



# The quest for positive jaws UBS Conference

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**CEO FirstRand Bank**



**FIRSTRAND**

# Strong economic fundamentals

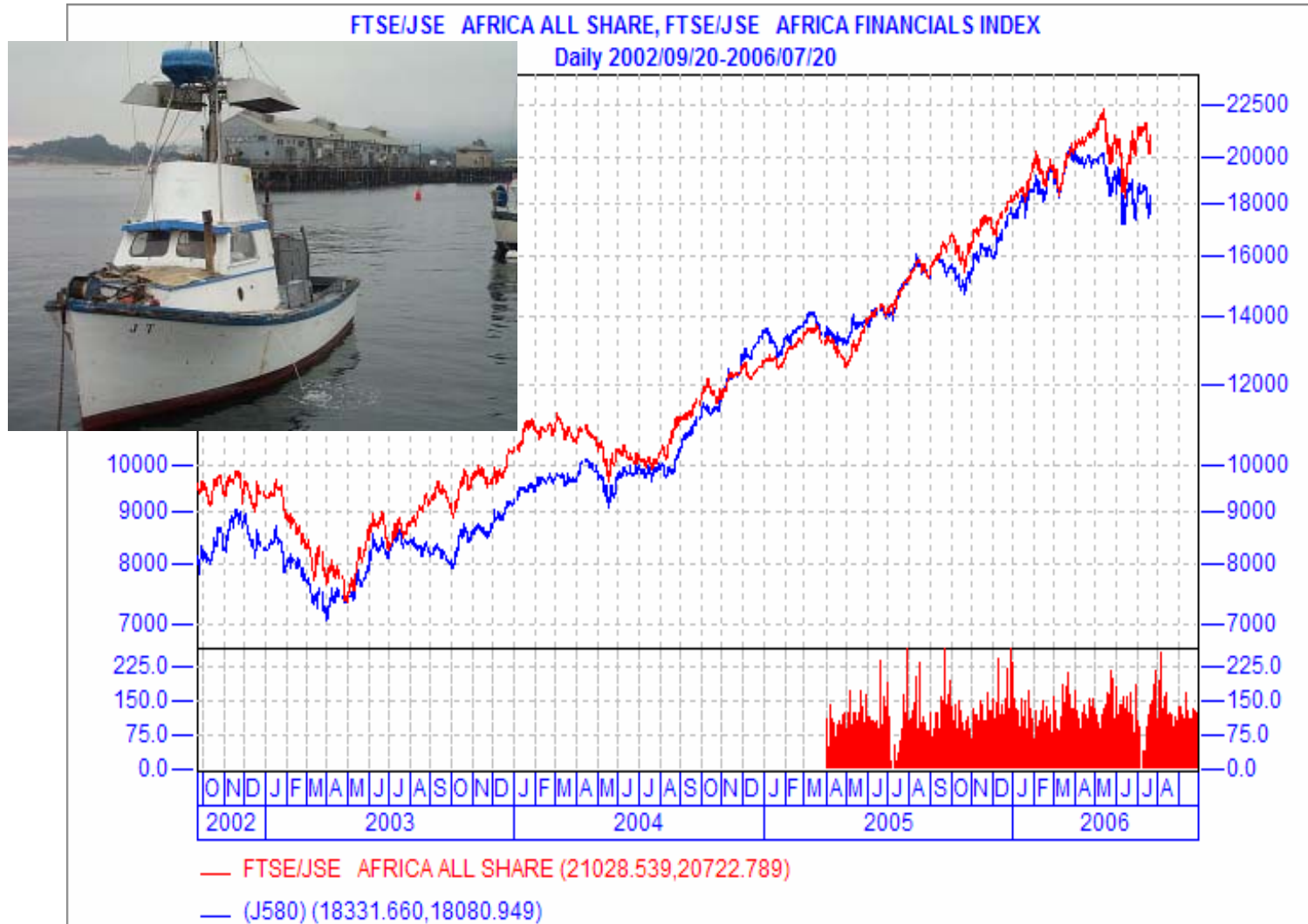
- Economic stability
- Business confidence
- Low interest rates
- Low inflation
- Buoyant equity markets



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# Even leaky boats float...



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# Economic growth set to continue...

- R370bn in government spending over next 3 years
- Long term stable economic environment
  - Managed increase in interest rates
  - Marginal increase in long term inflation expectations
- Leading up to 2010
- Emerging Black Consumer and BEE



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# All our businesses are well positioned

Infrastructure  
spend

Emerging  
Black  
consumer

BEE transactions



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# Well positioned for growth opportunities...

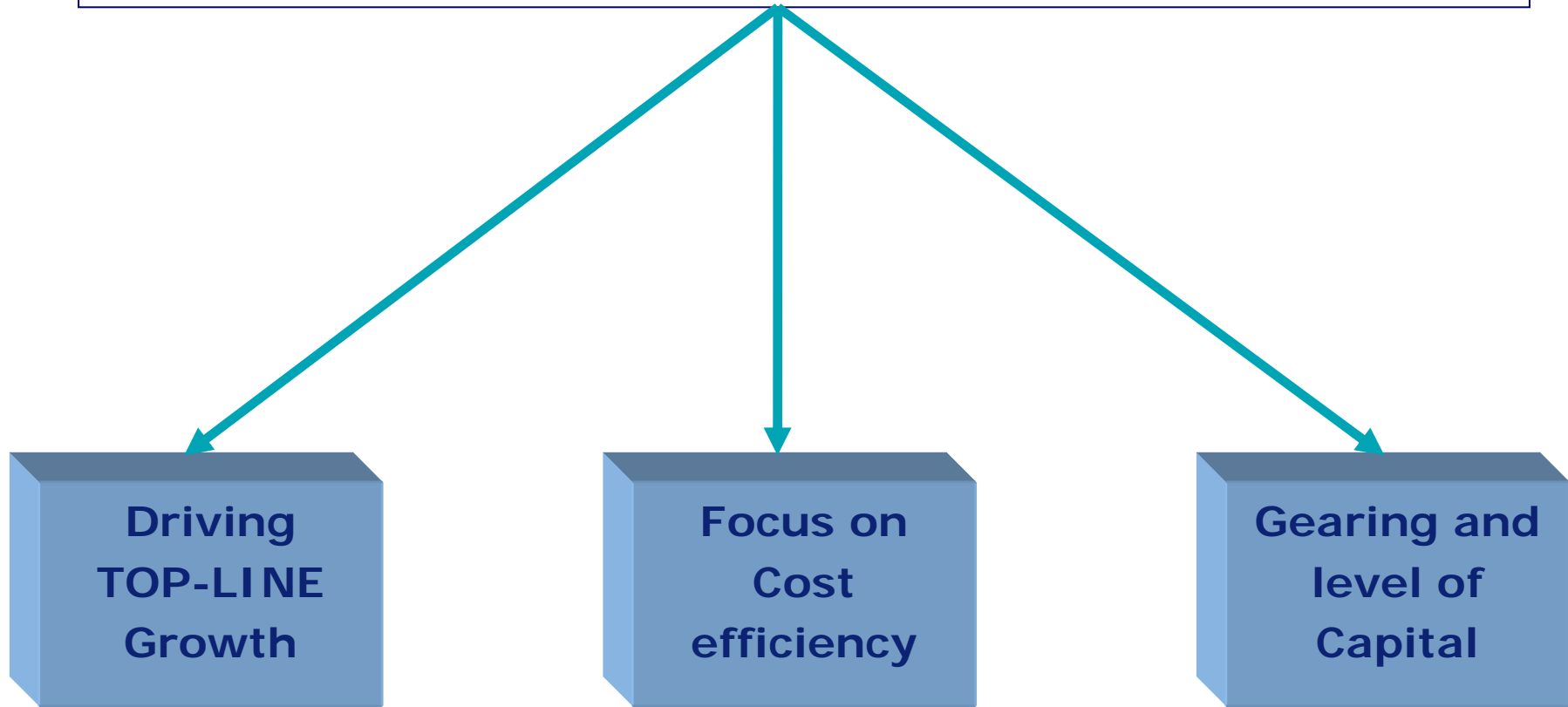
- FNB
  - Growing rapidly in “growth” segments – mass, commercial, consumer
  - Focus on innovation is paying dividends – i.e. cellphone banking
  - Investment in footprint paying-off
  - Collaboration with Momentum
- RMB
  - Strong private equity pipeline
  - Market leader in public private partnerships
  - BEE driving structuring, advisory and private equity businesses
- WesBank
  - Leader in alliances and partnerships
  - Exportable model
- Outsurance
  - Direct model continues to perform



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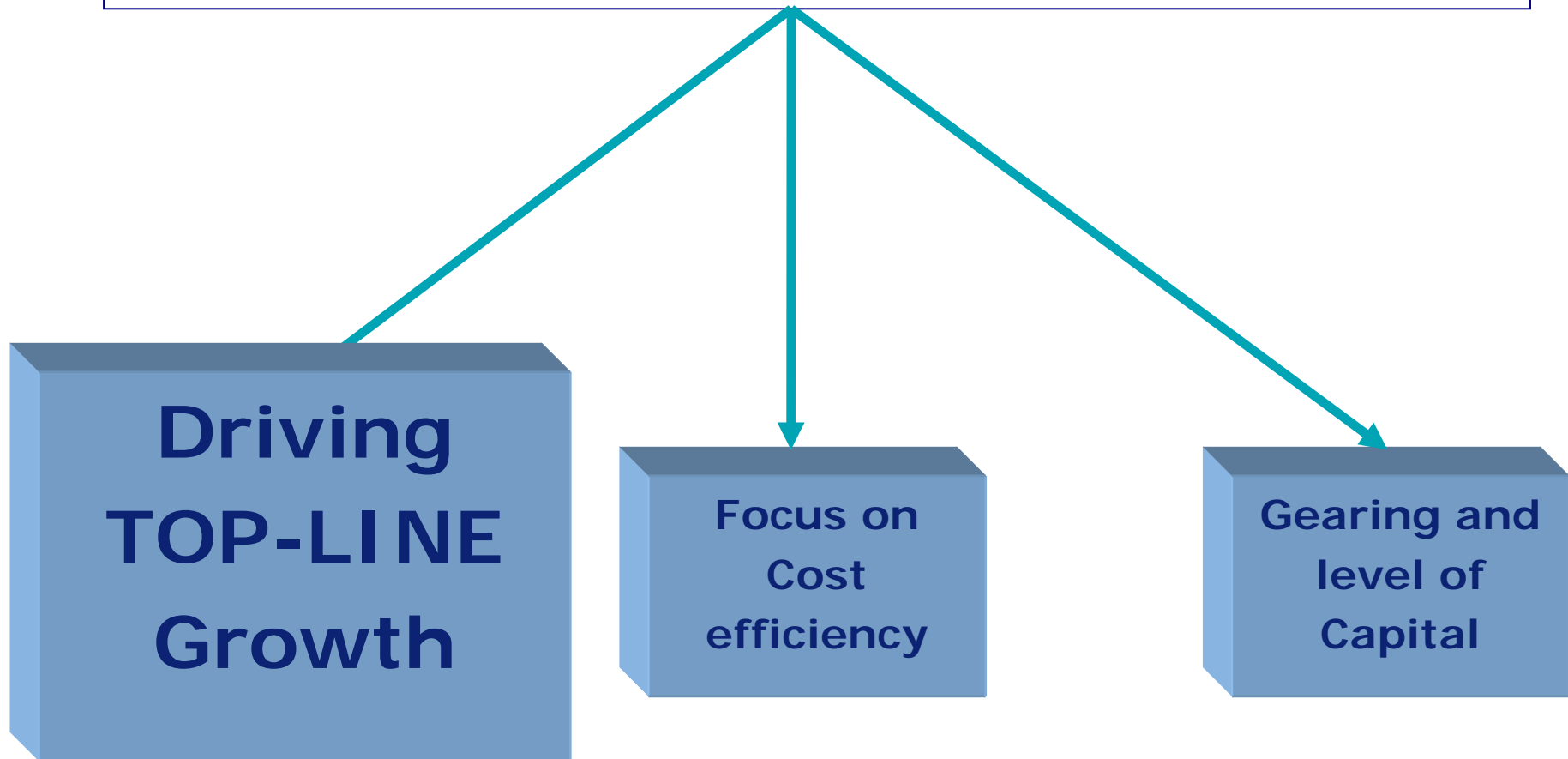
**Key driver to sustained future growth is maintaining a strong 'positive jaws' discipline**



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# Top line growth always a focus

- Organic growth
- Product and channel innovation
  - Mini ATMs, cellphone banking, One Account
  - Joint Ventures (Vodacom, Kulula, Clicks)
  - Corporate Advisory
- BEE
- Niche international expansion



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# International opportunities emerging

- Offshore growth and expansion
  - Commercial bank – emerging markets
  - Asset based finance – emerging and developed markets
  - Investment banking – emerging and developed markets
- Niche market players with an exportable value proposition
- Incremental growth strategy
  - Greenfields, joint ventures



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# Growing our international presence

- WesBank
  - Australia
  - UK
- RMB
  - Dublin
  - Australia
  - UK
- FNB
  - Namibia
  - Botswana
  - Lesotho
  - Swaziland
- Momentum
  - Africa
  - UK
- Discovery
  - USA
  - UK
- Ashburton
  - Channel Islands
- FirstRand Bank
  - Dubai



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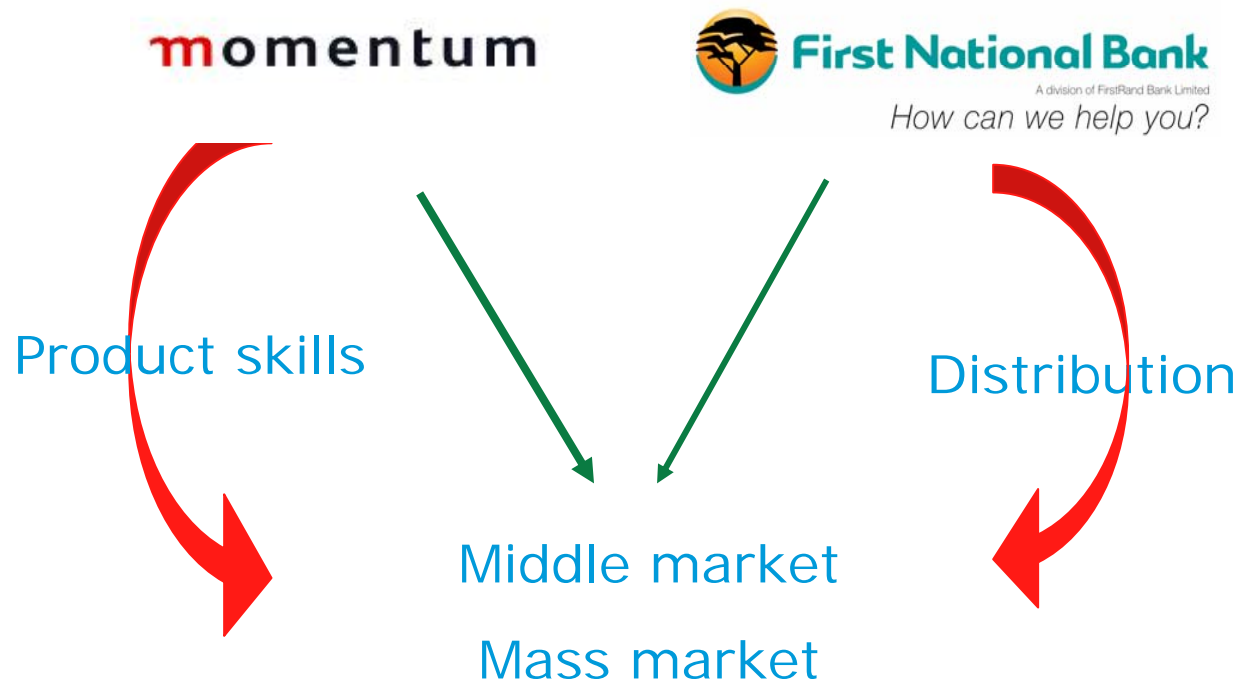
# Top line growth always a focus

- Collaboration
  - Discovery Card/FNB
  - Momentum/FNB



# Collaboration adding value

FNB branded products



Increased contribution to earnings after tax from R18m to R58m



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# Bancassurance still growing strongly

Retail NPBT from insurance operations up 28%

Existing operations	June 05 (R'm)	June 06 (R'm)	% change
OUTsurance	214	225	5
FirstLink	60	68	13
WesBank	267	394	48
HomeLoans	63	63	0
FNB Life	20	49	>100
FNB Consultants	49	63	29

**Total**                      **673**                      **862**                      **28**



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# With significant growth in the pipeline

## Start up operations

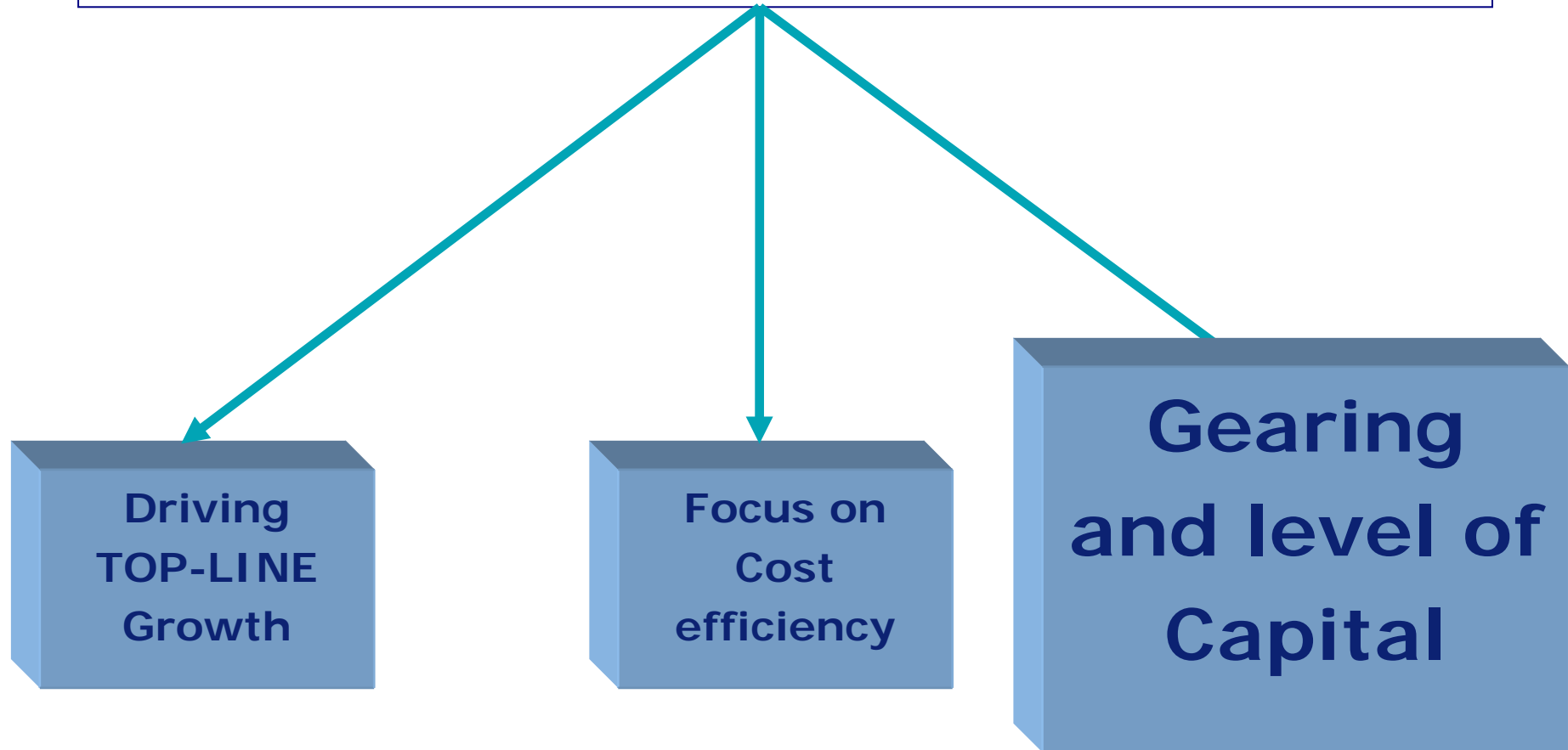
R' mil	Date started	June 06
FNB middle market	Jan 06	(23)
Discovery Card	Oct 04	(93)
<b>Total</b>		<b>(116)</b>



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# Optimising the gearing

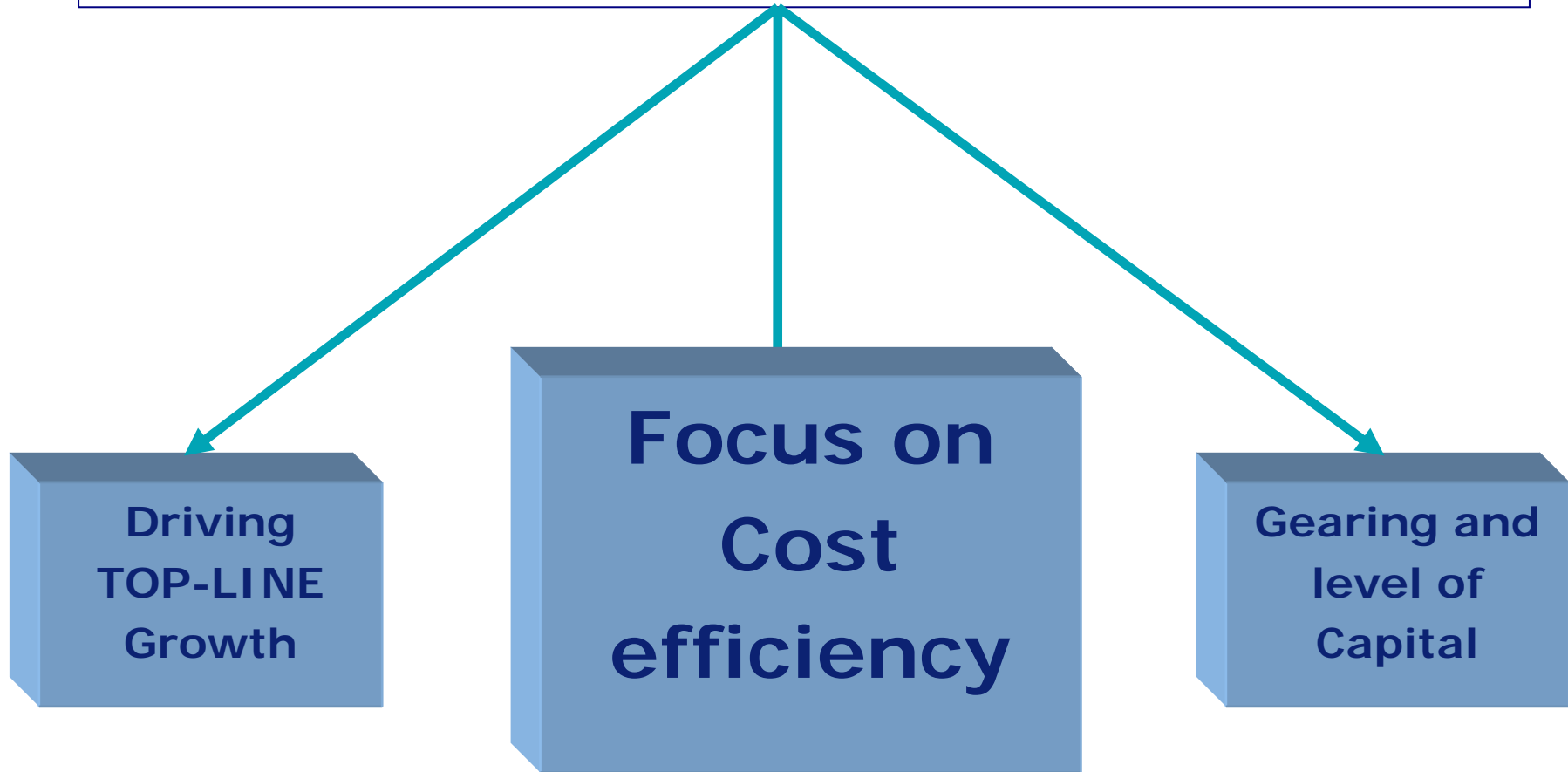
R 'mil	Target %	Actual %
Target capital adequacy	12 - 13	12.8
Tier I	8.8 - 10	9.0
- Core Tier I	7 - 8	7.8
- Non-cumulative, non-redeemable preference shares	1.8 - 2	1.1
Tier II	2.2 - 3	3.8
- Other qualifying instruments and tertiary capital	1.1 - 1.5	0.9
- Subordinated debt (maximum)	1.1 - 1.5	2.9



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# Search for cost efficiencies

- Prime strategic issue
- Have we taken decentralisation too far?
- Revenue growth remains the most important lever for value creations

BUT

- We need a deliberate focus on cost
  - Not at the expense of revenue growth



# All brands more efficient

R'm	Top line growth %	Cost growth %	Cost to income ratio %
FNB	20	16	64.2
WesBank	29	18	43.0
RMB	37	36	37.7
Africa	11	7	45.3
FirstRand Banking Group	26	17	52.7



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# Pressure on top Line

- Pressure on margins
  - Regulation
  - Structurally lower interest rates
  - Consumerism
  - Competition
  - New entrants – sharing the profit pool
  - Marginal cost of funding rapid asset growth
- Additional pressure
  - Funding competitively in international markets
  - Alliances /JV's – giving away profit margin
- We have to maintain a lean operation in this increasingly competitive environment



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# Identified key issues

- Federal model creates duplication
- Looking for common platforms and standardisation
- Replace fixed with variable costs



# Initiatives already underway

- Centre-led procurement function
- Financial management and reporting
- Human resources – MIS for group
- Plug and play IT platforms

**R36 million saving on  
Communication and data lines**



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# Conclusion

FirstRand has always been good at

- Revenue heroes
- Balance sheet management

NOW EQUALLY FOCUSSED ON

- Cost efficiency







**THANK YOU**



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