



**NEDBANK CORPORATE**

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*Managing Executive*

***Nedgroup Securities***  
***Investor Conference, 9 October 2009***



MAKE THINGS HAPPEN

**NEDBANK**  
GROUP

A Member of the  **OLD MUTUAL** Group

# Overview

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- Macroeconomic environment
- SA Banking environment
- Nedbank Group
- Nedbank Corporate
  - Profile
  - Financial highlights
  - Business strategy
  - Strategic positioning
  - Strategic growth areas
  - Risk management
- Summary
- Future focus

# Current macroeconomic environment

Indicators	Forecast			
	2009	2010	2011	2012
GDP	<b>(2,2)%</b>	2,0%	3,2%	4,2%
Inflation	<b>7,3%</b>	5,9%	5,6%	5,6%
Current account deficit	<b>4,2%</b>	3,7%	2,9%	3,2%
Prime overdraft rate (year end)	<b>10,0%</b>	10,5%	13,0%	13,0%

- GDP contracted in 2009 & forecast to increase modestly in 2010
- SA export led recovery to lag global economy
- Future global growth will remain commodity-intensive, SA to benefit
- Government committed to improving infrastructure
- Reducing inflation & current account deficit will benefit growth

*... difficult market conditions in 2009*

# South African banking environment

- WEF rated SA's banking sector 15th soundest in world (Oct 2008)
- NCA introduced June 2007 to curb risk of reckless lending
- Basel II successfully implemented and embraced in SA – Jan 2008
- “Originate & Sell” approach & complex derivatives low penetration
- Rand liquidity remained stable, with normal operating interbank market
- Leverage ratios maintained at healthy levels
- Good risk & capital management by SA banks

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

# Nedbank Group

- South African based financial services group
- One of the 'Big Four' South African Banks
- Head quarters in Johannesburg
- JSE listed
- 55% owned by Old Mutual plc – LSE listed
- Market capitalisation approx R50 billion
- 110 year history in South Africa
- Strong retail & wholesale deposit franchise
  
- 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 opportunity to grow in southern Africa with little need for riskier offshore acquisitions*

# Nedbank Group highlights – June 2009

- Resilient in a challenging environment
  - 7,4% growth in tangible NAV
  - R1,98 bn headline earnings (R3,9 bn annualised)
- Capital adequacy increased significantly & continues to strengthen

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

- Leverage ratio low (14,9 compared to SA banks average of  $\pm$  16)
- Strong liquidity – advances-to-deposit ratio, 94%
- Sound risk management systems

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

# 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 (six months ended Jun '09)

Economic capital usage (Rm)	5 326
Assets (Rm)	150 172
Headline earnings (Rm)	685
Economic profit growth(%)	4,5
RoRaC (%)	25,9
Credit loss ratio (%)	0,25
Efficiency ratio (%)	47,7
Employees	3 832

**... robust business franchise**

# Nedbank Corporate – 2009 H1 highlights

- Strong core banking performance
  - Efficient capital management (down 13%)
- Improved margins (1,77% to 2,07%)
- Property investment values marginally down
- Good advances growth >25%
- Effective risk management
- BMI transactional banking survey – highest overall improvement
- Good progress on
  - Corporate culture
  - Leadership development

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



# Nedbank Corporate strategic positioning

## Corporate Banking

To be top two player in lending, liabilities and transactional banking & Public Sector bank of choice

## Property Finance

Leader in property finance

## Nedbank Africa

Three tier Africa strategy & Ecobank Alliance strategy

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## Innovation

Through specialist unit - Transactional Banking

## Productivity & execution

Through Corporate Shared Services

## Risk

As an enabler of quality growth

## People

Creating a great place to work by attracting, retaining, transforming, regenerating & optimising talent with a representative staff profile

# Nedbank Corporate strategic positioning *(cont.)*

## Corporate Banking

*Ability to deliver world class service*

- Highest quality team
- Strong asset & liability market shares
- Increase primary banker status through products & value added business solutions
- Public Sector: improve economic profitability through capturing key accounts & innovative lending

## Property Finance

*All the benefits of a big bank with the personal touch of a small bank*

- Entrench leading position with large clients – re-intermediation
- Maintain leadership position in commercial & industrial mortgage finance
- Grow property investment business through partnership with clients

## Nedbank Africa

*Regional Network operation offering clients an integrated banking capability in Sub-Saharan Africa”*

- Develop scope & capability of Nedbank Africa network organically, through selective acquisitions, alliances & aligning with Old Mutual

# Impact of external environment

Sector	Approach	Focus
Corporate Banking	<ul style="list-style-type: none"> <li>Pursue 'guarded growth' strategy</li> <li>Ongoing benefit from infrastructure spend &amp; long-term rollout</li> <li>Public sector roll out likely impact in 2012, potential for high transactional banking income</li> </ul>	<ul style="list-style-type: none"> <li>High asset quality</li> <li>Lower risk</li> <li>Good margin</li> <li>Continue to improve position in public sector</li> </ul>
Property Finance	<ul style="list-style-type: none"> <li>Depressed environment to continue to 2011</li> <li>Improvements only anticipated in 2012 – property recovery lags the economy by about 18 months</li> </ul>	<ul style="list-style-type: none"> <li>Selective growth &amp; smart origination</li> <li>Focus on quality of book</li> </ul>
Nedbank Africa	<ul style="list-style-type: none"> <li>Cautiously optimistic of continued growth complemented by a pan-African banking alliance</li> </ul>	<ul style="list-style-type: none"> <li>Continued market share gains in current countries with selective expansion opportunities</li> </ul>

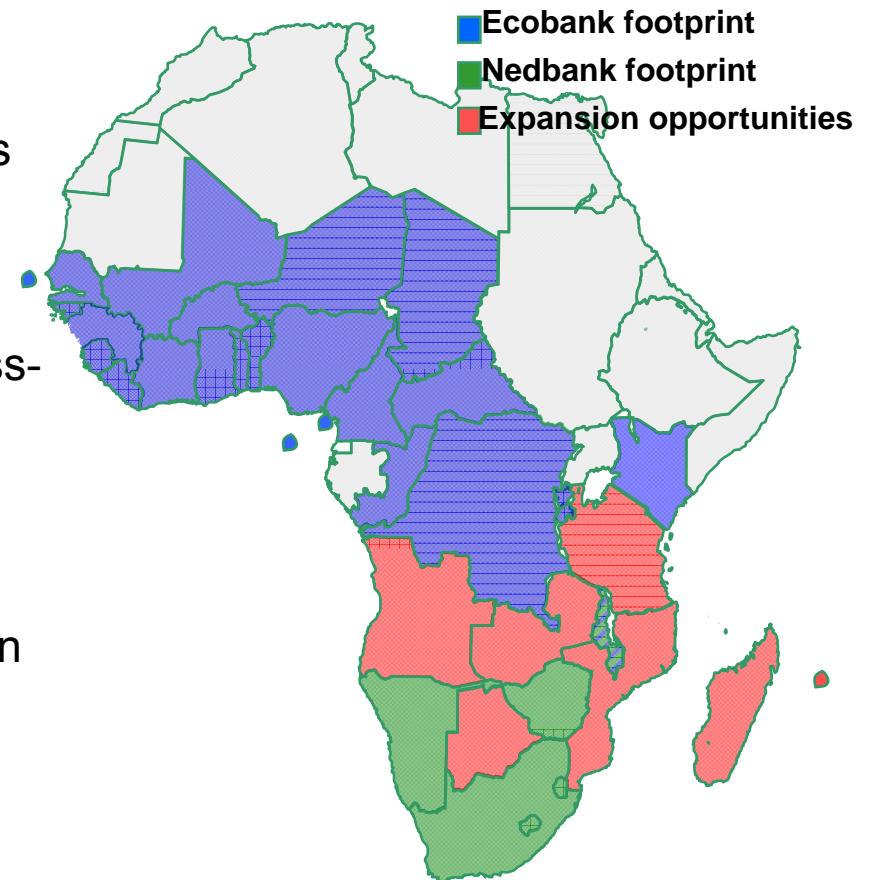
# Nedbank Corporate – segmental analysis

Rm	Headline earnings			RORAC	Average advances	
	Jun 2009	Jun 2008	% change	Jun 2009 %	Jun 2009	% change
Corporate Banking	<b>384</b>	282	36,2	<b>37,1</b>	<b>70 193</b>	35,9
Property Finance	<b>236</b>	375	(37,1)	<b>17,7</b>	<b>59 442</b>	24,1
Africa	<b>50</b>	44	13,6	<b>19,8</b>	<b>6 079</b>	13,3
	<b>670</b>	701	(4,4)	<b>25,6</b>	<b>135 714</b>	29,3
Other	<b>15</b>	71	(78,9)	<b>72,4</b>	<b>369</b>	(79,3)
<b>Nedbank Corporate</b>	<b>685</b>	772	(11,3)	<b>25,9</b>	<b>136 083</b>	27,5

Note: 2008 business unit results aligned to current capitalisation rates

# Ecobank alliance strategy

- Provide clients with immediate access to largest African banking network in 33 countries
- Provide clients with 'One Bank' experience across combined footprint through seamless engagement model & deployment of unique banking initiatives
- Increase share of wallet domestically & cross-border through value-add solutions within Transactional Banking, Project Finance & Advisory
- Support client expansion in Africa through an advisory service offering by Centre of Excellence - LocalKnowledgeAfrica
- Pursue joint investments in targeted African markets with high growth prospects

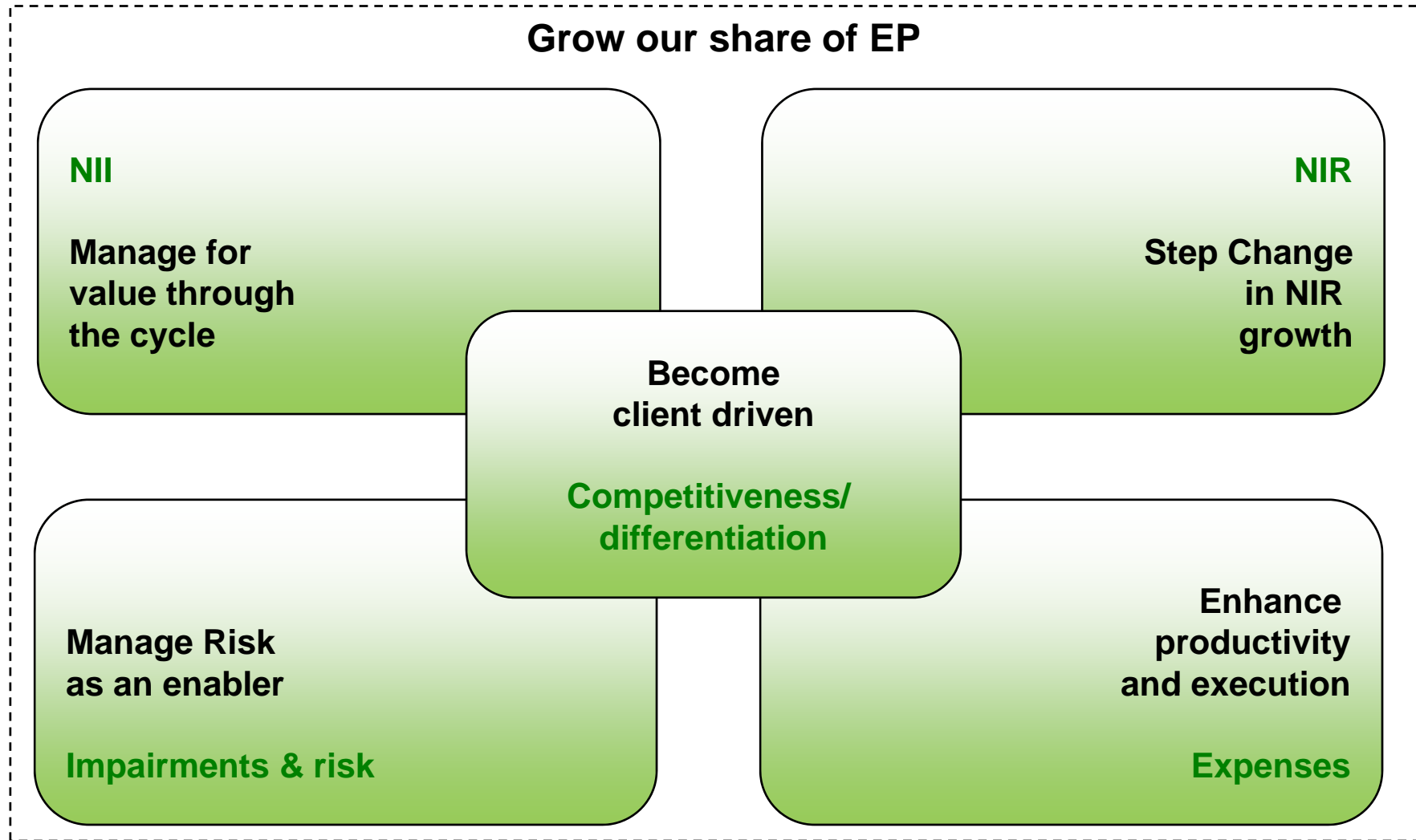


# Ecobank alliance update

- Launched African Centre of Excellence: LocalKnowledgeAfrica
- Alliance banking initiatives launched:
  - Nedbank & Ecobank clients can open bank accounts with respective banks in any jurisdiction through their in-country relationship manager
  - Nedbank & Ecobank clients can view statements & balances from both banks on a single view basis
- Established key operational enablers i.e. Pan-African correspondent banking lines for trade & forex
- Launched Alliance website: **[www.EcobankNedbankAlliance.com](http://www.EcobankNedbankAlliance.com)**
- Developed significant business pipeline for wholesale & investment banking

The graphic features a blue and green curved background. On the left, the text reads: "Access to local knowledge" in large blue font, "A one bank experience" in smaller green font below it, and "Largest footprint in Africa" in large blue font to the right. On the right side, there is a small text box: "The African Alliance that provides local business intelligence and tailored banking solutions." Below this is the website "www.EcobankNedbankAlliance.com". At the bottom right, the Ecobank logo (with tagline "The African Champion Banking Network") and the Nedbank logo (with tagline "La Banque Service Afrique Capable") are displayed side-by-side.

# Strategic income growth areas



*... pursuing balanced strategic business approach*

# Strategic income growth areas

## Corporate Banking:

- Growth aimed at quality assets
- Emphasis on longer term assets
- Focus on increasing credit margin
- Liability growth constrained

## Property Finance:

- Selective growth strategy
- Increase pricing on new deals
- Increasing cost of funds eroding margins
- Property Finance, seek to:
  - Maximise returns at acceptable risk levels
  - While maintaining key client relationships

## Nedbank Africa:

- Identify growth sectors to increase market share
- Align repricing of assets & liabilities
- Boost liability growth with cash collection strategy



Grow our share of EP

**NII**

Manage for value through the cycle

**NIR**

Step Change in NIR growth

Become client driven

Competitiveness/differentiation

Manage Risk as an enabler

**Impairments & risk**

Enhance productivity and execution

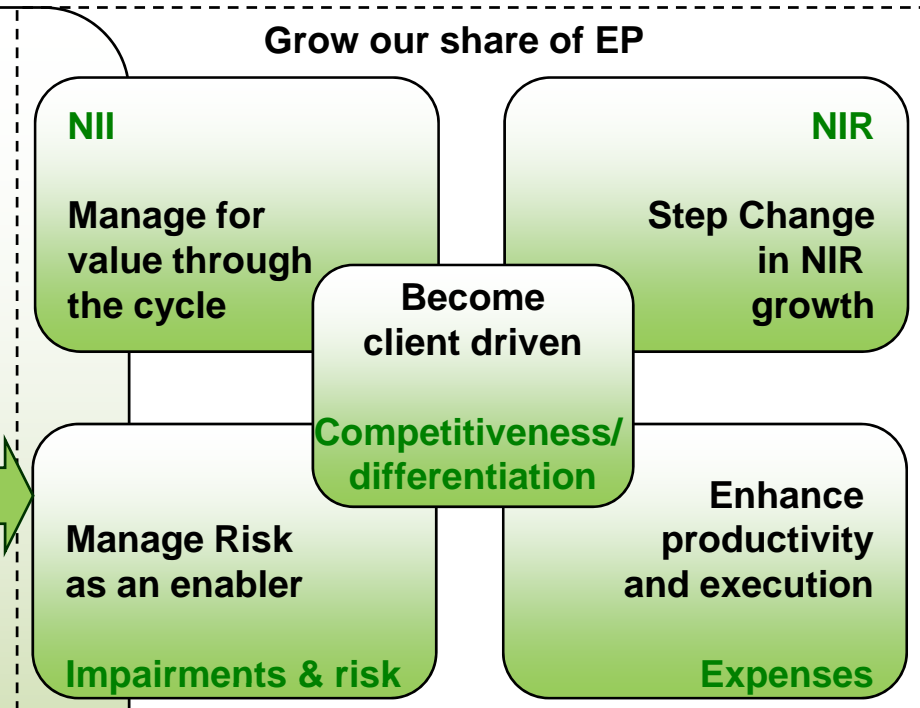
**Expenses**



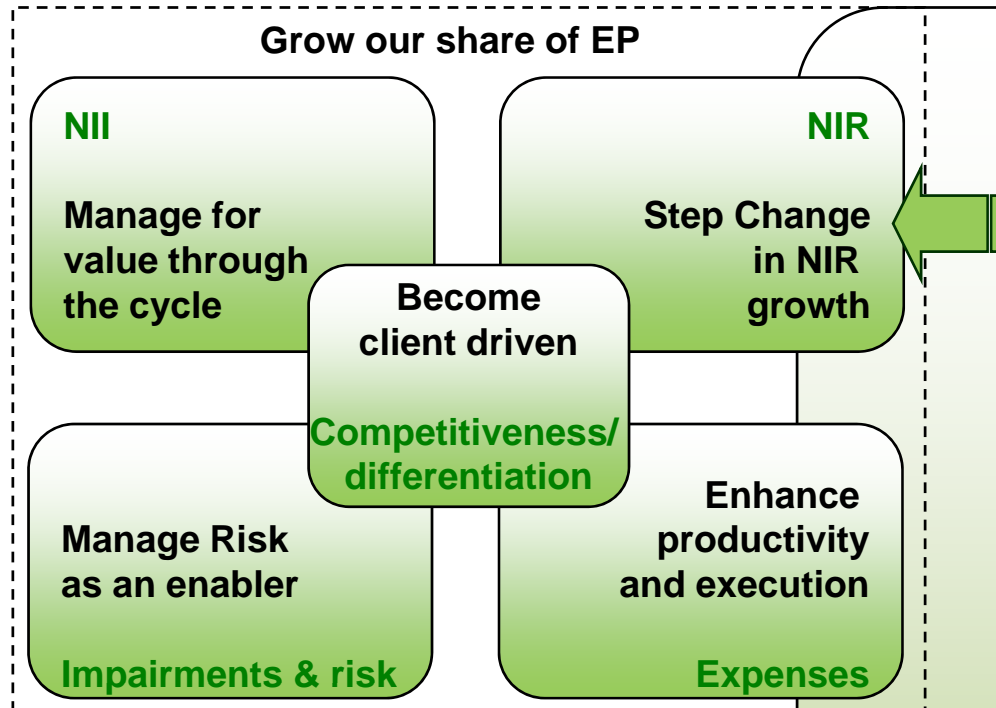
# Strategic income growth areas

Continued tight risk management driven through operational risk process within agreed parameters of EWR Framework:

- Review credit granting practices
- Limit higher risk lending
- Early identification strategy
- Rigorous monitoring of hotspots
- Periodic review of key clients & large exposures
- Prompt action in respect of arrears
- Staying close to clients
- Manage concentration risk to key clients, sectors & nodes
- Continue to invest in experienced staff & ongoing skills development



# Strategic income growth areas



## Corporate Banking:

- Grow Public Sector & primary clients
  - Deepen understanding of cost drivers for appropriate pricing
  - Deepen staff product knowledge on new offering

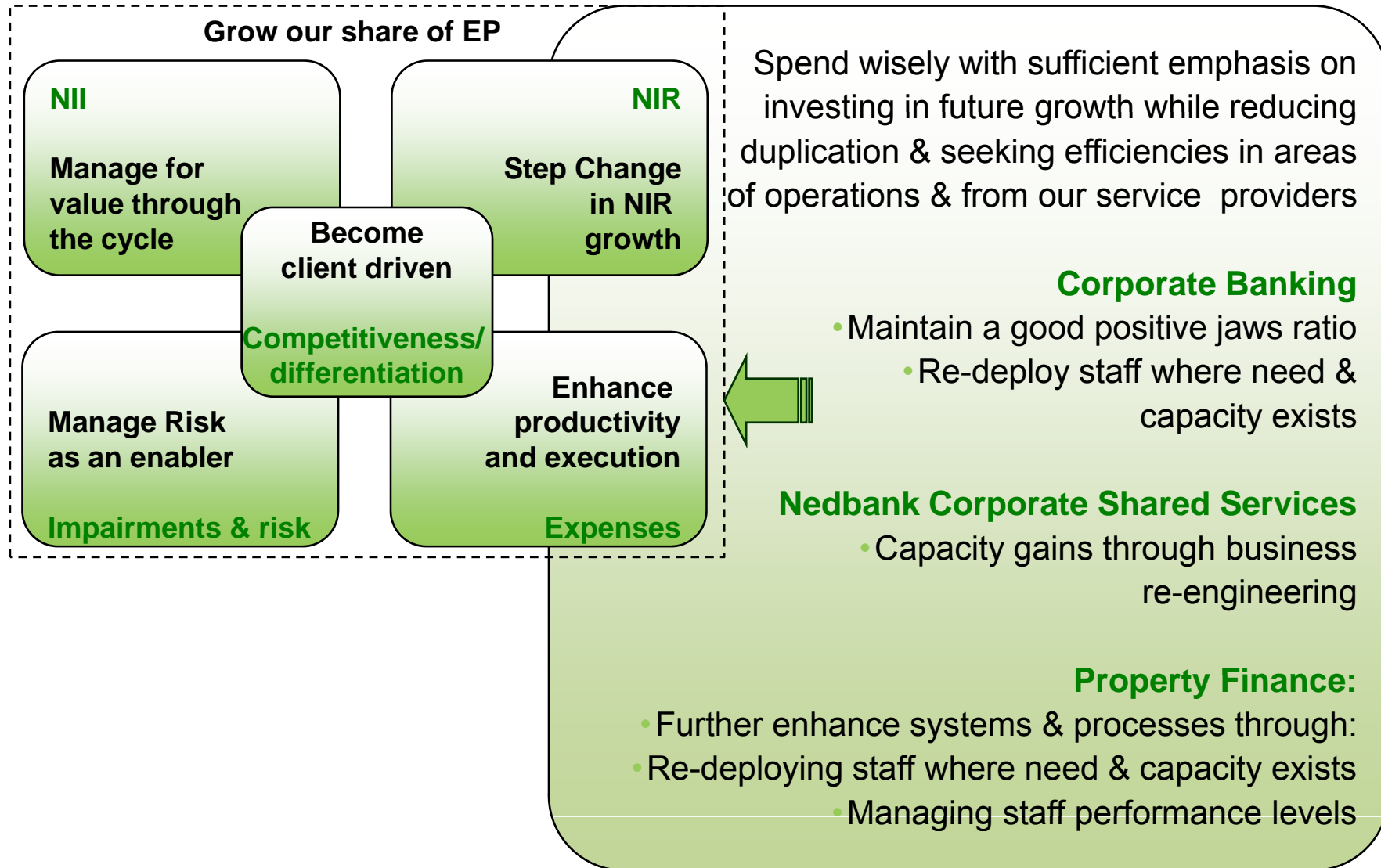
## Property Finance:

- Property Partners to focus on managing out current investments as efficiently & effectively as possible

## Nedbank Africa:

- Short Term: - pricing & plugging leakages
  - Longer term:
    - Acquire a competitive EB platform
      - Enhanced ATM functionality
    - Credit card / POS / mobile banking
      - Focus on forex business

# Strategic income growth areas



# Nedbank Corporate – risk management

## Corporate Banking

- Risk as opportunity:
  - Extend tenure of loan portfolio to top end credit clients
  - Improve price competitiveness & drive capital optimisation
- Risk Infrastructure:
  - Continue to invest in risk & workflow systems
  - Focus on data quality enhancements
  - Ongoing Basel II model development & second generation PD models

# Nedbank Corporate – risk management (*Contd.*)

## Property Finance

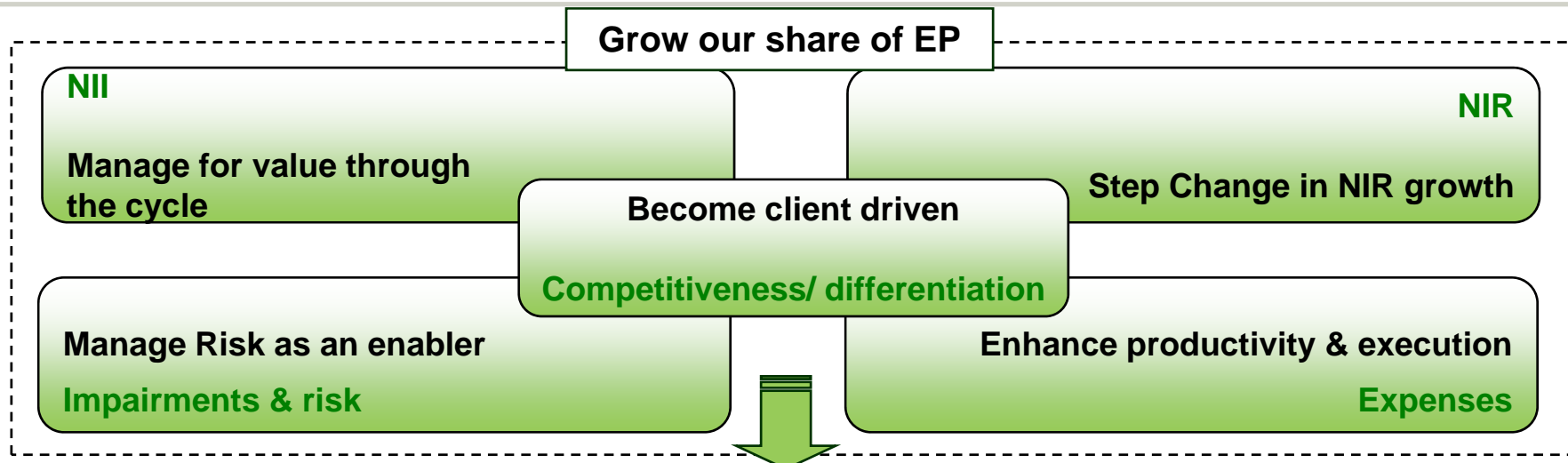
- Risk as opportunity:
  - Slower growth book vs. prevailing market conditions – managing for value
  - Continuation of ‘smart origination’ strategy – selective asset growth
  - Rigorous monitoring & proactive management of book – dynamic impairment provisioning methodology
  - Ongoing property revaluations & monitoring
- Risk Infrastructure:
  - Ongoing updating / refinement of models towards ‘next generation’ status
  - Introduction of cash flow based models
  - Greater automation and systematisation of risk & capital routines

# Nedbank Corporate – risk management (*Contd.*)

## Nedbank Africa

- Risk as opportunity:
  - Redeploy specialist Trade Finance skills to broader industry & commodity sectors
  - Leverage off the SA businesses skills base
- Risk Infrastructure:
  - Upgrading of banking platform
  - Deepen the utilisation of current risk parameters to all subsidiaries

# Summary: Strategic income growth areas



## Corporate Banking

- Deepen client understanding through industry value chain analysis
  - innovative solutions
  - – ‘trusted advisor’ positioning

## Property Finance:

- Effective client service driven by in-depth industry knowledge a competitive advantage
- Continuation of ‘smart origination’ strategy
- Dynamic risk management process

## Nedbank Africa:

- Further leverage off SA platform – systems & skills
- Deepen the Ecobank Alliance to drive new growth opportunities

## Transactional Banking:

- Fastracking “Cross Selling” between Capital & Corporate
- Tie transactional banking services & Branch Infrastructure to Property Finance deals
- Leverage Ecobank relationships for expanded transactional banking offerings

# Nedbank Corporate – future focus

- Focus on sustainable economic profit growth
- Tight risk management in current difficult economic environment
- Focus on growing NIR
  - Gain primary banked corporate clients
  - Grow share of wallet through cross sell initiatives
  - Increase public sector clients economic profit
  - Continued focus on improving client service
- Continue building on transformation & leadership development initiatives
- Deliver on Ecobank alliance objectives



# THANK YOU



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