

integrated

# FirstRand Limited interim results

for the six months ended  
31 December 2007



**FIRSTRAND**

integrated

# Environment and introduction

**Sizwe Nxasana**

CEO FirstRand Banking Group



**FIRSTRAND**

# Turbulent international environment



- Secondary credit markets have all but closed down
- Discrediting of rating agencies led to securitisation market drying up
- Interbank market severely curtailed
- Many offshore banks running out of capital at the worst possible time
- Investors still concerned some offshore financial institutions not showing extent of problems in credit markets

# Challenging local environment

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Corporate sector remains strong

Infrastructure expansion

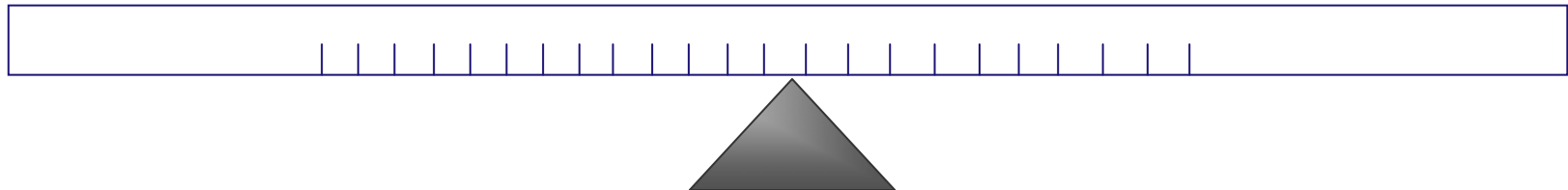
Commodity Prices up e.g. Gold and Platinum

Current account deficit

Inflationary pressures

Increased interest rates put pressure on consumer

Major sell-off of SA equities by foreigners





# FirstRand's performance

R 'mil	Normalised earnings	Growth %	ROE %
FirstRand Group (proforma)	5 953	12	26
FirstRand Banking Group	5 283	10	27
Momentum Group	913	19	31

- For the first time the Banking Group's earnings did not exceed the target of 10% above inflation
- ROE at 26% continued to exceed the target of 10% above weighted average cost of capital
- Momentum continued to deliver ahead of both targets



# Reasons for target not being met

- Higher bad debts
- Equity trading losses

# Bad debts impacted retail businesses



- Higher interest rates and increased consumer indebtedness resulted in higher than anticipated bad debts
- Interest rates increased higher than assumed in scorecards
- FNB Card and WesBank went too deep, however we have adjusted scorecards and fully provided
- Reduction in second hand vehicle prices added to lower recoveries
- Sharper focus on collections and efficiencies have stabilised the book
- Hedges at the centre partly compensated for bad debts

# Difficult markets result in trading losses



- Unprecedented dislocation of international equity markets
- Investments remain undervalued relative to intrinsic value
- Our investment decisions were all within own market risk limits
- We believe that when the market settles value will be unlocked
- What we need is patience!

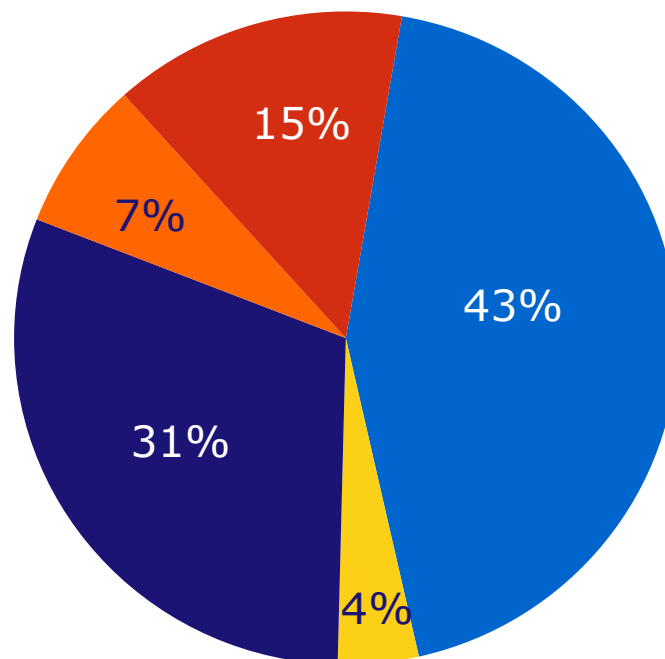
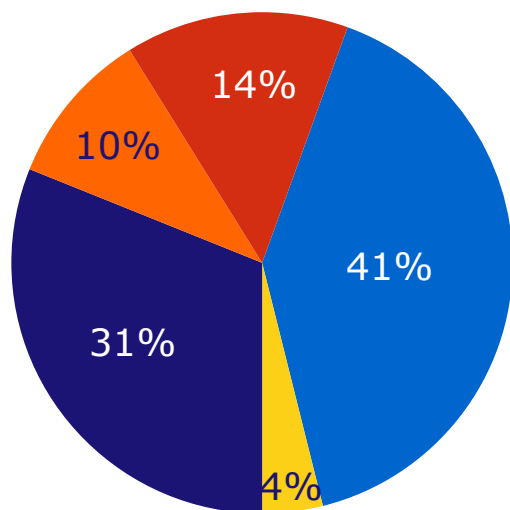




# Franchise diversification

Dec '06

Dec '07



Return on Equity

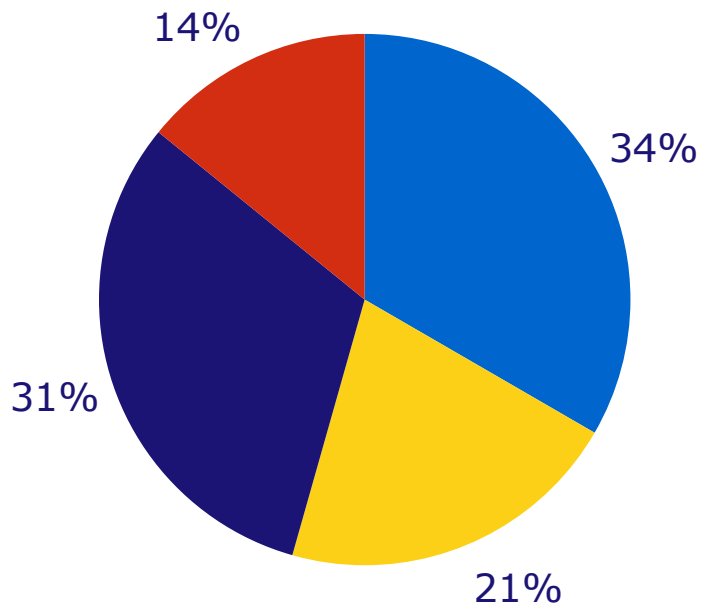
FNB	34%
FNB Africa	32%
RMB	33%
WesBank	17%
Momentum	31%

\* Based on normalised earnings, excluding Discovery, Group Support, FirstRand and NCNR preference shares

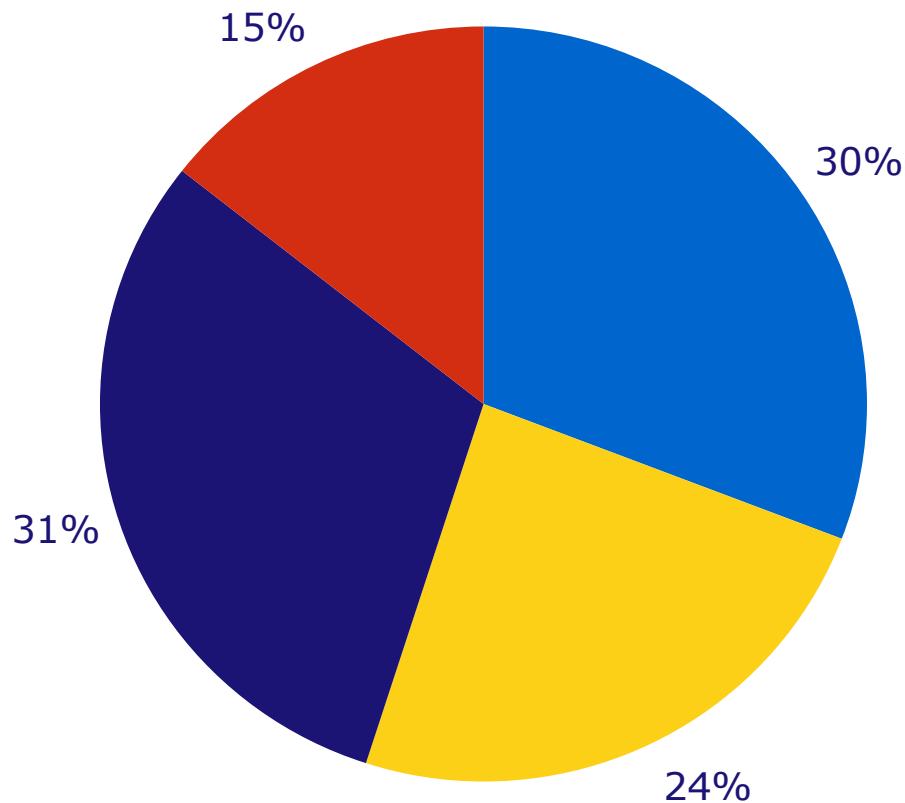


# Segment diversification

Dec '06



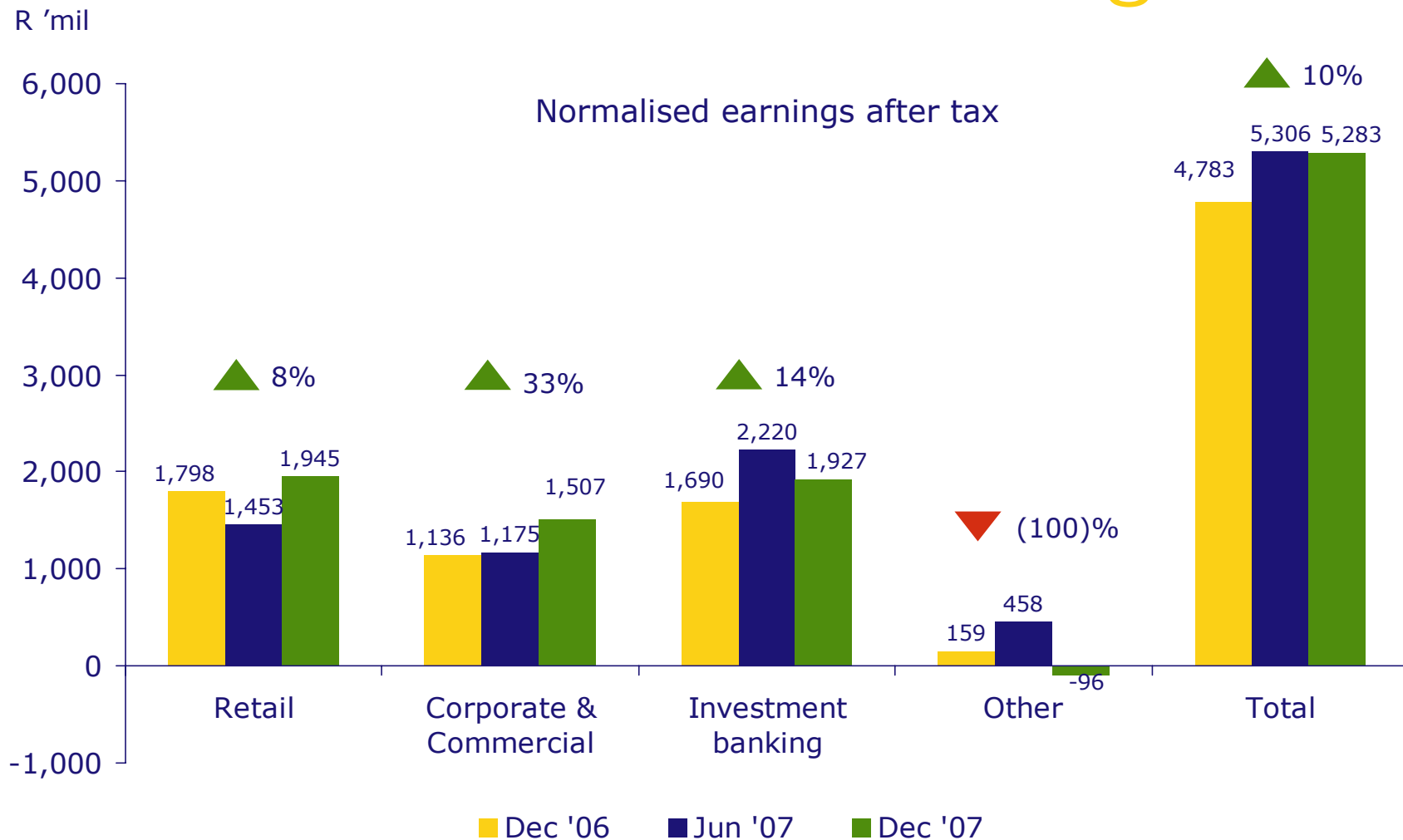
Dec '07



■ Retail ■ Corporate & commercial ■ Investment banking ■ Insurance

\* Based on normalised earnings, excluding FirstRand, preference dividends and group support

# Continued rotation to corporate and investment banking



integrated

# Financial review

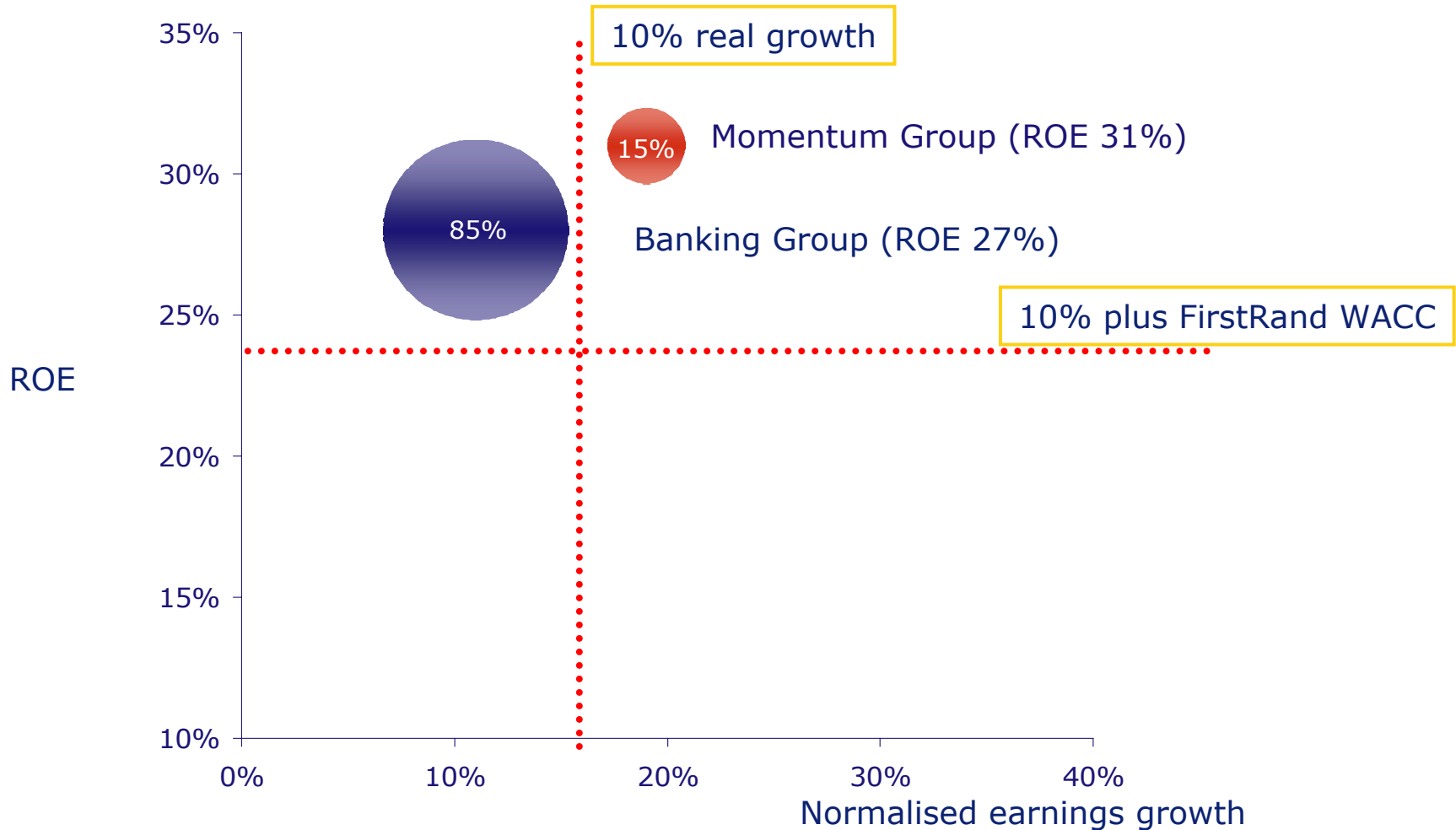
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**FIRSTRAND**



# Performance to financial targets



\* Based on normalised earnings, excluding Discovery, FirstRand centre and NCNR preference shares

# Insurance outperforms banking



R 'mil	Dec '07	Dec '06	% Change
<b>Normalised earnings</b>			
Banking Group	5 283	4 783	10
Momentum Group	913	768	19
FirstRand*	(49)	(69)	29
Preference Dividend	(194)	(163)	(19)
<b>FirstRand proforma</b>	<b>5 953</b>	<b>5 319</b>	<b>12</b>
Discovery	185	220	(16)
<b>FirstRand actual</b>	<b>6 138</b>	<b>5 539</b>	<b>11</b>

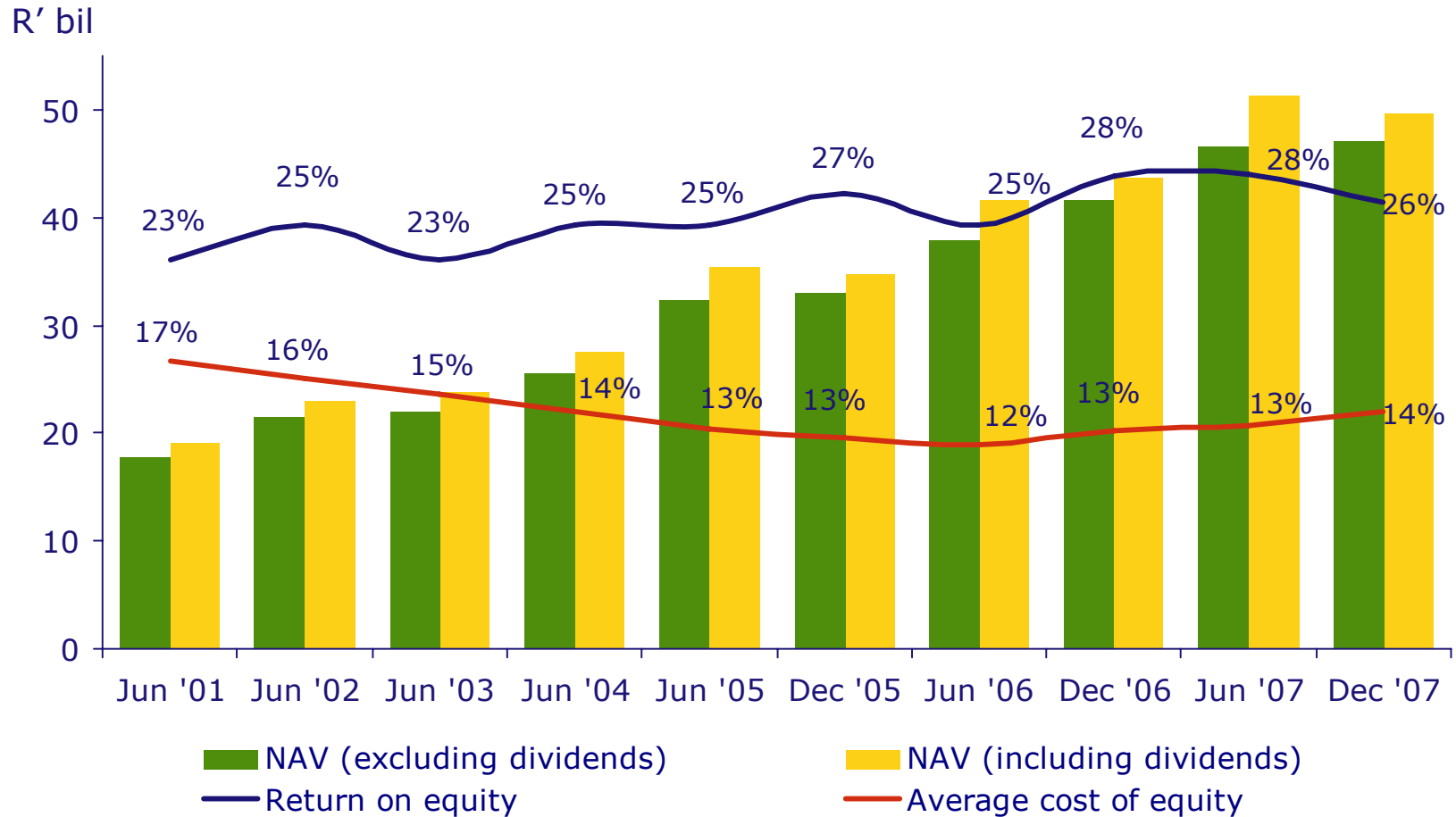
\* Includes elimination of intergroup profit between Momentum and Banking Group on Swabou life

# Slower earnings growth but targeted returns maintained



R'mil	Dec '07 Proforma	Dec '06 Proforma	Proforma Change %	Dec '07 Actual	Dec '06 Actual
Normalised earnings	5 953	5 319	12	6 138	5 539
Normalised earnings per share					
- Basic	105.6	94.4	12	108.9	98.3
- Diluted	105.6	94.3	12	108.9	98.2
Headline earnings per share					
- Basic	106.5	89.6	19	110.1	94.1
- Diluted	103.9	87.1	19	107.4	91.4
Return on equity (%)	26	29		26	28
Interim dividend per share (cents)	44.25	39.5	12	44.25	39.5

# Premium returns over cost of equity



\* Based on normalised NAV



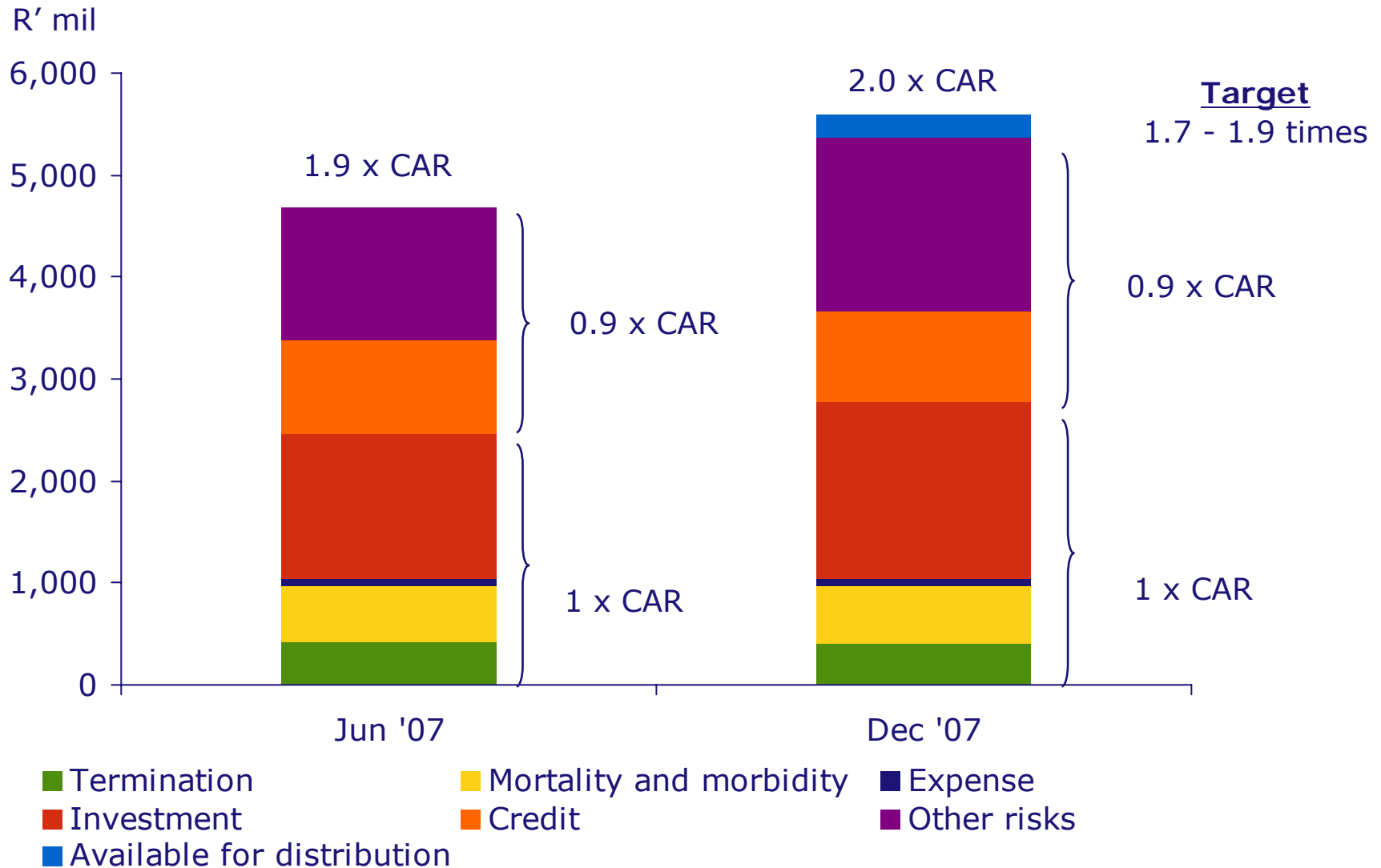
# Banking group remains well capitalised



- Raised R1.5 bil in subordinated debt
- Launched Fresco II, a corporate synthetic securitisation programme of R20 bil
- Concluded the 2nd home loans securitisation programme, Ikhaya 2, of R2.8 bil
- Plan to issue Hybrid Tier 1 and innovative Tier 2 instruments in 2008, depending on market conditions
- SARB approved AIRB approach for credit and Internal Model approach for market risk

Banking Group ratio's	Target Dec '07	Actual Dec '07
Tier 1 core equity	>7.25	10.0
Tier 1 capital	>9.25	10.8
Total capital adequacy	>12.0	13.8

# Insurance group well capitalised



growth

# Financial review

for the six months ended  
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**FIRSTRAND**  
Banking Group



# Lower growth from the bank

	Dec '07	Dec '06	% change
Normalised earnings* (R' mil)	5 283	4 783	10
Return on equity** (%)	27	32	
Return on assets (%)	1.82	1.98	
Credit loss ratio*** (%)	1.00	0.69	
Cost to income ratio (%)	52.6	53.0	

\* Before deducting preference share dividends

\*\* After deducting preference share dividends and capital

\*\*\* Before deducting credit protection

# Mixed performance from franchises



	Profit before tax	% Growth
FNB	R3.4 billion	22
FNB Africa	R0.5 billion	23
RMB	R2.4 billion	8
WesBank	R0.6 billion	(17)
Other	R0.2 billion	(63)
<b>Total profit before tax</b>	<b>R7.1 billion</b>	<b>7</b>

# Results in context



R' mil	Dec '07	Dec '06	change	
• Net interest income	8 134	7 130	14%	▲
• Credit impairment charge	(1 625)	(1 151)	41%	▲
• Net interest income after impairments	6 509	5 979	9%	▲
• Non interest revenue*	10 802	9 983	8%	▲
Transactional	6 567	5 230	26%	▲
Fair value and risk	1 419	2 419	(41%)	▼
Private equity (including private equity associates)	1 452	1 001	45%	▲
Associates (Wesbank and Outsurance JV's)	269	189	42%	▲
Other	1 095	1 144	(4%)	▼
• Operating expenses	(9 957)	(9 076)	10%	▲
• Taxation expense	(1 434)	(1 572)	(9%)	▼

\* Non interest revenue in this presentation includes associate earnings

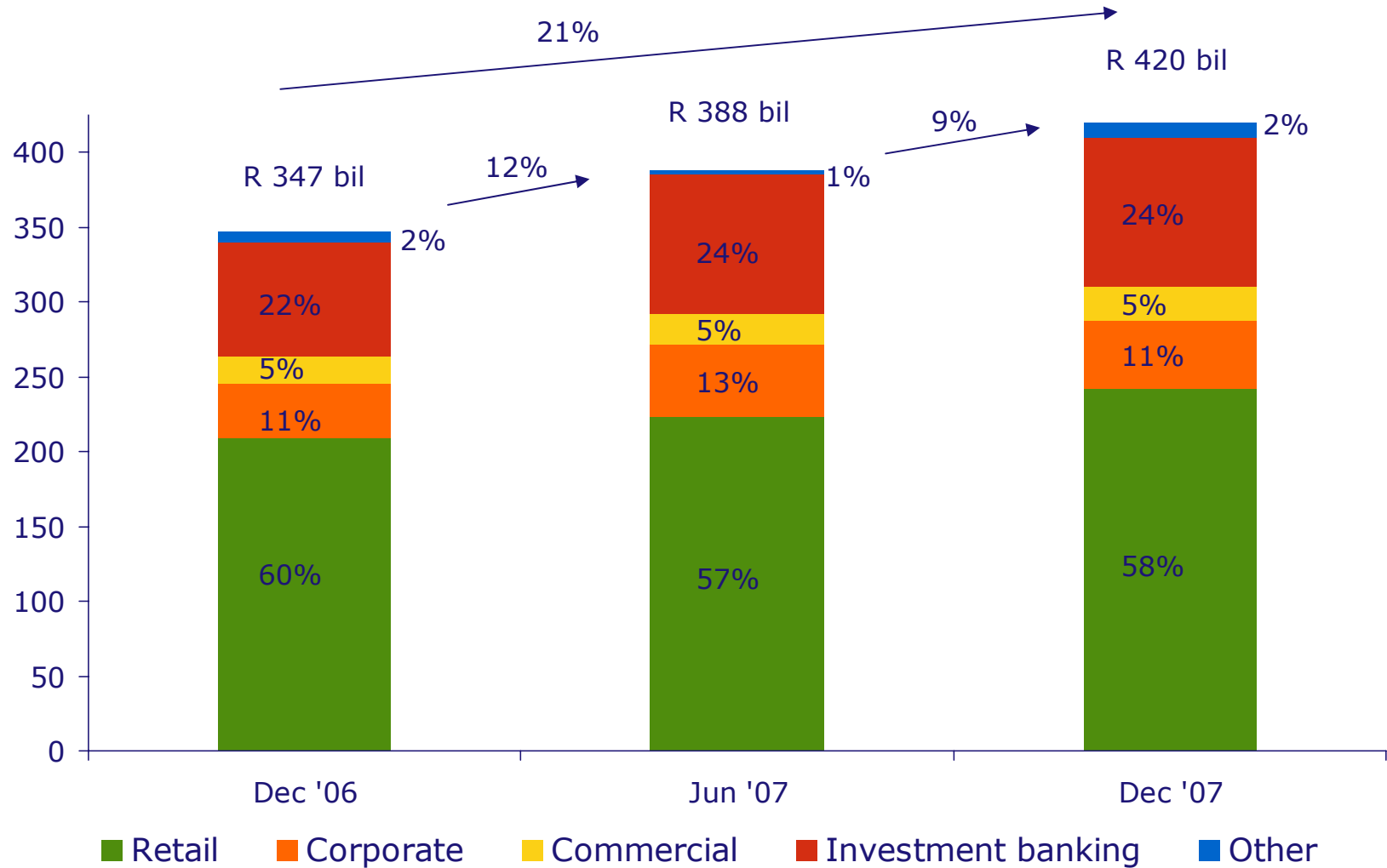


# Financial highlights

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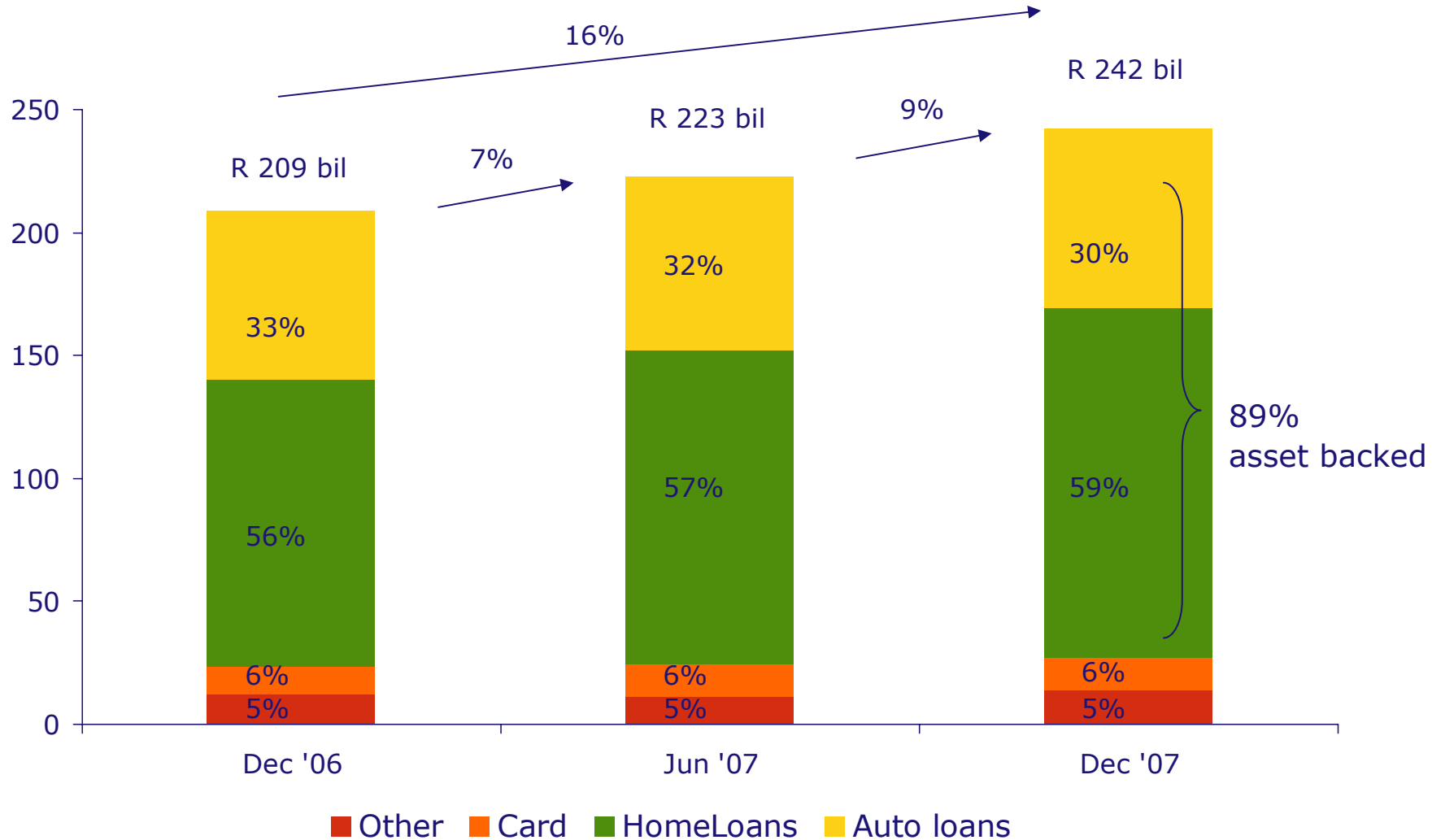
# Advances growth levels off



Advances are shown net of ISP



# Asset backed dominates retail advances

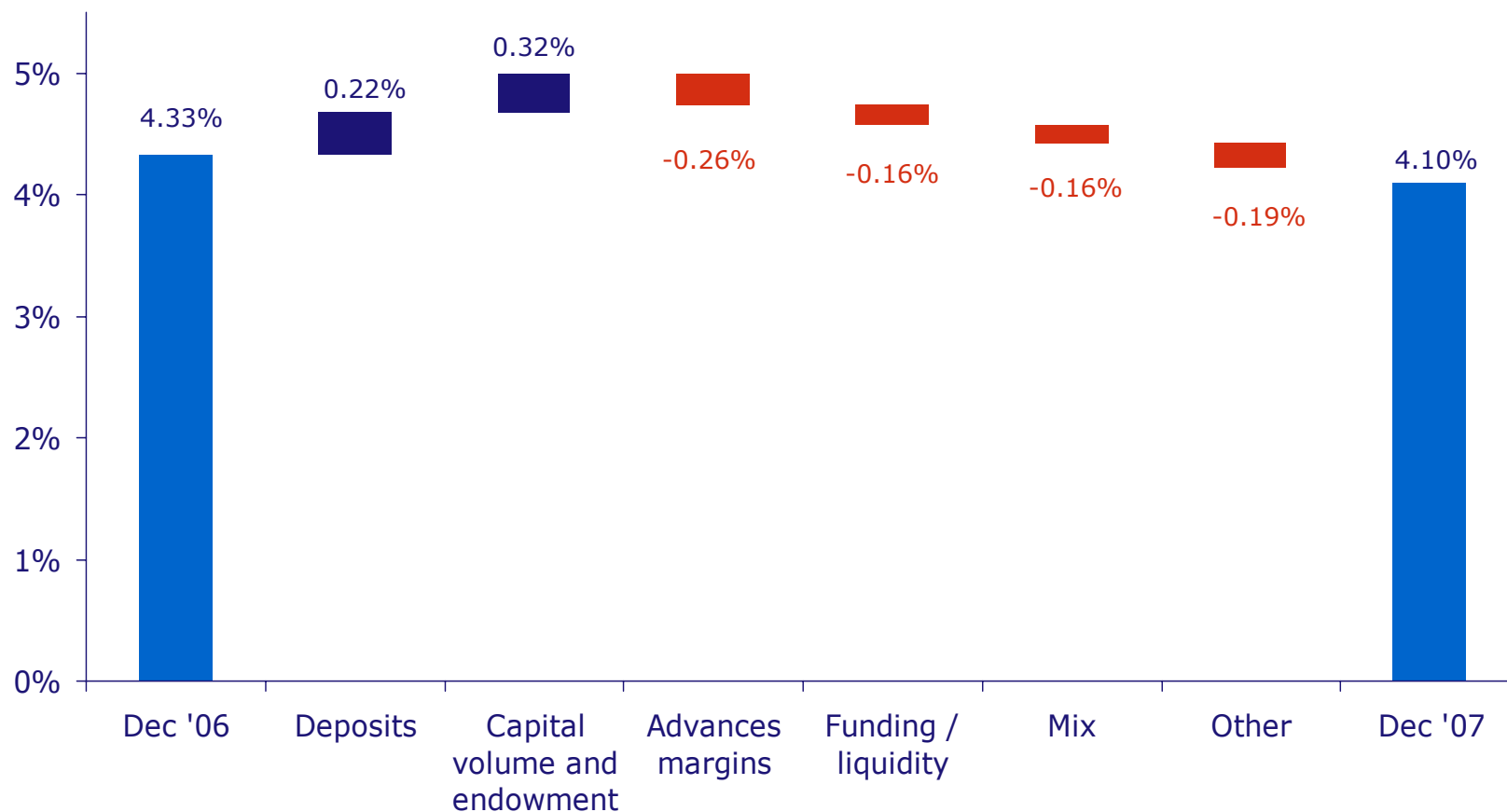


# Liability mix adds pressure to margins



R'mil	Dec '07	Dec '06	Change %	Dec '07 mix %	Dec '06 mix%
Retail	107 733	90 507	19	17	18
Corporate	201 000	166 000	21	32	33
Professional funding	172 439	115 710	49	28	23
Trading liabilities	61 652	65 605	(6)	10	13
Other liabilities	22 869	21 376	7	4	4
Mezzanine funding (dept capital)	11 469	10 485	9	2	2
Core equity	41 364	32 951	26	7	7
Total liabilities	618 526	502 634	23	100	100

# Customer deposits & endowment support margin

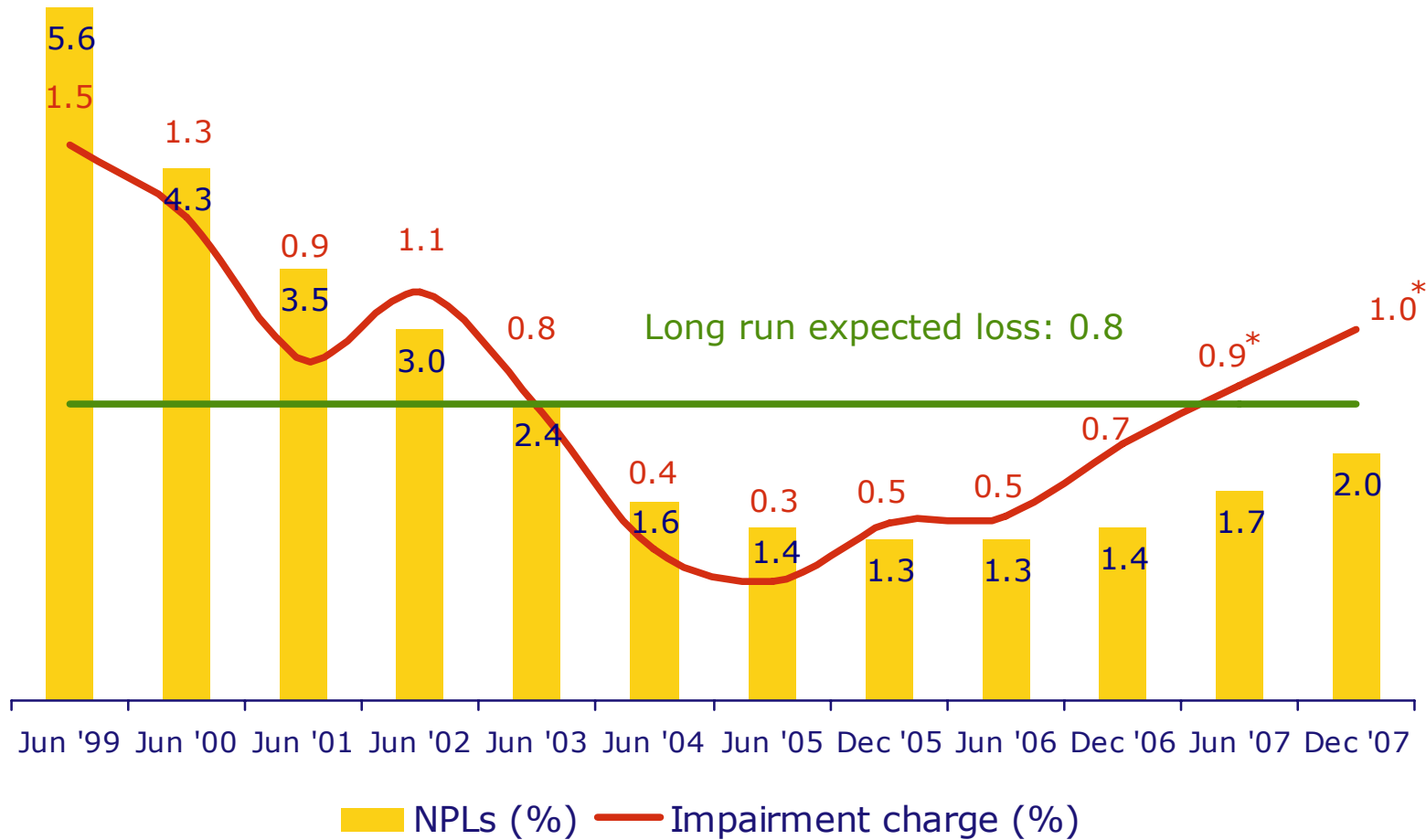




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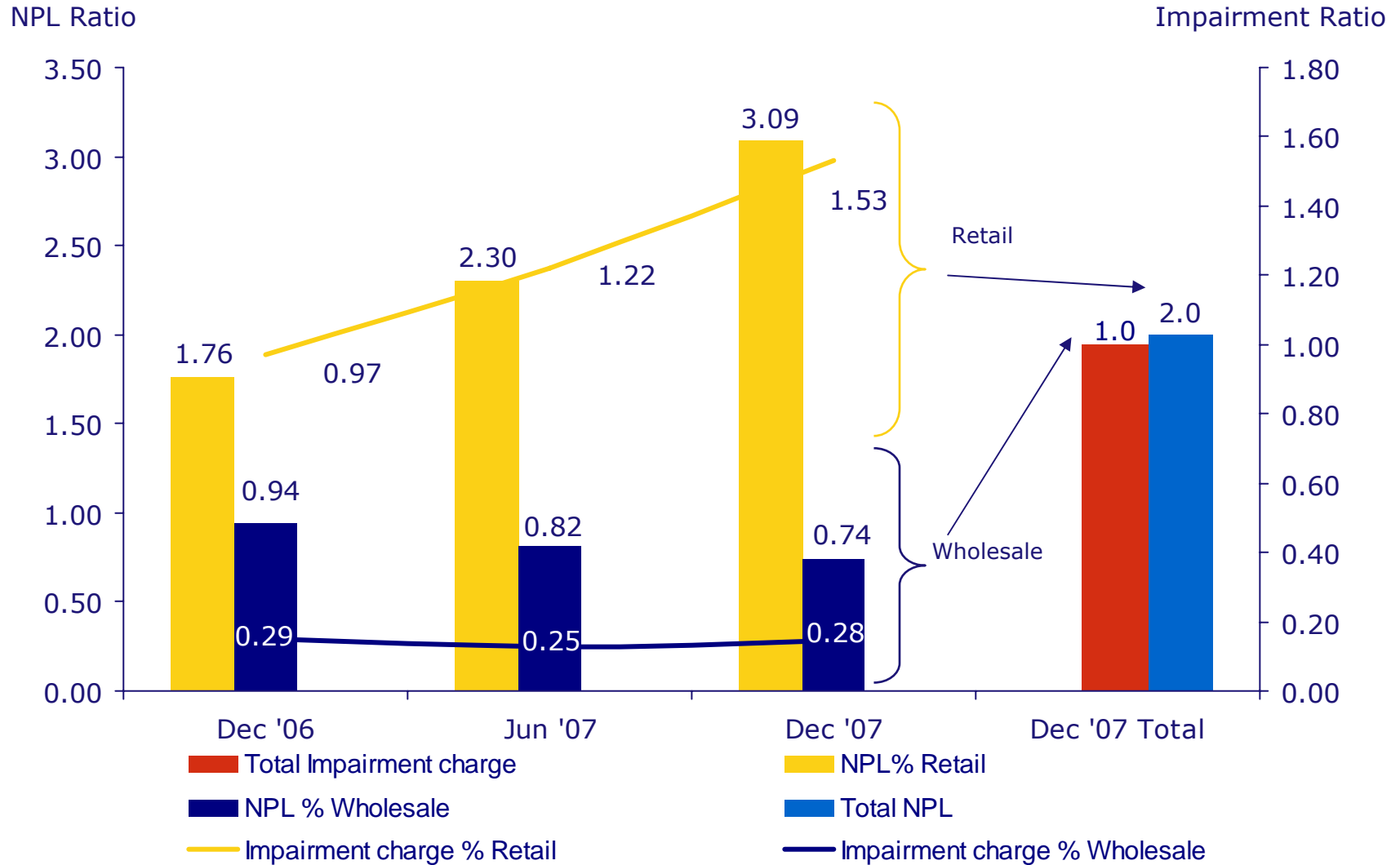
# NPL's and bad debts continue upward trend



\*Credit protection strategy gives rise to 20bps reduction (Jun '07: 4bps)

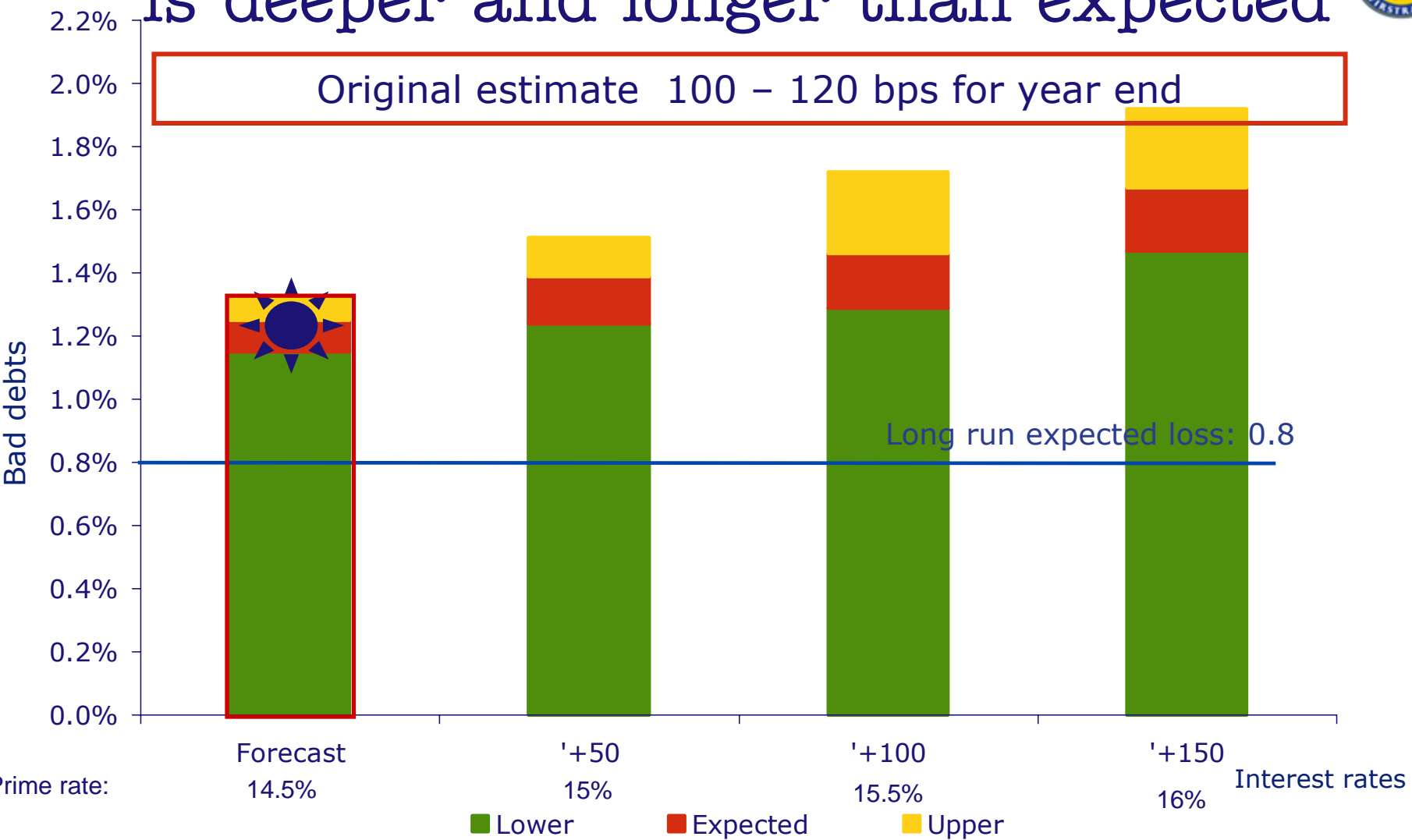


# Retail worse, Wholesale steady





# Projected bad debts higher as cycle is deeper and longer than expected



Revised estimate 120 – 130 bps for year end



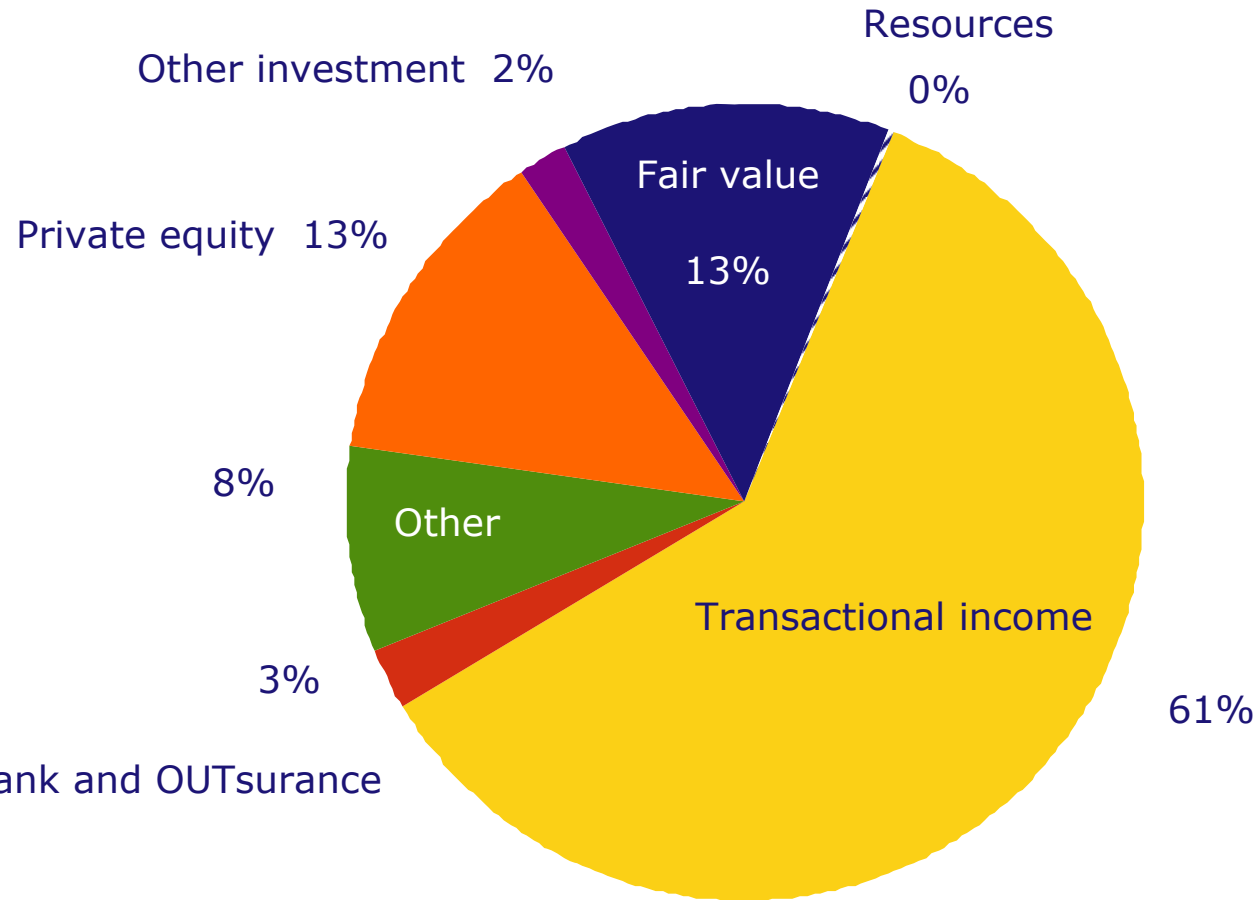
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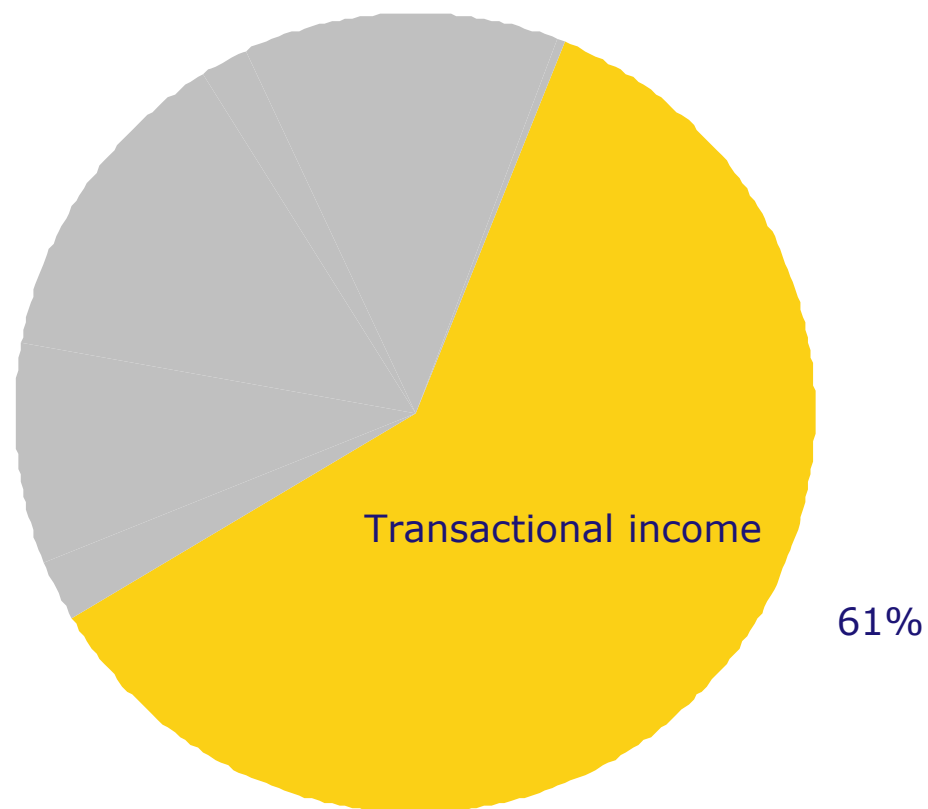


# Diversification in non interest revenue

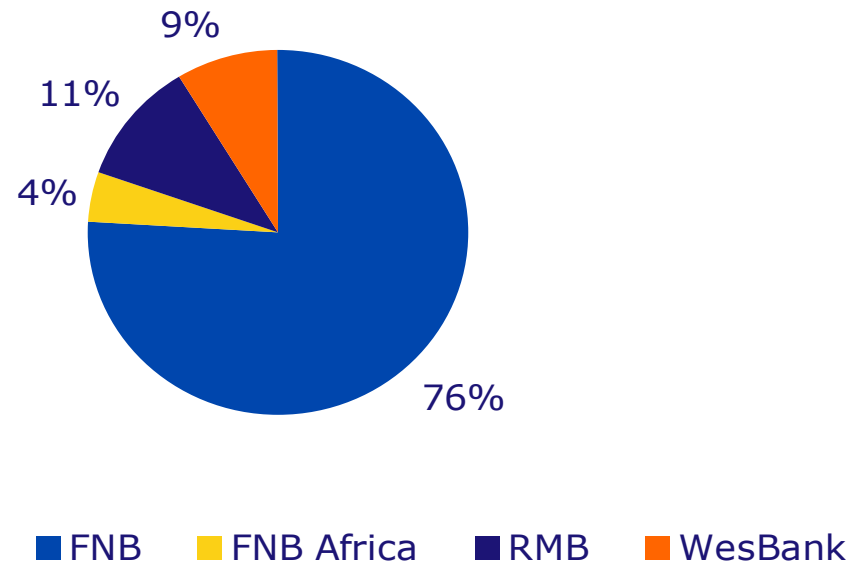
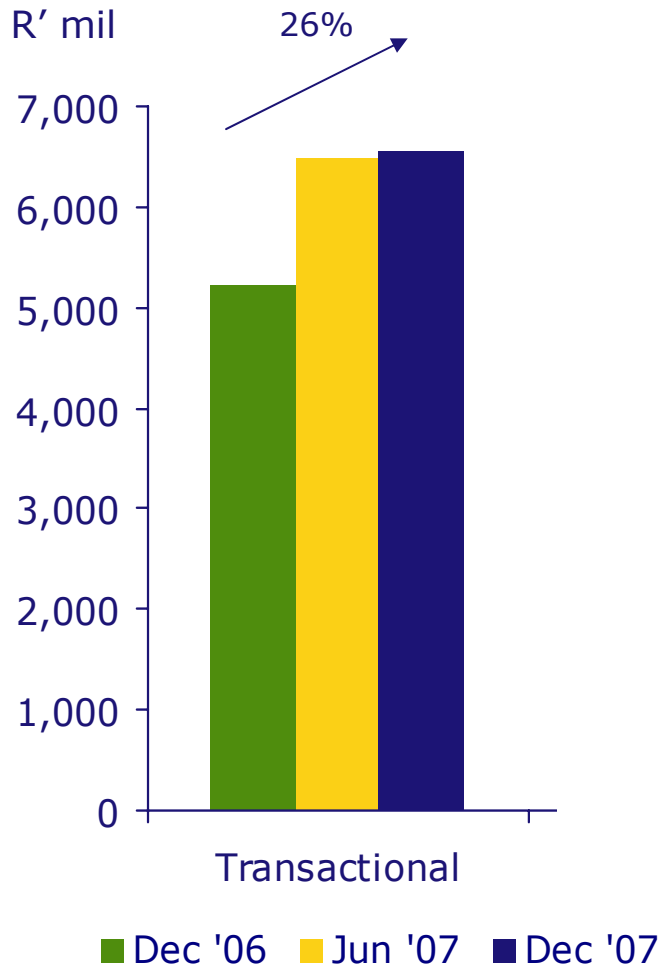


\* Associate income split into appropriate non interest revenue categories

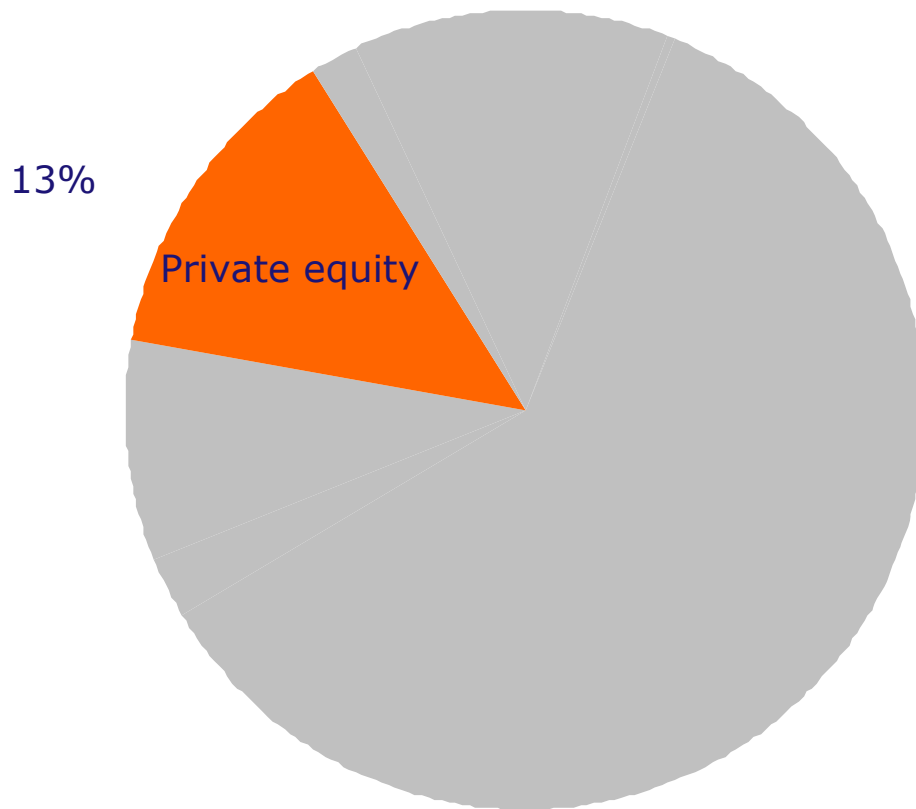
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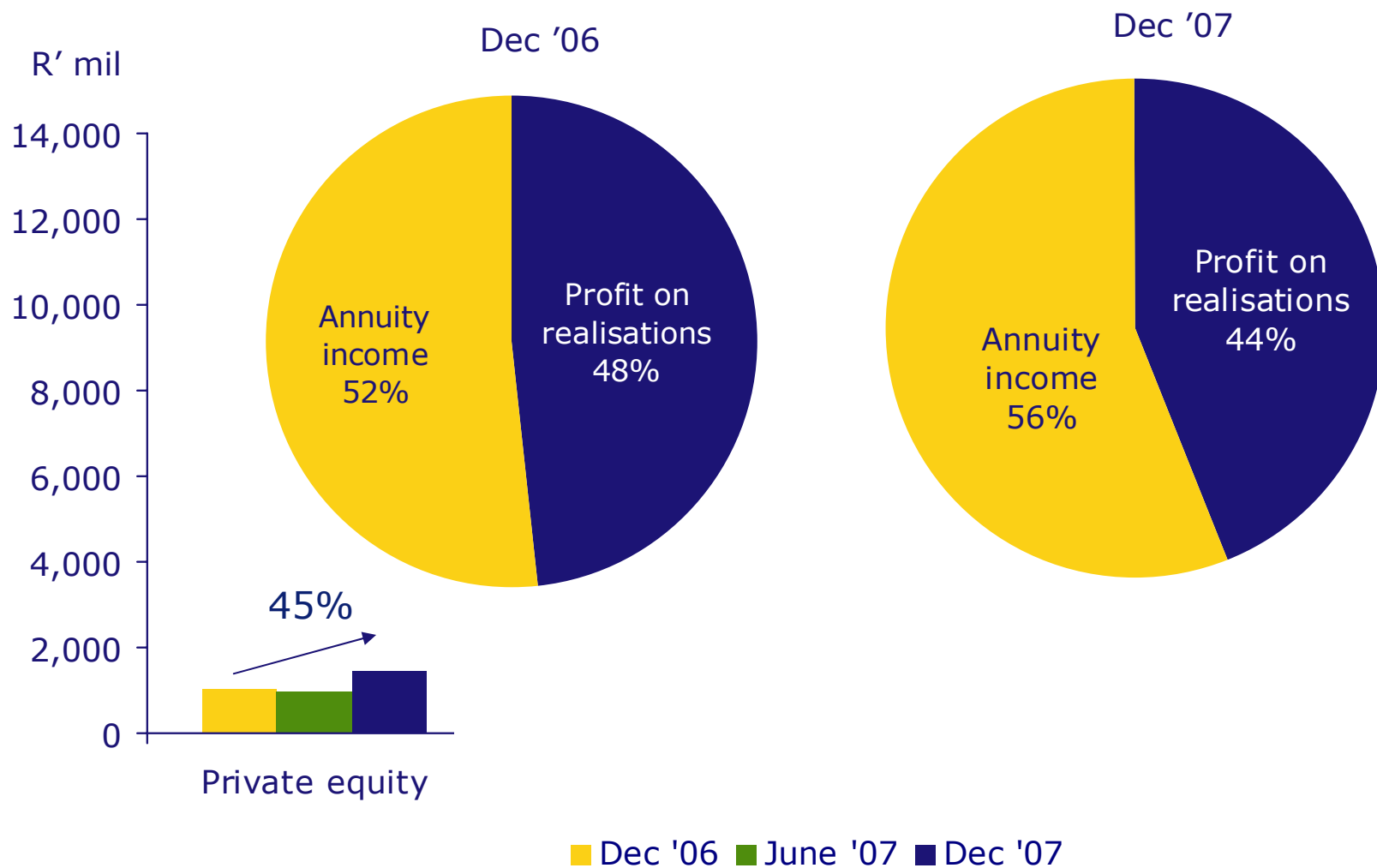
# Economic activity drives transactional income



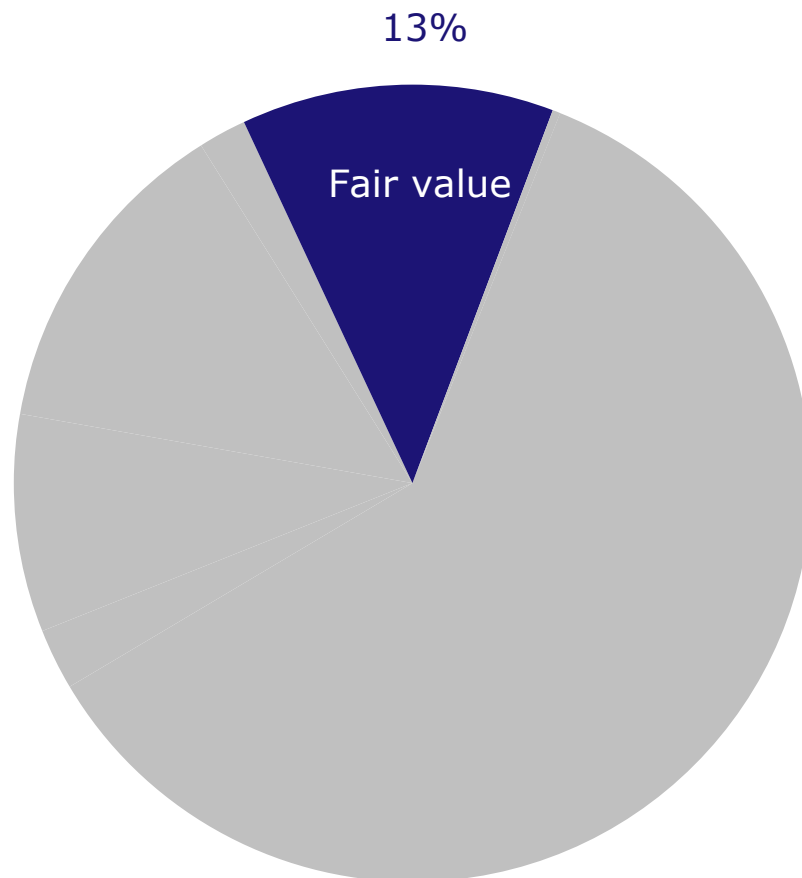
# Diversification in non interest revenue



# Good balance between annuity income and realisations



# Diversification in non interest revenue



# Annuity showed strong growth but risk income volatile



R' mil	Dec '07	Dec '06	% change
• Annuity	1 518	1 140	33
Lending	875	646	35
Client flows	643	494	30
• Risk	(325)	1 212	(>100)
Equities	(774)	667	(>100)
Commodities	30	30	-
Interest rates	452	189	>100
Credit	(49)	45	(>100)
Forex	52	13	>100
Resources*	(36)	268	(>100)
• Capital	226	67	>100
<b>Total</b>	<b>1 419</b>	<b>2 419</b>	<b>(41)</b>

\* Included in associate income



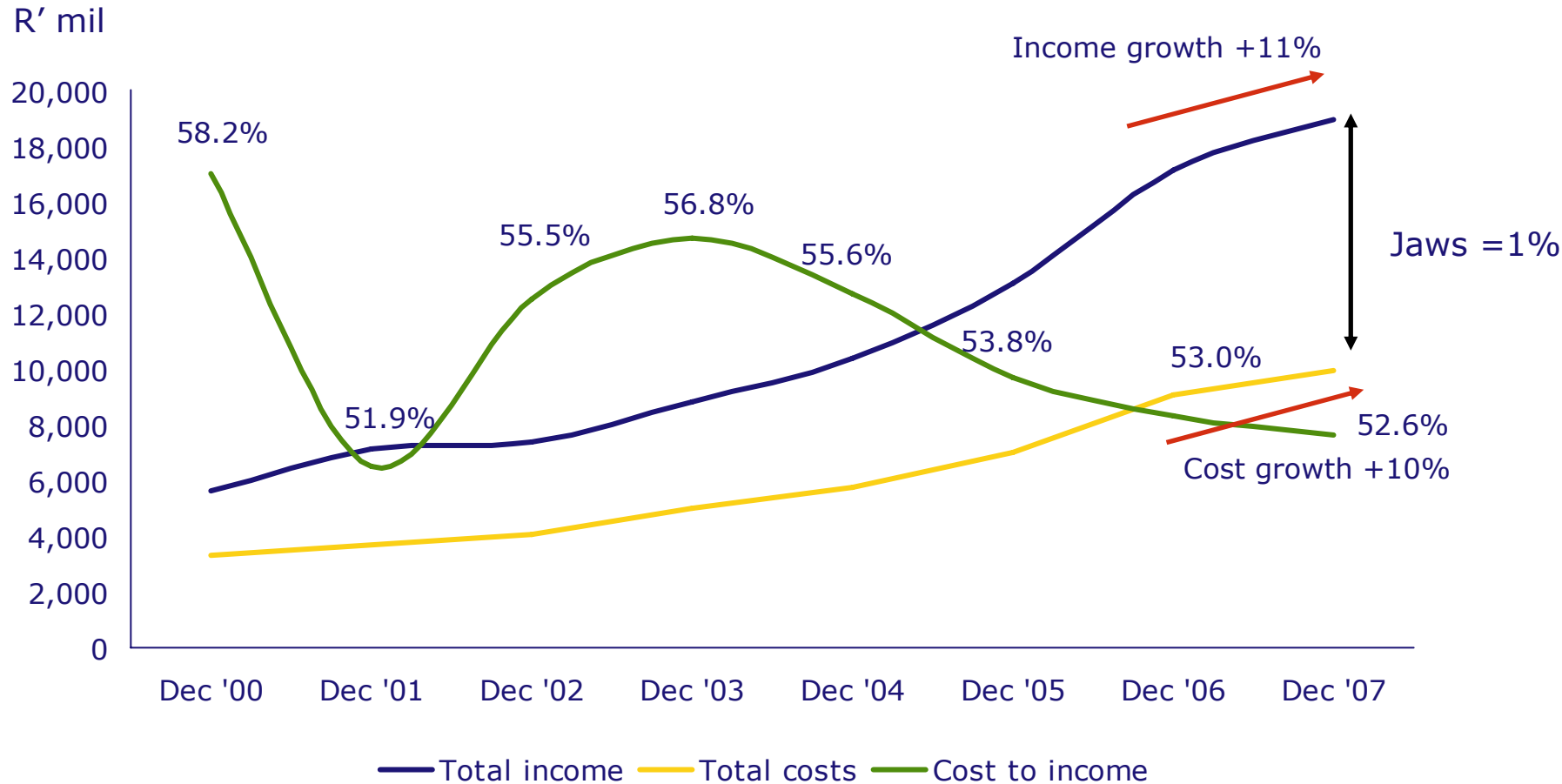
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• Taxation expense	(1 434)	(1 572)	(9%)	▼





# Positive jaws maintained



# Improving efficiencies remains a focus



			Dec '07	Dec '06
	Top line growth %	Cost growth %	Cost to income ratio %	Cost to income ratio %
FNB	22.2	15.0	56.5	60.0
- Retail	23.3	17.3	57.8	60.8
- Corporate & Commercial	20.2	10.9	54.1	58.6
FNB Africa	19.7	20.0	46.5	46.4
WesBank	18.1	20.6	53.4	52.3
RMB	12.9	13.9	38.8	38.4
FirstRand Banking Group	10.7	9.7	52.6	53.0

value

# Financial review

for the six months ended  
31 December 2007

**m**omentum

# Strong operating performance



R' mil	Dec '07	Dec '06	% change
Insurance operations	643	513	25
Asset management operations	140	139	1
Group operating profit	783	652	20
Investment income on shareholder assets	130	116	12
Normalised earnings	913	768	19

Return on equity (%)	31	24
Return on embedded value (%)	15	30

# Capital management benefits realised



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# Return on EV impacted by volatile markets

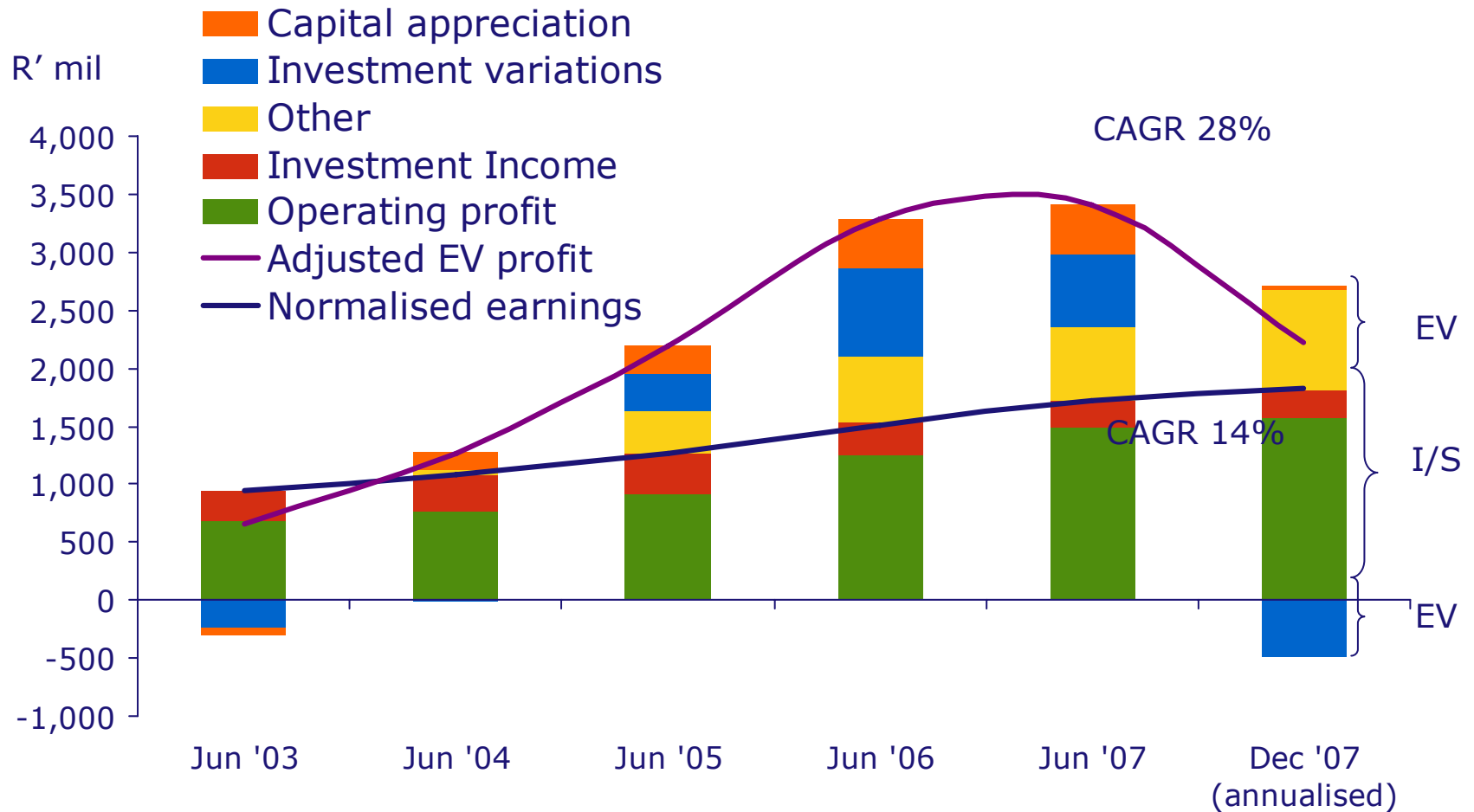


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Asset management operations	140	139	1
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Return on equity (%) 31 24

Return on embedded value (%) 15 30

# Investment market dampens EV growth



\* Adjusted EV profit excludes revaluation of subsidiaries



**NATIONAL SUPPORTER**



**SOUTH  
AFRICA  
2010**

**FIFA**  
WORLD CUP

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# What we said in June 2007



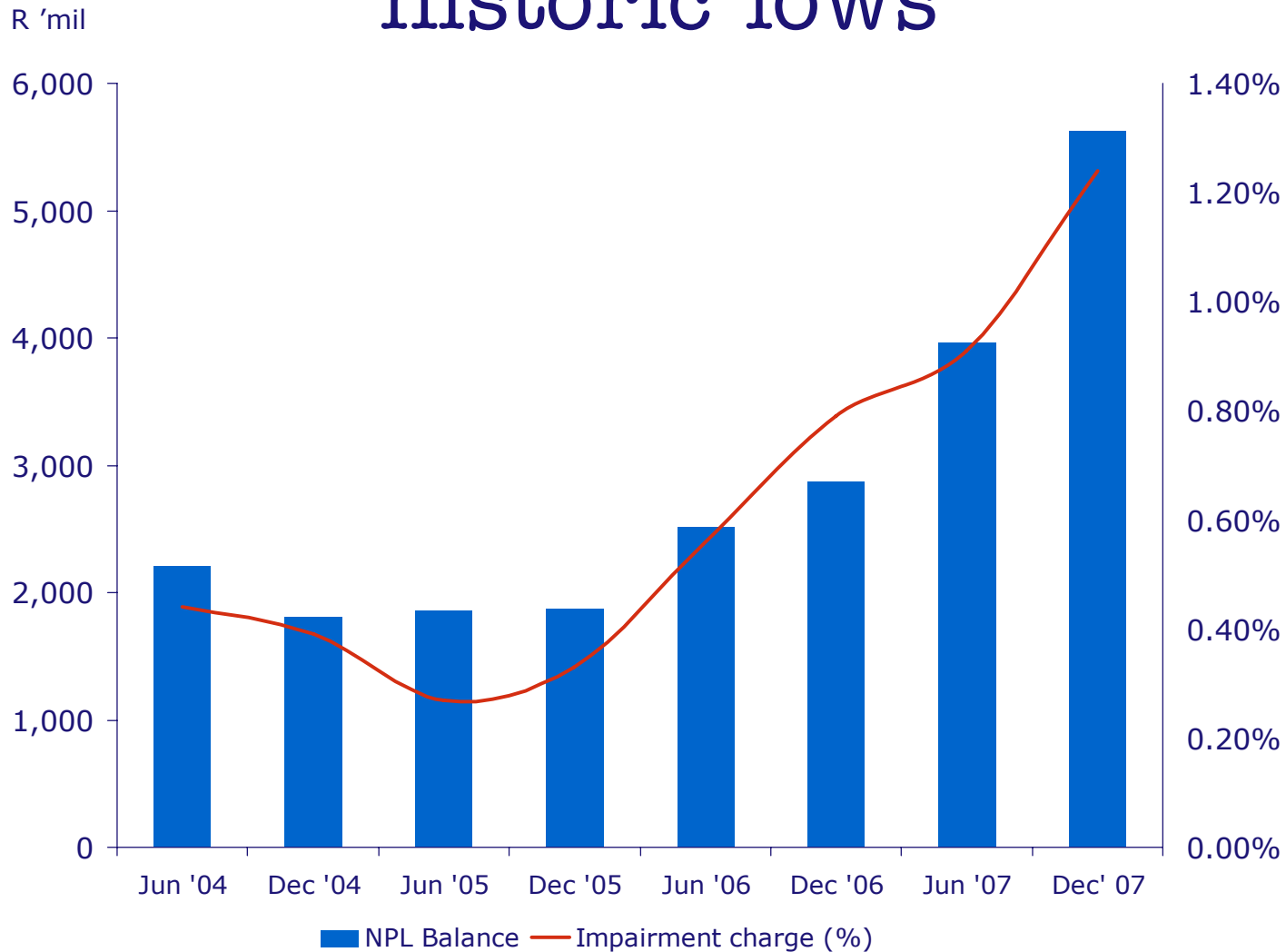
- SA and SADC economic growth will remain high
- Diversified portfolio provides for sector rotation and protects against interest rate volatility
- Focus on middle market / 2010 FIFA World Cup Sponsorship
- Competition Commission and National Credit Act
- Runway for expansion of representation, cross-selling and improving efficiency

# FNB's good performance continues



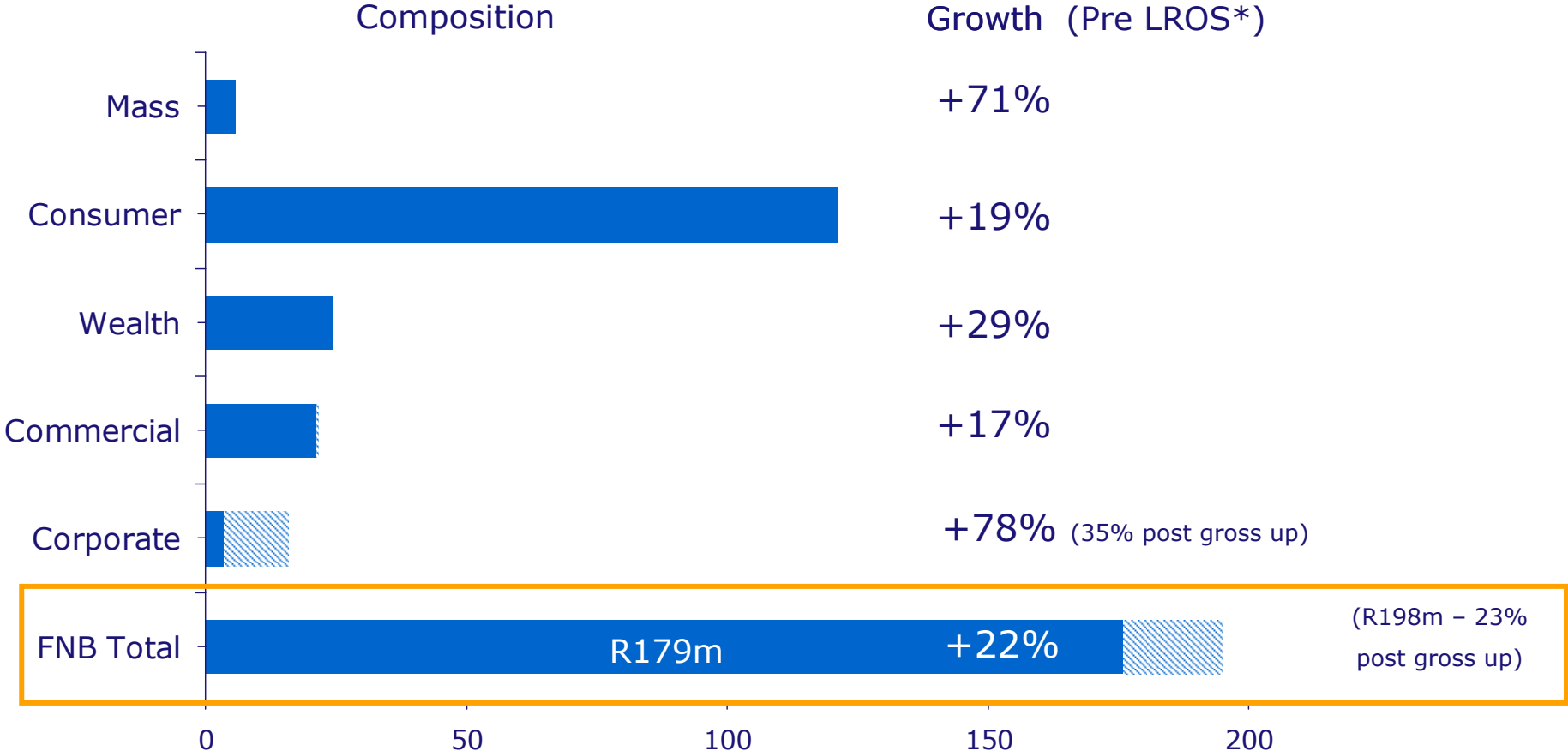
	Dec '07	Dec '06		change
Net profit before taxation (R' mil)	3 436	2 815	▲	22%
Advances (R' bil) (23% to R198b post gross-up)	179	146	▲	22%
Deposits (R' bil) (20% to R184b post gross-up)	164	138	▲	19%
Net interest revenue (R' mil)	5 035	3 979	▲	27%
Non interest revenue (R' mil)	5 894	4 963	▲	19%
Impairment charge (%)	1.24	0.79	▲	0.45%
ROE (%)	34.1	34.9	▼	0.8%
Cost to income (%)	56.5	60.0	▼	3.5%

# Impairments rise off historic lows



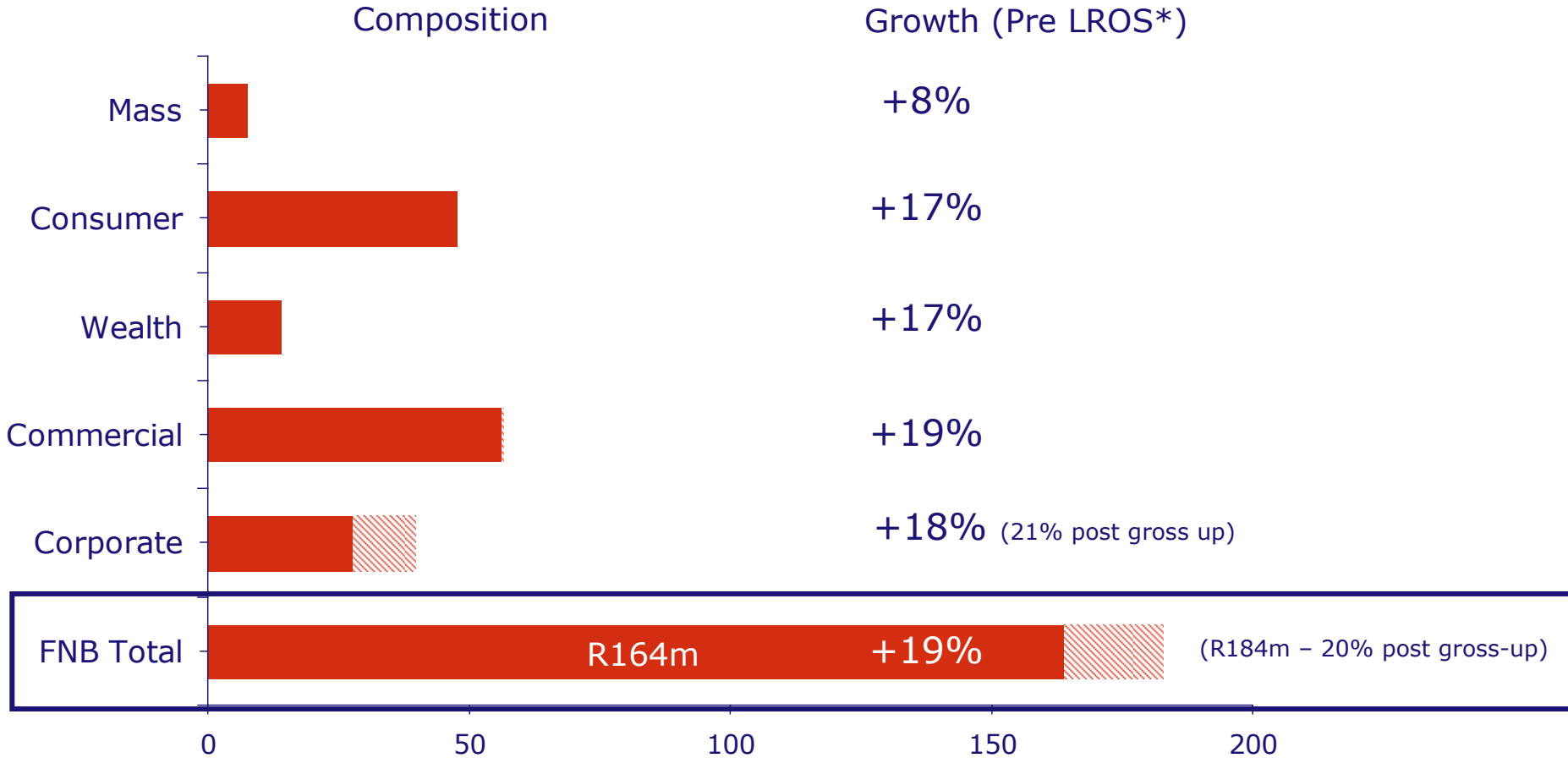
Pre June 2006 information not restated for the transfer of business units

# Advances growth strong but slowing



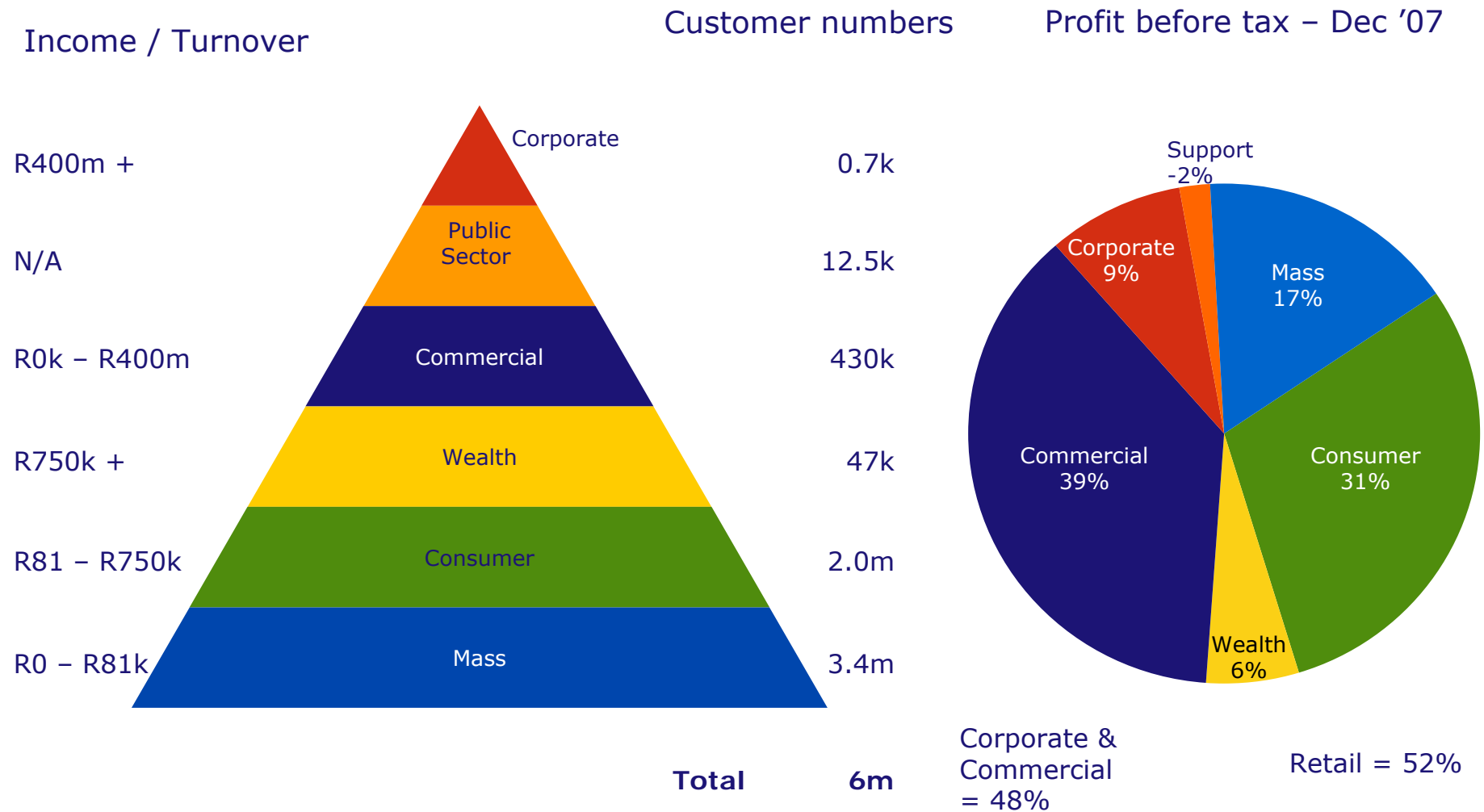
\*Legal right of set off, also referred to as "gross up"

# Diversified deposit growth



\*Legal right of set off, also referred to as "gross up"

# FNB segment strategy and structure

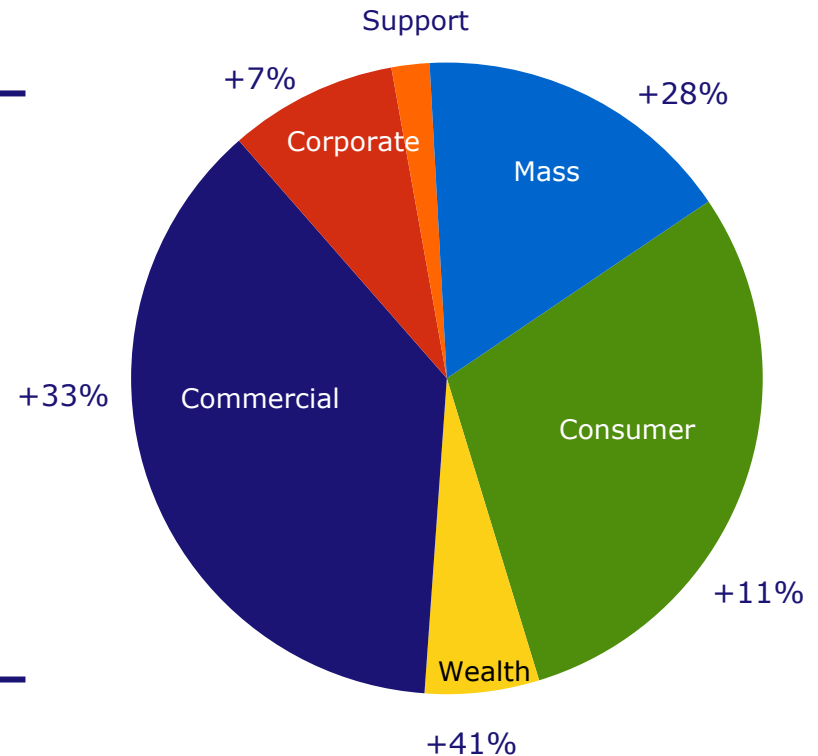


# All segments contributed



## Profit before tax

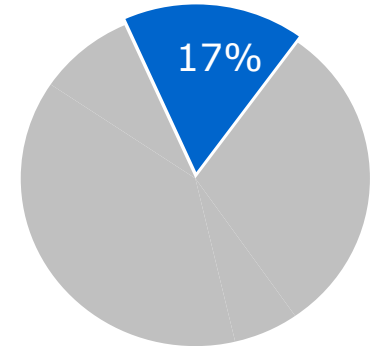
R' mil	Dec '07	Dec '06
Mass	598	466
Consumer	1 059	952
Wealth	219	155
Commercial	1 344	1 011
Corporate	311	292
Other and Support	(95)	(61)
<b>Total FNB</b>	<b>3 436</b>	<b>2 815</b>



# FNB brand resonates in the mass market



- 28% increase in PBT to R598 million
- Customer base increased 9% to 3.4 million
- Transnet housing purchase
- 71% increase in advances to R6 billion – 30% organic
- Strong growth in non interest income (19%) driven by:
  - 16% increase in transactions
  - 32% increase in prepaid
  - Insurance products – sustained growth
  - Cellphone banking – penetration increasing
  - R36m once off profit from Transnet acquisition



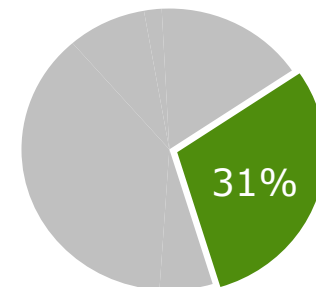


# The consumer is taking strain



## HomeLoans

- Increased new business market share and maintained ROE
- PBT down **21%** due to credit impairment charges of 44bps and higher funding costs
- Advances growth will slow and bad debts will increase



## Card

- Advances up only 4% since June '07 due to tighter credit management and NCA impact on sales
- PBT down **55%**
  - Anti selection in JVs
  - Inadequate collections capacity

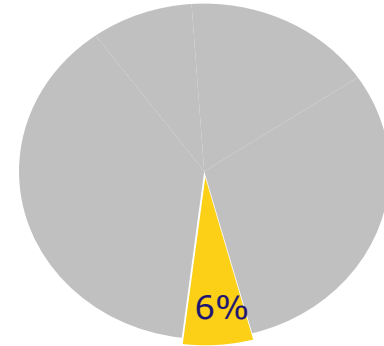
## Overall Consumer

- PBT increased 11%, helped by 39% increase in "Other Consumer"
- Focus on collections
- Efficiencies – cost up only 2% despite growth in deposits (+17%), advances (+19%) and transactions (+16%)

# SA wealth still growing



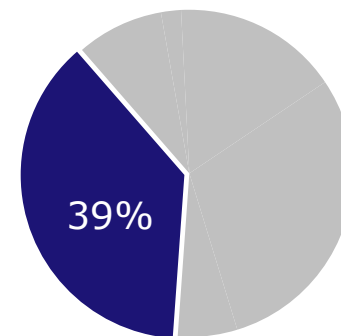
- PBT is up 41% to R219 million (24% excl. FRIAM)
- Offshore wealth management - through FRIAM
- Assets under management increased 102% to R44 billion (35% excl. FRIAM)
- Advances growth still strong at 29% - but expected to slow
- Deposit growth healthy at 17%
- Non interest income helped by management fees (AUM)



# Commercial – continued strong performance



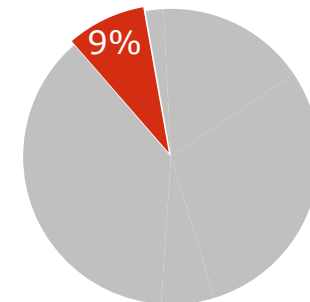
- Great performance – PBT up 33%
- 19% deposit growth to R57bn (2.5x advances)
- 17% advances growth driven by 51% increase in Commercial Property Finance
- Customer base grew 17% reflecting strong market share gains
- Quality client base



# Transactional strategy pays off in Corporate



- Transactional banking focus
- Increased transactional volumes in electronic channels
  - FNB Online +30%
  - SpeedPoint +30%
- Non interest income growth at 15%
- PBT up 7% - higher prior year base
- Margins under pressure hence 5% increase in interest income



# Africa delivered



Pre-tax profit up 23%\* to R525 mil ; CIR 46.5%

## FNB Botswana

- Profit +13% to R239m (18% local currency)
- Infrastructure investment
- Assets up 29%
- Deposits up 34%
- Strong brand in market



## FNB Mozambique

- Acquired in July '07
- PBT of R11m

## FNB Swaziland

- Profit +20% to R36m

## FNB Lesotho

- PBT R1m

## FNB Namibia

- Profit 29% to R253m
- Excellent performance
- Market leader
- ROE up to 25.8%

\*Attributable income up 18%

# FNB on track



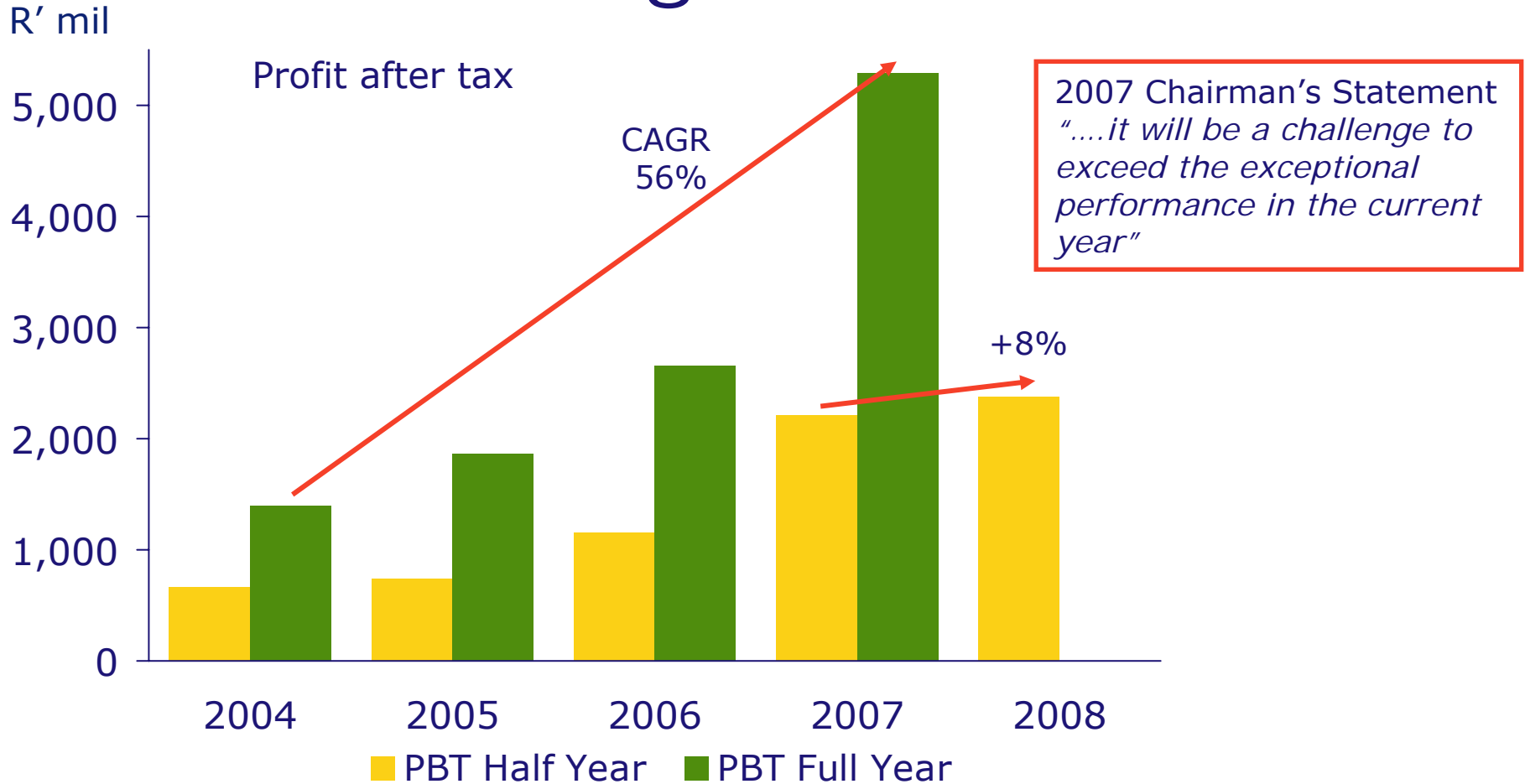
- Credit conditions to remain a challenge, have not seen the top yet
- Previous customer growth should support future revenue increases
- Stimulus in SA corporate segments driving growth in medium corporates and SME's
- Slowdown in retail lending compensated by continued focus on efficiencies
- International expansion will diversify portfolio
  - Awaiting regulatory approval for greenfields in Zambia and India
- Despite challenges, we expect to achieve growth targets



# RAND MERCHANT BANK

A division of FirstRand Bank Limited

# Creditable performance off high base



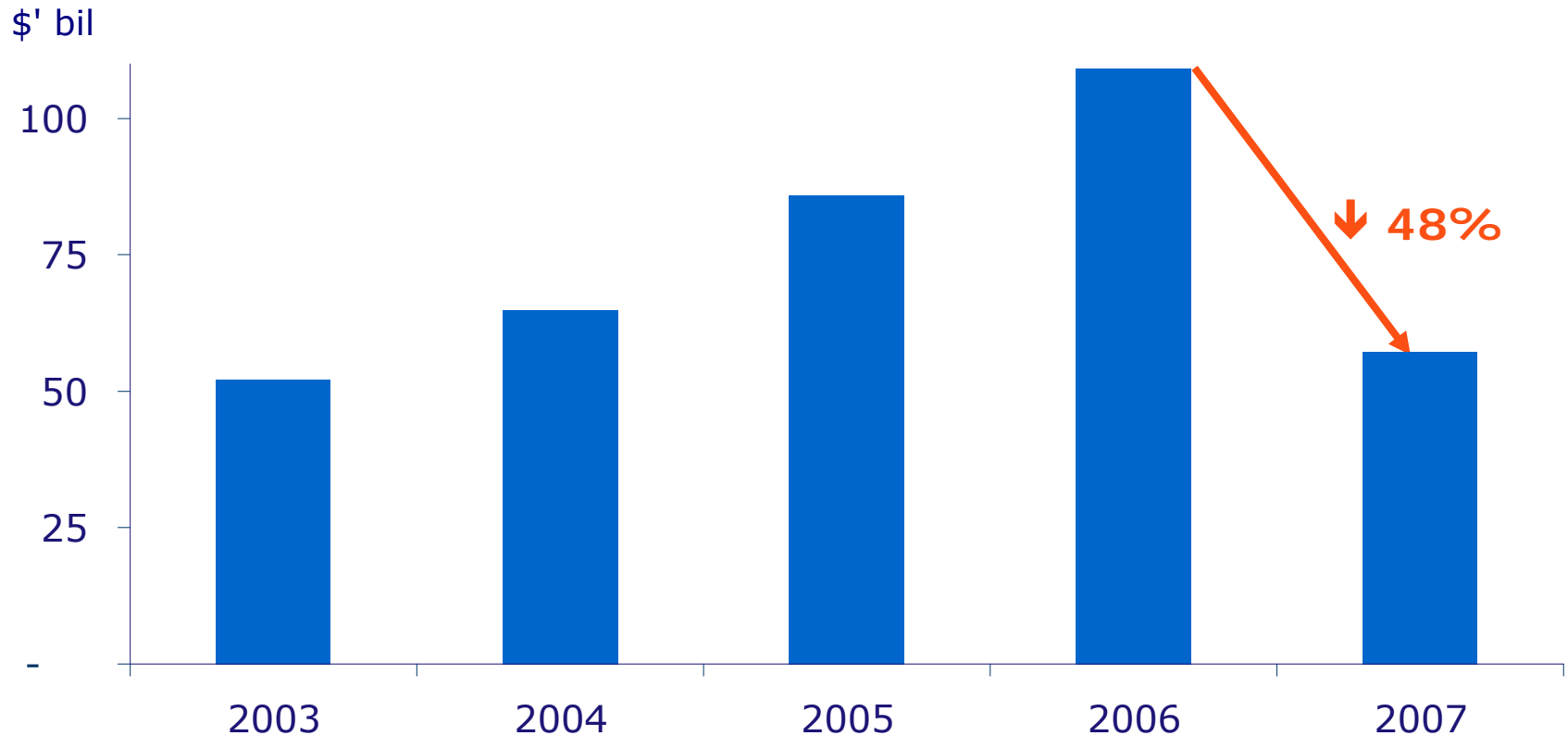
Turbulent times, resilient results



# Global banking context



Global banks profit history\*

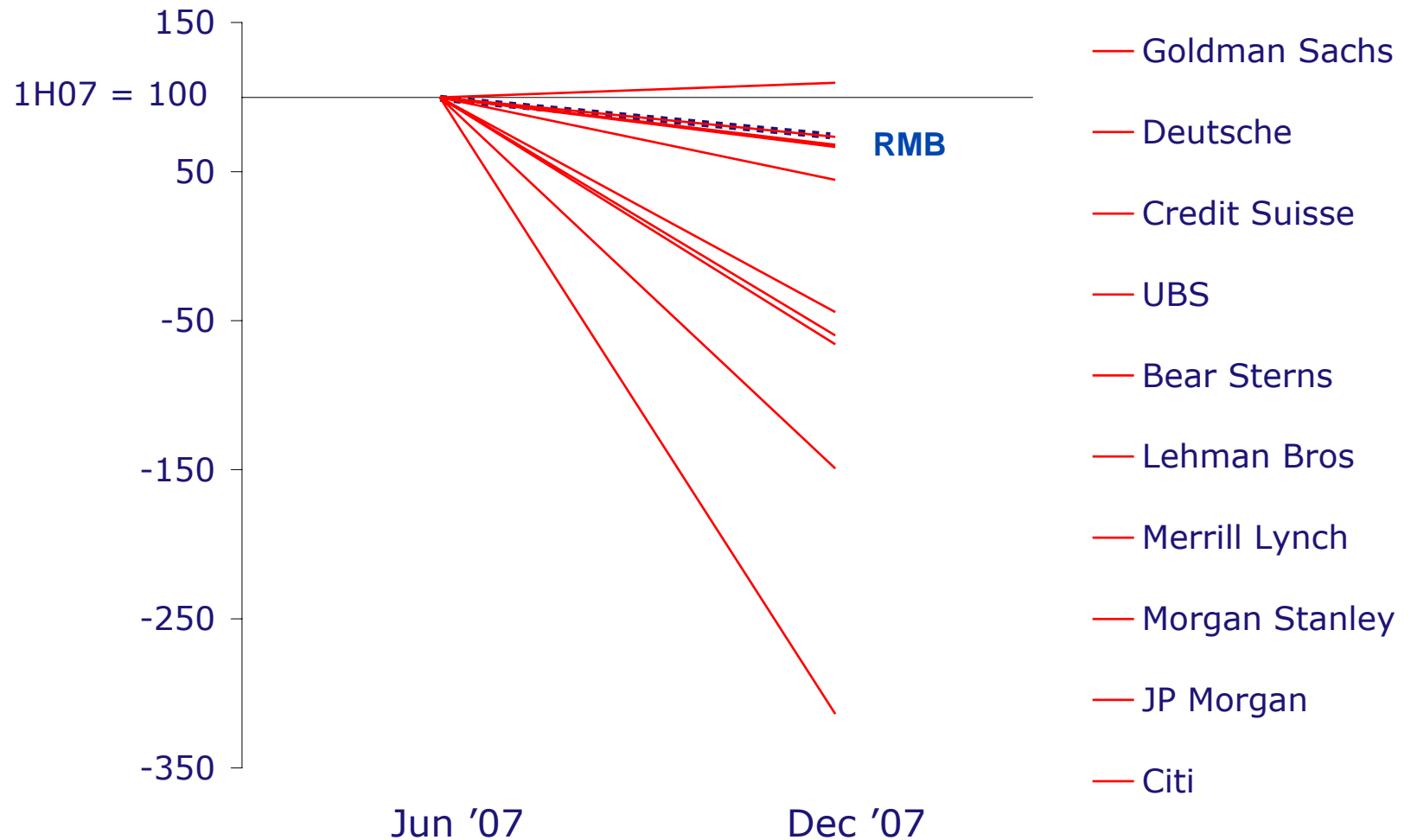


\*UBS, CS, DB, JPM, Citi, GS, ML, MS, Leh, BS, SocGen, Barc, StanCh 2007 Profit after tax announced to date accounting for about 42% of global banking market cap

# Most had a bad 2<sup>nd</sup> half 07

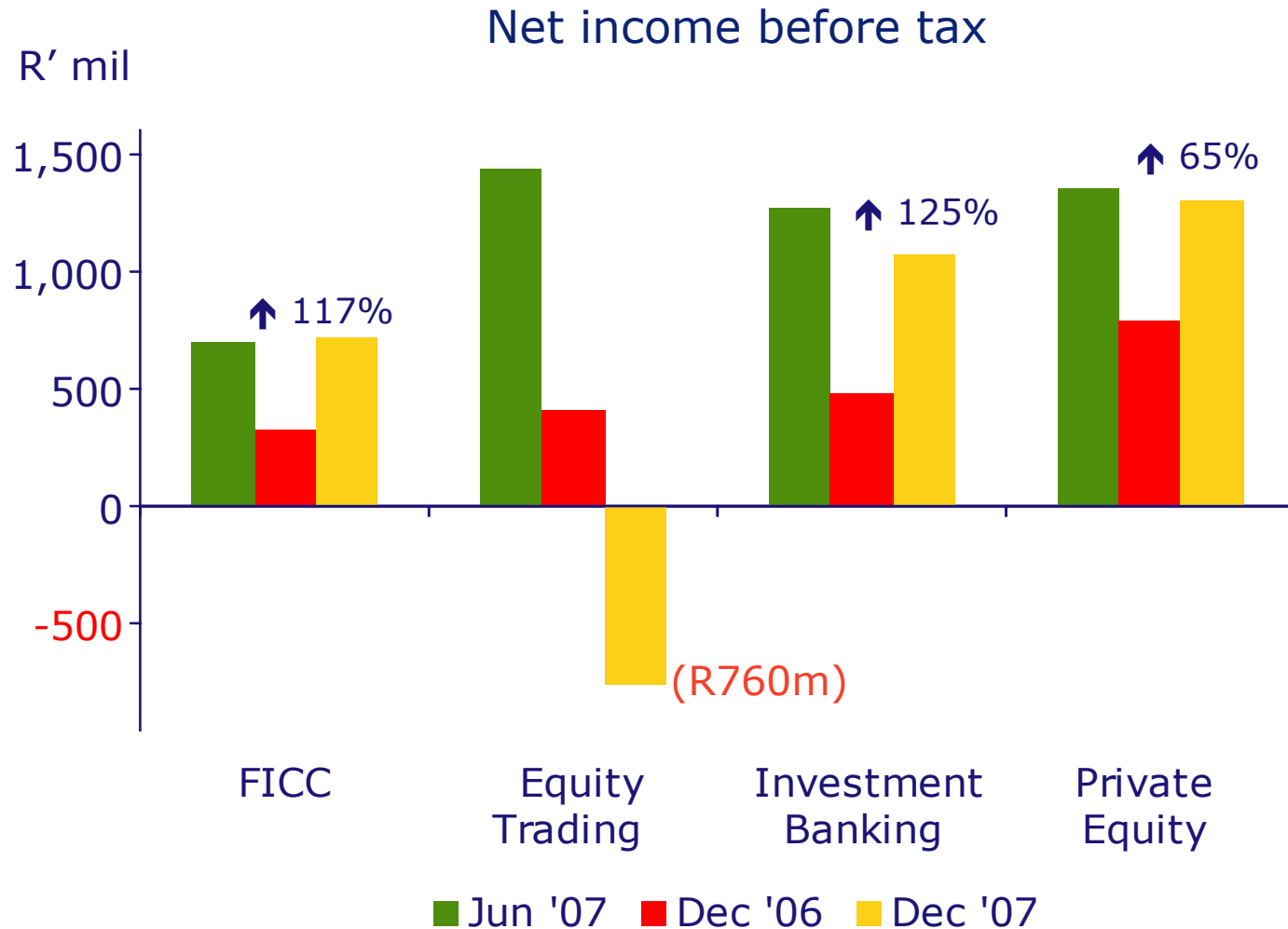


First half to second half 2007 profits



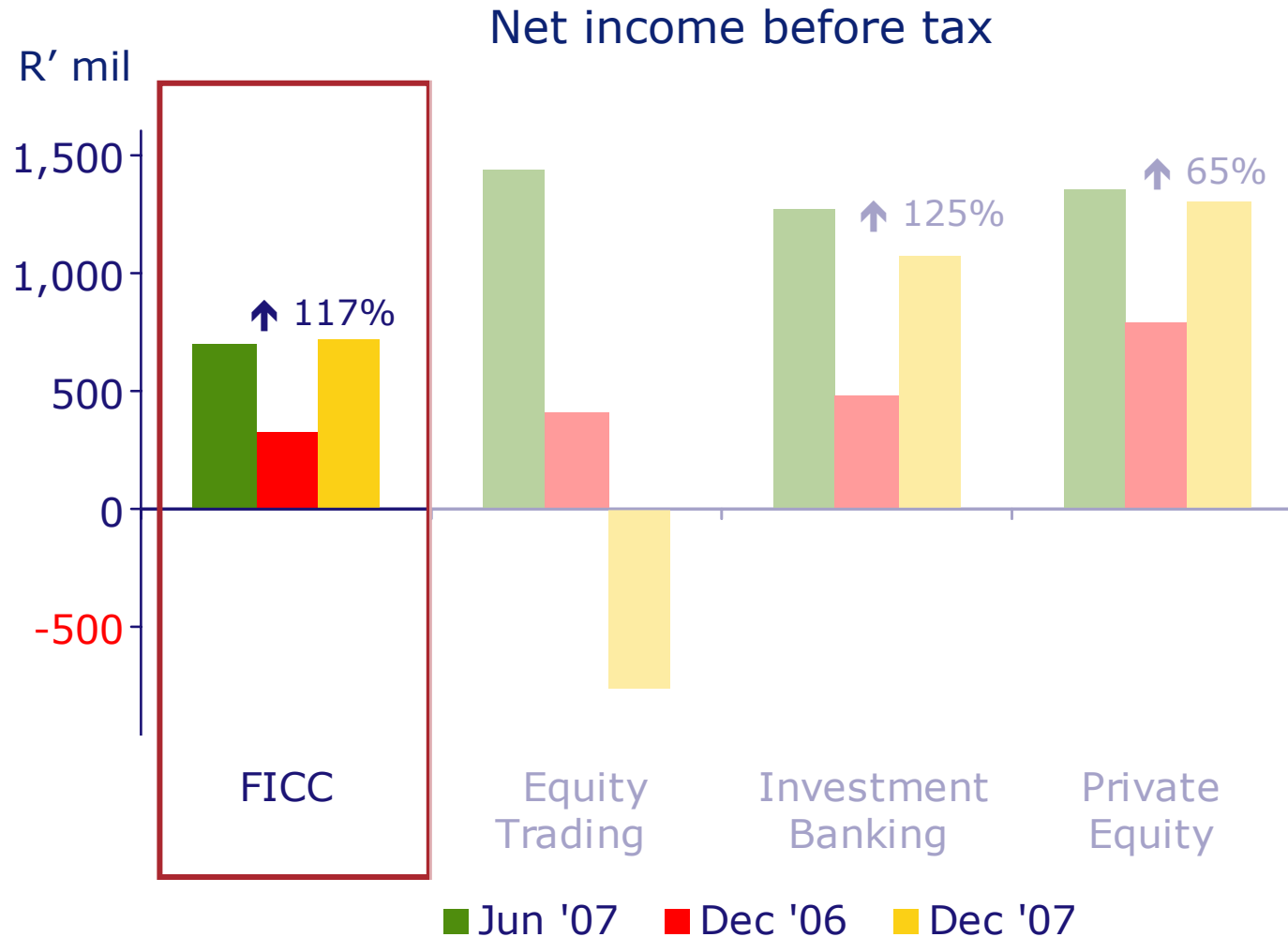


# The portfolio effect





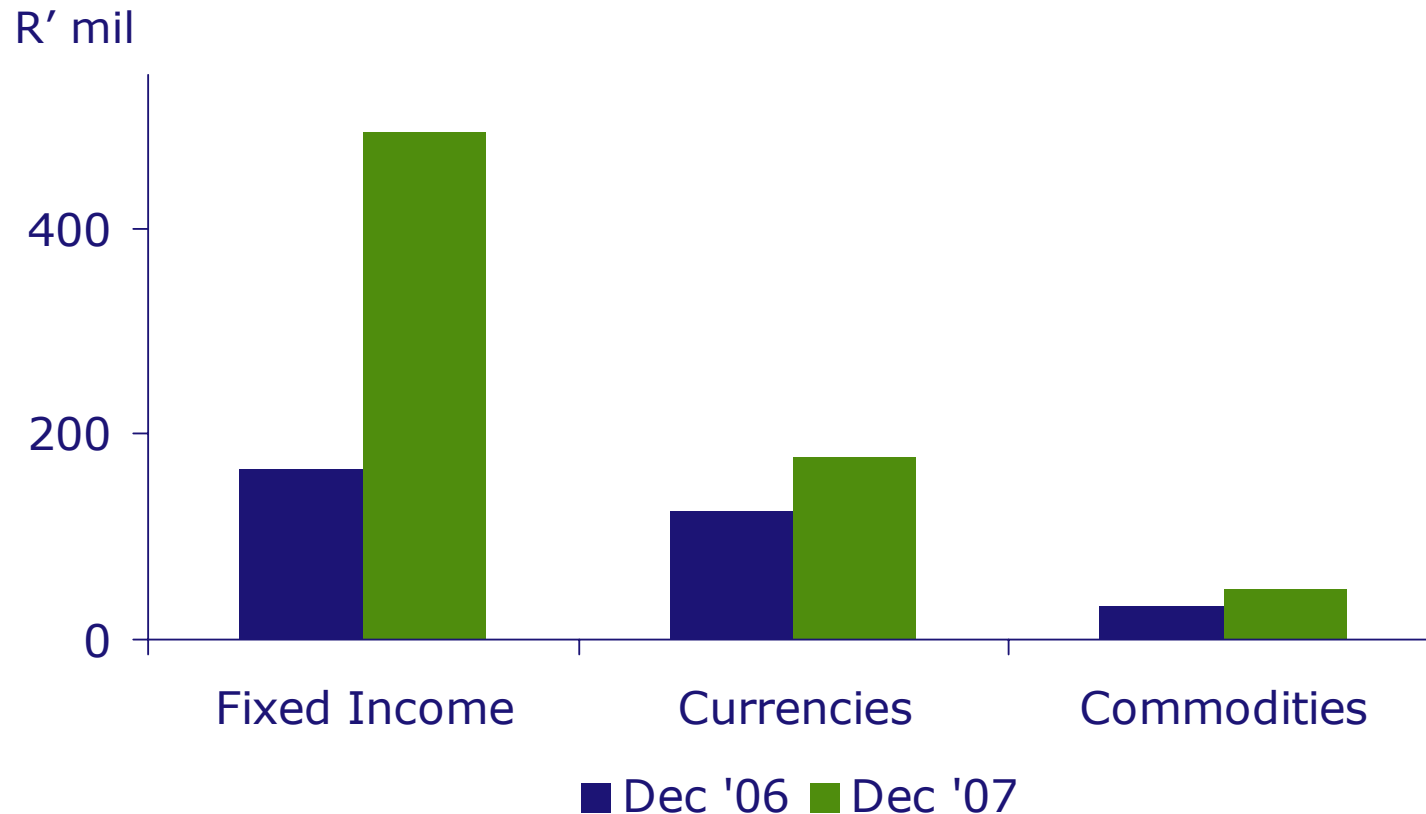
# The portfolio effect



# Strong performance from FICC



Net income before tax



# Top solutions and derivatives house



**BOND EXCHANGE  
OF SOUTH AFRICA**

**2007 Spire Awards**

**Best origination team**

**Best securitisation team**

**Best derivative team  
(sales & structuring)**

**Best inflation linked debt house**

**Best primary markets house**

**Best general fixed income research**

**Risk**

RISK MANAGEMENT | DERIVATIVES | STRUCTURED PRODUCTS

**2007 Awards**

**1<sup>st</sup> Interest Rate Options (2006- 1st)**

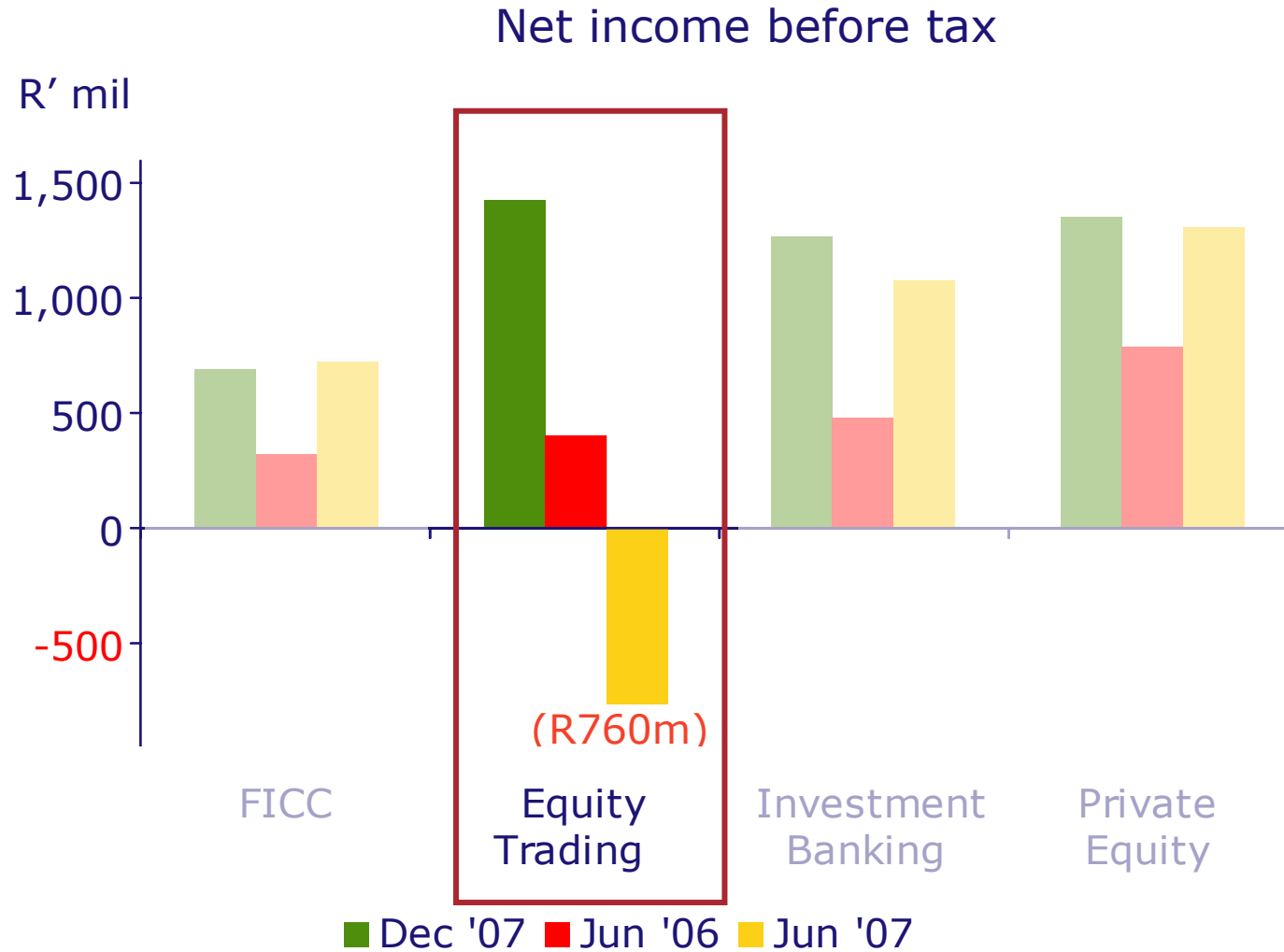
**1<sup>st</sup> Fwd Rate Agreements (2006- 1st)**

**1<sup>st</sup> Currency Options (2006- 3rd)**

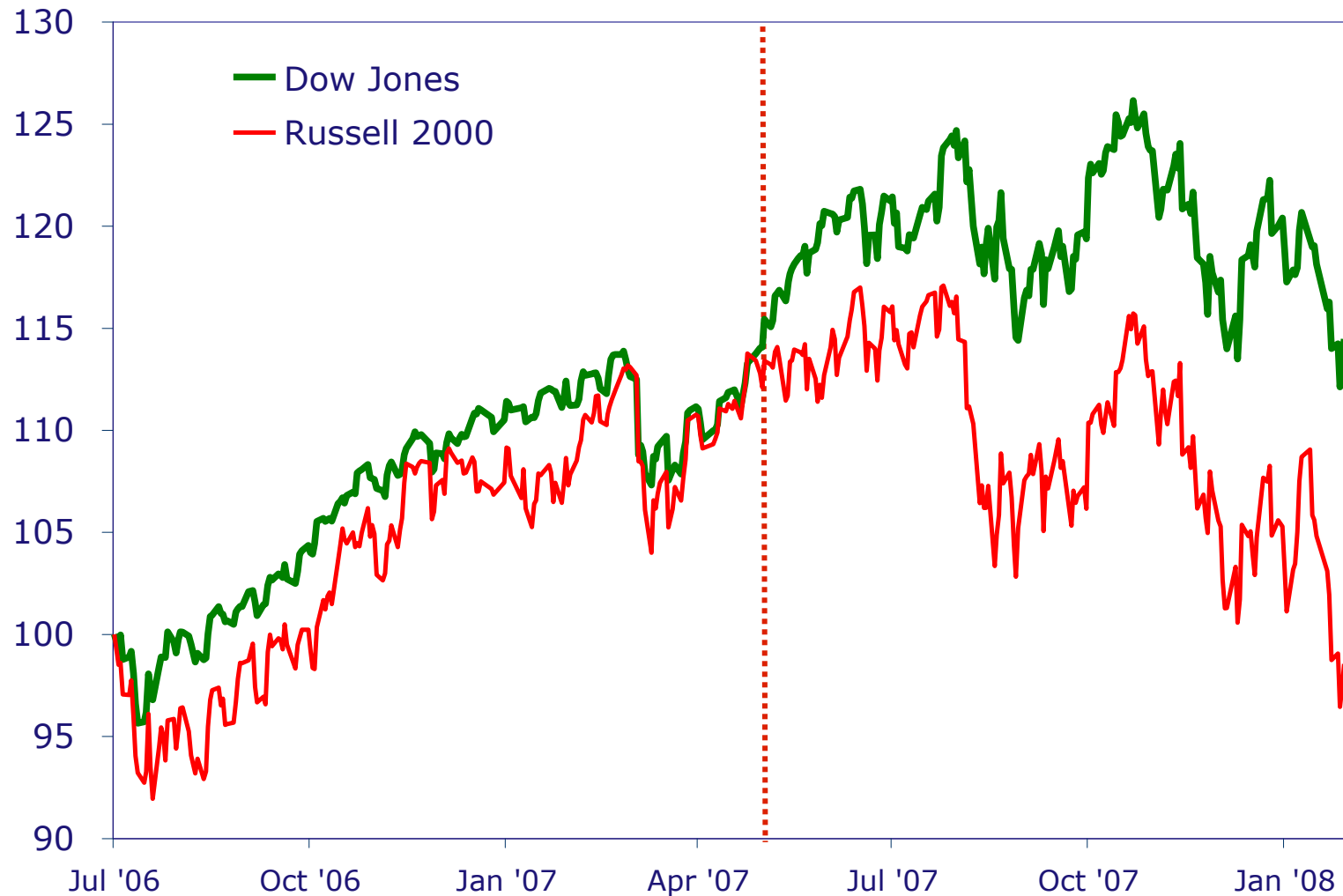
**1<sup>st</sup> Metals (2006- 1st)**



# The portfolio effect



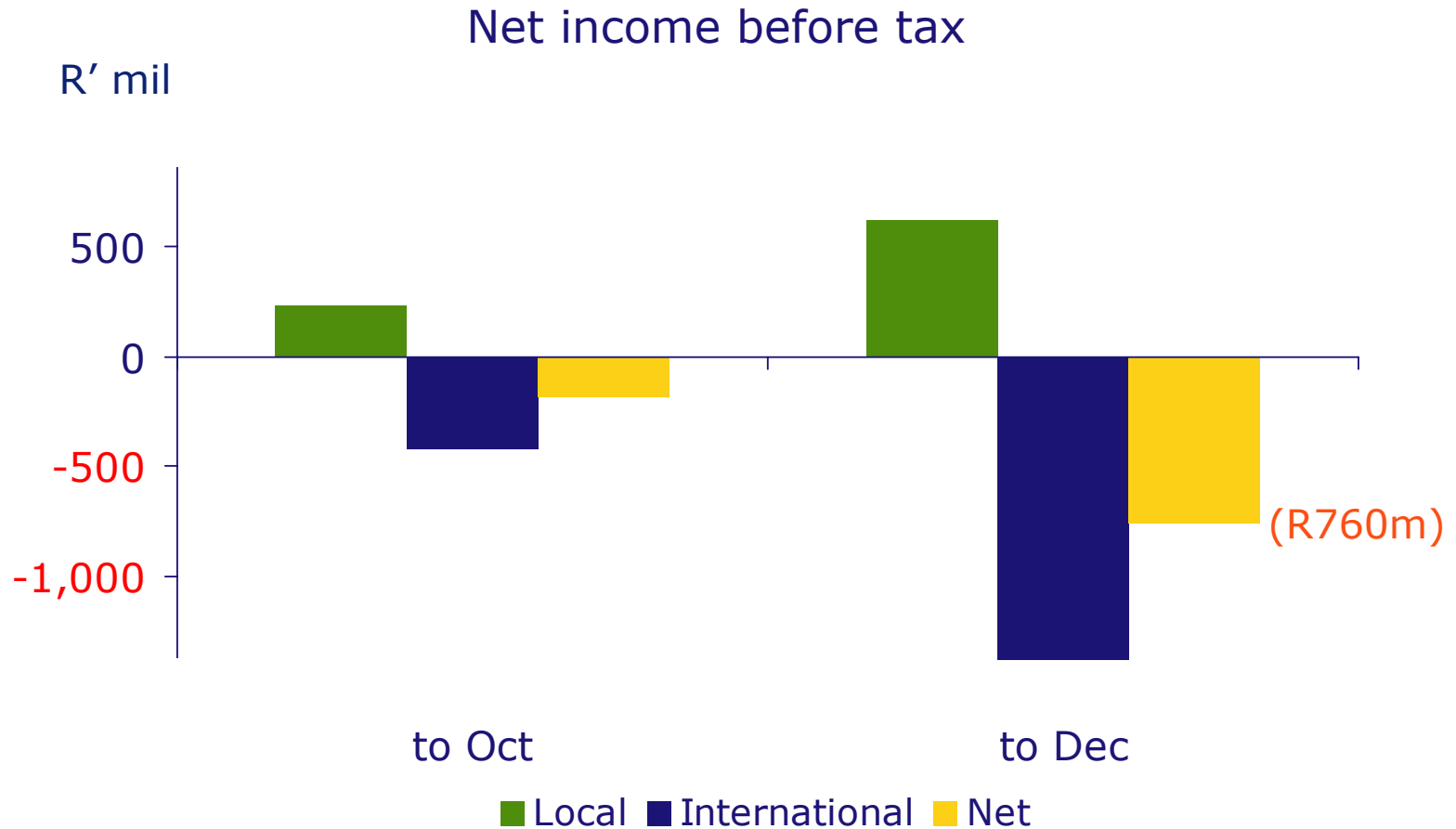
# Equity market dislocation







# Nature & timing



November was painful offshore

# Managing the risk



## Methodology

- Extreme tail loss
  - 99% confidence level
  - scaled 1.5 times
  - for a 25 year stress event
- Additional Capital Buffer
  - scales it to a 1 in 40 year event

## Market

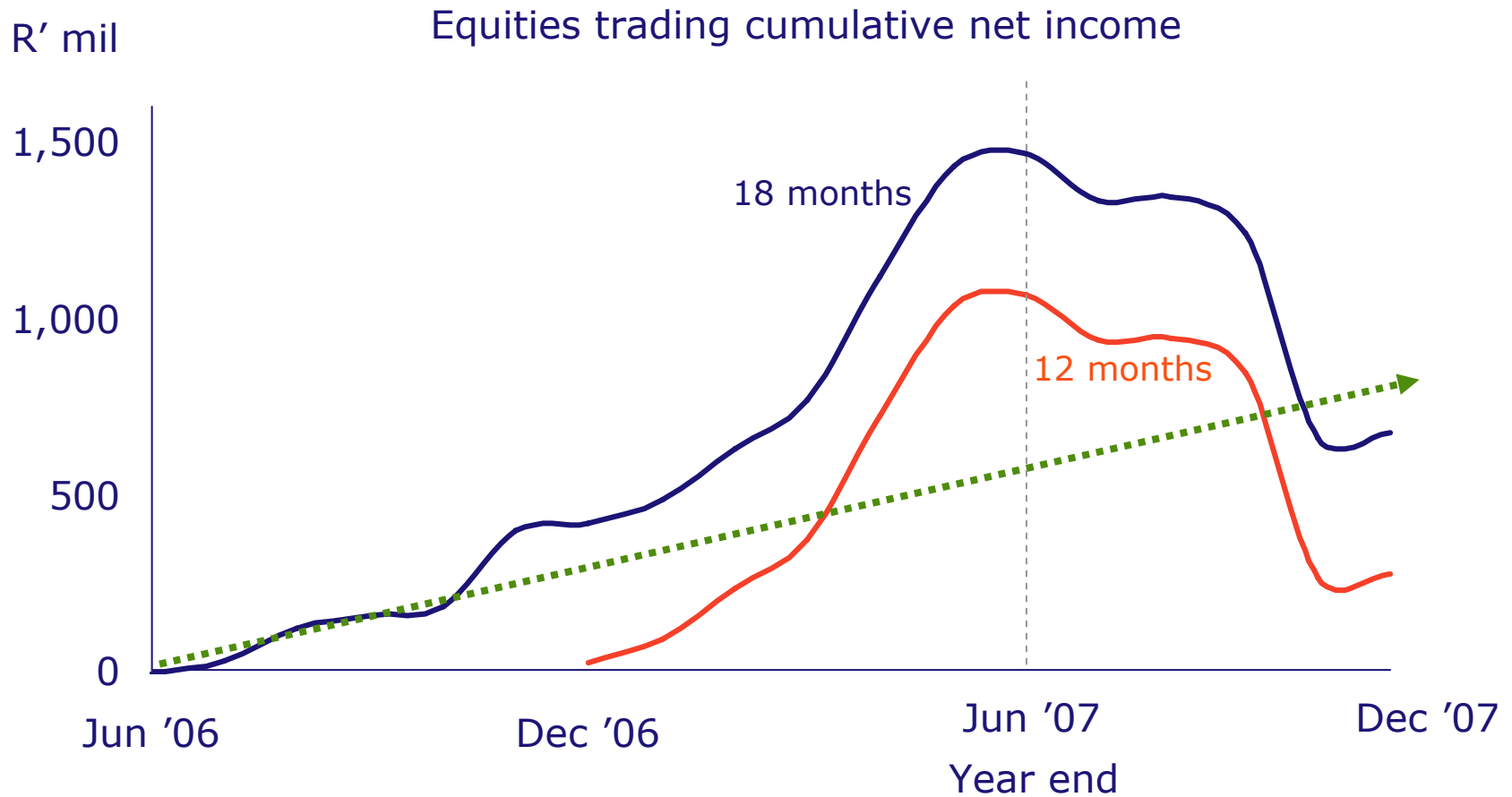
- Bigger than 1 in 40 year dislocation

## Result

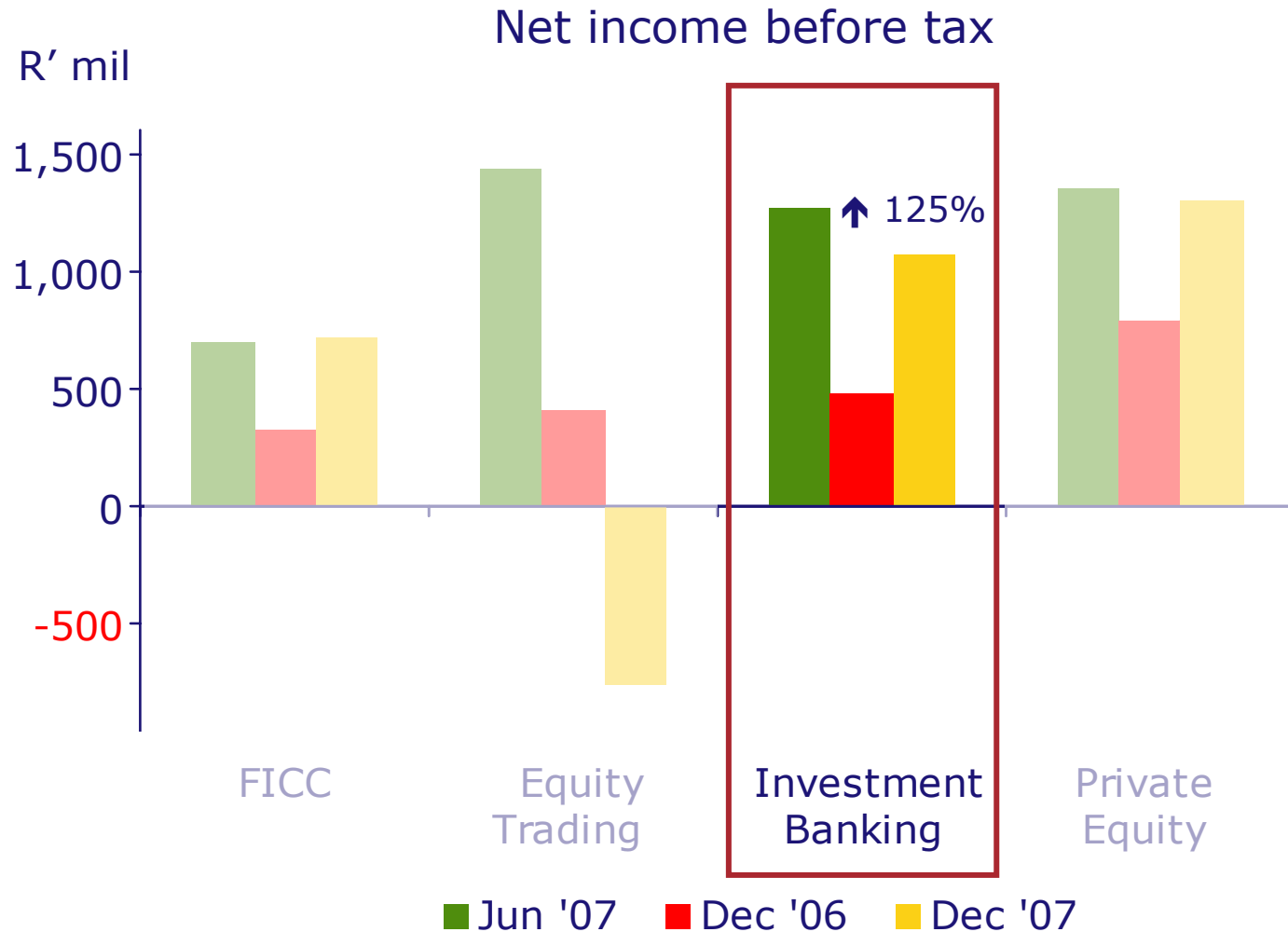
- Equity trading loss
  - 4.0% of FirstRand 2007 PBT,
  - 1.6% of FirstRand share capital,
  - 0.7% of FirstRand market cap
- Across all trading well within capital allocated

Very painful but manageable because of diversity

# Trading profitable over the long term



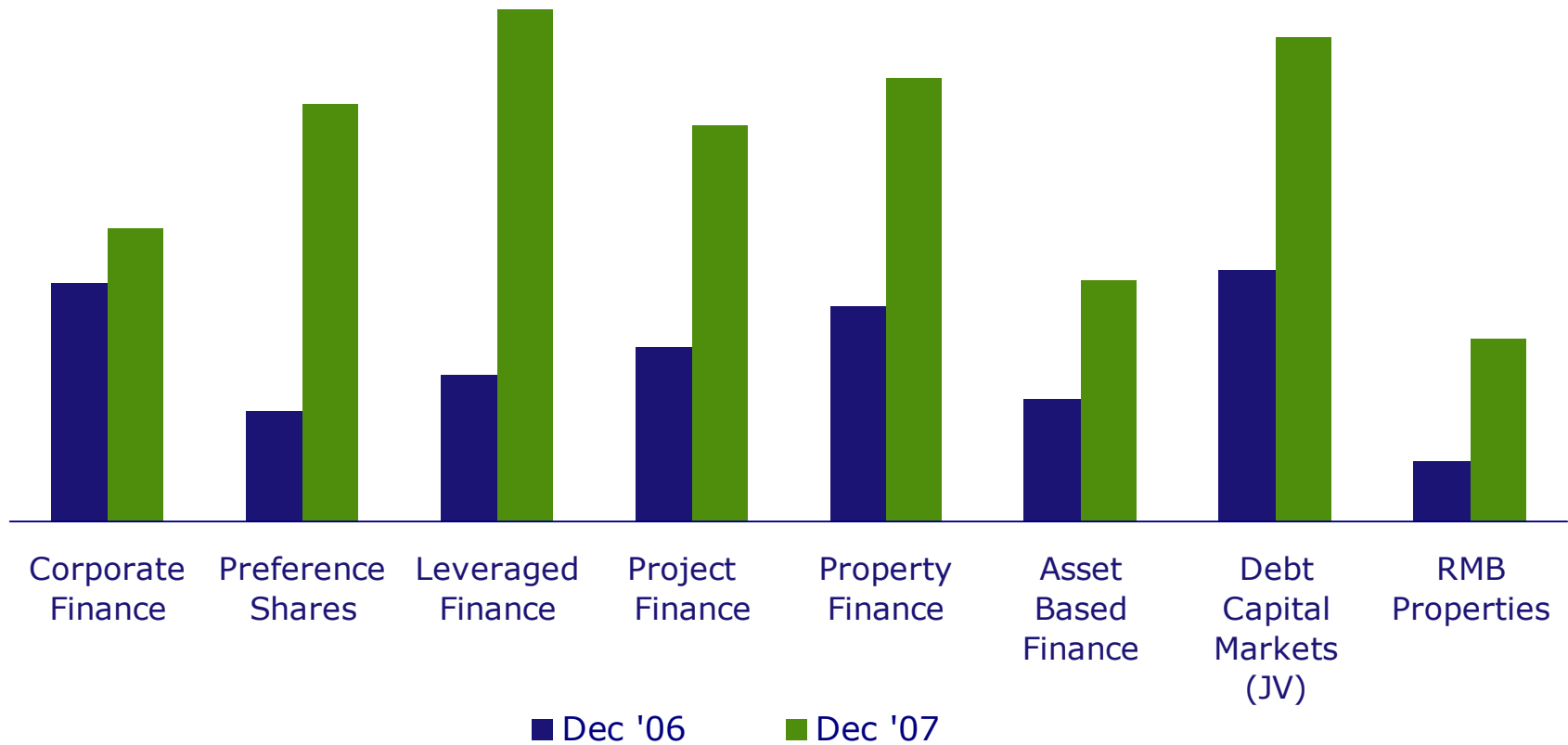
# The portfolio effect



# Growth across the board



↑ >20%   ↑ >250%   ↑ >250%   ↑ >100%   ↑ >100%   ↑ 90%   ↑ 90%   ↑ >200%



# Consistent leaders



Survey Year	Mergers & Acquist'ns	BEE Deals	Listings	Structured Finance
2007	1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>
2005	1 <sup>st</sup> *	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
2003	1 <sup>st</sup> *	n/a	7 <sup>th</sup>	1 <sup>st</sup>

M & A Deal of the year  
2007

M & A Dealmaker of the year  
2006

M & A Dealmaker of the year  
2005

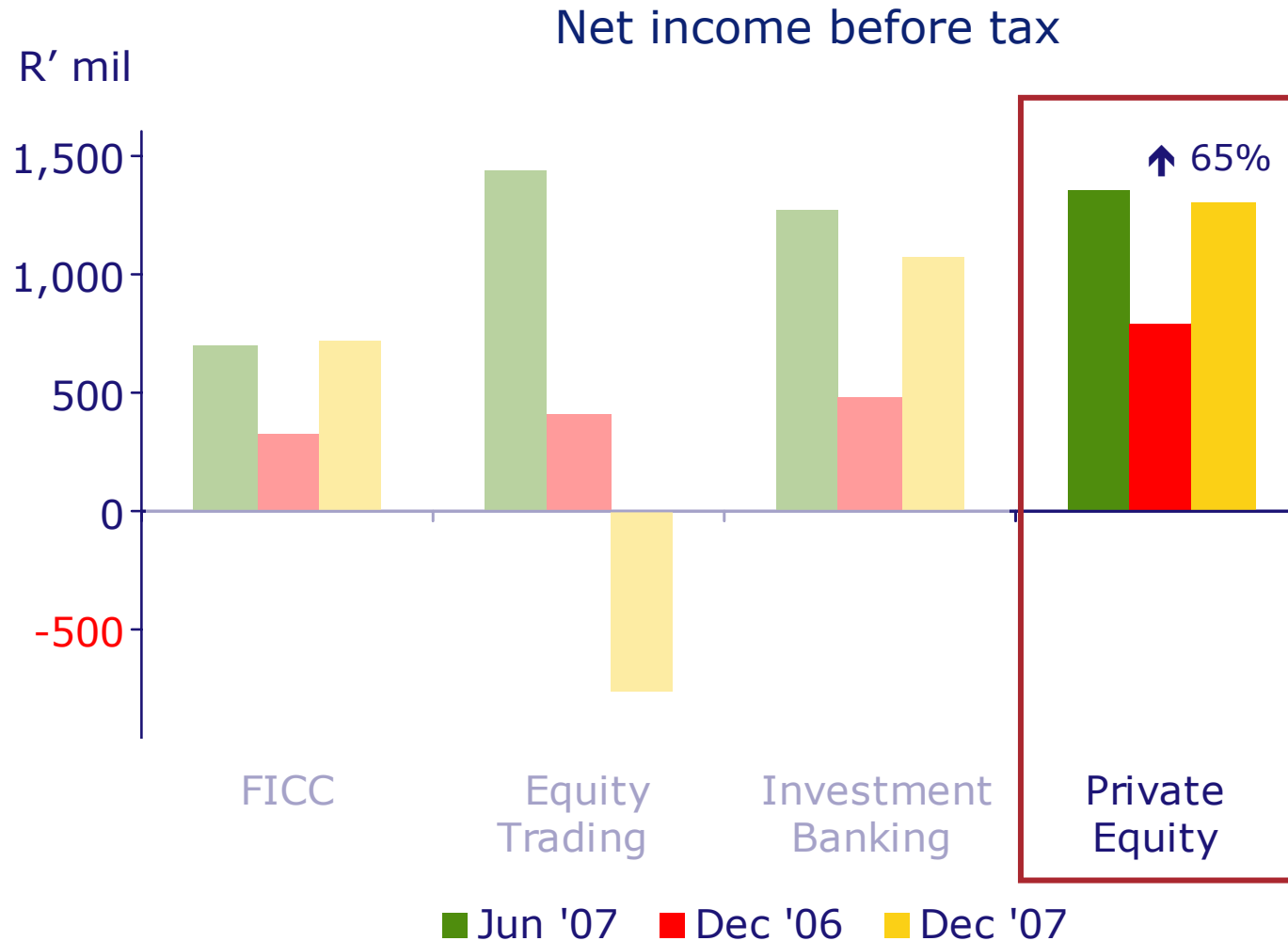
M & A Dealmaker of the year  
2004

 Deal**Makers** Magazine  
by transaction value

PRICEWATERHOUSECOOPERS  Survey on Banking in SA

\* Joint place    n/a = new category

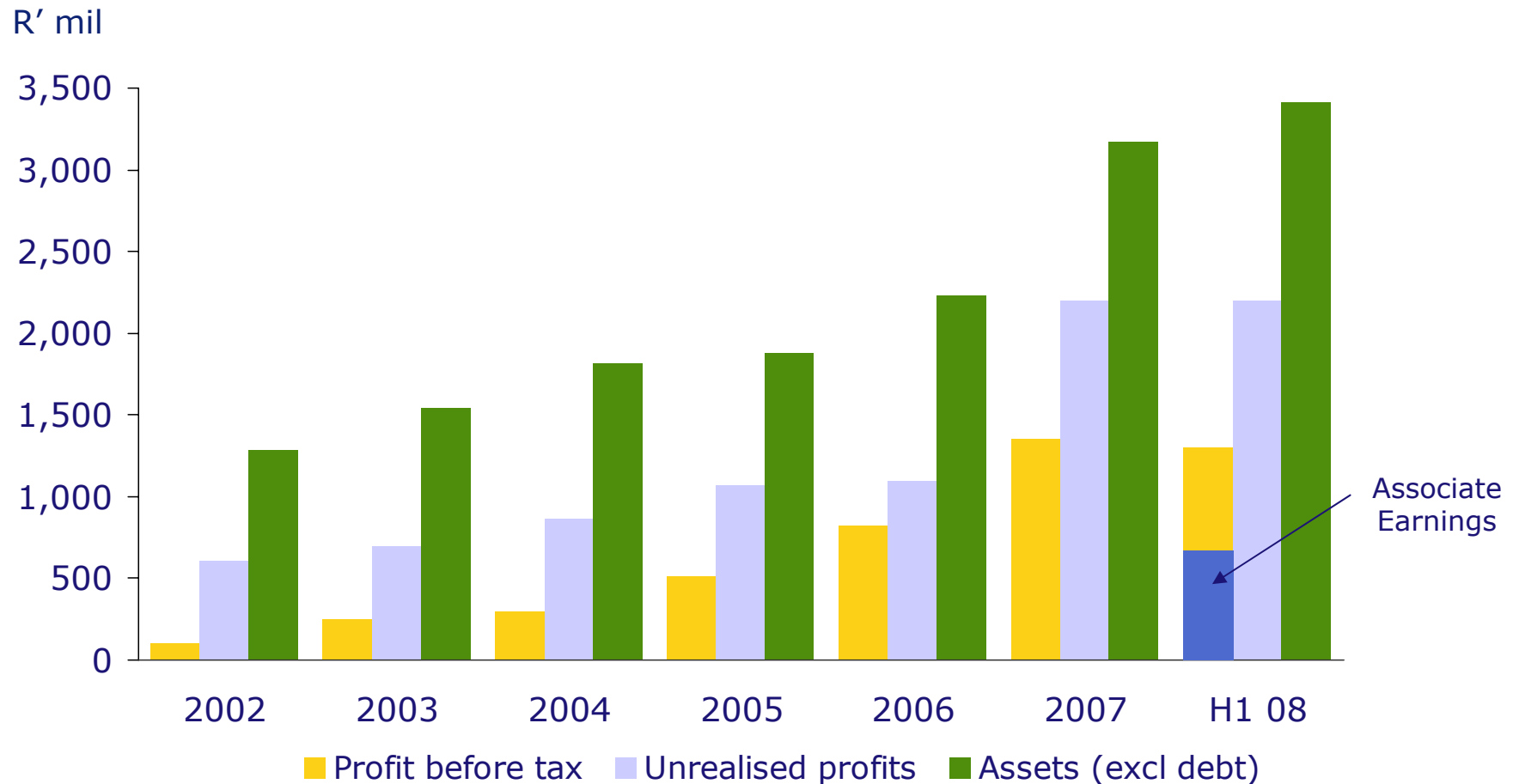
# The portfolio effect



# Unrealised profits maintained



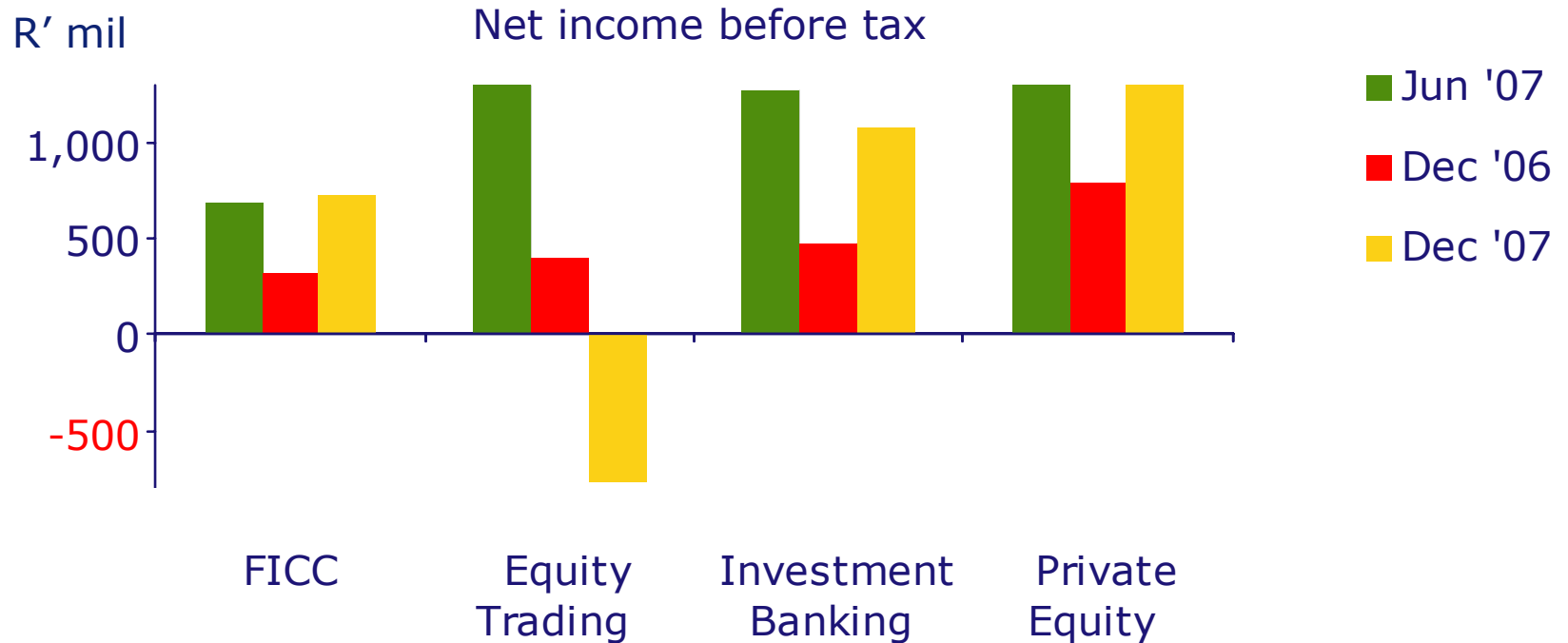
Assets, unrealised value and profit before tax







# Portfolio prospects



- Continuing volatility
- Deep value
- Market leaders
- Established Book

Turbulent times, resilient results

A large, stylized version of the WesBank logo. The 'W' is a large, teal-colored letter with a gold-to-blue gradient shadow effect. The rest of the name 'esBank' is in a teal, sans-serif font.

A division of FirstRand Bank Ltd.

# A challenging year for WesBank



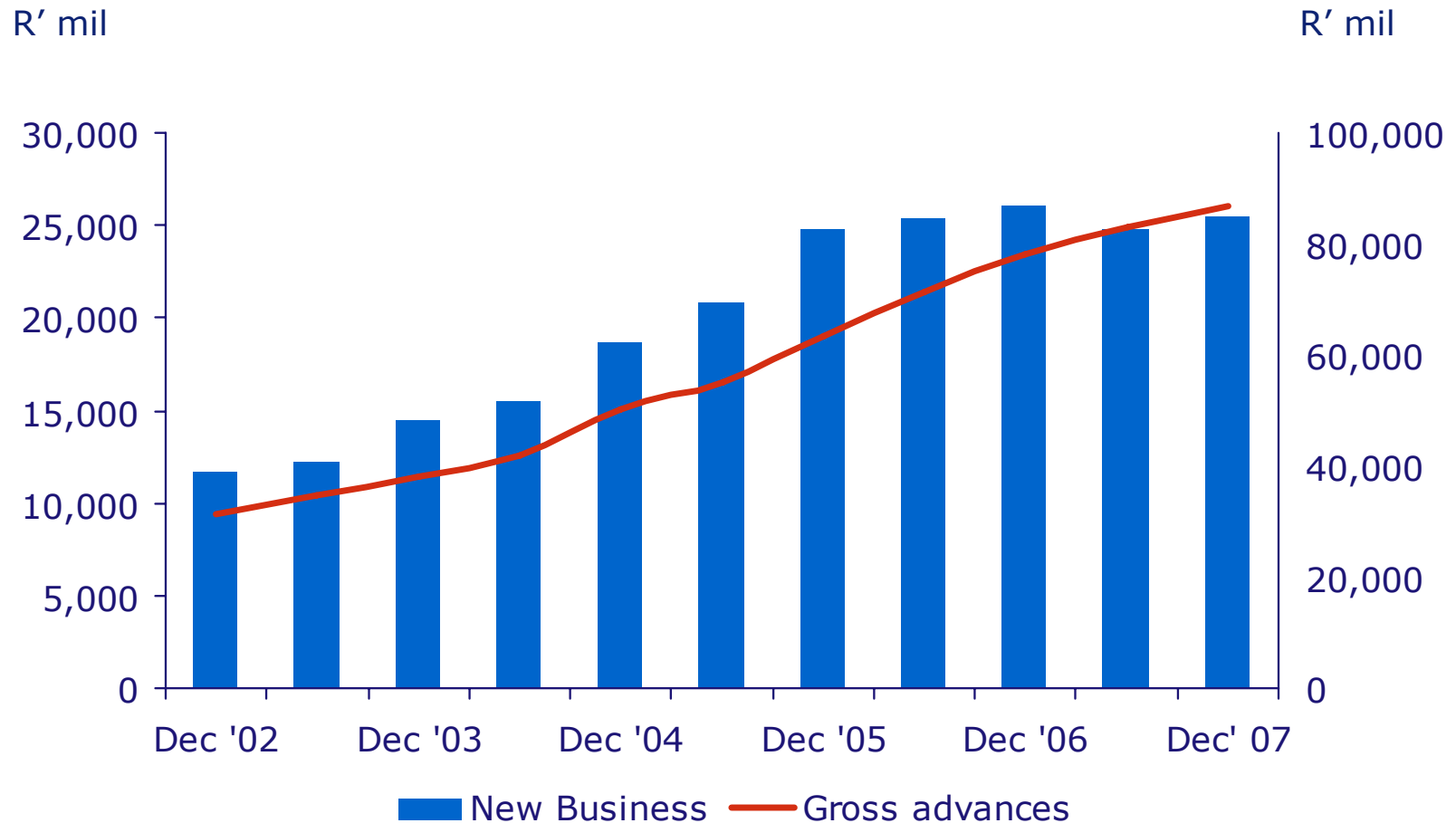
R' mil	Dec '07	Dec '06		
Local lending	635	776	(18%)	▼
International operations	(44)	(65)	32%	▲
Consolidated profit before tax	591	711	(17%)	▼

# Worse than expected performance

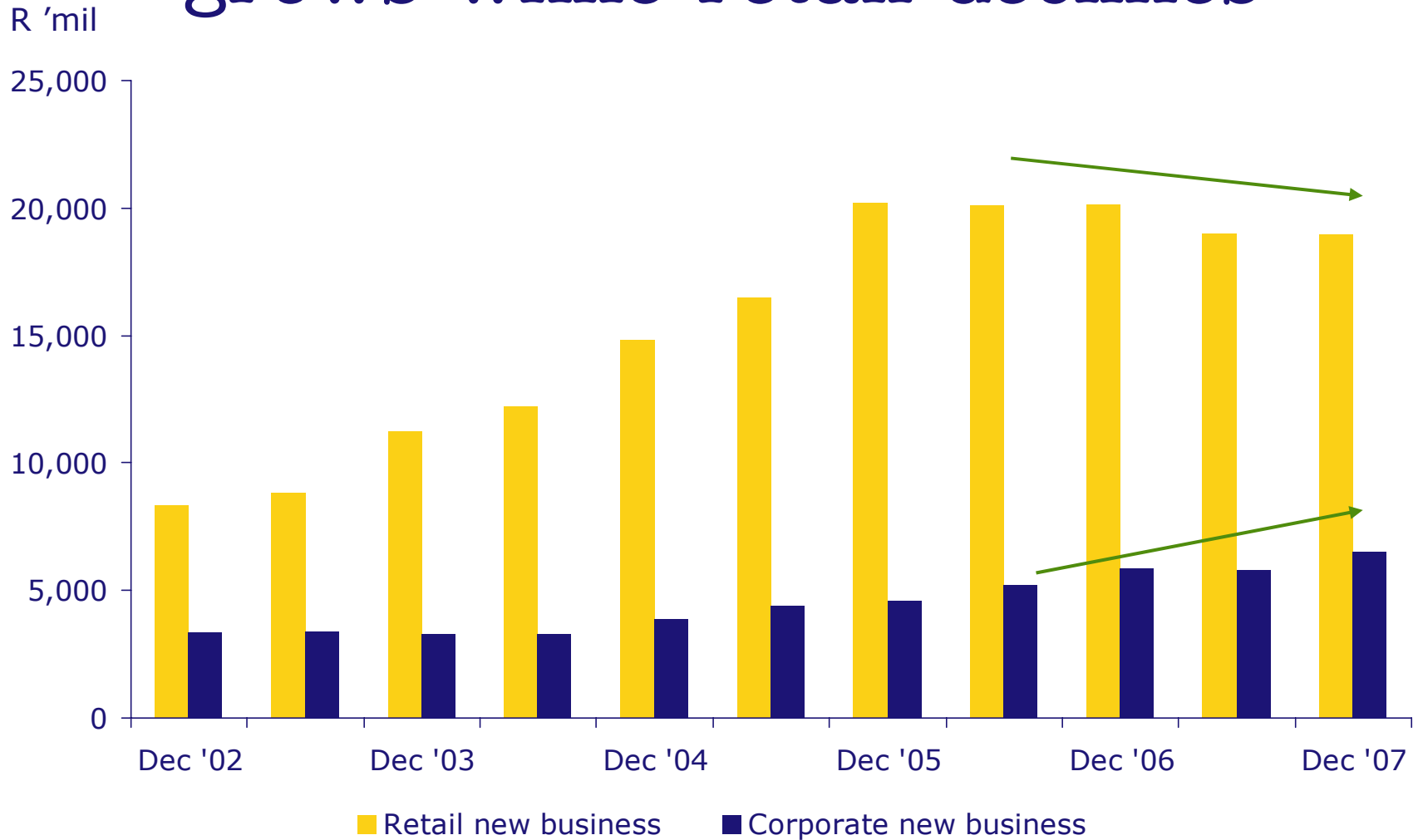
The cycle is deeper and longer than first thought

- Slow down in retail new business (motor and loans)
- Higher bad debts and worsening arrears
- Good performance in corporate and fleet
- Improved cost ratios in local operations
- Reduced losses and decisive action on the international front

# Advances growth is slowing



# Corporate new business grows while retail declines



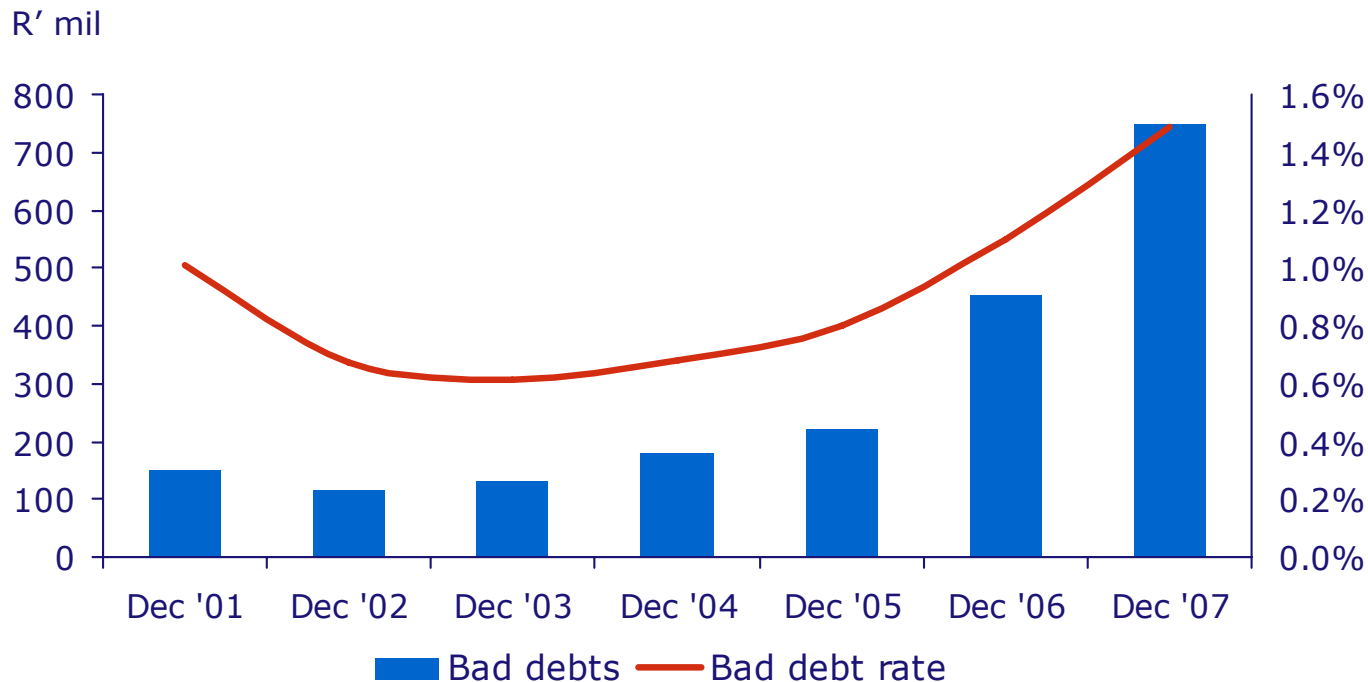
# Increased contribution from corporate



	Dec '07	Dec '06	Change	
% of net income	35.7	25.3	10.4	▲
% of new business	25.7	22.5	3.2	▲
% of advances	29.3	26.5	2.8	▲

# Bad debts rise as expected in this cycle

- Further reduction in second hand vehicle prices
- Commercial/SME market starting to feel effects of higher interest rates
- Flat interest rate forecast to provide some 'breathing space'





# Exit from Australia

## MotorOne Finance – Australia

- Not attaining required return levels, and unlikely to do so
- Fundamental shift in market dynamics
- Decision taken to exit the businesses
- No negative overall financial impact expected
- May be timing differences in conclusion of the transactions

# UK showing signs of improvement

## Carlyle Finance – UK

- Good improvement in operational performance
- Losses in line with budget reduced from R35m to R20m YOY
- Closed the business finance division
- Margins and scale showing good improvements
- Cost elements addressed
- Break even within 6-9 months

# Prospects for 2008

## Challenges faced...

- Continued pressure on retail new business
- Affordability levels
- Higher interest rate and inflation environment
- Second hand vehicle prices
- Spill over into commercial sector

## But...

- Good growth in corporate sector
- Systems and operational efficiencies
- Greater contribution from non-lending activities
- Been through this cycle before ...

value

making a success of life

**m**omentum



# Financial highlights

	Dec '07	% change
Normalised earnings (R' mil)	913	19
Return on equity (%)	31	
Insurance new business (R' mil)	15 459	40
Value of new business (R' mil)	298	44

# Challenging operating environment <sup>m</sup>



- Pressure on disposable income
- Pressure on asset values
- Negative impact on capital requirements
- Reduction in fee income

**BUT**

- Resilient new business sales

# Strong operational performance...m

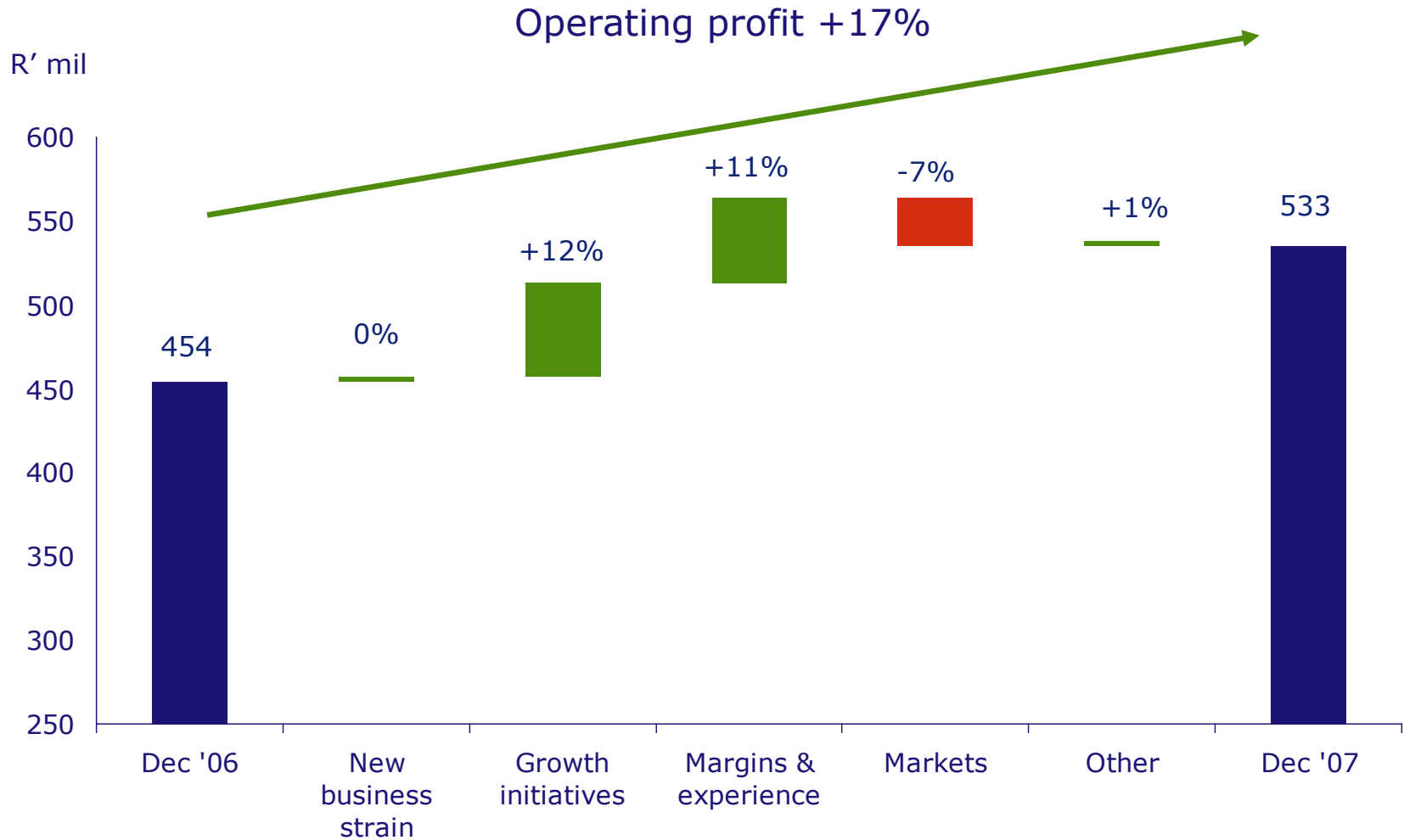
R' mil	Dec '07	Dec '06	% change
Insurance operations	643	513	25
Asset management	140	139	1
Group operating profit	783	652	20

# ...driven by insurance operations

R' mil	Dec '07	Dec '06	% change
Insurance operations	643	513	25
- Momentum insurance	533	454	17
- FNB insurance	110	59	86
Asset management	140	139	1
Group operating profit	783	652	20

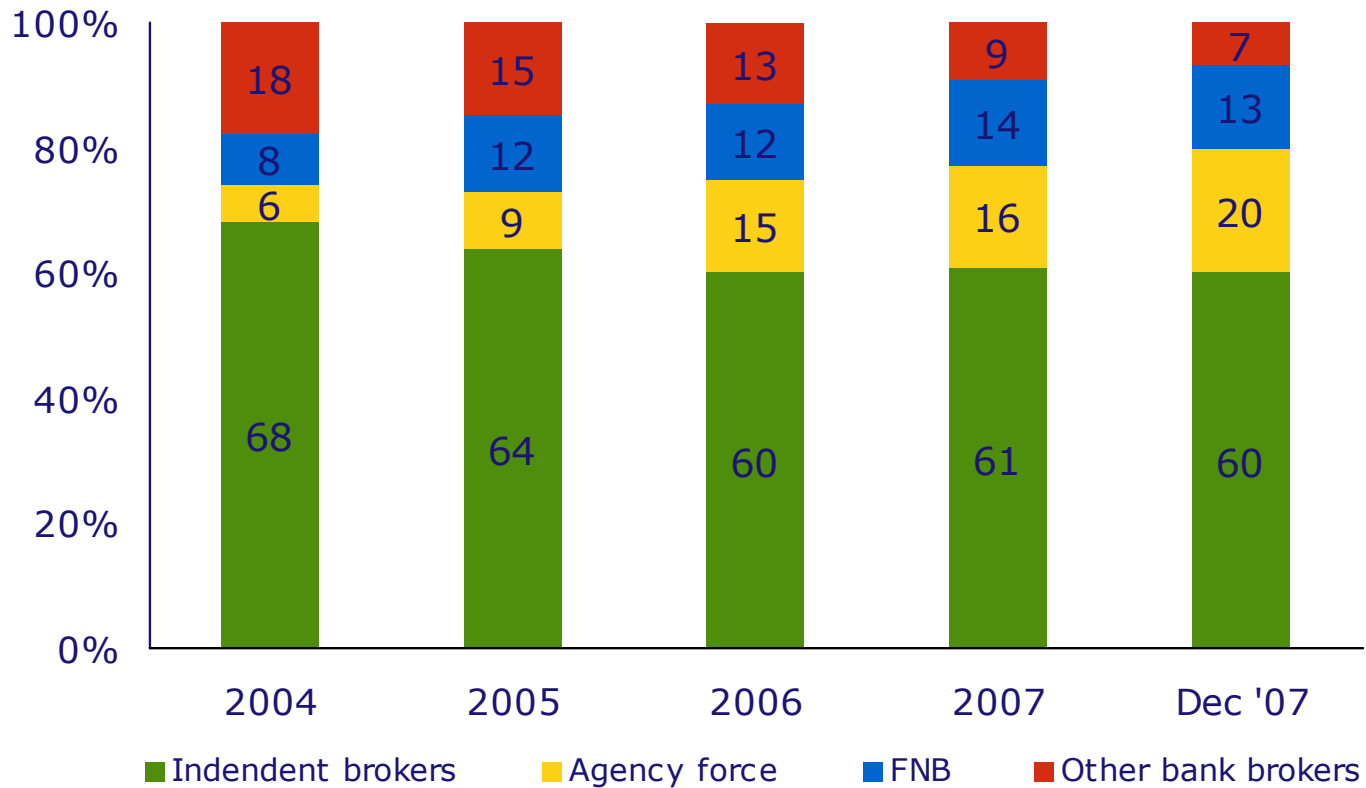


# Strategy paying off

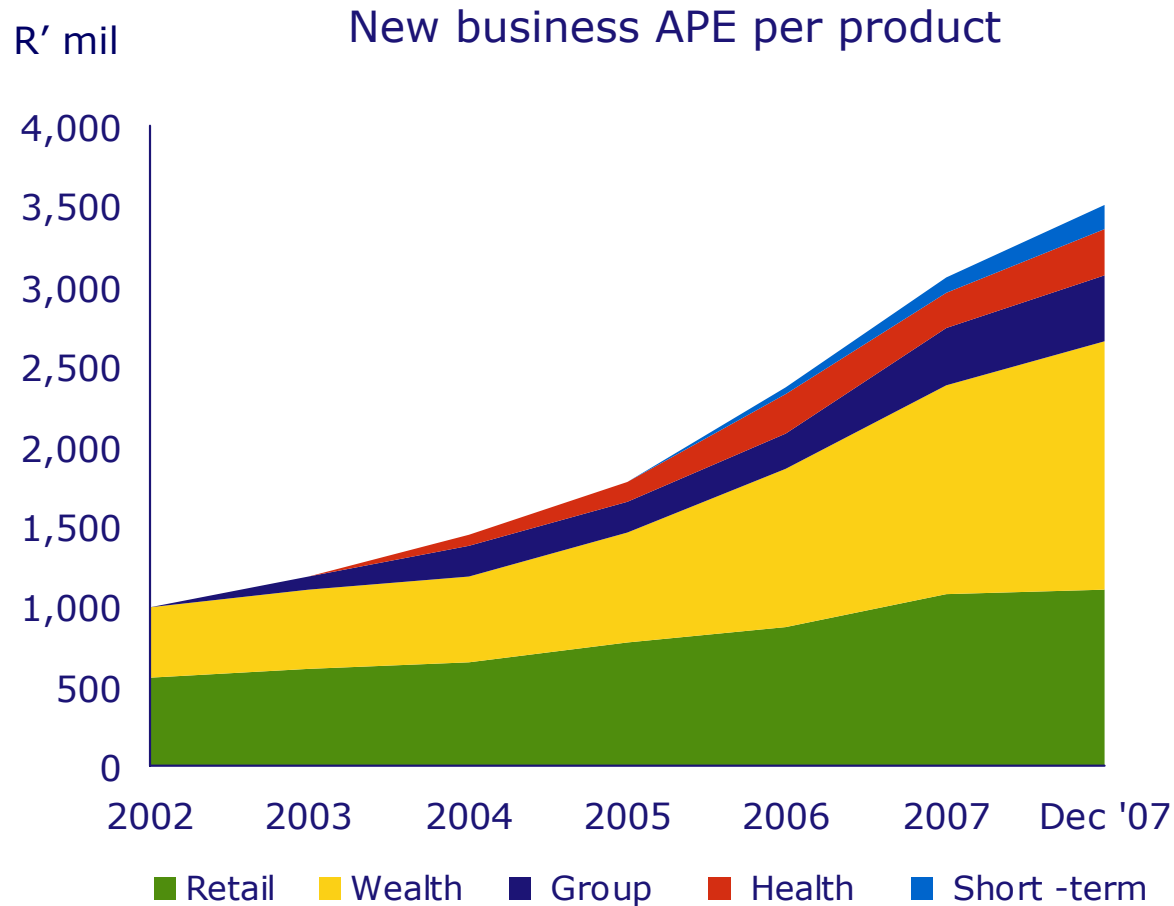


# Growing channel diversification <sup>m</sup>

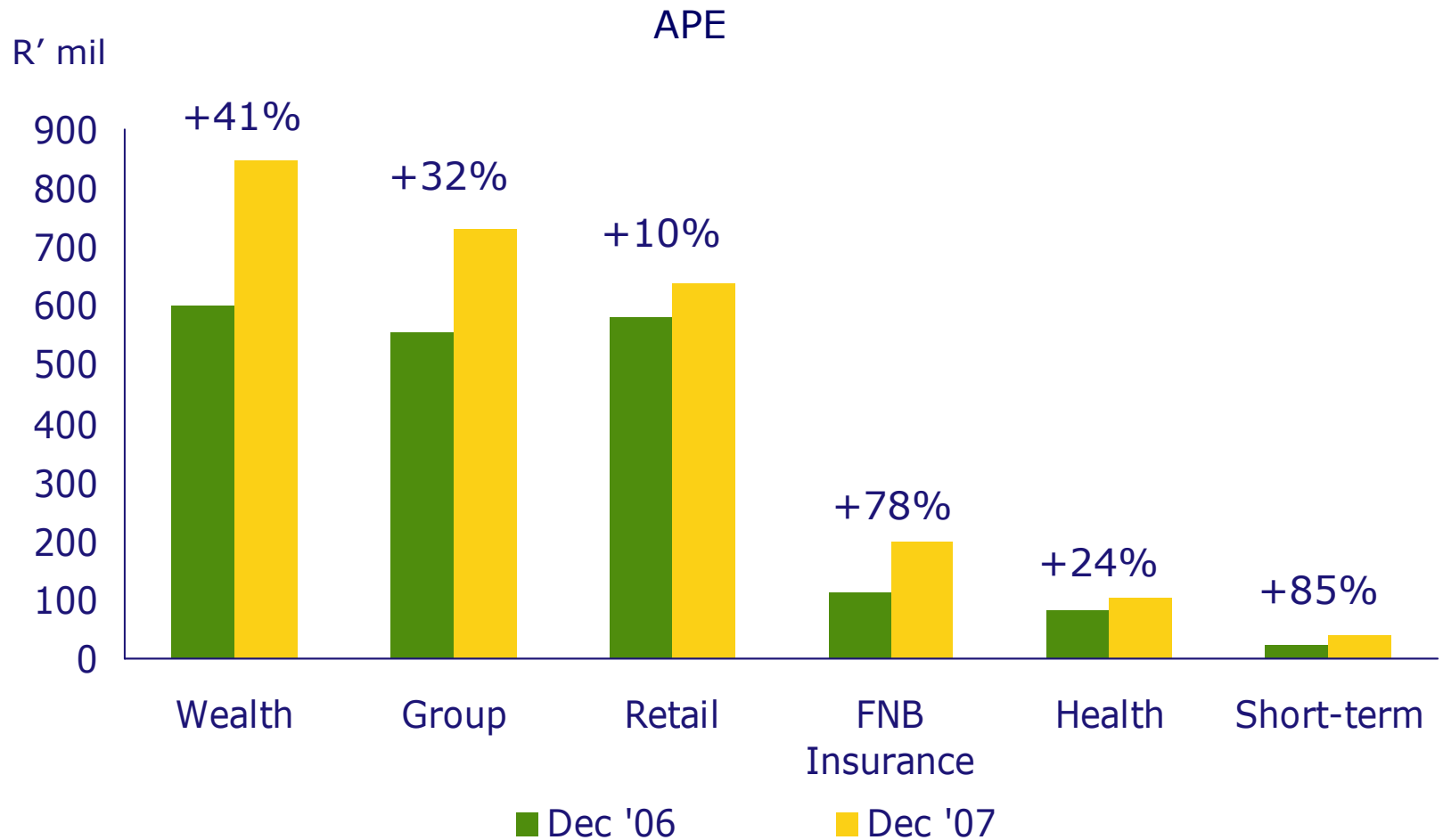
Contribution to Momentum Sales APE



# Product diversification strategy delivering



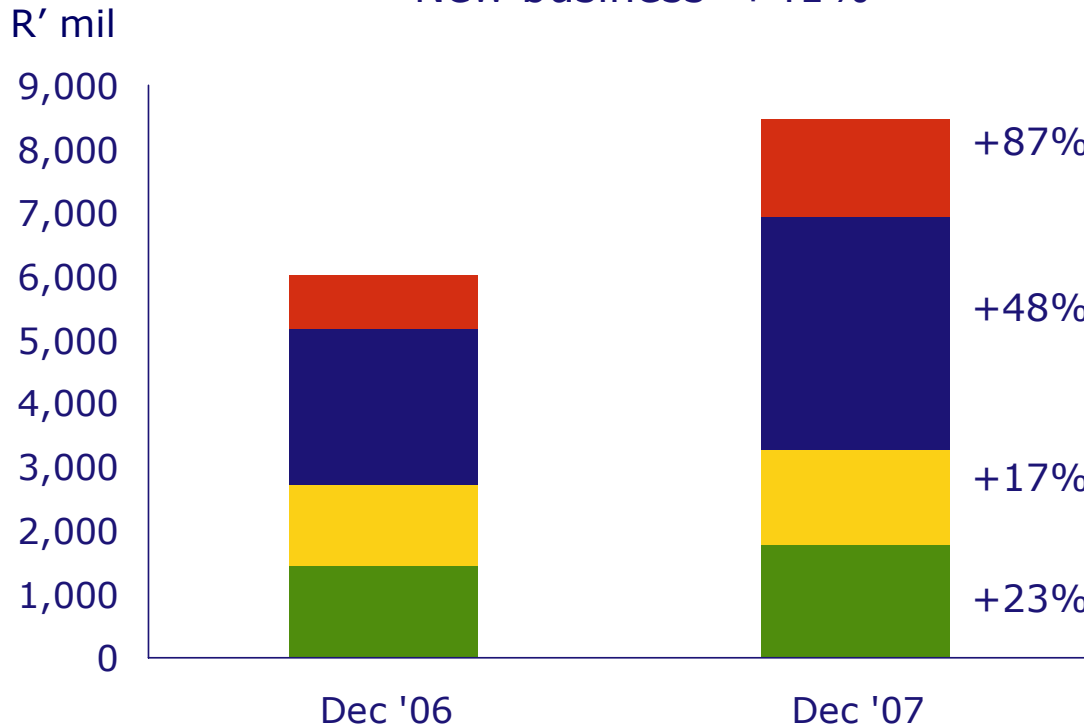
# New business growth across all product lines



# Excellent growth in wealth business



New business +41%



- Driven by product innovation and specialised distribution
- 30% share of broker market
- Strong positive net cashflows

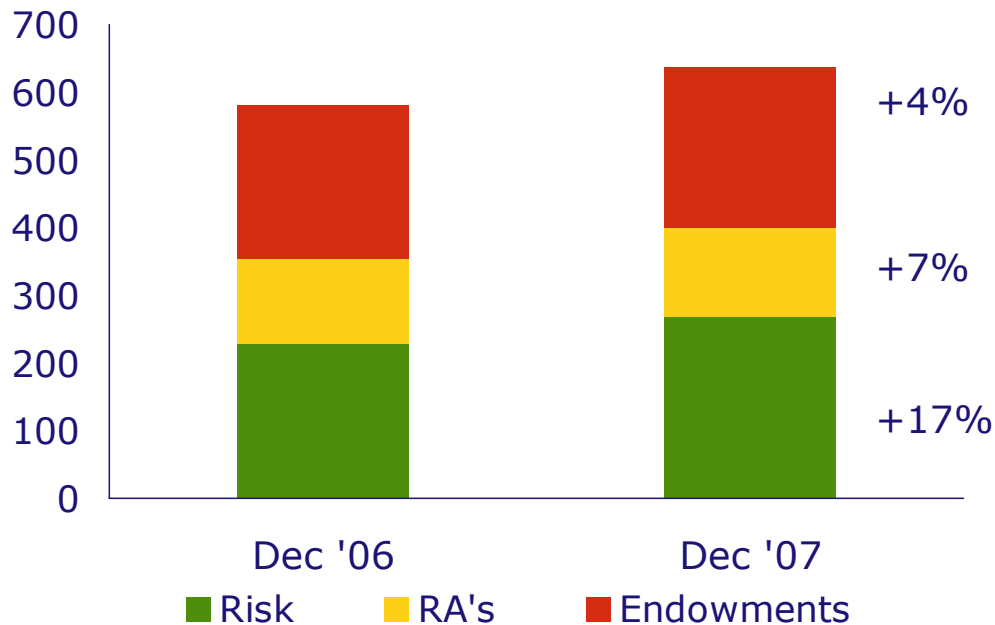
■ Individual life                      ■ Annuities  
■ Linked products - local            ■ Linked products - Off-shore

# Risk continues to drive retail business



New business +10%

R' mil

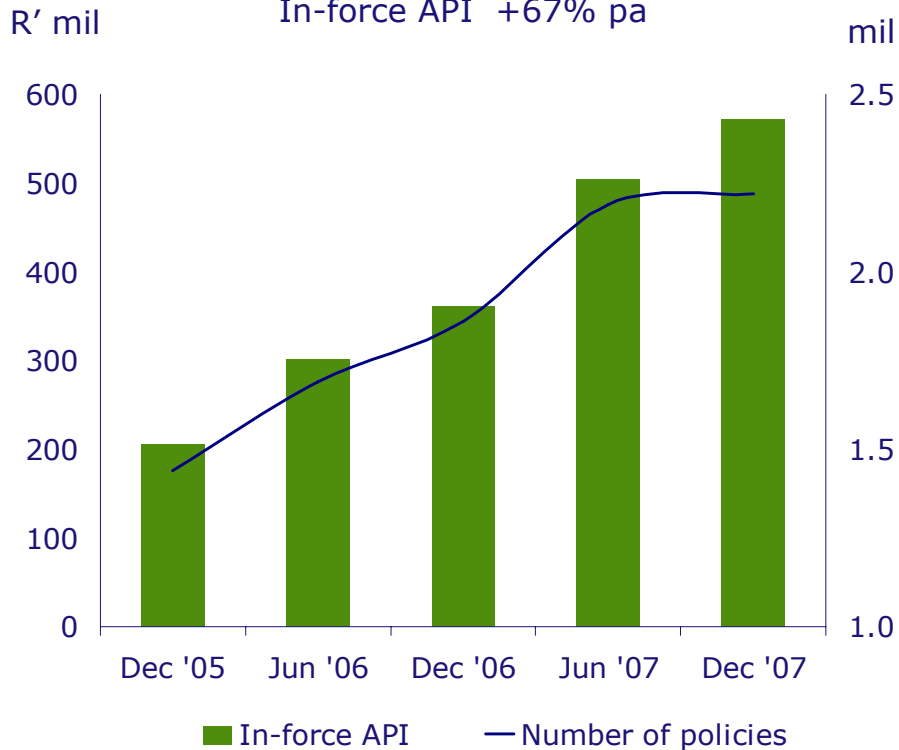


- Savings growth dampened by pressure on disposable income
- Historical sales success and acquisitions paying off

# Significant contribution from FNB collaboration

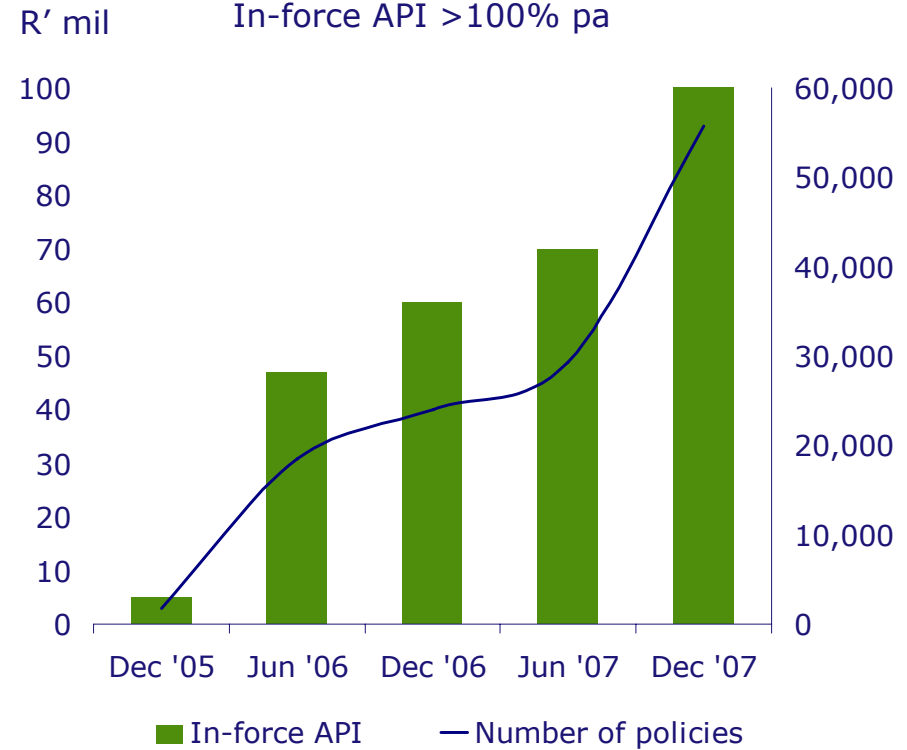
## Mass market

In-force API +67% pa

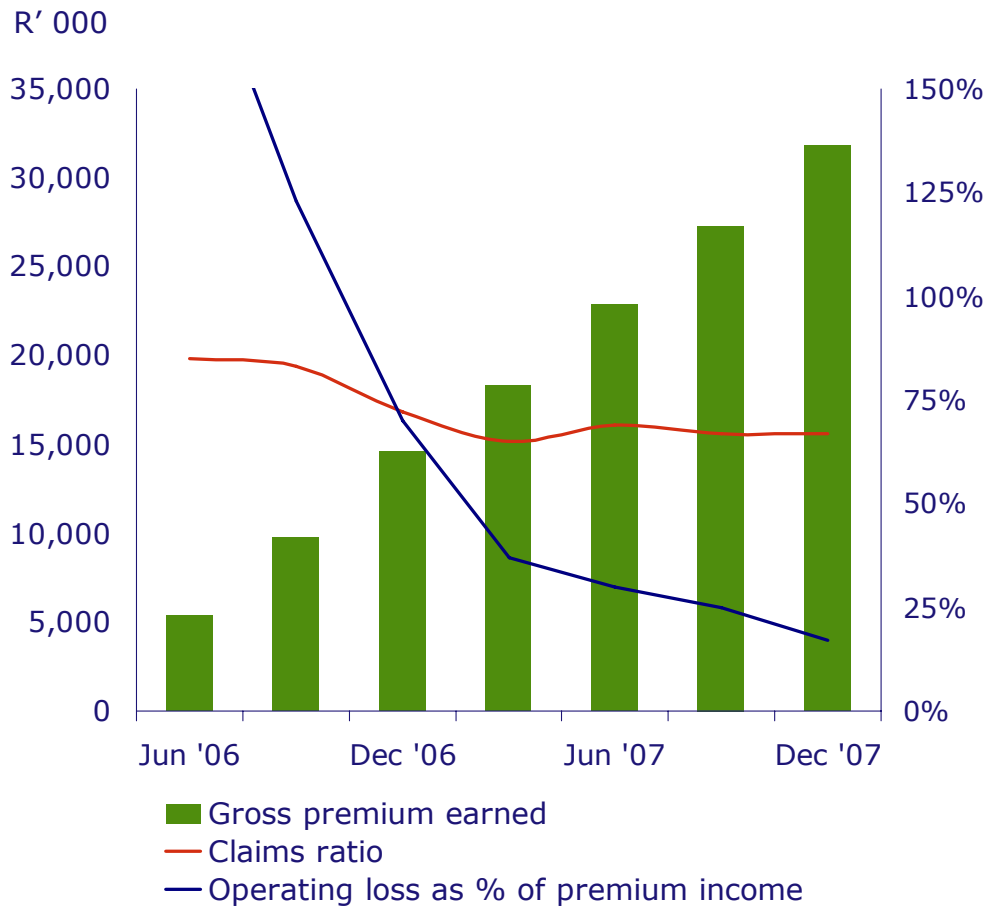


## Middle market

In-force API >100% pa



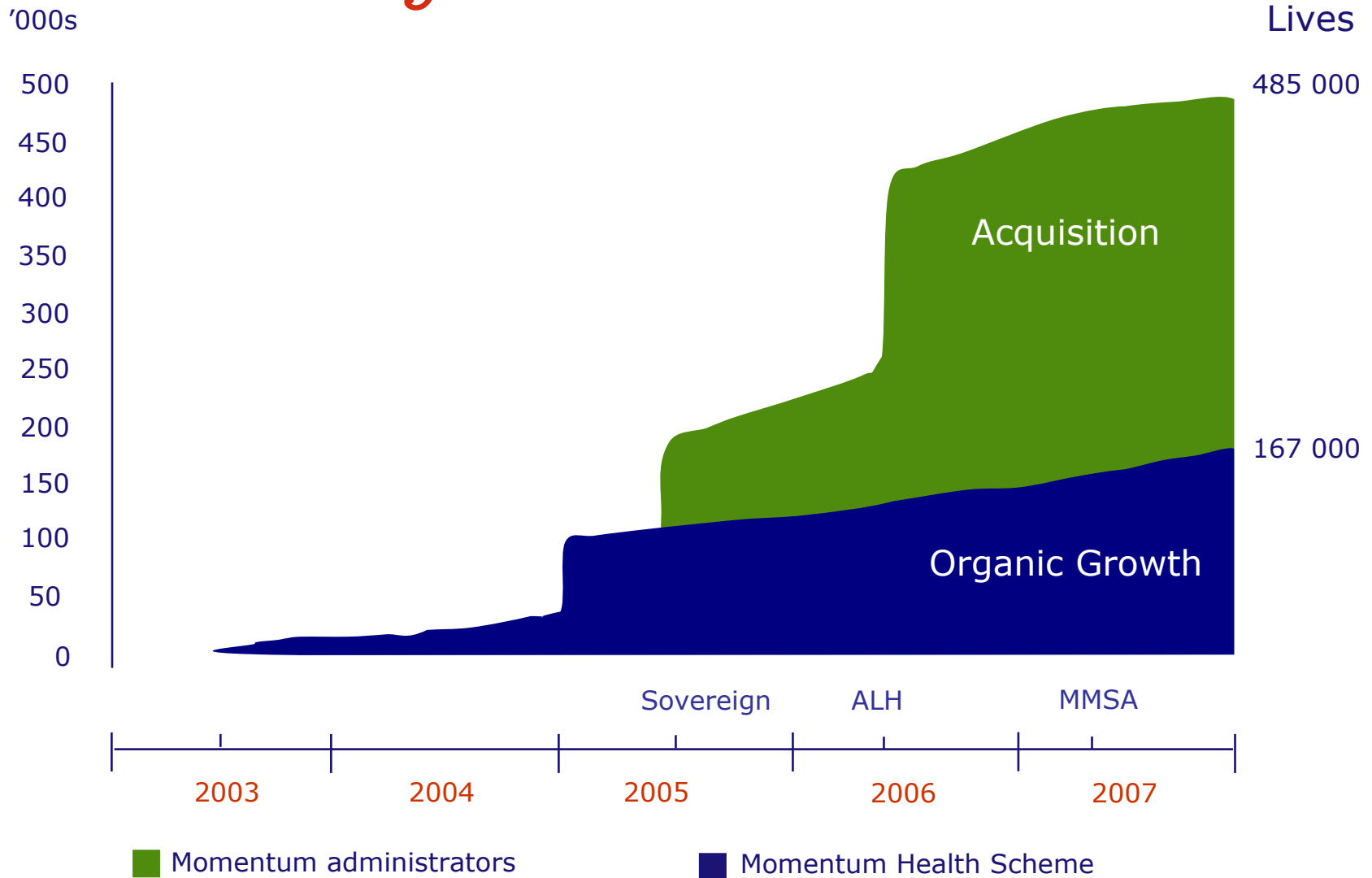
# Short-term insurance approaching breakeven



- Strong new business volumes
- Positive trends in all key indicators
- Steady progress to breakeven in near future



# Focus on integration and service delivery in health business



# Flat performance in challenging markets

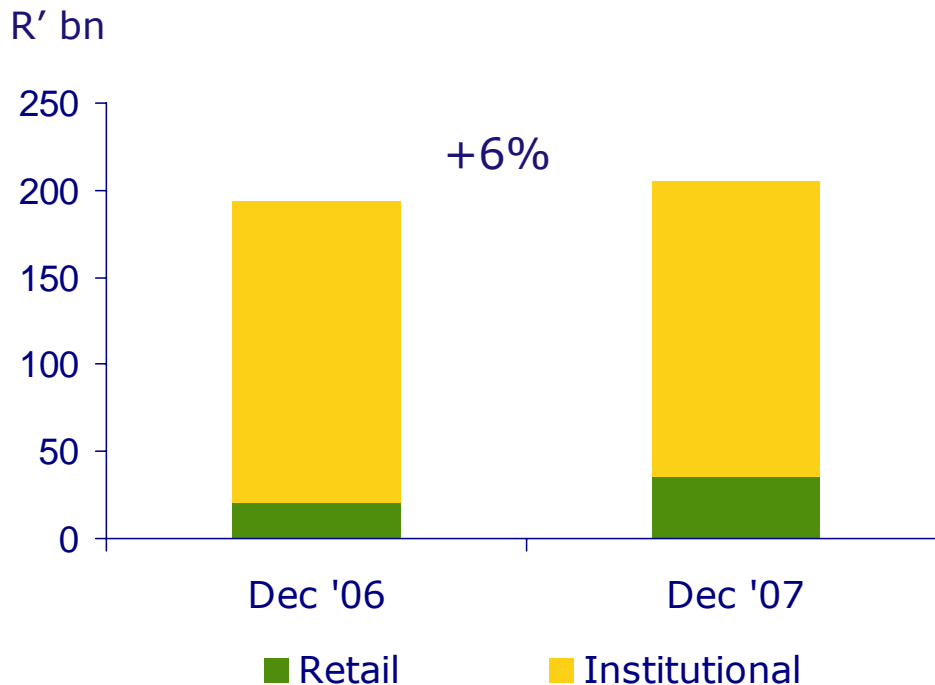


R' mil	Dec '07	Dec '06	% change
Insurance operations	643	513	25
Asset management	140	139	1
Group operating profit	783	652	20

# Good retail flows into asset management



Assets under management

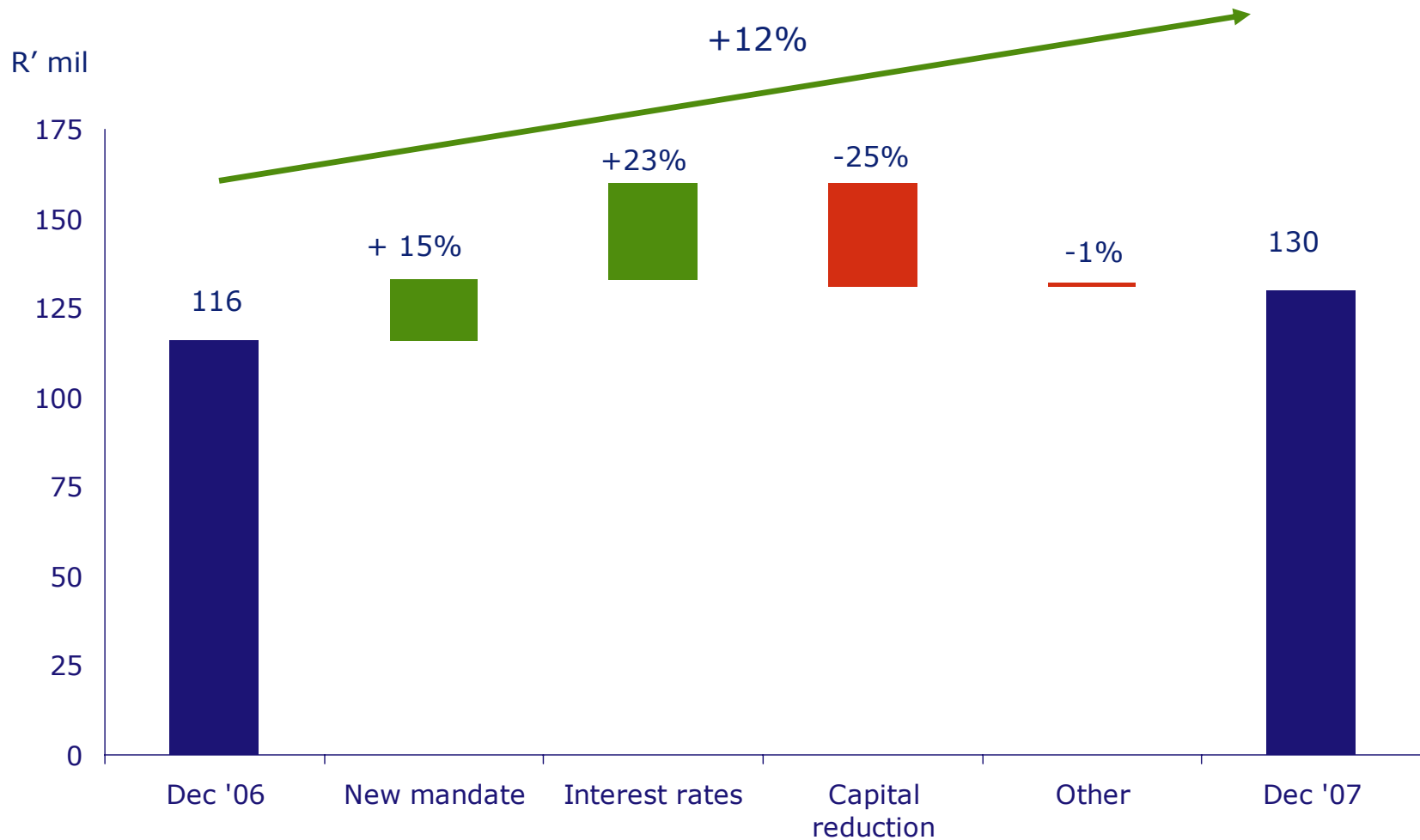


- Unit trust inflows counterbalanced by institutional outflows
- Distribution collaboration with Momentum benefits retail assets
- Product innovation

# Investment income benefits from **m** capital investment policy

R' mil	Dec '07	Dec '06	% change
Group operating profit	783	652	20
Investment income on free reserves	130	116	12
Normalised earnings	913	768	19

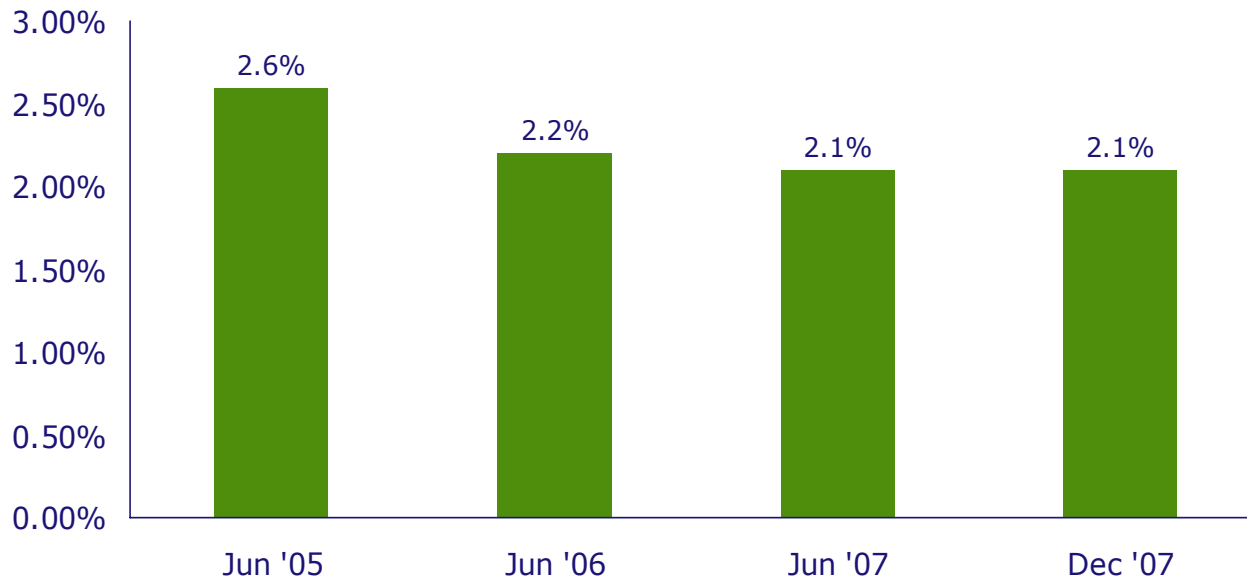
# Investment income impacted by capital reduction



# Margins maintained

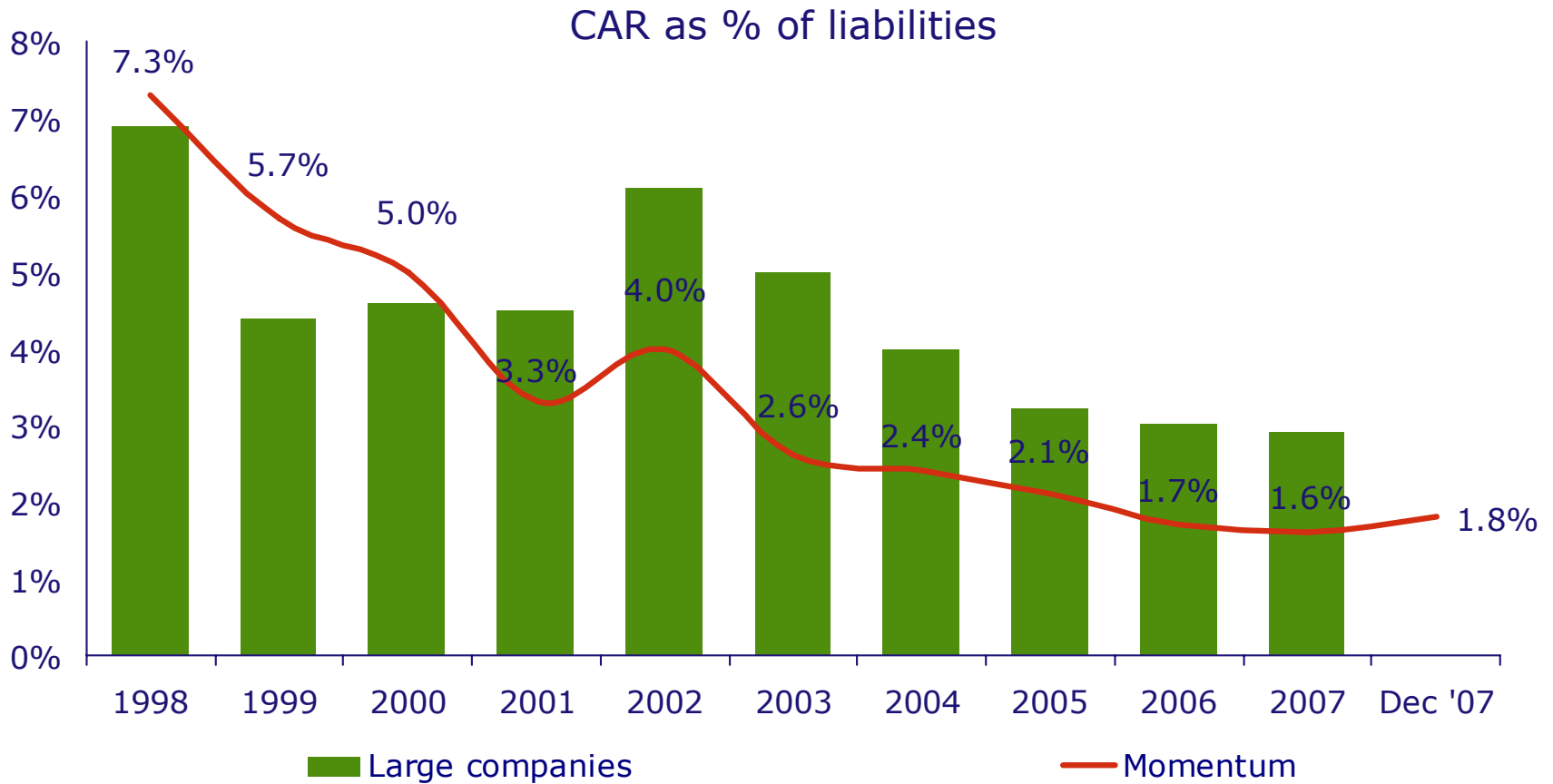


Value of new business as % of PV of future premiums

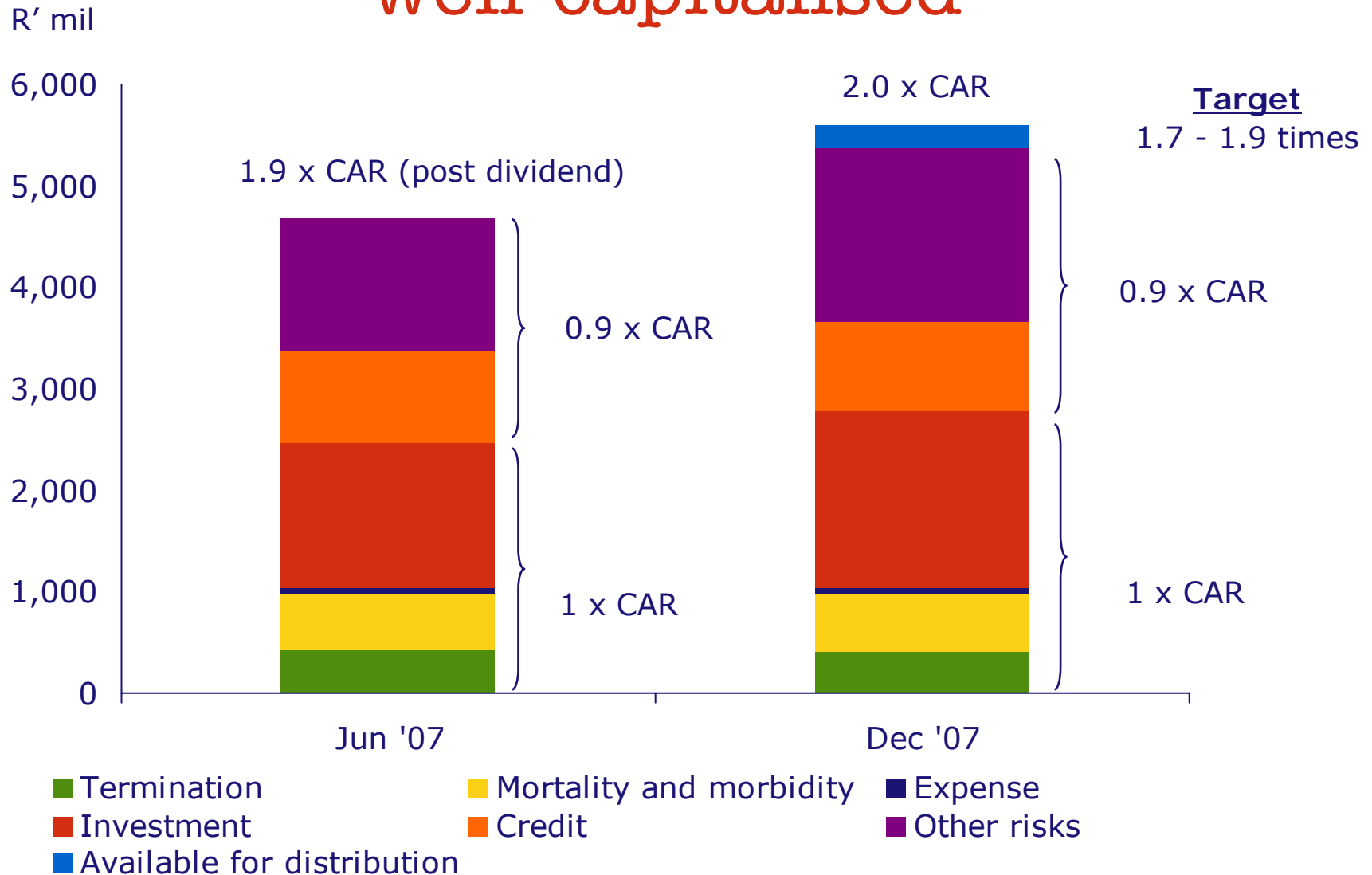


- Improved from 1.9% in comparative six months
- Strong contribution from high single investment volumes
- Increased contribution from growth initiatives

# Capital efficiency impacted by **m** volatile markets but...



# ...Momentum remains well capitalised





# Growth in a volatile market



- Market volatility expected to continue
  - Impact mitigated by investment policy of capital
- Further benefits from historical corporate actions and sales success still to flow
- Ongoing diversification
  - Product
  - Channel
  - Geographical

integrated

# Prospects

**Paul Harris**  
CEO FirstRand Limited



**FIRSTRAND**



# Summing-up

- 1<sup>st</sup> time FirstRand has not met earnings growth target of CPI plus 10% - achieved CPI plus 5%
- But still achieved ROE target of cost of capital plus 10% - achieved cost of capital plus 12.9%
- Negative impact primarily caused by
  - Higher bad debts
  - Equity trading losses
- Problems have been dealt with and we move on wiser for the experience



# Not all gloom and doom!

- Momentum had an outstanding 6 months in a difficult market
  - Good new business flows
  - Collaboration between FNB and Momentum contributes meaningfully
- FNB had an excellent operating performance
  - Strong franchise in corporate and commercial segments
  - Outstanding performance in Africa
  - Clear strategy and business plans
- RMB record performance in
  - Private Equity, Investment Banking and Treasury divisions
- WesBank improved operational efficiencies and made a tough decision regarding Australia
- Centre profited via hedging activities partly offsetting impact of higher interest rates and bad debts



# Local markets remain tough

- Anticipate continued slowdown in SA in line with international economy
- Consumer will remain under pressure and will filter into corporates
- There is still a risk that bad debt cycle has not yet peaked
- FirstRand created a high base last year with 32% increase in profits



# Progress in international strategy

- Driven at divisional level rather than from the centre
- Divisions that have opportunities to expand internationally are encouraged
- FirstRand has setup group platforms to assist divisions in India and Brazil
- Favour greenfields over buying businesses
  - Good companies are very expensive – high goodwill/price to book
  - Prefer ROE on NAV versus ROE on acquisition
  - Fear skeletons in cupboards
  - Culture of starting new businesses
- Low risk/low capital very big upside

This is not part of my job description!!



**TOI - Lead India  
"Tree"  
2 mins  
Existing Track  
26 11 07**





# India – the opportunity

- 1.1 Billion people
- English language and legal system and financial regulation
- Strong affinity with SA
- Economic growth 10%
- Financial services growth 30%
- Deregulation
- Foreign banks limited to 5% of Indian banks to 2009
- Many very successful startups in recent past



# Future growth

- Decentralised with many divisions that are profit centres
- All divisions have growth strategies
- All divisions in good shape operationally to deal with downturn
- Poised to benefit from recovery on economy and market

Confident our diversified portfolio will continue to provide shareholders with superior returns over the long-term