



FIRSTRAND

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FIRSTRAND

FINANCIAL IMAGINEERING

Another year of sustained excellence

RESULTS

FOR THE YEAR ENDED 30 JUNE 2002

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Group at a glance

The FirstRand Group comprises a number of independent operating divisions. These divisions are grouped and managed on a cluster basis which ensures appropriate collaboration between divisions operating in the same market segment.

Central to the FirstRand strategy is the image and reputation of its operating divisions and their respective brands.

The FirstRand mission statement is *to passionately build and nurture the most compelling range of financial service brands in the business.*

The divisions, their brands and the clusters to which they belong are presented below:

	First National Bank retail banking division incorporates the branch network and all basic and transactional banking product offerings to the consumer market.	RETAIL CLUSTER
	First National Bank Home Loans is the primary mortgage lending operation in the retail consumer market.	
	WesBank is a full service provider of instalment credit finance to the retail and corporate market.	
	eBucks.com is the internet banking operation incorporating full retail internet banking functionality and the Banking Group's customer appreciation programme.	
	OUTsurance offers direct short-term insurance products. FirstLink offers insurance broking services to retail and medium corporate clients.	
	First National Bank of Namibia, Botswana and Swaziland comprise the Banking Group's regional offering. They provide a broad range of retail and medium corporate transactional and lending banking products to their regional client bases.	
	Ansbacher (South Africa) provides a holistic wealth management offering to high net worth individuals, focused on personalised banking, advisory and portfolio management services.	WEALTH CLUSTER
	Origin, the merchant bank for individuals, is focused on the provision of differentiated banking and investment products to the mass affluent market.	
	Momentum Life develops and markets investment and risk products that create and preserve wealth in the middle to upper-income market.	
	Momentum MultiManagers is a multi-management asset management business servicing institutional and retail clients in South Africa and internationally.	



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 RAND MERCHANT BANK	Rand Merchant Bank, the Banking Group's investment banking operation provides a broad range of corporate finance, treasury, structured finance and private equity services to predominantly large corporates, government and parastatals.	CORPORATE CLUSTER
 FNB Corporate Resist the usual	FNB Corporate provides a broad range of transactional, lending and basic banking products to the mid and large corporate markets, government and parastatals.	
Banking Group Treasury	The centralised treasury is responsible for the liquidity, funding and interest rate management of the Banking Group.	
 FIRSTRAND — Asset Management —	FirstRand Asset Management is a global asset management group offering a complete range of domestic and international products to institutional and retail clients.	
 MOMENTUM EMPLOYEE BENEFITS	Momentum Employee Benefits offers insurance benefits, consulting, administration, risk and investment solutions to the corporate and union market.	
 MOMENTUM Shareholder Assets	Represents the interest, dividends and net rentals earned on Momentum Group's shareholders' assets.	CENTRAL CLUSTER
 FIRSTRAND — Banking Group —	The Capital Centre owns and manages the Banking Group's capital base.	
 FIRSTRAND — International —	FirstRand International is the holding company for the Banking Group's international operations – the company facilitates and enables the international expansion and corporate governance of the international operations of the Banking Group. The operating performances are included in the results of the appropriate cluster.	
 Discovery	Discovery focuses on making people healthier and protecting and enhancing their lifestyles. Discovery products relate to healthcare funding and life assurance and are all underpinned by the Vitality wellness programme.	HEALTH CLUSTER
 ANSBACHER	Ansbacher (United Kingdom) offers personalised holistic global wealth management to high net worth individuals in international markets.	INTERNATIONAL CLUSTER



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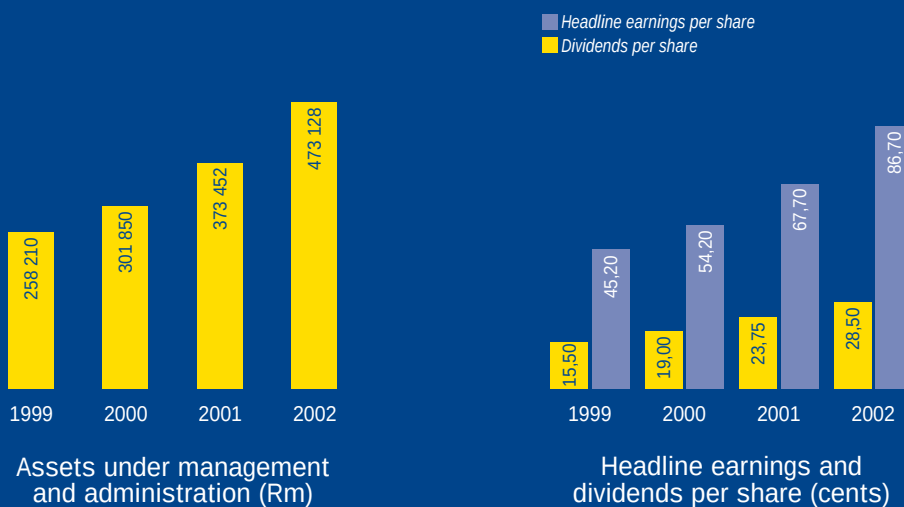
1966/010753/06 Share code: FSR ISIN code: ZAE 000014973 ("FSR")

INTRODUCTION

This report relates to the consolidated financial results of FirstRand Limited and its wholly owned subsidiaries, FirstRand Bank Holdings Limited (the Banking Group) and Momentum Group Limited (the Insurance Group). Comprehensive reports relating to these banking and insurance subsidiaries are included in this circular and should be read in conjunction with this report.

Financial highlights

- Core operational headline earnings **+21%**
- Headline earnings including translation gains **+28%**
- Dividends per share **+20%**
- Total assets under management and administration **R473 billion**



This circular is available on our website at: www.firstrand.co.za

E-mail questions to: asktheCFO@firstrand.co.za

Statement of headline earnings and dividends

for the year ended 30 June

R million	2002 (audited)	2001 (audited)	% change
Banking Group (refer page 11)	3 744	2 787	34
Core operations	3 196	2 580	24
Foreign currency translation gain	548	207	>100
Insurance Group (refer page 25)	1 038	943	10
Core operations	1 038	911	14
Foreign currency translation gain	–	32	(100)
FirstRand Limited	(61)	(41)	(49)
Headline earnings	4 721	3 689	28
Less: Foreign currency translation gain	(548)	(239)	>(100)
Core operational headline earnings	4 173	3 450	21
Dividends declared (Rm)	1 552	1 293	20
Return on average equity (based on core operational headline earnings) (%)	25,6	25,2	
Return on average equity (based on headline earnings) (%)	27,2	26,1	
Number of shares in issue (million)	5 445	5 445	
Core operational headline earnings per share (cents)	76,6	63,4	21
Headline earnings per share (cents)	86,7	67,7	28
Earnings per share (cents)	82,8	65,7	26
Dividend per share (cents)			
Interim	13,50	11,25	20
Final	15,00	12,50	20
Total	28,50	23,75	20

Headline earnings reconciliation

for the year ended 30 June

R million	2002 (audited)	2001 (audited)	% change
Banking Group	3 740	2 780	35
Insurance Group	825	831	(1)
Goodwill amortised – intergroup	5	5	–
FirstRand Limited	(61)	(41)	(49)
Earnings attributable to ordinary shareholders	4 509	3 575	26
Add: Amortisation of goodwill	58	36	
Add: Impairment of goodwill	210	–	
Add: Loss on disposal of assets	4	–	
Add: Effect of insurance transitional tax on prior years	–	31	
Add: Exceptional items in respect of insurance associated company	–	47	
Less: Profit on sale of subsidiary	(32)	–	
Less: Abnormal profit on release of reserves	(28)	–	
Headline earnings	4 721	3 689	28

Balance sheet

at 30 June

R million	2002 (audited)	2001 (audited)
ASSETS		
Banking operations	246 337	169 444
Cash and short-term funds	24 784	10 133
Short-term negotiable securities	3 429	6 105
Liquid assets and trading securities	37 939	27 148
Advances	175 161	123 343
Other investments	3 286	2 715
Non-recourse investments	1 738	–
Insurance operations	76 461	70 510
Funds on deposit	13 334	6 160
Government and public authority stocks	9 868	8 739
Debentures and other loans	9 675	8 724
Policy loans	580	517
Equity investments	40 100	43 331
Investment properties	2 904	3 039
Current assets	10 523	7 307
Loans	1 150	1 108
Investments in associated companies	1 736	978
Derivative instruments	32 342	17 682
Deferred taxation asset	1 264	254
Intangible assets	942	525
Retirement benefit asset	–	126
Property and equipment	4 045	3 497
TOTAL ASSETS	374 800	271 431
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits and current accounts	201 404	141 461
Non-recourse deposits	1 738	–
Current liabilities	13 790	12 482
Provisions	926	782
Taxation	508	376
Derivative instruments	37 215	24 058
Short trading positions	16 799	429
Deferred taxation liability	2 288	1 526
Post-retirement medical liability	1 211	1 124
Long-term liabilities	4 229	3 835
Life insurance funds	73 273	67 917
Total liabilities	353 381	253 990
Outside shareholders' interests	1 112	856
Share capital and share premium	9 585	9 595
Reserves	10 722	6 990
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	374 800	271 431

Summarised cash flow statement

for the year ended 30 June

R million	2002 (audited)	2001 (audited)
Cash flows from operating activities		
Cash generated by operations	15 401	14 294
Working capital changes	(3 218)	4 546
Cash inflow from operations	12 183	18 840
Normal tax paid	(1 412)	(955)
Dividends paid	(1 416)	(1 157)
Net cash inflow from operating activities	9 355	16 728
Net cash inflow/(outflow) from investment activities	11 988	(15 780)
Net cash inflow/(outflow) from financing activities	482	(827)
Net increase in cash and cash equivalents	21 825	121
Cash and cash equivalents at beginning of year	16 293	16 100
Cash and cash equivalents acquired	–	72
Cash and cash equivalents at end of year	38 118	16 293

Statement of changes in equity

for the year ended 30 June

R million	Share capital	Share premium	Retained earnings	Non- distributable reserves	Total shareholders' funds
Balance at 1 July 2000					
As previously stated	56	9 539	4 517	257	14 369
Changes in accounting policies					
– Recognised employer reserve on pension fund surplus	–	–	156	–	156
– Leave pay provision	–	–	(310)	–	(310)
– Post-retirement medical aid liability	–	–	(248)	–	(248)
– Restatement of investment reserve	–	–	–	(101)	(101)
Restated balance at 1 July 2000	56	9 539	4 115	156	13 866
Currency translation differences	–	–	–	141	141
Revaluation of investments	–	–	–	128	128
Non-distributable reserves of associated companies	–	–	–	28	28
Movement in other reserves	–	–	–	4	4
Earnings attributable to shareholders	–	–	3 575	–	3 575
Dividends	–	–	(1 157)	–	(1 157)
Balance at 30 June 2001	56	9 539	6 533	457	16 585
Balance at 1 July 2001	56	9 539	6 533	457	16 585
Preference share capital redeemed	–	(10)	–	–	(10)
Currency translation differences	–	–	–	604	604
Revaluation of investments	–	–	–	60	60
Non-distributable reserves of associated companies	–	–	–	12	12
Movement in other reserves	–	–	–	(37)	(37)
Earnings attributable to shareholders	–	–	4 509	–	4 509
Dividends	–	–	(1 416)	–	(1 416)
Transfer (to)/from reserves	–	–	(36)	36	–
Balance at 30 June 2002	56	9 529	9 590	1 132	20 307

Assets under management and administration

at 30 June

R million	2002 (audited)	2001 (audited)
Holding company	1 158	1 112
Banking Group	281 774	189 886
Insurance Group	190 196	182 454
On-balance sheet	91 868	80 433
Off-balance sheet assets managed and administered on behalf of clients	98 328	102 021
Total assets under management and administration	473 128	373 452

Sources of profit

for the year ended 30 June

R million	2002	%	2001	%
Retail cluster	1 761	42,2	1 577	45,7
Retail banking	803	19,2	631	18,3
Instalment finance	503	12,1	471	13,6
African subsidiaries	288	6,9	231	6,7
Mortgage lending	133	3,2	210	6,1
Short-term insurance	34	0,8	34	1,0
Corporate cluster	1 436	34,4	1 194	34,6
Investment banking	677	16,2	540	15,7
Corporate banking	424	10,1	337	9,8
Asset management	228	5,5	198	5,7
Employee benefits	107	2,6	119	3,4
Wealth cluster	398	9,6	289	8,4
Individual insurance business	382	9,2	308	9,0
Private banking – domestic	16	0,4	(19)	(0,6)
Health cluster	131	3,1	115	3,3
Discovery Holdings	131	3,1	115	3,3
International	8	0,2	62	1,8
Ansbacher UK	8	0,2	62	1,8
Capital	439	10,5	213	6,2
Capital centre – Banking Group	310	7,4	83	2,4
Shareholders' assets – Insurance Group	190	4,6	171	5,0
FirstRand Limited	(61)	(1,5)	(41)	(1,2)
Core operational headline earnings	4 173	100,0	3 450	100,0

Notes

1. Core operational headline earnings exclude foreign currency translation gains.
2. Taxation relating to the Banking Group has been allocated across the bank's operating divisions on a pro rata basis.

Commentary

OPERATING ENVIRONMENT

The year under review will be remembered for the 11th September 2001 attack on the World Trade Centre and the precipitous drop in the value of the Rand which followed it. The Rand's subsequent recovery was not sufficient to prevent a substantial rise in domestic inflation and the Reserve Bank reacted by raising its repo rate by a total of 300 basis points between January and June 2002.

International financial markets performed poorly. Equity prices were affected by uncertainty regarding the recovery of the US economy and by major corporate failures and declining credit ratings. Argentina defaulted on its debt obligations and this created concerns regarding the potential for defaults in other emerging markets. This led to increased uncertainty and market volatility.

Second tier banks in South Africa experienced liquidity pressures which were further exacerbated when one of them was placed under curatorship. This led to a flight by depositors to the larger financial institutions and a further consolidation of the banking industry.

FINANCIAL OVERVIEW

FirstRand's results demonstrate the resilience of its diversified earnings base.

The year was characterised by good organic top-line growth in banking and two significant strategic acquisitions. The top-line growth was achieved by the Banking Group without compromising the risk profile of its domestic lending portfolio.

Shocks in the international debt markets led to losses being incurred on the bank's international lending portfolio. These were partially offset by good profits in the trading divisions which benefited from the uncertainty and volatility created by the self-same shocks.

The Insurance Group experienced a decline in new business growth but in spite of this achieved robust double digit headline earnings growth. The devaluation of the Rand gave rise to abnormally large translation gains. Gains of this magnitude are not expected to be repeated in the coming year. The impact of these gains on the results is highlighted in this report and is excluded from core operational headline earnings.

FINANCIAL RESULTS

Consolidated headline earnings for the year to 30 June 2002 totalled R4 721 million (86,7 cents per share) representing an increase of 28% on the R3 689 million (67,7 cents per share) of the previous year. If the impact of the foreign currency translation gain relating to integral businesses is removed, core operational headline earnings grew by 21% to R4 173 million (76,6 cents per share).

Attributable earnings, which include goodwill amortisation, asset impairment and other exceptional items, increased by an excellent 26% to R4 509 million. The rate of growth in core operational headline earnings in the second half of the year was consistent with that announced at the interim stage.

The Banking Group increased headline earnings by 34% to R3 744 million. Headline earnings of the Insurance Group, which exceeded R1 billion for the first time, increased by 10% to R1 038 million.

Banking operations contributed 77% to core operational headline earnings with insurance and asset management operations contributing the balance. Earnings from international operations, which included another satisfactory year from the African banking subsidiaries, represented 15% of core operational headline earnings (2001: 18%).

A final dividend of 15 cents per share (2001: 12,5 cents per share) has been declared bringing the total dividend for the year to 28,5 cents per share (2001: 23,75 cents per share). This represents an increase of 20%. Dividend cover based on core operational headline earnings was retained at approximately 2,7 times.

The Group's assets under management and administration now total R473 billion, an increase of 27% on last year.

FirstRand's return on average equity based on the disclosed headline earnings was 27,2% (2001: 26,1%). Return on average equity using core operational headline earnings was 25,6% (2001: 25,2%).

STRATEGIC INITIATIVES

During the year the Group was involved in a number of important strategic initiatives.

These include:

- In July 2001, the acquisition of a further 32% in the international asset manager, Jersey General Group (Ashburton) bringing the total holding to 87%.
- In January 2002, the sale of 40% of Futuregrowth, the Group's specialist fund manager, to WipCapital in a major black economic empowerment initiative.
- In February 2002, the successful merging of the back-office processing, administration and management teams of Ansbacher South Africa and Origin to eliminate duplicated cost infrastructures while retaining their distinct and unique service offerings.
- The acquisition in March 2002 of the NBS HomeLoan book valued at R11,5 billion. The Group's short-term insurer, OUTsurance, benefited from the acquisition of the NBS insurance book relating to these properties.
- In May 2002, the taking on of the deposit client base and liabilities of Saambou valued at R12,8 billion and as part of the same transaction the acquisition of the homeloan book of R4,9 billion.
- The establishment with effect from June 2002 of Momentum International MultiManagers through the consolidation of the local multi-manager, Momentum Advisory Service with Ansbacher International MultiManagers in the United Kingdom. The result is a focused multi-manager product house catering for both local and international investors.

Other strategic interventions included the successful resolution of the Banking Group's risk concentration to the furniture and retail credit markets. Further consolidation of back-office operations in the Retail Bank improved operating efficiencies. Two major securitisation deals assisted the bank in its capital optimisation programme.

In the Insurance Group, the resolution of the dispute between Discovery and the Council for Medical Schemes regarding the level of fees and re-

Commentary

insurance arrangements was strategically important. Both Momentum and Discovery Life successfully launched new risk-related products.

OPERATING RESULTS OF SUBSIDIARIES

Banking Group

The Banking Group enjoyed another very successful year increasing its core headline earnings by 24%. Advances growth of 42% was driven by good organic growth in most business units, increased exposure to the international credit market and two strategic acquisitions.

The retail deposit base increased by 42% as a result of the acquisition of the Saambou deposit book, the flight by depositors to larger institutions and focused marketing strategies. Average interest margins were maintained as a result of the change in the mix of assets and the increase in the retail deposit book. The capital centre benefited from the endowment effect of increasing interest rates.

Local bad debt provisioning continued to show improving trends. Regrettably, there were higher than expected losses on the international lending portfolio as a result of a number of well publicised US corporate failures. These losses were partly offset by excellent trading profits arising from market volatility.

Non-interest revenue reflected good growth in transactional income as the Banking Group benefited from customer gains.

Expenses were well controlled. This, coupled with successful top-line growth strategies, resulted in the overall operating expense ratio excluding all foreign currency translation gains, reducing from 60,9% to 57,6%.

Insurance Group

The Insurance Group was able to demonstrate the robustness of its earnings in the face of very difficult trading conditions.

Momentum Life's individual business increased profits by a pleasing 24% against a background of limited offshore investment capacity. The principal contributors to growth were favourable mortality experience, sound expense management and a meaningful increase in the contribution from the structured products division.

Momentum Employee Benefits' results were negatively impacted by AIDS-related claims. Corrective pricing action has been taken. New business gains were pleasing. Products designed to help pension funds cater for pensioner liabilities were well received in the market place.

Earnings from asset management activities were flat. The investment team improved its investment performance ranking relative to competitors. If translation gains reflected in the prior year results are removed, the South African asset management operations showed good growth in earnings while those from international operations were flat as a result of declining international equity prices and lower than anticipated inflows of new business.

Earnings from Discovery increased by an impressive 14% despite the effect of the resolution reached with the Council for Medical Schemes. Members of the Discovery medical scheme were not affected by the

resolution as there was no reduction in benefits, no increase in contributions and no impact on their schemes credit rating. Discovery Life contributed positively to earnings in its first full year of operations, while start-up losses in respect of the US-based Destiny Health were in line with expectations.

The embedded value of the Insurance Group decreased by 10% to R9 532 million at 30 June 2002. This reflects the decline in the share price of Discovery Holdings resulting from the impact of the agreement reached with the Council for Medical Schemes and a downward adjustment in the directors' valuation of the Group's asset management companies. The profitability of new life business also declined. This is a reflection of lower volumes of single premium business which resulted from limitations on the Insurance Group's ability to satisfy demand for offshore investment products.

CAPITAL MANAGEMENT

At 30 June 2002, the consolidated capital adequacy ratio of the Banking Group was 11,6% (2001: 11,5%) compared with the statutory requirement of 10%. The shareholder surplus in the Insurance Group covered the statutory capital adequacy requirements 2,4 times (2001: 2,4 times).

In October 2001 the South African Reserve Bank introduced significant changes in the regulatory capital requirement of banks. Specifically, this involved an increase in the capital adequacy ratio from 8% to a minimum of 10%.

The Financial Services Board has indicated that it intends to change the manner in which the capital adequacy requirements of South African life insurance companies is calculated. These proposed changes relate specifically to the valuation of strategic investments, both listed and unlisted.

The bank's capital requirements are influenced by the regulatory changes referred to above and its strategy of selective acquisitions and strong top-line growth. Strong new business growth of Discovery Life and Destiny Health is expected to create a demand for additional capital.

The review of capital requirements is ongoing. This includes evaluating the benefits of the further securitisation of the advances book, the better utilisation of the Group's international capital base and the raising of international tier 2 capital. The Group is reviewing the way in which its constituent parts are held in order to optimise capital utilisation.

CORPORATE SOCIAL RESPONSIBILITY

We are cognisant of the uniquely South African needs of our stakeholders and are committed to playing a responsible role in the further development of our nation. Our corporate social investment since the formation of FirstRand exceeds R100 million. The extent of the voluntary service of many of our people in working towards a better society is commendable.

The Group's intellectual capital has allowed it to contribute in a meaningful way to the development of much needed infrastructure in South Africa. We will seek where possible, to engage Government in constructive

debate about our role in building a nation based on democracy, the free market system and the rule of law.

DISCLOSURE PHILOSOPHY AND ACCOUNTING POLICIES

The Group has embraced the recommendations of the King II report on Corporate Governance. A comprehensive review of Group practices has been undertaken. The Group is committed to the highest standard of Corporate Governance, and in this regard strives to provide reports which are timeous, accurate, consistent and informative.

This profit statement has been prepared in compliance with the Listings Requirements of the JSE Securities Exchange South Africa. The financial statements to which this profit statement relates were audited by PricewaterhouseCoopers Inc. A copy of their unqualified audit opinion is available for inspection at the registered office of FirstRand Limited.

The accounting policies of the Group comply in all material respects with South African Statements of Generally Accepted Accounting Practice and the Companies Act of 1973.

The accounting policies are consistent with those applied during the previous year, except for the effect of the revised accounting statement on employee benefits (AC116). In addition, in anticipation of the adoption of AC 133, unrealised gains on the insurance group's shareholders' assets, previously accounted for in the life fund, were credited directly to non-distributable reserves.

CONTINGENT LIABILITIES

The Banking Group is party to legal proceedings in the normal course of business. Appropriate provisions are made when losses are expected to materialise.

STRATE

The dematerialisation of FirstRand shares under STRATE commenced on 29 October 2001. Trading for electronic settlement began on 19 November 2001. To date the dematerialisation process has been successful and no material occurrences have been reported.

On 29 September 2002 insurance cover provided by Lloyds of London to the Dispossessed Members' Fund (DMF) terminates. The DMF was established to cover losses or claims arising from any tainted certificates that may exist in the market place. To avoid risk of tainted certificates, shareholders are advised to dematerialise their shares and surrender all share certificates to their Central Securities Depository Participants or broker prior to 29 September 2002.

PROSPECTS

At the time of the merger in April 1998 we said that it would take between three to five years for the full benefits of the merger to be achieved. As we enter the final lap of this five-year period, we look back with great satisfaction on the progress made to date.

FirstRand operates in a challenging environment which is not helped by regulatory uncertainty. Inevitably, our prospects are influenced by political and economic events both locally and internationally.

Our strategic initiatives in the year ahead will continue to be outwardly focused. Our internal structure, which is aimed at optimising collaboration between business units, is starting to bear fruit. We have excellent people and the successes in the past year have contributed to high staff morale. We will continue to make selective strategic acquisitions of businesses to load our infrastructure. The financial benefits of the two acquisitions made in the past year will be reflected in earnings in the future.

We are satisfied with the quality of our earnings and are confident that shareholders can continue to expect positive real growth from our well-diversified earnings base.

DIVIDEND DECLARATION

The directors have declared a final dividend of 15 cents per ordinary share in respect of the year ended 30 June 2002. The last day to trade in these shares on a cum dividend basis will be 25 October 2002 and the first day to trade ex dividend will be 28 October 2002. The record date will be 1 November 2002 and the payment date is 4 November 2002. Please note that no dematerialisation or rematerialisation can be done in the period 28 October 2002 to 1 November 2002, both days inclusive.

On behalf of the directors

G T Ferreira
Chairman

L L Dippenaar
Chief Executive

Directors

G T Ferreira (Chairman), L L Dippenaar (CEO), B H Adams, V W Bartlett, D J A Craig (British), D M Falck, P M Goss, P K Harris, M W King, S R Maharaj, M C Ramaphosa, K C Shubane, B J van der Ross, Dr F van Zyl Slabbert, R A Williams

Transfer secretaries

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Secretary

P F de Beer (FCIS)

Kates

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