

Nedbank Corporate

Graham Dempster 29th October 2004

Agenda



- Industry overview
- Business description
- Strategic focus & management actions
- Conclusion

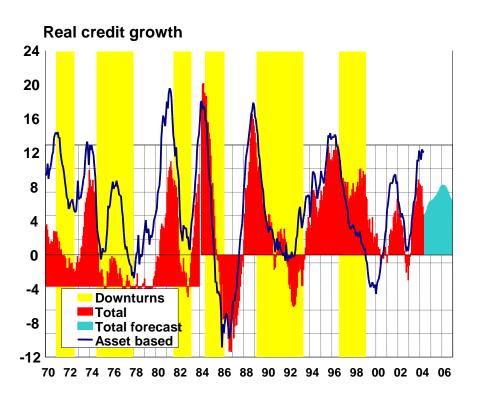


Industry overview

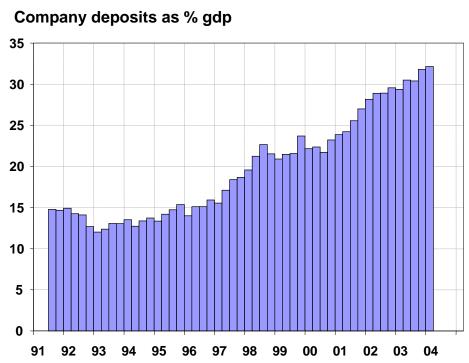
Operating environment



Overall credit will remain strong

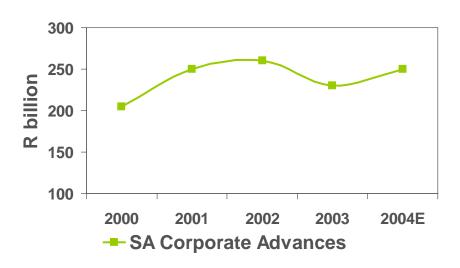


...but companies - cash flush

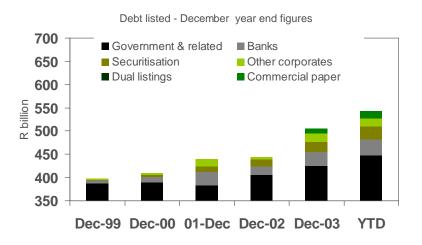


Corporate debt appetite muted

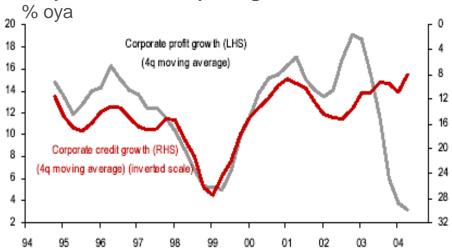




Corporate raising debt from bond market Rbn



Corporate credit vs profit growth



- Increased debt raised via the bond markets.
- Some of the margin lost is regained as fees in the debt equity markets.

Economic drivers



Cyclical:

- Growth in balance sheet helped by lower interest rates, but restricted as companies cash flush & entering the bond market directly,
- Interest rates relatively unchanged little impact on the margin or bad debt scenario,
- Less Rand volatility lowers forex earnings. Current Rand strength results in import substitution & reduced earnings of exporters.

Structural:

- Sustainable economic growth is the major driver of balance sheet growth if based on increased local production & value added services,
- Employment growth leads to more evenly spread consumer spending,
 which will help improve the margins in the Retail sector,
- Growth of BEE,
- Infrastructure spending by the government is on the increase.



Business description

Business Description



Nedbank Corporate Graham Dempster

Corporate Banking Ingrid Johnson	Business Banking Richard Buchholz	Property Finance Frank Berkeley	Africa Mfundo Nkuhlu	International
Corporate clients >R400nm T/O	Bus. Banking clients >R5mn and <r400nm< td=""><td>Clients generally with advances > R 1mn</td><td>Universal banking services</td><td>Branches or rep offices</td></r400nm<>	Clients generally with advances > R 1mn	Universal banking services	Branches or rep offices
Senior Debt Lending	T/O		Lesotho	London
Guarantees/ L/Cs	Secured lending incl. Asset based finance	Full spectrum services	Swaziland	To be exited:
Preference shares	Capital equipment	incl. Investor, Developer, owner occupied	Namibia	Hong Kong Isle of Man
Transactional products	Debtors finance	segments	Malawi	1010 Of Wall
Deposits	Capital imports			Exited
Specialist Transactional Banking/ Nedbank	Deposits		Associates:	Singapore Taipei
Capital products			Zimbabwe	Beijing

Transactional Banking (Adriaan Du Plessis)

Shared Services (Murray Stocks)

Risk Management (Keith Hutchinson)

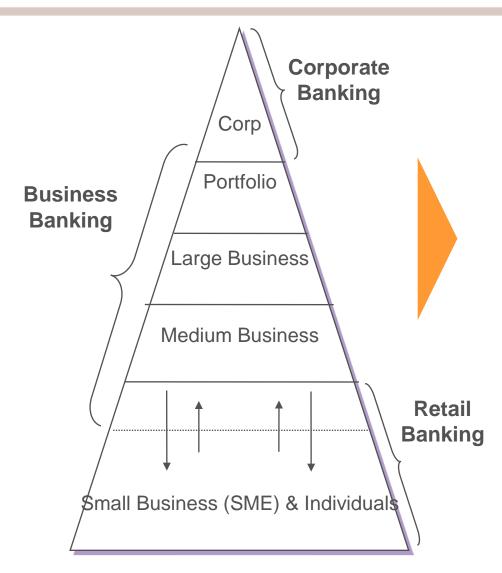
Finance (Anton Redelinghuis)

Human Resources (Ashley Sutton-Pryce)

Strategy (Heinz Weilert)

Client Base Definition





...leveraging cross-sell with Nedbank Capital

Corporate Banking

- Clients with revenue > R400mn
- > 650 client groups
- R 29 bln advances
- 288 employees

Business Banking

- Clients with revenue < R400mn
- > 31 000 client groups
- R 31 bln advances
- 2114 employees

Property Finance

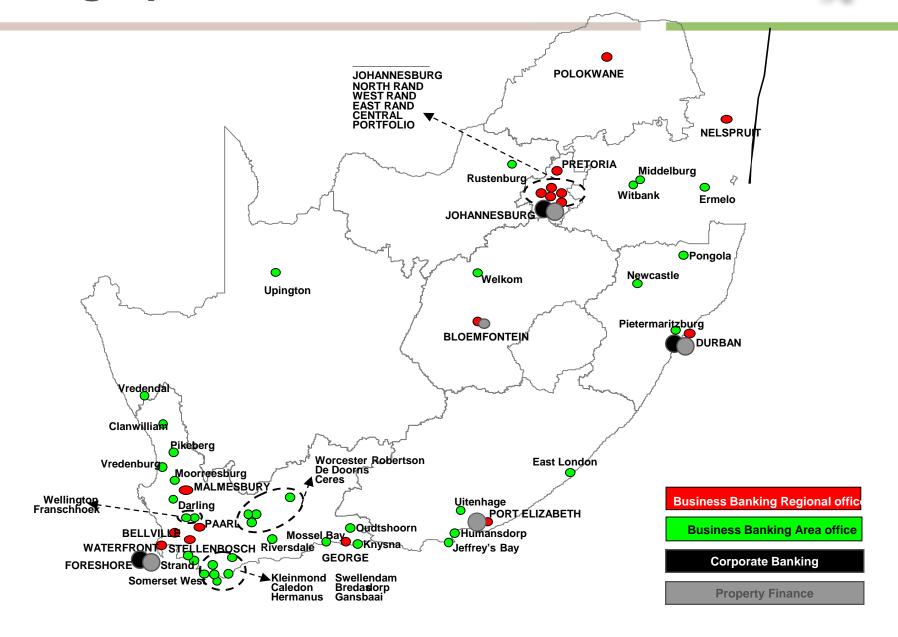
- Services clients across the banking spectrum
- R 29 bln advances
- 740 employees

Africa

- Services clients across the various Nedbank client segments
- R 3 bln advances
 - 810 employees

Geographical Distribution





Human Resources



- Staff reduction of ± 400 planned for 2004
- Building a high performance culture
 - job profiling & assessment
 - learning & development plan
 - incentive schemes in place
 - staff communication
- Going beyond transformation
 - developing a coaching & mentoring framework
 - post graduate development programme
 - achievement of a 3 year employment equity plan

Total Staff (Aug 04)	4 283
- local	3 322
- outside RSA	961

Key Differentiators



- Regional & national strength
- Mid market focus extensive regional presence & industry specialisation
- Customer focused structures dedicated relationship managers
- Very strong corporate relationships
- Leaders in Property Finance
- Good risk management
 - very low provisions in Corporate Banking & Property Finance
 - extending to Business Banking

Major risks



- Credit risk
 - changes in the economic environment
 - conservative approach can reduce return capability
 - new requirements of Basel II will change market dynamics
- People risk
 - adequate skilled resources
 - staff retention
- Client risk
 - client defection due to changed & less user-friendly electronic platform
 - limitations to meet transactional banking requirements of major corporates
 - need to increase innovation

Profitability overview



- ROEs under pressure
 - Credit quality unlikely to deteriorate positive outlook
 - Banks were not properly rewarded for the risk they took (credit-risk)
 - Competitive pressures following the arrival of foreign banks
 - Basel II set to introduce less onerous capital requirements in these client segments
- Market overcrowded
 - Low barriers to entry
 - Subject to disintermediation
 - Revenue pressures likely to persist for the best part of 2004/5
- An upswing in corporate credit demand & an improvement in net interest margins could deliver growth in Nedcor – current high contribution of Nedbank Corporate to the Banks profitability
- ...Nedbank Corporate ROEs likely to remain under pressure as competition increases



Strategic focus & management actions

Strategic objectives



Strategic focus

Strategy Cornerstone

Build a high performance culture	Increas transactio bankin	onal	Optimise mix		eyond formation	Client-driven business model
Back to basics		Full service universal b		bank	Souther	n Africa focus



Nedbank Corporate objectives aligned to Group

Build a high performance culture NEDCOR

- Improve customer satisfaction
 - measurement against expectations
 - understand main causes of client defection
- Improve service standards
 - measure as part of balanced scorecard
 - training & development
 - accountability & responsibility for client service
- Reduce problem incidence & improve resolution
- Emphasis changed to direct selling efforts (post migration)
- Targets in place
 - Increase market share by 1% p.a & customer satisfaction by 5% p.a.

Lags in Transactional Banking



Ranking in Sample of 188 corporate with turnover above R400m

Source: Startrack 2003

Focuses on corporate clients2nd

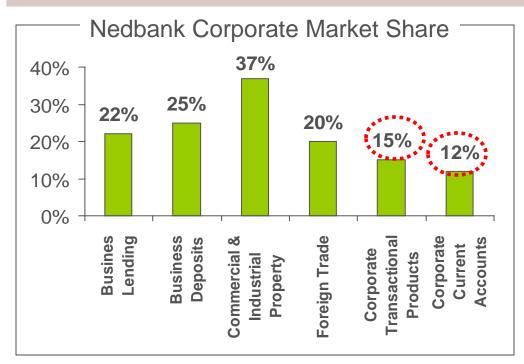
Offers full range business products/ services
 2nd

Good infrastructure/ footprint
 Joint 2nd

Offers full range of electronic banking services

Drive transactional banking



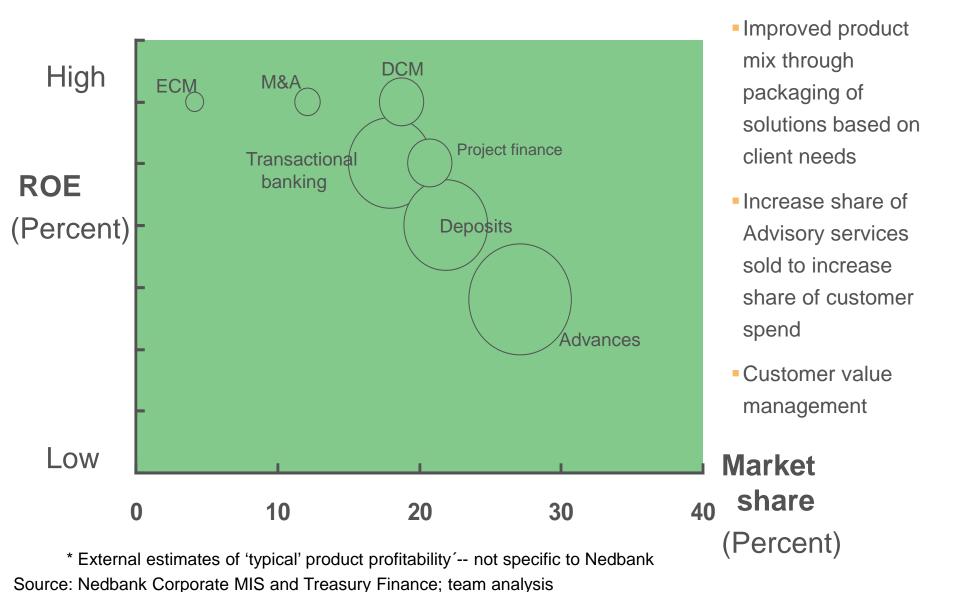


 80% of the current property finance customer & 70% of the previous BoE ABF base does not have a primary banking relationship with Nedbank

- Investment in technology and integration to support acquisition strategy
- Improve footprint
- Transactional banking team in place
- Roll out of Corporate Payment System to identified client groupings
- Cash strategy

Optimise Mix





Beyond Transformation



- Next 10 years will see significant wealth transfer to black entrepreneurs
- Nedbank seeks sustainable relationships with 2nd generation BEE companies
- Striving to become the custodian of empowerment initiatives in terms of BEE & SME financing
- Grow empowerment business at acceptable risk
- Conscious & objective evaluation of client base evolution
- Conscious management of resultant impact on economic capital & ROC

Nedbank Corporate already has BEE financing strengths

- Specialized talent across financial products
- Depth of risk management experience
- Existing strategic alliances
- Demonstrable track record & ability to finance BEE transactions

Client driven business model



- Pro-active offering of Solutions
- Extensive regional presence & industry specialisation
- Customer focused structures dedicated relationship managers

Strategies to improve include

- Better economic pricing and structuring of transactions
- Identification & penetration of economically-attractive customer segments
- Better management of the existing portfolio (coverage and cross-sell)
- Development of economically-attractive product and channel propositions



Action plans



- Bed down new structure & business model (improve customer service)
- Increase primary banker status through bank wide focus on competence in payments, settlement & clearing
- Assist Retail to increase footprint; combine forces with Old Mutual in rural areas
- Address non-core businesses
- Focus on high value property deals, aligning pricing models & customer value management
- Leverage BEE & public sector expertise
- Transfer learning's to other divisions
- Focus on measuring & client service
- Identify & maintain key staff
- Assist Nedbank initiatives in improving image & MIS



Action plans (continued)



Corporate Banking

- Increase primary banker status
- transactional banking initiatives
- Leverage geographical position
- Pro-active client driven solutions
- Capture more Old Mutual Business
- Customer value management activities
- BEE & Public Sector focus
- Cross-selling advisory services

Property Finance

- Manage for value
- Increase investment activities
- Cost saving through structural changes

Business Banking

- Active sales effort
- Leverage asset based finance strength
- Increase cross-sell
- Increase industry specialisation
- Bancassurance

Africa

- Stabilise management
- Closer relationship with subsidiaries
- Risk Disciplines
- Rationalise existing structure
- Selective expansion (ROE > 30%)



Conclusion

Key drivers of future profitability NEDCOR

- Increased cross-sell & improved product mix
 - Leading competitor commands 50% larger share of their customer spending (on financial services)
 - Need to improve transactional banking systems & cash handling
- Sell more of the same product to the same client
- Penetrate more of the profitable client base improve client mix
 - Pro-activity/Innovation is the key lever to increase business
- Price services & products better vs costs, including risk costs
 - specifically in smaller corporates and in the middle market segment

Conclusion



- Strong market positions Corporate, Business Banking & Property Finance
- Differentiated on client intimacy, pro-active engagement & strong client relationships
- Leverage strong regional presence
- Upskilling of staff in order to improve client service
- Focus on cross-sell & improving product mix
- Recent realignment shared Services
- Leverage BEE opportunities



"There is no miracle moment. Small incremental wins in one common direction will restore Nedcor to a highly rated & respected financial institution."



Thank you