FIRSTRAND

Banking Group

Supplementary information

for the period ended 31 December 2003

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www.firstrand.co.za

Additional financial information

R million	Unaudited Six months ended 31 December **2003**	2002	% change	Audited Year ended 30 June 2003
Gross advances				
Total advances	**207 665**	186 582	11.3	193 526
Less: Contractual interest suspended	**(590)**	(813)	(27.4)	(613)
Gross advances	**207 075**	185 769	11.5	192 913
Less: Impairments	**(3 314)**	(3 226)	2.7	(3 302)
Net advances	**203 761**	182 543	11.6	189 611
Rand and non-Rand denominated advances				
All non-Rand denominated advances (USD)	**4 222**	4 023	4.9	4 416
At exchange rate applicable (R: USD)	**6,62**	8,65	(23.5)	7,56
Non-Rand denominated advances (R)	**27 928**	34 781	(19.7)	33 383
Rand denominated advances	**179 147**	150 988	18.6	159 530
Gross advances	**207 075**	185 769	11.5	192 913
Geographical split				
SA banking operations	**176 600**	154 052	14.6	164 220
International banking operations	**8 287**	11 377	(27.2)	9 606
US corporate debt (CDO advances)	**5 547**	8 188	(32.3)	6 620
African banking operations	**9 100**	6 989	30.2	7 340
SA non-banking operations	**7 541**	5 163	46.1	5 127
Gross advances	**207 075**	185 769	11.5	192 913
Product split				
Overdrafts and managed accounts	**31 614**	25 382	24.6	29 260
Card loans	**5 100**	4 396	16.0	4 614
Instalment finance	**27 310**	23 420	16.6	25 726
Lease payments receivable	**13 325**	10 042	32.7	11 799
Home loans	**56 927**	50 697	12.3	53 257
US corporate debt	**5 547**	8 188	(32.3)	6 762
Assets under agreement to resell	**12 165**	8 877	37.0	8 387
Other advances	**55 087**	54 767	0.6	53 108
Gross advances	**207 075**	185 769	11.5	192 913

Salient issues

Rand denominated advances have grown by 18.6%

Strong growth in the retail credit market, driven by:

- Growth of 20.1% in FNB Card, flat growth in Corporate Fleet Cards
- Homeloans growth supplemented by the acquisition of SWABOU (R1.5 billion) and good growth in RMB Private Bank.
- Satisfactory growth of 5.9% in FNB Homeloans despite the run-off of the NBS and Saambou books.
- Continued strong growth in WesBank of 23.1% year-on-year, with new business growth of 24% – growth in excess of 33% in new business in Motor component of the book.

Satisfactory growth of 13.1% in domestic corporate advances, offset by a decline in offshore syndicated loans due to the appreciation of the Rand.

Non-rand denominated advances grew by 4.9% in US Dollar terms. The restrained growth is primarily the result of a decrease in CDO exposures as the book reaches its contractual maturity.

Non-performing loans and impairment of advances

Non-performing loans

Movement in non-performing loans.

R million	**Unaudited Six months ended 31 December 2003**	Unaudited Six months ended 31 December 2002	% change	Audited Year ended 30 June 2003
Non-performing loans	**4 058**	5 027	(19.3)	4 620
Add: Present value adjustment	**314**	279	12.5	360
Less: Recoverable amount	**(21)**	(722)	(97.1)	(92)
Net credit exposure	**4 351**	4 584	(5.1)	4 888
Less: Security	**(1 262)**	(1 080)	16.9	(1 579)
Less: Contractual interest suspended	**(590)**	(813)	(27.4)	(613)
Residual risk	**2 499**	2 691	(7.1)	2 696
Specific impairments	**2 499**	2 691	(7.1)	2 696
Portfolio impairments[1]	**815**	535	52.3	606
Total impairments	**3 314**	3 226	2.7	3 302
Fair value impairments	**331**	432	(23.4)	378
Provisioning	**3 645**	3 658	(0.4)	3 680
General risk reserve[1]	**1 248**	1 090	14.5	1 117
Total impairments and reserves	**4 893**	4 748	3.1	4 797
Total advances	**207 665**	186 582	11.3	193 526
Less: Contractual interest suspended	**(590)**	(813)	(27.4)	(613)
Gross advances	**207 075**	185 769	11.5	192 913
Less: Impairments	**(3 314)**	(3 226)	2.7	(3 302)
Net advances	**203 761**	182 543	11.6	189 611

1 The present value calculation applied in AC133 requires that all future cash flows, including future interest payments, be taken into account in the creation of credit risk impairments. To the extent that the risk pricing methodology of an enterprise is appropriate and the current expectations of recoverable cash flows are consistent with the initial expectations, then the risk premium inherent in future interest flows should compensate for the risk inherent in the underlying capital amount relating to expected future losses. The specific provision is supplemented where market conditions change and as a result an entity's expectation of future cash flows change and it is not possible to reprice sufficiently quickly to compensate for the change in risk. As a result, the previous general provision, which pre-AC133 took account of the inherent risk in the book without taking the risk premium charged into account, is no longer permitted under AC133. To the extent that the Banking Group is of the opinion that there are losses inherent in the performing portfolio of advances, which will only be identified in the future, or that insufficient data exists to reliably determine whether such losses exist, a portfolio impairment has been created. In line with standard industry practice, an impaired capital reserve has been created in terms of the requirements of the South African Reserve Bank ("SARB") reporting.

Impairments of advances

Total impairment levels, the current period transfer of the general provision to the general risk reserve in equity, and the resultant total impairment levels are set out below.

%	**Unaudited Six months ended 31 December 2003**	2002	% change	Audited Year ended 30 June 2003
Non-performing loans as a percentage of gross advances	**2.0**	2.7	(25.9)	2.4
Specific impairments as a percentage of non-performing loans	**61.6**	53.5	15.1	58.3
Specific impairments as a percentage of gross advances	**1.2**	1.4	(14.3)	1.4
Portfolio impairments	**0.4**	0.3	33.3	0.3
Fair value impairments	**0.2**	0.2	–	0.2
General risk reserve	**0.6**	0.5	20.0	0.6
Total impairments as a percentage of gross advances	**2.4**	2.4	–	2.5
Total impairments as a percentage of non-performing loans	**120.6**	94.4	27.8	103.8
Total impairments as a percentage of residual risk	**195.8**	176.6	10.9	177.9

Charge to the income statement

	Unaudited Six months ended 31 December 2003	2002	% change	Audited Year ended 30 June 2003
Specific impairments	**249**	628	(60.4)	1 345
Portfolio impairments	**206**	–	100.0	69
Other	**–**	–	–	64
	455	628	(27.5)	1 478

Salient issues

Non-performing loans declined nominally by 19.3%, and as a percentage of gross advances by 25.9%, predominantly as a result of:

- Improved corporate performance with the successful workout of certain large exposures such as Profurn and Comparex
- A further decline in non-performing US corporate exposures from June 2003
- Significant improvement in non-performing loan levels in FNB Retail, FNB HomeLoans and WesBank
- Increased non-performing loans in FNB Namibia due to relatively higher levels of provisions in the acquired SWABOU book

Non-interest income

R million	Unaudited Six months ended 31 December 2003	2002	% change	Audited Year ended 30 June 2003
Non-interest income drivers				
Transactional income	**2 927**	2 527	15.8	5 735
Trading income	**878**	559	57.1	1 583
Investment income	**200**	41	>100.0	118
Other income	**115**	121	(5.0)	219
Total non-interest income	**4 120**	3 248	26.8	7 655
Translation losses	**(216)**	(362)	(40.3)	(532)
Non-interest income	**3 904**	2 886	35.3	7 123
Transactional income				
Banking fee and commission income	**2 618**	2 339	11.9	5 116
Knowledge-based fee and commission income	**176**	83	>100.0	303
Non-banking fee and commission income	**133**	105	26.7	316
Transactional income	**2 927**	2 527	15.8	5 735
Trading income				
Foreign exchange trading	**401**	363	10.5	731
Treasury trading operations	**477**	196	>100.0	852
Trading income	**878**	559	57.1	1 583
Investment income				
Profit on realisation of investment banking assets	**13**	19	(31.6)	(1)
Dividends received	**101**	79	27.8	214
Income on assets held against employee liabilities	**86**	(57)	>100.0	(95)
Income from associated companies	**214**	148	44.6	494
Gross investment income	**414**	189	>100.0	612
Share of income from associated companies disclosed separately	**(214)**	(148)	44.6	(494)
Net investment income disclosed	**200**	41	>100.0	118

Other income

Other income includes property rentals, insurance brokerage and profit or losses on sale of plant and equipment.

Salient issues

Transactional income

Banking fee and commission income growth of 11.9% driven by:

- Increased transaction accounts, increased transaction volumes per account and limited price increases in FNB Retail, resulting in growth in retail banking fee and commission income of more than 20%
- Increased transaction volumes and cross-sell opportunities in FNB HomeLoans, resulting in 22.9% growth
- Increase in transaction volumes in WesBank as a result of new business growth, and improved pricing, driving 33.1% growth
- Flat growth in corporate banking exchange earnings and commission income

Knowledge-based income higher on improvement in mergers and acquisitions activity.

Trading income

Positive improvement due to:

- Improved trading opportunities in the RMB Treasury and Equities trading areas
- Increased liquidity and volatility in the forex markets positively influencing volumes and spreads
- Sale of the majority of the shares in JD Group by FNB Corporate during period

Investment income

Increase of >100.0% in investment income affected by:

- Strong performance from associated companies
- Positive return on assets held against employee liabilities given limited turnaround in equity markets and long-term positioning of assets.

Share of income of associated companies

	Unaudited Six months ended 31 December			Audited Year ended 30 June
R million	**2003**	2002	% change	2003
McCarthy Retail	**89**	64	39.1	77
Less: Provision	**(89)**	(64)	39.1	(77)
Relyant Retail Limited	**–**	–	–	14
Toyota Finance	**3**	2	50.0	4
Zeda Car Leasing	**16**	11	45.5	21
OUTsurance	**68**	40	70.0	85
FirstLink's associated companies	**4**	4	–	38
RMB Private Equity associated companies	**57**	68	(16.2)	234
FirstRand International associated companies	**62**	–	100.0	65
Other	**4**	14	(71.4)	33
INCA	**–**	5	(100.0)	–
Arthur Kaplan	**–**	4	(100.0)	–
Share of income of associated companies	**214**	148	44.6	494

Salient issues

Increase of 44.6% affected by:

- Exceptional results from OUTsurance, specifically on the direct personal lines and homeowners business
- The equity accounting of international associated companies in FirstRand International, which companies did not qualify as associated companies in the comparative period

Operating expenditure

R million	Unaudited Six months ended 31 December 2003	2002	% change	Audited Year ended 30 June 2003
Staff expenditure	**2 754**	2 326	18.4	4 910
Depreciation	**365**	232	57.3	612
Insurance	**75**	57	31.6	130
Lease charges	**271**	167	62.3	483
Goodwill	**4**	4	–	10
Amortisation of other intangible assets	**30**	–	100.0	67
Advertising and marketing	**207**	148	39.9	413
Maintenance	**269**	181	48.6	607
Other expenditure	**1 017**	974	4.4	2 305
Total non-interest expenditure	**4 992**	4 089	22.1	9 537

Salient issues

- Staff cost increases due to normal salary increases in August and the realignment of certain salary review dates from January to August with effect from the six-month period ended 31 December 2003
- Advertising and marketing costs increased primarily as a result of an increased level of marketing spend during the period under review not undertaken in the comparative period, focused on media exposure and new product launches
- Depreciation increase arise from the acceleration of amortisation costs on certain buildings and leasehold property
- Increase in insurance cost as a result of the first renegotiation cycle pursuant to the advent of 11 September 2001, and the resultant increase in general insurance premiums across the board
- Lease charges and maintenance expense increases due to the earlier accrual of expenses – however, these costs are in line with the full year costs for the year ended 30 June 2003

As indicated in the table below, the increase in expenses of 22.1% from December 2002 to December 2003 becomes a decrease when compared to the six month period ending in June and reflects a subdued increase of 5.7% when compared to the average of the previous two six month periods.

R million	Six months ended December 2003	Six months ended June 2003	% change	Six months ended December 2002	Average Six months ended December 2002 and June 2003	% change December 2003 on average for previous year
Operating expense	**4 992**	**5 448**	(8.4)	4 089	4 769	4.7

Although seasonality can never be totally eliminated from the results of the Banking Group, we are confident that, given the initiatives in place, second half expense growth will be considerably lower then the historic tendency would indicate.

Business segment performance

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

R million	**Unaudited Six months ended 31 December 2003**	2002	% change	Audited Year ended 30 June 2003
Retail segment	**2 144**	1 809	18.5	3 251
FNB Retail[2]	**977**	787	24.1	1 255
FNB HomeLoans	**280**	293	(4.4)	547
eBucks.com[2]	**3**	4	(25.0)	8
WesBank	**478**	354	35.0	688
FNB Africa	**313**	314	(0.3)	606
OUTsurance and FirstLink	**93**	57	63.2	147
Corporate segment	**1 072**	689	55.6	1 841
Rand Merchant Bank	**572**	371	54.2	1 074
FNB Corporate	**500**	318	57.2	767
Wealth segment	**21**	(45)	>100.0	(43)
RMB Private Bank	**21**	28	(25.0)	43
FNB Trust Services	**11**	12	(8.3)	26
Ansbacher (UK)	**(11)**	(85)	87.1	(112)
Capital centre	**318**	613	(48.1)	1 189
	3 555	3 066	15.9	6 238
Exceptional translation losses	**(216)**	(362)	40.3	(532)
Income before taxation	**3 339**	2 704	23.5	5 706

1 All business units operate on a fully-funded basis. As a result, the numbers above do not include investment return on capital.

2 R45 million reflected in eBucks.com at 30 June 2003 has been reallocated to FNB Retail.

Retail segment

FNB Retail

FNB Retail experienced an exceptional six-month period, with profit before tax increasing by 24.1%, despite the negative effects of a declining interest rate environment, benefiting from strong year-on-year growth of 11.0% in average deposits, and average advances growth of 7.6%, as well as a significant improvement in non-performing advances and increased transactional income.

The lower interest rate environment impacted on both advances and deposit margins, with year-on-year advances margins reducing from 7.9% to 7.0%, while liability margins reduced from 4.0% to 3.2%. The reduction in the liability margins was to some extent offset by the hedge transactions entered into in the prior year.

Card loans experienced exceptional growth of 20.1%, in spite of higher levels of debt servicing by clients, while overdraft growth was marginal, primarily due to the continued drought and the resultant delay or postponement of agricultural plantings and the resultant effect on credit extension and utilisation.

Deposit growth benefited from particularly strong demand for short-term investment related products as a result of higher available short-term rates, and the improved liquidity position of consumers.

Current accounts (+15.1%), money market accounts (+18.2%), call accounts (+14.3%) and savings and transmission accounts (+9.5%) showed impressive growth.

Business segment performance continued

Transactional income increased by 25.0%, primarily as a result of growth in retail banking fee and commission income due to growth in client numbers, transactional accounts, increased transactional volumes per account, as well as limited yearly price increases on 1 November 2003. Debit card growth was impressive, with year-on-year growth of 60% in cheque cards and 140% in Visa Electron cards.

The metropolitan and rural branch networks were successfully integrated laying the foundation for improved sales focus and lower costs in the second half of the financial year.

FNB HomeLoans

FNB HomeLoans achieved satisfactory results in spite of margin depression in the falling interest rate environment and higher acquisition costs resulting from a substantial year-on-year increase in new business.

The margin compression was compensated for by exceptional new business growth of 37%, driven by a continued strong property market and lower interest rates, which stimulated demand. Overall average advances growth was 5.9%, taking into account the continued run-off in the acquired Saambou and NBS books. Re-advances increased by 70% compared with the same period last year.

Interest margins reduced from 3.87% in June 2003 to 3.03%, primarily as a result of margin pressure on new business written and re-pricing of existing clients. The decline in margins was partially offset by a lower bad debt charge as a result of a significant improvement in its book, with non-performing loans reducing from 2.73% at December 2002 to 1.98% at December 2003 (June 2003: 2.73%).

Non-interest transactional revenue increased significantly primarily as a result of increased transaction fees and through actively promoting cross-selling opportunities of other banking products.

eBucks.com

The results of the eBucks rewards programme are disclosed excluding Internet banking (which now forms part of FNB Retail) for the first time.

eBucks.com achieved some notable successes in a challenging period under review, including a steady growth of 10% in the active client base, a 31.2% increase in registered members and a 13% increase in transaction volumes.

Profits remained stable within the Rewards Programme itself, while significant value was added to partners and clients. Customers have earned more than R240 million in eBucks since inception.

WesBank

WesBank achieved excellent results, with profit before tax increasing by 35.0%, benefiting from:

- the faster than anticipated decline in interest rates, which benefited the fixed rate book;
- high levels of advances growth;
- strong non-interest revenue growth; and
- continued improvement in levels of bad debts.

Year-on-year, advances grew by 23.1%, buoyed by total new business growth of 24.0%. The Motor division achieved excellent results, with new business growth of 24% year-on-year.

WesBank benefited from an overall widening of margins as a result of the fixed rate business included in its book. The margin benefit associated with the fixed rate business will reduce as the book matures.

Margin pressure on the variable rate advances book remains due to higher funding costs which were on average 0.48% higher than in the comparative period.

Arrears, non-performing loans and bad debt levels have improved further in the period under review. This is due to continued attention to both credit extension and collection capabilities, as well as the lower interest rate environment. Non-performing loans as a percentage of advances declined from 0.86% at December 2002 to 0.78% at 31 December 2003 (June 2003: 0.93%) (in respect of the asset based finance book), an all time low and considerably below historic norms.

WesBank's non-interest revenue increased by 33.1%, benefiting from an increase in transaction volumes, limited price increases, new business growth and insurance income on the enlarged book.

FNB Africa

	Unaudited Six months ended 31 December			Audited Year ended 30 June
R million	**2003**	2002	% change	2003
FNB Namibia	**138**	141	(2.1)	254
FNB Botswana	**158**	156	1.3	320
FNB Swaziland	**17**	17	–	32
	313	314	(0.3)	606

Profit growth in FNB Africa was stagnant in difficult market conditions, including slow gross domestic product growth in the respective country's economies, as well as the significant strengthening of the Rand against the Pula which affected the Rand profitability of FNB Botswana.

FNB Africa achieved significant advances growth of 29.6%, which was predominantly driven by the FNB Namibia/SWABOU merger. FNB Namibia achieved satisfactory growth of 9.8% (R482 million) in its core advances book, primarily as a result of increased demand in the corporate market segment. Advances growth including the SWABOU acquisition amounted to 56.1% (R1.99 billion). Profit growth was flat, primarily as a result of margin compression. Non-performing loans increased from 3% to 5% as a result of the relatively higher levels of non-performing loans in the acquired SWABOU book.

FNB Botswana achieved satisfactory advances growth of 10.4% in Pula terms. However, the appreciation of the Rand against the Pula limited advances growth to 3.3% in Rand terms. Profits increased by 10.9% in local currency terms (Pula).

FNB Swaziland achieved advances growth of 1.4%. Profitability was affected by lower margins.

Short-term Insurance

	Unaudited Six months ended 31 December			Audited Year ended
R million	**2003**	2002	% change	30 June 2003
OUTsurance (46%)	**68**	40	70.0	85
FirstLink	**25**	17	47.1	62
Profit before tax	**93**	57	63.2	147

OUTsurance produced exceptional results, benefiting from favourable weather conditions and new client growth. Gross premiums written increased by 56.0% to R670 million.

OUTsurance achieved an impressive increase in retail client numbers. The clients in-force in respect of the direct personal lines segment increased by 54.3% year-on-year, while the home-owners book increased by 21.8%.

During March 2003, OUTsurance started providing cover for small and medium businesses. At 31 December, OUTsurance had 1 543 commercial clients in-force.

The loss ratio (claims divided by premiums) was contained to below 55%, benefiting from the favourable weather conditions.

FirstLink achieved exceptional results with brokerage revenue growing by 25% year-on-year. The personal lines business grew by 14% and the commercial segment by 43%, both of which are significantly ahead of the market growth trends.

Corporate segment

Rand Merchant Bank ("RMB")

RMB produced excellent results during the period under review with net income before tax increasing by 54.2% year-on-year. This positive performance is off a low base as an exceptionally difficult trading environment was experienced in the prior period. The improved performance can be ascribed to a combination of factors, including:

- A strong performance from the trading businesses which capitalised on trending interest rate, foreign exchange and equity markets.
- A solid performance from the high yield corporate debt business. This was achieved on the back of improved credit fundamentals which manifested in the form of low default rates and declining credit spreads.
- Good equity accounted earnings from Private Equity's investments where the underlying performance of investee companies showed a good improvement over prior years. There were few realisations in the reporting period.
- Solid performances from the Structured Finance, Project Finance and Corporate Finance businesses.

FNB Corporate

FNB Corporate achieved excellent results despite subdued demand for credit and lower deposit volumes.

Deposit margins improved significantly in the lower interest rate environment, resulting in a strong interest turn from liabilities. Advances margins remained under competitive pressure.

Total non-interest revenue grew by 22.3%, primarily through the realisation of the majority of the shares held in the JD Group pursuant to the sale of Profurn and growth in the electronic transactional environment.

Costs were well managed, with the cost to income ratio improving from 57.6% to 51.9%.

Wealth segment

RMB Private Bank

RMB Private Bank has seen a substantial increase in dealflow in the banking and asset management side of the business during the period under review. However, asset margins were compressed in the lower interest rate environment. This was offset to some extent by an improvement in liability margins. Non-performing loans improved to 2,03% of the book (June 2003: 2,16%).

FNB Trust Services

FNB Trust Services had a satisfactory six months, benefiting from new business inflows and an increase in value in the equity markets.

Ansbacher (UK)

The Ansbacher (UK) Group delivered disappointing results for the six-month period to 31 December 2003. Low international interest rates compressed margins on the liability side of the business, while low new business inflows continued to negatively affect fee and commission income.

The results were further negatively affected by increased staff cost resulting from the loss of key personnel.

The segment results exclude the effect of the settlement with the Irish Tax Authorities. This settlement is carried on the tax line, and consequently has no effect on pre-tax income. The cost of the settlement was R60 million (€7.5 million).

Capital centre

Capital centre invests the capital for the Banking Group in risk-free assets to protect against downward interest rate cycles and obtain a risk free return. During the period under review the prime rate decreased further, impacting on endowment margins. This was to some extent alleviated by the interest rate hedges that were put in place during the course of 2002 to protect the margin on the capital portfolio against this anticipated downward cycle in interest rates.

The results of the capital centre are distorted by certain AC 133 anomalies which are carried centrally to avoid distorting the operating results of business units. These anomalies are set out in the table below:

	Unaudited December		Audited June
	2003	2002	2003
Capital profits			
Capital Centre	**524**	502	745
Portfolio impairments	**(109)**	–	–
Ineffective hedge	**(45)**	151	398
Banking Group Treasury	**(52)**	(40)	46
	318	613	1 189

International operations

Net income before taxation

R million	Unaudited Six months ended 31 December 2003	2002	% change	Audited Year ended 30 June 2003
FNB Namibia	**138**	141	(2.1)	254
FNB Botswana	**158**	156	1.3	320
FNB Swaziland	**17**	17	–	32
FNB Africa	**313**	314	(0.3)	606
FirstRand International	**157**	190	(17.4)	210
Ansbacher (UK)	**(11)**	(85)	87.1	(112)
Other	**28**	57	(50.9)	89
Total international earnings	**487**	476	2.3	793

Salient issues

Profit growth in the African operations affected by:

- Strong growth in advances in FNB Namibia
- Margin compression in FNB Namibia, FNB Botswana and FNB Swaziland
- Increased provisions in FNB Botswana in respect of the WesBank book
- Increased non-performing loans in FNB Namibia pursuant to the acquisition of the SWABOU book

Decline in FirstRand International and Ansbacher (UK) impacted on by:

- Improved performance in the Australian private equity business and better underlying investment performance
- Continued operational losses in Ansbacher (UK) due to low new business flows and low international interest rates

Proposed reclassification of RMB Dublin

AC112 – The effects of changes in foreign exchange rates (“AC112”), sets out the requirements for the accounting treatment of foreign subsidiaries.

The Banking Group classifies its foreign operations as “Integrated foreign operations” as contemplated in AC112 when one or more of the following requirements are met:

- the operation is an extension of the South African operations eg a branch;
- it is subject to South African regulatory supervision only (no host country regulation);
- it is not subject to any host country thin capitalisation laws; or
- the South African holding company has the ability to repatriate the majority of the capital to South Africa.

RMB Dublin, a subsidiary of FirstRand International, has historically served as a gateway to the international market for the Banking Group.

Ansbacher (UK), due to its more established presence and larger balance sheet, has served as the Banking Group’s channel for the roll-out of more traditional banking products in the international market.

At present, RMB Dublin is not licenced as a bank in Ireland, nor does it fall under the regulation of the Irish Banking Authorities.

As a result, RMB Dublin has historically “outsourced” all deposit taking and lending activities to Ansbacher (UK), and has consequently not actively sought to cultivate its own client base.

With the imminent disposal of Ansbacher (UK), RMB Dublin:

- has initiated the process to obtain an Irish banking licence;
- has established a branch operation in London; and
- is in the process of taking over and transferring the applicable Banking Group business from Ansbacher (UK) to RMB Dublin.

Consequently, with effect from the granting of the banking licence to RMB Dublin, it will be reclassified as an “Independent foreign operation/Foreign entity” in terms of the requirements of AC112.

With effect from the date of reclassification to a foreign entity, any prospective foreign exchange translations gains or losses relating to RMB Dublin will not affect the income statement of the Banking Group, but will result in a direct transfer to the appropriate reserve account.

Segmental information

R million	South African banking	South African non-banking	Other African banking	Inter-national	Sub-total	Currency translation losses	Total
Geographic							
Net interest income before impairment of advances	3 733	253	399	283	4 668	–	4 668
Impairment of advances	(267)	(133)	(19)	(36)	(455)	–	(455)
Net interest income after impairment of advances	3 466	120	380	247	4 213	–	4 213
Non-interest revenue	4 016	(535)	231	455	4 167	(216)	3 951
Net income from operations	7 482	(415)	611	702	8 380	(216)	8 164
Operating expenditure	(4 708)	530	(298)	(563)	(5 039)	–	(5 039)
Income from operations	2 774	115	313	139	3 341	(216)	3 125
Share of income from associates	–	179	–	35	214	–	214
Income before taxation	2 774	294	313	174	3 555	(216)	3 339
Indirect taxation	(126)	(1)	(1)	(1)	(129)	–	(129)
Income before direct taxation	2 648	293	312	173	3 426	(216)	3 210
Direct taxation	(594)	(65)	(70)	(39)	(768)	–	(768)
Income after taxation	2 054	228	242	134	2 658	(216)	2 442
Earnings attributable to outside shareholders	–	(71)	(38)	(30)	(139)	–	(139)
Earnings attributable to ordinary shareholders	2 054	157	204	104	2 519	(216)	2 303
Cost to income (%)	60.8	100.0	47.3	72.8	55.7	–	57.0
Diversity ratio (%)	51.8	100.0	36.7	63.4	48.4	–	47.2
Total assets	232 901	20 316	11 812	52 130	317 159	–	317 159

R million	Retail	Corporate	Wealth	Capital centre	Sub-total	Currency translation losses	Total
Segment							
Net interest income before impairment of advances	3 130	495	161	882	4 668	–	4 668
Impairment of advances	(217)	(78)	2	(162)	(455)	–	(455)
Net interest income after impairment of advances	2 913	417	163	720	4 213	–	4 213
Non-interest revenue	2 665	1 708	283	(489)	4 167	(216)	3 951
Net income from operations	5 578	2 125	446	231	8 380	(216)	8 164
Operating expenditure	(3 541)	(1 053)	(425)	(20)	(5 039)	–	(5 039)
Income from operations	2 037	1 072	21	211	3 341	(216)	3 125
Share of income from associates	107	–	–	107	214	–	214
Income before taxation	2 144	1 072	21	318	3 555	(216)	3 339
Indirect taxation	(108)	(17)	(4)	–	(129)	–	(129)
Income before direct taxation	2 036	1 055	17	318	3 426	(216)	3 210
Direct taxation	(456)	(237)	(4)	(71)	(768)	–	(768)
Income after taxation	1 580	818	13	247	2 658	(216)	2 442
Earnings attributable to outside shareholders	(75)	(6)	–	(58)	(139)	–	(139)
Earnings attributable to ordinary shareholders	1 505	812	13	189	2 519	(216)	2 303
Goodwill	–	–	–	4	4	–	4
Loss on sale of fixed assets	–	–	–	1	1	–	1
Headline earnings	1 505	812	13	194	2 524	(216)	2 308
Cost to income (%)	60.0	47.8	95.7	–	55.7	–	57.0
Diversity ratio (%)	47.0	77.5	63.7	–	48.4	–	47.2
Total assets	122 805	138 470	17 076	38 808	317 159	–	317 159

Notes

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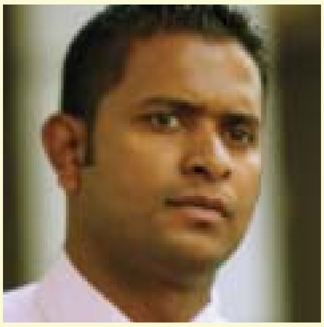

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