



FIRSTRAND

Annex 1 – Response to Request for Factual Information

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(g) identify and describe local markets or geographic market segments which FNB considers as relevant for purposes of marketing and distributing retail banking products/services

(h) is there any variation between geographic areas in the manner in which products are offered or promoted?

(l) to what extent are the marketing efforts of FNB targeted at customers that have not previously had a bank account, versus targeting the customers of other providers

(m) What challenges does FNB face in delivering products and services to previously under-served and less developed communities and locations? Provide an overview of the activities and plans with respect to the provision of banking services in under-served and less developed communities, including to the previously un-banked

(n) How does FNB differentiate itself from its competitors in terms of products/services offered?

(o) Which category of products/services does FNB consider as its area of strength in terms of profitability and relative share of the market? Provide reasons why FNB considers itself to be strong in this area and not in others?

Question (c) is partly answered in Annex 3 – Pricing of relevant products, which sets out the pricing per product and the changes over time. The remainder of question (c) relating to gross and net revenues per product, as well as question (e), is contained in our main submission “Initial Submission on behalf of FirstRand Bank to the Competition Commission banking enquiry” and in Annex 6 - Product level costs and revenues.

2 Low and Middle Income Products and Services

This section outlines the products and services that FNB offers to Low and Middle Income customers. These fall into four broad categories of products, namely Transact (Cheque & Transmission accounts), Transact/Borrow (Credit Cards, Petrol Cards, Petro Cards and the One Account), Borrow (Housing finance, Personal Loans and Micro Loans) and Save/Invest (short, medium and long term savings and investment products). The easiest way of presenting the information is in table format, with one or more tables answering each of the questions asked in the submission.

The table below provides a brief description of all the products and services asked for in question (a): "A complete list and brief description of all the retail products and services offered by FNB"

Description of Retail Products and Services offered to Low & Middle Income Customers

Category	Product	Description
Transact	Cheque Accounts	The FNB Cheque account is a transactional vehicle which allows customers to make and receive payments via a host of channels. There are a number of 'colours' of cheque accounts which relates to the annual income of the account holder. These are explained below. The customer may also apply for an Overdraft, which is a credit facility offering preferential interest rates to customers for borrowing purposes. Customers can also link a Petrol Card to their Cheque account
	Encore	Current account (See Cheque Accounts)
	Future	Savings Account
	Fluid	Transactional account
	Lifestart	Transactional account
	Graduates	Current account (See Cheque Accounts)
	Islamic Youth	Transactional account
	Islamic Middle Income Cheque	Current account (See Cheque Accounts)
	Non-Res Cheque	Current Account (See Cheque Accounts)
	Non-Res Savings	Savings Account
	Mzansi	The Mzansi account is a card based interest bearing entry-level bank account. It is an affordable savings and transactional account and the customer can preserve capital (as there is no monthly fee the customer only pays for transactions performed).
	Smart Account	The Smart Account is a card based transmission account designed for customers who need to transact regularly, deposit (cash or electronically) their wages and make monthly payments as well as save if surplus funds available
Smart Cheque	Entry level cheque account (See Cheque Accounts)	

Category	Product	Description
	Social Grant Account	Card based transmission account for Eastern Cape grant recipients. First 2 debit transactions are free of charge allowing grant recipients to withdraw their grants without having to incur costs.
	Mzansi Money Transfer	Real time money transfer service within RSA - no bank account required. Participating institutions: ABSA, SBSA, Nedbank and Postbank.
Borrow/ Transact	Credit Cards	<p>FNB Card provides credit cards that are unique products combining:</p> <ul style="list-style-type: none"> • Transactional facility. A payment mechanism that can be used globally, anytime at 22 million merchants and 2.5 million ATMs displaying the Visa logo. • Revolving credit facilities: The credit card has a straight facility that can be used for every day purchases as well as a budget facility that can be used as a personal loan for large purchases. • Investment product: The credit card provides excellent credit interest rates
	Petro Card	Consists of two cards, either a standalone Petro Card or a Petro Card linked to a Credit Card account. Allows customers to purchase petrol and pay for services/parts for vehicles using a credit facility
	One Account	One Account is a cheque account with a large overdraft facility, secured by the client's residential property. This single facility caters for all the banking needs of the client: transacting, borrowing and savings needs. The client gets an opportunity to do away with the need of a separate home loan account, cheque account and overdraft facility, debit card and personal loan, as all of these needs will be met by One Account. The customer benefit from a single, tiered, low interest rate on all their lending requirements.
	FNB Smart Credit Card	<p>FNB Card provides credit cards that are unique products combining:</p> <ul style="list-style-type: none"> • Transactional facility. A payment mechanism that can be used globally, anytime at 22 million merchants and 2.5 million ATMs displaying the Visa logo. • Revolving credit facilities: The credit card has a straight facility that can be used for every day purchases as well as a budget facility that can be used as a personal loan for large purchases. • Investment product: The credit card provides excellent credit interest rates
Save/Invest	Call Account (Std)	This is an interest bearing account, which allows you to deposit and withdraw funds on demand. The product falls into the short term category.
	Growth Fund Unit Trust	Entry level Unit Trust for any customers wanting to invest any amount from R500 once off lump sum or R40 monthly.
	Call Account (N/Std)	This is an interest bearing account, which allows you to deposit and withdraw funds on demand. The product falls into the short term category.

Category	Product	Description
	Simply Save	This is an interest bearing account, which allows you to deposit and withdraw funds on demand. The product falls into the short term category.
	Money Market Account	This is an interest bearing account which is aimed at investors who want to transact on their investment account.
	Money Market Investment	This is an interest bearing account which is designed for investors who want to use their investments to deposit and grow funds.
	32 Day Interest Plus	Invest your money and have access to your funds after giving 32 days notice. You enjoy two interest rate increases one after 32 days and another after 64 days.
	Flexi-Fixed Deposit	12 month investment account where the interest rate is linked to the Prime Overdraft Rate
	Fixed Maturity Notice	A 7 - 92 day investment with negotiated interest rate and term
	Million-A-Month-Acc (KYC)	32 Day Notice Account - KYC Clients
	Fixed Deposit	An investment for clients wishing to invest a fixed lump sum for a fixed period at a fixed rate
	Non Std Fixed Deposit	Clients wishing to invest a fixed lump sum for a fixed term at a fixed negotiated interest rate
	Effective Rate Deposit	Clients wishing to invest a fixed lump sum for a fixed term at a fixed interest rate and who do not require interest payments until maturity
	Restart Fixed Deposit	Clients who require a fixed term investment with the option to reset the original 13 month term and benefit from an increased rate
	Equity-Linked Fixed Deposit	12 month Fixed Deposit where the returns are determined by the performance of the FTSE/JSE Top 40 Index, subject to a maximum (Cap) rate
	Non-Resident Call	This is an interest bearing account, which allows you to deposit and withdraw funds on demand. The product falls into the short term category.
	Non-Resident Call N/Std	
	Supersaver	Book based savings account
	Stokvel	Book based group savings account
Borrow	Traditional Home Loan	The Traditional home loan is a loan to assist the customer with finance when purchasing an existing residential property. The traditional home loan may be combined with a range of additional facilities and options to personalise your home loan.

Category	Product	Description
	Bond Plus	Bond Plus lets you borrow 100% of the purchase price of your home PLUS the funds you may need to cover additional expenses to a maximum of 8% of the purchase price. These expenses may include transfer fees, attorney fees and bond registration costs which are built into the total loan amount.
	Building Loan	A Building Loan allows our customers to apply for a building bond if he/she is intending to build a home. Once the home is built, the building bond would revert to a normal home loan.
	Foreign Choice	Foreign Choice is a product for foreigners who want to purchase property within South Africa or for South Africans who are working and living in another country, looking to buy a property for future use.
	Smart Housing Plan	Homeloan secured by the member's Pension/Provident Fund in terms of section 19(5)(a) of the Pension Funds Act of 1956. This loan is only allowed to be used for purchasing of property, land or home improvements.
	Smart-Spend Loan	This is an unsecured personal loan governed by an exemption notice under section 15A of the Usury act, priced according to loan amount, term and payment mechanism. All loans are credit scored with repayments via payroll and debit order.
	Smart Bond (Affordable Housing)	Homeloan designed for the lower income customers
	Personal Loan	Personal loans offer unsecured credit to individuals from R4,000 to R50,000, over a period of 18 to 60 months

2.1 Defining Characteristics of each of the Products

This section addresses question (b): “the defining characteristics of each of these products/services in terms of function and customer utility, and the profile of the consumer that would use them” is answered in four sections. Section 2.1.1 describes the target market for each of the products, Section 2.1.2 describes the standard features of each of the products, Section 2.1.3 describes any optional features and benefits of each product, and Section 2.1.4 describes the Value-adds that are offered free of charge with each product.

2.1.1 Target Market

The table below explains the target market for the product, either in terms of minimum annual income requirements (some credit / transactional products) or minimum balances (some savings/investment and housing finance products).

Target Market for each of the Products

Category	Product	Target Market
Transact	Cheque Accounts	<ul style="list-style-type: none"> • Customers with a regular Income and a clean credit record • Permanent Residents of SA • Graduate Cheque: Aimed at first time earners who qualified from a registered institution within 3 years • Silver Cheque: Income > R60 000 < R140 000 p.a., Joint income > R70 000 • Gold Cheque: Income >R140 000 < R350 000 p.a., Joint Income > R160 000 • Platinum Cheque: Income > R350 000 p.a., Joint Income > R400 000 • Encore Cheque: >R60 000 and over 55 years of age
	Encore	Seniors 55 and older
	Future	Ages 0-13 and RSA residents
	Fluid	Ages 13-18 and RSA residents
	Lifestart	Full time students aged 18-26
	Graduates	Qualified graduates and young professionals
	Islamic Youth	Muslim Youths ages 0-18 - Min Bal R 30.00
	Islamic Middle Income Cheque	Muslim adults earning an income - Min Bal R 500.00
	Non-Res Cheque	Non-Residents and South Africans that have immigrated
	Non-Res Savings	Non-Residents wanting to invest in South Africa - Min Bal R 50.00
	Mzansi	The Mzansi Account is for un-banked and under-banked individuals over the age of 16 years. No minimum salary required (only a valid SA ID required)
	Smart Account	Individuals over the age of 18 who needs to transact regularly i.e. receive deposits and make payments. No minimum salary required targeted at individuals earning up to R60k pa.
	Smart Cheque	Earn a regular income, R24k-R60k Clean credit record South African Resident
	Social Grant	Eastern Cape grant recipients
Mzansi Money Transfer	Un-banked and banked customers needing to transfer money real time within RSA	

Category	Product	Target Market
Borrow / Transact	Credit Cards	<ul style="list-style-type: none"> • Platinum Credit Card - income of over R350,000 per year. • Gold Credit Card - income of over R140,000 to R349,999 per year. • Silver Credit Card - income of over R60,000 to R139,999 per year.
	Petro Card	Whether you choose to link your Petro Card to your credit card account, with all purchases included on your credit card statement, or have it as a standalone account, with a separate Petro Card statement, the versatile Petro Card offers you a credit facility especially designed to give you peace of mind motoring. The Petro Card can be used to pay for fuel, oil, servicing, as well as your toll fees.
	One Account	One Account is available to salaried and self employed customers individually or jointly earning an income of at least R100 000 per annum. . The minimum facility size should not be less than R150 000.Both first time and existing home buyers - Min Bal R 150 000.00
	FNB Smart Credit Card	Available to customers with income of over R24,000 to R59,999 per year.

Category	Product	Target Market
Save / Invest	Call Account (Std)	Min Investment R 1 000.00
	Growth Fund Unit Trust	Any customer wanting to invest money in the Stock Exchange and who don't need access to their funds for 3 to 5 years - Min Investment R 500.00 once off lump sum or R40 monthly
	Call Account (N/Std)	Min Investment R 1 000.00
	Simply Save	Min Investment R 100.00
	Money Market Account	Min Investment R 10 000.00
	Money Market Investment	
	32 Day Interest Plus	Min Investment R 100.00
	Flexi-Fixed Deposit	
	Fixed Maturity Notice	Min Investment R 250 000.00
	Million-A-Month-Acc (KYC)	All KYC Clients - All Segments and anybody with the need to save and who do not require a guaranteed high return. No Min for Branch opening. All other channels R100 min balance to open
	Fixed Deposit	Min Investment R 10 000.00
	Non Std Fixed Deposit	Min Investment R 250 000.00
	Effective Rate Deposit	Min Investment R 10 000.00
	Restart Fixed Deposit	
	Equity-Linked Fixed Deposit	Min Investment R 10 000.00
	Non-Resident Call	Non Resident Customers only - Min Investment R 1 000.00
	Non-Resident Call N/Std	
SuperSave	Saving Customers who prefer a book to record transactions and access to savings instead of a card - R50 min balance	
Stokvel	Associations, Informal Bodies, Schools/ Churches etc, Clubs, Burial Societies and groups. R50 min balance	
Borrow	Traditional Home Loan	The traditional home loan is available to individuals, joint applicants and property owning juristic persons e.g. Trusts, non-trading Close Corporations and Private companies - Min Investment R 240 000.00
	Bond Plus	<ul style="list-style-type: none"> • Primary Home Buyers • First Time Home Buyers • Professionals and upwardly mobile people 21 – 49 years of age • South African Citizen • A house where the value is set to increase significantly in a short period of time.

Category	Product	Target Market
	Building Loan	Anyone planning to make alterations to their existing home Anyone planning to build a home
	Foreign Choice	Non-Residents South Africans who have emigrated. Temporary Residents with Work Permits
	Smart Spend loan	<ul style="list-style-type: none"> Banking and non-banking customers earning up to R60k pa max loan amount R10 000. Banking and non-banking customers with an adverse credit record – max loan amount R10,000.
	Smart Housing Plan	Pension/Provident fund members where agreement is in place with the Pension / Provident Fund
	Smart Bond Affordable Housing	Earning between R 2,500 and R10,000 per month - R20,000 minimum loan amount
	Personal Loan	Customers who earn more than R48,000 per annum - Loan minimum of R4,000 which reduces over the term of the loan

2.1.2 Standard Product Features

The following section provides information on the standard features of the products offered to Low and Middle Income customers. A number of definitions for Cards are provided in Appendix C. Customers can use a number of sales and service channels, which are briefly outlined below:

- Branch
- ATM (all products that have Cards or that are linked to a Card)
- Telephone Banking
- Internet Banking (currently only products that have transactional functionality are supported, but we are expanding this to include other products)
- Cellphone Banking (currently only products that have transactional functionality are supported, but we are expanding this to include other products)
- Financial Planners (individuals that are authorised under FAIS to sell savings and investment products)
- Mortgage Originators (Housing Finance Only)
- Relationship Managers / Officers (Middle, Premier & Wealth clients only)
- External loan writers – Smart Spend and Smart Housing Plan

Standard Product Features

Category	Product	Standard Features
Transact	Cheque Accounts	<ul style="list-style-type: none"> • Cheque Books • FNB VISA Electron Debit card/VISA Cheque card • Free Debit order switching • Debit/Stop orders • A4 Statement • 3rd Party Payments • Scheduled Payments
	Encore	VISA electron debit and cheque cards, preferential rate on 12 months or longer fixed deposit accounts.
	Future	Pure Savings account, Issued with a VISA electron debit card which can be used Nationally and Internationally
	Fluid	VISA electron card, debit orders and stop orders
	Lifestart	
	Graduates	VISA electron and cheque cards, cheque books, Electronic Banking and bank cheques
	Islamic Youth	VISA electron debit card only, Electronic Banking and ATM usage.
	Islamic Middle Income Cheque	
	Non-Res Cheque	Cheque books only
	Non-Res Savings	Book based savings account, held at the branch,. The customer can transfer freely into the account but not out of the account without EXCON permission.
	Mzansi	<ul style="list-style-type: none"> • VISA ELECTRON Debit card • Cash back at point of sale • Debit/Stop Orders, • 3rd Party Payments • Inter Account Transfers • Branch & ATM Deposits (cash and electronic). First cash deposit free of charge • Branch, ATM & Mini ATM Withdrawals (no Saswitch charge) • Cellphone banking

Category	Product	Standard Features
	Smart Account	<ul style="list-style-type: none"> • VISA ELECTRON Debit Card • Cash back at point of sale • Debit/Stop Orders, • 3rd Party Payments • Inter Account Transfers • Branch & ATM Deposits (cash and electronic) • Branch, ATM & Mini ATM Withdrawals • Various pricing options incl. Electronic pricing option
	Smart Cheque	<ul style="list-style-type: none"> • VISA ELECTRON Debit Card • Cash back at point of sale • Cheque book on application • Overdraft on application • Free Debit Order Switching Debit/Stop Orders, • 3rd Party Payments • Inter Account Transfers • Branch & ATM Deposits (cash and electronic) • Branch, ATM & Mini ATM Withdrawals • Various pricing options incl. Electronic pricing option • Monthly Bank Statement
	Social Grant Account	<ul style="list-style-type: none"> • VISA ELECTRON Debit Card • Cash back at point of sale • First 2 debit transactions Free • Branch & ATM Deposits (cash and electronic) • Branch, ATM & Mini ATM Withdrawals
	Mzansi Money Transfer	<ul style="list-style-type: none"> • Cash to cash transfers • Account to cash transfers (available in Branch as well as at ATMs)
Borrow / Transact	Credit Cards	<ul style="list-style-type: none"> • The interest-free period of up to 55 days; • 24-hour availability; • There is no need to carry cash; • Transact at Point-of-Sale; • Purchase and make payments online; • Draw cash from an ATM or Branch; • Debit Orders can run from the Credit Card account; • Budget facility for financing purchases over R200 over 6 to 60 months; • Consolidate your existing short term debt through FNB's Balance Transfer Option; • Earn interest on a credit balance

Category	Product	Standard Features
	Petro Card	<ul style="list-style-type: none"> • 24-hour availability; • There is no need to carry cash; • Transact at Point-of-Sale; • Budget facility for financing purchases over R200 over 6 to 60 months;
	One Account	<p>Minimum property value of R150 000.00.Receive up to 10% of total facility amount up-front , No Need to wait until their bond is registered to access funds. Enjoy favourable interest rates by borrowing against the home loan. Pay less interest if they applied for various loans separately. Benefit from a tiered interest rate, which means that interest rate decreases as loan is repaid. Use one account for all banking transactions. Make transactions via ATMs, branches or Internet and Telephone banking. The customers can view their overall financial position at a glance, as their accounts are all part of one facility, with a single statement. Keep the same facility for life, even if they sell an existing property and buy a new home. Customers can pay off their loan quicker- just by depositing in to this account means that they pay off their loan quicker. As soon as the deposit is made the outstanding balance is reduced thereby reducing your interest expense immediately. Save on tax , as any extra money deposited into the account delivers tax free returns. Interest calculated daily on outstanding balance of the entire loan account.</p>
	FNB Smart Credit Card	<ul style="list-style-type: none"> • The interest-free period of up to 55 days; • 24-hour availability; • There is no need to carry cash; • Transact at Point-of-Sale; • Purchase and make payments online; • Draw cash from an ATM or Branch; • Debit Orders can run from the Credit Card account; • Budget facility for financing purchases over R200 over 6 to 60 months; • Consolidate your existing short term debt through FNB's Balance Transfer Option; • Earn interest on a credit balance
Save / Invest	Call Account (Std)	Transfers can be made from your Call Account to any other account on the profile, as well as electronic payments
	Growth Fund Unit Trust	All the benefits of a unit trust, but at a much lower entry level
	Call Account (N/Std)	Transfers can be made from your Call Account to any other account on the profile, as well as electronic payments
	Simply Save	Transfers can be made from your Simply Save Account to any other account on the profile.
	Money Market Account	Money can be withdrawn and deposited as often as you like. This account can be used to make debit order and stop order payments.

Category	Product	Standard Features
	Money Market Investment	This account is designed for investing and allows for deposits, branch withdrawals and transfers to other FNB accounts in the account holders name.
	32 Day Interest Plus	Any amount can be deposited and withdrawals are subject to 32 days notice.
	Flexi-Fixed Deposit	12 month term. Additional deposits can be made at any time. Access to funds - 2 withdrawals permitted over the term, each up to 15% of available balance. Interest rate fluctuates with Prime. 1 day notice required for withdrawals.
	Fixed Maturity Notice	Interest rate fixed for term selected. Interest paid on maturity. Terms 7 - 92 days only.
	Million-A-Month-Acc (KYC)	No fees. Monthly Draw.
	Fixed Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest payments monthly, quarterly or at maturity. No charges levied.
	Non Std Fixed Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest payments monthly, quarterly or at maturity.
	Effective Rate Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest payments at maturity only.
	Restart Fixed Deposit	Term of 13 months only. Interest is fixed with the option to restart the full deposit with a new interest rate . Reset results in a new 13 month term at the new interest rate.
	Equity-Linked Fixed Deposit	12 month term. Interest is subject to a maximum cap rate and payable on maturity only. Initial capital is guaranteed should the value of the stock market decline. Account balances are tiered and attract tiered CAP rates.
	Non-Resident Call	Transfers can be made from your Call Account to any other account on the profile.
	Non-Resident Call N/Std	
	SuperSave	10 free transactions for balances R6000 and above for a month Free cheque deposits Savings Book
Stokvel	Withdrawals are free for balances R6000 and above Free cheque deposits Savings Book	

Category	Product	Standard Features
Borrow	Traditional Home Loan	<ul style="list-style-type: none"> • Minimum property value of R240 000 • The monthly repayments cannot exceed 30% of the individual or combined gross monthly income • Interest rate options that compliment monthly affordability • Interest rates are individually calculated for each customer. • Completed residential properties only • Possess a clear credit record • Customer must be an RSA resident
	Bond Plus	<ul style="list-style-type: none"> • Minimum bond amount of R240 000 up to a maximum of R1,000,000 • Repayments can be made by debit or stop order • The home loan customer does not require a deposit if they qualify for Bond Plus. • Maximum loan to value of 108% • Interest rate options that compliment monthly affordability • Costs spread over the term of the home loan • Interest rates are individually calculated for each customer. • This means that the customer can do better budgeting and cash flow management. • Applicants between the ages of 21 and 49 years • Customers applying for finance for their primary home, i.e. not a holiday home or investment property • Earn a minimum monthly salary of R10 000 single or joint • Have had stable employment for 2 years • Possess a clear credit record • Customer must be a RSA citizen
	Building Loan	<ul style="list-style-type: none"> • Progress payments are made as work has been completed. • Allows you to build your dream home from scratch • Customer is only be required to pay interest on the home loan till the building has been completed. Once the building has been completed only required to pay normal capital and interest payments. • Maximum repayment to income of 30% • Building operations must commence within 6 months of registration of the mortgage, the building operation must be completed 6 months after building commenced. • The Builder must be registered by the NHBRC • Customers are limited to the Variable Rate until the building has been completed, upon completion of the building the Fixed Rate, BA Linked Rate and Capped Rate become available. • Up to a maximum of six progress payments are made based on the work completed. • No Owner Builders

Category	Product	Standard Features
	Foreign Choice	<ul style="list-style-type: none"> • Enables a foreigner/non-resident to purchase a home in South Africa • Customer can receive statements and check their accounts on the Internet if they are registered with FNB Internet Banking. • Customers can choose from BA, Fixed, Capped or Variable rates • Customer can choose to let the property or keep it as a holiday home • Applications to Exchange Control are made on behalf of the customers. • A signed Agreement of Sale or Offer to Purchase a property • An indication of the purpose for purchase, e.g. rental (appoint rental co.), vacation etc. • Current proof of income (Pay slip / letter from employer) • Copies of three months bank statements. • For Non-Residents only, the following additional criteria applies: 50% of the property price is required as deposit • 50% deposit must originate from foreign funds transferred to South Africa from abroad. Proof of this is required and has to be submitted with the Exchange Control application referred to in the next point. • Exchange Control approval is required to grant the loan. This must be in place before the Attorney Instruction to register the bond.
	Smart Housing Plan	<ul style="list-style-type: none"> • Min Loan Term: 12 months • Max Loan Term: 240 months or Normal Retirement Age • Min Loan Amount: R5000-00 • Max Loan Amount: Mutual agreement but limited to maximum of 80% of the member's withdrawal benefit • Interest rate linked to prime. Rate negotiated with Fund and based on the risk rating of the Fund • Payroll & Debit order deductions • Simple credit granting criteria based on affordability
	Smart Spend Loan	<ul style="list-style-type: none"> • Term 6 – 36 months • Loans up to R10 000 • Payroll & Debit order deductions • Simple credit granting criteria based on affordability • Payout within the hour if customer banks with FNB and all documentation have been received • Payout notification via inContact if customer banks with FNB • Interest rate fixed

Category	Product	Standard Features
	Personal Loan	Term = 18 - 60 months / / Loan amount from R4k - R50k / Voice log contract / Fixed or variable rates

2.1.3 Optional Extras by Product

In addition to the standard features provided with the products (please refer to section 2.1.2) certain products have a number of extra features or benefits that customers may take up. These are not forced, and it is based on the customers need and choice.

Optional Extras by Product

Category	Products	Optional Extras
Transact	Cheque Accounts	<ul style="list-style-type: none"> • Petrol card with free road assistance • Overdraft on application • Subscription free Internet, Cellphone and Telephone Banking • Funeral Cover • Life Insurance • Rewards Programme (eBucks)
	Mzansi	<ul style="list-style-type: none"> • Subscription free Cellphone Banking • Funeral cover • Smart Personal cover
	Smart Account	<ul style="list-style-type: none"> • Subscription free Internet, Cellphone and Telephone Banking • Funeral Cover – upgrade • Law-on-Call • Smart Personal cover
	Smart Cheque	<ul style="list-style-type: none"> • Overdraft on application • Cheque book on application • Subscription free Internet, Cellphone and Telephone Banking • Funeral Cover - upgrade • Law on Call • Smart Personal cover

Category	Products	Optional Extras
Borrow / Transact	Credit Cards	<ul style="list-style-type: none"> • eBucks - FNB Card also offers you the opportunity to link your credit card to the FNB Rewards Programme and earn eBucks. All qualifying purchases earn eBucks, which means there is no minimum spend criteria. The earn rate is as follows: • Purchases on the straight credit facility: Total purchases less than R12,000 earn 1eBuck for every R10 spent. • Total purchases exceeding R12 000 earn 0.5 of an eBuck for every R10 spent • Purchases on budget facility: All purchases on budget facility earn 1eBuck for every R10 spent. • The annual linkage fee to earn eBucks has been standardised at R150 per account. (Regardless of the number of cards linked to that account). • Electronic Service Option (ESO) allows you a R55 saving on annual card fees - statements are emailed instead of posted
	One Account	<ul style="list-style-type: none"> • Petrol card with free road assistance • Subscription free Internet, Cellphone and Telephone Banking • Rewards Programme (eBucks)
	Petro Card	<ul style="list-style-type: none"> • eBucks • Electronic Service Option
Save / Invest	Call Account (Std)	By linking your call account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Centre or FNB Internet banking. 3rd party payments are allowed via ATM & Internet banking (E-Call Middle Incomes only)
	Call Account (N/Std)	By linking your call account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Centre or FNB Internet banking. 3rd party payments are allowed via ATM & Internet banking (E-Call Middle Incomes only)
	Simply Save	By linking your Simply Save account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Centre or FNB Internet banking.
	Money Market Account	You can apply for a chequebook and Visa Electron Debit Card, which also doubles as an ATM card.
	32 Day Interest Plus	<ul style="list-style-type: none"> • Multiple withdrawals can be made but are subject to further withdrawal notice. • Customers can give notice using Internet banking or the Contact Centre if they are registered Contact Centre customers.
	Flexi-Fixed Deposit	Interest can be capitalised or redirected to another account

Category	Products	Optional Extras
	Million-A-Month-Acc (KYC)	Select not to earn interest (designed for Muslim customers who may not earn interest)
	Fixed Deposit	Interest can be redirected to transactional account
	Non Std Fixed Deposit	
	Effective Rate Deposit	
	Restart Fixed Deposit	Clients may add to their initial investment at the time of restart. Accrued interest is paid out on the date of restart but may be capitalised.
	Non-Resident Call	By linking your call account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Center or FNB Internet banking.
	Non-Resident Call N/Std	
Borrow	Traditional Home Loan	<ul style="list-style-type: none"> • Flexi Bond • Future Use • Repayment Choice • Variable Rate • Fixed Rate • Capped Rates – only available after registration of the bond • BA-Linked Rate
	Bond Plus	<ul style="list-style-type: none"> • Variable Rate • Fixed Rate • Flexi Bond • Future Use • Repayment Choice • Capped Rates – only available after registration of the bond
	Building Loan	<ul style="list-style-type: none"> • Future Use • Variable Rate • Flexi Bond – Only upon completion of the building operations and once normal repayments have commenced.
	Foreign Choice	<ul style="list-style-type: none"> • Fixed Rate • Variable Rate • Capped Rate • BA Linked Rate • Re-Payment Choice
	Smart Bond (Affordable Housing)	<ul style="list-style-type: none"> • Fixed Rate • Variable Rate step up •
	Smart Housing Plan	<ul style="list-style-type: none"> • Credit Protection insurance (some Funds) in event of death, disability and retrenchment

Category	Products	Optional Extras
	Smart Spend Loan	<ul style="list-style-type: none"> • “Top-up” on existing loan • Debt Consolidation • Credit Protection insurance. In event of death, disability and retrenchment
	Personal Loan	Customer Protection plan (covers you in event of retrenchment, death and disability)

2.1.4 Value-adds

FNB has a number of value-adds and benefits, and these are linked to the relevant products. The only time that a customer needs to pay for these value-adds, is when opting for the eBucks linkage on their credit card. The benefits for the Petro and Petrol Cards are listed below:

Petrol Card Benefits

Customers that have Debit Petrol Cards qualify for roadside assistance. In the event of a Roadside Emergency, Cims’ Suppliers will provide the following services, where the cost of the service is already covered as per the Benefit Table below. Roadside Assistance will arrange for assistance and resolve the problem if possible at the roadside where the cause of the problem is one of the following:

Roadside Assistance	Benefit Amount
Flat Tyres	Call out fee + 1 hour labour
Flat Battery	Call out fee + 1 hour labour
Keys locked in Vehicle (R50 excess per call-out)	Call out fee + 1 hour labour
Run out of fuel	Supply of fuel but cost of fuel for Cardholder’s account
Tow-In	R750 per incident
Outside a radius of 100km from house :	
Hotel Accommodation or	R400 per incident
Car Rental	R400 per incident
Safe Storage or	R400 per incident
Repatriation of Vehicle	R400 per incident
Maximum Benefit Payable per Vehicle per annum	R7 500 per annum

Petro Card benefits

- Control spending - standalone or linked monthly statements.
- Automatic debt protection.
- Link additional cards to your card account.

- Earn eBucks if your account is linked to your credit card.
- Lost card protection if reported immediately to 0800 110 132.
- Secure and convenient payment options.
- Free inContact service keeps you in touch with your account.
- Access your account via Internet Banking or Telephone Banking and benefit from no monthly subscription fees.
- AA Emergency Roadside Assistance:

When you take out a Petro Card from FNB you are automatically entitled to AA Emergency Roadside Assistance to help you out in case of an emergency. This includes:

- Roadside Repair Service, which covers emergency re-fuelling up to five litres, flat battery re starting, changing of flat tyres and key lock-out service up to R250
- Tow-in Service in the event of mechanical or electrical breakdown
- Additional services, which means that, if the incident occurs more than 100 kilometers from your home, you can make use of one of the following courtesy services, up to a maximum of R500:
 1. Car hire
 2. Overnight accommodation for you and four other passengers
 3. Transportation (or costs covered) for you to collect the repaired vehicle
- If you are involved in an accident, the AA will arrange for your vehicle to be towed to the nearest AA approved repair centre or to a destination of your choice. You will be responsible for the costs incurred

Value-adds by Product

Category	Product	Value-adds
Transact	Cheque Accounts	<ul style="list-style-type: none"> • inContact • Risk Benefits • Free Debit order Switching • Lost card protection
	Encore	Preferential rates with trust services, Goldensure and Funeral cover. No commission on the first 2 monthly stop orders, discount commission on traveler's cheques, reduced safe custody fees, 2 free bank cheques per month. Free inContact, cellphone banking, internet banking, eBucks and telephone banking.
	Future	InContact, 15% discount on Lego, 10%-20% discount on educational and 'fun' toys and videos, accessories for babies and up to 20% discount on playstation games and PC games
	Fluid	Free inContact, internet subscription, telephone banking, 20% discount on SterKinekor movie tickets, 15% discount on latest music cd's, 10% discount on prepaid airtime with any network & bus tickets, 15% off travel tours with Contiki

Category	Product	Value-adds
	Lifestart	network & bus tickets, 15% off travel tours with Contiki, Thompsons and Trafalgar. Up to 50% off magazine subscriptions and 20% off ps2 and PC games.
	Graduates	Preferential rates and insurance with Wesbank, 25% discount on first link insurance, 2% discount on student loans on upgrade to graduate, Wesbank buy now pay later scheme, free cellphone banking, inContact, telephone banking, internet banking and eBucks.
	Islamic Youth	Free inContact, Subscription free cellphone banking, telephone banking and internet banking.
	Islamic Middle Income Cheque	Free inContact, Subscription free cellphone banking, telephone banking and internet banking.
	Non-Res Cheque	
	Mzansi	<ul style="list-style-type: none"> • InContact • Lost card protection
	Smart Account	<ul style="list-style-type: none"> • InContact • R1 000 Free Funeral Benefit • Lost Card protection
	Smart Cheque	<ul style="list-style-type: none"> • inContact • eBucks • R1 000 Free Funeral Benefit • Lost Card protection
Borrow / Transact	Credit Cards	<ul style="list-style-type: none"> • Comprehensive Global Travel Insurance • Lost Card Protection • Visa Global Customer Assistance Service (GCAS) • E-mail statements • inContact
	Petro Card	Please refer to text before table
	One Account	Home Owner's Cover / Home Loan Protection Plan / inContact, eBucks, Free debit order switching. / Third party payments
	FNB Smart Credit Card	<ul style="list-style-type: none"> • AA Emergency assistance • Comprehensive Global Travel Insurance • Lost Card Protection • Card and PIN Replacement • Visa Global Customer Assistance Service (GCAS) • E-mail statements • inContact

Save / Invest	Call Account (Std)	InContact
	Call Account (N/Std)	A higher interest rate can be negotiated on this product. inContact
	Simply Save	InContact
	Money Market Account	
	Money Market Investment	InContact
	Million-A-Month-Acc (KYC)	114 prizes worth R1,5 mil cash and eB100 000 every month
	Non-Resident Call	InContact
	Non-Resident Call N/Std	A higher interest rate can be negotiated on this product. InContact
	SuperSave	inContact
	Stokvel	
Borrow	Traditional Home Loan	<ul style="list-style-type: none"> • Home Owner's Cover • Home Loan Protection Plan • Home Improvement Discounts, InContact
	Bond Plus	
	Building Loan	
	Foreign Choice	
	Smart Bond (Affordable Housing)	<ul style="list-style-type: none"> • Embedded Life • Outsurance • Loan Guarantee
	Smart Housing Plan	<ul style="list-style-type: none"> • Embedded Credit Protection (some Funds) • Telephonic legal assistance with a 30 minute face-to-face consultation • Telephonic medical assistance • Ambulance service • Hospital admission cover of R5000 if no medial aid cover • Teacher line • Repatriation of mortal remains within South Africa • Home assistance line, gardening and DIY helpline
	Personal Loan	eBucks

2.2 1.2 Competitors by Product / Service

This section answers question (i): *“identify, for each product/service, whom FNB considers to be a competitor or provider of substitute products/services. Further, is there any variation between geographic areas in this regard? If so, please identify”.*

There are numerous players in the market that FNB competes against. These differ by product and market and the variations are shown as far as possible in the table below. One of the most important factors of competition is the ability to raise deposits. Any institution seeking deposits from customers, either as savings or investments should be considered as a competitor to FNB. This will include fund managers (e.g. Alan Grey), Stokvels, shares listed on the JSE and so forth. There are hundreds of listed funds, unit trusts etc. in South Africa, and these are not explicitly listed below but should be borne in mind.

Competitors by Product

Category	Product	Competitors
Transact	Cheque Accounts	<ul style="list-style-type: none"> • Standard Bank • Nedbank • Old Mutual • Absa • Mercantile • Investec • RMB Private Bank
	Encore	Seniors, Consolidator, Optimum, Prime Club, Go Account.
	Future	Absa, SBSA, Nedbank, Investec, Mercantile Bank
	Fluid	Absa, SBSA, Nedbank, Post Bank.
	Lifestart	Absa, SBSA, Nedbank, Post Bank, Old Mutual, Capitec, Teba Bank
	Graduates	Absa, SBSA, Nedbank, Old Mutual, Pick 'N Pay Go Banking.
	Islamic Youth	Absa, SBSA, Nedbank, Old Mutual, Albaraka, HBZ, Sanlam
	Islamic Middle Income Cheque	Absa, HBZ
	Non-Res Cheque	Absa, SBSA, Nedbank, Investec, Mercantile Bank.
	Non-Res Savings	Absa, SBSA, Nedbank, Investec, Mercantile Bank.
	Mzansi	<ul style="list-style-type: none"> • Absa • Postbank • Standard Bank • Nedbank • Capitec • Teba Bank • Ithala Bank

Category	Product	Competitors
	Smart Account	<ul style="list-style-type: none"> • Absa • Postbank • Nedbank • Capitec • Standard Bank • MTN Mobile Money • Mercantile (Wizzit) • Teba Bank • Ithala Bank • Pick 'n Pay Go Banking • Old Mutual
	Smart Cheque	<ul style="list-style-type: none"> • Absa • Standard Bank • Nedbank • Pick 'n Pay Go Banking • Old Mutual
	Social Grant Account	<ul style="list-style-type: none"> • ABSA • Standard Bank • Nedbank
	Mzansi Money Transfer	<ul style="list-style-type: none"> • ABSA • Standard Bank • Nedbank • Postbank • Capitec/Shoprite • Standard/Moneygram • Informal money transfer methods
Borrow / Transact	Credit Cards	<ul style="list-style-type: none"> • ABSA, Virgin Money, • Standard Bank, Blue Bean, Edgars brand, Manchester United brand, Dinersclub, Kaiser Chiefs Brand, Orlando Pirates Brand • Nedbank, Pick 'n Pay Go Banking, SAA Voyager Brand, American Express • FNB Wesbank brand, RMB Brand, Discovery Card, Kulula brand, Clicks Brand, Vodacom Brand • Mercantile, Woolworths brand; • Investec
	Petro Card	Absa, SBSA, Nedbank, Investec, Mercantile Bank.

Category	Product	Competitors
	One Account	<ul style="list-style-type: none"> No other SA bank has an identical product. Some banks have similar functionality where funds are swept between accounts to achieve offset on daily balances, but customers need to have two accounts Investec and RMB Private Bank are competitors in the wealthy market space with 'single facility' products
	FNB Smart Credit Card	<ul style="list-style-type: none"> ABSA Standard Bank Nedbank FNB Mercantile
Save / Invest	Call Account (Std)	Absa, Standard Bank call Accounts
	Growth Fund Unit Trust	All listed unit trusts and funds
	Call Account (N/Std)	Absa, Standard Bank call Accounts Nedbank for high balances
	Simply Save	<ul style="list-style-type: none"> Absa, Standard savings accounts Capitec savings Postbank savings
	Money Market Account	<ul style="list-style-type: none"> Absa Moneybuilder, Standard Bank Marketlink Nedbank Money 24 and Money Market Financial Services companies, providers of Money Market Funds
	Money Market Investment	
	32 Day Interest Plus	<ul style="list-style-type: none"> Absa, Nedbank and Standard Bank notice deposits Investec Notice deposits on higher balances Capitec Bank Global One Account
	Flexi-Fixed Deposit	Absa and Nedbank Prime-linked deposits Capitec Bank Global One account Postbank Deposit products
	Fixed Maturity Notice	Standard Bank term deposits Absa Bank term deposit Investec Deposit products
	Million-A-Month-Acc (KYC)	National Lottery
	Fixed Deposit	Absa, Nedbank, Standard Bank Fixed Deposits. Investec Fixed Deposits for larger balances RSA Retail Bond
Non Std Fixed Deposit	Absa, Nedbank, Standard Bank Fixed Deposits. Investec on larger balances	

Category	Product	Competitors
	Effective Rate Deposit	Absa, Nedbank, Standard Bank Fixed Deposits. Investec on larger balances RSA Retail Bond
	Restart Fixed Deposit	Absa Bonus deposit
	Equity-Linked Fixed Deposit	Standard Bank Retail notes Stockbrokers
	Non-Resident Call	Absa, Nedbank, Standard Bank non resident products
	Non-Resident Call N/Std	
	SuperSave	<ul style="list-style-type: none"> • Postbank, • Absa, • Standard Bank, • Nedbank, • Ithala • Informal Stokvels
	Stokvel	
Borrow	Traditional Home Loan	We compete against the other major three Retail Banks, namely ABSA, Standard Bank and Nedbank. Other players that are significant are SA Homeloans, Old Mutual, SANLAM and Standard Chartered.
	Bond Plus	
	Building Loan	
	Foreign Choice	
	Smart Spend Loans	<ul style="list-style-type: none"> • African Bank • Capitec • Absa • Standard Bank • Nedbank • Postbank • Micro-lenders • Retailers
	Smart Housing Plan	<ul style="list-style-type: none"> • Absa • Standard Bank • Nedbank • Alexander Forbes
	Smart Bond (Affordable Housing)	<ul style="list-style-type: none"> • Absa • Standard Bank • Nedbank
	Personal Loan	All banks (Absa, Nedbank, SBSA etc.) and other retailers/service providers (e.g. DirectAxis, AA)

In addition to the players listed above that FNB competes against, there are a number of substitute products (offered both by FNB and other players) which compete with one another. These are listed in the table below:

Substitute Products offered by FNB and Other Players

Category	Product	Substitute products
Transact	Cheque Accounts	Cheque Accounts from other banks listed above
	Encore	Gold Cheque, Prestige Cheque, Optimum Cheque, Prime Club, Go Account
	Future	Mega U, Sum 1, Nedsave, Flexi Save
	Fluid	
	Lifestart	Student Silver, Student Achiever, Deziign Banking, Everyday Account, Go Account
	Graduates	Graduate Portfolio, Absa Silver, Achiever, Current Account, OMB Cheque Account, Go Account
	Islamic Youth	Islamic Target Save, Junior Jump, Savings, Stratus Savings And Transmission
	Mzansi	<ul style="list-style-type: none"> • Money transfer (very limited at this stage) • Accounts from other banks listed above • Card products that do not require a bank account i.e. Pre-paid debit cards (Gift cards, Payroll cards etc.). There are not many in the market but if we follow international trends these product will show significant growth
	Smart Account	<ul style="list-style-type: none"> • Mzansi, Cheque and Transmission Accounts from other banks listed above • Card products that does not require a bank account i.e. Pre-paid debit cards (Gift cards, Payroll cards etc.). There are not many in the market but if we follow international trends these product will show significant growth
	Smart Cheque	Smart Account and accounts from other banks listed above
	Social Grant Account	Net 1/CPS, other independent cash payment suppliers and Accounts from other banks listed above
Mzansi Money Transfer	Informal services and services from other banks listed above	

Category	Product	Substitute products
Borrow / Transact	Credit Cards	<ul style="list-style-type: none"> • The transactional part of the product can be substituted by the following products: <ul style="list-style-type: none"> ▪ Debit cards from all the banks; ▪ Cheque cards from all the banks; ▪ In store credit cards; ▪ Payment by Cash • The revolving credit part of the product can be substituted by the following products: <ul style="list-style-type: none"> ▪ Cheque overdrafts; ▪ Personal loans; ▪ In store credit cards; ▪ Access facilities on home loans; • The investment part of the product can be substituted by the following products: <ul style="list-style-type: none"> ▪ Money market accounts; ▪ Access facility on home loans; ▪ Current account deposits paying decent interest rates.
	Petro Card	Petrol Cards linked to a cheque account Cash
	One Account	Home Loans and Cheque Accounts Private Bank 'single facilities'
	FNB Smart Credit Card	<ul style="list-style-type: none"> • Debit cards from all the banks; • Cheque cards from all the banks; • In store credit cards; • Cheque overdrafts; • Personal loans; • In store credit cards; • Access facilities on home loans; • Money market accounts[AC1]; • Access facility on home loans; • Current account deposits paying decent interest rates.
Save / Invest	Call Account (Std)	<ul style="list-style-type: none"> • SuperSave • Money Market account
	Growth Fund Unit Trust	<ul style="list-style-type: none"> • Shares • Stock Market • Asset Management
	Call Account (N/Std)	Money Market accounts
	Simply Save	SuperSave
	Money Market Account	Money Market Funds
	Money Market Investment	Money Market Funds

Category	Product	Substitute products
	32 Day Interest Plus	<ul style="list-style-type: none"> Simply save Flexi-Fixed deposit Savings accounts
	Flexi-Fixed Deposit	<ul style="list-style-type: none"> Fixed Deposits Notice Deposits
	Fixed Maturity Notice	Fixed Deposits
	Million-A-Month-Acc (KYC)	Lottery tickets
	Fixed Deposit	<ul style="list-style-type: none"> Flexi Fixed Deposit Restart Fixed Deposit
	Non Std Fixed Deposit	Other savings deposits
	Effective Rate Deposit	
	Restart Fixed Deposit	<ul style="list-style-type: none"> Fixed deposits Prime Linked deposits
	Equity-Linked Fixed Deposit	<ul style="list-style-type: none"> Fixed Deposits Prime linked deposits Shares /Equities
	SuperSave	Electronic Savings Accounts, Bonus Save and accounts from other banks listed above
	Stokvel	Business SuperSave and other group savings accounts from competitor banks
Borrow	Traditional Home Loan	<ul style="list-style-type: none"> Single Facility products Structured Finance products
	Bond Plus	
	Building Loan	
	Foreign Choice	
	SmartSpend Loans	Given the qualifying criteria, the only substitute products would be similar offerings from other providers of credit
	Smart Bond (Affordable Housing)	Loans secured by Pension / Provident Funds and accounts from other institutions listed above
	Smart Housing Plan	Loans secured by Bonds and accounts from other institutions listed above
	Personal Loan	Credit Cards and Overdrafts (if the customer qualifies)

2.3 1.3 Main Factors of Competition

This section answers question (j) : *“what are the main drivers or ‘factors’ of competition? I.e., to what extent does FNB compete on factors such as price versus service delivery versus product quality etc? Rank each factor in order of importance and explain briefly the reasons for the rankings provided”*

Please note that price is always an important component of products

eBucks). The most notable 'bundled' offering where two products are bundled together is the One Account (they can also avail of a separate cheque account and home loan if they prefer). The following provides a summary of the One Account and its benefits for customers:

"The One Account is effectively a cheque account with a large overdraft facility, secured by your home. It's common for most banks to charge a range of interest rates on different types of loans (for example, one rate for a home loan, one on your credit card, another for a personal loan or an overdraft and so on). These rates may be predetermined and may not take particular circumstances and repayment history into account. By taking customers unique needs into consideration, an individualized interest rate can be calculated. This rate is often more affordable than the combination of interest rates offered on separate loans. Because the One Account also functions as a cheque and savings account, obligatory monthly income deposits lower monthly interest payments.

The One Account includes:

- A cheque account with an FNB cheque book, a VISA Cheque Card, a Petrol Card, Internet and Telephone Banking, In Contact, eBucks, Free debit order switching of any existing debit orders, a range of unique repayment options to choose from.

Benefits:

- Up to 10% of total facility amount up-front avoiding having to wait until the bond is registered to access funds,
- Transactional banking,
- Quick and convenient access to credit and no need to re-apply,
- View overall financial position at a glance as all accounts are part of one facility, with a single statement,
- Enjoy favorable interest rates by borrowing against the home,
- Save on interest, which is calculated daily on the outstanding balance of the loan amount, because income is paid into your One Account,
- Pay less interest than if you applied for various loans separately,
- Pay off loans quicker because income is deposited into the One Account. As soon as a deposit is made, the outstanding balance is reduced. This immediately reduces interest payments, even if customer withdraws a portion of income at a later time,
- A competitive tiered interest rate system linked to the prime lending rate ensures that your interest rate is in line with the home loan interest rate. The tiering allows the interest rate to decrease as customers pay off their loan.

Bundled Offerings by Product

Category	Product	Bundled offerings
Transact	Cheque Accounts	Value-adds are bundled into the Cheque account products. These are:
	Encore	<ol style="list-style-type: none"> 1. inContact - FNB's free service notifying customers of any transactions on their accounts via SMS and/or email 2. Roadside Assistance - offered free of charge with the Petrol Card, maximum benefit is R7,500 per card per annum. 3. eBucks - a free loyalty reward programme for Cheque account customers, offering them eBucks on qualifying transactions which can be exchanged for goods at a host of eBucks partners
	Graduates	Bundled Cheque and Credit Card. The customer has to take both. Rational was customers wanted both. Customers are free to take separate standalone Cheque and Credit Card if they do not wish to avail of the graduate portfolio of products.
	Islamic Youth	None
	Islamic Middle Income Cheque	
	Non-Res Cheque	
	Non-Res Savings	
	Smart Cheque	
	Mzansi	Value-adds are bundled into the Mzansi account products. These are: <ul style="list-style-type: none"> • InContact
	Smart Account	Value-adds are bundled into the Smart Account products. These are: <ul style="list-style-type: none"> • InContact • R1 000 Funeral benefit <p>New Bundled offering launching in Feb 07</p>
Smart Cheque	Value-adds are bundled into the Smart Cheque Account products. These are: <ul style="list-style-type: none"> • InContact • R1 000 Funeral benefit • eBucks <p>New Bundled offering launching in Feb 07</p>	

Category	Product	Bundled offerings
Borrow / Transact	Credit Cards	Value-adds are bundled into the Credit Card 1. inContact - FNB's free service notifying customers of any transactions on their accounts via SMS and/or email 2. AA Roadside Assistance - offered free of charge with the Petro Card, maximum benefit is R7,500 per card per annum. 3. Free Comprehensive Global Travel Insurance offered on all travel if the airline ticket is purchased on the credit card 4. Lost Card Protection 5. Visa Global Customer Assistance Service (GCAS)
	One Account	Please see text above table
	FNB Smart Credit Card	At this stage our product is not bundled although there are certain pricing concessions for certain market segments.
	Petro Card	
Save / Invest	Call Account (Std)	None
	Growth Fund Unit Trust	
	Call Account (N/Std)	
	Simply Save	
	Money Market Account	
	Money Market Investment	
	32 Day Interest Plus	
	Flexi-Fixed Deposit	
	Fixed Maturity Notice	
	Million-A-Month-Acc (KYC)	
	Fixed Deposit	
	Non Std Fixed Deposit	
	Effective Rate Deposit	
	Restart Fixed Deposit	

Category	Product	Bundled offerings
	Equity-Linked Fixed Deposit	
	Non-Resident Call	
	Non-Resident Call N/Std	
Borrow	Traditional Home Loan	None
	Bond Plus	
	Building Loan	
	Foreign Choice	
	SmartSpend	
	Affordable Housing	
	Personal Loan	

Description of Products offered to SMEs

SMEs	Product	Description
Transact	Business Transact	Card-based transmission account for businesses. No credit facilities
	Bus Cheque-General	Full function cheque account of general nature. Overdraft facilities by arrangement
	Bus Cheque-Sole Prop	
	Bus Cheque-Cash Man	Full function cheque account with multi-account cash management
	Bus Cheque-Non Res	Full function cheque account specifically for Non resident owned organisations
	Bus Cheque-PBO	Full function cheque account specifically for non profit organisations
	Bus Cheque-Islamic Fin	Cheque account with credit balances treated according to Islamic Sharia
	Bus Cheque-Khula Loans	Full function cheque account backed by Khula guarantees
	Bus Cheque-Schools	Full function cheque account specifically for Schools
	Bus Cheque-Municipal	Full function cheque account of general nature.
	Trust Current Accounts	Cheque Accounts priced and designed to service funds of a fiduciary nature
	Savings Accounts	Book-based savings account for all entities
Borrow	Business Loan	A medium to long term loan
	Debtor Finance	Invoice Discounting - A facility designed to afford cash flow acceleration against the security of a client's book.
	Leveraged Finance	Term Loans
	Comm Prop Fin	Mortgage finance facility for the purchase, refurbishment and development of commercial, retail and industrial properties Mortgage finance facility for the purchase of land and development of infrastructure for residential housing, including affordable housing projects
Save / Invest	Bus Call Account	This is an interest bearing account, which allows you to deposit and withdraw funds on demand. The product falls into the short term category.
	Bus Nstd Call	
	Bus Non-Res Call	
	Bus Nstd Non-Res Call	

SMEs	Product	Description
	Bus Money Market	This is an interest bearing account which is aimed at investors who want to transact on their investment account.
	Bus Money Market Investment	This is an interest bearing account which is designed for investors who want to use their investments to deposit and grow funds.
	Bus 32 Day Notice	Invest your money and have access to your funds after giving 32 days notice.
	Bus 32 Day Interest Plus	Invest your money and have access to your funds after giving 32 days notice. You enjoy two interest rate increases one after 32 days and another after 64 days.
	Bus Flexi Fixed Deposit	12 month investment account where the interest rate is linked to the Prime Overdraft Rate.
	Bus Fixed Maturity Notice	A 7 - 92 day investment with negotiated interest rate and term
	Business Fixed Deposit	A lump sum investment for a fixed period at a fixed rate
	Bus Non-Std Fixed Deposit	Clients wishing to invest a fixed lump sum for a fixed term at a fixed negotiated interest rate
	Bus Eff Rate Deposit	An investment for a fixed period at a fixed rate where interest is paid on maturity.

Description of Products offered to Mid Corporates

Category	Product	Description
Transact	Commercial Cheque	Full function cheque account of general nature. OD facilities by arrangement
	Comm Cheque - Cash Man	Full function cheque account with multi-account cash management
	Comm Cheque - Non Res	Full function cheque account specifically for Non resident owned organisations
	Comm Cheque - NPO	Full function cheque account specifically for non profit organisations
	Comm Cheque - Islamic Fin	Cheque account with Muslim Sharia compliance of credit balances. No interest paid
	Comm Trust Account	Cheque Accounts priced and designed to service funds of a fiduciary nature
	Comm Savings Account	Book-based savings account for all entities
Borrow	Debtor Finance	Invoice Discounting - A facility designed to afford cash flow acceleration against the security of a client's book.
	FR Treasury Loans	a) Call Loans b) Fixed Term Loans
	Leverage Finance	Term Loans

Category	Product	Description
	Comm Prop Fin	Mortgage finance facility for the purchase, refurbishment and development of commercial, retail and industrial properties Mortgage finance facility for the purchase of land and development of infrastructure for residential housing, including affordable housing projects
Save / Invest	Comm Call Account	This is an interest bearing account, which allows you to deposit and withdraw funds on demand. The product falls into the short term category.
	Comm Nstd Call	
	Comm Non-Res Call	
	Comm Nstd Non-Res Call	
	Comm Money Market	This is an interest bearing account which is aimed at investors who want to transact on their investment account.
	Comm Money Market Investment	This is an interest bearing account which is designed for investors who want to use their investments to deposit and grow funds.
	Comm 32 Day Notice	Invest your money and have access to your funds after giving 32 days notice.
	Comm 32 Day Interest Plus	Invest your money and have access to your funds after giving 32 days notice. You enjoy two interest rate increases one after 32 days and another after 64 days.
	Comm Fixed Maturity Notice	A 7 - 92 day investment with negotiated interest rate and term
	Comm Fixed Deposit	A lump sum investment for a fixed period at a fixed rate
	Comm Non-Std Fixed Deposit	Clients wishing to invest a fixed lump sum for a fixed term at a fixed negotiated interest rate
	Comm Eff Rate Deposit	An investment for a fixed period at a fixed rate where interest is paid on maturity.

3.2 Defining Characteristics of each of the Products

This section addresses question (b): “the defining characteristics of each of these products/services in terms of function and customer utility, and the profile of the consumer that would use them” is answered in four sections. Section 3.2.1 describes the target market for each of the products, Section 3.2.2 describes the standard features of each of the products, Section 3.2.3 describes any optional features and benefits of each product, and Section 3.2.4 describes the Value-adds that are offered free of charge with each product.

3.2.1 Target Market

The table below explains the target market for the product, either in terms of minimum turnover requirements (some credit / transactional products) or minimum balances (some savings/investment products).

Target Market for each of the SME Products

Category	Product	Target Market
Transact	Business Transact	Micro, low budget and start up entities, medium size business as secondary account/s
	Bus Cheque-General	All entity types (excluding Sole Proprietors unless special functionality shared)
	Bus Cheque-Sole Prop	Sole Proprietors
	Bus Cheque-Cash Man	All forms of ownership who require this functionality
	Bus Cheque-Non Res	Non Resident owned enterprises and organisations
	Bus Cheque-PBO	Organisations registered with SARS as Public Benefit Organisations
	Bus Cheque-Islamic Fin	Muslims and other persons who choose to share risk & reward on balances
	Bus Cheque-Khula Loans	All entity types who have credit facilities backed by Khula
	Bus Cheque-Schools	Public Sector Banking Segment : Public schools
	Bus Cheque-Municipal	Public Sector Banking Segment : Municipalities and similar bodies
	Trust Current Accounts	Attorneys, Estate Agents, Debt Collectors, etc.
	Savings Accounts	All business organisations & associations who require the features of this account
Borrow	Business Loan	Business Loan A medium to long term loan - R 5 Million
	Debtor Finance	Debtor Finance Invoice Discounting - A facility designed to afford cash flow acceleration against the security of a client's book. No specific minimum stipulated, but minimum loan limit is R 1,000,000.

Category	Product	Target Market
	Leveraged Finance	Small to mid-sized enterprises (roughly 5m-100m Turnover), owner managed with management continuity, cash generative, business to bank with FNB, shareholder support required
	Comm Prop Fin	Comm Prop Fin Mortgage finance facility for the purchase, refurbishment and development of commercial, retail and industrial properties Mortgage finance facility for the purchase of land and development of infrastructure for residential housing, including affordable housing projects – R 200 000.00
Save / Invest	Bus Call Account	Business Customers – R 1 000.00
	Bus Nstd Call	
	Bus Non-Res Call	Non Resident Business Customers only – R 1 000.00
	Bus Nstd Non-Res Call	
	Bus Money Market	Business Customers – R 10 000.00
	Bus Money Market Investment	
	Bus 32 Day Notice	Business Customers – R 1 000.00
	Bus 32 Day Interest Plus	Business Customers – R 100.00
	Bus Flexi Fixed Deposit	
	Bus Fixed Maturity Notice	Business Customers – R 250 000.00
	Business Fixed Deposit	Business Customers – R 10 000.00
	Bus Non-Std Fixed Deposit	Business Customers – R 250 000.00
	Bus Eff Rate Deposit	Business Customers – R 10 000.00

3.2.2 Standard Product Features

The following section provides information on the standard features of the products offered to Low and Middle Income customers. A number of definitions for Cards are provided in section 5.3. customers can use a number of sales and service channels, which are briefly outlined below:

- Branch
- ATM (all products that have Cards or that are linked to a Card)

- Telephone Banking
- Internet Banking (currently only products that have transactional functionality are supported, but we are expanding this to include other products)
- Cellphone Banking (currently only products that have transactional functionality are supported, but we are expanding this to include other products)
- Financial Planners (individuals that are authorised under FAIS to sell savings and investment products)
- Mortgage Originators (Housing Finance Only)
- Relationship Managers / Officers (Middle, Premier & Wealth clients only)

Standard Features of SME Products

Category	Product	Standard Features
Transact	Business Transact	Business Electron Debit card. Monthly statements without vouchers
	Bus Cheque-General	Cheque books; Business Electron Debit Cards. Monthly statements
	Bus Cheque-Sole Prop	
	Bus Cheque-Cash Man	
	Bus Cheque-Non Res	
	Bus Cheque-PBO	
	Bus Cheque-Islamic Fin	
	Bus Cheque-Khula Loans	
	Bus Cheque-Schools	
	Bus Cheque-Municipal	Cheque books; Monthly statements
	Trust Current Accounts	
Savings Accounts	Book which serves as both record of transactions and statement of account.	
Borrow	Business Loan	Linked rate
	Debtor Finance	<ul style="list-style-type: none"> • Non-disclosed facility, purchase debtor's book with recourse, admin is done by client • Minimum contract period of 1 year • Provide funding up to 70-80% of debtors book
	Leveraged Finance	Lending to business not shareholders, 5 year term, risk related pricing, straight amortising profile

Category	Product	Standard Features
	Comm Prop Fin	<ul style="list-style-type: none"> • Max 20 year facility with mortgage over property • Prime-linked variable rate, compounded monthly in arrears • Repayable in equal monthly installments
Save / Invest	Bus Call Account	Transfers can be made from your Call Account to any other account on the profile.
	Bus Nstd Call	
	Bus Non-Res Call	
	Bus Nstd Non-Res Call	
	Bus Money Market	Money can be withdrawn and deposited as often as you like. This account can be used to make debit order and stop order payments.
	Bus Money Market Investment	This account is designed for investing and allows for deposits, branch withdrawals and transfers to other FNB accounts in the account holders name.
	Bus 32 Day Notice	Any amount can be deposited and withdrawals are subject to 32 days notice.
	Bus 32 Day Interest Plus	
	Bus Flexi Fixed Deposit	12 month term. Additional deposits can be made at any time. Access to funds - 2 withdrawals permitted over the term, each up to 15% of available balance. Interest rate fluctuates with Prime. 1 day notice required for withdrawals.
	Bus Fixed Maturity Notice	Interest rate fixed for term selected. Interest paid on maturity date. No further deposits or withdrawals allowed Terms 7 - 92 days only. .
	Business Fixed Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest payments monthly, quarterly or at maturity.
	Bus Non-Std Fixed Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest payments monthly, quarterly or at maturity.
Bus Eff Rate Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest capitalised and paid on maturity.	

Standard Features of Mid Corporate Products

Category	Product	Standard Features
Transact	Commercial Cheque	Cheque books; Business statements
	Comm Cheque - Cash Man	

Category	Product	Standard Features
	Comm Cheque - Non Res	
	Comm Cheque – NPO	
	Comm Cheque - Islamic Fin	
	Comm Trust Account	Cheque books;
	Comm Savings Account	Book which serves as both statement of account.
Borrow	Debtor Finance	Non-disclosed facility, purchase debtor's book with recourse, admin is done by client Provide funding up to 70-80% of debtors book
	Leverage Finance	Lending to business not shareholders, 5 year term, risk related pricing, straight amortising profile
	Comm Prop Fin	Max 20 year facility with mortgage over property Repayable in equal monthly installments
Save / Invest	Comm Call Account	Transfers can be made from your Call Account to any other account on the profile.
	Comm Nstd Call	
	Comm Non-Res Call	
	Comm Nstd Non-Res Call	
	Comm Money Market	Money can be withdrawn and deposited as often as you like. This account can be used to make debit order and stop order payments.
	Comm Money Market Investment	This account is designed for investing and allows for deposits, branch withdrawals and transfers to other FNB accounts in the account holders name.
	Comm 32 Day Notice	Any amount can be deposited and withdrawals are subject to 32 days notice.
	Comm 32 Day Interest Plus	
	Comm Fixed Maturity Notice	Interest rate fixed for term selected. Interest paid on maturity date. No further deposits or withdrawals allowed Terms 7 - 92 days only. .
	Comm Fixed Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest payments monthly, quarterly or at maturity.
	Comm Non-Std Fixed Deposit	
Comm Eff Rate Deposit	Investment terms 1 - 60 months. Fixed interest rate for term. Funds may not be added or withdrawn before maturity. Interest capitalised and paid on maturity.	

3.2.3 Optional Extras by Product

In addition to the standard features provided with the products (please refer to section 3.2.2) certain products have a number of extra features or benefits that customers may take up. These are not forced, and it is based on the customers need and choice.

Optional Extras by SME Product

Category	Product	Optional Extras
Transact	Business Transact	None
	Bus Cheque-General	Daily/weekly statements Overdraft on application Cheque Cards on application
	Bus Cheque-Sole Prop	
	Bus Cheque-Cash Man	
	Bus Cheque-Non Res	
	Bus Cheque-PBO	
	Bus Cheque-Islamic Fin	Daily/weekly statements
	Bus Cheque-Khula Loans	Daily/weekly statements Khula backed overdraft only Cheque Cards on application
	Bus Cheque-Schools	Daily/weekly statements Overdraft on application Cheque Cards on application
	Bus Cheque-Municipal	
	Trust Current Accounts	Special interest and charges processing; daily/weekly statements.
	Savings Accounts	Authorised signatories must be present in person
Borrow	Business Loan	Embedded risk benefit
	Debtor Finance	n/a
	Leveraged Finance	Pre-payment after 2 years, capital moratoriums (in bank discretion)
	Comm Prop Fin	Fixed rates, stepped repayments, residual values, limited access facilities, bullet repayments, variable drawdown and repayment dates
Save / Invest	Bus Call Account	By linking your call account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Center or FNB Internet banking.
	Bus Nstd Call	

Category	Product	Optional Extras
	Bus Non-Res Call	
	Bus Nstd Non-Res Call	
	Bus Money Market	You can apply for a chequebook and Visa Electron Debit Card, which also doubles as an ATM card.
	Bus Money Market Investment	None
	Bus 32 Day Notice	Multiple withdrawals can be made but are subject to further withdrawal notice.
	Bus 32 Day Interest Plus	
	Bus Flexi Fixed Deposit	Interest can be capitalised or redirected to another account
	Bus Fixed Maturity Notice	None
	Business Fixed Deposit	Interest can be redirected to transactional account
	Bus Non-Std Fixed Deposit	
	Bus Eff Rate Deposit	

Optional Extras by Mid Corporate Product

Category	Product	Optional Features
Transact	Commercial Cheque	Daily/weekly statements Cheque Cards on application
	Comm Cheque - Cash Man	
	Comm Cheque - Non Res	
	Comm Cheque – NPO	
	Comm Cheque - Islamic Fin	Daily/weekly statements
	Comm Trust Account	Special interest and charges statements.
	Comm Savings Account	Authorised signatories
Borrow	FR Treasury Loans	Pre-payment after 2 years, capital moratoriums (in bank discretion)
	Leverage Finance	

Category	Product	Optional Features
	Comm Prop Fin	Fixed rates, stepped repayments, residual values, variable drawdown and repayment dates
	Comm Call Account	By linking your call account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Center or FNB Internet banking.
Save / Invest	Comm Nstd Call	By linking your call account to your existing FNB account you can transfer funds via FNB ATM, FNB Contact Center or FNB Internet banking.
	Comm Non-Res Call	
	Comm Nstd Non-Res Call	You can apply for a chequebook and Visa Electron Debit Card, which also doubles as an ATM card.
	Comm Money Market	
	Comm Money Market Investment	None
	Comm 32 Day Notice	Multiple withdrawals can be made but are subject to further withdrawal notice.
	Comm 32 Day Interest Plus	Multiple withdrawals can be made but are subject to further withdrawal notice.
	Comm Fixed Maturity Notice	None
	Comm Fixed Deposit	Interest can be redirected to transactional account
	Comm Non-Std Fixed Deposit	Interest can be redirected to transactional account
Comm Eff Rate Deposit		

3.2.4 Value-adds

FNB has a number of value-adds and benefits, and these are linked to the relevant products

Value-Ads for the SME Products

Category	Product	Value-adds
Transact	Business Transact	InContact-Pro services; emailing of statements; CSV statements; eBucks Rewards
	Bus Cheque-General	
	Bus Cheque-Sole Prop	
	Bus Cheque-Cash Man	
	Bus Cheque-Non Res	
	Bus Cheque-PBO	

Category	Product	Value-adds
	Bus Cheque-Islamic Fin	
	Bus Cheque-Khula Loans	
	Bus Cheque-Schools	
	Bus Cheque-Municipal	
	Trust Current Accounts	
	Savings Accounts	
Borrow	Business Loan	eBucks partner
	Debtor Finance	Stock Finance
	Leveraged Finance	Mentorships, Khula Guarantee, Partnership with Umsobumvu Youth Fund - Black Youth Empowered funding, start-up finance (in bank discretion)
	Comm Prop Fin	Insurance at replacement value required (First Link or external insurers) Valuations by the Bank with costs recoverable from client Occasionally, other requirements (e.g. project management) at the cost of the client
Save / Invest	Bus Call Account	None
	Bus Nstd Call	A higher interest rate can be negotiated on this product.
	Bus Non-Res Call	None
	Bus Nstd Non-Res Call	A higher interest rate can be negotiated on this product.
	Bus Money Market	InContact
	Bus Money Market Investment	
	Bus 32 Day Notice	None
	Bus 32 Day Interest Plus	
	Bus Flexi Fixed Deposit	
	Bus Fixed Maturity Notice	
	Business Fixed Deposit	

Category	Product	Value-adds
	Bus Non-Std Fixed Deposit	
	Bus Eff Rate Deposit	

Value-Ads for the Mid Corporate Products

Category	Product	Value-adds
Transact	Commercial Cheque	InContact-Pro services; statements.
	Comm Cheque - Cash Man	
	Comm Cheque - Non Res	
	Comm Cheque – NPO	
	Comm Cheque - Islamic Fin	
	Comm Trust Account	
	Comm Savings Account	InContact-Pro services
Borrow	Debtor Finance	
	FR Treasury Loans	Direct dealing borrowing
	Leverage Finance	Mentorships, Khula Guarantee, Partnership with Umsobumvu Youth Fund - Black Youth Empowered funding, start-up finance (in bank discretion)
	Comm Prop Fin	Insurance at replacement value required (First Link or external insurers) Occasionally, other requirements (e.g. project management) at the cost of the client
Save / Invest	Comm Call Account	None
	Comm Nstd Call	A higher interest rate can be negotiated on this product.
	Comm Non-Res Call	None
	Comm Nstd Non-Res Call	A higher interest rate can be negotiated on this product.
	Comm Money Market	InContact
	Comm Money Market Investment	

3.3 Competitors by Product / Service

This section answers question (i): “identify, for each product/service, whom FNB considers to be a competitor or provider of substitute products/services. Further, is there any variation between geographic areas in this regard? If so, please identify”.

There are numerous players in the market that FNB competes against. These differ by product and market and the variations are shown as far as possible in the table below. One of the most important factors of competition is the ability to raise deposits. Any institution seeking deposits from customers, either as savings or investments should be considered as a competitor to FNB. This will include fund managers (e.g. Allan Gray), Stokvels, shares listed on the JSE and so forth. There are hundreds of listed funds, unit trusts etc. in South Africa, and these are not explicitly listed below but should be borne in mind.

Competitors by SME Product

Category	Product	Competitors
Transact	Business Transact	<ul style="list-style-type: none"> • Standard Bank • ABSA • Nedbank • Investec (Niche offerings)e.g., Doctors, Lawyers, accountants
	Bus Cheque-General	
	Bus Cheque-Sole Prop	
	Bus Cheque-Cash Man	
	Bus Cheque-Non Res	
	Bus Cheque-PBO	
	Bus Cheque-Islamic Fin	
	Bus Cheque-Khula Loans	
	Bus Cheque-Schools	
	Bus Cheque-Municipal	
	Trust Current Accounts	
Savings Accounts	Standard Bank, ABSA	
Borrow	Business Loan	ABSA Standard Nedbank
	Debtor Finance	ABSA, Nedbank, Standard Bank, Investec, Sasfin
	Leveraged Finance	Standard Bank, Absa Bank, Investec Bank, Nedbank

Category	Product	Competitors
	Comm Prop Fin	Other banks and mortgage financiers (SA Homeloans) Fund managers and insurance companies Property investment schemes (e.g., Participation Bond Schemes)
Save / Invest	Bus Call Account	Absa, Standard Bank call Accounts
	Bus Nstd Call	Absa, Standard Bank call Accounts Nedbank for high balances
	Bus Non-Res Call	Absa, Nedbank, Standard Bank, Investec non-resident accounts
	Bus Nstd Non-Res Call	
	Bus Money Market	Absa Moneybuilder, Standard Bank Marketlink Nedbank Money Market account
	Bus Money Market Investment	Financial Services companies, providers of Money Market Funds
	Bus 32 Day Notice	Absa, Nedbank and Standard Bank business notice deposits Investec Notice deposits on higher balances
	Bus 32 Day Interest Plus	
	Bus Flexi Fixed Deposit	Absa and Nedbank Prime-linked deposits Investec prime linked products
	Bus Fixed Maturity Notice	Standard Bank term deposits Absa Bank term deposit Investec Deposit products
	Business Fixed Deposit	Absa, Nedbank, Standard Bank Fixed Deposits. Investec Fixed Deposits for larger balances
	Bus Non-Std Fixed Deposit	
	Bus Eff Rate Deposit	

Competitors by Mid Corporate Product

Category	Product	Competitors
Transact	Commercial Cheque	Standard Bank, ABSA, Nedbank
	Comm Cheque - Cash Man	
	Comm Cheque - Non Res	
	Comm Cheque – NPO	
	Comm Cheque - Islamic Fin	

Category	Product	Competitors
	Comm Trust Account	
	Comm Savings Account	
Borrow	Debtor Finance	Standard Bank, ABSA, Nedbank, Investec, SASFIN, factoring houses
	FR Treasury Loans	Standard Bank, ABSA, Nedbank, Investec, foreign banks
	Leverage Finance	Standard Bank, ABSA, Nedbank, Investec, foreign banks
	Comm Prop Fin	Other banks and mortgage financiers (SA Homeloans) Property investment schemes (e.g., Participation Bond Schemes), as above
Save / Invest	Comm Call Account	Absa, Standard, Nedbank
	Comm Nstd Call	
	Comm Non-Res Call	Absa, Nedbank, Standard Bank, Investec non-resident accounts
	Comm Nstd Non-Res Call	
	Comm Money Market	Absa Moneybuilder, Standard Bank Marketlink Financial Services companies, providers of Money Market Funds
	Comm Money Market Investment	
	Comm 32 Day Notice	Absa, Nedbank and Standard Bank notice deposits
	Comm 32 Day Interest Plus	
	Comm Fixed Maturity Notice	Standard Bank term deposits Investec Deposit products
	Comm Fixed Deposit	Absa, Nedbank, Standard Bank Fixed Deposits.
	Comm Non-Std Fixed Deposit	
	Comm Eff Rate Deposit	

In addition to the players listed above that FNB competes against, there are a number of substitute products (offered both by FNB and other players) which compete with one another. These are listed in the table below:

Substitute Products offered by FNB and Other Players – SME Products

Category	Product	Substitute Products
Transact	Business Transact	ABSA: BizStart Std: Business Transact Acc Consumer transactional products Cash
	Bus Cheque-General	All provide cheque account equivalents Cash
	Bus Cheque-Sole Prop	FNB is only bank to offer this derivative Consumer transactional products
	Bus Cheque-Cash Man	All provide cheque account equivalent Cash
	Bus Cheque-Non Res	
	Bus Cheque-PBO	
	Bus Cheque-Islamic Fin	FNB is only bank to offer this derivative. ABSA are not yet Sharia approved, Cash
	Bus Cheque-Khula Loans	All provide cheque account Cash
	Bus Cheque-Schools	
	Bus Cheque-Municipal	
	Trust Current Accounts	All provide cheque account equivalent
	Savings Accounts	Standard & ABSA provide an electronic equivalent
Borrow	Business Loan	Leveraged Finance Commercial property Overdraft RMB Private Clients Vehicle and Asset Finance Debtor Finance
	Debtor Finance	Factoring, Selective invoice Discounting Overdraft, Business Loans
	Leveraged Finance	Private Equity
	Comm Prop Fin	Funding raised via the JSE and other investment vehicles Overdrafts
	Asset Finance	Overdrafts, business loans, rental finance

4 Generic Questions applying to all Markets

Section 4 answers questions (c) - (h) and (l) to (o)

4.1 Fees, Costs and Revenues

This section addresses question (c) : *“identify and describe all the customer charges, fees, and penalties associated with each product/service”* and the associated data query:

DATA QUERY: *We would like time-series data of all charges, fees, and penalties organized per product/service. However, this may be submitted after first obtaining a better understanding of the relevant products/services and their associated charges, fees, and penalties. At this stage it is requested that you comment on the availability and nature of such data, with reference to (among other things) frequency, period, structural breaks, inherent limitations etc.*

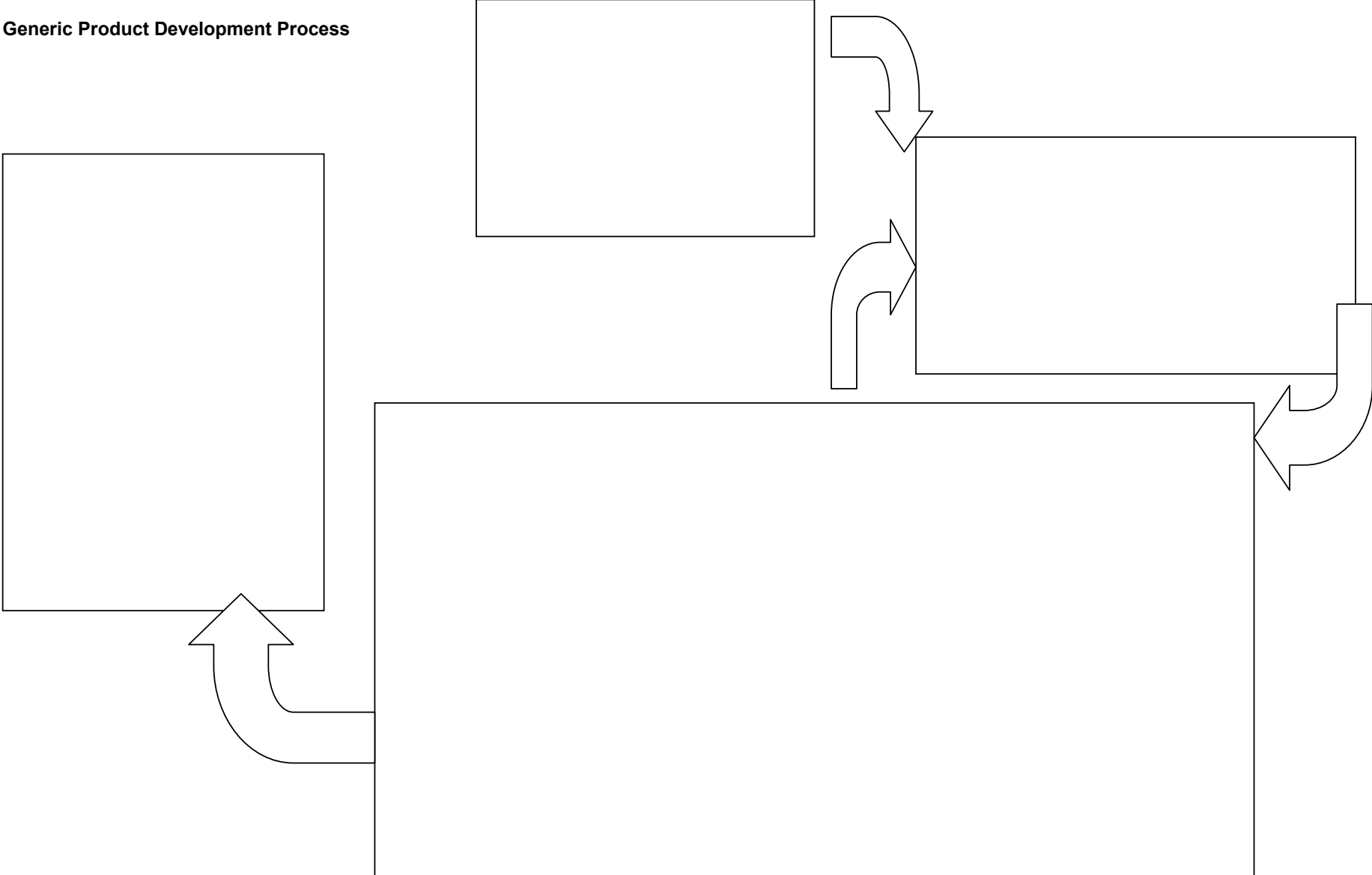
We would also like to see gross revenue and net revenue figures in respect of each product/service, and applicable cost-to-income ratios.

The time-series data of all charges and fees can be found in Appendix B attached hereto, whilst the gross and net revenue figures are presented in our main submission entitled “Initial Submission on behalf of FirstRand Bank to the Competition Commission banking enquiry”.

4.2 Product Development Process

The diagram on the following page addresses question (d): *“describe the process according to which the different products and services are designed, and the criteria which are used to select the individual features of each product/service”*

Generic Product Development Process



FNB competes in South Africa as a single national market. There are no geographic dimensions of differences in pricing or product-offer. Where differences occur, for example if there are differences in market share, these are estimates and generally due to reasons of historical footprints and team success, rather than having different offers in these areas. Distribution will naturally not be entirely even on a national basis, but FNB looks to analyse growth and population trends and enter viable new markets. Much more primary analysis is required to offer a sufficiently objective view of regional market shares. FNB would be open to providing more detailed geographic information system maps to the technical team if required.

The same cannot be said of costs. There are many cost drivers which impact on cost differences in lower density and lower income rural areas as compared to higher density and higher income urban areas. There is therefore an implicit cross subsidy from higher income / density areas to lower, given the single pricing strategy followed by FNB. It is the view of the bank that a simple national price (given the movement and dynamics of customers) is justified.

Regional differences in promotions are limited to the choice of media rather than other aspects of the value proposition changing. There are, however, certain value propositions that are focused on particular industries, such as Agriculture. Markets like these have an inherent rural bias, just as Franchising has an urban bias.

The FRB view is therefore that all markets should be defined as national for the purposes of this investigation.

4.3 Marketing to the Previously Un-banked

This section answers question (I) and the associated data query with regards to switching : *“to what extent are the marketing efforts of FNB targeted at customers that have not previously had a bank account, versus targeting the customers of other providers?”*

FNB’s marketing efforts are focused on three broad areas:

- Building the brand
- Attracting new customers
- Informing existing customers about other products

Building the brand takes the form of advertising as well as sponsorships. FNB is involved in sponsoring a variety of sporting and cultural events that appeal to a wide spectrum of customers and potential future customers. Examples of sponsorships include the African Soccer Show as well as the Heartlines initiative. FNB spent over R15 million in sponsorships over the last year, and this is forecast to increase in the current financial year. Brand building via advertising takes place across the market; however, extra efforts are made in market segments where FNB is focused on improving market perception (for example the SME market). This does not always translate into advertising spend, as it may be focused on more direct marketing such as relationship building in local areas.

The bulk of FNB's advertising is directed at **attracting new customers** to the bank. Even though these customers are new to FNB, they may have had a previous banking relationship. There are a number of groups of customers that do not have a bank account, including low income individuals without employment, those who believe it is too expensive, those who are not comfortable with banks, those who are of the opinion they earned too little or have adverse credit records therefore would not qualify to have a bank account, and the youth who have never had a bank account (especially graduates from university who are first time earners). The Smart account does not require customers to be banked, nor are credit checks done. FNB has specific below the line and above the line campaigns with specific products (we advertise almost all our products for the low income market through various media and methods. (E.g. Mzansi and Smart for low income and Graduate Portfolio for recently graduated individuals). A sizeable portion of advertising spend is targeted at the Low Income Segment (customers who earn less than R60,000 per annum) through product advertising (for example the Mzansi account and Smart housing plan) as well as channel advertising aimed at helping this segment save money on their transactions (for example cellphone banking).

FNB finds it cheaper and more effective to market to existing clients directly (below the line advertising). The aim of this marketing is to sell and also to educate i.e. using sms's to educate on debit cards more products to our existing customers as well as to encourage better, cheaper banking behaviour. There are examples of print and radio advertising of this nature, including advertising the pricing hotline which aims to inform current customers the best pricing option for their banking behaviour. (See Section 5.1).

DATA QUERY: This question relates in part to the extent of "switching" by bank customers. In this regard we would be interested in time-series data reflecting the extent to which customers are choosing to stop using the bank's services (e.g. number of accounts closed, number of dormant accounts etc.) and the extent to which customers are choosing to join (e.g. number of customers that have been facilitated in switching from another provider, number of new accounts opened in this regard etc.).

FNB has calculated churn and longevity as per the EU's definition¹: Relevance to the marketing to the un-banked question?

"Churn is defined here as the ratio of the sum of current accounts opened in a year plus current accounts closed in a year divided by two times the total number of accounts at the beginning of the year [...] "[L]ongevity" is a measure of the average length of existing banking relationships, measured as the weighted average of the number of years that existing current accounts have been active at a given bank".

FNB has calculated churn rates as per the definition above for the following account categories:

- Low Income transactional (R0-60k income per annum) – consists of Mzansi, Smart account, Smart cheque, as well a small number of customers who have opted for Silver cheque, Gold cheque, Platinum cheque

¹ Interim Report II: Current Accounts and Related Services. Sector Inquiry under Article 17 Regulation 1/2003 on retail banking. 17 July 2006, EC Competition DG. Page 99.

- Many customers in the low income market needs to be educated on basic banking fundamentals as well as basic financial literacy
- The lending market is characterised by similar challenges:
 - Cost of setting up a loan is the same regardless of its size. As a result, either the profitability of smaller loans are compromised or the interest rate is higher than that of larger loans
 - Bad debts in the low income and SMME markets are a significant cost – in low interest / low inflation cycles they can drop to 10% of gross advances but in high interest / high inflation times they can increase to over 25%
 - Maintenance of loans is also costly - the ongoing maintenance cost is a fine balance between continuous follow-up on arrear / non-performing accounts and writing off the outstanding balances. Because of the cost of follow up, the general issues around contactability in this market segment, and the small size of loans, the business viability of following up on non performing loans often results in the business decision to write-off and abandon the loans that might have justified further follow-up had the amounts been bigger
 - Customer retention is also very important for loans because the administrative and acquisition cost of putting a loan on the books is very high. As a result, “top-ups” or re-advances are necessary to keep costs at a reasonable level
 - The National Credit Act (NCA) will also impact on the profitability of loans
- Low Income customers primarily operate in a cash environment which results in banking behavior that increases costs:
 - Generally a wage earner’s wage gets paid into a bank account which is then withdrawn in a number of smaller amounts to pay for goods and services in cash.
 - This behavior is justified by the fact that (a) suppliers of goods and services in the Low Income market are often not equipped to accept electronic payments and (b) it is safer to withdraw a number of smaller amounts than one lump sum
- Many cards are lost in the Low Income market:
 - In an average month FNB replaces more than 50 000 bank cards in the Low Income market alone. Due to fraud the replacement process is time consuming and costly and the revenue barely covers the cost. Yet this negligent activity could nearly double the monthly banking cost of the individual replacing the card at a cost to the customer of R45 per card
- The high number of dishonoured debit and stop orders in the Low Income market is costly to the bank:
 - Customers often withdraw or utilize all available funds in their account before their debit and stop orders are processed – this behaviour results in penalty fees being levied on the customer’s account
- The low level of financial literacy in the Low Income market:
 - In the market segment earning <R60k per annum, more than 50% of banked customers do not have a matric qualification, and only 14% have more than a matric qualification. The percentage of financially illiterate individuals

increases dramatically as one moves down the earnings curve (see the activities and plans section for how FNB is helping to fill this education gap)

- High levels of crime and fraud add to the costs of being a bank in South Africa

Activities and plans:

FNB is committed to extending its full banking services into previously un-served areas. Over the past 3 years FNB has spent R1.9bn on operating costs for branches in Financial Services Charter (FSC) areas. FNB has the highest coverage in areas identified by the FSC with ATMs and (new) mini-ATMs covering 74.23% and Branches covering 68.3% of all FSC areas – i.e. there is a FNB ATM/mini-ATM within 10km of 74.23% of LSM 1-5 population and a FNB branch within 15km of 68.3% LSM 1-5 population.

Note that FNB’s ATM area coverage is the highest of the “Big Four” banks. The roll-out of the mini-ATMs, which started in 2003, has contributed significantly to attaining this high coverage.

The table below illustrates FNB’s current footprint as well as its plans to roll out further infrastructure in 2007

Channel	FY end 2006	FY end 2007 (estimate)	% growth
Branch	651		
Portable branches	27		
ATM	2 650	2 980	12%
Mini ATM	1 500	1 985	32%
ATM-in-store	100	800	700%
Smart Center ²	2	65	3150%
Mobile banks ³	1	10	900%

A very important channel for this market is cellphone banking and FNB currently has over 230 000 cellphone banking customers. Almost 60% of these customers are from the Low Income market and much of their banking is conducted after hours. FNB’s cellphone banking works on all networks, including Virgin Mobile, and has no subscription fee.

Another important initiative by FNB is the Middle Income Education program. FNB has invested in educating customers in the use of appropriate financial services, but this is an enormous and ongoing challenge. Without sufficient financial education at schools,

² Smart Centers are low cost temporary branches that are erected in mainly rural areas where it is uncertain whether a large enough market exists for a fully fledged branch. Once it is ascertained that there is a large enough market, a permanent branch is erected.

³ These are mobile banks that are sent to areas that do not necessarily warrant a full time branch. Examples may include rural areas, old age homes, sports events and at stores.

there will be a limit to what is possible. However, FNB's Middle Income Education involves translating written materials into easy to read and understand formats, training staff, running seminars as well as a radio based financial literacy show. This show runs in many languages, over the whole year. Currently this initiative is broadcast on 10 stations with approximately a 4.72m adult population penetration.

In the SME space, FNB has a number of initiatives aimed at assisting new business get off the ground. These are included below:

BizNetwork

Biznetwork uses a multimedia platform to ensure optimum interaction and networking between its members. This is offered in a number of ways:

- Quarterly seminars, focusing on the fundamentals of running a business, are held at selected SterKinekor cinemas nationwide, featuring local and international business gurus who share key strategies for turning companies into winning companies.
- The comprehensive Biznetwork web portal is packed with know-how and business tools, and chat forums that offer the opportunity to build business relationships and learn from others' experiences.
- Newsletters follow-up on topics that were addressed in the seminars, and keep members in the loop about developments in the business world.
- There is also a business directory where members list their businesses and make special offers to other Biznetwork members, as well as a partner section that has special discounts from a variety of Biznetwork partners.

Startups

FNB has crafted a number of solutions in the Startups market in an attempt to support our entrepreneurial customers:

- A best of breed simple business transactional account (easy and quick to open, low cost, doesn't discriminate against clients that may have poor credit history)
- Partnerships with SA's largest shelf company provider, securing discounts for our customers
- Advice and information delivered via FNB website, BizNetwork & mentorship network
- Credit offerings previously not available to new businesses
- Internal processes have been optimised to ensure that those customers that require additional help receive attention

Franchising

FNB has recognized the value Franchising brings to the South African economy and how rapidly this sector is growing. Robust franchise businesses models help mitigate risk and dramatically increase the new business operators' chances of success. The Franchise team aims to educate and inform the market regarding the benefits of Franchising, and through close partnerships with the country's top Franchisors we are able to fast track new Franchisees on the road to success.

BEE

The BEE team seeks to help our client’s find their way around the often complex and confusing world of BEE. The emphasis is on finding best of breed partners to augment our core strengths - understanding risk and financing deals. The BEE offering includes:

- Education - improving the markets’ level of understanding of BEE and the opportunities and implications it represents
- Working through the process of BEE accreditation with our customers and helping them reach the best solution (across all 7 “pillars”)
- Helping uncover business opportunities for our clients through facilitating networking sessions

4.5 Differentiation from Competitors

This section addresses question (n) : *“How does FNB differentiate itself from its competitors in terms of products/services offered?”*

Many of FNB’s products have different functionality and features to the competition. FNB is well known for a being an integrated financial services business, with decentralised owner-manager culture and best of breed brands - which allows empowered CEOs to develop new and innovative solutions. See Annex 4: FNB and innovations

While much more can be said about differentiation, the core of FNB’s focus is captured in its strategic positioning. Strategically, FNB is focused on building Enduring, Rewarding Relationships with our customers, colleagues and other stakeholders, supported by a focus on THREE things, namely, People, Innovation and Efficiencies.

- In terms of "People", we will be focusing on empowering our people, promoting diversity and rewarding excellence.
- With "Innovation", our aim is to be innovative and creative in everything that we do and in all the solutions and products we create in order to provide better service and solutions to our customers.
- The focus on "Efficiencies" looks at how effective we are in managing the cost effectiveness and efficiency of our bank.

Markinor, a leading market research company, released its 2nd annual Financial Services Loyalty benchmark survey. The number one and two spots on a range of categories are reflected below:

	No 1	No 2
Customer Focus	FNB	Nedbank
Quality	FNB	ABSA
Best brand	FNB	Standard
Easy to do business	FNB	ABSA
Price	ABSA	FNB
Innovative	FNB	ABSA
Reliable	FNB	Nedbank
Has advertising I like	FNB	Standard
Tailor products to your needs	FNB	Standard
Cares about community	FNB	Nedbank
Capable leaders	FNB	Nedbank
Highly ethical	FNB	Nedbank
Telephone Banking	Nedbank	FNB

Cellphone Banking	FNB	ABSA
Website	ABSA	Standard
Ease of use of ATM	FNB	Nedbank/Standard
Branch consultants	FNB	Nedbank
Branch tellers	Nedbank	FNB

4.6 Product / Service Strengths

This section addresses question (o) : “Which category of products/services does FNB consider as its area of strength in terms of profitability and relative share of the market? Provide reasons why FNB considers itself to be strong in this area and not in others?”

See Annex 2 (market share data)

5 Additional Information Requested

5.1 Fee Related Advertising

Apology accepted.

Now that the Deloitte's error has been cleared up, here's how our customers can save up to 40% more on bank charges:

First National Bank - a division of FirstRand Bank Limited. An Authorized Financial Services Provider.

You may be aware of the recent survey on bank charges commissioned by Finance Week and undertaken by Deloitte, which significantly prejudiced First National Bank. This surprised us since we've always prided ourselves on being at the lowest end of the cost band. Subsequently, Deloitte have admitted to certain factual inaccuracies in the calculations which significantly overstated FNB's costs and have apologised accordingly. Apologies accepted, but since the issue has been raised we'd like to offer some further tips to reduce bank charges. Applying these cost saving suggestions to the transaction profile used by Deloitte in the comparison they did for Finance Week, the theoretical family would save R121 per month, a whopping 38%! Here's how you can help yourself:

• **Don't draw cash inside a branch.**

Use the ATM for cash withdrawals. For example, a withdrawal of R1000 at an ATM as opposed to a branch would save you 54%.

• **Always draw cash from an FNB ATM.**

Savvy fees for withdrawals at other banks' ATMs are high, so make sure you avoid them. By doing so on R1000 you would save 33%.

OR

• **Use electronic payments instead of using cheques.**

These can be done at an FNB ATM, via FNB Cellphone or Telephone banking, or via FNB Internet banking, all of which are available to FNB customers at zero subscription. Taking R1000 again you would save 52%.

• **Select the FNB pricing option that's most suitable for your banking behaviour.**

• **FNB Electronic Pricing Option:**

If you transact mainly using ATMs, Internet banking, Telephone banking and/or Cellphone banking, as well as Debit and Stop Orders and Debit and Cheque Card Purchases, this could be the best option for you. The most you will pay for these transactions is R90 per month, but you could well pay less depending on how you transact. (The R90 per month fee will soon be just R75, when we introduce our revised pricing as of 1 November.)

• **Fee Saver:**

If you are able to keep a balance of R8 000 in your account, you won't pay any fees for the first 35 transactions.

• **Fee Manager:**

If you prefer to know your bank charges up-front, then our Fee Manager option is for you. You pay a fixed monthly fee for 6, 12 or 20 transactions per month.

• **Pay As You Use:**

With this option, you're charged per transaction you do.

(You must advise your branch of your option otherwise you are automatically charged Pay as You Use rates, which may not be the cheapest for you.)




How can we help you?

Bank Charges

We're as concerned about them as you are.

So here's what we're doing to help:

1. Restricting our average annual price increase* to no more than 3.7%
2. Reducing the cost of Visa Electron debit card transactions at retail outlets by 36%
3. Providing free subscriptions to our Internet and Telephone banking services
4. Providing free debit order switching
5. Providing you with a choice of 6 free savings options
6. Providing free *inContact* messaging, already helping more than 1,000,000 customers stay in touch with their finances
7.  eBucks, rewards which never expire

And because we don't want to be seen as only helping our own customers, we don't think there's any harm in challenging all other banks to follow our lead.

*Effective from 1 November 2004. Business customers, please watch out for pricing review information specific to you.



Despite objections from our competitors, we've capped personal electronic banking charges at R90pm. Apply now.

At First National Bank, we're on a mission to bring down your personal bank charges. So, apply now for your personal **Electronic Pricing Option** and you'll never pay more than R90 a month for all your ATM, Internet and Telephone Banking transactions, debit card purchases as well as eBucks and debit orders. In fact, we've made all your personal electronic banking charges a whole lot lower than any other bank. Which, as you can tell, hasn't made us too popular with our competitors. To apply, visit your nearest FNB branch or contact us on **0860 954 321**. Terms and Conditions apply


How can we help you?
www.fnb.co.za

An Authorized Financial Services Provider

5.2 Pricing and Price Changes over Time

See Annex 3 for pricing

5.3 Definitions

Credit Cards

- *“These are cards which have the Visa or MasterCard brand on them. The cardholder can use the card to access a pre-established line of credit, up to an agreed limit. The cardholder has the option of paying the amount charged to the card each month in full or spreading repayments over time, with an agreed rate of interest being paid on the unpaid amount. These cards enable customers to make purchases or obtain cash in over 22 million locations worldwide.”*

Visa Business School – Bank Card Foundations

Charge Cards

- *“These are cards which function similarly to a Credit Card. However they may not necessarily have a pre-assigned credit limit. The cardholder is expected to pay each month’s charges in full. There is no option to retain an unpaid balance and to spread repayments over time. Charge cards may be branded Visa MasterCard, American Express, Diners Club, Carte Blanche or with other regional and local brands.”*

Visa Business School – Bank Card Foundations

Debit Cards / Hybrid Cards / Cheque Cards

- *“Debit Cards, which are also branded with either the Visa or MasterCard brand, allow customers to make purchases or obtain cash at most of the same locations as Credit Card. However instead of accessing a credit line, Debit Cards access a customer’s existing current (deposit) account(s) with the bank. In this way, Debit Cards function similarly to a personal cheque. Debit cards can function in either an online or offline fashion. In the online mode, Issuers authorise a Debit Card transaction at the “point of sale” (POS) and the funds are deducted from or reserved on the customer’s deposit account immediately. In the offline mode of operation, the transaction may or may not be authorised at the point of sale and it will be settled by the banks at a time later than the time the transaction is conducted. This means that the funds are not deducted from the customer’s deposit account immediately.”*

Visa Business School – Bank Card Foundations

- It was agreed between issuing banks in South Africa that all Debit Card (Electron and Maestro branded) transactions will be fully online and PIN verified
- If a Debit Card (Visa and MasterCard branded) allows for offline transactions and signature verification, it is referred to as a “hybrid” (also called “Cheque Cards”).

ATM-only Cards

- *“ATM-only cards allow customers to access their deposit accounts at their bank via automated teller machines and, in some instances, at local merchant locations for purchases. Unlike Credit and Debit Cards, most ATM cards are not branded and generally exhibit logos (i.e. bank logo) which are not accepted at merchants, thus limiting their use to ATMs. “*

Visa Business School – Bank Card Foundations

Retailer or Store Cards

- *“These are issued by retailers and merchants such as petrol companies, department stores and specialty shops. These cards can either be managed in-house or by a third-party organization on behalf of the retailer (often called private label cards). These cards function much like a Credit Card, except that the card and its corresponding credit line are only accessible for purchases at locations of the merchant organization that issued the card.”*

Visa Business School – Bank Card Foundations

Petro Cards

- Petro Cards can be linked to your credit card account, with all purchases included on your credit card statement. They can also be standalone accounts that are not linked to a credit card, and provide a separate Petro Card statement. Petro Cards can be used to purchase your vehicle's fuel and oil, and even to pay for toll fees.

Petrol Cards

- Petrol Cards can be used to purchase your vehicle's fuel and oil, and pay for toll fees. It must be linked to a Cheque account (i.e. no standalone Petrol Card) and does not have a credit limit. Transactions are shown on the Cheque Account statement.
- KYC – Know your customer (FICA legislation in respect of money laundering) which requires banks to verify the identity and residency of its customers