

# Leveraging resources and platforms to create shareholder value

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# Can we flex the existing resources and platforms to generate further value?

- Understand existing financial resource allocation
- Leverage existing operational resources and platforms

# Allocation of scarce financial resources

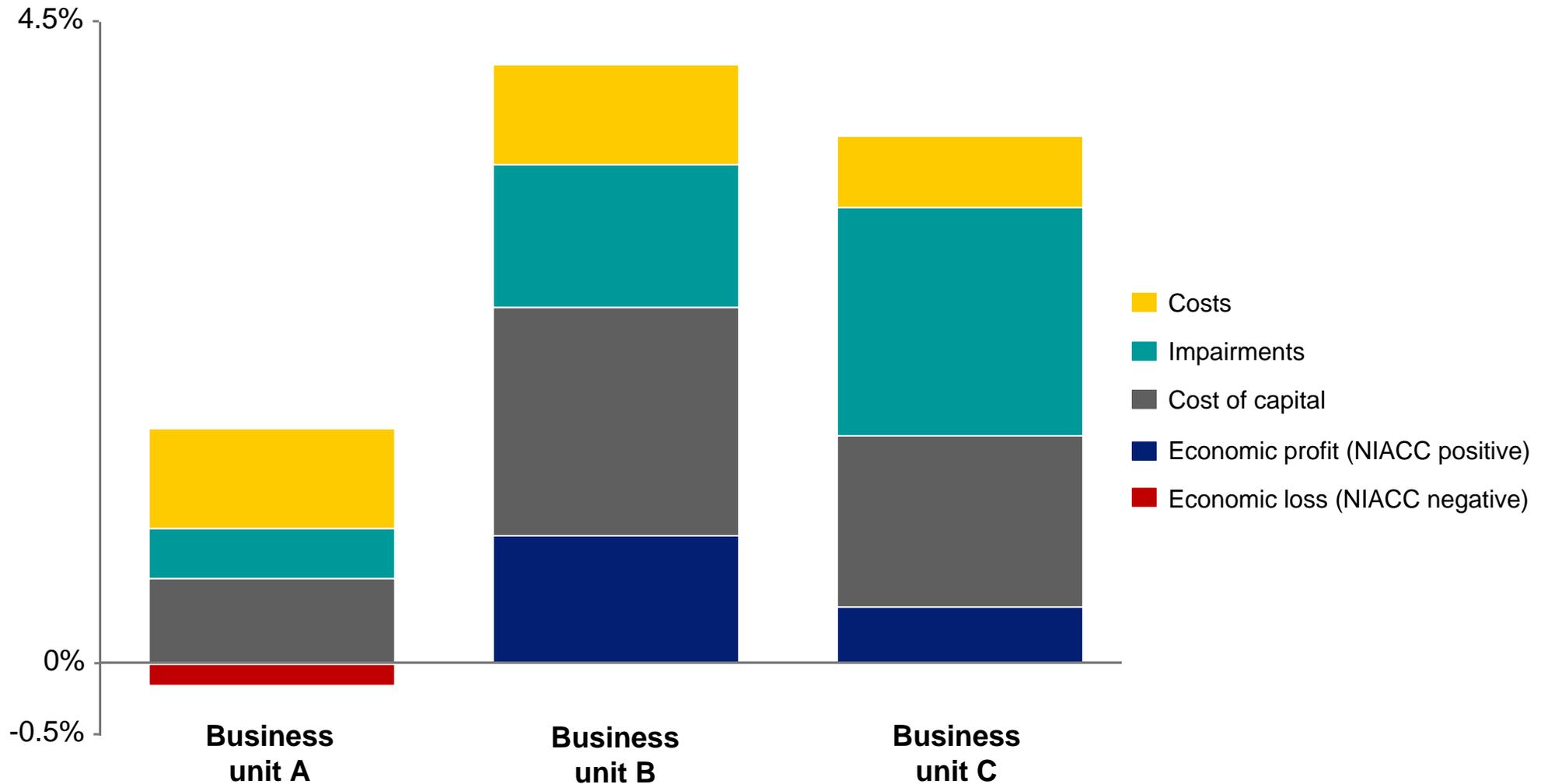
- Capital
- Funding and liquidity
- Risk capacity and appetite

Enhance returns or redeploy resources



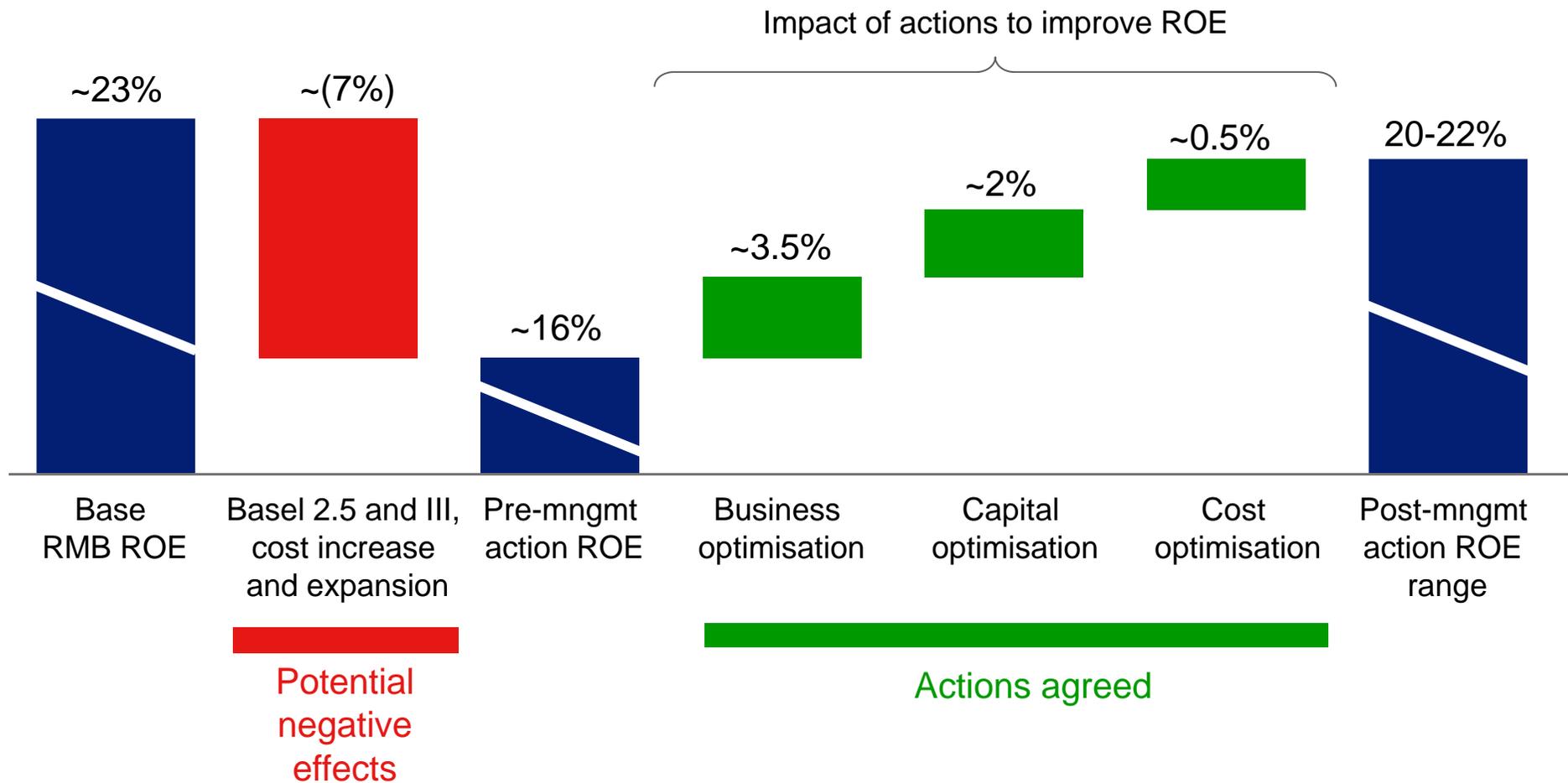
# First – understand current resource allocation

## Illustration – Margin attribution (ROA)



# Then – take appropriate action

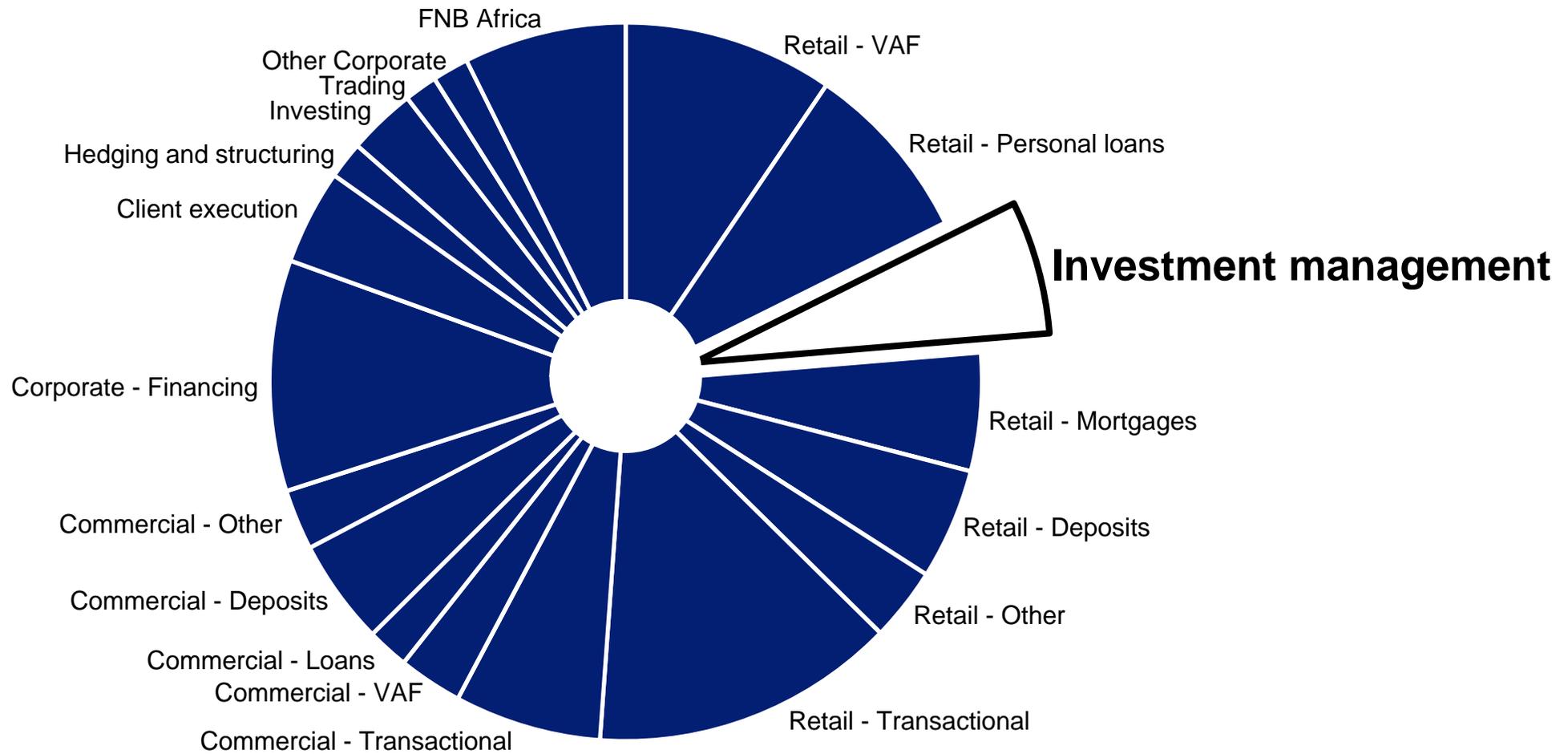
## RMB example



# Can we flex the existing resources and platforms to generate further value?

- Understand existing financial resource allocation
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# Can portfolio gap be addressed with existing platforms and resources?



# Why is investment management a focus?

- Unbundled Momentum
- Fragmented and sub-scale pockets of investment management
  - Ashburton (Jersey)
  - RMB Private Bank/FNB Private Clients
  - RMB
  - FNB
- Increased focus on fee generating activities
- Regulatory changes

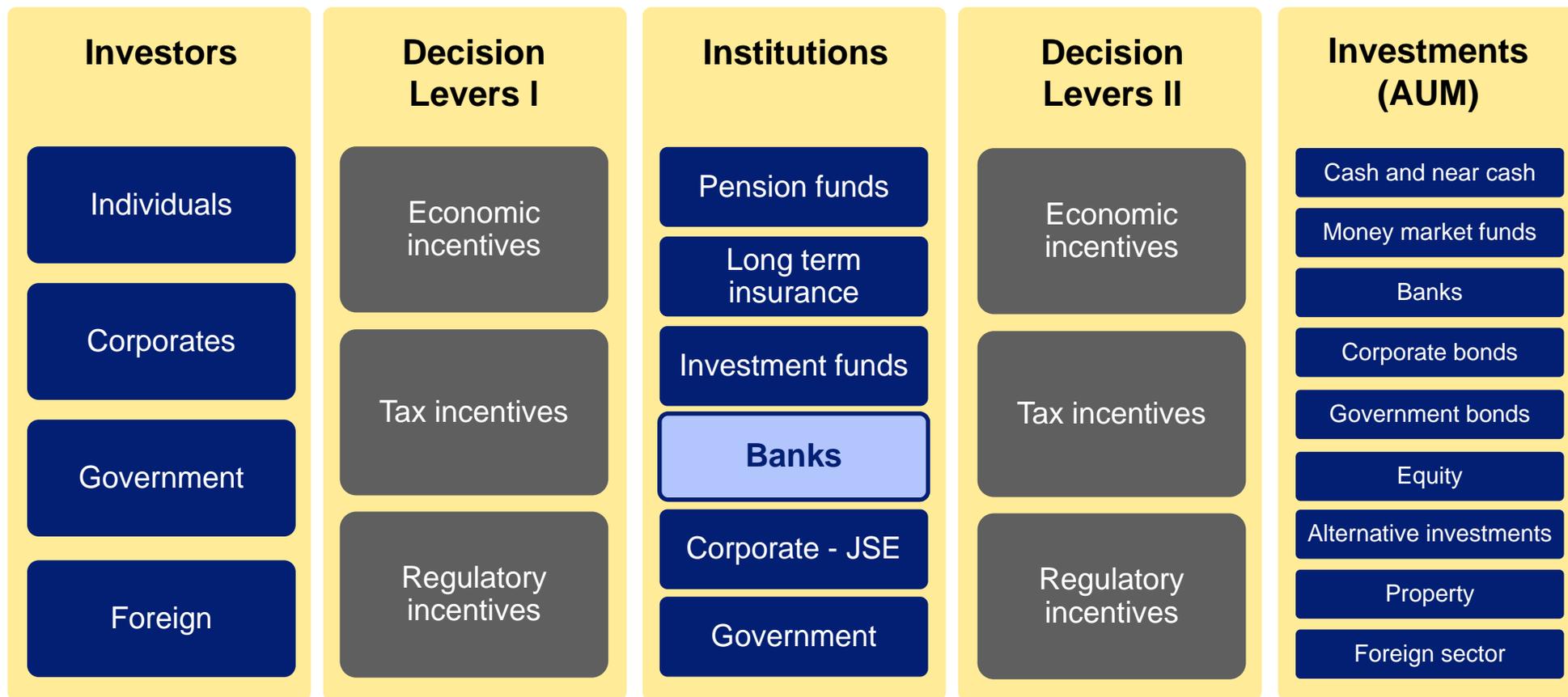
Next steps: where and how?



# Where to play and how to play

- Savings flows
- Opportunity created by regulatory changes
- Trends in investment management and our response

# First – understand what drives savings flows to platforms

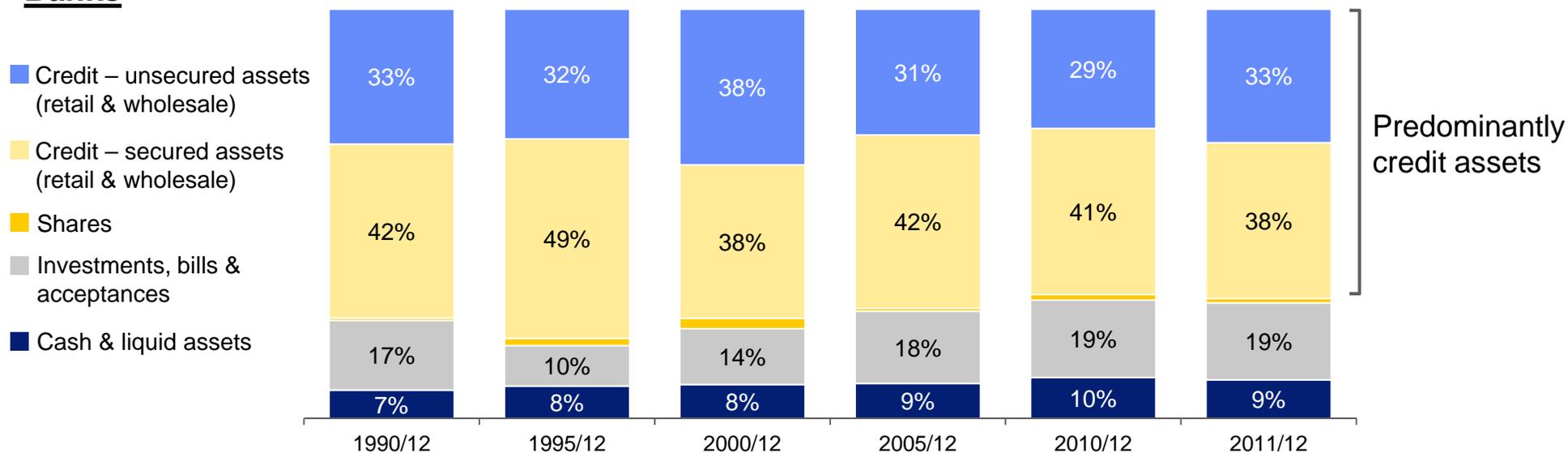


Banks only one of many platforms

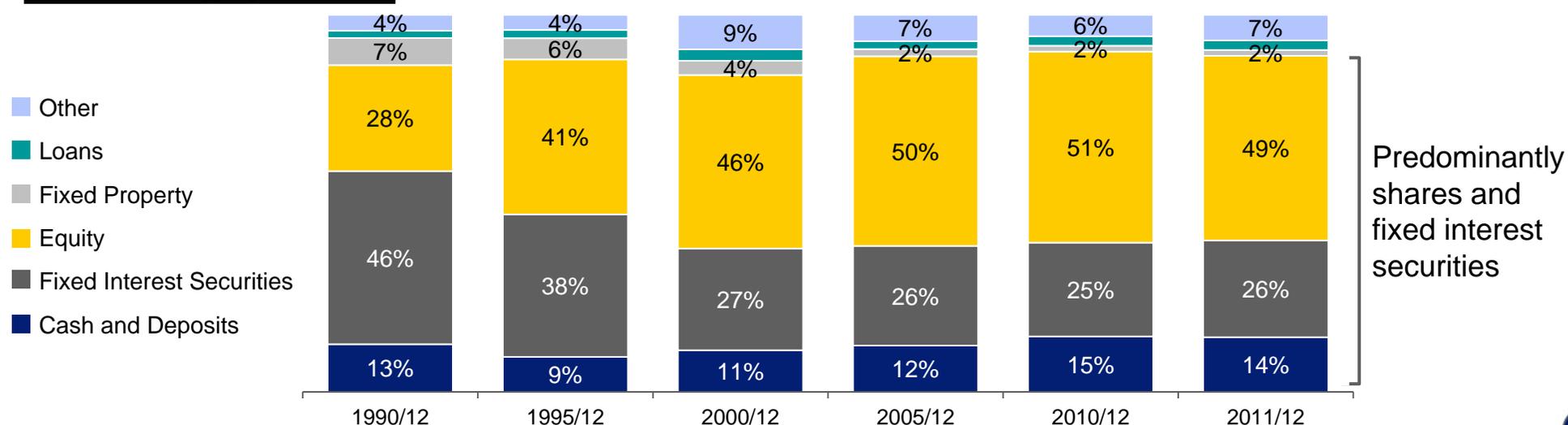


# What assets are backing savings

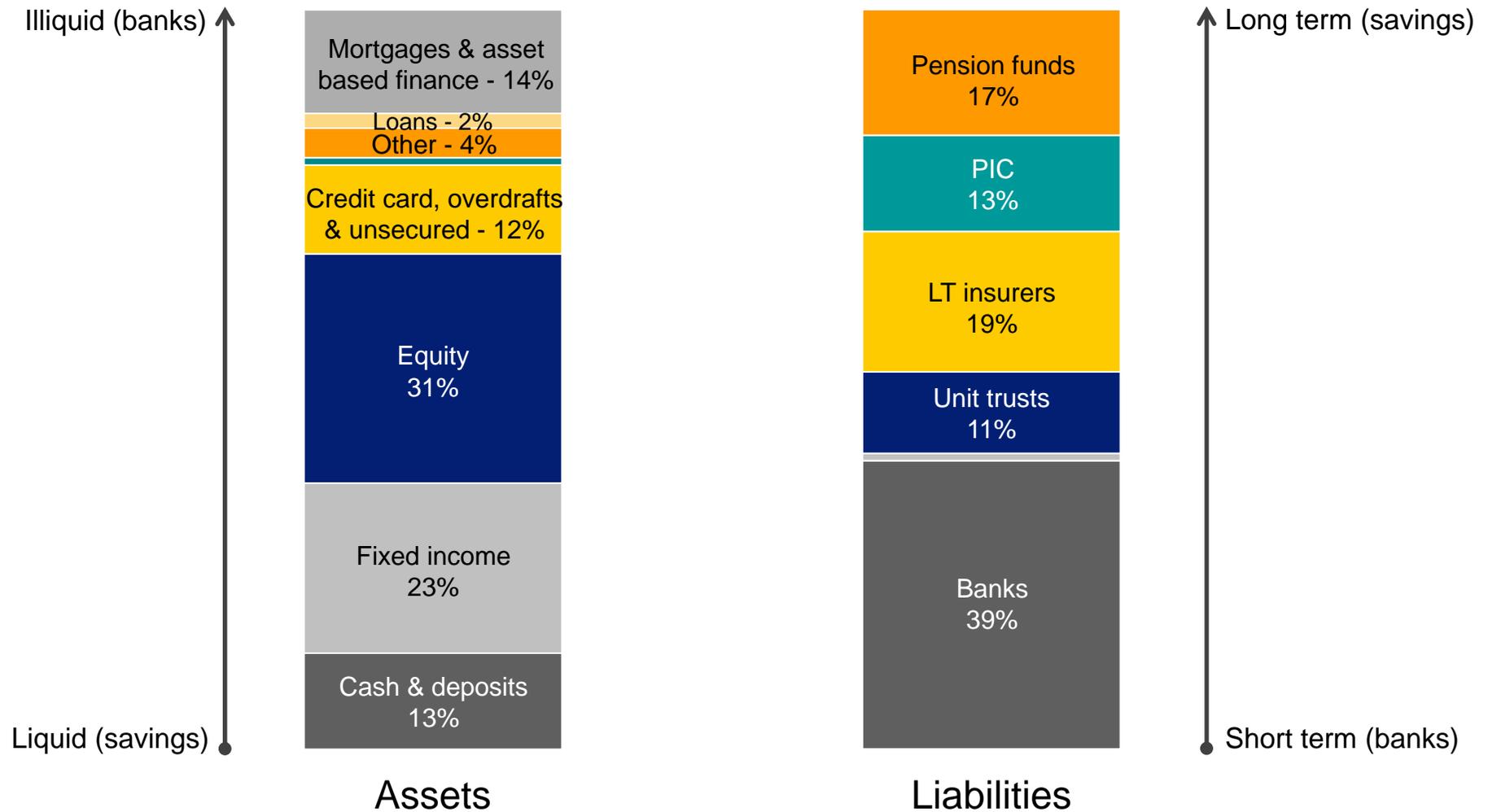
## Banks



## Other savings platforms

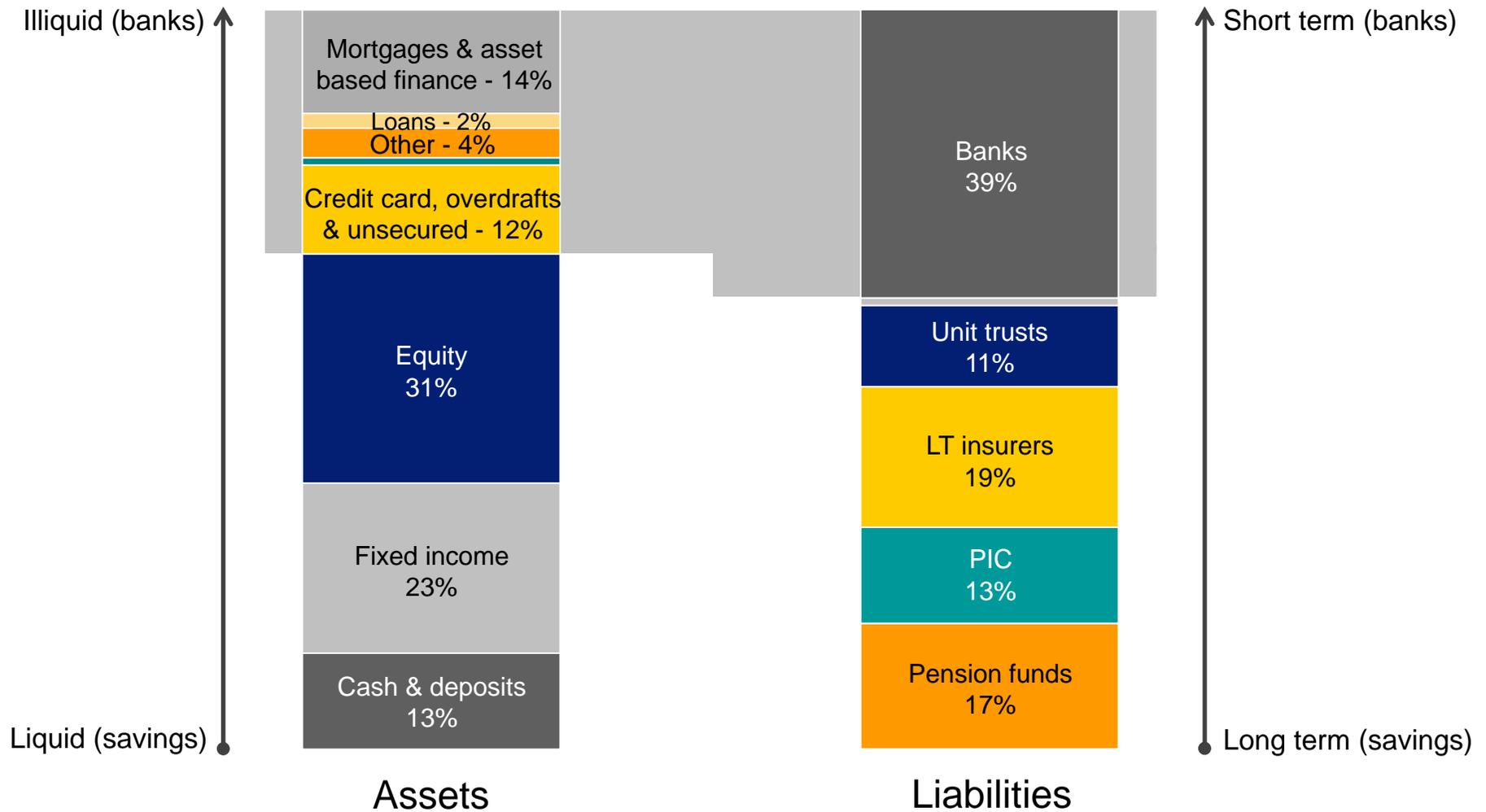


# SA Inc - liquidity profile of assets and liabilities



SA Inc. system matched...

# However, banks are mismatched



...is the mismatch appropriate?



# Where to play and how to play

- Savings flows
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# Opportunities created by regulatory changes

- Demand-side regulation (users of financial resources)
  - Basel
    - Basel 2.5 (proprietary trading) and Basel III (capital and liquidity)
  - CISCA
    - Hedge fund regulation
  - Financial market infrastructure
    - Central clearing
- Supply-side regulation (providers of financial resources)
  - Regulation 28
    - Credit/fixe income, property and alternatives
  - SAM/Solvency II
  - National Treasury – Enabling a better income in retirement
  - FSB restructure
  - Twin peaks
  - Treating customers fairly

# Where to play and how to play

- Savings flows
- Opportunity created by regulatory changes
- Trends in investment management and our response

# Trends in investment management...

- Search for yield
- Risk minimising strategies
- Asset liability management
- Cheap beta



# ...play to different product requirement

## Trends

## Type of product

### Search for yield

- Credit
  - Real estate
  - Infrastructure
  - Resources
  - Corporate credit
- Dividends

### Risk minimising strategies

- Multi-assets
- Guaranteed/structured products
- Hedge fund strategies (long/short equity)

### Asset liability management

- Principal
- Long-term credit assets
- LDI

### Cheap Beta

- Indexed/tracking products
- ETFs

Investors require broader solutions



# FirstRand product capability provide right to compete

Trends	Type of product	FSR business unit
Search for yield	<ul style="list-style-type: none"> <li>• Credit               <ul style="list-style-type: none"> <li>• Real estate</li> <li>• Infrastructure</li> <li>• Resources</li> <li>• Corporate credit</li> </ul> </li> <li>• Dividends</li> </ul>	Investment Banking Global Markets
Risk minimising strategies	<ul style="list-style-type: none"> <li>• Multi-assets</li> <li>• Guaranteed/structured products</li> <li>• Hedge fund strategies (long/short equity)</li> </ul>	Ashburton (Jersey)/RMB Private Bank/FNB Private Clients Global Markets
Asset liability management	<ul style="list-style-type: none"> <li>• Principal</li> <li>• Long-term credit assets</li> <li>• LDI</li> </ul>	Investment Banking
Cheap Beta	<ul style="list-style-type: none"> <li>• Indexed/tracking products</li> <li>• ETFs</li> </ul>	Global Markets

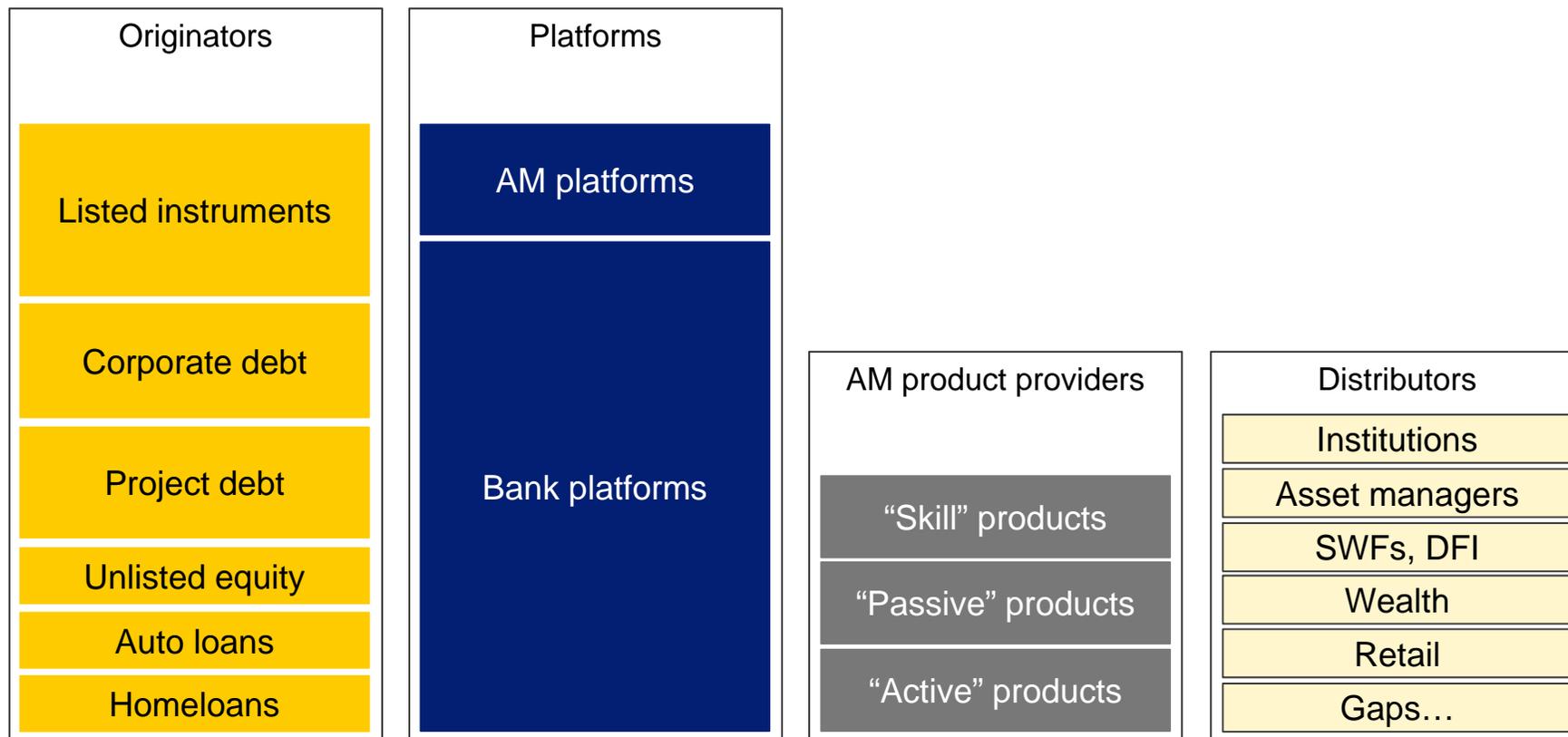


# Our right to compete

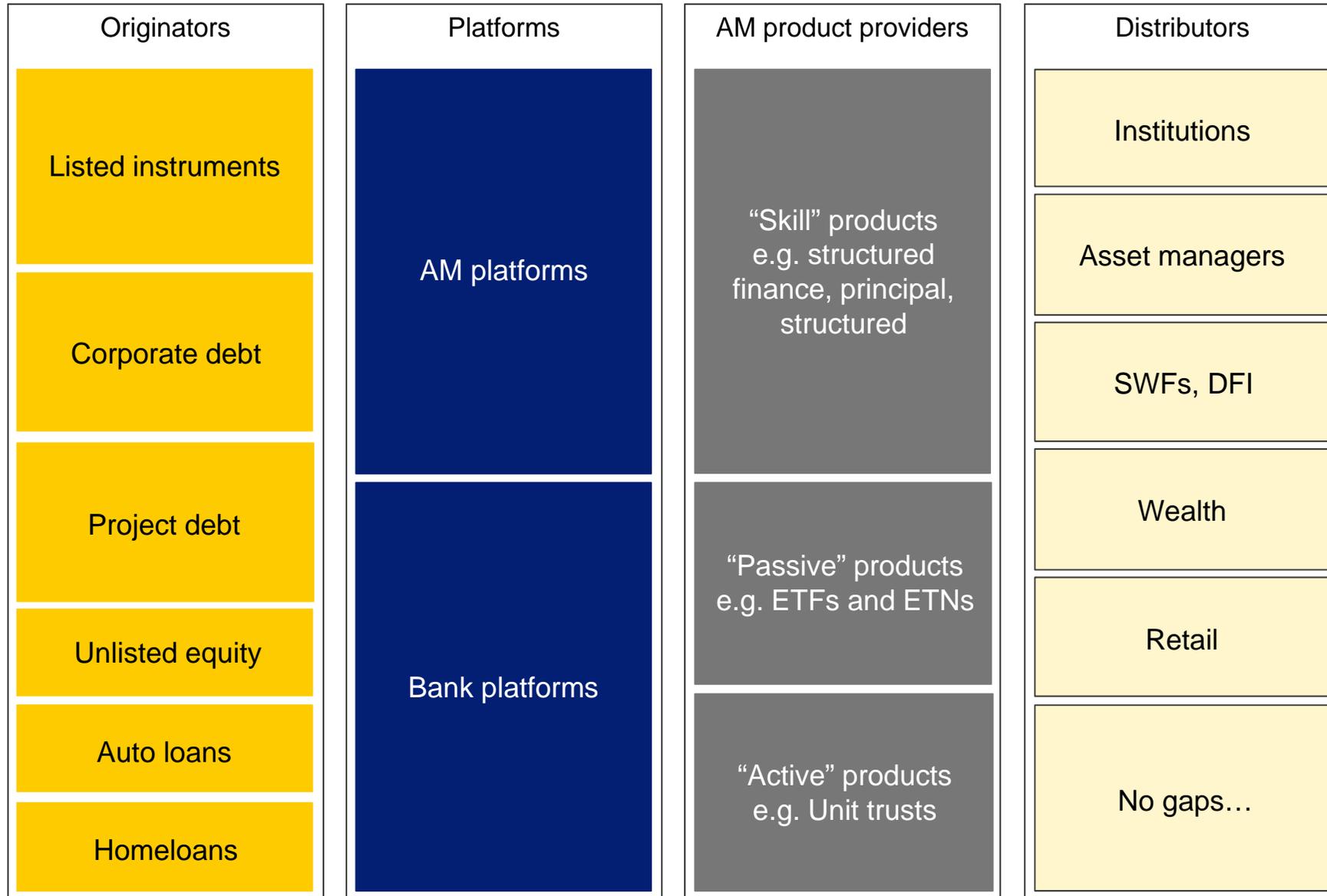
- Leverage existing product
- Balance sheet
  - Co-investments/seeding
  - Guarantees
- A track record of incubating new businesses
- Recognised franchise in financial services
- Leverage distribution platform, but needs build



# Leverage existing platforms...current



# Leverage existing platforms...future



# Organically growing investment management pillar separate from banking franchises



FIRSTRAND



Retail and commercial banking



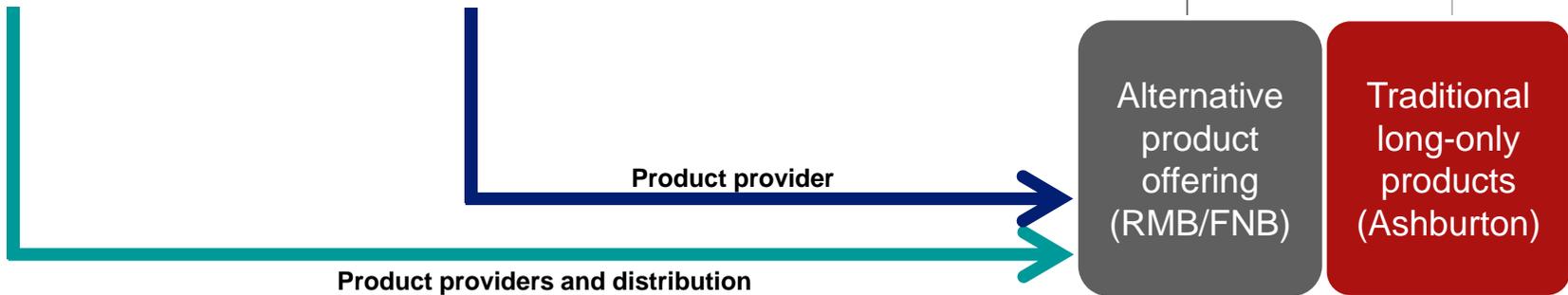
Investment banking



Instalment finance



Investment management



Proprietary mindset

Fiduciary mindset

