



Annex 4 - FNB and Innovation

1 Innovation

“Innovation and customer service are at the core of FRB’s business. We continually encourage and reward innovation, as we believe this helps to entrench our philosophy of entrepreneurship” (Michael Jordaan, FNB CEO).

FRB has been noted for its inventiveness on numerous occasions, including:

- “Innovation in South African Banking” survey conducted by SystemicLogic, First National Bank (FNB) was found to be the top achiever for being the most innovative bank. Over 50% of the respondents stated that FNB is the most innovative South African Bank (March 2006)
- FNB was named “Innovator of the Year” (Corporate Category) at the Proudly South African HomeGrown Awards (22nd April 2006).
- Markinor survey found that FNB is the bank with the most “truly loyal” customers. In the innovation category FNB scored highest with 94% (August 2006).
- At the 2005 Annual Global ATM Industry Awards in Orlando (USA), FNB won the Best ATM Technology Awards Software Category for use of an ATM as a sales and communication tool.

Innovation at FNB stretches across products, delivery channels, customer segments and business units. Innovation is ongoing at FNB and numerous new innovations are in development. Some examples, but by no means all, of innovative initiatives at FNB are:

- Restart fixed deposit: This is a fixed deposit which allows customers to restart the term of a fixed deposit if interest rates go up

- Flexi Fixed deposit account: An investment account which offers a prime-linked fixed deposit that allows customers to top up their deposit at any time and has the lowest minimum deposit in the market (R100).
- Equity linked fixed deposit: This is a fixed deposit with a return that is linked to the performance of the FTSE/JSE Top 40 Index.
- Cell phone banking: A banking solution that works on all networks, including Virgin Mobile, and has no subscription fee. This innovation was awarded first prize at the FNB Innovators awards last year. Consumers ranked FNB's cellphone banking the highest of all the banks in the Markinor survey in August 2006.
- Million a Month Account: This is a 32-day notice account which encourages savings and gives customers a chance to win 113 prizes totalling R1.5 million every month. The Million-a-Month Account's customer base has risen to 378 000 in June 2006 from its launch in January 2005.
- New Business Transact: A business transactional account which allows start-up business customers to begin transacting immediately and has extensive value adds including reduced fees on buying a shelf company, mentoring, and access to Biznetwork, etc.
- The FNB One account: This is a cheque account with an overdraft secured by the customer's property (essentially a cheque account and mortgage loan in One). The product saves the customer a significant amount of interest over time and simplifies their banking.
- FNB leveraged finance: This innovative product offers cash flow based lending for small businesses.
- In-Contact: In-Contact is a free messaging service that alerts customers to any activity on their accounts. In-contact services over 3 million customers.
- eBucks: eBucks is an award-winning rewards programme for customers and the only programme to reward small businesses. eBucks have awarded over R580 million in eBucks to its members since inception.
- Mini-ATMs: In 2003, FNB launched the unique Mini-ATM which has the lowest cash transaction fee in South Africa, at R1.50. The mini-ATM is a small terminal that allows withdrawals and balance enquiries. Installed at a retail outlet, the mini-ATM issues a receipt which is exchanged for cash at that retail outlet's tills. It uses landline or GPRS technology and can run on a 12-volt battery (without electricity). Mini-ATMs have allowed FNB to extend its reach in previously under-served areas to 66,3%, the largest coverage level by any South African bank.
- Instant Credit Card approval: FNB offers a credit card decision within 5 seconds.
- Islamic Products: Shari'ah compliant youth and cheque accounts for Muslim clients.

- Discovery, Kulula and Clicks branded credit cards: FNB has formed Joint Ventures with partners to launch financial products with different value propositions to products already in the market.
- Smart Bond: Is a mortgage bond for the low income market, extended to houses in previous “red lined” areas with either a 5 year fixed rate or a 20 year fixed rate with Smart Bond step up facility – a first in the industry. This product includes an industry leading affordable life insurance with no medical check
- Smart Housing Plan: This loan allows clients without traditional collateral to borrow for home related expenses by using their pension or provident fund as security.
- Portable Banks: These are temporary structures servicing 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.
- Banks on Wheels: 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. 10 Mobile Banks been delivered to 9 Provinces.
- Enterprise Support : JV with FNB to provide mentoring to entrepreneurs through a national network of over 300 mentors, backed up by strict quality control to ensure value add for customers.

As part of its aim to embed a culture of innovation throughout its business, FRB has recently introduced an annual Innovators Competition. Running for the first time last year, this initiative rewards the creativity of every staff member, and encourages the suggestion and implementation of ideas that produce more efficient and effective systems and procedures. In 2006 there were 5,419 ideas entered onto the website by FNB staff, of which 360 were successfully implemented in the business.

2 Cost reduction initiatives

One of the key pillars of FRB's strategy of innovation throughout its business is the pursuit of efficiency through cost reduction.

