

# First National Bank



In the business world, the rear view mirror is always clearer than the windshield.

Warren Buffett

**UBS Conference**  
**October 2005**


# Outline

- 📖 Historical turning points
- 📖 Regulatory
- 📖 Competitive
- 📖 Macro-environment
- 📖 Creating the future





# The ability to respond

<b>Smart Solutions</b> 	<b>Personal</b> 	<b>Wealth</b> 
<b>Commercial</b> 	<b>Corporate</b> 	<b>Public Sector</b> 



# Regulatory



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# Customers feel they overpay

BUSINESS REPORT

[www.businessreport.co.za](http://www.businessreport.co.za)  
 MONDAY, JUNE 6 2005

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY



▲ All Share	14 020.8	+55.5	▲ Rand/Dollar \$	6.7600	+0.0510
▲ Top40	12 753.0	+54.2	▲ Rand/Pound £	12.2735	+0.1000
▼ Dow Jones	10 460.9	-92.5	▲ Rand/Euro €	8.2878	+0.0795
▼ FTSE-100	4999.4	-5.6	- Prime Rate	10.5%	0

▲ Gold (London pm)	\$429.5	+3.1
▼ Platinum (NY Spot)	\$874.0	-1.0
▲ Oil (July Brent)	\$53.6	+1.2

## WAY TO GO

Mbeki updates WEF on US Page 16

## Banks face probe into charges

**NEESA MOODLEY**

Durban – In the wake of an intense investigation into the motor industry for contraventions relating to resale price maintenance, the competition commission has revealed that it is also conducting a preliminary investigation into the banking industry.

Zodwa Nhlu, the spokesperson for the competition commission, said last week that the commission was looking at the banking industry to see if there was a need for a formal investigation.

The managing director of the Banking Association of SA, Cas Couvadia, said the association had seen a tender from the competition commission "for someone to look at bank fees and charges."

"However, there has been no engagement at industry level. The Falkeus report is on the table and we will respond to any interaction [the competition commission] offer."

Global comparisons show that South African banks charge fees on more retail transactions than banks in other countries, and these are usually higher.

Nick Cairns, a spokesperson for Absa, said it was an industry issue. "But Absa will be very happy to participate if we are called upon."

Erik Larsen, the communications manager for Standard Bank, said the group had not been informed and was unaware of an inquiry.

The Falkeus report was commissioned by the national treasury in May 2003. Its findings reflected that the four main banks – Absa, Standard Bank, FirstRand and Nedcor – accounted for 83 percent of total deposits by the public in June 2003. They also accounted for 82 percent of mortgage loans and 89 percent of bank-financed instalment sales.

The report said each of the big four had a share of 25 percent or more in one or more divisions, including credit cards, current accounts, mortgages or leasing and instalment sales.

The task team found that the ability of consumers to make rational choices was undermined because the full costs of banking services were rarely spelled out. Some of the more worrying conclusions include the fact that since 1999, average annual credit card fees at major banks grew 29 percent and service fees on current accounts doubled.

South African charges were 142 percent higher than charges in Canada, and current accounts were more expensive than in any of the other countries studied.


In an effort to address the needs of the low-income market, the banking industry launched Mzansi accounts in October. The account offers basic services and lower charges. When it was launched it was aimed at enticing the almost 17 million unbanked South Africans. According to FinMark Trust's FinScope SA 2004 study 43 percent of the adult population above the age of 16 had never had a bank account, and there was no significant change in the figures from 2003.



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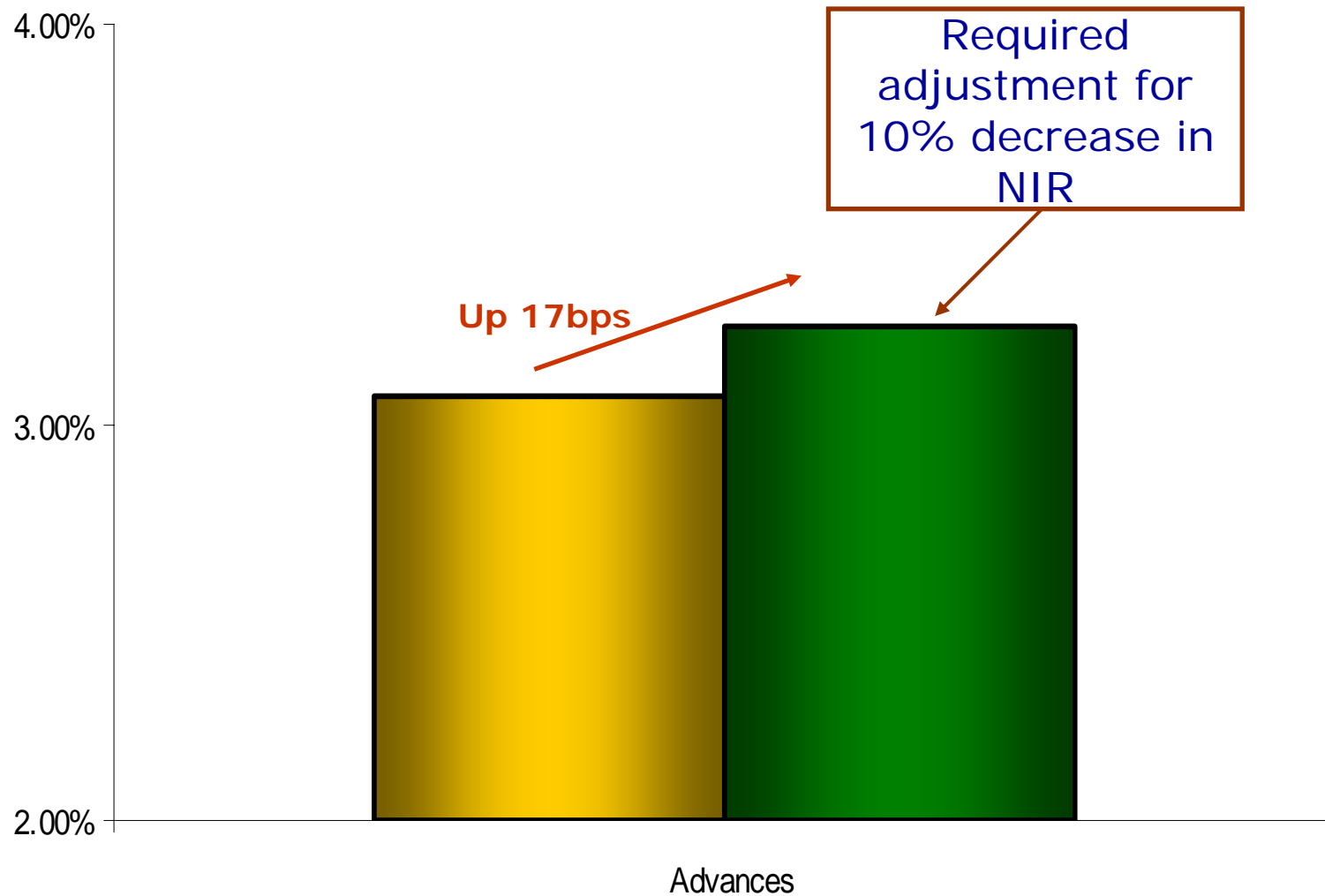


# ...but there is another side to the story

- 📖 SA perceived to be most expensive
- 📖 Structural reasons
- 📖 Pressure from consumerism with possible regulatory response
- 📖 Fees  margins



# A cigarette box illustration





# Already taking action

- 📖 Deliberate positioning as low cost provider
- 📖 Innovative pricing options
- 📖 Customer education campaign

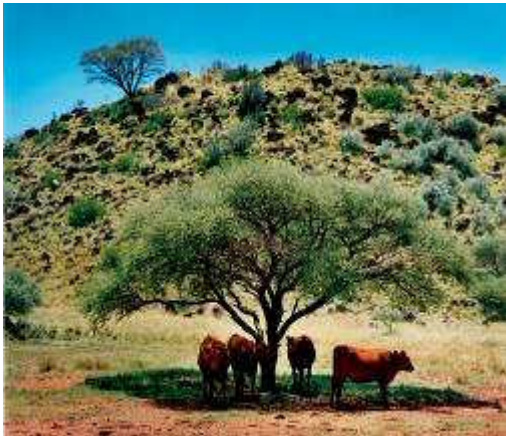


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# Charter spells opportunities

- 📖 Voluntary signing – 17 October 2003
- 📖 Integral part of transformation
- 📖 Requires innovative response



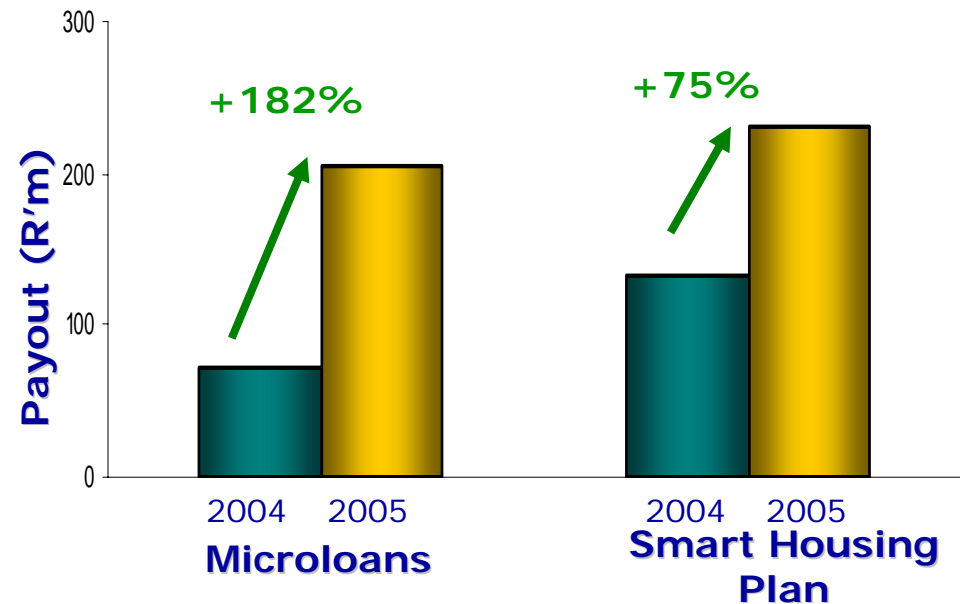
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# Mass – playing to our strength



- 1 313 mini-ATMs
- 22 Community banks



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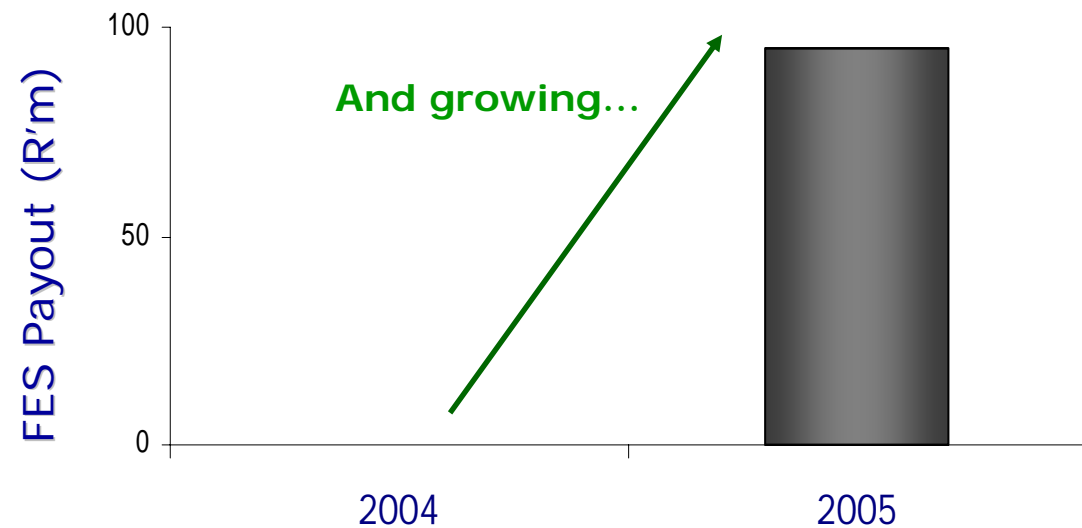
# Commercial – playing to our strength



## FNB Enterprise Solutions (FES)

Enterprises experiencing difficulty with raising capital due to:

- o Early stage of development
- o Lack of equity or adequate security
- o Complexity of financing requirements



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# National Credit Bill

## Positives

- 📖 Opens microloan market for ethical players
- 📖 Disclosure will favour the trusted brand
- 📖 No R10 000 exemption

## Negative

- 📖 More cross-subsidisation across risk profiles
- 📖 Regulations will determine financial impact



# Competitive



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# Retailers getting more aggressive

## Retailer advantages



- Large credit books
- Extensive infrastructure
- Dominate point of sale
- Better operating hours
- Partnering with large banks
- Deals need proper structuring
- Branch operating hours
- Preference for intra-FirstRand deals



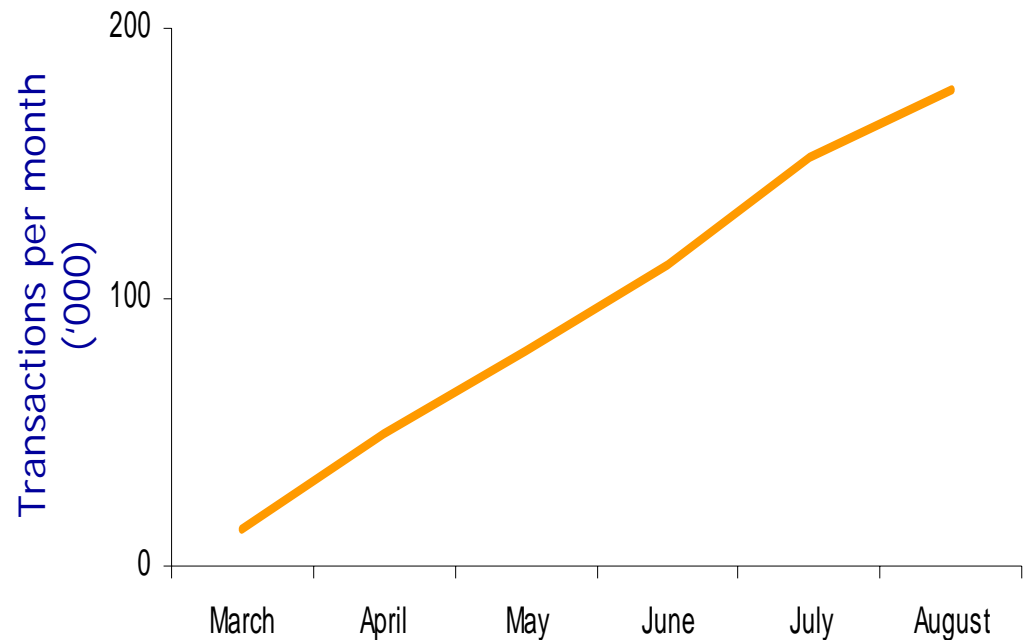
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# So are the cellphone operators

- ☞ SMS and USSD (not WIG and WAP)
- ☞ Any network, any cellphone
- ☞ 2.1m SMS customers
- ☞ Botswana and Namibia next

Transactions processed per month since launch

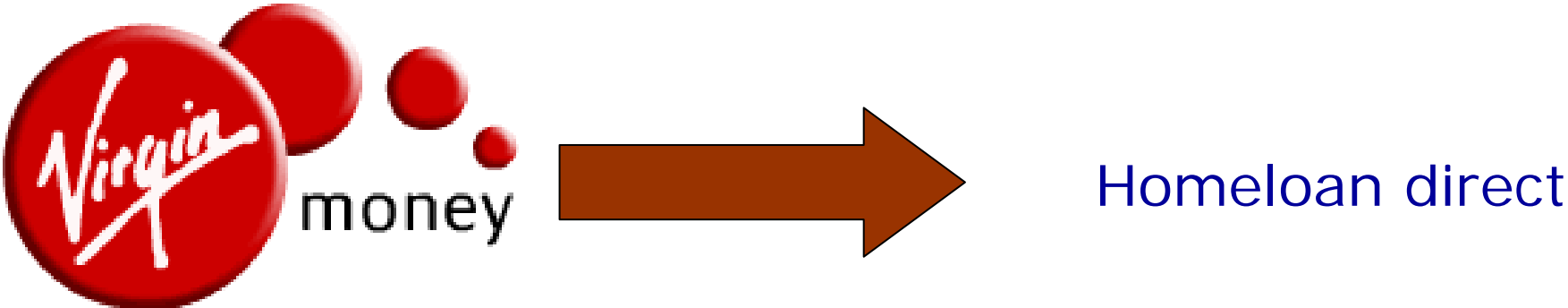


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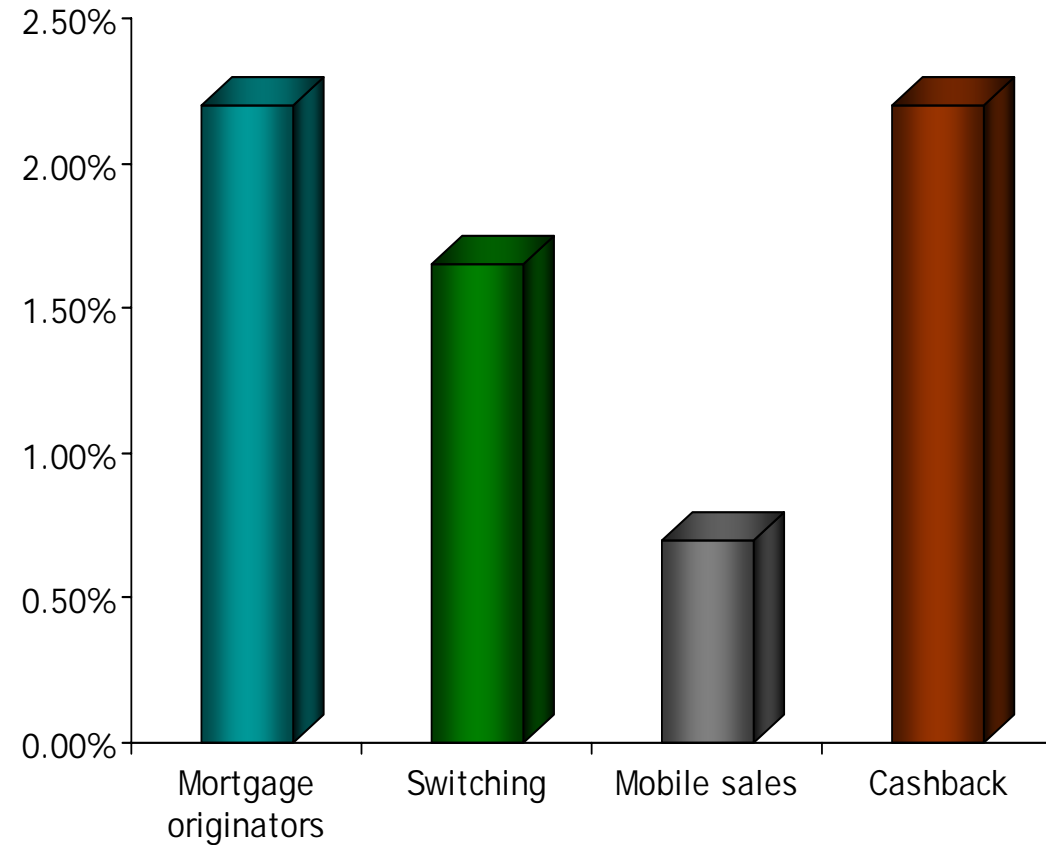




# Even Branson can't resist!



# Putting pressure on mortgage originators

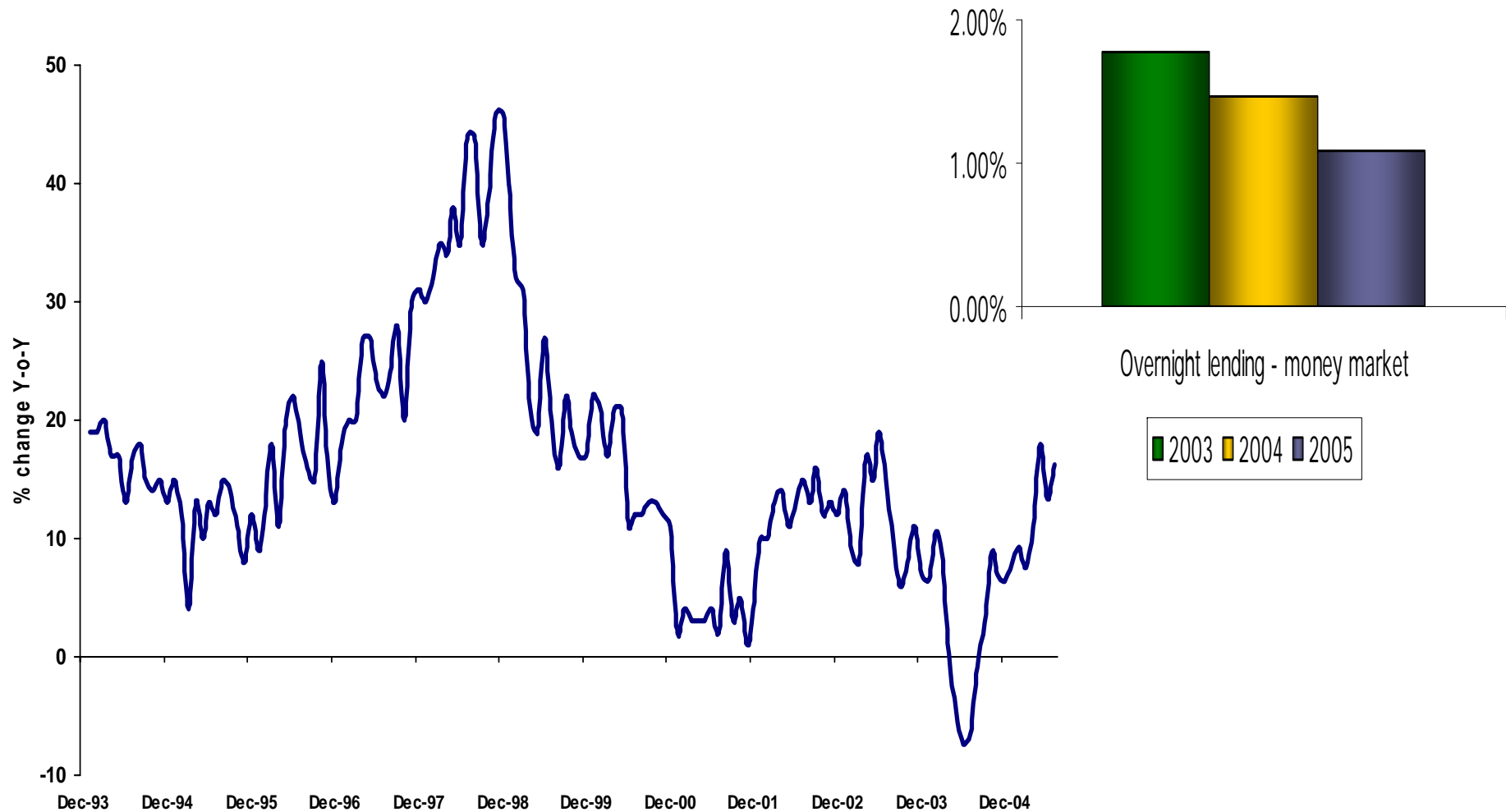


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# Large corporate lending is tough



# Macro-environment



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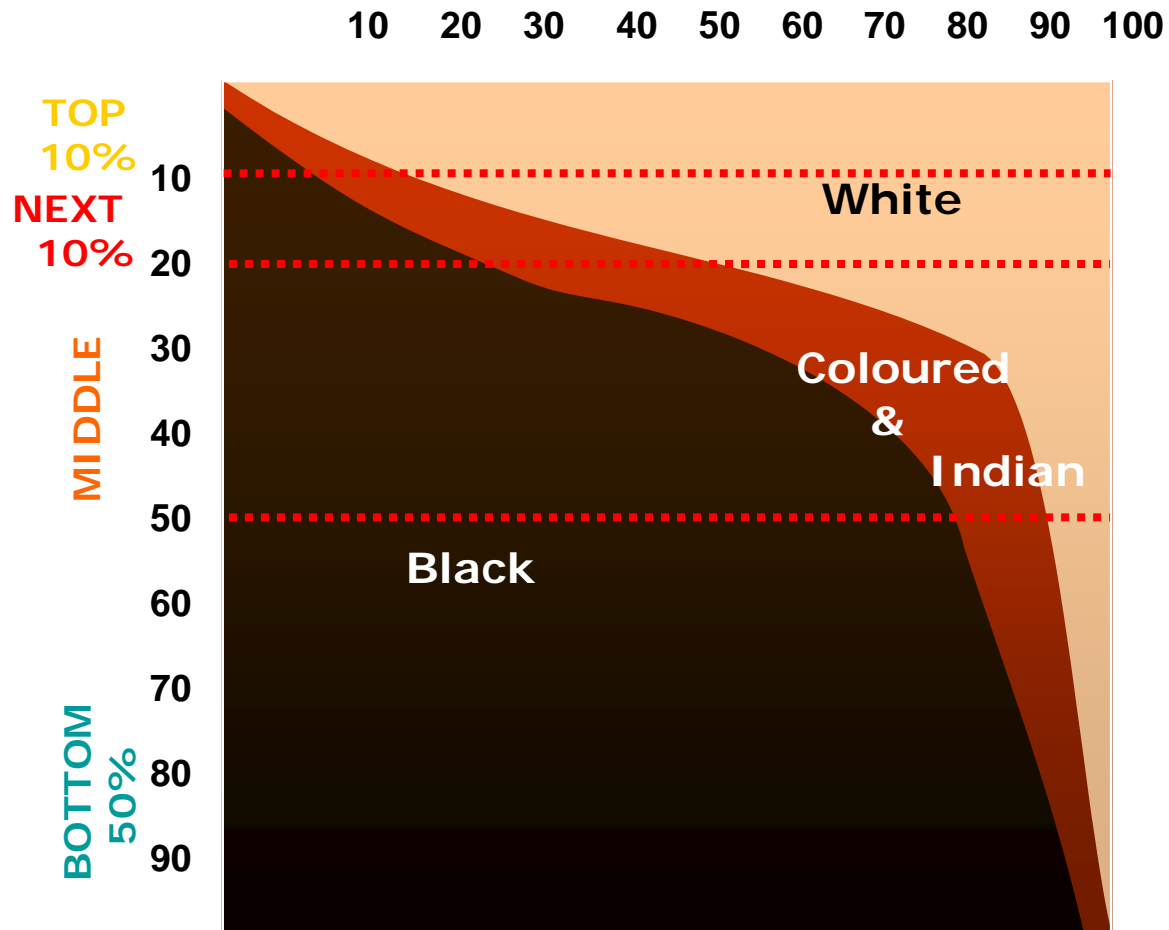
# A structural shift

- Higher economic growth
- World Cup catalyst for growth
- Emerging market
- Balancing act: Top line growth vs. cost containment



# Emerging market

1980



Source: FinMark Trust 2002

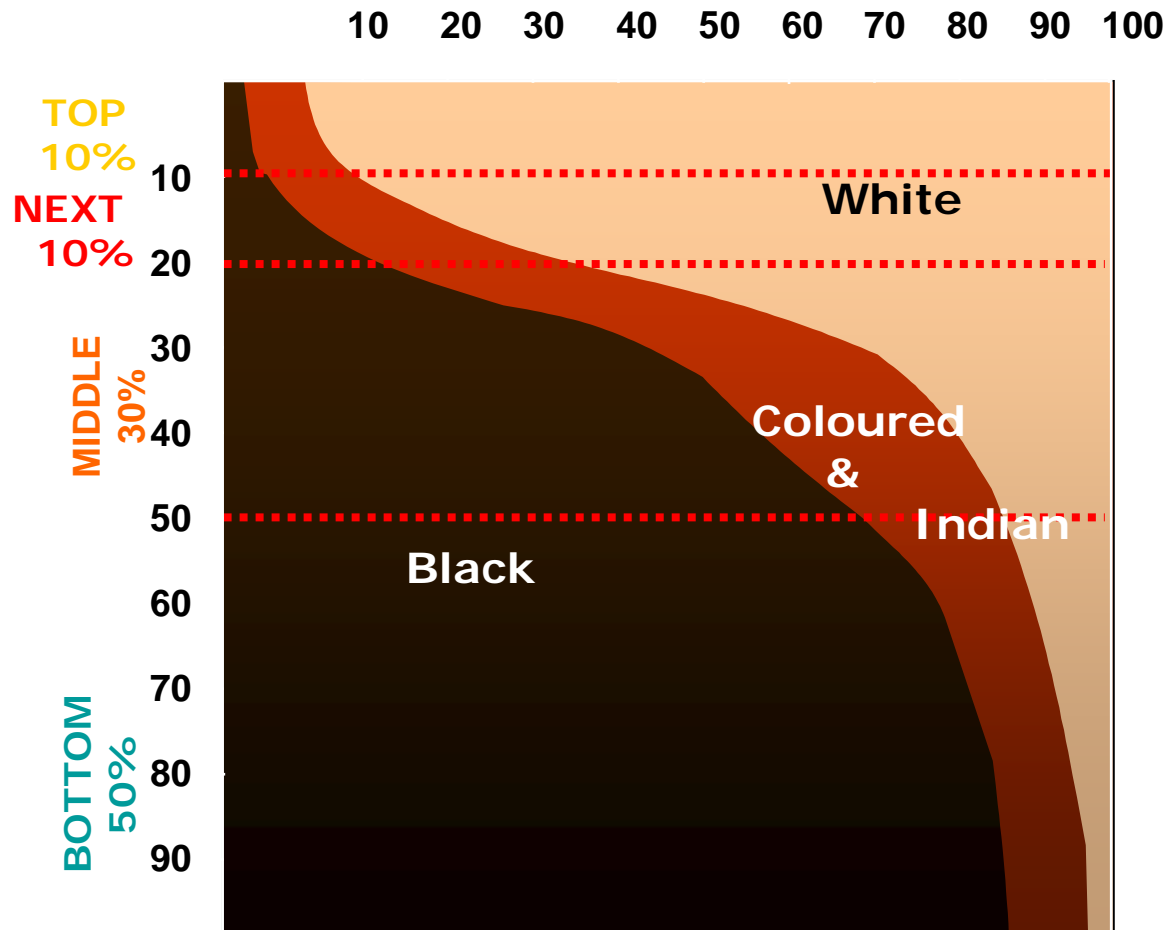


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# Emerging market

1991



Source: FinMark Trust 2002



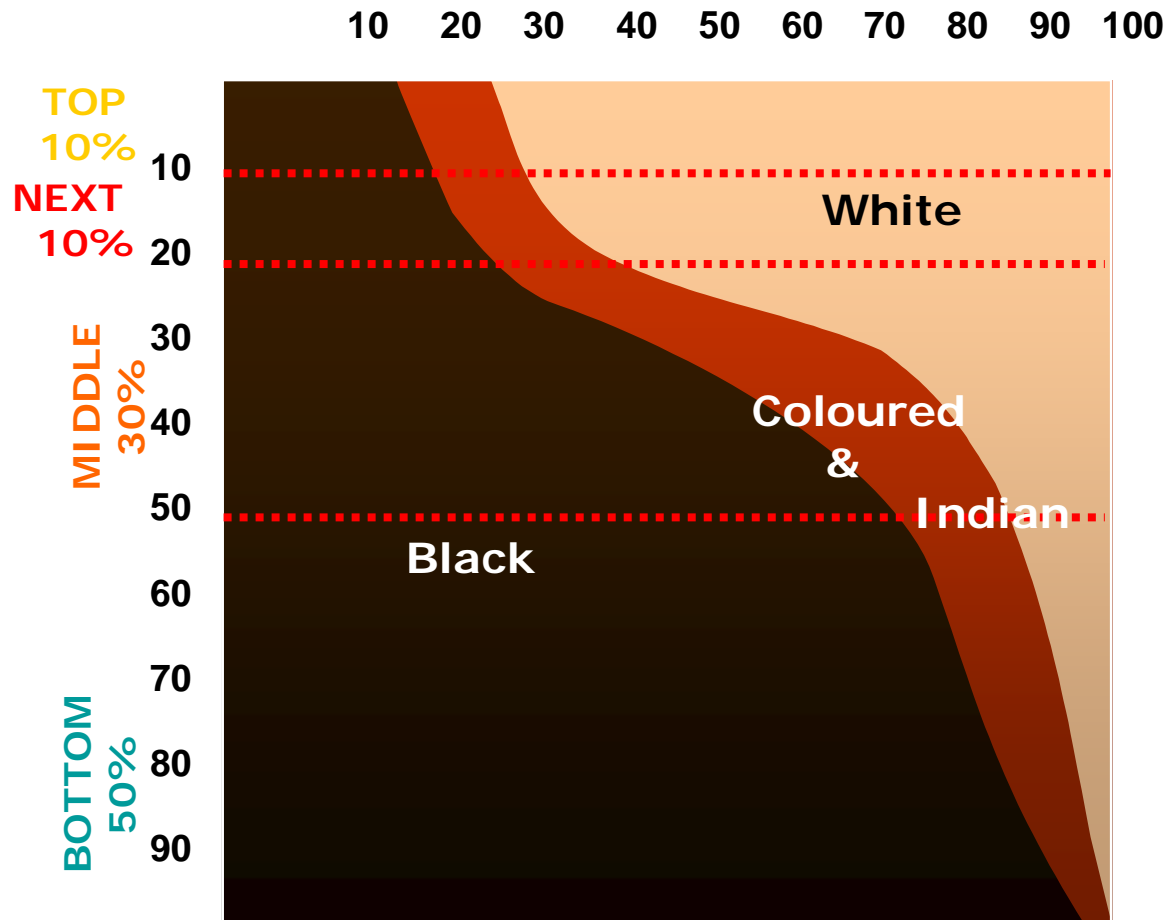
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# Emerging market

2001



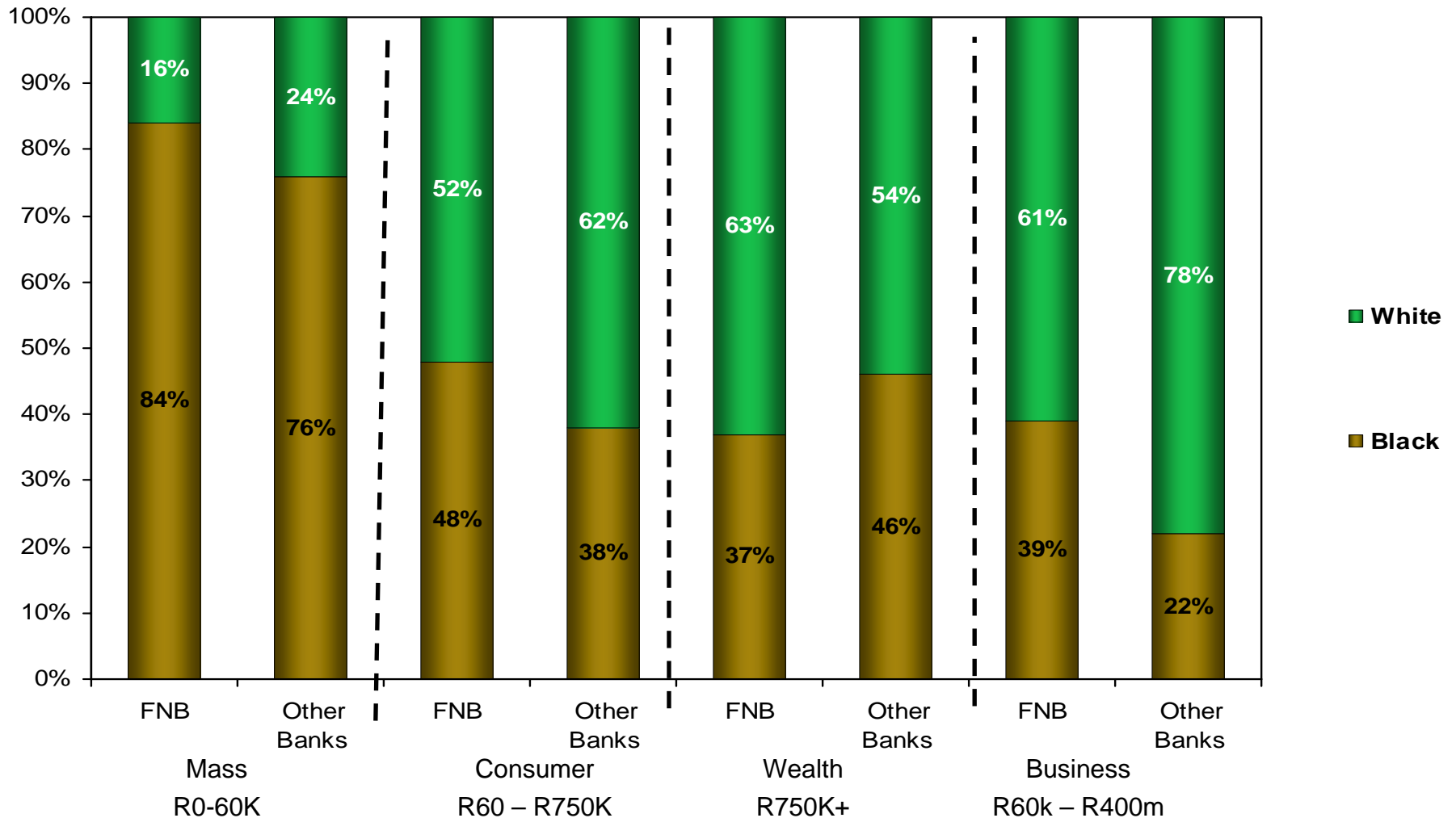
Source: FinMark Trust 2002



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# Well-positioned in growing black market



Other banks = STD, ABSA, and Nedcor  
 Source: Consumer and Business Tracker Research November 2004 and AMPS 2004



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# Capitalising on growth

- 📖 Branch repositioning
- 📖 Mobile sales force
- 📖 FNB Private Clients
- 📖 FNB Housing Finance
- 📖 Cellphone Banking
- 📖 Commercial Property Finance



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# Creating the future



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# Single product to integrated solution

**One Account**

**One size fits all**

Streamlined banking with multiple advantages

**One**  
low interest rate

**One**  
monthly statement

**One**  
monthly payment

**One**  
account for life

**Get One**



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# Encouraging savings despite low interest rates



*Next month's million could be yours.*

MILLION-A-MONTH ACCOUNT

First National Bank – a division of FirstRand Bank Limited. An Authorised Financial Services Provider.

Win R1 million or one of the other 112 cash prizes totaling R1.5 million every month. Simply open your Million-a-Month Account at any First National Bank branch with just R100 at 0% interest. Every additional R100 you deposit into your account improves your chances of winning. And it's risk free because the money in your account is always your money. And after 32 day's notice you can withdraw your funds. As you can see, you've got everything to win and nothing to lose. For more information call 0860 054 321, visit your nearest branch or [www.fnb.co.za](http://www.fnb.co.za).

Terms & Conditions apply.



*How can we help you?*



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# Entrepreneurs need single entry



Litha Nkombisa – the first 100% black owned BMW dealership.

*“Banks always saw me as the businessman or the familyman. Why not just Litha, the man.”*

*Finally, personal business banking.*  
COMMERCIAL BANKING

You have a business and a personal life. Wouldn't it be easier to have one bank consultant who understands how the one impacts the other? To improve the way we help you, in all aspects of your life, First National Bank offers you one point of contact for all your banking needs. Ask Litha Nkombisa who always wanted his own business. With us he's managed to open South Africa's first 100% black owned BMW dealership. So while his personal ambition was to own a BMW, now at any given moment, he owns forty. If you're a business owner and your bank doesn't offer you this kind of service, call 0660 456 000 and see how much easier it is to bank with us.



*How can we help you?*

An Authorised Financial Services Provider. First National Bank - A Division of FirstRand Bank Limited



# FirstRand building blocks



**CUT UP YOUR OLD FASHIONED CREDIT CARDS AND CUT THE COST OF LIVING**

Call 0860 11 CARD or visit [discovery.co.za](http://discovery.co.za) TODAY.

**The new Discovery credit card is now the only card you'll ever need.**

The DiscoveryCard gives you amazing benefits like savings of up to 15% in the Discovery store network\* and Discovery M&E at the fastest-earning rate available. Use your DiscoveryCard wherever you spend, and see the benefits add up and work for you. So do yourself a favour, cut up your old credit cards and cut the cost of living. DiscoveryCard. Now more than ever it pays to be healthy.

**Discovery**  
Health - Life - Vitality

\*Altona | Baby and Company | Cape Union Mart | Kesteven Books | Frasers | Harker's | Leon & Leon | The Pet Shop | Ruggles | TotalSports | Toys 'R' Us | Woolworths. Discount per store limited to a maximum of 30% of your total card spend per month. E.g. if you spend R1000 in total on your card for the month, you can get back R1000 at any Discovery partner store.



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**Thank you.**



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