



FirstRand Limited
Retail Analysts' Day
May 2004



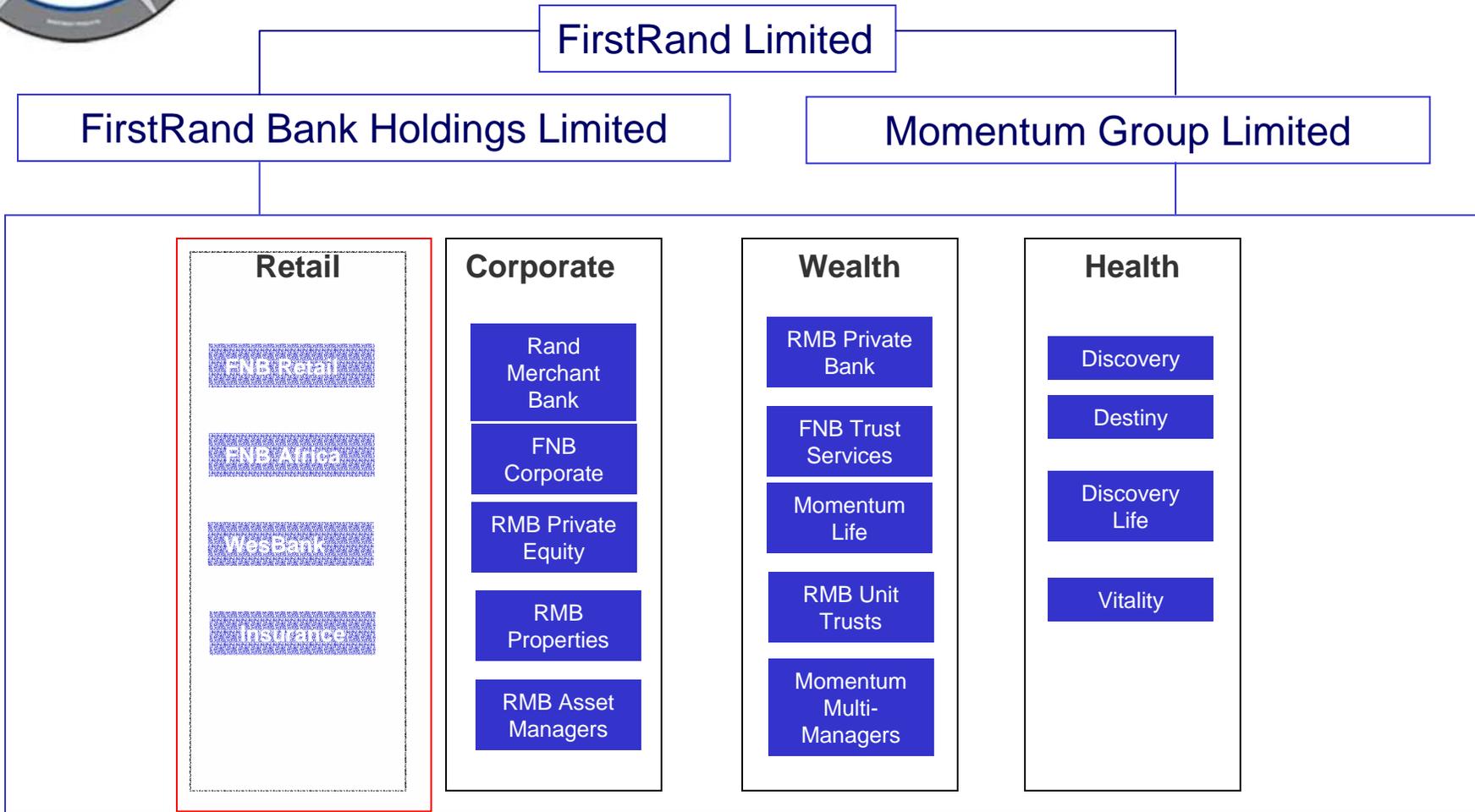
AGENDA



➤ Introduction to FirstRand Retail Cluster		Wendy Lucas-Bull
➤ Brand Value and Advertising Efficiency		Derek Carstens
➤ WesBank		Ronnie Watson
➤ FNB	Segment Focus	Michael Jordaan
	eBucks	Lezanne Human
	HomeLoans	Ed Grondel
	One Account	Gail Roberts
➤ Expo Tour		
➤ FNB	Credit Cards	Jan Kleynhans
	Transactional Banking and Investments	Galia Durbach
	Insurance	Schoeman Rudman
	Loans	Dave Dantu
➤ Expo Tour		
➤ Lunch		
➤ FNB	Service Network	Peet van der Walt
	Branch Banking	Zweli Manyathi
	Banking Operations	Leonie van Tonder
➤ Tea		
➤ FNB	eDelivery	Roland le Sueur
	Self Service Channel	Michael Arnold
➤ Technology		Yatin Narsai
➤ OUTsurance		Willem Roos
➤ Financial Services Charter		Wendy Lucas-Bull
➤ Summation		Wendy Lucas-Bull
➤ Questions		



FirstRand Limited Structure

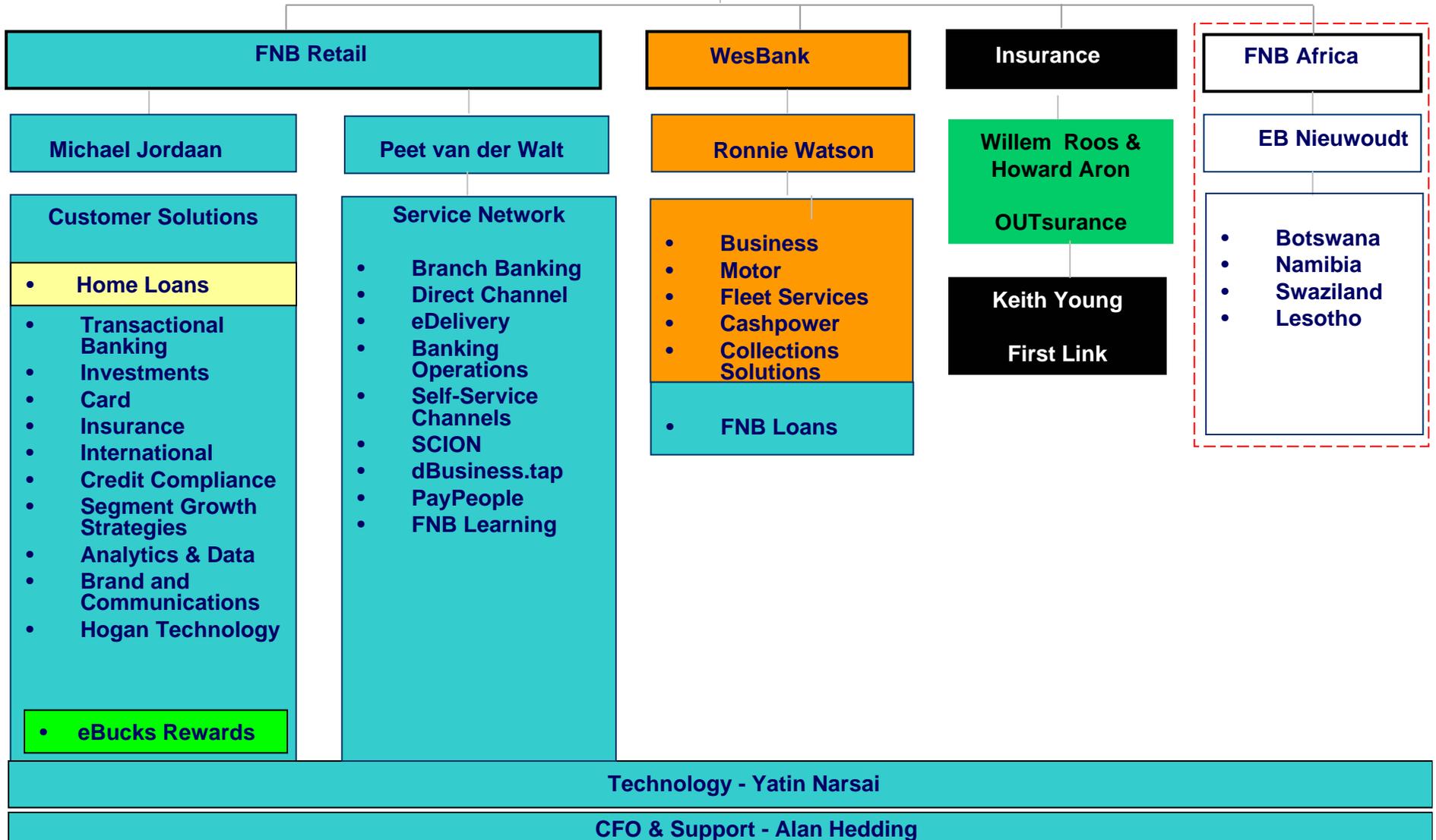




Retail Cluster Structure Financial Reporting



Retail Cluster
Wendy Lucas-Bull

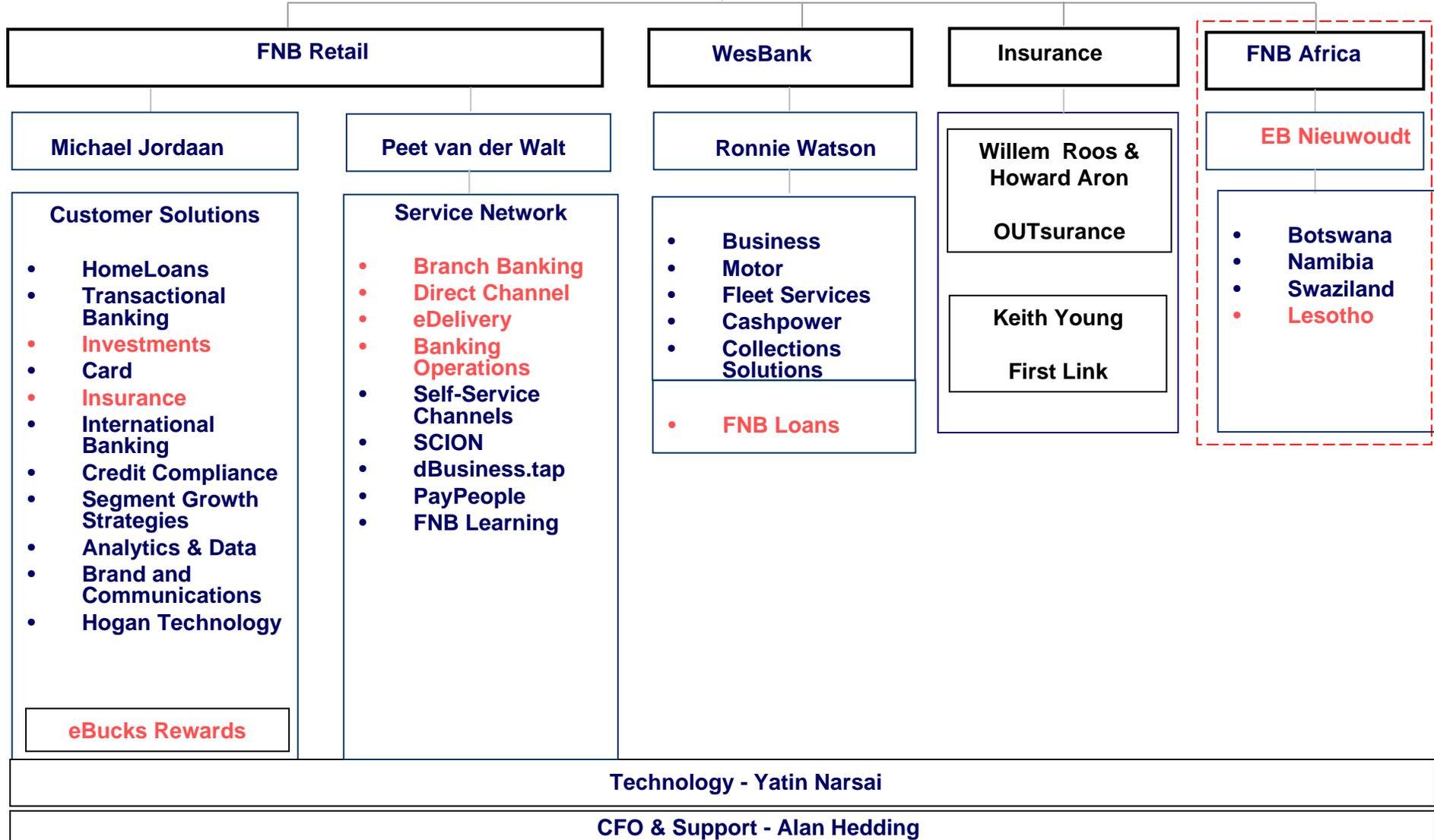




Retail Cluster Structure Recent Changes



Retail Cluster
Wendy Lucas-Bull

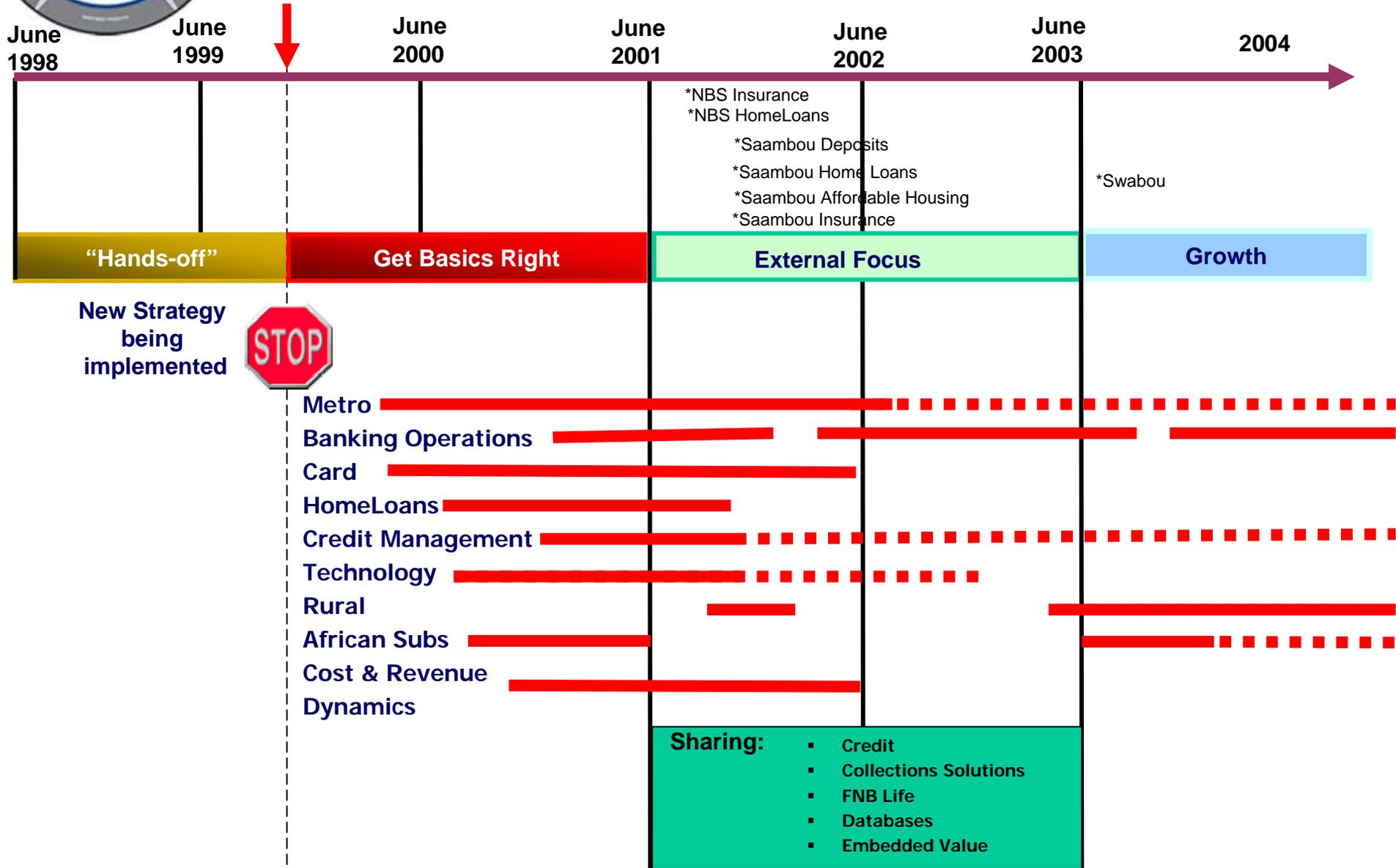




The journey so far...



From an Internal to an External Focus...





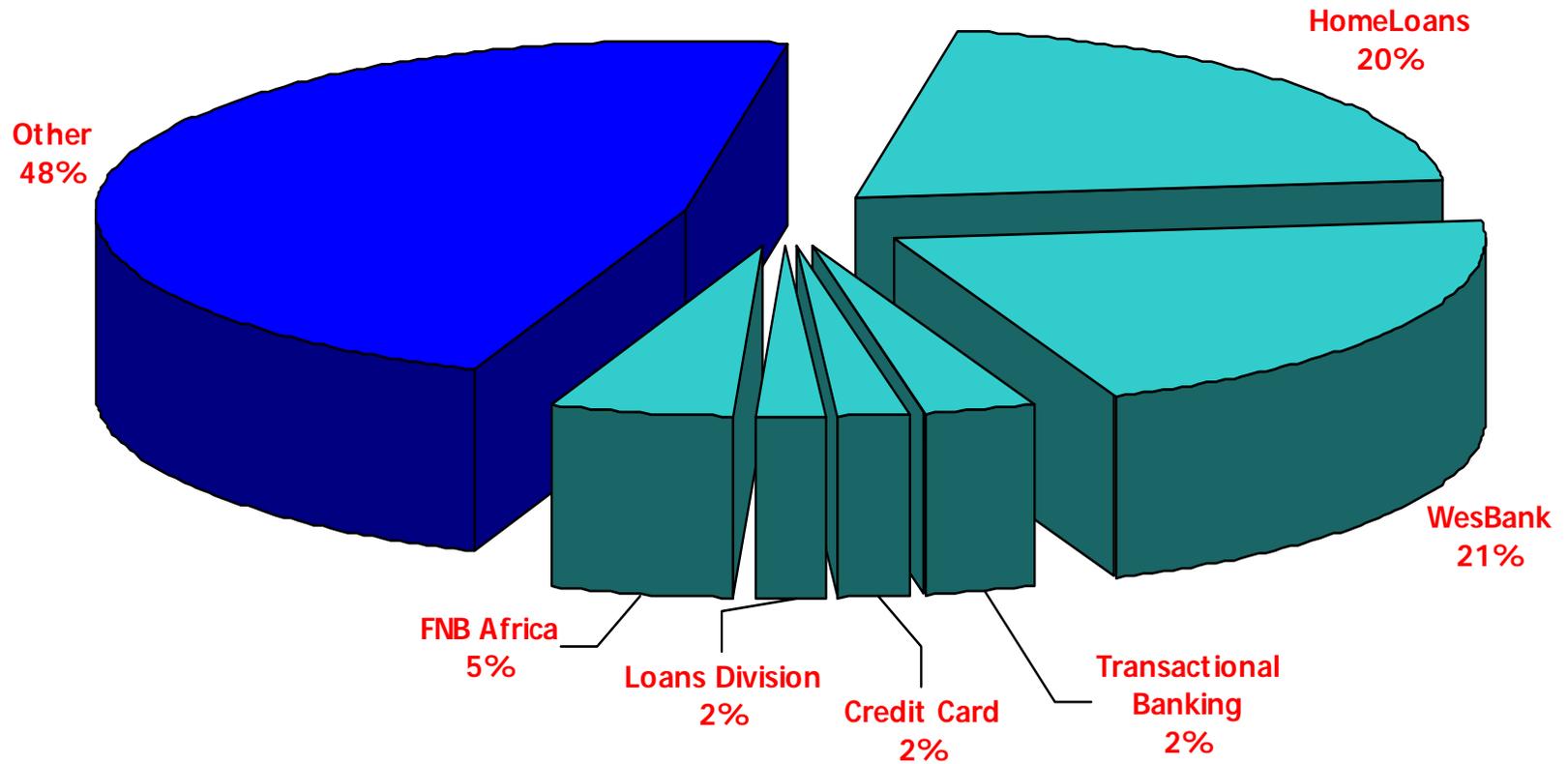
Retail Cluster's financial dynamics in perspective...



Retail Cluster Advances at Dec'03



Retail Cluster 52% Share of FirstRand Banking Group Advances



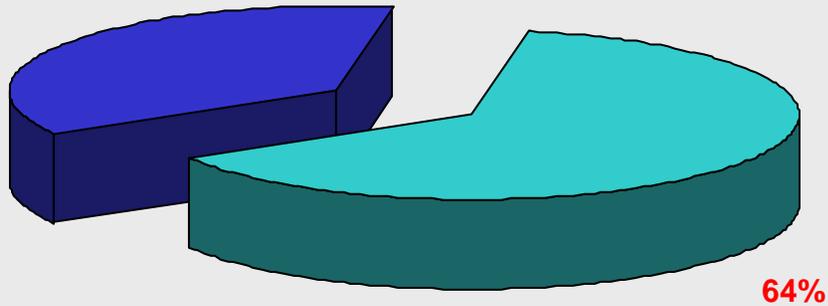


Income Statement relative to FirstRand Banking Group

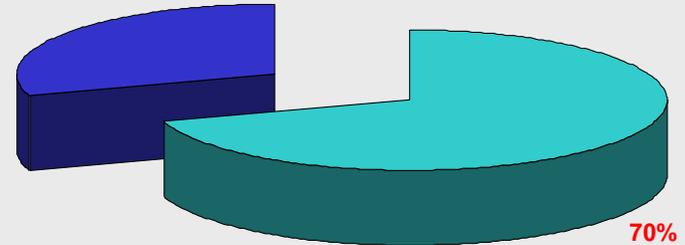


(Dec '03)

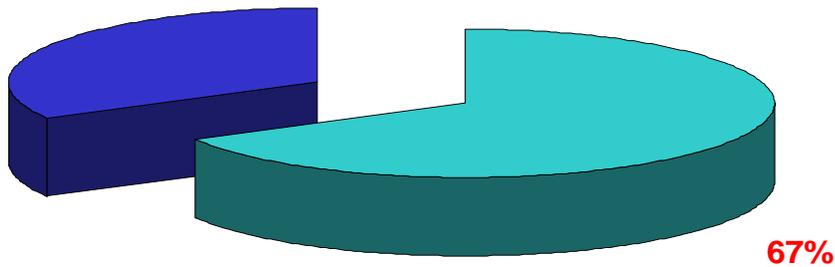
NPBT



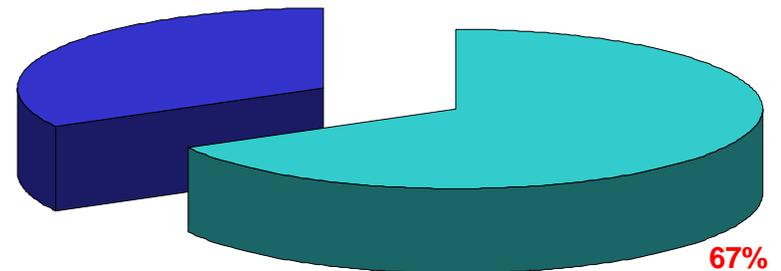
Operating Expenditure



Net Interest Income



Non-Interest Revenue





FirstRand Retail Cluster



OUR BRANDS

Derek Carstens



Mission Statement



To passionately build & nurture the most compelling and innovative range of financial service brands in the business



Brands – The Business Imperative



ROE

16,3% vs. 12,0%

EFFICIENCY

54,5% vs. 66,8%

Source: Council on Financial Competition 2003



Commitment Levels

- Daily market perception tracking study
 - Information segment based
 - Metropolitan areas only
 - Banked population
 - Reported quarterly

- How we stand
 - Mass – strongly committed (R60k)
 - Middle (Black/Coloured) – strongly committed (R60 – R350k)
 - Middle (White/Asian) – needs working on
 - Middle Upper – holding our own (R350k +)
 - Business – strongly represented (up to R20 million)



FNB Advertising Efficiency

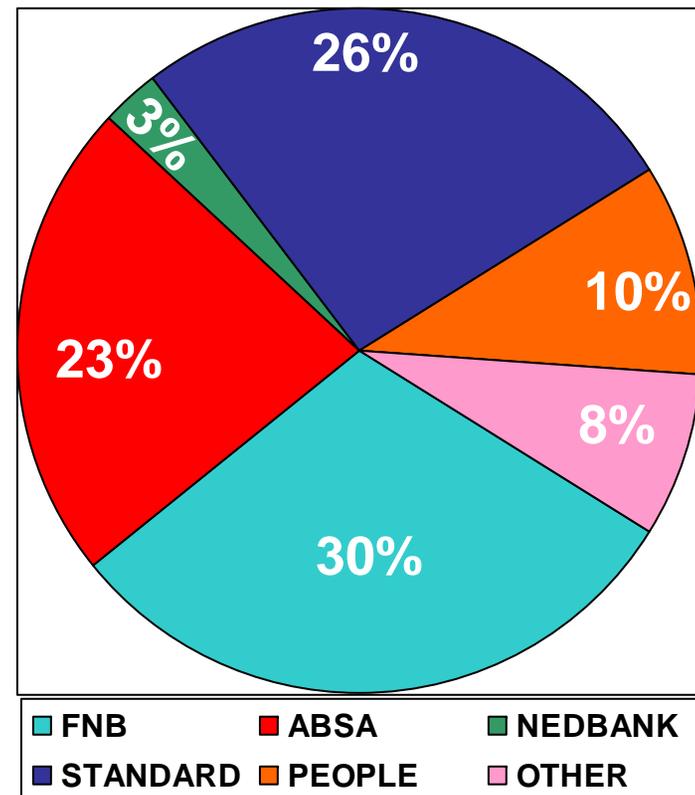


Comparative Spends

<u>BANK</u>	<u>Rm's</u>
ABSA	97
Standard	70
Nedbank	18
FNB	43

Source: Ad Index

Spontaneous Ad Awareness



Source: BrandVision



WesBank

WesBank

Ronnie Watson



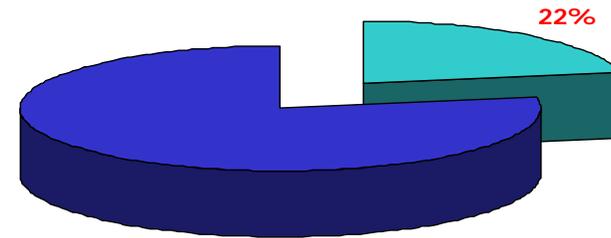
WesBank

Key Highlights ... Dec '03

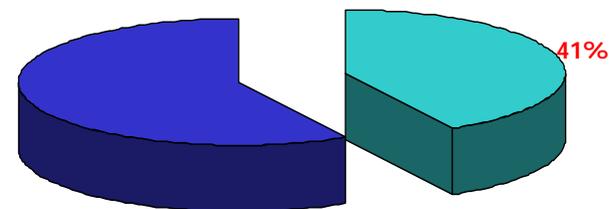
WesBank

- NPBT up 35%
- New business production up 24%
- NPLs down to 0.78% (0.93% June 03)
- NIR up 33.1%

WesBank's Share of Retail Cluster NPBT



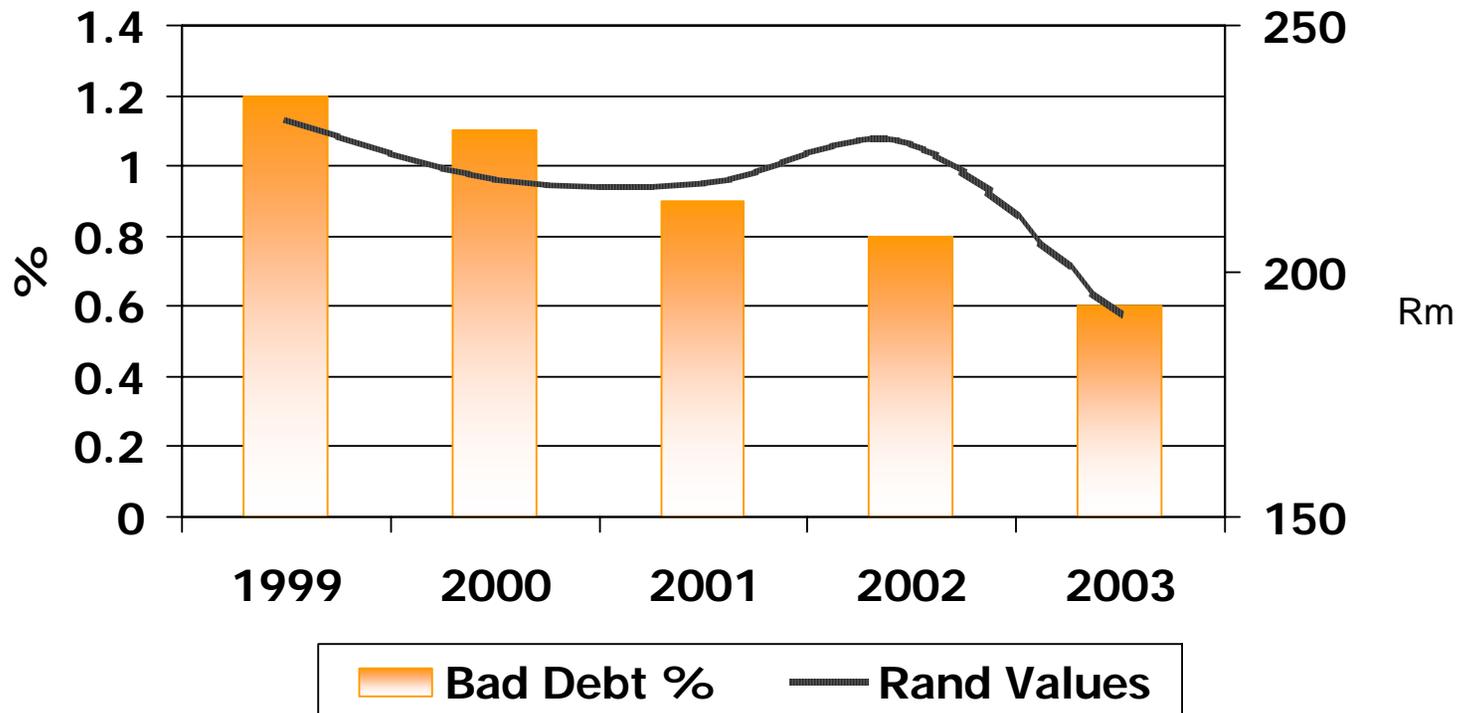
WesBank Share of Retail Cluster Advances





Operational Improvement

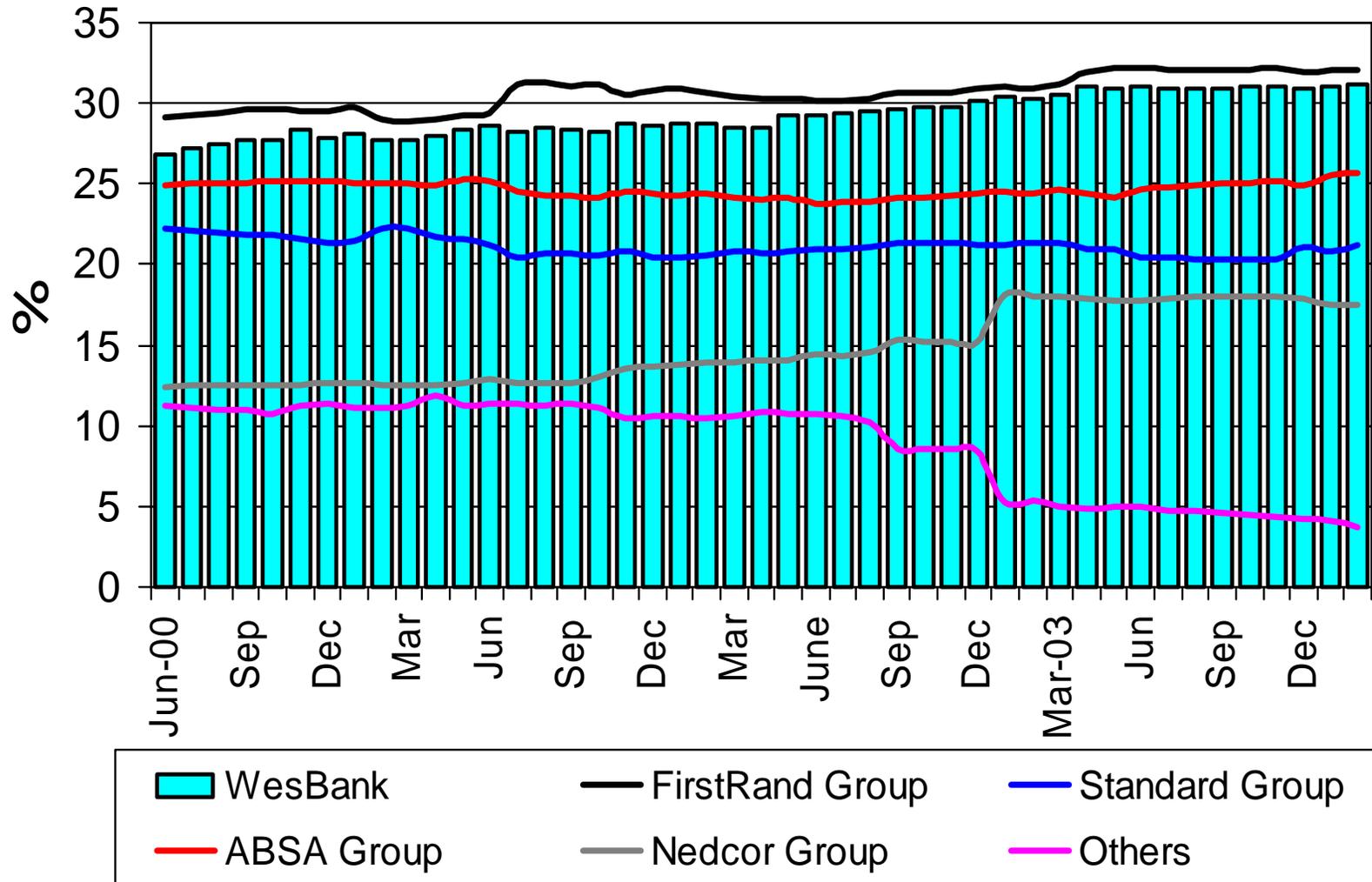
Specific Bad Debts to Advances for the
Financial Year ended June '03





Market Share - Book Values

Instalment Sale and Leasing Book

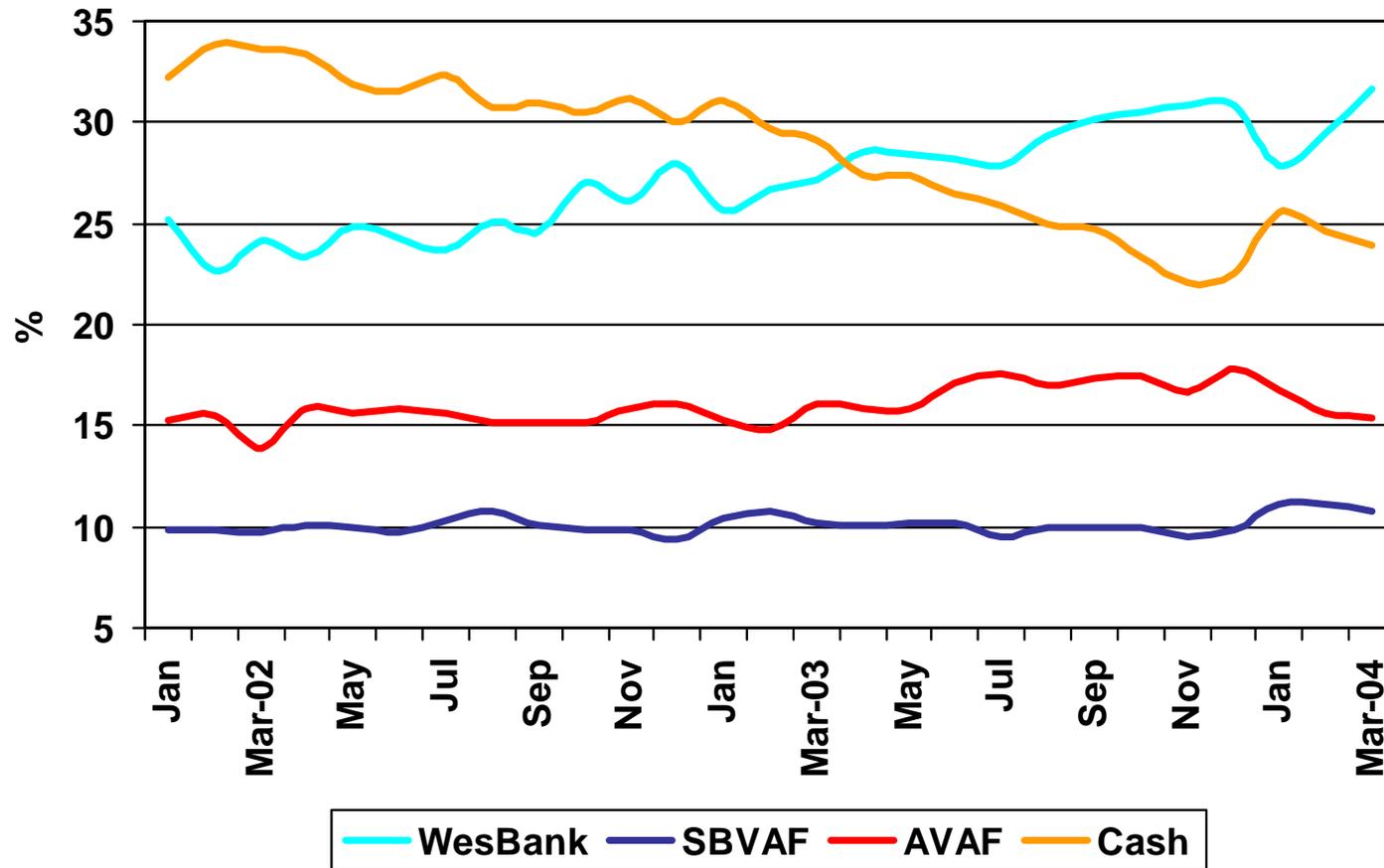


Source: DI900 - Collated to latest Reserve Bank totals + Toyota Financial Services Book



New Vehicle Market Share

WesBank

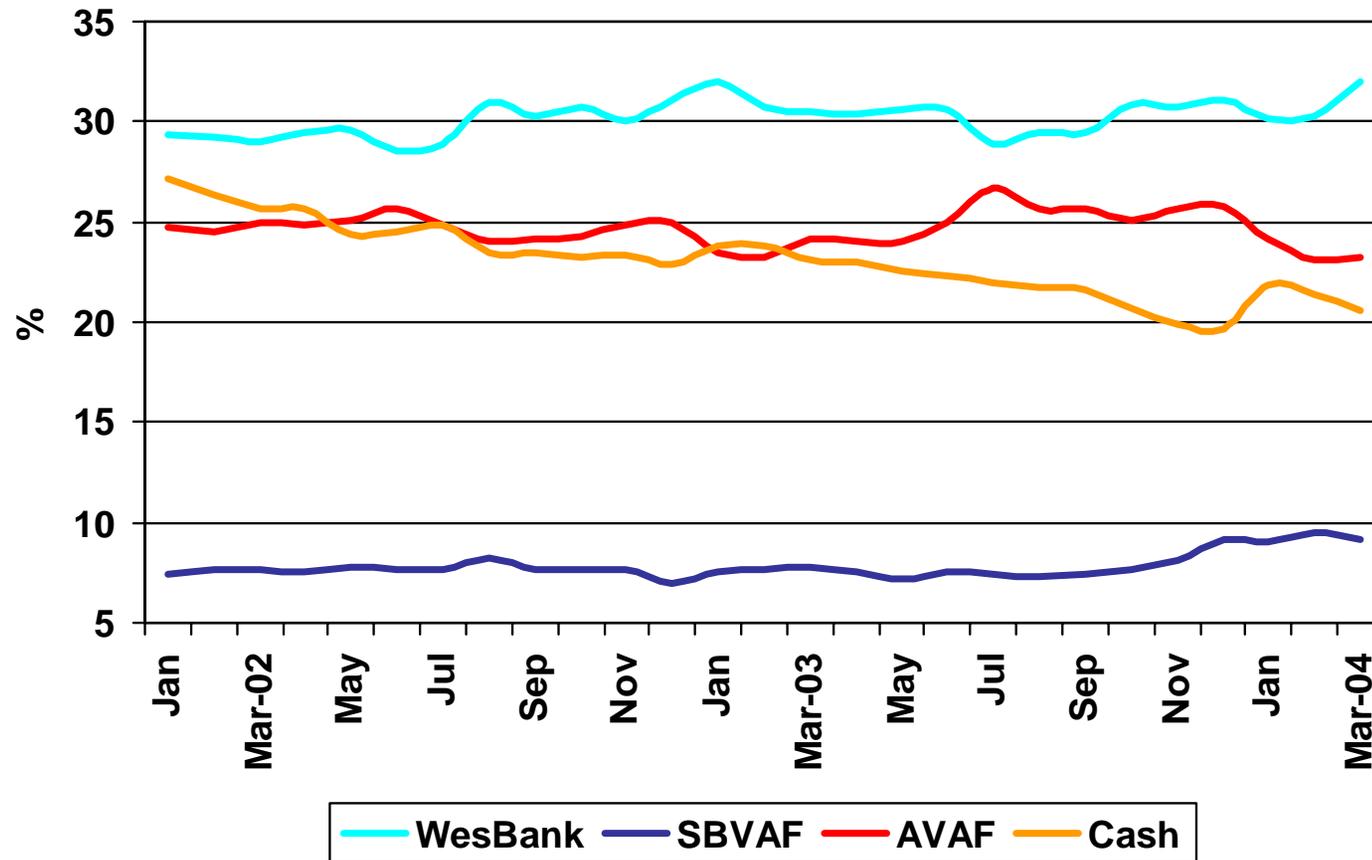


Source: WesBank



Used Vehicle Market Share

WesBank

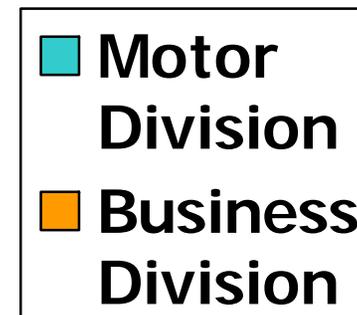
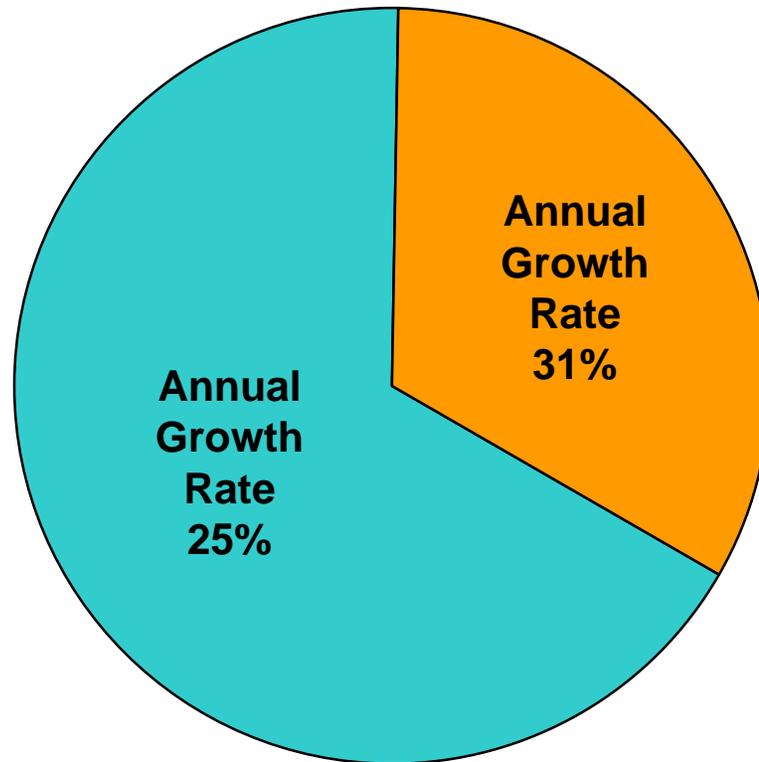


Source: WesBank



Diversity

WesBank



Dec 2003
Book R44bn



Partnerships

WesBank



Audi
Financial Services
A division of WesBank



McCarthy Finance
A division of WesBank



Supermarket Finance

Investment Cars Finance
A division of WesBank

Volkswagen Financial Services
A division of WesBank



NISSAN FINANCE
A DIVISION OF WESBANK

Honda Finance
A division of WesBank



Islamic Finance
A division of WesBank



kgwerano
ASSET FINANCE
PARTNERS IN PROSPERITY
A division of WesBank





Motor Value-Adding Activities

WesBank

**Wholesale
Finance**

F&I Training

**Motor
Finance**

**Sewells &
Benchmarking**

**Car Care
Consultants**



Strategic Focus Areas

WesBank

- People
- Customer Service
- Efficiencies
- Growth



➤ Organic

- SANTACO, InspectaCar, Private Leasing, Business Division growth strategy, Islamic Finance and Collection Solutions External

➤ Acquisition

- Actively looking for opportunities that will add load e.g. Barloworld Equipment book



➤ Greenfields

- Australia and other International Opportunities, MotorOne, TFM

➤ Collaboration

- FNB Corporate and FNB Service Network



Customer Solutions

Michael Jordaan



Agenda



- Segment Focus
 - eBucks Reward Programme
 - HomeLoans
 - One Account
 - Credit Card
 - Transactional Banking & Investments
 - Insurance
 - Loans
- Michael Jordaan
 - Lezanne Human
 - Ed Grondel
 - Gail Roberts
 - Jan Kleynhans
 - Gaila Durbach
 - Schoeman Rudman
 - Dave Dantu



SA Banking Market



FNB share of Banking Relationships 2003 or latest available

**Premier
R350K +**

**160k
Multi-banked**

18%

**Business
Turnover R60k to
R20m pa**

780k

25%

**Middle and Upper
R60k – R350k**

**2.25m
(94% banked)**

17%

**Mass
R6k – R60k**

**10.95
(54% banked)**

21%

**Low Income
R0k – R6k**

**15.75m
(18% banked)**

21%



eBucks Reward Programme

Lezanne Human



eBucks - Overview



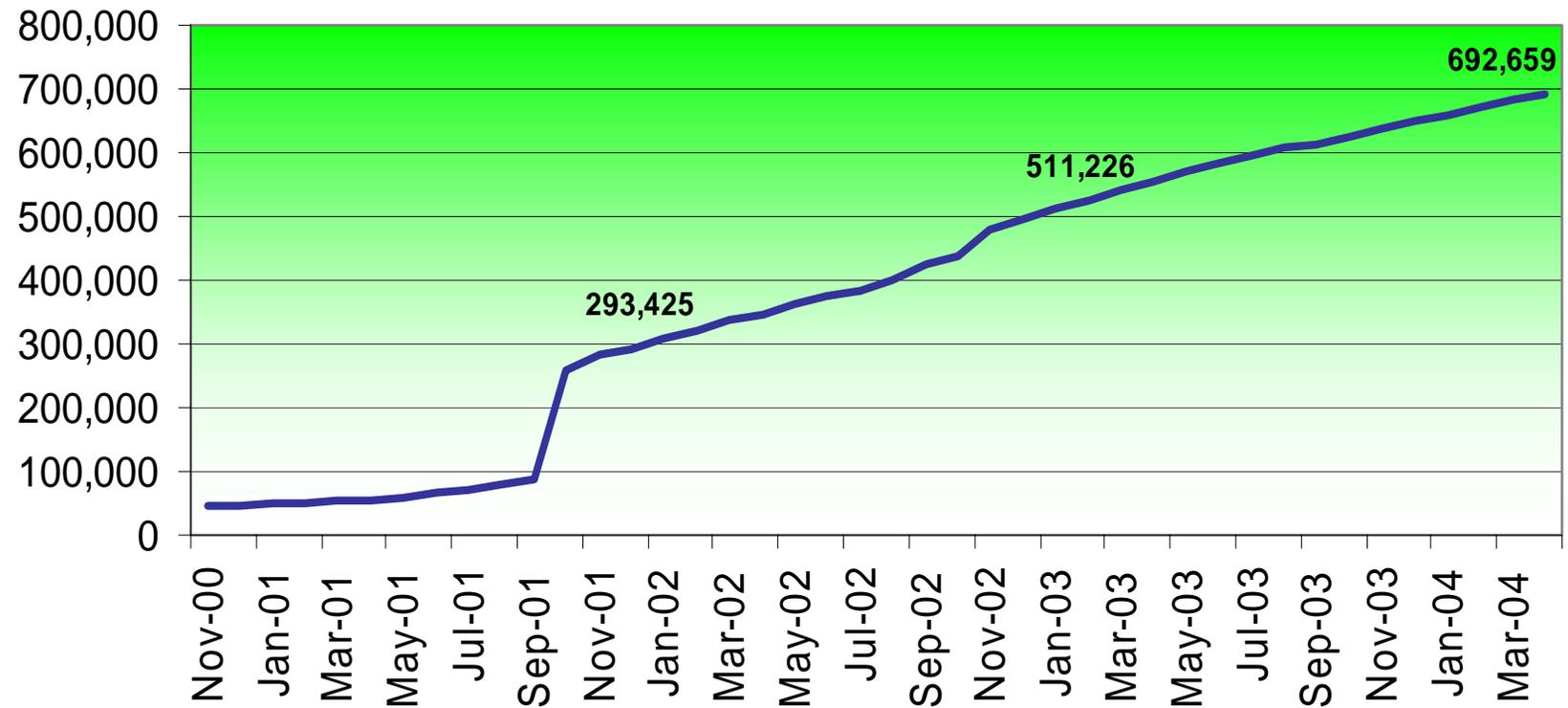
- Commenced operations 3+ years ago (Oct 2000)
- Dedicated rewards programme – split from Internet banking in January 2004
- Customer base – 693,000 and growing
- Voted best Financial Services Rewards Programme in 2003



Growth in Member Base



eBucks Rewards Programme - registered base



eBucks Earn Partners



RAND MERCHANT BANK



.....Watch this space for more



Spend Channels



- Internet
 - eBucks Shop (over 1,000 products)
 - Innovative offers (i.e. only online LOTTO supplier)
 - Payment Solution (click-through to merchants such as Makro & Kalahari for even wider choice)

- Call centre (Agents, IVR)

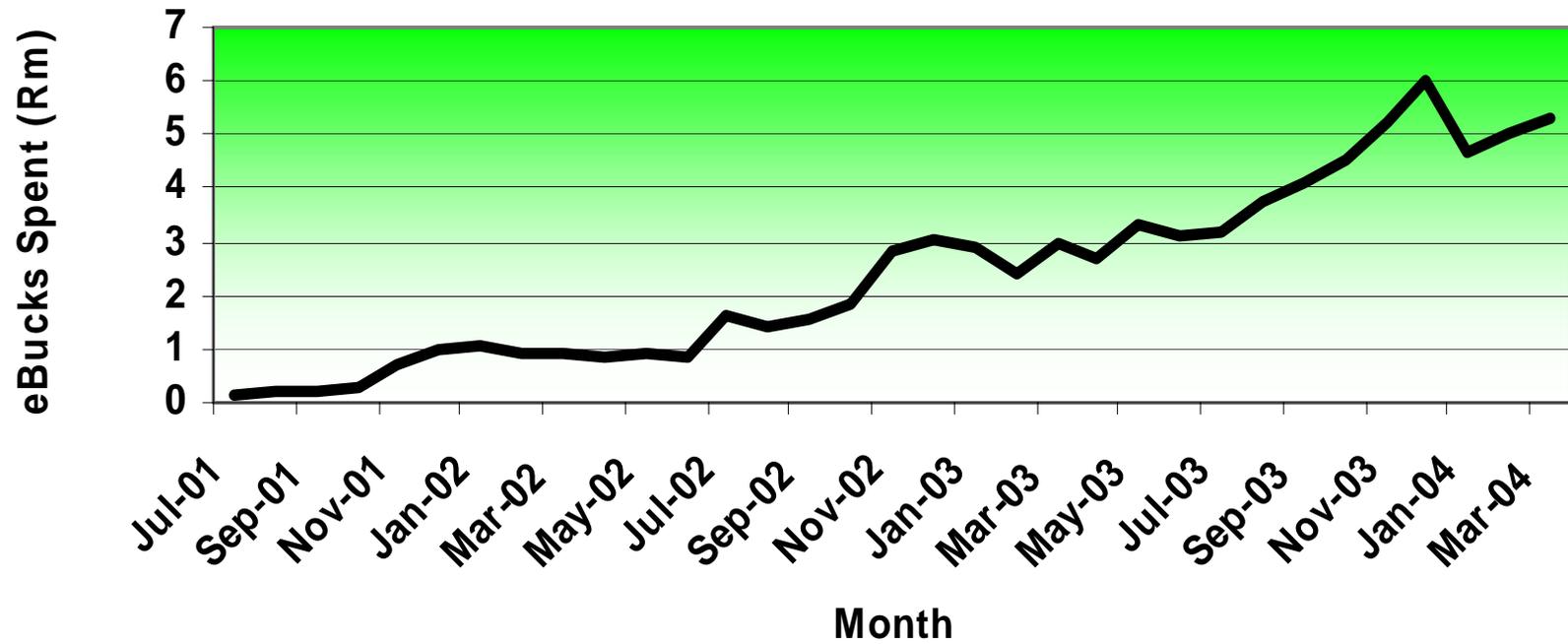
- Dedicated eBucksTravel service centre



Growth in Member Spend



eBucks Spent per Month by Members (Rm)





HomeLoans

Ed Grondel

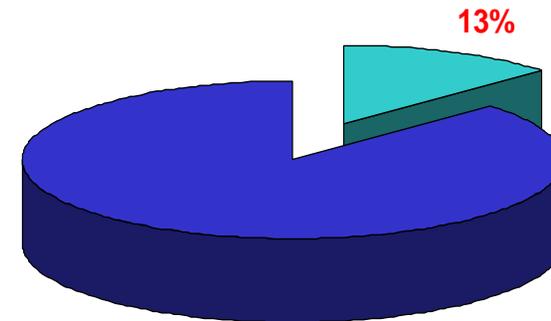


HomeLoans Key Highlights ... Dec '03

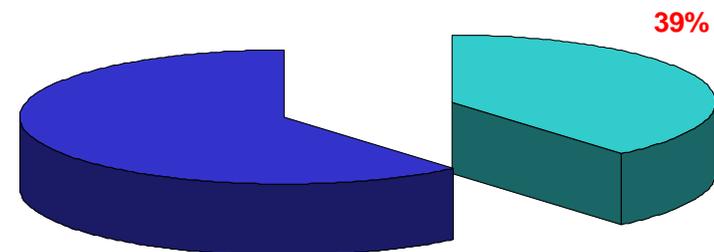


- New business up 37%
- New business market share up from 15.3% to 16.1%
- Advances up 5.9%
- Re-advances up 70%
- Gross margins down from 3.87% to 3.03%

FNB HomeLoans Share of Retail Cluster NPBT



FNB HomeLoans Share of Retail Cluster Advances



Doing the right things, Doing things right.

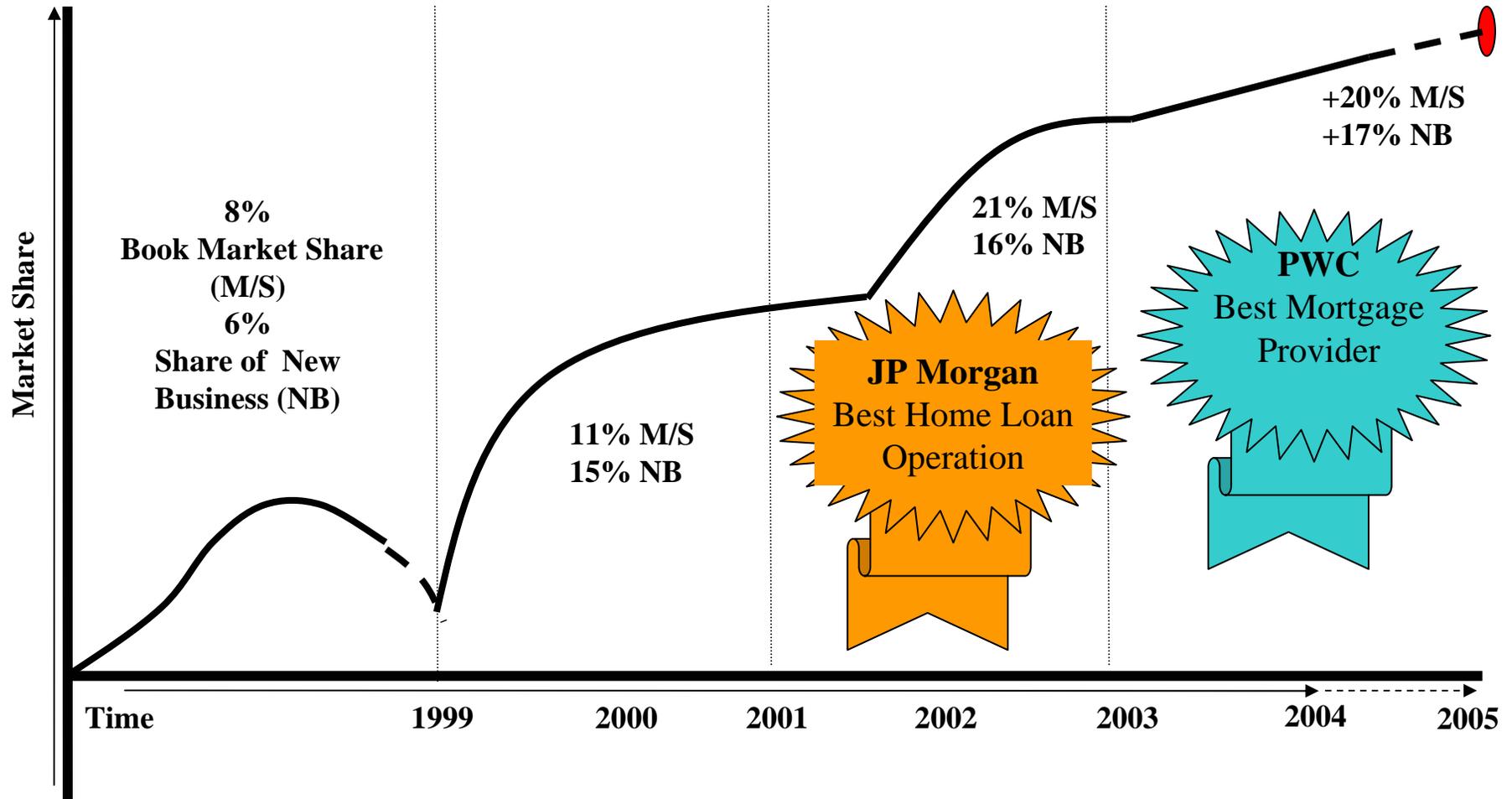


Decline

Turnaround

Acquisition

Profitable Growth

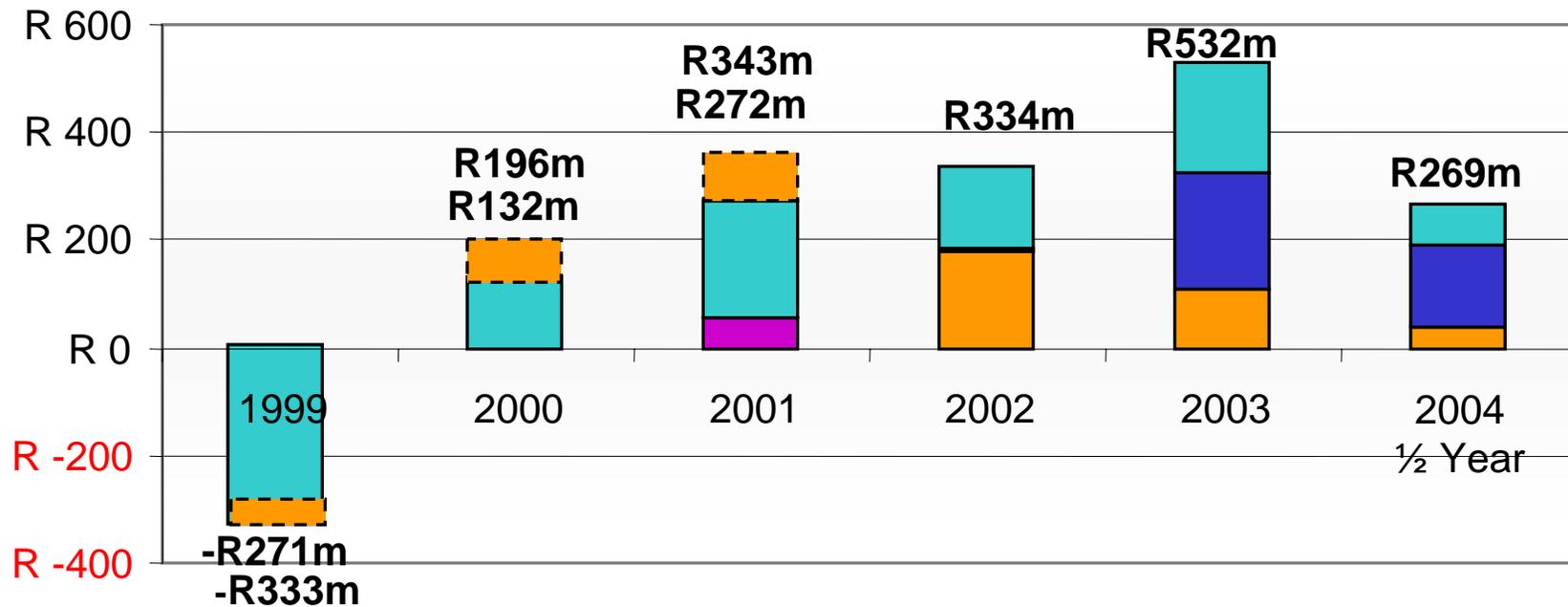




Growing Profitably



HomeLoans Profits





Profit Leader



Bank	Individual Mortgages (R'M)	Financial Year Profit (2003)	Rand Profit / R'Billion
FNB HomeLoans	R39,610	R532m	R13m
Standard *	R56,270	R563m	R10m
ABSA *	R73,860	R447m	R6m

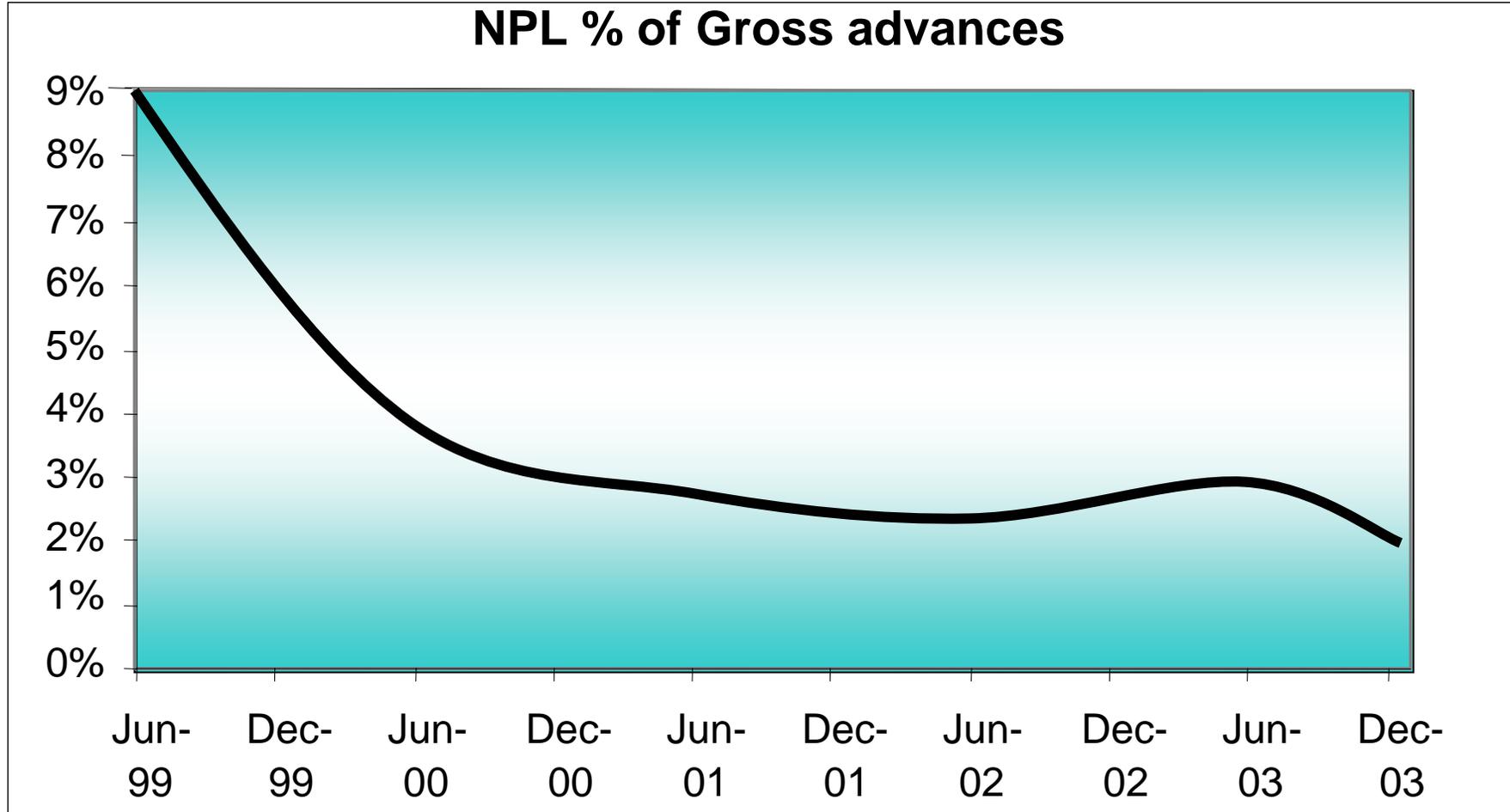
* Source: DI900 line 122



Collections Excellence

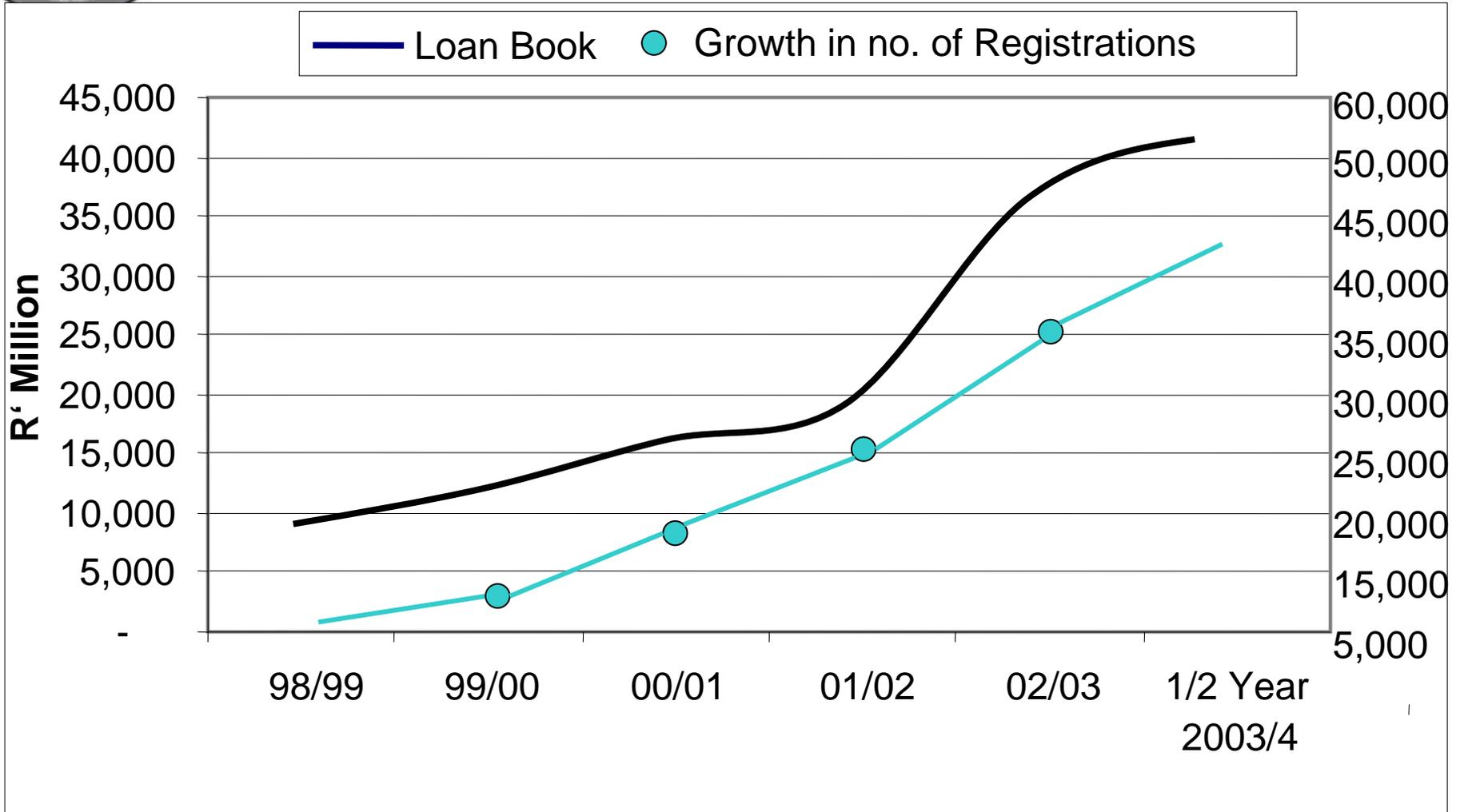


NPL % of Gross advances





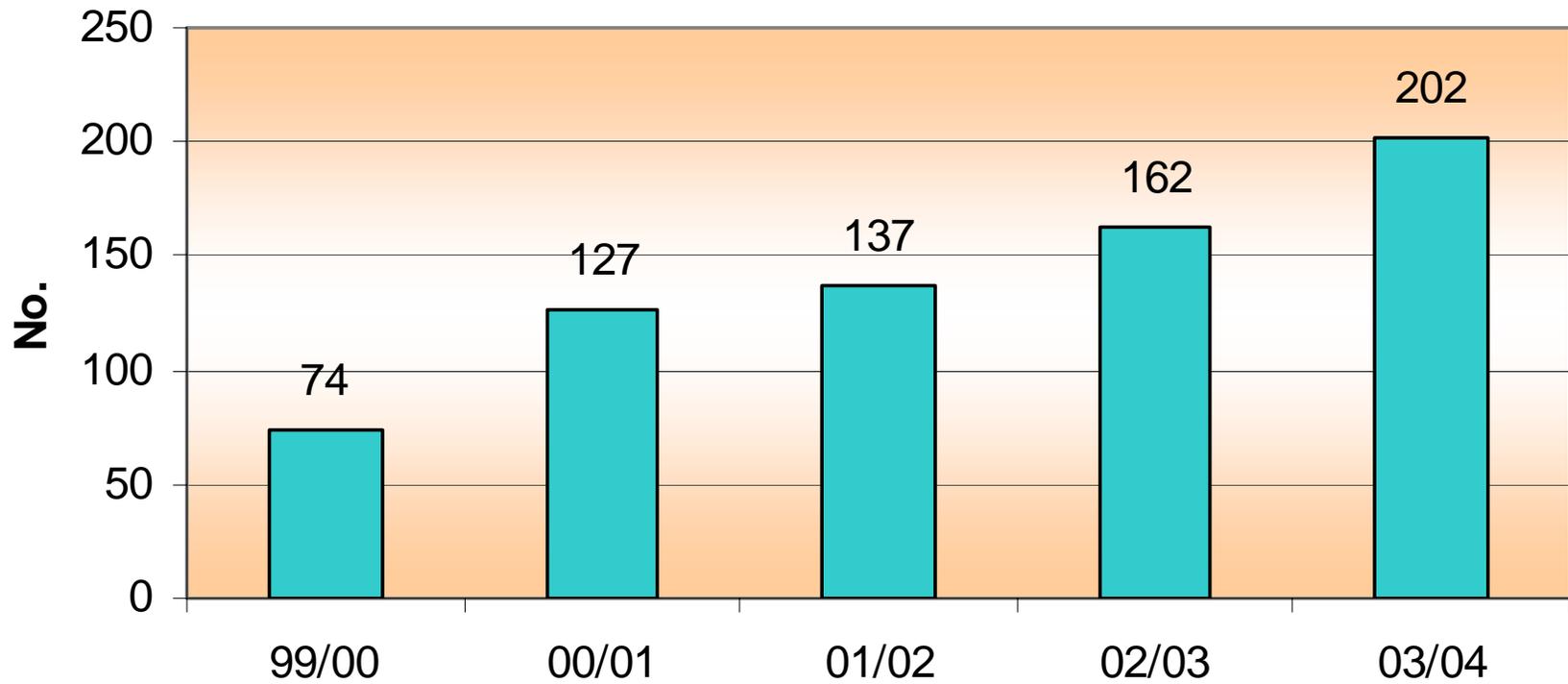
Volume Growth



Greater Efficiencies



Registrations per operational staff member





First from FNB HomeLoans



- Bottom-line driven home loan focused unit
- Centralization of processing
- 2 Hrs reply times
- Individual pricing
- Outsourcing model for valuations
- Revolutionary Pips solution – HomeTraders
- Embraced Mortgage Origination
- Pioneered electronic origination



South African Residential Mortgage Market 2004



- Boom not bubble
- Strong and growing competition
- Continued influence by market intermediaries



Where do we get our business?



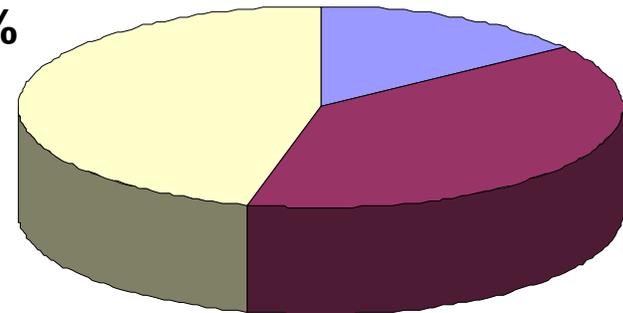
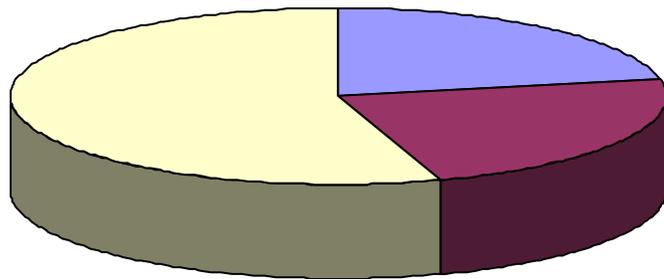
2001/2

2003/4

**Estate Agents
22%**

**Mortgage
Originators
46%**

**Estate Agents
13%**



**Mortgage
Originators
55%**

**Branches &
other Direct
23%**

**Branches &
other Direct
41%**



Obtaining Value from Originators



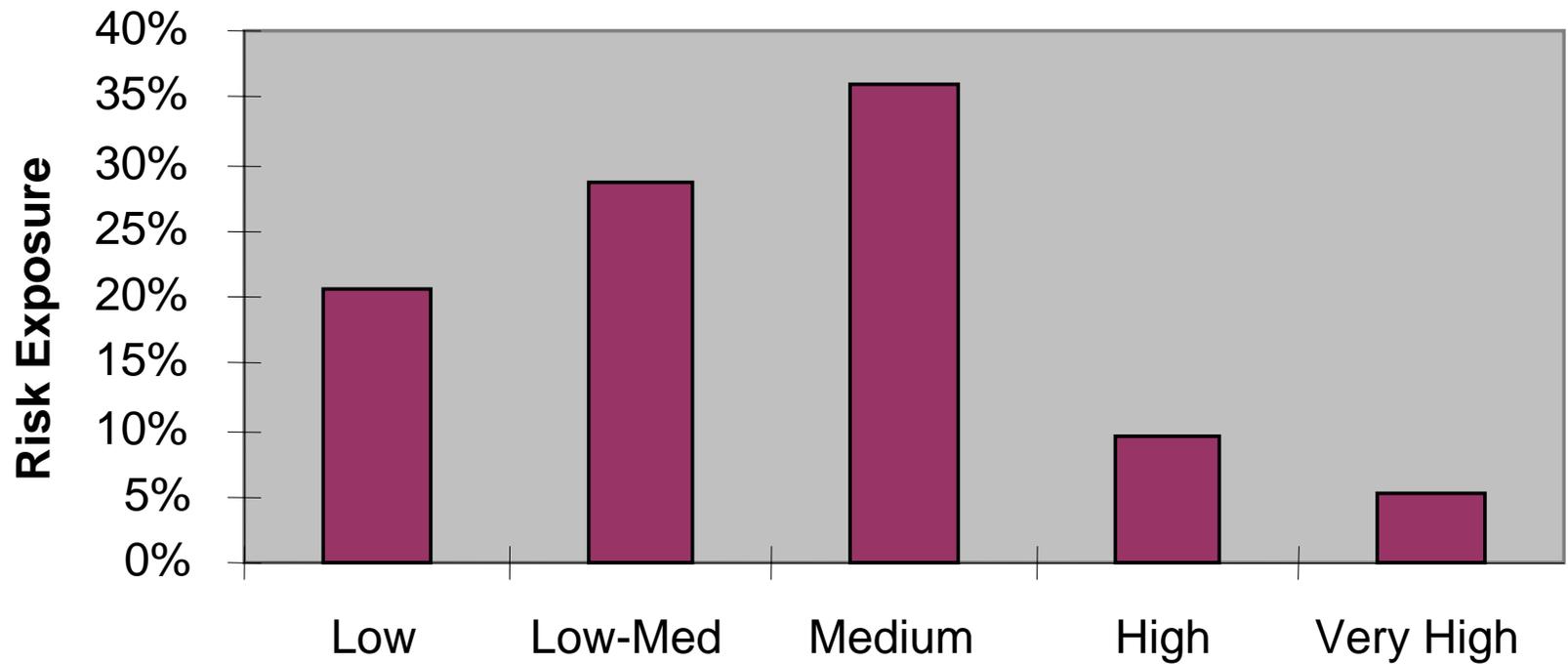
- Volume
- Efficiencies
- Variable commissions



Quality of Book



Risk Exposure of New Business Dec '03



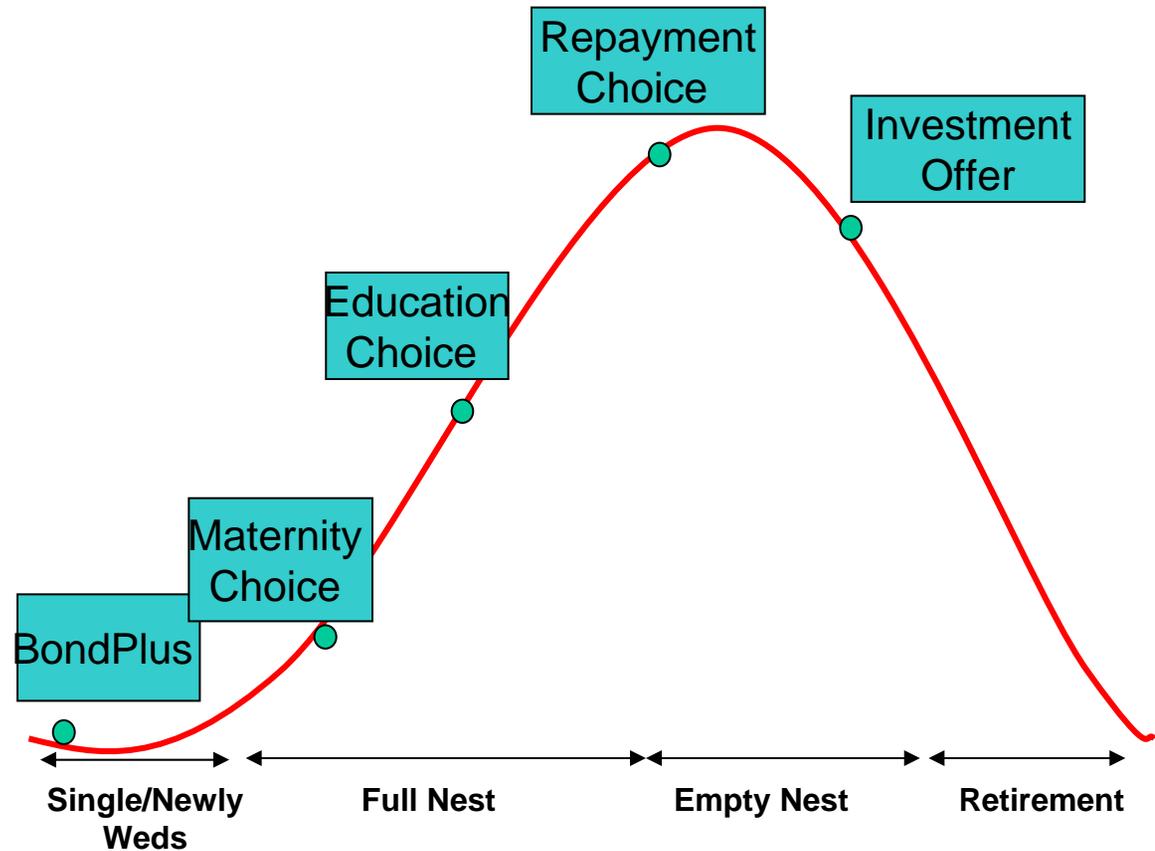
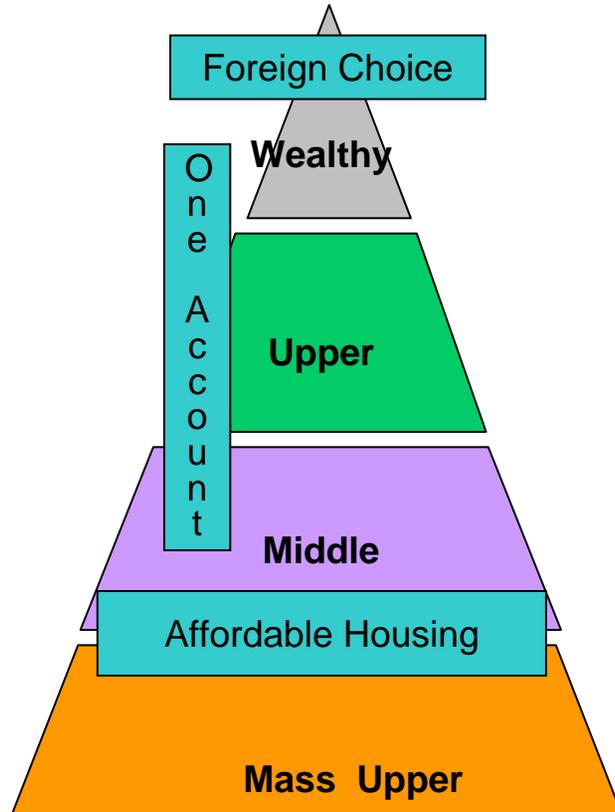


Meeting Customers' Needs



Segment Offer

Life Stage Offer



Generic Offer

Future Choice, Flexibond, Building Bond, Rate Choices



Where Will Growth Come From?



- Leverage Product and Marketing innovation

- Process and Technology efficiency

- Building embedded value
 - Focus on customer retention and re-advancing
 - New business and profitable market share growth



Where will growth come from?



- Branch Network
- Group Collaboration
- Innovation in Service
- Non-interest Income



Presenting
the
ONE ACCOUNT
From FNB

Gail Roberts

Tadaah!!!



What the One Account is



Convenient

- A single banking solution for all primary needs
- Product for life

Accessible

- All channels and *0860 FNB ONE*
- Chequebook and debit card, petrol card

Excellent value (savings)

- Single, low, tiered interest rate
- Salary into account = pay off the loan faster
- Set-off balances to improve rate



Differentiators



- New in Middle Market
- Up to 10% unsecured portion
- Risk and Affordability management
 - 4 repayment options
 - Individual risk rating
- Real-time
 - Truly integrated back-end
 - 24 hour access to credit, customer controlled
 - Single statement
- Built for high volumes = source of growth for FNB



Why it's so cool for FNB



- Breaking ranks with other banks
- Existing concept in new markets
- Intended to grow market share in middle market, retain upper segments
- Profitable: rapid breakeven
- New product enhancements every year
- Touted as most exciting thing to happen to banking in many years

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



First National Bank

A Division of FNB Bank Limited

How can we help you?

www.fnb.co.za

EXPO TOUR



Credit Card Issuing

Jan Kleynhans

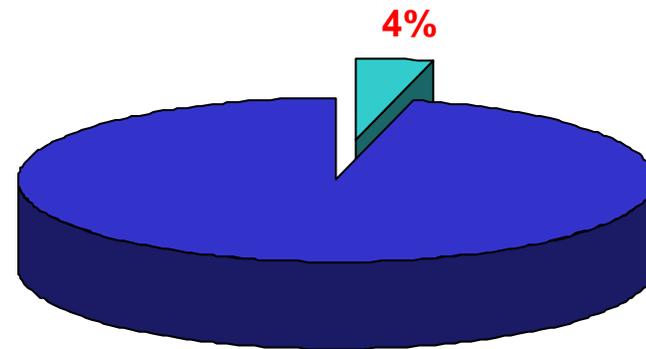


Card Key Highlights ... Dec '03



- Card loans up 20.1%
- Cardholder numbers up 7.5%
- 14.8% growth in cardholder turnover
- Deposits up 11.6%

FNB Card Share of Retail Cluster Advances





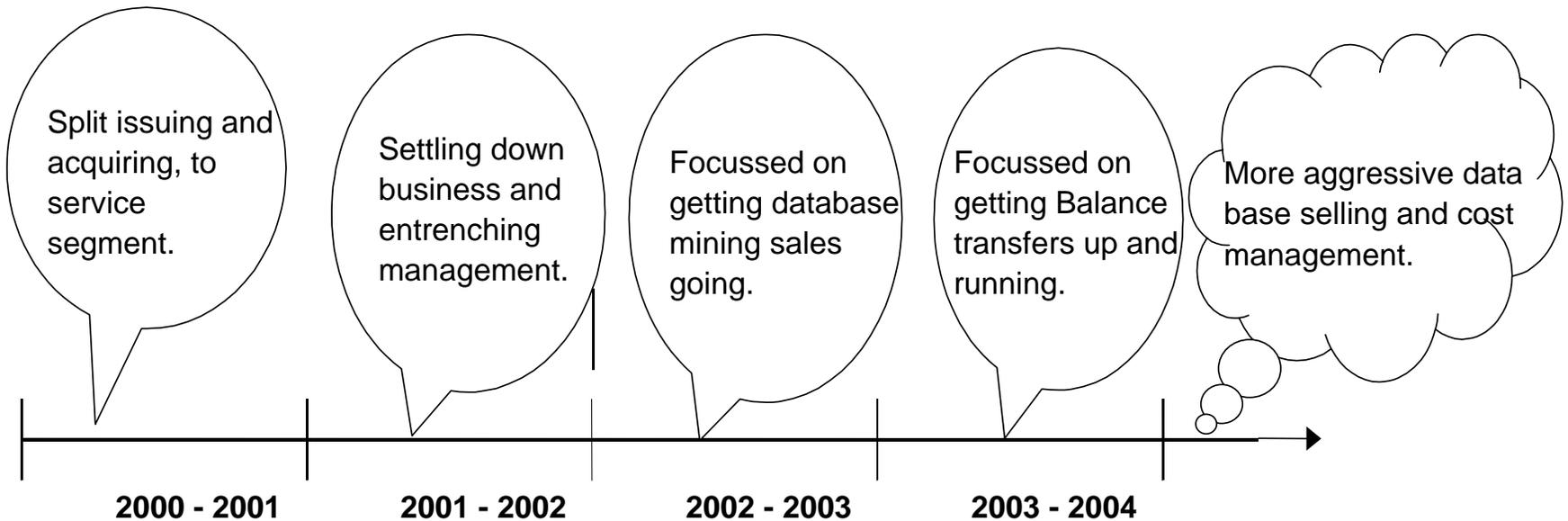
Our Key Focus Areas



- Thorough understanding of customer profitability and credit risk
- Highly differentiated card products
- Great prospects for growth.



Evolution of FNB Card

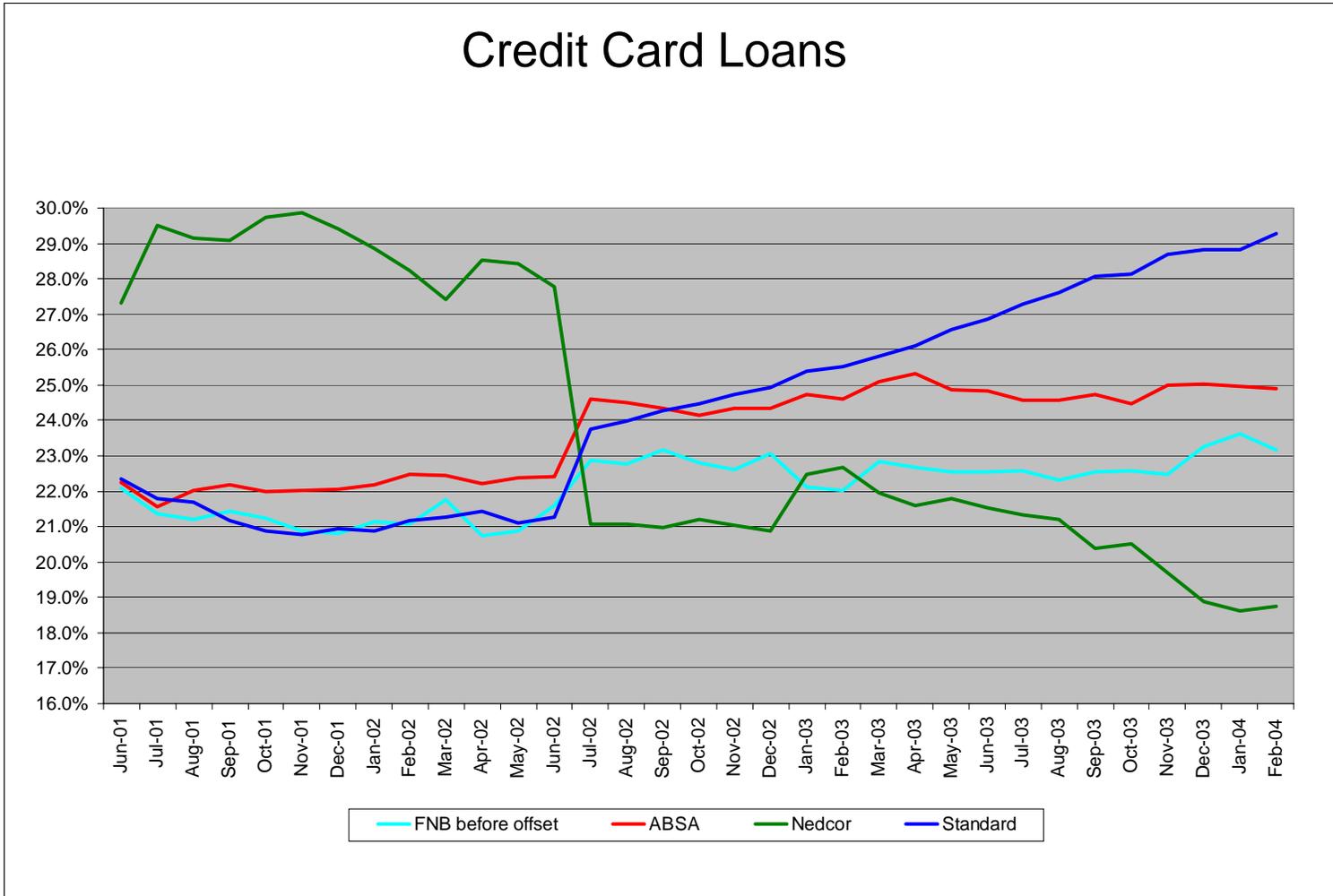




Advance balances per DI900



Credit Card Loans

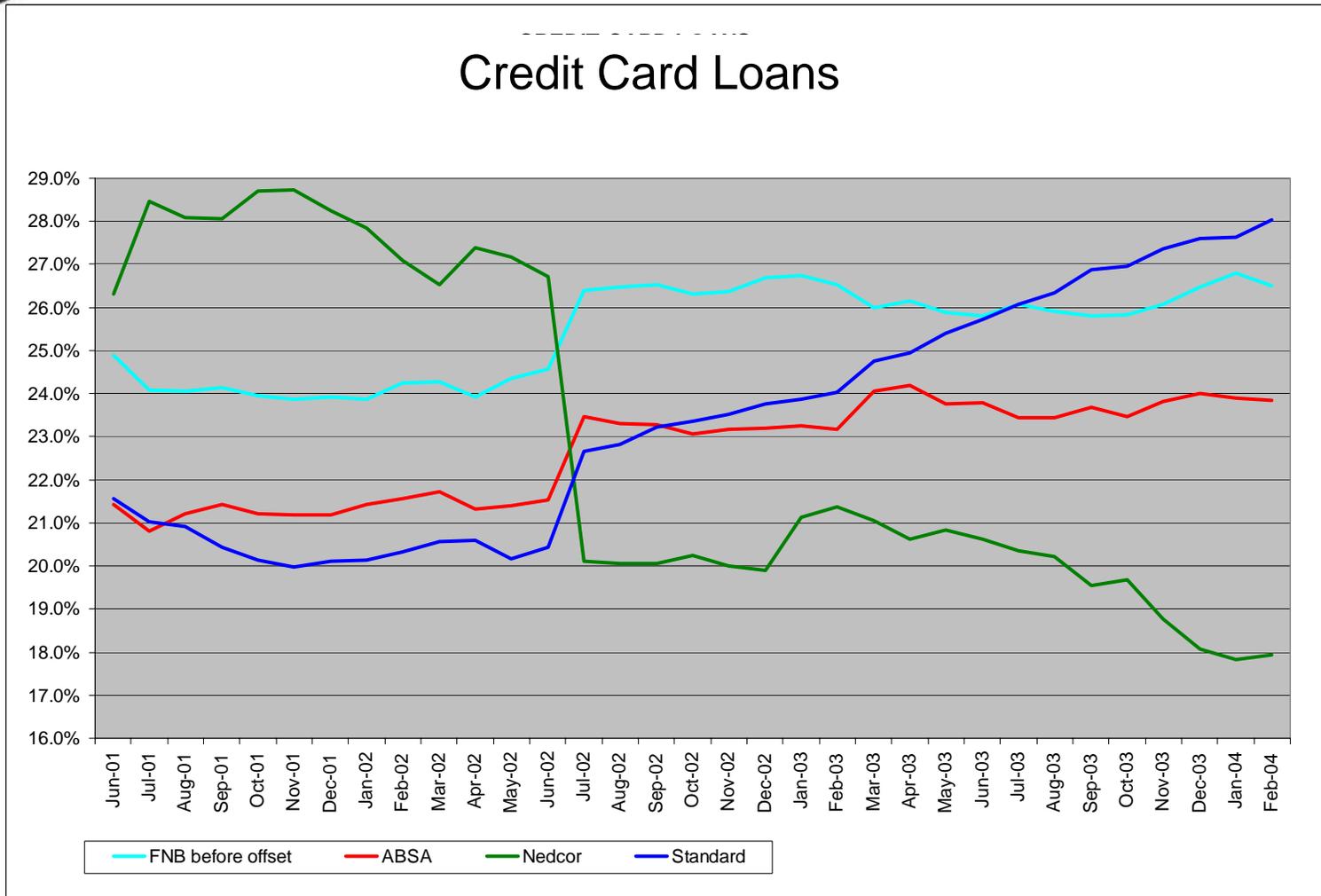




Advance balances per DI900 before deposit off-set



Credit Card Loans





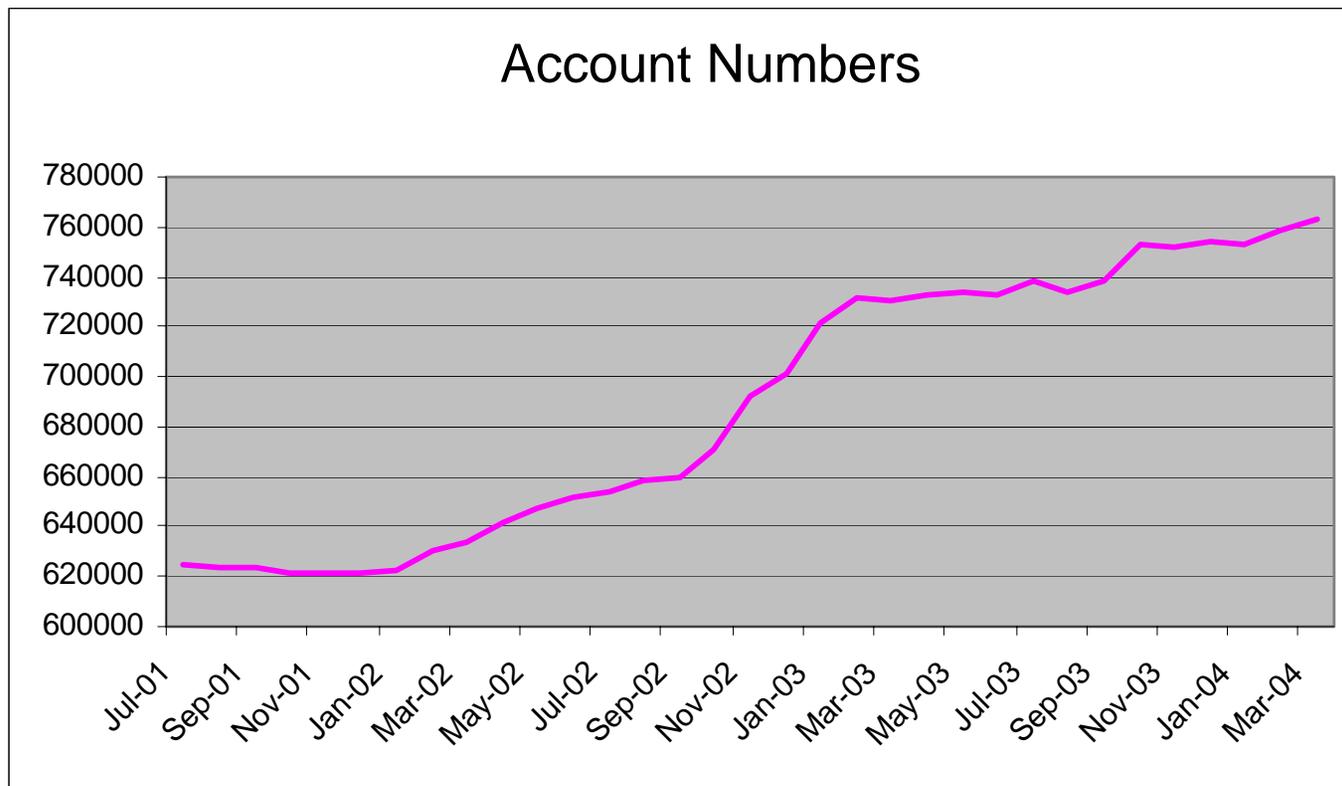
Customer Growth



- Reviewed SA credit card market and saw potential threat of international monolines into the market
- International best practice and skills transfer from US-based Provident Financial (and hard lessons learned!)
- Moved from reactive branch-only walk-in sales to proactive database marketing using own outbound call centre and direct mail
- Successfully developed credit and analytical skills to manage rapid sales leverage.
- Majority of credit card sales are through direct marketing channels.



Customer Account Growth



Shows impact of cross-sell



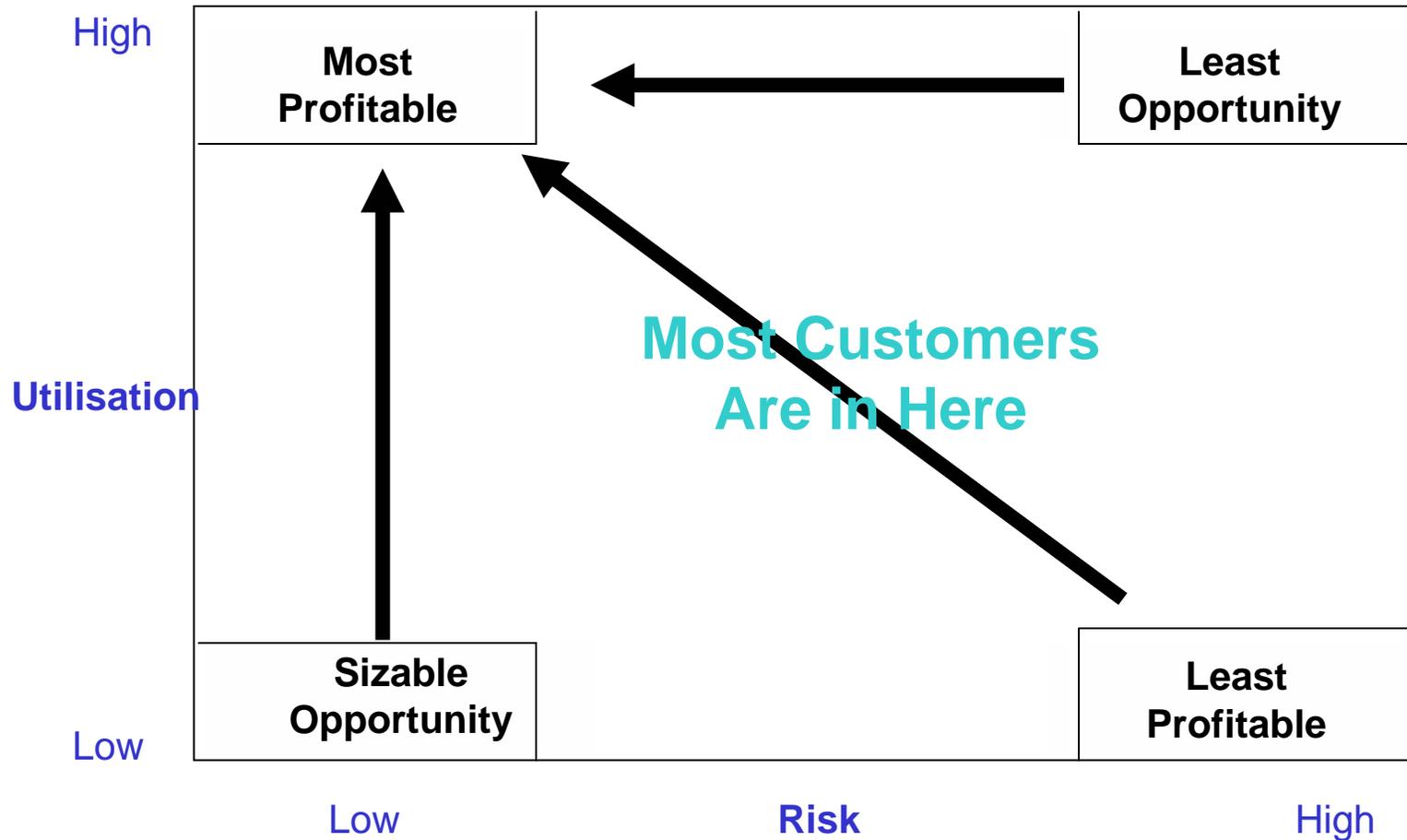
Customer Focused Marketing



- Managing effective credit risk and account utilisation
- Customer management is about increasing the economic value of each customer account.
Active marketing means putting a better product or offer in front of the customer more often in the hope of attracting the customer at the right time.

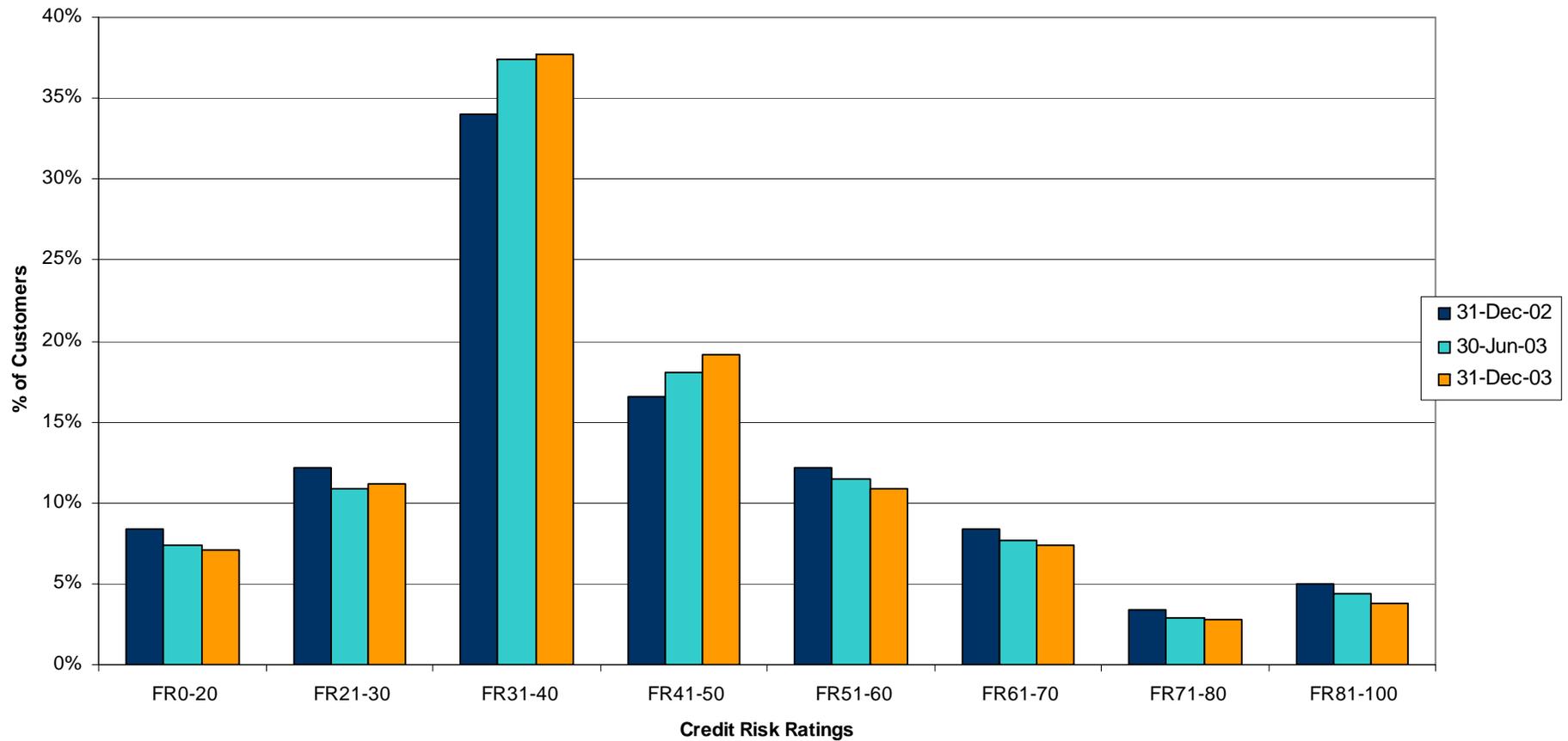


Customer Profitability Decision-Making Model



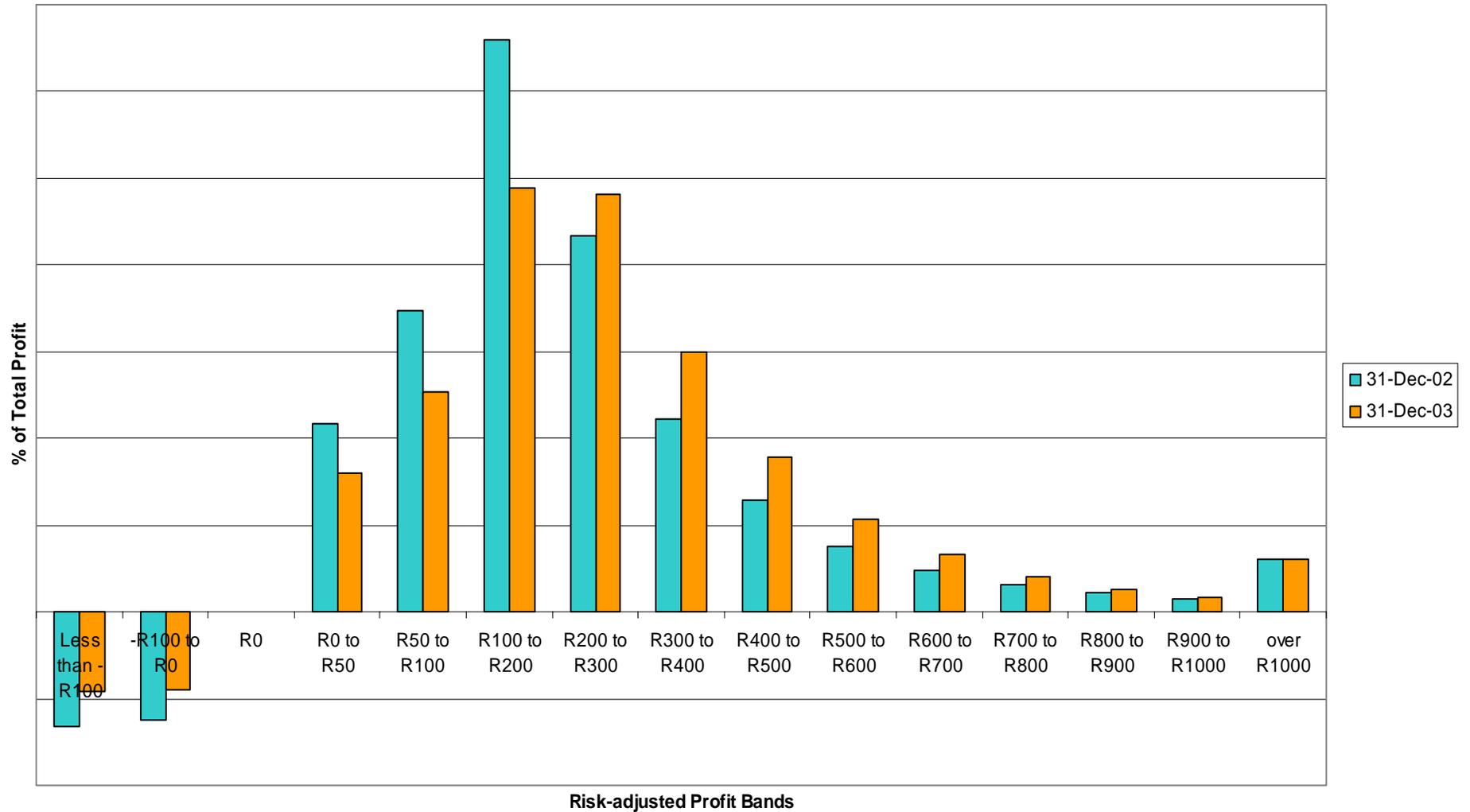


Customer Risk Distribution





Customer Profitability Analysis





Products Offered to Increase Economic Value



- Balance Transfers
- Limit increases and decreases
- Add-On Product Sale e.g. Petro cards
- Product Upgrade
- Cash advances e.g. budget
- Account closure
- eBucks Rewards upgrade
- Do Nothing



eBucks Rewards Driving Profitable Customer Behaviour



- 23% of customer base linked to eBucks Rewards programme

- eBucks credit card customers are
 - 47% more profitable than non eBucks customers
 - 50% more likely to be retained as credit card customers
 - using their credit card 75% more than non - eBucks at point-of-sale
 - spending 50% more than non eBucks customers at point-of-sale
 - more likely to respond to marketing and sales campaigns (e.g. electing to receive email statements, merchant promotional campaigns)



Card Product Differentiation



- Credit Electron for low income, higher risk end of market
- eBucks Rewards programme
- Embedded Insurance features
 - Debt Protection
 - Comprehensive Global Travel Insurance
 - AA Emergency Roadside Assistance
 - Lost Card and Card replacement insurance
- E-commerce products e.g. SABMiller Buying card



Growth Prospects



- Leverage off 2 year investment in analytical and database mining skills
- World-class credit application and behavioural scoring systems
- New income estimation and pre-scoring database mining techniques leveraging off group investment in GIS
- Credit Electron product for previously ignored and higher risk markets proving successful
- Over 1 million FNB retail and business customer prospects
- Leverage off investment in workflow automation and imaging systems
- A few other rabbits....watch this space



Our Challenges



- Basel II preparations
- Credit Card fraud
- EMV smartcard chip implementation
- New competitors
 - Barclaycard
 - Standard Chartered



Transactional Banking & Investments

Galia Durbach



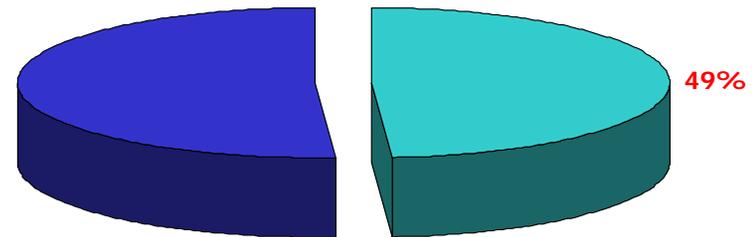
Transactional Banking and Investments

Key Highlights ... Dec '03

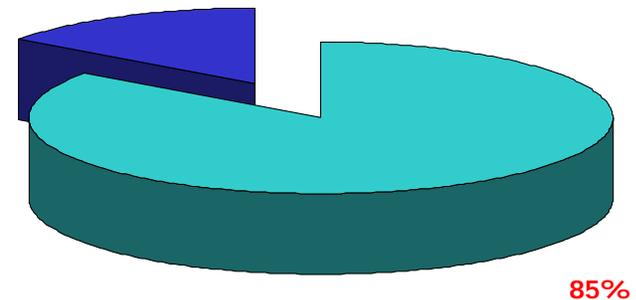


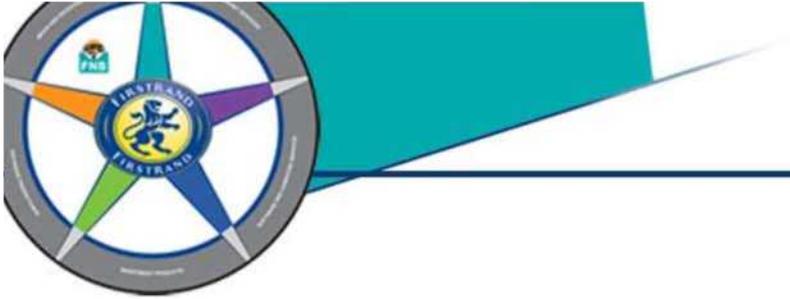
- Transactions up 8,3%
- Debit card number growth
 - 60% in cheque cards
 - 140% in Visa Electron cards.
- Transacting base up 7.2%
- Deposit balances up 11%
- Retention of the Saambou book at end December was 53%.

Transactional Banking Share of Retail Cluster NIR



Transactional Banking and Investment Product House Share of Retail Cluster Deposits





Who We Are



Core Relationship Products

- Cheque Accounts
- Transmission Accounts
- Savings Accounts

Investment Products

- Call Accounts
- Money Market Accounts
- Notice Deposits
- Fixed Deposits
- Unit Trusts

Segments

- Consumer
- Business



Who We Are



➤ **Core Teams, focused on:**

- Deep understanding of customers' needs
- Product design and development
- Systems and processes, around selling and administering products
- Enabling and supporting frontline staff
- Credit management
- Outsourced sales and service to delivery channels, e.g. branches



The Journey



Laying
the
foundation

2000

2001

2002

2003

2004





Laying the Foundation



Fix the Basics

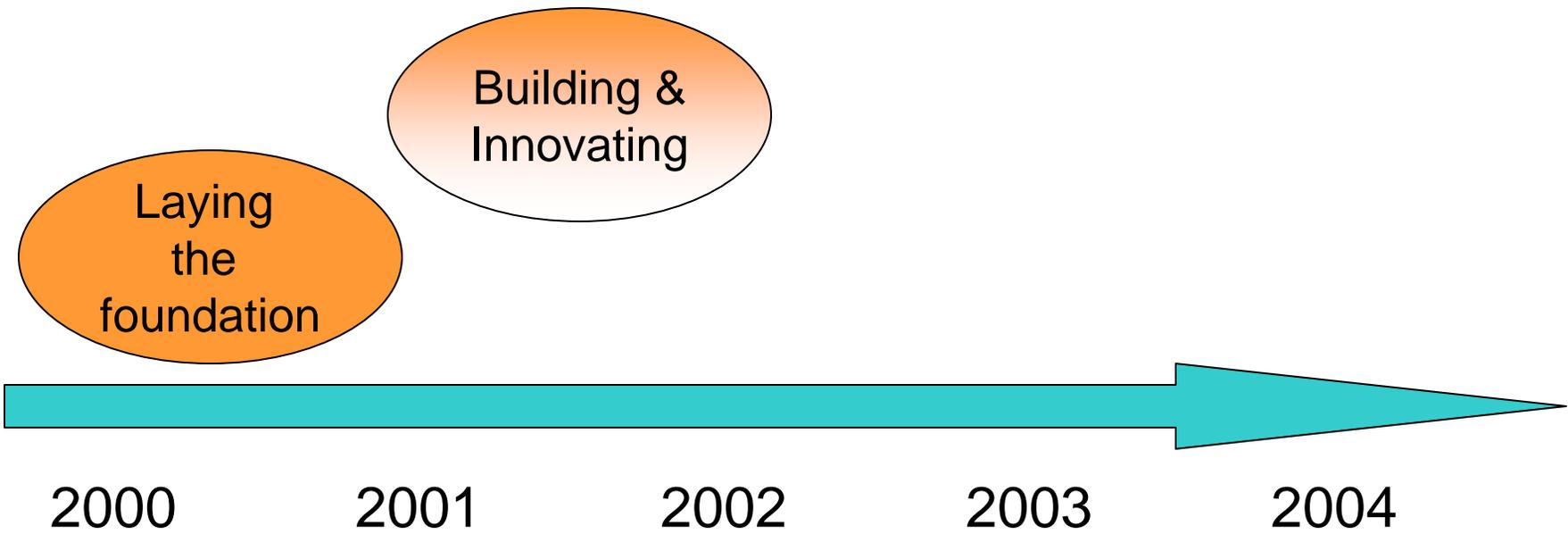
- Systems and processes
 - Building channel flexibility
 - One central platform enabling changes/development across channels

- Products and pricing
 - Stem revenue leakage
 - Establish pricing philosophy & principles
 - Match pricing approach to customer needs/channel usage
 - Simplification
 - Alignment of pricing across products
 - Price appropriately to reflect channel costs
 - Transparency of pricing

- Credit policies & basic processes addressed



The Journey





Building & Innovating



- Marketing/brand positioning
 - 'Revitalize' FNB's product presence in the market
 - Timed to coincide with branch readiness

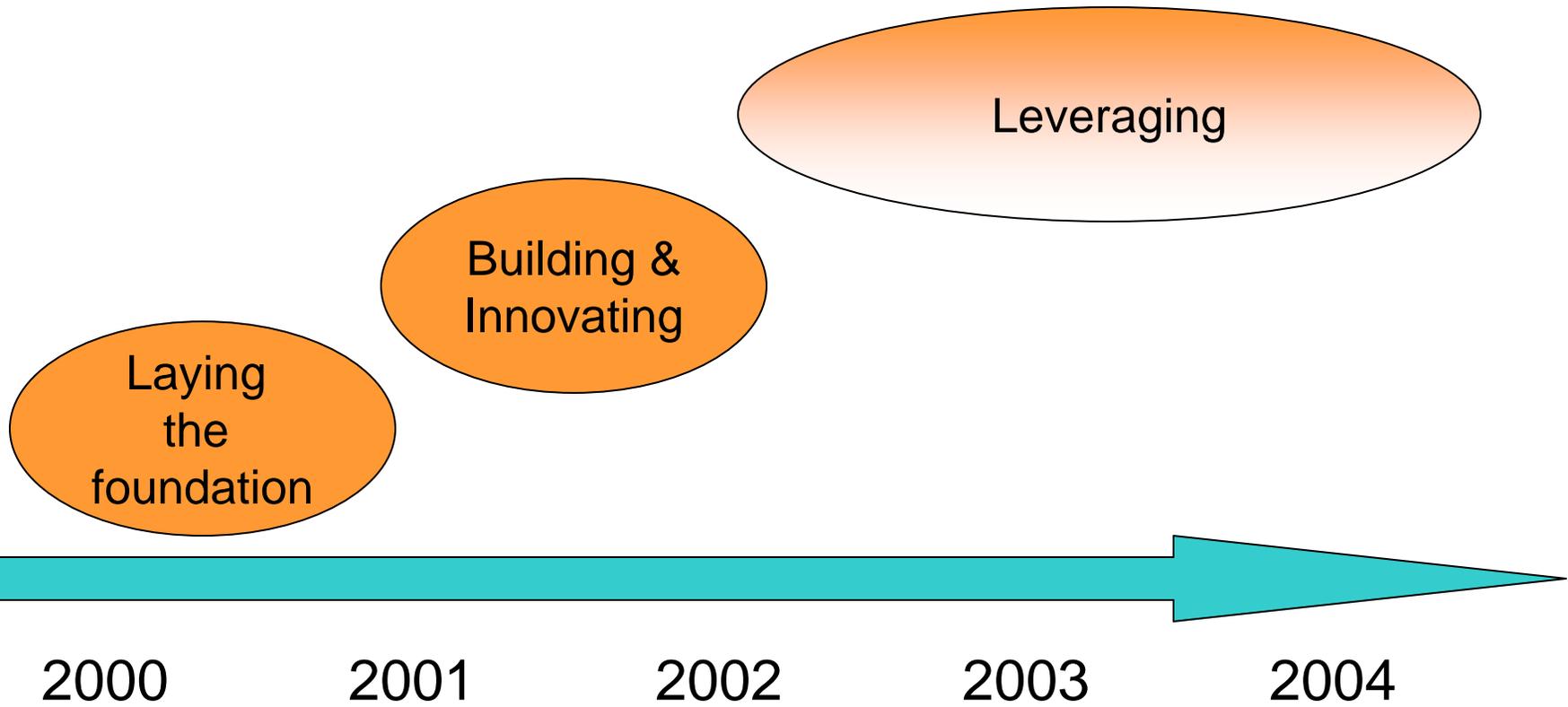
- Innovating
 - Launch of FNB Internet Banking
 - Innovative, informative customer statements

- Credit
 - Began laying foundations – automation & efficiencies

- Building the team and intellectual capital



The Journey





Leveraging



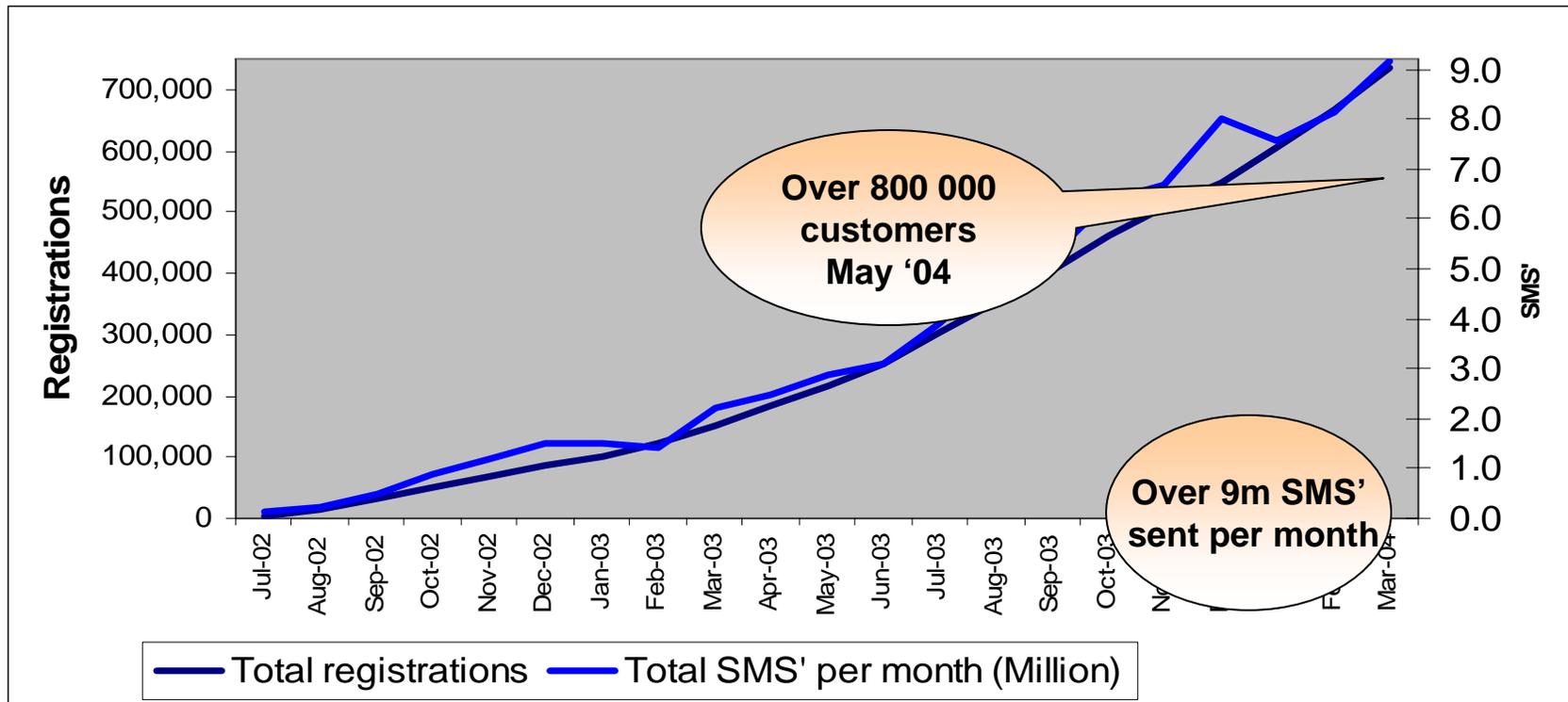
- 'Fixing the basics' enabled rapid delivery of complex solutions
- Ability to take on Saambou Deposit book
 - Take-on of over 400 000 customers in 90 days
 - Conscious opportunity cost
 - put certain initiatives on hold – credit, payments enhancements
- Launch of *InContact*
 - Integrated with core systems
 - 2 months to develop
 - Exponential growth – now over 800 000 customers



Leveraging



inContact



Exponential growth in customers use of this service

Helping to combat fraud



Leveraging

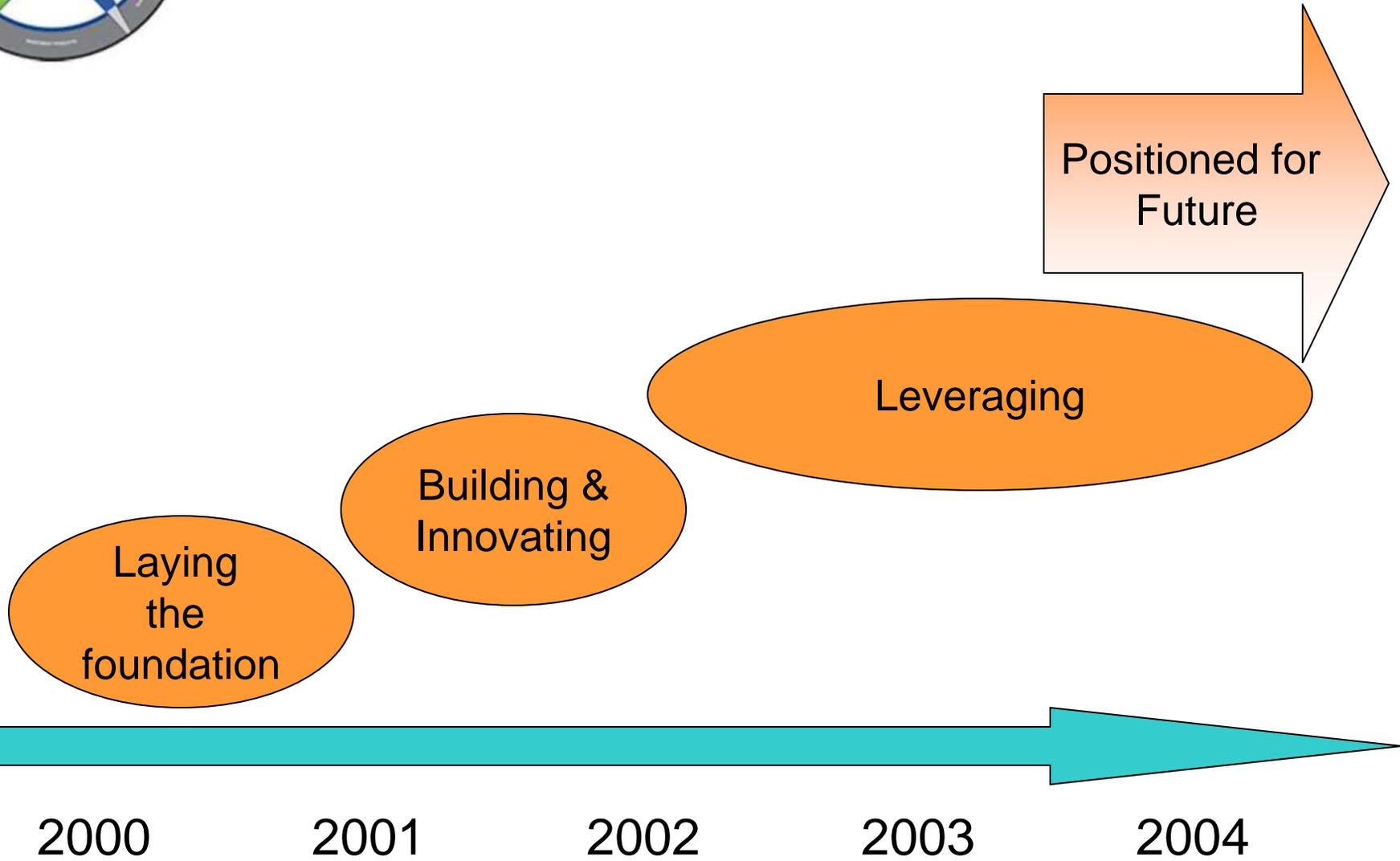


- Streamlined buying process
 - Cross-sell triggers at frontline
 - Reduced time to sell by 50%

Technology is a key differentiator



The Journey





Positioned for the Future



- Delivery capability (physical and virtual)
 - Real-Time Account Opening on the Internet
- Systems and processes enable rapid automation / streamlining
- Customer convenience
 - Free Debit Order Switching (10 000 + customers assisted to date)
 - Automated Renewal of Fixed Deposits
 - Electronic account payments architecture



Positioned for the Future



Development of new markets through product innovation

- Expand Current Products
 - Notice Accounts to the mass market
 - Embedded credit life in overdraft
 - *InContact Pro* for business

- New products
 - Prime Floor/Bonus account
 - Pre-Plant Contract product for Agriculture



Positioned for the Future



- Improved Credit Processes
 - Application and Balanced Risk Scorecards
 - Dynamic Provisioning
 - Automated Management of Credit Excesses
 - Hubbing of Credit

- eBucks rewards on Cheque accounts
 - eBucks earners 23% less likely to close their accounts
 - eBucks earners transact 90% more than non eBucks earners

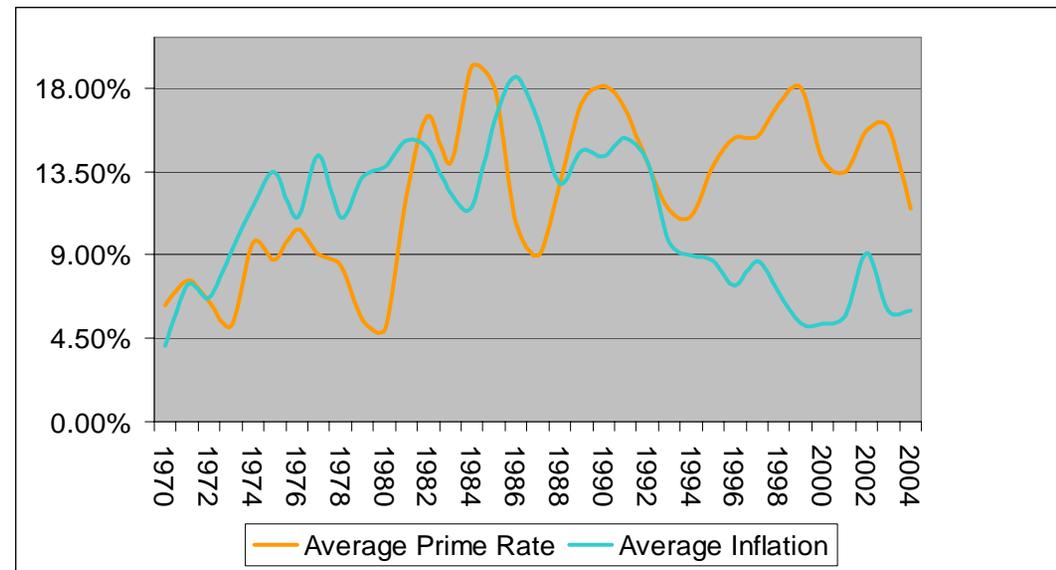
- Split Transactional and Investment products into two focused areas, operating on a shared infrastructure



Growth Challenges

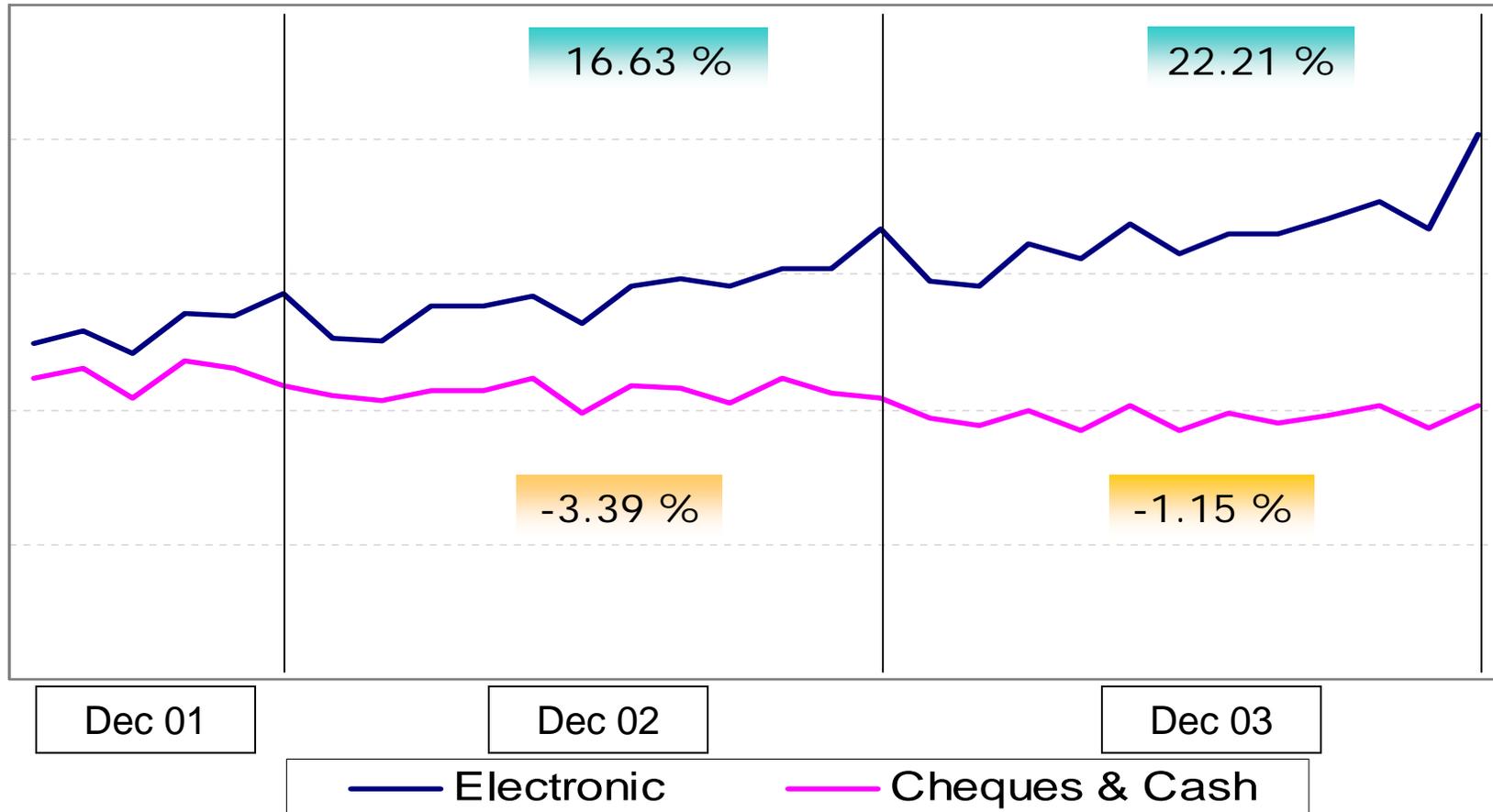


- Low interest rate, low inflation environment
 - Product innovation
 - Cost containment
 - Continued re-engineering
 - Active margin management
 - Endowment hedge





Electronic Channels Driving Volume Growth



Overall growth in transaction volumes 8.3% in 2003 (6.4% in 2002)



Balance Sheet Growth



<u>YOY growth</u>	<u>Dec 03/02</u>	<u>Dec 02/01</u>
Money Market	19.0%	22.0%
Call Accounts	12.2%	63.4%
Notice Deposits	1.1%	52.5%
Fixed Deposits	7.4%	168.9%
Cheque, S & T	13.5%	13.6%

Saambou
Take-on

Continued strong growth on back of Saambou
Move to short term money



Managing Interest Rate Risk & Pricing



- Applied intellectual capital to the whole book – manage interest rates on a highly skilled basis
- Apply same techniques on a product basis to actively manage margin



Conclusion



- Positioned for growth
- Development of new markets through product innovation
- Focus on customer convenience & efficiencies



FNB Insurance

(Bancassurance)

Schoeman Rudman

What is FNB Insurance



More than Bancassurance – Total Collaboration

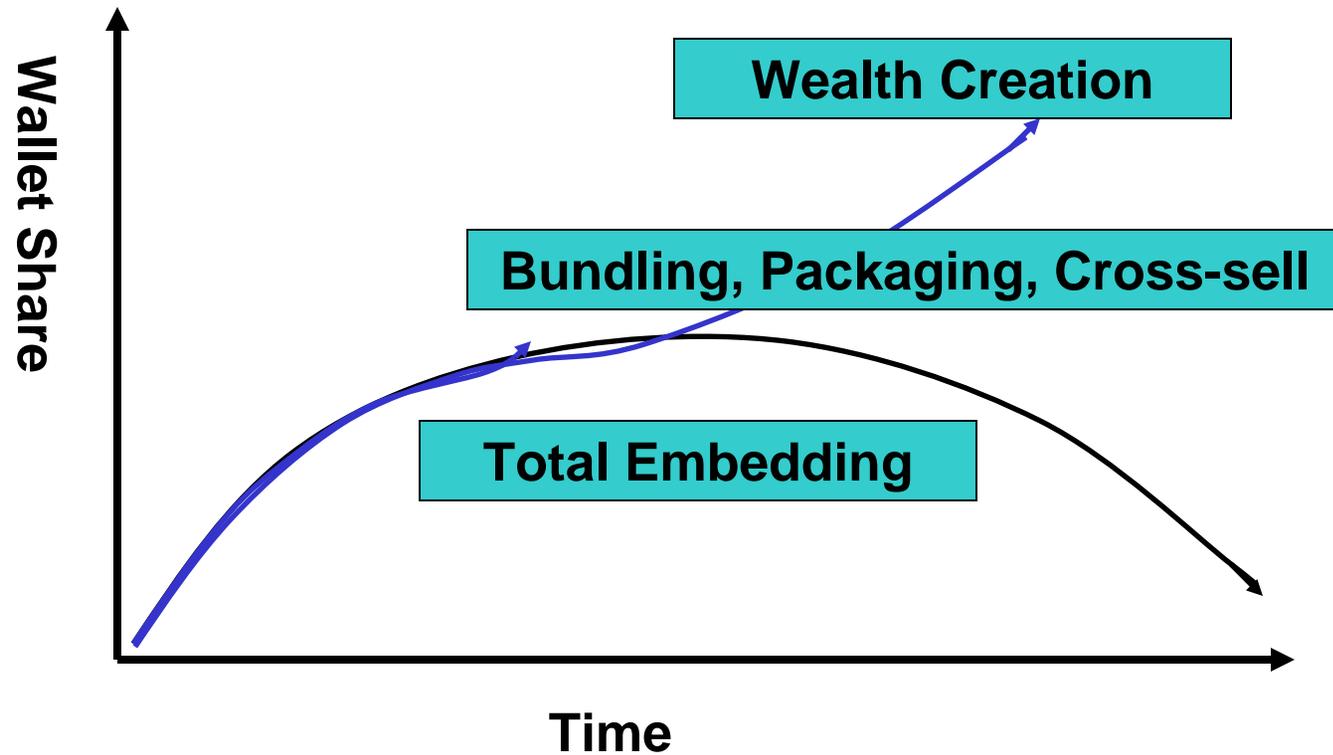
- **Focus**
- **FNB Insurance Brand**
- **Utilisation of existing assets**



Strategy

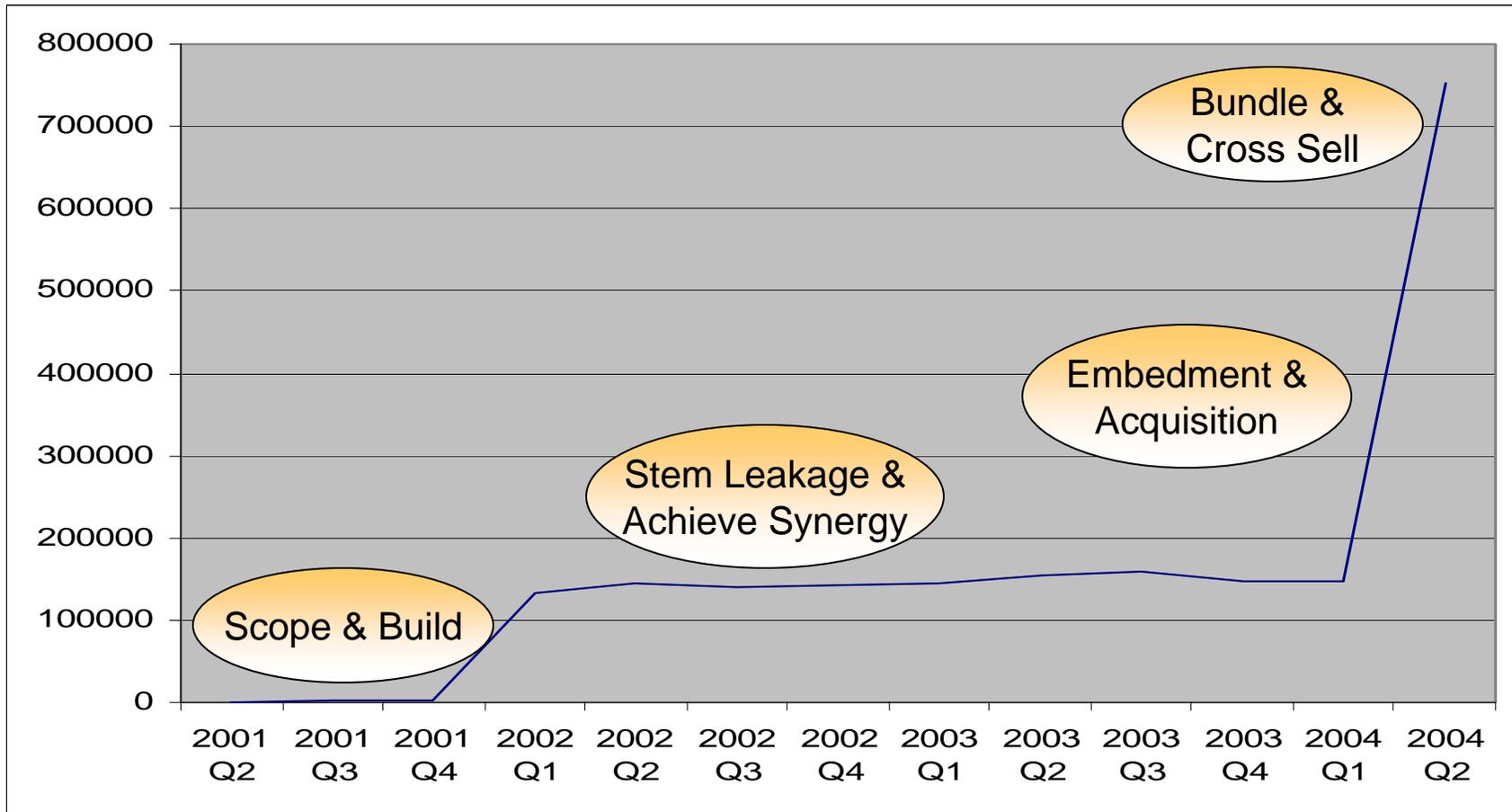


- Credit Relationship
- Insurance Relationship





Strategy : Customer Base Growth



Number of Active Policies



Positioned for Growth



- Branch Network Sales
- Insurance Advisors
- African Subsidiaries



Collaboration



- Retail income from insurance operations up **58%** year-on-year

R'm	Dec 02	Dec 03	June 03	% Δ HY/HY
OUTsurance	40	68	85	70%
First Link	18	25	62	39%
WesBank	75	100	160	34%
HomeLoans	-	35	46	n/a
FNB Life	18	22	42	22%
FNB Consultants	18	17	33	-6%
Total	169	267	428	58%



Lessons Learnt



We are doing well, but....

The potential is huge !

Responsible Life

"The responsible choice today is the right choice tomorrow."



Survivor Plan
Funeral Plan
Education Savings Plan
Contractual Savings Plan

For more information, contact us on 0860 100 394 or ask at this FNB branch.



Address of First National Bank Limited
How can we help you?
www.fnb.co.za



Loans

Dave Dantu



Positioning



**We are the originator of non-asset backed
loan products, within FNB and chosen
market segments!**

Business

Agricultural

SME / BEE

Commercial

Mass

SmartSpend

Smart Housing Plan

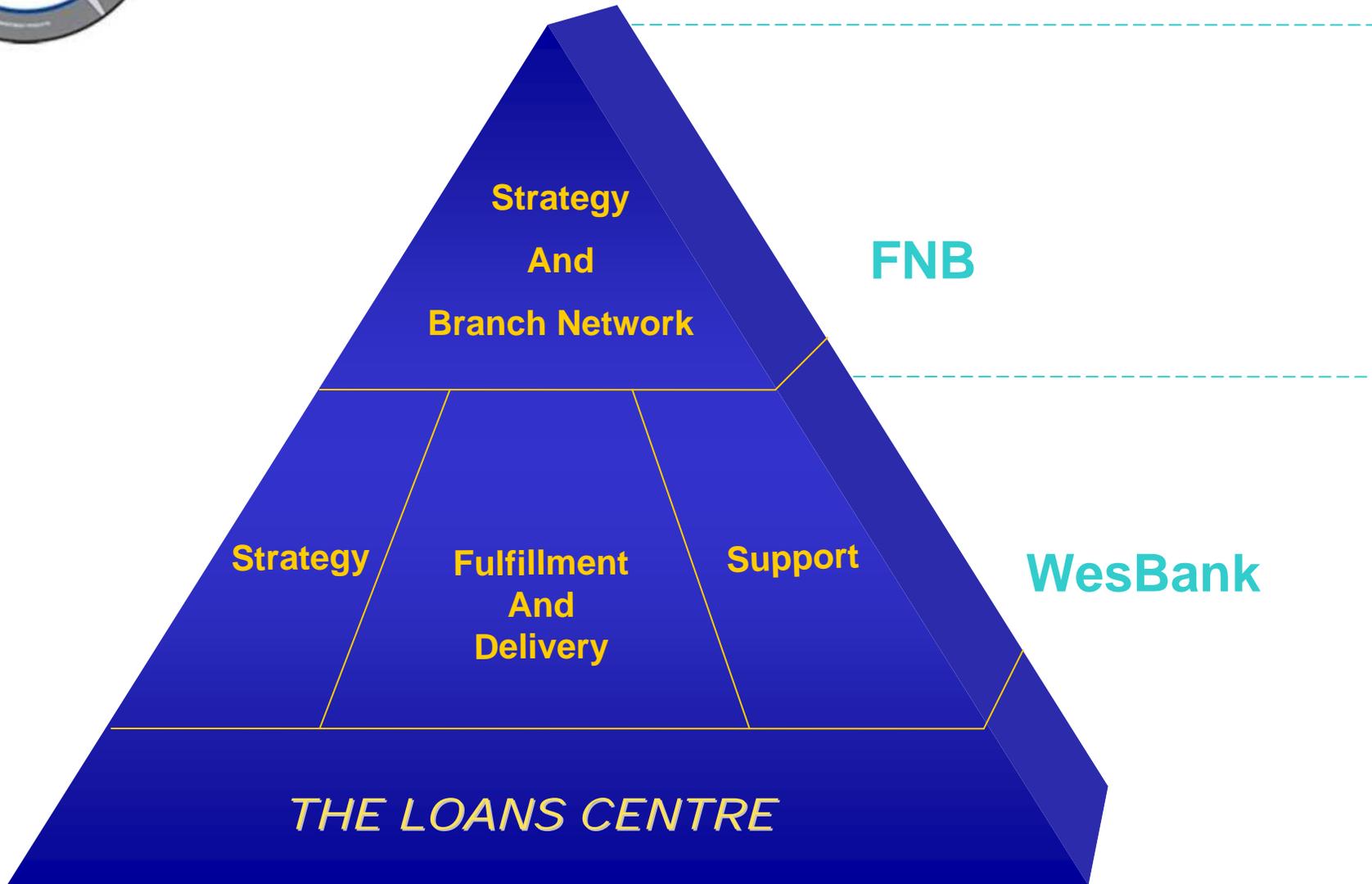
Middle

CashPower

Student Loans

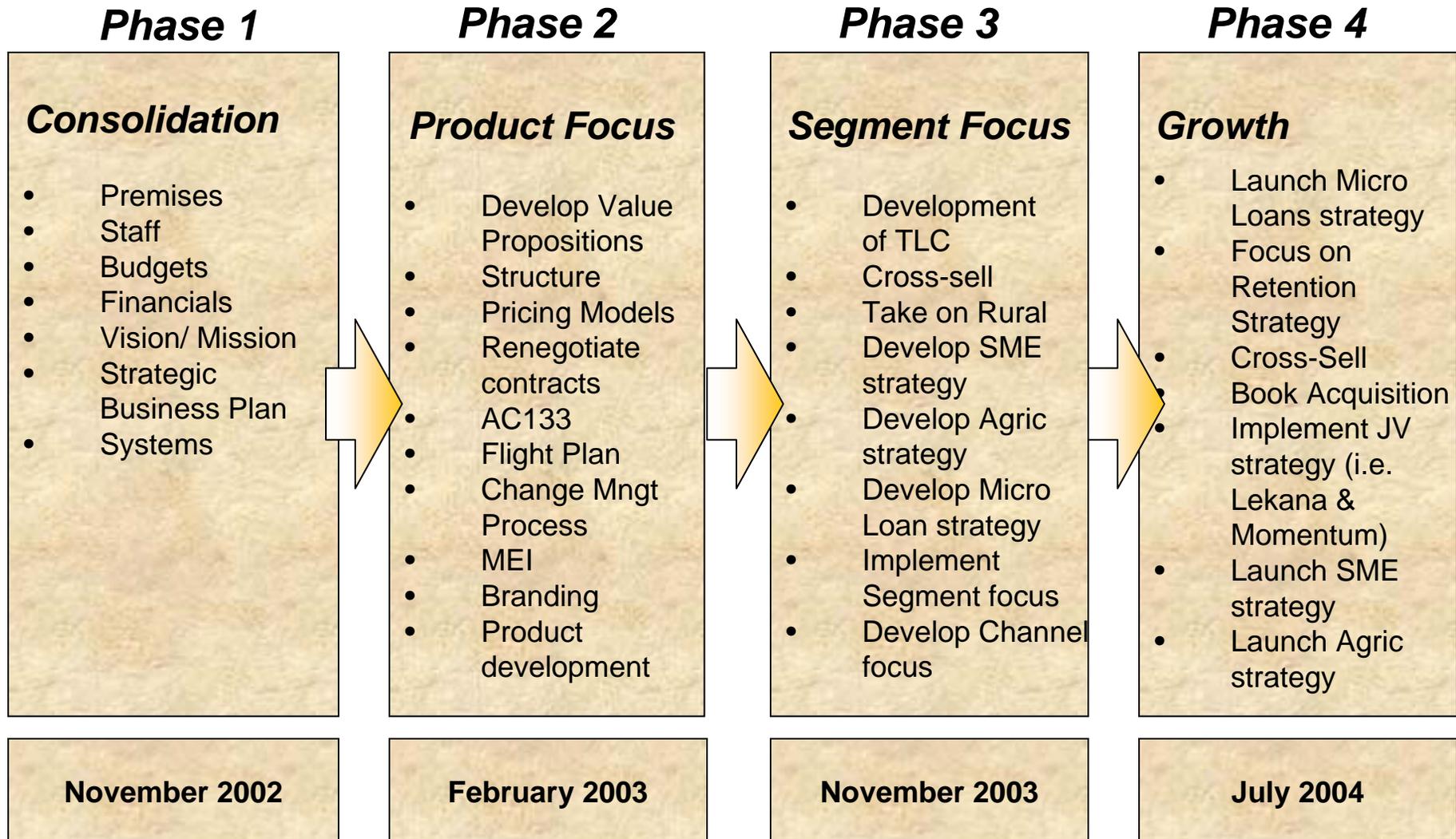


Collaboration at its Best!!





Flight Plan Process





Loans

Key Highlights ... Dec '03



- Return to profitability of FNB Instalment Loans from a prior loss of R104m

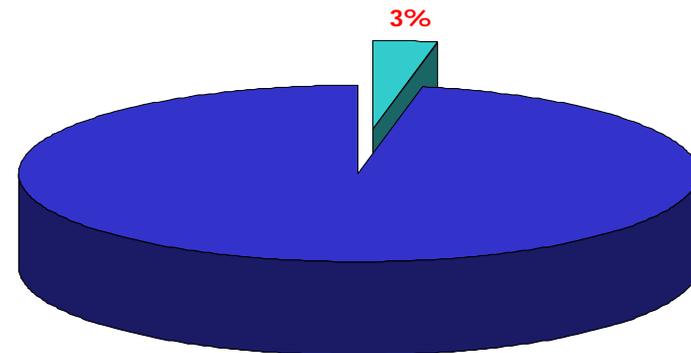
Micro Loans

- R400m book size
- NPLs down to 8,5% from 28%

Non-mortgage loans book

- R344m book size
- NPLs down to 0.5% from 9%

FNB Loans Share of Retail Cluster Advances

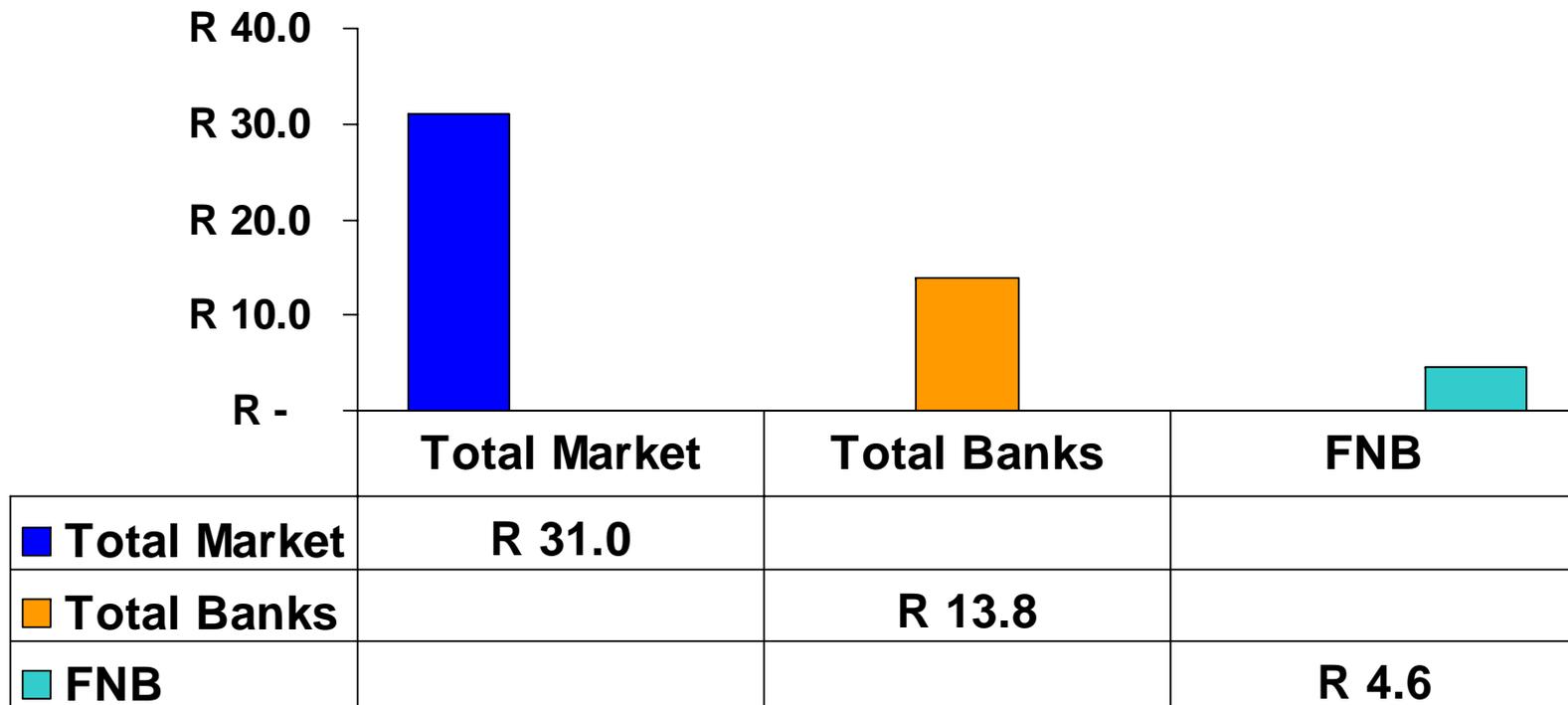




Market Share



Agricultural Loans - Market Share



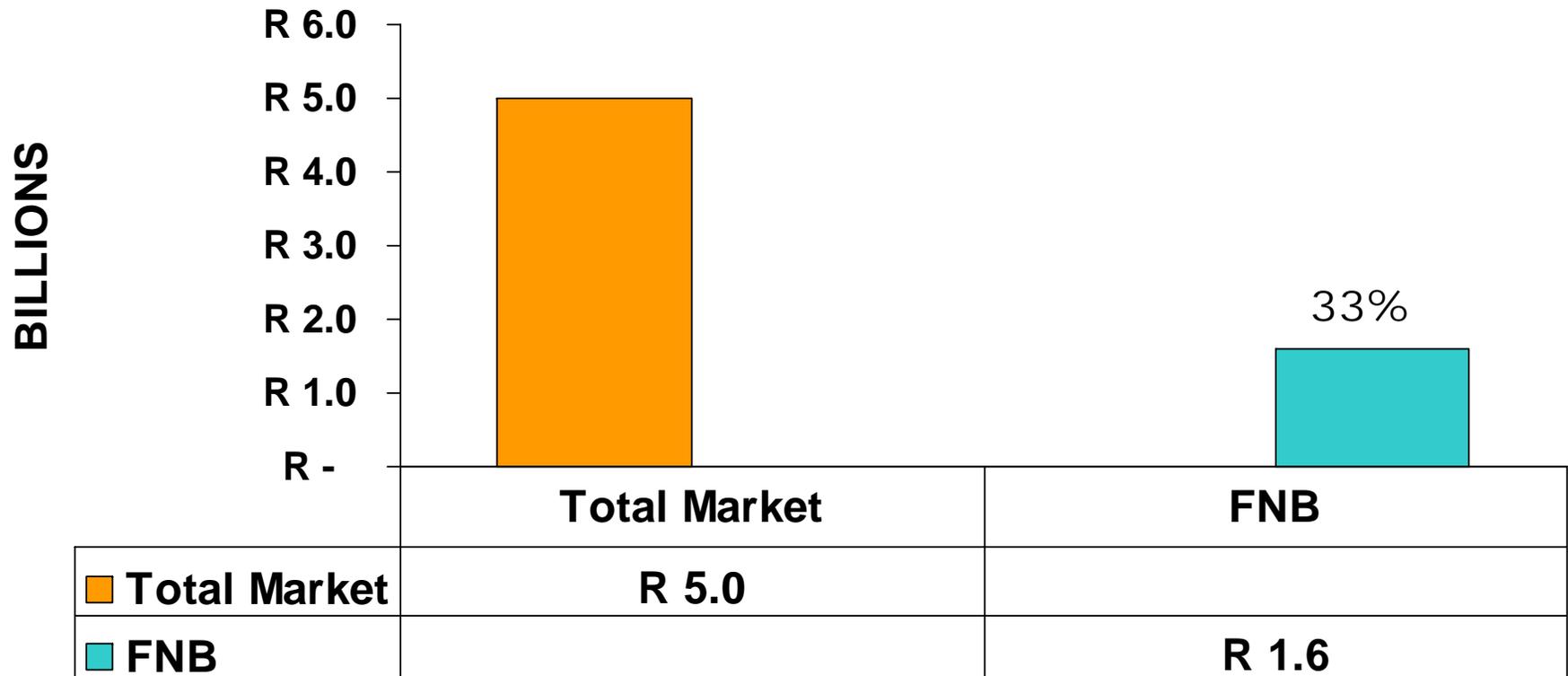
Source: Shared Peer Information



Market Share



CashPower Personal Loans - Market Share



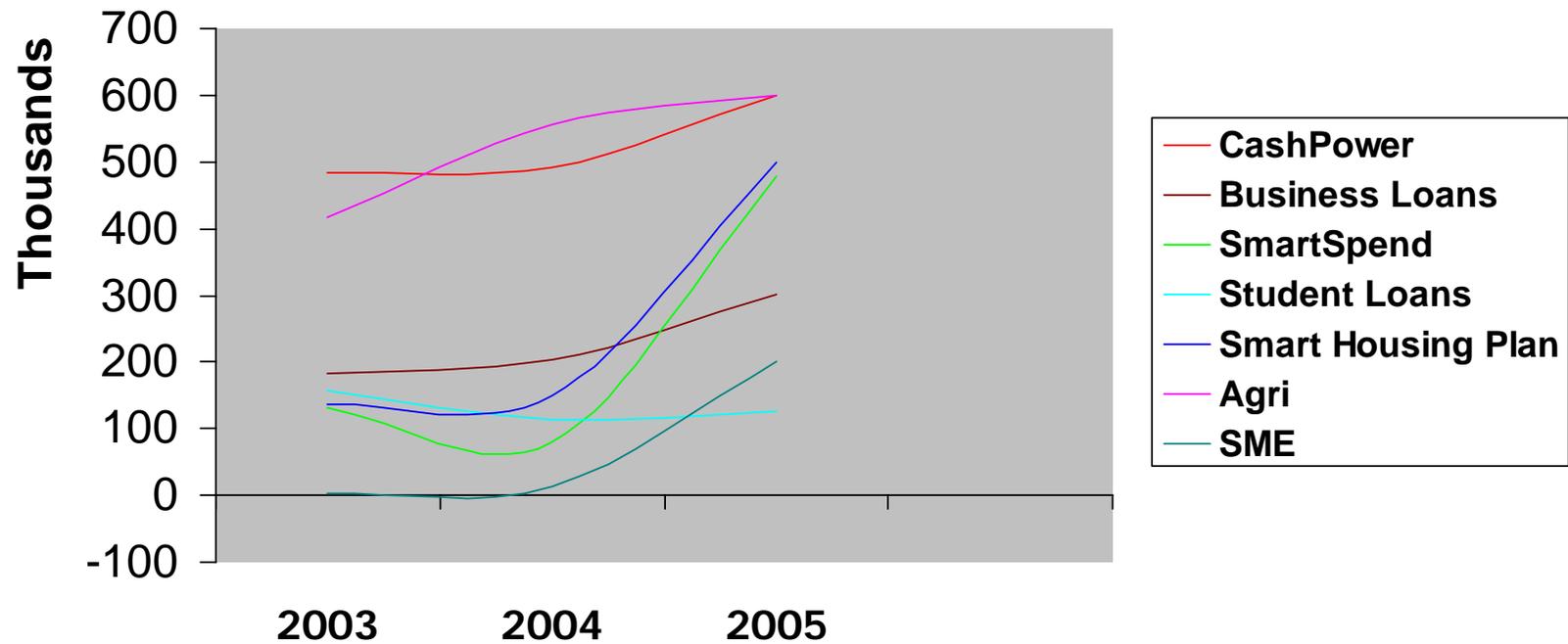
Source: Shared Peer Information



Anticipated Growth



Production/Rand Value





Strategic Focus Areas



- Partnership opportunities
- Cross-sell initiatives
- Formalise Vanilla and Structured loan TLC structures
- Single loan acquisition system
- Improved efficiencies



Growth Opportunities



ORGANIC

- FNB Branches sales drive.
- Direct marketing including the pre-approval of customer base for the Middle and Mass markets.
- Ongoing improvement in scorecards
- Introduce an additional channel for the acquiring and fulfillment of personal loans – The ATM.



Greenfields



- FNB Enterprise Solutions – well placed with risk sharing public partnerships and a world class, world first, AfterCare Programme – In support of the SME and BEE market
- The Mass Market Drive
- The aforementioned initiatives will underpin our Financial Charter drive helping us to achieve the required targets by June 2008
- Select Acquisition

**EXPO TOUR
&
LUNCH**



Service Network

Peet van der Walt



Agenda



- Service Network – Peet van der Walt
- Branch Banking – Zweli Manyathi
- Banking Operations – Leonie van Tonder
- eDelivery – Roland le Sueur
- Self Service Channel – Michael Arnold



What is the Service Network ?



The Custodian of all FNB Relationships

Through multiple channels, we strive to consistently deliver superior customer experiences. We aim to get, keep and grow all FNB customer relationships.



Key Themes



- People
- Efficiencies
- Sales
- Innovation
- Investments & Growth



People



- VUKA
- Product training
- Service culture – No 1 since inception of SAS Index™
- Improved productivity
- Recognition / incentives
- Leadership development
- Learnerships
 - Bachelor in Management Leadership Programme:
 - First intake - March 2003: 40 learners
 - Second intake – March 2004: 26 learners, 10 people with disabilities
 - International Exchange Programme
 - Letsema Learnership 2004
 - 1 year project
 - 200 learners, 10 people with disabilities



Efficiencies



- Branch / Back office restructure (no IT re-engineering)
- Further centralization of branch admin
- Sales efficiencies
- Productivity improvement in all channels



Sales



- Integration of channels
- Sales conversion ratio
- Relationship management teams
- Group schemes
- Personal relationship banking



Innovation



- Culture
- Innovation Units
- Continuous Innovation



Investments



- Imaging Project
- ATM software
- Increased Internet Banking capacity
- Branch automation
- Refurbishment of branches
- Relocation and expansion of branches
- ATM Network expansion
- Contact Centre
- Direct Channel
- Customer Experience project

Investments self-funded within financial years by collective efficiencies



Key Statistics (As at Dec '03)



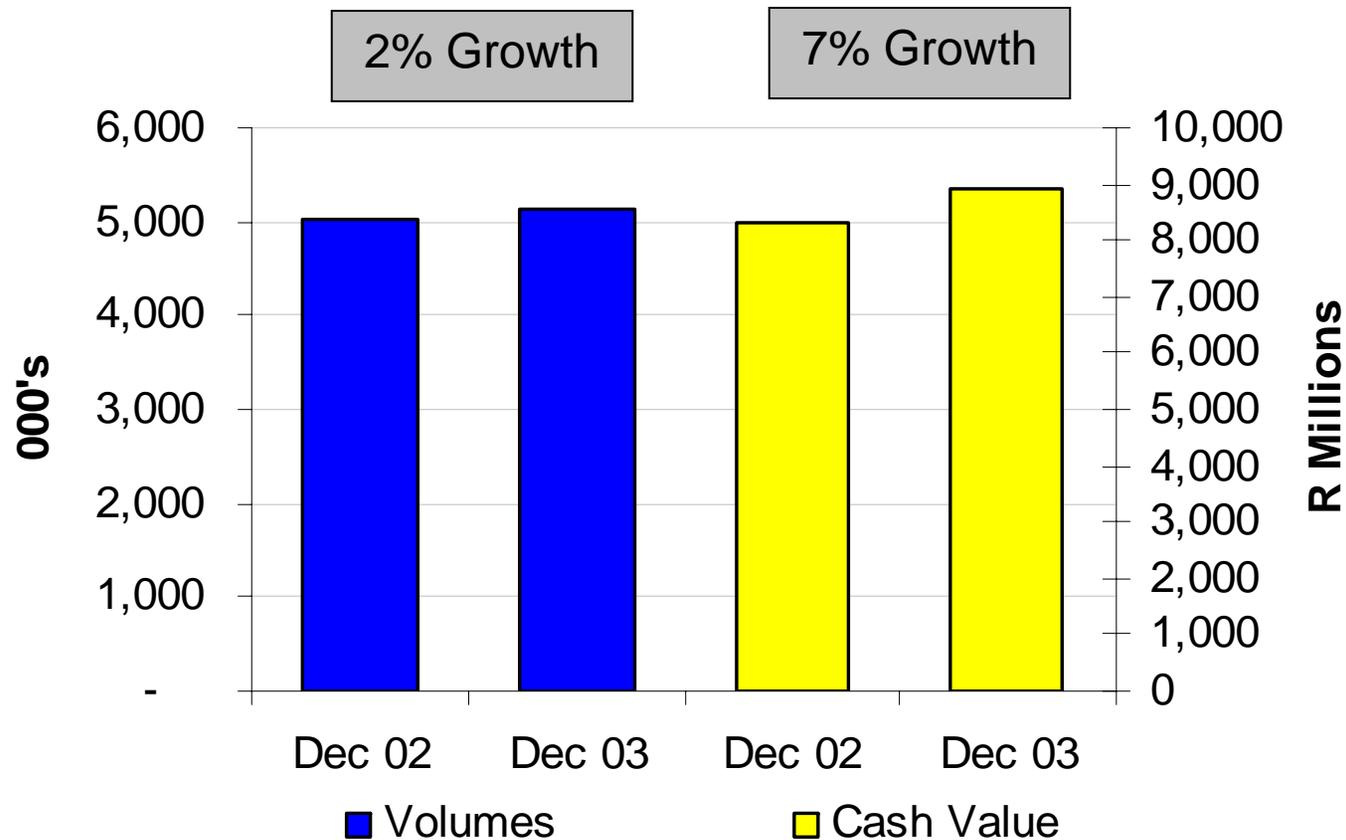
- 5.5 million customers
- 223 000 Internet bankers
- 640 branches
- 2, 965 ATMs
 - 2068 ATMs
 - 849 Mini-ATMs
 - 48 BOB Cats



Branch Transactions Average Monthly Transactions



(Withdrawals and Deposits) Dec '02/'03



Monthly average volumes peak at 5.6m and value peaks at R12.6bn



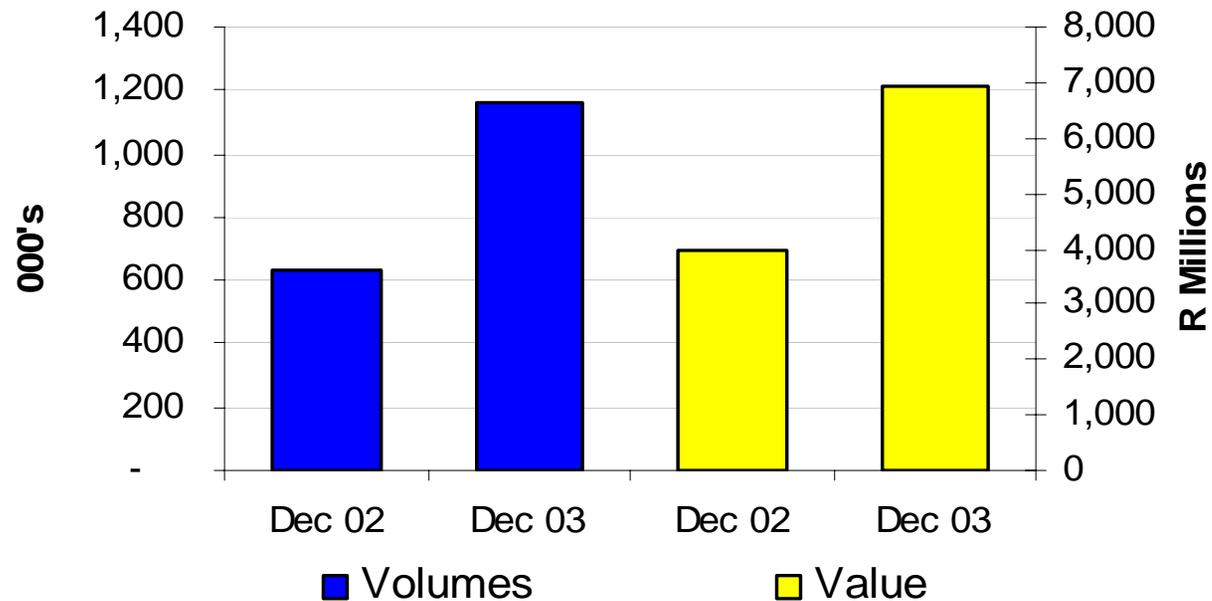
FNB Internet Banking Average Monthly Transactions



(Payments & Transfers) Dec '02/'03

85% Growth

74% Growth



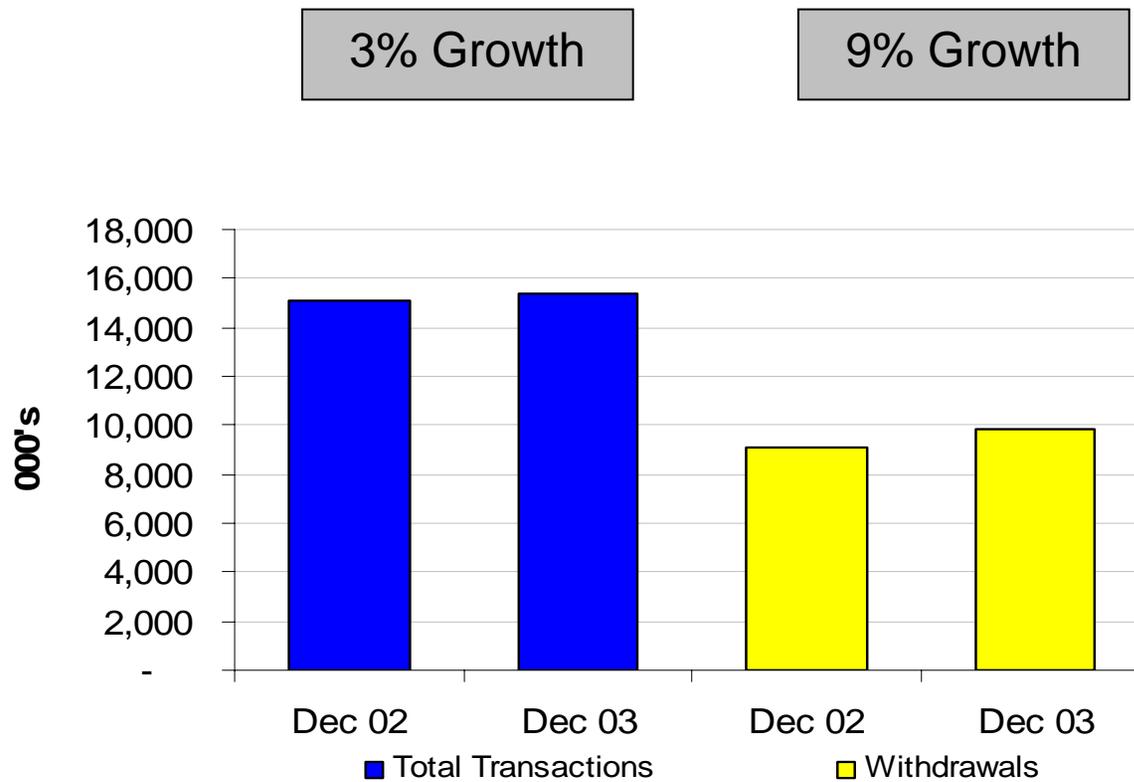
Monthly average volumes peak at 1.3m and value peaks at R7.2bn



ATMs Average Monthly transactions



(Total transactions '02/'03)



Monthly average volumes peak at 15.9m



Branch Banking

Zweli Manyathi



Our Journey



2000

- **February:** First Express, First Commerce, Personal Bank and FNB Rural Branch migration
- **June:** Head Office consolidation
- **November:** Back Office centralisation and restructure of FNB Metro

2001

- VUKA introduction
- SAS Index™ 2001 – FNB rated number 1 for Customer Satisfaction

2002

- SAAMBOU take-on
- Introduction of sales culture.

2003

- **March:** Metro & Rural Head Office merger
- SAS Index™ 2003 – FNB rated number 1 for Customer Satisfaction
- Increased focus on sales (sales measurement)

2004

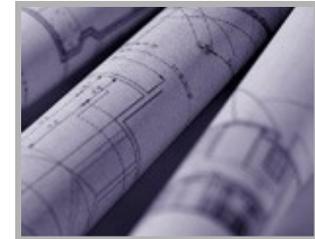
- VUKA extension
- Focus on local markets
- Metro & Rural network merger
- Balance sheet moved to appropriate product houses (i.e.HomeLoans)



What is new in Branch Banking?



- **Vuka** bedrock of our culture, Rural roll-out initiated
- **Similar** (but not the same) **structures** in all provinces
- **New measurements**
- **Implement franchise model**





Key Themes going Forward



➤ **Efficiencies**

- Capacity management
- Franchise approach

➤ **People**

- Creation of capacity

➤ **Sales**

- Sales effectiveness

➤ **Focus on the customer**

- Consistent customer experience across outlets
- Customer Complaints Management System
- Customer Portfolio Management System
- Taking banking to under-serviced areas



Challenges



➤ Compliance

- KYC
- FAIS



Banking Operations

Leonie van Tonder



What is Banking Operations



STRATEGIC SUPPORT

Finance

Risk Management

People Administration

Information technology

Human Capital Transformation

OPERATIONAL UNITS

Cheque
Processing

CASH
Smart box

Contact
Centre



Focus



Historical

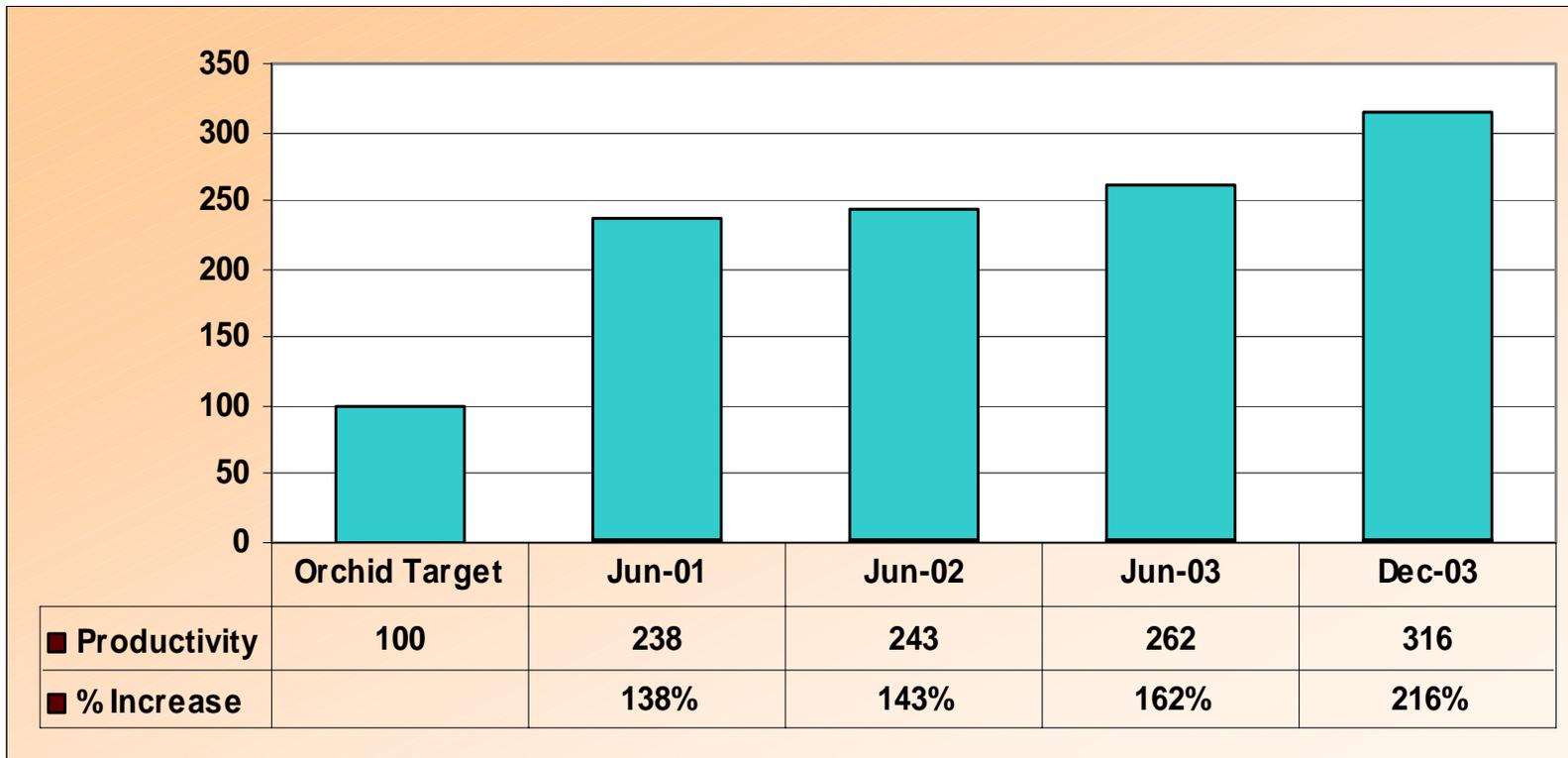
- Centralisation
- Efficiency/Productivity
- Fraud Prevention
- Cost control
- Cash Holding Management

Future

- Image roll out
- Contact Centre efficiencies



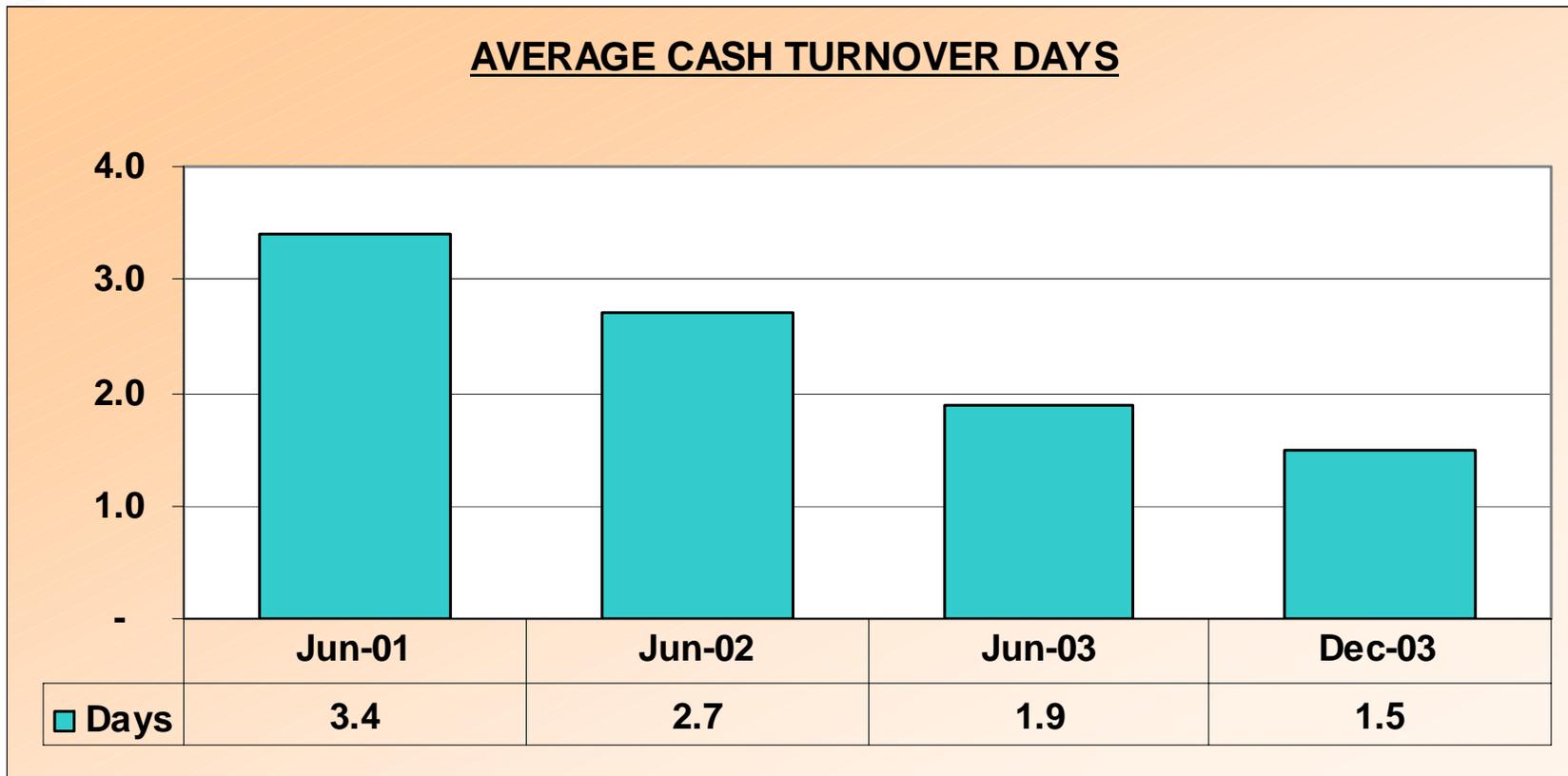
Productivity



- Project Orchid target introduced in 2000 – a 300% increase
- An additional 216% increase in productivity after the introduction of Project Orchid



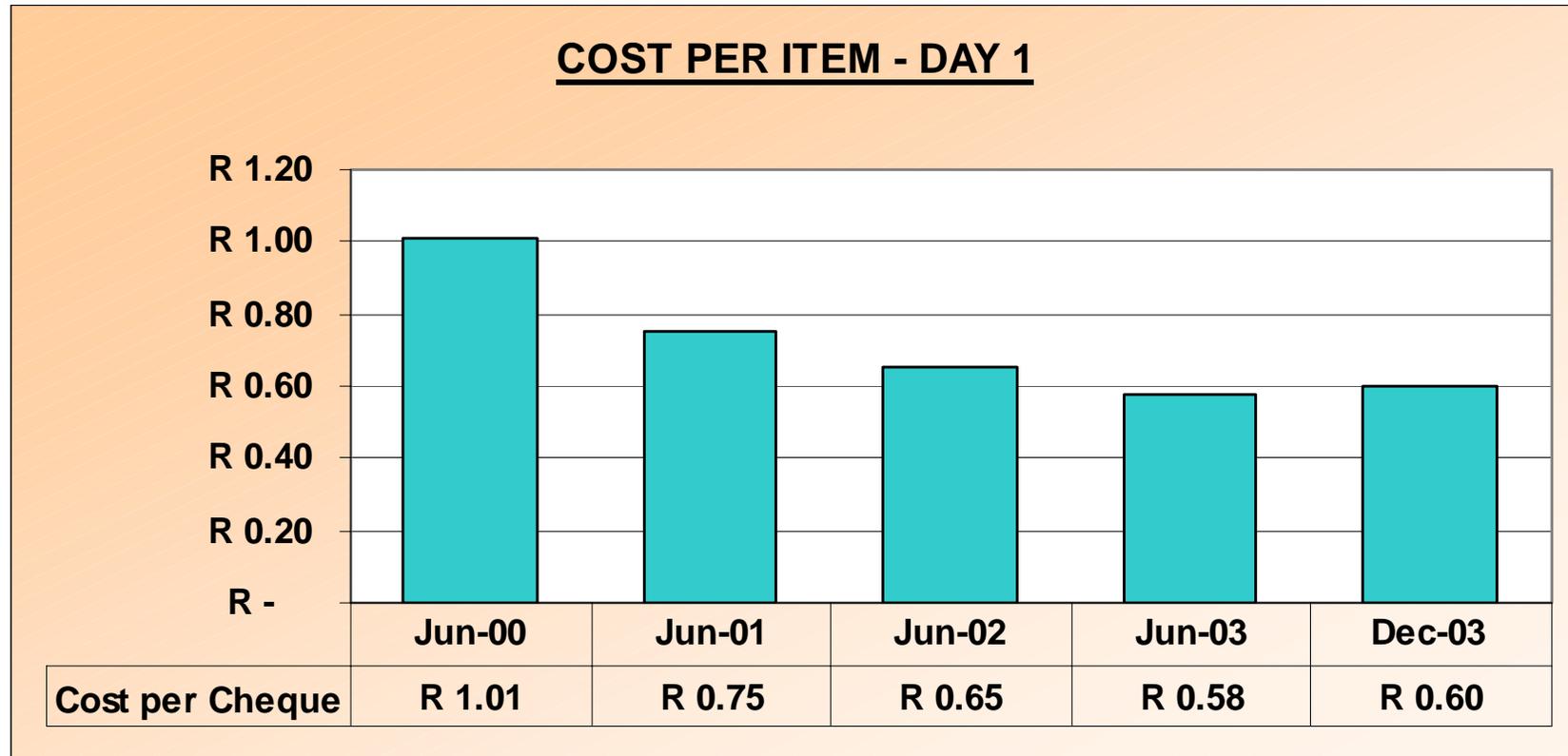
Reduction in Overnight Cash Holdings



➤ 56 % Improvement on 2001



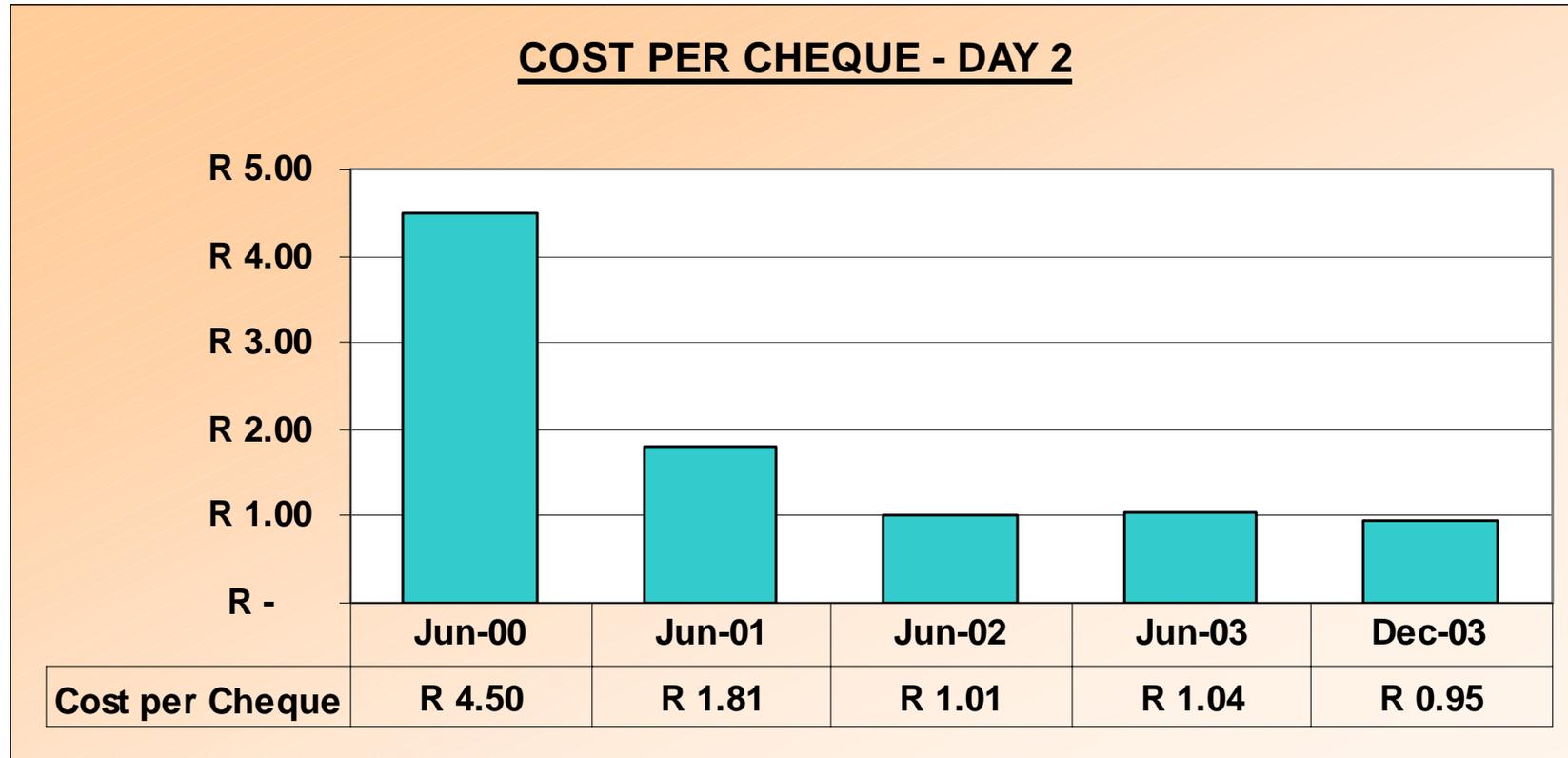
Cheque Processing



➤ 41 % Improvement on 2000



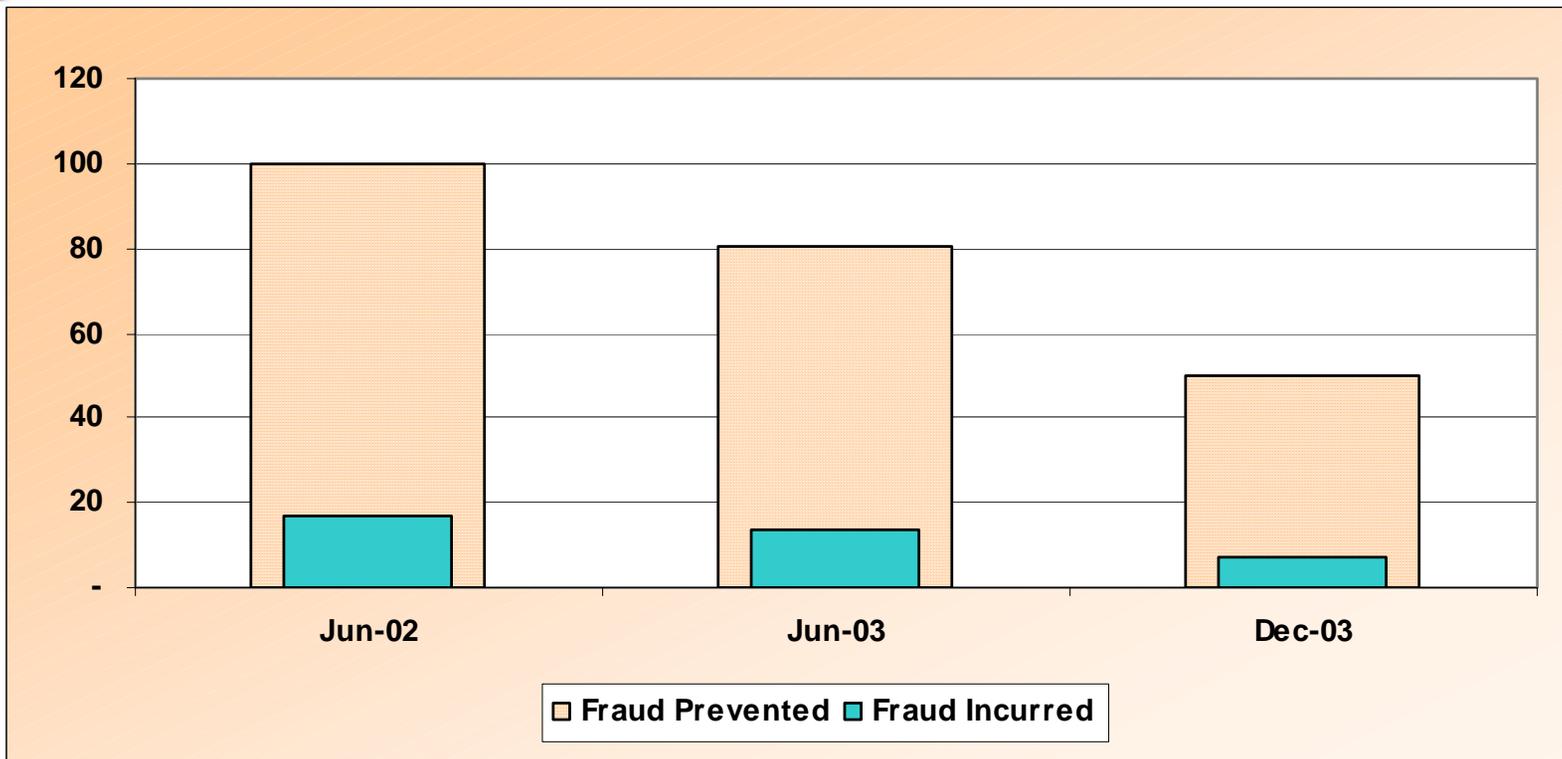
Cheque Processing



➤ 79 % Improvement on 2000



Fraud



- 78% Reduction in fraud incurred
- 50% Decrease in fraud attempts



Fraud



Fraud Prevention Measures

- Increased staff awareness
- Introduction of new cheques with enhanced security features
- Fraud prevention software
- Participation in Vow of Vigilance (R1m annual draw)



Contact Centre

- Integrated sales and services platform
- Language options in Contact Centres
- Voice recognition

Cheque Processing

- Cheque Imaging
- Centralised Statement rendition
- Automated Signature Verification

TEA



eDelivery

Roland le Sueur



What Do We Do?



- Internet banking (excluding corporates)
- Mobile/cellphone banking
- Banking by Telephone Products
- Online sales
- www.fnb.co.za

Internet Banking Incident

October 2003



- What happened?
- Steps taken to address problem
- Current status



Key Statistics



Internet

- 223,000 Internet bankers
 - Growing at +/- 7,000 pm
 - 337% growth since Dec 02
- Processing an average of R6.1 billion of financial transactions each month
- Peak volumes of 4 logins / second
- Around 4,000 concurrent users at month-end peak
- Over 1.9 million site visits per month

Other

- Small volumes of cellphone banking & banking by telephone transactions:



Our (competitive) Strengths



- No monthly subscription fee
- Very high security with DigiTag & InContact
- Money back guarantee for fraud
- FOREX online
- eBucks rewards for transactions.
- Very good response times
 - Industry average - 2.01 seconds / transaction
 - FNB's response time - 1.06 seconds / transaction
- All accounts available in one place.
- Simple, immediate set-up of payment recipients



Future Growth



➤ **Internet Banking**

- Increased penetration, currently 21% of all cheque account base
- Internet Kiosks in branches and ISP deals

➤ **321Contact**

- Pre-paid top-ups

➤ **Online sales opportunities**



Self Service Channel

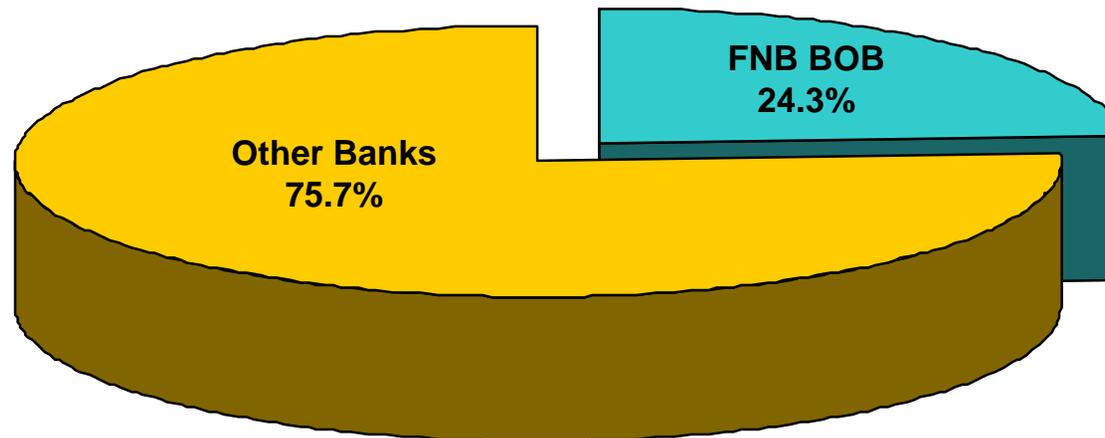
Mike Arnold



Strong SASWITCH Market Share

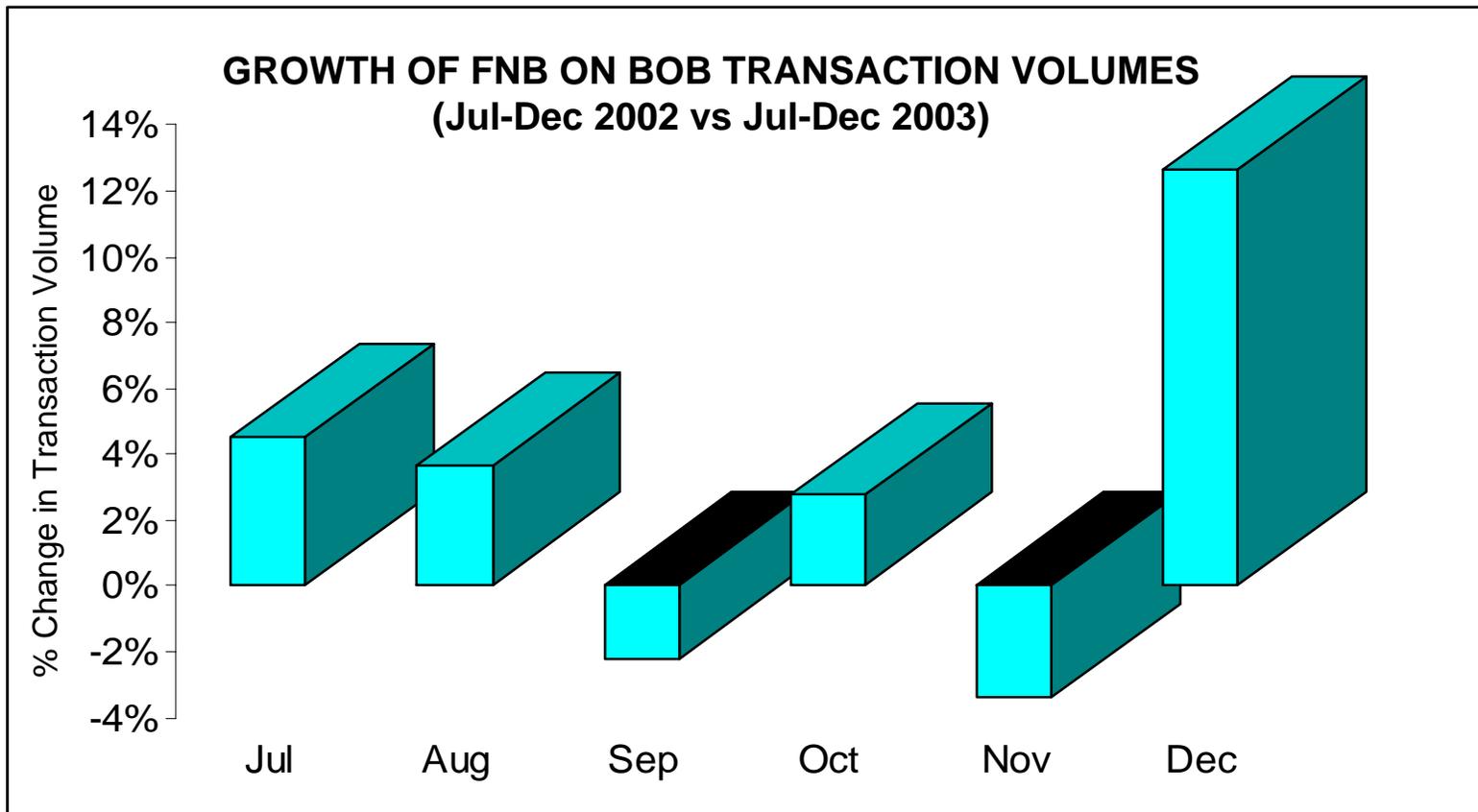


**FNB BOB ATM Volume as a % of SASWITCH POOL
(as at December 2003)**





FNB on BOB Transaction Growth

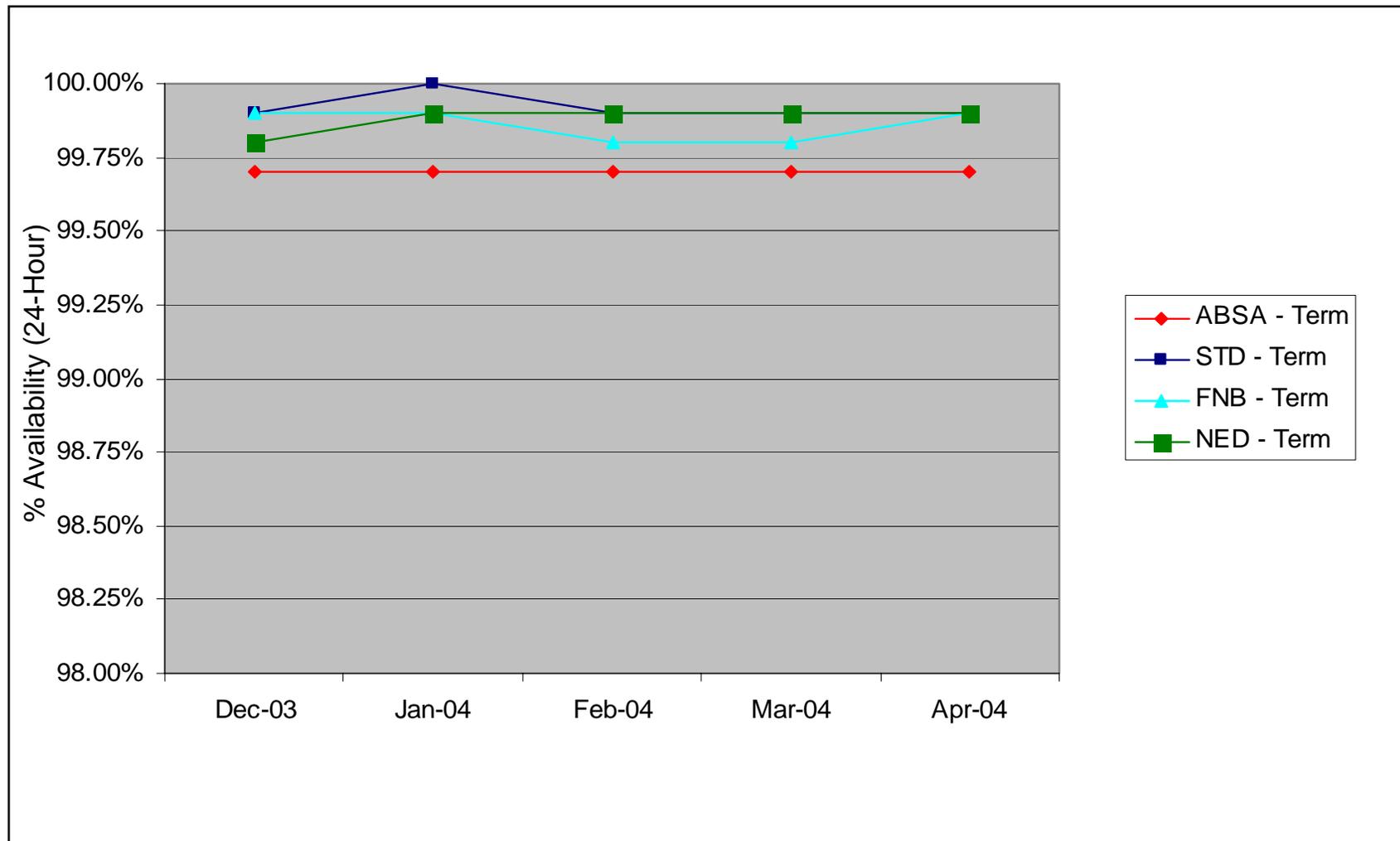




Strong Availability Performance (1 of 2)



SASWITCH TERMINAL AVAILABILITY (Dec 2003 – April 2004)

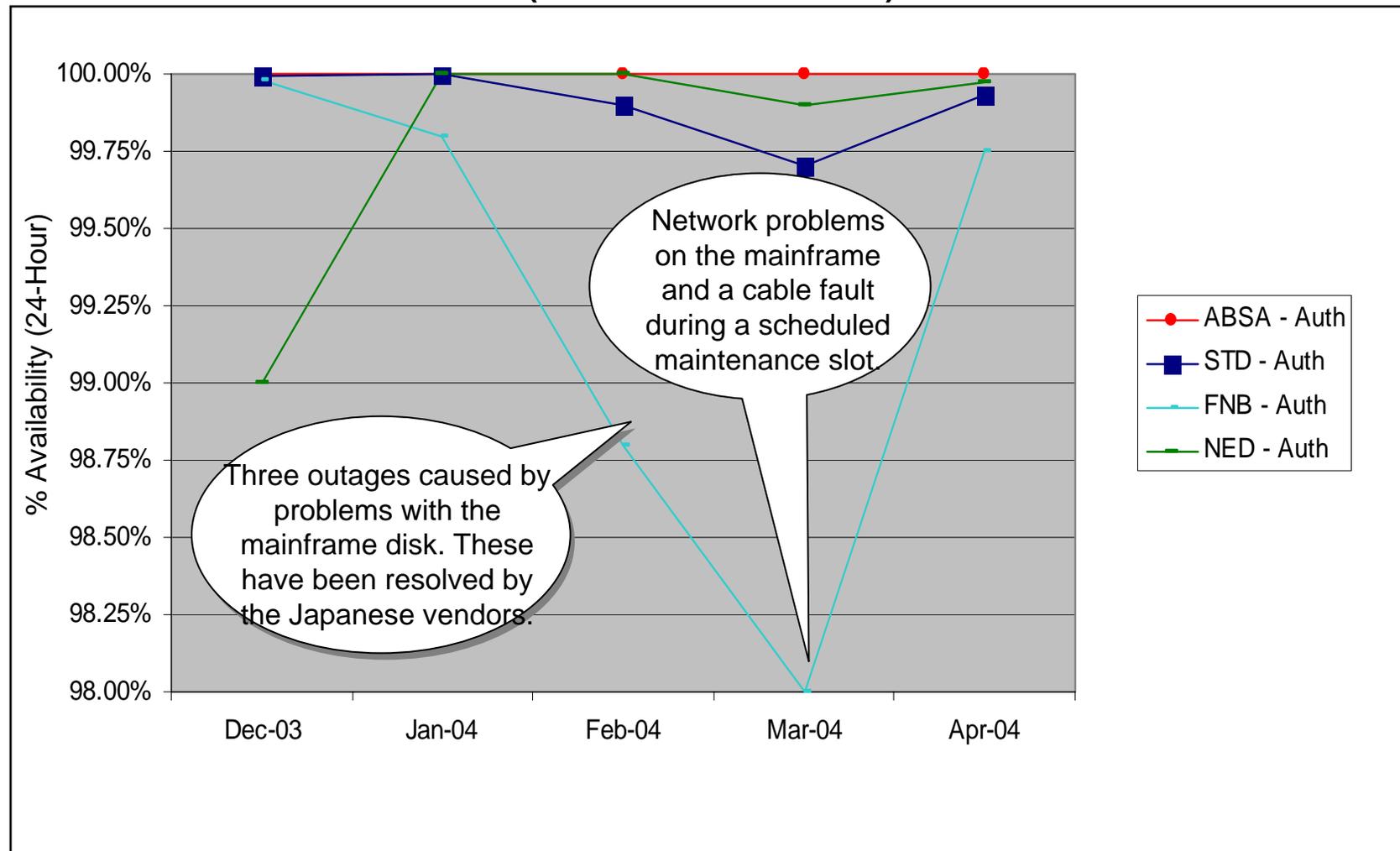




Strong Availability Performance (2 of 2)



SASWITCH AUTHORISOR AVAILABILITY (Dec 2003- March 2004)

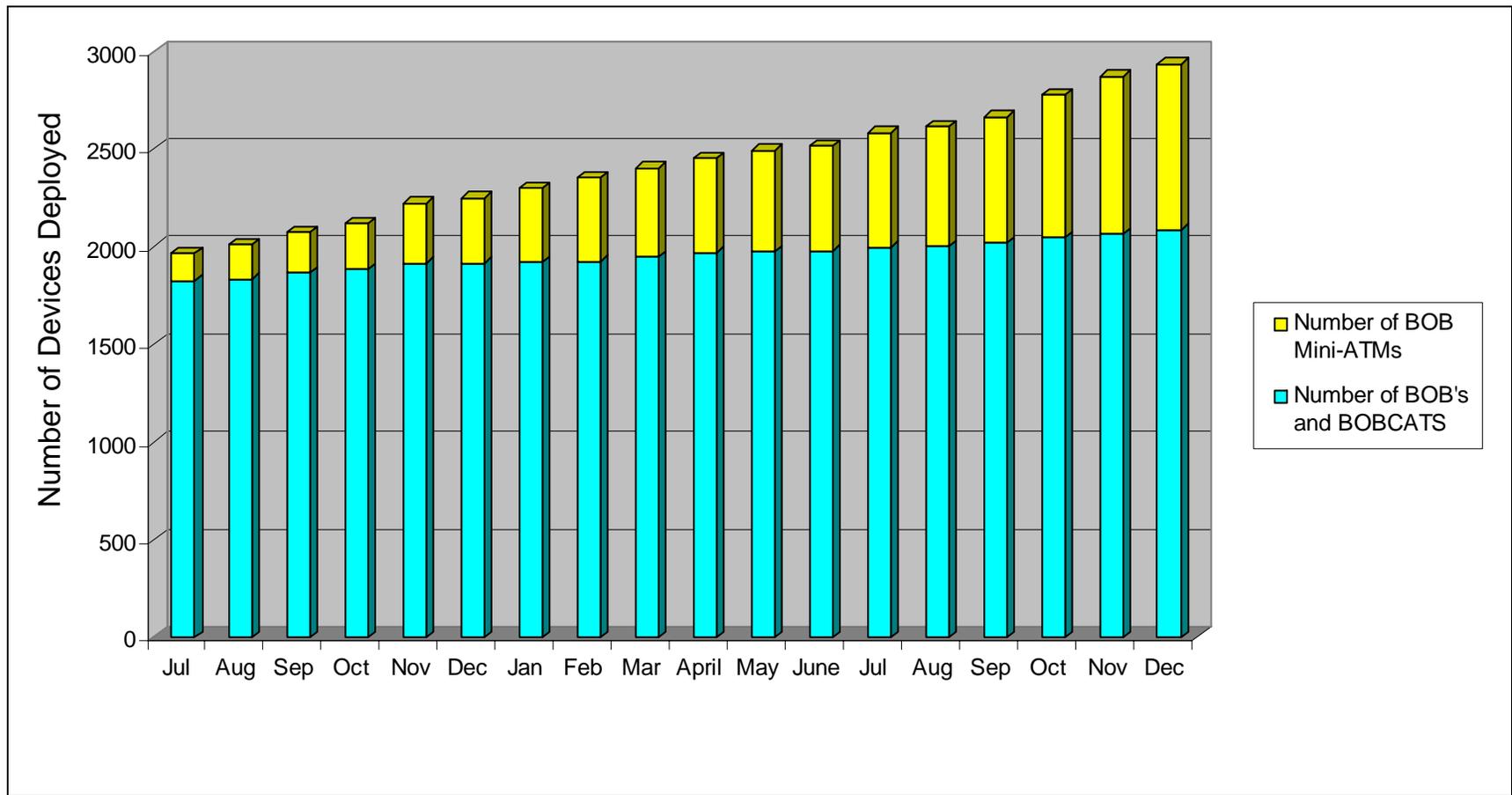




BOB Device Growth



Number of BOB Devices
(July 2003 – Dec 2003)





BOB Mini-ATM

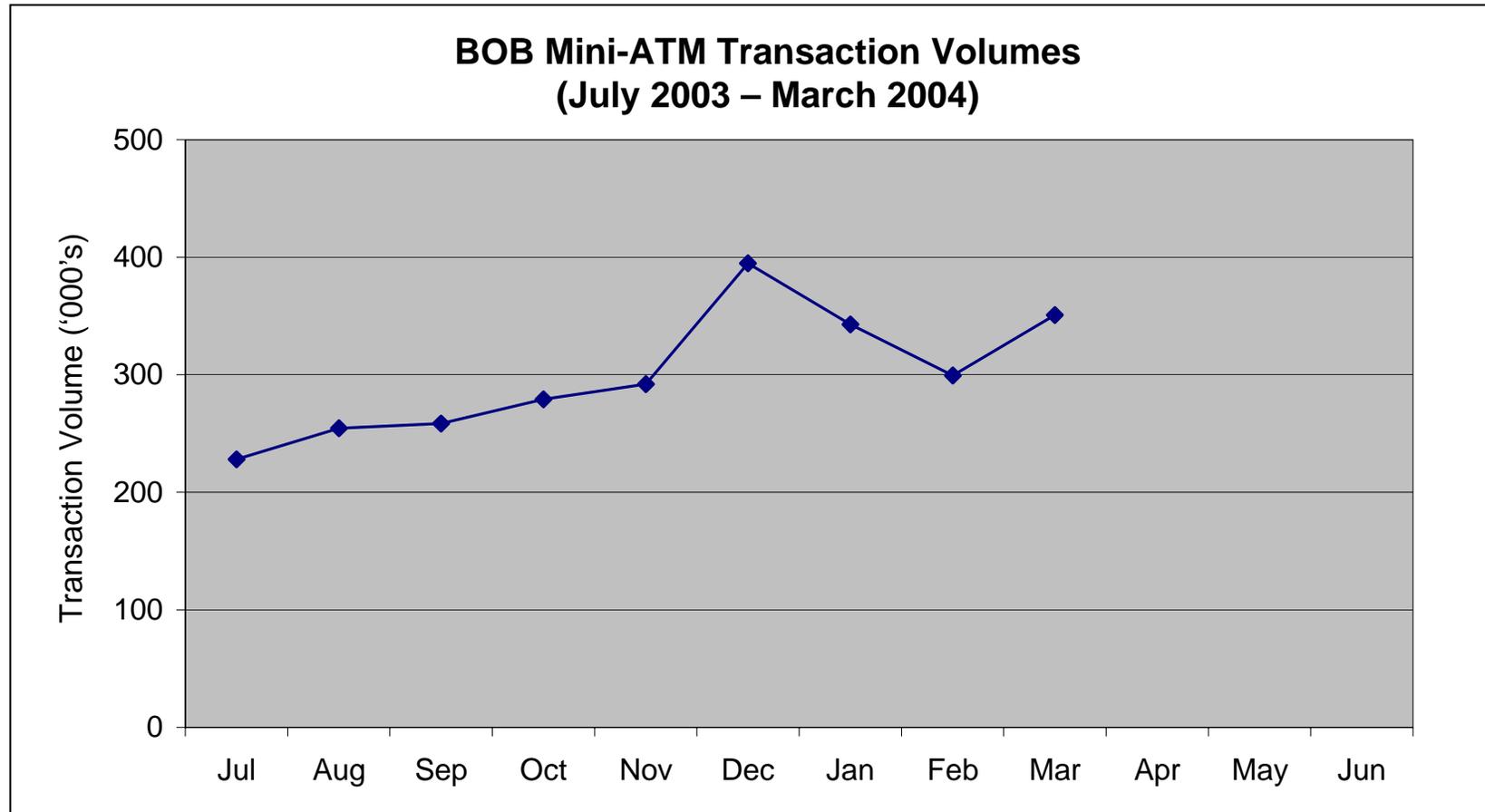


- Allows ATM expansion into under represented areas.
- Low volume business model enables extended reach.
- Overcomes lack of infrastructure in rural areas.
- Manages logistical and security issues.
- Trades on the trusted BOB Brand.
- Boosts local economies by recycling cash.



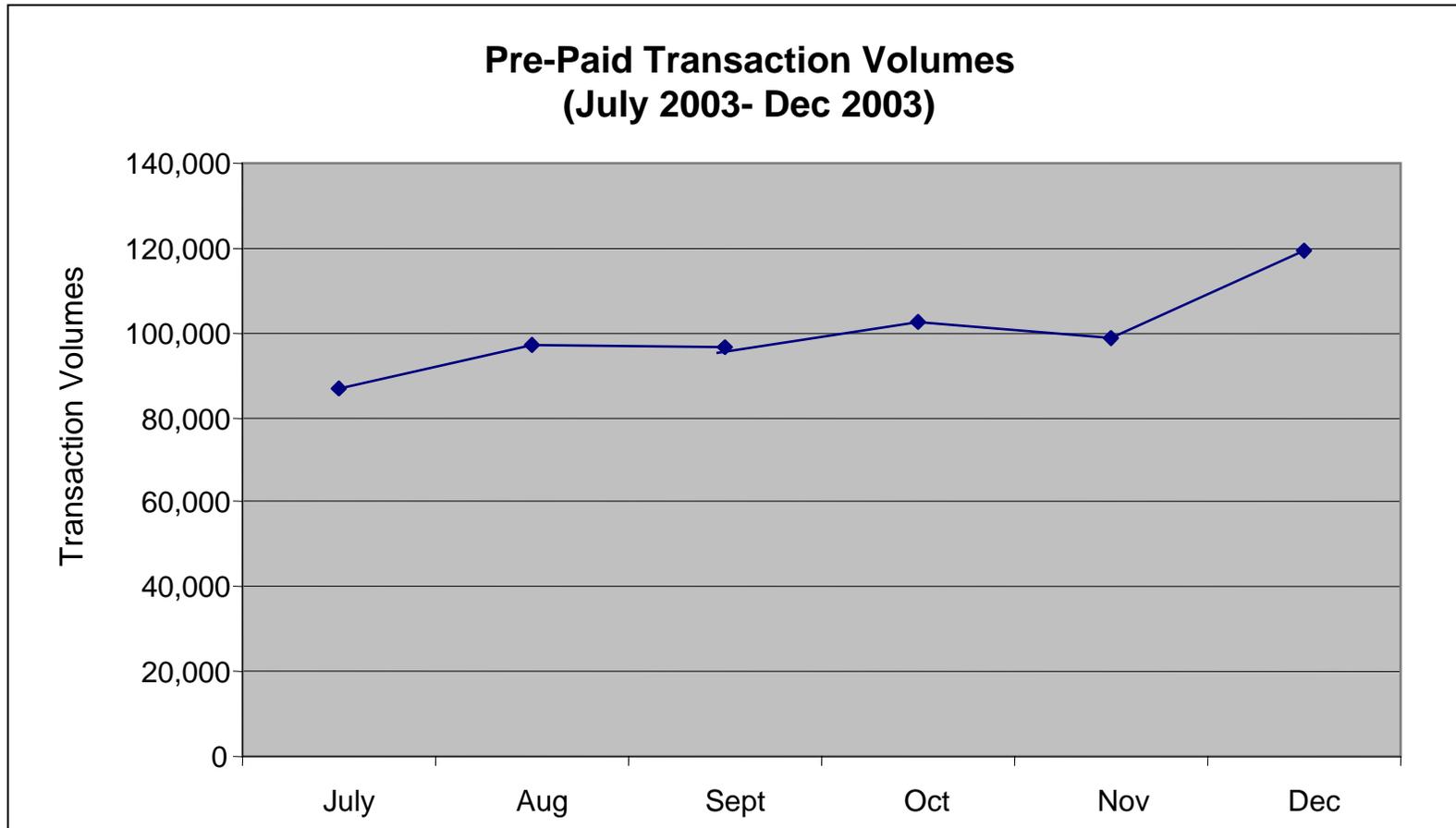


BOB Mini-ATMs Create New Transactions





Strong Pre-Paid Growth





Transaction Innovation



- **New Payment Method**
 - Concept proved with Intercape, Luxliner and Translux
- **Traffic Fine Payments**



IEC Voter Registration



**Supporting Proudly
South African: almost
300 000 voter
registration
transactions processed!**



Way Forward



- Expansion of the Network
- New Transactions
- EMV: Hardware and Software Upgrade



Technology

Yatin Narsai



Strategic Differentiators



- **IT decentralised into business units**
 - Ensures strong business alignment and ownership

- **Advanced use of Hogan functionality**
 - 3 of 4 major SA banks use Hogan, but
 - FNB has leveraged off this strong integration platform

- **Transaction hub for Africa**
 - Innovation readily available, e.g. Lesotho
 - Advantages include Internet banking, mini-ATM, *inContact*



Strategic Differentiators



- **Bank-wide implementation of middleware (VODS)**
 - Reduced time to market on new products and channels
 - Multi-channel enablement

- **Ability to execute rapidly**
 - Multiple software releases per month versus per quarter

- **A 'business' IT culture**
 - Technology is a core competency
 - Success measured through business



Business Value Delivered



➤ ***inContact* (2001)**

- Over 800,000 subscribers
- Vital customer data
- Fraud management and reduced balance enquiries

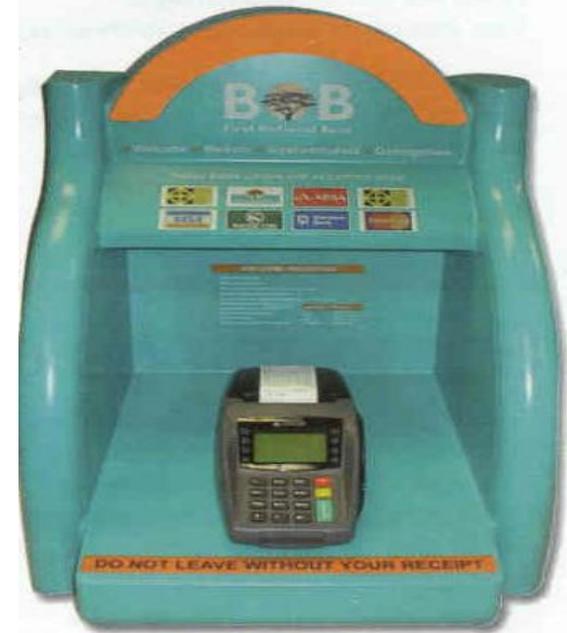


➤ **Mini-ATMs (2001)**

- Over 1,000 installed
- Un/underbanked market is serviced

➤ **Saambou/NBS/Swabou take-ons (2002-2003)**

- Over 600,000 new customer accounts migrated to FNB systems
- 2-3 months project





Business Value Delivered



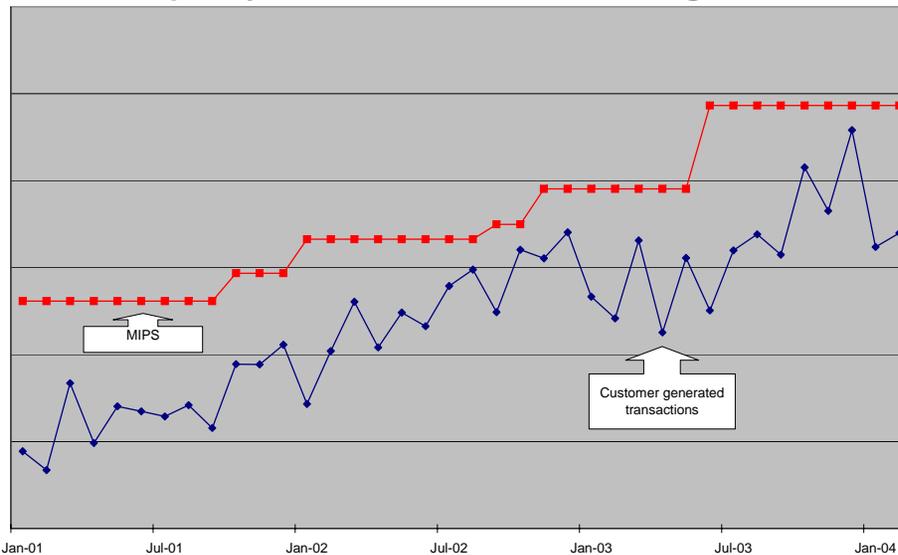
➤ **Meaningful, A4 statements across all products**

- Enhanced customer communication

➤ **Linear scaling**

- Incremental growth achieved with marginal capacity increase
- Large cost advantage

Capacity and customer transaction growth



FNB CHEQUE ACCOUNT: 5000000000

Date	Description	Amount	Balance	Accrued Bank Charges
Opening Balance as at 03 April 2002			198.55 Dr	7.49
04 Apr	ATM Cash Plumstd	500.00	698.55	5.50
06 Apr	Cheque 1001 ABSA, Hout Bay	185.00	883.55	3.50
07 Apr	Cheque 1002 NedBank, Parow	45001635154	509.85	1,393.40
	Debit Order Standard Xemp - CTU1001	736.30	2,129.70	9.75
	Debit Order Spm - Rated 102113X	1,132.48	3,262.18	14.75
08 Apr	ATM Cash Plumstd	500.00	3,762.18	5.50
	ATM Cash Hout Bay	500.00	4,262.18	5.50
10 Apr	Transfer 62002589739	10,000.00c	5,737.82c	
	Internet Payment F/C Mrs 046	1,175.01	4,562.81c	2.35
	Internet Payment F/Card Mr 046	1,647.21	2,915.60c	2.35
	Internet Payment Telkom 1327 560	830.13	2,085.47c	2.35
	Internet Payment Telkom 6722 560	485.33	1,600.04c	2.35
12 Apr	Electronic Credit Liblife 0123409	619.87c	2,220.01c	
	Cheque 1008 BOE, Plumstead	120.00	2,100.01c	3.50
	Cheque 1000 ABSA, Hout Bay	132.70	1,967.31c	3.50
	Internet Payment JET 560	300.00	1,667.31c	2.35
13 Apr	ATM Cash Hout Bay	1,000.00	667.31c	9.50
14 Apr	ATM Cash Hout Bay	1,000.00	332.69	9.50
15 Apr	Cheque 1003 NedBank, Hout Bay	709234409887	352.00	684.69
18 Apr	Electronic Credit Old Mutual -13420	137.70c	546.99	
19 Apr	ATM Cash Hout Bay	1,000.00	1,546.99	9.50
	ATM Cash Standard	500.00	2,046.99	10.20
21 Apr	Transfer 62002589739	4,000.00c	1,953.01c	
25 Apr	Electronic Credit DL - EDS -Walker	13,750.00c	15,703.01c	
	Debit Order M-Choice 020422 4104171	177.62	15,525.39c	3.50
26 Apr	Internet Payment Diners Club 560	12,000.00	3,525.39c	2.35
	Internet Payment Electricity 560	935.71	2,589.68c	2.35
27 Apr	Cheque Cashed 1004 FNB, Hout Bay	15,758.00	13,168.32	26.40
28 Apr	ATM Cash Century	1000025309 072417 67	500.00	13,668.32
29 Apr	#Subscription Fee DirectLine/Internet Banking	22.80	13,691.12	
01 May	Purchase, Woolworths Parow	4790 5631 8900 2123	585.80	14,276.92
	Cheque 1015 ABSA, Hout Bay	621250512214	141.96	14,418.88
	Purchase, Pizza Perfect Hout Bay	4790 5800 0000 4272	637.30	15,056.18
	Stop Order R S Jacobs	240.00	15,296.18	5.50
	Stop Order D Coetzee	500.00	15,796.18	5.50
	Debit Order Donation SPCA	5.00	15,801.18	2.25
	Debit Order Sentry CPTCO000007	147.47	15,948.65	3.50
02 May	Cheque 1007 BOE, Plumstead	76689001242	125.14	16,073.79
	Debit Order Reader's Digest 30031	50.00	16,123.79	2.25
	ATM Cash Hout Bay	1000025309 866678 27	500.00	16,623.79
03 May	Interest on Credit Balance	3.45c	16,620.34	
	Deposit Hout Bay	2,150.00c	14,470.34	22.00
	Deposit Hout Bay	2,500.00c	11,970.34	25.00
	Interest on Debit Balance	44.54	12,014.88	
	Government Duty	7.00	12,021.88	
	#Service Fees	250.27	12,272.15	(250.27)
	Internet Payment ARGUS 432	2,310.72	14,582.87	2.35

Closing Balance as at 03 May 2002 **14,582.87Dr** **2.35**

If there is an entry on your statement you wish to query, please contact FNB Direct on 0860 05 43 21 as soon as possible, preferably within 30 days, in order that it may be investigated.

#: Inclusive of VAT @ 14%

Total VAT included on this statement = R35.04



Recent & Planned Initiatives



- **DigiTag security**
- **Comprehensive sales architecture**
 - Improved turnaround time
 - Detailed measurement ability
- **Advanced credit management**
 - Account level approvals within seconds
 - Transaction level credit management
- **FNB One Account**
 - True One Account (no sweeping)
- **321 inContact**
- **Cheque Processing ... a re-engineered approach**
 - Imaging of cheques and signatures
- **Home loans back-office automation**

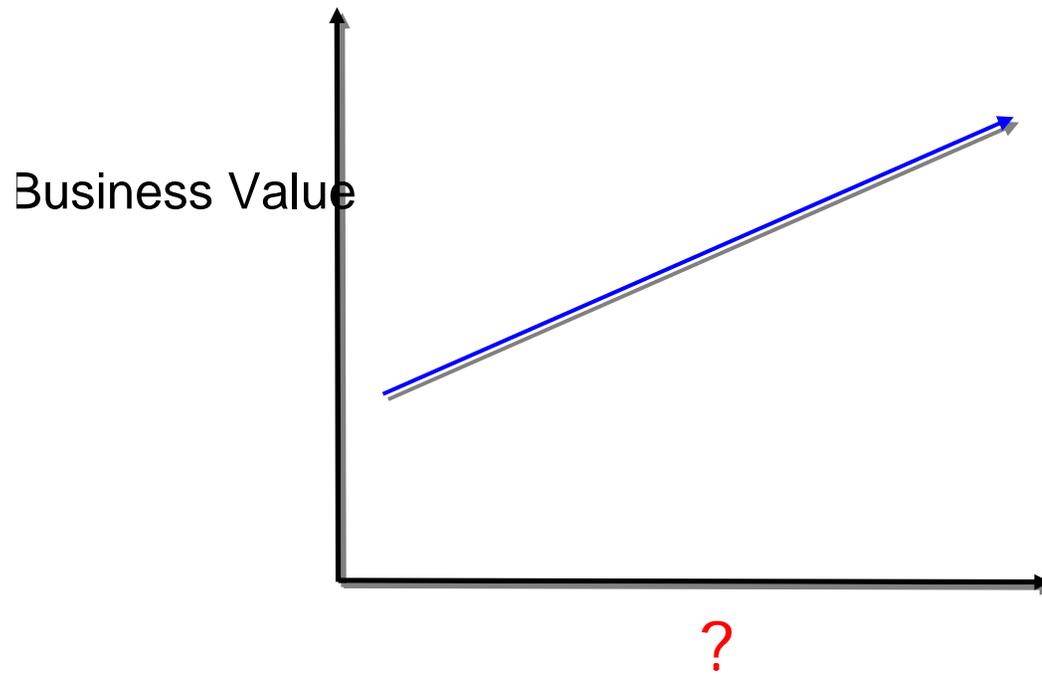




IT Investment



How is IT investment measured?



A leading system integrator acknowledged FNB's architecture to be world best practice

A leading management consultancy has shown FNB IT cost to revenue ratio to be better than world average but marginally higher than leading world banks

While Gartner recommends a SOA for mainframe applications in future, FNB achieved this 3 years ago



OUT
SURANCE

Willem Roos

What do we do?

- Personal OUTsurance
 - your car & house
 - direct
 - telephonically
 - Direct response advertising → inbound calls
 - Outbound calls → FirstRand Bank client base
- Business OUTsurance
- Homeowners OUTsurance
 - FNB HomeLoans
 - RMB Private Bank
- Cell captive arrangement for WesBank
 - credit shortfall and motor warranty products sold with vehicle finance



What makes us different?

- Actuarial rating



Risk pricing

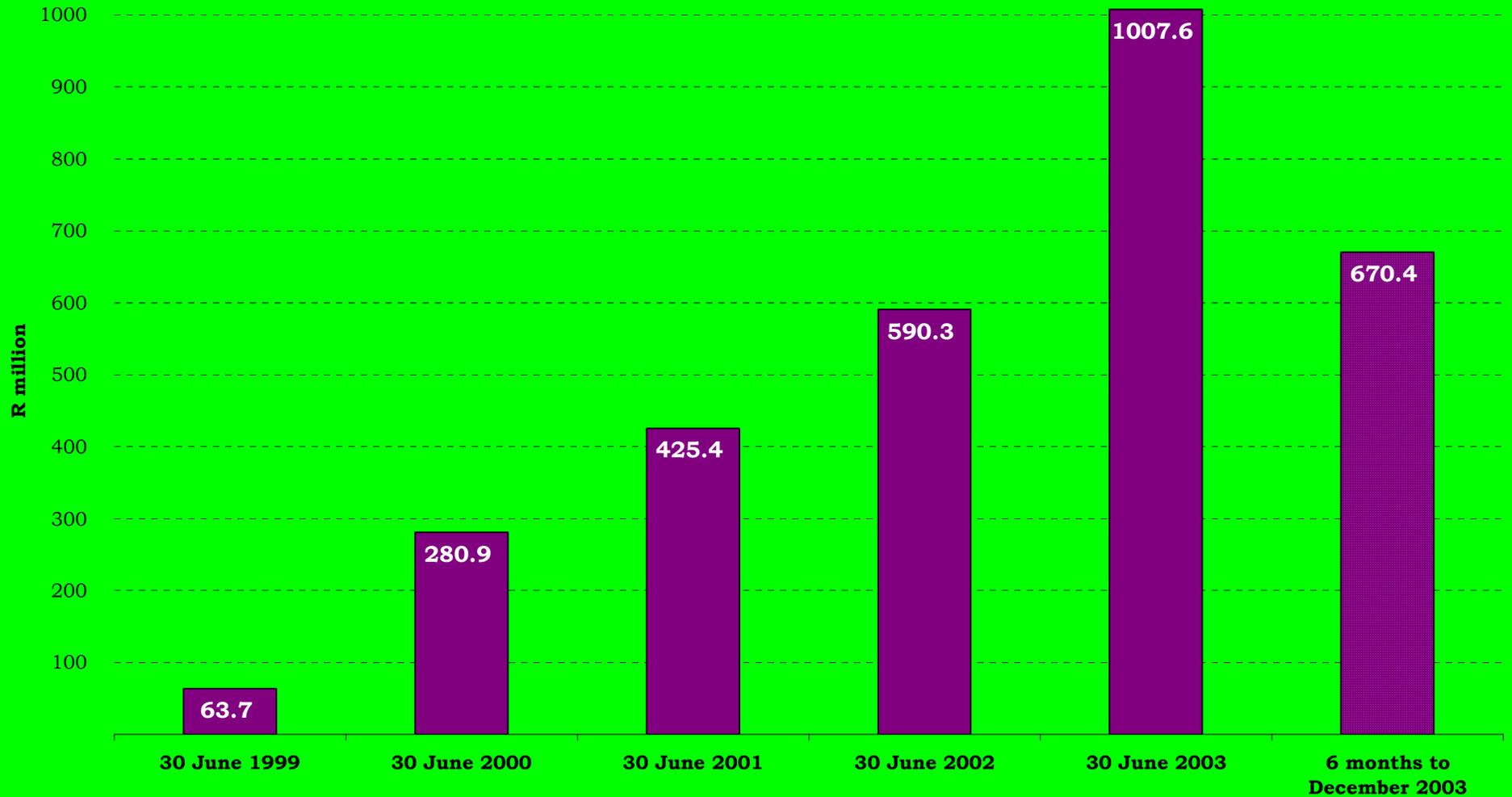


What makes us different?

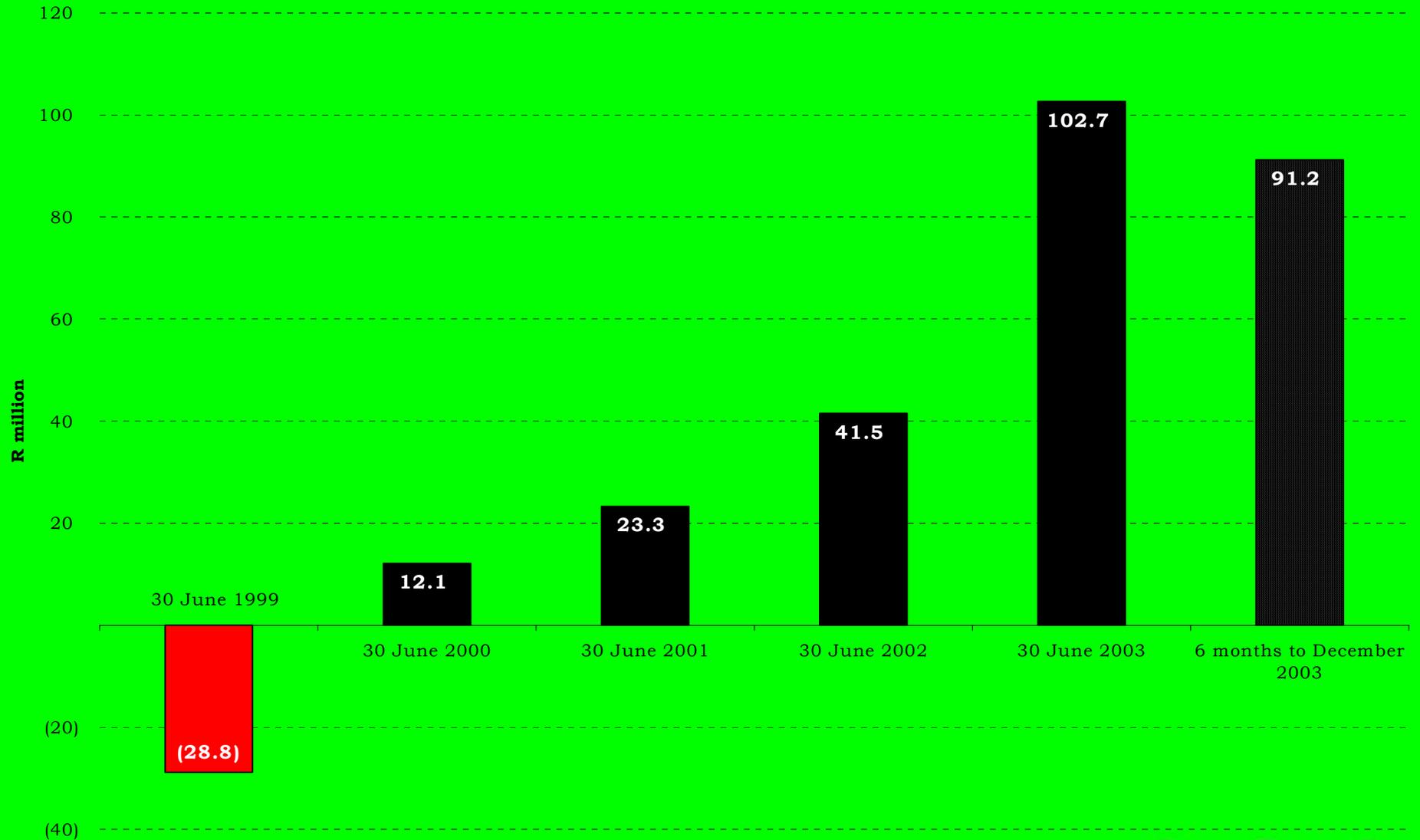
- Actuarial rating
- Consumer focussed
 - AWESOME service
 - risk management by product design
- Direct
 - enables execution of fundamentals
 - lower acquisition costs
- Claims management
- Technology



Premium income

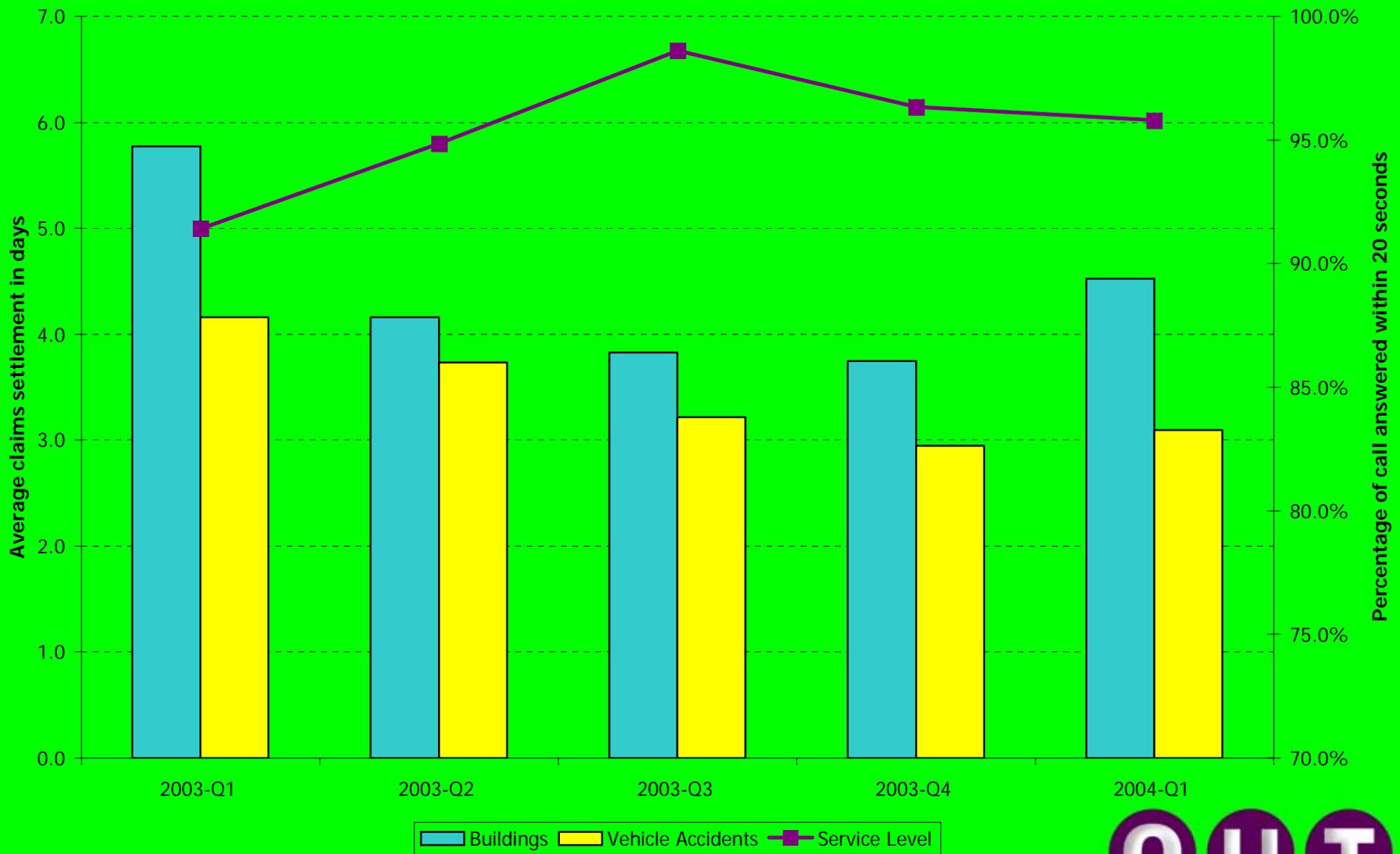


Headline Earnings



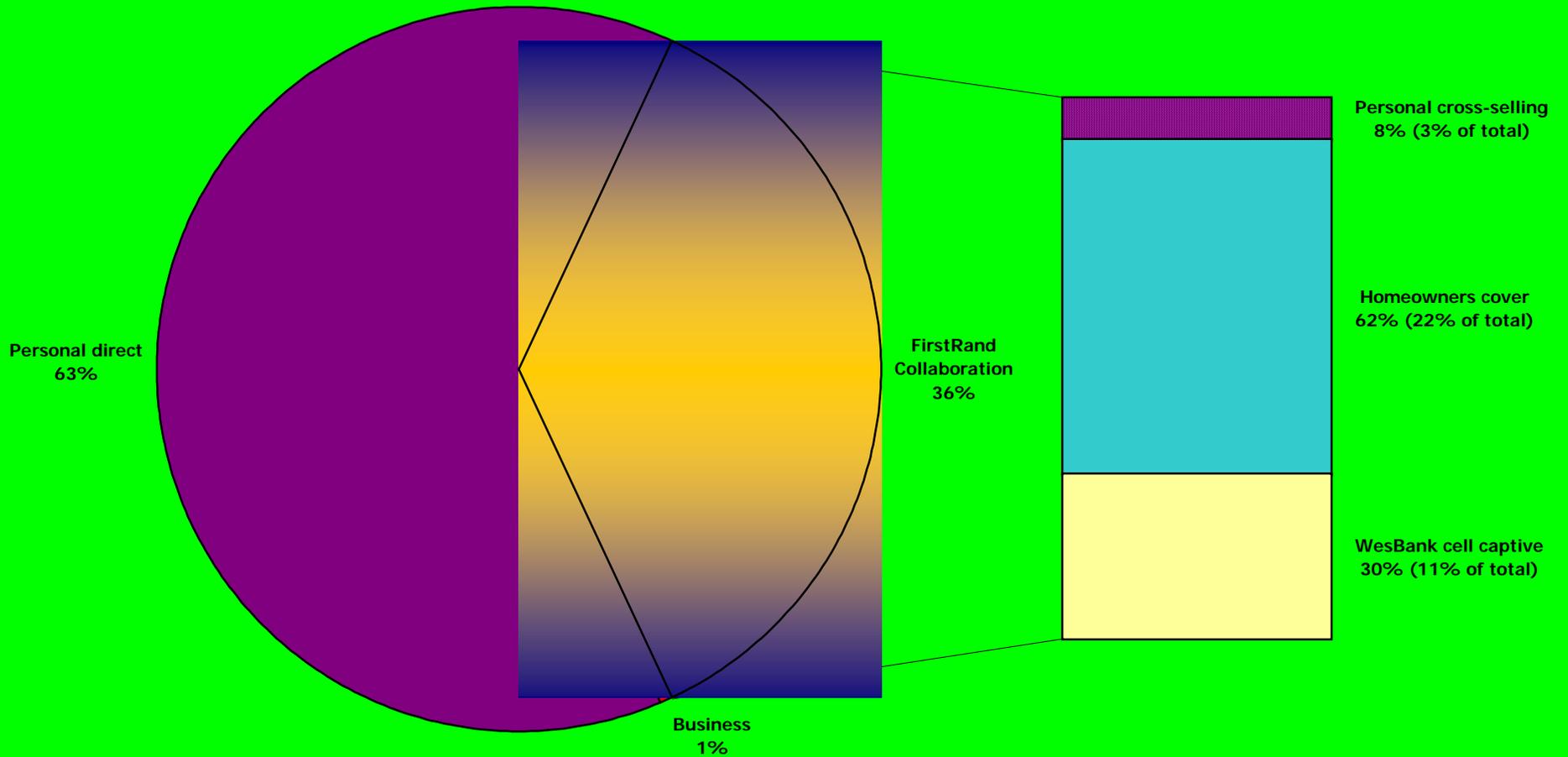
OUT

OUTstanding Service!



Collaboration

OUTsurance Premium Income Split



Future growth

- Still strong growth in Personal OUTsurance
 - expanding into other market segments
 - innovative products
 - greater cross-selling into FirstRand
- Business OUTsurance
 - gaining traction
 - FirstRand cross-selling





Financial Charter

Wendy Lucas-Bull



The Charter Scorecard



- We are signatories to the Charter at the FirstRand Limited level
- Retail Cluster is key to achieving 5 of the 6 Charter compliance areas

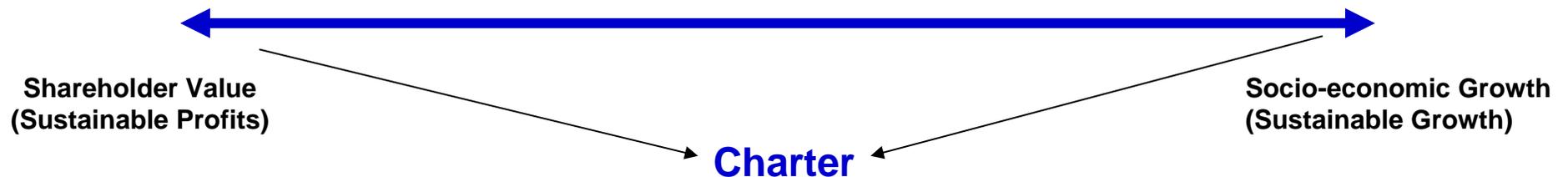
Component	Max
1. Human Resource Development	
• Employment Equity	15
• Skills Development	5
2. Procurement & Enterprise Development	15
3. Access to Financial Services	18
• Transactional Banking	
• Origination (SME, Housing, Agriculture)	
4. Empowerment Financing	
• BEE transactions	5
• Targeted Investment	17
5. Ownership & Control	
• Ownership	14
• Control – board & executive	8
6. Corporate Social Investment	3
TOTAL SCORE	100



Our Strategic Approach



- Not about compliance
- It's how we do business
- Business-case driven within a framework of sustainability
- We had already begun





Human Resource Development



- Strategic partnership with CIDA in 2001
- 266 learners in Learnerships across the business
- Well positioned to achieve the 1.5% training spend target
- Integrated HR Database and Model as key enablers
- VUKA



Retail EE Score 31 March 2004



Black as a % of:	RETAIL	Target 2008
Senior Management (>450k)	14%	20-25%
Black Women as % of SM	4%	4%
Middle Management (250-450k)	21%	30%
Black Women as % of MM	9%	10%
Junior Management (150-250k)	34%	40-50%
Black Women as % of JM	21%	15
Score	9.89	15



Procurement



- *BuyIt*
- Empowerdex Accreditation Process
- Facilitating BEE with our stakeholders



Transactional Banking

- National Bank Account
- On track to achieve 80% target
- Over 1000 Mini-ATMs since 2002
- Portable Branch
- Community Banking Pilot in 2000
- 1.9m Smart Accounts since 2002
- Pension Pay-Out





Origination of SME Loans

- Many alternatives tested
- New innovative solution for responsible sustainable lending
- Joint Initiative with Umsobomvu Youth Fund (UYF) established 2001
- FNB Enterprise Solutions in FNB Loans
 - Small Business Financing Team
 - Joint Enterprise Support Fund with UYF in development
 - Aftercare programme
- Ongoing and strengthening relationship with Khula Enterprises



Origination of Agriculture Loans

- Leverage off our strong track record in this sector
- Well positioned to replicate our SME model for emerging agriculture
- Specialised risk mitigation alternatives still being tested



Origination of Low Income Housing

- Range of products and offerings
 - Mortgage loan
 - Pension-backed loans
 - Affordable Housing Model JV with RMB



Empowerment Financing



SME's

FNB Retail

WesBank

FNB Corp

**RMB Private
Equity**

**RMB Structured /
Project Finance**

R100,000 – R20m

> R20m

> R50m

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FNB Loans

Asset Finance

Fleet Mgmnt

**Enterprise
Solutions**

**Joint Fund with
UYF**

PE Debt

**Medium Corp
MBO/ESOP**

R50m

**Listed and
Unlisted**

**Usually vendor
supported**

**Current Funds
More in pipeline**

**Partnerships with
black investment
co's**



Empowerment Financing



SME's

FNB Retail

WesBank

R100,000 - R20m

> R20m

> R50m

FNB Loans

Asset Finance

Fleet Mgmt

Enterprise Solutions

Joint Fund with UYF

- SA National Taxi Finance - JV with SANTACO
- Kgwerano Asset Finance – JV with Kgwerano Investment Holdings 1999
- InspectaCar
- Job Creation Finance

**DEBT
EQUITY**



CSI



- R48m = 1% - double the target of 0.5% of after tax profit
- Leverage our people - Volunteers



Charter = **Opportunity**



Summation

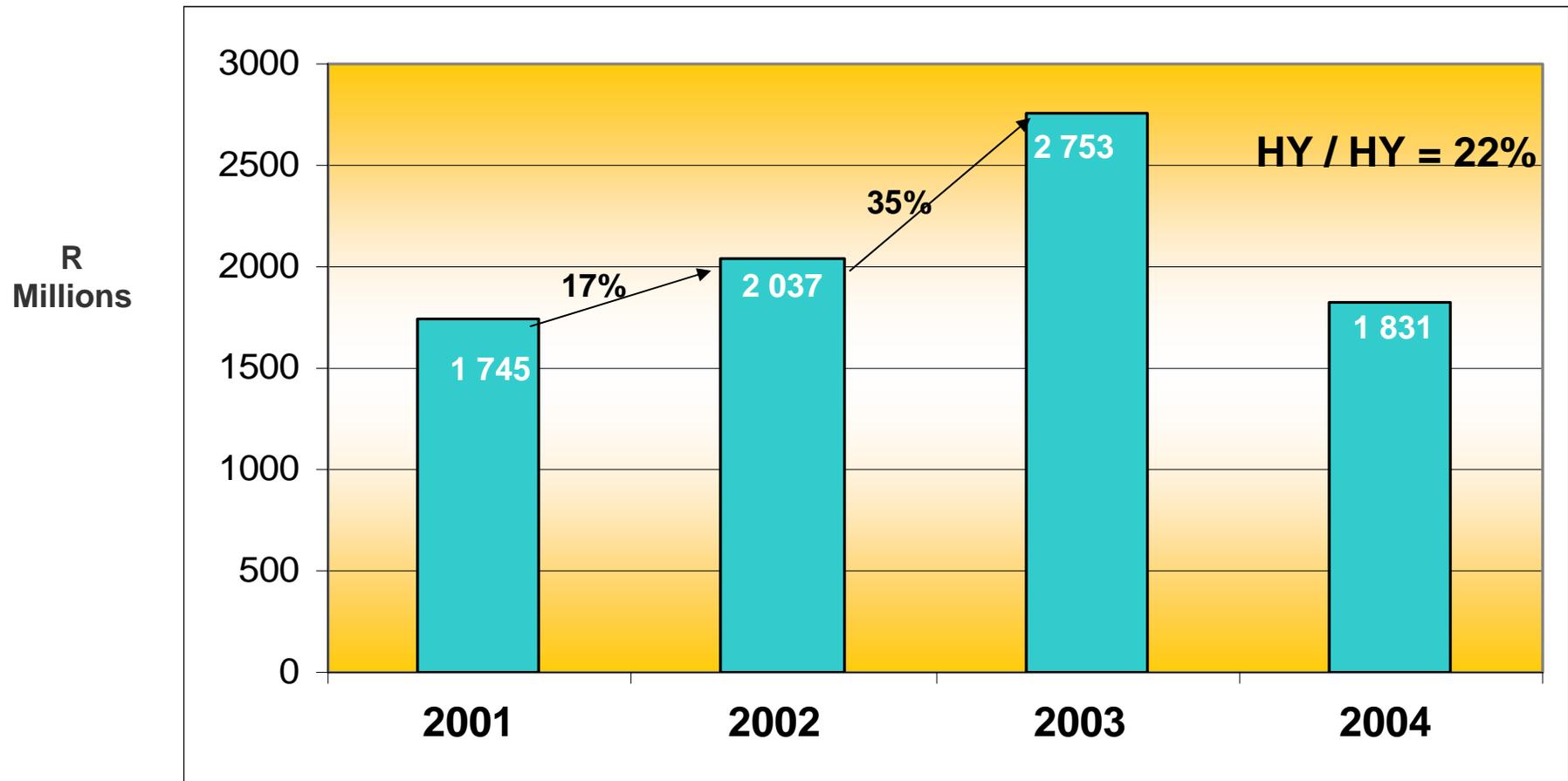
Wendy Lucas-Bull



**WHAT HAS ALL THIS
DELIVERED?**

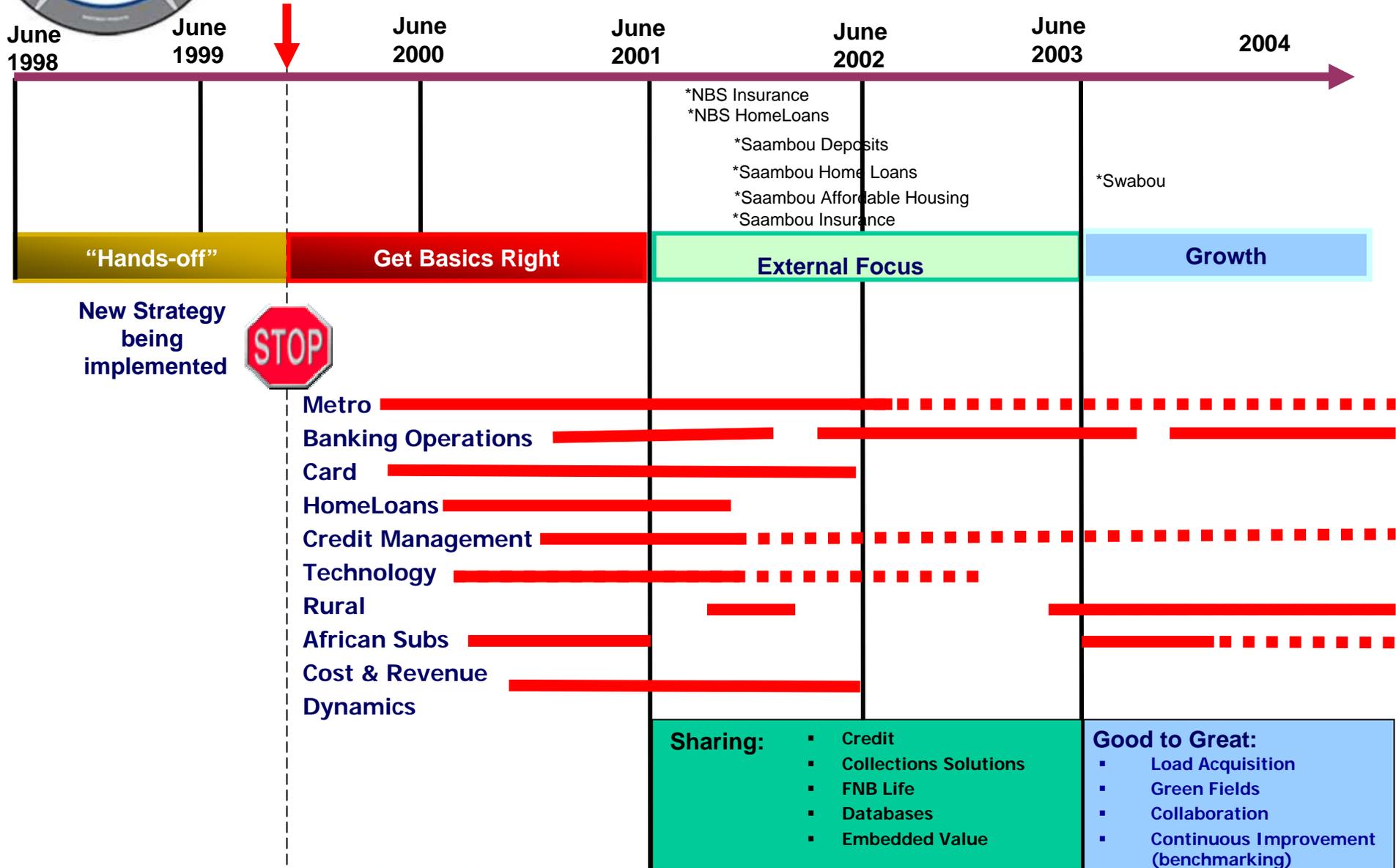


Domestic Retail NPBT % Growth Year-on-Year (2001 – 2003)





From an Internal to an External Focus...





Questions