Retail & Business Banking strategy implementation update
Investor Day

February 2012

Ingrid Johnson
Group Managing Executive:
Nedbank Retail & Business Banking
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.
Context for Investor Day

- Retail & Business Banking are **important contributors** to the Nedbank Group

- Following a **thorough strategic review** of the retail business, an **Investor Day was held in January 2011** to outline the charting of a new path to sustainable, profitable growth. At the time we undertook to **provide an update** in a year’s time.

- **Today’s Investor Day** will focus on providing an update on:
  - progress made in executing on Retail's strategic intent
  - Business Banking’s strategic progress, as our previous Investor Day was held in September 2009

- As Nedbank Group **is in a closed period until 29th February**, the presentation & discussions will be on strategy & related progress, **based only on information already in the public domain and specifically no H2 2011 or full year 2011 financial information will be disclosed or discussed**
Nedbank Retail and BB’s strategic imperatives are set within the context of 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**
Retail and Business Banking are important contributors to the Nedbank Group

Retail and Business Banking as a share of Nedbank Group H1, 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
<th>Retail and Business Banking</th>
<th>Rest of Nedbank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>39%</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>100% = R 13 030m (Group)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headline earnings</td>
<td>54%</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>100% = R 2 772m (Group)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>58%</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>100% = R 49 728m (Group)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total advances</td>
<td>49%</td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>100% = R 471 918m (Group)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>66%</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>100% = R 493 974m (Group)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>35%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>100% = 28 210 (Group)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Target market & coverage model for Retail and Business Banking

**Target clients**

- **Business Banking** targets companies with turnover R7.5-400 million
  - Typically established businesses spread geographically across SA; often family-owned
  - Individual and business activities intertwined

- **Retail Relationship Banking** targets households requiring an “I know you” client experience, and small/micro businesses with turnover <R 7.5 million

**Service model**

- **Client service teams (CST’s)** (incorporating sales, credit and service) supported by product specialists in business offices across SA, operating within clear frameworks
- **Dedicated relationship banker** orchestrating CSTs and specialists to holistically service all client needs
- **Servicing owner and household** and their business and employees on a holistic basis
- **Relationship-based** (lower to higher touch) supported by centralised functional team or regionalised product specialists *(shared with BB)*
  - RRB clients served through “relationship centres” within branch or co-location of personal bankers with BB

- **Retail Consumer Banking** targets households requiring an “I know about you” client experience

- **Served across 1000 staffed outlets, contact centre and digital channels** (ATM’s, Point of Sale, Online, Mobile)
  - Front-line sales and servicing deliver distinctive client-centred banking experiences through synthesis of client insight led offerings, strong product lines, relevant channels and systems.
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment.

Today’s key messages

1. A skilled leadership team with a track record of delivery
2. A distinctive position leveraging key trends
3. Committed to building high quality businesses for sustainable performance
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment

1. **A skilled leadership team with a track record of delivery**
   - Vision-led, values-driven leadership, driving delivery against a clear strategic direction
   - 6 years into the transformation, **Business Banking has delivered consistently** across people, client and financial dimensions
   - 1 year since formulating its comprehensive strategic review, **Retail is on an accelerated path** with excellent initial progress

2. **A distinctive position leveraging key trends**

3. **Committed to building high quality businesses for sustainable performance**
## Introducing the Retail and BB leadership team (1/2)

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Experience and qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ingrid Johnson (45)</strong>&lt;br&gt;Group Managing Executive: Retail and Business Banking&lt;br&gt;<strong>Sibongiseni Ngundze (42)</strong>&lt;br&gt;Managing Executive: Retail Relationship Banking&lt;br&gt;<strong>Keith Hutchinson (53)</strong>&lt;br&gt;Managing Executive: Secured Lending&lt;br&gt;<strong>Sydney Gericke (53)</strong>&lt;br&gt;Managing Executive: Nedbank Card&lt;br&gt;<strong>David Crewe-Brown (43)</strong>&lt;br&gt;Executive Head: Finance, Projects and Strategy&lt;br&gt;<strong>Gavin Payne (49)</strong>&lt;br&gt;Executive Head: Risk Retail &amp; Business Banking</td>
<td>18 years service&lt;br&gt;18 years banking experience&lt;br&gt;BCom, BAcc, CA(SA), AMP (Harvard Business School)&lt;br&gt;8 years service&lt;br&gt;22 years banking experience&lt;br&gt;BCom, SMDP, Credit Diploma, Global Executive Dev Prog (GIBS)&lt;br&gt;21 years service&lt;br&gt;27 years banking experience&lt;br&gt;BCom, BCompt (Hons), IEP (Insead), ABS (Harvard)&lt;br&gt;23 years service&lt;br&gt;24 years banking experience&lt;br&gt;BCom, BCompt (Hons), MCom, CPA, SEP (Insead Business School)&lt;br&gt;16 years service&lt;br&gt;17 years banking experience&lt;br&gt;CAIB (SA), BCom, BAcc, CA (SA)&lt;br&gt;27 years service&lt;br&gt;27 years banking experience&lt;br&gt;CAIB (SA), Global EDP (GIBS), Strategic Mgmt in Banking (Insead)</td>
</tr>
<tr>
<td><strong>Ciko Thomas (42)</strong>&lt;br&gt;Managing Executive: Consumer Banking&lt;br&gt;<strong>Brian Duguid (50)</strong>&lt;br&gt;Managing Executive: Nedbank Integrated Channels&lt;br&gt;<strong>Anton de Wet (45)</strong>&lt;br&gt;Managing Executive: Client Engagement&lt;br&gt;<strong>Sarel Rudd (56)</strong>&lt;br&gt;Managing Executive: Nedbank Personal Loans&lt;br&gt;<strong>Millicent Lechaba (44)</strong>&lt;br&gt;Executive Head: Human Resources&lt;br&gt;<strong>Ashley Sutton-Pryce (58)</strong>&lt;br&gt;Executive Head: Human Resources &amp; communications, Nedbank Retail &amp; Business Banking</td>
<td>2 years of service&lt;br&gt;3 years banking experience&lt;br&gt;B.Sc (UCT), MBA (University of Witwatersrand)&lt;br&gt;29 years service&lt;br&gt;29 years banking experience&lt;br&gt;CAIB (SA), FIBSA, AMP (Insead)&lt;br&gt;13 years service&lt;br&gt;25 years banking experience&lt;br&gt;BCom, MBA, AMP (Insead Business School)&lt;br&gt;8 years service&lt;br&gt;25 years banking experience&lt;br&gt;BCom (Acc), BCompt (Hons), CA (SA)&lt;br&gt;5 years service&lt;br&gt;5 years banking experience&lt;br&gt;BA Hons (U Durban), MDP (U Pretoria), SAP HR Certificate, EDP (GIBS), Business Strategy for HR Leaders (Insead Business School)&lt;br&gt;38 years service&lt;br&gt;38 years banking experience&lt;br&gt;BA, Business Strategy for HR Leaders (Insead Business School)</td>
</tr>
<tr>
<td>Name and position</td>
<td>Experience and qualification</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------</td>
</tr>
</tbody>
</table>
| Ingrid Johnson (45)  
Group Managing Executive: Retail and Business Banking | ▪ 18 years service  
▪ 18 years banking experience  
▪ BCom, BAcc, CA(SA), AMP (Harvard Business School) | Sandile Shabalala (44)  
Managing Executive: Business Banking | ▪ 16 years service  
▪ 21 years banking experience  
▪ BAdmin, National Higher Diploma: Management Practise, CAIB (SA), MBL, Strategic Management in Banking (Insead) |
| Douglas Lines (40)  
Divisional Executive: Business Banking Gauteng | ▪ 16 years service  
▪ 16 years banking experience  
▪ BAcc, Dip Acc CA(SA) | Bedresh Dhanjee (41)  
Executive Head: Business Banking Credit & Credit Risk | ▪ 21 years service  
▪ 22 years banking experience  
▪ Bcompt, EDP (GIBS) |
| Goolam Kader (45)  
Divisional Executive: Business Banking Cape | ▪ 12 years service  
▪ 25 years banking experience  
▪ BCom , CAIB (SA) , GEDP (GIBS), Strategic Management in Banking (Insead) | Ayn Brown (45)  
Executive Head: Business Banking Human Resources | ▪ 19 years service  
▪ 23 years banking experience  
▪ BA(Soc Sc), MDP (Stellenbosch) |
| Craig Evans (45)  
Divisional Executive: Business Banking Coastal & Inland | ▪ 17 years service  
▪ 21 years banking experience  
▪ BSc Agriculture Economics, CAIB (SA), AMP (Insead) | Jan Bosch (39)  
Executive Head: Business Banking & Retail Relationship Banking Specialist Services | ▪ 13 years service  
▪ 13 years banking experience  
▪ BCom Hons, CA(SA), IEP (Insead) |
| Herman de Kock (38)  
Divisional Executive: Business Banking Northern | ▪ 9 years service  
▪ 9 years banking experience  
▪ MA, MBA, IEP (Insead) | Chico Naidu (55)  
Executive Head: Innovation, Process and Project Integration | ▪ 33 years service  
▪ 33 years banking experience  
▪ Business Management (Univ of Stellenbosch) , CAIB (SA), SMP (Insead) |
| Kandis Swanepoel (45)  
Divisional Executive: Business Banking & Retail Relationship Banking Strategic Business Unit | ▪ 15 years service  
▪ 15 years banking experience  
▪ BCom, BAcc, CA(SA), MBA (Univ of Wales), AMP (Insead) | Annette Francke (37)  
Executive Head: Strategy; Group Innovation; BB Marketing & Communications: Business Banking and Retail | ▪ 5 years service  
▪ 5 years banking experience  
▪ BSc Hons, MBA (Insead) |
Balanced accountabilities in the client-centred organisation design which aligns with strategic intent, whilst ensuring product growth momentum

### Business Banking
Sandle Shabalala  
Advances: R59.74bn; Liabilities R80.73bn  
Earnings: R456mn; People: 2,409

- Stable, skilled leadership team
- Mandate to accelerate growth in the business segment (including personal and employee needs), collaborating with other clusters e.g. Retail, Corporate
- Leveraging business model strengths for growth

### Relationship Banking
Sibongiseni Ngundze  
Advances: R20.52bn; Liabilities :R27,16bn  
Earnings: R8mn; People: 931

- Mandate to build client-centred, branch-based offering leveraging Business Banking’s capabilities
- Serving the entrepreneur and their business on an integrated client-centred basis

### Consumer Banking
Ciko Thomas  
Advances: R13,85bn  
Liabilities :R 57,58bn  
Earnings: R272mn  
People: 11,732

- Strong team with complementary skills
- Mandate to significantly grow middle market, entry-level banking and youth
- Brief to create choice of client centred banking experiences through effective synthesis of product, channel and client insights, including emphasis on digital
- Includes Retail-wide marketing and business intelligence

### Card
Sydney Gericke  
Advances: R7,79bn  
Earnings: R288mn; People: 995

- Brief to ensure that the card acquiring relationship and sales activity works closer with the wholesale businesses
- Focus on optimising product / payments innovation and offerings for the retail market

### Secured Lending
Keith Hutchinson  
Advances: R137,83bn  
Earnings: R254mn; People: 2,205

- Brief to embed economics & risk management in HL’s
- Leverage the effective integration of MFC for benefit of Nedbank channels and clients
- Address diverse range of issues (risk, direct sales, process)

Note: Financial information per June 2011, includes Actual advances & liabilities
While Nedbank Retail and Business Banking each have clear strategies they are progressing against, they are collaborating on common imperatives.
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment

1. A skilled leadership team with a track record of delivery
   - Vision-led, values-driven leadership, driving delivery against a clear strategic direction
   - 6 years into the transformation, Business Banking has delivered consistently across people, client and financial dimensions
   - 1 year since formulating its comprehensive strategic review, Retail is on an accelerated path with excellent initial progress

2. A distinctive position leveraging key trends

3. Committed to building high quality businesses for sustainable performance
Business Banking’s vision and ASCENT strategy roadmap set in 2005 continues to guide BB’s direction

**Vision: To become the leader in business banking for South Africa**

**Strategic Intent**
- Rated highest in attracting, developing, motivating and retaining our **PEOPLE** and be regarded as the preferred employer
- Acknowledged as the leading business bank for our ability to listen, understand and deliver the products and services to meet our **CLIENTS’** needs, through our decentralised, empowered, community based partnering approach to business
- In the top 2 in assets and liabilities, top quartile **FINANCIAL** returns and increased **MARKET SHARE** in primary banked clients

**Measures**
- Staff survey
- Barrett survey
- Diversity profile
- **Customer Sat Survey**
- Loyalty rating
- Startrack and BMI surveys
- Peer benchmarks

Source: Analysts’ presentation 2011
Business Banking has made good progress relative to its aspirational vision: PEOPLE dimension

**BB Culture (Barrett Survey)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Entropy of current culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005&lt;sup&gt;1&lt;/sup&gt;</td>
<td>26</td>
</tr>
<tr>
<td>2006</td>
<td>22</td>
</tr>
<tr>
<td>2007</td>
<td>18</td>
</tr>
<tr>
<td>2008</td>
<td>13</td>
</tr>
<tr>
<td>2009</td>
<td>16</td>
</tr>
<tr>
<td>2010</td>
<td>14</td>
</tr>
<tr>
<td>2011</td>
<td>10</td>
</tr>
<tr>
<td>Ideal future</td>
<td>&lt;10</td>
</tr>
</tbody>
</table>

**BB Staff Satisfaction (NSS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall mean on all dimensions, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005&lt;sup&gt;1&lt;/sup&gt;</td>
<td>56</td>
</tr>
<tr>
<td>2006</td>
<td>64</td>
</tr>
<tr>
<td>2007</td>
<td>72</td>
</tr>
<tr>
<td>2008</td>
<td>75</td>
</tr>
<tr>
<td>2009</td>
<td>77</td>
</tr>
<tr>
<td>2010</td>
<td>78</td>
</tr>
<tr>
<td>2011</td>
<td>75</td>
</tr>
<tr>
<td>Ideal future</td>
<td>&gt;75</td>
</tr>
</tbody>
</table>

- BB has also strongly embraced diversity and economic empowerment. The share of black generic employees has risen from 16% in 2004 to over 50% H1 2011

---

1 Representative results for Business Banking (part of Corporate in 2005)
2 2005-7 restated for internal transfers, and 2008, 2010-11 includes 133 IBL staff
3 Change of methodology end of 2007, numbers not restated before. Staff as of June of the given year
BB has made good progress relative to its aspirational vision: CLIENT dimension…

Customer loyalty
BMI tech, Percent of client base rating BB the market leader

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>40</td>
<td>57</td>
<td>55</td>
<td>49</td>
<td>68</td>
</tr>
<tr>
<td>Future</td>
<td>Ideal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Customer management capabilities, CMAT assessment score (first ever in 2010)

- 5th highest score globally
- Best ever B2B score

Highest score ever^2
Highest B2B score
Top decile entry
Avg score
BB

Customer loyalty
Net promoter score^1 (Loyalty to Business manager)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoters</td>
<td>45.5</td>
<td>45.9</td>
<td>44.1</td>
<td>47.3</td>
<td>47.5</td>
<td>44.7</td>
<td>48.1</td>
<td>49.7</td>
</tr>
<tr>
<td>Detractors</td>
<td>17.7</td>
<td>20.2</td>
<td>17.0</td>
<td>23.6</td>
<td>23.9</td>
<td>19.0</td>
<td>25.7</td>
<td>29.6</td>
</tr>
<tr>
<td>n=</td>
<td>4 760</td>
<td>6 980</td>
<td>2 927</td>
<td>5 859</td>
<td>6 456</td>
<td>5 403</td>
<td>4 961</td>
<td>3 378</td>
</tr>
</tbody>
</table>

^1 For NPS, note that methodology changed in 2011, but figures used are on old methodology for consistency
^2 Highest overall score given to any company in a CMAT assessment
...increasing market share from 16% in 2007 to 20% in 2010
BB has made good progress relative to its aspirational vision:
FINANCIAL dimension

### Headline Earnings, Rm

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>618</td>
<td>877</td>
<td>1,117</td>
<td>1,359</td>
<td>1,121</td>
<td>824</td>
<td>456</td>
</tr>
</tbody>
</table>

### ROE, %

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (%)</td>
<td>20.3</td>
<td>25.0</td>
<td>29.6</td>
<td>31.5</td>
<td>26.6</td>
<td>26.4</td>
<td>24.2</td>
</tr>
</tbody>
</table>

### ECAP, Rb

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECAP</td>
<td>3.0</td>
<td>3.5</td>
<td>3.8</td>
<td>4.3</td>
<td>4.2</td>
<td>3.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>

### Client assets, Rb

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>36.2</td>
<td>44.7</td>
<td>53.0</td>
<td>56.7</td>
<td>51.3</td>
<td>52.0</td>
<td>61.3</td>
</tr>
</tbody>
</table>

### CLR², bp

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLR</td>
<td>63</td>
<td>36</td>
<td>29</td>
<td>58</td>
<td>55</td>
<td>40</td>
<td>39</td>
</tr>
</tbody>
</table>

1. 2005 to H1 2011
2. Actual advances
3. Risk appetite has been reduced further to 55 to 75 basis points since 2010

R3.1bn¹ in cumulative EP on average of R3.7bn allocated capital

NEDBANK GROUP

1 February, 2012
Business Banking anticipated a more challenging environment by optimising costs and pursuing tight risk management ahead of the downturn.

<table>
<thead>
<tr>
<th>Gross Operating Income, Rm</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Income</td>
<td>760</td>
<td>949</td>
<td>1,356</td>
<td>1,808</td>
<td>1,287</td>
<td>911</td>
<td>429</td>
</tr>
<tr>
<td>Income Exc Endowment</td>
<td>2,086</td>
<td>2,323</td>
<td>2,472</td>
<td>2,542</td>
<td>2,731</td>
<td>2,860</td>
<td>1,649</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,846</td>
<td>3,272</td>
<td>3,828</td>
<td>4,350</td>
<td>4,018</td>
<td>3,771</td>
<td></td>
</tr>
</tbody>
</table>

| Change 2008-2010, Rm       | -897 | +318 |

<table>
<thead>
<tr>
<th>Costs, Rm</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairments</td>
<td>227</td>
<td>162</td>
<td>152</td>
<td>330</td>
<td>284</td>
<td>210</td>
<td>119</td>
</tr>
<tr>
<td>Operating</td>
<td>1,705</td>
<td>1,799</td>
<td>2,033</td>
<td>2,055</td>
<td>2,120</td>
<td>2,339</td>
<td>1,288</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,932</td>
<td>1,961</td>
<td>2,184</td>
<td>2,385</td>
<td>2,394</td>
<td>2,549</td>
<td></td>
</tr>
</tbody>
</table>

| Change                     | -120 | +284 |

| Headcount                  | 2,028\(^1\) | 2,184\(^1\) | 2,342 | 2,281 | 2,231 | 2,392\(^2\) | 2,411\(^2\) |

| Change                     | +39   |

| Prime, %                   | 10.6  | 11.1  | 13.1  | 15.1  | 11.9  | 9.9   | 9.0     |

| GDP growth, %              | 5.3   | 5.6   | 5.5   | 3.6   | -1.5  | 2.9   | 3.2     |

---

1 Restated for internal transfers
2 Includes 133 IBL staff
Over the past 6 years, Business Banking has gone through multiple iterations to embed the ASCENT strategy and build a high quality business.

### Business model
- 2009: Segmentation project to optimise CSTs vs client revenue potential vs customer satisfaction objectives vs current volumes
- 2008: Establishment of Enterprise Development to support black SMEs
- 2007: Clarifying ROPCO roles, construct and communication accountability
- 2006: Roll out of Frontline Roles & Responsibilities leading to creation of ‘client service teams’ as a differentiated value proposition (developed in ’05).
- 2005: Introducing end to end business with clear accountability through redefining business model and introducing Regional Business Heads.

### People
- 2009: Segmentation project, evaluating number of people required given GOI, volumes, processes and technology; surplus capacity identified and people placed in redeployment pool where retrained & placed on special projects while finding new positions
- 2008: Follow-up Pause, Reflect with entire BB staff lead by BBExco
- 2007: BBEExco review of performance bonuses for key people & roles
- 2006: CSAS sales accreditation
- 2005: Created sense of urgency through highlighting the burning platform

### Systems, Product and Process
- 2009: Cash handling solution
- 2008: MIS system (BI Portal) with EP measures at client/BM; integrated view of tools for BMs
- 2007: Basel systems (ACLM / ACA)
- 2006: Netbank Business
- 2005: Netbank Business

### Momentum in business to achieve ASCENT is accelerating
Business Banking completed a rigorous journey to integrate its client view into a single front-end, functionality rich platform.

Multiple systems

“No single view of client information”
- Information stored on individual product systems, inconsistent with customer database
- No structured approach to measure sales activity
- Significant delays, increased friction among Sales and Credit staff

Improving customer data and sales process

“Leveraging new technologies and Establishing Frameworks”
- Implementation of simplified CRM solution
- Portal usage limited to the Relationship Manager (RM) with possibility to see client value and potential
- Separate credit rating solution

Client centred: a common language

“All information and solutions ported to a new platform (BI Portal)”
- Consolidation of solutions into one view; pricing, rating models, financial information, enhanced CRM capability and various client flags added
- Adoption by Transactional banker, sales teams and support areas
- Full view of customer: Sales, credit and operations

Sales force automation and client fulfillment

“BI portal as the single front end to drive automated process fulfilment”
- Make it easy to do business; linking the entire customer life cycle (Lead to on boarding) on one platform
- Enhance the sales force effectiveness and credit process automation
- Full customer/product profitability view
- Linking into Netbank Business in future
This platform integrates customer, product, credit, credit risk and multiple other views into one full customer management and sales tool.

**Key features**

- **Full customer relationship management**
  - Customer profile
  - Customer history
  - Interactions and pipeline
  - Leads and service management
- **Pricing and fee collection tool**
  - Pricing done at holistic customer view
  - Risk based pricing
  - Customer profitability engine
- **Rating tool**
  - Several rating models
  - Directly linked into financials
  - Historical and behavioral rating
  - Supports credit processes
- **Automated application process**
  - Sales force automation
  - Pre-population of documents
  - Credit process automation
  - Document management
Business Banking has invested in a suite of worldclass products increasing the ease of doing business.

- **CashVault**: Cash banking solutions to control your business cash flow and risk.
- **Debtor Mgt**: Release your cashflow and watch your business grow.
- **NedFleet**: Cost-effective fleet management solutions for your business.
- **NetBank Business**: Electronic banking for business – designed for you, by you.

- **Corporate Saver**: Convenient and secure access to your business savings.
- **Investments**: Only by combining all the right elements do you get the best investment results.
- **Global**: Global trade solutions to help you control the movement of your business goods and payments internationally.
In particular, NetBank Business has evolved into a single secured client platform, with value added services to make banking simple with great support.

Security features
- **Two tier security** with Token/Certificate and password
- Access **anytime, anywhere** (works on multiple PCs)

CPS
- Host to host payments and **collections solution**
- Deployment of a collections utility to help improve client collection rates

Focus on service
- Secure remote servicing capability
- 50% of all client enablement calls are being addressed remotely
Business Banking has achieved continual digital innovation, improving the client feedback on functionality and flexibility.

Channel convergence strategy continued for Nedbank to rationalise our processing engines and front end applications enabling efficiencies, and through our framework we can now deploy more functionality more often.

And clients noticed clear increased functionality and flexibility.

Underinvestment into electronic channels Prior to 2005
- Desktop electronic solutions
- Legacy systems (NedExec/NedInform) with limited ability to grow base and innovate or even enhance

- Extensive client research to determine requirements
- Strong focus on a web based, secure and convenient solution
- Worked closely with a client pilot group to refine prior to launch

Continuous improvement 2007-2010
- Decommissioned NedExec legacy systems
- Closed market gaps
- Continued rating for highest in terms of security standards
- On-going design approach with clients
- Corporate Payment System added to cater for host to host solutions to manage bulk payments of larger companies

Leveraging new structure to drive base and revenue growth – 2011 - 2012
- Single access to all functionality (global, trade, cash management, dealing, banknotes, wholesale investment and custodial services)
- Service focus - Deployed secure remote service capability “Bomgar” (reduced average calls from ~1h to 8mn)
- Secure Mobile solutions being developed to support platform and increase convenience
- Simplification of the onboarding process
- Other innovation in the pipeline such as EBPP (electronic bill presentment and payment) and integrated value added services

% of satisfied or very satisfied

- 2008: 75
- 2011: 78

- 2008: 100
- 2011: 97

Functionality Flexibility

~Continued Investment
- 100% of clients on platform

Manual roll-out
- R108 investment
- 24% of clients migrated

R225 mill investment
- 81% of clients migrated
Diligently driving towards achieving the aspirational vision to be the leader in BB for South Africa

- Business Banking started its ASCENT transformation in 2006, and has delivered R3.1bn in cumulative economic profit (2005-H1 2011)

- Significant progress on all dimensions of BB’s aspirational vision
  - high-performing culture, and strong, stable leadership team
  - top decile customer management practices globally
  - Increased primary banked clients
  - Upper quartile returns

- Through delivering on the ASCENT strategy roadmap, BB has a distinctive client centred business model and strong capabilities, including:
  - The BI Portal which is a front-end, functionality rich system which enables BB staff to seamlessly serve clients
  - A world-class suite of products to offer clients, including Netbank Business
  - Strong regional teams exercising wisdom and agility in proactively delivering for clients
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment.

1. A skilled leadership team with a track record of delivery
   - Vision-led, values-driven leadership driving delivery on Retail and Business Banking
   - 6 years into the transformation, Business Banking has delivered consistently across people, client and financial dimensions
   - 1 year since formulating its comprehensive strategic review, Retail is on an accelerated path with excellent initial progress

2. A distinctive position leveraging key trends

3. An enduring commitment to building high quality businesses for sustainable performance
Nedbank embarked on a strategic journey in 2010 to sustainably turnaround the retail business.

**Market forces & trends**
(eg demographics, technology)

**Market insights**
(eg Client segments, economic profit pools)

**Customer needs & preferences**
(eg “day in the life”, moments of truth)

**Nedbank Retail’s current reality**

*Source: Team, Retail Investor Day Presentation January 2011*
The Retail transformation’s strategic intent is to deliver a choice of distinctive banking experiences through 12 step change initiatives

**Retail’s strategic intent to deliver a choice of distinctive client-centred banking experiences …**

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.

**Translated into 12 step change strategic Initiatives delivering Return on Equity greater than Cost of Equity in 3-4 years**

- Choice of distinctive client centred banking experiences (embracing full household)
- Sound risk management
- Efficient cost structure

<table>
<thead>
<tr>
<th>Strengthen the Heart</th>
<th>Rise</th>
<th>Collaborate</th>
<th>Support / Enable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Deep enduring banking relationships</td>
<td>3 Feed the heart from the rising demographics</td>
<td>6 Leverage brand &amp; wholesale clients</td>
<td>10 Upgrade risk capabilities &amp; practices</td>
</tr>
<tr>
<td>2 Capture SBS &amp; individual synergies / entrepreneur opportunity</td>
<td>4 Reposition Home Loans</td>
<td>7 Align roles &amp; responsibilities &amp; decision rights to strategic intent</td>
<td>11 Align channels &amp; distribution to strategic intent</td>
</tr>
<tr>
<td>5 Align products to strategic intent; a leader in digital</td>
<td>8 Capture cost efficiencies</td>
<td>9 Simplify / share / align IT &amp; process</td>
<td>12 Empower people within frameworks</td>
</tr>
</tbody>
</table>

Relative to Nedbank’s past efforts to sustainably turnaround Retail, the cohesive strategy and three fundamental imperatives of **effective risk management** practices; **consistent investment in clients** through their life stages; and **strong alignment of product, channel and consumer insights** to deliver a **choice of distinctive, client-centred experiences** should, with consistent delivery towards our true north, **deliver the desired results** over time.

Strategy implementation is being carefully orchestrated to maintain the growth momentum of the product niches whilst evolving Retail to be more integrated and client centred.

---

1 Based on current economic outlook
Retail is sustaining improvements along the people dimension

- Retail has also strongly embraced diversity and economic empowerment. The share of black generic employees has risen from 19% in 2004 to over 50% H1 2011
Retail has added 800 000 clients (2009-2011 H1), while in parallel improving client management capabilities and client satisfaction.

**Retail Net Promoter Score (NPS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nedbank</th>
<th>Industry avg</th>
<th>Industry leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>30.1</td>
<td>28.4</td>
<td>33.8</td>
</tr>
<tr>
<td>2010</td>
<td>40.9</td>
<td>34.6</td>
<td>45.2</td>
</tr>
</tbody>
</table>

**Retail Customer Management Capabilities**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intention</th>
<th>Reality</th>
<th>Effect</th>
<th>Overall score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>57</td>
<td>43</td>
<td>33</td>
<td>44</td>
</tr>
<tr>
<td>2009</td>
<td>57</td>
<td>48</td>
<td>34</td>
<td>47</td>
</tr>
<tr>
<td>2010</td>
<td>61</td>
<td>55</td>
<td>34</td>
<td>49</td>
</tr>
<tr>
<td>2011</td>
<td>69</td>
<td>55</td>
<td>38</td>
<td>54</td>
</tr>
</tbody>
</table>

**Total number of clients¹**

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,180</td>
<td>3,531</td>
<td>3,944</td>
<td>4,369</td>
<td>4,166</td>
<td>4,832</td>
<td>5,015</td>
</tr>
</tbody>
</table>

¹ 670 000 dormant accounts were closed in 2008 (310 000 personal loans; 360 000 Mzansi accounts)
Nedbank’s primary client growth (14% p.a.) is over treble the nearest big 4 competitor, and total client growth is accelerating relative to big 4 competitors.

### Adult Primary Banking Customers

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
<th>Annual client growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>20.1</td>
<td>14%</td>
</tr>
<tr>
<td>2009</td>
<td>19.6</td>
<td>-1%</td>
</tr>
<tr>
<td>2010</td>
<td>21.0</td>
<td>4%</td>
</tr>
</tbody>
</table>

- **Nedbank grew primary clients at 14% per annum – 3x as fast as nearest big-4 competitor**
- **Primary clients represent higher NIR per client than other clients**

### Total Client Growth per annum

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent (June 2010 to June 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>N/A</td>
</tr>
<tr>
<td>2009</td>
<td>8.0</td>
</tr>
<tr>
<td>2010</td>
<td>7.3</td>
</tr>
</tbody>
</table>

- **Nedbank grew total clients at 8% (2010-11), ahead of big 4 competitors**

---

1. Adult is 15+. Primary is based on who clients perceive as their primary bank to be. Exact question is “Who is your primary bank?”. Sample size of 25000 collected every 6 months
2. Personal and Business Banking

Source: eighty20 AMPS data; published bank reports (2010-2011)
Retail earnings have been volatile through the cycle, with recent strategic initiatives repositioning the business to deliver sustainable returns in the future.

### Headline Earnings, Rm

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>817</td>
<td>1,463</td>
<td>1,875</td>
<td>1,002</td>
<td>-2031</td>
<td>760</td>
<td>826</td>
</tr>
</tbody>
</table>

### ROE, %

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>17.2</td>
<td>21.0</td>
<td>19.0</td>
<td>6.0</td>
<td>-7.0</td>
<td>4.6</td>
<td>9.9</td>
</tr>
</tbody>
</table>

### ECAP, Rb

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4.8</td>
<td>5.9</td>
<td>7.7</td>
<td>8.6</td>
<td>8.9</td>
<td>16.6</td>
<td>16.9</td>
</tr>
</tbody>
</table>

### Client assets, Rb

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>71.8</td>
<td>88</td>
<td>109</td>
<td>128</td>
<td>137</td>
<td>184</td>
<td>180</td>
</tr>
</tbody>
</table>

### CLR, bp

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>114</td>
<td>115</td>
<td>135</td>
<td>270</td>
<td>340</td>
<td>267</td>
<td>222</td>
</tr>
</tbody>
</table>

1 Includes MFC acquisition
2 2005 to H1 2011

**R3.0bn² in cumulative EP losses on average of R10.2bn allocated capital**
Retail’s headline earnings decline during 2007-9 was driven by a sharp rise in impairments in this period.
Excluding HL and MFC, Retail’s ROE’s were less resilient through the cycle due to fewer transactional clients and inconsistent risk practices.

---

**Headline Earnings, Rm**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total excl. HL and MFC</td>
<td>703</td>
<td>968</td>
<td>1,128</td>
<td>647</td>
<td>1,145</td>
<td>545</td>
</tr>
<tr>
<td>RoE, %</td>
<td>26.5</td>
<td>20.7</td>
<td>22.2</td>
<td>11.8</td>
<td>13.8</td>
<td>14.4</td>
</tr>
</tbody>
</table>

---

**Total Retail including MFC**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail including MFC</td>
<td>1,238</td>
<td>1,440</td>
<td>548</td>
<td>760</td>
<td>826</td>
<td></td>
</tr>
<tr>
<td>RoE, %</td>
<td>21.0</td>
<td>18.7</td>
<td>6.4</td>
<td>-637</td>
<td>4.6</td>
<td>9.8</td>
</tr>
</tbody>
</table>

---

**HL**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>HL</td>
<td>591</td>
<td>518</td>
<td>-392</td>
<td>-1,167</td>
<td>-991</td>
<td>-170</td>
</tr>
<tr>
<td>RoE, %</td>
<td>21.9</td>
<td>22.0</td>
<td>-13.4</td>
<td>-41.8</td>
<td>-42.5</td>
<td>-9.0</td>
</tr>
</tbody>
</table>

---

**MFC**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFC</td>
<td>-106</td>
<td>-51</td>
<td>-198</td>
<td>-117</td>
<td>451</td>
<td>451</td>
</tr>
<tr>
<td>RoE, %</td>
<td>-10.5</td>
<td>-7.0</td>
<td>-31.9</td>
<td>-19.3</td>
<td>10.2</td>
<td>16.4</td>
</tr>
</tbody>
</table>

---

1 Including MFC ALCO charges for middle and long-term respectively. MFC acquired in 2010, and included in figures after 2010.
2 MFC being the Imperial/MFC and Nedbank VAF combined
3 HL backbook, including private banking and SBS books
The repositioning of Retail is being driven through 12 step-change initiatives, fully aligned with the strategic wheel¹...

- Choice of distinctive client centred banking experiences (embracing full household)²
- Sound risk management
- Efficient cost structure
- People centred organisation and collaboration

1. Deep enduring banking relationships
2. Capture SBS & individual synergies / entrepreneur opportunity
3. Feed the heart from the rising demographics
4. Reposition Home Loans
5. Align products to strategic intent; a leader in digital
6. Leverage brand & wholesale clients
7. Align roles & responsibilities & decision rights to strategic intent
8. Capture cost efficiencies
9. Simplify / share / align IT & process
10. Upgrade risk capabilities & practices
11. Align channels & distribution to strategic intent
12. Empower people within frameworks

¹ This guides the direction and content of the balance of divisional activities and performance scorecard deliverables
² Including influencers, dependants and natural groupings
…and we are well into implementation on both phase 1 and phase 2 of our journey

<table>
<thead>
<tr>
<th>Lead the change¹</th>
<th>Lay strong foundation</th>
<th>Sustainable earnings growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td>- Align Retail leaders, teams &amp; culture</td>
<td>- Reinforce/fix the Retail-wide basic processes (e.g., account opening, complaints management) aided by Lean, Siyakha and increased sales-force effectiveness</td>
<td>- Reposition home loans (e.g., establish buyer advocacy, improve collections, test specialist sales force, EP the measure of success)</td>
</tr>
<tr>
<td>- Communicate vision widely</td>
<td>- Implement interim IT solutions (e.g., middle-ware), and start long-term solutions (e.g., single data repository)</td>
<td>- Implement cost-efficiencies (e.g., reduce duplications, improve procurement)</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td><strong>5</strong></td>
<td><strong>8</strong></td>
</tr>
<tr>
<td></td>
<td>- Ensure robust risk practices/ implement overall risk portfolio and credit granting covenants</td>
<td>- Refine SBS value proposition, leveraging Business Banking systems &amp; processes</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>6</strong></td>
<td><strong>9</strong></td>
</tr>
<tr>
<td></td>
<td>- Align products to strategic intent (e.g., mobile, simple product shelf, bundles)</td>
<td>- Strong growth in youth (e.g., segment offering, school presence) and entry-level (e.g., mobile space, personal loans) CVPs</td>
</tr>
<tr>
<td><strong>7</strong></td>
<td><strong>10</strong></td>
<td><strong>11</strong></td>
</tr>
<tr>
<td></td>
<td>- Cohesion in Retail organisation &amp; client centred integrated culture (e.g., strong segments, client data analytics drives cross-sell, simple client driven processes)</td>
<td>- Align distribution network (e.g., CSC network with entry level needs, increase RM presence in branch network)</td>
</tr>
</tbody>
</table>
| | - Celebrate short term wins | |}

**Enhanced, consistent client banking experiences**

**Basics of good client banking experience**

1 Guided by HBS Professor John Kotter’s leading change principles
We use deep client insight to drive our client value propositions, and align our organisation to deliver a choice of distinctive client-centred banking experiences.

**Deep client insight**

- Detailed segment-level client insights based on “a day in the life”

**Segment-specific value proposition**

- Develop distinctive value proposition for each customer segment – satisfying jobs-to-be-done at a given price

**Pre-requisites (as per 7S model)**

- Cohesively integrate with customer value proposition to deliver essence of company’s competitive advantage

**SOURCE:** Seizing the White Space – Mark W. Johnson
Nedbank’s client experience builds on strong product niches, with a very good positioning in the market – Nedbank Ke Yona

**Objective**

- Develop the Entry Level Banking (ELB) segment, in line with trends in rising demographics

**Approach**

- Deep insights relating to the life of ELB clients to design the offer.
- Relevant communication to the entire market: TV ads in 3 languages and 9 vernacular radio ads.

**Offer**

- Nedbank Ke Yona addressing clients needs: Save, Borrow, Transact, Insure
- Accessibility of the bank through Mobile (m-pesa) and new branch formats (“meet and greet staff”)
- Re-engineered branch processes to ensure one stop banking experience.
- Upgraded systems to enable opening of all products at relevant outlets, eg Personal Loan branches, Pick n Pay, Boxer Stores and Mobile Sales Teams.

**A day in the life of**

- [Image of a day in the life diagram]

---

1 February, 2012
Our client offers are evolving over time to “deepen” relationships, with more products bundled into the client experience.

### Entry-Level Client Offers

<table>
<thead>
<tr>
<th>Client need</th>
<th>Product</th>
<th>Sales per month, ‘000’</th>
<th>Sales per month, ‘000’</th>
<th>Sales per month, ‘000’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transact</td>
<td>Transactor Plus</td>
<td>33</td>
<td>57</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Just Save</td>
<td>16</td>
<td>n/a¹</td>
<td>24²</td>
</tr>
<tr>
<td></td>
<td>m-pesa</td>
<td>n/a¹</td>
<td>n/a¹</td>
<td>4</td>
</tr>
<tr>
<td>Pay</td>
<td>Personal loans</td>
<td>n/a¹</td>
<td>55</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Funeral plans</td>
<td>n/a¹</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Save</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Not part of campaign
2 Mzansi product
Source: JP Morgan Analysts’ Presentation

**Traditional** offer meeting clients’ transacting and saving needs Oct ’10-Feb ’11

**Nedbank Cup offer** meeting clients’ transacting, borrowing and insurance needs Mar 11 – May 11

**Nedbank Ke Yona** – a client-centred offer aimed at aspirational entry-level clients, meeting all client needs. July 11 - ongoing

- **NEDBANK KE YONA**
  - Start building a better life today.
  - Open a pay-as-you-use bank account for R5 a month and get R2 000 funeral cover
  - Get a personal loan from R1 000
  - Open a JustSave account with an opening balance of R50

**Comparison:**
- 78% increase over Traditional
- 50% increase over Traditional
- 40% increase over Nedbank Cup
With impact too – Savvy is seeing Nedbank gain momentum in acquisition and cross-sell in the attractive middle segment, which represents the largest EP pool.

**Transactor plus** represented former approach of serving clients in product-centred way.

**Nedbank Savvy** is a client-centred offer meeting full range of middle market client needs.

**Impact**

### Acquisition

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th><strong>+33%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Acquisition, Middle Segment</td>
<td>6 000</td>
<td>8 000</td>
<td></td>
</tr>
</tbody>
</table>

### Cross-sell

<table>
<thead>
<tr>
<th></th>
<th>Middle ’11</th>
<th>Savvy ’11</th>
<th><strong>+71%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients with 2+ products</td>
<td>45</td>
<td>77</td>
<td></td>
</tr>
</tbody>
</table>

### Financials

<table>
<thead>
<tr>
<th></th>
<th>Middle ’11</th>
<th>Savvy ’11</th>
<th><strong>+33%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue per client</td>
<td>116</td>
<td>154</td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
Data reflected is reported at a Retail level for Savvy.
Nedbank’s focus as a bank for all and innovative client value propositions has significantly improved its mass market brand positioning.

Mass Market

Jan-Jun 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>NEDBANK</th>
<th>Competitor Average</th>
<th>Newer market player</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonding</td>
<td>11</td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td>Advantage</td>
<td>64</td>
<td>70</td>
<td>50</td>
</tr>
<tr>
<td>Performance</td>
<td>76</td>
<td>78</td>
<td>56</td>
</tr>
<tr>
<td>Relevance</td>
<td>76</td>
<td>78</td>
<td>57</td>
</tr>
<tr>
<td>Presence</td>
<td>96</td>
<td>99</td>
<td>78</td>
</tr>
</tbody>
</table>

Jan-Jun 2006

<table>
<thead>
<tr>
<th>Category</th>
<th>NEDBANK</th>
<th>Competitor Average</th>
<th>Newer market player</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonding</td>
<td>7</td>
<td>29</td>
<td>8</td>
</tr>
<tr>
<td>Advantage</td>
<td>36</td>
<td>67</td>
<td>50</td>
</tr>
<tr>
<td>Performance</td>
<td>51</td>
<td>80</td>
<td>56</td>
</tr>
<tr>
<td>Relevance</td>
<td>52</td>
<td>82</td>
<td>57</td>
</tr>
<tr>
<td>Presence</td>
<td>73</td>
<td>96</td>
<td>78</td>
</tr>
</tbody>
</table>

Nedbank is repositioning Home Loans, growing them judiciously in an EP positive way as part of Nedbank’s holistic strategy to deepen client banking relationships.

2011 YTD performance

Front Book¹ business, written at better margins with lower levels of risk, will contribute moderately to the turnaround of the portfolio over time …

Nedbank constrained by high CLR back book – high risk, mispriced, high LTV vintages

2010 and current book

<table>
<thead>
<tr>
<th></th>
<th>Pre 06</th>
<th>06-08</th>
<th>09-current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-2010</td>
<td>18</td>
<td>63</td>
<td>12</td>
</tr>
<tr>
<td>H1 2011</td>
<td>25</td>
<td>53</td>
<td>10</td>
</tr>
</tbody>
</table>

Credit loss ratio

<table>
<thead>
<tr>
<th></th>
<th>Pre 06</th>
<th>06-08</th>
<th>09-current</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.84</td>
<td>1.89</td>
<td>0.99</td>
</tr>
<tr>
<td>Jun 2011</td>
<td>0.90</td>
<td>0.49</td>
<td>0.73</td>
</tr>
</tbody>
</table>

NPL Distribution

<table>
<thead>
<tr>
<th></th>
<th>Dec-10</th>
<th>Jun-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-06</td>
<td>7.74%</td>
<td>3.60%</td>
</tr>
<tr>
<td>06-08</td>
<td>17.17%</td>
<td>7.38%</td>
</tr>
<tr>
<td>09 - Current</td>
<td>3.49%</td>
<td>16.45%</td>
</tr>
</tbody>
</table>

Product Margin

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>Jun-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-06</td>
<td>2.12%</td>
<td>2.21%</td>
</tr>
<tr>
<td>06-08</td>
<td>1.88%</td>
<td>1.55%</td>
</tr>
<tr>
<td>09 - Current</td>
<td>1.40%</td>
<td>1.97%</td>
</tr>
</tbody>
</table>

In 2010, the 2006-8 vintages created R963m of headline losses vs. marginally positive headline earnings of 33m for pre-06 and R14 for 09-current

Headline earnings

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>H1 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre 06</td>
<td>-963</td>
<td>-302</td>
</tr>
<tr>
<td>06-08</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>09-H1 2011</td>
<td></td>
<td>50</td>
</tr>
</tbody>
</table>

1 Front Book = registrations post 2008, Back Book = registrations prior to 2009
2 Current margin of 4.24% on 2008 profile assumes no drop-off of business due to higher price
Nedbank is leveraging its strong product lines for cross-sell opportunities for the transactional product – the basis for primary banked relationships.

<table>
<thead>
<tr>
<th>Total clients with product niche</th>
<th>Share of product niche with Transactional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands clients</td>
<td>%</td>
</tr>
<tr>
<td>HL</td>
<td>28.9</td>
</tr>
<tr>
<td></td>
<td>39.1</td>
</tr>
<tr>
<td></td>
<td>56.0</td>
</tr>
<tr>
<td></td>
<td>46.7</td>
</tr>
<tr>
<td>PL</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td>38.5</td>
</tr>
<tr>
<td></td>
<td>57.5</td>
</tr>
<tr>
<td></td>
<td>44.2</td>
</tr>
<tr>
<td>INV</td>
<td>30.2</td>
</tr>
<tr>
<td></td>
<td>37.4</td>
</tr>
<tr>
<td></td>
<td>58.8</td>
</tr>
<tr>
<td>MFC</td>
<td></td>
</tr>
<tr>
<td>Card</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YoY change</th>
<th>Percentage points</th>
</tr>
</thead>
<tbody>
<tr>
<td>HL</td>
<td>+1.3</td>
</tr>
<tr>
<td>PL</td>
<td>-1.7²</td>
</tr>
<tr>
<td>INV</td>
<td>+2.8</td>
</tr>
<tr>
<td>MFC</td>
<td>n/a³</td>
</tr>
<tr>
<td>Card</td>
<td>+1.1</td>
</tr>
</tbody>
</table>

An additional ~2.6m customer have transactional products only

- Opportunity

- Our cross-sell initiative – which sells transactional products into our product niches - has been an important part of our progress in cross-sell

---

1 Transactional products defined as current accounts and savings accounts
2 Driven by strong client growth in the Personal Loans client base
3 Like for like comparison not applicable due to integration of MFC clients in 2010

SOURCE: Nedbank
Nedbank has also advanced strongly on the mobile front, conscientiously focusing first on largest opportunities for SA’s client base.

Looking at SA’s mobile customer base, the larger need in mobile is in the unbanked.

<table>
<thead>
<tr>
<th>Mobile phone penetration in SA</th>
<th>Opportunity to capture the unbanked (incl. Youth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of people (# mill)</td>
<td></td>
</tr>
<tr>
<td>Total South African population</td>
<td>49.99</td>
</tr>
<tr>
<td>Total mobile clients</td>
<td>43</td>
</tr>
<tr>
<td>Total banked clients</td>
<td>~23</td>
</tr>
<tr>
<td>~20</td>
<td></td>
</tr>
</tbody>
</table>

Smartphone penetration in Africa

<table>
<thead>
<tr>
<th>% of total mobile handsets</th>
<th>Rapidly increasing but skewed towards higher end</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>15</td>
</tr>
</tbody>
</table>

...we have therefore primarily focused first on offering a strong mobile channel building on MPESA.

Sustaining MPESA supporting by developing infrastructure and functionality.

New m-pesa clients per month 000's

<table>
<thead>
<tr>
<th>S</th>
<th>O</th>
<th>N</th>
<th>D</th>
<th>J</th>
<th>F</th>
<th>M</th>
<th>A</th>
<th>M</th>
<th>J</th>
<th>A</th>
<th>S</th>
<th>O</th>
<th>N</th>
<th>D</th>
<th>J</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What is M-PESA?

- M-PESA allows clients without bank accounts to receive, store and transfer money using their mobile phones, and eventually to pay bills and buy goods.
- Outlets offer various services including M-PESA registration, M-PESA deposit and withdrawals as well encashment to non-registered users.

Progress made to date

- **M-pesa momentum accelerating**: 1st 100k clients 7.5 mths, 2nd 100k clients 3.5mths; 3rd 100k clients 1 mth.

SOURCE: Informa Telecoms & Media; News Now 17 Nov
The repositioning of Retail was conducted on top of a challenging yet effective MFC integration, which leveraged its entrepreneurial distinctiveness.

**Background and integration challenge**

- In 2010, Nedbank initiated a journey to integrate MFC (AMH, a JV between Nedbank and Imperial Bank Limited)
- The integration presented significant challenges
- Total of 1,598 IBL and Nedbank Auto Finance staff needed to be accommodated in the greater Nedbank with no forced retrenchments vs original business case estimate of 462 staff
- Significant system integration and migration challenges (e.g., old IBL IBIS system will be replaced with the Nedfin)
- Cost synergies targeted as compensation for merger costs

**Impact already 12 months after purchase**

- ROI of the investment for the 11 months to December 2010 of 13.7%
- In addition, the purchase has given the Nedbank Retail auto finance business critical scale and the combined business has shown growth of 96% year on year to December 2010 with a commensurate improvement in RORAC of 3.9% to 10.2% (after correctly accounting for the cost of term liquidity, higher ALCO charges and higher cost of prefs and sub debt on a post tax basis)
- This positive trend continued through to June 2011, with the integrated MFC doubling headline earnings to ~R450m at an ROE of 16.6%.
- Distinctive business model retained & being leveraged for Nedbank’s own clients & channels
Culture – The new RRB structure has successfully unified two disparate, sub-scale businesses, with often common clients into a single cohesive unit.

**From**

**Performance issues**
- **6 leaders** of private bank in *7 years*
- **Eroded affluent bonding & client sat** (from 1st to 4th), mkt share losses (now <10%)
- **High operating C/I ratio & credit losses** leading to R70mn EP losses in prior 4 yrs
- **Suites not frequently** visited & high cost
- **Product driven VDS**¹ not aligned to client needs
- **SBS not leveraging BB** strengths & areas of overlap, especially small business clients
- **Inadequate branch presence** (<40% in clients channel of choice)

**Root causes**
- **Segmentation not** identifying client needs
- **Delivery model not supporting** a client centred approach, with **cost duplication**
- **Credit and back-office processes not optimised for quality, cost & lead times**

**To**

**New client-centred, integrated division**

- **Relationship Centre’s based within** or next to Nedbank outlets; some co-located with BB
- **Different management style**: client needs based & not product based
- **Front line Personal & SBS Bankers driving sales.**
- **Leveraging BB specialists**

---

1 VDS – Value Delivery System underpinned by 7S

SOURCE: Retail & Business banking, 2012-2014, Strategic plans
Within channels, Nedbank is migrating to an integrated client-driven platform to significantly enhance client experience.

Moving from a history of client frustrations from disparate, product-driven front-line systems.....

.....to an integrated client driven platform for enhanced client and staff banking experience.

- Siyakha system is 80% live at year-end; 6,000th user connected this month.
- Significantly enhanced client experience e.g. full form integration so details captured once; automatic product prompts once client’s demographic data entered.
And Retail has embedded a rigorous credit risk management framework in Retail

<table>
<thead>
<tr>
<th>Philosophy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philosophy is to Grant, Manage and Collect in line with the decentralised, accountable business model with centrally designed frameworks/principles complemented with central oversight and guidance</td>
</tr>
<tr>
<td>Key differentiator is creation of Business Unit Credit Committees with strong risk accountability within the Business Units coupled with solid functional support and oversight from Nedbank Retail Risk</td>
</tr>
<tr>
<td>Risk practices carefully aligned to emerging macro economic factors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit underwriting</td>
</tr>
<tr>
<td>▪ Formulation of Portfolio Credit Strategies for Origination</td>
</tr>
<tr>
<td>▪ Automatic Application Scoring</td>
</tr>
<tr>
<td>▪ Granting of Credit</td>
</tr>
<tr>
<td>▪ Risk Based Pricing</td>
</tr>
<tr>
<td>▪ Application Fraud Prevention</td>
</tr>
<tr>
<td>▪ Management of Performing Portfolio Credit Strategies for Account Management</td>
</tr>
<tr>
<td>▪ Identification of Warning Signals</td>
</tr>
<tr>
<td>▪ Automatic Behavioural Scoring</td>
</tr>
<tr>
<td>▪ Granting of Credit (Limited)</td>
</tr>
<tr>
<td>▪ Management of Arrears and Excesses</td>
</tr>
<tr>
<td>▪ Repayment Arrangements</td>
</tr>
<tr>
<td>▪ Management of Impairments</td>
</tr>
<tr>
<td>▪ Some Asset Repo</td>
</tr>
<tr>
<td>▪ Client adverse listing on Credit Bureaux</td>
</tr>
<tr>
<td>▪ Nedbank Assisted Sales</td>
</tr>
<tr>
<td>▪ Collections scorecards</td>
</tr>
<tr>
<td>▪ Management of Defaulted Clients</td>
</tr>
<tr>
<td>▪ Initiation and Management of Legal Processes</td>
</tr>
<tr>
<td>▪ Management of Debt Counselling</td>
</tr>
<tr>
<td>▪ Perfection of Security/Asset repo</td>
</tr>
<tr>
<td>▪ Maximise Recovery</td>
</tr>
<tr>
<td>▪ Liquidations/Sequestrations/Deceased Estates</td>
</tr>
<tr>
<td>▪ Management of Impairments and pre-write-off recoveries</td>
</tr>
<tr>
<td>▪ Nedbank Assisted Sales</td>
</tr>
<tr>
<td>▪ Management and Disposal of Properties in Possession</td>
</tr>
<tr>
<td>▪ Maximise recovery from written off accounts</td>
</tr>
<tr>
<td>▪ Centralised recovery efforts from very old write-off matters</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit underwriting</td>
</tr>
<tr>
<td>▪ Formulation of Portfolio Credit Strategies for Origination</td>
</tr>
<tr>
<td>▪ Automatic Application Scoring</td>
</tr>
<tr>
<td>▪ Granting of Credit</td>
</tr>
<tr>
<td>▪ Risk Based Pricing</td>
</tr>
<tr>
<td>▪ Application Fraud Prevention</td>
</tr>
<tr>
<td>▪ Management of Performing Portfolio Credit Strategies for Account Management</td>
</tr>
<tr>
<td>▪ Identification of Warning Signals</td>
</tr>
<tr>
<td>▪ Automatic Behavioural Scoring</td>
</tr>
<tr>
<td>▪ Granting of Credit (Limited)</td>
</tr>
<tr>
<td>▪ Management of Arrears and Excesses</td>
</tr>
<tr>
<td>▪ Repayment Arrangements</td>
</tr>
<tr>
<td>▪ Management of Impairments</td>
</tr>
<tr>
<td>▪ Some Asset Repo</td>
</tr>
<tr>
<td>▪ Client adverse listing on Credit Bureaux</td>
</tr>
<tr>
<td>▪ Nedbank Assisted Sales</td>
</tr>
<tr>
<td>▪ Collections scorecards</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Unit and Centralised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late stage collections and legal recoveries</td>
</tr>
<tr>
<td>▪ Management of Defaulted Clients</td>
</tr>
<tr>
<td>▪ Initiation and Management of Legal Processes</td>
</tr>
<tr>
<td>▪ Management of Debt Counselling</td>
</tr>
<tr>
<td>▪ Perfection of Security/Asset repo</td>
</tr>
<tr>
<td>▪ Maximise Recovery</td>
</tr>
<tr>
<td>▪ Liquidations/Sequestrations/Deceased Estates</td>
</tr>
<tr>
<td>▪ Management of Impairments and pre-write-off recoveries</td>
</tr>
<tr>
<td>▪ Nedbank Assisted Sales</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PIPs and post write off recoveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Management and Disposal of Properties in Possession</td>
</tr>
<tr>
<td>▪ Maximise recovery from written off accounts</td>
</tr>
<tr>
<td>▪ Centralised recovery efforts from very old write-off matters</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Arrears status</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Current</td>
</tr>
<tr>
<td>▪ &lt;30 days in arrears</td>
</tr>
<tr>
<td>▪ 31-90 days in arrears</td>
</tr>
<tr>
<td>▪ &gt;90 days in arrears sometimes &gt;60 days in arrears</td>
</tr>
<tr>
<td>▪ ...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impairments (IAS 39)</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Portfolio Impairments</td>
</tr>
<tr>
<td>▪ Portfolio Impairments</td>
</tr>
<tr>
<td>▪ Specific Impairments</td>
</tr>
<tr>
<td>▪ Specific Impairments</td>
</tr>
<tr>
<td>▪ Bad Debt Recoveries</td>
</tr>
</tbody>
</table>

The end to end credit process is complemented by the following Retail Risk functions:
- Technical Guidance and Functional Oversight for all credit value analytics and modelling aspects by the Retail Credit Lab
- Retail Portfolio Reporting, Policy Formulation Guidance and Portfolio Quality Monitoring by Retail Credit Risk Monitoring
- Business Unit Credit Committees chaired by Experienced and Independent Chairpersons of the Business meet monthly
- Divisional Credit Committee meets monthly to conduct robust monitoring of portfolio quality with the Managing Executives in attendance
Nedbank Retail’s distribution has been growing and is more accessible and relevant.

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

Number of outlets

<table>
<thead>
<tr>
<th>Year</th>
<th>Branches¹</th>
<th>Personal loans Kiosks (in Build-It; Cash-Build)</th>
<th>Nedbank In-Retailers (Pick ‘n Pay, Boxer)</th>
<th>ATMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>250</td>
<td>75</td>
<td>1,881</td>
<td>2,513</td>
</tr>
<tr>
<td>2011</td>
<td>524</td>
<td>385</td>
<td>169</td>
<td>2,513</td>
</tr>
</tbody>
</table>

- This represents 285 additional physical points of presence, and 917 if ATMs are included

¹ Including classic, lite and personal loans branches

Source: JP Morgan presentation to analysts
Nedbank is well positioned in providing great client experience across our channels

### 2010 Q4 Net Promoter Score - Consulta

<table>
<thead>
<tr>
<th>Channel</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
<td>54.2</td>
<td>52.9</td>
<td>29.8</td>
<td>35.4</td>
</tr>
<tr>
<td>ATM</td>
<td>57.3</td>
<td>46.5</td>
<td>34.7</td>
<td>30.8</td>
</tr>
<tr>
<td>Cellphone</td>
<td>68.6</td>
<td>56.7</td>
<td>54.1</td>
<td>41.8</td>
</tr>
<tr>
<td>Online</td>
<td>27.9</td>
<td>23.4</td>
<td>11.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Contact centre</td>
<td>50.5</td>
<td>34.2</td>
<td>29.6</td>
<td>16.3</td>
</tr>
<tr>
<td>Telephone</td>
<td>26.1</td>
<td>23</td>
<td>13.6</td>
<td>5.6</td>
</tr>
</tbody>
</table>

- Nedbank is within striking distance of first place in the branch, online and telephone channels

SOURCE: Consulta
Over 10 000 Nedbank Retail staff have been through a facilitated change management process to achieve strategic alignment to the Retail strategy.

When surveyed most agreed or strongly agreed with these statements:

- The presentation and overall experience added value to my understanding of the Retail strategy (97.12%)
- I am committed to embrace the new journey and commit to deliver my part of our strategy (98.90%)
- Through our collective efforts we can create magic every day and contribute to our clients realising their aspirations and financial goals (98.31%)

Some testimonials from our people:

- “it really helped us see the bigger picture”
- “It was very fruitful and well presented”
- “You are truly an inspiration to the team”
The excellent implementation progress is testimony to the effectiveness of the strategic choices and speed of execution

- Build deep banking relationships with all in South Africa and deliver sustainable shareholder returns
  - Client market share gains and total client growth gathering momentum and client satisfaction improving significantly
  - Client relationships deepening, with improvements in cross-sell across strong product niches
  - 285 additional physical points of presence (2009-2011), and 917 if you include ATMs
  - People metrics reflecting a healthy culture, with widespread enthusiasm for the new strategy
  - RoE improving from -7% (2009) to +9.9% (H1 2011)

- Whilst rebuilding the client franchise will take time, the client centred growth strategy is aimed to deliver a Return on Equity greater than Cost of Equity in 3-4 years, based on current economic outlook
Poised for enhancing sustainability & growth through successful area collaboration, as shown in the Kuruman micro-market

**Clear definition of Micro-market**
- Given rural context, clear understanding of micro-market boundaries & size
- Local teams identify the opportunity with central analytics
- Efforts aligned

**Joint prioritisation & definition of requirements**
- Footprint not justifiable by any one cluster in isolation, but high priority if looking at the whole opportunity
- Clear on features required (incl cash capabilities for wholesale)

**Design optimization**
- 161m² branch layout that is much smaller than usual branches but includes more services

**Understanding of area economics**
- Comparison of different channel mix
- Volume requirements vs opportunity sizing
- Accelerated break-even vs average
- Kuruman achieved 27% more sales in mth1-3 than branches opened in 2010.

**Employees**
- Multi-skilled teller / enquiries function
- Recruited from the area
- Team building, induction and training conducted prior to branch opening

**Marketing**
- External window branding that details product offering and service promise
- 30 street pole ads and detailed, cross cluster local-area marketing plan

**Collaboration in service and product offering**
- Retail & BB products and services offered to serve mass & middle market
- A formalised Nedbank@Work plan off the back of existing BB clients in the area

**Community involvement**
- 8 week program to drive integration of Nedbank into the Kuruman community
- Nedbank Foundation involvement ensured a Nedbank sustainability and CSI programme for the area

**Kuruman**
Retail and Business Banking’s strong leadership team have delivered impactfully on the 2011 imperatives.

**Imperatives for Retail Banking**
- Choice of distinctive client centred banking experiences
- Relationship banking (households & small business)
- Fix economics of secured lending & leverage MFC
- Further inculcate deep risk culture in retail

**Common imperatives**
- Area growth nodes & optimise distribution
- Holistic business transactional offering including card acquiring
- NIR led innovation – easy to do business; a leader in digital & mobile
- Optimise virtuous circle of business, owner & employees
- Talent management & coaching for growth

**Imperatives for Business Banking**
- Complete deep cultural transformation
- Growth (ASCENT, smaller businesses, primary clients)
- Sustain quality risk management practices

SOURCE: Investor Results Presentation 2011
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment.

1. A strong leadership team with a track record of delivery

2. A distinctive position leveraging key trends
   - Delivering a choice of distinctive, client-centred banking experiences
   - Rigorously capturing powerful virtuous circle between segments
   - Integrated channels strategy for growth & efficiencies
   - Robust risk management supporting strong product niches
   - Liabilities innovation sustaining historical strength
   - Collaborative people culture with a client-centred DNA

3. Committed to building high quality businesses for sustainable performance
Nedbank Retail and Business Banking have a distinctive and differentiated position that leverages key trends

**Trends**

- **Consumer preference for choice**, simplicity, increased transparency and lower cost banking
- **Rising demographics and 6% p.a. small business growth** represent tomorrow’s valued, aspirational clients
- **Technological innovation** (e.g. digital channels) offering opportunity for lower cost distribution and process simplicity
- **Higher cost of capital and liquidity** from Basel regulations put risk management and liabilities at a premium
- **Collaborative cultures increasingly recognised** as central to organizations effectiveness and innovation

**Core differentiators**

- A choice of **distinctive client banking experiences**, delighting in moments of truth
- A rigorous approach to capturing virtuous circle and interdependencies between client segments
- Integrated channels strategy leveraging digital, high growth potential micro-markets & area collaboration
- Robust risk management for quality asset portfolios & liabilities innovation sustaining historical strength
- Collaborative people culture with a **client-centred, relationship-oriented DNA**
Strong management practices are fundamental to delivering a choice of distinctive client centred banking experiences…

1. The Customer Management Assessment Tool (CMAT) is the World’s leading CRM diagnostic, assessment and benchmarking approach. CMAT has a thirteen year track record and has been by undertaken by 900 companies across the world in a range of industries, including in other Nedbank Group clusters.

- Highest ever score for B2B company, 5\textsuperscript{th} highest score ever awarded
- 2\textsuperscript{nd} highest score globally for “measuring the impact”
- Top decile in 7 out of 11 categories, including customer propositions, people and organisation, and strategy and leadership

Retail now has truly World-class Intentions
- Strong improvements 2010 and 2011, after limited improvement 2008-9
- Exceeds top decile in strategy and leadership
- At or close to top decile in additional 4 out 11 measures
leveraging deep client insight, strong products and relevant channels to develop relevant offers for key target markets

Types of client insights

Clients’ business and individual lifecycle

Target market

Example offers

Time

Relative enterprise value

Relative net worth

Help me Start a business
Help me Maintain & Manage my business
Help me Grow my business
Help me Exit, Merge, Sell my business

Business Banking

Retail Relationship Banking

Consumer Banking

First Savings Account
First Job
Married/living together and children
Retirement Planning
Vulnerable moments
Financial/ Banking Advice
Access to Credit

Moments of service
Special moments
Complaints/ Claim Management

Melrose Arch building wrap
Baragwanath Nurses Home building wrap

SBS Seminar held at Cola Dome Northgate

NEDBANK GROUP


<table>
<thead>
<tr>
<th>Delivery model</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Banking</strong></td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Client Service Teams</strong> close to clients – proactive and early triggers of risk concerns</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Supported by Personal Bankers</strong> to attend to needs of households and employees</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Distinctive digital channels</strong> e.g. Netbank Business, Cash Vault</td>
<td></td>
</tr>
<tr>
<td>▪ Relationship <strong>presence in branch or co-location with BB</strong></td>
<td></td>
</tr>
<tr>
<td>▪ skilled bankers, delivering “I know you” client experience in branch</td>
<td></td>
</tr>
<tr>
<td>▪ Leveraging BB specialist skills (pricing, products, risk)</td>
<td></td>
</tr>
<tr>
<td>▪ Over 1,000 outlets and relevant digital channels (e.g. m-pesa) to offer our clients choice</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Added convenience of</strong> extended hours</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Client-centred processes</strong> through Siyakha front-end</td>
<td></td>
</tr>
</tbody>
</table>

---

...enabled with an effective organisational designed to deliver distinctive client centred banking experiences, and delight clients in moments of truth.

1 February, 2012
Business Banking has invested consistently in ensuring our insight into voice of client defines our value propositions and value delivery system

<table>
<thead>
<tr>
<th>Voice of the client</th>
<th>Value proposition</th>
<th>Value Delivery System</th>
</tr>
</thead>
<tbody>
<tr>
<td>I need a bank that will understand and service me across my business and household</td>
<td>- Know and service me (influencer) holistically across me as owner, my household, business, employees.</td>
<td>- Dedicated business relationship banker orchestrating localised client service team and product specialists with strong senior regional leadership</td>
</tr>
<tr>
<td>Appreciate my business showing wisdom in decisions and pricing</td>
<td>- Proactively provide me with tailored solutions at the right time. Trust you give me a fair price based on my mix of business and length of banking relationship and ensure your offering is always competitive.</td>
<td>- Local understanding and client-centred business model – pricing based on CVM principles and depth of relationship with client</td>
</tr>
<tr>
<td>Make it easy and seamless to do business with you “Ask once”</td>
<td>- Great value add offering &amp; service creates time for me to focus on my business. Innovate constantly to simplify my banking (in one place).</td>
<td>- Wisdom in decision making based in the region</td>
</tr>
<tr>
<td>Care about my aspirations and financial fitness</td>
<td>- Use your big business expertise to add value to mine by giving me easy access to great capabilities seamlessly and guide me on macro economic issues. Connect me into your network.</td>
<td>- Easy to do business philosophy – effective swift response – Ask once promise</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Tools support a client-driven process e.g. BI Portal etc</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Diligent, caring client centred culture</td>
</tr>
</tbody>
</table>
The Business Banking delivery model is uniquely geared to deliver and is evolving to unlock the ‘virtuous circle’ of individual and business

Client-centred, integrated Client Service Team (CST) with relationship banker, credit manager and servicing close to the client, so opportunities and risks can be identified early.

Growing our opportunity set from just businesses, to include employers and key individuals, and shareholders and their dependents, with relationship banker as orchestrator of the full client relationship.

Nedbank Business Banking
“Partnering for growth for a greater South Africa”
Nedbank has an excellent franchise in the business banking target market with clear differentiators, not easily replicated.

Target market context

- Relationship based client offering with credit extension & cross-sell as key levers
- Loyal client base valuing bank’s backing of them - generally do not move banks due to hassle factor & loss of track record
- Decentralised business model enables localised understanding, stronger client networks & community involvement
- Revenue-led expansion by increasing size & effectiveness of sales force while leveraging off existing area / regional office infrastructure
- Higher barriers to entry for global banks due to opaque credit risk, depth of client relationships, number of staff & geographic spread of offices and clients

Key differentiators

- Fully empowered regions run by Regional Business Head within clearly defined frameworks; end-to-end accountability with 1 individual per region
- Decentralised business model & Client Service Team approach with specialist support
- Leadership & high performance culture
- Rigorous credit risk management within decentralised model ensuring early identification of risk & ability to react quickly
- Proven track record in legal process & collections - strengthened with key resources to maximise recoveries in current climate
- Focused Strategic Business Unit to incubate future revenue streams & drive quality CVP based acquisition
- Evolving business model to service owner & household, their business and employees
- Collaborative culture and Nedbank first mindset
To grow in the market, Retail and BB collaborate and leverage respective strengths to unlock the powerful ‘virtuous circle’ of the individual and business

**Retail strategic wheel**
(capturing elements of organisational design)

**Powerful ‘virtuous circle’ of individual & business**

- Entrepreneur / Small Bus owner
- Business owner
- Youth
- Business
- Seniors
- Employees

**BB Delivery model**
(evolved to capture the opportunity around the business owner & employees)

**Seven cross-cutting themes** require a common strategy & approach and aligned execution to unlock value in 2012-2014 across the 2 clusters, which has been built into the clusters’ 3-yr plans.
Nedbank’s wholesale client strengths attract employees into retail segments, and individuals become entrepreneurs and grow into larger companies.

**Nedbank @ Work opportunity ('000s)**

- **Total**
  - CB
  - BB
  - SBS

- **H12011** 2012 2013 2014

**Corporate Banking**

- **CB**
- **BB**
- **SBS**

**Individuals**

- **Retail client base** (Primary banked individuals, # mill)

- **Estimated market size** (Individuals, # mill)

- **Overall primary market share**

- **H12011** 2012 2013 2014

**Small Business Services**

- **SBS primary banked client base** (Groups with EB, # 000)

- **Estimated market size** (Groups, # 000)

- **Overall estimated SBS market share**

- **H12011** 2012 2013 2014

**Business Banking**

- **BB primary banked client base** (Plat / Gold / Emerald Groups with EB, # 000)

- **Estimated market size** (Groups, # 000)

- **Overall BB market share**

- **H12011** 2012 2013 2014

**Individuals feeder to SBS**

- **H12011** 2012 2013 2014

**SBS feeder to BB (No of groups)**

- **H12011** 2012 2013 2014

**Note:** Only individuals were counted under this section, non-individuals were excluded (clubs etc).

1. Market share is defined as the Total Nedbank products / Total products in the market. Low confidence level on market share for SBS and feeder numbers.

**Detailed plans and targets to capture inter-segment opportunities**

1. Enabling business model (1) integrated across 5 RBB units, and (2) collaborating with other clusters e.g. Corporate.
Nedbank’s emphasis on cross-business revenue is in line with trends towards greater cross-business revenue capture we are seeing internationally.

Share of total retail sales done via cross-cluster leads/collaboration, %

- **Nedbank** aims to grow retail sales through collaboration with wholesale clusters.
- There is plenty of room to grow when compared to international benchmarks (1% of Retail sales through wholesale channels at Nedbank vs 4-6% in Europe and the US).

Best practices

1. Direct sales force

Estimates
Nedbank delivers client offers through our integrated channels strategy – designed to create distinctive client experience across our channels …

### Business Banking and Retail Banking strategy

Client segmentation, value propositions and management

#### Integrated channels strategy

<table>
<thead>
<tr>
<th>Relationship bankers</th>
<th>Staffed points of presence</th>
<th>Contact centre</th>
<th>Non-staffed points of presence (e.g., ATM, POS)</th>
<th>Digital (e.g., mobile, internet)</th>
<th>Cash centres</th>
</tr>
</thead>
</table>

**Ability for our clients to easily move from one channel to another**, e.g., start a transaction/sale on the internet and finish it in contact centre

**Ability to service our clients effectively within each channel**, i.e., ensure adequate functionality at optimal cost to enable clients to transact or apply for a product where s/he prefers

**Adequate access to relevant channels**, i.e., correct number, mix, format and placement of channels

**Accelerate growth in carefully selected micro-markets**

**Alignment with Group Technology – IT enabled BPR – on business priorities to ensure effective delivery**

---

**Approach to integrated channels strategy**

We offer our clients a relevant choice of easy-to-use, integrated banking channels to deliver distinctive client centered banking experiences enabling us to serve them more effectively and deepen share of wallet while optimising costs within Nedbank

Integration across clusters, channels & micro markets is a key underpinning philosophy
By mapping the area potential and Market share we are able to identify the potential GOI we could generate through collaboration.

Through the integrated channels strategy, we aim to grow our market share in targeted, high growth potential micro-markets. This will be achieved through:

- Collaborative area plans designed by local teams and aligned to distribution strategy;
- A streamlined leads process;
- Front line focus on delivering client centred banking experiences.

The opportunity is incremental clients and revenue growth across BB and Retail.

 ESTIMATE

Attract and develop

Capture quick wins

Optimize cost to serve

Retain and grow

Grow Market Share

Maintain Market Share

High

Low

Area Potential

Market Share

BB Regions

Retail Areas

18 High Potential Low MS areas

7 High Potential High MS areas

12 Low Potential Low MS areas

12 Low Potential High MS areas

High

Low

High

Low

High

Low

High

Low
The changes in our channel infrastructure have been directly linked to explicit client experience requirements and value proposition.

Channel-relevant customer needs

**Business Banking**
- Demands **secure environment to manage cash-driven business**, close to office
- Relies **heavily on personal banker for financial** advisory face to face or eventually via phone

**Retail Relationship Banking**
- Demands **easy sales and servicing, in digitally friendly branch** format, in affluent area or close to office
- **Values a human touch** and a personalized service, in particular during moments of distress

**Consumer Banking**
- **Prefers physical interaction** with the bank for financial literacy
- Uses prepaid but loads small amount given limited cashflow; **needs to be able to recharge balance often**
- Transactional needs enabled through low cost digital capability

Key 2011 changes in channel infrastructure (non exhaustive)

- **Leverage Retail network to create** access to banking for BB clients and their employees in **4 regional towns**
- **Facilitate cash recycling** - Setup an additional 10 **intelligent depositors** for wholesale clients at convenient locations such as Sandton and Cresta.

- **Redesign branches to fit customer channel requirements in the multichannel world**
  - **Refurbishing of 20 branches, 19 outlets** and **5 PL CSC’s** to align with new interactions needs (e.g., more ATMs), and **relocation of 12 branches in high-growth areas** to ensure convenient access to locations.
  - Expanded easy access for clients in **10 PnPs**
  - **Transformed 17 private banking suites into RRB centers**

- **Increasing access for Entry level banking market**
  - By placing **8 new branches** in coverage areas
  - **Open 21 PL kiosks** to provide access to lending in high growth semi-rural areas
  - Setup **77 additional ATMs** in mass market areas, with an additional **259 in high growth areas**.
In digital, we include both digital payment and banking channels

**Digital Payment channels**
- Electronic Funds transfers
- Wallet “Store of Value”
- Card payments (credit, debit)
- Mobile transfers (Mpesa)
- Near Field Communication

**Accessed via**
- Internet
- Mobile device
- Tablet Device
- Other electronic Device
- Cards

**Digital Banking channels**
- Electronic Banking (Retail / Netbank Business)
- Mobile Banking Applications
- Functional devices (ATM, CashVaults)
- Internet channels (Websites / Social media)
An essential part of Nedbank’s strategy is to be a leader in digital

Enable digital channels as true alternatives

Current reality
- Difficulty of enabling and accessing digital channels (branch reliant)
- Slow system response
- Inconsistency in Internet and Mobile Banking menu design and functionality
- Limited financial transactions on mobile

- Need to catch up on basic functionality
- Slow and cumbersome innovation and new product approval process (long pilots)
- Not the preferred/top of mind bank for youth

Being a leader in digital
- As a key distinctive enabler we need to enable integrated channels client experience
- Relevant functionality presented in a convenient manner (intuitive and easy to use)
- Consistent pricing strategy implemented across all channels and aligned with CVPs

- Innovation process that supports speed to market and First Mover Advantage in areas enabling distinctiveness
- Agile, commercially viable innovation
- Resources that understand the digital environment
- Tech incubation hubs like Techno park, where solutions are deployed rapidly and enhanced continuously

Increase digitally enabled client base & revenue contribution from digital channels

- Low penetration, predominantly by eNotes subscribers
- Disparate campaigns that don’t support the NIR drive
- Some use of social media as a marketing & communication tool to target this client base
- Bundled approach to advertising

- Automatic profile enablement of the client base and simple profile service engagement
- Targeted, within relevant CVPs and stand alone
- Customers are comfortable using digital channels for sales, transactional capabilities and servicing
- Grow digitally enabled client base to 50-80%
Is there a Nedbank branch in Sandton? I'm on a mission tomorrow. #ClosingFNBaccount

@itsuchaPityi Hi, we are keen to have you on-board & help you 'make things happen'. There are 3 branches in Sandton, where about are you?

@itsuchaPityi ☺ @Nedbank, Sandton City or as close to there as possible.

@itsuchaPityi ☺ @Nedbank, account opened. Thank you Great service. ☻

@itsuchapityi We've made the Nelson Mandela Square branch aware that you will be making your way there tomorrow. Please ask for Nomvula..

The client then recommended Nedbank to her friend...

Just did that today ------» @Nedbank. RT @snaadz: itsuchaPityi wana open a 2nd bank account. suggestions?
We are leveraging strong risk management processes into Retail, and already seeing Retail move closer to desired risk appetite.

Business Banking has had a very strong risk management culture, which reflects in consistently low CLR.

Our new risk management framework brings these capabilities to Retail.

### Business banking CLR

<table>
<thead>
<tr>
<th>Year</th>
<th>CLR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.63</td>
</tr>
<tr>
<td>2006</td>
<td>0.36</td>
</tr>
<tr>
<td>2007</td>
<td>0.29</td>
</tr>
<tr>
<td>2008</td>
<td>0.58</td>
</tr>
<tr>
<td>2009</td>
<td>0.55</td>
</tr>
<tr>
<td>2010</td>
<td>0.4</td>
</tr>
<tr>
<td>2011</td>
<td>0.4</td>
</tr>
</tbody>
</table>

### Retail banking CLR

<table>
<thead>
<tr>
<th>Year</th>
<th>CLR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1.14</td>
</tr>
<tr>
<td>2006</td>
<td>1.15</td>
</tr>
<tr>
<td>2007</td>
<td>1.35</td>
</tr>
<tr>
<td>2008</td>
<td>2.7</td>
</tr>
<tr>
<td>2009</td>
<td>3.4</td>
</tr>
<tr>
<td>2010</td>
<td>2.67</td>
</tr>
<tr>
<td>2011</td>
<td>2.22</td>
</tr>
</tbody>
</table>

### Income Statement (Rm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>227</td>
</tr>
<tr>
<td>2006</td>
<td>162</td>
</tr>
<tr>
<td>2007</td>
<td>152</td>
</tr>
<tr>
<td>2008</td>
<td>330</td>
</tr>
<tr>
<td>2009</td>
<td>284</td>
</tr>
<tr>
<td>2010</td>
<td>210</td>
</tr>
<tr>
<td>2011 (H1)</td>
<td>119</td>
</tr>
<tr>
<td>2005</td>
<td>887</td>
</tr>
<tr>
<td>2006</td>
<td>1040</td>
</tr>
<tr>
<td>2007</td>
<td>1512</td>
</tr>
<tr>
<td>2008</td>
<td>3559</td>
</tr>
<tr>
<td>2009</td>
<td>4843</td>
</tr>
<tr>
<td>2010</td>
<td>5110</td>
</tr>
<tr>
<td>2011 (H1)</td>
<td>2081</td>
</tr>
</tbody>
</table>

### NPLs (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>NPLs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3.0</td>
</tr>
<tr>
<td>2006</td>
<td>2.1</td>
</tr>
<tr>
<td>2007</td>
<td>2.7</td>
</tr>
<tr>
<td>2008</td>
<td>3.6</td>
</tr>
<tr>
<td>2009</td>
<td>5.4</td>
</tr>
<tr>
<td>2010</td>
<td>6.3</td>
</tr>
<tr>
<td>2011</td>
<td>5.78</td>
</tr>
<tr>
<td>2005</td>
<td>1.96</td>
</tr>
<tr>
<td>2006</td>
<td>2.41</td>
</tr>
<tr>
<td>2007</td>
<td>5.71</td>
</tr>
<tr>
<td>2008</td>
<td>8.26</td>
</tr>
<tr>
<td>2009</td>
<td>10.47</td>
</tr>
<tr>
<td>2010</td>
<td>9.09</td>
</tr>
<tr>
<td>2011</td>
<td>8.57</td>
</tr>
</tbody>
</table>

Cross-cluster collaboration and selected skills transfers in place, together with introducing strategic risk management oversight introduced.

---

1 Actual advances
2 Total including legal and non-legal
Business Banking has consistently followed strong credit risk mechanisms to grant, manage and collect, with central oversight and guidance.

Philosophy
Grant, Manage and Collect in line with the decentralised, accountable business model with centrally designed frameworks / principles complemented with central oversight and guidance.

Key differentiator
Segregation of duties within the credit spectrum to provide specific focus to clients relative to their risk ratings. The use of a client centric approach further enhances the credit application, review, management, risk identification and collections process.

- Further complemented by the Business Manager that acts as a ‘1st line’ of defence through their relationship with their portfolio of clients.
- In addition to this we have a Special Team where the larger or more sophisticated problem advances are managed.
- Individual mandates are limited in quantum and managed centrally, with larger matters subject to approval by Regional or National Credit Committee.

Example of 4 elements to Credit Risk

**Credit (Regional)**
- Granting of credit
- Management of performing portfolio
- Front line focus

**Credit Risk (Regional)**
- Management of defaults
- Identification of warning signals
- Oversight of all excesses and arrears
- Granting of credit (limited)
- Restructuring of facilities / repayments
- Management of Impairments
- Rehabilitation of Client

**Legal Collections (Business Unit)**
- In-House collections (incl. issuing of summons)
- Management of Liquidations, PIPs and Repos
- Management of Impairments & recoveries
- Perfection of security
- Maximise Recovery

**Bad Debt Recovery (National)**
- Collections of matters older than 24 months
- Administration of scheduled / agreed collections
- Maximise recovery
There has been a strong push across the risk areas to enable effective risk management and address non-performing loans.

Progress

Risk Management
- Retail Risk positioned as first line of defense with clarity on operation and functional accountability of Risk.
- Reduction in arrears and defaulted exposures through clearly defined strategies
- New credit governance and reporting in place (BU Credit Committees with independent chairpersons)
- Active management and participation in industry issues (debt review, fraud verification, SAFPS, SABRIC)

Capital Management
- E Cap slightly increased since 2010 (+R0.6b)
- Risk Appetite set for all businesses and entrenched in risk management methodology.
- Move to DLGD to reflect risk of HL’s.
- Portfolio Tilt implemented
- Concentration risk defined and agreed with Group.

Collections
- Collection staff up 21% in HL
- Credit Loss Ratio 2.2% (2011 H1), within the upper target range of 1.5 – 2.2, with only HL and RRB outside of business unit range but also significantly reduced.
- NPL impairment coverage improved and portfolio coverage improved, e.g. 0.70% in HL
- Restructures since inception totaled 10,110 for HL (2011 H1); Re-defaults still low and within threshold

Impairments
- NPL’s reduced due to focused strategies adding emphasis on early arrears management
- Debt Counseling (DC) Portfolio reduced due to robust terminations on non-payment
- DC payments maintain at approximately 10% above industry average

Risk Initiatives
- Credit Alignment Project,
  - Re-engineering of the back-end process
  - Improvement in client credit experience
- IT business case for single Collections platform via Debt Manager from 6 disparate systems
- Alignment of affordability criteria across the retail business
Nedbank selected a discerning home loans strategy given industry dynamics and importance of being the primary client interface with risk-based pricing

**Context and repositioning defined in June 2010**

- Nedbank needs to change its way of participating in the home loans market in the future, with recent market dynamics and behaviour of participants in the industry resulting in banks being significantly **economically unprofitable** in HL’s
  - It is estimated that the industry earned R584mn on R19.4bn allocated capital in 06 to 09; at a minimum return for risk of say 18%, this represents a **R13.4bn cumulative loss of profits, a massive erosion of industry profitability**
  - **Commoditisation** by the banks of an inherently high risk, capital intensive product of long term duration, fueled by **Mortgage Originators (MO’s)** with high commission structures that sourced a riskier profile of business than internal channels
  - **Capital & Liquidity** were not treated as scarce resources, for a product where the client has all the optionality
  - **Mis-pricing** due to pro-cyclical Credit Loss Ratio’s based on benign credit loss/default data (and rising property prices) in the buoyant part of the economic cycle, even though consumer indebtedness was rising significantly

This strategic repositioning will define how Nedbank intends to add value to its customers in an EP positive way, which may also contribute positively to the sustainability of the banking industry

- Re-establish **Nedbank Retail as primary client interface and advocate** for the buyer as Nedbank carries a higher risk cost should the buyer default
- Restore **Economic Profit** per customer through the cycle thanks to **differentiated pricing** and a **holistic** financial services **relationship**, with enhanced pricing for differentiated risk (banking and insurance)
- **Expand support/service to customers** in their home purchase process, via specialist sales force simplifying the process, educating on affordability, providing property market insights, etc.
- **Create transparency and education** for the buyer on drivers of costs (including MO’s) and related pricing, emphasising importance of direct relationship with their bank, while **providing for choice** of service at the right price

This strategic position will require **courage**, as it is **at odds with how the industry currently operates**. It however **makes sense for Nedbank**, given its overall client centred strategy, current overweight in Home Loan (vs. transactional earnings), the slow property market, high customer indebtedness, regulatory pressures on capital and liquidity, and risk rewards relationship of Home Loans, which creates high earnings volatility through the cycle. This formed the foundation of HL repositioning

**Implementation will be sensitive and crucial**. Nedbank Retail Home Loans team is exploring and building on this proposal for repositioning

- Deep, insightful analysis of the Home Loans market, including competitive forces, and the relevance for Nedbank’s strategic context, formed the foundation for the repositioning of Home Loans at Nedbank.
Home Loans are being used judiciously in an EP positive way as part of Nedbank’s holistic strategy to deepen client banking relationships…. 

### High level strategic objective – Managing for Value
- Restore **Nedbank Retail as primary client interface** and **advocate** for the buyer as Nedbank carries a risk cost if default occurs
- Restore **Economic Profit** per customer thanks to **differentiated pricing** and a **holistic relationship**
- Redefining input costs and process to optimise client banking experience

#### Ideal future
- Incorporate HL into high impact CVP’s of 6 key client segments with value added services / mktng
- High quality simple channel choices
- Develop mechanisms to convert single product clients to primary clients, although best practice shows this is challenging

#### Progress to date from 2009 to June 2011
- **From:** focus on HL’s only with limited cross sell (~20% primary banked) but better for bancassurance; Limited contribution to CVP for key client segments
- **To:** Selective origination of H/Ls to emphasise key client segments correctly priced for risk. Standalone H/Ls selectively done at relevant risk based pricing; Savvy home loan ad positioning; proactive cross-sell into back-book, no auto decline for existing clients, differentiated pricing by channel.

#### Incorporate HL as part of holistic financial services relationship

<table>
<thead>
<tr>
<th>Ideal future</th>
<th>Progress to date from 2009 to June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporate HL into high impact CVP’s of 6 key client segments with value added services / mktng</td>
<td>From: focus on HL’s only with limited cross sell (~20% primary banked) but better for bancassurance; Limited contribution to CVP for key client segments</td>
</tr>
<tr>
<td>High quality simple channel choices</td>
<td>To: Selective origination of H/Ls to emphasise key client segments correctly priced for risk. Standalone H/Ls selectively done at relevant risk based pricing; Savvy home loan ad positioning; proactive cross-sell into back-book, no auto decline for existing clients, differentiated pricing by channel.</td>
</tr>
<tr>
<td>Develop mechanisms to convert single product clients to primary clients, although best practice shows this is challenging</td>
<td>From: Misting of property cycle; Mispricing of loans; Limited view of EP impact; Limited pro-active risk management practices</td>
</tr>
<tr>
<td></td>
<td>To: Selective growth based on careful scenarios</td>
</tr>
<tr>
<td></td>
<td>pricing differential improved to 210 bps from 65 bps</td>
</tr>
<tr>
<td></td>
<td>25% of new vintages at LTV &gt;90% versus 72% in 06-08 vintages</td>
</tr>
</tbody>
</table>

#### Enhance credit and risk management capabilities

<table>
<thead>
<tr>
<th>Ideal future</th>
<th>Progress to date from 2009 to June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimal credit granting policies (LTV, pricing for value, geography, etc.) and portfolio, risk-based covenants</td>
<td>From: Undifferentiated versus competitors, competing on same dimensions of price/turnaround/mkt share</td>
</tr>
<tr>
<td>Pro-active risk management and CVM</td>
<td>To: developing ‘buyer advocacy’ CVP to deepen banking relationship with new home loans clients; HL’s back book (R63bn) impairments addressed (coverage from 14% in June ‘09 to 26% in June ‘11) &amp; quality granting on front books; R5.8bn in cumulative restructures keeping 10,100 families in their homes, while retaining balance sheet impairments</td>
</tr>
<tr>
<td>Continued strong collections but opportunity to enhance as current account/HL risks are linked</td>
<td>From:</td>
</tr>
</tbody>
</table>

#### Introduce compelling new features to restore Nedbank as primary buyer interface

<table>
<thead>
<tr>
<th>Ideal future</th>
<th>Progress to date from 2009 to June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiated products to encourage banking relationship</td>
<td>From:</td>
</tr>
<tr>
<td>Rewards for loyalty / risk performance</td>
<td>From: Undifferentiated versus competitors, competing on same dimensions of price/turnaround/mkt share</td>
</tr>
<tr>
<td>Advocate of buyer; simplify sales &amp; admin process, better than any third party process</td>
<td>To: developing ‘buyer advocacy’ CVP to deepen banking relationship with new home loans clients; HL’s back book (R63bn) impairments addressed (coverage from 14% in June ‘09 to 26% in June ‘11) &amp; quality granting on front books; R5.8bn in cumulative restructures keeping 10,100 families in their homes, while retaining balance sheet impairments</td>
</tr>
<tr>
<td>Valuation support to determine optimal purchase price; giving area property market insight</td>
<td>From: ~60% volume externally originated; High cost (~2.3% of loan); Limited client relationship; High credit and fraud risk</td>
</tr>
<tr>
<td></td>
<td>To: 75% own channel with strong client relationships, lower costs of loan and much lower credit and fraud risks</td>
</tr>
</tbody>
</table>

#### Optimize mortgage origination value chain

<table>
<thead>
<tr>
<th>Ideal future</th>
<th>Progress to date from 2009 to June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create transparency and education for the buyer on drivers of costs (including MO’s) and related pricing (e.g. based on LTV), while providing choice of service at sustainable pricing</td>
<td>From:</td>
</tr>
<tr>
<td>HL’s remains processing hub for all of Nedbank</td>
<td>From:</td>
</tr>
</tbody>
</table>
...given the extreme P&L sensitivity to small changes in NPLs, loss on default, funding costs, pricing for risk and Basel III considerations

<table>
<thead>
<tr>
<th></th>
<th>Base Case (includes pre-09 vintages)</th>
<th>Illustrative (current market dynamics)</th>
<th>Illustrative Scenario’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010 Fin Year</td>
<td>Flexed¹</td>
<td>Client concession improved</td>
</tr>
<tr>
<td>Total Advances (Rbn)</td>
<td>90.9</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Defaulted loans - NPLs (%)</td>
<td>11.2</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Capital %</td>
<td>3.1</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Credit Loss Ratio %</td>
<td>2.20</td>
<td>0.64</td>
<td>0.88</td>
</tr>
<tr>
<td>Margin excl endowment (%)</td>
<td>1.31</td>
<td>2.11</td>
<td>1.93</td>
</tr>
<tr>
<td>Client concession to Prime %</td>
<td>0.10</td>
<td>0.10</td>
<td>(0.45)</td>
</tr>
<tr>
<td>Headline (Loss) / Profit (Rm)</td>
<td>(903)</td>
<td>239</td>
<td>121</td>
</tr>
<tr>
<td>Change in Headline Earnings</td>
<td></td>
<td>(118)</td>
<td>150</td>
</tr>
<tr>
<td>Return on Equity (%)</td>
<td></td>
<td>-</td>
<td>10.9</td>
</tr>
<tr>
<td>Economic Loss (Rm)</td>
<td>(1 305)</td>
<td>(62)</td>
<td>(181)</td>
</tr>
</tbody>
</table>

- Home Loan economics remain challenging, requiring quality new business written at relevant risk-based prices

1. Flexed by increasing losses on defaulted loans by 10%, increasing funding costs by 20 bps reducing MOC to 50 bps and assuming 80% branch originated vs 72%

**Other assumptions:**
Costs held consistent in rand terms.
Nedbank Match Maturity Funds Transfer Pricing, liquidity and balance sheet management charges included in margin calculation.
Selective origination across key client segments remains the preferred strategic option, which also aligns with Group Risk Appetite.

**Illustrative Performing portfolio in 2015 – Economic Profit in Rm**

<table>
<thead>
<tr>
<th>Economic capital assumption</th>
<th>Volume Growth (20% of new grants)</th>
<th>Selective Growth (15% of new grants)</th>
<th>Containing Risk (10% of new grants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability of Default</td>
<td>6.3%</td>
<td>4.4%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Loss Given Default</td>
<td>15.5%</td>
<td>13.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Risk appetite informs portfolio covenants and related profile of new business written.
Nedbank’s client experience builds on strong product niches, with a very good positioning in the market.

### Relative position among Big 4 at June 2011

<table>
<thead>
<tr>
<th></th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home loans</strong></td>
<td>29.9%</td>
<td>29.8%</td>
<td>18.4%</td>
<td>18.0%</td>
</tr>
<tr>
<td><strong>Motor Finance</strong></td>
<td>36.5%</td>
<td>31.7%</td>
<td>21.4%</td>
<td>9.9%</td>
</tr>
<tr>
<td><strong>Personal loans</strong></td>
<td>15.8%</td>
<td>13.1%</td>
<td>11.9%</td>
<td>unknown%</td>
</tr>
<tr>
<td><strong>Credit Card</strong></td>
<td>31.8%</td>
<td>29.7%</td>
<td>20.8%</td>
<td>15.4%</td>
</tr>
<tr>
<td><strong>Retail deposits</strong></td>
<td>27.2%</td>
<td>21.9%</td>
<td>20.8%</td>
<td>20.1%</td>
</tr>
</tbody>
</table>

1 Credit Card loans outstanding

SOURCE: Nedbank data and estimates BA900 (June 2011)
Motor Finance Corporation (MFC), Personal Loans and Card are strong product niches and performed well through the cycle.

### Motor Finance Corporation

<table>
<thead>
<tr>
<th>HE Rm</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE %</td>
<td>-20.8</td>
<td>-6.9</td>
<td>-31.9</td>
<td>-19.3</td>
<td>10.2</td>
<td>16.5</td>
</tr>
<tr>
<td>ECAP Rm</td>
<td>492</td>
<td>664</td>
<td>589</td>
<td>610</td>
<td>5,949</td>
<td>5,511</td>
</tr>
</tbody>
</table>

### Personal Loans

<table>
<thead>
<tr>
<th>HE Rm</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE %</td>
<td>41.6</td>
<td>19.3</td>
<td>22.3</td>
<td>18.1</td>
<td>20.6</td>
<td>20.5</td>
</tr>
<tr>
<td>ECAP Rm</td>
<td>351</td>
<td>1,425</td>
<td>1,308</td>
<td>1,452</td>
<td>2,400</td>
<td>2,280</td>
</tr>
</tbody>
</table>

### Card

<table>
<thead>
<tr>
<th>HE Rm</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE %</td>
<td>73.5</td>
<td>25.8</td>
<td>19.2</td>
<td>21.0</td>
<td>25.0</td>
<td>32.3</td>
</tr>
<tr>
<td>ECAP Rm</td>
<td>442</td>
<td>1,329</td>
<td>1,582</td>
<td>1,724</td>
<td>2,245</td>
<td>1,793</td>
</tr>
</tbody>
</table>

### Assets

<table>
<thead>
<tr>
<th>HE Rm</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECAP Rm</td>
<td>492</td>
<td>664</td>
<td>589</td>
<td>610</td>
<td>5,949</td>
<td>5,511</td>
</tr>
</tbody>
</table>

### Notes:
1. MFC acquired in 2009, and reflected in 2010 figures and onwards
2. Profitability relates to the loan profile and excludes some transactional, deposit and insurance income derived from strong Personal Loans positioning in the market.
Given warning signals on consumer credit health, Nedbank is now following a selective origination strategy in the strongly growing Personal Loans market.

**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 counseling applications

With 10 years experience in Personal loans market and current market dynamics, a selective origination strategy enabling client’s financial fitness.

**Credit standing of credit active consumers**

<table>
<thead>
<tr>
<th>Impaired records</th>
<th># m</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.79</td>
<td>7.10</td>
</tr>
<tr>
<td></td>
<td>7.30</td>
<td>7.46</td>
</tr>
<tr>
<td></td>
<td>7.46</td>
<td>7.85</td>
</tr>
<tr>
<td></td>
<td>8.09</td>
<td>8.18</td>
</tr>
<tr>
<td></td>
<td>8.37</td>
<td>8.59</td>
</tr>
<tr>
<td></td>
<td>8.49</td>
<td>8.61</td>
</tr>
<tr>
<td></td>
<td>8.63</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Jun 08</th>
<th>Sep 08</th>
<th>Dec 08</th>
<th>Mar 09</th>
<th>Jun 09</th>
<th>Sep 09</th>
<th>Dec 09</th>
<th>Mar 10</th>
<th>Jun 10</th>
<th>Sep 10</th>
<th>Dec 10</th>
<th>Mar 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>39.6</td>
<td>40.5</td>
<td>41.6</td>
<td>42.4</td>
<td>44.1</td>
<td>44.9</td>
<td>45.3</td>
<td>46.0</td>
<td>46.9</td>
<td>46.3</td>
<td>46.5</td>
<td>46.4</td>
</tr>
</tbody>
</table>

**Consumer credit health**

**# of Debt Counselling Applications (cumulative)**

- Thousands

SOURCE: National Credit Regulator
Card has a strong merchant acquiring base, distinctive Amex relationship and opportunity to deepen debit card issuing market share

Card efforts have been designed around all segments value propositions - Highlights

Mass Market
Strong growth in entry level credit card aligned to the Ke Yona campaign and strategy to grow unsecured lending.

Increase acceptance footprint and drive Debit@POS in high risk cash dominated areas.

Youth & Middle Market
Aligned with Savvy III driving Card acquisition, leveraging Rugby World Cup.

Drive “new to Nedbank” acquisition with Dezign credit card aligned with O-week

Deepen the client banking relationship.

84% of card sales made to existing Nedbank clients with 86% activated.

Acquiring sales force co-located with Business Banking enabled the high conversion of acquiring leads.

Strong transactional market share in credit – cheque – and acquiring with growth opportunities in debit cards

June 2011 volumes starting to reflect benefits of bank-wide cross-sell

- June 2011 volumes starting to reflect benefits of bank-wide cross-sell

- Mass Market
  - Strong growth in entry level credit card aligned to the Ke Yona campaign and strategy to grow unsecured lending.
  - Increase acceptance footprint and drive Debit@POS in high risk cash dominated areas.

- Youth & Middle Market
  - Aligned with Savvy III driving Card acquisition, leveraging Rugby World Cup.
  - Drive “new to Nedbank” acquisition with Dezign credit card aligned with O-week
  - Deepen the client banking relationship.
  - 84% of card sales made to existing Nedbank clients with 86% activated.
  - Acquiring sales force co-located with Business Banking enabled the high conversion of acquiring leads.
  - Strong transactional market share in credit – cheque – and acquiring with growth opportunities in debit cards
Despite a challenging macro economy & competition from other banks & Asset Managers, strong initiatives in place to capture liabilities share

Macro-economic and Asset Managers competition is challenge for banks

We have however defined strong list of initiatives to capture growth in liabilities

Retail and Business Banking initiatives

- Step-change transactions
  - Improve cash handling solution
  - Target personal deposits of Business owners
  - Better retain transactional clients

- Grow investments
  - Grow corporate saver
  - Provide integrated cash management solution
  - Contact pro-active and re-active retention programs, tailored to the investment side

- Embedded enablers
  - Improve processes and systems
  - Develop new liabilities sales channels

Example of our products

Nedbank Corporate Saver is a dedicated service and support team will help you become a virtual branch of the bank and ensure efficient and profitable management of:
- Trust investments
- Estates
- Insolvencies
- Property guarantees for attorneys
- Investments and deposits
- Transitional cash
Business Banking and Retail have developed strong products to help our clients in the liabilities areas

### Products

<table>
<thead>
<tr>
<th>Products</th>
<th>Key features</th>
</tr>
</thead>
</table>
| **Corporate Saver**       | ▪ Nedbank Corporate Saver is a market leader offering dedicated service and support efficient and profitable management of Trust investments, Estates, Property guarantees for attorneys etc  
                            ▪ Nedbank adds value due to deep knowledge of client’s cashflow  
                            ▪ By June 2011, Corporate Saver had a balance of R19.6bn |
| **Cashflow Optimiser**    | ▪ Launched in October 2010, Cashflow Optimiser allows clients to obtain a higher interest rate on their savings, while retaining flexibility on when they can withdraw funds  
                            ▪ Positive uptake - achieved R500m |
| **Retail Savings bond**   | ▪ Nedbank’s Retail Savings Bond provides clients with an attractively priced savings product, available for fixed terms of 2, 3 and 5 years.  
                            ▪ By June 2011, RSB had reached R2.5bn for the first tranche |
Nedbank has unique organisational differentiators for the 21st century: compelling vision; clear accountabilities & a collaborative culture of trust

The winning, 21st century organisation

- “The organisations that will become the household names of this century will be renowned for sustained, large-scale, efficient innovation. The key to that capability is neither company loyalty nor free-agent autonomy but, rather, a strong collaborative community.”1

- To build such communities, companies must master a new set of skills:
  - Define and build a shared purpose
  - Cultivate an ethic of contribution
  - Develop scalable processes for coordinating people’s efforts
  - Create an infrastructure in which collaboration is valued & rewarded

Retail & Business Banking are well positioned:

- A compelling vision that emphasises collaboration across Retail and BB, and into the wider Nedbank

- Roles and linkages aligned with strategic intent

- Strong networks at multiple layers with clear decision accountabilities to deliver on initiatives

- Investing in communities of leaders
  - Leading for Deep Green personal mastery and team effectiveness
  - Training and development
  - Coaching for growth

- Pro-active talent management across Nedbank

Nedbank Retail and Business Banking have a distinctive and differentiated position that leverages key trends

**Trends**

- **Consumer preference for choice**, simplicity, increased transparency and lower cost banking
- **Rising demographics and 6% p.a. small business growth** represent tomorrow’s valued, aspirational clients
- **Technological innovation** (e.g. digital channels) offering opportunity for lower cost distribution and process simplicity
- **Higher cost of capital and liquidity** from Basel regulations put risk management and liabilities at a premium
- **Collaborative cultures increasingly recognised** as central to organizations effectiveness and innovation

**Core differentiators**

- A choice of **distinctive client banking experiences**, delighting in moments of truth
- A rigorous approach to capturing virtuous circle and interdependencies between client segments
- Integrated channels strategy leveraging digital, high growth potential micro-markets & area collaboration
- Robust risk management for quality asset portfolios & liabilities innovation sustaining historical strength
- Collaborative people culture with a client-centred, relationship-oriented DNA

SOURCE: United Nations; IFC; Financial Inclusion Expert Group; World bank – doing business; team analysis
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment

1. A strong leadership team with a track record of delivery

2. A distinctive position leveraging key trends

3. Committed to building high quality businesses for sustainable performance
Nedbank Retail and Business Banking are committed to building high-quality businesses for sustainable performance

<table>
<thead>
<tr>
<th>Track record</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Insightful strategic and organisational design choices, <strong>with leadership steadfast in execution</strong>, yet agile in response to evolving market dynamics</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relevant core competencies</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Strength in core competencies required for emerging trends and long-term shaping forces</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leading organisational attributes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• High-performing organisations display 3 elements: compelling vision; clear roles and accountabilities; and a culture of trust¹</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business Banking’s <strong>commitment to its distinctive delivery model through the cycle</strong> is creating sustainable value for clients, employees and shareholders</td>
</tr>
<tr>
<td>• In 18 short months, Retail is on an <strong>accelerated path towards a client-centred business underpinned by strong risk management</strong></td>
</tr>
<tr>
<td>• Business Banking’s <strong>localised client service teams</strong> enabled through <strong>BI Portal &amp; strong regional leadership</strong> is a <strong>competitive advantage built over 7 years</strong> that is difficult to replicate. This capability enables BB to make relevant decisions and capture market share in a risk-mitigated manner</td>
</tr>
<tr>
<td>• <strong>Evolving Retail towards being client centred</strong>, while maintaining the <strong>strong product niches momentum</strong></td>
</tr>
<tr>
<td>• <strong>Consistency in risk management</strong> principles</td>
</tr>
<tr>
<td>• Nedbank Retail and Business Banking have all 3:</td>
</tr>
<tr>
<td>– compelling, clear vision and strategies</td>
</tr>
<tr>
<td>– a client-centred organisation with clear accountabilities</td>
</tr>
<tr>
<td>– a collaborative, trusting culture</td>
</tr>
<tr>
<td>• Leadership understanding of need to <strong>continually invest and grow these attributes</strong></td>
</tr>
</tbody>
</table>

- Committed to building businesses for long-term shareholder value creation and continued relevance, and remaining true and steadfast to business principles even in volatile times

---

1 McKinsey Research
Building on momentum and acceleration in 2011, Retail and Business Banking have an evolved set of imperatives for 2012 that align with strategic intent.

**Imperatives for Retail**
- Client retention and growth leveraging distinctive CVP’s
- Relationship banking (households & small business) – increase returns
- Leverage product niches for deepening client share of wallet
- Further inculcate deep risk culture in retail

**Common imperatives**
- Optimise virtuous circle of business, owner & employees
- Integrated channels to fuel growth and cost efficiencies; a leader in digital
- Area collaboration accelerating growth in key micro-markets
- Holistic business transactional offering including card acquiring
- Talent management & coaching for growth

**Imperatives for Business Banking**
- “Easy to do business” benefiting client experience and efficiencies
- Growth (increased effectiveness; smaller businesses)
- Sustain quality risk management practices
These imperatives are summarised into 3 key themes for execution

**Themes for action**

**Choice of distinctive client-centred banking experiences**

**Collaborate and innovate for growth**

**Optimise cost, and manage risk effectively**

---

**Progress in next 12 months**

- Deepening share of wallet through distinctive CVPs and delivery models across individual and business clients
- Enhanced customer and people management practices underpinning client satisfaction
- Investing R400m\(^1\) in product and channel innovations (e.g. liabs, outlets and digital) for enhanced client experience
- Collaborative investment in selected area growth nodes, to unlock new opportunities
- Leveraging the ‘virtuous circle’ of the influencer; between entrepreneur and households, and businesses and their employees
- Integrated channels strategy enabling R600m\(^1\) in cost efficiencies
- Quality new business origination in keeping with desired risk appetite & target range
- Strong collections focus

---

\(^1\) On a run rate basis in Year 4
Nedbank Retail and Business Banking are uniquely positioned to generate shareholder value in a lower growth, lower interest rate environment.

### Distinctive strategies

- **STRATEGIC INTENT**
  - Delivering a choice of distinctive client-centred banking experiences that build strong, enduring relationships with Nedbank.
  - Delivering growth and sustainable shareholder returns through effective allocation of scarce resources.

### Uniquely positioned for macro economy & trends

- A skilled leadership team with a track record of delivery.
- A distinctive position leveraging key trends.
- Committed to building high quality businesses for sustainable performance.

### Diligence in execution of imperatives

- Choice of distinctive client-centred banking experiences.
- Collaborate and innovate for growth.
- Optimise cost, and manage risk effectively.
Delivery for our stakeholders will be achieved through diligence

Diligence is a learnable skill

Diligence combines:
creative persistence,
a smart-working effort
rightly planned and rightly performed
in a timely, efficient and effective manner
to attain a result that is pure and of the
highest quality of excellence.

Steven K. Scott

MAKE THINGS HAPPEN

NEDBANK

A Member of the OLD MUTUAL Group
Executive summary

• Clearly defined Retail & Business Banking (BB) strategy in place to contribute to Group delivering its medium term targets, specifically:
  − Sustaining the consistent strong financial performance and **accelerating the momentum in BB** to become the leader in business banking for South Africa;
  − **Implementing the client-centred Retail strategy** to chart a new path to sustainable profitable growth;
  − **Integrating Imperial Bank seamlessly** while maintaining a >30% retail motor market share with improved returns; and
  − Through collaboration, **unlocking opportunities across BB & Retail** to address duplication and to benefit our client and employee experiences, while capturing new avenues of growth.

• Excellent progress evidenced at half year 2011, with Retail and BB **delivering a good financial performance, more than doubling headline earnings to R1.3bn. NIR grew strongly at 18% to R4.1bn, and impairments improved, reducing by 22.2% even after further strengthening portfolio impairments by R233m. BB continued to produce quality earnings & high ROEs for 7 successive years.

• **While the strategy to re-build the client franchise in Nedbank Retail will take time, the results are testimony to the effectiveness of strategic choices and speed of execution.** Business Banking is working closely with Retail to leverage the strong market position and banking relationships we have with businesses to provide enhanced banking solutions for the benefit of clients of both clusters. Our positioning in markets with **attractive economics** has been enhanced **by adopting discerning strategies** which harness Nedbank’s unique strengths for the **trends shaping the industry and society we serve.**

• **By collaborating across the clusters**, growth prospects are enhanced through leveraging existing client relationships, better aligning the client offering to **create a seamless Nedbank experience** and **optimising distribution to grow at area level** across South Africa.

• **We will continue to invest in our 20,000 people** and provide them with **meaningful careers** as we drive cohesively towards **transforming Retail for the benefit of our clients and the communities we serve**, while also **delivering on our aspiration to be the leader in business banking for SA.**
As synthesis, we believe that both Business Banking and Retail banking have strong drivers of financial performance going forward (1/2) - BB

<table>
<thead>
<tr>
<th>Income statement</th>
<th>Key drivers of financial performance – Business Banking</th>
</tr>
</thead>
</table>
| NII (Assets)     | ▪ **Successfully widened asset margin**, maintaining prior years’ gains in a competitive market  
                   ▪ Asset volume growth remaining challenging, with low client appetite for expansion or investment in the current economic environment |
| NII (Liabilities)| ▪ **Overall strong deposit business**; leadership position in funds administration; **holistic approach to investment management**; net provider of surplus deposits to Group  
                   ▪ Attractive current account creditor balances from primary banked clients  
                   ▪ Product innovation key to attract new funds, eg. working capital optimiser & holistic cash management |
| NIR              | ▪ Client activity influenced by challenging economic climate, with over a third of clients transacting less  
                   ▪ Highly dependent on primary banked client **acquisition & cross-sell** of NIR rich products, including card acquiring; **Disciplined fee collection** embedded through automation  
                   ▪ Focus on **NIR product innovation** (Cash & Electronic Banking) and sales force productivity |
| Impairments      | ▪ **Rigorous credit risk management & collection process evidenced in impairments contained** within or better than the TTC target range for the 7th successive year; level of balance sheet impairments reflective of inherent credit risk and quality of portfolio  
                   ▪ Should perform well in **rising rate cycle** given effective risk management |
| Expenses         | ▪ **Costs tightly managed** for several years in view of rapidly declining interest rate environment (650bp)  
                   ▪ Investing for growth through **IT enablement** and **re-deployment of staff** into revenue generating roles  
                   ▪ **Efficiency gains** and **close collaboration** with Retail will avoid duplication and maximise re-use / sharing of cost base |
| Capital          | ▪ **Optimal capital allocation**, following completion of initiatives to release total **R1.2bn of capital during 2009 & 2010** |
| HE, EP & ROE     | ▪ Consistently **strong Economic Profit (EP)** contributor & high returns on capital  
                   ▪ **100bp** rise in interest rates translates to ~**R110m increase** in HE & EP and 2.9% points higher ROE |

Source: OM’s SA Business’s investor presentation – August 2011
As synthesis, we believe that both Business Banking and Retail banking have strong drivers of financial performance going forward (2/2) - Retail

<table>
<thead>
<tr>
<th>Income statement</th>
<th>Key drivers of financial performance – Retail Banking</th>
</tr>
</thead>
</table>
| NII (Assets)     | - Unsecured lending to grow faster than secured lending; selective origination in home loans, with **emphasis on unlocking profitable primary banked client relationships**, ~30% of Nedbank Group home loans relate to poor ‘07/’08 vintages which cannot be re-priced  
- Affordability calculations and credit granting taking rising interest rate pattern into consideration  
- **Retain or improve market share for retail term deposits**  
- Increased household deposits share, especially in “lazy deposits” aided by increased number of clients  
- Clients using their surplus cash to deleverage, therefore market growing more slowly |
| NII (Liabilities) | **Increasing customer numbers**, due to changing demographics and effective CVP’s  
- **Focus on converting non-primary relationships to primary banked customers over time** (challenging to shift market share markedly in short term) |
| NIR              |  
- Strong focus on **collections and client rehabilitations** to **reduce non performing loans**  
- Operating at upper end or outside of target range of 1.5% – 2.2%. Sensitive to portfolio mix effect as proportion of home loans within the overall advance portfolio reduces  
- **~50% of future home loans impairments impacted by poor ’07/’08 vintages**  
- Strengthened **risk capability and greater alignment of risk** granting methodologies across Retail  
- Opportunities to **unlock operating cost efficiencies, particularly IT enabled BPR and channels**, while investing in **growing physical distribution** in area growth nodes (including increased branch presence for Retail Relationship Banking) |
| Impairments      |  
- Opportunity to **optimise capital over time e.g.** moving to advanced approach for MFC |
| Expenses         | **Charting a new path to sustainable, profitable growth to deliver returns above cost of equity in 3-4 years**  
- Initial benefits from rising interest rate pattern become more muted as impairments rise |
| Capital          | |

Source: OM’s SA Buisiness’s investor presentation – August 2011
About this booklet
This report is printed on Sappi Triple Green – a paper grade manufactured according to three environmental pillars: a minimum of 60% of the pulp used in the production of this paper is sugar cane fibre, which is the material remaining after raw sugar has been extracted from sugar cane; the bleaching process is elemental chlorine-free; and the remaining pulp used in the production process comprises wood fibre which is obtained from sustainable and internationally certified afforestation; using independently audited chains of custody.