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# **Nedcor Limited**

2004 Interim Results

# Agenda

- 
- Highlights Tom Boardman
  - Financial overview Mike Brown
  - Recovery programme  
& strategic overview Tom Boardman
  - Prospects & summary Tom Boardman

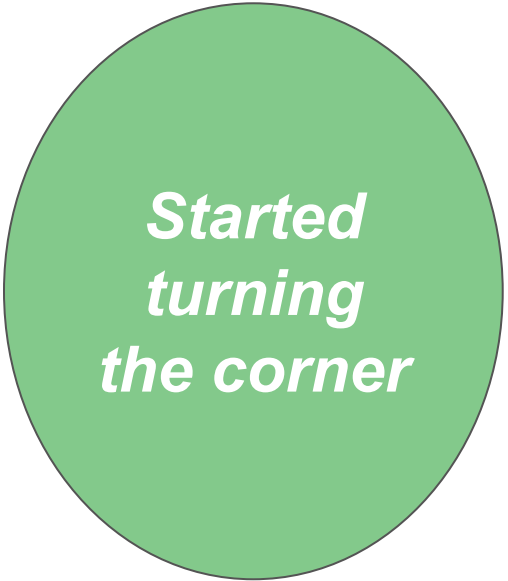
# Highlights

- Group strongly capitalised
  - Indicative tier 1 capital 7,9%, total capital 12,3%
- Earnings volatility substantially reduced
  - Forex & interest rate risks reduced
- Progress made to restore ROE

*Recovery  
programme on  
track*

# Foundation for growth

- Headline earnings R500m
- Strengthened capital position
- EXCO & senior management in place
- Reduced interest rate & currency risk
- Improved risk management processes
- Progress on improved MIS & disclosure
- Significant headcount reduction
- Merger on track – targets unchanged
- Peoples Bank integration initiated
- Client retention encouraging - but lost market share



*Started  
turning  
the corner*

# Key indicators



For the six months ended		June 04	June 03	Dec 03
Headline earnings	Rm	<b>500</b>	713	(658)
Headline earnings (excl forex)	Rm	<b>713</b>	1 448	23
Headline EPS	cents	<b>153</b>	244	(225)
Headline EPS (excl forex)	cents	<b>217</b>	495	8
ROE	%	<b>7,3</b>	9,2	(2,5)
ROA	%	<b>0,33</b>	0,45	(0,10)
Return on risk weighted assets	%	<b>0,48</b>	0,65	(0,61)
Margin	%	<b>3,05</b>	2,96	2,95
Efficiency ratio	%	<b>79,9</b>	72,6	87,7
Capital adequacy	%	<b>12,3</b>	10,1	10,1
NAV per share	cents	<b>4 444</b>	5 154	4 240

# ROE – Income drivers



**Excluding forex, merger & recovery expenses**

	Six months ended		Year ended
	June 2004	June 2003	Dec 2003
NII / Lending assets	3,05%	2,96%	2,95%
NIR / NII	101%	127%	117%
Impairments / Lending assets	0,61%	0,81%	0,89%
Operating expenses / Lending assets	4,5%	5,1%	4,5%
Operating expenses / Total income	73,0%	63,6%	69,8%
Lending assets / Total assets	77,0%	69,0%	72,4%
Gearing	22,3%	20,5%	22,2%
ROE	13,8%	20,4%	12,5%



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## Financial Overview

# Income statement



<b>Rm – six months ended</b>	<b>June 04</b>	<b>June 03</b>	<b>Dec 03</b>
Net interest income	<b>3 585</b>	3 246	3 562
Non-interest revenue	<b>3 617</b>	4 119	3 834
Foreign exchange losses	<b>(213)</b>	(735)	(681)
Impairments	<b>(719)</b>	(891)	(1 172)
Operating expenses	<b>(5 175)</b>	(4 722)	(5 618)
Fees due to alliance partners	<b>(83)</b>	41	(10)
Recovery programme expenses	<b>(234)</b>	-	-
Merger expenses	<b>(94)</b>	(134)	(260)
Associate income	<b>79</b>	70	62
Headline profit before taxation	<b>763</b>	994	(283)
Taxation	<b>(80)</b>	(205)	(185)
Minorities & preference s/holders	<b>(183)</b>	(76)	(190)
Headline earnings	<b>500</b>	713	(658)

# Segmental performance



Headline earnings	Rm - six months ended	June 2004	June 2003
Nedbank Corporate		1 149	1 365
Nedbank Capital		448	697
Imperial Bank		52	67
Retail & Wealth Management		270	437
Central Services		(432)	(396)
Capital Management & Central Funding		(664)	(722)
Preference share dividend		(110)	-
Foreign exchange translation losses		(213)	(735)
Total		<u>500</u>	<u>713</u>

***FTP, AJTP & risk adjusted capital allocation  
on track for implementation by end 2004***

# NII - margin analysis



<b>% of daily average interest-earning assets</b>	<b>%</b>	<b>Rm annualised</b>
December 2003	2,95	
Rights issue	0,03	119
Net endowment effect	0,13	536
Expensive funding drag	(0,06)	(231)
Other	-	(22)
<b>June 2004</b>	<b>3,05</b>	

- Roll-off of expensive deposits - end April 2004
- Repatriated capital enhances margin
- Revised ALM process
- Improving FTP, cost & capital allocation



# Tier 2 debt now hedged



Rm	July 2004		Dec 2003	
	NII Drag hedged	Present value	NII Drag hedged	Present value
H1 2004	45	45	75	75
H2 2004	59	58	75	74
2005	118	109	150	139
2006	110	93	142	121
2007	47	36	58	45
Total	<b>378</b>	<b>341</b>	<b>500</b>	<b>454</b>

*Reduced NII drag through hedging*

# Non-interest revenue



Rm	% ch	June 04	June 03
Commission		1 840	1 535
Fee income		786	949
Admin fees		56	10
Dividend from other investments		52	71
Surplus on sale of banking investments		37	203
Other		253	142
Sub Total	3,9	3 024	2 910
Exchange & securities trading	(50,0)	593	1 209
Pre AC133		479	865
AC133 fair value		114	344
Total	(12,2)	3 617	4 119

- Focus on growing transaction revenue
- Improve trading income within defined risk limits
- Focused teams to drive initiatives
- Further automate certain fee income streams



**Enhance NIR**

# Foreign exchange exposure



Rm	FX sensitive	Non FX sensitive	Total
December 2003 - offshore capital	5 190	2 122	7 312
December 2003 - offshore pref funding	1 956	-	1 956
December 2003 - FX exposure	7 146	2 122	9 268
Capital repatriated	(630)	-	(630)
Pref funding repatriated	(1 956)	-	(1 956)
Sale of subs & capital restructuring	(748)	(93)	(841)
Loss on translation	(213)	-	(213)
<b>June 2004 – offshore capital</b>	<b>3 599</b>	<b>2 029</b>	<b>5 628</b>
Future capital repatriation - hedged	(541)		
<b>Net FX exposure – June 2004</b>	<b>3 058</b>		

*Reduced capital volatility & improved NII*

# NPA's & impairments



	June 2004		Dec 2003	
	Rm	% adv	Rm	% adv
Non-performing loans	6 262		7 164	
PIPs	1 089		1 280	
Non-performing advances	7 351	3,4	8 444	4,0
Expected recoveries	3 084		3 660	
Expected losses	4 267		4 784	
Impairments	6 939	3,3	7 308	3,4
Adequacy of impairments				
- Gross coverage (%)	94		87	
- Net coverage (%)	163		153	

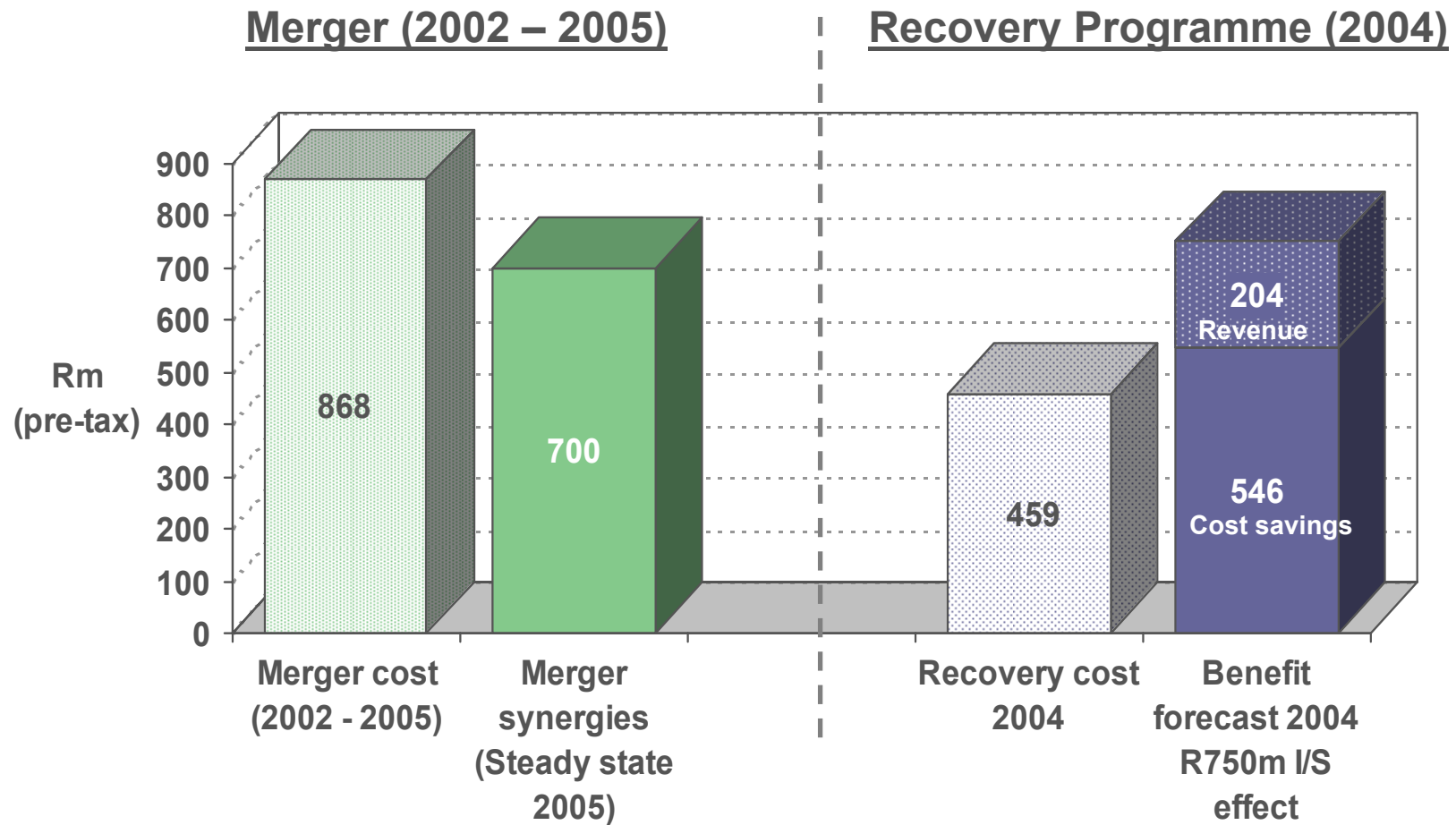
*Improved credit environment expected to continue*

# Review of operating expenses



Rm	June 04	1 <sup>st</sup> time consol	Reclass from NIR	FICA & Basel II	03 under accrual	Increased originators	Bonus accrual	June 04 adjusted	June 03
Staff expenses	<b>2 544</b>	45	-	1	38	-	150	<b>2 310</b>	2 305
Computer process	<b>605</b>	39	-	-	-	-	-	<b>566</b>	654
Comms. & travel	<b>215</b>	2	-	-	-	-	-	<b>213</b>	225
Occupation & accomm.	<b>486</b>	5	-	-	-	-	-	<b>480</b>	458
Marketing & PR	<b>232</b>	1	-	13	-	-	-	<b>218</b>	229
Fees	<b>518</b>	10	43	46	31	43	-	<b>345</b>	304
Insurance	<b>106</b>	1	-	-	-	-	-	<b>105</b>	90
Office equip.	<b>148</b>	3	-	-	-	-	-	<b>145</b>	149
Sundries	<b>151</b>	2	-	-	-	-	-	<b>149</b>	128
Transaction taxes	<b>170</b>	-	-	2	-	-	-	<b>168</b>	180
<b>Total</b>	<b>5 175</b>	108	43	62	69	43	150	<b>4 701</b>	4 722

# Merger & Recovery programme



***In the recovery programme, the ratio of benefits to one-off costs is significantly better than in the merger***

# Taxation



Rm	June 2004	%	June 2003	%
Total tax	80	10	205	21
Tax – business operations	249	32	341	35
Tax – structured deals	(171)	(22)	(178)	(18)
STC	2	-	42	4

- Low STC due to high take-up of the 2003 final scrip dividend alternative
- Excluding the impact of AC102 & translation losses, effective tax rate is 26%
- If profit & translation loss trend is maintained, effective rate is likely to stay in a similar range for the whole year
- This rate is likely to trend upwards in future periods

# Balance sheet



Rm	Annualised % change	June 2004	Dec 2003
Cash & securities	(2,2)	43 680	44 170
Advances	(3,6)	206 294	210 096
Investments (excluding insurance)	13,2	5 797	5 415
Property & equipment	(12,4)	2 517	2 684
Computer software	(17,8)	1 558	1 710
Goodwill	(8,8)	3 598	3 762
Derivatives	(49,0)	21 509	28 496
Other	(16,4)	15 400	16 780
<b>Total assets</b>	<b>(8,2)</b>	<b>300 353</b>	<b>313 113</b>
Ordinary shareholders equity	99,8	17 463	11 647
Minorities & preference shareholders	1,2	3 469	3 454
Deposits	(1,8)	236 618	238 813
Derivatives	(59,2)	19 856	28 206
Long term debt instruments	(51,4)	7 497	10 086
Other	(52,2)	15 450	20 907
<b>Total equity &amp; liabilities</b>	<b>(8,2)</b>	<b>300 353</b>	<b>313 113</b>

# Group indicative capital position



Rm	Indicative regulatory capital				Risk weighted assets
	Tier 1	Tier 2	Tier 3	Total	
<b>31 December 2003</b>	<b>10 640</b>	<b>10 469</b>	<b>480</b>	<b>25 547</b>	<b>212 850</b>
<b>Capital adequacy (%)</b>	<b>5,0</b>	<b>4,9</b>	<b>0,2</b>	<b>10,1</b>	
Attributable inc. (excl goodwill & FX)	920	-	91	1 011	-
Dividend	(239)	-	-	(239)	-
Currency impact	(214)	-	-	(214)	(1 353)
Reduction - risk weighted assets	-	-	-	-	(3 700)
Tier 1 capital raising	5 149	-	-	5 149	-
Tier 2 redemptions	-	(2 500)	-	(2 500)	-
Loan loss reserve adjustment	(430)	430	-	-	-
Peoples Bank impact	(572)	-	-	(572)	-
Impairment relief	-	30	-	30	-
Non-core asset sales & revaluation	995	-	-	995	-
Other adjustments	144	166	-	310	-
<b>30 June 2004</b>	<b>16 381</b>	<b>8 595</b>	<b>571</b>	<b>25 547</b>	<b>207 798</b>
<b>Capital adequacy (%)</b>	<b>7,9</b>	<b>4,1</b>	<b>0,3</b>	<b>12,3</b>	

# Deposits & other accounts



Rm	Annualised % change	June 2004	Dec 2003
Current accounts	(13,2)	34 005	36 392
Savings accounts	2,8	10 560	10 411
Other deposits & loan accounts	16,0	151 481	140 273
Foreign currency liabilities	4,0	10 529	10 323
Negotiable certificates of deposit	(59,0)	22 478	31 897
Provisions for onerous contracts	400,0	57	19
Provision for leave pay	(11,2)	368	390
Repurchase agreements	(43,2)	7 140	9 108
	<u>(1,8)</u>	<u>236 618</u>	<u>238 813</u>

# Advances



Rm	Annualised % change	June 2004	Dec 2003
Homeloans	13,1	<b>60 434</b>	56 733
Commercial mortgages	(5,4)	<b>30 145</b>	30 978
Properties in possession	(30,0)	<b>1 089</b>	1 280
Credit cards	5,8	<b>3 296</b>	3 204
Other loans & overdrafts	(14,2)	<b>82 149</b>	88 378
Leases & instalment debtors	12,0	<b>27 422</b>	25 880
Prefs & other investments	(2,2)	<b>5 535</b>	5 596
Trade & other bills	(81,2)	<b>3 061</b>	5 135
Remittances in transit	(107,9)	<b>102</b>	220
Impairment of advances	10,2	<b>(6 939)</b>	(7 308)
	<u>(3,6)</u>	<u><b>206 294</b></u>	<u>210 096</u>



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*“Clearly there is a lot to do, but we are confident of restoring earnings growth & an improved ROE”*



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## **Recovery programme & strategic overview**

# Road map



## Five point plan

- Reconstitute EXCO
- Strategic review
- Improve transparency
- Deliver on merger
- Customer service focus

## Chairman's 10 key issues

- CEO's objectives
- Nedcor board objectives

## Priorities & group strategy

### Strategic recovery programme

- Restore the bank
- Build for the future

### Organic initiatives

e.g. Retail mass market strategy,  
Corporate transactional banking  
initiatives

# Strategic recovery programme



## Restore the bank

- Management information
- Restore & manage capital
- Complete merger
- Integrate Peoples Bank
- Dispose of non-core assets
- Grow revenue
- Reduce cost base
- Risk management & governance
- Refocus incentive plans
- Staff morale, culture & values
- Build effective executive team

## Build for the future

- Long term strategic plan
- Customer satisfaction / retention
- Improve bank image
- Grow transactional banking
- Financial Sector Charter
- Bancassurance

# Project dashboard example



## Management information

- Baseline & clean-up completed timeously & new accounting policies implemented
- ALM
- “One version of the truth”
- Fast close
- Board / management pack redesign
- Stable & accurate financial data
- Financial processing architecture / data warehouse
- DI returns
- ROE & RaRoC analysis

<i>Owner</i>	<i>Stage</i>	<i>Due date</i>	<i>Status</i>
<b>BH</b>	<b>Tracking</b>	<b>March 04</b>	<b>①</b>
<b>BH</b>	<b>Tracking</b>	<b>March 04</b>	<b>①</b>
<b>MB</b>	<b>Design</b>	<b>July 04</b>	<b>②</b>
<b>MB</b>	<b>Implem.</b>	<b>July 04</b>	<b>②</b>
<b>MB</b>	<b>Complete</b>	<b>July 04</b>	<b>①</b>
<b>MB</b>	<b>Scoping</b>	<b>TBA</b>	<b>③</b>
<b>MB</b>	<b>Scoping</b>	<b>TBA</b>	<b>③</b>
<b>PW</b>	<b>Scoping</b>	<b>TBA</b>	<b>③</b>
<b>MB</b>	<b>Scoping</b>	<b>TBA</b>	<b>③</b>

# 6 principles to succeed

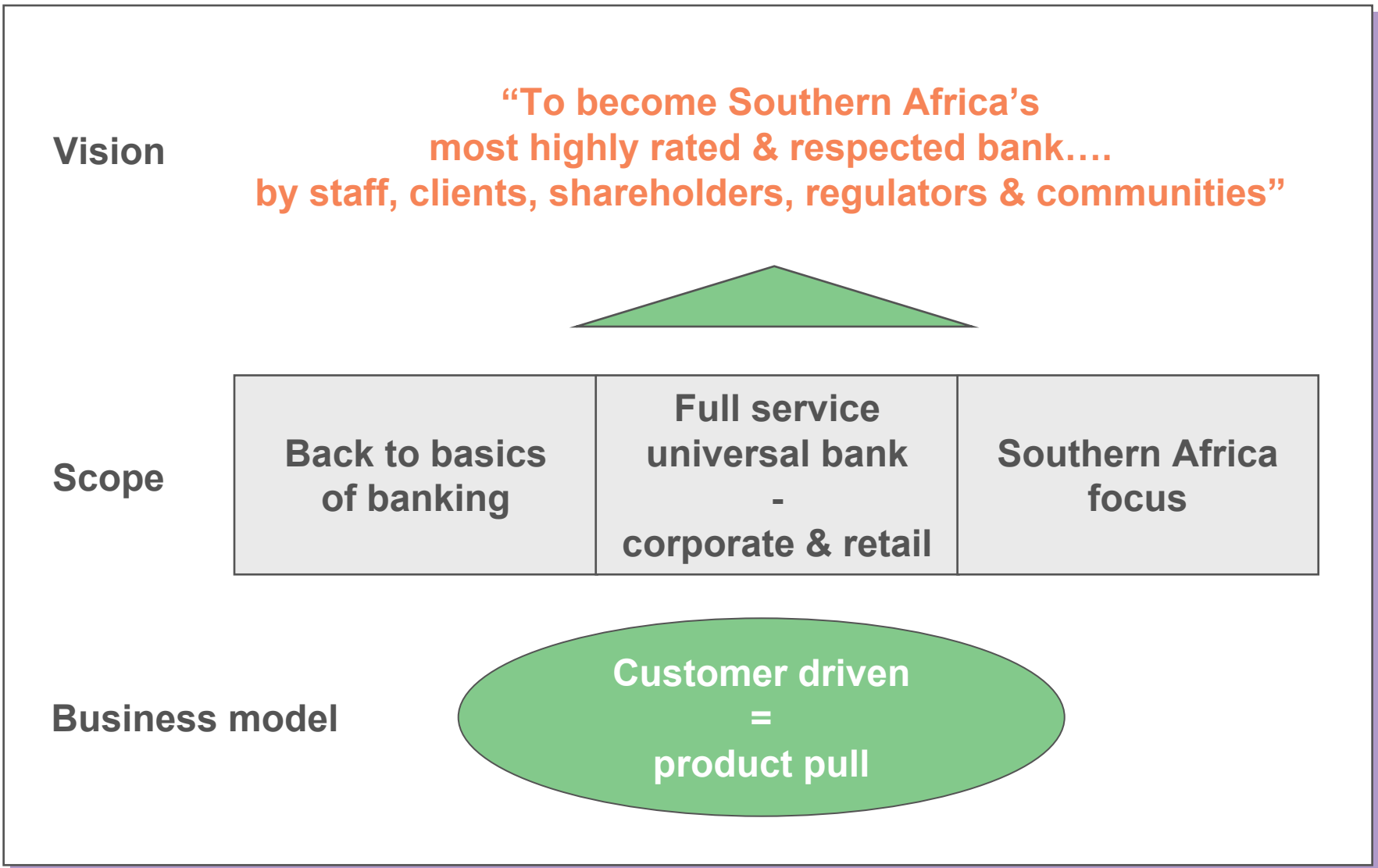


In 1987 Deloitte & Touche identified 6 principles a financial services company needs to adopt in order to succeed:

- Empathy
- Client & customer focus
- Product pull instead of product push
- The quality-productivity connection
- Management controls
- Rewards for desirable behaviour

***“Still true today”***

# Strategic position



# Divisional focus



## Nedbank Corporate

- Improve market share in transactional banking
- Focus on asset quality
- Build on business banking franchise
- Rationalise offshore operations

## Nedbank Capital

- Integrated debt & equity businesses
- Single house view of clients & deals
- Rigorous process to convert pipeline
- Building trading revenues

## Retail & WM

- Peoples Bank integration & revised mass market strategy
- Rationalise branch footprint post integration
- Client acquisition & cross-sell
- Bancassurance

# Cost reduction initiatives

- Carefully considered retrenchment programme (does not affect muscle of the organisation)
- Process re-engineering initiatives
  - Improving throughput - front to back end processes
  - Eliminating duplicate processes & waste
  - Rationalise operational / back-office duplication
- Group wide procurement savings
- Rationalisation of non-centralised technology spend
- Rationalisation of offshore operations
- Rationalisation of premises
- Containment of discretionary spend



***Target cost synergies from recovery of R546m in 2004***

# Staff reduction

- Staff costs represent 49% of total operating expenses
- Staff numbers reduced by more than 1 000 in first half
  - 2 500 estimated reduction for full year
- Total retrenchment expected of 2 300
- Rebuild the motivation & morale of staff
  - Communication
  - Completion of retrenchments ASAP
  - Finalised bonus structures



*Reduced costs for future*

*But one-off retrenchment  
costs in 2004*

# Revenue growth initiatives



- Grow transaction revenue
  - primary banker status
- Focus on improving cross-sell ratio
- Implement mass market retail strategy
  - Target youth, middle income, people of colour
  - Differentiated product offering
- Proactively offer creative solutions to corporate market
- Prevent revenue leakage

***Target uplift  
from recovery of  
R204m in 2004***



***Main focus to  
improve NIR***

# Non-core asset disposal



As from Jan 2004, ± R2bn to be disposed

I/S effect

## *Disposal of non-core subsidiaries*

- |   |         |
|---|---------|
| • Chiswell sold for £20,9m                                | R137m   |
| • Stenham sold for £19m (subject to conditions precedent) | Only H2 |
| • BoE Life International - £22m taken out prior to sale   | Only H2 |

## *Disposal of non-core investments*

- |  |      |
|--|------|
| • Century City vacant land sold for R82m                   | R2m  |
| • 75 Grayston Drive sold for R20m                          | R3m  |
| • Other properties (R19,7m) being marketed                 | -    |
| • Aplitec reduced to 17% holding                           | R21m |
| • Endowments: awaiting tax certainty to enable realisation | N/A  |

## ***Completed***

- BEE policy committee to monitor compliance
- Board transformation committee
- Allocating responsibility to the respective business units

## ***For remainder of 2004***

- BEE ownership strategy – objective broad-based
- Finalise procurement, EE & empowerment financing strategies & targets  
(group wide FSC & business unit specific strategies)
- Internal transformation communication & education

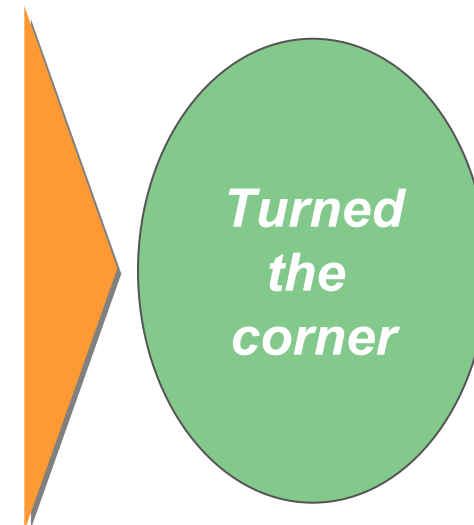


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## Prospects & summary

# Opportunities

- NII: significant margin improvement potential
  - Roll-off of expensive deposits (PNs, NCDs)
  - Offshore capital repatriation
  - Rights issue endowment
- NIR: sustainable growth opportunity
  - Increasing pricing discipline
  - Increased cross-selling & primary banker focus
  - Enhanced trading revenue
  - Bancassurance
- Cost saving opportunities
  - Merger & restructuring costs to reduce from 2005
  - Peoples Bank integration
  - Rationalisation of back office processes
  - Group wide synergies by taking an “end to end” look at the bank

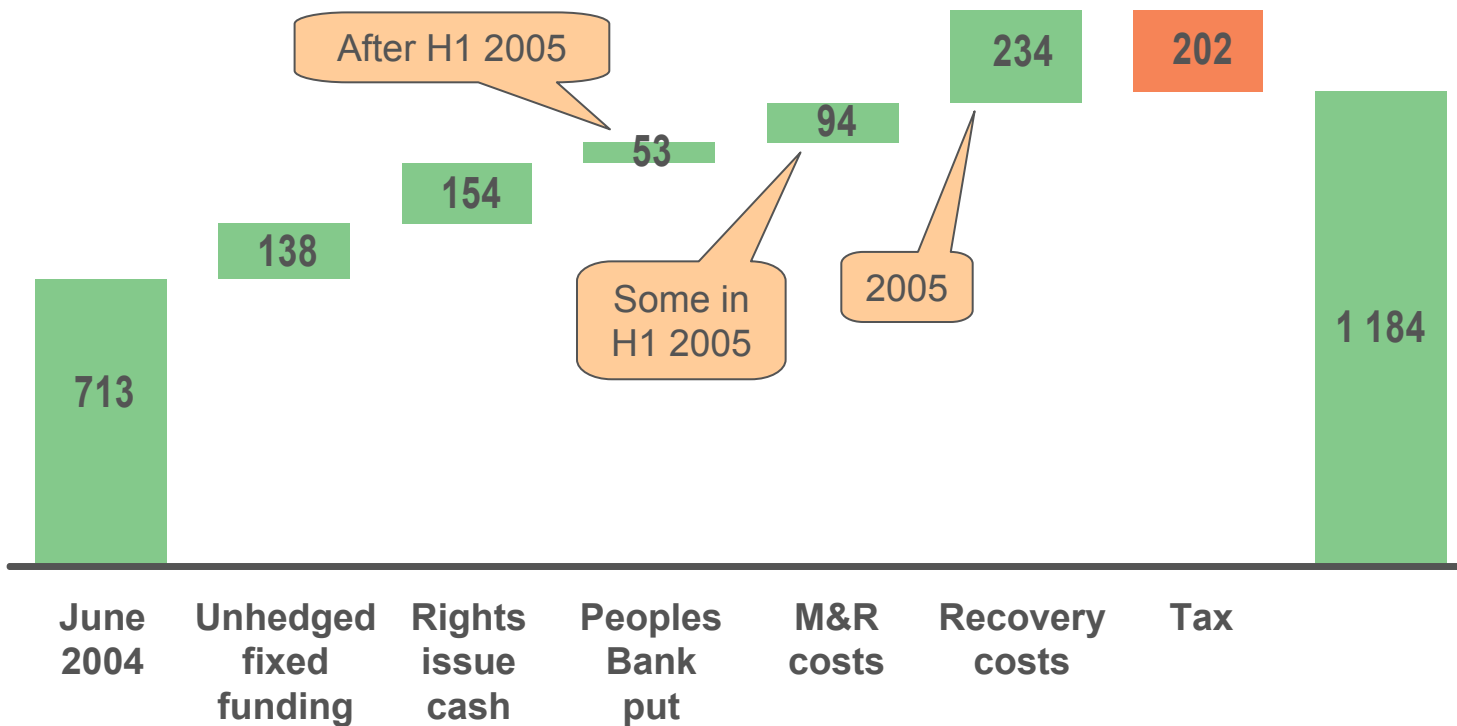


# Sustainable H1 earnings base



Rm

Headline earnings excluding forex translation losses



*Plus synergies from the merger & recovery programme*

# 2004 earnings forecasts



- Headline earnings (excl forex) 0% to 15% up on R1 471m
- EPS dilution through rights issue
- Headline EPS (excl forex) 6% to 19% down on 502 cps
- Attributable earnings – move from a loss in 2003 to a profit in 2004

*Improved  
earnings growth  
in 2005*

# Position



- Full support of Old Mutual
- Committed young management team
- Strong capital base – 12%
- Merger substantially completed
- Faced difficult & hard facts - have been transparent
- Launched a number of initiatives for recovery programme
- Transformation & empowerment focus
- Morale still an issue
- Need to stabilise market share

***“Back to basics”***

# Pathway for future growth



- Cover cost of capital in 2004 (excl forex, merger & recovery costs)
- Maintain strong capital position - Tier 1 above 7,5%
- Reduced interest rate & currency risk
- Lower funding cost as expensive deposits roll-off
- Focus on NIR, including bancassurance, to enhance earnings
- Will hold expense growth below revenue growth
- Attain market related asset growth
- Progress on improved MIS & disclosure

*Steady progress towards ROE  
of 20% on a run rate by 2006,  
with at least 20% in 2007*



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



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**Questions?**



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**Thank you**



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## Booklet slides

**Booklet only**

# June 2003 restatements



June 2003 numbers restated by R52 million due to changes in accounting policies and treatment for the 2003 year-end

	Rm
AC133 fair value – year-end process and audit improved data and ensured correct values identified	18
Peoples Bank put option – fully consolidated at year-end in 2003 so June 2003 adjusted to reflect the funding cost and liability and reverse minority interest	30
Application of AC102 and AC105 simply moved items between line items	
The move to equity account JVs of BoE as opposed to partial consolidation simply moved items between line items	
Reclassification of transaction taxes from taxation to expenses simply moved items between line items	
Preference dividend accruals to only be raised once approved	(133)
Intangible assets are now depreciated up to five years, down from seven	33

# Bancassurance alliance with OM



- Alliance income shown in Nedcor divisions where clients are managed (ie Retail Banking, Business Banking, Corporate Banking), with some costs held in retail
- This alliance arose from a combination of profits from Nedcor Financial Planning and Old Mutual's underwriting business
- Alliance has been profitable since inception. NPBT in 2003 was R33,8 million (full year) and R40,9 million is anticipated for 2004 – amounts shared 50/50 between Nedcor and OMSA
- Current initiatives underway to increase planner numbers, improve planner productivity and increase penetration into Nedcor client base
- Together with BoE Life – total annual premium generated from the Nedcor client base is approximately R1,9 billion

# BoE Life JV



- 50/50 alliance between Nedcor and Old Mutual South Africa
- Focuses on providing credit life cover to Nedcor clients
- Significant increase in client penetration expected in next few years
- 2003 profit after tax for the full year was R12,2 million (ie R6,1 million each for Nedcor and OMSA) and full year expectation for 2004 is R37,2 million
- In addition to profit described above, commissions earned in the various banking divisions of Nedcor totaled R18 million in 2003 (full year) and expectation for 2004 is R24,9 million

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# BoE private clients JV



- 50/50 alliance between Nedcor and Old Mutual South Africa
- Includes private client services, asset management, stockbroking and fiduciary and trust services
- Assets under management of R17,4 billion
- NPBT for full year in 2003 was R75,4 million and forecast for 2004 is R89 million
- Nedcor share of profit (post tax) for first half 2003 was R11 million and R16 million for 2004

# Old Mutual Bank alliance



- 50/50 alliance between Nedcor and Old Mutual South Africa
- 46 branches – formerly Permanent Bank branches
- Client liabilities – R9 billion and client assets – R2 billion
- Excellent service levels and best client satisfaction measures in the banking industry in South Africa (independently measured)
- Focused on new client acquisition, especially out of OMSA client base
- To date – good growth in branch-based business, but disappointing growth in business originated by Old Mutual intermediaries
- Small “back book”, therefore cost of client acquisition still exceeds profit from “back book”
- Moving towards profitability – already making a meaningful contribution to fixed costs
- Ongoing review/enhancement of business model and impact of branding
- Recent successes, although modest = cautiously optimistic

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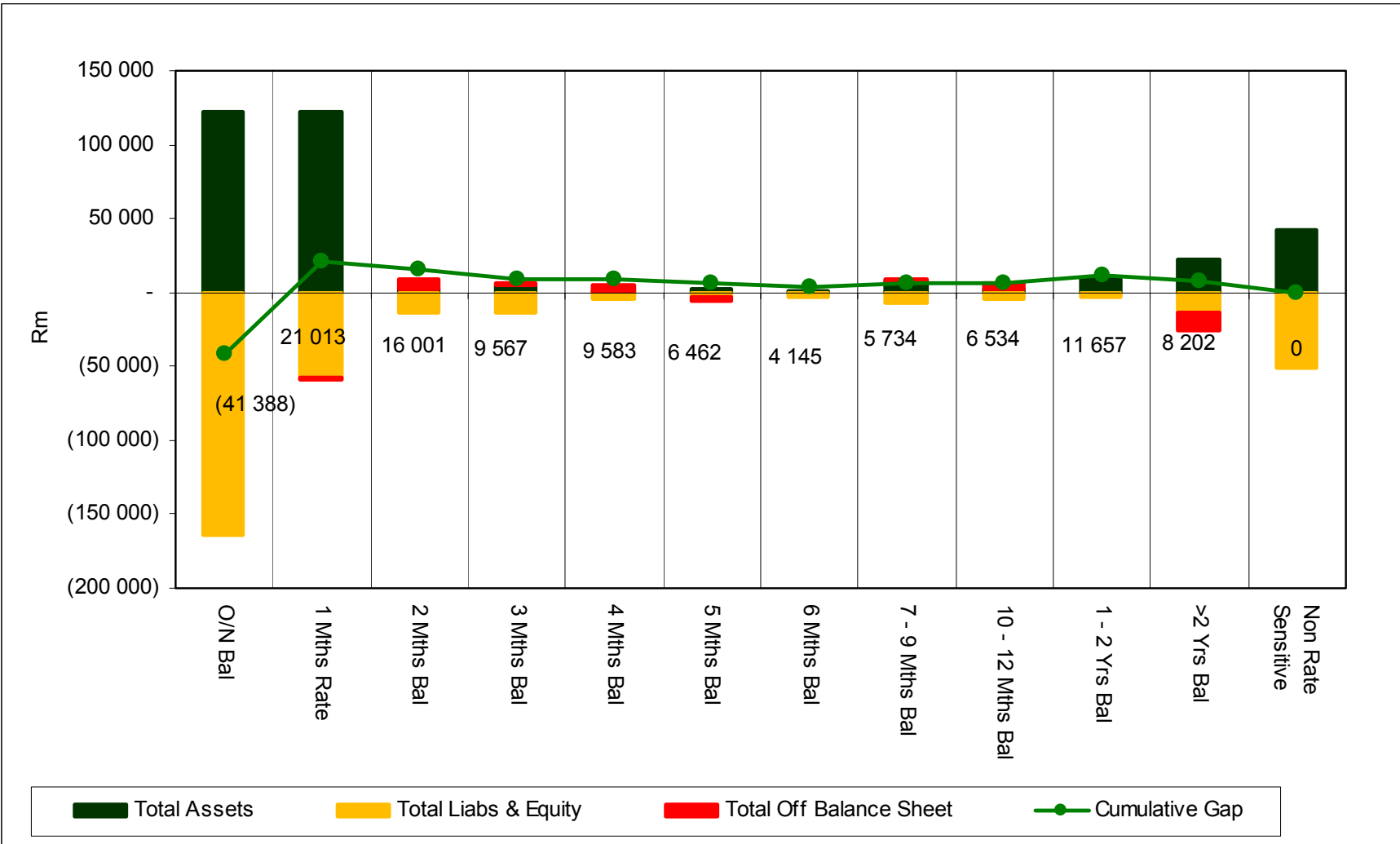
# Go Banking alliance



- 50/50 alliance between Nedcor and Pick 'n Pay
- Over 100 000 cards in issue
- 60 000 clients used their cards in June 2004 (“real active”)
- NII increased by 34% and NIR increased by 69% (first half on first half)
- Losses declined from R35 million in first half 2003 to R27 million in first half 2004
- The success of some recent initiatives has been pleasing
- The expansion of the in-store functionality for many other Nedcor clients is imminent
- Relationship with Pick 'n Pay is excellent – we enjoy strong support from our partners
- We remain convinced that supermarket banking is an important growth opportunity

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# June 2004 repricing gap – SA



# Interest rate sensitivity



- Positioned for an increase in interest rates
- Impact of 1% parallel move in rates is <1% of capital and reserves. Would have  $\pm 8$ bp reduction in margin (full impact and no management intervention)
- Hedging activities – maintaining current low risk balance sheet structure
  - Fixed rate subordinated debt completely hedged
  - Significantly reduced reliance on NCDs and PNs
  - Hedging new NCDs, PNs and wholesale fixed deposits between four and 12 months
  - All new balance sheet interest rate risk >12 months eliminated by default unless specific appetite and accountability identified
  - Implementation of matched maturity funds transfer pricing methodology to facilitate sound interest rate risk management and to allocate appropriate ownership to respective components of margin
- Foreign exchange exposure on capital significantly reduced
- Improved management of capital

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# Positive margin impact



- Endowment positive because of reduction in net balance (R493 million) as well as lower interest rates (R43 million)
- Major “drag” impact was in Q1 2004 – smaller impact on income statement going forward
- Positive impact of rights issue on NII still to be felt in H2 2004

# Endowment impact

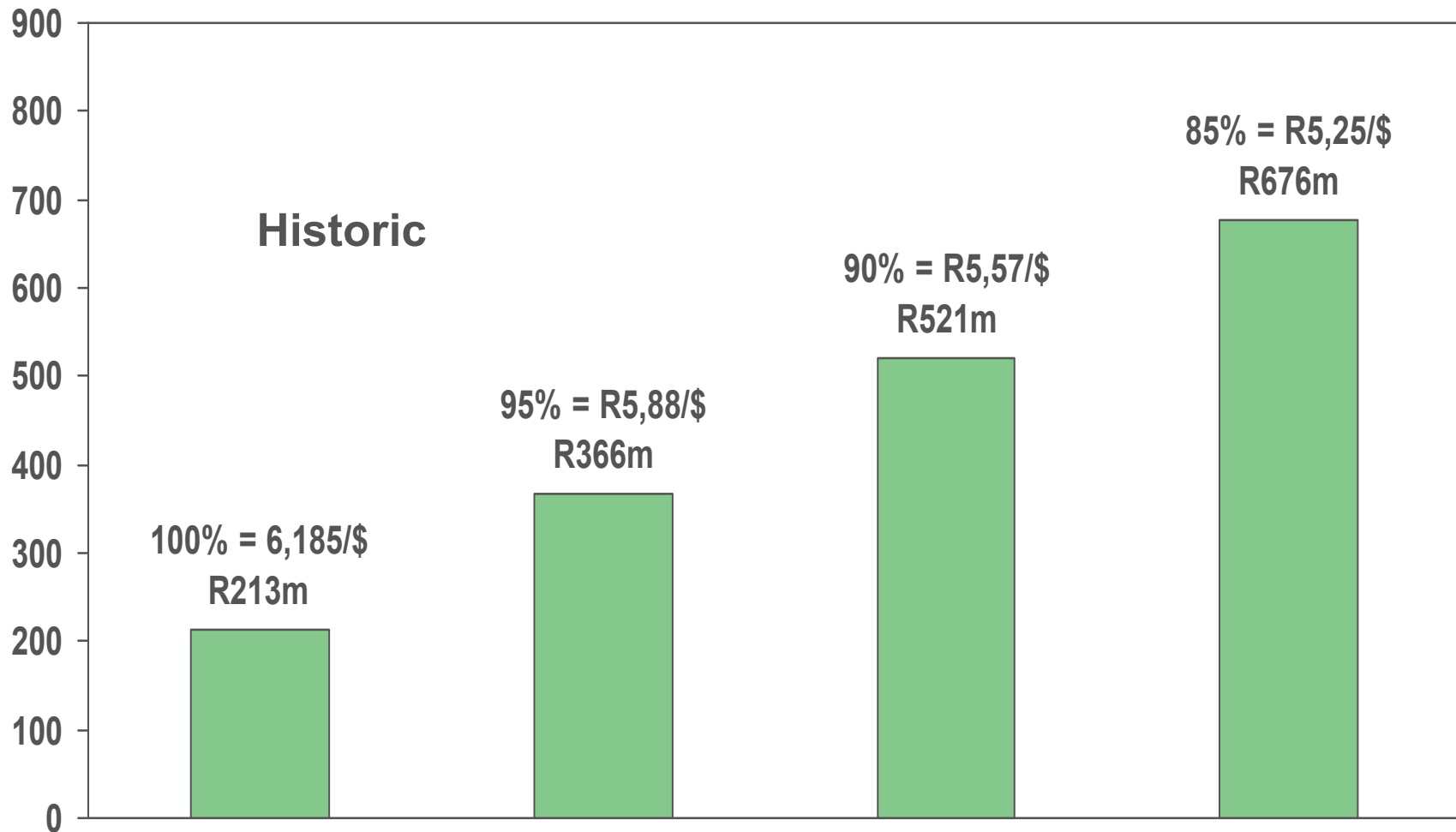


Endowment = non-earning asset and non-paying liability balances (eg notes and coins, sundry debtors, fixed assets and sundry credit balances). Ordinary shareholders' funds also included as there is no interest cost.

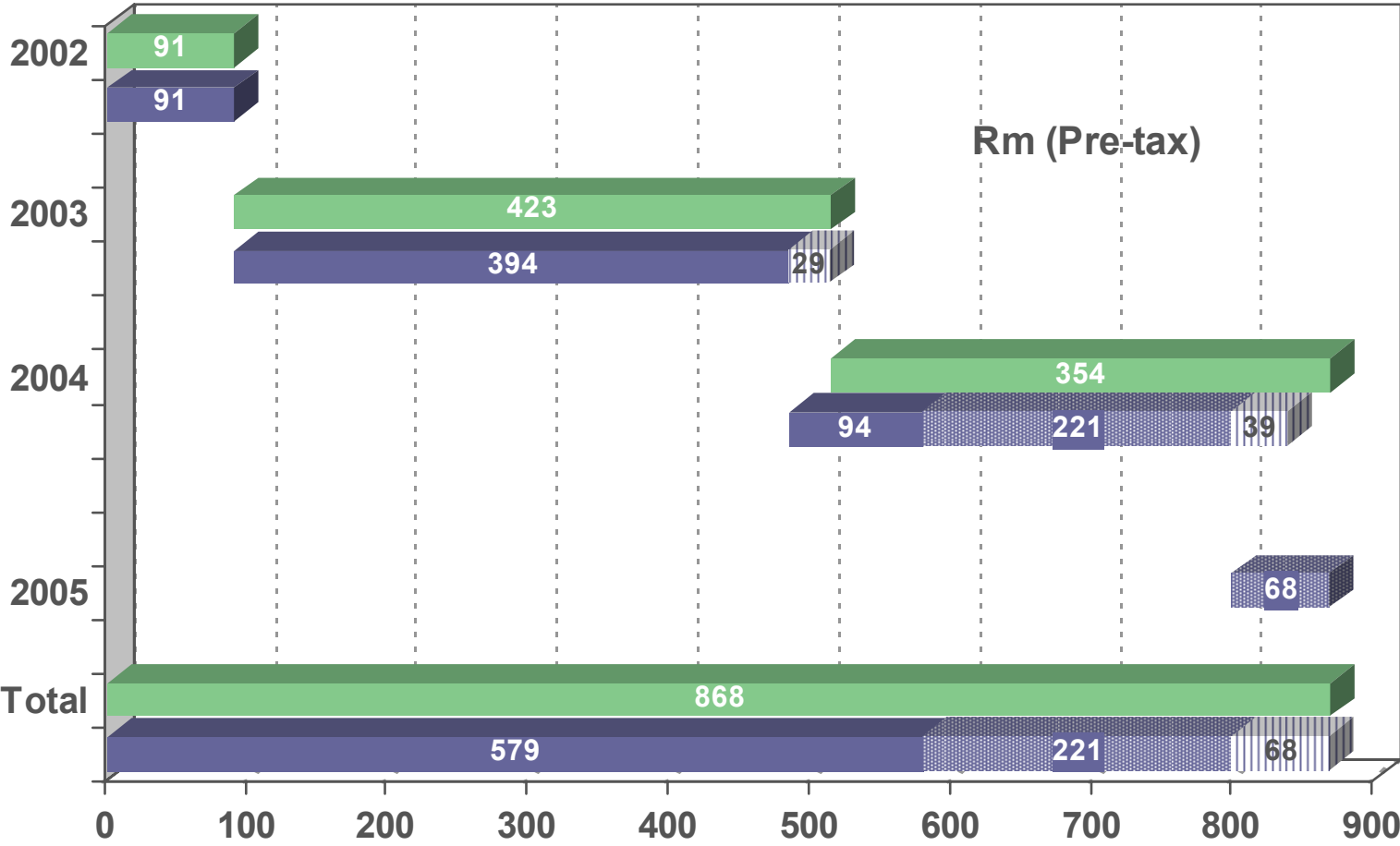
Daily average balances summarised:

Rm	Dec 02 (year)	Jun 03 (6 months)	Dec 03 (year)	Jun 04 (6 months)
Endowment assets	30 900	38 189	35 641	33 403
Endowment liabilities	11 804	13 467	12 694	14 478
<b>Net endowment pre capital</b>	<b>19 096</b>	<b>24 722</b>	<b>22 947</b>	<b>18 925</b>
Ordinary shareholders' funds	16 674	17 921	17 396	17 780
<b>Net endowment post capital</b>	<b>2 422</b>	<b>6 801</b>	<b>5 551</b>	<b>1 145</b>
Average interest cost (prime – 4%)	11,6%	12,8%	11,2%	7,5%
Interest cost	281	432	622	43
<b>Increase/(decrease) to interest cost compared to equivalent period</b>			<b>341</b>	<b>(389)</b>

# Foreign exchange sensitivity

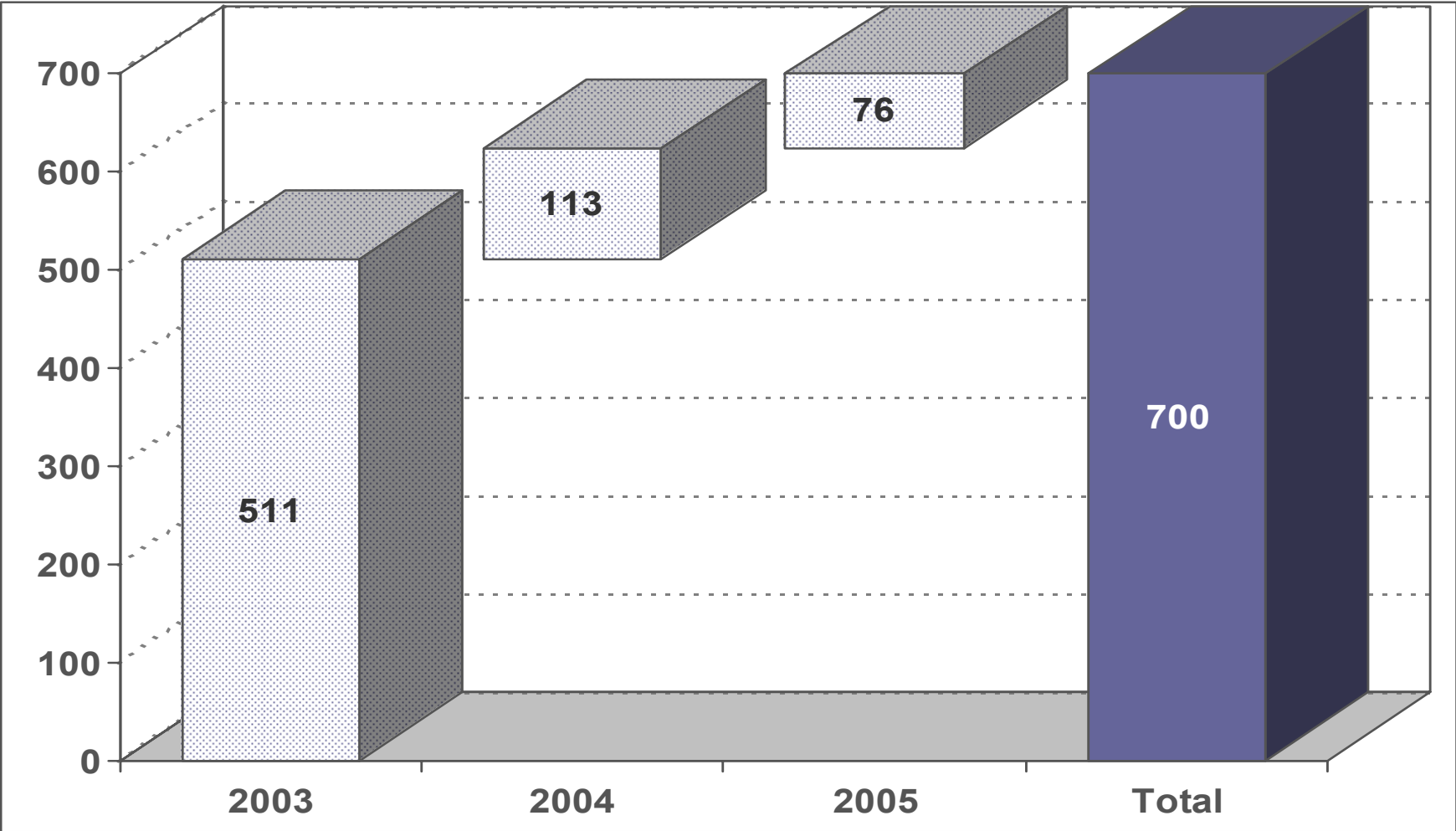


# Merger costs



■ Budget   
 ■ Actual   
 ■ Forecast   
 || Not incurred in year – expenditure delayed to 2005

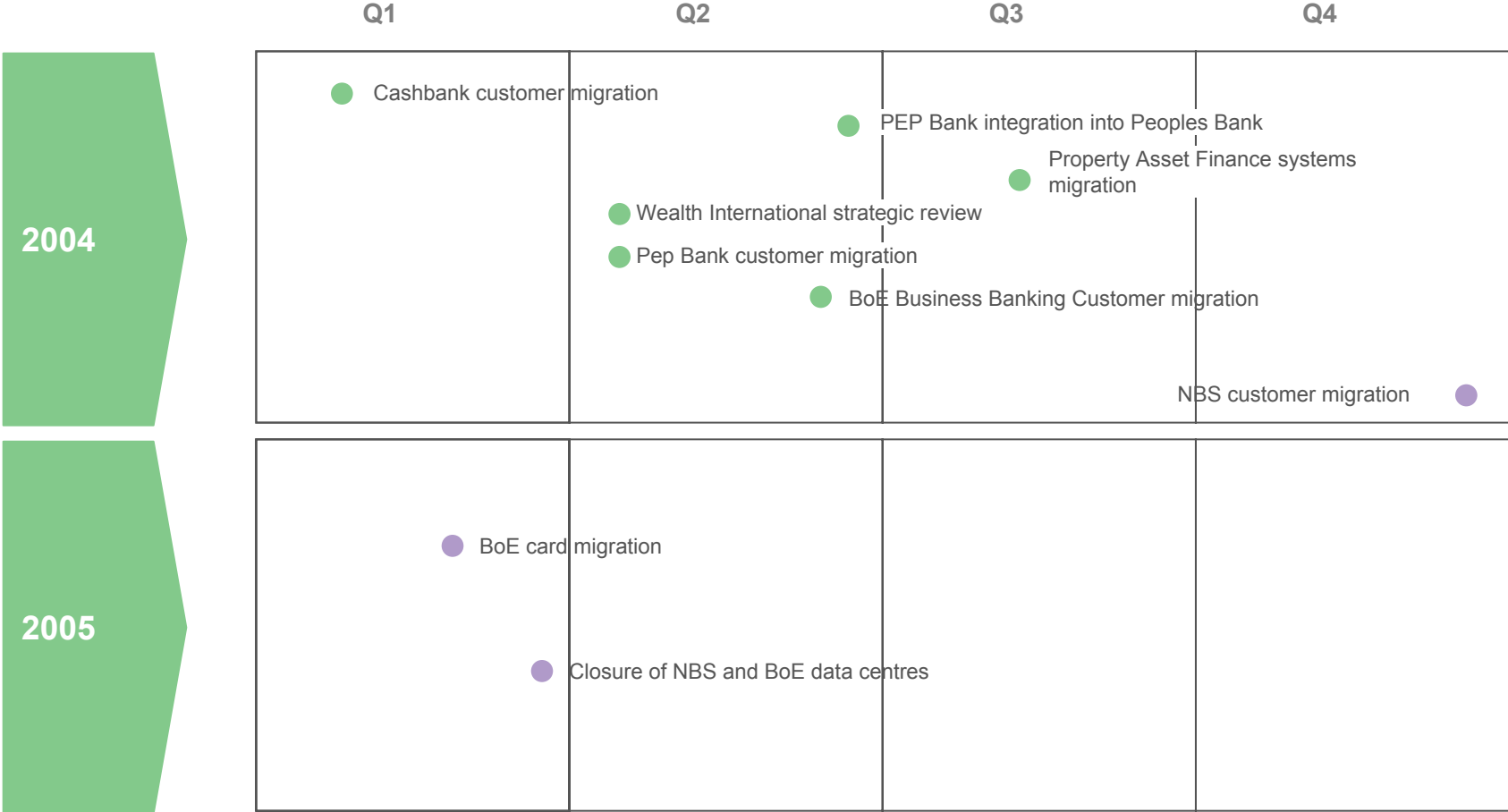
# Merger synergies



Run rate Rm (Pre-tax)

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# Major merger milestones



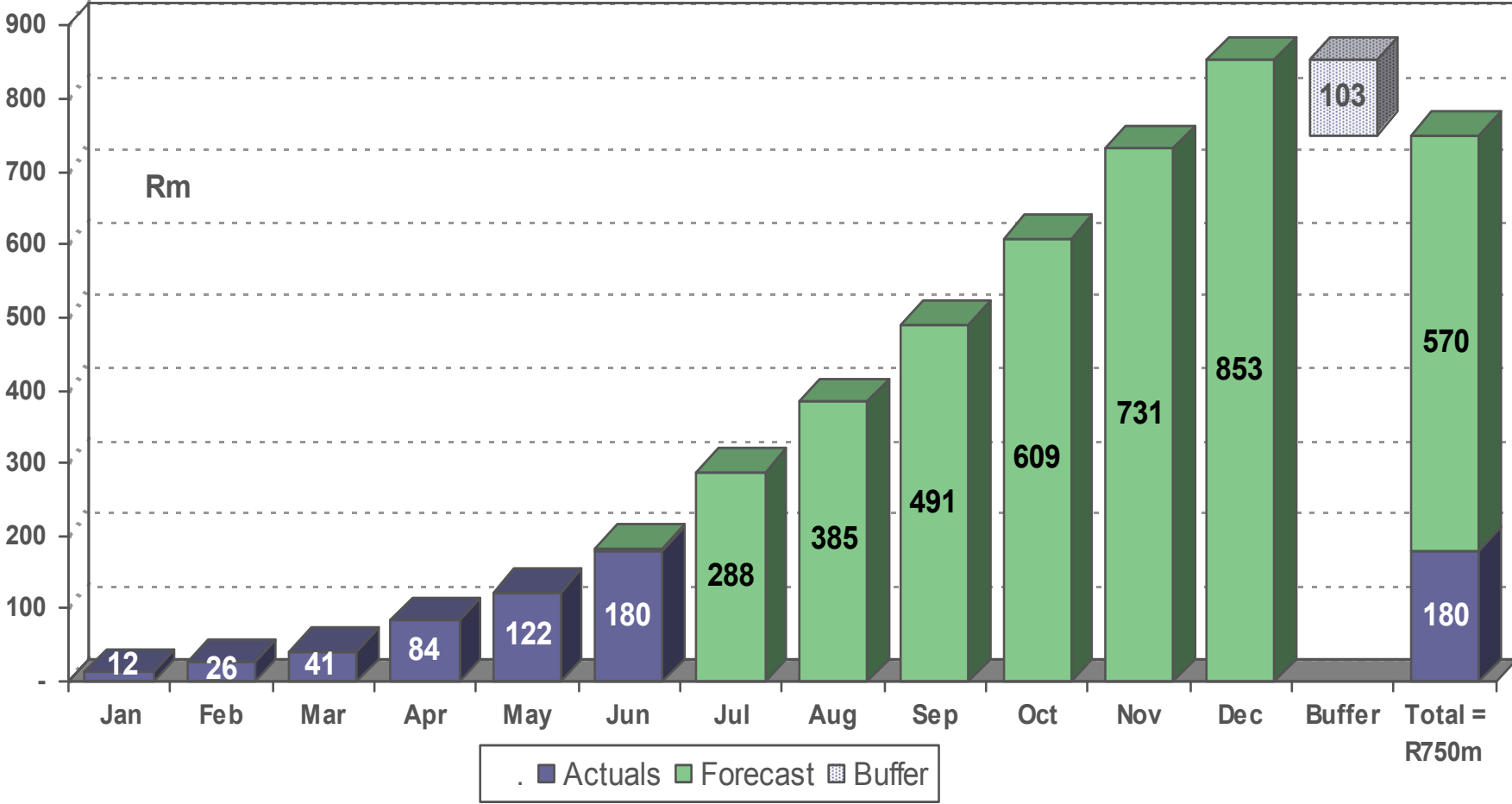
● Completed  
● Target date

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# 2004 Recovery benefits

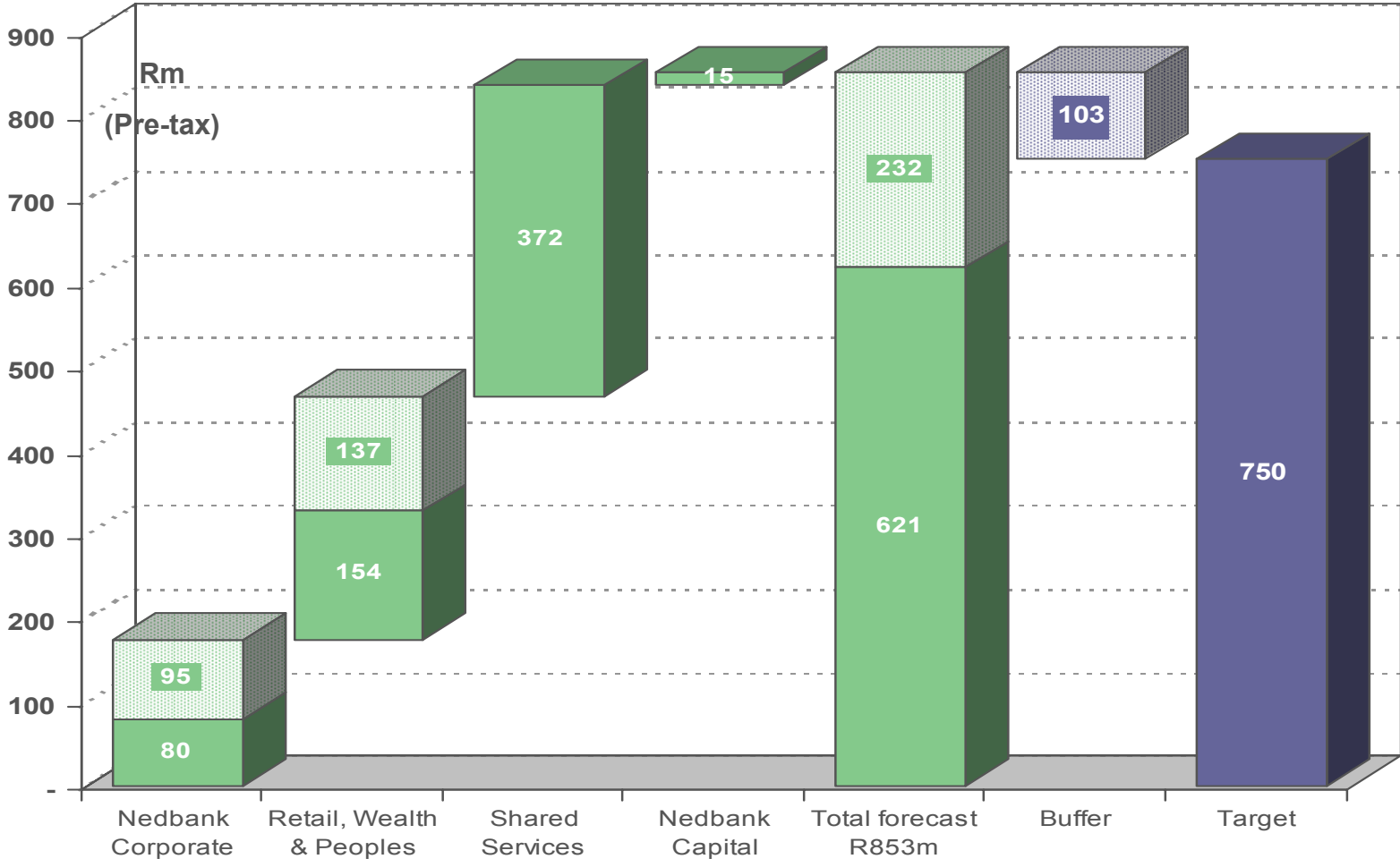


Cumulative, before tax



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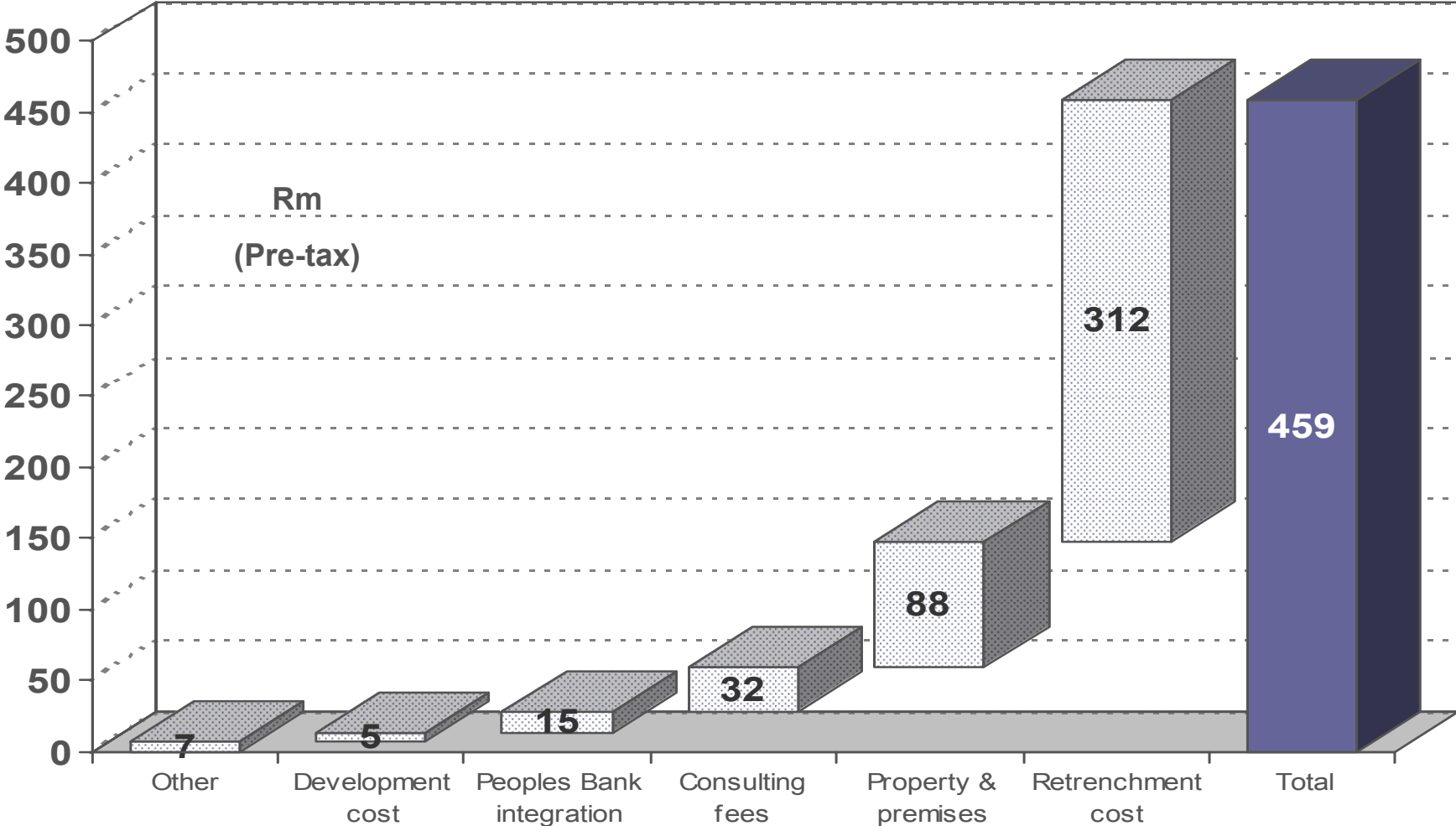
# 2004 Recovery benefits



Cost reduction
  Revenue enhancement

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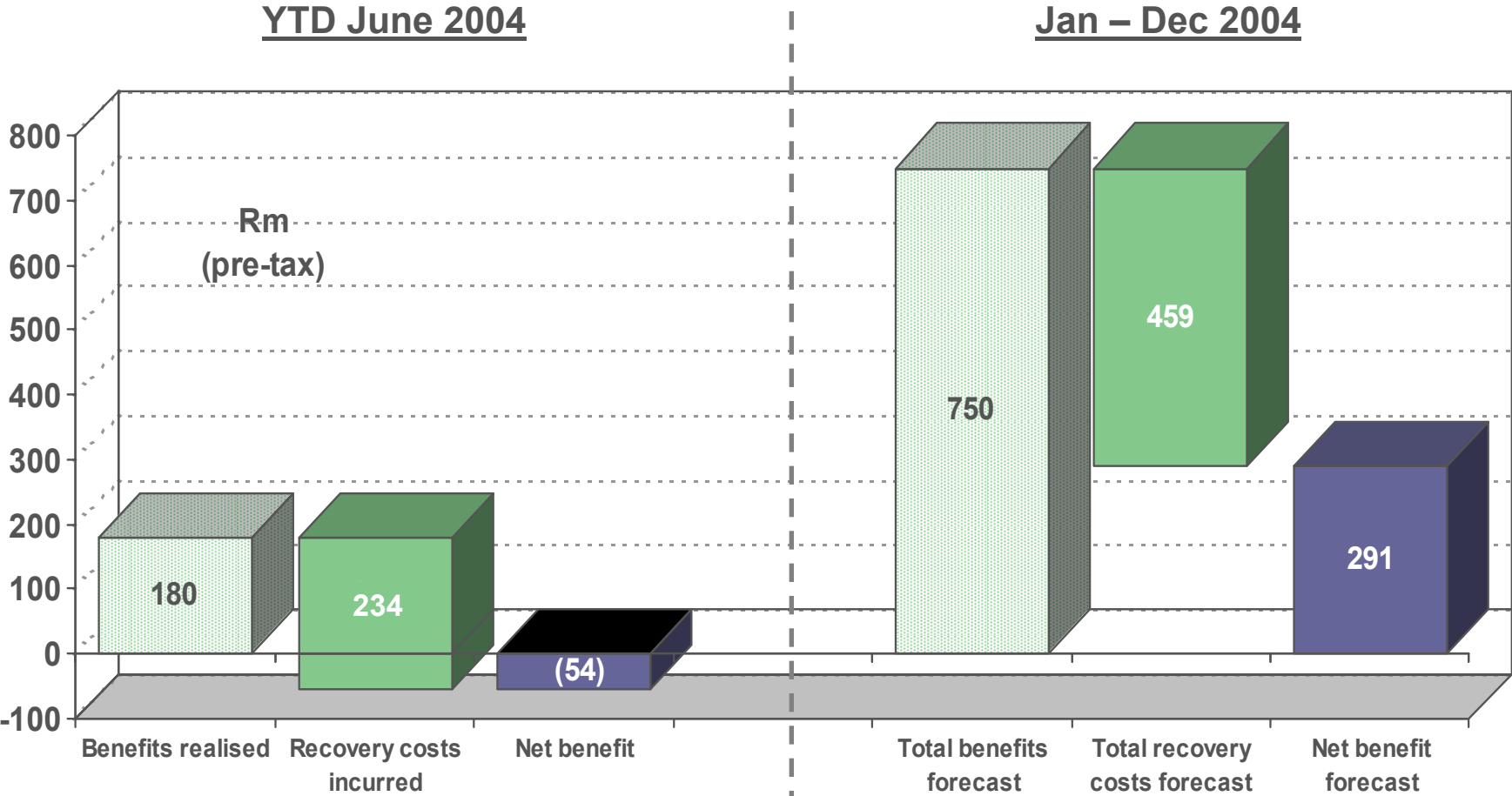
# Recovery costs



- R234 million recognised in H1 2004
- Merger costs of R868 million (2002 – 2005)

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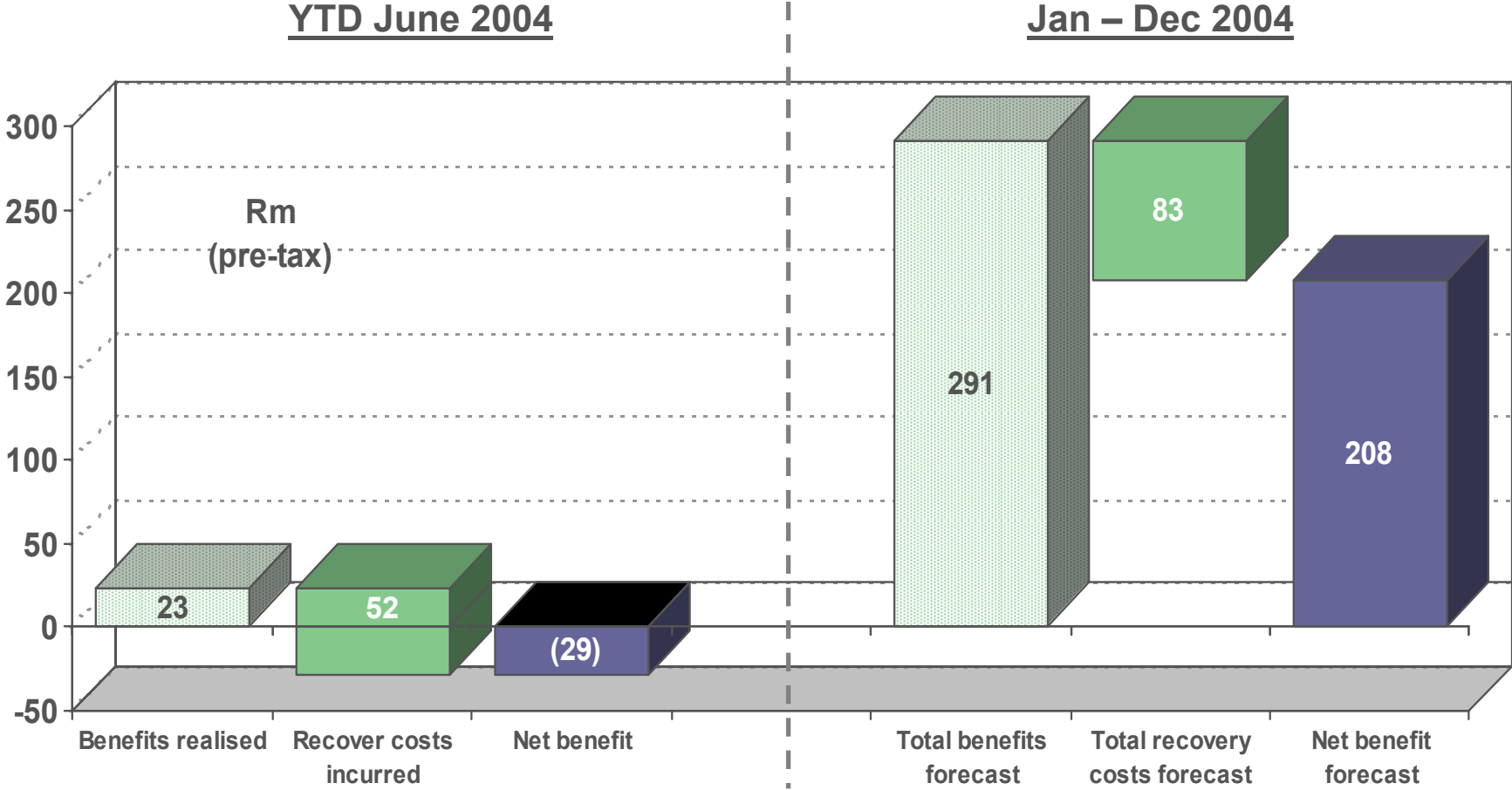
# Strategic recovery programme



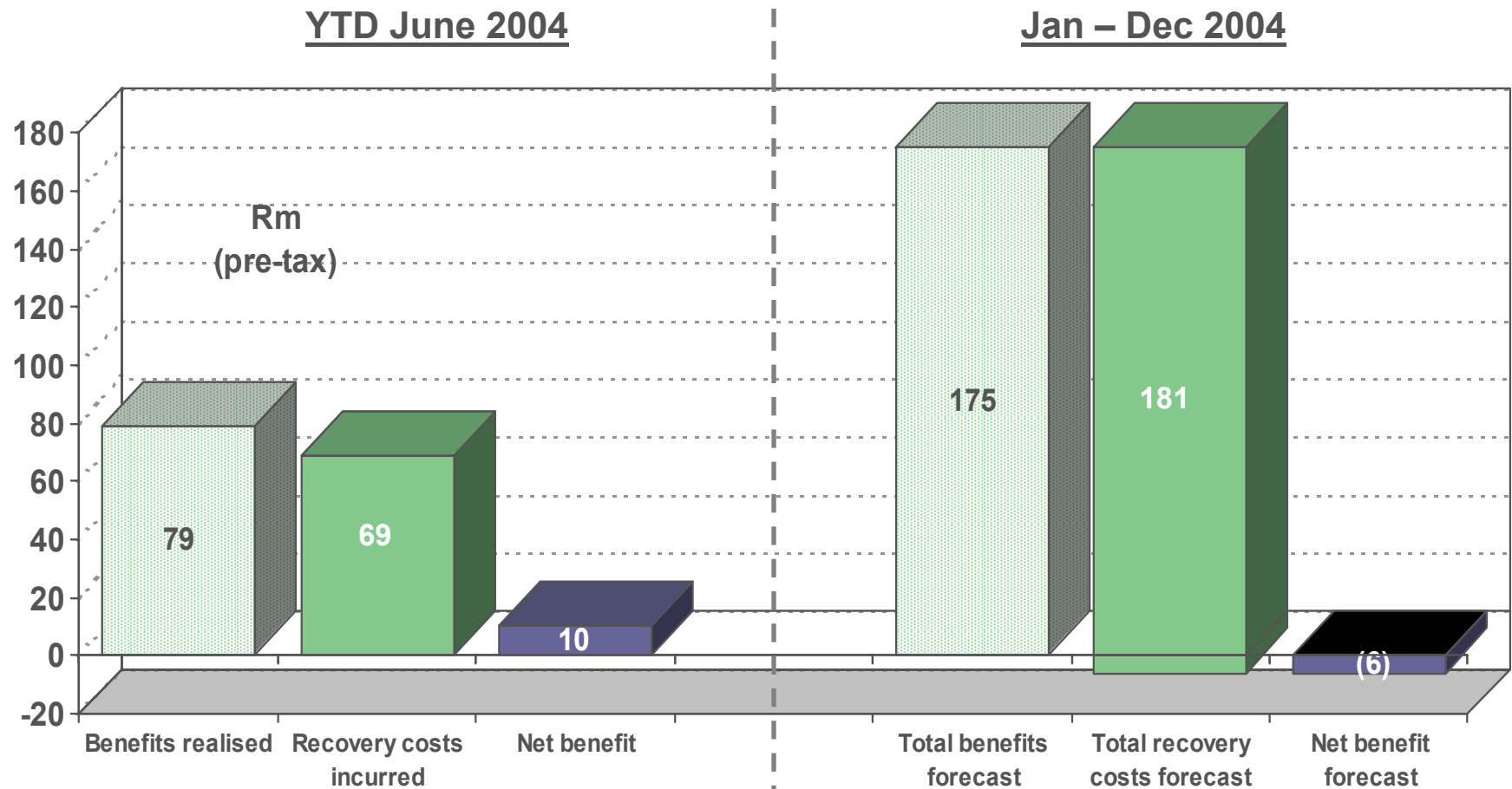
*The strategic recovery programme initiatives will show a benefit in the second half of 2005*

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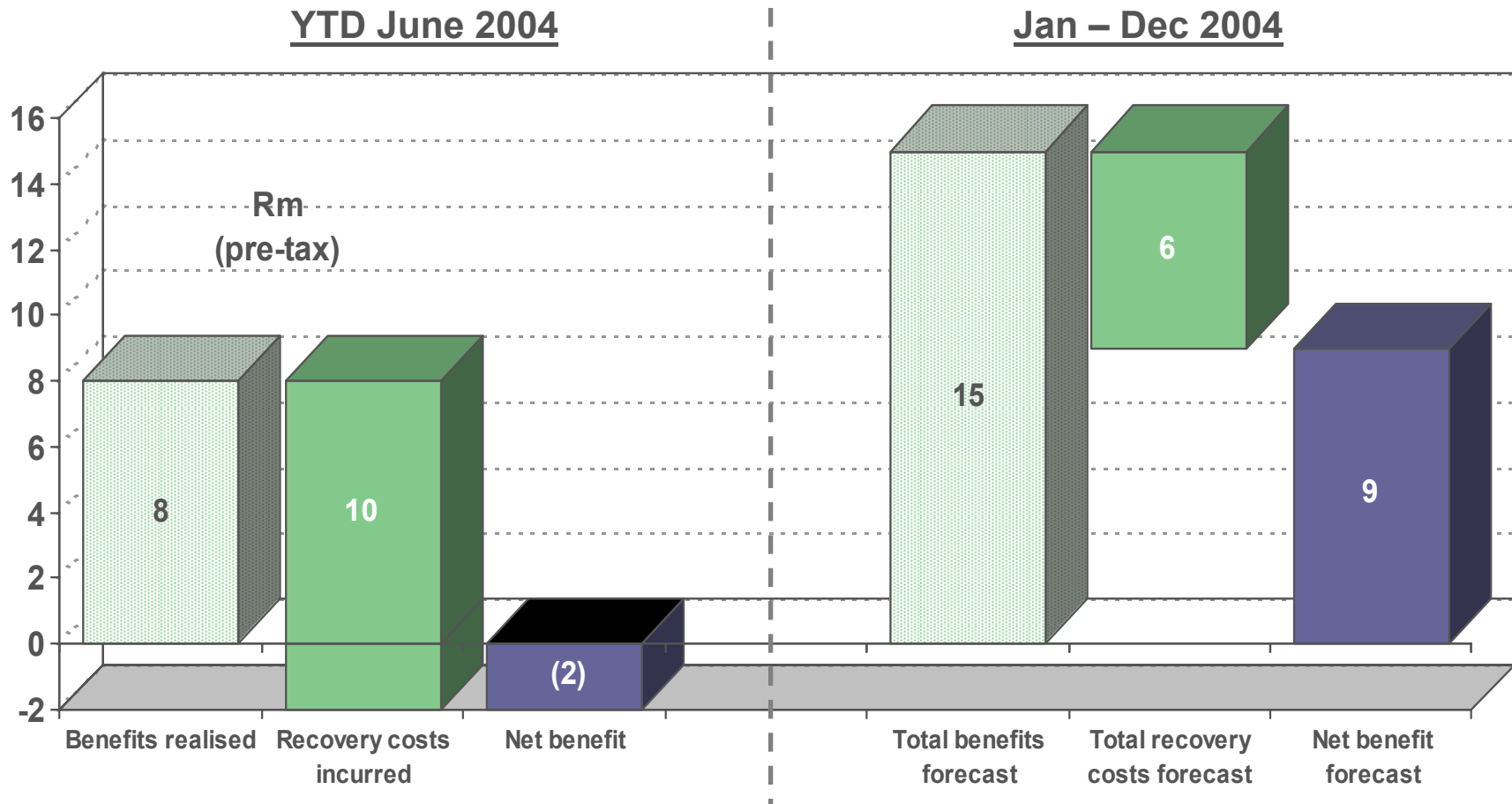
# Retail, Wealth and Peoples



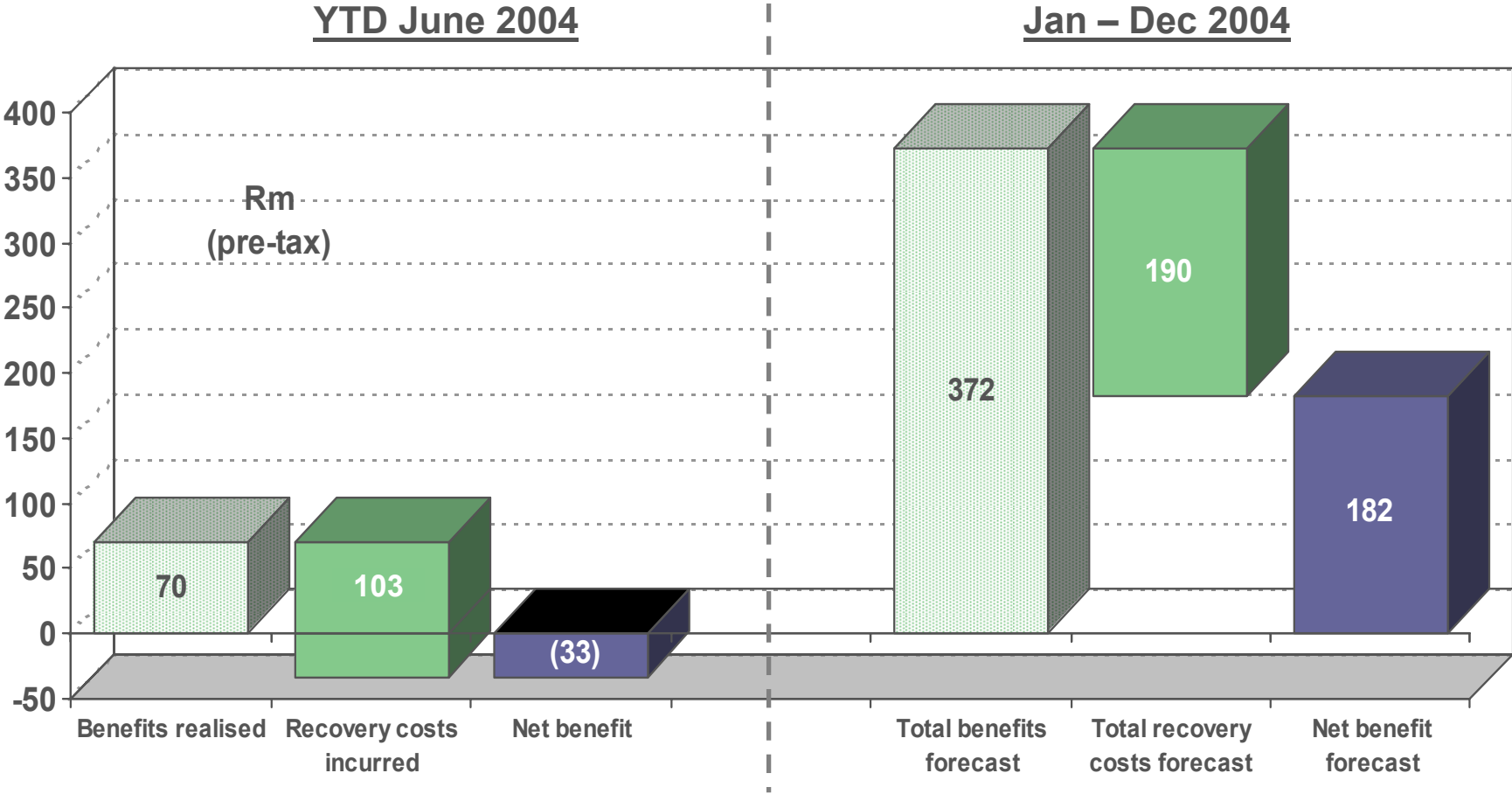
Booklet only



# Nedbank Capital



# Shared Services



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