



*We move with You*

# Nitro 8 investor presentation

November 2024



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# Meet the team

**Richard Pampel**

CFO: WesBank

**Dawid Spangenberg**

Head: Retail Credit

**Cameron Gough**

Head: Structuring, FirstRand Group Treasury

**Melanie Kleinhans**

Head: FirstRand Debt Office, FirstRand Group Treasury

**Willem du Plooy**

Structurer, FirstRand Group Treasury

**Cynthia Heyneke**

RMB Debt Capital Markets (Distribution)

# About WesBank





# WesBank is part of **FirstRand's** portfolio



**FirstRand**

Listed holding company  
(FirstRand Limited, JSE: FSR)



**FNB**

Retail and commercial banking, insurance and investments



**RMB**

Corporate and investment banking

**WesBank**

Vehicle asset finance and fleet management

**Aldermore**

UK specialist lender and savings bank



**ASHBURTON  
INVESTMENTS**

Asset management



**FirstRand**  
CORPORATE CENTRE

Group-wide functions



# Market leader in vehicle and asset finance in SA

**Motor**  
(retail vehicle  
asset finance)

**WesBank**

**Corporate/commercial**  
(asset-based finance  
and full maintenance  
leasing)

- Primary activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments in SA
- Long-standing alliances with leading motor manufacturers, suppliers and dealer groups gives it a market-leading point-of-sale presence
- WesBank is the partner of choice for >60 leading international brands, including automotive OEMs, insurance providers and oil companies
- WesBank's total market share of financed vehicles at June 2024:
  - 39% (including TFS and VWFS)
  - 24% (excluding TFS and VWFS)



# Business update

- **Growing vehicle asset finance advances** portfolio remains a focus
- Remain focused on **quality credit origination** and pricing for risk appropriately
- Continue to **grow and develop** new and existing alliance relationships
- Continued focus on **cost management**
- **Collections** are well managed
- Well positioned for **growth**



# Financial performance\*

Normalised  
earnings

**R1 387m**

(2023: R1 177m)

▲18%

Normalised profit  
before tax

**R1.9bn**

(2023: R1.6bn)

▲18%

NPLs as a % of  
advances

**4.79%**

(2023: 4.43%)

▲36 bps

Credit loss ratio

**1.24%**

(2023: 1.20%)

▲4 bps

Cost-to-income ratio

**54.9%**

(2023: 55.6%)

▼7 bps

Advances

**R171.6bn**

(2023: R159.6bn)

▲8%

\* Performance of WesBank (a division of FirstRand Bank Limited) for the year ended 30 June 2024.



# Key retail VAF market developments



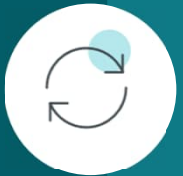
Industry sales stats show a drop in vehicle sales year on year



Vehicle price inflation remains high



Sustained high levels of interest rates continue to put customer affordability under pressure



Increase in vehicle replacement cycles



Many new Chinese and Asian brands entering market



Consumers shifting to lower value vehicles offering better value for money



Increase in used-vehicle sales

# Retail VAF credit origination, performance and risk management

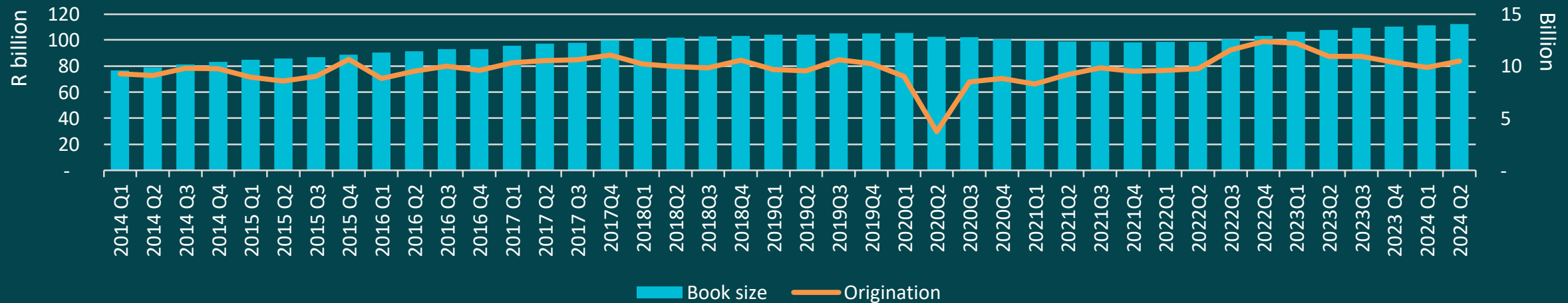




# Origination update

- Margin pressure continued:
  - Increased competitive activity
  - Focus on originating lower-risk business
  - New business origination mix change from fixed-rate to floating-rate business
- Dealers remain the main channel for origination

## VAF portfolio over time

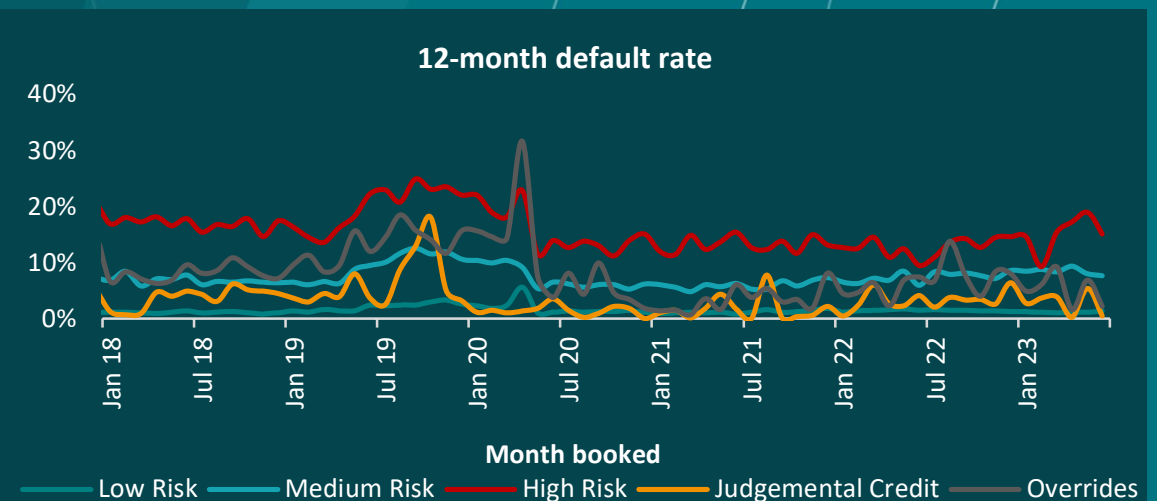
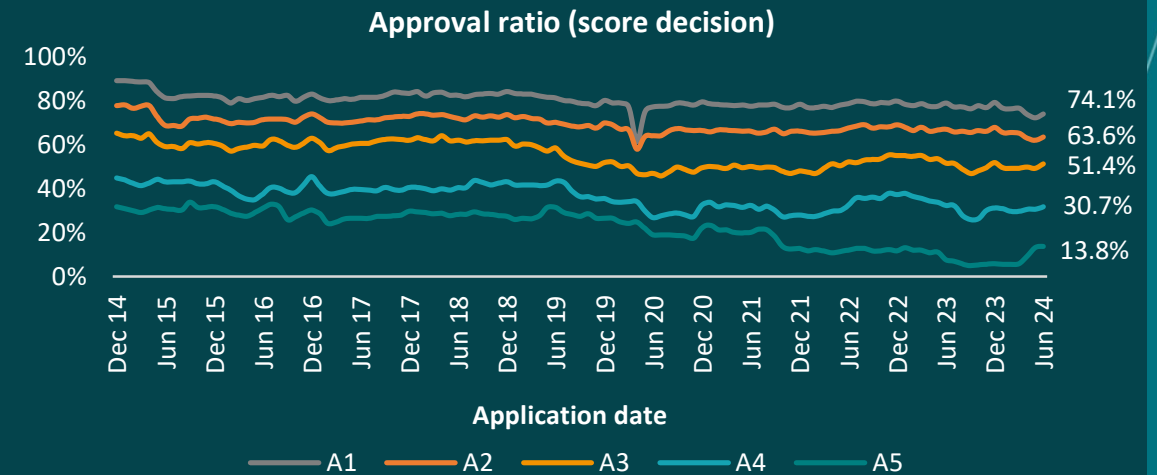




# Credit scoring **system/decision/rating**

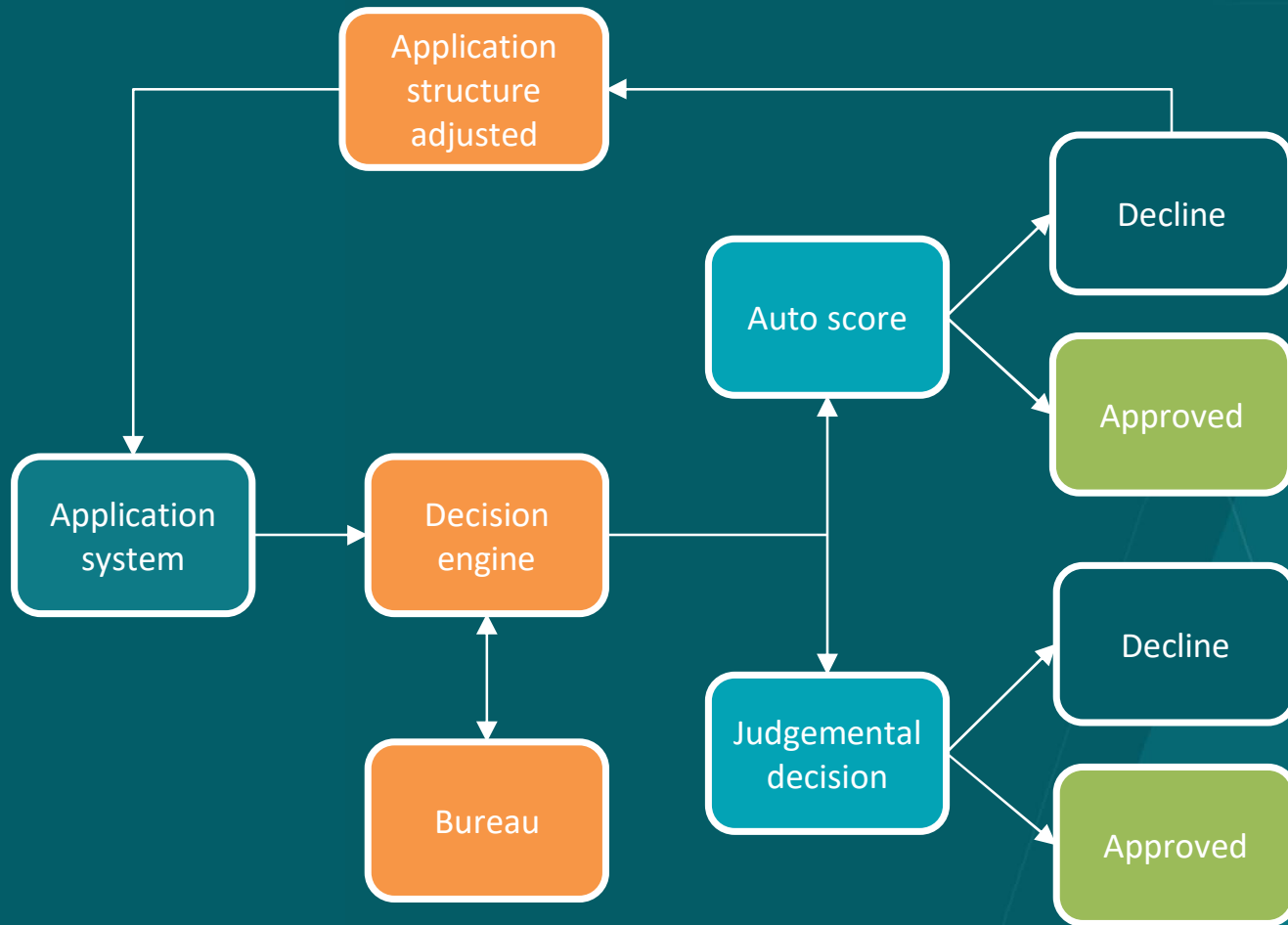
- Centralised at WesBank head office
- Automated credit assessment
- Key aspects assessed by the scorecard include:
  - Affordability
  - Applicant information
  - Credit bureau information
  - Finance structure
  - FirstRand group account history
- 26.3% approval rate

Low risk – A1 and A2  
Medium risk – A3 and A4  
High risk – A5





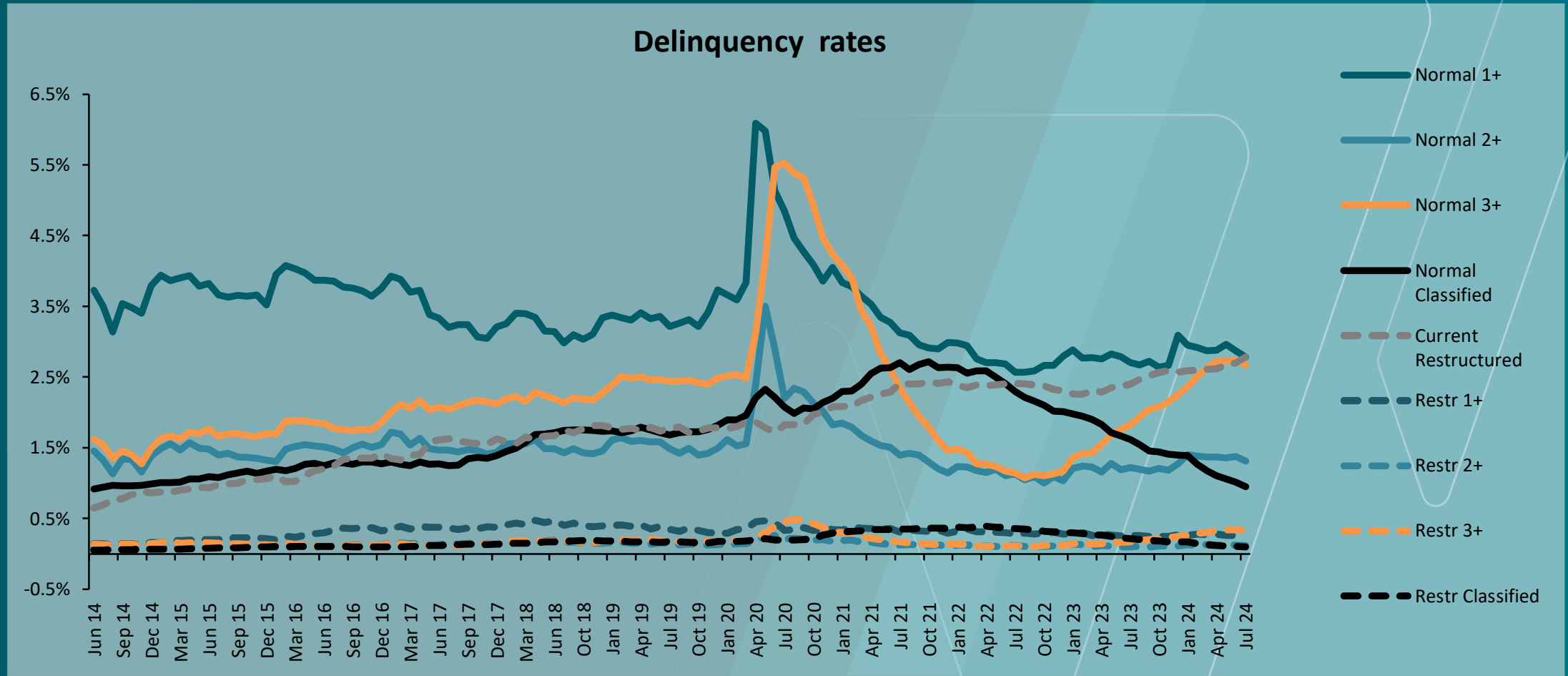
# Credit application process



- The majority of applications are processed through dealers
- Most application are auto scored (>98%)
- A small portion of population of customers will go through a judgemental process – the main reason is that they cannot be auto scored, however, there are cases where marginal risk customers will be referred for manual review
- Bureau information is used for most scorecard applications (>96%), with a small portion of applications going through a demographic thin-file model
- Application outcome can change if the loan construct changes, e.g. customer pays deposit, vehicle prices changes, LTV/balloon changes



# Credit performance update

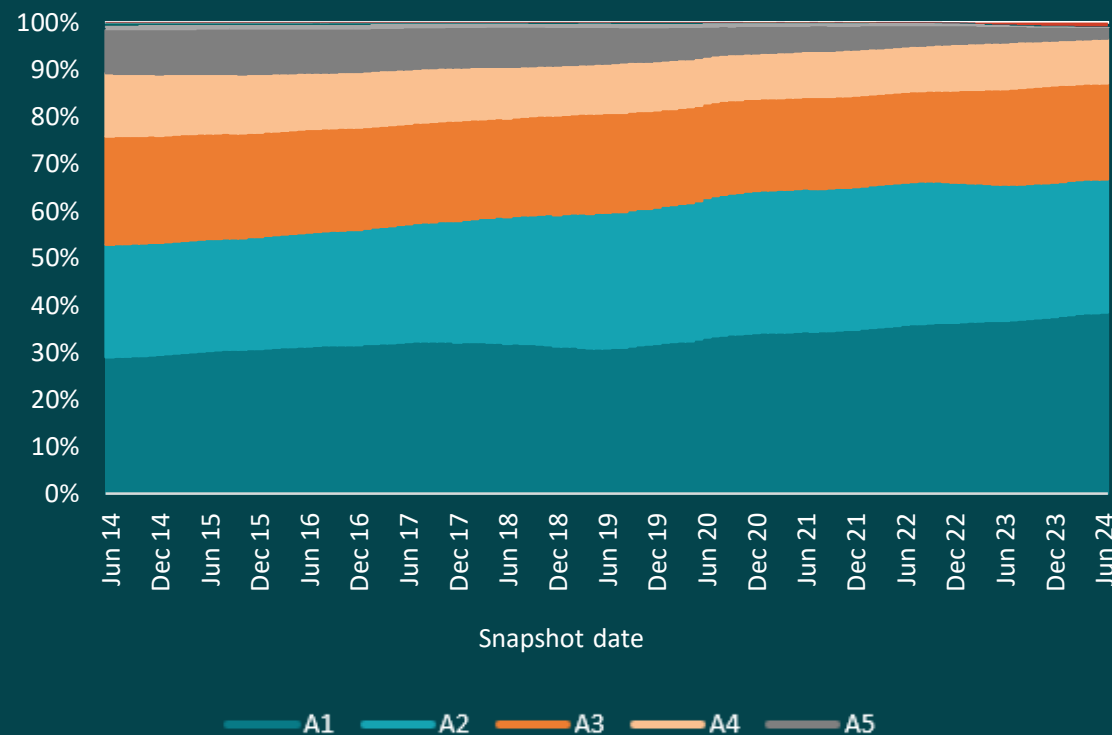




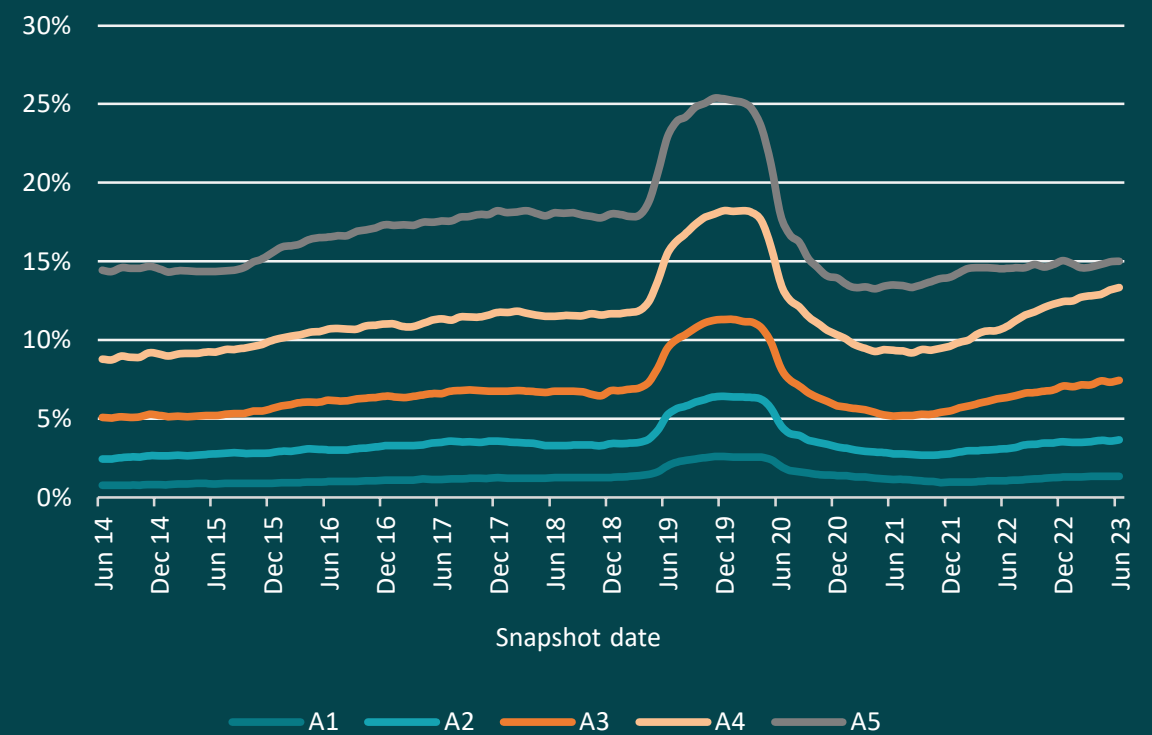
# Credit performance update

- The portfolio's risk profile has gradually shifted towards lower-risk categories
- 12-month default rates are reverting to levels seen before the Covid-19 pandemic

Risk distribution



12-month default rate





# Risk management

## Governance and compliance

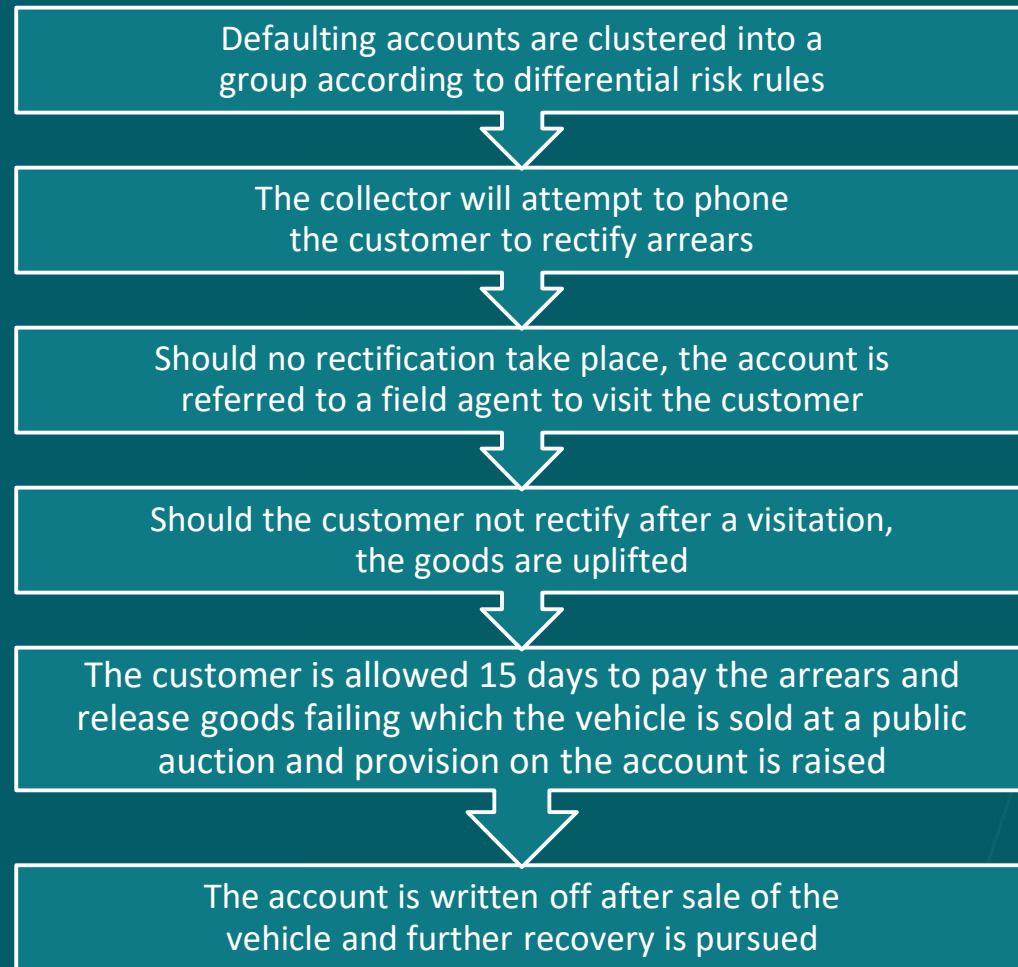
- Centralised product function, aligned to FirstRand group frameworks and methodologies
- FirstRand's group enterprise risk management function oversees structures
- Business conducted in accordance with the National Credit Act
- Credit is responsible for development, implementation and monitoring of AML

## Operations

- Collections and administration functions following well-defined guidelines and procedures
- Early collections team deals with default accounts, according to differential rules
- Upon collection failure accounts enter specialised collections, where vehicles are repossessed, uplifted (fully or partially recovered) or cleared for sale and sold via auction
- Accounts are written off and moved to bad debts department for further collections on shortfalls



# Default and collections process



## Collections value chain



Knowledge management and quality assurance capacity planning

Asset remarketing

Field agents, tracers and specialised recovery unit

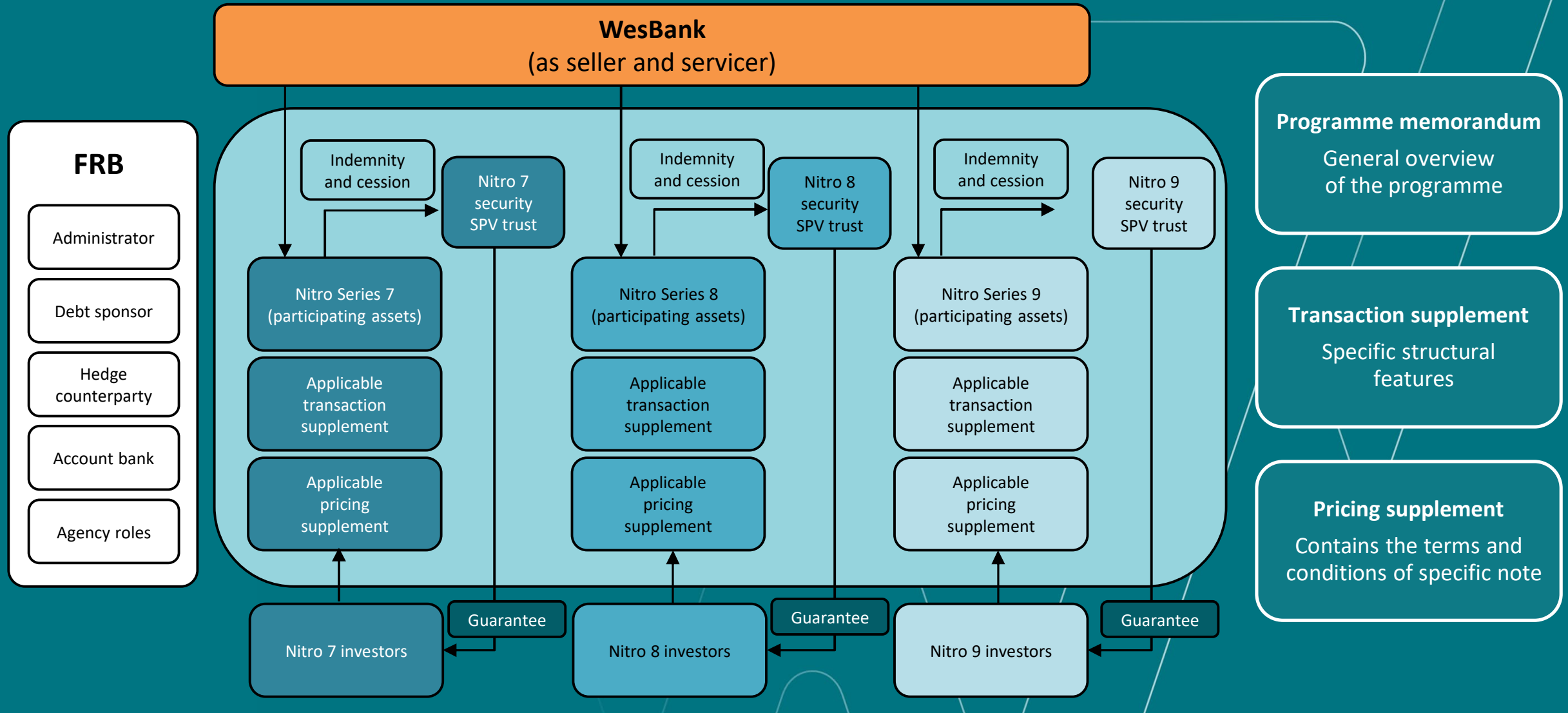
# Nitro programme and transaction overview



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# Nitro programme overview





# Nitro programme features



## Issuer Programme

- Single issuer SPV company
- Multiple transaction capability
- Nitro 8 is the second transaction out of the Nitro Programme



## Security SPV Transaction

- Security SPV holds security for the benefit of secured creditors per transaction
- The security SPV will furnish a limited recourse guarantee to the noteholders and other secured creditors of the Issuer
- The issuer will indemnify the security SPV in respect of claims made by the secured creditors under that guarantee
- Obligations of the issuer to the security SPV arising from the indemnity shall be secured by a security cession to the security SPV of the issuer's rights to the assets applicable to that transaction

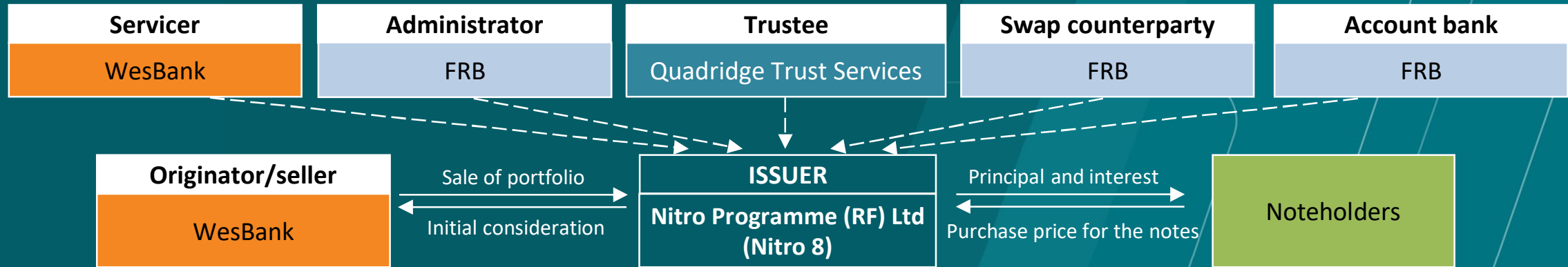


## Co-mingling Transaction

- Assets and liabilities will be identified in the accounting records of the issuer and will be contractually segregated between transactions
- Secured creditors will only have recourse to the participating assets per transaction
- Administered independently
- Segregated bank accounts and investor reports



# Key counterparties



Role	Counterparty	Current long-term rating	Rating trigger	Possible trigger effects
Account bank	FRB	Aaa.za	A1.za	Replacement
Servicer	FRB (WesBank)	Aaa.za	A1.za	<ul style="list-style-type: none"><li>Accelerated sweeping</li><li>Customer notification</li><li>Replacement</li></ul>
Swap counterparty	FRB	Aaa.za	A2.za	Collateral posting



# Nitro 8 key transaction features



## High quality collateral\*

- Portfolio originated and serviced by WesBank
- Granular retail portfolio with average loan size of R216 473
- 100% prime-linked auto loans
- Used 57% / new 43%
- Private individual 90%
- 52.52% of the portfolio relates to agreements with a final balloon instalment
- Weighted average yield of 13.55% for the pool



## Robust structure

- Participating assets are transferred to Nitro 8
- Class A note - legal final maturity of 13 months
- Simple pass-through waterfall structure
- Prepayments are used to redeem notes
- Credit enhancement of: Class A note is [81]%, Class B note is [12]%, Class C note is [7]% and Class D note is [3]%
- Fully-funded cash reserve sized at 3%
- Estimated excess spread at closing of roughly [3.13%]\*\*



## Servicer strength

- FirstRand Bank Limited is currently rated Baa3 (Aaa.za)/P-3 (P-1.za) by Moody's
- WesBank is the market leader in the South African vehicle finance market
- WesBank is an experienced servicer with seven successfully paid in full domestic securitisations

\* All statistics are based on a provisional portfolio as at September 2024. The final portfolio is expected to have similar statistical properties..

\*\* Estimated post-swap asset yield less estimated senior expenses and note interest expressed as a percentage of provisional portfolio.



# Nitro 8 capital structure

Assets	Liabilities*	
Vehicle finance assets 100%	[20]% nominal CE [81]%	Class A [P-1.za]
	[68]% nominal CE [12]%	Class B [Aaa.za]
	[5]% nominal CE [7]%	Class C [Ba3.za]
	[4]% nominal CE [3]%	Class D [Caa2.za]
Cash reserve 3%	3% nominal	Class E [not rated]

## Credit enhancement on the Class A to B notes

- Cash reserve, note subordination and available excess spread
- Estimated average excess spread at closing of roughly [3.13%]\*\*
- Structured to pay interest and principal sequentially after payment of senior expenses
- Interest and principal payments on Class C to E notes are subordinated to principal on Class A to Class B notes

## Cash reserve

- Fully funded at closing from proceeds on sale of the Class E notes
- At inception, 3% of the participating assets exposure on the issue date
- At each interest payment date:
  - 3% of participating assets exposure on each determination date prior to such interest payment date
  - Subject to a floor of 1% of aggregate principal balance of initial assets
  - Cash reserve available to support interest payments on Class A to Class B notes

## Hedging strategy

- Balance-guaranteed interest rate swap between FRB and Nitro 8
  - Hedge basis risk between prime rate paying assets and JIBAR-paying liabilities
  - Swap counterparty will pay 3-month JIBAR on the notional outstanding of the notes and receive a prime rate from the Issuer
- Swap counterparty subject to collateral posting triggers from Moody's
- Contracts will include appropriate fallback language

\* Nominal credit enhancement (CE) excludes excess spread, and includes 3% cash reserve.

\*\* Estimated post-swap asset yield less estimated senior expenses, note interest expressed as a percentage of provisional portfolio.



# Nitro 8 capital structure

Credit enhancement to the Class A to Class D notes will be provided by excess spread, a cash reserve funded at inception with the proceeds of the Class E note and note subordination

Tranche	National scale rating (Moody's)	Issuance amount (R million)	Credit enhancement (%) <sup>*</sup>	Weighted average life (WAL) <sup>**</sup>	Legal final maturity	Coupon	Listed on the JSE	Status
A	[P-1.za]	[400]	[81]	[0.50]	13 months	3m JIBAR + [●]	Yes	Offered
B	[Aaa.za]	[1 410]	[12]	[2.25]	7 years	3m JIBAR + [●]	Yes	Offered
C	[Ba3.za]	[100]	[7]	[4.19]	7 years	3m JIBAR + [●]	Yes	Offered
D	[Caa2.za]	[90]	[3]	[4.33]	7 years	3m JIBAR + [●]	Yes	[Call desk]
E	[Not rated]	[60] <sup>#</sup>	0	[4.44]	7 years	3m JIBAR + [●]	[No]	[Call desk/ retained]
<b>Total</b>		<b>[2 060]</b>						

<sup>\*</sup> Subordination and cash reserve (excluding excess spread).

<sup>\*\*</sup> 20% conditional prepayment rate (CPR) assumption, zero losses, zero defaults.

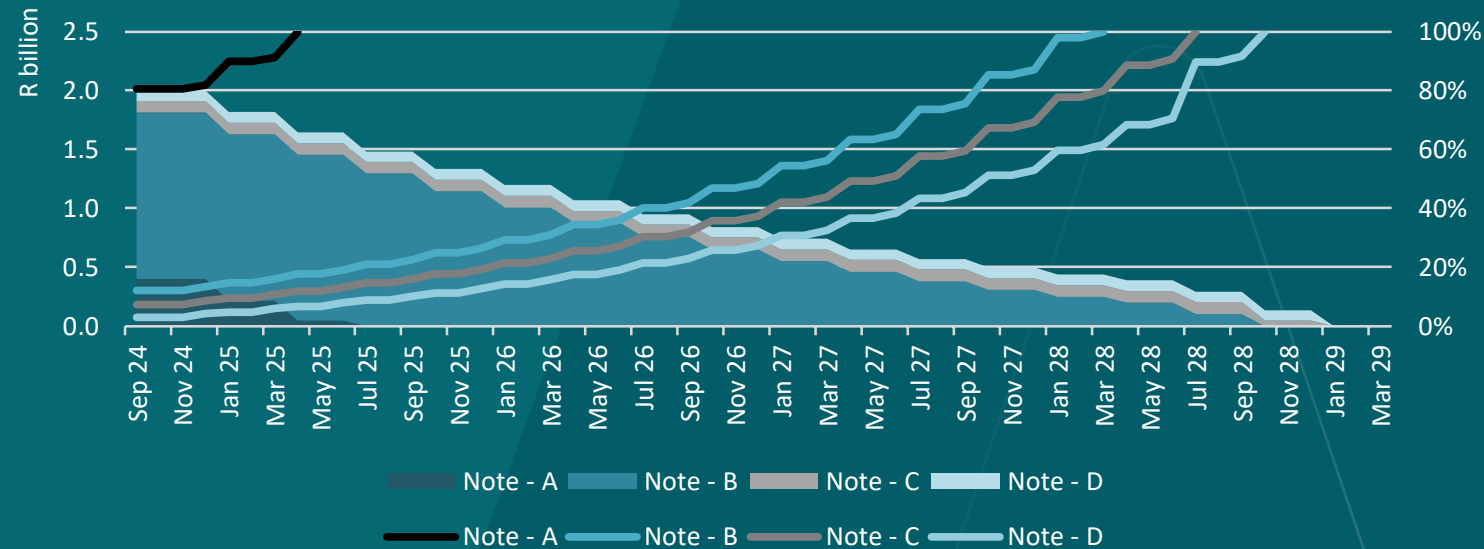
<sup>#</sup> Proceeds from the issuance of the Class E tranche will be used to fund the cash reserve at [R60m].

# Nitro 8 note amortisation profile

## Key assumptions

- Portfolio subject to a constant annual rate of prepayment
- Portfolio sold to the Issuer amounts to [R2 000 million]
- Original outstanding balance of each class of notes is equal to principal amount based on the provisional portfolio and capital structure
- There are no delinquent receivables or defaulted receivables during the life of the transaction

## Estimated amortisation profile



Annual CPR	5%	10%	15%	20%	25%
Class A (years)	0.68	0.60	0.54	0.50	0.45
Class B (years)	2.77	2.59	2.41	2.25	2.09
Class C (years)	4.26	4.23	4.21	4.19	4.17
Class D (years)	4.33	4.33	4.33	4.33	4.33

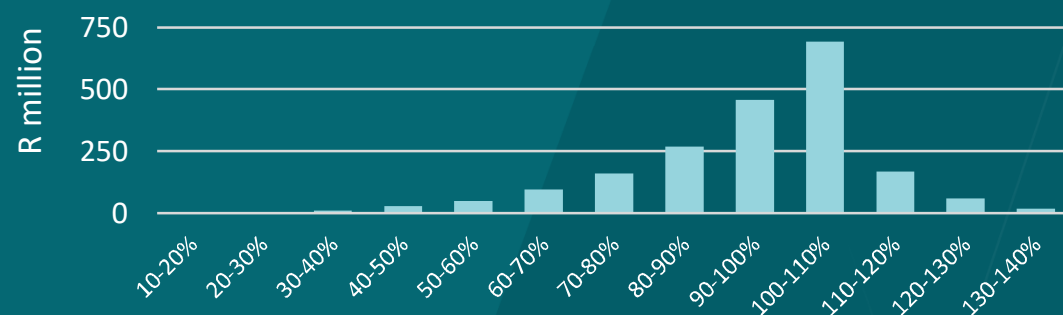
**Note:** Amortisation and credit enhancement profile based on 20% CPR. Key assumptions listed above. Credit enhancement levels include note subordination and cash reserve (exclude excess spread).

# Provisional portfolio\*

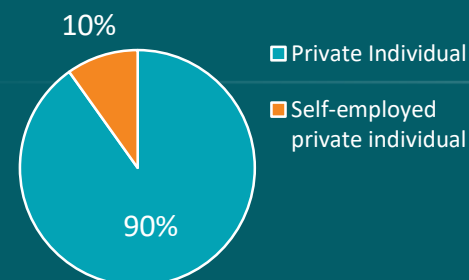
Summary pool information at 12 September 2024

Receivable type	Auto loans
Outstanding balance	R1 999 991 544
Number of receivables	9 293
Average current balance	R216 473
Weighted average rate	Prime + 1.80%
Weighted average original LTV	95%
Weighted average remaining term	47
Weighted average seasoning	23

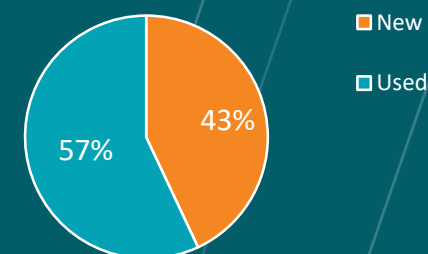
## Original LTV



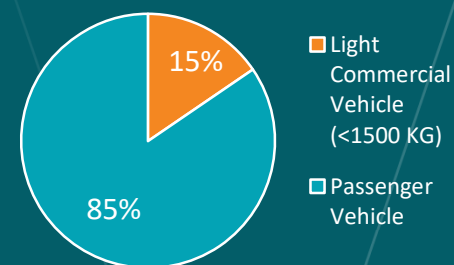
## Borrower type



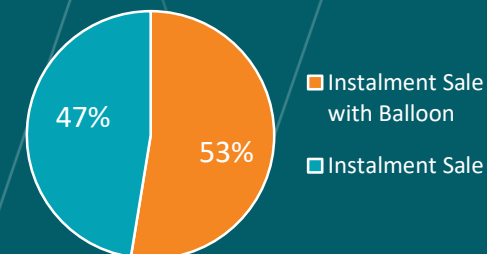
## New/used



## Vehicle type



## Loan type



Refer to the pricing supplement for additional provisional portfolio stratifications.

\* All statistics are based on a provisional portfolio as at 12 September 2024.

The final portfolio is expected to have similar statistical properties.



# Provisional portfolio snapshot

## Top 10 manufacturers\*

	Outstanding principal balance		Number of contracts	
	R million	%	Number	%
Suzuki	212.0	10.63%	1 297	14.04%
Hyundai	208.1	10.43%	983	10.64%
Ford	159.5	8.00%	746	8.07%
Renault	158.9	7.97%	883	9.56%
Nissan	152.4	7.64%	696	7.53%
Kia	138.7	6.95%	651	7.05%
Volkswagen	114.0	5.72%	589	6.38%
Toyota	112.2	5.62%	516	5.59%
Haval	110.9	5.56%	392	4.24%
Chery	102.2	5.12%	372	4.03%

\* All statistics are based on a provisional portfolio as at 12 September 2024. The final portfolio is expected to have similar statistical properties.



# Provisional portfolio snapshot

## Geographical distribution\*

	Outstanding principal balance		Contracts	
	R million	%	Number	%
Gauteng	935.6	46.92%	4306	46.61%
KwaZulu Natal	304.0	15.24%	1362	14.74%
Western Cape	297.0	14.89%	1563	16.92%
Mpumalanga	111.6	5.60%	467	5.05%
Eastern Cape	110.2	5.53%	510	5.52%
Limpopo	85.3	4.28%	345	3.73%
North West	65.9	3.30%	292	3.16%
Free State	56.6	2.84%	262	2.84%
Northern Cape	28.1	1.41%	132	1.43%

\* All statistics are based on a provisional portfolio as at 12 September 2024. The final portfolio is expected to have similar statistical properties.



# Portfolio summary – Nitro portfolio comparison

	Nitro 5	Nitro 6	Nitro 7	Nitro 8 provisional pool*
Receivables (R million)	2 400	2 040	2 000	2 000
Number of agreements	19 541	12 183	11 562	9 239
Average outstanding capital balance (R)	122 819	185 881	172 980	216 472
New/used split				
- New	40%	36%	21%	43%
- Used	60%	64%	79%	57%
Weighted average loan-to-value	92%	92%	93%	95%
Remaining term (months)	43	49	48	47
Seasoning (months)	25	22	22	23
Weighted average yield (%)	Prime + 1.6%	Prime + 2.2%	Prime + 2.45%	Prime + 1.80%

\* All statistics are based on a provisional portfolio as at 12 September 2024. The final portfolio is expected to have similar statistical properties.



# Transaction timeline and auction details

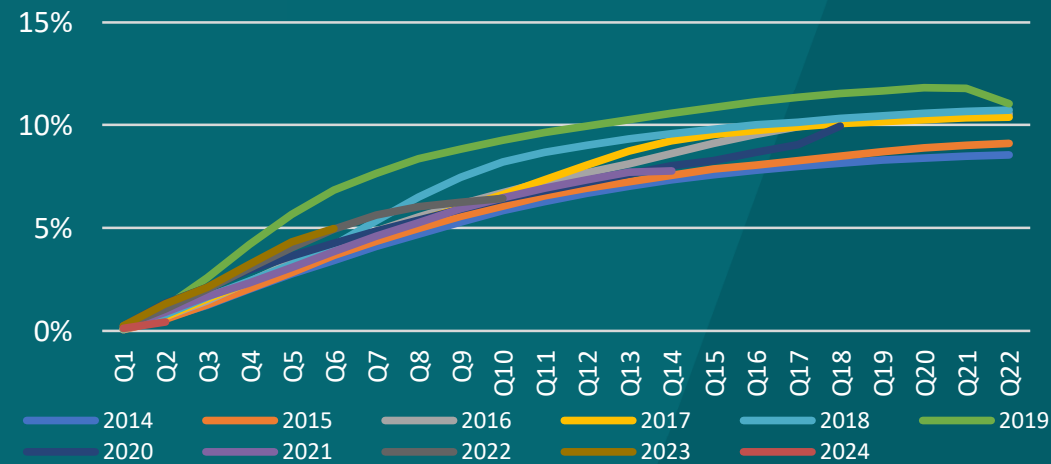
- **Roadshow:** 4 – 6 November 2024
  - **Auction announcement:** [11 November 2024]
  - **Target price guidance:** [15 November 2024]
  - **Target issuance size:** [R2bn]
  - **Target auction:** [27 November 2024]
  - **Target settlement:** [4 December 2024]
  - Auction will be **uniform price sealed bid** on issue margin relative to 3-month JIBAR
- 
- *Investors to submit bids by 11:00*
  - *Final allocations will be reported by 13:00*

# Annexures

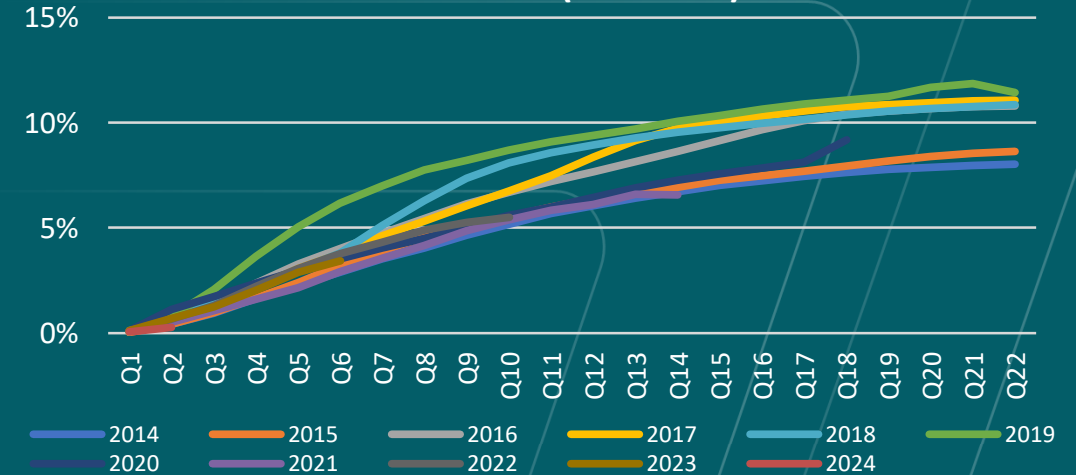


# WesBank retail VAF – historical performance summary\*

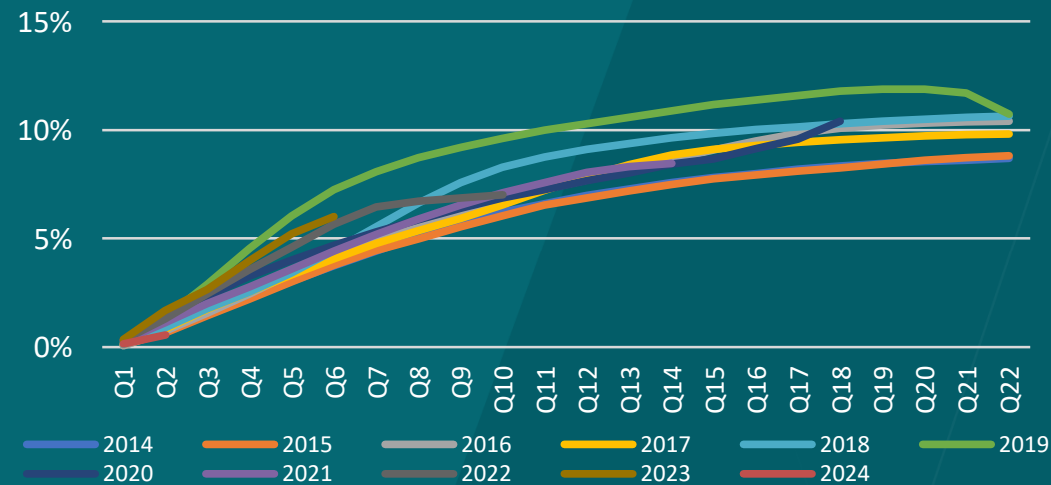
## Static cumulative default rates (all vehicles)



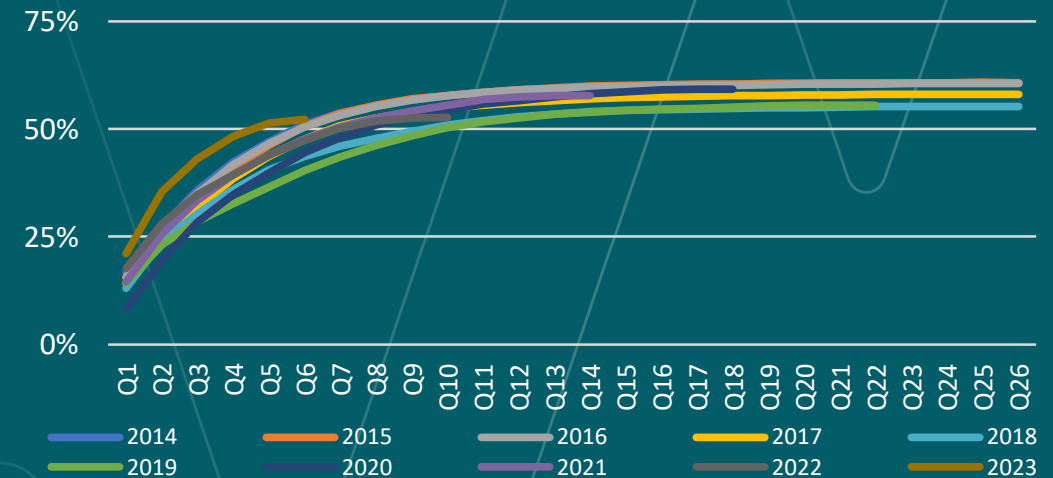
## Static cumulative default rates (new cars)



## Static cumulative default rates (used cars)



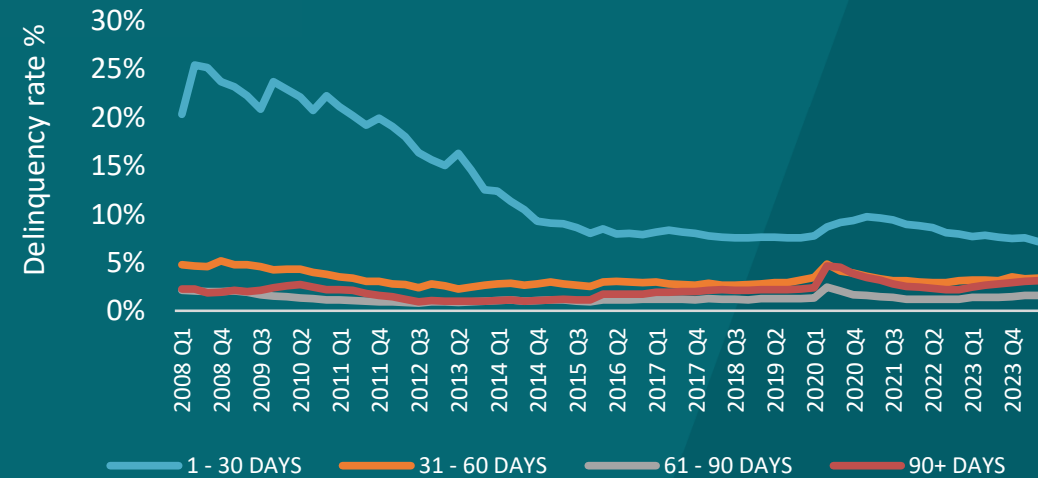
## Static recovery rates



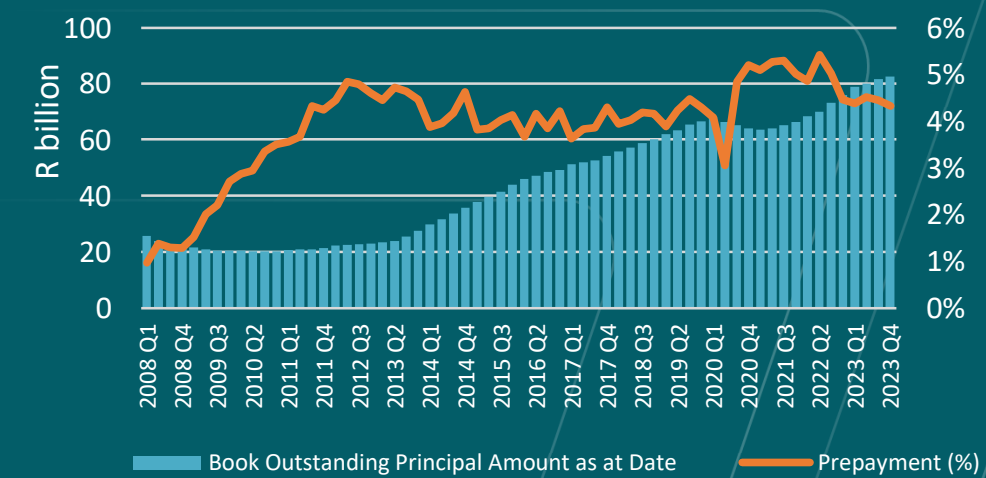
\* Prime-linked portfolio.

# WesBank retail VAF – historical performance summary\*

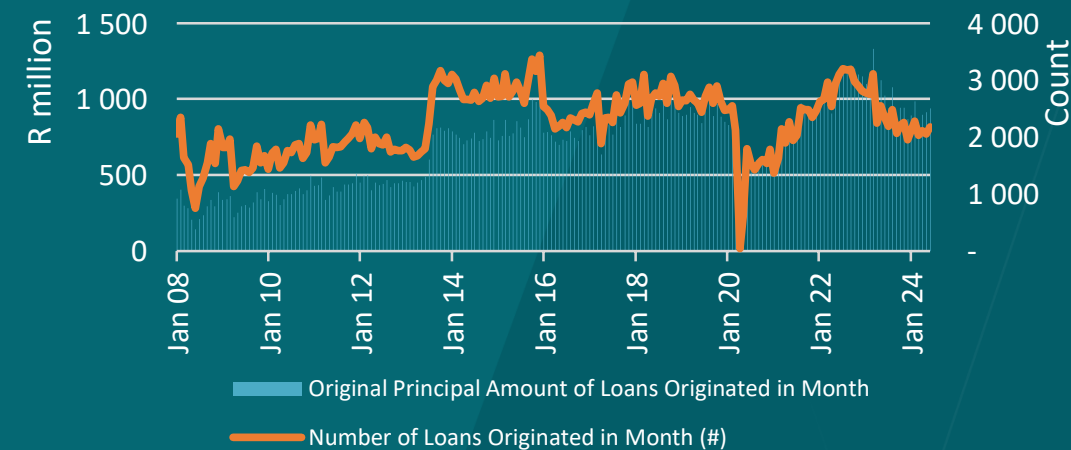
## Dynamic delinquencies



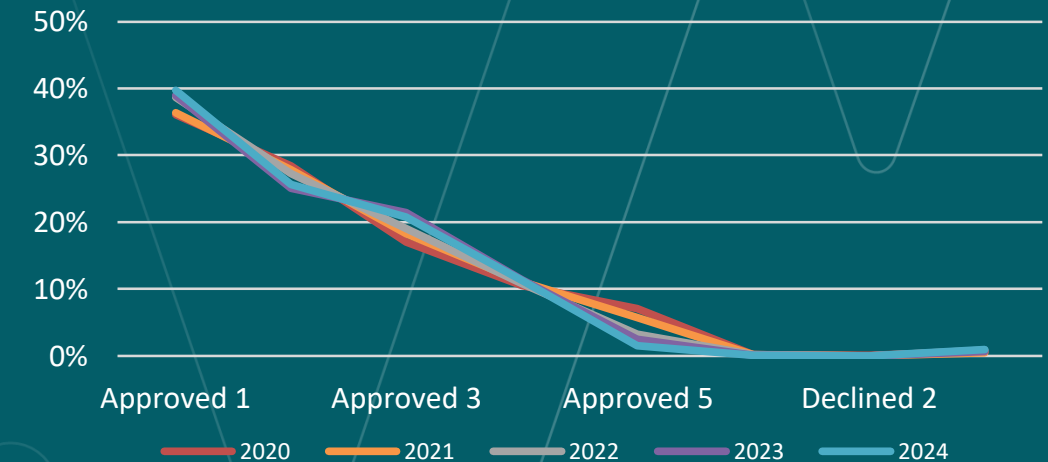
## Dynamic prepayments



## New business production



## New business production by risk

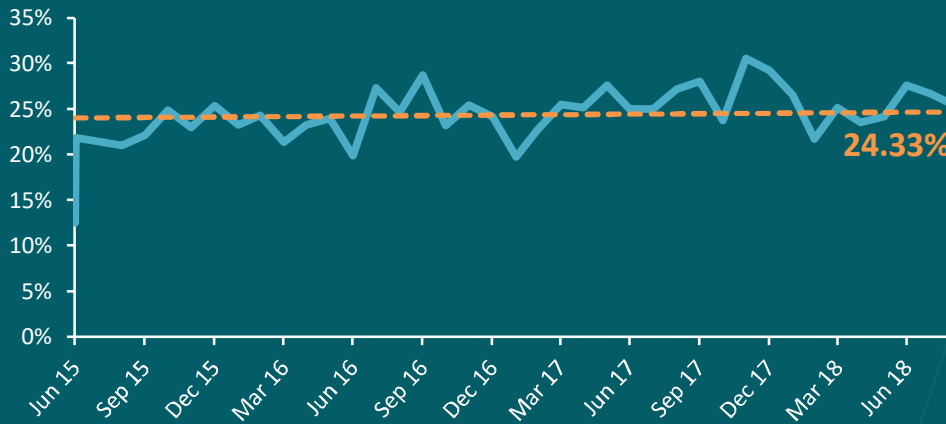


\* Prime-linked portfolio.

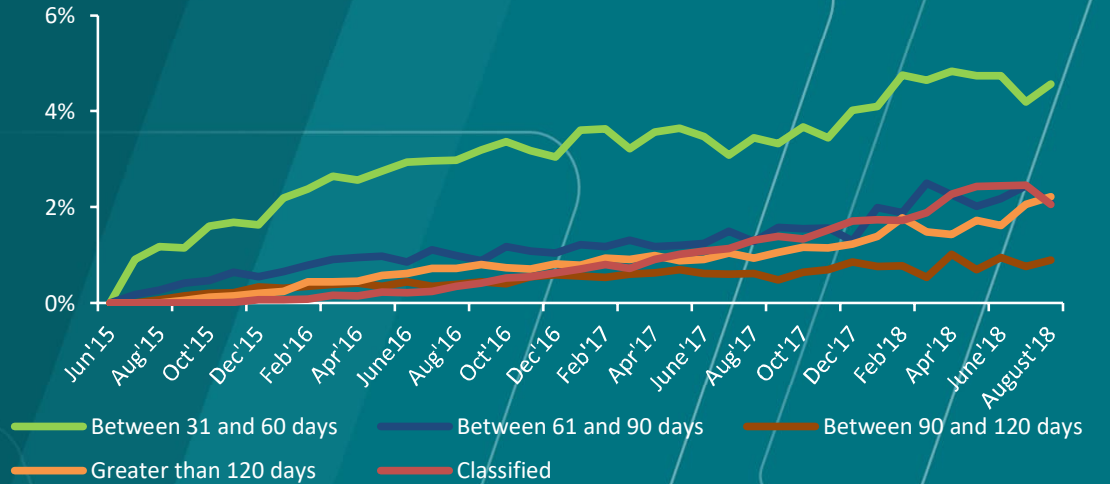
# Nitro 5

- Clean-up call for Nitro 5 was exercised in September 2018, with the final redemption of all outstanding notes due on 20 September 2018
- CPR averaged 24.33% over the duration of the transaction
- Nitro 5's cumulative net write offs were 0.55% at the end of the transaction

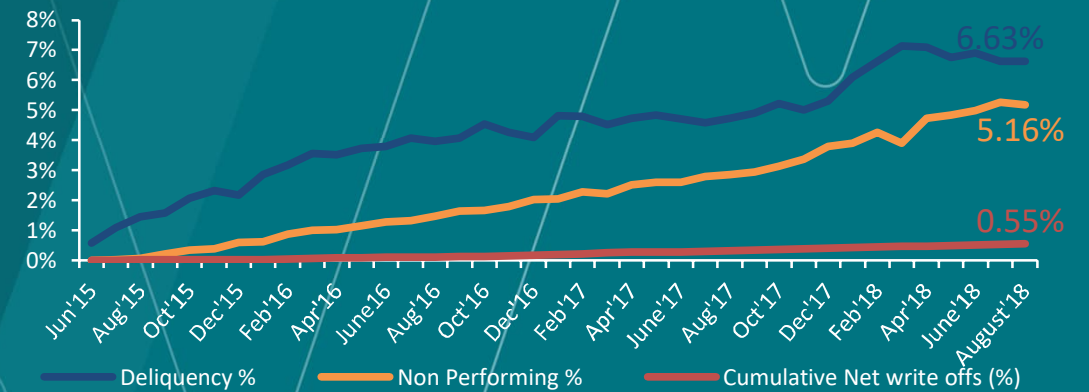
## CPR



## Delinquency trends



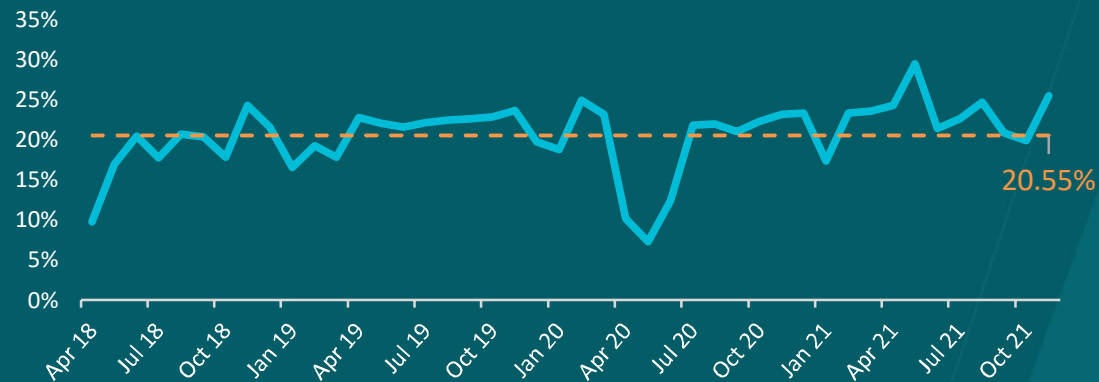
## Credit performance



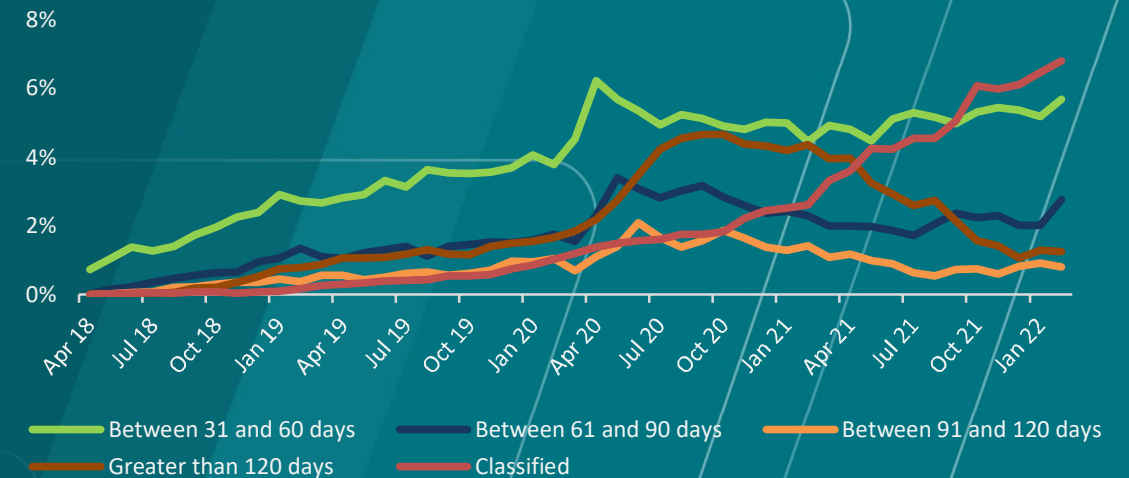
# Nitro 6

- Clean-up call for Nitro 6 was exercised in March 2022, with the final redemption of all outstanding notes due on 22 March 2022
- CPR averaged 20.55% over the duration of the transaction
- Nitro 6's cumulative net write-offs were 1.47% at the end of the transaction

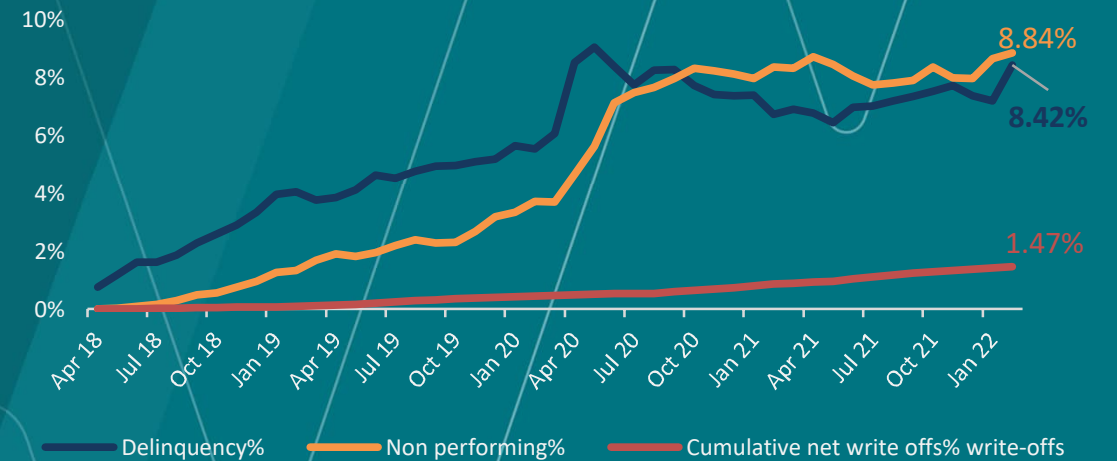
## CPR



## Delinquency trends



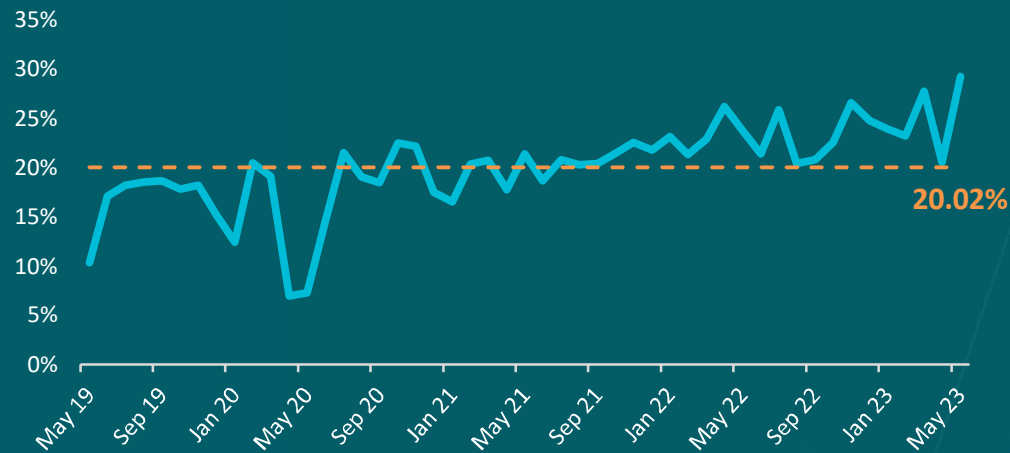
## Credit performance



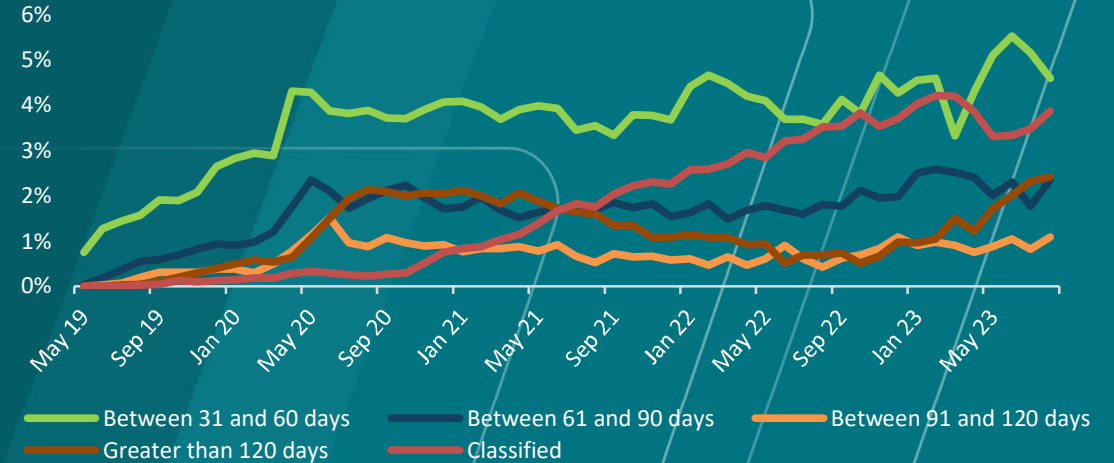
# Nitro 7

- Clean-up call for Nitro 7 was exercised in September 2023, with the final redemption of all outstanding notes due on 20 September 2023
- CPR averaged 20.02% over the duration of the transaction
- Nitro 7's cumulative net write-offs were 1.42% at the end of the transaction

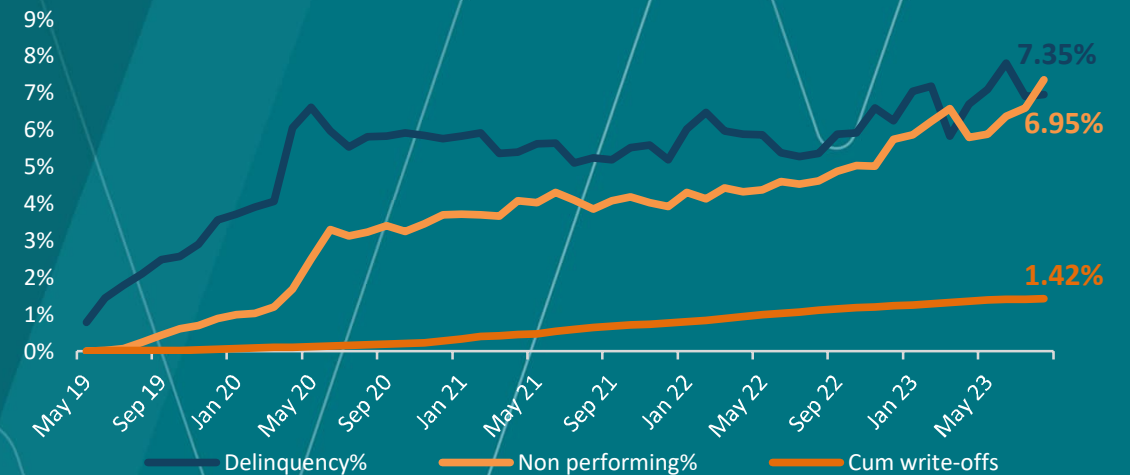
## CPR



## Delinquency trends



## Credit performance



# Notes



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