



Nedbank Corporate

Graham Dempster
29th October 2004

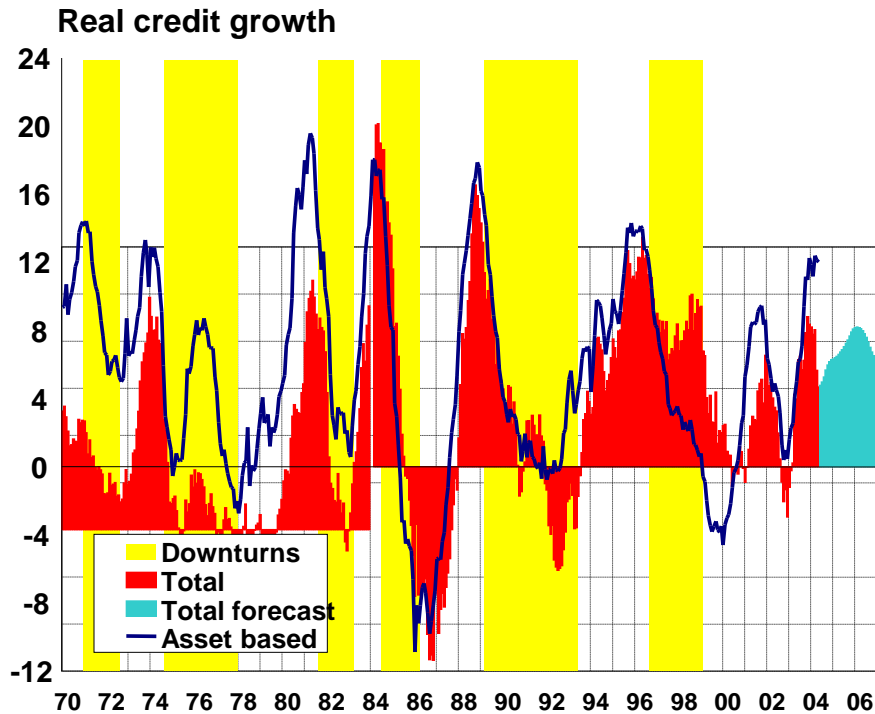
- Industry overview
- Business description
- Strategic focus & management actions
- Conclusion



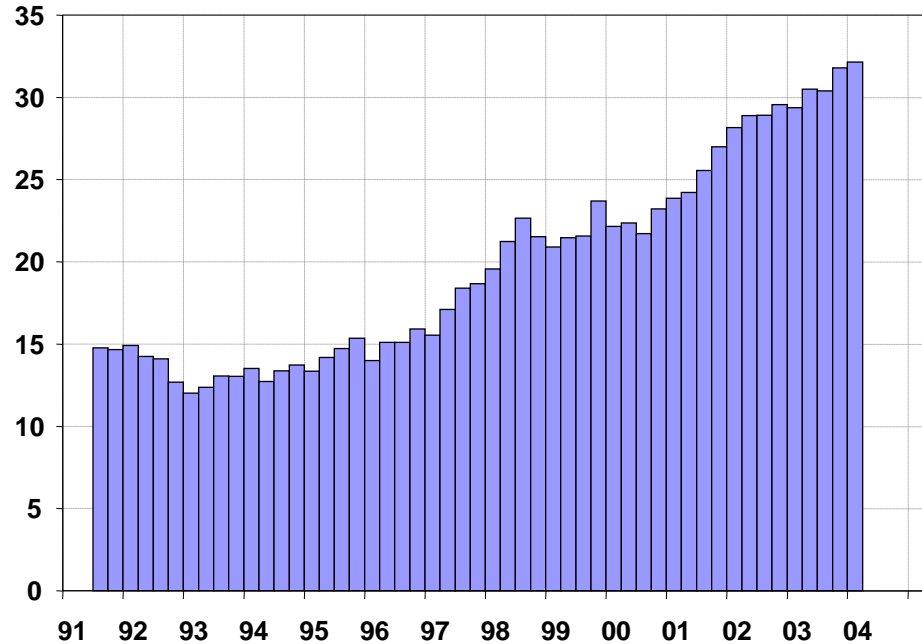
Industry overview

Overall credit will remain strong

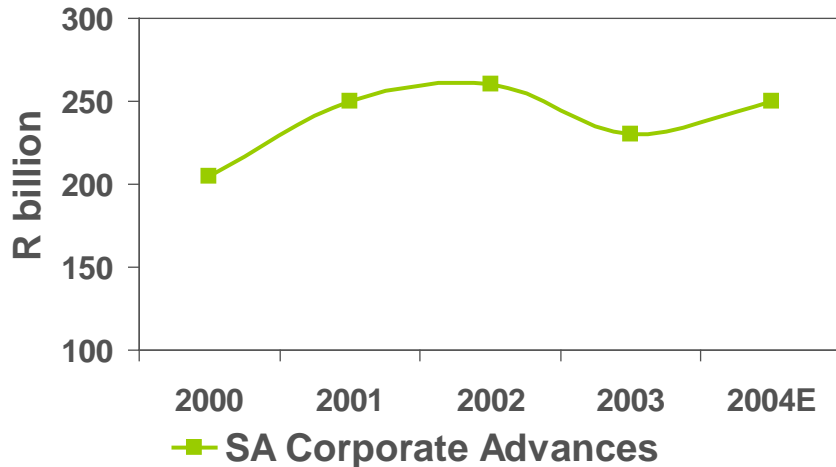
...but companies - cash flush



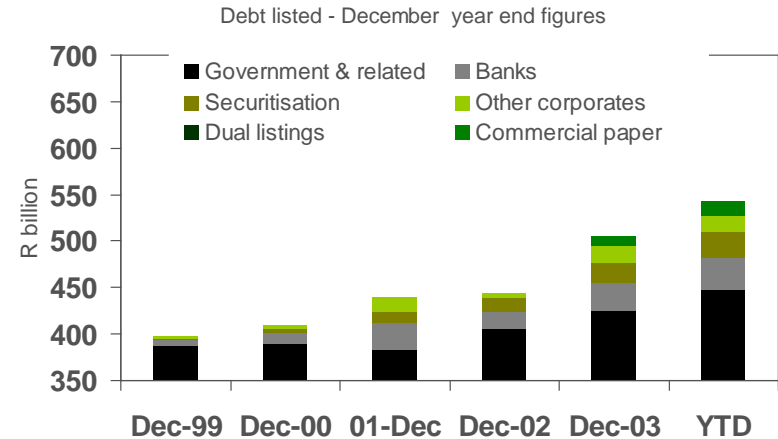
Company deposits as % gdp



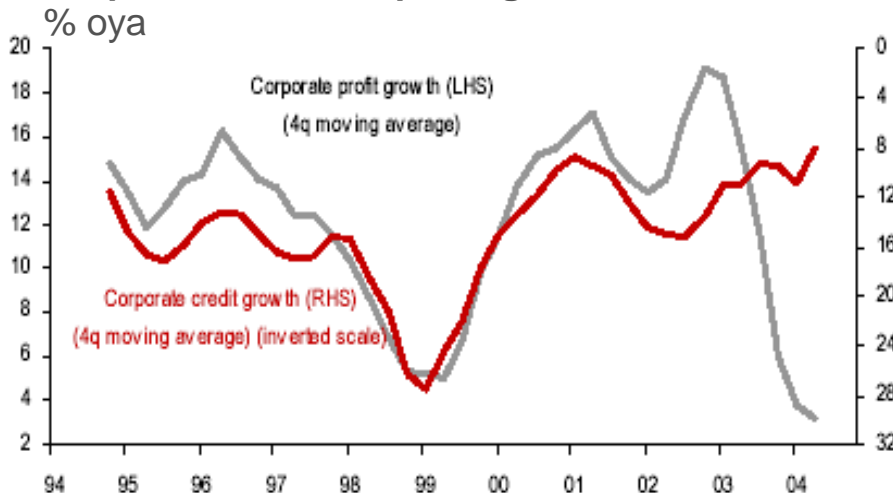
Corporate debt appetite muted



Corporate raising debt from bond market Rbn



Corporate credit vs profit growth



- Increased debt raised via the bond markets.
- Some of the margin lost is regained as fees in the debt equity markets.

Cyclical:

- Growth in balance sheet - helped by lower interest rates, but restricted as companies cash flush & entering the bond market directly,
- Interest rates relatively unchanged - little impact on the margin or bad debt scenario,
- Less Rand volatility lowers forex earnings. Current Rand strength results in import substitution & reduced earnings of exporters.

Structural:

- Sustainable economic growth is the major driver of balance sheet growth if based on increased local production & value added services,
- Employment growth leads to more evenly spread consumer spending, which will help improve the margins in the Retail sector,
- Growth of BEE,
- Infrastructure spending by the government is on the increase.



Business description

Business Description

**Nedbank Corporate
Graham Dempster**

Corporate Banking Ingrid Johnson	Business Banking Richard Buchholz	Property Finance Frank Berkeley	Africa Mfundo Nkuhlu	International
<p>Corporate clients >R400nm T/O</p> <p>Senior Debt Lending</p> <p>Guarantees/ L/Cs</p> <p>Preference shares</p> <p>Transactional products</p> <p>Deposits</p> <p>Specialist Transactional Banking/ Nedbank</p> <p>Capital products</p>	<p>Bus. Banking clients >R5mn and <R400nm T/O</p> <p>Secured lending incl. Asset based finance</p> <p>Capital equipment</p> <p>Debtors finance</p> <p>Capital imports</p> <p>Deposits</p> <p>Transactional products</p>	<p>Clients generally with advances > R 1mn</p> <p>Full spectrum services incl. Investor, Developer, owner occupied segments</p>	<p>Universal banking services</p> <p>Lesotho</p> <p>Swaziland</p> <p>Namibia</p> <p>Malawi</p> <p>Associates: Zimbabwe</p>	<p>Branches or rep offices</p> <p>London</p> <p>To be exited: Hong Kong Isle of Man</p> <p>Exited Singapore Taipei Beijing</p>

Transactional Banking (Adriaan Du Plessis)

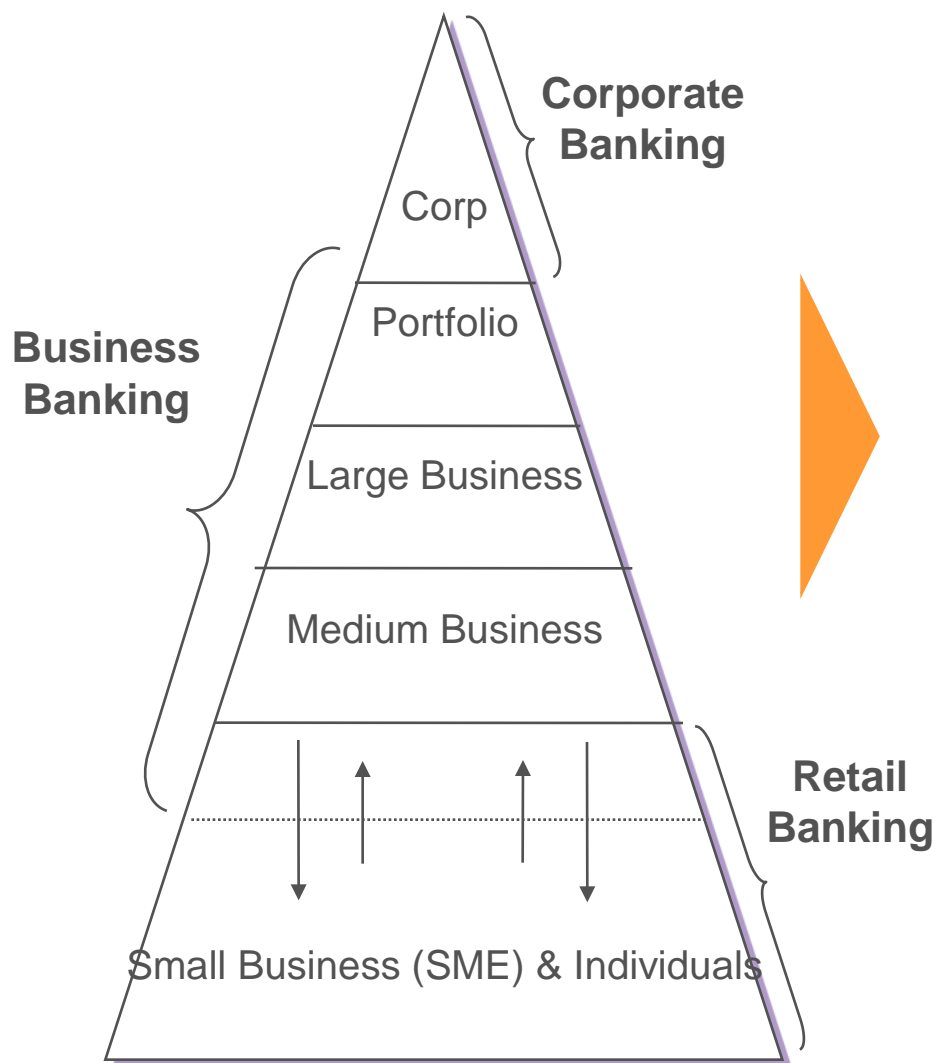
Shared Services (Murray Stocks)

Risk Management (Keith Hutchinson)

Finance (Anton Redelinghuis)

Human Resources (Ashley Sutton-Pryce)

Strategy (Heinz Weilert)



Corporate Banking

- Clients with revenue > R400mn
- > 650 client groups
- R 29 bln advances
- 288 employees

Business Banking

- Clients with revenue < R400mn
- > 31 000 client groups
- R 31 bln advances
- 2114 employees

Property Finance

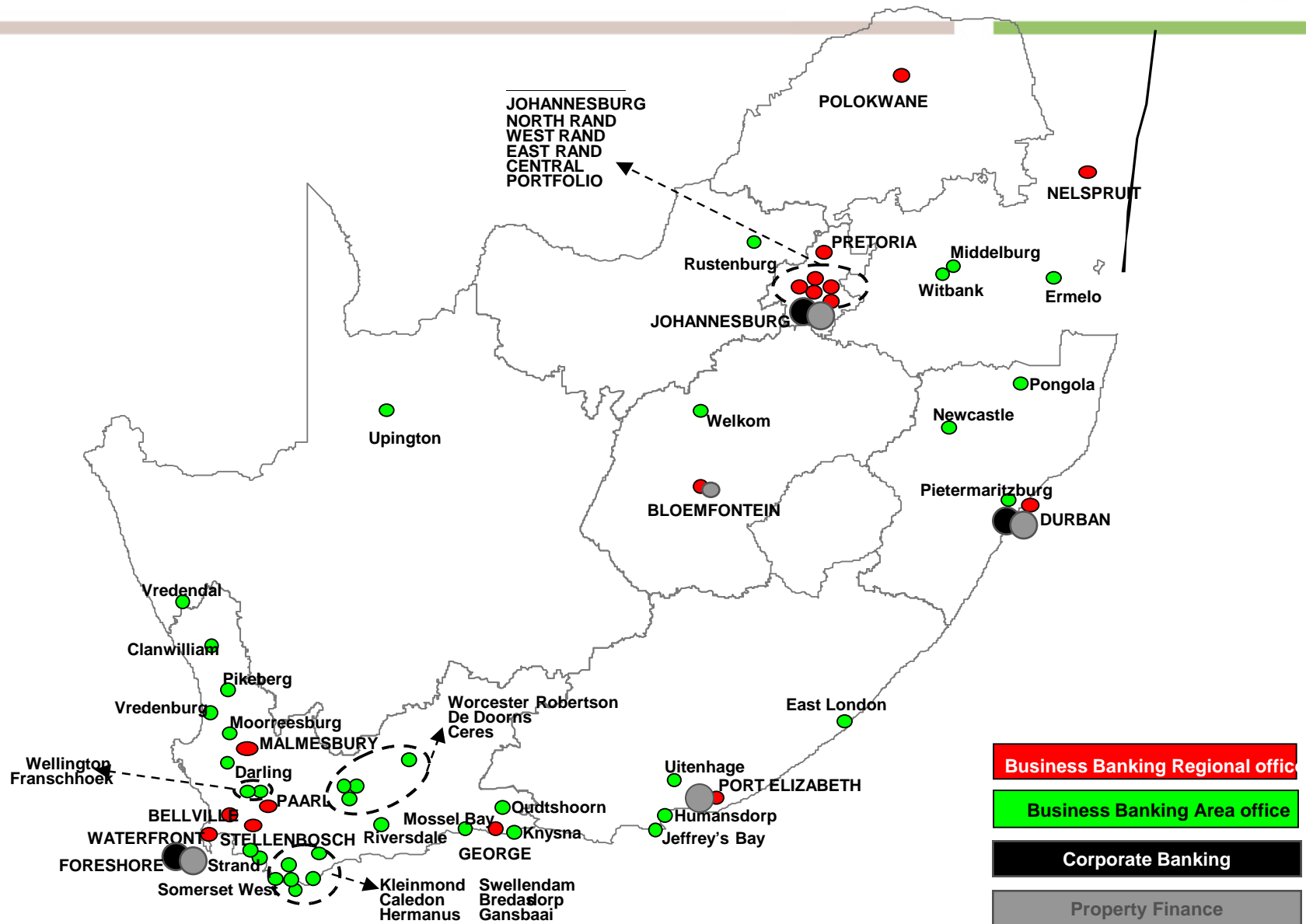
- Services clients across the banking spectrum
- R 29 bln advances
- 740 employees

Africa

- Services clients across the various Nedbank client segments
- R 3 bln advances
- 810 employees

...leveraging cross-sell with Nedbank Capital

Geographical Distribution



- Staff reduction of \pm 400 planned for 2004
- Building a high performance culture
 - job profiling & assessment
 - learning & development plan
 - incentive schemes in place
 - staff communication
- Going beyond transformation
 - developing a coaching & mentoring framework
 - post graduate development programme
 - achievement of a 3 year employment equity plan

Total Staff (Aug 04)	4 283
- local	3 322
- outside RSA	961

Key Differentiators

- Regional & national strength
- Mid market focus - extensive regional presence & industry specialisation
- Customer focused structures - dedicated relationship managers
- Very strong corporate relationships
- Leaders in Property Finance
- Good risk management
 - very low provisions in Corporate Banking & Property Finance
 - extending to Business Banking

- Credit risk
 - changes in the economic environment
 - conservative approach can reduce return capability
 - new requirements of Basel II will change market dynamics
- People risk
 - adequate skilled resources
 - staff retention
- Client risk
 - client defection due to changed & less user-friendly electronic platform
 - limitations to meet transactional banking requirements of major corporates
 - need to increase innovation

- ROEs under pressure
 - Credit quality unlikely to deteriorate - positive outlook
 - Banks were not properly rewarded for the risk they took (credit-risk)
 - Competitive pressures following the arrival of foreign banks
 - Basel II set to introduce less onerous capital requirements in these client segments
- Market overcrowded
 - Low barriers to entry
 - Subject to disintermediation
 - Revenue pressures likely to persist for the best part of 2004/5
- An upswing in corporate credit demand & an improvement in net interest margins could deliver growth in Nedcor – current high contribution of Nedbank Corporate to the Banks profitability

...Nedbank Corporate ROEs likely to remain under pressure as competition increases



Strategic focus & management actions

Strategic objectives

Strategic focus

Build a high performance culture

Increase transactional banking

Optimise mix

Beyond transformation

Client-driven business model

Strategy Cornerstone

Back to basics

Full service universal bank

Southern Africa focus



Nedbank Corporate objectives aligned to Group



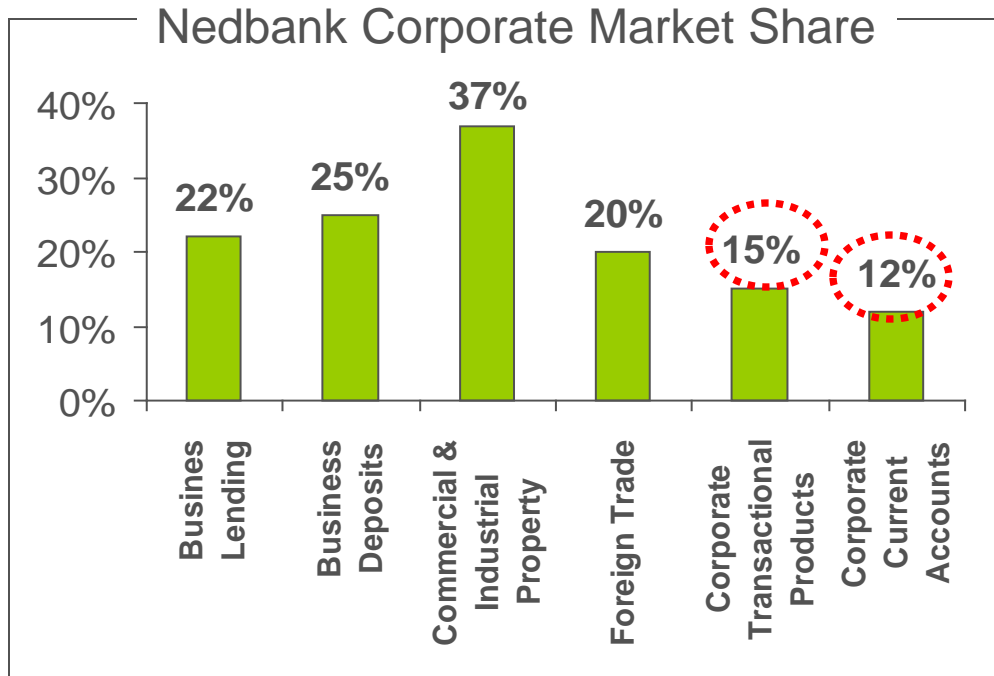
- Improve customer satisfaction
 - measurement against expectations
 - understand main causes of client defection
- Improve service standards
 - measure as part of balanced scorecard
 - training & development
 - accountability & responsibility for client service
- Reduce problem incidence & improve resolution
- Emphasis changed to direct selling efforts (post migration)
- Targets in place
 - Increase market share by 1% p.a & customer satisfaction by 5% p.a.

Ranking in Sample of 188 corporate with turnover above R400m

Source: Startrack 2003

- Focuses on corporate clients 2nd
- Offers full range business products/ services 2nd
- Good infrastructure/ footprint Joint 2nd
- Offers full range of electronic banking services 4th

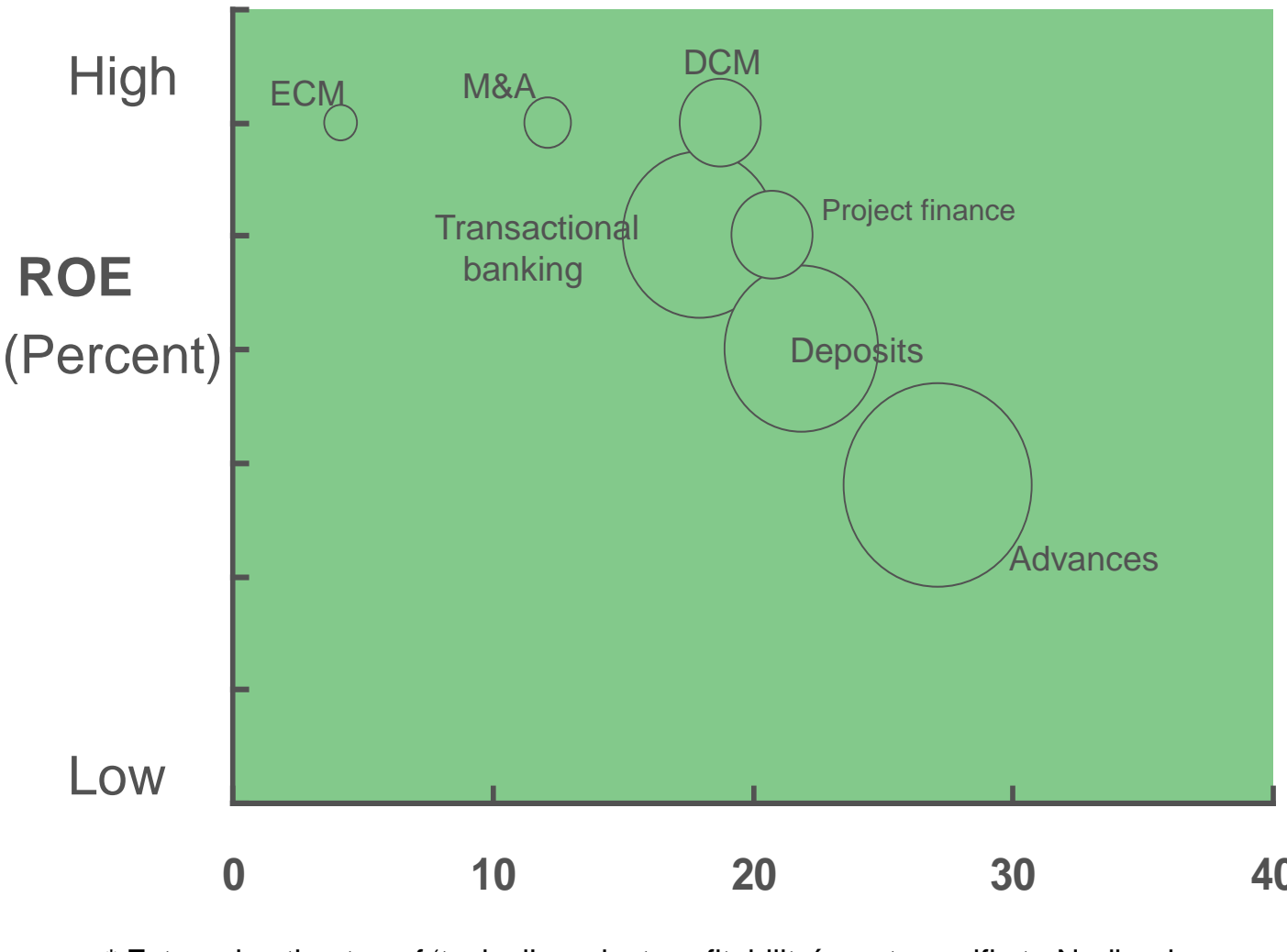
Drive transactional banking



- 80% of the current property finance customer & 70% of the previous BoE ABF base does not have a primary banking relationship with Nedbank

- Investment in technology and integration to support acquisition strategy
- Improve footprint
- Transactional banking team in place
- Roll out of Corporate Payment System to identified client groupings
- Cash strategy

Optimise Mix



- Improved product mix through packaging of solutions based on client needs
- Increase share of Advisory services sold to increase share of customer spend
- Customer value management

* External estimates of 'typical' product profitability -- not specific to Nedbank

- Next 10 years will see significant wealth transfer to black entrepreneurs
- Nedbank seeks sustainable relationships with 2nd generation BEE companies
- Striving to become the custodian of empowerment initiatives in terms of BEE & SME financing
- Grow empowerment business at acceptable risk
- Conscious & objective evaluation of client base evolution
- Conscious management of resultant impact on economic capital & ROC

Nedbank Corporate already has BEE financing strengths

- Specialized talent across financial products
- Depth of risk management experience
- Existing strategic alliances
- Demonstrable track record & ability to finance BEE transactions

- Pro-active offering of Solutions
- Extensive regional presence & industry specialisation
- Customer focused structures - dedicated relationship managers

Strategies to improve include

- Better economic pricing and structuring of transactions
- Identification & penetration of economically-attractive customer segments
- Better management of the existing portfolio (coverage and cross-sell)
- Development of economically-attractive product and channel propositions



Action plans

- Bed down new structure & business model (improve customer service)
- Increase primary banker status through bank wide focus on competence in payments, settlement & clearing
- Assist Retail to increase footprint; combine forces with Old Mutual in rural areas
- Address non-core businesses
- Focus on high value property deals, aligning pricing models & customer value management
- Leverage BEE & public sector expertise
- Transfer learning's to other divisions
- Focus on measuring & client service
- Identify & maintain key staff
- Assist Nedbank initiatives in improving image & MIS

Corporate Banking

- Increase primary banker status
 - transactional banking initiatives
- Leverage geographical position
- Pro-active client driven solutions
- Capture more Old Mutual Business
- Customer value management activities
- BEE & Public Sector focus
- Cross-selling advisory services

Property Finance

- Manage for value
- Increase investment activities
- Cost saving through structural changes

Business Banking

- Active sales effort
- Leverage asset based finance strength
- Increase cross-sell
- Increase industry specialisation
- Bancassurance

Africa

- Stabilise management
- Closer relationship with subsidiaries
- Risk Disciplines
- Rationalise existing structure
- Selective expansion (ROE > 30%)



Conclusion

- Increased cross-sell & improved product mix
 - Leading competitor commands 50% larger share of their customer spending (on financial services)
 - Need to improve transactional banking systems & cash handling
- Sell more of the same product to the same client
- Penetrate more of the profitable client base – improve client mix
 - Pro-activity/Innovation is the key lever to increase business
- Price services & products better vs costs, including risk costs
 - specifically in smaller corporates and in the middle market segment

- Strong market positions Corporate, Business Banking & Property Finance
- Differentiated on client intimacy, pro-active engagement & strong client relationships
- Leverage strong regional presence
- Upskilling of staff in order to improve client service
- Focus on cross-sell & improving product mix
- Recent realignment - shared Services
- Leverage BEE opportunities



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



Thank you