INTRODUCTION

PAUL HARRIS
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

- Price/Earnings ratios
- Price/Book ratios / provisions / value of assets (MTM)

**good times**

**bad times**

Income

- Customers
- Products
- People
- Franchises

**NOT**
- MTM
- Provisions
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
Contextualising the performance of FirstRand Limited

Normalised earnings
R millions

2004 2005 2006 2007 2008 2009

(30% – 35%)
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

- **Local cycle**
  - Interest rates
  - Bad debts
  - Asset growth
  - Lower corporate and retail activity

- **Volatility**
  - Private Equity
  - Poor FICC performance

- **Offshore strategies**
  - Investment / trading activities in RMB
  - WesBank operations in Australia

![Bar chart showing performance over three years (2007-2009).](chart.png)
Cycle: Relationship between debt servicing costs and impairments has broken down

Impairment ratio

Debt servicing cost

Bad debt forecast 09: 175-185 bps
Cycle: Balance sheet still growing

<table>
<thead>
<tr>
<th>Category</th>
<th>Balance sheet change</th>
<th>Strategic, market and operational changes</th>
<th>Normalised change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>▼18%</td>
<td>Euroloans ▲8%</td>
<td>▲9%</td>
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<tr>
<td>Commercial</td>
<td>▲13%</td>
<td>Reverse repos ▲7%</td>
<td>▲14%</td>
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<tr>
<td>Retail</td>
<td>0%</td>
<td>Money market ▲6%</td>
<td>0%</td>
</tr>
<tr>
<td>Netting (LROS)</td>
<td>▲1%</td>
<td>Market activity reduction and credit adjustments</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>▼7%</td>
<td></td>
<td>▲2%</td>
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</table>
Context for RMB’s performance and strategy going forward

Alan Pullinger
Lower “run rate” in second half for RMB

Net income

R millions

(50% – 55%)
### Business unit headlines

<table>
<thead>
<tr>
<th><strong>Good year for Investment Banking</strong></th>
<th><strong>Private Equity</strong> loss in 2(^{nd}) half</th>
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</thead>
<tbody>
<tr>
<td>Contributions across the board</td>
<td>No realisations</td>
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<td>Significantly slower 2(^{nd}) half due to</td>
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<tr>
<td>Lower corporate activity</td>
<td>Lower associate earnings</td>
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<tr>
<td>Counterparty impairments</td>
<td>Impairments raised</td>
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<td>Losses on exit of marginal international businesses</td>
<td>Currency translations</td>
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<table>
<thead>
<tr>
<th><strong>Very poor 2(^{nd}) half in FICC</strong></th>
<th><strong>Profitable 2(^{nd}) half in Equities</strong></th>
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<tbody>
<tr>
<td>Strong Client income</td>
<td>No losses in legacy portfolio (&lt;$18m) last quarter</td>
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<tr>
<td>Offset by .....</td>
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<tr>
<td>Counterparty impairments</td>
<td></td>
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<td>Losses on exit of marginal international businesses</td>
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<tr>
<td>Volatile local markets – trading losses in Fixed Income</td>
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</tbody>
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<table>
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<tr>
<th><strong>Reducing losses in SPJI legacy portfolios as projected</strong></th>
<th><strong>Managed exit continues</strong></th>
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</table>
Legacy positions

- **International Equities**
  - Reduced to $18m (no losses in last quarter)

- **Developed Markets Credit**
  - Pull to par benefits for DM Credits

- **Investment in Indian Fund**
  - Indian Fund & Property will take longer to realise
  - Quantum manageable (±$225m remaining)

- **International Property**
  - Have skills to manage in FICC & IBD
Revised game plan – Focus on Primary Markets

Focus on Primary Market activities in SA, Africa (and Trade corridors with Asia)

Discontinued Operations

Exiting offshore lending / investing businesses where our balance sheet was in play (Aus / Brazil)

ILCA Equities

FirstRand Investor Update – 23 June 2009
Revised game plan – Focus on Primary Markets

Net income

R millions

2001 2002 2003 2004 2005 2006 2007 2008 2009
Revised game plan – Focus on Primary Markets

Net income*

R millions

2001 2002 2003 2004 2005 2006 2007 2008 2009

* Pro forma
Our natural game – Primary Markets

- Strong franchise and reputation

<table>
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<tr>
<th>Year</th>
<th>M &amp; A</th>
<th>BEE Deals</th>
<th>Listings</th>
<th>Structured Finance</th>
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<tr>
<td>2009</td>
<td>1st</td>
<td>1st</td>
<td>1st</td>
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<td>2007</td>
<td>1st</td>
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<td>2002</td>
<td>2nd</td>
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* Joint place  
n/a - New category

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
Our natural game – Primary Markets

• Strong franchise and reputation
• Wealth of African (& African trade corridors) expertise
Uncovering investment potential to build the continent of Africa
for more than 50 years. Mercant Bank has pioneered financial solutions to diversify, grow and
unlock the potential of Africa.

Contact: Use@Safaricom on +27 12 345 6789 at email: info@bankingco.co.za
Our natural game – Primary Markets

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

<table>
<thead>
<tr>
<th>Resources</th>
<th>Telcos</th>
<th>BEE</th>
<th>LBOs</th>
<th>Transport &amp; Logistics</th>
<th>Infrastructure</th>
<th>Africa</th>
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<tbody>
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<td>exxaro</td>
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<td>Imperial Holdings</td>
<td>Growthpoint Properties</td>
<td>Transnet</td>
<td>Cellcom</td>
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Our natural game – Primary Markets

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

Co-ordination

Management structure

COO portfolio

Franchise priorities
Strategic response to changing operating environment

- 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

A year to consolidate & refocus
Reaffirming the Group’s guiding philosophy

- 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

- 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

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

- “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)
- Stop doing…
  - 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

- 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

Where we should play
Operating platforms and entry strategies key to success

- 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

Collaborate across franchises
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?

- 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

*It’s a long-term game in Africa*
Africa will be the hub of our footprint

- Indo-Africa trade
- Middle East
- Africa-China trade

London

Overlap of FNB and Momentum footprint
Momentum footprint
Representative office
Representative office – approval pending
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

- 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

32 people on the ground
31 deals in the pipeline
10 deals concluded
Strategy & business model

Co-ordination

Management structure

COO portfolio

Franchise priorities
Co-ordination key to thrive in the new world

- 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
COO portfolio
Franchise priorities
Management structure

CEO
S. Nxasana

Chief operating officer (COO)
J. Burger

Heads:
Operations
Balance Sheet Management

CFO
Human resources
IT
Procurement

Chief risk officer (CRO)

Head: Regulatory Compliance

Board Secretariat

Corporate Centre

Franchises

FNB
M. Jordaan

RMB
A. Pullinger

WesBank
B. Riley

Momentum
N. Kruger

OUTsurance
W. Roos
<table>
<thead>
<tr>
<th>Strategy &amp; business model</th>
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<tr>
<td>Co-ordination</td>
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<td>Management structure</td>
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<tr>
<td>COO portfolio</td>
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<tr>
<td>Franchise priorities</td>
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The COO portfolio

Drive execution of strategies

Operational efficiencies
- Eliminate cross-franchise duplication
  - Systems
  - Procurement
- Move from cost control to long-term efficiencies

Performance management
- Measure delivery against strategic objectives
- Balancing Group and franchise interests

More sustainable less volatile earnings
- BSM strategies underpin sustainability
- BSM alignment with business units’ strategies critical for sustainability
BSM strategies underpin sustainability

- Sustainability
  - Value of franchise
    - Financial strength
      - Earnings
      - Tail risk
      - Capital
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
Co-ordination
Management structure
COO portfolio
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