

FNB shows strong growth as customers seek greater value in tough climate

Spokesperson: Jacques Celliers, CEO First National Bank

Johannesburg, 8 September 2016: FNB produced excellent results for the year to 30 June with profits in the South African market up 11% and when including FNB Africa up 8%. Concerted initiatives saw the bank gain customers with FNB Premium and Business Banking areas growing customers by 10% and 14% respectively.

“The bank’s strong results were produced largely by its focus on transactional clients and a strategy to nurture this key client base. In terms of advances growth in South Africa, we saw that over 90% of all personal loans and more than 70% of credit card limit increases were to our existing main banked client base. By lending to existing transactional customers risks are minimised. Overall retail and business advances were up 6% and 15% respectively,” says Mr Celliers.

In FNB’s growing African footprint its mature businesses (Namibia, Swaziland and Botswana) delivered pleasing results with further investments into activities in newer jurisdictions (Ghana, Tanzania, Zambia, Mozambique, Guernsey, Lesotho and India) continuing to demonstrate FNB’s deep commitment to expanding its presence across key markets.

Taking a closer look at the specific profit contributions from FNB’s businesses in South Africa, Premium and Business transactional accounts recorded impressive growth and were key contributors to the combined performance of Premium’s 18% growth in profits. Business performance delivered profit growth of 17%.

The heart of FNB continues to lie in the Consumer segment where we pleasingly saw customer numbers climb 4% on stellar sales records

although profits were down year on year reflective of the pressure we continue to see in the general economy. These issues masked some stellar performances in Consumers transactional business, where revenue losses due to lower interchange rates were offset by gains in transactional revenue and overall profits grew by 8% year-on-year.

“On the cost front, we continue with our e-migration strategy, which has seen ever-growing take up of cellphone, app and online banking services. We are proud of the fact that we now take more deposits in value terms through our Advanced Deposit Terminals (ADTs) than via traditional branch tellers. Point-of-sale (PoS) swipes were up 12% year-on-year which is also aligned to a broader cash to plastic migration. Interestingly, the migration storyline is no longer only a retail banking one with our Business clients now significantly moving in the same direction,” says Mr Celliers.

FNB’s strong growth in deposits across all segments is a remarkable achievement, given both the aggressive competitive and challenging macro landscape.

South Africa’s non-interest revenue was up a very pleasing 6% indicating growth in fee income arising from sales of new products and substantial transactional growth. This was despite absorbing the impacts of the new regulatory interchange rates, fee concessions given product rationalisation as well as reduced fees for manual activities as a consequence of aggressive digital migration.

The bank also saw an increase in the amount it pays to customers via eBucks rewards; this was up 14% during the year under review.

“From an innovation perspective we are proud to have brought to market our FNB Connect offering (our mobile virtual network operator) and revitalised the Insurance business through the creation of a new FSB registered long-term insurance business. Both are excellent examples of our ability to leverage Fintech and Big Data

capabilities to transform our clients' expectation of how a bank should add value and convenience. For all the accolades received during this period we would like to thank both our clients and the broader market for this recognition," adds Mr Celliers.

Going forward, we expect to see continued low economic activity while the recent hikes in interest rates will place pressure on the consumer and add to the current upward trend in non-performing loans and impairment charges. Bad debts and cost management will be key focus areas in the year ahead. We will persist with our strategy to lend predominantly to our existing customer-base to enable improved risk management.

"Thank you to our 7.5 million clients and 38 000 staff members. We are making every effort to ensure we continue to attract and retain valued customers as well as top talent into the future," concluded Mr Celliers.

After having recently announced the launch of our FNB-branded smart phone, FNB will soon be making further announcements relating to innovations in various streams to create greater consumer convenience and lower costs.