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THINGS
HAPPEN



NEDBANK
GROUP

NEDBANK GROUP LIMITED

17th UBS Annual Financial Services Conference
Growing shareholder value

16 October 2014

A Member of the  **OLDMUTUAL** Group

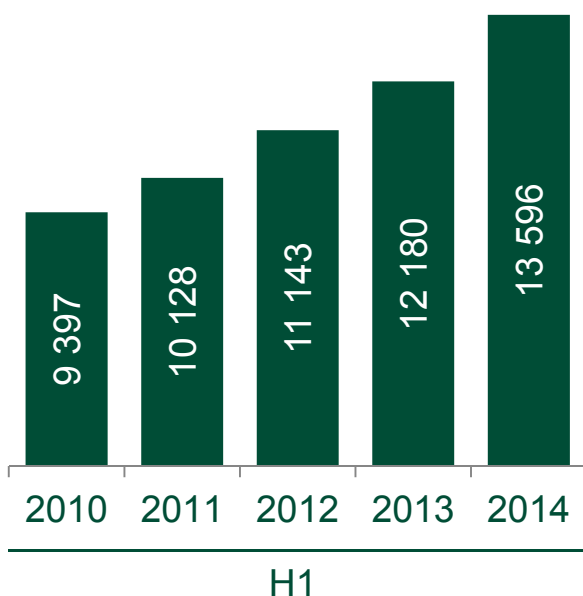
Consistent focus on growing shareholder value

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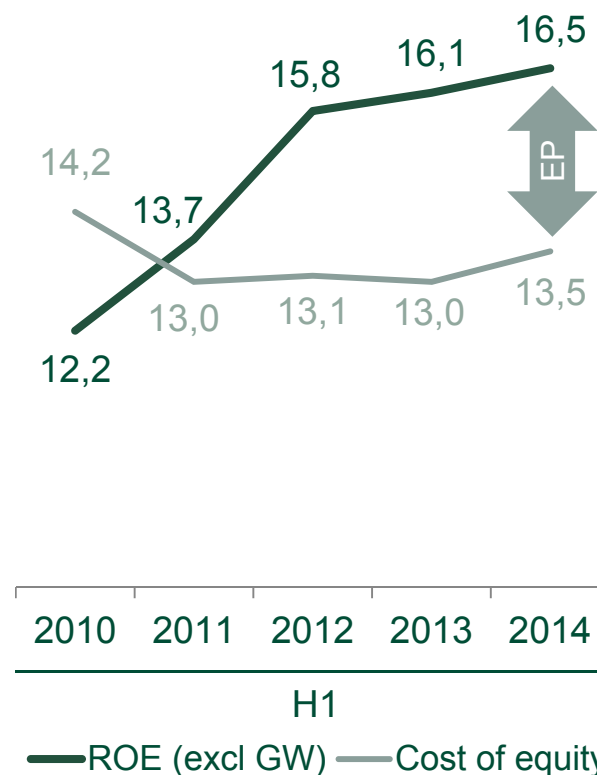
NAV

NAV per share (cents)



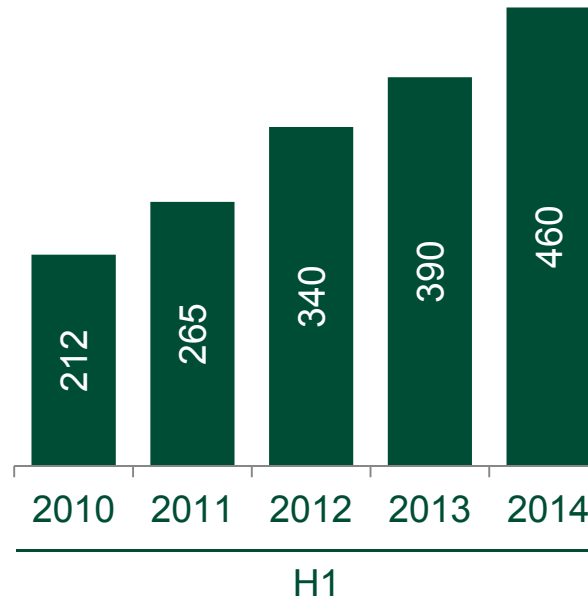
ROE > COE

ROE & Cost of Equity (%)



Dividends

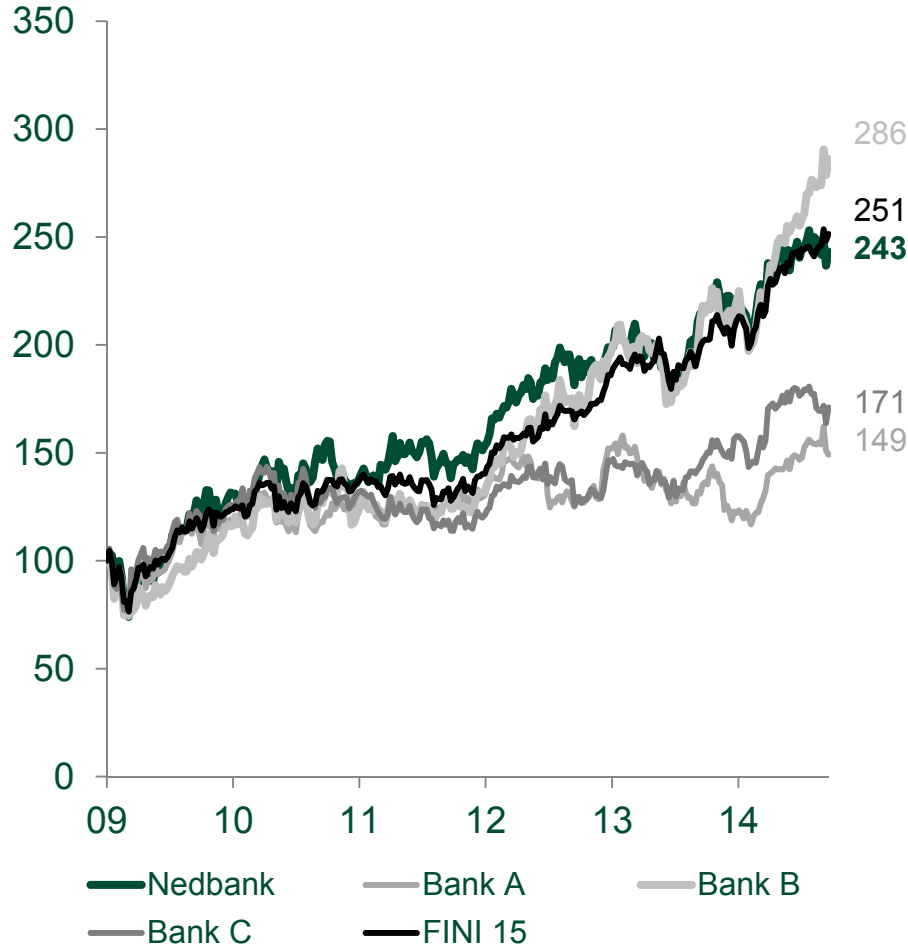
Interim dividend per share (cents)



Underpinned by strong CET1, surplus liquidity & high coverage

... evident in past performance

Share price relative (based to 100)



Nedbank dividend yield (%)



Source: I-Net. Share price relative graph reflective of share price movements only (excluding corporate action, dividends etc)

How to grow shareholder value

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**Total shareholder return
(TSR)**

=

**Value
appreciation**

+

**Dividends
paid**

Valuation model

**Implied
value**

$$= \frac{(\text{ROE} - g)}{(\text{COE} - g)} \times \text{NAV}$$

Long-term value creation
(Building a sustainable business)

Dividend paid
function of:

- Earnings growth
- Dividend cover
- Availability of capital

Short-term cash flow

Agenda: Key drivers of shareholder value

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Increase net asset value (NAV)

Increase Return on equity (ROE)

Maintain / lower cost of equity (COE)

Sustainable growth (g)

Dividends

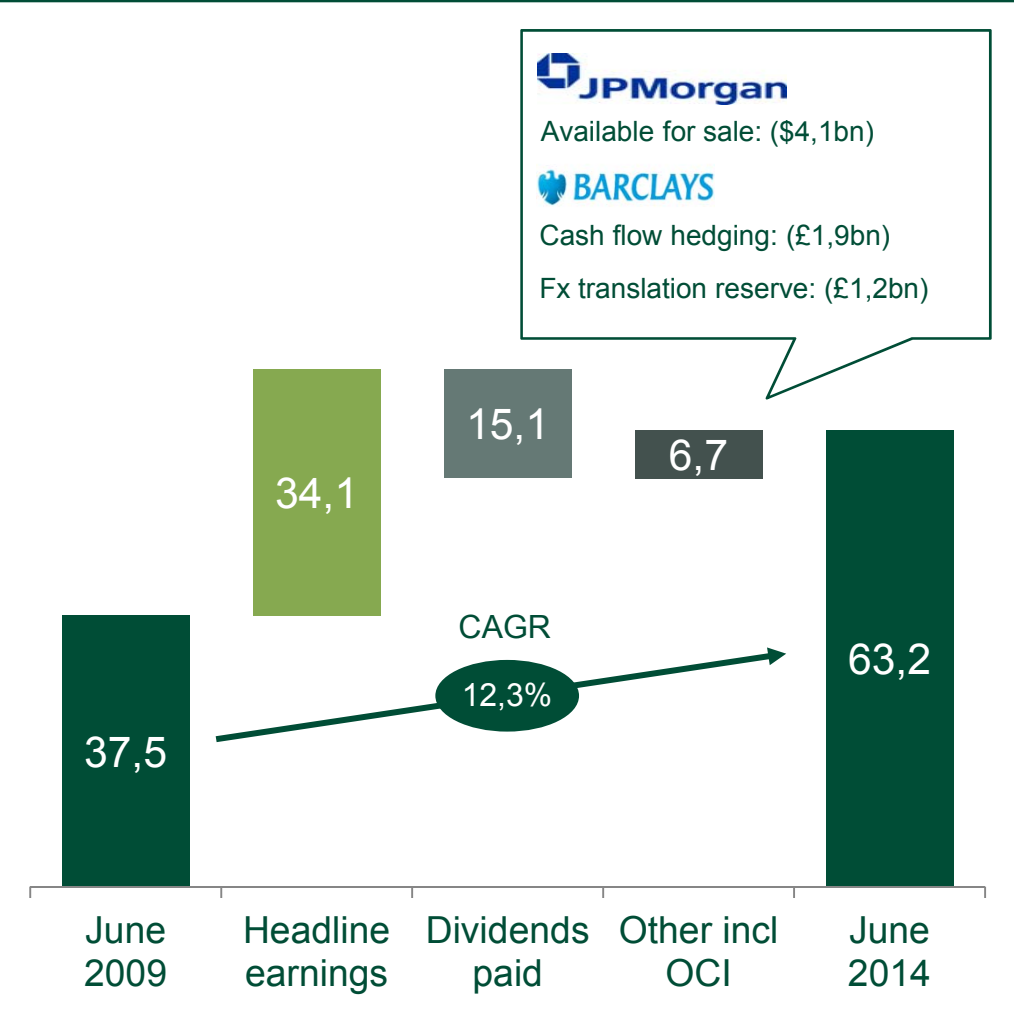
Non-financial drivers

NAV growth a function of HE growth, dividends paid but also impacted by non operational drivers...

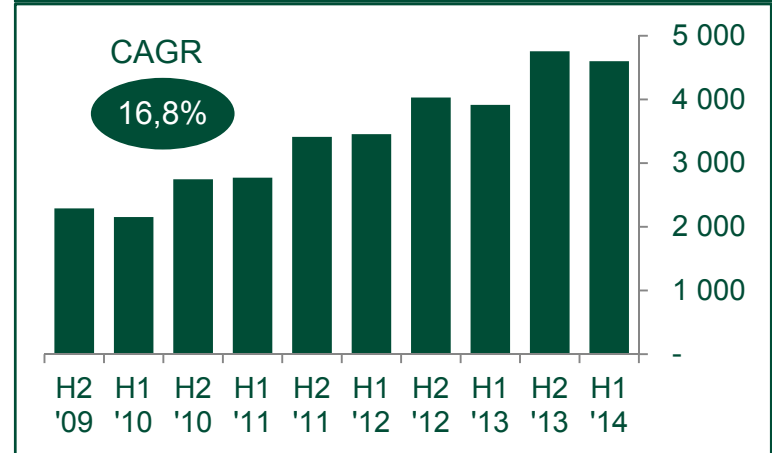
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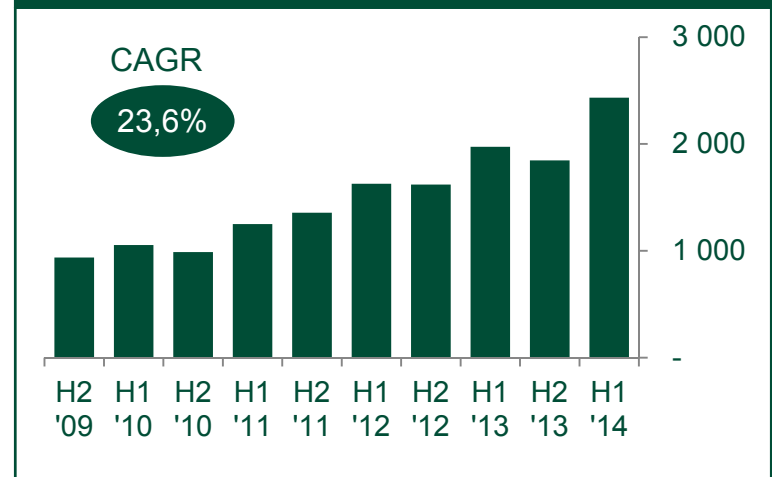
Nedbank NAV & drivers (Rbn)



Headline earnings (Rm)



Dividends paid (Rm)



NAV = Total shareholders equity excl non-controlling interest | Nedbank "Other" include shares issued/ cancelled in terms of group schemes eg staff incentives schemes (R3,7bn), FCTR (R1,1bn), property revaluations (R0,8bn) & share based payments (R0,7bn)

Agenda: Key drivers of shareholder value

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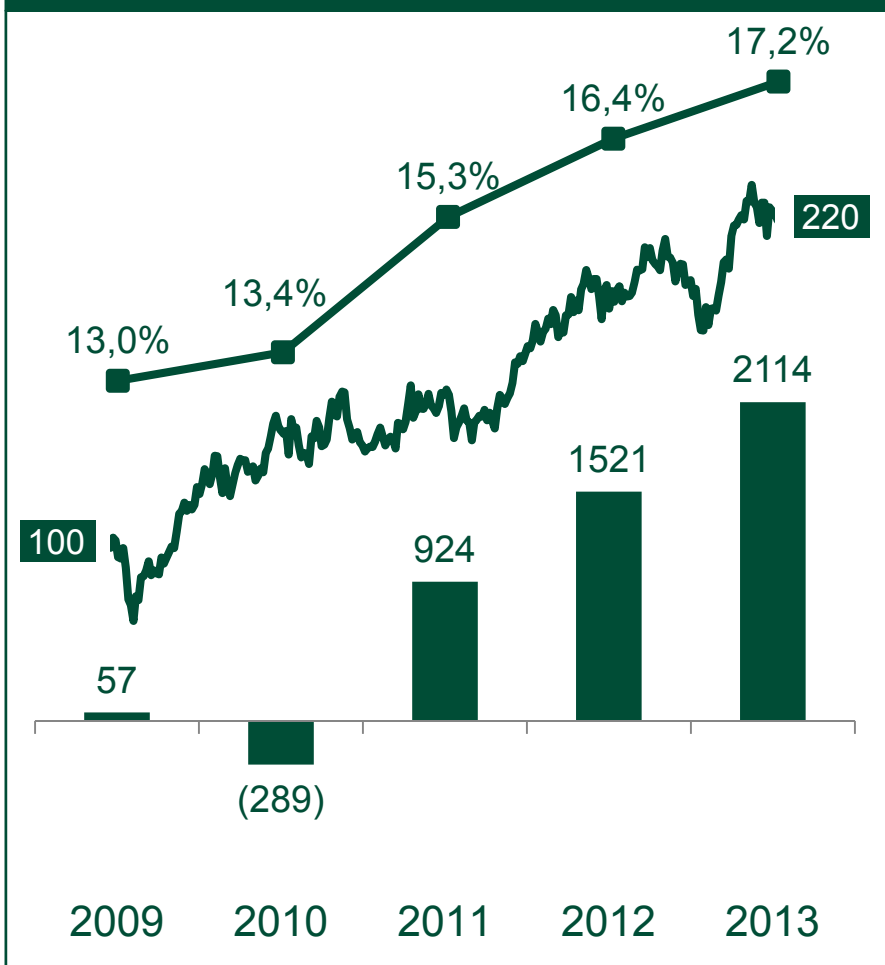
Non-financial drivers

Economic profit / return on equity (ROE) & share performance have historically shown strong correlation

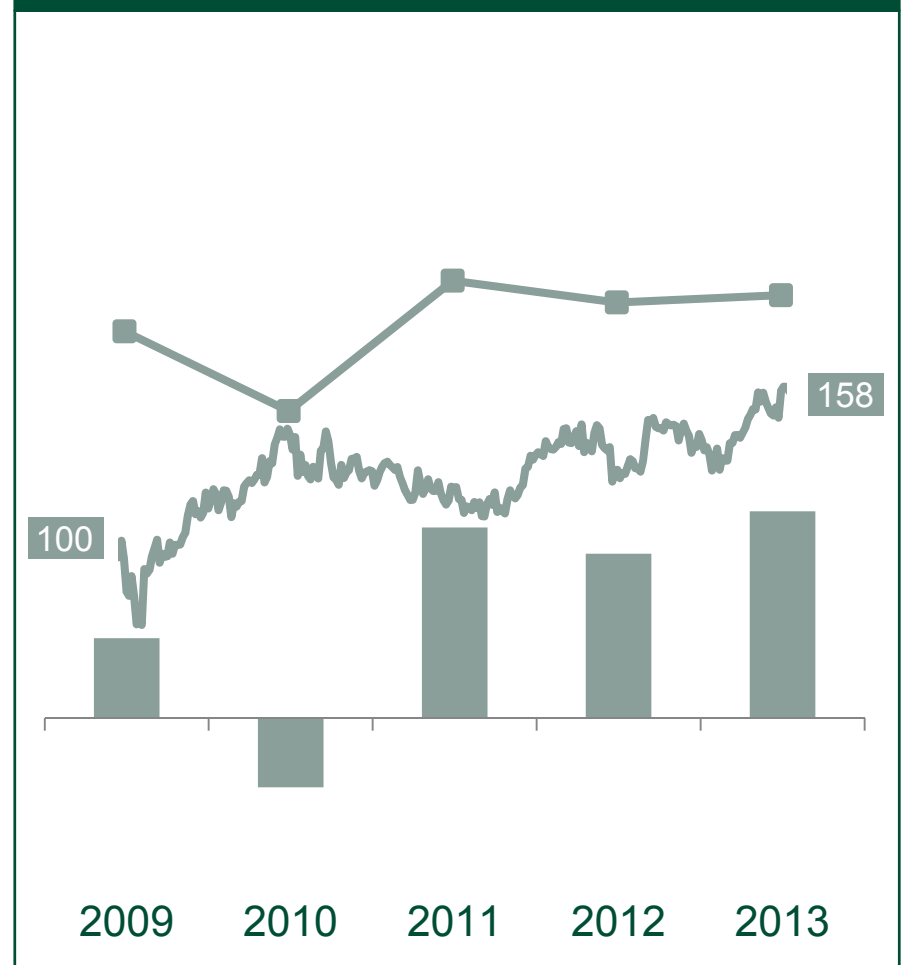
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Big-4 SA bank



■ Economic profit (Rm)

■ ROE excl GW (%)

⚡ Share price based to 100

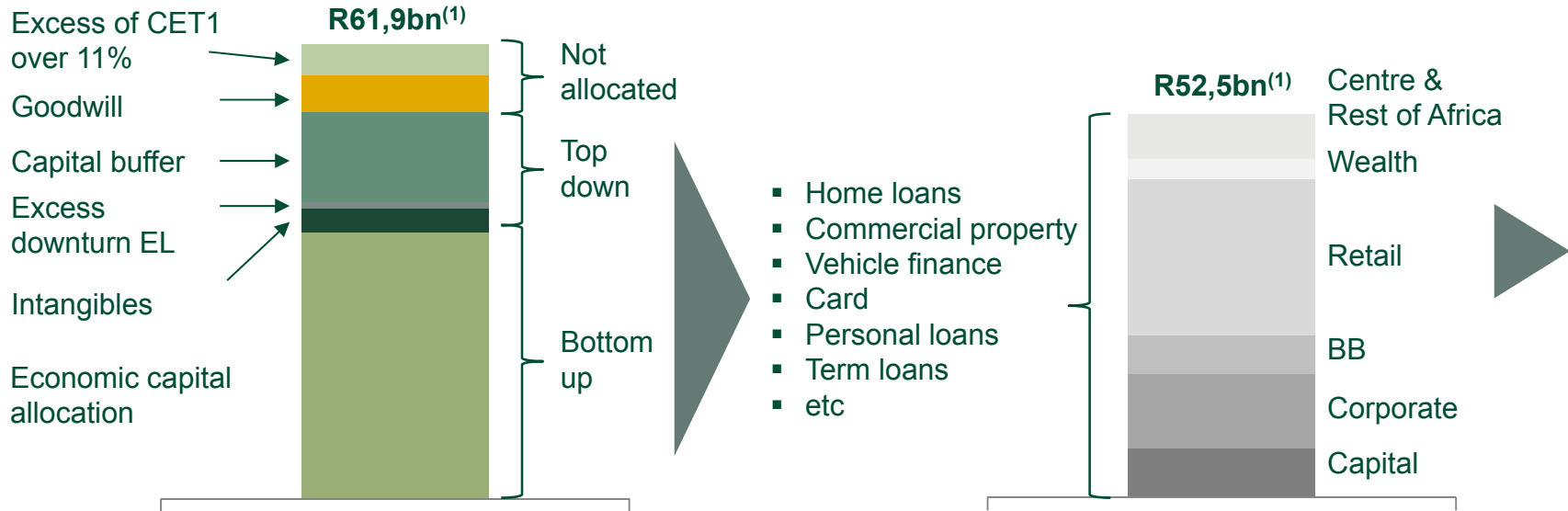
Note: EP calculated as $(ROE - COE) \times Ave\ NAV$, based on COE of 13% for SA bank

Allocating, managing & measuring ROE a key underpin

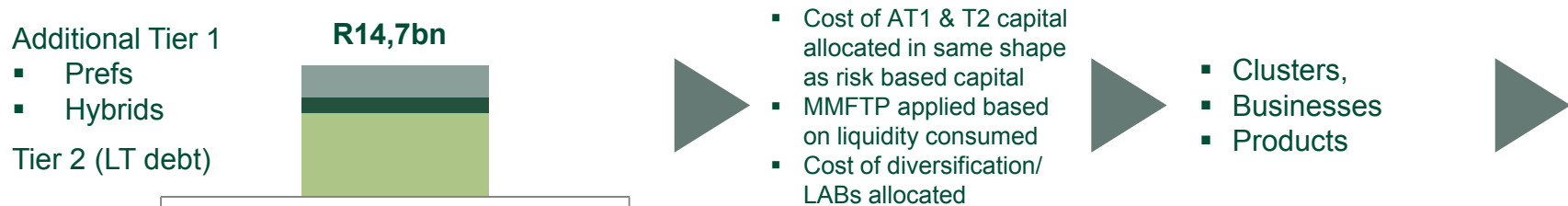
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CAPITAL⁽¹⁾: Risk based capital allocation (denominator)



DEBT⁽²⁾: Funds transfer pricing (numerator)



EXPENSES⁽³⁾: Activity justified transfer pricing (numerator)



ROE

Inappropriate allocation methodologies may lead to incorrect risk based decision making

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Homeloans Nedbank actuals

- CLR: 22bps
- Capitalisation ratio: 4,8%
- Funding: matched behavioural tenor (60 months)
- Costs: HL related costs + AJPT of central group & retail costs

Homeloans Illustrative approach

- CLR: 22bps
- Capitalisation ratio: 3,5%
- Funding: 12 months
- Costs: Only HL related costs

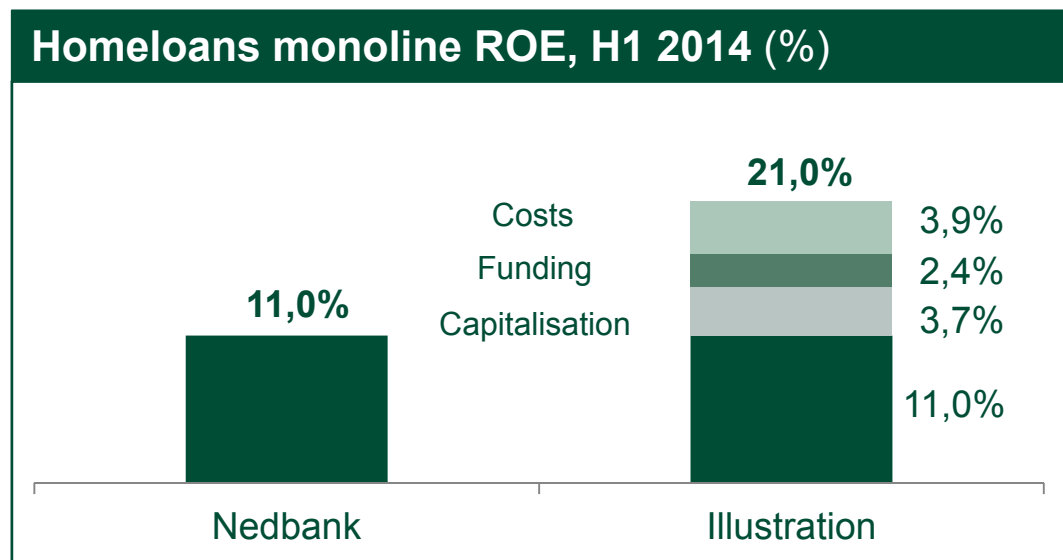
NPLs in a rising rate cycle

In addition to the potential impact of suboptimal economics (based on prudent allocation of capital, funding & costs) & risk based pricing, homeloans generally perform worse in a rising rate cycle...

HL industry NPLs (%) ■

Prime rate (%) —

Year	HL industry NPLs (%)	Prime rate (%)
07	~2.5	~13.0
08	~6.5	~15.5
09	~10.5	~10.5
10	~9.5	~9.5
11	~8.0	~9.0
12	~6.5	~8.5
13	~5.5	~8.5

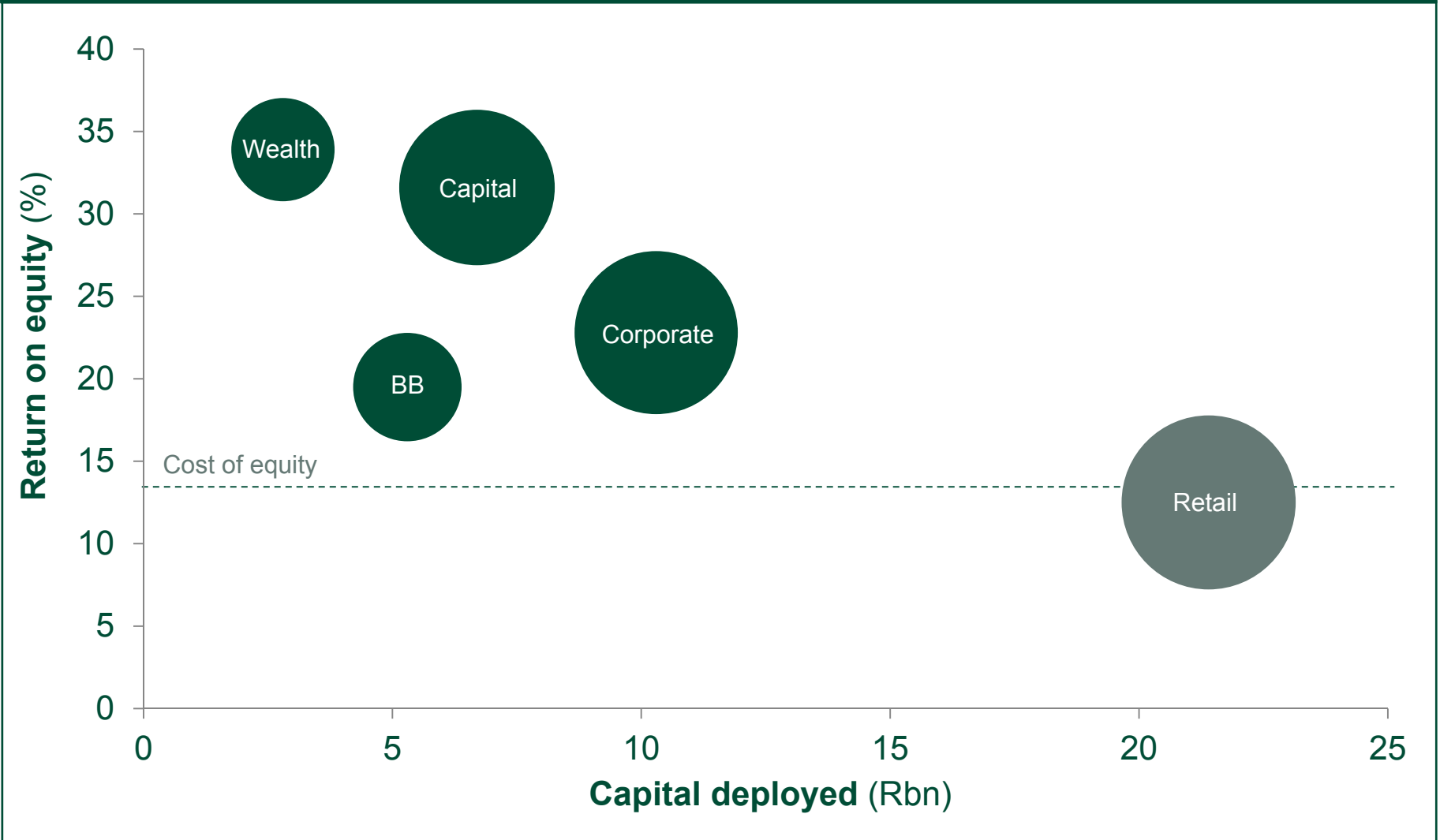


ROE drivers: Strong wholesale & wealth franchises, with opportunities in retail & rest of Africa

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ROE (%) & Capital (Rm)



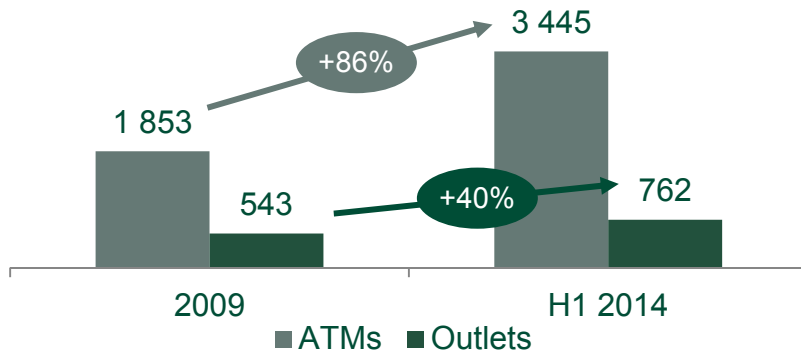
ROE driver: Nedbank Retail

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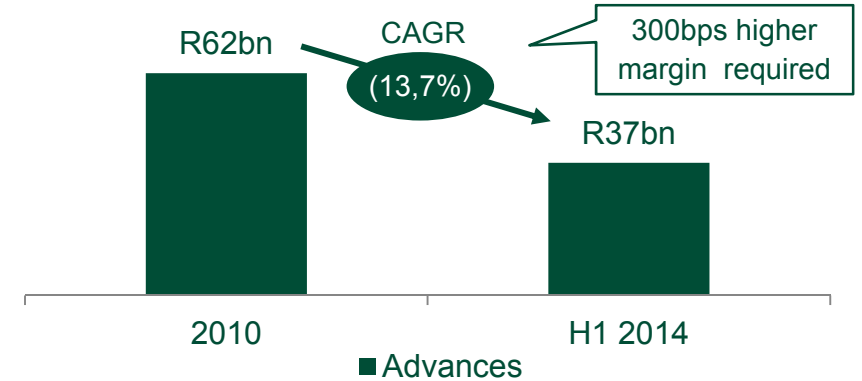


Historically ROE impacted by...

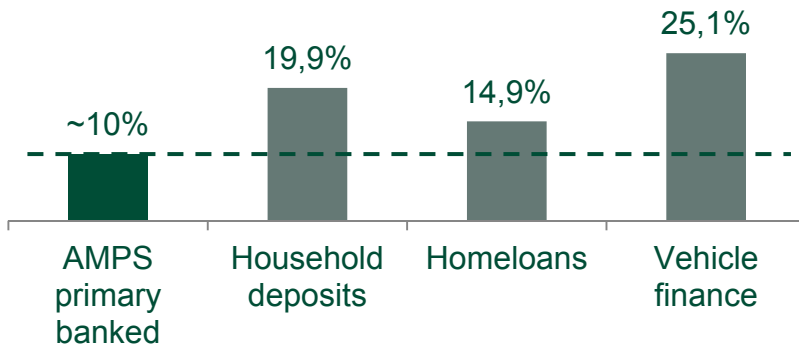
Invested in physical presence



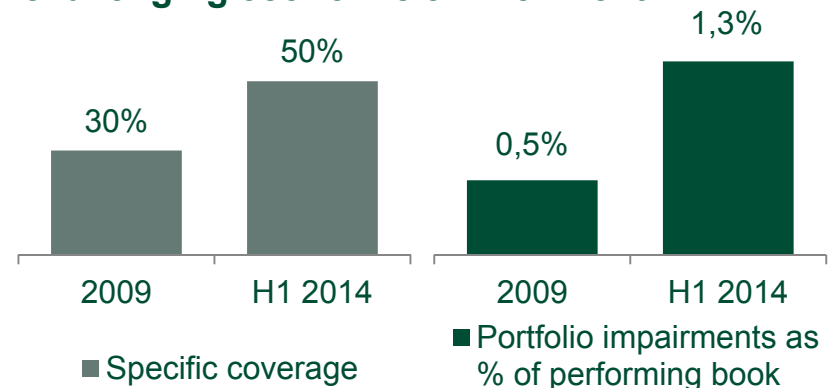
Mispriced HL back-book ('06 - '08)



Sub-optimal transactional banking franchise (market share as at 30 June 2014)



Prepared for rising interest rate cycle & challenging economic environment



H1 2014 ROE of 12,5% on allocated economic capital ratio of 10,6%

Looking forward...

- **Maintain prudent origination strategies & provisioning levels**
- **Risk based pricing** eg HL & PL
- **More clients doing more with Nedbank**
 - Increase main banked clients
 - Migration of existing ELB & youth clients to middle market
 - Increase cross sell
- **Leverage new exciting digital & mobile innovations**
- **Continued focus on cost efficiencies & synergies in Retail & Business Banking**

But influenced by...

- **Continued investment in the franchise**
- **Regulatory pressure**
- **Impact of a tough consumer environment & rising interest rate cycle**

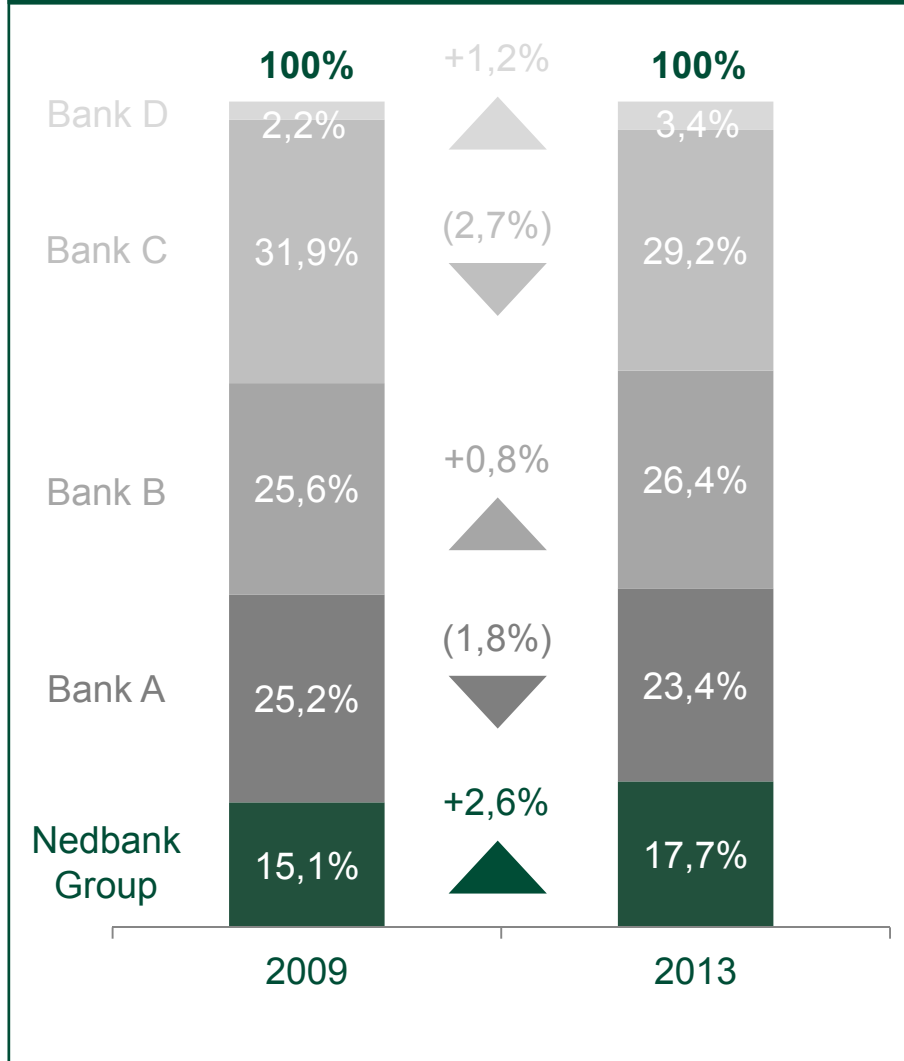
... while maintaining appropriate levels of allocated economic capital

ROE driver: Grow our transactional banking franchise

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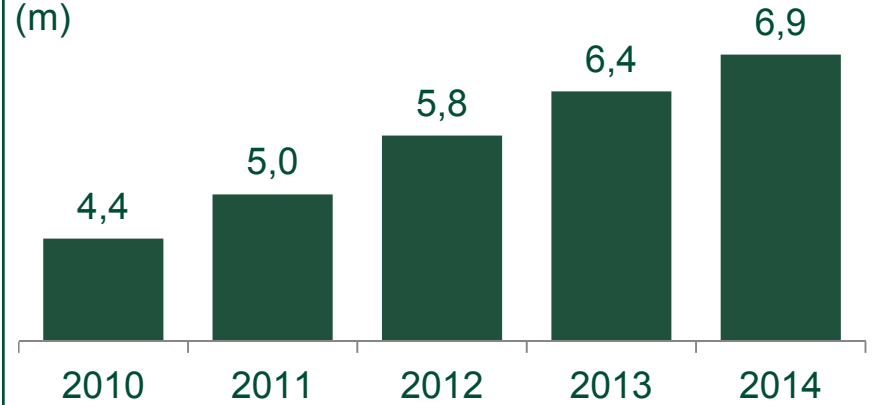


Share of fee & commission income of SA market

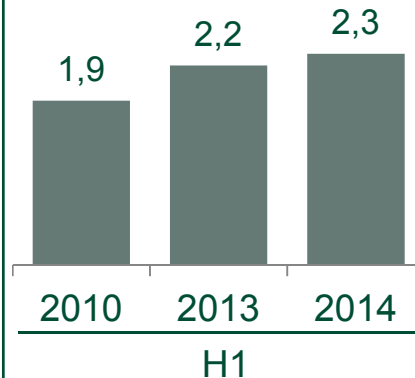


Continued client growth across all clusters

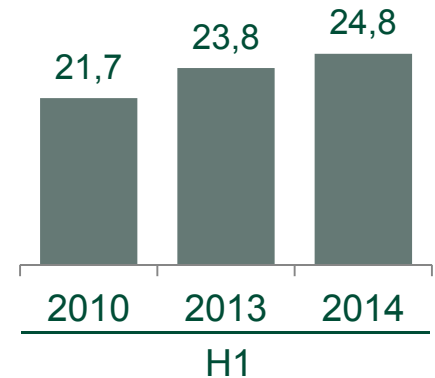
Total clients (m)



Retail main banked clients (m)



Business Banking client groups¹ ('000)



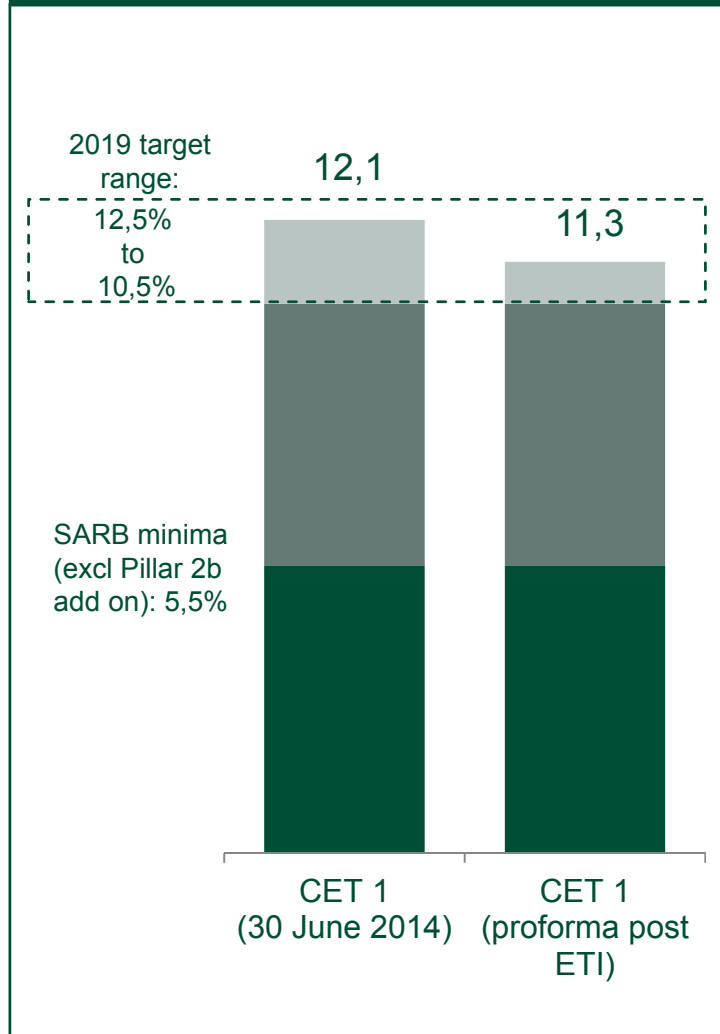
Source: UBS database, Share calculated amongst Big 4 & 2nd tier retail bank

ROE driver: Managing excess capital

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Nedbank Group CET 1 ratios



Managing excess capital (in order of preference):

1

Organic growth

- Selective opportunities in a challenging local macro economic environment

2

Acquisitions in line with vision

- Disciplined processes
- Don't overpay!
- Alignment:
 - Strategy
 - Culture

3

Return to shareholders

- Special dividends
- Share buy-backs

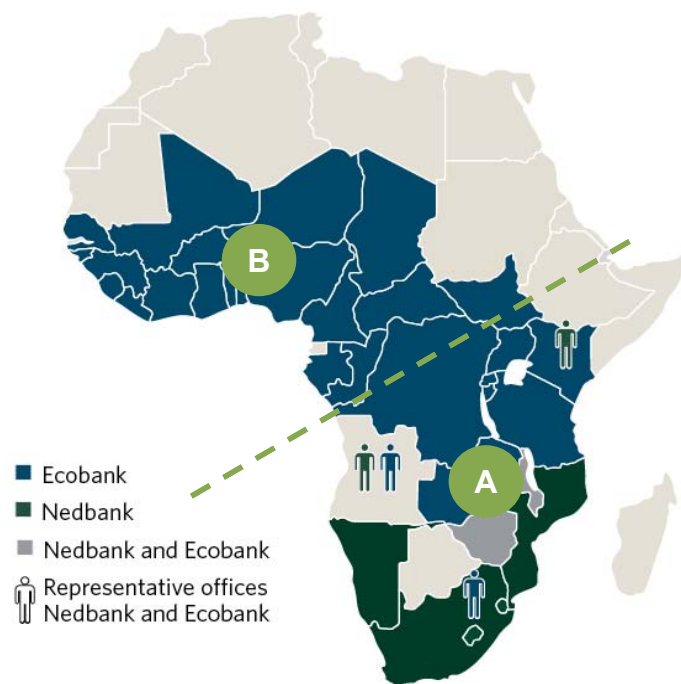
'One bank' experience for clients across 39 countries & >2 000 staffed outlets

A: SADC & East Africa

- Own managed & controlled network
- Expand from 6 to 10 countries over time
- Acquired 36,4% in Banco Unico for \$24,4m with pathway to control

B: West & Central Africa

- Partnership approach (underpinned by strategic alliance with Ecobank since '08)
- Acquired 20% equity stake in ETI for \$493,4m, effective 7 Oct 2014
 - Ave price / share: US10,93 cents
 - Price: book: 0,9x
 - ETI interim results to 30 June 2014
 - Attributable profit: US\$164m
 - ROE: 17,7%
 - NAV / share: US12,2 cents
 - Diversified earnings streams across 36 countries
 - Pro-forma earnings & ROE accretive



Nedbank Group

	H1 '14	Draft H1'14 proforma	change
DHEPS (c)	965	1 011	+5,5%
ROE excl GW (%)	16,5	17,3	+0,8%

Agenda: Key drivers of shareholder value

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Maintain / lower cost of equity (COE)

Sustainable growth (g)

Dividends

Non-financial drivers

Cost of equity – driven by LT bond yields & market assumptions, but guidance & transparency can enable lower company specific volatility

$$\text{Cost of equity (COE)} = R_f + \beta \times R_{erp}$$

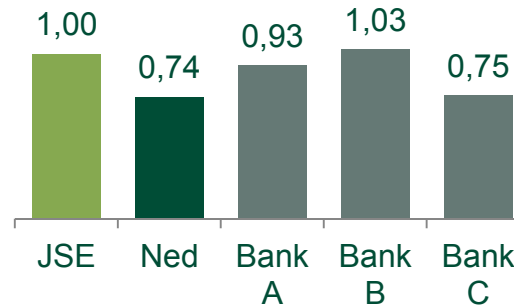
Risk free rate (R_f) ~8%

BEASSA 10-year rate⁽¹⁾ (%)



Beta (β) - volatility of share 1%

Beta of JSE, bank shares⁽²⁾



Equity risk premium (R_{erp}) - equity risk 5-6%

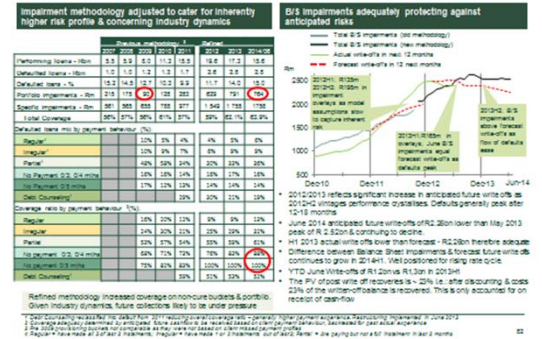
5% – 6%
Consistently used across the industry

Company specific: Nedbank guidance & transparency

2014 guidance

Economic environment deteriorated	Forecast risk increased	Building our franchise for the long-term
NII	<ul style="list-style-type: none"> Advances to grow at mid-to-upper single digits Margin slightly below the 2013 level 	Maintained / Revised
CLR	Below the mid-point of our target range of 80 – 120bps	Revised
NIR	Low-to-mid single digit growth (excluding fair-value adjustments)	Revised
Expenses	Mid-to-upper single digit growth	Maintained
DHEPS growth	Organic growth in DHEPS greater than growth in nominal GDP	Maintained

Personal Loans



Agenda: Key drivers of shareholder value

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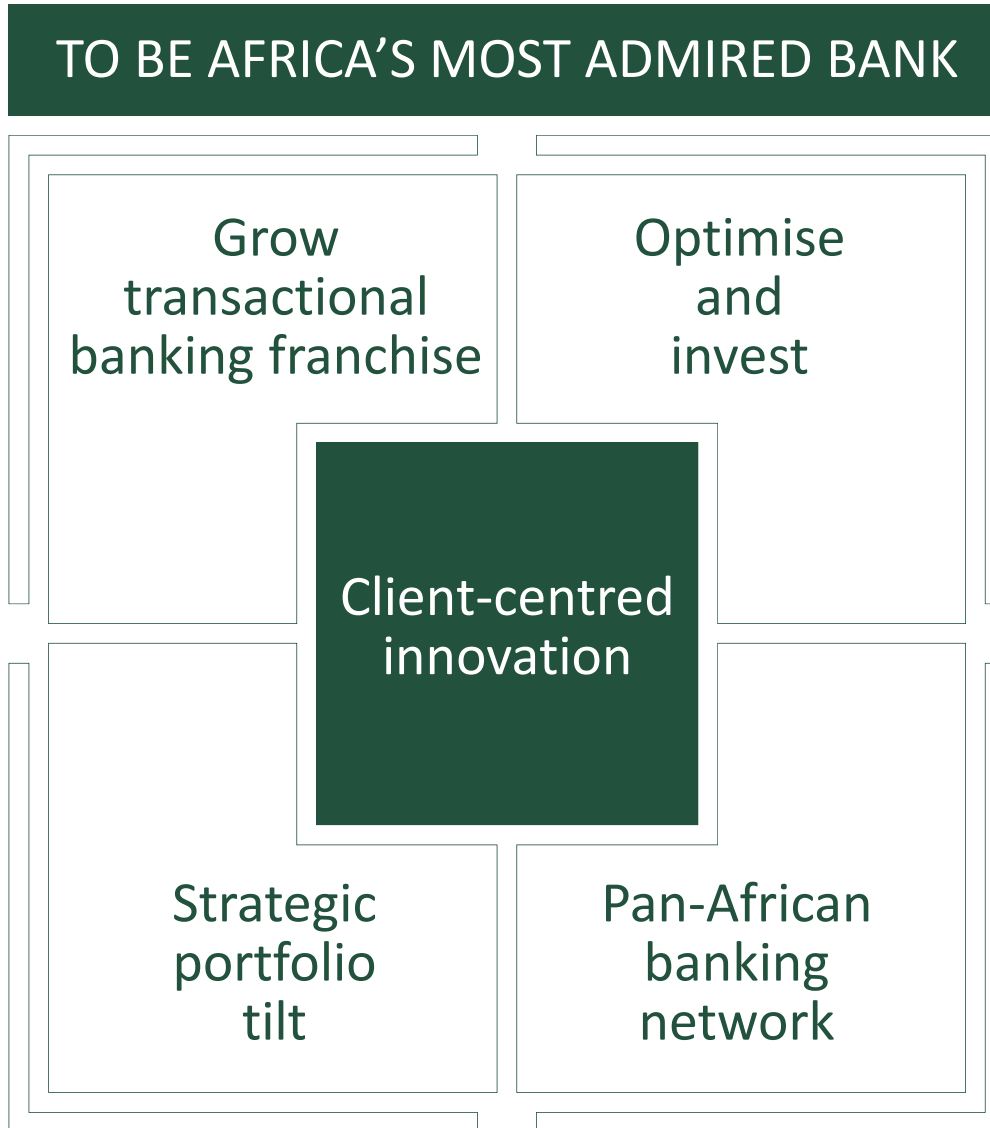
Sustainable growth (g)

Dividends

Non-financial drivers

Long-term sustainable growth underpinned by sound strategy

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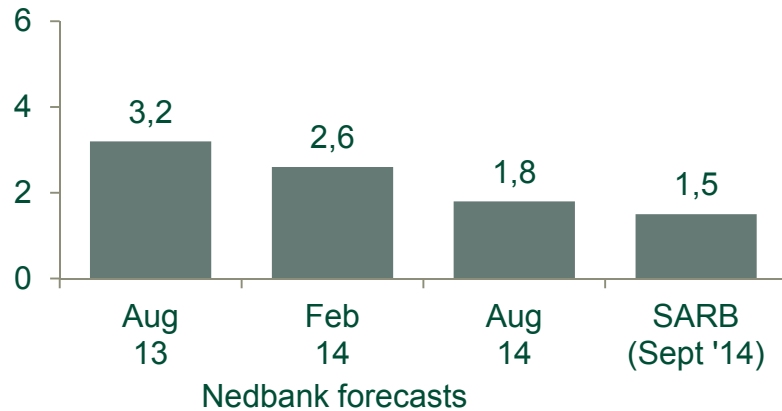


A tough macro environment – wholesale growth to exceed retail growth

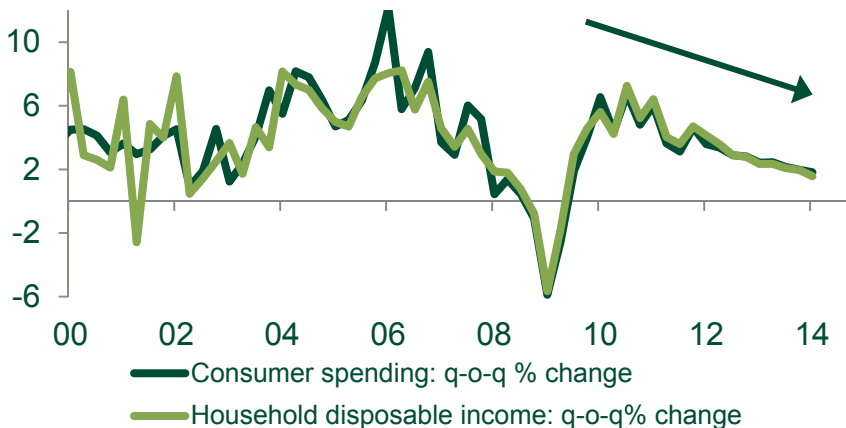
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2014 GDP expectations revised downward

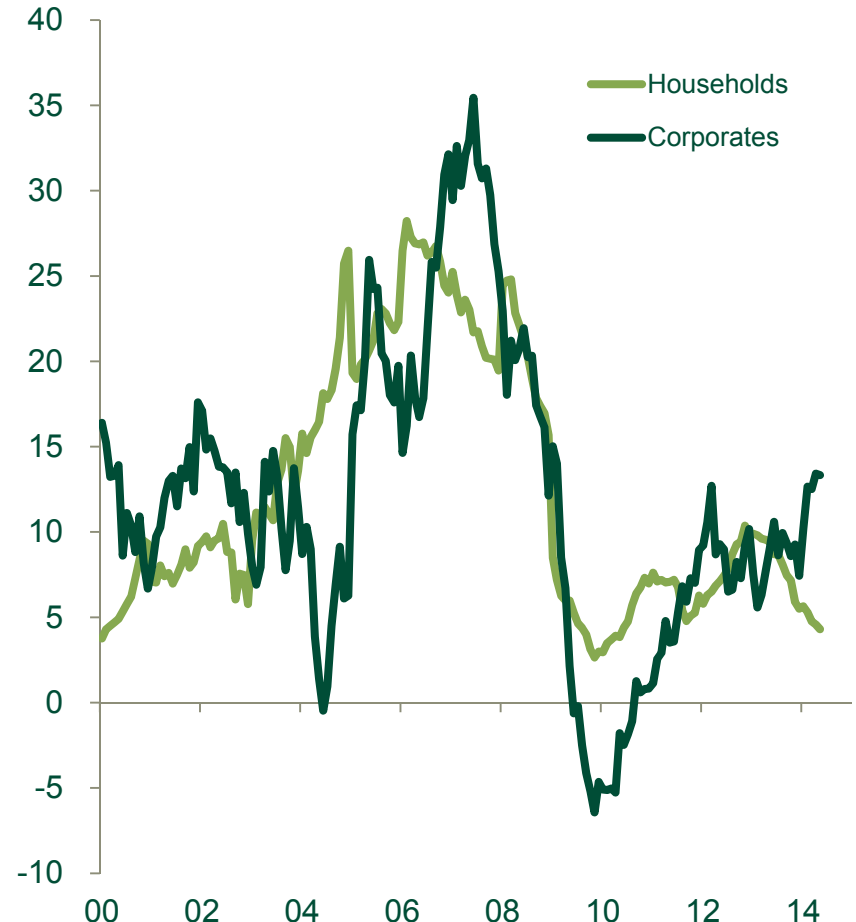


Consumers remain under pressure



Credit growth: corporates vs households

Credit growth (%)

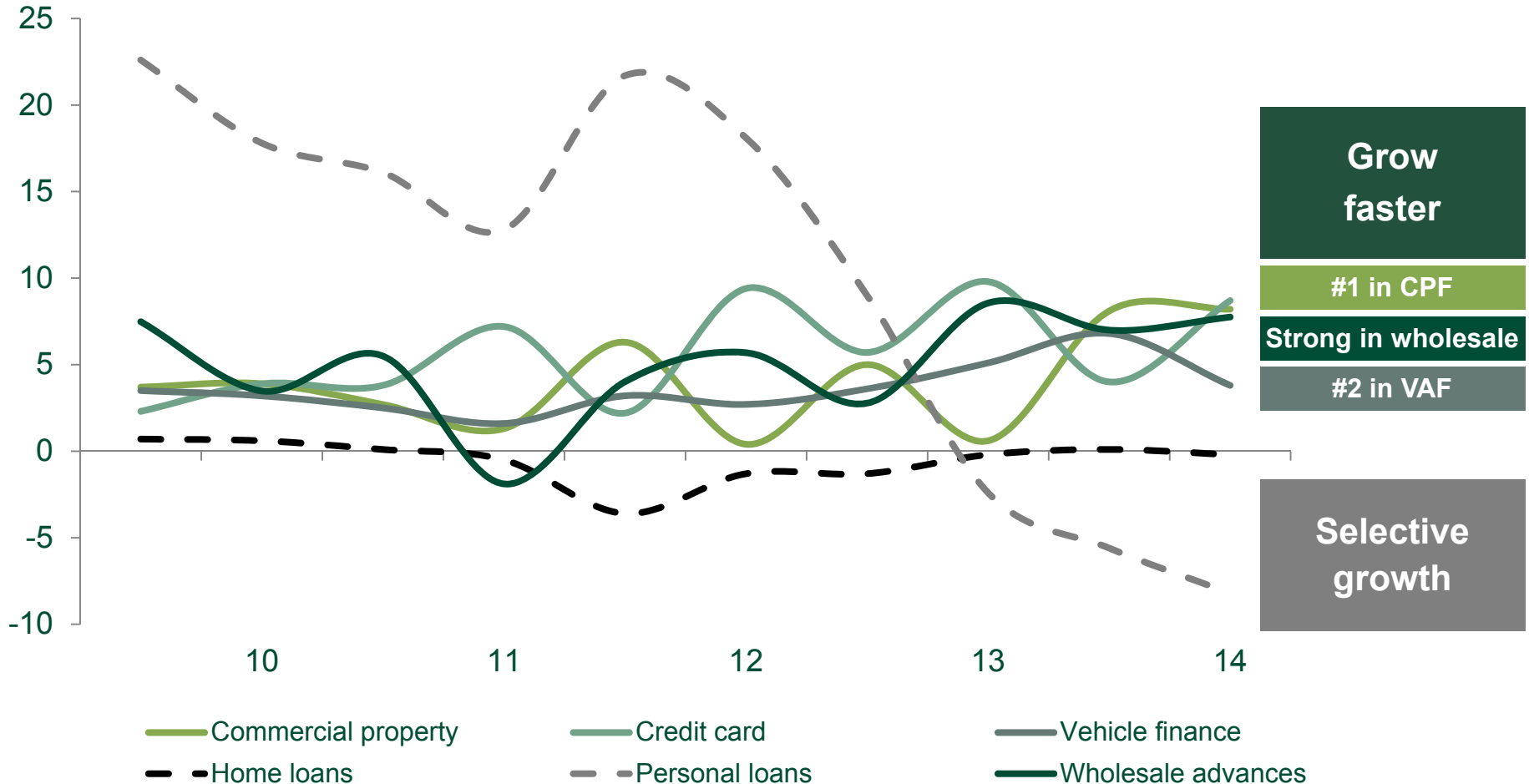


Strategic portfolio tilt - origination strategies

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Six-monthly advances growth in key categories (% growth²)



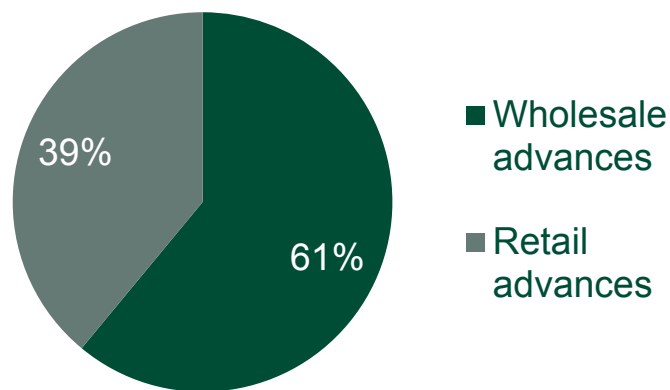
Notes: 1. Wholesale includes Nedbank Corporate & Nedbank Capital
2. Growth reflects 6 monthly growth

Underpinned by a strong & well positioned balance sheet

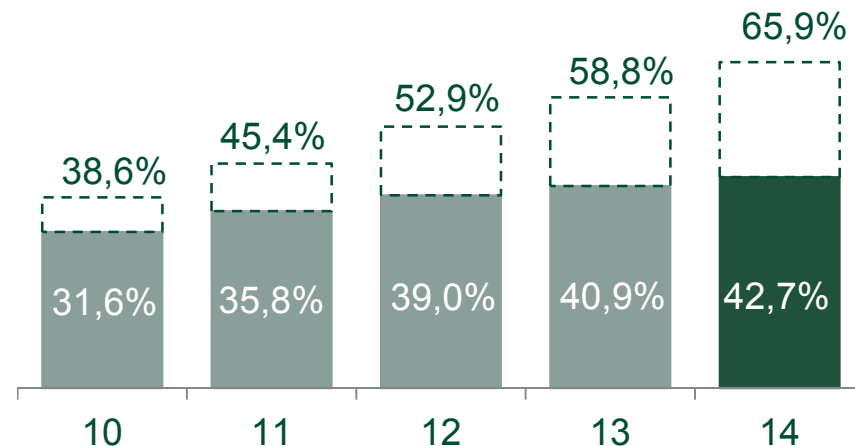
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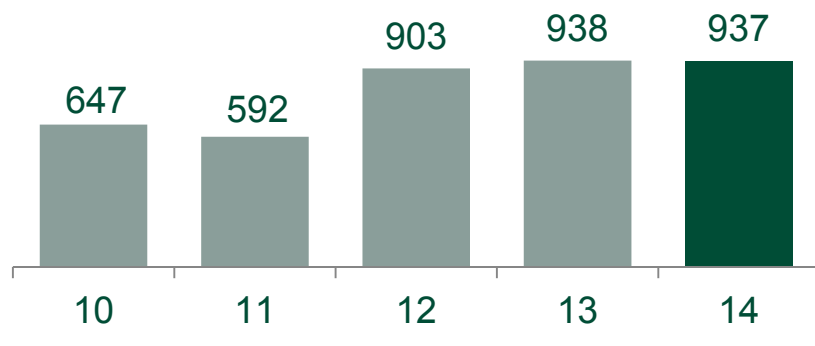
Wholesale biased profile (% of group)



Total & specific coverage (%)



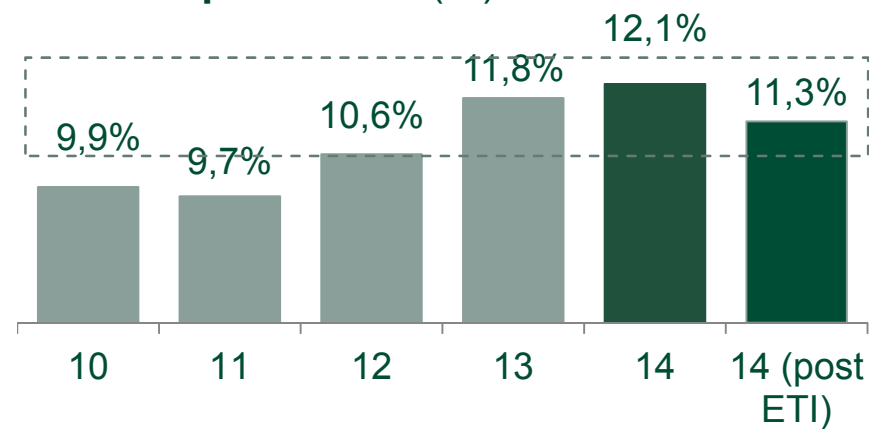
Endowment sensitivity (Rm)



H1

Pre-tax impact of 1% move in interest rates over a 12 month period (Rm)

CET 1 Capital ratios (%)



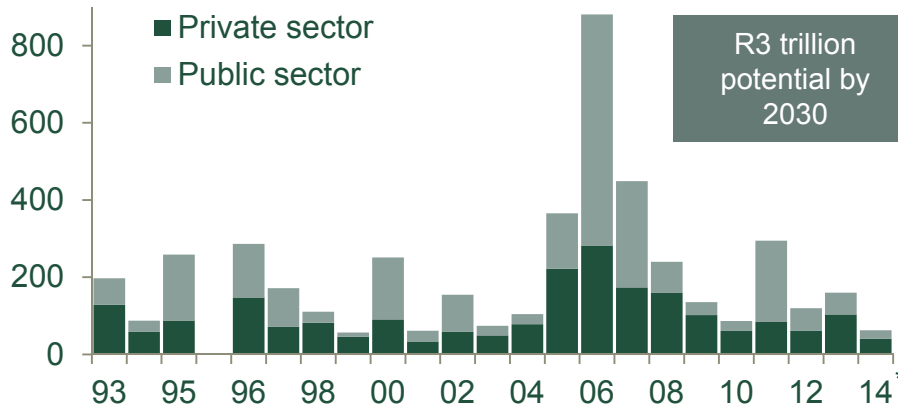
H1

...and still good longer-term growth potential

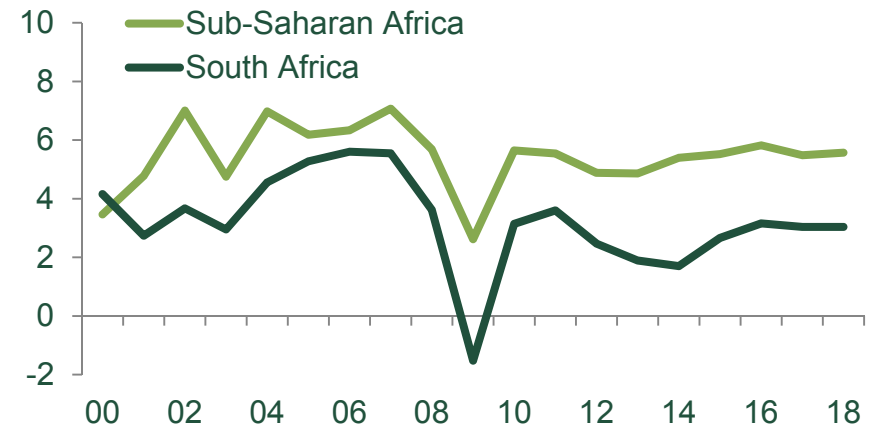
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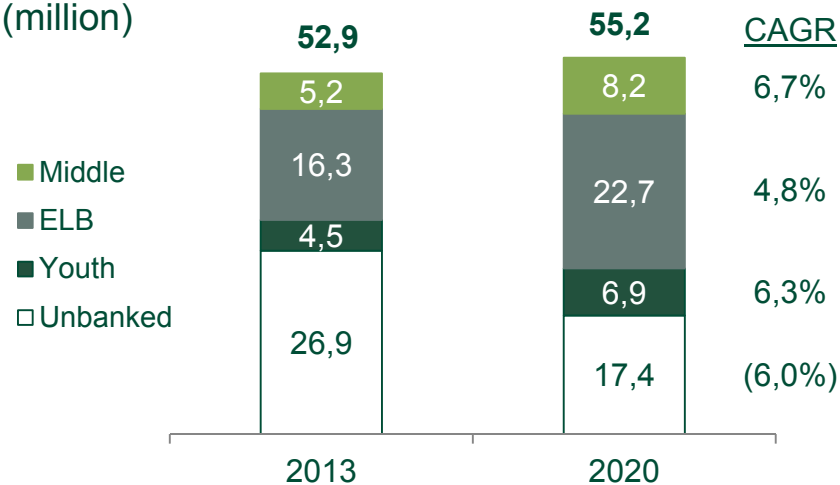
Nedbank large SA capital project schedule (R billion - constant 2014 prices)



GDP growth forecasts from IMF, robust for RoA (%)

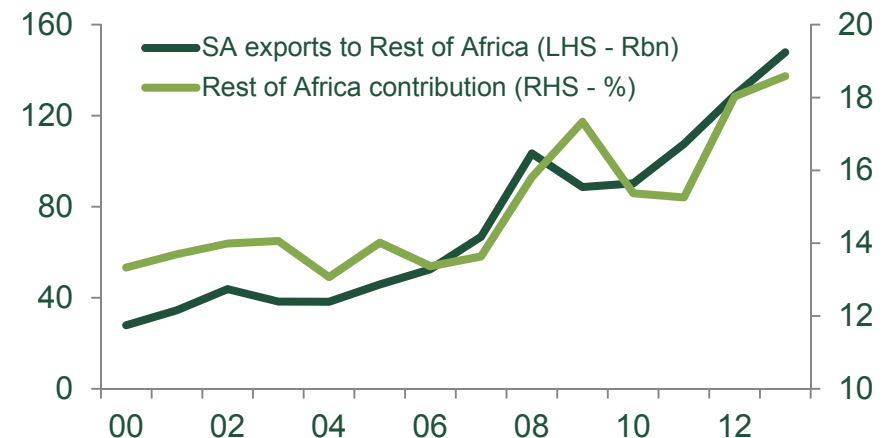


SA population by banking segment** (million)



Trade flows

SA to Africa (Rbn), Africa as % of SA exports



* The 2014 figure is value of projects announced in the first half of the year – annualised
Note: R3 trillion potential announced projects sourced from 2013 Budget Review document

** AMPs estimates & Nedbank analysis

Source: Nedbank Group Economic Unit

Agenda: Key drivers of shareholder value

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Sustainable growth (g)

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Non-financial drivers

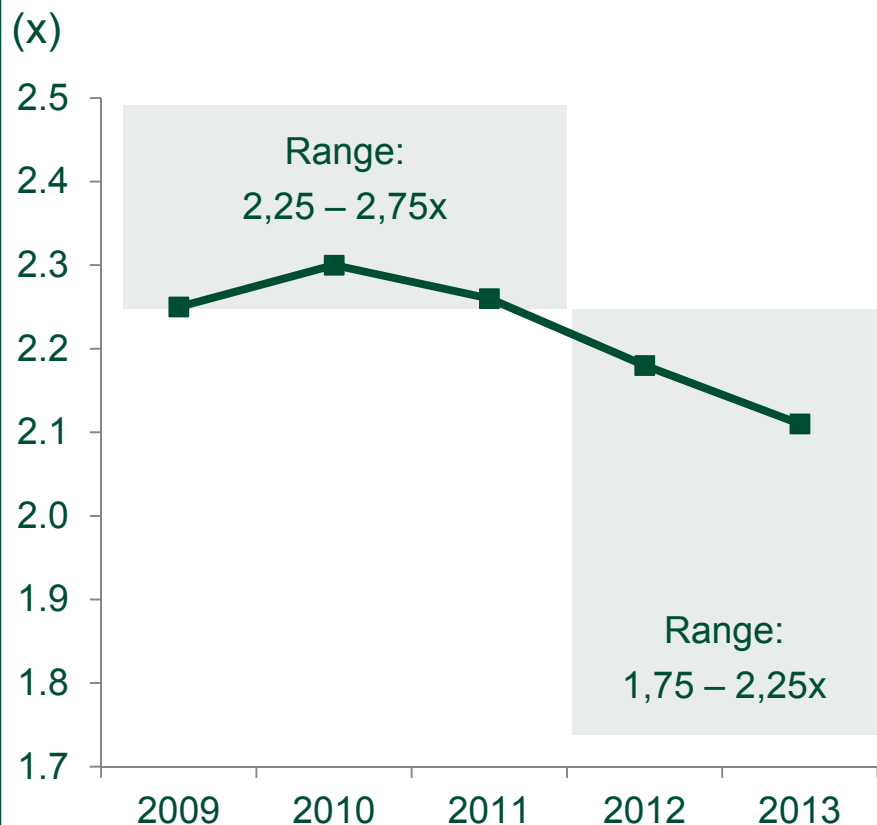
Progressive dividend payout, towards mid-point of 1,75 – 2,25x

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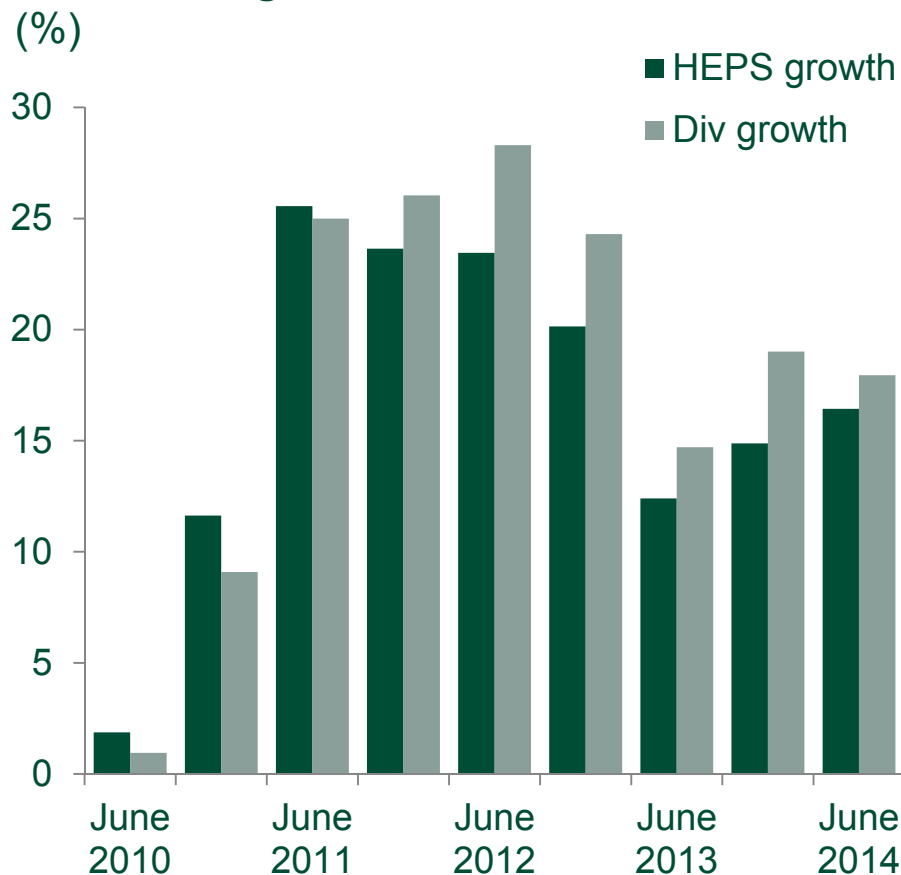


In a tougher economic environment where earnings growth slows,
DPS growth > HEPS growth

Dividend cover



HEPS, DPS growth



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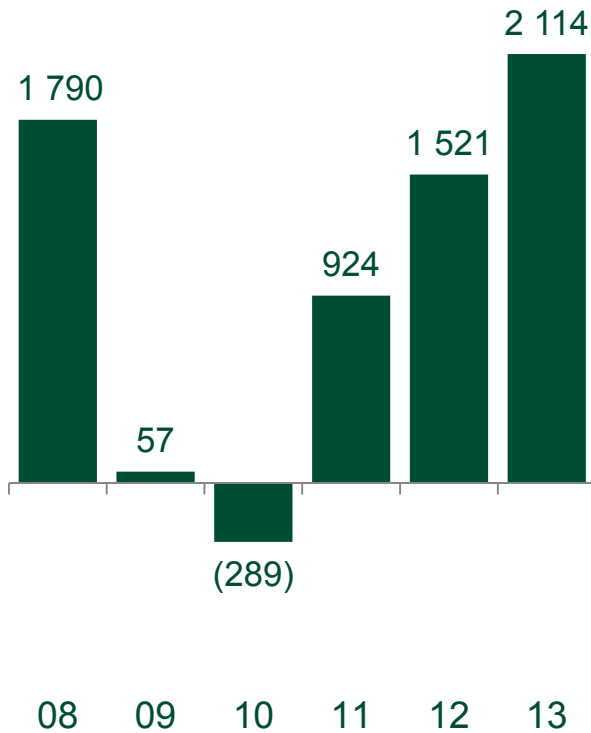
Non-financial drivers

Aligning management & shareholder interests: Short-term incentives

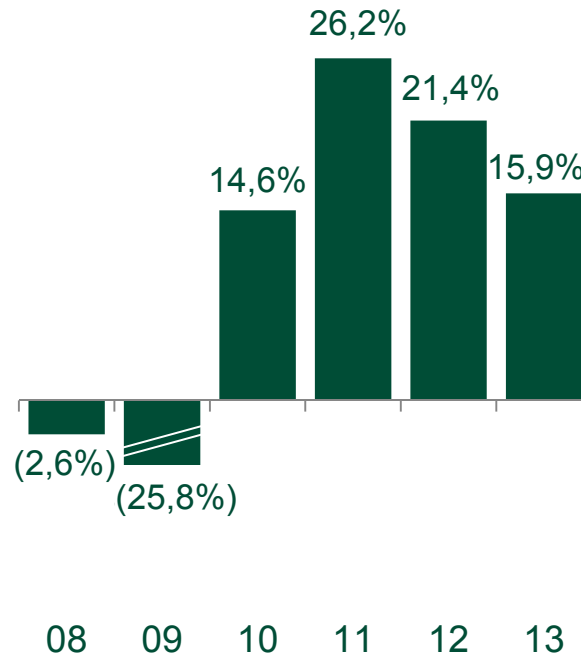
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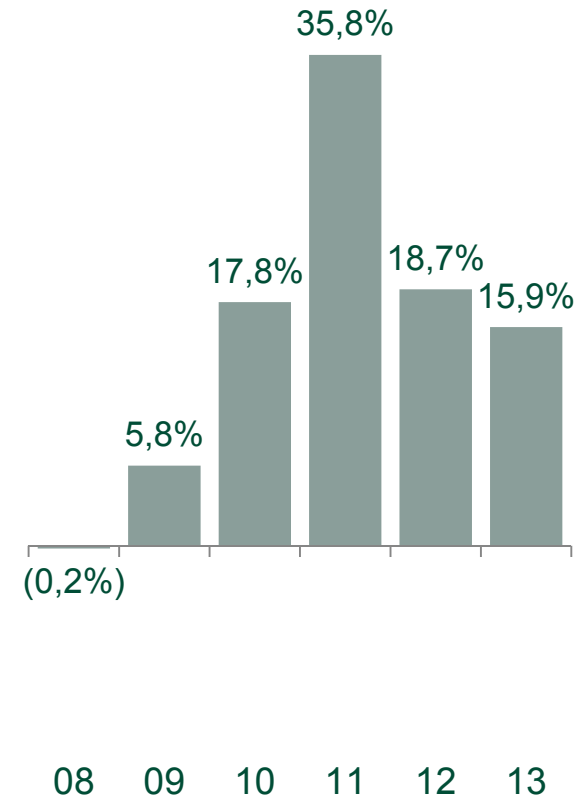
**Economic Profit
(Rm)**



**Headline earnings growth
(%)**



**Change in STI pool
(%)**



STI discretionary | Remco: 3 independent directors & 1 non-exec

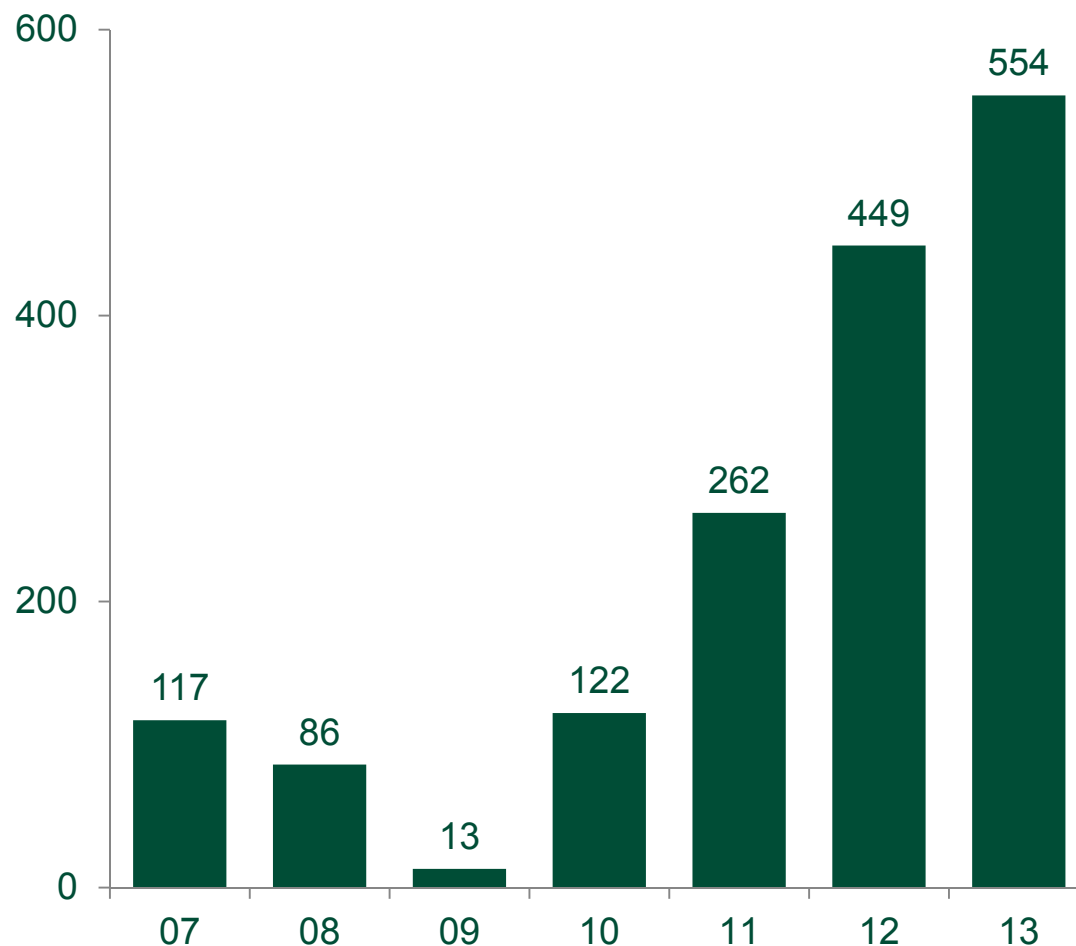
2007 pool based on RoE target, 2008 pool based on EP only

Aligning management & shareholder interests: Long-term incentives

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Long-term incentive charges (Rm)



Vesting criteria		
Fini 15	Vesting %	ROE vs. COE
-20% or worse	0%	+0% or worse
-15%	25%	+1,25%
-10%	50%	+2,5%
-5%	75%	+3,75%
0%	100%	5%
10%	110%	6%
20%	120%	7%
+30% or better	130%	+8% or better

- 50% of share-based awards granted as retention shares
- 50% carries vesting criteria based on ROE (excl. goodwill) & share price relative to Fini 15
- Executive directors on 100% CPTs on all future awards
- Awards with CPTs made between 2005 & 2009 lapsed in full due to non-fulfilment of CPTs

If investment decisions were only made on spread sheets...

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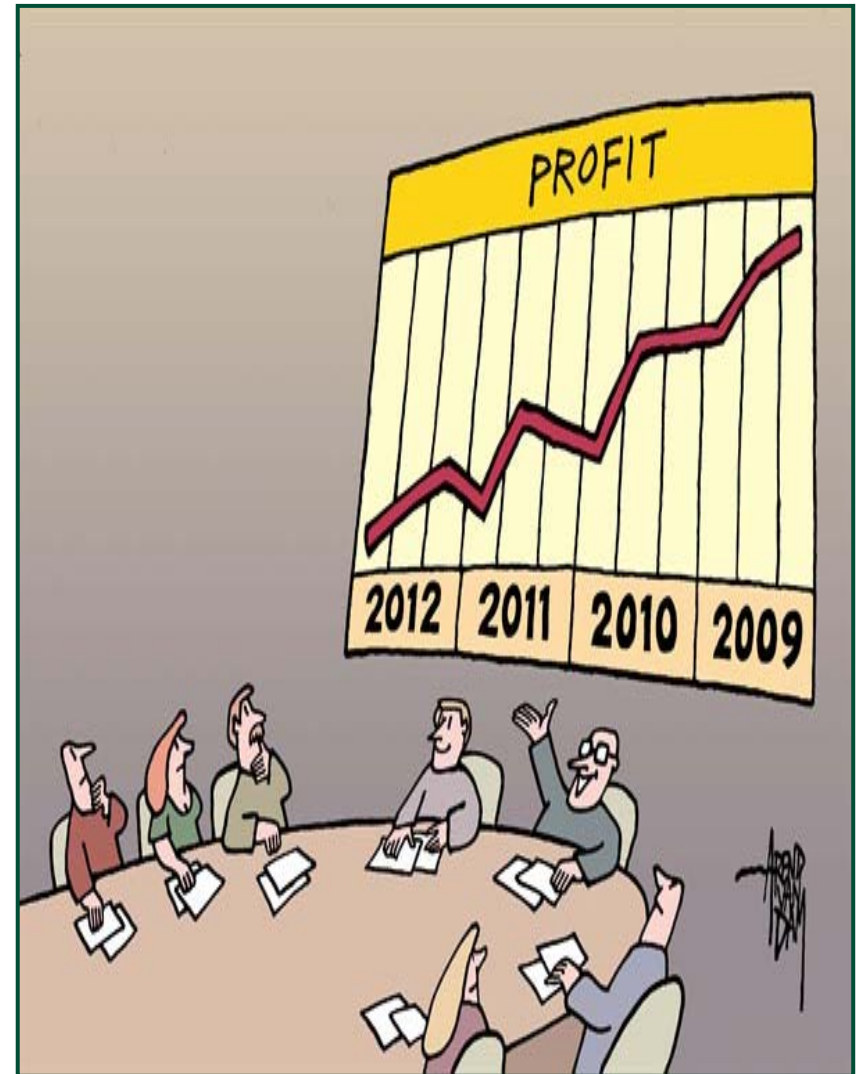


THE WALL STREET JOURNAL.



Roy Lichtenstein

"We're in good shape.
Nobody understands our financial statement."



Most importantly, don't forget...

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Governance, strength & independence of the Board

- Worldclass governance
- Diversified & experienced board
- Importance of independent sub-committees

Culture & staff morale

- Staff morale & culture metrics close to world class levels
- Culture & values a focus & area of strength

Leadership experience, depth & credibility

- Stable management team
- More than 23 years individual experience each (ave. 14 years with Nedbank)
- Depth of leadership & succession planning

Relevance in a transforming society

- One of SA's most transformed large companies
- Socially responsible & Green bank
- Fair Share 2030

Disclosure & transparency

- Leadership in disclosure
- Transparency of key issues eg unsecured lending
- External recognition for reporting

Risk management, culture & compliance

- Excellence in wholesale transferred to retail in recent years
- Early identification of key issues

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Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

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