

UBS Banking Conference – October 2008

Navigating the down cycle



A division of FirstRand Bank Limited

Traditional values. Innovative ideas.

RMB in context

Economic backdrop

Impact of global credit crunch

Corporate & Investment Banking cycle

Credit markets & our response

Strategic positioning



RMB in context



FirstRand



- *Investment Banking Division*
- *Fixed Income, Currencies & Commodities Trading (FICC)*
- *Equities Trading*
- *Private Equity*



- *Corporate Banking*
- *Public Sector Banking*
- *Commercial & Business Banking*
- *High Net Worth – RMB Private Bank & FNB Private Clients*
- *Consumer Banking*
- *Mass Market*



- *WesBank Corporate Division*
- *WesBank Retail*
- *etc*

RMB in context

Economic backdrop

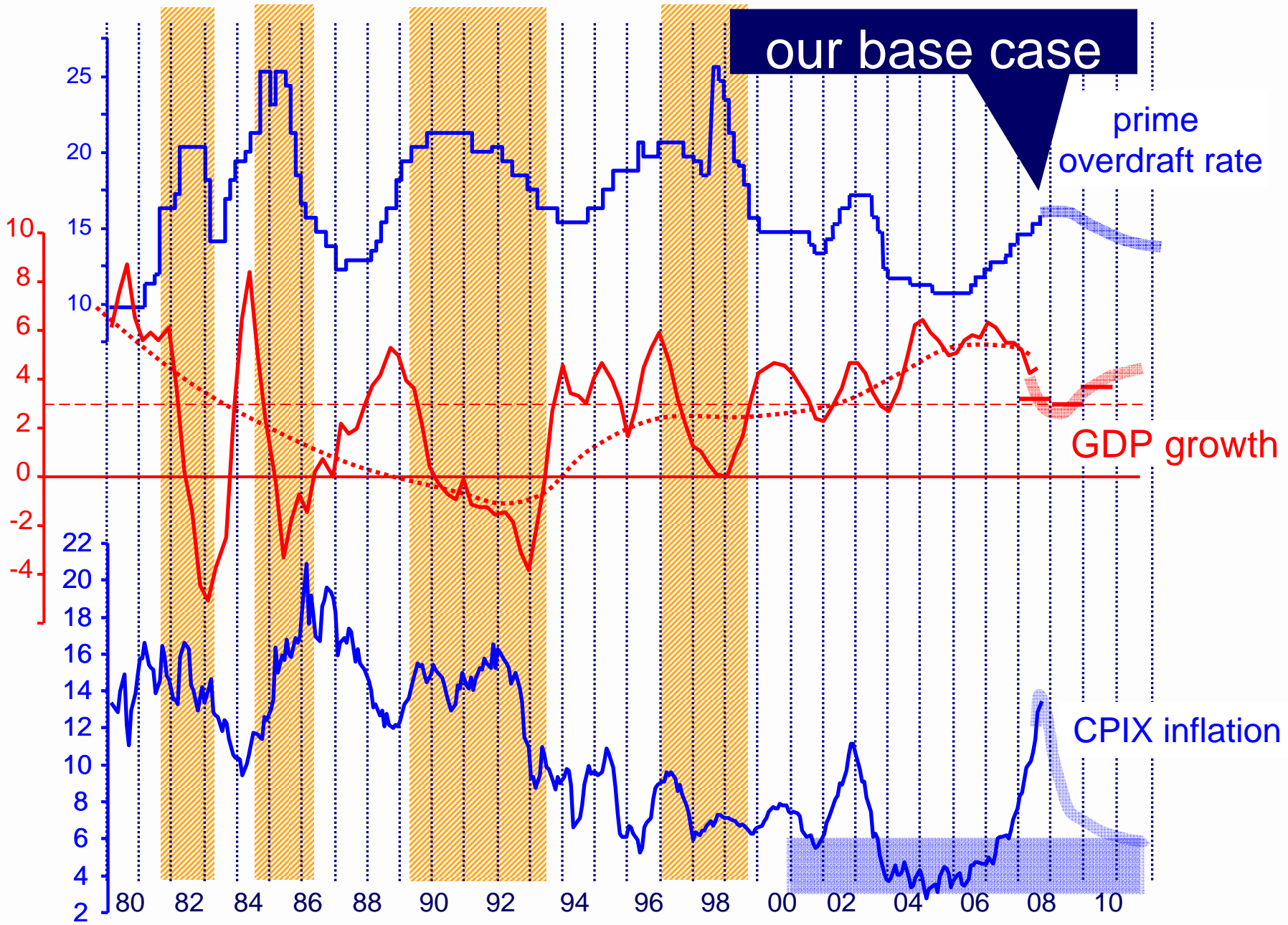
Impact of global credit crunch

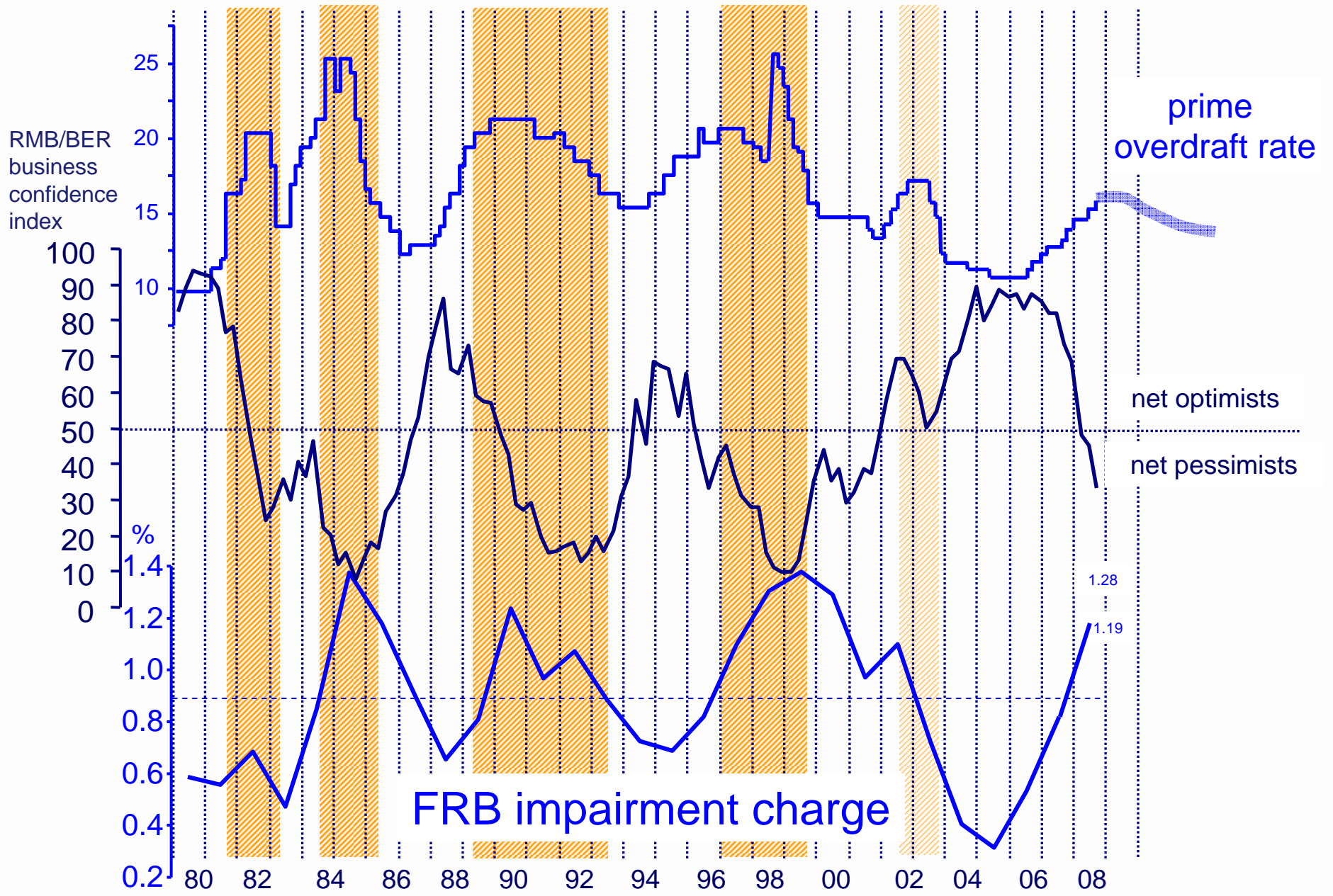
Corporate & Investment Banking cycle

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Consequences of “Credit Crunch” for Global banks

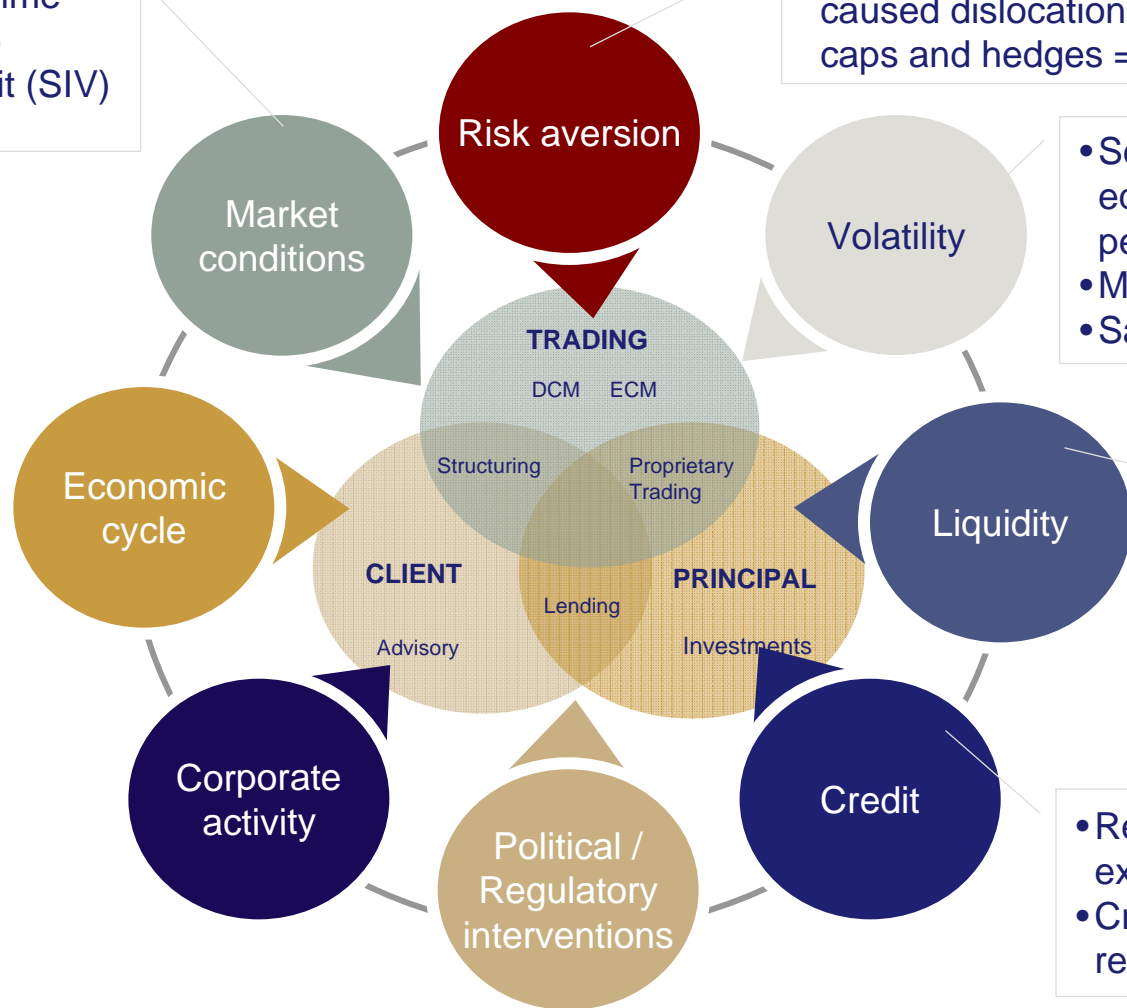


Direct Consequences for RMB to deal with



- Closure of Subprime positions (R10m)
- Reviewed conduit (SIV) structures

- Flight to quality in equity markets caused dislocations between small caps and hedges = Equity losses

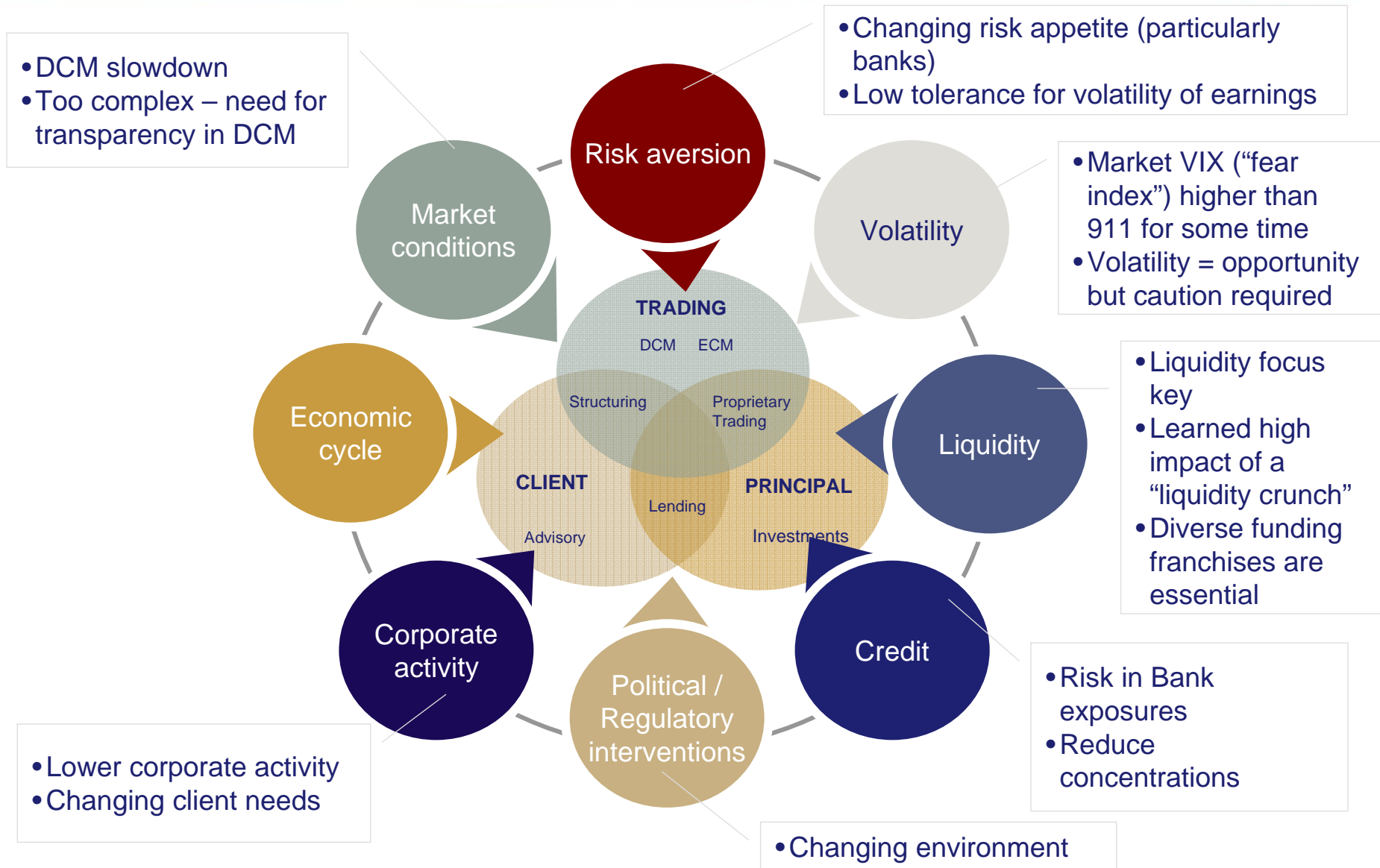


- Sell-down of offshore equities (now <5% of peak)
- MTM losses on Nufcor
- Sale of Nufcor

- Lengthened funding profile
- Liquidity and capital buffers

- Review Bank exposures
- Credit portfolio reviews (see later)

Indirect consequences for SA and banks



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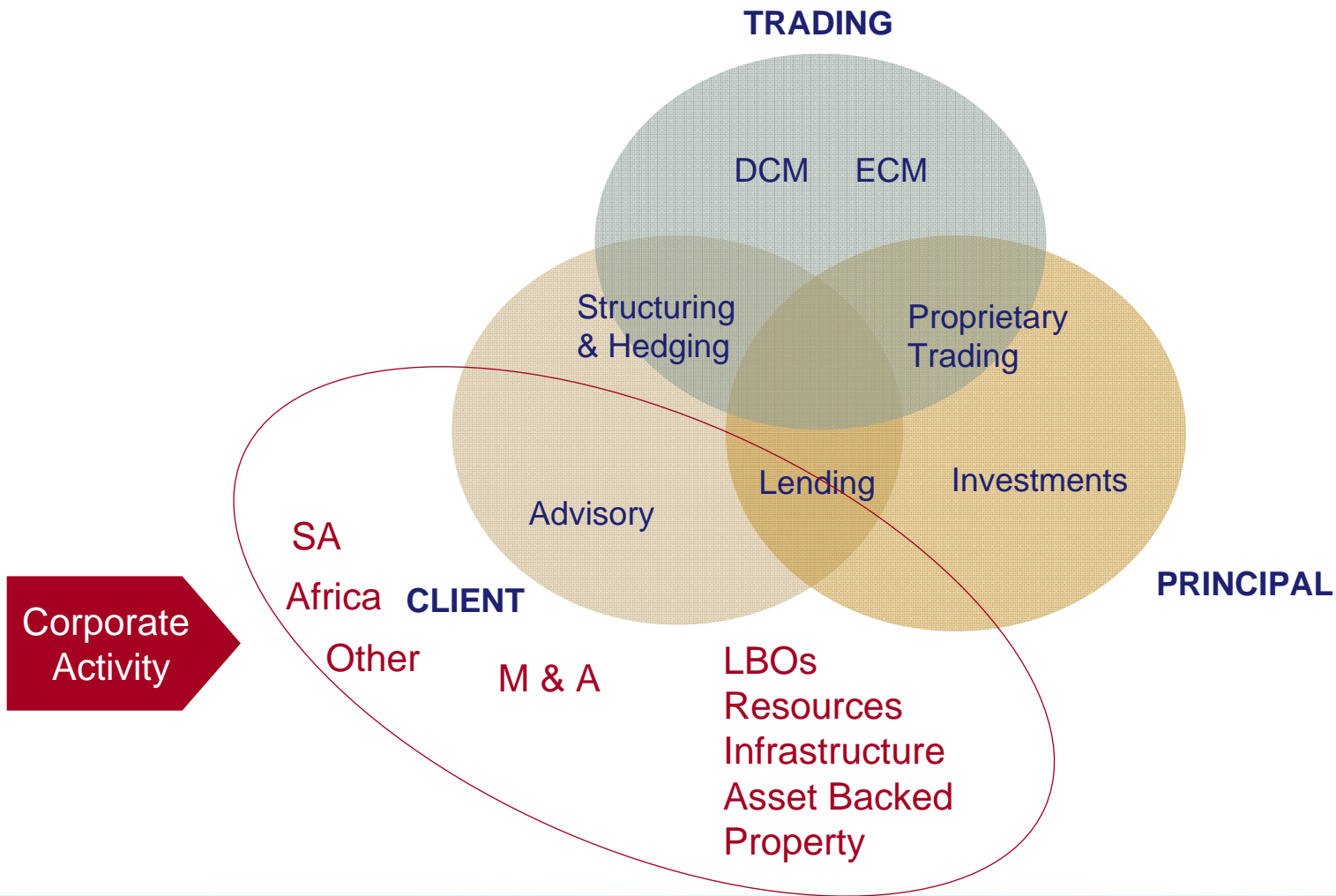
Strategic positioning



Investment Banking Cycle



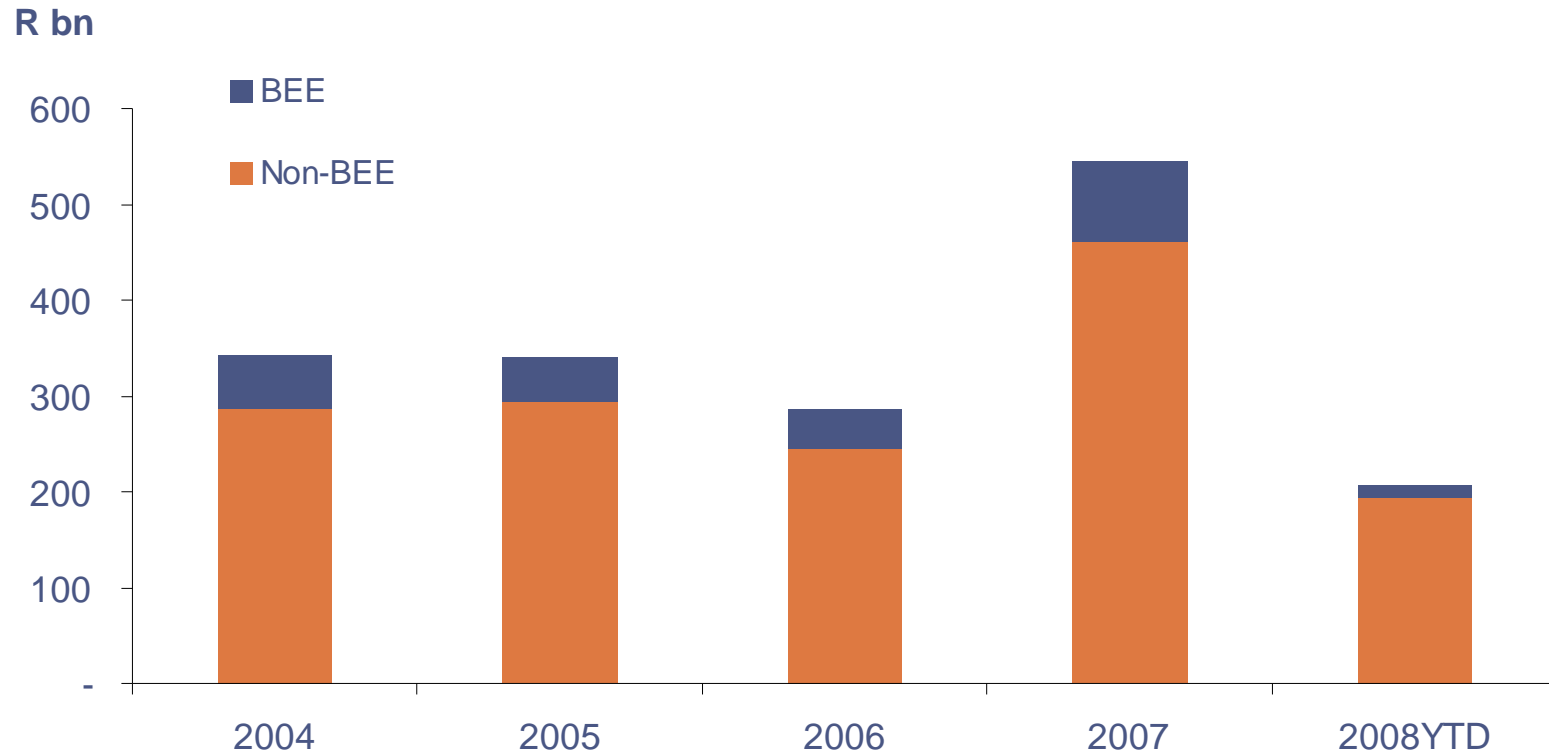
What drives Investment Banking Business



.... but M & A activity has slowed YTD



Total M & A deal value 2004 - 2008



Private equity activity has slowed



2007

- “Big ticket”
- >R6bn
- Foreign buyers



2008

- Smaller deals
- <R5bn
- Local funding



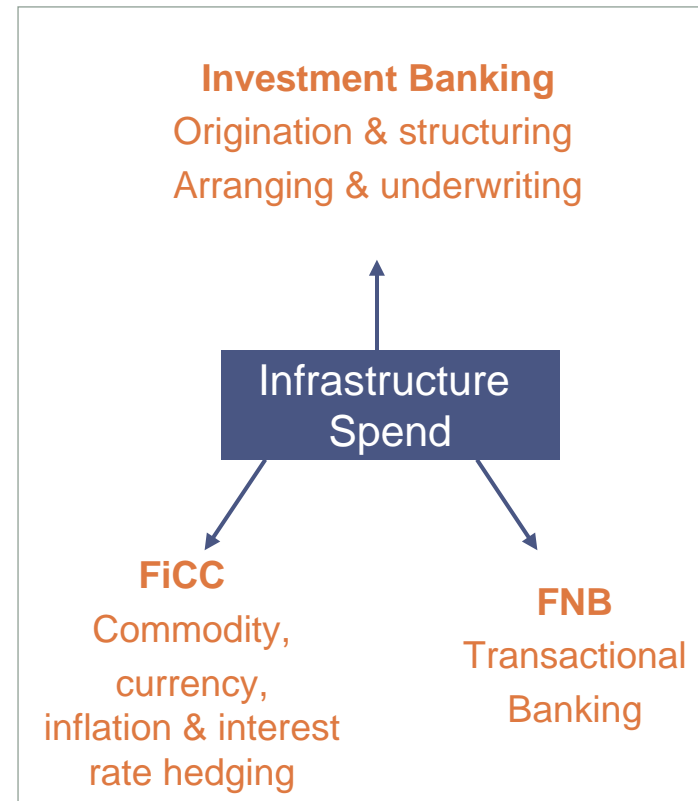
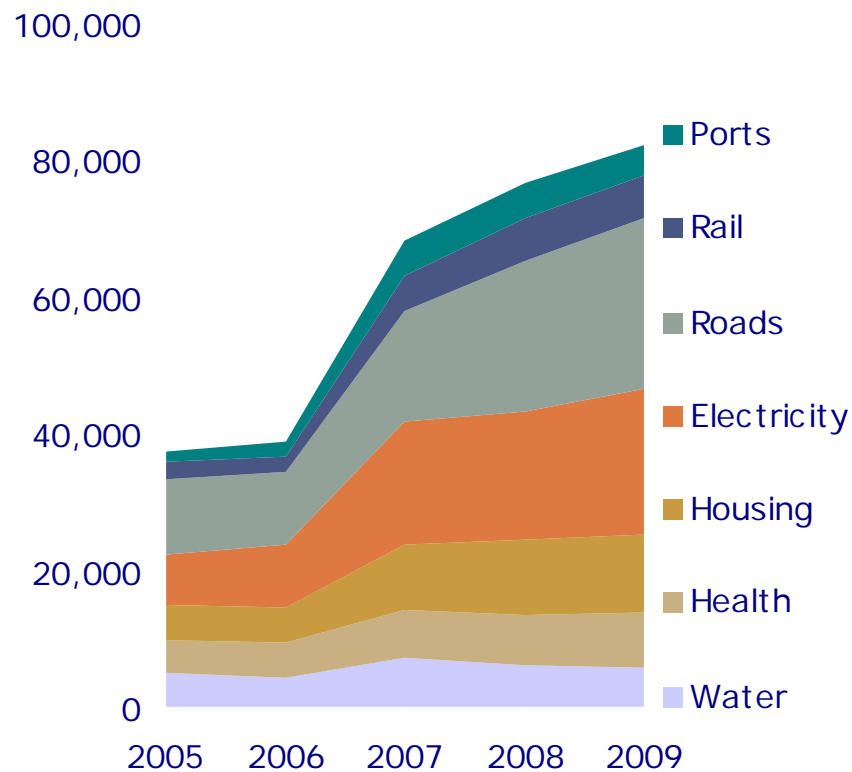
- Construction & Infrastructure

Equity Markets ↓
Realisations slower
High cost of credit,
lower demand for HY

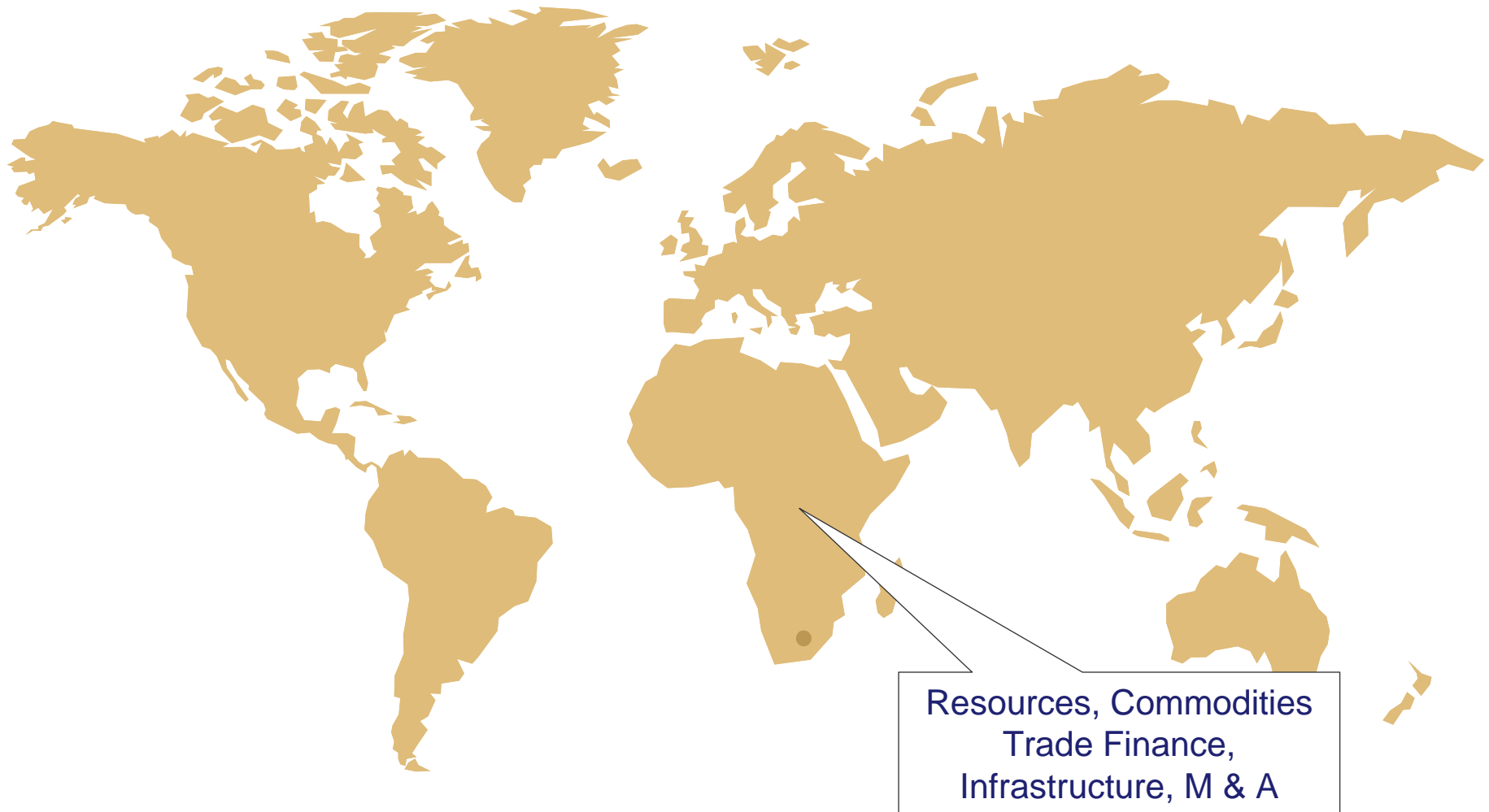
..... opportunities in the infrastructure sector



Infrastructure Spend (Rm) - MTEF



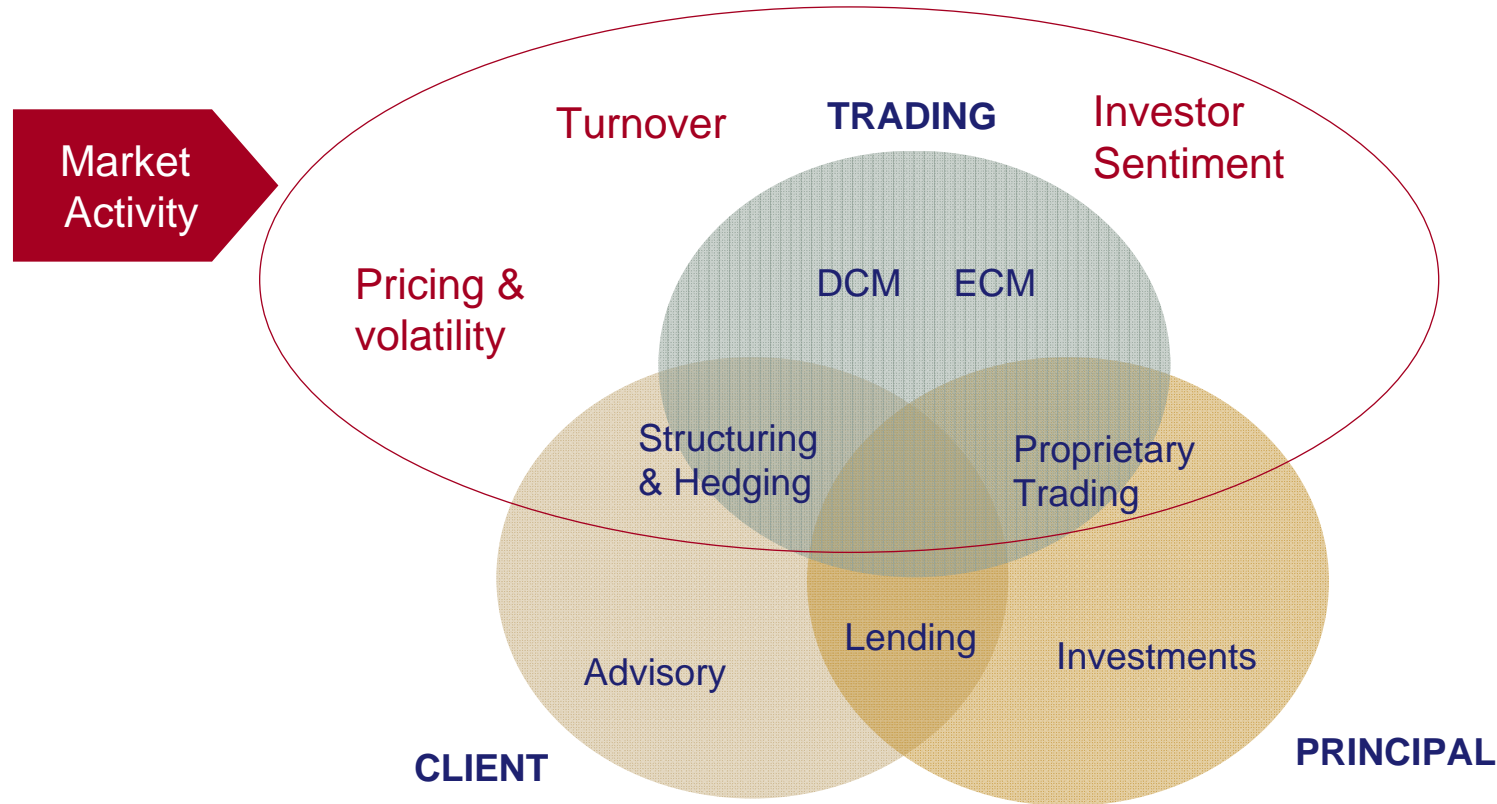
..... opportunities in Africa



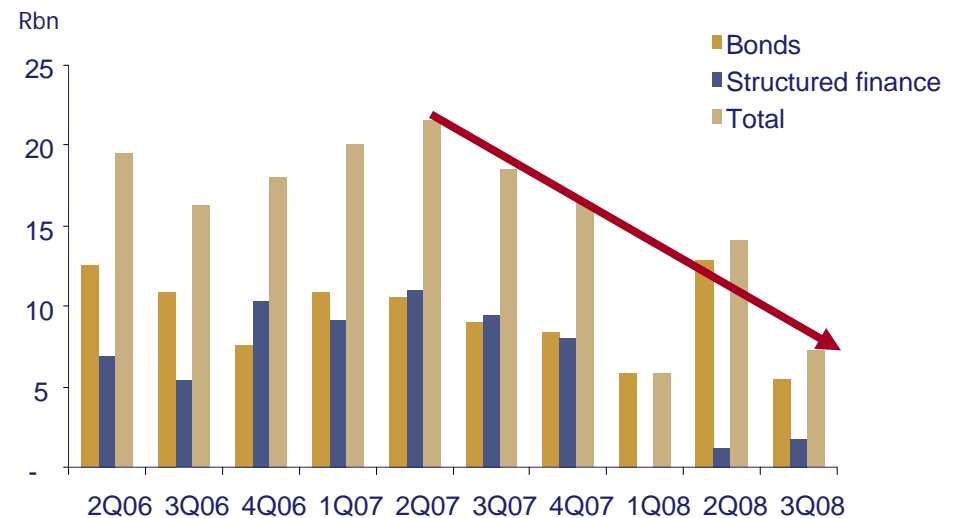
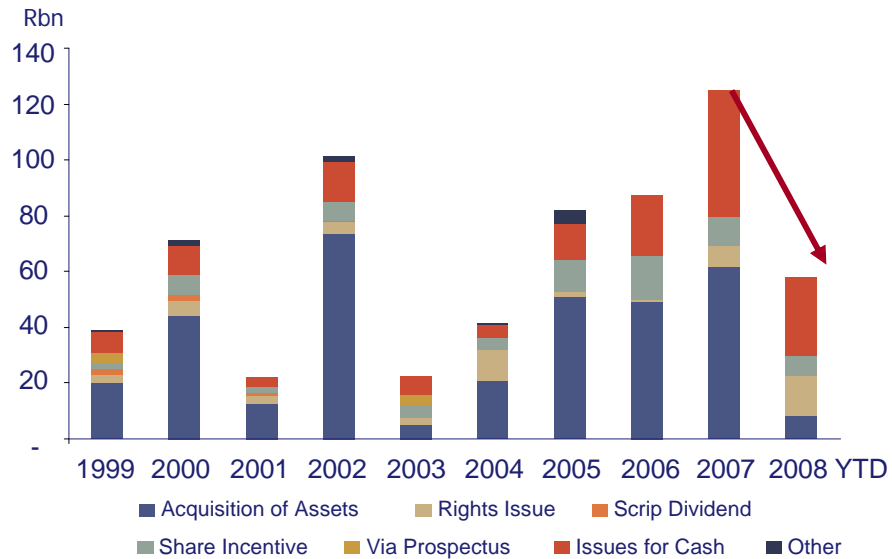
Investment Banking Cycle



What drives Investment Banking Business



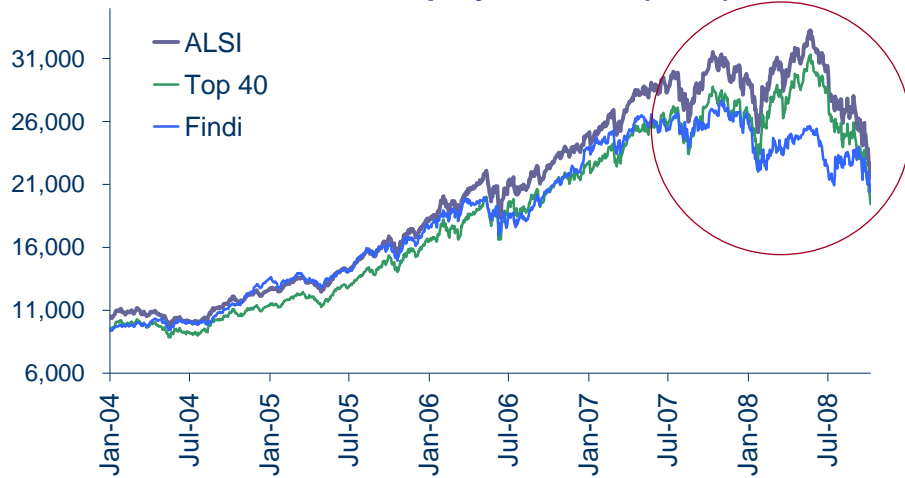
Decline in ECM and DCM issuance



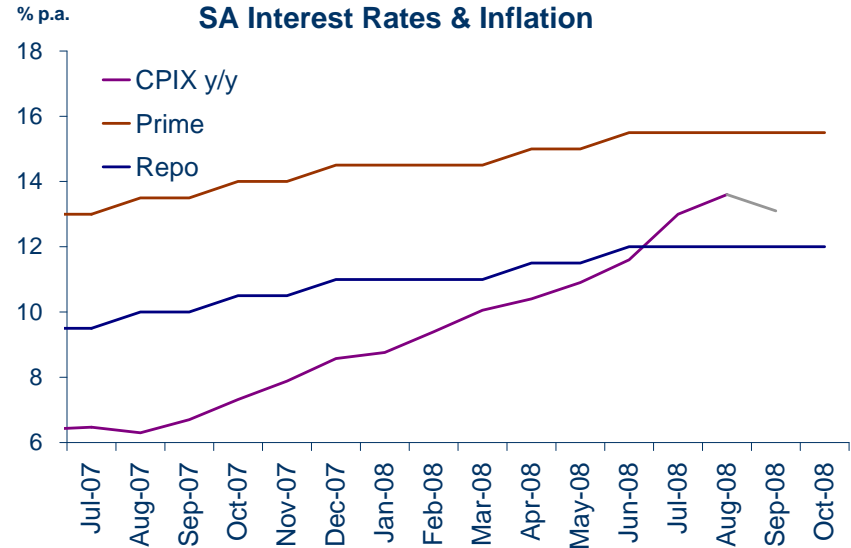
Volatile markets create client and trading opportunities



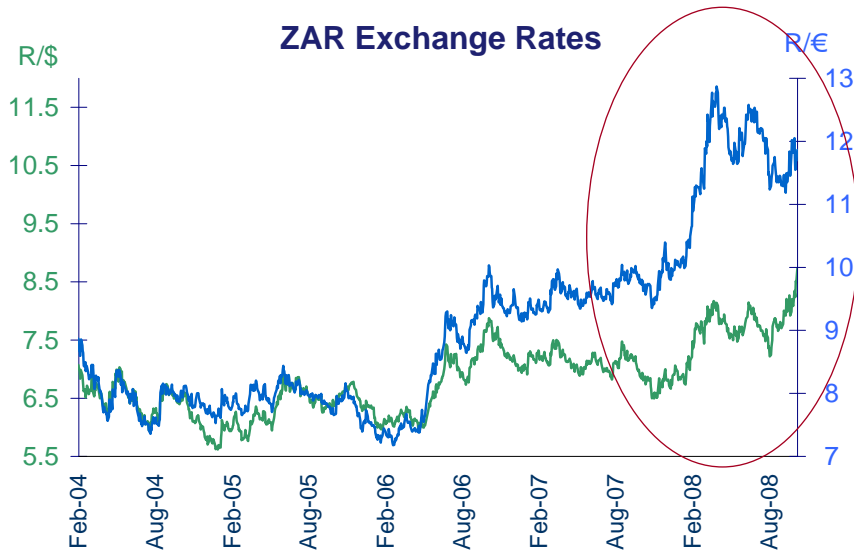
SA Equity Markets (ALSI)



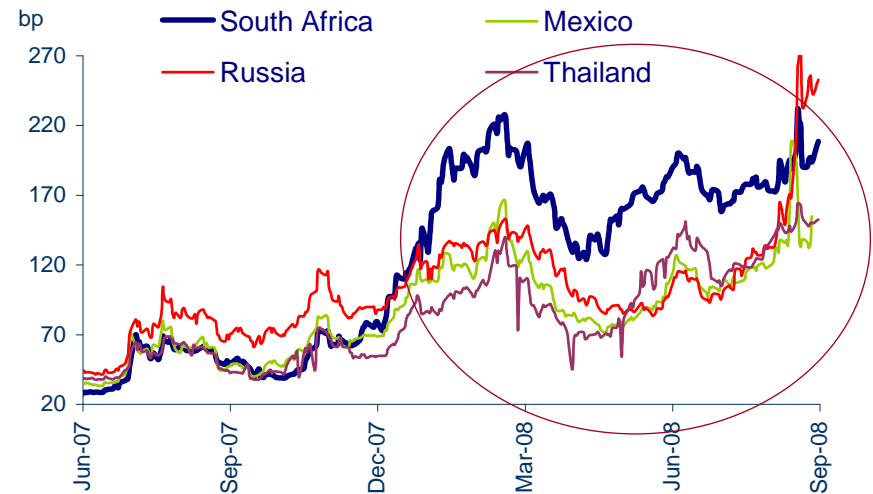
SA Interest Rates & Inflation



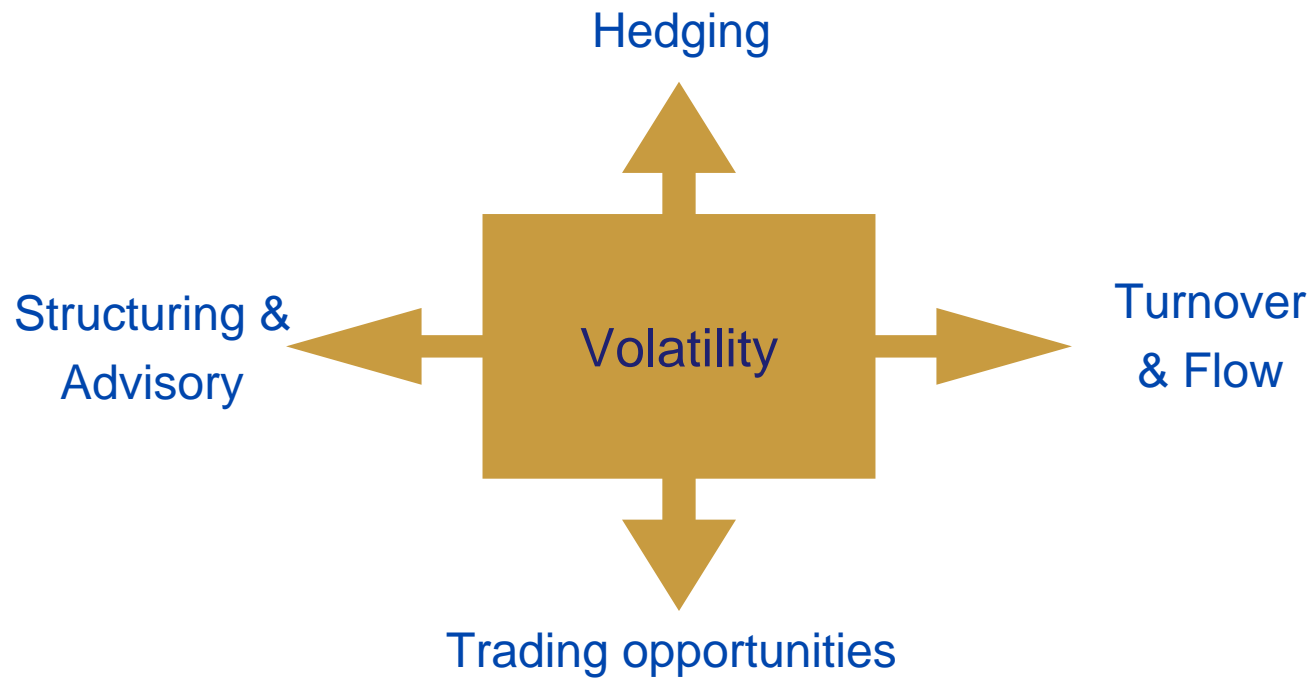
ZAR Exchange Rates



Country Spreads



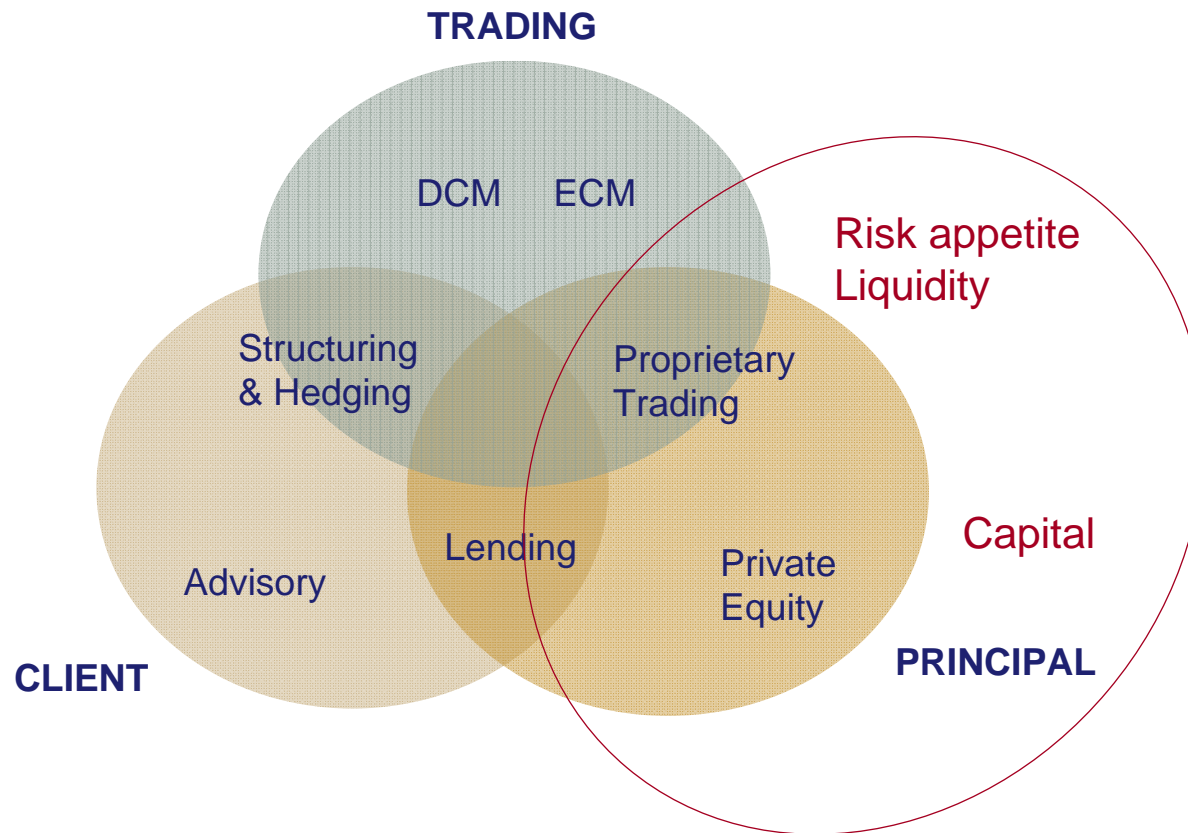
Volatile markets create client and trading opportunities



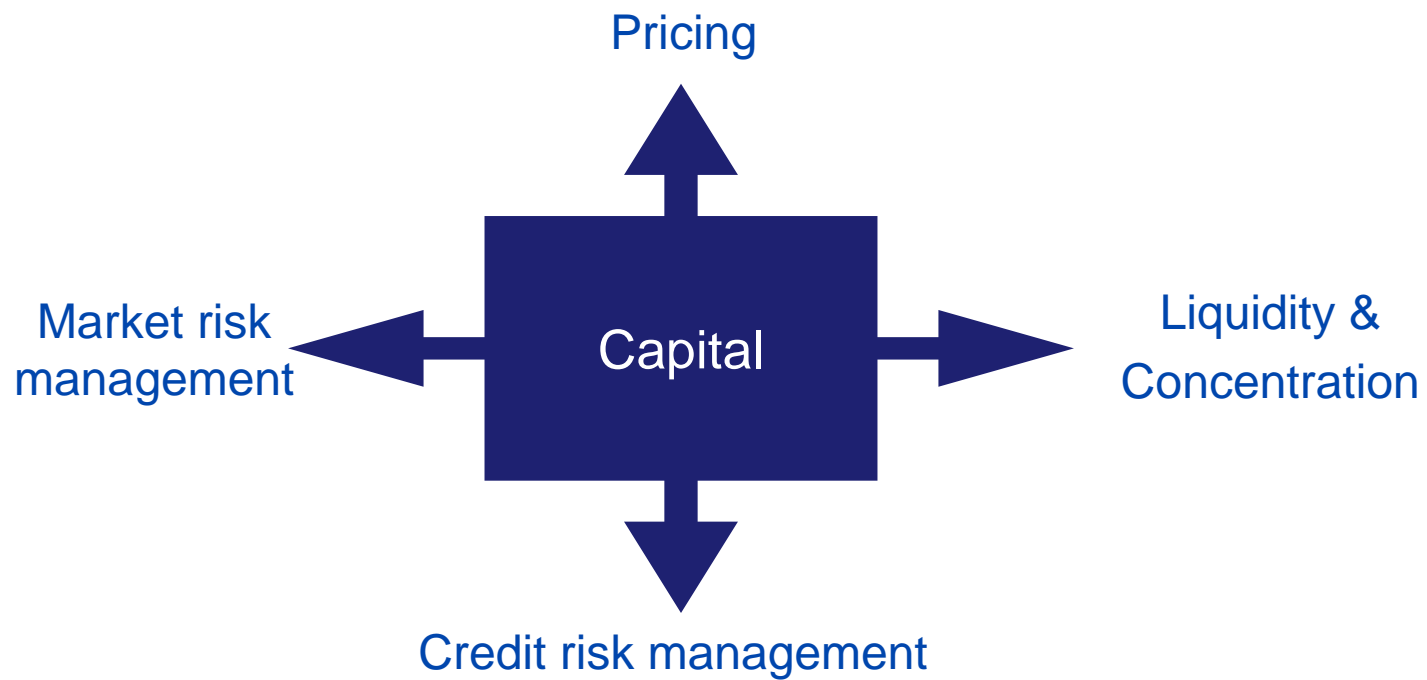
Investment Banking Cycle



What drives Investment Banking Business



Focus on capital preservation



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Credit markets & our response

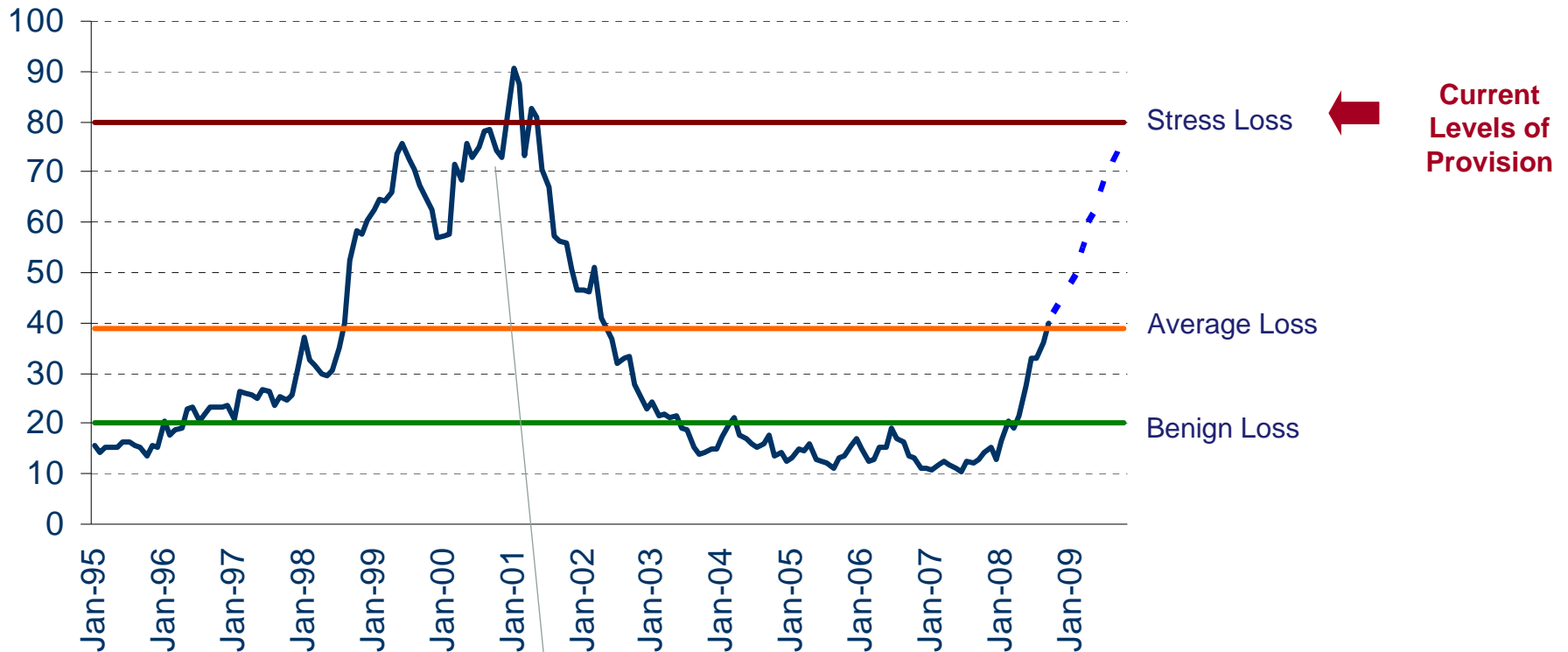
Strategic positioning



Corporate NPLs and provisioning



Wholesale Credit Expected Loss

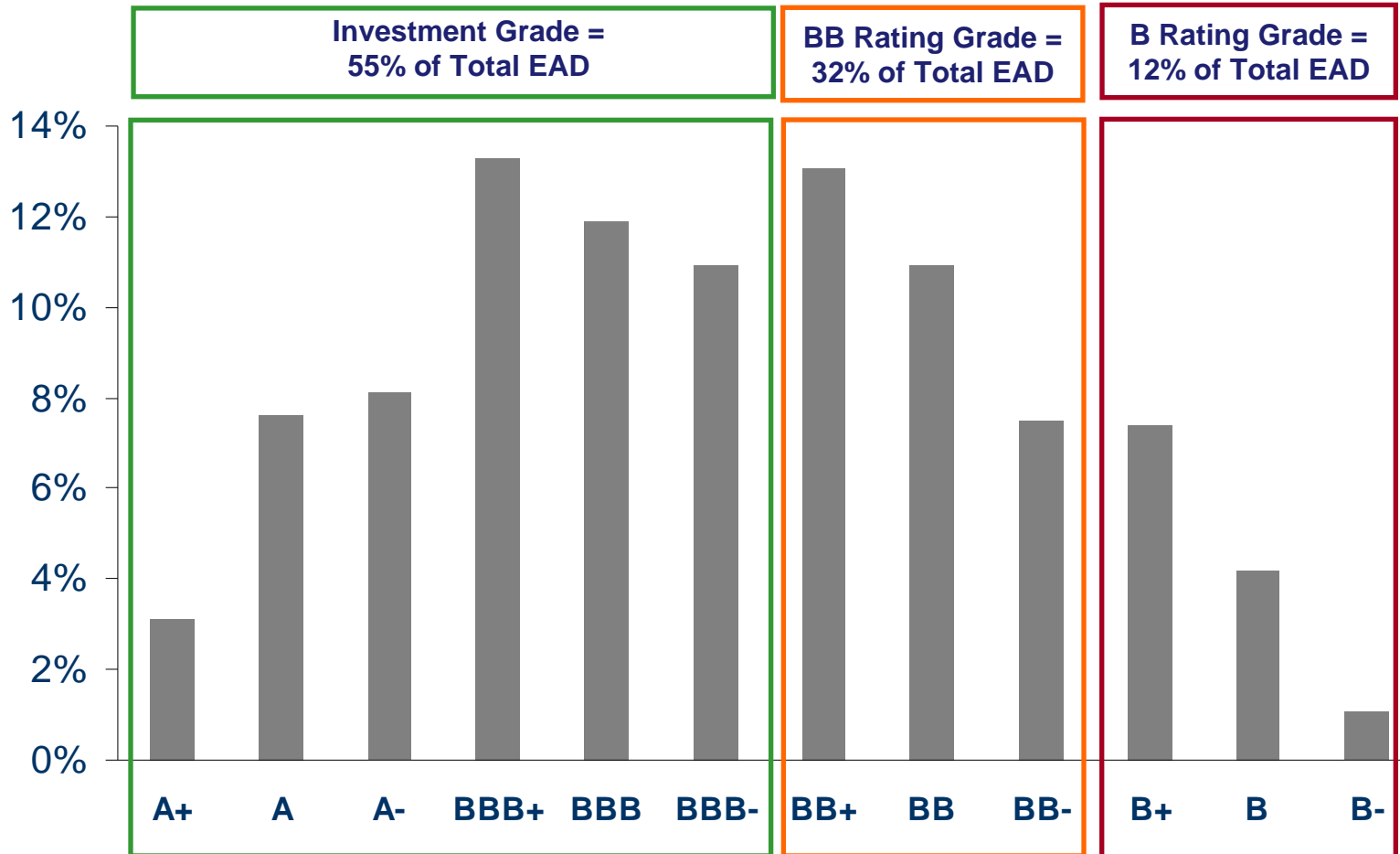


- Wholesale lags Retail which seems to have peaked except home loans
- Risks now on Corporate
 - FIs, Leveraged deals, Equity backed, Commodities backed

Profile of our book



Wholesale Credit Portfolio*



- Repricing across portfolio
- Low appetite for
 - underwrites (prefer club deals)
 - Term in risky industries
- Reduce concentrations

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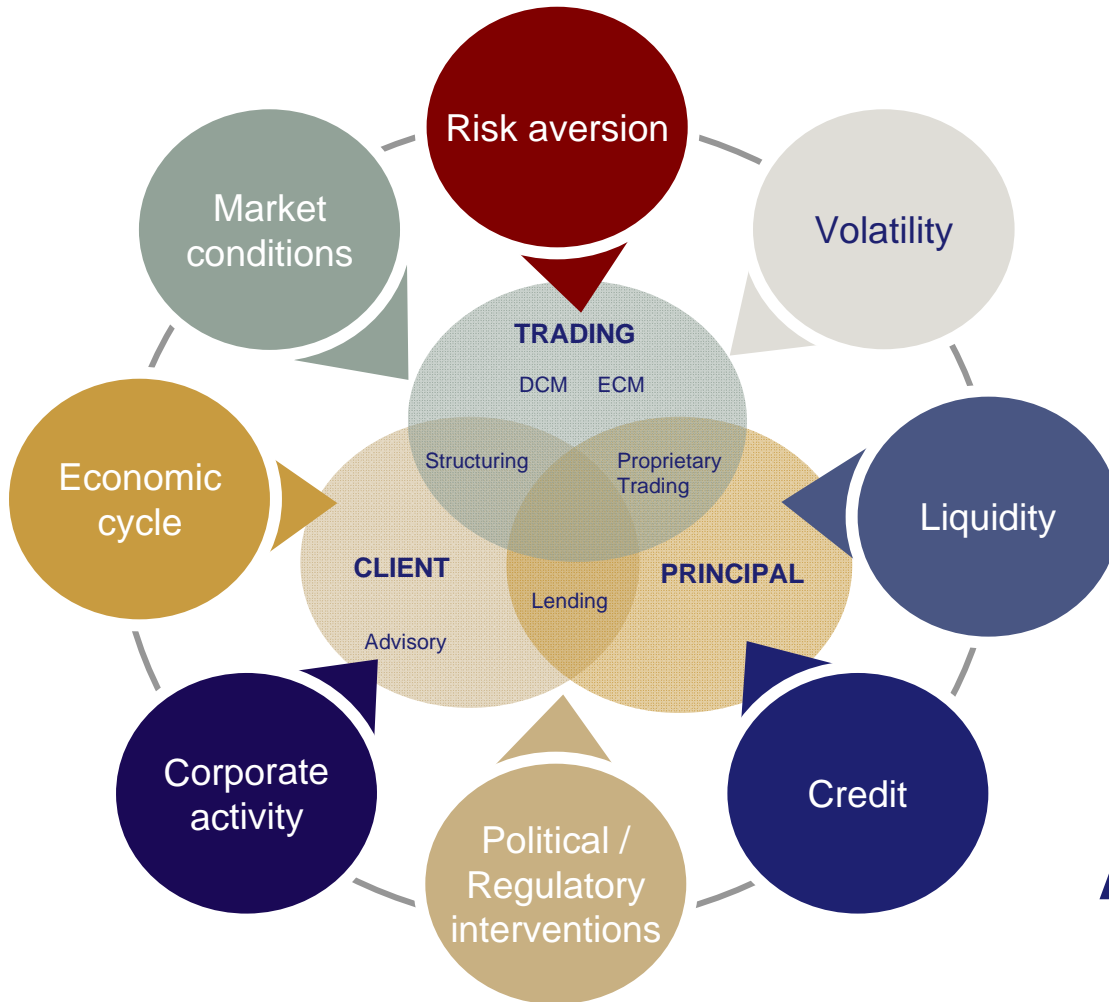
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Strategic philosophy



The Challenge

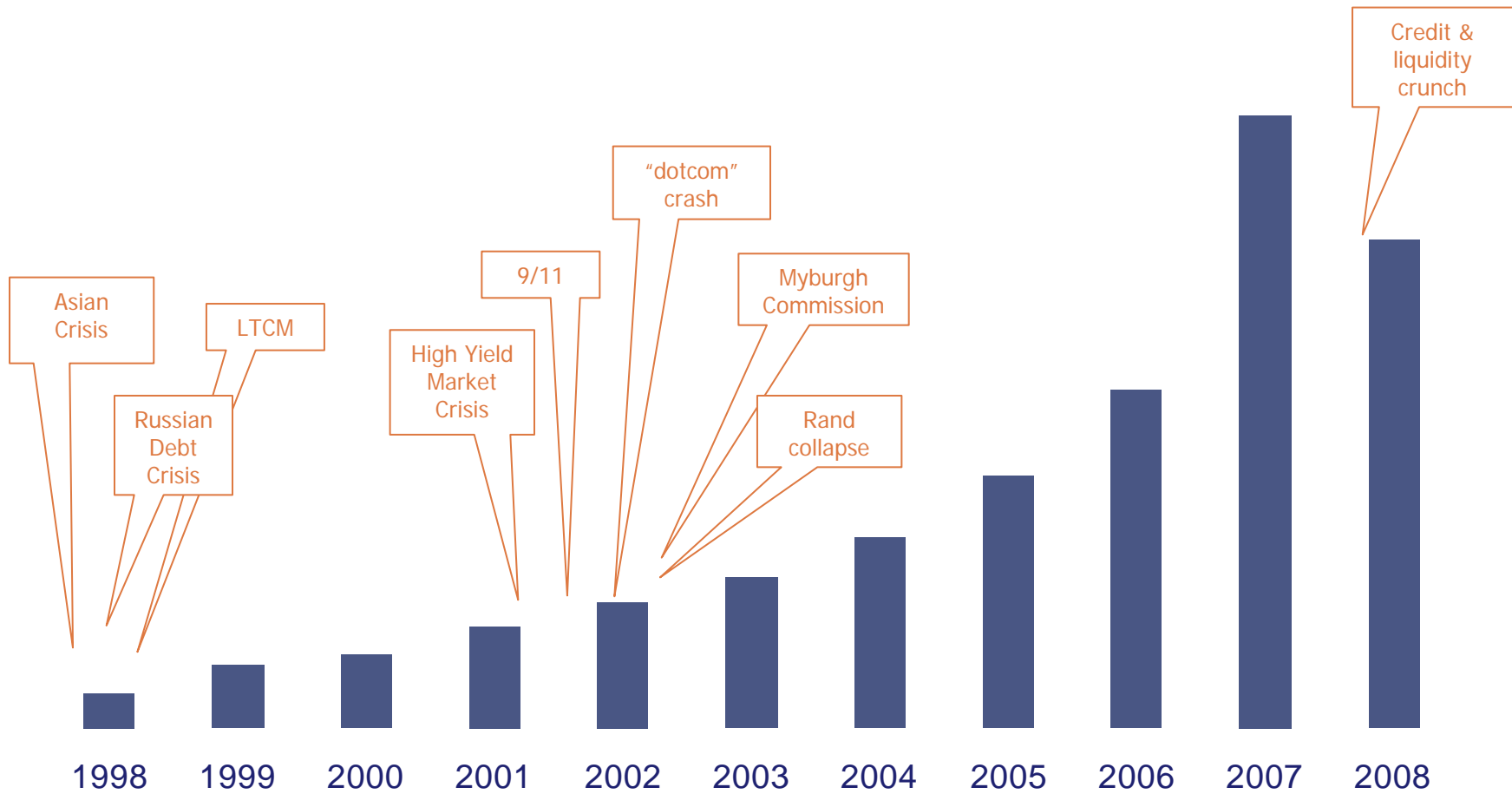
- Different
- Complex
- Rapid rate of change

Very unpredictable

**Ability to
react**

**Business
environment**

Profitable despite changing markets





Ability to react



- **People**
- **Culture**
- **Risk management**
- **Balance sheet**
- **Brand & reputation**
- **Relationships**
- **Infrastructure & systems**

Overall well positioned

Prospects in current business environment



Strong strategic framework and base

Diverse portfolio of businesses

Private
Equity

Investment
Banking

FICC

Equities

Prospects in current business environment



Strong strategic framework and base

Diverse portfolio of businesses

Client franchise & access to flows

Private
Equity

Investment
Banking

FICC

Equities

Client franchise – across all sectors



Resources



Telcos



BEE

LBOs



Transport & Logistics



Property & Infrastructure



Prospects in current business environment



Strong strategic framework and base

Diverse portfolio of businesses

Client franchise & access to flows

Annuity Book

Private
Equity

Investment
Banking

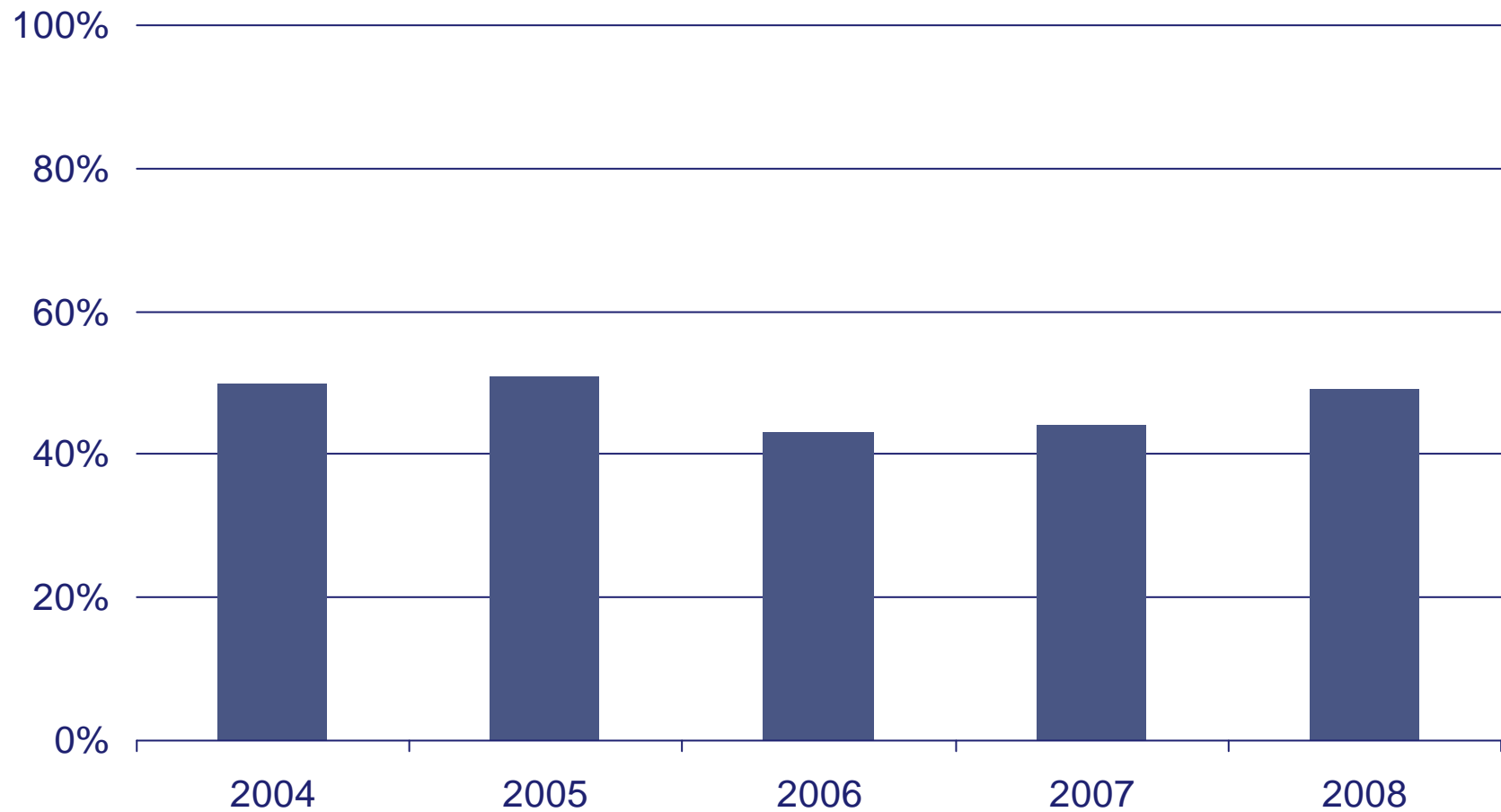
FICC

Equities

Annuity income



% of revenue



Prospects in current business environment



Strong strategic framework and base

Diverse portfolio of businesses

Client franchise & access to flows

Annuity Book

Leading SA & African player

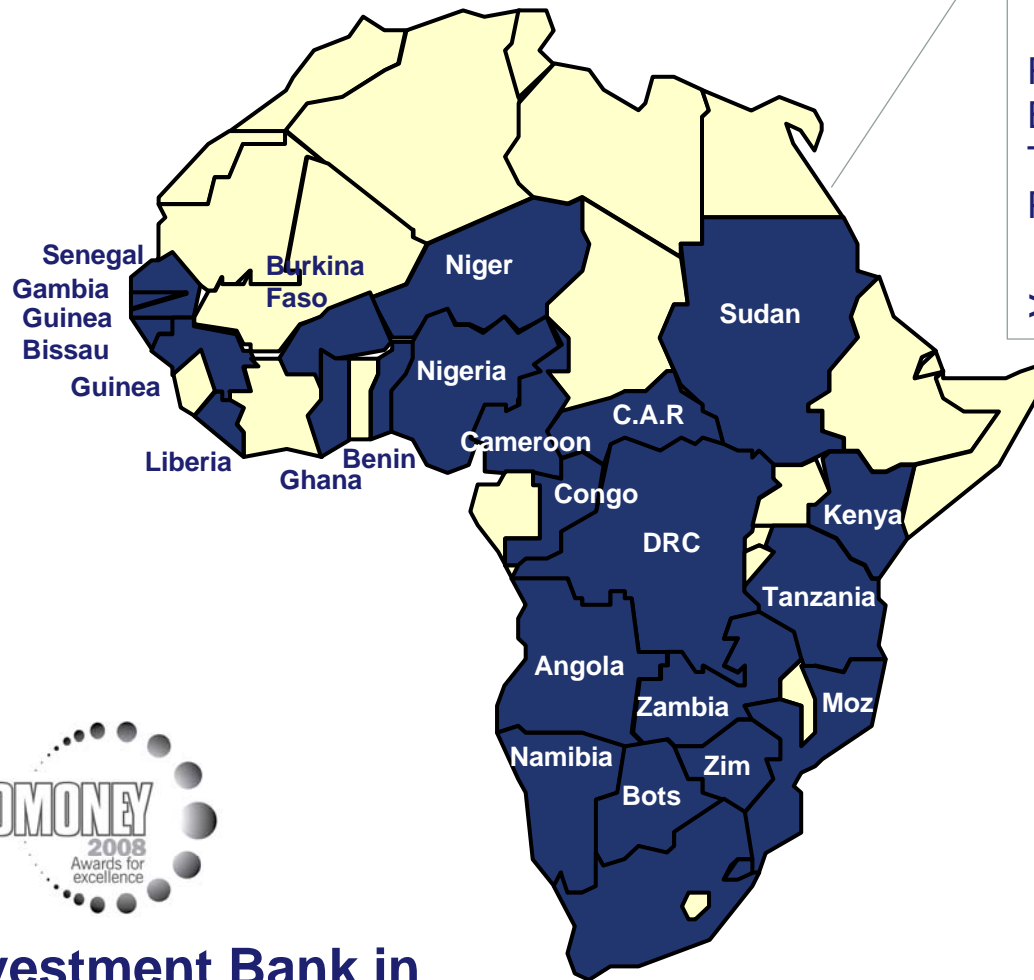
Private
Equity

Investment
Banking

FICC

Equities
Trading

Leading SA and African player



>25 Countries

Resources, Commodities,
Energy, Infrastructure,
Telecomms, Road, Rail &
Ports, Transport & Logistics,

>20 yrs experience



**Best Investment Bank in
South Africa**



**Best in M & A
Africa**

Prospects in current business environment



Strong strategic framework and base

Diverse portfolio of businesses

Client franchise & access to flows

Leading SA & African player

Annuity Book

Private Equity

- ↓ Realisations
- Associate Earnings
- Investments

Investment Banking

- ↓ M & A activity
- ↓ BEE activity
- Lending / Financing
- ↑ Infrastructure
- ↑ Africa

FICC

- ↓ DCM
- Trading
- ↑ Client Hedging
- ↑ Africa

Equities Trading

- ↓ International Trading
- Local Proprietary Trading
- ↑ Client & Agency business
- ↑ Structured Products

Strong strategic foundation

Rebalancing the business



Strong strategic foundation



**RAND
MERCHANT
BANK**

A division of FirstRand Bank Limited

Traditional values. Innovative ideas.