

08/09

FIRSTRAND LIMITED
INVESTOR UPDATE

23 JUNE 2009



FIRSTRAND

INTRODUCTION

PAUL HARRIS



FIRSTRAND

Purpose of the Investor Update

- Provide an update on the Group's performance
- Provide insight into strategies to deal with the current environment
- Provide insight into succession planning and discuss management changes
- Expose investors to strategic thinking of the new management team

Macro themes

- Early signs of improvement / slower rate of deterioration
- Real economy not reflecting equity market rally, but confidence improving
- Counter cyclical – provisions were worst at the top of the market
- Most overseas banks have legacy portfolios
- Volatility of profits a problem
- Still some landmines / fault lines to negotiate

Landmines / side effects of economic medicine

- Deficit and sovereign debt
- Refinancing / roll-over of existing debt
- Other unfunded deficits
 - US social security / health
 - Pensions funds, e.g. GM
 - Federal Housing Authority (FHA) subprime portfolio
- Distressed industries and sectors
- Legacy portfolios
 - No buyers / liquidity
 - Fire sale on hold
 - Volatility in earnings
- Unpredictable political environment
- Fragile confidence

FirstRand house view on SA: Slow puncture

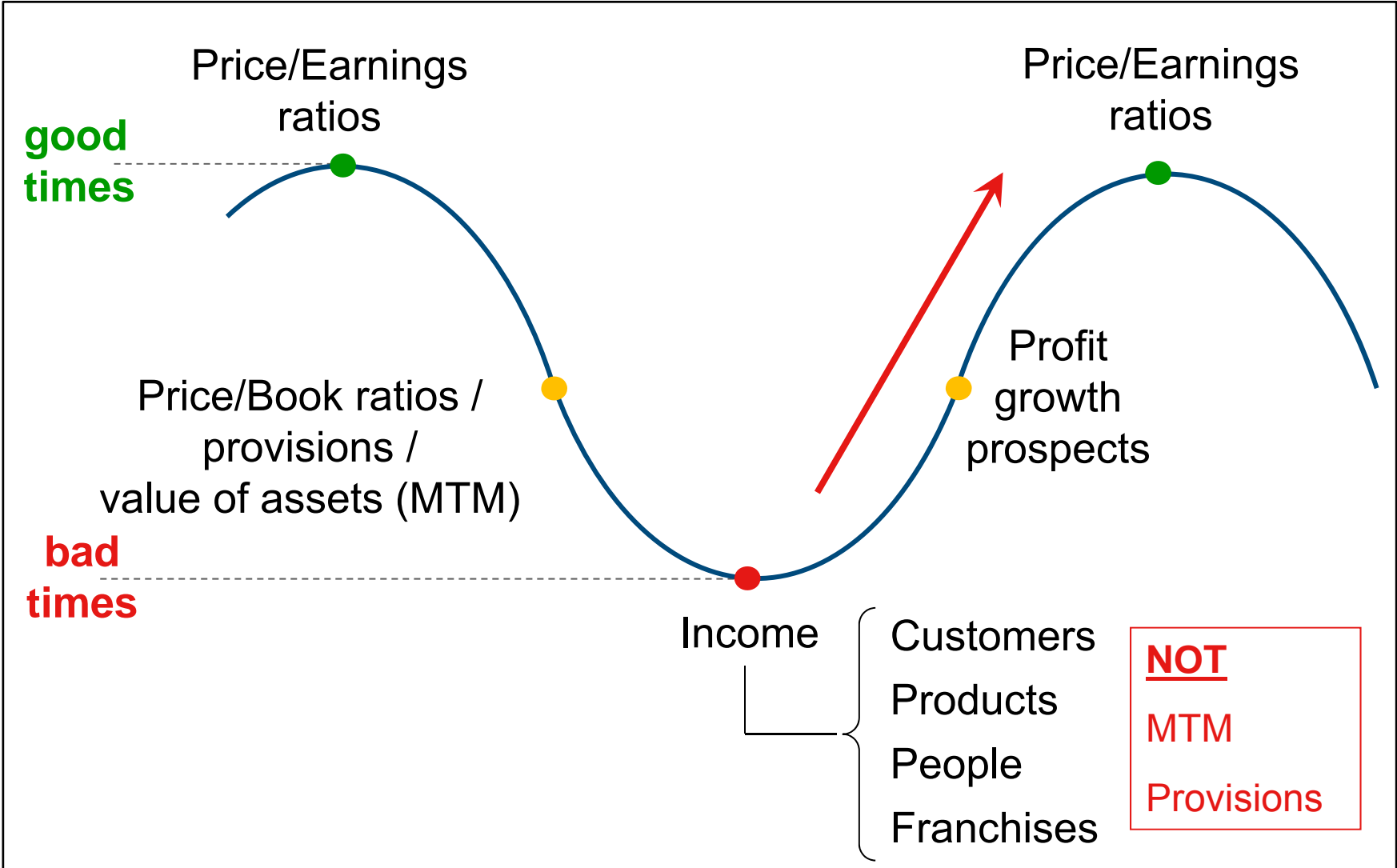
- SA can't escape international crisis
 - Real economy slowing down
 - Consumers and small business stressed / job losses
 - Balance of payments and now fiscal deficit
 - Strong rand puts more pressure on export industries
- On the positive side
 - SA spared the worst of excesses
 - Positive impact of lower interest rates still to come
 - Signs of bad debt cycle peaking
 - Confidence from strong rand and 2010 World Cup
- SA banks in good shape
 - Strong capital and liquidity ratios
 - Profitable despite bad debts
 - One of few bank sectors without state intervention

FirstRand: Dealing with the environment

- Saw signs of problems early in 2008 and expressed bearish outlook in September 08
- November 08 – FirstRand conference theme: “Survive to Thrive”
 - Agreed a 10 point plan, e.g. capital preservation, de-risking, cost cutting, liquidity buffers, tightening credit, etc.
- Consensus GDP growth prospects decreased from positive 3% in November 08 to negative 1% in March 09
 - FirstRand again warned of difficult times ahead
- 2009 has been and will continue to be a very tough environment for financial companies
- Slow improvement expected in 2010 as lower interest rates and fiscal stimulus kicks in

FirstRand read the macros well and responded accordingly

Franchise quality = acceleration out of bottom of cycle



Capital allocation mix

- Capital allocation mix: Investments and Franchises
- FirstRand's allocation to investments was too big
 - Large portion allocated to offshore investments
 - Equity market declines and volatility were severe
 - Investments performed similar to those of international peers
 - MTM meant earnings volatility was unacceptable
- Franchises still remain in good shape

Capital allocation mix resulted in underperformance to local peers

Dealing with legacy portfolios

- All international peers have them
 - Now seen as “non-core” / back to basics
 - Dilemma – fire sale or hold or take off balance sheet
 - MTM still creates earnings volatility
- Our legacy portfolio
 - Small relative to international peers, large relative to SA peers
 - Small relative to balance sheet
- Portfolio performance just as bad as that of the international peers
- We have funding to hold, so won't sell at fire sale prices, but expect MTM / earnings volatility

Succession planning

- Succession philosophy: It is not the end of one race and the start of another, but rather a relay where the incumbent runs alongside the successor then passes over the baton and continues to run alongside until the successor is in his or her stride before fading away
- At FirstRand succession is a relay race
 - Laurie Dippenaar (CEO: FRG) and Paul Harris (CEO: FRBG), THEN
 - Paul Harris (CEO: FRG) and Sizwe Nxasana (CEO: FRBG), THEN
 - Sizwe Nxasana (CEO: FRG) and Johan Burger (COO: FRG)
- In the divisions: recent changes
 - RMB: M Pfaff to A Pullinger
 - Momentum: EB Niewoudt to N Kruger
 - WesBank: R Watson to B Riley
- Strong, experienced and settled management teams at FirstRand and in franchises

Expectations for 2009 and 2010

- Continued tough environment in 2009 with slow improvement from 2010 as lower interest rates and fiscal stimulus kicks in
- Excellent franchises and core businesses
 - FNB: Mass, Consumer, Commercial, Corporate, Botswana, Namibia
 - RMB: Investment Banking, FICC, Private Equity
 - WesBank: Corporate, origination engine
 - Momentum: All business units
 - OUTsurance: All business units
- Entrepreneurial culture alive and well
 - FNB: Cellphone Banking, Connect, eMoney, Zambia, Associate branches
 - RMB: New deal flow from Nigeria / Angola
 - Momentum: Health in Africa
 - OUTsurance: Australia
- Confident in prediction of performance of core franchise businesses, but performance of legacy portfolio and investment businesses (e.g. Momentum) depends on market movements which we can't predict

UNPACKING THE PERFORMANCE

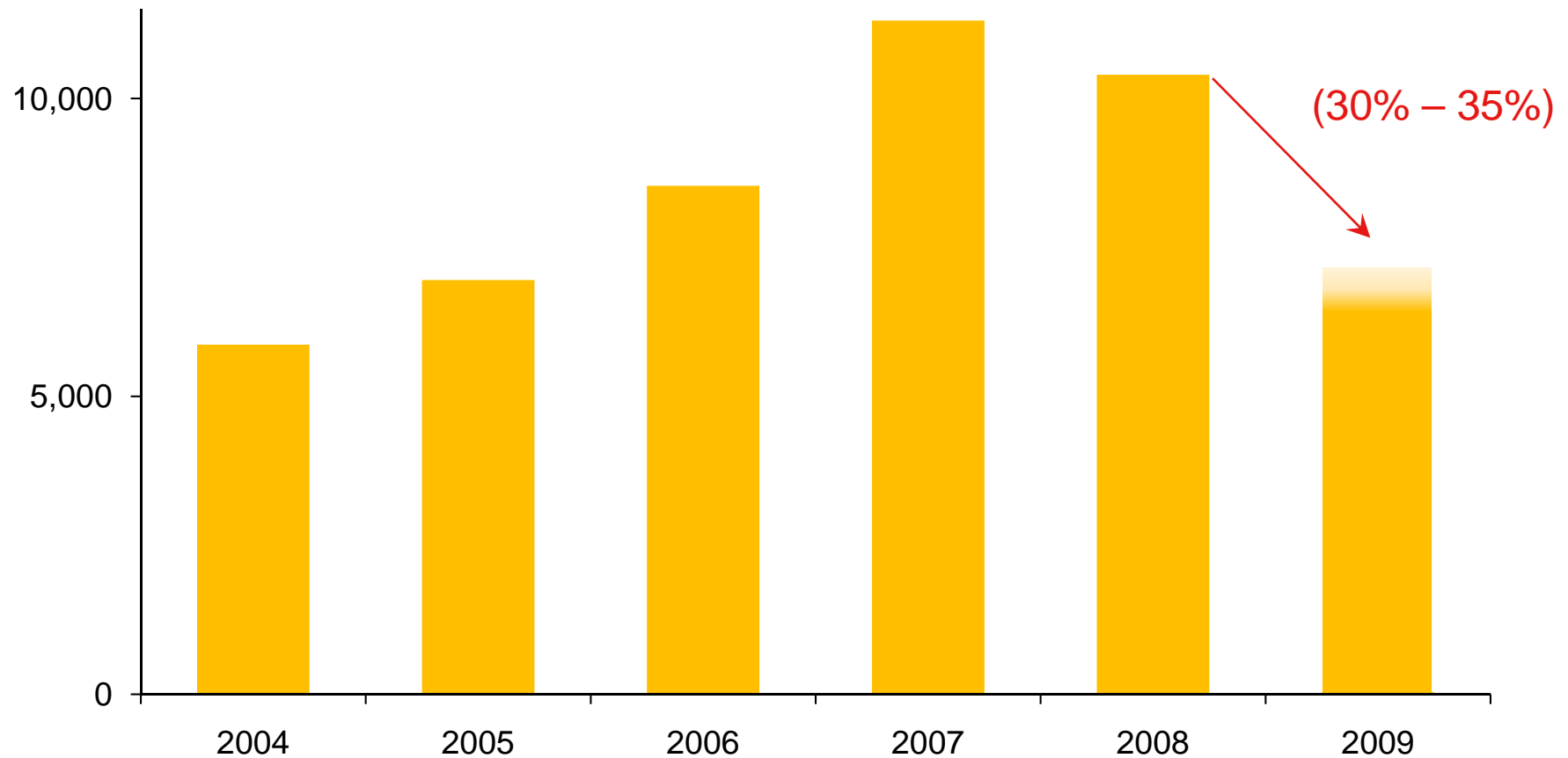
JOHAN BURGER



FIRSTRAND

Contextualising the performance of FirstRand Limited

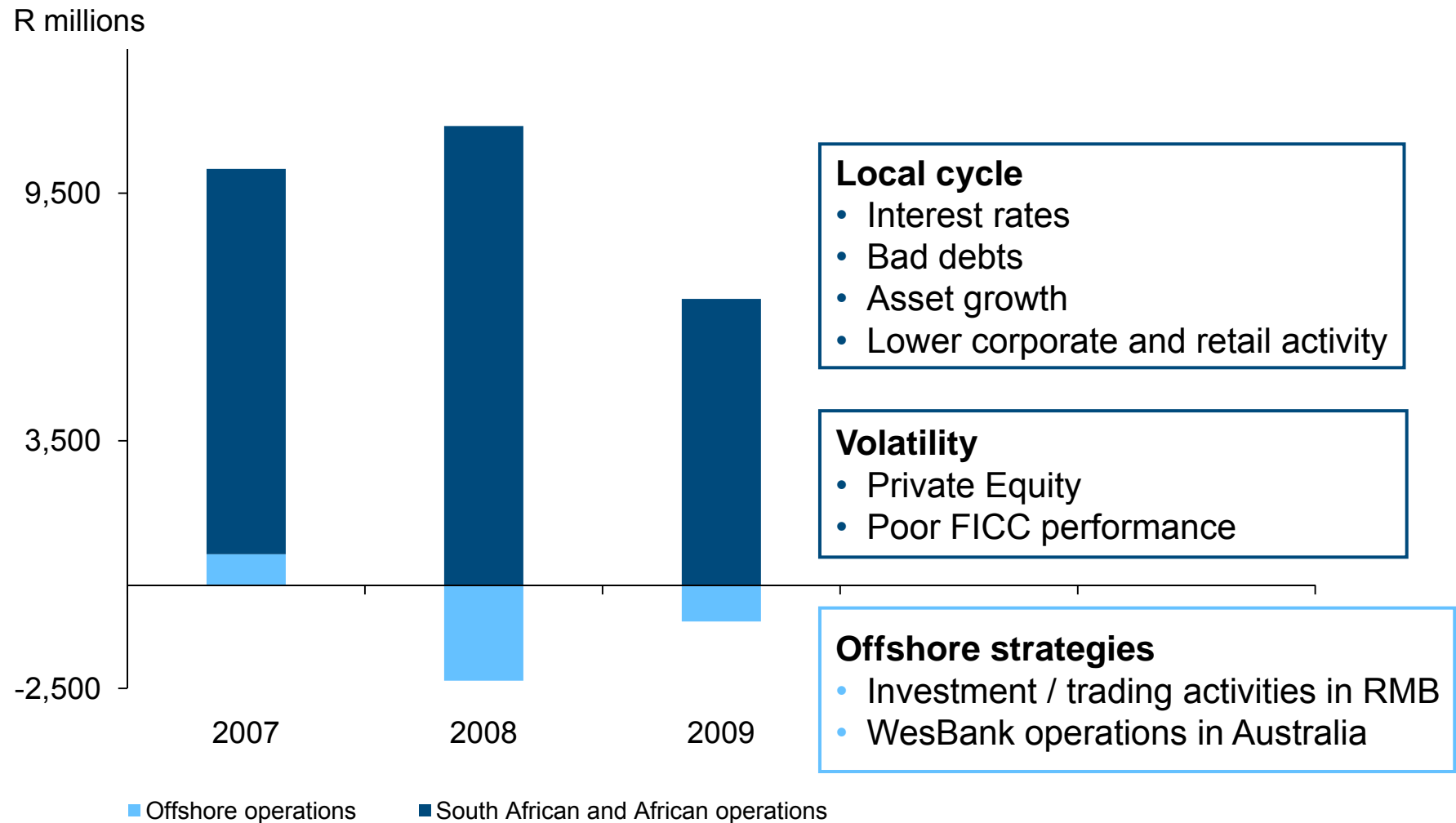
Normalised earnings
R millions



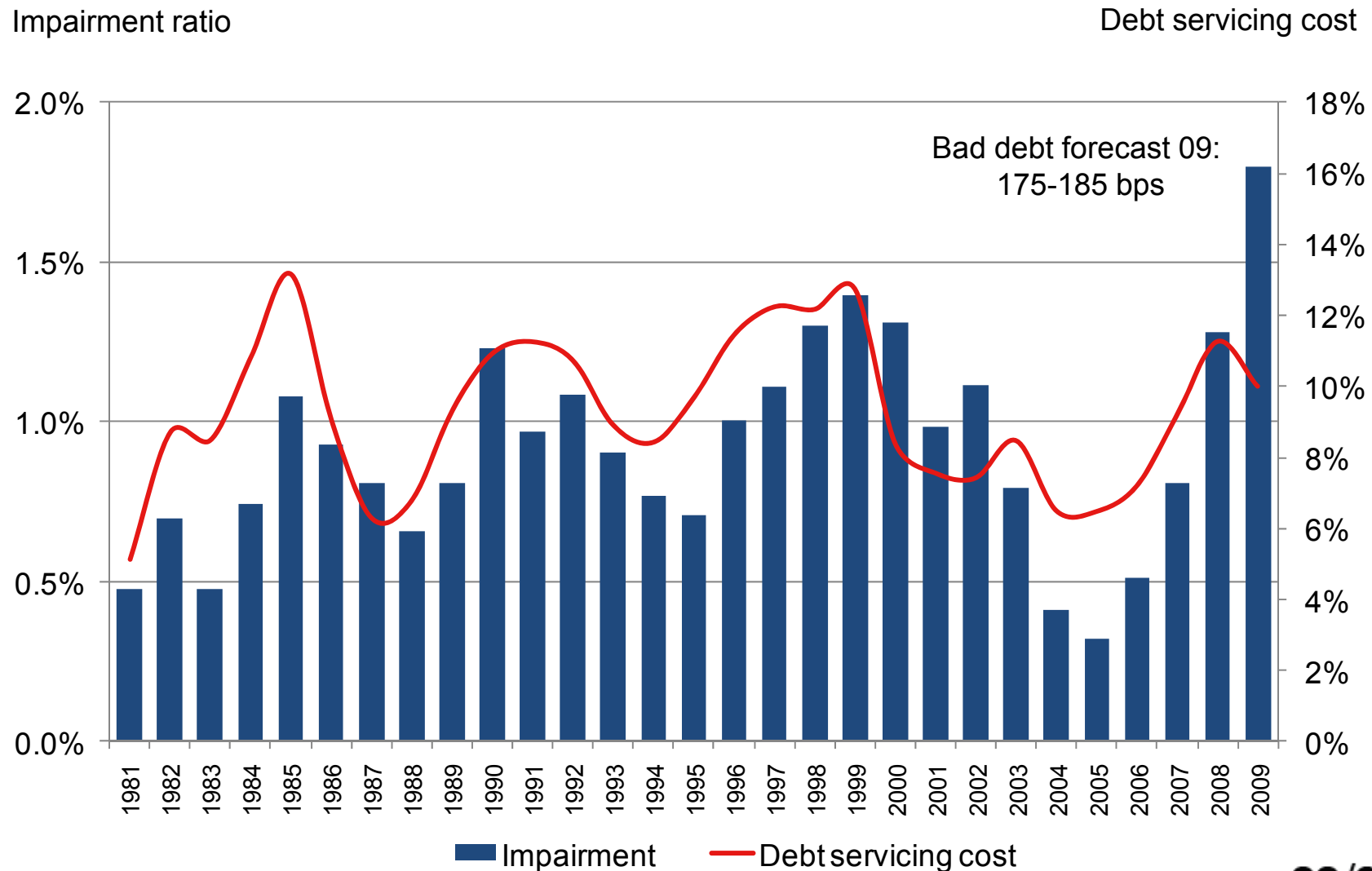
What has changed since guidance provided in March 2009?

- RMB
 - Poor FICC performance
 - Deterioration in Private Equity associate earnings income
 - Losses from exiting marginal international businesses in IBD
 - Further losses in SPJI portfolio
- FNB
 - Larger than anticipated endowment impact (approximately R600 million per 1%)

Contextualising performance of SA and African franchises versus offshore activities



Cycle: Relationship between debt servicing costs and impairments has broken down



Cycle: Balance sheet still growing

	Balance sheet change	Strategic, market and operational changes	Normalised change
Corporate	▼ 18 %	<ul style="list-style-type: none"> Euroloans ▲ 8% Reverse repos ▲ 7% Money market ▲ 6% Netting (LROS) ▲ 6% 	▲ 9%
Commercial	▲ 13%	<ul style="list-style-type: none"> Netting (LROS) ▲ 1% 	▲ 14%
Retail	0 %	Market activity reduction and credit adjustments	0%
Total	▼ 7%		▲ 2%





Context for RMB's performance and strategy going forward

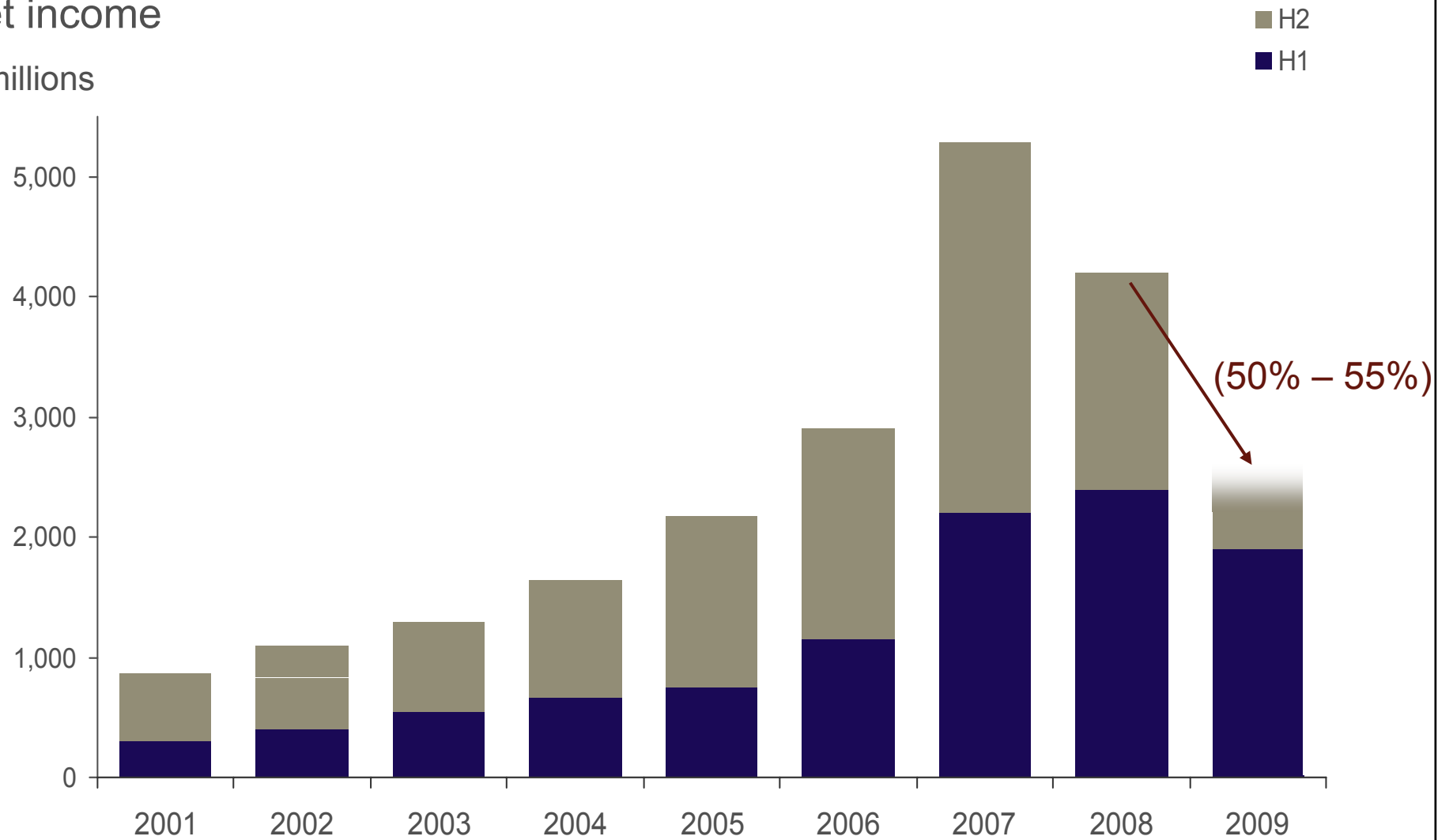
Alan Pullinger

Lower “run rate” in second half for RMB



Net income

R millions





Business unit headlines

- Good year for **Investment Banking**
- Contributions across the board
- Significantly slower 2nd half due to
 - Lower corporate activity
 - Counterparty impairments
 - Losses on exit of marginal international businesses

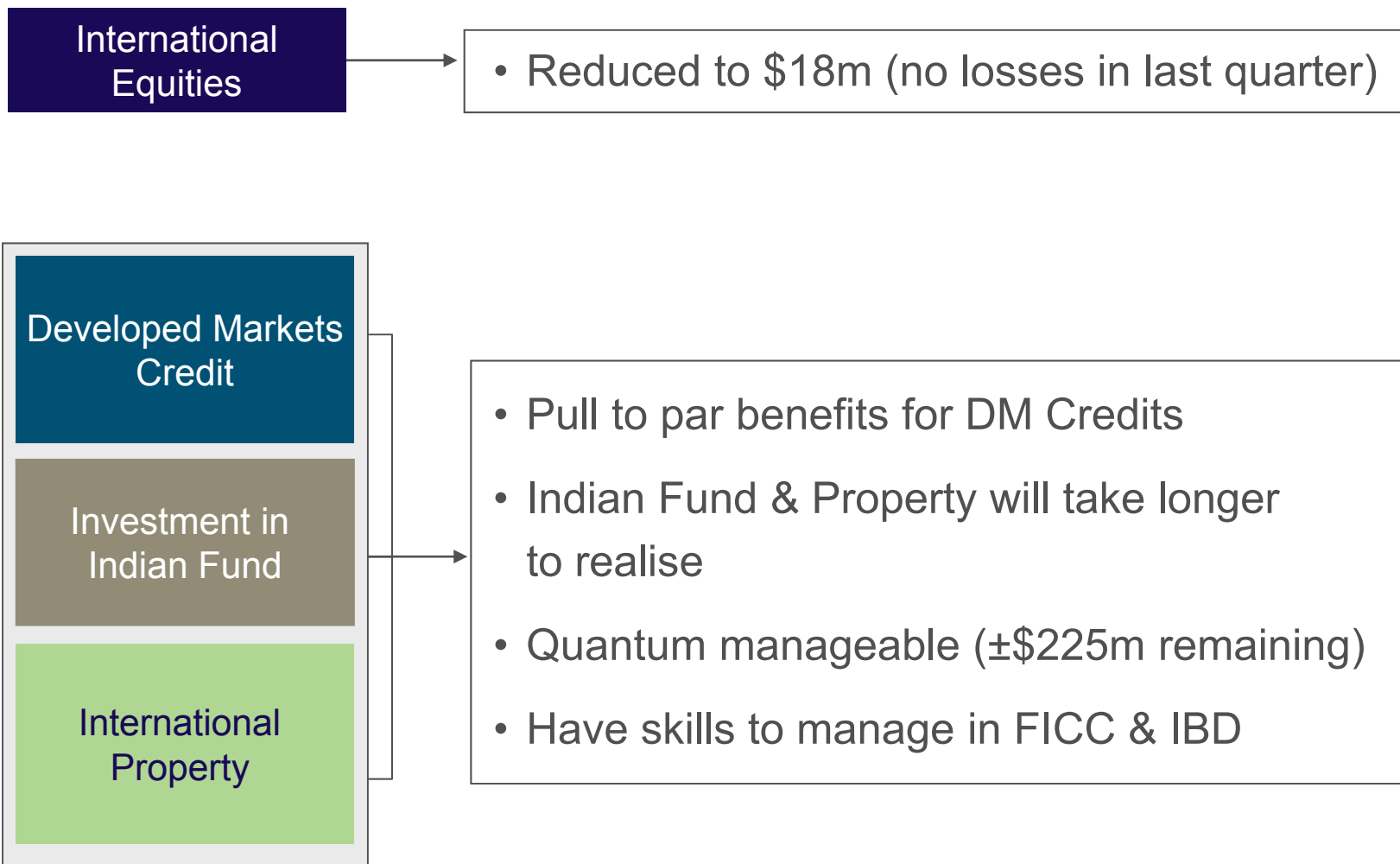
- **Private Equity** loss in 2nd half
 - No realisations
 - Lower associate earnings
 - Impairments raised
 - Currency translations

- Very poor 2nd half in **FICC**
- Strong Client income
- Offset by
 - Counterparty impairments
 - Losses on exit of marginal international businesses
 - Volatile local markets – trading losses in Fixed Income

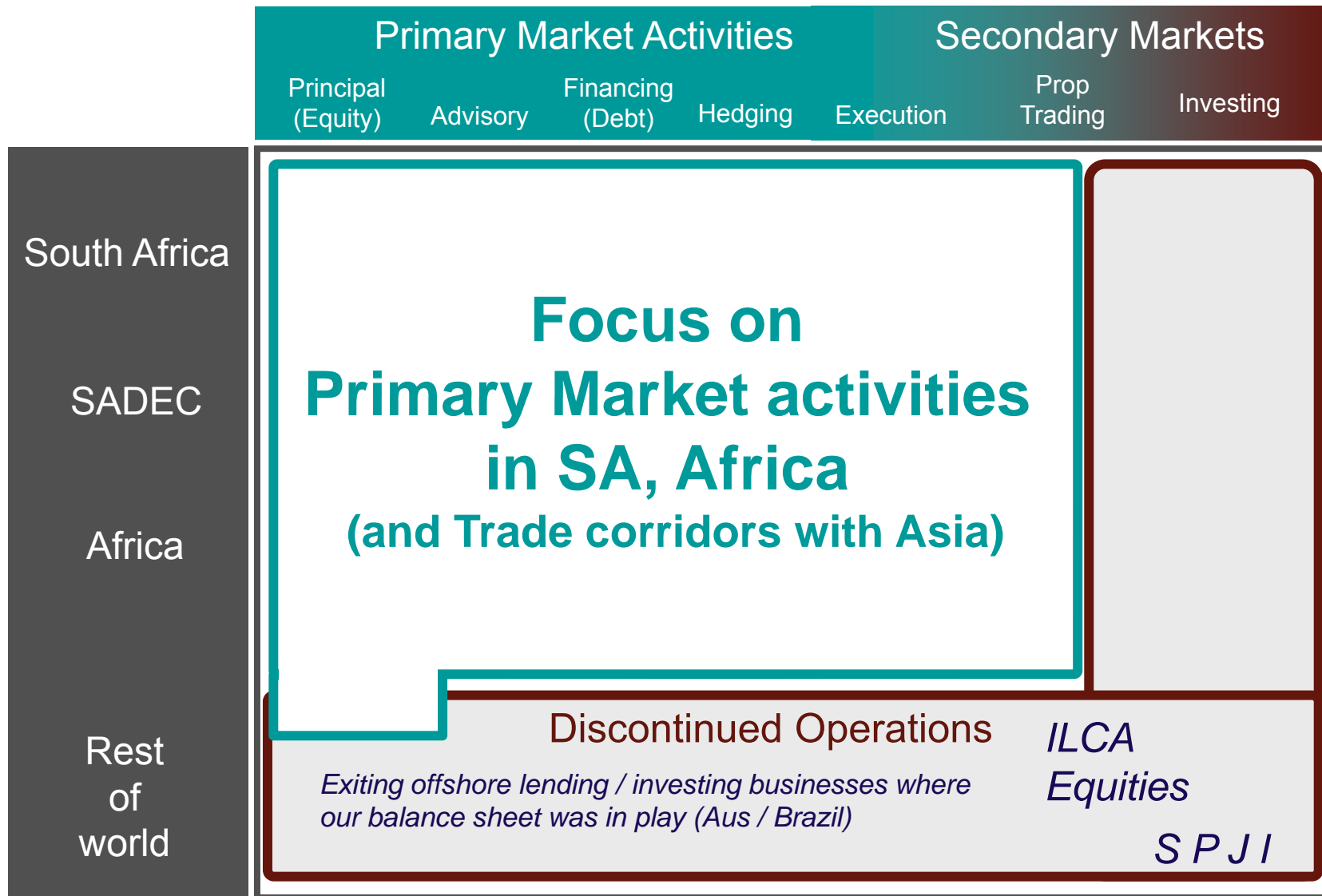
- Profitable 2nd half in **Equities**
- No losses in legacy portfolio (<\$18m) last quarter

- Reducing losses in **SPJI** legacy portfolios as projected
- Managed exit continues

Legacy positions



Revised game plan – Focus on Primary Markets



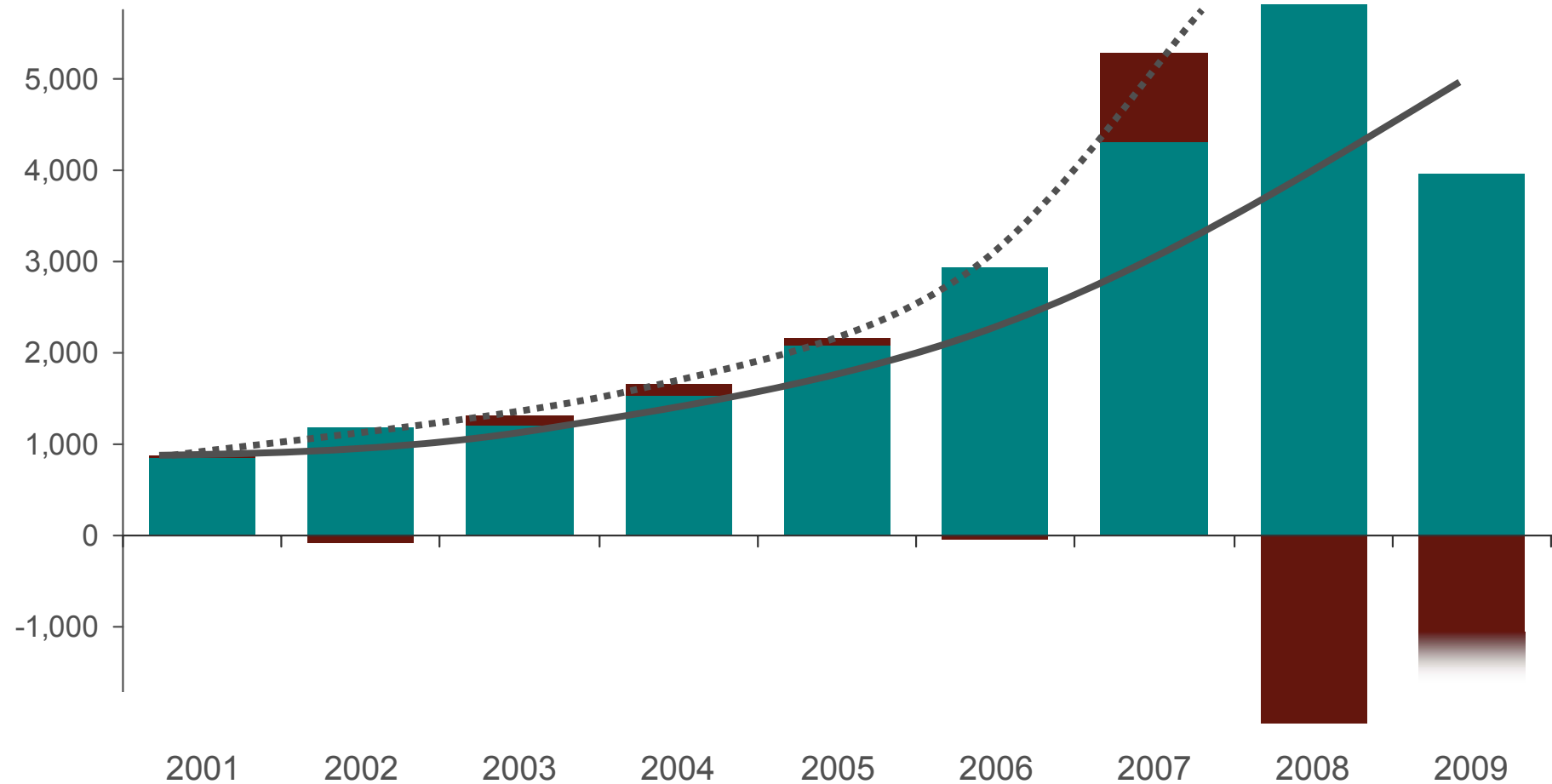
Revised game plan – Focus on Primary Markets



Net income

R millions

■ Core ■ Legacy

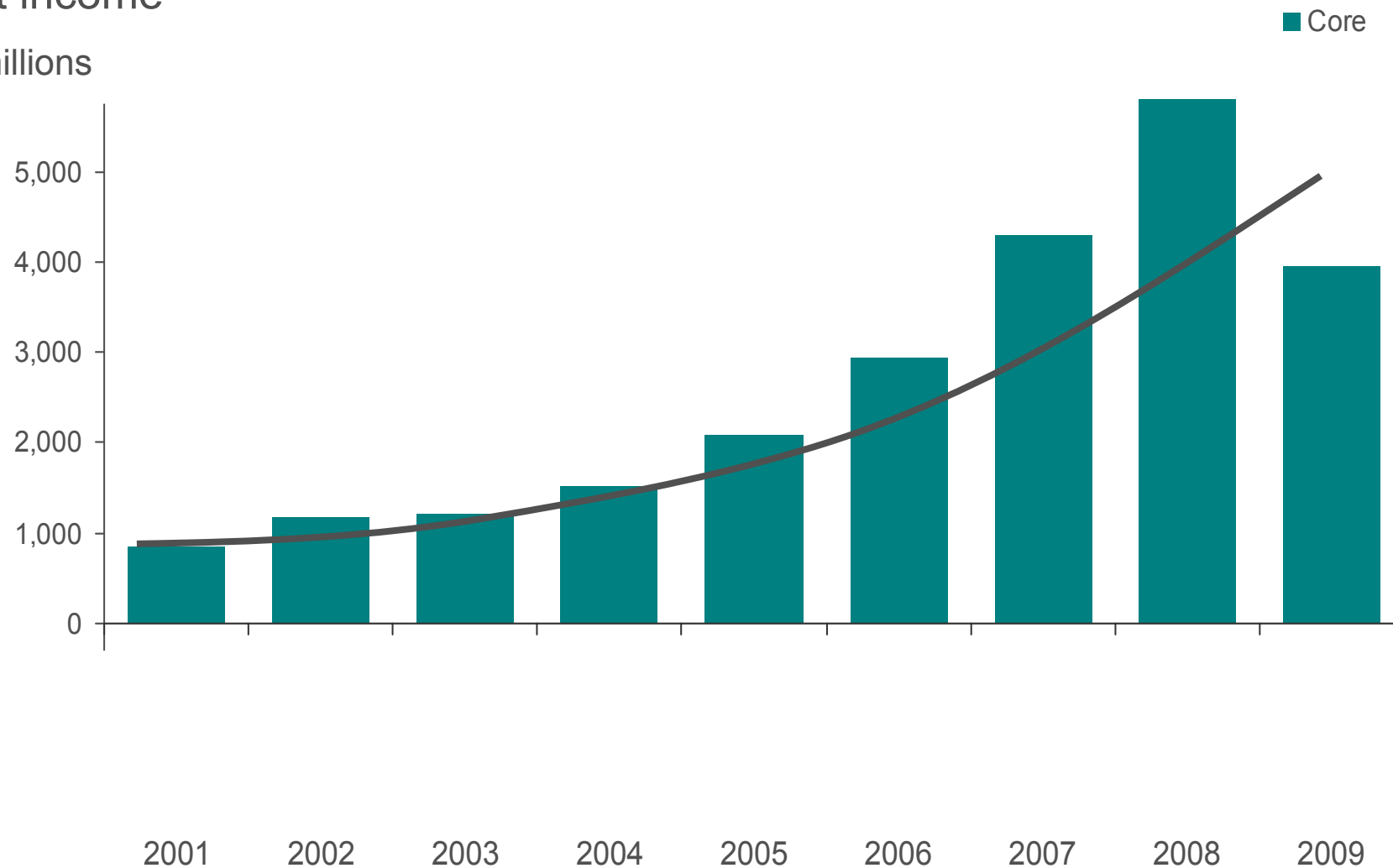


Revised game plan – Focus on Primary Markets



Net income*

R millions




* Pro forma

Our natural game – Primary Markets



- Strong franchise and reputation

	M & A	BEE Deals	Listings	Structured Finance
2009	1st	1st	1st	1st
2007	1st	1st	3rd	1st
2005	1st *	1st	1st	1st
2003	1st *	n/a	7th	1st
2002	2nd	n/a	1st	1st
 Peer Review				



BOND EXCHANGE OF SOUTH AFRICA **Spire Awards**


2008 WINNER
BEST FIXED INCOME HOUSE

Best Bond Trading House
 Best Derivatives Team (sales and structuring)
 Best Derivative Trading House
 Best Derivative Trading Team
 Best Inflation-linked Debt house
 Best Bond Repo Team
 Best Research House
 Best General Fixed Income Analyst

1st FRAs (2007 – 1st, 2006 – 1st)
 1st Forex Options (2007 – 1st, 2006 – 3rd)
 1st Cross currency swaps
 1st Inflation instruments



Best Investment Bank
in South Africa



Best M & A House
in Africa

* Joint place n/a - New category



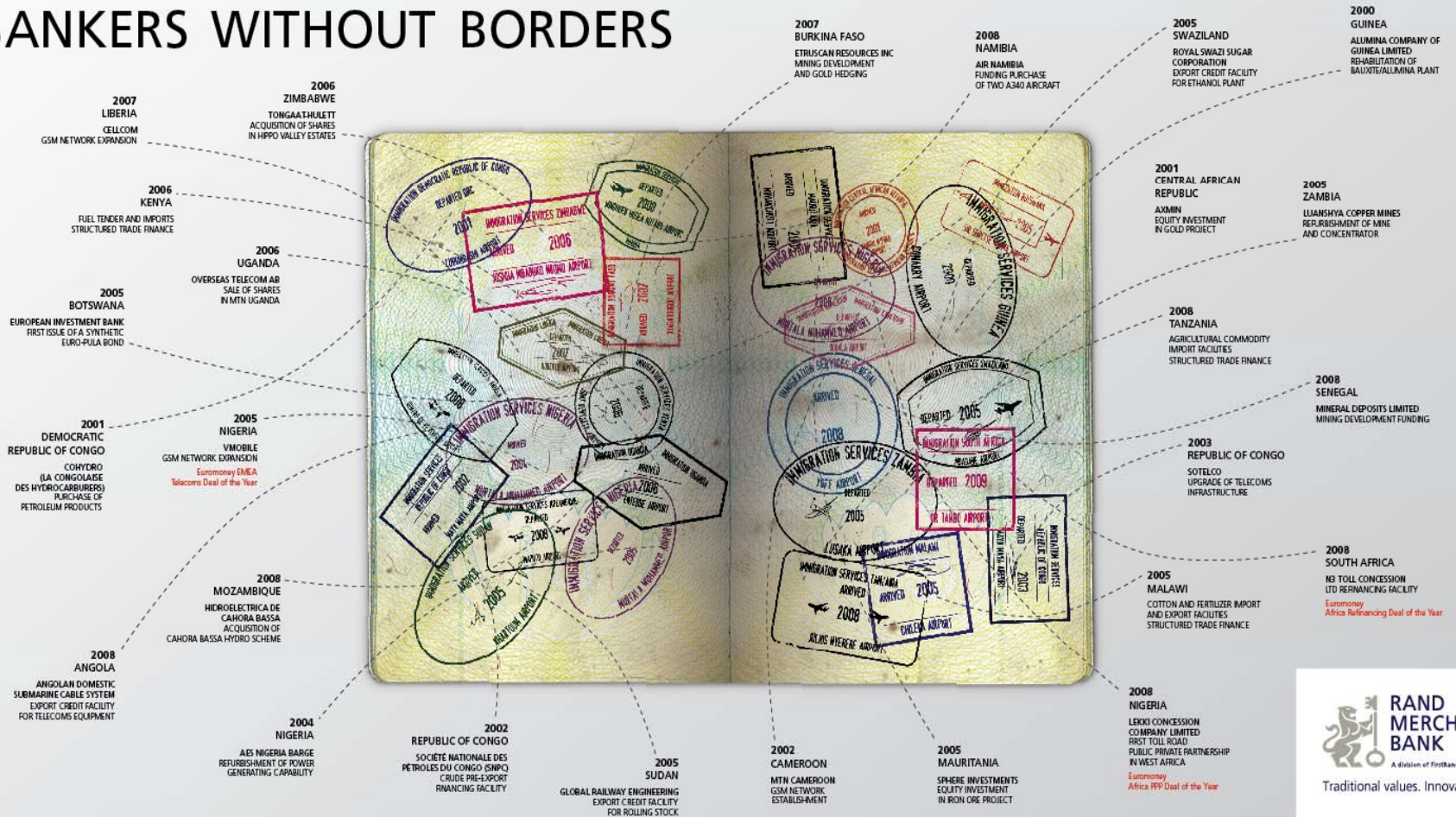
Our natural game – Primary Markets

- Strong franchise and reputation
- Wealth of African (& African trade corridors) expertise



 **RMB**
BANKERS WITHOUT BORDERS

BANKERS WITHOUT BORDERS



Unlocking investment potential to build the continent of Africa

For more than 10 years Rand Merchant Bank has provided financial solutions to clients across 35 countries on the African continent. Our full spectrum of investment banking services to all industries, makes us a leading financial and business partner on the continent and Euromoney's Best M&A House in Africa 2008. Contact Leslie Silverstone on +27 11 282-8323 or e-mail leslie.silverstone@rmb.co.za

Thinking that can change your world

An Authorized Financial Services Provider

Our natural game – Primary Markets



- Strong franchise and reputation
- Wealth of African (& African trade corridors) expertise
- Exceptional client relationships & strong partnerships



Resources	Telcos	BEE	LBOs	Transport & Logistics	Infrastructure	Africa



Our natural game – Primary Markets

- Strong franchise and reputation
- Wealth of African (& African trade corridors) expertise
- Exceptional client relationships & strong partnerships
- Leverage group platforms



FNB
First National Bank



Looking forward

- Strong experienced management team in place
- Core businesses in good health
- RMB's cost base proved flexible
- New strategic direction
- A platform for growth has been established

STRATEGIC OVERVIEW

SIZWE NXASANA



FIRSTRAND

Strategy & business model

Co-ordination

Management structure

COO portfolio

Franchise priorities

Strategic response to changing operating environment

*A year to
consolidate &
refocus*

- Refine **strategy** for local and international businesses
- Refine our **business model** under the new order
- Implement an appropriate **management structure** to deliver the strategy
- Improve **co-ordination**
- Adjust **divisional plans** to the economic conditions

Reaffirming the Group's guiding philosophy

...the guiding philosophy for FirstRand will continue

- Divisions strive to be the **leading franchises** in their markets
- FirstRand must attract and retain the **best industry skills**
- The “**owner manager**” culture is retained
- **Entrepreneurship** and **innovation** remain the Group's primary points of differentiation

Redefining our business model

Our business model

- FirstRand will continue as an integrated financial services group with both banking and insurance businesses
- Universal banking back in vogue
- Produce less volatile earnings
- Operate where we have competitive advantage
- Avoid diversification beyond core products and business models
- Look for growth opportunities within existing core strengths and develop new core strengths

Refining the Group's strategy

Our objectives

As an integrated financial services group, we will:

- **consolidate our position** as a leading African financial services group
- **focus on client driven activities** rather than on proprietary trading or investment activities
- **link secondary market activities to client activities** or leverage the Group's primary market position
- **exit secondary investment activities off-shore** responsibly (Equities Trading and SPJI)
- **improve quality of earnings** and reduce volatility
- strive to **produce acceptable returns** for shareholders

Refining the international strategy

- In line with the need to grow the business whilst preserving capital
- We have examined
 - Where we are strong and where we are not
 - Where we may succeed and where we may not

Lessons learnt in international markets

Stop doing...

- “Silo approach” – where business units were driving expansion into international markets
- Mono-line businesses in markets in which FirstRand does not have a competitive advantage, or there is a sole dependence on professional funding
 - e.g. MotorOne Finance and Worldmark (Australia), Carlyle (UK)
- Principal investment activities outside our core business and markets
 - e.g. International Equities Trading and SPJI
- Growth into markets which are unlikely to contribute to our franchise building focus

Focus on markets where we can achieve our objectives

Where we should play

- Consolidate our position **in those markets** that strengthen our position as a **leading African financial services group**
- **Africa** will be the focus with FirstRand's objective to position itself as a strong regional player
- Our **India strategy** will concentrate on the Africa-India corridor opportunities
- We will identify **other trade corridors** to **enhance our African strategy**, e.g. China-Africa
- In the medium to long term, we will consider expanding into **selected markets on the other side of the trade corridors** where we have a competitive advantage
- We will explore using the **London branch & Middle East presence** as a **source of capital, funding and deal origination**

Operating platforms and entry strategies key to success

*Collaborate
across
franchises*

- Leverage off existing operating platforms
 - Client bases
 - Balance sheet
 - Infrastructure/systems
 - Products and services
- FNB will be the primary platform for banking activities in Africa, with WesBank and RMB utilising platform
- RMB will also continue with suitcase banking
- Momentum collaboration with FNB in Africa already progressing, i.e. Myriad in Namibia
- We will investigate and identify partners to strengthen our ability to capitalise on opportunities
- Greenfields remain the primary entry strategy
 - BUT, FirstRand remains open minded to corporate actions

Creating an “international” gene pool

Focus on...

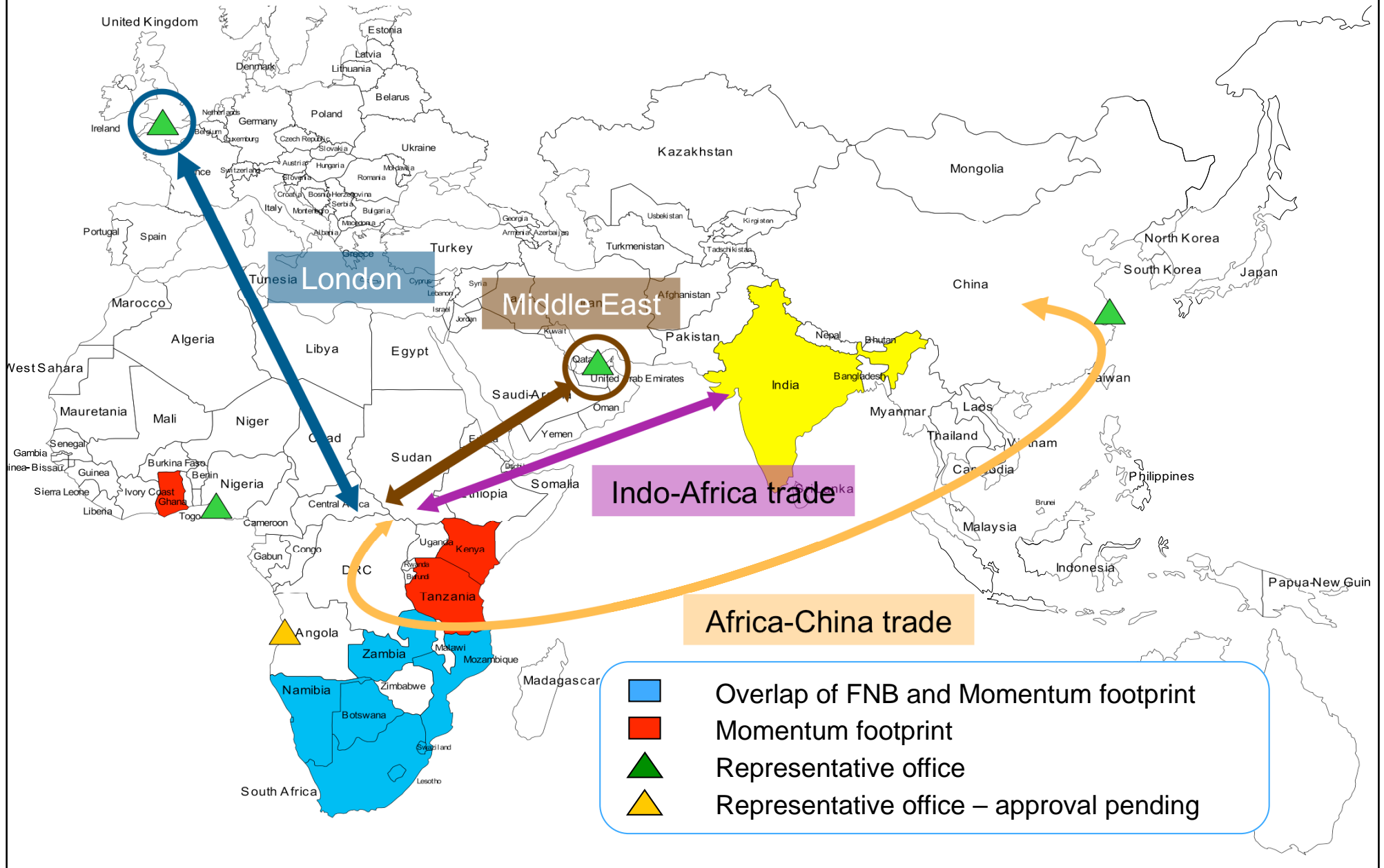
- Increased resources to co-ordinate international growth efforts
- Incentivise and reward people who build franchises
- Blend of local and international talent
- Expand on our International Expansion “*Toolkit*”

Will the international strategy move the earnings needle?

It's a long-term game in Africa

- African economies are small, BUT
 - Size in itself is not a strategic objective; sustainable profitability key
 - We will distinguish between strategic acquisitions to acquire the necessary building blocks versus acquiring just for size
- We acknowledge greenfields take long to make a difference
- Be prepared to tolerate lower ROEs in the short to medium term

Africa will be the hub of our footprint



African expansion progressing well

*Growing the
footprint*

- FNB Zambia opened doors on 1 April 2009
- On the radar
 - Nigeria representative office
 - Angola representative office
 - Full service banking in Tanzania
 - Selected markets in East and West Africa

Traction in India

*32 people
on the ground*

*31 deals in
the pipeline*

*10 deals
concluded*

- Opened doors 1 April 2009 operating as a scheduled commercial bank
- Target the Indo-Africa trade corridor as an entry strategy into India / look for strategic partnerships
- Aim to establish FirstRand as the bank of first choice for Indian corporates, financial institutions and government agencies in SADEC and greater Africa region
- Focus on investment banking, international banking and FICC products
- Employ “*lite*” and efficient business architecture

Strategy & business model

Co-ordination

Management structure

COO portfolio

Franchise priorities

Co-ordination key to thrive in the new world

Refined structure

- New structure facilitates increased interface between business units and Centre in strategy formulation, setting targets and measuring performance
- Creation of STRATCO to define the group strategy
 - Stricter definition of mandates provided to franchises
- EXCO will execute on strategy

Appropriate response to the increased operational and strategic complexity of our business

Strengthened centre will drive co-ordination

*A more
empowered
central nexus*

- New management structure
 - COO position
 - Further capacity at the centre to support local and international strategy
- Creation of the platforms to better align divisional strategies, avoid duplication and utilise existing resources
- Provide risk management oversight
- Create a common view of the landscape
- Franchise leadership still empowered to operate within their mandated markets

Specifically designed to balance strong independent operating franchises with the appropriate central frameworks

Strategy & business model

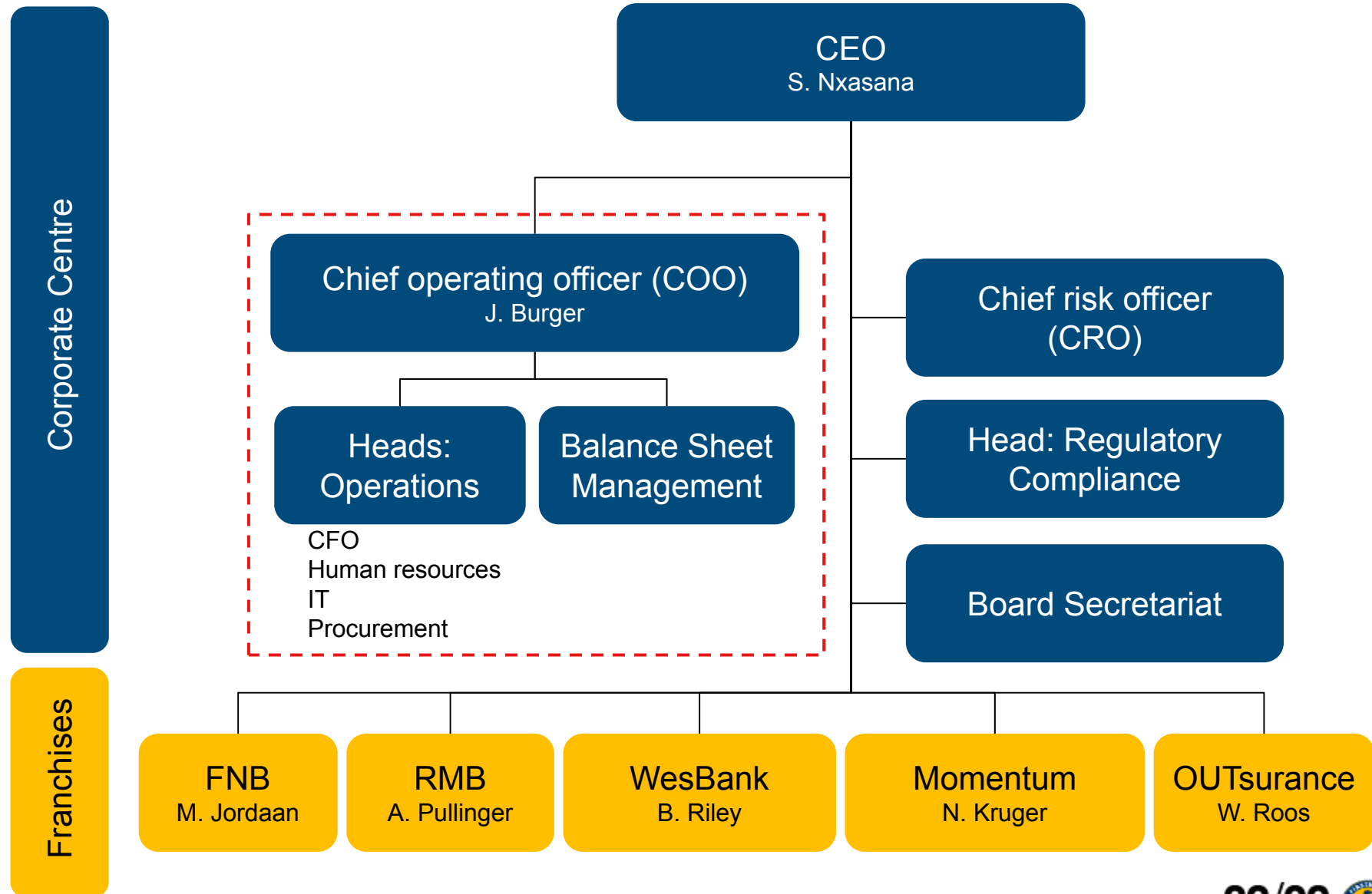
Co-ordination

Management structure

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Strategy & business model

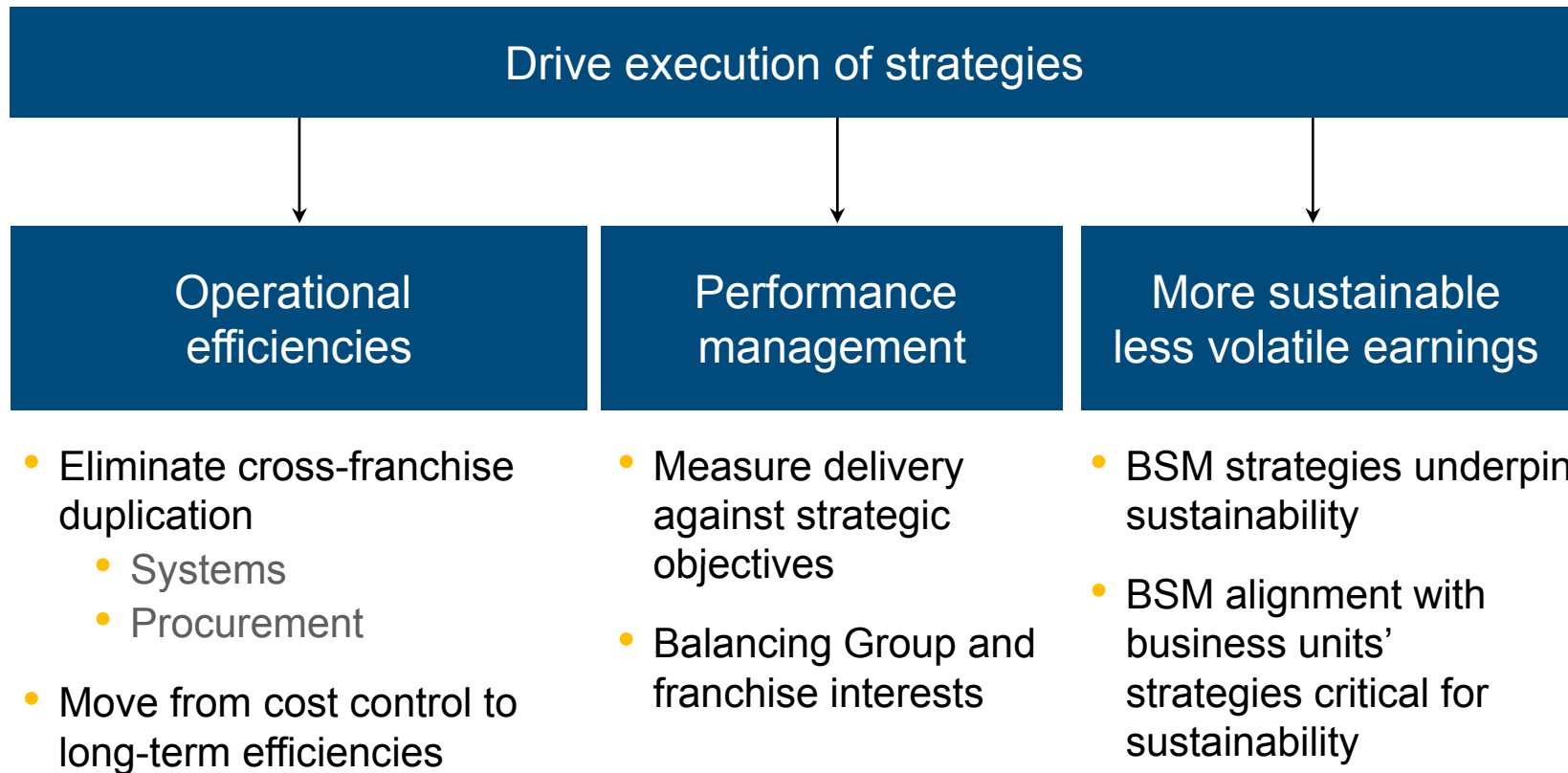
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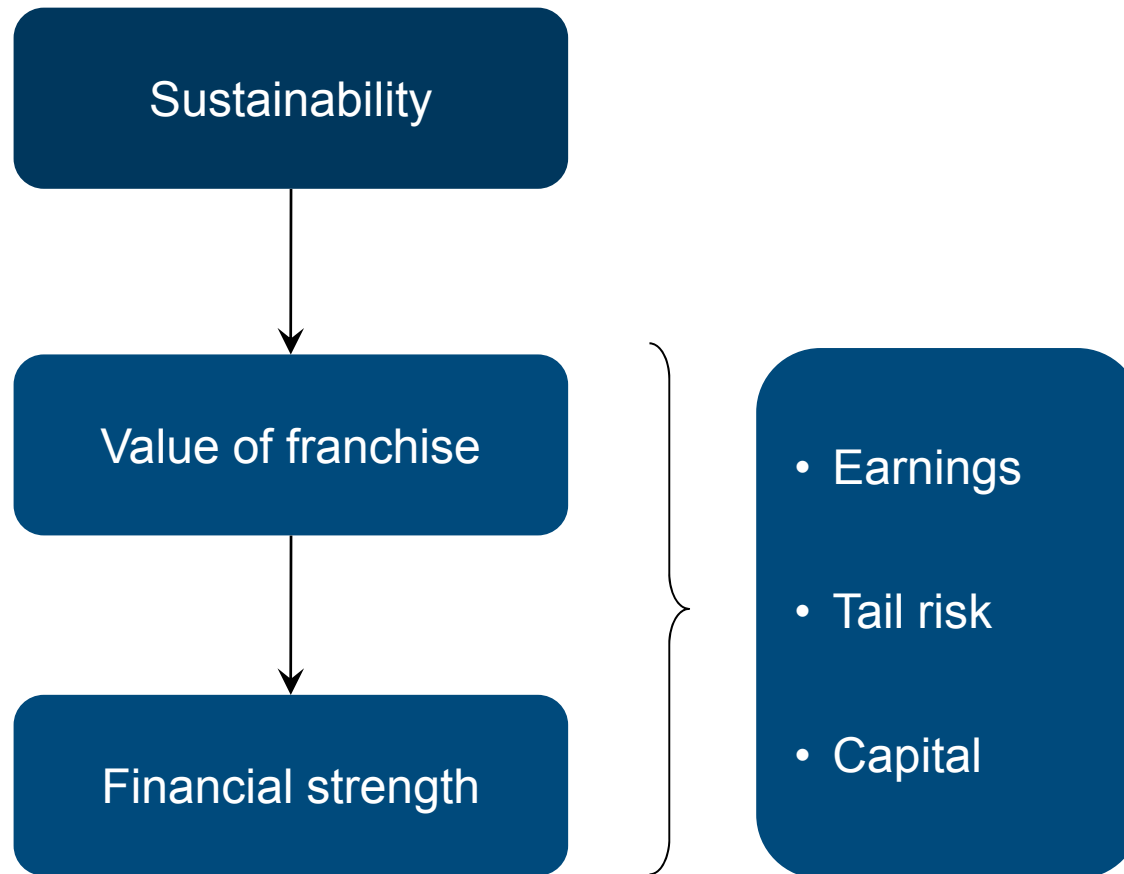
COO portfolio

Franchise priorities

The COO portfolio



BSM strategies underpin sustainability



BSM's interface with BUs

- **Macro view**
 - No more room for interpretation
 - Business origination on Group's "core view"
- **Risk appetite**
 - Preservation of capital
 - Earnings volatility (defined tolerance)
 - Defined per risk type (i.e. credit and market risk)
- **Funding**
 - Always been centrally managed
 - No more "access bond"
 - Align strategies with funding constraints
 - Build funding franchise
- **Manage tail risk**
 - Centre now manages tail risk (based on "risk view")
 - e.g. endowment, credit, recovery values
- **Capital**
 - Always centralised
 - Prioritise against Group vs business unit objectives

Strategy & business model

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Franchise priorities

FNB priorities

- Grow ROE through focus on
 - Growing deposit franchise
 - Transactional income
 - Cross-sell
 - Credit origination through own channels
- Continuously extract efficiencies
- Increase footprint
- Retain customers, particularly through innovation
 - e.g. FNB Connect, inContact, eBucks

WesBank priorities

- Credit origination
 - Repricing
 - Pricing more discriminately based on risk profile
- Collections
- Cost management is more than cost cutting, it's about sustainable cost improvements
 - Zero cost growth forecast for this year and next
- Revenue protection and generation

Momentum priorities

- Optimise value of existing book (up- and cross-selling, retention initiatives and retailisation)
- Operational efficiencies
- Geographical diversification – grow Momentum Africa
- Channel diversification – grow Momentum agency force
- Increase earnings contribution through product diversification (e.g. short-term insurance and health products)
- Realise growth potential of mass market segment

Remains tough in the short term, but Group in good shape

- Operating environment will continue to be difficult until the end of calendar 2009
- However...
 - Responded to difficult macro environment early
 - Legacy portfolios ring-fenced and actively managed
 - International activities outside strategy exited or under review
 - Franchises operating in local primary market very well positioned for when the cycle turns
 - International strategy appropriate for the Group's core competencies

Appropriately responded to issues