

# **Agenda**

Nedbank Retail overview	Rob Shuter / Ingrid Hindle	09:30 - 10:30
Retail Banking Services	Clive van Horen	10:30 - 11:15
Nedbank Home Loans	June Tudhope	11:15 - 12:00
Nedbank Card	Sydney Gericke	12:00 – 12:45
LUNCH		12:45 - 13:30
VAF & TIP	Saks Ntombela	13:30 - 14:15
Nedbank Personal Loans	Sarel Rudd	14:15 - 15:00
Retail Bancassurance and Wealth	Dave Macready	15:00 - 15:45
Closing	Rob Shuter	15:45 – 16:00





- Nedbank Retail structure
- Highlights for 2006
- Recapping outcomes required for 2006 2008
- Financial performance
- Asset growth
- Credit
- National Credit Act
- Client growth
- Staff morale
- Brand repositioning
- Focus for 2007 2009

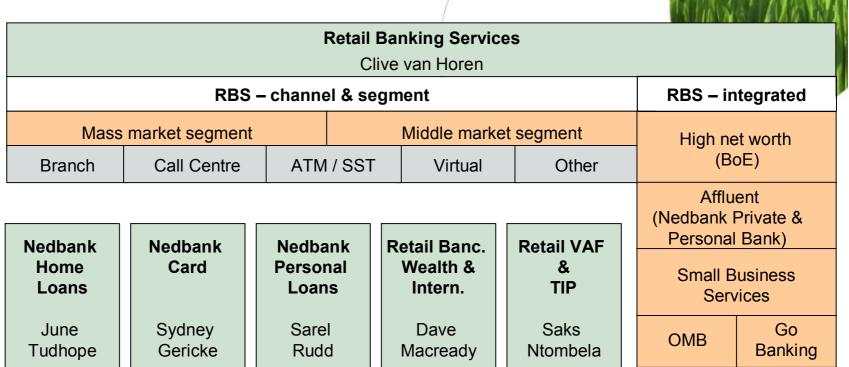






### Nedbank Retail structure...

**Nedbank Retail** Rob Shuter



Retail Shared Services

Ingrid Hindle

Retail Marketing

Manelisa Mavuso

Retail Risk

Phumla Ramphele

Our structure is based on the combination of product focus and excellence in the 5 product monolines coupled with building shared segment and channel excellence and focussed and lean support services.

# Recapping – outcomes required for 2006 - 2008

#### **FINANCIAL**

- Significant improvement in ROE
- Significant growth in Headline Earnings
- Significant improvement in C:I ratio

#### **OTHER**

- Market related asset growth
- Client growth
- Improved staff morale
- Brand repositioning





# Financial performance...

### **Nedbank Retail performance**

	Nedbank Retail Actuals Dec 2004	Nedbank Retail Actuals Dec 2005	Nedbank Retail Interim Jun 2006	Progress
Margin	5.14%	5.44%	5.38%	<b></b>
NIR/IEA	4.68%	4.59%	4.27%	<b></b>
Expenses/IEA	7.69% 7.19%		6.28%	1
Cost:Income	78.30%	71.70%	65.00%	1
Credit loss ratio	1.01%	1.10%	1.12%	
Headline earnings	R421m	R938m	R711 m	Û
Asset book	R81bn	R87bn	R102bn	1
ROE	9.03%	18.38%	24.19%	1

### **Competitor Retail performances**

ROE	27.88%	28.90%	29.99%



### Credit portfolio...

### **Growth in total asset book**

	October 2005	October 2006	% Growth	% of Book
Financial Assets (Rm)	77,789	95,989	23%	100%
Home Loans	56,681	70,471	24%	73%
Card	3,638	4,323	19%	5%
Vehicle & asset finance	7,118	7,660	8%	8%
Personal Loans	1,979	3,579	81%	4%
Overdrafts	2,214	2,225	0%	2%
Other loans to clients	4,788	4,174	-13%	4%
Other	1,370	3,556	160%	4%

Nedbank Retail's credit assets grew by 23% from October 2005 to October 2006.



### **Credit risk trends**



	Arrears	PD	LGD	Vintage	Comments
Home Loans	Stable	Stable	Stable	Stable	Year-on-year trends are still stable, although most recent vintage indicate increasing risk.
VAF	Up	Stable	Up	Stable	Credit policy enhancements have resulted in an improvement in most recent vintages.
Credit Card	Stable	Up	Stable	Up	Year-on-year comparisons indicate worsening trends. Increased collections activity resulted in improved recent tranches.
Current Account	Stable	Stable	Stable	Down	No indication of increased risk on this portfolio.
Personal Loans	Up	Up	Up	Stable	Vintages stabilised, although on a higher level. Accounts still profitable.
BOE PC	Up	Stable	Stable	n/a	A few large individual accounts caused arrears to increase. No expectation of any losses.



# **Credit innovation (1)**

	New Application Scorecards (Basel compliant)	Credit Policy changes	Collection Changes	New products / tests	Other
Home Loans	Nov / Dec 2006	Minimum income for AH Iproduct	Implement Debt IManager : Nov 2006 Increase collections capacity : Q1 2006	Home Income plan Home Vision	Risk Based pricing : June 2005 Automated risk based pricing : Nov / Dec 2006
Vehicle Asset Finance	Nov / Dec 2006	Increase scorecard cut- loff : Sep 2005 Tighten affordability : March 2006 Tighten affordability : June 2006	Implement PCS  collections system : Nov  2006		Reduction in turnaround Itimes from 1.5 days to 34 mins (dealer channel) Risk Based pricing : Nov / Dec 2006
Card	Mastercard / Visa: Nov 2005 SAA Voyager: Aug 2006 & Jan 2007 (2nd generation) IAckermans: Oct 2006 American Express: Dec 2006 Mastercard / Visa: Jan 2007 (2nd generation)	strategy : Nov 2006	Employ additional capacity : March 2006 Implement new collections strategies : Nov 2006	SAA Voyager : Aug 2006 Bought Hub portfolio migrated : Oct 2006	



# **Credit innovation (2)**

4		- decide		
		My	MA	407
	MA	1 1"	M	

	New Application Scorecards (Basel compliant)	Credit Policy changes	Collection Changes	New products / tests	Other
	New scorecards Jan 2007	affordability and score lcut off : Nov 2005	collections system : July 2006 Employ additional capacity : March 2006		Merge Durban & Johannesburg businesses : Feb 2006
Transactional and Investment Products	Nov / Dec 2006			, , ,	Automated risk based pricing : Nov / Dec 2006
Small Business Services	Nov / Dec 2006			9	Automated risk based pricing : Nov / Dec 2006
Old Mutual Bank		Tighten VAF affordability & only sell	Manager on Home Loans : Nov 2006 Implement PCS Collection System on VAF : Nov 2006	Account : Feb 2006	Automated risk based pricing on Home Loans, VAF and Current Accounts : Nov / Dec 2006

### **National Credit Act...**



### **NCA** revenue impact



R200 mil

- The NCA revenue impact will mainly be on the Vehicle and Asset Finance business as the Act prohibits charging early settlement fees.
- Opportunity of extended lending base in products where pricing currently capped at usury rate

### Implementation cost impact



R150 mil to R250 mil

- Process and System changes to the entire Credit Life Cycle from Origination to Recoveries
- Onerous process around proving affordability in order to avoid reckless lending claims
- Simple documentation with explanatory information available in all official languages



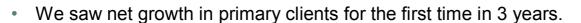


### Client growth...

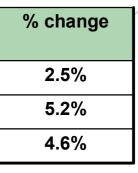
### **Growth in primary clients**

Clients	December 2005	October 2006
Primary	698,022	715,159
Secondary	2,617,314	2,753,828
Total	3,315,336	3,468,987

	% change
Г	2.5%
	5.2%
	4.6%

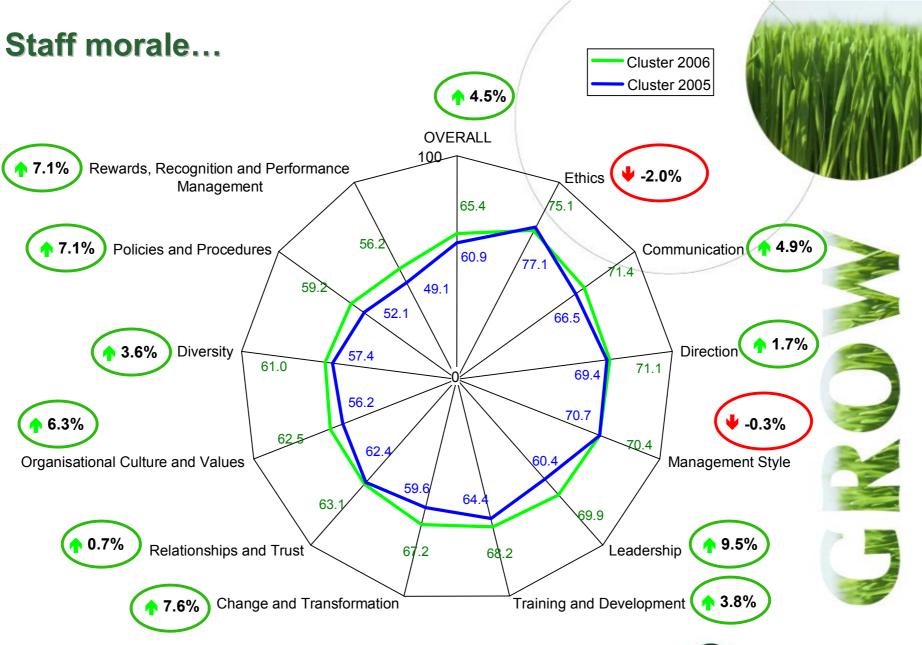


- Net number of clients increased by 4.6% year to date in 2006.
- Driven by focused acquisition and retention activities as well as competitive pricing on assets, liabilities and transactional accounts









A positive improvement seen on most of the staff morale elements...



### **Brand repositioning...**



Everyday...

Remember when...

Time for an Ad break

Adding comic relief...



Who were they...

Getting more real...





### Shifting our focus...

Building... Nedbank Retail South Africa's Fastest 2007 Retail Bank

2005

#### FIX

- · Current Retail Diagnostic
- Plan to FIX IT (COURAGE '05)
- 2005 management scorecards

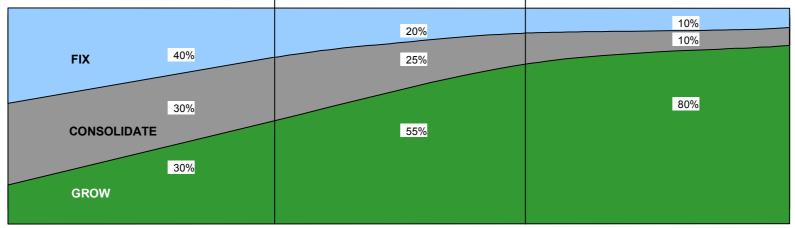
2006

#### **CONSOLIDATE**

- Consolidate & Stabilise
- Leverage the fixes
- Entrench delivery culture

#### **GROW**

- Vision & Strategy
- Expand and grow



#### Key projects - 2005

- Restructure Nedbank Retail
- Integrate Peoples Bank
- Rationalise joint ventures
- Roll-out balanced scorecards
- · Tighten expense control
- Integrate and up skill credit
- · Redesign monthly reporting
- Implement bancassurance strategy
- Implement FICA and FAIS
- Staff morale and remuneration

#### Key projects - 2006

- Design segmentation strategy
- Design distribution strategy
- · Implement competitive pricing
- New home loan processing
- World class service approach
- Staff benchmarking and profiling
- Integrate personal lending businesses
- Implement Basel 2 and the NCA
- Deliver ROE>20% and 55% earnings growth

#### Key projects - 2007

- · Implement world class service strategy
- Implement distribution plan
- Simplify product, process & systems
- Grown market share and primary clients
- Design world class BI
- Implement the National Credit Act
- Maximise co-operation within group (Phinda)

### **Focus areas for 2007 - 2009**

#### **PEOPLE**

- High performance culture
- Employer of choice
- · Management & leadership develop.
- Incentivisation & performance management
- · Empower frontline staff
- · Recruit for growth

#### **INNOVATION**

- · Innovate in sales and service
- Fast follower in product (best practice)
- · Responsive, nimble and agile
- Simple and flexible product, process and systems
- Build staff advocacy
- World class business intelligence (BI)

#### **SERVICE**

- · World class service
- Single view of customers
- Great at winback
- Operational excellence

#### **PROFITS**

- ROE > 25%
- · Balanced portfolio of businesses

#### **DISTRIBUTION**

- Step change in physical, virtual and agency distribution
- Balance approach to mass and middle market
- Alliance strategy with retailers / others (PR)

#### **BRAND**

- Purpose led marketing
- · Smart, slick, fun, dynamic, aggressive, focused, memorable
- Great value for money

#### **GROWTH**

- · Half a million net new primary clients (stretch target)
- No 1 in HNW and affluent markets
- Move up a notch in middle market
- · Top 2 in mass market
- Leadership in SBS / business banking
- Increase product market share
- · Build our direct business

#### **TRANSFORMATION**

- · Deliver on FSC stretch targets
- · Bank with heart that gives back
- Leverage affinities

#### **SYNERGIES**

- · Sell 3 products to new clients
- · Focus on Retail. Nedbank and OM
- Exploit synergies that make good business sense with minimum disruption

#### RISK

- · Competitive compliance
- World class risk management that supports growth
- · Pro-active, pragmatic and flexible
- · Clear targets and metrics



# Nedbank Retail 'A' projects - 2007



4	Retail Banking Services		g Nedbank Home Loans				Nedbank Card	Ned	bank Personal Loans		Retail BW & Intern.		Retail VAF & TIP	Re	tail Marketing		Retail Risk		tetail Shared Services
R1	Deliver World Class Client Service (incl BAU projects such as the Service Action Forum and CMAT Implementation)	H1	Project Thando - HL sales through the RBS channels		Card Electronic Product Platform	P1	Branch roll-out to expand distribution	B1	Phinda - Retail	A1	Programme 1:2:100 (dealer, branch revenue optimisation )		Retail Greenbacks – build client loyalty	S1	BASEL 2 — Credit Risk	F1	Management development programme		
R2	Staff Assisted Channel Programme	H2	Automisation of acquisition process	C2	Application Process Re- design - Phase 2 (including Risk Based Pricing)	P2	Pricing strategy to position Nedbank best in market		National Credit Act - B&W	A2	Redesign collections process & MI (VAF)	M2	Retail strategy for 2010	S2	National Credit Act - Retail	F2	Project JOE - Improve Bl: programme		
R3	Branch Sales	нз	National Credit Act - HL	сз	Blue Box & SAA final solution	Р3	Maximise transactional Cross-Sell			А3	Redesign opperations process for all channels (VAF)					F3	Roll-out RAROO ECAP		
R4	Acquisition and Retention			C4	Customer management excellence	P4	National Credit Act - PL			A4	Delivery hassle- free fulfilment (TIP)					F4	Competition commission – Nedbank response		
R5	Implementation of distribution strategy			C5	National Credit Act - Card					A5	Redesign sales process and forms to enable hassle-free sales (TIP)						response		
R6	Implement turnaround strategy in NPB									A6	National Credit Act – VAF & TIP								
R7	National Credit Act - RBS																		



# **Retail Banking Services**

- Business description
- Snapshot of 4 business units
- Highlights for 2006
- Focus areas for 2007







# Business description – Banking Services division

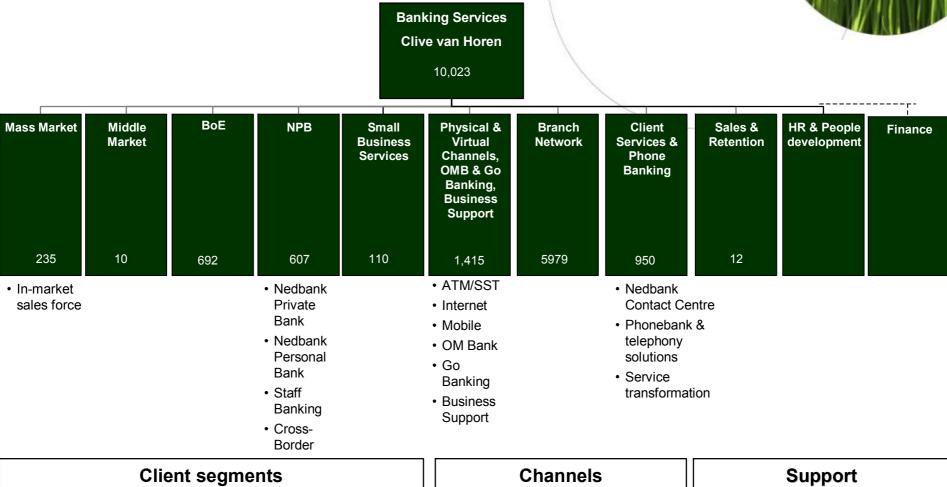
**Retail Banking Services** Clive van Horen **RBS – channel & segment RBS** – integrated Mass market segment Middle market segment High net worth (BoE) Branch Call Centre ATM / SST Virtual Other Affluent **Nedbank Retail** (Nedbank Private & Rob Shuter Personal Bank) Nedbank Nedbank Nedbank Retail Banc. **Retail VAF** Home Card Personal Wealth & **Small Business TIP** Loans Loans Intern. Services June Sydney Sarel Dave Saks Go **OMB** Banking Tudhope Gericke Rudd Macready Ntombela Retail Retail Retail **Shared Services** Risk Marketing Ingrid Hindle Manelisa Mavuso Phumla Ramphele

Our structure is based on the combination of product focus and excellence in the 5 product monolines and 3 service divisions. Client segments and channels are in the Banking Services division

### **RBS Organogram**

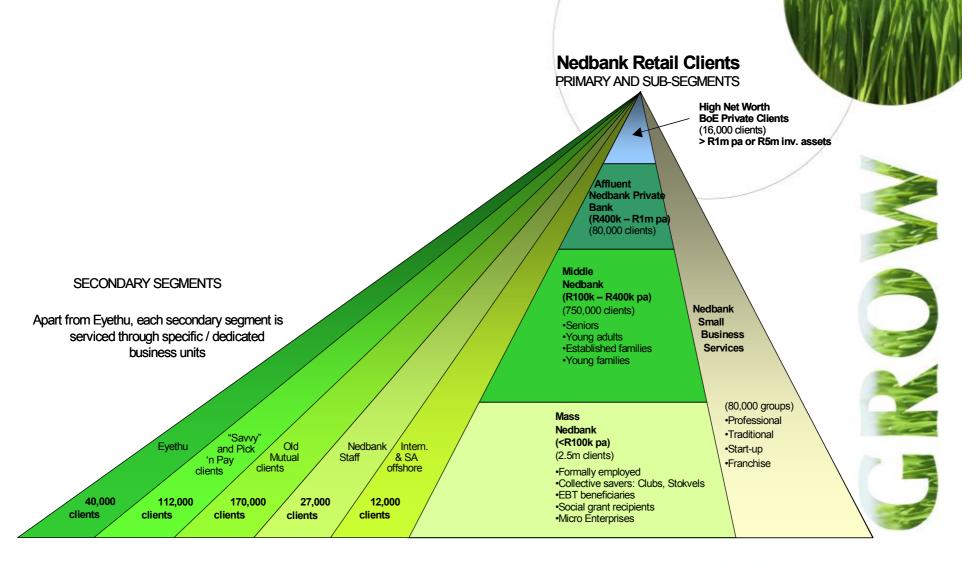
The Retail Banking Services division includes the main client segments and the Bank's own distribution channels such as the branches, ATMs and call centres.







# Nedbank's retail client segmentation model





## **Segment and Channel business units**

### **Primary segments**

- Mass Market
- Middle Market
- Affluent
- High Net Worth
- Small Business Services

### **Secondary segments**

- Old Mutual Bank
- Pick 'n Pay
- Staff Banking

#### **Channels**

- Branch
- Nedbank Contact Centre
- Virtual channels
- Physical channels







### **Mass Market snapshot**



### **Summary of business strategy**

- Mass market being tackled through 5 sub-segments:
  - Formally employed
  - Collectives, stokvels, clubs (investment book of R1bn, opportunity to bank individuals)
  - Social grant recipients (working with Nedbank Corporate)
  - Beneficiaries of EB Trusts through BoE Trust
  - Micro-enterprises
- Low-cost acquisition through mobile sales teams supplements acquisition through branches
- Committed to best value for money

#### **Achievements in 2006**

- · Competitive advantage through Nedbank Personal Loans
- Significant growth in mass market footprint. Will exceed 2008 FSC targets for new branch sites
- Consistently gaining market share in Mzansi accounts (25,000 opened in October 2006)
- Best in market pricing for Nedbank Transactor; Mzansi fees also reduced twice. Reflects in BrandDynamics position

- Increase cross-sell of transactional products
- Continued investment in distribution and footprint expansion (incl. retail partners)
- Collaboration with Old Mutual Group Schemes to sell banking products to OMGS clients
- Acquisition opportunities through Black Business Partners

# **High net worth: BoE Private Clients snapshot**



### **Summary of business strategy**

- Relationship-based value proposition covering full spectrum of wealth and banking solutions
- BoE Private Clients (50:50 JV) is the chosen HNW solution for both Nedbank and OMSA clear opportunity
- Position of competitive strength in investment, fiduciary and stockbroking
- Operates as an integrated business, compound earnings growth 32% pa since 2002
- Addressing two key weaknesses: lack of transactional product & Gauteng market share

#### **Achievements in 2006**

- Improved market positioning and brand awareness
- Advances growth 25%, net investment inflows (excl. market movement), stockbroking earnings +74%
- · Soft launch of transactional products underway, best in market CVP

- Above-the-line launch of transactional products
- Acquisition through Nedbank and OMSA channels
- · Bolster investment banking capabilities

### **Small Business Services snapshot**



### **Summary of business strategy**

- Market tackled through 4 sub-segments, all with turnover <R5m pa:
  - Traditional
  - Professional
  - Start-up
  - Franchises
- High value clients serviced through relationship-based Portfolio Managers, remainder through small business bankers and managers in Branch

#### **Achievements in 2006**

- Skilled resources put in place: Portfolio Managers, SBS Bankers & Managers, Specialist Bankers
- Launched Free Banking proposition for Franchises & Start-ups excellent response thus far
- Significant effort into credit re-engineering
- Client service scores significantly improved

- Continue with Franchise & Start-up offer
- Ongoing credit process improvements & upskilling of staff
- Launch new propositions for other sub-segments

### Pick 'n Pay channels & Go Banking snapshot



### **Summary of business strategy**

- Two distinct business areas leveraging off relationship with Pick 'n Pay:
  - Go Banking (segment)
  - Nedbank in PnP and Score (channel)
- Go Banking segment focuses on 'savvy' clients using non-traditional channels. Repositioning and moving closer to Nedbank brand. Proposition includes a cheap transaction account, credit card & bancassurance products.
- Nedbank in PnP and Nedbank in Score: new low-cost outlets mainly in mass market areas with bias towards client acquisition

#### **Achievements in 2006**

- Repositioning of Go Banking (soft launch in Q4 2006)
- Successful conclusion of pilots in Score supermarkets and launch of Nedbank in Score (9 sites by year-end) and 2 new Pick 'n Pay Hypermarkets
- Ongoing support of new Pick 'n Pay leadership

- Above-the-line launch of new Go Banking proposition, including offer to existing Nedbank client base
- Further roll-out of Nedbanks in Score and Pick 'n Pay
- Conclusion of additional pilots in PnP Group

# Some highlights for 2006 **Turnaround in Expanding our Staff Banking** footprint Nedbank Retail South Africa's Fastest **Retail Bank** Improving client Segmentation service **Innovation and** new launches



# **Expanding our footprint**

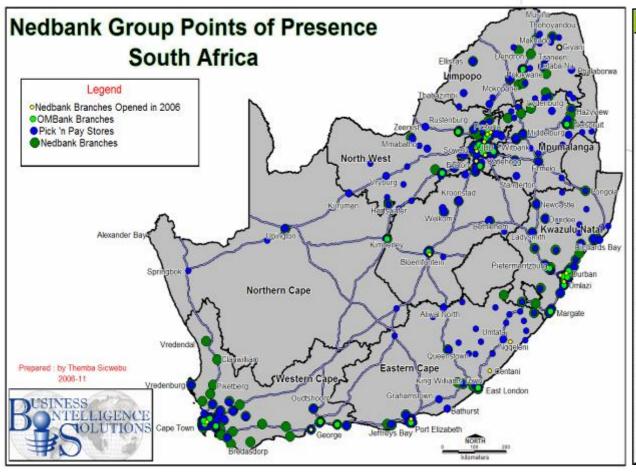
	Actual June 06	Planned Dec 2008	Gross Growth 06-08	
Full service branches	458	504	70 *	
Personal loan branches	21	50	29 *	
Outlets (OM/Retailers)	9	133	131 *	
Personal Ioan kiosks	214	400	186 *	
Bootkits	40	100	61	
ATM's	1,146	1,822	652	
SST's	312	430	112	





### **Expanding our footprint into new areas**

#### 22 new branches in 2006



Site	Region
Njoli Square	Eastern Cape
Vangate	WC CBD and South
Langeberg Mall	Eastern Cape
Jabulani	Jozi CBD and South
Centani	Eastern Cape
Giyani	Limpopo
Evaton	FS, NW & Vaal
Bushbuckridge	Mpumalanga
Turfloop	Limpopo
Rocklands	FS, NW & Vaal
Ivory Park	Pretoria
Soweto - Moletsane	Jozi CBD and South
Inanda	KZN Greater DBN
Umlazi	KZN DBN & North
Kathlehong	Jozi Far East
Mamelodi	Pretoria
Ga Mogatlane	Limpopo
Ngqeleni	Eastern Cape
Highflats	KZN PMB & Hinterland

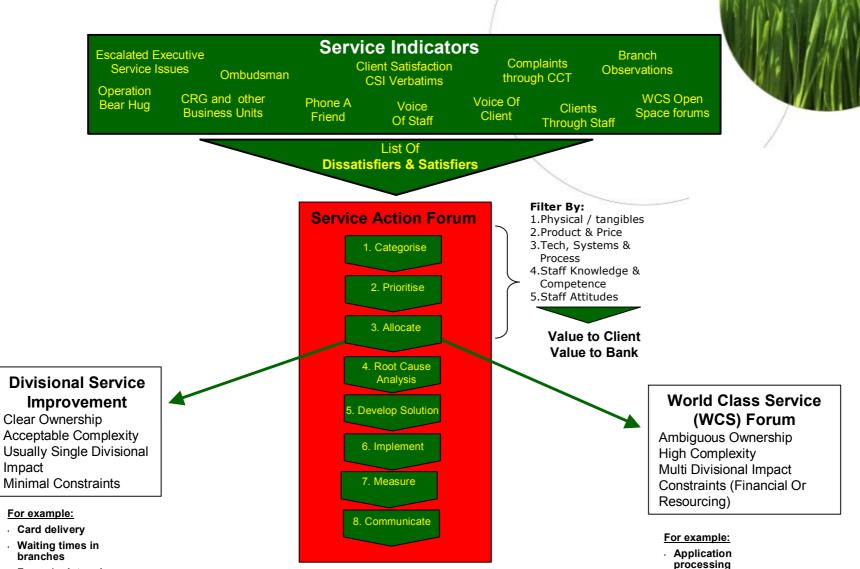
Nedbank is growing, and in both the mass and middle markets



### **Improving Client Service**

· Faxes / printers in

branches



· Client feedback

· Pricing and fees

# **Improving Client Service: Top 12 issues**



App	lication	processing	3
-----	----------	------------	---

Feedback to clients

Waiting times & queues

**Pricing and fees** 

**Attitude of staff** 

Staff knowledge

### **Card delivery**

**SST** availability

Low level of decision mandates

Workload in branches

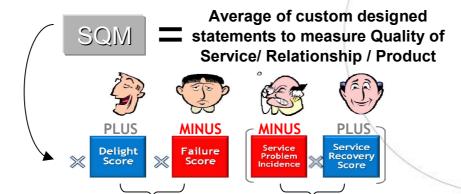
Impact of Catalyst on top performers

Availability of faxes / printers

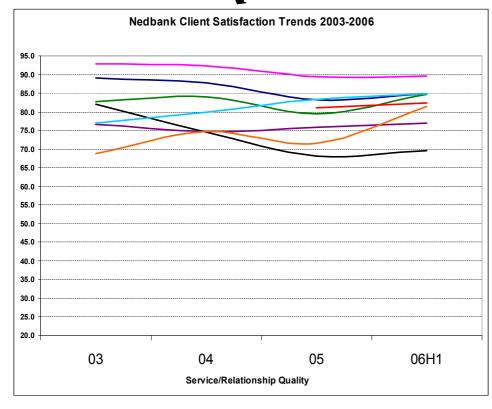


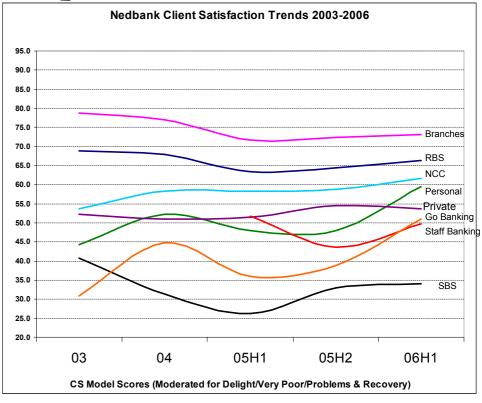


## Improving client service





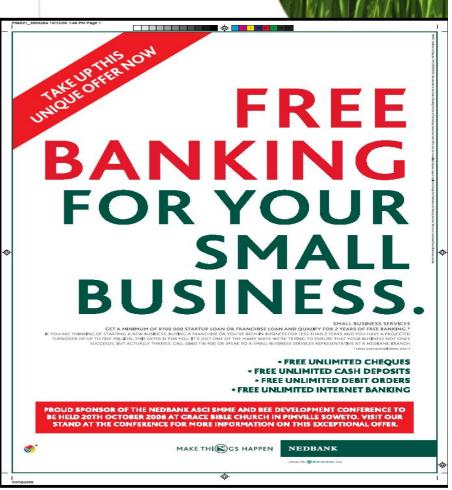




# Innovations: Nedbank in Score and Pick 'n Pay, New Propositions





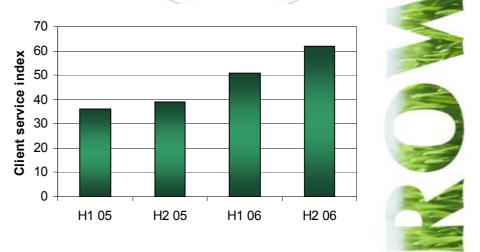


Innovative new sales outlets

An industry first!

### **Turnaround in Staff banking**

- Historically a source of major staff dissatisfaction
- Big shift in ratio of compliments:complaints
  - from 2:1 in 2005 to 9:1 in 2006
- CSI service score results:
  - H1 2005: 36
  - H2 2005: 38.9
  - H1 2006: 51
  - H2 2006: 62



Choice of channel and choice of bank - minimal attrition



Our staff are becoming advocates for Nedbank





### Focus areas for 2007

#### **2007 Priorities**

- 1. Improve sales performance
- Roll out new branches, ATMs and retail outlets
- 3. Journey to World Class Service
- 4. Focus on primary accounts & acquisition

... Continue to build a disciplined culture of delivery

### 2007 'A' projects

- 1. Branch sales
- 2. Distribution strategy
- 3. World Class Service & CMAT
- Staff assisted channel programme
- 5. Acquisition & retention
- 6. Turnaround strategy in NPB
- 7. National Credit Act









# **Nedbank Home Loans**

- Industry Background
- Operations Acquisition & Retention
- Credit & Pricing
- Challenges
- Future Expectations & Strategic Focus 2007
- Summary of 2005/2006 Achievements





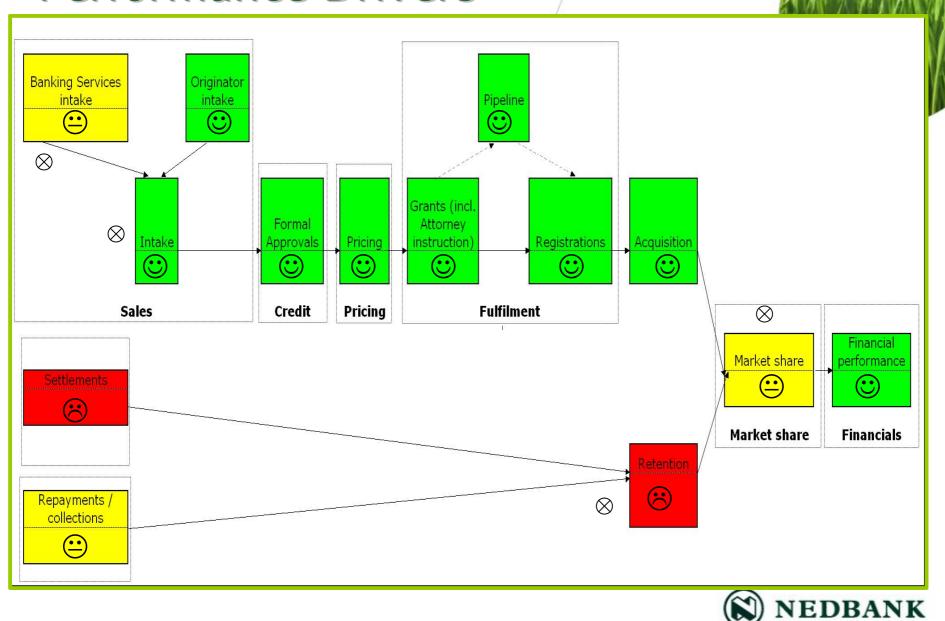
## **Industry Background**

- Entry of intermediary and non-banking service providers has increased competition and squeezed margins
- Interest rate hikes are affecting affordability in the industry
- NCA
  - could put pressure on collections (debt counselling)
  - offset by curtailment of reckless credit
- FSC
- Basel II
- Success has meant that we are being watched and challenged





## Performance Drivers



## **Application Volumes Application to final** Final grant to grant: < 36 hours</pre> registration: 68 days **Home loan Final granted** Registered applications 15,878 9,580 32,852 48% of applications 29% of applications **Total home loan book** Volume: 317,468

Value: R83bn \*



## Siyeza Process



 March – Jun – Rolled out the new processes across all intake operations areas

• Apr - Nov

**Application Process Credit Process** Client Acceptance Formal Grant

_			
	Apr Stats	Nov Stats	Target
; [	12h	7h	4h
	37h	20h	13h
	49h	33h	29h
	76h	48h	36h

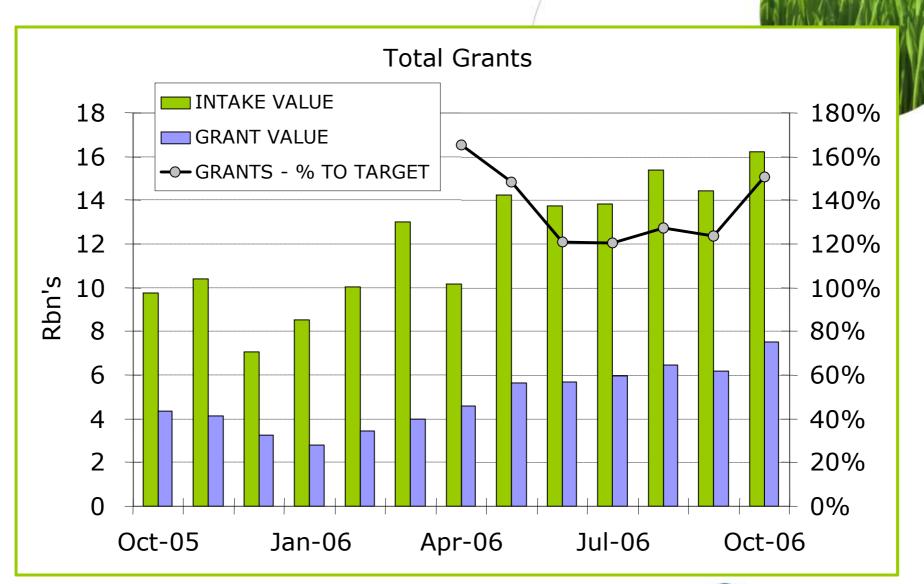
Team Stats

# Teams	Process Status	Status Explanation
5	Deep Green	<= 36h
8	Yellow	37h - 52h
3	Red	> 52h



<sup>\*</sup> Working hours

## **Intake & Grant Statistics**

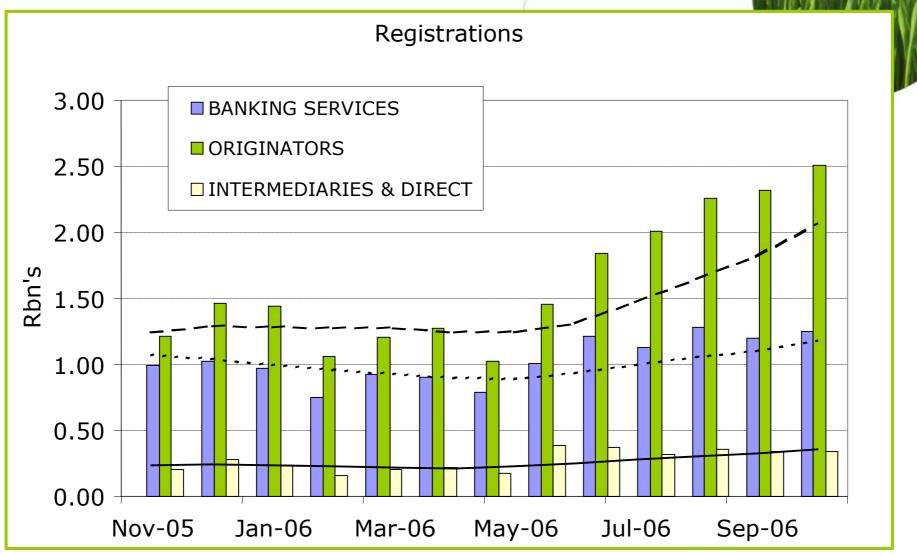


**NEDBANK** 

Operations staff compliment: 640 - 2005; 705 - 2006 (10% y-o-y)

## Sources Of Business

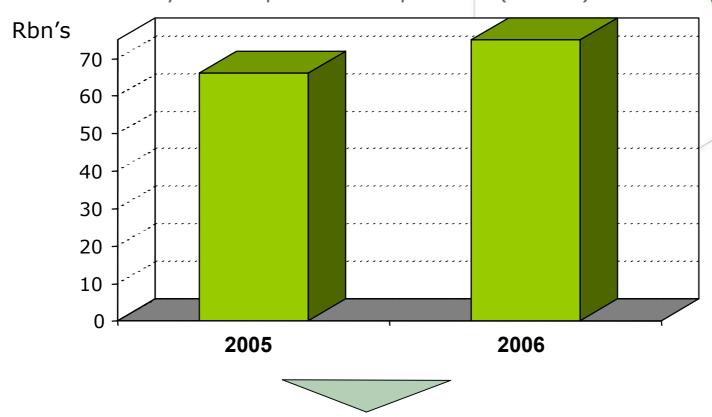






## **Asset Growth**

Year on year comparison – September (DI900)



Year on year book growth above 30%

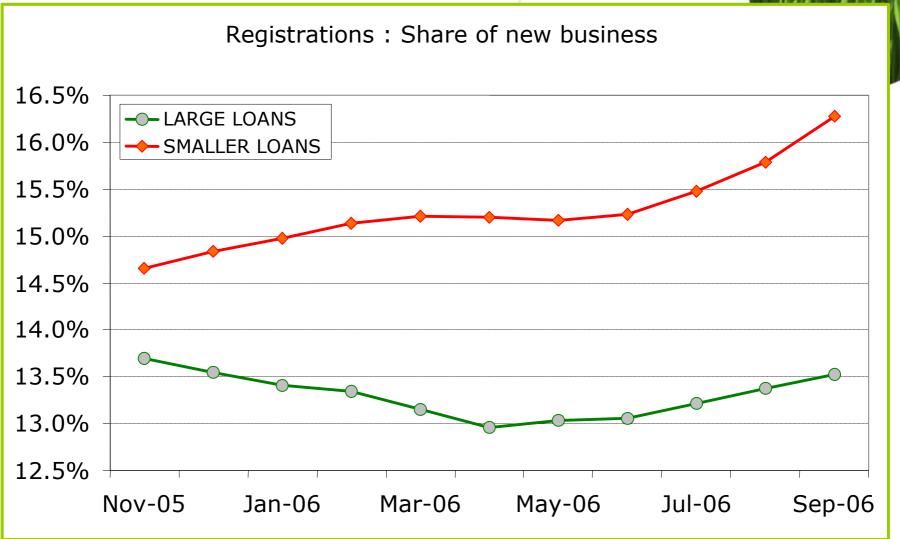
#### **Contributing factors for growth**

- •Addressed processing issues and turnaround times
- Development of sales channels
- •Industry growth



## **Brand Stretch**

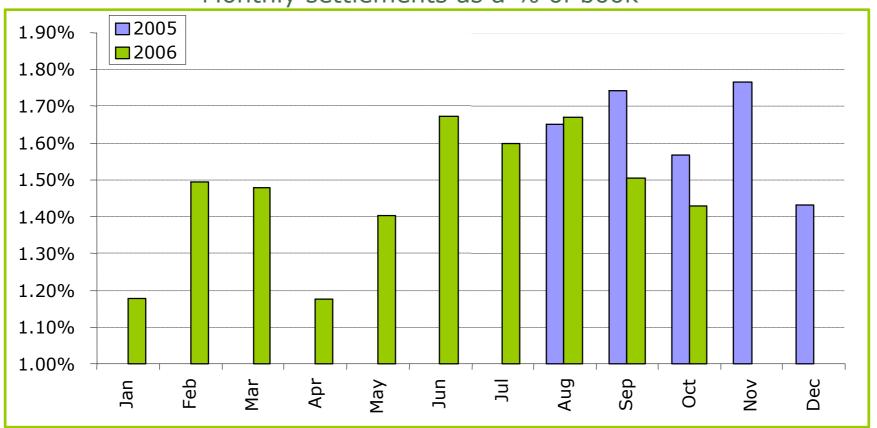






## Retention

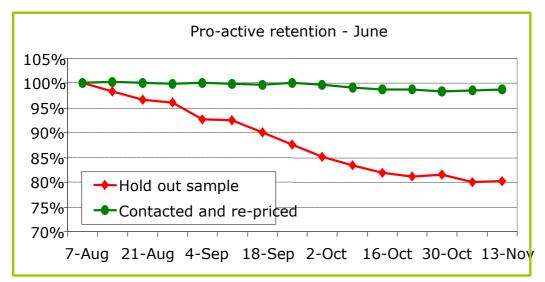


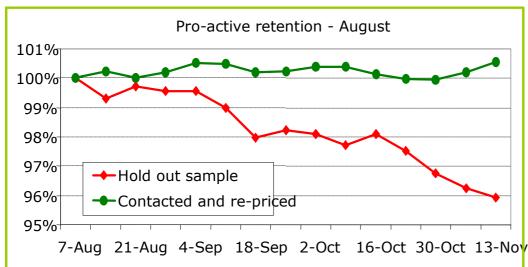


**NEDBANK** 

- Monthly settlements as a % of book is high
- •Recent evidence indicates that the trend is stabilising and potentially improving
- •Retention strategies to date have yielded limited gains, although we are encouraged by the results from recent proactive retention campaigns
- •We are expanding our retention efforts as the opportunity here is large

## Retention (cont.)





• Developed retention insights with experimental campaigns

•1,417 clients

•Need to continue & implement learnings from successful campaigns



## Market Share

September 2005

17,12%

Lowest Point - May 2006

16,58%

(loss of +-0.07% p. month)

0,54%

September 2006

16,68%

(gain of +- 0,03% p. month)

0,10%

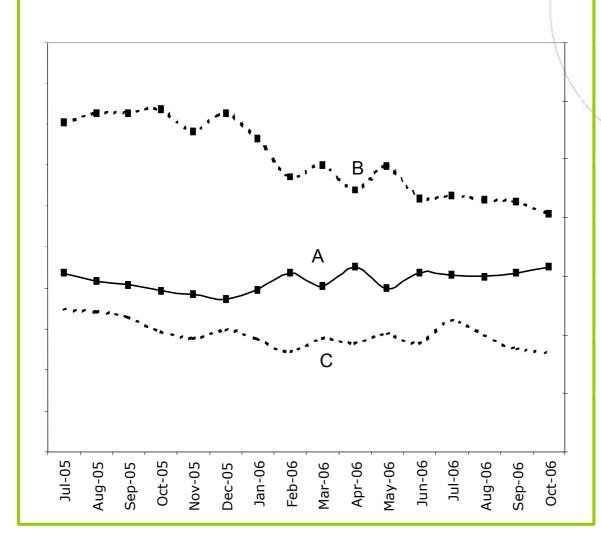
Modest market share gains in 3 out of the last 4 months (based on normalised DI900s)





## Portfolio Performance

- Arrears, NPL's & Defaults





•A – Marginal increase in excess balances y-o-y. Attributed to rising interest rates

•B – Default balances as a % of balances in excess has shown a significant drop y-o-y

•C – Moderate decrease on NPL's as a % of the arrears book



## Risk Based Pricing

- In place throughout 2006 automated Nov 2006
- Significantly different prices offered dependent on risk characteristics of applicant
- Competitors may perceive our pricing policy for low risk customers as aggressive
- We believe our pricing is competitive on average, with potentially lower prices for low risk customers, and higher prices for higher risk customers
- Over time, risk-based pricing could positively impact our average customer risk profile





## Challenges

• Maintaining our competitive position with the mortgage originators

through 2007

2007	2005	2006
Turn around time Rate Products Access to management	4 4 Too complex 4	1/2 1/2 On par 1



- •Switching by other banks and non-bank players
- •Too great an emphasis on business sourced through originators

	Oct 2005	Oct 2006
Origination	78%	82%
Banking Services	22%	18%

- •Access to non-traditional clients and consumer education requirement in this market
- •Losing focus due to implementation of NCA and Basel II
- •Impact of volumes on system stability
- •Interest rate hikes impacting collections capacity and customer's ability to repay
- •Ongoing margin squeeze from competitive pressures needs to be addressed



## Challenges - margin squeeze

		li li		
	October 06 YTD		2005	
Interest received (net of commission amortisation)	9.43%	vs prime -1.48%	9.42%	vs prime -1.22%
Interest paid	-7.05% 2.38%	-3.86%	-6.79% 2.62%	3.85%
Endowment Other Total NII margin	0.36% -0.03% 2.72%	_	0.34% 0.01% 2.97%	
Impairments impact	-0.08%		-0.14%	
Margin less impairments	2.64%	•	2.83%	
Average prime	10.91%		10.64%	



## Achievements 2005 / 2006

- 1. Siyeza roll out completed and expect all teams within SLA by year-end
- 2. Originator and estate agent relationships have improved significantly
- 3. Intake continuously reaching record levels
- 4. Risk-based pricing introduced and should improve average margin over time
- 5. Credit performance of the book has remained stable
- 6. Market share showing early signs of turnaround
- 7. Dramatic reduction in number of PIPs
- 8. Financial performance in line with targets
- 9. First bank to market with innovative reverse mortgage Nedbank Home Income Plan



## Strategic focus for 2007

Key focus

It is envisaged that the current market growth rates will moderate over the next three years. Against this backdrop Home Loans will:

- Deliver Basel II, NCA and FSC commitments
- Manage and reduce the cost to income ratio through further automation in the acquisition process
- Maximise our margin by optimising the sales mix across distribution channels
- Manage the credit quality and performance of the portfolio
- "Beef up" and execute our retention strategies
- Support Retail Banking's cross-sell initiatives
- Continue to focus on our people





- Project THANDO HL sales through the RBS channels
- Automisation of acquisition process
- National Credit Act



## **Nedbank Card**

- Business description
- Future Shaping Forces
- Interchange being scrutinised by regulators world-wide....
- Interchange in South Africa the way forward....
- Considerations in respect of the "Banking Enquiry"
- Consumer Card Services 2006 achievements & key focus areas -2007
- Corporate Card Services & Merchant Acquiring 2006 achievements
   2007 key focus areas
- Questions?





## **Card business description**

Nedbank Card offers a full service card functionality to all our clients, including multi-branded and white-labeled payment solutions, including Card issuing and acquiring products and Card acceptance services to Retail, Business and Corporate clients.

### **Focus Areas**

Increase Nedbank's market share of cards in circulation, payments turnover and receivables

Broaden our card acceptance footprint at Merchants, to ensure that the mass market segment is catered for

Displace cash by stimulating the use of cards for payment purposes

Deliver a return on Equity and Headline Earnings, which is commensurate with the business potential, appetite for risk and aligned to stakeholder expectations

Respond to the needs of clients with differentiated, client led products and services

Differentiate the service experience for Cardholders & Merchants

Extend lending facilities over the card account to clients who have a need to borrow

Increase card acceptance locally and worldwide through multiple card brands





### **Future Shaping Forces**

Card business models world-wide are under scrutiny and at an inflection point. The outcome of this could mean lower profitability going forward and potentially, a change in Cardholder benefits and global acceptance.

#### **Changing Power of Retailers**

- Growth in store cards.
- · Downward pressure on MSC.
- Successful lobbying of regulators.
- Own sophistication at POS.

#### **Increased Regulatory and Legal Risk**

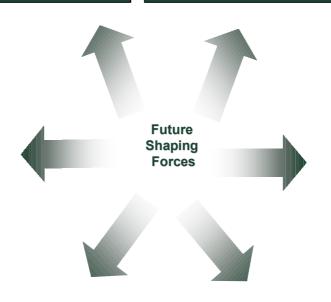
- 4 Party model a "structural conspiracy".
- Payment System Reform under scrutiny world-wide
- Competition Commission Review of payment stream
- NCA / Basel II

#### Consumerism

- Focus on fees.
- Uniqueness in value proposition.
- Pressure from consumer bodies.
- Significant debit card purchase behaviour.
- Focus on those who are deemed to have the power.

#### Influence of Innovation

- Provide clients with alternative channel & access
- mechanisms to payments & services.
- New technologies enabling new ways of doing business



#### **Group Strategy & Direction**

- Retail Strategy
- Business & Corporate strategy
- OM PLC / Phinda
- War for Talent

#### **Demo- & Geographic Shifts**

- Redistribution of wealth cash still king
- FSC targets (around access).
- Geographical distribution (alliances / partnerships issuing / acquiring)
- Growth of SME's

#### **Increased Global Acceptance & Economies of Scale**

- International card acceptance drives further harmonisation of standards, increasing the cost of compliance.
- Low cost geographies for card processing.
- Economies of scale is sought, fixed vs. variable costs.
- · Changing Association models (VISA / MasterCard

#### **Growing Competition & Dis-intermediation**

- Entrance of new participants in the payment stream.
- Strong value proposition of Integrators to Retailers.
- Dedicated Banks Act opens up the opportunity for Retailers and Telco's to participate in the clearing & settlement system

## Interchange - being scrutinised by regulators world-wide....

Nedbank has modeled lower Interchange rate assumptions into financial plans for 2007 and beyond.



Merchant (accepts Dr and Cr cards for payment)

Card Holder (purchases

goods with Dr

and / or Cr

card)

Bank
(processes
card
transactions
for
Merchants)

Issuing Bank (issues cards to cardholders)

Multi-lateral interchange fees balance the interests of market participants and drive merchant acceptance and card issuance throughout the world. Card issuers and acquirers compete by setting own fees and charges to the Cardholder and Merchant.

	Benefits	Costs
Cardholder	<ul> <li>Not limited to cash on hand</li> <li>Credit facility</li> <li>Rewards and discounts</li> <li>Dispute and Chargeback rights</li> <li>Interest free period</li> <li>Universal acceptance</li> <li>Safer than cash</li> </ul>	Annual fee     Finance fees for borrowing     Miscellaneous fees e.g. over limit, cash withdrawal etc.
Merchant	<ul> <li>Sales lift – greater footfall</li> <li>Provision of additional services e.g. cash back, air time top-up etc.</li> <li>Less employee fraud vs. cash</li> <li>Faster transaction time</li> <li>Overnight settlement</li> <li>No credit risk</li> </ul>	Merchant Service Commission     POS Rental
Card Issuer	<ul> <li>Fees from Cardholder</li> <li>Interchange</li> <li>Finance charges</li> <li>Miscellaneous fees</li> </ul>	Credit default Fraud Financing the interest free period Transactional processing and account management costs e.g. statements, disputes, client communication etc. Rewards Association assessment fees Card issuing platform maintenance and compliance costs
Card Acquirer	Merchant Commission (less Interchange)     POS rental where devices are supplied	Processing costs and account maintenance e.g. call center, statements etc. Fraud Interchange Association assessment fees Card acquiring platform / network maintenance and compliance costs

### **Consumer Card Services – 2006 achievements**

### Strong Card Sales in Core Business

- VISA, MasterCard and Amex Card sales up 79% Y-o-Y
  - >57% acquisition through Direct mail and Telemarketing channels
  - Branch sales up 50% Y-o-Y
- Private label partnerships yielded good growth, notably in the mass market segment
  - Ackermans:
    - Sales up 27% on 2005
    - 82% of applications processed within 1 hour
  - New private label partnerships include:
    - Hub
    - Hang Ten
    - Shoe City
    - Baby & Company
- Pick 'n Pay Go Banking's zero AMF credit card producing significant new credit card sales volume

#### **Good Growth in Receivables**

- Asset growth slower than the market but significantly up on 2005
- Balance Transfer introduced with best rates and terms in the market
- Major re-build of application scorecards completed.
- Active line management and introduction of Single Credit Line added to receivables growth and card spend
- There is an up-tick in risk in the overall portfolio vs. 2005
- With interest rates rising, we have focused on increasing both capability and capacity in the Collections area

#### **SAA Voyager**

- Awarded the business in open tender against 4 other contenders
- Implementation in 10 weeks demonstrates commitment and ability
- Product offers the best Voyager miles earn rate in the market
- Very positive start to achieving the 400k sales target over 5 years
- > 90% applications received to date via the Internet
- Primary take-up is the Premium product which has the highest AMF; demonstrating customer satisfaction with the value proposition
- >74% of total spend is reflected on the Amex card
- SAA committed to Voyager Programme and the Credit Card offering











## Consumer Card Services – key focus areas - 2007

#### Continued focus on growing the organic Consumer Issuing business

- Actively pursue new card partnerships (White Label and Co-brand) to drive growth
- Peruse Mass Market card opportunities in Nedbank by employing lessons learnt from Ackerman's portfolio
- Continue to optimise all acquisition channels: both inbound and outbound
- Grow receivables profitably: conforming to National Credit Act requirements whilst remaining cogniscant of a deteriorating credit environment
- Increase focus on Amex issuing products due to premium economics
- Enhance Nedbank Greenbacks Rewards and drive Affinities
- Displace cash as the primary payment instrument with the relevant card product

#### Regulatory and Compliance

- Interchange:
  - Continue to promote the need for Card Interchange and multilateralism as the preferred mechanism to set this Interchange
- National Credit Act:
  - Embrace NCA principles and continue implementing changes to processes and systems to ensure readiness
  - Utilise improved interest rate spread for Risk Based pricing post Usury
- EMV:
  - Project in pilot since Q4 2006
  - Phased customer implementation during 2007 and beyond
  - Introduce value added services e.g. Contactless payments, Loyalty redemption

#### Customer Management, Service and Operational Efficiency

- and retention by:
  - Implementing sustainable customer service value propositions, built on a foundation of operational excellence.
  - Delivering a functionrich and scalable business platform to provide electronic services and value adding features.
  - Redesigning end-to-end card application processes to facilitate straight through processing via a single solution.

#### SAA Voyager Consolidation and growth

- Promote activation, usage
   Proactive mining of SAA 1.9mil Voyager base is a the heart of acquisition plans for 2007
  - Significant marketing resources allocated to this initiative in 2007
  - Continue to develop / enhance product range together with partner e.g.:
    - Aspirant Traveller
    - Corporate
    - Garage
    - Trader
  - · Improve fulfillment and on-boarding processes









## Corporate Card Services & Merchant Acquiring - 2006 achievements

## Strong performance in VISA / MasterCard Acquiring

- 35% Y-o-Y turnover growth to maintain our leading Acquiring market share position, whilst holding Merchant Service Commission margins
- Introduced proactive account management and fee strategies
- Launched multiple new product applications, e.g.:
  - Air time top-up
  - Cheque verification
  - iMPi
- Upgraded 35 000 POS terminals to state of the art devices (including mobile GPRS devices)
- EMV readiness demonstrated for both hardware and software with the rollout being largely completed

Re-vitalisation of the Corporate Issuing business

- Re-launched BTA with 1<sup>st</sup> to market MIS features providing addendum data
- Launched Amex Gold Business Cards for the mid-market sector
- Major, high card spend deals concluded, e.g.:
  - SABC
  - MTN
  - Nampak
  - Etc.
- Unlocked cross-sell opportunities within Nedbank Corporate and Business Banking
- Increased card spend within existing client base

Promotion of Amex Merchant acceptance

- Renewed sales focus; notably in retail everyday spend and inbound tourist spend areas
- Concluded pricing strategy and improved merchant value proposition
- Maintained pricing differential when compared to VISA / MasterCard
- Improved Amex awareness, visibility and acceptance with merchants











## Corporate Card Services & Merchant Acquiring - 2007 key focus areas

Drive sustainability and growth in the VISA / MasterCard Acquiring business

Implement pricing strategies to counteract reduction in interchange

- Leverage POS geographic footprint to provide banking services and access
- Remain responsive to changing Merchant needs via further product innovation, e.g.:
  - Rewards programmes
  - Electronic MI
  - 3<sup>rd</sup> party payments
  - · Gift cards etc.
- Focus on Debit Card acceptance to align with exceptional issuing growth and POS usage
- Maximise the Nedbank Business Banking cross-sell opportunity
- Continue leveraging tech partners (Iveri) and Independent Sales Organisations (ISO's) to innovate and grow.

Realise growth in the Corporate Issuing Portfolio

- Sales drive to realise full potential of re-vitalised products; notably BTA and Business cards
- Migrate Procurement card platform to CAMS and activate growth potential
- · Bank the Corporate issuing pipeline
- Deepen existing relationships with Corporate clients to obtain more qualifying card spend
- Leverage off global Corporate Account agreements
- Realise cross-sell benefits within Corporate and Business Banking

Promote Amex Merchant acceptance and realise premium pricing benefits

- Drive Merchant acceptance to approach near parity levels with VISA / MasterCard
- Implement pro-active account management model to demonstrate value of Amex acceptance
- Build Merchant loyalty through joint marketing campaigns and initiatives, e.g.:
  - Spend campaigns
  - Mall promotions
  - Etc.
- Maintain premium pricing strategy in the face of interchange reduction







## Consumer Card Services SAA Voyager Card

360° totally integrated marketing campaign which included TV, Radio, Billboards, Press, Magazines, Direct sales stands and B-T-L. activity

**Print Ads** 

Billboards

Branding on 737 Aircraft

Direct sales stands at airport terminals





## Consumer Card Services Balance Transfer

IS THE
INTEREST
YOU PAY
ON YOUR
CREDIT CARD
LEAVING
YOU FEELING
BLUE?

TRANSFER
YOUR
BALANCE AT
A LOW
RATE – 12,4%.
AND SAVE
OVER R1 350.\*

TO APPLY SMS BT TO 31673

#### HE WHY IT'S GREENER ON THIS SIDE WITH A REDIGARE CREDIT CARD.

IF YOU TRANSFERED BTO ODD FROM A CREDIT CARD WITH A
BATE OF ZEN, YOU COULD SAVE OVER BT 350.

INTEREST RATE FIXED AT 12,4%\* FOR THE TRANSFERED DEBT.

CHOOSE A REPAYMENT PERIOD OF B TO 36 MONTHS.

JOBN MEDMANK CATENDACKS AND TARN CREAT EVWARDS.

TRANSFER YOUR BALANCE TODAY AT NO COST OR HASSLE TO YOURSELF.
FOR MORE INFORMATION VISIT WWW.NEDBANK.CO.ZA.

THE PRINCIPLACT FOR THE BALANCE TRANSPORTED MAY CHANGE BY ACCORDANGE WITH FIBER RATE CHANGES THERE AND CON-INTER-CONNECT AT 1894 OF PURILIDANCE.





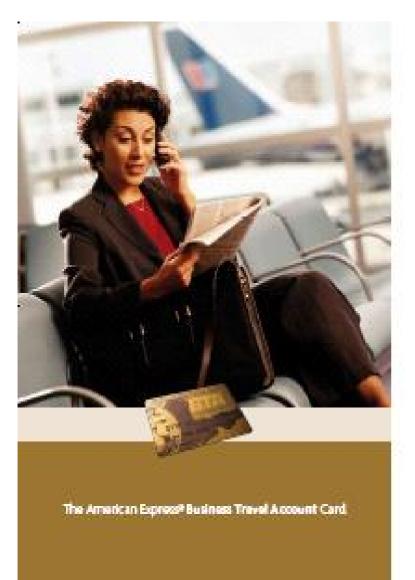








## Corporate Card Services & Merchant Acquiring Business Travel Account



### Managing your corporate travel spend just got easier.

Our improved bushess information can now help you with easy administrative and financial reconditation.

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Corporate Card Services & Merchant Acquiring iMPi





EDBANK IMPI ALLOWS YOU TO ACCEPT 'ON THE SPOT' CREDIT CARD PAYMENTS WHEREVER YOUR BUSINESS TAKES YOU.

SMS IMPI TO 31673 OR CALL 0860 114 966 FOR A FREE CONSULTATION ON HOW IMPI COULD WORK FOR YOU.



## **Key 2007 projects**

- Card electronic Product Platform
- Application Process re-design
- Blue Box & SAA final solution
- Customer management excellence
- National Credit Act





## **Nedbank VAF & TIP**

- Business description
- 2006 performance
- Client growth
- Product analysis
- Value proposition
- Pricing realignment
- Distribution channels
- Achievements 2005 / 2006
- Strategic focus for 2007







## **TIP** business description



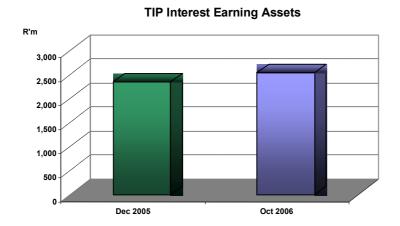
#### **Transactional & Investment products**

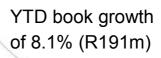
- Transactional Accounts, Savings and Investments, Transactional Lending and FOREX.
- Generation of non-interest revenue (NIR).
- Retail Funding for the bank,
- The transactional lending book is a significant asset
- FOREX book is a growing source of revenue.
- Main driver of Primary accounts within Retail.
- Drive the sales of TIP products through channels and market segments



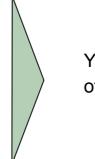
## 2006 TIP performance...

#### **TIP YTD comparison - October**





# TIP Interest Earning Liabilities R'm 70,000 50,000 40,000



YTD book growth of 7.6% (R4.3bn)

### **Contributing factors for growth**

Aggressive pricing strategy to be at least 2<sup>nd</sup> highest in the market

Oct 2006

- Increased marketing for liability products
- Favourable economic cycle

Dec 2005

30,000 20,000 10,000



## Client growth...

Clients	December 2005	October 2006
Primary	698,022	715,159
Secondary	2,617,314	2,753,828
Total	3,315,336	3,468,987

%	% change
	2.5%
	5.2%
	4.6%

A	C	C	0	u	n	ts
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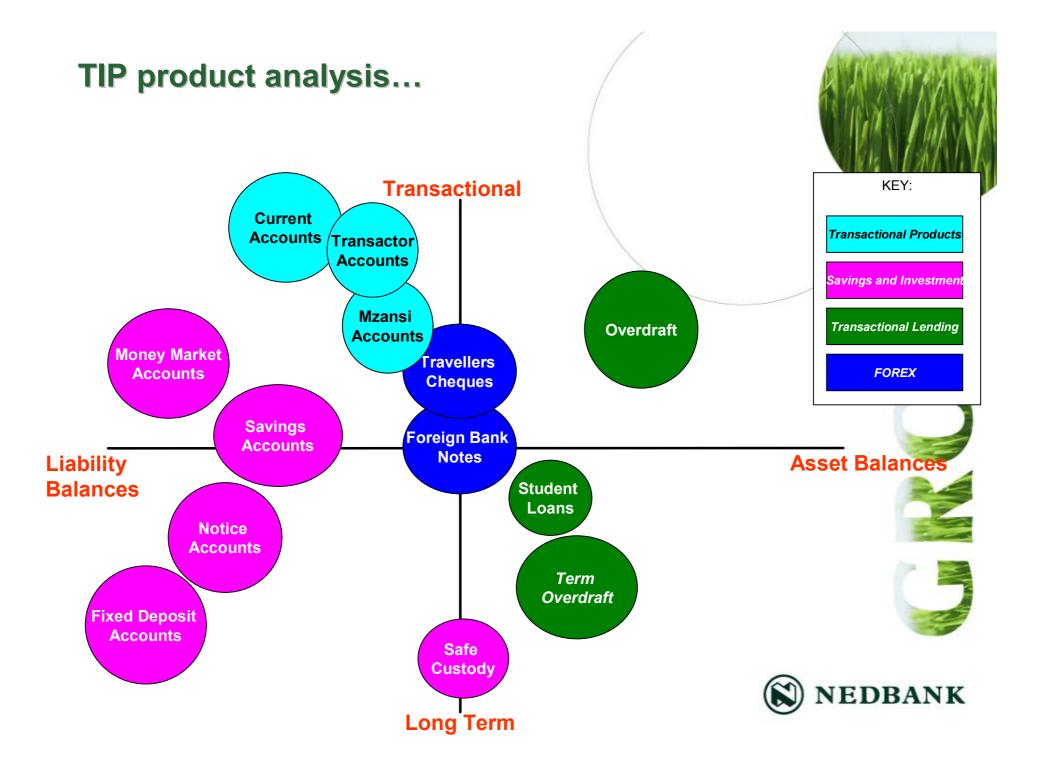
Current	204,102	212,847
Mzansi	14,112	23,586
Savings	477,553	479,341
ммі	1,813	1,856
Total	697,580	717,630

4.3%	
67.1%	
0.4%	
2.4%	
2.9%	



- We saw net growth in primary clients for the first time in 3 years.
- Net number of clients increased by 4.6% year to date in 2006.
- Driven by focused acquisition and retention activities as well as competitive pricing on assets, liabilities and transactional accounts





## TIP value proposition...

#### **PRODUCTS:**

Nedbank TIP offers the following products:

- Transactional Products

   (including Current accounts,
   Transactor, Mzansi). Mainly responsible for NIR but also has a large liability book.
- Savings and Investments
  (Including Savings Accounts,
  Notice and Fixed Deposit
  Accounts and Money Market
  Accounts). Responsible for a
  large portion of the Funding of
  the bank. Note that Nedbank
  has the highest market share
  of Individual deposits.
- Transactional Lending (Including Overdrafts, Term Overdrafts and Student loans)
- FOREX (Including Travellers Cheques and Foreign Bank Notes)

#### **PRICING:**

Nedbank TIP determines pricing on the following basis:

- Pricing is risk based for Transactional Lending.
- The strategy for pricing Investment products is to be "competitive". This is internally defined in relation to the other large banks.
- The strategy for pricing of fees is to ensure that pricing is not a disincentive to bank with Nedbank.

#### **MARKETING:**

A **wide impact** on the target market through marketing:

- Direct marketing focussed way of contacting customers
- Core marketing builds
   awareness of products use
   multiple channels Marketing is
   a key enabler of our business
   growth, particularly with
   regards to savings and
   investments.





### **Pricing realignment...**

- Penalty fee reductions
- Stop-order instruction fees eliminated
- 13,1% fee reductions
- Elimination of key fees





### **Pricing realignment...**

2 SATURDAY STAR November 25 2006

**PERSONA** 

# Nedbank is cheapest for entry-level accounts

Typical client profile	No of transactions per calendar month
Monthly service fee	1
Debit orders (external)	1
ATM withdrawals (R100 withdrawal)	2.4
Saswitch ATM withdrawals (R100 withdrawals)	0.7
Statements requested – ATM	1.2
Statements requested – Counter	0.11
Deposit – (R1000) – Counter	0.31

Source: Deloitte

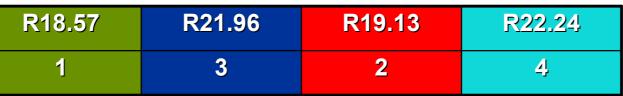












Source: infochoice





### **Pricing realignment...**

**Transactor** 

(S) NEDBANK	Standard Bank	ABSA	First National Bank
R69.55	R89.24	R115.35	R131.74
1	2	3	4

Current a/c

NEDBANK	Standard Bank	<b>⊘</b> ABSA	FNB First National Bank
R136.00	R142.48	R144.54	R122.50
2	3	4	1





### TIP distribution channels...

Distribution Channel	TIP
In Branch	<ul> <li>Selling of TIP products to customers that enter Nedbank branches</li> <li>Sold through dedicated sales people and bankers</li> </ul>
Call centres	<ul> <li>Internal and external call centres for direct marketing campaigns</li> <li>OBTM</li> </ul>
In market	Bundled offerings
Direct marketing	Snail mail, SMS, MMS, statement messaging, email
Pick 'n Pay/Scores/OMB	Selling through stores and branch network
Dedicated sales force	Sale of TIP products/achieve targets
Dealer network	• N/A
Internet	Apply online





#### TIP achievements 2005 / 2006

#### **Transactional & Investment products**

- Reduced Transactional banking fees
- Money 24 is on track to achieve double our budget.
- Everyday account is performing well ahead of budget.
- Market share of Mzansi sales for the month of October was 33%
- Stabilised individual deposits market share in 2006







### Strategic focus for 2007...

The **key projects planned by TIP** are:

Improving customer experience

Implement of Acquisition, Retention and Dormancy strategies

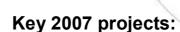
**National Credit Act** 

Successful Direct Marketing
Campaigns to increase primary
accounts

**TIP pricing simplification** 

Grow business from own customer base and network

Implement end-to-end fulfillment capability



- · Deliver hassle-free fulfillment
- Re-design sales process and forms to enable hassle-free sales
- National Credit Act TIP







### **VAF** business description



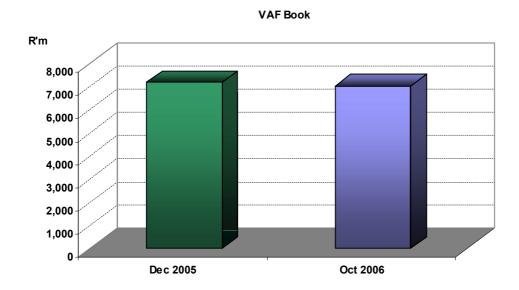
#### **Vehicle & Asset Finance**

- Offer sourcing, finance and insurance of vehicle as well as a range of value add products.
- Servicing our customers through branch network, internet, dealers and intermediaries.
- · Provide Vehicle and Asset Finance from Small Businesses to the mass market.
- Finance assets from passenger vehicles to capital equipment.



### 2006 VAF performance

#### **VAF YTD Comparison - October**





#### Contributing factor to shrinkage in book:

- Lack of representation in the dealer channel
- 75% of business in the industry is generated from this channel
- Poor turnaround times

#### Strategy going forward

Dealer strategy implemented



### **VAF** value proposition ...

Provide existing and new clients with flexible and convenient Instalment Credit Finance options including value added products and services.

The options and services are tailored to specific customer requirements and needs and are delivered through a number of convenient channels, as may be chosen by the customer

The focus is to grow the retail asset book with the desired profitability target and management of risk



### **VAF** distribution channels...

Distribution Channel	VAF
In Branch	Sold through dedicated sales people and bankers
Call centres	<ul><li>Settlements, retention, apply for finance</li><li>Car buying unit</li></ul>
In market	
Direct marketing	Mail to the current base (retention)
Pick 'n Pay/Scores/OMB	• N/A
Dedicated sales force	Metro and non-metro
Dealer network	Dedicated sales force
Internet	Apply online



#### VAF achievements 2005 / 2006

#### **Vehicle & Asset Finance**

- Re-entered the dealer market
- Dedicated VAF sales force
- Improved margin management through risk based pricing and reduction in impairments
- Expanded existing relationships in the Taxi industry







### VAF Strategic focus for 2007...

The **key projects planned by VAF** are:

Develop business origination via Dealers (process optimisation & skills)

**VAF** revenue optimisation

**National Credit Act** 

Improving customer experience

Risk-based pricing & reduction of impairments

Implement end-to-end fulfillment capability



#### Key 2007 projects:

- Programme 1:2:100 (dealer, branch revenue optimisation)
- Re-design collections process & MI
- Re-design operations process for all VAF channels
- · National Credit Act VAF





### **Nedbank Personal Loans**

- Business description
- 2006 performance
- Market share growth
- Total book size and clients
- Product analysis
- Value proposition
- Distribution channels
- The National Credit Act
- Credit risk
- Achievements 2006





### Personal Loans business description...



#### Nedbank Personal Loans focuses on...

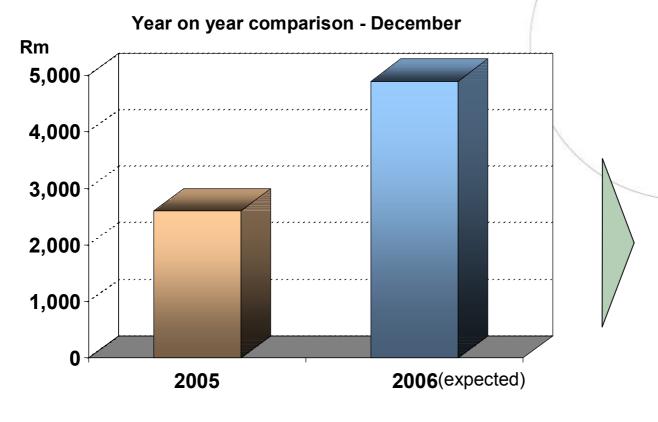
#### **Personal Loans**

#### **Consumer Credit**

- Serving the **middle to under-served market**;
- Acquiring profitable customers through multiple channels supported by direct marketing;
- Using risk based pricing;
- Offering true value to our customers, including a focus on sustainable wealth creation in our in-store channel;
- Leading in understanding and managing credit risk;
- Servicing our customers through effective operations; and
- Believing in the talent of our people for success.



### 2006 performance...



Year on year book growth of 88%

#### **Contributing factors for growth**

- Investment in sales force
- Growth in middle and mass market consumer numbers
- Effective marketing and sales process
- Favourable economic cycle
- · Launch of new products

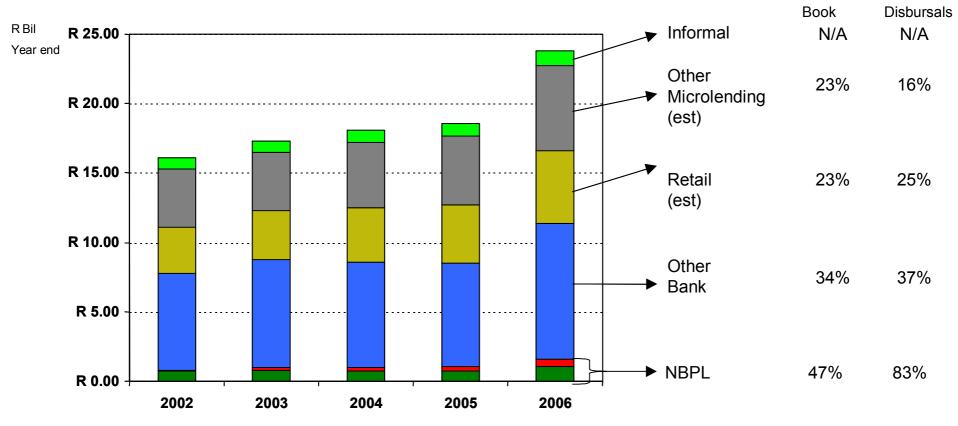


### Market share growth...



Year on year growth

(May 05 - May 06)

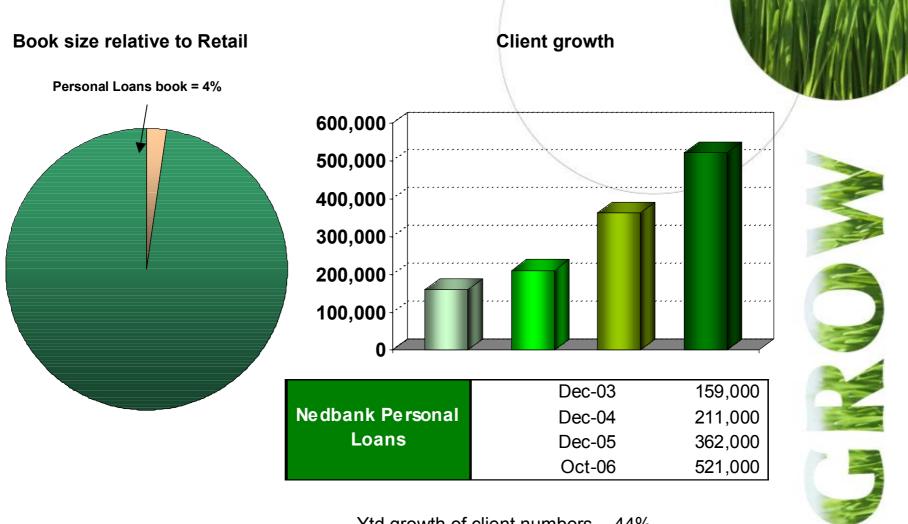


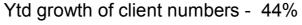
Only for exempt (MFRC) loans

We are well ahead of the industry in terms of new bookings growth, albeit off a small base.



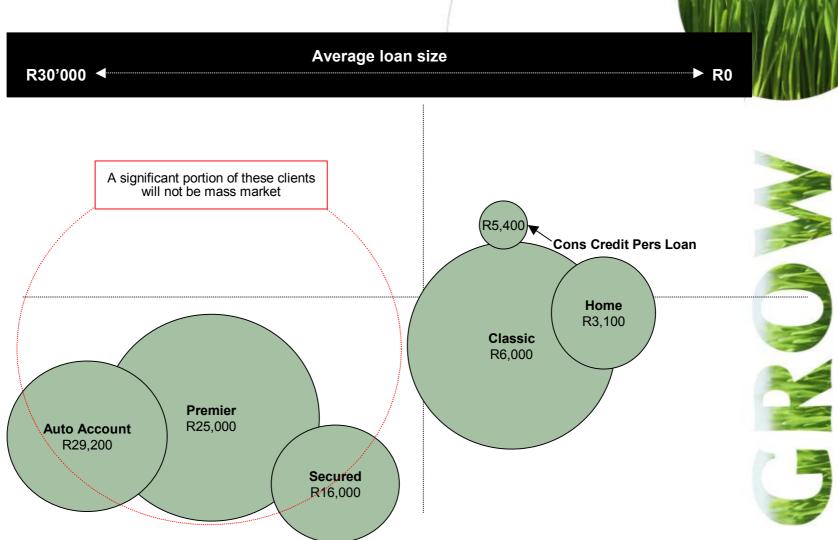
#### Total book size & clients...











#### **Notes**

- The size of the bubbles indicates the size of the total book per product
- Avg loan size is contained inside the bubbles



### Personal Loans value proposition...

#### **PRODUCTS:**

Nedbank Personal Loans offers the following products:

- Consumer goods
   financing at Point of Sale
- Vehicle financing for second hand vehicles
- Unsecured personal loans both within the Usury Act and through the exemption to the Usury Act.
- Loans secured against pension fund or company guarantee

#### **PRICING:**

Nedbank Personal Loans determines pricing on the following basis:

- Pricing is risk based and takes into account expected default levels of customers
- Pricing is cost based and takes into account the set up and maintenance costs of the loans
- Pricing takes into account the value of security in place

#### **MARKETING:**

A **wide impact** on the target market through marketing:

- Direct marketing is a very focussed way of contacting customers (over 5 million p.a.)
- Core marketing builds
   awareness of our innovative
   products which are new to
   Nedbank, and we use multiple
   channels (newspaper, fliers,
   billboards, radio, in branch and
   in store marketing materials.)
   Marketing is a key enabler of
   our business growth











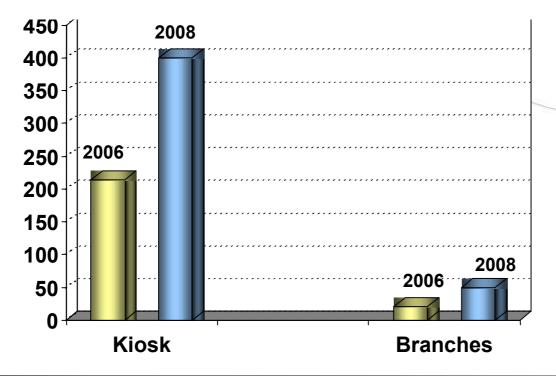
### **Distribution channels...**

Distribution Channel	Personal Lending	Consumer Credit
In Branch	<ul> <li>Selling of personal loans to customers that enter Nedbank branches</li> <li>Sold through dedicated sales people (pro's) and bankers</li> </ul>	Own branch network
Retail stores	• N/A	<ul> <li>In-store provision of finance for purchase of goods</li> <li>Sold by retailer staff</li> <li>Direct marketing support</li> </ul>
In market	Consultant force targeting customers in public places	• N/A
Direct marketing	<ul> <li>Targeted marketing to customers who meet credit policy criteria</li> <li>In branch, in-store or direct fulfilment</li> </ul>	
Vehicle merchants	• N/A	Financing of vehicles through dealers
Schemes	Sales of personal loans to customers at their place of work	• N/A



#### **Distribution channels...**

Personal Loans 3 year distribution plan...



	2006	2008
Kiosk	214	400
Personal Loans branches	21	50





#### The National Credit Act...

#### We are focusing on developing product solutions for the NCA...

- The NCA creates opportunities in the Usury Act space
- Ability to extend loans between R10,000 and R15,000
- Ability to price higher than usury rate for high risk clients for loans above R10,000
- Opportunity to increase pricing on Auto accounts to provide access to credit for higher risk clients
- In our design of products and pricing we will take into account the competitive landscape
- We expect a reduction in interest margins but an increase in non interest revenue.

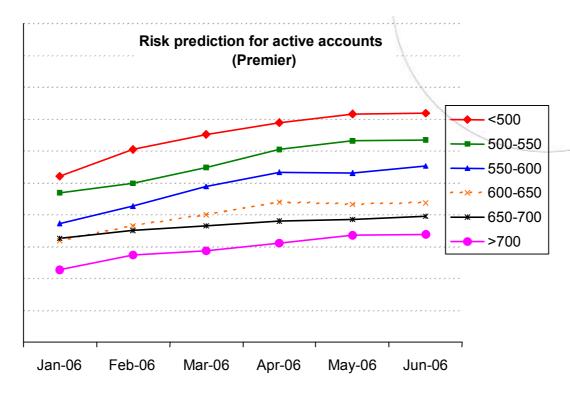






#### Credit Risk...

We have seen an increase in risk lately and have tightened credit policy in response



#### **Credit Policy Changes Include:**

- Higher minimum net income requirement
- Closing of certain test populations
- Tighter bureau score cut for certain products



#### **Achievements 2006**

- Integration of Consumer Credit
- Personal Loans branch rollout
- Expansion of Personal Loan's footprint in areas of the country where representation was lacking
- Introduction of bundled products that facilitated more competitive pricing
- Significant and profitable growth in the lending book







### Focus areas & key projects 2007

#### **FOCUS AREAS**

- Increased focus on cross-sell of transactional products
- Continued growth within acceptable risk levels
- Increase distribution footprint
- Collaboration with Group companies for cross-sell of products
- Best in market pricing for existing
   Nedbank customers

#### **KEY PROJECTS**

- Branch roll-out to expand distribution
- Pricing strategy to position Nedbank best in market
- Maximise transactional cross-sell
- · National Credit Act PL







## Bancassurance, Wealth & International



### **Agenda**

- Bancassurance context within OMGSA
- Bancassurance volumes and profitability
- Snapshot of individual businesses
- Retail International in brief











### **Paradigm Shift**

"Nedbank lags behind peers when it comes to bancassurance." RICHARD STOVIN-BRADFORD | JAN05

"I think our penetration of Nedbank with bancassurance is bigger than that of anyone else – I think we're ahead [of our peers] nowadays." JIM SUTCLIFFE | SUNDAY TIMES | 26 NOV06





#### **Structure**





Retail Investments
Nedgroup
Investments

Financial Planning NFP Insurance Broking NGIB

South Africa Bancassurance

Short-term Insurance NedIC Credit & Life Assurance NedLife

International Wealth

Private Banking Fairbairn Private Bank **Trusts**Fairbairn Trust
Company

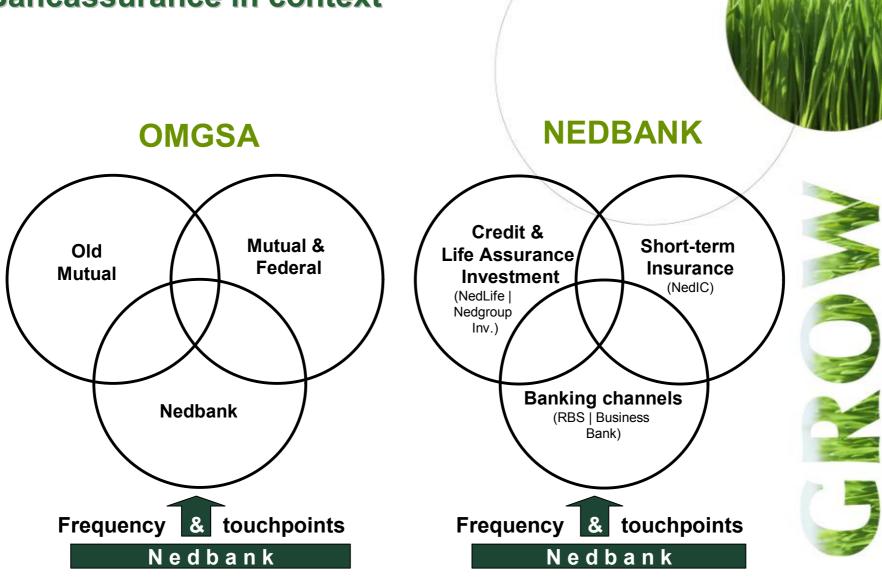
**Investments**Nedgroup Investments

Retail Client Nedbank London



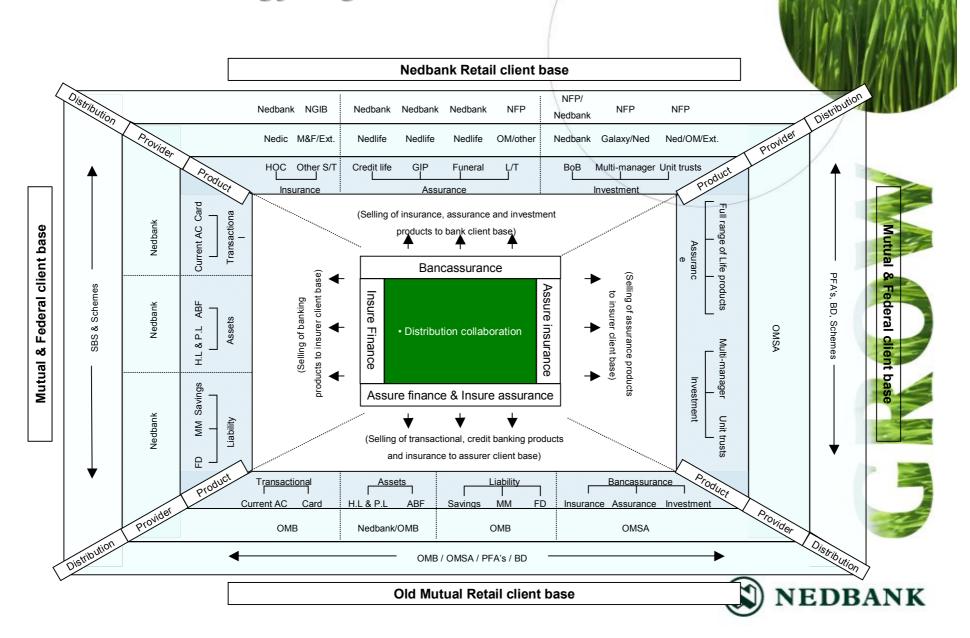


#### **Bancassurance in context**

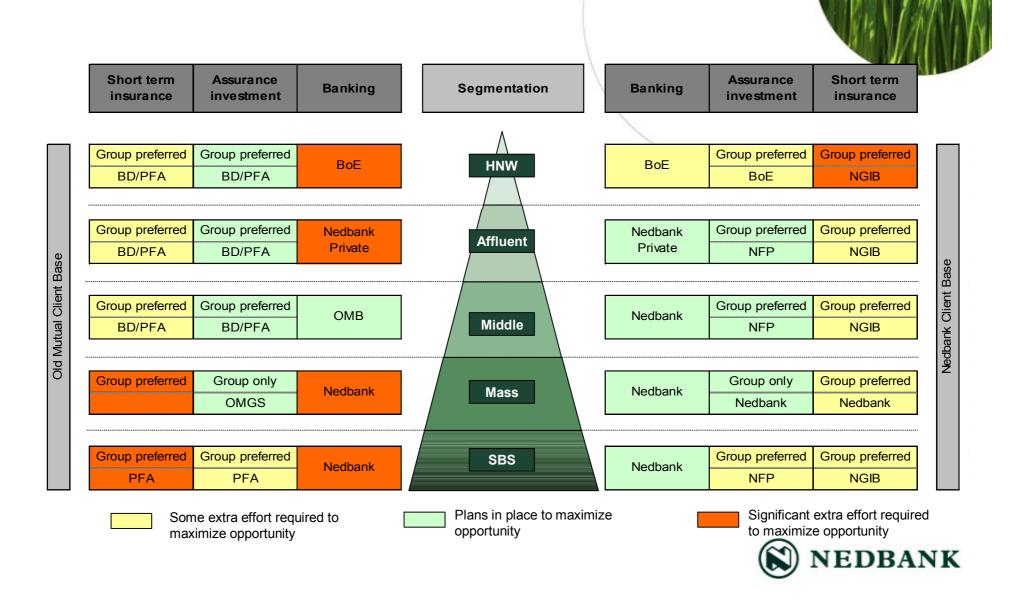




### **OMGSA** strategy alignment



### **Segmentation | Distribution & Product**



#### Success to Nedbank...



#### Year-on-year increase in NPAT 06 | 05 YTD

Insurance Broking	45%
Short-term Insurance	-22%
Credit & Life Assurance	56%
Financial Planning	51%
Retail Investments	29%





### **Bancassurance endowment to OMGSA...**

**NedLife APE Equivalent** 

	OCT06 YTD	FULL YEAR
	2006	2005
Old Mutual - Premium	R2.2bn	R2.3bn
M&F	R282m	R301m
- Premium	R132m	R138m
- 45% Reinsurance	R150m	R163m

**R247m** 

R158m





### New business premiums...

New Business Premium   APE (Rm)	% change	10 months to 30 Oct 06	10 months to 30 Oct 05	
NedLife				
Credit & Single Life	48	292	197	
NGIB				24
Short-term Insurance	11	247	223	
NedIC				
HOC	11	335	302	
NFP	13	3 749	3 314	
Life	18	1 055	893	
Non-Life	11	2 694	2 421	
Total	14.5	4 623	4 036	
% OMSA via NFP		63%	55%	5
NedLife APE Equivalent	129	247	108	



### **Retail Investments | Nedgroup Investments**

Indicators	ОСТ06	FULL
	YTD	YEAR
	2006	2005
AUM	R27bn	R19bn
Gross Inflows	R10bn	R9bn



- "Best of breed" boutique strategy continues to differentiate
- Growth in AUM 28% | industry 21%
- Positive return fund net R1.8bn in 3 months
- Xchange Solutions comes of age
- Launch of exclusive NFP FoF's
- Record gross & net flows for October 2006

- Maintaining "best of breed" and sourcing new
- Spread of flows across full fund range







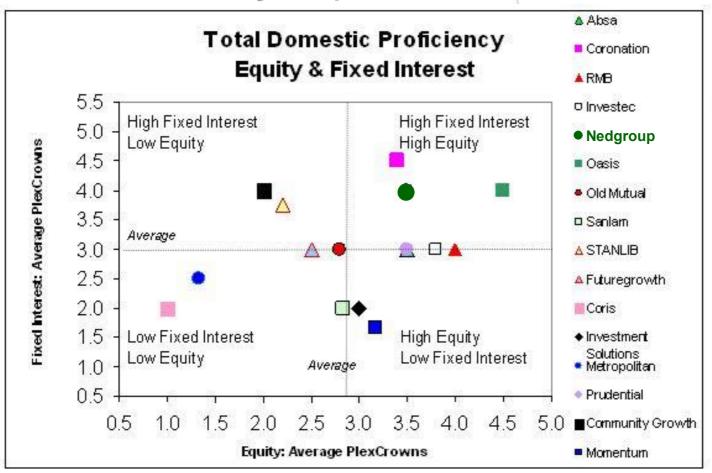




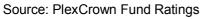


### **Retail Investments | Nedgroup Investments**

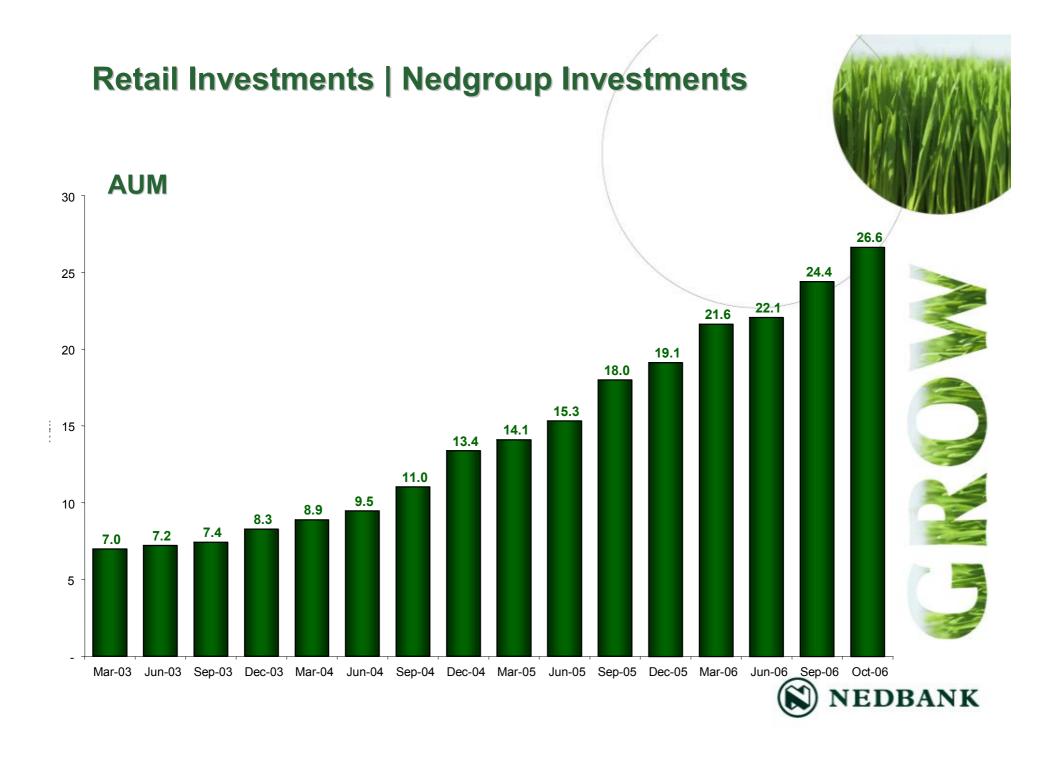
#### PlexisCrown survey – Sep06











### **Retail Investments | Nedgroup Investments**

#### **Best of breed Partners**





























### Financial Planning | NFP

Indicators	OCT06 YTD 2006	FULL YEAR 2005
Total Premium written # planners Overall Group penetration	R3.7bn 329 86%	R4.2bn 321 84%













#### **Highlights**

- Radical restructure of advice process
  - implementation of standardised advice
  - adoption of Spotlight software package
  - centralised product strategy & approval
- Refocus on annuity income & AUM drives profitability
- Black learnership development programme

- Limitations in Nedbank branch footprint & growth emphasis on suites
- Source of quality new financial planners
- Deregulation of commission
- Quality, quality, quality

### **Insurance Broking | NGIB**





#### **Highlights**

- Improvement in M&F group support
- Launch of direct & personal lines call centre
- Restructure of administration processes & systems
- Refocus as a sales organisation

- NCA
  - cost of distribution to increase
  - marginal impact on volumes | primarily HOC



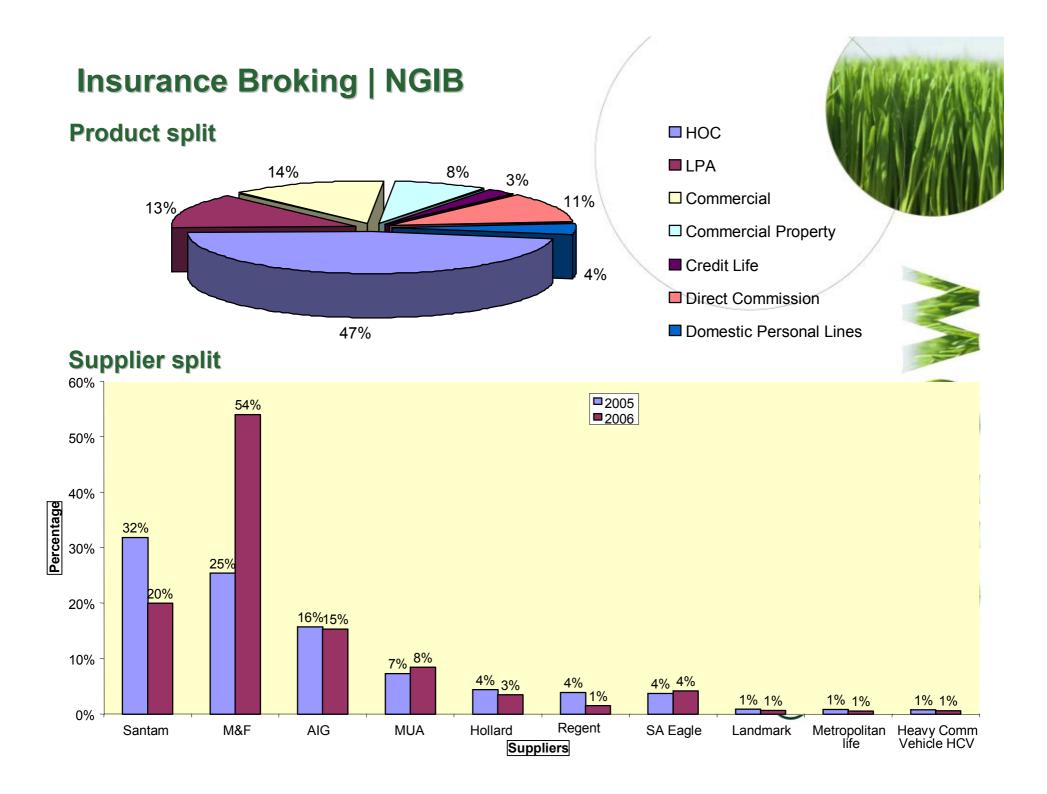












### **Short-term Insurance | NedIC**

Indicators	OCT06 YTD 2006	FULL YEAR 2005	
Gross premium	R393m	R384m	
HOC claims ratio	61%	57%	



- Transfer of commercial business to M&F
- New HOC product range ahead of NCA
- Alignment with Homeloan service teams
- Launch of inhouse geyser fund

- NCA
  - cost of acquisition
  - impact on volumes | primarily in upper middle & affluent segments
- Weather volatility | Southern Cape storms
- Cost of Reinsurance







### **Credit & Life Assurance | NedLife**

Indicators	OCT06 YTD 2006	FULL YEAR 2005	\
VNB	R90m	R53m	
APE	R247m	R158m	





- Dramatic increase in volume & profitability
- Product range now covers all lending areas in retail
- Launch of Funeral into mass
- Bond originator strategy
- Direct strategy via NGIB ito bond cover

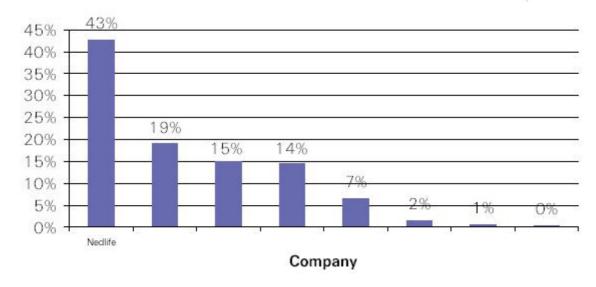
- NCA
- Disintermediation primarily by originators



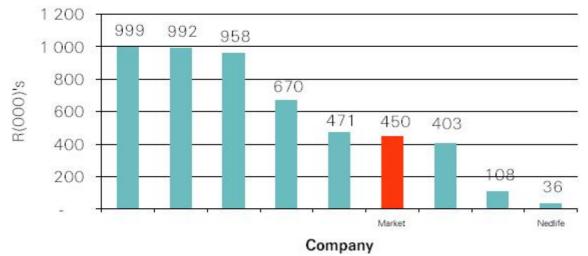


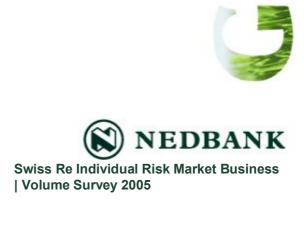
### **Credit & Life Assurance | NedLife**

Company market share by number of policies for risk-only mortality business



#### Average sum insured by company for risk-only mortality business





### **Private Banking | FPB**

Indicators	OCT06 YTD 2006	FULL YEAR 2005
NPAT		
Deposits	£761m	£730m
Lending	£215m	£185m
AUM	£518m	£445m



- Unique Focus platform integrating banking, investments & stockbroking
- Best Offshore Bank for last 5 years in succession \*
- Top 100 small companies to work for Sunday Times
- \* International Investments Awards sponsored by Standard & Poors

- UK onshore
- European directives and increasing regulations | MIFID, Basel II
- Maintaining strong growth levels













### **Key 2007 projects**

• Phinda - Retail

National Credit Act – BW & I





