



## **UBS GLOBAL CONFERENCE**

***Corporate & Business Banking***

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GROUP

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# Overview

- South African economic & banking context
  - Information on Nedbank
  - Economic environment
  - Nedbank – core metrics
- Nedbank Corporate
  - Profile
  - Property Finance
  - African expansion – a key strategic change thrust
- Nedbank Business Banking
  - Profile
  - Business Banking – a key strategic change thrust
- Summary
- Future focus

# Nedbank Group

- South African based financial services group
  - Head quarters in Johannesburg
  - Listed on JSE
  - 55% owned by Old Mutual plc – listed on LSE
  - Market capitalisation approx. R45 billion (\$5 billion)
  - 110 year history in SA
- Focused on southern Africa (SADC) growth
  - SADC has 65 - 75% of financial services economic profit in Africa
  - Nedbank has 12 - 14% share of economic profit pool in Africa

***... hence space to grow in southern Africa  
without having to have a riskier offshore acquisition strategy***

# SA banking industry

- Robust macro-economic policy framework
- Big 5 banks have strong deposit franchises  
(focus on customers)
- Exposure of SA banks to foreign deposits low  
( $< 3\%$  of total deposits)
- Immaterial exposure to sub-prime assets
- Strong & well functioning SA interbank market
- SA relatively insulated but not immune

***... one of strongest emerging market banking systems***

# SA differentiators

- Sound regulation of financial services, especially banking sector
- Interest rates did not fall so low for so long as in USA to encourage excessive borrowing - no negative real interest rates
- Basel II successfully implemented & embraced in SA
- “Originate & sell” approach & complex credit derivatives low penetration
- National Credit Act implemented in SA to facilitate responsible lending
- Exchange controls prevented large outflows of funds from local institutions
- Rand liquidity remained stable, with interbank market operating normally
- Leverage ratios maintained at healthy levels
- Good risk & capital management in SA banks
- Lessons learnt from 2002/3 SA banking crisis

# Current macro-economic indicators

Indicators	2008	2009 Forecast
GDP	3,1%	(0,2)%
Inflation	11,3%	6,7%
Current account deficit	7,4%	6,0%
Prime overdraft rate (year end)	15,0%	10,0%
Exchange rate Rand / US \$ (year average)	8,26	9,25

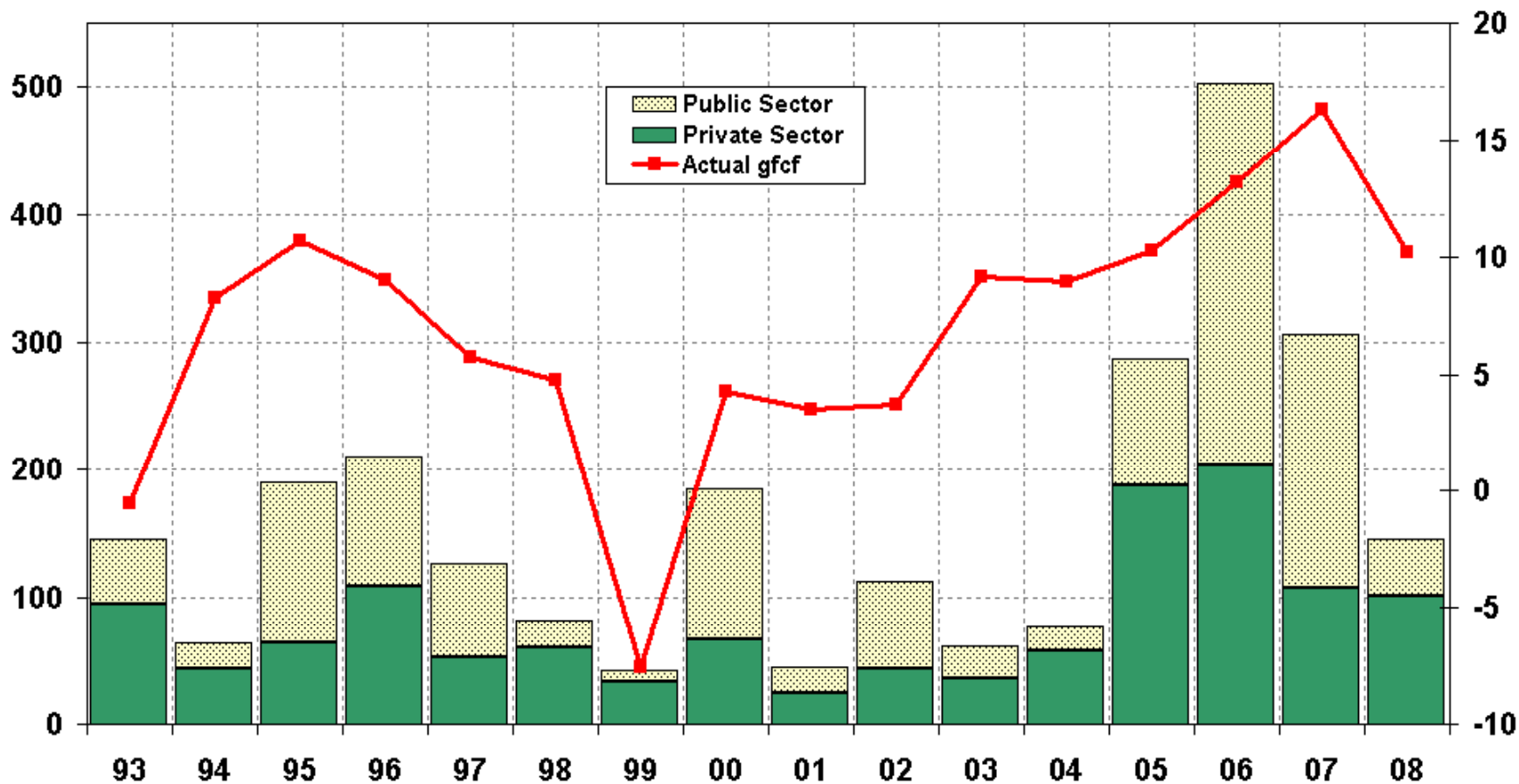
***...difficult market conditions expected in 2009***

# Public sector infrastructure spend underpin

## Announced value of total capital projects

Nedbank schedule: R billion (constant 2008 prices)

Actual growth in capital formation %



\* The 2008 figure is the annualised value of announced projects in the first half of 2008

# Nedbank highlights – 2008 & 2009

- Resilient performance in challenging environment (FY 2008)
  - 15,7% growth in tangible NAV
  - R5,8 bn headline earnings - down 2,6%
- Capital adequacy increased significantly & continues to strengthen

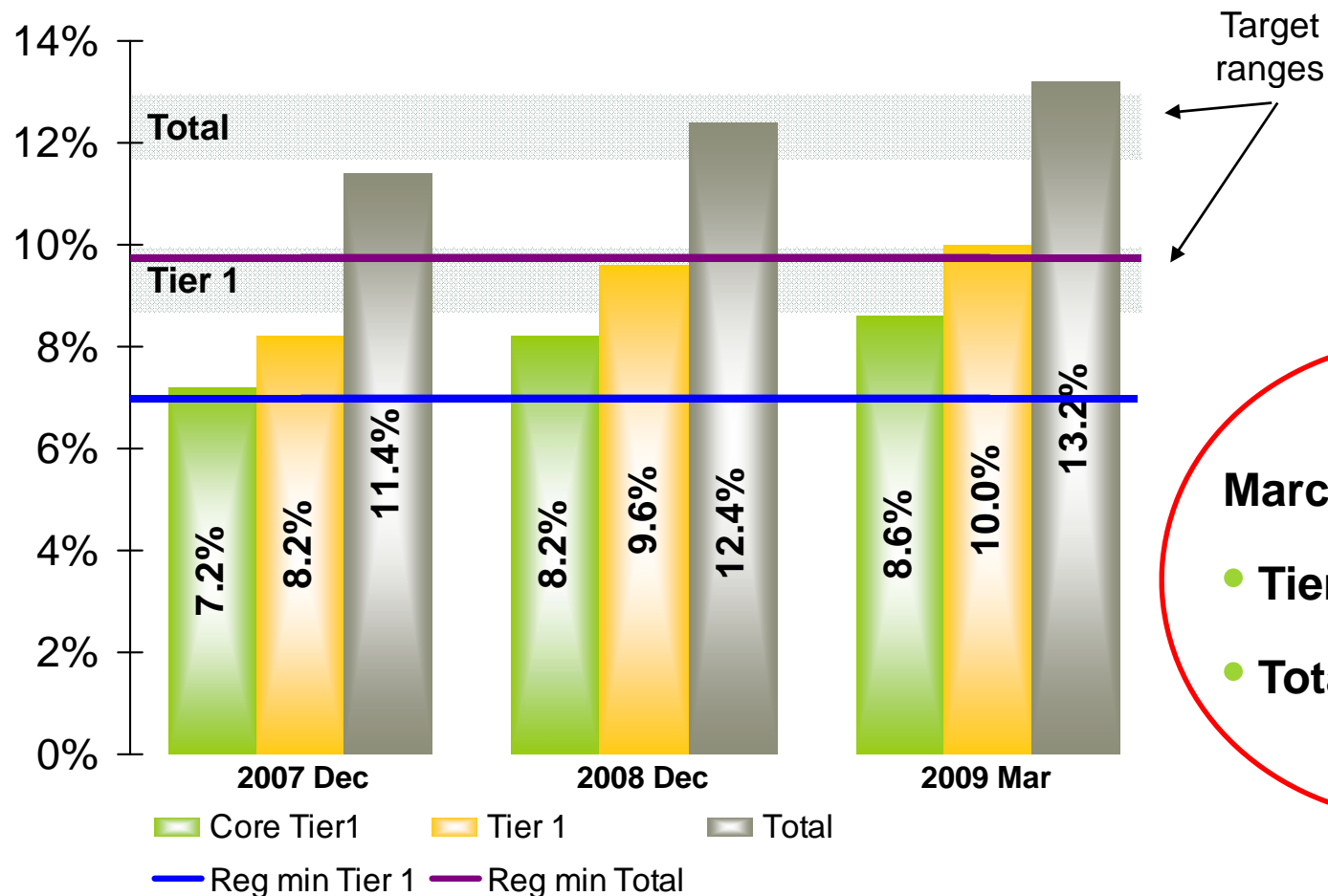
	Dec '08	Mar '09
– Core tier 1	8,2%	8,6%
– Tier 1	9,6%	10,0%
– Total	12,4%	13,2%

- Leverage ratio low (16,6 compared to SA banks average of  $\pm 18$ )
- Liquidity remains sound
- Risk management systems proving effective

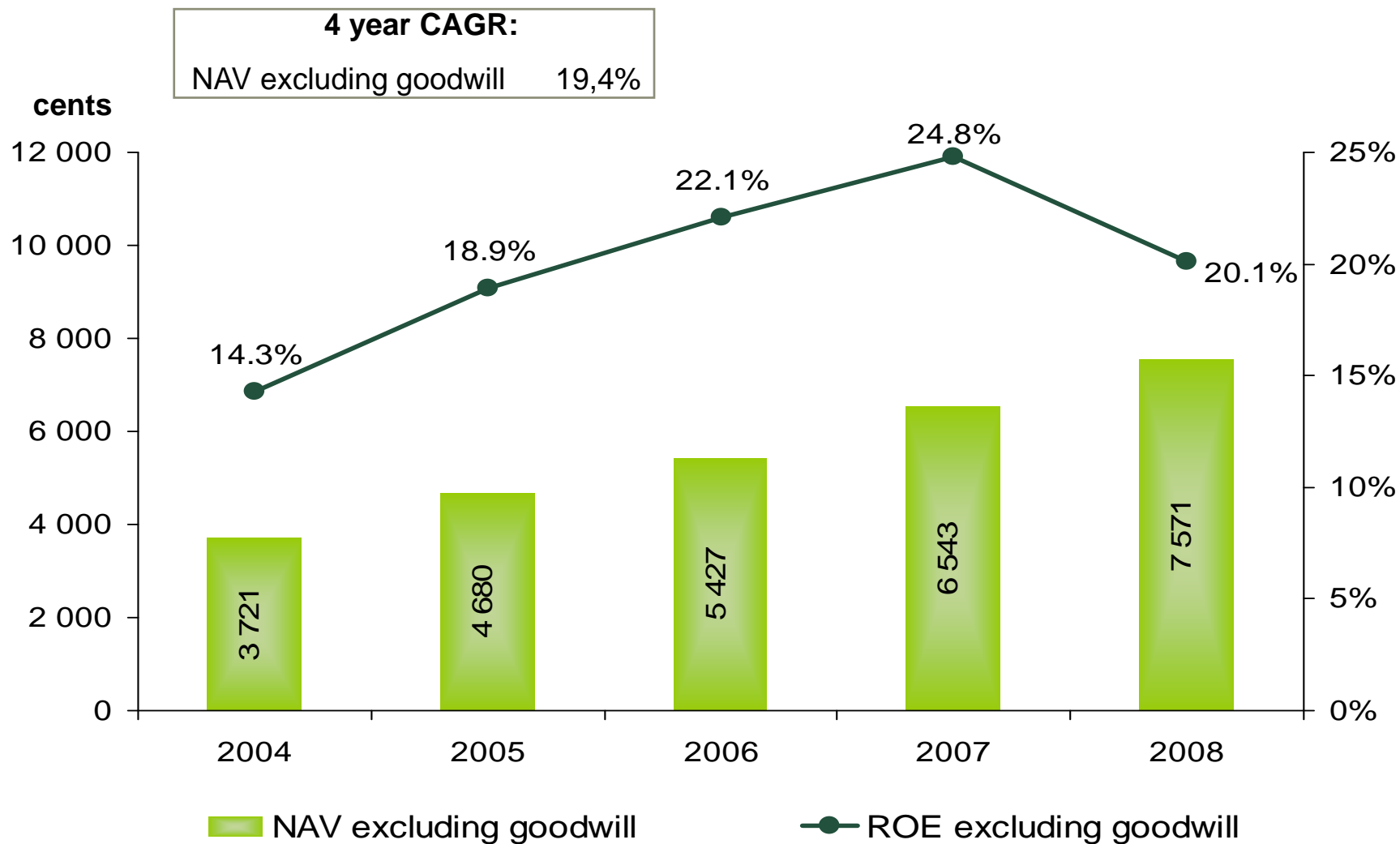
***... resilience in the face of extreme challenges***



# Group capital adequacy (Basel II)



# NAV & ROE



A circular inset image showing a woman with dark skin and short hair, wearing a white top and a pearl necklace. She is carefully balancing a stack of smooth, rounded stones of various colors (white, tan, brown, grey, black) on a larger, flat stone base. Her expression is focused.

# Nedbank Corporate

Graham Dempster



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# Nedbank Corporate profile

- Corporate Banking – top two player in lending & deposit-taking
- Property Finance – market leader in commercial property lending
- Nedbank Africa – selected growth in sub-Saharan Africa
- Key financial metrics (at Dec '08)

Economic capital usage (Rm)	5 875
Assets (Rm)	117 833
Headline earnings (Rm)	1 559
Economic profit growth (%)	22,2
RoRaC (%)	26,5
Credit loss ratio (%)	0,12
Efficiency ratio (%)	47,6
Employees	3 911

***... risk well managed – impairments at low levels for last 5 years***

# Nedbank Corporate growth strategy

- Continue to drive growth through
  - Growing public sector market share
  - Selective expansion into rest of Africa
  - Increasing primary banker market share
- Focus on client service
  - Enhanced sales capability & size
  - Culture a competitive advantage
- Roll out of electronic banking to corporate market
- Prudent risk management through weaker credit cycle
- Build on step change improvement achieved in staff morale

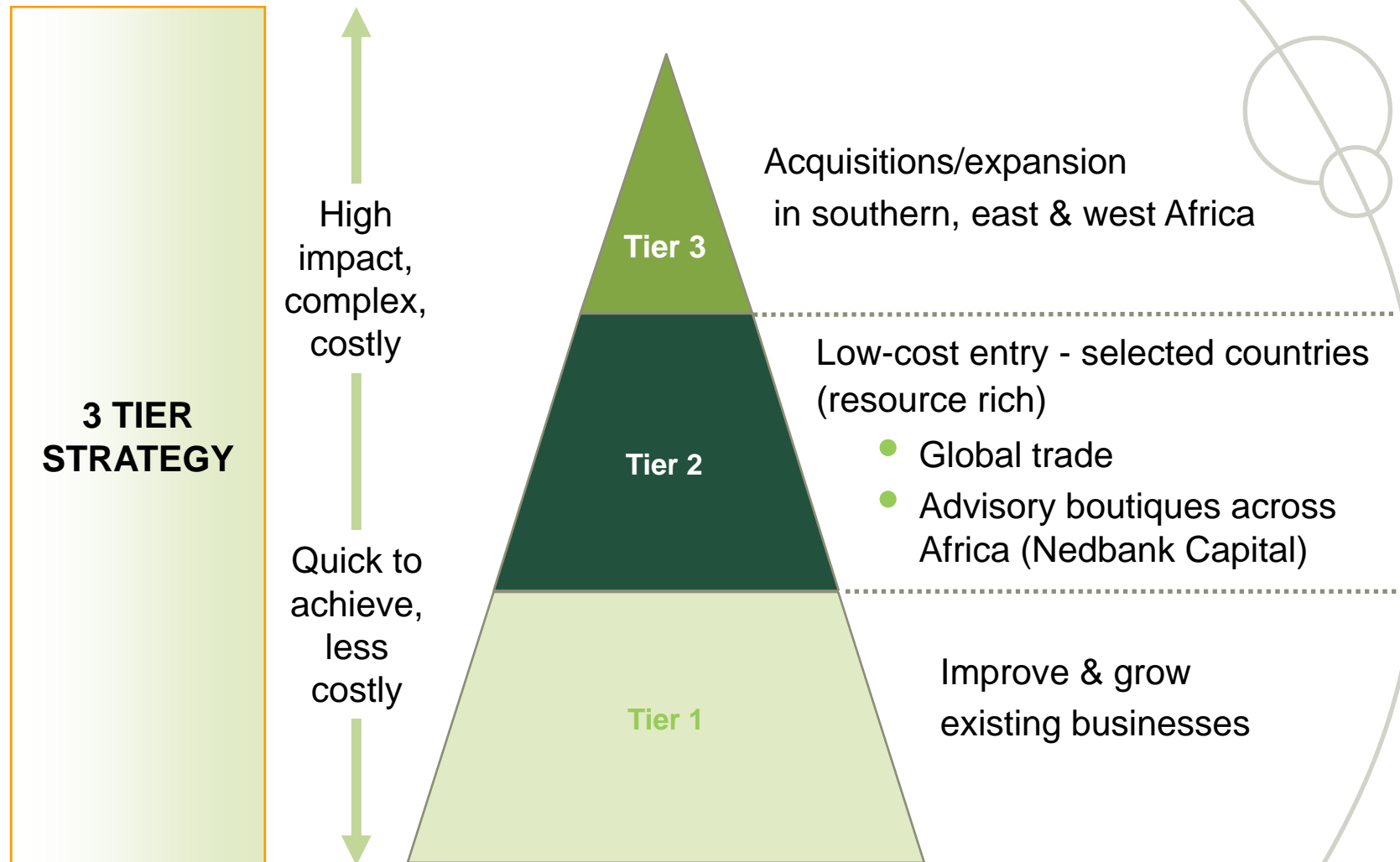
*... businesses positioned well*

# Property Finance

- Market leader – 25% market share
- Key differentiator – highly experienced property professionals
- Assisted by Mercer Oliver Wyman
  - Detailed portfolio review to assess risk profile
- Selected growth / smart origination strategy
  - Manage for value to drive economic profit
- Entrench leading position with large clients (re-intermediation)
- Prudently manage the equity investments business
- Levels of impaired assets & arrears low despite difficult economic conditions

***... strong track record over extended period***

# African expansion – key strategic change thrust



*... complemented with a pan African banking alliance*

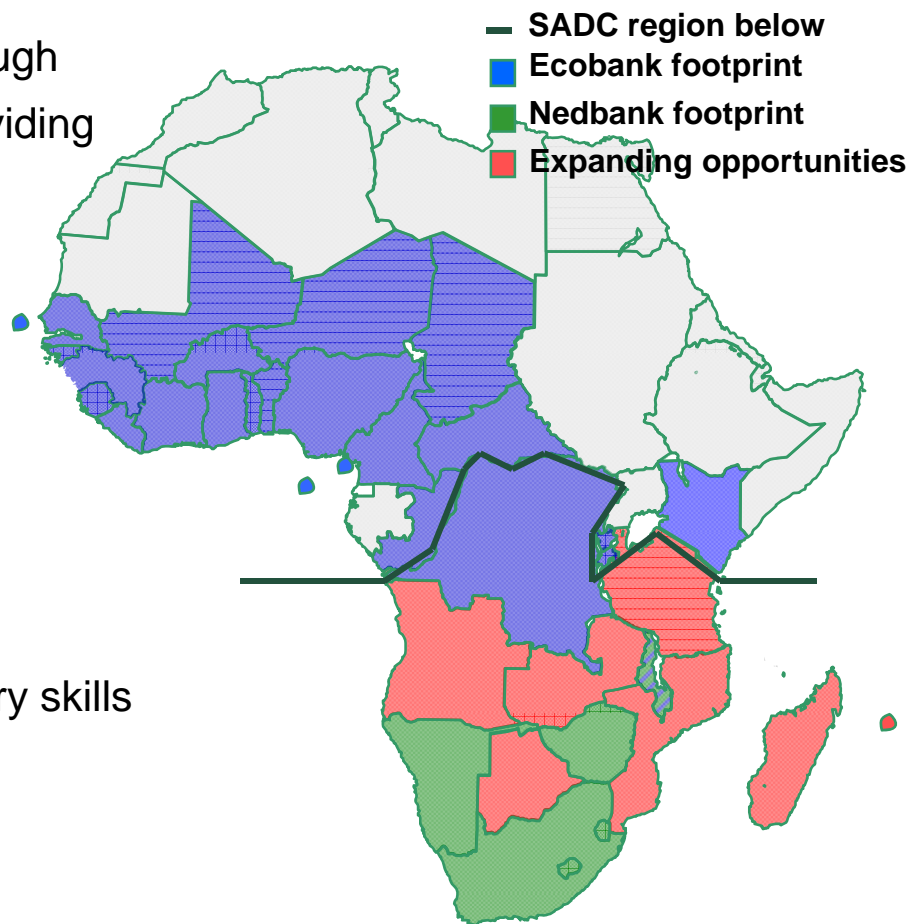
# African expansion rationale

- Economic growth in sub-Saharan Africa revised downward by IMF but least affected & still reasonably strong
- Inflation in sub-Saharan Africa adjusted upward, but expected to decline again
- Closing infrastructure gap in Africa will require sizeable investments
- Clients increasingly moving into Africa
- SA accounts for 75% of SADC's GDP & approximately 22% of population
- SA plays important role in region - geographical location & size of its economy
- More than 80% of SADC intra-regional imports supplied by SA
- Almost all SADC countries depend on SA's transit & transport facilities
- SADC Free Trade Agreement should encourage economies of scale
- Exports from SADC enjoy virtual duty free access to European Union



# Nedbank / Ecobank strategic alliance

- Creates emerging African Champion through significant geographic spread & size, providing clients with a 'One Bank' experience
- Low cost, low risk with significant change in profile
- Supports current strategy & requirement to leverage capital
- Provides platform for advisory & structuring activities in countries covered
- Utilise expertise on sector specific advisory skills
- Retain & attract skilled staff



***... goal of a 'one bank' client experience  
>30 countries & over 1 000 branches & outlets***

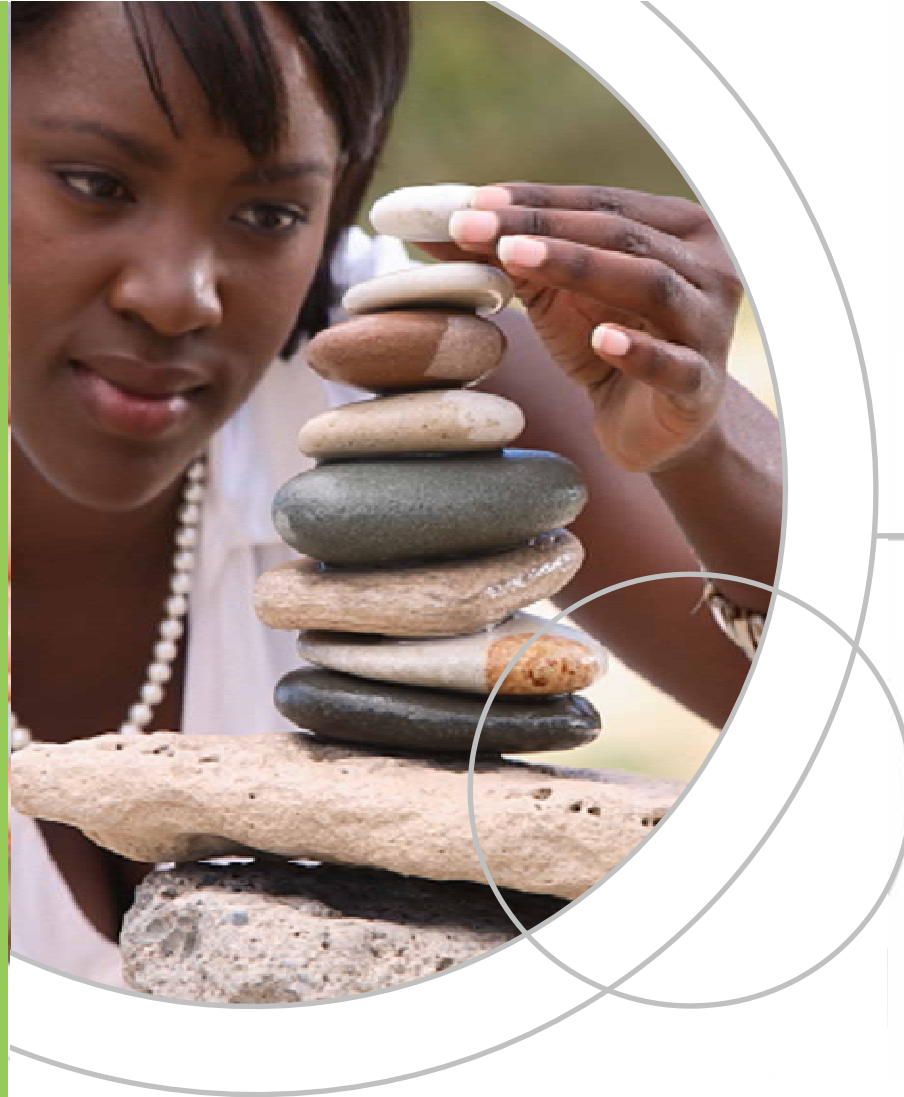
# Ecobank

- Established in 1985
- Africa's leading independent pan African banking group
  - In 26 African countries
- Parent company (ETI)
  - 32 operating subsidiaries involved in commercial banking, investment banking & information technology
- Over 8 000 professionals from 27 African countries (including Anglophone, Francophone & Lusophone Africa) across 500 outlets
- At September 2008 total assets exceeded US\$7,7 billion
- NPAT for nine months to September 2008 US\$109 million
- Ecobank operates as one banking group with common policies & standards
- Parent company adheres to IFRS



***... african expansion is key to  
positioning Nedbank for the medium term***





# Nedbank Business Banking

Ingrid Johnson



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# Nedbank Business Banking profile

- Target market - medium sized businesses turnover of R7m-400m (~\$1m-50m)
- Full spectrum financial services, including lending, investments & transactional banking, insurance, wealth management & other value-add products
- Relationship driven, decentralised business model based on accountability
- Key financial metrics (at Dec '08)

Economic capital usage (Rm)

4 315

Assets (Rm)

54 524

Headline earnings (Rm)

1 369

Economic profit growth (%)

30,0

RoRaC (%)

31,8

Credit loss ratio (%)

0,59

Efficiency ratio (%)

47,0

Employees

2 303

IF YOU'RE NOT TALKING TO THE  
DECISIONMAKERS, YOU MAY AS WELL  
BE TALKING TO ANYONE.



OUR LOCAL BANKING TEAMS HAVE THE POWER TO MAKE QUICK DECISIONS.  
YOUR BUSINESS GETS THE SUPPORT TO GROW TO ITS FULL POTENTIAL.

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# Nedbank Business Banking – key strategic change thrust

## Aspiration to be leader in Business Banking for SA

- Mid market commercial segment attractive in SA economy due to size, growth prospects, depth of client relationships & deep product penetration leading to attractive returns on capital
- Important for SA in terms of developing small / medium enterprise & related job creation
- Nedbank Business Banking well positioned:
  - decentralised business model ensures local understanding & close proximity to clients, leading to effective understanding of risk profile & needs of the client base
  - relationship based sales, credit & service model tailored to client value & economic profit potential



... ***“Partnering for growth for a greater South Africa”***

# Nedbank Business Banking – good progress so far

## Strategic roadmap “A S C E N T” guided our efforts

- Major turnaround since 2005:
  - Decentralised business was overlaid with clear accountability
  - Significantly transformed organisational culture with focus on performance, leadership & teamwork
  - Step change in employment equity profile & continuously improved staff satisfaction
  - Higher focus on new client acquisition

Financial performance over 4 years *		2008
Headline earnings	3 times higher than 2004 (CAGR ~32%)	R1 369m
Return on capital	Increased from 16% in 2004	31,7%
Efficiency ratio	Improved from 64% in 2004	47,1%
Average advances	1,7 times higher than 2004	R55bn
Average deposits	1,6 times higher than 2004	R71bn

**... the benign economic cycle was used to build a strong foundation**

\* Estimates to align for internal allocation & transfer pricing changes over the years

# Summary – Corporate & Business Banking markets

## **Delivering quality performance through the cycle, while continuing to build our franchise**

- Lower endowment earnings & higher impairments will impact 2009 performance
- Differentiators
  - Right leadership & teams in place
  - Business models in place & clearly defined areas of focus
- Managing risk in current economic climate, while doing basics well
- Growth underpin
  - Public sector infrastructure finance
  - Easing monetary policy
- Further opportunities for growth
  - Widening credit margins - limited new funding & disintermediation decreased
  - Emphasis on quality primary banker growth
  - Smart investments into technology
  - Ecobank alliance

***... seizing opportunities to advance in the downturn***

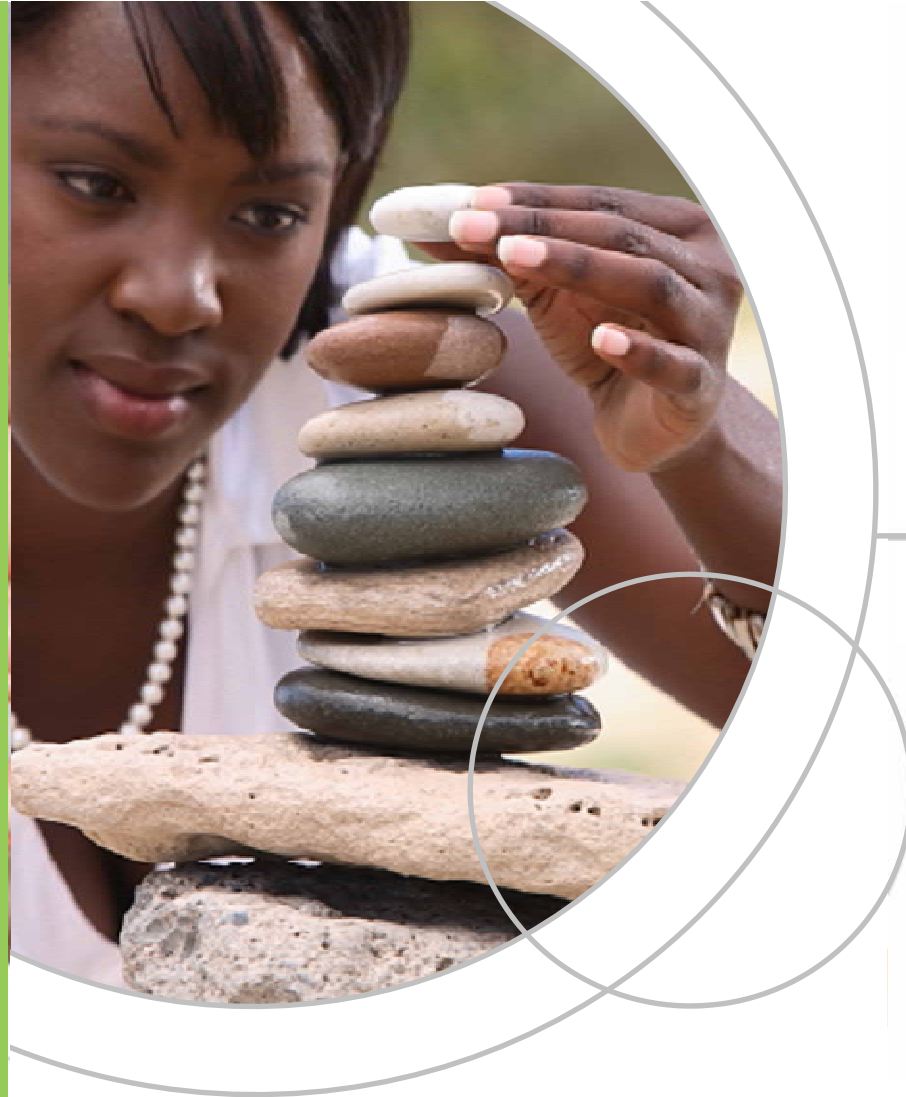


# Nedbank Group – Future focus

- To understand our clients needs in difficult times
  - Step change in client service
  - Flexible collections arrangements
  - Continued focus on affordable banking
  - Focus on economic profit & remain alert to opportunities
- Conservative management of the bank
- To maintain our leadership position in sustainability
- To continue to focus on our people
  - Manage headcount through the cycle
  - Building our unique culture & value set
  - Visible leadership & continued development of people
  - Ensure we transform further

***... to be the most highly rated & respected bank***





## Ancillary slides



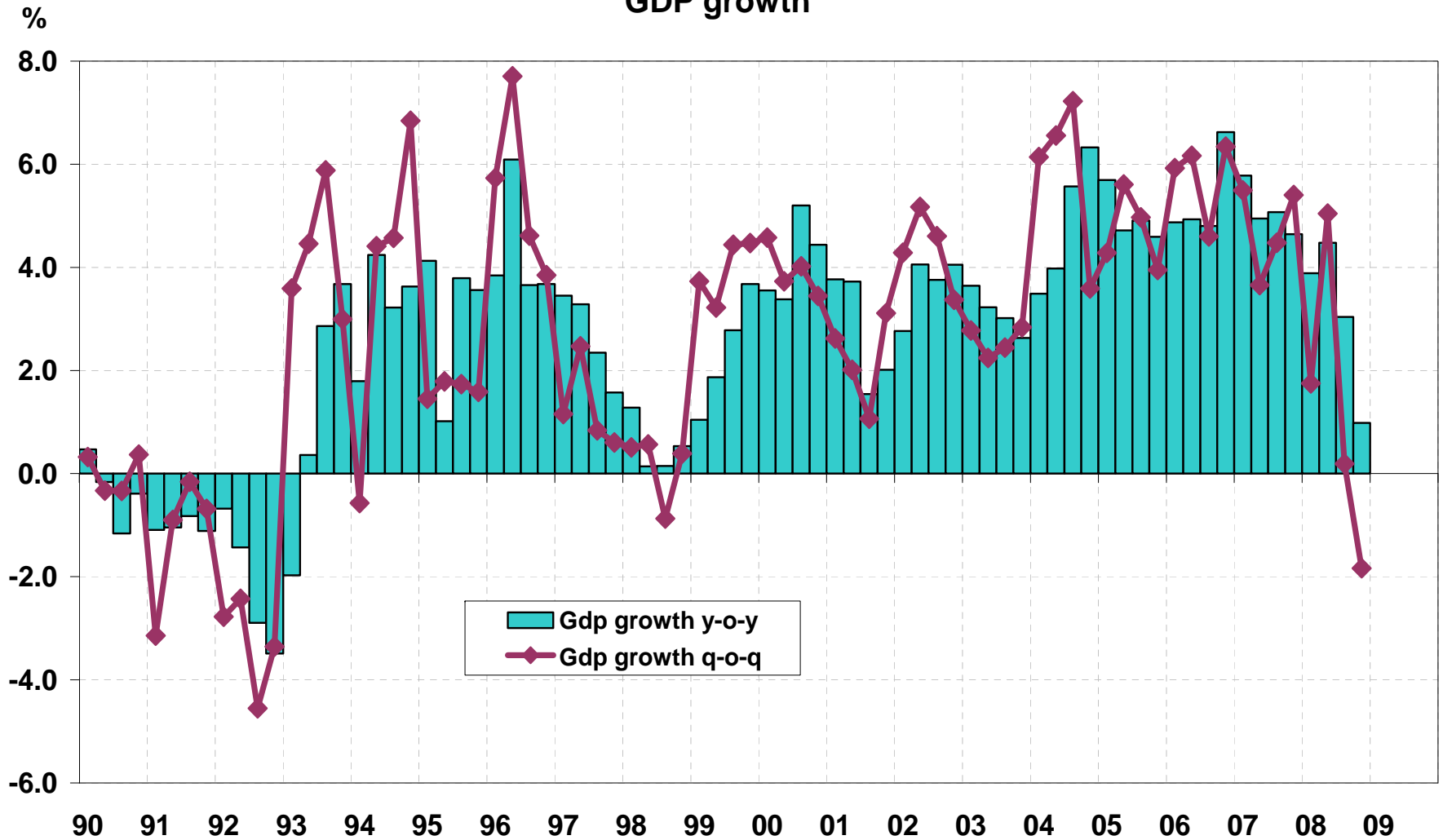
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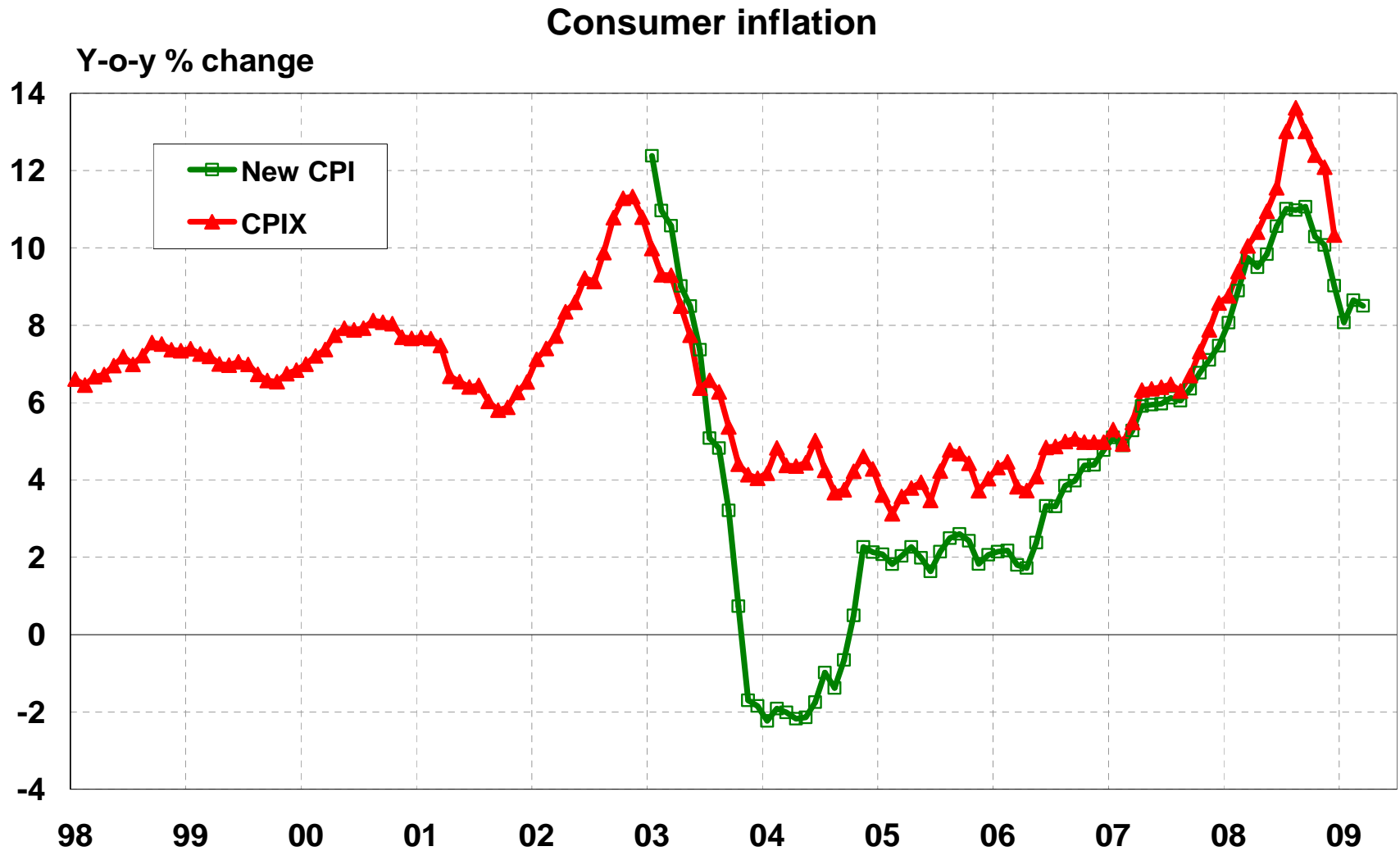
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# GDP Growth

GDP growth

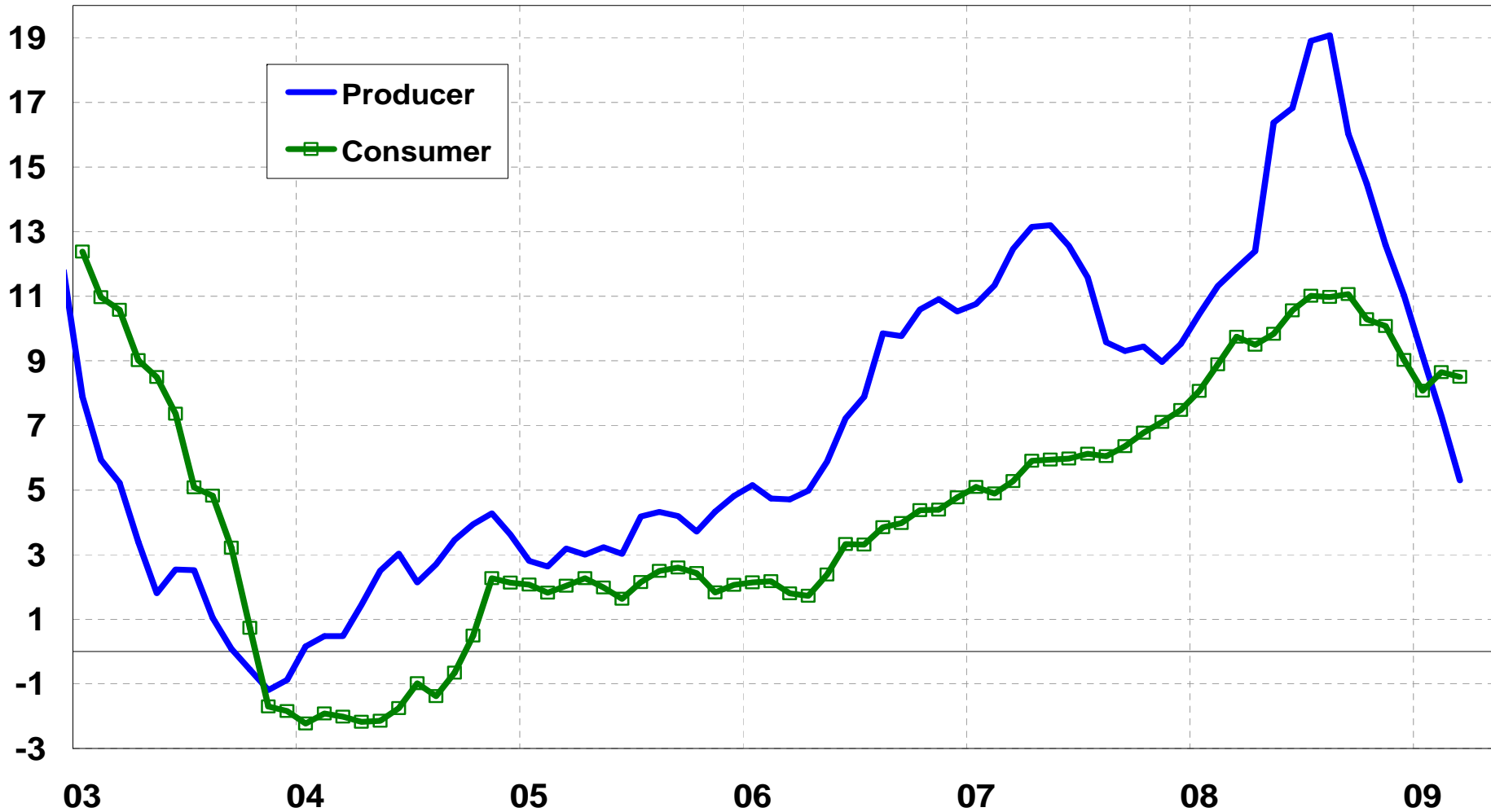


# Consumer inflation



# Inflation

Y-o-y % change



# Current account

