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NEDBANK GROUP LIMITED

RMB Morgan Stanley 4th Annual SA banks conference
Defending the retail earnings base

14 May 2015

Philip Wessels (ME: Retail & Business Banking)

Keith Hutchinson (ME: Retail Secured Lending)

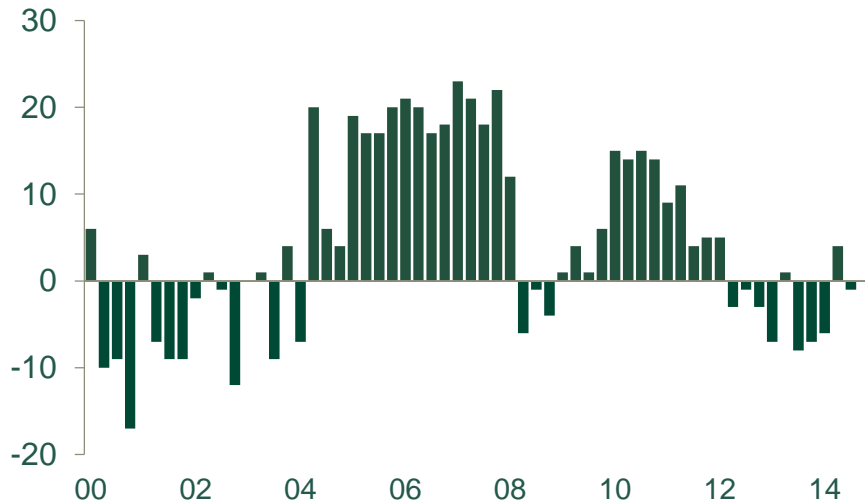
A Member of the  **OLDMUTUAL** Group

Consumer environment remains uncertain

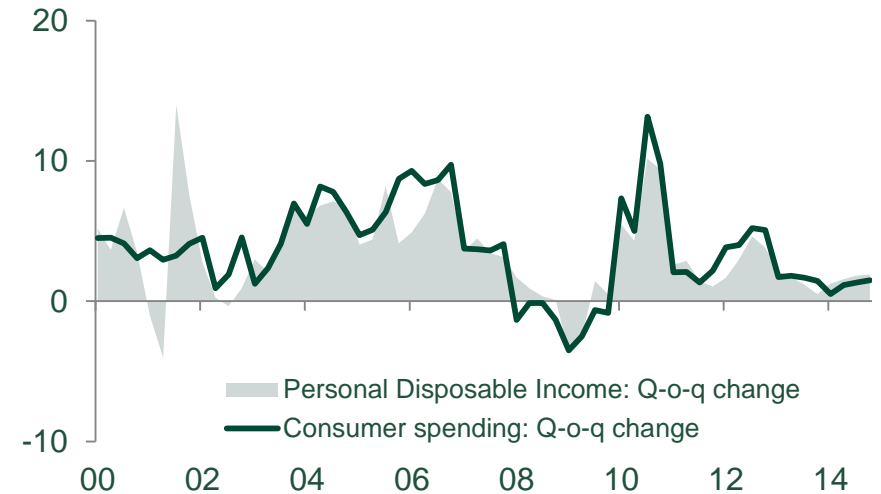
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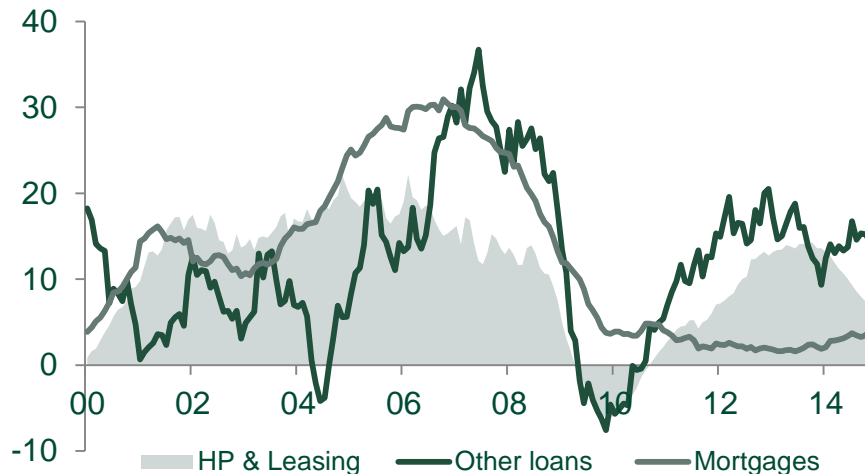
FNB / BER consumer confidence index



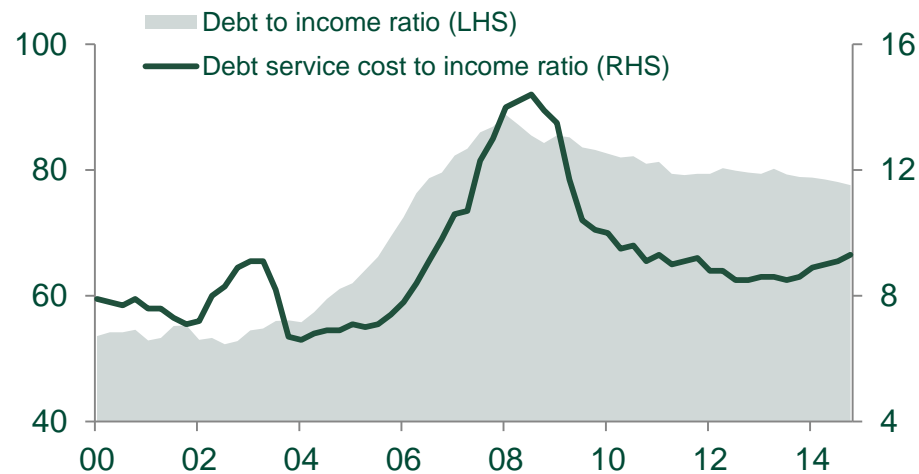
Consumer spending/disposable income



Private sector credit growth



Household debt / Service costs



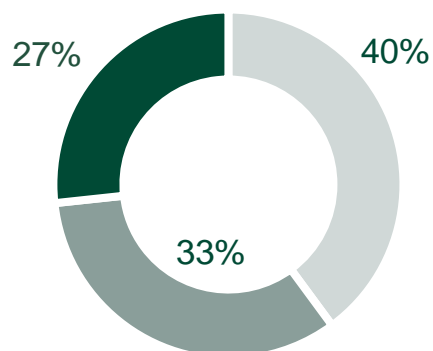
Financial highlights

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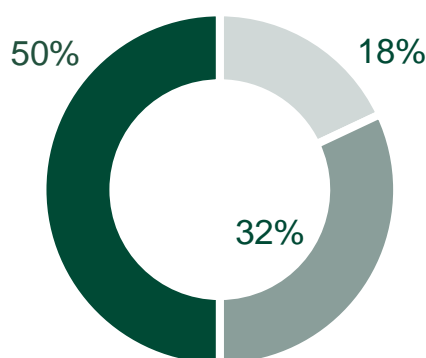


Year ended 2014	% change	Nedbank Retail	% change	Home loans	% change	MFC
Headline earnings (Rm)	15,7	2 937	57,5	485	(1,6)	1 134
Margin (%)		5,91		1,81		4,50
Credit loss ratio (%)		1,70		0,13		1,25
NIR : expenses ratio (%)		69,5		24,3		57,9
Efficiency ratio (%)		61,8		52,1		28,2
Average advances (Rm)	2,6	197 968	(2,0)	79 036	12,9	66 130
Average deposits (Rm)	9,6	110 541		1		44
Allocated economic capital (Rm)	0,9	22 109	(0,6)	3 908	(0,4)	7 202
ROE (%)		13,3		12,4		15,7

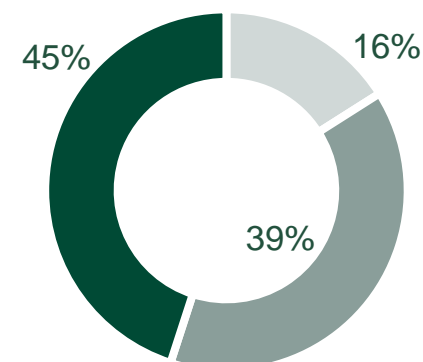
Average advances (%)



Allocated capital (%)



Headline earnings (%)



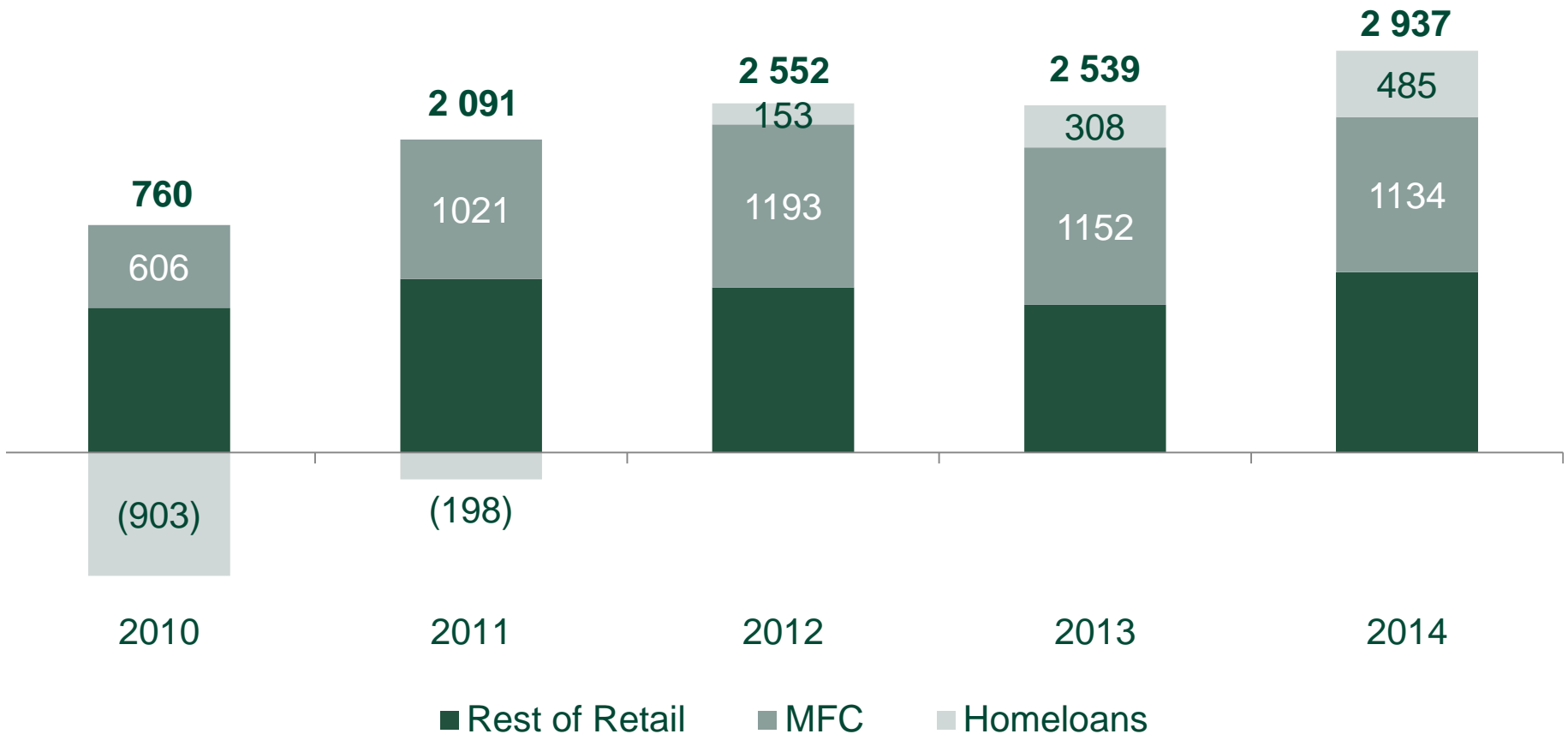
Homeloans & MFC strong earnings contributors

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Change in headline earnings distribution

Headline earnings (Rm)



Headline earnings excluding RRB & Wealth

Selective growth creating sustainable value



Home Loans

Property market trends per income segment

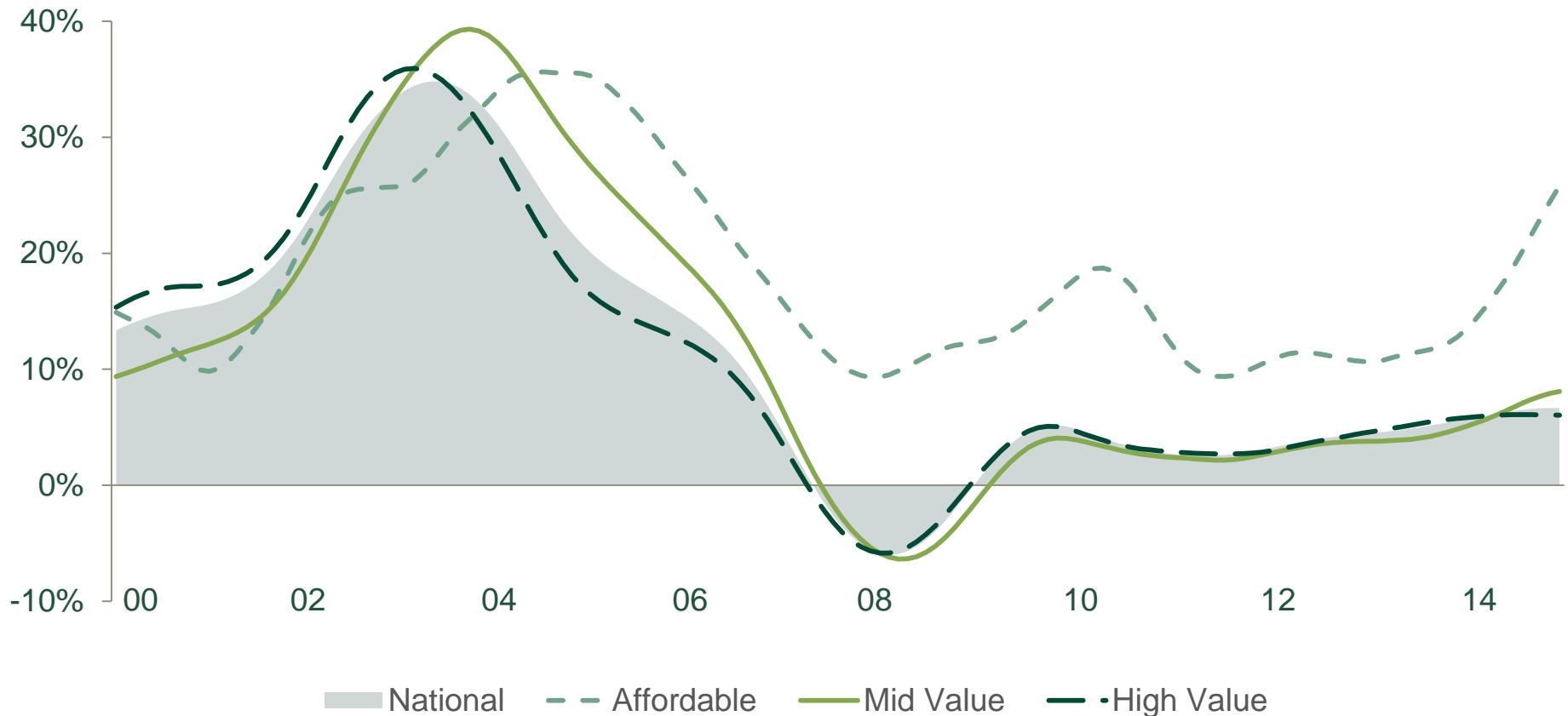
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National House prices showing signs of gradual improvement

Lightstone House Price Indexes

Y-o-Y growth rates (%)



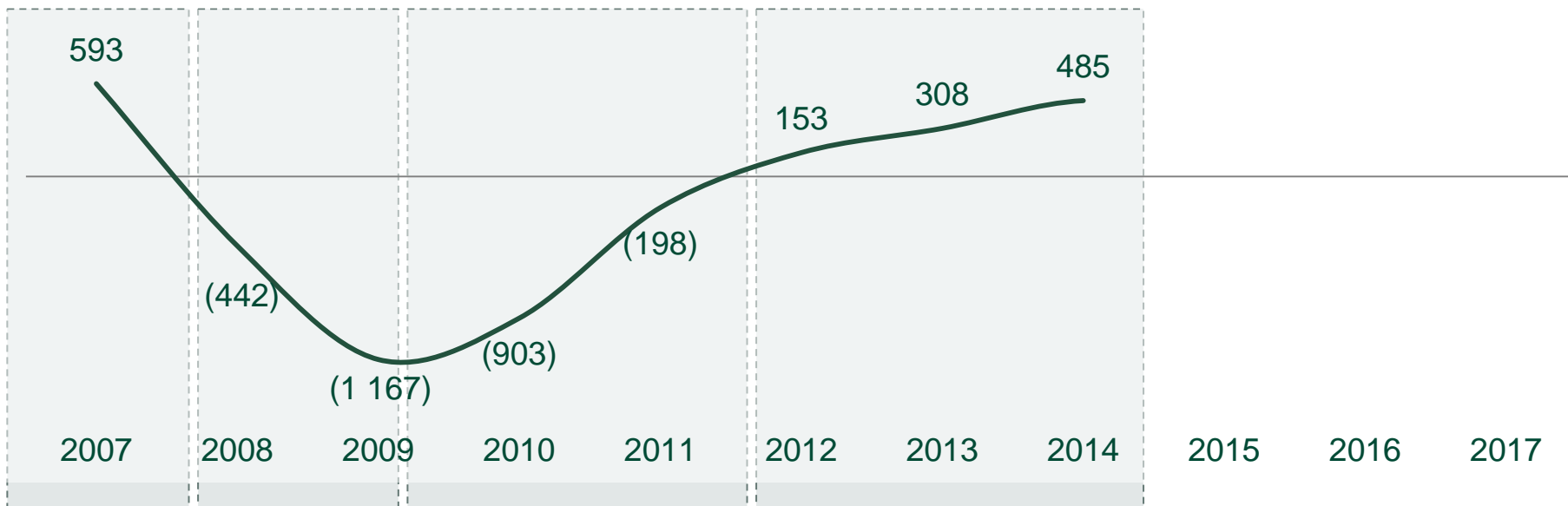
Affordable: Value $\leq 250\,000$ | Mid Value: Value $> 250\,000$ and $\leq 750\,000$ | High Value: Value $> 750\,000$ and $\leq 1\,500\,000$

Business model implemented to address underperformance on risk & profitability

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Home Loans¹ Headline Earnings, R'm



Growth

- Back book
- High growth rate in high risk business
- 108% LTVs
- Majority mispriced
- Findlay Fraud
- NPL book > R12.5bn
- Inadequately provided
- CLR > 2.5%

Stress

Remedial

- HL C&R department restructure
- Credit policy & LTV changes
- Stricter affordability criteria
- Pricing changes
- NAS and Restructures

Stabilised

- HE positive for first time in 4 years
- Building sales capacity
- Further pricing improvements
- Digital channel

Prospects

- Maintaining a consistent approach in originating higher quality business,
- largely through own network at competitive margins,
- whilst enhancing delivery channels & processes
- to further improve customer experience and unlock efficiencies and value.

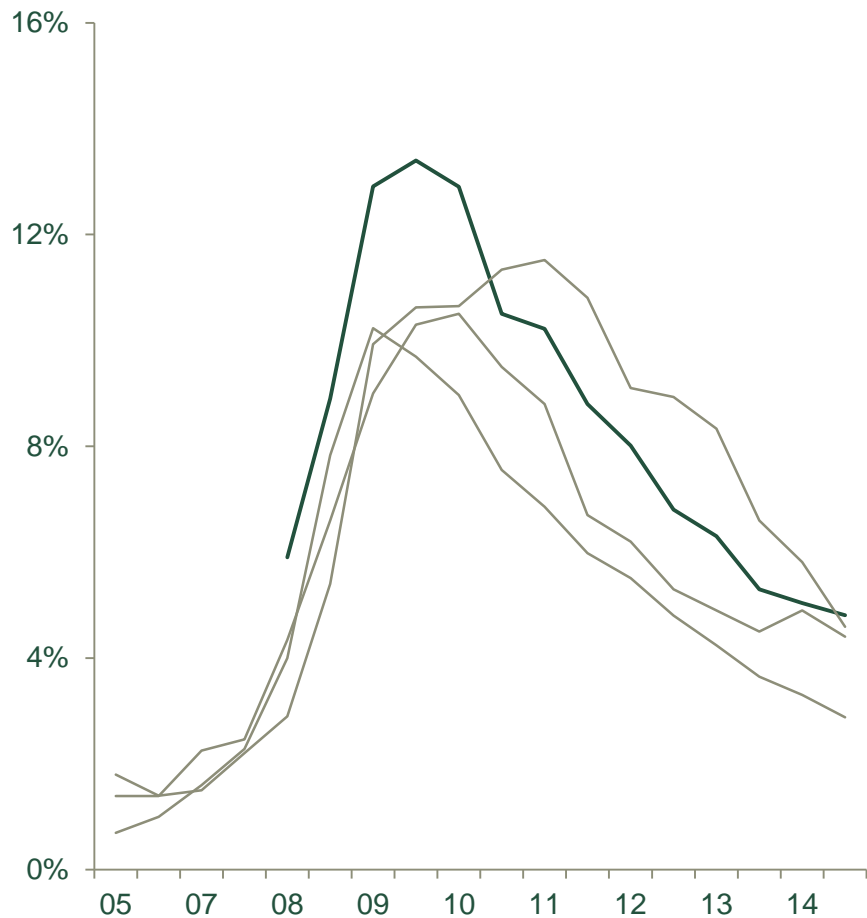
Improved risk metrics

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Compared to peers our 2008-2010 performance was adversely impacted by weaker 2006-2008 vintages. Early remedial actions taken in Home loans business has led to good recovery in NPL & CLR.

NPL Ratio



Credit Loss Ratio



NPL Coverage Ratios



— Nedbank

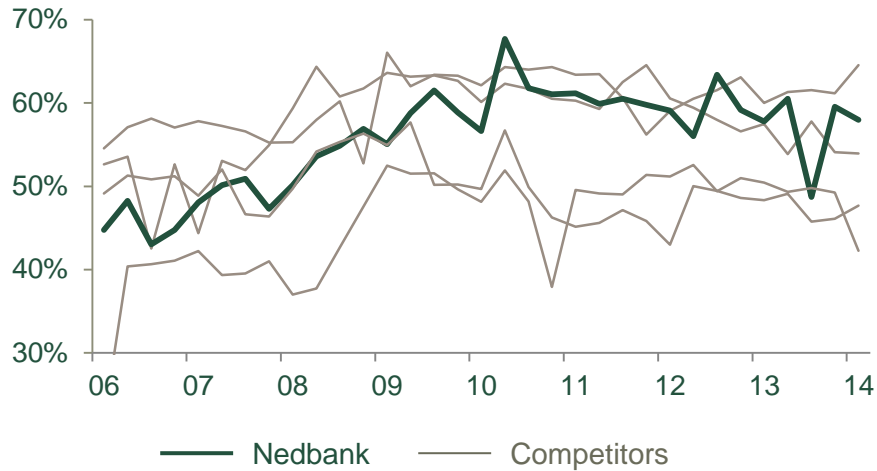
— Competitors

Low risk profile of new business registered

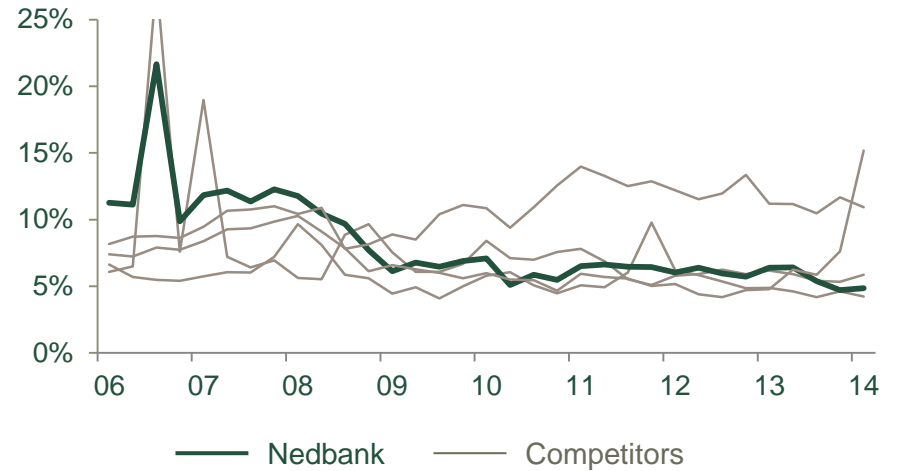
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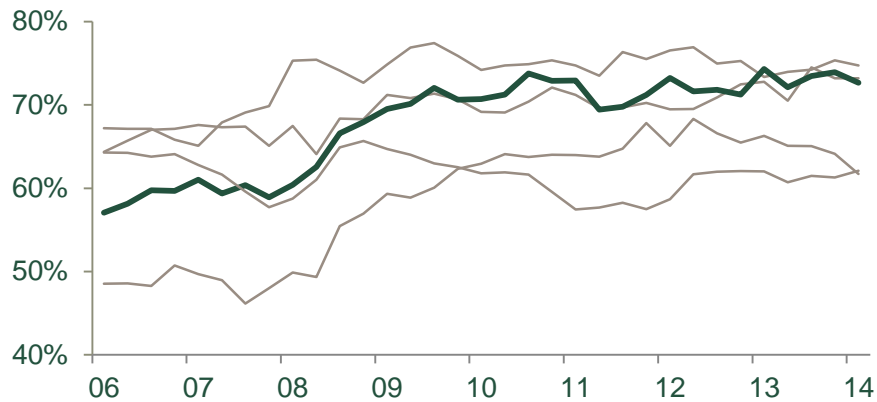
% Low risk customers based on Experian Delphi Score



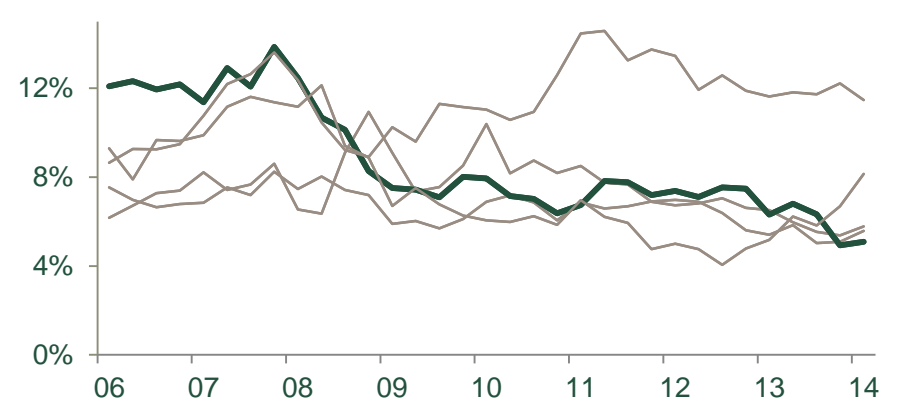
% High risk customers based on Experian Delphi Score



% Low risk properties based on Lightstone's Risk Quality Grade



% High risk properties based on Lightstone's Risk Quality Grade



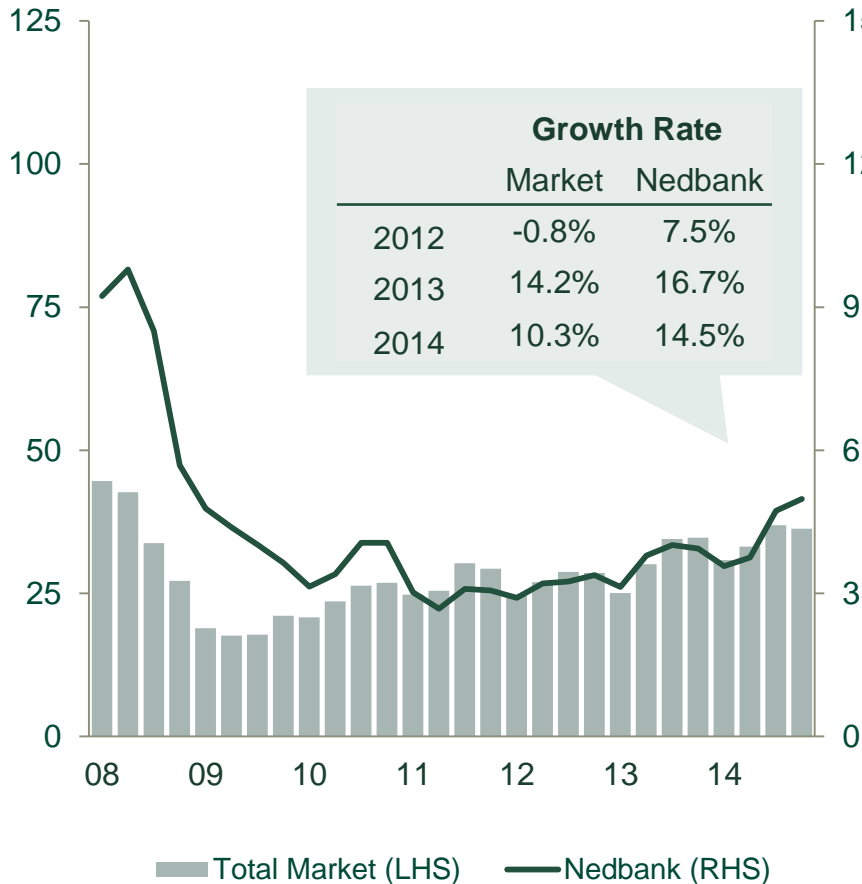
Increased share of new business while originating good quality assets

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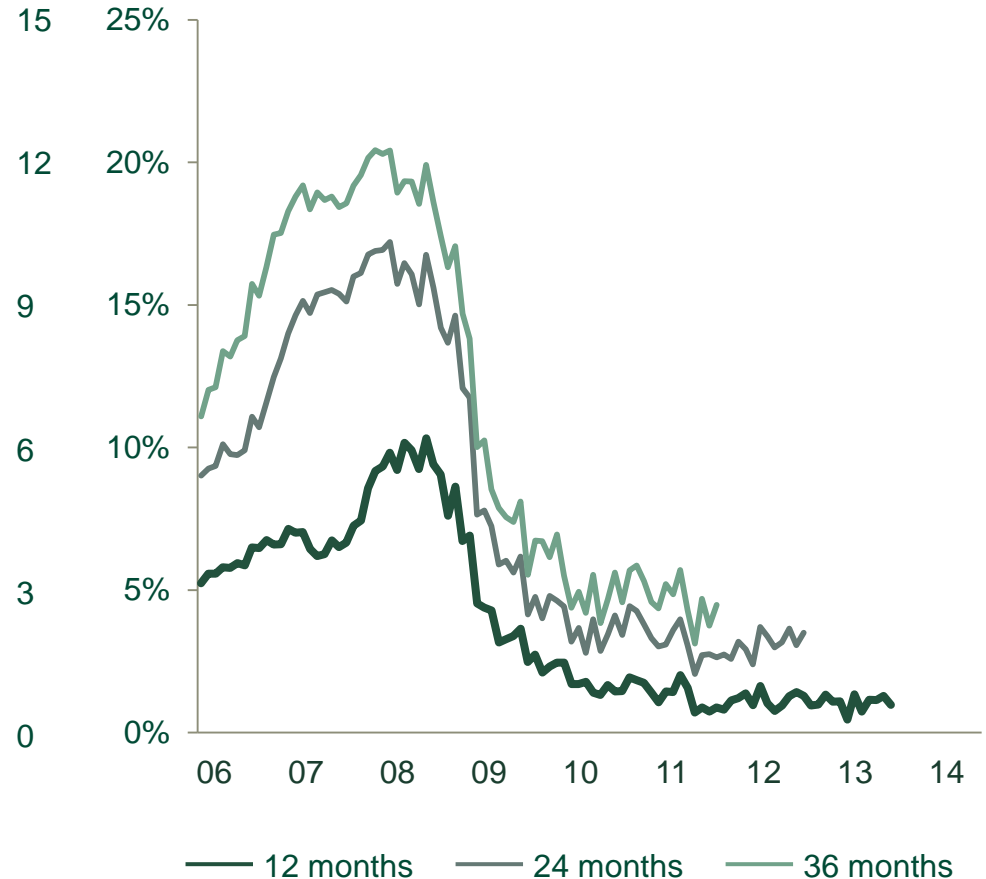
New Mortgage Advances (R'bn)

Total Market¹ (Rbn) (LHS)
Nedbank² (Rbn) (RHS)



New Mortgage Vintages

Default vintages (%)



1. NCR Consumer Credit Market Report
2. Nedbank Home Loans - Internal MIS department

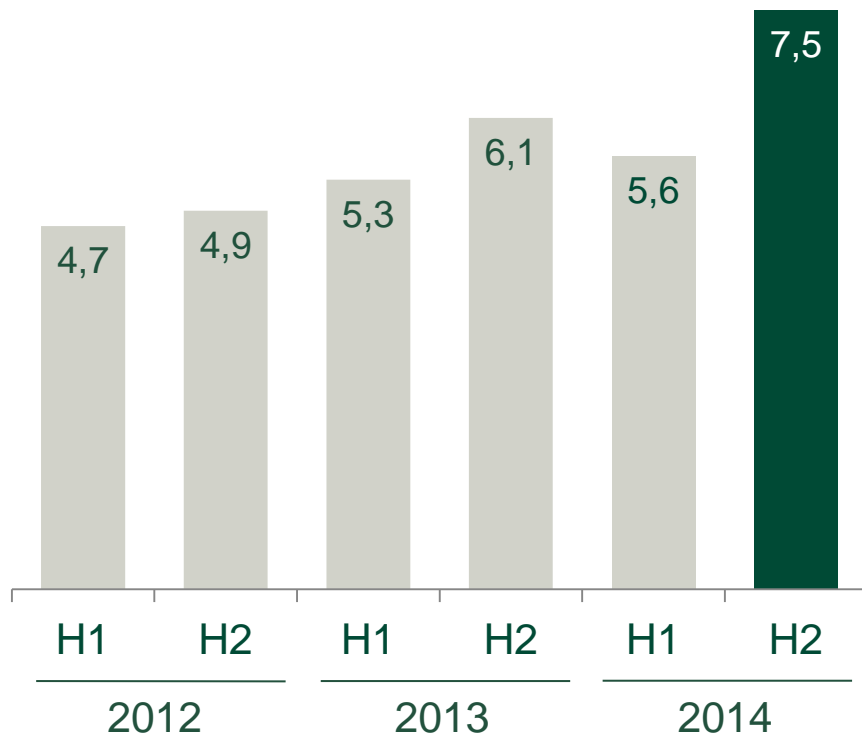
Quality asset growth at risk-adjusted pricing

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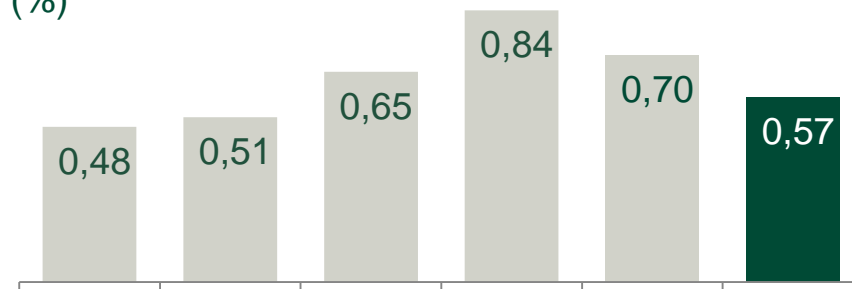
Asset payouts increasing

Asset payout size
(Rbn)



Risk-adjusted pricing

Pricing on new book¹
(%)



CLR²
(%)



1. Client premium relative to prime with home loans excluding staff & re-advances

2. H2 CLR for the period Jul - Dec (not full year CLR) for total book

Digital innovation

Home Loans digital (online) channel

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Product / Service delivery overview

- Home loans enables online applications & the receipt of the credit response / bond approval an average turnaround time of 3 hours
- The channel has dedicated processing teams giving the application priority within the work queues

Client benefit

- Access anytime, anywhere on tablet, laptop or personal computer
- Paperless process from end to end as supporting documents can be uploaded online
- Quick navigation with dynamic fields & additional tips to help throughout the form
- Clients can retrieve their application forms using a secure username & password
- Regular automated status updates are sent to clients throughout the application process



Financial benefit

- Registered over R2bn through the online channel since inception (Sep '12)
- Channel currently contributes 10% of total granted business
- Channel attracts a high volume of non-Nedbank clients (approx. 50% of granted business on a monthly basis)
- Generally better risk quality

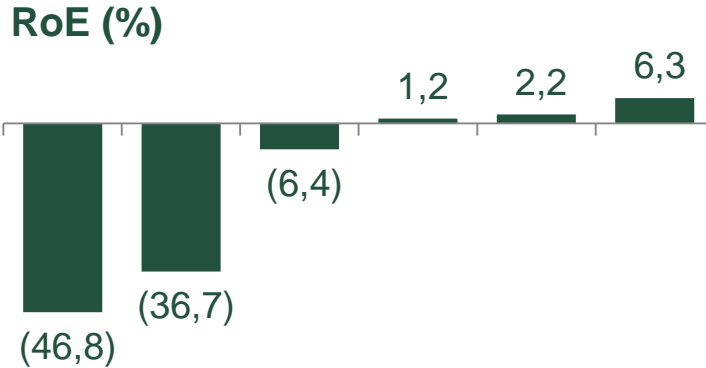
Front book growing profitably, back book improving returns

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Back book¹

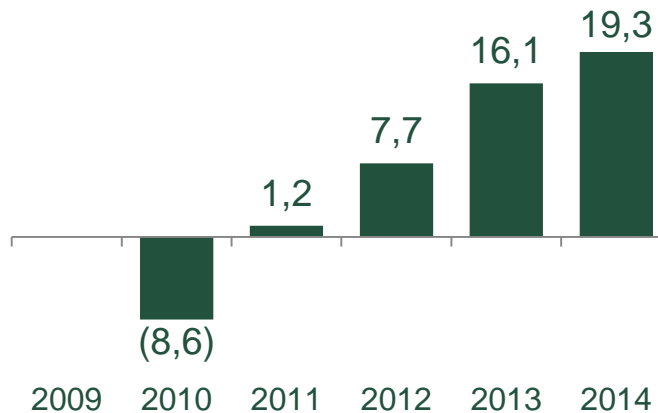
R43bn:
Loss of
R732m since
2009



- RoE dilution: 7% from mis-priced advances & 1,8% as no insurance commission received
- 7.3% NPL ratio (27,8% coverage)
- Total balance sheet impairments 3,1%
- R4,4bn restructures (still on book) with 12% coverage (R3,3bn performing)

Front book¹

R38bn:
Profit of
R789m since
2009

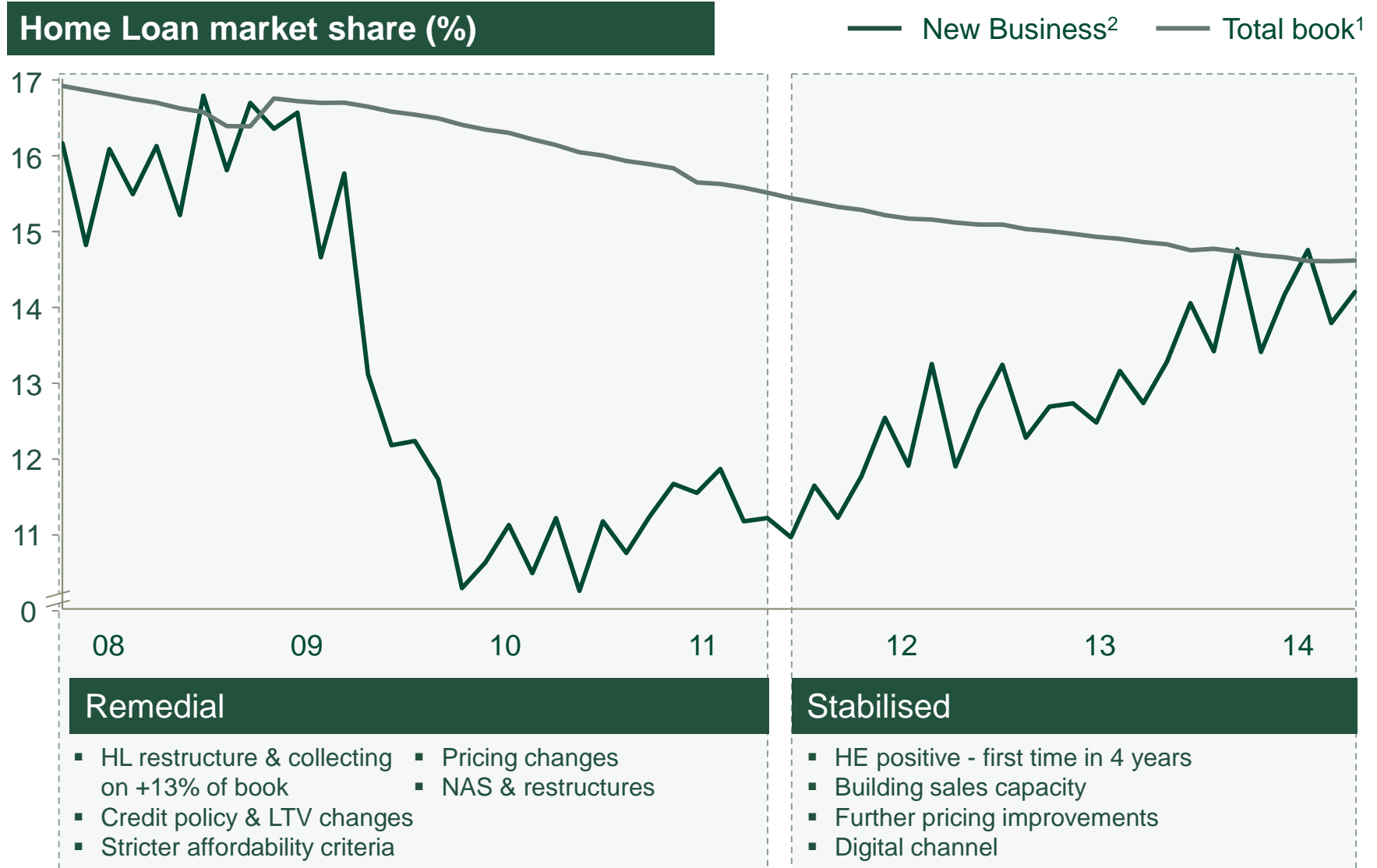


- Priced for risk & better quality
- Origination via own channels (79% from existing clients; 10% online)
- 2.6% NPL ratio (22,7% coverage)
- Total balance sheet impairments 1,2%
- R1.2bn restructures (still on book) with 13% coverage (R0,8bn performing)

¹ Average Retail Home loan book excluding Retail Relationship Banking & Business Banking

Nedbank's share of new home loan business

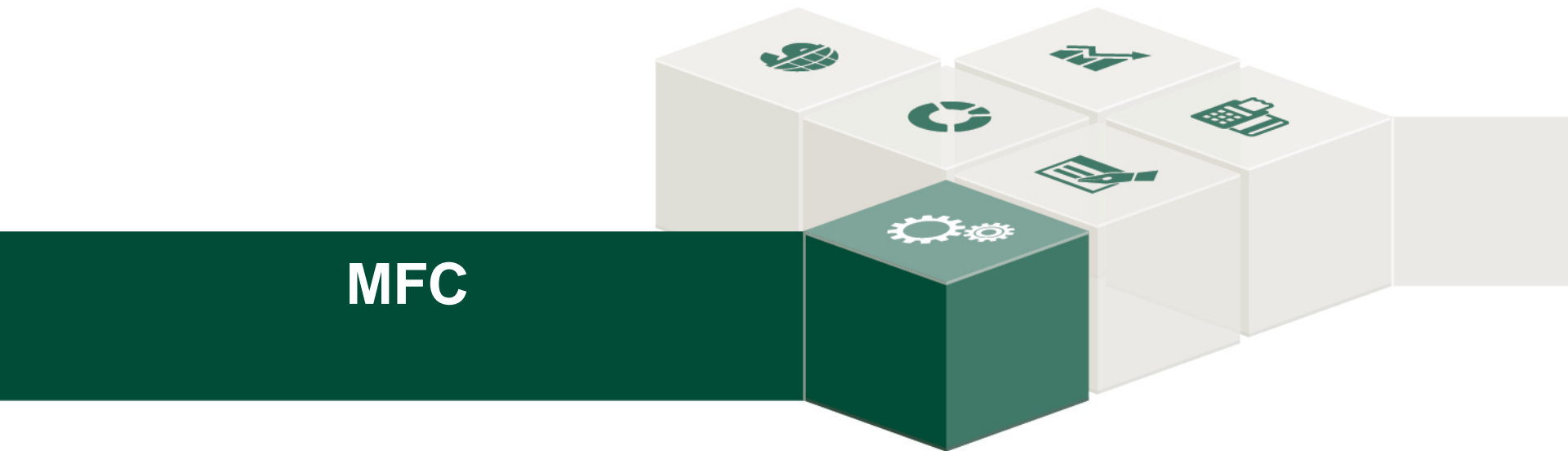
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1. Total Nedbank Group residential book market share

2. New business m/share estimates from July 2013

Unique positioning enabling consistent performance in a competitive environment



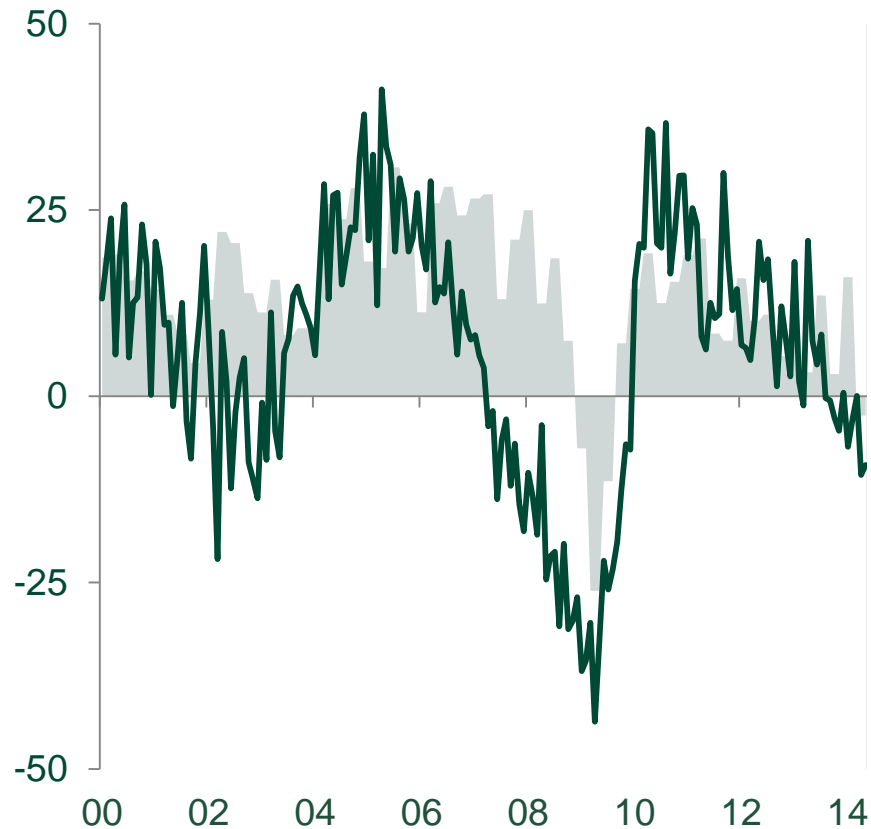
Strong correlation between vehicles sales & GDP, used vehicles & interest rate cycle

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New vehicle sales & GDP

■ GDP growth (%)
— Vehicle Sales growth (%)



Used vehicles & interest rate cycle

— New %
— Used %
— Prime Rate %

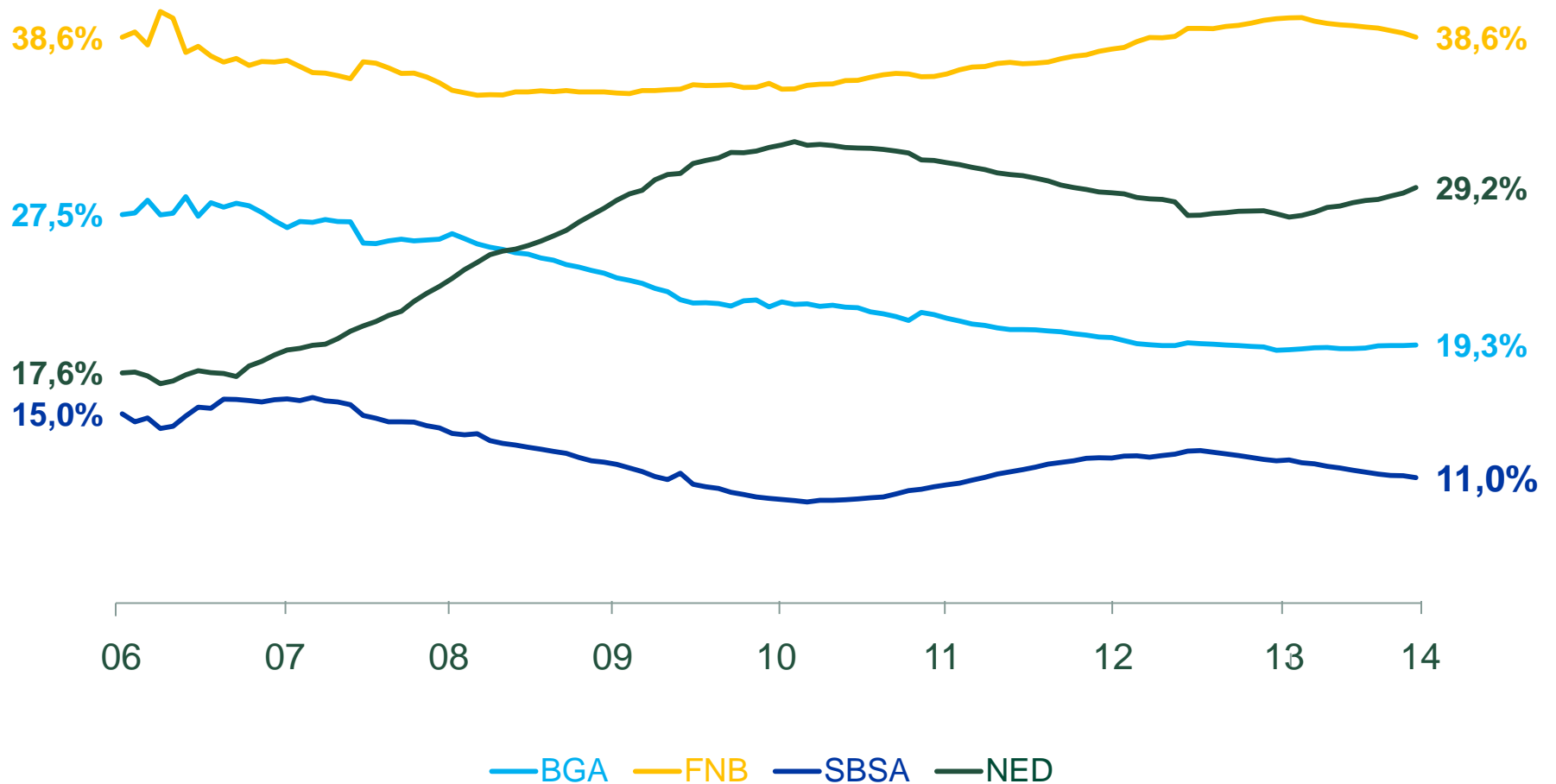


MFC a key market player providing an element of counter-cyclicality

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Market share (%)



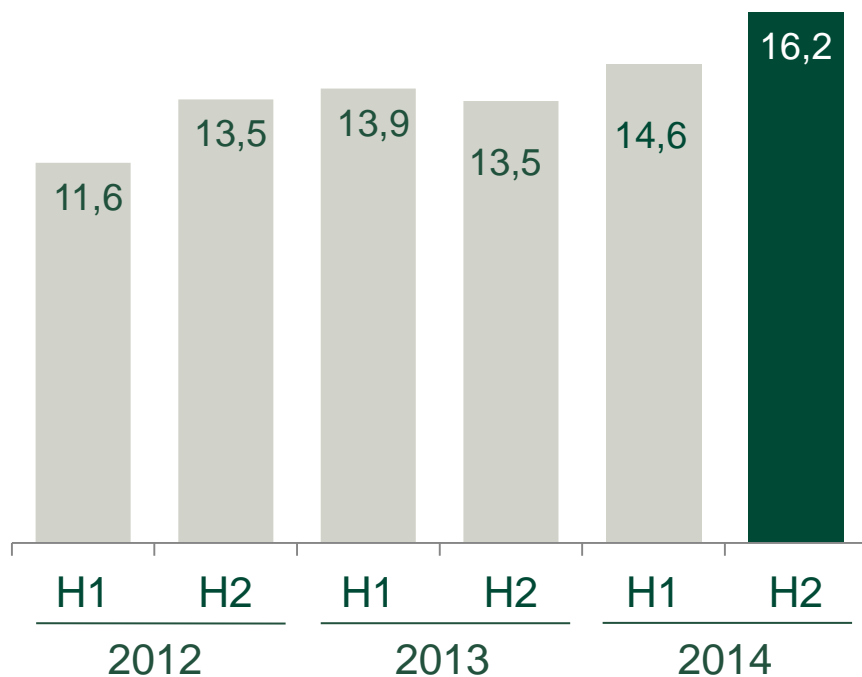
Quality asset growth at better risk-adjusted pricing

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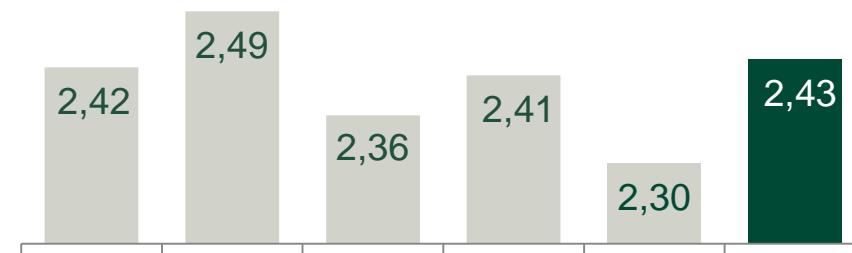
Asset payout increasing

Asset payout size
(Rbn)

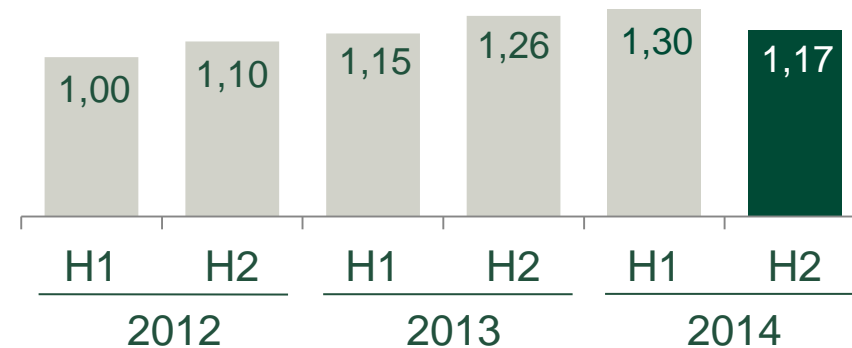


Risk-adjusted pricing

Pricing on new book¹
(%)



CLR
(%)



¹ Client premium relative to prime

² H2 CLR for the period Jul - Dec (not full year CLR) for total book

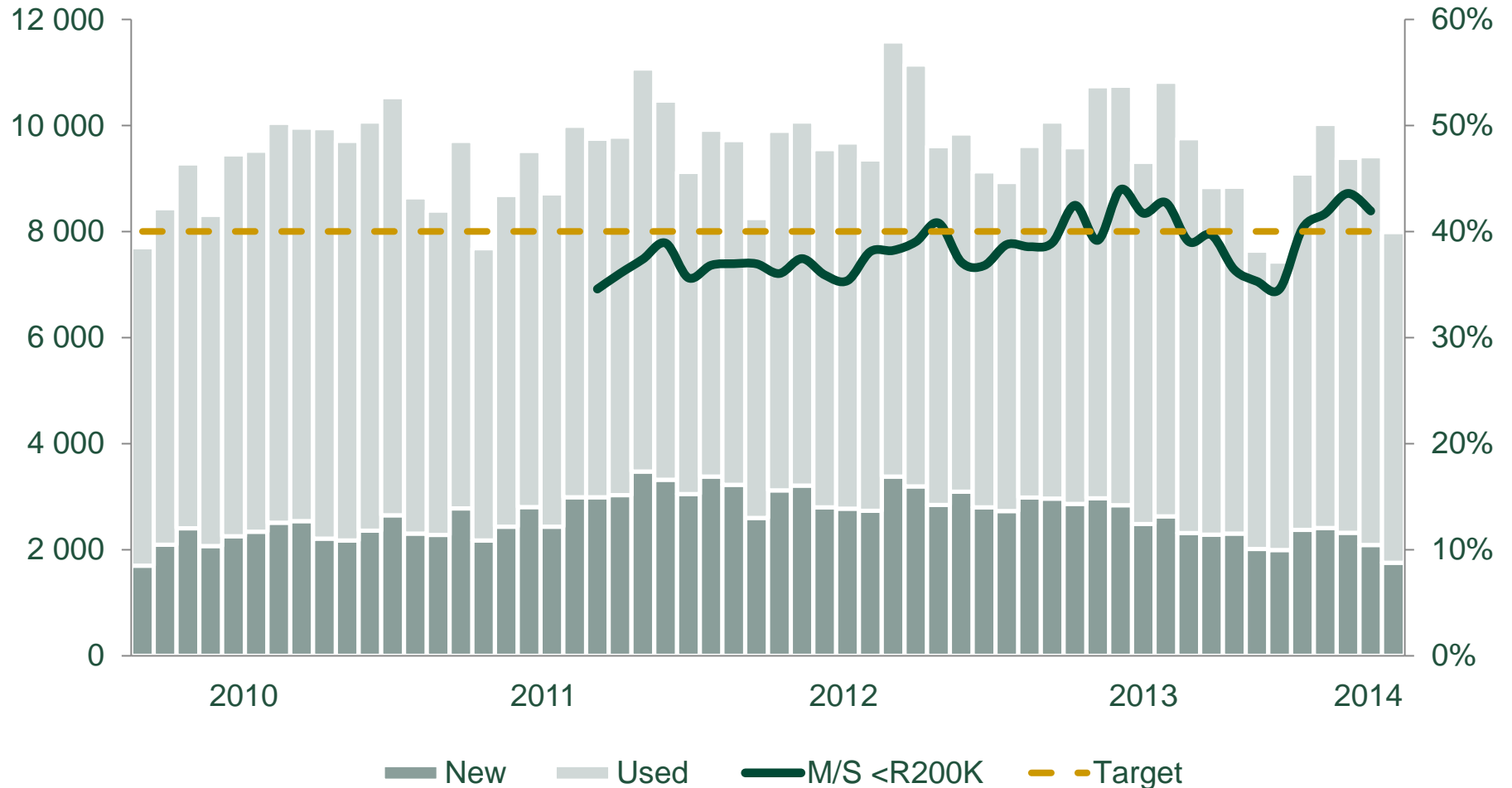
High market share in ≤ R200 000 segment

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vehicles financed

%



Source: Transunion

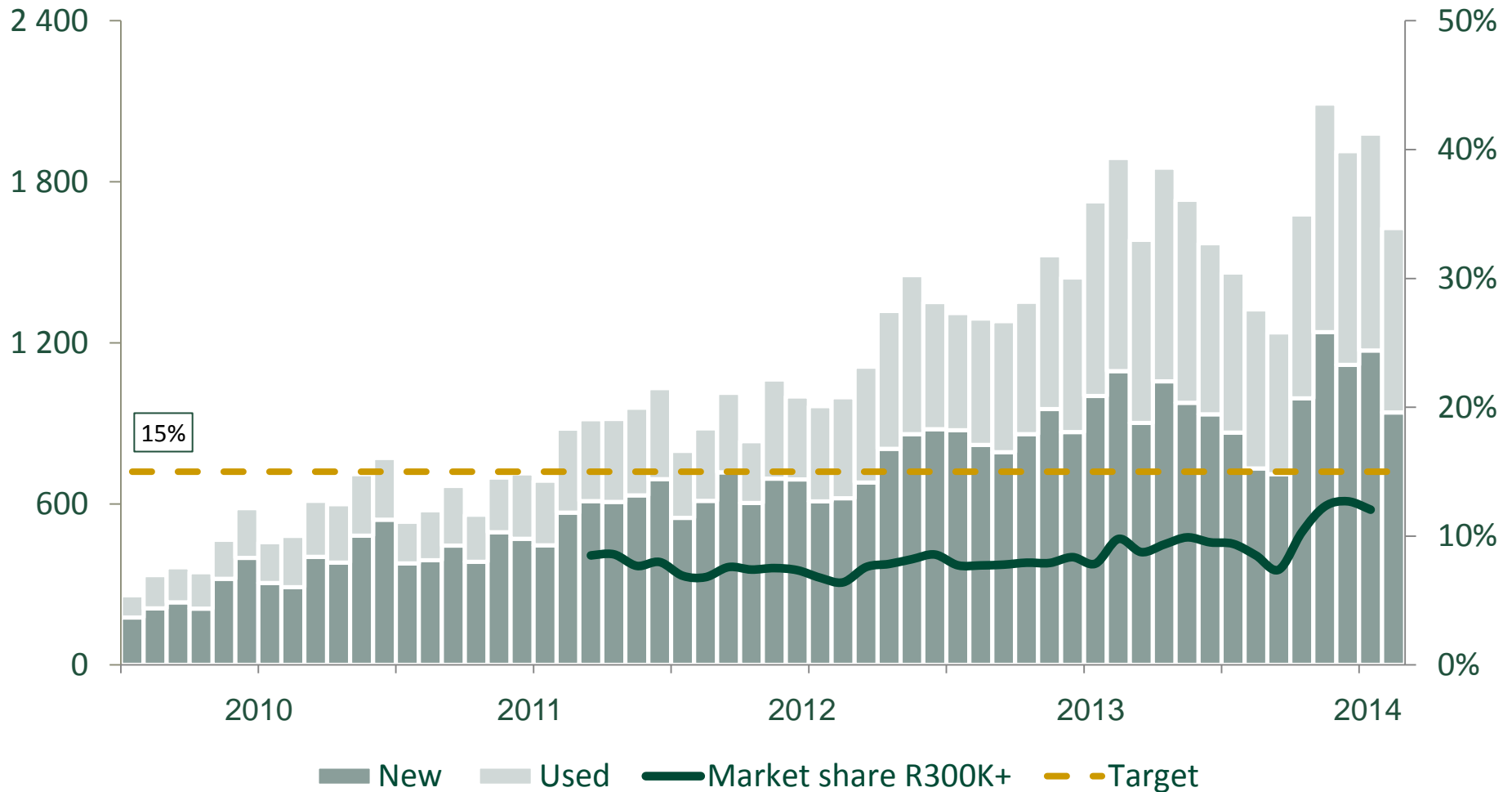
Opportunity to expand in \geq R200k segment

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vehicles financed

%



Source: Transunion

MFC digital innovation & process improvements

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MFC website

Objective

- Improved content
- Education of clients & rehabilitation options
- Online self-service forms for aftercare



Home

Car Finance Guide

Calculators

Manage My Account

Payment Problems

Auctions

Frequently Asked Questions

For Dealers

New
visitors
290,246

Returning
visitors
235,562

Average
43,817
visits per
month

Collections system (Vertigo)

Objective

- Replace five collections systems with one best-of-breed platform

Benefits

- Fully integrated, single front & back end solution for full lifecycle of account
- Consolidation of client information
- Cost saving & increased productivity
- Standardisation maximises efficiency
- Enables a client view of exposure

Business applications (Fox)

Objective

- Replace new application system

Benefits

- Reduce financial risks & costs
Cloning/Double discounting
- Improve efficiencies - 54% on Straight through processing (STP)
- Improve data accuracy - full Audit trail & MI Reports

NATIS certificate management

Objective

- Manage, administer & process NATIS certificates including receiving, storing, tracking, releasing and reporting.

Benefits

- Reducing financial risks & costs. Cloning/Double discounting
- Improving operational efficiencies / Reducing manual interventions
- Improving data accuracy & client service. Full audit trail & MI Reports

Store
692,000
original NATIS
documents

Request
Online
application to
request
duplicate
NATIS

Prevention
Ability to
validate title
holder of
vehicle
electronically

Growth underpinned by strengthening transactional banking franchise



Retail growth strategy

Key focus areas for growing transactional franchise

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INTEGRATED CHANNELS

DIGITAL INNOVATION

Mobile in everything we do Single Client Portal

Including new features on the AppSuite, Great UX, most secure, taking ideas to market effectively

PROCESS

Simplified Client On-boarding

More consistent, client-friendly and cost effective processes across all Products

Creating a seamless experience across all channels including Mobile & Digital

LOYALTY & REWARDS

Evolve Greenbacks to client-centred programme across all products

WINNING CVP's

Simple, client-centred Ke Yona, Nedbank4Me, DeSign, Savvy, Optimum, Professional, SBS & BB

Levers to grow main-banked clients

- Quality acquisition
- Improved retention
- Deeper transactional penetration
- Improved activity
- Cross-sell

Marketing that resonates: Build the brand promise & show effective return

People & Capability: Client-centred culture

Enabling technology: Agile capability and prioritisation

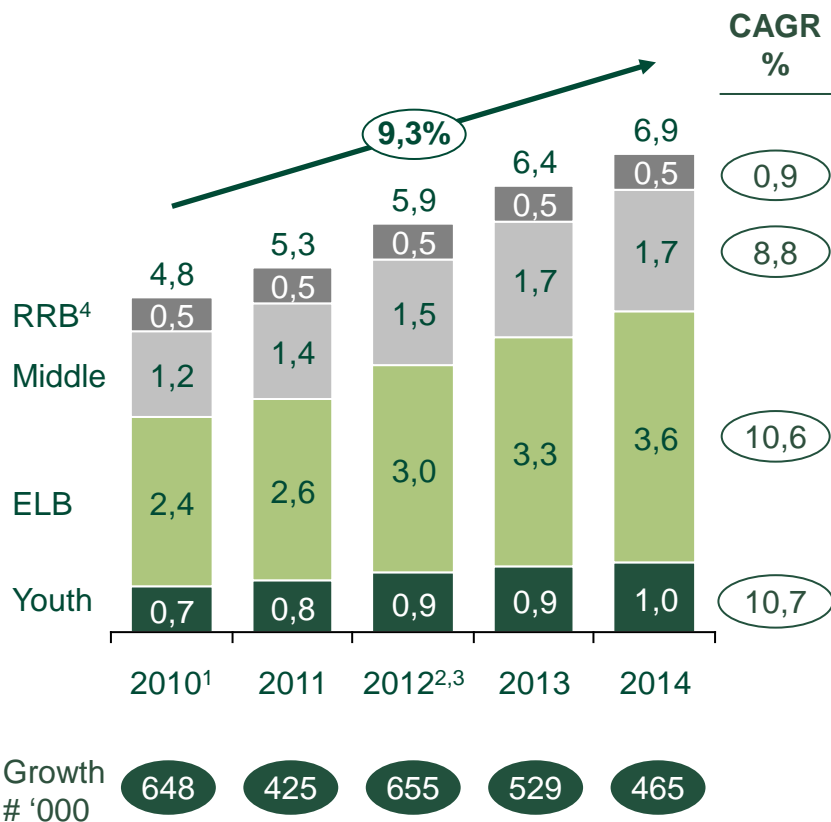
Enabled by..

Transaction banking growth underpinned by client gains & increased cross-sell

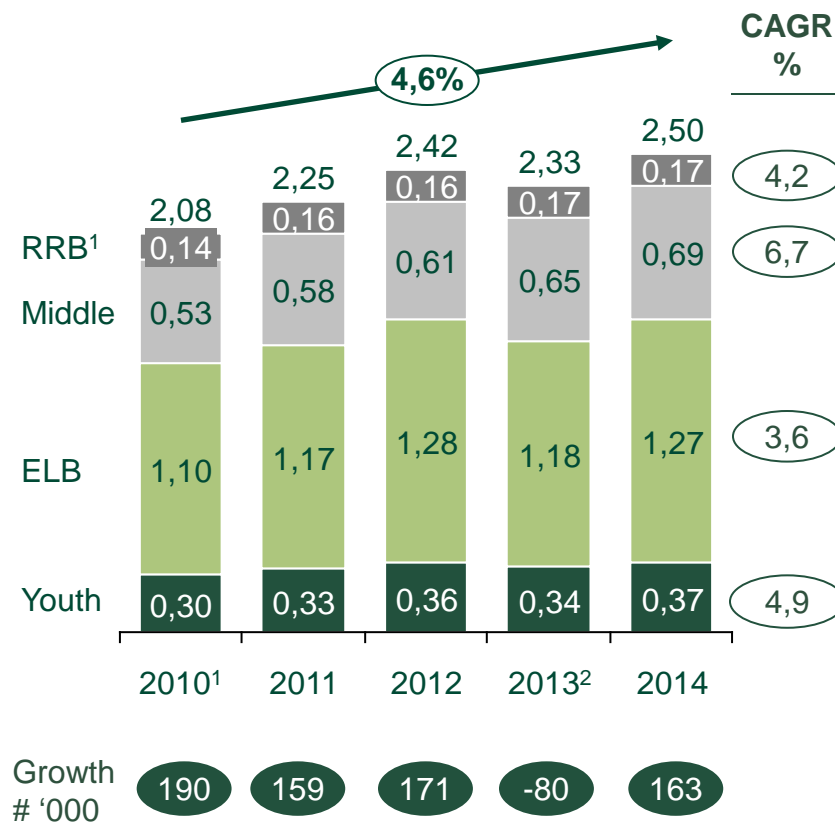
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Number of total clients
'millions



Number of main-banked clients
'millions

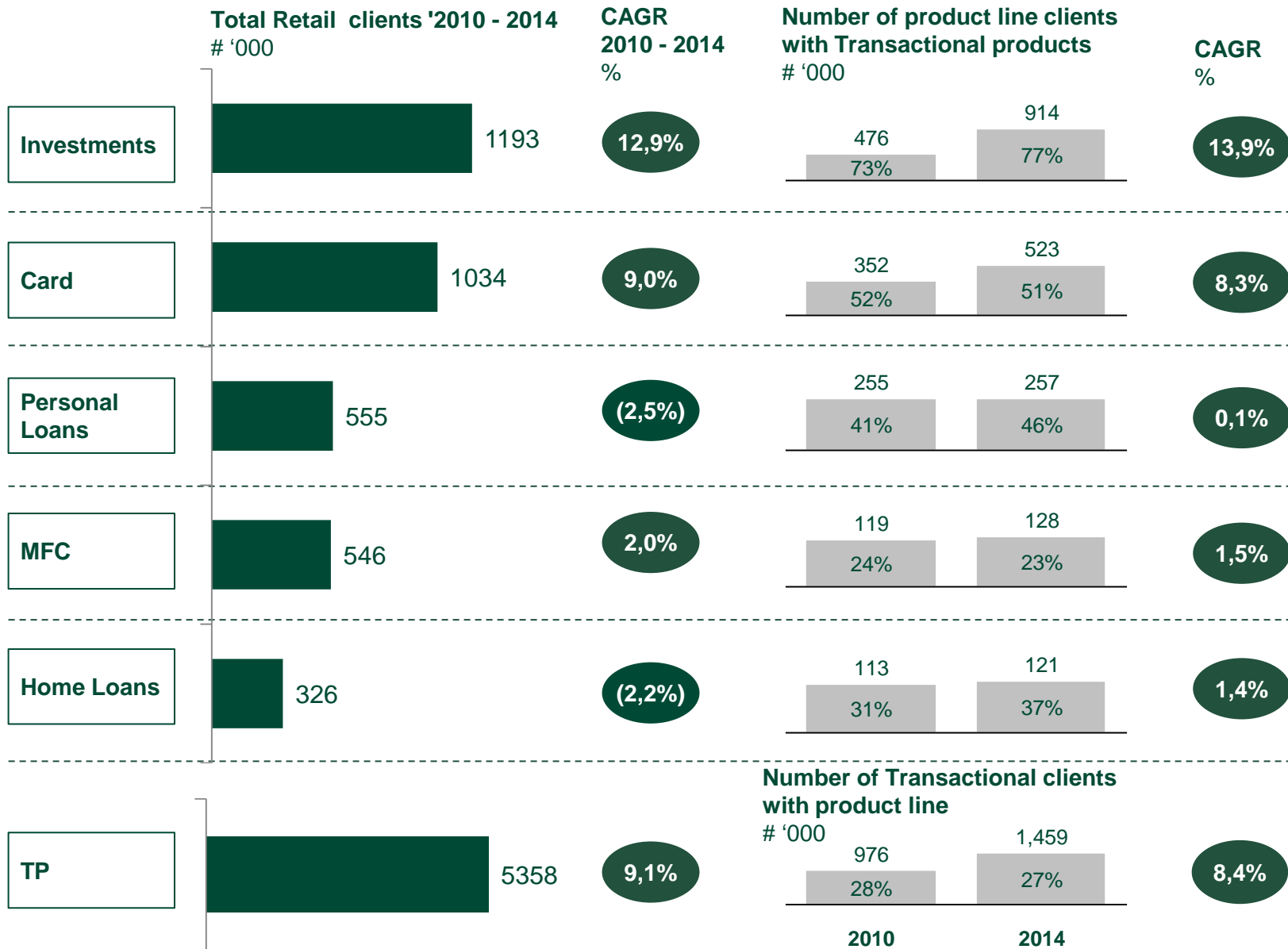


1 2010 includes 264K clients acquired as part of MFC
 2 Acquired approximately 49k customers from Ackerman's base (Jan'12)
 3 Client base restated, by approx. -18k, from Dec'12 to current date
 4 "RRB" includes segments: SBS, Upper Middle and NRNI

1 "RRB" includes segments: SBS, Upper Middle and NRNI
 2 Decrease in 2013 due to SASSA clients reducing their activity.

Increasing cross-sell in key transactional banking product lines

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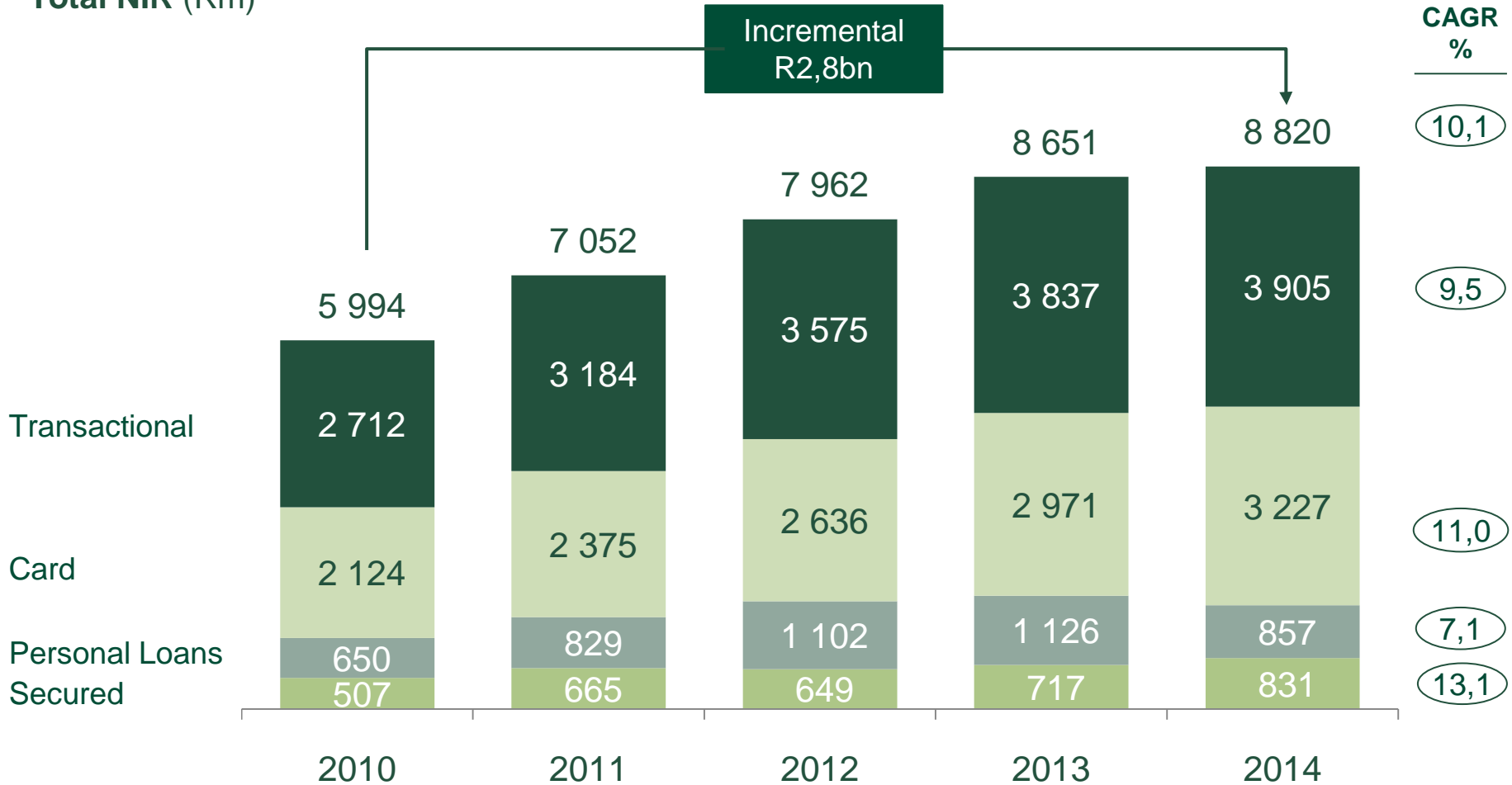
Continued NIR growth momentum underpinned by client gains & increased cross-sell

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NIR growth of 10,1% CAGR despite slowing personal loans & keeping fees flat

Total NIR (Rm)



1 Reflects all pricing uplifts. Net average annual fees increase equates to 3,5%
 2 Reflects volume related drivers
 3 Includes MFC fair value accounting movement of -R97m & saswitch & other of R92m

Contact us

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