FirstRand Limited results

for the six months ended
31 December 2009

FIRSTRAND

Introduction

FIRSTRAND

Sizwe Nxasana

Macro remains challenging

- Weak GDP growth
- Continuing job losses
- Lower interest rates
- High levels of consumer leverage, but some de-risking taking place
- Corporate sector cautious about recovery
- Recovery in equity markets

High-level impact on performance

– Negative balance sheet growth

– Lower growth in transaction volumes

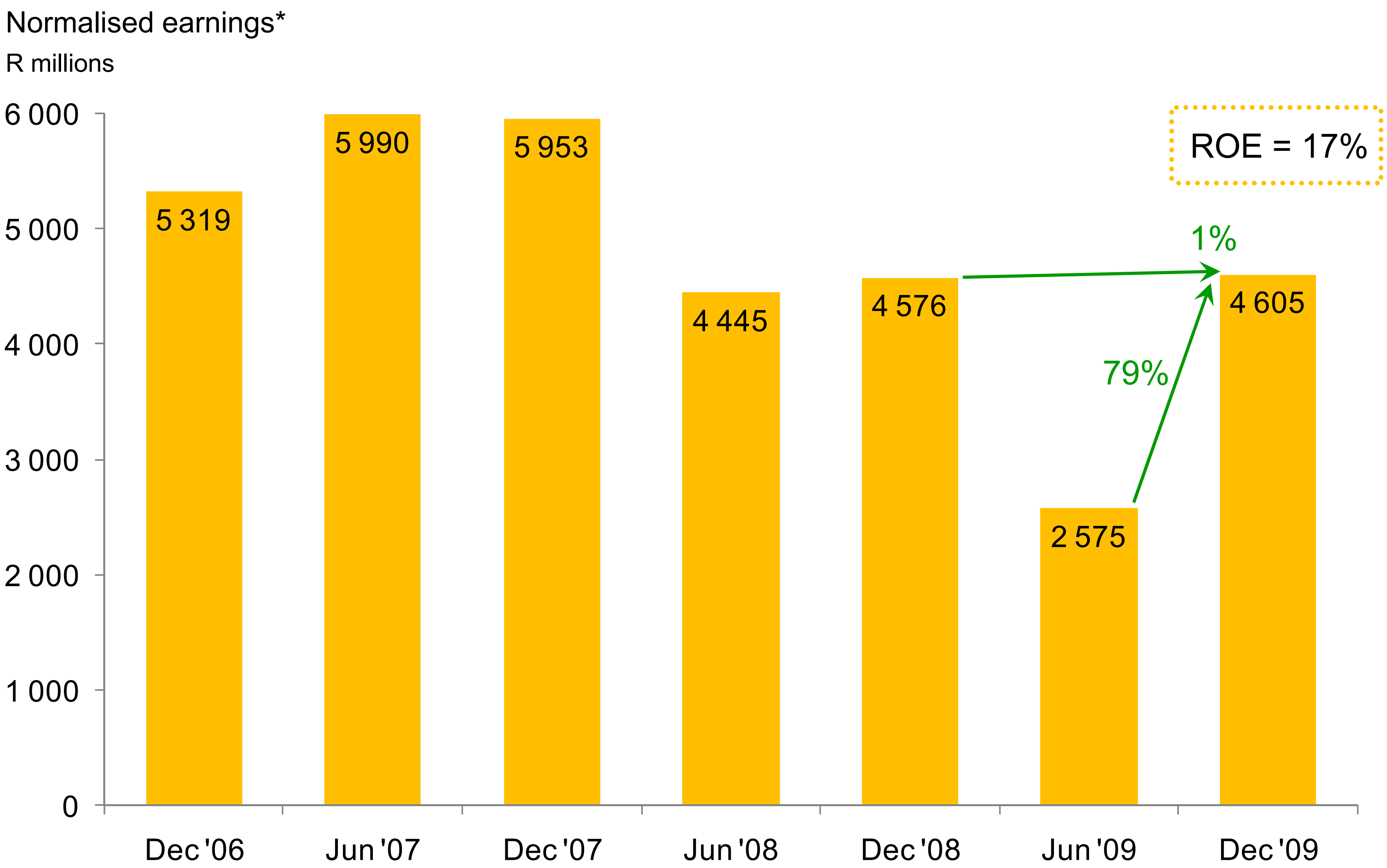
– Negative endowment effect

+ Reduction in retail bad debts

+ Level of losses from legacy portfolios reducing

+ Increase in fees earned on investment business

Despite challenges, profitability improving



* December 2006 to December 2007 normalised earnings exclude contributions from Discovery

Franchises show mixed performance year-on-year, but trend positive

Profit before tax R millions	**6 months to Dec '09**	**6 months to Jun '09**		**Change (6m/6m)**	**6 months to Dec '08**		**Change (y/y)**
FNB	2 895	2 185	▲	32%	2 875	▲	1%
FNB Africa	643	564	▲	14%	658	▼	(2%)
RMB	1 403	151	▲	>100%	1 904	▼	(26%)
WesBank*	470	244	▲	93%	168	▲	>100%
OUTsurance	216	213	▲	1%	227	▼	(5%)
Momentum**	850	909	▼	(6%)	740	▲	15%

* Normalised profit before tax (i.e. excl. loss on sale of Motor One and goodwill impairments)

** Figures shown for Momentum are normalised earnings (not PBT)

Financial review

FIRSTRAND

Johan Burger

FirstRand Group key financial ratios

	Dec '09	Dec '08	Change
Normalised earnings (R millions)	4 605	4 576	▲ 1%
Diluted normalised EPS (cents)	81.7	81.2	▲ 1%
Normalised return on equity (%)	17	17	–
Normalised net asset value per share (cents)	1 005	950	▲ 6%
Dividend per share (cents)	34	34	–

Market recovery, strong operational performance

R millions	Dec '09	Dec '08	Change
Momentum	530	444	▲ 19%
FNB Insurance	191	144	▲ 33%
Group operating profit	721	588	▲ 23%
Investment income	129	152	▼ (15%)
Normalised earnings	850	740	▲ 15%
Return on equity (%)	22	23	–
Value of new business	332	331	–
Return on embedded value (%)	28	5	▲

Performance driven by:

- Value of new business holding up
- Positive mortality experience
- Improved markets

Banking Group key financial ratios

	Dec '09	Dec '08	Change
Normalised earnings (R millions)	4 038	4 149	▼ (3%)
Return on equity (%)	17	18	▼
Return on assets (%)	1.26	1.23	▲
Credit loss ratio (%)	1.51	1.64	▼
Cost to income ratio – normalised (%)	55.5	52.9	▲
Tier 1 capital ratio* (%)	12.7	11.3	▲
Interest margin – normalised (%)	5.02	5.17	▼
Advances** (R billions)	458	442	▲ 4%

* Ratio calculated for FRBH including unappropriated profits

** Refer to page 8 for more detail on advances growth

Normalised income statement shows improving trend

R millions	Dec '09	Dec '08	Change
Net interest income	8 628	8 828	▼ (2%)
Bad debts	(3 225)	(3 693)	▼ (13%)
Net interest income after impairments	5 403	5 135	▲ 5%
Non interest income	12 537	10 920	▲ 15%
Operating expenses	(11 751)	(10 438)	▲ 13%
Indirect tax	(234)	(196)	▲ 19%
Taxation	(1 595)	(683)	▲ >100%
Minorities	(322)	(589)	▼ (45%)
Banking Group normalised earnings*	4 038	4 149	▼ (3%)
Momentum normalised earnings	850	740	▲ 15%
FirstRand	(283)	(313)	▼ (10%)
FirstRand Group normalised earnings	4 605	4 576	▲ 1%

* Refer to page 40 for reconciliation between normalised and attributable earnings

Net interest income

Bad debt unwind drives recovery in retail NII after impairments

Net interest income after bad debts R millions	Dec ’09	Dec ’08	Change	
HomeLoans	(138)	(705)	▼ (80%)	Bad debt decrease
WesBank	779	109	▲ >100%	
Card	92	(18)	▲ (>100%)	
FNB Africa	745	736	▲ 1%	Endowment
Other consumer banking	853	1 013	▼ (16%)	
Mass	262	458	▼ (43%)	
Wealth*	313	302	▲ 4%	Advances growth
FNB other and support	(80)	24	▼ (>100%)	
Retail net interest income after bad debts	2 826	1 919	▲ 47%	

* Wealth NII driven by advances growth after increase in bad debts

Corporate and commercial net interest income reflects endowment

Net interest income after bad debts R millions	Dec '09	Dec '08	Change	
FNB Commercial	1 191	1 761	▼ (32%)	Endowment
FNB Corporate	313	212	▲ 48%	Bad debt decrease
RMB	5	(113)	▲ (>100%)	
WesBank	42	332	▼ (87%)	Bad debt increase
Corporate net interest income after bad debts*	1 551	2 192	▼ (29%)	

* Excluding Corporate Centre

Advances growth reflects tough cycle

	Balance sheet change	Strategic, market & operational changes		Normalised change
Corporate R118 billion	▼11 %	Euroloans	▲2%	▲9%
		Reverse repos	▲4%	
		Money market	▲5%	
		Netting (LROS)	▲9%	
Commercial R27 billion	▲5%	Netting (LROS)	▲2%	▲7%
Retail R276 billion	▼1%	Market activity reduction and credit actions		▼1%
Total* R427 billion	▼3%			▲4%

* Including Corporate Centre

Margin hit by endowment, but partly offset by asset pricing

Percentage of average interest-earning banking assets	%
Dec ’08 normalised	**5.17**
Asset price movement	0.50
Capital and deposit endowment effect	(0.91)
Retail deposit pricing	(0.04)
Wholesale liquidity pricing	(0.05)
BSM hedges	0.35
Dec ’09 normalised	**5.02**

Asset re-pricing strategies start to impact positively

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Dec ’09 normalised	**5.02**

Re-pricing strategies executed across retail and corporate segment

- Investment banking

SA spreads (listed bonds vs government benchmarks)*	Dec '09	Dec '08
AAA rated	0.59	0.54
AA rated	1.96	1.76
A rated	2.67	2.25

- HomeLoans
  - Discount rate to prime reduced
- WesBank
  - Discount rate to prime reduced
  - 49% of new business is fixed rate

Average duration of books	Duration
HomeLoans	5 years
WesBank	3 years

* National scale rating

Endowment impact significant

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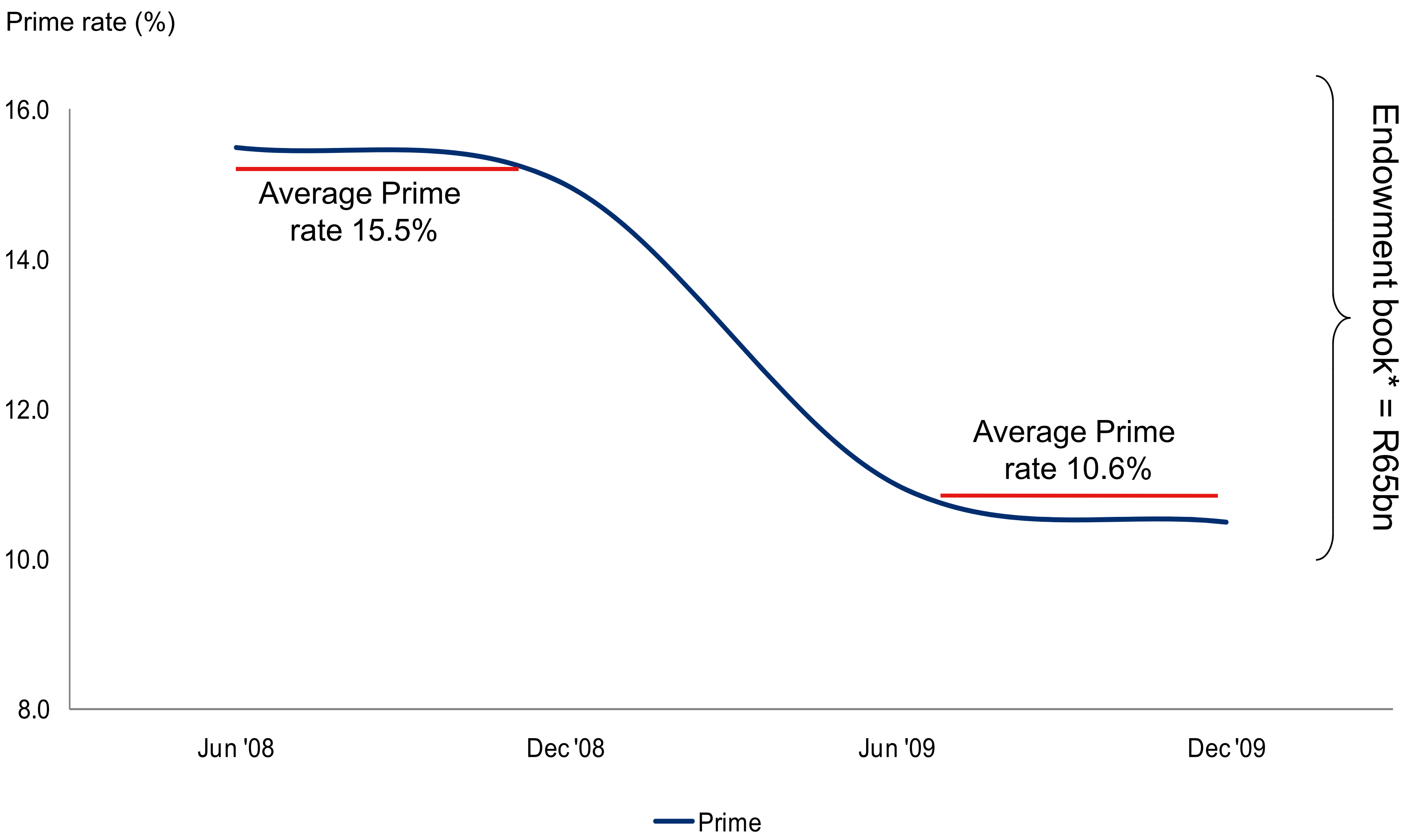
R577 million per 100 basis points



* Endowment book size and sensitivity per 100 basis points as at December 2009

Funding also impacted margin

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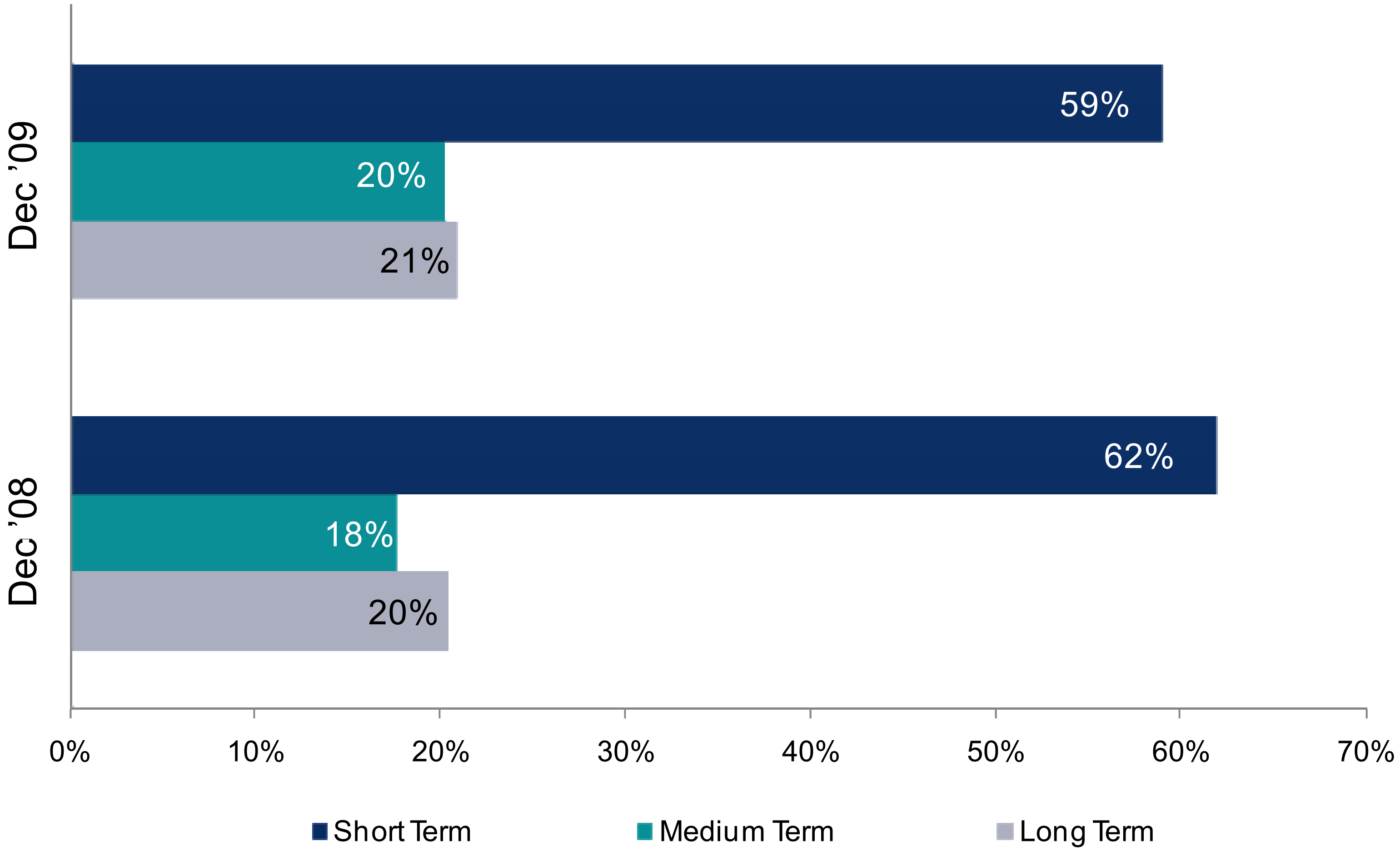
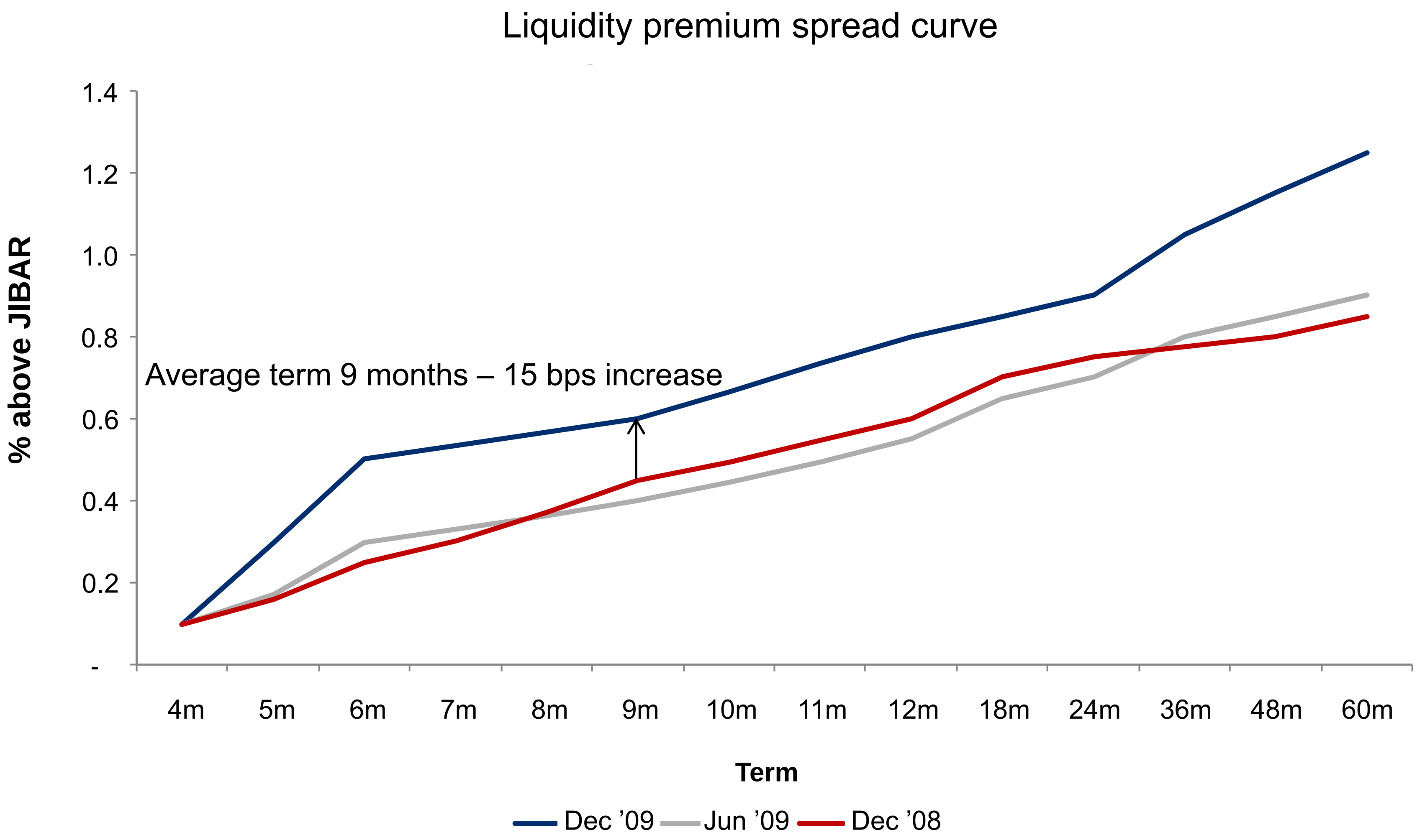
Lengthening the funding term profile increased liquidity costs



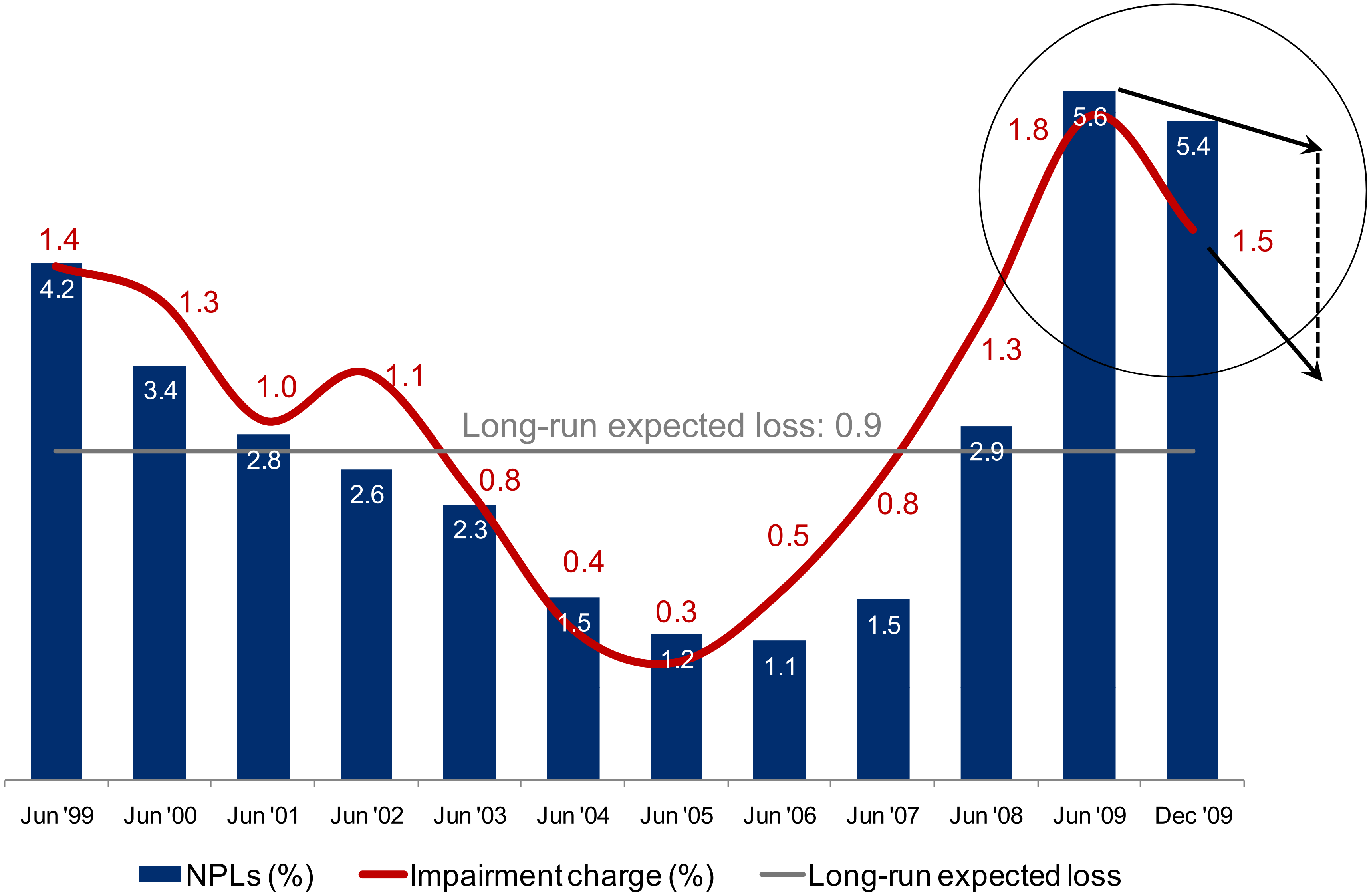
Increased liquidity buffers by R7 billion

All term funding more expensive



Bad debts

Bad debts have peaked, but NPLs sticky

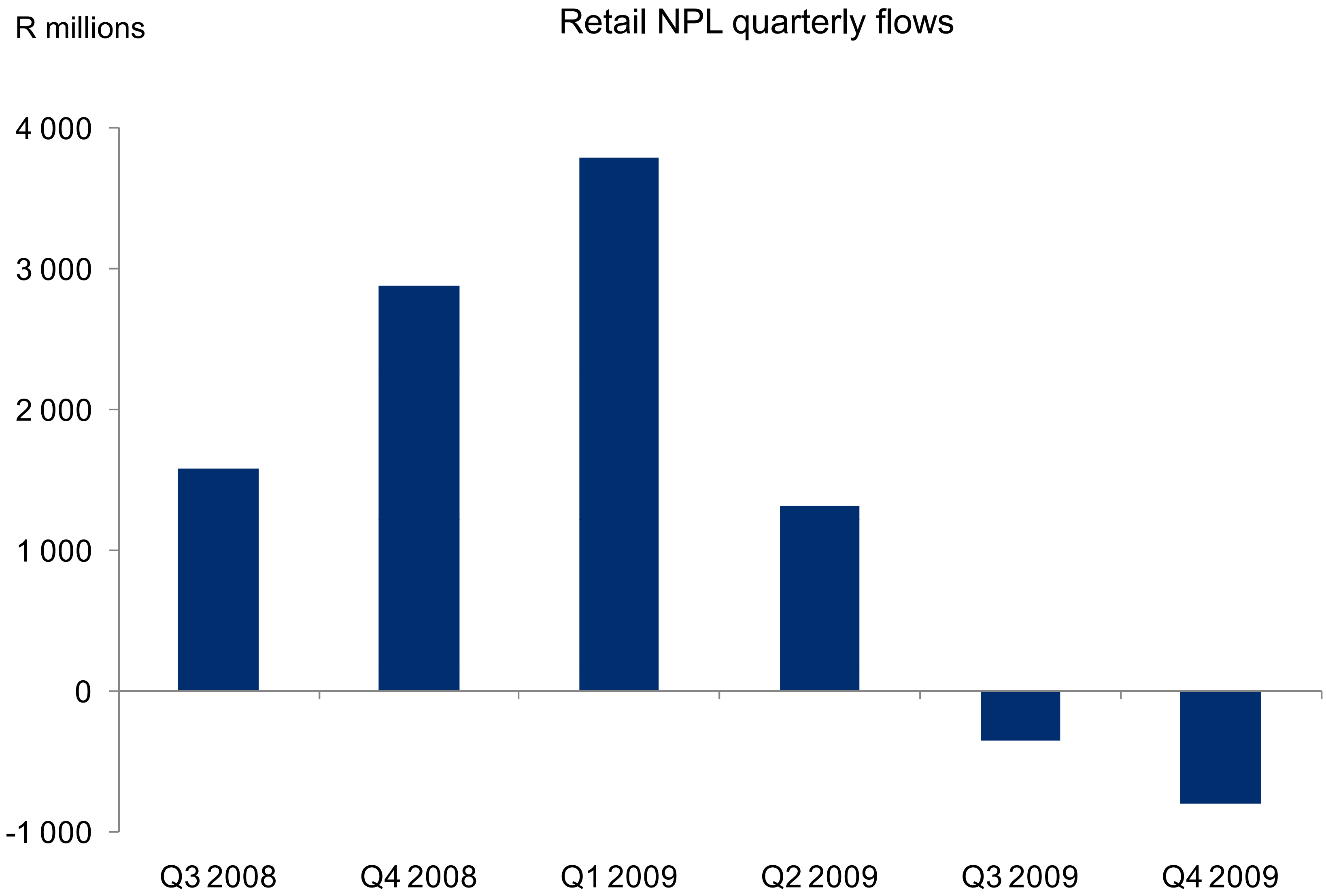


NPLs remain sticky despite inflow decline

NPL Percentage of advances	Dec '09	Jun '09	Dec '08
Retail	7.43	8.15	6.19
- Residential mortgages	8.71	9.21	6.79
- Credit card	8.50	12.31	13.26
- Vehicle and asset finance (SA)	5.14	5.63	4.15
Wholesale*	2.72	2.29	1.72
Total NPL ratio	5.42	5.64	4.21

* Includes WesBank Business and Corporate

Retail NPL flows decline

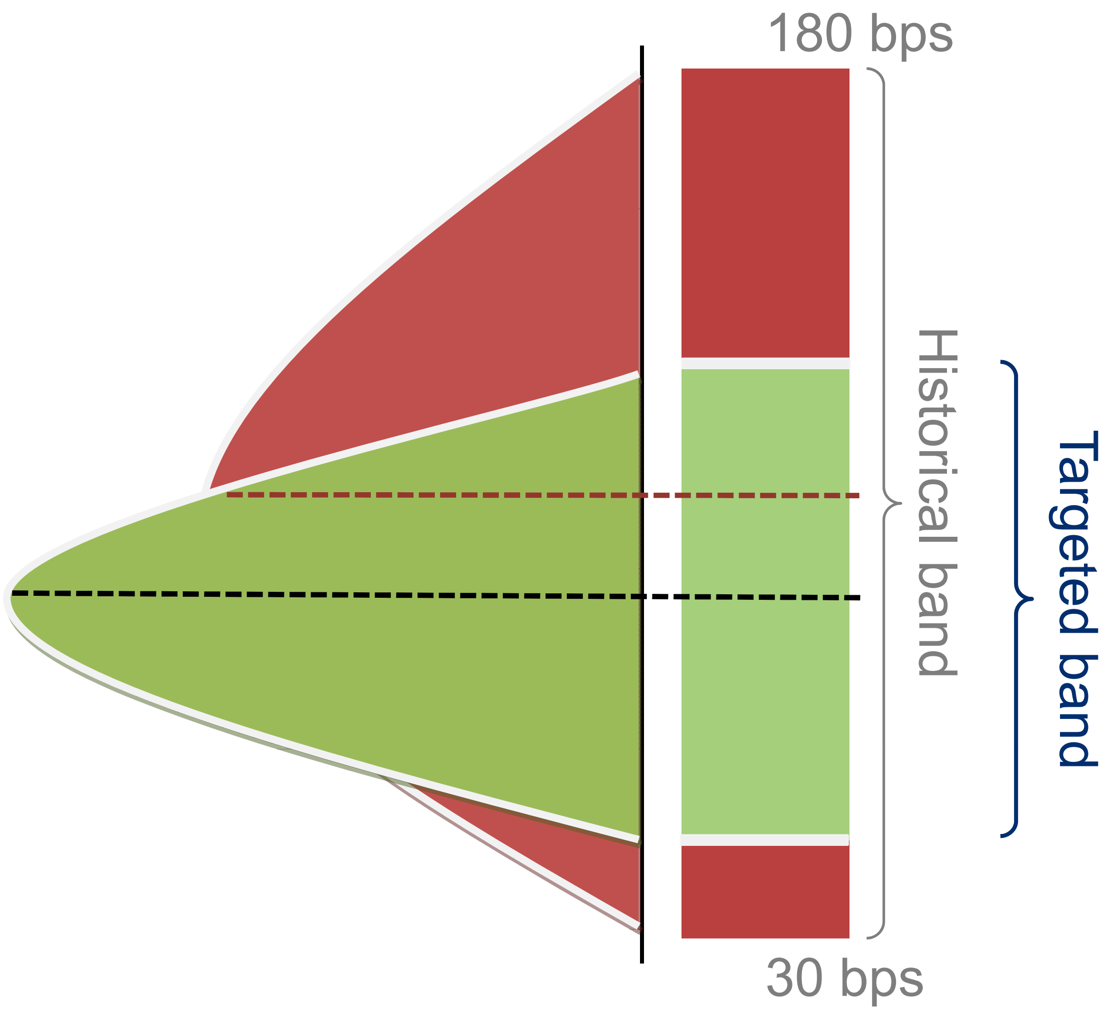


All retail lending books improving and corporate more robust than expected

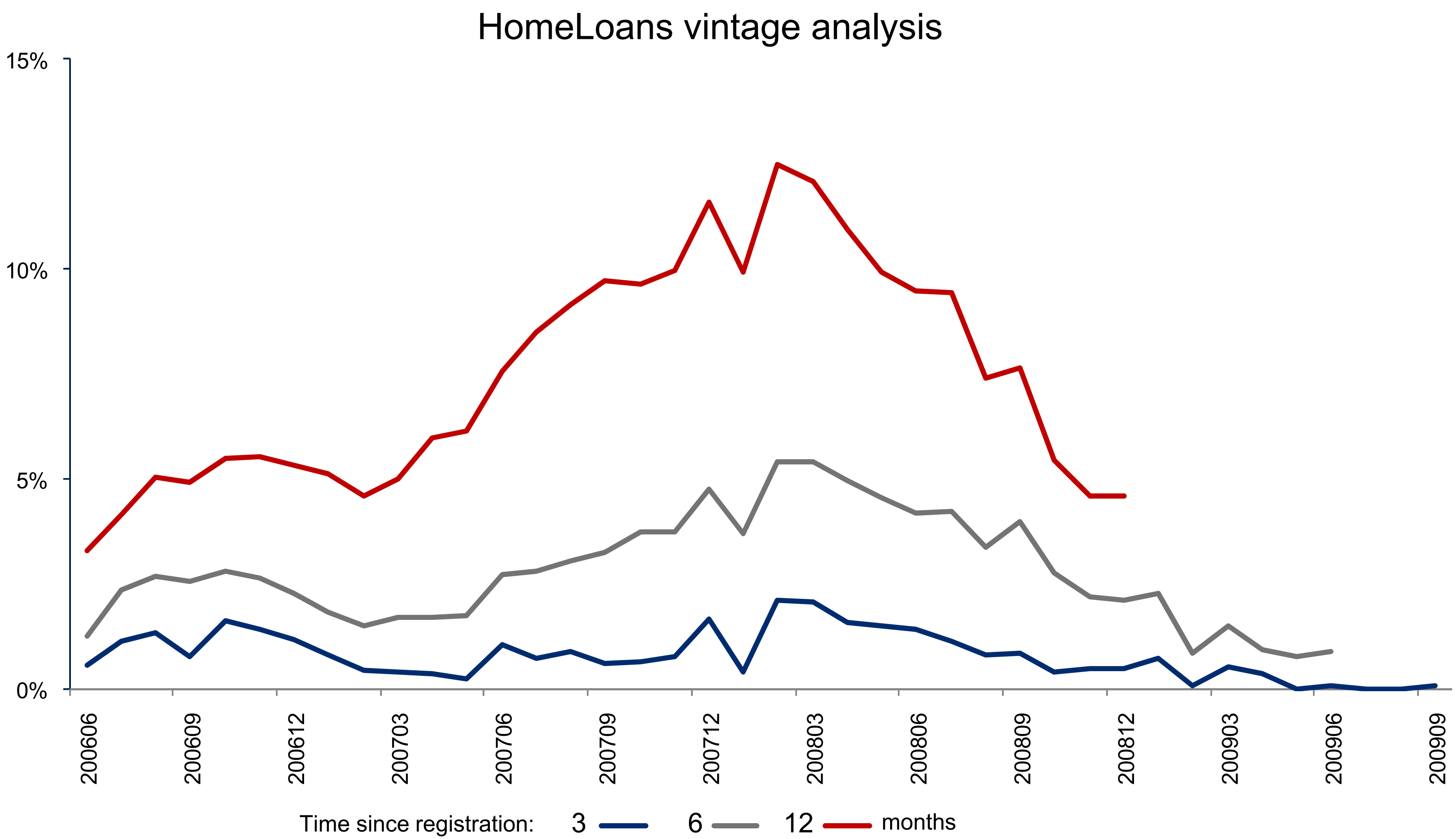
Bad debts Percentage of average advances	6 months to Dec '09	6 months to Jun '09	6 months to Dec '08
Retail	2.08	2.97	2.63
- Residential mortgages	1.17	1.77	1.48
- Credit card	8.14	12.51	9.77
- Vehicle and asset finance (SA)	2.12	2.54	2.96
Wholesale*	0.71	0.90	0.67
Total bad debt ratio	1.51	1.99	1.64

* Includes WesBank Business and Corporate

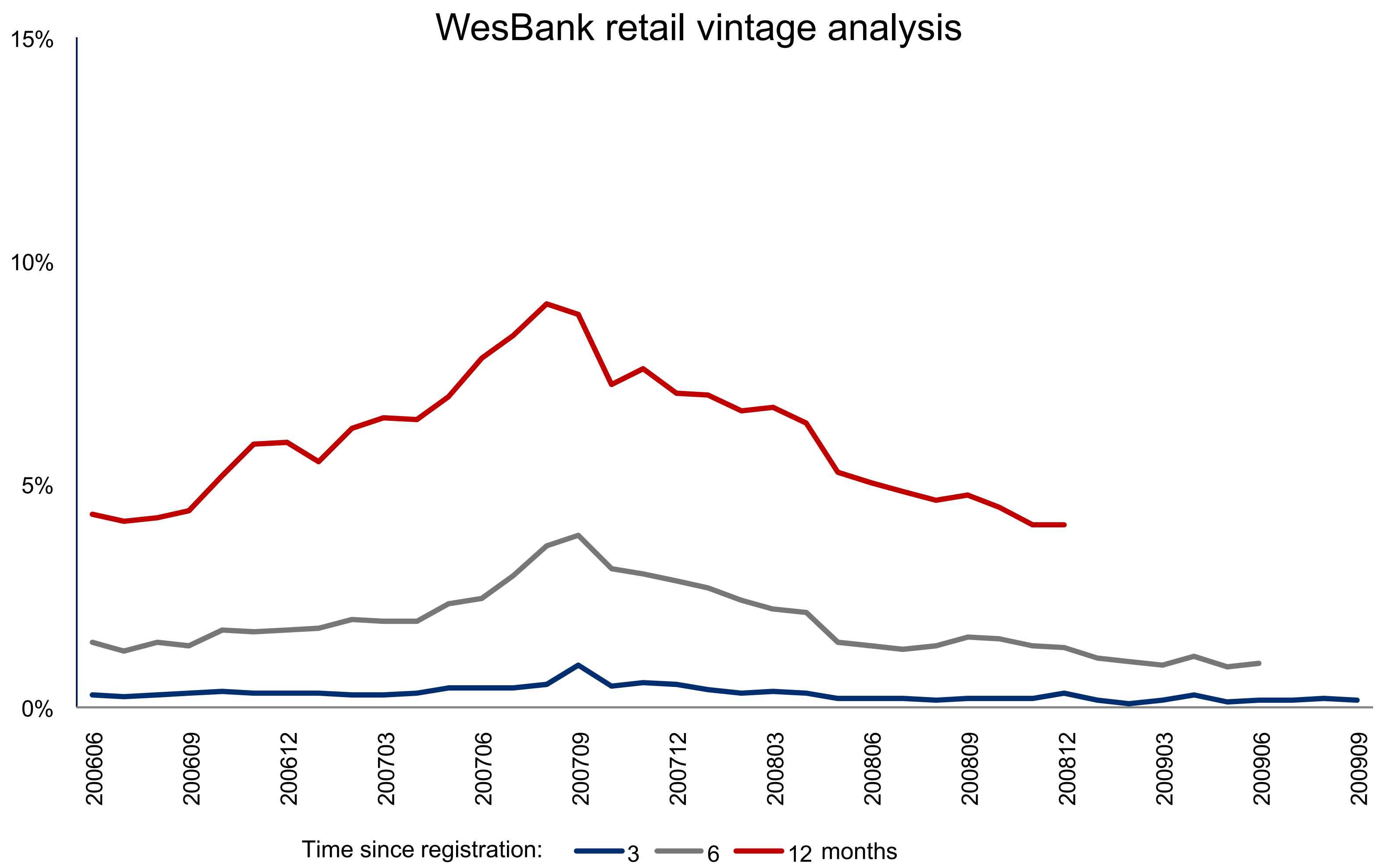
Alignment of credit strategy with macro view and risk appetite



HomeLoans' new credit origination strategies improving quality of business written



WesBank's new credit origination strategies improving quality of business written



Non interest revenue

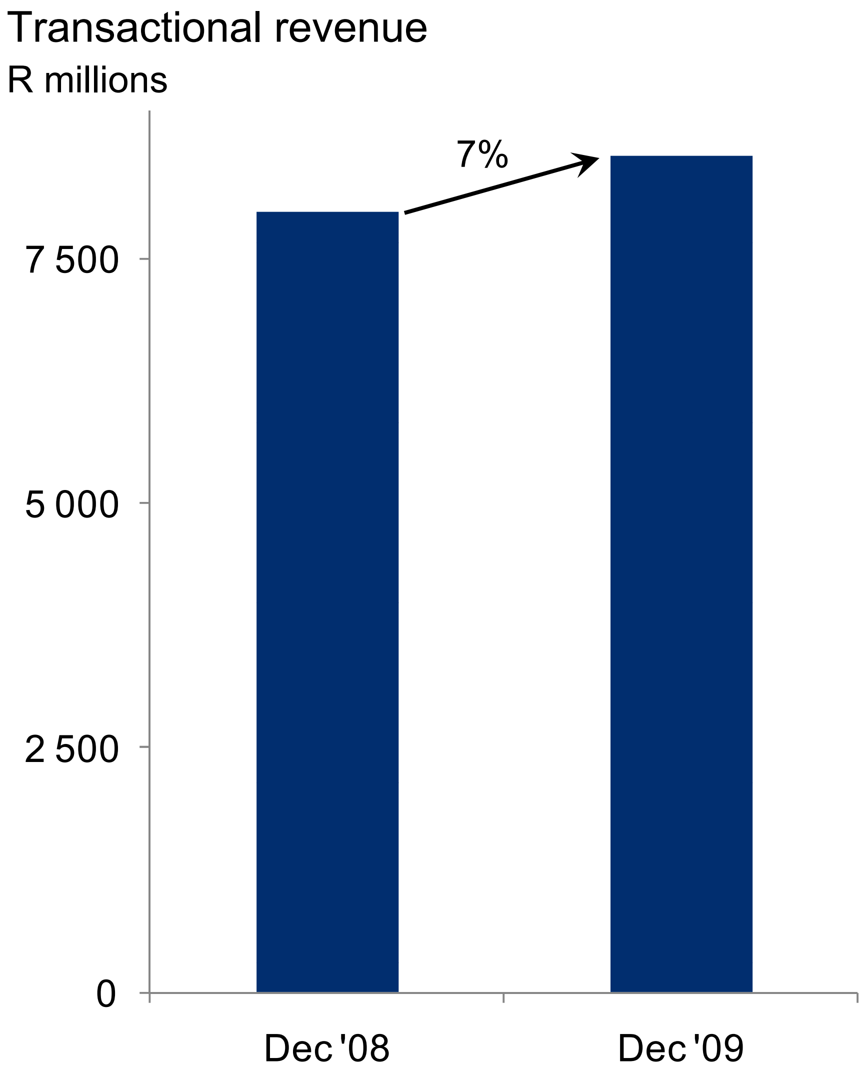
NIR driven by organic growth and turnaround

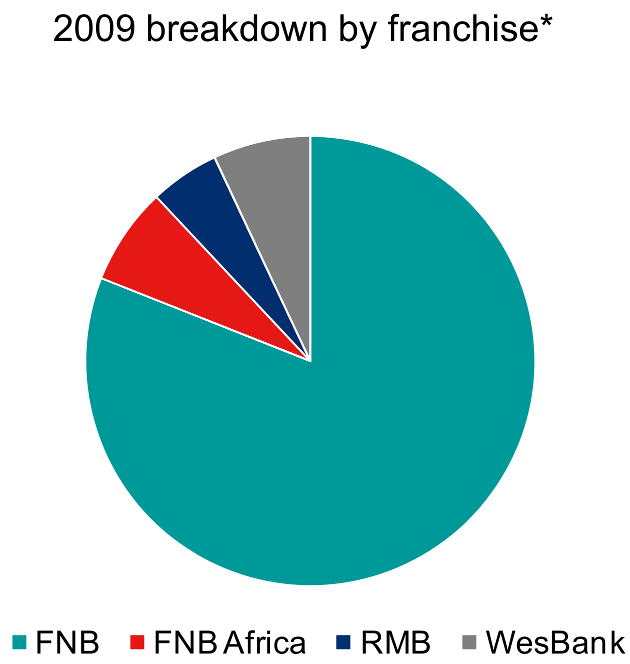
R millions	Dec '09	Dec '08	Change
Client activities/primary markets	11 493	10 964	▲ 5%
- Transactional income	8 555	7 964	▲ 7%
- Annuity fair value income	1 469	1 343	▲ 9%
- Operational associates income	422	434	▼ (3%)
- Other primary income	1 047	1 223	▼ (14%)
Investment/risk activities/secondary markets	1 044	(44)	▲ (>100%)
- Fair value risk income	439	(767)	▲ (>100%)
- Private equity	(4)	1 313	▼ (>100%)
- Other investment income*	609	(590)	▲ (>100%)
Total normalised non interest revenue **	12 537	10 920	▲ 15%

* Revenue earned on assets held against employee liabilities, the RMB Resources portfolio, and other

** Refer to page 40 for reconciliation between normalised and attributable non interest revenue

Reasonable growth in transactional volumes despite tough conditions

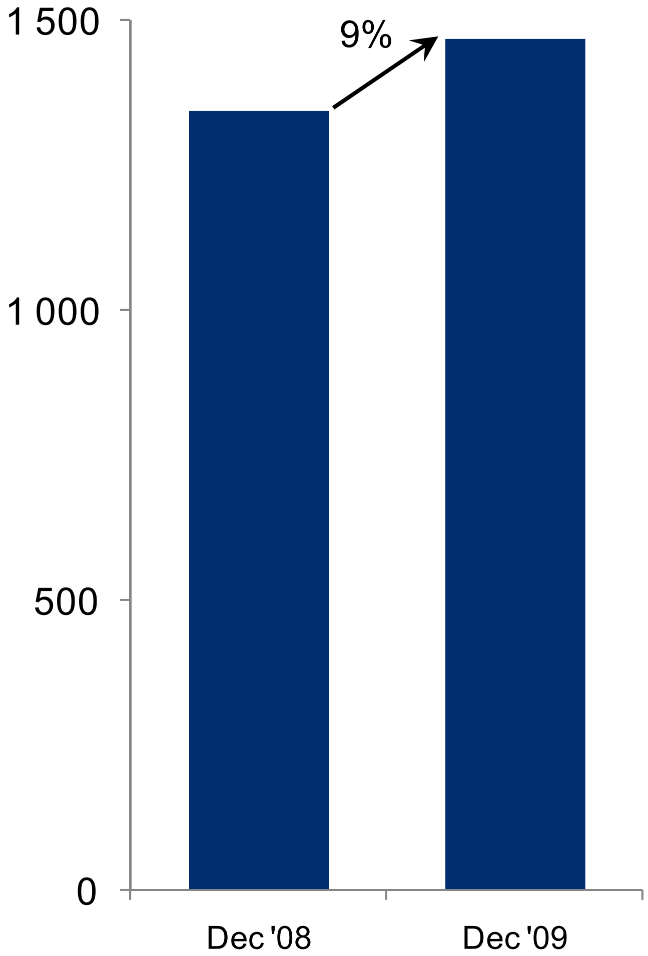




* Excluding Corporate Centre

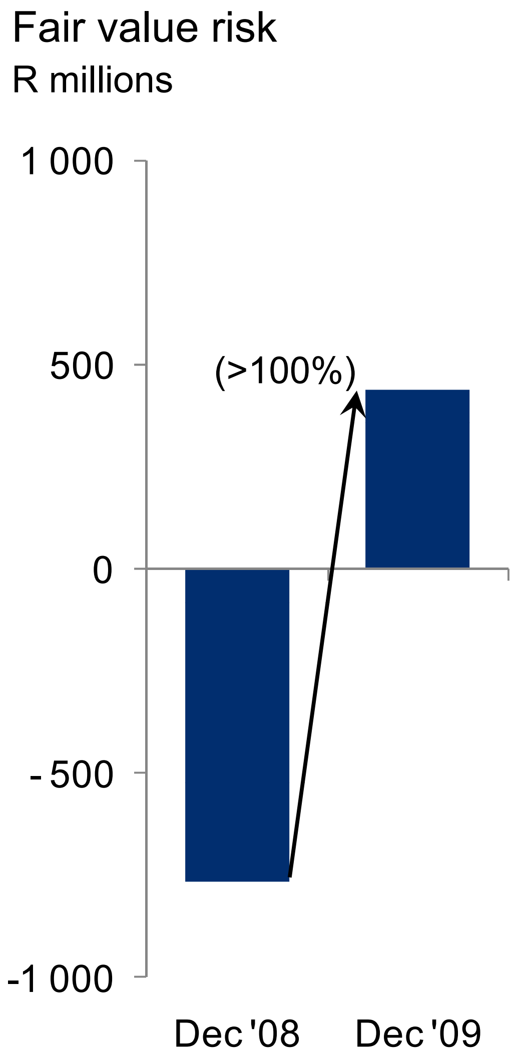
Sustained performance from lending business dampened by lower market activity

Fair value annuity revenue
R millions



R millions	Dec '09	Dec '08	Change
Annuity	1 469	1 343	▲ 9%
- Lending	1 092	868	▲ 26%
- Client flows	377	475	▼ (21%)
Client flows	377	475	▼ (21%)
- Forex	209	286	▼ (27%)
- Debt	128	148	▼ (14%)
- Equity	40	41	▼ (2%)

Turnaround in risk income



R millions	Dec ’09	Dec ’08	Change
Risk	439	(767)	▲ (>100%)
- Equities	127	(1 101)	▲ (>100%)
- Commodities	22	91	▼ (76%)
- Interest rates	226	384	▼ (41%)
- Credit	35	(336)	▲ (>100%)
- Forex	29	195	▼ (85%)

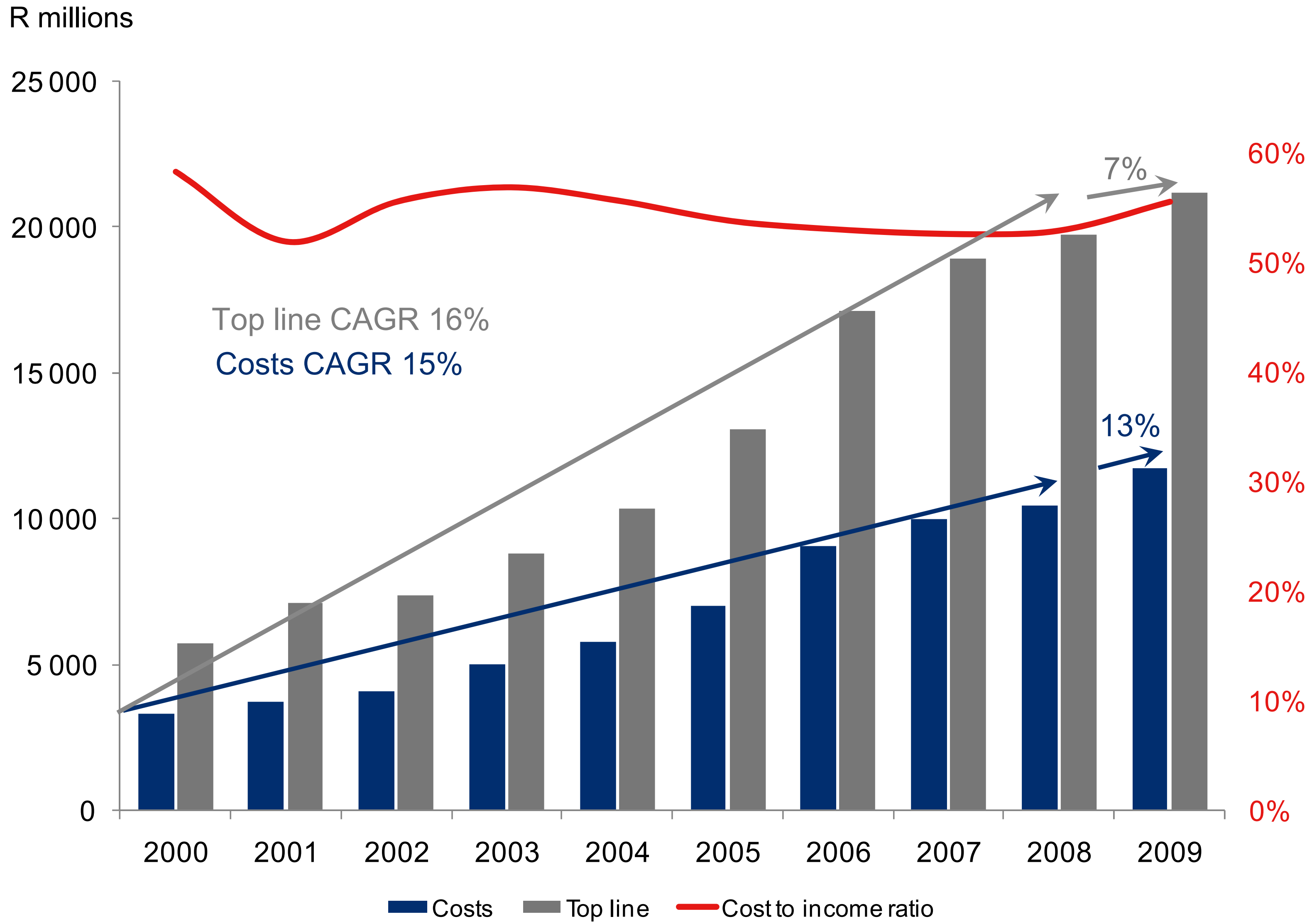
Private equity reflecting current cycle

R millions	Dec '09	Dec '08	Change
Annuity income	229	431	▼ (47%)
Realisations and impairments	(233)	882	▼ (>100%)
Total private equity income	(4)	1 313	▼ (>100%)

Unrealised profits at R1.5 billion (Dec '08: R1 billion)

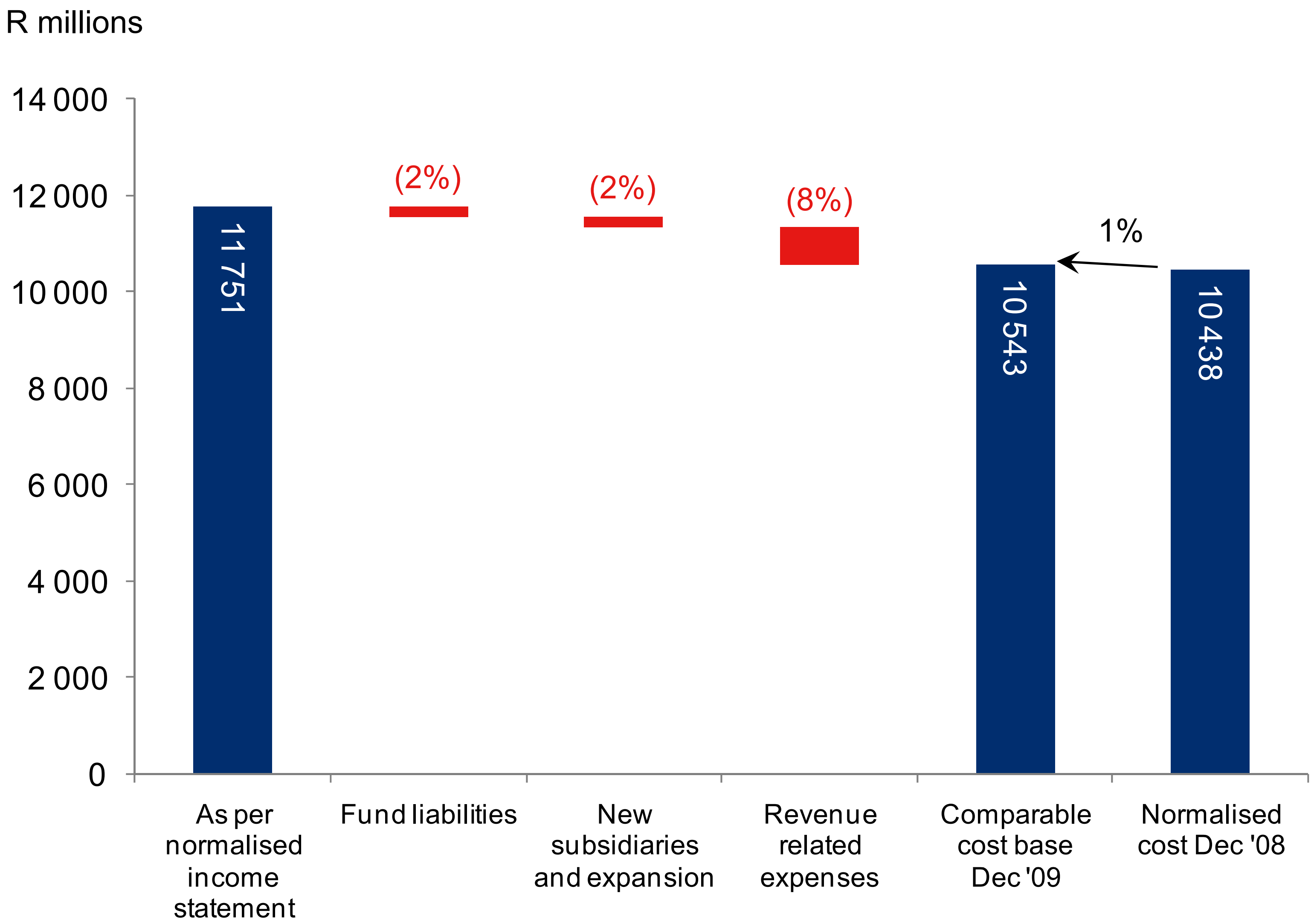
Costs

Slowing top line and variable & investment costs impact cost to income ratio



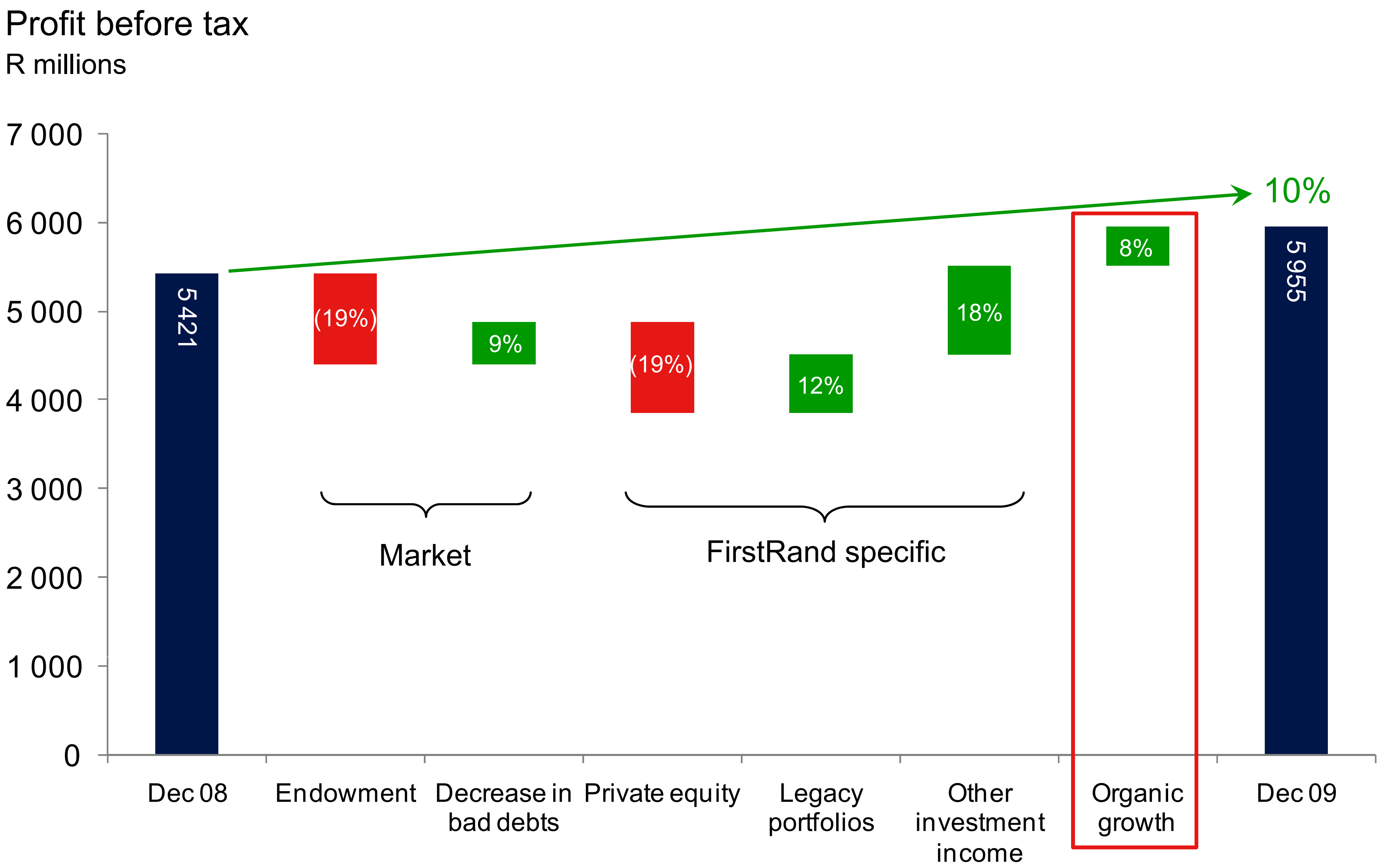
Top line and costs are calculated on a normalised basis

But normalised cost growth below inflation



Results in a nutshell

Operational performance reflects underlying franchise strength

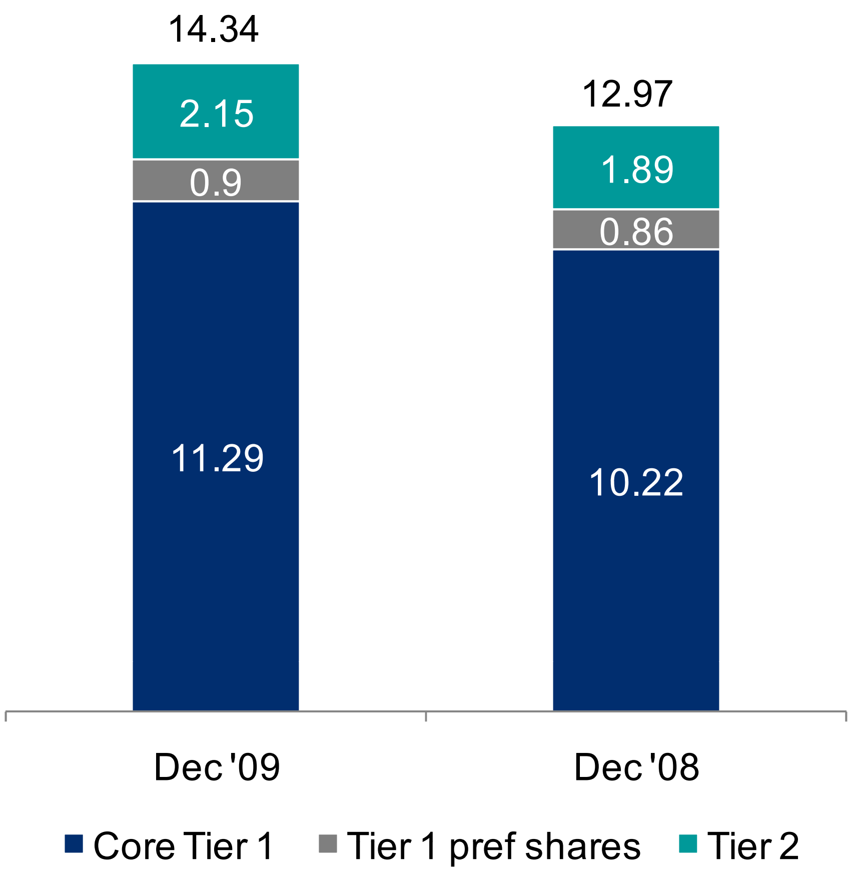


Refer to page 6 for normalised income statement

Capital

Banking Group's capital position remains robust

FRBH capital adequacy (%)



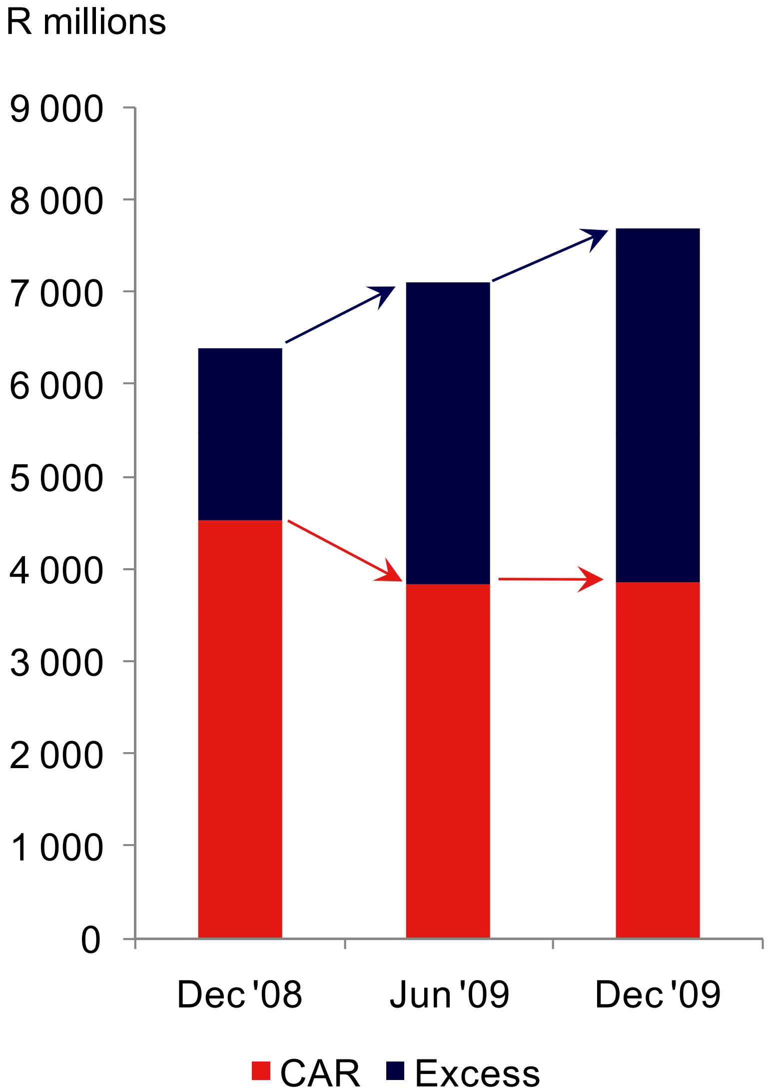
FRBH	Tier 1%	Total %
Capital adequacy ratio	12.19	14.34
Regulatory minimum	7.00	9.50*
Target	10.00	12.00 – 13.50

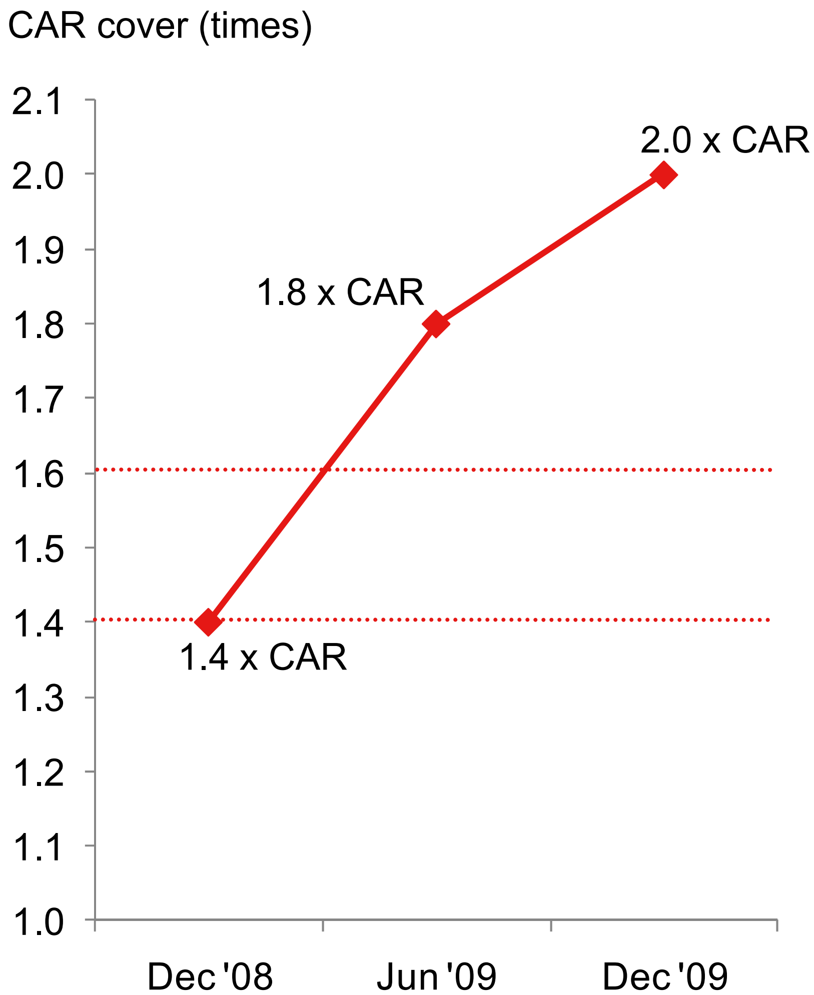
FRB	Tier 1%	Total %
Capital adequacy ratio	10.55	12.83
Regulatory minimum	7.00	9.50*
Target	9.50	11.50 – 13.00

* Excludes bank-specific (pillar 2b) add-on

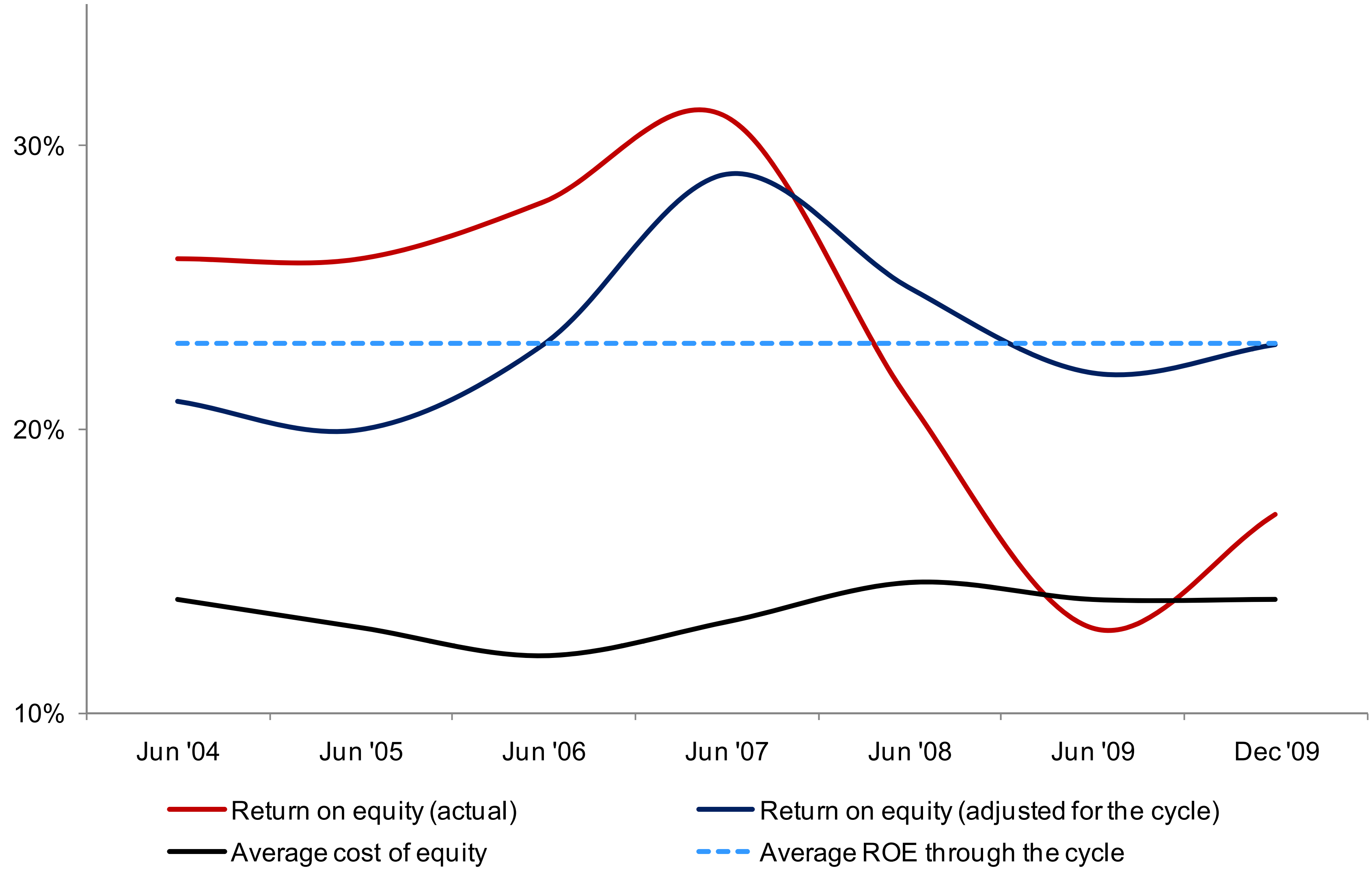
** Ratios exclude unappropriated profits of R1.6bn and R1.7bn for FRB and FRBH respectively

Momentum further strengthens capital position

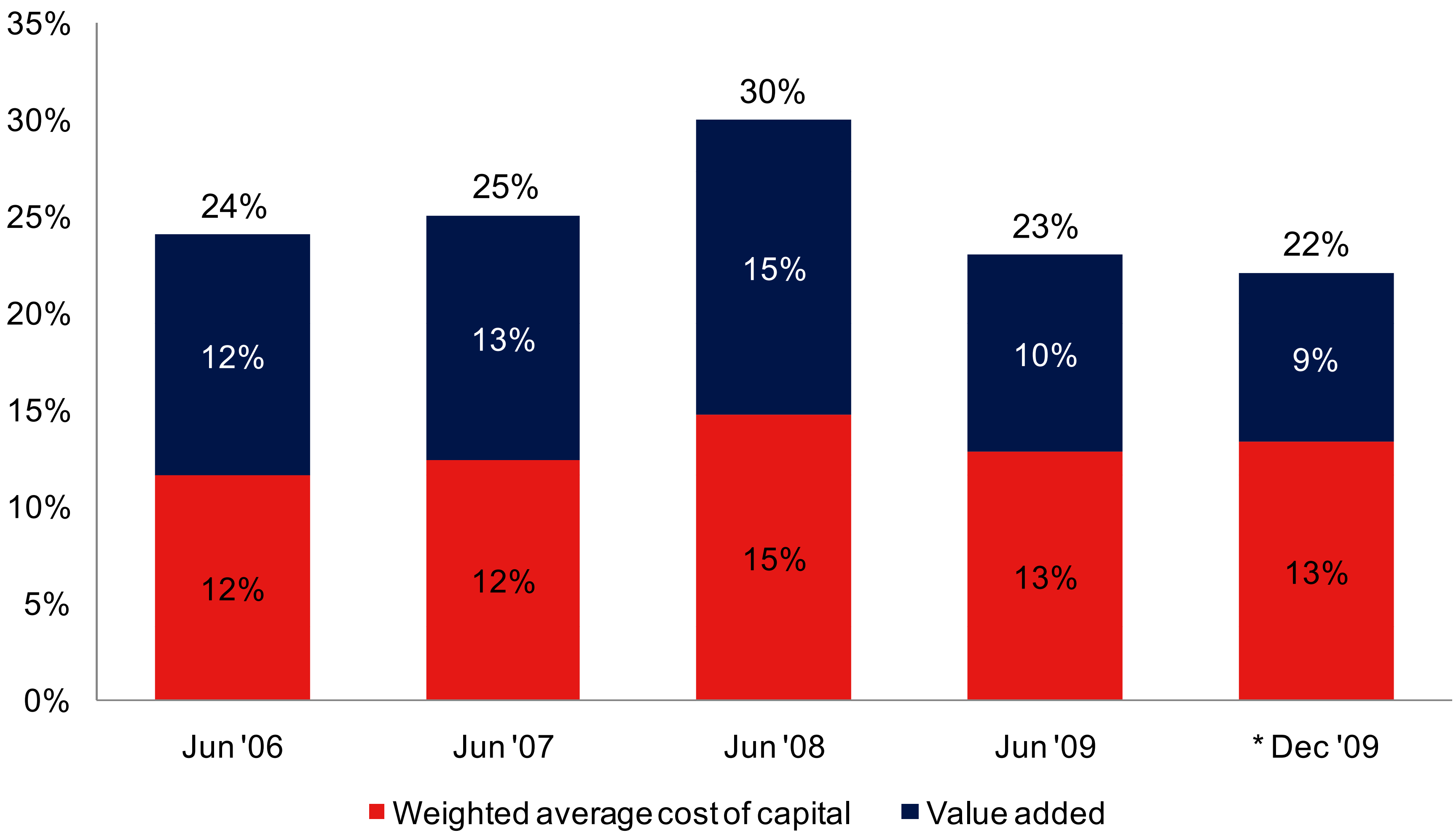




Banking ROEs continue to recover



Momentum continues to produce premium returns



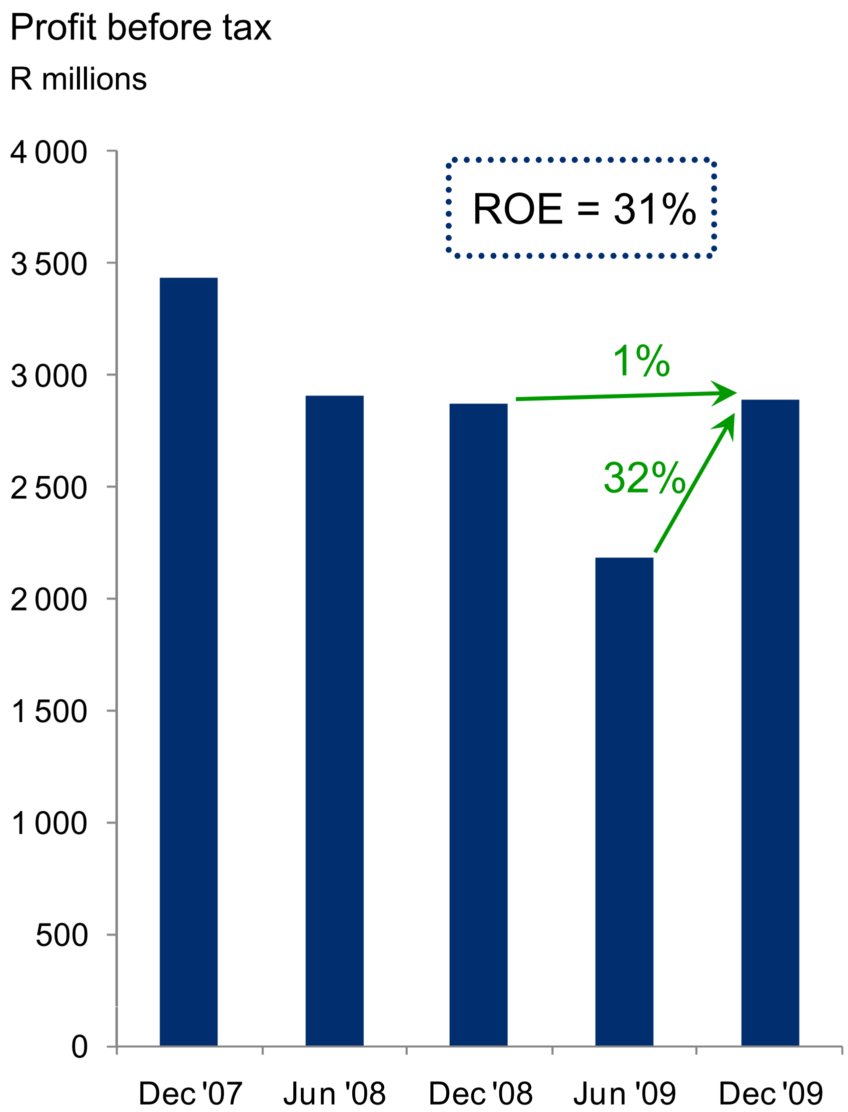
* Annualised return

Operating review

FIRSTRAND

Sizwe Nxasana

FNB delivers good returns despite tough environment



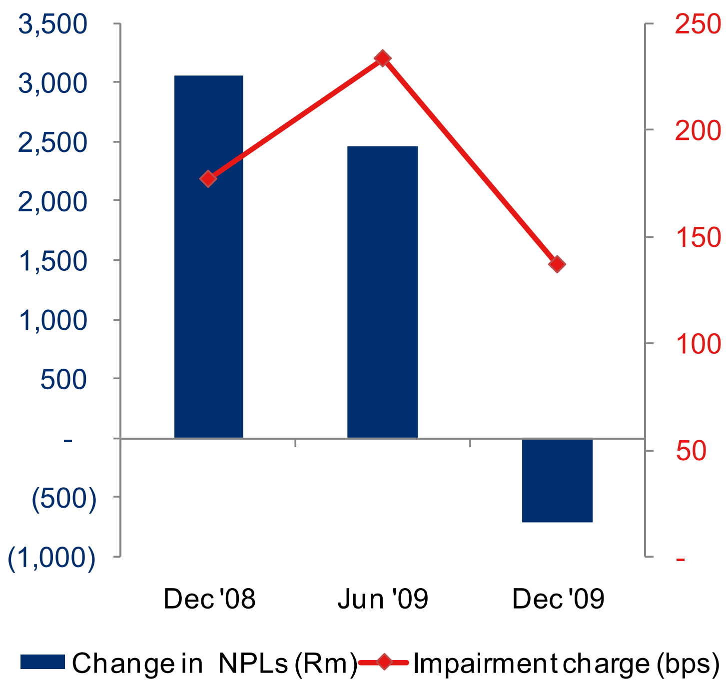
Characterised by:

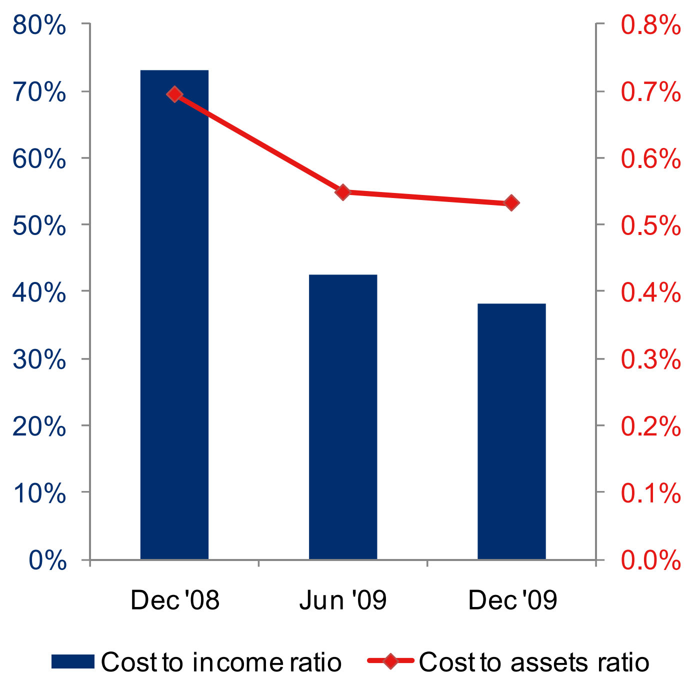
- \+ Improving bad debts
- \+ Turnaround in HomeLoans
- \+ Transactional volumes still growing, but mix changing
- \+ Customers up 5%
- \+ Retail deposits still growing
- \+ Great cost containment
- \+ Better quality of new business
- \+ Credit repricing
- – Negative endowment effect, particularly in Commercial

Positive trend in FNB HomeLoans

Profit before tax* (R millions)	6m to Dec '08	6m to Jun '09	6m to Dec '09
FNB HomeLoans	(977)	(777)	(289)

- Year-on-year improvement of R688 million – mainly attributed to:
  - Reduction in bad debt charge
  - 23% reduction in costs
  - Improved margins

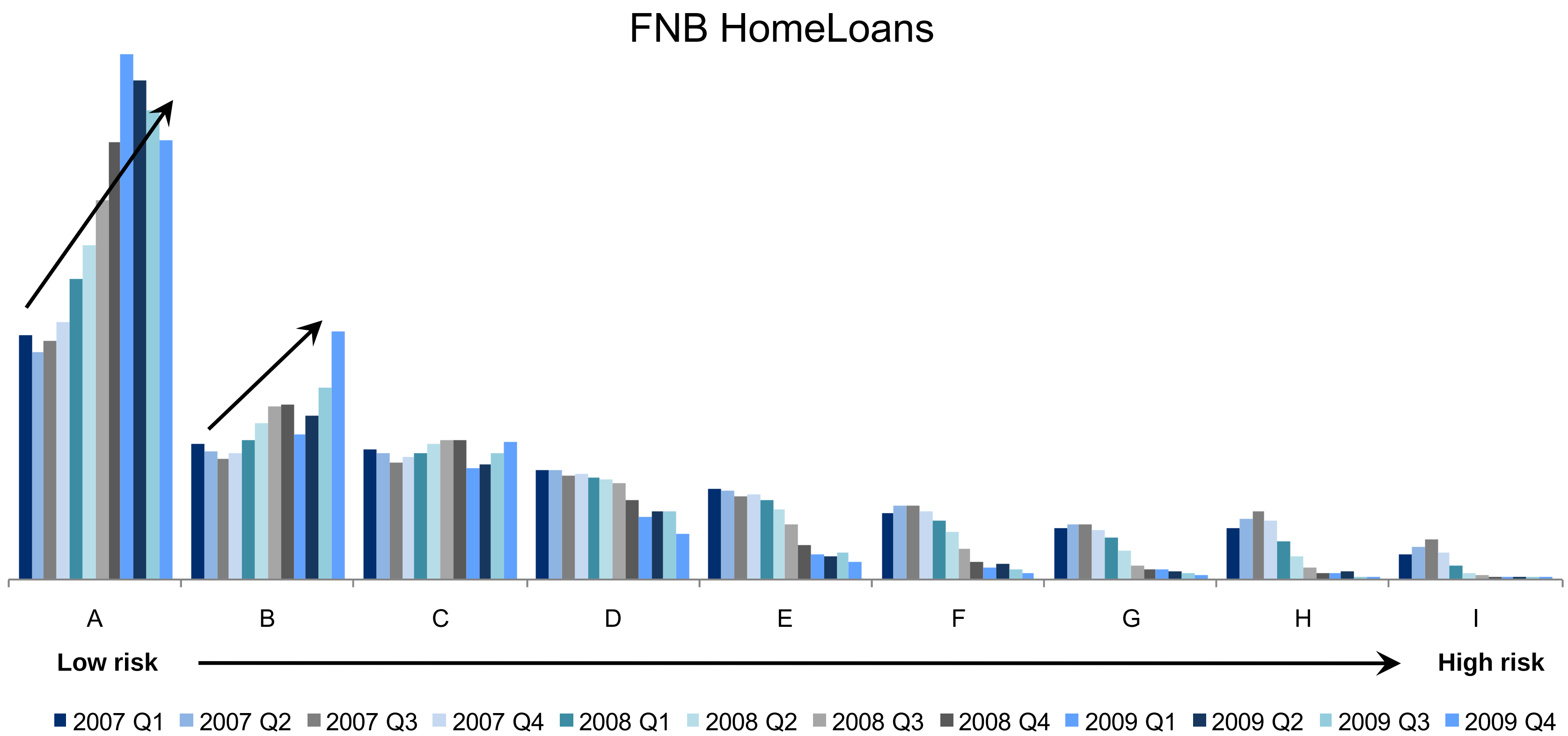




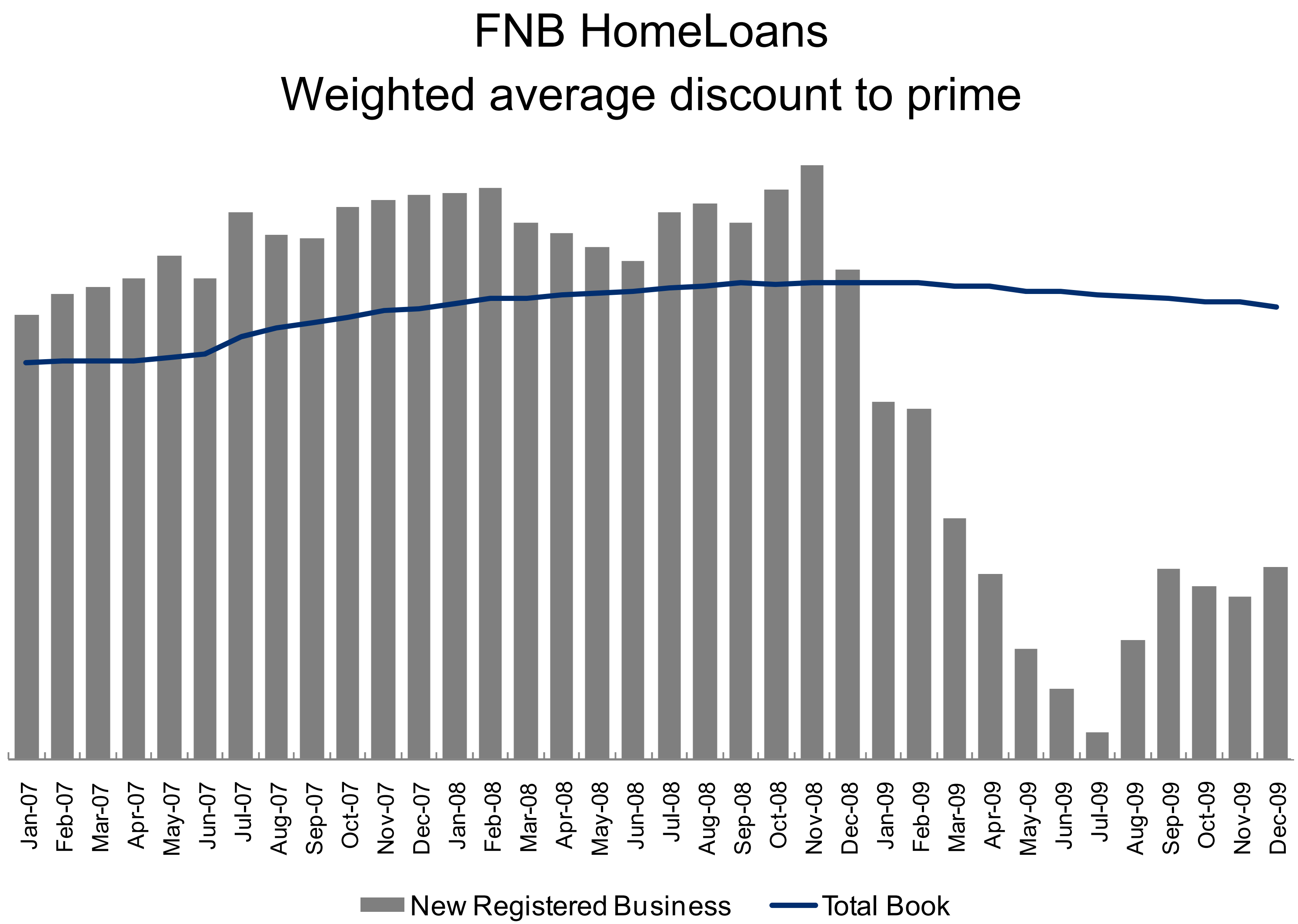
* Endowment earnings on capital reported in Corporate Centre and excluded from business units' results

Credit origination strategies = better quality of new business

- Retail
  - Selectively pro-active in certain low risk sub segments
  - New business mix migrated to lower risk
  - R4.8 billion new business written (down 25% y/y, but sales up 52% compared to six months to June 2009)



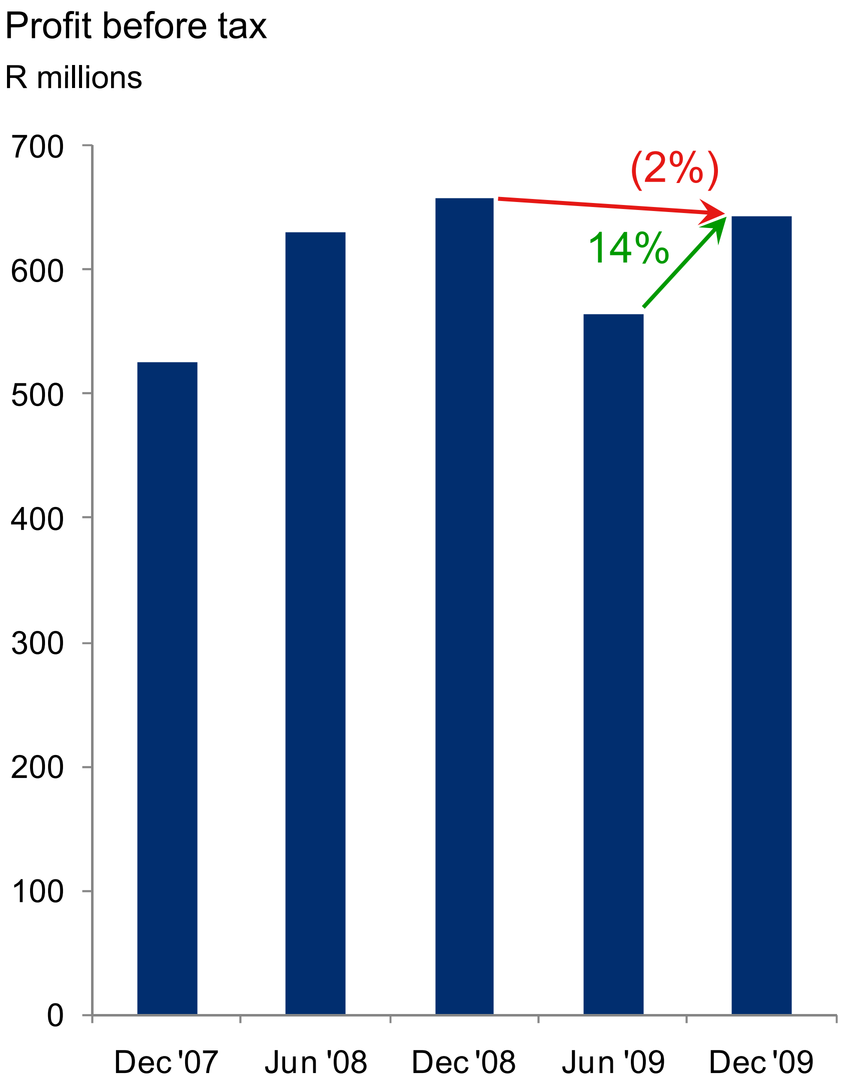
Retail has repriced = future margin benefit



FNB focus on cost containment

- Total cost increase limited to 2%
- 3% decrease in headcount, resulting in only 2% staff cost increase
- Process and system efficiencies
- Various cost cutting initiatives
  - Converted paper statements to e-mail
  - 28% reduction in electricity consumption
  - Premises consolidation
- Still investing for growth

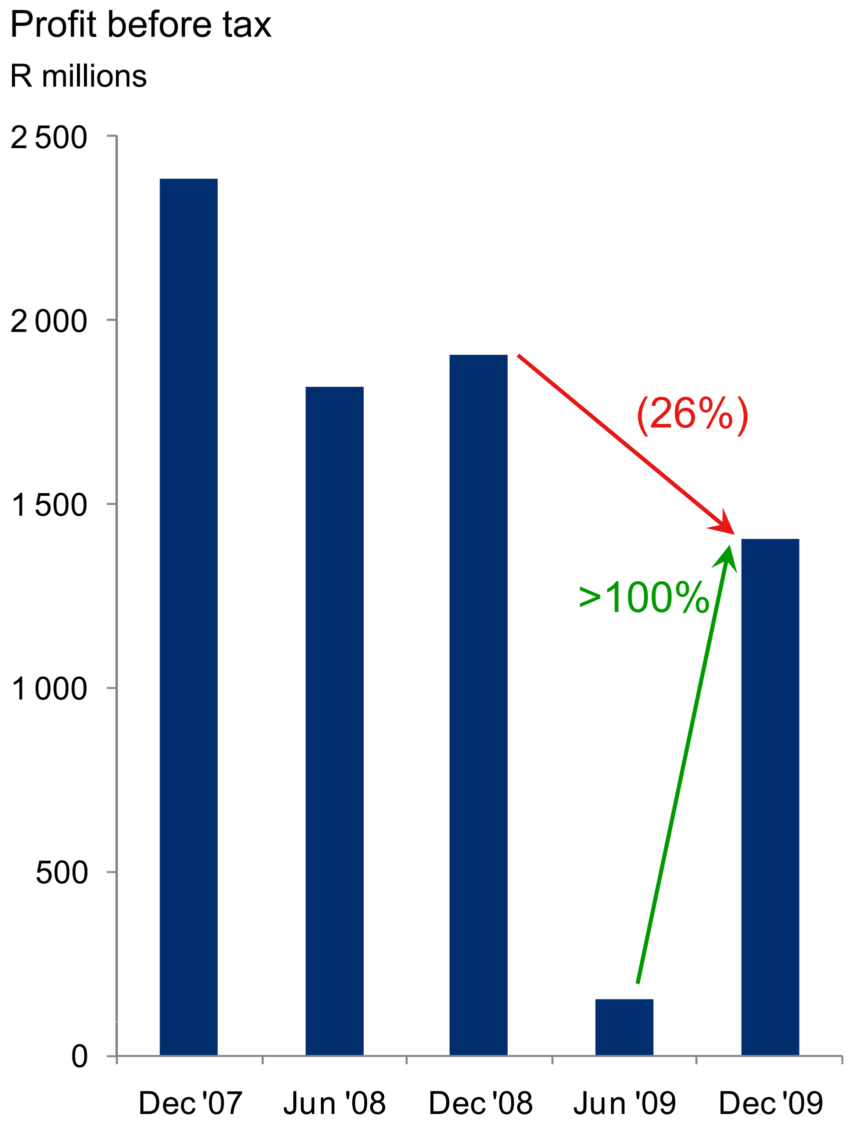
FNB Africa performance reflects investment strategy



Characterised by:

+ Good performances from Namibia and Swaziland
+ Ongoing investment in Zambia and Mozambique subsidiaries
+ Overall success of credit strategies
+ Bancassurance success
– Weaker performance from Botswana

RMB rebounds



Characterised by:

- + Turnaround in Equity Trading
- + Deal flow and pipeline remained intact
- + Lower level of losses from legacy portfolios
- – Lower profits from IBD and FICC
- – No major private equity realisations

RMB divisional performance

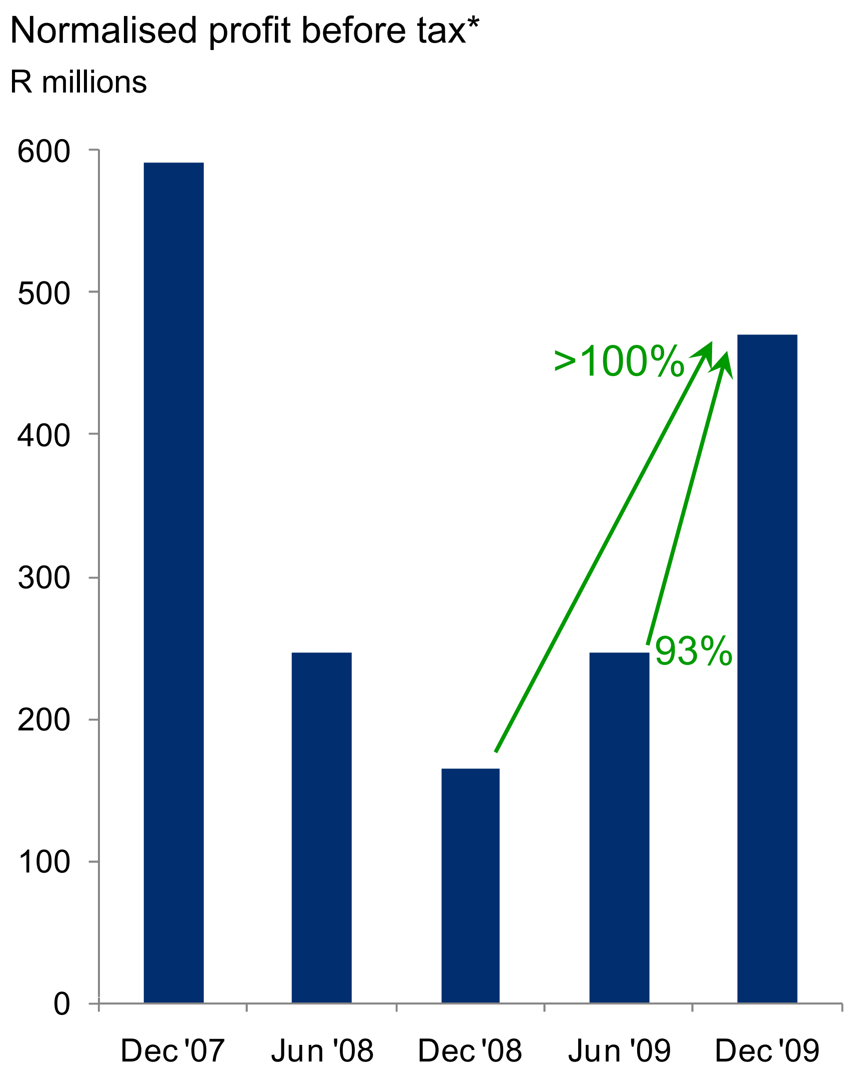
- Investment Banking Division
  - Good performance given base and slowdown in corporate activity
  - Significant transactions concluded and pipeline maintained
  - Progress in corridor strategies encouraging and partnerships delivering
    - CCB co-operation
    - FirstRand India
- FICC
  - Lower profits year-on-year…
    - Client revenue negatively affected by stable rand, low volatility and lower trade flows
    - Fewer trading opportunities due to reduced volatility in markets
  - … but significantly better than previous six months
    - Client flows still under pressure, but better result from proprietary trading activities

RMB divisional performance

- Private Equity*
  - No major realisations (Dec ’08: R1 016m)
  - Equity accounted earnings R217m (Dec ’08: R311m)
  - Unrealised value R1 517m (Dec ’08: R993m)
  - Portfolio in good shape
- Equity Trading
  - Returns to profitability
  - Good fees from agency businesses
  - Local trading portfolio performing well
- Other
  - Reducing losses from legacy portfolios
    - Remaining equity portfolio $18m (Dec ’08: $18m)
    - Remaining SPJi portfolio $189m (Dec ’08: $257m)
  - Write-down against Dealstream portfolio
    - Dealstream book value R764m

* Figures shown are for the RMB Private Equity divisional performance

WesBank: Earnings recovery underway



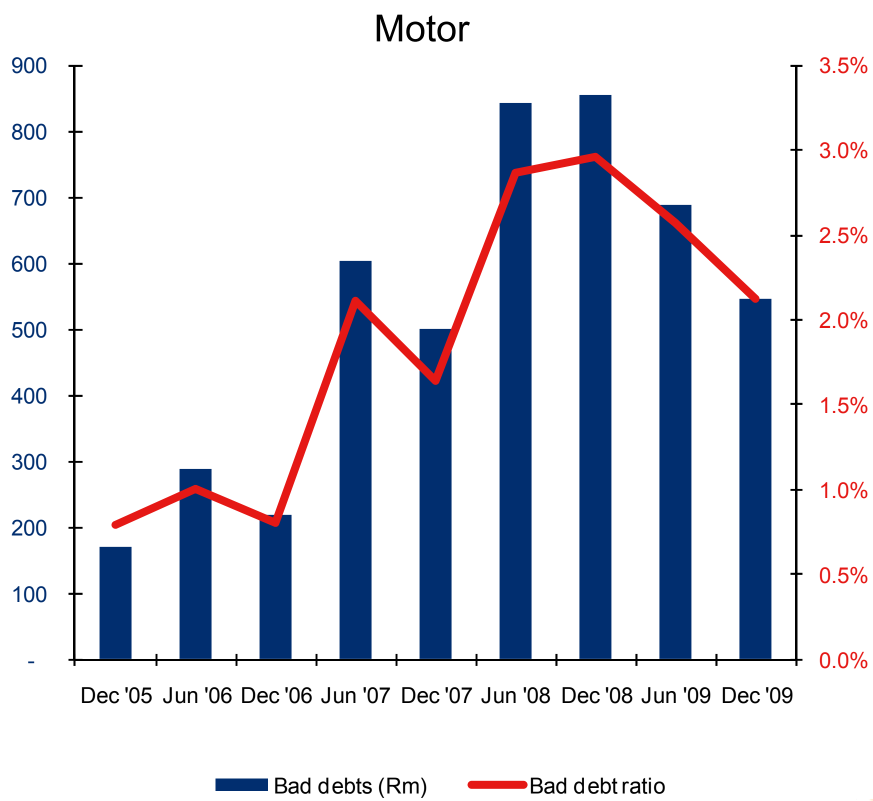
Characterised by:

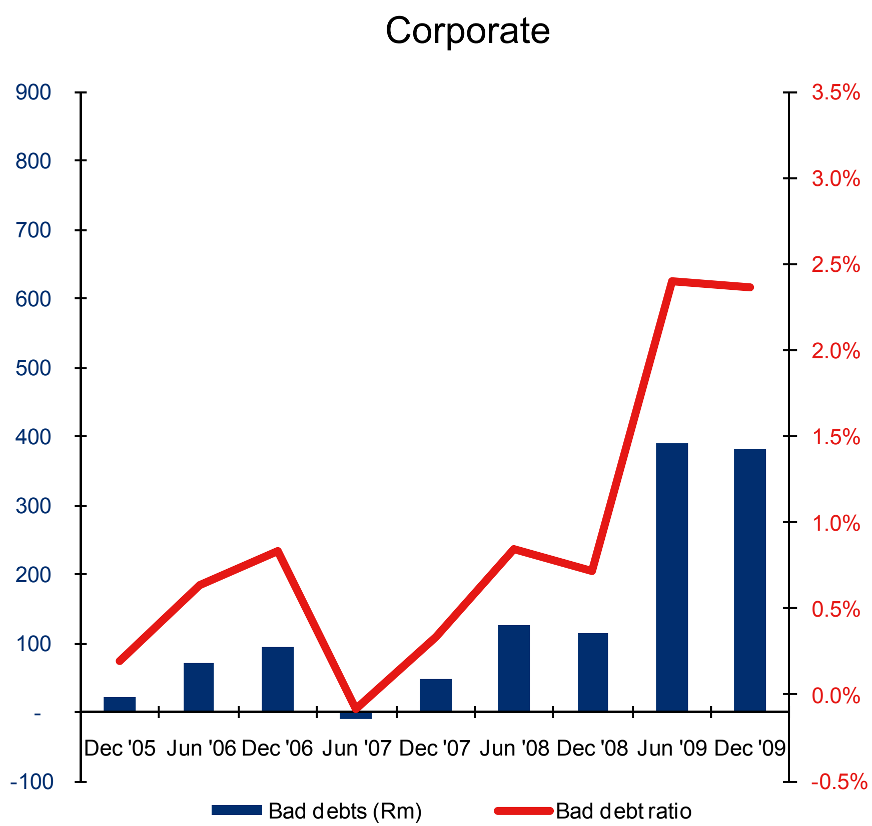
- \+ Re-pricing resulted in better interest margin
- \+ Reduction in retail bad debt charge
- \+ Good cost control
- \+ Turnaround at Carlyle
- – Advances book continued to contract, but showing growth in the last quarter
- – Certain commercial segments remain under pressure

* Excludes loss on the sale of Motor One and goodwill impairments

Provisions… the cycle plays out

- Retail arrears and repossessions well down off peak
- Corporate provisions increasing, but confined to certain segments and approaching peak
- Gradual unwind of bad debts expected

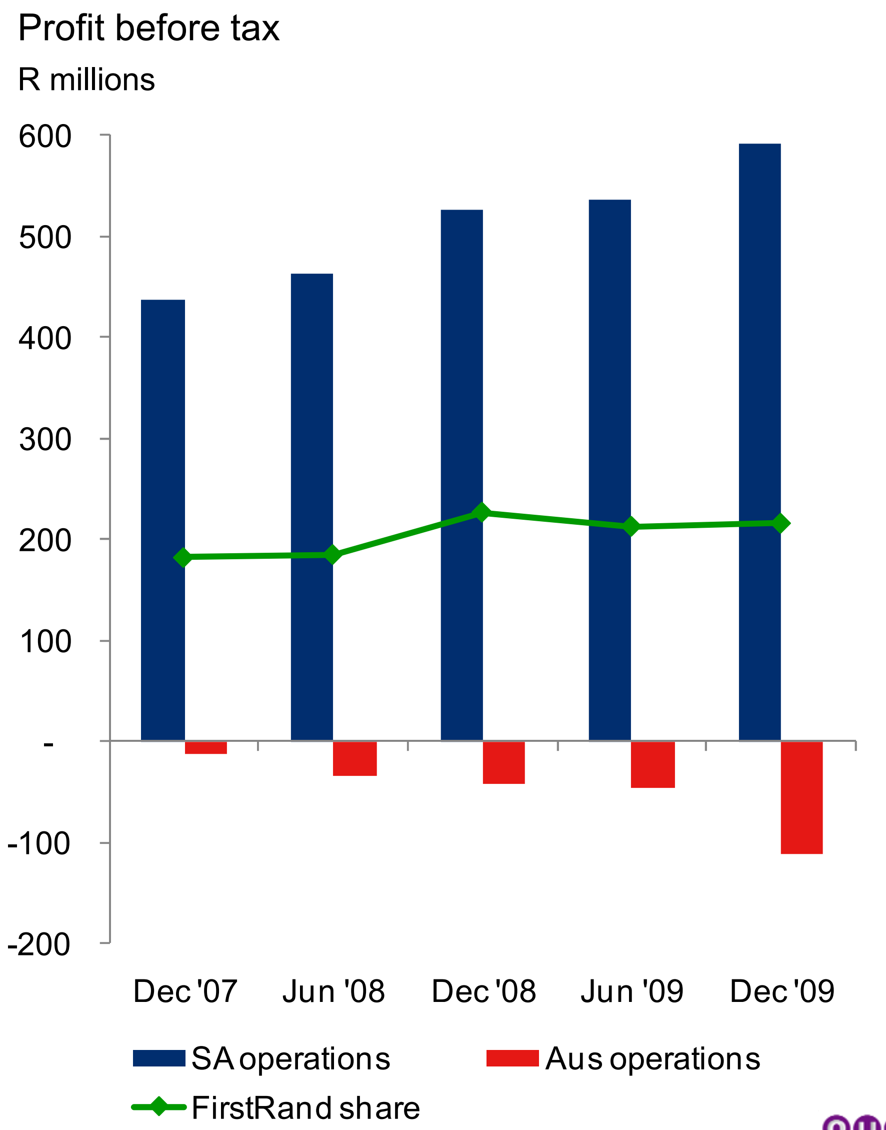




Cost containment remains an imperative

- 0% cost growth in core business
- Cost and efficiency wins
  - Headcount reduction (9%)
  - Restructure of Motor division
  - Rationalisation of ‘bricks and mortar’ representation
  - High focus on discretionary spend
- WesBank’s total costs negatively impacted year-on-year by
  - Consolidation of expenses (including claims) from our underlying insurance cells
  - Depreciation from Full Maintenance Lease business
  - Higher profit shares payable to alliance partners due to increased profitability
  - Goodwill impairment

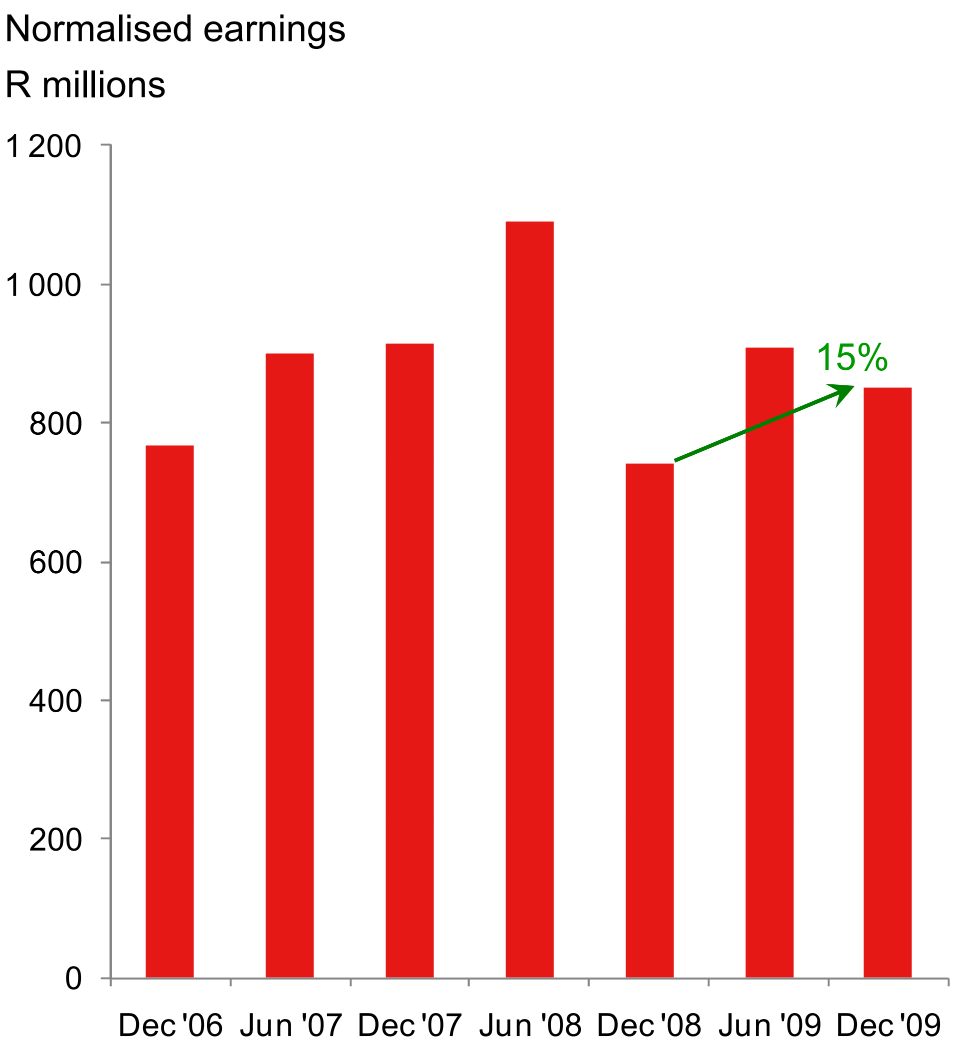
OUTsurance performance impacted by international investment



Characterised by:

- Strong domestic operational performance
- Lower investment income following drop in interest rates
- Pre-tax profit down 1% due to start-up losses in Australian venture, Youi
- Youi proceeding ahead of targets

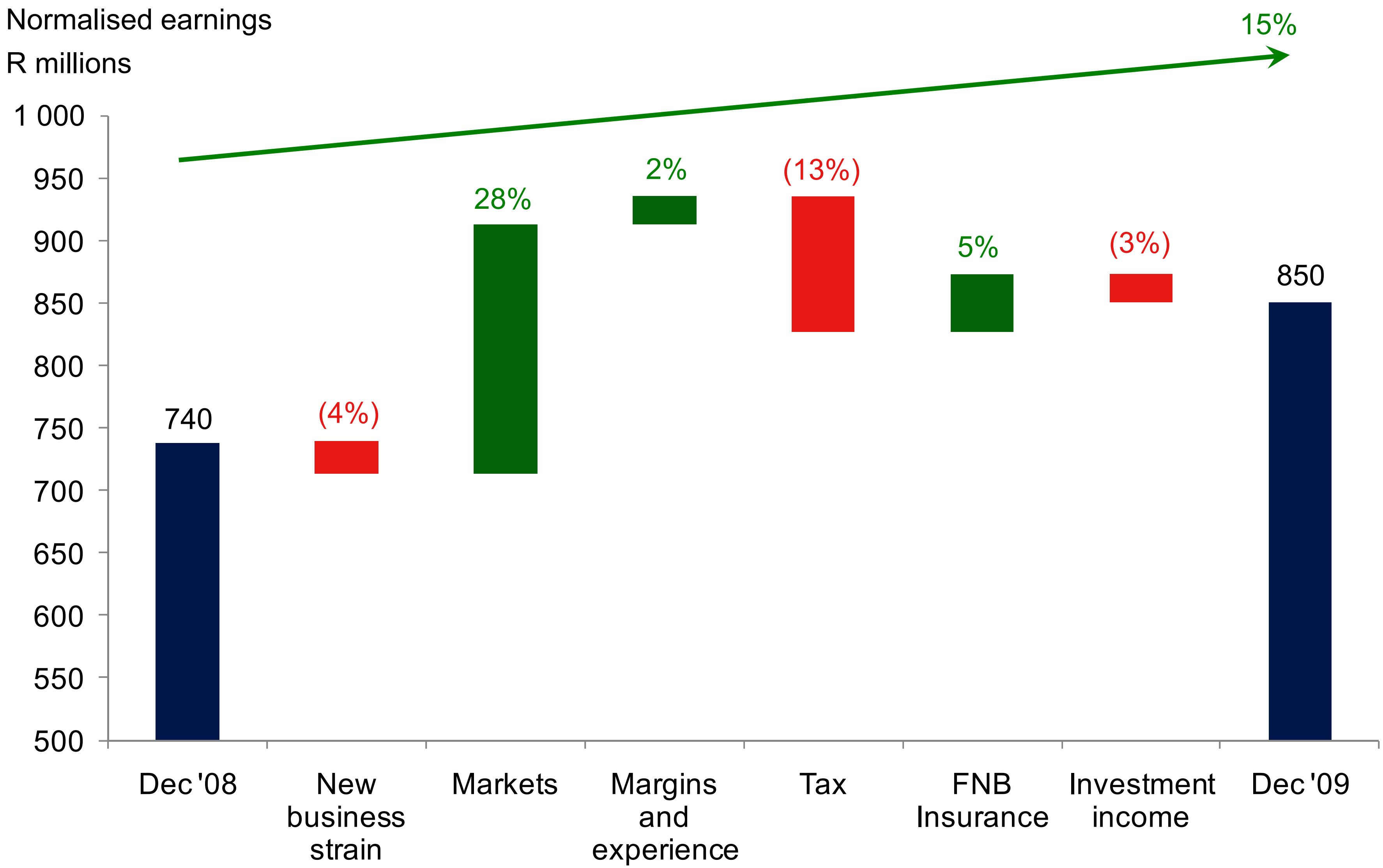
Momentum – solid core operational performance



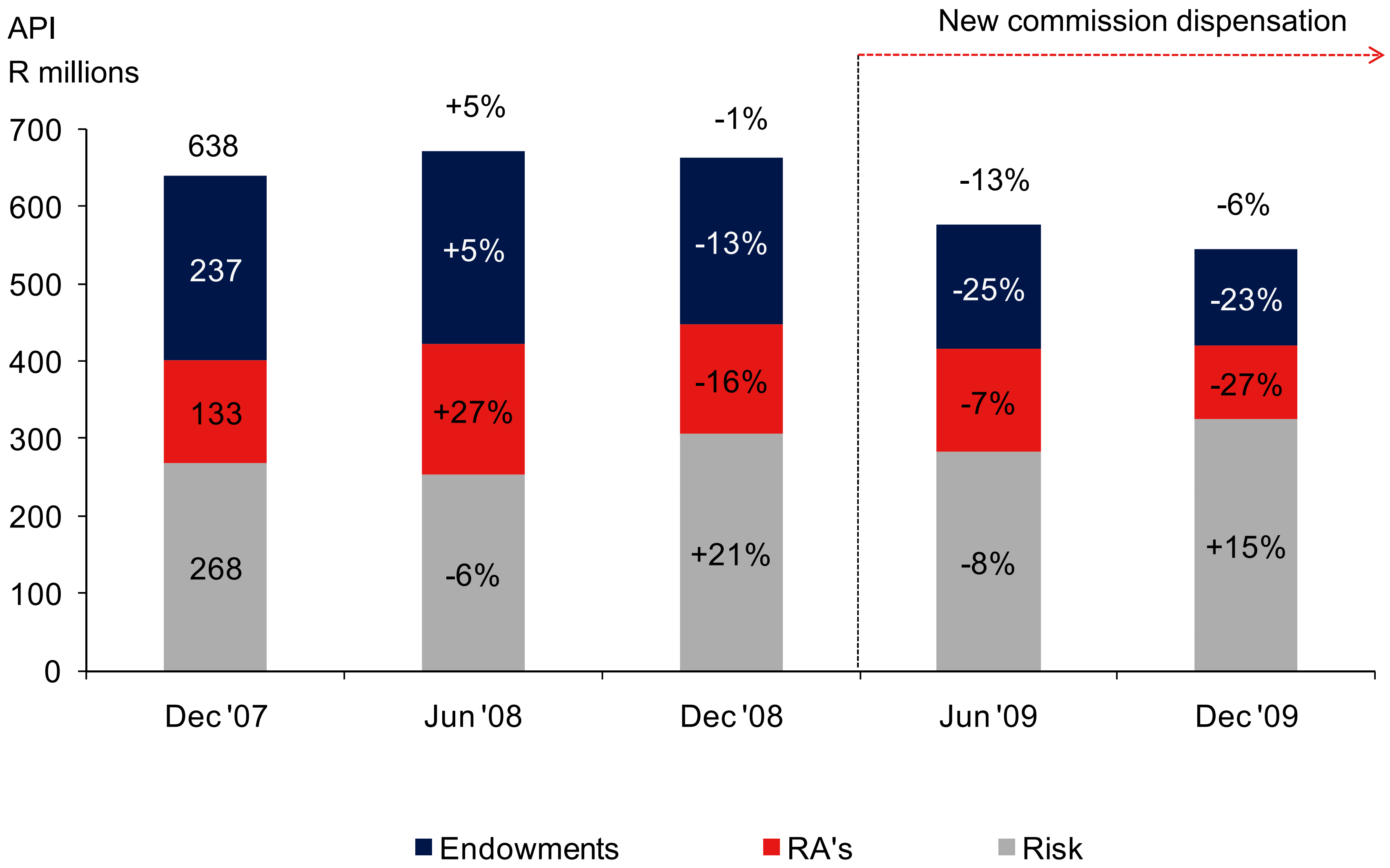
Characterised by:

- \+ Market recovery resulted in increased fees on investment business
- \+ New business margin maintained at 2.2%
- \+ Strong performance from FNB Life
- \+ 1% growth in expenses
- \+ Annualised ROEV of 28% reflects strong operational and investment market performance
- – Savings and RA new business under pressure
- – Lower interest rates negatively affected investment income

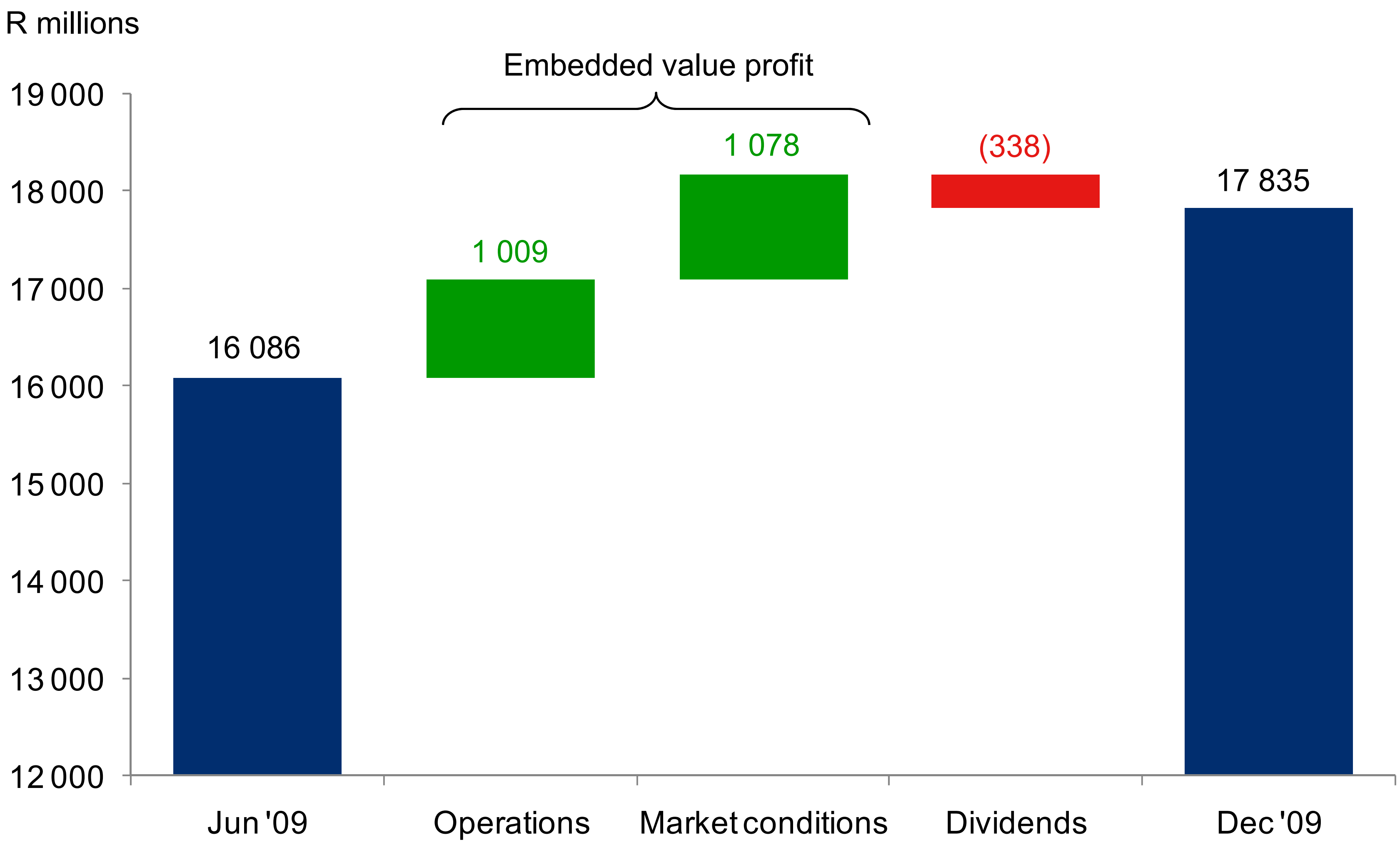
Unpacking the increase in earnings



Recurring savings and RA business remain under pressure due to cycle



Return on EV reflects strong operational and investment market performance



Strategy & prospects

FIRSTRAND

Sizwe Nxasana

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 SA financial services
    - Increase organic growth opportunities that currently exist between franchises
    - Expand into other profit pools in financial services

Opportunities in the insurance and investment 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
  - Improving investment performance is key
  - Greater penetration in retail market

Opportunities in retail space

- Leverage off FNB'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
  - Easy Plan

- Continued focus on deposit franchise

- WesBank's further alliance opportunities

Opportunities in the corporate and investment banking space

- Integrate CIB approach to grow in corporate space
  - Aligned FNB Corporate with RMB and integrated client coverage team
  - Enhanced service offering
  - Improve our share of revenues across corporate and investment banking activities

Update on international strategy

- Operate in markets that strengthen the Group's position as a leading African financial services group – key growth markets are:
  - Nigeria
    - Staffing Nigeria rep office
    - Investigating acquisition opportunities
  - Zambia
  - Tanzania
    - Awaiting regulatory approval
  - Angola
    - Received regulatory approval for rep office
- Focus on Africa and key African-Asian corridors
  - CCB co-operation resulted in deal flow
  - India platform gains traction
- Increased focus on leveraging existing African platforms
- Opportunities for insurance businesses

In summary – FirstRand's growth driven by

- The short term recovery story
  - Unwind of the cycle will positively impact earnings to 2011
  - Reducing negative impact of legacy portfolios
- Medium term
  - Subdued GDP recovery expected to put pressure on top line growth
  - Continued focus on unlocking synergies and managing costs
- Long term
  - Delivery on domestic and international strategy
  - Regulatory changes coming, but impact uncertain

Sustainable returns to shareholders

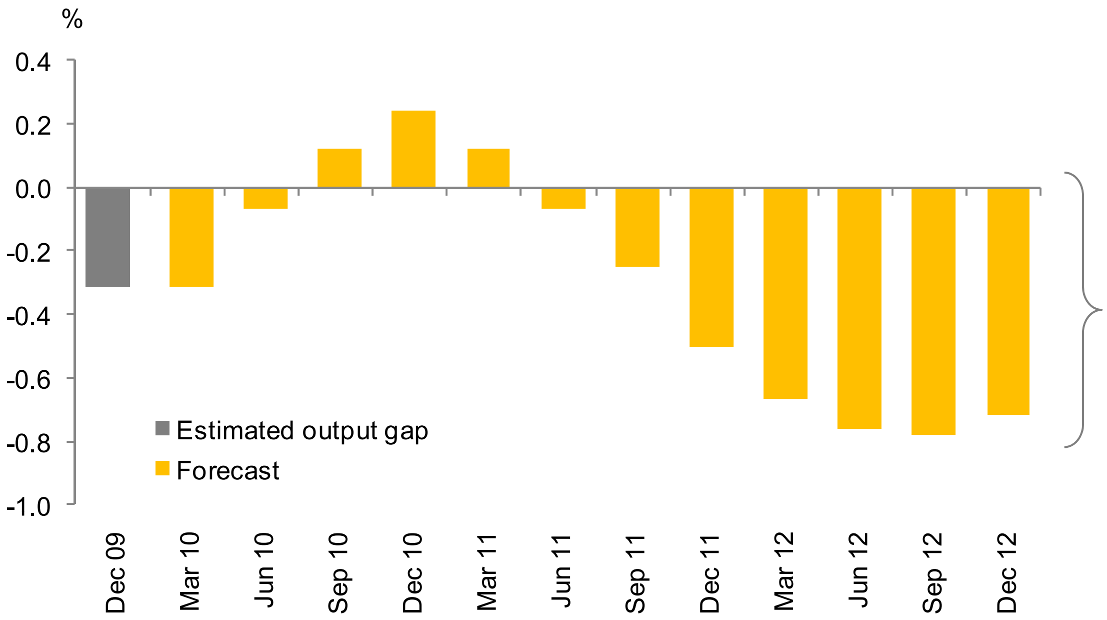
Prospects for the next six months

- Modest return to growth in domestic economy
- Advances growth will be low, but at better margins
- Bad debt charge will continue to reduce, positively impacting FNB and WesBank
- RMB expected to benefit from re-base effect
- Recovery in equity markets underpins Momentum's performance

Annexure

FIRSTRAND

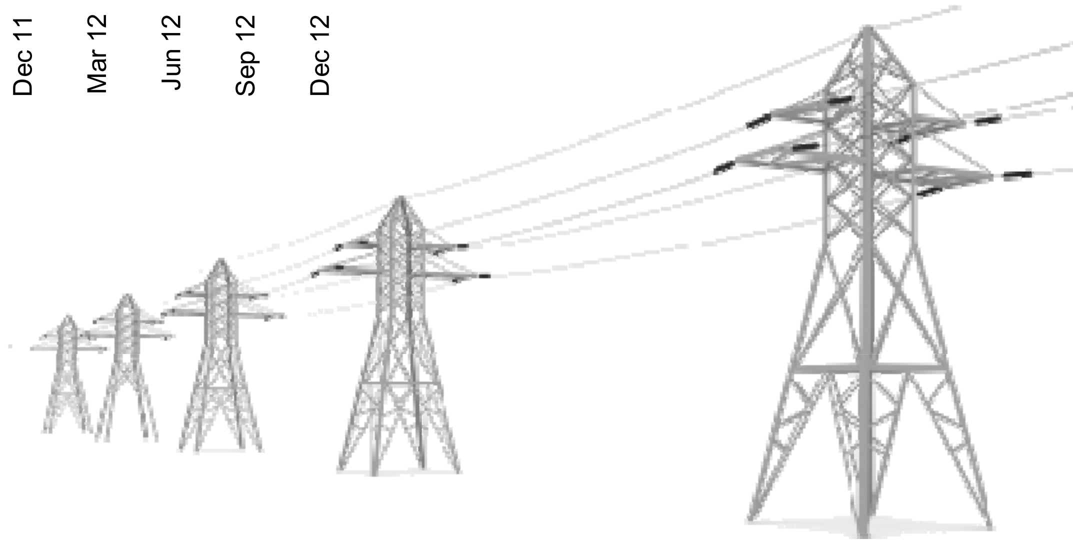
Inflation: The MPC's dilemma



Excess supply capacity = No demand pull inflation pressures

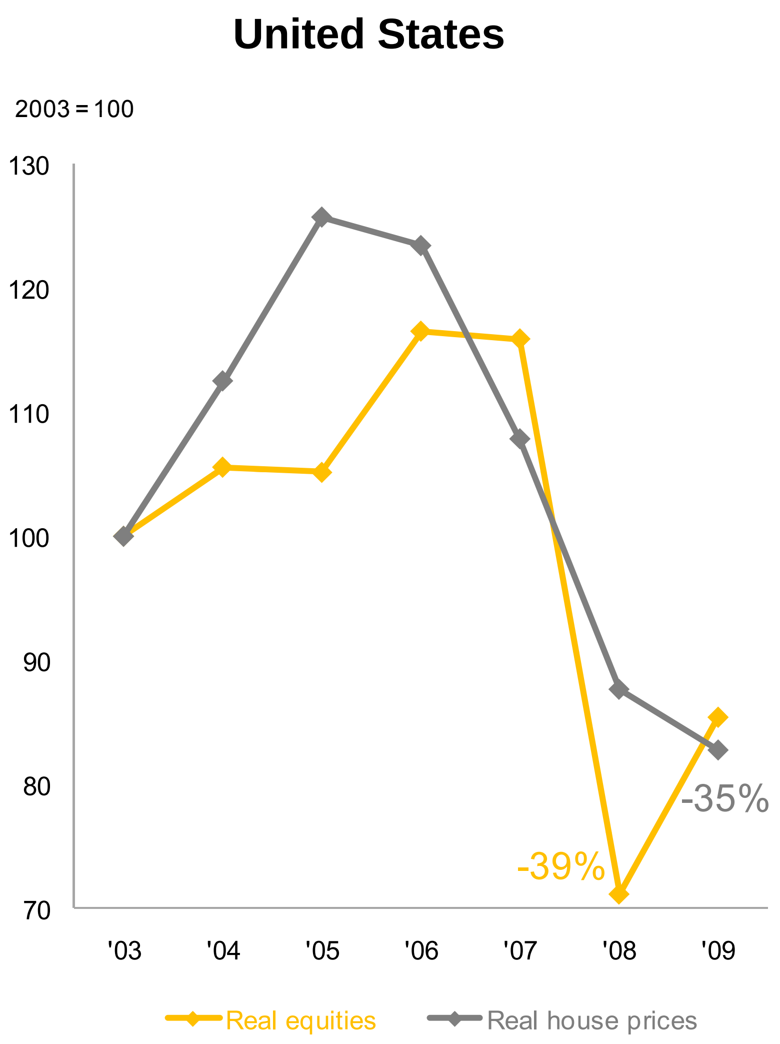
But cost-push pressures:

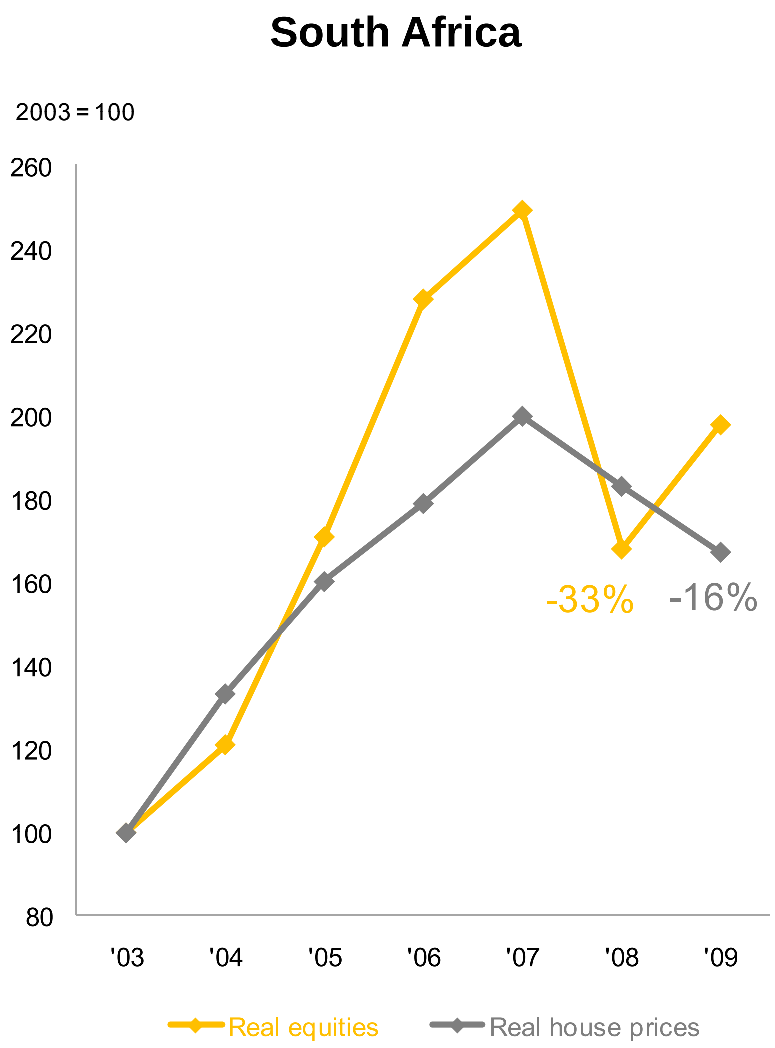
- Eskom
- Wage pressures
- Food by year-end



Sources: FirstRand, SARB

Households: The balance sheet constraint

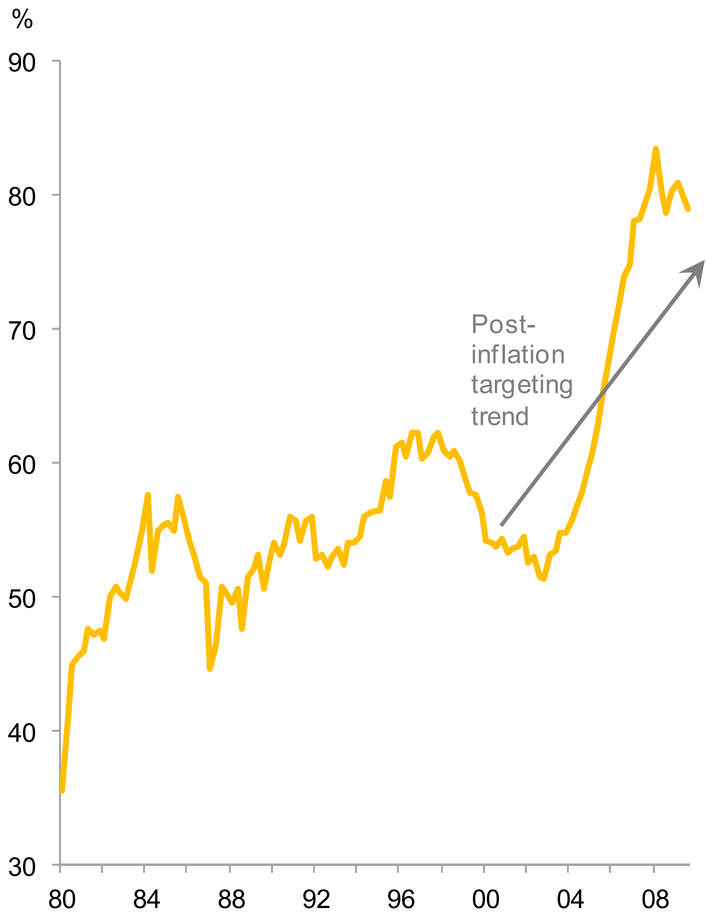




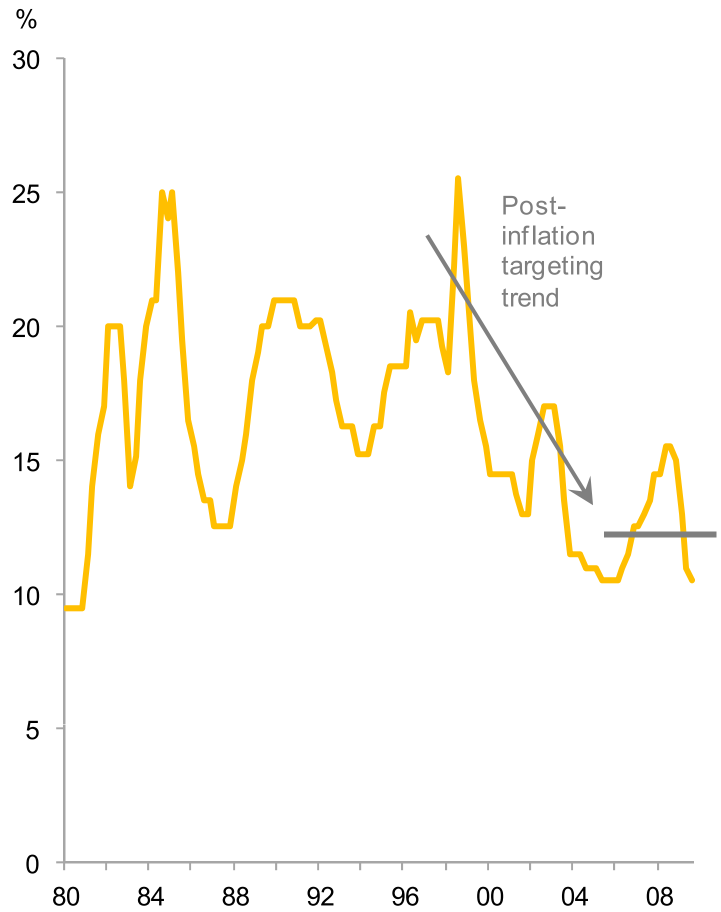
Sources: FirstRand, Bloomberg

Debt service cost dynamics

Debt to disposable income

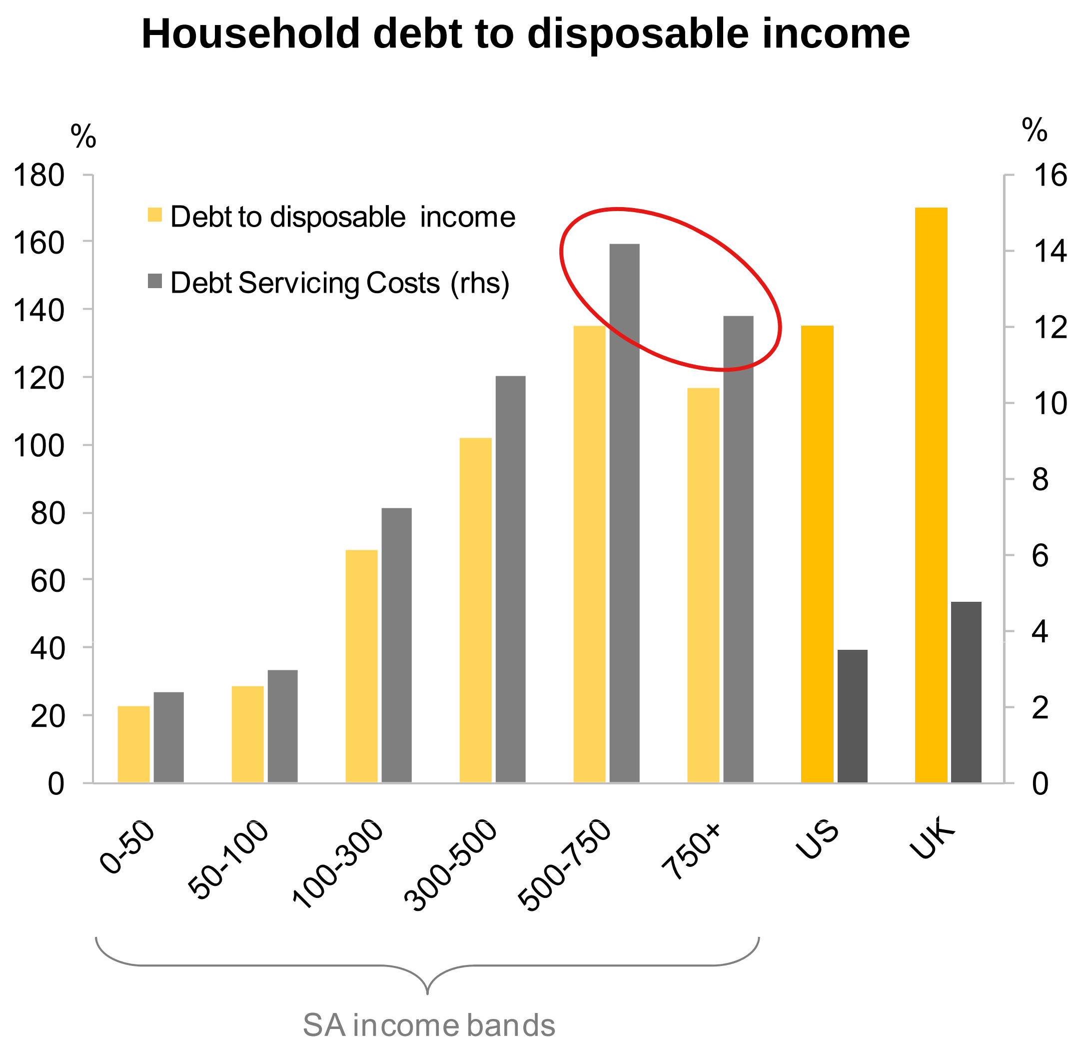


Prime rate



Sources: FirstRand, INet

High income groups under pressure



Source: BMR UNISA, FirstRand

Reconciliation of bank normalised earnings (2009)

	Dec '09 Normalised	Non effective hedges**	Other †	Dec '09 Attributable
Net interest income	8 628	(185)	-	8 443
Bad debts	(3 225)	-	-	(3 225)
Net interest income after impairments	5 403	(185)	-	5 218
Non interest income*	12 537	185	(10)	12 712
Operating expenses	(11 751)	-	(99)	(11 850)
Indirect tax	(234)	-	-	(234)
Taxation	(1 595)	-	4	(1 591)
Minorities	(322)	-	-	(322)
Banking Group earnings	4 038	-	(105)	3 933

* Non interest income includes share of profit from associates and joint ventures

** Non effective hedges reallocated from other fair value income (NIR) to NII

† Other predominantly consist of goodwill impairments and IFRS 2 share based payment expense

Reconciliation of bank normalised earnings (2008)

	Dec '08 Normalised	Non effective hedges**	Motor One Finance	Other†	Dec '08 Attributable
Net interest income	8 828	304	-	-	9 132
Bad debts	(3 693)	-	-	-	(3 693)
Net interest income after impairments	5 135	304	-	-	5 439
Non interest income*	10 920	(304)	(206)	(26)	10 384
Operating expenses	(10 438)	-	-	37	(10 401)
Indirect tax	(196)	-	-	-	(196)
Taxation	(682)	-	-	(2)	(684)
Minorities	(590)	-	-	-	(590)
Banking Group earnings	4 149	-	(206)	9	3 952

* Non interest income includes share of profit from associates and joint ventures

** Non effective hedges reallocated from other fair value income (NIR) to NII

† Other predominantly consist of goodwill impairments and IFRS 2 share based payment expense