



**BEYOND THE EUPHORIA:
Growing shareholder value
despite challenging macros**

Alan Pullinger, CEO: FirstRand

UBS conference, Cape Town

18 October 2018

Group strategic framework

FirstRand aims to create long-term franchise value, ensure sustainable and superior returns for shareholders within acceptable levels of volatility and maintain balance sheet strength

DELIVERED THROUGH CURRENT STRATEGIES:

Protect and grow banking businesses

Increase diversification – activity and geography

Broaden financial services offering	Portfolio approach to the rest of Africa	Build a sustainable UK business
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SOUTH AFRICA

REST OF AFRICA

UK

Build a truly integrated financial services business

Better leverage existing portfolio

Integrate, scale and grow

Underpinned by disciplined management of financial resources (FRM)

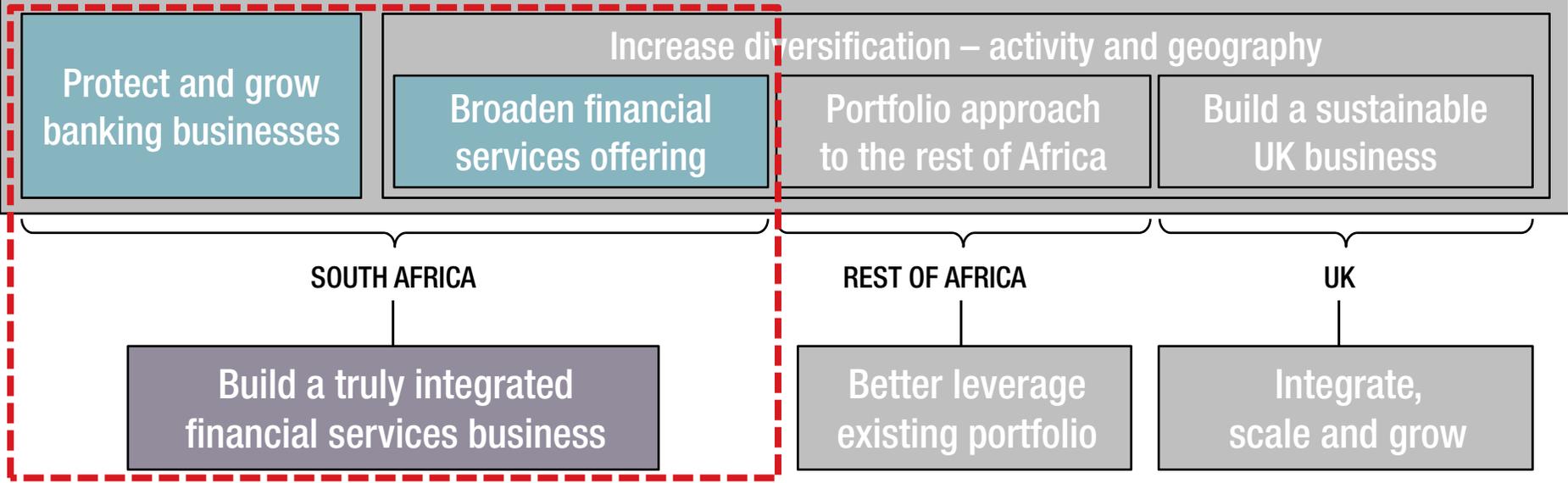
Enabled by disruptive digital and data platforms



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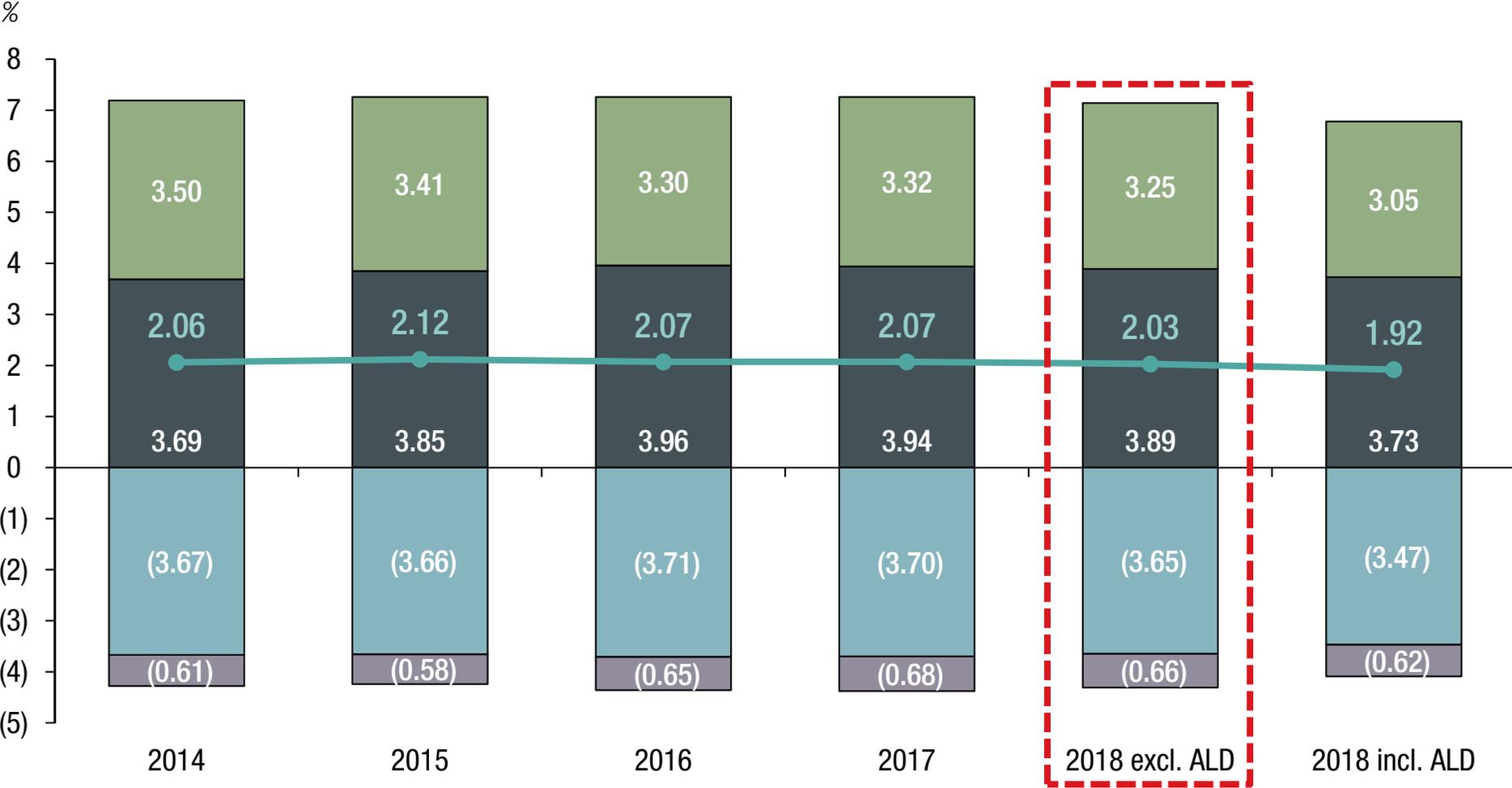


Protecting and growing SA banking businesses has delivered outperformance and shareholder value

- Grew and retained customers across all segments
- Advances and deposit growth in retail and commercial driven by cross-sell and up-sell
- E-migration underpinned sustainability of transactional franchise and delivered rich data
- Targeted origination strategies across all portfolios delivered good risk-adjusted margins
- Continued disciplined allocation of financial resources
- Rewards programme supported customer value proposition



Strategy has played out in structurally higher ROA...



■ NIR as % of assets
 ■ Operating expenses as % of assets
 ● ROA %
■ NII as % of assets
 ■ Impairments as % of assets

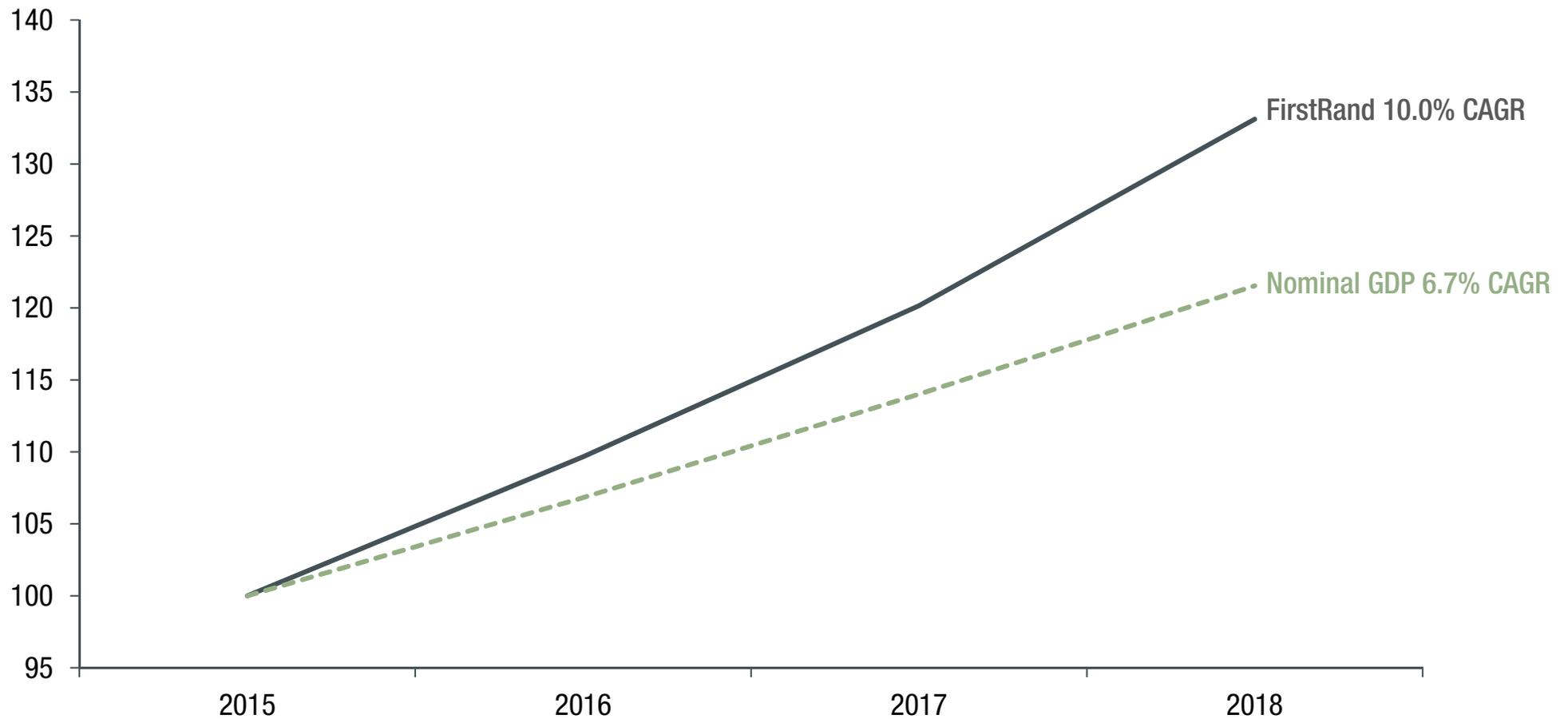
The graph shows each item before taxation and non-controlling interests as a percentage of average assets. ROA reflects normalised earnings after tax and non-controlling interests as a percentage of average assets.



...and enabled the group to deliver above-system growth

Growth in NAV + DPS

Index, 2015 = 100



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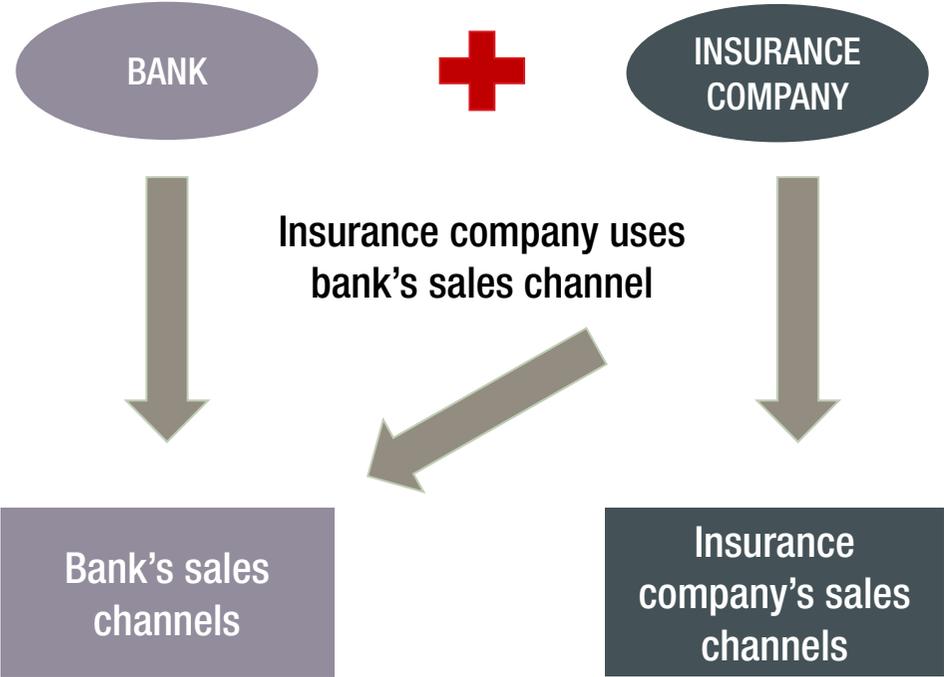
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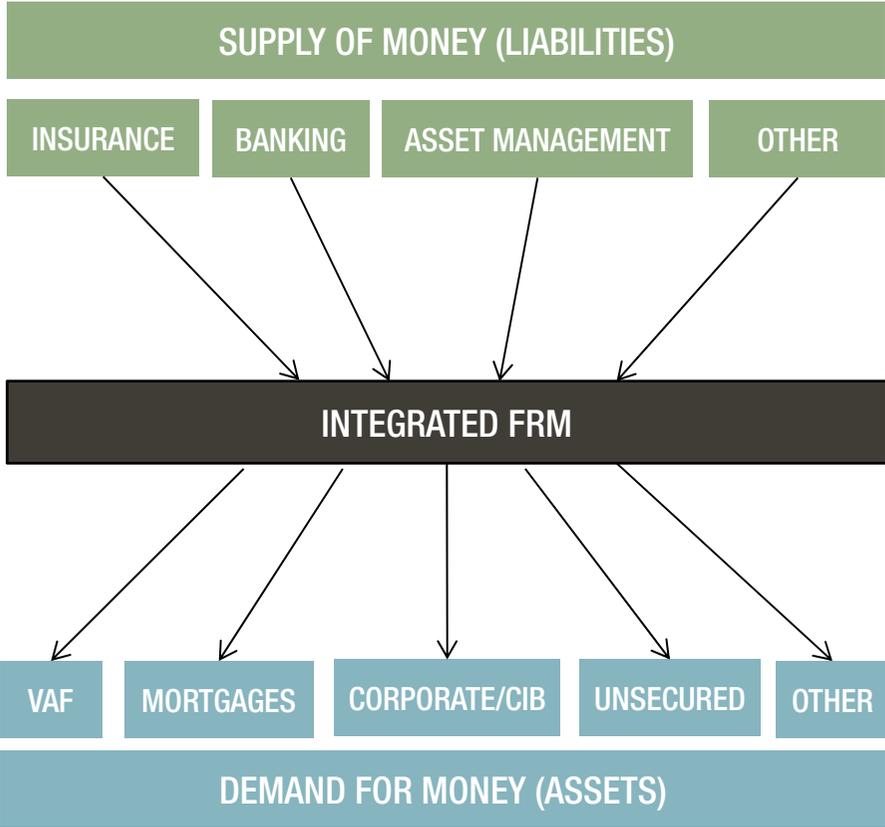
Integrated financial services is not bancassurance

BANCASSURANCE MODEL

Partnership or one owns the other



INTEGRATED MODEL



What does an integrated model look like?

CUSTOMERS

(retail, commercial, corporate and institutional)



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CUSTOMERS

(retail, commercial, corporate and institutional)

Identify CUSTOMER NEEDS/understand CONTEXT



Understanding customer context

WEALTH

Short-term insurance (protect assets), life insurance (protect family)

Structure financial affairs for continuity



Student loan

Buy a car

Buy a house (mortgage)

Save for children's education

Student/early career

Building wealth (asset accumulation)

Preserving wealth (asset protection/distribution)

LIFE STAGES



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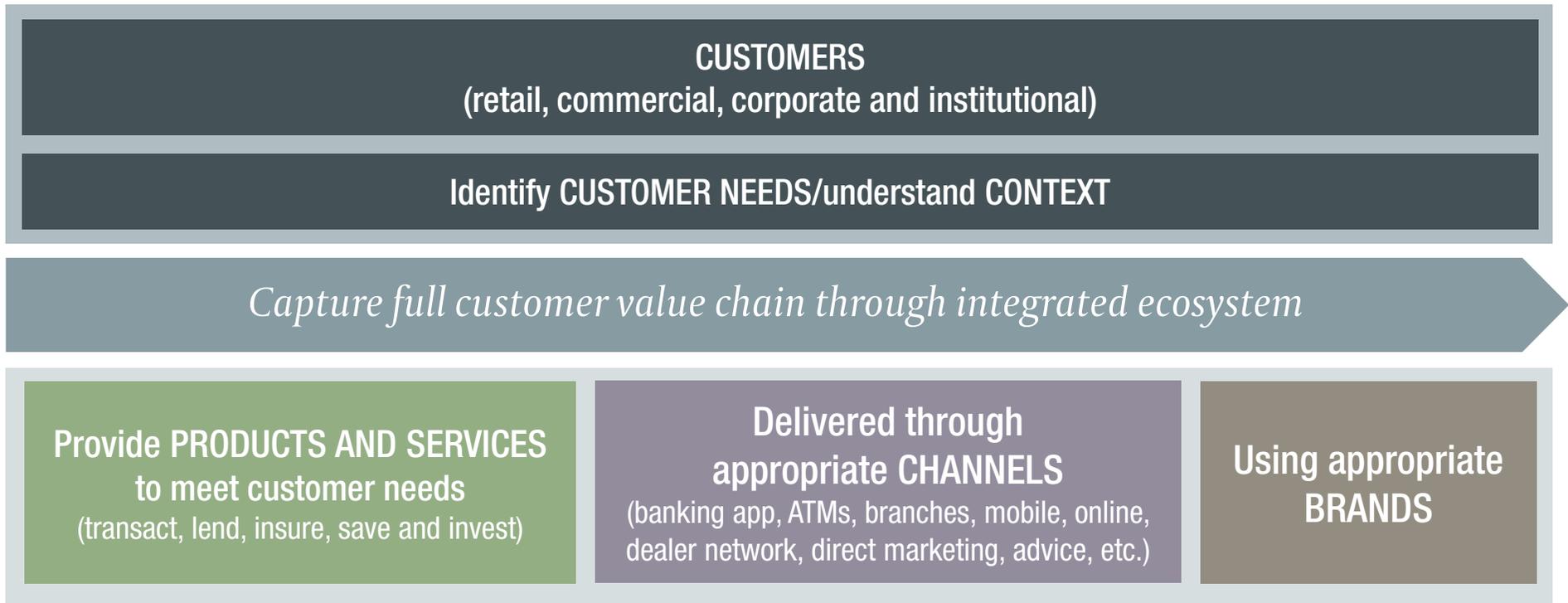
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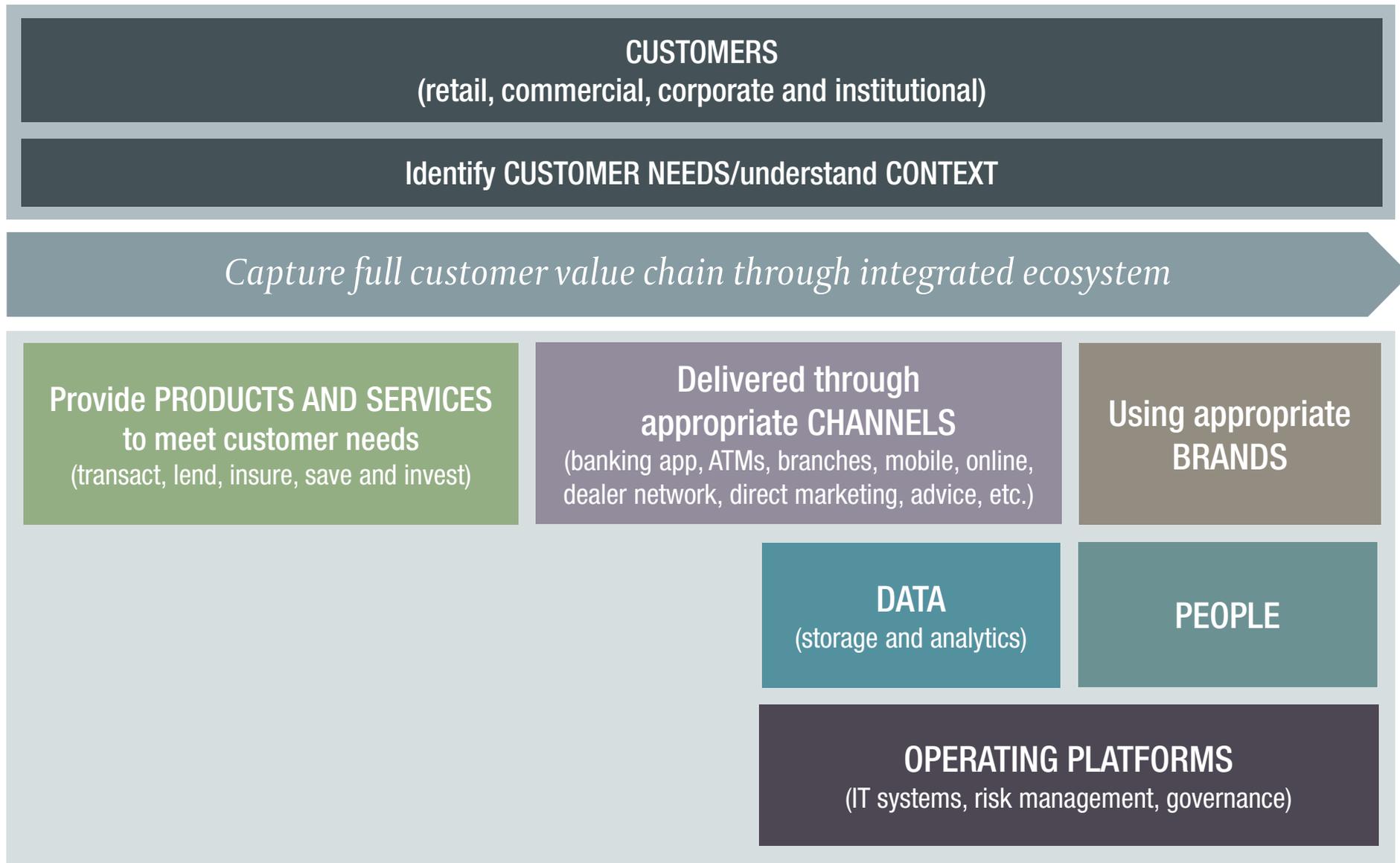
Capture full customer value chain through integrated ecosystem



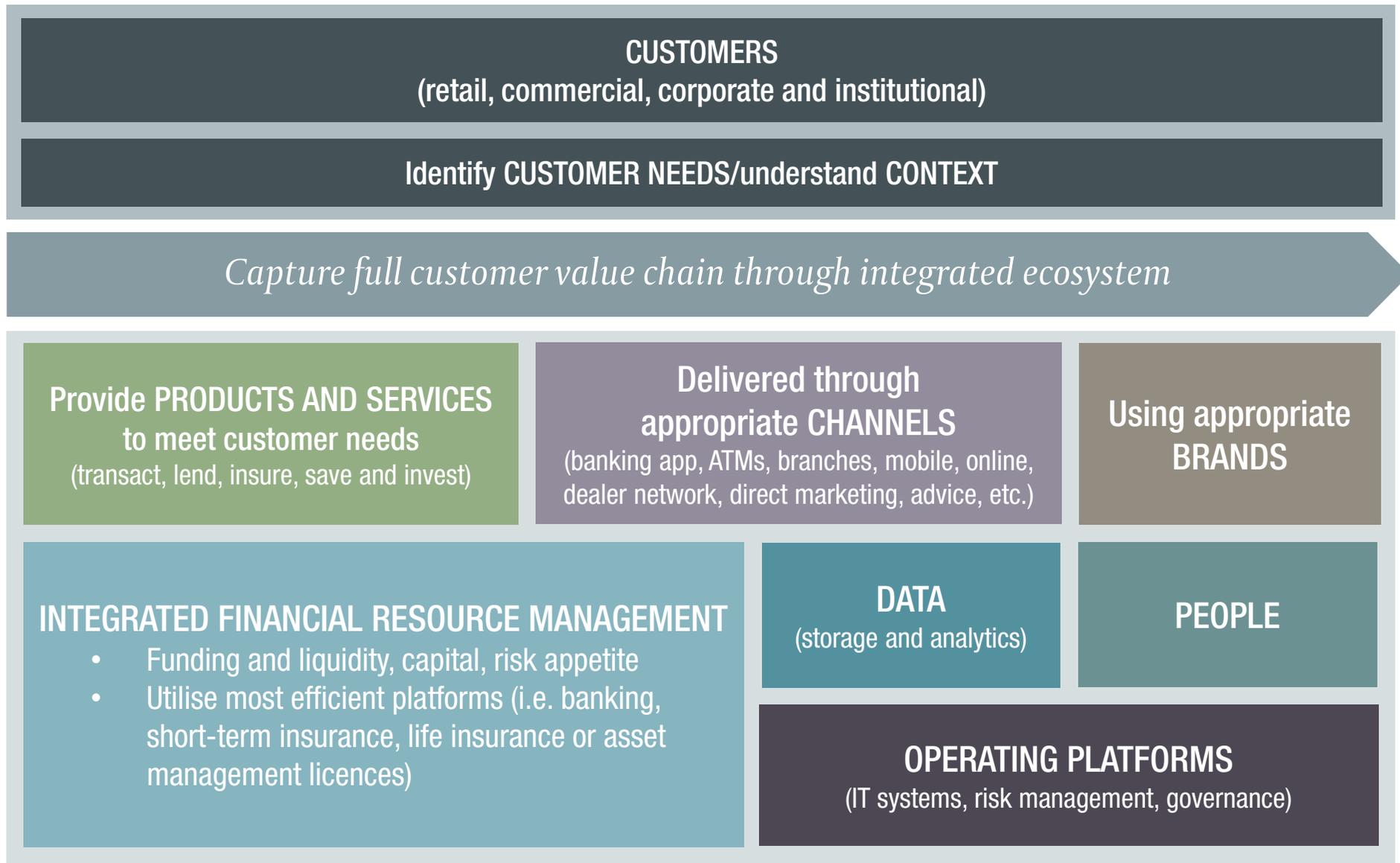
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Our right to compete in the save, invest and insure space

**Banking businesses provide deep and loyal customer bases,
distribution, product capabilities, data and platforms**



Our right to compete in the save, invest and insure space

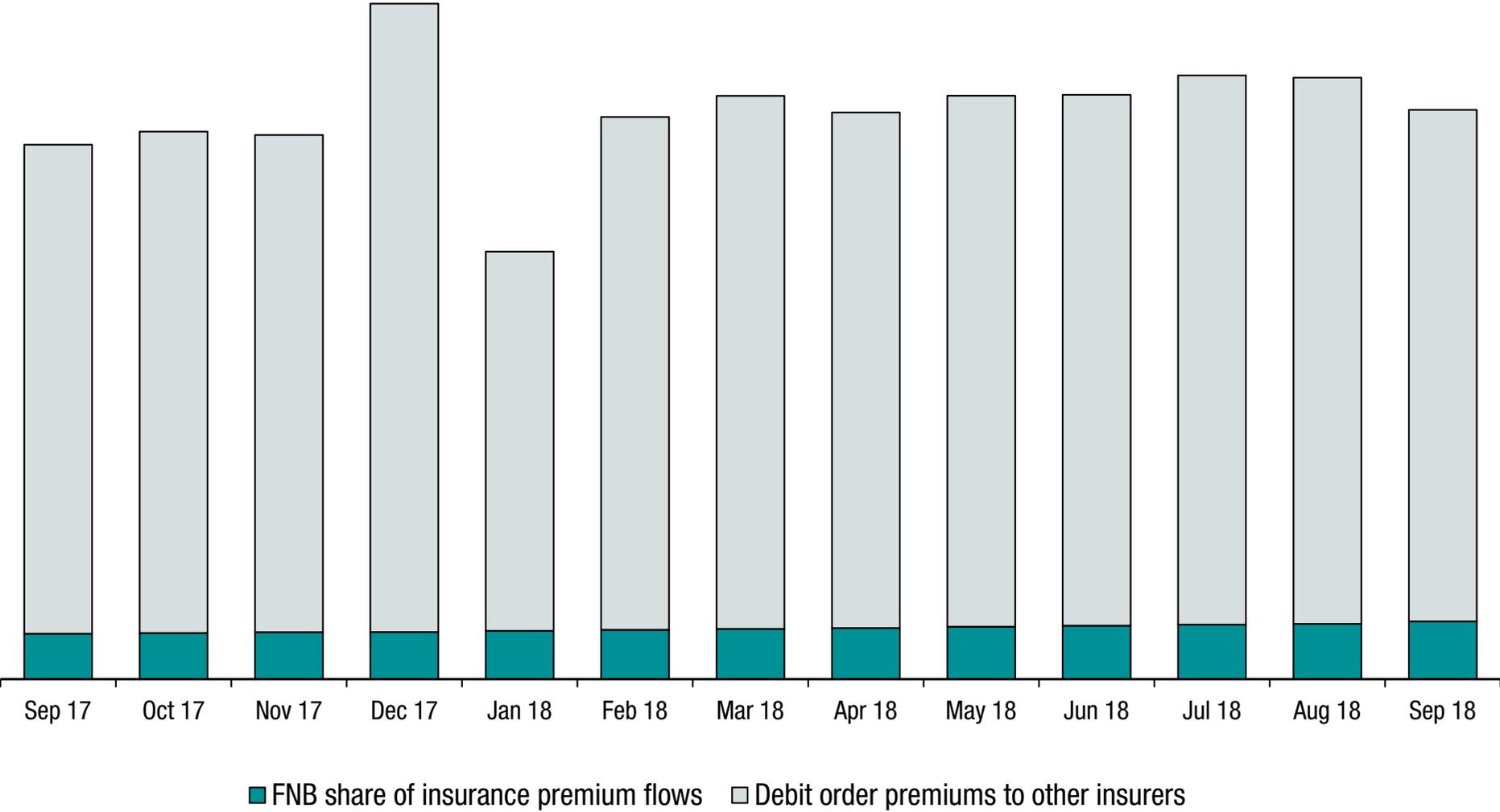
Banking businesses provide deep and loyal customer bases,
distribution, product capabilities, data and platforms

Group customers are already buying investment and insurance products
from insurance providers (including us)



Significant opportunity in our customer base

Monthly insurance debit order flows from FNB customers (life and short-term insurance)



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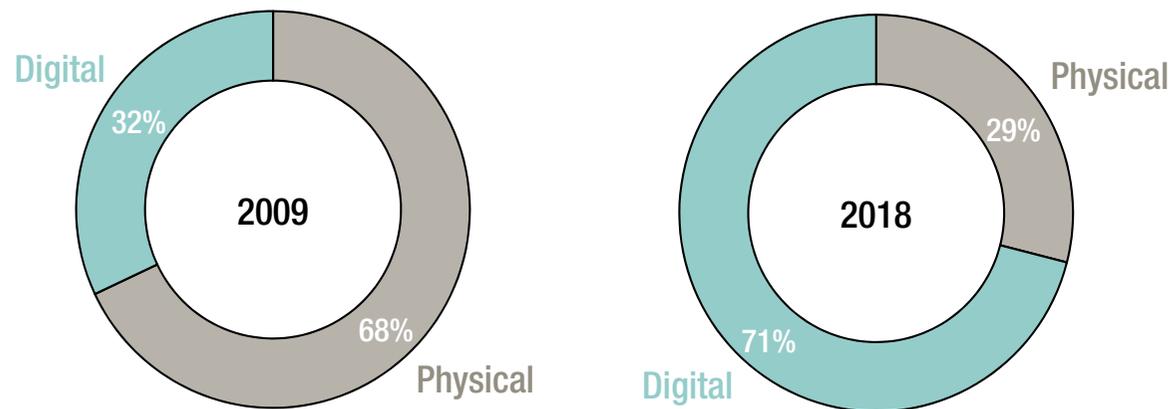
Use data analytics to offer product to customer when required

Offer better products at better price



E-migration strategy enables integrated financial services through rich data and low-cost distribution

Success of FNB's strategy to migrate customers from physical to digital...



...results in rich transactional data → Collected and stored digitally → Data analytics

Understand and anticipate client needs = CONTEXT

...targeted value proposition (e.g. Big 3) through existing channels (low distribution cost)



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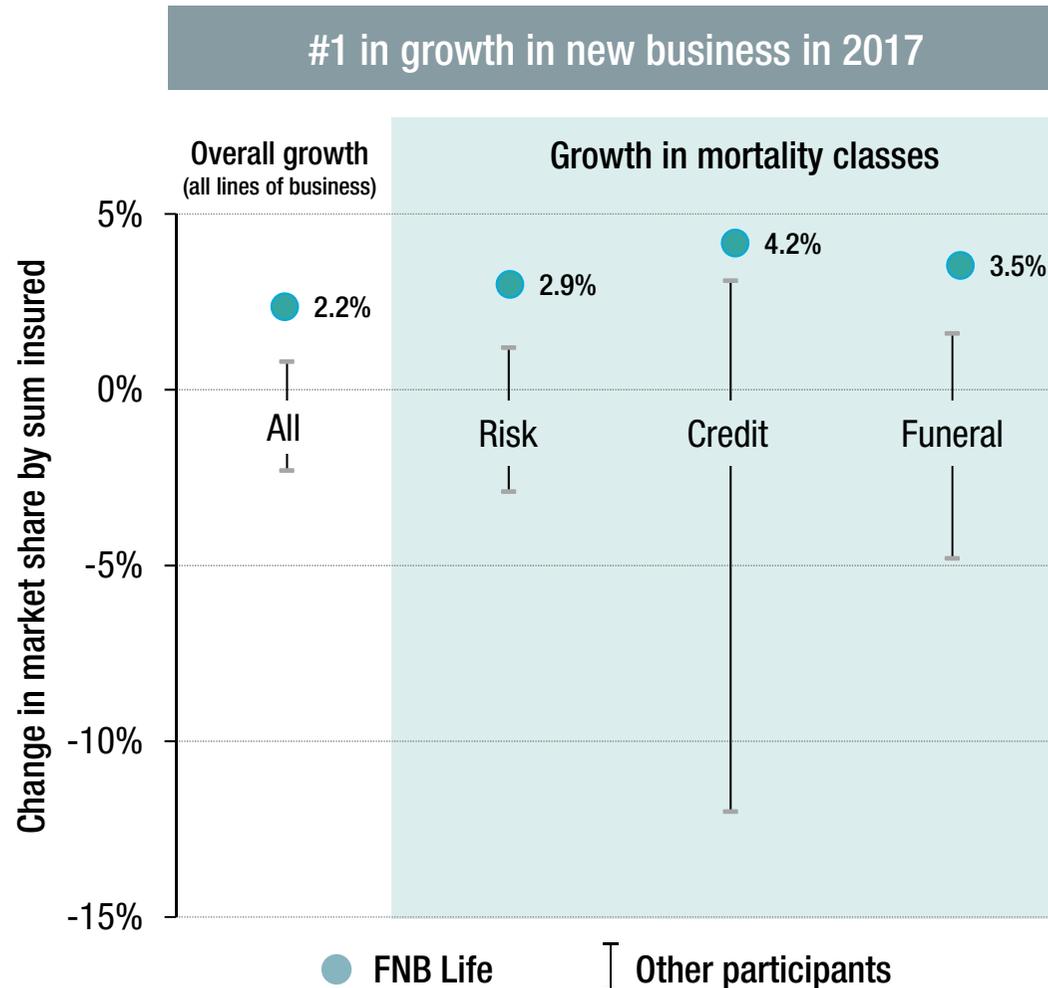
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Strategy already showing good traction...



Insurance – industry survey shows FNB Life is scaling fast



#1 Digital direct market share

#1 Banks market share

#1 Growth in overall market share

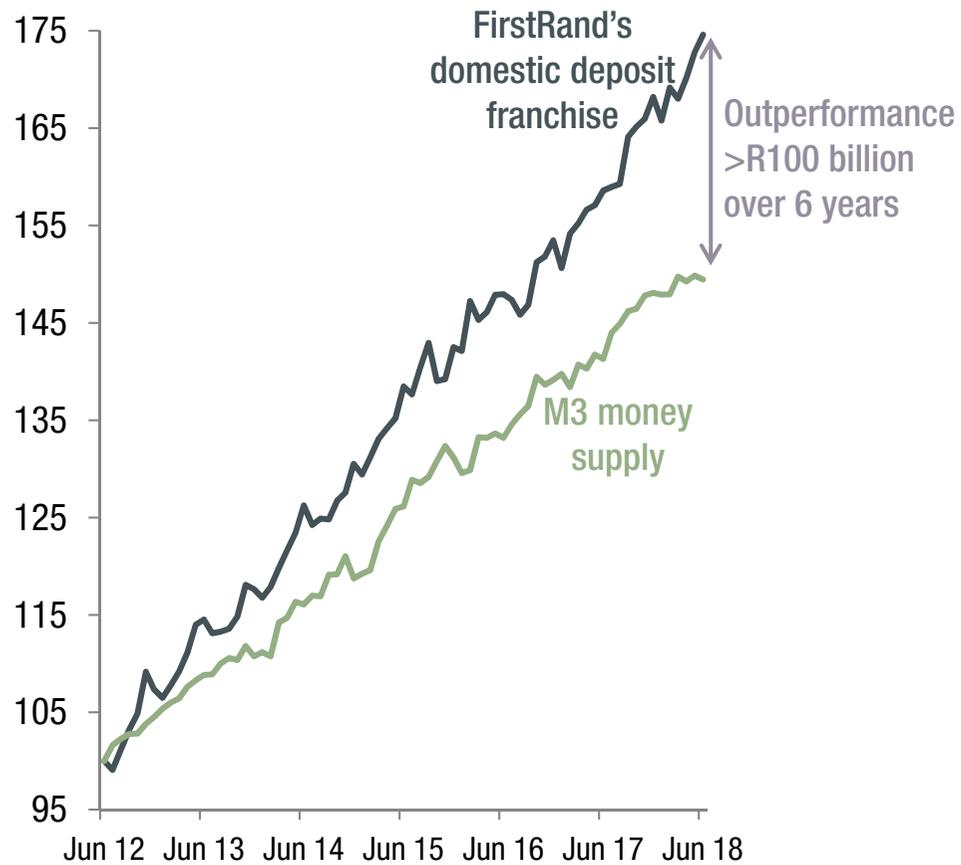
#1 Growth in mortality market share for risk products, credit and funeral



Save and invest – strong growth in deposit franchise and good traction in AUM

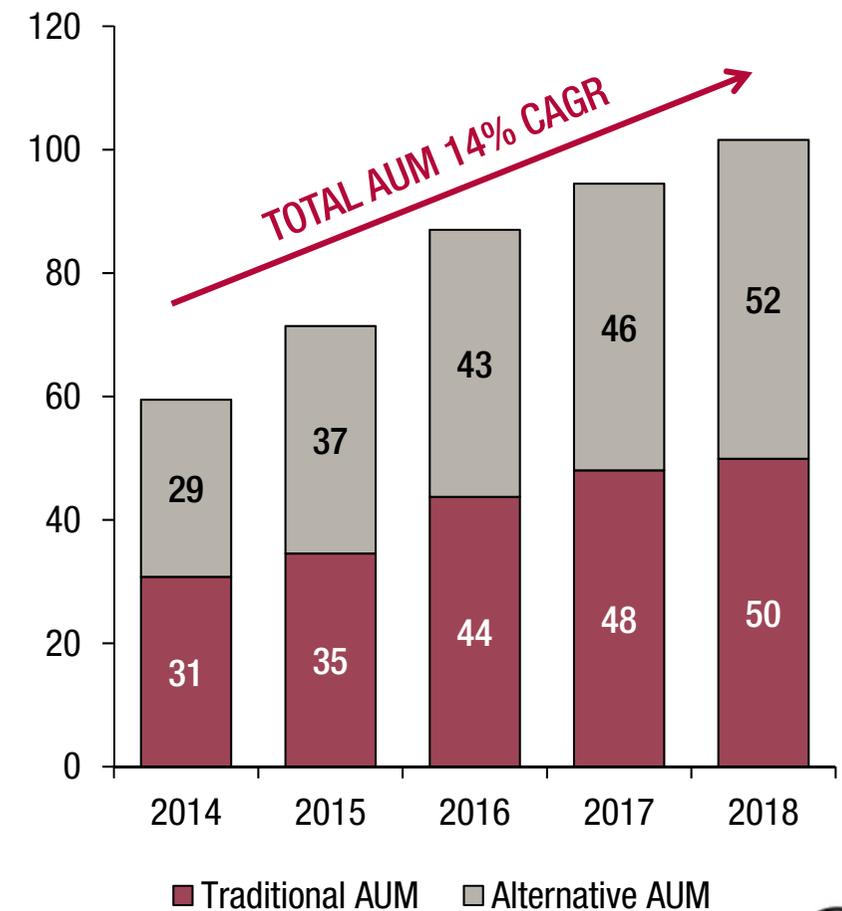
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June 2012 = 100



Assets under management*

R billion



SA strategy will drive outperformance and deliver sustainable shareholder value

- Banking businesses already outperforming system growth
 - Targeted origination strategies and liability focus provide underpin to superior risk-adjusted margin and momentum to NII
 - Focus on core transactional relationship, e-migration and customer acquisition driving NIR
 - Enabling integrated financial services – customer bases, distribution, product capabilities, data, platforms
- Integrated financial services underpins sustainable outperformance
 - Further entrenches customer relationships
 - Targeted offerings on the back of data analytics will drive better take-up and higher cross-sell
 - Digital channels will result in low distribution costs for all products
 - Efficiencies
 - Insurance and investment revenue streams will provide further diversification of NIR and sustain superior ROE

Ongoing disciplined financial resource management remains key to execution and value creation

