

Presentation to the Portfolio Committee on Trade, Industry and Competition and the Standing Committee on Finance

4 February 2025



FNB representatives

HARRY KELLAN
FNB CEO



LYTANIA JOHNSON
CEO of Personal Banking



(Retail)

ANDISWA BATA
CEO of Business Banking



(Commercial)

SIPHO SILINDA
CEO of Public Sector

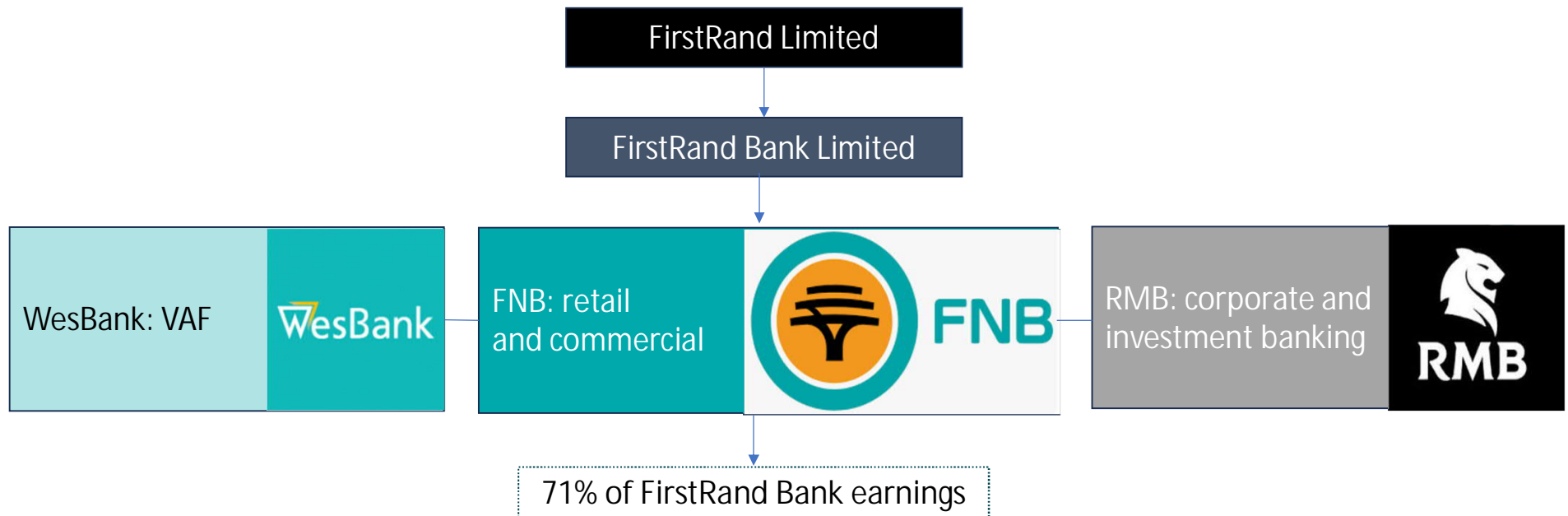


(Commercial)

RAYMOND MASOGA
FirstRand Group head of
regulatory affairs



FNB representing broader FirstRand group



In 2019, parent FirstRand adopted shared prosperity into core strategy

- Shared prosperity is using **core activities to drive positive socio-economic outcomes** AND deliver value to shareholders, already enabled by:
 - Capital allocation
 - Pricing strategies
 - Funding strategies
 - Lending strategies
- FirstRand is utilising all available resources to achieve positive outcomes at scale, including its role in allocating capital to the economy.
- FirstRand's foundations also play a role in grass roots and catalytic projects:
 - In 2024 donations commitments outstanding **R1.1 billion**
 - **R2 billion** donations given over the past 5 years with over **R600m** alone in 2024



Shared prosperity delivering inclusive value creation

TRUSTED CUSTODIAN OF THE NATION'S SAVINGS

- Deposits: R2 trillion (group)
- Deposits: R1.5 trillion (SA)

FINANCIAL INCLUSION

- 8.17 million eWallets
- 4 350 CashPlus agents

HOME OWNERSHIP

- Mortgage book: R272 billion
- Affordable housing: R22 billion

SUPPORTING BUSINESS FINANCING

- R163 billion SA commercial

Including

- R44 billion supporting agriculture
- R50 billion women-led businesses

SUSTAINABLE FINANCE FACILITATION

- R153 billion to date

Including

- R90.6 billion in FY24
- R50 billion infrastructure

ACCELERATED TRANSITION FINANCE

- \$450 million in development finance funding for climate financing
- R7 billion in green bond issuance



Unpacking broader picture than development credit finance

Why?

- NCR represents limited definitions – sector currently engaging on enhancements.
- FNB provides finance to entities that fall **outside definitions** for example:
 - SMEs
 - Student finance
 - Affordable housing



FNB focused on growth that is inclusive and transformational

9.9 million customers, including:

- Entry-level customers (who earn up to R240 000 per annum and represent 3.9 million customers)
- SMEs (up to R60 million in annual business turnover)

Offerings:

- Lending
- Transact
- Insurance
- Deposit
- Investment



Drivers of inclusive growth that FNB can intentionally support:

- Home ownership
- Thriving small businesses
- Transformational and sustainable agriculture
- Thriving informal communities
- Inclusive transactional channels

Home ownership for inclusive growth and wealth creation

- FNB believes **owning a home** is the foundation to **improved living standards and financial security**, and the bedrock for creating generational wealth.
- At June 2024, FNB has advanced **R22 billion** to enable low-income customers to own a home.
- **5 313 homes** during 2024 (R3 billion) – average home price <R600,000



R billion	2024	2023	2022	2021
Total affordable housing book	21.9	20.5	18.0	16.3
Number of low-income households*	69,429	68,613	67,804	76,125

* *low-income earnings threshold is annually updated by BASA – at 2024 it was R32k*

Innovative products to facilitate home ownership

- **First Home Finance (FHF):** Government subsidy aimed at customers earning less than R22k per month (approximately R600k bond) with a maximum subsidy of R169k.
 - In 2024, FNB advanced over R1.1 billion leveraging R76 million from FHF. This financed a total of 1,075 homes.
- **Collective Buying:** Solution allows up to 12 people to buy a home together and share monthly repayments, R340 million was advanced in 2024.
- FNB is focused on **increasing formal ownership** to offer customers mortgages instead of relatively more expensive unsecured credit
- Formalisation **increases home equity values**

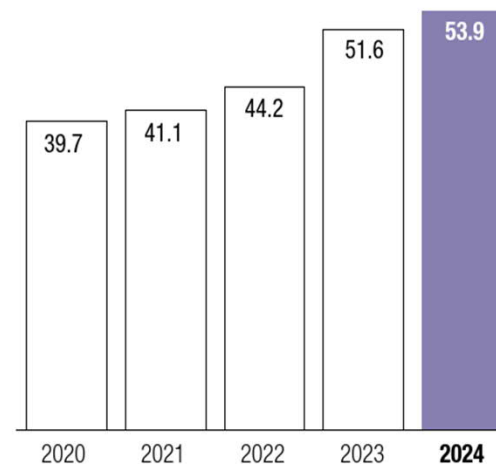


SME Lending

- FNB recognises that SMEs and MSMEs are vital drivers of economic growth, transformation and job creation.
- FNB supports this sector through providing accessible and affordable credit facilities.
- FNB is now the largest lender to SMEs in South Africa, resulting from alternative scoring models and automated processes that simplify loan applications and approval.
- Black Business Growth Financing (BBGF) totals** R81 billion since 2020.

*** Total financing is at a FirstRand level – including substantial funding by RMB*

FNB's lending to South African SMEs*
(R billion)



* SME is defined as companies with revenue of <R60 million per annum.



SME Development

FNB provides **black-owned SMEs with non-financial support** through various mechanisms:

- Non-recoverable grants to SMEs to drive catalytic projects.
- Loans at preferential funding rates to reduce cost of funding of traditional working capital products.
- Term loans with more tailored repayment schedules, easing the repayment pressure on the SME, and allowing it to implement long-term growth strategies.
- Non-traditional funding: debt and equity funding to black-owned SMEs through the Vumela Fund (Funds under management at 30 June: R732 million)



FNB has a leading **supplier development strategy** driven by its **own procurement spend**.

Spend R billion over 5 years	Since 2020 5- year total
With SME suppliers	R25 billion
With black-owned suppliers	R35 billion
With black women-owned suppliers	R23 billion

FNB utilises funding from DFIs to further support lending

- Enhances balance sheet capacity to further scale lending at a lower interest rate
- **R33.2 billion** (30 June 2024) to provide cheaper funding:

Focus area	Value
SMEs	R13.2 billion
Women in Business	R1.6 billion
Affordable housing	R0.9 billion
General agriculture	R0.9 billion
Green buildings, renewable energy and climate adaptation	R16.5 billion

At June 2024, **R24.8 billion** of this funding has already been used to advance loans to customers across each of the categories



- Guarantees from DFIs help FNB support customers who fall outside traditional risk appetite e.g.
 - R160 million for emerging farmers
 - R190 million for MSME lending

Transformational agriculture

- Strategy to grow and transform agriculture sector
 - Food security
 - Community upliftment
- FNB's agricultural solutions enable commercial farmers to **proactively transform and empower** emerging black farmers.
- Solutions include funding and access to training and offtake contracts.

Net outstanding loans at each financial year end

Year As of 30 June	Lending to black-owned companies in the agriculture sector (R million)	Funding deployed through BEE structures (R million)
2020	3,167	669
2021	3,626	676
2022	5,186	806
2023	8,352	1,300
2024	6,757	1,068

Women in Business – growth, inclusion and job creation

- FNB has largest market share of commercial clients in South Africa, and in the process has supported many women-owned businesses.
- Also provide education and access to markets and networks
- As of June 2024, FNB provided **R50 billion funding** to 229k women-owned businesses
- FNB also helps women in business by:
 - Providing market access through digital platforms and events.
 - Creating networking opportunities.
 - Offering financial literacy education and development programs



Community Economy

- FNB has a strategy to build the community economy.
- Many SMEs operate in townships and rural areas (Community Economy), where businesses are not formally registered and transact mainly in physical cash.
- FNB has a dedicated team to provide financial and non-financial solutions to improve their financial inclusion, independence and scale, thereby contributing to improved livelihoods and job creation.
- FNB's township marketing/sponsorship efforts span from supporting local sports tournaments to signage/branding of local businesses – showcasing FNB's partnership with local industry leaders.



	As of 30 June 2024
Number of active, unique customers in targeted communities	219 874
Unique customer turnover	R280 billion

Financial inclusion through appropriate transactional channels

- FNB's eWallet channel has 8.2 million active users of which only 1.8 million are FNB customers
- eWallet volumes 69 million for 12 months to June 2024 (R42 billion)
- CashPlus agency strategy rolling out off the back of success in Broader Africa (currently 4 300 agents)
- Zero monthly account fee products in EasyZero - no debit orders allowed



- Strategy has driven inclusivity, accessibility and security.
- FNB structurally driven down fees with net fee give backs of R2.7 billion since 2020

FirstRand Management Transformation over the past 10 yrs

- FirstRand has made **significant progress over the past 10 years**
- Senior management: **50% Black (23% Black women)**
 - June 2014: 32% Black (12% Black women)
 - From 481 Black Senior managers in 2014 to **1 282 in 2024**
- Middle management: **76% Black (40% Black women)**
 - June 2014: 54% Black (28% Black women)
 - From 5 154 Black Middle managers in 2014 to **11 698 in 2024**
- Junior management: **91% Black (60% Black women)**
 - June 2014: 77% Black (56% Black women)
 - From 9 587 Black Junior managers in 2014 to **12 695 in 2024**

First National Bank A division of FirstRand Bank Limited. An Authorised Financial Services and Credit Provider (NCRCP20).

B-BBEE	
Level 1	(score 124)
Shareholding	36%
Dividends	R8.3bn
Corporate income tax	R7.9bn
VAT	51.7bn
PAYE	R9.6bn



In conclusion

Significant transformation focus and improvements

SPEND OVER A 5-YEAR
PERIOD

R81.1bn

BLACK BUSINESS
GROWTH FUNDING

Spend on SME suppliers
R24.8bn

Spend on black-owned
suppliers
R35.4bn

Spend on black women-
owned suppliers
R23.0bn

BALANCE AS AT 30 JUNE 2024

Home Loans R272bn

Affordable home loans
R22bn

Interest rate tailored to
each customer (risk based)

Agriculture financing
R44bn

SME lending
R54bn

Women-led business
R50bn

Government loans
R295bn

Active eWallets
8.17m

Spend on programs
(mentorship, advisory support
services etc)
R2bn

We want to do more:

FNB does want to do more, here is what would help us to do so :

NCA rules

- NCA only applies to Jurisdictions where annual turnover is below R1m (since 2017)
- Small loans and credit granted to customers earning below a certain income level
- Complex requirements for lower end of market

Home Ownership

- Addressing the subsidised backlog of public housing.
- Revise the affordable housing income threshold to give more households access to FLISP
- Formalising title deeds for properties in community economies in order to enable documented ownership and unlock value creation
- Facilitate a more modern approach to property transactions, don't require "wet ink" – electronic version of documents etc
- Reduce the friction costs with home title transfers, transfer duties (we do believe volumes would increase to compensate loss of revenue to the fiscus, quicker turnaround times etc

Financial inclusion

- eWallet – allow on send and differentiated KYC for threshold levels
- Entry Bank accounts – differentiated KYC for threshold levels
- FATCA CRS – working with SARS
- DHA and foreign nationals – on top of digital ID

