2011

debt investor day

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Agenda

- Overview of FirstRand Bank

- Headwinds
  - Macroeconomic environment – “new normal”
  - Regulation – capital and liquidity

- FirstRand’s response

FirstRand's strategy

- Objectives
  - To be the African financial services group of choice
  - By creating long-term franchise value
  - Through delivering superior and sustainable returns
  - Within acceptable levels of earnings volatility
  - Underpinned by alignment of shareholder value creation and management remuneration
- ... driven by two growth strategies
  - In South Africa, focus on existing markets and areas currently under-represented
  - Further grow African franchises in key markets and mine the Africa/Asia corridors

Strategy executed through operating franchises and appropriate platforms

Portfolio of leading franchises

FIRSTRAND

Listed holding company

(FirstRand Limited, JSE: FSR)

RMB

Investment banking franchise

FNB First National Bank

Retail and commercial banking franchise

WesBank A division of FirstRand Bank Ltd

Instalment finance franchise

Group structure

FIRSTRAND

Strategy set at Group-level

Bank controlling company; listed holding company (FirstRand Limited, JSE: FSR)

100%	100%	100%
FirstRand Bank Limited	FirstRand EMA Holdings Limited	FirstRand Investment Holdings (Pty) Limited ("FRIHL")
Banking	Emerging Markets	Other activities

Platforms

Banking

- First National Bank[1]
- Rand Merchant Bank[1]
- WesBank[1]
- FirstRand Bank India[2]
- FirstRand Bank London[2]
- FirstRand Bank Dubai[3]
- FirstRand Bank Shanghai[3]
- FirstRand Bank Nigeria[3]
- FirstRand Bank Angola[3]
- FirstRand Bank Kenya[3]

Debt issuer

Emerging Markets

70%	FNB Botswana
62%	FNB Namibia
100%	FNB Lesotho
90%	FNB Moçambique
100%	FNB Swaziland
100%	FNB Tanzania
100%	FNB Zambia
100%	FirstRand International - Mauritius

1 Division
2 Branch
3 Representative office

Structure shows effective shareholding (consolidated)

Credit ratings – FirstRand Bank Limited

	South Africa sovereign ratings	FirstRand Bank Limited credit ratings			
	FOREIGN CURRENCY	FOREIGN CURRENCY		LOCAL CURRENCY	
	Long term/ Outlook	Long term/ Outlook	Short term	Long term/ Outlook	Short term
Standard & Poor’s	BBB+/Stable	BBB+/Stable	A-2	BBB+/Stable	A-2
Moody’s	A3/Stable	A3/Stable	P-2	A2/Stable	P-1
Fitch Ratings	BBB+/Stable	BBB+/Stable	F2	BBB+/Stable	-

Credit ratings as at 28 October 2011

Sources: Standard & Poor’s, Moody’s Investors Service, Fitch Ratings

Key ratios – FirstRand Bank Limited

Normalised	Jun '11	Jun '10	Change
Normalised earnings (R million)	6 595	5 801	▲18%
Return on equity (%)	18.8	18.1	▲
Return on assets (%)	1.1	1.0	▲
Credit loss ratio (%)	0.98	1.39	▼
Cost-to-income ratio (%)	62.7	60.9	▲
Tier 1 ratio (%)	12.4	11.7	▲
Core Tier 1 ratio (%)	11.4	10.7	▲
Net interest margin (%)	4.19	4.22	▼
Gross advances (R million)	438 596	410 979	▲ 7%

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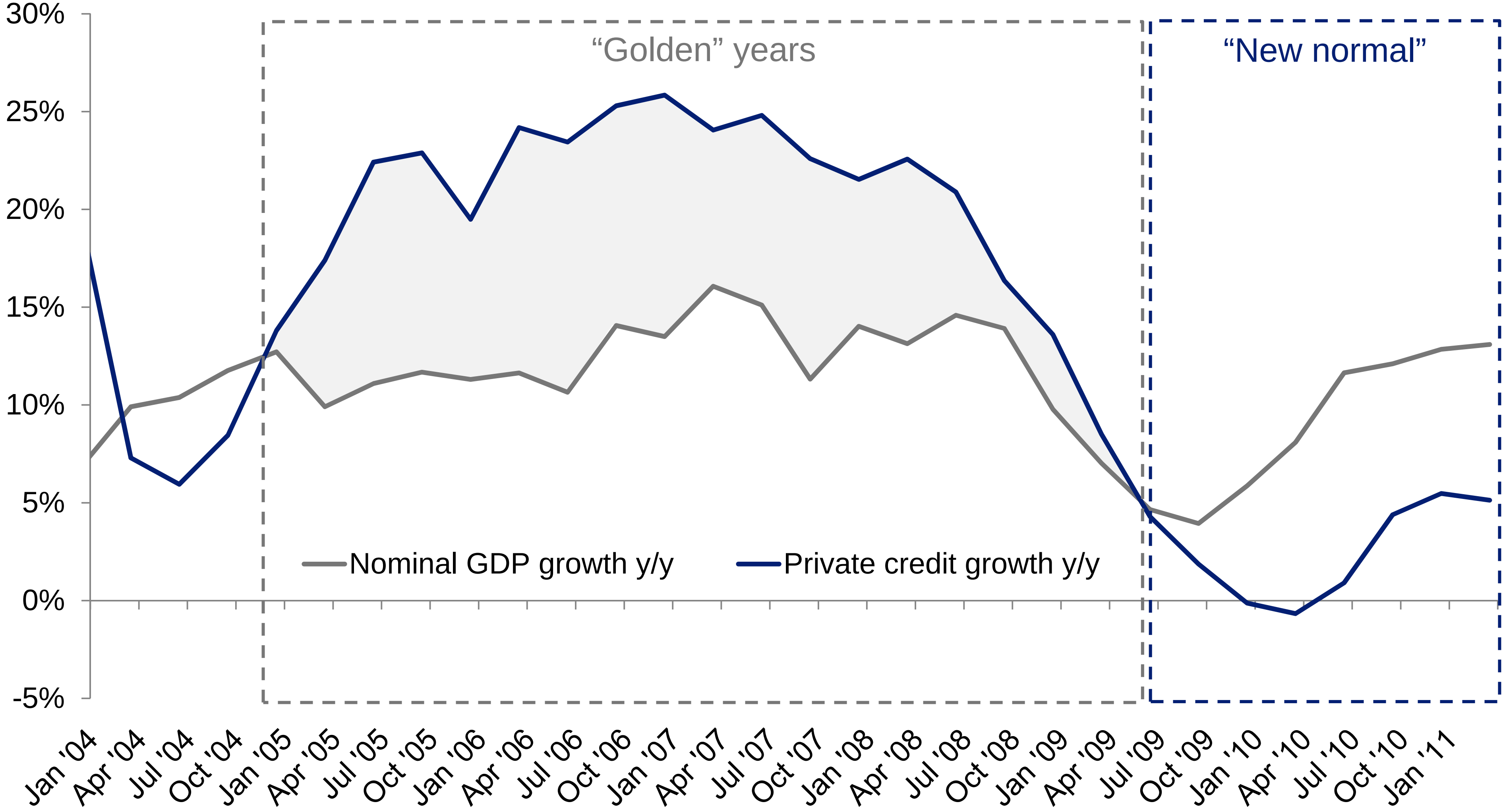
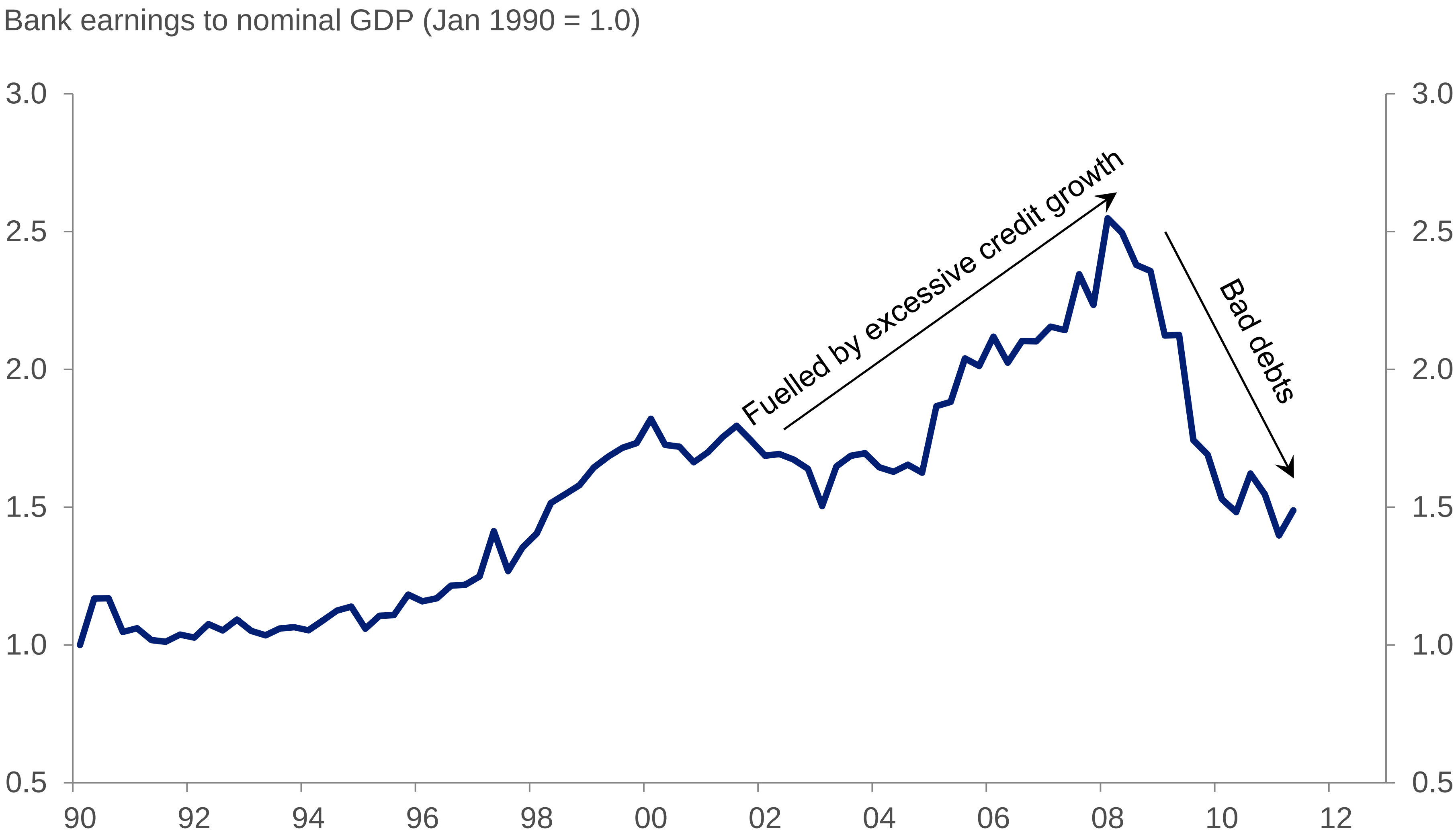
Cumulative build-up of leverage



Long on credit, short on wealth

Source: I-Net Bridge

Growth in bank earnings outpaced nominal GDP growth



Source: I-Net Bridge

Characteristics of “new normal” environment

- Sluggish GDP growth
- Rising inflation
- Rising unemployment
- Flat or declining property values
- Disposable income under pressure
- Low levels of business confidence and activity
- Interest rates to remain low

Lower growth and more volatility

Macros impact banks

- Asset growth
  - Expected to lag nominal GDP growth
  - Retail expected to outpace corporate
- Margins
  - Risk of rate cuts could reduce endowment margin
  - Increased cost of liquidity
- Bad debts
  - Further benefit of monetary policy intervention limited
  - But asset quality much improved
  - Post write-off recoveries
- Transactional revenues
  - Market share gains required to exceed nominal GDP

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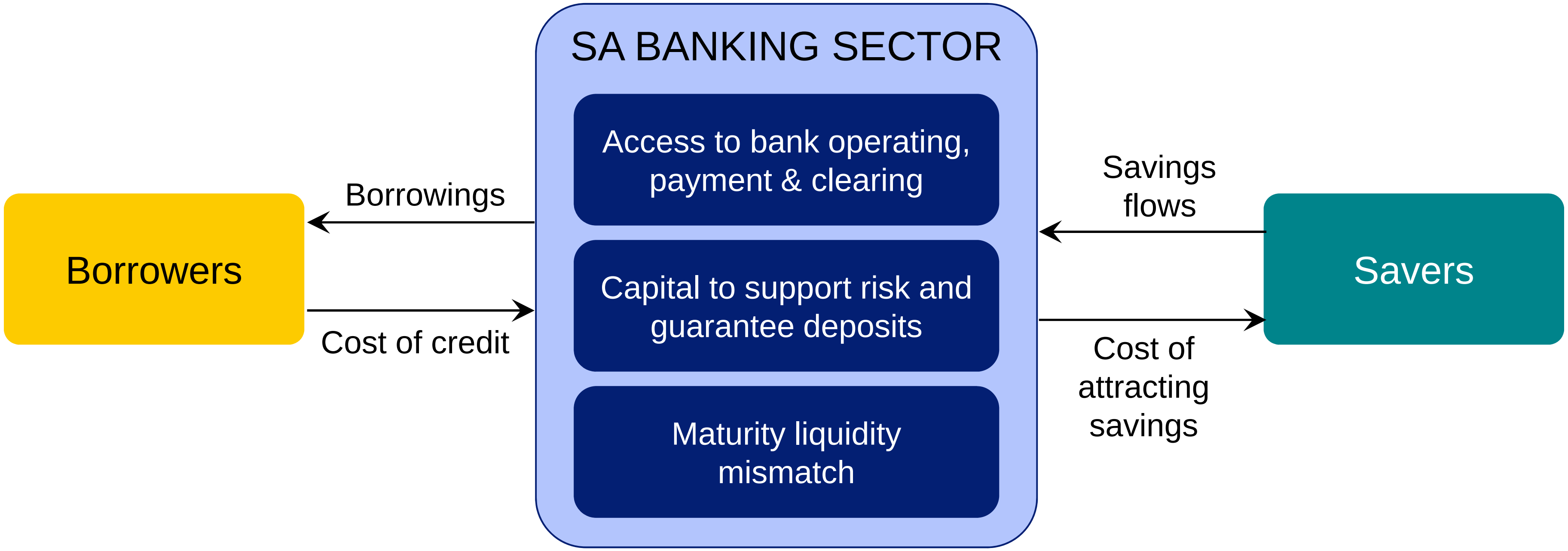
Regulation and the role of banks in the economy



Increased regulatory cost

- Cost of capital
- Cost of liquidity requirements

No regulatory overlay can compensate for a bad strategy

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  - Regulatory
- FirstRand’s response

FirstRand's response

- Short-term – earnings growth should outperform macros
- Medium to long-term – deliver superior, sustainable ROEs

What is required to deliver on these objectives?

Financial strength

Earnings resilience

FirstRand's response

- Short-term – earnings growth should outperform macros
- Medium to long-term – deliver superior, sustainable ROEs

What is required to deliver on these objectives?

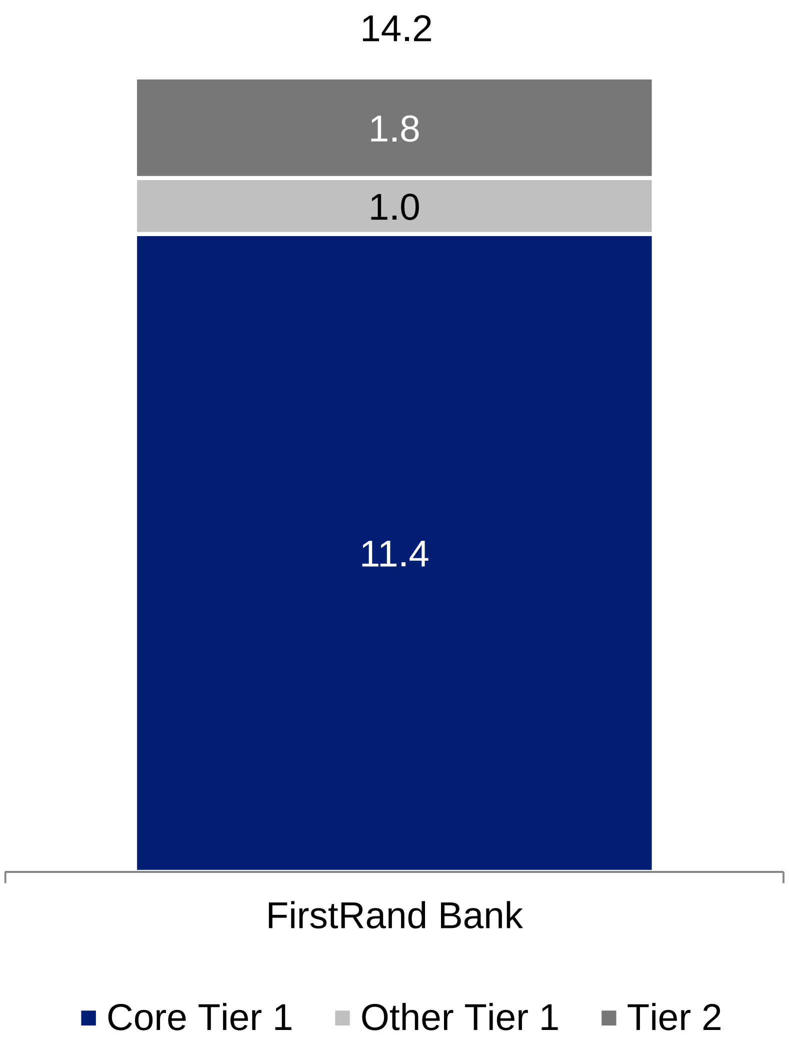
Financial strength

Earnings resilience

Financial strength

- Capital position and management
- Asset quality
- Funding strategies

Strong capital position



	Core Tier 1 %	Tier 1%
Capital adequacy ratio	11.4	12.4
Regulatory minimum	5.25	7.0
Target	9.0 – 10.5	10.5

We understand the implications of regulatory changes

- Assessed impact of Basel 2.5 and III changes
- 2011 returns and targets (18% – 22%) already reflect increased levels and quality of capital
    - Uncertainty remains regarding SARB interpretation (expect clarity in Q1 2012)
- Comfortable that 18% to 22% range is sustainable
    - Private equity businesses already capitalised at higher economic capital level
    - Lending businesses – started repricing (and agreements allow repricing for regulatory changes
    - Subsidiaries capitalised appropriately (no buffer in centre)
    - Liquidity changes will impact ROEs in term assets – consider new performance metrics, e.g. liquidity-adjusted ROE
    - Africa expansion – punitive treatment of minorities introduces asymmetry

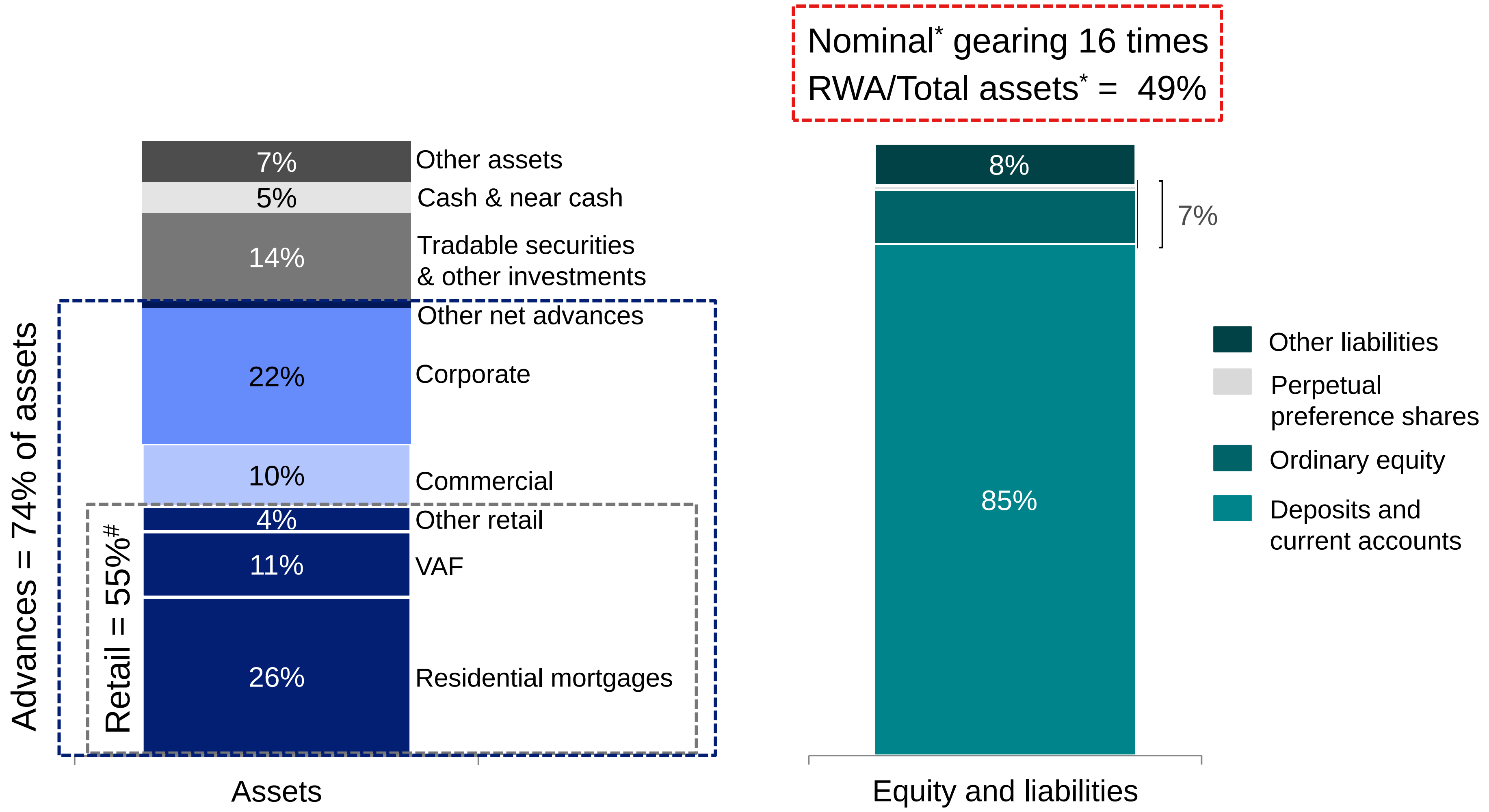
Consistent capital management strategy

- Continue to deploy capital to businesses that meet the required return
  - Strategic investments that breakeven within an appropriate period
  - Businesses required to meet minimum hurdle rates
- Internal capital generation sufficient for domestic growth and African expansion initiatives
- If no alternative investment or deployment, capital will be returned to shareholders
- Disciplined approach to growth allows protection of returns
- No incremental currency risk, equity risk or credit risk is taken in the capital investment portfolio
- No double-gearing

Financial strength

- Capital position and management
- Asset quality
- Funding strategies

Balance sheet reflects financial soundness



# of advances

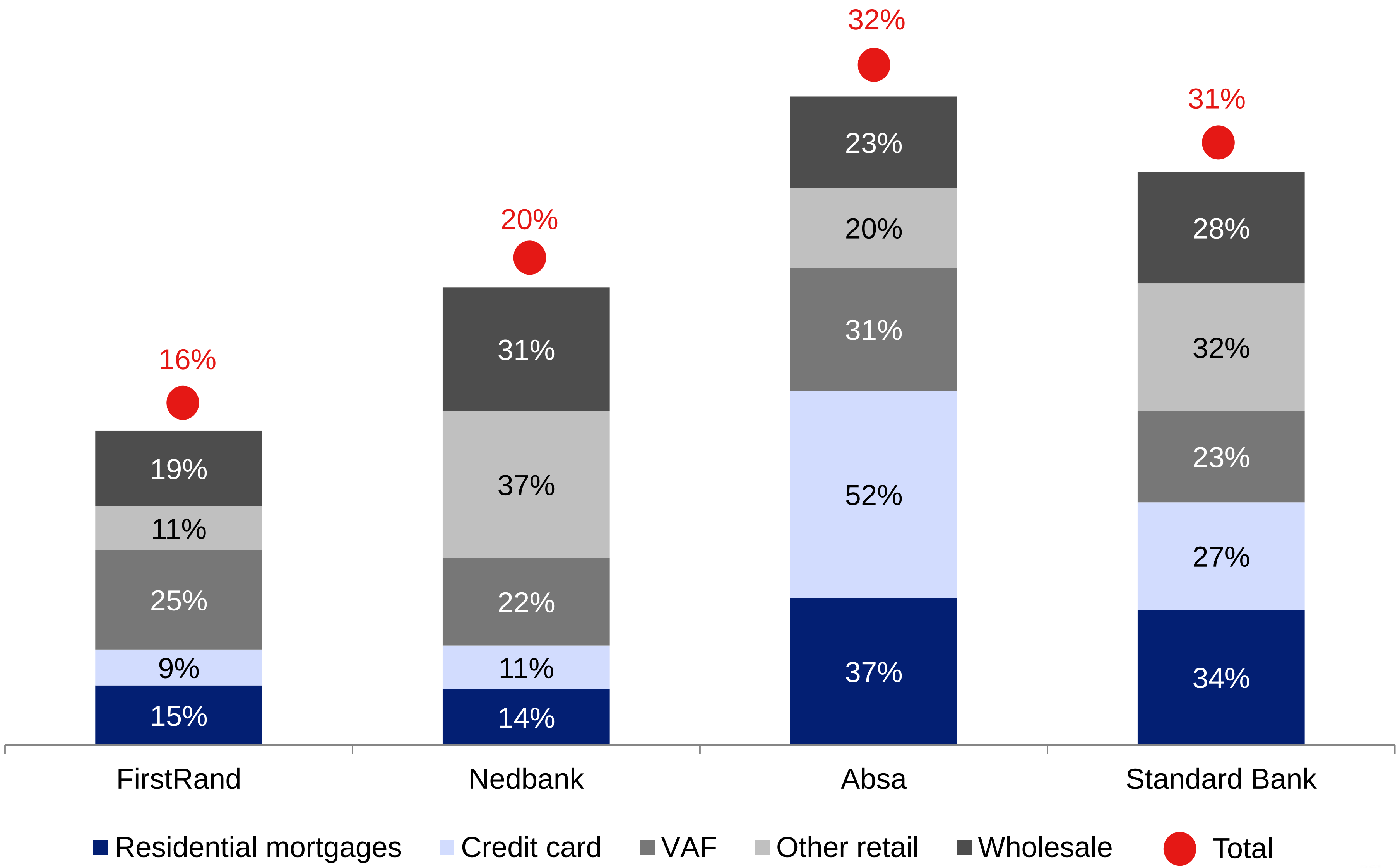
* Based on normalised continuing statement of financial position (Note: derivative assets and liabilities netted off)

We took the pain earlier and faster

- First loss is best loss
  - No restructuring of NPLs to performing
  - Focus on workout
  - QuickSell process in FNB HomeLoans resulted in 50% higher recoveries on asset values
  - Properties re-valued at default
- Conservative LGDs
- Write-off policies
  - Secured: Upon final recovery on the sale of the asset held as security
  - Unsecured: Write off 6 months after date of default
- Coverage significantly impacted by underlying mix of NPL portfolio
- Portfolio impairments were prudent

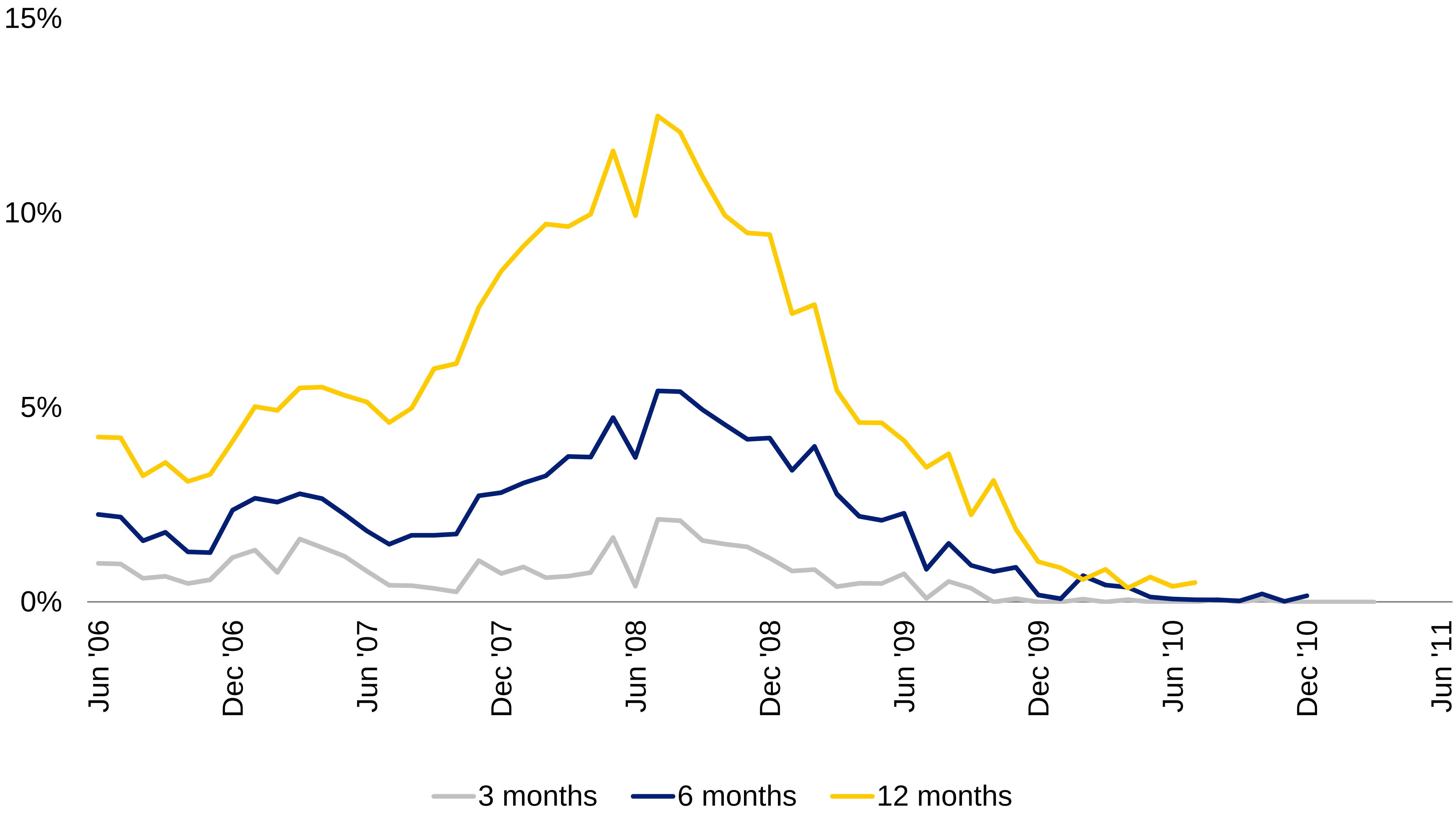
Lowest market share of NPLs

Market share of NPLs

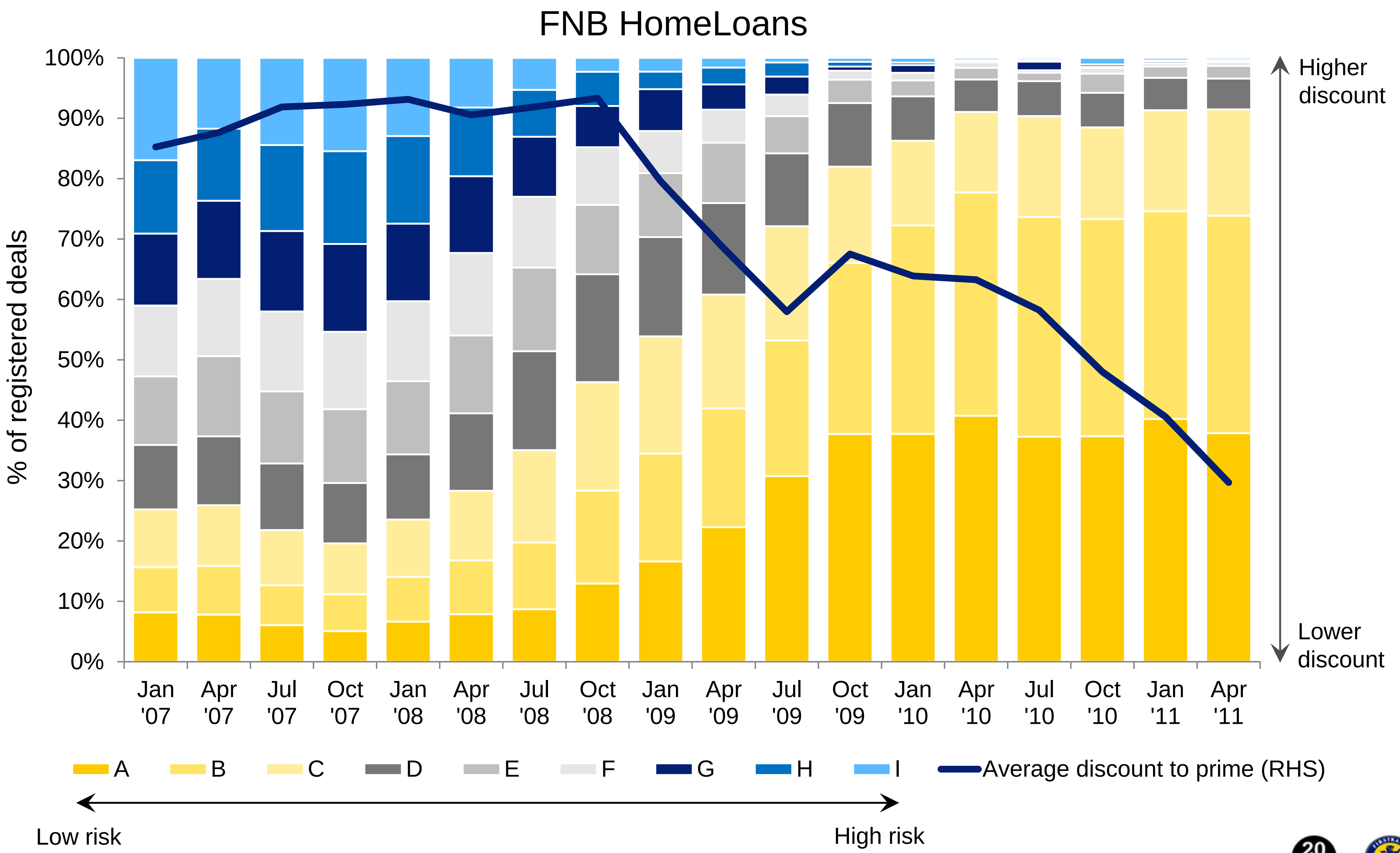


Source: Company reports, FirstRand research

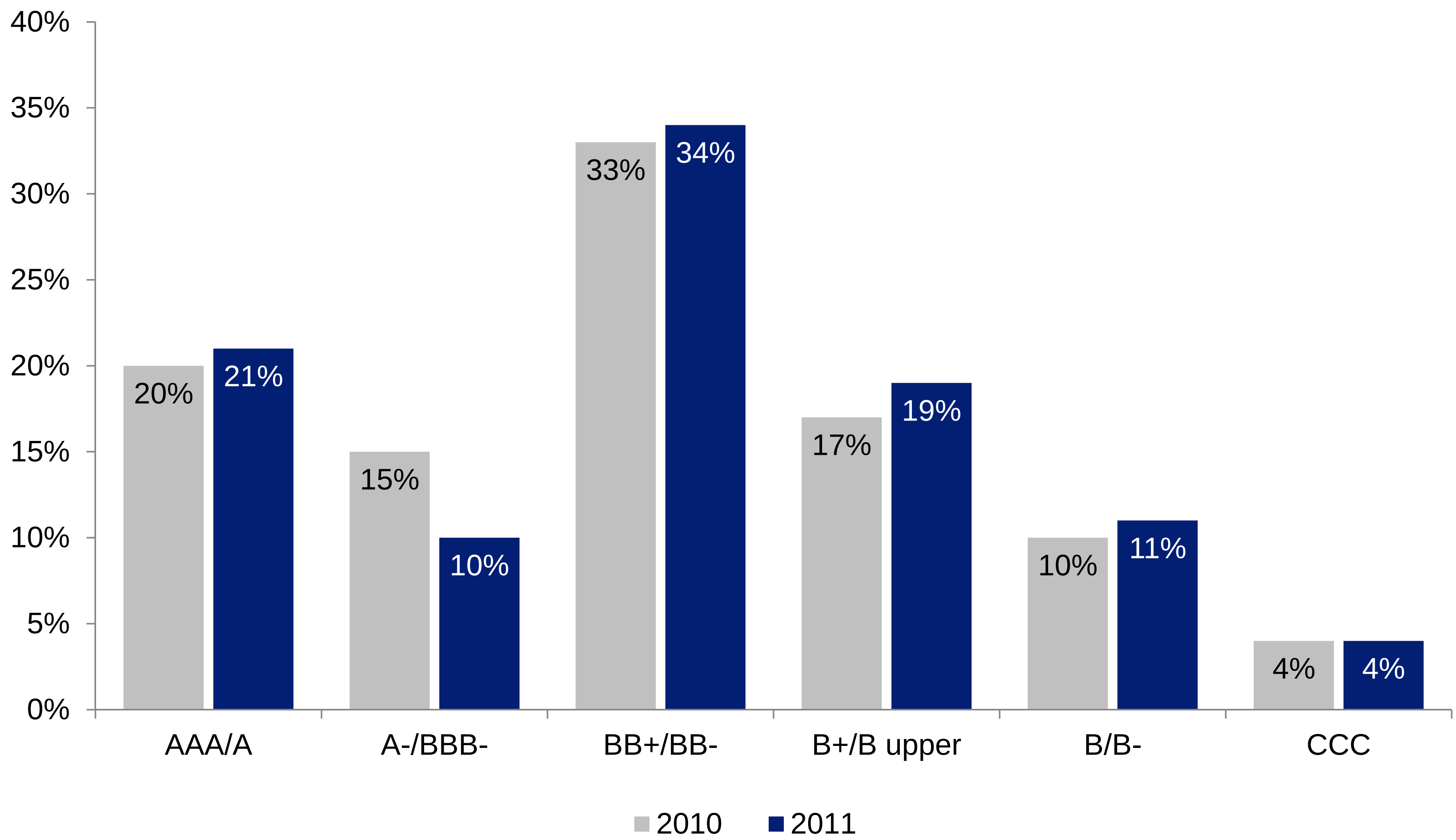
FNB HomeLoans vintage analysis shows quality of new business



We are improving risk profile and pricing



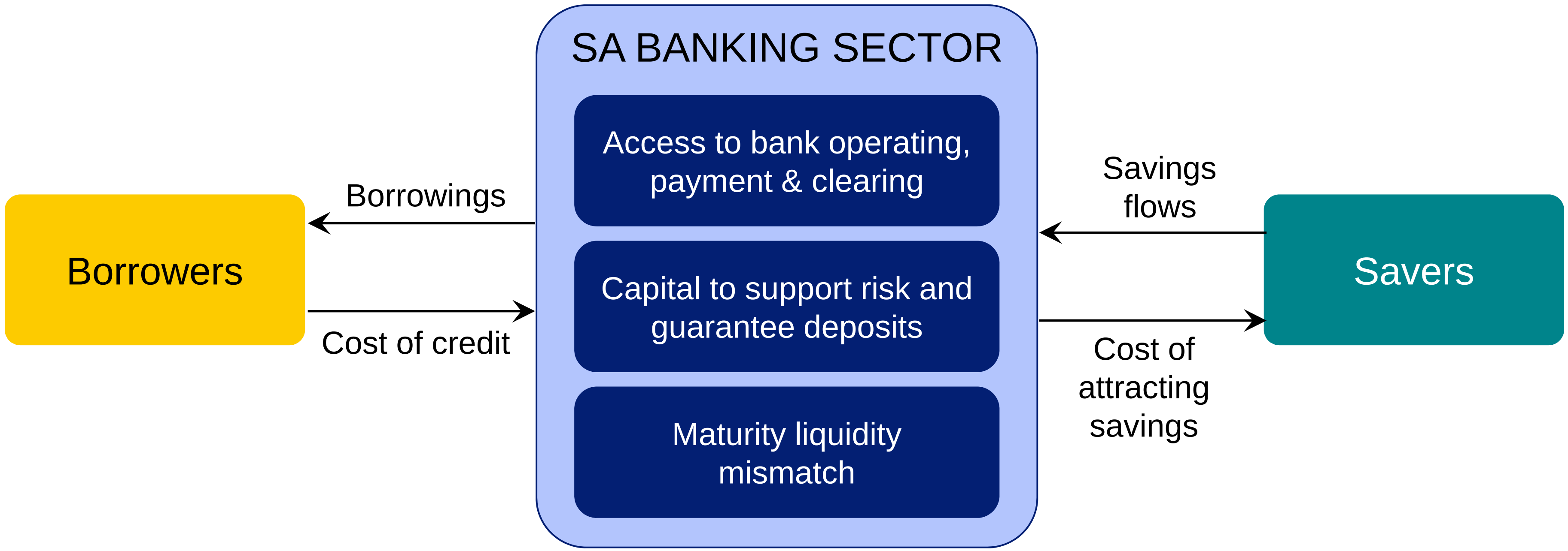
Average rating distribution of advances



Financial strength

- Capital position and management
- Asset quality
- Funding strategies

What are the appropriate funding and liquidity strategies given the new normal and regulatory environment?



Increased regulatory cost

Cost of capital

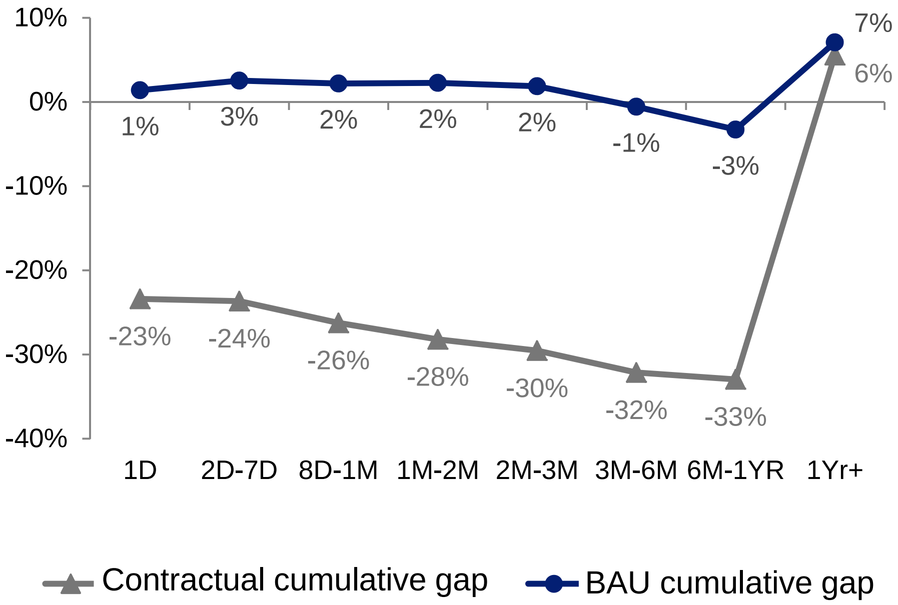
We don't see further reduction in returns as ROE targets already take higher requirements into account

Cost of liquidity requirements

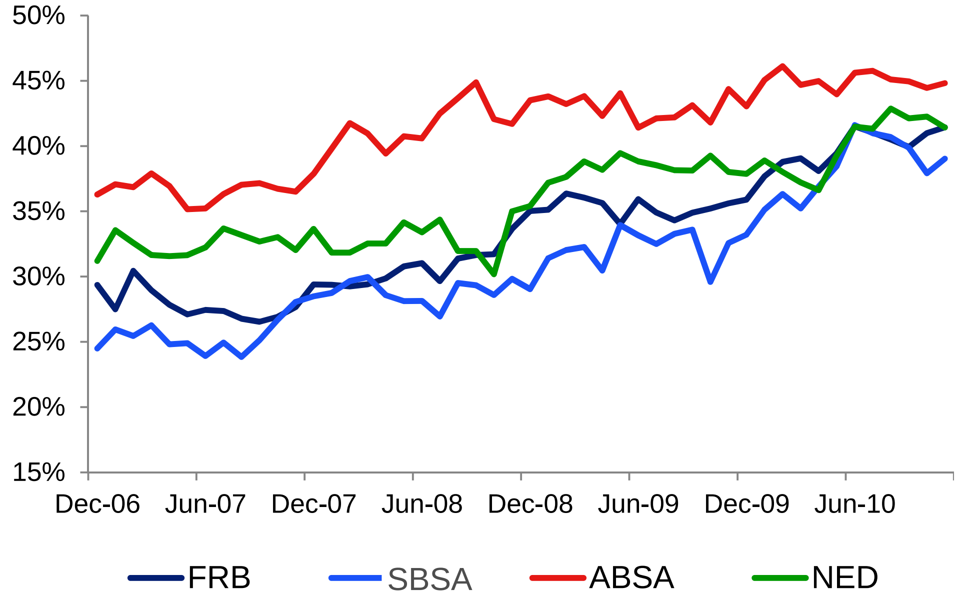
Potential future cost

SA banking system liquidity gap

Liquidity gap



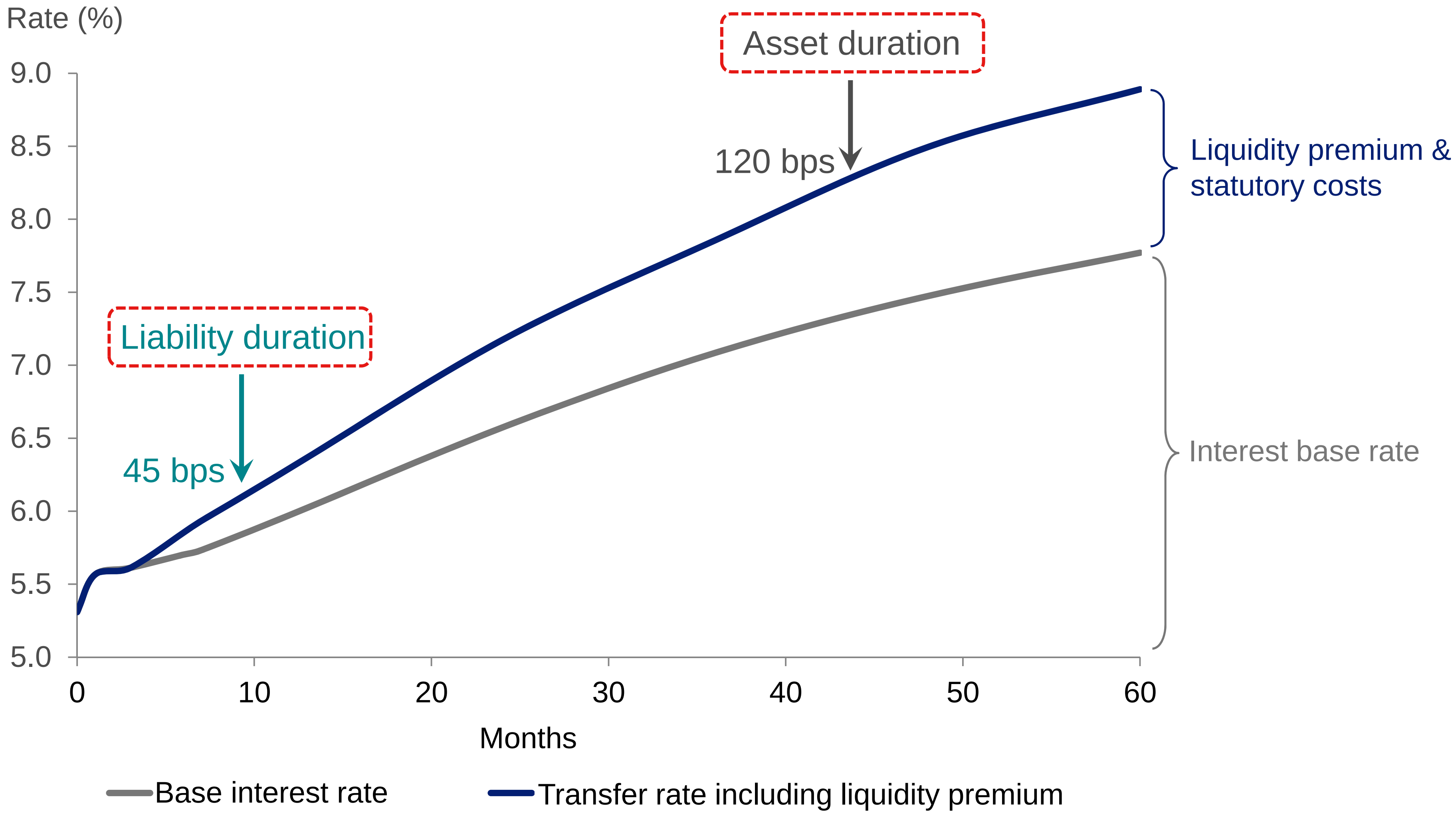
Institutional funding proportion



- 28% of liabilities mature within 2 months
- Average duration of assets = 44 months
- Banks have an over-reliance on short-term institutional funding

Sources: SARB BA Returns (December 2010), FirstRand Research

Increased cost of structural liquidity mismatch



A “matched system” will be costly

FirstRand's response

- Liquidity strategies
- Funding strategies
- Funds transfer pricing
- Prepare for convergence of banks, principal investors and asset managers

FirstRand's response

- Short-term – earnings growth should outperform macros
- Medium to long-term – deliver superior, sustainable ROEs

What is required to deliver on these objectives?

Financial strength

Earnings resilience

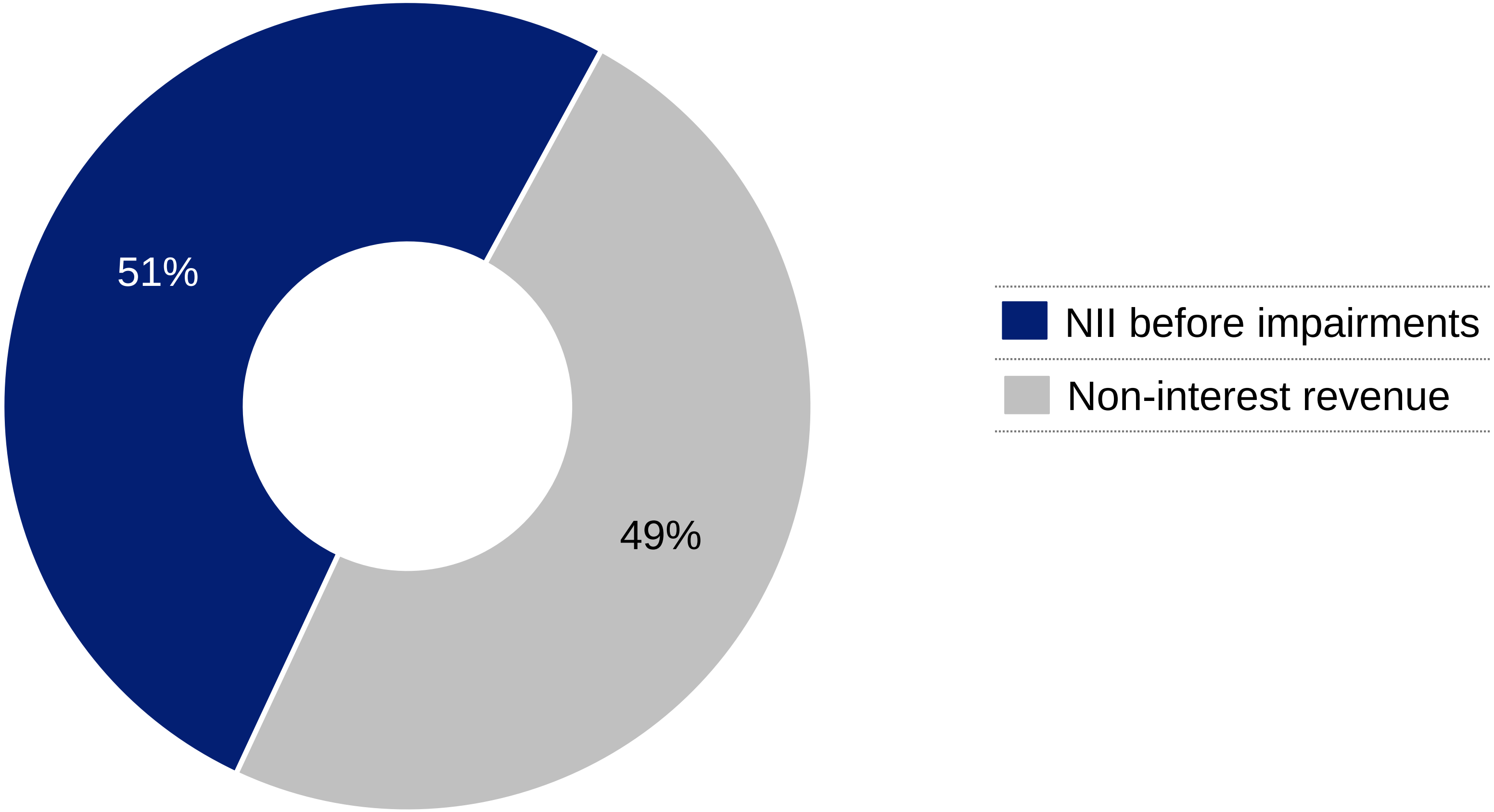
What underpins earnings resilience

- In 2008/09 the Group embarked on process to rebalance earnings profile
- Objectives to reduce volatility, but continue to deliver superior returns
- Diversity
  - Income streams that provide natural hedges through the cycle
  - Fee income vs interest income
  - South Africa vs rest of Africa
- Quality
  - Portfolio composition – appropriate balance between annuity income from client franchises and income driven by trading and investing activities

Diversity + quality = lower volatility

Balance between NII and NIR

Normalised gross revenue breakdown



More than 90% from client franchises

Quality franchises...

- FNB – most innovative, best ROE
- RMB – leading investment bank in SA
- WesBank – market leader in instalment finance
- ... with compelling growth strategies aligned to Group objectives
    - In South Africa, grow in existing markets and those where currently underrepresented
    - To grow African franchises in key markets and mine the investment and trade corridors

FNB – innovation key to growth in customers and volumes

- In tougher times, innovation becomes a key differentiator
  - 10 years of relentless focus on innovation is now contributing to bottom line
  - Supported by entrepreneurial, owner-manager culture

- Current strategy
  - Focus on building its diversified franchise
    - Customer acquisition and retention supported by appropriate innovative products and delivery channels
    - Repositioning footprint – emphasis on electronic channels
    - Value propositions for customers, i.e. loyalty programmes
  - Enter those market segments where currently under-represented
    - Mass segment – FNB EasyPlan, eWallet, cellphone banking
    - Wealth – BJM, Ashburton
    - Commercial – property finance
  - Africa and India – on track

RMB – excellent franchise but tough macros

- Strengthening client franchise
  - Scale trading and investment activities appropriately
- Better service large corporates through creation of CIB, but protect integrity of investment banking franchise
  - Coverage provides integrated approach
  - Improving GTS platform a 3-year process
  - FICC should benefit from increased client flows
- Africa and corridors
  - RMB benefitting from deployment into FNB's African platforms
  - African deal pipeline supported by rep offices in Nigeria, Kenya and Angola
  - India platform supports African deal pipeline through focus on clients active in African / India Corridor and profitable niches

WesBank – unique model underpins market leadership

- Core strategy to protect and grow current local franchise – dominate point of sale through industry partnerships
- Target segments where under-represented
  - Mid corporate
    - Identified over 1 000 potential customers not currently serviced in wholesale segment
    - Collaboration with FNB
  - Large corporate
    - Collaboration with CIB creating good leads
  - Full maintenance rentals
    - Signed initial strategic alliances with Imperial and Toyota
    - Opportunities in retail private leasing
  - Africa
    - Deploying resources into FNB Africa subsidiaries

In conclusion

- Balance sheet strength
- Improved ROA
- Diversity and quality of earnings profile
- Franchise strength – real competitive advantages in many market segments
- Disciplined approach to growing in Africa
- Appropriate strategies to deal with the increased cost of regulation

“Bearish” on macros, “bullish” on franchise outperformance

2011

appendix

Normalised income statement

Normalised (R million)	Jun '11	Jun '10	Change
Net interest income before impairment of advances	18 222	16 193	13%
Impairment of advances	(4 151)	(5 576)	(26%)
Net interest income after impairment of advances	14 071	10 617	33%
Non-interest revenue	19 065	17 294	10%
Income from operations	33 136	27 911	19%
Operating expenses	(23 365)	(20 397)	15%
Income before tax	9 771	7 514	30%
Indirect tax	(503)	(403)	25%
Profit before direct tax	9 268	7 111	30%
Direct tax	(2 266)	(1 258)	80%
NCNR preference shareholders	(201)	(230)	(13%)
Headline and normalised earnings adjustments	(206)	(22)	>100%
FirstRand Bank normalised earnings	**6 595**	**5 601**	**18%**

Refer to appendix for recon between normalised and IFRS

Recon: normalised income statement

R million	IFRS	Funding costs on the fair value book	Normalising adjustments	Normalised
Net interest income before impairment of advances	11 809	3 014	3 399	18 222
Impairment losses on loans and advances	(3 637)	-	(514)	(4 151)
Net interest income after impairment of advances	8 172	3 014	2 885	14 071
Non-interest revenue	26 003	(3 014)	(3 924)	19 065
Income from operations	34 175	-	(1 039)	33 136
Operating expenses	(23 420)	-	55	(23 365)
Income before tax	10 755	-	(984)	9 771
Indirect tax	(503)	-	-	(503)
Profit before tax	10 252	-	(984)	9 268
Direct tax	(2 266)	-	-	(2 266)
Profit for the year	**7 986**	**-**	**(984)**	**7 002**
Profit attributable to:				
Non-cumulative non-redeemable preference shareholders	201			201
Ordinary equity holders	7 785			6 801
Profit for the year	**7 986**	**-**	**984**	**7 002**

Recon: normalised income statement (cont.)

R million	IFRS	Normalised adjustments	Normalised
Equity holders of FirstRand Bank	**7 785**	(984)	**6 801**
Profit/(loss) on sale of property and equipment	47		47
Profit on sale of available for sale assets	(335)		(335)
Other (relates mainly to profits on restructure)	(970)	1 039	69
Tax effect on adjustments	13	-	13
FirstRand Bank headline earnings	**6 540**	**55**	**6 595**
Impact of IFRS2 share-based payment expense	**55**	**(55)**	**-**
FirstRand Bank normalised headline earnings	**6 595**	**-**	**6 595**