's Private Equity businesses, in addition to traditional investment activities. The Banking Group's Private Equity businesses reported gross profits of R161 million, an increase of 44% over the prior year profits of R112 million.

Other income, which includes property rentals and insurance brokerage, has been negatively impacted by loss of income resulting from the disposal of investment properties and controlling interest in First National Insurance.

Non-interest expenditure

R million	2001	2000	% change
Staff expenditure	**3 928**	3 521	11,6
Depreciation	**436**	492	(11,4)
Other expenditure	**2 726**	2 352	15,9
Total non-interest expenditure	**7 090**	6 365	11,4

Non-interest expenditure increased by 11,4% year on year. Operational expenditure increased by 5% from R6 358 million to R6 673 million.

Operational expenditure

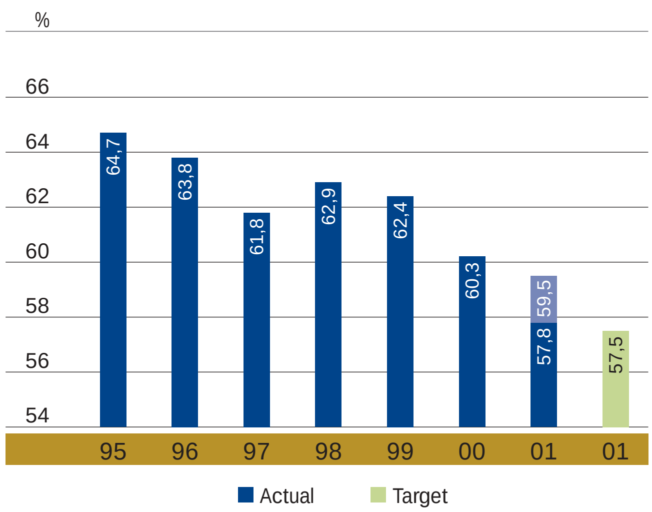
R million	2001	2000	% change
Operational expenditure	**6 673**	6 358	5,0
Retrenchment costs	**137**	–	
eBucks.com start-up costs	**85**	7	
Other write-offs	**77**	–	
Currency conversion	**118**	–	
	7 090	6 365	11,4

Retrenchment costs of R137 million were incurred by the Retail Bank and Corporate Bank clusters. Start-up costs relating to eBucks.com of R85 million (2000: R7 million) were expensed in full in the current financial year. A further amount of R75 million is budgeted to be expended in the 2002 financial year. Write-offs of R77 million in respect of the merged local private banking operations and the consolidated treasury operations were expended during the year.

The international operations of the Banking Group restricted growth in expenditure to 3% in their reporting currencies. Due to the considerable weakening of the rand during the current financial year, the increase in costs translated into rand is R148 million, of which only R30 million is operational.

The cost-to-income ratio has continued to improve during the period under review. Strict management of costs, along with the implementation of smaller, more accountable business units, contributed to the improvement in the ratio from 60,3% to 59,5%. However, the target was 57,5%. After adjustments for retrenchment costs of R137 million and the start-up cost of eBucks.com of R85 million, the ratio is 57,8%. It is disappointing that the target of 57,5% was not achieved. The Banking Group will continue to appropriately manage this ratio downwards in the context of our asset composition, distribution strategies and products.

Cost-to-income ratio



Pension fund holiday

It has been possible for the Banking Group to benefit from a pension fund holiday. By agreement with all parties the surplus of R845,0 million at 30 June 2000 in the defined benefit scheme is being utilised by FNB to create a post-retirement medical benefit fund.

The actuarial liability in respect of these medical benefits is calculated as R930,0 million compared with a fund value of R640,8 million at 30 June 2001; a shortfall of R289,2 million. Contributions to the post-retirement medical benefit fund totalled R179,7 million for the year.

The Banking Group will be in compliance with AC 116 by 30 June 2002 and will reflect the liability for post-retirement medical aid contributions and the fund created for this liability on the balance sheet.

Cost-to-income ratio

R million	Domestic banking	International banking	Non-banking
Net interest turn before bad debts	5 227	185	4
Charge for bad debts	(1 145)	1	–
	4 082	186	4
Non-interest income [a]	6 003	382	112
	10 085	568	116
Non-interest expenses	(6 468)	(488)	(135)
	3 617	80	(19)
Cost-to-income ratio (%)	57,6	86,1	116,4

[a] *Includes income from associates*

Income from associates

R million	**2001**	2000	% change
OUTsurance Limited	**15**	4	275,0
Infrastructure Finance Corp Limited	**6**	3	100,0
Private equity investments	**73**	14	421,4
Other	**1**	(4)	125,0
Income attributable to Banking Group	**95**	17	458,8
Add back: Taxation	**40**	3	1 233,3
Income before taxation	**135**	20	575,0

The contribution from OUTsurance increased significantly year on year. OUTsurance has been equity accounted by the Banking Group since January 2000, after the merger with First National Insurance Company. Consequently, only six months profit is included in the comparative period. In addition, OUTsurance performed exceptionally well in the current financial year and, as it increasingly benefits from critical mass, is expected to maintain superior growth.

The private equity division invests in longer-term equity investments, with a view to actively adding value to the underlying business of the investee. As a private equity portfolio matures, dividend and equity accounted earnings form an increasingly large portion of the portfolio's income. The current year's growth is off an unusually small base and similar growth is not anticipated in the future.

Income from associates is accounted for in the income statement on a pre-tax basis. The Banking Group's share of associates' tax charge is included in the tax charge line.

Earnings attributable to outside shareholders

An effective transfer of the insurance subsidiaries of FirstRand International to the Insurance Group, reflecting a change in the control structure, resulted in a R49 million decrease in outside shareholders' share of income. This decrease was compensated for by a 48,2% increase in the African subsidiaries and a 48% increase in Private Equity profits.

CLUSTER PERFORMANCES

The divisional performances of the Banking Group, before tax, can be analysed as follows:

R million	2001	2000	% change
Retail Banking	**924**	451	104,9
Merchant Banking	**700**	630	11,1
Instalment Finance	**631**	507	24,5
Corporate Banking	**437**	349	25,2
African Subsidiaries	**390**	263	48,3
Mortgage Lending	**272**	132	106,1
Private Banking – offshore	**80**	50	60,0
Short-term Insurance	**44**	40	10,0
Private Banking – domestic	**(25)**	3	(>100,0)
Internet Banking (eBucks.com)	**(62)**	–	(>100,0)
Capital Centre	**289**	444	(34,9)
Income before taxation	**3 680**	2 869	28,3

International operations

Earnings from international activities totalled R793 million before taxation (2000: R692 million). These earnings are included in the results of the relevant divisions.

Net income before taxation

R million	2001	2000	% increase
FNB Botswana	**180**	105	71,4
FNB Namibia	**195**	149	30,9
FNB Swaziland	**15**	9	87,5
African Subsidiaries	**390**	263	48,9
FirstRand International	**359**	429	(16,5)
Other	**44**	–	>100,0
	793	692	14,6

The Banking Group's international activities include:

- retail banking in southern Africa under the First National Bank brand;
- private banking and wealth management under the Ansbacher brand;
- vanilla and structured financing and investment through RMB International;
- investment banking to resource-based businesses through RMB Resources offices in the United Kingdom, Australia and the United States;
- corporate finance in Australia under RMB Corporate Finance;
- private equity investments in Australia and the United Kingdom; and
- development of trading markets by M-Co, particularly in the energy sector, in New Zealand, Australia and Singapore.

FirstRand International also facilitates the international activities of the domestic business units and promotes and protects the group's brands internationally. The decrease in the earnings of FirstRand International results largely from increased funding costs.

CAPITAL ADEQUACY

The first phase of the significant changes in the regulatory capital requirements of banks, proposed by the South African Reserve Bank in the early part of 2000, will be implemented from 1 October 2001. This specifically involves the increase in the capital adequacy ratio to a minimum of 10% from its current 8%. To date, no legislation has been introduced in respect of increasing the tier 1 component of capital from 50% to 75%.

The Banking Group continues to actively manage its capital structure to optimise shareholder returns, while progressively moving to meet the new requirements. The current capital ratios within the group are:

%	**2001**	2000
Banking Group		
Tier 1	**8,2**	6,9
Tier 2	**3,2**	4,0
	11,4	10,9

Having reviewed the proposed changes, management is confident that through the ongoing process of balance sheet optimisation and the re-allocation of capital within the FirstRand Group, the regulatory capital requirements will be achieved.

Capital is regarded as a scarce resource within the Banking Group and is managed accordingly. Successful bank operations require business units to consider complex trade-offs between growth, return and risk. The Banking Group is implementing economic profit measurement and has allocated capital to align managerial behaviour more closely with the interests of shareholders. The capital allocation model used allocates notional capital based on the cluster's budgeted income. The capital is treated as a "tradable" commodity between the different clusters, although initially it will only be "traded" periodically and at centrally established prices. The model is designed to treat individual clusters as independent operations, while simultaneously retaining the benefits and flexibility of the larger enterprise.

RISK MANAGEMENT

Risk management philosophy

The achievement of business success is enhanced by the risk management process whereby potential causes of failure, which could cause the desired objectives not to be achieved, are identified and preventative or corrective measures taken to eliminate or reduce the impact of adverse occurrences. Risk management is not a stand-alone business process, but a very useful management tool because it highlights the potential pitfalls inherent in any task, activity, project, business process or strategy and helps management to focus on the key risk factors.

The process of risk management seeks to identify all relevant risks and control shortcomings; to evaluate and quantify these and to manage them so as to eliminate, reduce and control the impact of adverse occurrences to yield the desired business and activity outcomes within acceptable risk parameters.

Closer scrutiny of the resultant preventative and corrective measures show that these correspond to well known best management and control practices. In our view the risk management process provides a framework for the implementation of best practices.

For these reasons, risk management is a key focus of the management processes of the Banking Group, its subsidiaries, divisions or clusters, business units and support operations.

Risk management structure

In the Banking Group, risk is managed and monitored in accordance with the Risk Management Framework of the board of directors by the sub-committees of the board, executive and operational management, the independent risk and compliance functions and the risk management functions of the operational units.

The Banking Group uses a structure of independent and deployed risk management functions. Through the integration of the risk and business management processes the Banking Group aims to minimise risk by combining the advantages of an independent monitoring, co-ordination and standards function with those of deployed risk management functions. The latter are integrated with the business and operational activities and add value to operations because of their specialised knowledge of the business processes and their day-to-day involvement with the business.

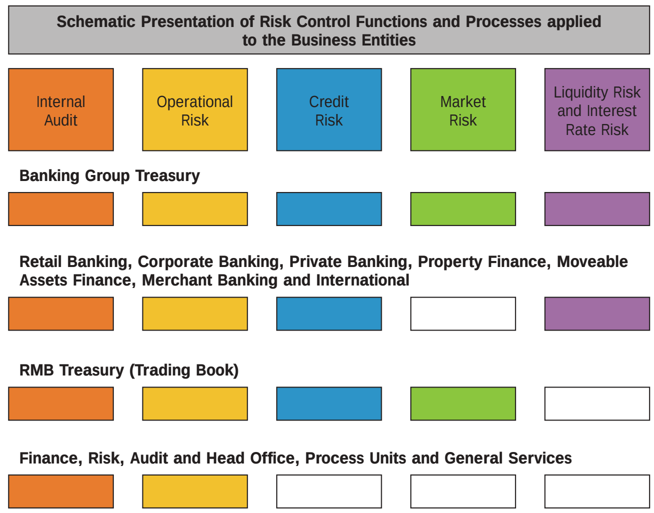
Committees of the board and risk control structure

Risk Control Function	Board Monitoring Committee and Chairman	Scope
Business strategy, performance and management	Strategic Committee P K Harris	Main Executive Committee of the Banking Group
Audit and compliance	Group Audit Committee M W King	Monitors the internal and external audit and compliance processes of the Banking Group
Credit risk	Credit and Market Risk Committee J P Burger	Oversees the management of credit risk in the initiating divisions
Interest rate and liquidity risk in the Banking Group	Banking Group Treasury Board and sub-committees V W Bartlett	Oversees the management of interest rate and liquidity risk in the Banking Group
Market risk	Credit and Market Risk Committee J P Burger	Oversees the management of market risk in the financial market trading activities of the Banking Group
Operational risk	Operational Risk Committee J J H Bester	Oversees the management of operational risk in the Banking Group

The committees of the Banking Group board delegate specific functions to the management, audit and risk committees of the divisions and are accountable to the board for the execution of the delegated functions.

Risk control structure

The delegated risk control functions and processes, under supervision of the risk and audit committees of the business entities, is summarised in the following diagram:



The year under review

During the year the risk management process was further strengthened by the activities and programmes of cluster and business unit management, the various risk committees and the dedicated risk management functions. These efforts focused on identifying the business risks relevant to a specific business through a process of facilitated risk analysis, highlighting risk control shortcomings, the implementation of corrective actions and the monitoring thereof.

The risk profiles developed for the clusters and individual business units cover all types of risk and would typically include strategic and operational business risks as well as credit, market and operational risk.

Highlights

- Increased awareness of the importance of risk management and effort by the clusters and business units to identify and manage the wider spectrum of business risks.
- A reduction in bad debt write-offs due to improved credit granting, monitoring and workout processes.
- Lower losses due to criminal activities.
- A further reduction in the actual and relative cost of insurance against loss of assets, crime and legal and civil liabilities.

- Successful protection of our information systems against unauthorised access and malicious code.
- The establishment of an advanced credit risk management capability.

The contribution of internal audit to risk management

In addition to the independent assessment of the effectiveness of risk control measures, internal audit provided a valuable contribution to the risk management process through their representation on the risk committees and their participation in risk analysis workshops. Their presence on these committees allows them to monitor the implementation of corrective actions flowing from their reports and enables them to note process breakdowns at an early stage.

The internal auditors were also involved in numerous special assignments at the request of management to assess the risk controls and shortcomings in new or changed business processes and to analyse deficiencies in existing processes.

The restructuring of the internal audit teams for the sales service outlets (branches) into groups concentrating on operational processes and credit processes respectively was completed during the year. Each process auditor has responsibility for a specified group of outlets and is able to develop a better understanding of the quality of the process controls, the risk control shortcomings and the risk profile of each branch. By working closely with management they ensure that control shortcomings are corrected.

Similarly, the credit auditors have been placed in a position to develop a better understanding of the credit processes and the effectiveness thereof in their areas of audit responsibility. The credit auditors are able to investigate defaulting accounts at an early stage to establish whether defaults are due to normal credit events or to deficiencies in the credit granting and management processes. In this way, management can be alerted to process defects at an early stage so that improvements can be initiated timeously.

Risk management review

Business risks can be classified in terms of business strategy and performance, financial, technology, systems, processes, resources, human resource management and operational risks and include the following:

- Domestic and sovereign credit risk
- Funding, liquidity and interest rate risks attached to the banking book
- Market risks inherent in trading activities in the financial and commodity markets
- Business and operational risks including pricing, market penetration, service levels, security of staff, assets and information, business disruption, legal or contractual risk
- Technology risks comprising systems failure, data storage and integrity
- Processing risks including settlement and payment
- Reputation risk
- Compliance with statutory and regulatory requirements

The major strategic business risks are managed by the cluster and business unit management boards. In this section the Banking Group provides an overview of those risks where the central and deployed risk functions are more directly involved. These are the credit, banking book interest rate and liquidity, market and operational risk management processes.

Credit risk

"The increased trading in and liquidity of credit markets has profound implications for banking and financial services generally. These developments will ultimately require a complete re-engineering of the credit function and process within financial institutions, and will redefine the nature of banking. How individual institutions manage these changes will significantly shape their competitive positions within the industry in the future." – Satyajit Das

The risk of loss as a result of a counterparty defaulting in respect of a loan commitment, settlement or other financial obligation, or a deterioration in creditworthiness, is controlled and managed by the credit management processes vested within the various business units.

The framework and the approach to credit risk management have changed significantly over the last eighteen months. This is driven by:

- the tradability of credit risk;
- the availability of improved credit risk management technology (including both methodologies and information technology); and

- the increase from 8% to 10% in regulatory capital required, and more recently, the draft publication of the New Basel Capital Accord.

The Banking Group embarked on two major re-engineering projects in May 2000. These projects had the objective of establishing an advanced credit risk management capability in the corporate, medium-corporate, small business and consumer markets. The new credit processes have given the bank the ability to:

- incur lower bad debt costs, given the chosen risk profile of the credit portfolios;
- quantify credit risk, and eliminate mispricing;
- improve the risk-adjusted return on capital employed against credit risk, through management of concentration risk and portfolio diversification;
- achieve improved process efficiency, which results in better product and service offerings; and
- move away from a "black box" credit process to a transparent process, which facilitates better client communication and targeted solution offerings.

The re-engineering of the credit processes is well advanced. The approval and ongoing risk management processes are being implemented. Non-performing exposures are transferred to specialist collection or turn-around units. Significant benefits have been achieved by creating client-centric specialist collection and turn-around units at a Banking Group level as opposed to a business unit level.

All new counterparties and facilities are quantified against a universal FR(FirstRand)-rating scale. The rating scale drives the costing of the credit risk, the processes applied to manage the risk and, most importantly, the dynamic provisions created against the exposure. The move towards dynamic provisioning is aimed at providing for risk as the risk is incurred. Over the coming year this will lead to more accurate provisioning against credit risk.

The Banking Group is pleased that the credit risk management framework developed in the last two years is fully compliant with the Advanced Internal Ratings Based Approach for Credit Risk of the New Basel Capital Accord published in January 2001. This puts the Banking Group in a strong competitive position in terms of regulatory capital required.

Personal and small business credit exposures are measured by credit scoring processes. The scoring models are designed to suit the various market segments and client profiles. They are continually enhanced to improve closely monitored results. Where scoring models are difficult to apply (most notably in the agricultural market) facilities are approved by credit or lending officers acting according to formal credit authorisation mandates. Large exposures are approved by various credit committees.

The assessment of credit facilities and limits for larger public sector, corporate and medium corporate exposures is undertaken by expert credit analysts supported by a range of quantitative models and tools. Each analyst quantifies the probability of default of the counterparty and the characteristics of the loan. The result of the quantification is a counterparty and a deal FR-rating. The prudential limits that govern the maximum exposures to counterparties are based on quantitative analysis taking into account the creditworthiness and size of the counterparty, the riskiness of the deal, and the contribution to economic capital required.

The facility limits and the counterparty and deal ratings are approved by credit committees. The committees are composed of both non-executives and executives who are selected to provide the appropriate skills to the relevant committee. Detailed credit proposals are submitted to these committees on the structure of the transaction, project viability, industry sector and country exposure in support of the suggested ratings. In addition to the analyst, each proposal is sponsored by an account executive.

Credit risk portfolio management at a Banking Group level augments the primary credit risk management processes. Significant credit trading and structuring skills were developed in RMB through successfully completing two collateralised debt obligation (CDO) transactions in the US high yield markets. These skills will be utilised to dynamically manage the domestic credit risk portfolios of the Banking Group. During the past year FirstRand Bank has been active in the South African capital markets and we have seen a marked increase in credit trading. Indications are that this trend is likely to continue, and that credit as an asset class will be firmly established in the South African investment market.

The ability to trade in the capital markets with credit-related instruments and proactively manage credit risk portfolios is seen as a core competency of the Banking Group in the future.

Liquidity and interest rate risk management in the banking book

The Banking Group Treasury board ("BGT board") is responsible for the management of the interest rate risk and the liquidity risks for the consolidated Banking Group. Trading book interest rate risks are managed separately and are monitored by the relevant risk committees.

For the purpose of separating trading and banking book portfolios, the trading book consists of proprietary positions taken with the intention of benefiting in the short term from actual or anticipated differences between buying and selling prices. Trading book positions are all marked to market. The banking book comprises the balance of the Banking Group balance sheet.

BGT board members are drawn from Group Treasury, Group Risk and Audit Services and the CEOs of the major clusters. The board manages the limit allocation, monitoring and management processes for these risks.

Interest rate risk management in the banking book

The BGT board is responsible for the management of the interest rate risk arising from the banking book portion of the Banking Group balance sheet and the liquidity risks for the consolidated Banking Group. Trading book interest rate risks are managed separately and are monitored by the relevant risk committees.

The BGT board manages interest rate risk on a decentralised basis where appropriate, with centralised monitoring of risk against approved limits. Decentralised management is allowed where there are sufficient resources and an understanding of interest rate risks.

Various risk measurement tools are used. These include interest rate gap reports, the simulation of the impact of a parallel rate shock on projected interest income and on the present value of future cash flows. These measures are used where appropriate in the markets in which the Banking Group operates.

The presence on the Banking Group's balance sheet of administered rate products with ambiguous repricing and maturity structures requires that behavioural assumptions be made to allow these products to be modelled. These assumptions are based on statistical analysis and management's judgement based on the underlying product behaviour. The assumptions are reviewed regularly and changed where necessary.

The Banking Group's focus on improving interest margin management in business units continues and has resulted in the appointment of additional specialist resources to address this challenge.

The separation of the Banking Group's capital into a portfolio and the development of the associated risk management policy was completed. This has focused management's attention on the term investment of capital and the associated endowment risks. A decision has been taken to invest capital in the medium term. This investment process will be undertaken with a minimum of additional risk being created for the Banking Group. Further work on strategies and the risks is continuing.

The matched maturity funds transfer pricing process was further enhanced and is being rolled out to the African subsidiaries and offshore entities. This allows a clear separation of the sources of net interest income and allows for clearer management of the risks and rewards associated with on-balance sheet activities.

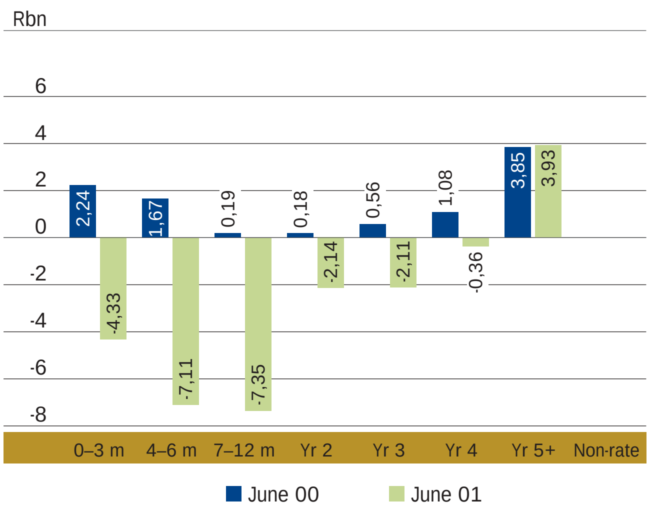
International operations are managed on a decentralised basis with the International ALCO monitoring the risks and reporting to the BGT board.

Banking book interest rate risk

Based on the balance sheet at 30 June 2001, the Banking Group is positioned to benefit from a decrease in interest rates. A 1% increase in all interest rates would result in a loss of R93 million in our net interest income on a 12-month forecast assuming no management intervention. This exposure is to an adverse move in interest rates in South Africa and is within the Banking Group's prudential limits.

The following graphs depict the interest rate risk of the domestic portion of the banking book. Assets, liabilities and derivative instruments are placed in repricing buckets based on their repricing or maturity attributes and include management's judgement on administered rate products.

Cumulative gap



Liquidity risk management

Liquidity risk management, or the risk of not being able to meet future cash flow commitments, is handled differently in the various locations where the Banking Group operates depending on a number of factors. These factors include the relative size, the nature and the responsibilities of the various entities as well as the size and liquidity of the markets in which they operate.

Liquidity risk management in the Southern African currencies is focused on avoiding any maturity or counterparty concentrations and ensuring an orderly cash flow to the funding desks. Limits exist for these risks and are monitored on a daily basis with regular reporting to the BGT board.

In the offshore operations, the group operates as relatively small entities in large international markets. Here, two sets of limits are used. One relates to the short-term cash flow of the entity, and the other to the possibility of increased funding costs arising from a liquidity mismatch. These limits are managed via the local entities with reporting through the International ALCO to the BGT board.

The short-term cash flow limits ensure that sufficient liquidity exists to cover the immediate 0 to 8-day period. Increased liquidity mismatch limits are allowed into the future but these are capped by the potential loss limits where funding costs could increase.

In all cases prudent liquidity management is considered to be of paramount importance.

Market risk

Principally through the Trading division of RMB, the bank trades actively in the domestic and international financial and commodity markets in currencies, interest rate products, equities, gold and other metals, commodities and in the derivatives associated with these markets, such as swaps and options.

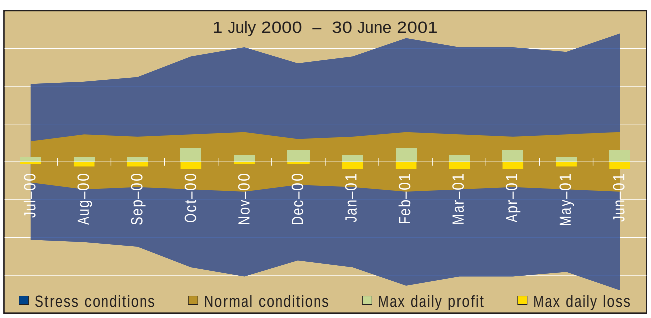
The risk of loss due to adverse movements in rates and prices is controlled by setting stress loss exposure limits for each trading desk. These limits are approved by the relevant risk committees, management boards and Banking Group boards.

Stress exposures are determined by calculating the potential losses which would be incurred on open positions should rates, prices and volatilities change. Stress exposures are monitored daily by the business units and independent risk managers. Corrective actions are agreed with the trading desks, if required.

Trading profits and losses are compared with the calculated exposures under stress and normal market conditions. This confirms the integrity of the risk measurement methodology and reports the level of risk to the risk committee and the board. The following graph shows the highest daily profits and losses over the year to 30 June 2001 for the Trading division of RMB compared with the amounts at risk or exposures under stress and normal market conditions.

Market volatility was lower than the previous year. The comparison of the highest daily profits and losses relative to normal risk indicates that risk was well controlled over the period. Risk was somewhat overstated because of our approach of using fixed ranges of prices and rates to calculate risk with no adjustment in periods of low market volatility.

Rand Merchant Bank
Treasury market risk



REPORT OF THE CHIEF FINANCIAL OFFICER (CONTINUED)

Stress loss exposures are based on assumptions which would only occur under severe conditions of systemic market breakdown. It also assumes that all exposures at the occurrence of such an event would be adverse and that there would be no diversification benefits between the trading desks. This is a highly unlikely set of circumstances. It is clear from the foregoing that trading risk is small in relation to the profitability and capital structure of the Banking Group.

Market risk quantification

The Banking Group is progressing well with the implementation of the Algorithmics RiskWatch system and have successfully migrated the gold desk's risk reporting to the new system. The bulk of the trading desks' risk measurement processes will be moved to this system during the next eighteen months to complete the automation of our risk measurement systems.

The measurement of the attribution of profits and losses by risk factor has successfully been implemented for the gold desk. This is an exciting new direction as it allows management to identify the specific contributors to profits and losses and to assess whether these are aligned with the deliberate risk exposures entered into on a trading desk.

RiskWatch will also allow management to quantify counterparty exposures in the trading book more accurately and will help progress to the implementation of scenario analysis to determine market risk for more complex portfolios.

Operational risk

Operational risk covers operating business risks, as opposed to strategic, financial, liquidity and interest rate risk in the banking book and market risk. It is the risk of loss due to system and process inefficiencies, theft and fraud. These risks include the security of staff, assets and information, criminal activities, business disruption, legal documentation or contractual risk, technology, systems failure, data storage, availability and integrity, settlement, payment and processing risk, reputational risk and compliance with statutory and regulatory requirements.

Operational risk control shortcomings are identified by line and deployed risk managers, by the internal audit process and through incidences of process breakdown or loss. Appropriate corrective actions are identified to improve controls. The implementation thereof is monitored by the various risk functions, the risk committees and the internal auditors.

Internal audit activities support the risk control processes by means of their involvement with line management. They also support the deployed risk functions in risk identification, the improvement of processes and the monitoring of risk control through representation on the various risk committees. They provide the board with a mechanism to support the execution of its statutory and corporate governance responsibilities.

Asset protection

The Banking Group implements extensive security measures for the protection of personnel and clients and to safeguard information and physical, financial and intellectual assets to combat the high level of criminal activity which is an unfortunate element of the local banking environment.

The following table shows the relative level of losses due to criminal activities and unexplained money differences and compares this with the previous year. These losses were fully recovered from the internal and external risk insurance financing programmes that are in place.

Losses from criminal activities and money differences (year to 30 June 2000 indexed at 100)

Loss category	**Current**	Previous	% change
Banking fraud and forgery	**36,5**	67,5	(46,0)
Robberies and burglaries	**18,0**	11,5	56,0
Card fraud	**15,0**	10,5	43,0
Transit losses	**2,5**	1,7	47,0
Money differences	**7,0**	8,0	(12,5)
Other	**0,4**	0,8	(50,0)
Total local operations	**79,4**	100,0	(20,6)
International fraud	**8,1**	0,0	100,0
Total Banking Group	**87,5**	100,0	(12,5)

A number of actions helped local operations reduce losses by 21%. These include:

- the vigilance of staff;
- a proactive approach to risk controls;
- the introduction of a hotline;

- improvement of risk control processes; and
- various awareness campaigns.

A reduction of similar magnitude was achieved in the previous financial year. The sharp fall in banking fraud and forgery losses of 46%, is particularly satisfying. Regrettably these were offset to some extent by higher losses due to robberies and card fraud. The Banking Group is increasing efforts to reduce losses in the latter categories and to curb losses resulting from fraud and forgeries even further. Three isolated incidences of fraud experienced by the international operations limited the overall improvement to 12,5%.

Pleasing as these results may be, criminal attempts against the banking industry continue at a high level.

Information security

The organisation is adequately protected against unauthorised access to our systems and information assets. Security mechanisms have been and are being implemented to control the content of e-mail and to safeguard the organisation against malicious code such as viruses and worms, downloaded from the Internet. The Banking Group is currently in the process of improving intrusion detection systems to enable the monitoring of unauthorised activity on our network.

Membership of the Information Security Forum has helped the Banking Group stay informed of industry developments and to formulate a comprehensive set of policies and best practices guidelines to manage the confidentiality, integrity and availability of systems and information assets.

Considerable progress has been made in reviewing existing access profiles and deploying the administration of access to the business areas. The next step will be to ensure that the access levels granted to staff members are appropriate to their functions.

The upgrade of the Banking Group's encryption method from "DES" to "Triple DES" is under way with an expected rollout to ATMs and branch systems by December 2001.

No significant losses or service breaks due to information security breaches or deficiencies were experienced during the period under review.

Business continuation

Major business disruptions are rare events and the probability and severity of occurrence should be balanced against the cost of establishing elaborate continuation plans and facilities for each business activity. Considerable effort has been made to ensure that critical systems and functions will be continued with no or minimum delay following an incident of business disruption. To achieve this, all the business units are focusing on their business continuation processes.

The business continuation arrangements for the main Banking Group processing systems were tested on two occasions with satisfactory results. A business continuation site was developed for the main RMB systems and critical processes situated at 1 Merchant Place. Included are the financial market trading activities of the Trading division. Testing of arrangements has started and will continue until management is satisfied that the arrangements are fully functional. Arrangements are also being finalised for those merchant banking and trading systems which are not based at RMB or the main data processing centre.

There are still activities where major logistical hurdles to implementation have been presented. Implementation for the major outstanding areas should be finalised during the new year.

Operational risk control and quantification

Operational risk control shortcomings are identified by line and deployed risk managers, through the internal audit process and incidences of process breakdown or loss. Appropriate corrective actions are then identified and progress with the implementation thereof is monitored by the various risk functions, the risk committees and the internal auditors.

The Banking Group has embarked on a programme to measure operational losses across a range of well-defined categories to establish a database of recorded losses. The programme will be implemented from January 2002. The objective is to have a statistically based internal operational loss quantification model in place and approved by the Regulator in time for capital adequacy requirements for banks against operational losses to be introduced in 2005 as per the proposed New Basel Capital Accord.

Risk insurance

The Banking Group has a structured insurance risk financing programme to protect it against large losses that might result from fire or other natural disasters, crime and legal and civil liabilities. The Banking Group remains well insured against the major risks in these categories and continuously reviews its position.

During the past year the Banking Group had minor claims on insurers. The bulk of the claims for losses suffered were funded by internal and other external funding programmes. The overall cost of the risk financing programme was lower than the past financial year because of the Banking Group's success in containing unforeseen losses. Premiums paid to insurers will increase with the hardening of the rates in the international insurance markets. The overall cost of the programme should not increase materially, if at all.

Regulatory environment

New regulations relating to banks became effective on 1 January 2001. These require more comprehensive reporting of the risks assumed by banks and are based on best international regulatory practice. One of the changes is the requirement to distinguish between banking and trading activities. A portion of net qualifying capital is required to be allocated to the trading activities. The remaining qualifying capital is then allocated to the banking activities. The overall requirement of 8% of risk-weighted assets is to be raised to 10% with effect from 1 October 2001.

Other significant changes include the introduction of a provisioning matrix, which specifies minimum provisioning for bank credit exposure. New limitations on total individual exposures in excess of 10% of capital were introduced and the need for reporting on a consolidated basis.

Banks are required to establish a compliance function headed by a compliance officer of the bank in order to ensure that regulatory risk is managed on a continuous basis. A group compliance officer has been appointed and a compliance function on a decentralised basis established to manage the regulatory risk within business operations. Compliance with generally accepted accounting practice was reinforced in the regulations. A list of reportable offences on which a bank will be required to report within 30 days of the event has been introduced.

The board of directors of the Banking Group must annually assess whether the process of corporate governance is achieving the objectives of the board. The Banking Group's independent auditors review the board's assessment and report any matters of concern to the Registrar of Banks.

Systems and procedures have been put into place by the Banking Group to ensure that all the necessary reporting requirements are met.

Legal risk

The risk embedded in the contractual arrangements with clients and counterparties, including the clarity and enforceability of contracts, the discharge of contractual obligations, the capacity to contract and the communication of changes is overseen by the Legal and Compliance Forum within the Finance, Risk and Audit division.

CAPITAL ADEQUACY STATEMENT OF REGISTERED BANKS WITHIN THE GROUP

The registered banks within the Banking Group are subject to regulatory Capital Adequacy requirements. The capital base of a bank provides the foundation for lending, off-balance sheet transactions and other activities. The capital adequacy of banks is measured in terms of the Banks Act requirements. Under these regulations banks are required to maintain a minimum level of capital based on their risk adjusted assets and off-balance sheet transactions. As at 30 June 2001 South African banks were required to hold capital equal to a minimum of 8 per cent of risk adjusted banking assets. Capital has to be held against trading assets as calculated using risk models. As at 30 June 2001, the capital held against the trading assets of the Banking Group was R450,0 million (2000: R759,6 million).

R million	Notes	Group **2001**	Group 2000
REGULATORY CAPITAL			
Tier 1			
Share capital		**956,6**	768,9
Share premium		**1 756,3**	1 756,3
Capital redemption reserve		**1,1**	1,1
Retained income		**7 621,5**	4 951,7
Less: Impairments		**(317,8)**	(100,3)
Less: Allocated to trading activities		**(166,9)**	(750,0)
Total tier 1 capital available to banking activities		**9 850,8**	6 627,7
Tier 2			
Subordinated debt instruments		**3 165,7**	3 216,6
General provision		**982,0**	640,1
Less: Allocated to trading activities		**(225,0)**	(9,6)
Total tier 2 capital available to banking activities		**3 922,7**	3 847,1
		13 773,5	10 474,8
Tier 1 (%)		**8,2**	6,9
Tier 2 (%)		**3,2**	4,0
Total (%)		**11,4**	10,9

R million	Balance **2001**	Balance 2000	Risk weight %	Risk adjusted balance **2001**	Risk adjusted balance 2000
RISK ADJUSTED ASSETS AND OFF-BALANCE SHEET EXPOSURES					
Cash and central government advances	**34 794,8**	20 742,1	0	**–**	–
Letters of credit and unutilised facilities on behalf of public sector bodies and exposures from dematerialisation	**1 936,7**	0,5	5	**96,8**	–
Public sector body advances	**3 383,4**	4 593,9	10	**338,3**	459,4
Other bank advances and letters of credit	**18 962,4**	19 911,5	20	**3 792,5**	3 982,3
Mortgage advances, remittances in transit and performance-related guarantees	**29 349,2**	25 281,1	50	**14 674,6**	12 640,6
Other advances and lending-related guarantees	**101 311,5**	79 348,8	100	**101 311,5**	79 348,8
	189 738,0	149 877,9		**120 213,7**	96 431,1

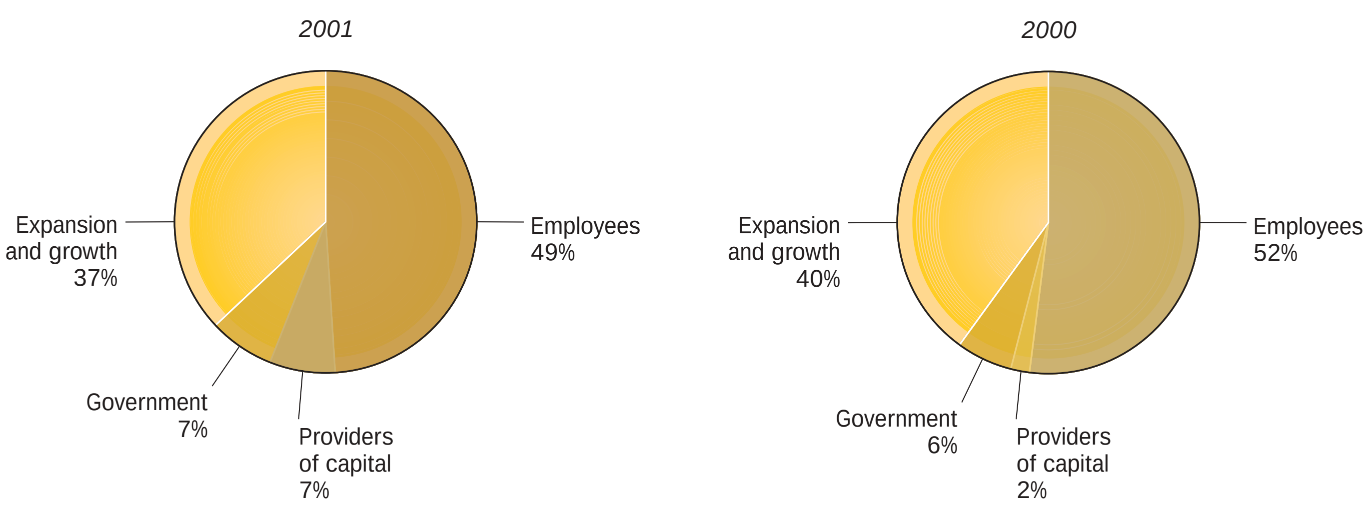
REPORT OF THE CHIEF FINANCIAL OFFICER (CONTINUED)

VALUE ADDED STATEMENT

for the year ended 30 June

	Group 2001		Group 2000	
	R million	%	R million	%
VALUE ADDED				
Income earned by providing banking services	**15 185,1**		14 397,9	
Cost of services	**(10 913,0)**		(11 030,7)	
Value added by banking services	**4 272,1**		3 367,2	
Non-operating income	**6 367,1**		5 735,9	
Other non-operating expenditure	**(2 709,8)**		(2 352,3)	
Value added	**7 929,4**		6 750,8	
TO EMPLOYEES				
Salaries, wages and other benefits	**3 928,3**	**49,6**	3 520,8	52,2
TO PROVIDERS OF CAPITAL				
Dividend to shareholders	**545,0**	**6,9**	102,0	1,5
TO GOVERNMENT				
Normal taxation	**306,8**	**3,9**	189,8	2,8
Value-added tax	**148,1**	**1,9**	166,4	2,5
Regional services levy	**32,0**	**0,4**	35,0	0,5
Other	**45,1**	**0,6**	13,0	0,2
TO EXPANSION AND GROWTH				
Retained income	**2 241,8**	**28,3**	2 087,8	30,9
Depreciation	**452,4**	**5,5**	492,2	7,3
Deferred taxation	**229,9**	**2,9**	143,7	2,1
	7 929,4	**100,0**	6 750,8	100,0

Value added



DIRECTORS' RESPONSIBILITY STATEMENT

The directors of FirstRand Bank Holdings Limited are required to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of the Banking Group at the end of the financial year, and of the results and cash flows for the year. In preparing the accompanying financial statements, generally accepted accounting practices 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 philosophy on corporate governance. The external auditors, PricewaterhouseCoopers Inc and Deloitte & Touche, have audited the financial statements and their unqualified report appears below.

The financial statements for the year ended 30 June 2001 which appear on pages 90 to 124, have been approved by the board of directors and are signed on its behalf by:

G T FERREIRA
Chairman

P K HARRIS
Chief Executive Officer
FirstRand Bank Holdings Limited

Sandton
6 September 2001

REPORT OF THE INDEPENDENT AUDITORS

TO THE DIRECTORS OF FIRSTRAND LIMITED

We have audited the annual financial statements of FirstRand Banking Group (a division of FirstRand Limited) set out on pages 90 to 124, for the year ended 30 June 2001. These financial statements are the responsibility of the directors of FirstRand Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the FirstRand Banking Group at 30 June 2001 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice in South Africa.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INCORPORATED
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton, 6 September 2001

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton, 6 September 2001

ACCOUNTING POLICIES

The following are the principal accounting policies adopted in the preparation of the consolidated financial statements of the Banking Group and are consistent with the prior year, except as set out below.

BASIS OF PRESENTATION

The annual financial statements have been prepared on the historical cost basis, except as disclosed below, and in conformity with generally accepted accounting practice in South Africa. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CONSOLIDATION

The financial statements of the Banking Group include the results of the holding company and its subsidiaries. Subsidiaries are those companies in which the Banking Group, directly or indirectly, has a long-term interest and has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Banking Group and are no longer consolidated from the effective date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

ASSOCIATED COMPANIES

Associated companies are those companies in which the Banking Group holds a long-term equity interest and over which it has the ability to exercise significant influence. The post-acquisition results of associated companies have been included in the group financial statements using the equity accounting method, from the effective dates of acquisition until the effective dates of disposal. Transactions between the Banking Group and its associates are eliminated in determining the Banking Group's portion of the post-acquisition results. The Banking Group's share of earnings of associates is included in earnings attributable to ordinary shareholders. The Banking Group's interest in an associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes any unamortised excess or deficit of the purchase price over the fair value of the attributable assets of the associate at date of acquisition.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the Banking Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill is capitalised and amortised on the straight-line basis over the period of expected benefit, limited to 20 years. The carrying amount of goodwill is reviewed periodically and written down for permanent impairment where considered necessary.

REVENUE RECOGNITION

Interest

Interest income, excluding that arising from trading activities, is recognised on a time apportioned basis, applying the effective yield on the assets. Accrual of interest on an advance is suspended when its recovery is considered doubtful.

Trading income

Foreign exchange instruments, including spot, forward contracts, currency options and other foreign currency derivatives, are valued at fair value and the resultant profits and losses are accounted for in the income statement. Profits and losses on trading instruments (including derivatives), both realised and unrealised, are included in income as incurred, except for those instruments designated as hedges. Profits and losses relating to instruments (including derivatives) that are designated as hedges are deferred and recognised on the same basis as the hedged asset or liability.

Dividends

Dividends are recognised when the right to receive payment is established.

Commission on acceptances, bills and promissory notes

Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportioned basis.

Services rendered

Revenue arising from the provision of services to customers is recognised based on the estimated outcome of the transactions.

- When the outcome of the transaction can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is measured based on the amount of work performed.
- When the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

PROPERTY AND EQUIPMENT

All property and equipment are initially recorded at cost. Property and equipment are carried at cost less accumulated depreciation. Property and equipment are depreciated on the straight-line basis at rates which are calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. These expected useful lives are reviewed periodically by management in order to evaluate their appropriateness, and current and future depreciation charges adjusted accordingly.

The periods of depreciation used are as follows:

Leasehold premises	Period of lease
Freehold property	40 years
Computer equipment	3 – 5 years
Furniture and fittings	5 – 10 years
Motor vehicles	5 years
Office equipment	6 years

Where there is a permanent diminution in the carrying value of an asset, it is written down to its estimated recoverable amount. Repairs and renewals are charged to the income statement as they are incurred.

DEBENTURES

Debentures are initially recognised at the fair value of the consideration received. Discounts or premiums on debentures issued are amortised on a basis which reflects the effective yield on the debentures over their effective life span. Interest paid is brought to account on an effective interest rate basis.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign subsidiary companies are translated into rand at rates of exchange ruling at year-end. Income statement items of foreign subsidiary companies are translated into rand at the average rate of exchange over the year. Capital and reserves are translated at historical rates. Gains and losses arising on translation of subsidiary companies regarded as independent entities are transferred to shareholders' funds. Gains and losses arising on translation of foreign subsidiary companies, regarded as an integral part of the group's operations, are recognised in the income statement. Assets and liabilities denominated in foreign currencies are translated into rand at the rates of exchange ruling at the balance sheet date, or where hedged by forward exchange contracts, at the relevant contract rates. Unrealised differences on assets and liabilities are recognised in the income statement in the period in which they arise.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include all assets and liabilities, except investments, fixed assets and deferred taxation. Financial assets and liabilities held for trading purposes are stated at fair value. The fair values of listed financial instruments are determined by reference to quoted market rates, which may be adjusted where the bid/offer spreads for long-dated financial instruments are considered to be significant. In the case of unlisted financial instruments, the fair value is the amount for which assets or liabilities could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction. Instruments with characteristics of debt are included in liabilities and dividends on such instruments are included as interest expense. The particular revenue recognition methods adopted are disclosed above.

INVESTMENTS

Financial assets held for investment purposes are stated at carrying amount less any permanent diminution in value, and profits and losses are recognised on realisation. In determining the carrying amount of investments, financial assets with a fixed redemption date are stated at original cost plus accrued interest, which is recognised in the income statement. Other investments are stated at original cost. Where the original cost contains premiums or discounts on purchase, such amounts are amortised on a straight-line basis over the period to redemption.

DEFERRED TAXATION

Deferred taxation is calculated on the comprehensive basis using the liability method on a balance sheet based approach. Deferred tax liabilities or assets are recognised by applying corporate tax rates to the temporary differences existing at each balance sheet date between the tax values of assets and liabilities and their carrying amount, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets or liabilities are recovered or settled.

MISCELLANEOUS TAXES

These taxes include various taxes paid to central and local governments and have been expensed in the income statement as part of the taxation charge.

ACCOUNTING FOR LEASES – WHERE A GROUP COMPANY IS THE LESSEE

Leases of property, plant and equipment, where the Banking Group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

ACCOUNTING FOR LEASES – WHERE A GROUP COMPANY IS THE LESSOR

Finance leases

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised on a straight-line basis over the lease term.

ADVANCES

Advances are stated after deduction of amounts that are required as specific and general provisions. Specific provisions are made against identified doubtful advances and contingencies. In addition, a general provision is maintained to cover potential losses that, although not specifically identified, may be present in a portfolio of advances. The aggregate provisions made during the year, less amounts released and recoveries of advances previously written off, are charged to the income statement. Accrual of interest on an advance is suspended when a specific provision is made, or when, in other cases, its recovery is doubtful. Irrecoverable advances are written off when the extent of the loss incurred has been confirmed. Properties in possession are included under advances, and are valued at the lower of cost and net realisable value.

REPURCHASE AND RESALE AGREEMENTS

Where the Banking Group sells a financial asset from its portfolio, subject to a repurchase agreement, the financial asset continues to be recorded as an asset, and the consideration received is included under deposit and current accounts, since the risk of ownership remains with the Banking Group. The value at which the asset is recorded in the financial statements corresponds with the Banking Group's accounting policy applicable to that class of asset. Conversely, where a financial asset is purchased subject to a resale agreement, the consideration paid is included under advances. The securities are not recorded on the balance sheet, since the risk of ownership does not pass to the Banking Group.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- Coins and bank notes
- Money at call and short notice
- Balances with central banks.

INSTALMENT CREDIT AGREEMENTS

Instalment credit agreements are regarded as financing transactions and the total rentals and instalments receivable thereunder, less unearned finance charges, are included in advances. Finance charges are computed using the effective interest rates as detailed in the contracts and are credited to income in proportion to capital balances outstanding.

EMPLOYEE BENEFITS

Post-employment benefits

The Banking 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 Banking 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. These funds are registered in terms of the

Pension Funds Act, 1956, and membership is compulsory for all Banking Group employees. The costs of providing retirement benefits is determined using the accrued benefit valuation method. Current service costs are written off immediately, while past service costs, experience adjustments, changes in actuarial assumptions and plan amendments are expensed over the expected remaining working lives of employees. In the case of retired employees, the costs are written off immediately. In terms of certain employment contracts, the Banking Group makes provision for post-retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of the medical aid contributions. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. Valuations of these obligations are carried out by qualified actuaries.

Termination benefits

The Banking Group recognises termination benefits as a liability and an expense in the income statement when it has a present obligation relating to termination.

RECOGNITION OF ASSETS AND LIABILITIES

Liabilities are recognised when the Banking Group 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. No liability is recognised when:

- the Banking Group has a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- 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. In such case, a contingent liability is disclosed.

Assets are recognised when the Banking Group obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the enterprise.

ACCEPTANCES

Acceptances comprise undertakings by the bank to pay bills of exchange drawn on customers. Acceptances are accounted for and disclosed as a contingent liability.

RELATED PARTY TRANSACTIONS

All related party transactions are at arm's length and in the ordinary course of business.

CHANGES IN ACCOUNTING POLICY

During the year, the Banking Group changed its accounting policy, applied retrospectively, with respect to the following:

Depreciation of land and buildings

The Banking Group's accounting policy in respect of the depreciation of land and buildings held for investment purposes was changed during the current financial year. Previously, land and buildings were not depreciated. The effect on income of this change in accounting policy is to reduce the 2001 earnings by an amount of R30 million (2000: R30 million), and to reduce the opening retained income of the banking group at 30 June 1999 by R200 million.

At the time of the creation of the FirstRand group of companies, an impairment of R200 million was created against the land and buildings of the Banking Group. This amount is set off against the reduction in retained income at the Banking Group level.

Accounting for private equity investments

Previously, the Banking Group's private equity investments were recorded at the lower of historical cost and net realisable value. Income from private equity investments was accounted for only to the extent that dividends were received. These investments are now either consolidated or equity accounted. The effect on income of this change in accounting policy is to increase headline earnings in 2001 by R47,6 million (2000: R17,8 million).

Restatement of 2000 financial statements

The impact of the changes on accounting policy on the income statement with regard to the 2000 financial year is immaterial. Consequently, and in the interests of consistency, no change has been made to the prior year headline earnings.

BALANCE SHEET

as at 30 June

R million	Notes	Group 2001	Group 2000
ASSETS			
Cash and short-term funds	3	**9 788,4**	8 309,4
Short-term negotiable securities	4	**6 114,4**	14 479,5
Liquid assets and trading securities	5	**26 398,5**	9 772,9
Derivative instruments	25.4	**14 208,8**	9 660,3
Securities purchased under agreements to resell	6	**–**	2 434,3
Advances	7, 8	**119 659,4**	102 652,2
Debtors	9	**2 361,6**	2 162,0
Other investments	10	**2 712,4**	2 522,0
Investment in associated companies	11	**477,0**	308,0
Property and equipment	12	**2 910,6**	3 099,9
Deferred taxation	13	**246,3**	183,6
Goodwill	14	**160,8**	136,9
Total assets		**185 038,2**	155 721,1
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Deposit and current accounts	15	**137 584,3**	117 591,6
Derivative instruments	25.4	**20 220,0**	12 613,0
Securities sold under agreements to repurchase	6	**–**	2 387,0
Creditors and accruals	16	**9 318,3**	7 502,0
Taxation		**30,1**	10,8
Deferred taxation	13	**1 696,3**	1 491,7
Long-term liabilities	17	**3 303,8**	3 638,1
Total liabilities		**172 152,8**	145 234,2
Outside shareholders' interest		**564,8**	579,7
Shareholders' funds			
Share capital	18	**106,0**	106,0
Share premium		**1 331,9**	1 331,9
Non-distributable reserves	19	**1 092,8**	921,2
Distributable reserves		**9 789,9**	7 548,1
Total equity		**12 320,6**	9 907,2
Total liabilities and shareholders' funds		**185 038,2**	155 721,2
Contingencies and commitments	20	**17 927,8**	14 181,2

INCOME STATEMENT

for the year ended 30 June

R million	Notes	Group 2001	Group 2000
Interest income	21.1	**15 185,1**	14 397,9
Interest expenditure	21.2	**(9 769,7)**	(9 701,3)
Net interest income before impairment of advances		**5 415,4**	4 696,6
Charge for bad and doubtful debts	8	**(1 143,4)**	(1 329,4)
Net interest income after impairment of advances		**4 272,0**	3 367,2
Fee and commission income		**3 891,4**	3 262,8
Investment income		**63,1**	286,7
Other operating income	21.3	**2 409,6**	2 297,6
Net income from operations		**10 636,1**	9 214,3
Other operating expenditure	21.4	**(7 090,5)**	(6 365,3)
Income from operations		**3 545,6**	2 849,0
Share of earnings of associate companies	11	**134,3**	20,0
Income before taxation		**3 679,9**	2 869,0
Taxation	13	**(761,8)**	(547,9)
Income after taxation		**2 918,1**	2 321,1
Earnings attributable to outside shareholders		**(131,3)**	(131,4)
Earnings attributable to ordinary shareholders		**2 786,8**	2 189,7

CASH FLOW STATEMENT

for the year ended 30 June

R million	Notes	Group 2001	Group 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	22.1	**21 059,6**	19 546,4
Cash paid to customers and employees	22.2	**(16 088,9)**	(15 303,3)
Net cash inflow from operating activities		**4 970,7**	4 243,1
CASH FLOWS FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Debenture interest paid		**(318,8)**	(283,6)
Dividends received	22.3	**386,5**	381,8
Dividends paid	22.4	**(637,9)**	(343,0)
Net cash flows from returns on investments and servicing of finance		**(570,2)**	(244,8)
Taxation paid	22.5	**(604,3)**	(525,3)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of plant and equipment		**(339,1)**	(574,6)
Purchase of other investments		**(165,8)**	(1 370,3)
Proceeds from sale of plant and equipment		**175,3**	153,1
Net cash outflow from investment activities		**(329,6)**	(1 791,8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from debenture issues and long-term liabilities		**(334,2)**	263,2
Proceeds from the issue of preference shares		**–**	150,0
Net cash flow from financing activities		**(334,2)**	413,2
CASH FLOWS FROM BANKING INVESTMENT ACTIVITIES			
Increase in income-earning assets	22.6	**(26 363,8)**	(10 277,3)
Increase in deposits and other liabilities	22.7	**24 710,4**	4 808,1
Net cash flow from banking investment activities		**(1 653,4)**	(5 469,2)
Net increase/(decrease) in cash and cash equivalents		**1 478,9**	(3 374,8)
Cash and cash equivalents at beginning of the year		**8 309,4**	11 684,2
Cash and cash equivalents at end of the year		**9 788,4**	8 309,4

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital (Note 18)	Share premium	Non-distributable reserves (Note 19)	Distributable reserves	Total equity
Balance at 1 July 1999					
As previously stated	106,0	1 331,9	941,9	5 660,3	8 040,1
Changes in accounting policies					
Depreciation on land and buildings	–	–	–	(200,0)	(200,0)
Restated balance 1 July 1999	106,0	1 331,9	941,9	5 460,3	7 840,1
Currency translation differences			48,2		48,2
Non-distributable reserves of associate companies	–	–	(1,3)	–	(1,3)
Revaluation of investments	–	–	(1,0)	–	(1,0)
Earnings attributable to ordinary shareholders	–	–	–	2 189,7	2 189,7
Interim dividend – 31 March 2000				(101,9)	(101,9)
Movement in other reserves	–	–	(66,6)	–	(66,6)
Balance as at 30 June 2000	106,0	1 331,9	921,2	7 548,1	9 907,2
Balance at 1 July 2000	**106,0**	**1 331,9**	**921,2**	**7 548,1**	**9 907,2**
Currency translation differences	**–**	**–**	**134,3**	**–**	**134,3**
Non-distributable reserves of associate companies	**–**	**–**	**27,8**	**–**	**27,8**
Revaluation of investments	**–**	**–**	**4,8**	**–**	**4,8**
Earnings attributable to ordinary shareholders	**–**	**–**	**–**	**2 786,8**	**2 786,8**
Final dividend – 31 October 2000	**–**	**–**	**–**	**(106,0)**	**(106,0)**
Interim dividend – 31 March 2001	**–**	**–**	**–**	**(439,0)**	**(439,0)**
Movement in other reserves	**–**	**–**	**4,7**	**–**	**4,7**
Balance as at 30 June 2001	**106,0**	**1 331,9**	**1 092,8**	**9 789,9**	**12 320,6**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

R million		Group 2001	Group 2000
1.	**ACCOUNTING POLICIES**		
	The accounting policies of the group are set out on pages 90 and 93.		
2.	**TURNOVER**		
	Turnover is a concept not relevant to the business of banking.		
3.	**CASH AND SHORT-TERM FUNDS**		
	Coins and bank notes	**1 652,1**	1 699,8
	Money at call and short notice	**6 548,3**	5 816,8
	Balances with central banks	**1 588,0**	792,8
		9 788,4	8 309,4
	Money at short notice constitutes amounts withdrawable in 32 days or less.		
4.	**SHORT-TERM NEGOTIABLE SECURITIES**		
	Bills	**32,7**	409,4
	Negotiable certificates of deposit	**3 276,8**	1 138,6
	Treasury bills and other government stock	**2 432,3**	11 960,3
	Other	**372,6**	971,2
		6 114,4	14 479,5
5.	**LIQUID ASSETS AND TRADING SECURITIES**		
	Government and government guaranteed securities	**14 719,1**	7 243,1
	Other dated securities	**9 956,8**	1 197,7
	Undated securities	**1 722,6**	1 332,1
		26 398,5	9 772,9
	Analysis of liquid assets and trading securities		
	Listed		
	Book value	**19 204,4**	8 348,0
	Market value	**19 211,7**	8 345,0
	Unlisted		
	Book value	**7 194,1**	1 424,9
	Directors' valuation	**7 272,5**	1 304,3

6. NET SECURITIES UNDER RESALE AGREEMENTS

A foreign subsidiary company, which is a securities trader registered with the Australian Securities Commission, concluded reciprocal agreements in government and semi-government gilts with third parties as a short-term money market trader. These agreements are unique to the Australian trading environment. They are short-term (2 days), carry no pricing risk and are concluded under a guaranteed settlement/delivery mechanism. The Banking Group has ceased to operate in these markets from January 2001.

R million	Group 2001	Group 2000
7. ADVANCES		
Sector analysis		
Agriculture	**2 344,0**	1 828,2
Banks and financial services	**14 801,4**	14 044,2
Building and property development	**3 869,2**	4 488,7
Government, Landbank and public authorities	**3 477,0**	3 093,3
Individuals	**54 055,0**	43 382,3
Manufacturing and commerce	**29 664,0**	29 482,1
Mining	**2 125,7**	1 601,3
Transport and communication	**5 060,7**	2 980,9
Other services	**8 396,8**	5 801,3
	123 793,8	106 702,3
Interest suspended	**(833,6)**	(918,8)
	122 960,2	105 783,5
Doubtful debt provisions (note 8)	**(3 300,8)**	(3 131,3)
Advances after doubtful debt provisions	**119 659,4**	102 652,2
Geographic analysis		
South Africa	**107 531,4**	93 443,4
Other Africa	**5 603,3**	4 491,4
Europe	**5 700,4**	4 487,7
Other	**4 125,1**	3 361,0
	122 960,2	105 783,5
Category analysis		
Card loans	**3 096,4**	3 014,9
Home loans	**24 612,3**	18 559,3
Instalment sales	**18 721,9**	15 858,8
Lease payments receivable	**9 251,3**	7 768,7
Overdrafts and managed account debtors	**33 740,5**	29 089,6
Other advances	**33 537,8**	31 492,2
	122 960,2	105 783,5

R million	Group 2001	Group 2000
8. IMPAIRMENT OF ADVANCES		
Balance at beginning of the year	**(3 131,3)**	(3 249,7)
Exchange differences	**(47,8)**	(23,6)
Amounts written off	**1 219,8**	1 639,5
Other	**7,4**	20,1
	(1 951,9)	(1 613,7)
Recoveries of amounts previously written off	**(139,3)**	(132,2)
Profit on sale of security	**(66,2)**	(56,0)
Charge to income statement	**(1 143,4)**	(1 329,4)
Balance at end of the year	**(3 300,8)**	(3 131,3)
Analysis		
Specific provision	**(1 955,1)**	(1 806,8)
General provision	**(1 345,7)**	(1 324,5)
	(3 300,8)	(3 131,3)

R million	Credit risk	Security held	Interest suspended	Provision
Non-performing lendings by sector				
Agriculture	127,9	52,2	16,6	26,4
Banks and financial services	64,9	30,2	29,4	75,8
Building and property development	261,2	65,0	47,4	89,5
Government, Landbank and public authorities	29,2	3,8	4,7	13,3
Individuals	1 954,4	686,2	393,9	714,6
Manufacturing and commerce	1 280,7	251,2	265,8	697,1
Mining	36,3	5,9	5,0	15,3
Transport and communication	111,6	21,2	20,3	44,2
Other services	556,5	42,4	50,6	278,9
Total	4 422,7	1 158,1	833,7	1 955,1
2000 Total non-performing lendings	4 520,1	1 454,4	918,9	1 806,8
Non-performing lendings by category				
Overdrafts and managed account debtors	1 943,2	472,9	388,6	853,7
Card loans	364,2	–	113,6	161,9
Instalment sale	352,3	80,9	77,5	145,0
Lease payments receivable	178,4	33,9	37,9	88,8
Home loans	657,5	476,1	112,4	221,4
Other advances	927,1	94,3	103,7	484,3
Total	4 422,7	1 158,1	833,7	1 955,1
2000 Total non-performing lendings	4 520,1	1 454,4	918,9	1 806,8

R million	Group 2001	Group 2000
9. DEBTORS		
Items in transit	**420,6**	754,0
Accrued interest	**311,3**	420,5
Accounts receivable	**633,6**	386,1
Other debtors	**996,1**	601,4
	2 361,6	2 162,0
10. OTHER INVESTMENTS		
Listed investments	**221,3**	232,6
Unlisted investments	**2 491,1**	2 289,4
	2 712,4	2 522,0
Aggregate market value for listed investments	**198,9**	198,7
Aggregate directors' valuation for unlisted investments	**2 492,3**	2 636,5
	2 691,2	2 835,2
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.		
11. INVESTMENT IN ASSOCIATED COMPANIES		
Unlisted investments		
Cost less amounts written off	**341,2**	254,9
Income before taxation for the year	**134,3**	20,0
Taxation for the year	**(39,7)**	(2,6)
Dividends received for the year	**(31,5)**	(8,5)
Retained income for the year	**63,1**	8,9
Exchange differences	**(3,9)**	–
Acquisitions and disposals	**(4,3)**	(7,5)
Share of retained income at beginning of the year	**45,8**	44,4
Share of retained income at end of the year	**100,7**	45,8
Share of other reserves	**35,1**	7,3
Total retained income and reserves	**135,8**	53,1
Total carrying value	**477,0**	308,0
Valuation		
Unlisted investments at directors' valuation	**1 026,1**	347,9

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Nature of business	Issued ordinary share capital R	Number of ordinary shares held	Year-end
11. INVESTMENT IN ASSOCIATED COMPANIES (continued)				
Significant associates are as follows:				
Unlisted				
OUTsurance Insurance Company Limited	Insurance	34 366 631	1 584 301 689	30 June
Zeda Car Leasing (Pty) Limited	Leasing	100	25	31 March
Infrastructure Finance Corp Limited	Funding	840 132	175 000	31 December
Mobile Acceptances (Pty) Limited	Leasing	700 000	182 000	30 June
Toyota Financial Services (Pty) Limited	Vehicle finance	180 000 000	60 000 000	30 June
Marsh Holdings SA (Pty) Limited	Insurance brokers	100 000	40 000	31 December
Private Equity Associates	Various	Various	Various	Various

R million	Effective holding %		Group carrying amount		Group cost less amounts written off	
	2001	2000	**2001**	2000	**2001**	2000
Unlisted						
OUTsurance Insurance Company Limited	**46,1**	47,5	**141,3**	120,6	**116,7**	116,7
Zeda Car Leasing (Pty) Limited	**50,0**	50,0	**32,3**	24,1	**–**	–
Infrastructure Finance Corp Limited	**20,8**	20,8	**30,4**	22,7	**18,3**	18,3
Mobile Acceptances (Pty) Limited	**26,0**	26,0	**2,9**	3,1	**0,4**	0,4
Toyota Financial Services (Pty) Limited	**33,0**	33,0	**45,8**	25,3	**60,0**	30,0
Marsh Holdings SA (Pty) Limited	**40,0**	40,0	**7,2**	8,6	**12,0**	12,0
Private Equity Associates			**205,6**	68,5	**128,3**	73,0
Other			**11,5**	35,1	**5,5**	4,5
			477,0	308,0	**341,2**	254,9

R million	OUTsurance Insurance Company Limited 2001	2000	Zeda Car Leasing (Pty) Limited 2001	2000	Infrastructure Finance Corp Limited 2001	2000
11. INVESTMENT IN ASSOCIATED COMPANIES (continued)						
Summarised financial information of significant associates						
Balance sheet						
Non-current assets	**314,5**	274,4	**712,5**	649,5	**961,4**	874,6
Current assets	**205,6**	169,9	**64,0**	45,1	**3 673,2**	3 052,7
Current liabilities	**(45,0)**	(63,5)	**(660,3)**	(588,9)	**(435,1)**	(194,3)
Non-current liabilities	**(225,3)**	(182,2)	**(54,4)**	(53,9)	**(4 048,8)**	(3 611,9)
Equity	**249,8**	198,6	**61,8**	51,8	**150,7**	121,1
Income statement						
Profit attributable to the Banking Group	**14,7**	3,6	**5,9**	6,8	**6,2**	2,8
Loans to associates	**2,2**	38,0	**550,6**	450,6	**221,8**	221,8

R million	Mobile Acceptances (Pty) Limited 2001	2000	Toyota Financial Services (Pty) Limited 2001	2000	Marsh Holdings SA (Pty) Limited 2001	2000
Balance sheet						
Non-current assets	**111,0**	87,4	**1 525,6**	–	**60,2**	60,3
Current assets	**94,7**	77,3	**21,4**	234,0	**169,5**	82,6
Current liabilities	**(92,1)**	(77,4)	**(13,6)**	(153,9)	**(174,4)**	(77,3)
Non-current liabilities	**(102,5)**	(78,5)	**(1 396,0)**	–	**–**	(14,0)
Equity	**11,1**	8,8	**137,4**	80,1	**55,3**	51,6
Income statement						
Profit/(loss) attributable to the Banking Group	**0,6**	1,0	**(10,9)**	(4,6)	**(5,6)**	(3,5)
Loans to associates	**189,5**	144,5	**1 396,0**	136,7	**–**	–

for the year ended 30 June

R million	Private Equity Associates 2001	2000	Other 2001	2000
11. INVESTMENT IN ASSOCIATED COMPANIES (continued)				
Balance sheet				
Non-current assets	**355,9**	173,1	**30,0**	25,4
Current assets	**304,7**	28,4	**139,0**	14,7
Current liabilities	**(281,7)**	(60,4)	**(132,6)**	(21,1)
Non-current liabilities	**(307,8)**	(109,0)	**(12,1)**	(8,2)
Equity	**71,1**	32,1	**24,3**	10,8
Income statement				
Profit/(loss) attributable to the Banking Group	**73,2**	14,1	**10,5**	(2,8)
Loans to associates	**665,3**	284,3	**1,4**	1,2

The most recent audited annual financial statements of associates are used by the Banking 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 Banking Group, the effect of such events are adjusted for. Where the last financial statement date of an associate was more than six months before the financial statement date of the Banking Group, the Banking Group uses the unaudited management accounts of the associate. The Banking Group has applied this principle consistently since adopting the equity accounting method for associates.

The loans to associates are included under advances.

R million	Cost 2001	Cost 2000	Accummulated depreciation 2001	Accummulated depreciation 2000	Net book value 2001	Net book value 2000
12. PROPERTY AND EQUIPMENT						
Property						
Freehold land and buildings	**1 125,9**	1 102,2	**(337,3)**	(308,7)	**788,6**	793,5
Leasehold premises	**1 395,9**	1 383,7	**(266,2)**	(239,5)	**1 129,7**	1 144,2
	2 521,8	2 485,9	**(603,5)**	(548,2)	**1 918,3**	1 937,7
Equipment						
Computer equipment	**1 894,0**	1 800,6	**(1 463,8)**	(1 316,0)	**430,2**	484,6
Furniture and fittings	**927,6**	1 012,9	**(492,1)**	(553,9)	**435,5**	459,0
Motor vehicles	**188,4**	349,8	**(112,7)**	(186,2)	**75,7**	163,6
Office equipment	**142,9**	125,2	**(92,0)**	(70,2)	**50,9**	55,0
Total	**5 674,7**	5 774,4	**(2 764,1)**	(2 674,5)	**2 910,6**	3 099,9

Movement in property and equipment – cost

R million	Freehold land and buildings	Leasehold premises	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment
Cost at beginning of the year	1 102,2	1 383,7	1 800,6	1 012,9	349,8	125,2
Foreign currency adjustments	13,9	6,5	8,5	6,3	0,7	0,8
Additions	15,3	42,2	198,6	49,0	15,4	18,5
Disposals	(20,5)	(17,2)	(150,4)	(141,4)	(188,8)	(8,7)
Fully depreciated assets written off	(0,0)	0,1	(6,3)	(2,1)	(0,0)	(0,6)
Other	15,0	(19,4)	43,0	2,9	11,3	7,7
Cost at end of the year	1 125,9	1 395,9	1 894,0	927,6	188,4	142,9

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Freehold land and buildings	Leasehold premises	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment
12. PROPERTY AND EQUIPMENT (continued)						
Movement in property and equipment – accumulated depreciation						
Accumulated depreciation at beginning of the year	308,7	239,5	1 316,0	553,9	186,2	70,2
Foreign currency adjustments	2,1	3,3	6,1	5,0	0,5	0,4
Depreciation charge for the year	37,4	35,3	244,3	74,1	44,0	17,2
Disposals	(0,7)	(4,3)	(141,9)	(140,0)	(129,1)	(7,2)
Fully depreciated assets written off	–	(0,1)	(6,3)	(2,1)	–	(0,6)
Other	(10,2)	(7,5)	45,6	1,2	11,1	12,0
Accumulated depreciation at end of the year	337,3	266,2	1 463,8	492,1	112,7	92,0

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 the provisions of section 113 of the Companies Act.

R million	**Group 2001**	Group 2000
13. TAXATION		
Charge for the year		
Normal taxation		
Current		
Current year	**(128,7)**	(154,0)
Prior year adjustment	**(24,5)**	(4,2)
Deferred		
Current year	**(321,0)**	(164,2)
Prior year adjustment	**126,3**	25,2
Share of tax of associates (note 11)	**(39,7)**	(2,6)
	(387,6)	(299,8)
Foreign company and withholding taxation		
Current		
Current year	**(107,4)**	(29,3)
Prior year adjustment	**(6,4)**	0,3
Deferred		
Current year	**(35,2)**	(4,7)
	(149,0)	(33,7)

R million	Group 2001	Group 2000
13. TAXATION (continued)		
Secondary taxation on companies		
Current	**(21,3)**	–
Taxation expense before miscellaneous taxes	**(557,9)**	(333,5)
Miscellaneous taxes		
Value-added taxation (net)	**(148,1)**	(166,4)
Regional services levy	**(32,0)**	(35,0)
Stamp duties	**(5,8)**	(8,9)
Other	**(18,0)**	(4,1)
Total miscellaneous taxes	**(203,9)**	(214,4)
Total taxation	**(761,8)**	(547,9)
Taxation rate reconciliation	**%**	%
Effective rate of taxation	**20,7**	19,1
Total taxation has been affected by:		
Miscellaneous taxes	**(5,5)**	(7,5)
Non-taxable income	**9,6**	13,0
Other permanent differences	**5,2**	5,4
Standard rate of taxation	**30,0**	30,0
Deferred taxation		
The movement on the deferred taxation account is as follows:		
At beginning of the year	**1 308,1**	1 158,5
Exchange rate difference	**3,6**	(9,8)
Charge to the income statement	**229,9**	143,7
Other	**(91,6)**	15,7
At end of the year	**1 450,0**	1 308,1
Deferred taxation asset	**(246,3)**	(183,6)
Deferred taxation liability	**1 696,3**	1 491,7
	1 450,0	1 308,1

Deferred taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority. Deferred taxation assets and liabilities and deferred taxation charge/(credit) in the income statement are attributable to the following items:

R million	Opening balance	Exchange rate	Current taxation	Other	Closing balance
Deferred tax					
Instalment credit agreements	684,2	4,3	353,5	(53,4)	988,6
Accruals	814,2	0,1	(15,4)	28,8	827,7
Equipment	2,6	0,1	2,6	(0,1)	5,2
General provision	(280,8)	(0,9)	14,2	(0,3)	(267,8)
Taxation losses	(10,0)	–	(66,1)	–	(76,1)
Other	97,9	–	(58,9)	(66,6)	(27,6)
Total deferred taxation	1 308,1	3,6	229,9	(91,6)	1 450,0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Group 2001	Group 2000
14. GOODWILL		
Goodwill		
Gross amount	**168,9**	145,2
Less: Amortisation	**(8,1)**	(8,3)
	160,8	136,9
Movement in goodwill – book value		
Opening balance	**136,9**	145,2
Exchange differences	**(0,9)**	–
Additions	**32,9**	–
Amortisation charge	**(8,1)**	(8,3)
	160,8	136,9
15. DEPOSIT AND CURRENT ACCOUNTS		
Term deposits	**50 994,3**	42 831,0
Current deposit accounts	**35 582,2**	40 727,6
Deposits from banks	**6 222,3**	7 846,1
Negotiable certificates of deposit	**15 232,2**	10 581,3
Savings accounts	**3 836,1**	3 891,9
Other	**25 717,2**	11 713,7
	137 584,3	117 591,6
Geographic analysis (based on credit risk)		
South Africa	**104 668,4**	92 601,7
Other Africa	**7 040,8**	7 044,6
Europe	**9 437,0**	8 664,6
Other	**16 438,1**	9 280,7
	137 584,3	117 591,6
The maturity analysis of deposit and current accounts is based on the remaining periods to contractual maturity from year-end.		
16. CREDITORS AND ACCRUALS		
Accrued interest	**123,1**	219,9
Accounts payable	**1 051,0**	988,1
Dividends payable	**4,7**	97,6
Other group companies	**3 376,8**	3 288,8
Provisions	**169,5**	185,7
Short-term portion of long-term liabilities (note 17)	**162,9**	178,3
Short-term portion of financial leases (note 17)	**24,6**	10,6
Other creditors	**4 405,7**	2 533,0
	9 318,3	7 502,0

R million	Group 2001	Group 2000
17. LONG-TERM LIABILITIES		
Debentures		
100 debentures of R1 million each carrying interest at prime minus 3% [a]	**100,0**	100,0
120 debentures of R1 million each carrying interest at prime minus 2% [b]	**120,0**	120,0
	220,0	220,0

Both of the instruments above relate to debentures which are convertible into non-redeemable preference shares.

[a] *Rand Merchant Bank Limited has the sole right, at any stage after 30 June 2002, to convert the debentures into non-redeemable preference shares. Interest is payable 6 monthly in arrears on 30 June and 31 December each year at the prime overdraft rate minus 3%.*

[b] *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 6 monthly in arrears on 30 June and 31 December each year at the prime overdraft rate minus 2%.*

Preference shares		
1 500 (2000: 1 500) cumulative redeemable shares with a par value of R0,0001 and a premium of R99 999,9999 per share	**150,0**	150,0

These preference shares are redeemable at the company's discretion on or after 1 June 2003, at the full subscription price. Dividends are paid at a variable rate based on prime and currently amounts to 9,4%.

Other long-term liabilities		
Unsecured debt securities amortising over the period to 2007 [c]	**302,4**	412,2
Secured loan [d]	**101,2**	146,2
Subordinated notes [e]	**1 802,1**	1 908,6
Less: Portion repayable within 12 months transferred to current liabilities	**(162,9)**	(178,3)
	2 042,8	2 288,7

[c] *Various local and foreign unsecured loans with nominal interest rates ranging from 0% to 17%.*

[d] *This secured loan is repayable on 11 April 2011 and is stated at net present value, using a discount rate of 15,32%.*

[e] *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%.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Group 2001	Group 2000
17. LONG-TERM LIABILITIES (continued)		
Finance lease liabilities		
Not later than 1 year	**109,7**	97,0
Later than 1 year and not later than 5 years	**601,1**	531,9
Later than 5 years	**688,5**	867,3
	1 399,3	1 496,2
Future finance charges on finance leases	**(485,0)**	(571,3)
Present value of finance lease liability	**914,3**	924,9
Less: Portion repayable within 12 months transferred to current liabilities	**(24,6)**	(10,6)
	889,7	914,3
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 monthly in advance.		
Other finance leases	**1,3**	65,1
	3 303,8	3 638,1
18. SHARE CAPITAL		
Ordinary shares		
Authorised shares		
550,0 million shares with a par value of 20 cents per share	**110,0**	110,0
Issued shares		
530,0 million shares with a par value of 20 cents per share	**106,0**	106,0
19. NON-DISTRIBUTABLE RESERVES		
Non-distributable reserves in associated companies	**35,1**	7,3
Currency conversion reserve	**710,5**	576,2
Revaluation of investments	**4,9**	0,1
Other	**342,3**	337,6
	1 092,8	921,2

R million		Group 2001	Group 2000
20.	**CONTINGENCIES AND COMMITMENTS**		
	Contingencies		
	Guarantees	**14 921,4**	8 432,0
	Acceptances	**467,3**	3 271,3
	Letters of credit	**2 539,1**	2 477,9
		17 927,8	14 181,2
	There are a number of legal or potential claims against the Banking Group, the outcome of which cannot at present be foreseen. Provision is made for all liabilities which are expected to materialise.		
	Commitments		
	Commitments in respect of capital expenditure and long-term investments approved by directors		
	Contracted for	**20,0**	8,9
	Not contracted for	**61,2**	12,3

Funds to meet these commitments will be provided from Banking Group resources.

R million	Next year	Second to fifth year	Fifth year and thereafter
Group commitments under operating leases			
Office premises	70,9	157,8	32,1
Recoverable under subleases	(5,8)	(22,6)	(14,4)
	26,3	135,2	17,7
Equipment and motor vehicles	17,4	12,0	–
	43,7	147,2	17,7

for the year ended 30 June

R million	Group 2001	Group 2000
21. ANALYSIS OF INCOME AND EXPENDITURE		
21.1 Interest income		
Interest on:		
Advances	**13 536,1**	13 466,1
Balances with banks and short-term funds	**716,6**	354,5
Short-term negotiable securities	**282,4**	136,9
Investment and trading securities		
– Listed	**254,3**	309,1
– Unlisted	**25,1**	110,7
Other	**370,6**	20,6
	15 185,1	14 397,9
21.2 Interest expenditure		
Interest on:		
Term deposits	**(5 765,3)**	(5 603,9)
Current deposit accounts	**(2 247,7)**	(2 111,8)
Savings accounts	**(185,2)**	(130,7)
Debentures	**(318,8)**	(283,6)
Deposits from banks	**(406,4)**	(460,8)
Finance lease	**(96,7)**	(80,0)
Other	**(749,6)**	(1 030,5)
	(9 769,7)	(9 701,3)
21.3 Other operating income		
Exchange earnings	**663,0**	614,1
Profit on sale of plant and equipment	**71,4**	38,6
Dividends from other investments	**355,0**	373,3
Treasury operations	**1 100,2**	364,2
Other income	**220,0**	907,4
	2 409,6	2 297,6

R million	Group 2001	Group 2000
21. ANALYSIS OF INCOME AND EXPENDITURE (continued)		
21.4 Other operating expenditure		
Auditors' remuneration		
Audit fees	**(36,5)**	(29,6)
Fees for other services	**(10,0)**	(1,8)
	(46,5)	(31,4)
Depreciation		
Property		
Freehold buildings	**(37,4)**	(49,1)
Leasehold premises	**(35,3)**	(37,7)
Equipment		
Computer equipment	**(244,4)**	(237,0)
Furniture and fittings	**(74,1)**	(76,2)
Motor vehicles	**(44,0)**	(74,2)
Office equipment	**(17,2)**	(17,9)
	(452,4)	(492,1)
Operating lease charges		
Land and buildings	**(233,7)**	(264,7)
Equipment	**(27,0)**	(8,5)
	(260,7)	(273,2)
Professional fees	**(150,4)**	(190,1)
Staff costs		
Salaries, wages and allowances	**(3 331,4)**	(3 026,7)
Contributions to pension funds	**(318,8)**	(286,1)
Social security levies	**(16,0)**	(14,8)
Other	**(262,1)**	(193,2)
	(3 928,3)	(3 520,8)
Other costs	**(2 252,3)**	(1 857,7)
Total other operating expenditure	**(7 090,5)**	(6 365,3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Group 2001	Group 2000
22. CASH FLOW INFORMATION		
22.1 Cash received from customers		
Interest income	**15 185,1**	14 397,9
Fee and commission income	**3 891,4**	3 262,8
Other income	**1 983,1**	1 885,7
Total cash received from customers	**21 059,6**	19 546,4
22.2 Cash paid to customers and employees		
Interest expenditure (excluding debenture interest)	**(9 450,8)**	(9 417,7)
Total other operating expenditure (excluding depreciation)	**(6 638,0)**	(5 885,6)
Total cash paid to customers and employees	**(16 088,8)**	(15 303,3)
22.3 Dividends received		
Dividends from other investments	**355,0**	373,3
Dividends from associated companies	**31,5**	8,5
Total dividends received	**386,5**	381,8
22.4 Dividends paid		
Amounts unpaid at beginning of the year	**(97,6)**	(338,6)
Charged to distributable reserves	**(545,0)**	(102,0)
Amounts unpaid at end of the year	**4,7**	97,6
Total dividends paid	**(637,9)**	(343,0)
22.5 Taxation paid		
Amounts unpaid at beginning of the year	**(10,8)**	(147,6)
Taxation charge per income statement	**(761,8)**	(547,9)
Deferred taxation included in tax charge	**138,3**	159,4
Amounts unpaid at end of the year	**30,2**	10,8
Total taxation paid	**(604,3)**	(525,3)
22.6 (Increase)/decrease in income-earning assets		
Short-term negotiable securities	**8 365,0**	(3 827,6)
Net securities purchased under resale agreements	**47,3**	11,5
Liquid assets and trading securities	**(16 625,7)**	3 696,0
Advances	**(18 150,6)**	(10 157,2)
Net increase in income-earning assets	**(26 363,8)**	(10 277,3)
22.7 Increase/(decrease) in deposits and other liabilities		
Term deposits	**8 163,3**	(3 364,8)
Current deposit accounts	**(5 145,3)**	7 736,8
Deposits from banks	**(1 623,9)**	(9 775,6)
Negotiable certificates of deposit	**4 650,9**	(4 820,6)
Savings accounts	**(55,8)**	(204,0)
Creditors net of debtors	**4 717,8**	3 522,5
Other	**14 003,4**	11 713,8
Net increase in deposits and other liabilities	**24 710,4**	4 808,1

23. POST-EMPLOYMENT BENEFITS

The Banking Group provides for retirement benefits by making payments to various independent pension funds. The funds are subject to the Pension Funds Act, 1956, which requires an actuarial valuation every three years. The funds were last valued at 30 June 1999 and were found to be financially sound by independent consulting actuaries. Contributions by the Banking Group to the pension funds are charged to income.

An actuarial surplus in the pension fund crystallised when the nature of the fund changed from a defined benefit scheme to a defined contribution scheme. Over a period of time a portion of this surplus will be utilised to create a separate fund which will fully meet post-retirement medical benefits of both existing staff and pensioners. This is done with the agreement of the representative trade union and the trustees of the fund.

During the current financial year the Banking Group benefited from a pension fund holiday to the extent of R179,7 million (2000: R61,4 million). The proceeds of this holiday were used to supplement the fund created to cover the employer's liability for post-retirement medical funding. As at 30 June 2000, the pension fund surplus amounted to R845,0 million. At 30 June 2001 the actuarially calculated liability for post-retirement medical benefits amounted to R930,0 million. The fund created to settle these liabilities amounts to R640,8 million, resulting in a net unprovided liability of R289,2 million at 30 June 2001. The Banking Group will continue the pension fund holiday for the financial year 2002, and approximately R193,7 million will be invested in the post-retirement medical fund.

24. TRUST ACTIVITIES

The market value of assets held or placed on behalf of customers in a fiduciary capacity amounts to R30 031,0 million (2000: R70 286,0 million).

R million	South Africa	Other Africa	Australia	Europe	Other	**Total**
25. FINANCIAL INSTRUMENTS						
A comprehensive risk management report is included on pages 78 to 86.						
25.1 Credit risk management						
Significant credit exposures at 30 June 2001 were:						
Assets						
Advances	107 531,4	5 603,3	167,7	5 700,4	3 957,4	122 960,2
Contingencies	16 440,6	774,0	69,1	644,1	–	17 927,8
	123 972,0	6 377,3	236,8	6 344,5	3 957,4	140 888,0

25. FINANCIAL INSTRUMENTS (continued)

25.2 Currency risk management

The Banking Group manages foreign currency exposures in terms of approved limits. The currency position at 30 June 2001 is set out below:

R million	Rand	UK£	US$	Other	Total
ASSETS					
Cash and short-term funds	4 541,5	482,1	3 591,8	1 173,0	**9 788,4**
Short-term negotiable securities	4 228,7	–	864,1	1 021,6	**6 114,4**
Liquid assets and trading securities	15 318,9	1 039,3	8 611,3	1 429,0	**26 398,5**
Derivatives	10 005,9	347,0	3 084,4	771,5	**14 208,8**
Securities purchased under agreements to resell	–	–	–	–	**–**
Advances	103 591,5	2 129,8	11 121,8	6 117,1	**122 960,2**
Less: Provisions	(2 823,7)	(55,0)	(240,7)	(181,4)	**(3 300,8)**
Debtors	1 575,9	99,8	468,6	217,3	**2 361,6**
Other investments	2 485,7	18,1	113,4	95,2	**2 712,4**
Investments in associated companies	421,8	–	48,4	6,8	**477,0**
Property and equipment	2 515,6	146,2	7,4	241,4	**2 910,6**
Deferred taxation	246,3	–	–	–	**246,3**
Goodwill	146,2	–	(0,5)	15,1	**160,8**
Intercompany balances	1 959,9	(118,2)	(1 216,8)	(624,9)	**–**
	144 214,2	4 089,1	26 453,2	10 281,7	**185 038,2**
LIABILITIES					
Deposit and current accounts	109 934,8	3 055,0	17 553,1	7 041,4	**137 584,3**
Derivative instruments	17 308,6	38,1	2 233,5	639,8	**20 220,0**
Securities sold under agreements to repurchase	–	–	–	–	**–**
Creditors and accruals	8 102,0	40,3	102,6	1 073,4	**9 318,3**
Taxation	(33,7)	30,0	1,1	32,7	**30,1**
Deferred taxation	1 598,1	–	5,6	92,6	**1 696,3**
Long-term liabilities	2 462,7	–	589,0	252,1	**3 303,8**
Outside shareholders' interest	273,1	31,2	145,7	114,8	**564,8**
Shareholders' funds	8 383,4	2 055,0	1 130,5	751,7	**12 320,6**
	148 029,0	5 249,6	21 761,1	9 998,5	**185 038,2**

25.3 Interest rate risk management

A graphical analysis of the interest rate gap is included on page 83.

25. FINANCIAL INSTRUMENTS (continued)

25.4 Derivative instruments

Absolute value

The notional amount of derivative instruments outstanding at 30 June 2001 is set out below:

R million	Future contracts	Options	Swaps	Forwards	Credit derivatives	Total
Currency	19 244,1	17 385,2	10 292,0	189 135,4	–	**236 056,7**
Equity	1 934,5	4 996,1	56,6	548,1	–	**7 535,3**
Bonds	17,3	5 473,8	609,5	–	276,2	**6 376,8**
Gold	–	24 089,2	–	25 970,3	–	**50 059,5**
Agriculture	56,5	–	–	–	–	**56,5**
Metals	–	0,6	54,5	–	–	**55,1**
Interest rate contracts	200 166,5	–	190 934,7	10 874,7	99,9	**402 075,8**
Forward rate agreements	–	–	562,5	575,0	–	**1 137,5**
	221 418,9	51 944,9	202 509,8	227 103,5	376,1	**703 353,2**

Fair value and carrying amount

The fair value and carrying amount of derivative instruments outstanding at 30 June 2001 is set out below:

R million	Future contracts	Options	Swaps	Forwards	Credit derivatives	Total
ASSETS						
Fair value						
Currency	12,0	54,6	3 956,1	2 673,8	–	**6 696,5**
Equity	–	1 014,3	–	–	–	**1 014,3**
Bonds	32,9	132,3	–	–	271,3	**436,5**
Gold	–	254,5	–	2 343,6	–	**2 598,1**
Metals	–	2,5	7,4	–	–	**9,9**
Interest rate contracts	–	–	7 802,7	889,0	2,2	**8 693,9**
Forward rate agreements	–	–	11,0	–	–	**11,0**
	44,9	1 458,2	11 777,2	5 906,4	273,5	**19 460,2**
Carrying amount						
Currency	12,0	54,6	3 956,1	2 639,3	–	**6 662,0**
Equity	–	1 014,3	–	–	–	**1 014,3**
Bonds	–	132,2	–	–	–	**132,2**
Gold	–	254,5	–	2 343,6	–	**2 598,1**
Metals	–	2,5	7,4	–	–	**9,9**
Interest rate contracts	–	–	3 773,5	0,7	2,2	**3 776,4**
Forward rate agreements	–	–	11,0	4,9	–	**15,9**
	12,0	1 458,1	7 748,0	4 988,5	2,2	**14 208,8**

for the year ended 30 June

R million	Future contracts	Options	Swaps	Forwards	Credit derivatives	Total
25. FINANCIAL INSTRUMENTS (continued)						
LIABILITIES						
Fair value						
Currency	16,4	173,5	3 881,2	2 841,1	–	**6 912,2**
Equity	–	5 358,6	53,8	200,5	–	**5 612,9**
Bonds	–	–	–	–	–	**–**
Gold	–	402,7	–	3 991,5	–	**4 394,2**
Agriculture	2,6	0,1	–	–	–	**2,7**
Metals	–	5,4	7,6	–	–	**13,0**
Interest rate contracts	52,3	270,1	7 191,1	904,4	–	**8 417,9**
Forward rate agreements	–	–	15,2	–	–	**15,2**
	71,3	6 210,4	11 148,9	7 937,5	–	**25 368,1**
Carrying amount						
Currency	16,4	173,5	3 881,4	2 841,1	–	**6 912,4**
Equity	–	4 952,3	53,8	200,5	–	**5 206,6**
Bonds	–	–	–	–	–	**–**
Gold	–	402,7	–	3 991,5	–	**4 394,2**
Agriculture	2,6	0,1				**2,7**
Metals	–	5,4	7,6	–	–	**13,0**
Interest rate contracts	52,3	270,1	3 353,1	0,5	–	**3 676,0**
Forward rate agreements	–	–	15,1	–	–	**15,1**
	71,3	5 804,1	7 311,0	7 033,6	–	**20 220,0**

R million	Carrying amount **2001**	Demand	Term to maturity 0 – 12 months	1 – 5 years	Over 5 years
25.5 Liquidity risk management					
Assets					
Cash and short-term funds	**9 788,4**	7 075,6	2 528,9	183,9	–
Short-term negotiable securities	**6 114,4**	57,9	5 227,6	795,0	33,9
Liquid assets and trading securities	**26 398,5**	2,0	2 938,4	13 763,0	9 695,1
Derivative instruments	**14 208,8**	506,7	7 050,6	3 965,8	2 685,7
Securities purchased under agreements to resell	**–**	–	–	–	–
Advances	**119 659,4**	23 710,3	26 233,3	40 173,0	29 542,8
Debtors	**2 361,6**	–	2 152,2	157,0	52,4
Other investments	**2 712,4**	–	2 712,4	–	–
Investment in associated companies	**477,0**	48,4	0,5	93,0	335,1
Property and equipment	**2 910,6**	419,0	59,9	886,0	1 545,7
Deferred taxation	**246,3**	109,6	121,9	14,8	–
Goodwill	**160,8**	–	5,0	26,2	129,6
	185 038,2	31 929,5	49 030,7	60 057,7	44 020,3

R million	Carrying amount 2001	Demand	Term to maturity 0 – 12 months	1 – 5 years	Over 5 years
25. FINANCIAL INSTRUMENTS (continued)					
Liabilities					
Deposit and current accounts	**137 584,3**	73 053,3	51 818,9	3 751,9	8 960,2
Derivative instruments	**20 220,0**	375,8	8 609,6	10 330,0	904,6
Securities sold under agreements to repurchase	**–**	–	–	–	–
Creditors and accruals	**9 318,3**	3 358,8	2 490,6	2 066,8	1 402,1
Taxation	**30,1**	–	30,1	–	–
Deferred taxation	**1 696,3**	85,7	47,0	1 563,6	–
Long-term liabilities	**3 303,8**	–	–	1 467,1	1 836,7
	172 152,8	76 873,6	62 996,2	19 179,4	13 103,6
Net liquidity gap	**12 885,4**	(44 944,1)	(13 965,5)	40 878,3	30 916,7

R million	Carrying amount 2001	Fair value	Unrecognised gain/(loss)
25.6 Fair value of financial instruments			
The following represents the fair values of financial instruments carried on the balance sheet:			
Assets			
Cash and short-term funds	**9 788,4**	**9 788,4**	**–**
Short-term negotiable securities	**6 114,4**	**6 114,4**	**–**
Liquid assets and trading securities	**26 398,5**	**26 484,2**	**85,7**
Derivative instruments	**14 208,8**	**19 460,2**	**5 251,4**
Securities purchased under agreements to resell	**–**	**–**	**–**
Advances	**119 659,4**	**119 659,4**	**–**
Debtors	**2 361,6**	**2 361,6**	**–**
Other investments	**2 712,4**	**2 691,2**	**(21,2)**
Investment in associated companies	**477,0**	**1 026,1**	**549,1**
	181 720,5	**187 585,5**	**5 865,0**
Liabilities			
Deposit and current accounts	**137 584,3**	**137 584,3**	**–**
Derivative instruments	**20 220,0**	**25 368,1**	**(5 148,1)**
Securities sold under agreements to repurchase	**–**	**–**	**–**
Creditors and accruals	**9 318,3**	**9 318,3**	**–**
Long-term liabilities	**3 303,8**	**3 303,8**	**–**
	170 426,4	**175 574,5**	**(5 148,1)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Carrying amount 2001	Prescribed assets	Banking	Trading	Other
25.7 Analysis					
Assets					
Cash and short-term funds	**9 788,4**	–	–	–	9 788,4
Short-term negotiable securities	**6 114,4**	300,9	–	5 813,4	–
Liquid assets and trading securities	**26 398,5**	15 195,1	685,9	10 517,5	–
Derivative instruments	**14 208,8**	–	3 952,6	10 256,2	–
Securities purchased under agreements to resell	**–**	–	–	–	–
Advances	**119 659,4**	–	119 659,4	–	–
Debtors	**2 361,4**	–	–	–	2 361,4
Other investments	**2 712,6**	–	–	–	2 712,6
Investment in associated companies	**477,0**	–	–	–	477,0
Property and equipment	**2 910,6**	–	–	–	2 910,6
Deferred taxation	**246,3**	–	–	–	246,3
Goodwill	**160,8**	–	–	–	160,8
Total assets	**185 038,2**	15 496,0	124 298,0	26 587,1	18 656,9
Liabilities and shareholders' funds					
Liabilities					
Deposit and current accounts	**137 584,3**	–	136 626,9	–	957,4
Derivative instruments	**20 220,0**	–	3 349,6	16 870,4	–
Securities sold under agreements to repurchase	**–**	–	–	–	–
Creditors and accruals	**9 318,3**	–	–	–	9 318,3
Taxation	**30,1**	–	–	–	30,1
Deferred taxation	**1 696,3**	–	–	–	1 696,3
Retirement funding liability	**–**	–	–	–	–
Long-term liabilities	**3 303,8**	–	–	–	3 303,8
Total liabilities	**172 152,8**	–	139 976,5	16 870,4	15 306,0

26. SEGMENT INFORMATION

Segment	Brands	Target segment	Description
Merchant Bank	Rand Merchant Bank, RMB Private Equity, RMB International and RMB Resources	Large corporates, parastatals and government	Merchant and investment banking services
Instalment finance	WesBank	Corporates and individuals	Motor vehicle and instalment finance
First National Bank	First National Bank, FNB Card, FNB Trust Services, BOB, Hyphen, Smartbox and First National (Rural bank)	Small businesses and individuals	Retail banking, wholesale banking and support services
Corporate and commercial	FNB Corporate	Medium and large corporates	Corporate banking
African operations	FNB Namibia, FNB Botswana and FNB Swaziland	Corporates and individuals	Corporate and retail banking
Property finance	FNB HomeLoans and Origin	Individuals	Secured mortgage lending
Internet banking	eBucks.com	Individuals	Internet banking
Private Banking – offshore	RMB Australia, Nufcor, Henry Ansbacher and RMB International	Large corporates, parastatals and government	Financial services
Short-term insurance	OUTsurance and FirstLink	Corporates and individuals	Short-term insurance
Head office	FirstRand Bank		Owns the capital of the Banking Group
Private Bank	Ansbacher Private Bank and Origin	High net worth individuals	Wealth management

R million	South Africa	Other Africa	Europe	Australia	Other
Geographical segments					
Gross income from operations	8 892,1	737,9	944,9	148,7	46,8
Other operating expenditure	(5 990,9)	(348,0)	(585,2)	(164,2)	(2,2)
Net income from operations	2 901,2	389,9	359,7	(15,5)	44,6
Segment assets	139 137,6	8 624,5	32 948,7	370,0	3 957,5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

26. SEGMENT INFORMATION (continued)
Business segments

R million	Merchant banking	Instalment finance	Retail banking	Corporate banking	African subsidiaries
Income statement					
Net interest turn before bad debts	–	1 237,7	1 871,0	736,0	458,9
Charge for bad debts	(23,3)	(248,1)	(472,5)	(199,7)	(11,9)
	(23,3)	989,6	1 398,5	536,3	447,0
Non-interest income [a]	1 216,4	405,2	2 846,5	988,5	283,8
	1 193,1	1 394,8	4 245,0	1 524,8	730,8
Non-interest expenses	(493,0)	(764,3)	(3 321,1)	(1 087,4)	(340,4)
	700,1	630,5	923,9	437,4	390,4
Taxation	–	–	–	–	–
Net profit after tax	700,1	630,5	923,9	437,4	390,4
Outside shareholders	(17,7)	–	–	–	(73,0)
Income attributable to ordinary shareholders	682,4	630,5	923,9	437,4	317,4
Income statement includes:					
Depreciation	(14,1)	(21,8)	(285,2)	(14,4)	(21,0)
Income from associates	73,1	(19,5)	–	–	–
Balance sheet includes:					
Advances	33 545,5	27 877,6	14 417,6	18 439,9	4 605,6
Non-performing loans	222,5	493,6	1 566,6	1 274,6	190,7
Total liabilities	48 915,2	–	34 503,1	25 579,1	5 780,7
Key ratios					
Cost-to-income ratio (%)	40,5	46,5	70,4	63,1	45,8
Cost-to-income (%) [b]	36,5	40,7	67,6	56,7	45,8
Return on capital (%) [b]	45,7	24,8	33,3	22,1	33,4
Bad debt charge as a percentage of advances (%)	0,1	1,0	3,3	1,1	0,3
Non-performing loans as a percentage of advances (%)	0,7	2,0	10,9	6,9	4,1

All business segments operate on a fully funded basis. Proceeds on the investment of capital are included in the capital centre profits.

Comparative information has not been provided. The change in the management and operating structure of the Banking Group prevents useful comparison with the prior years.

[a] *Includes income from associates.*

[b] *Calculated on the assumption that business units earned proceeds on the investment of their imputed capital.*

Mortgage lending	eBucks.com	Private banking – offshore	Short-term insurance	Capital centre	Private banking – local	Consoli-dation adjust-ments	Total
508,4	(2,9)	184,7	7,0	769,3	79,7	(434,4)	5 415,4
(80,5)	–	1,3	–	(113,6)	4,9	–	(1 143,4)
427,9	(2,9)	186,0	7,0	655,7	84,6	(434,4)	4 272,0
97,0	1,2	382,3	111,3	(313,2)	44,9	434,4	6 498,3
524,9	(1,7)	568,3	118,3	342,5	129,5	–	10 770,4
(252,9)	(60,4)	(488,1)	(74,1)	(54,0)	(154,8)	–	(7 090,5)
272,0	(62,1)	80,2	44,2	288,5	(25,3)	–	3 679,9
–	–	–	–	–	–	(761,8)	(761,8)
272,0	(62,1)	80,2	44,2	288,5	(25,3)	(761,8)	2 918,1
–	–	–	–	(41,6)	–	–	(131,3)
272,0	(62,1)	80,2	44,2	246,9	(25,3)	(761,8)	2 786,8
(7,6)	(2,5)	(21,9)	(6,9)	(50,5)	(6,5)	–	452,4
–	–	–	28,8	51,9	–	–	134,3
14 576,6	–	3 002,5	29,6	45,7	3 118,8	–	119 659,4
409,2	–	158,4	–	63,9	43,2	–	4 422,7
–	67,3	10 203,8	126,4	42 417,2	4 560,0	–	172 152,8
41,8	N/A	86,1	62,7	11,8	124,2	–	59,5
34,0	N/A	72,6	59,7	N/A	99,0	–	59,5
24,6	N/A	7,9	39,0	N/A	1,0	–	25,1
0,6	N/A	0,0	0,0	3,9	(0,2)	–	1,0
2,8	N/A	5,3	0,0	2,2	1,4	–	3,6

	Nature of business	Issued ordinary capital R million	Effective holding % 2001	% 2000
27. SIGNIFICANT SUBSIDIARIES				
Banking				
First National Bank Holdings (Botswana) Limited	Commercial banking	27,9	**70,0**	70,0
First National Bank Holdings (Namibia) Limited	Commercial banking	1,0	**78,0**	78,0
First National Bank Holdings (Swaziland) Limited	Commercial banking	26,6	**100,0**	100,0
First National Bank of Southern Africa Limited	Commercial banking	10,0	**100,0**	100,0
FirstRand Bank Limited	Commercial and merchant banking	4,0	**100,0**	100,0
First National Asset Management and Trust Company (Pty) Limited	Asset management and trust services	0,2	**100,0**	100,0
Henry Ansbacher Holdings Limited	Private banking	0,1	**100,0**	100,0
Rand Merchant Bank Limited	Merchant banking	18,9	**100,0**	100,0
Non-banking				
FirstRand International Limited	International holding company	–	**100,0**	100,0
First Land Developments Limited	Property company	0,5	**100,0**	100,0
FNB Equipment Finance (Pty) Limited	Equipment and finance	–	**100,0**	100,0
FirstRand (International) Mauritius Limited	Financial services	250,0	**100,0**	–
FirstLink Insurance Brokers Holdings (Pty) Limited	Insurance brokers	0,2	**100,0**	100,0

R million	Group carrying amount 2001	2000
Banking		
First National Bank Holdings (Botswana) Limited	**56,3**	56,3
First National Bank Holdings (Namibia) Limited	**9,4**	9,4
First National Bank Holdings (Swaziland) Limited	**15,0**	15,0
First National Bank of Southern Africa Limited	**54,4**	54,4
FirstRand Bank Limited	**1 584,9**	1 584,9
First National Asset Management and Trust Company (Pty) Limited	**0,2**	0,2
Henry Ansbacher Holdings Limited	**–**	369,1
Rand Merchant Bank Limited	**333,8**	333,8
Non-banking		
FirstRand International Limited	**512,9**	512,9
First Land Developments Limited	**0,5**	0,5
FNB Equipment Finance (Pty) Limited	**5,1**	5,1
FirstRand (International) Mauritius Limited	**250,0**	250
FirstLink Insurance Brokers Holdings (Pty) Limited	**14,2**	14,2

ADMINISTRATION

FIRSTRAND BANK HOLDINGS LIMITED
(Registration No 1971/009695/06)

REGISTERED OFFICE
6th Floor
1 First Place
Bank City
Johannesburg
2001

POSTAL ADDRESS
PO Box 1153
Johannesburg
2000

TELEPHONE
National (011) 371-2111
International +27 11 371-2111

TELEFAX
National (011) 371-2402
International +27 11 371-2402

WEBSITES
www.fnb.co.za
www.rmb.co.za
www.ebucks.com

COMPANY SECRETARY
Bruce Unser

AUDITORS
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill

Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead

ANNUAL FINANCIAL STATEMENTS – MOMENTUM GROUP

CONTENTS

MOMENTUM

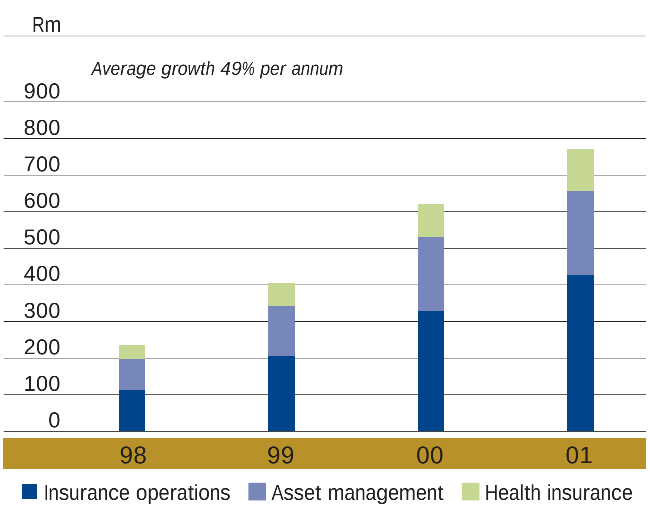
FINANCIAL IMAGINEERING

Imagine the beauty created by the flow of ink.

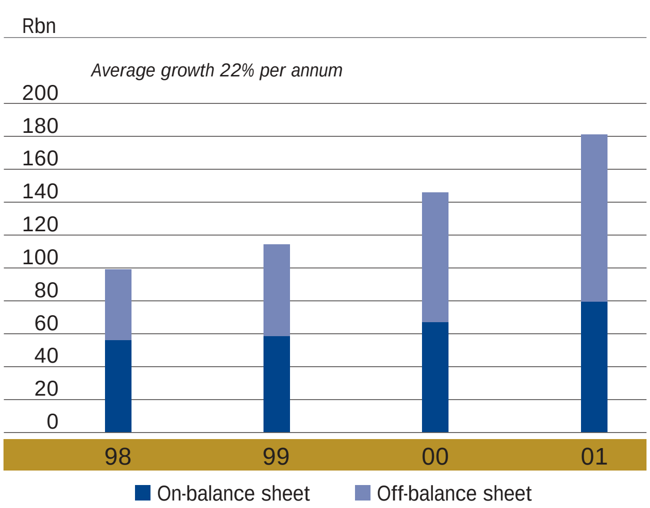
FINANCIAL HIGHLIGHTS

- Headline earnings **+19%**
- Group operating profit **+25%**
- Group assets **+24%** to **R181,3 billion**
- Net positive flow of funds of **R4,7 billion**

Group operating profit



Group assets under management



FOUR-YEAR REVIEW

for the year ended 30 June

The table below provides a review of the group headline earnings, funds received from clients and assets under management of the Momentum Group for the period since the merger of Momentum and Southern in April 1998.

R million	1998[1]	1999	2000	2001	Compound growth %
GROUP HEADLINE EARNINGS					
Insurance operations	111	205	327	**427**	57
Individual business	51	127	229	**308**	82
Employee benefits	60	78	98	**119**	26
Asset management operations	87	136	205	**230**	38
Health insurance operations	36	64	88	**115**	47
Group operating profit after tax	234	405	620	**772**	49
Investment income on the shareholders' portfolio	297	226	170	**171**	(17)
Group headline earnings	531	631	790	**943**	21
FUNDS RECEIVED FROM CLIENTS					
Individual life premium income	4 863	5 497	7 721	**7 978**	18
Single premiums	2 154	2 709	4 880	**4 950**	32
Recurring premiums	2 709	2 788	2 841	**3 028**	4
Employee benefits premium income	2 754	2 807	2 800	**3 991**	13
Single premiums[2]	1 467	1 485	1 661	**2 727**	23
Recurring premiums	1 287	1 322	1 139	**1 264**	(1)
Health insurance premium income	693	1 049	1 871	**2 531**	54
Linked product sales[3]	3 083	3 728	4 744	**2 963**	(1)
Unit trust sales	3 667	3 977	6 713	**8 055**	30
Segregated third party inflows[2]	9 974	15 570	10 612	**7 233**	(10)
Total funds received from clients	25 034	32 628	34 461	**32 751**	9
GROUP ASSETS UNDER MANAGEMENT AND ADMINISTRATION					
Total assets per balance sheet	55 726	58 189	66 870	**79 296**	12
Off-balance sheet assets managed on behalf of clients	43 213	56 152	79 062	**102 020**	33
Total assets under management	98 939	114 341	145 932	**181 316**	22

[1] Comprises the audited figures of Momentum Life for the 12 months to 30 June 1998 and the pro forma figures of Southern Life for the 12 months to 30 June 1998.

[2] Excludes transfers between on- and off-balance sheet business.

[3] Includes sales of products on the life insurance balance sheet, disclosed separately under premium income in note 21 to the annual financial statements as "unit-linked annuities".

BOARD OF DIRECTORS AND BOARD COMMITTEES OF MOMENTUM GROUP LIMITED

L L DIPPENAAR (52)
MCom, CA(SA)
Chairman of Momentum Group
Chief Executive Officer of FirstRand
Director of FirstRand Bank Holdings
Director of RMB Holdings

J D KRIGE (52)
MCom, FIA, AMP (Harvard)
Deputy Chairman of Momentum Group

H P MEYER (43)
BCom, FIA, AMP (Oxford)
Managing Director of Momentum Group

B H ADAMS (65)
CA(SA)
Chairman of the FirstRand and Momentum Group Audit Committees, and the Momentum Group Remuneration Committee

A J ARDINGTON (61)
BSc (Hons), MA (Oxford)
Policyholder trustee

A H ARNOTT (54)
CA(SA), PMD (Harvard)
Chief Financial Officer of FirstRand

V W BARTLETT (58)
FIBSA, AMP (Harvard)
Director of FirstRand
Deputy Chief Executive Officer of FirstRand Bank Holdings

W F E BRAGG (60)
FCA

G T FERREIRA (53)
BCom (Hons), B(B&A), MBA
Chairman of FirstRand, FirstRand Bank Holdings and RMB Holdings

K GORDHAN (40)
BA, MPhil
Appointed 1 July 2001

R B GOUWS (58)
BSc, FFA, FASSA, AMP (Oxford)
Chairman of the Actuarial Committee

P K HARRIS (51)
MCom
Director of FirstRand
Chief Executive Officer of FirstRand Bank Holdings

J d T HUGO (43)
CA(SA)
Chief Executive Officer of FirstRand Asset Management
Appointed 1 July 2001

R J HUTCHISON (54)
BCom (Hons), B (B&A), MBA

D J LOCH DAVIS (70)
LLB (Hons) (London)
Chairman of the Policyholder Trust

B J VAN DER ROSS (54)
Dip Law (UCT)
Director of FirstRand

The following directors served on the board during the year and have resigned on the dates indicated below:

A GORE – 8 November 2000
P N BARDILL – 11 March 2001
M W KING – 1 July 2001
W E LUCAS-BULL – 1 July 2001
M W SPICER – 1 July 2001

ACTUARIAL COMMITTEE

R B Gouws (Chairman)
H P Meyer
N A S Kruger
P G M Truyens

REMUNERATION COMMITTEE

B H Adams (Chairman)
L L Dippenaar
R J Hutchison

AUDIT COMMITTEE

B H Adams (Chairman)
D J Loch Davis
H P Meyer
B J van der Ross

EXECUTIVE COMMITTEES

INSURANCE EXECUTIVE COMMITTEE

LAURIE DIPPENAAR (52)
MCom, CA(SA)
Chairman of Momentum Group

NIEL KRIGE (52)
MCom, FIA, AMP (Harvard)
Deputy Chairman of Momentum Group

HILLIE MEYER (43)
BCom, FIA, AMP (Oxford)
Managing Director of Momentum Group

DANIE BOTES (37)
BCompt
Momentum Life

DON BROWN (49)
BSc (Hons), FIA, FILPA
Momentum Employee Benefits

NIGEL DUNKLEY (35)
CA(SA), Adv Tax Cert, AMP (Oxford)
Momentum Corporate Advisory Services

PETER GÖBEL (37)
BCom (Hons), AMP (Oxford)
Momentum Wealth

SCHOEMAN RUDMAN (44)
Bluris
Alternative Distribution

KOBUS SIEBERHAGEN (42)
MA (Clin Psych), DPhil, AMP (Oxford)
Momentum Distribution Services

FRANS TRUTER (46)
CA(SA), AMP (Oxford)
Chief Financial Officer of Momentum Group
Financial and Actuarial Solutions

RIAAN VAN DYK (35)
BSc, FFA, ASA
Momentum Advisory Service

ASSET MANAGEMENT EXECUTIVE COMMITTEE

LAURIE DIPPENAAR (52)
MCom, CA(SA)

ALBERTO BOTTEGA (59)
MSc, PhD (Phys)
Chairman of Futuregrowth

JAN HUGO (43)
CA(SA)
Chief Executive Officer of FirstRand Asset Management

BRYAN JACKSON (55)
BCom, LLB
Chief Executive Officer of RMB Properties

HANNES DU PREEZ (39)
MCom
Chief Investment Officer of RMB Asset Management

PAUL RACKSTRAW (37)
CA(SA)
Acting Managing Director of Futuregrowth

REPORT OF THE CHIEF FINANCIAL OFFICER

FRANS TRUTER Chief Financial Officer

Momentum Group Limited is a wholly-owned subsidiary of FirstRand Limited. The consolidated figures in this report include the operations of Momentum Life, Momentum Wealth, Momentum Employee Benefits, FirstRand Asset Management and the Discovery group of companies, collectively referred to as the Momentum Group. All operations take place within either divisions of Momentum Group Limited, or within 100%-owned subsidiaries, with the exception of Discovery Holdings, in which Momentum Group holds a 64% interest. A comprehensive group structure of FirstRand is set out on pages 2 and 3.

BASIS OF PREPARATION

The attached annual financial statements relate to the insurance and asset management interests of the FirstRand Group of companies, and should be read in conjunction with the FirstRand Group financial statements set out on pages 47 to 63.

In order to provide a better understanding of the results of the Momentum Group, these results have been provided on a segmental basis, where appropriate. The segments into which the group has been divided are:

Insurance Operations – include Momentum Life, Momentum Wealth, the group's linked product provider, Momentum Advisory Service, the group's multi-manager and investment research house, and Momentum Employee Benefits.

Asset Management – the results of the FirstRand Asset Management group of companies.

Health Insurance – the results of the Discovery group of companies.

In addition, the investment income on the Momentum Group shareholders' portfolio is disclosed separately.

The segmental analysis set out above is not necessarily based on the results per statutory entity, but rather on a functional split of the activities of the group, as this is the basis on which the group's affairs are managed.

This report includes information relating to the off-balance sheet activities of the group, as these have become a significant contributor to profit as well as to the assets managed by the group. Reconciliations between the figures presented in the group annual financial statements, which represent only the on-balance sheet cash flows and assets of Momentum Group and its subsidiaries, and the figures presented in this report, which represent all on- and off-balance sheet cash flows and assets, have been provided where necessary.

OVERVIEW OF RESULTS

The past year has been characterised by excellent contributions from most business units, confirming the benefits of the strategies implemented since the FirstRand merger three years ago. The results consist of two main components: firstly, the results of businesses managed by the Momentum Group, representing the operating profit, and secondly, the investment income on the assets in the shareholders' portfolio, not invested in subsidiary companies.

Group headline earnings increased by 19% to R943 million, comprising a healthy increase of 25% in group operating profit after tax, and a marginal increase in the investment income on the shareholders' portfolio.

Earnings source

R million	2001	2000	% change
Group operating profit after tax	**772**	620	25
Investment income on the shareholders' portfolio	**171**	170	1
Group headline earnings	**943**	790	19

The performance of the business units that contributed to the 25% increase in operating profit after tax to R772 million, is discussed in more detail in the Report of Operations set out on pages 14 to 30.

INVESTMENT INCOME ON THE SHAREHOLDERS' PORTFOLIO

Investment income on the shareholders' portfolio, excluding unrealised gains or losses, increased marginally to R171 million for the year. The assets comprising the shareholders' portfolio are set out in the "shareholders' net assets" table on page 134. The good progress that has been made in disposing of underperforming discretionary shareholder assets and the restructuring of the portfolio, has resulted in the following negative effects being absorbed in the current year's figure:

- The large dividend of approximately R500 million in excess of normal dividend levels, paid by Momentum Group to FirstRand Limited during the prior year, has reduced interest-bearing shareholder assets.
- The equity-accounted results of African Life have reflected a decline of 44% over the past year, mainly due to Government's announcement on restrictions regarding non-statutory payroll deductions of public sector employees.

The restructuring of the shareholders' portfolio resulted in an increase of 56% in the investment income on shareholder assets, excluding African Life and the excess dividend, as is illustrated in the following table:

Investment income on shareholders' portfolio

R million	2001	2000	% change
Investment income on shareholders' portfolio as reported	**171**	170	1
Less: African Life equity-accounted headline earnings	**(29)**	(52)	(44)
Less: Interest income on capital utilised for excess dividend	**–**	(27)	–
Investment income on remaining shareholder assets	**142**	91	56

CAPITAL ADEQUACY

The excess of assets over liabilities of Momentum Group was calculated as R7 149 million at 30 June 2001, after allowing for dividends to shareholders. The capital adequacy requirements of R3 024 million (2000: R3 280 million) were covered 2,4 times (2000: 2,1 times) by this excess.

EMBEDDED VALUE – MOMENTUM GROUP

The embedded value of Momentum Group, representing the sum of the shareholders' net assets and the present value of the expected future profits arising from the existing in-force insurance business, totalled R10 306 million at 30 June 2001 (2000: R9 391 million). The implementation of Capital Gains Tax on 1 October 2001 has been taken into account in the embedded value calculation at 30 June 2001.

REPORT OF THE CHIEF FINANCIAL OFFICER (CONTINUED)

The embedded value at 30 June 2001 was made up as follows:

Momentum Group – embedded value

R million	2001	2000
Shareholders' net assets	**7 149**	6 803
Net value of in-force insurance business	**3 157**	2 588
Value of in-force insurance business	**3 459**	2 875
Opportunity cost of capital adequacy requirements	**(302)**	(287)
Embedded value	**10 306**	9 391

Shareholders' net assets at 30 June 2001 comprised the following:

Shareholders' net assets

R million	2001	2000
Strategic subsidiary investments[1]		
– Discovery Health (64%)	**2 691**	2 780
– FirstRand Asset Management	**1 845**	1 430
– Momentum Wealth[2]	**96**	210
– Momentum Advisory Service	**36**	–
Shareholders' portfolio investments[1]		
– African Life (32%) (2000: 21%)	**525**	610
– Fixed interest instruments[3]	**370**	545
– Equities	**139**	335
– Properties	**201**	219
– Share trust and subsidiary loans	**818**	855
– Cash and other	**658**	292
– Allowance for final dividend	**(230)**	(473)
Total shareholders' net assets	**7 149**	6 803

[1] The income from strategic subsidiary investments is included in group operating profit, whilst the income on the shareholders' portfolio investments is reflected separately in headline earnings.

[2] It has been decided that the back-office operations of the individual life and linked product areas will be merged for operational and strategic reasons. Accordingly the table above reflects the group carrying value (net asset value plus loan account) of Momentum Wealth at 30 June 2001, whereas the comparative figure represents the directors' valuation at 30 June 2000.

[3] Fixed-interest instruments include the proceeds from the issue of convertible debentures in 1997. In terms of AC 125, issued by the South African Institute of Chartered Accountants, the value of convertible debentures should be split between the debt and equity components. During the current year, a long-term liability was created in respect of the future debt obligation relating to these debentures, whereas previously the entire debenture was reflected as equity.

The total shareholders' net assets, after allowance for the final dividend, increased by 5% from R6 803 million to R7 149 million. On a comparable basis, shareholders' net assets increased by 12% if the prior year figures are adjusted to reflect the changes detailed in notes 2 and 3 above.

Subsequent to the publication of the results on 11 September 2001, the board approved the payment of an additional R200 million dividend by Momentum Group to FirstRand, with the FirstRand Banking Group reducing its dividend to FirstRand by the same amount. This decision supports the FirstRand Group's philosophy of efficient utilisation of capital between the Insurance and Banking groups. It will assist the FirstRand Banking Group to increase its capital adequacy ratio, following the Reserve Bank announcement increasing the minimum capital adequacy ratio from 8% to 10%.

The Momentum Group decided to increase its stake in African Life following a review of the strategic fit between the two groups. African Life provides the Momentum Group with access to a segment of the insurance market where Momentum is not well represented. The Momentum Group's direct shareholding in African Life totalled 31,7% at 30 June 2001. The average purchase price of the additional shares acquired during the year was R12,07 per share, which is 21% less than the latest published embedded value of African Life at 31 March 2001. Subsequent to 30 June 2001, an additional 1,3% has been acquired bringing the total holding in African Life to 33,0% at the date of this report.

The embedded value profit of Momentum Group, defined as the increase in the embedded value after adjusting for dividends paid or allowed for, totalled R1,3 billion for the year to 30 June 2001. This represents a return on the opening embedded value of 14,2%. The following table provides an analysis of the components of the embedded value profit:

Momentum Group – embedded value profit

	2001 Rm	Contribution to return on embedded value %
Value of new business	**285**	3,0
Expected profit on existing business	**417**	4,5
Investment return on shareholders' net assets	**554**	5,9
Change in methodology and basis	**(28)**	(0,3)
Experience variations	**106**	1,1
Embedded value profit	**1 334**	14,2

The embedded value of new business amounted to R285 million for the current year, compared with a figure of R187 million for the prior year. There was a significant improvement in the new business profit margin from 15% to 20% of notional new business premiums.

The Report on the Embedded Value, detailing the methodology and assumptions made in calculating the embedded value of Momentum Group is reflected on pages 172 to 176 of this annual report.

EMBEDDED VALUE – DISCOVERY GROUP

The salient features of the embedded value results of the Discovery group of companies at 30 June 2001, are detailed below:

Discovery Group – embedded value

R million	2001	2000
Shareholders' net assets – adjusted for start-up operations	**849**	633
Net value of in-force insurance business	**2 307**	1 483
Value of in-force business	**2 407**	1 538
Opportunity cost of capital adequacy requirements	**(100)**	(55)
Embedded value	**3 156**	2 116

Discovery's embedded value profit totalled R1 030 million for the year, representing a return of 48,7% on the opening embedded value. The following table provides an analysis of the components of Discovery's embedded value profit:

Discovery Group – embedded value profit

	2001 Rm	Contribution to return on embedded value %
Value of new business	**582**	27,5
Expected profit on existing business	**287**	13,6
Investment return on shareholders' net assets	**55**	2,6
Change in methodology and basis	**(84)**	(4,0)
Experience variations	**190**	9,0
Embedded value profit	**1 030**	48,7

Discovery's embedded value of new business, including that of Discovery Life, increased by 72% to R582 million, reflecting the profitability of Discovery's new business written.

GROUP ASSETS UNDER MANAGEMENT AND ADMINISTRATION

The Momentum Group managed or administered total assets of R181,3 billion at 30 June 2001, compared to R145,9 billion at 30 June 2000, an increase of 24%. This increase includes assets of the newly acquired Jersey General Group amounting to R7,5 billion. The following table provides a more detailed breakdown of the assets managed or administered by group companies:

Assets under management and administration

R billion	2001	2000	% change
On-balance sheet assets	**79,3**	66,9	19
Assets managed on behalf of third parties	**80,1**	66,0	21
Unit trust funds managed[1]	**16,7**	6,7	>100
Assets under management	**176,1**	139,6	26
Linked product assets under administration[2]	**5,2**	6,3	(18)
Total assets under management and administration	**181,3**	145,9	24

[1] Includes R7,5 billion in assets under management of the Jersey General Group, which FirstRand Asset Management acquired as a subsidiary effective 1 July 2000. These assets comprise mainly unit trust assets.

[2] Excludes business written by the Momentum Group's linked product packager 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 R11,7 billion (2000: R11,4 billion).

NEW BUSINESS INFLOWS

Total new business inflows of R28,7 billion were received for the year, compared to R30,6 billion for the prior year. The pressure on linked product and unit trust inflows resulted in reduced new business in these areas. Increased inflows into individual life single premium products resulted from strong sales of guaranteed and offshore products (within the constraints introduced by the South African Reserve Bank regarding offshore portfolio investments). Employee benefits investment business was boosted by the Group Investment Option product marketed to retirement funds by Momentum Advisory Service. A more detailed breakdown of the new business inflows, which includes 100% of the Discovery figures, is provided in the table below:

New business

R million	2001	2000	% change
Annualised recurring premiums	**2 812**	1 984	42
Individual life[1]	**659**	584	13
Employee benefits	**82**	78	5
Health insurance	**2 071**	1 322	57
Lump sum inflows	**18 695**	17 998	4
Individual life premium income	**3 944**	3 021	31
Corporate policy premium income[2]	**1 006**	1 859	(46)
Employee benefits premium income	**2 727**	1 661	64
Linked product sales[3]	**2 963**	4 744	(38)
Unit trust sales – local	**5 305**	6 713	(21)
Unit trust sales – offshore[4]	**2 750**	–	–
Segregated third party inflows	**7 233**	10 612	(32)
Total new business inflows	**28 740**	30 594	(6)

[1] Includes the annualised premiums relating to sales of Discovery Life products amounting to R94 million (2000: Nil), and excludes Momentum Life automatic premium increases of R169 million (2000: R155 million).

[2] Represents premiums received mainly from corporate policyholders, where premiums are often large and volatile.

[3] Includes sales of products on the life insurance balance sheet amounting to R1,6 billion (2000: R2,6 billion).

[4] Represents unit trust sales by the Jersey General Group.

All transfers between on and off-balance sheet funds have been excluded from the above.

FUNDS RECEIVED FROM CLIENTS

Taking into account the inflows from existing business as well as the new business inflows detailed above, the total funds received from clients amounted to R32,8 billion, a decrease of 5%. The following table provides a more detailed analysis of these inflows:

Funds received from clients

R million	2001	2000	% change
Individual life premium income	**7 978**	7 721	3
Single premiums[1]	**3 944**	3 021	31
Corporate policy premiums	**1 021**	1 859	(45)
Recurring premiums	**3 013**	2 841	6
Employee benefits premium income	**3 991**	2 800	43
Single premiums	**2 727**	1 661	64
Recurring premiums	**1 264**	1 139	11
Health insurance premium income	**2 531**	1 871	35
Gross premium income	**5 455**	3 547	54
Less: Reinsurance premiums and medical scheme contributions	**(2 924)**	(1 676)	(75)
Linked product sales	**2 963**	4 744	(38)
Unit trust sales	**8 055**	6 713	20
Local	**5 305**	6 713	(21)
Offshore	**2 750**	–	–
Segregated third party inflows	**7 233**	10 612	(32)
Total funds received from clients	**32 751**	34 461	(5)

[1] Single premiums exclude funds retained through the extension of the original policy term, amounting to R446 million (2000: R604 million).

All transfers between on and off-balance sheet funds have been excluded from the above.

The following represents a reconciliation between the total funds received in the table above, and total premium income per note 21 to the annual financial statements:

R million	2001	2000
Total funds received	**32 751**	34 461
Less: Off-balance sheet inflows	**(16 635)**	(19 422)
Linked product sales	**(1 347)**	(2 097)
Unit trust sales	**(8 055)**	(6 713)
Segregated third party inflows	**(7 233)**	(10 612)
Add: Transfers from off-balance sheet funds	**1 520**	1 340
Total premium income per financial statements	**17 636**	16 379

PAYMENTS TO CLIENTS

Total payments to clients for the year of R28,1 billion represents an increase of 27% compared with the prior year. The increased withdrawals in the linked product area relate to the impact of market volatility on the entire unit trust industry, whilst segregated third party fund outflows increased due to the volatile nature of retirement fund flows.

The following table provides an analysis of these outflows:

Payments to clients

R million	2001	2000	% change
Individual life	**5 310**	5 136	3
Employee benefits	**4 708**	4 856	(3)
Health insurance	**1 473**	1 208	22
Linked products[1]	**3 061**	2 020	52
Unit trusts – local	**4 593**	4 198	9
Unit trusts – offshore[2]	**2 452**	–	–
Segregated third party funds	**6 469**	4 604	41
Total payments to clients	**28 066**	22 022	27

[1] Includes outflows relating to products on the life insurance balance sheet amounting to R742 million (2000: R587 million).

[2] Represents unit trust repurchases relating to the Jersey General Group.

All transfers between on and off-balance sheet funds have been excluded from the above.

The following represents a reconciliation between the total payments to clients in the table above, and total benefit payments per note 23 to the annual financial statements:

R million	2001	2000
Total payments to clients	**28 066**	22 022
Less: Off-balance sheet payments	**(15 833)**	(10 235)
Linked products	**(2 319)**	(1 433)
Unit trusts	**(7 045)**	(4 198)
Segregated third party funds	**(6 469)**	(4 604)
Add: Transfers to off-balance sheet funds	**2 126**	1 960
Total benefit payments per financial statements	**14 359**	13 747

NET FLOW OF FUNDS

The net flow of funds from clients for the year totalled R4,7 billion, which, although significantly down from the prior year, is a positive result considering the difficult trading conditions experienced during the past year. The following table provides an analysis of the components of this net inflow of funds, which takes account of the total inflows set out above, and the outflows to clients for the year:

Net flow of funds

R million	2001	2000	% change
Individual life	**2 668**	2 585	3
Employee benefits	**(717)**	(2 056)	65
Health insurance	**1 058**	663	60
Linked products	**(98)**	2 724	>(100)
Unit trusts – local	**712**	2 515	(72)
Unit trusts – offshore	**298**	–	–
Segregated third party funds	**764**	6 008	(87)
Total net flow of funds	**4 685**	12 439	(62)

Whilst the unit trust, linked product and segregated third party funds experienced sharp declines in net inflows, the individual life and health insurance areas continue to produce strong positive inflows. The employee benefits area has stabilised fund withdrawals as a result of the guaranteed fund termination and the exit from unprofitable schemes now largely completed. New business inflows into this area have also improved significantly.

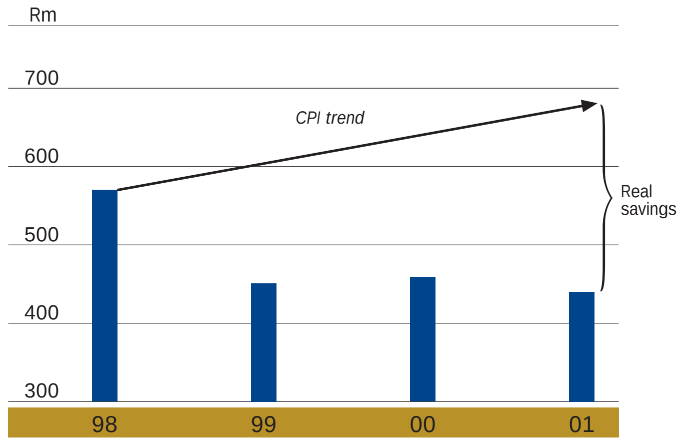
CAPITAL MANAGEMENT

It is the intention of the Momentum Group to enhance the return on capital, to ensure that we meet or exceed the shareholders' minimum required return of at least inflation plus 10%. The focus is therefore on enhancing the operating profit and the return on shareholders' assets, whilst ensuring that there is sufficient, but not excessive, capital to meet regulatory requirements. It is the philosophy of the Momentum Group to either invest surplus capital in growth assets, or to redeploy this capital elsewhere in the FirstRand Group where it can be used more effectively. Initiatives are already under way to reduce Momentum's capital requirement through the use of, amongst others, derivative hedging structures and reinsurance. Momentum Employee Benefits, an example quoted in last year's annual report, has further reduced their capital requirement in the current year through the termination of the Guaranteed Fund, a smoothed-bonus portfolio that is traditionally extremely capital intensive.

EFFICIENCY IMPROVEMENTS

The Momentum Group continued to improve expense efficiencies during the past year, with the total individual life management expense savings achieved by the merger of Momentum and Southern Life now standing at R240 million per annum in real terms. This can be illustrated by the following graph:

Management expenses – individual life



There will be a continued focus to further improve efficiencies over the next three years, not only in the individual business area, but also in the employee benefits and asset management areas.

F J C TRUTER
Chief Financial Officer

Momentum Group Limited

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Momentum Group Limited are required to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of the Momentum Group at the end of the financial year, and the results and cash flows for the year then ended. In preparing the accompanying financial statements, generally accepted accounting practices 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 philosophy on corporate governance. The external auditors, PricewaterhouseCoopers Inc, have audited the financial statements and their unqualified report appears below.

The financial statements for the year ended 30 June 2001, which appear on pages 141 to 171, have been approved by the Board of Directors and are signed on its behalf by:

L L DIPPENAAR
Chairman

H P MEYER
Managing Director

Sandton
6 September 2001

REPORT OF THE INDEPENDENT AUDITORS

TO THE DIRECTORS OF FIRSTRAND LIMITED

We have audited the annual financial statements of the Momentum Group (a division of FirstRand Limited), set out on pages 141 to 171 for the year ended 30 June 2001. These financial statements are the responsibility of the directors of Momentum Group Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Momentum Group at 30 June 2001 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice in South Africa.

PRICEWATERHOUSECOOPERS INCORPORATED
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
6 September 2001

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF MOMENTUM GROUP LIMITED

as at 30 June

R million	Notes	2001	2000
VALUE OF NET ASSETS	2	**75 008**	65 308
POLICYHOLDER LIABILITIES	3, 4	**67 859**	58 505
Surplus	5, 6	**7 149**	6 803
Represented by:			
Share capital and share premium		**1 118**	1 391
Distributable reserves		**2 437**	1 601
Non-distributable reserves		**75**	67
Balance of excess		**3 519**	3 744
Surplus	5, 6	**7 149**	6 803
Capital adequacy requirements	6	**3 024**	3 280

REPORT BY THE STATUTORY ACTUARY

I have conducted an actuarial valuation of the assets and liabilities of Momentum Group Limited according to generally accepted actuarial standards, and with due allowance for the reasonable benefit expectations of policyholders. I certify that Momentum Group Limited was financially sound as at 30 June 2001, after allowing for bonuses to policyholders and dividends to shareholders. In my opinion, the statement of actuarial values of assets and liabilities, read together with the financial statements, fairly presents the financial position of Momentum Group Limited.

N A S KRUGER
BCom, FFA, FASSA

Statutory Actuary of Momentum Group Limited

Centurion
6 September 2001

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF MOMENTUM GROUP LIMITED

as at 30 June

1. INTRODUCTION

This statement of actuarial values of assets and liabilities provides a description of the actuarial valuation methods and assumptions used for the financial soundness valuation of Momentum Group Limited ("Momentum Group").

This statement has been prepared in accordance with the guidelines issued by the Actuarial Society of South Africa with regard to financial soundness valuations.

2. VALUE OF NET ASSETS

The value of net assets represents the net assets per the company balance sheet of Momentum Group, adjusted for the directors' valuations of unlisted strategic subsidiaries, and the market values of listed strategic subsidiaries and the associate company. These valuations are disclosed in note 31 to the annual financial statements.

3. VALUATION ASSUMPTIONS

This section describes the best-estimate valuation assumptions used for purposes of the financial soundness valuation of the policy liabilities. The first-tier margins set out in Professional Guidance Note (PGN) 104 of the Actuarial Society of South Africa, as well as certain second-tier margins described below, were added to the best-estimate assumptions for purposes of the liability valuation.

Investment return

The investment return assumption of 12,5% per annum (before tax) (2000: 16,0% per annum) was determined with reference to the market interest rate on South African government stocks as at 30 June 2001. A notional long-term asset distribution was used to calculate a weighted expected investment return, by adding the following premiums/(discounts) to the market interest rate of 11,1% per annum (2000: 14,7% per annum) on South African government stocks as at 30 June 2001:

	% premium/ (discount)
Equities	2,0
Properties	1,0
Government stocks	0,0
Other fixed interest stocks	0,5
Cash	(1,0)

Expense inflation rate

The future expense inflation assumption of 8,5% per annum (2000: 12,0% per annum) was determined based on an assumed long-term differential of 4,0% relative to the future investment return assumption of 12,5% per annum (2000: 16,0% per annum).

Expenses

The maintenance expense assumptions were based on the results of recently conducted internal expense investigations. The expense assumptions are at a level sufficient to support the existing business on a going-concern basis.

Mortality, morbidity and discontinuance rates

The assumptions regarding future mortality, morbidity and discontinuance rates were based on the results of recent internal experience investigations. Allowance was also made for the expected impact of AIDS on a basis consistent with the recommendations of PGN 105 of the Actuarial Society of South Africa.

Second-tier margins

The following second-tier margins were allowed for in the valuation:

- Investment stabilisation reserves are held as a buffer against the impact of market fluctuations on the assets backing non-profit liabilities;
- Shareholder stabilisation reserves are held as a buffer against the impact of market fluctuations on the assets backing smoothed-bonus liabilities;
- For the closed Lifegro portfolio appropriate reserves are held to ensure that the Lifegro profits are recognised in line with the terms of the Lifegro take-over agreement.

Tax

Allowance was made for future tax based on the Four-Fund tax dispensation. Allowance was also made for the effect of Capital Gains Tax to be introduced with effect from 1 October 2001.

4. LIABILITY VALUATION METHODOLOGY

The actuarial valuation of the policy liabilities was determined using the financial soundness valuation method in accordance with the guidelines of the Actuarial Society of South Africa.

Individual smoothed-bonus and market-related business

Liabilities for individual smoothed-bonus and market-related business were calculated as the fund accounts allocated to the policies, reduced by the difference between the present value of projected future risk premiums and other charges, and the present value of projected future risk benefits and expenses. Allowance was made for future growth in fund accounts at a level consistent with the assumed future market-related investment return, after allowing for contractual expense charges and taxation.

Policyholder bonus stabilisation reserves

Smoothed-bonus liabilities were further adjusted by policyholder bonus stabilisation reserves. The policyholder bonus stabilisation reserves in the closed Lifegro portfolio and Southern's pre-1984 Segregated portfolio were calculated as these policyholders' full future entitlement to the reserves in these respective portfolios. The policyholder bonus stabilisation reserves of the Momentum smoothed-bonus portfolio and the remainder of the Southern smoothed-bonus portfolios consist of accrued investment surpluses/(shortfalls) in these portfolios.

Individual and group linked business

Liabilities for linked business were equated to the fair value of the underlying assets.

Immediate annuities

For immediate annuities, liabilities were calculated as the present value of expected future annuity payments and expenses, at market-related interest rates according to an appropriate yield curve as at 30 June 2001.

Group risk business

The liabilities for permanent health insurance (and other annuity type) claimants, funeral paid-up benefits and continuous assurance policyholders were calculated using a prospective cash flow method.

The other group risk liabilities were valued using appropriate percentages of the premiums payable for the relevant classes of business.

Guaranteed maturities

The liabilities of guaranteed maturities were determined by discounting the maturity values using the yields to maturity implied by the fair value of the underlying assets.

Conventional policies

The liabilities for conventional policies were calculated as the difference between the present value of projected future benefits and expenses, and the present value of projected future premiums. Allowance was made for future bonuses at an assumed long-term sustainable bonus rate.

5. RECONCILIATION OF SURPLUS

The change in Momentum Group's surplus during the year can be analysed as follows:

	R million
Surplus as at 30 June 2000	6 803
Attributable earnings	846
– Operational profit	730
– Investment income on surplus	116
Capital appreciation on surplus	135
Change in valuation basis	(216)
Dividends	(419)
Surplus as at 30 June 2001	7 149

The change in the valuation basis consisted of the following items:

- In terms of AC125, issued by the South African Institute of Chartered Accountants, the value of convertible debentures should be split between the debt and equity components. During the current year, a long-term liability was created in respect of the future debt obligations relating to these debentures, whereas previously the entire debenture was reflected as equity.

- It has been decided to merge the back-office operations of the individual life and linked product areas for operational and strategic reasons. Accordingly, Momentum Wealth will no longer be valued as a subsidiary investment at directors' valuation. This change in valuation approach resulted in a reduction of R131 million in the surplus.

- It was decided to place a directors' valuation on Momentum Advisory Service for the first time, which increased the surplus by R43 million.
- The allowance for Capital Gains Tax reduced the surplus by R17 million.
- The mortality basis was weakened based on the results of recent favourable experience investigations. The effect of this change was to increase the surplus by R32 million.

6. CAPITAL ADEQUACY REQUIREMENTS

Capital adequacy requirements are necessary to provide a cushion against the impact of possible adverse deviations in actual future experience from that assumed in the financial soundness valuation. The capital adequacy requirements, which were determined in accordance with the guidelines of the Actuarial Society of South Africa, were calculated as R3 024 million (2000: R3 280 million).

The excess of assets over liabilities of R7 149 million (2000: R6 803 million) is sufficient to cover the capital adequacy requirements. In determining the capital adequacy requirements, allowance was made for the anticipated management action that will reduce the financial impact of the assumed adverse circumstances. The most important management action assumed was a reduction in bonus rates over the ensuing three years to counteract the effect of adverse investment experience.

As mentioned in the Report of the Chief Financial Officer, the board approved the payment of an additional R200 million final dividend to FirstRand. The excess of assets over liabilities has not been adjusted to reflect this additional dividend. Momentum Group remains financially sound following the payment of the additional final dividend.

ACCOUNTING POLICIES

BASIS OF PRESENTATION

These group financial statements have been prepared on the going concern basis, based on the fair value of assets and liabilities, in accordance with generally accepted accounting practice for long-term insurers. The principal accounting policies of the group set out below are consistent in all material respects with those adopted in the previous year, except where specifically noted.

CONSOLIDATION

The group financial statements comprise the financial statements of Momentum Group Limited and its subsidiaries. All subsidiaries, which are those companies in which the group, either directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated.

The results of subsidiaries are included from the effective dates of acquisition to the effective dates of disposal. The assets and liabilities acquired are assessed and included in the balance sheet at their estimated fair values to the group. Intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign subsidiary companies, regarded as independent entities, are expressed in South African rand at rates of exchange ruling at year-end. Gains and losses arising on translation of independent entities are reflected in a non-distributable currency translation reserve.

The non-monetary assets and liabilities of foreign subsidiary companies, regarded as an integral part of the entity's operations, are translated at historic rates, with monetary assets and liabilities being translated at rates of exchange ruling at year-end. Gains and losses arising on translation of these entities are recognised in the income statement.

In both the above cases, capital and reserves are translated at historic rates, while income statement items are translated at the weighted average rate for the year.

Transactions in foreign currencies are converted to South African rand at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to South African rand using the rates of exchange ruling at the financial year-end. Profits and losses from forward exchange contracts used to hedge potential exchange rate exposures are offset against gains and losses on the specific transaction being hedged.

INVESTMENTS

The policy of the group is to reflect long-term investments on the valuation bases set out below:

Stocks and debentures

Government and public authority stocks, debentures and other loan stocks, all fixed-interest stocks, and funds on deposit stocks, including redeemable preference shares, are initially recognised at cost and subsequently at market value.

Mortgages and other loans

Mortgages and other loans are reflected at par or redemption value, after making provision for any anticipated losses.

Property investments

Property investments include fixed property and investments in property companies. These investments are initially recognised at cost and are subsequently remeasured based on open market values.

Properties in the process of being developed are valued at development costs incurred, less adjustments to reduce the costs to open market value, where appropriate.

Equity investments

Listed equity investments and unit trust investments are initially stated at cost and subsequently remeasured to fair value using quoted market and repurchase prices respectively. Unlisted investments are initially recognised at cost and subsequently remeasured, using directors' valuations based on accepted valuation methodologies.

ASSOCIATED COMPANIES

Associated companies are those companies in which the group holds a long-term equity interest and over which it has the ability to exercise significant influence, but which it does not control.

Investments in associates for the benefit of policyholders are held as long-term investments and are not accounted for on the equity basis, as these investments are revalued in accordance with the accounting policies applicable to equity investments.

Investments in associates for the benefit of shareholders are accounted for using the equity method of accounting.

DEFERRED TAXATION

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Account is only taken of taxation assets arising from taxation losses where the recovery of such losses, in the opinion of the directors, is probable.

RETIREMENT BENEFITS

The group has established defined benefit and defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension plans are 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. These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all group employees. The cost of providing retirement benefits is determined using the accrued benefit valuation method.

Current service costs are written off immediately, while past service costs, experience adjustments, changes in actuarial assumptions and plan amendments are expensed over the expected remaining working lives of employees. In the case of retired employees, the costs are written off immediately.

In terms of certain employment contracts, the group makes provision for post-retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of the medical aid contributions. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. Valuations of these obligations are carried out by qualified actuaries.

LEASED ASSETS

Leases of property and equipment where the group assumes substantially all the benefits and risks of ownership are classified as finance leases, and are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the lease payment is charged to the income statement and the asset is depreciated over its useful life.

Leases of assets where all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

PROPERTY AND EQUIPMENT

Owner occupied buildings, computer and other equipment, furniture and motor vehicles are stated at historic cost less accumulated depreciation, calculated on a straight-line basis over their expected useful lives.

Property investments are reflected as investment assets, and as such are not disclosed as part of property and equipment. These investments are stated in accordance with the accounting policy under investments set out above.

GOODWILL

Goodwill represents the excess of the purchase consideration of shares over the attributable fair value of net assets acquired, and is capitalised and amortised on the straight-line basis over the period of expected benefit, limited to 20 years.

Where the fair value of net assets of subsidiaries at date of acquisition exceeds the cost of shares acquired, the excess is treated as negative goodwill.

INTANGIBLE ASSETS

Internally developed software

Costs associated with significant internally developed and separately identifiable software programs are capitalised and amortised over the useful life of the software, limited to a maximum period of three years, and are reflected at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on less significant internally developed software is expensed as incurred. Expenditure that enhances and extends the benefits of separately identifiable computer software programs beyond their original expected lives, is recognised as a capital improvement and added to the original cost of the software. The amortisation of development costs, as well as any impairment charge, is reflected in the income statement under marketing and administration expenses.

Prepaid contracts

In the health insurance subsidiary, prepaid health club contracts are stated at historical cost and are amortised on the straight-line basis over the period of the related contract.

Where an intangible asset has, in the opinion of the directors, been impaired, the asset is recognised as an expense in the period in which the impairment is identified.

BORROWING COSTS

Borrowing costs, incurred in respect of assets that require a substantial period to construct or install, are capitalised up to the date that the construction or installation of the assets is substantially complete.

DERIVATIVE INSTRUMENTS

Included in derivative instruments are financial futures, options, swaps and forward rate agreements.

Derivative instrument contracts are entered into for hedging purposes as well as to facilitate asset allocation. During the lives of these contracts, they are reflected at market value within the appropriate asset category, with all unrealised changes in value being charged to the income statement. The profit or loss realised upon exercise, expiry or close out of the contract, is accounted for in the income statement when incurred, and subsequently transferred to the life fund.

SCRIP LENDING

Scrip lending transactions entered into by the group are subject to repurchase agreements, and as such the loan agreement is recorded at the same value as the underlying asset and no sale of scrip is recorded.

The value at which the loan is recorded corresponds with the group's accounting policy relating to equities, as set out under investments above.

Dividends received on scrip out on loan, as well as fees received for scrip lending transactions, are accounted for as investment income in the income statement.

PROFIT RECOGNITION

The operating surpluses are determined in accordance with the guidance note on Financial Soundness Valuations issued by the Actuarial Society of South Africa, PGN104 (1998).

The operating surpluses arising from life and health insurance business are determined by the annual actuarial valuation. These surpluses are arrived at after taking into account the increase in actuarial liabilities under unmatured policies, provisions for policyholder bonuses and adjustments to contingency and other reserves within the life funds. Any unappropriated surplus is carried forward as the balance of excess in the life fund.

PREMIUM INCOME

Premium income is reflected net of reinsurance premiums.

Individual life investment funds, lump sums, annuities and single premiums are accounted for when the collection of the premiums in terms of the policy contract is reasonably assured.

All other individual life premiums are accounted for when they become due and payable.

In the employee benefits division, risk premiums and pure endowment scheme premiums are accounted for when they become due and payable. Other premiums are accounted for on a cash receipt basis.

INVESTMENT INCOME

Investment income comprises interest, dividends and net rental income. Dividends are accounted for as at the last day of registration in respect of listed shares, and on the date of declaration in respect of unlisted shares. Dividend income includes shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of shares.

Interest and other investment income are accounted for on an accrual basis.

POLICYHOLDER BENEFITS

Policyholder benefit payments are shown net of reinsurance recoveries and are accounted for when claims are intimated.

TAXATION

Taxation in respect of the South African life insurance operations is determined using the Four Fund method applicable to life insurance companies.

COMMISSION

Commission payments are net of reinsurance commission received. Life insurance business commissions are expensed as incurred. Commissions of the health insurance subsidiary are paid annually in advance and are amortised over a period of twelve months from the date they are incurred.

MARKETING AND ADMINISTRATION EXPENSES

Marketing and administration expenses include head office and branch administration expenditure, marketing and development expenditure as well as all other non-commission related expenditure, and are expensed as incurred.

BALANCE SHEET

as at 30 June

R million	Notes	Group 2001	Group 2000
ASSETS			
Funds on deposit		**6 220,9**	8 046,7
Government and public authority stocks		**8 738,6**	4 800,1
Debentures and other loans		**8 978,3**	6 134,4
Policy loans		**516,8**	464,9
Equity investments	2	**43 466,8**	38 938,9
Investment in associated company	3	**468,3**	381,9
Derivative assets	4	**3 472,9**	1 240,0
Investment properties	5	**3 038,9**	3 108,1
Investment assets		**74 901,5**	63 115,0
Current assets	6	**3 316,0**	3 162,1
Deferred taxation	7	**7,5**	9,4
Goodwill	8	**468,3**	25,1
Intangible assets	9	**13,9**	25,8
Property and equipment	10	**588,4**	532,7
Total assets		**79 295,6**	66 870,1
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Current liabilities	11	**1 880,5**	1 788,8
Taxation		**344,8**	117,6
Derivative liabilities	12	**3 699,7**	1 576,2
Deferred taxation	7	**1,9**	73,3
Long-term liabilities	13	**1 401,9**	883,2
Life insurance fund	14	**68 062,0**	58 848,1
Total liabilities		**75 390,8**	63 287,2
Outside shareholders' interest		**368,9**	224,6
Shareholders' funds			
Share capital and share premium	15	**1 041,2**	1 041,2
Reserves	16	**2 494,7**	2 317,1
Total shareholders' funds		**3 535,9**	3 358,3
Total liabilities and shareholders' funds		**79 295,6**	66 870,1

INCOME STATEMENT

for the year ended 30 June

R million	Notes	Group 2001	Group 2000
Group operating profit after tax		**715,1**	851,5
Net premium income	21	**17 636,0**	16 379,4
Investment income attributable to life fund	22	**4 791,8**	4 801,1
Policyholder benefits	23	**(14 358,7)**	(13 747,3)
Marketing and administration expenses	19	**(2 024,1)**	(1 404,1)
Commissions		**(693,4)**	(681,4)
Taxation	24	**(444,0)**	(267,5)
Realised and unrealised investment surpluses		**5 090,2**	2 860,9
Earnings attributable to outside shareholders		**(68,8)**	(34,8)
Transfer to life fund	14	**(9 213,9)**	(7 054,8)
Investment income on the shareholders' portfolio		**116,0**	151,1
Interest, dividends and net rentals	22	**143,8**	199,8
Taxation on investment income	24	**(27,8)**	(48,7)
Earnings attributable to shareholders	18	**831,1**	1 002,6
Headline earnings			
Insurance operations		**427,3**	326,6
Individual business		**308,2**	228,6
Employee benefits		**119,1**	98,0
Asset management operations		**229,9**	205,0
Health insurance operations		**114,3**	88,4
Group operating profit after tax		**771,5**	620,0
Investment income on the shareholders' portfolio		**171,4**	169,8
Headline earnings	18, 20	**942,9**	789,8

CASH FLOW STATEMENT

for the year ended 30 June

R million	Notes	Group 2001	Group 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	32	**8 178,4**	8 857,5
Working capital changes	33	**(114,9)**	(1 158,5)
		8 063,5	7 699,0
Taxation paid	34	**(314,1)**	(322,7)
Dividends paid	35	**(661,5)**	(518,4)
Net cash inflow from operating activities		**7 087,9**	6 857,9
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investment activities			
Government and public authority stocks		**(3 372,0)**	983,2
Debentures and other loans		**(2 328,4)**	(517,9)
Policy loans		**(51,9)**	42,5
Equity investments		**(3 028,8)**	(8 651,3)
Derivative instruments		**(122,9)**	(166,9)
Property investments		**148,3**	359,6
Investment in associated company		**(100,6)**	–
Net purchase of property and equipment		**(170,6)**	(449,8)
Net purchase of intangible assets		**(17,5)**	(27,3)
Proceeds on disposal of shares in Discovery Holdings		**–**	143,7
Proceeds on disposal of MC Squared Solutions		**–**	120,0
Net cash outflow from investment activities		**(9 044,4)**	(8 164,2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from increase in long-term liabilities		**58,5**	299,6
Net cash inflow from financing activities		**58,5**	299,6
Net decrease in cash and cash equivalents		**(1 898,0)**	(1 006,7)
Cash and cash equivalents at beginning of the year		**8 046,7**	9 064,6
Cash and cash equivalents acquired/(disposed of)		**72,2**	(11,2)
Cash and cash equivalents at end of the year		**6 220,9**	8 046,7

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital and share premium (Note 15)	Convertible debentures	Retained earnings (Note 16)	Non-distributable reserves (Note 16)	Total shareholders' funds
Balance at 1 July 1999					
– As previously stated	1 041,2	350,0	1 496,4	195,7	3 083,3
– Provision for dividends	–	–	130,3	–	130,3
– Restatement of debenture structure	–	(350,0)	–	–	(350,0)
Restated balance at 1 July 1999	1 041,2	–	1 626,7	195,7	2 863,6
Net gains not recognised in the income statement	–	–	–	10,5	10,5
Earnings attributable to shareholders	–	–	1 002,6	–	1 002,6
Dividends	–	–	(518,4)	–	(518,4)
Transfer to/(from) reserves	–	–	139,3	(139,3)	–
Balance at 30 June 2000	1 041,2	–	2 250,2	66,9	3 358,3
Balance at 1 July 2000	**1 041,2**	**–**	**2 250,2**	**66,9**	**3 358,3**
Net gains not recognised in the income statement	**–**	**–**	**–**	**8,0**	**8,0**
Earnings attributable to shareholders	**–**	**–**	**831,1**	**–**	**831,1**
Dividends	**–**	**–**	**(661,5)**	**–**	**(661,5)**
Balance at 30 June 2001	**1 041,2**	**–**	**2 419,8**	**74,9**	**3 535,9**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

R million	Group 2001	Group 2000
1. ACCOUNTING POLICIES		
The accounting policies of the group are set out on pages 145 to 147.		
These accounting policies are consistent with those applied during the year to 30 June 2000, except for the provision for dividends payable. In terms of the newly issued AC107, effective for years commencing on or after 1 January 2001, dividends payable are now accounted for upon declaration of the dividend. Previously, dividends payable were accrued at the end of the accounting period, prior to the dividend declaration. This change had no effect on the results of the group.		
2. EQUITY INVESTMENTS		
Listed	**41 536,8**	36 953,9
Unlisted	**1 930,0**	1 985,0
	43 466,8	38 938,9
The ten largest equity holdings of the insurance operations comprise the following (in alphabetical order):		
Anglo American Platinum, Anglo American plc, FirstRand, Nedcor, Remgro, RMB Holdings, SA Breweries, Sanlam, Sasol, Standard Bank.		
Investments in listed shares were distributed as follows	**%**	%
Mining	**7**	4
Gold	**1**	1
Financial – Mining houses	**1**	2
Financial – Other	**19**	19
Industrial	**19**	16
Overseas instruments	**28**	27
Unit trusts	**20**	19
Other	**5**	12
	100	100
3. INVESTMENT IN ASSOCIATED COMPANY		
African Life	**468,3**	381,9

African Life is a listed long-term insurance company. Momentum Group holds directly 31,7% (2000: 20,8%) of the issued share capital of African Life in its shareholders' portfolio. The market value of this investment as at 30 June 2001 was R525,1 million (2000: R610 million). The earnings attributable to ordinary shareholders for the year ended 31 March 2001 was R31,9 million (2000: R252,5 million), which includes capital appreciation on shareholder assets. Momentum Group's portion of the earnings, excluding capital appreciation in terms of Momentum's profit recognition policy, is equity accounted.

R million	Group 2001	Group 2000
3. INVESTMENT IN ASSOCIATED COMPANY (continued)		
African Life's assets and liabilities as at 31 March are summarised below:		
Assets		
Current assets	**661,0**	480,1
Investments	**7 454,1**	6 702,7
Fixed assets	**87,7**	81,5
	8 202,8	7 264,3
Liabilities		
Current liabilities	**363,0**	290,1
Deferred taxation	**105,7**	158,2
Long-term liabilities	**63,9**	88,0
Life insurance fund	**5 912,9**	4 821,6
Outside shareholders' interest	**305,9**	229,8
	6 751,4	5 587,7
4. DERIVATIVE ASSETS		
Interest-bearing instruments	**76,7**	5,8
Equity instruments	**3 396,2**	1 234,2
	3 472,9	1 240,0
5. INVESTMENT PROPERTIES		
Completed investment properties		
Market value at beginning of the year	**3 108,1**	3 369,7
Additions		
Acquisitions	**0,5**	7,6
Capitalised subsequent expenditure	**39,1**	32,2
Disposals	**(187,9)**	(338,7)
Net gain from fair value adjustments	**79,1**	37,0
Net exchange differences	**–**	0,3
Market value at end of the year	**3 038,9**	3 108,1
Investment properties can be split as follows:		
Fixed properties	**2 991,6**	3 070,9
Listed property equities	**47,3**	37,2
	3 038,9	3 108,1

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Group 2001	Group 2000
6. CURRENT ASSETS		
Accrued investment income	**2 310,4**	1 838,9
Premium debtors	**96,3**	108,2
Proceeds owing on sale of subsidiary	**–**	132,5
Unsettled trades	**9,1**	353,1
Deferred expenditure	**104,6**	45,0
Medical Scheme debtor	**118,5**	42,5
Other debtors	**677,1**	641,9
	3 316,0	3 162,1
7. DEFERRED TAXATION		
Balance at beginning of the year	**(63,9)**	0,9
Charge for the year	**69,5**	(64,8)
Relating to current year	**69,5**	(40,0)
Relating to prior years	**–**	(24,8)
Balance at end of the year	**5,6**	(63,9)
Deferred taxation asset	**7,5**	9,4
Deferred taxation liability	**(1,9)**	(73,3)
	5,6	(63,9)

R million	Opening balance	Charge for the year	Closing balance
Deferred taxation comprises:			
Fixed assets	(2,3)	0,9	(1,4)
Provisions	2,4	1,5	3,9
Taxation losses	5,1	(4,2)	0,9
Transitional tax – Discovery	(70,8)	70,8	–
Other	1,7	0,5	2,2
	(63,9)	69,5	5,6

R million	Group 2001	Group 2000
8. GOODWILL		
Gross amount	**529,8**	44,7
Less: Accumulated amortisation	**(61,5)**	(19,6)
Carrying amount at end of the year	**468,3**	25,1
Gross amount at beginning of the year	**44,7**	149,5
Acquisitions	**485,2**	–
Goodwill realised with sale of shares	**–**	(101,5)
Goodwill realised due to dilution of shareholding	**(0,1)**	(3,3)
Gross amount at end of the year	**529,8**	44,7
Accumulated amortisation at beginning of the year	**19,6**	13,3
Amortisation charge	**41,9**	6,3
Accumulated amortisation at end of the year	**61,5**	19,6
9. INTANGIBLE ASSETS		
Software development and prepaid contracts		
Cost	**58,4**	40,9
Less: Accumulated amortisation	**(44,5)**	(15,1)
Carrying amount at end of the year	**13,9**	25,8
Cost at beginning of the year	**40,9**	13,6
Capitalised expenditure	**17,5**	27,3
Cost at end of the year	**58,4**	40,9
Accumulated amortisation at beginning of the year	**15,1**	7,9
Amortisation for the year	**16,6**	7,2
Impairment losses	**12,8**	–
Accumulated amortisation at end of the year	**44,5**	15,1

R million	2001 Cost	2001 Accumulated depreciation	2001 Net book value	2000 Cost	2000 Accumulated depreciation	2000 Net book value
10. PROPERTY AND EQUIPMENT						
Leased assets						
Land and buildings	**318,9**	**(7,2)**	**311,7**	305,4	(0,9)	304,5
Owned assets						
Land and buildings	**2,9**	**(0,3)**	**2,6**	–	–	–
Computer equipment	**420,6**	**(281,6)**	**139,0**	343,2	(197,6)	145,6
Office equipment	**73,4**	**(36,7)**	**36,7**	49,3	(22,2)	27,1
Furniture and fittings	**174,3**	**(77,8)**	**96,5**	110,5	(58,7)	51,8
Motor vehicles	**5,4**	**(3,5)**	**1,9**	8,3	(4,6)	3,7
	676,6	**(399,9)**	**276,7**	511,3	(283,1)	228,2
Total	**995,5**	**(407,1)**	**588,4**	816,7	(284,0)	532,7

for the year ended 30 June

R million	Total	Land and buildings	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles
10. PROPERTY AND EQUIPMENT (continued)						
Movement in property and equipment – Cost						
At beginning of the year	816,7	305,4	343,2	49,3	110,5	8,3
Foreign currency adjustments	0,9	–	0,3	–	0,6	–
Subsidiary balances acquired	20,9	–	12,7	5,4	2,8	–
Additions	177,5	16,4	76,9	22,1	61,7	0,4
Disposals	(20,5)	–	(12,5)	(3,4)	(1,3)	(3,3)
	995,5	321,8	420,6	73,4	174,3	5,4
Movement in property and equipment – Accumulated depreciation						
At beginning of the year	284,0	0,9	197,6	22,2	58,7	4,6
Foreign currency adjustments	0,3	–	0,2	–	0,1	–
Subsidiary balances acquired	14,0	–	8,4	3,9	1,7	–
Depreciation charge for the year	122,7	6,6	85,4	11,5	18,2	1,0
Disposals	(13,9)	–	(10,0)	(0,9)	(0,9)	(2,1)
	407,1	7,5	281,6	36,7	77,8	3,5

R million	Group 2001	Group 2000
11. CURRENT LIABILITIES		
Accrued benefit payments	**889,4**	784,8
Creditors	**899,7**	914,1
Provisions	**91,4**	89,9
	1 880,5	1 788,8

R million	Balance at beginning of year	Additional provision	Utilisation of provision	Unutilised amounts reversed	**Balance at end of year**
11. CURRENT LIABILITIES (continued)					
The following table represents an analysis of the movement in provisions by class:					
Provisions – 30 June 2001					
Provision for leave pay	**13,3**	**4,0**	**(2,4)**	**(1,3)**	**13,6**
Provision for contract leases	**–**	**5,7**	**–**	**–**	**5,7**
Provision for bonuses	**23,2**	**21,3**	**(22,8)**	**(0,4)**	**21,3**
Provision for auditors' remuneration	**3,4**	**3,4**	**(2,9)**	**(0,5)**	**3,4**
Provision for credit exposure	**–**	**15,3**	**–**	**–**	**15,3**
Other	**50,0**	**9,1**	**(22,2)**	**(4,8)**	**32,1**
	89,9	**58,8**	**(50,3)**	**(7,0)**	**91,4**
Provisions – 30 June 2000					
Provision for leave pay	7,7	5,8	(0,2)	–	13,3
Provision for bonuses	11,1	30,9	(18,8)	–	23,2
Provision for auditors' remuneration	2,1	3,5	(2,0)	(0,2)	3,4
Other	20,7	32,1	(2,8)	–	50,0
	41,6	72,3	(23,8)	(0,2)	89,9

R million	**Group 2001**	Group 2000
12. DERIVATIVE LIABILITIES		
Interest-bearing instruments	**2 015,8**	950,1
Equity instruments	**1 683,9**	626,1
	3 699,7	1 576,2
13. LONG-TERM LIABILITIES		
Capitalised lease commitments	**297,5**	289,1
Post-retirement medical liability	**297,4**	193,8
Debt component of compulsorily convertible debentures	**273,1**	292,7
Loan to fund subsidiary shares acquired	**351,3**	–
Property finance loans	**156,3**	91,4
Other long-term loans	**26,3**	16,2
	1 401,9	883,2

The debentures are convertible into 3% non-redeemable non-cumulative preference shares of Momentum Group Limited at the option of the debenture holders at any time after 30 June 2008. Any debentures not converted by 30 June 2021 will be compulsorily converted on that date. The debentures bear interest, payable six monthly in arrears, at an effective rate of 18,3% per annum.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

13. LONG-TERM LIABILITIES (continued)

The capitalised lease commitments are secured by assets with a net book value of R311,7 million as disclosed in note 10 to these financial statements. The lease commitments are repayable in monthly instalments at an effective interest rate of 13,2% per annum.

Total of minimum lease payments (R million)

Payable within:	
One year	33,3
Between one and five years	174,1
Later than five years	430,1
	637,5

Present value of minimum lease payments (R million)

Payable within:	
One year	31,3
Between one and five years	116,9
Later than five years	149,3
	297,5

R million	Group 2001	Group 2000
14. LIFE INSURANCE FUND		
The movements in the life insurance fund for the year are as follows:		
Balance at beginning of the year	**58 848,1**	51 793,3
Transfer from income statement	**9 213,9**	7 054,8
Balance at end of the year	**68 062,0**	58 848,1
Actuarial liabilities under unmatured policies comprise the following:	**%**	%
Linked (market related) business		
Individual life	**39,7**	36,6
Employee benefits	**16,7**	21,0
Smoothed-bonus business		
Individual life	**14,0**	15,8
Employee benefits	**5,2**	5,9
With-profits reversionary bonus business	**3,3**	3,6
Non-profit business		
Individual life	**6,4**	5,1
Employee benefits	**2,3**	1,7
Annuity business	**11,6**	9,7
Health operations	**0,8**	0,6
	100,0	100,0

The above percentages are based on the actuarial valuations of Momentum Group Limited and Discovery Holdings Limited at 30 June 2001.

The change in the actuarial value of policy liabilities includes amounts relating to policyholders' participation in surplus by way of reversionary and other bonuses.

R million	Group 2001	Group 2000
15. SHARE CAPITAL AND SHARE PREMIUM		
The company's authorised and issued share capital and share premium are made up as follows:		
Share capital		
Authorised		
225 000 000 ordinary shares of 5 cents each	**11,3**	11,3
1 special class A share of 5 cents	**–**	–
Issued		
189 695 508 ordinary shares of 5 cents each	**9,5**	9,5
1 special class A share of 5 cents	**–**	–
The unissued shares are under the control of the directors until the next annual general meeting.		
Share premium	**1 031,7**	1 031,7
Share capital and share premium	**1 041,2**	1 041,2
16. RESERVES		
Retained earnings		
Retained earnings at beginning of the year	**2 250,2**	1 626,7
Earnings attributable to ordinary shareholders	**831,1**	1 002,6
Dividend for the year	**(661,5)**	(518,4)
Transfer from non-distributable reserves	**–**	139,3
Retained earnings at end of the year	**2 419,8**	2 250,2
Non-distributable reserves		
Revaluation of investment assets	**6,8**	5,6
Currency translation reserve	**15,7**	9,0
Reserve on capitalisation of Discovery Holdings	**50,8**	50,8
Other	**1,6**	1,5
Total non-distributable reserves	**74,9**	66,9
Total reserves	**2 494,7**	2 317,1
Movement for the year in non-distributable reserves		
Balance at beginning of the year	**66,9**	195,7
Transfer to retained earnings	**–**	(139,3)
Unrealised surplus on revaluation of investment assets	**1,2**	1,6
Currency translation reserve	**6,7**	10,0
Other	**0,1**	(1,1)
	74,9	66,9

17. TURNOVER

Turnover is a concept not relevant to the business of insurance. Fee income generated by the asset management operations, as well as non-insurance fee income, is included in investment income.

R million	Insurance operations	Health insurance	Asset management	Total
18. SEGMENTAL ANALYSIS				
30 June 2001				
Premiums received	15 083,8	2 552,2	–	17 636,0
Benefits paid	(12 884,8)	(1 473,9)	–	(14 358,7)
Investment income	4 142,3	73,6	719,7	4 935,6
Realised and unrealised profits and losses	5 028,7	62,2	(0,7)	5 090,2
Marketing and administration expenses	(773,0)	(864,1)	(387,0)	(2 024,1)
Commission	(583,1)	(86,7)	(23,6)	(693,4)
Income before taxation	10 013,9	263,3	308,4	10 585,6
Taxation	(248,9)	(145,9)	(77,0)	(471,8)
Net income after taxation before transfer to the Life Fund	9 765,0	117,4	231,4	10 113,8
Transfer (to)/from the Life Fund	(9 226,9)	13,0	–	(9 213,9)
Net income after taxation	538,1	130,4	231,4	899,9
Outside shareholders' interest	6,5	(46,7)	(28,6)	(68,8)
Earnings attributable to ordinary shareholders	544,6	83,7	202,8	831,1
Exceptional items – African Life	47,3	–	–	47,3
Goodwill amortised	6,8	–	27,1	33,9
Effect of transitional tax on prior years	–	30,6	–	30,6
Headline earnings	598,7	114,3	229,9	942,9
Liabilities	73 720,1	1 305,1	734,5	75 759,7
Assets	76 142,4	2 047,2	1 106,0	79 295,6

R million	Insurance operations	Health insurance	Asset management	Total
18. SEGMENTAL ANALYSIS (continued)				
30 June 2000				
Premiums received	14 508,0	1 871,4	–	16 379,4
Benefits paid	(12 539,1)	(1 208,2)	–	(13 747,3)
Investment income	4 444,6	49,5	506,8	5 000,9
Realised and unrealised profits	2 793,7	59,7	7,5	2 860,9
Marketing and administration expenses	(741,8)	(396,9)	(265,4)	(1 404,1)
Commission	(565,4)	(115,6)	(0,4)	(681,4)
Income before taxation	7 900,0	259,9	248,5	8 408,4
Taxation	(198,9)	(73,5)	(43,8)	(316,2)
Net income after taxation before transfer to the Life Fund	7 701,1	186,4	204,7	8 092,2
Transfer to the Life Fund	(6 976,0)	(78,8)	–	(7 054,8)
Net income after taxation	725,1	107,6	204,7	1 037,4
Outside shareholders' interest	–	(35,1)	0,3	(34,8)
Earnings attributable to ordinary shareholders	725,1	72,5	205,0	1 002,6
Goodwill amortised	6,3	–	–	6,3
Effect of transitional tax on prior years	18,7	15,9	–	34,6
Profit on sale of shares in subsidiaries	(253,7)	–	–	(253,7)
Headline earnings	496,4	88,4	205,0	789,8
Liabilities	62 252,3	798,7	460,8	63 511,8
Assets	64 718,6	1 396,3	755,2	66 870,1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

R million	Group 2001	Group 2000
19. MARKETING AND ADMINISTRATION EXPENSES		
Marketing and administration expenses include the following:		
Auditors' remuneration		
Audit fees		
– current year	**5,8**	4,7
– overprovision prior year	**(0,5)**	(0,2)
Fees for other services	**0,4**	1,5
	5,7	6,0
Professional fees		
Actuarial	**1,4**	1,5
Technical and other	**71,5**	36,0
	72,9	37,5
Depreciation		
Leased assets		
Land and buildings	**6,5**	0,9
Owned assets		
Land and buildings	**0,1**	–
Computer equipment	**85,4**	67,7
Office equipment	**11,5**	9,1
Furniture and fittings	**18,2**	14,4
Motor vehicles	**1,0**	2,7
	122,7	94,8
Operating lease charges		
Land and buildings	**59,8**	35,7
Computer and office equipment	**26,5**	20,0
Motor vehicles	**0,3**	0,2
	86,6	55,9
Staff costs		
Salaries, wages and allowances	**632,1**	414,8
Contribution to pension and other staff funds	**68,5**	62,0
Social security levies	**3,2**	2,8
Other	**36,4**	53,0
	740,2	532,6

R million	Group 2001	Group 2000
20. HEADLINE EARNINGS RECONCILIATION		
Attributable earnings basis		
Earnings attributable to ordinary shareholders amounted to R831,1 million (2000: R1 002,6 million).		
Headline earnings basis		
The calculation of the headline earnings is based on earnings attributable to ordinary shareholders adjusted by items of a non-trading nature during the year.		
Headline earnings reconciliation		
Attributable earnings	**831,1**	1 002,6
Add: Exceptional items relating to African Life	**47,3**	–
Add: Goodwill amortised	**33,9**	6,3
Add: Effect of transitional tax on prior years	**30,6**	34,6
Less: Profit on disposal of subsidiary shares	**–**	(253,7)
Headline earnings attributable to ordinary shareholders	**942,9**	789,8
21. PREMIUM INCOME		
Individual life	**8 572,7**	8 495,3
Single premiums	**2 420,5**	1 629,6
Recurring premiums	**3 012,6**	2 826,7
Unit-linked annuities	**1 616,3**	2 647,8
Annuities	**1 523,3**	1 391,2
Corporate business		
Investment funds	**1 021,4**	1 873,6
Total premiums received in respect of individual life business	**9 594,1**	10 368,9
Health business	**2 530,5**	1 871,4
Gross premium income	**5 454,5**	3 546,7
Less: Reinsurance premiums and medical scheme contributions	**(2 924,0)**	(1 675,3)
Employee benefits	**5 511,4**	4 139,1
Single premiums and investment lump sums	**2 727,2**	1 660,6
Transfers from off-balance sheet funds	**1 519,7**	1 339,8
Recurring premiums	**1 264,5**	1 138,7
Total premium income	**17 636,0**	16 379,4

Funds retained through the extension of the policy term amounted to R446,4 million (2000: R604,1 million). These funds are not included in the individual life single premium income figures above.

for the year ended 30 June

R million	Group 2001	Group 2000
22. INVESTMENT INCOME		
Investment income earned in respect of:		
Dividends – listed shares	**678,9**	1 140,0
Dividends – unlisted shares	**47,3**	38,7
Net rental income from properties	**169,7**	243,9
Interest-bearing investments	**3 138,2**	2 838,4
Fees, investment charges and other income	**947,7**	713,4
Attributable (loss)/income from associate	**(46,2)**	26,5
	4 935,6	5 000,9
Disclosed as follows:		
Investment income attributable to life fund	**4 791,8**	4 801,1
Investment income on the shareholders' portfolio	**143,8**	199,8
23. POLICYHOLDER BENEFITS		
Individual life business		
Benefits in respect of individual life policies	**3 664,4**	3 015,6
Death	**464,8**	450,7
Disability	**95,7**	88,3
Maturities	**1 494,8**	1 211,7
Surrenders	**1 609,1**	1 264,9
Benefits in respect of unit-linked annuities	**742,2**	587,0
Lump sum annuities	**1 372,9**	1 361,8
Annuities paid	**1 320,7**	1 314,4
Commutations	**52,2**	47,4
Corporate business	**273,0**	758,8
Surrenders	**25,9**	12,5
Annuities paid	**28,8**	28,9
Maturities	**218,3**	717,4
Total benefits paid in respect of individual life business	**6 052,5**	5 723,2
Health business		
Gross claims	**1 652,8**	1 299,8
Less: Claims recoveries	**(204,8)**	(123,2)
	1 448,0	1 176,6
Withdrawal benefits	**24,6**	31,6
Total benefits paid in respect of health business	**1 472,6**	1 208,2

R million	Group 2001	Group 2000
23. POLICYHOLDER BENEFITS (continued)		
Employee benefits business		
Benefits in respect of risk business	**2 022,6**	3 045,7
Death	**438,0**	399,8
Disability	**203,1**	166,2
Maturities	**105,8**	89,8
Member withdrawals	**163,6**	243,4
Scheme terminations and investment withdrawals	**1 040,4**	2 082,8
Annuities	**71,7**	63,7
Investment funds	**4 811,0**	3 770,2
Withdrawals	**2 684,9**	1 809,9
Transfers to off-balance sheet funds	**2 126,1**	1 960,3
Total benefits paid in respect of employee benefits business	**6 833,6**	6 815,9
Total benefits paid	**14 358,7**	13 747,3
24. TAXATION		
Taxation attributable to life, health insurance and asset management operations	**444,0**	267,5
Taxation attributable to investment income on the shareholders' portfolio	**27,8**	48,7
	471,8	316,2
Charge for the year		
SA normal taxation	**246,7**	144,2
Current taxation	**316,2**	79,4
Current year	**405,4**	79,5
Adjustment for prior years	**(89,2)**	(0,1)
Deferred taxation	**(69,5)**	64,8
Retirement fund taxation	**103,3**	69,9
Stamp duty	**22,9**	19,0
Value-added tax	**86,0**	74,5
Other taxes and levies	**12,9**	8,6
	471,8	316,2

Current taxation is determined by applying the Four Fund method of taxation applicable to life insurers.

Other taxes and levies consist of skills development levies, Greater Metropolitan Transitional Council and Financial Services Board levies.

25. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of all assets backing policyholder liabilities reflect the fair values of the asset concerned. Similarly, the actuarial valuation of policyholder liabilities represents the fair value of the contractual liability under unmatured policies.

Assets making up the shareholders' free reserves have been reflected at fair values in determining the surplus attributable to shareholders.

Derivative instruments

The group makes use of derivative instruments in order to achieve the following:
– exposure to a desired asset spread where liquidity constraints limit the purchase of sufficient physical assets;
– in order to provide a hedge against a known liability.

Under no circumstances are derivative contracts 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.

Risk management and capital adequacy

The risk and assurance management function is responsible to ensure that material financial risks related to transactions in financial instruments are mitigated by adequate controls and compliance with group policies.

The following represents a summary of the more significant financial risks to which the group is exposed:

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 the group results from the offshore assets held by policyholders' portfolios to provide the desired international exposure, subject to the limitations imposed by the South African Reserve Bank. The majority of these assets are backing linked policyholders' liabilities, in other words the full currency risk is passed to the policyholder.

R million	Group 2001	Group 2000
The following assets and liabilities, denominated in foreign currencies, where the currency risk resides with the Momentum Group, are included in the group balance sheet:		
Shareholders' assets		
Funds on deposit	**252,0**	120,8
Equity investments	**261,9**	29,4
Current assets	**65,2**	22,2
Goodwill	**414,3**	–
Fixed assets	**18,4**	5,7
	1 011,8	178,1
Shareholders' liabilities		
Current liabilities	**156,6**	43,5
Long-term liabilities	**565,2**	14,4
	721,8	57,9

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The most significant concentration of interest rate risk in the group resides with the immediate annuity portfolios, where a guaranteed interest rate is provided to an annuitant. This guaranteed interest rate is matched to an appropriate asset profile, with the overall liability profile being matched on a weekly basis to minimise the interest rate mismatching risk.

R million	Total	Shorter than one year	Between one and five years	Between five and ten years	Longer than ten years
		Average maturity date			
25. FINANCIAL INSTRUMENTS (continued)					
The following assets will be affected by changes in market interest rates:					
30 June 2001					
Policyholder assets					
Funds on deposit	**4 859,1**	**4 486,2**	**325,4**	**47,5**	**–**
Government and public authority stocks	**8 716,4**	**1 784,7**	**1 259,8**	**3 084,8**	**2 587,1**
Debentures and other loans	**7 660,9**	**1 794,6**	**3 341,7**	**2 011,6**	**513,0**
	21 236,4	**8 065,5**	**4 926,9**	**5 143,9**	**3 100,1**
Shareholder assets					
Funds on deposit	**1 361,8**	**1 361,8**	**–**	**–**	**–**
Government and public authority stocks	**22,2**	**–**	**5,6**	**16,6**	**–**
Debentures and other loans	**1 317,4**	**1,0**	**190,3**	**405,0**	**721,1**
	2 701,4	**1 362,8**	**195,9**	**421,6**	**721,1**
30 June 2000					
Policyholder assets					
Funds on deposit	7 460,0	7 154,8	119,1	186,1	–
Government and public authority stocks	4 782,9	1 321,1	666,3	1 244,0	1 551,5
Debentures and other loans	5 017,0	791,5	2 843,5	1 162,2	219,8
	17 259,9	9 267,4	3 268,9	2 592,3	1 771,3
Shareholder assets					
Funds on deposit	586,7	586,7	–	–	–
Government and public authority stocks	17,2	–	3,8	5,9	7,5
Debentures and other loans	1 117,4	1,4	–	488,2	627,8
	1 721,3	588,1	3,8	494,1	635,3

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, irrespective of whether those changes were caused by circumstances particular to the group itself, or to the investment market in general.

One of the main focus areas within the group is to maximise returns for policyholders by stock selection based on market timing. Where specific contractual guarantees have been provided to policyholders, these are protected against market fluctuations by investing in assets matching the liability profile.

25. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will default on their obligation to the group, thereby causing financial loss to the group.

The Momentum Group manages credit risk on two levels. The first level is at origination, whereby the credit risk is appropriately priced and reserved for. The pricing is a function of the expected counterparty default frequency and estimated recovery rate in the event of default. The second level is the ongoing management of credit exposures. At this level counterparty and industry exposures and concentrations are monitored. A robust limits system has been developed whereby limits are assigned, based on the unexpected losses (standard deviations of the expected defaults), the diversity of the portfolio and the economic capital available for default events. The group's credit risk is spread across 29 different sectors and approximately 147 different counterparties.

The Momentum Group has an internal credit committee that oversees the credit risk portfolio and gives guidance as well as approving credit risk policies and procedures.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments to policyholders under policy contracts.

All policyholder funds are invested in assets that match the reasonable benefit expectations of policyholders, which include the expectation that funds will be available to pay out benefits as required by the policy contract. The majority of assets invested in are listed financial instruments that are actively traded on the various stock and bond exchanges, resulting in the ability to liquidate most of these investments at relatively short notice.

Underwriting risk

Underwriting risk is the risk that the actual exposure to mortality and morbidity risks will exceed the best estimates of the statutory valuator.

The statutory valuator performs regular investigations into actual mortality and morbidity experience, with the best estimate assumptions being adjusted accordingly. All mortality risks above a set retention limit are reinsured. All applications for mortality or morbidity cover are evaluated against strict underwriting criteria, and are accompanied by compulsory HIV testing in the case of mortality cover above set limits.

26. SCRIP LENDING ARRANGEMENTS

The group has mandated its asset managers to enter into scrip lending arrangements on its behalf. The market value of scrip out on loan is monitored on a daily basis. No significant exposure to credit risk, liquidity risk or cash flow risk has resulted from the scrip lending activities of the group.

Due to the fact that scrip out on loan is subject to a repurchase agreement, the loan agreement is recorded at the same value as the underlying scrip and no sale of scrip is recorded.

The value at which the loan is recorded corresponds with the group's accounting policy relating to the specific class of asset.

Fees earned from scrip lending and dividends received on scrip out on loan are accounted for under investment income.

The following table represents details of the equities on loan at 30 June:

R million	**Group 2001**	Group 2000
Market value	**1 677**	2 190
Value of collateral	**1 814**	2 286
– cash	**1 004**	611
– bonds and money market	**609**	1 675
– equities	**201**	–
Collateral cover (%)	**108**	104

27. RELATED PARTIES

Holding company

The holding company of Momentum Group Limited is FirstRand Limited, which in turn has two major shareholders being Remgro Limited and RMB Holdings Limited.

Assets under management

FirstRand Asset Management (Pty) Limited, a subsidiary of Momentum Group Limited, has been mandated to manage assets on behalf of certain related parties of the group. The total assets under management on behalf of related parties amounted to R62 006,2 million at 30 June 2001 (2000: R53 850,7 million).

Distribution of products

Momentum Distribution Services ("MDS"), a division of Momentum Group Limited, distributes the products of Discovery Health and Momentum Wealth in addition to those of Momentum Group Limited. Fees received from these related parties for the distribution of products for the year ended 30 June 2001 amounted to R81,4 million (2000: R66,6 million).

28. CONTINGENCIES AND COMMITMENTS

No material capital commitments existed at 30 June 2001 and no material legal claims had been instituted against the group at that date.

Commitments under derivative instruments

Option contracts, financial futures contracts and interest rate swap agreements have been entered into in the normal course of business in order to achieve the required hedging of policyholder liabilities. In terms of the group's accounting policies these instruments are stated at fair value or, where not listed, at valuation. Both realised and unrealised profits and losses are included in the income statement and subsequently transferred to or from the life fund.

29. RETIREMENT BENEFIT INFORMATION

Staff pension funds

All full-time employees in Momentum Group are members of either defined benefit pension funds or defined contribution schemes that are governed by the Pension Funds Act. The Momentum Life Pension Fund and Southern Staff Pension Fund were valued by independent actuaries as at 1 July 1999 and 1 April 2000 respectively and were found to be in a sound financial position. The recommended employer contribution rate to the Momentum Life Pension Fund is 10% of pensionable salaries in order to meet the ongoing accrual of benefits. From 1 April 2000, all full-time employees who were members of the Southern Staff Pension Fund joined the FirstRand Insurance Group Pension Fund, a defined contribution scheme.

Contributions to the pension funds are charged against expenditure when incurred. Any deficits advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the funds.

The assets of these schemes are held in administered trust funds separated from the group's assets. For the Southern Staff Pension Fund assets consist primarily of listed shares, fixed income securities, inflation-linked securities and property investments. For the Momentum Life Pension Fund, the scheme assets consist primarily of inflation-linked securities.

Medical aid benefits

In certain instances, the group provides for medical aid contributions beyond the date of normal retirement. The present value of expected future medical aid contributions relating to existing pensioners has been determined and the liability provided for. The present value of expected future medical aid contributions relating to current employees is charged against expenditure over the service period of such employees.

30. COMPARATIVE FIGURES

Comparative figures have been restated where applicable to afford a more meaningful comparison with the current year's figures.

for the year ended 30 June

	Effective holding 2001 %	Effective holding 2000 %	Investment by holding company: Amounts owing by/(to) subsidiaries 2001 Rm	Amounts owing by/(to) subsidiaries 2000 Rm	Group carrying amount 2001 Rm	Group carrying amount 2000 Rm	Directors' or market valuation 2001 Rm	Directors' or market valuation 2000 Rm
31. ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES								
Subsidiaries (directly held)								
Southern Life Special Investments (Pty) Limited	**100**	100	**(85,8)**	52,9	**928,3**	727,4	**928,3**	727,4
Momentum Property Investments (Pty) Limited	**100**	100	**1 650,5**	479,8	**368,5**	309,4	**368,5**	309,4
Momentum Life Assurers Limited	**100**	100	**(36,2)**	(56,1)	**36,2**	56,1	**36,2**	56,1
Momentum Wealth (Pty) Limited	**100**	100	**79,5**	53,3	**6,4**	15,0	**96,0**	210,0
Momentum Advisory Service (Pty) Limited	**100**	100	**0,3**	–	**(7,0)**	(5,8)	**36,0**	(5,8)
Discovery Holdings Limited	**64**	64	**2,0**	1,4	**474,5**	381,4	**2 691,0**	2 780,0
FirstRand Asset Management (Pty) Limited	**100**	100	**343,8**	43,2	**49,0**	322,6	**1 845,0**	1 430,0
			1 954,1	574,5	**1 855,9**	1 806,1	**6 001,0**	5 507,1
Associates								
African Life Assurance Company Limited	**32**	21	**–**	–	**468,3**	381,9	**525,1**	610,0

Details of acquisition of new subsidiary

Effective 1 July 2000, FirstRand Asset Management acquired an additional 35% interest in Jersey General Group, bringing its total shareholding in this company to 55%.

Fair values of assets and liabilities of new subsidiary as at date of acquisition

Assets	**R million**
Tangible assets	6,4
Investments	10,0
Debtors	11,7
Cash	72,2
Liabilities	
Creditors	(63,9)
Net asset value	36,4
FirstRand Asset Management's share of net asset value	20,0
Purchase price	460,2
Goodwill	440,2

R million	Group 2001	Group 2000
32. CASH GENERATED BY OPERATIONS		
Earnings attributable to ordinary shareholders	**831,1**	1 002,6
Adjustments for non-cash items and taxation:		
Unrealised changes in long-term investment values	**(2 638,7)**	821,3
Transfer to the life fund and other non-cash items	**9 514,2**	6 717,4
Taxation	**471,8**	316,2
Cash generated by operations	**8 178,4**	8 857,5
33. WORKING CAPITAL CHANGES		
Net increase in current assets	**(142,7)**	(994,9)
Net increase/(decrease) in current liabilities	**27,8**	(163,6)
Net working capital changes	**(114,9)**	(1 158,5)
34. TAXATION PAID		
Balance at beginning of the year	**(117,6)**	(188,9)
Taxation charged for the year – excluding deferred taxation	**(541,3)**	(251,4)
Balance at end of the year	**344,8**	117,6
Taxation paid	**(314,1)**	(322,7)
35. DIVIDENDS PAID		
Final dividends declared on:		
– 5 September 2000 in respect of the year ended 30 June 2000	**(472,5)**	
– 15 September 1999 in respect of the year ended 30 June 1999		(130,3)
Interim dividend declared on:		
– 21 February 2001 in respect of the period ended 31 December 2000	**(189,0)**	
– 23 February 2000 in respect of the period ended 31 December 1999		(388,1)
	(661,5)	(518,4)

REPORT ON THE EMBEDDED VALUE OF MOMENTUM GROUP

This section of the annual report sets out the embedded value and the value of new business of Momentum Group Limited (Momentum Group) for the year ended 30 June 2001.

DEFINITION OF EMBEDDED VALUE

An embedded value is an estimate of the economic value of the company, excluding any goodwill that may be attributed to the value of future new business.

The embedded value is defined as:

- the shareholders' net assets (as disclosed in the actuarial balance sheet on page 141 of this annual report);
- plus the value of in-force insurance business less the opportunity cost of holding capital adequacy requirements 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 of the insurance business in-force at the calculation date. The opportunity cost of holding capital adequacy requirements reflects the fact that the expected long-term investment return on the assets backing the capital adequacy requirements is less than the return required by the shareholders, as reflected by the risk discount rate.

The embedded value calculations make allowance for the Four-Fund Tax basis. Allowance was also made for the effect of Capital Gains Tax, which will be introduced from 1 October 2001. Allowance has been made for STC on future dividends ultimately payable to shareholders.

EMBEDDED VALUE RESULTS

Embedded value

R million	**30 June 2001**	30 June 2000
Shareholders' net assets	**7 149**	6 803
Value of in-force insurance business	**3 157**	2 588
Value of in-force insurance business	**3 459**	2 875
Opportunity cost of capital adequacy requirements	**(302)**	(287)
Embedded value	**10 306**	9 391

Note: The market values of Discovery Holdings and African Life, as well as the directors' valuations of Momentum Advisory Service and FirstRand Asset Management form part of the shareholder's net assets as reflected above. Further details regarding the market values and directors' valuations of the subsidiaries and associate company are disclosed in note 31 to the annual financial statements.

VALUE OF NEW BUSINESS

The value of new business is a measure of the value added to the company as a result of writing new business. The value of new business is calculated as the present value (at point of sale) of the projected stream of future after-tax profits of the new insurance business sold during the financial year, after allowing for initial expenses. The value of new business is also appropriately reduced by the opportunity cost of holding the necessary capital adequacy requirements for new business.

Value of new business

R million	**30 June 2001**	30 June 2000
Value of new business:	**300**	197
Individual life	**247**	134
Employee benefits	**53**	63
Opportunity cost of capital adequacy requirements	**(15)**	(10)
Value of new business	**285**	187
Notional new business premiums [1]	**1 401**	1 272
Margin (%)	**20**	15

[1] Notional new business premiums are defined as recurring premiums plus 10% of single premiums.

Value of new business as a percentage of notional new business premiums

R million	Value of new business	Notional new business premiums	Margin %
Value of new business:			
Individual life	236	1 261	19
Employee benefits	49	140	35
Value of new business	285	1 401	20

RECONCILIATION OF NEW BUSINESS INFLOWS

The following table represents a reconciliation between the new business inflows used in the calculation of the value of new business, and that reflected in the new business table in the Report of the Chief Financial Officer on page 136.

New business inflows

R million	Annualised recurring premiums	Lump sum inflows
New business inflows as per the Report of the Chief Financial Officer on page 136	2 812	18 695
Less:		
Discovery recurring premiums	2 165	–
Individual life premium income not valued (ad hoc premiums)	–	127
Employee benefits premium income not valued	–	2 146
Linked product sales not valued	–	1 152
Unit trust sales not valued	–	8 055
Plus:		
Term extensions on maturing policies included in embedded value calculation	–	324
New business inflows in the embedded value report	647	7 539

EMBEDDED VALUE PROFITS

Embedded value profits represent the change in embedded value over the year, adjusted for any capital raised and dividends recommended. The embedded value profits for the twelve months ended 30 June 2001 are set out below.

Embedded value profits

	R million
Embedded value as at 30 June 2001	10 306
Embedded value as at 30 June 2000	9 391
Increase in embedded value	915
Plus recommended dividends[1]	419
Embedded value profits	1 334

[1] *Excludes the additional dividend of R200 million approved subsequent to the finalisation of the results, as mentioned in the Report of the Chief Financial Officer on page 134.*

Components of the embedded value profits

	R million	% return on embedded value
Value of new business	285	3,0
Expected profit on in-force business	417	4,5
Investment return on shareholders' net assets	554	5,9
Change in methodology and basis	(28)	(0,3)
Experience variations	106	1,1
Embedded value profits	1 334	14,2

The value of new business comprises the economic value of the new business written during the year, determined at the point of sale.

The expected profit on in-force business is determined by applying the risk discount rate to the value of in-force business at the beginning of the year and adding back the expected cost of the capital adequacy requirements over the year.

The change in methodology and basis is mainly due to the negative effect of allowing for capital gains tax.

The experience variations represent the impact on the embedded value of differences between the actual and expected experience during the year.

SENSITIVITY TO THE RISK DISCOUNT RATE

The risk discount rate appropriate to an investor depends on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future insurance profits of Momentum Group. The sensitivity of the embedded value and the value of new business to changes in the risk discount rate, is illustrated below:

Embedded value

	30 June 2001 Risk discount rate		
R million	13,5	14,5	15,5
Shareholders' net assets	7 149	7 149	7 149
Value of in-force insurance business:	3 502	3 157	2 826
Value of in-force insurance business	3 650	3 459	3 266
Opportunity cost of capital adequacy requirements	(148)	(302)	(440)
Embedded value	10 651	10 306	9 975

Value of new business

	Year ended 30 June 2001 Risk discount rate		
R million	13,5	14,5	15,5
Value of new business	313	300	288
Opportunity cost of capital adequacy requirements	(8)	(15)	(22)
Value of new business	305	285	266

Notes: The value of new business reflected above excludes the value of the new business written by Discovery.

ASSUMPTIONS

The same best estimate assumptions were used for the purpose of the embedded value calculations and the financial soundness valuation of Momentum Group. The main assumptions used in the embedded value calculations are described below:

Economic assumptions

The economic assumptions used were as follows:

	% per annum
Risk discount rate	14,5
Investment returns (before tax)	12,5
Expense inflation rate	8,5

The investment return assumption of 12,5% per annum was determined with reference to the market interest rate on South African government stocks at 30 June 2001. A notional long-term asset distribution was used to calculate a weighted expected investment return, by assuming the following premiums/(discounts) to the market interest rate of 11,1% per annum on South African government stocks as at 30 June 2001:

	% premium/ (discount)
Equities	2,0
Properties	1,0
Government stocks	0,0
Other fixed interest stocks	0,5
Cash	(1,0)

The future expense inflation assumption of 8,5% per annum was determined based on an assumed long-term differential of 4% relative to the future investment return assumption of 12,5% per annum.

Mortality, morbidity and discontinuance rates

The assumptions regarding future mortality, morbidity and discontinuance rates were based on the results of recent experience investigations. Allowance was also made for the expected impact of AIDS on a basis consistent with the recommendations of Professional Guidance Note (PGN) 105 of the Actuarial Society of South Africa.

Expenses

The maintenance expense assumptions were based on the results of recently conducted internal expense investigations. The expense assumptions are at a level sufficient to support the existing business on a going-concern basis.

Premium indexation arrangements

The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business, by using an expected take-up rate based on the results of recent experience investigations. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on the new business written during the financial year ended 30 June 2001.

Valuation of investments in subsidiaries and associate company

The same valuations were used for the subsidiaries and the associate company for the purpose of the embedded value and the financial soundness valuation of Momentum Group. These valuations are disclosed in note 31 to the annual financial statements.

The directors' valuation of FirstRand Asset Management as at 30 June 2001 excludes the value of any profits derived by managing assets on the balance sheet of Momentum Group. The value of these profits is included in the value of in-force insurance business and the value of new business.

Reserving bases

It was assumed that the current bases of calculating the policyholder liabilities would continue unchanged in future.

Surrender and paid-up bases

It was assumed that the current surrender and paid-up bases would be maintained in future.

Tax

Allowance was made for future tax based on the Four-Fund Tax dispensation. Allowance was made for the effect of Capital Gains Tax to be introduced with effect from 1 October 2001. It was assumed that Capital Gains Tax would not affect the opportunity cost of the capital adequacy requirements. Allowance was made for STC on future dividends ultimately payable to shareholders. No credit was taken in the embedded value for any tax losses within policyholder funds as at 30 June 2001.

SENSITIVITIES

This section illustrates the effect of different assumptions, other than in respect of the risk discount rate, on the value of in-force insurance business and the value of new business. For each sensitivity illustrated, all other assumptions have been left unchanged.

Value of in-force insurance business

R million	Value of in-force business	Change	% change
Base value	3 157		
Renewal expenses reduce by 10%	3 384	227	7
Expense inflation reduces from 8,5% to 7,5%	3 273	116	4
Policy discontinuance rates reduce by 10%	3 237	80	3
Mortality experience improves by 5%	3 467	310	10

Value of new business

R million	Value of new business	Change	% change
Base value	285		
Renewal expenses reduce by 10%	303	18	6
Expense inflation reduces from 8,5% to 7,5%	298	13	5
Policy discontinuance rates reduce by 10%	306	21	7

The above tables show the impact of improvements in the experience assumptions. The effect of equivalent deteriorations in the experience assumptions would be to reduce the values by an amount approximately equal to the increases shown above.

REPORT ON THE EMBEDDED VALUE OF MOMENTUM GROUP (CONTINUED)

REVIEW BY THE INDEPENDENT ACTUARIES

Southern African Actuarial Consultants have reviewed in detail the methodology and assumptions underlying the calculation of the embedded value and the value of new insurance business. They are satisfied that, based on the information supplied to them by Momentum Group, the methodology and assumptions are appropriate for the purpose of including the embedded value in this report, that these have been determined in accordance with generally accepted actuarial principles, that the approach has been applied consistently across the different business units and that the methodology and assumptions have been applied consistently over the year.

N A S KRUGER
BCom, FFA, FASSA
Statutory Actuary of Momentum Group Limited

ADMINISTRATION

MOMENTUM GROUP LIMITED
(Registration No 1904/002186/06)

REGISTERED OFFICE
Momentum
268 West Avenue
Centurion
0157

POSTAL ADDRESS
PO Box 7400
Centurion
0046

TELEPHONE
National (012) 671-8911
International +27 12 671-8911

TELEFAX
National (012) 671-8209
International +27 12 671-8209

WEBSITE
www.momentum.co.za

COMPANY SECRETARY
Francois Jooste

STATUTORY ACTUARY
Nicolaas Kruger

AUDITORS
PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill

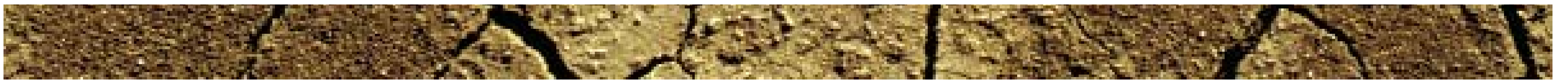
ANNUAL FINANCIAL STATEMENTS – FIRSTRAND LIMITED COMPANY

CONTENTS

FIRSTRAND

FINANCIAL IMAGINEERING

Imagine wonders created to last for centuries.



APPENDIX 1

BALANCE SHEET

as at 30 June

R million	Notes	Company 2001	Company 2000
ASSETS			
Investments			
Funds on deposit		**1,9**	4,2
Investment in subsidiaries	1, 13	**15 867,0**	13 276,2
Total investments		**15 868,9**	13 280,4
Current assets		**1,7**	–
Loan	2	**1 108,4**	1 108,4
Deferred taxation	3	**0,2**	–
Fixed assets	4	**–**	0,1
Total assets		**16 979,2**	14 388,9
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Current liabilities		**4,4**	20,2
Taxation		**1,3**	–
Total liabilities		**5,7**	20,2
Shareholders' funds			
Share capital and share premium	5	**9 594,9**	9 594,9
Reserves	6	**7 378,6**	4 773,8
Total shareholders' funds		**16 973,5**	14 368,7
Total liabilities and shareholders' funds		**16 979,2**	14 388,9

INCOME STATEMENT

for the year ended 30 June

R million	Notes	Company 2001	Company 2000
Investment income	7	**3 643,1**	3 104,9
Management and administration expenses	8	**(19,8)**	(16,1)
Taxation	9	**(41,0)**	(26,4)
Earnings attributable to ordinary shareholders		**3 582,3**	3 062,4
Earnings per share (cents)	11	**65,8**	56,2
Headline earnings per share (cents)	11	**67,9**	54,2
Dividend per share (cents)	10	**23,75**	19,0

CASH FLOW STATEMENT

for the year ended 30 June

R million	Notes	Company 2001	Company 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	12.1	**1 206,7**	959,7
Working capital changes	12.2	**(17,5)**	20,7
Cash inflow from operations		**1 189,2**	980,4
Taxation paid	12.3	**(39,9)**	(40,0)
Dividends paid	12.4	**(1 157,1)**	(925,7)
Net cash (outflow)/inflow from operating activities		**(7,8)**	14,7
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Net investment in subsidiaries		**5,4**	(20,4)
Proceeds on sale/(purchase) of fixed assets		**0,1**	(0,1)
Net cash inflow/(outflow) from investment activities		**5,5**	(20,5)
Decrease in cash and cash equivalents		**(2,3)**	(5,8)
Cash and cash equivalents at the beginning of the year		**4,2**	6 976,8
Transfer of insurance business to Momentum Group Limited		**–**	(6 966,8)
Cash and cash equivalents at the end of the year		**1,9**	4,2

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital (Note 5)	Share premium (Note 5)	Convertible debentures	Retained earnings (Note 6)	Non-distributable reserves (Note 6)	Total shareholders' funds
Balance at 1 July 1999						
– As previously stated	54,4	8 432,1	350,0	1 950,2	227,2	11 013,9
– Provision for dividends	–	–	–	435,6	–	435,6
– Provision for STC	–	–	–	34,1	–	34,1
– Restatement of debenture structure	–	–	(350,0)	–	–	(350,0)
Restated balance at 1 July 1999	54,4	8 432,1	–	2 419,9	227,2	11 133,6
Preference shares issued	1,4	1 107,0	–	–	–	1 108,4
Net losses not recognised in the income statement	–	–	–	–	(10,0)	(10,0)
Earnings attributable to shareholders	–	–	–	3 062,4	–	3 062,4
Dividends	–	–	–	(925,7)	–	(925,7)
Transfer (to)/from reserves	–	–	–	(39,5)	39,5	–
Balance at 30 June 2000	55,8	9 539,1	–	4 517,1	256,7	14 368,7
Balance at 1 July 2000	**55,8**	**9 539,1**	**–**	**4 517,1**	**256,7**	**14 368,7**
Net gains not recognised in the income statement	**–**	**–**	**–**	**–**	**179,6**	**179,6**
Earnings attributable to shareholders	**–**	**–**	**–**	**3 582,3**	**–**	**3 582,3**
Dividends	**–**	**–**	**–**	**(1 157,1)**	**–**	**(1 157,1)**
Balance at 30 June 2001	**55,8**	**9 539,1**	**–**	**6 942,3**	**436,3**	**16 973,5**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

R million		Company 2001	Company 2000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at net asset value	**15 852,0**	13 255,8
	Amounts owing by subsidiaries	**15,0**	20,4
		15 867,0	13 276,2
2.	**LOAN**		
	OutPerformance share incentive scheme loan	**1 108,4**	1 108,4
	This loan is repayable by the FirstRand Limited Trust upon conversion of the preference shares into ordinary shares. If the conditions for conversion are not met, the loan and preference shares will be cancelled. The return on the loan is linked to the preference share dividend.		
3.	**DEFERRED TAXATION**		
	Balance at the beginning of the year	**–**	–
	Charge for the year		
	Relating to provisions in the current year	**0,2**	–
	Balance at the end of the year	**0,2**	–
4.	**FIXED ASSETS**		
	Motor vehicles – cost		
	At beginning of the year	**0,1**	–
	Additions	**–**	0,1
	Disposals	**(0,1)**	–
	At the end of the year	**–**	0,1
5.	**SHARE CAPITAL AND SHARE PREMIUM**		
	Share capital		
	Authorised		
	6 228 000 000 ordinary shares of 1 cent each (2000: 6 228 000 000)	**62,3**	62,3
	272 000 000 “A” variable rate, convertible, redeemable, cumulative preference shares of 1 cent each (2000: 272 000 000)	**2,7**	2,7
	Issued		
	Balance at the beginning of the year		
	5 445 303 089 ordinary shares of 1 cent each (2000: 5 445 303 089)	**54,4**	54,4
	136 000 000 “A” variable rate, convertible, redeemable, cumulative preference shares of 1 cent each	**1,4**	–
		55,8	54,4
	Shares issued during the year		
	136 000 000 “A” variable rate, convertible, redeemable, cumulative preference shares of 1 cent each	**–**	1,4
	Balance at the end of the year	**55,8**	55,8
	Share premium		
	Balance at the beginning of the year	**9 539,1**	8 432,1
	Arising on the issue of preference shares	**–**	1 107,0
	Balance at the end of the year	**9 539,1**	9 539,1
	Share capital and share premium	**9 594,9**	9 594,9

R million	Company 2001	Company 2000
6. RESERVES		
Retained earnings		
Balance at the beginning of the year	**4 517,1**	2 419,9
Earnings attributable to ordinary shareholders	**3 582,3**	3 062,4
Dividend for the year	**(1 157,1)**	(925,7)
Transfer to non-distributable reserves	**–**	(39,5)
Balance at the end of the year	**6 942,3**	4 517,1
Non-distributable reserves		
Non-distributable reserves relating to:		
Banking operations	**361,4**	189,8
Currency translation reserve	**354,5**	220,2
Revaluation of investments	**4,9**	0,1
Other	**2,0**	(30,5)
Insurance operations	**74,9**	66,9
Currency translation reserve	**15,7**	9,0
Revaluation of investments	**6,8**	5,6
Reserve on capitalisation of subsidiary	**50,8**	50,8
Other	**1,6**	1,5
Total non-distributable reserves	**436,3**	256,7
Total reserves	**7 378,6**	4 773,8
7. INVESTMENT INCOME		
Investment income earned in respect of:		
Dividends – unlisted shares	**1 206,5**	959,1
Interest-bearing investments, fees and income from subsidiaries	**2 436,6**	2 145,8
	3 643,1	3 104,9
8. MANAGEMENT AND ADMINISTRATION EXPENSES		
Included in management and administration expenses are the following:		
Auditors' remuneration		
Audit fees – current year	**0,4**	0,4
Operating lease charges		
Land and buildings	**0,6**	0,4
Equipment	**0,9**	0,5
	1,5	0,9
9. TAXATION		
South African normal taxation	**1,3**	–
Current	**1,5**	–
Deferred	**(0,2)**	–
Secondary taxation on companies ("STC")	**39,7**	26,4
	41,0	26,4

for the year ended 30 June

R million	**Company 2001**	Company 2000
9. TAXATION (continued)		
Tax rate reconciliation	**%**	**%**
Effective rate of taxation	**1,1**	0,9
Equity accounted earnings	**20,0**	20,7
Dividends received	**10,0**	9,3
Secondary taxation on companies	**(1,1)**	(0,9)
Standard rate of taxation	**30,0**	30,0
10. DIVIDENDS		
An interim dividend of 11,25 cents (2000: 9,0 cents) per share was declared on 27 February 2001 in respect of the six months ended 31 December 2000, payable to shareholders registered in the books of the company at the close of business on 16 March 2001.	**612,6**	490,1
A final dividend of 12,5 cents (2000: 10,0 cents) per share was declared on 6 September 2001, payable to shareholders registered in the books of the company at the close of business on 12 October 2001	**680,7**	544,5
	1 293,3	1 034,6
11. EARNINGS PER SHARE		
Attributable earnings basis		
Earnings per share is based on the earnings attributable to ordinary shareholders and the weighted number of ordinary shares in issue. Earnings attributable to ordinary shareholders amounted to R3 582,3 million (2000: R3 062,4 million) and the weighted average number of ordinary shares in issue during the year amounted to 5 445 303 089 (2000: 5 445 303 089).		
Headline earnings basis		
Headline earnings per share is based on the earnings attributable to ordinary shareholders, adjusted for items of a non-trading nature, and the weighted average number of ordinary shares in issue.		
Headline earnings reconciliation		
Net income after tax attributable to ordinary shareholders	**3 582,3**	3 062,4
Exceptional items in respect of African Life	**47,3**	–
Portion of goodwill written off	**36,7**	6,3
Effect of insurance transitional tax on prior years	**30,6**	34,6
Disposal of shares in subsidiary	**–**	(149,5)
Headline earnings attributable to ordinary shareholders	**3 696,9**	2 953,8
12. CASH FLOW INFORMATION		
12.1 Cash generated by operations		
Net income after taxation attributable to shareholders	**3 582,3**	3 062,4
Adjustment for non-cash items and taxation	**(2 375,6)**	(2 102,7)
	1 206,7	959,7
12.2 Working capital changes		
Increase in current assets	**(1,7)**	–
(Decrease)/increase in current liabilities	**(15,8)**	20,7
Net working capital changes	**(17,5)**	20,7

R million	**Company 2001**	Company 2000
12. CASH FLOW INFORMATION (continued)		
12.3 Taxation paid		
Balance at the beginning of the year	**–**	(118,2)
Taxation charged for the year – excluding deferred taxation	**(41,2)**	(26,4)
Transfer of insurance business to Momentum Group Limited	**–**	104,6
Balance at the end of the year	**1,3**	–
Taxation paid	**(39,9)**	(40,0)
12.4 Dividends paid		
Final dividend declared on:		
– 7 September 2000 in respect of the year ended 30 June 2000	**(544,5)**	
– 17 September 1999 in respect of the year ended 30 June 1999		(435,6)
Interim dividend declared on:		
– 27 February 2001 in respect of the period ended 31 December 2000	**(612,6)**	
– 29 February 2000 in respect of the period ended 31 December 1999		(490,1)
Dividends paid	**(1 157,1)**	(925,7)

	Effective percentage holding		Investment of holding company: Amounts owing by/(to) subsidiaries		Investment of holding company: Shares at net asset value	
	2001 %	2000 %	**2001 Rm**	2000 Rm	**2001 Rm**	2000 Rm
13. ANALYSIS OF INVESTMENT IN SUBSIDIARIES						
Banking operations						
FirstRand Bank Holdings Limited	**100**	100	**12,0**	38,0	**9 883,1**	7 464,5
Insurance operations						
Momentum Group Limited	**100**	100	**3,0**	(17,6)	**5 968,9**	5 791,3
			15,0	20,4	**15 852,0**	13 255,8
Total interest in subsidiaries					**15 867,0**	13 276,2

14. COMPARATIVE FIGURES

Comparative figures have been restated where necessary to afford proper comparison.

APPENDIX 2
DIRECTORS' DETAILS

GERRIT THOMAS FERREIRA (53)
BCom (Hons), (B&A), MBA
Chairman

"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 and was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank Limited ("RMB") in 1985 and he was Managing Director of RMB from 1985 to 1988 after which he was elected as Chairman. He is also Chairman of RMB Holdings Limited and FirstRand Limited. He serves on several other boards, including the Industrial Development Corporation, Malbak Limited, University of Stellenbosch and Glenrand MIB Limited and is also a member of the Board of the Open Society of South Africa.

LAURITZ LANSER DIPPENAAR (52)
MCom, CA(SA)
Chief Executive Officer

Laurie Dippenaar graduated from Pretoria University, qualified as a chartered accountant with Aitken & Carter (now KPMG) and spent a few years with the Industrial Development Corporation before becoming co-founder of Rand Consolidated Investments Limited ("RCI"). RCI acquired control of Rand Merchant Bank Limited ("RMB") in 1985 and he became an Executive Director. He was appointed Managing Director in 1988, which position he held until 1992 when RMB Holdings Limited ("RMBH") acquired a controlling interest in Momentum Life Assurers Limited, the fifth largest insurance company in South Africa at that time, and he was appointed as Executive Chairman of that company, a position he held until being appointed Chief Executive Officer of FirstRand Limited in 1998. He is also a Director of RMBH as well as various other group companies.

BARRY HILTON ADAMS (65)
CA(SA)

Barry Adams is a chartered accountant who retired as Country Managing Partner of Arthur Andersen in 1991. He has been a Non-Executive Director of RMB Holdings Limited since 1993 and has served on the boards of the main group companies as well as being Chairman of the RMBH, FirstRand and Momentum Group audit committees. He is also a Non-Executive Director of a number of other companies including Specialised Outsourcing Limited and Tiger Brands Limited.

VIVIAN WADE BARTLETT (58)
AMP (Harvard), FIBSA

Viv Bartlett started his career with Barclays Bank DCO South Africa, which became First National Bank of SA Limited in 1987. After some four years of overseas secondments he returned to South Africa in 1972 where he has 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 SA Limited in 1996. He now holds the position of Deputy Chief Executive Officer of FirstRand Bank Limited and is also a Director of FirstRand Bank Holdings Limited and Momentum Group Limited, as well as various other group companies. He is Chairman of the CEMEA Regional Board of Visa and an Executive Committee member of Visa International.

DAVID JOHN ALASTAIR CRAIG (53)
British

David Craig was educated at Ampleforth College, York, UK whereafter he joined Hambros Bank and ultimately held the position of Director – International Capital Markets Division until 1979 when he left to join JP Morgan Securities as a co-founder. In 1983, holding the position of Deputy Chief Executive (Chief Executive Designate), he left to take up the position of Group Managing Director at IFM Trading Limited until the time of its sale to the J Rothschild Group in 1994. He is Chairman and Chief executive of Northbridge Management Limited in the UK and now serves as Non-Executive Chairman of Numis Corporation Limited, a UK quoted financial group, and also as a Non-Executive director of Savills PLC.

PATRICK MAGUIRE GOSS (53)
BEcon (Hons), BAccSc (Hons), CA(SA)

Pat Goss, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students (AISEC), representing South Africa in The Hague and Basle. He thereafter qualified as a chartered accountant with Ernst and Young and then joined the Industrial Development Corporation. In 1977 he was a co-founder of Rand Consolidated Investments Limited ("RCI") which successfully merged with Rand Merchant Bank Limited in 1985. A former Chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and Boxer Cash and Carry (Pty) Limited. He has been a Non-Executive Director of RMB Holdings Limited and Rand Merchant Bank Limited since 1985 and other prominent board memberships include Anglovaal Industries Limited, McCarthy Retail Limited and Relyant Retail Limited.

PAUL KENNETH HARRIS (51)
MCom

Paul Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation where he served for a number of years. He was a co-founder of Rand

Consolidated Investments Limited ("RCI"). RCI acquired control of Rand Merchant Bank Limited ("RMB") in 1985 and he became an Executive Director of the bank. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 where he was appointed Deputy Managing Director of RMB. In 1992 he took over as Managing Director and Chief Executive Officer. He has been Chief Executive Officer of FirstRand Bank Limited since July 1999 and serves on the boards of various other group companies.

MICHAEL WALLIS KING (64)
CA(SA), FCA

Mike King was educated at St John's College and the University of Witwatersrand, and qualified as a chartered accountant with Deloittes (now Deloitte and Touche). In 1961 he joined Union Acceptances Limited (now Nedcor Investment Bank). He was Deputy Managing Director from 1972 to 1974 when he left to join Anglo American Corporation of South Africa Limited. He became Deputy Chairman of the Corporation in 1997 and Vice-Chairman of Anglo American plc in 1999, and was also a member of both companies' executive committees. He is a director of a number of group companies.

SATHYANDRANATH RAGUNANAN MAHARAJ (66)
BA, BAdmin

"Mac" Maharaj graduated at Natal University and studied law for two years at the London School of Economics. He obtained his second degree from the University of South Africa while imprisoned on Robben Island. He has been politically active all his life, having been an activist, a detainee, political prisoner, an exile and an underground commander, and then a negotiator and finally a cabinet minister in South Africa's first democratically elected government. He retired from Parliament and Government after the 1999 general elections and was thereafter appointed to the boards of FirstRand and FirstRand Bank Holdings Limited. He recently edited and published a collection of essays written in Robben Island prison under the title "Reflections in Prison".

KHEHLA CLEOPAS SHUBANE (45)
BA (Hons)

Khehla Shubane graduated at the University of the Witwatersrand. Earlier he was a student at the University of the North where his studies were terminated following his arrest, conviction and sentence which he served on Robben Island. Upon his release he was employed at Liberty Life for a short tenure. He served on various political organisations until joining the Centre for Political Studies in 1988. He has been the co-author of several political publications and is a member of the Board of the Centre for Policy Studies. He was appointed as a Director of RMB Holdings Limited, Rand Merchant Bank Limited and Momentum Life Assurers Limited in 1993.

BENEDICT JAMES VAN DER ROSS (54)
Dip Law (UCT)

Ben van der Ross completed a diploma in Law as the University of Cape Town, whereafter he was admitted to the Cape Side Bar as an Attorney and Conveyancer. Thereafter he practised 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 was appointed to the board of The Southern Life Association Limited in 1986 and is also a Non-Executive Director of Nasionale Pers Beperk and Pick 'n Pay Stores Limited. He is also chairman of Western Cape Property Company Limited, Bonatla Property Holdings Limited, and Intersite Property Management Services (Pty) Limited.

ROBERT ALBERT WILLIAMS (60)
BA, LLB

Robbie Williams qualified at 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 Oats Limited and in 1985 assumed Chairmanship of CG Smith Foods and Tiger Oats Limited and was appointed to the board of Barlow Rand Limited. Following the unbundling of CG Smith Limited, he is currently chairman of Tiger Brands Limited and Illovo Sugar Limited. He has been on the board of FirstRand Bank Limited (formerly First National Bank of Southern Africa Limited) since 1988 and also serves on the board of Mutual & Federal Assurance Company Limited.

DENIS MARTIN FALCK (55)
CA(SA)

Denis Falck left the auditing profession in 1971 to join the Rembrandt Group. He was appointed Group Financial Director in 1990 and currently holds the same portfolio on the board of Remgro Limited. He is also a non-executive director of a number of Remgro's associated companies, including RMB Holdings Limited. He was a director of Momentum Life Assurers Limited from 1990 to 1992.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourth annual general meeting of FirstRand Limited will be held in the auditorium, 18th Floor, 1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton on 26 November 2001 at 09:30.

AGENDA

1. To receive and consider the annual financial statements for the year ended 30 June 2001 and the reports of the directors and the auditors thereon.

2. ELECTION OF DIRECTORS

2.1 To elect directors in the place of the following directors who retire by rotation and in terms of the articles of association of the company:
Messrs B H Adams, D M Falck, G T Ferreira, B J van der Ross and R A Williams

These directors are all eligible and available for re-election.

2.2 To elect the following new directors who have accepted nomination and are eligible for election:

Messrs C Ramaphosa and F van Zyl Slabbert.

3. To confirm the directors' fees paid by the company for the year ended 30 June 2001 and to determine any change therein for the year commencing 1 July 2001.

4. To re-appoint PricewaterhouseCoopers Inc as auditors of the company until the forthcoming annual general meeting.

5. To authorise the directors to fix and pay the auditor's remuneration for the year ended 30 June 2001.

6. SPECIAL BUSINESS

6.1 To consider and, if approved, pass the following special resolutions to amend the articles of association of the company

6.1.1 SPECIAL RESOLUTION NO 1

Resolved:

that, subject to the provisions of the Companies Act and the JSE Listings Requirements, the articles of association of the company be and are hereby amended by the insertion of the following new Article 9.7.5 after the existing Article 9.7.4:

9.7.5 Notwithstanding anything to the contrary contained in the articles, subject to the Act and the JSE Listings Requirements any share transactions may be conducted fully electronically.

The reason and effect of this special resolution is to amend the articles of association of the company so that share transactions of the company can be concluded electronically.

6.1.2 SPECIAL RESOLUTION NO 2

Resolved:

that, subject to the provisions of the Companies Act and the JSE Listings Requirements, the articles of association of the company be and are hereby amended by the insertion of the following new Article 24.1.6 after the existing Article 24.1.5

24.1.6 Notwithstanding anything to the contrary contained in the articles, subject to the Act and the JSE Listings Requirements, the company is authorised to deliver shareholder information and notices by electronic media such as facsimiles, e-mail, bulletin boards, internet websites and computer networks.

The reason and effect of Special Resolution No 2 is to amend the articles of association of the company so that notices and shareholder information may be delivered by electronic medium.

6.2 To consider and, if approved, pass the following Special Resolution No 3 to authorise the company to repurchase its own shares.

Resolved:

That subject to the provisions of the Companies Act, as amended, and the JSE Listings Requirements, the board of directors be authorised, up to and including the date of the following annual general meeting, to approve the purchase of its own shares by the company on the open market of the JSE, provided that:

- the general authority shall not extend beyond 15 months from the date of this resolution;
- the general authority to repurchase be limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted;

- the repurchases must not be made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date the repurchases were agreed, and the company and the group will be able to pay their debts for the next year;

- the consolidated assets of the company, fairly valued in accordance with Generally Accepted Accounting Practice will be in excess of the consolidated liabilities of the company and the group for the next year;

- the company will have adequate capital and reserves for the next year; and

- the working capital of the company and the group will be adequate for the next year's operations.

The reason and effect of this special resolution is to enable the board of directors, up to and including the date of the next annual general meeting, to approve the purchase of its own shares by the company, subject to the limitations included in the special resolution.

6.3 To consider and, if approved, pass the following resolutions as ordinary resolutions, with or without amendment, placing the unissued shares under control of the directors and giving a specific authorisation for the directors to issue shares for cash.

Resolved:

6.3.1 that the unissued shares in the company be and are hereby placed under control of the directors until the forthcoming annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the articles of association of the company and the JSE Listing Requirements.

6.3.2 that the directors of the company be given a general authority in terms of the JSE Listings Requirements to issue ordinary shares for cash as and when situations arise, subject to the following limitations:

- that this authority shall be valid until the company's next annual general meeting provided that it shall not extend beyond fifteen months from the date of this annual general meeting;

- that 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 the issue;

- that issues in the aggregate in any one financial year will not exceed 15% of the number of ordinary shares of the company's share capital;

- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the ordinary shares on the JSE Securities Exchange South Africa, as determined over the thirty business days prior to the date that the price of the issue is determined or agreed by the directors; and

- that the issue must be made to public shareholders as defined by paragraphs 4.26 and 4.27 of the JSE Listings Requirements.

A 75% majority of votes cast by shareholders present or represented by proxy is required for this resolution.

PLEASE NOTE

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and on a poll to vote in his stead.

2. In the event of a poll, a shareholder or his proxy shall have one vote for every share held.

3. The signed proxy must reach the offices of the company not later than 24 hours before commencement of the meeting.

By order of the board

P F DE BEER (FCIS)
Company secretary

6 September 2001

ANALYSIS OF MAJOR SHAREHOLDERS

at 30 June 2001

Name	Number of shares	% of issued shares
RMB Holdings Limited	1 787 629 950	32,83
Financial Securities Limited (Remgro)	507 636 856	9,32
Standard Bank Nominees (Tvl) (Pty) Limited	945 579 198	17,37
Nedcor Bank Nominees (Pty) Limited	417 004 907	7,66
First National Nominees (Pty) Limited	411 792 375	7,56
Anglo American Corporation of SA Limited	285 673 158	5,25
CMB Nominees (Pty) Limited	202 796 200	3,72

RMB Holdings Limited, Financial Securities Limited (Remgro) and Anglo American Corporation of SA Limited are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the company. The nominee companies mentioned above are registered shareholders in the company but hold the shares on behalf of other beneficial owners, none of which individually own more than 5%.

PERFORMANCE ON THE JSE SECURITIES EXCHANGE

for the year ended 30 June

	2001	2000
Shares traded ('000)	**1 285 795**	1 323 013
Price (cents)		
– Highest	**874**	1 010
– Lowest	**620**	550
– Closing price	**861**	700

SHAREHOLDERS' DIARY

REPORTING

Financial year-end	30 June 2001
Announcement of results for 2001	10 September 2001
Annual report posted by	2 November 2001
Annual general meeting	26 November 2001

DIVIDENDS

Final for 2001

– Declared	6 September 2001
– Last day to register	12 October 2001
– Payable	31 October 2001

Interim for 2002

– Declared	February 2002
– Payable	March 2002

ADMINISTRATION

FIRSTRAND LIMITED

(Registration No 1966/010753/06)
Share code: FSR ISIN code ZAE0000 14973 ("FSR")

COMPANY SECRETARY

Frik de Beer (FCIS)

REGISTERED OFFICE

17th Floor
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton
2196

POSTAL ADDRESS

PO Box 786273
Sandton
2146

TELEPHONE

National (011) 282-1808
International +27 11 282-1808

TELEFAX

National (011) 282-8065
International +27 11 282-8065

WEBSITE

www.firstrand.co.za

SPONSOR
(In terms of JSE Listings Requirements)

RMB Corporate Finance
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton
2196

TELEPHONE

National (011) 282-1075
International +27 11 282-1075

TELEFAX

National (011) 282-8215
International +27 11 282-8215

STATUTORY VALUATOR OF MOMENTUM GROUP LIMITED

Nicolaas Kruger

AUDITORS

PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill

TRANSFER SECRETARIES

Computershare Services Limited
2nd Floor, "Edura"
41 Fox Street
Johannesburg
2000

PO Box 61051
Marshalltown
2107

TELEPHONE

National (011) 370-7700
International +27 11 370-7700

TELEFAX

National (011) 836-0792
International +27 11 836-0792

PROXY FORM

FIRSTRAND

(Reg No 1966/010753/06)

I/We, the undersigned

of

being the registered holder of

ordinary shares in FirstRand Limited, hereby appoint/s (see note 1)

1. or failing him

2. or failing him

3. the chairperson of the meeting, as my proxy to be present and act on my behalf, speak and on a poll vote on my behalf as indicated below at the annual general meeting of shareholders of the company to be held at 09:30 on Monday, 26 November 2001 and at any adjournment thereof (see Note 2).

		Number of votes (one vote per ordinary share)		
		In favour of	Against	Abstain
1.	Resolution to adopt the annual financial statements			
2.1	Resolution to re-elect the retiring directors who are available for re-election			
2.2	Resolution to elect two new directors who have accepted nomination			
3.	Resolution to confirm the directors' fees and determine changes therein			
4.	Resolution to reappoint the auditors			
5.	Resolution to authorise the directors to fix and pay the auditors' remuneration			
6.1.1	Special Resolution No 1 to amend the articles of association to allow fully electronic share transactions			
6.1.2	Special Resolution No 2 to amend the articles of association to allow distribution of shareholder information by electronic media			
6.2	Special Resolution No 3 giving general authority until next annual general meeting for company to repurchase its own shares			
6.3.1	Resolution to place unissued shares under control of directors			
6.3.2	Resolution giving general authority in terms of JSE Listings Requirements for directors to issue ordinary shares for cash			

Instructions to my proxy are indicated by the number of shares into the appropriate boxes.

2001

Signature of registered shareholder (assisted by me as applicable) Date

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

NOTES

1. Each ordinary shareholder is entitled to appoint one more proxies (none or whom need to be a member of the company) to attend, speak, and in a poll, vote in place of that ordinary shareholder at the general meeting, by inserting the name of a proxy or the names of two alternate proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. An ordinary shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that ordinary shareholder in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the general meeting, or any other proxy to vote or to abstain from voting at the general meeting, as he deems fit, in respect of all the ordinary shareholder's votes exercisable thereat.

3. An ordinary shareholder or his proxy is not obliged to vote in respect of all the ordinary shares held or represented by him but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the ordinary shareholder or this proxy is entitled.

4. Forms of proxy duly completed and signed by the shareholder (and accompanied by a notarially certified copy of the power of attorney authorising the signature, where applicable) must be lodged with or posted to Computershare Services Limited, 2nd Floor, Edura Building, 41 Fox Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 16:00 on Thursday, 22 November 2001. Proxies not deposited timeously shall be treated as invalid.

5. The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such ordinary shareholder wish to do so.

FIRSTRAND

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