

A new playing field - what is the game plan for growth?



FIRSTRAND

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What is the new playing field?

- Muted economic growth till 2011?
 - Cyclical not structural
 - However unwind of risk costs boost earnings to 2011
- Increased regulation
 - Cyclical issue for SA banks
 - Provided banks remain disciplined in pricing



Muted economic growth – implications for banks

- Unwind of the leverage in the system
 - Reduction in risk costs; but
 - Limited top line growth
- Subdued credit and transactional growth
 - Revised risk appetite in banks
 - Consumer remains under pressure
 - Cycle not yet peaked in corporate and commercial
 - Asset prices will remain low



Unwind of risk costs will lead to short term recovery in earnings

- Bad debts will unwind slower than previous cycles
 - Retail has peaked, however high level of indebtedness and debt counselling
 - Corporate and commercial will peak by June 2010
 - Expected bad debt charge to June 2010 140 -150 bps



Consumer needs to de-leverage

- Although macro indicators are improving, asset growth is expected to remain low in the short to medium term as consumers de-leverage



Source: SARB and FirstRand estimation

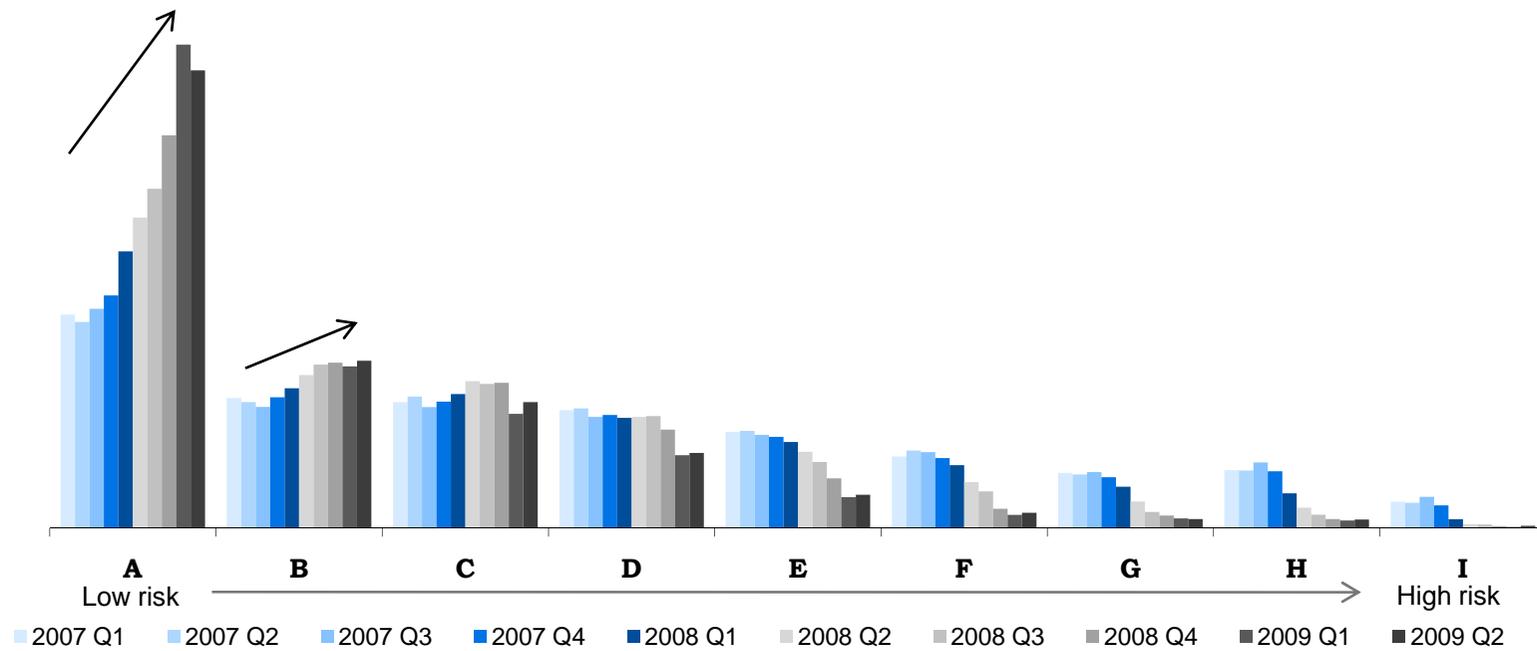
FirstRand's response to subdued credit growth

- Retail
 - Selectively pro-active in certain low risk sub segments
- Corporate
 - Re-balancing of portfolio and increasing exposure to certain investment grade and defensive counterparts
- Credit re-pricing positive impact



New business mix migrated to lower risk

HomeLoans



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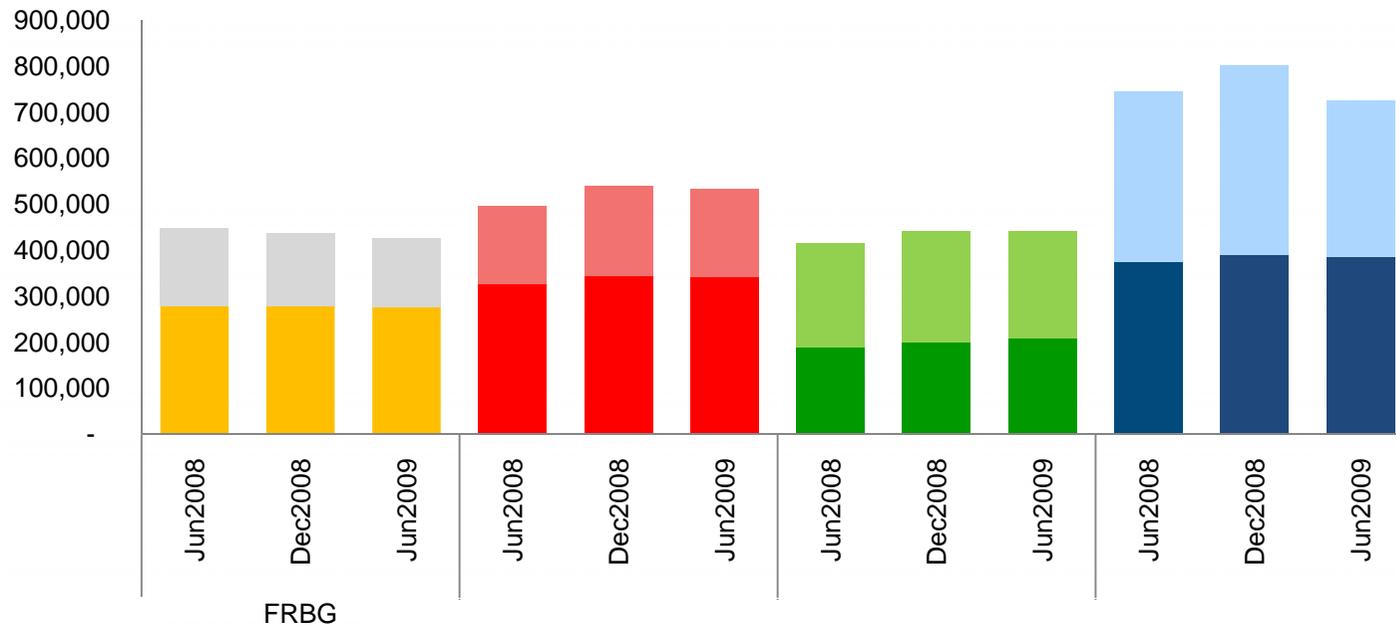
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Opportunity to improve balance between retail and corporate

Advances
R millions

Dark = Retail
Light = Corporate/Wholesale



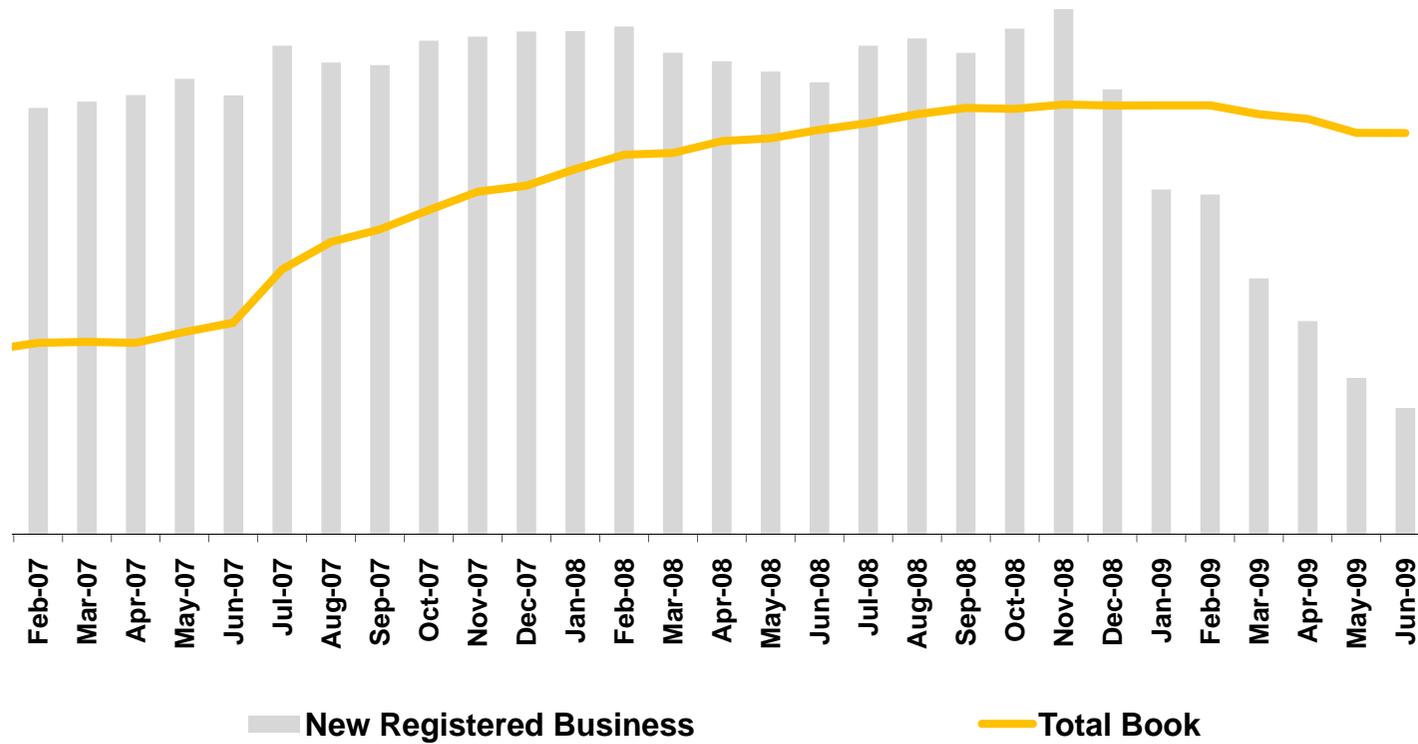
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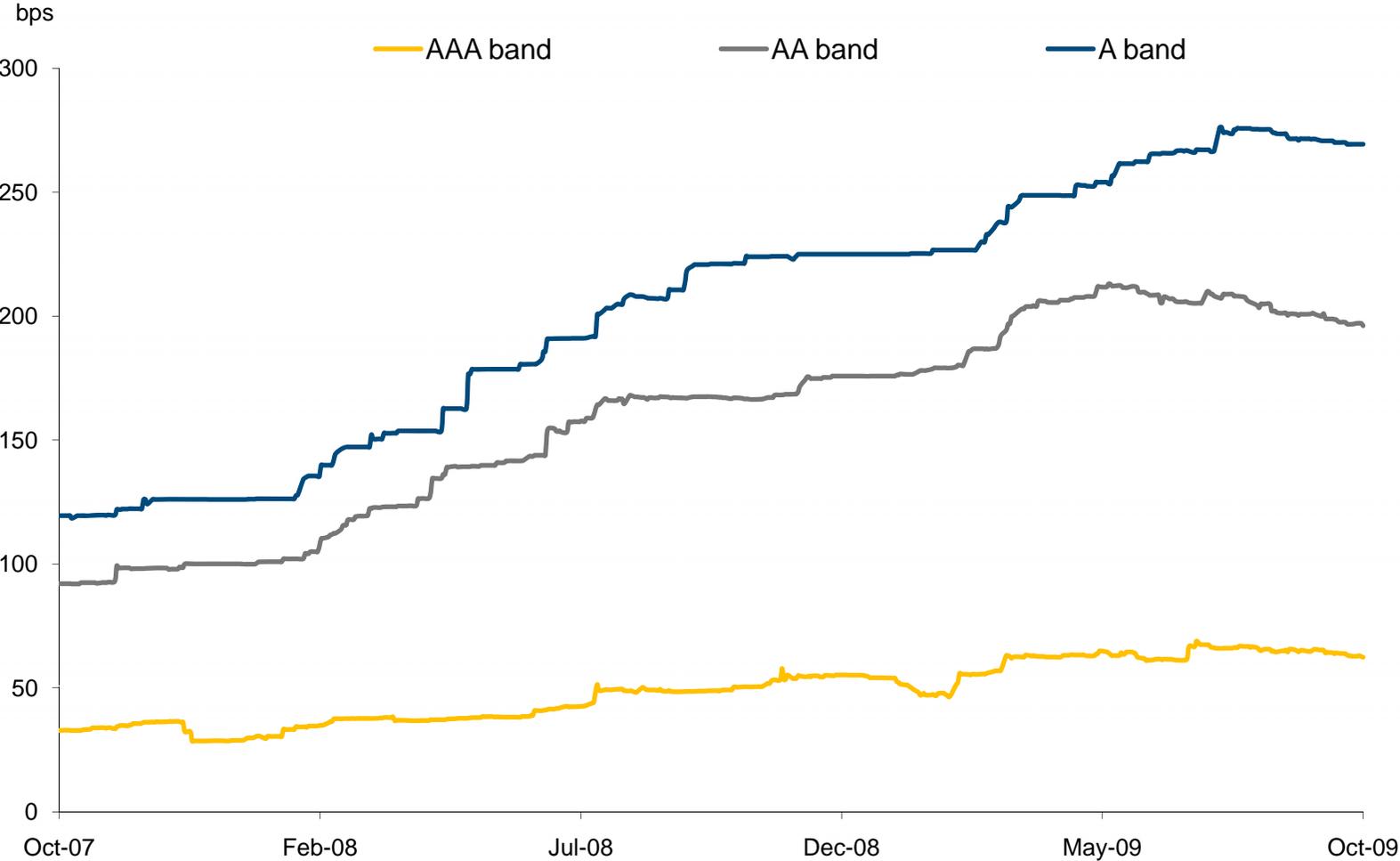
Retail has repriced

HomeLoans weighted average discount to prime



Corporate has repriced

South African composite spreads per rating band (listed bonds vs government benchmarks)*



*National scale credit ratings

Regulation – impact on banks

- Higher cost of capital
 - Higher capital levels
 - Increased focus on core Tier 1
 - Counter cyclical of capital
- Increased cost of liquidity
 - Limit reliance on wholesale funding
 - Limit liquidity gaps
- Reduced innovation?
- Constrained cross border activity?



Capital strategy in line with Basel II developments

- Tier 1 quality
 - Economic capital backed by Tier 1
- Gearing
 - Leverage ratios are monitored
- Pro-cyclicality
 - Capital targets defined as bands to ensure we have buffers to take into account the effects of Basel II pro-cyclicality and IFRS



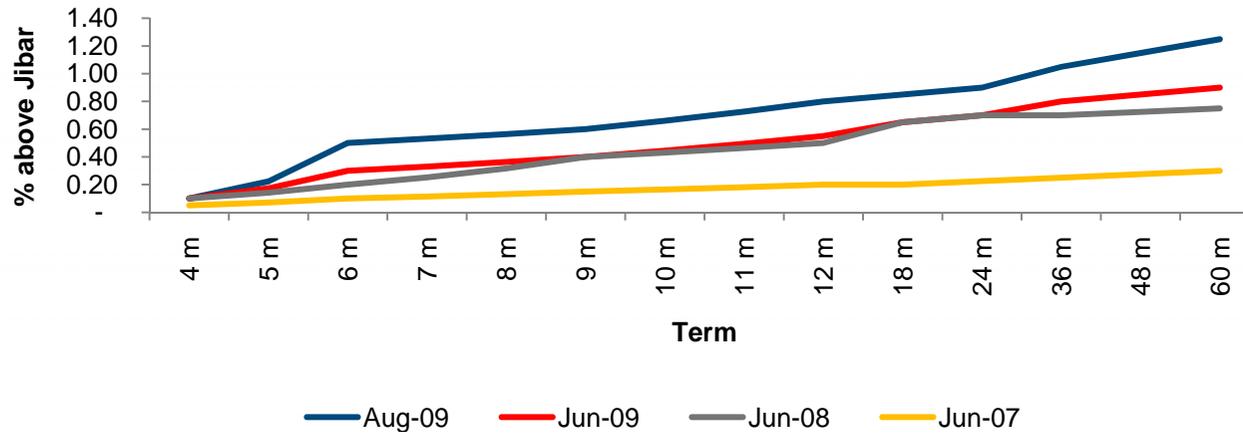
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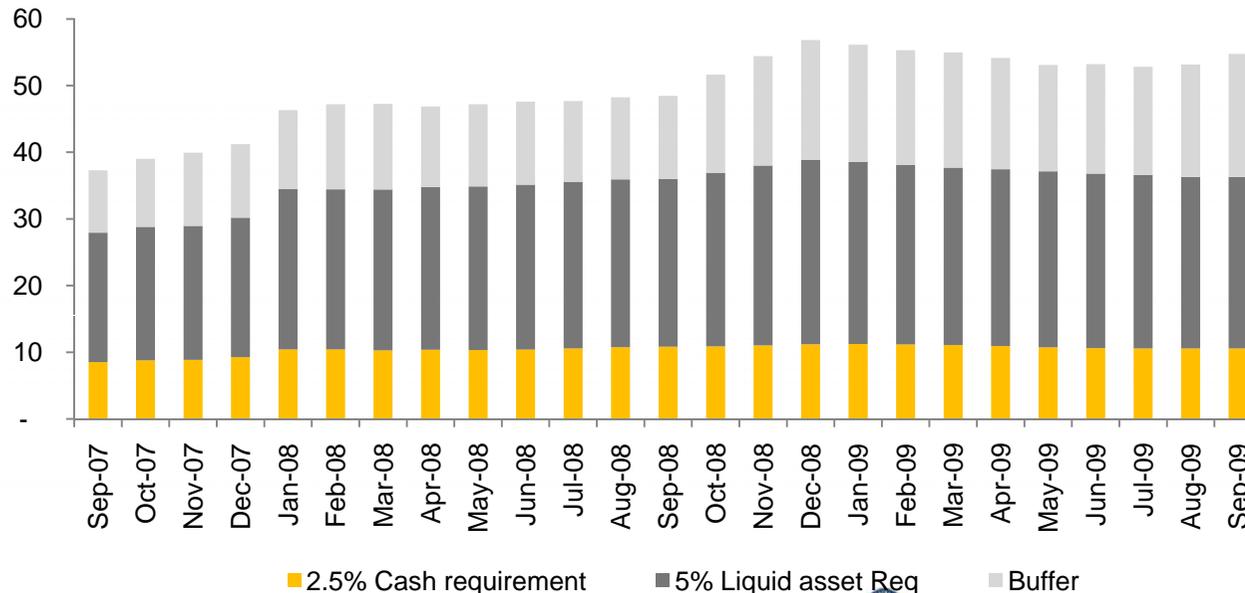
Focus on reducing liquidity costs and recovery

Liquidity Premium Spread Curve



- Minimum liquidity premium for term assets
- Integrated approach to funding to build deposit franchise
- Diversify funding sources and instruments in new and existing portfolios

Liquidity buffer in excess of regulatory requirement



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Long term growth strategy



FirstRand's refocused strategy (South Africa)

- Group's portfolio already has
 - Diverse revenue streams
 - Strong operating franchises
 - Asset origination and distribution capabilities
 - Building blocks for access to profit pools in financial services SA
 - Increase organic growth opportunities that currently exist between franchises
 - Expand into other profit pools in financial services



Opportunities in the “life space”

- Momentum already unlocking more opportunities in traditional markets
 - Product and channel diversification
- Momentum also sees opportunities in new segments
 - Lower end through FNB Life
 - Looking at other distribution models
- Asset management – currently an under performer
 - Improving investment performance is key
 - Greater penetration in retail market



Opportunities in “retail space”

- Leverage off FNB and WesBank’s continued investment in footprint and innovation
 - Utilising telecommunications and cellphone platforms
 - Growing electronic customer channels
- Mass segment a key area of growth for FNB
 - Affordable housing
- Increased focus on deposit franchise



Opportunities in “corporate space”

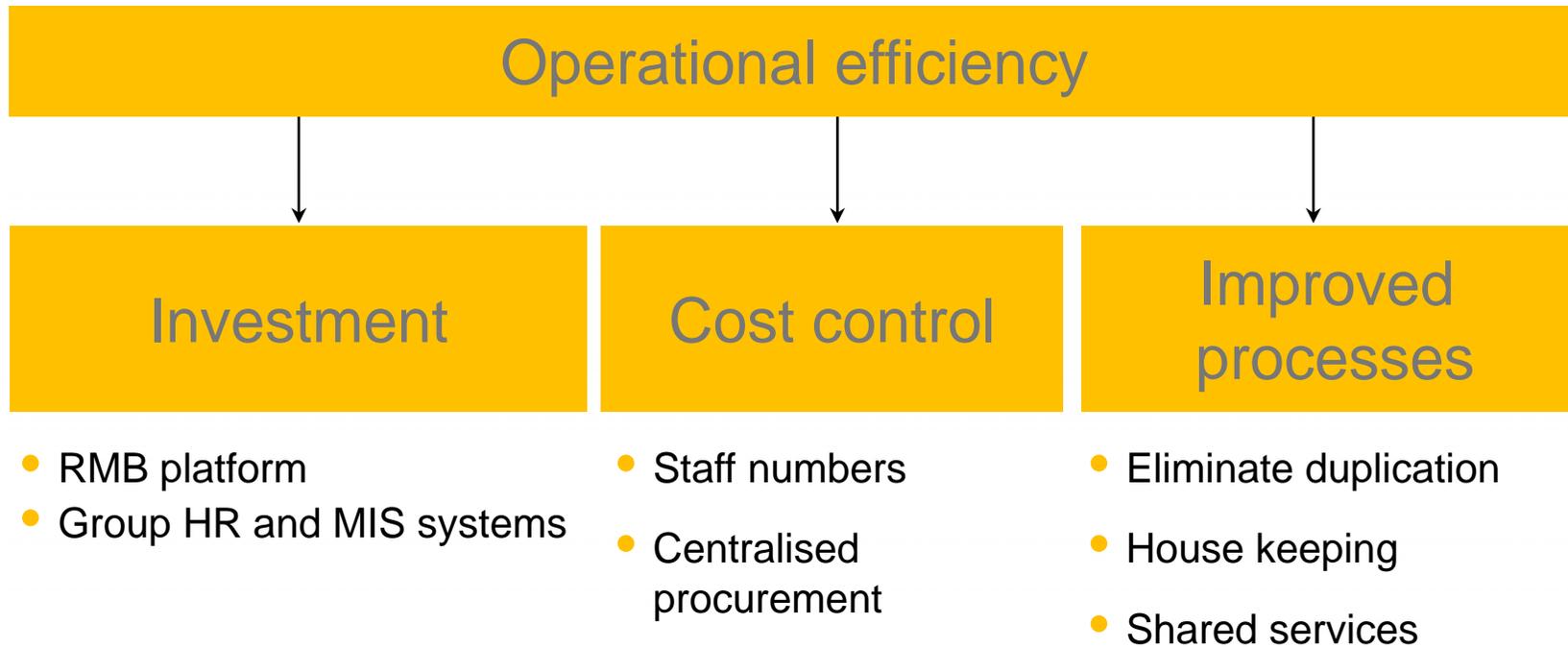


Potential growth drivers

Client activities	Share expansion	New business line	Geographic expansion	Increase use of balance sheet
IBD			×	×
FICC	×	×	×	×
Equities			×	



Focus on efficiencies and cost control



Move from cost control to long term efficiencies



Re-focused international strategy

- Operate in markets that strengthen the Group's position as a leading African financial services group
- Focus on Africa and key African-Asian corridors
- In the medium to long term consider expanding into selected markets on the other side of trade corridors where a competitive advantage exists
- Utilise the London branch & Middle East presence as sources of capital, funding and deal origination



Growing the African footprint

- FirstRand's key growth markets are:
 - Zambia
 - Nigeria
 - Tanzania
 - Angola
- Mixture of greenfields and/or acquisitions
- Utilise the FNB platform to build a meaningful banking franchise on the continent
- Other businesses will leverage off platform



Why FirstRand's corridor strategy is key

- India and China key to the African-continent's growth story
- Key markets that FirstRand is targeting in Africa are major trading partners with Asia
- Capture these flows through presence in India, China and Africa
 - Use FirstRand India as the bank of choice for Indian entities seeking to do business in SADEC and the greater African region
 - China Construction Bank strategic agreement provides strong support to investment banking activities in Africa



In summary – FirstRand's growth driven by

- The short term recovery story
 - Unwind of the cycle will positively impact earnings to 2011
 - Legacy portfolios
- Longer term
 - Delivery on domestic and international strategy
 - The group has the appropriate platform in South Africa
 - Internationally the focus is in markets where there is a real competitive advantage
- Sustainable and less volatile earnings underpinned by
 - Healthy balance between client franchise and risk
 - Optimally structured portfolio
- Sustainable ROE underpinned by
 - Disciplined pricing for credit
 - Limited impact of increased Tier 1 levels

