BASE PROSPECTUS

FIRSTRAND BANK LIMITED

(Registration Number 1929/001225/06)

(incorporated with limited liability in South Africa)

U.S.$1,500,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FSA and to trading on the gilt edged and fixed interest market of the London Stock Exchange plc which is a regulated market for the purpose of the Investment Services Directive (Directive 93/22/EEC) (the "**London Stock Exchange**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

As described further in this Base Prospectus, prior written approval of the Exchange Control Department ("ExCon") of the South African Reserve Bank ("SARB") and the Registrar of Banks is required for the issuance of each Tranche of Notes issued under the Programme.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.

Arrangers

Citi | **The Royal Bank of Scotland**

Co-Arranger

Rand Merchant Bank, division of FirstRand Bank Limited

Dealers

ABN AMRO | **BNP PARIBAS**
Citi | **Dresdner Kleinwort**
ING Wholesale Banking | **JPMorgan**
Mizuho International plc | **Morgan Stanley**
The Royal Bank of Scotland | **UBS Investment Bank**

24 May 2007

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IMPORTANT NOTICES

FirstRand Bank Limited (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.$1,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under ''*Subscription and Sale*''.

In this Base Prospectus, unless otherwise specified, references to a ''**Member State**'' are references to a Member State of the European Economic Area, references to ''**South Africa**'' are references to the Republic of South Africa, references to ''**U.S.$**'', ''**U.S. dollars**'' or ''**dollars**'' are to United States dollars, references to ''**EUR**'' or ''**euro**'' are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to ''**ZAR**'', ''**R**'' or ''**Rand**'' are to South African rand.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

RISK FACTORS

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus to reach their own views prior to making any investment decision. The information given below is as at the date of this Base Prospectus.

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in ''Terms and Conditions of the Notes''.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks relating to the Issuer

Risk Management

The Issuer, in common with other banks in South Africa and elsewhere, is exposed to commercial and market risks in its ordinary course of business, the most significant of which are credit risk, market risk, liquidity risk, interest rate risk and operational risk. Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty. Market risk is the risk of loss on trading instruments and portfolios due to changes in market prices and rates. Liquidity risk is the inability to discharge funding or trading obligations which fall due at market related prices. Interest rate risk is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements of interest rates. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Whilst the Issuer believes that it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to control these risks adequately could have an adverse effect on the financial condition and reputation of the Issuer (see ''*Risk Management*'' below).

Concentration Risk

The Issuer's business is significantly focused on the South African markets and therefore faces a geographic concentration risk. Any adverse changes affecting the South African economy are likely to have an adverse impact on the Issuer's loan portfolio and, as a result, on its financial condition and results of its operations.

Liquidity Risk

The Issuer, in common with other banks in South Africa, is very reliant on wholesale funding rather than retail deposits, due to the low savings rate within South Africa. Although the Bank believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations. Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

Competitive Landscape

The Issuer is subject to significant competition from other major banks operating in South Africa, including competitors that may have greater financial and other resources, and, in certain of these markets, from international banks. Many of these banks operating in the Issuer's markets compete for substantially the same customers as the Issuer. Competition may increase in some or all of the Issuer's principal markets and may have an adverse effect on its financial condition and results of operations.

The Issuer is subject to capital requirements that could limit its operations

The Issuer is subject to capital adequacy guidelines adopted by the SARB, which provide for a minimum target ratio of capital to risk-adjusted assets. Any failure by the Issuer to maintain its ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes. In addition, the Basel Committee has issued proposals for reform of the 1988 Basel Capital Accord and has proposed a framework, which places enhanced emphasis on market discipline and sensitivity to risk. The Issuer has implemented numerous initiatives in preparation for the framework transition since 1999, and has internally assessed and provided for the anticipated budgetary impacts of the Basel II implementation and is of the view it will have an immaterial impact. Notwithstanding this, it is difficult to predict the precise effects of the potential changes that might result from implementation of the proposals on the Issuer's calculations of capital, the impact of these revisions on other aspects of its operations or the impact on the pricing of the Notes. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the potential application of the new Basel Capital Accord proposals.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FSA and to trading on the Gilt-Edged and Fixed Interest Market of the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption of Subordinated Notes prior to their Maturity Date requires the prior written approval of the Registrar of Banks.

Because the Global Note Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Note Certificates. Such Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive individual Note Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by one or more Global Note Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Note Certificates the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificates will not have a direct right under the Global Note Certificates to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant (defined below).

Notes may be subordinated to most of the Issuer's liabilities

The payment obligations of the Issuer under Subordinated Notes will rank behind Unsubordinated Notes. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other Subordinated Indebtedness. See Condition 5(b) for a full description of subordination and the payment obligations of the Issuer under Subordinated Notes.

With regard to any Subordinated Notes, if the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of unsubordinated debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of Subordinated Indebtedness) in full before it can make any payments on such Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes.

Capital Regulations and Deferral of payments

In order for the proceeds of the issuance of Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of any Tranche of Subordinated Notes.

Pursuant to the Capital Regulations applicable to Tier III Capital Notes, if the Issuer's qualifying capital falls below the minimum amount prescribed by the Banks Act, the Registrar of Banks may require that interest and/or principal payments in respect of such Tier III Capital Notes be deferred for such period of time and subject to such conditions (if any) as the Registrar of Banks may deem fit, as more fully described in Conditions 7 and 8.

Any deferral of interest or principal payments in respect of Tier III Capital Notes may have an adverse effect on the market price of such Tier III Capital Notes. In addition, as a result of the interest and principal deferral provision of such Tier III Capital Notes, the market price of such Tier III Capital Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Credit Rating

Tranches of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

EU Savings Directive and Other Withholding Tax Obligations

If, pursuant to the European Council Directive 2003/48/EC on the taxation of savings income (see "*Taxation — European Union Savings Directive*" below), a payment in respect of a Note were to be made by or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Note as a result of the imposition of such withholding tax (see Condition 13 (Taxation) of the Notes). The Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (see Condition 17(b) of the Notes).

There may be other occasions in other jurisdictions in which an amount of, or in respect of, tax is required to be withheld from a payment in respect of any Note and in respect of which neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Note as set out in Condition 13 (Taxation) of the Notes (see "*Conditions of the Notes*" below).

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**") or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;

- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Modification and waivers and substitution

The Conditions of the Notes (see ''*Conditions of the Notes*'') contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with, English law in effect as at the date of this Base Prospectus, save that the provisions of Conditions 5(b), 5(c), 7(c), 8(c), 11(d) and 14.2 are governed by, and will be construed in accordance with, South African law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or South African law or administrative practice in either such jurisdiction after the date of this Base Prospectus.

Risks relating to South Africa

Risk relating to Emerging Markets

South Africa is generally considered by international investors to be an emerging market. Investors in emerging markets such as South Africa should be aware that these markets are subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, significant legal and political risks.

Economic instability in South Africa in the past and in other emerging market countries has been caused by many different factors, including the following:

- high interest rates;
- changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- changes in economic or tax policies;
- the imposition of trade barriers; and

- internal security issues.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Investors should also note that developing markets, such as South Africa, are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

Regulatory Environment

The Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

Exchange Controls

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African Government (the "**Government**") may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation, or abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Issuer's business and it could have an adverse effect on the financial condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this would result in a rapid depreciation of the Rand exchange rate which would serve to stem the flight and would also result in an increase in interest rates due to the depreciation of the Rand. Rand would be purchased in exchange for foreign currency and deposited in the Sterilisation Account of the SARB.

KEY FEATURES OF THE PROGRAMME

The following overview of key features of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in the ''Terms and Conditions of the Notes'' below or elsewhere in this Base Prospectus have the same meanings in this overview of the key features of the Programme.

Issuer:	FirstRand Bank Limited.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under ''*Risk Factors*'' above.
Arrangers:	Citigroup Global Markets Limited and The Royal Bank of Scotland plc.
Dealers:	ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, Dresdner Bank Aktiengesellschaft, ING Bank N.V., J.P. Morgan Securities Ltd., Mizuho International plc, Morgan Stanley & Co. International plc, The Royal Bank of Scotland plc and UBS Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	The Bank of New York, acting through its London office.
Registrar:	The Bank of New York (Luxembourg) S.A.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FSA and to trading on the gilt edged and fixed interest market of the London Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, subject in all cases to the Issuer obtaining the necessary consent from ExCon and the Registrar of Banks.
Clearing Systems:	Euroclear Bank S.A./N.V. (''**Euroclear**'') and/or Clearstream Banking société anonyme (''**Clearstream, Luxembourg**'') and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to U.S.$1,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

	Prior written approval of ExCon and the Registrar of Banks is required for the issuance of each Tranche of Notes under the Programme.
Forms of Notes:	Notes may only be issued in registered form. Each Tranche of Notes will initially be represented by a global note certificate in registered form (a "**Global Note Certificate**"). The Global Note Certificate will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg and registered in the name of its nominee. Persons holding beneficial interests in the Global Note Certificate will be entitled or required, as the case may be, to receive physical delivery of Individual Note Certificates. Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for individual Note Certificates without receipts, interest coupons or talons attached only in the limited circumstances described under "*Summary of Provisions Relating to the Notes While in Global Form*".
Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.
Status of the Unsubordinated Notes:	The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer, all as described in Condition 5(a) (*Status — Status of the Unsubordinated Notes*) and the relevant Final Terms.
Status of the Subordinated Notes:	Subordinated Notes (Tier II Capital Notes and Tier III Capital Notes, as the case may be) will constitute direct, unsecured and subordinated obligations of the Issuer, all as described in Condition 5(b) (*Status — Status of the Subordinated Notes*) and the relevant Final Terms.
Subordinated Notes and Capital Regulations:	In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as a Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of that Tranche of Subordinated Notes. The Issuer will specify in the relevant Final Terms whether any issue of Notes is an issue of Tier II Capital Notes the proceeds of which are intended to qualify as Secondary Capital or an issue of Tier III Capital Notes the proceeds of which are intended to qualify as Tertiary Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the applicable Final Terms, a Drawdown Prospectus or a supplement to this Base Prospectus.
Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Any maturity, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies,

to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Subject to the applicable Capital Regulations, (i) Tier II Capital Notes will have a minimum maturity of five years and (ii) Tier III Capital Notes will have a minimum maturity of two years.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer.

Redemption: Subject as described in "*Maturities*" above, Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms. For so long as the Capital Regulations so require, Subordinated Notes may be redeemed prior to the Maturity Date only at the option of the Issuer and with the prior written approval of the Registrar of Banks.

Optional Redemption: Subject as described in "*Redemption*" above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Registrar of Banks, and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

Tax Redemption: Except as described in "*Optional Redemption*" above, and subject as described in "*Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons)*.

Interest: Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Denominations: No Notes may be issued under the Programme (a) where such Notes are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Directive, with a minimum denomination of less than EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes), or (b) which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. See also "*Maturities*" above.

Negative Pledge:	Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge)*.
Cross Default:	Unsubordinated Notes will have the benefit of a cross default as described in Condition 14 (*Events of Default)*.
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law, except for Conditions 5(b), 5(c), 7(c), 8(c), 11(d) and 14.2 which will be governed by, and construed in accordance with, South African law.
Enforcement of Notes in Global Form:	In the case of Global Note Certificates, individual investors' rights against the Issuer will be governed by a Deed of Covenant (the "**Deed of Covenant**") dated 24 May 2007, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	Each Tranche of Notes may be rated or unrated. Where applicable, the ratings of the Notes will be specified in the relevant Final Terms.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, South Africa and Japan, see "*Subscription and Sale*" below.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression ''necessary information'' means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus or any supplement hereto and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, will be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the ''**Registration Document**'') containing the necessary information relating to the Issuer, a securities note (the ''**Securities Note**'') containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

SUPPLEMENT TO THIS BASE PROSPECTUS

If at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme whose inclusion is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer will prepare a supplement to this Base Prospectus.

FORMS OF THE NOTES

Each Tranche of Notes will initially be represented by a Global Note Certificate. Global Note Certificates will be deposited with the Common Depositary and registered in the name of its nominee. Persons holding beneficial interests in Global Note Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Note Certificates in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Note Certificates will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 2(a)) as the registered holder of the Global Note Certificate. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Note Certificates will, in the absence or provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 12(f)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 20 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Note Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in individual form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Global Note Certificate and the Individual Note Certificates will bear a legend to the following effect:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Legend to appear on Tier II Capital Notes Certificates

In the case of any Tranche of Notes which is issued by the Issuer in compliance with the Tier II Capital Requirements and which the Issuer has specified in the Final Terms are issued as Tier II Capital Notes, the Global Note Certificate and the Individual Note Certificates will bear a legend to the following effect:

> "*The direct or indirect acquisition of the Notes represented by this certificate by a "bank" as defined in the South African Banks Act, 1990 (the "**Banks Act**"), or a non-banking subsidiary of that "bank", shall be regarded as an impairment of the capital of the "bank" in question, in an amount equal to the book value of such Notes, when it calculates its capital adequacy requirements.*
>
> *The Notes represented by this Certificate constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank* pari passu *amongst themselves and* pari passu *with all present and future unsecured and subordinated obligations of the Issuer, save for those that have been accorded preferential rights by law, as set out more fully in Condition 5(b) (Status — Status of the Subordinated Notes).*

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to all other claims in respect of any other Indebtedness of the Issuer except for other Subordinated Indebtedness. In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until all other Indebtedness of the Issuer which is admissible in any such dissolution, winding-up, liquidation, curatorship or judicial management (other than Subordinated Indebtedness) has been paid or discharged in full, as set out more fully in Condition 5 of the Conditions.

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of section 79(1)(b) of the Banks Act and for the proceeds thereof to rank as ''secondary capital'' in terms of paragraph (c) of the definition of ''secondary capital'' in section 1 of the Banks Act, as read with Regulation 21(7) of the ''Regulations Relating to Banks'', promulgated under the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of 5 years.''

Legend to appear on Tier III Capital Notes Certificate

In the case of any Tranche of Notes which is issued by the Issuer in compliance with the Tier III Capital Requirements and which the Issuer has specified in the Final Terms are issued as Tier III Capital Notes, the Global Note Certificate and the Individual Note Certificates will bear a legend to the following effect:

''*The direct or indirect acquisition of the Notes represented by this certificate by a ''bank'' as defined in the South African Banks Act, 1990 (the ''**Banks Act**''), or a non-banking subsidiary of that ''bank'', shall be regarded as an impairment of the capital of the ''bank'' in question, in an amount equal to the book value of such Notes, when it calculates it capital adequacy requirements.*

The Notes represented by this Certificate constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank pari passu *amongst themselves and* pari passu *with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been accorded preferential rights by law, as set out more fully in Condition 5(b) (Status — Status of the Subordinated Notes).*

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to all other claims in respect of any other Indebtedness of the Issuer except for other Subordinated Indebtedness. In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until all other Indebtedness of the Issuer which is admissible in any such dissolution, winding-up, liquidation, curatorship or judicial management (other than Subordinated Indebtedness) has been paid or discharged in full, as set out more fully in Condition 5 of the Conditions.

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with the prior written approval of the Registrar of Banks

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of section 79(1)(b) of the Banks Act and for the proceeds thereof to rank as ''tertiary capital'' in terms of paragraph (b) of the definition of ''tertiary capital'' in section 1 of the Banks Act, as read with the definition of ''tertiary capital'' set out in Regulation 1 of the ''Regulations Relating to Capital Adequacy Requirements for Banks' Trading Activities in Financial Instruments'', promulgated under the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of 2 years.''

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

(a) *Programme*: FirstRand Bank Limited (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$1,500,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) *Final Terms*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a written final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Deed of Covenant*: The Notes are constituted by a deed of covenant dated 24 May 2007 (the "**Deed of Covenant**") entered into by the Issuer.

(d) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 24 May 2007 (the "**Agency Agreement**") between the Issuer, The Bank of New York (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "Agents" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them.

(e) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at, and copies may be obtained from, the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

(f) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Conditions**" means, in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Secondary Capital or Tertiary Capital, as the case may be, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, as specified in the Final Terms.

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Banks Act**" means the South African Banks Act, 1990;

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

   (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Capital Regulations**" means the Tier II Capital Regulations or the Tier III Capital Regulations, as the case may be;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

   (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if ''**Actual/365**'' or ''**Actual/Actual (ISDA)**'' is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if ''**Actual/365 (Fixed)**'' is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if ''**Actual/360**'' is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if ''**30/360**'' is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if ''**30E/360**'' or ''**Eurobond Basis**'' is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

''**Early Redemption Amount (Tax)**'' means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or relevant Final Terms;

''**Early Termination Amount**'' means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

''**Event of Default**'' means any of the events described in Condition 14 (*Events of Default*);

''**Extraordinary Resolution**'' has the meaning given in the Agency Agreement;

''**Final Redemption Amount**'' means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

''**Financial Indebtedness**'' means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

''**Fixed Coupon Amount**'' has the meaning given in the relevant Final Terms;

''**Group**'' means the Issuer and its consolidated Subsidiaries;

''**Guarantee**'' means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):

(i) any obligation to purchase such Financial Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and

(iv) any other agreement to be responsible for such Financial Indebtedness;

''**Holder**'' of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint-holding, the first named thereof) and ''**Noteholders**'' shall be construed accordingly;

''**IFRS**'' means International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (''**IASB**'') and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);

''**Indebtedness**'' includes any obligation (whether incurred as principal or surety) for the payment or repayment of money, whether present or future, actual or contingent;

''**Interest Amount**'' means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

''**Interest Commencement Date**'' means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

''**Interest Determination Date**'' has the meaning given in the relevant Final Terms;

''**Interest Payment Date**'' means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

''**Interest Period**'' means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

''**ISDA Definitions**'' means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

''**Issue Date**'' has the meaning given in the relevant Final Terms;

''**Margin**'' has the meaning given in the relevant Final Terms;

''**Maturity Date**'' has the meaning given in the relevant Final Terms;

''**Maturity Period**'' means the period from, and including, the Issue Date to, but excluding, the Maturity Date;

''**Maximum Redemption Amount**'' has the meaning given in the relevant Final Terms;

''**Minimum Redemption Amount**'' has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(i) if the currency of payment is euro, any day which is:

(A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, any day which is:

(A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Security Interest**" means any Security Interest created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Issuer or any Subsidiary arising out of any securitisation of such property or assets or other similar asset backed finance transaction in relation to such property or assets where:

(i) the payment obligations secured by such Permitted Security Interest are to be discharged primarily from, and recourse under such Permitted Security Interest is limited to, the proceeds of such property or assets or a guarantee from an entity other than a Group entity; and

(ii) such Security Interest is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(ii) in relation to Australian dollars, it means either Sydney or Melbourne;

(iii) in relation to New Zealand dollars, it means either Wellington or Auckland; and

(iv) in any case any financial centre that is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Principal Subsidiary**" means a Subsidiary of the Group whose (a) total profits, before tax and extraordinary items represent in excess of 10 per cent. of the consolidated total profits, before tax and extraordinary items of the Issuer and its Subsidiaries, or (b) total value of net assets represent in excess of 10 per cent. of the total value of all consolidated net assets owned by the Issuer and its Subsidiaries in each case calculated by reference to the latest audited financial statements of each

Subsidiary and the latest audited consolidated financial statements of the Issuer and its Subsidiaries but if a Subsidiary has been acquired or sold since the date as at which the latest audited consolidated financial statements of the Issuer and its Subsidiaries were prepared, the financial statements shall be adjusted in order to take into account the acquisition or sale of that Subsidiary (that adjustment being certified by the Issuer and its Subsidiaries' auditors as representing an accurate reflection of the revised consolidated profits before interest and tax or turnover of the Issuer and its Subsidiaries). A report by the auditors of the Issuer that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Noteholders;

''**Put Option Notice**'' means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem an Unsubordinated Note at the option of the Noteholder;

''**Rate of Interest**'' means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

''**Redemption Amount**'' means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

''**Reference Banks**'' has the meaning given in the relevant Final Terms or, if none, four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;

''**Reference Price**'' has the meaning given in the relevant Final Terms;

''**Reference Rate**'' has the meaning given in the relevant Final Terms;

''**Register**'' means the register maintained by the Registrar in respect of the Notes in accordance with the Agency Agreement;

''**Registrar of Banks**'' means the South African Registrar of Banks designated under section 4 of the Banks Act;

''**Regular Period**'' means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where ''Regular Date'' means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where ''Regular Date'' means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

''**Relevant Date**'' means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

''**Relevant Financial Centre**'' has the meaning given in the relevant Final Terms;

''**Relevant Indebtedness**'' means any present or future Financial Indebtedness which is in the form of any bond, note, debenture, debenture stock, loan stock, certificate or other similar security which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and having an original maturity of more than 364 days from its date of issue;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**SARB**" means the South African Reserve Bank;

"**Secondary Capital**" means "*secondary capital*" as defined in paragraph (c) of the definition of "*secondary capital*" in section 1 of the Banks Act;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Solvent Reconstruction**" means the event where an order is made or an effective resolution is passed for the winding-up of the Issuer, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under EU Directive 2003/71/EC will be EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes);

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subordinated Indebtedness**" means any present or future Indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the Person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer in the event of the dissolution, winding-up or placing into liquidation of the Issuer;

"**Subordinated Notes**" means any Notes specified as being Tier II Capital Notes or Tier III Capital Notes, as the case may be, in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

"**Tertiary Capital**" means "*tertiary capital*" as defined in paragraph (b) of the definition of "*tertiary capital*" in section 1 of the Banks Act;

"**Tier II Capital Notes**" means Notes which satisfy the Tier II Capital Requirements and which are specified as such in the relevant Final Terms;

"**Tier II Capital Regulations**" means those provisions of the Banks Act and the "*Regulations Relating to Banks*" set out in Government Notice R1112 of 8 November 2000, as amended, with which Tier II Capital Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;

"**Tier II Capital Requirements**" means the requirements set out in:

(i) the Tier II Capital Regulations; and

(ii) the Additional Conditions (if any);

"**Tier III Capital Notes**" means Notes which satisfy the Tier III Capital Requirements and which are specified as such in the relevant Final Terms;

"**Tier III Capital Regulations**" means those provisions of the Banks Act and the "*Regulations Relating to Capital Adequacy Requirements for Banks' Trading Activities in Financial Instruments*" set out in Government Notice R1058 of 21 August 1998, as amended, with which Tier III Capital Notes must comply in order for the proceeds of the issue of such Notes to qualify as Tertiary Capital;

"**Tier III Capital Requirements**" means the requirements set out in:

(i) the Tier III Capital Regulations; and

(ii) the Additional Conditions (if any);

"**Treaty**" means the Treaty establishing the European Communities, as amended;

"**Unsubordinated Notes**" means Notes issued with the status and characteristics set out in Condition 5(a) as specified in the relevant Final Terms;

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms;

(b) *Interpretation*: In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(iv) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination and Title

The Notes are in registered form in the Specified Denomination(s) and may be held in holdings equal to any specified minimum amount and integral multiples equal to any specified increments (as specified in the relevant Final Terms) in excess thereof (each, an "**Authorised Holding**"). The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. Register, Title and Transfers

(a) *Register*: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a ''**Note Certificate**'') will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Transfers*: Subject to paragraphs (e) (*Closed periods*) and (f) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(c) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (b) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, ''business day'' means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

(d) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(e) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(f) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5. Status

(a) *Status of the Unsubordinated Notes*:

(i) *Application:* This Condition 5(a) applies only to Unsubordinated Notes.

(ii) *Status of the Unsubordinated Notes:* The Unsubordinated Notes constitute direct, unconditional unsubordinated and (subject to the provisions of Condition 6) unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Status of the Subordinated Notes*:

(i) *Application:* This Condition 5(b) applies only to Subordinated Notes.

(ii) *Status of the Subordinated Notes:* Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and, subject to Condition 7(c) and 8(c), as applicable, rank *pari passu* among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other Subordinated Indebtedness.

(iii) *Winding-up of the Issuer:* Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up the claims of the Holders of Subordinated Notes entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims (including the claims of depositors) in respect of any other Indebtedness of the Issuer (except for other Subordinated Indebtedness), to the extent that in any such event, (i) no Holder of Subordinated Notes shall be entitled to prove or tender to prove a claim in respect of the Subordinated Notes and (ii) no amount due under the Subordinated Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Holder of Subordinated Notes might otherwise have under the laws of any jurisdiction in respect of such Subordinated Notes nor shall any amount due under the Subordinated Notes be payable to any Holder of Subordinated Notes, until all other Indebtedness of the Issuer (including the claims of depositors) which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

(c) *Capital Regulations and Additional Conditions*

In order for the proceeds of the issuance of the Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations and Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Subordinated Notes. The Issuer will specify in the relevant Final Terms whether any issue of Notes is an issue of Tier II Capital Notes the proceeds of which are intended to qualify as Secondary Capital or an issue of Tier III Capital Notes the proceeds of which are intended to qualify as Tertiary Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the applicable Final Terms or a supplement to the Base Prospectus.

6. Negative Pledge

This Condition 6 only applies to Unsubordinated Notes.

So long as any Unsubordinated Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries shall, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Unsubordinated Notes equally and rateably therewith or (b) providing such other security for the Unsubordinated Notes, as may be approved by an Extraordinary Resolution of Noteholders.

7. Fixed Rate Note Provisions

(a) *Application*: This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Deferral of Principal and Interest in respect of Tier III Capital Notes*

(i) *Application:* This Condition 7(c) applies only to Tier III Capital Notes.

(ii) *Deferral of Principal and Interest:* In the case of Tier III Capital Notes, if the Issuer's qualifying capital falls below the minimum amount prescribed by the Banks Act and as a consequence of this event the Registrar of Banks, pursuant to the Tier III Capital Requirements, requires the Issuer to defer the due date for payment of any principal (or any portion thereof) and/or any interest (or any portion thereof) payable in respect of such Tier III Capital Notes (the "**Deferred Payment**"), the Issuer shall, by notice in writing (a "**Deferred Notice**") to the relevant Noteholder, defer the due date for payment of the Deferred Payment, until such date (the "**Deferred Payment Date**"), and subject to such conditions, as are prescribed by the Registrar of Banks. On the giving of the Deferred Notice, the due date for payment of the Deferred Payment shall be deferred to the Deferred Payment

Date, and the Issuer shall not be obliged to make payment of the Deferred Payment on the date upon which the Deferred Payment would otherwise have become due and payable, and such deferral of payment shall not constitute an Event of Default. The Issuer may not give a Deferred Notice except where the Registrar of Banks so requires in accordance with the Tier III Capital Requirements. Interest will continue to accrue on the outstanding amount of the Deferred Payment at the Rate of Interest applicable on the date upon which the Deferred Payment would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date. All Deferred Payments (together with any interest accrued thereon) which remain unpaid shall become due and payable upon the earlier to occur of (i) the Deferred Payment Date, and (ii) the Issuer being placed into liquidation or being wound-up. When more than one Deferred Payment remains unpaid, any payment in part thereof shall be made *pro rata* according to the proportion which each such Deferred Payment bears to the aggregate of all such Deferred Payments.

(d) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(e) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a ''sub-unit'' means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8. Floating Rate Note and Index-Linked Interest Note Provisions

(a) *Application*: This Condition 8 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Deferral of Principal and Interest in respect of Tier III Capital Notes*

(iii) *Application:* This Condition 8(c) applies only to Tier III Capital Notes.

(iv) *Deferral of Principal and Interest:* In the case of Tier III Capital Notes, if the Issuer's qualifying capital falls below the minimum amount prescribed by the Banks Act and as a consequence of this event the Registrar of Banks, pursuant to the Tier III Capital Requirements, requires the Issuer to defer the due date for payment of any principal (or any portion thereof) and/or any interest (or any portion thereof) payable in respect of such Tier III Capital Notes (the ''**Deferred Payment**''), the Issuer shall, by notice in writing (a ''**Deferred Notice**'') to the relevant Noteholder, defer the due date for payment of the Deferred Payment, until such date (the ''**Deferred Payment Date**''), and subject to such conditions, as are prescribed by the Registrar of Banks. On the giving of the Deferred Notice, the due date for payment of the Deferred Payment shall be deferred to the Deferred Payment Date, and the Issuer shall not be obliged to make payment of the Deferred Payment on the date upon which the Deferred Payment would otherwise have become due and payable, and such deferral of payment shall not constitute an Event of Default. The Issuer may not give a Deferred Notice except where the Registrar of Banks so requires in accordance with the Tier III Capital Requirements. Interest will continue to accrue on the outstanding amount of the

Deferred Payment at the Rate of Interest applicable on the date upon which the Deferred Payment would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date. All Deferred Payments (together with any interest accrued thereon) which remain unpaid shall become due and payable upon the earlier to occur of (i) the Deferred Payment Date, and (ii) the Issuer being placed into liquidation or being wound-up. When more than one Deferred Payment remains unpaid, any payment in part thereof shall be made *pro rata* according to the proportion which each such Deferred Payment bears to the aggregate of all such Deferred Payments.

(d) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(e) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(f) *Index-Linked Interest*: If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(g) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(h) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.

(i) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(j) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(k) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Zero Coupon Note Provisions

(a) *Application*: This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

  (i) the Reference Price; and

  (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. Dual Currency Note Provisions

(a) *Application*: This Condition 10 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

11. Redemption and Purchase

(a) *Scheduled redemption*: Subject to Condition 11(d), unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may, subject to Condition 11(d), be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (Taxation) as a result of any change in, or amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b).

(c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may, subject to Condition 11(d), be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Redemption of Subordinated Notes:* Subject to the applicable Capital Regulations, Tier II Capital Notes shall have a minimum Maturity Period of five years and Tier III Capital Notes shall have a minimum Maturity Period of two years. Notwithstanding the foregoing provisions of this Condition 11, for so long as the applicable Capital Regulations so require, Subordinated Notes may be redeemed, or purchased and cancelled by the Issuer, prior to the Maturity Date, only at the option of the Issuer and with the prior written approval of the Registrar of Banks.

(e) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer*), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date.

(f) *Redemption at the option of Noteholders*: This Condition 11(f) applies only to Unsubordinated Notes. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit the Note Certificate relating to such Note with any Paying Agent together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Put Option Notice.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.

(h) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

    (i) the Reference Price; and

    (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

    Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase*: Subject to Condition 11(d), the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(j) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

12. Payments

(a) *Principal*: Payments of principal shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the Payment Business Day immediately preceding the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12(d) arriving after the due date for payment or being lost in the mail.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

13. Taxation

(a) *Gross up*: All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment by, or on behalf of, or held by, a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with South Africa other than the mere holding of such Note; or

(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) presented for payment by, or on behalf of, or held by a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note Certificate or by arranging to receive the relevant payment through another Paying Agent in a Member State of the EU; or

(iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

(v) presented for payment by or on behalf of, or held by, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residence or other claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent.

(b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

14. Events of Default

14.1 *Events of Default relating to Unsubordinated Notes*

This Condition 14.1 only applies to Unsubordinated Notes.

If any of the following events occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 30 days after written notice thereof, has been delivered by any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer); or

(c) *Cross-default of Issuer or Principal Subsidiary*:

(i) any Financial Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or

(iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.$10,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal is permissible under applicable law for the payment of any amount in excess of U.S.$10,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: any present or future Security Interest created by the Issuer or any Principal Subsidiary over all or a substantial part of its undertaking, assets and revenues for an amount at the relevant time in excess of U.S.$10,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including, but not limited to, the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person or analogous event) unless such enforcement is discharged within 45 days or the Issuer or Principal Subsidiary (as the case may be) is contesting such enforcement in good faith; or

(f) *Insolvency etc.*: (i) the Issuer or its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, curator, judicial manager or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or in respect of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

(g) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

(h) *Analogous event*: any event occurs which under the laws of South Africa or other relevant jurisdiction in the case of a Principal Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or

(i) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Deed of Covenant admissible in evidence in the courts of South Africa is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then any Unsubordinated Note may, by written notice from the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

14.2 *Events of Default relating to Subordinated Notes*

This Condition 14.2 applies only to Subordinated Notes.

If any of the following events occurs and is continuing:

(a) *Non-payment*: subject to Condition 7(c) or 8(c), if applicable, the Issuer fails to pay any amount of principal or interest in respect of the Subordinated Notes within seven days of the due date for payment thereof; or

(b) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction),

then (i) any Subordinated Note may, by written notice from the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable at its Early Termination Amount together with accrued interest (if any) whereupon it shall subject to Condition 11(d) become immediately due and payable and (ii) such Holder may at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged (save in the case of Condition 14.2(b)) to pay any amount of principal or interest sooner than the same would otherwise have been payable by it.

15. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. Replacement of Notes

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

17. Agents and Registrar

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent or Calculation Agent and additional or successor paying agents and transfer agents; *provided, however, that*:

(a) the Issuer shall at all times maintain a fiscal agent and a registrar; and

(b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and

(c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent and/or registrar in any particular place, the Issuer shall maintain a paying agent and/or a registrar each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or the Registrar or in their Specified Offices shall promptly be given to the Noteholders.

18. Meetings of Noteholders; Modification

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, notices to Noteholders will be published on the date of such mailing in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

21. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Governing Law and Jurisdiction

(a) *Governing law*: The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law save that the provisions of Conditions 5(b), 5(c), 7(c), 8(c), 11(d) and 14.2 are governed by, and shall be construed in accordance with, South African law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes.

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute

("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to FirstRand (UK) Limited at Two London Bridge, London, SE1 9RA, United Kindom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated ●

FIRSTRAND BANK LIMITED
(Registration Number 1929/001225/06)
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$1,500,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 24 May 2007 [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [[*address*] [and] [*website*]] and copies may be obtained from [*address*].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.*]

[*When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*]

1.	Issuer:	FirstRand Bank Limited
2.	[(i) Series Number:	[ ]
	[ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	[ ]]
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]

6.	Specified Denominations:	[ ] *Notes which are to be admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive may not have a minimum denomination of less than EUR50,000* (*or nearly equivalent in another currency*)
7.	[(i)] Issue Date:	[ ]
	[(ii) Interest Commencement Date:	[ ]]
8.	Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*] *Subject to the applicable Capital Regulations, (i) Tier II Capital Notes must have a minimum Maturity Period of five years, and (ii) Tier III Capital Notes must have a minimum Maturity Period of two years.* *If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to ''professional investors'' or (ii) another applicable exemption from section 19 of the FSMA must be available.*
9.	Interest Basis:	[● % Fixed Rate] [[*specify reference rate*] +/- ● % Floating Rate] [Zero Coupon] [Index-Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]

12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)] Status of the Notes:	[Unsubordinated Notes] [Subordinated Notes: Tier II Capital Notes/Tier III Capital Notes]
	[(ii)] Additional Conditions:	[Applicable/Not Applicable] (*if applicable give details*)
	[(iii)] [Date [Board] approval for issuance of Notes obtained:	[ ]] (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
	[(iv)] Date of approval(s) of Registrar of Banks for issuance of Notes obtained:	[*Required for each issue*]
	[(v)] Date of approval(s) of Exchange Control Department of the South African Reserve Bank for issuance of Notes obtained:	[*Required for each issue*]
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year
	(iii) Fixed Coupon Amount[(s)]:	[ ] [per Note of [ ] Specified Denomination and per Note of [ ] Specified Denomination]
	(iv) Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	[(vi) Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)

(i)	Specified Period:	[ ] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".*)
(ii)	Specified Interest Payment Dates:	[ ] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".*)
(iii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
(iv)	Additional Business Centre(s):	[Not Applicable/*give details*]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination/ other (*give details)*]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
(vii)	Screen Rate Determination:	
	– Reference Rate:	[*For example, LIBOR or EURIBOR*]
	– Interest Determination Date(s):	[The second day on which the TARGET system is open prior to the start of each Interest Period/ The first day of each Interest Period/ other (*give details*)]
	– Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	– Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	– Relevant Financial Centre:	[*For example, London/Euro-zone* (*where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)]
(viii)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(ix)	Margin(s):	[+/-][ ] per cent. per annum
(x)	Minimum Rate of Interest:	[ ] per cent. per annum
(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
(xii)	Day Count Fraction:	[ ]
(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

17.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) [Amortisation/Accrual] Yield:	[ ] per cent. per annum
	(ii) Reference Price:	[ ]
	(iii) Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 11(g)*]
18.	**Index-Linked Interest Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Index/Formula:	[*Give or annex details*]
	(ii) Calculation Agent responsible for calculating the interest due:	[ ]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
	(iv) Specified Period:	[ ] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert ''Not Applicable''.*)
	(v) Specified Interest Payment Dates:	[ ] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert ''Not Applicable''.*)
	(vi) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vii) Additional Business Centre(s):	[ ]
	(viii) Minimum Rate of Interest:	[ ] per cent. per annum
	(ix) Maximum Rate of Interest:	[ ] per cent. per annum
	(x) Day Count Fraction:	[ ]
19.	**Dual Currency Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*Give details*]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]

(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) *Consent of Registrar of Banks will be necessary where Notes are Subordinated Notes*
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Maximum Redemption Amount:	[ ]
(iv)	Notice period:	[ ]
(v)	Approval(s) of Registrar of Banks:	[Applicable/Not Applicable] (*N.B. Only relevant where the Notes are Subordinated Notes*)
21.	**Put Option**	[Applicable/Not Applicable] *If not applicable, delete the remaining sub-paragraphs of this paragraph*) *Consent of Registrar of Banks will be necessary where Notes are Subordinated Notes*
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ]
(iii)	Notice period:	[ ]
(iv)	Approval(s) of Registrar of Banks:	[Applicable/Not Applicable] (*N.B. Only relevant where the Notes are Subordinated Notes*)
22.	**Final Redemption Amount of each Note**	[[ ] per Note of Specified Denomination/other/ see Appendix]
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	[*give or annex details*]
(i)	Index/Formula/variable:	[ ]
(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[ ]

(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
(iv)	Determination Date(s):	[ ]
(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	
(vi)	Payment Date:	[ ]
(vii)	Minimum Final Redemption Amount:	[ ]
(viii)	Maximum Final Redemption Amount:	[ ]

23. **Early Redemption Amount**

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable (*if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	**Registered Notes:** Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate.
25.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate*]
26.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
27.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
28.	Other terms or special conditions:	[Not Applicable/*give details*] (*For Subordinated Notes, specify the Additional Conditions (if any) prescribed by the Registrar of Banks and those of the applicable Capital Regulations (if any) which are not set out in the Terms and Conditions and/or these Final Terms*) (*When adding any other final terms consideration should be given as to whether such terms constitute ''significant new factors'' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

29.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
	(iii) Date of Subscription Agreement	[●]
30.	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
31.	TEFRA:	Not Applicable
32.	Total commission and concession:	[●] per cent. of the Aggregate nominal amount
33.	Additional selling restrictions:	[Not Applicable/*give details*]

[ADMISSION TO TRADING

These Final Terms comprise the final terms required for the Notes described herein to be admitted to trading on the [gilt edged and fixed interest market of the London Stock Exchange pursuant to the U.S.$1,500,000,000 Euro Medium Term Note Programme of FirstRand Bank Limited.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.].

Signed on behalf of the Issuer:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING**

(i) Listing:	[London/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on the gilt edged and fixed interest market of the London Stock Exchange/ [other] with effect from [ ].] [Not Applicable.] *(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
(iii) Estimate of total expenses related to admission to trading	[●]

2. **RATINGS**

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [[Other]: [ ]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. **[NOTIFICATION**

The Financial Services Authority [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

''Save as discussed in ''Subscription and Sale'', so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.'']

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer	[ ] (*See ''Use of Proceeds'' wording in Prospectus – if reasons for offer different from making profit and/ or hedging certain risks will need to include those reasons here.*)
(ii) Estimated net proceeds:	[●] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)

[(iii)] Estimated total expenses:	●. [*Include breakdown of expenses.*] *(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*]

6. **[*Fixed Rate Notes Only* – YIELD**

Indication of yield:	●. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[*Index-Linked Or Other Variable-Linked Notes Only* – PERFORMANCE OF INDEX/ FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

8. **[*Dual Currency Notes Only* – PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

9. **OPERATIONAL INFORMATION**

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in registered form. Consequently, in relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to "**Noteholders**" are references to the registered holder of the relevant Global Note Certificate which, for so long as the Global Note Certificate is registered in the name of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the registered holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note Certificate.

Exchange of Global Note Certificates

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure the prompt delivery (free of charge to the registered holder) of such Individual Note Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the Global Note Certificate to the registered holder of the Global Note Certificate against the surrender of the Global Note Certificate to or to the order of the Registrar within 30 days of the registered holder requesting such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the registered holder of a Global Note Certificate has duly requested exchange of the Global Note Certificate for Individual Note Certificates; or

(b) a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the registered holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Note Certificates

Each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note Certificate will be made against presentation for endorsement of the Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note Certificate, the Issuer shall procure that the payment is noted in a schedule thereto.

Exercise of put option: In order to exercise the option contained in Condition 11(e) (*Redemption at the option of Noteholders*) the registered holder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put option notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 11(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg.

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Global Note Certificate and the Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

DESCRIPTION OF FIRSTRAND BANK LIMITED

OVERVIEW

FirstRand Bank Limited (the "**Bank**"), one of the four leading banks in South Africa (measured by total assets), provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa. As at 31 March 2007, the Bank was the third largest commercial bank in South Africa measured by total assets (according to statistics published by the SARB (US$ 43.8 million) (DI900:SARB)). As at 30 June 2006, the Bank had total assets of R379,700 million (US$ 53.2 million) (R292,411 million (U.S.$ 43.8 million) as at 30 June 2005). The Bank's profit attributable to ordinary shareholders amounted to R4,995 million for the year ended 30 June 2006, increasing from R3,119 million as at 30 June 2005.

The Bank operates through divisions which are separately branded and provide distinct banking products and financial services. The Bank's primary divisions are First National Bank ("**FNB**"), Rand Merchant Bank ("**RMB**") and WesBank. FNB provides retail and corporate banking services, including savings and deposit accounts, credit cards, overdraft facilities, cheque accounts, mortgage finance and loans. FNB currently operates 680 branches and over 4,000 ATMs across South Africa. RMB is the investment banking division of the Bank. It offers specialist services, and takes principal positions, in the fields of corporate finance, structured finance, project finance, private equity and trading markets. WesBank provides instalment credit finance to the retail and corporate market, in particular, finance for motor vehicles, aircraft and industrial plants.

The Bank is indirectly wholly owned by FirstRand Limited ("**FirstRand**"), a company which is listed in the top 10 companies of the JSE Limited ("**JSE**") and the Namibian Stock Exchange by market capitalisation, with a current market capitalisation of R100 billion (US$ 14 billion) as at 30 June 2006. The FirstRand group of companies, which comprises FirstRand and its subsidiaries (the "**Group**"), is an integrated financial services group with over 36,000 employees. The Group provides a comprehensive range of financial products and services to the Southern African marketplace and niche products in certain international markets. The Group is structured into three divisions – Banking & Short Term Insurance, Long Term Insurance & Asset Management and Health & Insurance. The Bank is the principal banking operation within the Group.

The Bank holds a full banking licence granted by the Registrar of Banks and is authorised as a financial services provider in South Africa by the Registrar of Financial Services Providers. The Bank is also an authorised dealer in foreign exchange in terms of the Exchange Control Regulations of the SARB. It is a Central Securities Depositary Participant in STRATE Limited and is also a full member of The Bond Exchange of South Africa and a member of the JSE.

HISTORY

The Bank was incorporated and registered in South Africa on 11 January 1929 under registration number 1929/001225/06 under the Companies Act, 1973, as a public company with limited liability.

The Bank's headquarters and registered address are located at 1st floor, 4 Merchant Place, Cnr. Fredman Drive and Rivonia Road, Sandton 2196, South Africa (telephone number: +27 11 282-4000; fax number is +27 11 282 -1699).

Although the Bank was formally incorporated in 1929, the current structure of the Bank is the result of a merger in 1998 of the financial services interests of Rand Merchant Bank Holdings Limited (including RMB) and the Anglo American Corporation (including FNB) which formed FirstRand. Anglo American Corporation had become the majority shareholder of FNB in 1986 when Barclays UK disinvested from South Africa and sold Barclays National Bank which was renamed FNB. FNB and RMB currently operate as divisions of the Bank.

RMB was originally incorporated in 1977 under the name of Rand Consolidated Investments, which specialised in leveraged leasing and off-balance sheet financing (see "*RMB – History*" below). FNB traces its history back to 1838 with the formation of the Eastern Province Bank in Grahamstown (see "*FNB – History*" below).

STRATEGY

Strategic Objectives

The Bank seeks to achieve 10% real growth in normalised earnings and a return on equity ("**ROE**") at 10% over and above the Bank's weighted average cost of capital ("**COC**"). In order to achieve that growth, the Bank employs a decentralised operating structure, and it monitors and measures the performance of each division whilst retaining certain overall strategic functions.

Decentralised operating structure

The Bank is responsible for determining the strategic framework and policies within which each division operates. However, the divisions within the Bank are operated on a de-centralised basis, reflecting the management strategy and culture of the Group as a whole.

Each division operates as a separate and distinct profit centre with its own management team. The management team within each division is therefore responsible for making and implementing strategic decisions within the framework set by the Bank.

In this way, each brand develops differentiated strategies which are appropriate for the particular market which it serves, thereby enabling each to profit from specific market expertise and enhance independent brand growth.

Performance Management

The Bank's approach to performance management is to maximise the spread between ROE and COC and to measure the performance of each division on its ability to maintain and grow that spread over time.

The Bank monitors the effectiveness of the performance management strategy using two financial targets, namely 10% real growth in normalised earnings and ROE of 10% plus its weighted average COC.

Central Management Functions

Each of the Bank's divisions has a separate management function, although the Bank takes overall responsibility for certain strategic objectives designed to augment the business as a whole and reduce cyclical earnings volatility. These strategies relate to:

- performance management;
- risk management; and
- balance sheet management.

The Bank's overall strategy is underpinned by four key focus areas: product and channel innovation, collaboration across businesses to create new revenues streams, the establishment of new businesses and the effective allocation of capital.

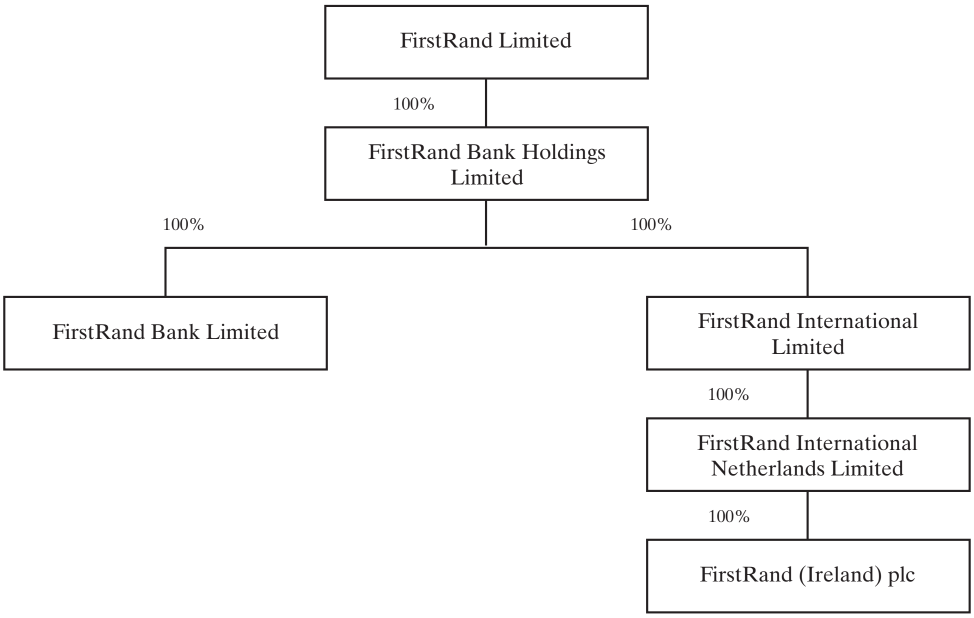
CORPORATE STRUCTURE

Share capital and ownership

The Bank is wholly owned by FirstRand Bank Holdings Limited, which, in turn, is wholly owned by FirstRand. The major shareholders of FirstRand are RMB Holding Limited (which holds 29.5% of its share capital), Rembrandt Group (which holds 8.5% of its share capital), Old Mutual Asset Management (which holds 7.3% of its share capital) and FirstRand Empowerment Share Trusts (which holds 5.1% of its share capital).

Banking operations within FirstRand Bank Holdings Limited and its subsidiaries (the "**Banking Group**") include the activities carried out by the Bank in South Africa as well as other banking operations carried on by the Banking Group primarily outside South Africa.

FNB, RMB and WesBank carry out business activities both within and outside South Africa. Only those activities carried out by FNB, RMB and WesBank within South Africa form part of the operations of, and are aggregated within the financial results of, the Bank. Banking activities carried out by FNB Namibia, FNB Botswana, FNB Swaziland and RMB's offshore operations are consolidated within the financial results of FirstRand Bank Holdings Limited. Unless stated otherwise, references to the operations and financial performances of FNB, RMB and WesBank in this Base Prospectus refer to those operations and financial performance which are aggregated within the financial statements of the Bank. FirstRand's corporate structure (although not its subsidiaries, which are set out in "*Subsidiaries and Affiliates*") is shown in the diagram below:



The Bank is not dependent on any of the other subsidiaries of FirstRand Bank Holdings Limited.

The Bank's authorised share capital is 2,000,000 ordinary shares with a par value of R2 each, 5,000,000,000 redeemable preference shares with a par value of R0.0001 per share, and 100,000,000 non-cumulative non-redeemable preference shares with a par value of R0.01 per share.

The Bank has issued share capital of 1,758,843 ordinary shares with a par value of R2 each, 11,348 redeemable preference shares with a par value of R0.001 per share and 3,000,000 non-cumulative non-redeemable preference shares with a par value of R0.001 per share, all of which are held by FirstRand Bank Holdings Limited.

There are no formal shareholder agreements in place.

Subsidiaries and affiliates

The following is a list of the Bank's subsidiaries:

Active Subsidiaries	*% of Shareholding*	*Nature of Business*
Direct Axis SA (Pty) Limited	51%	Specialist financial services company that provides financial services and products.
FirstAuto (Pty) Limited	75%	Services company that provides comprehensive vehicle fleet management information to customers, comprehensive vehicle fleet management reporting, technical support and fleet management consultancy services, and managed maintenance.
First Ingenuity (Pty) Limited	70%	Service contracting company.
Ferrobond (Pty) Limited	100%	Money-lending for housing purposes.
Golden Gate Shopping Centre (Pty) Limited	100%	To procure immovable property to construct shopping centres for rental income purposes.
Hawker Management (Pty) Limited	100%	To manage affairs of the FLICAPE Aviation services partnership.
Kingsborough Shopping Centre (Pty) Limited	50%	To acquire and develop properties and vacant land.
Midway Development Company (Pty) Limited	100%	Property development company.
NAM Investment Company (Pty) Limited	100%	To provide loan finance for working capital and fixed asset financing.
Pentow Marine (Pty) Limited	100%	Finance company for containers.
RMB Securities (Pty) Limited	100%	Stock-brokering entity for proprietary trading purposes.
RMB Finance Company (Pty) Limited	50%	Finance company for bank operations.
RMB Global Solutions (Pty) Limited	85%	To provide or arrange trade and financial services and to hold shares in companies providing similar or complimentary services.
Shisa Investments (Pty) Limited	100%	Acquiring and holding securities including, *inter-alia*, financial instruments, equities, bonds, derivatives, commercial paper ("securities") as well as issuing debt instruments, *inter-alia,* commercial paper promissory notes and debentures.

Dormant Companies	% of Shareholding	Nature of Business
Avfin Industrial Finance Company (Pty) Limited	20%	Industrial finance company being deregistered.
RMB Ventures One (Pty) Limited	70%	Private Equity vehicle now being deregistered.

The following is a list of the Bank's associate companies:

Associate Companies	% of Shareholding	Nature of Business
Campus Share Block (Pty) Limited	50%	To operate a share block scheme in respect of certain immovable property to be acquired by the company in ownership or by means of long-term leases together with buildings and erections thereon, for so long as it is owned or leased by the company and any other properties which the company may acquire or lease in the future.
Infrastructure Finance Corp. Limited	21%	Provides infrastructure finance to government and quasi - government.
Toyota Financial Services (SA) (Pty) Limited.....	33%	To provide financial services to dealers and their customers, including without limitation, retail financing and lease programs for new and used vehicles floor plans for vehicle inventory of the dealers, and insurance products related to vehicles. The financial services shall also include other financial services as shall be determined by the board of directors from time to time.
Clinco No 1 (Pty) Limited......................................	45%	To act as a finance company.
Tradestream (Pty) Limited.....................................	49%	To provide business-to-business e-commerce trade, treasury and information flow solutions, locally and internationally.

BUSINESS OF THE BANK

OVERVIEW

The Bank provides a comprehensive range of retail, commercial, corporate and investment banking products and services in South Africa through its principal divisions, FNB, WesBank and RMB. Each division is clearly differentiated, having its own strategy, management function and premises.

FNB is the primary contributor to the Bank's income before indirect tax, amounting to R3,926 million, or 56 per cent. of the Bank's total profit before tax for the year ended 30 June 2006 (R3,138 million or 68 per cent. for the year ended 30 June 2005). FNB's total assets of R130,871 million represented 34 per cent. of the Bank's total assets as at 30 June 2006 (R95,118 million and 33 per cent. as at 30 June 2005). RMB contributed R962 million (or 14 per cent. of total profit before tax) for the year ended 30 June 2006 (R175 million (or 4 per cent.) for the year ended 30 June 2005) and WesBank contributed R998 million (or 14 per cent. of total profit before tax) for the year ended 30 June 2006 (R1,085 million (or 24 per cent.) for the year ended 30 June 2005).

The Bank's net advances for the year ended 30 June 2006 amounted to R258,046 million (an increase of 28 per cent. from the previous financial year), constituting 68 per cent. of the Bank's total assets as at that date (69 per cent. as at 30 June 2005). The growth in advances arose primarily from an increase in advances to individuals which amounted to R158,709 million (gross advances) as at 30 June 2006 (an increase of 37 per cent. on the prior financial year).

For the year ended 30 June 2006, the Bank's net interest and similar income before impairments amounted to R9,539 million (R7,286 million for the year ended 30 June 2005) and its non-interest income for the same period amounted to R12,442 million (R9,538 million for the preceding financial year).

FNB

Overview

FNB is the commercial banking division of the Bank. It provides retail and corporate banking services in South Africa from 680 branches and over 4,000 ATMs. Its retail banking products and services include savings and deposit accounts, credit cards, overdraft facilities, cheque accounts, mortgage finance and consumer loans. Its corporate banking activities are primarily focused on standard transactional banking products, structured finance and investment products.

FNB's net interest income (after impairment of advances) for the year ended 30 June 2006 amounted to R5,731 million, compared to R4,842 million for the year ended 30 June 2005. Non-interest income for the year ended 30 June 2006 was R7,125 million, compared to R6,326 million for the year ended 30 June 2005. Total assets for the year ended 30 June 2006 amounted to R130,871 million compared to R95,118 million for the year ended 30 June 2005.

The Banking Group conducts business under the FNB brand both within South Africa and in certain other jurisdictions (Namibia, Botswana, Lesotho and Swaziland). Only the business and operations of FNB which are carried out within South Africa are aggregated within the Bank's financial statements.

FNB's overall strategy is to optimise ROE and return on capital rather than to seek to gain market share. In order to achieve this objective, FNB pursues a segmented strategy with each business structured along the following segments: Mass, Consumer (Personal Banking), Wealth, Commercial, Corporate Transactional Banking and Public Sector.

History

FNB traces its origins back to 1838 with the formation of the Eastern Province Bank in Grahamstown. In 1874, the Eastern Province Bank was purchased by the Oriental Bank Corporation and was subsequently taken over by The Bank of Africa which took over Oriental Bank Corporation's operations in South Africa in 1879. In 1912, it was purchased by the National Bank of South Africa which had been established by the Republic of the Transvaal in 1891. In 1925, the National Bank of South Africa amalgamated with Anglo-Egyptian Bank and the Colonial Bank to form Barclays Bank (Dominion, Colonial and Overseas). From 1971, Barclays South African operation was conducted through a subsidiary called Barclays National Bank Limited. The British parent began reducing its holdings in Barclays National Bank Limited and, eventually, in 1986, sold its remaining shares in the bank when Barclays disinvested from South Africa. Anglo American Corporation became the majority shareholder and the bank was subsequently renamed First National Bank of South Africa Limited.

In 1998, the financial services interests of Rand Merchant Bank Holdings (which included a shareholding in First National Bank of South Africa) and the Anglo-American Corporation were merged to form FirstRand and FNB became a wholly owned subsidiary of FirstRand. FNB currently operates as a division of the Bank.

Operations

Mass Segment

The Mass Segment is a retail banking segment aimed at individuals with incomes below R81,000 per annum. The focus of this segment is on achieving a higher share of financial services to each client since, at a product level, there is generally lower profitability. Within the mass segment, FNB focuses on achieving efficiency and improved access through the use of technology and innovation, such as cellular technology, mobile ATMs and low option-low cost transactional banking. This segment is primarily serviced by the ''FNB Smart'' product suite which includes the following products:

Smart Account: The FNB Smart Account is a combined savings and transactional account issued with a Visa Electron debit card. Customers can make deposits, withdrawals and payments via the branch network, ATMs, cell-phones, land-line telephones and internet banking channels.

Mzansi accounts: The FNB Mzansi Account is an entry level transactional account, aimed at customers that previously had no bank account. It is a basic account issued with a Visa Electron debit card. The Mzansi Account was launched as an interbank (among the four major South African banks: ABSA Bank Limited, Standard Bank of South Africa Limited, Nedbank Limited and the Bank) initiative to offer an entry level account to the 13 million unbanked customers in South Africa.

SmartSpend – microloans: Microloans are loans ranging from R1,000 to R10,000 with repayments ranging from 6 months to 36 months. Repayments are made either via payroll deductions or, predominantly, through direct debit order.

Cellphone banking: Cellphone banking allows a customer to carry out banking transactions via their handset using SMS, USDD (a menu-based option) and WAP. FNB was the first banking operation in South Africa to introduce this service.

Transact Products: these include PrePaid airtime (all operators), prepaid electricity (Eskom and non-Eskom), and eXactmobile credits (used to buy ringtones and contents for cell phones).

SmartBond & Smart Housing Plan: This is a housing finance product targeted at South African citizens and permanent residents who wish to buy and transfer properties with a value of R240,000 and below.

FNB also offers insurance products within the Mass Segment under its SmartCover, FNB Funeral Cover and Law-on-Call brands.

Consumer (Personal Banking) Segment

Personal banking encompasses the retail segment for customers with earnings between R81,000 and R750,000 per annum and provides banking and insurance products. Personal Banking provides the following product lines, each of which is managed separately:

Core Banking Solutions: This product line includes transmission accounts with the option of a cheque book, VISA Electron Card, Optional Cheque and Petrol Card and detailed statements and revolving credit facilities. Customers are able to carry out transactions via cell phone, telephone and on-line banking.

Card Issuing: FNB provides a range of wealth and risk based card products.

First Link: First Link offers insurance broking products to individuals for personal insurance, commercial insurance to business entities and all forms of agricultural insurance to the farming community.

eBucks – Rewards program: ''eBucks'' is FNB's rewards programme and has consistently been rated as a top financial services rewards programme in South Africa. The eBucks programme differentiates FNB's products from others in the market and is an important element in FNB's profitability.

This segment also provides personal loans, home loans and savings, investment and deposit account facilities.

Wealth Segment

The wealth segment is aimed at high net worth and high income individuals with annual incomes in excess of R750,000 per annum or disposable assets greater than R1 million. These clients are serviced through RMB Private Bank and FNB Private Clients. This segment also includes FNB Trust Services which provides trust and estate administration.

The wealth segment's focus is on offering a full range of banking products to its customer base and thereby creating, retaining and leveraging relationships. The suite of products includes wealth and asset management, will drafting and trust services, and estate planning and administration.

Commercial Banking Segment

Commercial banking provides financial services to the mid-corporate and small and medium enterprise customers including working capital, structured finance, investment products, transactional banking and term loans.

The commercial banking segment's products include the following:

- *Transactional banking products*: these products include basic transactional bank accounts, electronic banking, merchant acquiring, overdraft facilities and international banking including trade finance and foreign exchange services.
- *Investment products*: this product range consists of call, fixed, notice deposits and money market accounts.
- *Commercial property finance*: this product range provides finance for owner occupied, residential, development and affordable housing development finance.
- *Debtor finance*: this includes invoice discounting, inventory financing, single invoice discounting and debtor insurance to the FNB Commercial customer base.
- *Leveraged finance*: structured financing solutions for start up companies and expansion financing for businesses unable to qualify for traditional lending due to insufficient collateral and/or equity bases; financing of management buy-outs, management buy-ins, acquisitions and black empowerment financing. FNB Leveraged Finance has structured many Public-Private and other donor organisation partnerships in order to facilitate the financing of transactions previously regarded as un-bankable.

The commercial banking segment also offers agricultural financing and funding for Black Economic Empowerment ("**BEE**") projects.

*Corporate Transactional Banking ("**CTB**") Segment*

The CTB segment provides transactional banking and direct working capital facilities through current and cash management accounts to the "Large Corporate" sector in South Africa including parastatals and financial institutions. "Large Corporate" is defined for these purposes by FNB as a company that is listed, multi-banked, borrows on an unsecured basis, has its own treasury operations or is a multi-national. The CTB segment offers products including corporate account services (money transmission and management of payments and receipts), bulk cash (which processes bulk cash and cheque transactions on behalf of various customers), issuing, processing and administering store cards for retailers in South Africa, merchant acquiring and international banking.

Public Sector Banking Segment

The public sector banking segment offers a wide range of products and specialist staff to meet the complex needs of national, provincial and local government and public educational institutions, such as primary transactional bank accounts and multiple operational accounts for the various functions that a municipality is required to perform, revenue consolidation, cash management and short term investment solutions for surplus cash.

Management

FNB is managed by an advisory board and an executive committee. The FNB executive committee meets twice per month and its members are the Chief Financial Officers of the various segments within FNB – mass, consumer, wealth, corporate, commercial and public sector. Each segment within FNB has its own management board which also meets twice per month and reports to the FNB executive committee. The FNB executive committee reports to the FNB advisory board which meets once per quarter and which reports to the Board of the Bank. The FNB advisory board has both executive and non-executive members.

WesBank

Overview

WesBank provides instalment credit finance for moveable assets, including motor vehicles, machinery, aircraft and industrial plants for private individuals, professionals and the corporate market. Its main products are vehicle finance, corporate finance, car allowance packages, personal loans, fleet services and credit cards.

WesBank's products are distributed primarily through a direct presence on motor dealership sales floors as well as throughout FNB's national branch network. WesBank also provides telephone and video conference facilities on dealer sales floors for loan applications and internet banking services for personal loans. In addition, WesBank has a staff presence on the floor of many aviation and industrial suppliers in South Africa.

As at and for the year ended 30 June 2006, WesBank's net interest income (after impairment of advances) amounted to R2,229 million and it made total advances of R77,151 million (compared to R1,771 million and R62,789 million, respectively as at and for the year ended 30 June 2005). Non-interest income for the year ended 30 June 2006 was R336 million, compared to R715 million for the year ended 30 June 2005. The primary sources of non-interest income are insurance commissions, documentation and processing fees, commissions and card fees from the Auto Fleet card business and service fees. Total assets for the year ended 30 June 2006 amounted to R77,560 million compared to R63,529 million for the year ended 30 June 2005.

As at June 2006, WesBank had approximately 601,000 retail accounts, 302,000 personal loan accounts and 46,000 corporate accounts on its books, giving a total number of accounts of approximately 950,000.

History and Development

WesBank's operations can be traced back almost 40 years. In 1968, Western Bank was formed through the merger of Colonial Bank & Trust with Western Credit. Western Bank was acquired by Barclays Bank in 1975. In 1978 the bank became known as WesBank the ''Wheels Bank''. Barclays disinvestment from South Africa in 1986 saw the Barclays operations being sold to Anglo American Corporation and the bank changing its name to First National Bank. As a result of VAT legislation, WesBank became a division of FNB in 1993 and five years later FNB, Southern Life, Momentum and Rand Merchant Bank merged to form FirstRand.

WesBank maintained its independence throughout and introduced many changes to maintain its competitiveness. Administration and collections were centralised in 1977 prior to WesBank in 1980 being the first bank in South Africa to place its sales representatives on the motor dealer showroom floor.

In 1991 First National Bank's corporate leasing (First Industrial Bank) and fleet management businesses (First Auto) were incorporated into WesBank.

In the mid 1990's WesBank embarked on a strategy pursuant to which it entered into profit sharing arrangements with motor manufacturers and large dealer groups. Profit sharing arrangements were established with Nissan (1996), GMSA (formerly known as Delta) (1996), Fiat (1998), Volkswagen (1999), Investment Cars (1999), Toyota (2000), McCarthy's (1998), Combined Motor Holdings (2001), and Honda (2005).

WesBank won the Government fleet and Government car allowance tenders in 1998 and 1999, respectively, which it has retained to date.

Strategy

The key areas of WesBank's strategy are:

Customer service: WesBank is committed to providing a high quality of customer service, which is measured through regular customer satisfaction surveys.

Distribution channels: WesBank sources its vehicle finance business primarily through motor dealers with whom it establishes service relationships. Wesbank makes use of a joint alliance strategy amongst selected dealers to ensure critical mass.

Product innovation: WesBank seeks to provide innovative value added products to its customers, through its dealer channel. An example of this includes the provision of a variety of car care products, most predominantly window security film, under the brand name MotorOne. WesBank has also invested in a commercial and retail vehicle tracking and information system, branded Skytrax, which was launched in July 2004.

Operations

WesBank is structured into independent business units based on functionality. WesBank's main business units are Motor, Corporate, Personal Loans, Fleet Services (incorporating WesBank Auto), Head Office and the Customer Relationship Centre.

WesBank Motor: WesBank Motor provides vehicle finance to the retail sector. WesBank Motor sources its business primarily though motor dealers and is known as the ''dealer bank''. Through its dealer strategy, WesBank aims to dominate the point of sale. It makes use of a joint alliance strategy amongst selected dealers to ensure critical mass. WesBank Motor has also established strong relationships with motor manufacturers. These relationships have enabled WesBank to offer vehicle finance and insurance in partnership with the manufacturers trading under the brands of Toyota Financial Services, Nissan Finance, GMSA Financial Services, Fiat Finance, Volkswagen Financial Services, Audi Financial Services, Honda Finance, Peugeot Financial Services and Alfa Romeo Services.

WesBank Auto: WesBank Auto is the leading provider of fleet management services and information in South Africa. It currently manages approximately 260,000 units and provides services to more than 11,000 merchants. WesBank Auto looks after the maintenance of fleets and reports on the running costs of each vehicle. Qualified vehicle mechanics offer their customers expert technical service and pertinent fleet related information. As a fleet management division, WesBank Auto pioneered:

– a bank card fleet management system;

– managed maintenance; and

– Auto-net – an internet based online fleet management system.

WesBank Personal Loans: WesBank Personal Loans provides personal loans to the middle market (which excludes microloans). Loan applications are made to a central call centre where applications are recorded using paperless voice logging of calls. An important element in the success of the Personal Loans business is its effective marketing of loan affordability.

WesBank Corporate Division: The Corporate Division consists of six segments:

– FirstRand Group Banked: for clients that bank with the FirstRand Group.

– FirstRand Group Non-Banked: for clients that do not bank with WesBank or other divisions of the Group.

– Joint Finance Companies: business within this segment is generally generated through alliances with equipment suppliers.

– Public Sector: this segment focuses on providing vehicle and asset finance solutions suitable for public sector clients.

– Fleet Finance: this segment focuses on car allowance providers and offers finance to car allowance receivers.

– Aviation Finance: this segment provides specialist aviation finance in the general aviation industry, focusing on small to medium sized aircrafts.

WesBank Corporate specializes in financing all moveable assets such as plant, machinery, aircraft, computers, office equipment and vehicle fleets. In addition to the full range of instalment sales, financial and operating leases, rentals, loans and discounting facilities that WesBank Corporate offers, it also specializes in setting up car allowance schemes for company employees and fleet finance packages. Lines of credit are established for corporate customers, allowing customers optimum flexibility to draw down on these facilities as the need for additional finance arises. WesBank Corporate prides itself in its ability to structure asset finance packages for customers so as to derive optimum benefit from cash flows. It places maximum emphasis on building and maintaining relationships with its customers.

WesBank Joint Finance Companies was formed in 1980 to provide vendor financing facilities for suppliers of capital equipment in the South African market. In essence, an alliance (in the form of a joint finance company (''**JFC**'') or a joint venture (''**JV**'')) is created between the vendor or manufacturer (that is, the industrial partner) of the capital equipment and WesBank. This JFC or JV then serves as the vendor's in-house finance company for the customer's instalment credit requirements. The entity will formulate its own trading name and brand. The use of the JFC or JV provides the facilities to obtain equipment, service, spares and finance from one source. This one-stop service is key to securing business and providing a complete customer service package. Industry sectors covered are mainly transport (including trucking, busses and trailers), earth moving, agriculture, construction, materials handling, office equipment, retail stores and aircraft.

WesBank Head Office: Head Office is responsible for the risk management function within WesBank (see ''Risk Management'' below). Head Office also provides general management, financial services, human resources, legal, brand and communications, new product development, premises, insurance and systems.

WesBank Customer Relationship Centre: The Customer Relationship Centre is responsible for administering advances and performs tasks ranging from change of address, storage of security documentation, customer queries, pre-legal and advanced collections, as well as repossession and remarketing activities.

Management

WesBank is managed by an advisory board consisting of the CEO, external directors and an executive committee appointed by the Board of the Bank. The advisory board meets 6 times a year and the executive committee meets at least once a month.

RMB

Overview

RMB is the investment banking division of the Bank. It is a full-service investment bank which delivers services ranging from corporate advisory, debt and equity capital raising, principal investments and structured finance products, management buy-outs and privatisation to public-private partnerships, mergers and acquisitions, and the trading of vanilla and complex financial instruments in local and global markets.

In the PricewaterhouseCoopers South African Banking Survey for 2005 and 2006 (a peer group survey conducted amongst 23 local and foreign banks) RMB was rated, from a product perspective, as top in listings, mergers and acquisitions, structured and project finance, private equity and BEE transactions.

RMB's non-interest income for the year ended 30 June 2006 was R2,443 million, compared to R1,377 million for the year ended 30 June 2005.

RMB's profit attributable to ordinary shareholders rose from R112 million as at 30 June 2005 to R704 million as at 30 June 2006. This constituted 14.09 per cent. of the Bank's total profit attributable to ordinary shareholders for the year ended 30 June 2006 (3.59 per cent. for the year ended 30 June 2005). Total assets for the year ended 30 June 2006 amounted to R113,695 million compared to R83,771 million for the year ended 30 June 2005.

RMB services corporate, institutional and public sector clients across all industries. RMB has enjoyed a dominant advisory and financier position in South Africa in many sectors such as mining and resources, construction, BEE, transport, retail and the public sector.

RMB operates both in South Africa and internationally. In South Africa, RMB operates from offices in Johanesburg, Cape Town, Durban and Port Elizabeth. Internationally, RMB operates through the Group from offices in the United Kingdom, Ireland, the United Arab Emirates, China, Australia and Brazil. Only the business and operations of RMB which are carried out within South Africa are aggregated within the Bank's financial statements.

History

RMB was created in 1977 under the name of Rand Consolidated Investments, specialising in leveraged leasing and off-balance sheet financing.

Rand Consolidated Investments and Johan Rupert's Rand Merchant Bank merged in 1985.

In 1992, RMB acquired Momentum Life (a company listed on the JSE) through a reverse takeover. In 1995, RMB took the decision to enter the retail banking market. The opportunity to enter the retail banking market came when Anglo American decided to dispose of its financial services assets, including FNB.

In 1998, the financial services interests of Rand Merchant Bank Holdings (which included a shareholding in First National Bank of South Africa) and the Anglo-American Corporation were merged to form FirstRand and FNB became a wholly owned subsidiary of FirstRand. FNB and RMB currently operate as divisions of the Bank.

Operations

RMB is structured into five major product areas or divisions: Investment Banking, Treasury, Equities Trading, SPJ International and Private Equity.

Investment Banking: Investment Banking comprises the majority of RMB's debt and equity structuring businesses. It focuses on servicing leading listed and unlisted corporates across all industries, as well as financial institutions and government organisations.

Within Investment Banking there are a number of industry or product specialist groups:

- *Corporate Finance*: Corporate Finance offers a full range of advisory services, including mergers and acquisitions, capital raising solutions, and equity and debt restructuring. The RMB Corporate Finance team has been rated the leading corporate finance team in South Africa in numerous surveys over the past decade.
- *Acquisition and Leveraged Finance*: this product area supplies finance for management buy-outs, leveraged buy-outs and other forms of acquisition finance.
- *Resources Finance*: this segment provides advice and finance in the resource sector of the economy. Resource Finance has enjoyed success amid the recent strong performance in commodity markets and continued BEE activity.
- *Infrastructure Finance*: this product area provides finance for large scale infrastructure projects in South Africa and the rest of Africa including rail, road, ports, telecommunications and water projects. It has led or participated in 10 out of the last 12 recent public-private partnerships in South Africa and is part of the consortium building the Gautrain, a high-speed, rail transport network for Johannesburg and Pretoria.
- *Property and Asset Finance*: RMB is a major asset financier in the South African market, providing finance for a range of assets such as commercial, industrial and retail properties as well as moveable assets such as rolling stock, aeroplanes and port equipment.
- *Debt Capital Markets*: this product area enables RMB's clients to access the local and international capital markets through debt raising and securitisations and was named Best Securitisation Team in The Bond Exchange of South Africa's 2005 and 2006 Spire Awards. RMB has recently become the first South African banking operation to carry out a physical securitisation offshore securing a Aaa Moody's rating for a €200 million issue of notes.
- *Treasury*: Treasury includes the fixed income, currency, credit and commodity trading activities both in South Africa and internationally. Its activities cover market making and execution services for clients, structured solutions, proprietary trading and custodial and agency services.

Within Treasury there are a number of industry or product specialist groups:

- *Debt Capital Market Trading and Solutions*: this group provides a full value-added trading, execution and structuring service to clients for corporate and government bonds, derivatives, inflation linked instruments, options, and interest rate solutions.
- *Foreign Exchange Trading*: this group offers comprehensive foreign exchange trading and execution and structured solutions service to corporate, retail and institutional clients and local and non-resident banks. Focus areas include spot, forwards, options and derivatives across major traded currencies, Rand and other African currencies.
- *Commodities*: this group provides a full range of commodity trading, execution and structuring solutions across the major commodity classes – soft (agricultural) commodities, energy, base and precious metal groups.

Equities Trading: Equities trading offers market making and execution services for clients, structured solutions, proprietary trading and agency services. It services a wide range of financial institutions and its primary activities include:

– Proprietary Trading in local and international equities;

– Equity sales and research, through a joint venture with Morgan Stanley; and

– Agency businesses – scrip lending, futures clearing, and prime broking.

SPJ International: This segment specialises in trading in international debt capital markets, both emerging and developed markets. SPJ International conducts trading in the global capital markets business and is based in London.

Private Equity: Private Equity focuses on principal investments and leveraged finance. The division operates across a broad spectrum within the private equity arena from holding investments on balance sheet through to investing in other private equity investors or their funds. Unlike large international private equity players RMB does not manage or raise any large third party private equity funds.

Within Private Equity there are a number of industry or specialist investment teams including: Private Equity Debt which provides senior and/or mezzanine debt alongside equity investors and management. RMB has been involved in providing debt finance of over R3.5 billion in various leveraged buy-outs since 1999.

Distribution channels/marketing

RMB has offices in Port Elizabeth, Durban and Cape Town as well as its Head Office in Sandton.

Management structure

RMB is managed by three Boards, each of which takes responsibility for critical areas of the business within RMB. The Proprietary Board focuses on all of RMB's proprietary investment and trading activities with the overall objective being to manage and optimise risk at a consolidated level. The Operational Board focuses on operational and reputational aspects of the business, from Human Resources and IT to financial management and policy. The Strategic Marketing Board has responsibility for the management of client relationships, strategic marketing and credit across the bank.

LOAN PORTFOLIO

Introduction

As at 30 June 2006, the Bank's total gross advances (net of impairments) amounted to R258,046 million compared to R201,700 million as at 30 June 2005, representing 67.96 per cent. and 68.98 per cent., respectively, of the Bank's total assets as at such dates.

The Bank primarily provides advances to retail customers and 60.75 per cent. of total gross advances were made to individuals in the year ended 30 June 2006 (56.87 per cent. for the preceding financial year). Home loans constituted the largest category of advance. The Bank made R94,243 million of advances by way of home loans, constituting 36.07 per cent. of total gross advances (before impairments) as at 30 June 2006 (compared to R66,645 million comprising 32.66 per cent. of total gross advances (before impairments) as at 30 June 2005).

Loan Portfolio structured by category

The following table sets out the composition of the Bank's advances by category as at 30 June 2006 and 2005:

Category analysis	*As at 30 June 2006*	*Share per centum*	*As at 30 June 2005*	*Share per centum*
		(R million)		
Overdraft and managed accounts	21 999	8.42	23 634	11.58
Loans to other financial institutions	4 789	1.83	–	–
Card loans	9 380	3.59	6 989	3.42
Instalment sales	41 201	15.77	34 802	17.05
Lease payments receivable	24 994	9.57	18 604	9.12
Property finance	100 821	38.59	70 378	34.49
– Home Loans	94 243	36.07	66 645	32.66
– Commercial property finance	6 578	2.52	3 733	1.83
Personal loans	10 136	3.88	3 947	1.93
Preference share advances	1 061	0.41	654	0.32
Other	35 869	13.73	36 570	17.92
CDO's	161	0.06	182	0.09
Assets under agreement to resell	10 838	4.15	8 303	4.07
NOTIONAL value of advances	261 249	100	204 063	100
TOTAL Net Advances	258 046		201 700	

Contingent Liabilities

The Bank has commitments and contingent liabilities in respect of, *inter alia*, guarantees and letters of credit on behalf of its customers. The following table sets out details of the Bank's contingencies and commitments as at 30 June 2006 and 2005.

	As at 30 June 2006	*Share per centum*	*As at 30 June 2005*	*Share per centum*
		(R million)		
Guarantees	12 725	20.38	12 828	32.42
Acceptances	6	0.01	5	0.01
Letters of credit	22 366	35.82	12 021	30.38
Irrevocable commitments-original maturity one year or less	27 336	43.78	14 717	37.19
TOTAL contingencies	62 433	100	39 571	100
Legal proceedings	150		150	
Claims	(134)		(134)	
Commitments in respect of capital expenditure and long-term investments approved by directors:				
– Contracted for	479		83	
– Not contracted for	618		486	

These contingencies and liabilities are composed mainly of irrevocable commitments with an original maturity of one year or less (which amount to 43.78% of the total for the year ended 30 June 2006 and 37.19% for the preceding financial year), guarantees (which consist predominantly of endorsement and performance guarantees), letters of credit and acceptances.

Loan Portfolio Structure by Sector

The following table sets out certain information as to the structure of the Bank's gross loan portfolio by economic sector, as at 30 June 2006 and 2005:

	As at 30 June 2006		*As at 30 June 2005*	
	(R million)	*Share per centum*	*(R million)*	*Share per centum*
Agriculture	6 204	2.37	4 708	2.31
Banks and financial services	28 953	11.08	25 744	12.62
Building and property development	5 321	2.04	10 420	5.11
Government, Land Bank and public authorities	7 485	2.87	5 510	2.70
Individuals	158 709	60.75	116 041	56.87
Manufacturing and commerce	35 288	13.51	23 848	11.69
Mining	921	0.35	3 356	1.64
Transport and communication	6 999	2.68	4 546	2.23
Other services	11 369	4.35	9 890	4.85
NOTIONAL value of advances	261 249	100	204 063	100
TOTAL Net Advances	258 046		201 700	

Currency exposure

Over 96 per cent. of the Bank's total net advances for the years ended 30 June 2006 and 2005 were denominated in Rand.

The following table sets out an analysis of the exposure by currency of the Bank's loan portfolio as at the dates indicated:

	As at 30 June 2006	*Share per centum*	*As at 30 June 2005*	*Share per centum*
		(R million)		
Rand	248 707	96.38	193 790	96.08
UK£	30	0.01	520	0.26
US$	8 435	3.27	6 290	3.12
Euro	866	0.34	1 072	0.53
Other	8	0.003	28	0.01
Total	258 046	100	201 700	100

Geographical concentration of loans

The Bank has a significant geographical concentration of loans issued to borrowers in South Africa. Loans to borrowers in South Africa constituted more than 95 per cent of gross advances for the last two financial years.

The following table sets outs a geographical analysis (based on credit risk) of the Bank's gross loan portfolio as at 30 June 2006 and 2005:

	As at 30 June 2006	*Share per centum*	*As at 30 June 2005*	*Share per centum*
		(R million)		
South Africa	250 387	95.84	194 609	95.37
Other Africa	185	0.07	178	0.09
United Kingdom	6 584	2.52	9 205	4.51
Other	4 093	1.57	71	0.03
TOTAL	261 249	100	204 063	100

MANAGEMENT

The Board of Directors of the Bank (the "**Board**") is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, monitoring corporate performance and overseeing major capital expenditures, acquisitions and disposals.

The Bank has a unitary Board. Its chairman is non-executive, but not independent in terms of the "King II" definition. "King II" is a report on corporate governance in South Africa, published in 2002. It classifies a director as "independent" for these purposes if, among other things, the director has not served in an executive capacity within a company for 3 years prior to appointment. The Board comprises fourteen directors of whom three serve in an executive capacity. Seven of the Board's directors are independent directors. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise.

The Board meets quarterly. Two further meetings are scheduled to approve the annual financial statements and to review strategic plans and the proposed budgets. Additional meetings are convened as and when necessary.

To fulfil their responsibilities, board members have access to accurate, relevant and timely information. Any director may call on the advice and services of the company secretary, who gives guidance on legislative or procedural matters. Directors are also entitled to seek independent professional advice, at the Bank's expense, in support of their duties.

There is a formal transparent Board nomination process. Non-executive directors are appointed, subject to re-appointment and to the Companies Act 1973 provisions relating to removal, and retire by rotation every three years. Re-appointment of non-executive directors is not automatic.

The Board consists of fourteen members elected by the general shareholders' meeting. The current members of the Board and their position within the Board, as well as their position within the board of directors of other members of the Group are set out below:

Name	*Position*
Gerrit Thomas Ferreira	Chairman of the Board, Chairman of FirstRand and RMB Holdings Limited and Director of Momentum Group Limited, Director of FirstRand Bank Holdings Ltd
Sizwe Nxasana	Chief Executive Officer of the Bank, Director of FirstRand Bank Holdings Ltd
Vivian Wade Bartlett	Director of FirstRand, Director of FirstRand Bank Holdings Ltd
Johan Petrus Burger	Financial Director of the Bank and Chief Financial Officer of FirstRand, Director of FirstRand Bank Holdings Ltd, Director of Momentum Group Limited and Discovery Holdings Limited
Laurie Lanser Dippenaar	Chairman of Momentum Group Limited and Discovery Holdings Limited, Director of FirstRand and of RMB Holdings Limited, Director of FirstRand Bank Holdings Ltd, FirstRand STi Holdings Limited and RMB Asset Management Limited
Dennis Martin Falck	Director of FirstRand and RMB Holdings Limited, Director of FirstRand Bank Holdings Ltd
Patrick Maguire Goss	Director of FirstRand and RMB Holdings Limited, Director of FirstRand Bank Holdings Ltd
Paul Kenneth Harris	Chief Executive Officer of FirstRand, Director of RMB Holdings Limited and Momentum Group Limited, Director of FirstRand Bank Holdings Ltd
William Rodger Jardine	Director of FirstRand Bank Holdings Ltd
Ethel Matenge-Sebesho	Director of FirstRand Bank Holdings Ltd
Ronald Keith Store	Director of FirstRand Bank Holdings Ltd
Benedict James Van der Ross	Director of FirstRand and Momentum Group Limited, Director of FirstRand Bank Holdings Ltd and RMB Asset Management Limited
Robert Albert Williams	Director of FirstRand, Director of FirstRand Bank Holdings Ltd
Zyda Rylands	Director of FirstRand Bank Holdings Ltd

The business address of the members of the Board is the Bank's registered office.

The name and certain other information about each of the current members of the Board and their activities are set out below:

Gerrit Thomas Ferreira, BCom, Hons (B&A), MBA

Mr. Ferreira has been involved in the financial services sector since graduating from the University of Stellenbosch. He started his career at the Bank of Johannesburg and was co-founder of Rand Consolidated Investments in 1977. Rand Consolidated Investments acquired control of RMB in 1985, and he was managing director of RMB from 1985 to 1988. In 1989 he was elected as executive chairman. When RMB Holdings Limited was founded, he was appointed chairman. He is a member of the Council of the University of Stellenbosch and also a member of the Board of the Open Society of South Africa.

Directorships – FirstRand, FirstRand Bank Holdings Ltd, Momentum Group Limited – Chairman, Glenrand MIB Limited, RMB Holdings Limited – Chairman

Laurie Lanser Dippenaar, MCom, CA(SA)

Mr. Dippenaar graduated from Pretoria University, qualified as a Chartered Accountant with Aiken & Carter (now KPMG) and worked with the Industrial Development Corporation before becoming co-founder of Rand Consolidated Investments (RCI). RCI acquired control of RMB in 1985, and he became an executive director. He was appointed managing director in 1988, which is a position held until 1992 when RMB Holdings acquired a controlling interest in Momentum Life Assurers. He was appointed as executive chairman of that company, a post he occupied until becoming chief executive officer of FirstRand in 1998. In December 2005 he moved to a non-executive position in the Group.

Directorships – FirstRand, Discovery Holdings Limited – Chairman, FirstRand Bank Holdings Ltd, Momentum Group Limited – Chairman, FirstRand STI Holdings Limited – Chairman, RMB Asset Management Limited, RMB Holdings Limited

Sizwe Nxasana, BCompt, CA(SA)

Mr. Nxasana is a Chartered Accountant and Bachelor of Commerce (University of Fort Hare). He started his career at Unilever and Price Waterhouse and in 1989 established Sizwe & Co, the first black-owned audit practice in South Africa. In 1996 he became the founding partner of Nkonki Sizwe Ntsaluba, the first black-owned national firm of accountants in South Africa and was national managing partner until 1998 when he joined Telkom SA as Chief Executive Officer. He joined the Bank as CEO in January 2006.

Directorships – FirstRand, FirstRand Bank Holdings Ltd – CEO / Zenex Trust

Paul Kenneth Harris, MCom

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

Directorships – FirstRand, FirstRand Bank Holdings Ltd. / Momentum Group Limited, Remgro Limited / RMB Holdings Limited

Johan Petrus Burger, BCom(Hons), CA(SA)

Mr. Burger is a Chartered Accountant and joined RMB in 1986. During the initial period at RMB, he held the position as CFO of the Treasury Division. He was appointed Financial Director of RMB in 1995 with responsibility for finance, taxation, credit, risk management and internal audit. During 1998, he served as Chairman of the Executive Committee of RMB. Since the restructuring of FirstRand banking operations in February 1999, Mr. Burger has had responsibility as Financial Director of the banking group for FirstRand banking finance, risk management, internal audit, credit, taxation, development of performance/profit model for the banking group and the Group secretarial office.

Directorships – Discovery Holdings Limited/ FirstRand Bank Holdings Ltd. / Momentum Group Limited

William Rodger Jardine: BSc, MSc

Mr. Jardine is CEO of Kagiso Media, a JSE-listed media company with interests in radio, specialist publishing and exhibitions. He is also an Executive Director of Kagiso Trust Investments. Mr. Jardine is a director of several companies.

He serves as Chairman of the CSIR and OZZ (Pty) Limited. He is a director of the Bank and Bytes Technology Group SA (Pty) Limited. He is also a director of Natal Sharks (Pty) Limited

Jardine is a former Director General of the Department of Arts, Culture, Science and Technology.

He is a trained physicist and obtained a Bachelor of science (BSc) and a Master of Science (MSc) degree from Haverford College, Pennsylvania (United States).

Ronald Keith Store

Mr. Store joined Deloitte in 1960 and qualified as a Chartered Accountant in 1964. He was appointed a partner in 1973. A specialist in financial institutions and the banking industry, he founded the firm's Financial Institutions Services Team in 1986 and served as Partner in charge for fifteen years. Mr. Store has consulted to most South African banks and also to the World Bank.

Mr. Store was elected to the Board of Deloitte in 1995 and was the non-executive chairman from 2001. He was also a member of the Global Board of Deloitte Touche Tohmatsu and has served on the Global Governance Committee.

Mr. Store was a founder member of the Banking Interest Group of the South African Institute of Chartered Accountants (SAICA) and served as its first chairman. He is currently a member of the Policy Board for Financial Regulation and was a member of the Standing Committee for the Revision of the Banks Act. He convenes and lectures on financial regulation for University of Johannesburg, where he holds a part time professorship.

In 2002 Mr. Store was appointed as an exclusive advisor to the Banking Supervision Department of the SARB. In March 2007, Mr. Store was appointed Chairman of the Audit Committee of the Bank.

Chairman of the Board of Deloitte Touche Tohmatsu (South Africa), Director of FirstRand Bank Holdings Ltd.

Vivian Wade Bartlett, AMP (Harvard), FIBSA

Mr. Bartlett started his career with Barclays Bank DCO South Africa, which subsequently became First National Bank of Southern Africa in 1987. After some four years of overseas secondments, he returned to South Africa in 1992 where he served as general manager and managing director in various group companies until being appointed as group managing director and chief executive officer of First National Bank of Southern Africa in 1996. In 1998, he was appointed deputy chief executive officer of the Bank, a position he held until his retirement in 2004.

Directorships – FirstRand, CEMEA Regional Visa International – Chairman / FirstRand Bank Holdings Ltd./ Makalani Holdings Limited – Chairman / FirstRand STI Holdings Limited/ Visa International

Denis Martin Falck, CA(SA)

Mr. Falck left the auditing profession in 1971 to join the Rembrandt Group. He was appointed group financial director in 1990 and currently holds the same position on the board of Remgro.

Directorships – FirstRand, FirstRand Bank Holdings Ltd., Remgro Limited, RMB Holdings Limited, Trans Hex Group

Patrick Maguire Goss, BEcon (Hons), BAccSc (Hons), CA(SA)

Mr. Goss, after graduating from the University of Stellenbosch, served as President of the Association of Economics and Commerce Students ("**AIESEC**"), representing South Africa at The Hague and Basle. He thereafter qualified as a Chartered Accountant with Ernst and Young and then joined the Industrial Development Corporation where he worked for two years. A former chairman of the Natal Parks Board, his family interests include Umngazi River.

Directorships – FirstRand, AVI Limited, FirstRand Bank Holdings Ltd., Lewa Wildlife Conservancy (Kenya), RMB Holdings Limited

Benedict James Van der Ross, Dip Law (UCT)

Mr. Van der Ross has a diploma in Law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and

	conveyancer. Thereafter he practiced for his own account for 16 years. He became an executive director with the Urban Foundation for five years up to 1990 and thereafter of the Independent Development Trust where he was deputy chief executive officer from 1995 to 1998. He acted as chief executive officer of the South African Rail Commuter Corporation from 2001 to 2003 and as chief executive officer of Business South Africa from 2003 to 2004. He was appointed to the board of The Southern Life Association in 1986. *Directorships – FirstRand, FirstRand Bank Holdings Ltd., Lewis Stores Limited, Makalani Holdings Limited, Momentum Group Limited, Nasionale Pers Limited, Pick 'n Pay Stores Limited, RMB Asset Management Limited – Chairman, Strategic Real Estate Management – Chairman*
Robert Albert Williams, BA, LLB	Mr. Williams qualified at the University of Cape Town and joined Barlows Manufacturing Company where he became the managing director in 1979. In 1983, he was appointed chief executive officer of Tiger Brands and in 1985 he was appointed chairman of CG Smith Foods and Tiger Brands. Following the unbundling of CG Smith, he remained chairman of Tiger Brands until 2005. He is currently chairman of Illovo Sugar Limited. *Directorships – FirstRand, FirstRand Bank Holdings Ltd., Illovo Sugar Limited–Chairman Nampak Limited, Oceana Group Limited, Pescanova*
Ethel Matenge-Sebesho	Mrs. Matenge-Sebesho was appointed to the Board of Directors on 28 August 2006. She has 19 years experience working in different roles within the banking sector in South Africa. *Directorships – Member of the Board of Directors of Oikocredit, an international development co-operative society based in The Netherlands and Director of FirstRand Bank Holdings Ltd. She is also the Chairman of its Finance and Planning Committee; Chairman of the Board of Directors of the Women's Development Banking and Micro Finance; Trustee of FinMark Trust; Member of the Board of Directors of Advantage Asset Managers as a representative of WBD Investment Holdings.*
Zyda Rylands, B. Com (Hons), CA (SA)	Ms. Rylands was appointed to the Board of Directors on 8 May 2007. *She is a chartered accountant with 11 years experience working in different roles within company management in South Africa.* *Directorships – Executive Director at Woolworths; Non-executive Director and Treasurer at the Trauma Centre for Survivors of Violence and Torture; Chairperson of the Audit and Remuneration Committee of the Centre for Justice and Crime Prevention; Deputy chairperson and Chairperson of the Audit and Remuneration Committe of the Open Society Foundation for South Africa; Non-executive Director of the National Urban Reconstruction and Housing Agency (NURCHA); Director of various unlisted Investment holding companies. Director of FirstRand Bank Holdings Ltd.*

Additionally, the Bank has a company secretary, who is suitably qualified and was appointed by the Board in 1998. He is, *inter alia*, responsible for the duties stipulated in section 268G of the Companies Act.

Conflicts of Interest

Certain directors and executive officers of the Bank serve as directors and executive officers of the Bank's affiliates (including FirstRand Bank Holdings Ltd. and other companies within the Group). The Bank engages in transactions with some of these affiliates, including transactions in the ordinary course of business. See ''Related Party Transactions''.

All of the directors of the Bank (excluding Mr. Burger, Mr. Jardine, Mrs. Matenge-Sebesho and Ms. Rylands) are also directors of the Bank's ultimate parent company, FirstRand, and they therefore also owe duties in that capacity to FirstRand as well as to the Bank. It is possible that the duties which these directors owe to FirstRand may potentially conflict with their duties to the Bank.

All of the directors of the Bank are also directors of the Bank's parent company, FirstRand Bank Holdings Ltd. and they therefore also owe duties in that capacity to FirstRand Bank Holdings Limited as well as to the Bank. It is possible that the duties which these directors owe to FirstRand Bank Holdings Ltd. may potentially conflict with their duties to the Bank.

In respect of potential conflicts of interest that may arise in the future, the Bank has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise.

Other than as described above, there is no potential conflict of interests between any duties which the members of the Board owe to the Bank and their private interests or other duties.

Bank's Committees

The Bank also has the following committees:

Audit Committee

The current members of the Audit Committee are as follows:

Name	*Position*
Ronald Keith Store	Chairman
Vivian Wade Bartlett	Member
Dennis Martin Falck	Member
Ethel Matenge-Sebesho	Member
Roger Albert Williams	Member

The Audit Committee is responsible for considering the annual financial statements for approval by the Board, and monitoring the quality of the internal controls and processes of the Bank and the implementation of corrective actions. The committee meets quarterly.

Risk Committee

The current members of the Risk Committee are as follows:

Name	*Position*
Ronald Keith Store	Chairman
Dennis Martin Falck	Member
Roger Albert Williams	Member

The Risk Committee is responsible for approving the risk management policy, standards and processes, monitoring the Bank's risk assessments and the effectiveness of risk management and high priority corrective actions. The committee meets quarterly.

Remuneration Committee

The current members of the Remuneration Committee are:

Name	*Position*
Patrick Maguire Goss	Chairman
Vivian Wade Bartlett	Member
Paul Kenneth Harris	Member
Gerrit Thomas Ferreira	Member
Benedict James Van der Ross	Member
Roger Albert Williams	Member

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

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

Large Exposures Credit Committee

The current members of the Large Exposures Credit Committee are:

Name	*Position*
Ronald Keith Store	Chairman
Vivian Wade Bartlett	Member
Johan Petrus Burger	Member
Sizwe Nxasana	Member
William Rodger Jardine	Member
Benedict James Van der Ross	Member

The Large Exposures Credit Committee of the Bank is responsible for approving credit exposures in excess of 10% of the Bank's capital. The committee meets quarterly.

Director's Affairs and Governance Committee

The current members of the Director's Affairs and Governance Committee are:

Name	*Position*
William Rodger Jardine	Chairman
Dennis Martin Falck	Member
Vivian Wade Bartlett	Member
Laurie Dippenaar	Member
Gerrit Ferreira	Member
Patrick Maguire Goss	Member
Ronald Keith Store	Member
Benedict James van der Ross	Member
Roger Albert Williams	Member
Zyda Rylands	Member
Ethel Matenye-Sebesho	Member

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

EMPLOYEES

As at 30 June 2006 the Bank had approximately 29,734 employees, compared to 29,021 as at 30 June 2005. To date, the Bank has not experienced industrial action or other work stoppages resulting from labour disputes.

The table below sets out the approximate number of employees within each of FNB, WesBank and RMB at the dates indicated:

Division of the Bank	*31 December 2005*	*31 December 2006*
FNB	23,529	24,247
WesBank	3,118	3,282
RMB	869	969

COMPETITION

In South Africa, there are currently 13 registered banks with local control, 6 registered banks with foreign control, 14 branches of foreign banks, 2 mutual banks and 30 representative offices of foreign banks. As at 31 March 2007, the South African banking sector had total assets of R2.2 trillion according to statistics published by the SARB (DI900 March 2007).

In addition to the Bank, the largest banks in South Africa (and the Bank's principal competitors) are Absa Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. The following table sets out total assets and capital and reserves for each:

	Total Assets	*Capital and Reserves*
	(R billion)	
Absa Bank Limited	4.8	39.7
FirstRand Bank Limited	4.1	33.3
Nedbank Limited	3.9	36.0
The Standard Bank of South Africa Limited	5.5	37.3

(Source: SARB DI900 March 2007)

The Bank's principal competitors also include Investec Bank Limited as well as the local operations of international banks.

CAPITAL ADEQUACY

The Bank is subject to regulatory capital requirements. The capital adequacy of the Bank is measured in terms of the Banks Act. The Banks Act requires the Bank to maintain a minimum level of capital based on the Bank's risk weighted assets and off-balance sheet exposures. The Bank is also required to comply with SARB exchange control regulations.

The Bank's capital management policy is contained in the FirstRand Capital Management Framework which is approved by the Board. The Bank seeks to maintain total capital and Tier 1 capital in excess of the minimum requirements of the SARB. The Capital Management Framework requires the Bank to be capitalised at the higher of economic or regulatory capital (inclusive of a buffer to allow for expansion and volatility). Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile under severe stress conditions, to give comfort to third party stakeholders (shareholders, counterparties and depositors, rating agencies and regulators) that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions, and will continue to be able to operate as a going concern. The ''bottom-up'' statistical economic capital calculation is done at a 99.9% confidence interval. The Bank's target range is to maintain capital adequacy ratios of 11% – 11.5%. For the year ended 30 June 2006, the Bank's capital adequacy ratio was 12% (11.1% as at 30 June 2005).

The Bank monitors its capital adequacy position closely. Significant growth in risk-weighted assets for the year ended 30 June 2006 was counterbalanced by a strong growth in earnings, active balance sheet management and the issuance of subordinated debt instruments in the South African market.

The following table sets out the Bank's regulatory capital position and risk weighted assets as at 30 June 2006 and 30 June 2005.

	2006	*2005*
	(R million)	
Regulatory capital		
Tier 1	16,507	12,956
Share capital	376	4
Share premium	3,372	3,000
Non-redeemable non-cumulative preference shares	2,000	3,000
Reserves	10,341	9,961
Less: Impairments	(582)	(2,621)
Tier 2	9,026	5,323
Subordinated debt instruments	6,867	3,503
Qualifying provisions	2,159	1,820
Total regulatory capital	25,533	18,279
Capital adequacy ratios		
Tier 1	7.7%	7.9%
Tier 2	4.2%	3.2%
Total	12.0%	11.1%

Calculation of Risk Weighted Assets

	2006	2005	Risk weighting	Risk weighted assets 2006	Risk weighted assets 2005
Banking book	670,474	496,781		210,175	160,924
Cash, own bank and central government advances	123,525	73,259	0%		
Central Securities Depository Participation	268,011	205,267	0%		
Public sector body advances and letters of credit	576	2,185	5% – 10%	42	204
Other bank advances and letters of credit	24,021	27,437	20%	4,804	5,487
Mortgage advances, remittances in transit and performance related guarantees	98,026	66,799	50%	49,013	33,399
Other advances and lending related guarantees	149,806	117,175	100%	149,806	117,175
Counterparty risk exposure	7,310	4,659	1000%	7,310	4,659
Trading book	3,382	3,385		3,382	3,385
Position risk	2,336	2,400	100%	2,336	2,400
Counterparty risks exposure	955	972	100%	955	972
Large exposures	91	13	100%	91	13
	673,856	500,166		213,557	64,309

Basel II

Basel II will be operational in South Africa from 1 January 2008, with a parallel run during 2007. Under the Basel II regime, the Bank's regulatory capital requirements will be determined based on the risk sensitive measurement approaches of Basel II.

The Bank has progressed well with the implementation of the requirements of Basel II. It has performed a number of impact assessments on capital levels and operational processes. As indicated in the June 2005 annual report, the intention is to implement the advanced internal ratings based approach for credit risk for the material portfolios in the Bank. The standardised approach for credit risk will be implemented in the international and African subsidiaries. For operational risk, the standardised or alternative standardised approach will be implemented for the Bank, with the intention to migrate to the advanced measurement approach during 2009. The international and African subsidiaries will also implement the standardised or alternative standardised approach for operational risk.

LEGAL PROCEEDINGS

The Bank has been, and continues to be, the subject of legal proceedings and adjudications from time to time.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have during the 12 months prior to the date of this Base Prospectus, or have had in the recent past, a significant effect on the financial position or profitability of the Bank.

There are a number of legal or potential claims against the Bank, the outcome of which cannot at present be foreseen. These claims are not regarded by management as material either on an individual or collective basis.

PROPERTY

As at 30 June 2006, the Bank held the freehold title to land and buildings with a net book value of R879 million and leasehold title to properties with a net book value of R348 million compared to R972 million and R247 million respectively as at 30 June 2005.

INSURANCE

The Bank has a comprehensive insurance programme with cover for bankers bond, computer crime, professional indemnity, directors and officers liability, assets and liabilities. An annual benchmarking review of policy wordings, covers and limits ensures that the level of risk mitigation is adequate in relation to the Bank's risk profile.

All cover is placed at Group level to maximise on economies of scale and to ensure all divisions are included.

IT/TECHNOLOGY

Information technology is an integral part of the Bank's operations. The Bank is continually seeking to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies.

Information risk management within the Banking Group not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information.

The following table sets out the expenses incurred by the Bank in connection with Information Technology for the year ended 30 June 2006.

	As at 30 June 2006	*Share per centum*	*As at 30 June 2005*	*Share per centum*
		(R millions)		
Computer expenses				
– licencing fees	77.4		56.7	
– other	356.8		252.1	
	434.2	52.0%	308.8	50.1%
Depreciation of computer equipment	378.9	45.5%	292.0	47.4%
Amortisation of development costs	2.0	0.2%	1.3	0.2%
Amortisation of software	18.9	2.3%	14.2	2.3%
	834.0	100	616.3	100

FUNDING

Introduction

The Bank's primary funding objective is to secure funding at an optimal cost from diversified and sustainable funding sources. The Bank's funding policies are set out in the Liquidity Risk Framework which is approved by the Board. The implementation of the Liquidity Risk Framework is the responsibility of the Balance Sheet Management team, a Head Office function (group support) which carries out group related treasury functions. The Liquidity Risk Framework aims to ensure that the Bank has sufficiently diversified funding sources to meet obligations when they fall due, as well as the ability to fund ongoing lending and trading activity under increasing levels of stress at a minimum acceptable level of cost.

The Liquidity Risk Framework seeks to achieve this by ensuring:

- an appropriate mix of deposit funding in terms of both source and term structure;
- sufficient callable or near term maturity assets in relation to maturing deposits;
- sufficient saleable assets such as marketable securities which are not encumbered in any way;
- sufficient on-balance sheet assets that are earmarked for securitisation, as well as the operational capability to tap the capital market on a regular basis; and
- proactive management of all off-balance sheet sources of liquidity risk.

The Bank's principal funding strategy is to achieve as far as possible a strong market share in retail, commercial and corporate deposits as these deposits represent the most cost effective source of funding for the Bank. The Bank also seeks to fund asset growth through debt issuance on the capital markets and has established a range of debt issuance programmes to ensure maximum efficiency and flexibility in accessing funding opportunities.

Deposits

The following table sets out the Bank's deposit and current accounts for the years ended 30 June 2006 and 2005.

	At as 30 June 2006			*At as 30 June 2005*		
	At amortised cost	*Fair value*	*Total*	*At amortised cost*	*Fair value*	Total
From banks and financial institutions	3 021	6 297	9 318	–	18 784	18 784
In the normal course of business	3 021	2 745	5 766	–	5 896	5 896
Under repurchase agreements	–	3 552	3 552	–	12 888	12 888
From customers	147 138	44 714	191 852	101 538	34 887	136 425
Current accounts	102 751	468	103 219	43 207	2 562	45 769
Savings accounts	1 841	–	1 841	1 776	–	1 776
Term deposits	42 546	44 246	86 792	56 555	32 325	88 880
Other deposits	7 130	61 562	68 692	2 094	52 425	54 519
Negotiable certificates of deposit	30	28 797	28 827	–	30 891	30 891
Other deposits	7 100	32 765	39 865	2 094	21 534	23 628
Totals	**157 289**	**112 573**	**269 862**	**103 632**	**106 096**	**209 728**
Total liabilities			360 234			275 879

The principal source of funding for the Bank is derived from deposits and current accounts. As at 30 June 2006, the total amount of deposits and current accounts (including from banks and financial institutions, customers and other deposits) amounted to R269,862 million compared to R209,728 million for the year ended 30 June 2005, an increase of 28.67% reflecting the Bank's strategy to continue to increase its customer deposit base.

As at 30 June 2006, customer deposits and current accounts (including current accounts, savings accounts and term deposits) amounted to R191,852 million (compared to R136,425 million for the year ended 30 June 2005), representing 53.26% of the Bank's total liabilities (49.45% as at 30 June 2005).

Within the Bank's divisions, deposits are primarily made with FNB. Deposits made with FNB amounted to R124,177 million as at 30 June 2006.

The vast majority of the deposits made with the Bank are denominated in Rand, although the Bank accept deposits in other currencies. The table below sets out the currency of deposits and current accounts (in millions) held by the Bank as at 30 June 2006 and 30 June 2005.

	2006	*2005*
Rand	256,832	205,608
UK£	248	670
US$	11,460	2,461
Euro	1,252	920
Other	70	69
Total	269,862	209,728

The table set out at note 30.7 of the Bank's accounts as at and for the year ended 30 June 2006 (as set out in this Base Prospectus on pages F-98 to F-99) sets out the maturity analysis of the Bank's balance sheet based on the remaining period from year end to maturity.

Debt Issuance

Another key aspect of the Bank's funding strategy is to enjoy as much flexibility as possible when seeking access to the widest range of funding markets, debt investors and products. The Bank's strategy for public issuance generally revolves around the establishment of a yield curve of liquid, actively traded benchmarks.

The total issued amount of senior and subordinated bonds issued by the Bank and listed on The Bond Exchange of South Africa is R6,850 million.

The following table sets out the liabilities of the Bank incurred in connection with the Bank's traded instruments.

	As at 30 June 2006	As at 30 June 2005
Subordinated convertible loans	2 349	2 349
Fixed rate bonds(1)	700	700
Floating rate bonds(2)	3 840	300
Less (portion repayable within 12 months transferred to current liability). ...	(30)	–
Totals	7 396	3 349

(1) The fixed rate bonds mature 31 August 2010 and bear interest at 1.2% above the R153 bond rate.

(2) The floating rate bonds mature from 31 August 2010 to 21 December 2018 and bear interest at 0.715% above the three month Johannesburg Interbank Rate.

Securitisation

The Bank is an active participant in the domestic securitisation market and as at 30 June 2006 had synthetically securitised R12.5 billion of corporate loans and R2 billion of motor vehicle instalment sale advances. During the 2005/6 financial year, the Bank securitised auto-loans originated by WesBank to the value of R2.0 billion. These securitisations were undertaken in part to lengthen and diversify the Bank's funding sources.

RISK MANAGEMENT

Overview

Management of risk is fundamental to the Bank's business and is an essential element of the Bank's operations. Risk within the Bank and its operations is managed on a Banking Group basis. The risk management governance structures of the Bank cascade down from the Board of Directors of FirstRand Bank Holdings Limited to its subsidiaries, main divisions and their business units. The Bank therefore applies the risk management frameworks and governance structures which are approved by the directors of the Banking Group and by the Board.

Risk control policies and exposure limits for the key risk areas of the Bank are approved by the Board while operational policies and control procedures are adopted by the relevant risk committees. The key risks inherent in the Bank's operations are credit risk, market risk, liquidity risk, interest rate risk and operational risk.

Bank risk management framework

Risk management in the Bank is governed by the Business Success and Risk Management Framework (the "**BSRM Framework**") which is a policy of the Board. In terms of the BSRM Framework, risk management is vested as an integral part of management's functions at all levels of the Bank and includes the management of governance, strategy, business performance, competitiveness, human resources, external factors, processes, information technology and financial risks which include market, credit, interest rate, liquidity, tax and insurance risk.

All risks are managed in terms of the policies and frameworks of the Board and its committees and their sub-committees; for example, the BSRM Framework, the Credit Risk Management Framework, the Market Risk Management Framework, the Operational Risk Management Framework, the Compliance Risk Management Framework and the Legal Risk Management Framework.

The Bank's risk management framework has been reviewed and benchmarked against international best practice and has proved to be thorough, effective and robust in fully supporting enterprise risk management principles.

Implementation of the Risk Management Framework

The implementation of the Risk Management Framework of the Board is the responsibility of everyone at the Bank. Divisions are supported in this task by the independent and deployed risk management functions, as well as the internal auditors and governance committees that monitor the Bank's risks and provide assurance that risk management processes operate effectively.

The independent risk management functions form part of the Finance, Risk and Audit division. This division is responsible for co-ordinating and monitoring the risk management functions of the Bank as well as establishing and driving implementation of risk management standards, methodology and processes.

Risk managers are deployed within the various divisions of the Bank. The deployed risk managers are responsible for supporting the implementation of the Risk Management Framework at the business unit level.

The risk management processes are monitored by the independent and deployed risk managers and the divisional risk committees. All the business units report on the effectiveness of their risk management processes to their relevant risk management functions and risk committees via a bottom-up process. Consolidated assessments for each of the main business divisions are submitted quarterly for review by the Banking Group Risk and Compliance Committee (the "**FRBG Risk and Compliance Committee**").

Governance Structures

The Board is responsible for overall risk management and the quality of internal control systems. It is supported in these tasks by the Committees of the Board ("**Board Committees**") their sub-committees and the risk management functions.

The risk management governance structures of the Bank cascade down from the Board to the subsidiaries and main divisions and their business units. The Bank, together with all other subsidiaries, divisions and major business units of the Bank have risk and audit committees. All audit committees and the FRBG Risk and Compliance Committee have non-executive representation. The FRBG Risk and Compliance Committee and all audit committee meetings are attended by representatives from the external and internal auditors and the independent risk management functions. The independent and deployed risk managers attend all risk committees as is appropriate.

Through these mechanisms transparency is maintained and integrity of the reports to the Board Committees is ensured through the presence of external and independent observers at all governance levels.

See "*Management*" for detail on the Board Committees and their main responsibilities.

CREDIT RISK

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

Credit risk arises from advances to customers, lending commitments, contingent products (e.g. letters of credit) and traded products such as derivative instruments. It could also arise from the decrease in value of an asset subsequent to the downgrading of a counterparty.

Country risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country and ultimately may result in credit losses arising from cross-border transactions.

Credit risk governance

The governance of credit risk management is comprehensively set out in the Credit Risk Management Framework and is supplemented by ancillary policies and committee mandates. The overall responsibility for the effectiveness of credit risk management processes vests with the Board. The operational responsibility has been delegated to the FRBG Risk and Compliance Committee and its sub committees, executive management, operations management and the risk management functions.

The Bank Credit Risk Committee is a sub committee of the FRBG Risk and Compliance Committee. This committee provides reports to the FRBG Risk and Compliance Committee on the effectiveness of risk management and an overview of the credit portfolio of the Bank. The Bank Credit Risk Committee and its sub committees are responsible for the approval of relevant credit policies and the ongoing review of the credit exposure of the Bank. This includes the monitoring of the following:

- stress quantification;
- credit defaults against expected losses;
- credit concentration risk;

- return on risk; and
- appropriateness of loss provisions and reserves.

An integral part of the credit risk management governance is the approval of credit exposure by the Bank Credit Approval committees. The Large Exposure credit committee is a sub committee of the Board and approves credit facilities in excess of 10% of capital. The Bank Credit Committee (a subcommittee of the Board) and its sub committees approve credit facilities according to delegated mandates.

Deployed credit risk management functions consist of credit product houses, credit analysts and credit risk managers. These functions implement the credit risk management framework at the various levels within the organisation. Operational level credit risk management responsibility vests with these functions and involves the implementation of the comprehensive policies and processes described below.

The Bank Credit Risk committee and deployed risk management functions are supported by the Bank Credit and Basel II function. This function's responsibility includes the following:

- formulation of the quarterly credit economic conditions outlook;
- preparation of aggregate credit risk reports and credit portfolio analysis for the governance committees;
- independent oversight on aspects such as credit rating systems and Basel II framework implementation;
- liaison with credit segment heads and other stakeholders on areas such as credit risk appetite, credit pricing, IFRS credit provisioning, credit policies and frameworks, sensitivity analyses and stress testing; and
- quantification and allocation of credit economic risk and capital.

Credit risk management

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring and control as well as reporting of credit risk exposure. Based on the Bank's credit risk appetite and competitive credit strategies, credit risk is managed with reference to risk/reward principles. The reward is managed through pricing for risk on an individual and portfolio basis.

The management of credit risk entails a detailed end-to-end process. Upon application, credit worthiness of the counterparty is assessed and measured in terms of the risk appetite. The counterparty credit risk is measured in terms of the predetermined policies as described in the credit risk measurement section below. The exposure is approved with reference to delegated mandates.

Subsequent to credit approval, all facilities are managed and monitored as part of the ongoing management processes. This includes the ongoing measurement and management of credit risk with reference to the following:

- quantification of exposure and management of facility utilisation within the predetermined credit limits (this includes management of excesses);
- ongoing monitoring of the credit worthiness of the counterparty;
- review of facilities at appropriate intervals; and
- collateral and covenant management.

Credit defaults are monitored relative to expected losses. Impairments are created against the portfolio and against non-performing loans as described in ''Non-performing loans and impairment policy'' below.

Credit risk measurement

Credit risk measurement forms an integral part of the management of credit risk.

The Bank uses internal credit-rating models developed by the Bank to evaluate and monitor credit quality and to assist in the pricing of loans. These models produce a credit rating (''**FR Rating**'') ranging from ''1'' to ''100'', with ''1'' being the best credit rating and ''100'' being the worst. The FR Ratings have been mapped to default probabilities as well as national and international rating agency scales.

Credit risk mitigation

Credit mitigation instruments are used where appropriate. These include collateral, netting agreements and guarantees or credit derivatives.

Credit risk concentrations

Concentration risk is managed at the credit portfolio levels. The nature thereof differs according to segment.

- Concentration risk management in the wholesale credit portfolio is based on individual name limits and exposures (which are reported to and approved by the Large Exposure credit committee) and the monitoring of industry and country concentrations. A sophisticated simulation portfolio model has been implemented to quantify concentration risk and the potential impact thereof on the credit portfolio.
- For the Commercial (SME (defined below) level) exposures, the emphasis for concentration risk measurement is on industry distribution.
- Due to the inherent diversification in the retail portfolios, concentrations are managed with reference to collateral concentrations.

Sector and country analysis of the Bank's advances and contingencies is set out in notes 10 and 30.3 of the Bank's financial accounts for the year ended 30 June 2006.

Non-Performing Loans and Impairment Policy

The Bank assesses the adequacy of impairments on an ongoing basis through review of the quality of the credit exposures. Specific impairments are created in respect of non-performing advances where there is objective evidence that all amounts due will not be collected. The amounts recoverable from guarantees and collateral are incorporated into the calculation of the impairment. Portfolio impairments are also created in respect of performing advances based on historical patterns of losses in each component of the performing portfolio.

Statistical methods are used to model the required impairments for non-performing loans. The assumptions used are approved by the Retail Technical and FirstRand Credit Review committees. The impairment models are compliant with IAS 39 rules and comprise portfolio impairments for arrear accounts and incurred but not reported impairments for non arrear accounts.

Loans are regarded as non-performing once they are in excess of 90 days in arrear and are then provided for based on parameters agreed by the technical committee from time to time. Event driven triggers are used for overdrafts and where an occurrence like death or insolvency intervenes before arrears exceed 90 days. Non-performing loans are written off after 1 year, except for home loans where the sale of the relevant property triggers a write off.

Lending Policy and Procedures

The Bank's lending policies and procedures are addressed in the Credit Risk Management Framework and are divided into the following categories: Wholesale Credit, Commercial Credit and Retail Credit.

Wholesale Credit

Wholesale Credit comprises RMB clients and FNB corporate transactional banking clients. Loan applications are subject to a standard approval process. The credit assessment for credit facilities and limits for larger public sector, corporate and medium corporate exposures is carried out by expert credit analysts supported by a range of quantitative models and tools. These tools include both internally developed models, as well as third party models, such as KMV Credit Monitor™ and Moody's RiskCalc™. The tools are continually updated and recalibrated to ensure that the resultant FR-ratings are as accurate as possible.

Credit analysts quantify the probability of default of the counterparty, as well as characteristics of the lending facility. The result of the quantification is a counterparty FR-rating and a deal FR-rating. The prudential limits that govern the maximum exposures to counterparties are based on quantitative analysis taking into account the creditworthiness and size of the counterparty, the risk of the deal, and the contribution to economic capital required.

The facility limits and the counterparty and deal ratings are approved by credit committees. The committees are composed of both non-executives and executives who are selected to provide the appropriate skills to the relevant committee suited to the type of credit facilities which the committee will be required to approve. Detailed credit proposals are submitted to these committees on the structure of the transaction, project viability, industry sector and country exposure in support of the suggested ratings. In addition to the credit analyst, the proposal is sponsored by an account executive. The process essentially acts as an independent internal rating agency.

The Board ultimately take responsibility for ensuring that the appropriate environment for the management of credit risk is established and maintained. The Board has delegated the credit approval mandate to the FirstRand Bank Credit Committee ("**FRBCC**") which comprises executive and non-executive directors selected to provide appropriate skills relating to credit risk.

The FRBCC has further delegated its credit approval mandates to different credit committees to deal with specialised lending, including the FRB Large Exposure Committee, the Large Corporate Credit Committee, the Project and Structured Commodity Finance Committee, the Property Finance Committee, the Traded Credit Committee (Corporate and sovereign bonds), Financial institutions and sovereign risk Committee and the International Credit and Investment Committee. Each committee has its own specified remit and approval limits.

Commercial Credit

Commercial Credit addresses small and medium sized ("**SME**") counterparties. These exposures form part of the FNB Commercial business unit and include corporate and retail SME exposures (including property finance).

The rating assignment to SME corporate counterparties is based on an individual assessment of the counterparty's creditworthiness and is supplemented with the Moody's RiskCalc model that has been built using South African industry data. Retail SME exposures are assessed through the use of scorecards similar to those described in "Retail Credit" below.

The FNB Commercial Property Finance Committee has a mandate from the FRB Property Finance Committee to approve transactions of less than R30 million for commercial properties and up to R75 million for residential developments. Transactions in excess of these amounts are referred upwards.

Retail Credit

Retail Credit comprises Homeloans, Credit Card, Personal Loans and Consumer Overdrafts.

The Credit Review Committee for Retail Credit has an overarching responsibility for monitoring the health and profitability of the retail portfolio and co-ordinating policy with regard to the impact of macro economic events and legislation. In addition, each product house has its own credit review committee, where its own portfolio is monitored and where credit policy changes are considered and either approved or if material, are escalated to the FirstRand Credit Committee.

An independent Credit Compliance function operates within the FNB retail segment to act as chair for the retail and product house credit committees with responsibility for portfolio quality and compliance with credit policy. There is also an overarching Technical Committee for Retail, which approves the models used to score and risk rate the various products, as well as the assumptions underlying the provisioning models.

The primary method of credit approval is by using behavioural scorecards for existing customers, taking into account the credit behaviour across all product holdings. Where a customer is new to the bank, scoring is by demographic application scorecards. If a scoring result is inconclusive, the application will be referred on to be processed by judgmental means. Because individual amounts are relatively small and occurrences infrequent, this authority is usually performed by the head of credit in the product house.

A different system applies for FNB Homeloans where the size of the advances warrants a hierarchy with 6 tiers of authority, with two individuals at each level. For applications for home loans, credit approval processing and decision making is centralized and carried out by the FNB Home Loans Head Office. Credit decisions are split between the Judgmental Credit for self-employed applicants and the Automated Scoring System for non self-employed (salaried) applicants with discretion being held centrally. Where Judgmental Credit is employed, the primary assessment of the counterparty is by means of affordability and credit history. The Automated Scoring System accounts for 70% of all evaluation with Judgmental Credit at 30% in terms of value. FNB Home Loans has an approval mandate of

R6 million per loan agreement with loans above the allocated mandate being referred to the High Net Worth Credit Committee of the Bank for approval.

Within WesBank, risk management is centralised and is carried out at WesBank Head Office. ''Risk'' is split between ''judgmental credit'', and the ''automated credit assessment system'' (''**ACAS**''). Discretion is held centrally. ACAS is responsible for the evaluation of the loans with the value of up to R500,000. Amounts above R500,000 are referred to judgmental credit. ACAS evaluates more than 85% of deals by volume, and more than 75% of deals by value. Risk is graded on a scale and the grading on this scale determines the interest rate to be charged.

MARKET RISK

Market risk is the risk of loss on trading instruments and portfolios due to changes in market prices and rates. The Bank's market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies an ''expected tail loss'' methodology to estimate the market risk positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The ''expected tail loss'' measure estimates the potential loss over a given holding period (10 days) per a specific confidence level (99%).

Market risk exists in all trading, banking or investment portfolios. Market risk within the Bank is taken in RMB from proprietary positions as this is where the market risk taking and management expertise lies.

Trading in the foreign exchange, interest rate, equity, commodity and credit markets, and derivatives thereof is undertaken in terms of the Market Risk Management Framework which is a policy of the Board and is ancillary to the Business Success and Risk Management Framework. Longer term equity investments, both listed and unlisted, are approved by the Investment Risk Committee on an individual basis and are managed under the investment risk framework.

Market risk exposures are controlled by means of stress loss limits which are approved by the relevant business and risk management functions, the Market Risk Committee (RMB Risk Committee) and RMB Proprietary Board, and ratified by the FRBG Risk and Compliance Committee and the Board.

Market risk exposures are quantified daily across all trading activities of the Bank and monitored by the business risk managers and the business unit heads. The deployed and independent risk managers at RMB and the internal auditors monitor limit excesses, the causes of any excesses and the correction thereof on a daily basis for all trading business units. These functions also track the daily profits and losses against risk exposures and monitor the attribution of profits and losses by risk factor to ensure that risk exposures do not go undetected and that profits and losses are explained.

Market risk exposures are controlled by means of stress exposure limits. Stress conditions are represented by a systemic disaster scenario where correlations between the different market risk factors break down. The disaster scenario has been deliberately set to reflect the illiquid conditions and ballooning spreads experienced during a typical systemic breakdown in the markets.

LIQUIDITY RISK

Liquidity risk is the inability to discharge funding or trading obligations which fall due at market related prices.

The Bank is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan draw-downs and other cash requirements. The Bank does not maintain sufficient cash resources to meet all of these liquidity needs as historical experience indicates a minimum level of reinvestment of maturing funds with a high level of certainty particularly with retail deposits.

The matching and controlled mismatching of maturities and interest rates is fundamental to management of the Bank.

Management of liquidity risk

The Bank has a group-wide funding and liquidity management process in place. Liquidity risk is managed in terms of the Liquidity Risk Management Framework, which is ancillary to the Business Success and Risk Management framework. Liquidity positions are managed at currency level and across all jurisdictions in which the Bank operates. Liquidity risk is managed by the Bank's Treasury and the dedicated liquidity risk management team reports to the Group's Assets and Liabilities Committee (''**ALCO**''). The business units are members of ALCO but do not have a majority vote. Interest rate and liquidity risk are centralised functions.

Management of the current liquidity position

The Bank performs numerous tasks to manage the short term liquidity gap. These include: analysing the concentration of short term funding maturities; monitoring liquidity risk limits; maintaining an appropriate term mix of funding; diversifying the range of funding products offered to financial institutions; monitoring the daily cash flow movements across the Bank's various payment streams; actively managing the daily settlements and collateral management processes; performing assumptions-based scenario analysis to assess potential cash flows at risk; monitoring sources of funding for contingency funding needs and managing the portfolio of available liquid securities; and industry benchmarking.

Liquidity contingency planning

Product behaviour assumptions are assessed and stress analysis is performed on the current liquidity position in order to assess potential cash flows at risk. Consideration is given to a variety of appropriate contingency funding mechanisms aimed at ensuring the Bank remains liquid during stress conditions. In addition, the liquidity risk management team monitors and manages the Bank's portfolio of available liquid sources against these stress assumptions.

The table set out at note 30.7 of the Bank's financial statements for the year ended 30 June 2006 sets out the Bank's balance sheet based on the remaining period from year-end to contractual maturity.

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements of interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

Interest rate risk at the Bank is managed from an earnings approach, with the aim to protect and enhance net interest income in accordance with the Board-approved Interest Rate Risk Management Framework, which is ancillary to the Business Success and Risk Management Framework. In addition, changes to economic value are monitored daily, where possible, and managed within defined risk tolerance levels.

The net interest rate risk profile of the Bank is managed centrally by the Asset & Liability Management Unit by changing the profile of liquid assets or through derivative instruments, based on the Bank's interest rate outlook with reference to other risk factors impacting the Bank's balance sheet, notably credit risk. The Bank's ALCO monitors the risk exposures and the effectiveness of the interest rate risk management and reports to the FRBG Risk and Compliance Committee and the Board.

Within RMB, interest rate risk in the banking book is managed together with the interest rate risk in the trading book and is overseen by the Market Risk Committee.

The table set out at note 30.6 of the Bank's financial statements for the year ended 30 June 2006 sets out the Bank's exposure to interest rate risk, categorised by contractual repricing date, as at 30 June 2006 and 30 June 2005.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The management of operational risk covers many diverse dimensions such as process efficiency, systems capacity and availability, information security, legal risk, business continuation, prevention of criminal activities, key management processes and insurance. Comprehensive programmes are in place to identify and evaluate operational risks, implement process improvements and monitor the status of key risks. Operational risk in the Bank is managed in terms of the Operational Risk Management Framework, which is ancillary to the Business Success and Risk Management Framework.

The following table provides an overview of the operational risk categories, the specialist risk functions responsible for independent monitoring and the sub-frameworks of the Risk Management Framework governing these.

Operational Risk Category	*Special Risk Functions*	*Frameworks*
Process Breakdowns and Issues	Operational Risk Management	Operational Risk Management Framework
Business Continuity	Business Continuity Management	Business Continuity Management Policy
Legal	Group Legal Services	Legal Risk Magangement Framework
Information Risk	Information Risk Services	Information Risk Management Framework
Compliance	Group Compliance	Compliance Management Framework
Anti-fraud, Security	Group Forensic Services	Security Policy
Financial Controls Breakdowns	Corporate Accounting	Financial Risk Management Framework
Human Resources Risk	Human Resources Functions	Human Resources Policy
Insurance	Risk Insurance	Risk Insurance Methodology

RELATED PARTY TRANSACTIONS

The Bank enters into banking transactions in the normal course of business with related parties.

The Bank defines related parties as:

(a) the "parent company", which includes FirstRand Bank Holdings Limited, FirstRand, RMB Holdings and Remgro Limited;

(b) associate companies and joint venture companies (which are identified in note 15 to the financial statements for the year ended 30 June 2006);

(c) key management personnel, which includes close family members of key management personnel, close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the Banking Group. This may include the individual's spouse/ domestic partner and children, domestic partner's children and dependants of the individual or domestic partner;

(d) enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies;

(e) fellow subsidiaries, Discovery Limited, Momentum Group Limited, FirstRand Investment Holdings Limited and other subsidiaries included in note 16 to the financial statements for the year ended 30 June 2006.

The following table sets out transactions with relevant related parties for the years ended 30 June 2006 and 2005.

	2006		*2005*	
Transactions with related parties	*Parent*	*Fellow subsidiaries*	*Parent*	*Fellow subsidiaries*
	(R million)			
Loans and Advances				
Balance 1 July	–	–	–	–
Net movement during the year	36	–	–	–
Balance 30 June	36	–	–	–
Deposits				
Balance 1 July	2 001	–	545	–
Net movement during the year	(1 995)	–	1 456	–
Balance 30 June	6	–	2 001	–
Loans to Insurance Group				
Balance 1 July	1 554	2 104	1	32
Net movement during the year	(1 546)	(1 476)	1 553	2 072
Balance 30 June	8	628	1 554	2 104
Loans from Insurance Group				
Balance 1 July	36	7 920	33	3 561
Net movement during the year	–	(4 506)	3	4 359
Balance 30 June	36	3 414	36	7 920
Amounts due to holding and fellow subsidiaries				
Balance 1 July	200	17 543	344	17 036
Net movement during the year	616	(565)	(144)	507
Balance 30 June	816	16 978	200	17 543
Amounts due by holding and fellow subsidiaries				
Balance 1 July	760	17 978	941	19 234
Net movement during the year	(101)	6 000	(181)	(1 256)
Balance 30 June	659	23 978	760	17 978
Interest received	7	870	4	504
Interest paid	50	390	66	603
Non-interest income	–	635	–	520
Operating expenditure	7	919	16	439

Transactions with related parties entered into by the Bank for the years ended 30 June 2006 and 2005 were made in the ordinary course of business and on arm's length terms.

THE BANKING SECTOR IN SOUTH AFRICA

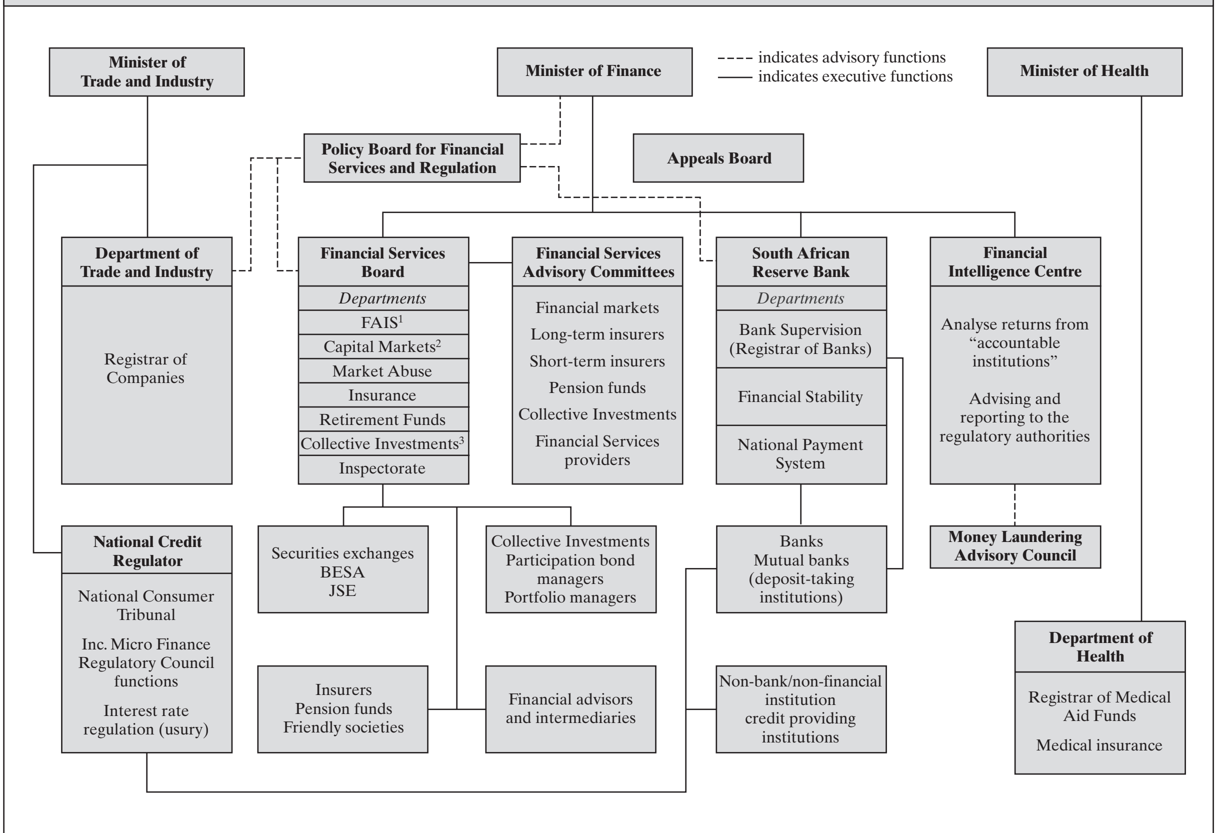
The South African banking system is well developed and effectively regulated, comprising a central bank, several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. The South African Government is a subscriber to the IMF and World Bank regulations and policies. South African banks are regulated by the SARB and will be required to comply with Basel II from 1st January 2008. The National Payment System Act of 1998 was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the SARB, has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines (ATMs) and internet banking being available.

South Africa is considered to have a sophisticated financial system and banking sector which compares favourably with those of other industrialised countries.

Regulation

Financial regulation in South Africa is currently performed by several agencies. The financial regulatory structure for the regulation of the financial system, financial intermediaries and advisers is shown in the following diagram:

Regulation in the financial sector



[1] Financial Advisory and Intermediary Services
[2] The Registrar may also regulate or prohibit the sale of unlisted securities
[3] Absolute (hedge) funds are not regulated at this time
Source: Financial Sector Forum at www.finforum.co.za, 26 September 2006

Financial regulation legislation in South Africa is increasingly following international best practice through the accords of international bodies such as the Bank of International Settlements (BIS); the International Organization of Securities Commissions (IOSCO); and the International Association of Insurance Supervisors (IAIS). Banks in South Africa are governed by various acts and legislation, most significantly the Banks Act which is primarily based on similar legislation in the United Kingdom, Australia and Canada.

As a result of the increasingly diversified business activities of South African banks and their central role in the provision of credit in the retail market, legislation aimed at protecting certain types of consumers has been enacted in South Africa. The Usury Act, No 73 of 1968 and The Credit Agreements Act, No 75 of 1980 will be repealed by the new National Credit Act No. 34 of 2005 (''**NCA**''), which will come into full force and effect on 1 June 2007. The NCA has made significant changes to the interest, costs and fees which retail banks and other credit providers may charge consumers in South Africa. The maximum prescribed interest rates which may be levied on credit agreements are set out in the regulations to the NCA. The NCA further stipulates a closed list of costs and fees which may be recovered under a credit agreement in addition to the capital amount and interest. These are an initiation fee, a monthly service fee, default administration costs and collection costs. The initiation fee for arranging the credit agreement may not exceed the maximum prescribed amount, monthly service fees for the banks administration of the agreement are capped at a maximum of R50.00, default administration charges must be levied in accordance with the Magistrates Court Act, 1944 and collection costs are also limited. Other charges which may be applicable are strictly regulated and may only be levied if specifically listed in the NCA, and to the extent permitted. The NCA also requires each credit provider to register with the National Credit Regulator. In addition, certain credit agreements which contain unlawful provisions in terms of the NCA could potentially be rendered void *ab initio*. Hearings in respect of the Competition Commission's Banking Enquiry (the ''**Enquiry**'') continue until the end of June 2007, and the Enquiry Panel will draft its report from July 2007. The second set of hearings has so far focused on Saswitch fees.

Saswitch fees

The ''Saswitch premium'' is charged for making a cash withdrawal at another bank's ATM (an ''off-us'' transaction), and it is charged on top of the normal cash withdrawal fee. The Bank has proposed during the Enquiry that the Saswitch fee could be scrapped and replaced with a ''direct charge'' (or surcharge), payable by the consumer directly to the bank whose ATM is used. The inter-bank payment (the ''carriage fee'' or ''reverse interchange'') payable by the consumer's bank to the other bank for the use of its ATM infrastructure could also be dropped, as the Saswitch fee essentially funds the carriage fee at present. The consumer's bank would therefore only charge a small ''authorisation fee'' for off-us cash withdrawals.

There have been mixed reactions to the Bank's proposal from the other banks, but the Enquiry Panel appears to be in favour of the direct charge model, as it allows for more direct competition on charges and removes the need for agreement between the banks on introducing new transaction types, such as paying traffic fines at ATMs. The negative impact on the banks of dropping the Saswitch fee is expected to be about ZAR500 million, but management believes the Bank can make good its losses by achieving increased efficiencies in the placement of its ATMs under the direct charge model.

SARB

SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. It performs this function through the Office of the Registrar of Banks which issues banking licences to institutions and monitors their activities under the applicable legislation. The Registrar of Banks has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the Registrar of Banks in order to enable him to monitor compliance with the formal, prudential and other requirements imposed on banks by, *inter alia*, the Banks Act. Such regulations may be and are amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The Registrar of Banks acts with relative autonomy in executing his duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament. The extent of supervision entails the establishment of certain capital and liquidity requirements and the continuous monitoring of bank's adherence to legal requirements and other guidelines. The performance of individual banks is also monitored on an ongoing basis against developments in the banking sector as a whole. If deemed necessary, inspectors can be appointed to inspect the affairs of any bank, or any institution or person not registered as a bank if there is reason to suspect that such an institution or person is carrying on the business of banking.

The Bank holds a full banking licence issued by the Registrar of Banks. It is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations of the SARB. It is a Central Securities Depository Participant in STRATE Limited, and is a full member of The Bond Exchange of South Africa. It is also a member of the JSE. It is an authorised financial services provider licensed by the Registrar of Financial Services Providers.

The Banks Act and regulations and circulars issued by the Registrar of Banks set out the framework governing the formal relationship between South African banks and SARB. Pursuant to this legislation, the Bank and representatives of the Registrar of Banks meet at regular bi-lateral meetings, annual tri-lateral meetings (with the Bank's auditors) and annual prudential meetings (with the heads of each of the Bank's business divisions). The Bank also engages in quarterly ''group discussions'' with the Registrar of Banks to assess its performance against its peer group and it is subject to on-site reviews.

The Bank's relationship with the Registrar of Banks is managed by a dedicated regulatory and compliance department (which reports to the CEO's office) to ensure open, constructive and transparent lines of communication. Informal meetings, updates, trends and strategies are reported to the Registrar of Banks on a regular basis. The Bank also employs a senior, independent compliance officer to ensure adherence to the applicable legislation.

The Bank views its relationship with the Registrar of Banks as being of the utmost importance and it is committed to fostering sound banking principles for the industry as a whole. In this regard, the Bank is a leading member of the Banking Association of South Africa whose role is to establish and maintain the best possible platform on which banking groups can conduct competitive, profitable and responsible banking.

Current Environment

As at 31 March 2007, there were 65 banks operating in South Africa – 13 registered banks with local control, 6 registered banks with foreign control, 14 branches of foreign banks, 2 mutual banks and 30 representative offices of foreign banks. The five largest commercial banks are Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited which continue to consolidate their position in the retail market (accounting for some 86 per cent. of deposits). Investment and merchant banking remains the most competitive sector in the industry. According to the March 2007 SARB Quarterly Bulletin, the banking sector in South Africa had total assets of R2,075 billion at 31 December 2006.

Banking loans have grown with a compound annual growth rate of 39.99 per cent. between 2001 and 2005, representing a four-fold increase. Mortgage loans currently constitute the largest portion of total loans and advances in the South African banking sector, followed by overdrafts. It is expected that the growth of the percentage of population in the 15-64 year age group will lead to an increase in the demand for such banking products as loans for education, housing and personal use. Take up of insurance policies, mutual funds and other related products is also expected to rise. The SARB has controlled monetary activities by establishing cash reserve requirements whereby banks are required to hold 2.5 per cent. of their liabilities in cash at the SARB (bearing no interest).

The South African economy has grown at a rate of approximately 5 per cent. in each of the past three years, a level which is estimated to be slightly above potential. Indications are that growth rates around this level are likely to be sustained during 2007. Capacity utilisation in the manufacturing sector increased further in the fourth quarter of 2006 to a new level of 86.6. The Investec Purchasing Managers Index (PMI) reflects continued buoyant conditions in the manufacturing sector, and despite a marginal decline in the RMB Business Confidence Indicator, business confidence remains high and broad-based. Consumer confidence remains at a high level. The FNB/BER Consumer Confidence Index (CCI) increased significantly during the first quarter of 2007 to reach its highest ever level. The housing market remains buoyant and the JSE has reached new highs despite a slight downturn in March.

In 2000, the SARB implemented an inflation-targeting monetary framework characterised by the announcement of a numeric target for the inflation rate, to be achieved over a specified period of time. The current target is 3-6 per cent. of the South African consumer price index (''**CPIX**''). Allowance is made for the price effects of serious supply shocks such as changes in the international price of crude oil, higher food prices resulting from unfavourable weather conditions and dramatic changes in the international exchange rate of the Rand.

In its role of implementing policy, the SARB uses open-market operations on a weekly basis to determine the amount of liquidity made available to banks. The interest rate for repurchase transactions (''**repo**

rate'') is set by the Monetary Policy Committee (''**MPC**'') which meets bi-monthly. The SARB raised the repo rate to 13.5 per cent. in September 2002 given a dramatic depreciation of the Rand. Following the subsequent stabilisation of the Rand, the repo rate reduced to a historic low of 7 per cent. in April 2005. However, concerns about credit extension and creeping inflation rate, has led to the SARB increasing the repo rate 4 times, to reach 9 per cent. in December 2006. The current inflation rate is 5.5 per cent. as at March 2007. The SARB has not changed the repo rate at its two most recent meetings (in February 2007 and April 2007), but it is known to be concerned about the continued rate of credit extension and increase in maize and oil prices.

The gross saving ratio of the household sector reached a historic low of 1.5 per cent. in 2006, reflecting the population's strong consumer appetite. Despite the SARB taking a tighter monetary stance since June 2006, household consumption expenditure growth measured almost 8 per cent. in the fourth quarter of 2006 and this continues to pose a risk to inflation. In January 2007, retail sales increased at a year-on-year rate of 9.4 per cent. compared to 6.7 per cent. in December 2006. However, the household debt servicing cost of 9 per cent. of disposable income in the fourth quarter compares favourably to the previous high of 14.25 per cent. recorded towards the end of 1998 and there is some evidence of moderation in the growth of interest sensitive durable goods consumption. In particular, a decrease in motor vehicle sales has been observed in recent months. The seasonally adjusted number of new vehicles sold in the first quarter of 2007 declined by 2.9 per cent. compared to the fourth quarter of 2006.

Credit extension by banks to the private sector has continued at high levels. Loans and advances have grown at a rate of around 27 per cent. since November 2006, and increased to 27.7 per cent. in February 2007. Asset-backed credit growth, however, showed a modest decline in February to 25.5 per cent. Instalment sale and leasing finance growth declined from 15.8 per cent. in December 2006 to 14 per cent in February 2007, reflecting the moderation in demand for motor vehicles. Growth in total loans and advances to households has been on a somewhat declining trend compared to the strong upward trend in credit extension to the corporate sector. Nevertheless, the ratio of household debt to disposable income increased further in the fourth quarter of 2006 to almost 74 per cent. and the cost of servicing the debt has been steadily increasing.

The spot prices of white and yellow maize have increased significantly over the past two years as a result of domestic drought conditions and increases in international prices. Grain product prices (which have a weight of 4.8 per cent. in the CPIX) are expected to increase further to fully reflect these conditions. The higher maize prices have also affected meat prices through their impact on cattle and chicken feed prices. However, meat price inflation could be moderated somewhat as more cattle are brought to market during periods of drought. This effect, while possibly significant, is expected to be relatively short-lived.

International oil price developments have been dominated by heightened geopolitical tensions, supply disruptions and declining inventory levels. Since the February 2007 MPC meeting, the price of North Sea Brent crude oil has increased from around U.S.$56 per barrel to U.S.$70 per barrel. As a result, the domestic petrol price increased by R0.24 per litre in March 2007 and by R0.68 per litre in April 2007 (about R0,09 of which is attributable to exchange rate changes, R0.10 to fuel taxes announced in the February budget, and the remainder to changes in the international price of oil). International oil prices are expected to remain vulnerable and therefore continue to pose a significant risk to the domestic petrol prices.

EXCHANGE CONTROL

The information below is not intended as legal advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of notices. Prospective purchasers of notes who are non-South African residents or emigrants from the Common Monetary Area (defined below) are urged to seek further professional advice in regard to the purchase of Notes.

Exchange controls restrict the export of capital from South Africa, Namibia and the Kingdoms of Swaziland and Lesotho (collectively the ‘‘**Common Monetary Area**’’). These exchange controls are administered by the ExCon and regulate transactions involving South African residents. The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. The Issuer expects that South African exchange controls will continue to operate for the foreseeable future. The South African government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the South African government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

The prior written approval of ExCon is required for the issuance of each Tranche of Notes issued under the Programme. The Issuer will obtain the prior written approval of ExCon for the issuance of each Tranche of the Notes under the Programme. The Final Terms applicable to each Tranche of Notes issued under the Programme will be required to contain a statement that the requisite SARB approval has been obtained for that issuance.

In addition, no South African residents and/or their offshore subsidiaries may, without the prior written approval of ExCon, subscribe for or purchase any Note or beneficially hold or own any Note.

ExCon may (and is currently expected to) impose certain conditions on the issue of each Tranche of Notes under the Programme, for example, with regard to maturity, issue size and listing.

TAXATION

The following is a general description of certain South African tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Witholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

Stamp Duty and Uncertificated Securities Tax

No uncertificated securities tax is payable on the issue or transfer of Notes under the South African Uncertificated Securities Tax Act, 1988. No stamp duty is payable on the issue or the transfer of Notes under the South African Stamp Duties Act, 1968.

Income Tax

Under current taxation law effective in South Africa a ''*resident*'' (as defined in section 1 of the South African Income Tax Act, 1962 (the ''**Income Tax Act**'')) is subject to income tax on his/her world-wide income. Accordingly, all Noteholders who are ''*residents*'' of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is deemed to be derived from a South African source if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of ''interest-bearing arrangement''. The Notes will constitute an ''interest-bearing arrangement''. The place of utilisation or application of funds will, unless the contrary is proved, be deemed, in the case of a juristic person, to be that juristic person's place of effective management. The Issuer has its place of effective management in South Africa as at the date of this Base Prospectus. Accordingly, if the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be deemed to be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark-to-market basis. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless that person:

(a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during that year of assessment; or

(b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

Certain entities may be exempt from income tax. Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, Dresdner Bank Aktiengesellschaft, ING Bank N.V., J.P. Morgan Securities Ltd., Mizuho International plc, Morgan Stanley & Co. International plc, The Royal Bank of Scotland plc and UBS Limited (the ''**Dealers**''). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 24 May 2007 (the ''**Dealer Agreement**'') and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2*.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(a) ***No deposit-taking:*** in relation to any Notes having a maturity of less than one year:

  (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

  (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

    (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

    (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

  where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual turnover of more than EUR50,000,000, all as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Relevent Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

South Africa

In relation to South Africa, each Dealer has (or will have) represented, warranted and agreed that it will not make an "*offer to the public*" (as such expression is defined in the South African Companies Act, 1973 (the "**SA Companies Act**")) of Notes (whether for subscription, purchase or sale) in South Africa. Accordingly, no offer of Notes will be made to any person in South Africa and accordingly this Base Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

1. Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (the "**Transparency Directive**") entered into force on 20 January 2005 and since 20 January 2007 Member States are required to have taken measures necessary to comply with the Transparency Directive. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, the Issuer could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the London Stock Exchange or by such other competent authority, stock exchange and/or quotation system inside or outside the European Union as it may (with the approval of the Dealers) decide.

Authorisation

2. The establishment of the Programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 22 May 2007. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Significant/Material Change

3. Since 30 June 2006 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries (taken as a whole) nor, since 31 December 2006, any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries (taken as a whole).

Auditors

4. The financial statements of the Issuer have been audited without qualification for the years ended 30 June 2006 and 30 June 2005 by PricewaterhouseCoopers Inc. whose address is 2 Eglin Road, Sunninghill 2157, South Africa and Deloitte & Touche whose address is The Woodlands, 20 Woodlands Drive, Woodmead 2199, South Africa .

Approvals

5. Notes to be issued under the Programme are "debt instruments" as contemplated by section 79(1)(b) of the Banks Act. Accordingly, the Issuer applied to the Registrar of Banks on 3 May 2007 for permission to issue Notes under the Programme. In a letter dated 23 May 2007, the Registrar of Banks advised the Issuer that the Registrar of Banks has no objection to the establishment of the Programme by the Issuer and approved, in terms of section 79(1)(b) of the Banks Act, the issue of the Notes under the Programme up to a maximum outstanding nominal amount of €500,000,000. **The Issuer must make further applications to the Registrar of Banks for the approval of each Tranche of Notes to be issued under the Programme in excess of this amount.**

Documents on Display

6. Copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and from the registered office of the Issuer for 12 months from the date of this Base Prospectus:

   (a) the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Issuer;

   (b) the audited financial statements of the Issuer for the years ended 30 June 2006 and 30 June 2005;

   (c) the Agency Agreement;

   (d) the Deed of Covenant;

   (e) the Dealer Agreement; and

(f) the programme manual (which contains the forms of the Note Certificates in global and individual form) dated 24 May 2007 and signed for the purposes of identification by the Issuer and the Fiscal Agent.

Clearing of the Notes

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Use of Proceeds

8. The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

Post Issuance Information

9. The Issuer does not intend to provide any post-issuance information in relation to any Note issues.

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FINANCIAL STATEMENTS AND AUDITORS' REPORTS

Contents

Report of the independent auditors

TO THE MEMBERS OF FIRSTRAND BANK LIMITED

We have audited the financial statements of FirstRand Bank Limited which appear on pages 3 to 6 and 25 to 67, for the year ended 30 June 2005. These financial statements are the responsibility of the directors of FirstRand Bank Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

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

An audit includes:

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

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

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of FirstRand Bank Limited at 30 June 2005 and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice in South Africa and in the manner required by the Companies Act of 1973.

PricewaterhouseCoopers Incorporated
Chartered Accountants (SA)
Registered Accountants and Auditors

Deloitte & Touche
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
19 September 2005

Directors' report

NATURE OF BUSINESS

The activities of FirstRand Bank Limited include merchant banking, corporate banking, instalment finance, retail banking, property finance and private banking.

SHARE CAPITAL

The following shares were issued during the period:

Ordinary shares pursuant to the conversion of compulsory convertible debentures.

21 December 2004	161 ordinary shares at R2.00 each
31 January 2005	161 ordinary shares at R2.00 each
28 February 2005	215 ordinary shares at R2.00 each

Following a decision to restructure the Bank's capital, a non-cumulative non-redeemable preference share issue, which qualifies as tier 1 capital, was made on 31 December 2004, 3 000 000 non-cumulative non-redeemable preference shares of 1 cent each were issued, raising R3 billion additional capital.

Details of the Bank's share capital are presented in notes 25 and 26 of the notes to the financial statements.

DIVIDENDS

Ordinary cash dividends of R2 573 million were paid during the 2005 financial year (2004: R1 784 million).

OWNERSHIP OF THE BANK

The Bank is a wholly owned subsidiary of FirstRand Bank Holdings Limited.

PROFIT AFTER TAX

Profit after tax amounted to R3 233 million (2004: R4 276 million).

DIRECTORS' INTERESTS IN THE BANK

Other than nominee shares held on behalf of FirstRand Bank Holdings Limited under power of attorney, no shares in the company are held by the directors.

DIRECTORATE

The following director was appointed to the board on 1 September 2004:

RK Store

The following director served on the board during the year and resigned on the date indicated below:

I Charnley – 1 March 2005

CONSOLIDATED ACCOUNTS

Group annual financial statements have not been prepared as the Bank is a wholly owned subsidiary of FirstRand Bank Holdings Limited and its ultimate holding company is FirstRand Limited, a company incorporated in South Africa.

POST-BALANCE SHEET EVENTS

No material matters which adversely affect the financial position of the Bank have arisen subsequent to the year end.

SHARE PURCHASE/OPTION SCHEME

Details of the investment in the FirstRand Limited ordinary shares by the First National Bank Share Purchase Scheme ("the FNB Scheme") and in the RMB Holdings Limited ordinary shares by the Rand Merchant Bank Share Incentive Scheme ("the RMB scheme") established for the benefit of employees of the Bank are set out below:

	FNB scheme 2005	RMB scheme 2005	FNB scheme 2004	RMB scheme 2004
Number of options in force at the end of year (million)	11.2	0.8	21.9	2.7
Granted at prices ranging between (cents)	325 – 1 069	300 – 1 350	325 – 1 069	300 – 1 350
Number of options granted during year (million)	0.1	–	–	–
Number of options exercised/released during year (million)	(10.8)	(1.9)	(23.1)	(15.5)
Market value range at date of exercise/release (cents)	325 – 1 454	1 590 – 2 299	225 – 1 037	1 194 – 1 617
Number of unallocated shares available for future options (million)	–	–	–	–
Number of options cancelled/lapsed during the year (million)	–	–	(0.2)	(8.3)
Value of company loan to share option trust (R million)	65.1	11.1	259.2	46.3

Declaration by the company secretary in respect of section 268G(d) of the Act

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

BW Unser
Company Secretary

Accounting policies

INTRODUCTION

The Bank adopts the following accounting policies in preparing its financial statements.

1. BASIS OF PRESENTATION

The Bank prepares its audited 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 financial instruments; and
- financial instruments elected to be carried at fair value.

The financial statements conform to Statements and Interpretations of Generally Accepted Accounting Practice in South Africa.

The principal accounting policies are consistent in all material respects with those adopted in the previous year, except where noted. The Bank adjusts comparative figures to conform to changes in presentation in the current year.

The South African Institute of Chartered Accountants has issued an interpretation AC 501 – Accounting for Secondary Tax on Companies ("AC 501"), effective for financial periods commencing on or after 1 January 2004. The interpretation requires an entity to recognise a deferred tax asset to the extent that it is probable that the entity will declare dividends against which unused STC credits can be utilised.

The Bank adopted AC 501 with effect from 1 July 2004. Further details regarding the effect of the change in accounting policy is set out in note 25 below. The restatement to prior year numbers due to the change in accounting policy is set out in note 26 below.

All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise indicated.

2. SUBSIDIARY COMPANIES

Investments in subsidiary companies are carried at cost less amounts written off.

3. ASSOCIATED COMPANIES

Associated companies are companies in which the Bank holds an equity interest of between 20% and 50%, or over which it has the ability to exercise significant influence, but does not control, and which it does not intend to dispose of within a short term (12 months).

The Bank carries its interest in an associated company in its balance sheet at cost less amounts written off. Associated company results are not equity accounted.

4. JOINT VENTURES

The Bank accounts for interests in jointly controlled entities at cost less amounts written off.

5. REVENUE RECOGNITION

5.1 Interest income

The Bank recognises interest income, excluding that arising from trading activities, on an accrual basis, applying the effective yield on the assets. The effective yield takes into account all directly attributable external costs, discounts or premiums on the financial asset, save for mortgage origination costs which are expensed in the year incurred.

From an operational perspective, it suspends the accrual of contractual interest on the non-recoverable portion of an advance, when the recovery of the advance is considered doubtful. However, in terms of AC 133, interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the recoverable amount of the advance. The difference between the recoverable amount and the original carrying value is released to interest income over the expected collection period of the advance.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances. Dividends received on these instruments are included in interest income.

5.2 Trading income

The Bank includes profits, losses and fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of AC 133), both realised and unrealised, in income as incurred.

5.3 Fee and commission income

The Bank recognises fee and commission income on an accrual basis when the service is rendered.

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

5.4 Services rendered

The Bank recognises revenue for services rendered to customers based on the estimated outcome of the transactions.

When the outcome can be reliably estimated, transaction revenue is recognised by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is measured based on the amount of work performed.

When the outcome cannot be reliably estimated, revenue is recognised only to the extent of the expenses incurred that are recoverable.

5.5 Dividends

The Bank recognises dividends on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

6. FOREIGN CURRENCY TRANSLATION

The Bank presents its financial statements in South African Rand, the measurement currency of the holding company ("the reporting currency").

The Bank converts transactions in foreign currencies to South African Rand at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year end. Translation differences on monetary assets and liabilities measured at fair value are included in the income statement for the year, with translation differences on non-monetary items included as part of the fair value gain or loss in equity.

Profits and losses from forward exchange contracts used to hedge potential exchange rate exposures are offset against gains and losses on the specific transaction being hedged, to the extent that the hedging transaction qualifies for hedge accounting in terms of AC 133.

7. BORROWING COSTS

The Bank capitalises borrowing costs incurred in respect of assets that require a substantial period to construct or install, up to the date on which the construction or installation of the assets is substantially complete.

Other borrowing costs are expensed when incurred.

8. DIRECT AND INDIRECT TAXATION

Direct taxes include South African and foreign jurisdiction corporate tax payable, as well as capital gains tax.

Indirect taxes include various other taxes paid to central and local governments, including value added tax, regional services levies and secondary tax on companies.

Indirect taxes are disclosed separately from direct tax in the income statement.

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the balance sheet date, in each particular jurisdiction within which the Bank operates.

9. RECOGNITION OF ASSETS, LIABILITIES AND PROVISIONS

9.1 Assets

The Bank recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the enterprise.

9.2 Contingent assets

The Bank discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank's control.

9.3 Liabilities and provisions

The Bank recognises liabilities, including provisions when:

- it has a present legal or constructive obligation as a result of past events; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

9.4 Contingent liabilities

The Bank discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

9.5 Sale and repurchase agreements and lending of securities

The financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as trading or investment securities. These instruments are measured at fair value, with changes in fair value reported in the income statement. The counterparty liability is included in deposits from other banks, other deposits, or deposits due to customers, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the reverse repos using the effective yield method. Securities lent to counterparties are retained in the financial statements of the Bank.

The Bank does not recognise securities borrowed in the financial statements, unless sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return these securities is recorded as a liability at fair value.

10. DERECOGNITION OF ASSETS AND LIABILITIES

The Bank derecognises an asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. This occurs when the rights are realised, expire or are surrendered. A liability is derecognised when it is legally extinguished.

11. OFFSETTING FINANCIAL INSTRUMENTS

The Bank offsets financial assets and liabilities and reports the net balance in the balance sheet where:

- there is a legally enforceable right to set off; and

- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously; and
- the maturity date for the financial asset and liability is the same; and
- the financial asset and liability is denominated in the same currency.

12. CASH AND CASH EQUIVALENTS

In the cash flow statement, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice;
- balances with central banks;
- balances guaranteed by central banks; and
- balances with other banks.

13. FINANCIAL INSTRUMENTS

13.1 General

Financial instruments carried on the balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in associated companies, property and equipment, deferred taxation, taxation payable and intangible assets.

The Bank recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way purchases and sales") at settlement date, which is the date the asset is delivered to or by it.

13.2 Financial assets

13.2.1 Originated advances

The Bank classifies advances as "Originated" where it provides money directly to a borrower or to a sub-participation agent at drawdown. Originated advances are carried at amortised cost. Third party expenses, such as legal fees incurred in securing a loan are treated as part of the transaction in determining the effective yield of the advance.

The Bank expenses mortgage origination costs in the year incurred.

All advances are recognised when cash is advanced to borrowers.

13.2.2 Purchased advances and receivables and investment securities

The Bank classifies purchased advances and receivables and investment securities as held-to-maturity, available-for-sale or elected fair value assets.

Purchased advances and receivables (including sub-participations acquired after providing the original loan) and investment securities with a fixed maturity and fixed or determinable payments, where management has both the intent and the ability to hold to maturity, are classified as "Held-to-maturity". The Bank classifies purchased advances and receivables and investment securities where the intention is to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as "Available-for-sale" or as "At elected fair value". Management determines the appropriate classification at the time of purchase.

The Bank initially recognises purchased advances and receivables and investment securities at cost (which includes transaction costs, excluding mortgage origination costs). It subsequently re-measures available-for-sale and elected fair value advances and receivables and investment securities at fair value, based on quoted bid prices where the underlying markets for the instruments are liquid and well developed. Alternatively, it derives fair value from cash-flow models or other appropriate valuation models where markets are illiquid or do not reflect the true market value based on the underlying risks of the instrument.

The Bank estimates fair values for unquoted equity instruments using applicable price:earnings ratios or cash-flow models. It estimates the fair value of debt instruments with reference to applicable underlying interest rate yield curves and estimated future cash flows on the applicable instruments.

The Bank recognises unrealised gains and losses arising from changes in the fair value of advances and receivables classified as available-for-sale, in equity. It recognises interest income on these assets as part of interest income, based on the instrument's original effective rate. Interest income is excluded from the fair value gains and losses reported in equity. When the advances and receivables or investment securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The Bank recognises fair value adjustments on loans and advances classified as elected fair value in trading income. Interest income on these assets is included in the fair value adjustment.

The Bank carries held-to-maturity advances and receivables and investments at amortised cost using the effective yield method, less any impairment.

The Bank classifies purchased advances and receivables acquired in terms of a business combination, where such advances and receivables were classified as "Originated" by the seller, as "Originated".

13.3 Impairments for credit losses

13.3.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Financial assets are assessed on an annual basis to determine whether there is objective evidence of impairment.

13.3.2 Impairment of originated advances

The Bank creates a specific impairment in respect of non-performing advances when there is objective evidence that it will not be able to collect all amounts due. The impairment is calculated as the difference between the carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate at inception of the advance.

The Bank creates further portfolio impairments in respect of performing advances where there is objective evidence that components of the advances portfolio contain losses at the balance sheet date, which will only be specifically identified in the future, or where insufficient data exists to reliably determine whether such losses exist. The portfolio impairments are based upon historical patterns of losses in each component of the performing portfolio, the credit ratings allocated to the borrowers and take account of the current economic climate in which the borrowers operate.

When an advance is uncollectable, it is written off against the related impairment. Subsequent recoveries are credited thereto.

The Bank writes off advances once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

Statutory and other regulatory loan loss reserve requirements that exceed the specific and portfolio impairment amounts are dealt with in a General Risk Reserve as an appropriation of retained earnings.

The Bank reverses impairments through the income statement, if the amount of the impairment subsequently decreases due to an event occurring after the initial impairment.

Property in possession is included in advances and is shown at the lower of cost and net realisable value.

13.3.3 Impairment of other financial assets carried at amortised cost

The Bank calculates the impairment loss for assets carried at amortised cost as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

13.4 Trading securities (including instruments at elected fair value)

The Bank includes in "Trading securities", securities that are:

- acquired for generating a profit from short-term fluctuations in price or dealer's margin; or
- included in a portfolio in which a pattern of short-term profit-taking exists; or
- designated as such on initial recognition.

The Bank initially recognises trading securities at cost (which includes directly attributable transaction costs) and subsequently re-measures them at fair value based on quoted bid prices. It includes all related realised and unrealised gains and losses in trading income. It reports interest earned on trading securities as non-interest income. Dividends received are included in dividend income.

The Bank determines the fair value of listed trading instruments by reference to quoted bid prices, which may be adjusted where the bid/offer spreads for long-dated financial instruments are considered to be significant.

For non-trading, illiquid or unlisted financial instruments, the fair value is the amount for which assets or liabilities could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction, determined using various methods and assumptions that are based on market conditions and risks existing at each balance sheet date. In the case of long-term debt or investment securities, these methods include using quoted market prices or dealer quotes for the same or similar securities, estimated discount values of future cash flows, replacement cost and termination cost.

13.5 Derivative financial instruments and hedging

The Bank initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the balance sheet at cost (including transaction costs) and subsequently re-measures these instruments at their fair value.

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held.

The fair value of non-traded derivatives is based on discounted cash-flow models and option pricing models as appropriate. The Bank recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank recognises fair value changes of derivatives that are designated and qualify as fair value hedges in the income statement along with the corresponding change in fair value of the hedged risk of the hedged asset or liability.

If the hedge no longer meets the accounting criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged financial instrument is amortised to net profit or loss over the period to maturity.

The transitional adjustment in respect of the un-hedged portion of available-for-sale equity securities remains in equity until the disposal of the instrument.

The Bank recognises fair value changes of derivatives that are designated and qualify as cash flow hedges and prove to be highly effective in relation to the hedged risk, in the Cash flow hedging reserve in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, the Bank transfers amounts deferred in equity to the income statement and classifies them as revenue or expense in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

On the date a derivative is entered into, the Bank designates certain derivatives as either:

- a hedge of the fair value of a recognised asset or liability ("fair value hedge"); or
- a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment ("cash flow hedge").

The Bank applies hedge accounting for a derivative instrument when the following criteria are met:

- formal documentation identifying the hedging instrument, hedged item, hedging objective, hedging strategy and relationship between the hedged item and the hedge, is prepared before hedge accounting is applied; and
- the hedge documentation shows that the hedge is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

13.6 Embedded derivatives

The Bank treats derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract; and
- the host contract is not carried at fair value, with gains and losses reported in income.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

14. COMMODITIES

Commodities are carried at the lower of cost or net realisable value and are valued on a weighted average basis. Net realisable value is determined with reference to open market value in arm's length transactions.

15. PROPERTY AND EQUIPMENT

The Bank carries property and equipment at cost less accumulated depreciation.

It depreciates property and equipment on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Management reviews useful lives periodically to evaluate their appropriateness and current and future depreciation charges are adjusted accordingly.

The periods of depreciation used are as follows:

Leasehold premises and capitalised leased assets	Shorter of estimated life or period of lease
Freehold property	50 years
Computer equipment	3 – 5 years
Furniture and fittings	3 – 10 years
Motor vehicles	5 years
Office equipment	3 – 6 years

The Bank impairs an asset to its estimated recoverable amount where there is a permanent diminution in the carrying value of an asset.

Repairs and renewals are charged to the income statement as they are incurred.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in income on disposal.

16. ACCOUNTING FOR LEASES – WHERE A GROUP COMPANY IS THE LESSEE

The Bank classifies leases as property and equipment where it assumes substantially all the benefits and risks of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The Bank allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is charged to the income statement over the lease period. The property and equipment acquired are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned fixed property and equipment.

The Bank classifies leases of assets, where the lessor effectively retains the risks and benefits of ownership, as operating leases. It charges operating lease payments to the income statement on a straight-line basis over the period of the lease. Minimum rentals due after year end are reflected under commitments.

The Bank recognises as an expense any penalty payment to the lessor for early termination of an operating lease before the lease period has expired, in the period in which termination takes place.

17. ACCOUNTING FOR LEASES – WHERE A GROUP COMPANY IS THE LESSOR

17.1 Finance leases

The Bank recognises as advances assets sold under a finance lease at the present value of the lease payments. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Lease income is recognised over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

17.2 Operating leases

The Bank includes in property and equipment assets leased out under operating leases. It depreciates these assets over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on a straight-line basis over the lease term.

17.3 Instalment credit agreements

The Bank regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable thereunder, less unearned finance charges, in advances.

It calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to income in proportion to capital balances outstanding.

18. INTANGIBLE ASSETS

18.1 Computer software development costs

The Bank generally expenses computer software development costs in the year incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Bank exceeding the costs incurred for more than one accounting period, the Bank capitalises such costs and recognises them as an intangible asset.

The Bank carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years. Management reviews the carrying value on an annual basis. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

18.2 Other intangible assets

The Bank does not attribute value to internally developed trademarks, concessions, patents and similar rights and assets, including franchises and management contracts.

The Bank generally expenses the costs incurred on trademarks, concessions, patents and similar rights and assets, whether purchased or created by it, to the income statement in the period in which the costs are incurred.

However, the Bank capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one accounting period.

The Bank carries capitalised trademarks, patents and similar assets at cost less amortisation and any impairments. It amortises these assets at a rate applicable to the expected useful life of the asset, but not exceeding 20 years. Management reviews the carrying value on an annual basis. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

Amortisation and impairments of intangible assets are reflected under operating expenditure in the income statement.

19. DEFERRED TAXATION

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

The Bank recognises deferred tax assets if the directors of FirstRand Bank Limited consider it probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and tax losses carried forward.

20. EMPLOYEE BENEFITS

20.1 Post-employment benefits

The Bank operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the Bank, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the pension accounting costs are assessed using the projected unit credit method.

These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all Bank employees. Qualified actuaries perform annual valuations.

The Bank writes off current service costs immediately, while it expenses past service costs, experience adjustments, and plan amendments over the expected remaining working lives of employees. Actuarial gains and losses are expensed on the basis set out in note 20.5 below. The costs are written off immediately in the case of retired employees.

20.2 Post-retirement medical benefits

In terms of certain employment contracts, the Bank provides for post-retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. The Bank created an independent fund in 1998 to fund these obligations. AC 116 requires that the assets and liabilities in respect thereof be reflected on the balance sheet. The Bank recognises all expenses for post-retirement medical benefits, as well as all investment income of the Fund, in the income statement.

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completing a minimum service period. Qualified actuaries perform annual valuations.

20.3 Termination benefits

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

20.4 Leave pay provision

The Bank recognises in full employees' rights to annual leave entitlement in respect of past service.

20.5 Recognition of actuarial gains and losses

Actuarial gains or losses occur as a result of:

- increases or decreases in the present value of defined benefit plan liabilities;
- increases or decreases in the fair value of plan assets; or
- a combination of the above.

Increases or decreases in the fair value of plan liabilities can be caused by changes in the discount rate used, expected salaries or number of employees, plan benefits and expected inflation rates.

Increases or decreases in the fair value of plan assets occur as a result of the difference between the actual and expected return on the plan assets.

An enterprise has the option of recognising actuarial gains and losses that fall within a specific range ("corridor") in the accounting period in which such loss or gain occurs or defer them to the following accounting period. The portion of the actuarial gains or losses that is in excess of the corridor must be recognised as income or expense in the current accounting period or on a systematic basis over the average remaining lives of the employees affected.

The Bank does not recognise actuarial gains or losses below the corridor limit of 10% in the period under review, but defers such gains or losses to future periods.

21. BORROWINGS

The Bank initially recognises borrowings, including debentures, at the fair value of the consideration received. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective yield on the debentures over their life span. Interest paid is brought to account on an effective interest rate basis.

The Bank separately measures and recognises the fair value of the equity component of an issued convertible bond in equity. It calculates interest on the debt portion of the instrument based on the market rate for a non-convertible instrument at the inception thereof.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

Where the Bank purchases its own debt, the debt is presented on a net basis in the balance sheet and any difference between the carrying amount of the liability and the consideration paid is included in trading income.

22. SHARE CAPITAL

22.1 Share issue costs

Costs directly related to the issue of new shares or options are shown as a deduction from equity.

22.2 Dividends paid

Dividends on ordinary shares are recognised against equity in the period approved by the company's shareholder. Dividends declared after the balance sheet date are not recognised but disclosed as a post-balance sheet event.

23. ACCEPTANCES

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank accounts for and discloses acceptances as a contingent liability.

24. FIDUCIARY ACTIVITIES

The Bank excludes assets and the income thereon, together with related undertakings to return such assets to customers, from these financial statements where it acts in a fiduciary capacity such as nominee, trustee or agent.

25. CHANGE AND RE-INTERPRETATION OF ACCOUNTING POLICY

Impact of the changes in accounting policy and re-interpretation of AC 105 – leases on opening equity

Following the circular 7/2005 issued by SAICA on 2 August 2005 clarifying the interpretation of AC 105 – leases, has resulted in a reduction to retained earnings.

The table below sets out the effect of the changes in accounting policy and re-interpretation of AC 105 on opening retained income:

R million	
Closing balance at 30 June 2003	6 305
Retained income adjusted for:	
Adjustment for lease rentals	(152)
Creation of deferred tax asset for unused STC credits	25
Restated opening balance at 1 July 2003	6 178

Impact of changes in accounting policy and re-interpretation on the period under review and the comparative period

The table below sets out the effect of the changes in accounting policy on the attributable income for the period under review and for the comparative period:

	Audited Year ended 30 June	
R million	**2005**	2004
Adjustment to earnings attributable to ordinary shareholders	**(16)**	20

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26. RESTATEMENT OF PRIOR YEAR NUMBERS

The following line items on the face of the balance sheet, income statement and in the statement of changes in equity have been restated due to the change in accounting policy and re-interpretation of AC 105 – leases, referred to in note 25 above:

R million	As previously reported	As restated	Reason for restatement
Income statement			
Interest income	18 187	18 256	Refer below
Fair value advances	1 262	69	Separate disclosure of investment securities
Investment securities	–	1 193	Refer above
Holding and fellow subsidiaries	1 215	1 203	Separate disclosure of loans to and from holding and fellow subsidiaries and insurance group companies
Insurance group companies	–	81	Refer above
Interest expenditure	(10 895)	(10 964)	Refer below
Holding and fellow subsidiaries	–	(56)	Separate disclosure of loans to and from holding and fellow subsidiaries and insurance group companies
Insurance group companies	–	(13)	Refer above
Operating expenditure	(9 073)	(9 090)	Refer below
– Land and buildings	(297)	(314)	Recognition of lease rental adjustments in terms of AC 105
Direct taxation charge	(1 285)	(1 248)	Refer below
– Deferred			
Current year	40	77	Recognition of lease rental adjustments in terms of AC 105 (R5 million); and recognition of deferred tax asset on STC credits in terms of AC 501 (R32 million)
Balance sheet			
Assets			
Holding and fellow subsidiary companies	20 208	20 175	Separate disclosure of loans to and from holding and fellow subsidiaries and insurance group companies
Loans to insurance group	–	33	Refer above
Liabilities and shareholders' funds			
Holding and fellow subsidiary companies	20 974	17 380	Separate disclosure of loans to and from holding and fellow subsidiaries and insurance group companies
Loans to insurance group	–	3 594	Refer above
Creditors and accruals	2 616	2 851	Refer below
– Other creditors	1 911	2 146	Recognition of lease rental adjustments in terms of AC 105
Deferred taxation liabilities	1 558	1 430	Refer below
– AC 105 adjustments for lease rentals	–	(66)	Recognition of lease rental adjustments in terms of AC 105
– AC 501 adjustments for STC	–	(25)	Recognition of deferred tax asset on STC credits in terms of AC 501
– Charge to the income statement	69	32	Recognition of lease rental adjustments in terms AC 105 (R5 million); and recognition of deferred tax asset on STC credits in terms of AC 501 (R32 million)

Income statement for the year ended 30 June

R million	Notes	2005	2004
Interest income	2	19 894	18 256
Interest expenditure	3	(12 608)	(10 964)
Net interest income before impairment of advances		7 286	7 292
Impairment of advances	10	(572)	(436)
Net interest income after impairment of advances		6 714	6 856
Non-interest income	4	9 538	8 067
– Fee and commission income		6 774	5 471
– Trading income		1 764	534
– Investment income		275	1 124
– Other non-interest income		741	1 019
– Loss on sale of property and equipment		(16)	(81)
Net income from operations		16 252	14 923
Operating expenditure	5	(11 534)	(9 090)
Income from operations		4 718	5 833
Indirect taxation	6	(347)	(309)
Income before direct taxation		4 371	5 524
Direct taxation	6	(1 138)	(1 248)
Earnings attributable to ordinary shareholders		3 233	4 276

Balance sheet as at 30 June

R million		2005	2004
Assets			
Cash and short-term funds	7	14 057	13 123
Derivative financial instruments	8	20 500	17 480
– qualifying for hedging		574	268
– trading		19 926	17 212
Advances	9	201 700	178 122
– originated		163 626	124 042
– held-to-maturity		5 916	7 003
– available-for-sale		1 648	418
– fair value advances		30 510	46 659
Investment securities and other investments	11	26 549	21 861
– held-to-maturity		10	–
– available-for-sale		10 065	11 507
– elected fair value		16 474	10 354
Commodities	12	395	418
Accounts receivable	13	1 241	1 586
Investment in associated companies	14	724	343
Interest in subsidiary companies	15	13	18
Holding and fellow subsidiary companies	16	18 738	20 175
Property and equipment	17	2 095	1 726
Loans to insurance group		3 658	33
Retirement benefit asset	18.3	2 228	1 932
Intangible assets	19	36	26
Total assets		291 934	256 843
Liabilities and shareholders' funds			
Liabilities			
Deposit and current accounts	20	209 728	179 102
Short trading positions	21	14 037	19 471
Derivative financial instruments	8	15 064	14 120
– qualifying for hedging		95	30
– trading		14 969	14 090
Creditors and accruals	22	2 940	2 851
Provisions	23	1 632	1 269
Taxation		104	914
Post-retirement medical liability	18.2	1 165	1 020
Deferred taxation liabilities	6.1	1 950	1 430
Holding and fellow subsidiary companies	16	17 743	17 380
Loans from insurance group		7 956	3 594
Long-term liabilities	24	3 349	3 349
Total liabilities		275 668	244 500
Shareholders' equity			
Ordinary shares	25	4	4
Share premium	25	5 612	2 490
Non-distributable reserves	26	2 579	2 337
Distributable reserves		8 071	7 512
Total shareholders' equity		16 266	12 343
Total liabilities and shareholders' funds		291 934	256 843
Contingencies and commitments	27	24 854	21 257

Cash flow statement for the year ended 30 June

R million	Notes	2005	2004
Cash flows from operating activities	28.1	6 631	7 055
Receipts from customers		29 086	25 304
Interest income		19 856	18 330
Fee and commission income		6 774	5 471
Other income		2 456	1 503
Payments to customers and employees		(22 455)	(18 249)
Interest expenditure (excluding debenture interest)		(12 206)	(10 462)
Total other operating expenditure (excluding depreciation)		(10 249)	(7 787)
Taxation paid	28.3	(1 839)	(1 218)
Cash flows from banking activities		(2 888)	(10 779)
Increase in income-earning assets		(27 020)	(18 257)
Liquid assets and trading securities		(4 688)	2 265
Advances		(24 132)	(26 123)
Net funding from fellow subsidiary companies		1 800	5 601
Increase in deposits and other liabilities		24 132	7 478
Term deposits		22 209	17 989
Current deposit accounts		(6 431)	(2 547)
Deposits from banks		597	5 930
Negotiable certificates of deposit		6 966	12 907
Savings accounts		113	78
Short trading positions		(5 434)	(15 114)
Creditors and accruals net of accounts receivable (including derivatives)		(1 887)	(4 618)
Other liabilities and assets		7 999	(7 147)
Net cash inflow/(outflow) from operating activities		1 904	(4 942)
Cash flows from investment activities			
Capital expenditure		(979)	(834)
Net (acquisition)/proceeds on sale of associates		(381)	434
Proceeds from sale of property and equipment		52	40
Proceeds from sale of investments		98	–
Sale of investments in subsidiaries		5	7
Dividends from other investments		222	804
Dividends from associated companies		19	50
Net cash (outflow)/inflow from investment activities		(964)	501
Cash flows from financing activities			
Net proceeds from the issue of long-term liabilities		–	453
Proceeds from the issue of ordinary shares		122	–
Proceeds from the issue of preference shares		3 000	–
Debenture interest paid		(466)	(438)
Dividends paid	28.2	(2 662)	(1 784)
Net cash flow from financing activities		(6)	(1 769)
Net increase/(decrease) in cash and cash equivalents		934	(6 210)
Cash and cash equivalents at beginning of the year		13 123	19 333
Cash and cash equivalents at end of the year	7	14 057	13 123

Statement of changes in equity for the year ended 30 June

R million	Share and share premium	General risk reserve	Cash flow hedge reserve	Available-for-sale reserve	Currency translation reserve	Other non-distributable reserve	Distributable reserve	Total shareholders' equity
Balance as reported at 1 July 2003	2 494	459	216	143	1	703	6 305	10 321
AC 105 adjustments for lease rentals	–	–	–	–	–	–	(152)	(152)
AC 501 adjustments for STC	–	–	–	–	–	–	25	25
Restated balance at 1 July 2003	2 494	459	216	143	1	703	6 178	10 194
Correction of AC 133 transitional adjustments	–	160	342	46	–	–	(388)	160
Currency translation differences	–	–	–	–	(1)	–	–	(1)
Earnings attributable to ordinary shareholders	–	–	–	–	–	–	4 276	4 276
Final dividend – 6 November 2003	–	–	–	–	–	–	(595)	(595)
Interim dividend – 15 March 2004	–	–	–	–	–	–	(1 189)	(1 189)
Transfer to General Risk Reserve (impaired capital reserve)	–	130	–	–	–	–	(130)	–
Revaluation of available-for-sale assets	–	–	–	(21)	–	–	–	(21)
Revaluation of cash flow hedges	–	–	(481)	–	–	–	–	(481)
Transfer to capital redemption reserve	–	–	–	–	–	640	(640)	–
Balance as at 30 June 2004	2 494	749	77	168	–	1 343	7 512	12 343
Earnings attributable to ordinary shareholders	–	–	–	–	–	–	3 233	3 233
Preference dividends – 30 July 2004	–	–	–	–	–	–	(89)	(89)
Final dividend – 25 October 2004	–	–	–	–	–	–	(1 205)	(1 205)
Final dividend – 25 October 2005	–	–	–	–	–	–	(18)	(18)
Interim dividend – 21 February 2005	–	–	–	–	–	–	(2)	(2)
Interim dividend – 23 March 2005	–	–	–	–	–	–	(1 122)	(1 122)
Interim dividend – 29 April 2005	–	–	–	–	–	–	(111)	(111)
Interim dividend – 30 June 2005	–	–	–	–	–	–	(47)	(47)
Interim dividend – 25 February 2005	–	–	–	–	–	–	(68)	(68)
Transfer to General Risk Reserve (impaired capital reserve)	–	12	–	–	–	–	(12)	–
Revaluation of available-for-sale assets	–	–	–	(30)	–	–	–	(30)
Revaluation of available-for-sale assets transferred to income	–	–	–	45	–	–	–	45
Revaluation of cash flow hedges	–	–	215	–	–	–	–	215
Issue of ordinary shares	122	–	–	–	–	–	–	122
Issue of non-redeemable preference shares	3 000	–	–	–	–	–	–	3 000
Balance as at 30 June 2005	5 616	761	292	183	–	1 343	8 071	16 266

1. Accounting policies

The accounting policies of the bank are set out on pages 26 to 33.

R million	2005	2004
2. Interest income		
Interest on:		
Advances	16 326	15 108
– originated	15 619	14 105
– held-to-maturity	648	934
– available-for-sale	37	–
– fair value advances	22	69
Cash and short-term funds	757	269
Investment securities	1 021	1 193
Holding and fellow subsidiaries	506	1 203
Insurance group companies	2	81
Unwind of present value on non-performing loans	26	86
Other	1 256	316
	19 894	18 256
3. Interest expenditure		
Interest on:		
Deposits from banks and financial institutions	(56)	(91)
Current accounts	(1 807)	(2 193)
Savings accounts	(34)	(40)
Term deposits	(8 430)	(7 493)
Holding and fellow subsidiaries	(579)	(56)
Insurance group companies	(42)	(13)
Debentures and long-term liabilities	(466)	(438)
Other	(1 194)	(640)
	(12 608)	(10 964)

R million	2005	2004
4. Non-interest income		
Fee and commission income		
– Banking	5 958	4 922
– Knowledged based fee and commission income	342	128
– Non-banking fee and commission income	164	144
– Other income	310	277
	6 774	5 471
Trading income		
– Trading dividends received	203	152
– Currency trading	625	702
– Trading profit/(loss)	936	(320)
	1 764	534
Investment income		
– Profit on sale of investments	98	190
– Revaluation (loss)/gain transferred on sale of available-for-sale securities	(45)	130
– Other dividends received	222	804
	275	1 124
Other non-interest income		
– Recoveries from subsidiaries	502	335
– Other income	239	684
	741	1 019
– Loss on sale of property and equipment	(16)	(81)
Total non-interest income	9 538	8 067
5. Operating expenditure		
Auditors' remuneration		
– Audit fees	(32)	(44)
– Fees for other services	(4)	(7)
– Technical advice	(3)	–
– Other	(1)	–
	(36)	(51)
Amortisation of intangible assets		
– Software	(14)	(15)
– Development costs	(1)	(1)
	(15)	(16)
Other impairments incurred		
– Computer equipment	(19)	–
Depreciation		
– Property	(113)	(85)
Freehold buildings	(39)	(20)
Leasehold premises	(74)	(65)
– Equipment	(410)	(348)
Computer equipment	(292)	(202)
Furniture and fittings	(71)	(109)
Motor vehicles	(12)	(8)
Office equipment	(35)	(29)
	(523)	(433)

R million	2005	2004
5. Operating expenditure *(continued)*		
Operating lease charges		
– Land and buildings	(455)	(314)
– Equipment	(185)	(158)
– Motor vehicles	(23)	(23)
	(663)	(495)
Directors' emoluments paid		
– Salaries, wages and allowances	(17)	(25)
– Fees for services as directors/consultants	(2)	(3)
	(19)	(28)
Professional fees		
– Managerial	(1)	(25)
– Technical	(146)	(105)
– Other	(215)	(183)
	(362)	(313)
Direct staff costs		
– Salaries, wages and allowances	(3 800)	(3 586)
– Contributions to employee benefit funds	(836)	(576)
– Social security levies	(41)	(32)
– Other	(274)	(395)
	(4 951)	(4 589)
Staff related costs	(540)	(429)
	(5 491)	(5 018)
Other operating costs	(4 406)	(2 736)
– Insurance	(128)	(123)
– Advertising and marketing	(510)	(354)
– Acquisition costs	(312)	(185)
– eBuck customer reward costs	(162)	(209)
– Maintenance	(421)	(356)
– Property	(215)	(206)
– Stationery	(167)	(170)
– Telecommunications	(311)	(252)
– Holding and fellow subsidiaries	(378)	(108)
– Insurance group	(75)	(24)
– Other	(1 727)	(749)
Total operating expenditure	(11 534)	(9 090)

R million	2005	2004
6. Taxation		
Direct taxation		
Normal taxation		
– Current	(682)	(1 216)
Current year	(1 100)	(1 341)
Prior year adjustment	418	125
– Deferred	(413)	(32)
Current year – normal taxation	8	45
– STC	(15)	32
Prior year adjustment	(457)	(109)
Taxation rate adjustment	51	–
	(1 095)	(1 248)
Customer tax adjustment account	(43)	–
Total direct taxation	(1 138)	(1 248)
Indirect taxation		
Miscellaneous taxes		
Value-added taxation (net)	(308)	(245)
Regional services levy	(43)	(49)
Stamp duties	–	2
Other	4	(17)
Total indirect taxation	(347)	(309)
Total taxation	(1 485)	(1 557)
Taxation rate reconciliation – South African normal taxation	%	%
Effective rate of taxation	31.5	26.7
Total taxation has been affected by:		
Miscellaneous taxes	(7.4)	(5.3)
Non-taxable income	4.7	3.8
Foreign tax rate differential		
Prior year adjustment	(0.8)	0.3
Taxation rate adjustment	1.1	–
Other permanent differences	(0.1)	4.5
Standard rate of South African taxation	29.0	30.0

R million	2005	2004
6. Taxation *(continued)*		
6.1 Deferred taxation		
The movement on the deferred taxation account is as follows:		
Credit balance		
– Balance at the beginning	1 430	1 557
– AC 105 adjustments for lease rentals	–	(66)
– AC 501 adjustments for STC	–	(25)
Restated opening balance	1 430	1 466
– Correction of AC 133 transitional adjustments	–	68
– Charge to the income statement	464	32
– Fair value revaluation	121	(112)
– Taxation rate adjustment	(51)	–
– Other	(14)	(24)
Total credit balance	1 950	1 430

Deferred taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority and there is a legal right to set-off. Deferred taxation liabilities and deferred taxation charge/(credit) in the income statement are attributable to the following items:

	Opening balance	Taxation rate adjustment	Taxation charge	Other	Closing balance
Deferred tax liabilities					
Provision for loan impairment	57	22	586	(647)	18
Provision for post-retirement benefits	–	–	(146)	146	–
Other provisions	(50)	6	14	11	(19)
Cash flow hedges	–	–	212	(283)	(71)
On fair value adjustments of financial instruments	–	–	113	(113)	–
Instalment credit agreements	1 266	(42)	(16)	59	1 267
Accruals	246	(17)	124	270	623
Revaluation of available-for-sale securities to equity	(15)	1	12	6	4
Other	(74)	(21)	(435)	658	128
Total deferred taxation liabilities	1 430	(51)	464	107	1 950

R million	2005	2004
7. Cash and short-term funds		
Coins and bank notes	2 297	2 083
Money at call and short notice	690	513
Balances with central banks	4 860	3 495
Balances guaranteed by central banks	38	99
Balances with other banks	6 172	6 933
	14 057	13 123
Mandatory reserve balances included in above:	4 858	3 494

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank.

These deposits bear no or very low interest.

Money at short notice constitutes amounts withdrawable in 32 days or less.

8. Derivative financial instruments

The Bank uses the following financial instruments for hedging purposes:

Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

Rand overnight deposit swaps are commitments to exchange fixed rate interest flows with floating rate interest flows where the repricing takes place daily on the floating leg based on the daily overnight rates.

Strategy in using hedging instruments

Interest rate derivatives comprising mainly interest Rate swaps, Rand overnight deposit swaps ("RODS") and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and reduce the risk that the bank faces due to volatile interest rates. The bank accepts deposits at variable rates and uses pay fixed interest rate derivatives as cash flow hedges of future interest payments, effectively converting borrowings from floating to fixed rates. The bank also has assets at variable rates and uses received fixed interest rate derivatives as cash flow hedges of future interest receipts.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the bank's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, over time.

The bank's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Management Report on pages 3 to 18 of the Annual Report ("the Risk Report").

Further information pertaining to the risk management of the bank is set out in note 29 below.

	2005			
	Assets		Liabilities	
R million	Notional	Fair value	Notional	Fair value
The bank utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives				
– Swaps	13 167	304	3 498	64
Total cash flow hedges	13 167	304	3 498	64
Fair value hedges				
Interest rate derivatives				
– Swaps	5 680	270	1 460	31
Total fair value hedges	5 680	270	1 460	31
Total qualifying for hedge accounting	18 847	574	4 958	95

R million	2005 Assets Notional	2005 Assets Fair value	2005 Liabilities Notional	2005 Liabilities Fair value
8. Derivative financial instruments *(continued)*				
Held for trading				
Currency derivatives				
– Forward rate agreements	70 822	2 782	68 187	2 612
– Swaps	106 697	7 773	101 848	4 656
– Options	1 933	222	1 624	26
Total currency derivatives	179 452	10 777	171 659	7 294
Interest rate derivatives				
– Forward rate agreements	91 209	212	77 516	189
– Swaps	152 620	5 396	139 118	5 328
– Options	11 611	76	11 309	82
– Other	166	–	–	–
Total interest rate derivatives	255 606	5 684	227 943	5 599
Equity derivatives				
– Options	14 269	1 409	3 667	343
– Other	113	2	–	–
Total equity derivatives	14 382	1 411	3 667	343
Commodity derivatives				
– Forward rate agreements	4 336	322	4 359	702
– Swaps	175	5	566	30
– Options	8 903	1 686	9 223	921
– Other	85	2	186	80
Total commodity derivatives	13 499	2 015	14 334	1 733
Credit derivatives	5 640	39	–	–
Total held for trading	468 579	19 926	417 603	14 969
Total	487 426	20 500	422 561	15 064

	2005					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	13 167	304	13 167	304
Interest rate derivatives	–	–	13 167	304	13 167	304
Fair value hedges	–	–	5 680	270	5 680	270
Interest rate derivatives	–	–	5 680	270	5 680	270
Held for trading	4 866	1	463 713	19 925	468 579	19 926
Currency derivatives	–	–	179 452	10 777	179 452	10 777
Interest rate derivatives	3 667	1	251 939	5 683	255 606	5 684
Equity derivatives	–	–	14 382	1 411	14 382	1 411
Commodity derivatives	1 199	–	12 300	2 015	13 499	2 015
Credit derivatives	–	–	5 640	39	5 640	39
Total	4 866	1	482 560	20 499	487 426	20 500

8. Derivative financial instruments *(continued)*

	2005					
	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	3 498	64	3 498	64
Interest rate derivatives	–	–	3 498	64	3 498	64
Fair value hedges	–	–	1 460	31	1 460	31
Interest rate derivatives	–	–	1 460	31	1 460	31
Held for trading	3 596	5	414 007	14 964	417 603	14 969
Currency derivatives	–	–	171 659	7 294	171 659	7 294
Interest rate derivatives	2 558	3	225 385	5 596	227 943	5 599
Equity derivatives	–	–	3 667	343	3 667	343
Commodity derivatives	1 038	2	13 296	1 731	14 334	1 733
Credit derivatives	–	–	–	–	–	–
Total	3 596	5	418 965	15 059	422 561	15 064

	2004			
	Assets		Liabilities	
R million	Notional	Fair value	Notional	Fair value
The bank utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives				
– Forward rate agreements	500	–	1 100	–
– Swaps	22 828	268	7 497	30
Total cash flow hedges	23 328	268	8 597	30
Held for trading				
Currency derivatives				
– Forward rate agreements	33 001	2 993	34 326	2 790
– Swaps	53 833	5 168	50 246	3 478
– Options	618	38	1 358	69
– Other	–	–	464	3
Total currency derivatives	87 452	8 199	86 394	6 340
Interest rate derivatives				
– Forward rate agreements	75 390	68	88 150	76
– Swaps	125 792	4 307	149 994	4 074
– Options	5 495	7	2 497	16
– Other	82	–	52	–
Total interest rate derivatives	206 759	4 382	240 693	4 166

R million	2004 Assets Notional	Assets Fair value	Liabilities Notional	Liabilities Fair value
8. Derivative financial instruments *(continued)*				
Equity derivatives				
– Options	14 108	1 219	4 053	650
– Other	129	2	61	–
Total equity derivatives	14 237	1 221	4 114	650
Commodity derivatives				
– Forward rate agreements	5 649	370	5 299	875
– Swaps	146	4	453	19
– Options	5 606	1 527	5 540	889
– Other	250	16	384	43
Total commodity derivatives	11 651	1 917	11 676	1 826
Credit derivatives	2 451	1 493	1 263	1 108
Total held for trading	322 550	17 212	344 140	14 090
Total	345 878	17 480	352 737	14 120

R million	2004 Assets: Derivative instruments — Exchange traded Notional	Exchange traded Fair value	Over the counter Notional	Over the counter Fair value	Total Notional	Total Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	23 328	268	23 328	268
Interest rate derivatives	–	–	23 328	268	23 328	268
Held for trading	2 204	1 193	320 346	16 019	322 550	17 212
Currency derivatives	(321)	(300)	87 773	8 499	87 452	8 199
Interest rate derivatives	110	1	206 649	4 381	206 759	4 382
Equity derivatives	64	–	14 173	1 221	14 237	1 221
Commodity derivatives	–	–	11 651	1 917	11 651	1 917
Credit derivatives	2 351	1 492	100	1	2 451	1 493
Total	2 204	1 193	343 674	16 287	345 878	17 480

R million	2004 Liabilities: Derivative instruments — Exchange traded Notional	Exchange traded Fair value	Over the counter Notional	Over the counter Fair value	Total Notional	Total Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	8 597	30	8 597	30
Interest rate derivatives	–	–	8 597	30	8 597	30
Held for trading	1 388	10	342 752	14 080	344 140	14 090
Currency derivatives	554	4	85 840	6 336	86 394	6 340
Interest rate derivatives	771	4	239 922	4 162	240 693	4 166
Equity derivatives	63	2	4 051	648	4 114	650
Commodity derivatives	–	–	11 676	1 826	11 676	1 826
Credit derivatives	–	–	1 263	1 108	1 263	1 108
Total	1 388	10	351 349	14 110	352 737	14 120

R million	2005 Originated	2005 Held-to-maturity	2005 Available-for-sale	2005 Fair value	2005 Total	2004 Total
9. Advances						
Sector analysis						
Agriculture	4 107	–	452	149	4 708	5 453
Banks and financial services	6 256	–	1 283	18 205	25 744	34 970
Building and property development	10 420	–	–	–	10 420	5 065
Government, Land Bank and public authorities	677	–	–	4 833	5 510	11 059
Individuals	110 117	5 916	–	8	116 041	88 017
Manufacturing and commerce	18 854	–	–	4 994	23 848	27 519
Mining	2 903	–	–	453	3 356	1 820
Transport and communication	4 206	–	–	340	4 546	2 978
Other services	8 362	–	–	1 528	9 890	3 726
Notional value of advances	165 902	5 916	1 735	30 510	204 063	180 607
Contractual interest suspended	(387)	–	–	–	(387)	(459)
Gross advances	165 515	5 916	1 735	30 510	203 676	180 148
Impairment of advances (note 10)	(1 889)	–	(87)	–	(1 976)	(2 026)
Net advances	163 626	5 916	1 648	30 510	201 700	178 122
Net advances – 2004	124 042	7 003	418	46 659	178 122	
Geographic analysis (based on credit risk)						
South Africa	165 679	5 916	1 735	21 279	194 609	145 168
Other Africa	31	–	–	147	178	209
Europe	167	–	–	9 038	9 205	4 799
United Kingdom	159	–	–	5 613	5 772	3 845
Ireland	1	–	–	1 024	1 025	333
Other Europe	7	–	–	2 401	2 408	621
North America	18	–	–	22	40	98
South America	–	–	–	24	24	32
Australasia	–	–	–	–	–	33
Other	7	–	–	–	7	30 268
Total value of advances	165 902	5 916	1 735	30 510	204 063	180 607
Contractual interest suspended	(387)	–	–	–	(387)	(459)
Gross advances	165 515	5 916	1 735	30 510	203 676	180 148
Impairment of advances (note 10)	(1 889)	–	(87)	–	(1 976)	(2 026)
Net advances	163 626	5 916	1 648	30 510	201 700	178 122
Net advances – 2004	124 042	7 003	418	46 659	178 122	

R million	2005 Originated	2005 Held-to-maturity	2005 Available-for-sale	2005 Fair value	2005 Total	2004 Total
9. Advances *(continued)*						
Category analysis						
Overdrafts and managed accounts	23 634	–	–	–	23 634	20 544
Card loans	6 989	–	–	–	6 989	5 325
Instalment sales	34 550	–	–	252	34 802	27 725
Lease payments receivable	18 604	–	–	–	18 604	14 322
Property finance	64 462	5 916	–	–	70 378	52 036
– Home loans	60 729	5 916	–	–	66 645	49 021
– Commercial property finance	3 733	–	–	–	3 733	3 015
Personal loans	3 947	–	–	–	3 947	5 164
Preference share advances	654	–	–	–	654	659
Collateralised debt obligations	182	–	–	–	182	100
Assets under agreement to resell	191	–	–	8 112	8 303	20 327
Other	12 689	–	1 735	22 146	36 570	34 405
Notional value of advances	165 902	5 916	1 735	30 510	204 063	180 607
Contractual interest suspended	(387)	–	–	–	(387)	(459)
Gross advances	165 515	5 916	1 735	30 510	203 676	180 148
Impairment of advances (note 10)	(1 889)	–	(87)	–	(1 976)	(2 026)
Net advances	163 626	5 916	1 648	30 510	201 700	178 122
Net advances – 2004	124 042	7 003	418	46 659	178 122	

R million	2005 Within 1 year	2005 Between 1 and 5 years	2005 More than 5 years	2005 Total	2004 Total
Analysis of instalment sales and lease payments receivable					
Lease payments receivable	5 083	13 245	288	18 616	33 935
Suspensive sale instalments receivable	11 956	30 008	9	41 973	14 300
	17 039	43 253	297	60 589	48 235
Less: Unearned finance charges	(2 039)	(5 143)	(1)	(7 183)	(6 188)
	15 000	38 110	296	53 406	42 047

A maturity analysis of advances is set out in paragraph 29.7 on page 65 and 66 of this annual report, and is based on the remaining periods to contractual maturity from the year end.

The bank has not recognised contingent rentals in income during the period.

R million	2005 Total impairment	2005 Specific impairment	2005 Portfolio impairment	2005 Income statement
10. Impairment of advances				
Analysis of movement in impairment of advances				
Opening balance	2 026	1 582	444	–
Amounts written off	(807)	(807)	–	–
Unwinding of discounted present value on non-performing loans	(26)	(26)	–	–
Reclassifications	–	(48)	48	–
Net new impairments created	783	739	44	(783)
Impairments created	1 277	1 205	72	(1 277)
Impairments released	(494)	(466)	(28)	494
Recoveries of bad debts	–	–	–	212
Other	–	–	–	(1)
Closing balance	1 976	1 440	536	(572)

R million	2004 Total impairment	2004 Specific impairment	2004 Portfolio impairment	2004 Income statement
Opening balance	2 572	1 912	660	–
Correction of AC 133 transitional adjustments	(228)	–	(228)	–
Amounts written off	(986)	(860)	(126)	–
Unwinding of discounted present value on non-performing loans	(91)	(91)	–	–
Reclassifications	–	(13)	13	–
Net new impairments created	759	634	125	(759)
Impairments created	1 325	1 077	248	(1 325)
Impairments released	(566)	(443)	(123)	566
Recoveries of bad debts	–	–	–	312
Other	–	–	–	11
Closing balance	2 026	1 582	444	(436)

R million	2005 Credit risk	2005 Security held	2005 Contractual interest suspended	2005 Specific impairments	2004 Specific impairments
10. Impairment of advances *(continued)*					
Non-performing lendings by sector					
Agriculture	149	112	18	47	40
Banks and financial services	171	18	46	111	203
Building and property development	99	61	28	44	14
Government, Land Bank and public authorities	197	–	10	27	3
Individuals	1 213	494	143	796	730
Manufacturing and commerce	783	130	104	296	581
Mining	13	2	4	8	5
Transport and communication	41	6	7	36	6
Other services	147	27	27	75	–
Total	2 813	850	387	1 440	1 582
2004 Total non-performing lendings	2 910	751	459	1 582	
Non-performing lendings by category					
Overdrafts, term loans and managed account debtors	894	280	190	536	526
Card loans	264	–	22	219	211
Instalment sale	294	53	32	181	114
Lease payments receivable	193	35	21	105	133
Home loans	526	419	76	258	281
Commercial property finance	55	36	17	13	–
Other	587	27	29	128	317
Total	2 813	850	387	1 440	1 582
2004 Total non-performing lendings	2 910	751	459	1 582	

R million	2005 Held-to-maturity	2005 Available-for-sale	2005 Elected	2005 Total	2004 Total
11. Investment securities and other investments					
Total					
Negotiable certificates of deposit	–	–	736	736	450
Treasury bills	10	–	2 473	2 483	1 517
Other government and government guaranteed stock	–	9 790	6 117	15 907	14 244
Other dated securities	–	1	801	802	1 399
Other undated securities	–	–	786	786	81
Other	–	274	5 561	5 835	4 170
	10	10 065	16 474	26 549	21 861
Total – 2004	–	11 507	10 354	21 861	
Listed					
Negotiable certificates of deposit					
Treasury bills	–	–	–	–	–
Other government and government guaranteed stock	–	9 790	3 942	13 732	13 204
Other dated securities	–	–	715	715	79
Other undated securities	–	–	–	–	–
Other	–	–	3 104	3 104	404
	–	9 790	7 761	17 551	13 687
Listed – 2004	–	11 224	2 463	13 687	
Unlisted					
Negotiable certificates of deposit	–	–	736	736	450
Treasury bills	10	–	2 473	2 483	1 517
Other government and government guaranteed stock	–	–	2 175	2 175	1 040
Other dated securities	–	1	86	87	1 320
Other undated securities	–	–	786	786	81
Other	–	274	2 457	2 731	3 766
	10	275	8 713	8 998	8 174
Unlisted – 2004	–	283	7 891	8 174	

R11 115 million (2004: R9 775 million) of the financial instruments form part of the bank's liquid asset portfolio in terms of the South African Reserve Bank and other foreign banking regulators' requirements.

R million	2005	2004
Analysis of investment securities		
Listed	17 551	13 687
Equities	1 383	404
Debt	16 168	13 283
Unlisted	8 998	8 174
Equities	2 728	3 135
Debt	6 270	5 039
	26 549	21 861
Aggregate market value of listed securities	17 551	13 687
Aggregate directors' valuation of unlisted investments	8 998	8 174
	26 549	21 861

Held-to-maturity securities are carried at amortised cost in both years. Available-for-sale securities are carried at fair value.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act is kept at the Company's registered offices. This information is open for inspection in terms of the provisions of Section 113 of the Companies Act.

The maturity analysis for investment securities is set out in note 29.7 below.

R million	2005	2004
12. Commodities		
Agricultural stock	**377**	418
Other	**18**	–
	395	418
13. Accounts receivable		
Items in transit	**200**	–
Accrued interest	**60**	22
Other	**981**	1 564
	1 241	1 586
14. Investment in associated companies		
Listed investments		
Equity investments at cost less amounts written off	**544**	190
Unlisted investments		
Equity investments at cost less amounts written off	**180**	153
Total carrying value	**724**	343
Valuation		
Listed investments at market value	**544**	394
Unlisted investments at directors' valuation	**343**	161
Total valuation	**887**	555

	Nature of business	Issued ordinary share capital R	Number of ordinary shares held	Year end
Listed				
Makalani Holdings Limited*	Investment holding	625 000 000	5 437 380	30 Jun
Unlisted				
Natal Lands (Pty) Limited	Property holding	240 000	60 000	31 Dec
Toyota Financial Services (Pty) Limited	Vehicle finance	4 500	1 499	31 Mar

	Effective holding %		Market value or directors' valuation		Bank costs less amounts written off	
R million	**2005**	2004	**2005**	2004	**2005**	2004
Listed						
Makalani Holdings Limited*	**22**	–	**544**	–	**544**	–
Relyant Retail Limited	**–**	26	**–**	394	**–**	190
Total listed			**544**	394	**544**	190
Unlisted						
Natal Lands (Pty) Limited	**50**	50	**–**	3	**1**	1
SBV Services (Pty) Limited	**25**	25	**9**	–	**10**	–
Mobile Acceptances (Pty) Limited	**–**	26	**–**	4	**–**	–
Pamodzi Investment Holdings (Pty) Limited	**20**	–	**18**	–	**18**	–
Toyota Financial Services (Pty) Limited	**33**	33	**217**	67	**150**	150
Other	**Various**		**99**	87	**1**	2
Total unlisted			**343**	161	**180**	153
Total listed and unlisted			**887**	555	**724**	343

* *This is a new company and as such no information has been made publicly available.*

R million	Mobile Acceptance (Pty) Limited 2005	2004	Toyota Financial Services (Pty) Limited 2005	2004	Natal Lands (Pty) Limited 2005	2004
14. Investment in associated companies *(continued)*						
Summarised financial information of associated companies:						
Balance sheet						
Non-current assets	**–**	7	**4 831**	3 584	**–**	5
Current assets	**–**	16	**1 796**	1 261	**–**	2
Current liabilities	**–**	(2)	**(805)**	(173)	**–**	(1)
Non-current liabilities	**–**	(5)	**(5 300)**	(4 233)	**–**	–
Equity	**–**	16	**522**	439	**–**	6
Loan to associates	**–**	–	**3 215**	3 444	**–**	–

R million	Relyant Retail Limited 2005	2004
Balance sheet		
Non-current assets	**–**	501
Current assets	**–**	1 846
Current liabilities	**–**	(695)
Non-current liabilities	**–**	(337)
Equity	**–**	1 315
Loan to associates	**–**	–

R million	2005	2004
15. Interest in subsidiary companies		
Shares at cost less amounts written off	**13**	18

	Nature of business	Issued capital Rand	Effective holding %	Investment in subsidiaries Rand
30 June 2005				
Direct Axis (Pty) Limited	**Financial services**	**13 333**	**51**	**11 000 000**
RMB Corporate Finance (Pty) Limited	**Investment**	**1 000**	**100**	**1 282 762**
Other				**892 238**
				13 175 000
30 June 2004				
Direct Axis (Pty) Limited	Financial services	13 333	51.0	11 000 000
Comcorp Online (Pty) Limited	Technology	200	80.0	5 000 160
RMB Corporate Finance (Pty) Limited	Investment	1 000	100.0	1 282 762
Other				506 078
				17 789 000

R million	2005	2004
16. Holding and fellow subsidiary companies		
Amounts due to holding company	(200)	(344)
Amounts due to fellow subsidiary companies	(17 543)	(17 036)
Amounts due to holding and fellow subsidiary companies	(17 743)	(17 380)
Amounts due by holding company	760	941
Amounts due by fellow subsidiary companies	17 978	19 234
Amounts due by holding and fellow subsidiary companies	18 738	20 175
Net amounts due by holding and fellow subsidiary companies	995	2 795

These loans have no fixed terms of repayment and carry varying rates of interest. Loans to fellow subsidiary companies amounting to R57 million are subject to subordination agreements until such time that their assets fairly valued, exceed their liabilities.

R million	Cost 2005	Accumulated depreciation and impairments 2005	Net book value 2005	Cost 2004	Accumulated depreciation and impairments 2004	Net book value 2004
17. Property and equipment						
Property						
Freehold land and buildings	883	(388)	495	690	(368)	322
Leasehold premises	534	(287)	247	421	(224)	197
	1 417	(675)	742	1 111	(592)	519
Equipment						
Computer equipment	2 176	(1 351)	825	1 873	(1 170)	703
Furniture and fittings	718	(386)	332	683	(334)	349
Motor vehicles	70	(34)	36	63	(31)	32
Office equipment	279	(119)	160	213	(90)	123
	3 243	(1 890)	1 353	2 832	(1 625)	1 207
Total	4 660	(2 565)	2 095	3 943	(2 217)	1 726

R million	Freehold land and buildings	Leasehold premises	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment
Movement in property and equipment – net book value						
Net book value at 1 July 2003	377	161	504	294	25	111
Additions	45	103	458	168	18	42
Depreciation charge for period	(20)	(65)	(202)	(109)	(8)	(29)
Impairments	(6)	–	–	–	–	–
Disposals	(65)	(8)	(22)	(15)	(3)	(8)
Other	(9)	6	(35)	11	–	7
Net book value at 30 June 2004	322	197	703	349	32	123
Additions	247	132	437	55	17	91
Depreciation charge for period	(39)	(74)	(292)	(71)	(12)	(35)
Impairments	–	–	(19)	–	–	–
Disposals	(35)	(8)	(4)	(1)	(1)	(19)
Net book value at 30 June 2005	495	247	825	332	36	160

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the Company's registered offices. This information will be open for inspection in terms of the provisions of section 113 of the Companies Act, 1973.

18. Pension and post-retirement benefits

The Bank has incurred a liability to subsidise the post-retirement medical expenditure of certain of its employees.

At 30 June 2005, the actuarially determined liability of the bank was R1 268 million (2004: R1 099 million).

R million	2005	2004
18.1 Post-retirement pension		
Pension liability		
Present value of funded liability	12 316	9 816
Fair value of plan assets	(12 316)	(9 643)
Pension fund surplus	–	173
Unrecognised actuarial loss	–	(173)
Retirement benefit asset	–	–
The amounts recognised in the income statement are as follows:		
Current service cost	283	248
Interest cost	956	978
Expected return on plan assets	(952)	(935)
Other	(4)	(43)
Total included in staff costs	283	248
Movement in liability recognised in pension fund surplus:		
Present value at the beginning of the year	–	–
Amounts recognised in the income statement as above	283	248
Contributions paid	(283)	(248)
Present value at the end of the year	–	–
The principal actuarial assumptions used for accounting purposes were:		
Discount rate (%)	8.25	10.0
Expected return on plan assets (%)	8.25	10.0
Salary inflation (%)	4.50	6.0
Net interest rate used to value pensions, allowing for pension increases (%)	5.00	5.0
18.2 Post-retirement medical liability		
Present value of unfunded liability	1 268	1 099
Unrecognised actuarial losses	(103)	(79)
Post-retirement medical liability	1 165	1 020
The amounts recognised in the income statement are as follows:		
Current service cost	28	27
Expected return on plan assets	61	–
Interest cost	107	99
Total included in staff costs	196	126
Movement in liability recognised in the balance sheet:		
Liability at the beginning of the year	1 020	942
Amounts recognised in the income statement as above	196	126
Contributions paid	(51)	(48)
Liability value at the end of the year	1 165	1 020
The principal actuarial assumptions used for accounting purposes were:		
Discount rate (%)	8.25	10.0
Long-term increase in medical subsidies (%)	6.25	8.0
18.3 Employee benefit assets		
Leave pay insurance policy	650	650
Post-retirement medical asset	1 578	1 282
	2 228	1 932

R million	2005	2004
19. Intangible assets		
Intangible assets		
Gross amount	90	65
Less: Accumulated amortisation	(54)	(39)
	36	26
Movement in intangibles – book value		
Opening balance	26	21
Additions	25	21
Accumulated amortisation	(15)	(16)
	36	26
Software		
Gross amount	82	62
Less: Accumulated amortisation	(52)	(38)
	30	24
Movement in software – book value		
Opening balance	24	21
Additions	20	18
Accumulated amortisation	(14)	(15)
	30	24
Development costs		
Gross amount	8	3
Less: Accumulated amortisation	(2)	(1)
	6	2
Movement in development costs – book value		
Opening balance	2	–
Additions	5	3
Accumulated amortisation	(1)	(1)
	6	2
Total intangible assets		
Software	30	24
Development costs	6	2
	36	26

R million	2005	2004
20. Deposit and current accounts		
From banks and financial institutions	18 784	18 187
– In the normal course of business	5 896	4 526
– Under repurchase agreements	12 888	13 661
From customers	136 425	120 534
– Current accounts	45 769	52 200
– Savings account	1 776	1 663
– Term deposits	88 880	66 671
Other deposits	54 519	40 381
– Negotiable certificates of deposit	30 891	23 925
– Other deposits	23 628	16 456
	209 728	179 102
Geographic analysis (based on counterparty risk)		
South Africa	203 529	172 736
Other Africa	1 338	972
United Kingdom	2 599	3 498
Other	2 262	1 896
	209 728	179 102

Deposits include amounts raised under repurchase agreements with a carrying value of R12 888 (2004: R13 661).

R million	2005	2004
21. Short trading positions		
Government and government guaranteed	5 510	13 251
Other dated securities	2 843	2 599
Undated securities	5 684	3 621
	14 037	19 471
Analysed as follows:		
Listed	11 211	16 856
Unlisted	2 826	2 615
	14 037	19 471

Short trading positions are carried at fair value. Fair market value for listed securities are their market quoted prices, and for unlisted securities are based on the directors' valuation using suitable valuation methods.

R million	2005	2004
22. Creditors and accruals		
Accrued interest	43	107
Accounts payable	479	476
Short-term portion of long-term liabilities	–	122
Other creditors	2 418	2 146
	2 940	2 851

R million	2005	2004
23. Provisions		
Leave pay		
Opening balance	610	581
Charged to the income statement	121	112
Utilised	(109)	(83)
Closing balance	622	610
Audit fees		
Opening balance	18	28
Charged to the income statement	32	44
Utilised	(37)	(54)
Closing balance	13	18
Other		
Opening balance	641	369
Charged to the income statement	818	340
Utilised	(462)	(68)
Closing balance	997	641
Total provisions	1 632	1 269
24. Long-term liabilities		
Debentures		
Unsecured debt securities amortising over the period to 2005	–	122
Less: Portion payable within 12 months transferred to current liabilities	–	(122)
	–	–
Other long-term liabilities		
Subordinated convertible loans		
Unsecured debt security amortising over the period to 2009[a]	2 349	2 349
Fixed rate bonds[b]	700	700
Floating rate bond[c]	300	300
Total long-term liabilities	3 349	3 349

a The subordinated convertible loans are redeemable in 2009 and bear interest at 16.5% semi-annually. These loans are convertible into ordinary shares at the option of the holder at any time prior to redemption.

b The fixed rate bonds mature 31 August 2010 and bear interest at 1.2% above the R153 bond rate.

c The floating rate bonds mature 31 August 2010 and bear interest at 0.715% above the three-month JIBAR rate.

R million	2005	2004
25. Ordinary and non-redeemable preference shares		
Ordinary shares		
Authorised		
2 000 000 ordinary shares of R2 each	4	4
100 000 000 non-cumulative non-redeemable preference shares with a par value of 1 cent per share	1	–
Issued		
1 758 842 (2004: 1 758 305) ordinary shares of R2 each	4	4
3 000 000 non-cumulative non-redeemable preference shares with a par value of 1 cent per share to Holding Company	–	–
	4	4
Share premium		
1 758 842 (2004: 1 758 305) ordinary shares of R2 each	2 612	2 490
3 000 000 non-cumulative non-redeemable preference shares with a par value of 1 cent per share to Holding Company	3 000	–
	5 612	2 490
26. Non-distributable reserves		
Cash flow hedging reserve	292	77
Revaluation reserve – available-for-sale instruments	183	168
General risk reserve (impaired capital reserve)	761	749
Capital redemption reserve fund	1 345	1 345
Other	(2)	(2)
	2 579	2 337
A detailed reconciliation of the movements in the respective non-distributable reserve balances is set out in the statement of changes in equity.		
27. Contingencies and commitments		
Contingencies		
Guarantees*	12 828	12 737
Acceptances	5	21
Letters of credit	12 021	8 499
	24 854	21 257
** Includes undrawn irrevocable facilities.*		
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or group basis.		
Provision is made for all liabilities which are expected to materialise.		
Employee benefit contingent liability		
A contingent liability has been raised in respect of pension fund holidays taken since 15 December 2001	–	315
Interest claims contingent liability		
The Bank has contingent liabilities in respect of certain outstanding claims	150	150
Interest claims contingent asset		
The Bank has reciprocal claims against other institutions. These claims qualify as contingent assets	134	150
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by directors:		
Contracted for	83	66
Not contracted for	486	184
Funds to meet these commitments will be provided from the Bank's resources.		

R million	Next year (2005)	2nd to 5th year (2005)	After 5th year (2005)
27. Contingencies and commitments *(continued)*			
Bank commitments under operating leases			
Office premises	241	509	113
Equipment and motor vehicles	27	32	–
	268	541	113

R million	Next year (2004)	2nd to 5th year (2004)	After 5th year (2004)
Office premises	450	1 184	40
Equipment and motor vehicles	27	26	–
	477	1 210	40

R million	2005	2004
28. Cash flow information		
28.1 Reconciliation of operating profit to cash flow from operating activities		
Income from operations	4 718	5 833
Adjusted for:		
– Depreciation, amortisation and impairment costs	538	449
– Impairment of advances	572	436
– Provision for post-employment benefit obligations	(243)	374
– Impairment of property and equipment	19	–
– Other non-cash provisions	869	618
– Net profit on sale of property and equipment and investments	(82)	(109)
– Revaluation loss/(gain) transferred to available-for-sale securities	15	(130)
– Debenture interest paid	466	438
– Dividends from other investments	(222)	(804)
– Dividends from associated companies	(19)	(50)
Cash flows from operating activities	6 631	7 055
28.2 Dividends paid		
Amounts unpaid at beginning of the year	–	–
Charged to distributable reserves	(2 662)	(1 784)
Amounts unpaid at end of the year	–	–
Total dividends paid	(2 662)	(1 784)
28.3 Taxation paid		
Amounts unpaid at beginning of the year	(914)	(607)
Taxation charge per income statement	(1 138)	(1 248)
Customer taxation adjustment	43	–
Deferred taxation included in tax charge	413	32
VAT and other tax charges	(347)	(309)
Amounts unpaid at end of the year	104	914
Total taxation paid	(1 839)	(1 218)

29. Risk management

29.1 General

The Risk Management Report of the bank is contained on pages 3 to 18 ("the Risk Report"). The report sets out in detail the various risks the bank is exposed to, as well as the strategy, methodology and instruments used to mitigate these risks.

Risk control policies and exposure limits for the key risk areas of the bank are approved by the Board, while operational policies and control procedures are approved by the relevant risk committees. Details of the bank's risk management structure, the risk management methodologies and the various risk committees are set out on pages 3 to 5 of the Risk Report. Pages 3 to 6 of the Risk Report form part of the audited financial statements.

Strategy in using financial instruments

By its nature the bank's activities are principally related to the use of financial instruments including derivatives. The bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The bank also trades in financial instruments where it takes positions in traded and over the counter instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency, interest rate and commodity prices. The Board of the bank places trading limits on the level of exposure than can be taken in relation to both overnight and intra-day positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

29.2 Strategy in using hedges

The bank strategy for using hedges is set out in note 8 above, read with the Risk Report.

29.3 Credit risk management

Credit risk

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. In general, the bank manages its credit risk exposure by placing limits on the acceptable risk exposure to individual borrowers or groups of borrowers, and within geographic and industry segments. Credit risk is monitored on an ongoing basis. Further detail on credit risk management is contained in the Risk Management report on pages 7 to 10 of the Annual Report.

Significant credit exposures at 30 June 2005 were:

R million	South Africa	Other Africa	United Kingdom	Ireland	Other Europe	North America	South America	Austral-asia	Other	Total
Assets										
Advances	194 608	178	5 772	1 025	2 408	41	24	–	7	204 063
Contingencies	20 141	884	141	2 878	317	54	9	2	428	24 854
	214 749	1 062	5 913	3 903	2 725	95	33	2	435	228 917

Economic sector risk concentrations in respect of advances are set out in note 9.

Significant credit exposures at 30 June 2004 were:

R million	South Africa	Other Africa	United Kingdom	Ireland	Other Europe	North America	South America	Austral-asia	Other	Total
Assets										
Advances	161 377	209	13 459	1 230	3 779	481	33	33	6	180 607
Contingencies	18 818	1 004	173	479	177	1	17	2	586	21 257
	180 195	1 213	13 632	1 709	3 956	482	50	35	592	201 864

29. Risk management *(continued)*

29.4 Market risk

The bank takes on exposure to market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The bank applies a "Value at Risk" methodology to estimate the market risk positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The primary risk control mechanism used for risk control purposes are stress loss test and limits. Further details on the market risk management are set out in the Risk Report on pages 12 and 13 of the Annual Report.

29.5 Currency risk management

The bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The bank manages foreign currency exposures in terms of approved limits. The currency position at 30 June 2005 is set out below:

R million	Rand	UK£	US$	Eur	Other	Total
Assets						
Cash and short-term funds	9 317	114	4 527	46	53	14 057
Derivative financial instruments	10 466	390	6 162	3 338	144	20 500
– qualifying for hedging	574	–	–	–	–	574
– trading	9 892	390	6 162	3 338	144	19 926
Advances	193 790	520	6 290	1 072	28	201 700
– originated	163 451	157	18	–	–	163 626
– held-to-maturity	5 916	–	–	–	–	5 916
– available-for-sale	1 648	–	–	–	–	1 648
– fair value advances	22 775	363	6 272	1 072	28	30 510
Investment securities and other investments	26 544	–	–	5	–	26 549
– held-to-maturity	10	–	–	–	–	10
– available-for-sale	10 060	–	–	5	–	10 065
– at elected fair value	16 474	–	–	–	–	16 474
Commodities	395	–	–	–	–	395
Accounts receivable	1 241	–	–	–	–	1 241
Investment in associated companies	724	–	–	–	–	724
Interest in subsidiary companies	13	–	–	–	–	13
Holding and fellow subsidiary companies	16 011	343	2 380	–	4	18 738
Property and equipment	2 095	–	–	–	–	2 095
Loans to insurance group	3 655	3	–	–	–	3 658
Retirement benefit asset	2 228	–	–	–	–	2 228
Intangible assets	36	–	–	–	–	36
	266 515	1 370	19 359	4 461	229	291 934

R million	Rand	UK£	US$	Eur	Other	Total
29. Risk management *(continued)*						
29.5 Currency risk management *(continued)*						
Liabilities						
Deposit and current accounts	205 608	670	2 461	920	69	209 728
Short trading positions	14 037	–	–	–	–	14 037
Derivative financial instruments	8 618	249	3 631	2 303	263	15 064
– qualifying for hedging	95	–	–	–	–	95
– trading	8 523	249	3 631	2 303	263	14 969
Creditors and accruals	2 938	–	2	–	–	2 940
Provisions	1 632	–	–	–	–	1 632
Taxation	104	–	–	–	–	104
Post-retirement benefit fund liability	1 165	–	–	–	–	1 165
Deferred taxation liabilities	1 950	–	–	–	–	1 950
Holding and fellow subsidiary companies	17 730	–	1	1	11	17 743
Loans from insurance group	7 896	19	40	1	–	7 956
Long-term liabilities	3 349	–	–	–	–	3 349
Shareholders' equity	16 266	–	–	–	–	16 266
	281 293	938	6 135	3 225	343	291 934

29.6 Interest rate risk management

Interest sensitivity of assets, liabilities and off-balance sheet items – repricing analysis

The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The board of directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table following summarises the bank's exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

Further details on the interest rate risk management are set out in the Risk Report on pages 10 to 11.

R million	Carrying amount 2005	Interest earning/bearing: Demand	Term to repricing: 1-12 months	1-5 years	Over 5 years	Non-interest earning/ bearing
29. Risk management *(continued)*						
Assets						
Cash and short-term funds	**14 057**	9 142	127	–	–	4 788
Derivative financial instruments	**20 500**	–	6 623	6 568	5 898	1 411
– qualifying for hedging	**574**	–	160	414	–	–
– trading	**19 926**	–	6 463	6 154	5 898	1 411
Advances	**201 700**	104 461	44 180	40 911	12 138	10
– originated	**163 626**	88 930	35 108	31 283	8 295	10
– held-to-maturity	**5 916**	–	3 169	2 188	559	–
– available-for-sale	**1 648**	365	–	–	1 283	–
– fair value advances	**30 510**	15 166	5 903	7 440	2 001	–
Investment securities and other investments	**26 549**	12 274	4 914	1 926	6 616	819
– held-to-maturity	**10**	10	–	–	–	–
– available-for-sale	**10 065**	–	3 565	24	6 226	250
– at elected fair value	**16 474**	12 264	1 349	1 902	390	569
Commodities	**395**	–	–	–	–	395
Accounts receivable	**1 241**	19	206	–	–	1 016
Investment in associated companies	**724**	–	–	–	–	724
Interest in subsidiary companies	**13**	–	–	–	–	13
Holding and fellow subsidiary companies	**18 738**	14 495	1 099	2 827	24	293
Property and equipment	**2 095**	–	–	–	–	2 095
Loans to insurance group	**3 658**	2 245	1 386	1	24	2
Retirement benefit asset	**2 228**	–	–	–	2 228	–
Intangible assets	**36**	–	–	–	–	36
	291 934	142 636	58 535	52 233	26 928	11 602
Liabilities						
Deposit and current accounts	**209 728**	124 281	79 385	4 816	570	676
Short trading positions	**14 037**	5	872	1 389	6 087	5 684
Derivative financial instruments	**15 064**	4	7 720	4 202	2 795	343
– qualifying for hedging	**95**	–	54	40	–	1
– trading	**14 969**	4	7 666	4 162	2 795	342
Creditors and accruals	**2 940**	147	87	–	–	2 706
Provisions	**1 632**	–	–	–	–	1 632
Taxation	**104**	–	–	–	–	104
Post-retirement benefit fund liability	**1 165**	–	–	–	1 165	–
Deferred taxation liabilities	**1 950**	–	–	–	–	1 950
Holding and fellow subsidiary companies	**17 743**	13 686	–	–	–	4 057
Loans from insurance group	**7 956**	3 004	2 454	2 072	425	1
Long-term liabilities	**3 349**	–	–	3 349	–	–
Shareholders' equity	**16 266**	–	–	–	–	16 266
	291 934	139 962	90 518	15 828	12 207	33 419
Net interest sensitivity gap		2 674	(31 983)	36 405	14 721	(21 817)

29. Risk management *(continued)*

29.7 Liquidity risk management

The bank is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan drawdowns and other cash requirements. The bank does not maintain sufficient cash resources to meet all of these liquidity needs, as historical experience indicates a minimum level of reinvestment of maturing funds with a high level of certainty.

The matching and controlled mismatching of maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for banks to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but may also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates and exchange rates.

Details on the liquidity risk management process is set out on page 11 of the Risk Report.

The table below sets out the maturity analysis of the bank's balance sheet based on the remaining period from year end to contractual maturity. "Demand" denotes assets or liabilities with a contractual maturity of 32 days or less.

		Term to maturity			
R million	Carrying amount 2005	Demand	1-12 months	1-5 years	Over 5 years
Assets					
Cash and short-term funds	**14 057**	11 307	126	–	2 624
Derivative financial instruments	**20 500**	3	6 573	7 969	5 955
– qualifying for hedging	**574**	–	160	414	–
– trading	**19 926**	3	6 413	7 555	5 955
Advances	**201 700**	34 435	65 848	77 069	24 348
– originated	**163 626**	19 269	56 665	65 899	21 793
– held-to-maturity	**5 916**	–	3 149	2 223	544
– available-for-sale	**1 648**	–	131	1 507	10
– fair value advances	**30 510**	15 166	5 903	7 440	2 001
Investment securities and other investments	**26 549**	12 269	5 101	8 369	810
– held-to-maturity	**10**	10	–	–	–
– available-for-sale	**10 065**	14	3 584	6 467	–
– at elected fair value	**16 474**	12 245	1 517	1 902	810
Commodities	**395**	–	395	–	–
Accounts receivable	**1 241**	485	704	50	2
Investment in associated companies	**724**	20	–	10	694
Interest in subsidiary companies	**13**	–	–	–	13
Holding and fellow subsidiary companies	**18 738**	15 307	1 176	2 221	34
Property and equipment	**2 095**	49	34	565	1 447
Loans to insurance group	**3 658**	2 245	1 388	1	24
Retirement benefit asset	**2 228**	–	–	–	2 228
Intangible assets	**36**	–	15	14	7
	291 934	76 120	81 360	96 268	38 186

R million	Carrying amount 2005	Demand	Term to maturity 1-12 months	1-5 years	Over 5 years
29. Risk management *(continued)*					
29.7 Liquidity risk management *(continued)*					
Liabilities					
Deposit and current accounts	**209 728**	102 955	100 645	5 491	637
Short trading positions	**14 037**	5 685	876	1 389	6 087
Derivative financial instruments	**15 064**	–	7 970	4 300	2 794
– qualifying for hedging	**95**	–	55	40	–
– trading	**14 969**	–	7 915	4 260	2 794
Creditors and accruals	**2 940**	850	2 090	–	–
Provisions	**1 632**	574	1 058	–	–
Taxation	**104**	–	104	–	–
Post-retirement benefit fund liability	**1 165**	–	–	–	1 165
Deferred taxation liabilities	**1 950**	–	1 357	593	–
Holding and fellow subsidiary companies	**17 743**	17 743	–	–	–
Loans from insurance group	**7 956**	122	5 337	2 072	425
Long-term liabilities	**3 349**	–	–	3 349	–
Shareholders' equity	**16 266**	–	–	–	16 266
	291 934	127 929	119 437	17 194	27 374
Net liquidity gap	**–**	(51 809)	(38 077)	79 074	10 812

29.8 Fair value of financial instruments

The following table represents the fair values of financial instruments not carried at fair value on the balance sheet:

R million	Carrying amount 2005	Fair value 2005	Unrecognised gain/(loss) 2005
Assets			
Advances	**201 700**	**201 700**	**–**
Investment securities	**26 549**	**26 549**	**–**
	228 249	**228 249**	**–**
Liabilities			
Deposit and current accounts	**209 728**	**209 728**	**–**
Long-term liabilities	**3 349**	**3 349**	**–**
	213 077	**213 077**	**–**

Fair value has been determined as follows:

– advances – based on the discounted value of estimated future cash flows, determined based on current market rates;

– held-to-maturity investment securities – market/dealer quotations, if available, or fair value estimations based on market prices for similar instruments with similar credit risks;

– deposits and current accounts – where there is no stated maturity, the amount repayable on demand – in respect of interest bearing liabilities with a fixed maturity, based on discounted cash flow value using market rates on new liabilities with a similar maturity; and

– long-term liabilities – quoted market prices, if available, or based on the discounted cash flow values using market rates for similar instruments with a comparable term to maturity.

30. Trust activities

The market value of assets held or placed on behalf of customers in a fiduciary capacity amounts to R10 413 million (2004: R14 934 million).

31. Segment information

31.1 Primary segments (business)

Divisions	Segment	Brands	Target segment	Description
FNB	Retail banking	First National Bank FNB Card, BOB, FNB HomeLoans	Small businesses and individuals	Retail banking, wholesale banking and support services
	Corporate banking	First National Bank	Medium and large corporates	Corporate banking
	Wealth management	RMB Private Bank FNB Trust Services	High net worth individuals Trust services	Wealth management
RMB	Investment banking	Rand Merchant Bank RMB Private Equity RMB International RMB Resources RMB Australia	Large corporates, parastatals and government	Merchant and investment banking services
WesBank	Instalment finance	WesBank	Corporates and individuals	Motor vehicle and instalment finance
Support	Capital centre	FirstRand Bank		Owns the capital of the Bank

Segmental financial information is not presented as the Bank is a wholly owned subsidiary of FirstRand Bank Holdings Limited.

32. Related parties

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

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TO THE DIRECTORS OF FIRSTRAND BANK LIMITED

We have audited the financial statements of FirstRand Bank Limited set out on pages 3 to 5 and 24 to 103, for the year ended 30 June 2006. These financial statements are the responsibility of the directors of FirstRand Bank Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FirstRand Bank Limited at 30 June 2006 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of 1973.

PricewaterhouseCoopers Inc.	Deloitte & Touche
PricewaterhouseCoopers Inc.	**Deloitte & Touche**
Per: J Grosskopf	Per: W Klaassen
Director	*Partner*
Registered Auditor	Registered Auditor

1 November 2006
Sandton

NATURE OF BUSINESS

The activities of FirstRand Bank Limited include merchant banking, corporate banking, instalment finance, retail banking, property finance and private banking.

SHARE CAPITAL

The following shares were issued during the period:

Ordinary shares pursuant to the conversion of compulsory convertible debentures.

21 October 2006 1 ordinary share at R2.00

Details of the Bank's share capital are presented in notes 25 and 26 of the notes to the financial statements.

DIVIDENDS

Ordinary cash dividends of R2 225 million were paid during the 2006 financial year (2005: R2 573 million).

OWNERSHIP OF THE BANK

The Bank is a wholly owned subsidiary of FirstRand Bank Holdings Limited.

PROFIT AFTER TAX

Profit after tax amounted to R4 995 million (2005: R3 119 million).

DIRECTORS' INTERESTS IN THE BANK

Other than nominee shares held on behalf of FirstRand Bank Holdings Limited under power of attorney, no shares in the company are held by the directors.

DIRECTORATE

During the year Mr SE Nxasana was appointed as CEO of FirstRand Bank Holdings Limited and FirstRand Bank Limited following Mr PK Harris' appointment as CEO of FirstRand Limited.

CONSOLIDATED ACCOUNTS

Group annual financial statements have not been prepared as the Bank is a wholly owned subsidiary of FirstRand Bank Holdings Limited and its ultimate holding company is FirstRand Limited, a company incorporated in South Africa.

POST-BALANCE SHEET EVENTS

No material matters which adversely affect the financial position of the Bank have arisen subsequent to the year end.

SHARE PURCHASE/OPTION SCHEME

Details of the investment in the FirstRand Limited ordinary shares by the First National Bank Share Purchase Scheme ("the FNB Scheme") and in the RMB Holdings Limited ordinary shares by the Rand Merchant Bank Share Incentive Scheme ("the RMB Scheme") established for the benefit of employees of the Bank are in note 37 on the annual financial statements.

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

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

BW Unser
Company Secretary
Administration

INTRODUCTION

The Bank adopts the following accounting policies in preparing its consolidated financial statements.

1. BASIS OF PRESENTATION

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

The Bank prepares its audited 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 financial instruments; and
- financial instruments elected to be carried at fair value.

The preparation of audited 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 Bank's accounting policies.

In accordance with the transitional provisions set out in IFRS 1, "First-time Adoption of International Financial Reporting Standards" and other relevant standards, the Bank has applied IFRS in force as at 30 June 2006 in its financial reporting with effect from the Bank's transition date on 1 July 2004, with the exception of the standards relating to financial instruments and insurance contracts which were applied with effect from 1 July 2005. Therefore, the impact of adopting IAS 32, IAS 39 and IFRS 4 are not included in the 2005 comparatives in accordance with IFRS 1. The Bank previously followed South African accounting standards.

As part of the adoption of IFRS, the Bank has changed its accounting policy in respect of the accounting for Joint Ventures, from proportionate consolidation to equity accounting, with effect from 1 July 2004.

All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise indicated.

2. SUBSIDIARY COMPANIES

Investments in subsidiary companies are carried at cost less amounts written off.

3. ASSOCIATES AND JOINT VENTURES

Associates are entities in which the Bank holds an equity interest of between 20% and 50%, or over which it has the ability to exercise significant influence, but does not control. Investments acquired and held exclusively with the view to disposal in the near future (12 months) are not accounted for using the equity accounting method, but carried at fair value less cost to sell in terms of the requirements of IFRS 5.

The Bank carries its interest in an associated company in its balance sheet at cost less amounts written off. Associated company results are not equity accounted.

The Bank accounts for interests in jointly controlled entities at cost less amount written off.

4. INTEREST INCOME AND EXPENSE

The Bank recognises interest income and expense in the income statement for all instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

From an operational perspective, the Bank suspends the accrual of contractual interest on non-recoverable advances. However, in terms of IAS 39, interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the discounted recoverable amount of the advance. This difference between the discounted and undiscounted recoverable amount is released to interest income over the expected collection period of the advance.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities. Dividends received or paid on these instruments are included and accrued in interest income and expense.

5. TRADING INCOME

The Bank includes profits, losses and fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39) as well as financial instruments designated at fair value in trading income as it is earned.

6. FEE AND COMMISSION INCOME

The Bank generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the yield of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective yield of the financial instrument over the expected life of the financial instruments. These fees and transaction costs are recognised as part of the net interest income and not as non-interest revenue.

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

7. DIVIDEND INCOME

The Bank recognises dividends when the Bank's right to receive payment is established. This is on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

8. FOREIGN CURRENCY TRANSLATION

8.1 Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Rand, which is the functional and presentation currency of the holding company of the Bank.

8.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Translation differences on monetary items classified as available–for-sale, such as bonds held at fair value through equity, are not reported as part of the fair value gain or loss in equity, but are recognised as a translation gain or loss in the income statement. Foreign currency translation differences on the fair value changes of monetary available-for-sale assets are recognised in the income statement in the year incurred.

Translation differences on non-monetary items classified as available-for-sale, such as equities, are included in the fair value reserve in equity.

9. BORROWING COSTS

The Bank capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

10. DIRECT AND INDIRECT TAXATION

Direct taxes include South African and foreign jurisdiction corporate tax payable, secondary tax on companies, as well as capital gains tax.

Indirect taxes include various other taxes paid to central and local governments, including value added tax and regional services levies.

Indirect taxes are disclosed separately from direct tax in the income statement.

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the balance sheet date, in each particular jurisdiction within which the Bank operates.

11. RECOGNITION OF ASSETS

11.1 Assets

The Bank recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the enterprise.

11.2 Contingent assets

The Bank discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank's control.

12. LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

12.1 Liabilities and provisions

The Bank recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

12.2 Contingent liabilities

The Bank discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

13. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

The financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as trading or investment securities. These instruments are measured at fair value, with changes in fair value reported in the income statement. The counterparty liability is included in deposits from other banks, other deposits, or deposits due to customers, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the reverse repos using the effective yield method.

Securities lent to counterparties are retained in the financial statements of the Bank.

The Bank does not recognise securities borrowed in the financial statements, unless sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return these securities is recorded as a liability at fair value.

14. OFFSETTING FINANCIAL INSTRUMENTS

The Bank offsets financial assets and liabilities and reports the net balance in the balance sheet where:

- there is a legally enforceable right to set off; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

15. CASH AND CASH EQUIVALENTS

In the cash flow statement, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice;
- balances with central banks;
- balances guaranteed by central banks; and
- balances with other banks.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

16. FINANCIAL INSTRUMENTS

16.1 General

Financial instruments carried on the balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in associated and joint venture companies, commodities, property and equipment, assets and liabilities of insurance operations, deferred taxation, taxation payable, intangible assets, inventory and post-retirement liabilities.

16.2 Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The Bank recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered to or by it. Otherwise such transactions are treated as derivatives until settlement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

16.2.1 Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets are classified on initial recognition as "At fair value through profit and loss" to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or

- a group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- a financial asset or liability containing significant embedded derivatives.

The Bank recognises fair value adjustments on financial assets classified as at fair value through profit and loss in trading income.

16.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

This category also includes purchased loans and receivables, where the Bank has not designated such loans and receivables in any of the other financial asset categories.

16.2.3 Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

The Bank carries held-to-maturity financial assets and investments at amortised cost using the effective interest method, less any impairment.

16.2.4 Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Bank recognises unrealised gains and losses arising from changes in the fair value of available-for-sale assets, in equity. It recognises interest income on these assets as part of interest income, based on the instrument's original effective rate. Interest income is excluded from the fair value gains and losses reported in equity. When the advances and receivables or investment securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

16.3 Financial liabilities

Financial liabilities are initially recognised at fair value less transactions costs for all financial liabilities not carried at fair value through profit and loss. Financial liabilities are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

The Bank classifies certain liabilities at fair value through profit and loss to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- a group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- a liability containing significant embedded derivatives.

The Bank recognises fair value adjustments on financial liabilities classified as at fair value through profit and loss in trading income.

16.4 Embedded derivatives

The Bank treats derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract; and
- the host contract is not carried at fair value, with gains and losses reported in income.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules (Refer note 9).

16.5 Derecognition of assets and liabilities

The Bank derecognises an asset when the contractual rights to the asset expires, where there is a transfer of the contractual rights that comprise the asset, or the Bank retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers the substantially all the risks and benefits associated with the asset.

Where the Bank retains substantially all the risks and rewards of ownership of the financial asset, the Bank continues to recognise the financial asset.

If a transfer does not result in derecognition because the Bank has retained substantially all the risks and rewards of ownership of the transferred asset, the Bank shall continue to recognise the transferred asset in its entirety and shall recognise a financial liability for the consideration received. In subsequent periods, the Bank shall recognise any income on the transferred asset and any expense incurred on the financial liability.

Where the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank shall determine whether it has retained control of the financial asset. In this case:

(i) if the Bank has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

(ii) if the Bank has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

17. IMPAIRMENT OF FINANCIAL ASSETS

17.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

17.2 Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

17.3 Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Impairment losses recognised in the income statement in equity instruments are not reversed through the income statement.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Bank initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the balance sheet at fair value and subsequently re-measures these instruments at their fair value.

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held.

The fair value of non-traded derivatives is based on discounted cash-flow models and option pricing models as appropriate. The Bank recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (ie the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profits or losses on day 1.

Where fair value is determined using valuation techniques whose variables include non observable market data, the difference between the fair value and the transaction price ("the day 1 profit/loss") is deferred and released over the life of the instrument. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day 1 profit/loss is released to income.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

18.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

18.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Bank recognises fair value changes of derivatives that are designated and qualify as cash flow hedges and prove to be highly effective in relation to the hedged risk, in the cash flow hedging reserve in equity.

Where the forecasted transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. For financial assets and liabilities, the Bank transfers amounts deferred in equity to the income statement and classifies them as revenue or expense in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

19. COMMODITIES

Commodities where the Bank has a longer-term investment intention, are carried at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of commodities includes the transfer from equity of any gain/losses on qualifying cash flow hedges relating to purchases of commodities.

Commodities where the Bank has a shorter-term trading intention, are carried at fair value less cost to sell in accordance with the broker-trader exception in IAS 2.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle a further derivative contract, are fair valued.

20. PROPERTY AND EQUIPMENT

The Bank carries property and equipment at historical cost less depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Property and equipment are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Freehold properties and properties held under finance lease are further broken down into significant components that are depreciated to their respective residual values over economic lives of these components.

The periods of depreciation used are as follows:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property and property held under finance lease	
– Buildings and structures	50 years
– Mechanical and electrical	20 years
– Components	20 years
– Sundries	20 years
Computer equipment	3 – 5 years
Furniture and fittings	3 – 10 years
Motor vehicles	5 years
Office equipment	3 – 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in the income statement on disposal.

21. LEASES

21.1 A group company is the lessee

Finance leases

The Bank classifies leases as property and equipment where it assumes substantially all the benefits and risks of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The Bank allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is charged to the income statement over the lease period. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the Bank will take ownership of the assets, in which case the assets are depreciated over shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned fixed assets.

Operating leases

The Bank classifies leases of assets, where the lessor effectively retains the risks and benefits of ownership, as operating leases. It charges operating lease payments to the income statement on a straight-line basis over the period of the lease. Minimum rentals due after year-end are reflected under commitments.

The Bank recognises as an expense any penalty payment to the lessor for early termination of an operating lease before the lease period has expired, in the period in which termination takes place.

21.2 A group company is the lessor

Finance leases

The Bank recognises as advances assets sold under a finance lease at the present value of the lease payments. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Lease income is recognised over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

Operating leases

The Bank includes in a separate category as "assets held under operating lease" property and equipment assets leased out under operating leases. It depreciates these assets over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised on a straight-line basis over the lease term.

21.3 Instalment credit agreements

The Bank regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable there under, less unearned finance charges, in advances.

It calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to income in proportion to capital balances outstanding.

22. INTANGIBLE ASSETS

22.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the Bank's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in Intangible assets. Goodwill on acquisitions of associates is included in Investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For impairment purposes goodwill is allocated to the lowest components of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill ("cash generating unit"). Each cash generating unit represents a grouping of assets no higher than a primary business or reporting segment as contemplated in note 28 on page 34.

22.2 Computer software development costs

The Bank generally expenses computer software development costs in the year incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Bank exceeding the costs incurred for more than one accounting period, the Bank capitalises such costs and recognise them as an intangible asset.

The Bank carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years. Management reviews the carrying value wherever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

22.3 Other intangible assets

The Bank generally expenses the costs incurred on internally generated intangible assets such as trademarks, concessions, patents and similar rights and assets, to the income statement in the period in which the costs are incurred. Internally generated intangible assets which are separately identifiable, where the costs can be reliably measured and where the Bank is expected to derive a future benefit for more than one accounting period is capitalised.

The Bank capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one accounting period.

The Bank carries capitalised trademarks, patents and similar assets at cost less amortisation and any impairments. It amortises these assets at a rate applicable to the expected useful life of the asset, but not exceeding 20 years. Management reviews the carrying value wherever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

Amortisation and impairments of intangible assets are reflected under operating expenditure in the income statement.

23. DEFERRED TAXATION

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

The Bank recognises deferred tax assets if the directors of FirstRand Bank Holdings Limited consider it probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

24. EMPLOYEE BENEFITS

24.1 Post-employment benefits

The Bank operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant Bank companies, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the pension accounting costs are assessed using the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The Bank writes off current service costs immediately, while it expenses past service costs, experience adjustments, changes in actuarial assumptions and plan amendments over the expected remaining working lives of employees. The costs are written off immediately in the case of retired employees.

These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all Bank employees. Qualified actuaries perform annual valuations.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

24.2 Post-retirement medical benefits

In terms of certain employment contracts, the Bank provides for post-retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. The Bank created an independent fund in 1998 to fund these obligations. IAS19 requires that the assets and liabilities in respect thereof be reflected on the balance sheet.

The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completing a minimum service period. Qualified actuaries perform annual valuations.

24.3 Termination benefits

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

24.4 Leave pay provision

The Bank recognises in full employees' rights to annual leave entitlement in respect of past service.

24.5 Recognition of actuarial gains and losses

Actuarial gains or losses occur as a result of:

- increases or decreases in the present value of defined benefit plan liabilities;
- increases or decreases in the fair value of plan assets; or
- a combination of the above.

Increases or decreases in the fair value of plan liabilities can be caused by changes in the discount rate used, expected salaries or number of employees, plan benefits and expected inflation rates.

Increases or decreases in the fair value of plan assets occur as a result of the difference between the actual and expected return on the plan assets.

The Bank does not recognise actuarial gains or losses below the corridor limit of 10% in the period under review, but defers such gains or losses to future periods.

25. BORROWINGS

The Bank initially recognises borrowings, including debentures, at the fair value of the consideration received. Borrowings are subsequently measured at amortised cost. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective yield on the debentures over their life span. Interest paid is recognised in the income statement on an effective interest basis.

The Bank separately measures and recognises the fair value of the debt component of an issued convertible bond in liabilities, with the residual value separately allocated to equity. It calculates interest on the debt portion of the instrument based on the market rate for a non-convertible instrument at the inception thereof.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

Where the Bank purchases its own debt, the debt is derecognised from the balance sheet and any difference between the carrying amount of the liability and the consideration paid is included in trading income.

26. SHARE CAPITAL

26.1 Share issue costs

Costs directly related to the issue of new shares or options are shown as a deduction from equity.

26.2 Dividends paid

Dividends on ordinary shares are recognised against equity in the period in which they are approved by the Company's shareholder. Dividends declared after the balance sheet date are not recognised but disclosed as a post balance sheet event.

26.3 Treasury shares

Where the Company or other members of the consolidated Group purchases the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

27. ACCEPTANCES

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank accounts for and discloses acceptances as a contingent liability.

28. FIDUCIARY ACTIVITIES

The Bank excludes assets and the income thereon, together with related undertakings to return such assets to customers, from these financial statements where it acts in a fiduciary capacity such as nominee, trustee or agent.

29. SHARE-BASED PAYMENT TRANSACTIONS

The Bank operates equity-settled share-based compen–sation plans.

The Bank expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each balance sheet date, the Bank revises its estimate of the number of options expected to vest.

30. SEGMENT REPORTING

FirstRand Bank Limited defines a segment as a distinguishable component or business that provides either:

- unique products or services ("business segment"), or
- products or services within a particular economic environment ("geographical segment"),

subject to risks and rewards that are different from those of other segments.

Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of all the segments, are reported seperately.

31. CHANGE IN ACCOUNTING POLICY

The financial impact of the transition to IFRS is detailed on the next page.

INTRODUCTION

The Bank adopted IFRS with effect from 1 July 2005.

The change to IFRS applies to all financial reporting for financial years beginning on or after 1 January 2005. As the Bank publishes comparative information for the previous financial year in its Annual Report, the date of transition to IFRS is 1 July 2004 ("the transition date"), the start of the earliest period that comparative information is presented. The financial statements for the year ended 30 June 2006 include comparative information restated in compliance with IFRS.

The change from SA GAAP to IFRS has primarily impacted the following areas:

- Applying the "incurred loss" basis with respect to credit impairment provisioning as opposed to the "expected loss" basis;
- Expensing the cost of share options awarded to employees and other share-based payment transactions on a fair value basis;
- Revaluing the carrying value of certain properties and adjusting the depreciation methodology used;
- Reallocating certain fees and expenses from non-interest revenue to interest income, and recognising the fees and expenses on an effective yield basis;
- Reclassifying certain instrument between debt and equity; and

TRANSITIONAL ARRANGEMENTS

IFRS 1 – First time adoption of International Financial Reporting Standards ("IFRS 1") sets out the requirements for the initial adoption of IFRS. IFRS 1 requires that accounting policies be adopted that are compliant with IFRS and that these policies be applied retrospectively to all periods presented. However due to cost and practical considerations, certain exemptions are permitted to full retrospective application in preparing the balance sheet at the date of transition on 1 July 2004 ("the transition balance sheet") and the financial information for the year ended 30 June 2005.

The Bank has made the following elections in terms of IFRS 1:

Applicable on 1 July 2004

- *Property and equipment* – Fair value or revaluation as deemed cost: The Bank has elected to use the IFRS 1 election to take the fair value of certain property and equipment on the transition date as the deemed cost where sufficiently detailed historical data relating to the components was not available to enable the restatement under IFRS. However, where detailed historical information was available, the carrying values in terms of SA GAAP on the transition date of components of property and equipment have been used (refer note (a) below);
- *Employee benefits:* The Bank has elected to recognise all cumulative unrecognised actuarial gains and losses on defined benefit plans against opening retained income on 1 July 2004 and to continue to apply the corridor approach to recognising actuarial gains and losses going forward.

The IFRS-transition impacts indicated above on the various financial periods are set out as follows in the respective adjustment column.

Income statement for the year ended 30 June 2005	Appendix 1
Balance sheet as at 1 July 2004	Appendix 2
Balance sheet as at 30 June and 1 July 2005	Appendix 3

Applicable on 1 July 2005 (Retrospectively)

- *Share-based payment transactions:* The Bank has elected to apply the provisions of IFRS 2 – Share-based payments, to all share-based instruments or payments, such as share options, granted on or after 7 November 2002, which have not vested on 1 January 2005 (refer note (b) below), subject to the transitional provision, relating to BEE transactions in IFRIC 8 – Scope of IFRS 2;

Applicable on 1 July 2005 (Prospectively)

- *Financial instruments* – Implementation of IAS 32 and IAS 39: Both IAS 32 and IAS 39 will be adopted from 1 July 2005 with no restatement of comparative figures (comparative figures regarding financial instruments are presented based on current SA GAAP principles in terms of AC 125 and AC 133) (refer notes (c), (d) and (e) below); and

The IFRS-transition impacts indicated above on the various financial periods are set out as follows in the respective adjustment columns:

Balance sheet as at 30 June and 1 July 2005	Appendix 3

Please note that the prospective changes applicable on 1 July 2005 do not impact the tables in appendices 1or 2.

EXPLANATORY NOTES ON SIGNIFICANT ADJUSTMENTS RESULTING FROM THE CONVERSION TO IFRS

The significant differences between SA GAAP and IFRS impacting the Bank's 2005 financial statements are noted below. The quantification of these adjustments is shown in the detailed reconciliations of the balance sheet, the income statement and statement of changes in equity reflected below.

Adjustments implemented with effect from 1 July 2004

Note (a) – IAS 16 – Property, Plant and Equipment ("PPE") – Revaluation of carrying value of properties and the component approach to depreciation

SA GAAP:

Under SA GAAP, land and buildings were not split into its major components when determining or calculating depreciation. Furthermore, the residual value of PPE was determined on recognition, and not assessed on an annual basis.

IFRS:

IAS 16 requires that in determining the annual depreciation charge, an entity needs to reassess the residual value of the depreciable asset on an annual basis. Furthermore, properties need to be split into their major components, each of which needs to depreciated over its useful life to the residual value of the component.

In terms of IFRS 1, the Bank has in certain instances applied the election to use the fair value of certain properties as deemed cost on the transition date. As a result, a portion of depreciation on properties previously recognised in the income statement has been reversed to the opening carrying value of property, with a corresponding increase in equity. The increased depreciable value of property on the transition date resulted in an increase in the depreciation charge during the 2005 financial year.

Financial impact:
The adoption of IAS 16 had the following financial impact:

- An increase of R475 million in the carrying value of property, plant and equipment on 1 July 2004, with a corresponding increase in opening retained income of R440 million after reclassifications and deferred tax; and
- An increase of R2 million in the depreciation charge for the financial year ended 30 June 2005.

Adjustments implemented with effect from 1 July 2005

Note (b) – IFRS 2 – Share-based Payments

SA GAAP:
Under SA GAAP, no direct cost was recognised in respect of the Bank's share option schemes, other than for net funding costs in respect of shares bought in to hedge options granted, and costs incurred to administer the schemes, which were expensed in the year incurred.

IFRS:
In terms of IFRS 2, the Bank recognises an IFRS 2 expense in respect of options over FirstRand Limited shares granted to its employees in return for services rendered by those employees. The IFRS 2 expense is calculated based on the fair value of the options granted or shares awarded on the grant date and is charged to the income statement on an annual basis over the expected vesting period of the options, with corresponding credits to equity.

Financial impact:
The adoption of IFRS 2 had the following financial impact:

- A debit of R17 million to opening retained income on 1 July 2004, with a corresponding credit to equity; and
- An increase in operating expenses of R116 million for the year ended 30 June 2005 with a corresponding credit to equity.

Note (c) – IAS 32/39 – Financial Instrument Classification

SA GAAP:
Under SA GAAP, guidance is given on what constitutes debt and equity (debt/equity classification) with the focus when deciding on the classification of a financial instrument falling on the substance of the contractual agreement on initial recognition as well as the definitions of a financial liability and an equity instrument.

Purchased loans and receivables could not be classified as loans and receivables at amortised cost under SA GAAP as AC 133 required such loans and receivables to be originated. Consequently purchased loans had to be treated as available-for-sale or held-to-maturity financial instruments.

IFRS:
The Bank has elected the IFRS 1 exemption not to restate comparative information in terms of IAS 32 – Financial instruments: Disclosure and presentation, and IAS 39 – Financial instruments: Recognition and measurement. The Bank therefore applied SA GAAP to financial instruments in comparative information.

IFRS provides additional guidance and sets specific principles for distinguishing between what constitutes debt and equity. In certain instances the additional guidance results in financial instruments previously classified as debt being reclassified to equity or compound instruments.

Under IAS 32, differentiation between debt and equity depends on whether there is an obligation to deliver cash or any other financial asset under conditions that are potentially unfavourable to the issuer. Where a transaction may be settled by issuing shares, classification will depend on whether the number of shares to be issued is fixed or variable.

IAS 39 removes the requirement for loans to be originated in order to be classified as loans and receivables at amortised cost. Reclassifying purchased loans to this category simplifies the accounting and hedging rules in respect of the financial instruments. As a result of the change in IAS 39, the Bank has reclassified advances from held-to-maturity advances to loans and advances at amortised cost with effect from 1 July 2005.

Upon initial adoption of IFRS an entity has a once off choice to redesignate any financial instrument into a different category. In limited instances the Bank has used this dispensation to reclassify certain held-to-maturity financial instruments.

Financial impact:
The adoption of IAS 32 and IAS 39 has resulted in the following material reclassifications on 1 July 2005:

- The reclassification of R5 846 million of purchased advances from held-to-maturity advances to advances at amortised cost; and
- The reclassification of a net R510 million of advances from elected fair value advances to advances at amortised cost.

Note (d) – IAS 18/39 – Effective Interest Rate

SA GAAP:
Under SA GAAP, fees and expenses which form an integral part of the effective interest rate on loans and advances carried at amortised cost, should be taken into account in determining the effective yield of loan, and should not be recognised in the income statement on origination of the loan.

IFRS:
This principle has evolved through local and international interpretation and has been carried forward in terms of the requirements of IAS 18 read in conjunction with IAS 39. As such, fees and commissions that are an integral part of the effective yield on a financial instrument, and direct incremental costs associated with origination of a financial instrument are included in the calculation of the effective interest rate and recognised over the expected life of the instrument.

The recognition principles under IFRS affects both the timing of recognition of certain fee income and expenses charged at the initiation of a transaction from up-front to over the expected life of the instrument, as well as the classification of these fees from "Non-interest revenue" and "Operating expenses", to "Interest income".

Fees for service continue to be recognised as and when the service is rendered.

Financial impact:
The change in interpretation resulted in the Bank capitalising R831 million of fees and R658 million of expenses to advances, as well as net expenses of R71 million to accounts receivable on 1 July 2005, with a decrease of R34 million in retained income after deferred tax on 1 July 2005.

Note (e) – IAS 39 – Credit Impairment Provisioning

SA GAAP:
Under SA GAAP (AC 133), the Bank raised *Specific Impairments* in respect of non-performing advances when there was objective evidence that it would not be able to collect all amounts due. The impairment was calculated as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate at inception of the advance.

The Bank further raised *Portfolio Impairments* in respect of performing advances where there was objective evidence that the present value of the expected future cash flows of a portfolio of advances, applying the original effective interest rate, was less than the carrying value of the portfolio of advances.

The Portfolio Impairments were based upon historical patterns of losses in each component of the performing portfolio, taking account of the current economic climate in which the borrowers operate.

IFRS:
IAS 39 introduces changes to Credit Impairment Provisioning practice and accounting by requiring such impairments to be determined on an "incurred loss basis" where there is objective evidence of a loss event after the initial recognition of the loan, rather than on expectations of future losses.

IFRS allows for the creation of Portfolio Impairments on higher risk portions of performing portfolios based on identified loss indicators.

IFRS also implicitly allows for the creation of impairments for losses which are inherent in a portfolio of advances, which have not been specifically identified as impaired, i.e. losses incurred but not yet reported.

The IAS 39 incurred loss methodology by its nature may result in increased credit impairments on certain portfolios. In terms of AC 133, Portfolio Impairments were calculated using the expected cash flows of an entire portfolio of advances with similar credit characteristics. Implicitly, this allowed for certain levels of "cross subsidisation" of credit risk due to certain exposures in a portfolio improving in credit risk since inception, offsetting the exposures which have shown negative migration in credit risk.

IAS 39 specifically requires that an entity calculates impairments with reference only to those items in a portfolio which have shown negative migration in credit risk since inception ("objective evidence of impairment"). Furthermore, it requires the adjustment of historical loss patterns used in determining portfolio impairments for current economic conditions.

In certain instances, the combination of these requirements in certain instances results in higher levels of Portfolio Impairments in terms of IAS 39 in comparison to AC 133 with effect from 1 July 2005.

Financial impact:
The change in credit methodology in terms of IAS 39 results in an increase of R239 million in credit impairments on 1 July 2005.

Note (f) – Other IFRS adjustments
Other IFRS adjustments relate mainly to:

- Other reclassifications required by the respective standards of IFRS.

Other adjustments
As part of the transition to IFRS, limited line item re-classifications have been made to improve disclosure in line with ongoing evolving market practice.

Income statement for the year ended 30 June

R million	Notes	2006	2005
Interest and similar income	2	23 359	19 894
Interest expenditure and similar charges	3	(13 820)	(12 608)
Net interest income before impairment of advances		9 539	7 286
Impairment losses on loans and advances	11	(1 427)	(572)
Net interest income after impairment of advances		8 112	6 714
Non-interest income	4	12 442	9 538
Income from operations		20 554	16 252
Operating expenditure	5	(13 556)	(11 648)
Income before taxation		6 998	4 604
Indirect taxation	6	(408)	(347)
Profit before taxation		6 590	4 257
Direct taxation	7.1	(1 595)	(1 138)
Profit attributable to ordinary shareholders		4 995	3 119

R million	Notes	2006	2005
ASSETS			
Cash and short-term funds	8	20 104	14 057
Derivative financial instruments	9	34 455	20 500
– qualifying for hedging		253	574
– trading		34 202	19 926
Advances	10	258 046	201 700
– at amortised cost		216 715	163 626
– held-to-maturity		–	5 916
– available-for-sale		538	1 648
– fair value		40 793	30 510
Investment securities and other investments	12	33 502	26 549
Financial securities held for trading		13 828	12 264
Investment securities		19 674	14 285
– originated		185	–
– held-to-maturity		–	10
– available-for-sale		12 119	10 065
– elected fair value		7 370	4 210
Commodities	13	627	395
Loans to insurance group		636	3 658
Accounts receivable	14	1 673	1 241
Investment in associate and joint venture companies	15	724	724
Interest in subsidiary companies	16	13	13
Holding and fellow subsidiary companies	17	24 637	18 738
Property and equipment	18	2 773	2 572
Retirement benefit asset	19	2 467	2 228
Intangible assets	20	43	36
Total assets		379 700	292 411
LIABILITIES AND SHAREHOLDERS' FUNDS			
Liabilities			
Deposits	21	269 862	209 728
– deposit and current accounts		269 862	209 728
Short trading positions	22	20 588	14 037
Derivative financial instruments	9	31 270	15 064
– qualifying for hedging		51	95
– trading		31 219	14 969
Loans from insurance group		3 450	7 956
Creditors and accruals	23	3 820	2 940
Provisions	24	2 193	1 632
Taxation liability		430	104
Post-retirement benefit fund liability	19	1 627	1 417
Deferred taxation liabilities	7	1 804	1 909
Holding and fellow subsidiary companies	17	17 794	17 743
Long-term liabilities	25	7 396	3 349
Total liabilities		360 234	275 879
Equity			
Ordinary shares	26	4	4
Share premium	26	6 372	5 612
Non-distributable reserves	27	2 552	2 712
Distributable reserves		10 538	8 204
Total shareholders' equity		19 466	16 532
Total equity and liabilities		379 700	292 411

Statement of changes in equity for the year ended 30 June

R million	Ordinary share capital and share premium	General risk reserve	Cash flow hedge reserve
Balance as at 30 June 2004 as previously stated	2 494	749	77
Adjusted for IFRS movements:			
– property, plant and equipment	–	–	–
– post-retirement liability	–	–	–
– share-based payments	–	–	–
Restated balance as at 30 June 2004	2 494	749	77
Profit for the period	–	–	–
Preference dividend – 30 July 2004	–	–	–
Final ordinary dividend – 25 October 2004	–	–	–
Final ordinary dividend – 25 October 2005	–	–	–
Interim dividend – 21 February 2005	–	–	–
Interim dividend – 23 March 2005	–	–	–
Interim dividend – 29 April 2005	–	–	–
Interim dividend – 30 June 2005	–	–	–
Interim dividend – 25 February 2005	–	–	–
Transfer from General Risk Reserve (impaired capital reserve)	–	12	–
Revaluation of available for sale assets	–	–	–
Available for sale loss transferred to the income statement	–	–	–
Revaluation of cash flow hedges	–	–	215
Issue of ordinary shares	122	–	–
Issue of non-redeemable preference shares	–	–	–
IFRS share-based payments	–	–	–
Balance as at 30 June 2005	2 616	761	292
Adjusted for IFRS movements:			
– IAS 32/39 reclassification	–	–	–
– effective interest rate	–	–	–
– credit impairment	–	(174)	–
Restated balance as at 1 July 2005	2 616	587	292
Profit for the period	–	–	–
Preference dividend – 31 August 2005	–	–	–
Preference dividend – 27 February 2006	–	–	–
Final ordinary dividend – 21 July 2005	–	–	–
Final ordinary dividend – 31 August 2005	–	–	–
Final ordinary dividend – 21 October 2005	–	–	–
Interim ordinary dividend – 24 March 2006	–	–	–
Interim ordinary dividend – 31 May 2006	–	–	–
Transfer from General Risk Reserve (impaired capital reserve)	–	130	–
Revaluation of available for sale assets	–	–	–
Available for sale profit transferred to the income statement	–	–	–
Revaluation of cash flow hedges	–	–	(174)
Movement in other non-distributable reserves	–	–	–
IFRS share-based payments	–	–	–
Issue of ordinary shares	760	–	–
Balance as at 30 June 2006	**3 376**	**717**	**118**

Available-for-sale reserve	Share-based payment reserve	Other non-distributable reserves	Distributable reserves	Total permanent capital	Preference shares issued to FirstRand companies	Total equity
168	–	1 343	7 512	12 343	–	12 343
–	–	–	440	440	–	440
–	–	–	(176)	(176)	–	(176)
–	17	–	(17)	–	–	–
168	17	1 343	7 759	12 607	–	12 607
–	–	–	3 119	3 119	–	3 119
–	–	–	(89)	(89)	–	(89)
–	–	–	(1 205)	(1 205)	–	(1 205)
–	–	–	(18)	(18)	–	(18)
–	–	–	(2)	(2)	–	(2)
–	–	–	(1 122)	(1 122)	–	(1 122)
–	–	–	(111)	(111)	–	(111)
–	–	–	(47)	(47)	–	(47)
–	–	–	(68)	(68)	–	(68)
–	–	–	(12)	–	–	–
(30)	–	–	–	(30)	–	(30)
45	–	–	–	45	–	45
–	–	–	–	215	–	215
–	–	–	–	122	–	122
–	–	–	–	–	3 000	3 000
–	116	–	–	116	–	116
183	133	1 343	8 204	13 532	3 000	16 532
–	–	–	(7)	(7)	–	(7)
–	–	–	(34)	(34)	–	(34)
–	–	–	(45)	(219)	–	(219)
183	133	1 343	8 118	13 272	3 000	16 272
–	–	–	**4 995**	**4 995**	**–**	**4 995**
–	–	–	**(113)**	**(113)**	**–**	**(113)**
–	–	–	**(107)**	**(107)**	**–**	**(107)**
–	–	–	**(500)**	**(500)**	**–**	**(500)**
–	–	–	**(38)**	**(38)**	**–**	**(38)**
–	–	–	**(759)**	**(759)**	**–**	**(759)**
–	–	–	**(843)**	**(843)**	**–**	**(843)**
–	–	–	**(85)**	**(85)**	**–**	**(85)**
–	**–**	**–**	**(130)**	**–**	**–**	**–**
40	**–**	**–**	**–**	**40**	**–**	**40**
(126)	**–**	**–**	**–**	**(126)**	**–**	**(126)**
–	**–**	**–**	**–**	**(174)**	**–**	**(174)**
–	–	**2**	**–**	**2**	**–**	**2**
–	**142**	**–**	**–**	**142**	**–**	**142**
–	**–**	**–**	**–**	**760**	**–**	**760**
97	**275**	**1 345**	**10 538**	**16 466**	**3 000**	**19 466**

Cash flow statement for the year ended 30 June

R million	Notes	2006	2005
Cash flows from operating activities	29.1	10 763	6 631
Cash received from customers		35 220	29 086
Interest income		23 206	19 856
Fee and commission income		7 498	6 774
Other income		4 516	2 456
Cash paid to customers and employees		(24 457)	(22 455)
Interest expenditure (excluding debenture interest paid)		(13 250)	(12 206)
Total other operating expenditure (excluding depreciation)		(11 207)	(10 249)
Cash flows from returns on investments and servicing of finance		(176)	(225)
Debenture interest paid		(509)	(466)
Dividends from other investments		322	222
Dividends from associated companies		11	19
Taxation paid	29.3	(1 607)	(1 839)
Cash flows from operating assets and liabilities		(4 450)	(2 888)
Decrease in income-earning assets		(70 940)	(27 020)
Liquid assets and trading securities		(7 186)	(4 688)
Advances		(57 906)	(24 132)
Net funding from fellow subsidiary companies		(5 848)	1 800
Increase in deposits and other liabilities		66 490	24 132
Term deposits		(2 088)	22 209
Current deposit accounts		57 450	(6 431)
Deposits from banks		(9 466)	597
Negotiable certificates of deposit and other deposits		14 173	6 966
Savings accounts		65	113
Short trading positions		6 551	(5 434)
Creditors and accruals net of accounts receivable		(512)	(1 887)
Other		317	7 999
Net cash outflow from operating activities		4 530	1 679
Cash flows from investment activities			
Capital expenditure to maintain operations		(989)	(979)
Purchase of associates		–	(381)
Proceeds from disposal of property and equipment		84	52
Proceeds from disposal of investments		90	98
Proceeds from disposal of subsidiaries		–	5
Net cash outflow from investment activities		(815)	(1 205)
Cash flows from financing activities			
Net proceeds of long-term liabilities		4 017	–
Proceeds from the issue of ordinary shares		760	122
Proceeds from the issue of preference shares		–	3 000
Dividends paid	29.2	(2 445)	(2 662)
Net cash flow from financing activities		2 332	460
Net increase in cash and cash equivalents		6 047	934
Cash and cash equivalents at beginning of the year		14 057	13 123
Cash and cash equivalents at end of the year	8	20 104	14 057

R million	2006	2005
1. ACCOUNTING POLICIES		
The accounting policies of the bank are set out on pages 25 to 37.		
2. INTEREST AND SIMILAR INCOME		
Interest on:		
Advances	20 365	16 326
– at amortised cost	20 320	15 619
– held-to-maturity	–	648
– available-for-sale	45	37
– fair value	–	22
Cash and short-term funds	554	757
Investment securities	694	1 021
Holding and fellow subsidiaries	877	506
Insurance group companies	–	2
Unwind of present value on non-performing loans	60	26
Other	809	1 256
	23 359	19 894
3. INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on:		
Deposits from banks and financial institutions	(46)	(56)
Current accounts	(3 490)	(1 807)
Savings accounts	(30)	(34)
Term deposits	(8 529)	(8 430)
Holding and fellow subsidiaries	(398)	(579)
Loans and debentures	(509)	(466)
To insurance group	(3)	(42)
Other	(815)	(1 194)
	(13 820)	(12 608)

R million	2006	2005
4. NON-INTEREST INCOME		
Fees and commissions		
– Banking fee and commission income	7 340	6 164
Card commissions	816	511
Cash deposit fees	757	667
Commissions – bills, drafts and cheques	346	404
Service fees	2 822	2 407
Other	2 599	2 175
– Knowledge based fee and commission income	275	342
– Non-banking fee and commission income	26	164
– Other	–	310
	7 641	6 980
Fees and commissions expenditure	(143)	(206)
Net fees and commissions	7 498	6 774
Foreign exchange trading	761	625
– Domestic based currency trading	761	625
Treasury trading operations	2 525	1 139
	3 286	1 764
Investment income		
– Profit on realisation of investment banking assets	90	98
– Transfer from revaluation reserve on sale of available for sale assets	–	(45)
– Dividends received from associates	11	19
– Dividends received from other investments	311	203
Investment income	412	275
Other non-interest income		
– Recoveries from subsidiaries	478	502
– Loss on sale of property and equipment	(21)	(16)
– Other income	789	239
	1 246	725
Total non-interest income	12 442	9 538

R million	2006	2005
5. OPERATING EXPENDITURE		
Auditors' remuneration		
– Audit fees	(43)	(32)
– Fees for other services	(10)	(4)
Technical advice	(7)	(3)
Other	(3)	(1)
	(53)	(36)
Amortisation of intangible assets		
– Software	(19)	(14)
– Development costs	(2)	(1)
	(21)	(15)
Depreciation		
– Property	(142)	(111)
Freehold buildings	(31)	(37)
Leasehold premises	(111)	(74)
– Equipment	(527)	(410)
Computer equipment	(379)	(292)
Furniture and fittings	(83)	(71)
Motor vehicles	(13)	(12)
Office equipment	(52)	(35)
	(669)	(521)
Other impairments incurred		
– Property and equipment	(15)	(19)
– Other	(3)	–
	(18)	(19)
Operating lease charges		
– Land and buildings	(555)	(455)
– Equipment	(211)	(185)
– Motor vehicles	(25)	(23)
	(791)	(663)
Directors' emoluments paid		
– Salaries, wages and allowances	(18)	(17)
– Fees for services as directors/consultants	(4)	(2)
	(22)	(19)
Professional fees		
– Managerial	(3)	(1)
– Technical	(137)	(146)
– Other	(191)	(215)
	(331)	(362)
Direct staff costs		
– Salaries, wages and allowances	(4 314)	(3 800)
– Contributions to employee benefit funds	(849)	(836)
– Defined contribution schemes	(838)	(823)
– Defined benefit schemes	(11)	(13)
– Social security levies	(61)	(41)
– Share based payments (refer to note 37)	(142)	(116)
– Other	(488)	(274)
	(5 854)	(5 067)
Staff related costs	(1 158)	(540)
	(7 012)	(5 607)

R million	2006	2005
5. OPERATING EXPENDITURE *continued*		
Other operating costs	(4 639)	(4 406)
– Insurance	(172)	(128)
– Advertising and marketing	(557)	(510)
– Maintenance	(450)	(421)
– Property	(230)	(215)
– Insurance group	(125)	(75)
– Stationery	(180)	(167)
– Telecommunications	(319)	(311)
– eBucks customer reward costs	(190)	(162)
– Holding and fellow subsidiaries	(799)	(378)
– Acquisition costs	(22)	(312)
– Other	(1 595)	(1 727)
Total operating expenditure	(13 556)	(11 648)
6. INDIRECT TAXATION		
Value-added taxation (net)	(339)	(308)
Regional services levy	(62)	(43)
Stamp duties	(1)	–
Other	(6)	4
Total indirect taxation	(408)	(347)
7. TAXATION		
7.1 Direct taxation		
Normal taxation		
– Current	(1 525)	(682)
Current year	(925)	(1 100)
Prior year adjustment	(600)	418
– Deferred	(151)	(398)
Current year	(672)	8
Prior year adjustment	521	(457)
Taxation rate adjustment	–	51
	(1 676)	(1 080)
Secondary taxation on companies	81	(15)
– Current	–	–
– Deferred	81	(15)
Customer tax adjustment account	–	(43)
Total direct taxation	(1 595)	(1 138)
Total direct and indirect taxation	(2 003)	(1 485)
Taxation rate reconciliation – South African Taxation rate reconciliation – South African normal taxation	%	%
Effective rate of taxation	24.2	26.7
Total taxation has been affected by:		
Non-taxable income	8.2	5.2
Prior year adjustment	(1.1)	(0.9)
Taxation rate adjustment	–	1.2
Other permanent differences	(2.3)	(3.2)
Standard rate of South African taxation	29.0	29.0

R million	**2006**	2005
7. TAXATION *continued*		
7.2 Deferred taxation		
The movement on the deferred taxation account is as follows:		
Credit balance		
– Balance at the beginning of the year	**1 909**	1 430
– IFRS Adjustments		
property, plant and equipment	**–**	35
employee benefits	**–**	(76)
effective interest rate	**(68)**	–
credit impairment	**(20)**	–
Restated opening balance	**1 821**	1 389
– Charge to the income statement	**151**	464
– STC charge/(release) to the income statement	**(81)**	15
– Acquisitions and disposals	**–**	121
– Taxation rate adjustment	**–**	(51)
– Other	**(87)**	(29)
Total credit balance	**1 804**	1 909

Deferred taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority and there is a legal right to set-off. Deferred taxation liabilities and deferred taxation charge/(credit) in the income statement are attributable to the following items:

R million	Opening balance	IFRS Adjust-ments	Taxation charge	Other	**Closing balance**
Deferred tax liabilities					
Taxation losses	–	–	(1)	(1)	**(2)**
Provision for loan impairment	18	(20)	(78)	(94)	**(174)**
Provision for post-retirement benefits	(76)	–	45	89	**58**
Other provisions	(19)	–	(6)	(339)	**(364)**
Cash flow hedges	(71)	–	–	149	**78**
Instalment credit agreements	1 267	–	381	(14)	**1 634**
Accruals	623	–	357	(226)	**754**
Revaluation of available-for-sale securities to equity	4	–	(14)	49	**39**
STC	(10)	–	(81)	–	**(91)**
Other	173	(68)	(533)	300	**(128)**
Total deferred taxation liabilities	1 909	(88)	70	(87)	**1 804**

R million	2006	2005
8. CASH AND SHORT-TERM FUNDS		
Coins and bank notes	2 142	2 297
Money at call and short notice	1 178	690
Balances with central banks	6 357	4 860
Balances guaranteed by central banks	–	38
Balances with other banks	10 427	6 172
	20 104	14 057
Fair value		
The carrying value approximates fair value		
Mandatory reserve balances included in above:	6 352	3 494
Banks are required to deposit a minimum average balance, calculated monthly, with the central bank. These deposits bear no or very low interest.		
Money at short notice constitutes amounts withdrawable in 32 days or less.		

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank uses the following financial instruments for hedging purposes:

Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

Rand overnight deposit swaps are commitments to exchange fixed rate interest flows with floating rate interest flows where the repricing takes place daily on the floating leg based on the daily overnight rates.

Strategy in using hedging instruments

Interest rate derivatives comprising mainly interest Rate swaps, Rand overnight deposit swaps ("RODS") and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and reduce the risk that the Bank faces due to volatile interest rates. The Bank accepts deposits at variable rates and uses pay fixed interest rate derivatives as cash flow hedges of future interest payments, effectively converting borrowings from floating to fixed rates. The Bank also has assets at variable rates and uses received fixed interest rate derivatives as cash flow hedges of future interest receipts.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the Bank's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, over time.

Further information pertaining to the risk management of the Bank is set out in note 30.

R million	2006 Assets Notional	Fair value	Liabilities Notional	Fair value
9. DERIVATIVE FINANCIAL INSTRUMENTS *continued*				
The Bank utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives				
– Forward rate agreements	1 500	–	–	–
– Swaps	8 742	253	5 352	50
	10 242	253	5 352	50
Currency derivatives				
– Futures	–	–	1	1
	–	–	1	1
Total cash flow hedges	10 242	253	5 353	51
Total qualifying for hedge accounting	10 242	253	5 353	51
Held for trading				
Currency derivatives				
– Forward rate agreements	277 935	8 579	177 689	9 490
– Swaps	234 287	11 675	127 179	8 156
– Options	2 752	212	2 303	127
– Other	5 191	261	4 539	290
	520 165	20 727	311 710	18 063
Interest rate derivatives				
– Forward rate agreements	135 860	203	141 631	701
– Swaps	184 280	5 185	191 287	4 366
– Options	19 525	86	28 240	110
	339 665	5 474	361 158	5 177
Equity derivatives				
– Options	11 401	3 375	13 859	4 349
– Other	1 426	13	2 033	182
	12 827	3 388	15 892	4 531
Commodity derivatives				
– Swaps	261	6	946	42
– Options	10 467	4 257	10 998	2 731
– Other	3 165	350	2 921	675
	13 893	4 613	14 865	3 448
Total held for trading	886 550	34 202	703 625	31 219
Total	896 792	34 455	708 978	31 270

R million	2006 Assets: Derivative instruments Exchange traded Notional	Exchange traded Fair value	Over the counter Notional	Over the counter Fair value	Total Notional	Total Fair value
9. DERIVATIVE FINANCIAL INSTRUMENTS *continued*						
Qualifying for hedge accounting						
Cash flow hedges	–	–	10 242	253	10 242	253
Interest rate derivatives	–	–	10 242	253	10 242	253
Held for trading	5 463	5	881 087	34 197	886 550	34 202
Currency derivatives	606	1	519 559	20 726	520 165	20 727
Interest rate derivatives	–	–	339 665	5 474	339 665	5 474
Equity derivatives	2 342	–	10 485	3 388	12 827	3 388
Commodity derivatives	2 515	4	11 378	4 609	13 893	4 613
Total	5 463	5	891 329	34 450	896 792	34 455

	Liabilities: Derivative instruments Exchange traded Notional	Exchange traded Fair value	Over the counter Notional	Over the counter Fair value	Total Notional	Total Fair value
Qualifying for hedge accounting						
Cash flow hedges	1	1	5 352	50	5 353	51
Interest rate derivatives	–	–	5 352	50	5 352	50
Currency derivatives	1	1	–	–	1	1
Held for trading	4 992	4	698 633	31 215	703 625	31 219
Currency derivatives	–	2	311 710	18 061	311 710	18 063
Interest rate derivatives	–	–	361 158	5 177	361 158	5 177
Equity derivatives	3 053	-	12 839	4 531	15 892	4 531
Commodity derivatives	1 939	2	12 926	3 446	14 865	3 448
Total	4 993	5	703 985	31 265	708 978	31 270

	2005 Assets Notional	Assets Fair value	Liabilities Notional	Liabilities Fair value
The Bank utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives				
– Swaps	13 167	304	3 498	64
Total cash flow hedges	13 167	304	3 498	64
Fair value hedges				
Interest rate derivatives				
– Swaps	5 680	270	1 460	31
Total fair value hedges	5 680	270	1 460	31
Total qualifying for hedge accounting	18 847	574	4 958	95

R million	2005 Assets Notional	Assets Fair value	Liabilities Notional	Liabilities Fair value
9. DERIVATIVE FINANCIAL INSTRUMENTS *continued*				
Held for trading				
Currency derivatives				
– Forward rate agreements	70 822	2 782	68 187	2 612
– Swaps	106 697	7 773	101 848	4 656
– Options	1 933	222	1 624	26
Total currency derivatives	179 452	10 777	171 659	7 294
Interest rate derivatives				
– Forward rate agreements	91 209	212	77 516	189
– Swaps	152 620	5 396	139 118	5 328
– Options	11 611	76	11 309	82
– Other	166	–	–	–
Total interest rate derivatives	255 606	5 684	227 943	5 599
Equity derivatives				
– Options	14 269	1 409	3 667	343
– Other	113	2	–	–
Total equity derivatives	14 382	1 411	3 667	343
Commodity derivatives				
– Forward rate agreements	4 336	322	4 359	702
– Swaps	175	5	566	30
– Options	8 903	1 686	9 223	921
– Other	85	2	186	80
Total commodity derivatives	13 499	2 015	14 334	1 733
Credit derivatives	5 640	39	–	–
Total held for trading	468 579	19 926	417 603	14 969
Total	487 426	20 500	422 561	15 064

R million	2005 Assets: Derivative instruments Exchange traded Notional	Exchange traded Fair value	Over the counter Notional	Over the counter Fair value	Total Notional	Total Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	13 167	304	13 167	304
Interest rate derivatives	–	–	13 167	304	13 167	304
Fair value hedges	–	–	5 680	270	5 680	270
Interest rate derivatives	–	–	5 680	270	5 680	270
Held for trading	4 866	1	463 713	19 925	468 579	19 926
Currency derivatives	–	–	179 452	10 777	179 452	10 777
Interest rate derivatives	3 667	1	251 939	5 683	255 606	5 684
Equity derivatives	–	–	14 382	1 411	14 382	1 411
Commodity derivatives	1 199	–	12 300	2 015	13 499	2 015
Credit derivatives	–	–	5 640	39	5 640	39
Total	4 866	1	482 560	20 499	487 426	20 500

R million	2005 Liabilities: Derivative instruments Exchange traded Notional	Exchange traded Fair value	Over the counter Notional	Over the counter Fair value	Total Notional	Total Fair value
9. DERIVATIVE FINANCIAL INSTRUMENTS *continued*						
Qualifying for hedge accounting						
Cash flow hedges	–	–	3 498	64	3 498	64
Interest rate derivatives	–	–	3 498	64	3 498	64
Fair value hedges	–	–	1 460	31	1 460	31
Interest rate derivatives	–	–	1 460	31	1 460	31
Held for trading	3 596	5	414 007	14 964	417 603	14 969
Currency derivatives	–	–	171 659	7 294	171 659	7 294
Interest rate derivatives	2 558	3	225 385	5 596	227 943	5 599
Equity derivatives	–	–	3 667	343	3 667	343
Commodity derivatives	1 038	2	13 296	1 731	14 334	1 733
Total	3 596	5	418 965	15 059	422 561	15 064

R million	**2006** At amor-tised cost	**Held-to-maturity**	**Available-for-sale**	**Fair value**	**Total**	2005 Total
10. ADVANCES						
Sector analysis						
Agriculture	6 150	–	–	54	6 204	4 708
Banks and financial services	6 430	–	538	21 985	28 953	25 744
Building and property development	5 321	–	–	–	5 321	10 420
Government, Land Bank and public authorities	182	–	–	7 303	7 485	5 510
Individuals	158 707	–	–	2	158 709	116 041
Manufacturing and commerce	24 893	–	–	10 395	35 288	23 848
Mining	914	–	–	7	921	3 356
Transport and communication	6 669	–	–	330	6 999	4 546
Other services	10 652	–	–	717	11 369	9 890
Notional value of advances	219 918	–	538	40 793	261 249	204 063
Contractual interest suspended	(435)	–	–	–	(435)	(387)
Gross advances	219 483	–	538	40 793	260 814	203 676
Impairment of advances (note 11)	(2 768)	–	–	–	(2 768)	(1 976)
Net advances	216 715	–	538	40 793	258 046	201 700
Net advances – 2005	163 626	5 916	1 648	30 510	201 700	
Geographic analysis (based on credit risk)						
South Africa	219 746	–	538	30 103	250 387	194 609
Other Africa	62	–	–	123	185	178
United Kingdom	72	–	–	6 512	6 584	9 205
Other	38	–	–	4 055	4 093	71
Total value of advances	219 918	–	538	40 793	261 249	204 063
Contractual interest suspended	(435)	–	–	–	(435)	(387)
Gross advances	219 483	–	538	40 793	260 814	203 676
Impairment of advances (note 11)	(2 768)	–	–	–	(2 768)	(1 976)
Net advances	216 715	–	538	40 793	258 046	201 700
Net advances – 2005	163 626	5 916	1 648	30 510	201 700	

R million	2006 At amor-tised cost	Held-to-maturity	Available-for-sale	Fair value	Total	2005 Total
10. ADVANCES *continued*						
Category analysis						
Overdrafts and managed accounts	21 999	–	–	–	21 999	23 634
Loans to other financial institutions	87	–	–	4 702	4 789	–
Card loans	9 380	–	–	–	9 380	6 989
Instalment sales	41 201	–	–	–	41 201	34 802
Lease payments receivable	24 994	–	–	–	24 994	18 604
Property finance	97 815	–	–	3 006	100 821	70 378
– Home loans	94 243	–	–	–	94 243	66 645
– Commercial property finance	3 572	–	–	3 006	6 578	3 733
Personal loans	10 136	–	–	–	10 136	3 947
Preference share advances	1 061	–	–	–	1 061	654
Other	12 782	–	538	22 549	35 869	36 570
Collateralised debt obligations	161	–	–	–	161	182
Assets under agreement to resell	302	–	–	10 536	10 838	8 303
Notional value of advances	219 918	–	538	40 793	261 249	204 063
Contractual interest suspended	(435)	–	–	–	(435)	(387)
Gross advances	219 483	–	538	40 793	260 814	203 676
Impairment of advances (note 11)	(2 768)	–	–	–	(2 768)	(1 976)
Net advances	216 715	–	538	40 793	258 046	201 700
Net advances – 2005	163 626	5 916	1 648	30 510	201 700	

Fair value

The carrying value of loans and advances approximate their fair value.

A maturity analysis of advances is set out in note 30.7 and is based on the remaining periods to contractual maturity from the year end.

R million	2006 Within 1 year	Between 1 and 5 years	More than 5 years	Total	2005 Total
Analysis of instalment sales and lease payments receivable					
Lease payments receivable	6 246	18 749	–	24 995	18 616
Suspensive sale instalments receivable	10 434	31 309	–	41 743	41 973
	16 680	50 058	–	66 738	60 589
Less: Unearned finance charges	(154)	(467)	–	(621)	(7 183)
	16 526	49 591	–	66 117	53 406

R million	Total impairment	Specific impairment	Portfolio impairment	Income statement
	2006			
11. IMPAIRMENT OF ADVANCES				
Analysis of movement in impairment of advances				
Opening balance	1 976	1 440	536	–
IFRS reclassification	(162)	(300)	138	–
IFRS credit impairment	239	89	150	–
IFRS total	77	(211)	288	–
Restated opening balance	2 053	1 229	824	–
Amounts written off	(943)	(941)	(2)	–
Unwinding of discounted present value on non-performing loans	(60)	(60)	–	–
Reclassifications	–	(3)	3	–
Net new impairments created	1 718	1 373	345	(1 718)
– Impairments created	2 565	2 202	363	(2 565)
– Impairments released	(847)	(829)	(18)	847
Net write-off of bad debts	–	–	–	287
Realisation of security	–	–	–	4
Closing balance	2 768	1 598	1 170	(1 427)

R million	Total impairment	Specific impairment	Portfolio impairment	Income statement
	2005			
Opening balance	2 026	1 582	444	–
Amounts written off	(807)	(807)	–	–
Unwinding of discounted present value on non-performing loans	(26)	(26)	–	–
Reclassifications	–	(48)	48	–
Net new impairments created	783	739	44	(783)
– Impairments created	1 277	1 205	72	(1 277)
– Impairments released	(494)	(466)	(28)	494
Recoveries of bad debts	–	–	–	212
Realisation of security	–	–	–	(1)
Closing balance	1 976	1 440	536	(572)

R million	Credit risk (2006)	Security held (2006)	Contractual interest suspended (2006)	Specific impairments (2006)	Specific impairments (2005)
11. IMPAIRMENT OF ADVANCES *continued*					
Non-performing lendings by sector					
Agriculture	173	99	23	74	47
Banks and financial services	67	20	27	13	111
Building and property development	153	21	41	95	44
Government, Land Bank and public authorities	–	–	–	–	27
Individuals	2 219	745	170	1 044	796
Manufacturing and commerce	629	95	94	287	296
Mining	50	1	10	12	8
Transport and communication	134	7	59	38	36
Other services	118	41	11	35	75
Total	**3 543**	**1 029**	**435**	**1 598**	1 440
2005 Total non-performing lendings	2 813	850	387	1 440	
Non-performing lendings by category					
Overdrafts and managed account debtors	848	111	181	557	536
Card loans	554	–	34	347	219
Instalment sale	814	103	62	191	181
Lease payments receivable	210	43	16	77	105
Home loans	791	646	78	259	258
Commercial property finance	32	16	16	10	13
Other	294	110	48	157	128
Total	**3 543**	**1 029**	**435**	**1 598**	1 440
2005 Total non-performing lendings	2 813	850	387	1 440	

R million	Trading (2006)	Originated (2006)	Held-to-maturity (2006)	Available-for-sale (2006)	Elected fair value (2006)	Total (2006)	2005 Total
12. INVESTMENT SECURITIES AND OTHER INVESTMENTS							
Negotiable certificates of deposit	701	–	–	–	–	701	736
Treasury bills	2 358	–	–	15	–	2 373	2 483
Other Government and Government guaranteed stock	4 829	–	–	11 827	–	16 656	15 907
Other dated securities	318	–	–	–	682	1 000	802
Other undated securities	–	–	–	1	188	189	786
Other	5 622	185	–	276	6 500	12 583	5 835
Total – 2006	**13 828**	**185**	**–**	**12 119**	**7 370**	**33 502**	26 549
Total – 2005	12 264	–	10	10 065	4 210	26 549	

R million	2006 Trading	2006 Originated	2006 Held-to-maturity	2006 Available-for-sale	2006 Elected fair value	2006 Total	2005 Total
12. INVESTMENT SECURITIES AND OTHER INVESTMENTS *continued*							
Listed							
Negotiable certificates of deposit	–	–	–	–	–	–	–
Treasury bills	–	–	–	–	–	–	–
Other government and government guaranteed stock	4 829	–	–	11 827	–	16 656	13 732
Other dated securities	70	–	–	–	–	70	715
Other undated securities	–	–	–	–	–	–	–
Other	1 391	–	–	15	14	1 420	3 104
Listed – 2006	**6 290**	**–**	**–**	**11 842**	**14**	**18 146**	17 551
Listed – 2005	6 726	–	–	9 790	1 035	17 551	
Unlisted							
Negotiable certificates of deposit	701	–	–	–	–	701	736
Treasury bills	2 358	–	–	15	–	2 373	2 483
Other government and government guaranteed stock	–	–	–	–	–	–	2 175
Other dated securities	248	–	–	–	682	930	87
Other undated securities	–	–	–	1	188	189	786
Other	4 231	185	–	261	6 486	11 163	2 731
Unlisted – 2006	**7 538**	**185**	**–**	**277**	**7 356**	**15 356**	8 998
Unlisted – 2005	5 538	–	10	275	3 175	8 998	

R14 396 million (2005: R12 206 million) of the financial instruments form part of the Bank's liquid asset portfolio in terms of the South African Reserve Bank and other foreign banking regulators' requirements.

The Bank holds certain interests in collateralised debt obligation structures. The Bank has no obligations toward other investors beyond the amounts already contributed. The Bank has no management control or influence over these investments which are recorded at fair value under the available for sale category in the above table.

R million	2006	2005
Analysis of investment securities		
Listed	18 146	17 551
– Equities	1 420	1 383
– Debt	16 726	16 168
Unlisted	15 356	8 998
– Equities	6 936	2 728
– Debt	8 420	6 270
	33 502	26 549
Aggregate market value of listed securities	18 146	17 551
Aggregate directors' valuation of unlisted investments	15 356	8 998
Total	**33 502**	26 549

Held-to-maturity securities are carried at amortised cost in both years.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act is kept at the Company's registered offices. This information is open for inspection in terms of the provisions of Section 113 of the Companies Act.

The maturity analysis for investment securities is set out in note 30.7.

R million	2006	2005
13. COMMODITIES		
Agricultural stock	**578**	377
Other	**49**	18
Total commodities	**627**	395
All commodities are carried at fair value.		
14. ACCOUNTS RECEIVABLE		
Items in transit	**14**	200
Accrued interest	**24**	60
Other debtors	**1 635**	981
Total accounts receivable	**1 673**	1 241
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURE COMPANIES		
Listed investments		
Investments at cost less amounts written off	**544**	544
Unlisted investments		
Investments at cost less amounts written off	**180**	180
Total carrying value	**724**	724
Valuation		
Listed investments at market value	**565**	544
Unlisted investments at directors' valuation	**334**	343
Total valuation	**899**	887

R million	Nature of business	Issued ordinary share capital R	Number of ordinary shares held	Year end
Listed				
Makalani Holdings	Investment holding	625 000 000	5 437 380	30 Jun
Unlisted				
Toyota Financial Services (Pty) Limited	Vehicle finance	4 500	1 485	31 Mar
Natal Lands (Pty) Limited	Property holding	240 000	60 000	31 Dec
Pamodzi Investment Holdings (Pty) Limited	Investment holding	50 000	11 310	31 Aug

R million	Effective holding % 2006	2005	Market or directors' valuation 2006	2005	Bank costs less amounts written off 2006	2005
Listed						
Makalani Holdings	**22**	22	**565**	544	**544**	544
Total listed			**565**	544	**544**	544
Unlisted						
Natal Lands (Pty) Limited	**50**	50	**1**	–	**1**	1
SBV Services (Pty) Limited	**25**	25	**10**	9	**10**	10
Pamodzi Investment Holdings (Pty) Limited	**22.6**	20	**18**	18	**18**	18
Toyota Financial Services (Pty) Limited	**33**	33	**207**	217	**150**	150
Other	**Various**	Various	**99**	99	**1**	1
Total unlisted			**334**	343	**180**	180
Total listed and unlisted			**899**	887	**724**	724

R million	2006	2005
16. INTEREST IN SUBSIDIARY COMPANIES		
Shares at cost less amounts written off	13	13

	Nature of business	Issued capital Rand	Effective holding %	Investment in subsidiaries Rand
30 June 2006				
Direct Axis (Pty) Limited	Financial services	13 333	51	11 000 000
RMB Corporate Finance (Pty) Limited	Investment	1 000	100	1 282 762
Other				892 238
				13 175 000
30 June 2005				
Direct Axis (Pty) Limited	Financial services	13 333	51	11 000 000
RMB Corporate Finance (Pty) Limited	Investment	1 000	100	1 282 762
Other				892 238
				13 175 000

R million	2006	2005
17. HOLDING AND FELLOW SUBSIDIARY COMPANIES		
Amounts due to holding company	(816)	(200)
Amounts due to fellow subsidiary companies	(16 978)	(17 543)
Amounts due to holding and fellow subsidiary companies	(17 794)	(17 743)
Amounts due by holding company	659	760
Amounts due by fellow subsidiary companies	23 978	17 978
Amounts due by holding and fellow subsidiary companies	24 637	18 738
Net amounts due by holding and fellow subsidiary companies	6 843	995

These loans have no fixed terms of repayment and carry varying rates of interest. Loans to fellow subsidiary companies amounting to R11 million are subject to subordination agreements until such time that their assets, fairly valued, exceed their liabilities.

R million	2006 Cost	2006 Accumulated depreciation and impairments	2006 Net book value	2005 Cost	2005 Accumulated depreciation and impairments	2005 Net book value
18. PROPERTY AND EQUIPMENT						
Property						
Freehold land and buildings	936	(57)	879	991	(19)	972
Leasehold premises	748	(400)	348	534	(287)	247
	1 684	(457)	1 227	1 525	(306)	1 219
Equipment						
Computer equipment	2 552	(1 596)	956	2 176	(1 351)	825
Furniture and fittings	840	(467)	373	718	(386)	332
Motor vehicles	84	(37)	47	70	(34)	36
Office equipment	339	(169)	170	279	(119)	160
	3 815	(2 269)	1 546	3 243	(1 890)	1 353
Total	5 499	(2 726)	2 773	4 768	(2 196)	2 572

R million	Freehold land and buildings	Leasehold premises	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment
18. PROPERTY AND EQUIPMENT *continued*						
Movement in property and equipment – net book value						
Net book value at 30 June 2004	322	197	703	349	32	123
IFRS adjustment	475	–	–	–	–	–
Cost	108	–	–	–	–	–
Accumulated depreciation	367	–	–	–	–	–
Restated net book value at 30 June 2004	797	197	703	349	32	123
Additions	247	132	437	55	17	91
Depreciation charge for period	(39)	(74)	(292)	(71)	(12)	(35)
IFRS adjustment	2	–	–	–	–	–
Post IFRS depreciation charge for period	(37)	(74)	(292)	(71)	(12)	(35)
Impairments	–	–	(19)	–	–	–
Disposals	(35)	(8)	(4)	(1)	(1)	(19)
Net book value at 30 June 2005	972	247	825	332	36	160
Additions	**23**	**221**	**513**	**138**	**26**	**68**
Depreciation charge for period	**(31)**	**(111)**	**(379)**	**(83)**	**(13)**	**(52)**
Impairments recognised	**–**	**(7)**	**(7)**	**(7)**	**–**	**(6)**
Impairments reversed	**–**	**–**	**12**	**–**	**–**	
Disposals	**(86)**	**(1)**	**(6)**	**(8)**	**(3)**	**(1)**
Other	**1**	**(1)**	**(2)**	**1**	**1**	**1**
Net book value at 30 June 2006	**879**	**348**	**956**	**373**	**47**	**170**

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the Company's registered offices. This information will be open for inspection in terms of the provisions of Section 113 of the Companies Act, 1973.

R million	**2006**	2005
19. PENSION AND POST–RETIREMENT BENEFITS		
19.1 Post-retirement pension		
Pension liability		
Present value of funded liability	**15 437**	12 316
IFRS transfer	**–**	174
Fair value of plan assets	**(15 263)**	(12 316)
Pension fund deficit	**174**	174
Unrecognised pension fund surplus		
Unrecognised actuarial gains/(losses)	**11**	–
Limitation imposed by IAS 19	**(11)**	–
Retirement benefit liability	**174**	174
The amounts recognised in the income statement are as follows:		
Current service cost	**312**	283
Interest cost	**994**	956
Expected return on plan assets	**(1 011)**	(952)
Net actuarial loss recognised in the year	**–**	(4)
Total included in staff costs	**295**	283

R million	2006	2005
19. PENSION AND POST-RETIREMENT BENEFITS *continued*		
19.1 Post-retirement pension *continued*		
Movement in retirement benefit liability		
Present value at the beginning of the year	174	–
Amounts recognised in the income statement as above	295	283
Contributions paid	(306)	(283)
Limitation imposed by IAS 19	11	
IFRS transfer	–	174
Present value at the end of the year	174	174
The principal actuarial assumptions used for accounting purposes were:		
Discount rate (%)	8.8	8.0
Expected return on plan assets (%)	8.3	8.0
Salary inflation (%)	7.3	5.0
Net interest rate used to value pensions, allowing for pension increases (%)	2.8	5.0
The pension liability includes both defined benefit and defined contribution schemes.		
The Bank has incurred a liability to subsidise the post-retirement medical expenditure of certain of its employees. At 30 June 2006, the actuarially determined liability of the Bank was R1 453 million (2005: R1 243 million).		
In terms of the actuarial report the funded status is 100% and the fund is in a sound financial condition.		
19.2 Post-retirement medical liability		
Present value of unfunded liability	1 593	1 268
IFRS transfer	–	78
Unrecognised actuarial losses	(140)	(103)
Post-retirement medical liability	1 453	1 243
The amounts recognised in the income statement are as follows:		
Current service cost	33	28
Interest cost	102	107
Past service cost	–	61
Actuarial loss recognised	128	–
Total included in staff costs	263	196
Movement in post-retirement medical liability		
Present value at the beginning of the year	1 243	1 020
Amounts recognised in the income statement as above	263	196
Contributions paid	(53)	(51)
IFRS transfer	–	78
Present value at the end of the year	1 453	1 243
The principal actuarial assumptions used for accounting purposes were:		
Discount rate (%)	8.8	8.0
Long-term increase in medical subsidies (%)	7.5	6.0
19.3 Post-retirement benefit fund liability		
Post-retirement pension liability	174	174
Post-retirement medical liability	1 453	1 243
Total post-retirement benefit liability	1 627	1 417
19.4 Pension and post-retirement benefits		
Leave pay insurance policy	569	650
Post-retirement medical assets	1 898	1 578
Total post-retirement benefit assets	2 467	2 228
Number of employees covered	34 009	32 000

The Bank has set aside certain assets against these liabilities. The assets are managed and invested to achieve a return which reflects the growth in the underlying liability.
The amount transferred to meet the post retirement benefit liability was made in order to meet the increase liability as a result of changes to the fund in respect of non-clerical staff being included on the scheme and changes in structure to the contribution tables.

R million	2006	2005
20. INTANGIBLE ASSETS		
Software – cost		
Gross amount	97	82
Less: Amortisation	(71)	(52)
	26	30
Movement in software – book value		
Opening balance	30	24
Additions	15	20
Amortisation	(19)	(14)
	26	30
Development costs		
Gross amount	21	8
Less: Amortisation	(4)	(2)
	17	6
Movement in development costs – book value		
Opening balance	6	2
Additions	13	5
Amortisation	(2)	(1)
	17	6
Total intangible assets		
Software	26	30
Development costs	17	6
	43	36

	2006 At amortised cost	Fair value	Total
21. DEPOSITS			
Deposit and current accounts			
From banks and financial institutions	3 021	6 297	9 318
– In the normal course of business	3 021	2 745	5 766
– Under repurchase agreements	–	3 552	3 552
From customers	147 138	44 714	191 852
– Current accounts	102 751	468	103 219
– Savings accounts	1 841	–	1 841
– Term deposits	42 546	44 246	86 792
Other deposits	7 130	61 562	68 692
– Negotiable certificates of deposit	30	28 797	28 827
– Other deposits	7 100	32 765	39 865
	157 289	112 573	269 862

	2005 At amortised cost	2005 Fair value	2005 Total
21. DEPOSITS			
Deposit and current accounts			
From banks and financial institutions	–	18 784	18 784
– In the normal course of business	–	5 896	5 896
– Under repurchase agreements	–	12 888	12 888
From customers	101 538	34 887	136 425
– Current accounts	43 207	2 562	45 769
– Savings accounts	1 776	–	1 776
– Term deposits	56 555	32 325	88 880
Other deposits	2 094	52 425	54 519
– Negotiable certificates of deposit	–	30 891	30 891
– Other deposits	2 094	21 534	23 628
	103 632	106 096	209 728

A maturity analysis of deposits and current accounts is set out in note 30.7 of this annual report, and is based on the remaining periods to contractual maturity from the year-end.

R million	**2006**	2005
22. SHORT TRADING POSITIONS		
Government and government guaranteed	**10 437**	5 510
Other dated securities	**3 524**	2 843
Undated securities	**6 627**	5 684
	20 588	14 037
Analysed as follows:		
Listed	**16 922**	11 211
Unlisted	**3 666**	2 826
	20 588	14 037

Short trading positions are carried at fair value. Fair market value for listed securities are their market quoted prices, and for unlisted securities are based on the directors' valuation using suitable valuation methods.

R million	**2006**	2005
23. CREDITORS AND ACCRUALS		
Accrued interest	**104**	43
Short-term portion of long-term liabilities (note 25)	**30**	–
Other creditors	**3 686**	2 897
	3 820	2 940

All amounts are expected to be settled within twelve months.

R million	2006	2005
24. PROVISIONS		
Leave pay		
– Opening balance	622	610
– Additions	(1)	–
– Charged to the income statement	61	121
– Utilised	(43)	(109)
Closing balance	639	622
Audit fees		
– Opening balance	13	18
– Charged to the income statement	44	32
– Utilised	(44)	(37)
Closing balance	13	13
Other		
– Opening balance	997	641
– IFRS adjustment	26	–
Restated opening balance	1 023	641
Additions	1	–
Charged to the income statement	1 394	818
Utilised	(877)	(462)
Closing balance	1 541	997
Total provisions	2 193	1 632
25. LONG-TERM LIABILITIES		
Preference shares		
Authorised		
500 000 000 (2005: 500 000 000) cumulative redeemable shares with a par value of R0,0001	–	–
Issued		
1 500 (2005:nil) cumulative redeemable shares with a par value of R0,0001 and a premium of R99 999,9999 per share[a]	537	–
	537	–
a These preference shares are redeemable over the next 5 years at the full subscription price. Dividends are paid at variable rates of between 56.0% and 62.5% of the prime interest rate. All issued share capital is fully paid up.		
Subordinated convertible loans	2 349	2 349
Fixed rate bonds[b]	700	700
Floating rate bonds[c]	3 840	300
Less: Portion repayable within 12 months transferred to current liabilities (note 23)	(30)	–
	7 396	3 349

b The fixed rate bonds mature 31 August 2010 and bear interest at 1.2% above the R153 bond rate.

c The floating rate bonds mature from 31 August 2010 to 21 December 2018 and bear interest at 0.715% above the three month JIBAR rate.

R million	2006	2005
26. ORDINARY SHARES AND PREFERENCE SHARES		
Authorised		
2 000 000 ordinary shares of R2 each	4	4
5 000 000 000 redeemable preference shares with a par value of R0,0001 per share[a]	–	–
100 000 000 non-cumulative non-redeemable preference shares with a par value of R0,01 per share	1	–
a These preference shares are redeemable at the company's discretion, at the full subscription price plus any premium determined on redemption. Dividends are paid at a variable rate based on prime.		
Issued		
1 758 843 (2005: 1 758 842) ordinary shares with a par value of R2 each	4	4
11 348 (2005: 6 558) redeemable preference shares with a par value of R0,001 per share	–	–
3 000 000 non-cumulative non-redeemable preference shares with a par value of R0,001 per share to Holding Company	–	–
	4	4
All issued share capital is fully paid up.		
Share premium		
1 758 843 (2005: 1 758 842) ordinary shares with a par value of R2 each	3 372	2 612
3 000 000 non-cumulative non-redeemable preference shares with a par value of 1 cent per share to Holding Company	3 000	3 000
	6 372	5 612

	Number of ordinary shares	Number of non-cumulative non-redeemable preference shares	Number of redeemable preference shares
Reconciliation of shares issued			
Shares at 1 July 2004	1 758 305	–	6 278
Issued during the year	537	3 000 000	280
Shares at 30 June 2005	1 758 842	3 000 000	6 558
Issued during the year	1	–	4 790
Shares at 30 June 2006	**1 758 843**	**3 000 000**	**11 348**

R million	2006	2005
27. NON-DISTRIBUTABLE RESERVES		
Cash flow hedging reserve	118	292
Revaluation reserve – available-for-sale instruments	97	183
Capital redemption reserve fund	1 345	1 343
General risk reserve (impaired capital reserve)	717	761
Share-based payment reserve	275	133
	2 552	2 712

A detailed reconciliation of the movements in the respective non-distributable reserve balances is set out in the statement of changes in equity.

R million		**2006**	2005
28. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees*		**12 725**	12 828
Acceptances		**6**	5
Letters of credit		**22 366**	12 021
Irrevocable commitments – original maturity one year or less		**27 336**	14 717
		62 433	39 571

**Guarantees consist predominantly of endorsements and performance guarantees*

Legal proceedings

There are a number of legal or potential claims against the Bank, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or group basis.

Claims

	2006	2005
The Bank has contingent liabilities in respect of certain outstanding claims.	**150**	150
The Bank has reciprocal claims against other institutions. These claims qualify as contingent assets.	**(134)**	(134)

Commitments

Commitments in respect of capital expenditure and long-term investments approved by directors:

	2006	2005
Contracted for	**479**	83
Not contracted for	**618**	486

Funds to meet these commitments will be provided from the Bank's resources.

R million	**Next year**	**2006 2nd to 5th year**	**After 5th year**
Group commitments under operating leases			
Office premises	**343**	**828**	**120**
Equipment and motor vehicles	**35**	**15**	**–**
	378	**843**	**120**

R million	Next year	2005 2nd to 5th year	After 5th year
Office premises	241	509	113
Equipment and motor vehicles	27	32	–
	268	541	113

R million	2006	2005
29. CASH FLOW INFORMATION		
29.1 Reconciliation of net income from operations to cash flow from operating activities		
Income before taxation	6 998	4 604
Adjusted for:		
– Depreciation, amortisation and impairment costs	708	555
– Impairment of advances	1 427	572
– Revaluation of post-employment benefit assets	(29)	(243)
– Other non-cash provisions and accruals	1 596	869
– Net profit on sale of property and equipment and investments	(69)	(82)
– Revaluation (gain)/loss transferred to available-for-sale securities	(126)	15
– Foreign currency translation reserve	3	–
– Debenture interest paid	509	466
– Dividends from other investments	(322)	(222)
– Dividends from associated companies	(11)	(19)
– IFRS 2 Share-based payments	142	116
– Deferred income	(123)	–
– Deferred expenses	60	–
Cash flows from operating activities	10 763	6 631
29.2 Dividends paid		
Amounts unpaid at beginning of the year	–	–
Charged to distributable reserves	(2 445)	(2 662)
Amounts unpaid at end of the year	–	–
Total dividends paid	(2 445)	(2 662)
29.3 Taxation paid		
Amounts unpaid at beginning of the year	(104)	(914)
Taxation charge per income statement	(1 595)	(1 138)
Customer taxation adjustment	–	43
Deferred taxation included in tax charge	70	413
VAT and other tax charges	(408)	(347)
Amounts unpaid at end of the year	430	104
Total taxation paid	(1 607)	(1 839)

30. RISK MANAGEMENT

30.1 General

The Risk Report of the Bank is contained on pages 3 to 15 ("the Risk Report"). The Risk Report sets out in detail the various risks the Bank is exposed to, as well as the strategy, methodology and instruments used to mitigate these risks.

Risk control policies and exposure limits for the key risk areas of the Bank are approved by the Board, while operational policies and control procedures are approved by the relevant risk committees. Details of the Bank's risk management structure, the risk management methodologies and the various risk committees are set out in page 4 of the Risk Report.

Pages 3 to 5 of the Risk Report form part of the audited financial statements.

30. RISK MANAGEMENT *continued*

30.1 General *continued*

Strategy in using financial instruments

By its nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency, interest rate and commodity prices. The Board of the Bank places trading limits on the level of exposure than can be taken in relation to both overnight and intra-day positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

30.2 Strategy in using hedges

The Bank strategy for using hedges is set out in note 9 above, read with the Risk Report.

30.3 Credit risk management

Credit risk

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. In general, the Bank manages its credit risk exposure by placing limits on the acceptable risk exposure to individual borrowers or groups of borrowers, and within geographic and industry segments. Credit risk is monitored on an ongoing basis. Further detail on credit risk management is contained on pages 6 to 10 of the of the Risk Management report.

Significant credit exposures at 30 June 2006 were:

R million	**South Africa**	**Other Africa**	**United Kingdom**	**Ireland**	**Other Europe**	**North America**	**South America**	**Austra-lasia**	**Other**	**Total**
Assets										
Gross Advances	250 387	185	6 584	718	3 317	33	16	7	2	261 249
Contingencies*	33 306	1 075	15	–	144	50	13	2	492	35 097
	283 693	1 260	6 599	718	3 461	83	29	9	494	296 346

Economic sector risk concentrations in respect of advances are set out in note 10.

Significant credit exposures at 30 June 2005 were:

R million	South Africa	Other Africa	United Kingdom	Ireland	Other Europe	North America	South America	Austra-lasia	Other	Total
Assets										
Gross Advances	194 609	178	5 772	1 025	2 408	41	24	–	6	204 063
Contingencies*	20 141	884	141	2 878	317	54	9	2	428	24 854
	214 750	1 062	5 913	3 903	2 725	95	33	2	434	228 917

**Contingencies exclude irrevocable commitments – original maturity of one year or less.*

30.4 Market risk

The Bank takes on exposure to market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a "value at risk" methodology to estimate the market risk positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The primary risk control mechanism used for risk control purposes are stress loss test and limits. Further details on the market risk management are set out on pages 10 and 11 of the Risk Report.

30. RISK MANAGEMENT *continued*

30.5 Currency risk management

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank manages foreign currency exposures in terms of approved limits. The currency position at 30 June 2006 is set out below:

	2006					
R million	Rand	UK£	US$	Euro	Other	Total
Assets						
Cash and short-term funds	15 877	30	4 105	56	36	20 104
Derivative financial instruments	17 362	491	13 773	2 706	123	34 455
– qualifying for hedging	253	–	–	–	–	253
– trading	17 109	491	13 773	2 706	123	34 202
Advances	248 707	30	8 435	866	8	258 046
– at amortised cost	216 659	–	41	15	–	216 715
– held-to-maturity	–	–	–	–	–	–
– available-for-sale	538	–	–	–	–	538
– fair value	31 510	30	8 394	851	8	40 793
Investment securities and other investments	33 482	–	–	–	20	33 502
Financial instruments held for trading	13 808	–	–	–	20	13 828
Investment securities	19 674	–	–	–	–	19 674
– originated	185	–	–	–	–	185
– held-to-maturity	–	–	–	–	–	–
– available-for-sale	12 119	–	–	–	–	12 119
– elected fair value	7 370	–	–	–	–	7 370
Commodities	627	–	–	–	–	627
Loans to Insurance group	632	4	–	–	–	636
Accounts receivable	1 673	–	–	–	–	1 673
Investment in associate and joint venture companies	724	–	–	–	–	724
Interest in subsidiary companies	13	–	–	–	–	13
Holding and fellow subsidiary companies	23 044	742	536		315	24 637
Property and equipment	2 773	–	–	–	–	2 773
Retirement benefit asset	2 467	–	–	–		2 467
Intangible assets	43	–	–	–	–	43
	347 424	1 297	26 849	3 628	502	379 700
Liabilities						
Deposits	256 832	248	11 460	1 252	70	269 862
– deposits and current accounts	256 832	248	11 460	1 252	70	269 862
Short trading positions	20 588	–	–	–	–	20 588
Derivative financial instruments	14 797	458	14 216	1 617	182	31 270
– qualifying for hedging	51	–	–	–	–	51
– trading	14 746	458	14 216	1 617	182	31 219
Loans from insurance group	3 383	26	30	11	–	3 450
Creditors and accruals	3 814	–	6	–	–	3 820
Provisions	2 193	–	–	–	–	2 193
Taxation liability	430	–	–	–	–	430
Post-retirement benefit funds liability	1 627	–	–	–	–	1 627
Deferred taxation liabilities	1 804	–	–	–	–	1 804
Holding and fellow subsidiary companies	17 532	–	252		10	17 794
Long-term liabilities	7 396	–	–	–	–	7 396
Shareholders' equity	19 466	–	–	–	–	19 466
	349 862	732	25 964	2 880	262	379 700

30. RISK MANAGEMENT *continued*
30.5 Currency risk management *continued*

			2005			
R million	Rand	UK£	US$	Euro	Other	Total
Assets						
Cash and short-term funds	9 317	114	4 527	46	53	14 057
Derivative financial instruments	10 466	390	6 162	3 338	144	20 500
– qualifying for hedging	574					574
– trading	9 892	390	6 162	3 338	144	19 926
Advances	193 790	520	6 290	1 072	28	201 700
– originated	163 451	157	18	–	–	163 626
– held-to-maturity	5 916	–	–	–	–	5 916
– available-for-sale	1 648	–	–	–	–	1 648
– fair value advances	22 775	363	6 272	1 072	28	30 510
Investment securities and other investments	26 544	–	–	5	–	26 549
Financial securities held for trading	12 264	–	–	–	–	12 264
Investment securities	14 280	–	–	5	–	14 285
– held-to-maturity	10	–	–	–	–	10
– available-for-sale	10 060	–	–	5	–	10 065
– at elected fair value	4 210	–	–	–	–	4 210
Commodities	395	–	–	–	–	395
Loans to Insurance Group	3 655	3	–	–	–	3 658
Property and equipment	2 572	–	–	–	–	2 572
Accounts receivable	1 241	–	–	–	–	1 241
Investment in associate companies	724	–	–	–	–	724
Interest in subsidiary companies	13	–	–	–	–	13
Holding and fellow subsidiary companies	16 011	343	2 380		4	18 738
Retirement benefit asset	2 228	–	–	–	–	2 228
Intangible assets	36					36
	266 992	1 370	19 359	4 461	229	292 411
Liabilities						
Deposits	205 608	670	2 461	920	69	209 728
– deposit and current accounts	205 608	670	2 461	920	69	209 728
Negotiable deposits						
Short trading positions	14 037	–	–	–	–	14 037
Derivative financial instruments	8 618	249	3 631	2 303	263	15 064
– qualifying for hedging	95	–	–	–	–	95
– trading	8 523	249	3 631	2 303	263	14 969
Loans from insurance group	7 896	19	40	1	–	7 956
Creditors and accruals	2 938	–	2	–	–	2 940
Provisions	1 632	–	–	–	–	1 632
Taxation	104	–	–	–	–	104
Post-retirement benefit fund liability	1 417	–	–	–	–	1 417
Deferred taxation liabilities	1 909	–	–	–	–	1 909
Holding and fellow subsidiary companies	17 730	–	1	1	11	17 743
Long-term liabilities	3 349	–	–	–	–	3 349
Shareholders' equity	16 532	–	–	–	–	16 532
	281 770	938	6 135	3 225	343	292 411

30. RISK MANAGEMENT *continued*

30.6 Interest rate risk management

Interest sensitivity of assets, liabilities and off-balance sheet items – repricing analysis

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

Further details on the interest rate risk management are set out on pages 12 and 13 in the Risk Report.

The table below summarises the Bank's exposure to interest rate risk, categorised by contractual repricing date.

		2006						
		Interest earning/bearing						
			Term to repricing					
R million	Carrying amount 2006	Demand	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest earning/ bearing
Assets							
Cash and short-term funds	20 104	17 671	400	–	–	–	2 033
Derivative financial instruments	34 455	296	12 009	8 217	2 313	3 469	8 151
– qualifying for hedging	253	–	221	21	11	–	–
– trading	34 202	296	11 788	8 196	2 302	3 469	8 151
Advances	258 046	94 458	27 607	25 306	52 597	58 061	17
– at amortised cost	216 715	91 397	8 143	21 889	40 347	54 922	17
– held-to-maturity	–	–	–	–	–	–	–
– available-for-sale	538	538	–	–	–	–	–
– fair value	40 793	2 523	19 464	3 417	12 250	3 139	–
Investment securities and other investments	33 502	3 337	3 910	5 410	11 634	7 620	1 591
Financial instruments held for trading	13 828	3 076	2 246	1 379	3 687	1 900	1 540
Investment securities	19 674	261	1 664	4 031	7 947	5 720	51
– originated	185	185	–	–	–	–	–
– held-to-maturity	–	–	–	–	–	–	–
– available-for-sale	12 119	44	12	3 707	5 215	3 090	51
– elected fair value	7 370	32	1 652	324	2 732	2 630	–
Commodities	627	–	–	–	–	–	627
Loans to Insurance Group	636	1	3	2	–	–	630
Accounts receivable	1 673	537	8	–	–	–	1 128
Investment in associate and joint venture companies	724	–	–	–	–	244	480
Investment in subsidiary companies	13	–	–	–	–	–	13
Holding and fellow subsidiary companies	24 637	20 607	889	10	731	230	2 170
Property and equipment	2 773	–	–	–	–	–	2 773
Retirement benefit asset	2 467	–	–	–	–	2 467	–
Intangible assets	43	–	–	–	–	–	43
	379 700	136 907	44 826	38 945	67 275	72 091	19 656

R million	Carrying amount 2006	2006 Interest earning/bearing Term to repricing Demand	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest earning/bearing
30. RISK MANAGEMENT *continued*							
30.6 Interest rate risk management *continued*							
Liabilities							
Deposits	269 862	150 421	60 852	41 816	15 976	797	–
– deposit and current accounts	269 862	150 421	60 852	41 816	15 976	797	–
Short trading positions	20 588	226	1 172	5 127	11 530	2 218	315
Derivative financial instruments	31 270	297	12 865	8 949	647	235	8 277
– qualifying for hedging	51	–	28	7	15	–	1
– trading	31 219	297	12 837	8 942	632	235	8 276
Loans from Insurance Group	3 450	464	1 368	1 581	24	–	13
Creditors and accruals	3 820	343	72	–	–	–	3 405
Provisions	2 193	–	–	–	–	–	2 193
Taxation liability	430	–	430	–	–	–	–
Post-retirement benefit fund liability	1 627	127	–	–	–	1 500	–
Deferred taxation liabilities	1 804	–	–	–	–	–	1 804
Holding and fellow subsidiary companies	17 794	8 513	518	153	1 206	7 124	280
Long-term liabilities	7 396	507	–	–	6 889	–	–
Shareholders' equity	19 466	–	–	–	–	–	19 466
	379 700	160 898	77 277	57 626	36 272	11 874	35 753
Net interest sensitivity gap		(23 991)	(32 451)	(18 681)	31 003	60 217	(16 097)

R million	Carrying amount 2005	Demand	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest earning/ bearing
	2005						
	Interest earning/bearing						
			Term to repricing				
30. RISK MANAGEMENT *continued*							
30.6 Interest rate risk management *continued*							
Assets							
Cash and short-term funds	14 057	9 142	126	1	–	–	4 788
Derivative financial instruments	20 500	–	702	5 921	6 568	5 898	1 411
– qualifying for hedging	574	–	11	149	414	–	
– trading	19 926	–	691	5 772	6 154	5 898	1 411
Advances	201 700	104 461	29 673	14 507	40 911	12 138	10
– originated	163 626	88 930	22 631	12 477	31 283	8 295	10
– held-to-maturity	5 916	–	1 139	2 030	2 188	559	–
– available-for-sale	1 648	365	–	–	–	1 283	–
– fair value	30 510	15 166	5 903	–	7 440	2 001	–
Investment securities and other investments	26 549	12 274	–	4 914	1 926	6 616	819
Financial securities held for trading	12 264	12 264	–	–	–	–	–
Investment securities and other investments	14 285	10	–	4 914	1 926	6 616	819
– held-to-maturity	10	10	–	–	–	–	–
– available-for-sale	10 065	–	–	3 565	24	6 226	250
– at elected fair value	4 210	–	–	1 349	1 902	390	569
Commodities	395	–	–	–	–	–	395
Loans to Insurance Group	3 658	2 245	348	1 038	1	24	2
Accounts receivable	1 241	19	–	206	–	–	1 016
Investment in associated companies	724	–	–	–	–	–	724
Interest in subsidiary companies	13	–	–	–	–	–	13
Holding and fellow subsidiary companies	18 738	14 495	425	674	2 827	24	293
Property and equipment	2 572	–	–	–	–	–	2 572
Retirement benefit asset	2 228	–	–	–	–	2 228	–
Intangible assets	36	–	–	–	–	–	36
	292 411	142 636	31 274	27 261	52 233	26 928	12 079

30. RISK MANAGEMENT

continued

30.6 Interest rate risk management *continued*

R million	Carrying amount 2005	2005 Interest earning/bearing Demand	Term to repricing 1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest earning/ bearing
Liabilities							
Deposits	209 728	124 281	66 881	12 504	4 816	570	676
– deposit and current accounts	209 728	124 281	66 881	12 504	4 816	570	676
Short trading positions	14 037	5	370	502	1 389	6 087	5 684
Derivative financial instruments	15 064	4	2 046	5 674	4 202	2 795	343
– qualifying for hedging	95	–	3	51	40	–	1
– trading	14 969	4	2 043	5 623	4 162	2 795	342
Loans from Insurance Group	7 956	3 004	–	2 454	2 072	425	1
Creditors and accruals	2 940	147	87	–	–	–	2 706
Provisions	1 632	–	–	–	–	–	1 632
Taxation	104	–	–	–	–	–	104
Post-retirement benefit funds liability	1 417	–	–	–	–	1 417	–
Deferred taxation liabilities	1 909	–	–	–	–	–	1 909
Holding and fellow subsidiary companies	17 743	13 686	–	–	–	–	4 057
Long-term liabilities	3 349	–	–	–	3 349	–	–
Shareholders' equity	16 532	–	–	–	–	–	16 532
	292 411	141 127	69 384	21 134	15 828	11 294	33 644
Net interest sensitivity gap		1 509	(38 110)	6 127	36 405	15 634	(21 565)

30.7 Liquidity risk management

The Bank is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan draw-downs and other cash requirements. The Bank does not maintain sufficient cash resources to meet all of these liquidity needs, as historical experience indicates a minimum level of reinvestment of maturing funds with a high level of certainty.

The matching and controlled mismatching of maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but may also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest–bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Details on the liquidity risk management process is set out on page 12 in the Risk Report.

The table below sets out the maturity analysis of the Banking Group's balance sheet based on the remaining period from year-end to contractual maturity. "Demand" denotes assets or liabilities with a contractual maturity of 32 days or less.

			2006			
			Term to maturity			
R million	Carrying amount 2006	Demand	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
30. RISK MANAGEMENT *continued*						
30.7 Liquidity risk management *continued*						
Assets						
Cash and short-term funds	20 104	19 705	399	–	–	–
Derivative financial instruments	34 455	307	8 440	11 237	8 898	5 573
– qualifying for hedging	253	2	11	37	203	–
– trading	34 202	305	8 429	11 200	8 695	5 573
Advances	258 046	25 189	37 508	38 543	98 582	58 224
– at amortised cost	216 715	22 665	17 996	35 000	85 993	55 061
– available-for-sale	538	1	48	126	339	24
– fair value	40 793	2 523	19 464	3 417	12 250	3 139
Investment securities and other investments	33 502	4 925	3 910	5 390	11 657	7 620
Financial instruments held for trading	13 828	4 594	2 246	1 379	3 709	1 900
Investment securities	19 674	331	1 664	4 011	7 948	5 720
– originated	185	185	–	–	–	–
– available-for-sale	12 119	299	12	3 687	5 031	3 090
– elected fair value	7 370	(153)	1 652	324	2 917	2 630
Commodities	627	627	–	–	–	–
Loans to Insurance Group	636	626	3	7	–	–
Accounts receivable	1 673	1 286	244	83	58	2
Investment in associate and joint venture companies	724	172	–	–	10	542
Investment in subsidiary companies	13	–	–	–	–	13
Holding and fellow subsidiary companies	24 637	20 848	1 047	14	2 085	643
Property and equipment	2 773	199	6	15	438	2 115
Retirement benefit asset	2 467	–	–	–	–	2 467
Intangible assets	43	–	4	10	20	9
	379 700	73 884	51 561	55 299	121 748	77 208
Liabilities						
Deposits	269 862	147 435	62 530	43 048	16 022	827
– deposit and current accounts	269 862	147 435	62 530	43 048	16 022	827
Short trading positions	20 588	541	2 881	3 018	11 944	2 204
Derivative financial instruments	31 270	314	9 303	11 539	7 956	2 158
– qualifying for hedging	51	–	1	15	34	1
– trading	31 219	314	9 302	11 524	7 922	2 157
Loans from Insurance Group	3 450	477	1 368	1 581	24	–
Creditors and accruals	3 820	1 816	1 599	31	36	338
Provisions	2 193	400	1 042	579	167	5
Taxation liability	430	–	–	430	–	–
Post-retirement benefit fund liability	1 627	127	–	–	–	1 500
Deferred taxation liabilities	1 804	–	–	–	1 830	(26)
Holding and fellow subsidiary companies	17 794	7 785	630	154	5 087	4 138
Long-term liabilities	7 396	491	–	–	6 905	–
Shareholders' equity	19 466	3 994	172	–	512	14 788
	379 700	163 380	79 525	60 380	50 483	25 932
Net liquidity gap		(89 496)	(27 964)	(5 081)	71 265	51 276

R million	Carrying amount 2006	Demand	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
	2005					
			Term to maturity			
30. RISK MANAGEMENT *continued*						
30.7 Liquidity risk management *continued*						
Assets						
Cash and short-term funds	14 057	11 307	126	–	–	2 624
Derivative financial instruments	20 500	3	702	5 871	7 969	5 955
– qualifying for hedging	574	–	11	149	414	
– trading	19 926	3	691	5 722	7 555	5 955
Advances	201 700	34 435	23 803	42 045	77 069	24 348
– originated	163 626	19 269	22 631	34 034	65 899	21 793
– held-to-maturity	5 916	–	1 139	2 010	2 223	544
– available-for-sale	1 648	–	33	98	1 507	10
– fair value advances	30 510	15 166	–	5 903	7 440	2 001
Investment securities and other investments	26 549	12 269	–	5 101	8 369	810
Financial securities held for trading	12 264	12 245	–	19	–	–
Investment securities	14 825	24	–	5 082	8 369	810
– held-to-maturity	10	10	–	–	–	–
– available-for-sale	10 065	14	–	3 584	6 467	–
– at elected fair value	4 210	–	–	1 498	1 902	810
Commodities	395	–	395	–	–	–
Loans to insurance Group	3 658	2 245	348	1 040	1	24
Accounts receivable	1 241	485	400	304	50	2
Investment in associated companies	724	20	–	–	10	694
Interest in subsidiary companies	13	–	–	–	–	13
Holding and fellow subsidiary companies	18 738	15 307	425	751	2 221	34
Property and equipment	2 572	526	9	25	565	1 447
Retirement benefit asset	2 228	–	–	–	–	2 228
Intangible assets	36	–	4	11	14	7
	292 411	76 597	26 212	55 148	96 268	38 186
Liabilities						
Deposits	209 728	102 955	66 881	33 764	5 491	637
– deposit and current accounts	209 728	102 955	66 881	33 764	5 491	637
Short trading positions	14 037	5 685	370	506	1 389	6 087
Derivative financial instruments	15 064	–	2 046	5 924	4 300	2 794
– qualifying for hedging	95	–	3	52	40	–
– trading	14 969	–	2 043	5 872	4 260	2 794
Loans from Insurance Group	7 956	122	4 082	1 255	2 072	425
Creditors and accruals	2 940	850	1 237	853	–	–
Provisions	1 632	574	719	339	–	–
Taxation	104	–	–	104	–	–
Post-retirement benefit funds liability	1 417	–	–	–	–	1 417
Deferred taxation liabilities	1 909	–	–	1 316	593	–
Holding and fellow subsidiary companies	17 743	17 743	–	–	–	–
Long-term liabilities	3 349	–	–	–	3 349	–
Shareholders' equity	16 532	–	–	–	–	16 532
	292 411	127 929	75 335	44 061	17 194	27 892
Net liquidity gap		(51 332)	(49 123)	11 087	79 074	10 294

30. RISK MANAGEMENT *continued*

30.8 Fair value of financial instruments

The following table represents the fair values of financial instruments not carried at fair value on the balance sheet:

R million	Carrying amount 2006	Fair value 2006	Unrecognised gain/(loss) 2006
Assets			
Advances	216 715	216 715	–
Liabilities			
Deposit and current accounts	269 862	269 862	–
Long-term liabilities	7 396	7 396	–
	277 258	277 258	–

Fair value has been determined as follows:

- advances – based on the discounted value of estimated future cash flows, determined based on current market rates;
- held-to-maturity investment securities – market/dealer quotations, if available, or fair value estimations based on market prices for similar instruments with similar credit risks;
- deposits and current accounts – where there is no stated maturity, the amount repayable on demand – in respect of interest bearing liabilities with a fixed maturity, based on discounted cash flow value using market rates on new liabilities with a similar maturity; and
- long-term liabilities – quoted market prices, if available, or based on the discounted cash flow values using market rates for similar instruments with a comparable term to maturity.

31. TRUST ACTIVITIES

The market value of assets held or placed on behalf of customers in a fiduciary capacity amounts to R12 972 million (2005: R10 413 million).

32. SEGMENT INFORMATION

32.1 Primary segments (business)

Divisions	Segment	Brands	Target segment	Description
FNB	Consumer	First National Bank FNB Card, FNB HomeLoans, FirstLink	Individual is the middle and upper income market, Home Loans Card issuing	Retail banking, Insurance Broking, Rewards programme Support
	Wealth	RMB Private Bank FNB Trust Services FNB Private Clients	High net worth individuals	Retail banking Wealth management Trust services
	Commercial	First National Bank	Mid corporate, business and agriculture	Commercial Bank (Corporate and Retail Banking)
	Corporate	First National Bank	Large corporates, financial institution and state-owned enterprises	Corporate banking
	FNB Other (Mass, Public Sector Banking, Branch Bank and support)	First National Bank BOB	Government, Individuals in the mass market, universities and schools and includes the Bank infrastructure	Retail banking infrastructure Support services
FNB Africa	FNB Lesotho	First National Bank	Individual is the middle and upper income market, Mid corporate, business and agriculture	Retail banking, Commercial Bank, (Corporate and Retail Banking)
RMB	Investment banking	Rand Merchant Bank RMB Private Equity RMB International RMB Resources RMB Australia	Large corporates, parastatals and government	Merchant and investment banking services
WesBank	Instalment finance	WesBank	Corporates and individuals	Motor vehicle and instalment finance
Group Support	Capital centre			Owns the capital of the Bank and provides Bank support

32. SEGMENT INFORMATION *continued*

32.1 Primary segments business *continued*

Segment Information

R million	Consumer Segment: HomeLoans	Consumer Segment: Card Issuing	Consumer Segment: Personal Banking	Consumer Segment: Consumer Segment	FNB: Corporate
2006					
Net interest income before impairment of advances	1 298	699	1 306	3 303	315
Impairment losses on loans and advances	(170)	(311)	(76)	(557)	(12)
Net interest income after impairment of advances	1 128	388	1 230	2 746	303
Non-interest income	92	982	1 337	2 411	790
Net income from operations	1 220	1 370	2 567	5 157	1 093
Operating expenditure	(707)	(985)	(1 812)	(3 504)	(836)
Income before taxation	513	385	755	1 653	257
Indirect taxation	(71)	(18)	(78)	(167)	(9)
Income before direct taxation	442	367	677	1 486	248
Direct taxation	(107)	(102)	(151)	(360)	(60)
Profit attributable to ordinary shareholders	335	265	526	1 126	188
Cost to Income (%)	50.9	58.6	68.6	61.3	75.7
Diversity ratio (%)	6.6	58.4	50.6	42.2	71.5
Bad debt charge as a percentage of advances (%)	0.2	3.4	2.8	0.6	0.5
NPL's as a percentage of advances (%)	0.8	5.5	5.0	1.4	17.9
Income statement includes					
Depreciation	(18)	(5)	(121)	(144)	(46)
Amortisation	–	–	–	–	–
Impairment charges	–	–	–	–	8
Balance sheet includes					
Advances (after ISP – before impairments)	79 537	9 192	2 727	91 456	2 319
Non-performing loans	655	504	136	1 295	415
Investment in associate and joint venture companies	–	–	–	–	–
Total deposits	12	1 221	43 853	45 086	22 321
Segment assets (Total)	79 304	8 736	3 026	91 066	2 692
Segment liabilities (external)	724	1 659	44 631	47 014	23 491
Capital expenditure	21	8	119	148	133

Taxation has been allocated on a pro-rata basis.

	Wealth	Commercial	Other FNB	Total FNB	RMB	WesBank	Africa and Emerging Markets	Group Support	Total
	349	2 088	402	6 457	–	2 860	3	219	**9 539**
	(20)	(37)	(100)	(726)	–	(631)	–	(70)	**(1 427)**
	329	2 051	302	5 731	–	2 229	3	149	**8 112**
	137	1 850	1 937	7 125	2 443	336	35	2 503	**12 442**
	466	3 901	2 239	12 856	2 443	2 565	38	2 652	**20 554**
	(390)	(2 433)	(1 767)	(8 930)	(1 481)	(1 567)	(56)	(1 522)	**(13 556)**
	76	1 468	472	3 926	962	998	(18)	1 130	**6 998**
	(14)	(20)	(124)	(334)	(33)	(90)	–	49	**(408)**
	62	1 448	348	3 592	929	908	(18)	1 179	**6 590**
	(15)	(350)	(84)	(869)	(225)	(220)	4	(285)	**(1 595)**
	47	1 098	264	2 723	704	688	(14)	894	**4 995**
	80.2	61.8	75.5	65.7	60.6	49.0	147.4	55.9	**61.7**
	28.2	47.0	82.8	52.5	100.0	10.5	32.1	92.0	**56.6**
	0.1	0.2	8.7	0.6	0.0	0.8	–	0.7	**0.6**
	1.2	2.5	13.8	1.9	0.1	1.3	–	0.0	**1.4**
	(9)	(32)	(314)	(545)	(40)	(68)	(1)	(15)	**(669)**
	(2)	–	–	(2)	(19)	–	–	–	**(21)**
	–	(4)	(19)	(15)	–	–	–	(3)	**(18)**
	15 978	16 357	1 156	127 266	42 861	77 151	19	10 749	**258 046**
	188	415	159	2 472	37	1 033	–	1	**3 543**
	–	–	10	10	562	150	–	2	**724**
	3 275	47 075	6 420	124 177	30 016	61	91	115 517	**269 862**
	16 039	16 301	4 773	130 871	113 695	77 560	60	57 514	**379 700**
	15 701	48 757	8 057	143 020	113 695	46 067	54	57 398	**360 234**
	25	4	536	846	40	83	3	17	**989**

32. SEGMENT INFORMATION *continued*

32.1 Primary segments business *continued*

Segment Information

R million	Consumer Segment: HomeLoans	Consumer Segment: Card Issuing	Consumer Segment: Personal Banking	Consumer Segment: Consumer Segment	FNB: Corporate
2005					
Net interest income before impairment of advances	1 055	508	1 090	2 653	319
Impairment losses on loans and advances	(17)	(156)	(27)	(200)	2
Net interest income after impairment of advances	1 038	352	1 063	2 453	321
Non-interest income	149	742	1 028	1 919	964
Net income from operations	1 187	1 094	2 091	4 372	1 285
Operating expenditure	(980)	(807)	(1 342)	(3 129)	(872)
Income before taxation	207	287	749	1 243	413
Indirect taxation	(50)	(15)	(69)	(134)	(8)
Income before direct taxation	157	272	680	1 109	405
Direct taxation	(38)	(69)	(161)	(268)	(98)
Profit attributable to ordinary shareholders	119	203	519	841	307
Cost to Income (%)	81.4	64.6	63.4	68.4	68.0
Diversity ratio (%)	12.4	59.4	48.5	42.0	75.1
Bad debt charge as a percentage of advances (5)	0.0	2.3	1.4	0.3	(0.1)
NPL's as a percentage of advances (%)	0.7	3.9	3.1	1.1	17.6
Income statement includes					
Depreciation	(9)	(4)	(97)	(110)	(40)
Amortisation	(31)	–	–	(31)	–
Impairment charges	–	–	–	–	(19)
Balance sheet includes					
Advances (after ISP – before impairments)	55 447	6 737	2 000	64 184	2 429
Non-performing loans	382	263	62	707	427
Investment in associate and joint venture companies	–	–	–	–	–
Total deposits	–	1 102	38 364	39 466	15 960
Segment assets (Total)	55 343	6 472	2 699	64 514	2 899
Segment liabilities (external)	383	1 482	39 301	41 166	16 921
Capital expenditure	38	4	161	203	46

Taxation has been allocated on a pro-rata basis.

Wealth	Commercial	Other FNB	Total FNB	RMB	WesBank	Africa and Emerging Markets	Group Support	Total
225	1 682	241	5 120	–	2 087	–	79	7 286
(9)	(50)	(21)	(278)	–	(316)	–	22	(572)
216	1 632	220	4 842	–	1 771	–	101	6 714
171	1 662	1 610	6 326	1 377	715	24	1 096	9 538
387	3 294	1 830	11 168	1 377	2 486	24	1 197	16 252
(329)	(2 160)	(1 540)	(8 030)	(1 202)	(1 401)	(28)	(987)	(11 648)
58	1 134	290	3 138	175	1 085	(4)	210	4 604
(10)	(15)	(117)	(284)	(27)	(69)	–	33	(347)
48	1 119	173	2 854	148	1 016	(4)	243	4 257
(12)	(271)	(42)	(691)	(36)	(246)	1	(166)	(1 138)
36	848	131	2 163	112	770	(3)	77	3 119
83.1	64.6	83.2	70.2	87.3	50.0	116.7	84.0	69.2
43.2	49.7	87.0	55.3	100.0	25.5	100.0	93.3	56.7
0.1	0.4	2.9	0.3	0.0	0.5	0.0	(0.2)	0.3
1.6	3.5	4.6	1.9	1.6	0.8	0.0	0.0	1.4
(7)	(6)	(242)	(405)	(47)	(55)	–	(162)	(669)
(1)	–	(1)	(33)	(14)	–	–	32	(15)
–	–	–	(19)	–	–	–	–	(19)
11 769	11 802	735	90 919	35 290	62 789	–	12 702	201 700
187	412	34	1 767	552	493	–	1	2 813
–	–	10	10	562	150	–	2	724
2 473	37 311	5 461	100 671	14 701	76	–	94 280	209 728
11 876	11 538	4 291	95 118	83 771	63 529	2	49 991	292 411
13 837	38 738	6 788	117 450	58 312	40 843	(1)	59 275	275 879
20	8	595	872	80	74	–	(47)	979

33. RELATED PARTIES

FirstRand Bank Limited defines related parties as:

- The parent company: FirstRand Bank Holdings Limited, FirstRand Limited, RMB Holdings Limited and Remgro Limited
- Associate companies and joint venture companies: Refer note 15
- Key management personnel as the FirstRand Bank Holdings Limited board of directors and the Banking Group executive committee.
- Key management personnel includes close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the Banking Group. This may include the individual's spouse/domestic partner and children, domestic partner's children and dependants of individual or domestic partner.
- Enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies
- The ultimate parent of the Banking Group is FirstRand Limited, incorporated in South Africa.

33.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 16.

Transactions with fellow subsidiaries appear in the table below.

33.2 Associate companies and joint venture companies

Details of investments in associate and joint venture companies are disclosed in note 15.

33.3 Details of transactions with relevant related parties appear below:

R million	2006 Parent	2006 *Fellow subsidiaries
Loans and advances		
Balance 1 July	–	–
Net movement during the year	36	–
Balance 30 June	36	–
Deposits		
Balance 1 July	2 001	–
Net movement during the year	(1 995)	–
Balance 30 June	6	–
Loans to Insurance Group		
Balance 1 July	1 554	2 104
Net movement during the year	(1 546)	(1 476)
Balance 30 June	8	628
Loans from Insurance Group		
Balance 1 July	36	7 920
Net movement during the year	–	(4 506)
Balance 30 June	36	3 414
Amounts due to holding and fellow subsidiaries		
Balance 1 July	200	17 543
Net movement during the year	616	(565)
Balance 30 June	816	16 978
Amounts due by holding and fellow subsidiaries		
Balance 1 July	760	17 978
Net movement during the year	(101)	6 000
Balance 30 June	659	23 978
Interest received	7	870
Interest paid	50	390
Non-interest income	–	635
Operating expenditure	7	919

**Fellow subsidiaries: Discovery Limited, Momentum Limited, FirstRand Investment Holdings Limited and subsidiaries included in note 16*

R million	2005 Parent	*Fellow subsidiaries
33. RELATED PARTIES *continued*		
Deposits		
Balance 1 July	545	–
Net movement during the year	1 456	–
Balance 30 June	2 001	–
Loans to Insurance Group		
Balance 1 July	1	32
Net movement during the year	1 553	2 072
Balance 30 June	1 554	2 104
Loans from Insurance Group		
Balance 1 July	33	3 561
Net movement during the year	3	4 359
Balance 30 June	36	7 920
Amounts due to holding and fellow subsidiaries		
Balance 1 July	344	17 036
Net movement during the year	(144)	507
Balance 30 June	200	17 543
Amounts due by holding and fellow subsidiaries		
Balance 1 July	941	19 234
Net movement during the year	(181)	(1 256)
Balance 30 June	760	17 978
Interest received	4	504
Interest paid	66	603
Non-interest income	–	520
Operating expenditure	16	439

R million	2006	2005
33. RELATED PARTIES *continued*		
33.4 Key management personnel		
Total advances		
In normal course of business (mortgages, instalment finance, credit cards and other)		
Balance 1 July	43	56
Issued during year	169	62
Repayments during year	(189)	(79)
Interest earned	2	4
Balance 30 June	25	43
Share scheme loans		
Balance 1 July	29	55
Issued during year	(27)	(26)
Balance 30 June	2	29
The FirstRand share schemes are different from other similar schemes in that the underlying shares are bought and an equivalent loan granted.		
Advances in normal course of business by product		
Mortgages		
Balance 1 July	36	54
Issued during year	129	40
Repayments during year	(163)	(62)
Interest earned	1	4
Balance 30 June	3	36
No impairment has been recognised for loans granted to key management (2005: nil). Mortgage loans are repayable monthly over 20 years.		
Other loans		
Balance 1 July	5	2
Issued during year	34	15
Repayments during year	(19)	(12)
Interest earned	1	–
Balance 30 June	21	5
Instalment finance		
Balance 1 July	2	–
Issued during year	–	2
Repayments during year	(1)	–
Balance 30 June	1	2
No impairments have been recognised in respect of instalment finance.		
Credit cards		
Balance 1 July	–	–
Total annual spend	6	5
Repayments	(6)	(5)
Balance 30 June	–	–

No impairments have recognised in respect of credit cards held by key management (2005: nil). Interest rates are in line with normal rates charge to customers.

R million	2006	2005
33. RELATED PARTIES *continued*		
Deposits		
Deposits by product		
Cheque and current accounts		
Credit balance 1 July	7	4
Net deposits and withdrawals	20	4
Net interest, service fees and bank charges	–	(1)
Balance 30 June	27	7
Savings accounts		
Balance 1 July	64	48
Interest income	4	3
Net new investments	(35)	13
Balance 30 June	33	64
Other including term deposits		
Balance 1 July	2	1
Net new (withdrawals)/investments	(2)	1
Balance 30 June	–	2
Insurance and investment		
Insurance		
Life and disability insurance		
Aggregate insured cover	3	3
Premiums received	1	1
Surrender value	1	1
Investment products		
Fund value opening balance	236	148
Deposits	225	29
Net investment return credited	63	61
Commission and other transaction fees	(2)	(2)
Fund closing balance	522	236
Other fees		
Financial consulting fees and commissions	2	1
Key management compensation		
Salaries and other short-term benefits	103	86
Share-based payments	9	7
Total compensation	112	93

A listing of the Board of Directors of the Banking Group is on page 1 of the Annual Report.

33.5 Post employment benefit plan

Details of transactions between the Banking Group and the Banking Group's post-employment benefit plan are listed below:

	2006	2005
Fee income	9	8
Deposits held with the Banking Group	10	–
Interest paid	43	46
Value of assets under management	1 898	1 578
Deposits held in bonds and money market	688	585

34. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Credit impairment losses on loans and advances

The Bank assesses its credit portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

For purposes of these judgements the performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where there is objective evidence of the occurrence of an impairment event. In the Retail and Wesbank portfolios the account status, namely arrears versus non-arrears status is taken as a primary indicator of an impairment event. In the Commercial portfolios other indicators such as the existence of "high risk" accounts, based on internally assigned risk ratings are used, while the Wholesale portfolio assessment includes a review of individual industries for objective signs of distress.

A portfolio specific impairment ("PSI") calculation to reflect the decrease in estimated future cash flows is performed for this sub segment of the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.

(ii) The second part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. A so-called incurred-but-not-reported ("IBNR") provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll-rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll-rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors.

Loss emergence periods differ from portfolio to portfolio but typically range between 1 – 12 months.

34. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES *continued*

Non-performing loans

Retail loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this that the customer is unlikely to repay its obligations in full. Wesbank's loans are impaired upon its classification status, i.e. following an event driven approach and specific assessment of the like hood to repay. Commercial and Wholesale loans are analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

(c) Impairment of available-for-sale equity instruments

The Bank determines that available-for-sale equity instruments are impaired and recognised as such in the income statement, when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Income taxes

The Bank is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Bank recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact the income taxation and deferred taxation provisions in the period in which such determination is made.

(e) Financial risk management

The Bank's risk management policies are disclosed on pages 3 to 15 of the Annual Report.

	30 June 2006			30 June 2005		
	Average balance Rm	**Average rate %**	**Interest income/ expen-diture Rm**	Average balance Rm	Average rate %	Interest income/ expen-diture Rm
35. AVERAGE BALANCE SHEET AND EFFECTIVE INTEREST RATES						
Assets						
Cash and short-term funds	15 905	3.5	554	13 592	5.6	757
Derivative financial instruments	26 100	1.0	253	21 054	1.1	229
Advances	228 067	9.0	20 436	187 215	8.8	16 527
Investment securities and other investments	28 935	4.1	1 176	27 115	6.8	1 846
Commodities	705	–	–	420	–	–
Loans to Insurance Group	2 690	–	–	1 540	–	–
Accounts receivable	1 427	4.4	63	1 385	1.9	27
Investment in associate and joint venture companies	724	–	–	506	–	–
Investment in subsidiary companies	13	–	–	14	–	–
Holding and fellow subsidiary companies	21 551	4.1	877	19 788	2.6	508
Property and equipment	2 674	–	–	2 347	–	–
Deferred taxation assets	–	–	–	-	–	–
Retirement benefit asset	2 321	–	–	2 091	–	–
Intangible assets	39	–	–	29	–	–
Total assets	331 151	7.1	23 359	277 096	7.2	19 894

35. AVERAGE BALANCE SHEET AND EFFECTIVE INTEREST RATES *continued*

Liabilities and shareholders' funds

	30 June 2006 Average balance Rm	30 June 2006 Average rate %	30 June 2006 Interest income/ expen-diture Rm	30 June 2005 Average balance Rm	30 June 2005 Average rate %	30 June 2005 Interest income/ expen-diture Rm
Liabilities						
Deposits	236 405	5.4	12 882	195 560	5.9	11 454
– deposit and current accounts	159 863	–	–	129 610	–	–
Short trading positions	16 603	–	–	14 777	–	–
Derivative financial instruments	21 401	–	9	15 699	–	–
– qualifying for hedging	81	–	–	81	–	–
– trading	21 320	–	–	15 617	–	–
Loans from Insurance Group	5 948	–	–	6 374	–	–
Creditors and accruals	3 216	–	–	2 646	–	–
Provisions	1 887	–	–	1 485	–	–
Taxation liability	154	–	–	463	–	–
Post-retirement benefit fund liability	1 501	–	–	1 334	–	–
Deferred taxation liabilities	1 874	–	–	1 540	–	–
Holding and fellow subsidiary companies	19 054	2.1	401	18 551	3.7	688
Long-term liabilities	5 221	10.1	528	3 401	13.7	466
Total liabilities	313 265	–		261 829	–	
Equity						
Ordinary shares	4	–	–	4	–	–
Share premium	6 119	–	–	4 543	–	–
Non-distributable reserves	2 508	–	–	2 683	–	–
Distributable reserves	9 255	–	–	8 037	–	–
Total outside shareholders' equity	17 886	–		15 267	–	–
Minority interest	–			–		
Total equity	17 886	–		15 267	–	–
Total equity and liabilities	331 151	4.2	13 820	277 096	4.6	12 608

36. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Bank will comply with the following new standards and interpretations applicable to its business from the stated effective date.

		Effective date
IAS 19 amendment	**Employee Benefits** The amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It will impose additional recognition requirements for multi-employer plans where sufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Bank does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only affect the format and extent of disclosures presented. The Bank will apply this amendment from 1 July 2006.	Annual periods commencing on or after 1 January 2006.
IAS 21 amendment	**The Effects of Changes in a Foreign Operation** The amendment clarifies that a group entity that may have a monetary item receivable from or payable to a foreign operation, which is classified in substance as part of the net investment in a foreign operation, may be any subsidiary of the group and not only the parent. The amendment further specifies that the exchange differences arising from the translation of these monetary items will be classified in equity in the consolidated financial statements. The amendment will not have a significant effect on the Bank's results.	Annual periods commencing on or after 1 January 2006.
IAS 39 amendment	**Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions** The amendment to IAS 39 allows the designation, as a hedged item in consolidated financial statements, of the foreign currency risk of a highly probable forecast intragroup transaction under certain conditions. The Bank will consider the amendment but the application is expected to be limited.	Annual periods commencing on or after 1 January 2006.
IAS 39 amendment	**Financial Instruments: Recognition and Measurement – Fair Value Option** The revisions to IAS 39 restrict the extent to which entities can designate a financial asset or financial liability as at fair value through profit and loss only to specific situations. The amendment is not expected to re§duce the Bank's current application materially.	Annual periods commencing on or after 1 January 2006.
IAS 39 and IFRS 4 amendment	**Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts** Under the revised statements the issuer of a financial guarantee contract would generally measure the contract at: ● initially at fair value; and ● subsequently at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised (less, when appropriate, cumulative amortisation). The Bank's current policy is substantially in line with this approach and no significant adjustment is expected.	Annual periods commencing on or after 1 January 2006.
IFRIC 4	**Determining Whether an Arrangement Contains a Lease** This interpretation provides guidance on determining whether an arrangement that does not take the legal form of a lease contains a lease and should be accounted for in terms of IAS 17 Leases. An arrangement contains a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys the right to use the asset. This interpretation is substantially in line with the Bank's current application of the standard.	Annual periods commencing on or after 1 January 2006.

36. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE *continued*

		Effective date
IFRIC 8	**Scope of IFRS 2** This interpretation clarifies that IFRS 2 applies to transactions in which the entity cannot specifically identify the goods or services received in return for a share-based payment, but where other circumstances indicate that goods or services have been received. This interpretation is applicable to FirstRand Limited. FirstRand Limited entered into a BEE transaction in May 2005.	Annual periods commencing on or after 1 January 2006.
IFRIC 9	**Reassessment of Embedded Derivatives** This interpretation clarifies that the assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative as per IAS 39 is when the entity first becomes a party to the contract, and that a first–time adopter of IFRS assesses the embedded derivative on the basis of conditions that existed at the later of the date it first became party to the contract and the date a reassessment is required. This is not expected to have an impact on the Bank.	Annual periods commencing on or after 1 June 2006
IFRS 7	**Financial Instruments: Disclosure (including amendments to IAS 1 – Presentation of Financial Statements: Capital Disclosures)** This standard deals with the disclosure of financial instruments, as well as the disclosure of related qualitative and quantitative risks associated with financial instruments. As IFRS 7 will supersede the current disclosure required in IAS 30 and IAS 32, the standard will not impact the results of the Bank, but will result in potentially more disclosure than that currently provided in the Bank's financial statements. The Bank does not intend to adopt this standard early.	Annual periods commencing on or after 1 January 2007.
IFRIC 10	**Interim Financial Reporting and Impairment** This interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. The amendment will not have a significant impact on the Bank's interim results.	Annual periods commencing on or after 1 November 2006
Other	The following statements are not applicable to the Bank: IFRIC 5 – Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. IFRIC 6 – Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment. IFRIC 7 – Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies. IFRS 6 – Exploration for and Evaluation of Mineral Resources.	Annual periods commencing on or after: 1 January 2006 1 December 2005 1 March 2006 1 January 2006

37. SHARE OPTION SCHEMES

All FirstRand options are equity settled, with the exception of certain grants which are cash settled.

The following is a summary of all the share incentive schemes at FirstRand Group level:

The FirstRand Share Incentive Scheme

The purpose of this scheme is to provide a facility to employees of the FirstRand Limited Group to acquire shares in FirstRand Limited.

The primary purpose of this scheme is to appropriately attract, incentivise and retain managers within the FirstRand Group.

The BEE Schemes

FirstRand is firmly committed to the process of achieving transformation in South Africa. The company specifically wishes to ensure that the long–term benefits of the BEE transaction reach the widest possible community of black South Africans.

FirstRand made available 171.4 million shares, representing approximately 3.1% of the issued share capital of FirstRand, to its black South African employees. These shares will be made available to the staff trusts, as follows:

- 20.0 million shares to the FirstRand Staff Assistance Trust;
- 136.4 million shares to the Black Employee Trust; and
- 15.0 million shares to the Black Non-Executive Directors' Trust.

The FirstRand Staff Assistance Trust

This trust was formed for the benefit of black South African employees who do not participate on a regular or ongoing basis in the existing FirstRand share incentive schemes.

The FirstRand Staff Assistance Trust will use any monies received by it to fund:

- bursaries for tertiary education specifically for the benefit of black employees and their immediate families;
- healthcare costs for current black employees and their immediate families not covered by medical aid schemes; and
- any other costs incurred by a black employee that the trustees at their sole discretion believe warrants assistance.

The FirstRand Black Employee Trust

This trust has been set up specifically for the benefit of the black employees. The participation in this trust will be in addition to participation in any existing FirstRand share incentive schemes. The focus on this scheme will be on:

- an initial allocation of 500 shares to each black employee who, on 31 December 2004, was in the employ of the FirstRand Group and of a good standing. Approximately 17 000 black employees received this allocation, and thereafter
- black managers, as defined in the Financial Sector Charter, in the FirstRand Group.

After the initial allocation, the primary purposes of this scheme will be to appropriately attract, incentivise and retain black managers within the FirstRand Group.

37. SHARE OPTION SCHEMES *continued*

The FirstRand Black Non–Executive Directors' Trust

The beneficiaries of this trust are the black non–executive directors of the FirstRand Statutory Boards who accept an invitation to participate.

The intention is to appropriately incentivise the black non–executive directors and reward them for their loyalty.

Assumptions

Fair values for the share incentive schemes are calculated at the date of grant using a modification of the Cox-Rubenstein binominal model.

The significant assumptions used to estimate the fair value of the options granted are as follows:

	FirstRand Share Incentive Scheme
Weighted average share price (R)	6.80 – 16.95
Expected volatility	27% – 33%
Expected option life	4 years
Expected risk-free rate	6.8% – 12%
Expected dividend growth	20% – 22.87%

As the options vest in three tranches, it is comparable to each option holder holding three different options, viz:	% vesting
– options that can be exercised between year 3 and year 5;	0.33
– options that can be exercised between year 4 and year 5; and	0.33
– options that can be exercised at the end of year 5	0.33

For valuation purposes, each call option granted has been valued as three Bermudan call options with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the shares trade cum-dividend.

Market data consists of the following:
- volatility is the expected volatility over the period of the option. In the absence of other available data, historic volatility could be used as a proxy for expected volatility; and
- the interest rate is the risk–free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

Dividend data consists of the following:
- the last dividend paid is the Rand amount of the last dividend before the options were granted;
- the last dividend date is the ex–date of the last dividend; and
- the dividend growth is the annual expected dividend growth, which should be based on publicly available information.

Employee statistic assumptions:
- annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binominal model, which is limited to 500.

The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation/forfeiture pattern.

The weighted average number of forfeitures is calculated by dividing the sum forfeited by the total number offered, weighted accordingly.

37. SHARE OPTION SCHEMES *continued*

	FirstRand Black Employee Trust
Weighted average share price	R15.43
Initial market value	R12.28
Allocated share cost	R12.34
Expected volatility	27%
Expected option life in years	10
Expected risk-free rate	6.91% – 8.92%
Expected prime interest rate	10.94% – 12.90%
Expected dividend yield	3.8%
Annual employee turnover	3%

Vesting details	% vesting
– options that can be exercised in or after year 1	0
– options that can be exercised after year 2	0
– options that can be exercised after year 3	0.3
– options that can be exercised after year 4	0.4
– options that can be exercised after year 5	0.5
– options that can be exercised after year 6	0.6
– options that can be exercised after year 7	0.7
– options that can be exercised after year 8	0.8
– options that can be exercised after year 9	0.9
– options that can be exercised after year 10	1

FirstRand BEE Trusts

- 50% of the shares were granted upfront
- the remainder of the shares will be allocated within a period of five years from the operative date (such allocations will be made with reference to the then ruling price and may be at a discount not exceeding 10% of the then ruling price)
- funding is at 80% of prime
- 100% of dividends received used to service funding costs
- funding repayable in 10 years
- vesting occurs as follows: after 3 years 30% thereafter an additional 10% until year 10
- if beneficiaries leave: cash settlement is at the sole discretion of the Trustees cash settlement will be at 80% of the entitlement.

Economically, FirstRand has granted European call options and is repurchasing shares. The strike price equates to the expected outstanding amount of the funding. The value of the implicit options is determined using an appropriate option–pricing model.

The following assumptions have been made:

- for the purposes of the valuation, a fixed dividend yield was assumed; and
- as the funding is linked to the prime lending rate, assumptions about future levels of the prime rate need to be made.

The RMB forward prime curve was used (and extrapolated where necessary) to determine the relevant forward prime rates.

- the volatility used in the option pricing model should be an estimate of future volatility of the period of the option. Historic volatilities can often serve as a proxy for future volatility;
- the annual staff turnover rate used for the vesting adjustments is the average annual forfeiture rate on the existing FirstRand share options held by non–white employees; and
- as there are numerous schemes currently within the FirstRand Group, a weighted average forfeiture rate was used based on experience from the current schemes operated by FirstRand.

37. SHARE OPTION SCHEMES *continued*

R million	**2006**	2005
Income statement charge	(142)	(116)

	FNB (FSR shares)	**FirstRand (FSR shares)**	**RMB (RMBH shares)**
Share option schemes 2006			
Number of options in force at the beginning of the year (millions)	11.2	257.4	0.8
Granted at prices ranging between (cents)	325 – 1 069	655 – 1 015	–
Number of options granted during the year (millions)	–	73.7	–
Granted at prices ranging between (cents)	630	1 440 – 1 949	–
Number of options exercised/released during the year (millions)	(4.3)	(66.0)	(0.8)
Market value range at date of exercise/release (cents)	325 – 1 069	1 228 – 2 100	2 445 – 2 697
Number of options cancelled/lapsed during the year (millions)	–	(15.0)	–
Granted at prices ranging between (cents)	630	655 – 1 695	–
Number of options in force at the end of the year (millions)	6.9	250.1	–
Granted at prices ranging between (cents)	325 – 1 069	655 – 1 399	–
Options are exercisable over the following periods (first date able to release)			
Financial year 2005/2006 (millions)	2.4	–	–
Financial year 2006/2007 (millions)	0.3415	50.3	–
Financial year 2007/2008 (millions)	3.987	67.1	–
Financial year 2008/2009 (millions)	0.138	65.1	–
Financial year 2009/2010 (millions)	–	43.7	–
Financial year 2010/2011 (millions)	–	23.9	–
Total	6.9	250.1	–
Options outstanding (by expiry date)			
Financial year 2005/2006 (millions)	–	–	–
Financial year 2006/2007 (millions)	2.4	3.0	–
Financial year 2007/2008 (millions)	0.4	52.0	–
Financial year 2008/2009 (millions)	4.0	64.3	–
Financial year 2009/2010 (millions)	0.1	59.1	–
Financial year 2010/2011 (millions)	–	71.7	–
Total	6.9	250.1	–
Total options outstanding – in the money (millions)	6.9	250.1	–
Total options outstanding – out of the money (millions)	–	–	–
Total	6.9	250.1	–
Value of company loans to share option trust at beginning of the year (R million)	65.3	2 533.8	–
Value of company loans to share option trust at end of the year (R million)	36.3	2 831.4	–
Number of participants	161	2 865	–

37. SHARE OPTION SCHEMES *continued*

Share option schemes 2005

	FNB (FSR shares)	FirstRand (FSR shares)	RMB (RMBH shares)
Number of options in force at the beginning of the year (millions)	21.9	228.3	2.7
Granted at prices ranging between (cents)	325 – 1 069	655 – 1 015	300 – 1 350
Number of options granted during the year (millions)	0.1	67.3	–
Granted at prices ranging between (cents)	630	655 – 1 399	–
Number of options exercised/released during the year (millions)	(10.8)	(22.4)	(1.8)
Market value range at date of exercise/release (cents)	325 – 1 454	655 – 1 399	1 590 – 2 299
Number of options cancelled/lapsed during the year (millions)	–	(15.8)	–
Granted at prices ranging between (cents)	–	655 – 1 399	–
Number of options in force at the end of the year (millions)	11.2	257.4	0.8
Granted at prices ranging between (cents)	325 – 1 069	655 – 1 399	300 – 1 350
Options are exercisable over the following periods (first date able to release)			
Financial year 2005/2006 (millions)	11.2	35.7	0.8
Financial year 2006/2007 (millions)	–	41.8	–
Financial year 2007/2008 (millions)	–	47.6	–
Financial year 2008/2009 (millions)	–	67.2	–
Financial year 2009/2010 (millions)	–	44.0	–
Financial year 2010/2011 (millions)	–	21.1	–
Total	11.2	257.4	0.8

37. SHARE OPTION SCHEMES *continued*

	FNB (FSR shares)	FirstRand (FSR shares)	RMB (RMBH shares)
Options outstanding (by expiry date)			
Financial year 2005/2006 (millions)	–	–	–
Financial year 2006/2007 (millions)	0.4	51.4	0.6
Financial year 2007/2008 (millions)	4.6	74.0	0.2
Financial year 2008/2009 (millions)	0.6	68.8	–
Financial year 2009/2010 (millions)	5.4	63.2	–
Financial year 2010/2011 (millions)	0.2	–	–
Total	11.2	257.4	0.8
Total options outstanding – in the money (millions)	11.2	257.0	0.8
Total options outstanding – out of the money (millions)	–	0.4	–
Total	11.2	257.4	0.8
Value of company loans to share option trust at beginning of the year (R million)	259.2	1 700	46.3
Value of company loans to share option trust at end of the year (R million)	65.3	2 533.8	11.2
Number of participants	181	1 979	28

Appendix 1 Reconciliation from previous SA GAAP to IFRS

Income statement for the year ended 30 June 2005

IFRS Reference	R million	SA GAAP
IAS 30 para 10	Interest and similar income	19 894
IAS 30 para 10	Interest expense and similar charges	(12 608)
	Net interest income before impairment of advances	7 286
IAS 30 para 10	Impairment losses on loans and advances	(572)
	Net interest income after impairment of advances	6 714
	Non-interest income	9 538
IAS 30 para 10	– transactional income	6 774
IAS 30 para 10	– net trading income	1 764
IAS 30 para 10	– net investment income	275
IAS 30 para 10	– other non-interest income	741
	– loss on sale of property and equipment	(16)
	Net income from operations	16 252
	Operating expenditure	(11 534)
IAS 1 para 83	**Income before taxation**	4 718
IAS 1 para 81(e)/IAS 27 para 77	Indirect taxation	(347)
	Income before direct taxation	4 371
IAS 1 para 81(e)/IAS 27 para 77	Direct taxation	(1 138)
IAS 1 para 81(f)	**Income after taxation**	3 233
IAS 1 para 82	**Attributable to ordinary shareholders**	3 233

Definitions:

Remeasurement:
Remeasurement refers to any adjustments where IFRS has resulted in a change in the basis of calculating and measuring a balance sheet item or income statement transaction.
Remeasurement also includes adjustment where IFRS requires the grossing up of numbers with no resulting impact in the previously reported net income or net equity.

Reclassification:
Reclassification refers to adjustment where IFRS requires balances or transactions to be disclosed in different lines in the income statement or balance sheet with no resulting impact on the previously reported net income or net equity.

IAS 16 Property, plant and equipment note (a) Remeasurement	IFRS2 Share-based payments note (c) Reclassification	IAS 21 Foreign exchange note (b) Remeasurement	Other IFRS adjustments note (g) Remeasurement	Effect of transition to IFRS	Restated IFRS
–	–	–	–	–	19 894
–	–	–	–	–	(12 608)
–	–	–	–	–	7 286
–	–	–	–	–	(572)
–	–	–	–	–	6 714
–	–	–	–	–	9 538
–	–	–	–	–	6 774
–	–	–	–	–	1 764
–	–	–	–	–	275
–	–	–	–	–	741
–	–	–	–	–	(16)
–	–	–	–	–	16 252
2	(116)	–	–	(114)	(11 648)
–	–	–	–	–	4 604
–	–	–	–	–	(347)
–	–	–	–	–	4 257
–	–	–	–	–	(1 138)
2	(116)	–	–	(114)	3 119
2	(116)	–	–	(114)	3 119

Appendix 2 Reconciliation from previous SA GAAP to IFRS
Opening balance sheet as at IFRS transition date on 1 July 2004

IFRS Reference	R million	Audited Pre IFRS 2004
	ASSETS	
IAS 30 para 19	Cash and short-term funds	13 123
IAS 30 para 19	Derivative financial instruments	17 480
	– qualifying for hedging	268
	– trading	17 212
IAS 30 para 19	Advances	178 122
	– at amortised cost	124 042
	– held-to-maturity	7 003
	– available-for-sale	418
	– fair value	46 659
	Investment securities and other investments	21 861
	Financial securities held for trading	–
IAS 30 para 19	Investment securities	21 861
IAS 30 para 19	– held-to-maturity	–
	– available-for-sale	11 507
	– elected fair value	10 354
	Commodities	418
	Loans to Insurance Group	33
IAS 1 para 69	Accounts receivable	1 586
IAS 1 para 68(e)	Investment in associate and joint venture companies	343
	Investment in subsidiary companies	18
	Holding and fellow subsidiary companies	20 175
	Property and equipment	1 726
AS 1 para 68(n)	Retire benefit asset	1 932
IAS 1 para 68(c)	Intangible assets	26
	Total assets	256 843
	LIABILITIES AND SHAREHOLDERS' FUNDS	
IAS 30 para 19	Deposits	179 102
	– deposit and current accounts	179 102
	Short trading positions	19 471
IAS 30 para 19	Derivative financial instruments	14 120
	– qualifying for hedging	30
	– trading	14 090
	Loans from Insurance Group	3 594
IAS 30 para 10	Creditors and accruals	2 851
IAS 30 para 10	Provisions	1 269
IAS 1 para 68(n)	Taxation liability	914
IAS 1 para 68(k)	Post-retirement benefit fund liability	1 020
IAS 30 para 10	Deferred taxation liabilities	1 430
	Holding and fellow subsidiary companies	17 380
IAS 1 para 68(k)	Long-term liabilities	3 349
	Total liabilities	244 500
	EQUITY	
IAS 1 para 75(e)	Ordinary shares	4
IAS 1 para 75(e)	Share premium	2 490
IAS 1 para 75(e)	Non-distributable reserves	2 337
IAS 1 para 75(e)	Distributable reserves	7 512
	Total shareholders equity	**12 343**
	Total equity and liabilities	256 843

Definitions:

Remeasurement: Remeasurement refers to any adjustments where IFRS has resulted in a change in the basis of calculating and measuring a balance sheet item or income statement transaction. Remeasurement also includes adjustment where IFRS requires the grossing up of numbers with no resulting impact in the previously reported net income or net equity.

Reclassification: Reclassification refers to adjustment where IFRS requires balances or transactions to be disclosed in different lines in the income statement or balance sheet with no resulting impact on the previously reported net income or net equity.

Property, plant and equipment Remeasurement	Employee benefits Remeasurement	Share-based payments Remeasurement	Total IFRS adjustments	New IFRS OB 2004
–	–	–	–	13 123
–	–	–	–	17 480
–	–	–	–	268
–		–	–	17 212
–	–	–	–	178 122
–	–	–	–	124 042
–	–	–	–	7 003
–	–	–	–	418
–	–	–	–	46 659
–	–	–	–	21 861
–	–	–	–	–
–	–	–	–	21 861
–	–	–	–	–
–	–	–	–	11 507
–	–	–	–	10 354
–	–	–	–	418
–	–	–	–	33
–	–	–	–	1 586
–	–	–	–	343
–	–	–	–	18
–	–	–	–	20 175
475	–	–	475	2 201
–	–	–	–	1 932
–	–	–	–	26
475	–	–	475	257 318
–	–	–	–	179 102
–	–	–	–	179 102
–	–	–	–	19 471
–	–	–	–	14 120
–	–	–	–	30
–	–	–	–	14 090
–	–	–	–	3 594
–	–	–	–	2 851
–	–	–	–	1 269
–	–	–	–	914
–	252	–	252	1272
35	(76)	–	(41)	1 389
–	–	–	–	17 380
–	–	–	–	3 349
35	176	–	211	244 711
–	–	–	–	4
–	–	–	–	2 490
–	–	17	17	2 354
440	(176)	(17)	247	7 759
440	(176)	–	264	12 607
475	–	–	475	257 318

Balance sheet as at 30 June and 1 July 2005

IFRS Reference	R million	Audited pre-IFRS 2005	Plant, property and equipment Remeasurement	Employee benefits Remeasurement
	ASSETS			
IAS 30 para 19	Cash and short-term funds	14 057	–	–
IAS 30 para 19	Derivative financial instruments	20 500	–	–
	– qualifying for hedging	574	–	–
	– trading	19 926	–	–
IAS 30 para 19	Advances	201 700	–	–
	– at amortised cost	163 626	–	–
	– held-to-maturity	5 916	–	–
	– available-for-sale	1 648	–	–
	– fair value	30 510	–	–
	Investment securities and other investments	26 549	–	–
	Financial securities held for trading	12 264	–	–
IAS 30 para 19	Investment securities	14 285	–	–
IAS 30 para 19	– held-to-maturity	10	–	–
	– available-for-sale	10 065	–	–
	– elected fair value	4 210	–	–
	Commodities	395	–	–
	Loans to Insurance Group	3 658	–	–
IAS 1 para 69	Accounts receivable	1 241	–	–
IAS 1 para 68(e)	Investment in associate and joint venture companies	724	–	–
	Investment in subsidiary companies	13	–	–
	Holding and fellow subsidiary companies	18 738	–	–
	Property and equipment	2 095	477	–
IAS 1 para 68(n)	Retire benefit asset	2 228	–	–
IAS 1 para 68(c)	Intangible assets	36	–	–
	Total assets	291 934	477	–
	LIABILITIES AND SHAREHOLDERS' FUNDS			
	Liabilities			
IAS 30 para 19	Deposits	209 728	–	–
	– deposit and current accounts	209 728	–	–
	Short trading positions	14 037	–	–
IAS 30 para 19	Derivative financial instruments	15 064	–	–
	– qualifying for hedging	95	–	–
	– trading	14 969	–	–
	Loans from Insurance Group	7 956	–	–
IAS 30 para 10	Creditors and accruals	2 940	–	–
IAS 30 para 10	Provisions	1 632	–	–
IAS 1 para 68(n)	Taxation liability	104	–	–
IAS 1 para 68(k)	Post-retirement benefit fund liability	1 165	–	252
IAS 30 para 10	Deferred taxation liabilities	1 950	35	(76)
	Holding and fellow subsidiary companies	17 743	–	–
IAS 1 para 68(k)	Long-term liabilities	3 349	–	–
	Total liabilities	275 668	35	176
	EQUITY			
IAS 1 para 75(e)	Ordinary shares	4	–	–
	Share premium	2 612	–	–
	Non-distributable reserves	2 579	–	–
IAS 1 para 75(e)	Distributable reserves	8 071	442	(176)
IAS 1 para 75(e)	Total ordinary shareholders' equity	13 266	442	(176)
IAS 1 para 75(e)	Non-redeemable preference shares	3 000	–	–
	Total equity	16 226	442	(176)
	Total equity and liabilities	291 934	477	–

Definitions:

Remeasurement: Remeasurement refers to any adjustments where IFRS has resulted in a change in the basis of calculating and measuring a balance sheet item or income statement transaction. Remeasurement also includes adjustment where IFRS requires the grossing up of numbers with no resulting impact in the previously reported net income or net equity.

Reclassification: Reclassification refers to adjustment where IFRS requires balances or transactions to be disclosed in different lines in the income statement or balance sheet with no resulting impact on the previously reported net income or net equity.

Share-based payments Remeasurement	Total IFRS adjustment Remeasurement	Audited IFRS 2005	IAS 32/ IAS 39 Reclassification	IA18/ IAS 32 Effective interest rate Reclassification	IAS 39 Credit impairment Remeasurement	Total IFRS adjustment Remeasurement	2006 new OB IFRS
–	–	14 057	–	–	–	–	**14 057**
–	–	20 500	–	–	–	–	**20 500**
–	–	574	–	–	–	–	**574**
–	–	19 926	–	–	–	–	**19 926**
–	–	201 700	31	(173)	(239)	(381)	**201 319**
–	–	163 626	6 387	(173)	(239)	5 975	**169 601**
–	–	5 916	(5 846)	–	–	(5 846)	**70**
–	–	1 648	–	–	–	–	**1 648**
–	–	30 510	(510)	–	–	(510)	**30 000**
–	–	26 549	–	–	–	–	**26 549**
–	–	12 664	–	–	–	–	**12 264**
–	–	14 285	–	–	–	–	**14 285**
–	–	10	–	–	–	–	**10**
–	–	10 065	–	–	–	–	**10 065**
–	–	4 210	–	–	–	–	**4 210**
–	–	395	–	–	–	–	**395**
–	–	3 658	–	–	–	–	**3 658**
–	–	1 241	–	71	–	71	**1 312**
–	–	724	–	–	–	–	**724**
–	–	13	–	–	–	–	**13**
–	–	18 738	–	–	–	–	**18 738**
–	477	2 572	–	–	–	–	**2 572**
–	–	2 228	–	–	–	–	**2 228**
–	–	36	–	–	–	–	**36**
–	477	292 411	31	(102)	(239)	(310)	**292 101**
–	–	209 728	12	–	–	12	**209 740**
–	–	209 728	12	–	–	12	**209 740**
–	–	14 037	–	–	–	–	**14 037**
–	–	15 064	–	–	–	–	**15 064**
–	–	95	–	–	–	–	**95**
–	–	14 969	–	–	–	–	**14 969**
–	–	7 956	–	–	–	–	**7 956**
–	–	2 940	–	–	–	–	**2 940**
–	–	1 632	26	–	–	26	**1 658**
–	–	104	–	–	–	–	**104**
–	252	1 417	–	–	–	–	**1 417**
–	(41)	1 909	–	(68)	(20)	(88)	**1 821**
–	–	17 743	–	–	–	–	**17 743**
–	–	3 349	–	–	–	–	**3 349**
–	211	275 879	38	(68)	(20)	(50)	**275 829**
–	–	4	–	–	–	–	**4**
–	–	2 612	–	–	–	–	**2 612**
133	133	2 712	–	–	(174)	(174)	**2 538**
(133)	133	8 204	(7)	(34)	(45)	(86)	**8 118**
–	266	13 532	(7)	(34)	(219)	(260)	**13 272**
–	–	3 000	–	–	–	–	**3 000**
–	266	16 532	(7)	(34)	(219)	(260)	**16 272**
–	477	292 411	31	(102)	(239)	(310)	**292 101**

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FirstRand Bank Limited

Income Statement

R million	Unaudited Six months ended 31 December 2006	2005	% change	Year ended 30 June 2006
Interest and similar income	**16,030**	11,287	42.0%	23,359
Interest expenditure and similar charges	**(10,218)**	(6,778)	50.8%	(13,820)
Net interest income before impairment of advances	**5,812**	4,509	28.9%	9,539
Impairment losses on loans and advances	**(1,027)**	(463)	100.0%	(1,427)
Net interest income after impairment of advances	**4,785**	4,046	18.3%	8,112
Non-interest revenue	**6,546**	5,368	21.9%	12,442
- total fees and commission income	**4,498**	3,447	30.5%	7,498
- fair value income	**1,347**	970	38.9%	3,286
- investment income	**178**	306	(41.8%)	412
- other income	**523**	645	(18.9%)	1,246
Net income from operations	**11,331**	9,414	20.4%	20,554
Operating expenditure	**(7,822)**	(6,276)	24.6%	(13,556)
Income from operations	**3,509**	3,138	11.8%	6,998
Indirect taxation	**(234)**	(233)	0.4%	(408)
Income before direct taxation	**3,275**	2,905	12.7%	6,590
Direct taxation	**(710)**	(720)	(1.4%)	(1,595)
Profit attributable to ordinary shareholders	**2,565**	2,185	17.4%	4,995

FirstRand Bank Limited
Balance Sheet

R million	Unaudited Six months ended 31 December 2006	2005	% change	Audited Year ended 30 June 2006
Assets				
Cash and short-term funds	**21,915**	13,555	61.7%	20,104
Derivative financial instruments	**26,601**	23,344	14.0%	34,455
- Qualifying for hedging	**172**	400	(57.0%)	253
- Trading	**26,429**	22,944	15.2%	34,202
Advances	**288,224**	224,454	28.4%	258,046
- at amortised cost	**240,217**	192,458	24.8%	219,483
- Available for sale	**599**	1,802	(66.8%)	538
- Elected Fair Value	**50,499**	32,478	55.5%	40,793
- Less: impairments	**(3,091)**	(2,284)	35.3%	(2,768)
Investment securities and other investments	**38,159**	26,754	42.6%	33,502
Financial securities held for trading	**15,492**	8,793	76.2%	13,828
Investment securities	**22,667**	17,961	(26.2%)	19,674
- Originated	**181**	191	(5.2%)	185
- Available for sale	**13,087**	12,020	8.9%	12,119
- Fair value	**9,399**	5,750	63.5%	7,370
Commodities	**816**	1,094	(25.4%)	627
Accounts receivable	**2,653**	1,367	94.1%	1,673
Investment in associate and joint venture companies	**809**	724	11.7%	724
Interest in subsidiary companies	**13**	13	-	13
Holding and fellow subsidiary companies	**13,187**	21,277	(38.0%)	24,637
Property and equipment	**2,863**	2,676	7.0%	2,773
Loans to insurance group	**478**	3,777	(87.3%)	636
Retirement benefit assets	**2,534**	2,268	11.7%	2,467
Intangible assets	**37**	39	(5.1%)	43
Total assets	**398,289**	321,342	23.9%	379,700
Liabilities and shareholders' funds				
Liabilities				
Deposits and current accounts	**290,853**	229,625	26.7%	269,862
Short trading positions	**25,881**	15,183	70.5%	20,588
Derivative instruments	**27,063**	17,870	51.4%	31,270
- Qualifying for hedging	**64**	97	(34.0%)	51
- Trading	**26,999**	17,773	51.9%	31,219
Accounts payable and accruals	**4,112**	2,889	42.3%	3,820
Provisions	**2,305**	1,835	25.6%	2,193
Taxation	**465**	(71)	(754.9%)	430
Post retirement medical liability	**1,849**	1,458	26.8%	1,627
Deferred taxation liabilities	**1,638**	1,910	(14.2%)	1,804
Holding and fellow subsidiary companies	**9,718**	21,626	(55.1%)	17,794
Loans from insurance group	**4,222**	6,439	(34.4%)	3,450
Long-term liabilities	**8,421**	4,918	71.2%	7,396
Total liabilities	**376,527**	303,682	24.0%	360,234
Shareholders' equity				
Ordinary shares	**4**	4	0.0%	4
Share premium	**4,361**	3,372	29.3%	3,372
Non-distributable reserves	**2,464**	2,260	9.0%	2,552
Distributable reserves	**11,933**	9,024	32.2%	10,538
Ordinary shareholders' equity	**18,762**	14,660	28.0%	16,466
Non-redeemable preference shares	**3,000**	3,000	0.0%	3,000
Total liabilities and shareholders' funds	**398,289**	321,342	23.9%	379,700

FirstRand Bank Limited
CASH FLOW STATEMENT
for the period

R million	Unaudited six months ended December		Audited Year ended 30 June
	2006	2005	2006
Cash flows from operating activities	**7 101**	4 392	10 587
Cash received from customers	**22 447**	16 354	35 220
Interest income	**16 028**	11 228	23 206
Fee and commission income	**4 498**	3 447	7 498
Other income	**1 921**	1 679	4 516
Cash paid to customers and employees	**(14 892)**	(11 704)	(24 457)
Interest expenditure (excluding debenture interest)	**(9 575)**	(6 385)	(13 250)
Total other operating expenditure (excluding depreciation)	**(5 317)**	(5 319)	(11 207)
Cash flows from returns on investments and servicing of finance	**(454)**	(258)	(176)
Debenture interest paid	**(557)**	(322)	(509)
Dividends from other investments	**58**	59	322
Dividends from associated companies	**45**	5	11
Taxation paid	**(840)**	(1 040)	(1 607)
Cash flows from banking activities	**(5 148)**	(4 352)	(4 475)
(Increase)/decrease in income-earning assets	**(34 187)**	(22 188)	(70 940)
Short-term negotiable securities			-
Net funding from fellow subsidiary companies	**3 374**	1 344	(5 848)
Liquid assets and trading securities	**(5 940)**	67	(7 186)
Advances	**(31 621)**	(23 599)	(57 906)
Increase/(decrease) in deposits and other liabilities	**29 039**	17 836	66 465
Term deposits	**20 991**	19 886	60 134
Short trading positions	**5 293**	1 146	6 551
Creditors net of debtors	**(1 644)**	2 673	(538)
Other liabillities and assets	**4 399**	(5 869)	318
Net cash inflow from operating activities	**1 113**	(1 000)	4 505
Cash flows from investment activities			
Capital expenditure	**(532)**	(485)	(990)
Proceeds from sale of property and equipment	**11**	72	84
Proceeds from sale of investments	**447**	(136)	90
Net cash outflow from investment activities	**(74)**	(549)	(816)
Cash flows from financing activities			
Net repayment of long-term liabilities	**1 025**	1 584	4 043
Proceeds from the issue of ordinary shares	**-**	(2 240)	760
Proceeds from the issue of preference shares	**989**	3 000	
Dividends paid	**(1 242)**	(1 297)	(2 445)
Net cash flow from financing activities	**772**	1 047	2 358
Net increase in cash and cash equivalents	**1 811**	(502)	6 047
Cash and cash equivalents at beginning of the year	**20 104**	13 123	14 057
Cash and cash equivalents at end of the year	**21 915**	12 621	20 104

FirstRand Bank Limited
STATEMENT OF CHANGES IN EQUITY
for the peroid ended

R million	Ordinary Share capital and share premium	General risk reserve	Cash flow hedge reserve	Available for sale reserve	Share based payments	Other non-distributable reserves	Distributable reserves	Total permanent capital	Preference shares and share premium issued to FirstRand Companies	Total equity
Balance as at 30 June 2005	**2,616**	**761**	**292**	**183**	**133**	**1,343**	**8,204**	**13,532**	**3,000**	**16,532**
Adjusted for IFRS movements:										
- IAS 32/39 reclassification							-7	-7		-7
- effective interest rate							-34	-34		-34
- credit impairment		-174					-45	-219		-219
Restated balance as at 1 July 2005	**2,616**	**587**	**292**	**183**	**133**	**1,343**	**8,118**	**13,272**	**3,000**	**16,272**
Profit for the period							4,995	4,995		4,995
Preference dividend - 31 August 2005							-113	-113		-113
Preference dividend - 27 February 2006							-107	-107		-107
Final ordinary dividend - 21 July 2005							-500	-500		-500
Final ordinary dividend - 31 August 2005							-38	-38		-38
Final ordinary dividend - 21 October 2005							-759	-759		-759
Interim ordinary dividend - 24 March 2006							-843	-843		-843
Interim ordinary dividend - 31 May 2006							-85	-85		-85
Transfer from General Risk Reserve (impaired capital reserve)		130					-130	0		0
Revaluation of available for sale assets				40				40		40
Available for sale loss transferred to the income statement				-126				-126		-126
Revaluation of cash flow hedges			-174					-174		-174
Movement in other non-distributable reserves						2		2		2
IFRS share-based payments					142			142		142
Issue of ordinary shares	760							760		760
Balance as at 30 June 2006	**3,376**	**717**	**118**	**97**	**275**	**1,345**	**10,538**	**16,466**	**3,000**	**19,466**
Adjusted for IFRS movements										
- IAS 32/39 reclassification										
- effective interest rate										
- credit impairment										
Restated at 1 July 2006	**3,376**	**717**	**118**	**97**	**275**	**1,345**	**10,538**	**16,466**	**3,000**	**19,466**
								-		**-**
Share premium	**989**							**989**		**989**
Earnings attributable to ordinary shareholders							**2 565**	**2 565**		**2 565**
Final dividend - 24 October 2005							**(1 242)**	**(1 242)**		**(1 242)**
Revaluation of available for sale provisions				**177**				**177**		**177**
Revaluation of cash flow hedge			**(274)**					**(274)**		**(274)**
Transfer from non-distributable reserves						**(72)**	**72**	**-**		**-**
IFRS share-based payments					**81**			**81**		**81**
Balance as at 31 December 2006	**4,365**	**717**	**-156**	**274**	**356**	**1,273**	**11,933**	**18,762**	**3,000**	**21,762**

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