



RAND MERCHANT BANK

— A division of FirstRand Bank Limited —

Introduction

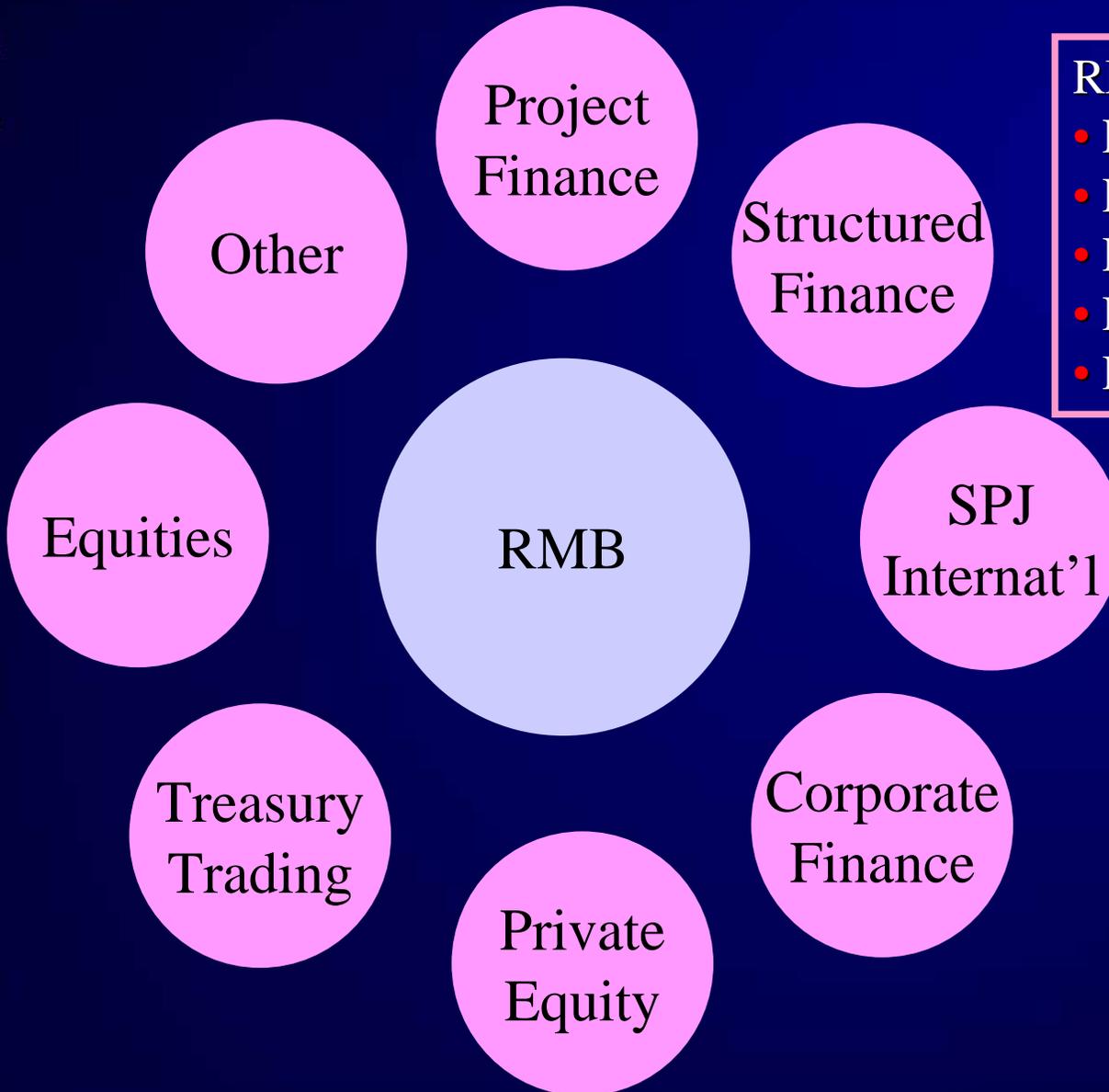
Michael Pfaff

RMB Investment Analyst Day

25 May 2004



Rand Merchant Bank



RMB is **not**:

- RMB Private Bank
- RMB Asset Management
- RMB Structured Insurance
- RMB Properties
- RMB Holdings

Group Legal Structure



FirstRand
Insurance

FirstRand
Bank



Discovery Health



RMB



RMB Asset Management



RMB contacts today



| | |
|--------------------------------|--|
| Michael Pfaff | Chief Executive Officer |
| LP Collet | Chief Operating Officer |
| Derek Prout-Jones | Chief Investment Officer |
| Michael Field | Chief Financial Officer |
| Rob Hamer and James Teeger | Co-Heads of Structured Finance |
| Ketso Gordon and Martin Keyser | Co-Heads of Private Equity |
| Herman Bosman | Head of Corporate Finance |
| Raphael Martin | Head of Special Projects International |
| Zelda Roscherr | Head of Treasury |
| Iain Catterall | Head of Equity Trading |
| Peter Gent | Head of Project Finance |
| Buhle Ngcobo | Head of Transformation |
| Martin Oberholzer | Head of Credit |
| Marlene Hesketh | Head of Business Development |
| Rudolf Gouws | Chief Economist |
| Carolynne Waterhouse | Head of Public Affairs |

Agenda for today



| | Topic | Presenter | Area |
|-------|--|-------------------|--------------------|
| 08h30 | Strategy and Culture | Michael Pfaff | CEO |
| 09h20 | Financial Breakdown | Mike Field | CFO |
| 09h55 | Current Market Conditions | Derek Prout-Jones | CIO |
| 10h15 | BEE Positioning | Buhle Ngcobo | Transformation |
| 10h30 | Tea / Coffee and Biscuits | | |
| 11h00 | Market positioning in a competitive and BEE dominated industry | Herman Bosman | Corporate Finance |
| 11h20 | Sustainable income enhanced by BEE | Ketso Gordon | Private Equity |
| 11h40 | RMB's International High Yield Credit Business | Raphael Martin | SPJ International |
| 12h00 | Unpacking Treasury in FirstRand | Zelda Roscherr | Treasury |
| 12h20 | Value added debt solutions | James Teeger | Structured Finance |
| 12h40 | Our activities in South Africa | Peter Gent | Project Finance |
| 13h00 | Finger Lunch | | |



RAND MERCHANT BANK

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Strategy & Culture

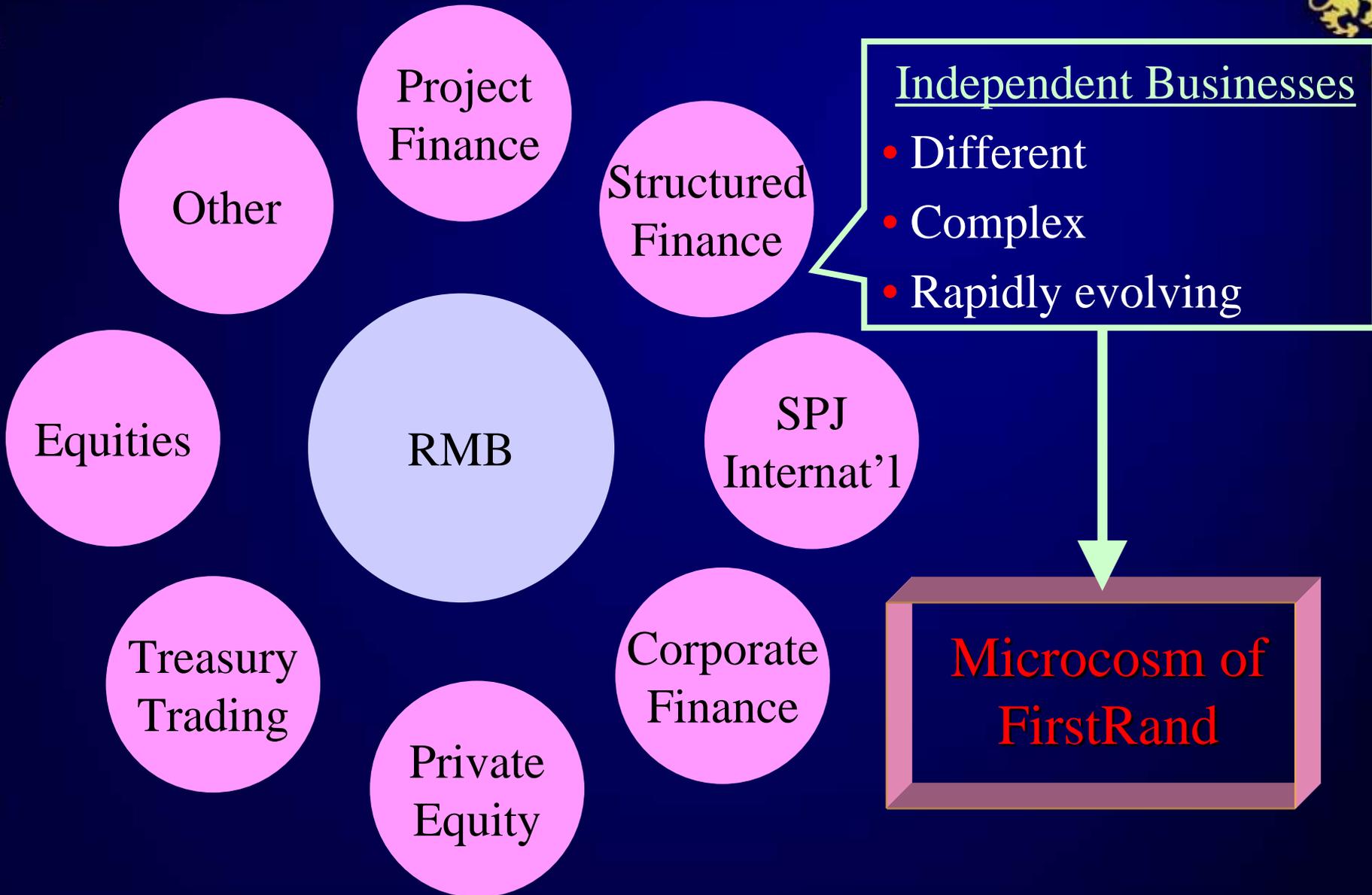
Michael Pfaff

RMB Investment Analyst Day

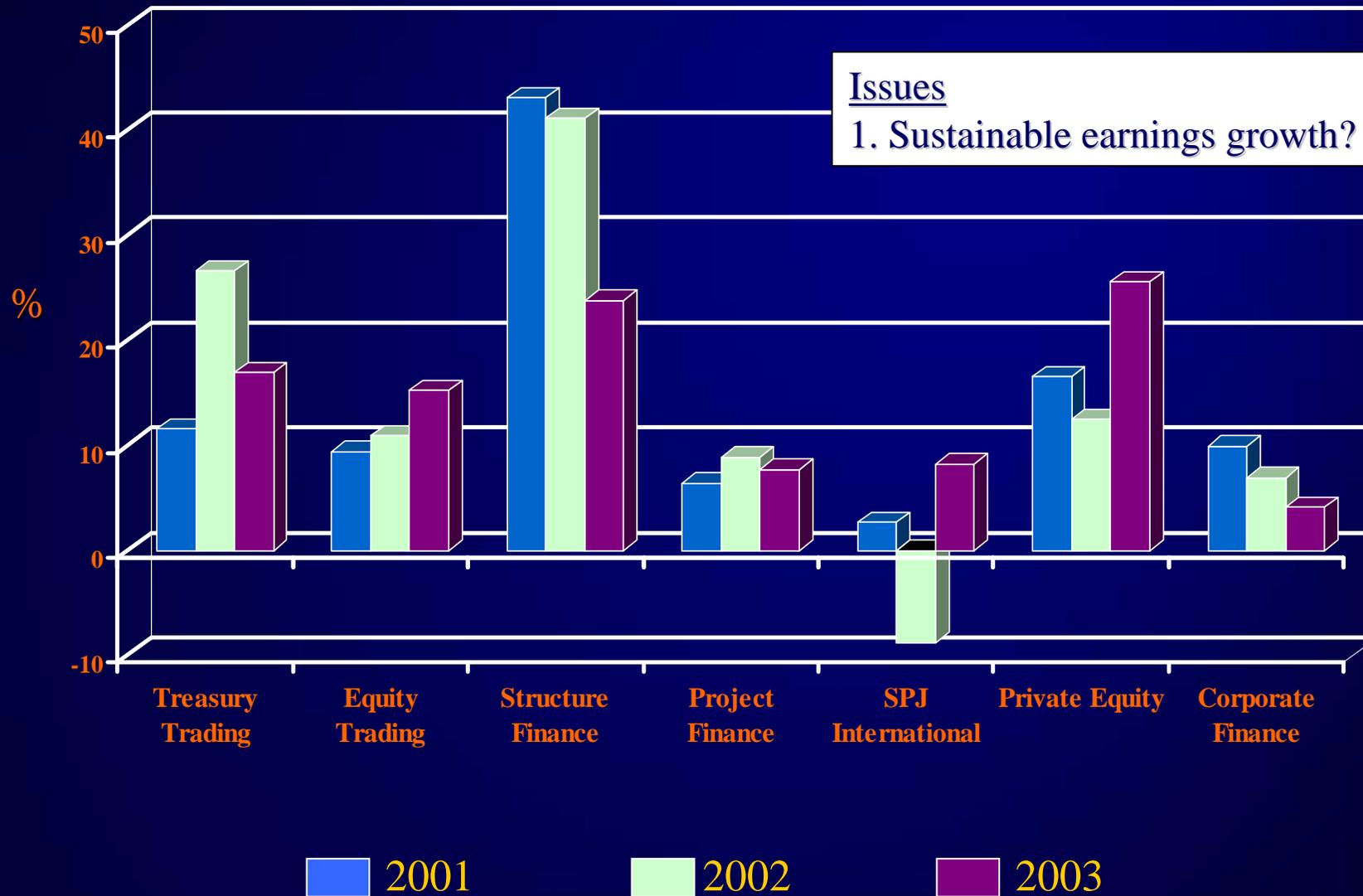
25 May 2004



Nature of RMB



Predictability of Income



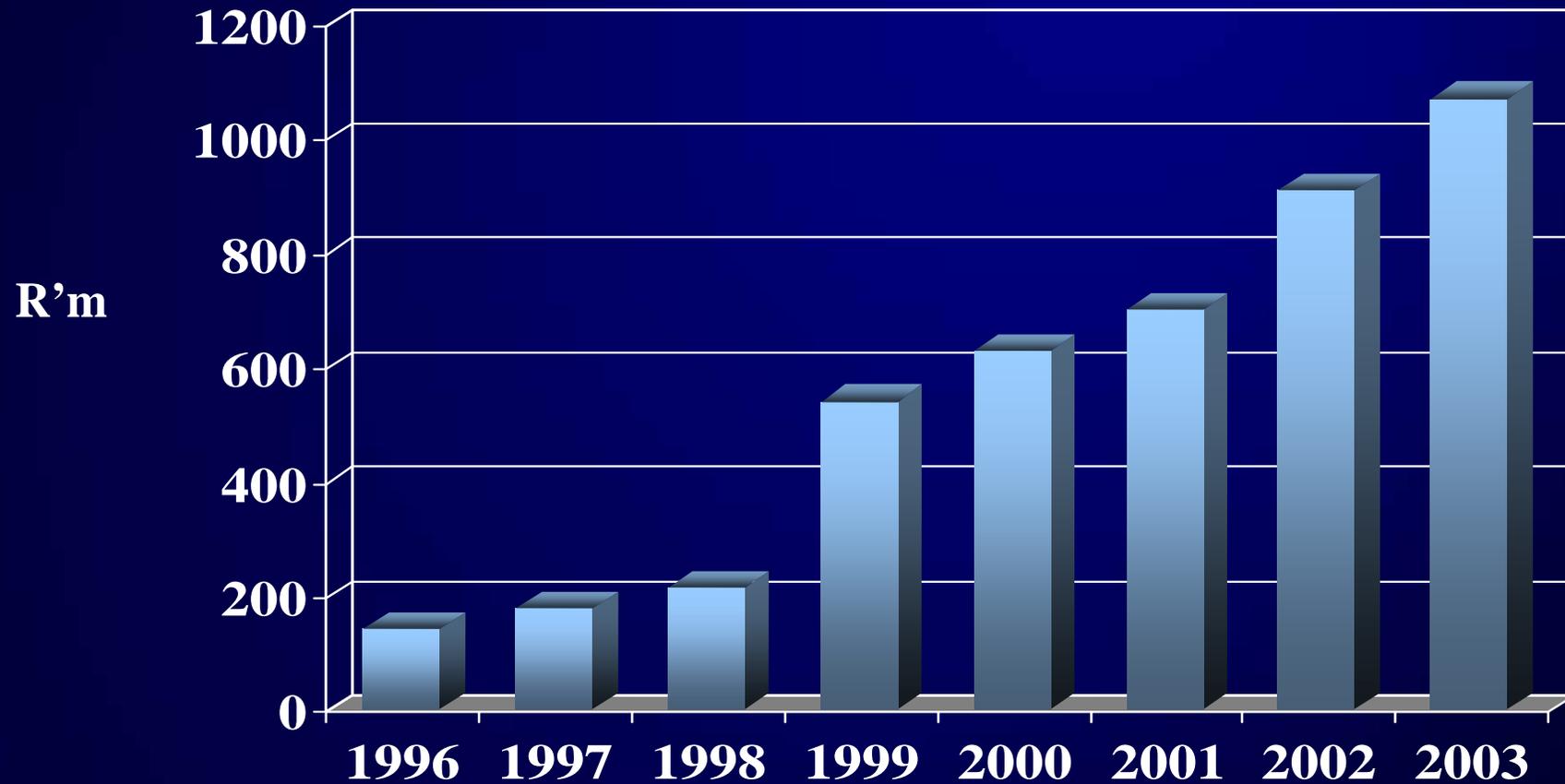
Growth History



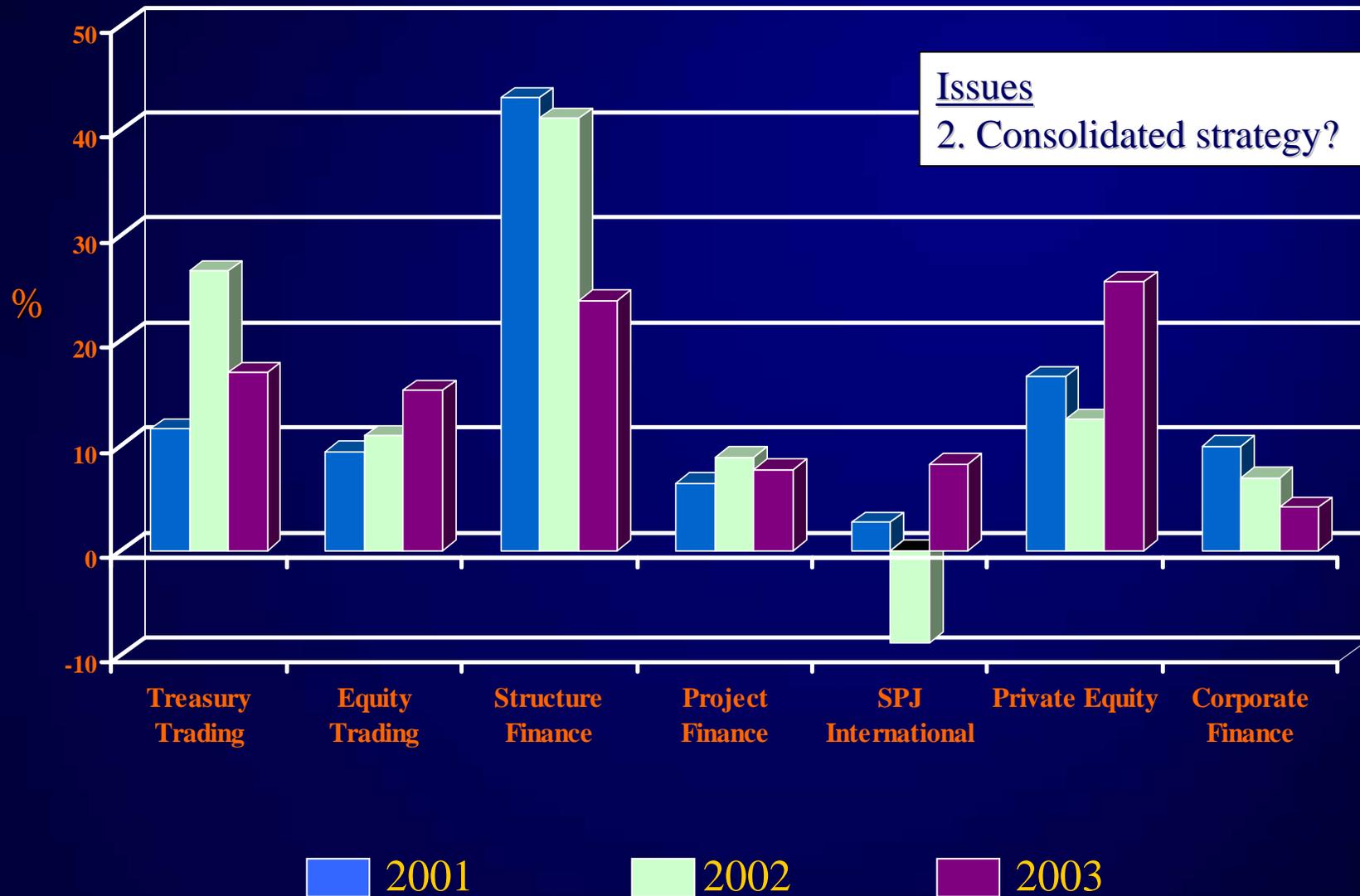
CAGR 33.6 % over 7 years

How?

1. Portfolio effect
2. Prudent accounting
3. SA Model



Predictability of Income



Strategy In Merchant Banking



“McKinsey’s techniques of strategy don’t work. Things move too fast. We have had three different key products in four years. So what is strategy? You simply get great people and back them. And they can’t even tell you what they’ll be doing next year.”

Phillip Purcell CEO Morgan Stanley Dean Witter (ex McKinsey)

“Anybody in investment banking that says they have a five year strategy is mistaken. This is a reactive business. We don’t control the minds of the clients, the regulators or the whiz kids thinking up new ideas.”

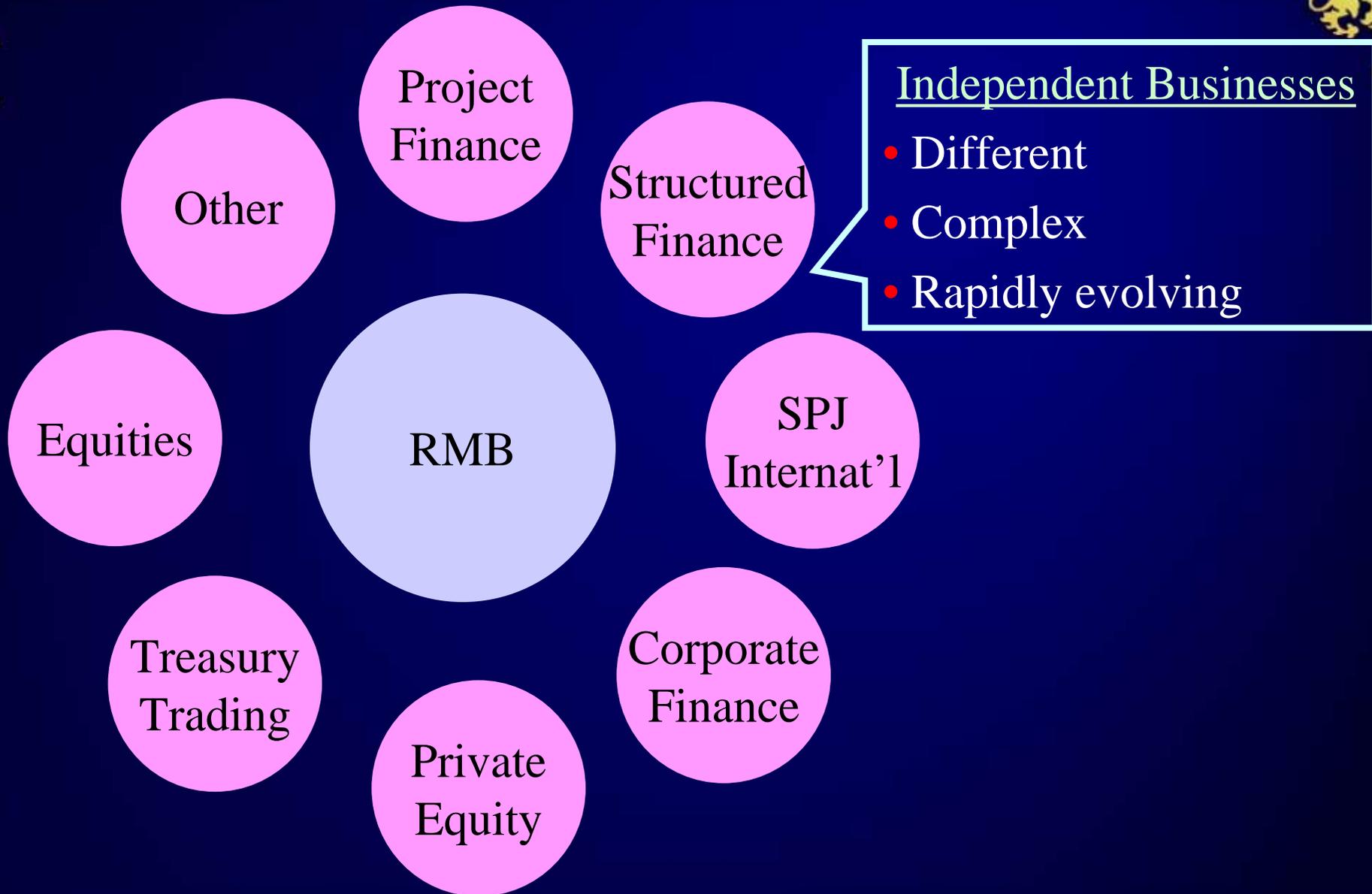
Goldman Sachs Executive

RMB VISION

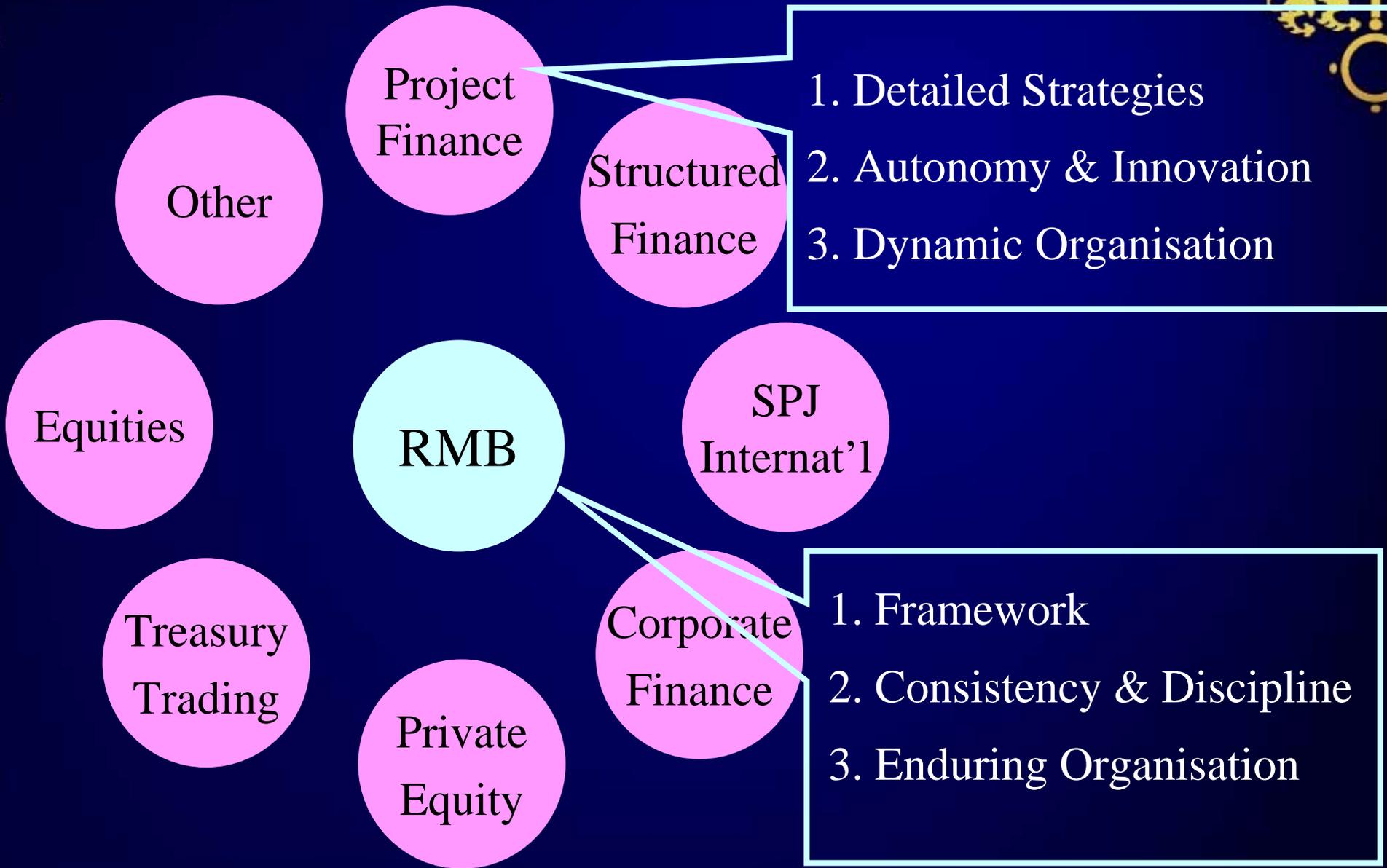


“To be the **South African**
Merchant Bank of choice -
as the **employer** of choice.”

Nature of RMB



Strategy in RMB





**“To nurture an environment
where our
intellectual capital can thrive
and our
businesses can grow.”**

Strategic Framework



Core Driver – Intellectual Capital



Intellectual Capital - People



Alignment with :

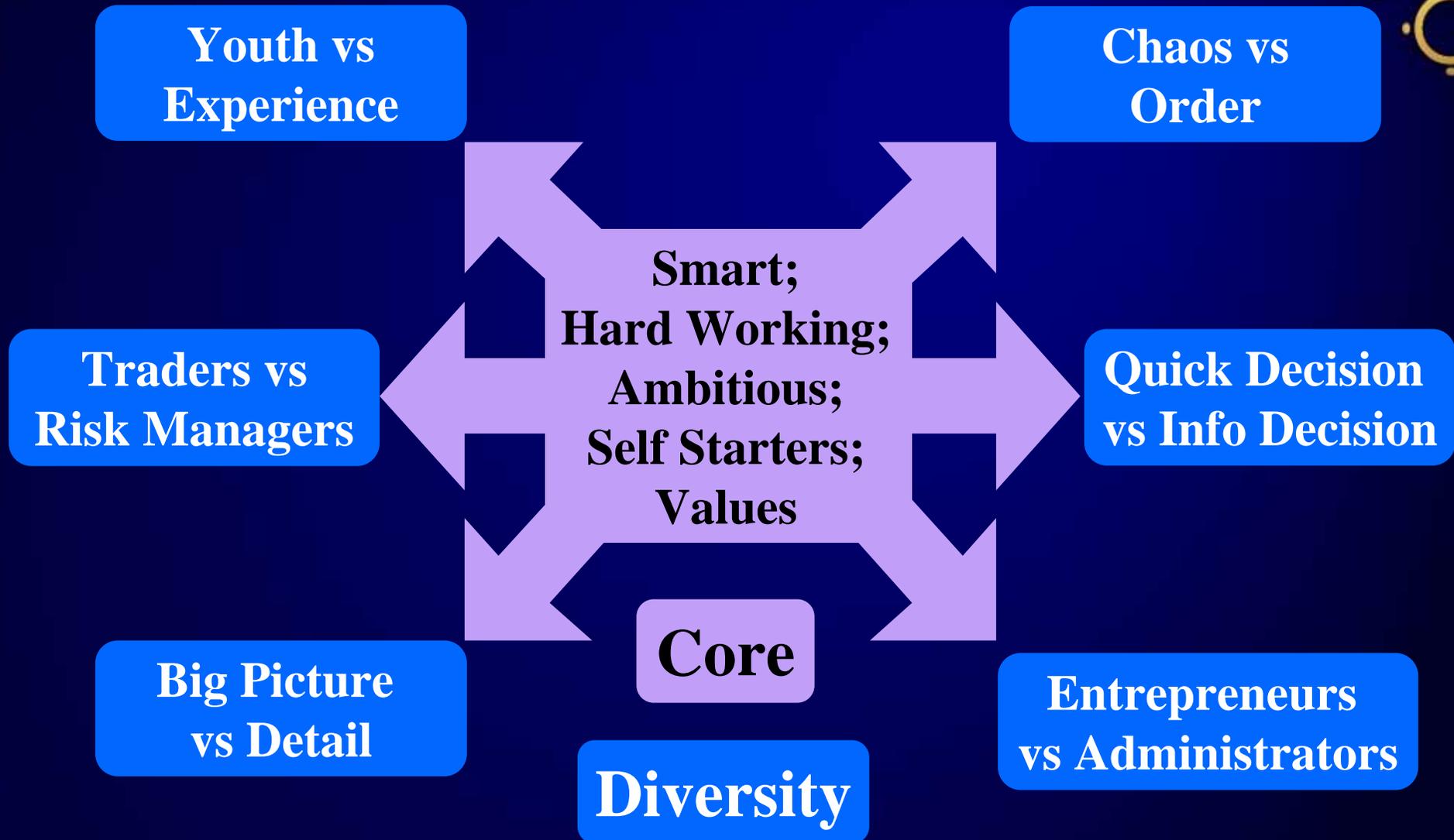
-  **Environment**
-  **Values**
-  **Innovation**

Traditional Values, Innovative Ideas.

Intellectual Capital - People



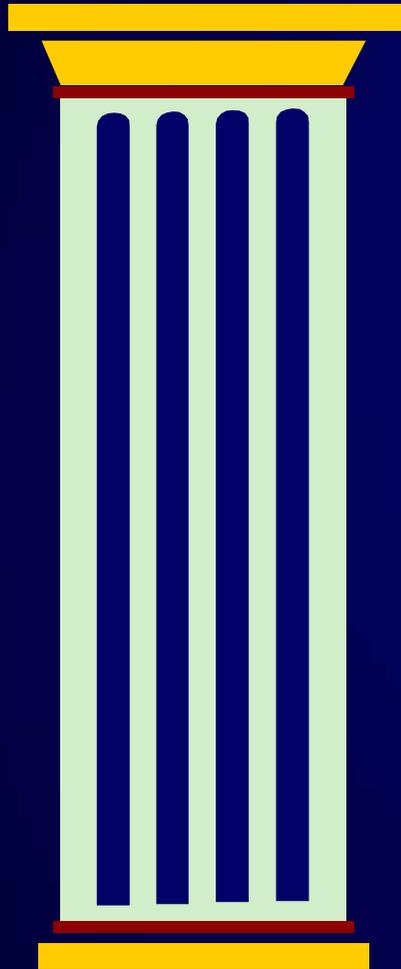
Intellectual Capital - People



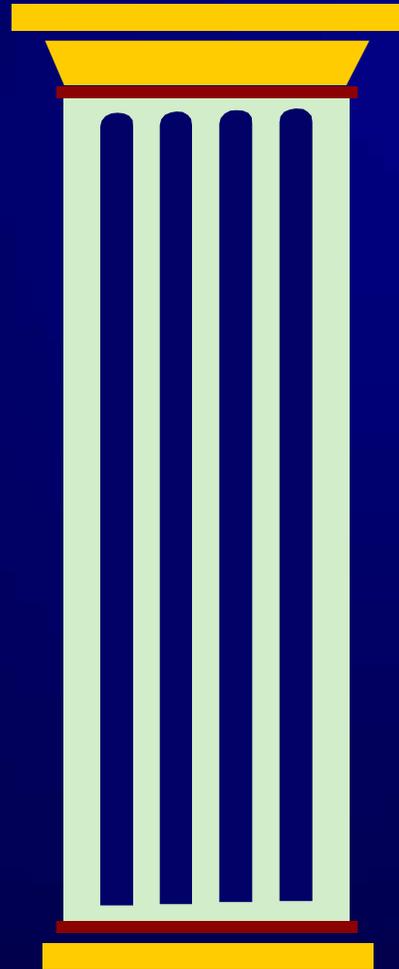
Intellectual Capital - Culture



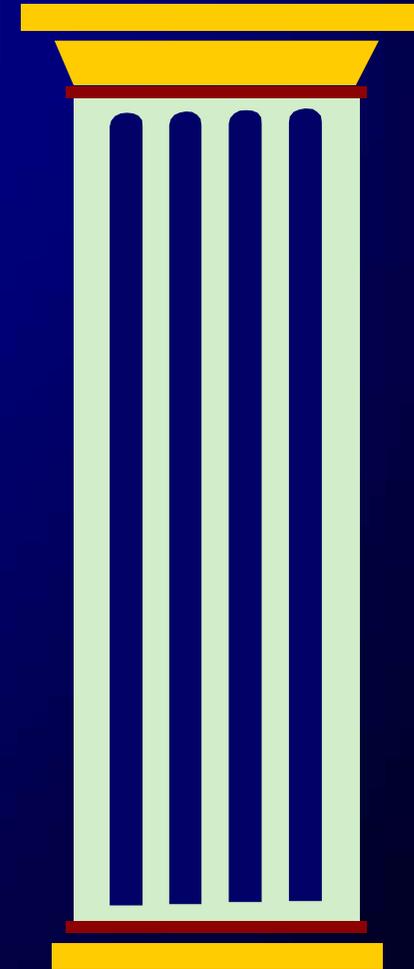
Empowerment



Self Esteem



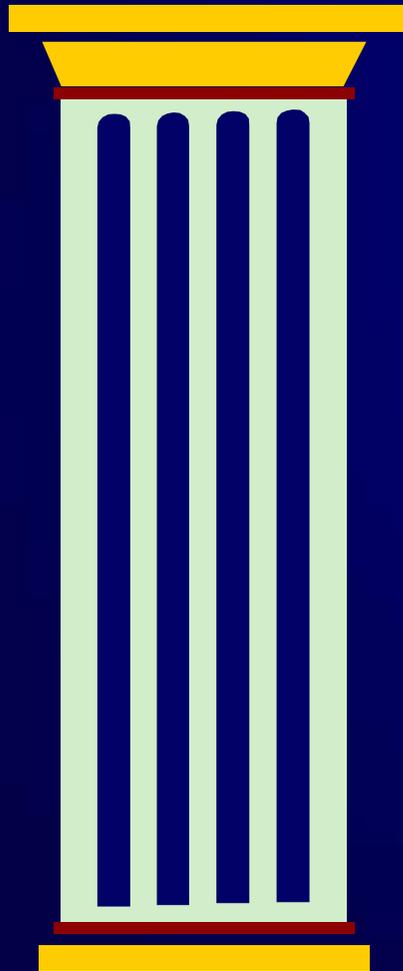
Pride



Intellectual Capital - Culture



Empowerment



Trust

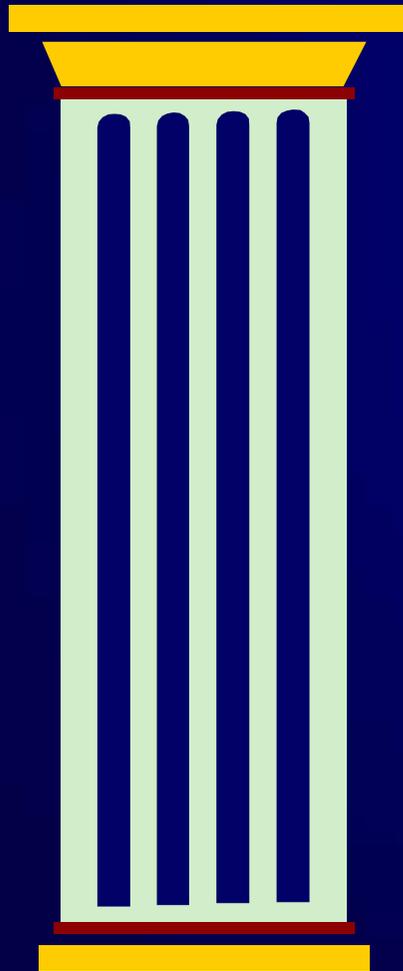
Trust - The Book Of Rules



Intellectual Capital - Culture



Empowerment



Trust

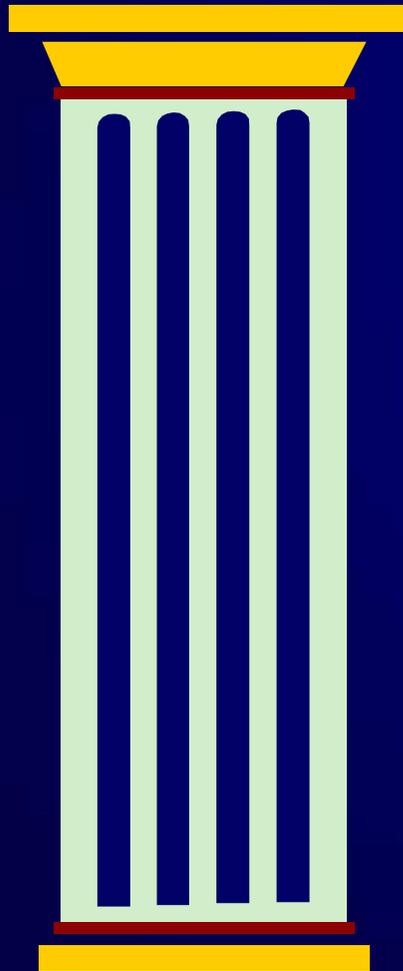
Recognition

Open Debate

Intellectual Capital - Culture



Self Esteem



**Care, Dignity &
Respect**



SIMPLY THE BEST COMPANY TO WORK FOR

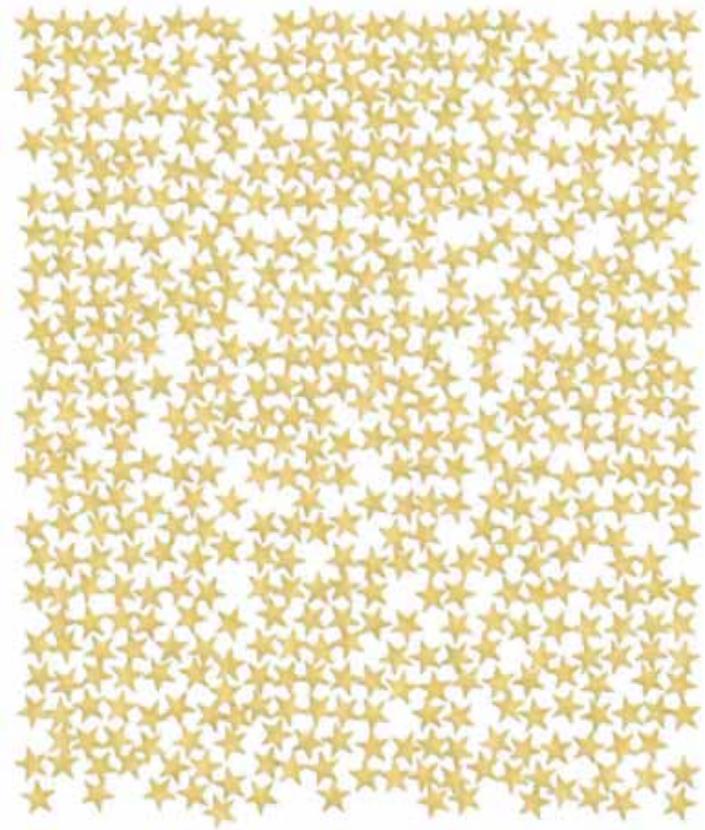
Rand Merchant Bank is 1st in
The Best Companies To Work For survey conducted jointly
by Deloitte & Touche Human Capital and Financial Mail.

That's why we consistently attract
the best talent in the country.



RAND MERCHANT BANK

TRADITIONAL VALUES. INNOVATIVE IDEAS.



THEY SPARKLE - WE SHINE

*There are 333 reasons why we were judged South Africa's "Best Company To Work For".
All of them are talented, intelligent, creative individuals who make us the unique company that we are. Without them we are just a name.*



RAND MERCHANT BANK

TRADITIONAL VALUES. INNOVATIVE IDEAS.

And the Next Year we Said ...



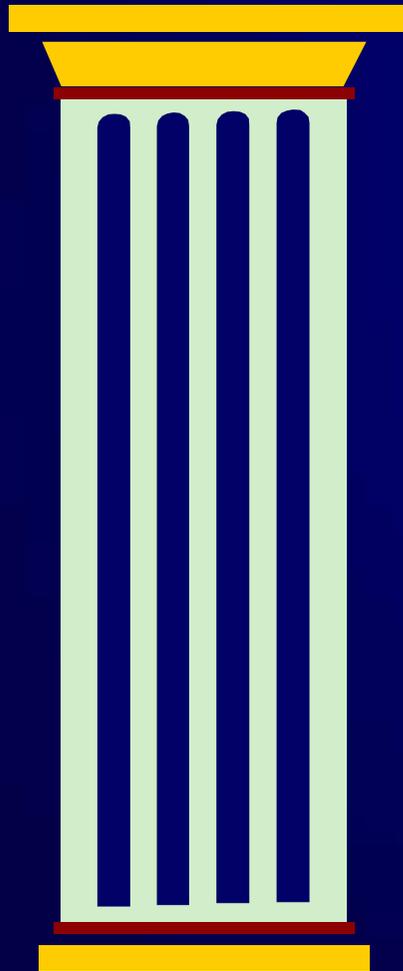
Congratulations SAB

“Maybe a drunk employee is a happy employee.”

Intellectual Capital - Culture



Self Esteem



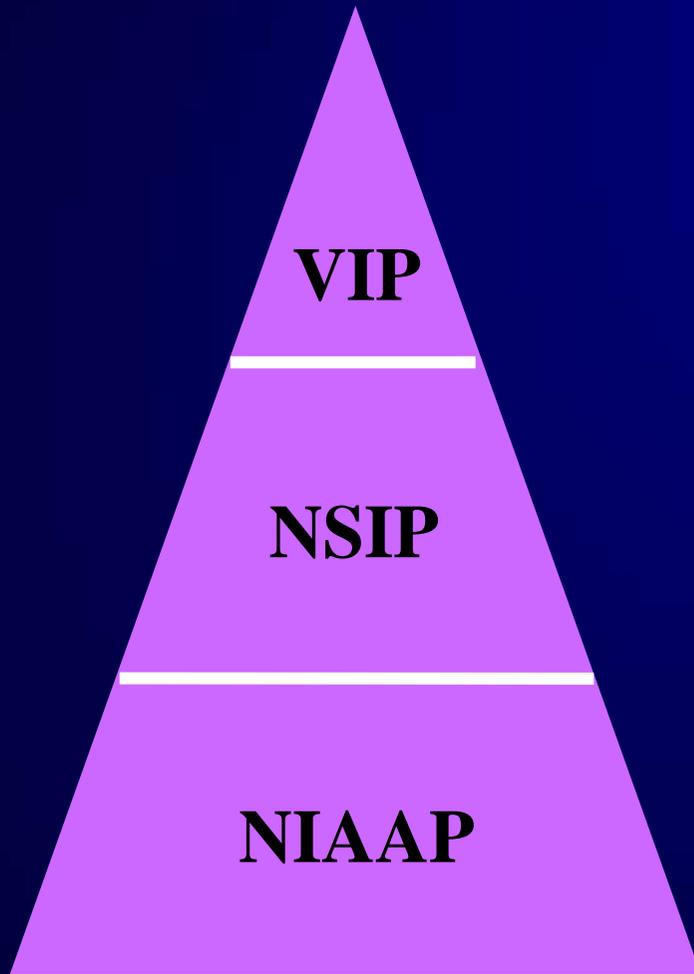
Care, Dignity &
Respect

Who Counts

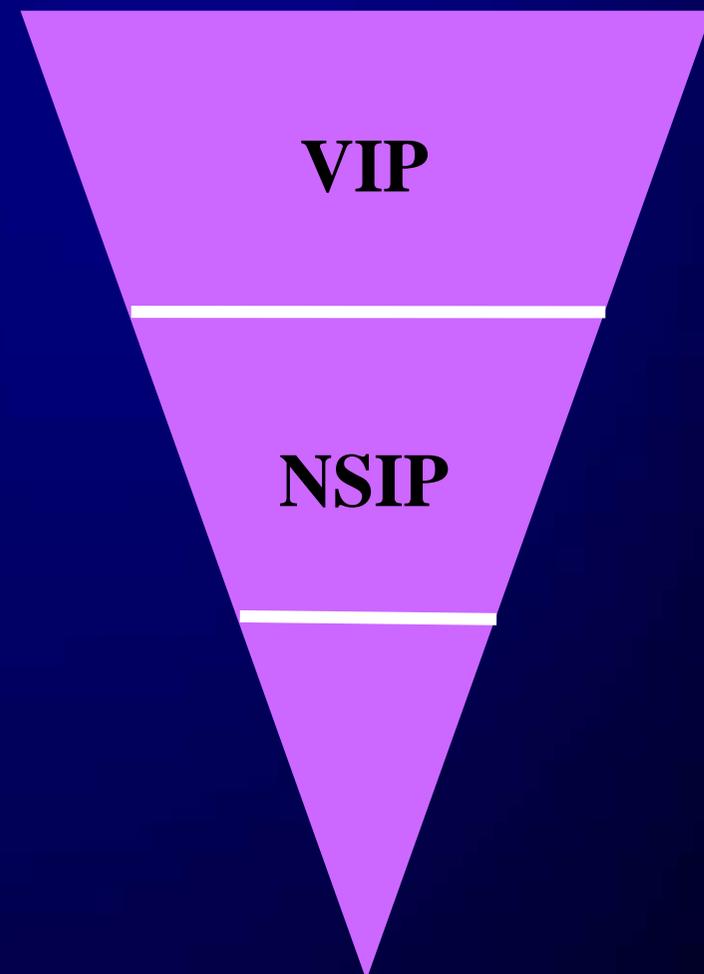
Self Esteem - Who Counts



Traditionally



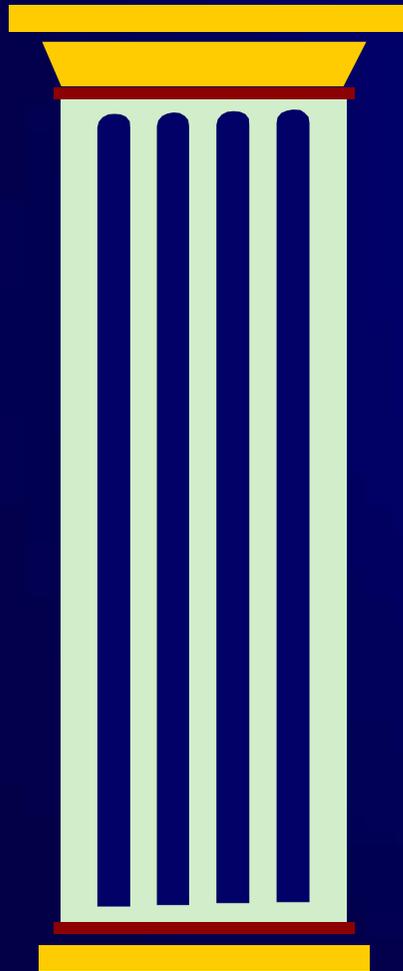
RMB



Intellectual Capital - Culture



Self Esteem



Care, Dignity &
Respect

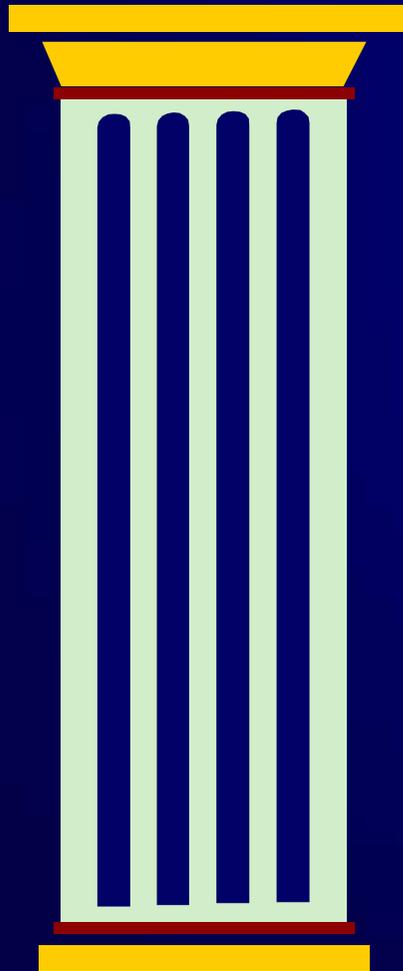
Who Counts

Passion

Intellectual Capital - Culture



Pride



Values

Reputation

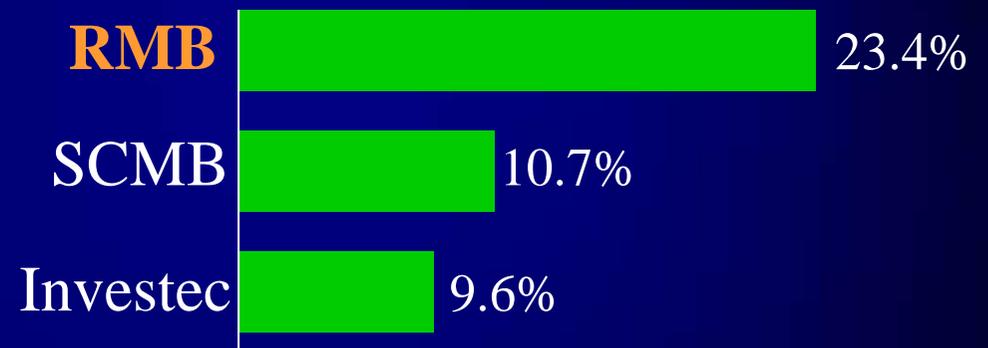
Financial Mail Survey



All Categories - Banks



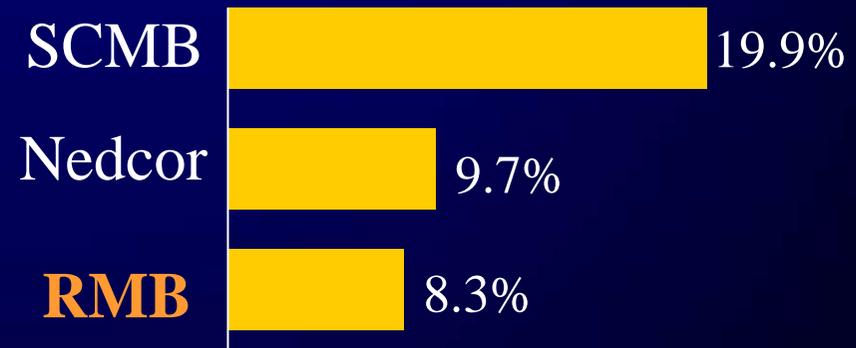
Intellectual Capability



Managerial Quality



Balance Sheet Capability



Best company to work for ...



"The **BEST**
Company to Work For"
2000

RAND MERCHANT BANK

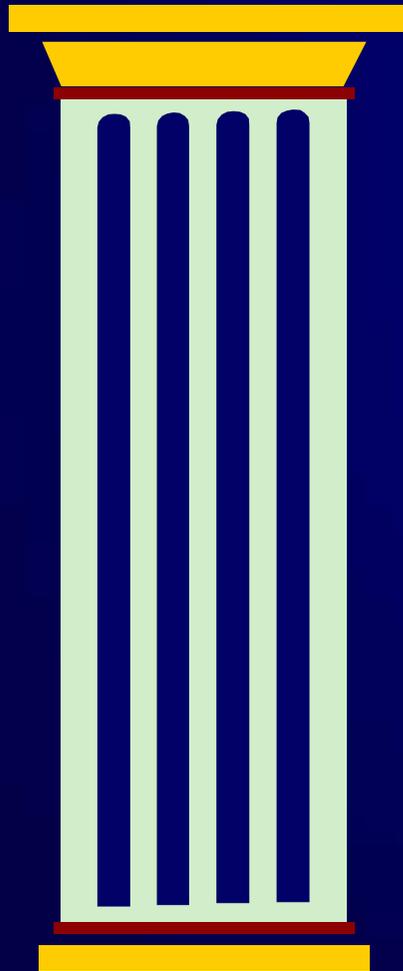


... as selected by our people

Intellectual Capital - Culture



Pride



Values

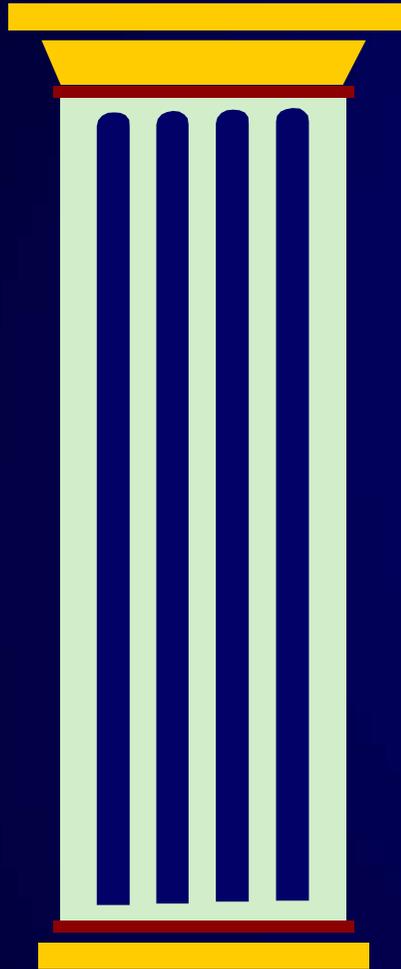
Reputation

Success

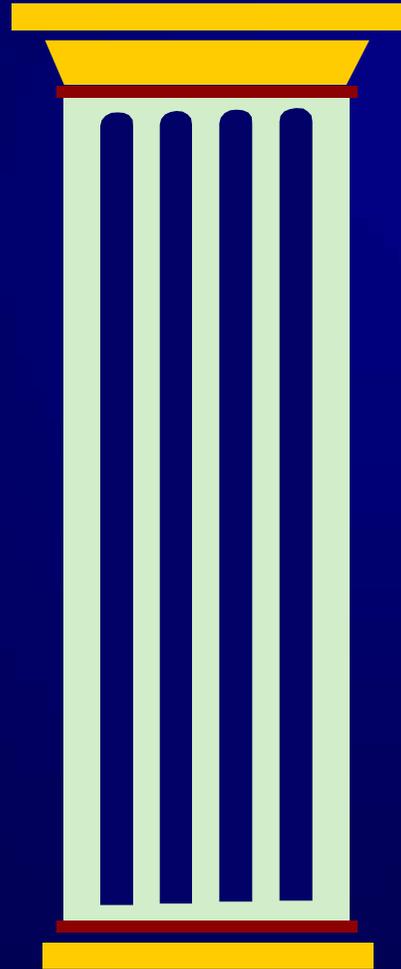
Intellectual Capital - Culture



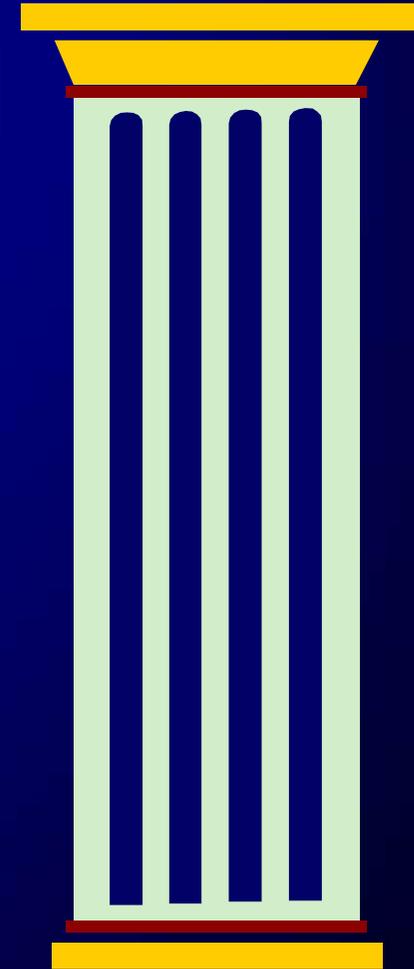
Empowerment



Self Esteem

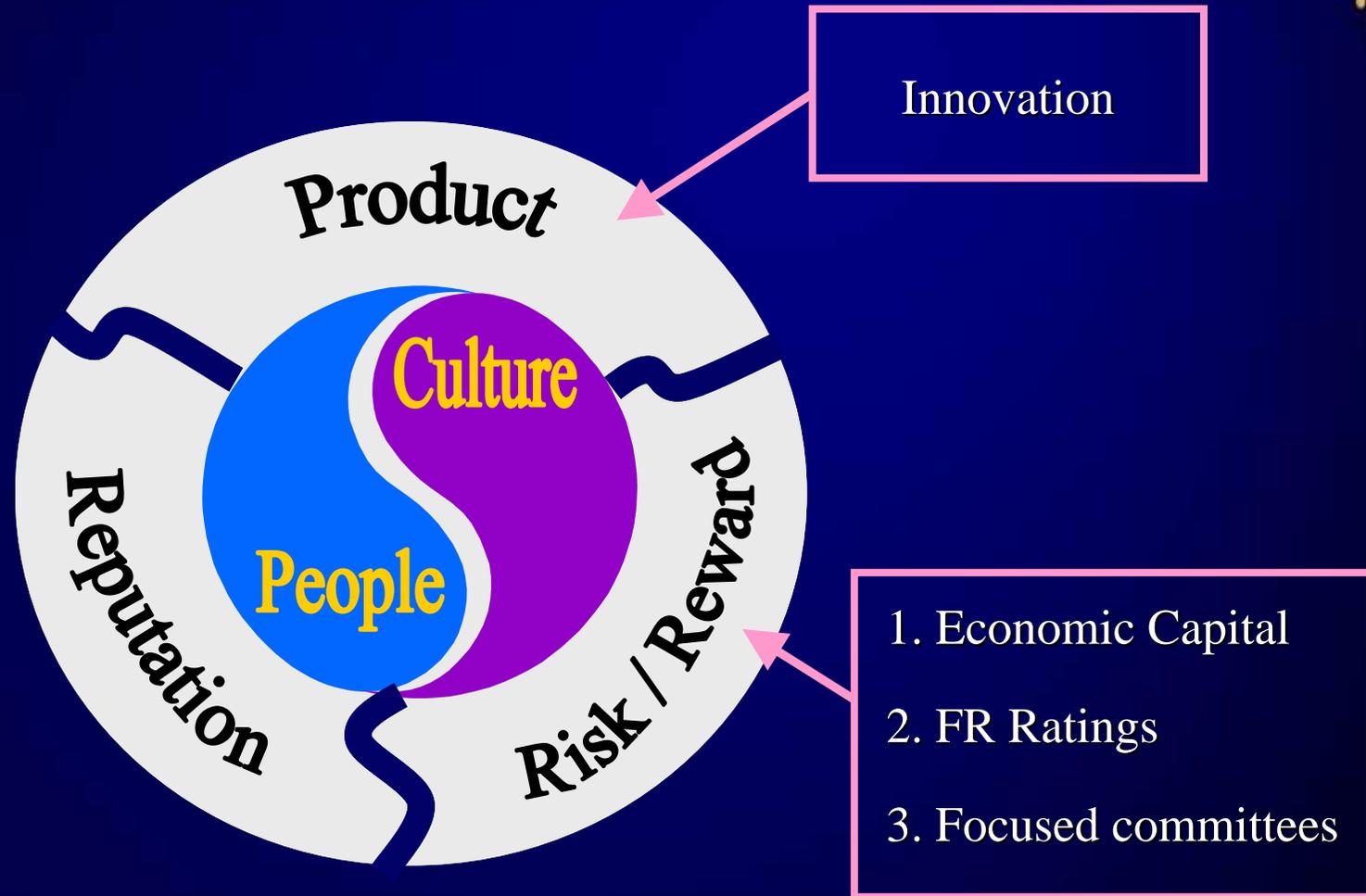


Pride

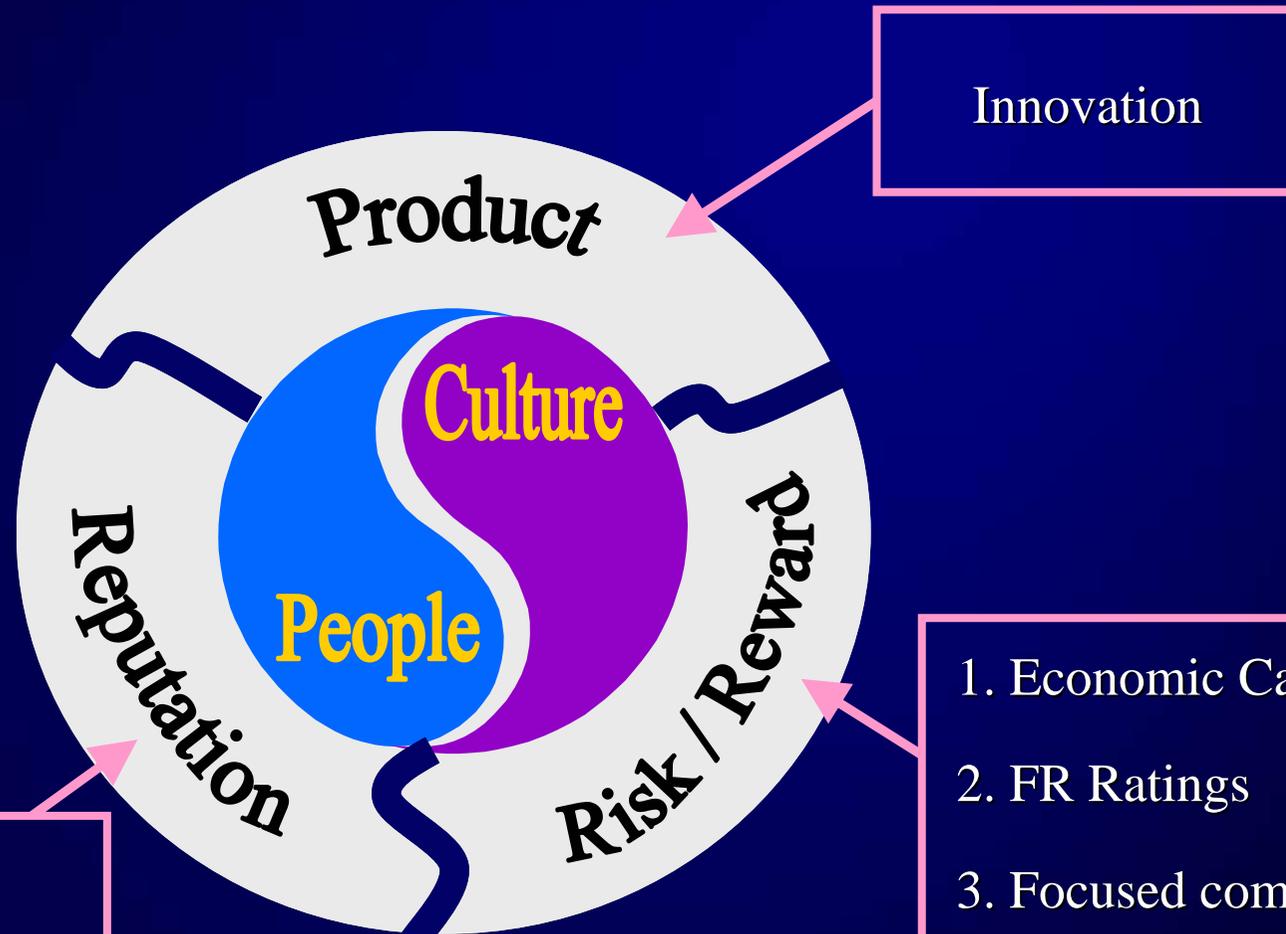


Soft on People, Hard on Results.

Strategic Framework



Strategic Framework



- 1. Brand
- 2. Values

- 1. Economic Capital
- 2. FR Ratings
- 3. Focused committees

Innovation

Strategic Framework





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Thank you





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Financial Overview

Mike Field

RMB Investment Analyst Day

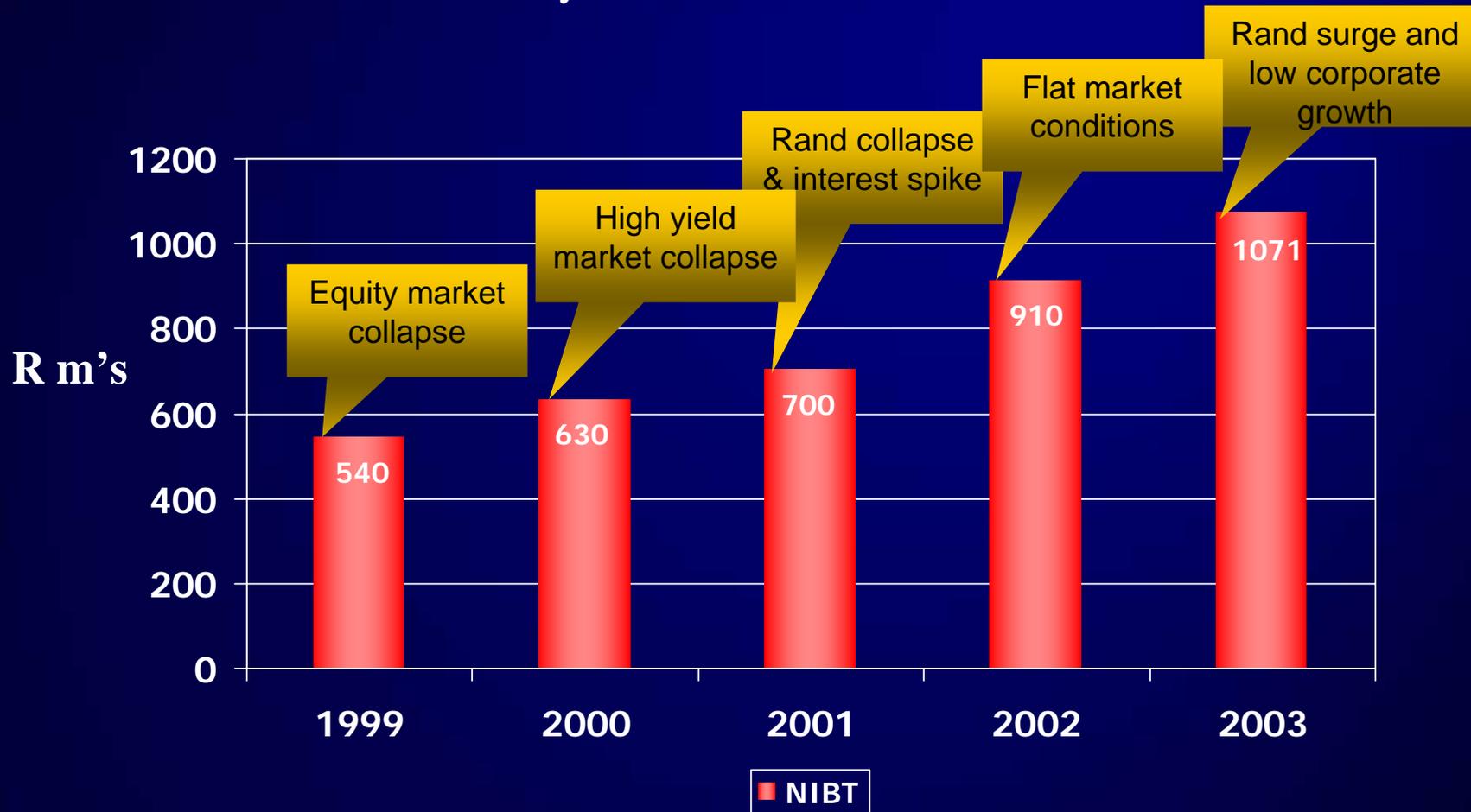
25 May 2004





5 year earnings review

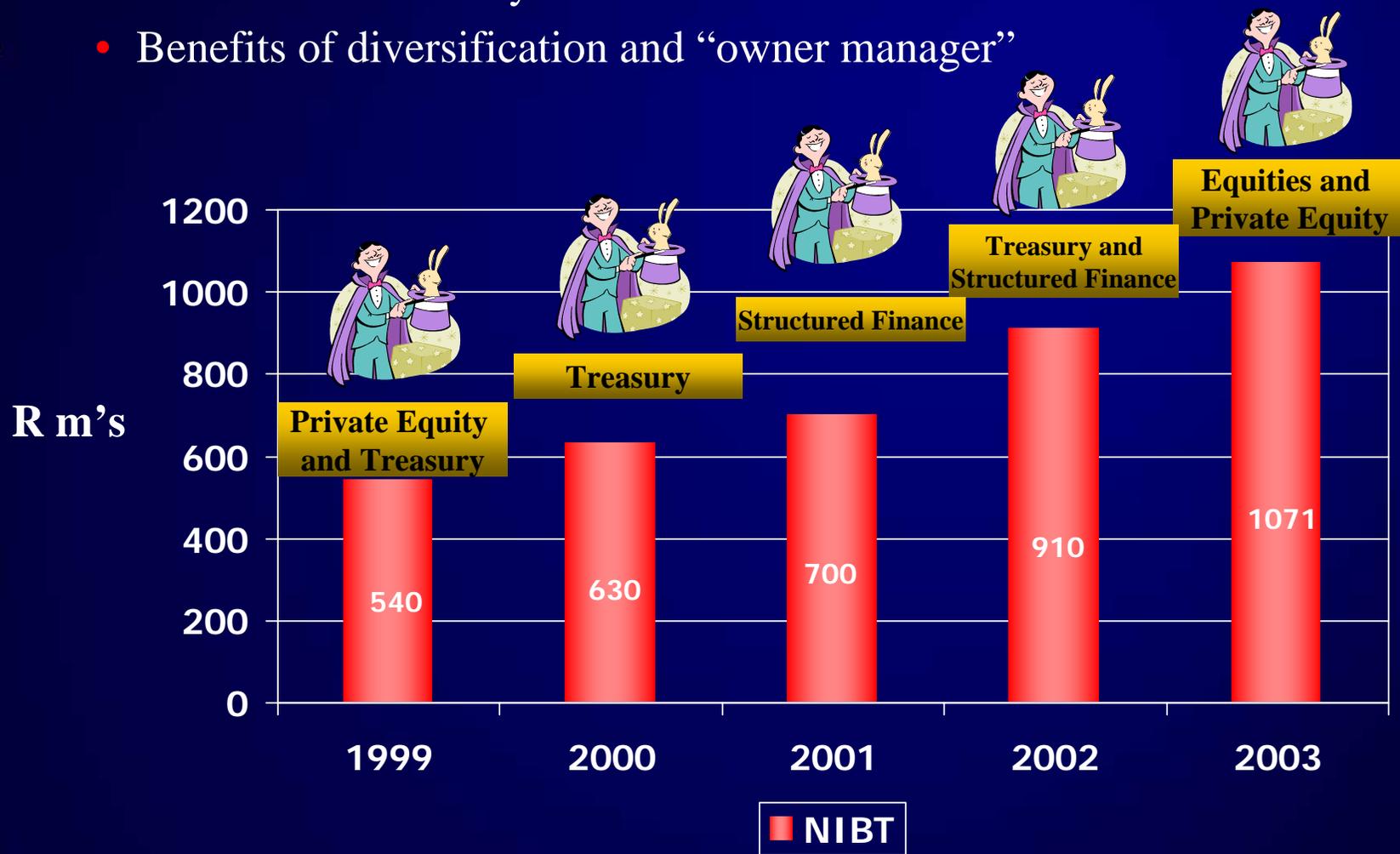
- Consistent profit growth in all market conditions
- CAGR 33.6 % over 7 years





5 year earnings review (cont.)

- At least 1 “rabbit” a year...
- Benefits of diversification and “owner manager”



Return on utilised capital (Tier 1)



- Superior ROE through active capital management



Financial control to sustain profits



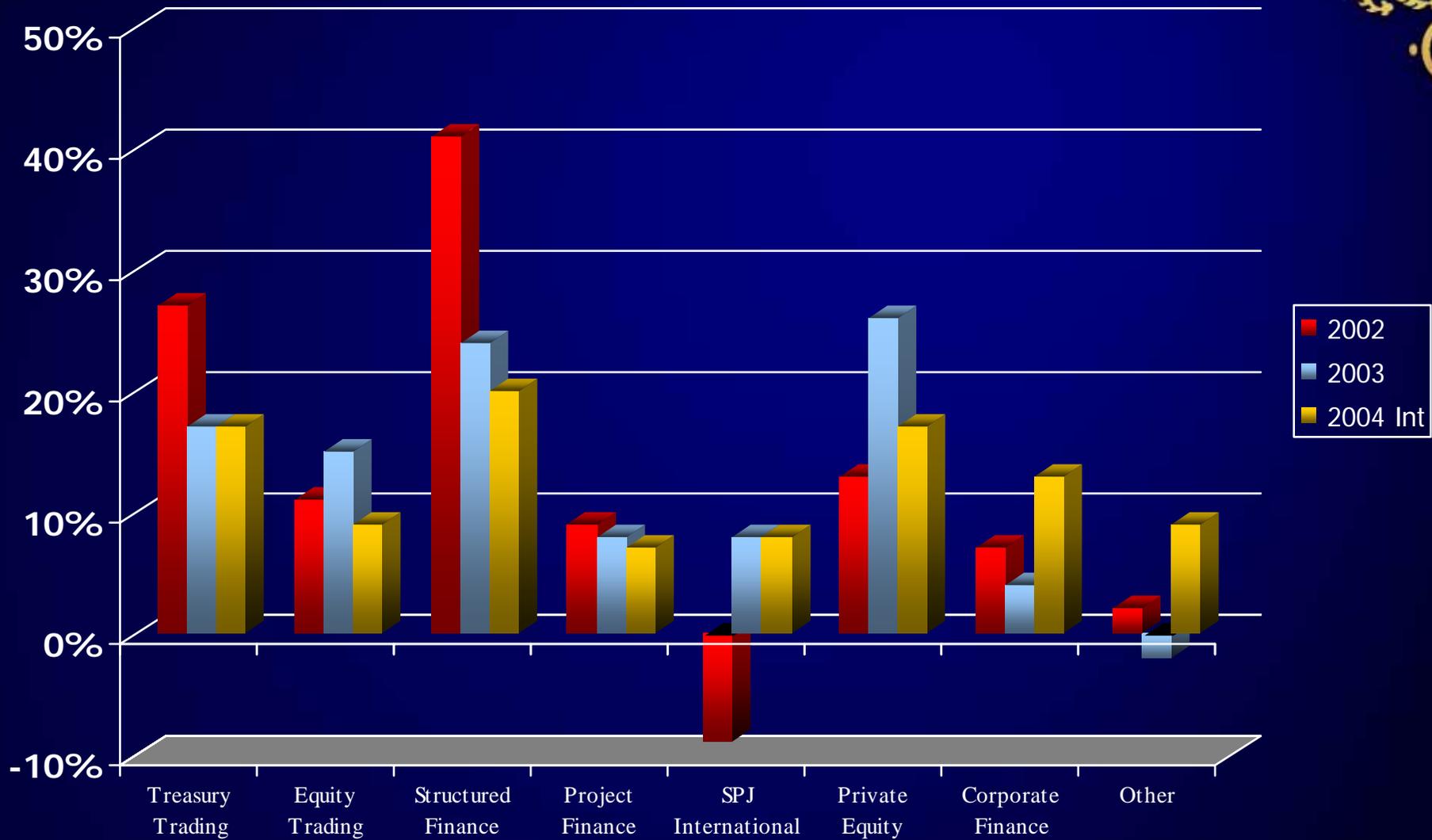
- Understanding the business portfolios and diversification
- Risk and capital management
 - Regulatory and economic capital
 - Identify, measure, price for risk
- Appropriate incentive structures
 - Risk based capital allocation and incentivisation

Unpacking the profit



| R m's | Dec 2003 (6 months) | Dec 2002 (6 months) | June 2003 (12 months) |
|-------------------------|-------------------------------|-------------------------------|---------------------------------|
| Trading income | 247 | 233 | 469 |
| Fee income | 47 | 30 | 77 |
| Investment income | 499 | 348 | 943 |
| Gross income | 793 | 611 | 1 489 |
| Operational expenditure | 220 | 198 | 418 |
| NIBT | 573 | 413 | 1 071 |

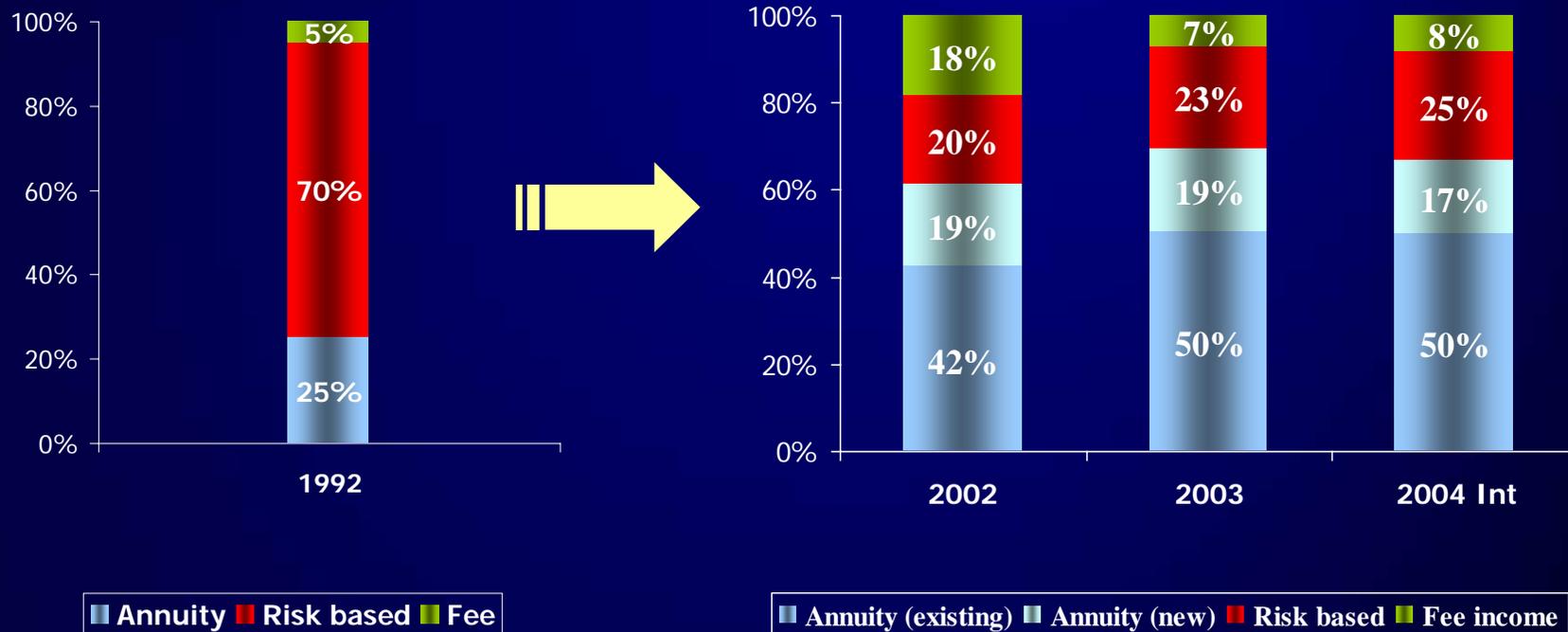
Business unit NIBT % contribution



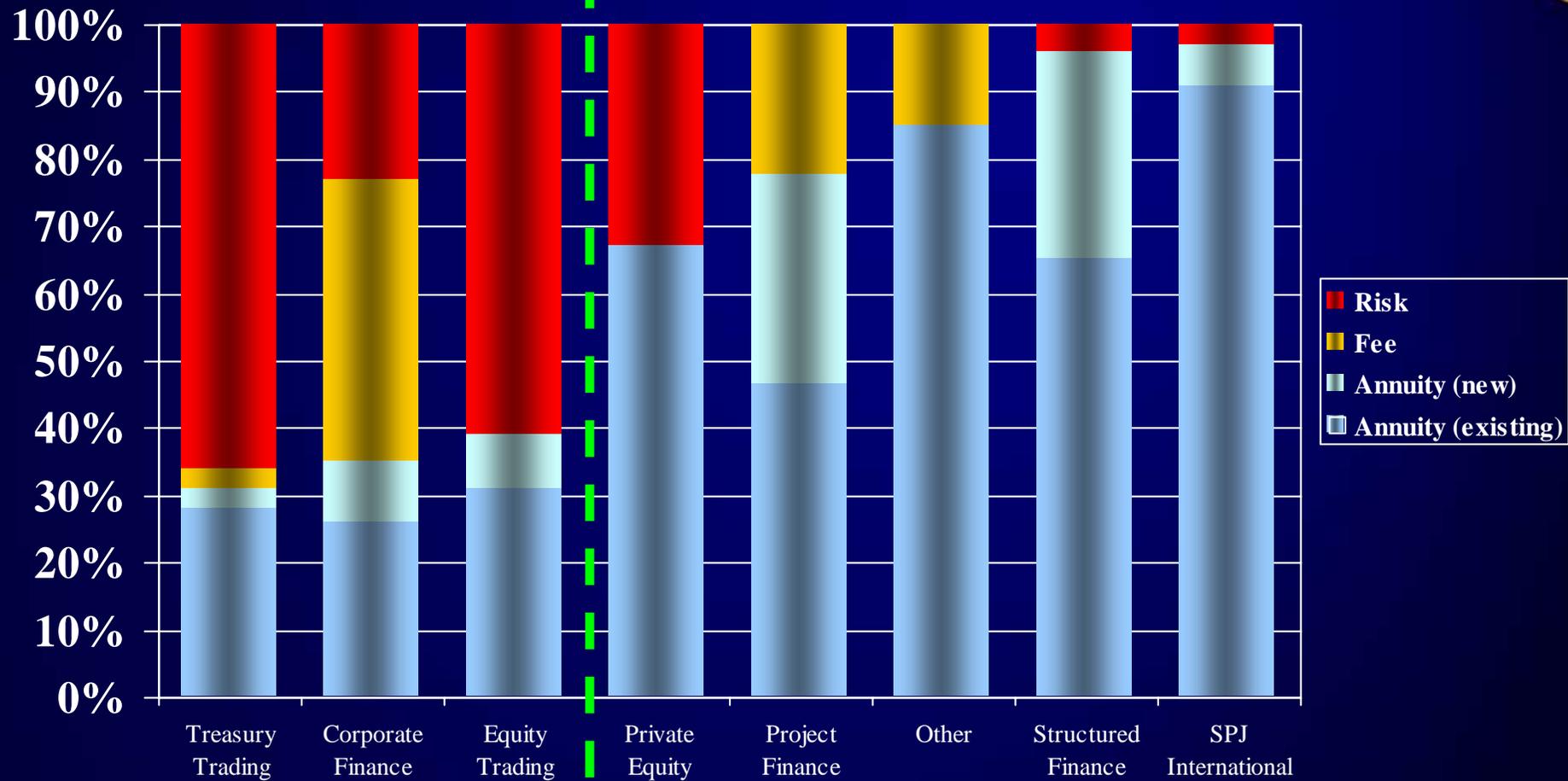
Diversity of earnings



- RMB has increasingly diversified its earnings mix



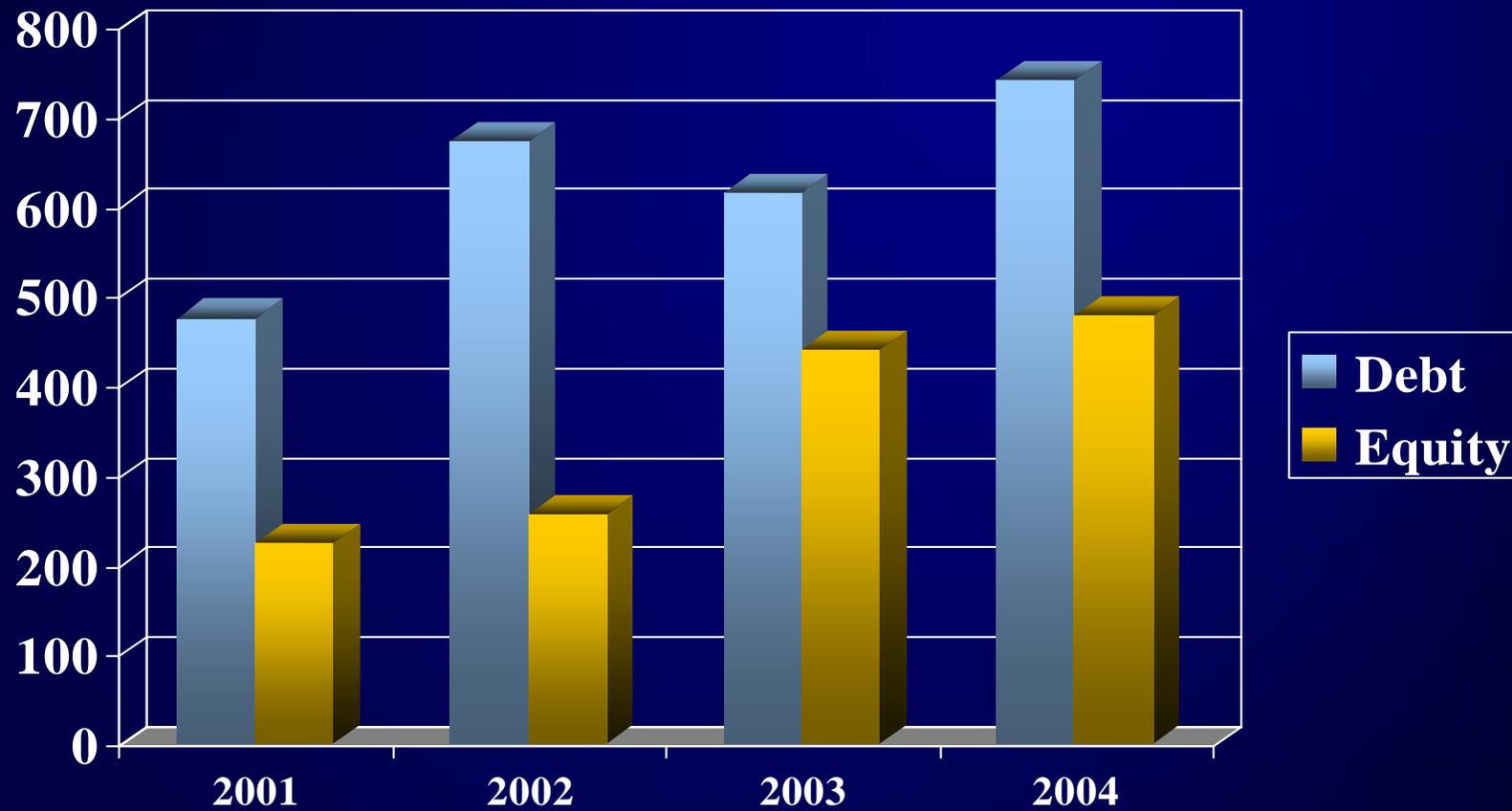
Diversity of earnings per BU



Debt versus Equity NIBT mix



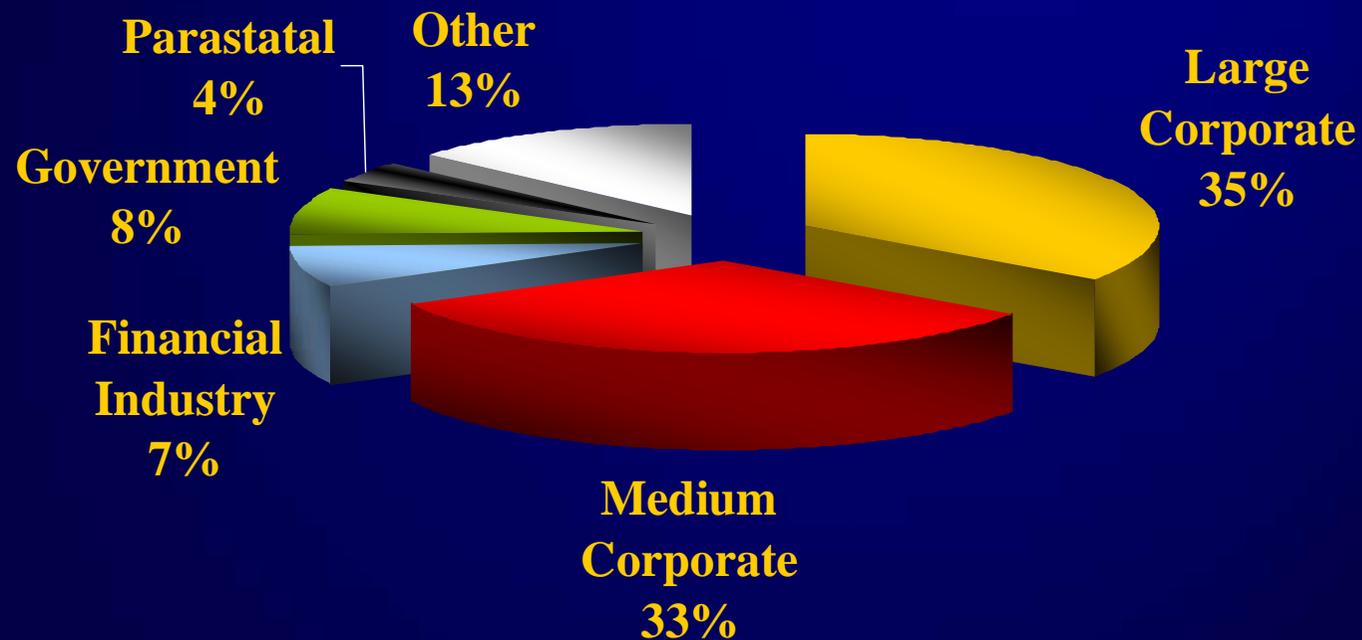
Rm's



Diversity of clients



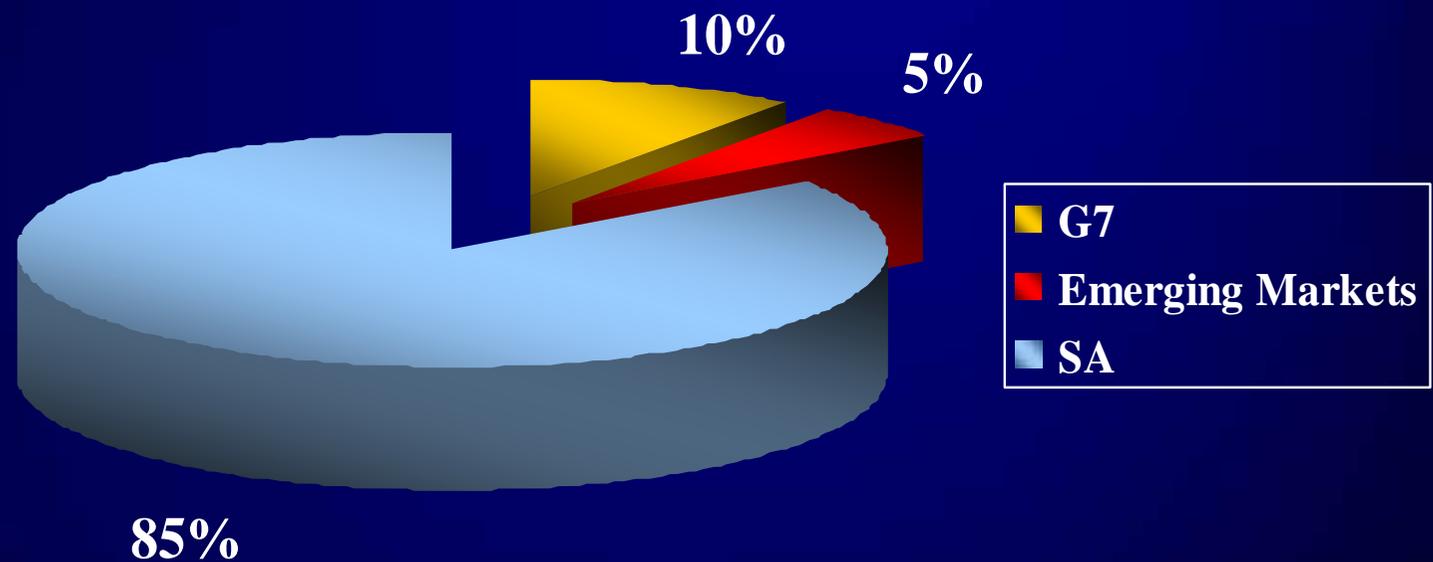
- Service a range of client segments



Portfolio of businesses



- Geographical split



Risk and capital management

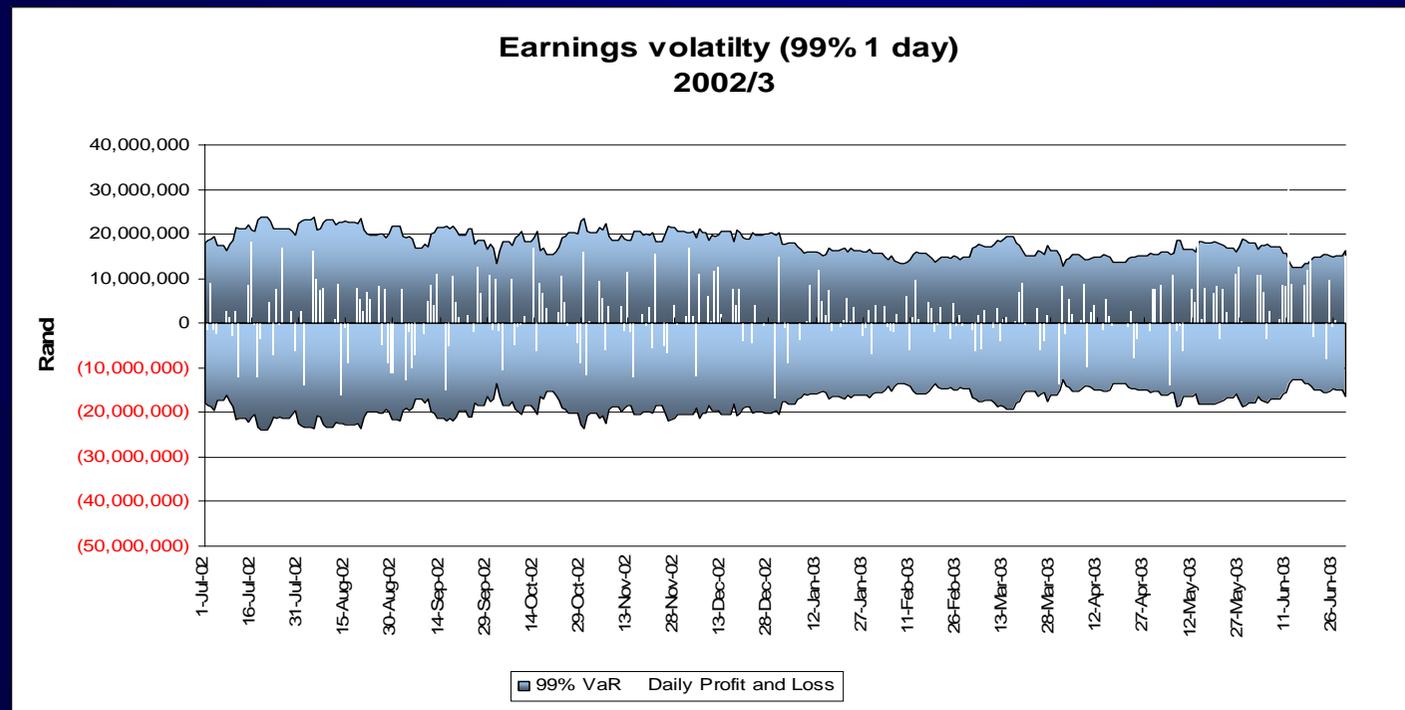


- Deployed risk model supported by independent unit
 - Risk built into frontline decision making
- Sophisticated measurement of risks
 - Market, credit, investment and operational risk
- Pricing for risk
 - Multi-period pricing models
- Direct link between risk, reward and remuneration

Market risk



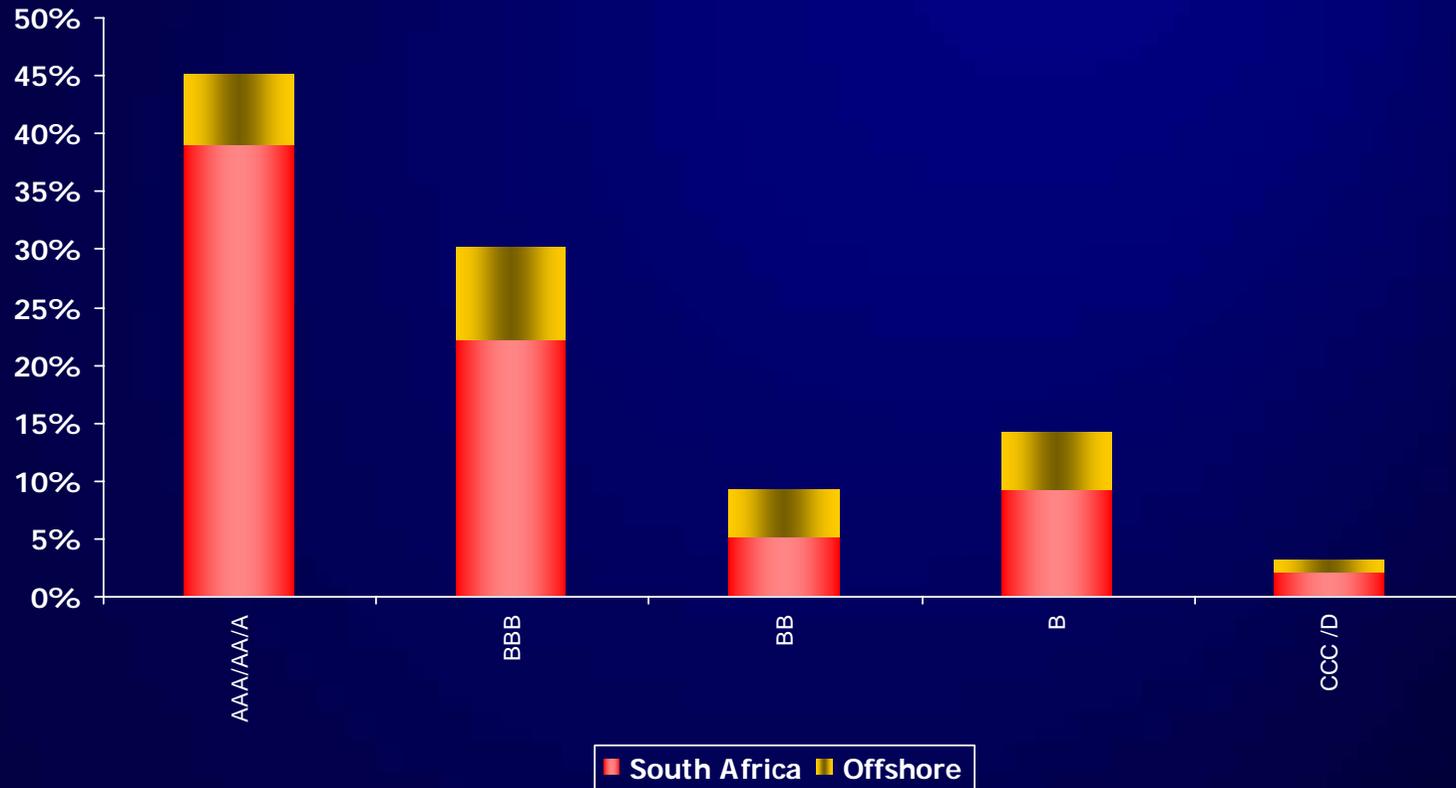
- VaR (99% 1 day)
- Stress tests
- Risk attribution
- Quality of earnings



Credit risk



- Corporate counterparty distribution (National Scale) as at Dec 03

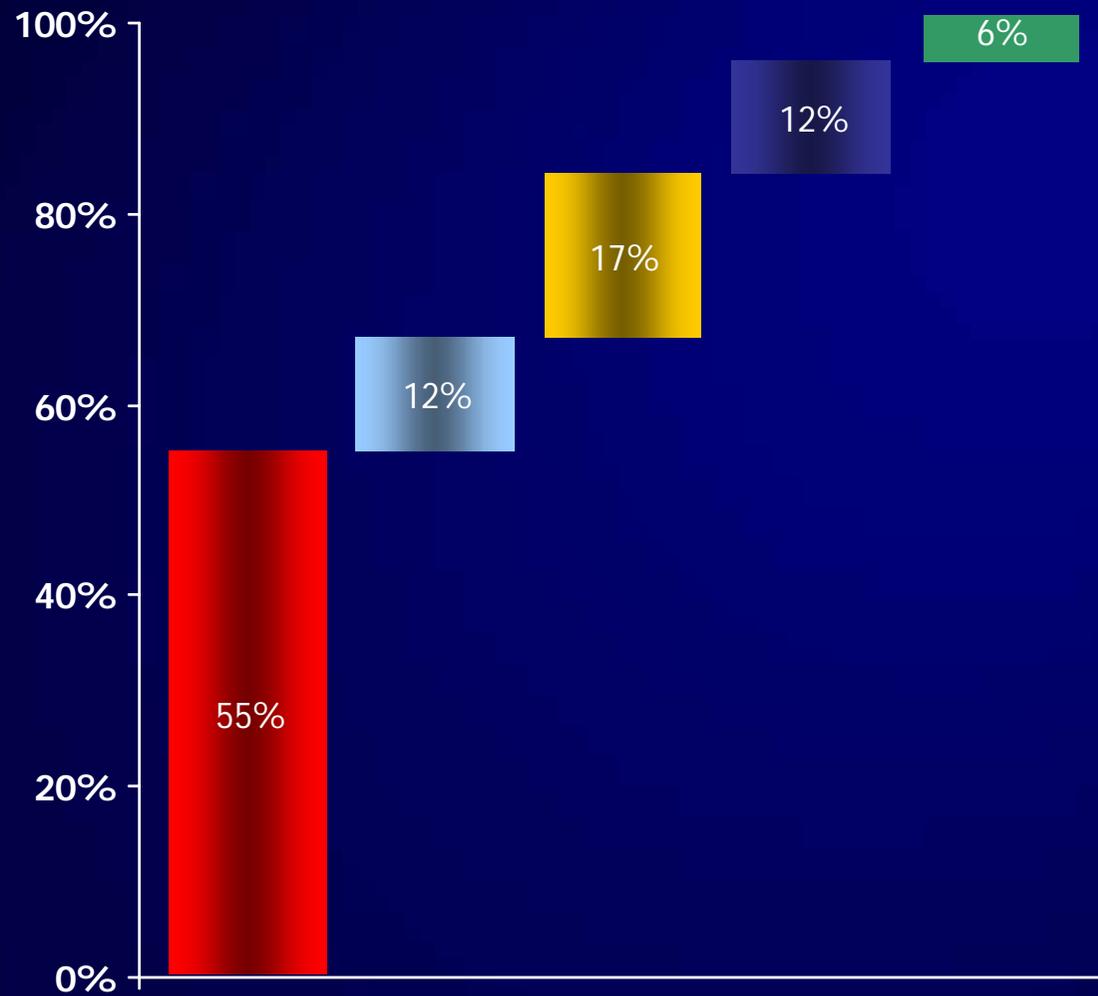


Operational, compliance and other



- Risk self-assessments
- Loss data collection
- Compliance risk management
 - Tax risk
 - Regulatory risk
 - Accounting
- Internal audit
- Insurance

Risk based capital allocation.....



■ Credit risk direct ■ Credit pre settlement risk ■ Investment risk ■ Market risk ■ Operational risk

Looking forward



- Active capital management
 - Regulatory
 - Economic
 - Basel II
- Meeting compliance challenges
 - Tax and Accounting
- Technology upgrade
 - Platform for growth



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Thank You





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Current Market Conditions

Derek Prout-Jones

RMB Investment Analyst Day

25 May 2004



Areas of interest



| | | |
|--|--|----------------|
| | | Interest Rates |
| | | Forex |
| | | Stock Market |
| | | BEE |
| | | Regulatory |
| | | Credit Spreads |
| | | Other |

Operating Environment



Interest Rates

- Downward trending market good for Treasury
- Lower rates stimulate lending which impacts: structured finance, project finance and corporate bond market (issuers)
- Cost of interest on highly leveraged Private Equity book decreases, can pay/leverage more
- General increase in business confidence – impact on M&A
- But issues for some Project Finance deals locked into relatively high interest rate funding at lower inflation levels

Operating Environment



Forex

- Volatile ZAR (intra-day) with low liquidity - problematic for Treasury Trading
- International USD earnings worth less due to strong Rand
- Reduced activity in Resources Sector – impact on Structured and Project Finance, M&A and Commodity Trading
- Negative impact on export businesses in Private Equity portfolio and commodity based projects in Project Finance portfolio

Operating Environment

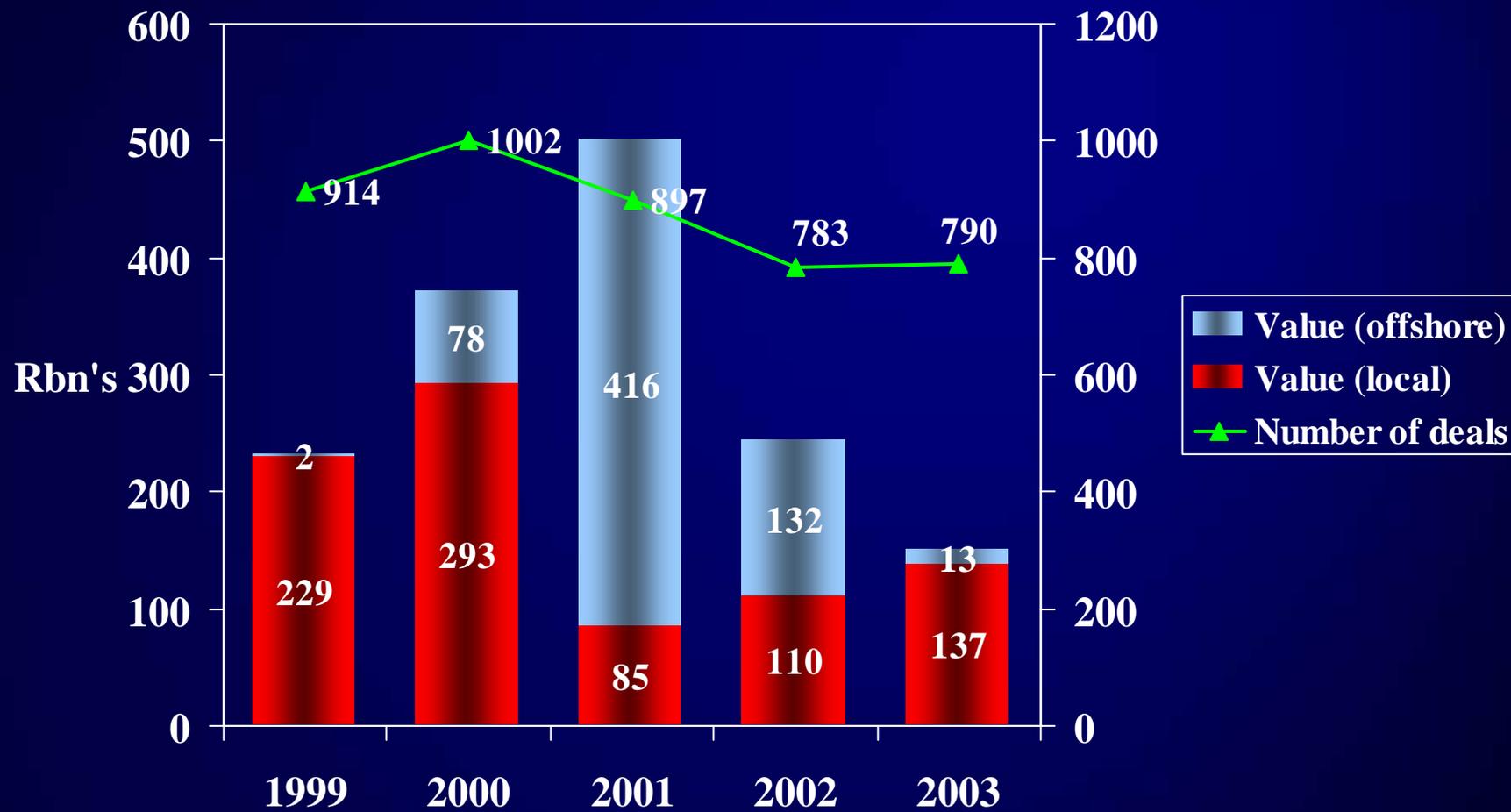


Stock Market

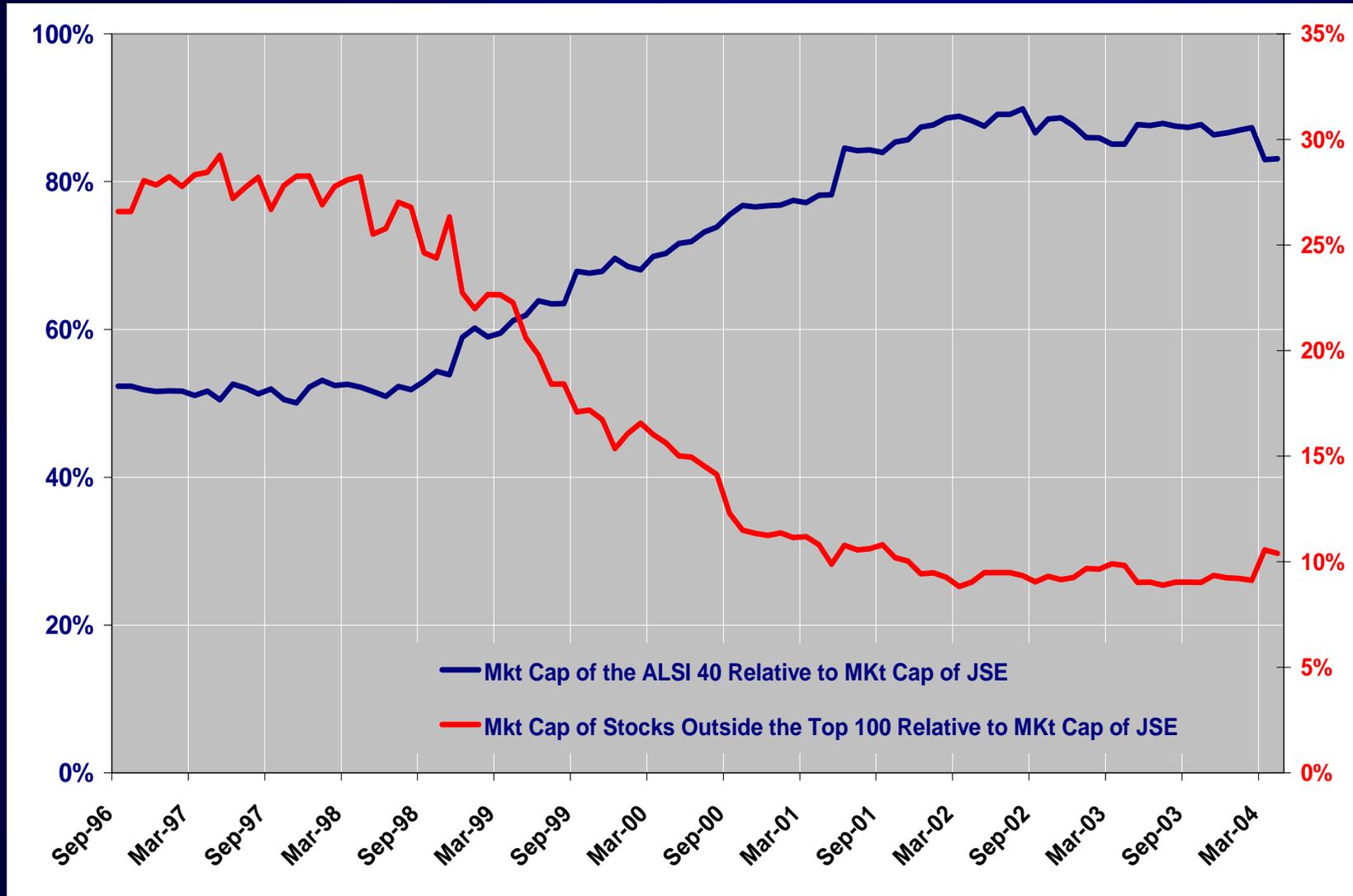
- 'Flat' market so far in 2004 – uncertainty prevails!
- No listings
- Less pure M&A
- Low liquidity leads to less trading leads to less arbitrage opportunities – Equities going offshore
- Private Equity realisations affected by lower valuations but increased investment opportunities



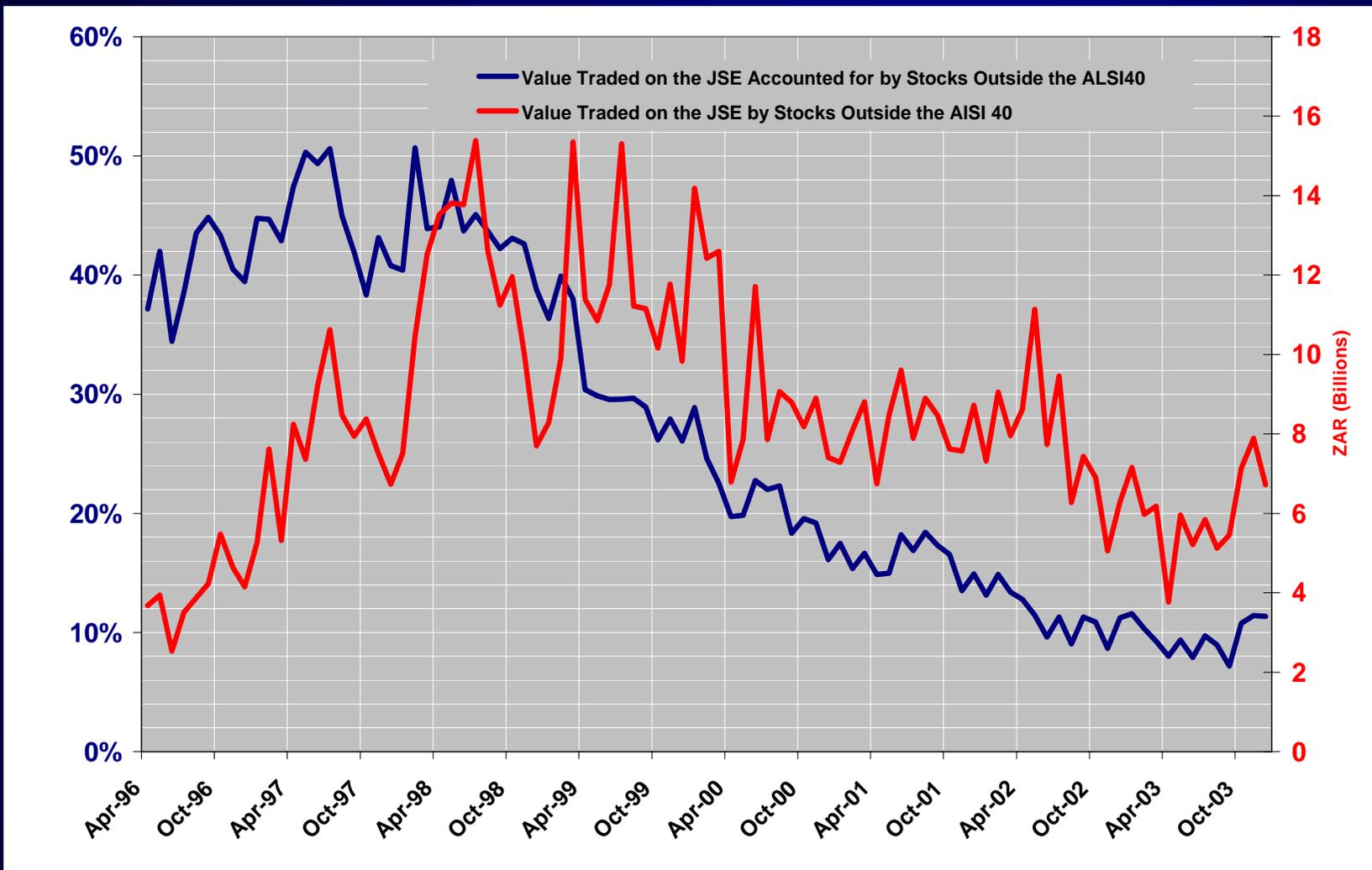
M&A Activity



Relative Market Cap Comparison



Relative Value Traded Comparison (cont)



Operating Environment



BEE

- RMB faces same pressures to meet all the BEE requirements
- But, BEE has also created immediate business opportunities for us in:
 - Advisory – Corporate Finance
 - Lending – Structured Finance
 - Investing – Private Equity losing direct funding of BEE deals to BEE Private Equity funds, hence our current positioning
 - Structuring – Combined skills of Equities, Corporate Finance and Structured Finance

Operating Environment



Regulatory

- AC133:
 - More volatile earnings and NAV
 - Impact on Treasury business as clients are reluctant to hedge
 - Reduces willingness to ride through cycles
- Mineral & Royalty Bill and Mining Charter – uncertainty leading to decreased Project Finance activity
- Basel II / Economic Capital
- Tax – Impact on Structured Finance
- General Corporate Governance and Compliance – increased cost base

Operating Environment

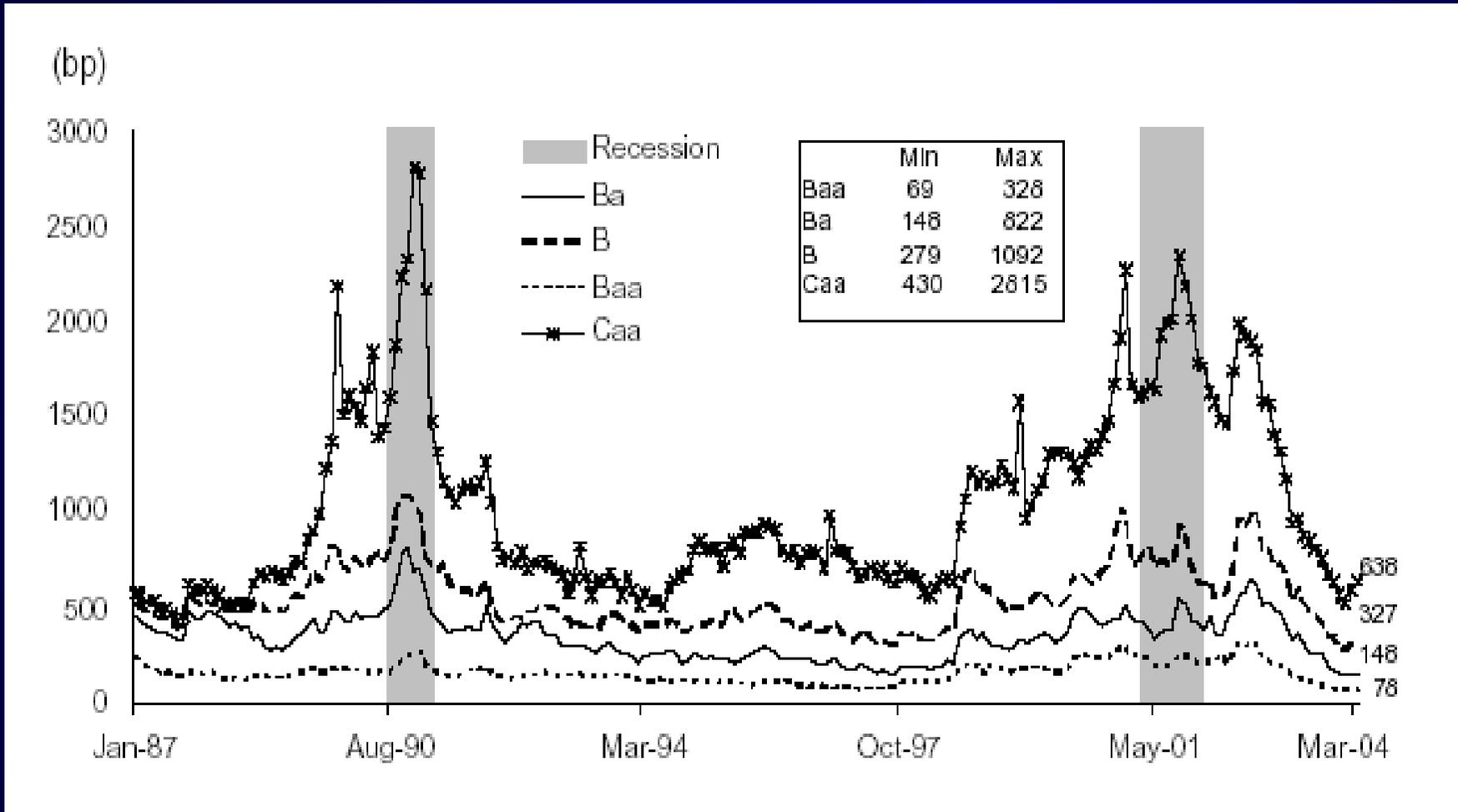


International Risk Spreads

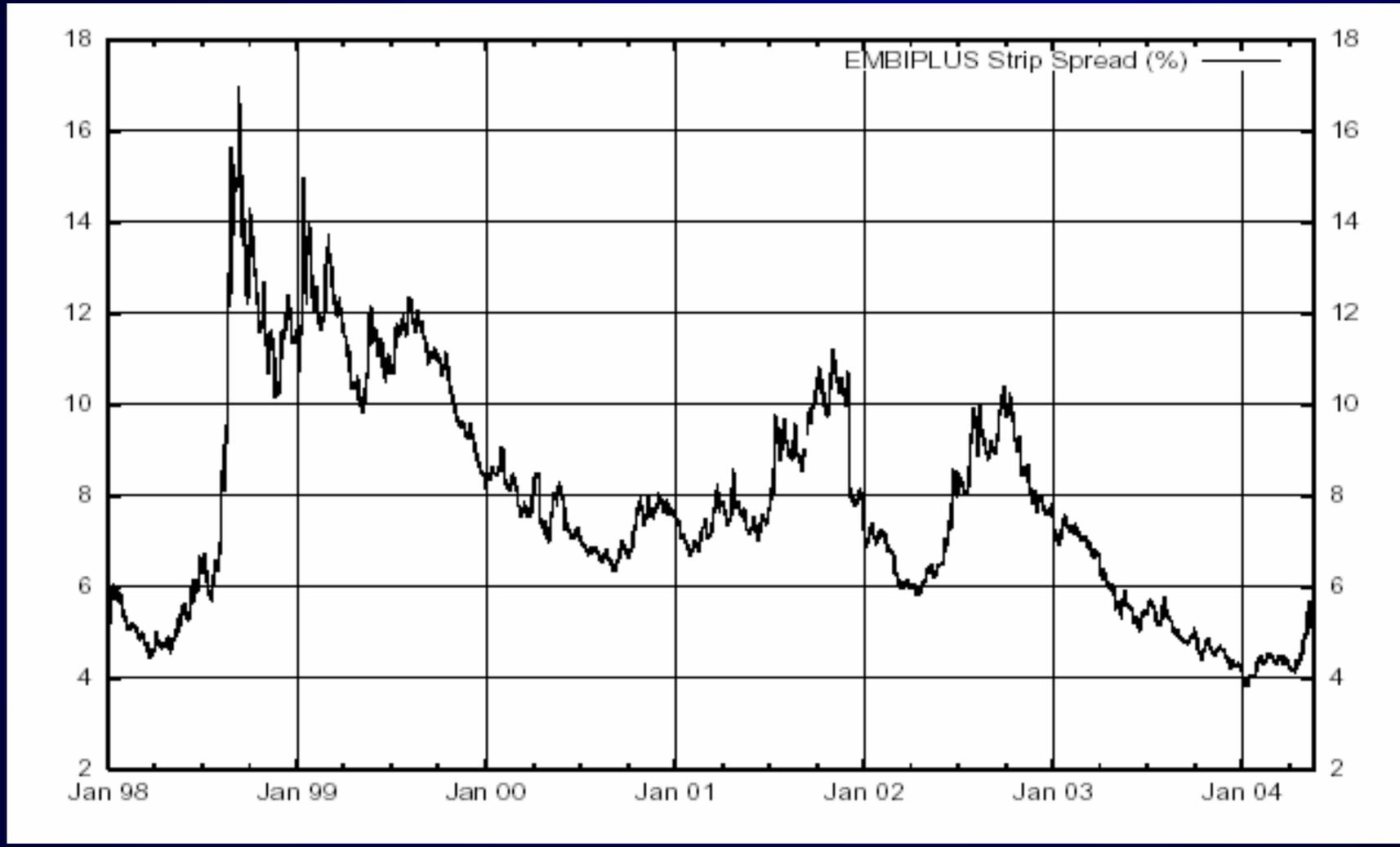
High yield and emerging markets spreads have contracted resulting in increased portfolio values and far fewer defaults in the corporate market



Credit Rating Spread Comparison



Emerging Market Credit Spreads



Other



- Low inflation
 - Resulted in shift from bonds to equities – lowest allocation from local asset managers to bonds
 - Despite this, no further reduction in interest rates to stimulate economic growth
 - And low interest rates – corporates disinclined to hedge L-T funding
- Government roll out of PPP's
 - Put on hold prior to election
 - Negative for Project Finance
- Competition
 - Significant reduction in smaller banks and boutiques
 - International players fickle but signs of balance sheet commitment

In Conclusion



Overall the big positives for RMB emanating from the market conditions of the recent past are:

- Low interest rates
- BEE
- Contraction of international credit spreads



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Transformation Progress

Buhle Ngcobo

RMB Investment Analyst Day
25 May 2004



Introduction



The FirstRand Group is a signatory to the Financial Sector Charter for Black Economic Empowerment



Rand Merchant Bank is 100% owned by
FirstRand Bank

Charter Scorecard – Applicable to FirstRand



| Component | Max |
|---|------------|
| Human resource development | |
| • Employment Equity | 15 |
| • Skills Development | 5 |
| Procurement & Enterprise Development | 15 |
| Access to Financial Services | 18 |
| Empowerment Financing | |
| • BEE transactions | 5 |
| • Targeted Investment | 17 |
| Ownership & control | |
| • Ownership | 14 |
| • Control – board & executive | 8 |
| Corporate Social Investment | 3 |
| TOTAL SCORE | 100 |

RMB Human Resource Development



Employment Equity:

- RMB EE Policy & Plan – Divisional EE Plans
- Incentive in place for achievement of plans
- 5% improvement year-to-date on EE appointments
- Diversity Training
- Have an HIV/Aids Awareness Campaign and subscribe to an interactive HIV/Aids website that is free to all employees

RMB Human Resource Development



Skills development:

- RMB Academy
- 5 Internship programmes – 3 to be launched
- Charter 5 year target = 1.5%
- RMB already at 0.87%



RMB Procurement



- Accreditation of suppliers
- Business units are aligned with the long term goal of sourcing 50% expenditure in a way that advances black economic empowerment
- Awaiting Charters in ICT (technology spend approx 40% of total)

RMB Empowerment Financing



BEE Transactions:

**RMB voted Top Commercial BEE Funder
(2nd year running) BusinessMap**



R900m new deals each year the total book approximately R5bn !

RMB Empowerment Financing



Targeted Investments :

- Transformational Infrastructure

- Investment in low-income housing

RMB has credit approval totalling R456m, which will build 8,888 houses spread throughout SA

- Agriculture pre-crop and capital finance

- SME's being addressed by FNB

Ownership and Control



The FirstRand Limited board is fully Charter compliant in terms of black complement and black women.

The FirstRand Group is currently in discussion with an empowerment partner at holding company level.



RMB Corporate Social Investment



- All group companies contribute 1% of after-tax earnings to the FirstRand Foundation.
- The RMB Fund is one of four company funds operating under the umbrella of the FirstRand Foundation.

Since 2000, RMB has given over R20 million to nearly 300 upliftment projects, making a difference in the lives of thousands of people.

Focus areas:-

Education – maths and financial literacy
Skills training and job creation
Safe communities
Community care
Environment and conservation
Arts and culture
Staff-driven initiatives



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Corporate Finance

“Market positioning in a competitive and BEE-dominated industry”

Herman Bosman

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Role in investment bank



- Profile in market place
- Profitability
 - Generation of M&A fee income
 - Generation of income from capital markets
 - Generation of opportunities for other areas

The competitive South African M&A market

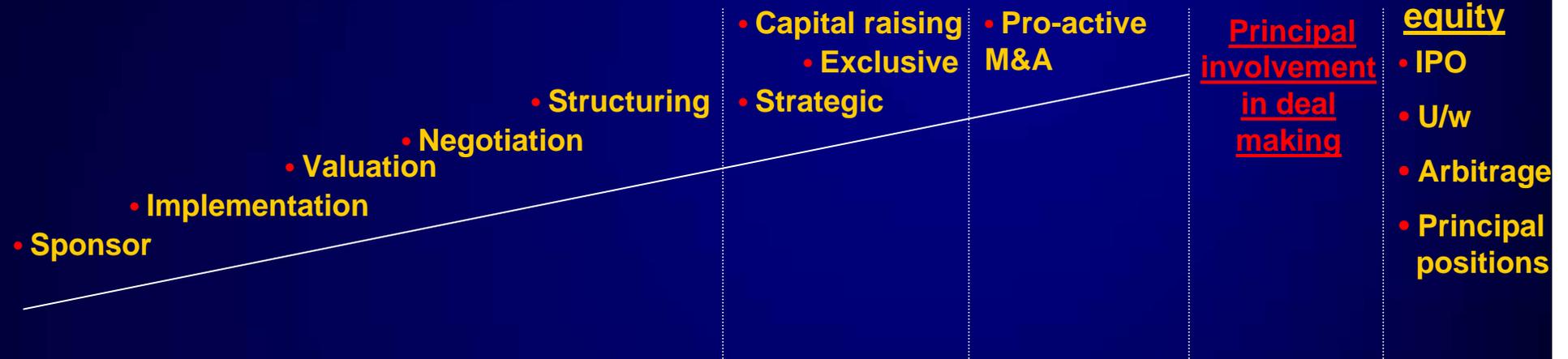


- Small informed market
- Traditional loyalty less prevalent
- Commodisation of advice
 - Price competition
 - Funding support
- Brand quality attracts transactions and key dealmakers
- (International) profile driven
- Equity distribution requirement

The advice value chain[®]



Advice value chain



The advice value chain



Advice value chain



Profile generation

Lower profitability from mainstream clients

Low growth

Profit generation

Low success rate

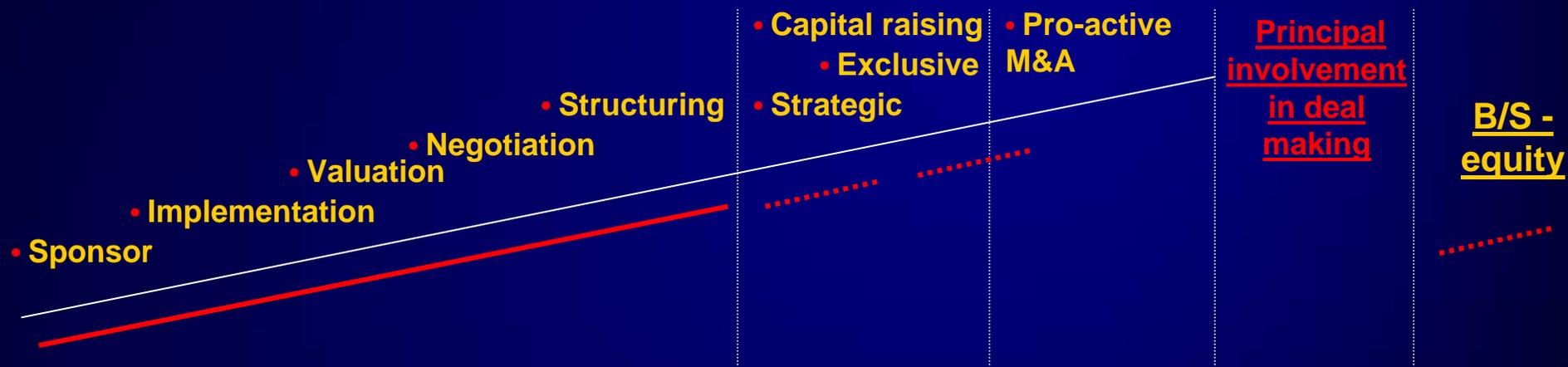
Ad hoc "clients"

Equity risk related profits

The advice value chain – RMB historically



Advice value chain





The advice value chain – changes implemented

Advice value chain



Enhanced Sponsor team

Position as strategic thought partner/trusted advisor

Focused Equity Capital team

- Proven sector specialisation
- International network
- Holistic solutions, including B/S
- Aggressive and focused selling
- Business Development role
- Focused Equity Structuring unit

The advice value chain – RMB currently



Advice value chain



- Strengths**
- Technical skills
 - Reputation
 - Pricing
 - Local knowledge
 - Relationships
 - Integrated solutions

- Weaknesses**
- Market share
 - Cross selling
 - BEE credentials
 - Pricing

- Strengths**
- Reputation / brand
 - Technical skills
 - Int. network
 - Relationships
- Weaknesses**
- Int. brand
 - Int. distribution

- Strengths**
- Balance sheet
 - Network
 - Technical skills
 - Focus
- Weaknesses**
- Inv pressure
 - Opportunities

The advice value chain – BEE environment



Advice value chain



Implementation capability

Market profile

Network to facilitate partner selection

Track record of innovation and creativity

Understanding of principles of risk and reward sharing and value impact (“Value Gap”)

Funding appetite (equity and debt)

Capital raising capability



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RMB PRIVATE EQUITY

Ketso Gordon

RMB Investment Analyst Day

25 May 2004



Agenda



Background

The Market

RMB Private Equity

- The model
- Performance

BEE

Conclusions

Why does RMB invest in PE?



- Like the returns associated with PE - good risk/reward relationship
- Believe there is a value arbitrage between public and private equity
- The so called liquidity discount is miss-priced
- Management commitment makes the difference
- Provides the framework for doing BEE deals

Traditional Deal philosophy



- Equity and/or debt investments
- Typically hold 20% - 50% of enterprise
- Management are partners and on risk
- Medium to long term approach
- Avoid start ups – invest in good companies
- Target IRR's of 30%

Partners with management

Two Structural Models for Private Equity



3rd party asset management model

- Raise funds every 5 - 7 years
- Closed ended fund
- Earn management fee plus carry
- This is the internationally accepted model

On balance sheet model

- Use (mainly banks) balance sheet
- Open ended fund
- Compensation: investment returns
- The less sophisticated model, how private equity normally starts

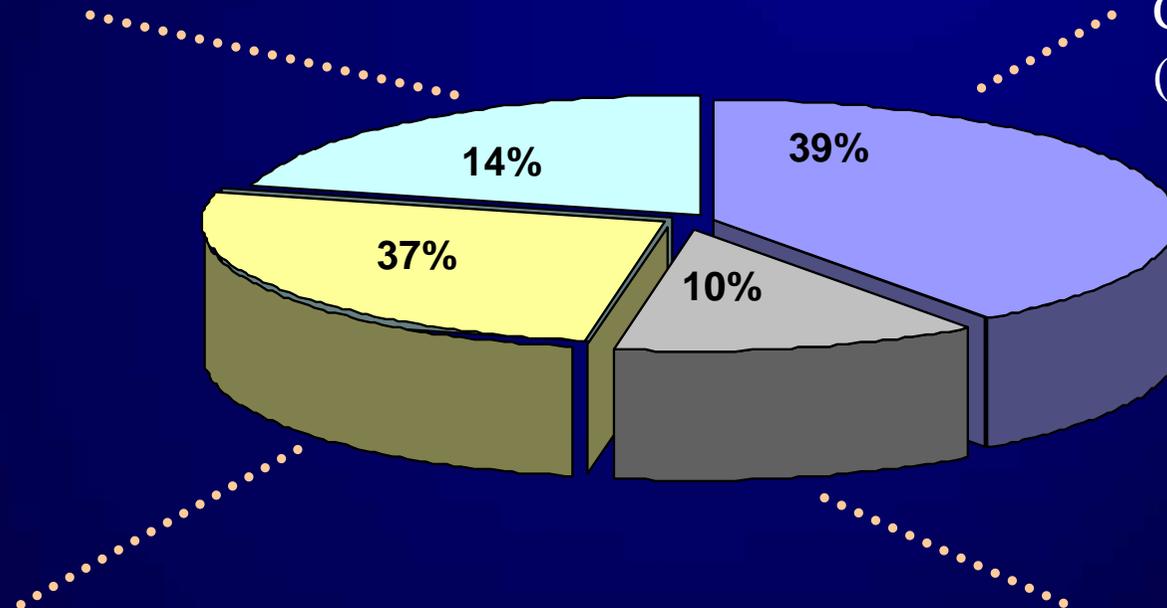
Funds Under Management – Dec 03



R41.5bn (R 37.6 bn Dec-02)

R5.8 bn
Captives -
Government
(6 Firms)

R16.0 bn
Captives - Other
(12 Firms)



R15.4
Independents
(26 Firms)

R4.3 bn
Captives - Banks
(6 Firms)

The RMB Private Equity Structure



Ethos Private Equity

- 3rd party fund manager

RMB Ventures Australia

- Balance sheet investor

RMB Corvest

- Balance sheet investor

>100 deals
RMB Private Equity (RMBPE)
R2.4 billion

RMB Ventures

- Balance sheet investor
- Kagiso JV - R300m
- Tiso

RMB Private Equity Debt

- Balance sheet lender
- JV with Structured Finance

Personalities Style Network : Process - Discipline - Ethics

Our Business Model



EQUITY

Returns: (new deals)

| | |
|---------------|---|
| Hurdle IRR | 30% p.a. (been exceeded past 14 years). |
| Cost of funds | 10% p.a. (estimated) |
| Net IRR | 20% p.a. |

Funds invested:

| | <u>Total</u> |
|--------------|--------------|
| Cost | R1 700 m |
| Market value | R2 400 m |

DEBT

Returns:

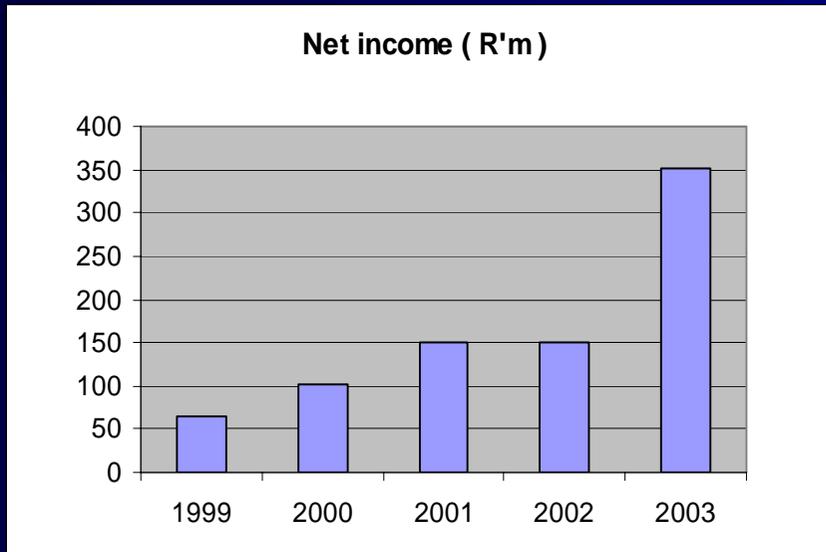
| | |
|-----------|--------------------------------|
| Senior | 400 bps (gross margin) |
| Mezzanine | 600 - 1 000 bps (gross margin) |

Financial Position

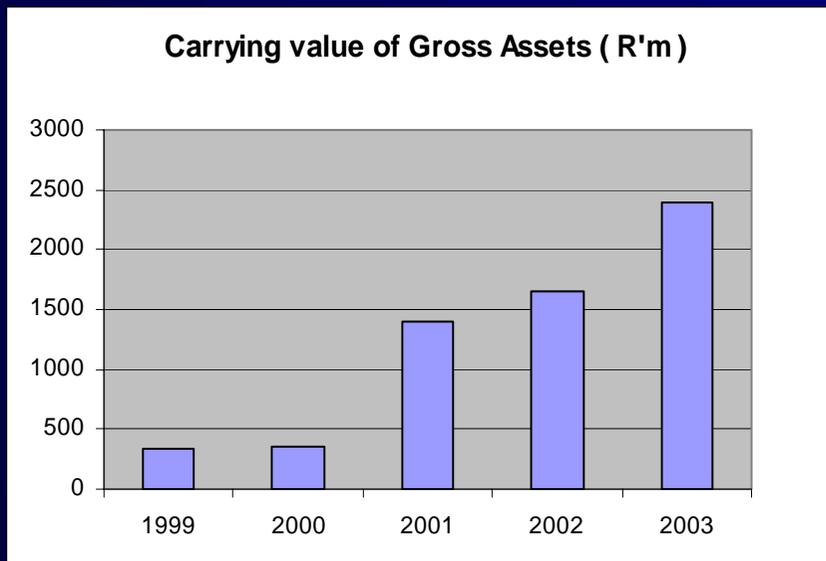


- Over 100 investments/loans
- Book value of investments R1.6bn
- Market/Directors' valuation of R 2.4bn
- Loan book of R0.833bn
- Budgeting for realisations unpredictable

Financial History



“Lost” R133m due to AC 133
2001 - 2002



Growth due to:

- Australian business
- Debt book

Note: recon of asset number = this number excludes unrealised position (R700m) and PJ JV(R400m)

Sources of income – June '03



| | % |
|------------------------------------|--------|
| Equity - equity accounted earnings | 71.2 |
| interest on shareholders loans | 21.4 |
| realisations | 10.0 |
| | |
| Interest on debt book | 9.1 |
| | |
| Costs | (11.7) |

Current regulatory implications for Banks



- Regulated capital: 10% = ROC over 250%
Basel II capital: 40% = ROC over 60%
(based on 25% IRR assumption)
- AC 133 - intention to take out earnings smoothing
- leads to smoothing in PE earnings due to equity accounting
- PE moved from volatile realisation driven to annuity type income contributor

The Private Equity Players



Old

- BOE/Nedbank/Treacle
- SCMB
- AMB
- Gensec
- Old Mutual
- RMB
- ABSA
- Ethos
- Brait

New

- Kagiso Ventures
- Mvelaphanda
- Tiso Capital
- Safika
- MCI
- Aloecap
- J&J
- Pamodzi
- Development Bank
- NEF

BEE – threat or opportunity?



- Deal flow that historically came from traditional institutions now resides with BEE players
- Charter requirements favour BEE solutions
- BEE players are opening up opportunities that are not traditional PE plays – AECI and Mondi
- BEE players need non-traditional PE funding in the form of mezzanine or SPV funding

Conclusion: BEE has increased the size and quality of the “cake”, of which the captive banks will get an acceptable “slice.”

Prognosis for the future



- Dealflow will continue to reside with BEE groups
- Banks will be funders rather than equity partners
- Management equity replaced by corporate / BEE corporate partnering
- Very high levels of gearing
- “Not available” assets will become available to BEE
- Quality of investments will improve
- Significant quantum of BEE deals to be financed through non-traditional private equity channels

Strategic Objectives



- Aim to see the significant deal flow in SA
- Have a sustainable approach to BEE
- Attract and retain key staff
- Attaining EE targets
- No compromise on risk evaluation and inv criteria
- Growth – larger deals , debt and equity

BEE the KEY



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RMB's International High Yield Credit Business

Raphael Martin

RMB Investment Analyst Day

25 May 2004

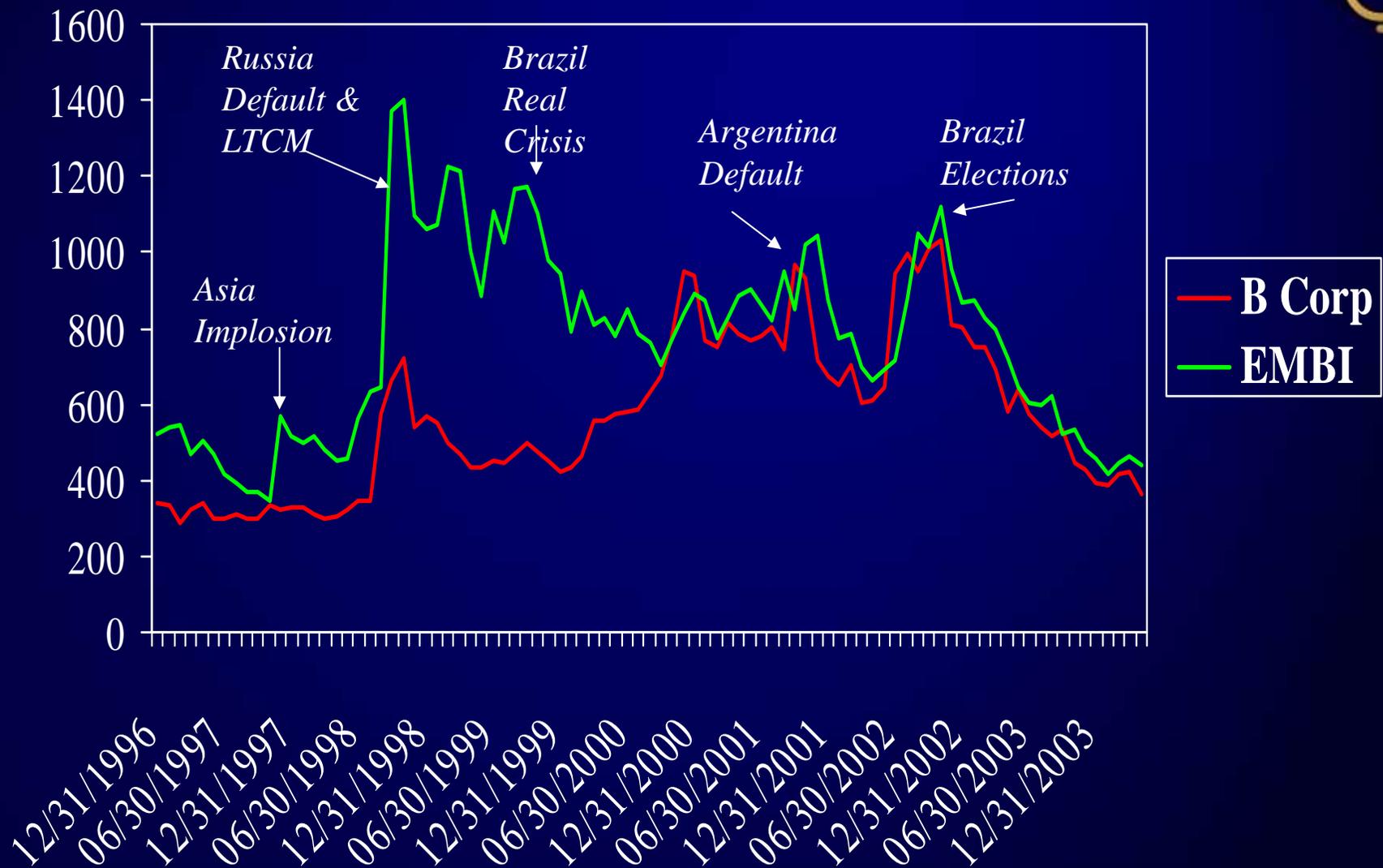


The Logic Behind the Business

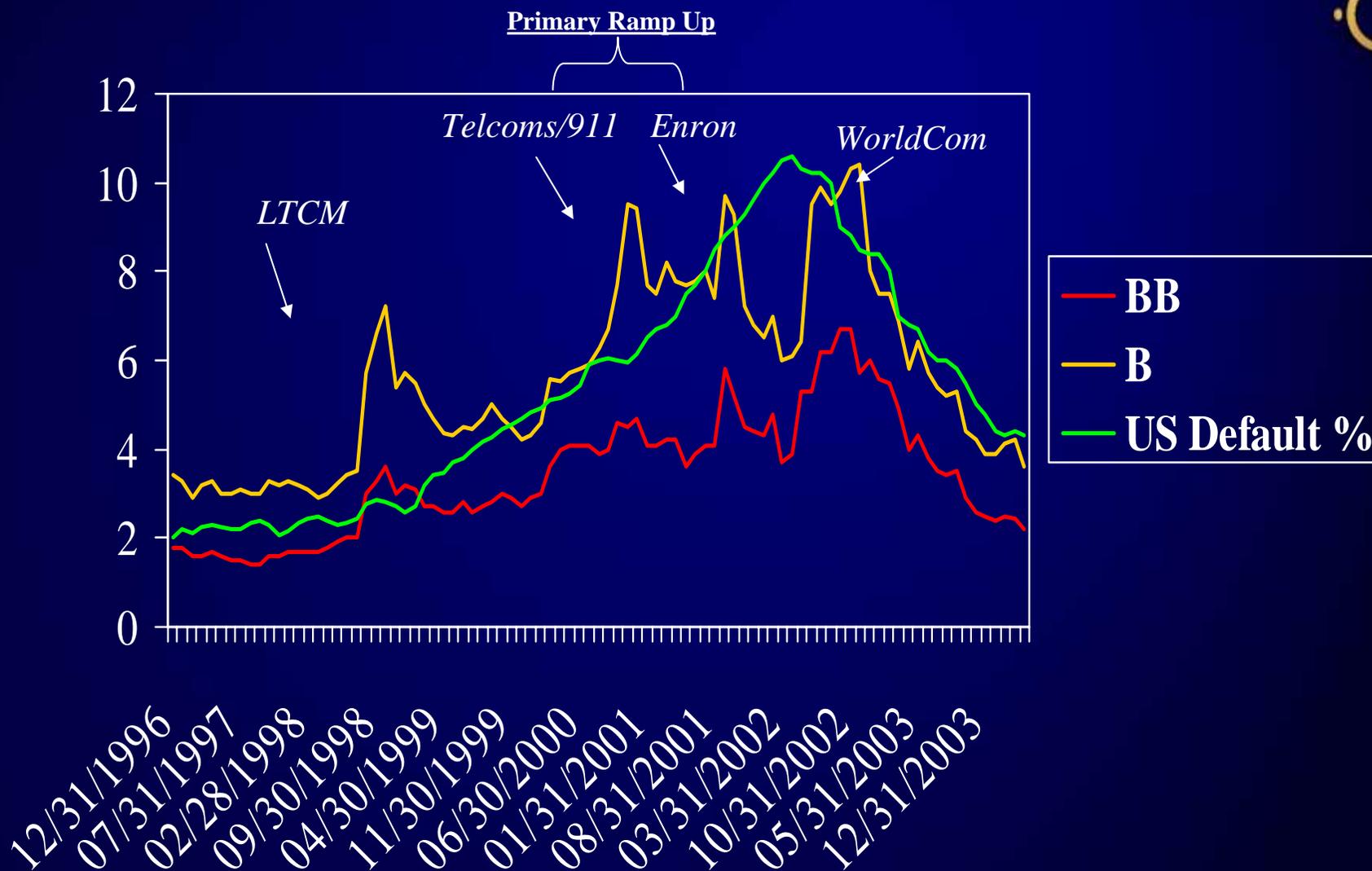


- Potential of building a portfolio of liquid and transparent risks with attractive margins where we had equal access to information and a cost advantage
- Original issues facing RMB (10 years ago):
 - Specific knowledge of emerging markets
 - Inability to fund cheaply
 - Unwillingness to take on illiquid positions
 - -> **RMB started building emerging market hard currency bond expertise**
- Comfort and success in emerging markets enabled RMB to build a high yield corporate capacity 5 years ago:
 - More advanced funding technology available
 - Skill / cost advantage on resource base (borne out through relative performance)
 - Access to information much improved
 - Diversification to US/UK

EM and HY Credit Spreads (1997-2004)



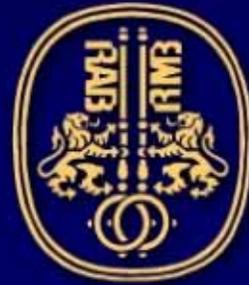
Corporate Spreads + Defaults % (1997-2004)



The Strategy and the Performance



- Trading and Investment Approach to Higher Yielding international fixed income classes:
 - Sovereign and Quasi-sovereign debt
 - High Yield Corporate Debt – mostly US/UK
 - Structured Debt
- Investment Objectives:
 - Absolute Return focused
 - Take advantage of when the market is structurally cheap or expensive on a medium term view. Very short reaction time.
 - Willingness to ride out and take advantage of volatility and cycles
- Specific Strengths:
 - Low cost to income ratio – no minimum invested requirement. Allows a patient approach
 - No forced investment or disinvestment requirements brought on by fund management approach
 - Funding and structuring business is integral in approaching investment opportunities
 - Strong and developed investment process
 - Very little offshore liability gapping risk
- Respected and experienced market participant. Corporate Team consistently rated in upper quartile of private US HY Funds



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Structured Finance

"Value added debt solutions"

James Teeger

RMB Investment Analyst Day

25 May 2004



CONTENTS



- **Section A:** **Change in Strategy**
- **Section B:** **How do we Execute on our Strategy?**
- **Section C:** **International Strategy**
- **Section D:** **Growth**
- *Annexure:* *Deals Done 2004*

Section A:

Change in Strategy

In the headlines...



“Structured Finance faces the axe” -13 May 2004

“SARS probe into finance deals rakes in R2.5 billion” -
3 November 2003

“Convertible loans draw taxman’s eye” - 5 April 2002

“SARS media release” - 11 September 2001

Confronting the Brutal Facts



Not Sustainable

- Tax structuring
- Regulatory arbitrage

- Regulators controlled our destiny

Sustainable

- Value added debt solutions – driven by credit

- We control our destiny

Change in strategy



- Core purpose = provide clients with value added debt solutions
- New core competence = credit analysis
- Uncontrollables (tax & regulatory) are not the core drivers of value
- Retained our structuring competences
- Implemented over the last 3 years

“High intellect applied to a traditionally dull business”



Section B:

How do we Execute on our Strategy?

Execution of our strategy is driven by our focus groups



- Client Focus Groups

- BEE



BEE deal



ZAR165 million

BEE Deal

Execution of our strategy is driven by our focus groups



- **Client Focus Groups**

- BEE
- Resources



ZAR2.7 billion

Senior & mezzanine debt
arranger

Execution of our strategy is driven by our focus groups



- **Client Focus Groups**

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)

City of Cape Town

ZAR300 million

Infrastructure Finance

Execution of our strategy is driven by our focus groups

- Client Focus Groups

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)



Execution of our strategy is driven by our focus groups



- **Client Focus Groups**

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)

- **Product Focus Group**

- Debt Capital Markets (corporate bonds & commercial paper, securitisation)

ONTHECARDS
I-N-V-E-S-T-M-E-N-T-S

ZAR2.3 billion

StoreCard Receivable
Securitisation

Execution of our strategy is driven by our focus groups



- **Client Focus Groups**

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)

- **Product Focus Group**

- Debt Capital Markets (corporate bonds & commercial paper, securitisation)
- ELCM (equity linked capital markets)



Execution of our strategy is driven by our focus groups



- **Client Focus Groups**

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)

- **Product Focus Group**

- Debt Capital Markets (corporate bonds & commercial paper, securitisation)
- ELCM (equity linked capital markets)
- Leveraged Finance



ZAR675 million

Leveraged Buy-out

Senior debt funder

Execution of our strategy is driven by our focus groups



- Client Focus Groups

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)

- Product Focus Group

- Debt Capital Markets (corporate bonds & commercial paper, securitisation)
- ELCM (equity linked capital markets)
- Leveraged Finance
- Property



ZAR380 million

Property finance

Execution of our strategy is driven by our focus groups



- **Client Focus Groups**

- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)



ZAR175 million
Fleet financing

- **Product Focus Group**

- Debt Capital Markets (corporate bonds & commercial paper, securitisation)
- ELCM (equity linked capital markets)
- Leveraged Finance
- Property
- ABF (asset based finance) and Aircraft



ZAR285 million
Aircraft finance

Execution of our strategy is driven by our focus groups



- Client Focus Groups

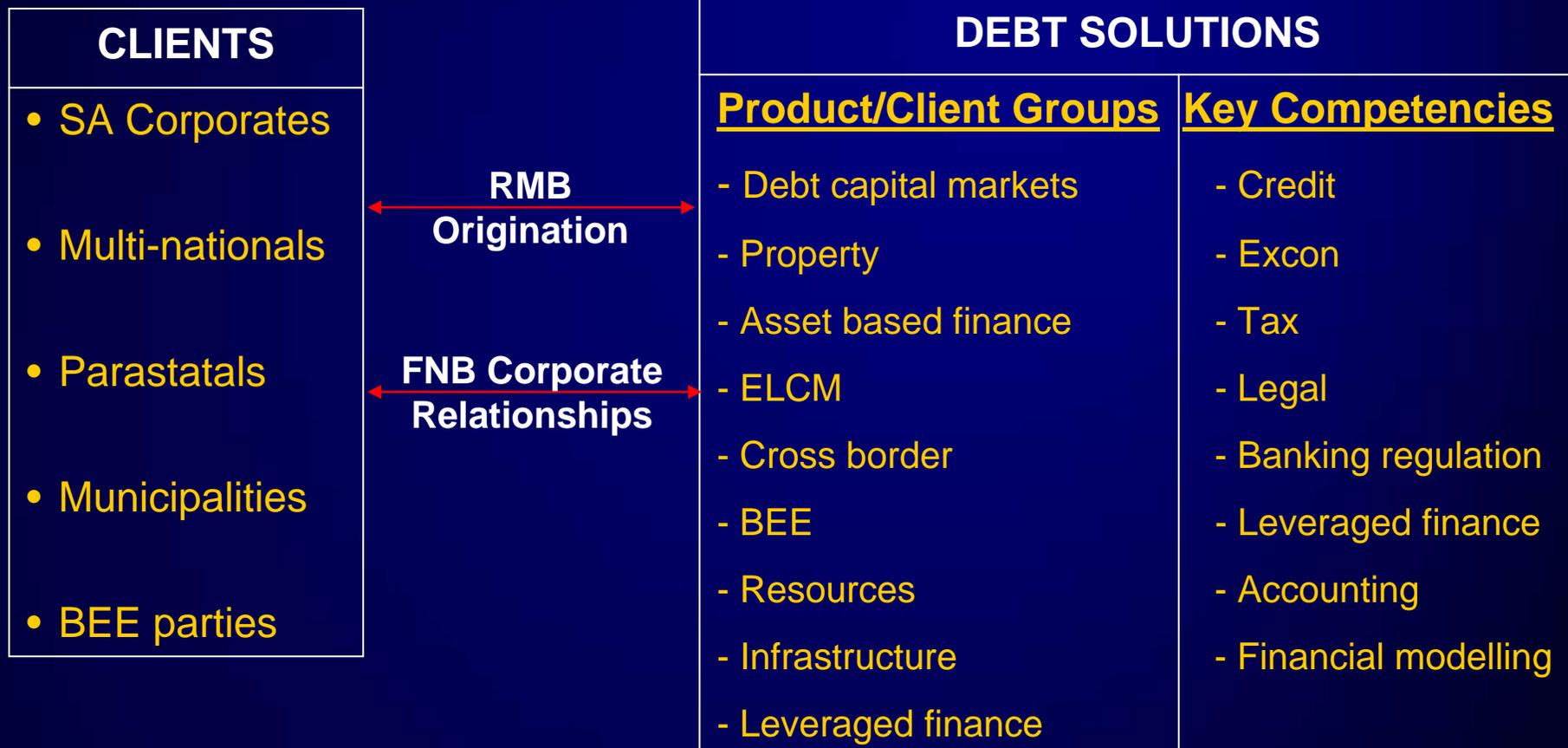
- BEE
- Resources
- Infrastructure (Non taxpaying entities/parastatals)
- Cross Border (multinational/SA companies offshore)

- Product Focus Group

- Debt Capital Markets (corporate bonds & commercial paper, securitisation)
- ELCM (equity linked capital markets)
- Leveraged Finance
- Property
- ABF (asset based finance) and Aircraft

- Origination is carried out by each focus group on a co-ordinated basis. Existing RMB and FNB Corporate relationships are used with a major drive towards expanding one client base

Focus group approach to clients



Solutions create debt assets



“A significant annuity income base for the investment bank is the outcome”

Innovation through deals



- Imperial:
 - Deferred share transaction
 - Earnings based
- Goldfields:
 - Unique mezzanine funding
- On The Cards:
 - Securitisation with a domestic medium term note programme
- Grainflow:
 - First securitisation of soft commodities

Strategic differentiators



Credit analysis approach

+

Dedicated distribution team

+

Equity linked capability

+

Integrated capital market and non capital market team

=

Competitive Advantage

Shift in debt origination dynamics



Before

- Corporates drive activity
- Lend to corporate balance sheet

Now

- Corporates + BEE companies drive activity
- Require sophisticated credit and structuring skills for new deal types
- Lend to new companies with varying degrees of corporate balance sheet support

PWC Ratings – Structured Finance



- 2000 # 1 RMB
- 2001 # 1 RMB
- 2002 # 1 RMB
- 2003 # 1 RMB



Section C:

International Strategy

International Strategy



- ZAR specialist
- Cross Border focus group assists SA companies offshore in their “start-up” phase of expansion and focuses on multi-nationals requiring funding in SA
- Cross Border aircraft and asset finance in Africa could be a potential starting point
- Harsh reality – “sustainable competitive advantage for debt solutions team *internationally* is extremely difficult”



Section D:

Growth

Strategic Initiatives



- One RMB/FNB Corporate credit analyst team with sector specialisation
- Key personnel recruited in growth areas:
 - Infrastructure
 - Resources
- BEE and mezzanine solutions developed by our ELCM and BEE teams
- Aggressive EE targets to transform team
- Origination effort together with Corporate Finance and Private Equity colleagues

Growth



- Driven by business activity in following areas:
 - BEE funding
 - Resource sector funding
 - Infrastructure funding
 - Capital market investor demand
- AND
- Driven by:
 - Intellectual capital of team
 - Strategic approach to credit
 - Multidisciplinary teams

Conclusion



- Change of strategy is bearing fruit
- Structured Finance is the debt origination *engine* of RMB



Annexure

Deals done 2004

(some of the bigger ones)

Deals done 2004



AUTO LOAN INVESTMENTS 1 & 2

R2 billion

Auto Loan & Lease
Securitisation

ON THE CARDS
I-N-V-E-S-T-M-E-N-T-S

ZAR2.3 billion

StoreCard Receivable
Securitisation



*Imperial
Holdings*

ZAR1.3 billion

BEE deal



ZAR2.7 billion

Senior & mezzanine debt
arranger



BEE deal



ZAR4 billion

Advise on underwriting &
commitment to Anglo Plats
convertible perpetual pref issue

Deals done 2004



ZAR1 billion

Bond



ZAR165 million

BEE Deal



ZAR1.1 billion

BEE Deal

Senior debt arranger



ZAR1.6 billion

Structured lending



ZAR904 million

Leveraged Buy-out

Senior debt participant



ZAR675 million

Leveraged Buy-out

Senior debt funder

Deals done 2004



ZAR433 million

Loan Funding



ZAR125 million

Property Finance



ZAR265 million

Property Finance

Senior debt co-arranger



ZAR100 million

Term Loan



ZAR285 million

Aircraft Finance



ZAR380 million

Property Finance

Deals done 2004



Real Africa Holdings

R175 million

Preference share funding

Microsoft

ZAR75million

Property Finance

MASSMART
Dedicated To Value

ZAR80 million

Property Finance



ZAR175 million

Fleet Financing



GRAINFLOW

ZAR6 billion

Soft Commodities
Securitisation

City of Cape Town

ZAR300 million

Infrastructure Finance



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PROJECT FINANCE

African Expertise

RMB Investment Analyst Day

25 May 2004



Our African Footprint





RMBPF is structured as a Global Product House combining Financial structuring expertise, industry knowledge and jurisdictional understanding

- Relationships/networks
- Jurisdictional expertise

- Relationships
- Technical expertise

Industry Focus

Resources Oil&gas Infrastr. Power ...

Geographic Focus

South Africa

Nigeria

Angola

Mozambique

...

Financial skills

- Structuring
- Financial engineering
- Financial modelling
- Syndication
- Concessioneing
- Hedging of currency, commodity & interest rate exposures
- Raising funding from local markets
- Understanding of commercial and export credit insurance
- Contractual arrangements such as completion guarantees, offtake contracts, fixed price construction contracts, etc
- Inhouse agency facility and expertise
- Multi-cultural mindset

Size of Lending Book



Currently
on book



USD120M



Zimbabwe
Ghana
Mozambique
Benin
Congo Brazzaville
Botswana
Cameroon
DRC
Angola

Already
repaid



USD180M



Angola
Guinea
DRC
Zambia

In pipeline
(mandated)



USD150M



Sudan
Cameroon
Nigeria
Angola
Ghana



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RMB Investment Analyst
Day
25 May 2004

UNPACKING TREASURY IN FIRSTRAND



PLAY VIDEO





Treasury Business Lines

FirstRand Bank Balance Sheet

Capital Investment

Group NII Protection (IRRM)

Group Liquidity Risk Management

Professional Funding

International Product House

Corporate Loans & Investments

Financial Markets

Client Solutions

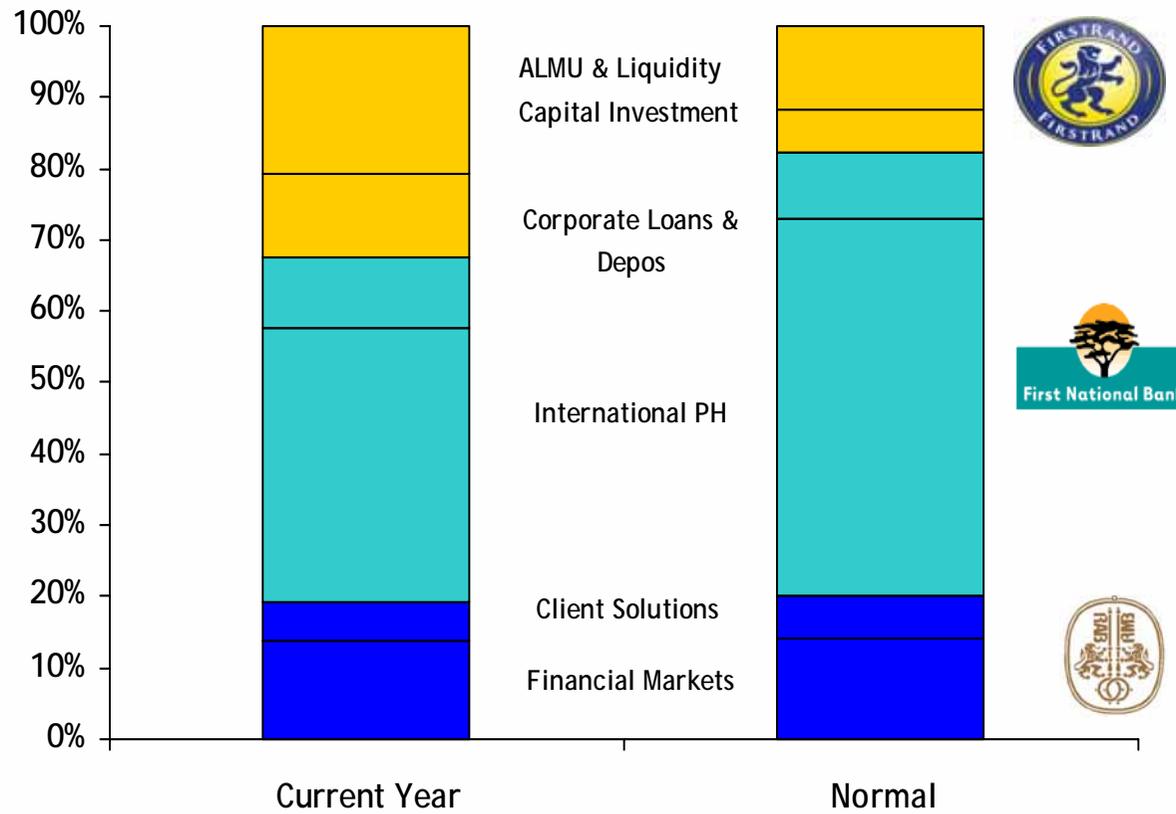




Treasury Profit in context

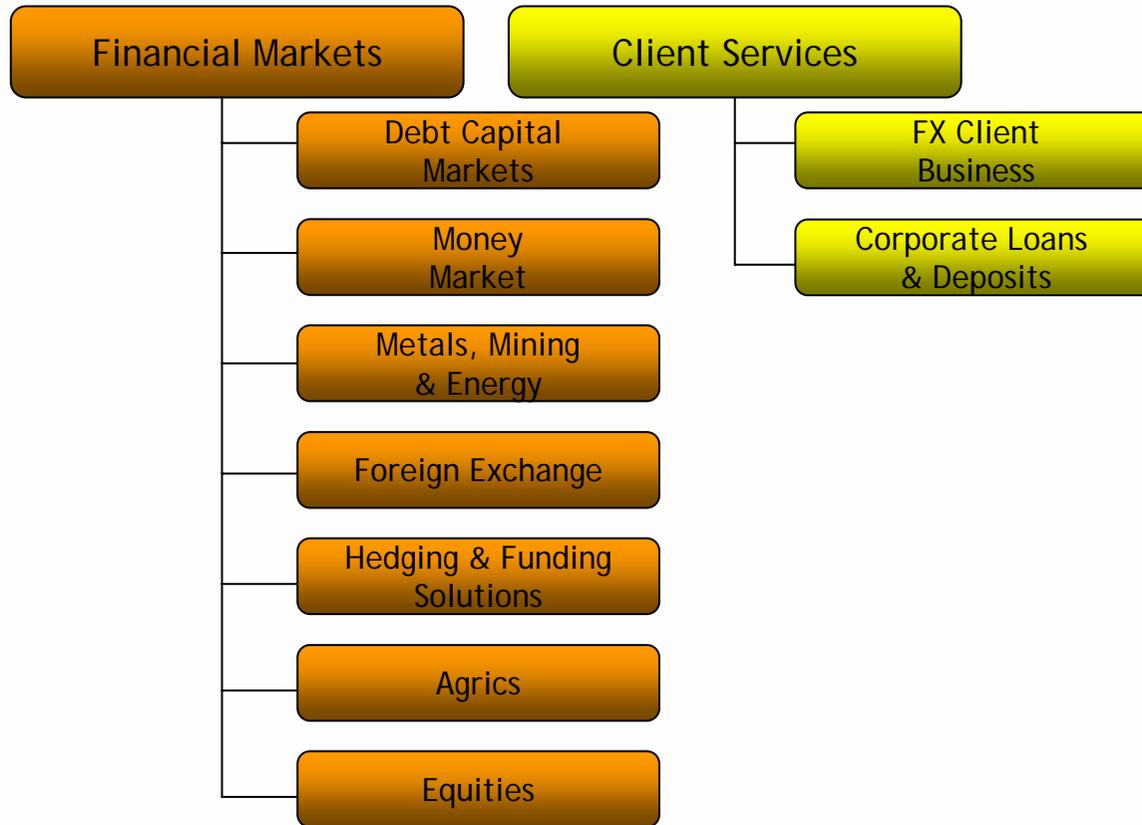
FirstRand Bank Balance Sheet

| |
|---------------------------------|
| Capital Investment |
| Group NII Protection (IRRM) |
| Group Liquidity Risk Management |
| Professional Funding |
| International Product House |
| Corporate Loans & Investments |
| Financial Markets |
| Client Solutions |



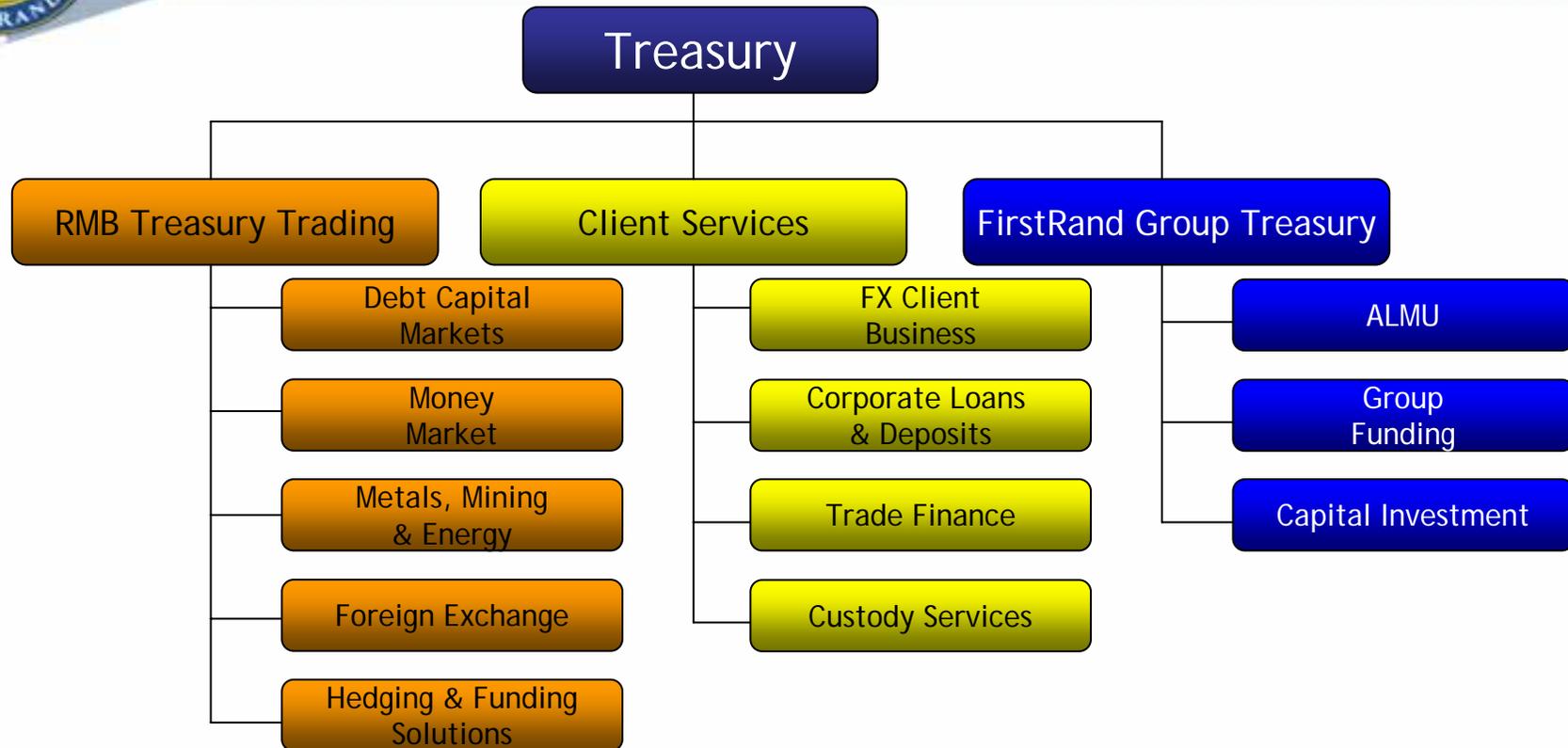


"Normal" Treasury Businesses





FRB Treasury



Treasuries add value or destroy it !



SUMITOMO MITSUI BANKING CORPORATION



Global capabilities



Our treasury capabilities extend beyond our home market



Expertise and presence on the ground in :

- ◆ United Kingdom
- ◆ Ireland
- ◆ Mauritius
- ◆ Australia
- ◆ Botswana
- ◆ Namibia
- ◆ Swaziland

Reputation for pioneering new products



- First rand-based diesel and petrol hedging and structuring facilities
- First CPI-linked bonds and inflation-linked swaps
- First listed Bond Index notes
- Handled Botswana's first sovereign bond issue
- Assisted Bank of Botswana in development of the Botswana Bond Markets
- FNB Retail investment products



Global Rankings



- ☀ Currency Forwards
- ☀ Interest Rate Caps / Floors
- ☀ Interest Rate Swaptions
- ☀ Cross-Currency Swaps
- ☀ Interest Rate Swaps 10+ Years
- ☀ Best Debt House in Africa
- ☀ FM Fixed Income Desk & Analyst

1

2

2

2

3

1

1

2



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— TREASURY —



Thank You