



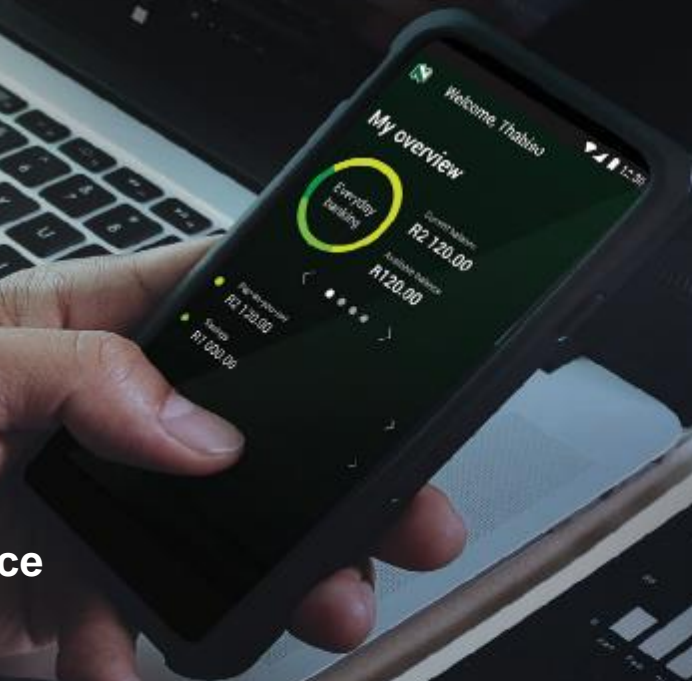
Nedbank Group

Beyond the Euphoria

21st Annual UBS South African Financial Services Conference

Mike Brown (Chief Executive), Q4 2018

see money differently



NEDBANK



Agenda

- **Euphoria, Ramaphoria & Ramareality**
- **The prospects for Nedbank in Ramareality**
 - A bank as a macro economic hedge fund
 - A bank as a fees & services business
- **Key focus areas for Nedbank under all levels of Euphoria**
- **Closing**



Let's start by examining Euphoria using formulae

$$\text{Euphoria} = \text{Happiness}^2$$

Happiness, in turn, has two formulae – you can choose your state of mind:

$$\text{Happiness} = \frac{\text{Reality}}{\text{Expectation}} > 1$$

... let's call this Ramaphoria

$$\text{Happiness} = \text{Reality}^{t+1} > \text{Reality}^{t0}$$

... let's call this Ramareality

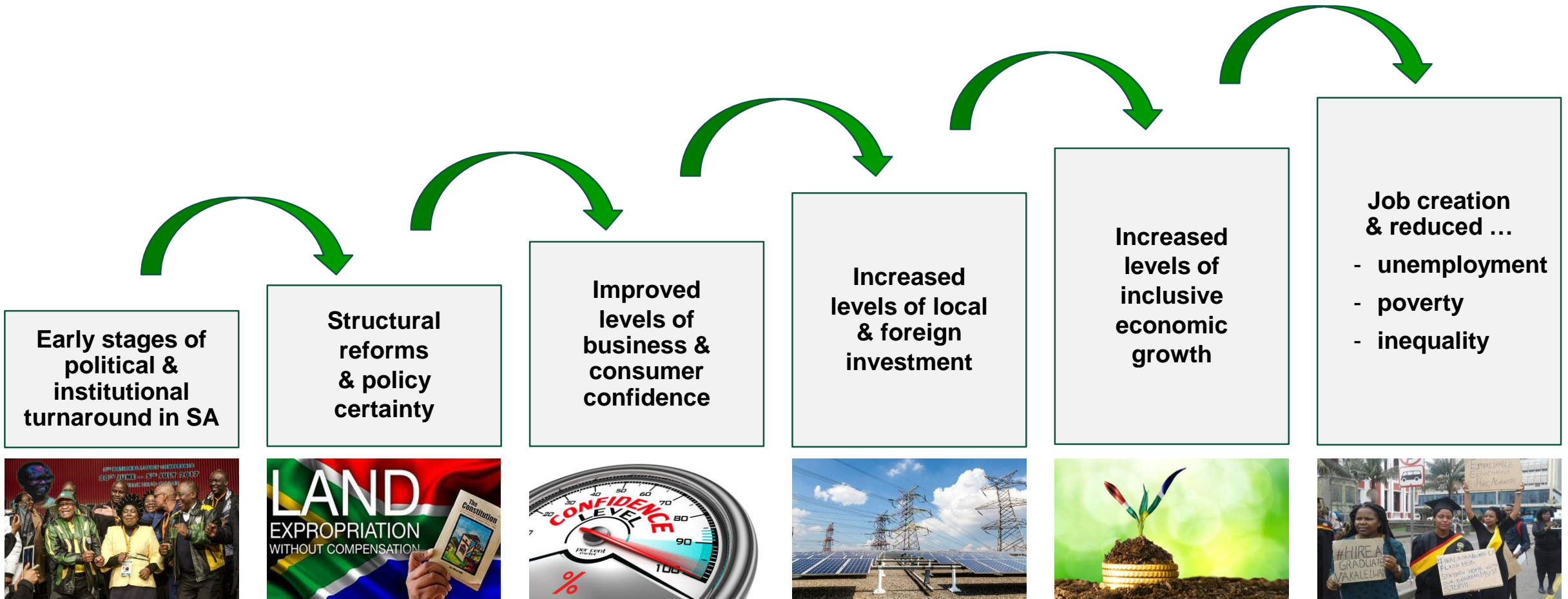


Macro economic forecasts under Ramaphobia, Ramareality & Ramaphoria

	Ramaphobia (High stress)				Ramaphoria (Positive)				Ramareality (Base case)			
	18	19	20	21	18	19	20	21	18	19	20	21
SA GDP growth	0.6%	0.0%	0.6%	1.2%	1.5%	3.0%	2.8%	3.2%	0.6%	1.6%	2.2%	2.4%
Ave prime interest rate	10.2%	11.1%	10.9%	11.3%	10.0%	9.6%	10.1%	10.3%	10.0%	10.2%	10.5%	10.7%
Inflation (CPI)	5.0%	6.4%	6.0%	6.3%	4.4%	3.6%	4.2%	4.6%	4.6%	5.1%	5.0%	5.2%
Credit growth	2.9%	3.1%	2.0%	5.2%	5.7%	11.6%	11.0%	13.6%	4.3%	6.7%	8.2%	10.0%



Ramareality – stronger economic growth dependent on structural reforms, policy certainty, improved levels of confidence, investment & job creation





The prospects for Nedbank in Ramareality – focussing on clients & what we can control (“self-help”) & managing through the cyclicality from the macro

Bank

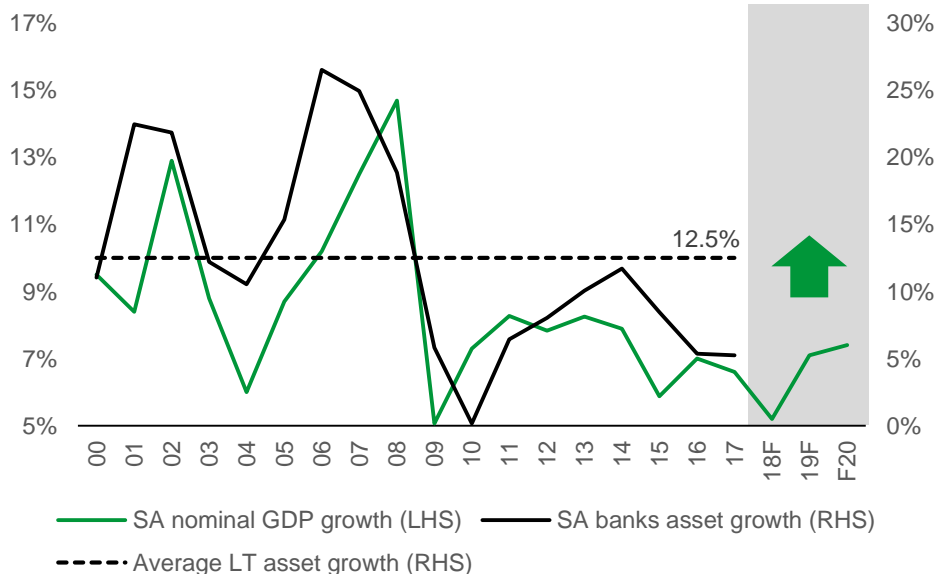
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Macroeconomic hedge fund
Macro cycle is a key driver, with some assistance from self-help

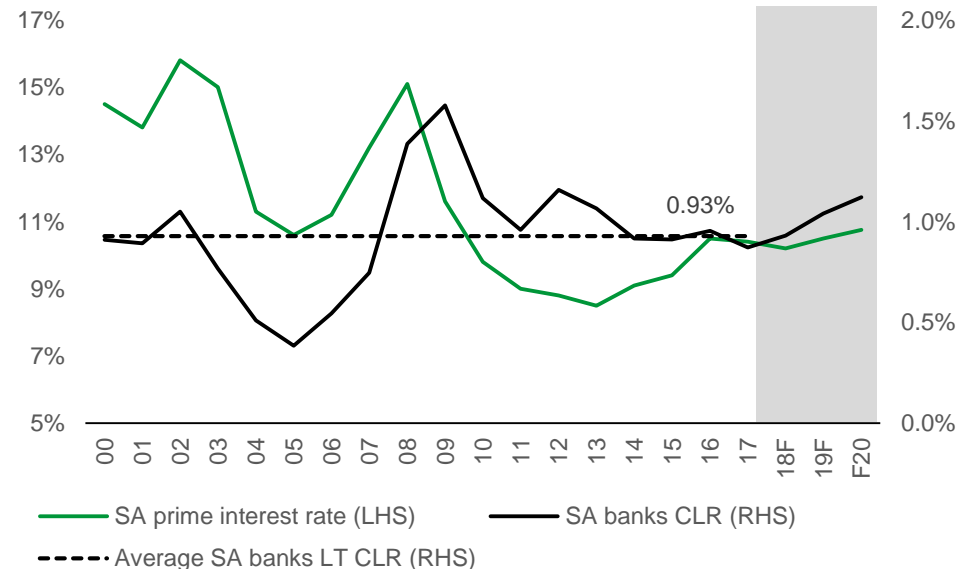
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Fees & services business
Self-help is a key driver, with some assistance from the macro cycle

Asset growth linked to economic growth



Benign interest rate cycle driving slow increase in impairments





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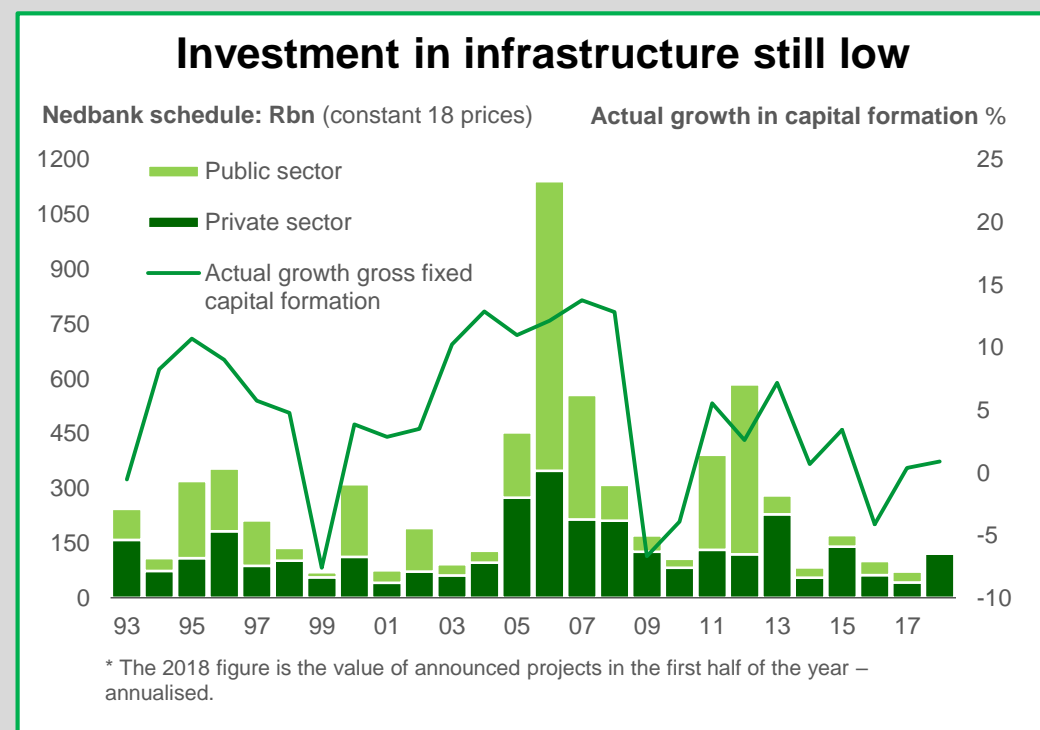
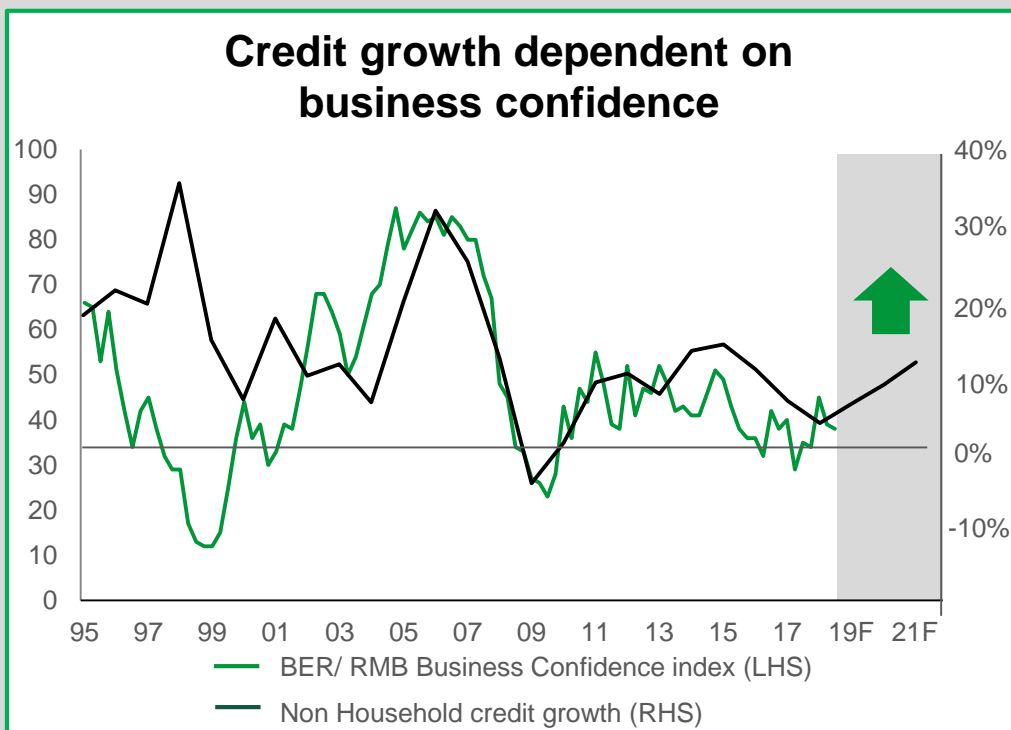
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Fees & services business

Self-help is a key driver, with some assistance from the macro cycle

Corporates: macro drivers





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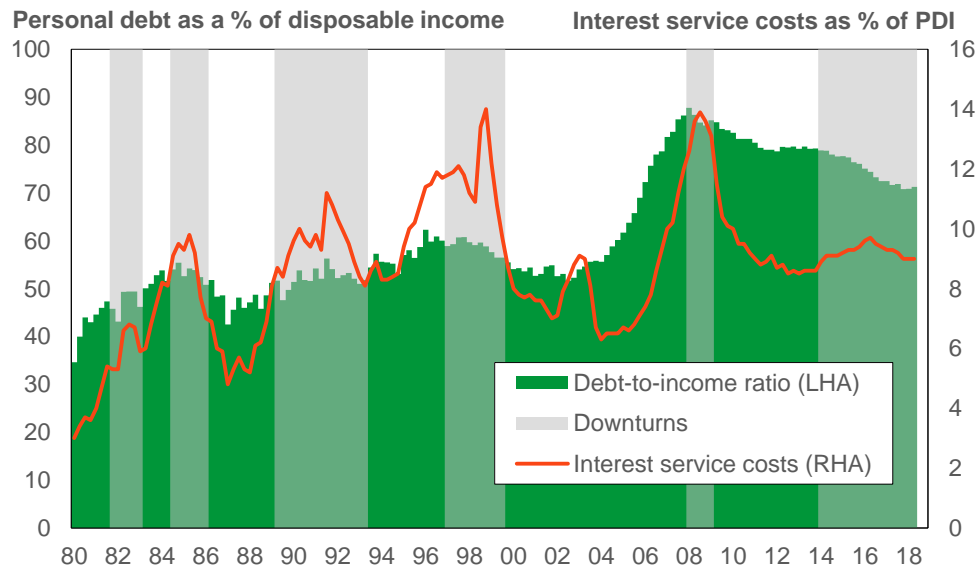
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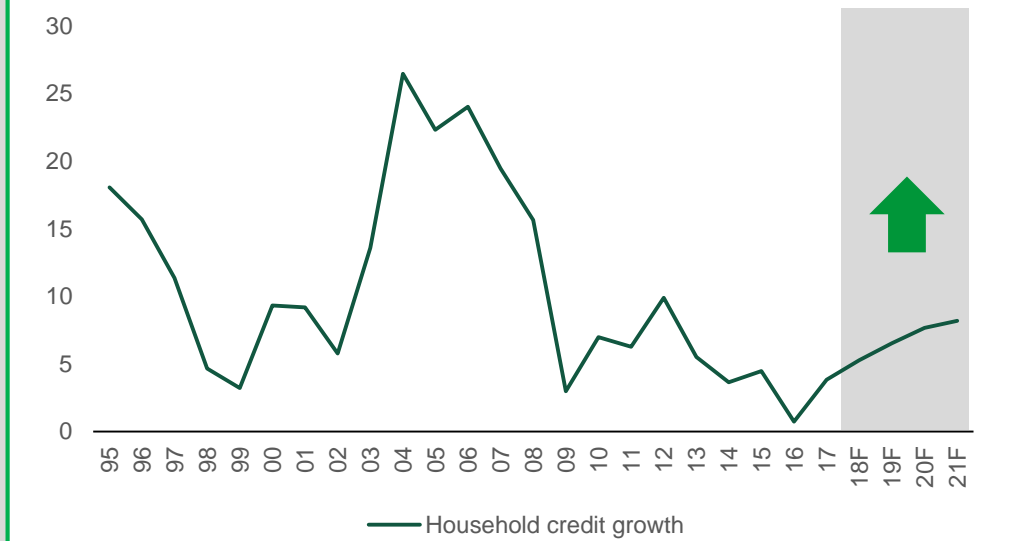
Self-help is a key driver, with some assistance from the macro cycle

Households: macro drivers

Consumers remain highly indebted, but off the 2007/8 highs

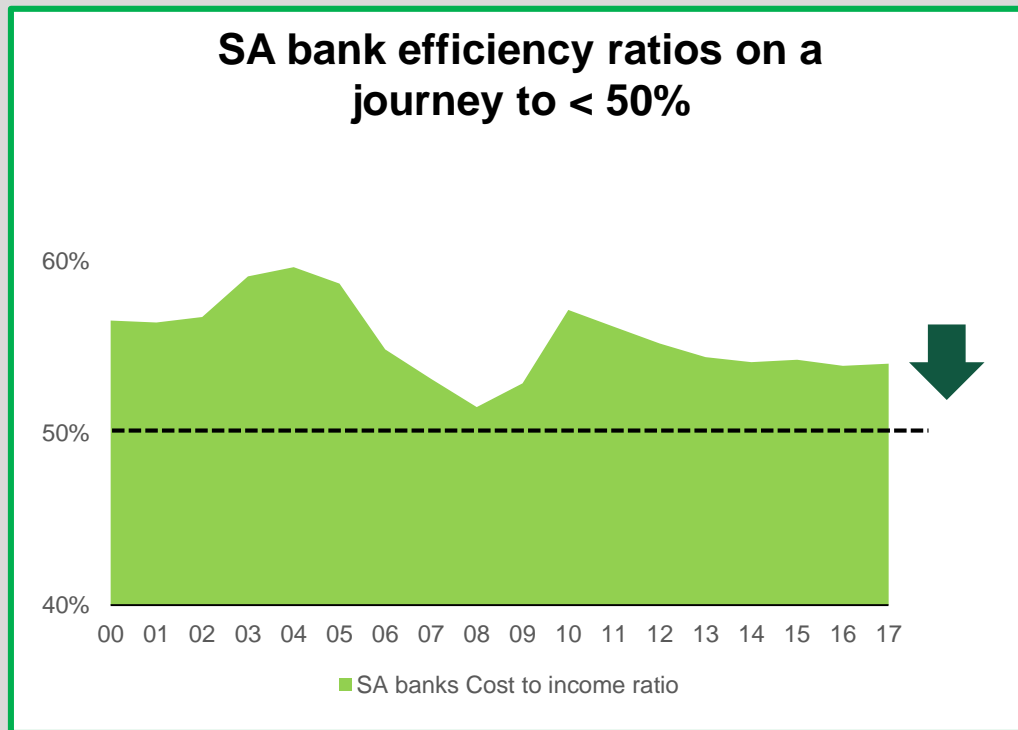
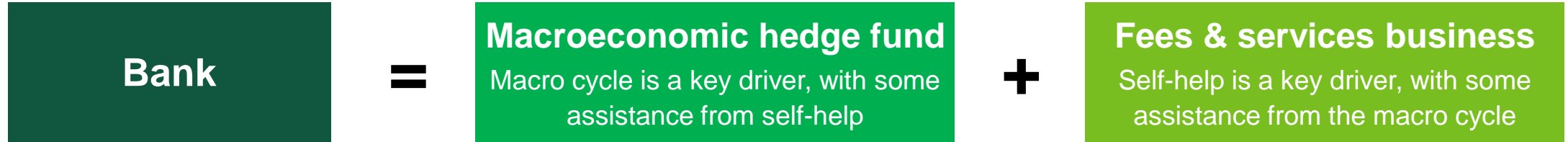


Household credit growth increasing slowly





The prospects for Nedbank in Ramareality – focussing on clients & what we can control (“self-help”) & managing through the cyclicality from the macro



- ### Growth drivers
- Technology investment
 - Digital & mobile penetration & adoption
 - Client centric approaches
 - Data, robotics & artificial intelligence
 - Emergence of client & payment platforms



Nedbank Group – key focus areas under all levels of euphoria

1

Building on **strong wholesale foundations**

2

Retail growth enabled by **investment in technology for great client experiences & improved efficiency**

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Wealth propositions benefiting from **advantages of bancassurance**

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SADC & ETI turnaround continues to drive growth & collaboration initiatives gaining traction

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Governance & nation building

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Completion of Old Mutual Managed Separation



We have invested significantly in the CIB franchise over the past few years – CIB integration, acquired key skills, invested in technology

CIB integration

Holistic client experience & improved efficiencies (run-rate savings of R200m p.a.), driving improved returns

Acquired key skills

Investment banking

- Head: Private Equity
- Head: Principle & Alternative Investments

Markets

- Head: Interest Rate Trading
- Senior Bond Sales Trader
- Head: Interest Rate Derivatives
- Head: Structured Rates
- Senior Equity Option trader
- Head: xVA
- Markets COO
- Head: Equities

Property Finance

- Executive: Property Finance
- Head: Property Finance Africa

Client centric approach

Client Value Management underpinned by sector expertise & informed by enhanced analytics

Consumer Goods	Financial Institutions	Retail	ICT
Automotives	TFL	Healthcare	Travel & Leisure
Public Sector	PE/BEE Portfolio	TFL (SOEs)	Energy & Water
Construction	Mining & Chemicals	Real Estate	Diversified Industrials

Diversified, efficient & good credit quality

- ROE: #2 (2nd highest, 20%)
- Efficiency ratio: #1 (lowest, 41%)
- Credit loss ratio: #1 (lowest, 1bps)
- NIR to GOI contribution: 52% (49% in '13)

Investing in technology & innovation

Client data analytics

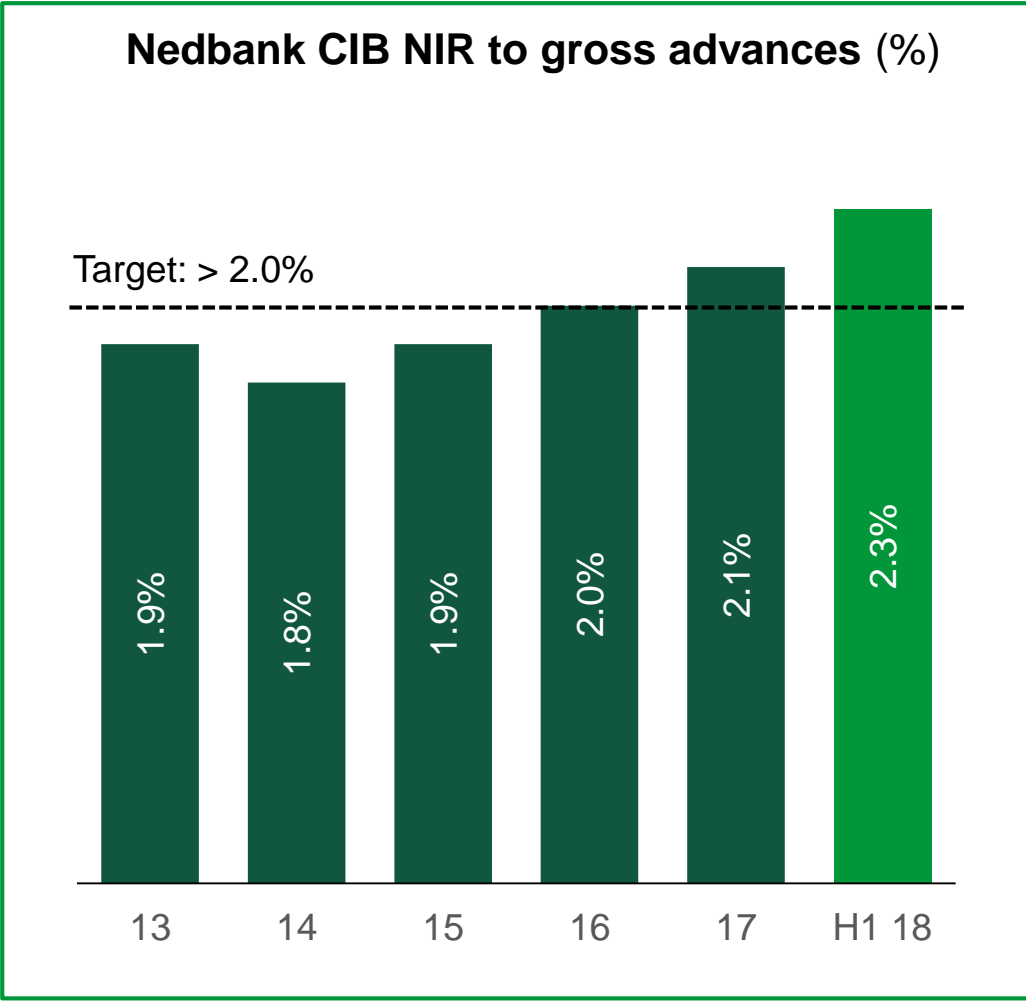
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We have invested significantly in the CIB franchise over the past few years – leading to improved rankings & deeper levels of client penetration



Improved industry rankings/ share

	2013	2017/8
CIB commercial property share	32%	33%
Renewable energy lending	Market leader	
Primary dealer rankings (volumes)	#7	#1
Best team government bonds (Spire awards)		#1
DCM rankings	#2	#1
Best FX house rankings	#5	#4
SA trading revenues	#4	#2
Primary client wins	> 20 per annum	





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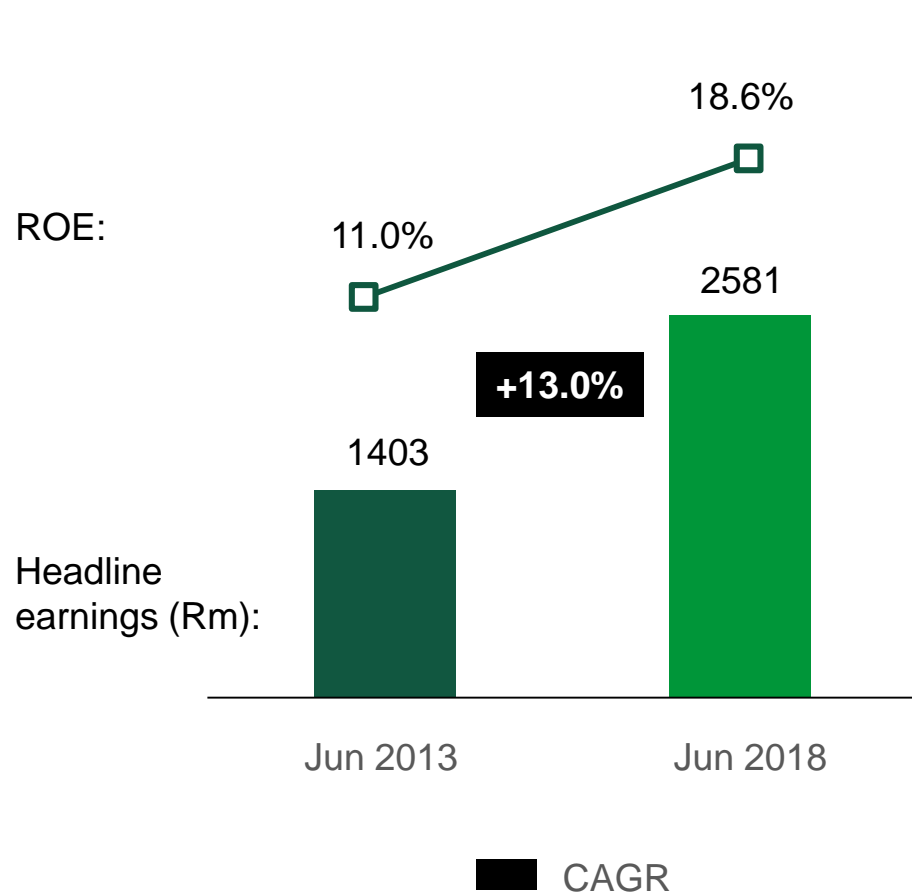
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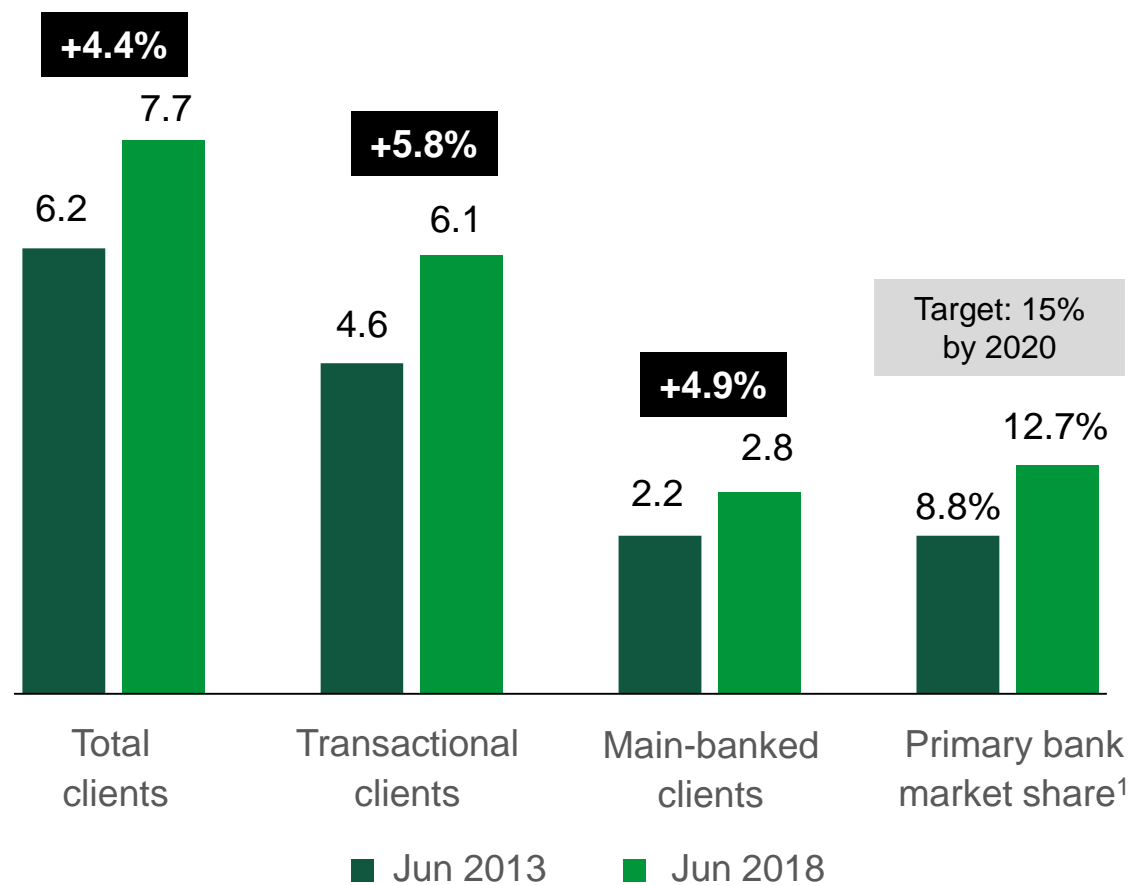
Our investment into RBB has been successful & is building momentum



RBB interim financial results (6 months)

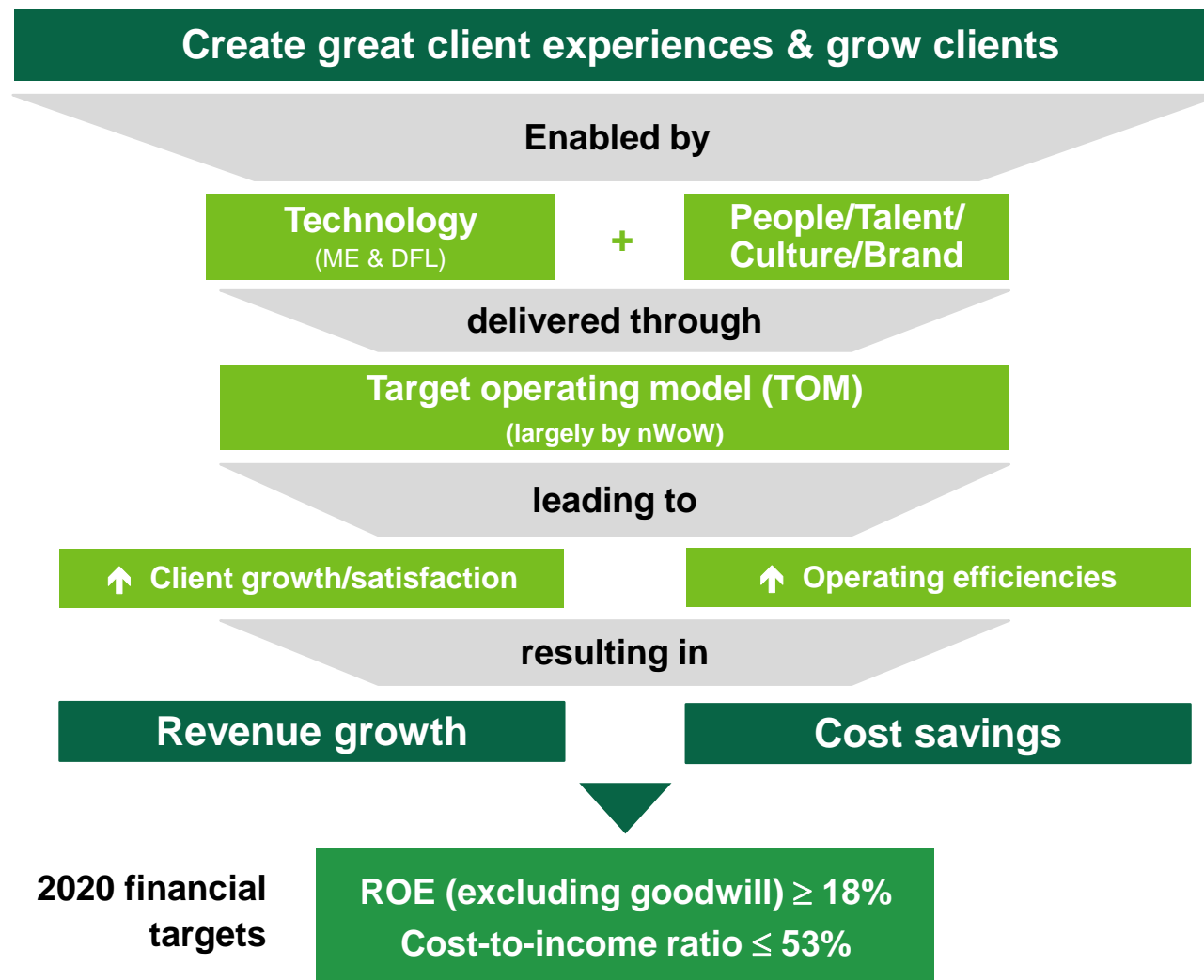


RBB retail client base (million)



Note 1: 2013: AMPS; 2017: Consulta: Same question asked: 'Which ONE bank do you regard as your main bank for personal banking?'

Investment in technology driving great client experiences, client growth & operating efficiencies



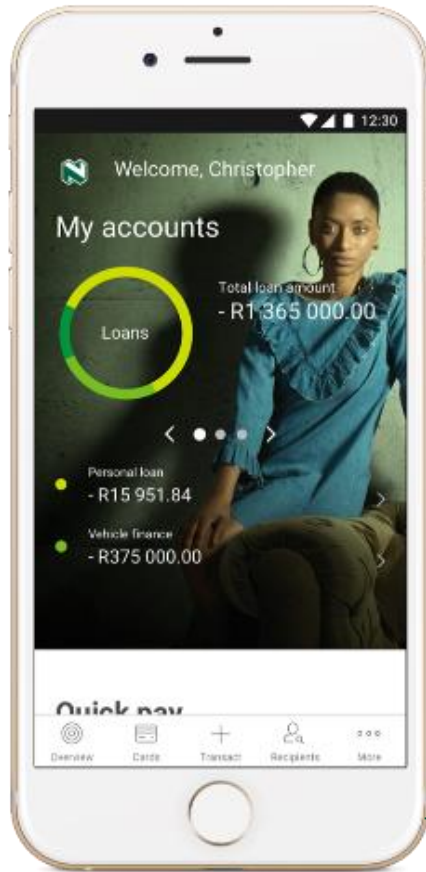
Driving great client experiences – recent digital innovations illustrate the positive impact on client satisfaction levels



Driving great client experiences – digitised 61 services on the web & 53 on the app (target of >180 by 2020)



1.2 million downloads & > 500k active users
in under 11 months since launch



Money app launched in Nov 2017 with -
12 additional services added in April 2018

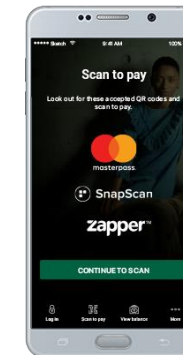
And a further -
9 services added in May 2018

An additional –
21 services landed between June & July 2018

Latest –
11 services landed Aug, Sept 2018

Selected highlights

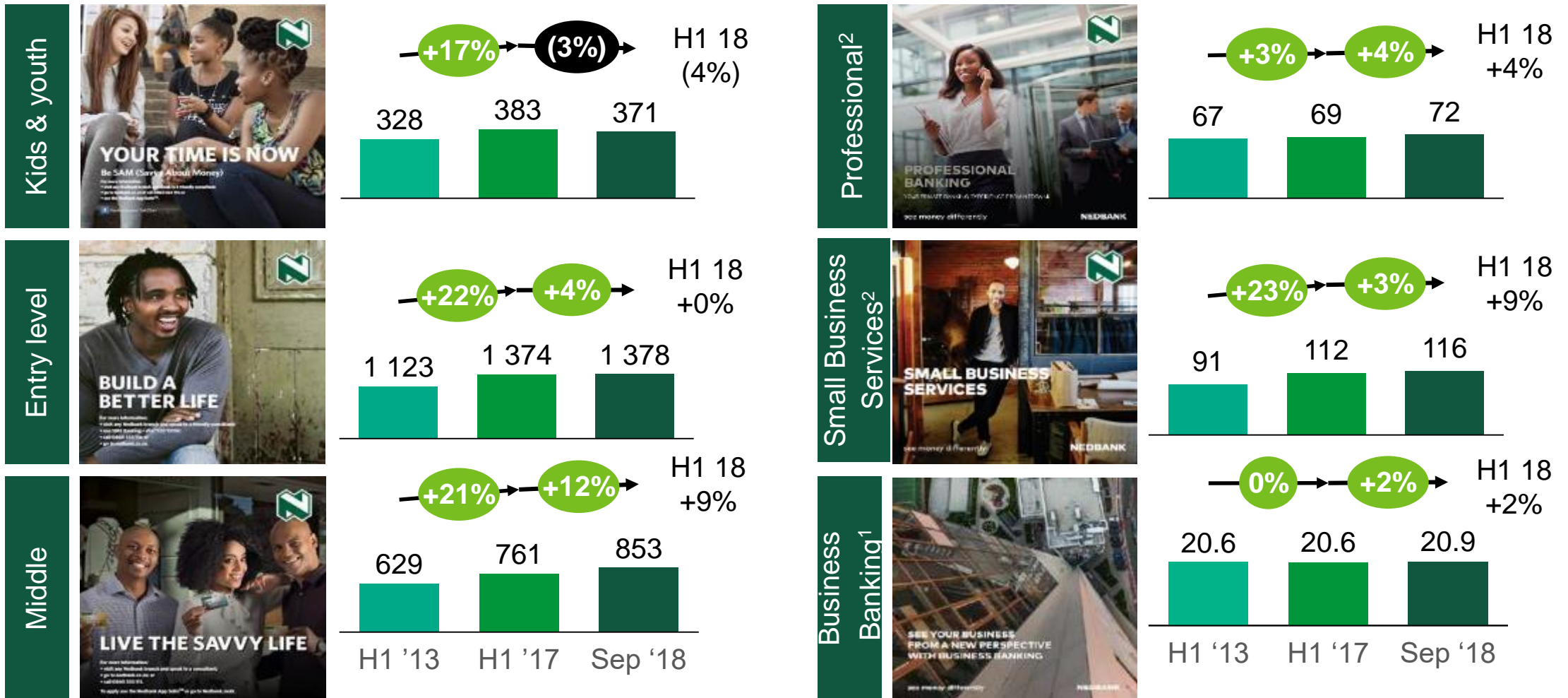
- Balance peek
- Club Account information
- Foreign currency account information
- Greenbacks rewards balances and points
- **Card on-and-off** (Freeze/unfreeze)
- Share **proof of account details to third parties** via WhatsApp, message or email (on Online Banking)
- **Detailed information** – interest earned & breakdown of key balance information on home loan & personal loans
- **Pay Me request**
- Maintain **statement delivery** (MFC)
- **View & stop** debit order
- **Settlement request** Personal loans
- **Maintain** debit orders
- **Activate** credit & debit card
- **Maintain, cancel, increase or decrease** your overdraft
- Activate **tap-and-go**
- **Personalise your app**
- **Scan to Pay**



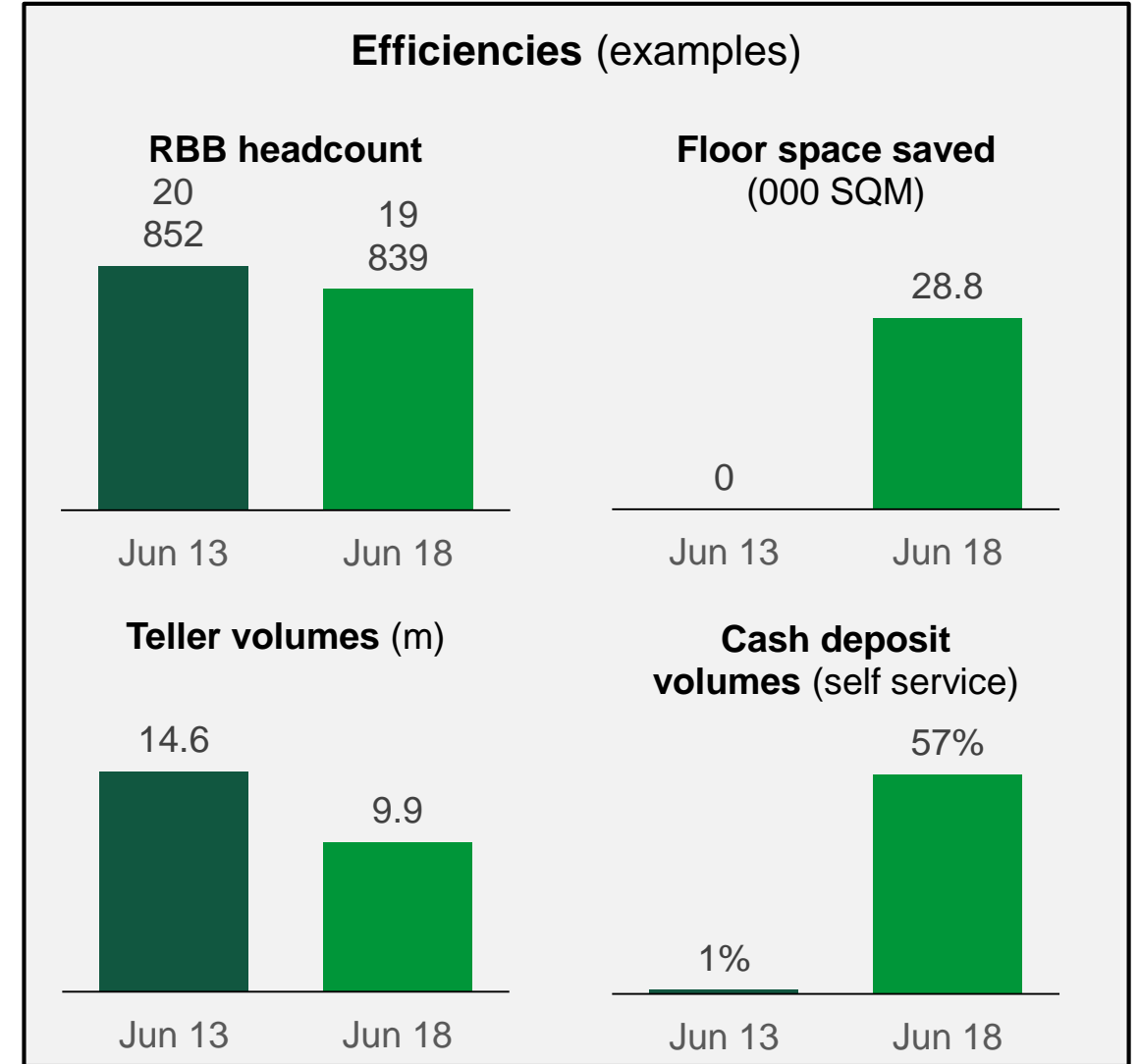
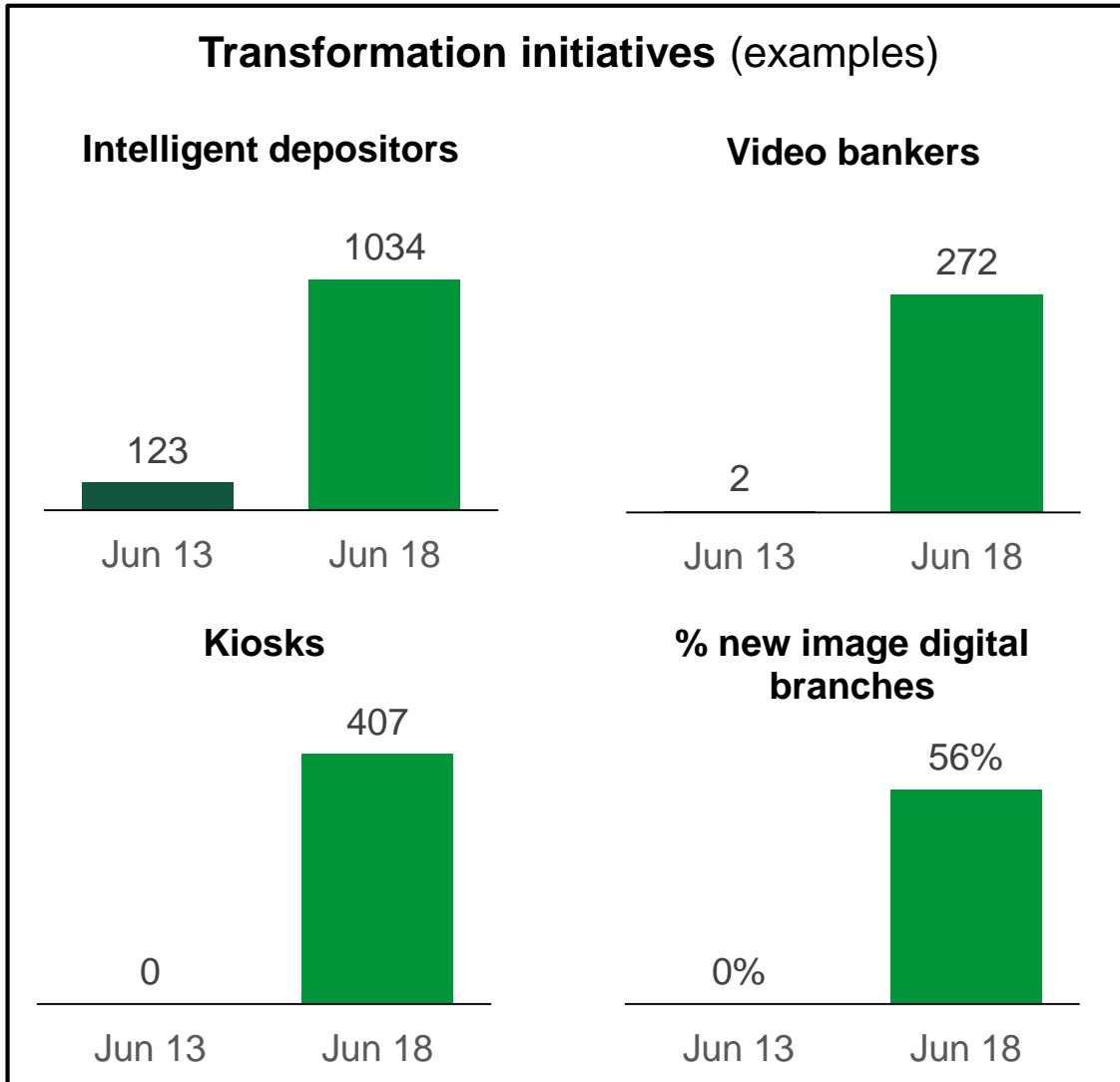
Middle market main-banked client growth momentum accelerating, while growth in Youth & ELB improving



Main-banked, # 000



Operating efficiencies enabled through transformation of branches & while increasing the value of digital payments processed to R8.2bn / month



The emergence of platforms – holistic solutions for our clients, offering beyond-banking services

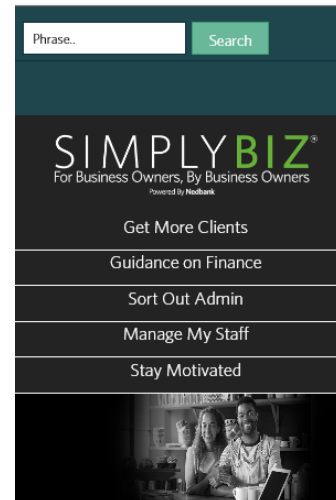


Youth lifestyle market place



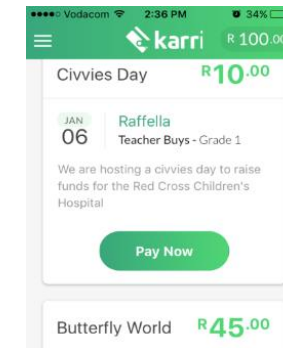
- UNLOCKED.ME is Nedbank's first lifestyle market place, designed with our clients in mind. It is a platform play to enhance our youth & middle market propositions offering banking, lifestyle & potential to deliver curated experiences
- A customer reach of 12 500 000+ unique impressions across social & web

SME network centre



- SIMPLYBIZ is resources, support & network centre for small business owners
- A platform for business owners that offers business services, funding, support & networking to promote their businesses & build a network to solicit advice & mentorship. The platform has 9,175 signed up members

School ecosystem



- Schools Ecosystem CVP solution for students, parents, schools & their suppliers providing digital payment solutions (Karri), insurance products, differentiated pricing & procurement platforms
- Karri has over 19 000 active users, and more than 208 schools have signed up since inception

Innovations & CVPs in the pipeline



Key dates

- **Simplified client onboarding for individuals** – convenient, FICA-compliant account opening digitally from your couch
- **Ability for clients to obtain an unsecured loan, bundled with a transactional account, on the web**
- **Digitising more services on app, web & self service kiosks** making it easy, convenient & cheaper for clients
- **New loyalty & rewards programme**
- Further rollout of **software robots, artificial intelligence, robo-advisors, chatbots & data analytics capabilities**
- **Launching a virtual assistant** which goes beyond banking into lifestyle services
- **Bedding down new ways of working** across the organisation to accelerate our digital journey, equip staff with new skills & transform culture
- **Digitising our top 10 product sales journeys** end to end

Q1 2019

Q1 2019

>180 services by 2020

H1 2019

Ongoing

Q4 2018

Ongoing

Top 10 by 2020



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Benefits to Nedbank

- **Maximize share of financial services wallet** (High ROE, EP & NIR generative)
- **Reduce bank risk** (eg HOC for home loans | Life, disability & retrenchment for debt)
- **Stronger customer life cycle management**
- **Cost effective use of shared capabilities** (eg premises, systems etc.)

Benefits to our clients

- **Convenience** – integrated offering (banking & insurance)
- **Ease of doing business** (eg single client onboarding)
- **Competitive pricing** (eg lower acquisition costs)
- **Single maximised loyalty programme** for all financial services
- **One-stop-shop for all financial service needs**



Unfair advantage supporting the rationale for bancassurance within a bank

Access to 8m
Nedbank client base

Access to rich
client data

Leverage the
Nedbank brand

Leverage distribution
(>700 outlets)

Leverage technology
capability

Leverage group support
services

Ability to integrate
offerings

Single view
of a client

Ability to offer holistic
financial services offering

Leverage OML as a product provider of complex life and P&C insurance products



Nedbank Group – key focus areas under all levels of euphoria

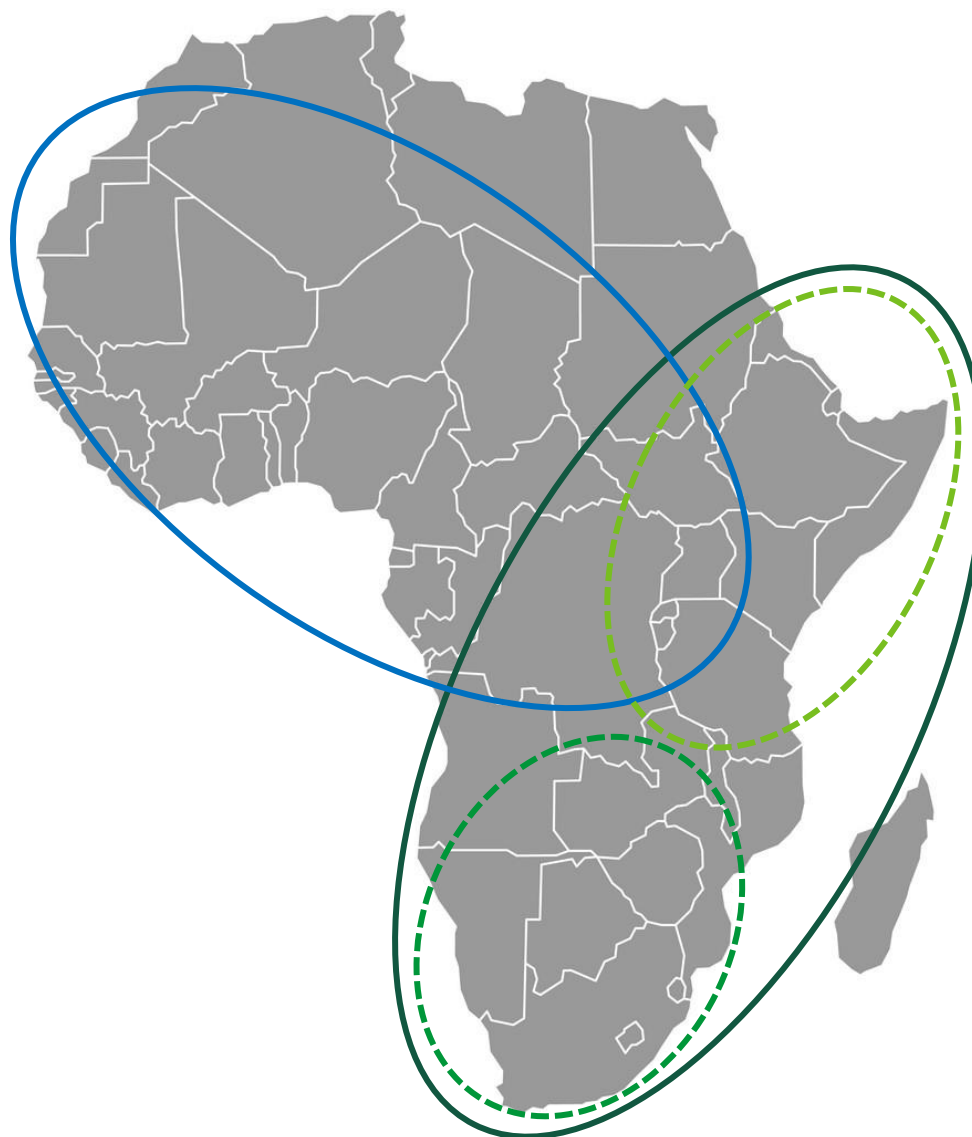
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Central & West Africa

Partnership approach with ETI

- 21.2% shareholding
- 2 Nedbank executives on ETI board
- Client access to ETI's on-the-ground footprint & local knowledge across 36 countries



SADC & East Africa

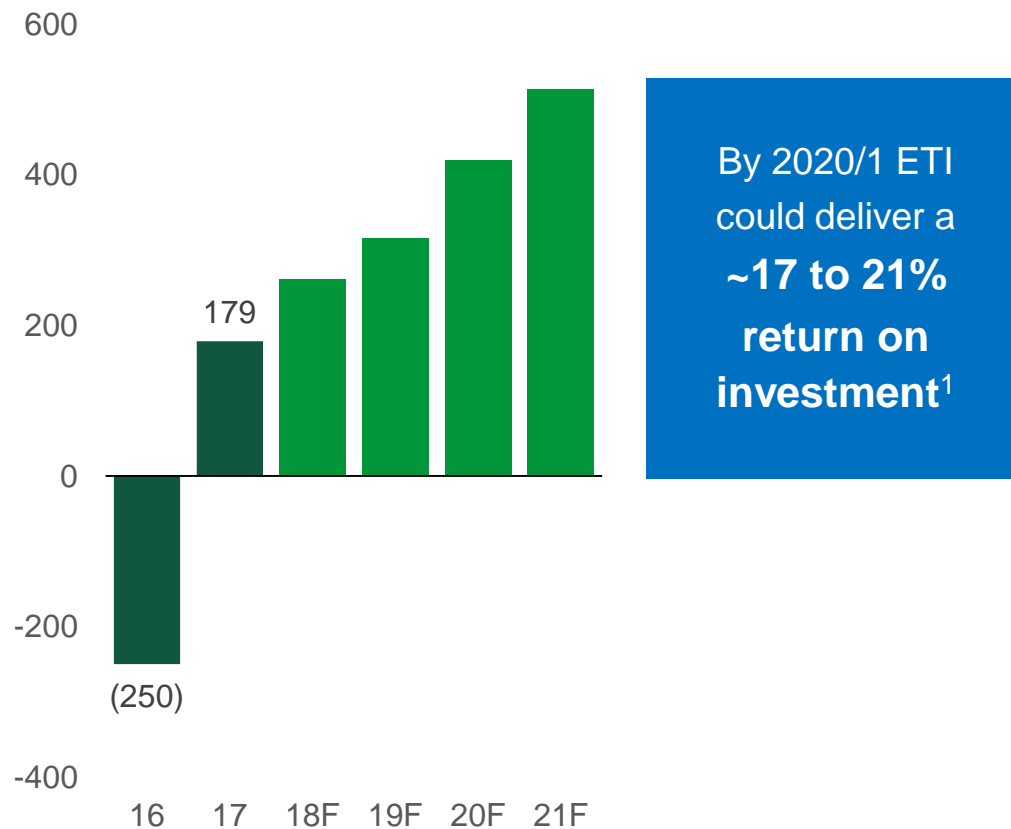
Own, manage & control banks

- **SADC** – invested in core banking system (Flexcube), new products, outlets & ATMs
- **East Africa** – aspiration for future expansion

ETI making progress to deliver an attractive return on investment by 2020/1, while collaboration initiatives gaining traction



ETI attributable profit¹ (US\$)



¹ Source: Average ETI broker forecasts (Rencap, Arqaam & SBG). Return on investment calculated as Nedbank's 21% share of estimated attributable profit divided by Nedbank capital investment

Collaboration initiatives (examples)

Transactional banking

- Over 90 Nedbank clients with more than 200 new accounts opened at Ecobank

Dealflow

- Increased treasury & trading activities for improved business revenue flows

Financial planning

- Developing a financial planning business & Nedbank referrals in existing Ecobank territories – Nigeria, Ghana, Cote d'Ivoire, Senegal

Integrated crossborder transfer solution





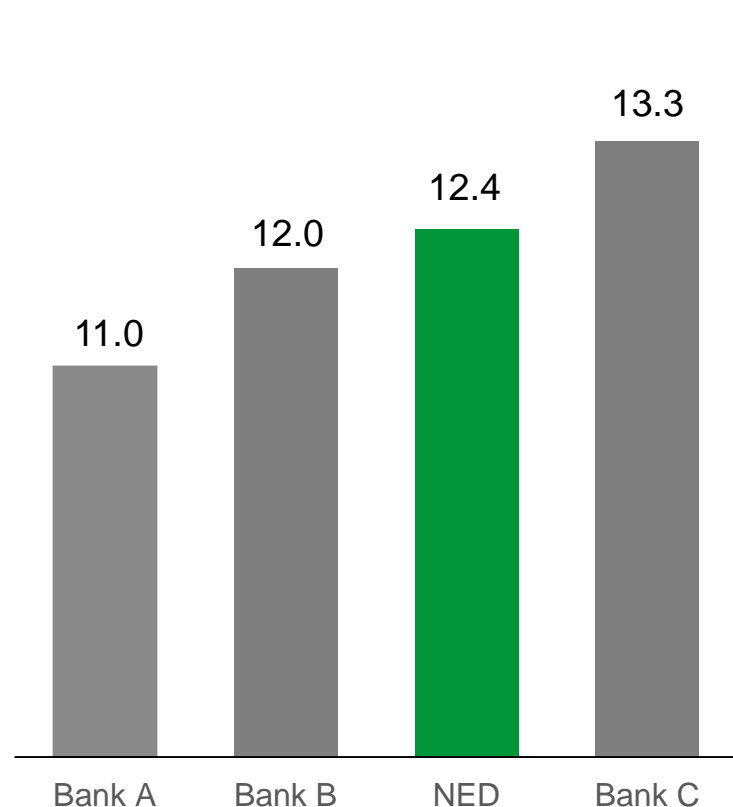
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Strong balance sheet & stress testing – underpins future credit growth & dividend policy



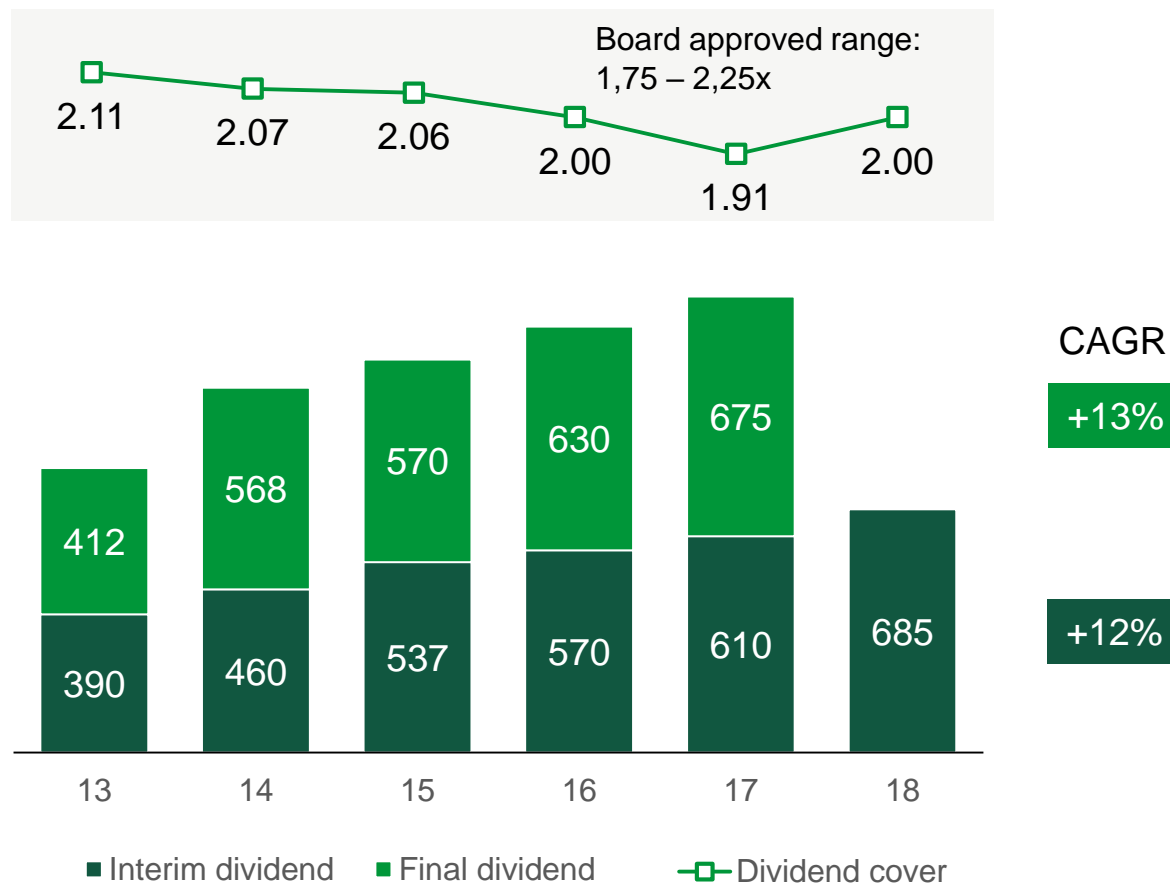
CET 1 capital adequacy ratios¹ (%)



LCR: 107% (min reg: 90%)
NSFR: 116% (min reg: 100%)

¹ Based on June 2018 disclosures, normalised for full phased-in of IFRS 9

Nedbank dividend (cents per share) & dividend cover (times)





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Being a responsible corporate citizen is vital in Ramareality – business working with government & social partners to grow the economy & be seen as powerful force for good in improving the lives of all South Africans.



Nedbank participating in key initiatives

- Delivering on our purpose of using our financial expertise to do good
- Aligning core business to contribute to the delivery of the SDGs
- Active participant in the CEO initiative
- Committed R20m to R1,5bn SME fund
- Participant in the Youth Employment Service – aim to provide jobs to 1m South Africans (cost of c1.5% of NPAT p.a.)
- Land Reform Parliamentary presentations
- Zondo commission participation
- Maintained level 2 BBBEE for nine years

External acknowledgements



Thomson Reuters Diversity & Inclusion Index – Nedbank in the top 100 most diverse & inclusive organisations globally



Dow Jones Sustainability Index – one of only 27 banks on the index & included for the thirteenth year



Africa's first carbon neutral financial organisation – carbon neutral since 2010 (& now water neutral)



WWF Nedbank Green Trust Partnership – invested >R260m since inception in support of over 200 environmental & social projects throughout SA



JSE's Top 100 Most Empowered Companies – Nedbank overall winner (Codes of good practice)



Top 10 integrated reporting awards – overall winner



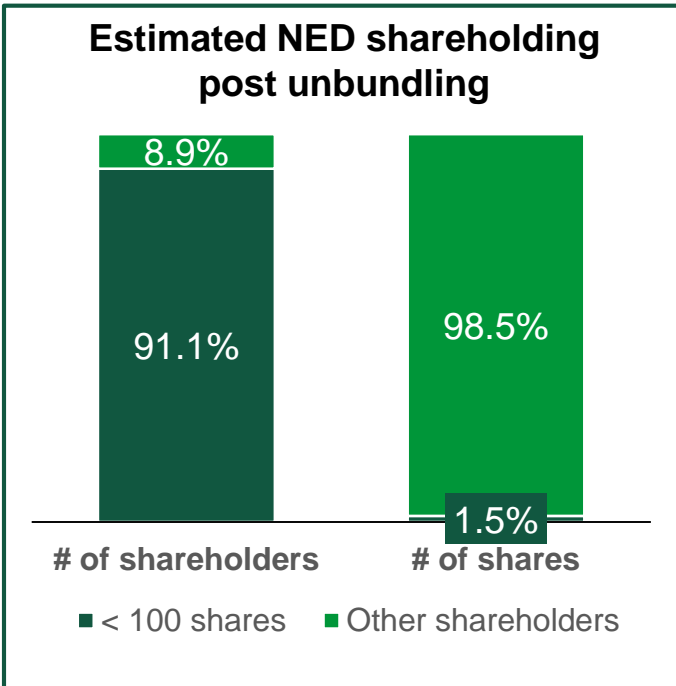
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7 Completion of Old Mutual Managed Separation



15 October 2018 marked the finalisation of the Old Mutual Managed Separation, with OML reducing its shareholding in Nedbank Group to 19.9%

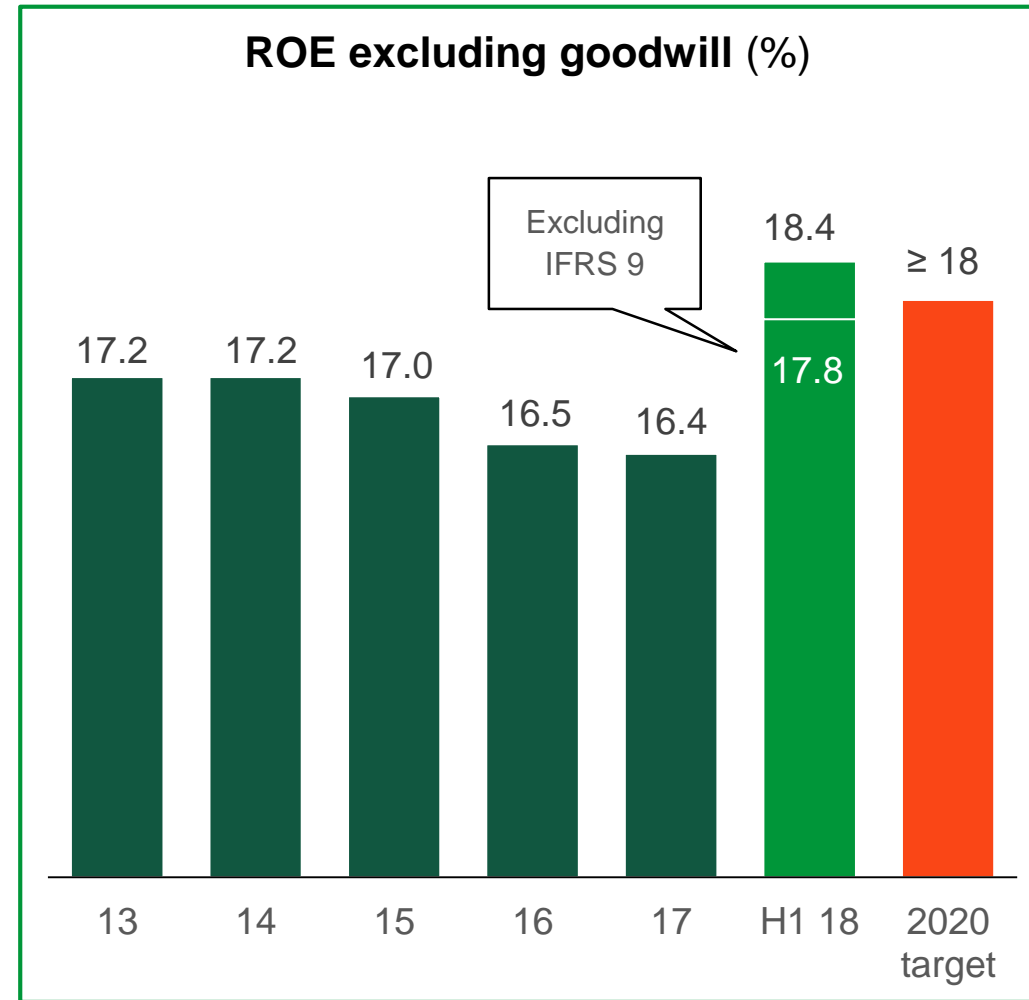
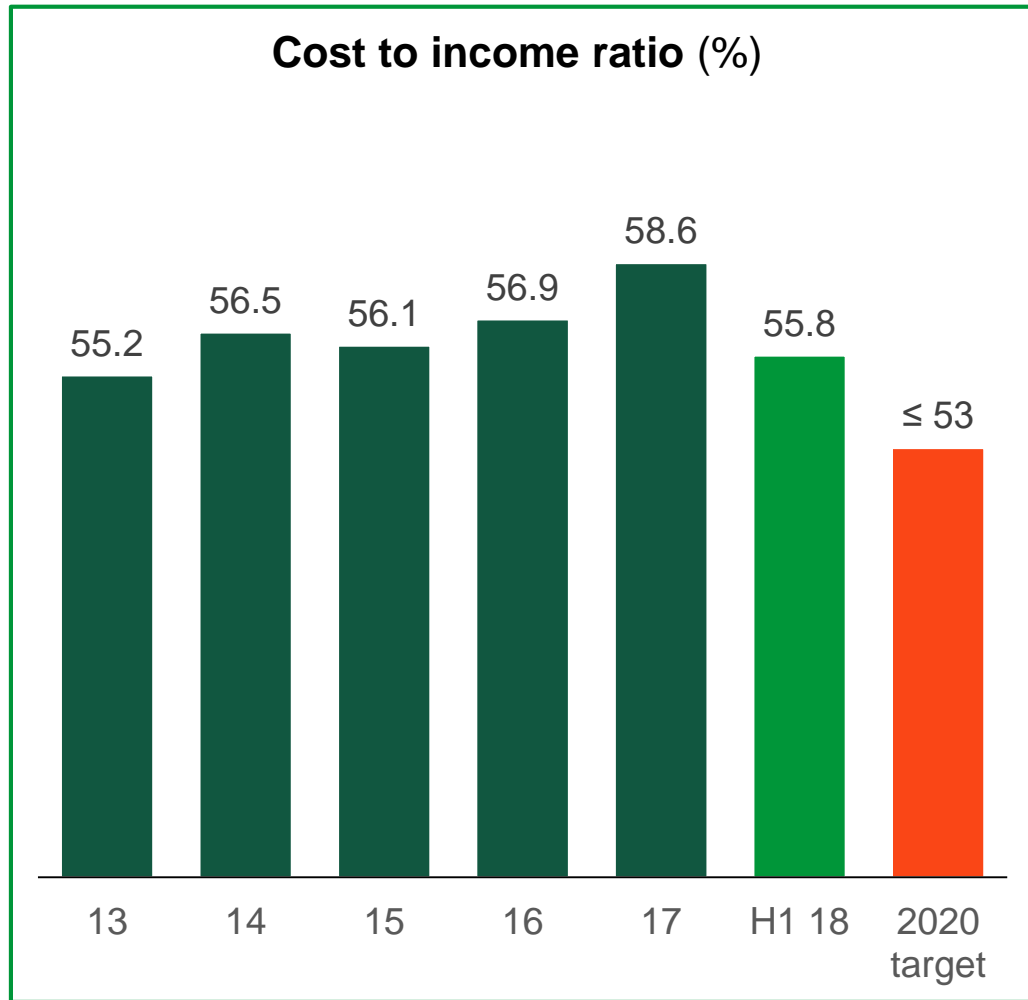


- ### Odd-lot offer
- As a result of the Unbundling, Nedbank Group, has a significantly larger number of shareholders (from ~20k to ~500k)
 - Odd-lot Holders can dispose of their shares on an efficient basis
 - For Nedbank it will reduce the complexity & ongoing administration costs associated with a significantly larger shareholder base
 - Odd lot offer is subject to shareholder approval, General Meeting: 22 Nov '18
 - Only applicable to eligible shareholders (< 100 shares)
 - Pricing: 5% premium to 10-day VWAP at close of business, 3 Dec '18
 - Financial impact for Nedbank at R248 / share:
 - ~R2.0bn equity reduction
 - CET1 impact ~35bps

Continue working with OML within the new relationship agreement to ensure we retain synergies (arm's length) & explore opportunities for growth



In closing... focussing on meeting our 2020 targets in an environment of Ramareality





THANK YOU

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Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

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.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

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