



MAKE THINGS HAPPEN

**NEDBANK**  
GROUP

**The quest for positive "jaws"**

- Key goal in long-term value creation
- History of Nedbank Group “jaws” ratio
- “Fix-it” phase
- “Consolidate” phase
- “Grow-it” phase
- In summary



## *Maximise ROE less cost of equity in a sustainable way*

**Maximise risk-adjusted  
return on capital  
(RAROC) minus cost of  
equity**

- Under Basel I return on risk weighted assets (RWA) a proxy for RAROC
- Under Basel II measurement of RAROC becomes more accurate
- Economic capital measurement most appropriate

**Together with capital management drives  
ROE**

**Short-term goal: achieve 20% ROE in 2007**

**Long-term goal: maximise RAROC - cost of equity & growth**

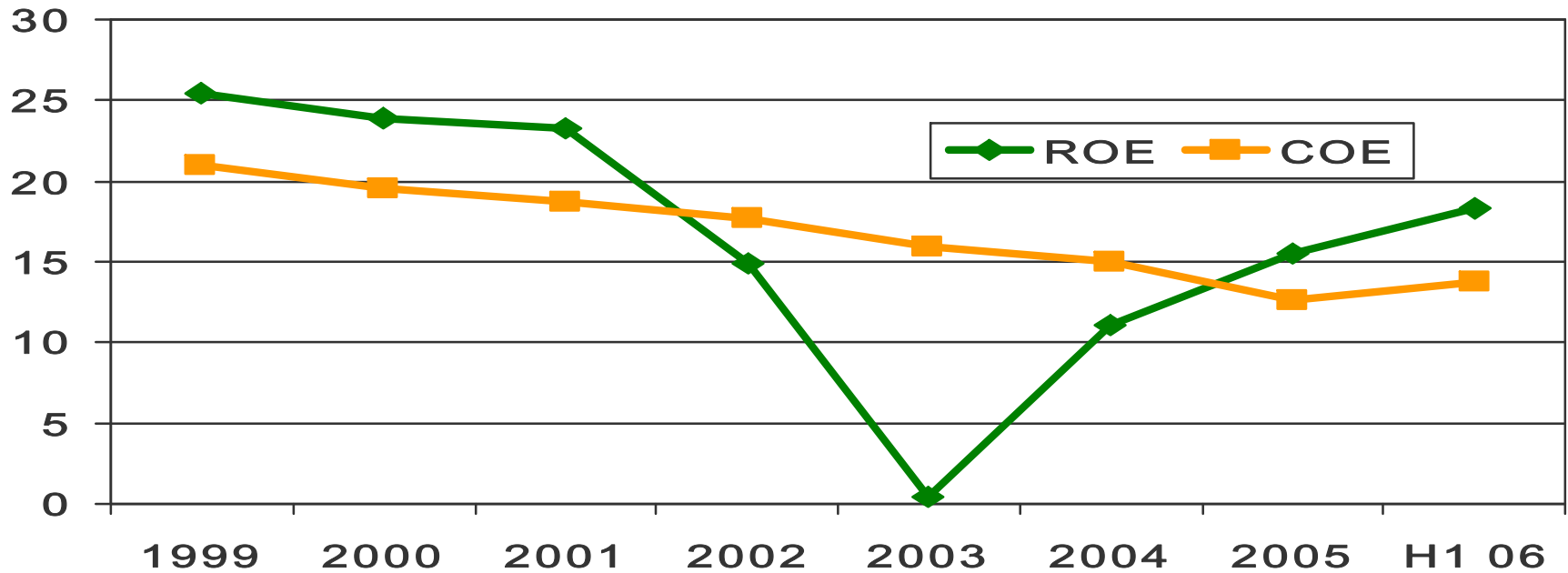
# ROE drivers – du Pont type analysis



% - year / period ended	2001	2002	2003	2004	2005	H1 06
NII / IEA	3,07	2,95	2,95	3,18	3,55	3,88
Impairments / IEA	0,99	0,53	0,89	0,54	0,49	0,62
NIR / IEA	3,87	2,78	2,83	3,61	3,58	3,54
Expenses / IEA	3,36	3,75	4,48	4,87	4,64	4,25
Efficiency ratio	48,44	65,38	77,51	71,76	65,10	57,28
IEA / Total assets	67,28	68,16	72,40	70,14	70,64	71,06
Return on total assets	1,45	0,83	0,02	0,55	0,93	1,15
Gearing	15,69	17,80	22,21	20,13	16,60	15,88
ROE	23,25	14,86	0,39	11,04	15,51	18,29

*Focus on “jaws” to increase ROA as currently the most important ratio to enable Nedbank Group to improve ROE*

# ROE over cost of equity

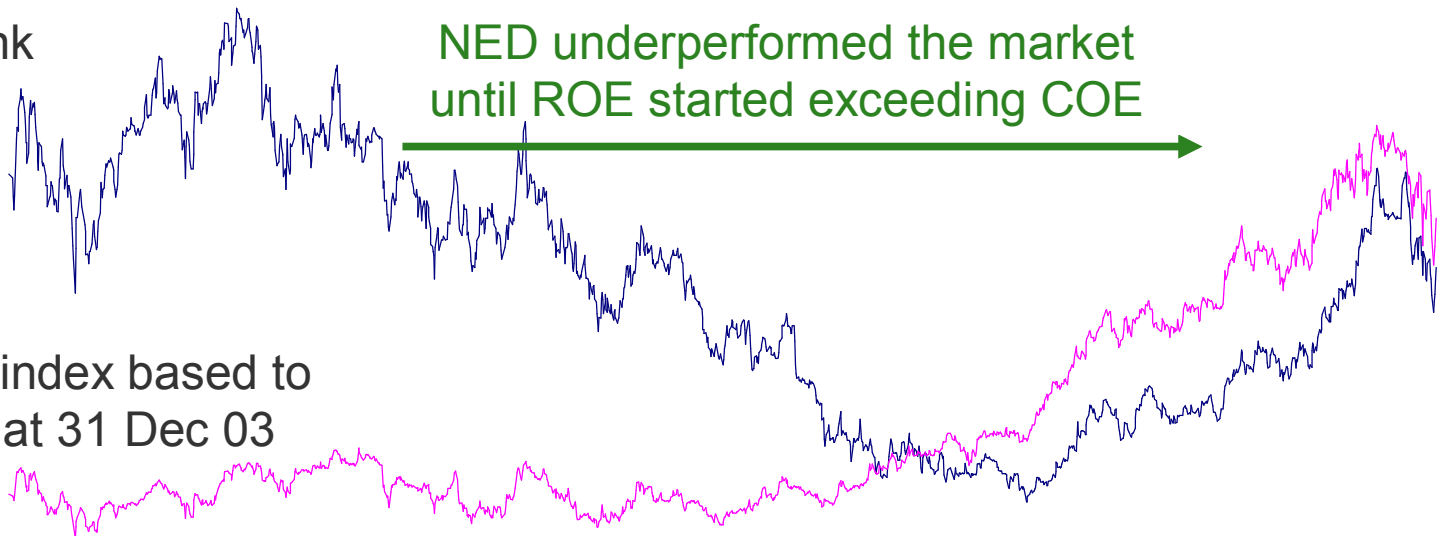


Nedbank  
share  
price

NED underperformed the market  
until ROE started exceeding COE



Banks index based to  
NED at 31 Dec 03



# Profitability trend – other big 3 banks



%	2001	2003	2005
Revenue / RWA	9,76	10,30	10,4
Expenses / RWA	5,73	6,01	5,92
“Jaws”	0,84	3,11	
Impairments / RWA	1,04	0,79	0,52
Return on RWA	2,16	2,44	2,74
ROA	1,51	1,51	1,62
Gearing	14,58	15,69	16,61
ROE	21,9	23,5	26,7

# Profitability trend – Nedbank Group



%	2001	2003	2005	H1 06
Revenue / RWA	8,03	6,33	7,82	8,35
Expenses / RWA	3,89	4,91	5,09	(4,79)
“Jaws”		(52,25)	20,56	13,61
Impairments / RWA	1,14	0,98	0,54	(0,70)
Return on RWA	2,55	0,03	1,44	
ROA	1,48	0,02	0,93	1,15
Gearing	15,69	22,21	16,66	15,88
ROE	23,1	0,4	15,5	18,3

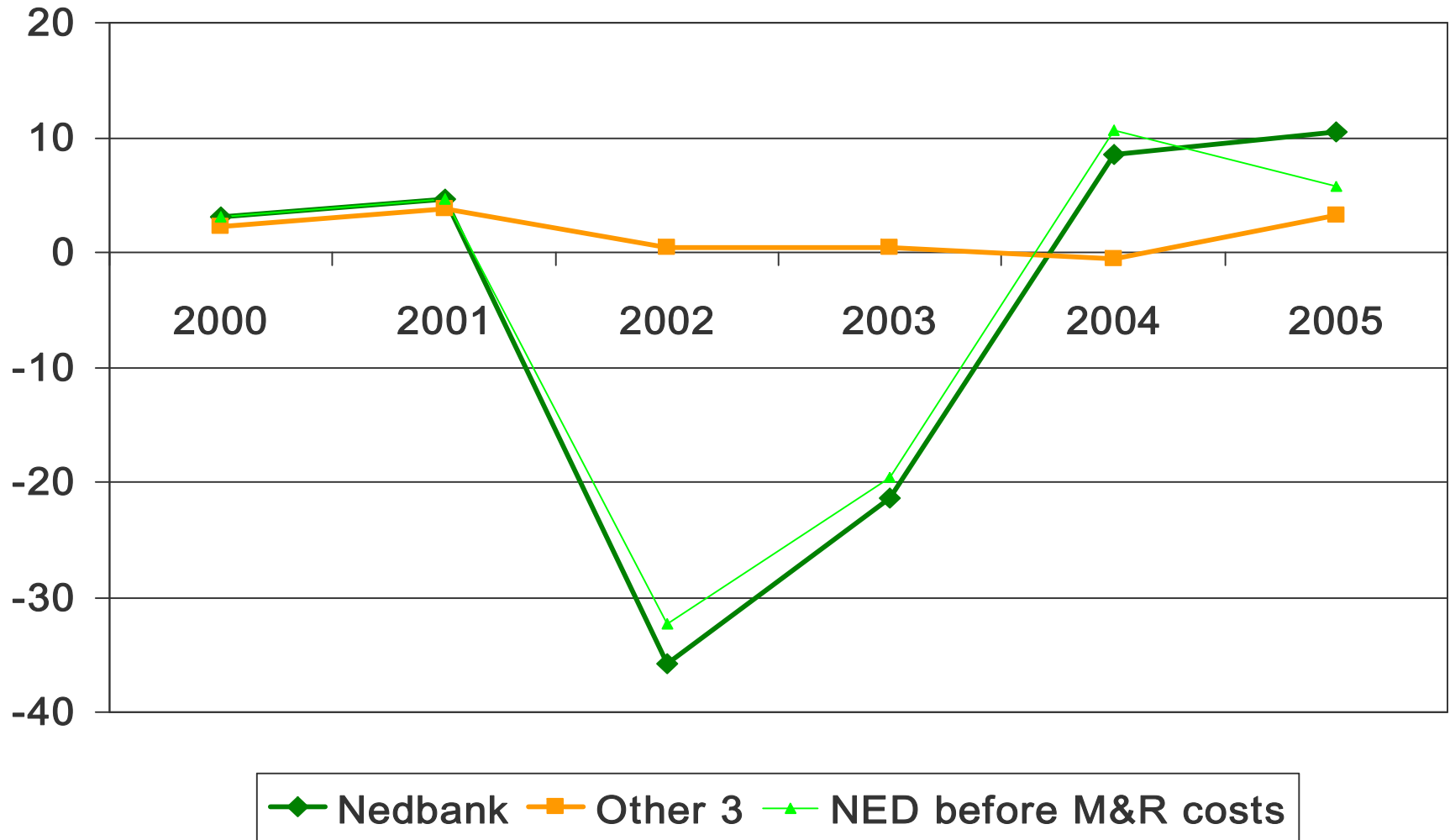
“FIX IT” phase

Now “GROW IT”

# “Jaws” ratio



*YoY income growth ahead / (behind) expense growth*





2003:

ROE	0,38%
Efficiency ratio	77,51%
CAR	10,00%

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Insufficient capital

Clear accountability

Complex structure

Interest rate & FX risk

Operational efficiency

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Exacerbated by merger



Set targets for 2007

- ROE of 20%
- Efficiency ratio of 55%

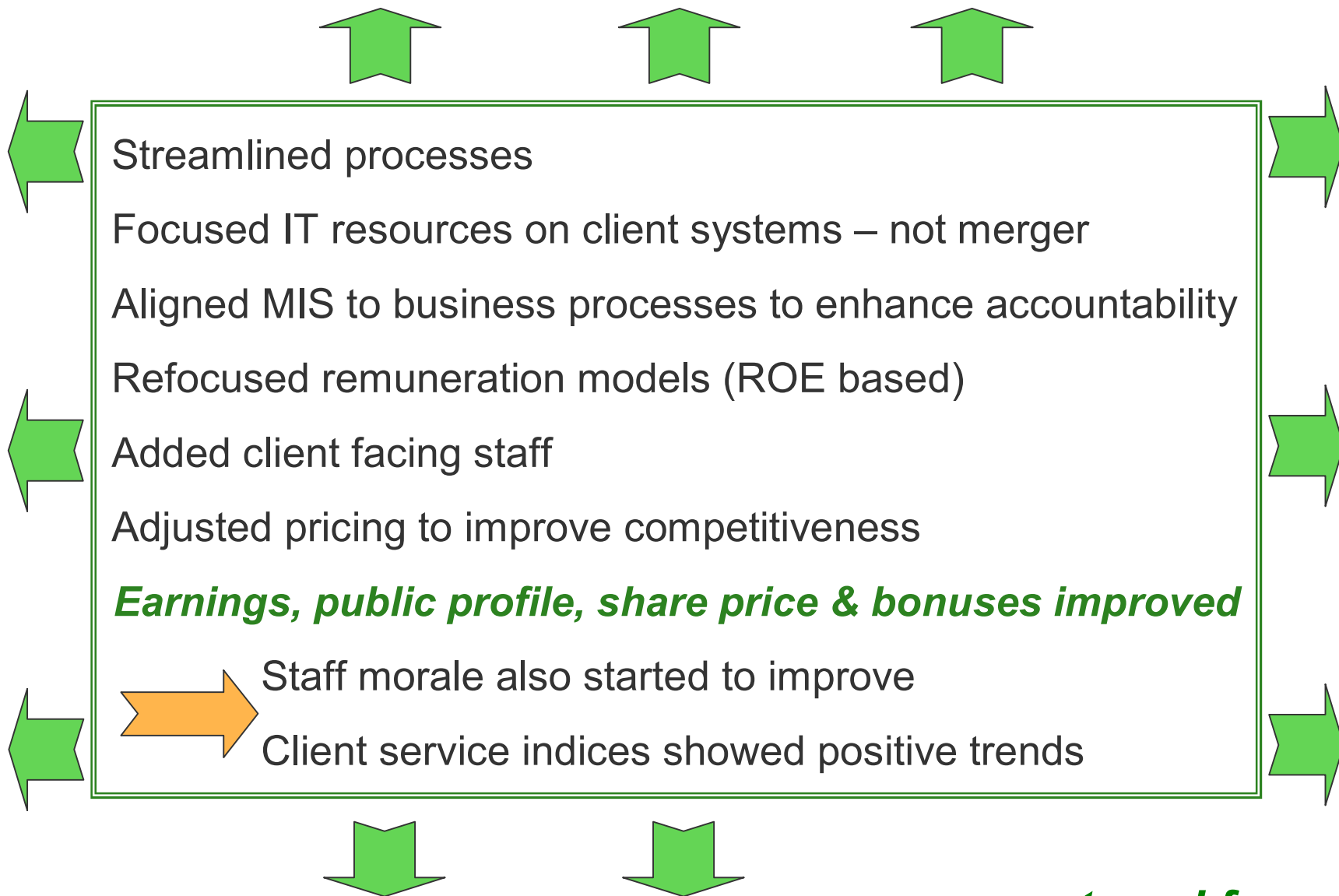
“Jaws” ratio of 9%  
(with 2003 as a base)  
a means to achieve  
efficiency target



- Appointed new EXCO team
- Raised new capital – created capital management unit
- Staff retrenchments – primarily back office
- Completed the merger
- Operational reorganisation – moved staff out of T&O
- Reduced brands & JVs
- Sold non-core assets
- Defined scope of ALCO & Executive Risk Committee
  - Repatriated excess offshore capital
  - Reduced interest rate risk
  - Rebuilt positive endowment
- Initiated closer working relationship with Old Mutual

# “FIX-IT” phase outcomes







Primary focus on revenue growth initiatives

*With particular focus on staff morale, client systems & customer service*

But, continued focus on cost management

*While allowing investment & expending into identified long-term growth areas*

Leading to a positive “jaws” ratio

+

Active credit risk management

=

Improving ROA

+

Active capital management

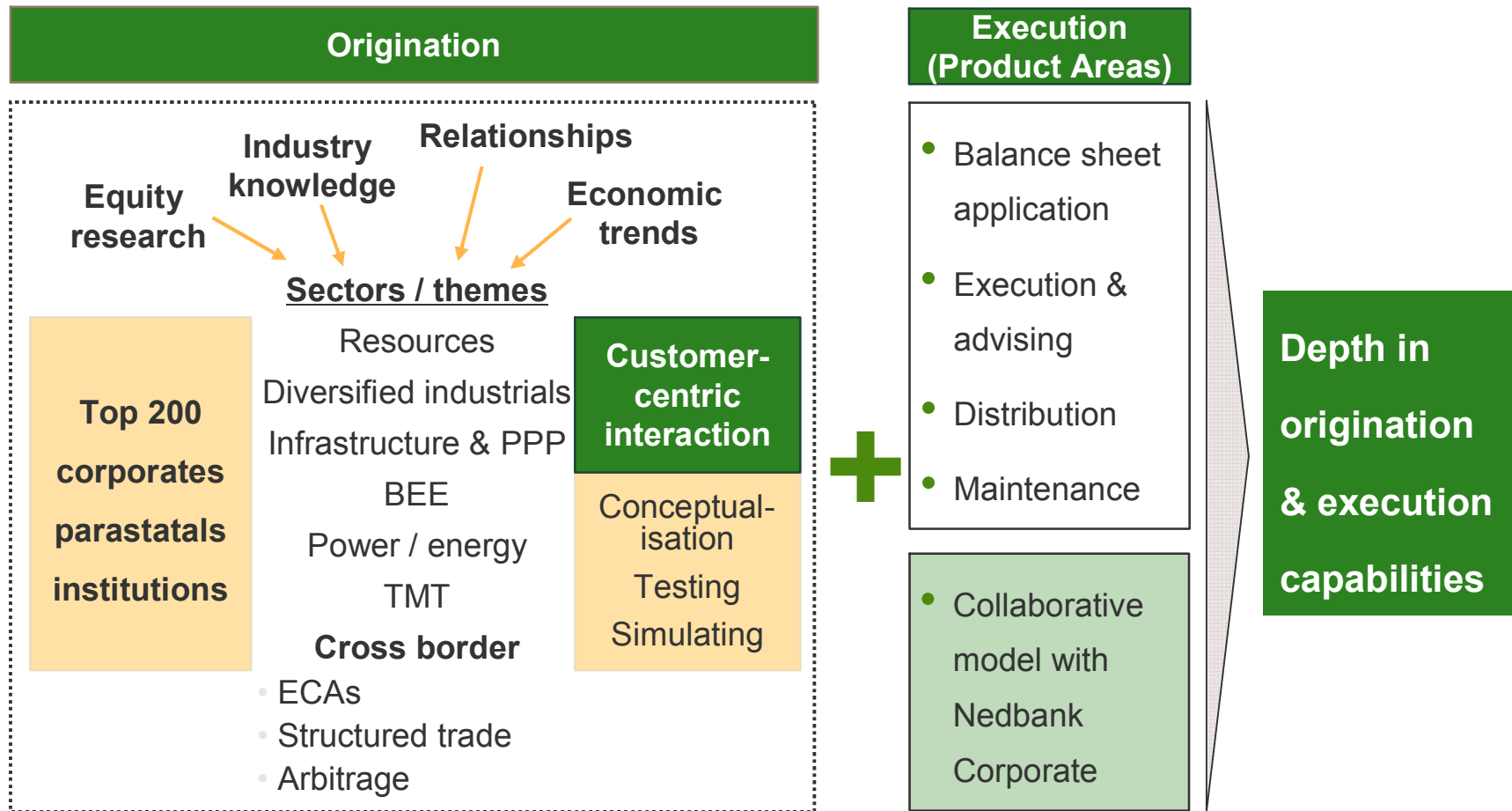
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Improving ROE

# “GROW-IT” phase - integrated investment bank



An integrated investment banking business model → providing comprehensive solutions to clients, leveraging market-leading service & research capabilities





## Nedbank Capital

- Improve trading
- Public sector focus
- Increase deal pipeline from the African continent
- London trading initiative
- Equity underwriting & placing
- Leverage BEE deal
- Forex pick-up
- Interest rate derivative sales

# Nedbank Capital progress to date



	H1 05	2005	H1 06
Efficiency ratio (%)	44,8	44,5	43,0
Headline earnings (Rm)	427	971	576
ROA (%)	1,2	1,2	1,1
ROE (%)	26,9	27,9	30,6

***... continued strong ROE***





## Nedbank Corporate

### Business Banking

- Performance focus improving service:
  - Decentralised accountability
  - Refined roles & responsibilities
- Effective expense control

### Corporate Banking

- Improving primary banker profile
- Strong pipeline

- Brand awareness improving
- Increased sales capacity
- Corporate BEE scheme
- Transactional banking
  - Roll-out of improved electronic channel
  - Continued development of products & solutions
- Client retention & cross-sell



## Nedbank Corporate

### Property Finance

- Maintain strong market position
- Developing mid-market
- Rebuilding investment portfolio

- Brand awareness improving
- Corporate BEE scheme
- Client retention & cross-sell

### Africa

- Building capacity
- Growing existing businesses
- Will consider selective acquisitions

# Nedbank Corporate progress to date



	H1 05	2005	H1 06
Efficiency ratio (%)	53,9	54,7	48,7
Headline earnings (Rm)	885	1 894	1 214
ROA (%)	1,4	1,5	1,8
ROE (%)	18,2	18,9	22,0

**... ROE now over 20%**



## Nedbank Retail

- Home loan growth close to market levels
- Card performing well
  - Acquiring market share stable
  - SAA co-brand tender won
  - Targeting 25% asset growth
- Segmentation approach overhauled
- Bancassurance - pleasing growth & group support
- Building branch sales strategy & capability
- Continued expansion of personal loans business
- Building primary clients



## ● Pricing

- R100 m (annualised) invested in 2006 transactional price cuts
- More competitive fixed deposit & savings account pricing
- Risk based pricing refined – enabled average 20bps reduction in new home loan rates in May 2006
- **But** - pressure on fees likely to remain

## ● Sales

- Increase of over 1 000 sales staff - last 18 months
- Expanded direct activities & leads management

## ● Distribution

- Step change in upgrading & extending distribution 2006 - 2008

# Nedbank Retail progress to date



	H1 05	2005	H1 06
Efficiency ratio (%)	71,0	71,7	65,0
Headline earnings (Rm)	419	896	711
ROA (%)	1,0	1,0	1,4
ROE (%)	17,5	17,6	24,2

***... significant improvement in ROE***

# R1 billion in distribution



- May refine as needs arise
- Focus - Retail & Corporate
- Approx 40% new
- EPS - no material impact
- Self funding by 2009

## Includes:

- Certain system upgrades
- ATM / SST / POS upgrades & replacements
- Branches
- Personal loans branches
- OMB in OMSTA
- Nedbank in retailers
- Merchant kiosks

*Focus primarily on main metropolitan & high density urban areas*

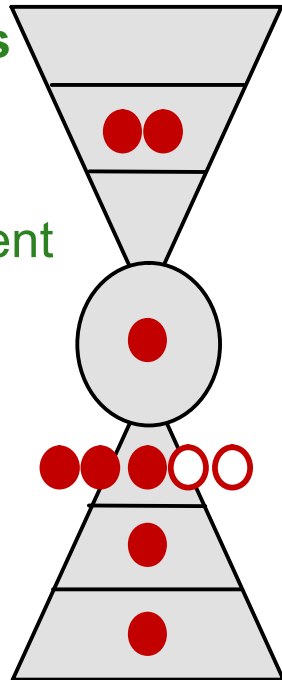
# “GROW-IT” phase - Barrett Survey results



## Survey results – top 10 values as perceived by staff

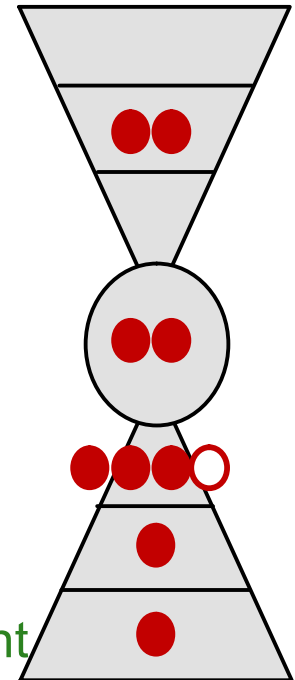
2005

1. **cost-consciousness**
2. profit
3. **accountability**
4. community involvement
5. **client-driven**
6. **process-driven**
7. **bureaucracy**
8. results orientation
9. **client satisfaction**
10. **silos mentality**



2006

1. **cost-consciousness**
2. **accountability**
3. **client-driven**
4. **client satisfaction**
5. results orientation
6. performance driven
7. profit
8. **bureaucracy**
9. **teamwork**
10. community involvement



Positive trend

... goal to be employer of choice

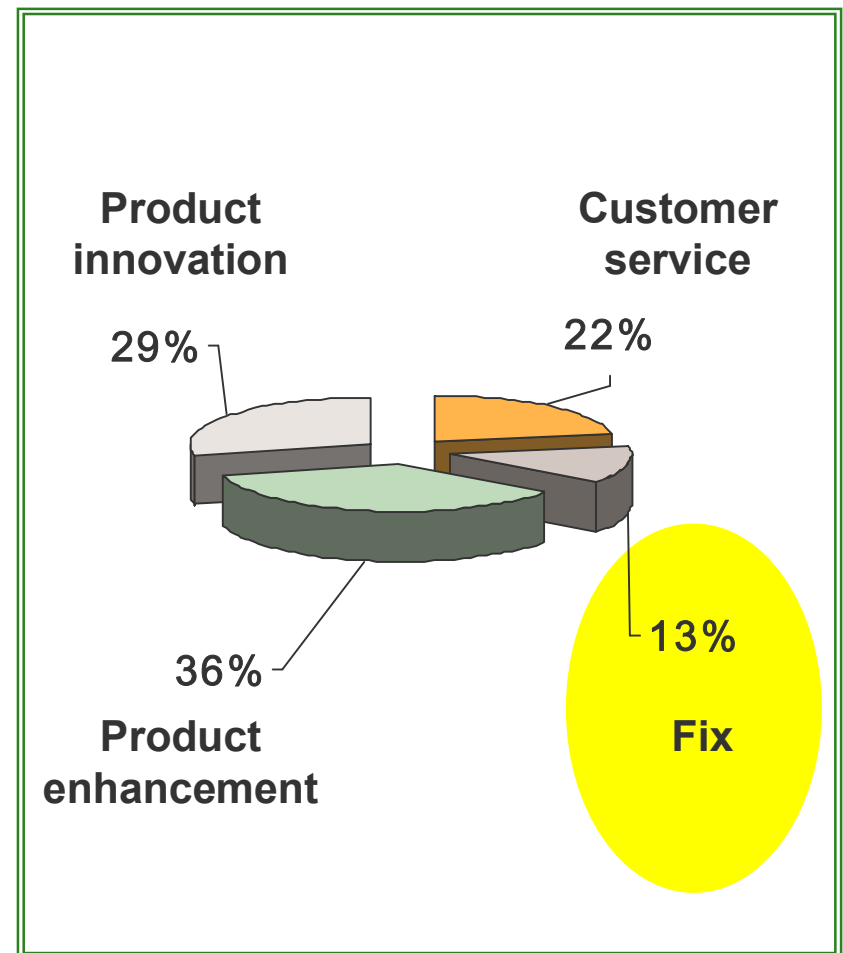
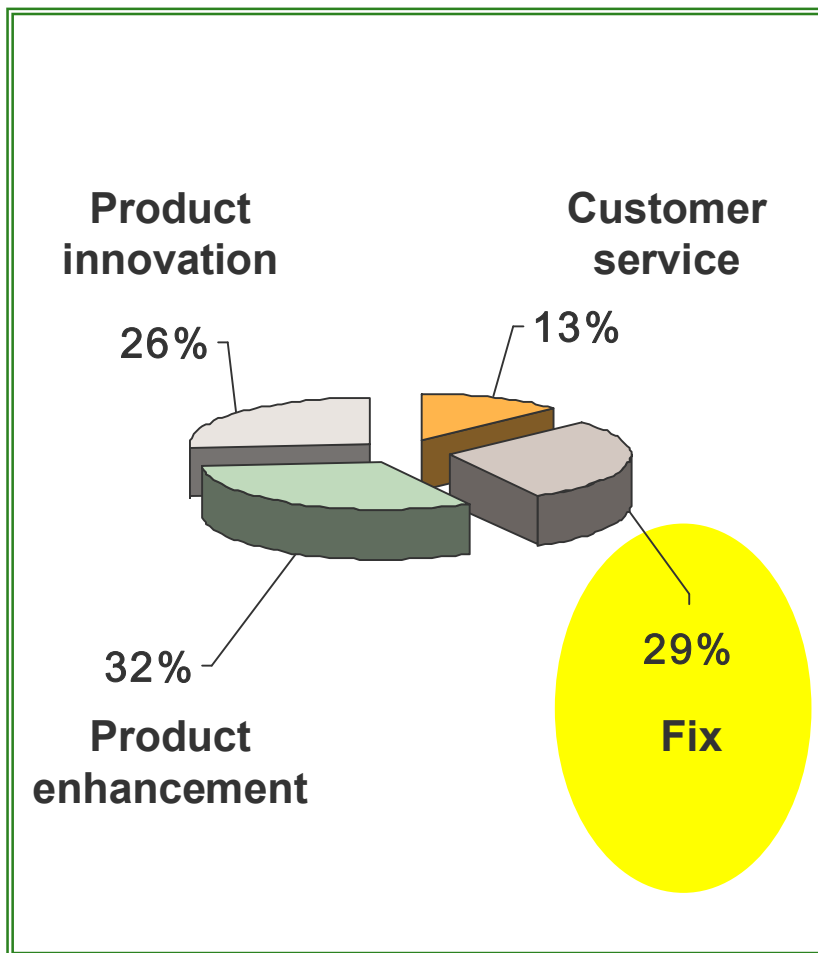


# “GROW-IT” phase - IT resource allocation



September 2005

September 2006



# “GROW-IT” phase - Branding



Nedbank's "share of voice" for 2006 has remained at a steady 20%

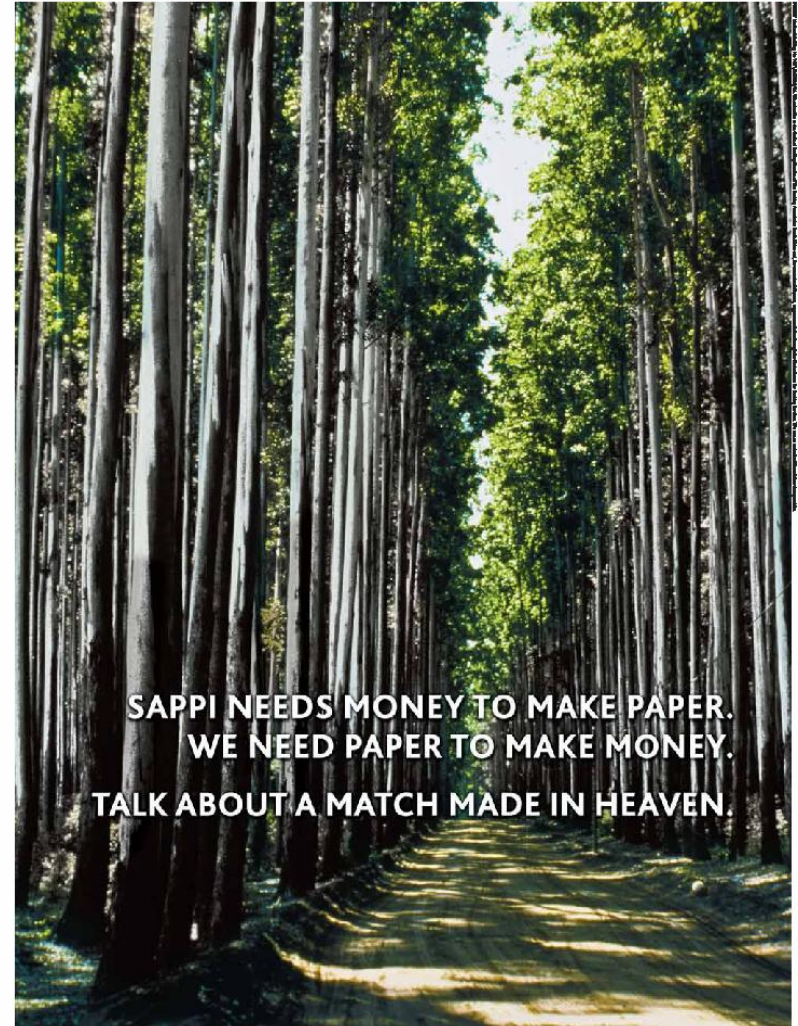


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TALK ABOUT A MATCH MADE IN HEAVEN.

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Financial performance remains on track

Strong capital base with ongoing capital management

Morale continues to improve

Outwardly focused

Investing for the future

*Continued improvement of  
ROE, RAROC & earnings growth*

## 2007 targets

Efficiency ratio	55%
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ROE	20%
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Building for sustainable  
growth



MAKE THINGS HAPPEN

***“There is no miracle moment.  
Small incremental wins in  
one common direction will  
restore Nedbank Group to a  
highly rated & respected  
financial institution.”***



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Questions?



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Thank you