



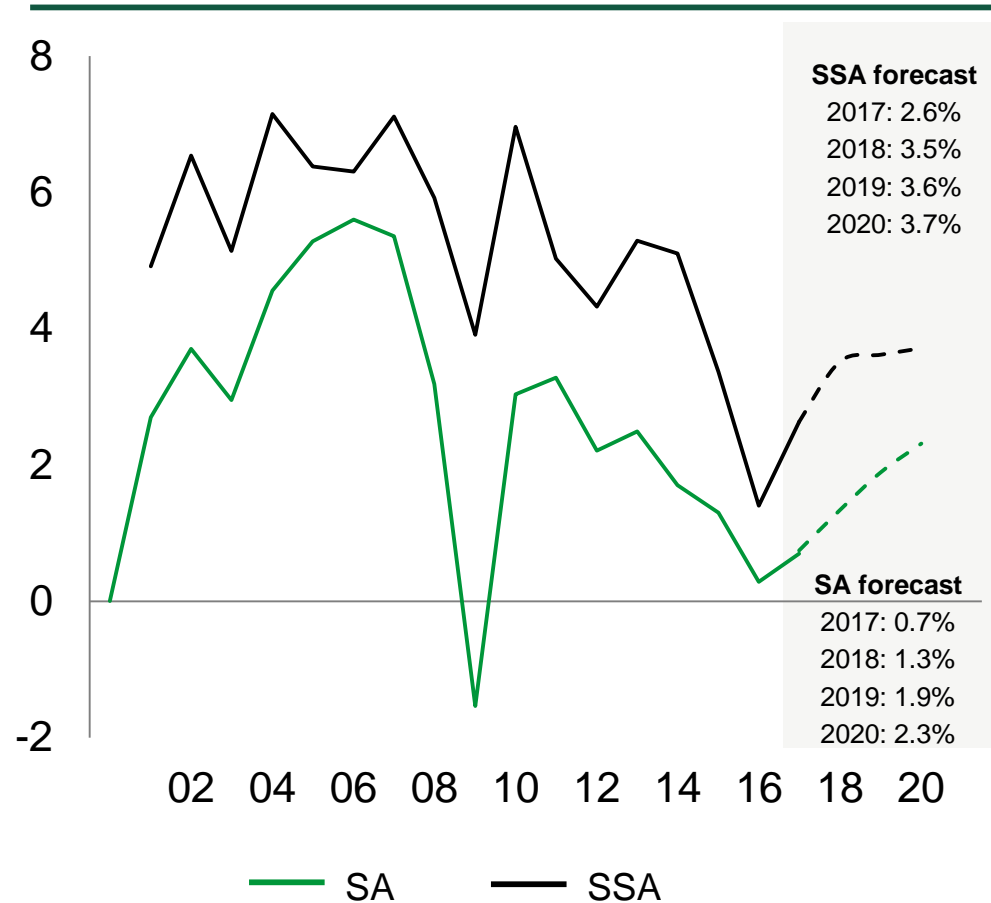
**Nedbank Group**  
**Investor presentation**  
**BAML CALGEM conference**

June 2017

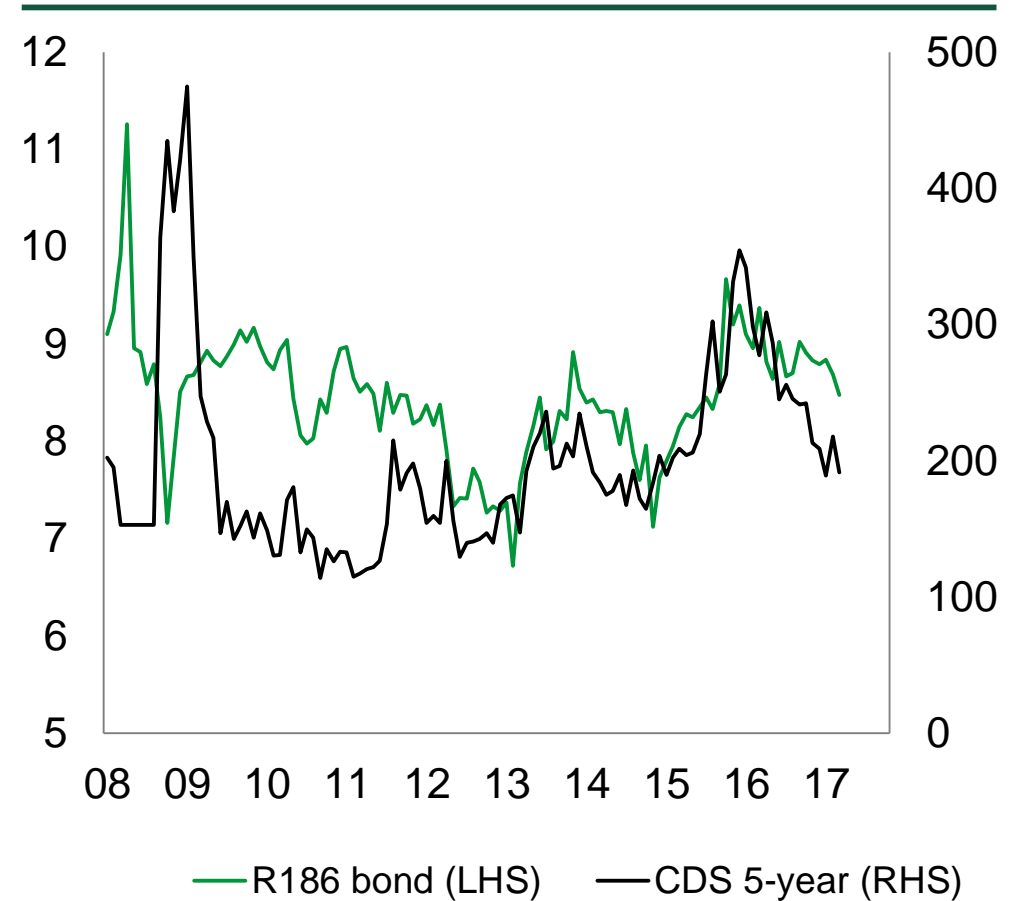


# Macroeconomic environment – lacklustre growth with an uncertain outlook

## GDP growth (%)



## Long-term bond yield & CDS spread (%)

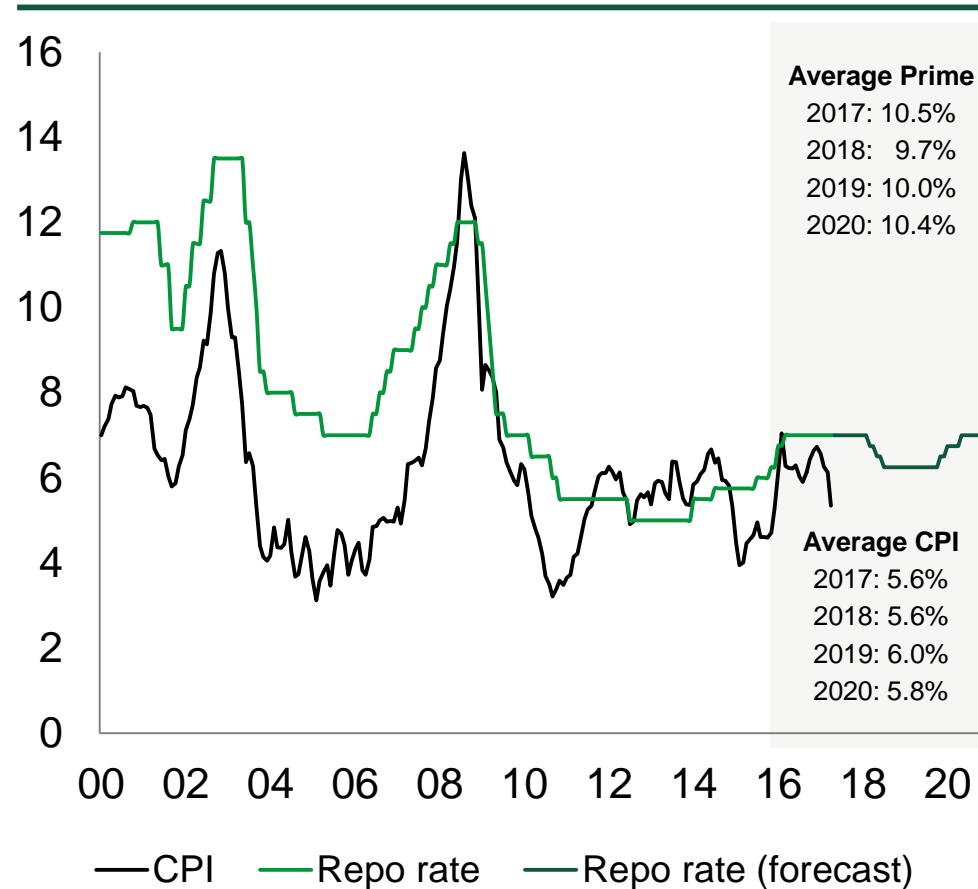


Note: Sub Sahara Africa forecasts from IMF | SA forecasts from Nedbank Economic Unit

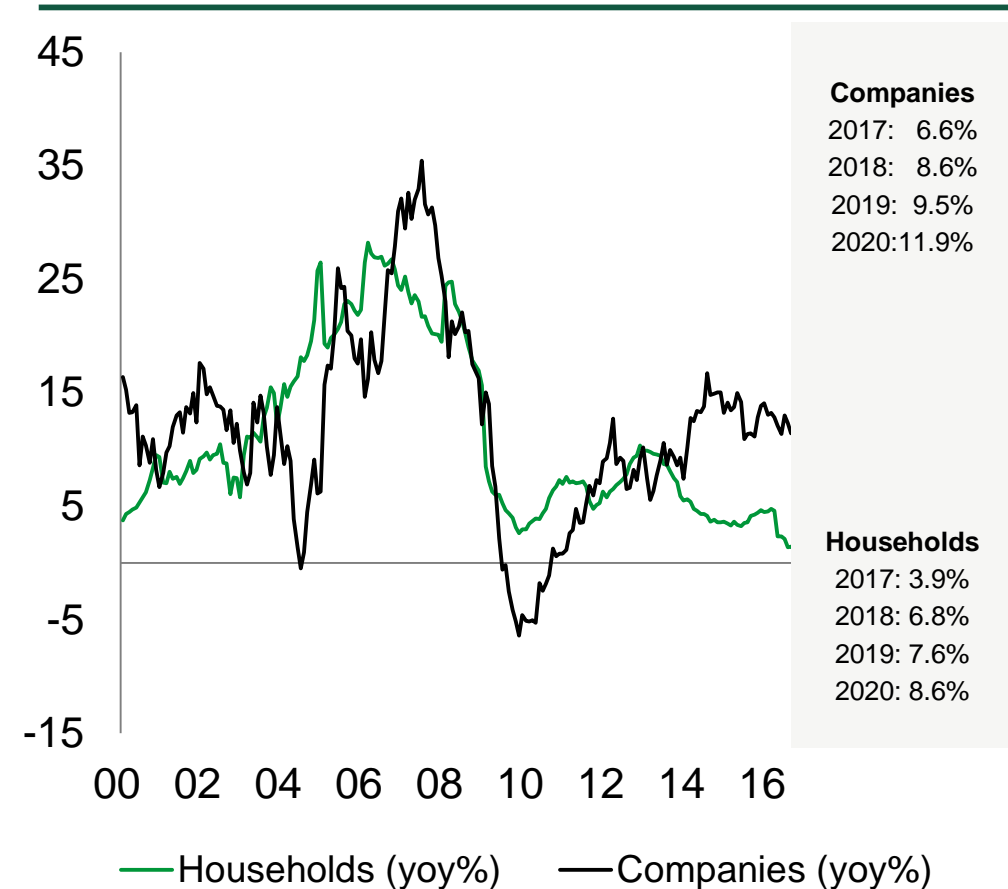


# Macroeconomic environment – peak in inflation & interest rate cycle bodes well for future credit growth when confidence returns

## SA interest rates & inflation (%)



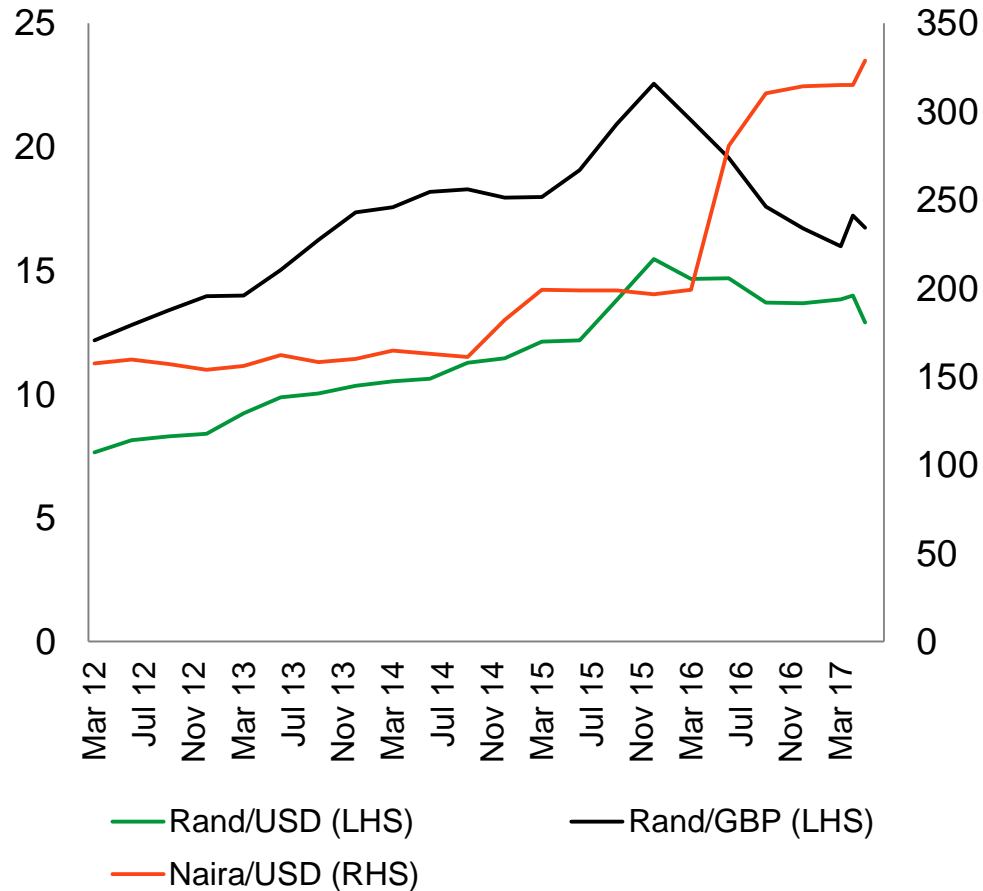
## Credit growth (%)



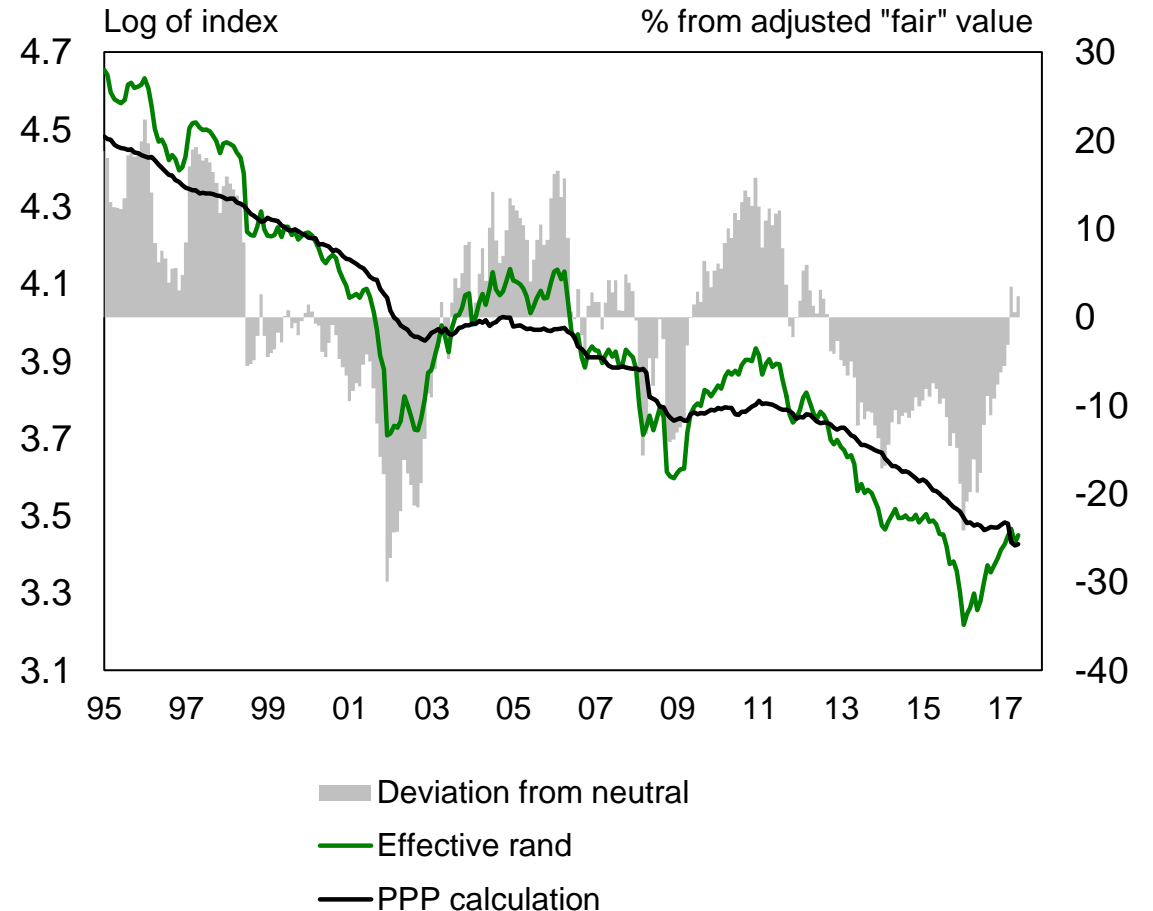
# Macroeconomic environment – currency volatility, rand uncertainty & naira depreciation



Rand to US \$, GBP £ | Naira to US \$



Rand on PPP basis (%)





# Nedbank Group – an overview

Old Mutual Group

**54.6%**

shareholding in  
Nedbank Group

**JSE**  
**Top 40**  
company

Access to the largest  
banking network in Africa

**39**

**Countries**  
(21.2% share in ETI)

Total retail clients

**7.7m**

6% CAGR

2012 2013 2014 2015 2016

Total ATMs

**4 052**

Total outlets  
**786**

Assets

**R966bn**

9.1% CAGR

2012 2013 2014 2015 2016

Listed on the JSE  
since

**1969**

(established 1834)

Deposits

**R762bn**

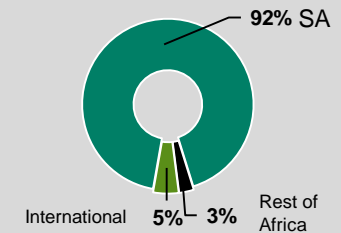
8.4% CAGR

2012 2013 2014 2015 2016

Employees

**32 401**

**Advances**



Assets under  
management

**R273bn**

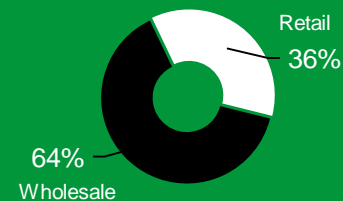
16.1% CAGR

Market  
capitalisation

**R118bn**

(at 31 Dec 2016)

**Advances**



Relative share price  
performance, 2016

**+26%**

(#2 bank)

Headline earnings

**R11.5bn**

For the year  
ended 2016





## Old Mutual managed separation – 25 May 2017 update

- **Timing**

- Managed Separation materially complete by the end of 2018
- Anticipate the listing of the South African holding company to take place at the earliest opportunity in 2018 after Old Mutual plc's 2017 full year results

- **Listing of a new South African holding company – 'Old Mutual Limited'**

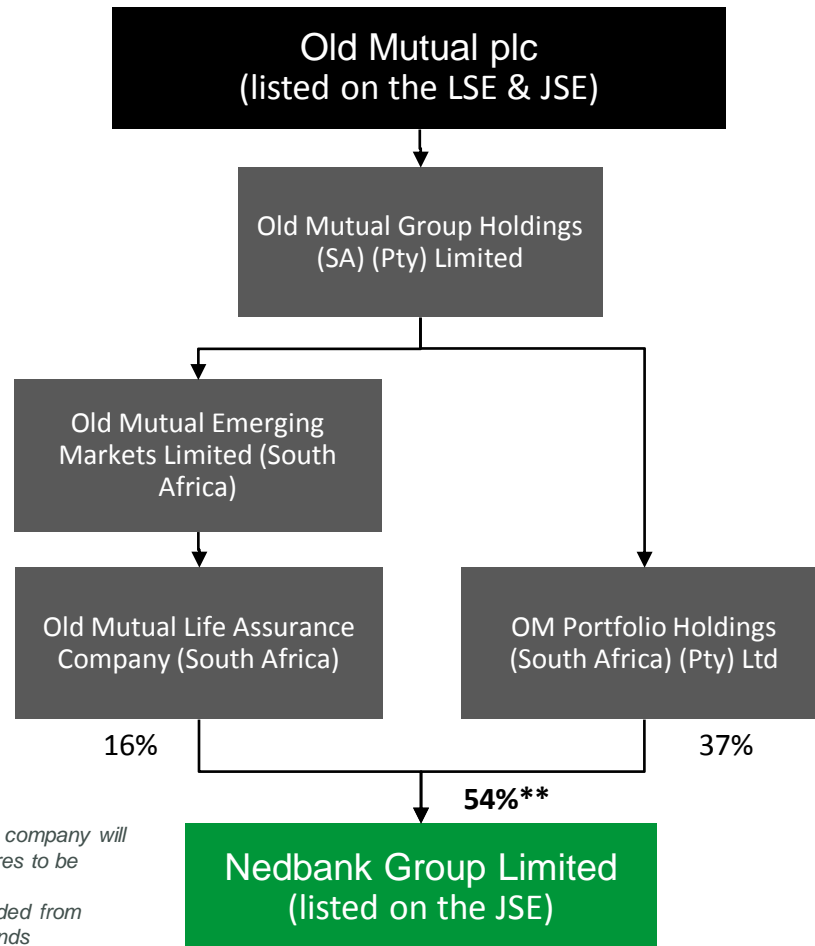
- Initially consist of OMEM, the Group's Nedbank shareholding & Old Mutual plc
- Subsequent distribution of a significant proportion of the shareholding in Nedbank from Old Mutual Limited
- Old Mutual Limited will retain an appropriate strategic minority shareholding in Nedbank to underpin the ongoing commercial relationship



# Old Mutual managed separation

Distribution of Nedbank shares to shareholders of New SA holding company  
in an orderly manner, at an appropriate time

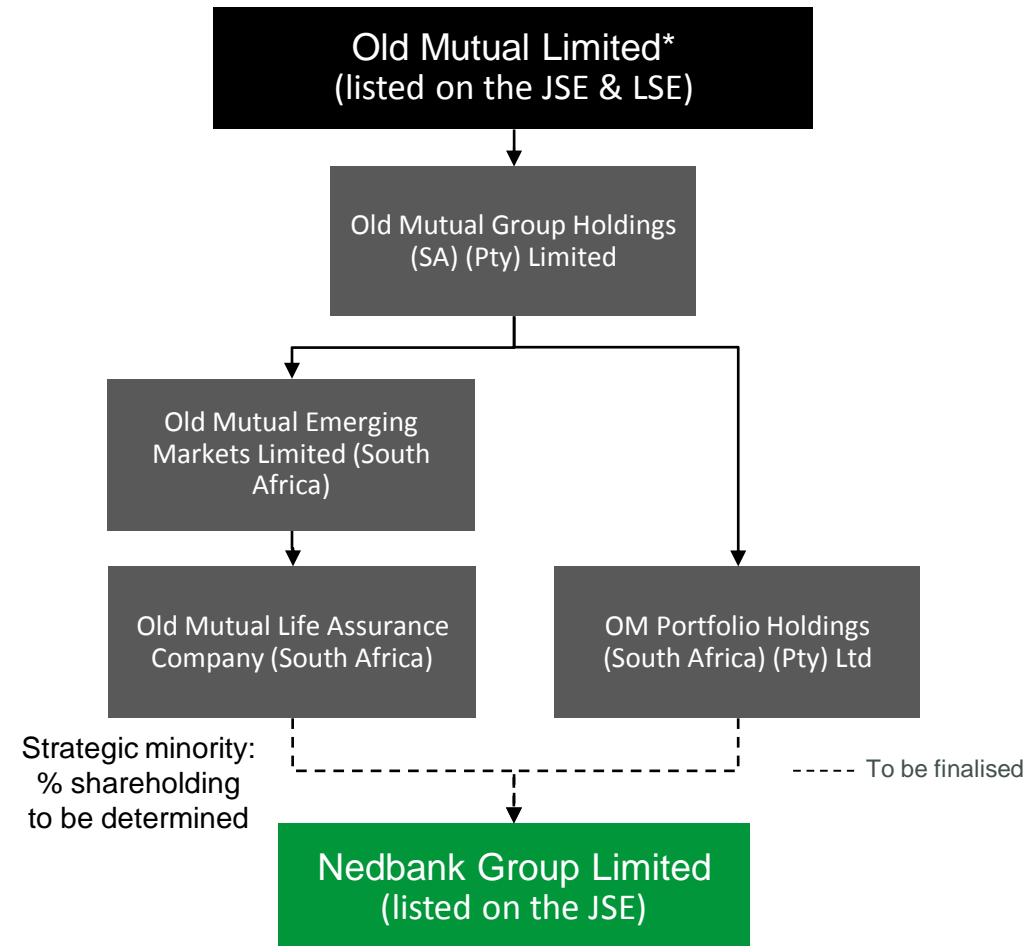
## Current shareholding structure



\* Shareholders of this company will receive Nedbank shares to be distributed

\*\* Additional 1% included from managing 3<sup>rd</sup> party funds

## Envisaged shareholding structure





# Our purpose, vision & strategy

Purpose

TO USE OUR FINANCIAL EXPERTISE TO DO GOOD FOR INDIVIDUALS, FAMILIES, BUSINESSES & SOCIETY

Vision

TO BE THE MOST ADMIRABLE FINANCIAL SERVICES PROVIDER IN AFRICA  
BY OUR STAFF, CLIENTS, SHAREHOLDERS, REGULATORS & COMMUNITIES

Strategic  
focus areas



Delivering innovative  
market-leading  
client experiences



Growing our  
transactional  
banking franchise  
faster than the  
market



Being  
operationally  
excellent in  
all we do



Managing scarce  
resources to  
optimise economic  
outcomes



Providing our clients  
with access to the  
best financial  
services network in  
Africa

## OPTIMISING THE WAY WE OPERATE

Strategic enablers

- **PEOPLE 2020** – Transforming our leadership, culture & talent capability
- **BRAND 2020** – Developing a distinctive brand
- **MANAGED EVOLUTION & DIGITAL FAST LANE** – An innovative technology transformation creating an agile digital platform
- **GOVERNANCE & REGULATORY CHANGE** – Leveraging risk management to be a strategic & competitive differentiator
- **FAIR SHARE 2030** – Guiding the creation of financial solutions that deliver on Nedbank's purpose
- **LEADING TRANSFORMATION** – Actively promoting a globally competitive financial sector while creating a more equitable society





# Our role in society – contributing by delivering value to all our stakeholders



## STAFF

- Paid **R15.5bn in salaries & benefits** to support our 32 401 staffmembers & their families
- Facilitated transfer of **R3.5bn payroll taxes** on behalf of staff to government
- Created almost **4 000 new jobs** since 2010
- **Transforming our workforce** towards SA demographics (> 78% black employees)
- **Leadership in transformation** acknowledged at 15th Oliver Empowerment Awards



## CLIENTS

- **R162bn loan payouts** to enable clients to finance their homes, vehicles, education & grow their business, including **R26bn loan payouts to SME & BB clients** & **R3.9bn for affordable housing**
- Infrastructure financing – over **R50bn drawn & committed**
- Safeguarded **R762bn deposits** at competitive interest rates
- Processed over **15bn transactions** to enable clients to pay for their goods & services
- **Top 3 SA asset manager** for eight consecutive years – managing our clients' investments

**TO BE THE  
MOST ADMIRABLE  
FINANCIAL SERVICES  
PROVIDER IN AFRICA  
BY OUR  
STAKEHOLDERS**

## SHAREHOLDERS

- Achieved a **32.3% total shareholder return**
- Paid **R5.6bn dividends**  
... to shareholders who represent pension funds & investments of all South Africans (incl GEPP, a 6.0% shareholder in Nedbank)
- **Unlocked R8.2bn in value** for our more than 500 000 BBBEE shareholders<sup>1</sup>

## REGULATORS

- Maintained a strong balance sheet to **support a safe & stable banking system**
- Paid **R5.2bn direct & indirect taxes**
- Invested **more than R100bn in government & public sector bonds** to support the funding needs of government

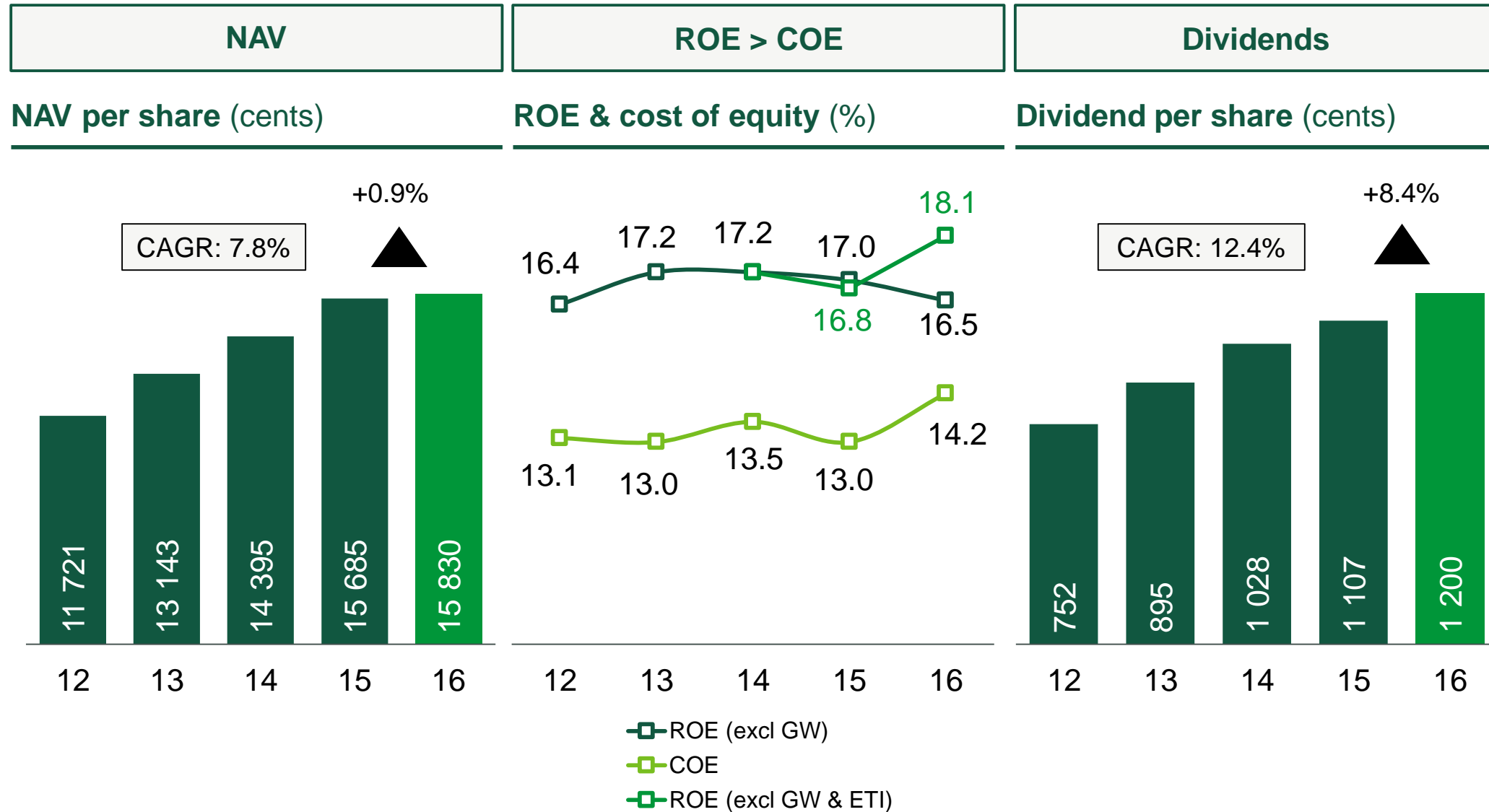
## COMMUNITIES

- Provided **consumer finance education to 180 000 people**
- Procured **75% of our goods & services locally**
- Education & black student support:
  - Nedbank Mogale Empowerment Trust – **R100m investment**
  - **R11m contribution** to issues around Fees Must Fall
  - **R141m to socioeconomic development** (50% spent on education)
- Invested **R20m in the government SME Fund**
- **Maintained level 2 BBBEE status** for eight consecutive years

<sup>1</sup> As reported in February 2016 based on our BBEEE schemes that matured in 2015.



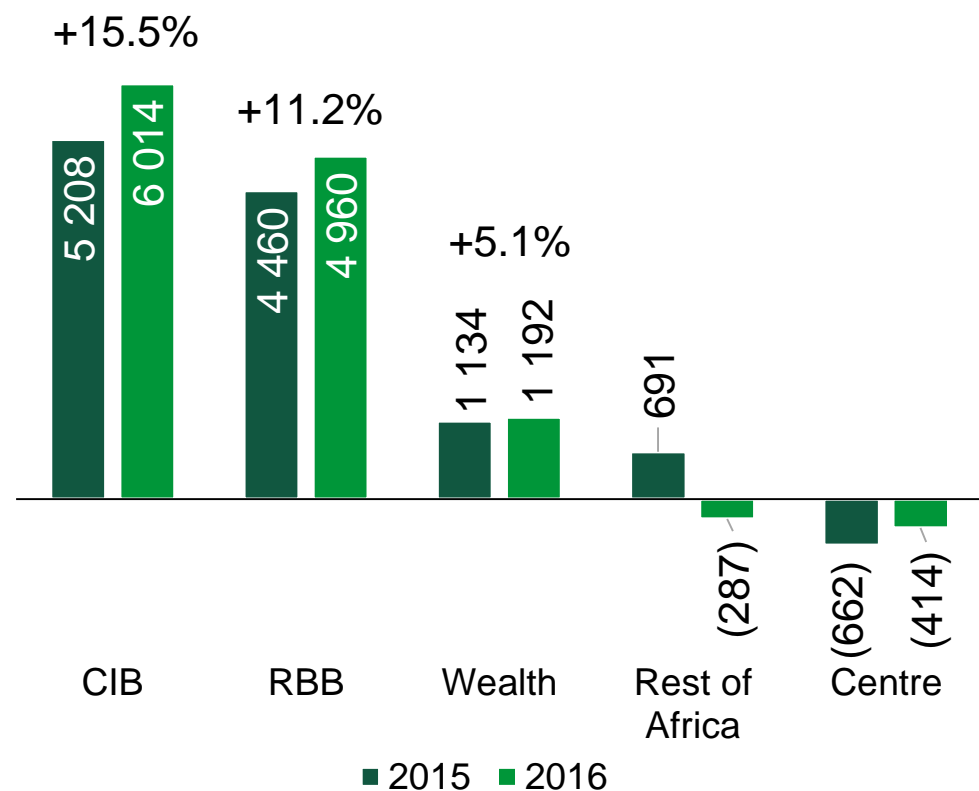
# Delivering value to shareholders



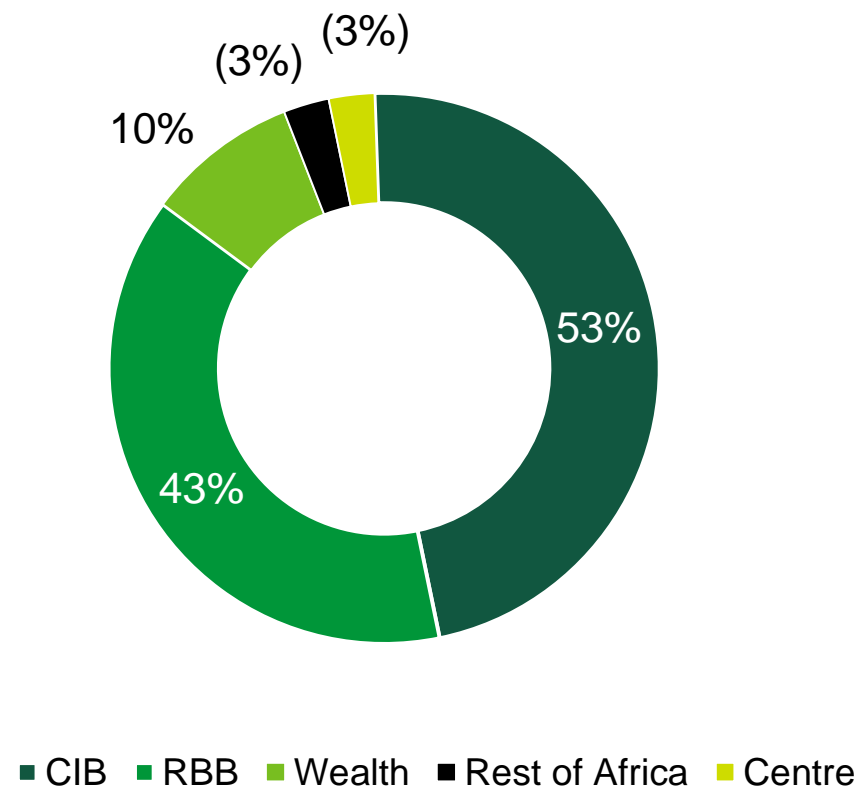


# Excellent performance from our managed operations – headline earnings up 16.2%

## Headline earnings (Rm)



## Earnings contribution (Rm)





# Key performance indicators

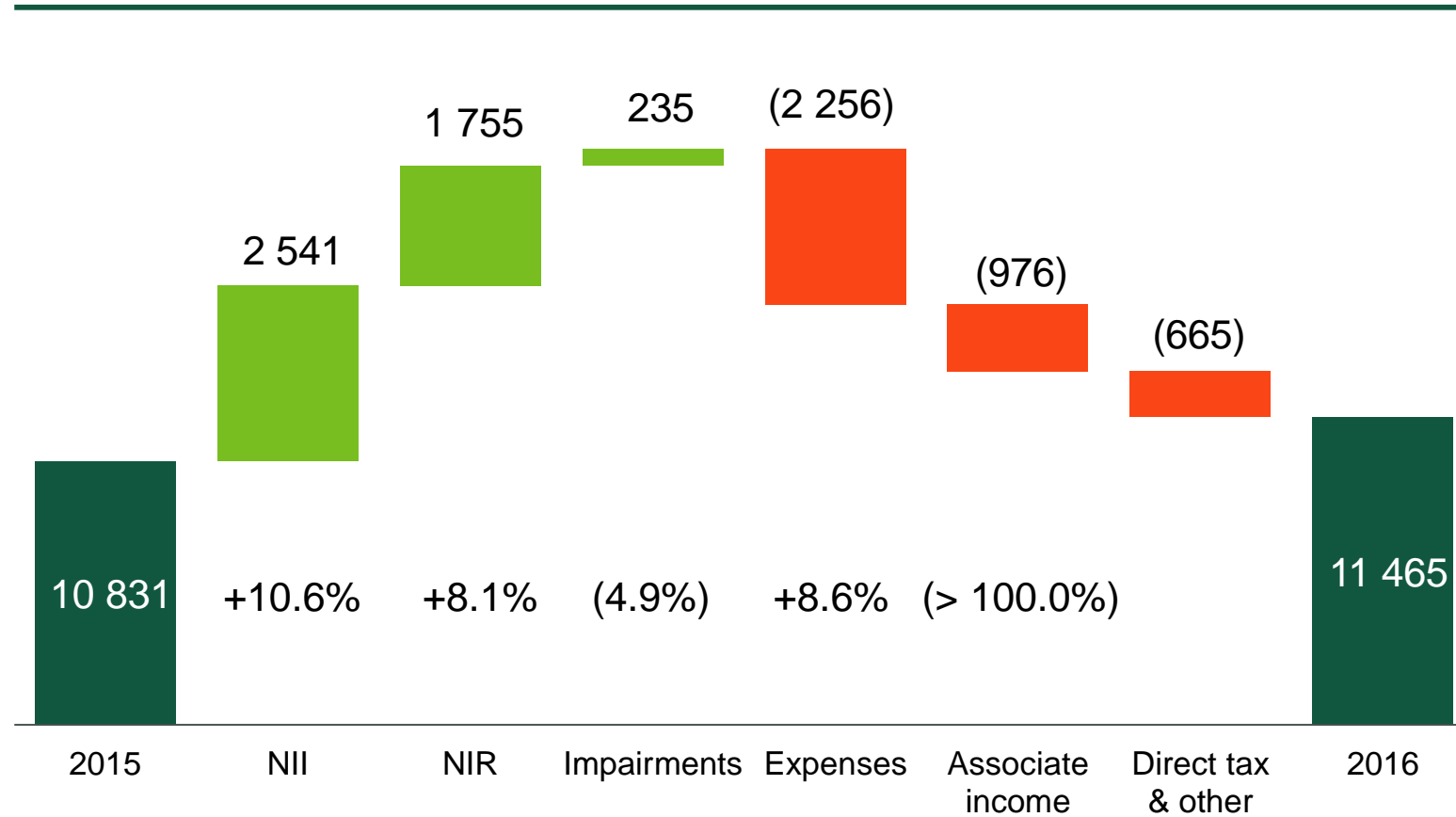
					Managed operations	
					2016 <sup>1</sup>	2015 <sup>1</sup>
Headline earnings (Rm)	5.9%	<b>11 465</b>	10 831	16.2%	<b>11 839</b>	10 187
ROE (excl goodwill)		<b>16.5%</b>	17.0%		<b>18.1%</b>	16.8%
Diluted HEPS growth		<b>4.8%</b>	8.5%		<b>15.1%</b>	2.8%
Preprovisioning operating profit growth		<b>4.4%</b>	7.3%		<b>10.0%</b>	4.1%
Net interest margin		<b>3.41%</b>	3.30%			
Credit loss ratio		<b>0.68%</b>	0.77%			
NIR-to-expenses ratio		<b>82.9%</b>	83.3%			
Tier 1 CAR		<b>13.0%</b>	12.0%			
Assets under management (Rbn)	6.2%	<b>273</b>	257			
Dividend per share (cents)	8.4%	<b>1 200</b>	1 107			

<sup>1</sup> Excluding associate income/losses, as well as funding costs.

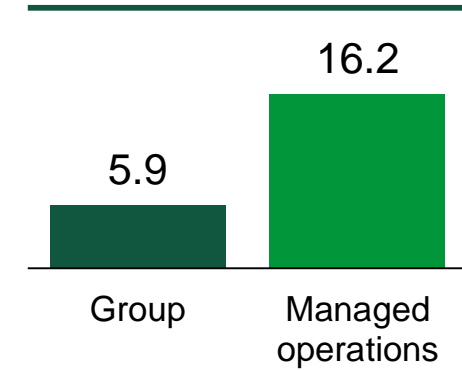


# Solid headline earnings growth supported by strong revenue growth

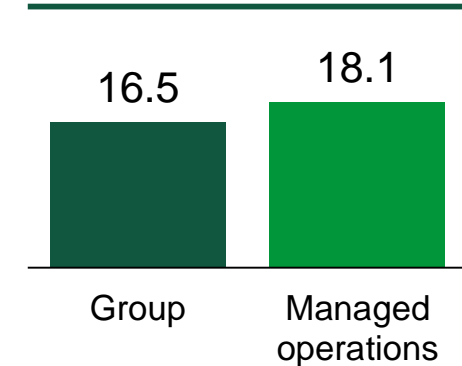
## Headline earnings (Rm)



## HE growth (%)



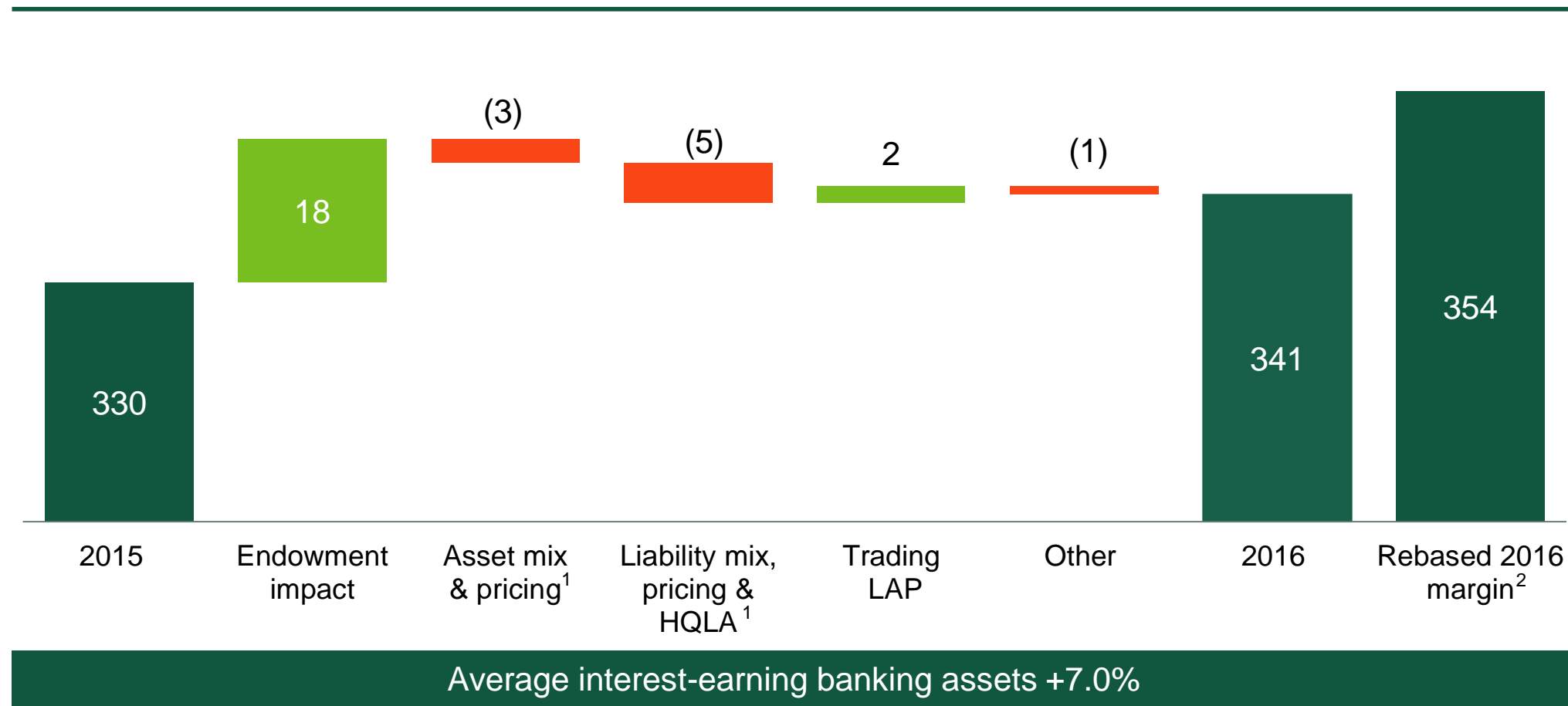
## ROE excl GW (%)





## Net interest margin – driven by endowment, asset mix & Basel III funding costs

### Net interest margin (bps)



<sup>1</sup> Asset mix -4 & pricing +1 | Liability mix & pricing -3 & HQLA -2

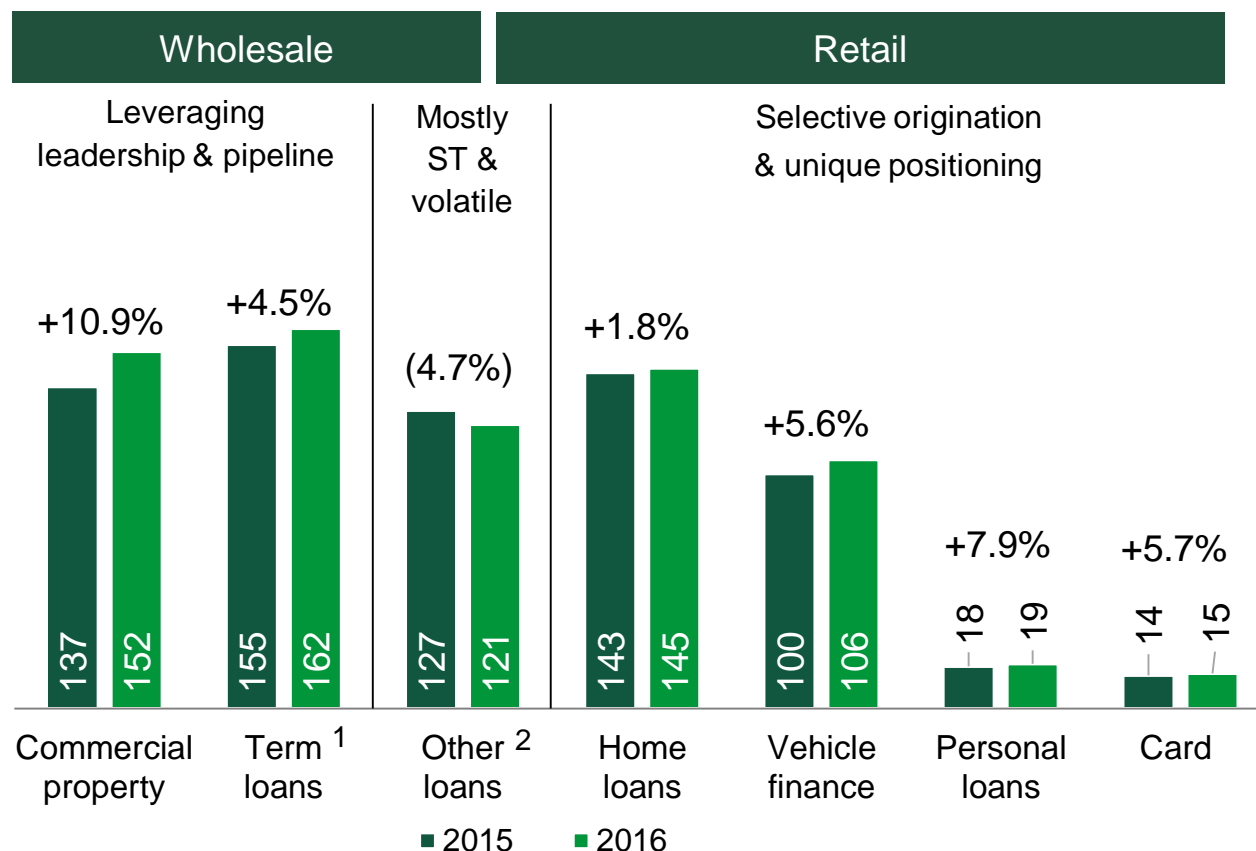
<sup>2</sup> Rebased NIM for full year ended 31 December 2016 would have been 354 bps, had HQLA of R34bn been removed from the banking book & included in the trading book from 1 January 2016.





# Advances – solid growth & market share gains across key categories (AIEBA +7.0%)

## Gross advances (Rbn)



## BA900 market share

	Share <sup>3</sup>	Trend
Commercial property	40.8	▲
Core corporate <sup>4</sup>	22.3	▲
Home loans	14.4	▶
Vehicle finance	27.7	▲
Personal loans	10.9	▶
Card	13.7	▲

<sup>1</sup> Terms loans & other longer dated loans in CIB

<sup>2</sup> Other loans include overdrafts, overnight loans, preference shares, deposits placed under reverse repurchase agreements & other smaller corporate loans.

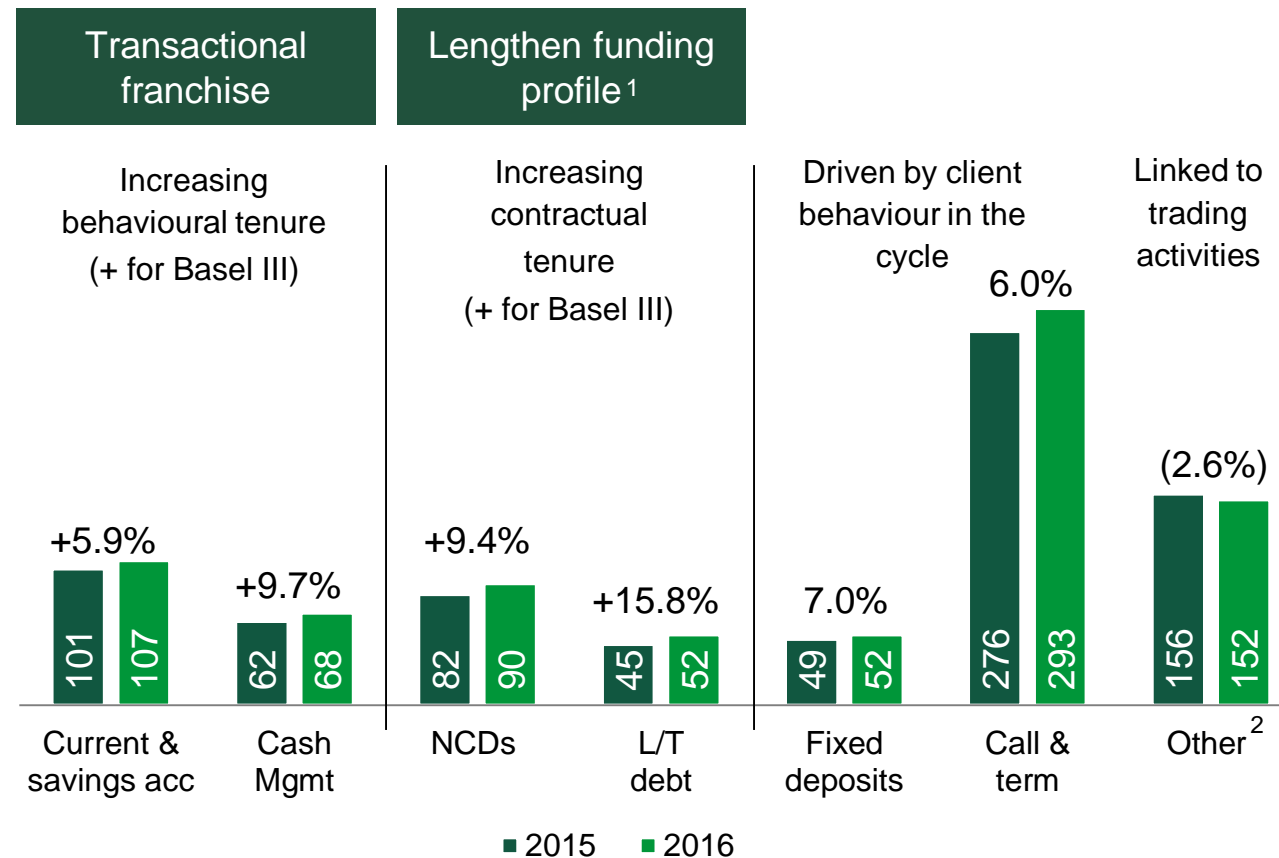
<sup>3</sup> BA900 – December 2016.

<sup>4</sup> Core corporate loans comprise commercial mortgages, corporate overdrafts, corporate credit cards, corporate instalment credit, foreign sector loans, public sector loans, preference shares, factoring accounts & other corporate loans (other loans and advances excluding household personal loans).



# Deposits – good transactional & Basel III deposit growth

## Deposits (Rbn)



## BA900 market share

	Share <sup>3</sup>	Trend
Wholesale	22.3	▲
Commercial	17.4	▲
Household	18.7	▲
Foreign currency	12.6	▼

<sup>1</sup> Nedbank's market share of medium & long term wholesale funding is 31% and 26% respectively. The favourable Basel III treatment of longer-term funding reduces the need to hold HQLA thereby reducing the all-in marginal cost of longer-term wholesale funding vs short-term wholesale funds. Including NCDs with tenure of > 30 days.

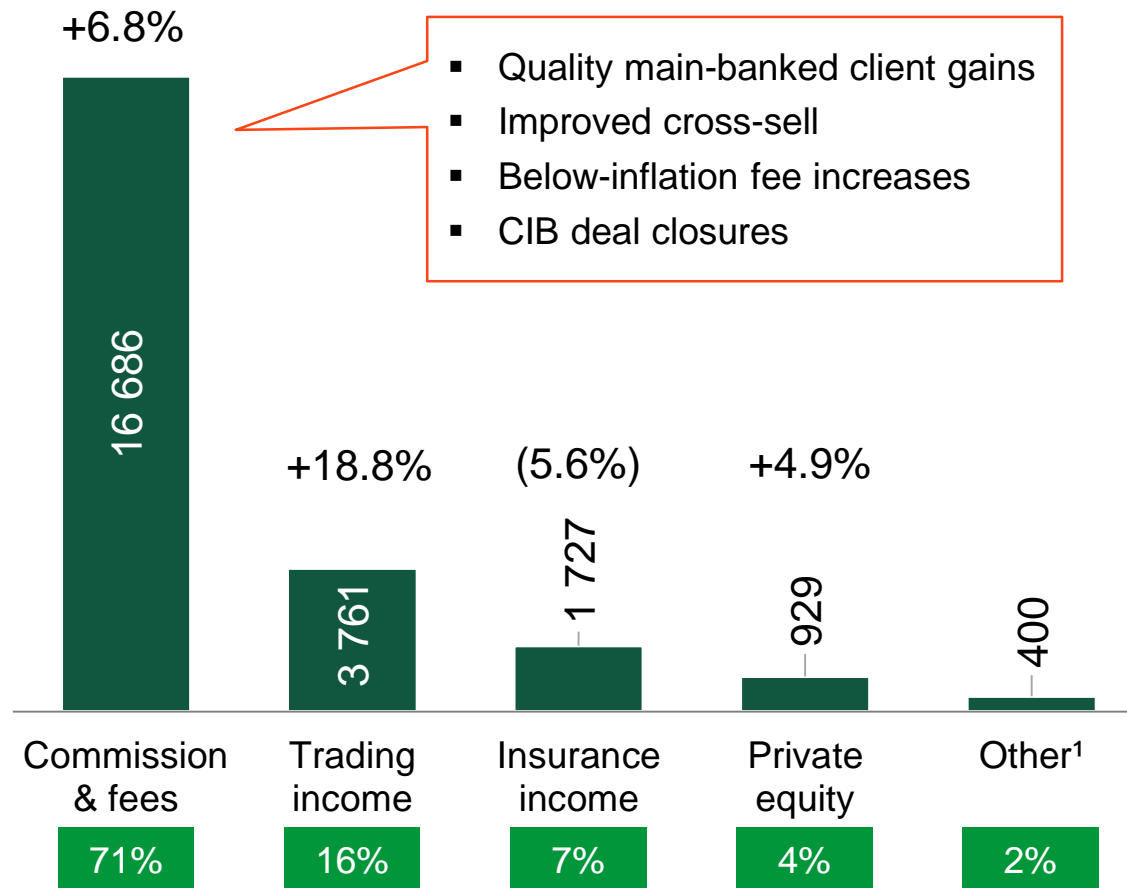
<sup>2</sup> Includes foreign client liabilities, deposits received under repurchase agreements & other.

<sup>3</sup> BA900 – December 2016



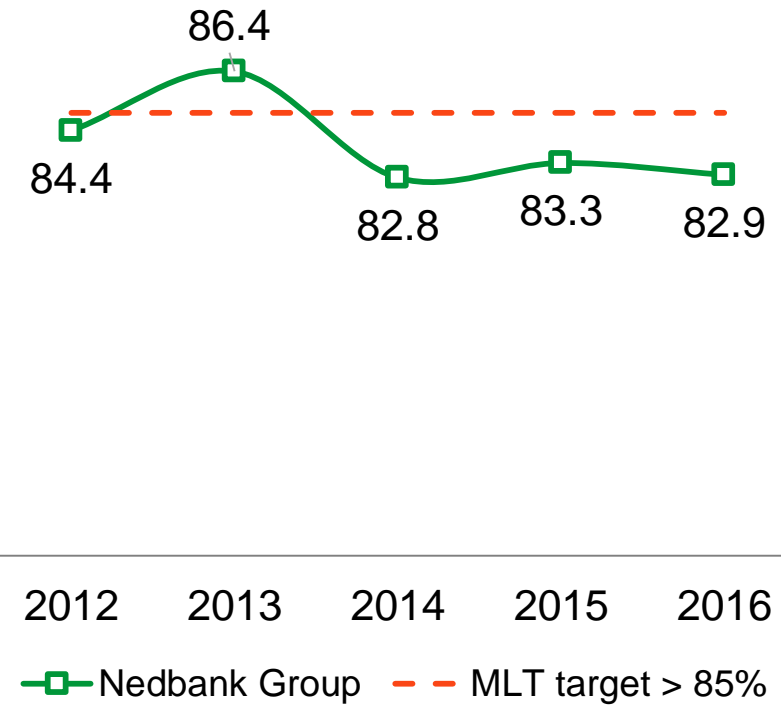
# Non-interest revenue up 8.1% – solid commission & fee income growth & strong trading performance

## Non-interest revenue (Rm)



<sup>1</sup> Represents sundry income, investment income & fair-value adjustments.

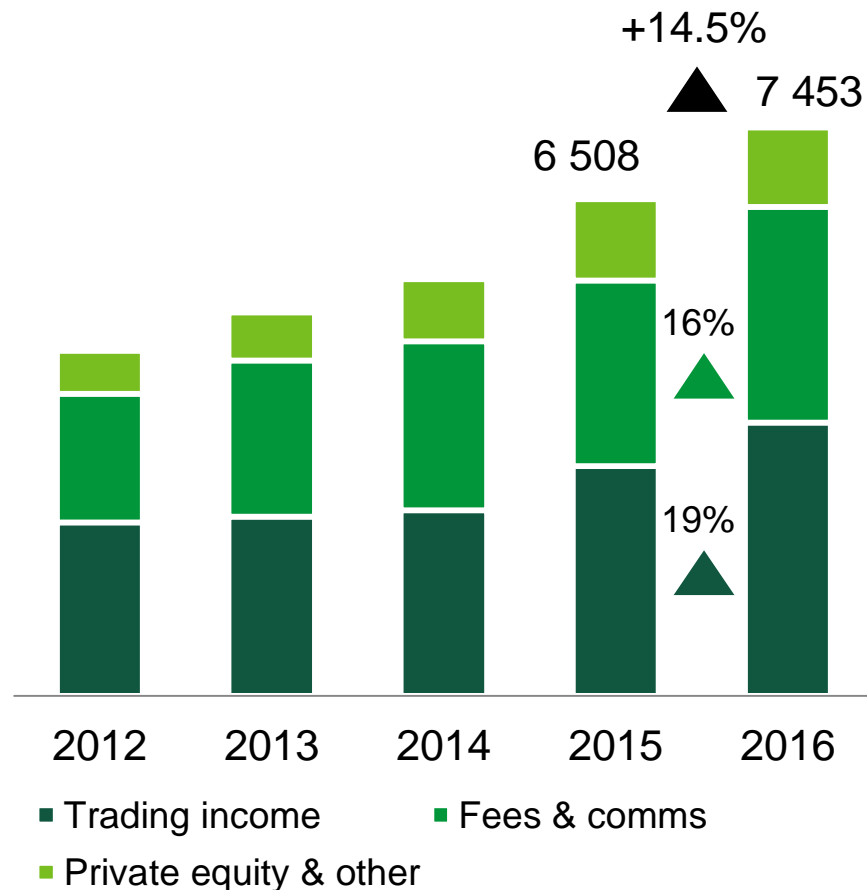
## NIR-to-expenses ratio (%)





## CIB – NIR growth of 14.5% underpinned by flows from an integrated model

### NIR (Rm)



### Key drivers

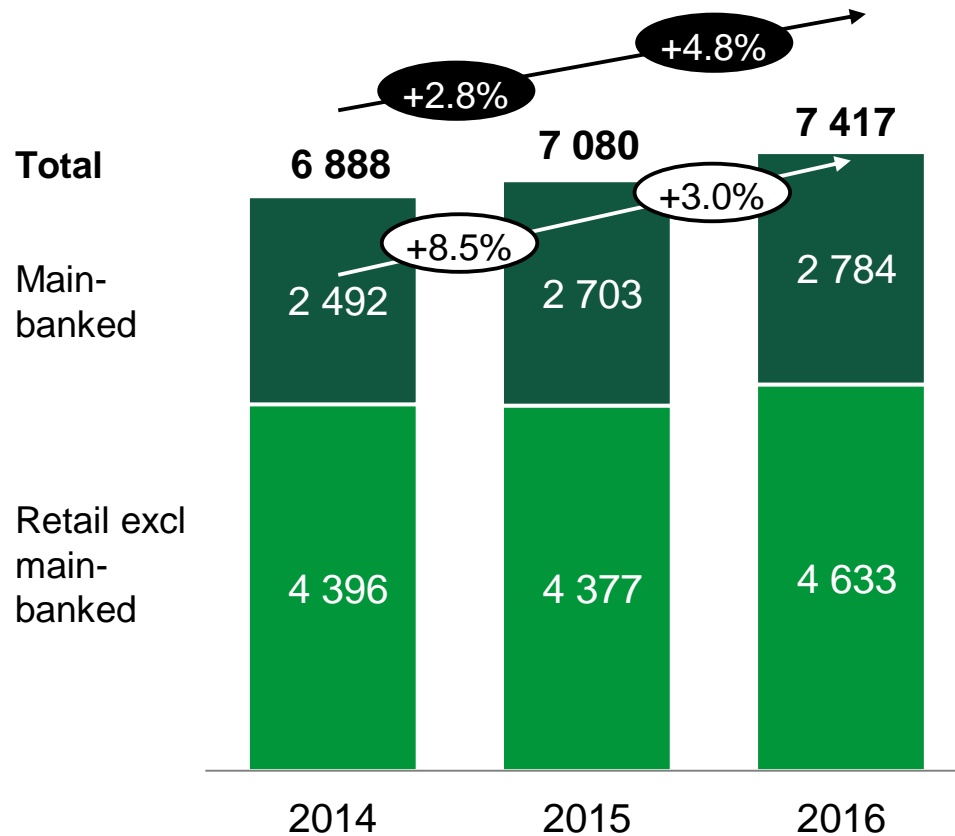
- Integrated business enabling:
  - stronger client relationships
  - deeper client penetration
  - transactional banking client gains
- Trading-income growth from increased trading activity driven by increased market volatility & dealflow
- Successful primary transactional account wins of top-tier clients contributes to excellent fee & commission growth



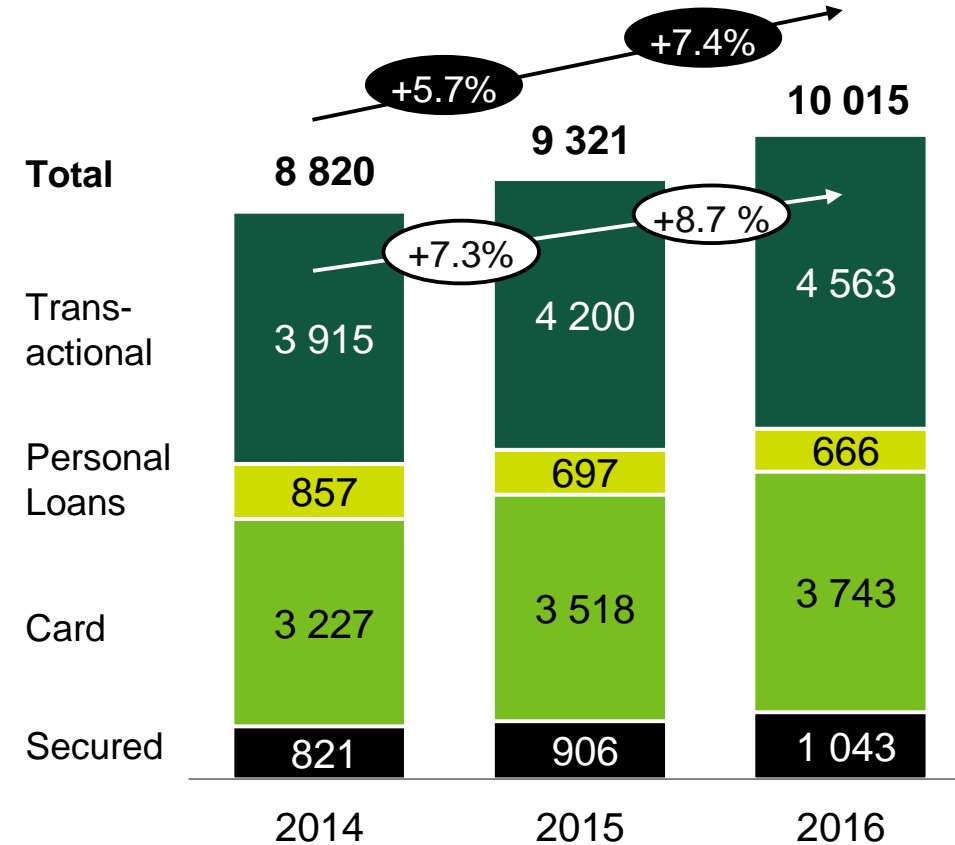


## RBB – transactional NIR growth ahead of client growth

Total retail client base (#000)



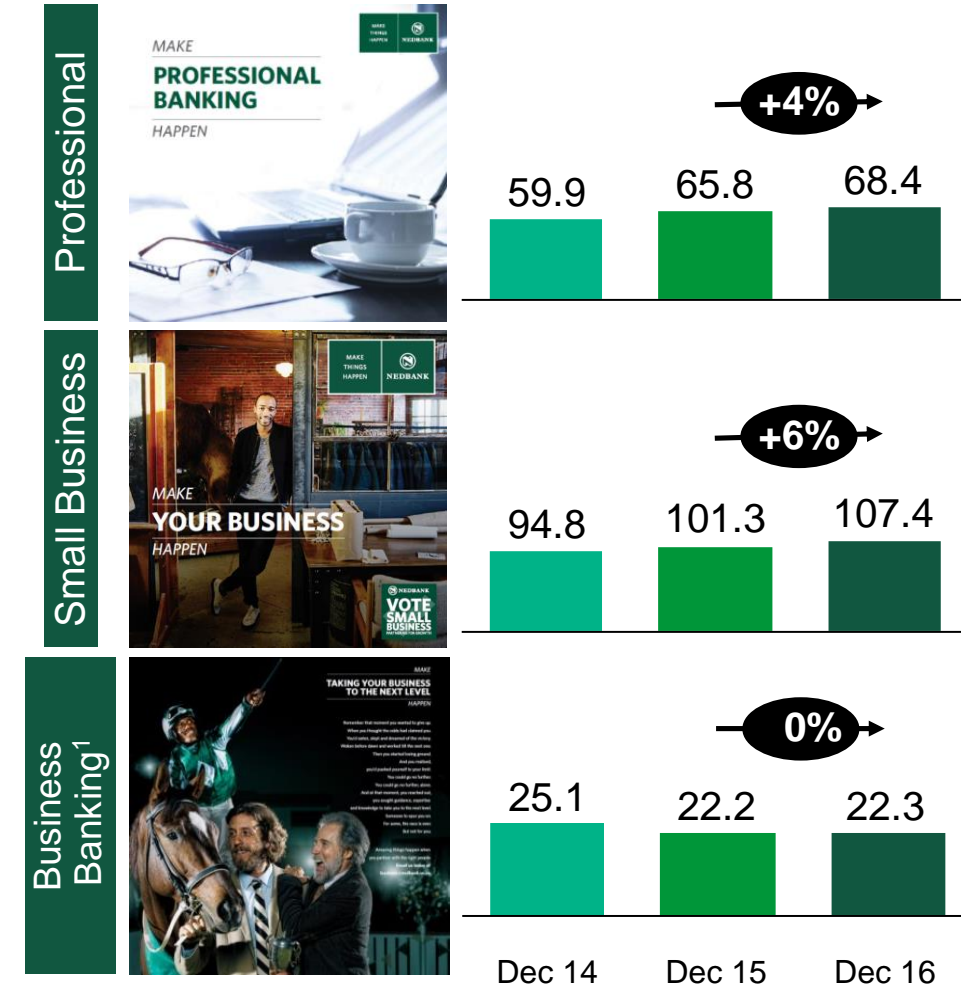
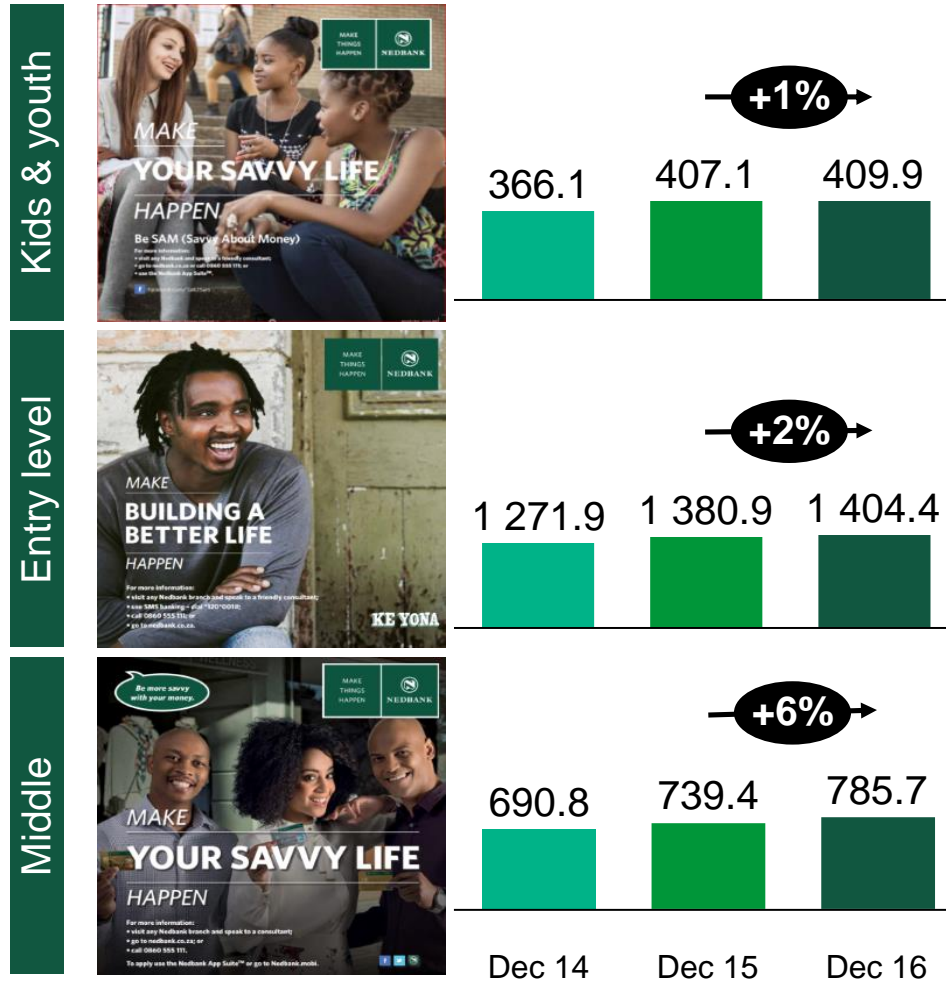
Retail NIR (Rm)





# RBB – client-centred strategy driving growth across all segments

Main-banked, # 000

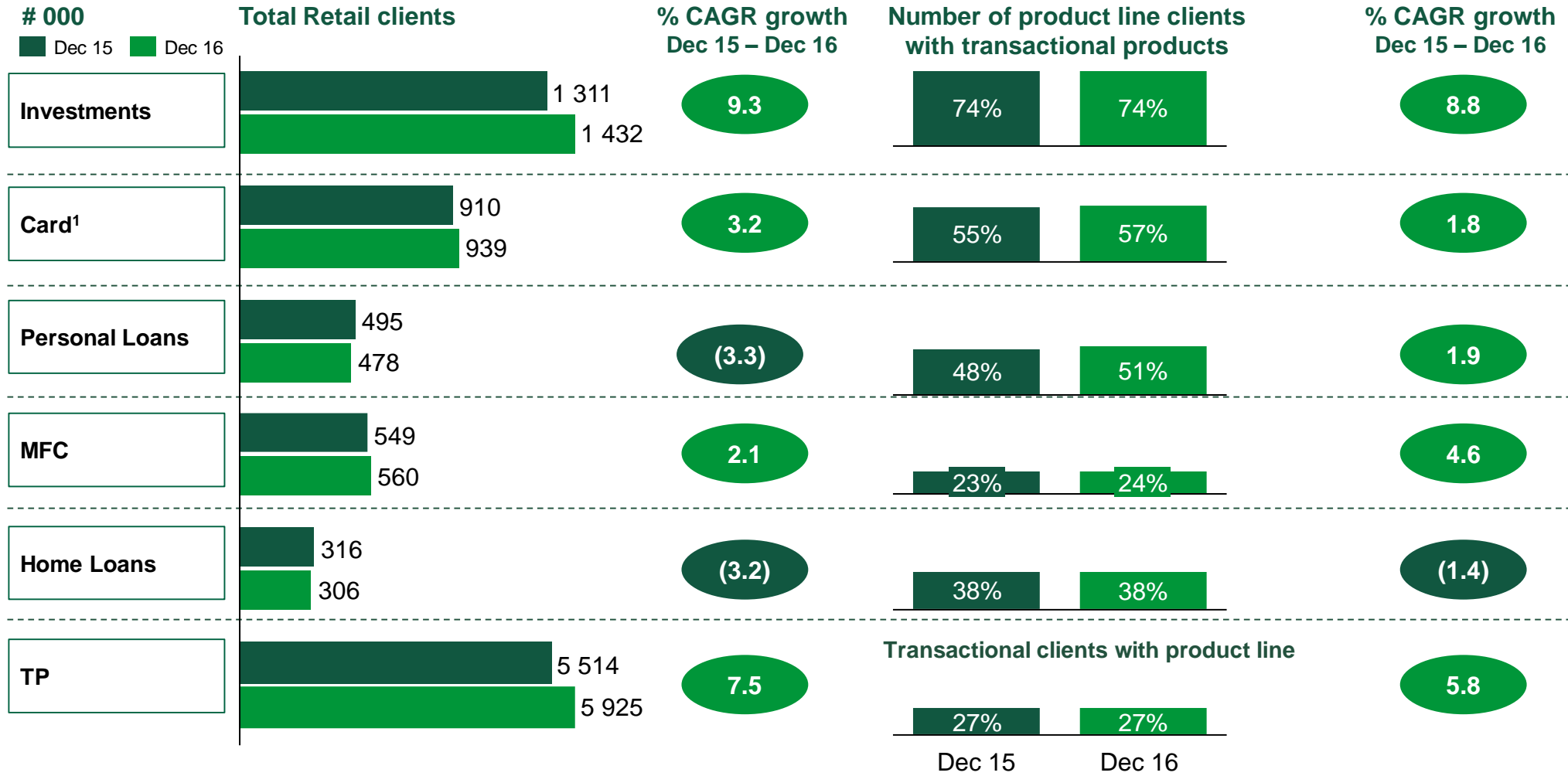


<sup>1</sup> Client groups with gross operating income contributions in excess of R500 pm.  
Note: Non-resident, non-individual segment not shown.





# RBB – building more enduring client relationships through transactional product cross-sell

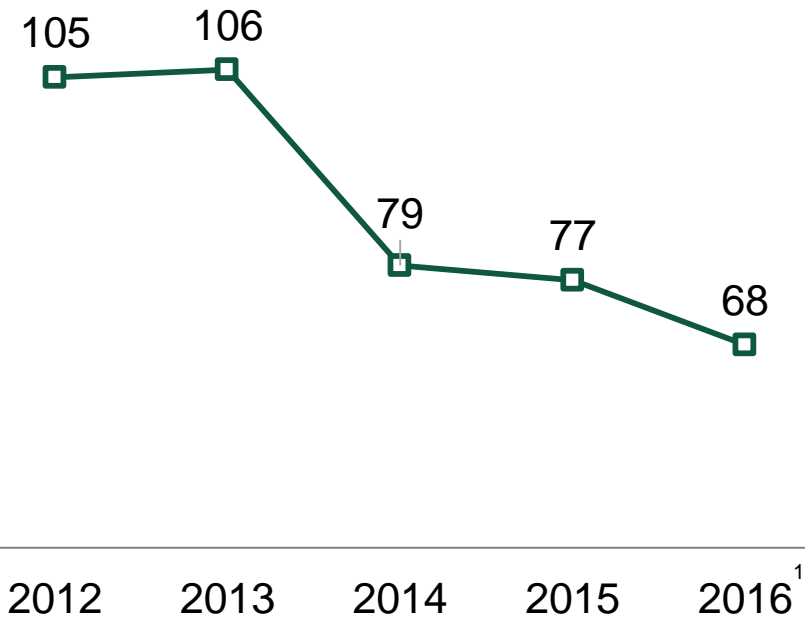


<sup>1</sup> Prior-year card client numbers restated to align with a definition change implemented in 2016.

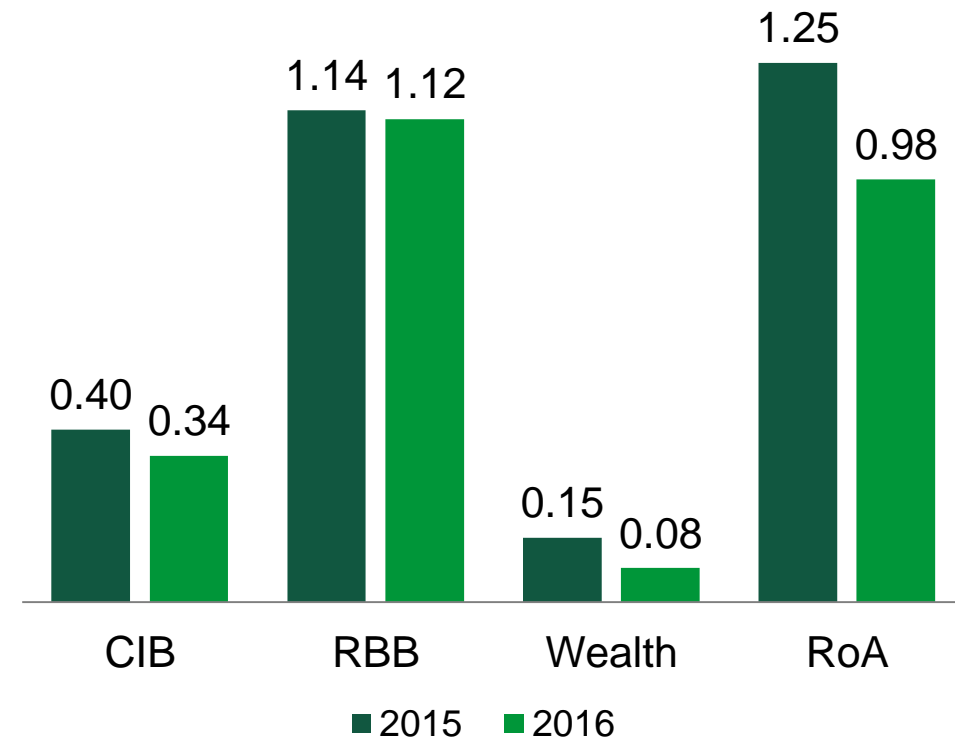


# Credit loss ratio – improvement underpinned by quality portfolio

Credit loss ratio (CLR) (bps)



Cluster credit loss ratio (CLR) (bps)



Banking  
advances

48.9%

43.9%

4.4%

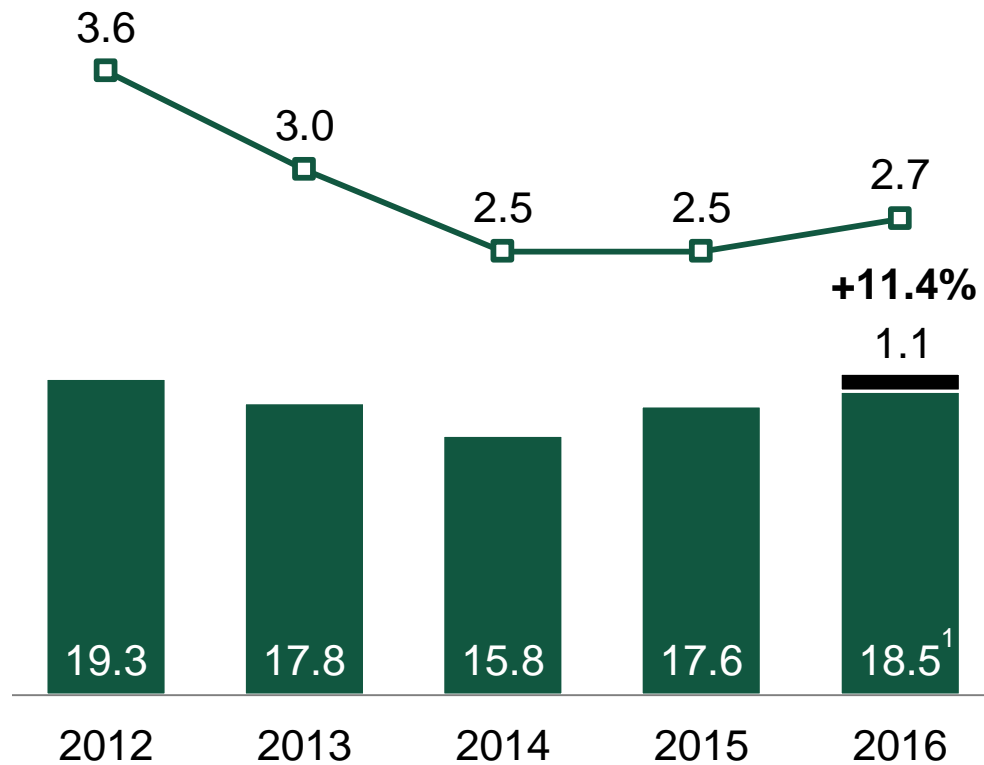
2.7%

<sup>1</sup> Nedbank through-the-cycle target range: 60 – 100 bps

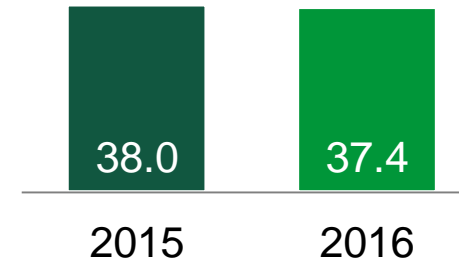


## Defaulted advances – maintained healthy coverage levels & overlays

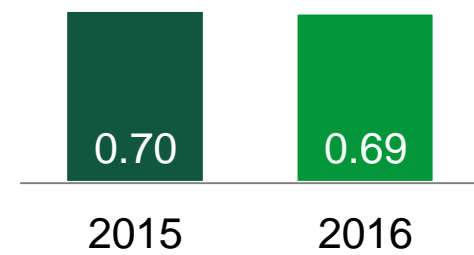
Defaulted advances (Rbn, %)



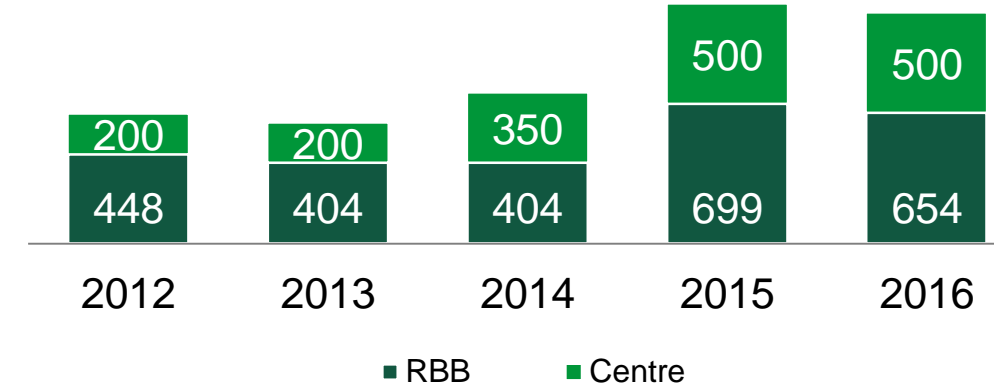
Specific coverage (%)



Portfolio coverage (%)



Overlays & central provision (Rm)



<sup>1</sup> Excluding the new curing definition changes (SARB driven), like-for-like defaulted advances increased 5.0%.

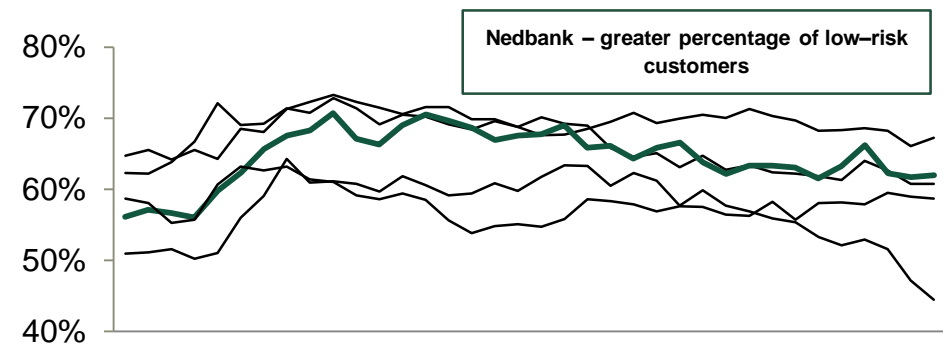
# Nedbank Retail & Business Banking

Home loans – improved asset quality from low-risk client & property contribution  
MFC – Benchmarking through the cycle

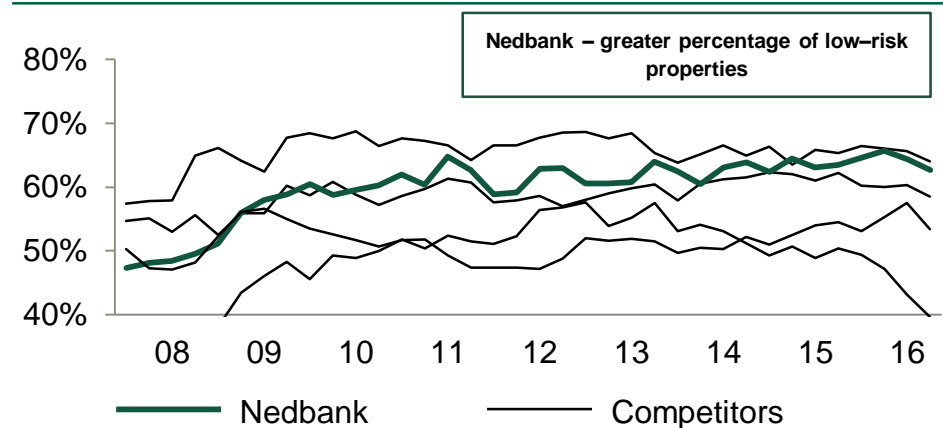


## Homeloans

### Delphi Score – low risk<sup>1</sup> (%)

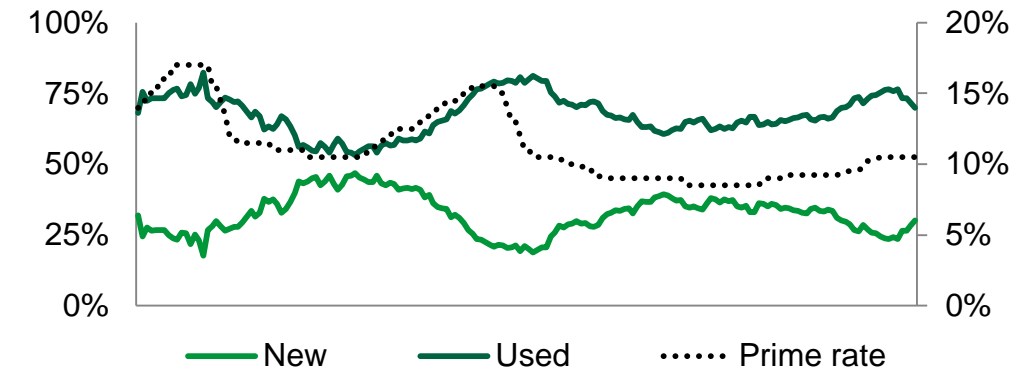


### Low risk properties<sup>2</sup> (%)

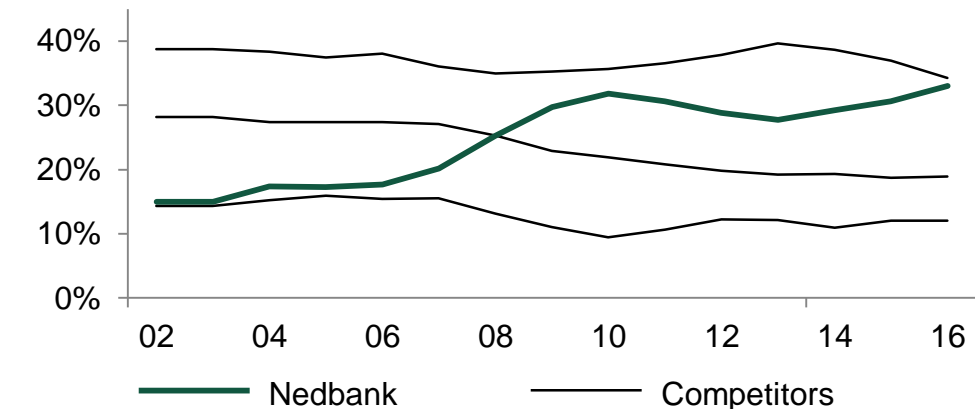


## MFC new & used vehicle distribution (%)

### SA prime rate (%)



## Market share of big 4 SA banks<sup>3</sup> (%)



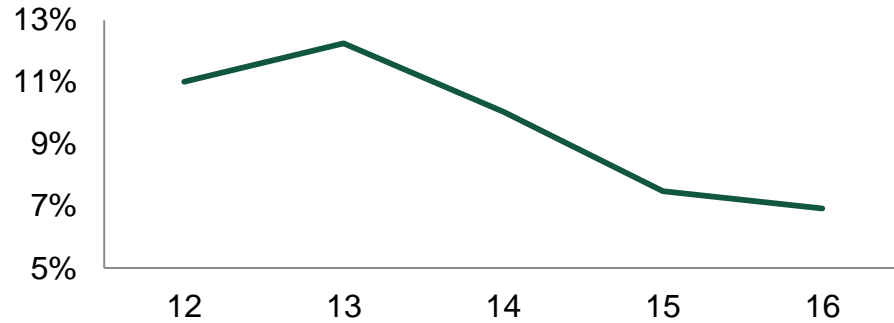
Source: 1. Experian Delphi Score | 2. Lightstone Risk Quality Grade | 3. BA 900 Market share

# Nedbank Retail & Business Banking

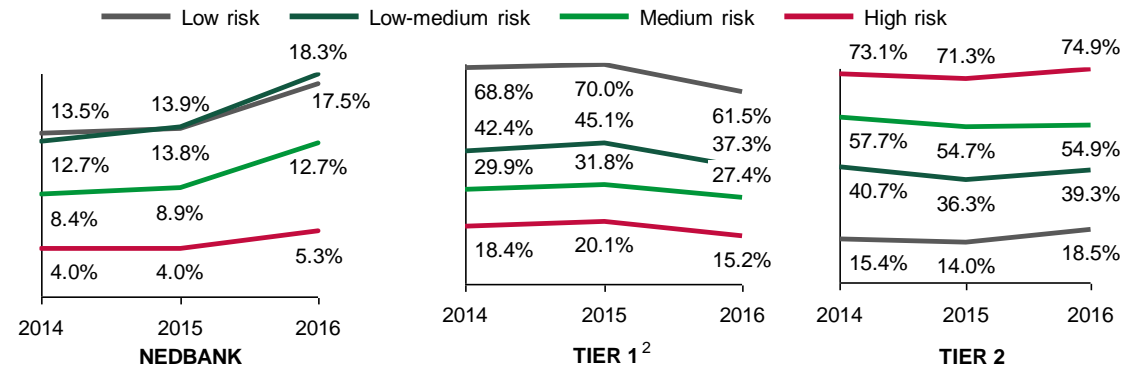
Personal Loans – improved product offering, onboarding & client targeting has driven growth in desired lower-risk segments



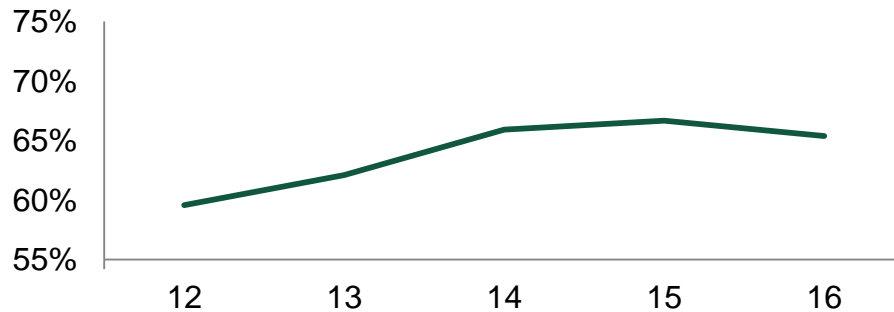
## Credit loss ratio



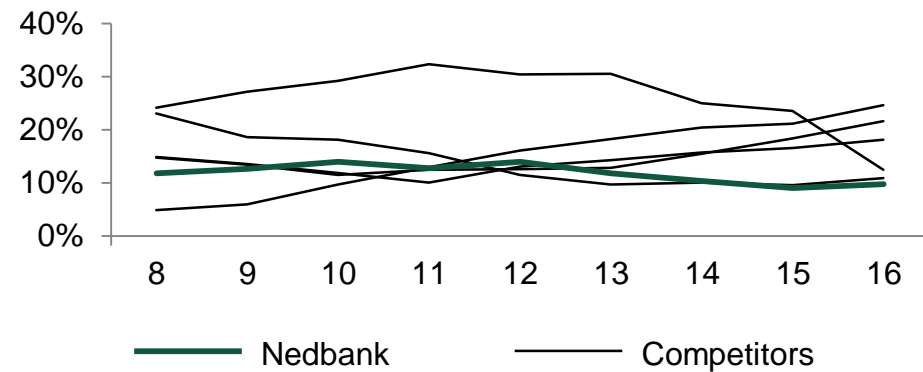
## Market share of new business by risk band <sup>1</sup> (%)



## NPL coverage (%)



## Market share total book (%)



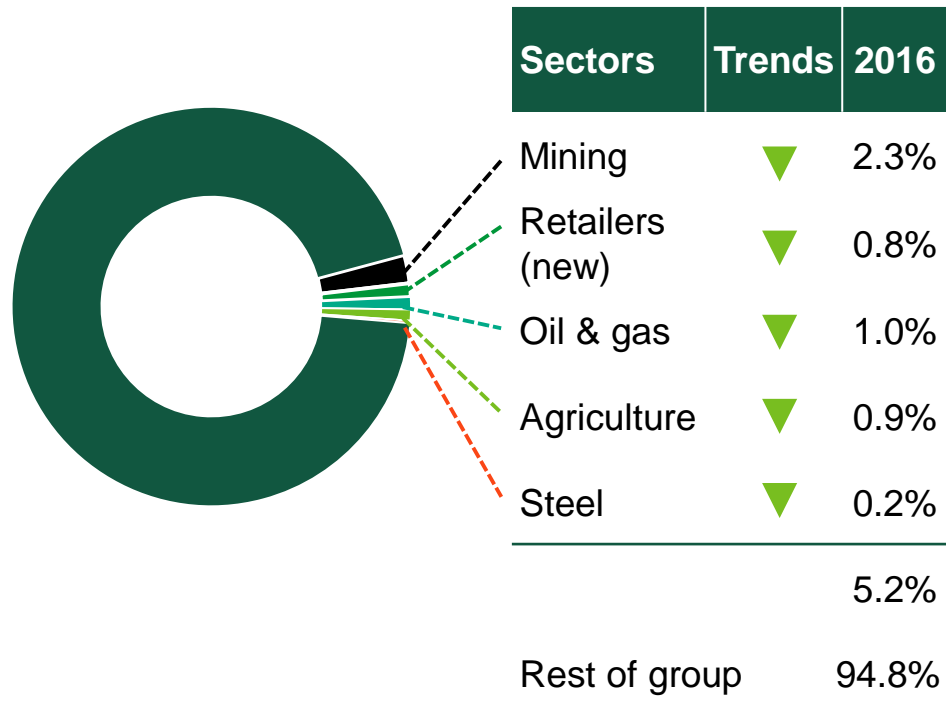
<sup>1</sup> Low risk (Bureau score >= 658); Low-medium risk (Bureau score 644-657); Medium risk (Bureau score 626-643); High risk (Bureau score <= 625)

<sup>2</sup> Tier 1 refers to big 4 banks excluding Nedbank while Tier 2 refers to remaining material providers of unsecured personal loans



# Managing our risks & exposures – improvement in key stressed sectors

## Industry exposures (%)



## CIB portfolio

Selected portfolios			
Portfolio	Concentration risk	Migration risk	Downside risk
Oil & gas (2.1%)	L	L ▼	M
Mining (4.0%)	L	M	M
Steel (0.5%)	L	L ▼	M
Agriculture (1.4%)	L	L	L
Equity-based transactions (3.5%)	L	H	L
CPF (32.5%)	H	M ▲	L
Retailers (1.3%)	L	H	M

Change on prior period:

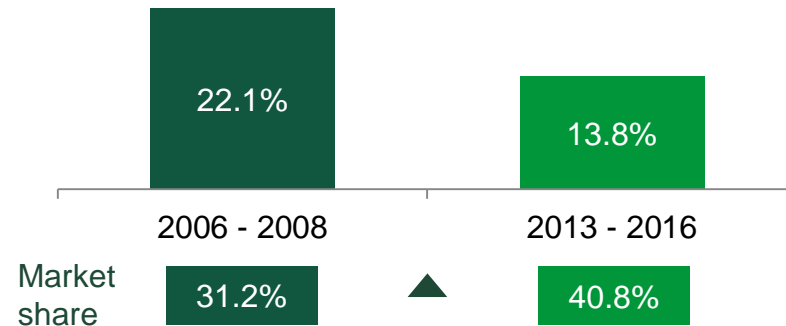
[ ▼ ] Risk decrease    [ blank ] No change    [ ▲ ] Risk increase





# Commercial property finance – strong asset quality & risk management

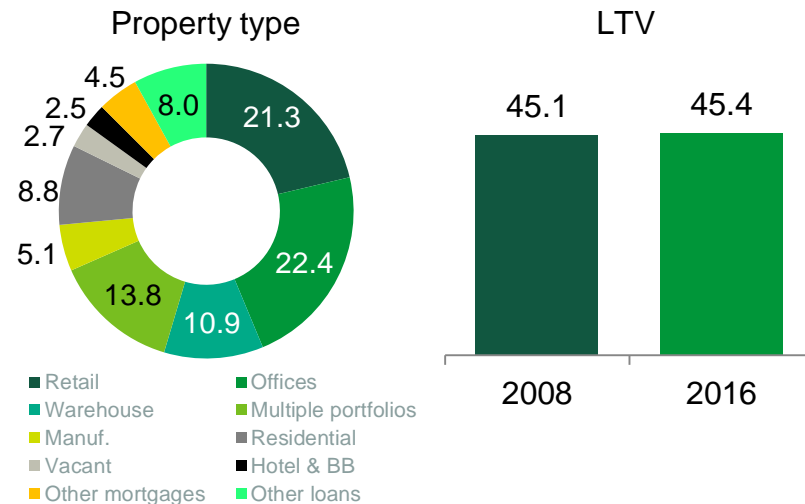
## Advances growth (CAGR %)



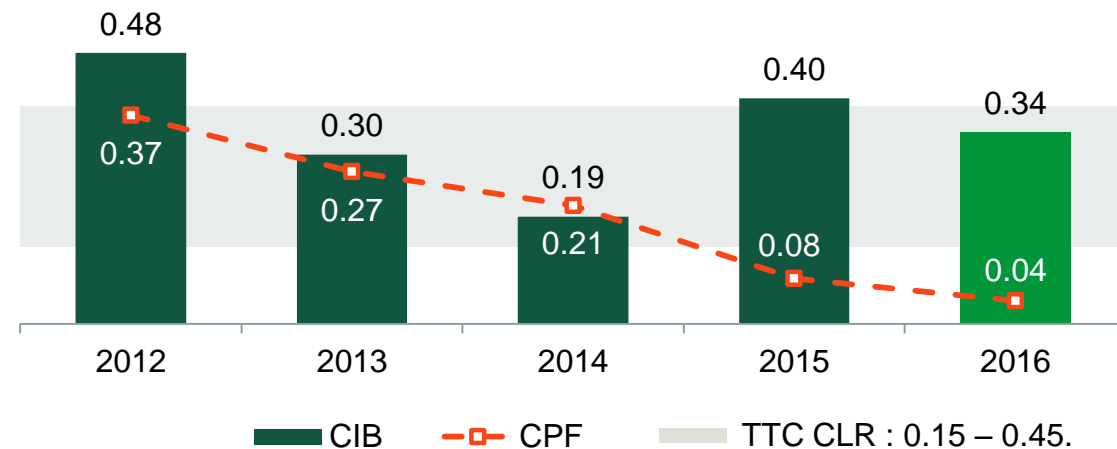
## Key drivers

- Strong client base supported by an experienced team
- Lending access to existing collateral pools
- LTVs consistently < 50%
- Vacant land < 3% & Residential < 10% of portfolio
- Retail centre development at least 70% pre-let

## Provisioning & Loan-to-Value (LTV) (%)



## CLR (%)

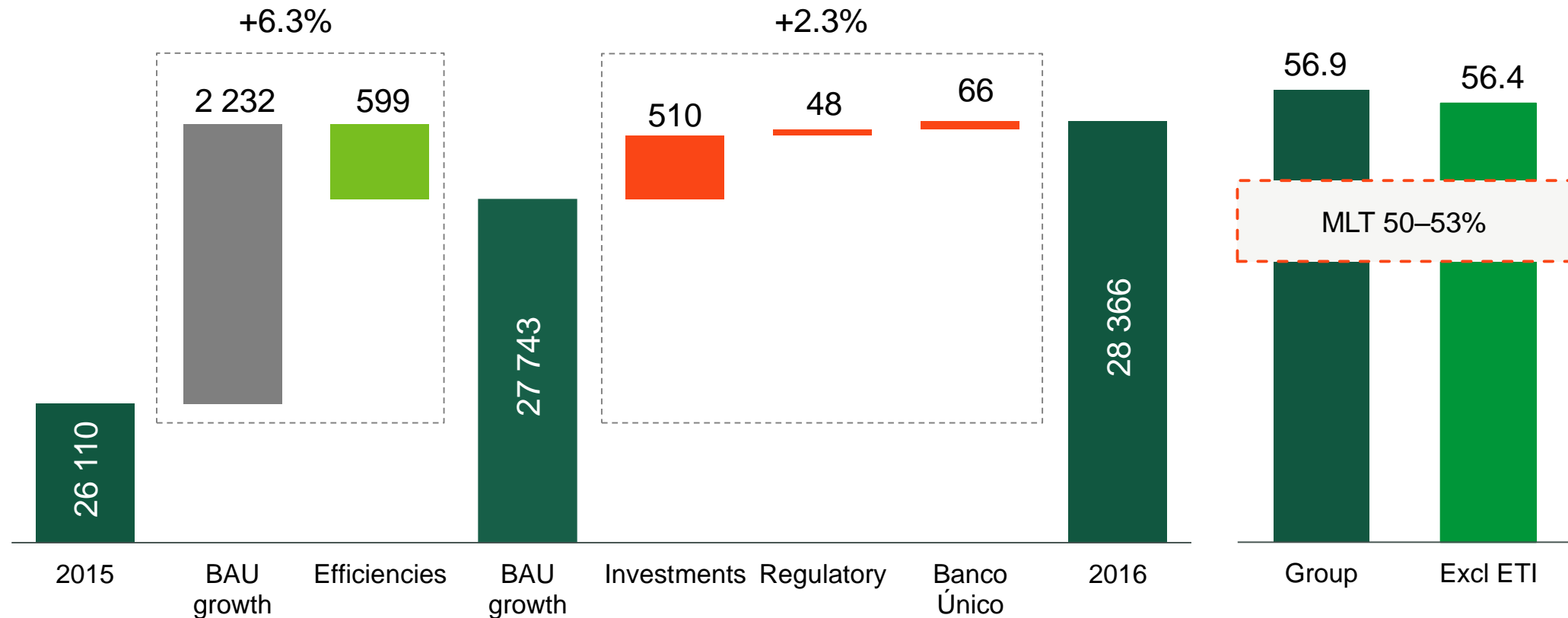




## Expenses – ongoing investment for growth supported by efficiency gains

### Expenses (Rm)

### Cost to income (%)



1 Investments, including IT projects, branch reformatting costs, etc.

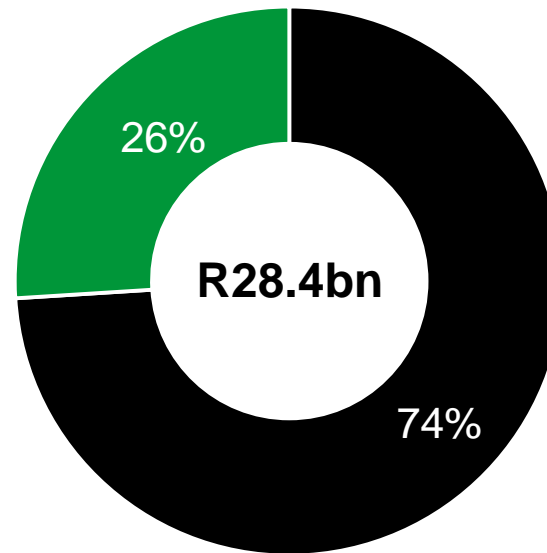


# Looking forward – opportunities to optimise our expense base

## Variable expenses – can be delayed or reduced

- ~10% staff attrition per annum
- STI: Linked to headline earnings & economic profit
- LTI: Linked to ROE, FINI 15 & corporate performance targets
- Discretionary spend: Marketing & communication, consulting fees, travel expenses etc
- Revenue related fees (not included in 26%)

## Flexibility of expense base (%)



■ Fixed ■ Variable

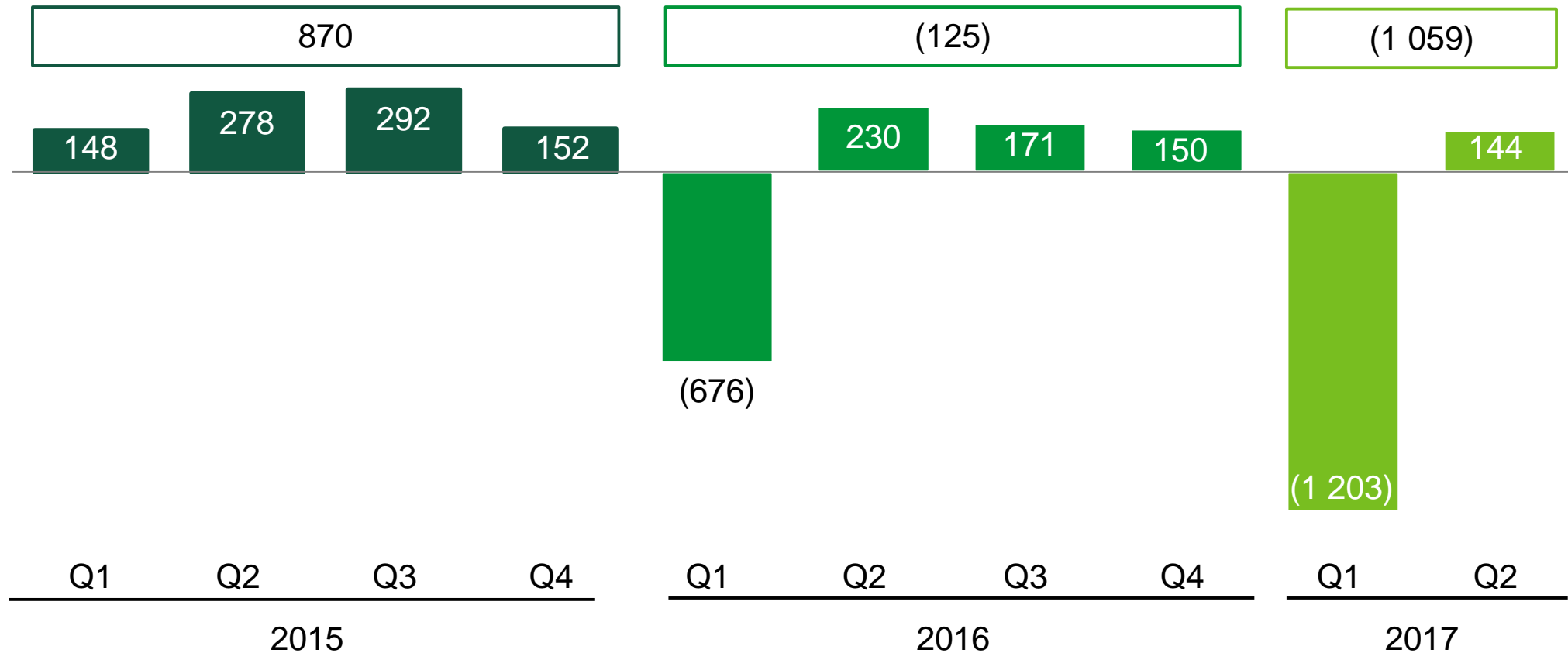
## Fixed & variable expenses – structural optimisation planned

- Target operating model synergies of R1bn pre-tax by 2019
- Digitisation & integrated channels – lower cost to serve & revenue benefits
- Managed Evolution IT core system replacement
- Robotics & artificial intelligence
- Shared services model, including procurement, property strategy



## Associate income – ETI performance reflective of tough environment, particularly in Nigeria

### Associate income from ETI (Rm)

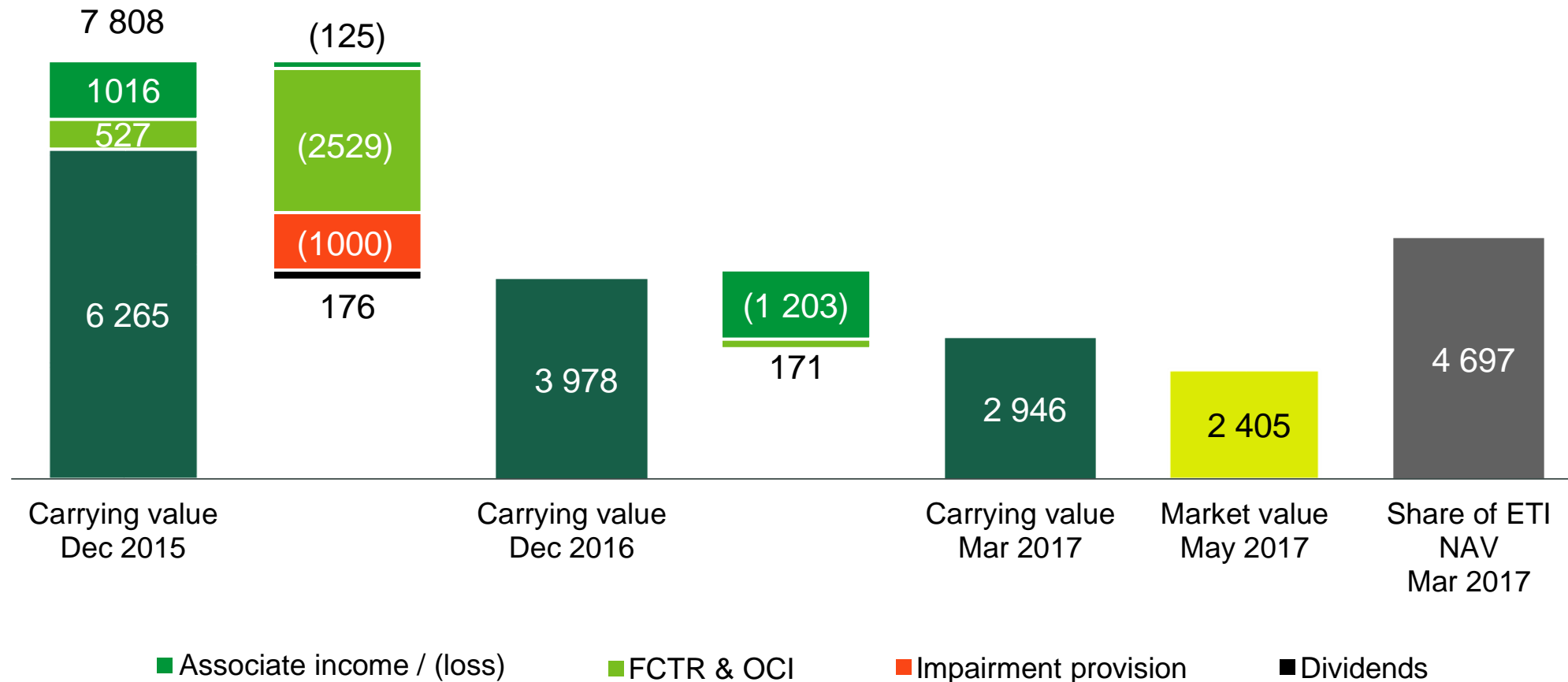


Note: Q2 2017 R144m based on share of ETI's Q1 2017 attributable profit of \$51m & estimated Q2 2017 exchange rate of ZAR/USD13.42



## ETI carrying value – impacted by weaker economic conditions

### Carrying value & market value (Rm)





## ETI investment – supporting strategic review for growth

- **Challenging environment**

- Challenging economic conditions in West Africa with commodity exporters under pressure
- Currency weakness & foreign currency liquidity constraints, particularly in Nigeria
- Likelihood of ongoing pressure on quality of credit portfolios

- **ETI board-led strategic review underway**

- Shifts in regulation, client expectations & competitor dynamics
- Digitisation to drive client experience & focus on transactional revenues
- Enhanced risk & compliance culture

- **Nedbank a supportive shareholder**

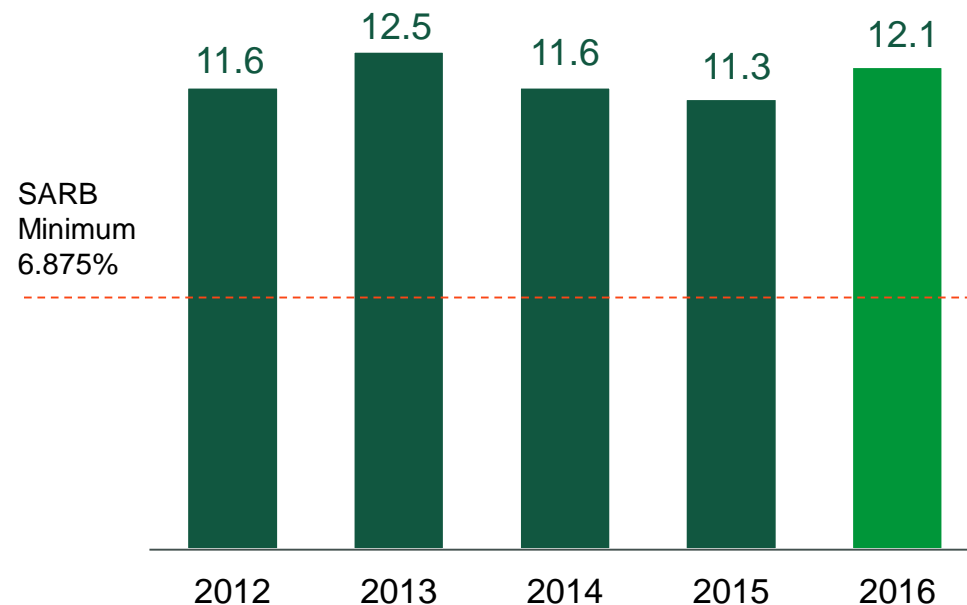
- Working with other shareholders to support ETI board & management to improve business performance & generate returns in excess of cost of equity





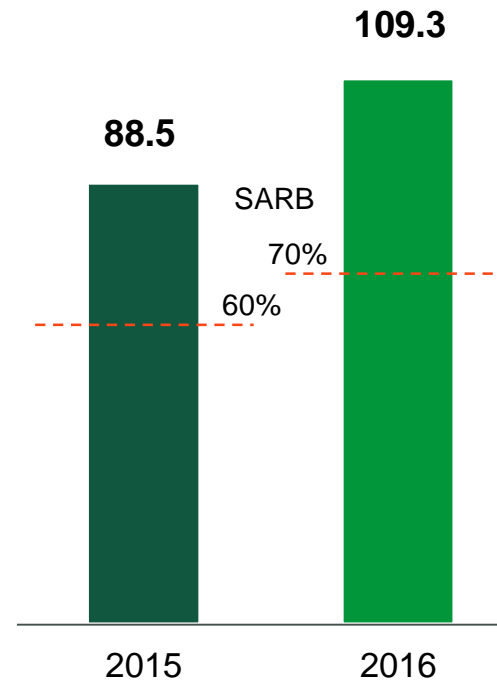
# Capital – well positioned for Basel III regulatory environment

## CET 1 capital ratio (%)



## Liquidity coverage ratio & net stable funding ratio

### LCR (%)



### NSFR

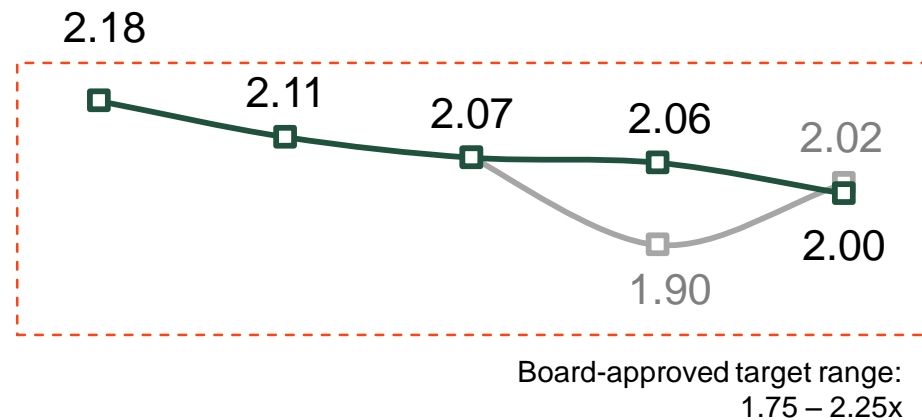
On a pro forma basis NSFR was above 100% at 31 December 2016

Note: Capital adequacy ratios are underpinned by ongoing organic profit generation & RWA optimisation opportunities. The IFRS 9 standard is not anticipated to have a significant impact on capital adequacy.



## Dividend cover at mid-point of our target range – supporting an attractive dividend yield

### Full-year dividend cover (x times)

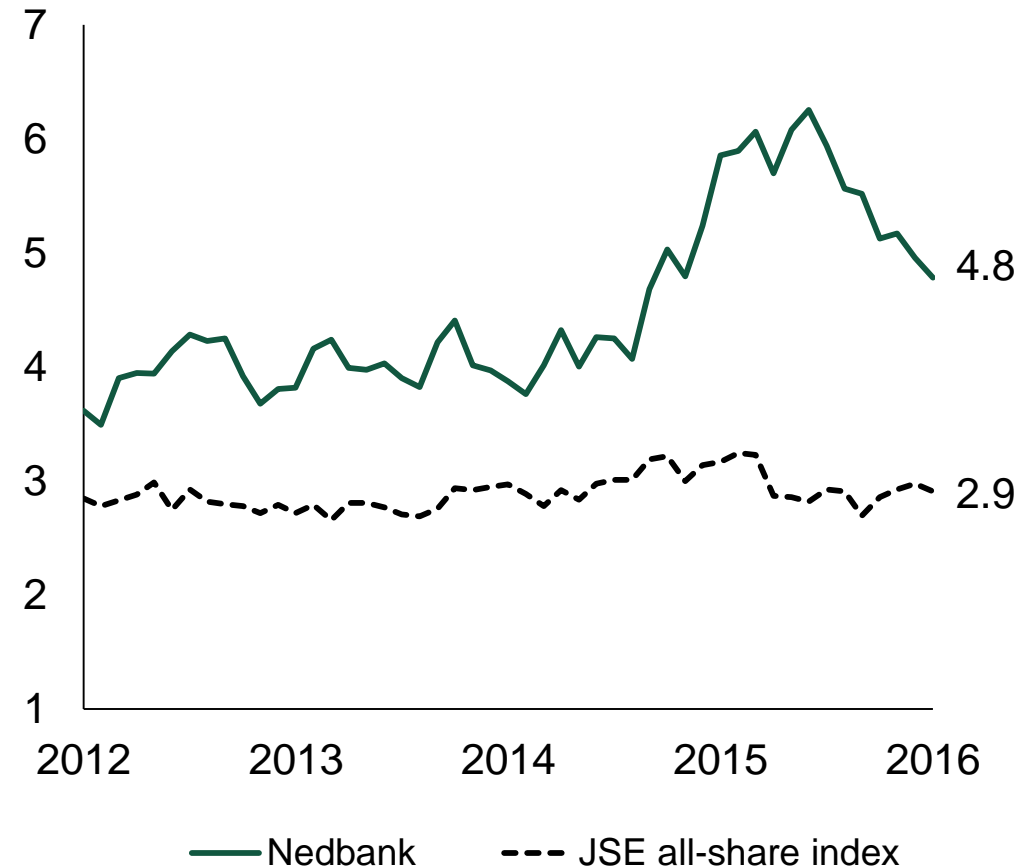


2012 2013 2014 2015 2016

—□— Dividend cover excluding ETI associate income

—■— Dividend cover

### Dividend yield (%)



2012 2013 2014 2015 2016

Note: The cash dividend will be subject to a dividend withholding tax rate of 20%, which recently increased from 15%



## 2017 guidance (under review – to be updated on 1 Aug 2017)

### NII

- Average interest-earning banking asset<sup>1</sup> growth to increase slightly ahead of nominal GDP growth
- NIM to be slightly above the rebased 2016 level of 3.54%

### CLR

- To increase, but remaining below the mid-point of our target range of 60–100 bps

### NIR

- Upper-single-digit growth (excluding fair-value adjustments)

### Associate income

- ETI earnings likely to remain volatile & uncertain (reported a quarter in arrear)

### Expenses

- Mid- to upper-single-digit growth

**Growth in DHEPS for full-year 2017 greater than growth in nominal GDP**

<sup>1</sup> To align with industry practice from November 2016 average balances of R6bn in the CIB liquid-asset portfolio were included in our trading book and removed from average interest-earning banking assets used as the denominator in the NIM calculation. The 2016 AIEBA base needs to be adjusted for the remaining R28bn.



## Q1 2017 update

### NII

- Average interest-earning banking asset growth at low single-digit levels
- NIM widened ahead of the full year 2016 level of 3.54% & the Q1 2016 level of 3.51%

### CLR

- Improved from full year 2016 level of 68 bps & below our target range of 60–100 bps

### NIR

- Grew at low-to-mid single digit levels

### Associate income

- Q1 2017 loss of R1.2bn & Q2 2017 estimated at R144m (reported a quarter in arrear)

### Expenses

- In line with our expectations (& lower than budget given revenue pressures)

**DHEPS guidance to be updated at H1 2017 results announcement**



## Medium-to-long-term targets

Metric	2016	vs MLT	Medium-to-long-term target	2017 outlook <sup>1</sup>
ROE (excl goodwill)	16.5%	▼	5% above COE	Below target
Diluted HEPS growth	4.8%	▼	≥ CPI + GDP growth + 5%	Below target
Credit loss ratio	68 bps	►	60–100 bps	Increase, but below the mid-point of target range
NIR-to-expenses ratio	82.9%	▼	> 85%	Below target
Efficiency ratio <sup>2</sup>	56.9%	▲	50–53%	Above target
CET 1 CAR	12.1%	►	Basel III basis <sup>3</sup> : 10.5–12.5%	Within target
Tier 1 CAR	13.0%	▲	> 12%	
Total CAR	15.3%	▲	> 14%	
Dividend cover	2.00 x	►	1.75 to 2.25 times	Within target range

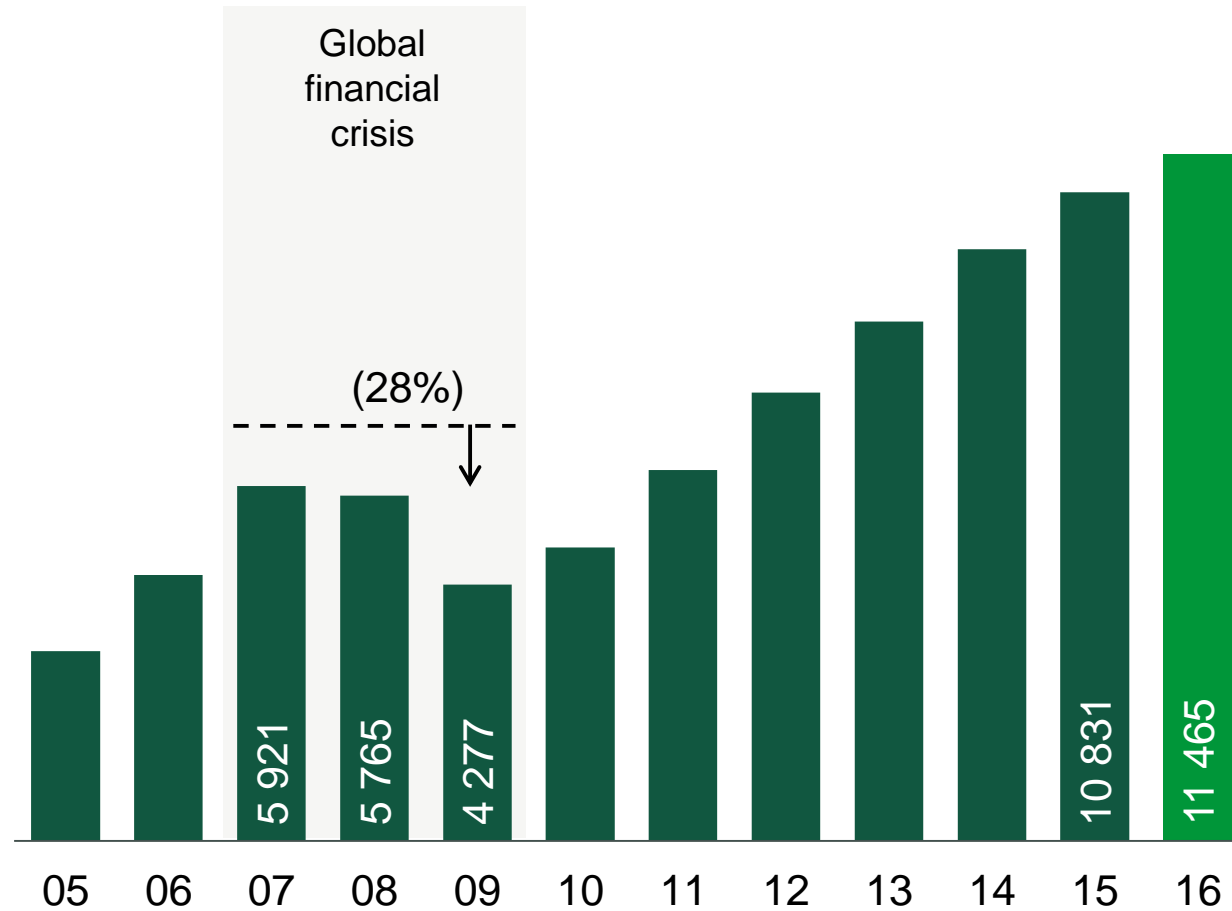
<sup>1</sup> 2017 outlook based on current economic forecasts. <sup>2</sup> Efficiency ratio includes associate income

<sup>3</sup> Tier 1 & total CAR targets were revised in 2016 from 11.5–13.0% & 14.0–15.0% respectively

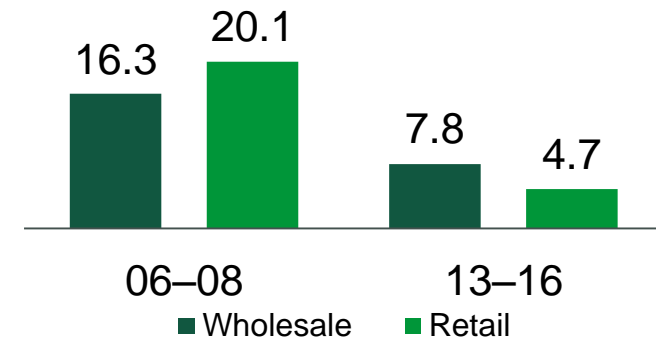


# Nedbank Group in a strong position

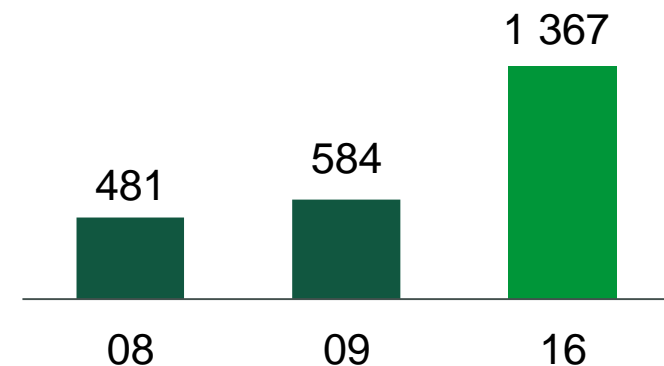
## Headline earnings (Rm)



## Loan growth (CAGR %)



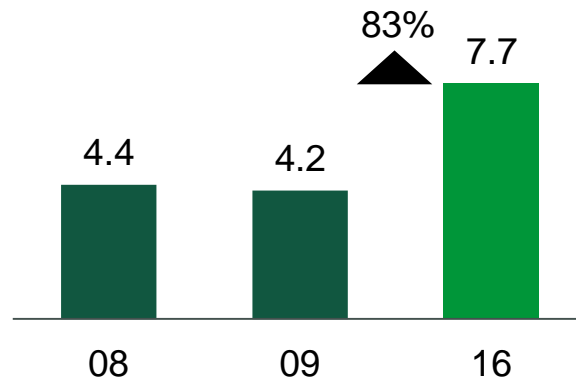
## Endowment benefit for 1% change in interest rates (Rm)



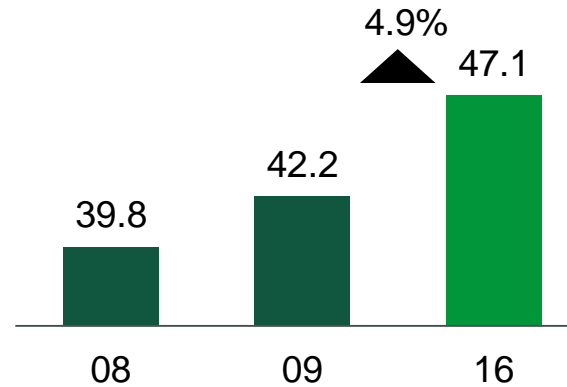


# Nedbank Group in a strong position

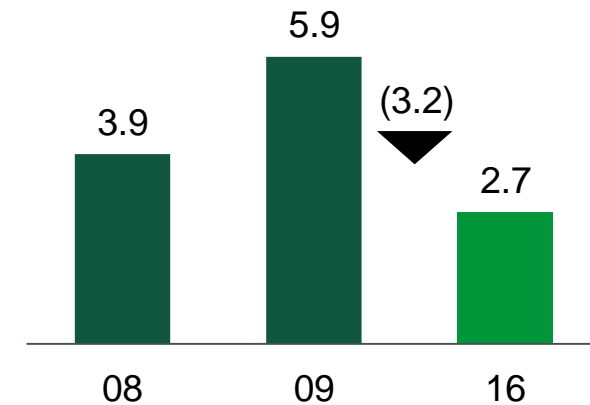
Number of clients (m)



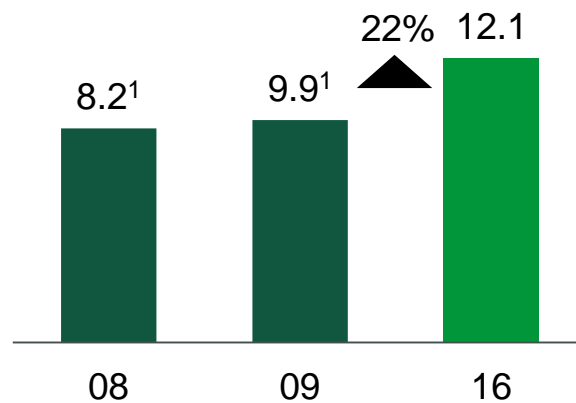
NIR income contribution (%)



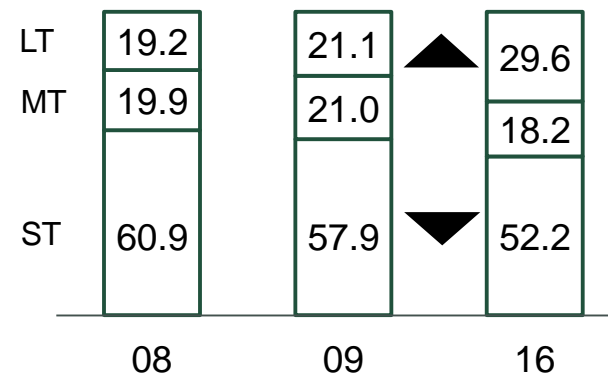
Defaulted advances (%)



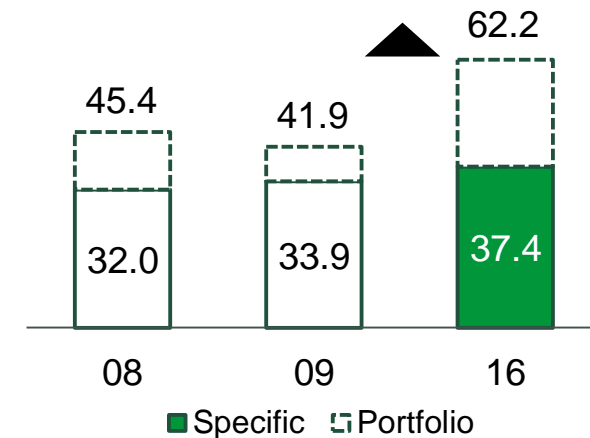
CET 1 ratio (%)



Funding tenor (%)



Coverage (%)



1 Core equity tier 1.



# Improved funding profile in a competitive market

## Funding mix & impact of possible sovereign downgrade

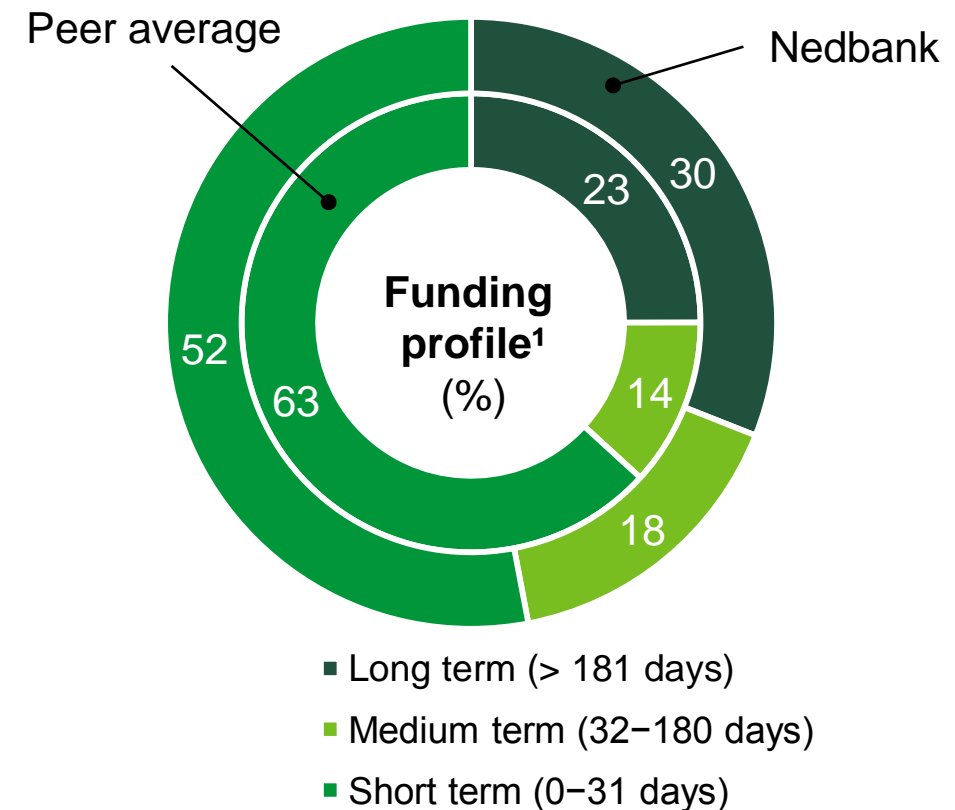
Funding sources	Funding base mix	
Households	19%	Limited impact - closed domestic market
Commercial	27%	
Wholesale	39%	Reprice marginally
Capital markets	7%	Reprice on new issuances
Foreign – asset matched	7%	Matched to US\$ lending – no material impact
Foreign – general funding pool	1%	Reprice on contractual repricing date
<b>Volume-weighted total</b>	<b>100%</b>	

Total funding (deposits + long-term debt) at 31 December 2016: R813.6bn.

FCTR: Foreign currency translation reserves. QC&R: Qualifying capital & reserves

1 Funding profile: Nedbank & peer fourth quarter 2016 average funding ratio. Peers at 31 December 2016.

## Funding duration longer than industry average (%)







## In summary

- **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
- **Positioned for 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 | Key markets in which ETI operates are currently expected to remain difficult in 2017, before improving in 2018 & beyond
- **Extract efficiencies across all our businesses to fund future investment – enable improvements in efficiency ratios & ROEs**



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