

JP Morgan Banking Seminar
25th November 2011

Contextualising the Mass Market Banking Opportunity

Ingrid Johnson
Group Managing Executive:
Nedbank Retail & Business Banking



Nedbank opened Africa's first wind-powered branch in the Western Cape town of Du Noon



MAKE THINGS HAPPEN

NEDBANK
GROUP

A Member of the  **OLD MUTUAL** Group

Agenda

- **Future shaping forces**
- **Strategic considerations**
- **Nedbank positioning**



Nedbank opened Africa's first wind-powered branch in the Western Cape town of Du Noon



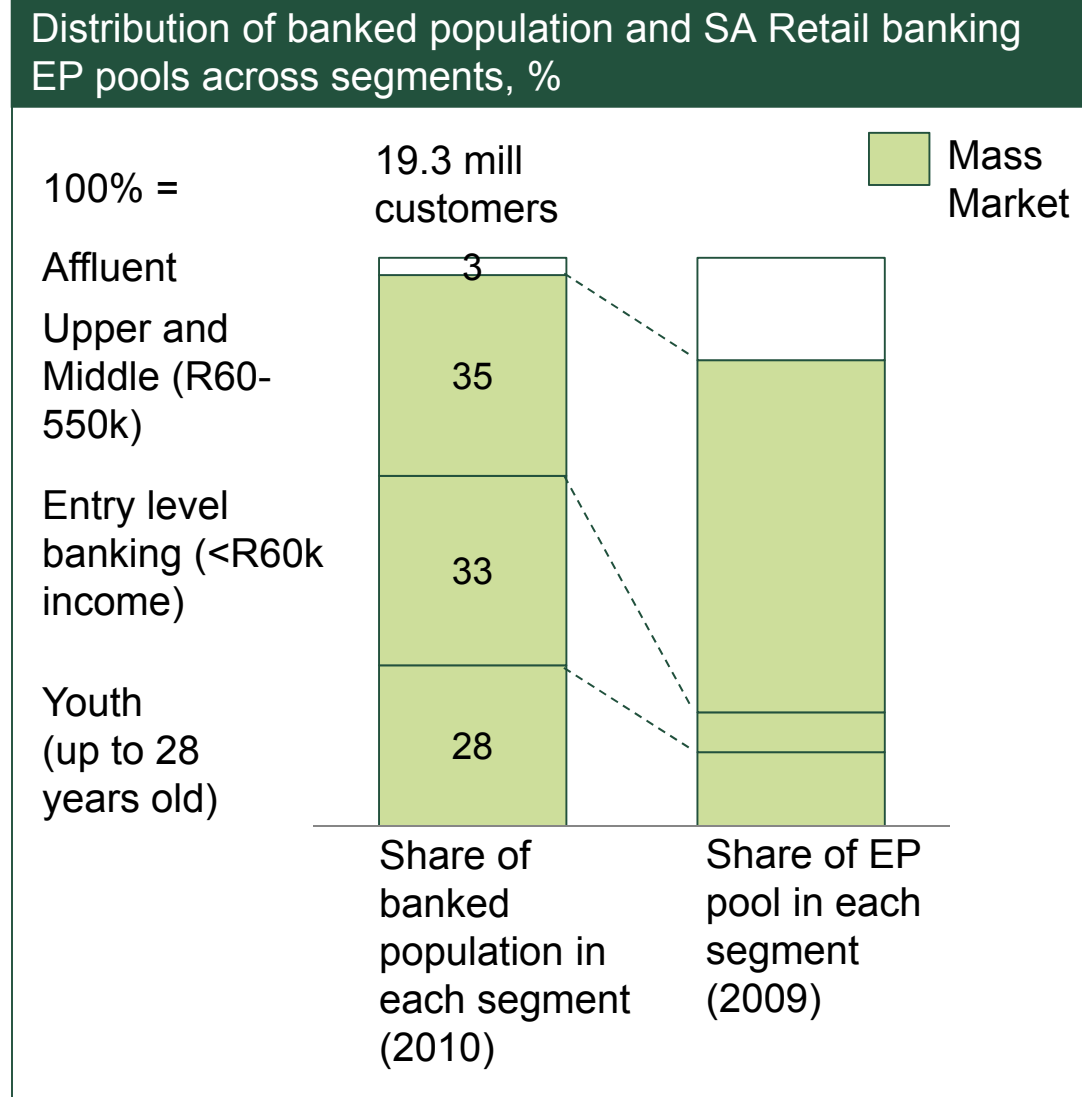
MAKE THINGS HAPPEN

NEDBANK
GROUP

A Member of the  **OLD MUTUAL** Group

SA retail banking EP pool analysis highlights importance of mass market segment

ESTIMATE

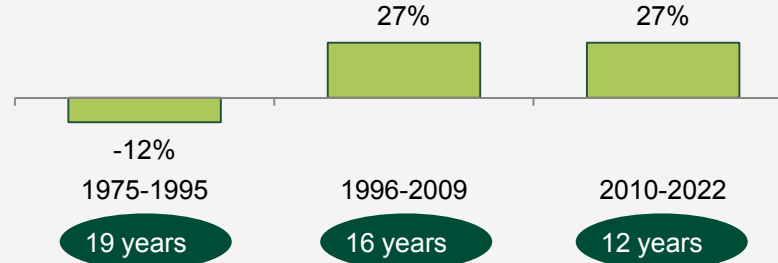


- Upper & Middle client segments generate sizable EP pools
- Entry level segment, while significant in numbers, requires innovative, lower cost approach to service profitably

Over the next 10 years, demographic shifts will provide further growth in the mass market segment

SA income per capita to increase further

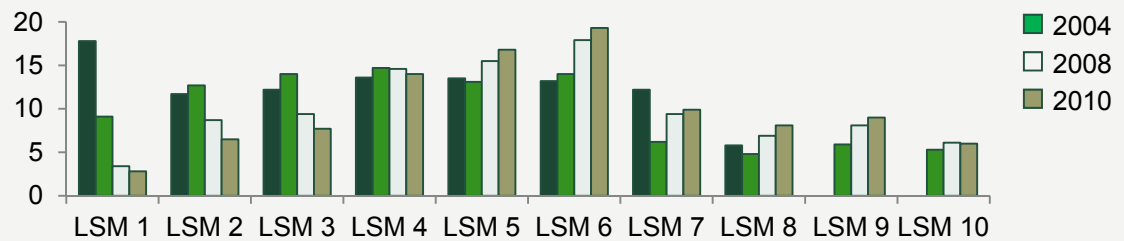
Real per capita income growth (SA) – cumulative CAGR % over period



Source: BOE Private Clients; JP Landman

Demographics shifting (1994 on old basis)

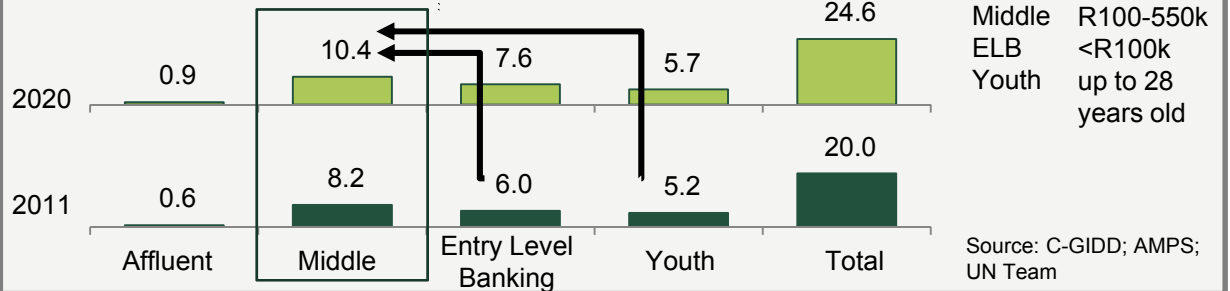
% population in LSM groups over time



Source: SAARF

2020 middle class fed by 2010 entry level and youth

SA Bankable Population (Millions of individuals)

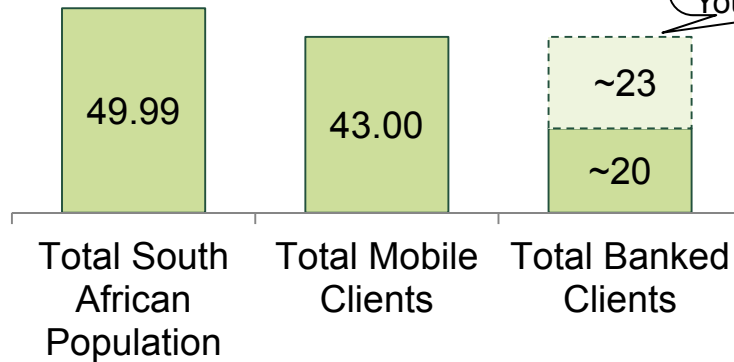


Source: C-GIDD; AMPS; UN Team

Increasing mobile penetration provides opportunity for greater banking penetration & deepening relationship with existing clients

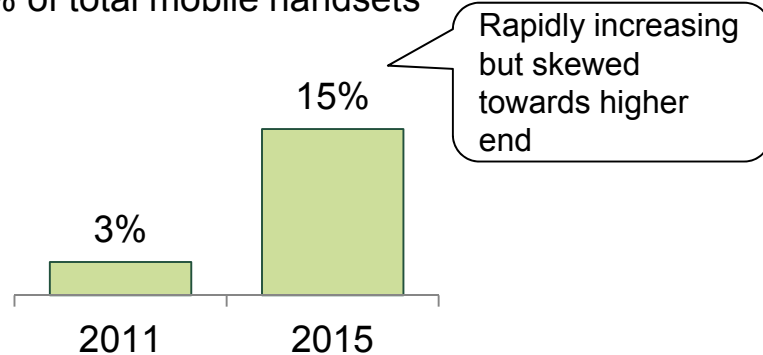
Mobile phone penetration in SA

No of people (# mill)



Smartphone penetration in Africa

% of total mobile handsets

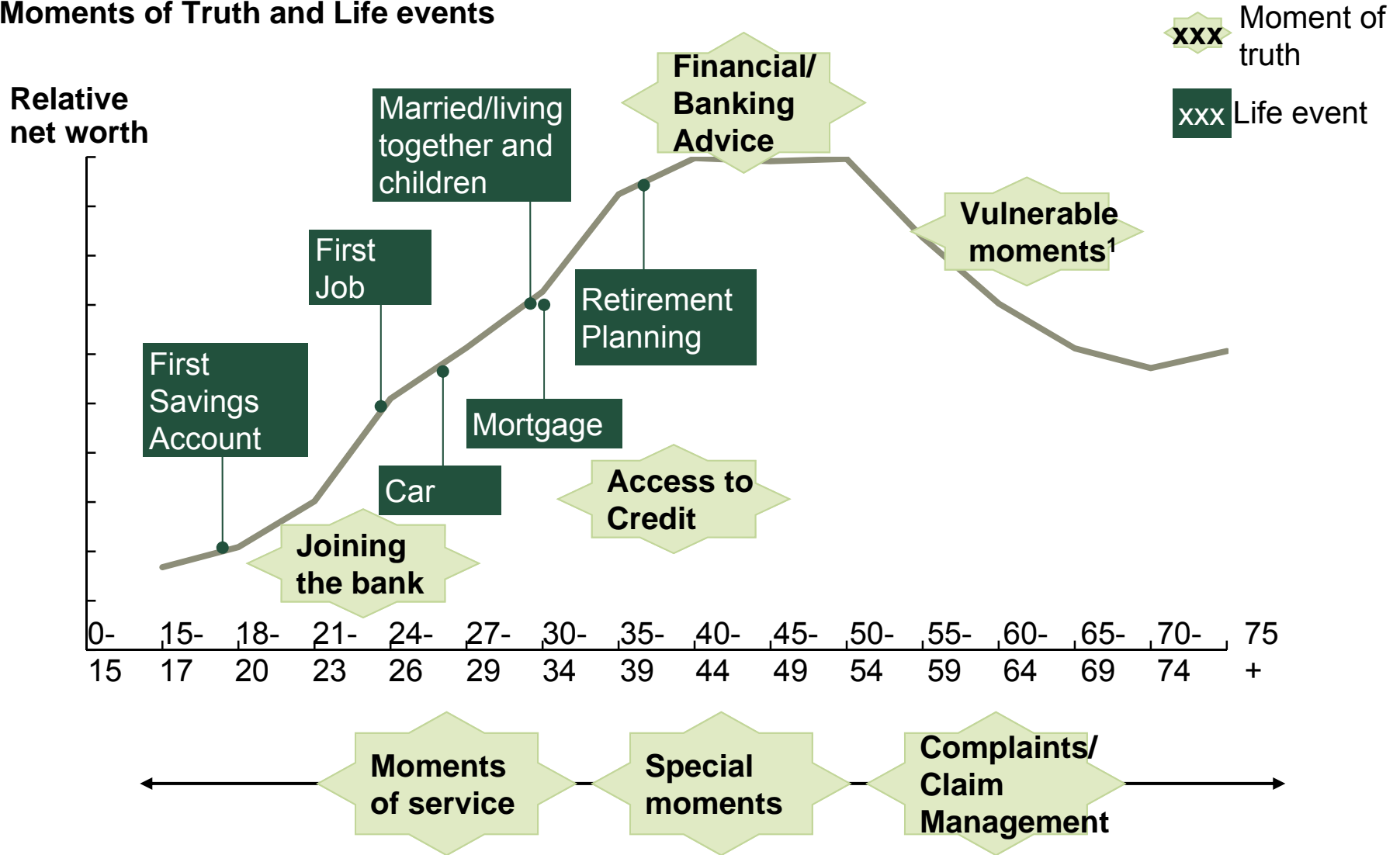


Source: Informa Telecoms & Media; News Now 17 Nov

- 100% mobile phone penetration: Opportunity to capture 23 mill 'Unbanked'
- Smart phone penetration lags developed world and will only gain scale in the mass market in the medium to long term
- Mpesa type offerings relevant for capturing today's mass market opportunity
- Continued innovation in smart phone applications for future full service mobile banking

Banks who understand the customer life cycle, deliver effectively at life events and delight customers in moments of truth will capture a fair share of the mass market

Moments of Truth and Life events



xxx Moment of truth
 xxx Life event

¹Eg., bereavement, divorce, loss of employment

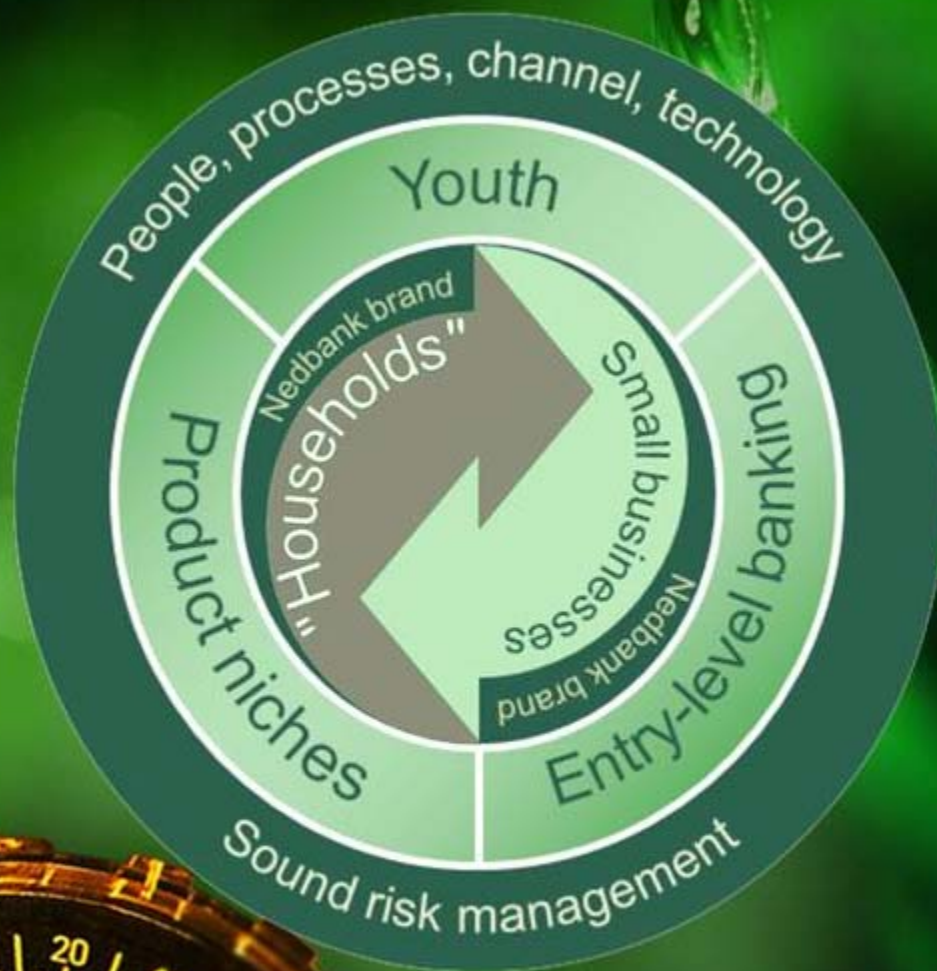
SOURCE: AMPS (via Eighty20)

Nedbank Retail will build banking relationships with all in South Africa, leveraging distinctive strengths, underpinned by strong risk management

STRATEGIC INTENT

Delivering a choice of distinctive **client-centred** banking experiences that build many deep, enduring relationships with Nedbank

Delivering growth and sustainable shareholder returns through effective allocation of scarce resources



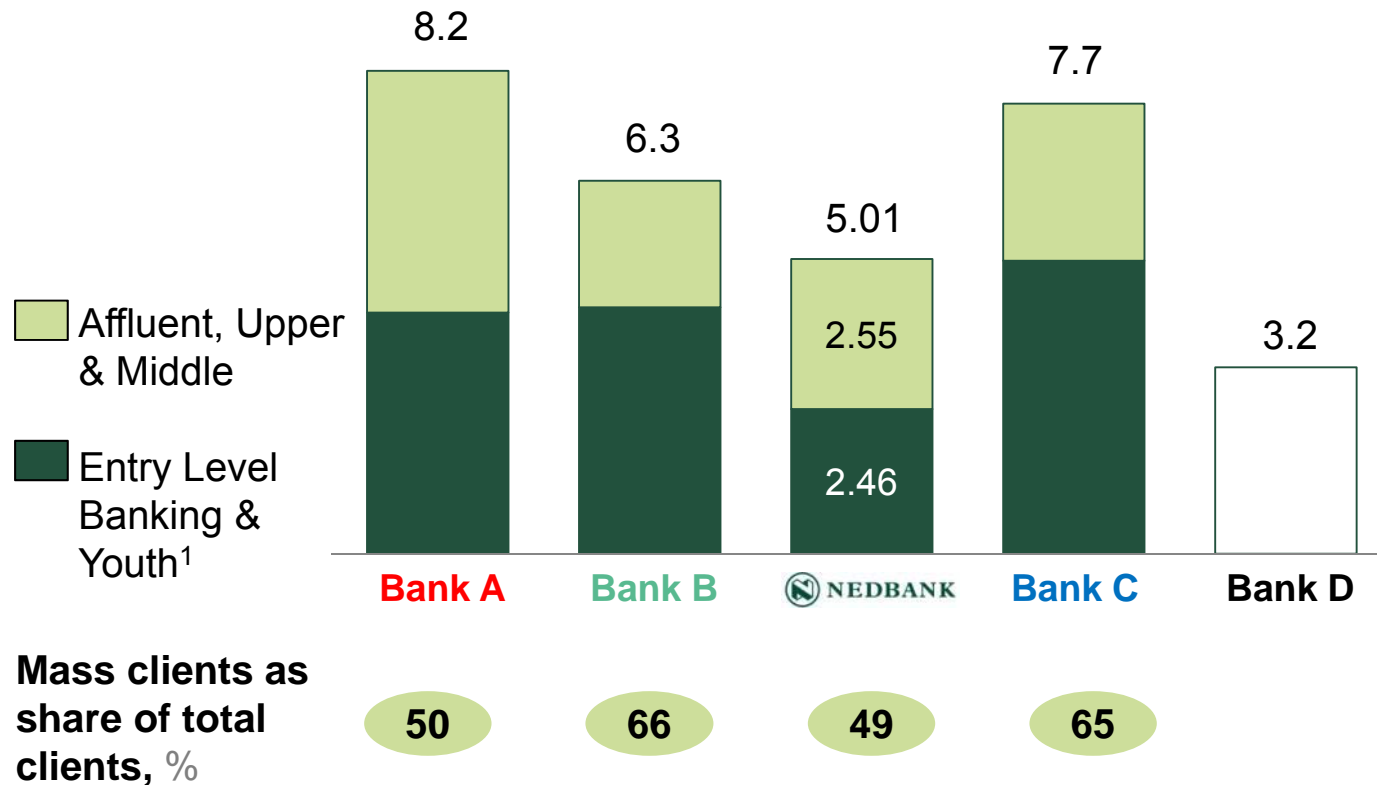
Nedbank Retail's lower penetration in the mass market presents a significant opportunity for future growth

ESTIMATE

Competitor comparison of customers by segment

Client base by income segment (as of June 2011)

Million customers



Significant opportunity for Nedbank to capture a greater share of Entry Level Banking and Youth segments

1 ELB segment is clients with income <R100k

SOURCE: Annual reports; analyst presentations; Nedbank analysis

Overall distinctiveness is achieved by aligning all elements of the CVP to deliver a choice of great client-centred banking experiences

MAKE THINGS HAPPEN NEDBANK

Personal Loans branch now open at RCM Centre. Loans available from R1 000*.

* Terms and conditions apply.

vodacom | m-pesa

NEDBANK Mobile Money

MAKE THINGS HAPPEN NEDBANK

Nedbank Savvy™ The whole enchilada

Call 0860 NEDBANK (6 33 22)

MAKE THINGS HAPPEN NEDBANK

Success doesn't come to those who sit and wait.

Be yona!

START BUILDING A BETTER LIFE with Nedbank KE YONA

MAKE THINGS HAPPEN NEDBANK

Great products and offers

Competitive Pricing

ask once

Customer segment

Marketing that is connecting

Related economics

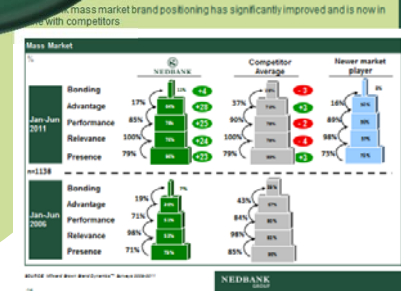
Relevant Distribution

Here's something to smile about. We've extended our banking hours!

MAKE THINGS HAPPEN NEDBANK

OPEN FOR BUSINESS

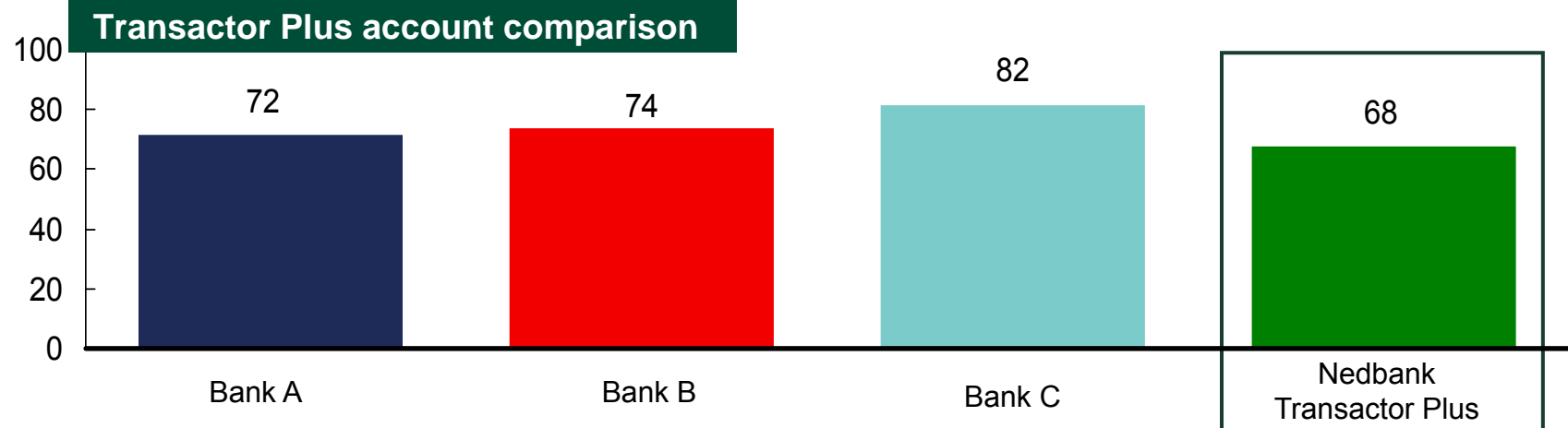
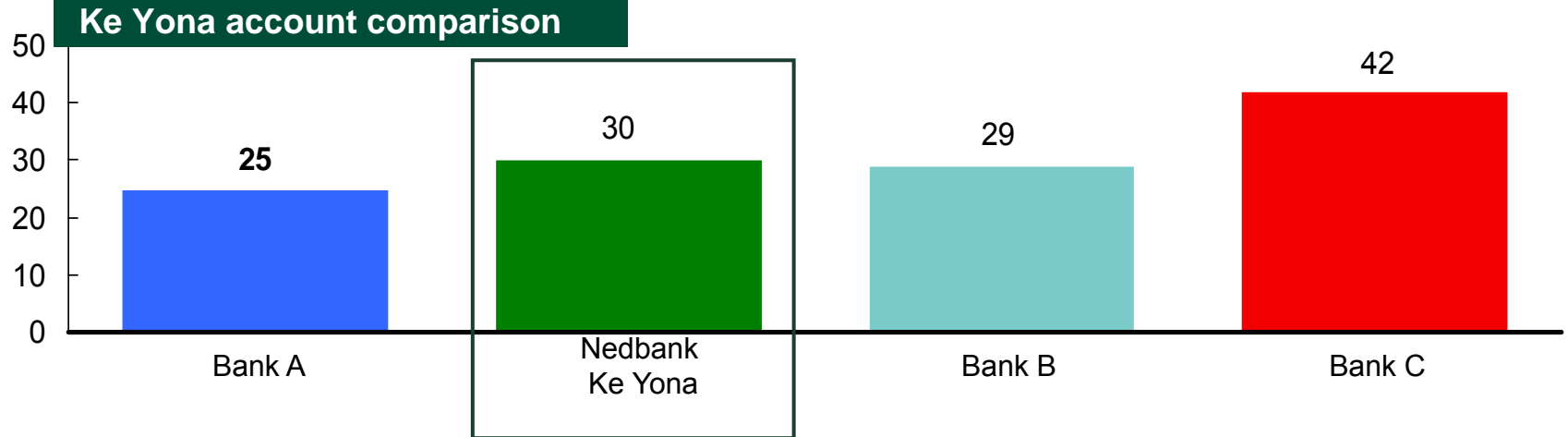
From 10 June to 15 July this Nedbank branch will be open for business from 08:00 to 24:00 every day.



NEDBANK GROUP

Nedbank's transactional banking offerings for the mass market are very competitively priced

Monthly account fees assuming typical transacting profile, Rands pm.



SOURCE: Nedbank analysis

Nedbank Retail's distribution has been growing and is more accessible and relevant

Branches¹



Personal loans Kiosks (in Build-It; Cash-Build)



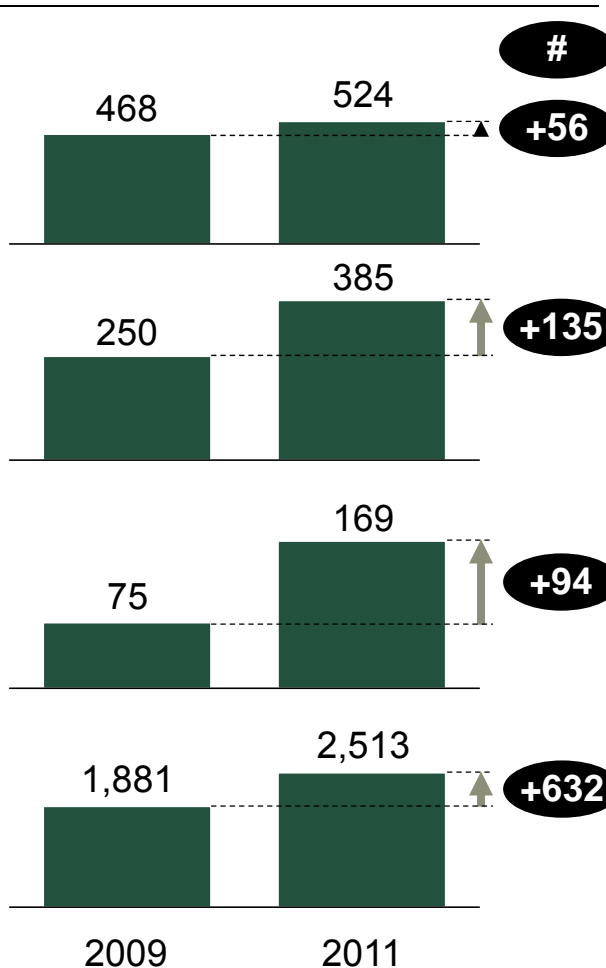
Nedbank In-Retailers (Pick 'n Pay, Boxer)



ATMs



Number of outlets



Customers will find it increasingly convenient, easy and affordable to bank at their channel and time of choice. Currently,

- 76% of **personal loans** branches offer **transactional banking**
- 92% of personal loans branches have **ATMs** adjacent to or directly outside
- **Extended hours:**
 - In **alternate outlets** (Personal Loans Kiosks, Nedbank In-Retailers) **for 7 years**
 - In 2011 **expanded to 58 branches** of which 49 trade on Sundays

¹ Including classic, lite and personal loans branches

SOURCE: Nedbank Analytics

Nedbank Retail has expanded its range of products & offers to address the needs of the mass market customers

MAKE THINGS HAPPEN

NEDBANK

START BUILDING @ BETTER life with Nedbank KE YONA

Visit any Nedbank today.

vodacom | **m-pesa**

NEDBANK Mobile Money

MAKE THINGS HAPPEN

NEDBANK

Success doesn't come to those who sit and wait.

Nedbank Savvy
All the bells and whistles.

- Online banking
- Internet banking
- Count down service
- SMS notifications
- Mobile Greenback rewards
- Buying a home
- Personal loan
- Overdraft facility
- Mobile-free account opening
- Instant new debit order setting
- Mobile banking App
- Card delivery to your door
- Mobile-free investment

Speak to a consultant today.

MAKE THINGS HAPPEN

NEDBANK



Terms and conditions apply.

Nedbank Banking Co. (Pty) Limited, 401 Reg. No. 2007/0017, 121 Riebeeck Street, Sandown, 2008, South Africa. The address for the purposes of the Banking Act, 1997, is 121 Riebeeck Street, Sandown, 2008, South Africa. The address for the purposes of the Companies Act, 2008, is 121 Riebeeck Street, Sandown, 2008, South Africa. The address for the purposes of the Consumer Protection Act, 2008, is 121 Riebeeck Street, Sandown, 2008, South Africa. The address for the purposes of the National Credit Regulator Act, 2005, is 121 Riebeeck Street, Sandown, 2008, South Africa. The address for the purposes of the National Consumer Commission Act, 2008, is 121 Riebeeck Street, Sandown, 2008, South Africa. The address for the purposes of the National Consumer Commission Act, 2008, is 121 Riebeeck Street, Sandown, 2008, South Africa.

MEMBERSHIP 000207234

MAKE THINGS HAPPEN

NEDBANK

Personal Loans branch now open at RCM Centre. Loans available from R1 000*.

* Terms and conditions apply.

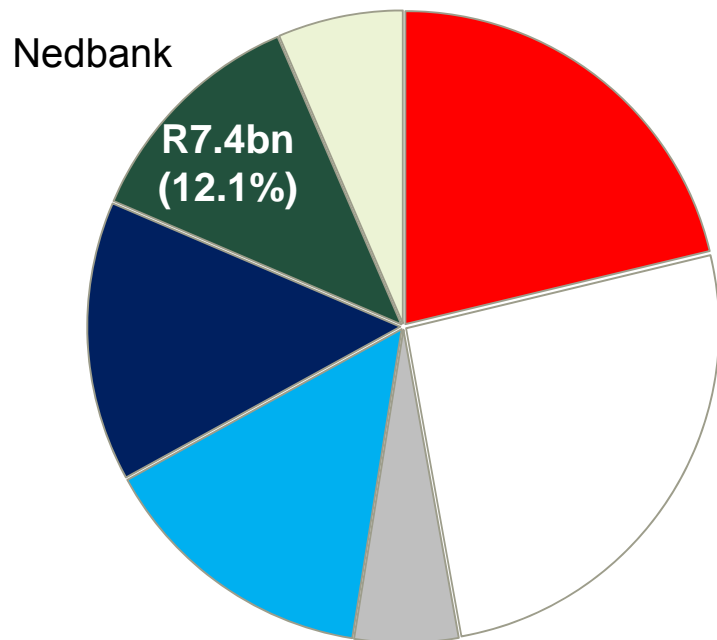
NEDBANK
GROUP

Nedbank has significant experience in Personal Loans (over 10 years) with a strong competitive positioning, relevant to the mass market

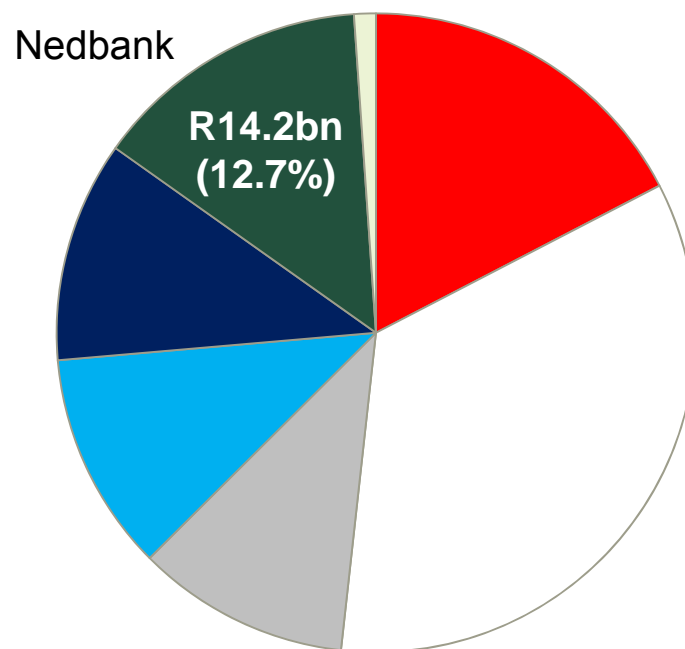
Personal Loans market size & market share

Market size, (R bn); Market share, %

December 2008



August 2011



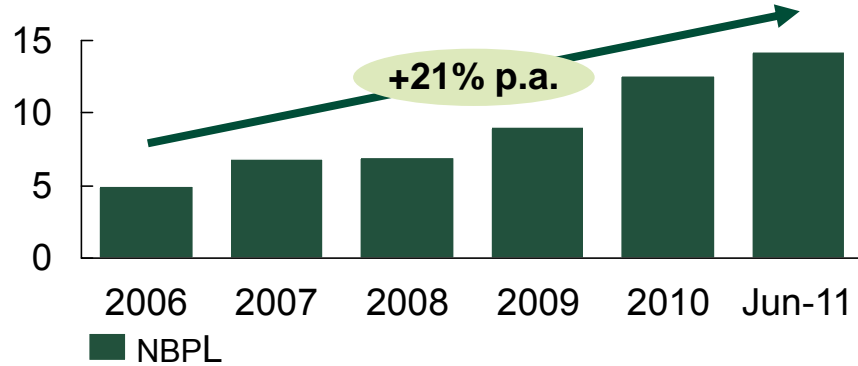
- The total size of the market was R59.2bn in December 2008 and R111.7bn in August 2011
- Between 2008 & 2010, Nedbank Personal Loans grew at 38% pa vs market at 21% pa
- Nedbank is **effectively balancing risk appetite vs. rate of growth**

SOURCE: SARB BA900

Nedbank's Personal Loans business has performed consistently through the cycle, balancing 36% profit growth with good risk metrics

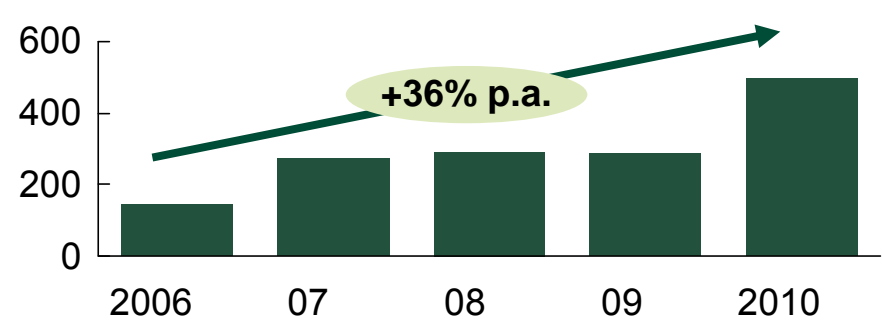
Total Nedbank Personal Loans book size¹

ZAR billions



Total Nedbank Personal Loans profits after tax²

ZAR millions



Nedbank Personal Loans ROE

%

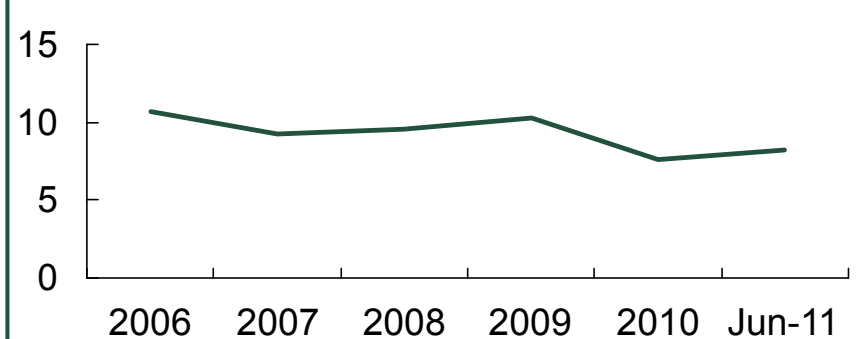


Capital
R m

2006 2007 2008 2009 2010
1,185 1,425 1,308 1,744 2,400

Nedbank Personal Loans Credit loss ratio

%



Note: All figures are for Personal Loans business only

1 As at Dec 2010 based on client incomes: R0-R100k = 39% of book; R100k-R400k = 56%; R400k+ = 5% (based on loan balance)

2 Excludes credit life insurance income in Nedbank Wealth & Transactional Banking revenues

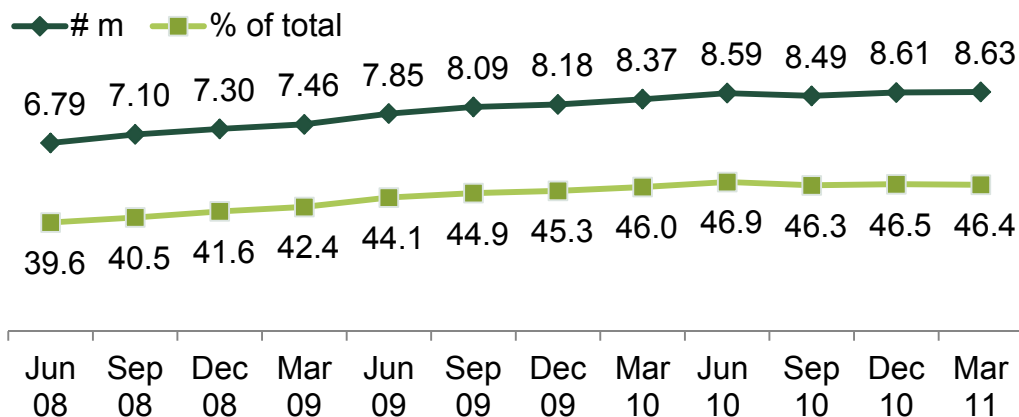
SOURCE: Nedbank Analysis

NEDBANK
GROUP

Given warning signals on consumer credit health, Nedbank is now following a selective origination strategy in the strongly growing Personal Loans market

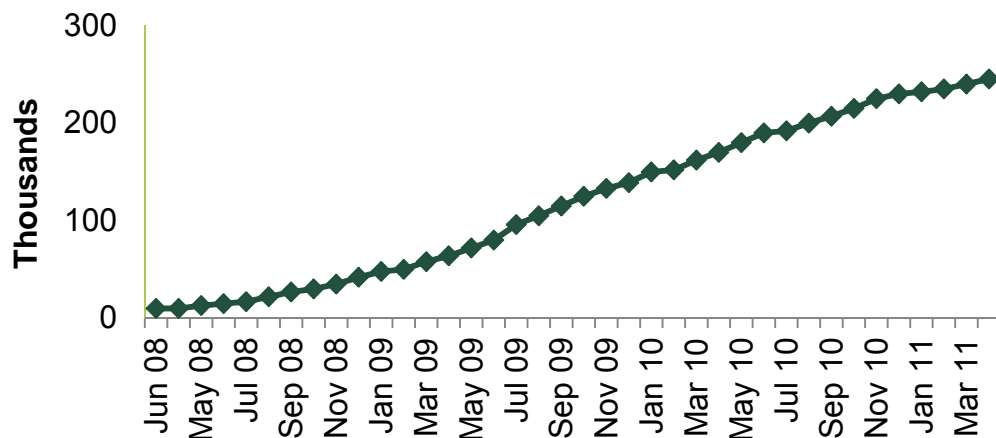
Credit standing of credit active consumers

Impaired records



Consumer credit health

of Debt Counselling Applications (cumulative)



Early warning signals, e.g:

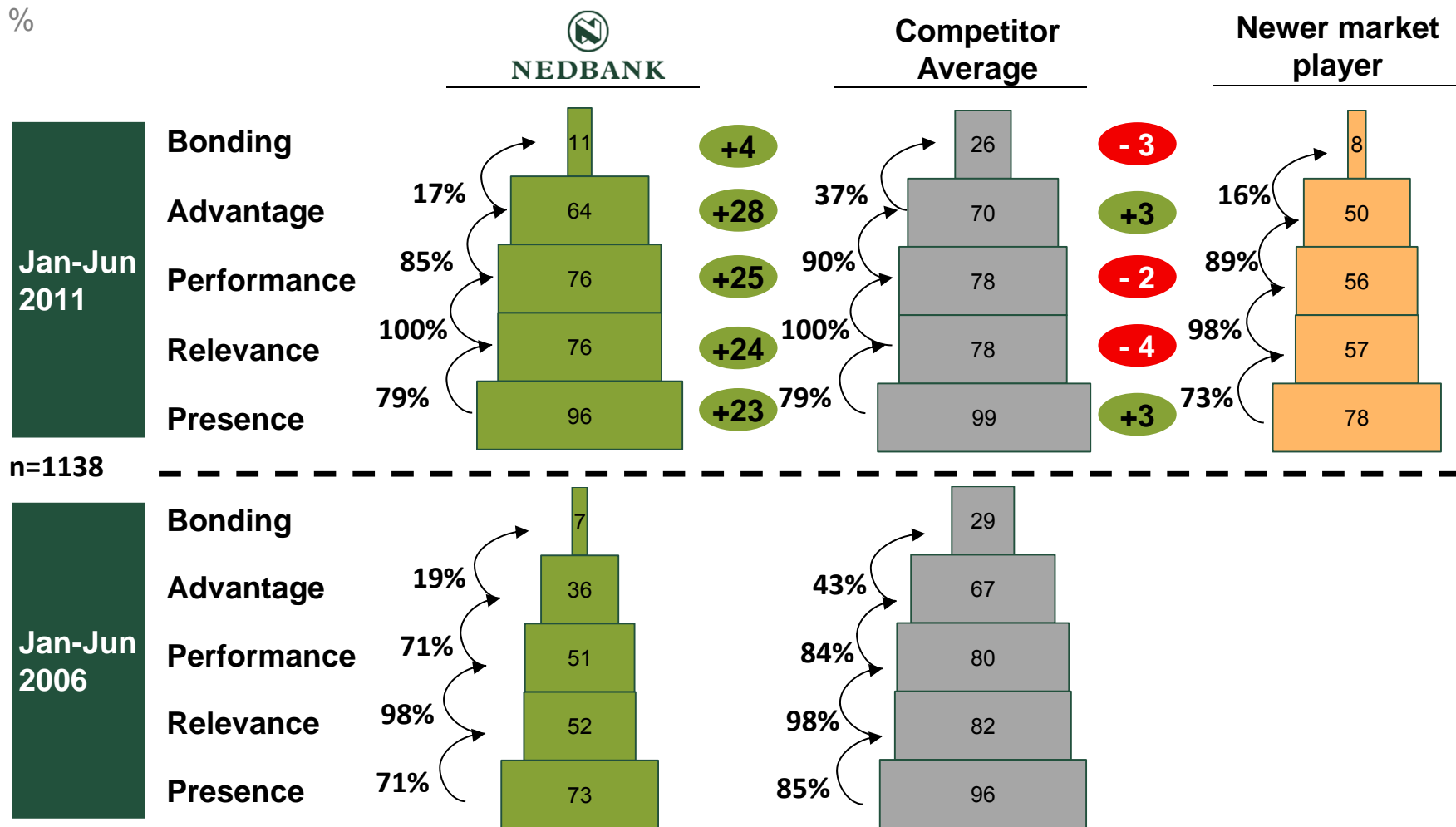
- Many new entrants with varying interpretations of client affordability
- Competing on similar dimensions
- High consumer demand
- Strong industry growth in Personal Loans advances vs more muted overall industry advances
- Deterioration in the number of customers in good standing
- Continuing increase in debt counselling applications

SOURCE: National Credit Regulator

Nedbank's focus as a bank for all and innovative client value propositions has significantly improved its mass market brand positioning

Mass Market

%



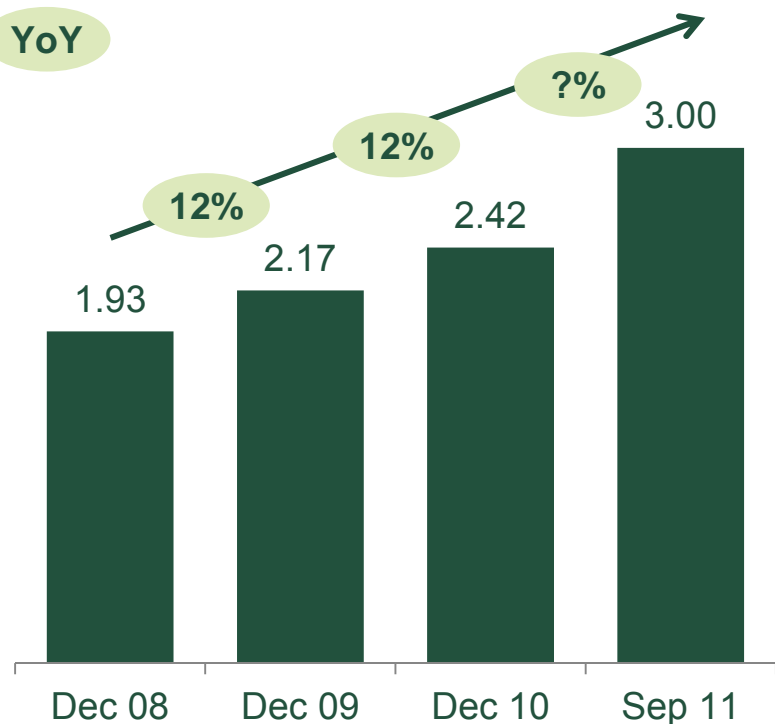
SOURCE: Millward Brown Brand Dynamics™ Surveys 2006-2011

The impetus gained from Nedbank Retail's strategic intent & speed of cohesive execution is reflecting in steady client gains & strong turnaround in earnings

Nedbank Entry Level & Youth clients

mill of clients

YoY



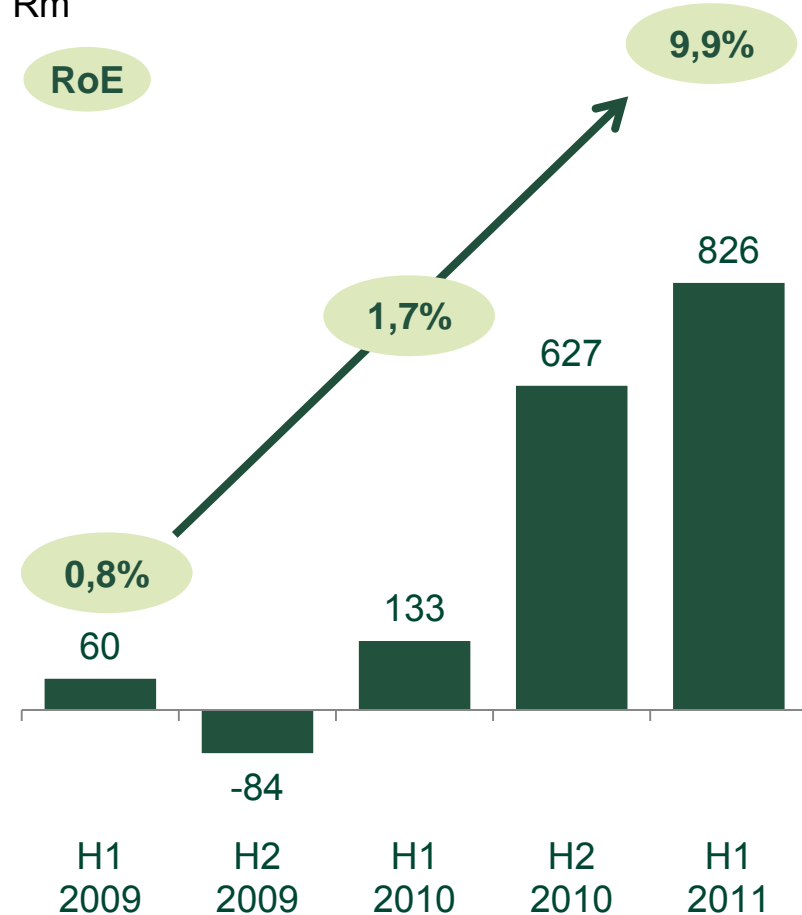
Net new clients pm



Nedbank Retail Headline Earnings

Rm

RoE



Notes:

- Mass Market segment is clients with income <R100k; all figures are for funded clients

NEDBANK
GROUP

The repositioning of Retail aligns with Nedbank Group's key strategic focus areas and importance of sustainability

Reposition Nedbank Retail

Client-centred focus
underpinned by strong risk management

Grow primary clients & cross-sell
for sustainable ROE

Grow NIR

Provides high returns,
low capital and
liquidity consumption
and reduces earnings at risk profile

Portfolio tilt and maximise EP

Active portfolio management: optimise
resources – capital, liquidity and costs

Focus on EP growth
Deposits a key priority

Building Africa's most admired bank

Long-term growth opportunity
4 tier strategy to selectively
expand into Africa

Client-centred approach

Sustainability embedded in group strategy

Disclaimer

- Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.
- Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.
- Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.
- No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.
- The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.
- Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.