unaudited interim results for the six months ended 31 December 2006

integrated financial services

FIRSTRAND

FirstRand Group

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FIRSTRAND

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Certain companies within the FirstRand Group are Authorised Financial Services Providers

This circular is available on our website: **www.firstrand.co.za**
E-mail questions to: **asktheCFO@firstrand.co.za**

A booklet containing supplementary information on the Banking Group is available on our website or on request from the company secretary's office.

Introduction

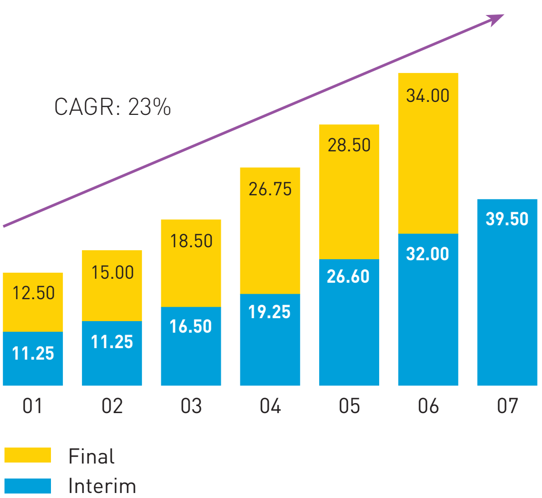
This report covers the financial results of FirstRand Limited ("FirstRand" or "the Group") and deals with the financial and operating performance of its main brands. The Group consists of a portfolio of leading brands; these are First National Bank ("FNB"), the retail and commercial bank, Rand Merchant Bank ("RMB"), the investment bank, WesBank, the instalment finance business, Momentum, the life insurance business and Discovery, the health and life business.

FirstRand owns these businesses through various legal entities. Comprehensive reports on the Banking and the Momentum Groups, both of which are wholly owned, are included in this circular and should be read in conjunction with this report. The Discovery Group, which is a 57% subsidiary of FirstRand, is separately listed on the JSE and produces an independent report to shareholders.

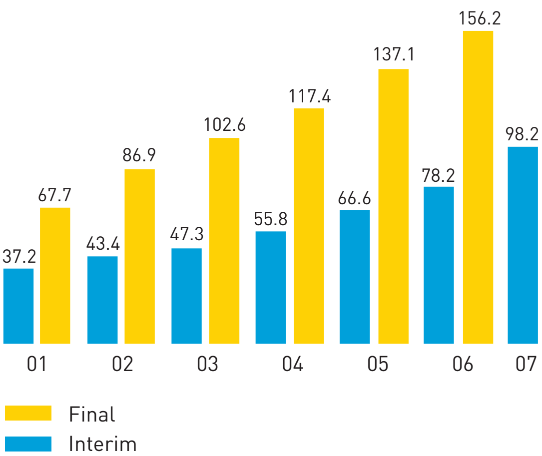
Financial highlights

Unaudited	% change
Headline earnings	+26
Diluted headline earnings per share	+25
Normalised earnings	+26
Diluted normalised earnings per share	+26
Ordinary dividend per share	+23
Total assets under management or administration	+20

Ordinary dividend per share
(Cents per share)



Diluted normalised earnings per share – unaudited
(Cents per share)



No compound normalised earnings growth calculated due to earnings pre 05 not being IFRS compliant and thus not comparable.

Key financial results and ratios

R million	Unaudited Six months ended 31 December **2006**	2005	% change	Audited Year ended 30 June 2006
FirstRand Limited				
Normalised earnings (unaudited)	**5 539**	4 407	26	8 958
Headline earnings	**4 569**	3 636	26	8 115
Attributable earnings to ordinary shareholders	**5 381**	4 080	32	8 825
Normalised net asset value (unaudited)	**41 545**	33 064	26	37 803
Normalised return on equity (%) (unaudited)	**27.9**	26.9		25.1
Normalised price to book (times) (unaudited)	**2.76**	2.77		2.52
Assets under management or administration	**835 699**	696 975	20	771 884
Normalised earnings per share (cents) (unaudited)				
– Basic	**98.3**	78.5	25	156.4
– Diluted	**98.2**	78.2	26	156.2
Headline earnings per share (cents)				
– Basic	**88.1**	71.1	24	157.8
– Diluted	**85.6**	68.7	25	152.6
Earnings per share (cents)				
– Basic	**103.8**	79.8	30	171.6
– Diluted	**100.8**	77.1	31	166.0
Dividend per share (cents)	**39.5**	32.0	23	66.0
Target ordinary dividend cover (times)	**2.3 to 2.5**	2.3 to 2.5		2.3 to 2.5
Dividend on non cumulative non redeemable preference shares (cents)				
– B Class (68% of FNB Prime lending rate)	**772.7**	37.0		719.0
– B1 Class (68% of FNB Prime lending rate)	**772.7**	37.0		719.0
Number of shares in issue (number)	**5 634 951 569**	5 615 032 468		5 634 120 503
Weighted average number of shares in issue for normalised earnings calculation (number)	**5 634 536 036**	5 614 299 711		5 619 116 466
Diluted weighted average number of shares in issue for diluted normalised earnings calculation (number)	**5 638 788 043**	5 638 514 836		5 625 923 841

R million	Unaudited Six months ended December 2006	Unaudited Six months ended December 2005	% change	Audited Year ended June 2006
Attributable earnings to ordinary shareholders	**5 381**	4 080	32	8 825
Headline earnings adjustments	**(812)**	(444)		(710)
Less: Profit on disposal of equity accounted private equity associates	**(308)**	(294)		(219)
Less: Profit on sale of available-for-sale financial assets	**(505)**	(169)		(360)
Add: Impairment of property and equipment	**–**	–		1
Less: Profit on sale of shares in subsidiary	**–**	–		(37)
Less: Profit on sale of associate	**–**	(82)		(92)
Less: Net asset value in excess of purchase price of subsidiaries	**–**	–		(22)
Add: Loss on sale of assets	**1**	–		19
Add: Impairment of goodwill	**–**	101		–
Headline earnings	**4 569**	3 636	26	8 115
Normalised earnings adjustments	**970**	771		843
Private equity realisation	**308**	294		219
Settlement with national treasury	**–**	27		30
Discovery BEE transaction	**11**	96		102
IFRS 2 share based payments	**180**	37		168
Treasury shares	**342**	251		352
– Adjustment for effective shareholding in Discovery	**(21)**	(14)		(28)
– Consolidation of staff share schemes	**268**	134		383
– FirstRand shares held by policyholders	**95**	131		(3)
Adjustment of listed property subsidiary and associate to net asset value	**129**	66		(28)
Normalised earnings (unaudited)	**5 539**	4 407	26	8 958
Earnings per share (cents)				
– Basic	**103.8**	79.8	30	171.6
– Diluted	**100.8**	77.1	31	166.0
Headline earnings per share (cents)				
– Basic	**88.1**	71.1	24	157.8
– Diluted	**85.6**	68.7	25	152.6
Normalised earnings per share (cents)				
– Basic	**98.3**	78.5	25	156.4
– Diluted	**98.2**	78.2	26	156.2
Ordinary dividend per share (cents)				
– Interim	**39.5**	32.0	23	32.0
– Final	**–**	–		34.0
Total	**39.5**	32.0	23	66.0
Dividend information				
Non-cumulative non-redeemable preference dividend per share (cents)				
"B" preference share				
– 27 February 2007/28 February 2006	**409.676**			356.000
– 28 August 2006/29 August 2005	**363.000**	37.000		363.000
Total	**772.676**	37.000		719.000
"B1" preference share				
– 27 February 2007/28 February 2006	**409.676**	–		356.000
– 28 August 2006/29 August 2005	**363.000**	37.000		363.000
Total	**772.676**	37.000		719.000
Ordinary dividends declared	**2 226**	1 797	24	3 718
Non-cumulative non-redeemable preference share dividends declared	**163**	114	43	274

R million	Unaudited Six months ended December **2006**	2005	% change
Normalised earnings	5 539	4 407	26
Attributable earnings to ordinary shareholders	5 381	4 080	32
Normalised net asset value	41 545	33 064	26
Normalised return on equity (%)	27.9	26.9	
Assets under management or administration	835 699	696 975	20
Normalised earnings per share (cents)			
– Basic	98.3	78.5	25
– Diluted	98.2	78.2	26

FINANCIAL PERFORMANCE

The table below represents the normalised earnings of the major groups within FirstRand:

R million	Unaudited Six months ended December **2006**	2005	% change
Banking Group	4 752	3 680	29
Momentum Group	799	731	9
Discovery Group	220	183	20
FirstRand	(69)	(73)	5
Dividend payment on non-cumulative non-redeemable preference shares	(163)	(114)	(43)
Normalised earnings	5 539	4 407	26

FirstRand produced excellent results for the six months to 31 December 2006, growing normalised earnings 26%. The banking businesses continued to benefit from a strong economic environment with RMB delivering an outstanding 75% increase in normalised earnings. FNB benefited from continued demand for retail and commercial lending and strong transaction volumes, growing normalised earnings 26%. WesBank's profitability was impacted by its investment in its offshore operations, although the local businesses still performed well.

The Momentum Group increased normalised earnings 9% to R799 million. However, after adjusting for the impact of the R1.2 billion special dividends paid to FirstRand, normalised earnings would have increased 13%.

Discovery Group's financial performance reflects the consistent and strong performance of Discovery's underlying businesses. Operating profit increased 40% before investment income, tax and the impact of its BEE transaction to R530 million (2005: R379 million).

OPERATING ENVIRONMENT

The South African financial services environment remained very favourable in the six months to 31 December 2006, reflecting a period of strong economic activity, relative Rand stability, contained inflationary pressures, higher domestic interest rates and very strong equity markets.

The Rand strengthened 2.4%, from a level of R7.15: US$1 at 30 June 2006, to R6.98: US$1 at 31 December 2006, largely due to renewed appetite for emerging market assets, with strong foreign flows into the local equity and bond markets. CPIX remained within the South African Reserve Bank's targeted range of 3% to 6%, averaging 5% during the period under review.

Both consumer and business confidence remained strong and rapid rates of consumption expenditure and fixed investment resulted in year on year growth in private sector credit extension of 25%, driven by corporate and households' credit demand.

During the period, the central bank continued to raise interest rates with three increases of 50 basis points in August, October and December 2006. Although at an early stage, the tightening of monetary policy has shown signs of taking effect with the absolute rate of growth in retail credit slowing, in contrast corporate credit demand increased significantly.

STRATEGIC ISSUES

Changes in legislation

The National Credit Act ("NCA") was enacted during March 2006. The Act outlaws certain penalty and other fees which impact revenues from 1 June 2007. The two businesses that are mainly impacted by the NCA are FNB and WesBank, and the Group has determined the potential revenue impact, taking into account both revenue losses and possible additional revenue streams as a result of the NCA. The total annualised revenue loss is estimated to be between R400 million and R500 million and total implementation costs of between R160 million and R260 million.

One of the key challenges facing the banking industry is the enquiry into competition announced by the Competition Commission on 4 August 2006. The enquiry will focus on the following:

- the level and structure of charges made by banks, as well as other providers of payment services;
- the feasibility of improving access by non-banks and "would be banks" to the national payment system infrastructure to allow them to compete more effectively; and
- any other aspects relating to the payment system which could be seen as anti-competitive.

Public hearings were held during November 2006 at which FNB and FirstRand Bank submitted that there is no failure or impediment to competition in the South African Banking Industry, although certain practices could be improved. FNB and FirstRand Bank made a number of recommendations, one of which was the elimination of SASWITCH fees which would result in approximately R500 million of savings to the consumer.

The next round of public hearings will commence during April 2007 and is focused on:

- ATMs with specific focus on SASWITCH fees, carriage fees and the possibility of shifting to a direct charge (surcharge) model;
- various aspects pertaining to the acquiring and issuing of cards, including the four party interchange model;
- access to the National Payment System and interoperability between banks and other financial services providers; and
- costs of providing transactional banking to the low income market.

Capital management

Group capital strategy

Since the formation of FirstRand in 1998, the Group has always viewed capital as a scarce resource and its strategy has been to maintain the optimal level of capital in the most cost efficient way, given its risk profile and targeted credit counterparty rating. The Group's policy is to be capitalised at the higher of economic or regulatory capital and at the same time provide a capital buffer to give confidence to debt-holders, depositors, regulators and rating agencies.

The Group aims to fulfil the requirements of shareholders and maintain an efficient capital structure with limited excesses, but which supports its short term growth requirements. It does not hold surplus capital for acquisitions and the need for raising additional capital is assessed on a transaction by transaction basis.

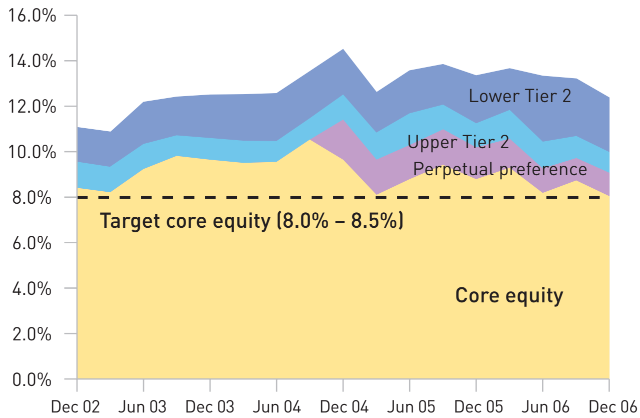
Current capital position

From 2000 to 2004, FirstRand generated very high Returns on Equity ("ROE") whilst the demand for capital from the lending businesses was low, resulting in the Group generating significant surplus capital. In the first half of 2005, the Group considered various mechanisms to return this excess to shareholders, which was consistent with its philosophy not to hold a large excess position but rather approach shareholders for additional capital when required. At the same time, the Group reduced its dividend cover from 3x to 2.5x.

However, during calendar 2005 there was a structural shift in South Africa to a lower interest rate, lower inflation environment and this translated into extremely favourable consumer credit markets. In response to this demand, the Group invested capital into the high-growth retail lending operations of the bank which has grown retail advances 47% since June 2005.

Over time, as a result of this advances growth, core equity has reduced to 8.1% as depicted in the graph below.

History of core equity levels – FRBG



Whilst the core equity ratio remains within the target range of 8% to 8.5%, the Group is actively seeking to increase this ratio to the higher levels of the target range through actions such as securitisation and first loss risk transfers.

Going forward

Given the increase in interest rates over the past six months, the Group expects retail lending to slow to more sustainable levels and this will reduce pressure on capital requirements. Whilst it is expected that corporate lending will increase, the use of the Group's balance sheet will be limited to those asset classes that provide an appropriate return, and will continue to focus on an "originate and distribute" strategy.

In addition, Momentum continues to generate surplus capital. One of the benefits of being an integrated group is the flexibility to move capital between the businesses. Since June 2006, R1.2 billion of excess capital in Momentum has been paid to the Group by way of special dividends. These dividends were paid in June 2006 (R500 million) and October 2006 (R700 million). The capital was used to fund growth in the bank. The Group anticipates that further capital will be available from Momentum in the future.

In order to support the business units' future growth opportunities the Group is assessing its capital strategy with regard to internal deployment. The effective allocation of capital is a key component of the Group's overall performance management strategy, and the Group is constantly focused on ensuring that despite rapid rates of growth, its ROE continues to exceed its stated target of 10% above the weighted average cost of capital. For example, in 2005 it stated that it was not pursuing aggressive large corporate lending growth given the low returns. The Group has also indicated that it is focusing on achieving appropriate returns from home loans originated through the intermediary channels, and is prepared to lose market share, should the returns not meet internal hurdle rates.

The Group continues to assess which of its current businesses are producing the best returns on capital deployed, given the significant organic growth opportunities in its local markets. At the same time, consistent with the Group's stated international strategy the business units are looking outside South Africa for growth. The strategy is organic in nature, focused on joint ventures or "greenfield" operations and a number of the businesses have already identified potential opportunities.

The Group will only consider allocating capital to these international growth opportunities if they meet or exceed the current hurdle rates.

Funding strategy

The objective of the Group's funding strategy is to secure funding at an optimal cost from diversified and sustainable funding sources.

The low savings rate and the ongoing demand for credit in South Africa continues to force the Group to rely on the professional markets for funding, with the resultant impact on liquidity and margin. This is likely to be further exacerbated by funding requirements for international expansion.

The Group is already looking at the local and international capital markets to fund growth and in the current period has raised funds in Australia for WesBank through a US$150 million Medium Term Note Programme, and securitised R3 billion of WesBank assets in the international markets.

Currently, the Group is also planning a $US1.5 billion Medium Term Note Programme to fund growth for FirstRand's existing UK based activities.

OVERVIEW OF RESULTS BY BRAND

The table below indicates the relative contribution to normalised earnings by brand:

R million	Unaudited Six months ended December **2006**	2005	% change
FNB	**2 280**	1 807	26
RMB	**1 572**	898	75
WesBank	**538**	538	–
FNB Africa	**218**	174	25
Momentum	**693**	563	23
Discovery	**220**	183	20
Group Support	**250**	431	(42)
FirstRand	**(69)**	(73)	5
Dividend payment on non-cumulative non-redeemable preference shares	**(163)**	(114)	(43)
Normalised earnings	5 539	4 407	26

First National Bank ("FNB")

FNB has produced another set of excellent results with profit before indirect taxation increasing 24% from R2 521 million to R3 119 million.

Interest income grew 29% due to the continued strong balance sheet growth in both advances (up 31%) and deposits (up 19%), the widening of margins as a result of interest rate increases and the increased endowment benefit on deposits.

Bad debts increased to 0.8% (Dec 2005: 0.4%) of advances as a result of the rising interest rate cycle and increased indebtedness levels of consumers. This increase was expected given the abnormally low arrears and non-performing loans ("NPLs") in previous years.

Non interest income increased 20% as a result of a significant increase in customer numbers and higher transactional volumes.

Operating expenses increased 17% driven mainly by significant variable costs, largely related to growth in new business and increased volumes, and continued investment in new products, infrastructure and processes as well as co-operation agreements with third parties by FNB Card, FNB HomeLoans and Personal Loans.

FNB continued to focus on its segment strategy and the relative contributions to profit by segment are depicted in the table below:

R million	Unaudited Six months ended December **2006**	2005	% change
Consumer segment	**1 198**	1 039	15
– Personal Banking	**693**	513	35
– HomeLoans	**400**	318	26
– Card Issuing	**105**	208	(50)
Wealth	**83**	51	65
Commercial	**1 107**	839	32
Corporate	**388**	302	28
FNB Other	**343**	290	18
Profit before indirect tax	**3 119**	2 521	24
Indirect tax	**(138)**	(159)	
Direct tax	**(700)**	(555)	
Profit on sale of fixed assets	**(1)**		
Normalised earnings	2 280	1 807	26

The Consumer segment performed well with profits before taxation increasing 15% from R1 039 million to R1 198 million. This was achieved in an operating environment of rising interest rates, but continued good growth in both client and transactional volumes.

Gross interest income increased 27% as a result of the widening of margins and strong growth in both deposits (up 16%) and advances (up 31%). Non interest revenue increased 18% driven by 5% growth in the active cheque accounts base and increased transactions per customer.

Total advances increased 31% to R104 billion, reflecting a continued focus on sales against a background of strong demand for consumer credit, although demand has slowed and is lower than levels experienced six months ago.

FNB HomeLoans increased profit before taxation 26%. This was driven by solid volume growth in profitable new business, combined with increased margins due to rising interest rates. In addition, non interest revenue grew 47%, underpinned by good transactional volume growth, particularly from the One Account. Gross advances increased 31%, partially driven by increased property values coupled with continued strong growth in sales. As a result of FNB's stated strategy of focusing on ROE, its market share of new business decreased from 20% to 16%.

Despite a slowdown in the rate of growth of cardholder spend, largely as a result of the higher indebtedness levels of consumers in general, as well as rising interest rates, FNB Card successfully grew advances 25%, customers' spend 19% and customer numbers 17%. Profit before taxation decreased 50% and was significantly impacted by the margin pressure on advances, as Card was unable to re-price the interest rate increases during the period under the existing Usury Act, in spite of the cost of funds increasing in line with the rate increases. In addition, profit was impacted by the anticipated increase in bad debts and the start up costs associated with various co-operation agreements.

The Wealth segment's profit before taxation increased 65% to R84 million, driven in the main by a particularly strong performance by RMB Private Bank, which grew profit before taxation 56% to R84 million and FNB Trust Services which also grew profits 56% to R28 million. Against this, the start up losses in FNB Private clients increased 19% to R25 million.

Assets under management increased 51% to R22 billion, largely due to growth in the equity market, investment selection and net new business inflows. Strong growth in advances of 31% to R18 billion and deposits of 45% to R4 billion also contributed to the segment's performance. As a result, interest income increased 31% and non interest income grew 27%.

The Commercial segment had an excellent first half with gross interest turn increasing 25%, non interest income 21% and profit before taxation 32%.

Deposits grew 19% due to continued strong consumer demand and retail sales resulting in increased cash balances. Increasing interest rates resulted in growth in interest income on endowment deposits as margins widened.

Advances increased 28% largely driven by the growth in "value add" products such as Debtor Finance, Agricultural Term Loans and, in particular, Commercial Property Finance.

Credit quality remained good with NPLs as a % of gross advances improving from 2.9% to 2.5%. The bad debt charge as a % of advances increased to 0.6% but is still below the expected loss levels of 0.8%.

The segment experienced strong transactional volumes resulting in non interest income increasing 21%. The electronic delivery channel revenue grew 33%, Speedpoint (Card Acquiring) revenue 37% and the active account base grew 14%. International Banking's non interest income grew 28%, mainly due to the increase in dealing revenue driven by increased volumes and turnover, despite suppressed margins, and assisted by market volatility.

The Corporate segment performed exceptionally well growing profits 29% with non interest income increasing 14%, driven primarily by increased transactional volumes in Speedpoint and FNB Online. This growth was underpinned by a combination of new client acquisitions and a favourable environment for retailers.

International banking showed strong growth in profit before taxation of 29% and remains a significant contributor to the segment's profitability. Market volatility during the period created some opportunities to extract business from both importers and exporters and as a consequence volumes and turnover increased.

Deposits and advances increased 21% and 26% respectively, however, the deposit margin was lower due to re-pricing of clients and increased volumes in the Financial Institutions environment where margins are thinner.

The Mass segment performed exceptionally well during the period under review with profits increasing significantly during the period, driven by strong growth in both interest (up 34%) and non interest income (up 29%).

Interest income growth resulted from 16% increase in net interest income on deposits and growth in excess of 100% in net interest income on advances. The non interest income growth was primarily driven by growth in number of accounts, insurance revenue and ATM transactions. Advances grew 65%, primarily because of the SmartSpend, Smart Housing Plan and SmartBond products.

FNB continued with its strategy to re-position its network to reflect demographic shifts and alignment to retail and commercial development. The representation points stayed static at 680 for the period and, whilst traditional branches form the majority of the representation points, FNB continued to increase its roll out of Community Banks and Sales Centres. Overall, some 11 new branches were opened, 14 branches closed and three were relocated in the period.

As noted above, FNB has determined the potential revenue impact of the NCA taking into account revenue losses and possible additional revenue streams. The annualised impact is estimated at a revenue loss in the range of R300 million to R400 million with the final impact being subject to market forces. FNB further estimates that the total implementation costs of the NCA will range between R140 million and R230 million.

FNB still believes that the NCA will provide significant opportunities for the established players to enter new markets.

Rand Merchant Bank ("RMB")

RMB increased profit before tax 75% to R2 billion with all business units delivering strong growth for the half year.

This excellent performance reflects how well positioned RMB is to benefit from good economic conditions and can be attributed to the successful execution of a number of strategic initiatives. These strategies have focused on providing innovative products and maintaining a strong client franchise in local markets whilst at the same time successfully applying its trading models and intellectual capital in international markets on an opportunistic basis, leveraging off its local infrastructure.

The relative performance of RMB's division is indicated in the table below:

Divisional analysis of profit before tax (unaudited)

R million	Unaudited Six months ended December 2006	2005	% change
Private Equity	**791**	543	46
Equity Trading	**328**	97	>100
Corporate Finance	**156**	79	97
Structured Finance	**348**	239	46
Project, Trade & Commodity Finance	**79**	36	>100
Treasury Trading	**151**	92	64
SPJ International	**67**	27	>100
Offshore Division	**184**	89	>100
Other	**(50)**	(28)	79
Profit before tax	**2 054**	1 174	75
Tax	**(482)**	(276)	
Normalised earnings	**1 572**	898	75

The Private Equity division made a significant contribution, growing profits 46% to R791 million. This performance was underpinned by good local equity markets which resulted in strong growth in operational earnings from equity accounted associates and profitable realisations. Despite these realisations RMB has continued to build the Private Equity investment portfolio through attractive investment opportunities largely attributable to BEE activity. The unrealised profit in the portfolio grew to more than R1.27 billion (June 2006: R1.1 billion, December 2005: R910 million).

The Equity Trading business achieved an outstanding result, recording 238% growth over the comparable period. The performance of the offshore arbitrage team, which contributed over 50% of the net result, reflects the success of its strategy to apply locally developed arbitrage trading strategies to global markets. The joint venture between RMB Securities and Morgan Stanley delivered a strong first half performance, while Securities Lending and Futures Clearing grew fees by more than 50%, amid continued strong JSE volumes.

The other trading businesses – interest rates, currency and commodities – also performed beyond expectations, both locally and internationally. The Treasury Trading division benefited from the return of volatility and direction to local interest rate and foreign exchange markets and strong growth in client flows. The soft commodity trading team continued to deliver a good performance.

Strong gains were achieved in both the emerging markets as well as the developed markets trading books, on the back of improved corporate and sovereign credit spreads. This resulted in SPJ International reporting 148% year on year growth.

The Offshore division, RMB Resources, which comprises an energy trading joint venture business, an international mining and resources lending and investment business, again performed well, driven primarily by very strong prices, in particular the energy sectors and profitable realisations of investments.

The debt businesses also continued to benefit from positive economic conditions producing year on year growth in excess of 30%. The Project Finance team delivered a strong performance on the back of continued BEE activity in the resources sector. Structured Finance benefited from a robust property sector as well as acquisition and leveraged finance opportunities created from BEE activity, achieving exceptional year on year growth, while maintaining very high returns on capital.

Corporate Finance almost doubled its 2005 first half performance, driven by strong growth in advisory fees from the Merger and Acquisitions team. RMB concluded a number of significant mandates in the period, including the Kumba restructuring and the Sasol BEE transaction.

WesBank

WesBank's overall profitability was impacted by losses in its international operations. The local business showed good growth in a challenging environment characterised by higher interest rates and pressure on customer affordability levels. This performance reflects the strength of WesBank's market position. The table below illustrates that although overall pre tax profits grew only 3% to R766 million, WesBank's core business in South Africa increased profit before tax by 14%.

A breakdown of WesBanks performance is outlined in the table below:

R million	Unaudited Six months ended December 2006	2005	% change
Local Operations	831	728	14
International Operations	(65)	17	(>100)
Profit before tax	766	745	3
Indirect tax	(55)	(41)	
Direct tax	(167)	(166)	
Minorities	(6)	–	
Normalised earnings	538	538	–

The Australian and UK operations, which are in start up and turnaround phases respectively, showed a loss of R65 million. These losses were worse than expected but WesBank believes these operations will achieve profitability in the short to medium term.

Gross advances increased by R19.6 billion, 27% growth on the prior period, and included an additional R3.5 billion from the acquisition of Carlyle Finance in the UK. However, during the period WesBank securitised R5.8 billion (face-value R7 billion) of assets and the exclusion of these assets results in gross advances growth reducing to 19%.

Overall new business production increased 11% to R27.7 billion. Retail new business growth slowed slightly due to the general reduction in consumer affordability levels, whilst the corporate market continued to show good growth as capital expenditure and infrastructure development continues to gather momentum.

Competitive forces on pricing combined with the increased cost of longer term funding of the fixed rate advances book continued to impact margins resulting in a 6 basis point decline in the South African operations during the period.

The charge for bad debts, as a percentage of advances, was 1.0% compared to 0.6% in the comparative period. This increase reflects the impact of higher levels of customer indebtedness and the 200 basis point increase in the prime rate, and was expected given the historically low levels of bad debts in recent years. NPLs' increased to 1.2% of advances, but arrear levels continued to improve through intensified collections activities and as a result of the tightening of the credit scorecard at various intervals over the course of the last 16 months.

Non interest revenue grew 50% year on year. This strong growth was driven by insurance revenues, WesBank's Fleet business and the contributions of the non-banking subsidiary operations, including newly acquired Carlyle Finance and the local collections business, Norman Bissett.

The substantial increase in non interest expenditure of 50.0% reflects investment in the international operations and several of its subsidiary companies. Within WesBank's local operations, operating expenditure was contained at 12.7%.

In terms of the NCA, WesBank has calculated that on an annualised basis its revenue will be negatively impacted by R100 million with up front implementation costs of between R20 million and R30 million.

African subsidiaries

As a result of continued sales initiatives, coupled with focused efforts on cost containment and excellent collaboration with FNB South Africa, FNB's African subsidiaries grew profit before tax 27%. Cost to income reduced further to 43.8% with the return on equity improving to 31%.

The profit before tax of each subsidiary is outlined in the table below:

R million	Unaudited Six months ended December 2006	2005	% change
FNB Botswana	211	165	28
FNB Namibia	196	161	22
FNB Swaziland	30	19	58
FNB Lesotho	–	–	
Profit before tax	437	345	27
Tax	(115)	(85)	
Minorities	(104)	(86)	
Normalised earnings	218	174	25

Against a backdrop of high interest rates and subdued economic growth, FNB Botswana performed well with an increase in profit before tax of 26% to P177.7 million (28% in Rand terms). Focused sales initiatives and the opening of two additional branches resulted in a substantial increase in volumes.

The high interest rate environment resulted in impairment losses increasing 105%. Growth in costs was kept at acceptable levels with FNB Botswana's cost to income ratio further improving to 33%. Gross advances grew 18% with a substantial effort in new sales initiatives driving the increase (in particular property finance).

FNB Namibia's profit before tax increased 22% to N$196 million. Despite the increase in the prime interest rate, the environment remained positive and all businesses performed well as a result of the organic growth and cross-selling initiatives. The cost to income ratio improved to 47.6%.

Profit before tax for banking operations increased 20% from N$135 million to N$162 million and life assurance grew 87% off a lower base from N$15 million to N$29 million. This was mainly as a result of synergies within the FNB Namibia Group, together with exceptional returns on the investment portfolio. Advances grew 10% to N$8.1 billion, total assets increased 18% to N$10.9 billion and deposits grew 18%.

FNB Swaziland continued its strong recovery under new management and although the economy is growing at less than 1%, increased profit before tax by 58% to E29.9 million. This performance was achieved through the 6% decrease in total costs, increase of net interest income of 20% and 15% increase in fee income. The resultant cost to income ratio reduced from 62% to 50%. Total assets grew 13% to E1.1 billion and impairments were well controlled.

FNB Lesotho achieved sustainable levels of profitability for the period under review and is well ahead of the business plan.

OUTsurance

OUTsurance performed exceptionally well during the six months ended December 2006. Gross premiums written increased 23.3% off an already high base, mainly driven by strong new business flows from both Personal and Business OUTsurance. Premium increases for existing clients were contained at levels well below the industry average.

The claims ratio (including the cost of OUTbonuses) was virtually identical to the figure achieved for the same period ending in 2005, although there was some upward pressure on claims costs inflation.

A continuous focus on increasing productivity through the use of technology is reflected in the 0.9 percentage point improvement in the ratio of costs to net premium income (15.2% in 2006 compared to 16.1% in 2005).

The strong organic growth, together with improved efficiencies resulted in operating profit increasing 30.3%. This is a particularly pleasing performance if compared with the rest of the industry, where the downward movement in the insurance cycle has cut underwriting profits dramatically.

Normalised earnings did, however, show slower growth (15.7% up compared to the prior period) due to significantly lower investment income. The latter was negatively impacted by fair value adjustments to investments in preference shares following the recent interest rate hikes.

Momentum Group

The Momentum Group's normalised earnings increased 9% to R799 million for the six months. These results benefited from the continued growth in equity markets and the positive impact of recent acquisitions. Earnings growth was, however, reduced by the investment in new initiatives and the disappointing performance from the local asset management operations. The investment income on shareholders' assets reduced due to a lower capital base (as a result of the special dividends paid to FirstRand) and significant investments in new acquisitions.

A breakdown of Momentum Group's earnings is shown in the table below:

R million	Unaudited Six months ended December **2006**	2005	% change
Insurance operations	**544**	434	25
Momentum	**495**	418	18
FNB collaboration	**49**	16	>100
Asset Management operations	**149**	129	16
Local	**85**	101	(16)
Offshore	**64**	28	>100
Group operating profit after tax	**693**	563	23
Investment income on shareholders' assets	**106**	168	(37)
Normalised earnings	**799**	731	9

Momentum Group earnings reconciled to FirstRand brand disclosure is shown in the table below:

R million	Unaudited Six months ended December **2006**	2005	% change
Momentum			
Insurance	**486**	415	17
Asset Management	**149**	129	16
	635	544	17
FNB	**58**	19	>100
Capital centre and investment income	**106**	168	(37)
Normalised earnings	**799**	731	9

The embedded value of Momentum increased from R14.4 billion at 30 June 2006, to R15.4 billion, with positive growth from equity markets being offset by the special dividends paid. The annualised return on embedded value was 30%, compared to 31% in the year to 30 June 2006, as equity markets continued to impact positively on the value of shareholders' investments.

New business inflows for the six months totalled R28.5 billion, an increase of 8% compared to the prior period. Growth in new recurring premium business benefited from the 75% increase in volumes from collaboration initiatives with FNB, and improved sales of savings products. Buoyant equity markets impacted positively on Momentum's lump sum inflows. Gross asset management inflows increased 3% to R20.1 billion, mainly due to increased inflows into the on-balance sheet portfolios marketed by RMB Asset Management.

New business margins, however, came under pressure as a result of the stronger growth in lower margin savings and investment business, as well as the impact of the investment in the agency force. The overall new business margin declined from 2.2% at 30 June 2006, to 1.9% for the current period.

Collaboration with FNB continues to show significant growth, generating a threefold increase in operating profit to R49 million. The mass market initiative continues to produce solid results on the back of good new business volume and margin growth, whilst the middle market initiative is making good progress.

Insurance operations

Operating profit increased 18% to R495 million, resulting from continued growth in new business, equity markets and new acquisitions which were partly offset by significant investments in new growth initiatives.

New retail recurring premium business increased 22% despite increased competitive pressure. This growth was driven by a number of factors, including:

- an increase of 18% in recurring savings product sales;
- an increase of 75% in sales from the FNB collaboration initiatives;
- the agency force production increased from 11% of total production in 2005, to 21% during the current period; and
- an increase of 37% in the Momentum products sold by FNB Financial Consultants.

The growth in the agency force production, together with improved new business volumes from FNB collaboration initiatives, has resulted in a more balanced distribution mix. In the two years since December 2004, the contribution to the distribution mix from the FNB collaboration and the agents has increased from 15% to 37%.

Sales of Momentum's lump sum products benefited from the continued strong performance in equity markets, increasing 24% to R7.6 billion, resulting in market share gains in most product lines.

Asset management operations

The asset management operations generated an increase in operating profit of 16% to R149 million.

The local asset management operations experienced a 16% reduction in operating profit to R85 million. The positive impact of increased equity markets on fee revenue was reduced by a decline in performance fees, the disinvestment of certain portfolios, and certain non-recurring income included in the comparative period.

Despite the decision by the Public Investment Commissioner ("PIC") to disinvest a significant portion of their assets following the restructuring of the way in which they manage their portfolio, total assets under management or administration remained at R353 billion. The net outflow of funds of R34.5 billion for the six months would have reflected a positive inflow after adjusting for the PIC disinvestment.

Investment income on shareholders' assets

The investment income earned on shareholders' assets decreased 37% to R106 million. This reduction was due to the:

- R1.2 billion in special dividends paid to FirstRand;
- acquisition of Sage and ALH;
- repayment of loans relating to the original acquisition of Ashburton; and
- the disposal of African Life.

Investing for growth

Key to Momentum's strategy is investing in new initiatives relating to the diversification of distribution, products and new markets.

The investment in the agency force has already resulted in an increase in the proportion of recurring new business sourced through this channel and productivity levels are improving month by month.

New business growth in the middle market joint venture with FNB is progressing well, albeit at lower than the targeted level. Management has taken action to address this, with a number of product enhancements, and changes in distribution, currently being implemented.

Momentum's short term insurance initiative is achieving growth ahead of the business plan, with the scientific rating process resulting in a lower net claims ratio than expected, and approximately 1 000 new policies being issued each month.

Discovery Group

Discovery Group's financial performance reflects the consistent and strong performance of Discovery's underlying businesses.

Operating profit increased 40% before investment income, tax and the impact of its BEE transaction to R530 million (2005: R379 million). Diluted headline earnings per share before the impact of the BEE transaction rose 29% to 70.1 cents (2005: 54.3 cents). New business grew to a record-breaking level of R2.5 billion.

Discovery Health

Through a combination of growth, efficiency and focus on operational and service excellence, Discovery Health delivered a substantial increase in operating profit of 29% to R342 million (2005: R265 million), with new business improving to R1 233 million (2005: R1 211 million).

Improved efficiencies resulted in staff headcount reducing 5% to 2 902 (2005: 3 055), despite a 7% increase in the number of covered lives, which rose to 1 981 867. Lapse rates also improved – down from 2.6% to 2.1%.

Discovery Life

Discovery Life's strategy of maintaining and enhancing its leadership position in the pure life assurance market (protection market) was well demonstrated during the period, growing operating profit 29% and annualised new business premium income 22% to R480 million (2005: R392 million). The value of in-force business has also grown strongly, up 22% to R5 068 million (2005: R4 151 million). Gross inflows increased 35% from R820 million in the previous period to R1 107 million.

PruHealth

PruHealth's growth exceeded expectations reflecting Discovery's excellent working relationship with Prudential plc and the ability to combine the best of both organisations for the benefit of clients. PruHealth achieved strong new business growth in the period, up 260% from R77 million to R277 million. The number of lives covered grew 277%, while operating losses increased to £9 million (2005: £6 million). The number of lives covered exceeded 89 000 by the end of the period under review and had grown to 100 000 by the end of January 2007.

The strategy going forward is not only to grow the business significantly, but also to maximise the quality of the business transacted.

Destiny Health

Destiny Health's performance over the period was in line with expectations, cutting operating losses by 59% reflecting the consequence of a successful period of stabilisation. New business grew 10% to US$65 million, while membership reduced 7% to 59 181 from 63 704 in the previous period.

The previous 18 months have been a particularly difficult period for Destiny Health and Discovery has stated that the business would be stabilised and turned around with operating losses not exceeding 5% of the group's overall operating profit. During the period, a new management team focused successfully on bringing down the elevated loss ratios, securing competitive network discounts, restructuring the strategic partnership with the Guardian Life Insurance Company of America and Tufts Health Plan and cutting operating costs within Destiny. This has resulted in reduced operating losses and creates a foundation for profitability going forward.

Vitality and Discovery Card

Vitality's performance over the period exceeded expectations both financially and in terms of its impact on Discovery's clients and its other businesses. Gross inflows increased 13% to R355 million (2005: R315 million), with operating profit up 63% to R26 million (2005: R16 million). The number of primary DiscoveryCard-holders increased 49% in the period to 353 541 (2005: 237 430).

The DiscoveryCard performed well, reflecting the success of its strategy to offer added value as a credit card relative to other traditional credit cards in the market-place. The first substantial independent survey comparing the different value propositions rated the DiscoveryCard substantially ahead of its competitors, which bodes well for DiscoveryCard's ability to grow its membership base and profits going forward.

Group support

Group support consists of the following:

- cost of the support functions of the Momentum and the Banking Groups;
- investment income on free reserves;
- cost of securitisation;
- financing costs on debt capital; and
- carrying cost of structured debt capital.

The table below shows a reduction in Group Support's normalised earnings during the period, mainly due to increased costs associated with debt capital raisings and a reduction in Momentum's investment income on shareholders' funds:

R million	Unaudited Six months ended December 2006	2005	% change
Group Support			
– Banking Group	**144**	263	(45)
– Momentum Group: Investment income on shareholders' assets	**106**	168	(37)
Normalised earnings	**250**	431	(42)

FirstRand Limited – central cost

The loss after tax for the six months ended 31 December 2006 increased to R108 million as reflected below:

R million	Unaudited Six months ended December 2006	2005
Dividend income	105	
Operating expenses	(40)	(25)
Taxation	(70)	(26)
Cumulative redeemable preference shares	(103)	(51)
Loss after tax	(108)	(102)
IFRS 2 costs adjustment	39	29
Normalised earnings	(69)	(73)

The dividend income from the BEE staff share trusts relates to the FirstRand BEE transaction whereby the Group made capital contributions to the various BEE trusts to yield an effective return. The dividend income more than offsets the cost of funding. The yield for the comparative period was included in the Banking Group results. The increase in operating expenses relates to the IFRS 2 costs incurred on the share appreciation rights scheme. Taxation increased due to higher Secondary Tax on Companies ("STC") paid during the year following the reduction in the dividend cover. The increase in the cumulative redeemable preference shares compared to the prior period is as a result of the funding required for the BEE staff share component.

DIVIDEND POLICY

Ordinary shareholder dividend

The Group aligns its dividend policy with sustainable earnings growth and therefore cover is based on normalised earnings.

The Group will maintain its dividend cover within its target range of between 2.3 and 2.5 times. The Group believes this is a sustainable dividend cover given the internal earnings generation capacity and organic growth potential of the businesses.

The proposed interim dividend amounts to 39.5 cents per share, an increase of 23% over the prior period.

BASIS OF PRESENTATION

FirstRand prepares its consolidated financial statements in accordance with IFRS and on a going concern basis using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting.

These financial assets and liabilities include:

- financial assets held for trading;
- financial assets classified as available-for-sale;
- derivative assets and liabilities; and
- financial assets and liabilities at elected fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

RE-ALLOCATION OF PRIOR YEAR NUMBERS

A table reflecting the re-allocation of prior year numbers and reasons therefore can be found on page 27.

FINANCIAL IMPACT OF THE BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION

Background

IFRS 2 – Share-based payments requires that all share-based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005. The International Financial Reporting Interpretations Committee issued an interpretation IFRIC 8 – the Scope of IFRS 2 ("IFRIC 8") during January 2006. IFRIC 8 clarifies that IFRS 2 applies to all share-based payment transactions where the consideration received or to be received, either through identifiable or unidentifiable goods or services, is less than the fair value of the equity instruments issued or granted. IFRIC 8 is applicable for financial periods commencing on or after 1 May 2006, on a fully retrospective basis, using the transitional provisions of IFRS 2 read with IFRS 1.

Financial impact on the FirstRand Group

FirstRand has accounted for the non-staff component of the Group's BEE transaction with effect from the financial year commencing 1 July 2006, in accordance with the requirements of IFRIC 8.

As a result, the full financial impact in terms of IFRS 2 of the non-staff component of the BEE transaction, amounting to R1.655 billion, has been accounted for as an opening reserve transfer on 1 July 2006, and will have no income statement effect.

Corporate governance

FirstRand has embraced the recommendations of King II on Corporate Governance and strives to provide reports to shareholders that are timely, accurate, consistent and informative.

PROSPECTS

The Group expects the current favourable economic climate to continue. The impact of the interest rate increases since June 2006 has resulted in a slow-down in consumer demand for credit and it is expected that this will continue in the second half of the financial year. Bad debts are likely to increase from current levels. On the back of increased infrastructure spend, corporate capacity building and BEE activity, corporate credit demand is likely to strengthen and RMB, FNB and WesBank are well positioned to benefit from this.

Overall the banking businesses will continue to focus on maintaining strong top line growth whilst managing increases in operating expenses and bad debts.

Although Momentum's investment in new initiatives has slowed earnings growth during the current period, these initiatives are expected to contribute positively to future growth. As can be seen from the success of the FNB collaboration in the mass market, these initiatives can become meaningful contributors to earnings, and provide growth in excess of that targeted by Momentum.

Barring any unforeseen events, the Group remains confident of achieving its growth target of a 10% real return to shareholders.

GT Ferreira
Chairman

PK Harris
Chief Executive

INTERIM DIVIDEND DECLARATION

Notice is hereby given that an interim dividend of 39.5 cents per ordinary share has been declared on 27 February 2007 in respect of the six months ended 31 December 2006. The last day to trade in these shares cum-dividend will be Thursday 15 March 2007 and the first day to trade ex-dividend will be Friday 16 March 2007. The record date will be Friday 23 March 2007 and the payment date Monday 26 March 2007.

Please note that no FirstRand share certificates may be dematerialised or rematerialised between Friday 16 March 2007 to Friday 23 March 2007, both days inclusive.

AH Arnott
Company Secretary

27 February 2007

Consolidated income statement

R million	Unaudited Six months ended December 2006	2005	% change	Audited Year ended June 2006
Net interest income	**9 896**	7 792	27	15 012
Interest and similar income	**21 773**	15 642	39	30 395
Interest expense and similar charges	**(11 877)**	(7 850)	51	(15 383)
Impairment losses on loans and advances	**(1 151)**	(576)	100	(1 411)
Net fee and commission income	**6 786**	5 036	35	12 009
Fee and commission income	**7 946**	7 452	7	14 088
Fee and commission expense	**(1 160)**	(2 416)	(52)	(2 079)
Net insurance premium income	**3 791**	4 346	(13)	6 822
Insurance premium revenue	**4 189**	4 575	(8)	7 758
Premium ceded to reinsurers	**(398)**	(229)	74	(936)
Net claims and benefits paid	**(3 112)**	(4 446)	(30)	(6 174)
Gross claims and benefits paid on insurance contracts	**(3 655)**	(4 648)	(21)	(6 875)
Reinsurance recoveries	**543**	202	>100	701
Gains from banking and trading activities	**2 151**	1 016	>100	4 349
Gains from investment activities	**15 508**	4 193	>100	19 225
Other operating income	**1 164**	742	57	2 268
Increase in value of policyholder liabilities	**(14 799)**	(3 202)	>100	(17 430)
Fair value adjustment to financial liabilities	**(102)**	–	>(100)	(530)
Net operating income	**20 132**	14 901	35	34 140
Operating expenses	**(11 709)**	(8 592)	36	(20 402)
Share of profit of associated and joint venture companies	**768**	716	7	1 290
Operating profit before income tax	**9 191**	7 025	31	15 028
Taxation expense	**(3 083)**	(2 486)	24	(5 040)
Profit for the period	**6 108**	4 539	35	9 988
Attributable to:				
Non-cumulative non-redeemable preference shares	**163**	114	43	274
Equity holders of the parent	**5 381**	4 080	32	8 825
Total for equity holders of the Group	**5 544**	4 194	32	9 099
Minority interest	**564**	345	63	889
	6 108	4 539	35	9 988
Earnings per share (cents)				
– Basic	**103.8**	79.8	30	171.6
– Diluted	**100.8**	77.1	31	166.0

Consolidated balance sheet

R million	Unaudited at 31 December 2006	2005	Audited at 30 June 2006
Assets			
Cash and short-term funds	**31 127**	22 541	46 684
Advances	**325 232**	246 326	291 076
Derivative financial instruments	**45 358**	40 652	37 934
Investment securities and other investments	**227 893**	161 123	175 614
Commodities	**873**	1 135	676
Investment properties	**2 458**	5 068	6 141
Policy loans on insurance contracts	**2**	38	118
Reinsurance assets	**532**	299	292
Loans and accounts receivables	**7 958**	14 467	6 046
Investments in associated and joint venture companies	**9 936**	3 582	5 069
Taxation	**24**	6	7
Intangibles	**4 261**	3 018	4 076
Property and equipment	**4 948**	4 720	5 011
Deferred tax	**1 059**	1 000	1 043
Total assets	661 661	503 975	579 787

R million	Unaudited at 31 December 2006	2005	Audited at 30 June 2006
Shareholders' equity and liabilities			
Liabilities			
Deposits	**355 011**	264 437	317 840
Short trading position	**37 716**	20 417	25 967
Derivative financial instruments	**34 574**	27 307	22 370
Creditors and accruals	**19 340**	21 061	16 848
Reinsurance liabilities	**22**	–	24
Policyholders' liabilities under investment contracts	**105 605**	78 250	93 720
Policyholders' liabilities under insurance contracts	**45 337**	39 642	40 740
Liabilities arising to third parties	**563**	4 355	1 725
Deferred revenue liability	**398**	384	248
Post retirement funding liability	**1 986**	1 660	1 635
Debentures and long-term liabilities	**10 290**	6 505	10 576
Provisions	**2 634**	2 038	2 407
Taxation liability	**910**	173	1 024
Deferred tax	**5 540**	4 338	5 159
Total liabilities	**619 926**	470 567	540 283
Ordinary share capital and share premium	**2 239**	2 694	3 635
Non-cumulative non-redeemable preference shares	**4 519**	4 519	4 519
Distributable reserves	**27 096**	21 849	23 199
Non distributable reserves	**4 512**	1 978	5 177
Shareholders' equity	**38 366**	31 040	36 530
Minority interest	**3 369**	2 368	2 974
Total shareholders' equity and liabilities	**661 661**	503 975	579 787

Summarised cash flow statement

R million	Unaudited Six months ended December 2006	2005	Audited Year ended June 2006
Cash (outflow)/inflow from operations	**(5 167)**	(13 078)	10 693
Working capital changes	**581**	675	(907)
Cash (outflow)/inflow from operations	**(4 586)**	(12 403)	9 786
Taxation paid	**(3 497)**	(3 282)	(3 257)
Dividends paid	**(2 200)**	(1 714)	(3 651)
Net cash (outflow)/inflow from operating activities	**(10 283)**	(17 399)	2 878
Net cash (outflow)/inflow from investment activities	**(4 989)**	(2 863)	(282)
Net cash (outflow)/inflow from financing activities	**(285)**	4 253	6 995
Net (decrease)/increase in cash and cash equivalents	**(15 557)**	(16 009)	9 591
Cash and cash equivalents at the beginning of the period	**46 684**	38 550	37 093
Cash and cash equivalents at the end of the period	**31 127**	22 541	46 684

R million	Share capital and share premium	Distri-butable reserves	Non-distri-butable reserves	Minority interest	Total ordinary share-holders' equity	Non-cumulative non-redeemable preference share capital and premium	Total share-holders' funds
	Ordinary share capital and ordinary shareholders' funds						
Balance at 1 July 2006 as previously stated	3 635	24 854	3 522	2 974	34 985	4 519	39 504
BEE – share based payment reserve	–	(1 655)	1 655	–	–	–	–
Balance at 1 July 2006 as restated	**3 635**	**23 199**	**5 177**	**2 974**	**34 985**	**4 519**	**39 504**
Issue of share capital	–	–	–	(1)	(1)	–	(1)
Currency translation differences	–	–	(64)	1	(63)	–	(63)
Movement in revaluation reserves	–	–	(153)	69	(84)	–	(84)
Movement in other reserves	–	–	(1)	(1)	(2)	–	(2)
Earnings attributable to shareholders	–	5 381	–	564	5 945	163	6 108
Ordinary dividends	–	(1 753)	–	(284)	(2 037)	–	(2 037)
Preference dividends	–	–	–	–	–	(163)	(163)
Transfer (to)/from reserves	(165)	169	(2)	–	2	–	2
Effective change of shareholding in subsidiary	–	(1)	–	–	(1)	–	(1)
Share based payment reserve	–		116	10	126	–	126
Consolidation of share trusts	(1 231)	101	(561)	37	(1 654)	–	(1 654)
Balance at 31 December 2006	**2 239**	**27 096**	**4 512**	**3 369**	**37 216**	**4 519**	**41 735**
Balance at 1 July 2005	4 100	19 427	2 064	2 306	27 897	2 993	30 890
Issue of share capital	–	–	–	–	–	1 530	1 530
Share issue expense	–	–	–	–	–	(4)	(4)
Currency translation differences	–	–	(269)	–	(269)	–	(269)
Movement in revaluation reserves	–	–	75	–	75	–	75
Movement in other reserves	–	–	9	–	9	–	9
Earnings attributable to shareholders	–	4 080	–	345	4 425	114	4 539
Ordinary dividends	–	(1 600)	–	(283)	(1 883)	–	(1 883)
Preference dividends	–	–	–	–	–	(114)	(114)
Transfer (to)/from reserves	–	(101)	101	–	–	–	–
Share based payment reserve	–	43	–	–	43	–	43
Consolidation of share trusts	(1 406)	–	(2)	–	(1 408)	–	(1 408)
Balance at 31 December 2005	2 694	21 849	1 978	2 368	28 889	4 519	33 408

Sources of profit for the six months ended 31 December 2006

R million	2006	% composition	2005	% composition	% change
Normalised earnings ber brand					
FNB	**2 280**	41	1 807	41	26
RMB	**1 572**	27	898	20	76
WesBank	**538**	10	538	12	–
FNB Africa	**218**	4	174	4	25
Momentum	**693**	13	563	13	23
Discovery	**220**	4	183	4	20
Group support	**250**	5	431	11	(32)
FirstRand	**(69)**	(1)	(73)	(2)	5
Dividend payment on non-cumulative non-redeemable preference shares	**(163)**	(3)	(114)	(3)	(43)
Normalised earnings (unaudited)	**5 539**	100	4 407	100	26
Normalised earnings per group (unaudited)					
Banking Group	**4 752**	86	3 680	84	29
Momentum Group	**799**	14	731	17	9
Discovery Group	**220**	4	183	4	20
FirstRand	**(69)**	(1)	(73)	(2)	5
Dividend payment on non-cumulative non-redeemable preference shares	**(163)**	(3)	(114)	(3)	(43)
Normalised earnings (unaudited)	**5 539**	100	4 407	100	26

Notes:

The description of normalised earnings is provided on page 26.

Assets under management or administration

R million	Unaudited at 31 December **2006**	Unaudited at 31 December 2005	% change	Audited at 30 June 2006
FirstRand and consolidation adjustments	**(12 685)**	(18 271)	(31)	(31 010)
Banking Group	**487 788**	374 823	30	442 388
Momentum Group	**179 008**	141 498	27	161 632
Discovery Group	**7 550**	5 925	27	6 777
Total on balance sheet assets	**661 661**	503 975	31	579 787
Off-balance sheet assets managed or administered on behalf of clients	**174 038**	193 000	(10)	192 097
Total assets under management or administration	**835 699**	696 975	20	771 884

Segmental income statement for the six months ended 31 December

R million (unaudited)	Banking Group 2006	Banking Group 2005	Momentum Group 2006	Momentum Group 2005	Discovery Group 2006	Discovery Group 2005
Net interest income	**7 130**	5 405	**2 972**	2 638	**66**	87
Impairment losses on loans and advances	**(1 151)**	(576)	**–**	–	**–**	–
Net fee and commission income	**5 230**	4 305	**1 044**	1 058	**498**	482
Net insurance premium income	**–**	–	**2 414**	3 321	**1 484**	1 057
Net claims and benefits paid	**–**	–	**(2 516)**	(3 982)	**(691)**	(480)
Other income	**3 878**	2 583	**(556)**	(340)	**718**	658
Net operating income	**15 087**	11 717	**3 358**	2 695	**2 075**	1 804
Operating expenses	**(9 076)**	(7 025)	**(1 281)**	(1 219)	**(1 457)**	(1 432)
Share of profit of associated and joint venture companies	**875**	772	**(10)**	53	**2**	–
Operating profit before income tax	**6 886**	5 464	**2 067**	1 529	**620**	372
Taxation expense	**(1 829)**	(1 530)	**(949)**	(740)	**(216)**	(178)
Profit for the period	**5 057**	3 934	**1 118**	789	**404**	194
Attributable to:						
Non-cumulative non-redeemable preference shares	**–**	208	**–**	–	**–**	–
Equity holders of the Company	**4 644**	3 654	**1 118**	778	**253**	129
Total for equity holders of the Company	**4 644**	3 862	**1 118**	778	**253**	129
Minority interest	**413**	280	**–**	11	**151**	65
Profit for the period	**5 057**	4 142	**1 118**	789	**404**	194
Attributable earnings to ordinary shareholders	**4 644**	3 654	**1 118**	778	**253**	129
Headline earnings adjustments	**(323)**	(290)	**(466)**	(126)	**(23)**	(28)
Profit on disposal of equity accounted private equity associates	**(308)**	(294)				
Profit on sale of available-for-sale assets	**(16)**	7	**(466)**	(148)	**(23)**	(28)
Profit on sale of associates				(82)		
Loss on sale of assets	**1**					
Impairment of goodwill		(3)		104		
Headline earnings	**4 321**	3 364	**652**	652	**230**	101
Normalised earnings adjustments	**431**	316	**147**	79	**(10)**	82
Private equity realisation	**308**	294				
Settlement with National Treasury				27		
Discovery BEE transaction					**11**	96
Adjustment for effective shareholding in Discovery					**(21)**	(14)
Consolidation of staff share schemes						
FirstRand shares held by policyholders						
IFRS 2 Share based expenses	**123**		**18**	8		
Transfer of RMBP to Banking Group		22		(22)		
Adjustment to listed property subsidiary and associate to net asset value			**129**	66		
Normalised earnings (unaudited)	**4 752**	3 680	**799**	731	**220**	183

FirstRand 2006	FirstRand 2005	Consolidation of treasury shares 2006	Consolidation of treasury shares 2005	Sub-total 2006	Sub-total 2005	Consolidation 2006	Consolidation 2005	2006	2005
–	–	(268)	(134)	9 900	7 996	(4)	(204)	9 896	7 792
–	–	–	–	(1 151)	(576)	–	–	(1 151)	(576)
–	–	–	–	6 772	5 845	14	(809)	6 786	5 036
–	–	–	–	3 898	4 378	(107)	(32)	3 791	4 346
–	–	–	–	(3 207)	(4 462)	95	16	(3 112)	(4 446)
67	2	(95)	(131)	4 012	2 772	(90)	(23)	3 922	2 749
67	2	(363)	(265)	20 224	15 953	(92)	(1 052)	20 132	14 901
(105)	(78)	–	–	(11 919)	(9 754)	210	1 162	(11 709)	(8 592)
–	–	–	–	867	825	(99)	(109)	768	716
(38)	(76)	(363)	(265)	9 172	7 024	19	1	9 191	7 025
(70)	(26)	–	–	(3 064)	(2 474)	(19)	(12)	(3 083)	(2 486)
(108)	(102)	(363)	(265)	6 108	4 550	–	(11)	6 108	4 539
163	114	–	–	163	322	–	(208)	163	114
(271)	(216)	(363)	(265)	5 381	4 080	–	–	5 381	4 080
(108)	(102)	(363)	(265)	5 544	4 402	–	(208)	5 544	4 194
–	–	–	–	564	356	–	(11)	564	345
(108)	(102)	(363)	(265)	6 108	4 758	–	(219)	6 108	4 539
(271)	(216)	(363)	(265)	5 381	4 080	–	–	5 381	4 080
				(812)	(444)			(812)	(444)
				(308)	(294)			(308)	(294)
				(505)	(169)			(505)	169
				–	(82)			–	(82)
				1				1	
				–	101			–	101
(271)	(216)	(363)	(265)	4 569	3 636	–	–	4 569	3 636
39	29	363	265	970	771	–	–	970	771
				308	294			308	294
				–	27			–	27
				11	96			11	96
				(21)	(14)			(21)	(14)
		268	134	268	134			268	134
		95	131	95	131			95	131
39	29			180	37			180	37
				–	–			–	–
				129	66			129	66
(232)	(187)	–	–	5 539	4 407	–	–	5 539	4 407

R million	Unaudited Six months ended December 2006	2005	% change	Audited Year ended June 2006
Return on equity				
Average normalised net asset value (R million) (unaudited)	**39 674**	32 739	21	35 108
Normalised earnings (R'million) (unaudited)	**5 539**	4 407	26	8 958
Normalised return on equity (%) (unaudited)	**27.9**	26.9		25.1
Banking Group (%)	**32.1**	28.9		27.8
Momentum Group (%)	**23.9**	25.0		24.1
Discovery Group (%)	**15.7**	16.6		22.0
Price to book				
Market capitalisation (R'million) (Number of shares in issue *period end closing share price)	**114 521**	91 581	25	95 217
Normalised net asset value (R'million) (refer below)	**41 545**	33 064	26	37 803
Normalised price to book (times)	**2.76**	2.77		2.52
Capital adequacy				
Capital adequacy ratio: Banking Group (Regulatory requirement: 10%)	**12.2**	13.5		12.5
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	**3.0**	2.4		3.1
CAR cover: Discovery Group (Regulatory requirement: 1.0 x)	**16.6**	12.5		14.3
Core equity (%)	**73.7**	70.7		72.2
Non-cumulative non-redeemable preference shares (%)	**8.0**	9.6		8.6
Debt instruments (%)	**18.3**	19.7		19.2
	100	100		100
SOURCES AND APPLICATION OF CAPITAL				
Sources of consolidated capital at FirstRand				
Ordinary shareholders' equity and reserves				
Ordinary shareholders' equity and reserves	**38 365**	31 040	24	36 530
Non-cumulative non-redeemable preference shares	**(4 519)**	(4 519)		(4 519)
Total ordinary shareholders' equity	**33 846**	26 521	28	32 011
***Plus:* treasury shares**	**6 255**	5 099		4 348
***Plus:* excess cost of investment of net asset value at date of merger (Section 84 of Companies Act) High Court approval**	**1 444**	1 444		1 444
Normalised ordinary shareholders' equity (normalised net asset value)	**41 545**	33 064	26	37 803
Non-cumulative non-redeemable preference shares	**4 519**	4 519		4 519
Debt capital instruments	**10 290**	9 202	12	10 066
Total capital sourced	**56 354**	46 785	20	52 388
Application of capital within the FirstRand operating companies				
Banking Group	**42 388**	34 559	23	38 782
Ordinary shareholders' equity	**31 378**	26 407	19	27 755
Ordinary shareholders' equity other subsidiaries	**525**	–	>100	–
Non-cumulative non-redeemable preference shares	**3 100**	3 100	–	3 100
Debt capital instruments	**7 385**	5 052	46	7 927
Momentum Group	**8 775**	7 917	11	8 632
Ordinary shareholders' equity	**6 510**	6 101	7	7 093
Non-cumulative non-redeemable preference shares	**500**	500	–	500
Debt capital instruments	**1 765**	1 316	34	1 039
Discovery Group	**2 956**	2 104	40	2 666
BEE staff share scheme	**2 235**	2 205	1	2 308
	5 191	4 309		4 974
Ordinary shareholders' equity	**3 132**	556	>100	3 166
Non-cumulative non-redeemable preference shares	**919**	919	–	1 000
Debt capital instruments	**1 140**	2 834	(60)	808
Total capital applied	**56 354**	46 785	20	52 388

R million	Unaudited Six months ended December **2006**	2005	Audited Year ended June 2006
Shares in issue			
Opening balance 1 July	**5 634 120 503**	5 613 566 954	5 613 566 954
Movements			
Outperformance conversion October 2005	**–**	1 465 514	1 465 514
Outperformance conversion April 2006	**–**	–	19 088 035
Shares in issue as at 1 July	**5 634 120 503**	5 615 032 468	5 634 120 503
Outperformance conversion October 2006	**831 066**	–	–
Number of shares in issue	**5 634 951 569**	5 615 032 468	5 634 120 503
Less: Treasury shares	**(476 327 240)**	(522 505 423)	(449 689 562)
Staff schemes	**(283 378 070)**	(293 531 494)	(242 605 846)
BEE staff trusts	**(179 401 072)**	(179 401 072)	(179 401 072)
Shares held by policyholders	**(13 548 098)**	(49 572 857)	(27 682 644)
Number of shares in issue (after treasury shares)	**5 158 624 329**	5 092 527 045	5 184 430 941
Weighted average number of shares			
Actual number of shares in issue as at 1 July	**5 634 120 503**	5 613 566 954	5 613 566 954
Adjustment			
Outperformance conversion weighting	**415 533**	732 757	5 549 512
Weighted average number of shares before treasury shares	**5 634 536 036**	5 614 299 711	5 619 116 466
Less: Treasury shares	**(451 500 882)**	(503 799 247)	(476 431 135)
Staff schemes	**(259 906 960)**	(274 825 318)	(269 347 419)
BEE staff trusts	**(179 401 072)**	(179 401 072)	(179 401 072)
Shares held by policyholders	**(12 192 850)**	(49 572 857)	(27 682 644)
Weighted average number of shares in issue	**5 183 035 154**	5 110 500 464	5 142 685 331
Dilution impact:			
Outperformance	**4 252 007**	24 215 125	6 807 375
Staff schemes	**90 066 553**	112 758 848	111 997 137
BEE staff trusts	**59 147 515**	42 588 026	56 119 306
Diluted weighted average number of shares in issue	**5 336 501 229**	5 290 062 464	5 317 609 149
Number of shares for normalised earnings per share calculation (unaudited)			
Actual weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share			
Shares in issue at 1 July	**5 634 120 503**	5 613 566 954	5 613 566 954
Adjustment			
Outperformance conversion weighting	**415 533**	732 757	5 549 512
Weighted average number of shares in issue for normalised earnings calculation	**5 634 536 036**	5 614 299 711	5 619 116 466
Dilution impact:			
Outperformance	**4 252 007**	24 215 125	6 807 375
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	**5 638 788 043**	5 638 514 836	5 625 923 841

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

These adjustments are consistend with those reported at 30 June 2006, except for share-based payments and listed property associates.

Private equity realisations

In terms of IFRS, and specifically IAS 28 – "Investment in Associates", investors in private equity or venture capital associate companies may elect to either equity account or fair value associate investments. As part of its conversion to IFRS, FirstRand elected to continue to equity account for its private equity associate investments.

On 4 May 2006, the Accounting Practices Committee, ("APC") of the South African Institute of Chartered Accountants ("SAICA") published Issue 8 of Circular 7/2002 – "Headline Earnings". In terms of the Circular, profits or losses on the realisation of all equity accounted private equity or venture capital investments are to be excluded from the calculation of headline earnings. FirstRand will continue to disclose normalised headline earnings and normalised headline earnings per share information, which includes the profits or losses on disposal of private equity investments. FirstRand will continue with its policy of using normalised headline earnings as the basis for determination of dividend payments. FirstRand regards private equity to be a core component of its investment banking business.

Agreement with National Treasury

The total impact on Momentum and Sage of the agreement with National Treasury that was reached on 12 December 2005, amounts to R196 million after tax. The impact on Momentum is R108 million. The balance of R88 million is a charge against pre-acquisition earnings of Sage. As a provision of R78 million after tax already existed at 30 June 2005, the full balance of the Momentum charge of R30 million after tax has been taken against prior year earnings.

Discovery BEE transaction

In December 2005, Discovery issued 38.7 million shares in terms of its BEE transaction. The special purpose vehicles and trusts to which these shares have been issued, have been consolidated into the accounts of Discovery, eliminating the shares issued.

The normalised adjustment:

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

Treasury shares: Effective shareholding in Discovery Holdings Limited

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

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

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

The normalised adjustment:

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

Treasury shares: FirstRand shares held by policyholders

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

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

Adjustment of listed property associates

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

Re-allocation of prior year numbers

The following line items on the face of the balance sheet, have been re-allocated for more accurate disclosure purposes.

Item	As previously reported R million	As re-allocated R million	Reasons for re-allocation
Balance sheet at 31 December 2005			
Investment securities and other investments	147 516	161 123	Insurance assets including unit-linked assets of R14 742 million previously disclosed separately reallocated to investment securities and other investments. Commodities of R1 135 million transferred to separate line on balance sheet.
Commodities	–	1 135	Refer to "Investment securities and other investments".
Insurance assets including unit-linked assets	14 742	–	Refer to "Investment securities and other investments".
Creditors and accruals	21 301	21 061	Deferred revenue transferred to separate line on balance sheet.
Policyholders' liabilities under investment contracts	78 394	78 250	Deferred revenue transferred to separate line on balance sheet.
Policyholders' liabilities under investment contracts	43 997	39 642	Liabilities arising to third parties transferred to separate line.
Liabilities arising to third parties	–	4 355	Refer "Policyholders under investment contracts".
Deferred revenue liability	–	384	Refer "Creditors and accruals" and "Policyholders' liabilities under investment contracts".
Balance sheet at 30 June 2006			
Cash and short-term funds	30 323	46 684	Money market investments previously disclosed separately.
Money market investments	16 361	–	Refer "Cash and short-term funds".
Investment securities and other investments	173 848	175 614	Insurance assets of R1 766 million transferred to "Investment securities and other investments".
Insurance assets	1 766	–	Refer to "Investment securities and other investments".
Distributable reserves	24 854	23 199	Change due to impact of IFRS 2 costs on BEE transaction. Refer page 13.
Non-distributable reserves	3 522	5 177	Refer "Distributable reserves".

Directors

GT Ferreira (Chairman), PK Harris (CEO), VW Bartlett, DJA Craig (British), LL Dippenaar, DM Falck, PM Goss, NN Gwagwa, MW King, YI Mahomed, G Moloi, AP Nkuna, SE Nxasana, SEN Sebotsa, KC Shubane, BJ van der Ross, Dr F van Zyl Slabbert, RA Williams.

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JSE Limited ("JSE")

Ordinary shares	Share code	ISIN Code
– FirstRand Limited	FSR	ZAE 00000 66304
Non-cumulative non-redeemable preference shares		
– "B"	FSRP	ZAE 00000 60141
– "B1"	FSRPN	ZAE 00000 70900

Nambia Securities Exchange ("NSE")

Ordinary shares	Share code	ISIN Code
FirstRand Limited	FSR	ZAE 00000 66304
FNB Namibia Holdings Limited	FNB	NA 00034 75176

Botswana Securities Exchange of South Africa ("JSE")

Ordinary shares	Share code	ISIN Code
FNB Botswana Holdings Limited	FNBB	BW 00000 0066

Bond Exchange of South Africa ("BESA")

Subordinated debt

Issuer	Code	ISIN Code
FirstRand Bank Limited	FRB05	ZAG000031337
FirstRand Bank Limited	FRB03	ZAG000026774
FirstRand Bank Limited	FRB02	ZAG000021593
FirstRand Bank Limited	FRB01	ZAG000021585
Momentum Group Limited	MGL01	ZAG000029935

Introduction

This report reflects the results and financial position of the banking interests of FirstRand Limited ("the Banking Group"), and should be read in conjunction with the report on FirstRand Limited ("FirstRand").

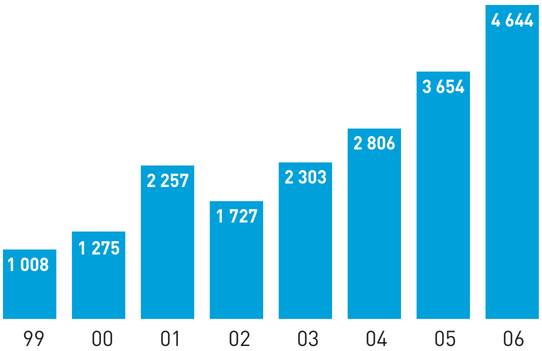
Given certain non-operational and accounting anomalies that impact on the calculation of headline earnings, this report also discloses normalised headline earnings, which the Banking Group believes is a more accurate reflection of operational performance.

Financial highlights

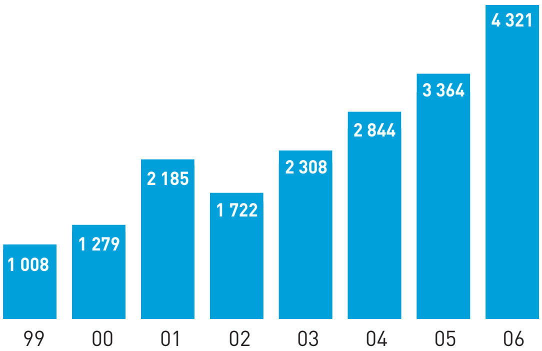
Unaudited	% change
Attributable earnings	+27
Headline earnings	+28
Normalised headline earnings	+29
	%
Return on average ordinary shareholders' equity (based on headline earnings)	29
Return on average ordinary shareholders' equity (based on normalised headline earnings)	31

A booklet containing supplementary information on the Banking Group is available on our website or on request from the company secretary's office.

Attributable earnings – December
(R million)
CAGR: 24.4%



Headline earnings – December
(R million)
CAGR: 23.1%



R million	Unaudited Six months ended 31 December **2006**	2005	% change	Audited Year ended 30 June 2006
Interest and similar income	**18 874**	13 245	42	25 982
Interest expenditure and similar charges	**(11 744)**	(7 840)	50	(15 087)
Net interest income before impairment of advances	**7 130**	5 405	32	10 895
Impairment losses on loans and advances	**(1 151)**	(576)	100	(1 411)
Net interest income after impairment of advances	**5 979**	4 829	24	9 484
Non interest income	**9 108**	6 888	32	15 512
Income from operations	**15 087**	11 717	29	24 996
Operating expenditure	**(9 076)**	(7 025)	29	(14 875)
Net income from operations	**6 011**	4 692	28	10 121
Equity accounted income from associates and joint ventures	**875**	772	13	1 259
Income before taxation	**6 886**	5 464	26	11 380
Indirect taxation	**(257)**	(260)	(1)	(469)
Profit before taxation	**6 629**	5 204	27	10 911
Direct taxation	**(1 572)**	(1 270)	24	(3 012)
Profit for the period	**5 057**	3 934	29	7 899
Attributable to:				
Equity holders of the Banking Group	**4 644**	3 654	27	7 260
Minority interest	**413**	280	48	639
	5 057	3 934	29	7 899

R million	Unaudited At 31 December 2006	2005	% change	Audited At 30 June 2006
ASSETS				
Cash and short-term funds	**30 096**	20 961	44	27 710
Derivative financial instruments	**27 396**	31 814	(14)	35 381
– qualifying for hedging	**199**	861	(77)	428
– trading	**27 197**	30 953	(12)	34 953
Advances	**328 768**	250 330	31	294 031
– at amortised cost	**267 187**	207 706	29	239 325
– held-to-maturity	**618**	762	(19)	713
– available-for-sale	**586**	1 857	(68)	523
– fair value	**60 377**	40 005	51	53 470
Investment securities and other investments	**82 685**	52 114	59	70 728
Financial instruments held for trading	**35 047**	18 551	89	30 015
Investment securities	**47 638**	33 563	42	40 713
– held-to-maturity	**217**	420	(48)	92
– available-for-sale	**19 203**	15 388	25	18 912
– elected fair value	**12 302**	9 258	33	12 915
– elected fair value non-recourse investments	**15 916**	8 497	87	8 794
Commodities	**873**	1 135	(23)	676
Loans to Insurance Group	**994**	6 469	(85)	1 274
Accounts receivable	**6 994**	3 626	93	3 486
Investment in associate and joint venture companies	**4 304**	3 271	32	3 649
Property and equipment	**4 430**	4 109	8	4 329
Deferred tax assets	**371**	492	(25)	360
Intangible assets	**875**	502	74	764
Policy loans	**2**	–	100	–
Total assets	**487 788**	374 823	30	442 388
LIABILITIES AND EQUITY				
Liabilities				
Deposits	**357 371**	268 747	33	319 522
– deposit and current accounts	**341 455**	260 250	31	310 871
– elected fair value non-recourse deposits	**15 916**	8 497	87	8 794
Short trading positions	**37 716**	20 417	85	28 264
Derivative financial instruments	**27 889**	28 395	(2)	32 972
– qualifying for hedging	**72**	366	(80)	162
– trading	**27 817**	28 029	(1)	32 810
Loans from Insurance Group	**4 301**	8 003	(46)	4 307
Creditors and accruals	**9 284**	7 379	26	10 101
Provisions	**2 213**	1 794	23	1 985
Taxation liability	**511**	–	>100	554
Post retirement benefit funds liability	**1 948**	1 585	23	1 597
Deferred taxation liabilities	**2 938**	2 686	9	2 724
Long-term liabilities	**7 385**	5 052	46	7 804
Policy holder liabilities under insurance contracts	**181**	136	33	325
Total liabilities	**451 737**	344 194	31	410 155
Equity				
Ordinary shares	**106**	106	–	106
Share premium	**2 302**	1 632	41	1 632
Non-distributable reserves	**2 646**	2 012	32	2 738
Distributable reserves	**26 324**	21 612	22	23 279
	31 378	25 362	24	27 755
Non-redeemable preference shares	**3 100**	3 100	–	3 100
Cumulative redeemable preference shares	**–**	1 045	(100)	–
Capital and reserves attributable to the Group's equity holders	**34 478**	29 507	17	30 855
Minority interest	**1 573**	1 122	40	1 378
Total equity	**36 051**	30 629	18	32 233
Total liabilities and equity	**487 788**	374 823	30	442 388

OVERVIEW

The Banking Group achieved the following results during the six months ended 31 December:

R million	**2006**	% change
Attributable earnings	**4 644**	27
Headline earnings	**4 321**	28
Normalised headline earnings	**4 752**	29

These results were achieved in a local and international operating environment characterised by:

- continued strong GDP growth in South Africa and internationally;
- strong growth in consumer credit demand although tempered by the rising interest rate environment during the latter part of the reporting period;
- buoyant equity and debt markets, which benefited the Banking Group's equity and trading businesses;
- favourable economic conditions with increased client numbers and transaction volumes;
- increased corporate borrowing activity;
- rising interest rates with a concurrent negative effect on consumers' ability to service debt; and
- competitive pricing pressures especially on the asset side of the banking book.

Reconciliation of normalised headline earnings

R million	Six months ended December **2006**	Six months ended December 2005	% change	Year ended June 2006
Attributable earnings	**4 644**	3 654	27	7 260
Adjusted for:				
– Profit on sale of equity accounted private equity associates	**(308)**	(294)	5	(219)
– Other	**(15)**	4	(>100)	8
Headline earnings	**4 321**	3 364	28	7 049
Adjusted for:				
– Profit on sale of equity accounted private equity associates	**308**	294	5	219
– Transfer of divisions from Momentum Group	**–**	22	(100)	–
– Impact of IFRS 2	**123**	–	100	147
Normalised headline earnings	**4 752**	3 680	29	7 415
Preference dividends paid	**(109)**	(114)	(4)	(253)
Normalised headline earnings attributable to ordinary shareholders	**4 643**	3 566	30	7 162

Return on equity – normalised

R million	Six months ended December **2006**	Six months ended December 2005	% change	Year ended June 2006
Normalised headline earnings attributable to ordinary shareholders	**4 643**	3 566	30	7 162
Average ordinary shareholders' equity	**29 567**	24 946	19	26 143
Return on equity (%)	**31**	29		27

Performance against targets

The Banking Group achieved the following results against internal performance targets for the period under review:

%	Performance target	Actual **2006**
Return on equity[1]	**22.8**	31.4
Headline earnings growth[2]	**15.0**	28.5
Cost to income ratio[3]	**52.0 – 54.0**	53.0
Impairment charge as a percentage of average gross advances[4]	**0.7 – 0.9**	0.73

Notes:

1. *Calculated as normalised headline earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity. The Banking Group targets a return on average ordinary shareholders' equity figure of weighted average cost of capital + 10 percentage points.*
2. *The Banking Group targets a growth of average CPIX + 10 percentage points.*
3. *The Banking Group has set a medium-term objective of maintaining a cost to income ratio of between 52.0% and 54.0%.*
4. *Medium-term objective given current risk profile and interest rate environment.*

Business unit performance

The majority of the business units in the Banking Group produced excellent results as reflected in the profit before direct tax below:

R million	Six months ended December **2006**	Six months ended December 2005	% change	Year ended June 2006
FNB	**2 981**	2 362	26	4 823
RMB	**2 054**	1 174	75	2 575
WesBank – local operations	**776**	687	13	1 451
WesBank – international operations	**(65)**	17	(>100)	14
Africa	**437**	345	27	744

FNB achieved strong growth characterised by:

- organic growth of 31% in gross advances, with growth of 31% in home loans and 25% in card advances, and personal loans showing an increase of 34%;

- a significant increase of 18% in customer numbers as well as gains in market share;
- strong deposit growth of 19% with growth of 45% in the Wealth segment and 19% and 21% from the Commercial and Corporate segments respectively;
- interest income growth of 29%, benefiting from the continued strong balance sheet growth, improved margins and the benefit of a higher endowment effect in the higher interest rate environment;
- non interest income growth of 20% as a result of a significant increase in client numbers and higher transaction volumes; and
- higher bad debt levels due to the rising interest rate cycle, although still within the medium-term bad debt ratio target.

RMB results were driven by:

- an exceptional performance from the equity businesses which prospered from favourable market conditions, excellent arbitrage opportunities and good realisations;
- good corporate finance deal flow in an environment characterised by high levels of business confidence and continued BEE activity;
- strong gains in the emerging and developed market trading books benefiting from improved credit spreads; and
- significant gains from the trading businesses benefiting from volatility in the local and international markets and increases in client flows.

WesBank achieved satisfactory profit growth from its local operations, characterised by:

- new business growth of 11%, reflecting the benefit from continued growth in the corporate market;
- a 27% increase in gross advances before taking into account the securitisation of certain assets (19% after taking account of the securitisations) ;
- a 50% increase in non interest income due to high insurance revenue and growth from the Fleet business as well as a contribution from the start-up international businesses; and
- a negative impact on bad debt levels due to higher levels of consumer debt and the higher interest rate environment.

Overall profit growth was affected by a significant increase in operating expenses, which were negatively affected by the new international start-up businesses in the current period.

FNB Africa performed well benefiting from:

- strong performances from both FNB Namibia and FNB Botswana benefiting from ongoing growth initiatives;
- the continued strong recovery from FNB Swaziland due to robust asset and top line income growth;
- focused initiatives to achieve cost containments;
- excellent deposit growth of 56% with increased contributions from all subsidiaries; and
- the positive effects on income through collaboration with FNB South Africa.

Economic overview

The South African economy performed well in the six month period ended 31 December 2006, reflecting a period of strong economic activity, relative Rand stability, contained inflationary pressures, higher domestic interest rates and rapidly appreciating share prices.

The Rand strengthened by 2.4%, from a level of R7.15: US$1 at 30 June 2006, to R6.98: US$1 at 31 December 2006, largely due to renewed appetite for emerging market assets, with strong foreign flows into the local equity and bond markets. Helping to mitigate upward price pressures from sharply higher food prices was the lowering of domestic petrol prices following the 16% decline in international oil prices over the six month period. CPIX inflation remained within the South African Reserve Bank's targeted range of 3% to 6%, averaging 5% during the period under review.

The economy maintained its strong growth momentum, supported by still high levels of both consumer and business confidence. Rapid rates of consumption expenditure and fixed investment saw year on year growth in private sector credit extension accelerating to over 25%, driven by both corporate and households' credit demand. The ratio of household debt to disposable income rose to a new record high of 73%. The macro-economic imbalances created by the strong growth in domestic demand generated large current account deficits.

The currency and ultimately inflation risk posed by such deficits prompted the central bank to continue raising interest rates by 50 basis points at each of the three final Monetary Policy Committee meetings of 2006. Although at an early stage, the tightening of monetary policy has shown signs of taking effect, among them a slowdown in new vehicle sales. Strong growth in company earnings and the steady purchases of local equities by non-resident investors drove the 17% increase in share prices over the six month period, while house price inflation continued to moderate on concerns over reduced affordability.

Financial review

INCOME STATEMENT – OVERVIEW

Net interest income ("NII")(before impairment of advances) – up 32%

Interest rates increased by 1.5% during the period as the SARB announced rate increases in August, October and December 2006 (an increment of 0.5% per rate increase). The average prime overdraft interest rate for the six months under review was 11.69% compared to 10.50% over the comparative period (1.19% increase).

Margins widened on deposits, particularly on the shorter dated products. Overall, the margin on advances declined marginally, primarily from margin pressures on certain asset generators in the Banking Group. Competitive pricing affected mortgage advances, and card advances were negatively impacted by repricing limitations imposed by the Usury Act. Conversely, margins opened on personal loans and overdrafts. In order to meet the strong demand for credit the Banking Group raised funding in the professional market, which resulted in a different mix in funding.

Interest margins showed an increase from 4.54% at 31 December 2005 to 4.60% at 31 December 2006 as set out below:

	Six months ended December **2006** R million	%
Margin on average advances – December 2005	5 405	4.54
Impacted by:		
Volume	1 681	–
Endowment effect – deposits	179	0.12
Endowment effect – capital	297	0.19
Hedges	(129)	(0.08)
Other	(303)	(0.17)
Margin on average advances – December 2006	7 130	4.60

Net interest income and interest margins were positively influenced by:

- the volume effect from the significant organic growth in advances and deposits and a higher capital base;
- widening of certain asset margins as a result of rising interest rates;
- the improved mix in amortised cost advances, benefiting from the continued trend of growth in retail advances and a reduction in large corporate advances; and
- the positive impact of rising interest rates on the endowment effect on capital and deposits.

Negative factors included:

- competitive pressures on pricing in certain asset generators such as WesBank and HomeLoans;
- the run-off and resultant lower contribution of the hedges on the endowment and funding portfolios in comparison with the prior year;
- the run-off of the older fixed rate book; and
- the increasing cost of longer-term funding.

Non interest income ("NIR") – up 32%

A detailed analysis of non interest income is set out on pages 6 to 9 of the supplementary information document.

The various components of non interest income are discussed in more detail below:

Fee and commission income

Banking fee and commission income increased primarily due to increased customer numbers and higher transaction volumes.

FNB's operations benefited from increases in customer numbers and higher transaction volumes:

- the Consumer segment showed a 13% growth in customers, with the biggest contributor being card with a 17% increase;
- the Mass segment increased active transacting accounts by 14% and recorded growth in ATM transactions of 16%;
- the Corporate segment's growth was mainly the result of increased electronic channel use; and
- the Commercial segment growth was predominantly driven by increased activity and a 14% growth in active accounts.

WesBank's non interest income growth of 50% resulted from increased insurance products revenue, new business growth and growth in the contribution from WesBank Auto, due to higher customer numbers. The offshore businesses also contributed to the growth, although to a lesser extent.

Knowledge-based income increased by 64% year on year driven by the continued buoyant market for mergers and acquisitions and increased deal flow in structured finance transactions.

Income from fair value assets

RMB's equities trading businesses performed exceptionally well with the offshore arbitrage area contributing a major proportion of the income reflecting the successful application of locally derived trading strategies to global markets.

The other Treasury trading businesses conducted by RMB benefited from increased volumes, volatility and direction in the local interest rate and foreign exchange markets, and strong growth in client flows. The soft commodity trading team produced continued good results.

RMB's debt businesses benefited from the continued positive economic conditions. The Project Finance area delivered strong results as a result of continued BEE activity in the resources sector. Structured Finance showed exceptional year on year profit growth buoyed by a robust property sector as well as acquisition and leveraged finance opportunities created by ongoing BEE activity.

Investment income

Investment income includes realised gains and losses from the Banking Group's private equity portfolios managed by RMB.

The private equity businesses had an outstanding period in an environment conducive to realisations. Good profits were realised on the sale of a number of assets in the portfolio. BEE activity has also provided the opportunity to invest in excess of R750 million during the six months to 31 December 2006. In spite of the realisations, unrealised profits in the portfolio grew to more than R1.27 billion (June 2006: R1.1 billion, December 2005: R910 million). Consistent with prior years, this profit is not recognised until realised.

Equity accounted income – up 13%

The increase was achieved in an environment characterised by:

- significant profit growth from the international associate companies (>100%) benefiting from the strong run of resources and certain energy prices;
- a satisfactory performance from FirstRand Short-term Insurance which benefited from strong growth in new business in both the retail and commercial markets;
- flat year on year profit growth from WesBank associates; and
- a slight increase in equity accounted income from private equity associate companies negatively impacted by the disposal of two associate companies during the reporting period.

Operating expenditure – up 29%

Base costs increased by 15% year on year.

The absolute increase in operating expenses was negatively affected by:

- direct staff costs increasing by 16%, due in part to increased staff numbers to support the significant new business growth experienced in WesBank, FNB and RMB;
- variable costs directly related to income, including profit shares, joint ventures, incentives and loyalty programmes, increased by 62% from R907 million to R1 469 million;
- other staff related costs increasing by 59%, negatively affected by a R223 million contribution to the post-retirement medical aid fund (2005: R47 million) as well as IFRS 2 costs of R123 million;
- costs directly related to the Banking Group's international expansion of R548 million (2005: R325 million); and
- costs associated with new domestic initiatives increasing by more than 100% from R24 million to R136 million.

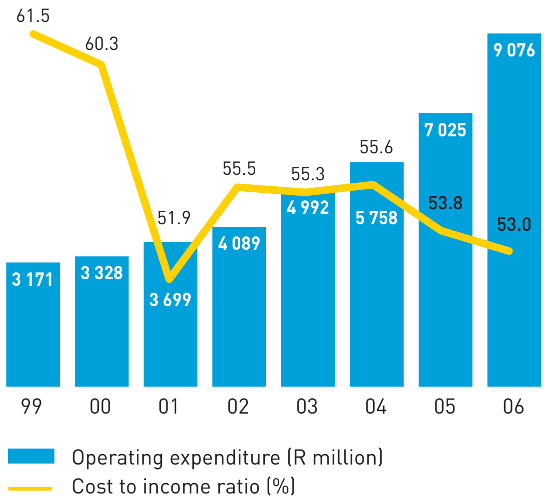
A detailed analysis of operating expenses is set out on page 11 of the supplementary document.

Cost to income ratio

Based on attributable earnings, the cost to income ratio improved from 53.8% at 31 December 2005 to 53.0%.

The historic trend in the cost to income ratio is shown below:

Operating efficiency



Direct taxation

The direct tax charge as a percentage of income before direct tax increased marginally from 23.6% to 23.7%, primarily as a result of significant STC credits earned during the period.

BALANCE SHEET

Advances – up 31% (up 34% before securitisations)

The Banking Group distinguishes between advances originated and managed on an accrual basis ("accrual advances") and those advances which are designated and managed on a fair value basis within RMB's businesses.

The Banking Group achieved growth of 28% in accrual advances, from R210.3 billion to R268.3 billion.

FNB achieved growth of 31% in gross advances due to:

- a 31% growth in FNB HomeLoans, benefiting from strong growth in sales and higher levels of property values. In anticipation of the impact of the increases in interest rates and a resultant tightening of credit criteria, FNB's new business market share decreased from 20% to 16% during the period under review;
- Card Issuing advances' growing by 25% benefiting from cross selling strategies and the launch of new joint venture products;
- advances in FNB's Wealth segment growing by 31% as a result of strong growth in their target market; and

- advances in the Commercial segment, which includes mid-corporates, grew by 28% as a result of an increased focus on "value add" products in this segment, driven by Commercial Property Finance (+54%), Debtor Finance (+53%) and Agriculture (+31%).

WesBank's advances grew by 27% year on year (19% after taking account of the impact of securitisations during the period). New business production remained strong, growing by 11% year on year to R28 billion. The growth in the retail market slowed as a result of rising interest rates and high levels of customer debt. The corporate market, however, showed good growth as a result of public and private investment.

The African subsidiaries increased advances by 10%, driven by strong advances growth of 18% in Botswana due to new sales initiatives, particularly in property finance. FNB Namibia achieved advances growth of 10%, benefiting from continued strong growth in instalment finance and home loan advances.

Deposits – up 33%

Growth in deposits was driven primarily by the need to fund the growth in advances. There is a continued focus to optimise the mix of the deposit book. Liability balances continue to increase in line with funding requirements of the Banking Group.

FNB's deposits increased by 19% with the Commercial, Corporate and Consumer segments being the main contributors. Increased market share of transactional banking and savings and investment products in Consumer led to an increase of 16% in the retail side of the deposit book. Growth of 19% and 21% in Commercial and Corporate respectively reflected the cash flush position of medium and large corporates and an ongoing focus on increasing market share in this segment.

Overall FNB Africa increased deposits by 56%. The main contributor to this was the Bank of Botswana's revision of the Bank of Botswana Certificates ("BOBC") participation programme during the previous financial year by allowing only commercial banks as bidders for BOBCs. This enabled FNB Botswana to attract surplus deposits from other market participants now precluded from investing in BOBCs.

CREDIT RISK MANAGEMENT

Non-performing loans ("NPLs") and impairment of advances

The Banking Group actively manages its credit portfolios through its origination strategies, pricing for risk and credit portfolio hedges as appropriate.

During the six months under review, NPLs increased by R744 million to 1.5% of gross advances (June 2006: 1.4%). With the implementation of the National Credit Act ("NCA") approaching the Banking Group has carefully considered its levels of portfolio and specific provisions to cater for the effects of potential higher defaults and longer recovery periods. The total amount relating to the NCA included in credit impairments to date is in excess of R100 million.

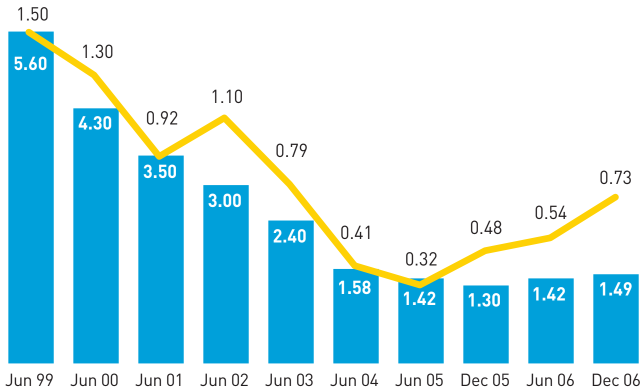
The bad debt income statement charge (calculated on average advances for the six months) was 0.73% (June 2006: 0.54%). This is still in line with the Banking Group's stated medium-term impairment charge objective of between 0.7% – 0.9%. The increase in interest rates contributed to the normalisation of bad debts and NPLs.

The table below summarises key information on NPLs and impairments in the credit portfolio for the period under review:

	Six months ended December **2006**	Six months ended December 2005	% change	Year ended June 2006
Total advances net of interest in suspense ("ISP") (R million)	**332 344**	253 167	31	297 162
NPLs (R million)	**4 955**	3 357	48	4 211
NPLs as % of gross advances	**1.5**	1.3	12	1.4
Specific and portfolio impairments reflected in the balance sheet (R million)	**3 576**	2 837	26	3 131
Impairment charge (R million)	**1 151**	576	100	1 411
Impairment charges as a % of average gross advances	**0.73**	0.48	53	0.54
Total impairments as a % of NPLs after ISP	**81.6**	100.0	(18)	86.0
Total impairments as a % of residual risk	**154**	162	(5)	156

The graph below indicates the history of the Banking Group's credit losses reflected by the impairment charge percentage and non-performing loans.

NPLs and impairment charge percentages
(%)



Note:
Non-performing loans are classified as such based on the definition of default used by the Banking Group. The non-performing loans percentage includes the total value of non-performing loans classified into this category in the current year, as well as those of previous years that are still being collected/worked out. The impairment charge percentage is the bad debt charge to the income statement as a percentage of total average advances based on the application of the Bank's internal provisioning policies and on the accounting basis applicable at the time (SA GAAP prior to 2006).

A further analysis of the credit quality of the advances book is set out on pages 12 and 13 of the supplementary document.

Credit quality overview

The FirstRand master rating scale, the FR ratings, range from FR 1 to FR 100, with FR 1 being the best rating with the lowest probability of default. The FR rating has been mapped to default probabilities as well as external rating agency national and international rating scales. The granular 100 point scale is summarised for internal purposes into 18 buckets and for reporting purposes into 10 buckets as described below.

The FR scale is summarised in the following table:

FR Rating	Mid-point PD	International scale mapping*	National scale equivalent (zaf)**
FR 1 – 12	0.04%	AAA,AA,A	AAA,AA+
FR 13 – 25	0.27%	BBB	AA,AA-
FR 26 – 32	0.77%	BB+,BB	A
FR 33 – 37	1.34%	BB-	BBB
FR 38 – 48	2.15%	B+	BB
FR 49 – 60	3.53%	B+	BB
FR 61 – 83	6.74%	B	B+
FR 84 – 91	15.02%	B-	B
Above FR 92		Below B-	CCC
FR 100	100.0%	D	D

* *Indicative mapping to international rating scale of Fitch and S&P.*
** *Indicative mapping to national rating scale, ignoring the impact of sovereign risk.*

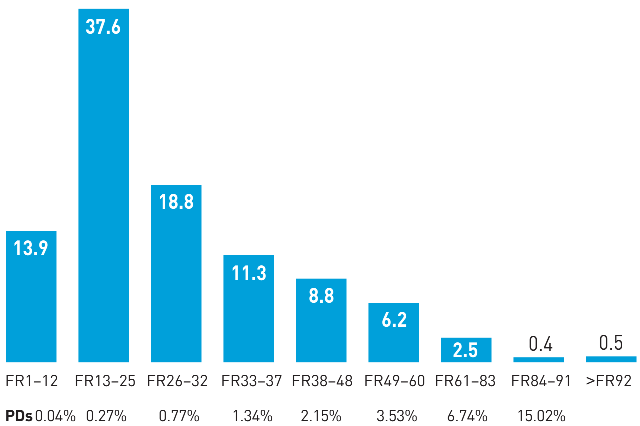
The credit quality of the wholesale credit book improved slightly since December 2005 as was reported at June 2006. The improvement is due to improved ratings for certain corporate counterparties after the adjustment of the South African sovereign rating which serves as a rating ceiling for most local corporates. The weighted average rating for retail credit counterparties deteriorated further due to the normalisation of the retail credit markets. The overall internal counterparty rating, ignoring collateral effects, was FR 43 at 31 December 2006 (FR 42 at December 2005). The rating is equivalent to a national scale credit rating of zaBB (zaBB at 31 December 2005).

The graphs in the section below describe the main credit portfolios in terms of distribution across rating grades. These distributions provide an overview of the credit quality of the book based on the through-the-cycle ratings assigned to counterparties.

Wholesale credit exposures

The following graph indicates the credit distribution based on the wholesale corporate counterparty's through-the-cycle probability of default ("PD") and FR ratings for the portfolio (excluding the financial institution and sovereign exposures):

Wholesale credit portfolio
Exposure distribution across rating buckets – performing book (%)

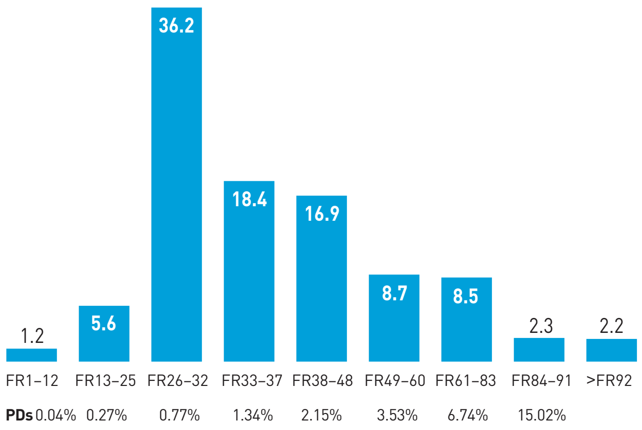


The average LGD for the wholesale credit portfolio is generally between 35% and 45%.

Retail and SME credit exposures

The following graph indicates the credit distribution based on the retail and SME counterparty's through-the-cycle PD and FR ratings for the portfolio:

Retail and SME credit portfolio
Exposure distribution across rating buckets – performing book (%)



The LGDs for these exposures are dependent on the level and type of security held. The LGD for residential mortgages typically ranges between 10% and 20% and for asset backed finance transactions (typically in WesBank) between 25% and 35%. For the unsecured exposures, the average LGD ranges between 50% and 70%.

Portfolio analysis – expected loss

The expected loss ("EL") of the portfolio is a function of the exposure at default, probability of default (reflected in the credit distributions above) and the loss given default dimension which incorporates collateral. It is a forward looking measure of risk through the cycle. The forward looking long run average expected loss estimated at 31 December 2006 for the Bank's portfolio is estimated at 0.7% (December 2005: 0.6%). The expected loss measurement is used for risk management purposes, and differs from accounting bad debt losses due to different assumptions. The accounting bad debt charge is determined with reference to an incurred loss model as opposed to the expected loss risk model. However, the expected loss measurement provides a useful benchmark for the accounting loss measure over the long run and broad comparisons are appropriate. The actual bad debt charge as a percentage of average advances as at 31 December 2006 of 0.73% is comparable to the long run expected loss of 0.7% and should be evaluated against the three year historical trend, which is well below the long run average. The retail and SME bad debt charge exceeds this long run expected loss and the wholesale bad debt charge is substantially lower than the portfolio level expected loss rate.

The Banking Group conducts macro economic sensitivity analysis to test the resilience of the credit portfolios to events such as interest rate shocks.

CAPITAL

Capital supply and demand

The Banking Group aims to fulfil the requirements of shareholders and maintain an efficient capital structure with limited excesses, while still supporting its organic growth requirements. The Banking Group does not hold surplus capital for acquisitions and the need for raising capital is assessed on a transaction by transaction basis.

The required and qualifying capital positions of FirstRand Bank Limited and the Banking Group are monitored on an ongoing basis. A forecast of the future capital position is updated periodically, while the accuracy and the robustness of the forecast continue to enjoy the highest level of attention.

A number of capital initiatives have been implemented during the period under review to maintain FirstRand Bank's sound capital position in light of strong demand for credit. Sound earnings bolstered the Banking Group's solid Tier 1 and total capital adequacy ratios, enabling management to focus on the most cost efficient structure.

Capital adequacy ratios

The registered banks in the Banking Group must comply with the SARB regulations and those of their home regulators. Banks in South Africa are only allowed to appropriate income to capital once formally approved by the board of directors. The appropriation of income to Tier 1 is considered at board meetings on at least a quarterly basis.

The table below shows the capital adequacy position of the Banking Group as per the regulatory returns before appropriation, as well as the ratio following the appropriation of profits.

Banking Group: regulated bank and non-bank entities (%)	Total capital adequacy	Tier 1 capital
Disclosed capital adequacy	11.8	8.5
Unappropriated profits (net of expected dividends)	0.4	0.4
Adjusted capital adequacy	12.2	8.9

The table below highlights the targeted and actual capital levels as at December 2006:

%	Total capital adequacy Target	Total capital adequacy Actual	Tier 1 capital Target	Tier 1 capital Actual	Tier 1 capital – core Target	Tier 1 capital – core Actual
Banking Group – regulated bank and non bank entities	12 – 13	11.8	7.5 – 8.5	8.5	7 – 8	7.5
Banking Group – regulated bank entities	12 – 13	11.8	7.5 – 8.5	8.1	7 – 8	7.1
FirstRand Bank Limited	11 – 12	11.4	6.5 – 7.5	7.8	6 – 7	6.5

The capital adequacy position of FirstRand Bank Limited can further be analysed as follows:

FirstRand Bank Limited	At December **2006**	2005
Tier 1%	**7.8**	8.3
Total capital adequacy %	**11.4**	11.8
Risk weighted assets (R million)	**242 012**	188 935

The consolidated capital adequacy position of the domestic and international regulated entities in the Banking Group is set out below:

Banking Group – regulated banking entities	At December **2006**	2005
Tier 1%	**8.1**	9.2
Total capital adequacy %	**11.8**	12.5
Risk weighted assets (R million)	**285 254**	215 545

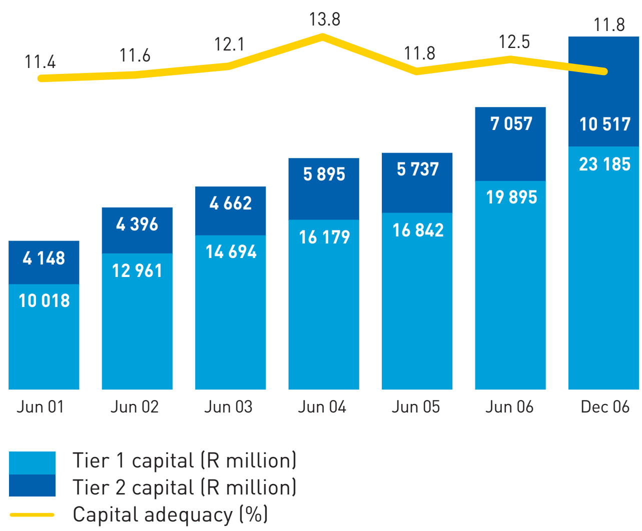
Banking Group – regulated bank and non-bank entities	At December **2006**	2005
Tier 1%	**8.5**	10.3
Total capital adequacy %	**11.8**	13.5
Risk weighted assets (R million)	**316 653**	228 089

Regulatory capital history

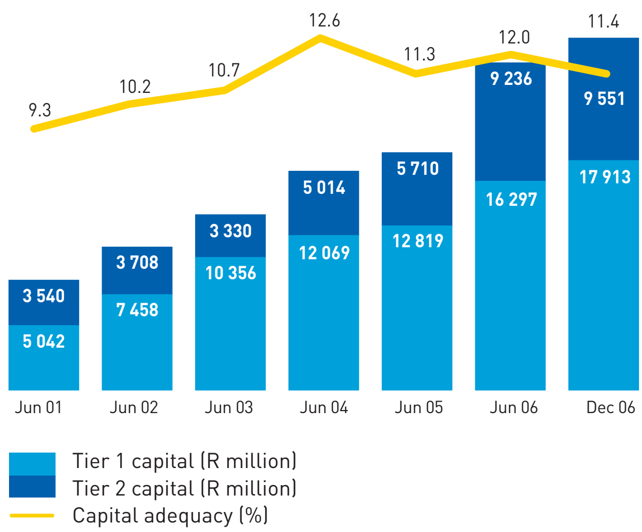
The Banking Group monitors the capital adequacy position closely – the significant growth in risk weighted assets has been counterbalanced by strong earnings performance, active balance sheet management and the securitisation of instalment debtors.

The graphs below indicate the regulatory capital position of the Banking Group and FirstRand Bank Limited over the last six years:

Banking Group – regulated banking entities:



FirstRand Bank Limited



Economic profit

The incorporation of an opportunity cost of equity capital into the Banking Group's performance measurement system potentially offers great benefits in terms of improved risk management, greater efficiency in the use of capital, and quicker and more informed decision making on the part of managers.

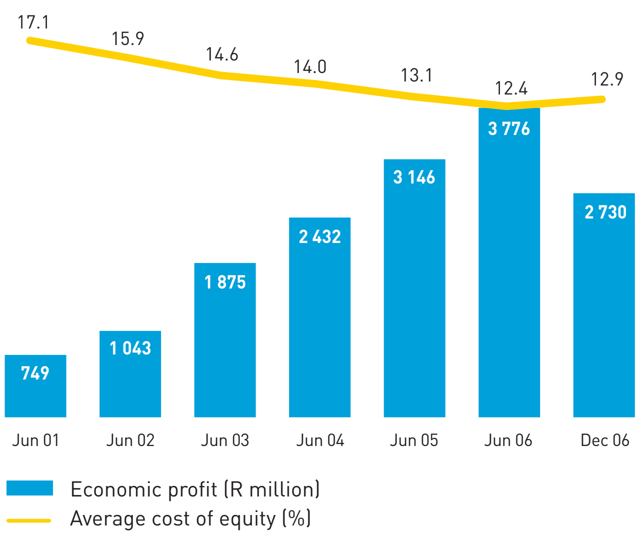
Economic profit and risk-adjusted performance measurement principles have been embedded in the management culture of the organisation through economic profit contribution measurement. Economic profit (also referred to as net income after capital charge) is a function of the normalised headline earnings and capital utilised in the businesses. This measurement aligns the interests of management with those of shareholders.

Economic profit = normalised headline earnings – (cost of equity x average ordinary shareholders' equity and reserves)

R million	Six months ended December 2006	2005
Normalised headline earnings	4 643	3 566
Charge for capital	(1 913)	(1 557)
Net economic profit	2 730	1 987
Average ordinary shareholders' equity and reserves	29 567	24 946
Return on assets (%)	2.0	1.97
Equity multiplier	15.7	14.5
Return on equity (%)	31.4	28.6

The graph below indicates the growth in economic profit and the internally estimated cost of equity of the Banking Group:

Growth in economic profit*



** Economic profit for 2001 to 2004 based on pre-IFRS basis.*

Securitisation

Securitisations are seen as essential to the financial markets, providing alternative funding sources and liquidity to the originator of assets and allowing investors exposure to specific asset-backed securities.

Securitisations enhance a bank's liquidity position, diversify its sources of funding across the maturity spectrum and optimise the composition of its balance sheet. It improves the liquidity risk position of the bank through matched funding as the cash flow profile of the securitisation bonds generally match the cash flow profile of the assets securitised.

The Banking Group securitised R5 billion worth of instalment debtors during November 2006. The Banking Group ventured into the international market for the first time last year with the issue of €300 million notes to foreign investors.

The Banking Group obtained approval from the SARB to securitise up to R15 billion of asset-backed securities, primarily home loans and auto loans originated by FNB HomeLoans and WesBank, respectively. R7 billion worth of auto loans have been securitised to date, of which R3 billion was off-shore.

BASEL II IMPLEMENTATION

Basel II will be operational in South Africa from 1 January 2008. The Banking Group is in the process of liaising with the South African Reserve Bank regarding the approval of the internal credit rating systems and market risk models for use under Basel II. Currently, the Banking Group is focusing to 'operationalise' Basel II through the implementation of regulatory reporting systems and supporting operational and management systems. The Banking Group expects no material capital impact from the transition from Basel I to Basel II.

CONTINGENT LIABILITIES

There are a number of claims or potential claims made or pending against the Banking Group, the outcome of which cannot be quantified. The potential financial impact of these claims is not expected to be material for the Banking Group either on an individual or a combined basis. Provision is made for all liabilities as defined in IAS 37 – Provisions, contingent liabilities and contingent assets, which are assessed as probable at the reporting date.

CHANGES IN LEGISLATION

The NCA was enacted during March 2006 with the provisions relating to fees and pricing being effective 1 June 2007. The two businesses impacted by the NCA are FNB and WesBank. The Banking Group has determined the potential revenue impact taking into account revenue losses and possible additional revenue streams as a result of the NCA. The total annualised impact is estimated at a revenue loss in the range of

R400 million to R500 million and total implementation costs of between R160 million to R260 million.

ACCOUNTING POLICIES

The Banking Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Banking Group prepares its consolidated financial statements on a going concern basis using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting. These financial assets and liabilities include:

- financial assets and liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative assets and liabilities; and
- financial assets and liabilities elected to be carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Banking Group's accounting policies.

CALCULATION OF NORMALISED HEADLINE EARNINGS

The Banking Group makes the following adjustments to calculate normalised headline earnings:

- Private equity realisations

In terms of IFRS, and specifically IAS 28 – "Investment in Associates", investors in private equity or venture capital associate companies may elect either to equity account or fair value associate investments. As part of its conversion to IFRS, the Banking Group elected to equity account for its private equity associate investments.

On 4 May 2006, the Accounting Practices Committee ("APC") of the South African Institute of Chartered Accountants ("SAICA") published Issue 8 of Circular 7/2002 – "Headline Earnings". In terms of the interpretation of this circular, profits or losses on the realisation of all equity accounted private equity or venture capital investments are to be excluded from the calculation of headline earnings.

The Banking Group regards private equity to be a core component of its investment banking business. Accordingly, the Banking Group believes that in the context of a private equity business, profits and losses on the disposal of businesses must be included in headline earnings.

- IFRS 2 – Share-based expenses

FirstRand hedges itself against the price risk of the FirstRand share price in the various staff share schemes. The staff schemes purchase FirstRand shares in the open market to ensure the company is not exposed to the increase in the FirstRand share price. Consequently, the cost to the Banking Group is the funding cost of the purchases of FirstRand shares by the staff share trust as well as the implied IFRS 2 share-based expense cost. For purposes of calculating normalised earnings, the IFRS 2 expense has been reversed.

PROSPECTS

The Banking Group expects the favourable economic conditions to largely continue in the remainder of the financial year. However, inflation is expected to test the upper band of the inflation target range and this, coupled with concerns over the structural imbalances affecting the economy continue to provide upside risks to interest rates. The higher level of interest rates should result in a moderation in the growth of retail credit extension, while banks' bad debts should continue increasing from current levels. On the back of increased infrastructure spend, corporate capacity building and BEE activity, corporate credit demand is likely to strengthen, with RMB, FNB and WesBank well positioned to benefit from this trend.

Maintaining strong top line growth as well as managing increases in bad debt levels and operating expenses will remain areas of focus during the remainder of the financial year.

Within this context and barring any unforeseen circumstances, the Banking Group is confident of achieving its growth target of a 10% real return to shareholders.

On behalf of the directors

GT Ferreira
Chairman

SE Nxasana
Chief Executive Officer

FirstRand Bank Holdings Limited
(Registration No 1971/009695/06)

Registered office
1st Floor
4 Merchant Place
1 Fredman Drive
Sandton

Notes

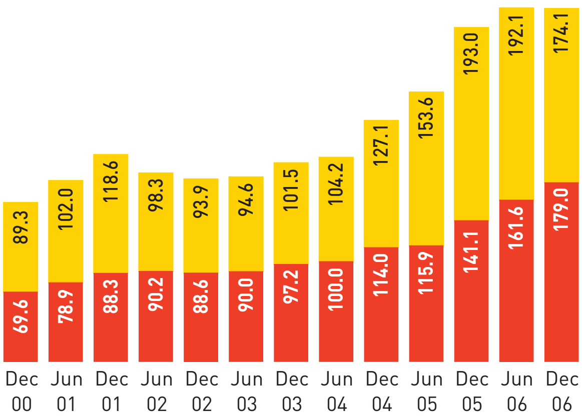
Introduction

This report reflects the operating results and financial position of the insurance interests of the FirstRand Limited group of companies ("Momentum Group") and should be read in conjunction with the report on FirstRand Limited.

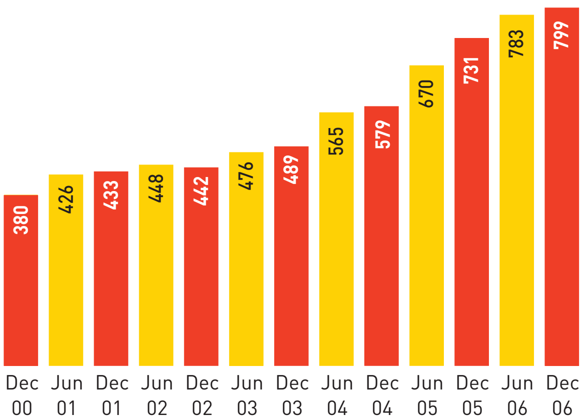
Financial highlights

Normalised earnings	+9%
Retail recurring new business	+22%
Return on embedded value	30%
Return on equity	24%

Assets under management or administration
(R billion)



Normalised earnings
(R million)



R million	Unaudited Six months ended 31 December 2006	Unaudited Six months ended 31 December 2005	% change	Audited Year ended 30 June 2006
Income from operations	1 362	1 018	34%	2 286
Share of income of associated companies	(10)	47	>(100%)	54
Income before direct taxation	1 352	1 065	27%	2 340
Direct taxation[1]	(234)	(276)	15%	(410)
Income after taxation	1 118	789	42%	1 930
Earnings attributable to minority shareholders	–	(11)	100%	(21)
Earnings attributable to equity holders	1 118	778	44%	1 909
Headline earnings reconciliation				
Earnings attributable to equity holders	1 118	778	44%	1 909
Profit on sale of available-for-sale assets	(466)	(148)	>(100%)	(261)
Profit on sale of associated companies	–	(82)	100%	(92)
Net asset value in excess of purchase price of subsidiaries	–	–	–	(22)
Impairment of goodwill	–	104	(100%)	–
Group headline earnings	652	652	–	1 534
Agreement with National Treasury	–	27	(100%)	30
IFRS 2 charge	18	8	>100%	26
Transfer of RMBP to FirstRand Banking Group	–	(22)	100%	(48)
Adjustment of listed property associates to net asset value	129	66	95%	(28)
Normalised earnings	799	731	9%	1 514
Group operating profit	693	563	23%	1 234
Investment income on shareholders' assets	106	168	(37%)	280
Normalised earnings	799	731	9%	1 514

1. Direct taxation excludes all policyholder taxation and includes only direct taxation on shareholders.

R million	Unaudited 31 December 2006	Unaudited 31 December 2005	Audited 30 June 2006
ASSETS			
Financial assets			
Cash and cash equivalents	**2 296**	2 874	3 421
Money market investments	**19 932**	14 386	16 882
Loans and receivables (including insurance receivables)	**1 569**	6 073	2 672
Disposal group held for sale	**–**	–	333
Government and public authority stocks	**24 580**	17 234	17 636
– available-for-sale	**678**	253	313
– at elected fair value through profit or loss	**23 902**	16 981	17 323
Debentures and other loans	**11 800**	8 963	11 305
– available-for-sale	**33**	723	649
– at elected fair value through profit or loss	**11 767**	8 240	10 656
Equity investments	**85 218**	69 664	80 075
– held-to-maturity	**952**	864	907
– available-for-sale	**798**	1 125	1 773
– at elected fair value through profit or loss	**83 468**	67 675	77 395
Derivative financial instruments	**20 707**	12 627	17 195
Non-financial assets			
Current income tax asset	**6**	6	7
Policy loans on insurance contracts	**137**	103	118
Reinsurance assets	**495**	299	260
Deferred taxation	**640**	465	638
Investments in associates	**5 571**	234	1 323
Intangible assets	**2 689**	2 162	2 620
Goodwill	**580**	563	579
Investment properties	**2 458**	5 068	6 190
Property, plant and equipment	**330**	397	378
Total assets	**179 008**	141 118	161 632
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Accounts payable (including insurance payables)	**5 272**	4 590	5 738
Liabilities arising to third parties as a result of consolidating collective investment schemes	**628**	4 356	1 725
Derivative financial instruments	**11 811**	4 639	8 687
Other financial liabilities	**1 484**	1 028	1 917
Policyholder liabilities under investment contracts	**104 903**	77 932	93 105
Non-financial liabilities			
Policyholder liabilities under insurance contracts	**44 613**	39 467	39 965
Disposal group held for sale	**–**	–	157
Interest bearing borrowings	**281**	288	289
Provisions	**282**	136	249
Current income tax liabilities	**396**	130	358
Deferred taxation	**1 924**	1 504	1 911
Employee benefit liabilities	**134**	113	157
Deferred revenue liability	**239**	144	248
Total liabilities	**171 967**	134 327	154 506
EQUITY			
Share capital and share premium	**1 541**	1 541	1 541
Non-distributable reserves	**566**	512	710
Retained earnings	**4 903**	4 548	4 842
Shareholders' funds	**7 010**	6 601	7 093
Minority shareholders' interest	**31**	190	33
Total equity	**7 041**	6 791	7 126
Total liabilities and equity	**179 008**	141 118	161 632

The Momentum Group increased normalised earnings by 9% to R799 million. After adjusting for the impact of the R1.2 billion in special dividends paid to FirstRand, normalised earnings increased by 13%. The group operating profit increased by 23% to R693 million, mainly due to the continued strong growth in equity markets, as well as the positive impact of recent acquisitions.

The embedded value of Momentum increased from R14.4 billion at 30 June 2006, to R15.4 billion, with positive growth from equity markets being offset by the special dividends paid. The annualised return on embedded value totalled 30%, compared with 31% in the year to 30 June 2006, as equity markets continued to impact positively on the value of shareholders' investments.

Summarised results

R million	Six months ended 31 December **2006**	2005	% change	Year ended 30 June 2006
Normalised earnings[1] (Rm)	**799**	731	9%	1 514
– Insurance operations	**544**	434	25%	930
– Asset management operations	**149**	129	16%	304
– Investment income on shareholders' assets	**106**	168	(37%)	280
Group headline earnings (Rm)	**652**	652	–	1 534
Earnings attributable to equity holders (Rm)	**1 118**	778	44%	1 909
ROE	**23.9%**	25.0%		24.1%
New business volumes (Rm)	**28 504**	26 383	8%	59 397
New business margins[2]	**1.9%**	2.7%	(30%)	2.2%
Embedded value (Rm)	**15 428**	12 999	19%	14 438
ROEV[3]	**30%**	27%		31%
Ordinary shareholders' net worth (Rm)	**8 230**	7 410	11%	8 134
CAR cover (times)	**3.0**	2.4		3.1

Notes:

1. *Represents group headline earnings adjusted for the impact of non-operational items. The details relating to these items are set out in the earnings table on page 48.*
2. *Calculated as new business embedded value as % of present value of future premiums.*
3. *Represents the embedded value profit as % of opening embedded value, annualised.*

OVERVIEW

The Momentum Group's normalised earnings increased by 9% to R799 million for the six months. These results benefited from the continued growth in equity markets and the positive impact of recent acquisitions. Earnings growth was, however, reduced by the investment in new initiatives and the disappointing performance from the local asset management operations. The investment income on shareholders' assets reduced due to a lower capital base and a significant investment in new acquisitions.

Gross new business volumes in the Momentum insurance operations reflected an increase of 23% to R8.4 billion, which is pleasing considering the challenging environment and increased competition. New business margins, however, came under pressure as a result of the stronger growth in lower margin savings and investment business, as well as the impact of the investment in the agency initiative. The overall new business margin declined from 2.2% at 30 June 2006, to 1.9% for the current period.

Momentum has implemented the new regulations to the Long-Term Insurance Act resulting from the Statement of Intent signed between National Treasury and the Life Insurance Industry, which came into effect on 1 December 2006. There is no additional financial impact relating to the current period.

The collaboration initiatives with FNB continues to show significant growth, generating a threefold increase in operating profit to R49 million. The mass market initiative continues to produce solid results on the back of good new business volume and margin growth, whilst the middle market initiative is making good progress.

The earnings from asset management operations increased by 16% to R149 million. The shorter term investment performance of RMB Asset Management was disappointing, resulting in a reduction in performance fees.

The investment income earned on shareholders' funds declined as a result of a number of factors, including the special dividend distribution to FirstRand, and the full impact of the acquisition activity that took place in 2006.

Despite the decision by the Public Investment Commissioner (PIC) to disinvest a significant portion of their assets following the restructuring of the way in which they manage their portfolio, total assets under management or administration remained at R353 billion. The net outflow of funds of R34.5 billion for the six months would have reflected a positive inflow after adjusting for the PIC disinvestment.

INVESTMENT IN GROWTH

Key to Momentum's strategy is the achievement of superior earnings growth and value creation by investing in new initiatives relating to the diversification of distribution, products and new markets.

The investment in the agency force has already resulted in an increase in the proportion of recurring new business sourced through this channel from 11% a year ago to 21% currently, however, productivity is not yet at the required level and is expected to continue improving.

New business growth in the middle market joint venture with FNB is progressing well, albeit at lower than the targeted level. Management has taken action to address this, with a number of product and distribution enhancements currently being implemented.

Momentum's short-term insurance initiative is achieving growth ahead of the business plan, with the scientific rating process resulting in a lower net claims ratio than expected, and approximately 1 000 new policies being issued each month.

Momentum continues to grow its health and employee benefits footprint in Africa and currently has operations in Lesotho, Botswana, Mozambique, Zambia, Tanzania, Kenya, Ghana and Mauritius. The group is currently awaiting the outcome of a few large tenders and remains positive about the potential future growth prospects.

After adjusting for the impact of the above initiatives, normalised earnings increased by 16%.

CAPITAL MANAGEMENT AND SOLVENCY

The active management of Momentum's capital base is an important contributor in achieving the targeted return on capital set by the FirstRand Group. A total of R1.2 billion in special dividends in excess of the normal dividend were declared to FirstRand (the first R500 million was paid on 30 June 2006, and the remaining R700 million was paid together with the year-end dividends in October 2006). The annualised return on equity (ROE) for the six months amounted to 23.9% (based on normalised earnings), compared with 24.1% in the year to 30 June 2006. The slight decline is mainly due to the transfer of RMB Properties, which contributed an ROE of almost 30%, to the FirstRand Banking Group. The full benefit of the special dividends will be reflected in the ROE going forward. The ROE remains in excess of Momentum's internal target, representing the weighted average cost of capital plus 10%, which is currently 22%. Momentum's latest credit rating, as confirmed by FitchRatings on 8 December 2006, remained at a National Insurer Financial Strength rating of AA+(zaf) and a National Long-term rating of AA(zaf).

The board of Momentum recently reconsidered both the investment mandate of the shareholders' portfolio, as well as the level of targeted CAR cover. As a result, the board approved the proposal that Momentum will continue to support its regulatory CAR with cash assets, but that the balance of the shareholders' assets will be invested in a combination of strategic subsidiary investments and interest bearing assets. This represents a change from the previous investment mandate where the discretionary shareholders' assets (not backing CAR) were invested in domestic equity. As a result of these changes, Momentum's targeted capitalisation level is now 1.7x to 1.9x CAR, compared with a targeted range of 1.8x to 2.2x CAR previously.

Momentum's excess of assets over liabilities on the statutory basis was R6 021 million at 31 December 2006 (30 June 2006: R6 041 million). The capital adequacy requirement (CAR) of R2 015 million (30 June 2006: R1 978 million) was covered 3.0 times (30 June 2006: 3.1 times) by the excess of assets over liabilities. As a result of the excess capital position, Momentum will return surplus capital to FirstRand in order to fund the group's growth initiatives.

DETAILED COMMENTARY ON RESULTS

Normalised earnings increased by 9% to R799 million for the six months ended 31 December 2006. Group headline earnings remained flat at R652 million, whilst earnings attributable to ordinary shareholders increased by 44% to R1 118 million as a result of the profit on sale of shareholder assets due to the restructuring of the shareholders' portfolio mandate. The following table reflects the main components of group earnings for the six months:

R million	Six months ended 31 December 2006	2005	% change	Year ended 30 June 2006
Attributable earnings	**1 118**	778	44%	1 909
Adjusted for:				
Profit on sale of associates	–	(82)	100%	(92)
Profit on sale of available-for-sale assets	**(466)**	(148)	>(100%)	(261)
Impairment of goodwill	–	104	(100%)	–
Net asset value in excess of purchase price of subsidiaries	–	–	–	(22)
Headline earnings	**652**	652	–	1 534
Adjusted for:				
National Treasury settlement charge	–	27	(100%)	30
Adjustment of listed property associates to net asset value[1]	**129**	66	95%	(28)
IFRS 2 charge	**18**	8	>100%	26
Transfer of RMBP to FirstRand Banking Group[2]	–	(22)	100%	(48)
Normalised earnings	**799**	731	9%	1 514

Notes:

1. *Momentum's investments in its listed property associates (Emira and Freestone) are adjusted from fair value to net asset value in the group consolidated financial statements. The policyholder liability is mainly based on the fair value of the units held, resulting in a mismatch between policyholder assets and liabilities that is reflected as a non-operational item outside of normalised earnings.*
2. *The comparative normalised earnings have been adjusted for the transfer of RMB Properties to the FirstRand Banking Group.*

The main contributors to the normalised earnings number are set out in the following table:

Earnings source

R million	Six months ended 31 December 2006	2005	% change	Year ended 30 June 2006
Insurance operations	**544**	434	25%	930
Momentum	**495**	418	18%	872
FNB collaboration	**49**	16	>100%	58
Asset management operations	**149**	129	16%	304
Local	**85**	101	(16%)	200
Offshore	**64**	28	>100%	104
Group operating profit	**693**	563	23%	1 234
Investment income on shareholders' assets	**106**	168	(37%)	280
Normalised earnings	**799**	731	9%	1 514

The commentary below relates to the components of the normalised earnings set out in the table above.

Insurance operations

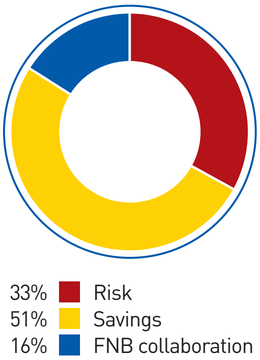
The operating profit generated by Momentum increased by 18% to R495 million. The strong gains resulting from continued growth in equity markets and new acquisitions were offset somewhat by a significant investment in new growth initiatives. Excluding the investment in the agency force, the short-term insurance initiative and the Africa health operations, the operating profit increased by an excellent 29%.

New retail recurring premium business increased by 22%, which is pleasing considering the increased competitive pressure. This growth was driven by a number of factors, including:

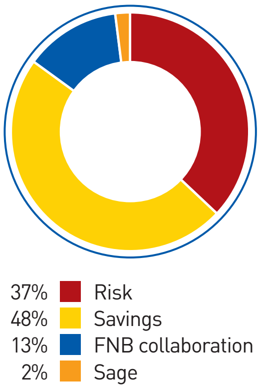
- an increase of 18% in recurring savings product sales;
- an increase of 75% in sales from the two FNB collaboration initiatives;
- the agency force production increased from 11% of total production in 2005, to 21% during the current period; and
- an increase of 37% in the Momentum products sold by FNB Financial Consultants.

The following graphs illustrate the impact of the strong growth in new business from the FNB collaboration and the agency force:

December 2006

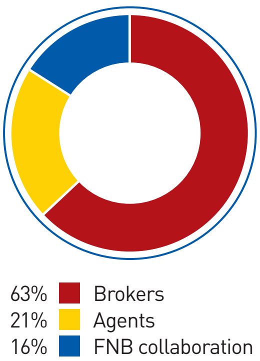


December 2005

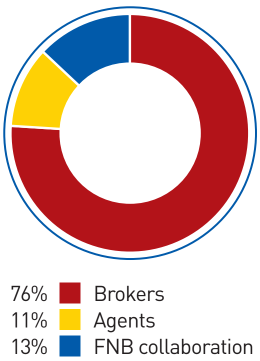


The breakdown of the individual life new recurring premium production by distribution channel is as follows:

December 2006



December 2005



The growth in the agency force production, together with improved new business volumes from the FNB collaboration initiatives, has resulted in a more balanced distribution mix. In the two years since December 2004, the contribution to distribution from the FNB collaboration and the agents has increased from 15% to 37%.

Sales of Momentum's lump sum products benefited from the continued strong performance in equity markets, increasing by 24% to R7.6 billion, and resulting in market share gains in most product lines.

Momentum's focus on service levels has resulted in a significant improvement in the client service ratings across all business units as measured by an independent agency.

FundsAtWork, Momentum's provider of flexible umbrella retirement fund solutions has experienced strong new business growth during the six months. New recurring premiums increased by 74% to R67 million, whilst lump sum inflows increased by 36% to R189 million.

Momentum Collective Benefits, the provider of group risk benefits to employers, experienced a reduction in new business of 22%, as competition in the group schemes market intensified. Risk profit margins also reduced as a result of the increased competition.

The health industry is characterised by strong competition in a highly regulated environment, coupled with stagnant industry growth. Progress is being made with the integration of the administrators in Momentum's stable, with the ultimate objective to operate as a single administrator under the Momentum brand, with particular focus on specific market segments. Although growth in the Momentum Health Scheme on 1 January 2007 was below expectation, there is a significant pipeline of new business that should benefit second half growth.

Asset management operations

The asset management operations generated an increase in headline earnings of 16% to R149 million.

The local asset management operations reflected a 16% reduction in operating profit to R85 million. The positive impact of increased equity markets on fee revenue was reduced by a decline in performance fees, the disinvestment of certain portfolios, and some non-recurring income included in the comparative period.

The results of the offshore operations were positively affected by the weaker Rand as well as the fact that the comparative period included a provision for an operational loss of R22 million, which was recovered from the group's insurers in the second half of the 2006 financial year.

Investment income on shareholders' assets

The investment income earned on shareholders' assets decreased by 37% to R106 million. The reduction in the capital base by way of special dividends, and the acquisition of Sage and ALH, together with the repayment of loans relating to the original acquisition of Ashburton, resulted in a reduction in investment income. These items do, however, have a corresponding positive impact on operating profit. The disposal of African Life (Aflife) also impacted negatively on investment income as the earnings yield on the Aflife investment was higher than the yield on the cash proceeds. Lastly, the continued start-up costs of the short-term insurance initiative, a joint venture with FirstRand Short-Term Insurance, are accounted for as part of investment income.

MARKETING AND ADMINISTRATION EXPENSES

Total marketing and administration expenses for the group amounted to R1 281 million, an increase of 14% over the prior period. After adjusting for the acquisition of ALH, the growth initiatives mentioned above and the transfer of RMB Properties to the FirstRand Banking Group, expenses in the existing operations increased by 7% compared with the prior period. The following table provides a breakdown of these expenses:

R million	Six months ended 31 December **2006**	2005	% change
Insurance operations	**965**	912	6%
Asset management operations	**190**	163	17%
Existing operations	**1 155**	1 075	7%
New acquisitions[1]	**76**	–	–
New initiatives[2]	**50**	1	>100%
Transfer of RMBP to FirstRand Investment Holdings	**–**	48	(100%)
Total marketing and administration expenses	**1 281**	1 124	14%

1. *Represents the expenses of ALH.*
2. *Represents the expenses of the agency initiative and the Africa health initiative.*

The increase in the expenses of the asset management operations was mainly due to the impact of the weaker Rand on the offshore asset management business.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum Group increased from R14.4 billion at 30 June 2006 to R15.4 billion at 31 December 2006. The embedded value profit for the period represents an annualised return of 30% on the opening embedded value at 30 June 2006. The analysis of the main components of the embedded value is reflected in the following table:

Embedded value

R million	**31 December 2006**	30 June 2006	% change
Ordinary shareholders' net worth	**8 230**	8 134	1%
Net value of in-force insurance business	**7 198**	6 304	14%
Present value of future profits	**7 888**	6 974	13%
Cost of capital at risk	**(690)**	(670)	(3%)
Embedded value attributable to ordinary shareholders	**15 428**	14 438	7%

The value of new business is a measure of the value added to the overall embedded value as a result of writing new business. The value of new business is set out in the following table:

Value of new business

R million	Six months ended 31 December **2006**	2005	% change	Year ended 30 June 2006
Value of new business	**231**	277	(17%)	474
Less: Cost of capital at risk	**(24)**	(31)	23%	(40)
Value of new business	**207**	246	(16%)	434

The 16% decrease in the value of new business is due to the stronger growth in lower margin savings and investment business versus the more profitable risk business, the full impact of last year's reduction in fee margins on investment business, and the investment in the tied agency force. The new business margin, being the value of new business expressed as a percentage of the present value of new business premiums, totalled 1.9% for the period, compared with a margin of 2.2% for the year ended 30 June 2006. In addition to the above factors, the reduced new business in the group risk division also impacted negatively on the weighted average margin. The new business margin should be impacted positively in the second half of the financial year by the revised sales force remuneration contracts that take effect from January 2007.

The trend in new business margins since December 2004 can be seen in the following table:

Value of new business

Six months ended	As % of PV of premiums	As % of notional premiums
31 December 2004	2.7%	19.9%
30 June 2005	2.6%	18.7%
31 December 2005	2.7%	20.7%
30 June 2006	2.2%	16.6%
31 December 2006	1.9%	14.2%

The following table provides an analysis of the embedded value profit for the six months into its main components:

Analysis of movement in embedded value

R million	Ordinary shareholders' net worth	Value of in-force insurance business	Embedded value
Embedded value at 30 June 2006	8 134	6 304	14 438
Embedded value profit	1 135	894	2 029
Factors related to operations:	290	341	631
Value of new business	(303)	510	207
Expected return	–	365	365
Expected profit transfer to net worth	605	(605)	–
Operating experience variations	125	17	142
Experience assumption changes	(137)	54	(83)
Factors related to market conditions:	845	553	1 398
Investment return on shareholders' net worth	763	–	763
Investment variations	53	419	472
Economic assumption changes	29	93	122
Change in cost of capital at risk	–	41	41
Less: Dividends paid	(1 039)	–	(1 039)
Embedded value attributable to ordinary shareholders at 31 December 2006	**8 230**	**7 198**	**15 428**

The contributors to the annualised return on embedded value of 30% are:

- Value of new business 3%
- Expected return 5%
- Investment return on shareholders' net worth 11%
- Investment variations 7%
- Experience variances and assumption changes 3%
- Change in cost of capital at risk 1%

GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R353.1 billion at 31 December 2006 compared with R353.7 billion at 30 June 2006. Segregated third party funds under management were negatively impacted by the PIC disinvestment. The following table provides an analysis of the assets managed or administered by group companies:

Assets under management or administration

R billion	**31 December 2006**	30 June 2006	% change
On-balance sheet assets	**179.0**	161.6	11%
Segregated third party funds	**125.7**	147.7	(15%)
Collective investment funds managed	**33.8**	30.9	9%
Assets under management	**338.5**	340.2	–
Linked product assets under administration[1]	**14.6**	13.5	8%
Total assets under management or administration	**353.1**	353.7	–
Comprising:			
Insurance assets	**140.9**	125.4	12%
Asset management assets	**212.2**	228.3	(7%)
– Group assets managed	**79.7**	71.8	11%
– Segregated third party assets	**101.1**	127.6	(21%)
– Collective investment assets	**31.4**	28.9	9%

1. *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 R34.5 billion (30 June 2006: R29.6 billion).*

NEW BUSINESS INFLOWS

New business inflows for the six months totalled R28.5 billion, an increase of 8% compared with the prior period. Growth in new recurring premium business benefited from the 75% increase in volumes by the collaboration initiatives with FNB, and improved sales of savings products. Buoyant equity markets impacted positively on Momentum's lump sum inflows, which increased by 24% to R7.6 billion. Gross asset management inflows increased by 3% to R20.1 billion mainly due to increased inflows into the on-balance sheet portfolios marketed by RMB Asset Management.

NET FLOW OF FUNDS

Due mainly to the disinvestment by the PIC, the net ouflow of funds amounted to R34.5 billion for the six months, compared with the inflow of R1.3 billion in the comparative period. Net inflows in the insurance operations increased from R0.8 billion in the prior period, to R2.4 billion for the current six months, with all product lines contributing to the positive inflows, except the institutional policies where certain contracts matured.

PROSPECTS

The core business of Momentum continues to perform well as a result of the focus on service, innovation and a powerful distribution engine. The investment in growth initiatives did, however, dampen overall earnings growth, and this is expected to continue for the second half of the year. We are confident that these growth initiatives will become meaningful contributors to future profitability and value creation, as has been the case with the FNB collaboration.

Continued improvements in the productivity of our sales channels, coupled with innovative products, should ensure that we continue to achieve the group's growth target of a 10% real return to shareholders.

On behalf of the directors

LL Dippenaar	**EB Nieuwoudt**
Chairman	Managing Director

Momentum Group Limited
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1. NEW BUSINESS INFLOWS
2. NET FLOW OF FUNDS
3. DIRECTORS' VALUATION OF STRATEGIC SUBSIDIARY INVESTMENTS
4. INCOME STATEMENT BY BUSINESS
5. EMBEDDED VALUE OF MOMENTUM GROUP LIMITED AS AT 31 DECEMBER 2006

1. NEW BUSINESS INFOWS

R million	Six months ended 31 December 2006	Six months ended 31 December 2005	% change	Year ended 30 June 2006
Recurring premiums	**824**	689	20%	1 462
Retail	**693**	569	22%	1 218
Individual risk	**230**	208	11%	398
Individual savings	**351**	297	18%	599
FNB collaboration	**112**	64	75%	221
Institutional	**131**	120	9%	244
Momentum FundsAtWork	**67**	38	76%	117
Momentum Collective Benefits	**64**	82	(22%)	127
Lump sum inflows	**27 680**	25 694	8%	57 935
Momentum	**7 553**	6 109	24%	15 386
Individual life	**1 444**	662	>100%	1 760
Annuities	**1 273**	1 119	14%	2 510
Linked products – Local[1]	**2 465**	2 353	5%	4 994
Linked products – International	**823**	614	34%	1 245
Employee benefits	**1 544**	1 061	46%	4 507
Institutional policies	**4**	300	(99%)	370
Asset management	**20 127**	19 585	3%	42 549
Collective investments – Local	**6 806**	6 926	(2%)	14 371
Collective investments – International	**975**	1 090	(11%)	2 404
Asset management – on balance sheet	**5 621**	3 757	50%	8 392
Asset management – off balance sheet	**6 725**	7 812	(14%)	17 382
Total new business	**28 504**	26 383	8%	59 397
Momentum	**8 377**	6 798	23%	16 848
Asset management	**20 127**	19 585	3%	42 549
Annualised new business inflows[2]	**3 592**	3 258	10%	7 256

Notes:

1. *Includes sales of products on the Life company balance sheet of R1.1 billion (2005: R1.0 billion).*
2. *Represents new recurring premium inflows plus 10% of lump sum inflows.*

2. NET FLOW OF FUNDS

R million	Funds received from clients (A) Six months ended 31 December 2006	2005	% change	Year ended 30 June 2006
Momentum	**11 432**	9 549	20%	22 112
Individual life	**4 418**	3 127	41%	6 976
Annuities	**1 273**	1 119	14%	2 510
Linked products – Local	**2 465**	2 353	5%	4 994
Linked products – International	**823**	614	34%	1 245
Employee benefits	**2 449**	2 036	20%	6 017
Institutional policies	**4**	300	(99%)	370
Asset management	**20 127**	19 683	2%	42 549
Collective investments – Local	**6 806**	6 926	(2%)	14 371
Collective investments – International	**975**	1 090	(11%)	2 404
Asset management – on balance sheet	**5 621**	3 757	50%	8 392
Asset management – off balance sheet	**6 725**	7 910	(15%)	17 382
Total	**31 559**	29 232	8%	64 661

Payments to clients (B)				Net flow of funds (A – B)			
Six months ended 31 December		%	Year ended 30 June	Six months ended 31 December		%	Year ended 30 June
2006	2005	change	2006	**2006**	2005	change	2006
9 070	8 735	4%	19 758	**2 362**	814	>100%	2 354
4 008	3 407	18%	6 680	**410**	(280)	>100%	296
1 052	1 046	1%	2 133	**221**	73	>100%	377
1 406	710	98%	1 730	**1 059**	1 643	(36%)	3 264
216	392	(45%)	546	**607**	222	>100%	699
1 532	2 237	(32%)	6 326	**917**	(201)	>100%	(309)
856	943	(9%)	2 343	**(852)**	(643)	(33%)	(1 973)
56 967	19 189	>100%	42 834	**(36 840)**	494	>(100%)	(285)
6 443	5 504	17%	12 398	**363**	1 422	(74%)	1 973
981	751	31%	1 493	**(6)**	339	>(100%)	911
5 464	2 135	>100%	5 904	**157**	1 622	(90%)	2 488
44 079	10 799	>100%	23 039	**(37 354)**	(2 889)	>(100%)	(5 657)
66 037	27 924	>100%	62 592	**(34 478)**	1 308	>(100%)	2 069

3. DIRECTORS' VALUATION OF STRATEGIC SUBSIDIARY INVESTMENTS

R million	Directors' value at **31 December 2006**	30 June 2006	% change	Valuation method	PE ratio
Local asset management operations[1]	**2 570**	2 511	2%	A	9
International asset management operations	**580**	554	5%	A	11
Advantage (85%)	**287**	268	7%	A	7
Momentum Collective Investments	**93**	72	29%	A	10
Lekana (70%)[2]	**81**	116	(30%)	B	8[3]
Momentum Healthcare	**426**	392	9%	B	7[3]
Directors' valuation of strategic subsidiary investments	**4 037**	3 913	3%		

Notes:

1. *Includes an amount of R176 million representing the proceeds on the sale of RMBP receivable from the FirstRand Banking Group.*
2. *The decline in the valuation of Lekana is due to the disappointing results for the six months to 31 December 2006.*
3. *Represents the implied PE ratio based on sustainable earnings.*

Valuation methods:

A – Price/Earnings multiple using sustainable earnings.

B – Appraisal value – being discounted cashflow plus goodwill.

4. INCOME STATEMENT BY BUSINESS

R million	Total	Insurance operations	Asset management operations
31 December 2006			
Insurance premium revenue	2 523	2 523	–
Insurance premium ceded to reinsurers	(109)	(109)	–
Net insurance premium revenue	2 414	2 414	–
Fee income	1 630	1 239	391
Investment income	3 628	3 614	14
Gains and losses from investment activities	14 035	14 035	–
Net income	21 707	21 302	405
Insurance benefits	(2 797)	(2 797)	–
Insurance benefits recovered from reinsurers	282	282	–
Transfer to policyholder liabilities under insurance contracts	(4 587)	(4 587)	–
Net insurance benefits and claims	(7 102)	(7 102)	–
Fair value adjustment to policyholder liabilities under investment contracts	(10 538)	(10 538)	–
Fair value adjustment to financial liabilities	(7)	(7)	–
Expenses for the acquisition of insurance and investment contracts	(586)	(566)	(20)
Expenses for marketing and administration	(1 281)	(1 091)	(190)
Expenses	(19 514)	(19 304)	(210)
Results of operating activities	2 193	1 998	195
Finance costs	(116)	(111)	(5)
Share of loss of associates	(10)	(10)	–
Profit before tax	2 067	1 877	190
Taxation	(949)	(908)	(41)
Profit for the year	**1 118**	**969**	**149**
Profit for the year attributable to:			
– Equity holders of the group	1 118	971	147
– Minority shareholders' interest	–	(2)	2
Profit for the year	**1 118**	**969**	**149**
Profit for the year attributable to equity holders of the group	1 118	971	147
Less: Profit on sale of available-for-sale assets	(466)	(466)	–
Group headline earnings	**652**	**505**	**147**
Adjustment of listed property associates to net asset value	129	129	–
IFRS 2 charge	18	16	2
Normalised earnings	**799**	**650**	**149**

R million	Total	Insurance operations	Asset management operations
31 December 2005			
Insurance premium revenue	3 352	3 352	–
Insurance premium ceded to reinsurers	(175)	(175)	–
Net insurance premium revenue	3 177	3 177	–
Fee income	1 901	1 446	455
Investment income	2 531	2 494	37
Gains and losses from investment activities	9 730	9 730	–
Net income	17 339	16 847	492
Insurance benefits	(3 961)	(3 961)	–
Insurance benefits recovered from reinsurers	123	123	–
Transfer to policyholder liabilities under insurance contracts	(3 184)	(3 184)	–
Net insurance benefits and claims	(7 022)	(7 022)	–
Fair value adjustment to policyholder liabilities under investment contracts	(6 467)	(6 467)	–
Fair value adjustment to financial liabilities	(419)	(419)	–
Expenses for the acquisition of insurance and investment contracts	(618)	(552)	(66)
Expenses for marketing and administration	(1 219)	(1 008)	(211)
Expenses	(15 745)	(15 468)	(277)
Results of operating activities	1 594	1 379	215
Finance costs	(118)	(115)	(3)
Share of profit of associates	53	50	3
Profit before tax	1 529	1 314	215
Taxation	(740)	(685)	(55)
Profit for the year	**789**	**629**	**160**
Profit for the year attributable to:			
– Equity holders of the group	778	620	158
– Minority shareholders' interest	11	9	2
Profit for the year	**789**	**629**	**160**
Profit for the year attributable to equity holders of the group	778	620	158
Less: Profit on sale of associates	(82)	(75)	(7)
Less: Profit on sale of available-for-sale assets	(148)	(148)	–
Add: Impairment of goodwill	104	104	–
Group headline earnings	**652**	**501**	**151**
Agreement with National Treasury	27	27	–
Adjustment of listed property associate and subsidiary to net asset value	66	66	–
IFRS 2 charge	8	8	–
Transfer of RMBP to the FirstRand Banking Group	(22)	–	(22)
Normalised earnings	**731**	**602**	**129**

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED AS AT 31 DECEMBER 2006

The embedded value and the value of new insurance business of Momentum Group Limited ("Momentum") as at 31 December 2006 are set out in this section.

Definition of embedded value

An embedded value is an estimate of the value of a company excluding any value attributable to future new business, and consists of:

- the ordinary shareholders' net worth
- plus the present value of future profits
- less the cost of capital at risk.

The ordinary shareholders' net worth is the excess of assets over liabilities on the statutory valuation method but where deductions for inadmissible assets and impairments are added back and where directors' values are used for unlisted subsidiaries.

The present value of future profits is the present value of the projected stream of future after-tax profits in respect of insurance business in force at the calculation date.

The cost of capital at risk reflects the extent to which the expected long-term after-tax investment return on the assets backing the statutory capital adequacy requirement is less than the return required by shareholders, as reflected in the risk discount rate.

The value of in-force insurance business equals the present value of future profits less the cost of capital at risk.

Embedded value results

R million	31 December 2006	30 June 2006
Ordinary shareholders' net worth[1]	8 230	8 134
Value of in-force insurance business	7 198	6 304
Present value of future profits[2]	7 888	6 974
Cost of capital at risk	(690)	(670)
Embedded value attributable to ordinary shareholders	15 428	14 438
% Change	6.9%	

1. *Ordinary shareholders' net worth excludes the value attributable to preference shareholders.*
2. *The present value of future profits of R7 888 million as at 31 December 2006 includes an amount of R109 million in respect of linked business not written on Momentum's balance sheet (30 June 2006: R97 million).*

Treatment of Sage's embedded value

For the purpose of disclosure of Momentum's embedded value, the ordinary shareholders' net worth, present value of future profits, cost of capital at risk and the embedded value sensitivities that relate to Sage, have been included in the respective figures for Momentum.

Value of new business

The value of new business is a measure of the value added to Momentum 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 new insurance business sold during the six months, after allowing for acquisition expenses. The value of new business is also appropriately reduced by the cost of capital at risk for new business.

Value of new business

R million	31 December 2006	31 December 2005
Value of new business (before cost of capital at risk)	231	277
– Individual life[1]	193	251
– Group business	21	31
– FNB collaboration	17	(5)
Cost of capital at risk	(24)	(31)
Value of new business	207	246
Present value of premiums[2]	10 812	9 209
Margin	1.9%	2.7%

1. *The individual life value of new business of R193 million includes an amount of R0.1 million in respect of new linked business not written on Momentum's balance sheet (30 June 2006: R2 million).*
2. *The present value of premiums is defined as new single premiums plus the discounted value of expected future premiums on new recurring premium business.*

The value of new business for the six months ended 31 December 2006 reflects the new regulatory minimum early termination values, while the value of new business for the comparative period does not allow for this. The value of new business for the six months ended 31 December 2006 would have been R5 million higher in the absence of the new regulations.

The value of new business for the six months ended 31 December 2006 furthermore reflects a change in the asset management agreements with RMBAM and Advantage. This new arrangement has resulted in a reduction of R8 million in the value of new business, which is now reflected in the directors' values of the asset management operations.

Value of new business as a percentage of the present value of premiums

R million	Value of new business	Present value of premiums	Margin %
Value of new business (before cost of capital at risk)	**231**	**10 812**	**2.1%**
– Individual life	193	8 801	2.2%
– Group business	21	1 693	1.2%
– FNB collaboration	17	318	5.3%
Cost of capital at risk	**(24)**		**(0.2%)**
Value for the six months ended 31 December 2006	**207**	**10 812**	**1.9%**
Value for the six months ended 31 December 2005	**246**	**9 209**	**2.7%**

Value of new business as a percentage of notional premiums

R million	Value of new business	Notional premiums[1]	Margin %
Value of new business (before cost of capital at risk)	**231**	**1 454**	**15.9%**
– Individual life	193	1 128	17.1%
– Group business	21	214	9.8%
– FNB collaboration	17	112	15.2%
Cost of capital at risk	**(24)**		**(1.7%)**
Value for the six months ended 31 December 2006	**207**	**1 454**	**14.2%**
Value for the six months ended 31 December 2005	**246**	**1 191**	**20.7%**

1. *Notional premiums are defined as annualised new recurring premiums plus 10% of single premiums.*

Reconciliation of new business inflows

The following table provides a reconciliation of the total new business as reported, to the new business inflows used in the calculation of the value of new business.

Reconciliation of new business inflows

R million	Annualised recurring premiums	Single premium inflows
Total new business inflows as reported	**824**	**27 680**
– Retail (Individual life)[1]	581	6 009
– Institutional (Group business)	131	1 544
– Retail (FNB collaboration)	112	
– Asset Management		20 127
***Less:* Inflows not included in value of new business**	**(8)**	**(21 801)**
Retail:		
– Policy alterations and other retail items	(8)	(136)
– Linked products – international		(823)
Institutional:		
– Employee benefits		(715)
Asset management:		
– Collective Investments – local		(6 806)
– Collective Investments – international		(975)
– Asset management – on balance sheet		(5 621)
– Segregated third party funds		(6 725)
Add: Term extensions on maturing policies[2]	**4**	**464**
New business inflows included in value of new business	**820**	**6 343**
New business inflows included in value of new business consist of:		
– Retail (Individual life)	577	5 514
– Retail (FNB collaboration)	112	
– Institutional (Group business)	131	829

1. *Lump sum inflows relating to institutional policies (R3 million) are included in the individual life value of new business.*
2. *Only client-initiated term extensions (R4 million recurring and R464 million single premiums) were included in the value of new business calculation. Automatic term extensions were excluded from the calculation.*

Composition of ordinary shareholders' net worth

R million	31 December 2006	30 June 2006
Strategic subsidiary investments[1]	4 037	3 913
– Local asset management operations	2 570	2 511
– International asset management operations	580	554
– Advantage (85%)	287	268
– Momentum Collective Investments	93	72
– Momentum Healthcare	426	392
– Lekana (70%)	81	116
Shareholders' portfolio investments	5 911	5 836
– Fixed interest instruments	533	822
– Preference shares	650	650
– Equities	130	1 113
– Properties	116	147
– Share trust and subsidiary loans	1 121	1 137
– Cash and other	3 361	1 967
Less: Unsecured subordinated debt	(1 082)	(1 055)
– Fair value of debt	(991)	(973)
– Accrued interest and interest rate swap	(91)	(82)
Shareholders' assets at directors' values	8 866	8 694
Adjustment to move from published to statutory valuation method for calculating liabilities	(136)	(12)
Shareholders' net worth for embedded value purposes	8 730	8 682
Attributable to preference shareholders[2]	(500)	(548)
Ordinary shareholders' net worth	8 230	8 134

1. *The strategic subsidiary investments exclude Sage, as Sage's shareholders' net worth is reflected in the appropriate asset class of the shareholders' portfolio investments above, and its value of in-force insurance business is reflected in the total value of in-force insurance business.*
2. *The value of R500 million (30 June 2006: R548 million) attributable to preference shareholders reflects the market value at 31 December 2006 of the preference share issue of R500 million.*

Reconciliation of ordinary shareholders' net worth to statutory surplus

R million	31 December 2006	30 June 2006
Ordinary shareholders' net worth	8 230	8 134
Impairment of subsidiaries' values for statutory purposes	(3 657)	(3 571)
Other impairments and inadmissible assets	(43)	(43)
Add back fair value of preference shares allowed as statutory capital	500	548
Add back fair value of subordinated debt allowed as statutory capital	991	973
Statutory surplus	6 021	6 041

Reconciliation of ordinary shareholders' net worth to total shareholders' funds

R million	31 December 2006	30 June 2006
Ordinary shareholders' net worth	8 230	8 134
Difference between statutory and published valuation methods	136	12
– Difference in investment contract liabilities	(1 627)	(1 595)
– Difference in insurance contract liabilities	738	615
– Deferred acquisition costs and deferred revenue liabilities	1 082	998
– Deferred tax on the items above	(57)	(6)
Sage value of in-force	657	680
Value of preference shares issued	500	548
Total shareholders' funds (net of minority shareholders' interest)	9 523	9 374

Analysis of embedded value profits

Embedded value profits represent the change in embedded value over the six months, adjusted for any capital raised and ordinary dividends paid. The components of the embedded value profits attributable to ordinary shareholders for the six months ended 31 December 2006 are set out below:

Analysis of embedded value profits

R million	Ordinary shareholders' net worth	Value of in-force insurance business	Embedded value
Embedded value at 30 June 2006	**8 134**	**6 304**	**14 438**
Embedded value profits	**1 135**	**894**	**2 029**
Factors related to operations:	**290**	**341**	**631**
– Value of new business	(303)	510	207
– Expected return	–	365	365
– Expected profit transfer to net worth	605	(605)	–
– Operating experience variations	125	17	142
– Experience assumption changes	(137)	54	(83)
Factors related to market conditions:	**845**	**553**	**1 398**
– Investment return on ordinary shareholders' net worth	763	–	763
– Investment variations	53	419	472
– Economic assumption changes	29	93	122
– Change in cost of capital at risk	–	41	41
Less: **Dividends paid to ordinary shareholders**	**(1 039)**	**–**	**(1 039)**
Embedded value attributable to ordinary shareholders at 31 December 2006	**8 230**	**7 198**	**15 428**

The embedded value profits attributable to ordinary shareholders of R2 029 million represents a return of 14.1% on the embedded value of R14 438 million at 30 June 2006. The annualised return on the embedded value is 30.1%, compared to a return on embedded value of 31.2% for the year to 30 June 2006.

The value of new business is an estimate of the economic value of the new business written during the year, determined at the point of sale. The negative contribution to the ordinary shareholders' net worth represents the new business strain on the statutory valuation method, which allows for the elimination of negative liabilities on whole life contracts.

The expected return is determined by applying the risk discount rate applicable at 30 June 2006 to the value of in-force insurance business at the start of the reporting period, and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to 31 December 2006.

The expected profit transfer from the value of in-force insurance business to the ordinary shareholders' net worth is calculated on the statutory valuation method.

The operating experience variations represent the impact of differences between the actual experience and the assumptions used in the embedded value calculations. The operating experience variations of R142 million includes the following:

- R63 million from Momentum's individual life business, which includes R49 million from favourable mortality and morbidity experience and negative R14 million from unfavourable experience in respect of early terminations, premium cessations, policy alterations and premium increases as well as R28 million in respect of financial structures;
- R19 million in respect of working capital portfolio profits;
- R51 million in respect of business through FNB;
- R7 million from Momentum's group business;
- R13 million in respect of Sage, mainly relating to group business; and
- Negative R11 million in respect of other items.

The impact of the experience assumption changes of negative R83 million consists of the following:

- Negative R83 million from an increase in asset management fees;
- Negative R20 million from the FNB collaboration;
- Modelling changes of R30 million; and
- Negative R10 million in respect of other items.

Investment return on ordinary shareholders' net worth of R763 million comprises investment income of R306 million (including dividends of R202 million received from subsidiaries), capital appreciation of R427 million, negative R18 million relating to the preference share dividends paid and positive R48 million relating to the change in fair value of the preference shares issued.

The investment variation of R472 million represents the impact of the higher than assumed investment returns on current and future insurance profits.

The economic assumption changes include the effect of the change in the assumed rate of investment return, the risk discount rate and the expense inflation rate.

The change in the cost of capital at risk of R41 million includes the expected release of the cost of the capital at risk of R51 million, the impact of the change in economic assumptions of negative R1 million, and experience variations of negative R9 million. The expected return on the cost of capital at risk at the start of the year of R37 million is included in the expected return on the value of in-force insurance business. The additional cost of capital at risk of R24 million relating to new business is included in the value of new business.

Assumptions

The embedded value calculations comply with the Actuarial Society of South Africa's Professional Guidance Note PGN107. The same best-estimate assumptions were used for the embedded value calculations and the statutory valuation of Momentum. The main assumptions used in the embedded value calculations are described below:

Economic assumptions

R million	**31 December 2006** %	30 June 2006 %
Risk discount rate	**10.5**	11.5
Investment returns (before tax)	**9.0**	10.0
Implied differential	**1.5**	1.5
Expense inflation rate	**6.0**	7.0
Implied real return	**3.0**	3.0

The investment return assumption of 9.0% per annum (30 June 2006: 10.0% per annum) was derived from the yields on South African government stocks at 31 December 2006 taking into account the expected outstanding term of the in-force policy book. A notional long-term asset distribution was used to calculate a weighted expected investment return by adding the following premiums/(discounts) to the risk-free yield of 7.9% per annum (30 June 2006: 8.9% per annum):

R million	**31 December 2006** % premium/(discount)	30 June 2006 % premium/(discount)
Equities	**2.0**	2.0
Properties	**1.0**	1.0
Government stocks	**–**	–
Other fixed interest stocks	**0.5**	0.5
Cash	**(2.0)**	(2.0)

The future expense inflation assumption of 6.0% per annum (30 June 2006: 7.0% per annum) was based on an assumed long-term differential of 3.0% (30 June 2006: 3.0%) relative to the assumed future investment return assumption of 9.0% per annum (30 June 2006: 10.0% per annum).

The risk discount rate was set equal to the risk-free yield of 7.9% per annum plus 2.6% (30 June 2006: 2.6%).

In the calculation of the cost of capital at risk, it was assumed that the capital adequacy requirements in future years will be backed by surplus assets consisting of 55% cash or near-cash and 45% variable rate preference shares, to benefit from the effective after tax yield that can be obtained on variable rate preference shares.

Mortality, morbidity and discontinuance rates

The assumptions regarding future mortality, morbidity and discontinuance rates are the same as those used as at 30 June 2006. The assumptions are based on the results of recent internal experience investigations. The mortality assumptions make provision for an expected deterioration in mortality as a result of AIDS, as well as expected improvements in mortality at older ages in respect of annuities in payment.

Expenses

The maintenance expense assumption is the same as that used as at 30 June 2006 adjusted for expected inflation to 31 December 2006. It is based on an estimate of the average future maintenance expenses for the Momentum and Sage policy books combined, and is sufficient to support the existing business on a going-concern basis.

Premium indexation arrangements

The embedded value of in-force insurance business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force insurance 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 six months ended 31 December 2006.

Directors' values of asset management subsidiaries

The directors' values of the asset management operations and Advantage include the value of expected profits from business written on Momentum's balance sheet as well as the value of profits derived from managing assets in respect of Momentum's insurance business.

A price:earnings ratio approach was used to derive the directors' value of the asset management operations and a discounted cashflow approach was used for the other subsidiaries.

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 and practices would be maintained in future.

Tax

Allowance was made for future income tax based on the four-fund tax dispensation, for tax on retirement funds and for capital gains tax at face value in the policyholders' portfolios. No allowance was made for capital gains tax on strategic shareholders' assets, as these are not held with the intention of ultimate disposal.

The cost of capital at risk was based on projected after-tax returns on the assets backing the capital adequacy requirements.

Allowance was made for Secondary Tax on Companies (STC) on future dividends ultimately payable to shareholders at a rate of 5.6% (30 June 2006: 5.6%) of net expected future profits. The STC assumption is based on the expected future cash dividends according to the dividend policy of Momentum taking into account expected future STC credits.

Sensitivities

This section illustrates the effect of different assumptions 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, except for the sensitivity to a 1% reduction in investment returns, where it was assumed that the inflation rate and the risk discount rate would also reduce by 1%.

No allowance was made for compensating management actions, except for a reduction in bonuses consistent with the reduction in investment returns. In the case of group risk benefits, it was assumed that the deterioration in mortality experience would be countered by a corresponding increase in premiums after a delay of one year.

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. The sensitivities to changes in the risk discount rate are included in the tables below:

Value of in-force insurance business sensitivities

R million	Present value of future profits	Cost of capital at risk	Value of in-force insurance business	Change from base (%)
Base value	7 888	(690)	7 198	
Risk discount rate increases from 10.5% to 11.5%	7 469	(763)	6 706	(6.8%)
Risk discount rate decreases from 10.5% to 9.5%	8 299	(605)	7 694	6.9%
Renewal expenses increase by 10%	7 579	(690)	6 889	(4.3%)
Expense inflation increases from 6.0% to 7.0%	7 699	(690)	7 009	(2.6%)
Policy discontinuance rates increase by 10%	7 607	(656)	6 951	(3.4%)
Mortality and morbidity experience deteriorate by 10%	6 667	(690)	5 977	(17.0%)
Premium growth take-up reduces by 10%	7 673	(690)	6 983	(3.0%)
Investment returns reduce from 9.0% to 8.0%	7 773	(735)	7 038	(2.2%)
Equity values decrease by 10%[1]	7 481	(690)	6 791	(5.6%)

1. *In addition to the impact on the value of in-force insurance business shown in the table above, an assumed decrease in equity values of 10% will reduce the value of strategic subsidiary investments and the other equity assets in the shareholders' net worth by R417 million (a reduction of 5.1% in the shareholders' net worth). In the case of all other sensitivities, the values of the assets representing the shareholders' net worth are unaffected.*

Value of new business sensitivities

R million	Gross value of new business	Cost of capital at risk	Value of new business	Change from base (%)
Base value	231	(24)	207	
Risk discount rate increases from 10.5% to 11.5%	205	(27)	178	(14.0%)
Risk discount rate decreases from 10.5% to 9.5%	261	(21)	240	15.9%
Renewal expenses increase by 10%	210	(24)	186	(10.1%)
Expense inflation increases from 6.0% to 7.0%	218	(24)	194	(6.3%)
Policy discontinuance rates increase by 10%	199	(22)	177	(14.5%)
Mortality and morbidity experience deteriorate by 10%	130	(24)	106	(48.8%)
Premium growth take-up reduces by 10%	214	(24)	190	(8.2%)
Investment returns reduce from 9.0% to 8.0%	244	(26)	218	5.3%
New business acquisition expenses increase by 10%	205	(24)	181	(12.6%)
New business volumes decrease by 20%	134	(19)	115	(44.4%)

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