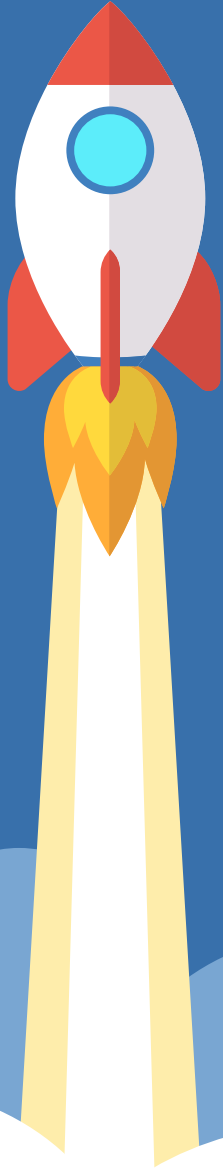


report to society

2016



— how can we help you? —



This report highlights some of the ways in which we continue to invest our experience, expertise and resources into empowering our people, our customers and their communities in South Africa and beyond.

For over 175 years,

we have used our talent for innovation to help create a society that promotes quality of life.

Positive results

Our solid performance this year means we are in a stronger position to keep meeting our customers' needs.



The biggest winners? Our customers!



Awards are important to us. Not only do they show us where we are getting it right – but they also show us where we can do better by benchmarking our performance against other banks. Ultimately, the biggest winners are always our customers.

- **SA's Coolest Bank**, Sunday Times Generation Next Survey, 2012-2016.
- **#1 Business Bank**, Sunday Times Top Brands Survey, 2013-2016.
- **Bank with the Strongest Reputation**, RepTrak™ Pulse Survey, 2015 and 2016.
- **Most innovative MVNO**, Telecoms.com Awards, 2015 and 2016.
- **Best digital bank, internet banking site and mobile banking experience in South Africa**, SAcsi Survey 2016 and Columinate Internet Banking SITEisfaction Survey 2016.
- **Best Islamic Banking Offering**, Banker Africa's Annual Southern African Banking Awards, 2016.
- **FNB banking app wins Best in Customer Experience Award**, Bank Customer Experience (BCX) Summit, Chicago, 2016.
- **FNB Joburg Art Fair wins Chairman's Premier Award**, Business and Arts SA (BASA), 2016.



**Invested in
our people**



We actively encourage our people to act as entrepreneurs – and reward them accordingly. Designed to foster the spirit of enterprise, our owner-manager culture is unique in the banking sector. It gives our people the freedom to innovate while managing their business units more responsibly – and more responsively.

We took steps to reinforce our owner-manager culture by conducting a series of conversations with teams locally and internationally to discuss our group philosophy, its owner-manager culture and how it translates into our daily work in FNB and other FirstRand franchises.



We also keep the owner-manager spirit alive by making it part of our recruitment/attraction drives on university campuses and staff induction programme.

Looking ahead, our challenge is to retain the essence of this unique culture while evolving it to include a more collaborative ethos. We are doing this by holding conversations between our leaders and other teams about how much more effective we can be if we implement a customer-first mindset across the business.





64%
of our frontline
staff are on
OBR

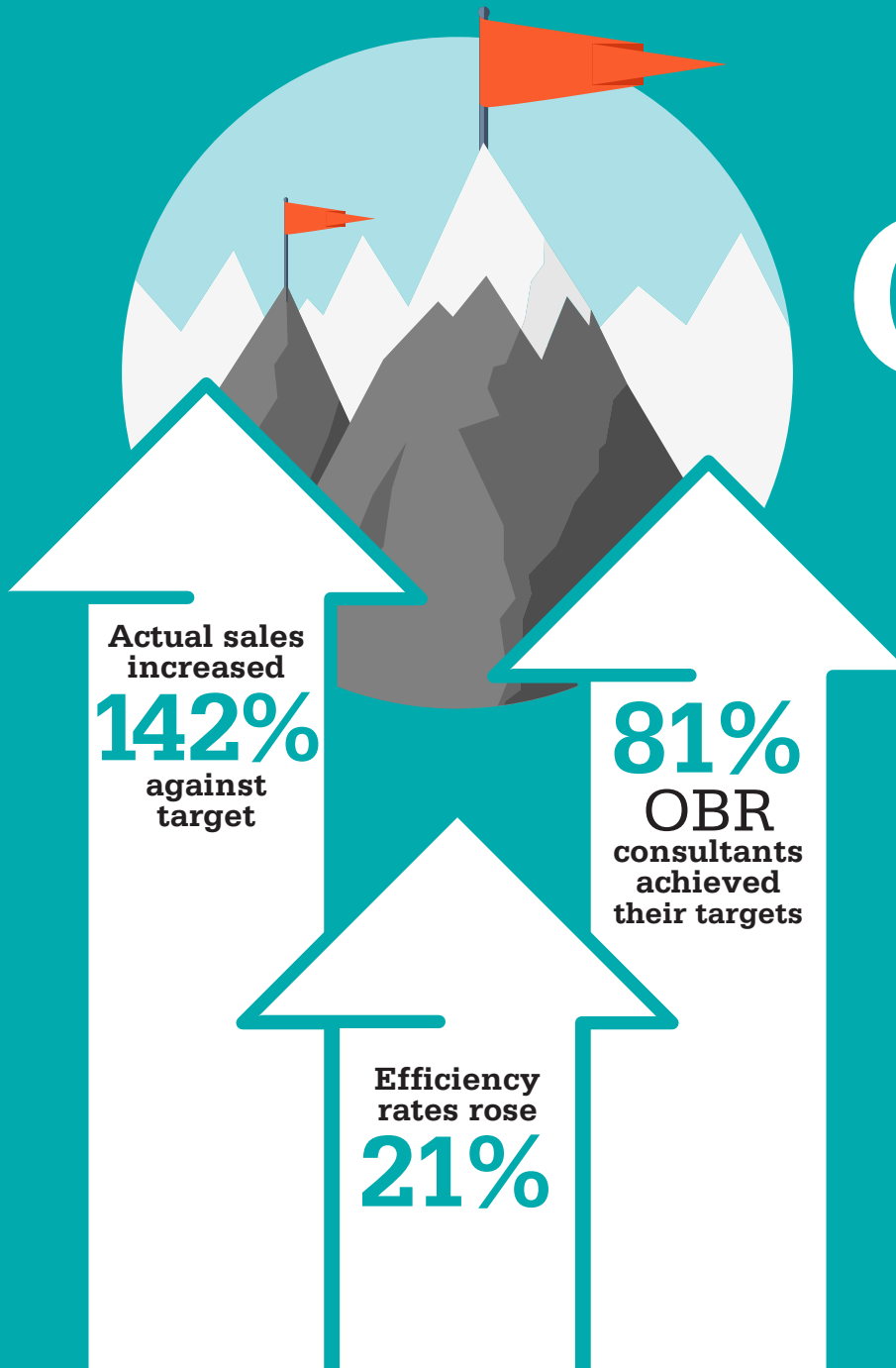
The benefits of
OBR
are not only financial.
OBR staff are able to upskill
and move between roles,
maximising growth
opportunities and career
progression

Employee remuneration

Linking pay to performance

**The result: well-rounded
and experienced staff**
serving customers in our
branches.

Our pioneering outcome-
based remuneration (OBR)
model was one of 2015's
most **notable success**
stories – and it continues
to deliver. **Currently,**
3 448 staff are on OBR
versus 3 065 in 2015.



OBR

OBR – which remains uncapped – is motivating our people to be more productive and agile while empowering them to manage their own earning potential.

The scheme covers our teller, collections and sales and service roles. There are plans to extend the offering to Points of Presence team leaders in 2017.

Looking ahead, we are aware that encouraging customers to migrate to digital banking platforms/channels will certainly impact current branch volumes and, therefore, production. In response, we have incorporated migration incentives into the OBR model, ensuring that staff still benefit when migrating transactions online.

Transformation

Transforming South Africa starts with us

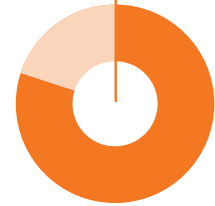
Employment equity is just one part of the transformation story, but our **progress has been encouraging** in this area.

At the end of the 2016 financial year,
FNB's headcount was

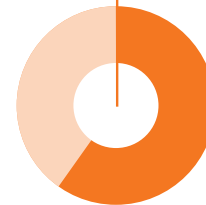
29 713

Our efforts to **attract talented staff from diverse backgrounds** continue to win recognition at a high level. One example: we won the **Equal Representation & Participation award** at the **Gender Mainstreaming Awards** held by **Business Engage**.

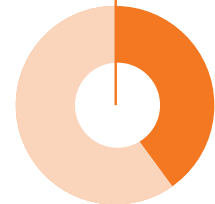
77% OF OUR EMPLOYEES ARE African, Coloured or Indian



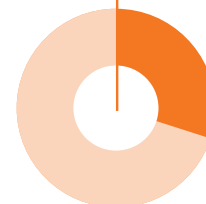
63% OF OUR ACI EMPLOYEES are female



38% OF OUR **senior** MANAGERS ARE **ACI** EMPLOYEES



female REPRESENTATION IS **33%**



ACI – African, Coloured or Indian

When it comes to **Employment Equity (EE)**, this year's most notable successes included the appointment of **women and ACI males into senior and executive roles** on the executive committee and product houses. We also **added a significant number of young African and Coloured graduates** to our talent pool.



- To further improve our EE performance, we are busy with an African and Coloured talent review designed to build a sustainable, reliable and equitable leadership pipeline for the foreseeable future.
- We continue to include women from our successful gender empowerment programmes in our leadership pipeline. We host frequent talent connect sessions in which our young talents link up with leaders from inside and outside the bank. We also hold regular EE forums.
- Meanwhile, we are building an equitable talent base across the new organisational capabilities we need using non-traditional routes like technology conferences and innovation hubs, in addition to university campuses. These are proving to be fertile sources of EE talent.
- Looking ahead, our key challenges include improving the representation of Black women in senior and executive roles. We are addressing this issue through targeted talent attraction, appointment and development.

Preferential procurement

FNB is proud to report that it **exceeded the preferential procurement targets in the B-BBEE scorecard for the reporting period***. This is the result of a concerted effort to comply with the letter and the spirit of Financial Sector Charter Codes.



Increased our spending with small, micro and medium enterprises

27%

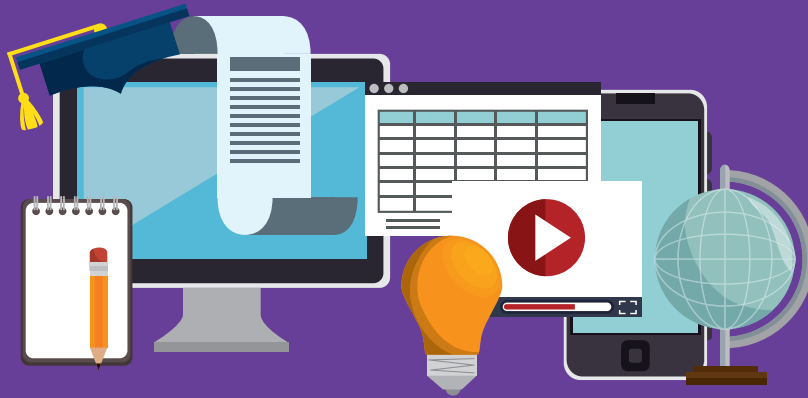
Black woman-owned suppliers increased

106%

Black-owned suppliers increased

72%

* The reporting period refers to data collected in the 2015 calendar year, which were used to produce the 2016 B-BBEE certificate.



Training and development

Equipping FNB people with skills to deliver

We continue to invest extensively in equipping our people with the skills and learning they need to deliver on behalf of our customers.

In line with FNB's owner-manager culture (see above), we implemented a career explorer site that allows staff to explore the numerous career paths that are open to them.

We spent
R162.6 million
on learnerships



and
R410.3 million
on skills development



Of this total, we invested
74.84%
into training programmes for our ACI employees
and **59.48%**
into developing women over the same period

* All spending figures apply to the 2015 calendar year.

We remain committed to equipping talented women to take control of their careers and unlock their full potential. The FNB Catalyst Women's Development Programme and FNB Ignite Women's Development Programme continued to run successfully.



- During the year, we also acquired an e-learning platform. The aim is to migrate all our learning provision into the digital age by providing staff with anytime, anywhere solutions that they can access using their mobile devices.
- Meanwhile, we are taking steps to align our various training and development (T&D) teams more closely with the focus on eradicating duplication, spending wisely and consolidating efforts toward building relevant capabilities for the future. In parallel, we are making targeted efforts to build FNB's non-traditional banking skills.
- Looking ahead, our biggest challenge in this area is selecting the best delivery channels for learning content. We have taken steps to address this with the acquisition of our new e-learning platform. Another challenge involves giving learning content a more sustainable impact. We are addressing this issue by integrating organisational development content into our learning programmes.
- Meanwhile, we will continue to update our T&D content whenever FNB launches new product lines, such as investments and insurance. We also revise and update all our programmes in line with our Dream 2025 strategy.

Leadership development

Nurturing leaders to lead change

Identifying and developing world-class leaders capable of achieving change and **delivering our 2025 vision** remains a business-critical priority.

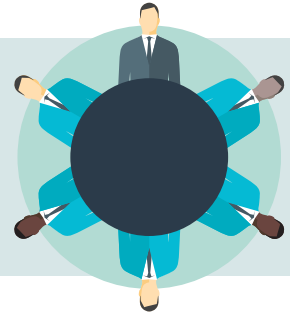
“R12.6 million invested towards developing our leaders”





Channels for delivering learning and development material to our leadership teams are changing rapidly. In response, we acquired an e-learning platform designed to provide leaders with anytime, anywhere learning and development solutions (see training and development).

In parallel, we are taking a more holistic approach to leadership development (LD). Among other steps, this involves moving away from the classroom and embarking on a series of conversations with leaders to enhance organisational effectiveness from several perspectives including diversity, wellbeing and collaboration.



The two LD programmes we launched in 2015 – And Beyond and Alchemy – are proving very successful. We are now taking steps to build on their success and reinforce the impact by making content more business-relevant and focusing them towards natural teams rather than a group of individuals.

Looking ahead, our biggest challenge is to ensure our leaders are fully prepared for a more VUCA world – volatile, uncertain, complex and ambiguous. Essentially, this means focusing on how our leaders can do more with less and become more collaborative, agile and aligned.



Employee engagement

Hearing it through the grapevine

Two platforms enable our Points of Presence teams to **share knowledge**, seek advice and provide answers to work-related questions: **PopChat**, a micro-blogging platform, and **Ask the Expert**, a peer-to-peer question and answer platform.

We believe that the key to engaging employees lies in making ensuring that they enjoy challenging and fulfilling work as the norm. This is important to us, because we want to remain the country's "coolest" bank with a culture in which diverse talents can thrive.




“ Our agility, alignment and strategic direction scores were also high, indicating a keen competitive edge combined with a strong ability to link jobs to our core strategy. ”

On a local level, we engage employees through focus groups. Various parts of the business also hold roadshows, which allow our leaders to communicate key messages directly to staff.

We engage employees through our Global Employee Survey. The latest survey revealed high levels of engagement, with a score of 84%.

Looking ahead, the key challenge involves keeping our people engaged in tough economic times. We believe we can achieve this by focusing on building resilience to handle uncertainty and developing our new business lines.



84%
ENGAGEMENT

Attracting and retaining talent

R45 million

across a range of channels for identifying, hiring and keeping the people we need to deliver on behalf of our customers

Attracting and retaining talent remains a significant challenge. During the year, we encountered a rising demand for technical enterprise architects as well as people capable of managing big data, building digital solutions for ecosystem products and delivering process efficiencies.



In response to these challenges, we have added non-traditional channels such as technology conferences and innovation hubs to our established talent sourcing channels. We also created a dedicated sourcing team to headhunt scarce skills via social media sites.

Looking ahead, our key challenges include ensuring that our employer value proposition remains attractive. With this in mind, we are evolving our recruitment strategy by targeting the specific requirements of niche talent.

“ Recent measures include the launch of a virtual reality video to attract millennials visiting recruitment sites. ”





**Invested
in our
customers**
—

Going the extra mile



Our **customer-first culture** starts in-house. In October, we challenged our PoP staff to collect **a mile of customer compliments** between them.

5 333
compliments

=

1
mile



2.91
miles covered

Little wonder that FNB is **RANKED #1** in the South African customer satisfaction index (SAcsi survey).

We are making it **easier, faster and more rewarding** for a growing number of personal and business customers to take maximum control over their financial affairs whenever they need to, wherever they are – 24/7. Through our **Points of Presence (PoP)** division, we are **widening access** to our **banking services**. At the end of the year, PoP’s national network looked like this:



Branches

598

Tellerless branches

61

dotFNB branches

8

Agencies

10

Total representation points:

674

Self-service

ADTs

1 800

Full ATMs

3 150

Retail ATMs

246

Slimline

1 260

Total devices:

6 456

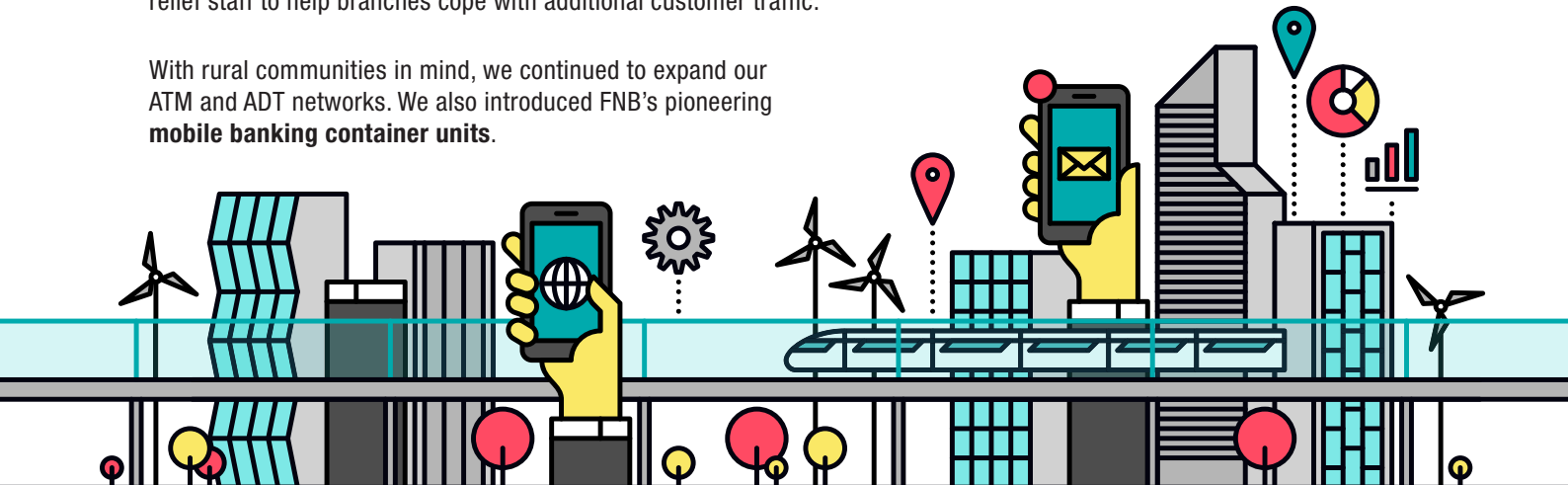
Shaping for the future

13
new rural
branches

A number of factors influenced our decision, among them, the **accelerating migration to digital and self-help banking channels.**

We took steps to offset the impact of these closures by, for example, introducing extended opening hours at other branches and launching our peak relief project, which deploys relief staff to help branches cope with additional customer traffic.

With rural communities in mind, we continued to expand our ATM and ADT networks. We also introduced FNB's pioneering **mobile banking container units.**



African challenge, African solution

Large numbers of people in South Africa and across the continent still have **limited access to banking services**. In response to this challenge, we introduced a distinctly African solution – **our mobile banking container units**.

Constructed from shipping containers, these units can be easily moved, as demand for banking services fluctuates from area to area among more remote communities.

These offer rural customers a comprehensive range of banking solutions – from teller services to ATM/ADT services as well as savings and investment services.





Making business admin easier

We are making it **simpler to do business with pioneering online offerings** such as instant accounting, instant cashflow, instant payroll and instant invoicing.

FNB Business' service allows them to **register with the Companies and Intellectual Property Commission (CIPC) for free** when opening an account.

136 000
customers
signed up
for our
online
offerings

650
businesses
take advantage
of FNB
Business'
service every
month

Products

	2016	2015
Instant accounting	80 188	42 417
Instant cashflow	8 082	1 556
Instant invoicing	2 396	447
Personal financial management	4 921	3 487
Merchant analytics	1 561	1 596
Instant payroll	2 859	400
	100 007	49 903

Financial education

Instilling the principles of financial discipline

“Making people more aware of the risks and fraud associated with banking makes up a significant proportion of our customer education work.”



- The levels of financial literacy in South Africa remain low and we are taking active steps to raise these.
- Our comprehensive consumer education programme includes face-to-face sessions nationwide as well as radio and TV slots, magazine and newspaper articles, and a popular digital platform.
- During the year, we faced challenges when it came to hosting face-to-face sessions, but the numbers of sessions and participants were still well above target.



33
publications
ran our
article on
finance for
women

A new game show,
Beat The Score
where winners are
announced and their
R2 000 prizes
are deposited into a
FNB account



25
publications
carry our
advice on
bonuses



11
radio
stations
broadcast
our financial
literacy
programmes



107 372
people
attended our
face-to-face
financial
literacy
sessions in
2016 versus
a target of
58 000



933
face-to-face
sessions
took place
across the
country
versus a
target of
720



18
publications
ran our
article on
money tips
for teenagers

Keeping ATMs safe



During the year, our **PoP teams launched a comprehensive education campaign** designed to highlight safe banking practices at ATMs. The campaign used a range of channels to reach our customers. Among others, these included **Facebook posts, SMS messages, brochures at ATMs as well as posters and TVs in our branch lobbies.** In parallel, we also upgraded our ATMs to reinforce security, privacy and functionality.

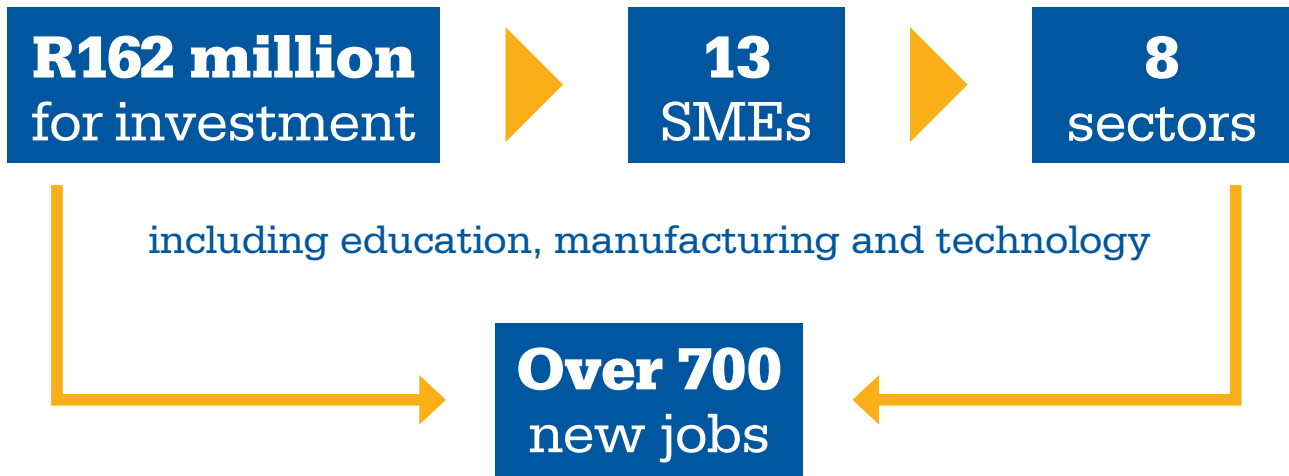


Investing in customer enterprises



planting the seeds of business success

Launched in 2009, **FirstRand's Vumela** enterprise development fund **supports South Africa's development** by investing in high-potential **small and medium enterprises (SMEs)**.



CASE STUDY

Driving empowerment

In 2016, Vumela joined forces with two FirstRand franchises, **FNB and WesBank, to launch an initiative with Uber that aims to empower drivers** who do not own vehicles but drive at reduced rates for vehicle owners on the Uber platform in South Africa.

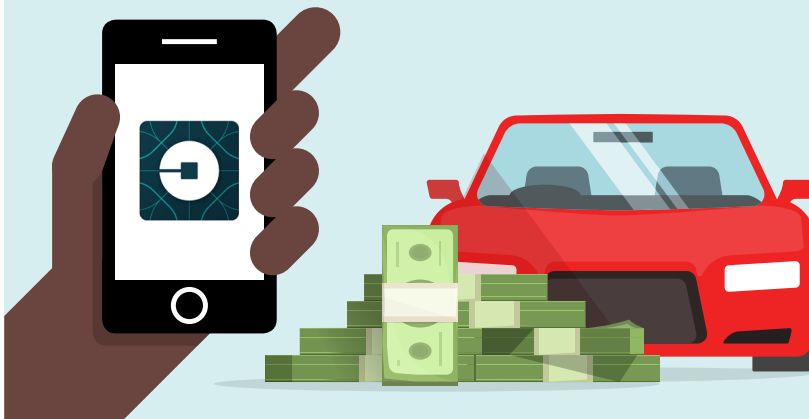
Most drivers who wish to operate on the Uber platform with their own vehicle either have no access to a vehicle, or their credit history to qualify for vehicle finance is limited, which means they are unable to obtain traditional vehicle financing.

Additionally, it gives drivers with limited credit histories an opportunity to build a history with a reputable financial service provider. As FNB customers, they can enjoy a wide ranging of value-added benefits, including eBucks on fuel purchases.

**R5 200
per month**

**increase
their
average
earnings**

**approximately
R8 000
to
R12 000
per month**



Protecting our customers

The **digital banking revolution** that we are leading continues to open up a **world of benefits and possibilities** to our customers. But the fact is online banking also presents a number of risks. We have a **duty to protect our business, customers and their communities** from all forms of criminal activity including fraud, theft, money laundering and corruption. When it comes to fraud and risk, **we operate a zero-tolerance policy.**





Fighting fraud

“ Our **PoP** teams remain particularly **concerned** at the number of customers who fall victim to **advance fee frauds** by remitting funds to people they don't know in the false hope that they will later receive vast sums of money. ”

Over the past year, **cybercrime increased significantly** and FNB was exposed a number of targeted attacks. In parallel, **fraudsters are using more advanced technology and techniques** to take over customer accounts. Emerging fraud trends during 2016 included: **digital fraud, transactional fraud and scams**, where customers respond to adverts or emails which entice them to purchase goods or services that don't exist.

We responded to these threats with a broad range of measures, such as:

Enhanced anti-money laundering/counter-terrorist financing systems

Biometric ID and verification technology

FNB is among the biggest users of biometric security technology in South Africa's banking industry. Launched with the Department of Home Affairs in December 2015, our online fingerprint verification (OFV) system has helped achieve a dramatic reduction in account takeovers.

Enhanced digital fraud prevention

We introduced new online security measures and tightened controls that significantly limit fraud on digital channels, including phishing scams and SIM swaps.

Fraud models

We are developing and deploying a significant number of predictive models across products as a preventative tool to protect customers.

Ponzi scheme detection

FNB uses various methods to detect these schemes, including monitoring media and running internal models to try to detect suspect activity on accounts.

Education and awareness programmes

We invest heavily in educating our customers as well as our own staff on the risks associated with online banking – and how to manage them.





Anti-fraud partnerships

We work closely with the **South African Banking Risk Information Centre (SABRIC)** and the **South African Fraud Prevention Service (SAFPS)** on various strategic initiatives that involve analysing data to detect, identify and prevent fraud.

We have also engaged payment clearance specialists, **Bankserv**, to develop a **transactional fraud model** to detect and prevent fraud.

Security initiatives



At group level, we **realigned our group physical security function** during the year, renewing our focus on key areas designed to **protect customers, staff, bank buildings, infrastructure, cash, assets and data.**

Among other security initiatives, FNB:

- Sponsored two vehicles to the Johannesburg Metropolitan Police Department (JMPD) for crime prevention.
- Provided office space for law enforcement teams at BankCity, Johannesburg.
- Paid community patrollers to patrol and prevent crime against customers and bank staff through the MEC's Office for Safety and Security in Gauteng.
- Increased security deployment in the CBD.
- Acquired three safety kiosks in consultation with law enforcement that will be manned and deployed in the precinct to protect staff and customers.
- Initiated a Joint Operational Centre (JOC) for security personnel, law enforcement, SABRIC and other banks in the event of any incidents.
- Developed plans to open two more JOCs in Cape Town and KZN to support law enforcement.

leading light

The fight starts with us:

Employees worldwide for going **above and beyond** to tackle fraud and crime.

Diamond Innovation Prize
winning team received

R1 000 000

designing and implementing an analytical tool to detect fraud proactively

Gold Innovation Prize
winners received

R500 000

implemented a watermark UV stamp for printed paper to ensure validity

Silver Innovation Prize
winners received

R200 000

laptop security verification system to ensure secure authorisation

Diamond Merit Prize
winners each received

R250 000

proactive syndicate identification, resisting bribes and assisting the police with arrests

Gold Merit Prize
winners each received

R150 000

identified staff who were dismissed after defrauding customer accounts

Silver Merit Prize
winners each received

R100 000

identified staff who were dismissed after defrauding customer accounts



**Invested
in our
communities**
—



Building a more equitable South Africa

Our commitment to the **principles of sustainable development** goes beyond our people and customers to include their communities. During the year, we invested significant resources, time and money into **building a better life for all South Africans.**

Supporting grassroots development

In 2016, we invested over

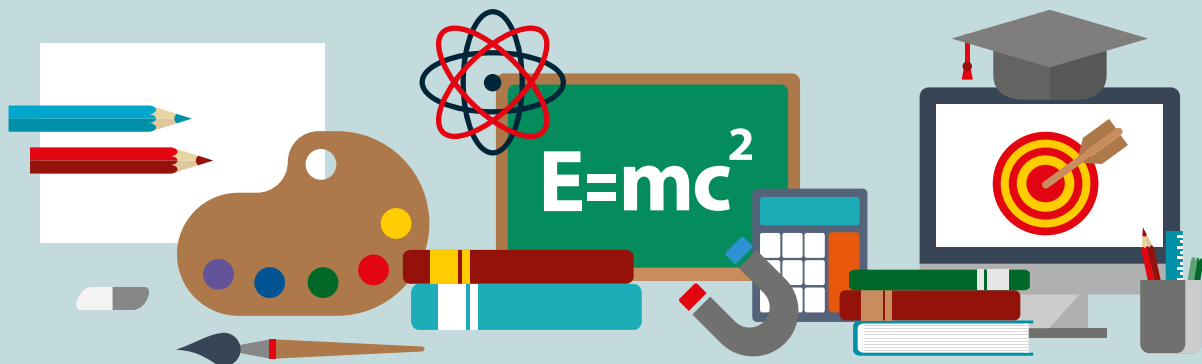
R28 million

through the FNB Fund into grassroots initiatives designed to alleviate poverty and support marginalised communities

R17 million
in early childhood development for over
2 000
children

R10 million
in primary education for over
8 000
learners

R21 million
in tertiary education for over
230
students



Affordable housing

Making housing more affordable for more South Africans



- In collaboration with our partners, including affordable housing developers, we continue to **play an important role** in tackling **South Africa's housing crisis**.
- During 2016, we **recorded strong lending figures in the affordable housing sector** even though the national lending environment remains turbulent.
- We also remain strongly committed to supporting efforts to ensure the **title deeds to government-owned houses in South Africa are transferred to the people who live in them**.

“ We helped to facilitate the transfer of another 200 title deeds to residents in the Ngwathe municipality in the Free State. ”

Affordable housing loans

Geographic profile Province

	2016 %	2015 %
Gauteng	60	55
Western Cape	12	13
KwaZulu-Natal	9	10
Eastern Cape	5	5
North West	4	5
Mpumalanga	4	5
Free State	4	5
Limpopo	1	1
Northern Cape	1	1
Total	100	100

Living the spirit of Ubuntu



20%

of our staff, on average, are involved in the FNB Employee Volunteer Programme

“The benefits of the FNB Volunteer Programme work both ways. **Our people learn as much from the communities** they support as those **communities learn from our people**. Education remains a high priority among our volunteers.”

- Our employees participate in a range of volunteering activities. From establishing community gardens and bakeries to spending time with hospital patients awaiting treatment, from working in creches and schools to helping out in animal shelters, the range of voluntary activities continues to expand.
- Our volunteers made a strong effort to encourage their colleagues to volunteer as marrow donors as well as blood donors.

FNB volunteers joined volunteers from other FirstRand franchises

They registered

404

**non-profit
organisations**

and

620

**schools
on the
FirstRand
Volunteers
intranet site**

The volunteers donated

R4.9 million

in time and money

**The 2016 FirstRand
Volunteers School
Education Fund supported**

95 schools

**across the country with
a total donation of**

R475 000



**Invested
in our
environment**
—



As a FirstRand franchise, we are governed by the group's stringent policies when it comes to managing our environmental impact and the way we use natural resources. What's more, we also take active measures to integrate the principles of environmental and social risk management into our decision-making processes.

Reducing our carbon footprint

In 2016, the group's total carbon footprint for its South African operations decreased by

7%

Factors behind this overall reduction included

84%

fall in fuel purchased for generators

Factors behind this overall reduction included

50%

cut in emissions from business travel by road



As well as the launch of a group-wide energy management programme

Our PoP teams achieved the highest level of energy savings in FNB during 2016, cutting consumption by almost

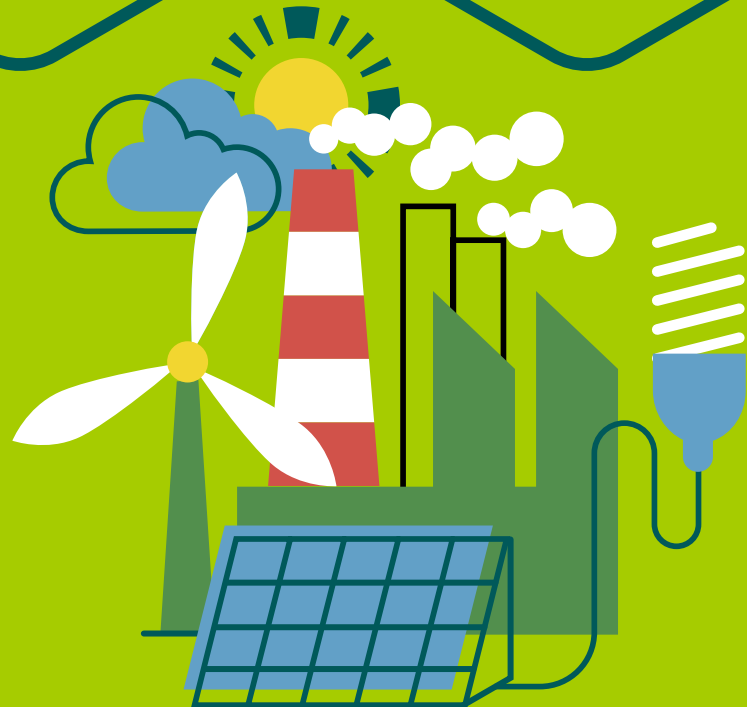
6 million KWH per month

Reducing branch floor space by **11 000m²** enabled PoP to save an additional

R1 million in electricity costs

6.8%

of PoP's total energy savings were achieved by simply **switching off devices that are not in use or outside operating hours**



Supporting the Carbon Disclosure Project

The UK-based **Carbon Disclosure Project (CDP)** works with 3 000 of the world's largest corporations to make carbon emission reduction integral to their business.

As part of the FirstRand group, FNB has **participated** in the CDP since 2008.

In 2016, FirstRand received CDP Gold Awards for appearing on the Carbon Disclosure Leadership Index and the Carbon Disclosure Performance Index for six years or more.





Invested in tomorrow