

MAKE
THINGS
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NEDBANK
GROUP

NEDBANK GROUP LIMITED

OLD MUTUAL CAPITAL MARKETS EVENT

11 October 2016
Mike Brown, Chief Executive

A Member of the  **OLDMUTUAL** Group

Nedbank Group – an overview

The African banking context

Nedbank Group – a strong sustainable business,
delivering value to shareholders

Strategic focus areas driving growth & value

A sound & attractive investment

Nedbank Group – a leading African financial services provider

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To be Africa's most admired bank by our staff, clients, shareholders, regulators and communities in which we operate

Old Mutual Group

54.1%

shareholding in
Nedbank Group

Market
capitalisation

R110bn

(at 30 Sept 2016)

Headline earnings

R10.8bn

for the year
ended 2015

Assets

R944bn

9.7% CAGR
since 2010

Assets under
management

R256bn

16.5% CAGR
since 2010

Total clients

7.7m

6.9% CAGR
since 2010

Access to the
largest banking network
in Africa

39 Countries

(21.8% share in ETI)

Total employees

31 915

Total ATMs

3 929

Total outlets

789

Strong wholesale franchise & growing retail, wealth & rest of Africa businesses

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Nedbank Group

Corporate & Investment Banking

Holistic banking solutions to corporates, institutions & parastatals with a turnover of >R700m per annum.

Clients >600

ROE 21.3%

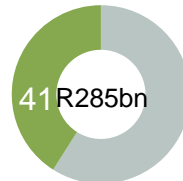
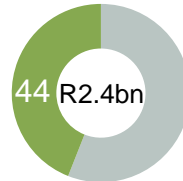


Retail & Business Banking

Holistic banking solutions to individual retail clients, as well as businesses with a turnover of <R700m per annum.

7.4m retail
22k BB client groups

18.3%

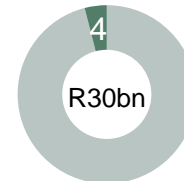
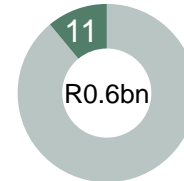


Wealth

Wealth management solutions, insurance & asset management to high-net-worth individuals as well as other retail, business and corporate clients.

>14 800

35.9%

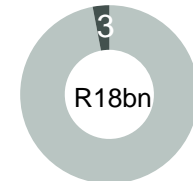
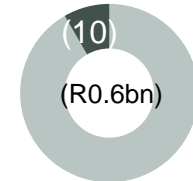


Rest of Africa

Holistic banking solutions to retail, small & medium enterprises (SMEs), business & corporate clients across the countries we operate in.

>275k

(15.2%)



Our interim results to 30 June 2016 reflect a strong financial performance from the managed businesses

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Nedbank Group

Headline earnings

▲ **2.0%**

R5 427 for H1 2016

Diluted HEPS

▲ **1.6%**

ROE (excl goodwill)

▼ **15.7%**

Efficiency ratio

▲ **57.1%**

Excluding ETI

Headline earnings

▲ **20.1%**

R6 030 for H1 2016

Diluted HEPS

▲ **19.7%**

ROE (excl goodwill)

▲ **18.4%**

Efficiency ratio

▼ **55.6%**

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Strategic focus areas driving growth & value

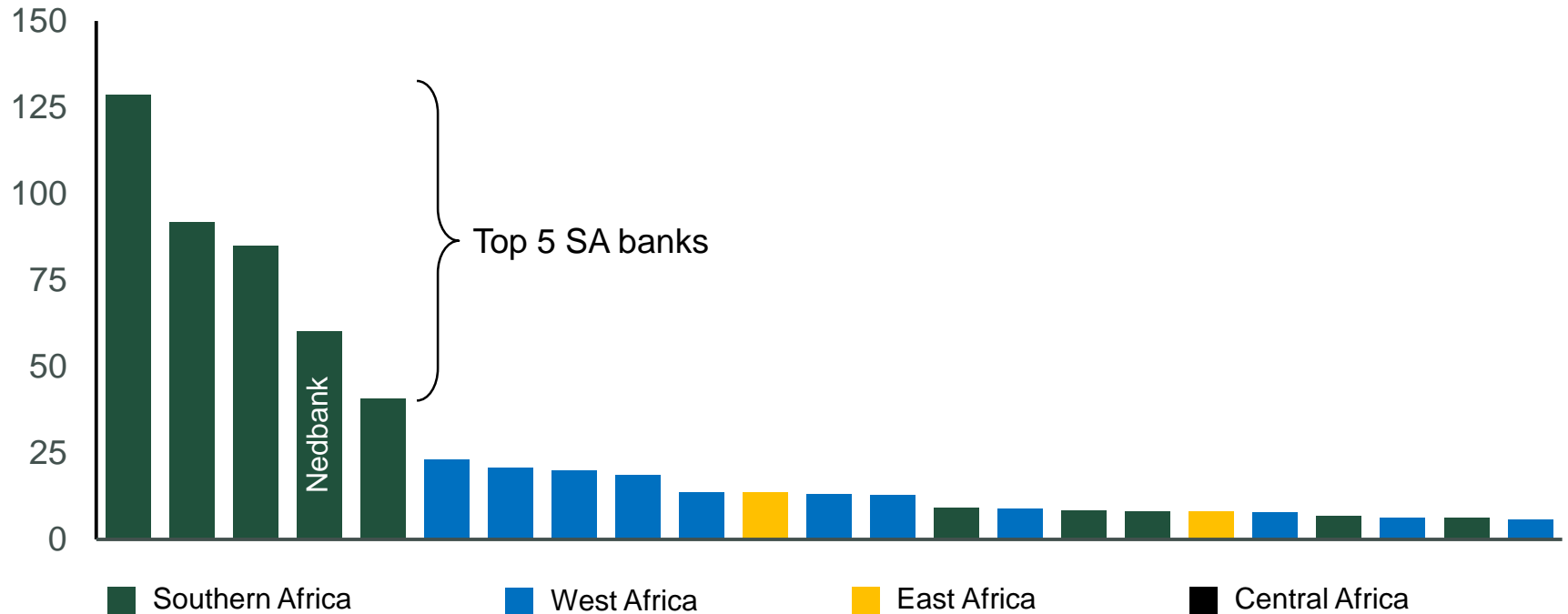
A sound & attractive investment

SA banks have a leading position in Africa

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Top 25 banks in Sub Sahara Africa by total assets (\$bn, 2015)

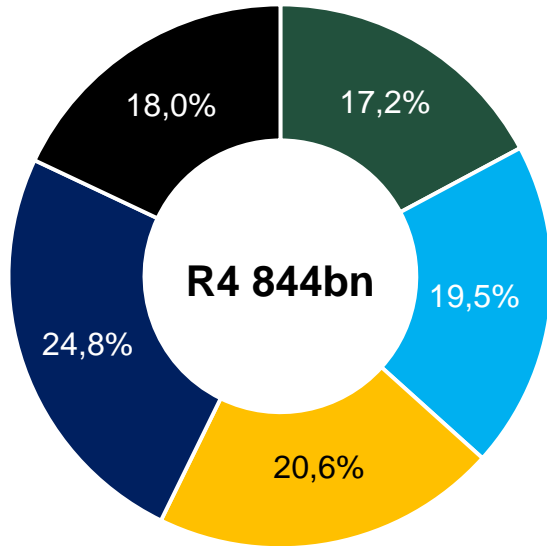


... and operate in a sound & well-regulated banking system

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Total SA banking assets* (Rbn, %)



- Nedbank
- Barclays Africa
- FirstRand
- Standard Bank
- Other

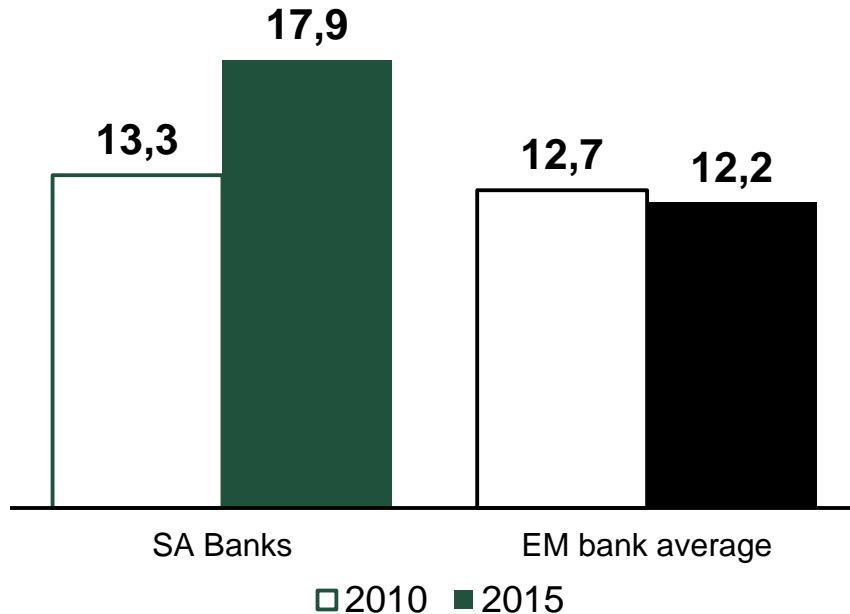
- **SA banking system ranked 2nd globally****
(Soundness of banks)
 - **Structure similar to other stable four pillar banking systems** (Canada, Australia)
 - **Closed loop funding** (exchange control benefits)
 - Financing through the equity market: 1st
 - Financial services meeting business needs: 2nd
 - Regulation of security exchanges: 3rd
- **Well regulated** – early adoption of regulation e.g. Basel III, NCA
- **Highly rated management teams**
- **Good governance, reporting & disclosure**
 - Strength of auditing & reporting standards: 1st
 - Protection of minority interests: 1st
 - Efficacy of corporate boards: 3rd
- **Strong institutions & democratic principles**

SA banks compare favourably to emerging market peers – attractive returns & well capitalised

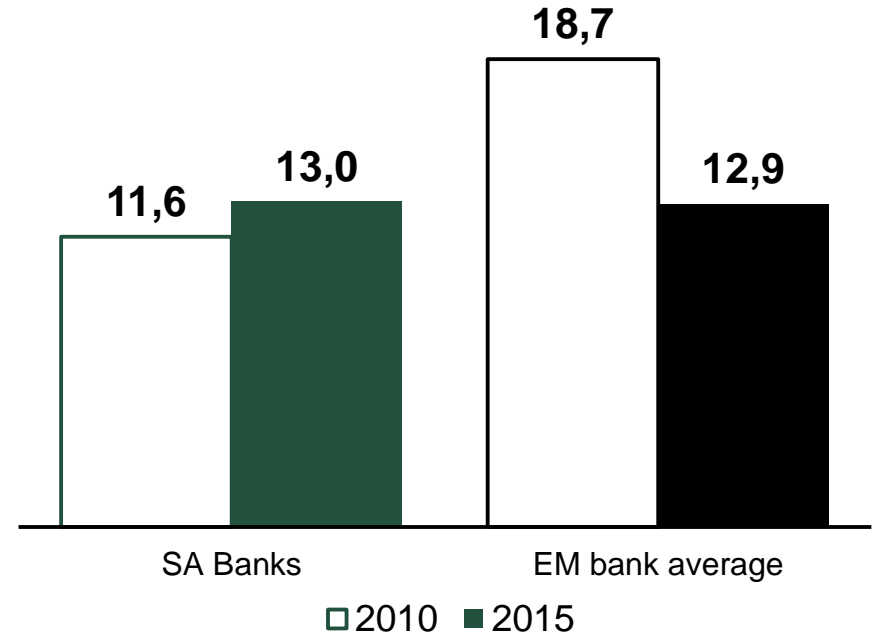
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Attractive returns
(ROE, %)



Well capitalised
(Tier 1 capital ratio, %)



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Strategic focus areas driving growth & value

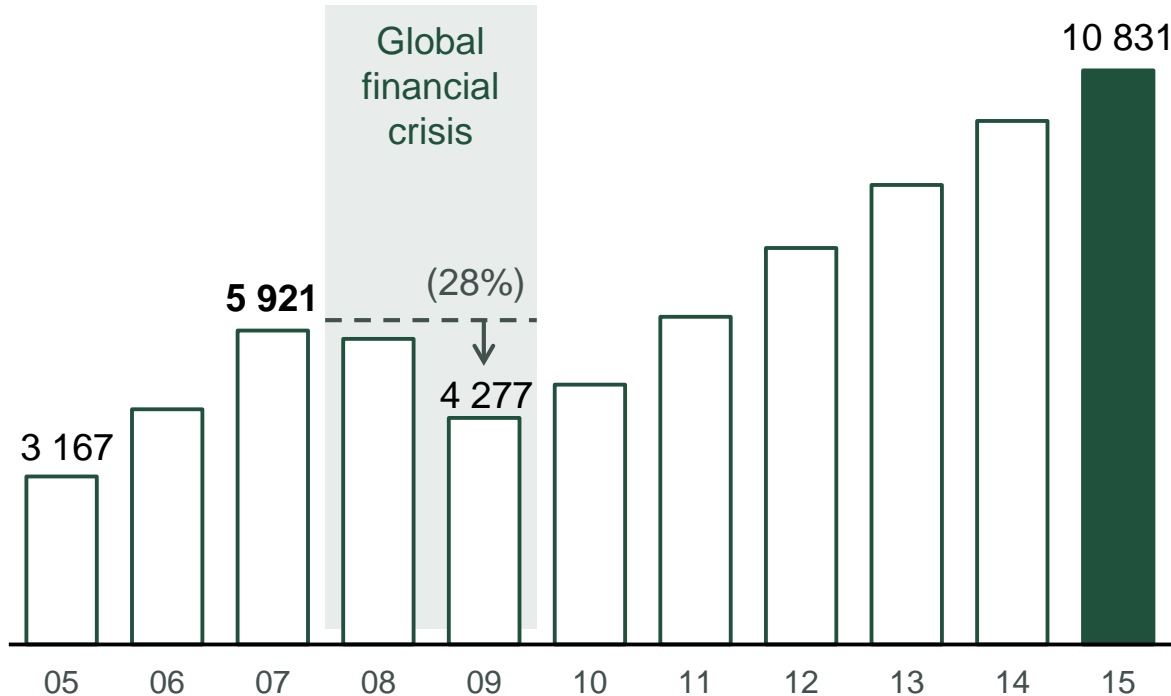
A sound & attractive investment

Since the global financial crisis we have built a strong sustainable business

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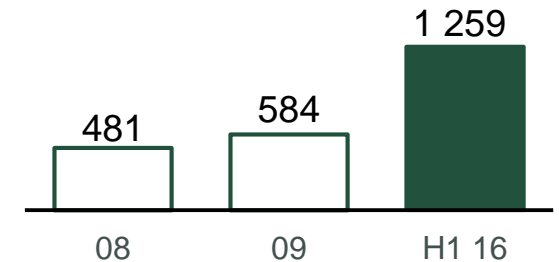
Headline earnings (Rm)



Loan growth (CAGR %)

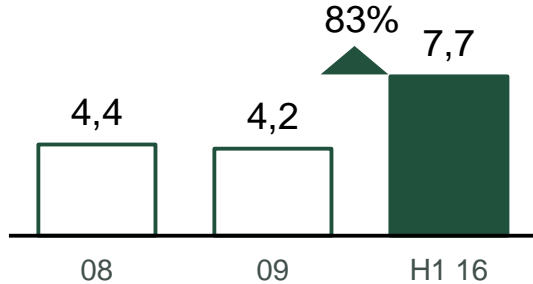


Endowment benefit for 1% change in interest rates (Rm)

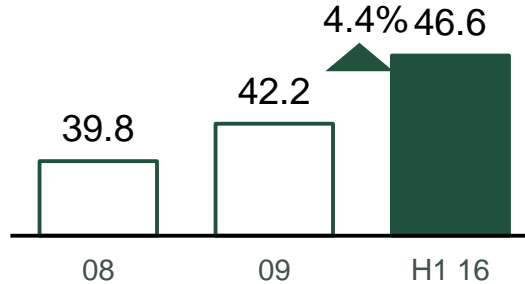


Since the global financial crisis we have built a strong sustainable business

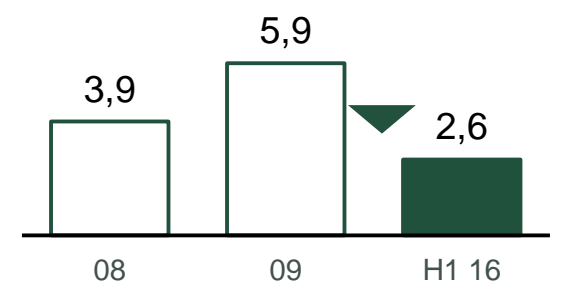
Number of clients (m)



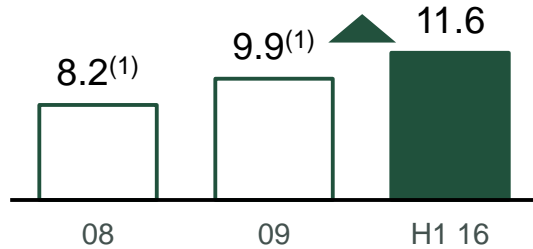
NIR income contribution (%)



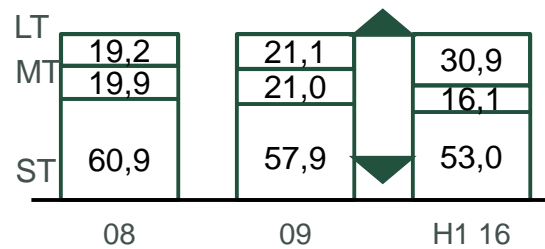
Defaulted advances (%)



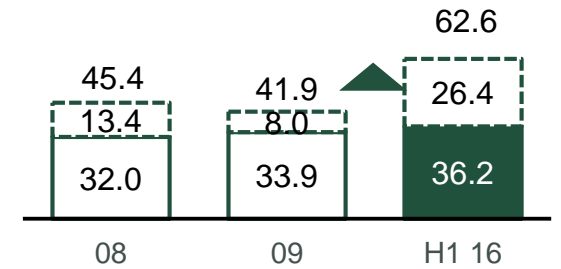
CET 1 ratio (%)



Funding tenor (%)



Coverage (%)



■ Specific □ Portfolio

1. Core equity tier 1

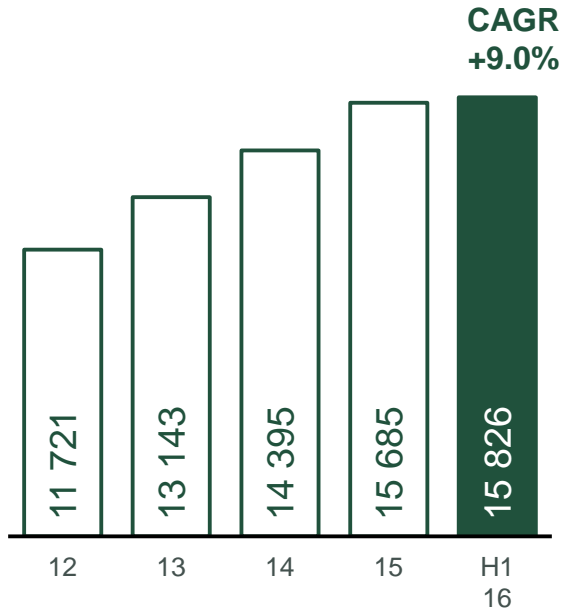
And delivered value to shareholders

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NAV

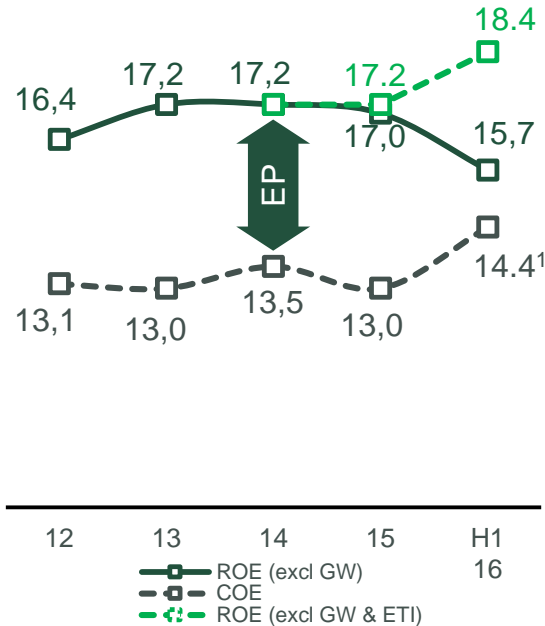
NAV per share (cents)



1 Monthly average for H1 2016 only

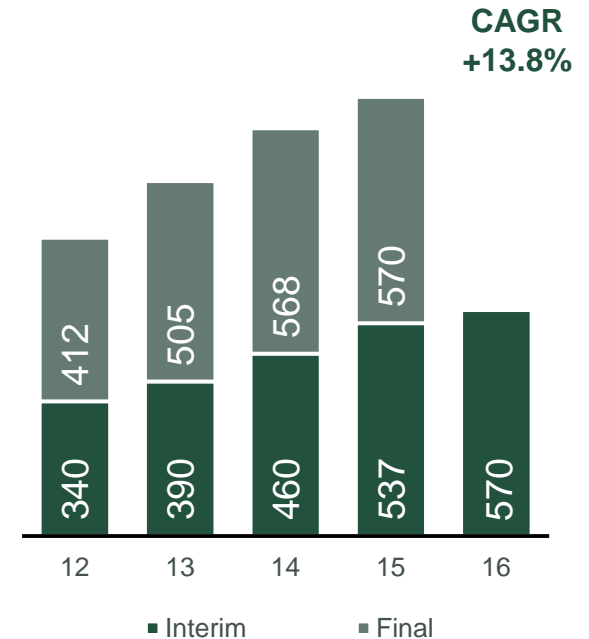
ROE > COE

ROE & cost of equity (%)



Dividends

Dividend per share (cents)



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Strategic focus areas driving growth & value

A sound & attractive investment

Our strategic focus areas drive growth & value

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TO BE AFRICA'S MOST ADMIRABLE BANK

**Grow transactional
banking franchise**

**Optimise
and invest**

**Client-centred
innovation**

**Strategic
portfolio tilt**

**Pan-African
banking network**

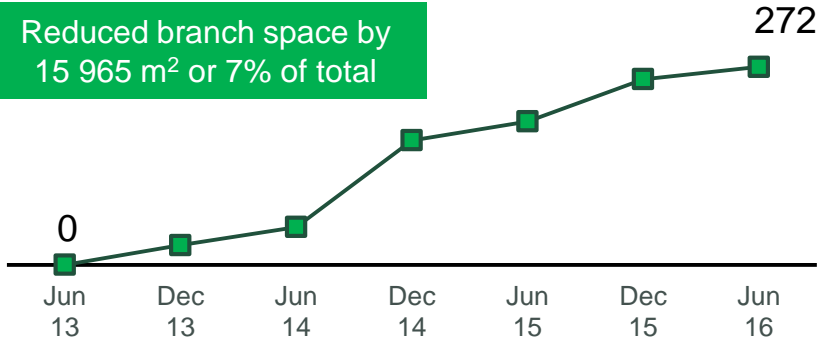
Client centred innovation – accelerated our innovation capabilities in digital

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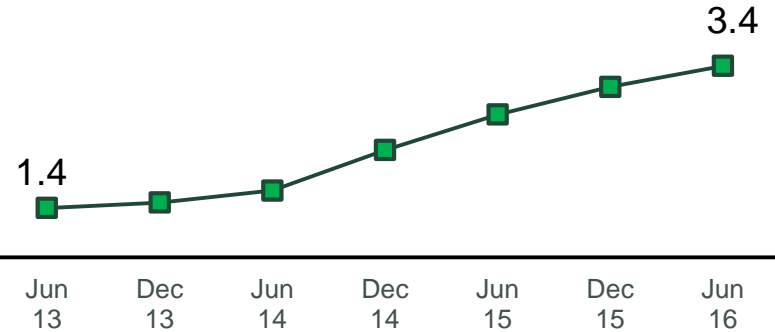


‘Branch of the future’ Outlets converted

Reduced branch space by 15 965 m² or 7% of total

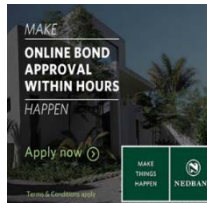
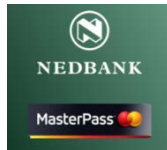


Digitally enabled clients # million



MyFinancialLife™

My eBills™



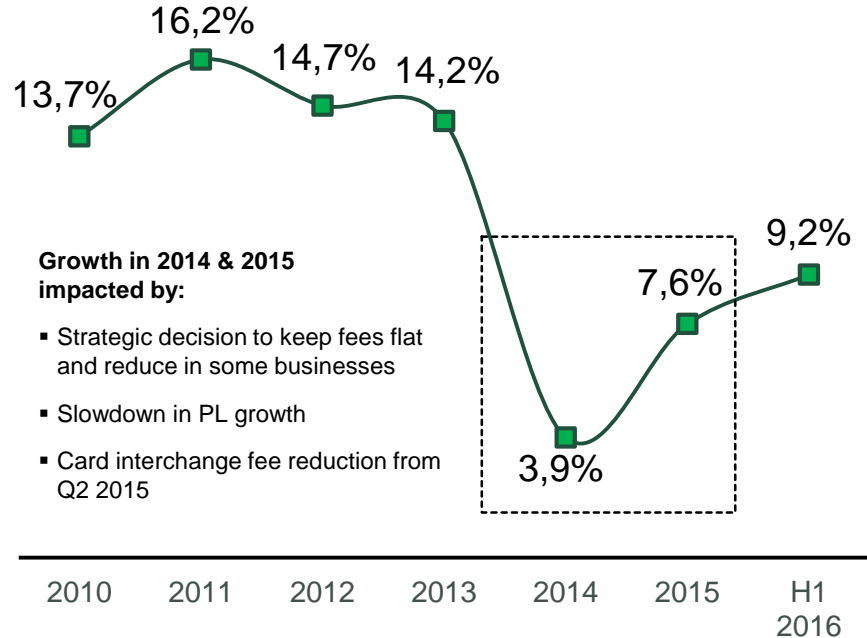
Source: Nedbank analysis



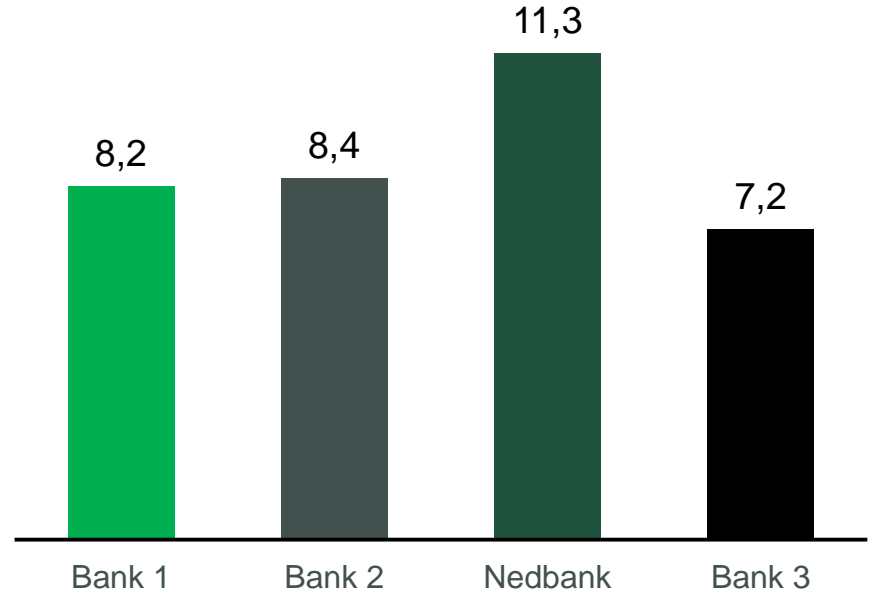
Grow our transactional banking franchise – a track record of growing NIR ahead of the market



Commission & fee growth (%)



NIR growth vs peers (2010 – 2015, %)

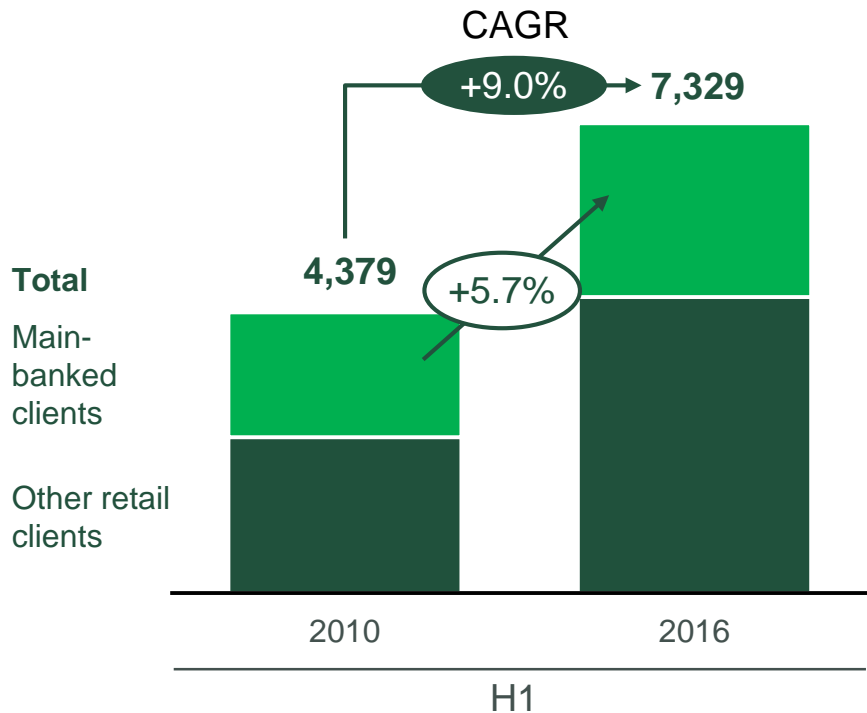




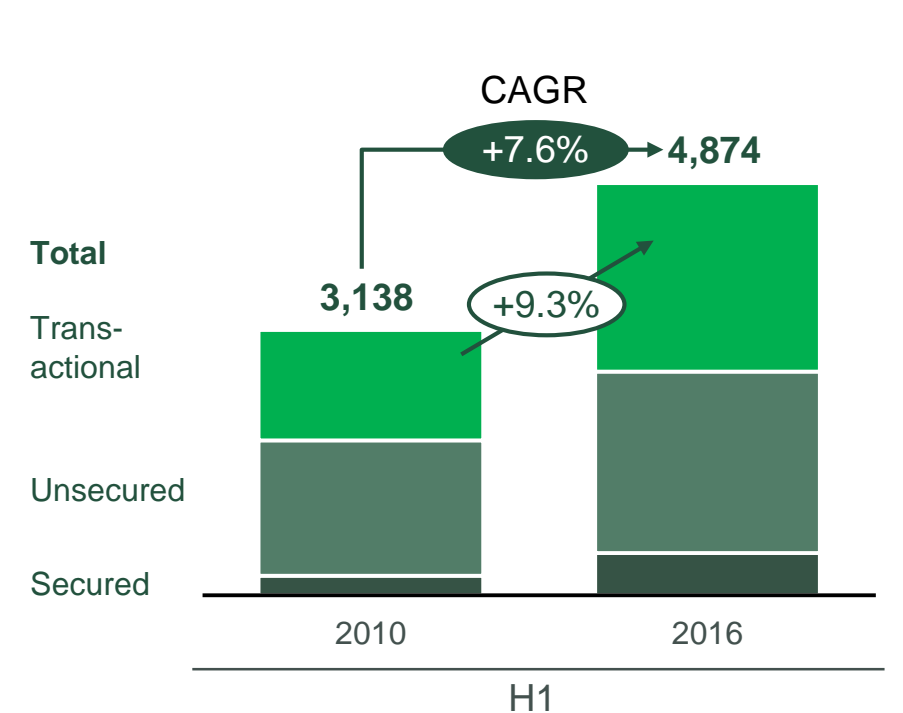
Grow our transactional banking franchise – evident in retail NIR & main banked client growth



Total retail client base
#000



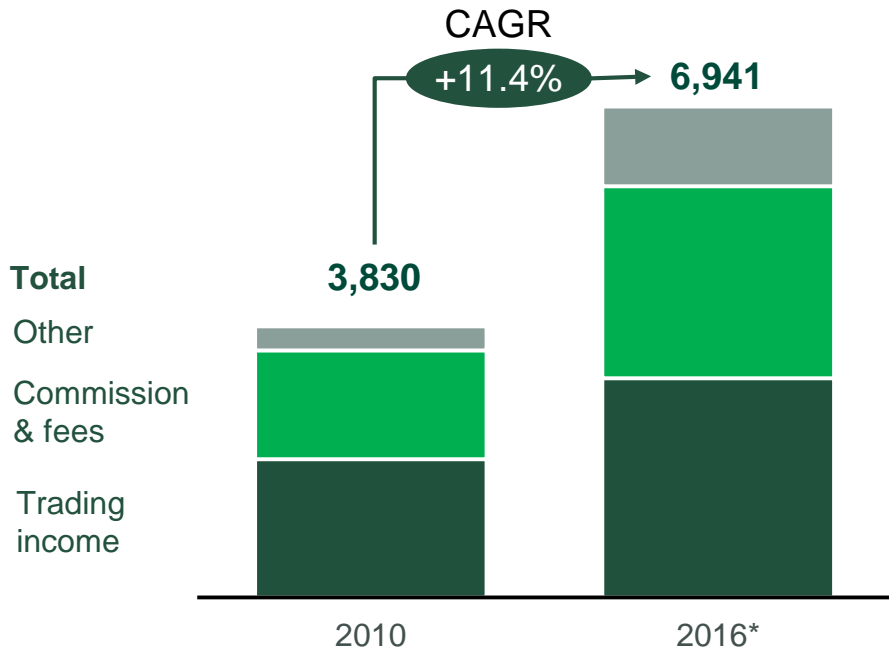
Retail NIR
Rm





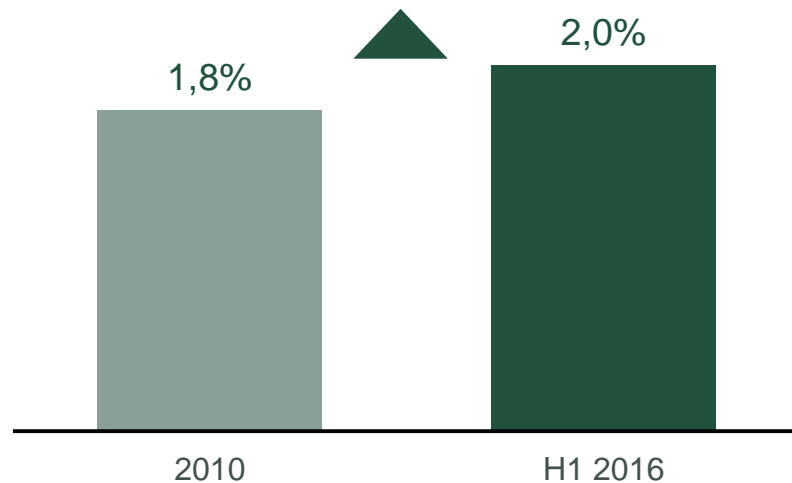
Grow our transactional banking franchise – driven by improved cross sell in CIB

Total CIB NIR Rm



CIB NIR to advances ratio %

- Benefits of CIB integration & effective cross-sell producing positive results
- Recent transactions: 4-5% NIR to advances ratios



* Rolling 12-month basis | All figures at or up to 30 June 2016

** Integration effective 1 January 2015



Optimise & Invest – extracting efficiencies to sustainably invest for the future

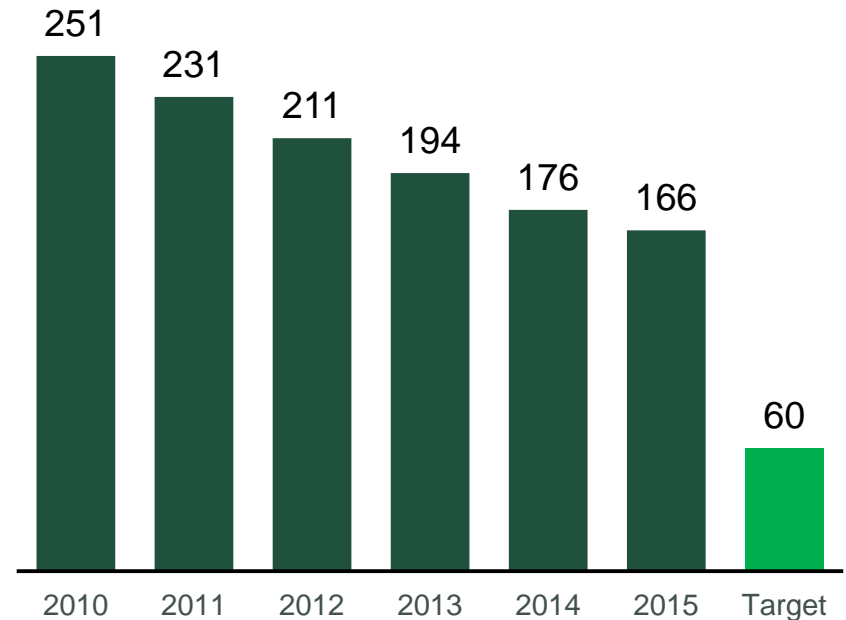
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Efficiency programmes

- **Benefits from integration** in RBB, CIB & insurance businesses (~R390m)
- Regional property consolidation & targeted **reduction of branch floor space** by 30 000m² (by 2020)
- **Managed evolution:** Core system reduction from '250 to 60' systems (85 decommissioned to date)
- **Digitisation & elimination of duplicate processes**
- **Synergies with Old Mutual Emerging Markets** (joint R1bn by 2017 of which c30% accrue to Nedbank – arm's length basis)

Managed evolution – rationalise, standardise & simplify (# of core systems)





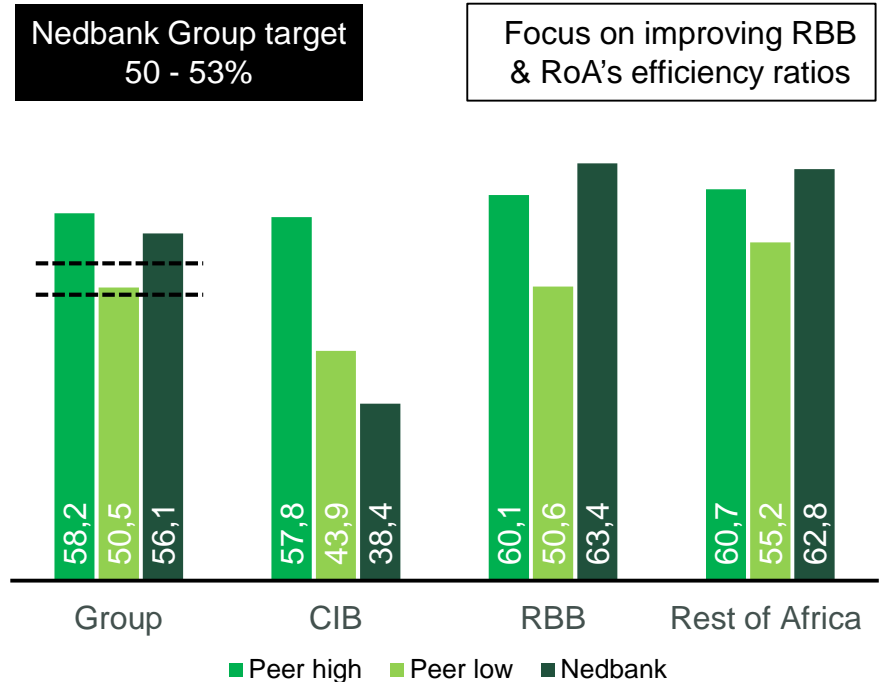
Optimise & Invest – extracting efficiencies to sustainably invest for the future

Areas of investment to unlock further efficiencies & get to scale

- **Building a sustainable RBB franchise**
 - Integrated channels
 - Mobile & digital offerings
- **Investing in core banking in our Rest of Africa subsidiaries to enabling scaling**
- **Managed evolution: core system replacement**
- **Digital processes & products across all our businesses**
- **Regulatory requirements**

Efficiency ratios vs. peer group

Cost to income ratio, %



Strategic portfolio tilt – selective origination & quality portfolio driving lower cost of risk

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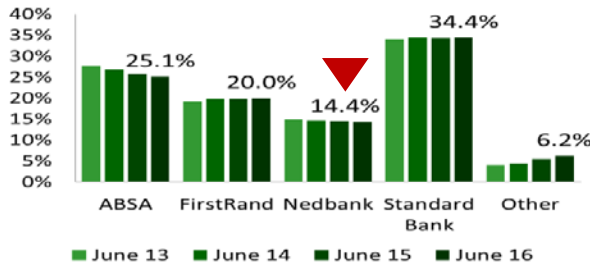


BA 900 market share %

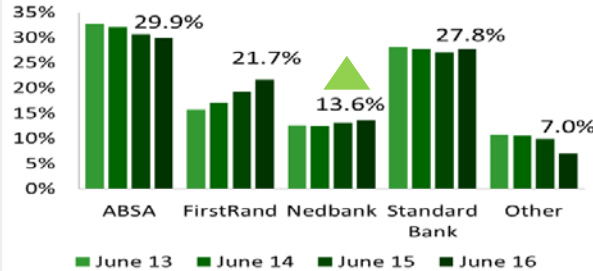
Retail 16.8% ▶

Wholesale 21.0% ▲

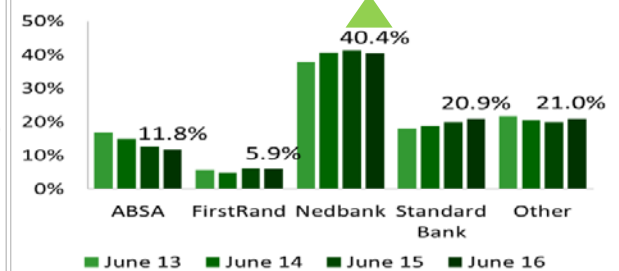
Home Loans (%)



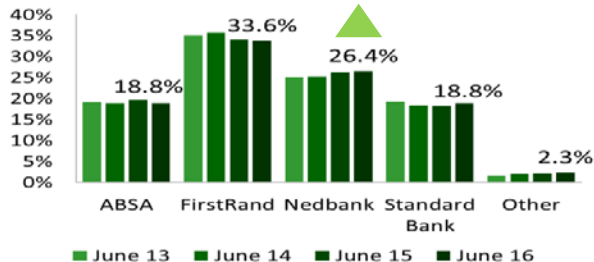
Credit Cards (%)



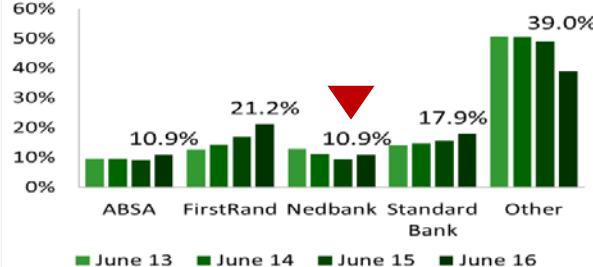
Commercial Mortgage Loans (%)



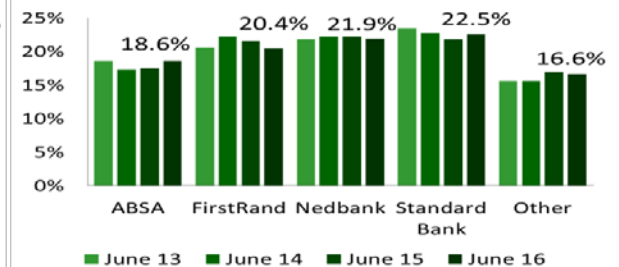
Instalment Credit (%)



Personal Loans (%)



Core Corporate Loans (%)



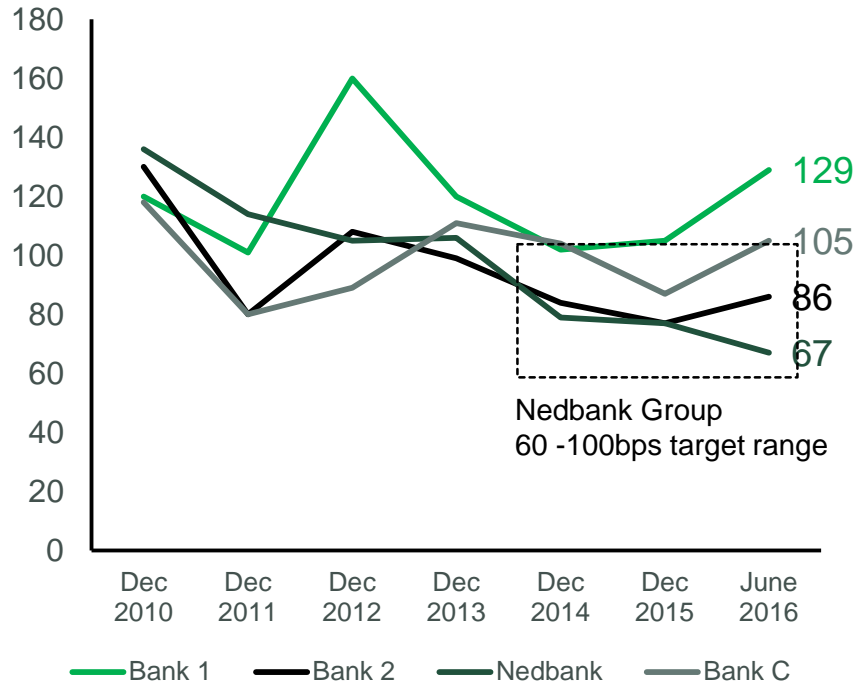
1. BA 900 market share



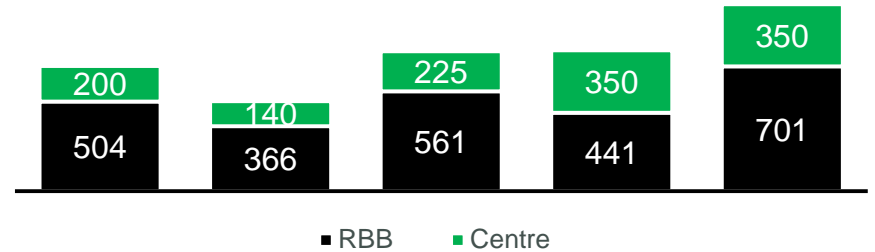
Strategic portfolio tilt – selective origination & quality portfolio driving lower cost of risk



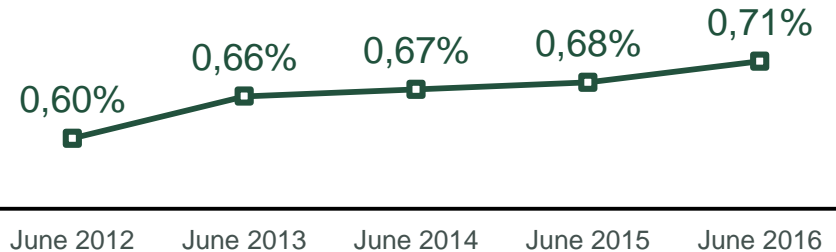
Credit loss ratio bps



Overlays & central provision Rm



Portfolio coverage Rm

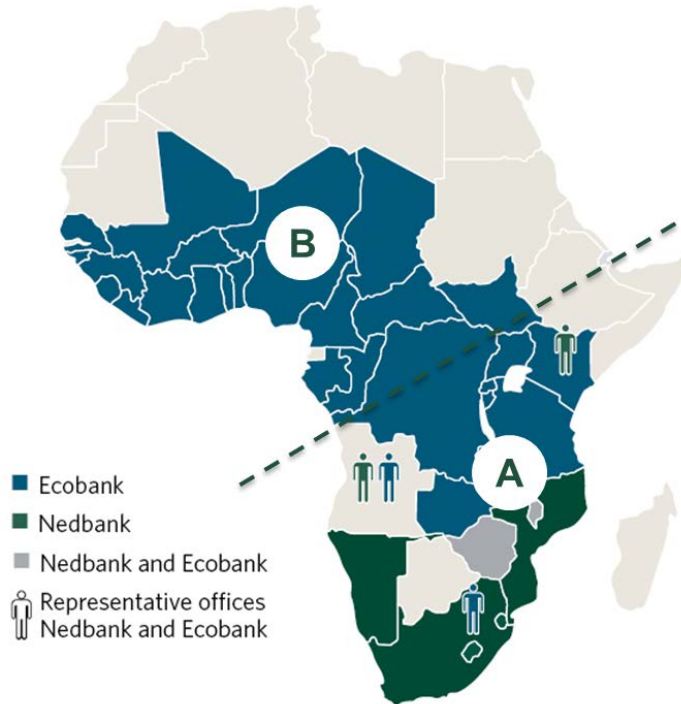


Building a regional champion with access to a Pan-African banking network

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A client-centred, risk-mitigated, capital-efficient, long term strategy



SADC & East Africa (A)

- Own, manage & control banks
 - Standardised business & operating model including IT systems
 - Banco Unico (Mozambique): 38,7% shareholding increasing to 50%+1 in H2 2016 (~R112m)
 - Grow presence from 6 to 10 countries in the medium-term

West & Central Africa (B)

- Partnership approach
- ETI 21,8% strategic shareholding
 - Board representation
 - Strategic & technical banking alliance
- Nedbank to generate business flows over & above equity investment
 - >70 wholesale clients bank with ETI
 - 3 joint deals completed in 2015

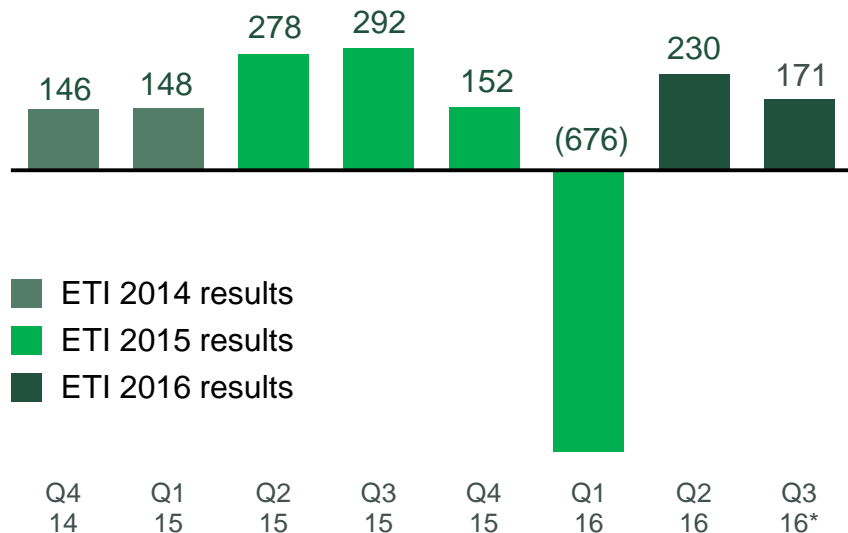


Building a regional champion with access to a Pan-African banking network

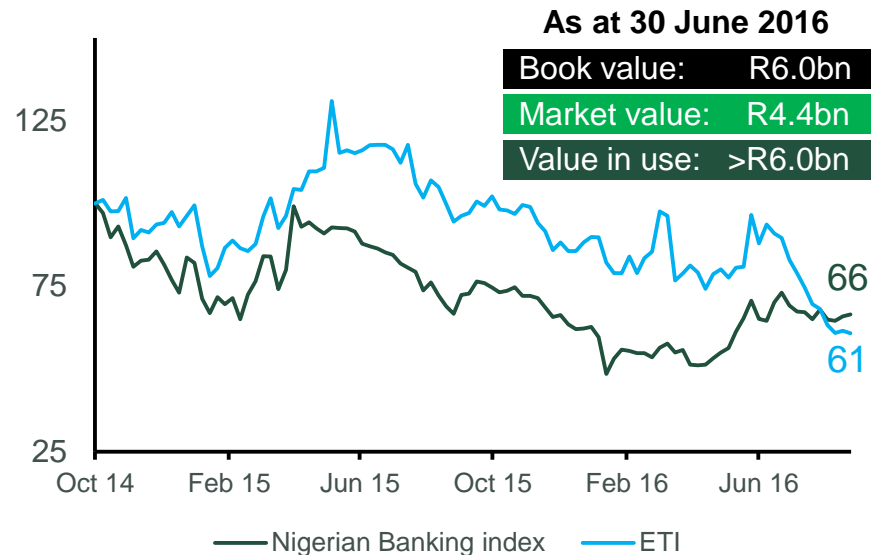


Currency, commodity & liquidity pressures in rest of Africa evident in ETI results & share price, but the long-term prospects remain attractive

Associate income from our 21.8% shareholding in ETI (Rm)



Relative share price performance Based to 100: 1 Oct 2014



* Q3 2016 estimate based on ETI Q2 2016 attributable profit & R / US\$: 14.12.

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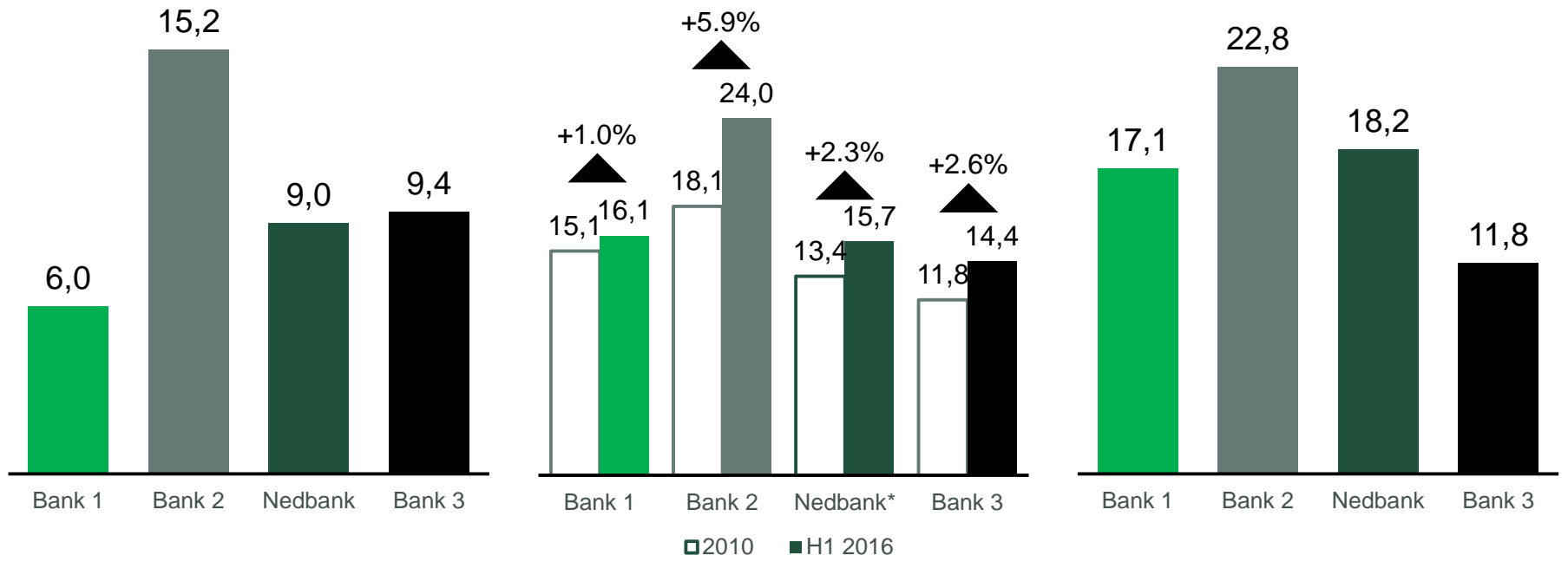
Nedbank Group delivered strong growth in NAV & earnings that underpin ROE uplift



NAV per share growth
(2010 to June 2016, CAGR %)

Return on equity
(2010 to June 2016, %)

Dividend per share growth
(2010 to FY 2015, CAGR %)

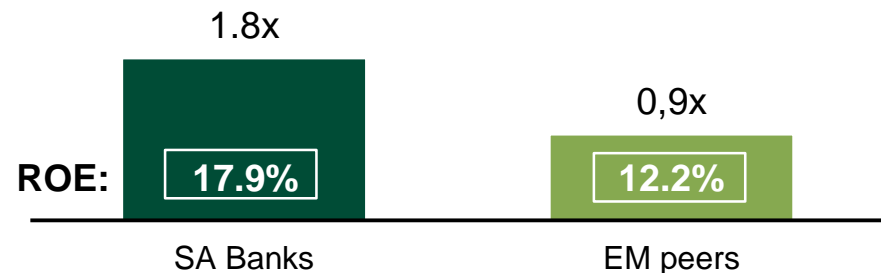


* To ensure comparability to peers Nedbank shows ROE excl goodwill | ROE excluding ETI related funding costs & associate income: 18.4% for H1 2016

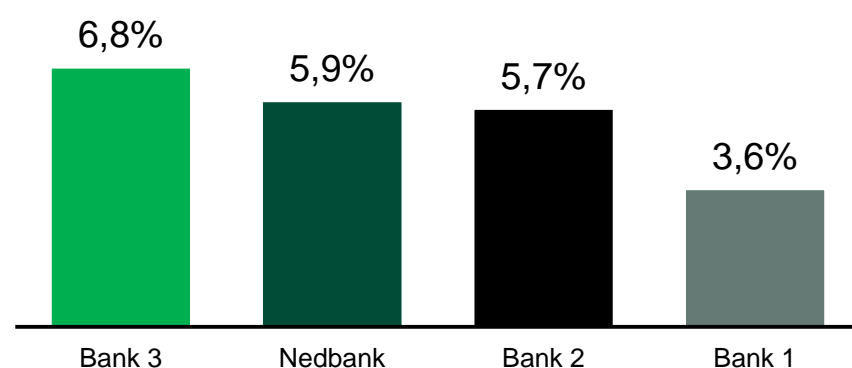
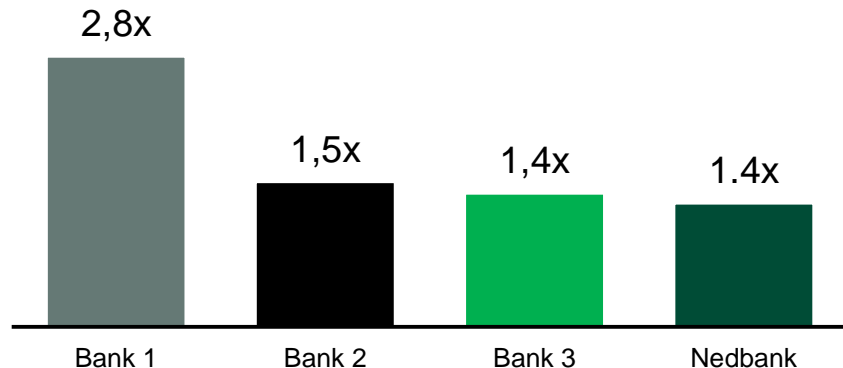
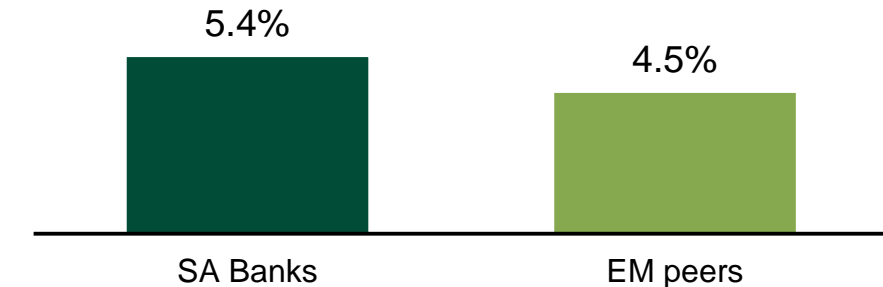
SA banks are priced at a premium to other EM peers & offer higher yields. In this universe Nedbank offers relative value



Price to book ratios (x)



Dividend yield (%)



Source: Deutsche Bank: SA banks include big 4 banks | EM include banks from Turkey, Brazil & Russia | Source: Bloomberg (30 September 2016), Based on historic disclosures

Delivering on our strategic focus areas enable Nedbank Group to progress towards our medium-to-long-term targets

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Metric	H1 2016	vs MLT	Medium-to-long-term target
ROE (excl goodwill)	15.7%	✘	5% above COE
Diluted HEPS growth	1.6%	✘	≥ CPI + GDP growth + 5%
Credit loss ratio	67 bps	✓	60–100 bps
NIR-to-expenses ratio	83.0%	✘	> 85%
Efficiency ratio ¹	57.1%	✘	50%–53%
Basel III CET 1 CAR	11.6%	✓	Basel III basis: 10.5% – 12.5%
Tier 1 CAR	12.5%		11.5% – 13.0%
Total CAR	14.5%		14.0% – 15.0%
Dividend cover	1.99x	✓	1.75 to 2.25 times

1. Efficiency ratio includes associate income.

- **Well-regulated & stable banking system**
- **Nedbank Group bias to wholesale, and growth opportunities in retail & rest of Africa**
- **Nedbank Group has a strong balance sheet** – conservatively provided, liquid & well capitalised
- **Relative valuation to peers provides upside, underpinned by sustainable growth & ROE increase over the medium to long-term:**
 - **CIB:** Deliver benefits of an integrated CIB model
 - **RBB:** Grow the transactional franchise faster than the market
 - **Wealth:** New product innovation & further penetration into the Nedbank client base
 - **Rest of Africa:** Get to scale in our own SADC operations, increase cross business flows between SA, rest of Africa subsidiaries & Ecobank
- **Extract efficiencies across all our businesses to fund future investment** – enable improvements in efficiency ratios & ROEs

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Change in the banking industry is ongoing

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Unprecedented levels of accelerated change – in an adverse economic environment



Rise of Fintechs & digital faster than predicted

- Proven Fintech partnerships e.g. Entersekt (Approve-IT)
- Managed evolution – core system transformation
- Establishing a “digital fast lane” capability



Digital changes pervasive & will transform banking

- Significant investment in digital
 - AppSuite transactions +58% yoy
 - Digitally active clients +29% yoy



Cyber security

- Differentiator for Nedbank – lowest share of fraud losses
- Key focus area of investment in an increasing digital world



Complexity of regulatory change

- Established a regulatory change office to implement regulatory change in a manner that gives us a competitive advantage



Increasing skills shortages

- Nedbank an employer of choice in SA
- Unique differentiated culture
- Significant investment in transformation & staff development