



REPORT TO SOCIETY 2013



**FNB**

how can we help you?

# Message from CEO



*The White Rabbit put on his spectacles.  
“Where shall I begin, please your Majesty?” he asked.  
“Begin at the beginning”, the King said, very gravely,  
“and go on till you come to the end: then stop.”*

These words from Lewis Carroll's children's story, Alice's Adventures in Wonderland, have always held special meaning for me. First, as a boy questioning where all manner of things – from cricket matches to clouds in the sky – really begin and end, and second, as a banker questioning where the business of banking really begins and ends. In both areas I have found the answers to be more nuanced than implied by the king's instruction to the white rabbit in the quote above.

A bank, simply put, is a financial institution that accepts deposits from the public and channels these into loans for its customers. One might say then that a bank begins with deposits and ends with loans. However, in the process of performing this service a bank serves a number of other important functions that weave it into the economy and community in which it operates.

As a deposit-taking institution it guarantees the public's deposits, and as a financial services provider greases the wheels of economic development through mobilising capital and providing safe, stable platforms on which companies and individuals can transact. **For individual customers, banks can be trusted depositories for their money and a financial life partner that makes it possible to buy and sell goods and services, save, invest, insure and build financial safety nets.**

In providing these services banks employ individuals, buy goods and services from suppliers, enable implementation of regulations and contribute to GDP by distributing economic value created to stakeholders in the form of salaries and wages, interest and profits, procurement expenditure and taxes.

**The importance of banks to the economies in which they operate, therefore, makes it impossible to define exactly where banking starts and ends, and in some ways, it is our choice as bankers to decide this for ourselves.**

**Since its creation in 1838, FNB's personality as a bank and corporate citizen has been grounded in the belief that it does not have a clearly defined beginning and end but is rather an integral part of the fabric of society and its progress.** The business of banking is increasingly complex and in many cases controversial, and, in this context, we define our value proposition around the concept of **help**. Simply put, we believe that we can add value through the power of helping our many stakeholders in different and evolving ways.

In an increasingly competitive environment with growing economic and regulatory constraints, providing this help means continually and relentlessly refining products and services through innovation. During the year, FNB has had some remarkable achievements which, I believe, are testimony to our ability to adapt to change and to create value in the lives of stakeholders. Some of these include being ranked:

- **Most Innovative Bank in the World.**
- **Coollest Bank.**
- **SA's Most Reputable Bank.**
- **SA's Leader in Cellphone Banking.**
- **SA's Leader in Online Banking.**

When I was appointed FNB's CEO in 2004, I said that a CEO's tenure should not exceed ten years, and I still believe this to be true. This is why, as you already know, I will be stepping down at the end of 2013 after what, I believe, has been ten successful years at the helm.

Many leaders will tell you that the secret to their success lies in having surrounded themselves with talented people and then being prepared to be challenged and stretched. I have been very lucky to work in a business with so many extraordinary people, notable among who is Jacques Celliers who will be taking over from me gradually until my last day as CEO in December 2013. I have every confidence that Jacques and the executive team at FNB will continue to deliver superior and sustainable stakeholder value into the future and in increasingly innovative and value-adding ways.

Here again I reflect on where things begin and end, and again, I find the answer more nuanced than meets the eye. **This is by no means the end of my relationship with FNB and I am not about to stop contributing to society and the economy. Rather, it is a transition to becoming a different kind of stakeholder in FNB's life, taking some time to reflect on how the world is going to change in the next ten years and how an entrepreneur can make the biggest contribution.**

To that end I look forward to reading this report in 2014 as an interested and affected stakeholder of South Africa's coolest – and the world's most innovative – bank.

See you around,

**Michael**

## 2013 PERFORMANCE HIGHLIGHTS

22% *normalised earnings*

35.6%

*return on equity*14% *total deposits*13% *transactional volumes*14% *fees and commissions*

2 571

*innovations implemented*

**“Once again, FNB’s growth was driven by its proven talent for developing and launching game-changing innovations.”**

In 2013, FNB achieved impressive non-financial returns despite pressures from lower interest rates and a competitive economic environment.

Significantly, 7.6 million customers now bank with FNB, up from 7.5 million in 2012. At the same time, the number of FNB banking products used by each customer rose from an average of 2.03 to 2.13, indicating that people value the convenience that our diverse product range offers them.



# Invested in our people

**“WE KNOW THAT INSTILLING RESPECT FOR THE FUNDAMENTAL PRINCIPLES OF ETHICAL, SOUND BANKING PRACTICE AMONG OUR EMPLOYEES IS THE FIRST STEP TOWARDS PROVIDING OUR CUSTOMERS WITH SOLID, DEPENDABLE BANKING SERVICES THEY CAN TRUST.”**



## KEY STATISTICS

### People first

**R316.5  
million**  
*spent on skills  
development compared  
to **R288 million** in 2012*

**R282.7  
million**  
*invested in  
ACI skills development*

**1 211**  
*ACI learners  
benefited from  
learnerships at FNB*

### PERMANENT STAFF



- **74%**  
African  
Coloured  
Indian  
(ACI)
- **26%** White

### EMPLOYMENT EQUITY

#### **Building a representative workforce**

Transformation involves building a committed, qualified and highly skilled workforce that truly reflects the country's ethnic and cultural diversity.

At the end of the 2012-13 financial year, permanent employees were 25 907, up from 25 811 in the previous year. Of this total, 19 066 of employees were African, Coloured or Indian (ACI). The total number of female employees was 16 148.

#### **The skills to deliver**

Our commitment to investing in skills development goes well beyond our own business. Among other measures, we work closely with government, trade unions, education institutions and other corporates to build solutions to the skills development challenges facing our country.

During the year, we spent R316.5 million on skills development and learnerships. Of this R282.7 million was spent on training programmes for our ACI employees, while 1 211 ACI employees were on FNB learnerships.



# Invested in our customers

**“OUR PASSION FOR INNOVATION IS DRIVEN BY FOUR STRATEGIC PRIORITIES: TO WIN NEW CUSTOMERS AND MIGRATE THEM ONTO LOW-COST ELECTRONIC CHANNELS; RETAIN AND INCREASE CROSS-SELL TO EXISTING CUSTOMERS; DRIVE OPERATIONAL EFFICIENCIES AND REDUCE FRAUD; AND RETURN VALUE TO CUSTOMERS THROUGH REWARDS.”**





## SATISFACTION COUNTS

Key figures for the 2012-13 financial year indicate that FNB's sustained investment in customers throughout Africa is paying dividends. Not only are we helping them to transact more easily, but we are also making it easier to save. For example, our 7-Day Interest Plus deposit book grew 72% year-on-year while eWallet transaction volumes increased 71%. Other highlights include:

- ❖ eBucks rewards payouts **up 34%** to R723 million;
- ❖ business banking customers **up 20%** since launch of eBucks for Business;
- ❖ active banking app users **up more than 100%** year-on-year to 535 000 users;
- ❖ point-of-sale devices rollout across Africa **up 31%** year-on-year;
- ❖ cellphone banking pre-paid purchases across Africa **up 51%**;
- ❖ assets under execution in the FNB securities business **up 22%** year-on-year; and
- ❖ SA properties in possession **down 51%** year-on-year to 290, valued at R14 million.

## COMBINING ACCESS AND CONVENIENCE

We are making banking more convenient and accessible for more customers across South Africa and the rest of the continent. To this end, the regional branch network and ATM footprint is constantly reviewed.

South Africa		Rest of Africa	
Branches and agencies	771 (2012: 775) <b>down 1%</b>	Branches and agencies	117 (2012: 108 in 2012) <b>up 8%</b>
ATMs	4 582 (2012: 4 816) <b>down 5%</b>	ATMs	534 (2012: 523) <b>up 2%</b>
ADTs	1 040 (2012: 806) <b>up 29%</b>		

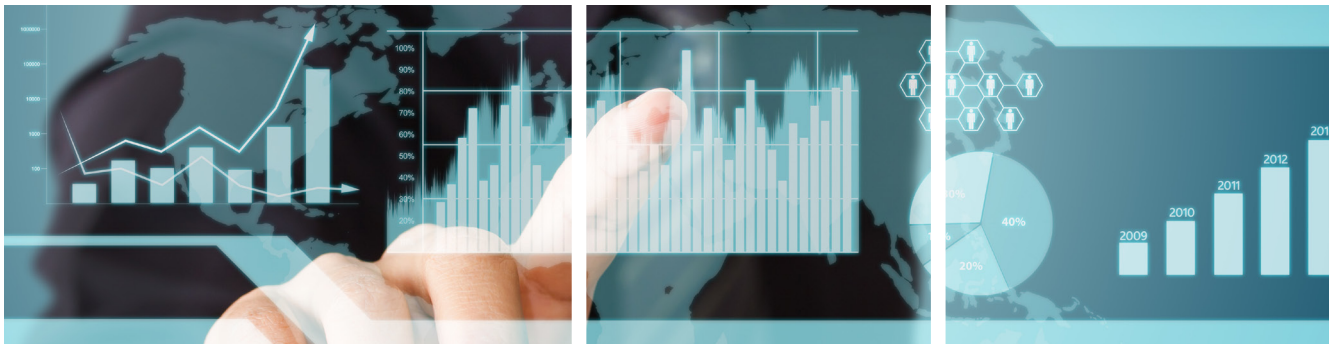
These figures tell a positive story. While the size of the branch network may have decreased slightly, an increasing number of customers are banking through digital channels rather than visiting a branch. By reducing the branch network while maintaining the same level of customer service through more cost-effective digital channels, operating costs can continue to be reduced and savings passed on to customers in the form of lower banking fees and more rewards.



## AND THE WINNERS ARE... OUR CUSTOMERS

Independent awards are a useful barometer of how well we are serving our customers. During the year, our customer-first approach resulted in a series of accolades, among them:

- ❖ **Most Innovative Bank in the World**, 2012 BAI-Finacle Global Banking Innovation Awards
- ❖ Sunday Times, Generation Next, **Cooldest Bank Award** (second consecutive year)
- ❖ **SA's Most Reputable Bank**, RepTrak, Reputation Institute
- ❖ **SA's Strongest Brand**, BrandFinance
- ❖ **Largest financial institution on all major social media platforms** in SA according to figures from Facebook, Twitter, LinkedIn, etc.
- ❖ Winner, **M&G Top Companies Reputation Index Awards 2012**, Bank and Financial Company Categories
- ❖ **SA Leader in Cellphone Banking**, All Media and Product Survey SA Leader in Online Banking, All Media and Product Survey
- ❖ **Best Branch Strategy of the Year award**, Retailer Banker
- ❖ **International Award** for Branch Cash Management and Optimisation
- ❖ **Minister's Award for Excellence**, Technology Top 100 Awards



## AND THE WINNERS ARE... OUR CUSTOMERS

**FNB's African subsidiaries** also won a number of awards, including:

- ❖ FNB Namibia: **Banker of the Year Award**, The Banker magazine; Best Bank in Namibia, The Banker magazine (fourth consecutive year)
- ❖ FNB Swaziland: **Best Bank in Swaziland**, The Banker magazine (third consecutive year)
- ❖ FNB Zambia: **Best Bank of the Year**, Kitwe Chamber of Commerce and Industry; **Best Electronic Banking Products** and **Best Vehicle and Asset Finance Bank** in Zambia, Bankers' Association of Zambia (BAZ); **Best Customer Service** in the Financial Services Industry in Zambia, Zambia Institute of Marketing; **Diamond Award**, Business Banking, Banking category, Zambia Leaders and Achievers
- ❖ FNB Mozambique: PMR Africa Golden Arrow Award 2013, **Excellence in Personal Banking**



## HOW ARE WE DOING?

When it comes to monitoring customer satisfaction, we use the Voice of Customer, an instrument that continuously monitors service quality. Specifically, it monitors how our banking channels measure up against:

- ❖ customer expectations;
- ❖ problems clients have with specific banking channels; and
- ❖ overall experience of FNB and the quality of its service.

FNB's overall score is 67, with 81% of customers reporting a positive experience (rating between 8-10 out of 10) and 2% of customers reporting a negative experience (rating between 0-2 out of 10).

We never rest on our laurels and have formal processes for ensuring that negative experiences are appropriately addressed.

## SAFETY AND SECURITY

### PEACE OF MIND

**Not only do our innovations help to make banking services more affordable and accessible, banking is also safer. During the year, card fraud was lower although turnover grew; ADT cash deposits rose 47%; customer teller cash volumes fell 16%; manual transactions dropped 0.6% and electronic transaction increased 17% – largely thanks to pioneering technology.**

### FINANCIAL LITERACY

FNB's financial literacy programme is among the most comprehensive in the country. Among other aims, the programme sets out to educate people on how to manage personal finances, equipping them to make more informed financial decisions.

Demand for the programme is growing and, during the year, participation increased from 5 520 to 6 306; an increase of 15%. The number of sessions also rose from 54 in 2011-2 to 65 in 2012-13. In addition, the programme's radio listenership was over 1.7 million every week while its one-hour live chat session on Facebook, launched in April 2013, attracted over 7 000 visitors and received positive feedback.

## INVESTED IN OUR SUPPLY CHAIN

**“Through supplier relationships, we have an instrumental role to play in building the successful enterprises that are essential to creating jobs and prosperity.”**



Empowering  
businesses



In 2012-13, FNB's total procurement spend totalled over R1.04 billion. That level of spending power brings significant responsibilities, especially when it comes to ensuring developing sustainable small- and medium- sized enterprises (SMEs). After all, a thriving SME sector is the country's single most powerful tool in the drive to create jobs and build a prosperous, stable economy.

**During the year, our B-BBEE figures in key areas looked like this:**

- ❖ spend with black-owned and black woman-owned suppliers **increased R99 million** (23%);

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- ❖ spend with black woman-owned suppliers **increased R67 million** (59%);

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- ❖ B-BBEE supplier numbers increased 39% year-on-year;

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- ❖ black-owned and black woman-owned supplier numbers **increased 51%**;  
and

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- ❖ **R882 million** BEE spend

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INVESTED IN OUR COMMUNITIES

# Invested in communities



**HELP IS THE CORE PRINCIPLE THAT GUIDES OUR BUSINESS CULTURE. NOT ONLY ARE WE FOCUSED ON HELPING CUSTOMERS AND EMPLOYEES TO THRIVE, BUT WE ARE ALSO DETERMINED TO HELP BUILD THE BEST SOUTH AFRICA THAT WE CAN. IF WE CAN FOSTER A CULTURE OF HELP, UNITE ALL SOUTH AFRICANS IN A COMMON CAUSE TO HELP BUILD A BETTER COUNTRY FOR EVERYONE WHO LIVES IN IT.**

**During the year, the fund invested:**

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**R12.9 million**

*in bursaries and scholarships, with 203 bursars enrolled on the FNB tertiary bursary programme.*

**R5.31 million**

*in primary schools.*

**R7.9 million**

*in early childhood development, reaching 11 231 children and 871 practitioners.*

**R8.4 million**

*in hospices, reaching 28 863 patients.*





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# Invested in tomorrow

**As for our next game changers...  
We'll keep you posted :)**



**How can we help you?  
[www.fnb.co.za](http://www.fnb.co.za).**