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GROUP

NEDBANK GROUP LIMITED

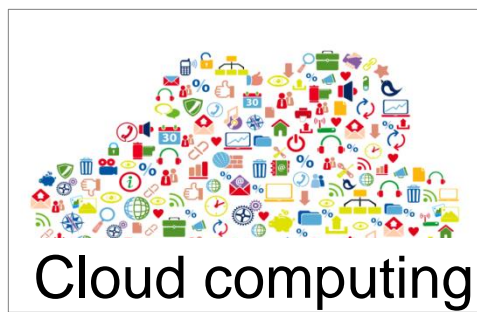
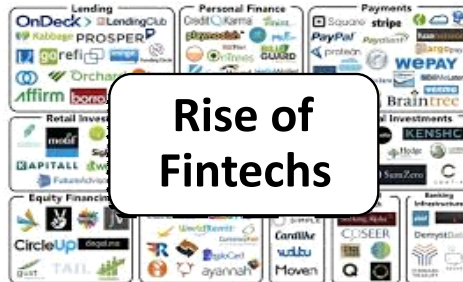
**19th Annual UBS South African
Financial Services Conference**

The Technology Frontier

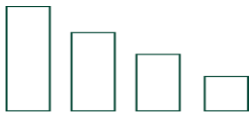
13 October 2016

Fred Swanepoel, CIO

A Member of the  **OLDMUTUAL** Group



Macro themes driving change in banking



Cost efficiencies



Changing client expectations



Increasing innovation



Changing banking environment



How we have chosen to orientate ourselves

RUN the Bank

- Secure
- Available
- Scalable

TRANSFORM the Bank

- Rationalise, standardise & simplify IT systems
- Digitise existing technology & operations

DIGITAL FAST LANE

- Leverage existing digital assets
- Fintech opportunities
- Disruptive technologies

Maintaining operational excellence

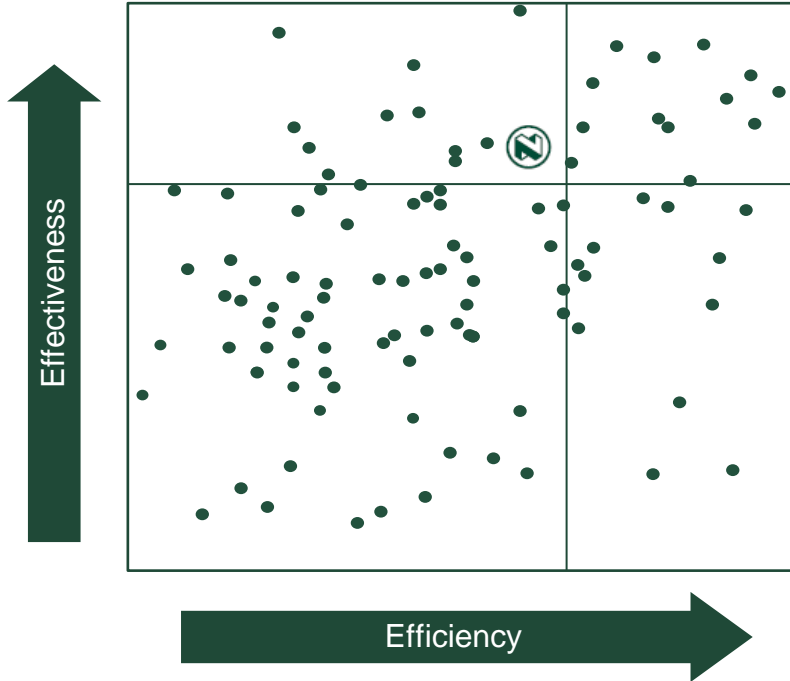
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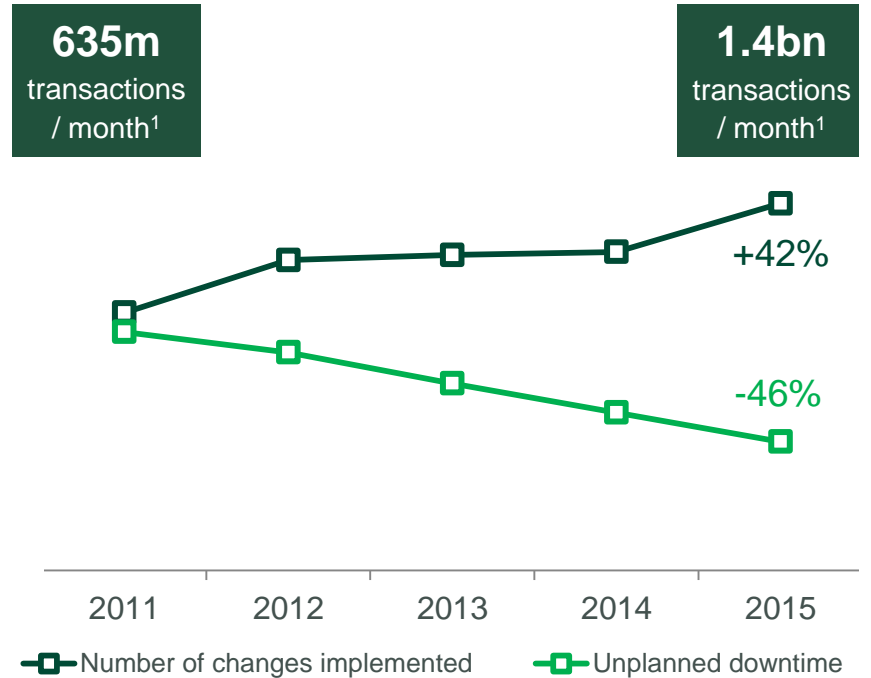
<ul style="list-style-type: none">Operational statisticsProduction stability &Overall security competency <p>at world class levels</p>	Operational excellence for...		
	'One Bank' client experience across African footprint	3 360 ATMs	78 000 POS devices
	1 001 points of presence	30 campus sites	19 000 laptops & 14 000 desktops
	>75m transactions per day	>3.4m digitally active clients	3 600 smart devices
			<p>Best in class cybersecurity capability</p>
			<p>System uptime at industry leading levels (infrastructure availability)</p>

Nedbank has highly efficient & effective IT systems

Independent Hackett IT assessment



Reduction in downtime despite increased number of changes & transaction volumes



Source: Hackett IT Value Grid™ | Note 1: 635m transactions processed on average per month in 2011 & 1.4bn transactions processed in June 2016

Acknowledged on multiple fronts for world-class practices

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World class **Enterprise Architecture** team
“Gartner has not had direct contact with or insight into a more capable EA team in SA.”



Excellence award for
Transformation and Planning in 2015



Centre of Requirements Excellence
“Leading practice with strong foundations built on best practice methods”



Process Value Centre

“Clearly established frameworks, enablers and tools aligned to best practice, to deliver best-in-class process services”



Cyber Security

“SABRIC & Accenture benchmarks indicate strong performance, at par with global financial industry leaders, in security incident management”



Programme Management Office, Project & Programme Management

“Benchmarked as world class operations for the second time, with a perfect score against all 18 major dimensions studied”



HP SPM shining star **excellence award for service**, Catalogue Transformation 2015



Global Banking Innovation Awards

Big Data and Analytics category for Market Edge™



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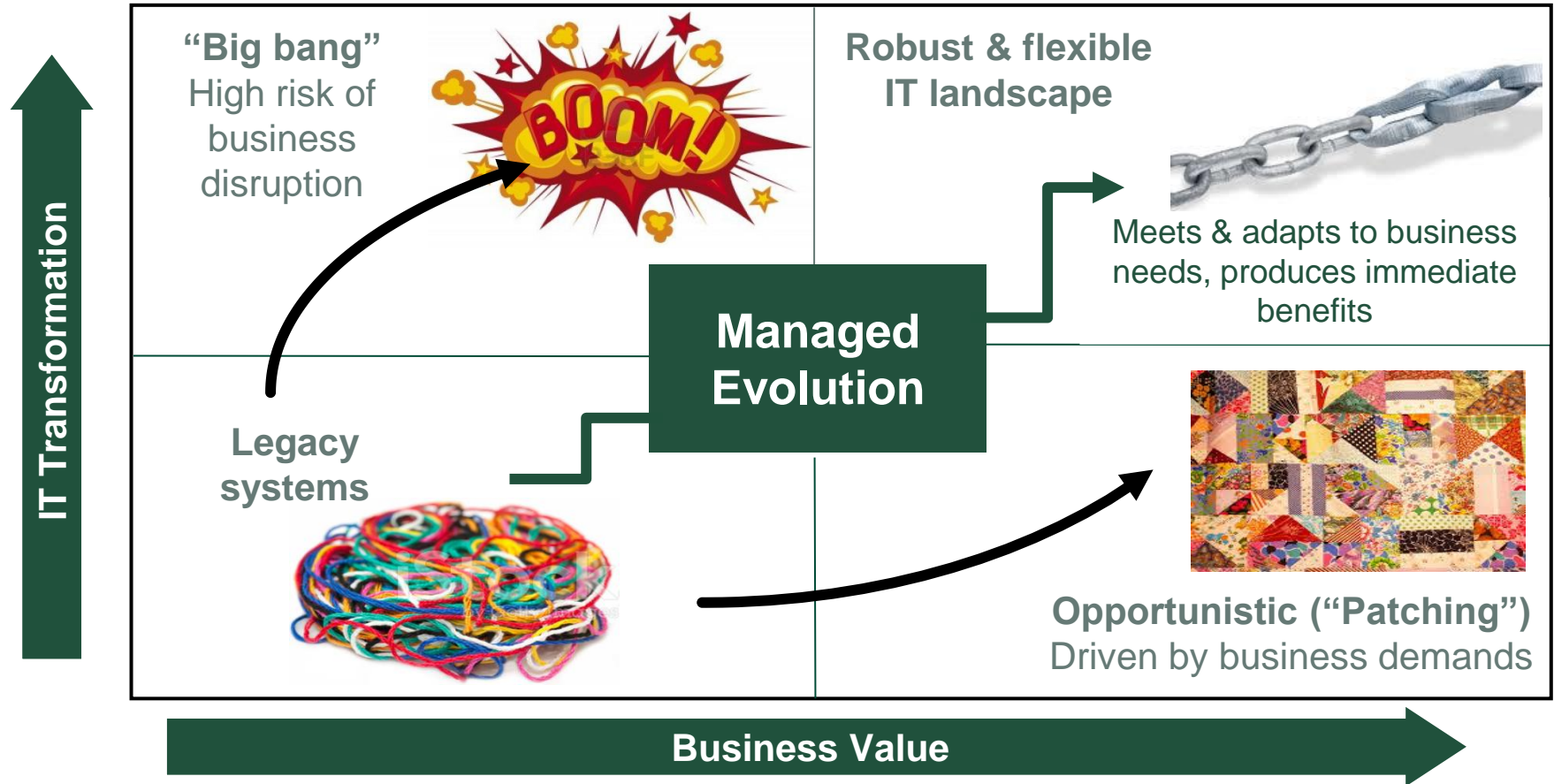
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Various options to core system transformation

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Managed Evolution – “Hollowing out the core”

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“Hollows out core systems on a prioritised approach, balancing business value delivery with technology renewal & digitisation while providing for regulatory requirements”

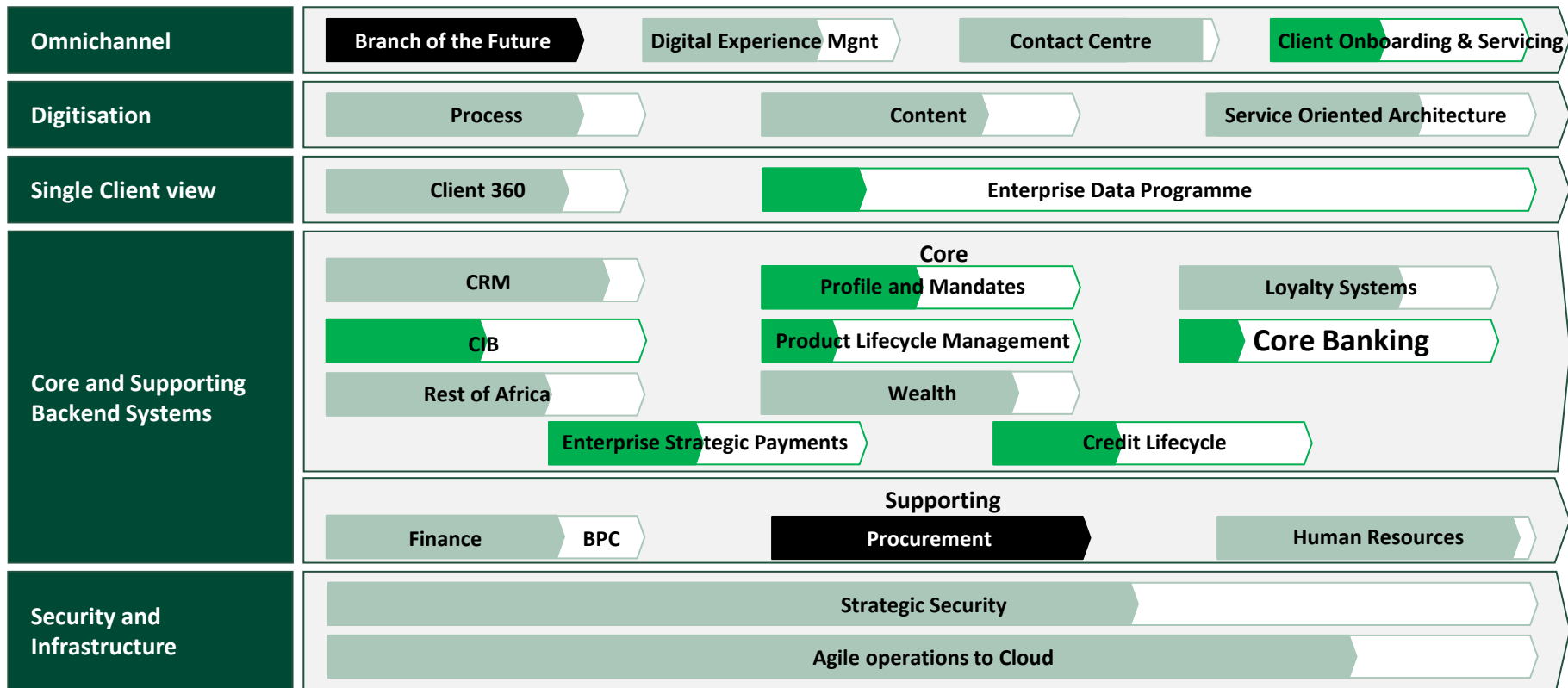


Benefits of Managed Evolution

- Removes “spaghetti” / complexity in structured approach
- Balances business needs & technology advancement
- Adaptive to environmental realities
- Reduces project failure risk & less disruptive to the organisation & clients
- Seamless integration of new digital offering alongside existing solutions
- Builds enterprise capabilities which improves reusability

Managed Evolution – good progress to date, with core banking replacement only at the end of the journey

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Legend: Complete (Black bar), Almost Complete (Light Green bar), In Progress (Dark Green bar)

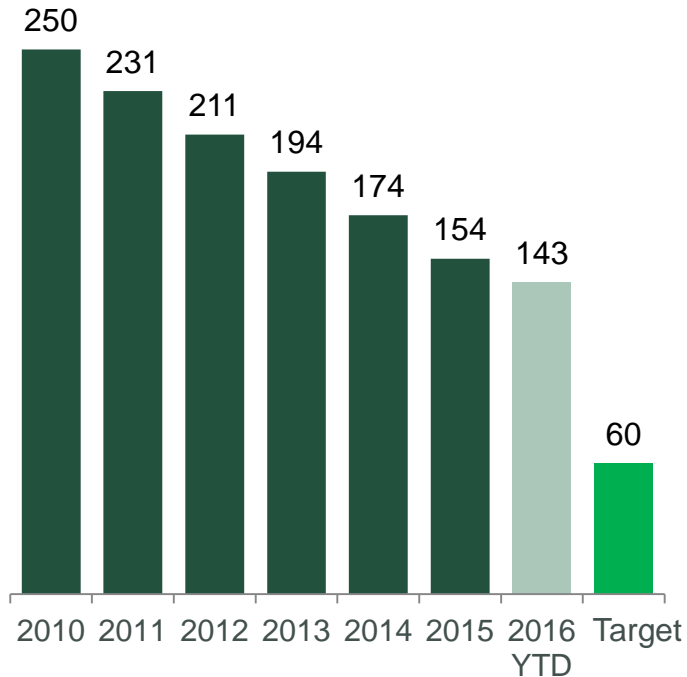
Managed Evolution – rationalise, standardise & simplify our IT systems

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“250 to 60” core systems

of core systems*



Examples of core systems replaced to date

Front Arena

7 to 1
system

Wallstreet

9 to 2
systems

Flexcube

1
core banking
platform in Rest of
Africa

Postilion Switch

8 to 1
system

SAP ERP

43 to 1
system

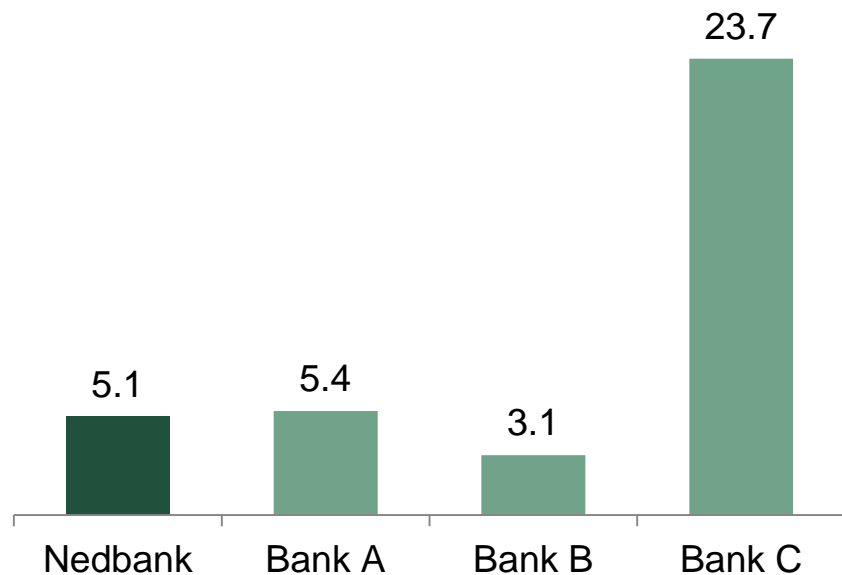
* Reflects latest status as at October 2016, including newly classified core systems

Managed Evolution – minimises the cost impact & reduces risk

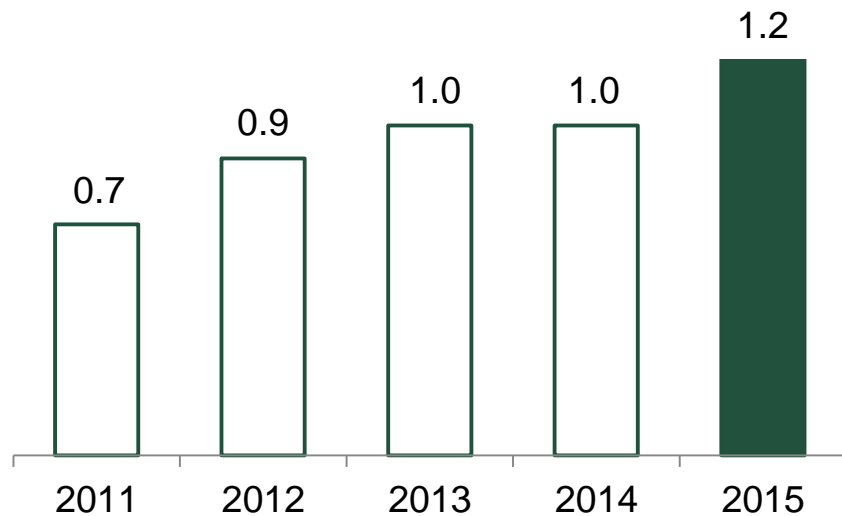
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Capitalised IT costs¹ (Rbn)



Nedbank project cashflow (Rbn)

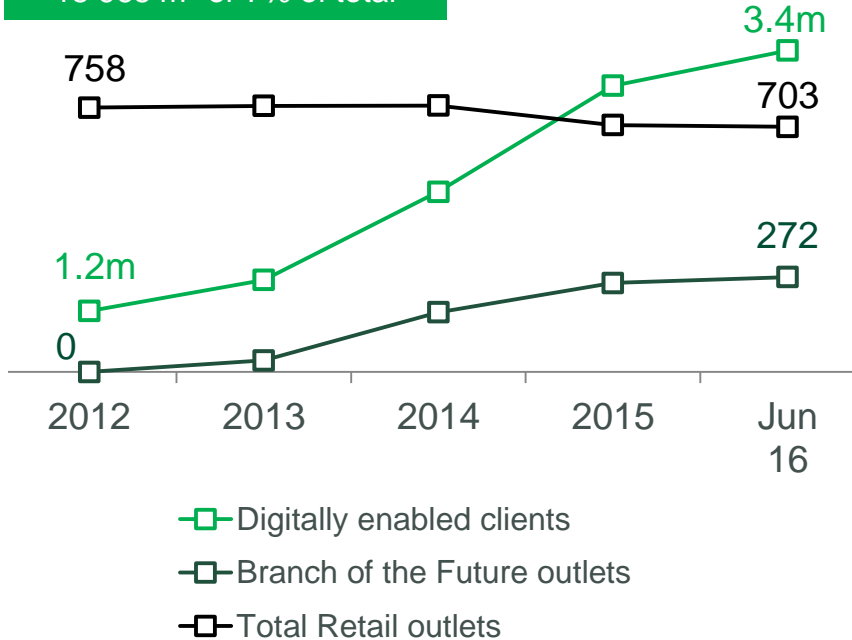


Note 1: As at 31 Dec 2015, including software & development costs, as well as computer equipment

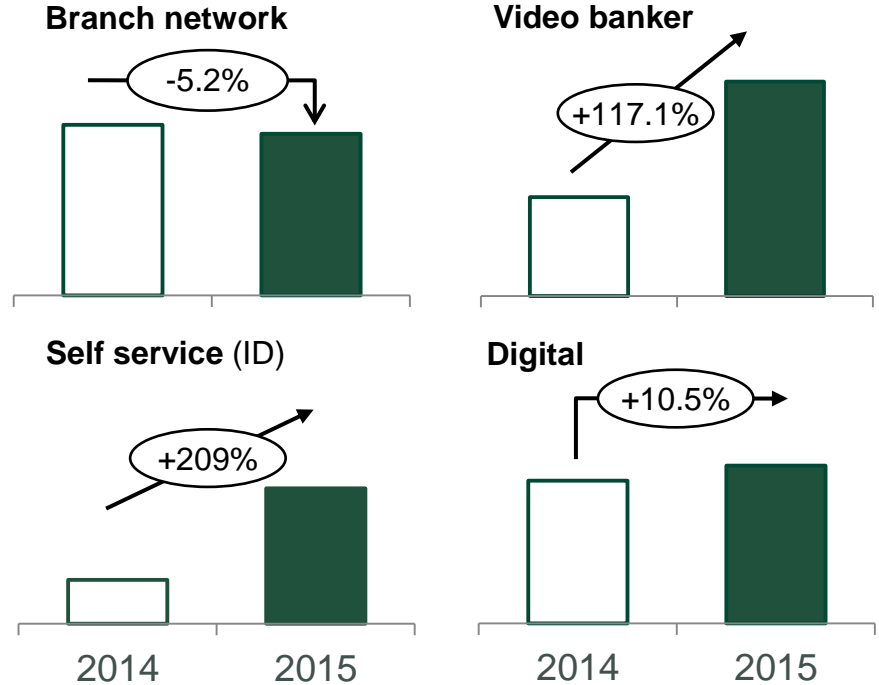
Digitising existing technology & operations

Integrated channels – from traditional to new format & digital

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



... correlating to shift in volumes from the branch network to self-service & digital



Digitising existing technology & operations

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Key drivers

Digitisation

- Elimination of duplicate processes
- Straight through processing
- New mobile & digital offerings
- Lower cost to serve
- Improved client service

Managed evolution

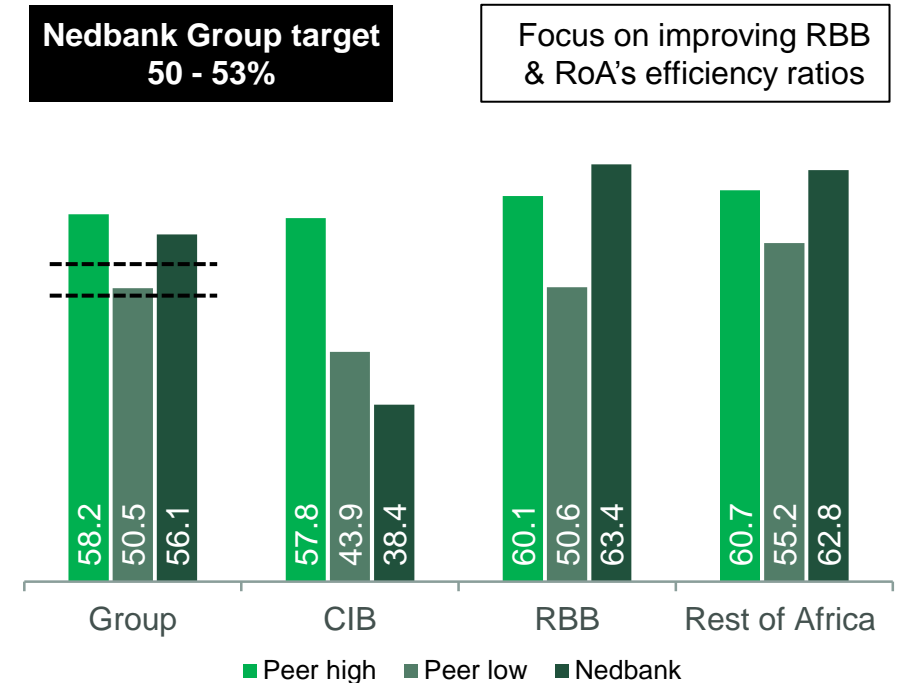
- Reduce number of systems, licensing fees, maintenance costs, etc.

Integrated channels





- Branch of the future – targeted reduction of branch floor space by 30 000m² (by 2020)

Efficiency ratios vs. peer group

Cost to income ratio, %



Value creating innovation (examples)

Innovation				
Value to clients	<ul style="list-style-type: none"> ▪ Efficient - quick turnaround time of 3 hours on average ▪ Convenient - access anytime & on any device ▪ Regular status updates 	<ul style="list-style-type: none"> ▪ Convenient & secure ▪ Do not need bank account ▪ Affordable - flat rate to send money & no withdrawal fee 	<ul style="list-style-type: none"> ▪ Rewards automatically available, accessible via Amex merchants / ATMs ▪ Attractive redemption values (1,2% of spend) 	<ul style="list-style-type: none"> ▪ Valuable client analytics for sales strategies ▪ Reduces reliance on costly data research companies
Value to Nedbank	<ul style="list-style-type: none"> ▪ R2.9bn¹ of loans registered since inception (Sep '12) ▪ Equal to 11%¹ of granted business ▪ Attracts new clients with good risk quality 	<ul style="list-style-type: none"> ▪ New revenue stream ▪ Cross-sell to non-Nedbank clients ▪ Simplified payment capability ▪ Increases digital scale 	<ul style="list-style-type: none"> ▪ 16%¹ year-on-year increase in membership ▪ Enhances brand & CVP ▪ Higher client 'stickiness' ▪ Additional client data analytics 	<ul style="list-style-type: none"> ▪ New CVP & revenue ▪ Improved client retention ▪ Cross-sell & conversion to primary clients ▪ Low implementation cost & secure



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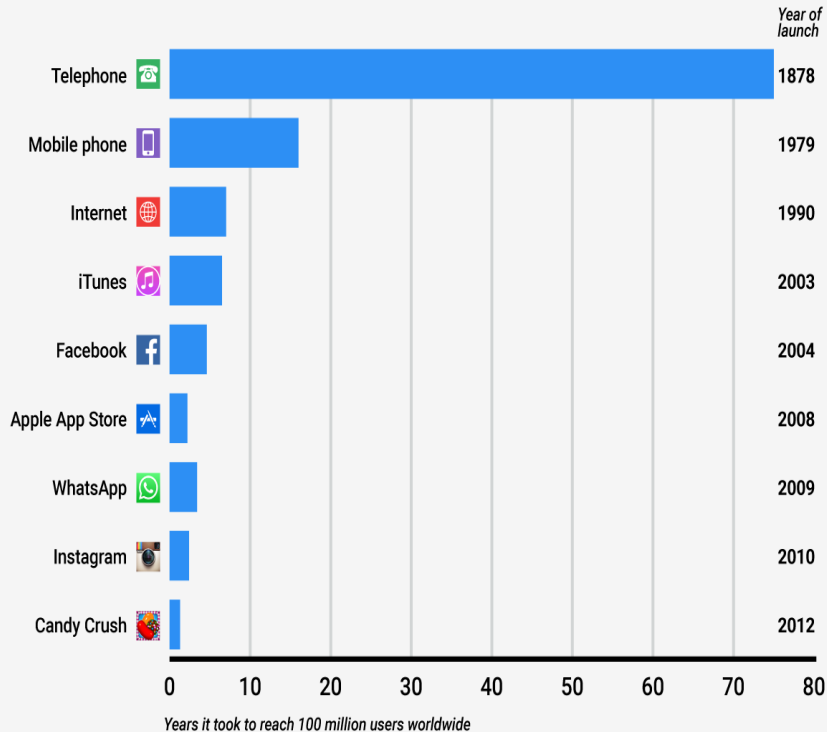
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- Disruptive technologies

In a fast changing world we need to change faster...

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Years it took to reach 100 million users



**THE RULES OF
THE GAME HAVE
CHANGED,
BUSINESS MODELS
NEED TO ADAPT
ACCORDINGLY**

Digital Fast Lane – speed to market with commercialised innovations for value delivery

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Leveraging existing digital assets

(eg. AppSuite & Single client portal)

Fintech opportunities

(including social media platform wallets)

Emerging technology disruptors

(eg. Blockchain, Machine learning, Cognitive computing, Artificial intelligence)



BLOCKCHAIN



Cognitive computing



ARTIFICIAL INTELLIGENCE FOR BUSINESS



Machine Learning



- **Rate of technological change & adoption is unprecedented**
- **Run the Bank** – Secure, stable & scalable systems
- **Transform the Bank** – Managed evolution approach
 - Rationalise, standardise & simplify IT systems
 - Minimises cost impact & reduces risk
 - Digitise existing technology & operations to improve efficiency ratio
 - It's all about creating the bank as a platform
- **Digital Fast Lane**
 - New innovation capabilities required to compete in the digital ecosystem
 - Speed to market with commercialised innovations for value delivery

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THANK YOU Q&A

Please address all questions pertaining to this presentation to:

Investor Relations: nedgroupir@nedbank.co.za

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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'.

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