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A division of  **NEDBANK**

Vehicle finance & the South African consumer

Trevor Browse, Managing Executive: Motor Finance Corporation

October 2014

A Member of the  **OLDMUTUAL** Group

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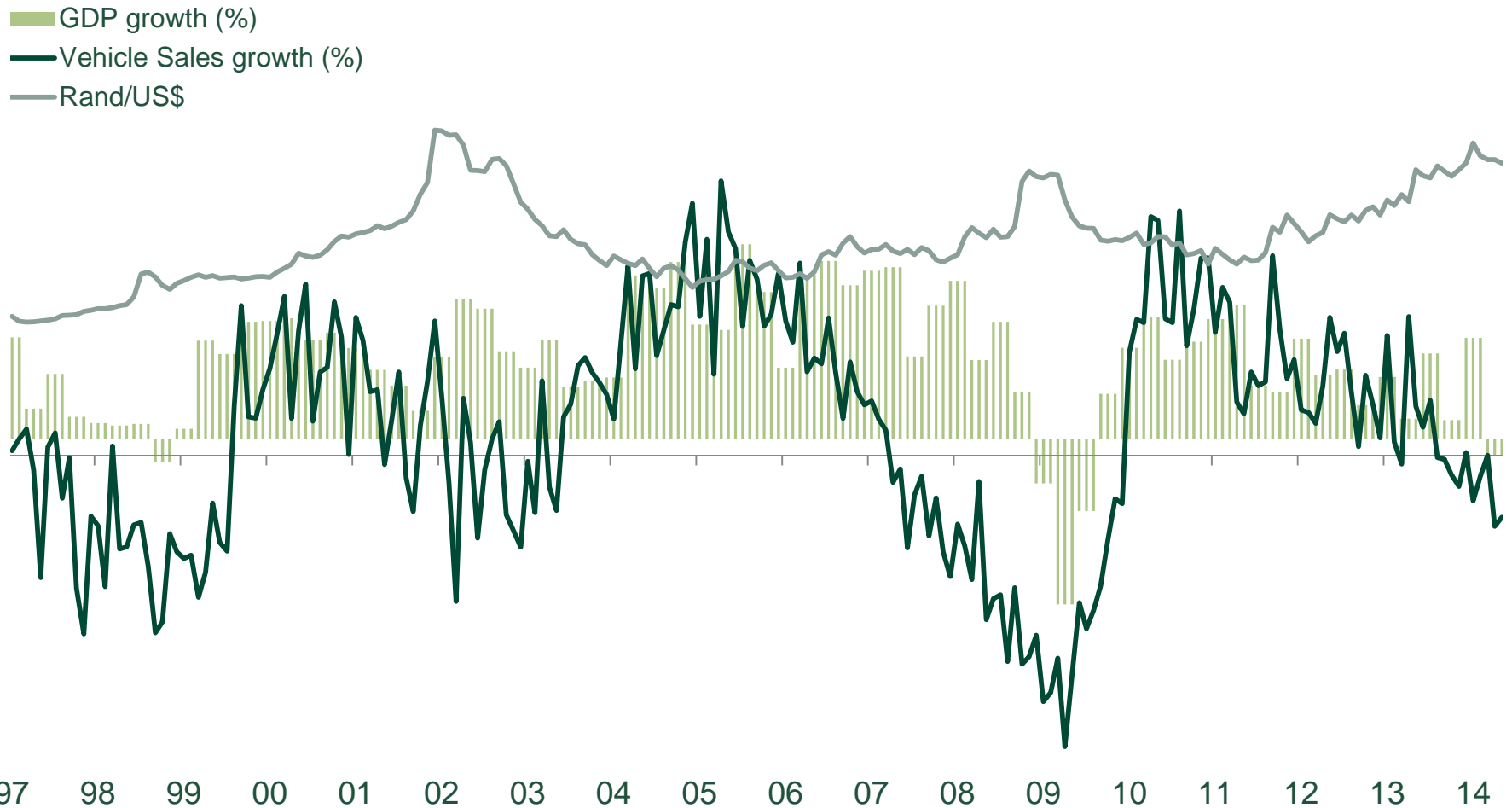
**MACRO-ECONOMIC
ENVIRONMENT**

Vehicle sales - impact of macro environment

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Strong correlation between passenger vehicle sales, GDP & R/US\$ exchange rate



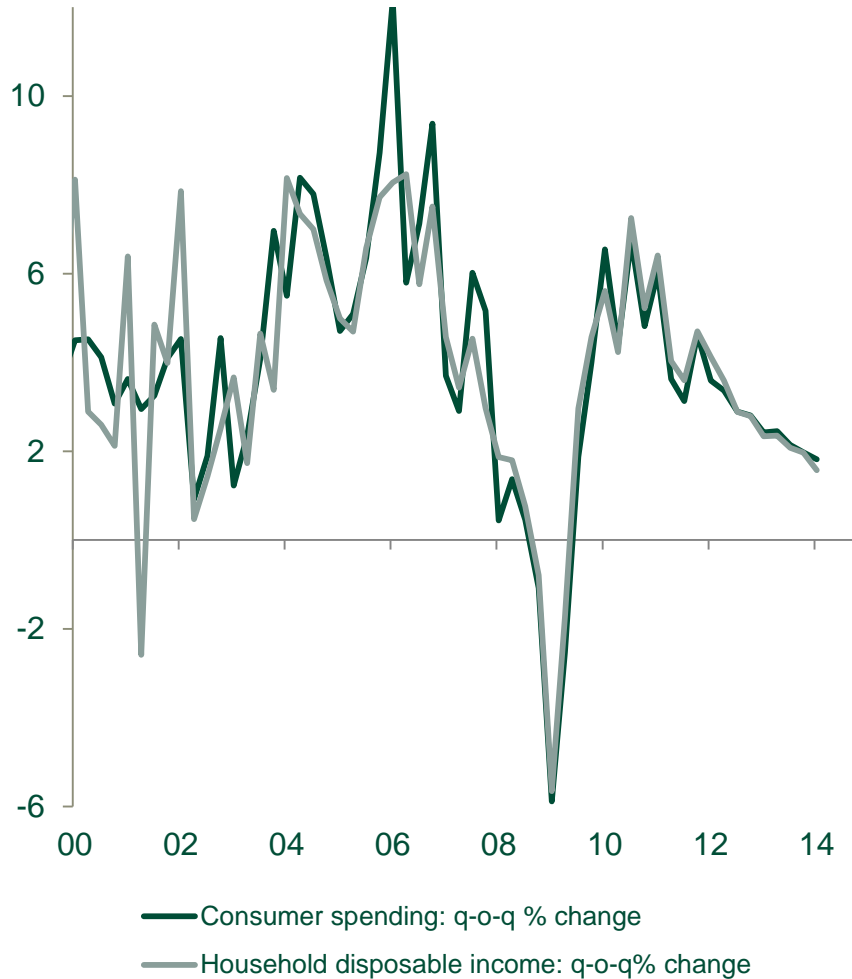
Source: Nedbank Group Economic Unit

Consumer health & credit demand

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Consumers remain under pressure



Credit demand by financing category

Credit growth (%)



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VEHICLE FINANCE INDUSTRY TRENDS

Vehicle finance – consumer affordability & the increase in number of “finance schemes”

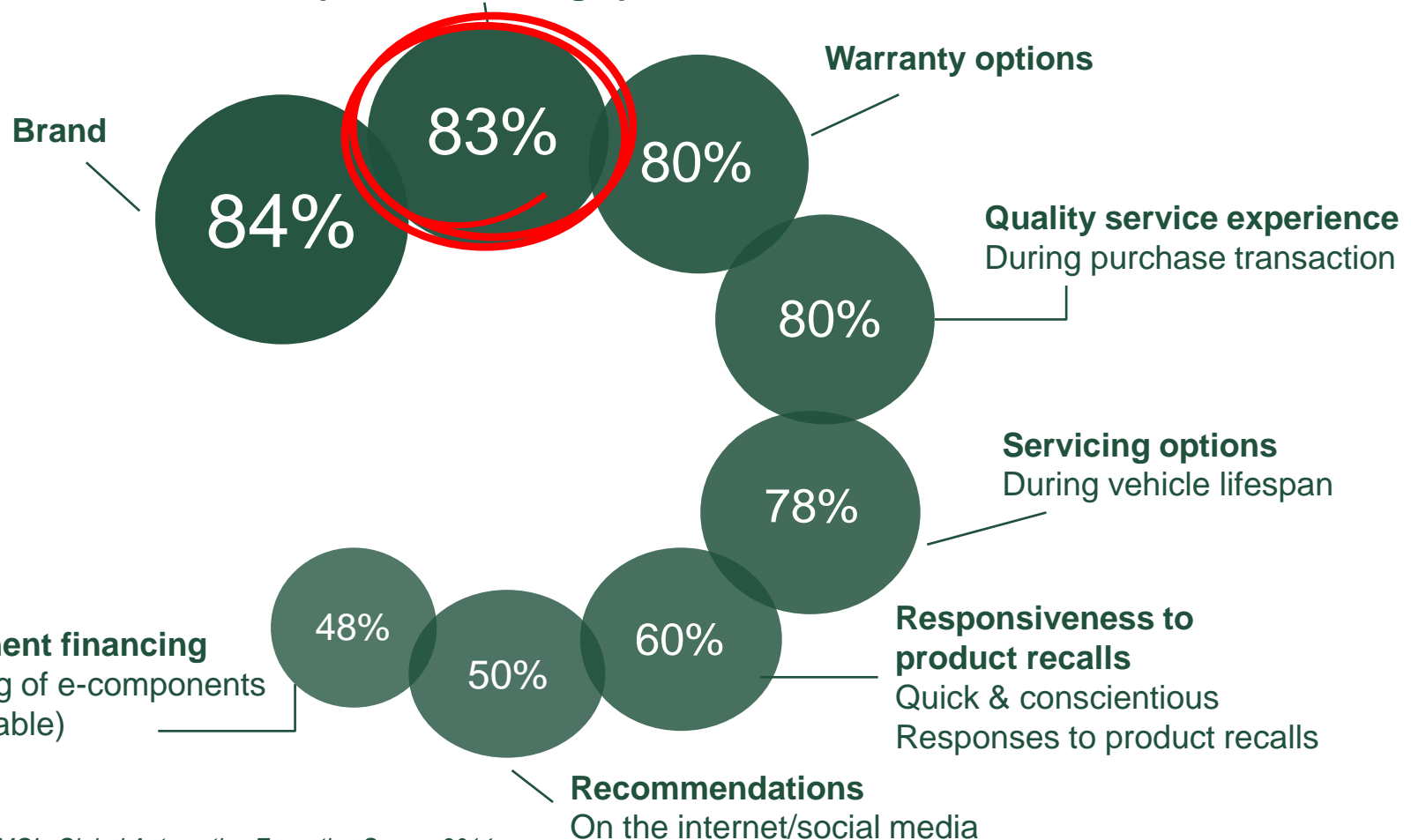
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Factors influencing consumer’s purchasing decisions

Percentage of respondents that rated each topic as “extremely important” or ‘very important’

Competitive financing options



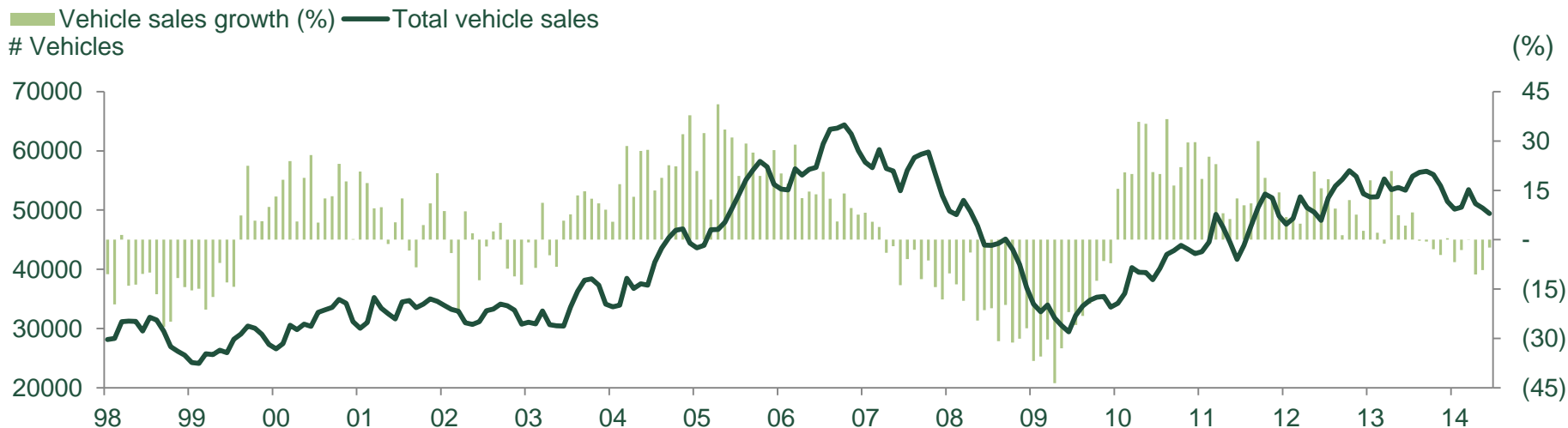
Source: KPMG’s Global Automotive Executive Survey 2014

New vehicle sales under pressure for the foreseeable future

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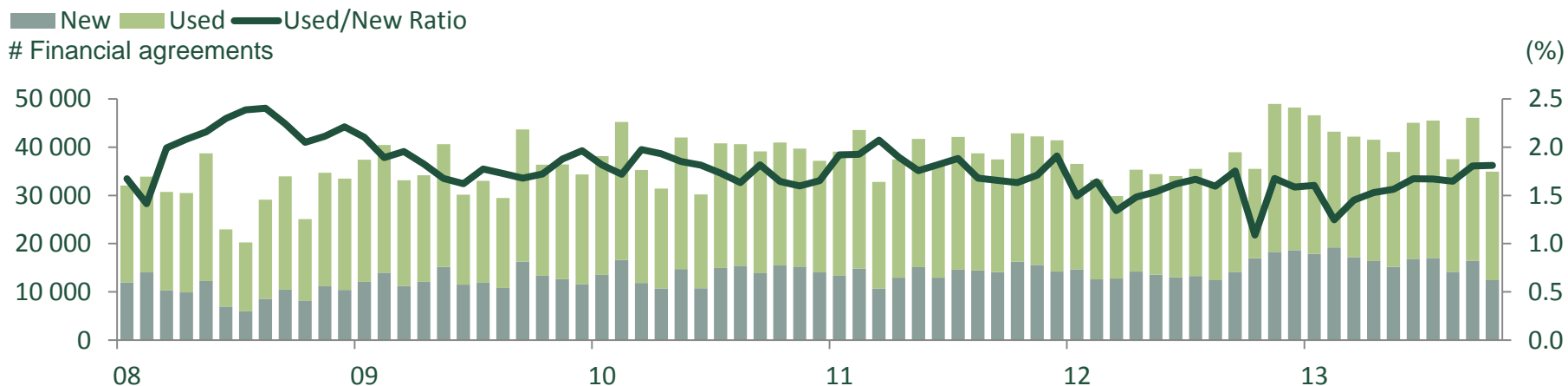


New vehicles sales similar to 2008 levels



Source: Nedbank Group Economic Unit

Used car finance should not be underestimated



Source: TransUnion Credit Bureau

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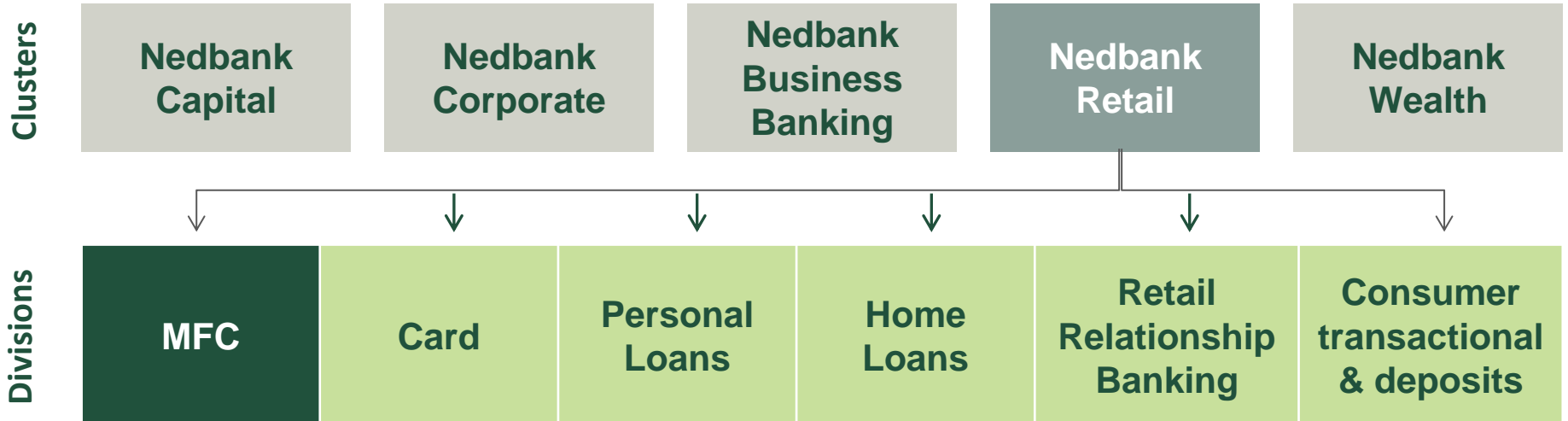


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MFC OVERVIEW & STRATEGY

MFC's positioning in the Nedbank Group

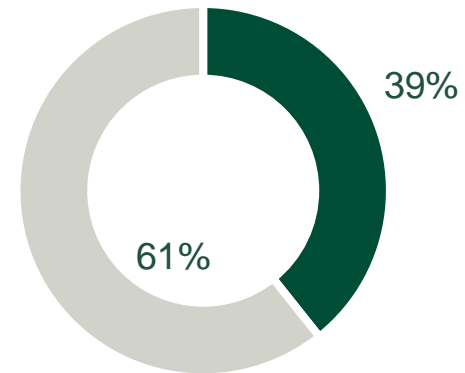
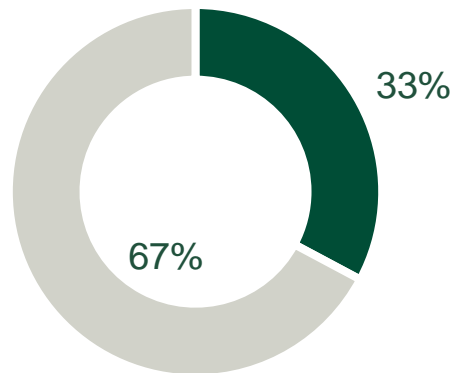
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June 2014

Assets

Headline earnings



Financial metrics

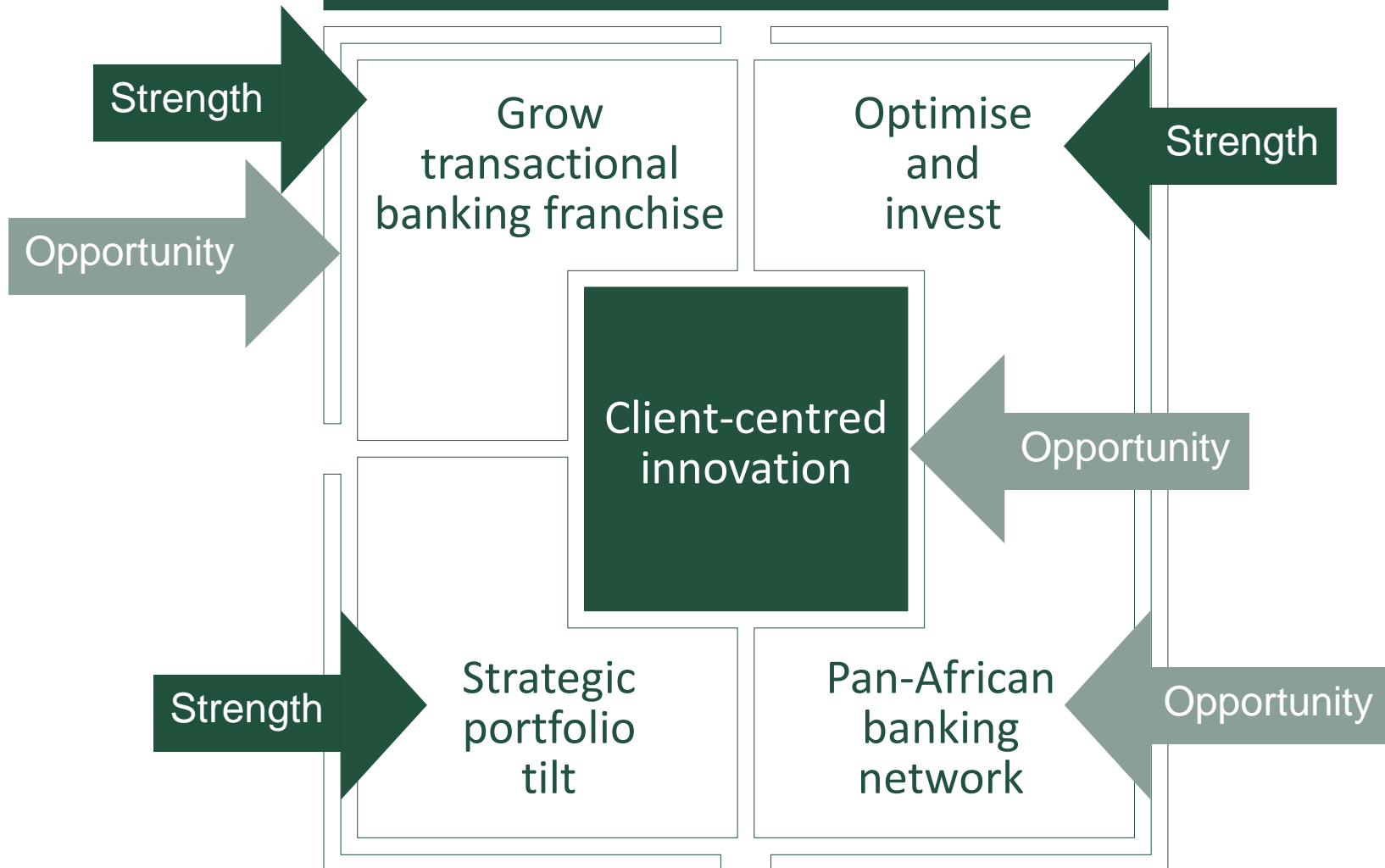
- MFC
- Rest of Retail

MFC aligned to Group strategic focus areas

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TO BE AFRICA'S MOST ADMIRABLE BANK



Strong relationships with motor dealerships, MFC's primary channel, supports client growth

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Motor dealership relationships

Sustainable alliances with larger motor groups

- MFC Exco
- Head of sales
- Provincial Managers

Regular tactical collaboration with dealer partners

- 7 Provincial Managers
- 22 Regional Managers

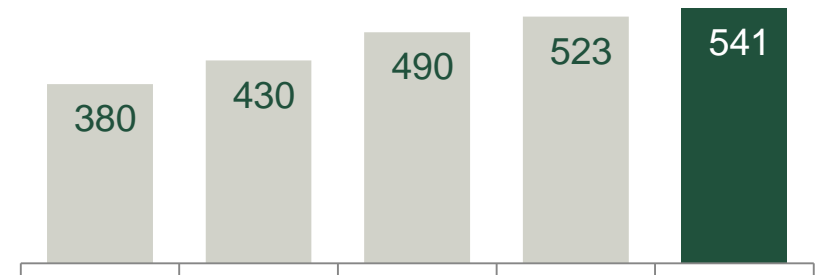
Meeting the motor dealer's day to day needs

- 160 Dealer Relationship Managers
- 280 Credit Hub staff
- 230 Aftercare staff

MFC's dedicated motor dealer service structure results in fast turnaround, swift escalation, resolution & access to decision-makers

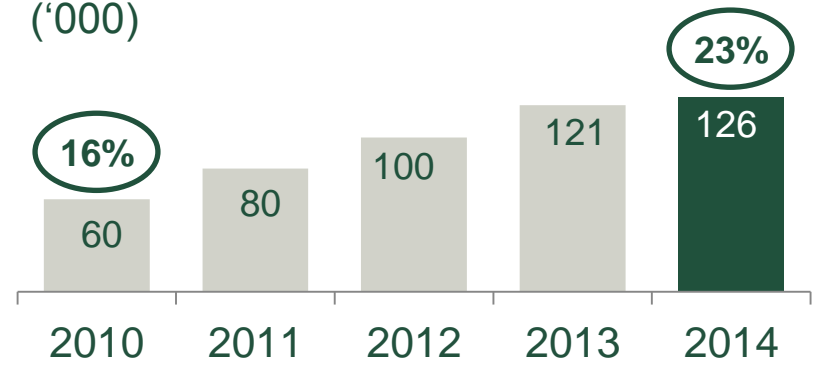
Clients

('000)



Clients with transactional products

('000)



H1

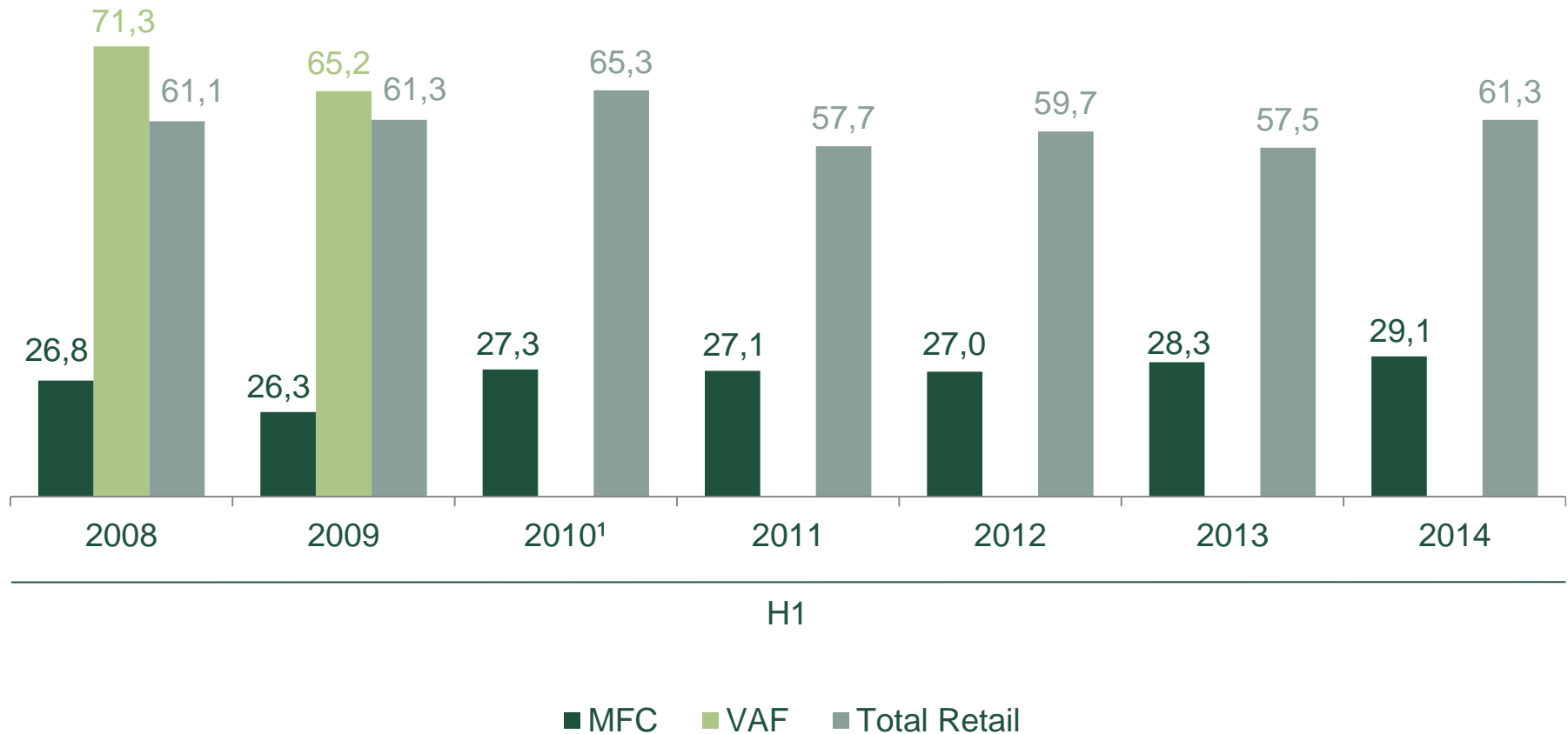
Efficient processes & excellent cost discipline

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Consistently low efficiency ratios

Efficiency ratios (%)



1: Imperial Bank was acquired in 2010 & MFC, a division of Imperial bank integrated with Vehicle Asset Finance (VAF), a division of Nedbank Retail

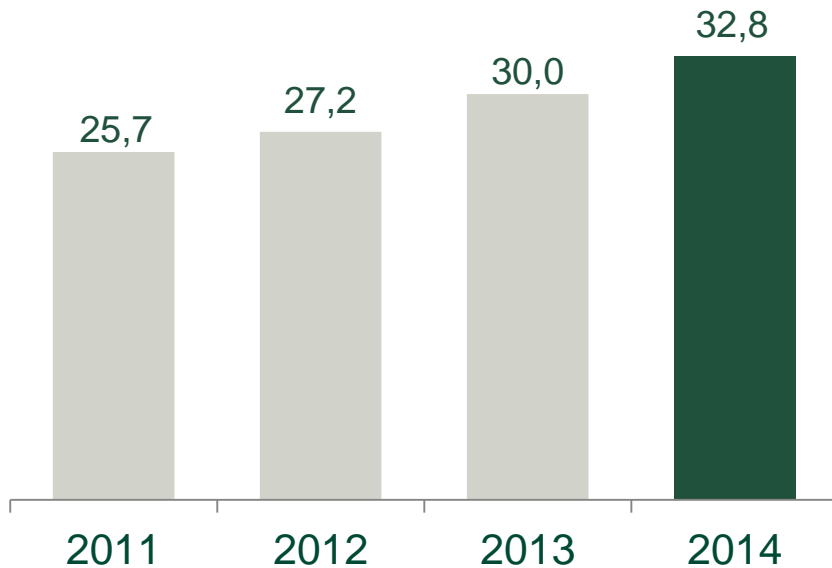
MFC a key growth area & earnings contributor

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Asset mix change

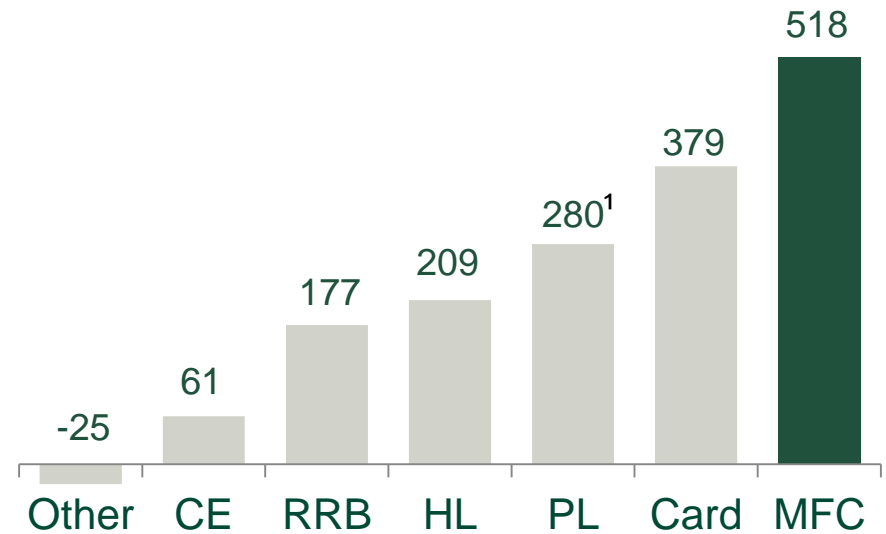
MFC vs Total Retail assets
(%)



H1

Relative earnings contribution

Headline earnings
(Rm)



H1 2014

1: Personal loans HE is included in Consumer Transactional & Deposits but is shown as a separate product line in this graph

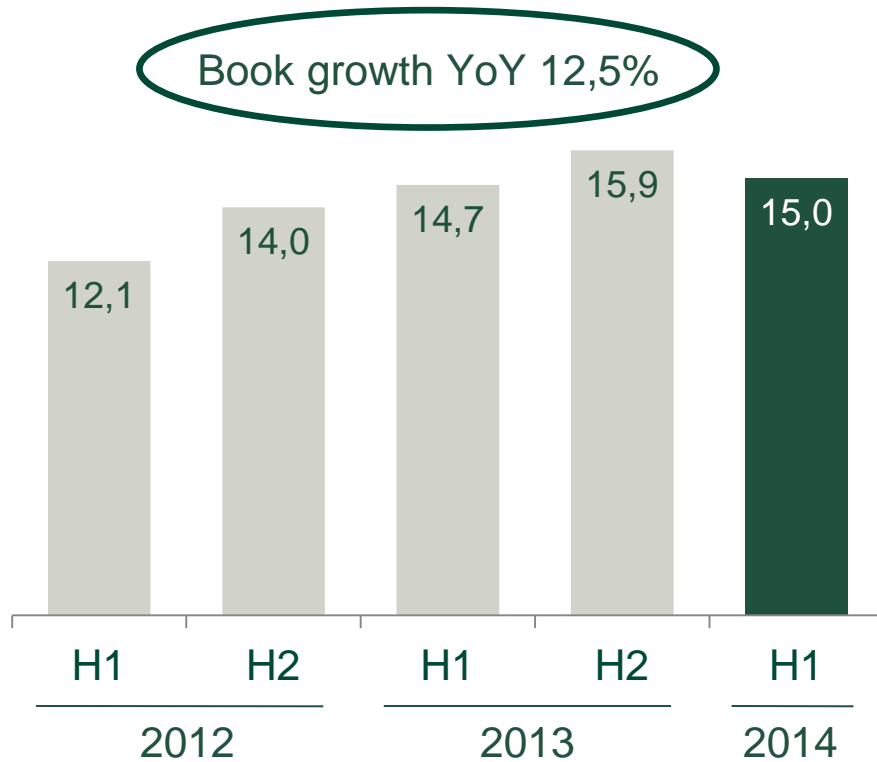
Asset payouts driven by consumer demand & pricing dynamics

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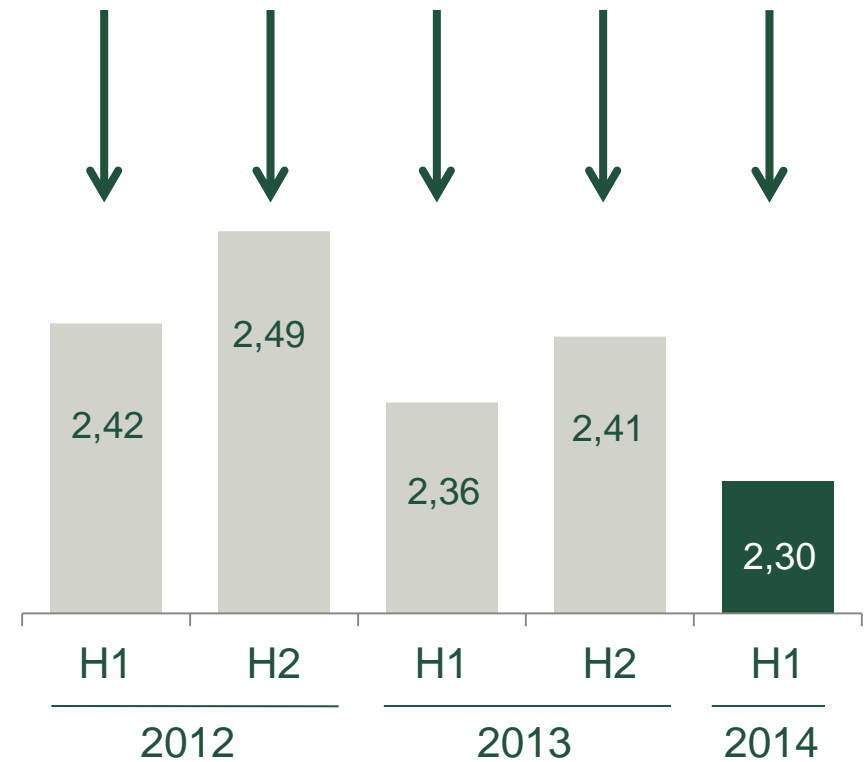
Asset payout slowing

Asset payout size
(Rbn)



Competitive market forces

Pricing¹
(%)



Well positioned for emerging consumer stress

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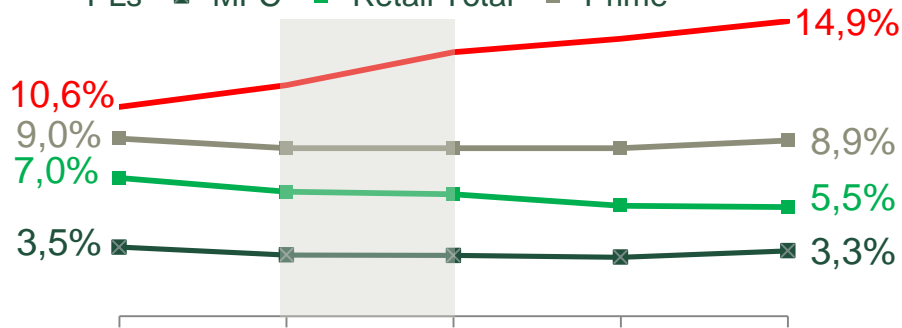


Defaults by asset class

% of total advances

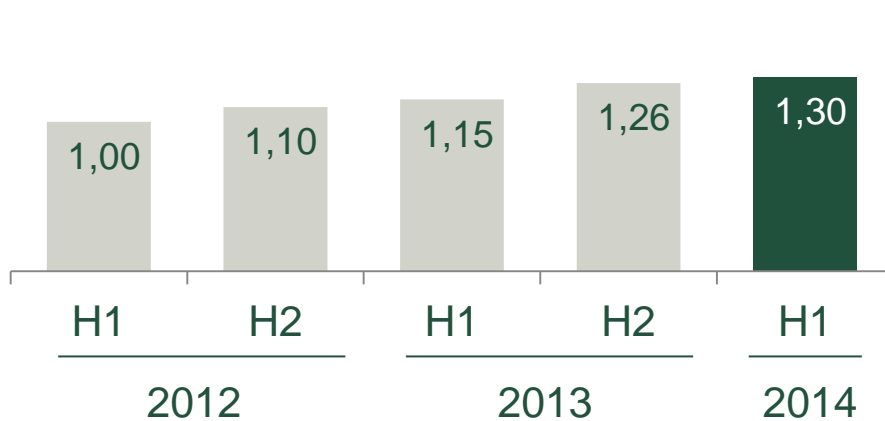
■ PL defaults early credit distress indicator

— PLs ■ MFC ■ Retail Total ■ Prime



Credit loss ratio

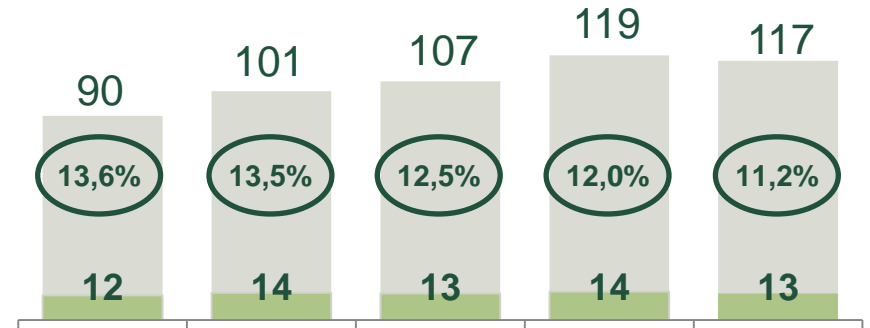
(%)



Applications & disbursements

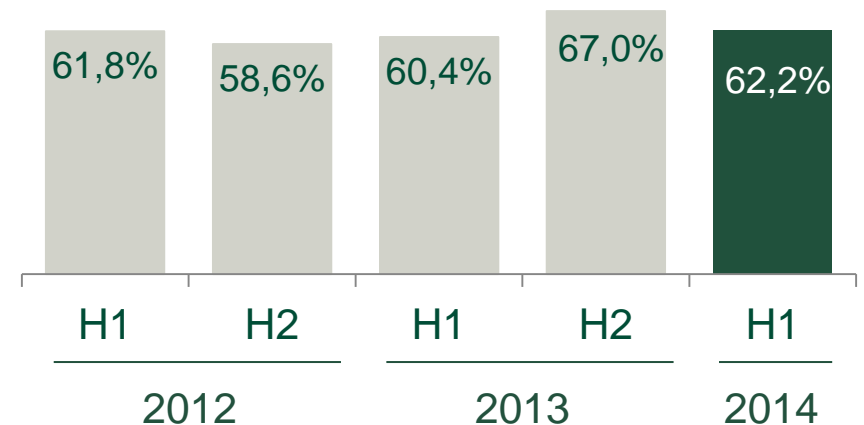
Monthly average application & disbursements (# 000)

○ % Disbursements



Coverage ratio

(%)

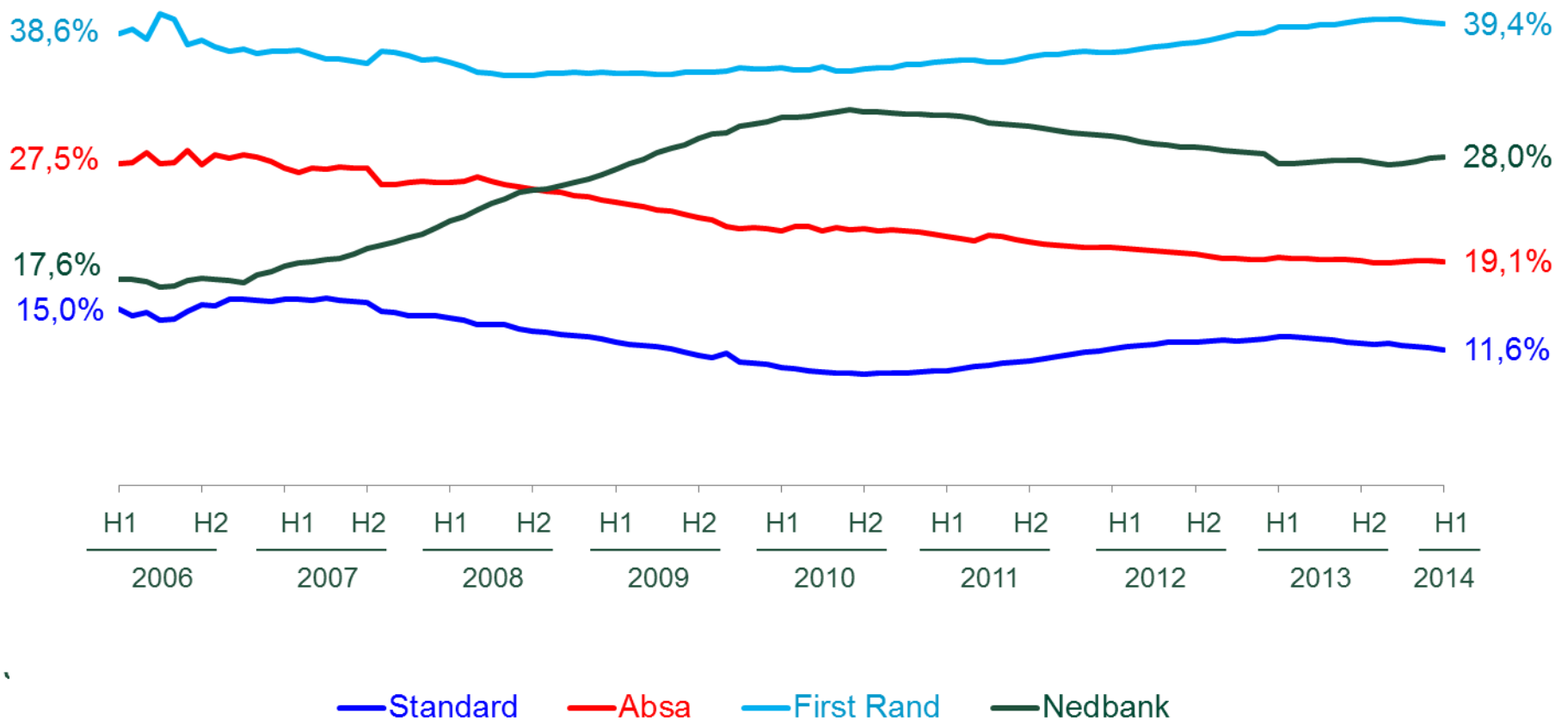


MFC has grown into a key market player proving an element of countercyclicality

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Strong market share underpinned by strength in used cars



Source: BA 900 (including securitisation)

**Leveraging digital
channels**

**Cross-sell
insurance**

**Geared to interest
rate cycle**

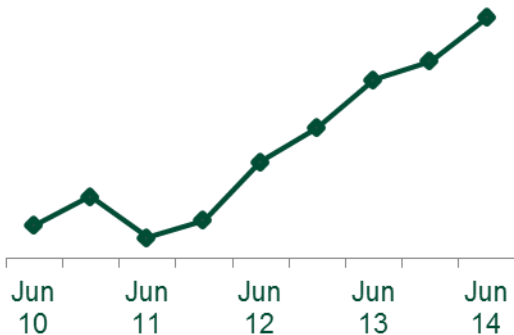
Leveraging digital channels

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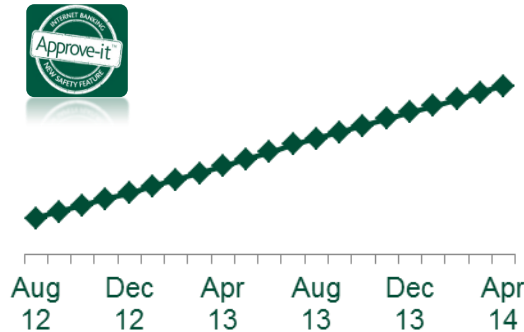


- Self-service banking, opportunity to lower cost to serve & simplify processes
- Successful HL app can be easily adapted for MFC requirements
- Provides opportunity to cross-sell at the point of sale
- Accessible to both dealers & clients

Digitally enabled clients
'000



Secure Approve-it transactions
million



App suite downloads
'000



Cross-sell insurance

- Prior to acquisition, only one product was underwritten by Nedbank Group
 - Today 7 products are underwritten by Nedbank Group
- Currently sales of insurance is only through the aftersales team
- Opportunity to cross-sell Nedbank underwritten products at point of sale

NEDBANK INSURANCE

Motor and household insurance



Accident & Health

We will help you make lifestyle adjustments and cover your bills. More cover, less hassle. *Ts & Cs apply.

Get a quote

Direct Personal Insurance

MUTUAL & FEDERAL



PERSONAL INSURANCE



Value Added Services

- Nedbank tyre & rim warranty
- Nedbank extended warranty
- Nedbank preowned vehicle warranty

iwyze
valuableinsurance

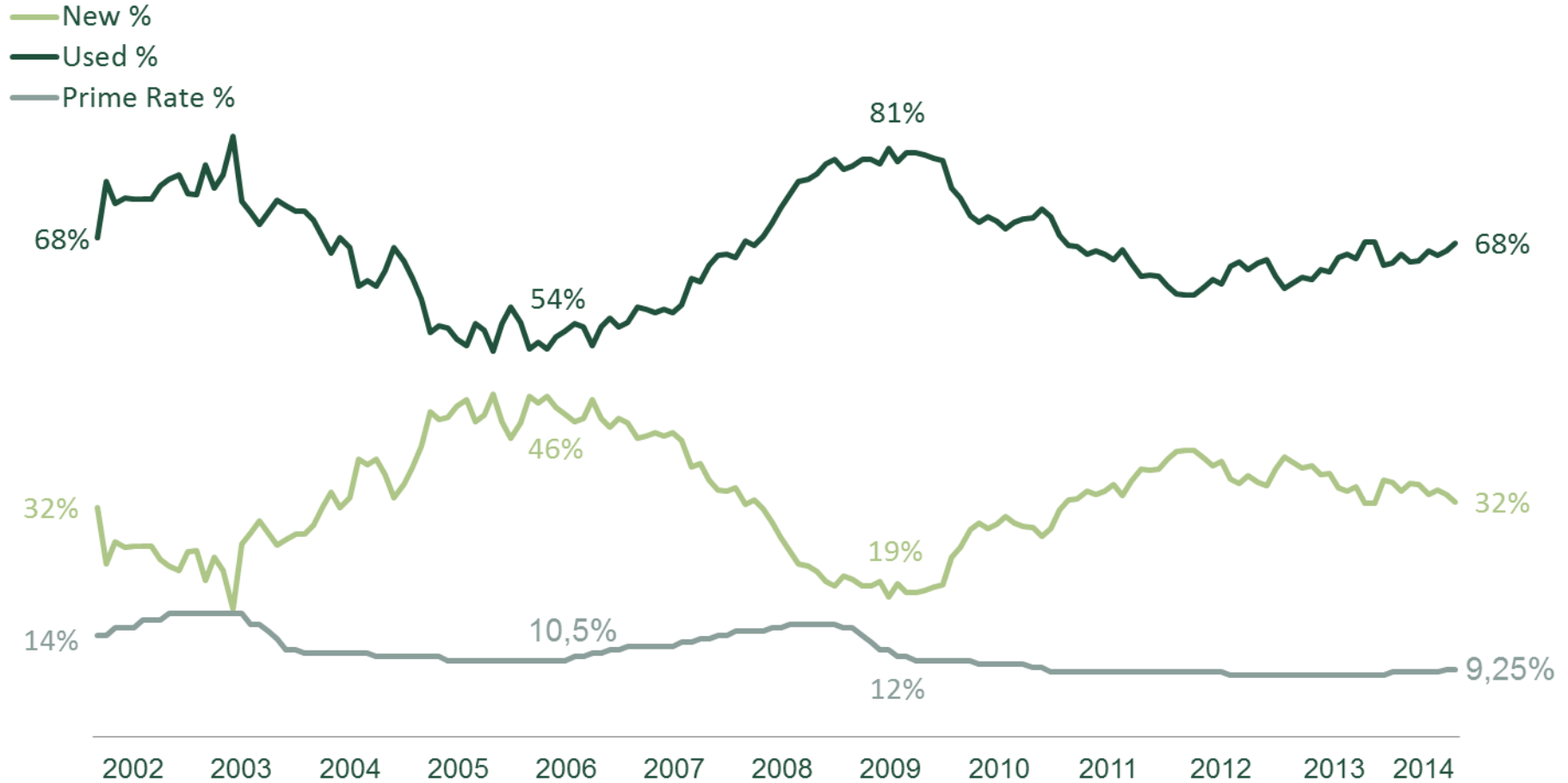


Favourable position for upward interest rate cycle

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MFC new & used vehicles distribution over time relative to prime rate



Summary & conclusion

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Domestic macro environment

- 2014 GDP growth outlook 1,5% (downside risk from ongoing labour issues)
- Inflation pressure from weaker currency
- Repo rate started upward trajectory, but likely to be a lower rate cycle
- Consumers under increasing pressure
- New vehicle sales slowing

SA banking industry

- Low asset growth & margins under pressure
- Consumer advances & transactional volume growth slowing, credit pressures rising
- Focus on bank fees & consumer protection

MFC

- Well positioned for upward interest rate cycle
- Excellent risk management
 - Prudent disbursements, low CLR, high coverage ratios
- Highly efficient business (low cost-to-income ratio)
- Strong dealership relationships & net client gains
- Growth opportunity – leverage digital channels & cross-sell insurance

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Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' & '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 & assumptions regarding the group's future performance.

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