

NEDBANK GROUP

Business models for a brave new world

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MAKE THINGS HAPPEN

NEDBANK
GROUP

A Member of the  OLD MUTUAL Group

Disclaimer

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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.

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A brave new world...

Fragile & uncertain macro environment



- Low GDP growth – Emerging markets > Developed world
- Low interest rates for longer
- Elevated country & consumer indebtedness
- Trade flows towards East & EM
- Greater uncertainty & volatility

Increased regulation



- Increased capital & liquidity requirements
- Reducing leverage & limiting risk taking
- Consumer protection & fee transparency
- Importance of core values & good governance
- Broadening political influence

Rise of the savvy, connected consumer



- Demographic shifts
- Increased customer sophistication with greater expectations
- Social media & mobile tech connecting people anywhere, anytime
- Greater social & environmental awareness
- Competing with “free”

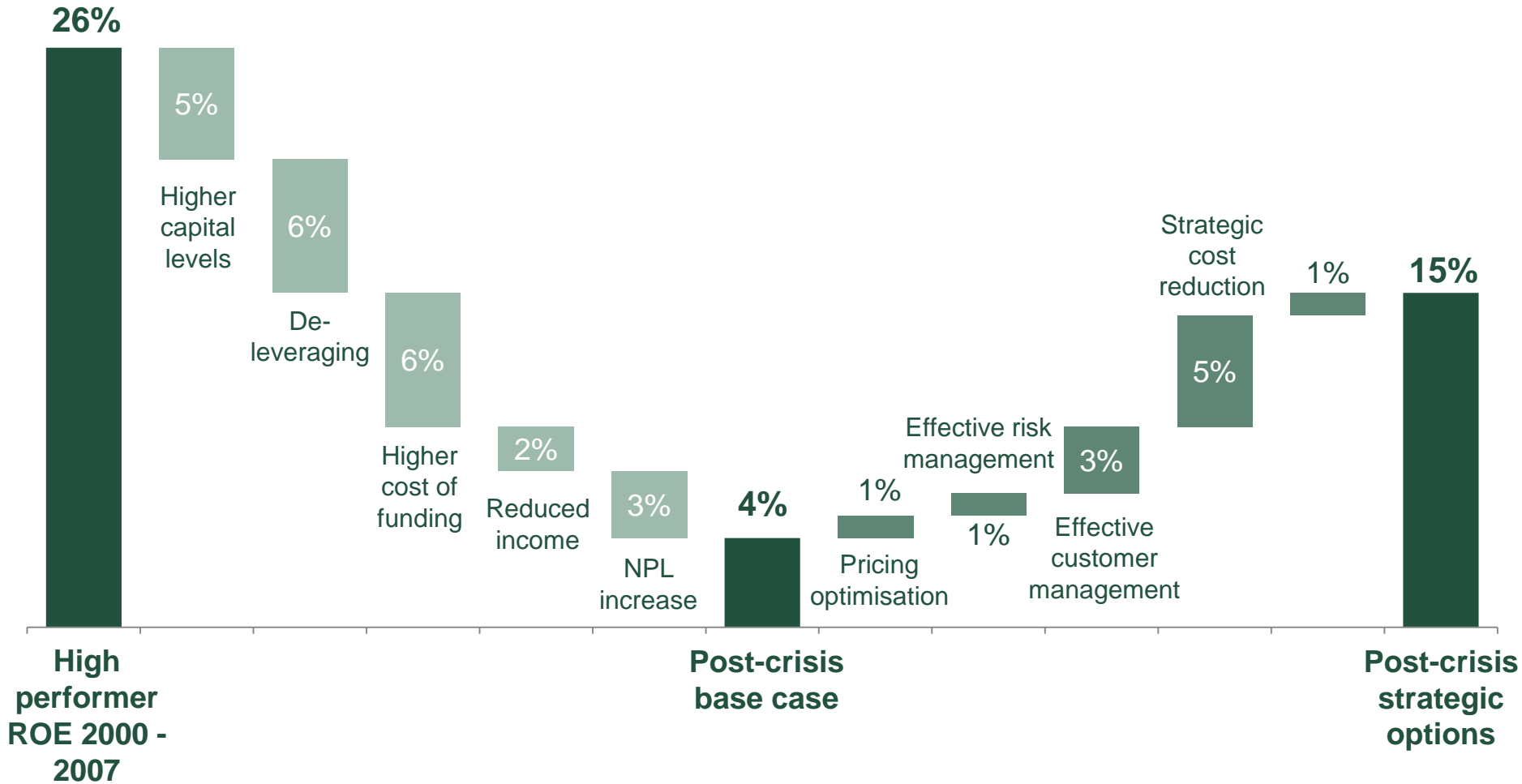
Increased competition



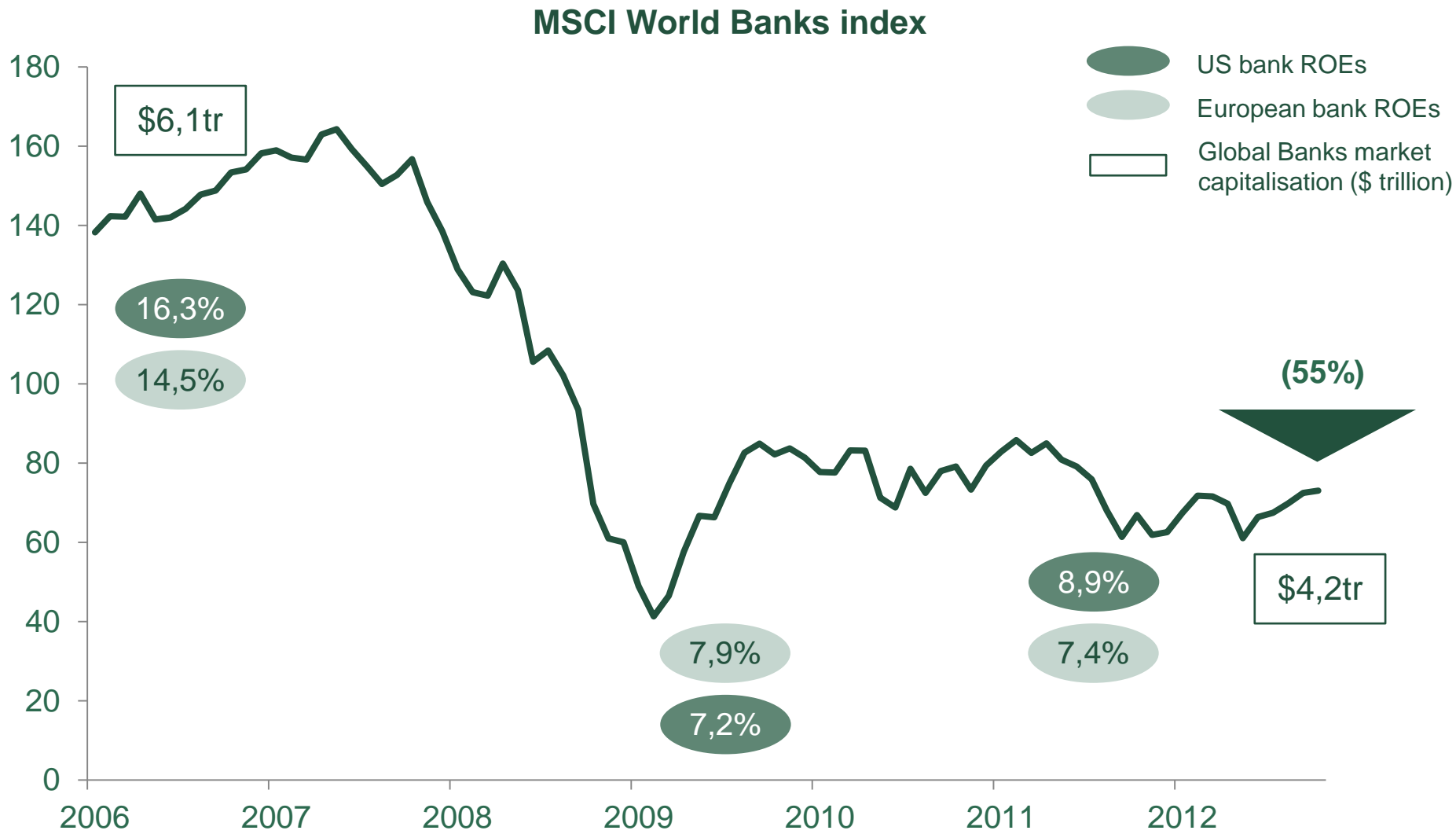
- New technologies enabling new entrants, lowering cost to serve
- Disintermediation of traditional banking value chain by niche players increasing
- Price pressures in a highly commoditised environment

... impacting the profitability of banks...

Evolution of return on equity (high performing international banks)



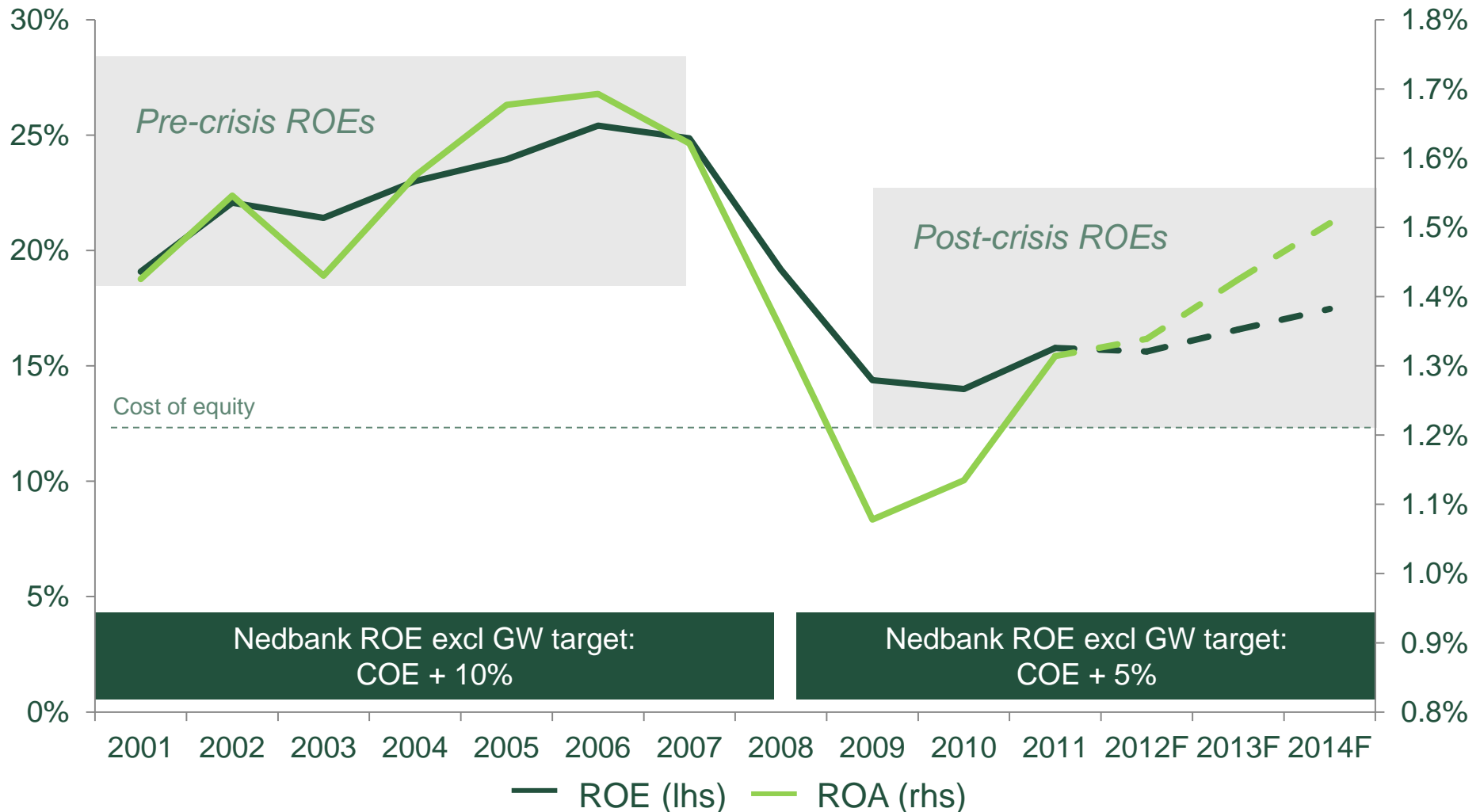
... and returns for shareholders



Source: Inet, McKinsey, UBS

SA bank profitability & expectations have also adjusted

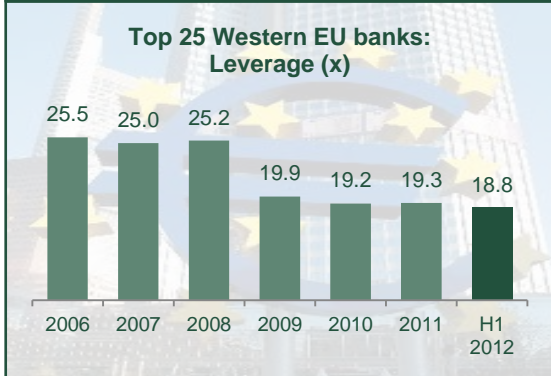
South African Bank ROE & ROAs¹



Source: UBS
1. Average of Big 4 banks

In response, the global banking industry has reacted in various ways to restore earnings sustainability

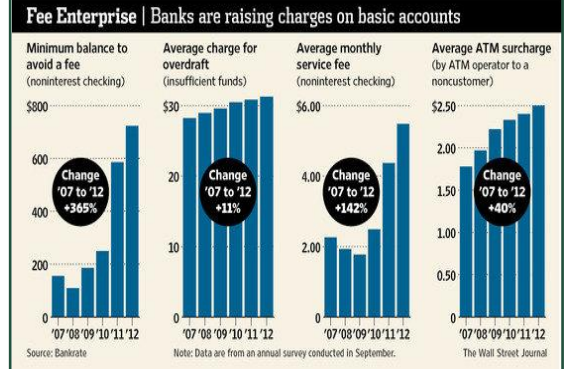
Deleveraging



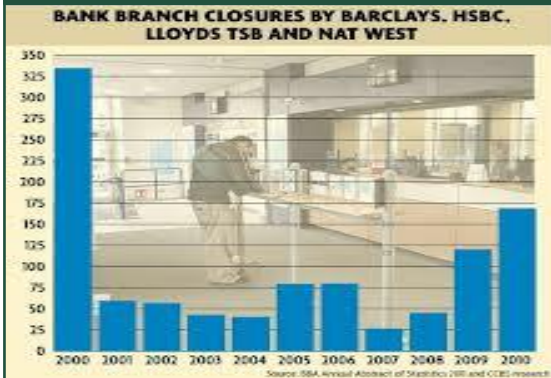
Retrenchments



Fee transparency driving re-pricing



Branch closures & divesting



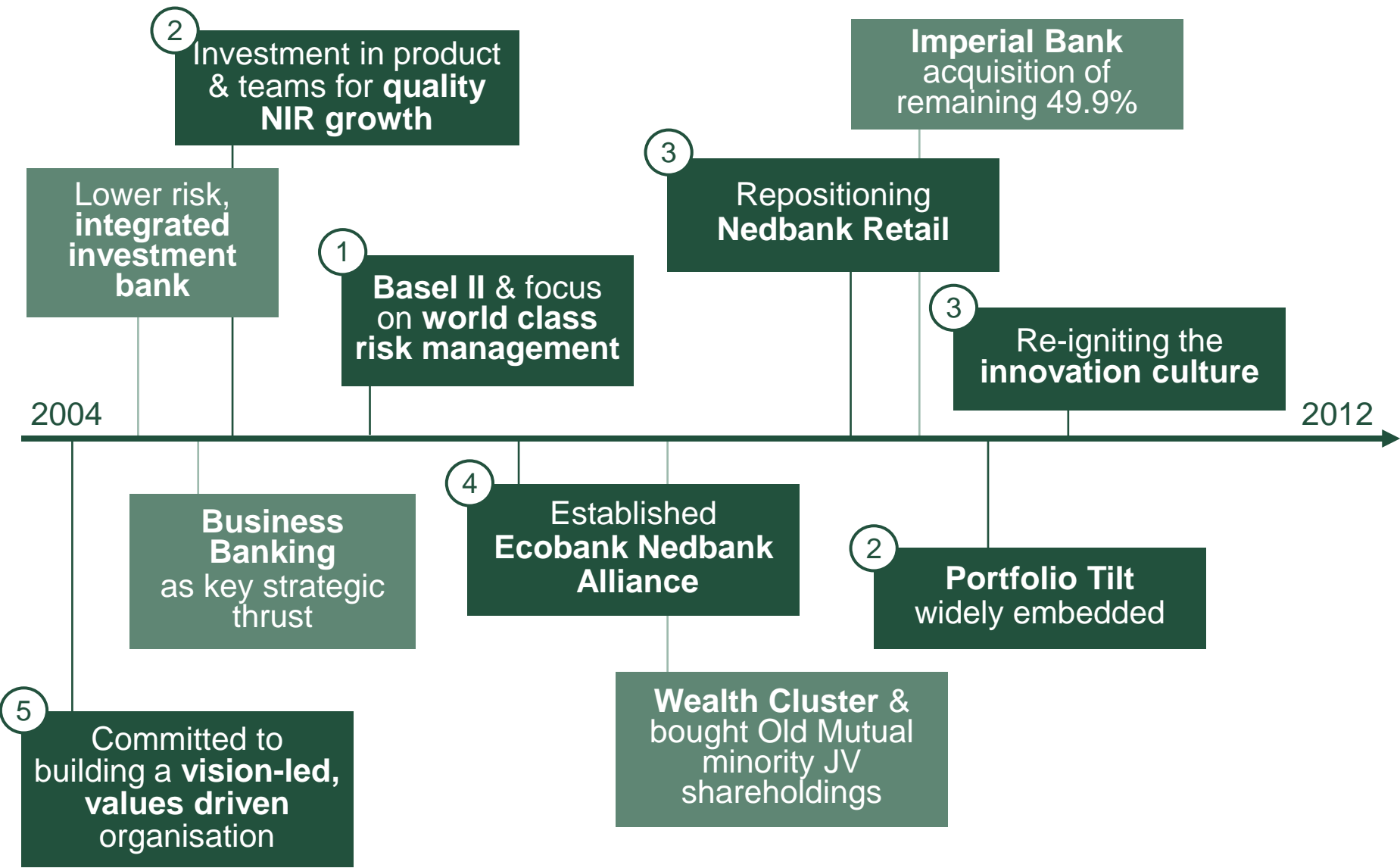
Multi channels



Business model changes; retreat to home markets

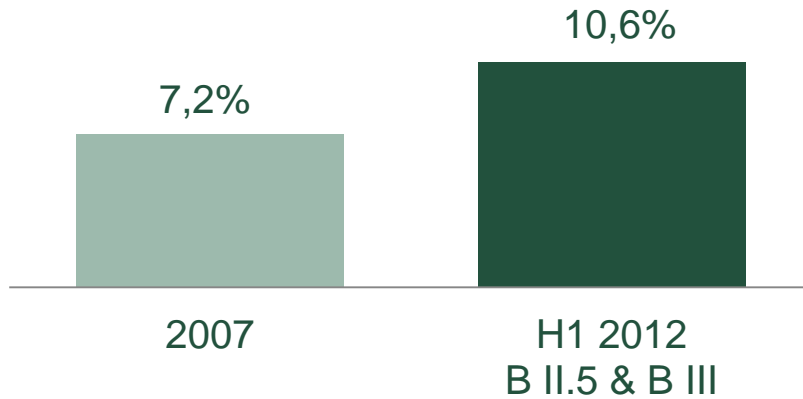


Since 2004 Nedbank Group has sought to deliver sustainably for all stakeholders

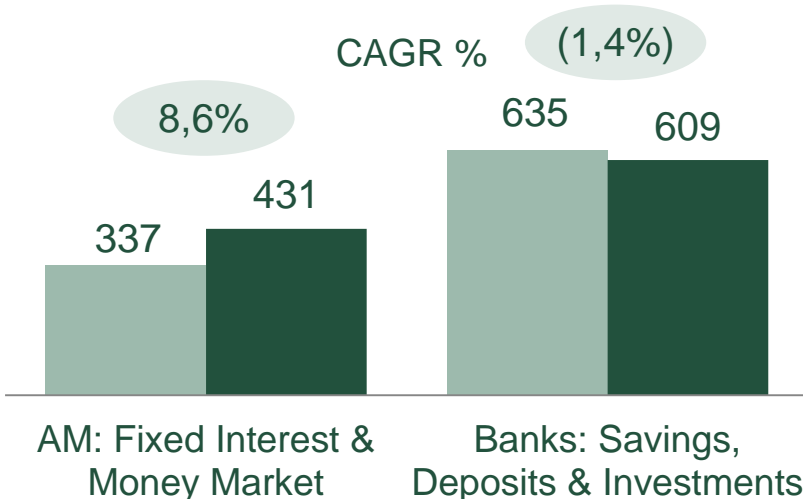


1 Consistently strengthening the balance sheet to ensure resilience through the cycle

Nedbank Group core tier 1 CAR, %



SA deposits¹, Rbn



Capital:

- ~ +25bps for Imperial Bank AIRB
- Transition to Basel III: net 0% impact
- Operating a lower market risk appetite
 - Trading market risk only 1% of RWA
 - Ave daily VAR R12m vs peers R38m

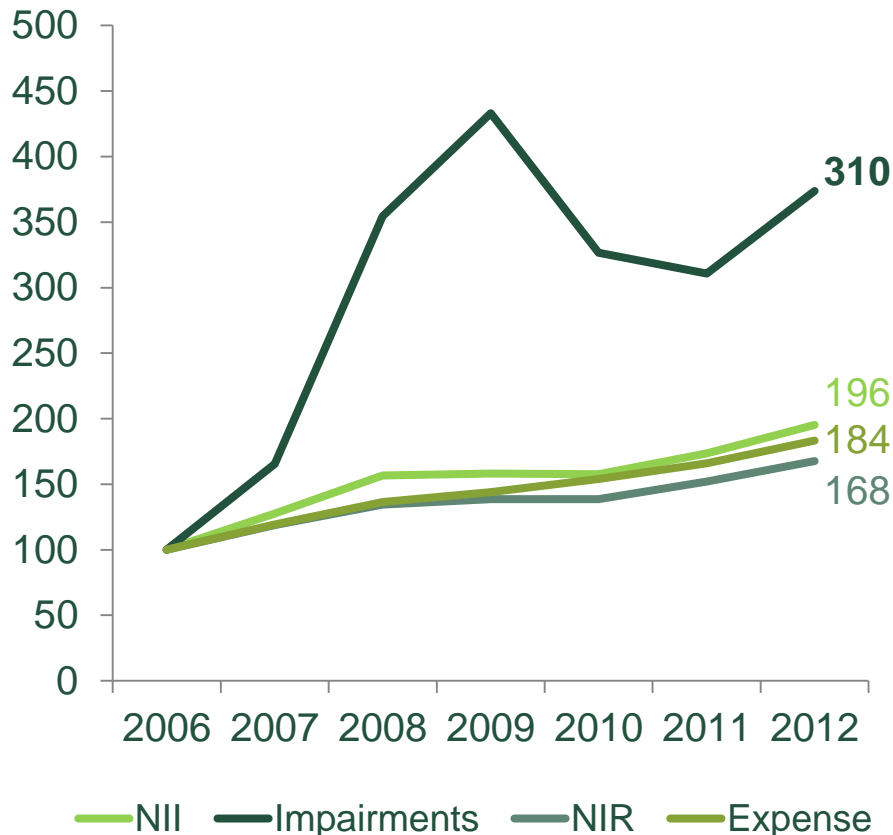
Liquidity & funding

- Surplus liquid asset portfolio up to R26bn
- Ave long-term funding ratio: 27,0%
- Well positioned for LCR (SARB CLF support)
- Strong retail deposits franchise - Retail Savings Bond raised >R6bn; Green Savings Bond launched
- Client driven innovation to grow deposit pool

1 World class risk management an imperative

SA bank earnings drivers

Indexed to 2006 (pre-crisis)



Note: TTC: Through The Cycle

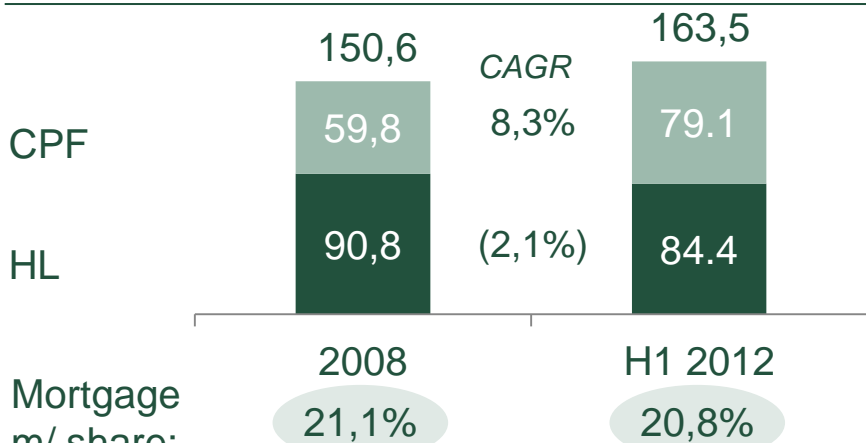
Nedbank Group

- **Excellent asset quality** in wholesale, consistently within TTC credit loss ratios
- **Risk skills transfer** to Nedbank Retail
- **Selected growth** in products & segments with significant downside risk TTC & sub-optimal returns e.g. Home Loans
- **Early action on collections** – HL defaults of R9,9bn with 29,5% coverage (Industry R58,1bn with 22,8% coverage)
- **Strengthened balance sheet**
 - Bolstered portfolio impairments, up R1,1bn since 2010
 - Strengthened coverage ratios to 39% (highest of peers) from 29% in 2009

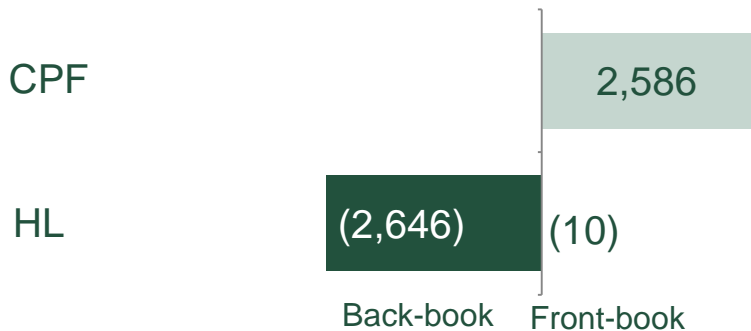
2 Portfolio Tilt to strategically important, higher EP activities & to optimise scarce resources including capital & liquidity

Example: Selective growth

Advances, Rbn

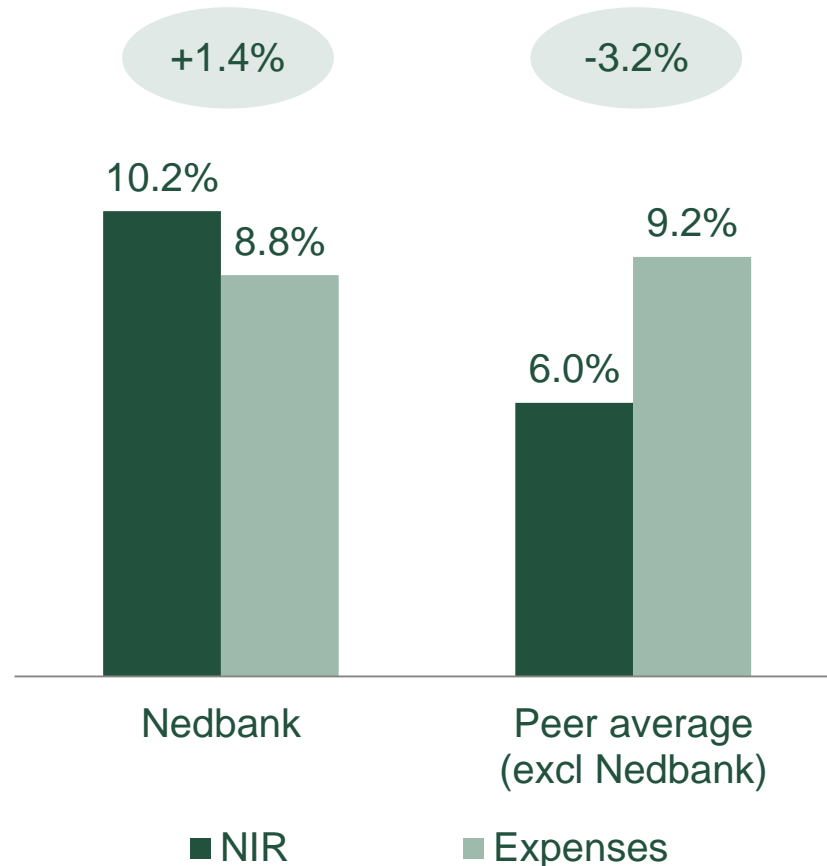


Cumulative headline earnings 2008 – H1 2012, Rm



Example: Faster growth

NIR to Expense growth 2007 - 2011

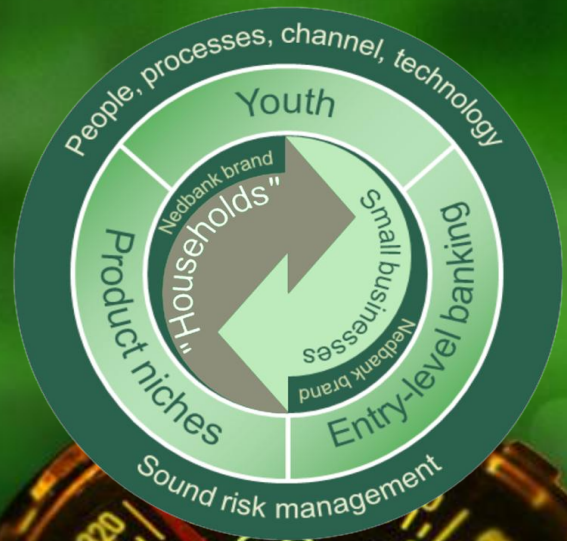


Note: CPF: Commercial Property Finance excludes BB owner occupied commercial loans, HL: Homeloans product line, excluding Wealth, BB & Retail Relationship Banking related homeloans
EP: Economic Profit

3 Repositioning Nedbank Retail – delivering sustainable growth while evolving to a more client-centred, integrated business

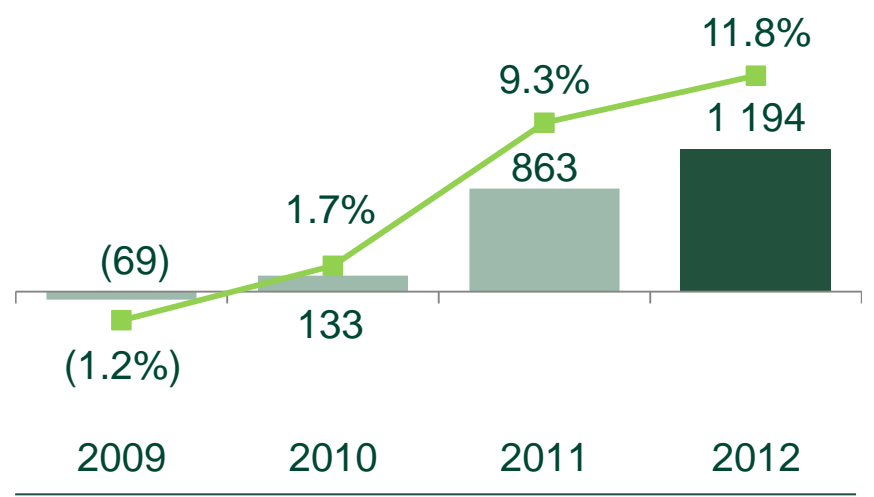
STRATEGIC INTENT

Build **deep enduring** banking relationships with **all** in South Africa by delivering a **choice of distinctive client-centred** banking experiences, **leveraging strengths** & underpinned by **excellent risk management**



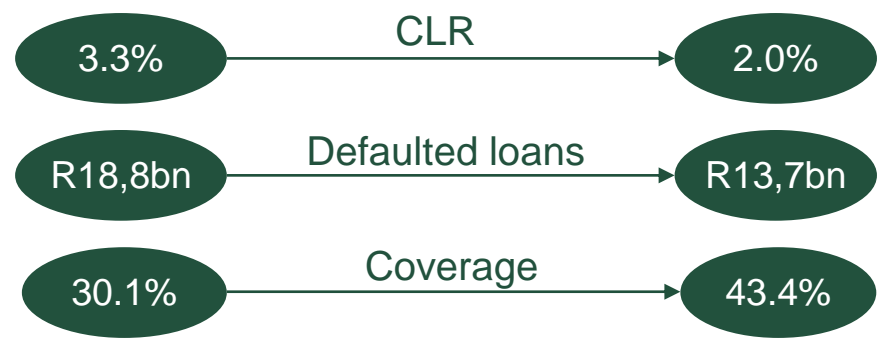
Delivering sustainable growth...

Headline earnings (Rm) & RoE (%)



H1

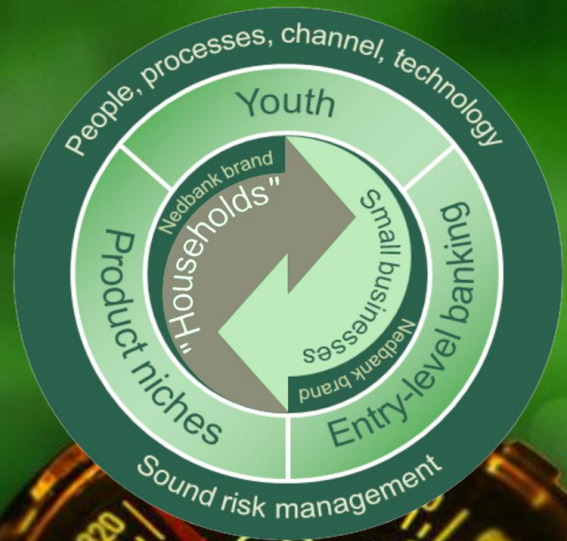
...underpinned by effective risk management



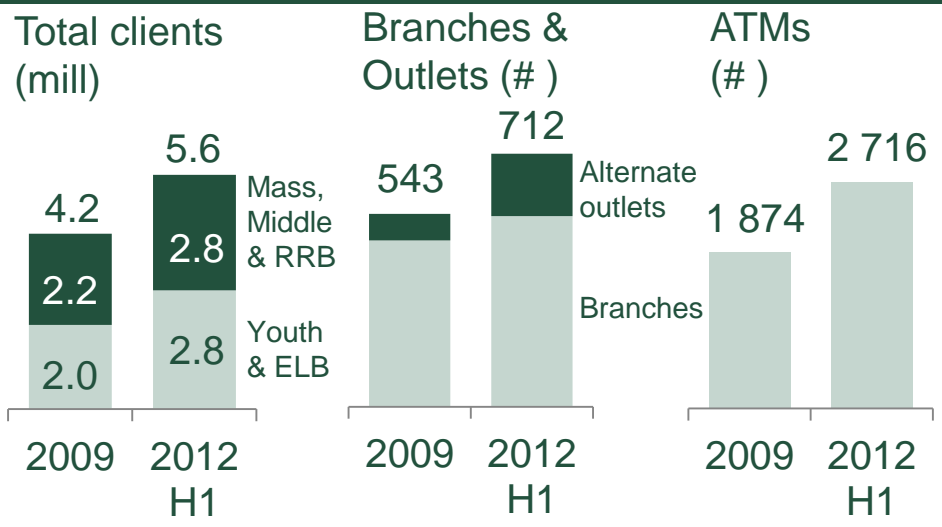
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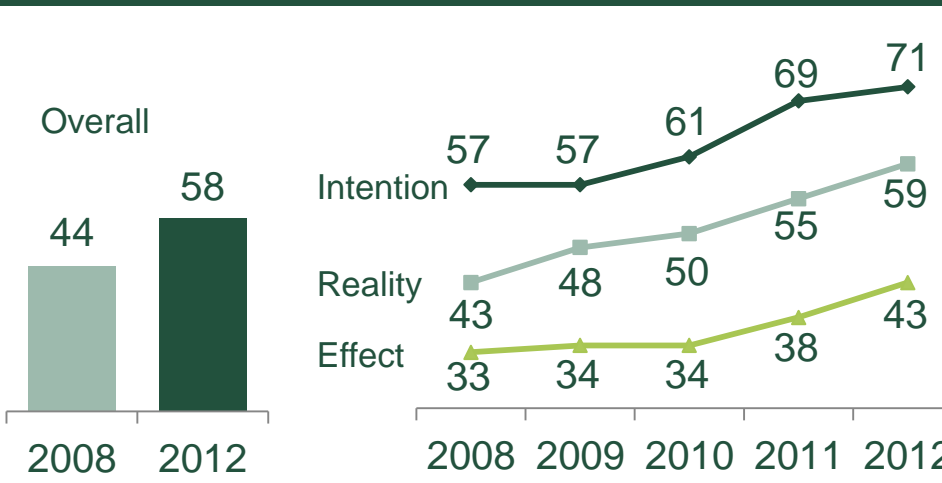
Build deep enduring banking relationships with all in South Africa by delivering a choice of distinctive client-centred banking experiences, leveraging strengths & underpinned by excellent risk management



Evolving to a client-centred, integrated business



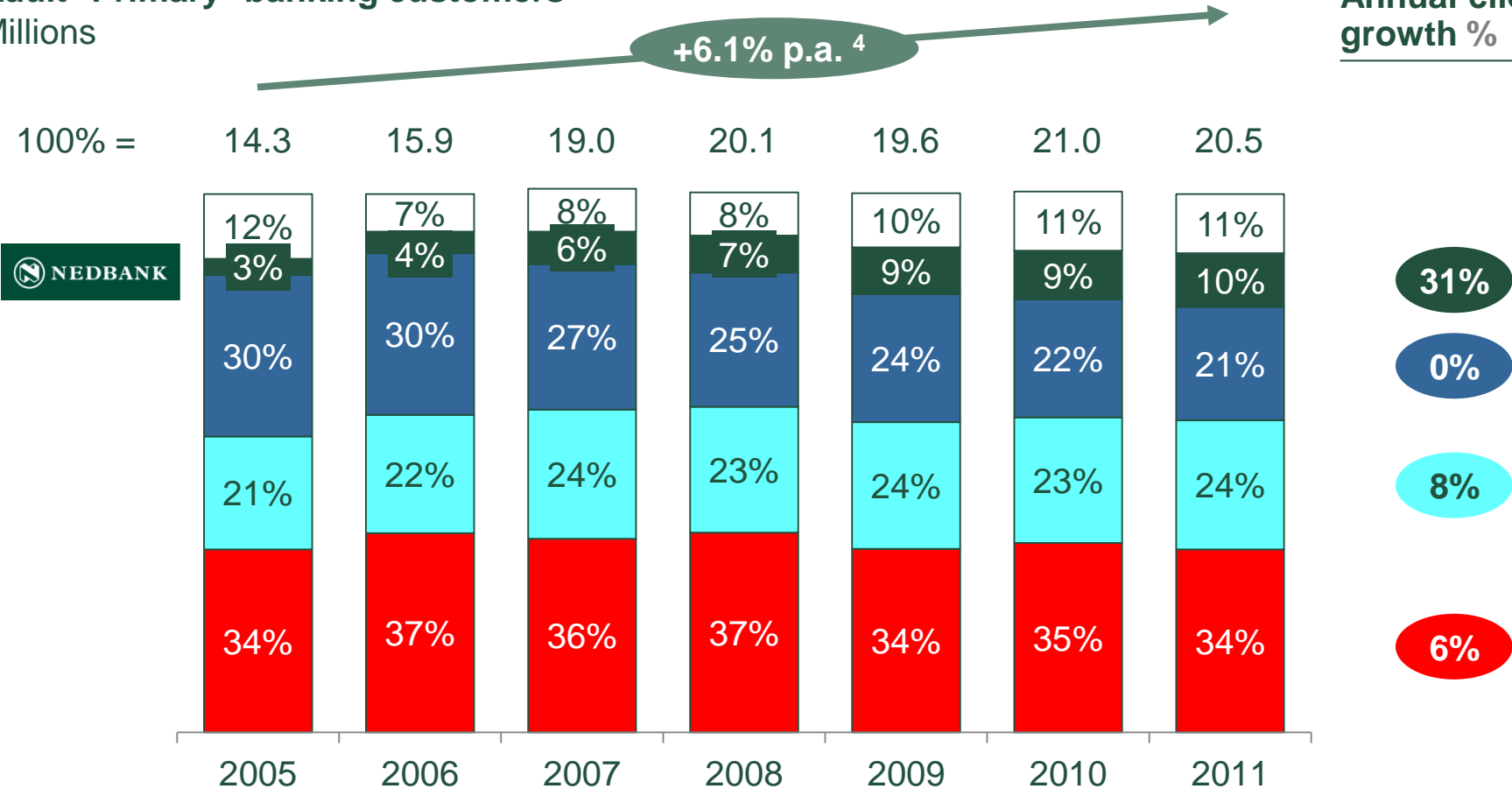
Customer mgt capabilities (CMAT scores)



3 Repositioning Nedbank Retail – re-building the client franchise will take time

Adult¹ Primary¹ banking customers
Millions

Annual client growth %



1 Adult is 15+
 2 Based on who clients perceive as their primary bank to be. Exact question from 2008 onwards is "Who is your primary bank?". 2005 to 2007 data extrapolates primary bank data from question 'Who do you bank with?', and uses respondents that only have one bank (~75% of banked population from 2005 to 2007)
 Sample size of 25000 collected every 6 months
 3 Bank's CAGR for period 2007 to 2011 only
 4 Annual growth in South Africa's primary banking customer base

3

Repositioning Nedbank Retail – strong personal loans growth leveraged for primary client gains across key segments

Strategic principles for Personal Loans

Offered as part of an **holistic client value proposition**, committed to enabling clients' financial fitness

Selective origination by segment to align with strategic intent, and remain within Retail risk appetite

Strong lever to **unlock primary client gains** through cross-sell

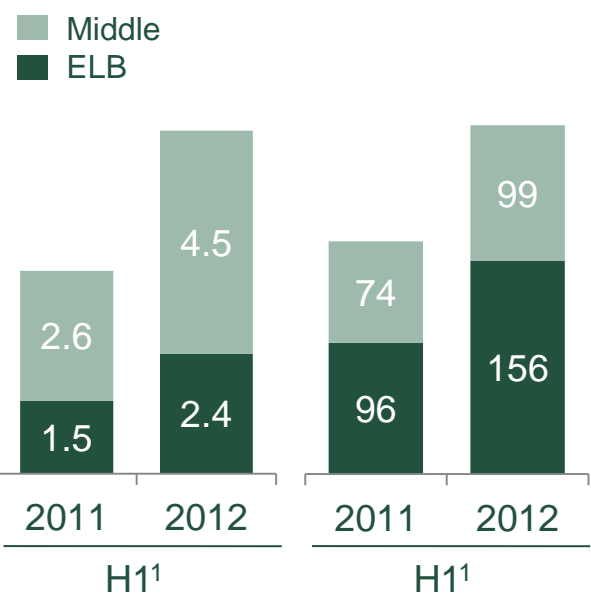
NEDBANK KE YONA
Start building a better life today.

- ➔ Open a pay-as-you-use bank account for R5 a month and get R2 000 funeral cover
- ➔ Get a personal loan from R1 000
- ➔ Open a JustSave account with an opening balance of R50

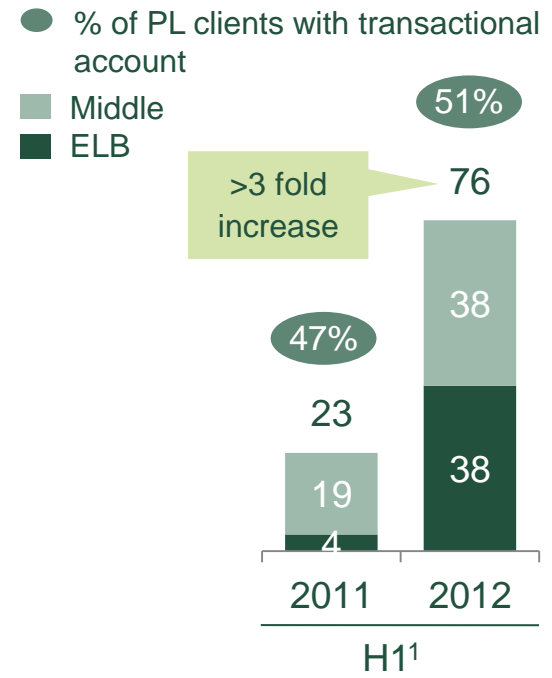


PL payouts

By value (Rbn) By volume ('000)



Growth in PL clients with transactional² account ('000)



¹ H1 reflects growth from Dec to June
² Transactional accounts include current, savings and card

3 Creative innovation around new products, channels & solutions



Nedbank App Suite™
Available from www.nedbank.co.za/nedbankappsuite

360life



INTERNET BANKING
Approve-it™
NEW SAFETY FEATURE

Nedbank launches

MyFinancialLife™

A highly secure, easy to use online personal financial management tool



NEDBANK
small business
FRIDAY™
PARTNERING FOR GROWTH

SimplyBiz.co.za
drive your business success



MyeBILLS



Going to my future my bank



Repositioning Nedbank Retail – translating smaller scale to a strength through integrated channels & micro markets focus

Nedbank Integrated Channels Strategy

Branch



Internet

Mobile



RM

Welcome to Nedbank Contact Centre

where great conversations begin...

ATM

Call centre

Clients **move easily & seamlessly** between their choice of channels

Effective & hassle free service within each channel, **leveraging digital**

Convenient access to relevant channels, while **optimising cost** (relevant mix of format & functionality per location)

Expand / optimise in micro-markets to capture the full potential

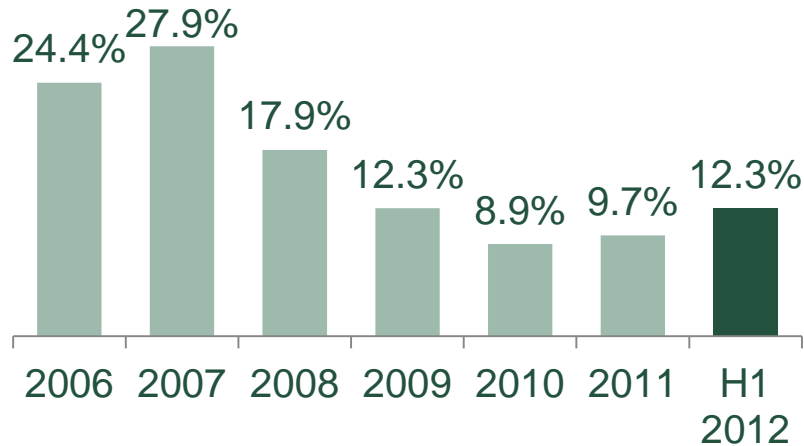
Implementation progress

- **Social media listening centre** launched
- **Integrated Banking System** simplifying front-line fulfilment
- **Cash recycling within areas** improved by ~R1bn per month
- **Branch redesign** in pilot phase
- **Capex payback time** for branch investment halved
- **Expansion in 30 geographic growth nodes** to capture “white space” opportunities
- **Area Collaboration** unlocking **lead flow** within micro-markets

4

A risk mitigated, capital efficient, longer-term expansion strategy into Rest of Africa

Rest of Africa¹ ROEs, 2006 - 2012



Rest of Africa² bank P:B ratios, 2006 - 2012



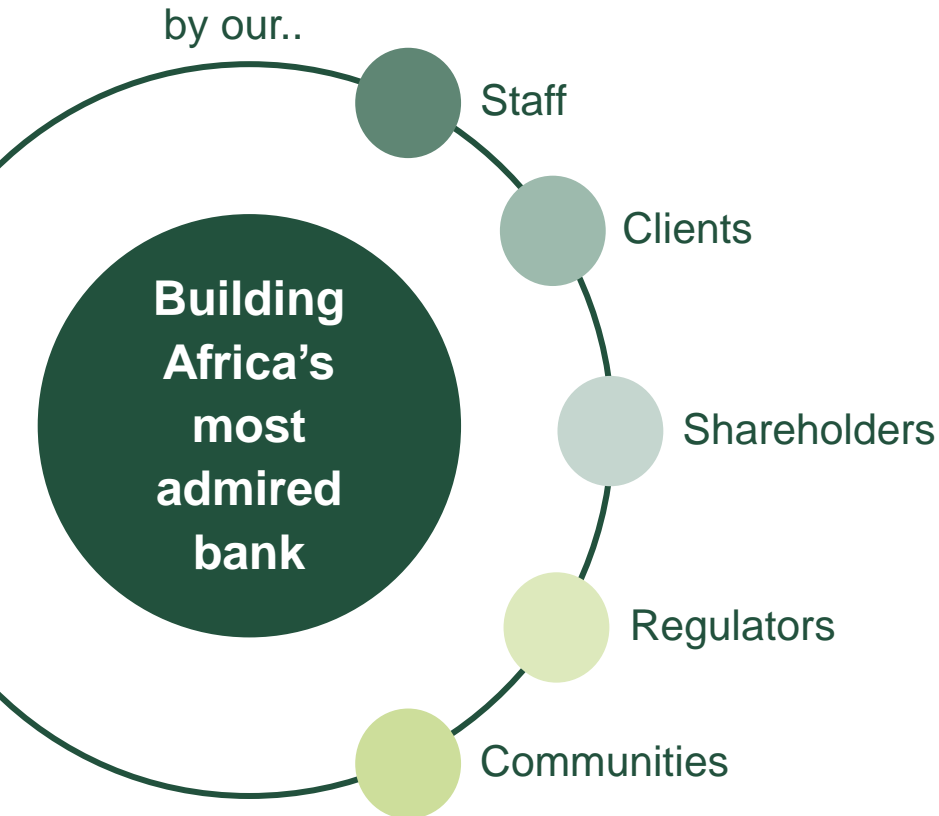
Note 1: Rest of Africa ROE from Big 4 banks

Note 2: Rest of Africa from DB research

- Partnership approach with Ecobank in West & Central Africa:
 - Creating a banking network
 - One bank customer experience across 36 countries
- Provided Ecobank a **\$285m** loan facility, with **rights to acquire up to 20%** equity stake (between Nov 2013 – Nov 2014)
 - Geographic portfolio diversification
 - Prudent upfront capital commitment, aligning to future growth in EP
 - Ecobank – top 3 in 15 countries, 25 years on the ground experience
- **Building Nedbank's presence in SADC**

5

Building a business that is admired by all stakeholders, underpinned by sustainability



- **Vision-led, values-driven**
- Organisational **culture a key differentiator**
- Significant investment in **leadership programmes (L4DG)**
- Early adopter of **corporate performance targets**
- Leadership in **transparent reporting**
- **Good relationship with all regulators**
- Leadership in **environmental matters**
- **JSE's most empowered large company**

Nedbank Group strategy delivering results in a brave new world



5 year - share price relative (US \$)

