

# NEDBANK RETAIL

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## Unsecured Lending Card & Personal Loans

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*29 April 2010*



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# Contents

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- Challenges of 2009
  - Extracts from 2009 Annual Financial Results
  - Nedbank Retail – Segmental Analysis (2006 – 2009)
- Outlook for 2010
  - Vision for the Cycle
- Background – Nedbank Card & Personal Loans
  - Comfort with Asset quality & how this is Managed
- Growth strategies for Nedbank Card & Personal Loans
  - Shift in Strategy to more Premier Personal Loans

# Extracts from 2009 Annual Financial Results

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## Environmental factors

- Lower interest rates & declining inflation
- SA emerging from recession
- Consumer indebtedness remains high

## Nedbank Retail – 2009 highlights

- Early arrear buckets improving since May 2009
- Unsecured lending more resilient through the cycle
- Emphasis on addressing drivers of higher impairments
- Focus on understanding business drivers & differentiation to reshape strategic positioning

# Nedbank Retail – segmental analysis (2006 – 2009)

Rm	Headline earnings				Credit loss ratio (%)			
	2009	2008	2007	2006	2009	2008	2007	2006
Card	362	226	287	284	7.65	9.41	6.86	4.36
Personal Loans	263	242	200	109	10.29	10.32	9.94	12.14
Rest of Retail	-1,262	80	1,060	845	2.69	1.81	n/a	n/a
Nedbank Retail (excl B&W)	-637	548	1547	1238	3.40	2.70	n/a	n/a

Extract from results presentation commentary - 2009

“Nedbank Retail had a difficult year ... in response to the challenges experienced ... more recently the emphasis has been on ... transitioning Retail into a more client-centred & integrated business focussed primarily on growing our primary client relationships ... key levers included NIR growth ... ”

Source: Annual Financial Results – page 48 (Rest of Retail consolidated)

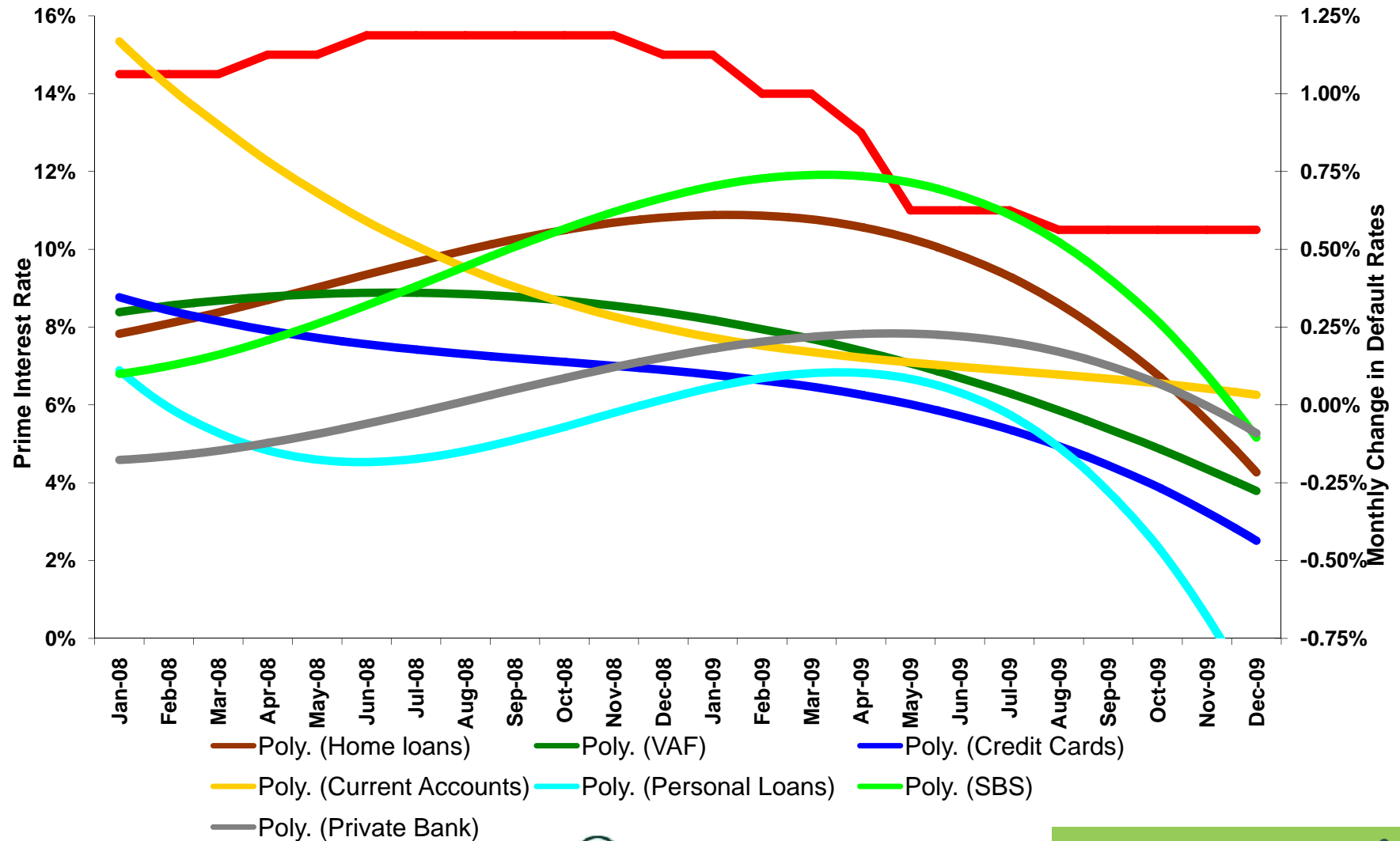
# Nedbank Retail – segmental analysis

	Card		Personal Loans	
	2009	2008	2009	2008
Headline Earnings (Rm)	<b>362</b>	225	<b>263</b>	241
Return on Risk Adjusted capital (%)	<b>21.0</b>	14.2	<b>18.1</b>	18.4
Return on average assets (%)	<b>4.2</b>	2.7	<b>2.6</b>	3.6
Credit Loss Ratio (%)	<b>7.7</b>	9.4	<b>10.3</b>	10.3
Non interest revenue to total expenses (%)	<b>120.5</b>	121.1	<b>58.3</b>	42.4
Efficiency ratio (%)	<b>59.7</b>	60.7	<b>40.4</b>	42.5
Impairment charge on loans and advances (Rm)	<b>558</b>	695	<b>801</b>	687
Total Assets (Rm)	<b>7,401</b>	7,472	<b>8,589</b>	6,350
Average total assets (Rm)	<b>7,296</b>	7,646	<b>7,282</b>	6,208
Total advances (Rm)	<b>6,731</b>	6,584	<b>8,344</b>	6,139
Average total advances (Rm)	<b>6,664</b>	6,802	<b>7,037</b>	5,929
Total deposits (Rm)	<b>825</b>	1,033	<b>6</b>	3
Average total deposits (Rm)	<b>958</b>	1,024	<b>44</b>	42
Allocated capital (Rm)	<b>1,724</b>	1,582	<b>1,452</b>	1,308

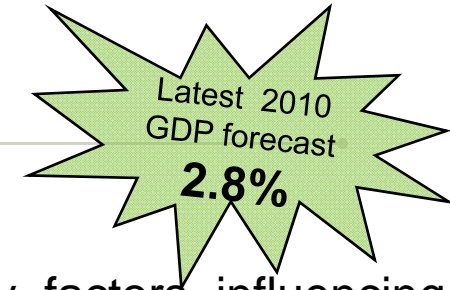
Source: Annual Financial Results – page 17a

# Nedbank Retail – default trends in 2009

## Change in Default Rates across Asset Classes in Retail



# Outlook for 2010



## How we see the year ahead (\*)

- Global environment & 2010 FIFA World Cup – primary factors influencing domestic recovery (global recovery remains highly fragile)
- GDP growth of around 2.2% - points towards a slightly better year
- Locally, retail trading conditions expected to improve
- Improving confidence should encourage & increase in household credit demand & transactional banking volumes
- Interest rate cuts from prior year – gradual decrease in impairments

### ***Domestic review & prospects (Nedbank Guide to the Economy – 20 April 2010)***

*The domestic economy accelerated in late 2009, although conditions remain relatively fragile, with employment slow to recover & credit still constrained. However, the short term outlook is favourable. The inventory cycle is adding to growth, exports are improving, cumulative interest rate cuts are helping household finances as well as confidence & the 2010 FIFA World Cup is boosting infrastructure investment & will help overall spending in the second & third quarters.*

(\*) Source: Annual Financial Results – page 64

## Outlook for 2010 - *continued*

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### **Nedbank Retail – 2010 focus & prospects**

- Environment of slow rehabilitation of defaulted advances, lower endowment earnings & muted response to economic recovery
- Key focus areas
  - Growing NIR (distribution, primary client acquisition, cross sell, less attrition)
  - Effective risk management – client view in more complex collections
  - Selective advances growth at better margins

*“The business continues to operate under a challenging economic environment with high debt to household income ratios, coupled with a muted recovery in the job market impacting negatively on our customers as well as the potential lending market growth”.*

*- Saks Ntombela, ME Nedbank Retail*



# Background to Nedbank Card

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- Products
- Market Share
  - BA 900 Debit balances
  - Purchases, NIR & share of Economic Profit
- Credit Loss Ratio

# Background to Nedbank Card - Products

Nedbank Affinity Credit Cards



Nedbank Greenbacks Credit Cards

Plus

or



American Express® Charge Cards



The SAA Voyager Credit Card

Plus

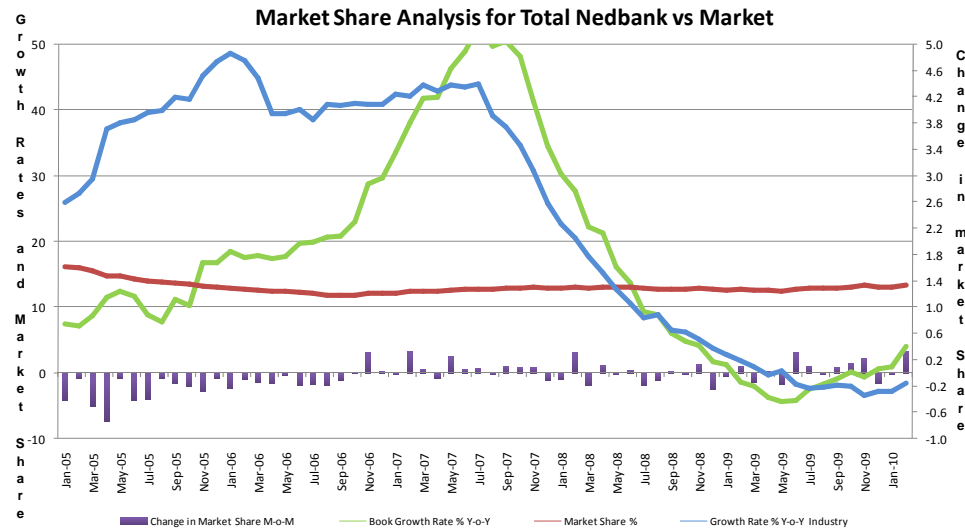


Old Mutual Investment Credit Card Account

Plus



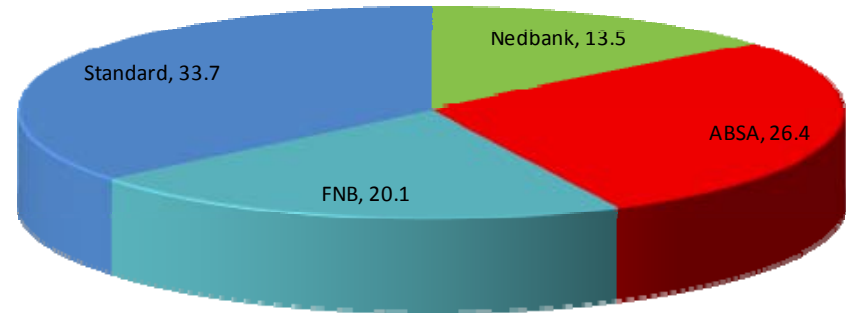
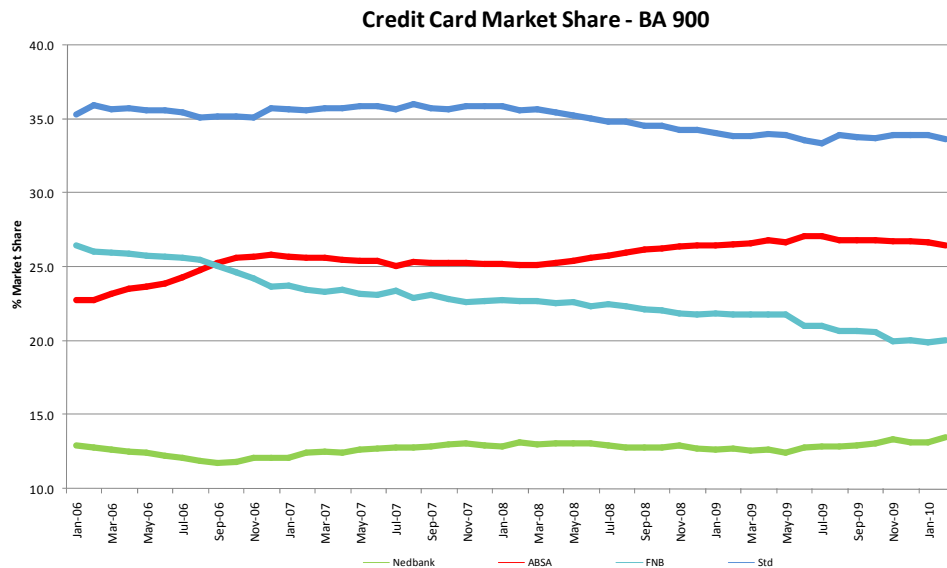
# Nedbank Card – Market share of debit balances



## Card market share movement – February 2010:

- Industry Card market-up 1.27% M-o-M
- Nedbank Market Share-up 0.34% M-o-M to 13.5%.
- Nedbank’s Market share is up YoY by 0.7%.
- Total Market contraction Y-o-Y is -1.48%
- Nedbank growth contribution in relation to the above is 0.5% Y-o-Y
- Nedbank Growth Rate Y-o-Y is 4.06%
- YoY Growth Rate’s for ABSA is -1.93%, SBSA is -2.15% & FNB is -9.42.

Total market Y-o-Y growth rate increased by 1.27% & although negative is currently at -1.48%



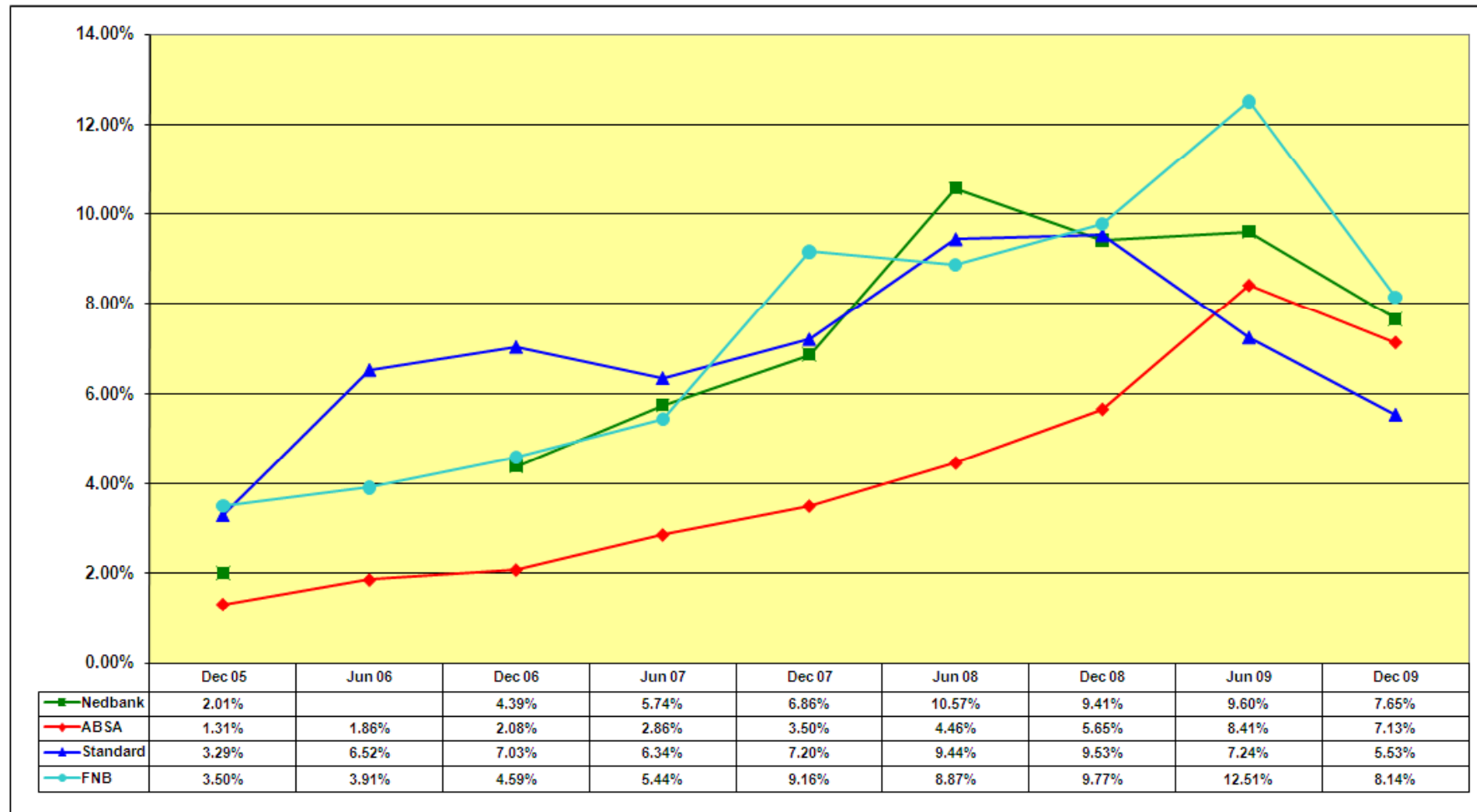
Source: Nedbank Retail Card Finance

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# Nedbank Card – Credit Loss ratio



Nedbank does not deduct post write-off recoveries from the impairments charge.  
 If this approach had been taken, Nedbank card's credit loss ratio for 2009 would have been 6,0%.

Sources: 2009 Annual & Interim Results  
 Nedbank, ABSA, Standard Bank, FNB



# Background – Personal Loans

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- Products
- Market Share

# Personal Loans – products

- Personal Loans focuses on salaried employees with the ability to repay.
- Loans are granted from R1000 to R120 000.
- Terms are from 12 months to 60 months.
- Rates vary from below prime to the NCA maximum depending on the risk profile of the customer.
- Customers are acquired through multiple fulfilment channels enhancing convenience.

This year you could achieve a few of your own goals with a Nedbank Personal Loan.

Win\* your share of R70 000 worth of prizes!

**Nedbank Personal Loan**

With goals playing a huge role in our country's growth, especially this year, we believe you should be achieving your own. Celebrate a more goal-driven life with a personal loan from Nedbank! The way you mean to study further or secure your child's education. If your personal loan application is successful, you could qualify to have from R2 000 to R120 000 deposited into your account, and enjoy flexible repayment options. What's more, you could win\* your share of prizes worth R70 000 when you take up a personal loan\*\*. So take a shot at achieving your goals today! SMS MORE to 40966 (R1.5/MS) and we'll call you back or visit [www.morefreedom.co.za](http://www.morefreedom.co.za) or call 0866 188 588.

\* Terms and conditions apply.

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Celebrate a MORE goal-driven life with a Nedbank Personal Loan

For MORE details speak to a Personal Loan consultant today.

Celebrate MORE R70 000!

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Celebrate a MORE goal-driven life with a Nedbank Personal Loan from R2 000 to R120 000\*

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Celebrate a MORE goal-driven life with a Nedbank Personal Loan

Whatever your goal - a Nedbank Personal Loan from R2 000 to R120 000\* could help you make it happen.

PLUS, successfully apply\* for a Nedbank Personal Loan and you could win\*\* your share of R70 000 in prizes!

Celebrate MORE R70 000!

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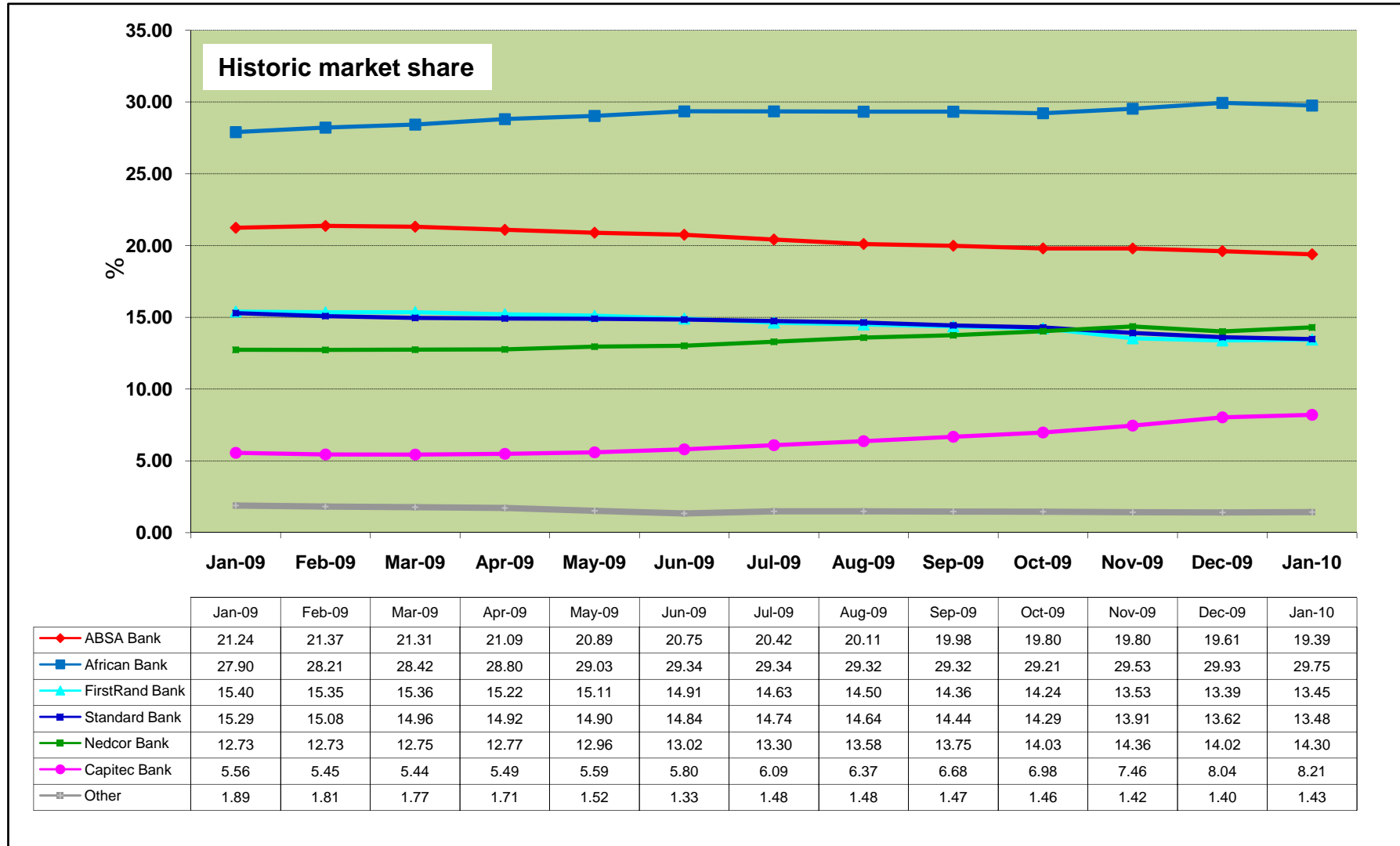
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# Personal Loans – competitor market share trends

Month-on-month (m-o-m) to January 2010, Nedbank gained the largest market share



M-on-m, Nedbank Personal Loans, FirstRand & Capitec gained 0.3%, 0.1% & 0.2% respectively. ABSA, Standard Bank & African Bank lost 0.2%, 0.1% & 0.2% respectively

# Strategy – Nedbank Card

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## Strategic Context

- Improving economic scenario - demand for new cards, spend recovery & impairments improving
- Increased scrutiny by regulators
- New opportunities - mobile, fuel, contactless, transport & pre-paid
- Significant contributor of NIR but need to grow scale & improve EP

## Strategic Activities

- Profitably increase market share - purchases & receivables
- Leverage cross sell opportunities & improve Retail Client Value Propositions
- Focus on operational cost & efficiencies & service as a differentiator
- Provide credit responsibly to clients who have a need to borrow & ability to repay



# Strategy – Nedbank Personal Loans

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## Strategic Context

- In good position to take advantage of economic recovery
- Significant growth over past 5 years to 15% market share - smaller footprint than other big banks
- Smaller & new specialist lenders compete off more advanced technology platforms

## Strategic Activities

- Expand distribution channels
  - improve accessibility to customers & leverage brand strength
- Enhance product value proposition
- Focus on further improvements in collections capability
- Focus on customers who have an ability to repay
  - continuous improvement of the book

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# Thank you

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