



Interim Results 2014

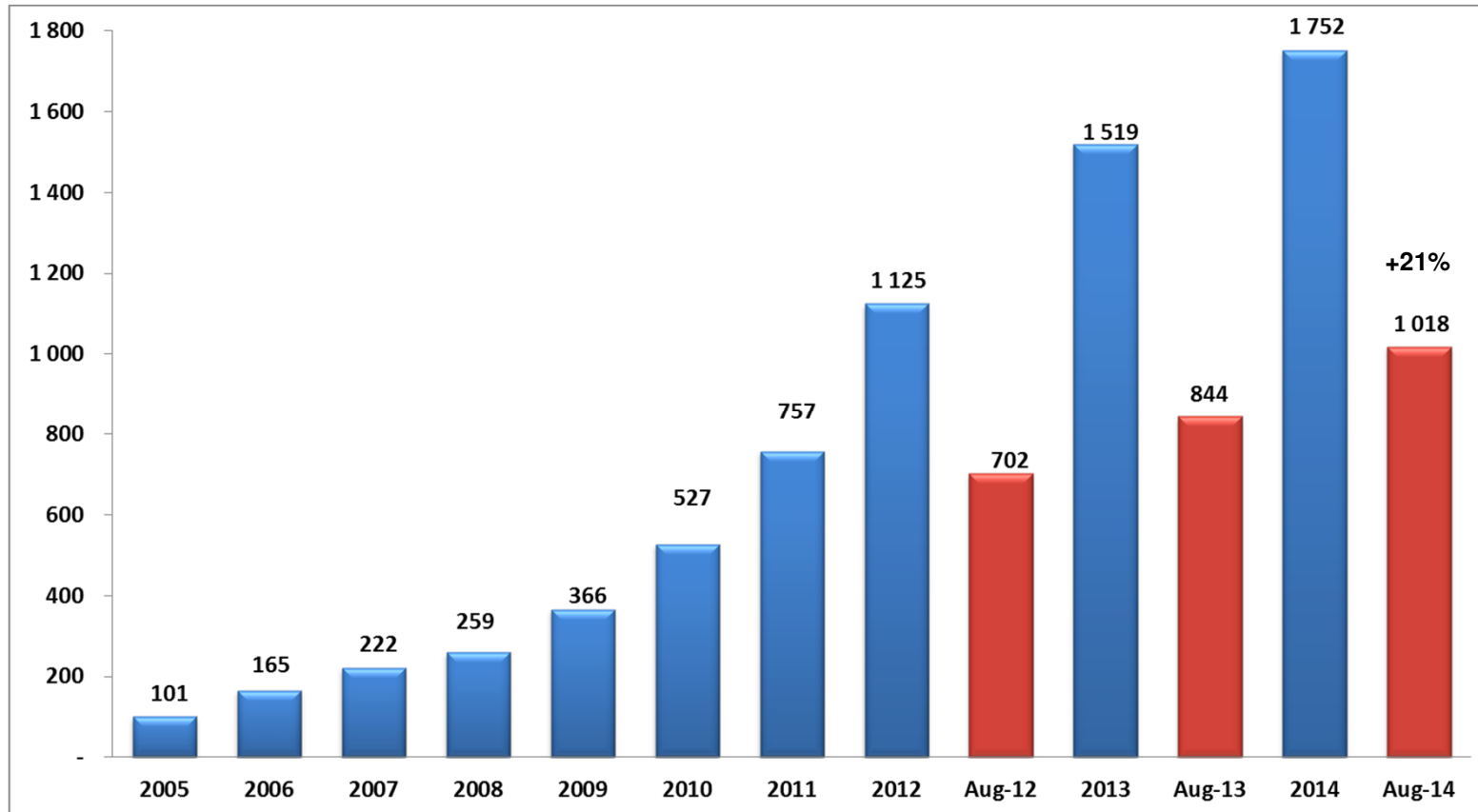


Key Financials



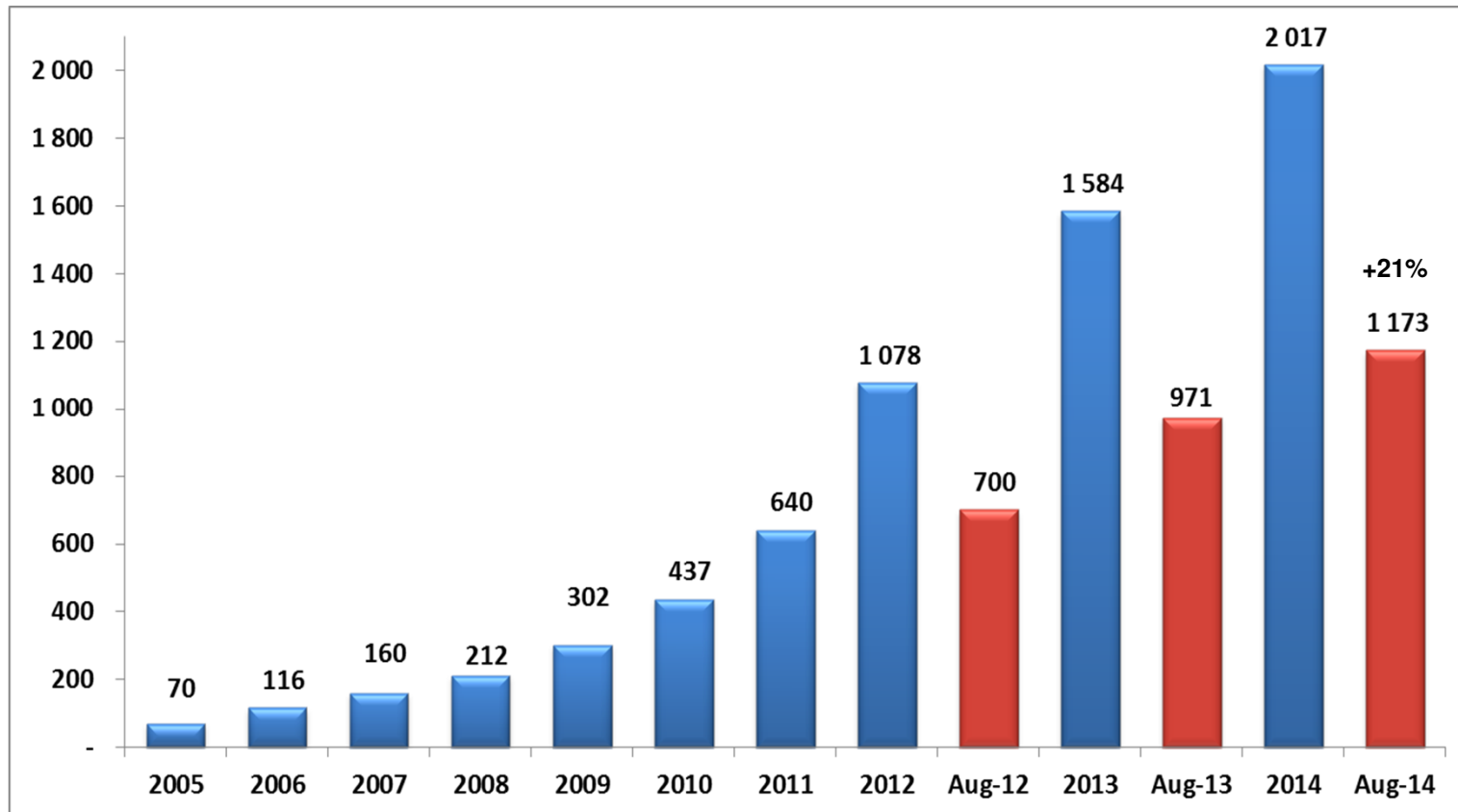
Key Financials

Headline earnings per share (Cents)



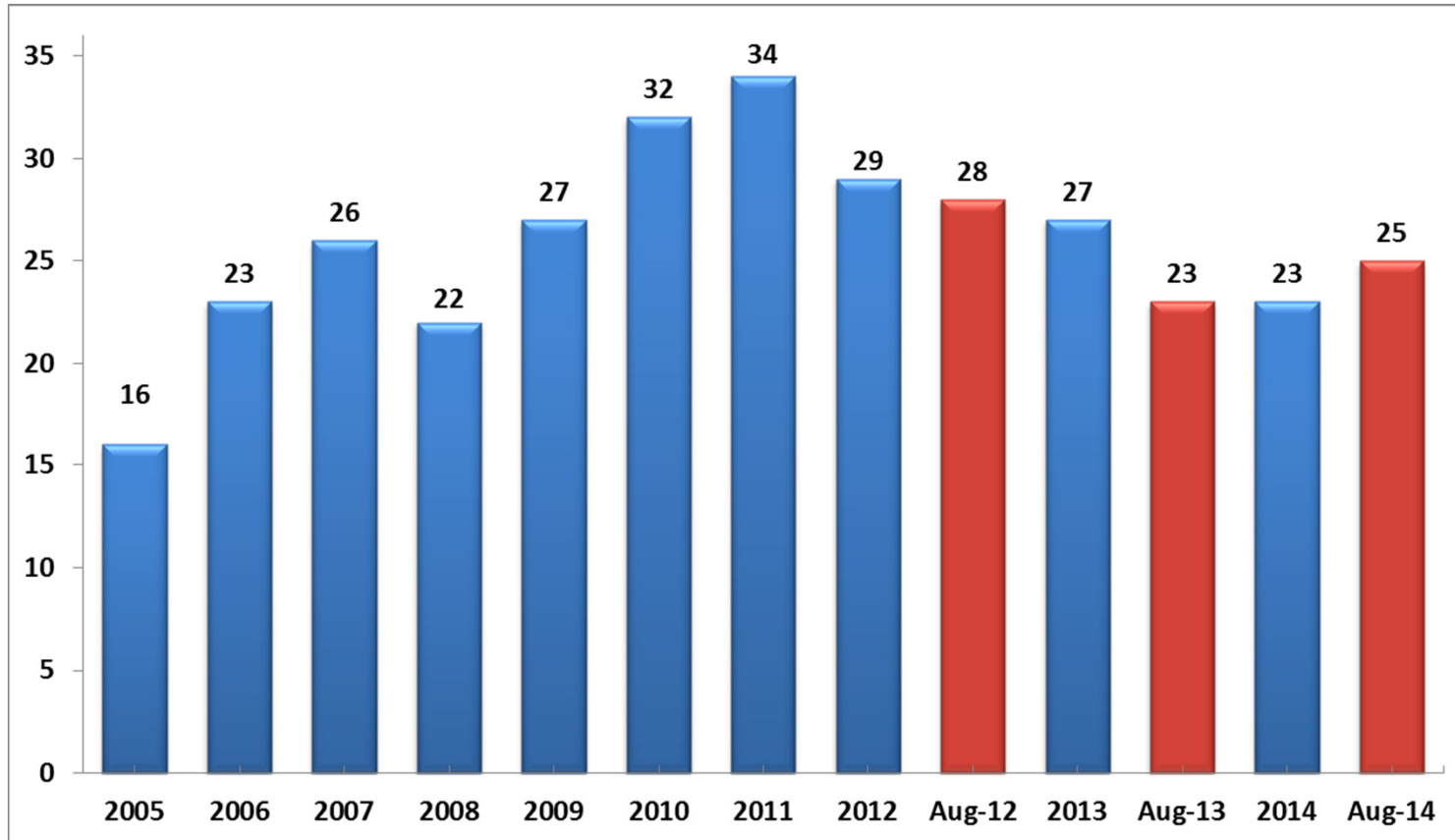
Key Financials

Headline earnings (R' millions)



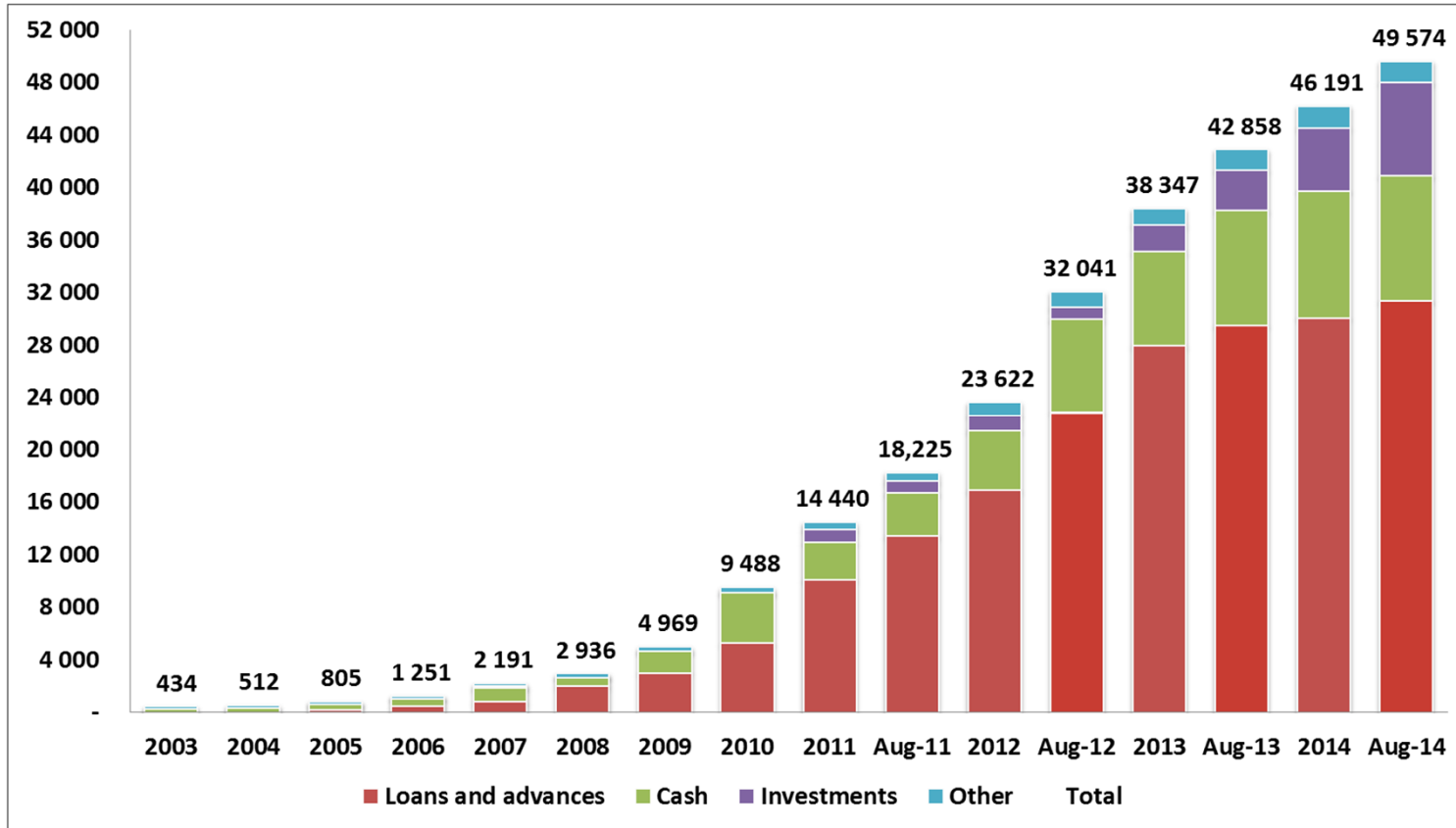
Key Financials

Return on equity (%)



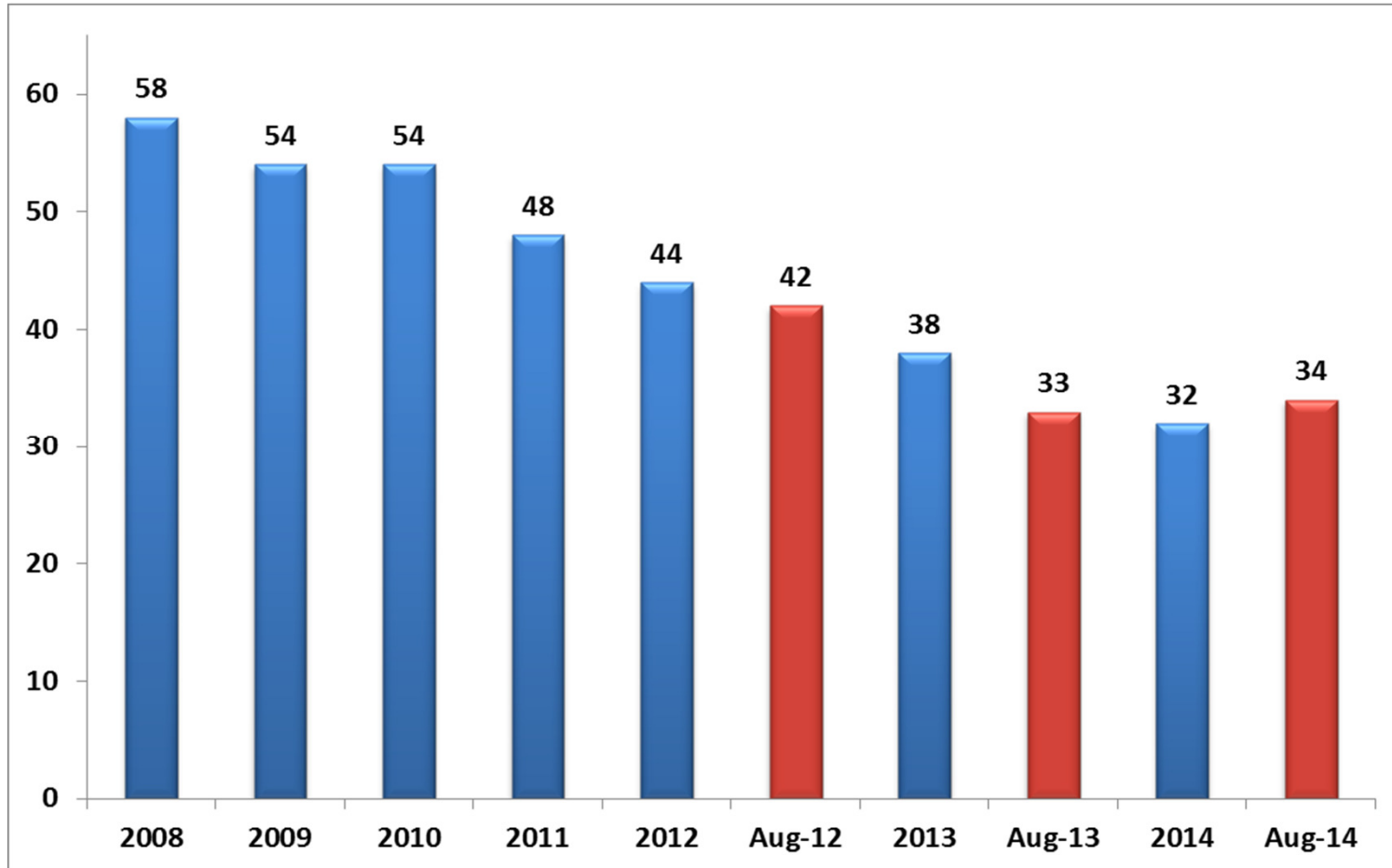
Key Financials

Total Assets (R'millions)



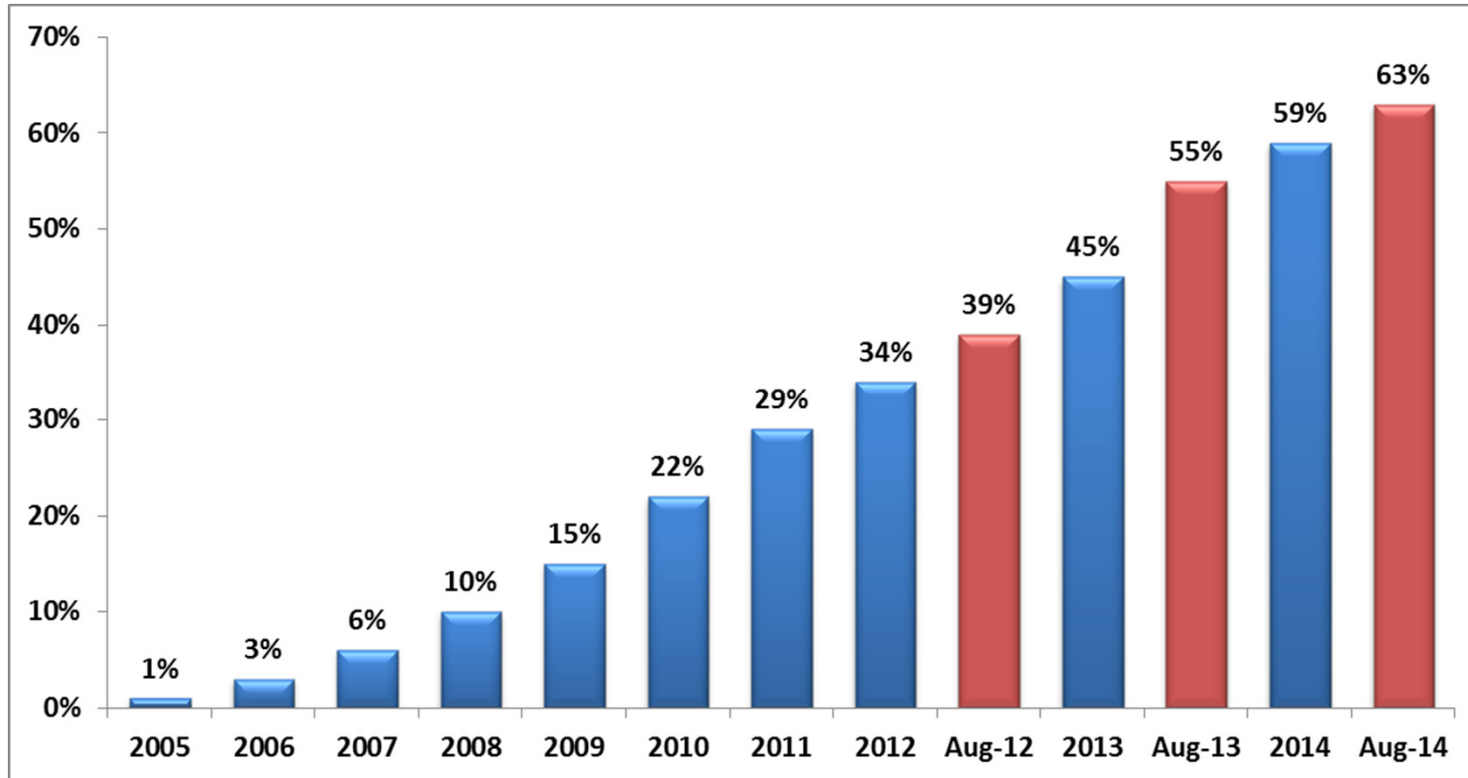
Key Financials

Cost to income ratio (%)



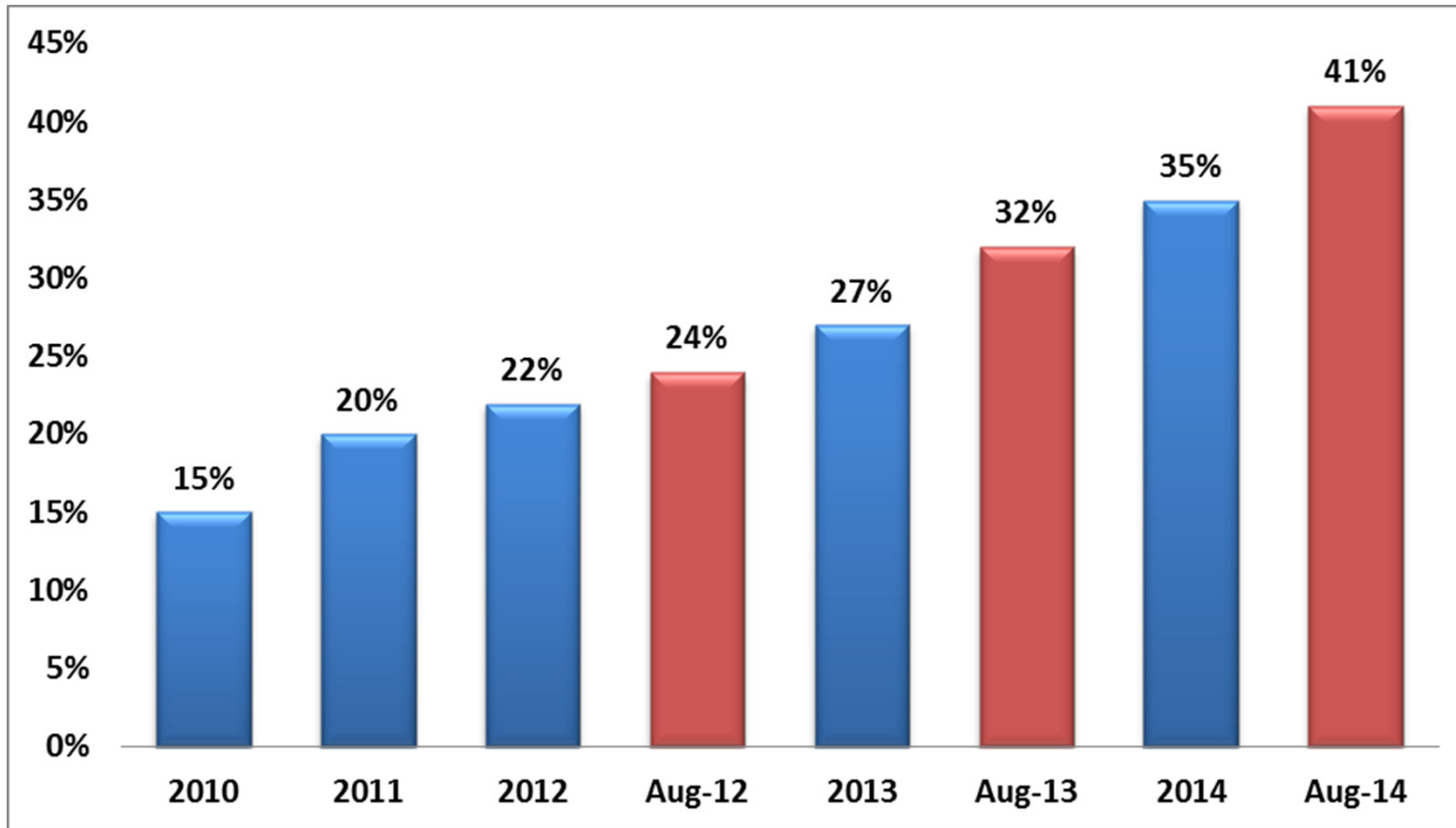
Key Financials

Net transaction fee income to expenses (%)



Key Financials

Net Transaction Income to net loan revenue (%)



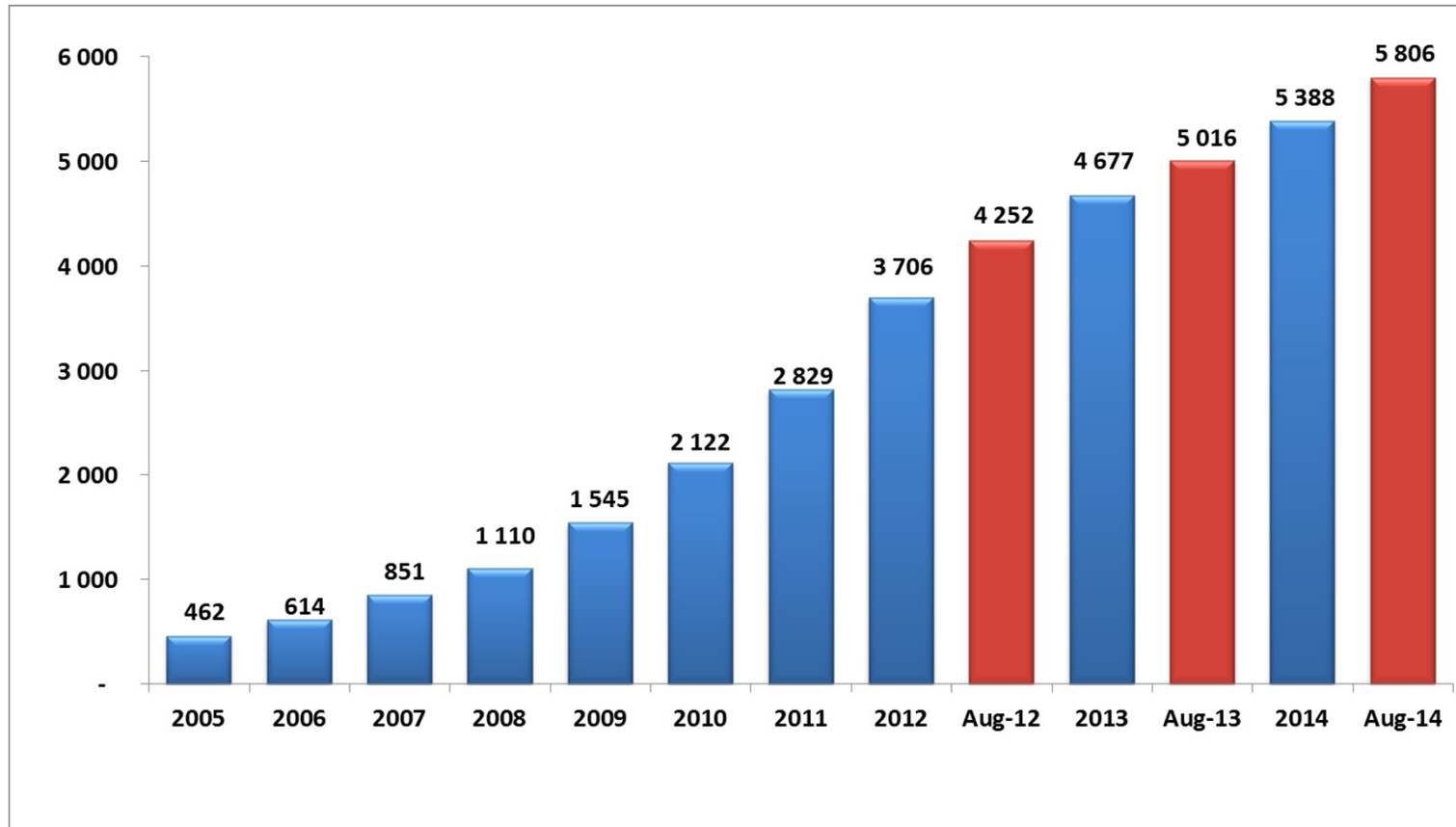


Business Drivers



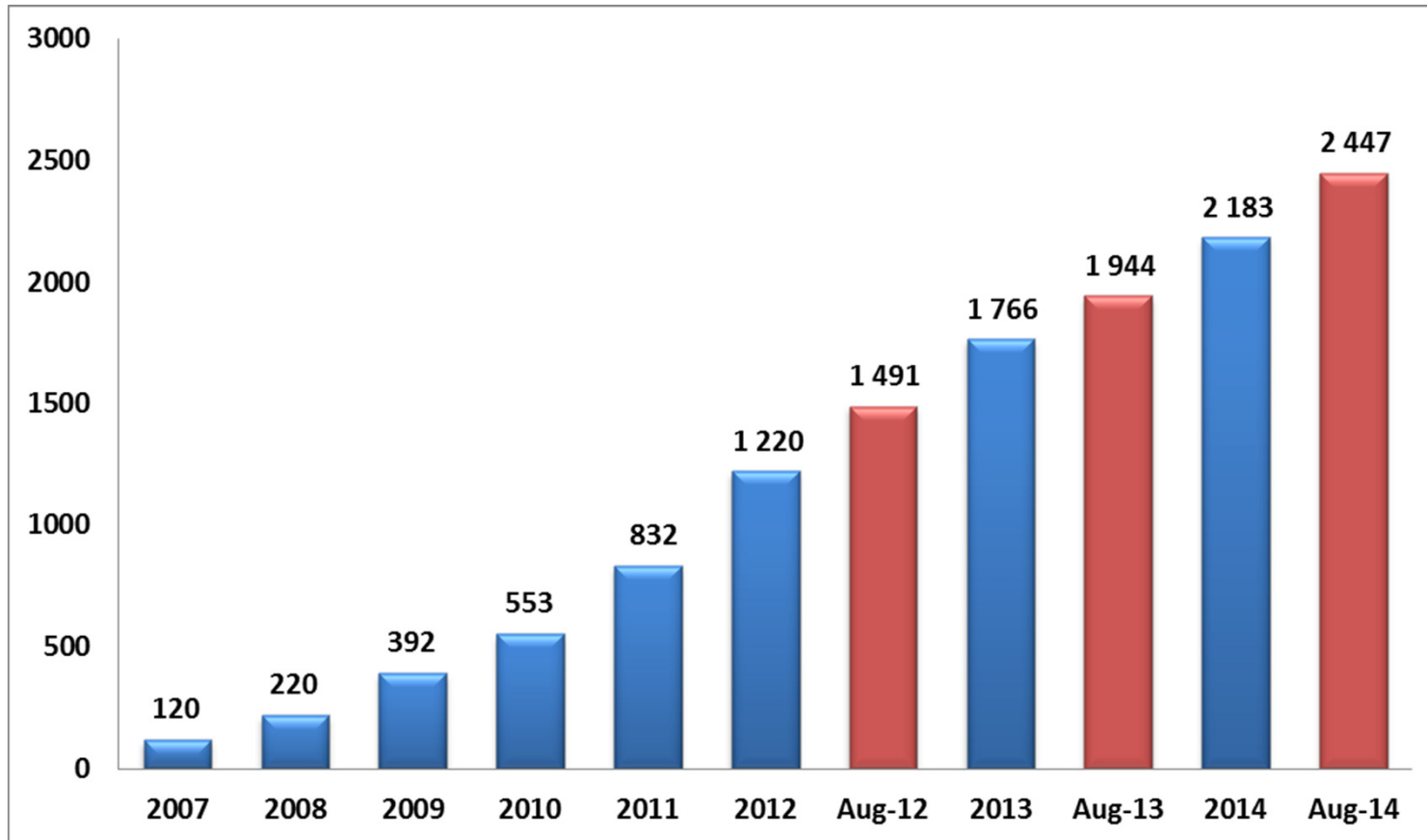
Business Drivers - Clients

Number of active clients ('000)



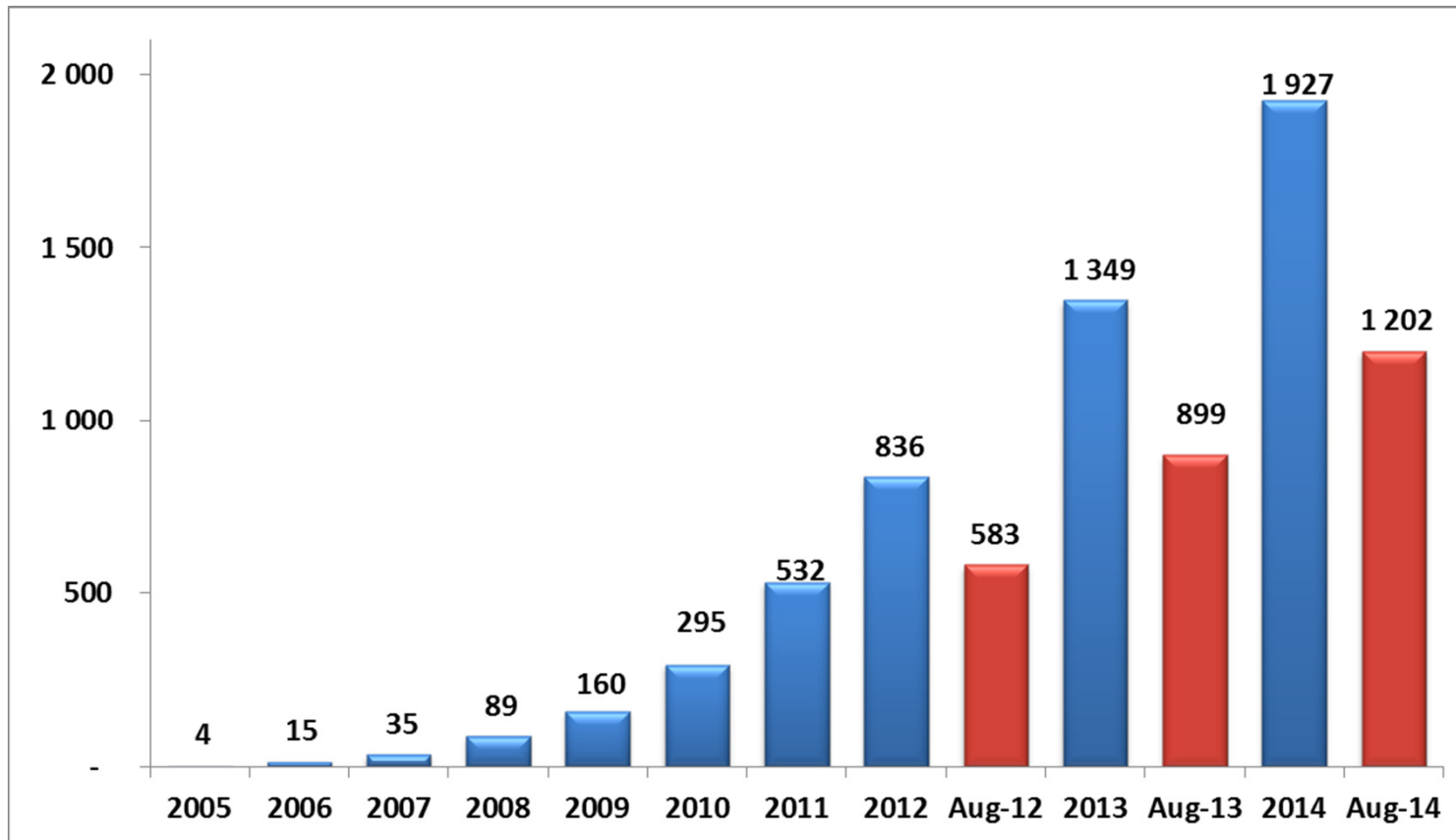
Business Drivers - Clients

Number of primary bank clients ('000)



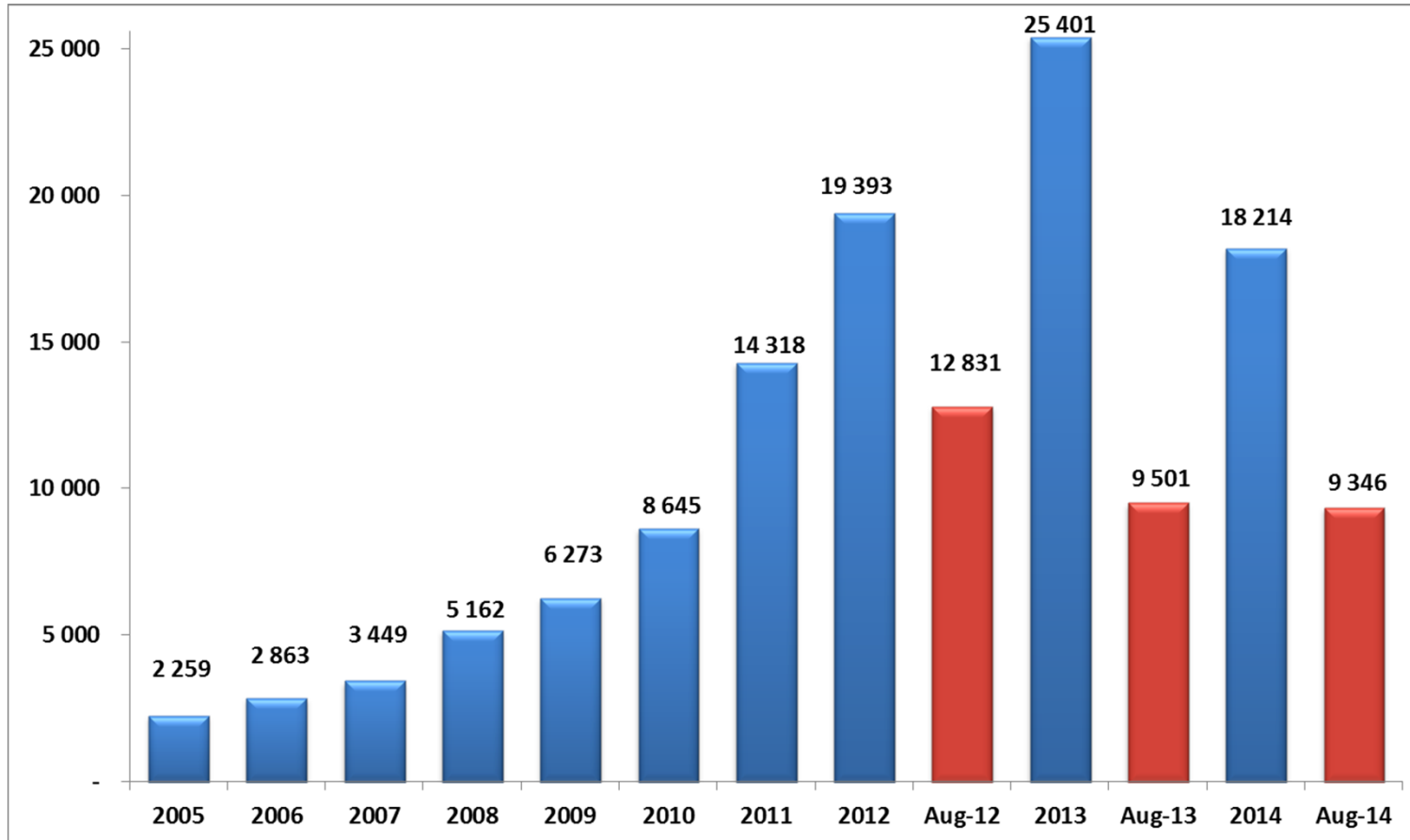
Business drivers- transacting

Net transaction fee income (R'millions)



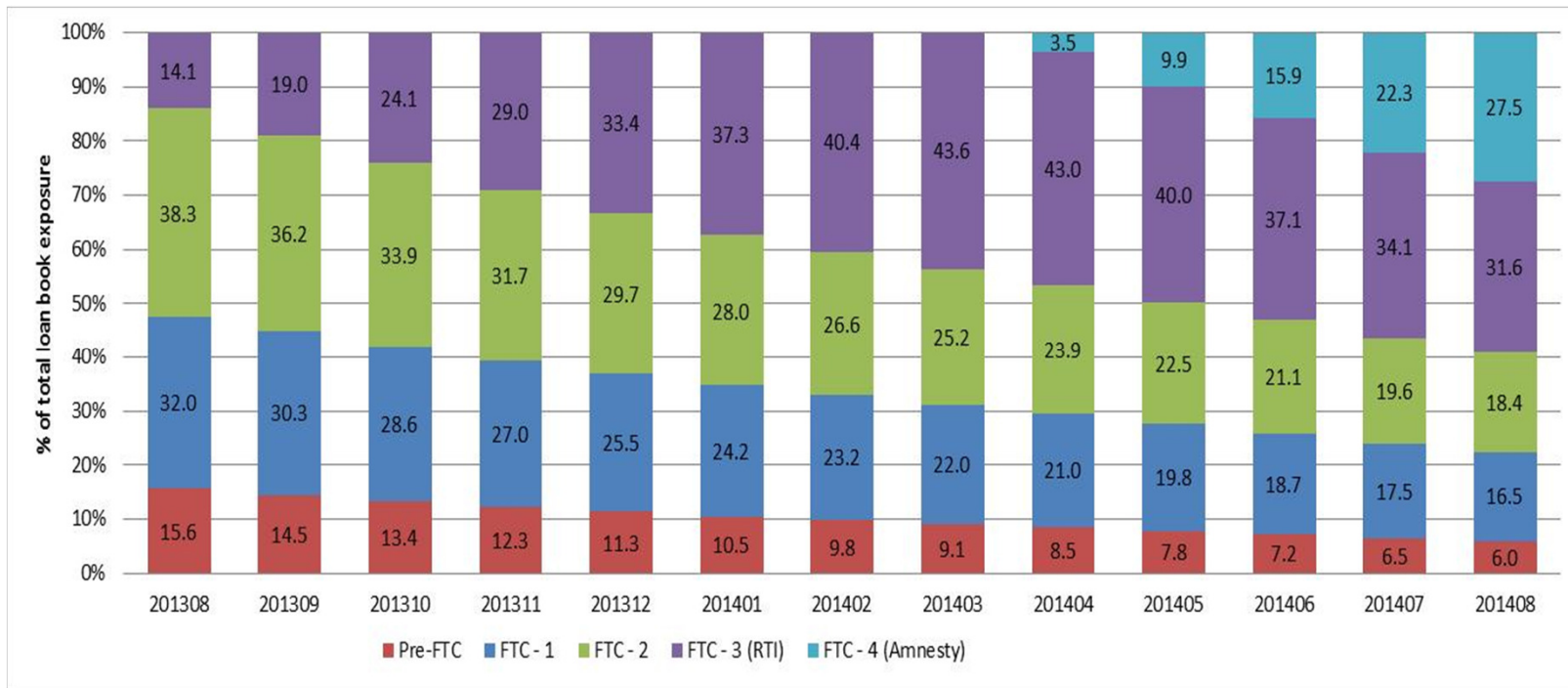
Business Drivers - Credit

Value of new loans advanced (R'millions)



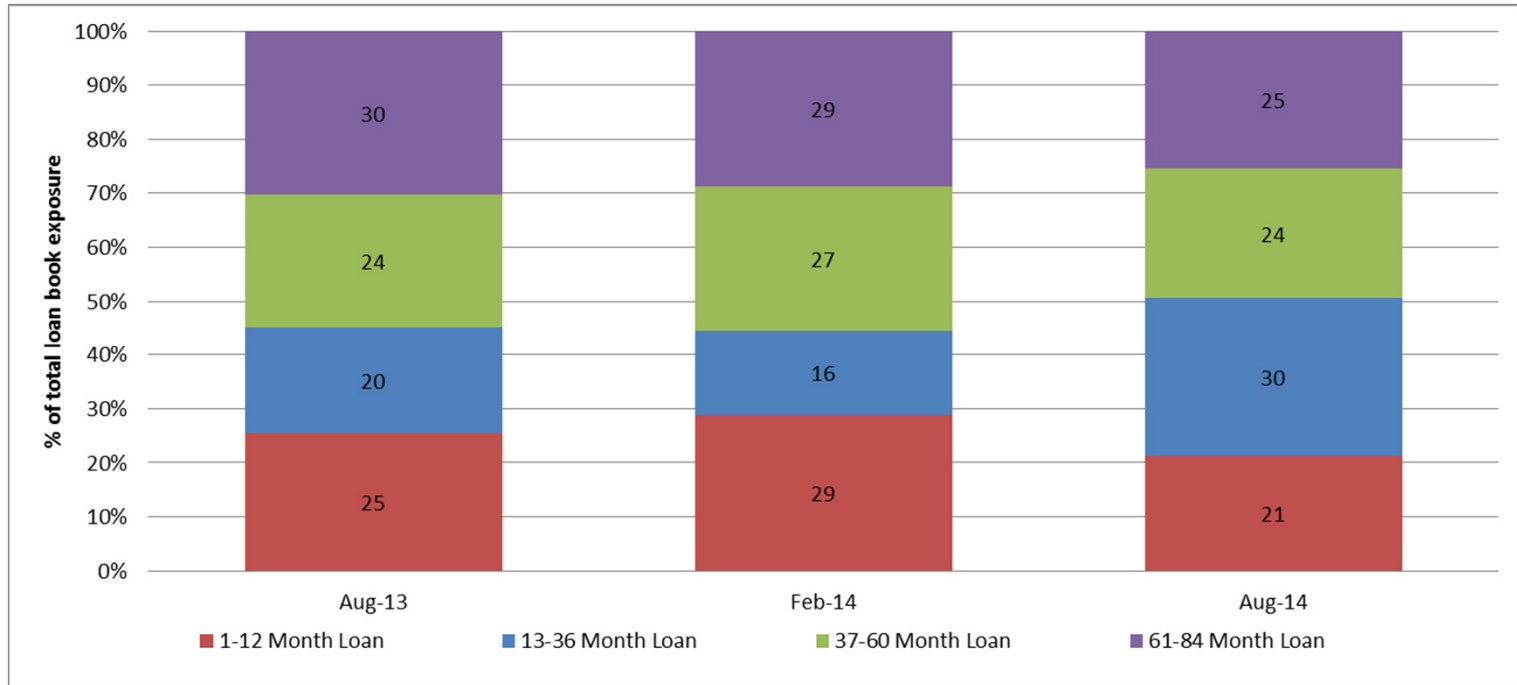
Business Drivers - Credit

Loan book exposure – by granting model



Business Drivers - Credit

Loan sales – By product



Business Drivers - Credit

Cash flow pressure – Loan clients with >40% cash available (Portfolio)

Sector	Aug-13	Nov-13	Feb-14	May-14	Aug-14
Government	60.3%	60.2%	58.8%	71.5%	66.5%
Non-Government	74.3%	77.0%	69.1%	77.2%	78.5%

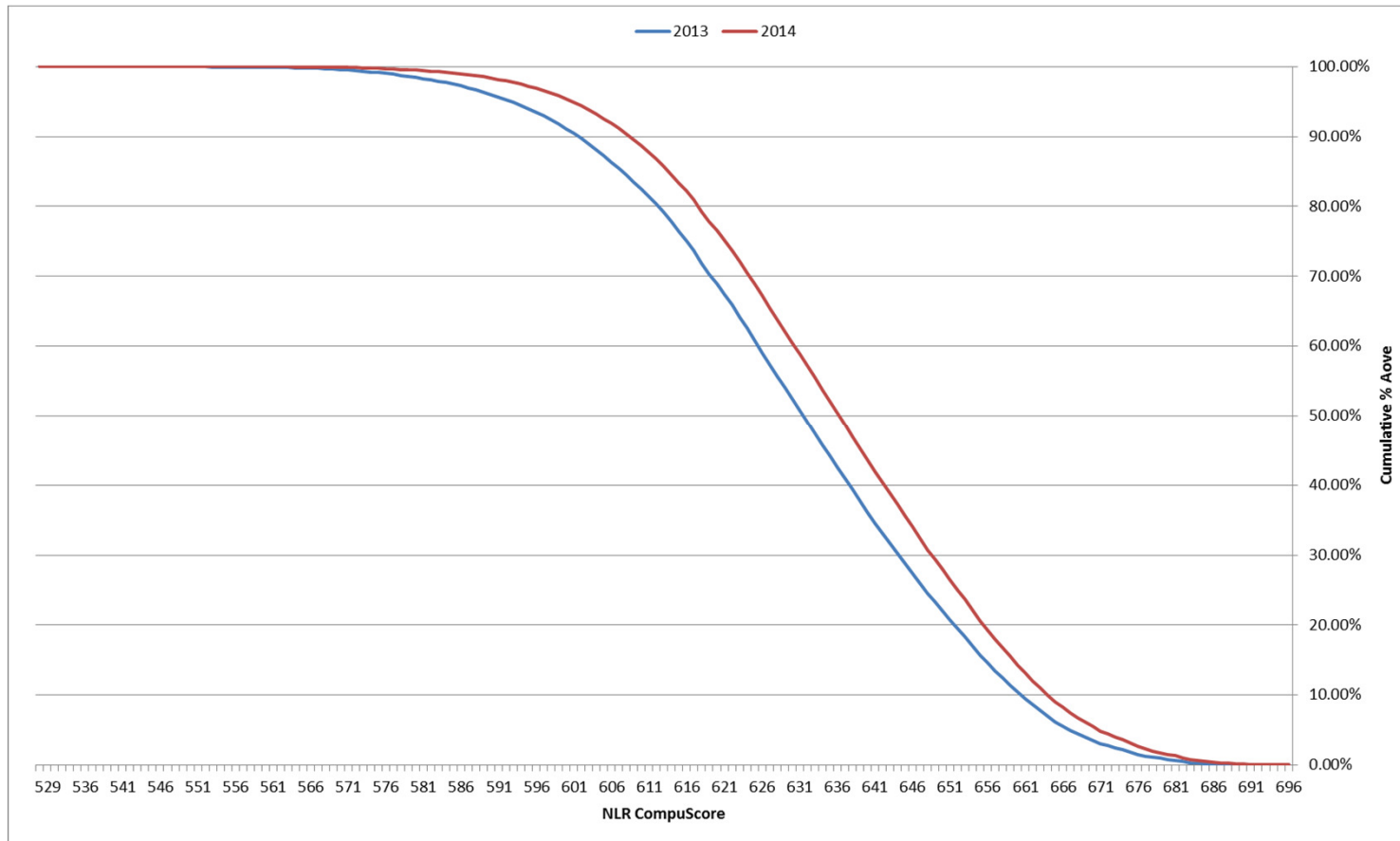
Business Drivers - Credit

Cash flow stress distribution – Loan clients with a salary drop in Aug 13 – Aug 14 (Same clients)

Level of Cash Stress	Aug-13	Aug-14
A. More than 40% cash available	68.9%	66.4%
B. Between 30% & 40% cash available	11.4%	12.8%
C. Between 20% & 29% cash available	9.0%	9.7%
D. Cash stress – less than 20% cash available	7.4%	7.9%
E. Extreme cash stress	3.2%	3.6%

Business Drivers - Credit

Loan book scoring trends - Compuscore



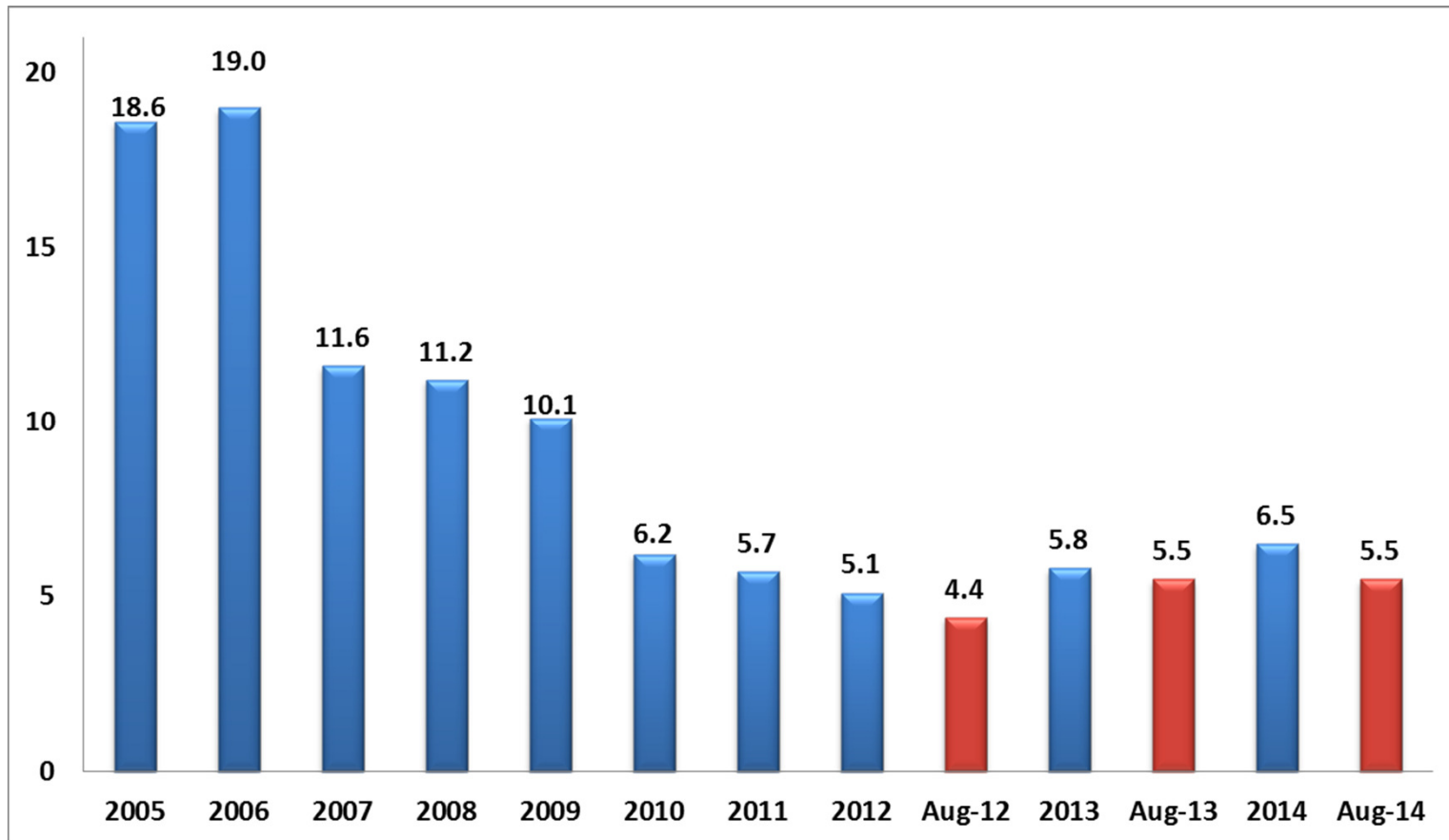
Business Drivers - Credit

Credit approval

% of applications	Aug-13	Aug-14
Total declined applications	59	57
Applications accepted – taken up	28	30
Applications accepted – not taken up	13	13
Total Applications	100	100

Business Drivers - Credit

Arrears to gross advances (%)



Business Drivers - Credit

Arrears and Impairment Provision of Gross loans and advances

		Aug 2012	Aug 2013	Aug- 2014
Gross Loans & Advances	R'm	24 697	32 644	35 086
Loans past due (arrears)	R'm	1 075	1 799	1 935
Arrears to gross loans & advances	%	4.4	5.5	5.5
Provision for doubtful debts	R'm	1 873	3 184	3 763
Provision for doubtful debts to gross loans & advances	%	7.6	9.8	10.7
Provision/arrears coverage ratio	%	174	177	194

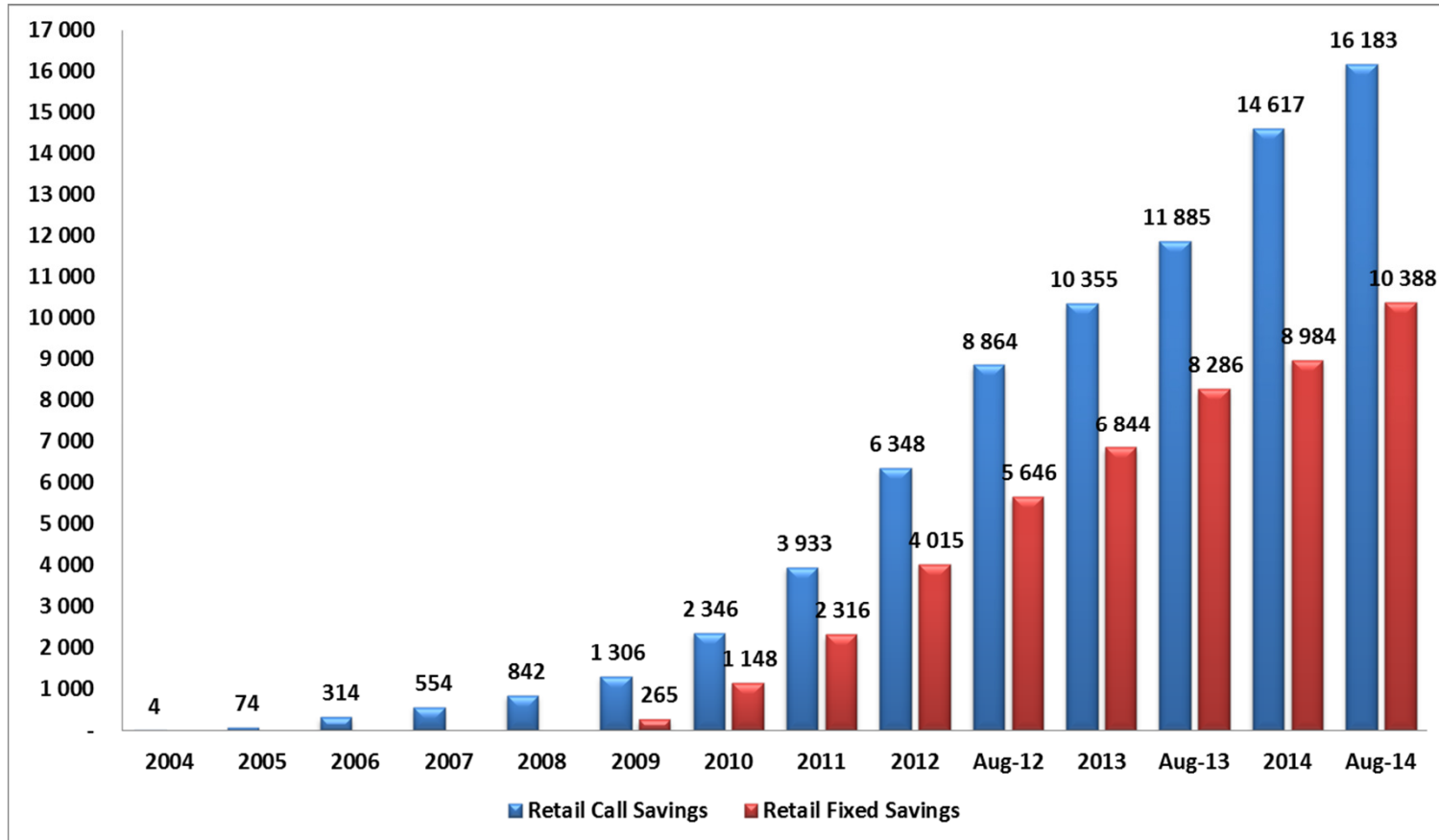
Business Drivers

Conservative Provisioning

Credit Status	August 2013 (%)		August 2014 (%)	
	of Book	Provided	of Book	Provided
Up to date	94.5	7.0	94.5	7.8
1 payment arrears	3.2	40.9	3.1	45.6
2 payments arrears	1.4	68.8	1.4	74.0
3 payments arrears	0.9	84.8	1.0	87.0
TOTAL	100	9.8	100	10.7

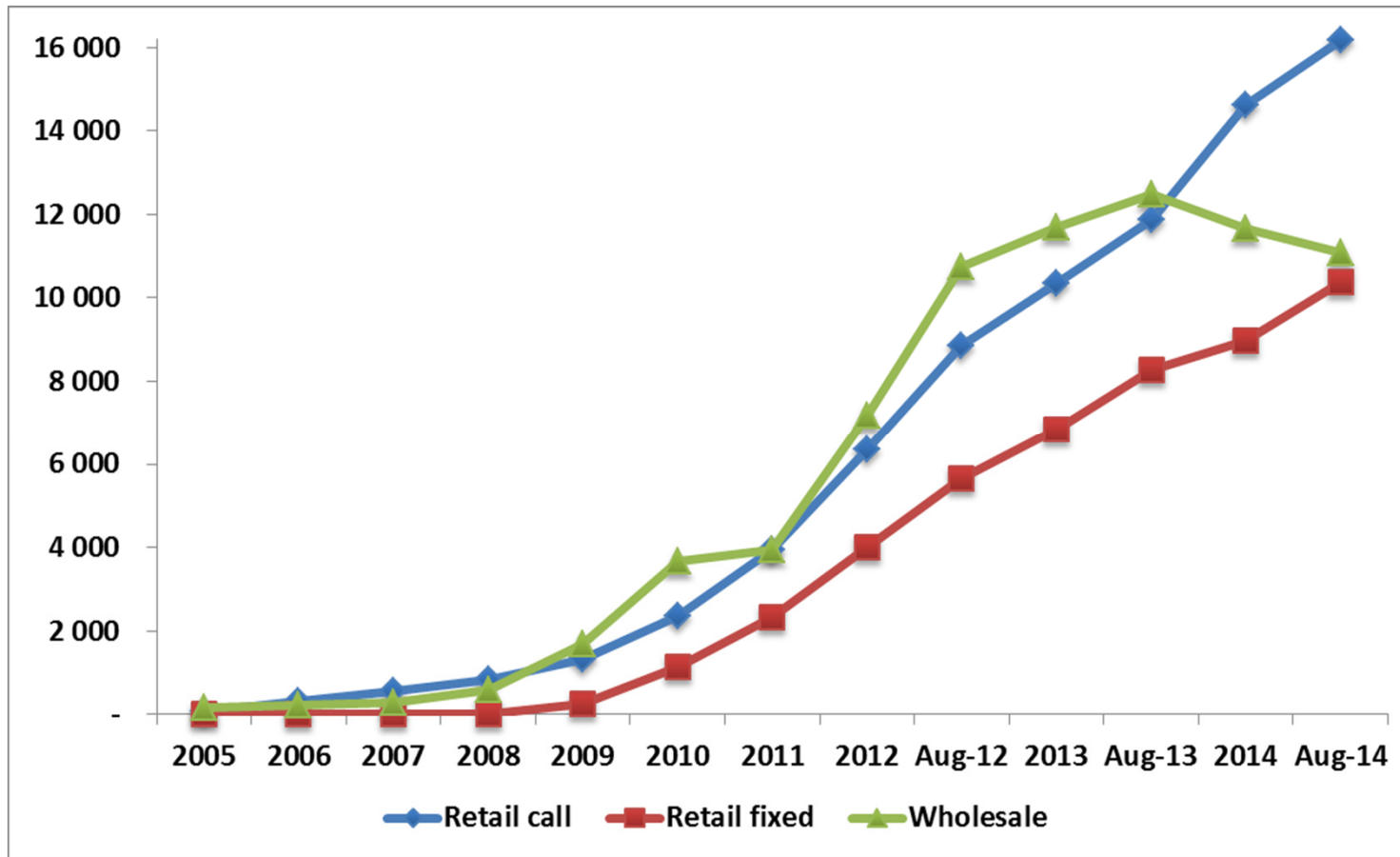
Business Drivers - Liquidity

Value of retail savings deposits (R'million)



Business Drivers - Liquidity

Deposits (R'millions)



Business Drivers - Distribution

Changes – For 6 months - August 2014 vs August 2013

	Change Aug-13	Change Aug-14	Total Aug-14
More branches	29	18	647
More ATMs including own partnership ATMs	290	290	3 208
More staff	582	421	9 491
Cell phone clients ('000)	461	485	2 922
Internet clients ('000)	37	41	311



Growing the business



What drives the business

- **Banking clients / Transacting activity**
 - Growing substantially
- **Credit**
 - Cautious, doing well, ongoing improvements implemented
- **Savings Deposits**
 - Short term – confidence, recovering

Banking / Transacting

- **Quantity**
 - Ongoing growth of 100 000 clients p/m
 - Growth - 40 000 bank transacting clients p/m
- **Quality**
 - Significant growth in higher income, younger profiles
 - More active clients doing non cash transacting
 - Most growth – Gauteng, urban areas



Banking / Transacting

- **Product take up**
 - New App - 90 000 new clients in 6 weeks
 - SAHL – steady, good cross sell opportunity
 - Internet growth good - new functionality
- **Distribution platform**
 - Branch placed in higher income, urban malls
 - ATM distribution platform enhanced
 - Focus - Employer sales – higher income
 - Acquiring



Banking / Transacting

- **Efficiency**
 - Queue system drives capacity planning
 - Measurement of 'time to' and 'time of' service drives skill evaluation / process optimisation
 - New sales flow enables better delivery of options and improved sales impact
 - IT / Project capacity enhanced



Credit – unsecured segment - Q1



- **Substantial market, here to stay**
 - Declining: 2013 – R23b, 2014 – R19b
(Q4 2012 – R30b; Q4 2013 – R21b)
 - Unsecured as % of :
 - Mortgages - 61%
 - Secured - 53%
 - Facilities - 116%
 - Mortgages granted – 93% > R350 000
 - Move to higher value loans: 82% > R15 000
 - Move to higher income: 50% to > R15 000

Credit – unsecured segment - Q1 continued

- **Still stressed:**
 - Book reported current 74% to 70% Y.O.Y.
 - Total Accounts - reduced 364 000 Y.O.Y.



Credit – unsecured segment

- Regulatory guidelines & enforcement needed
- Tainted sector – requires cleaning up
- Credit life
- Higher net worth clients entering segment
- Growth potential at lower prices



Credit – picking the quality

- Ongoing credit model improvement
 - New regression model
 - Short term vs long term
 - Debt to income criteria improved
 - Employer model improved
 - Stricter affordability
- Revised collections structure and management

Credit – picking the quality (continued)

- Improved intelligence on clients / employers
- Conservative provisioning
- ABIL – also an opportunity / caution
- Singular management focus

Savings / Deposits

- Growing retail deposits R3b to R26.6b
- Earn interest from first rand – 4.4%
- Remain well capitalised
- Moody's was negative
 - Awkward timing, awkward to respond
 - Received remarkable support from
 - Reserve bank
 - Analysts / Investors
 - Media commentators
- Thank you for the objective support

People

- Flat structure
- Ownership culture
- Team driven
- Quick decision making
- Focused and involved

General

- **Trust – remains the ‘heart’ of banking**
 - Minimal retail effect of the negative publicity
- **Our brand philosophy has set us apart**
 - Simplicity, sincere, straightforward
- **Ambitious but conservative**



Thank you