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**NEDBANK**  
GROUP

NEDBANK GROUP LIMITED

# OLD MUTUAL CAPITAL MARKETS EVENT

11 October 2016

**Mike Brown, Chief Executive**

A Member of the  **OLDMUTUAL** Group

This presentation may contain certain forward-looking statements with respect to certain of Old Mutual plc's plans and its current goals and expectations relating to its future financial condition, structure, performance and results. It should be read in conjunction with the RNS announcement published today in respect of this presentation.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Old Mutual plc's control including amongst other things, international and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual plc and its affiliates operate. As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's forward looking statements.

Where this presentation makes reference to the proposed future structure of the group through the previously announced plans for a managed separation of the group, your attention is specifically drawn to the fact that such a separation is highly complex and subject to change as a result of factors such a stakeholder consent, regulatory conditions and / or the readiness of the underlying businesses. Old Mutual plc is taking appropriate legal and financial advice and there can be no certainty as to the nature of the final outcome.

Old Mutual plc undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

Nothing in this presentation shall constitute an offer to sell or the solicitation of an offer to buy securities.

## Nedbank Group – an overview

The African banking context

Nedbank Group – a strong sustainable business,  
delivering value to shareholders

Strategic focus areas driving growth & value

A sound & attractive investment

# Nedbank Group – a leading African financial services provider

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To be Africa's most admired bank by our staff, clients, shareholders, regulators and communities in which we operate

Old Mutual Group

**54.1%**

shareholding in  
Nedbank Group

Market  
capitalisation

**R110bn**

(at 30 Sept 2016)

Headline earnings

**R10.8bn**

for the year  
ended 2015

Assets

**R944bn**

9.7% CAGR  
since 2010

Assets under  
management

**R256bn**

16.5% CAGR  
since 2010

Total clients

**7.7m**

6.9% CAGR  
since 2010

Access to the  
largest banking network  
in Africa

**39 Countries**

(21.8% share in ETI)

Total employees

**31 915**

Total ATMs

**3 929**

Total outlets

**789**

# Strong wholesale franchise & growing retail, wealth & rest of Africa businesses

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## Nedbank Group

### Corporate & Investment Banking

Holistic banking solutions to corporates, institutions & parastatals with a turnover of >R700m per annum.

Clients >600

ROE 21.3%

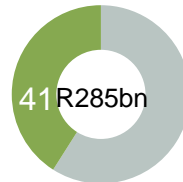
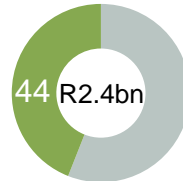


### Retail & Business Banking

Holistic banking solutions to individual retail clients, as well as businesses with a turnover of <R700m per annum.

7.4m retail  
22k BB client groups

18.3%

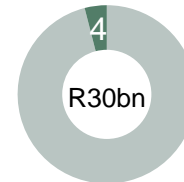
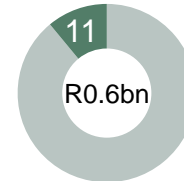


### Wealth

Wealth management solutions, insurance & asset management to high-net-worth individuals as well as other retail, business and corporate clients.

>14 800

35.9%

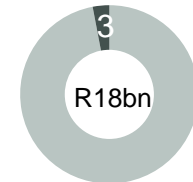
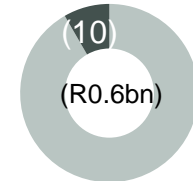


### Rest of Africa

Holistic banking solutions to retail, small & medium enterprises (SMEs), business & corporate clients across the countries we operate in.

>275k

(15.2%)



# Our interim results to 30 June 2016 reflect a strong financial performance from the managed businesses

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## Nedbank Group

Headline earnings

▲ **2.0%**

R5 427 for H1 2016

Diluted HEPS

▲ **1.6%**

ROE (excl goodwill)

▼ **15.7%**

Efficiency ratio

▲ **57.1%**

## Excluding ETI

Headline earnings

▲ **20.1%**

R6 030 for H1 2016

Diluted HEPS

▲ **19.7%**

ROE (excl goodwill)

▲ **18.4%**

Efficiency ratio

▼ **55.6%**

Nedbank Group – an overview

## **The African banking context**

Nedbank Group – a strong sustainable business,  
delivering value to shareholders

Strategic focus areas driving growth & value

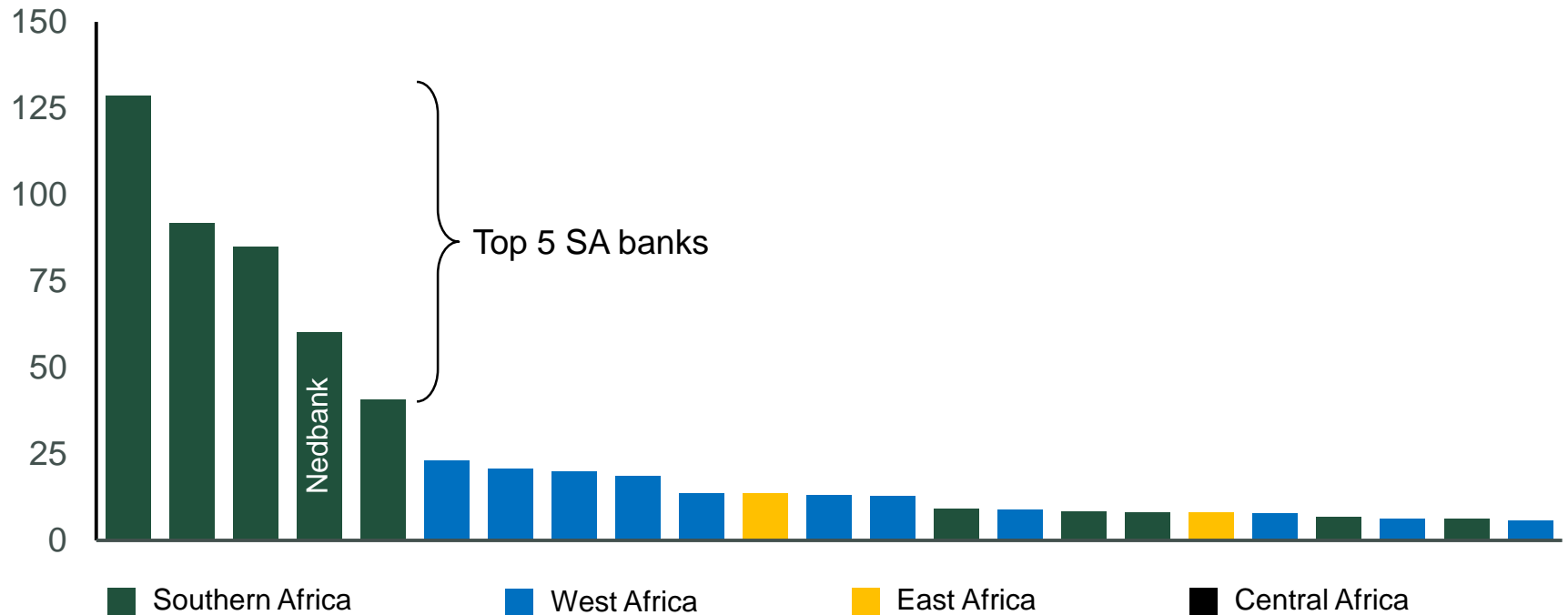
A sound & attractive investment

# SA banks have a leading position in Africa

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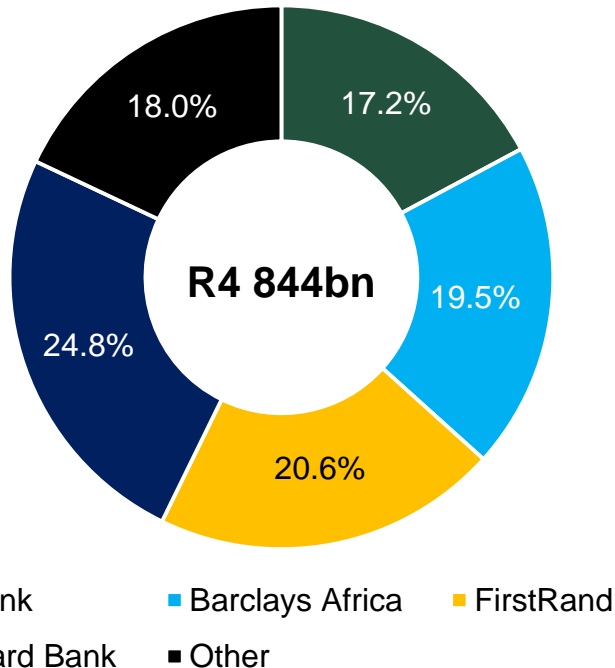
## Top 25 banks in Sub Sahara Africa by total assets (\$bn, 2015)





# ... and operate in a sound & well-regulated banking system

## Total SA banking assets\* (Rbn, %)



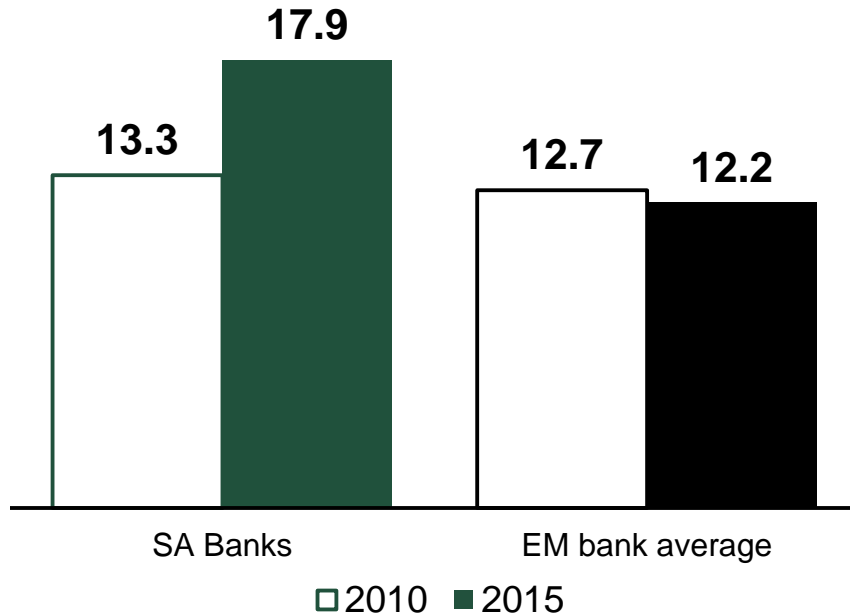
- **SA banking system ranked 2<sup>nd</sup> globally\*\***  
(Soundness of banks)
  - **Structure similar to other stable four pillar banking systems** (Canada, Australia)
  - **Closed loop funding** (exchange control benefits)
  - Financing through the equity market: 1<sup>st</sup>
  - Financial services meeting business needs: 2<sup>nd</sup>
  - Regulation of security exchanges: 3<sup>rd</sup>
- **Well regulated** – early adoption of regulation e.g. Basel III, NCA
- **Highly rated management teams**
- **Good governance, reporting & disclosure**
  - Strength of auditing & reporting standards: 1<sup>st</sup>
  - Protection of minority interests: 1<sup>st</sup>
  - Efficacy of corporate boards: 3<sup>rd</sup>
- **Strong institutions & democratic principles**

# SA banks compare favourably to emerging market peers – attractive returns & well capitalised

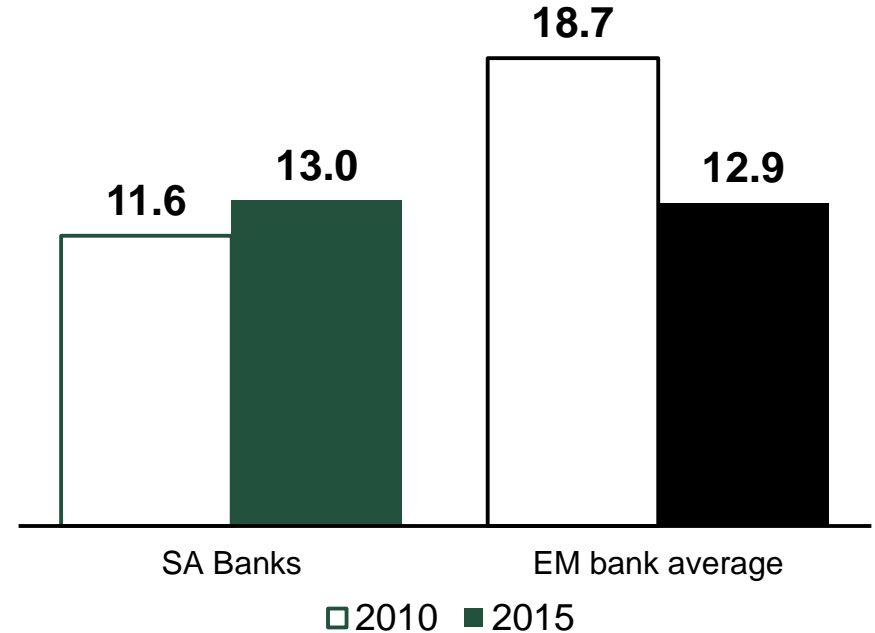
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### Attractive returns (ROE, %)



### Well capitalised (Tier 1 capital ratio, %)



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**Nedbank Group – a strong sustainable business,  
delivering value to shareholders**

Strategic focus areas driving growth & value

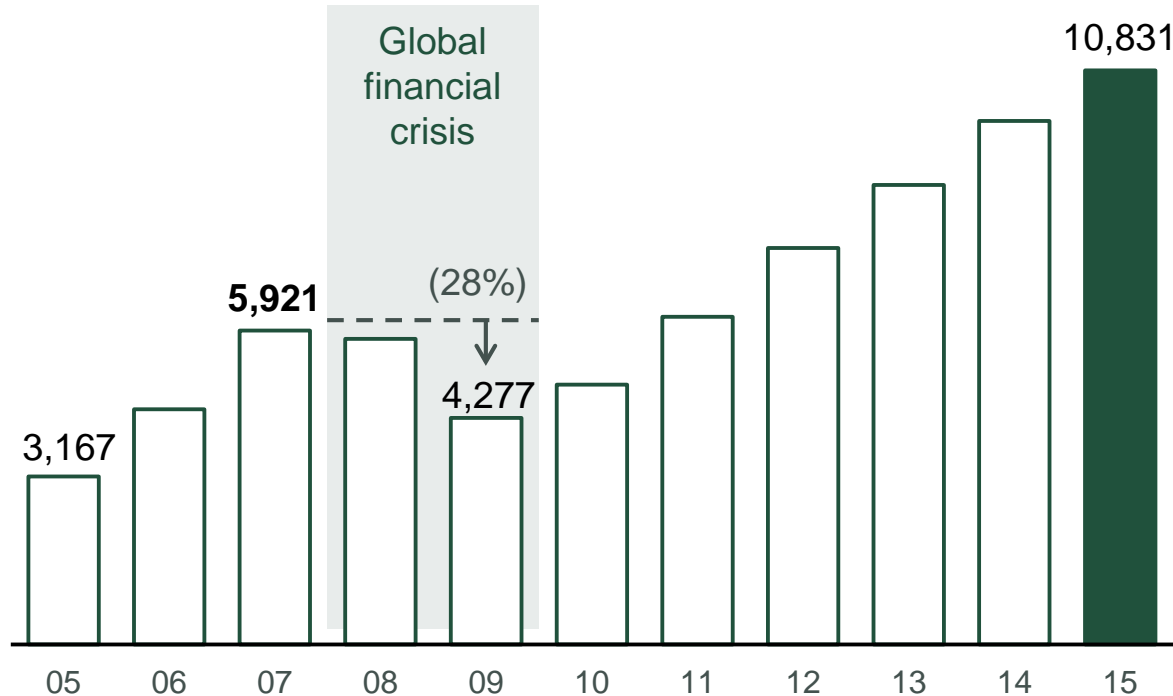
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# Since the global financial crisis we have built a strong sustainable business

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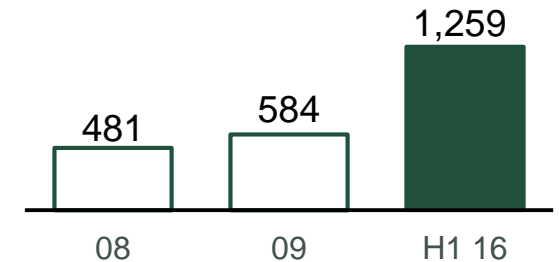
## Headline earnings (Rm)



## Loan growth (CAGR %)

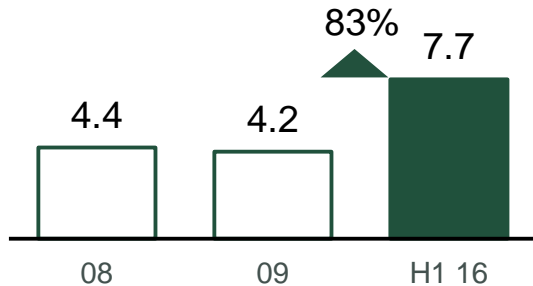


## Endowment benefit for 1% change in interest rates (Rm)

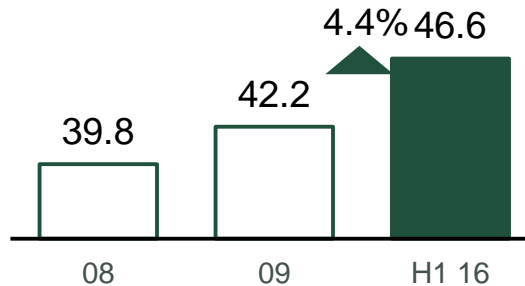


# Since the global financial crisis we have built a strong sustainable business

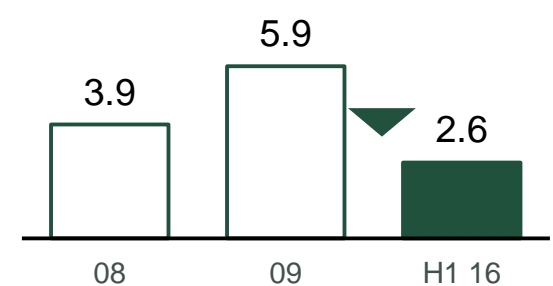
## Number of clients (m)



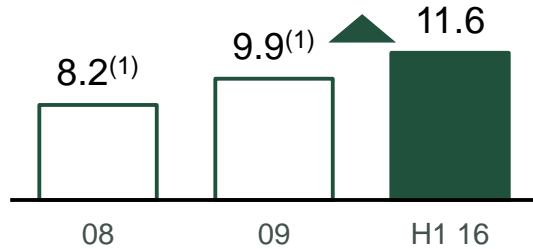
## NIR income contribution (%)



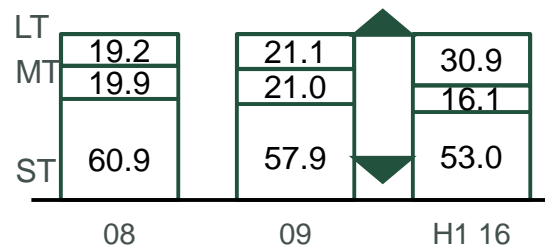
## Defaulted advances (%)



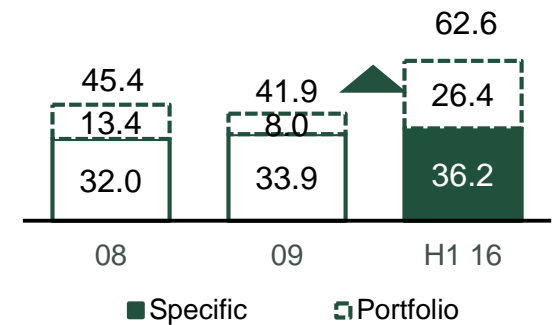
## CET 1 ratio (%)



## Funding tenor (%)



## Coverage (%)



1. Core equity tier 1

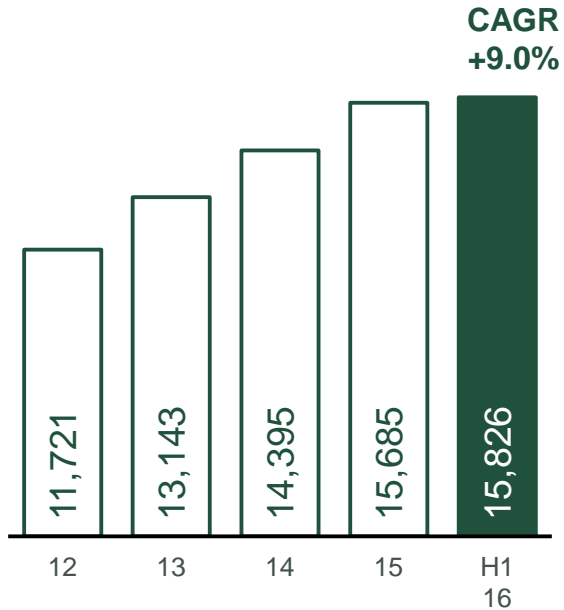
# And delivered value to shareholders

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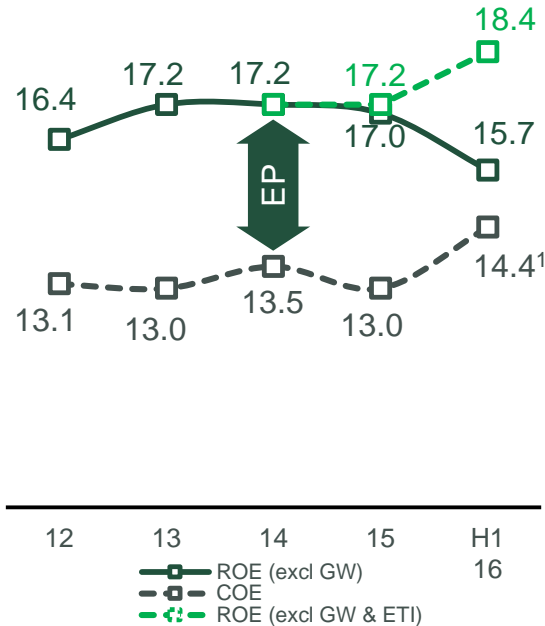
## NAV

NAV per share (cents)



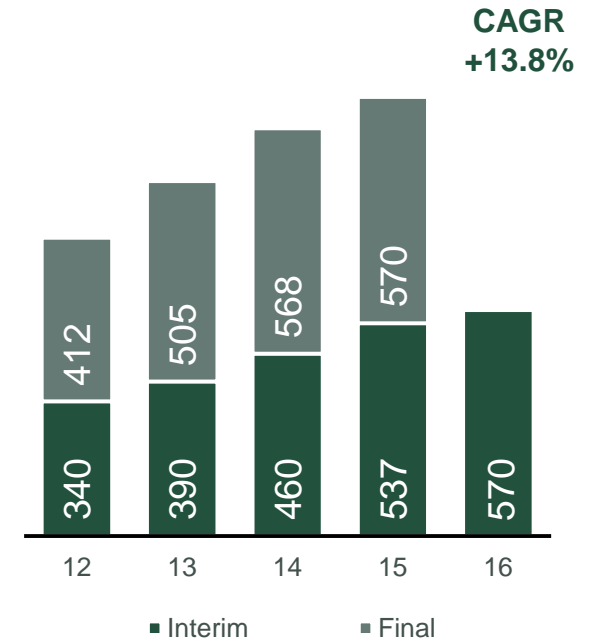
## ROE > COE

ROE & cost of equity (%)



## Dividends

Dividend per share (cents)



<sup>1</sup> Monthly average for H1 2016 only

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**Strategic focus areas driving growth & value**

A sound & attractive investment

# Our strategic focus areas drive growth & value

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TO BE AFRICA'S MOST ADMIRABLE BANK

**Grow transactional  
banking franchise**

**Optimise  
and invest**

**Client-centred  
innovation**

**Strategic  
portfolio tilt**

**Pan-African  
banking network**



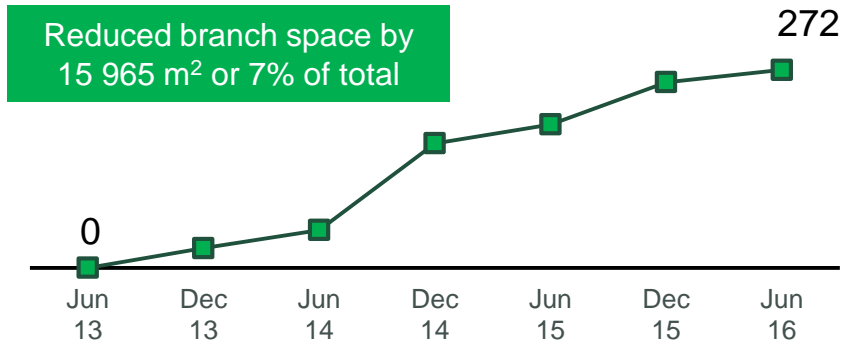
# Client centred innovation – accelerated our innovation capabilities in digital

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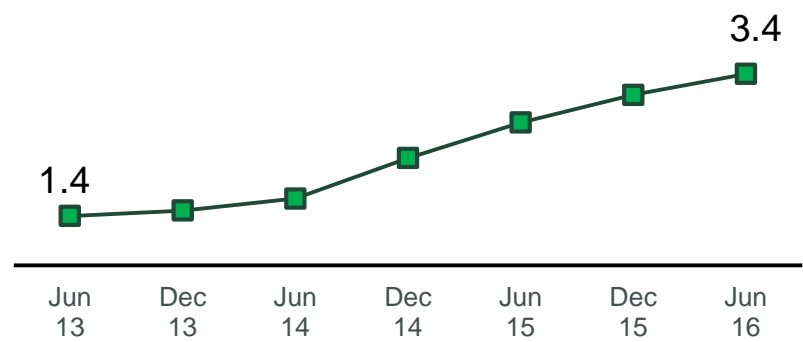
## ‘Branch of the future’

Outlets converted



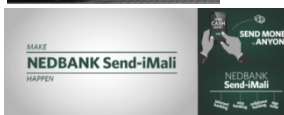
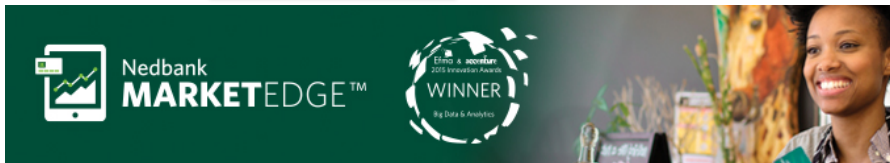
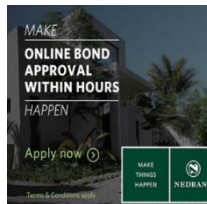
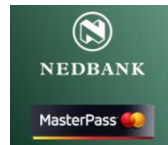
## Digitally enabled clients

# million



MyFinancialLife™

My eBills™



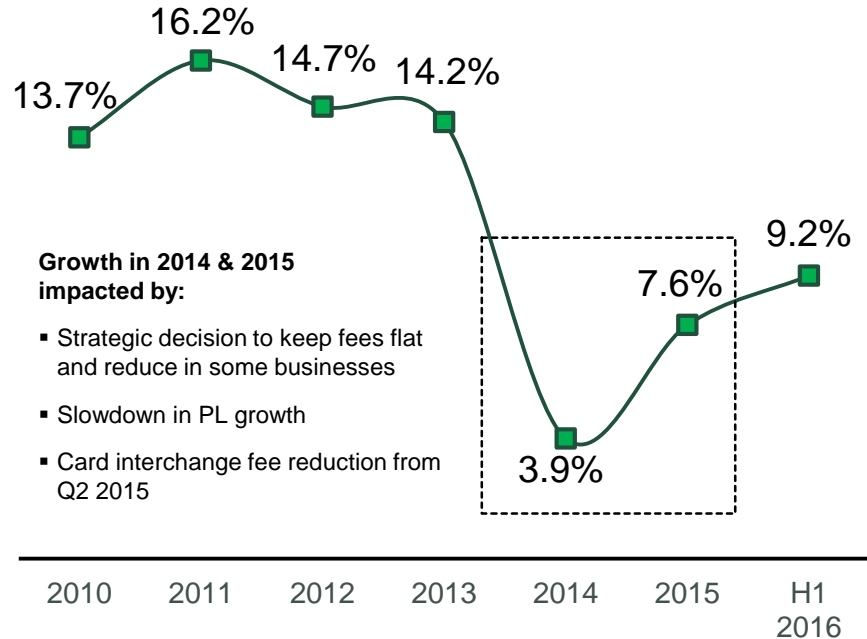
Source: Nedbank analysis



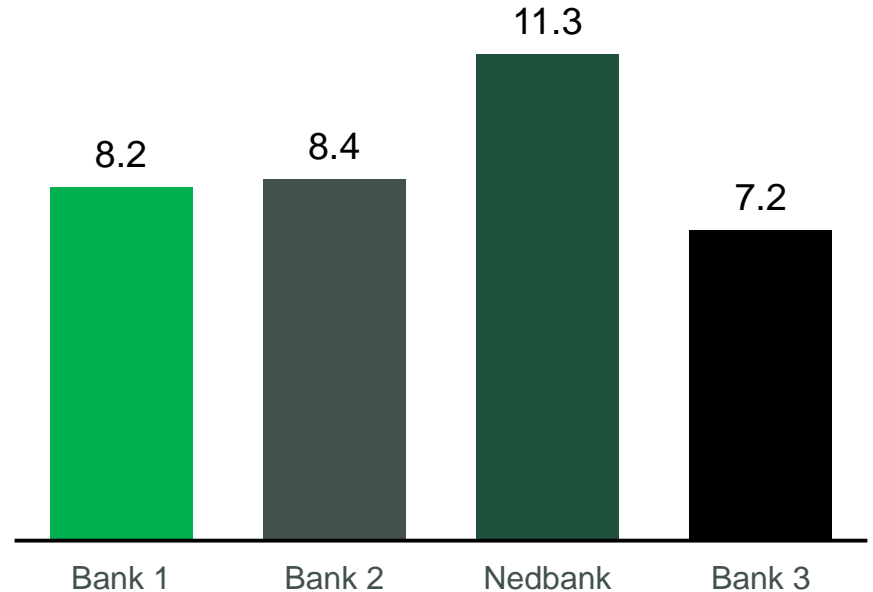
# Grow our transactional banking franchise – a track record of growing NIR ahead of the market



## Commission & fee growth (%)



## NIR growth vs peers (2010 – 2015, %)

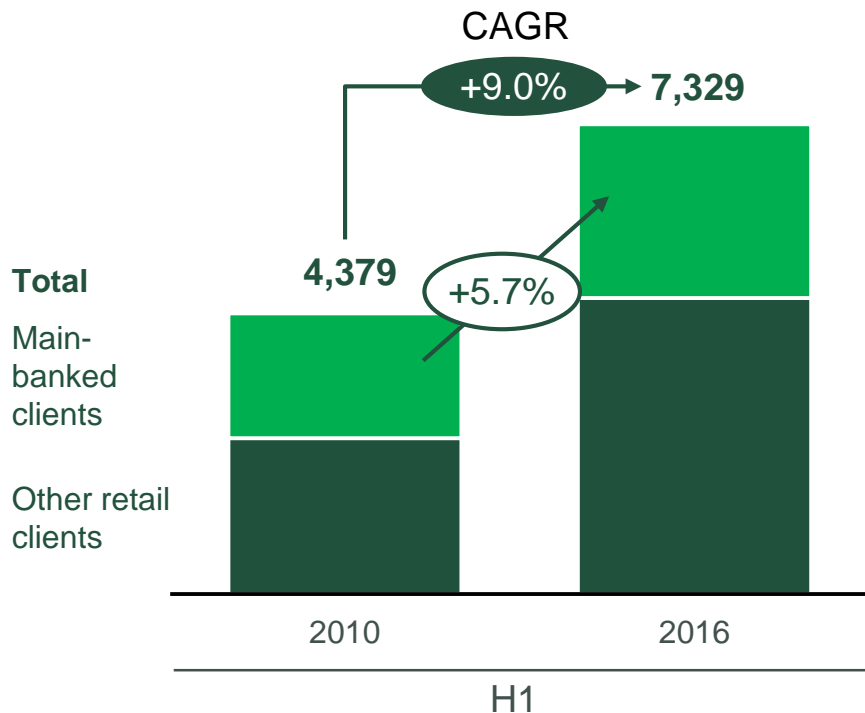




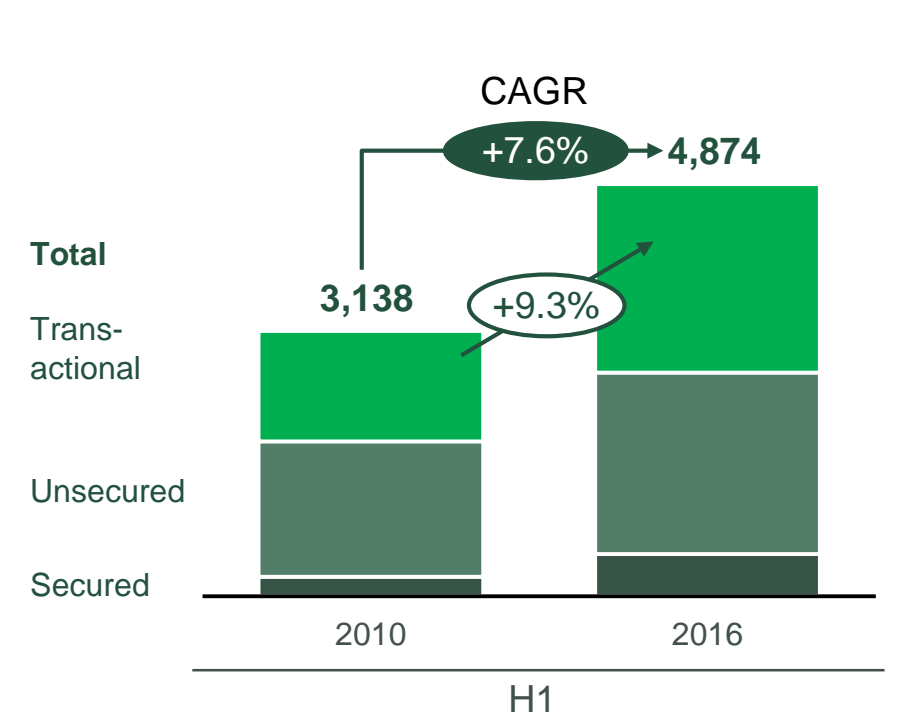
# Grow our transactional banking franchise – evident in retail NIR & main banked client growth



**Total retail client base**  
#000



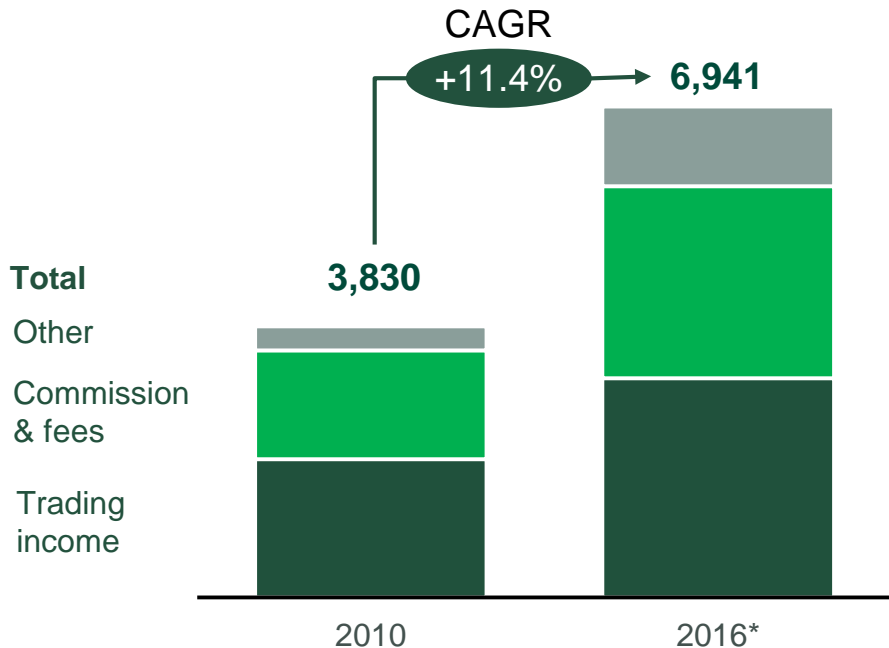
**Retail NIR**  
Rm





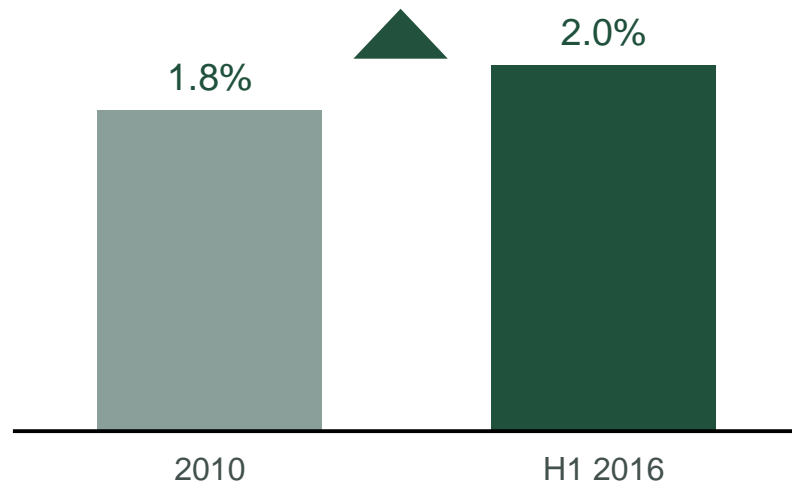
# Grow our transactional banking franchise – driven by improved cross sell in CIB

## Total CIB NIR Rm



## CIB NIR to advances ratio %

- Benefits of CIB integration & effective cross-sell producing positive results
- Recent transactions: 4-5% NIR to advances ratios



\* Rolling 12-month basis | All figures at or up to 30 June 2016

\*\* Integration effective 1 January 2015



# Optimise & Invest – extracting efficiencies to sustainably invest for the future

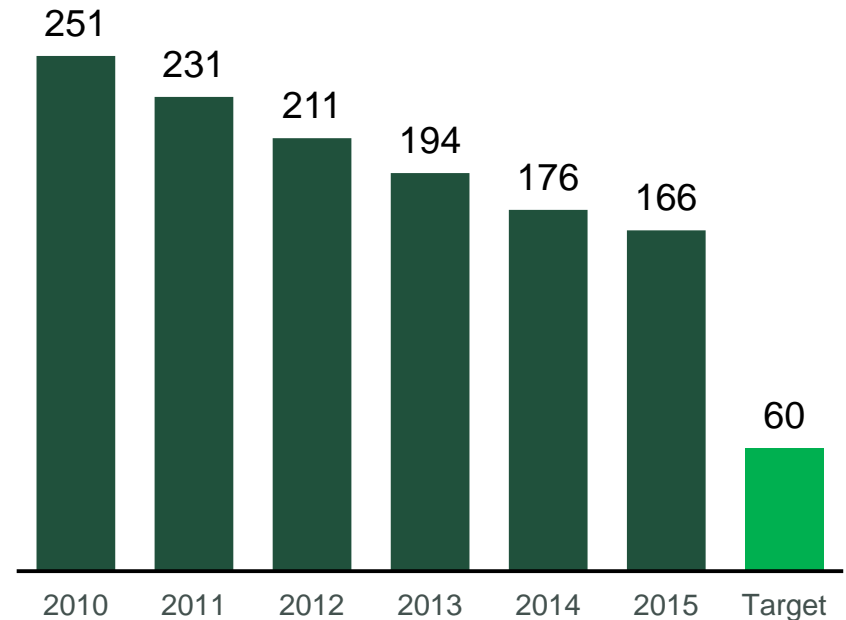
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## Efficiency programmes

- **Benefits from integration** in RBB, CIB & insurance businesses (~R390m)
- Regional property consolidation & targeted **reduction of branch floor space** by 30 000m<sup>2</sup> (by 2020)
- **Managed evolution:** Core system reduction from '250 to 60' systems (85 decommissioned to date)
- **Digitisation & elimination of duplicate processes**
- **Synergies with Old Mutual Emerging Markets** (joint R1bn by 2017 of which c30% accrue to Nedbank – arm's length basis)

## Managed evolution – rationalise, standardise & simplify (# of core systems)





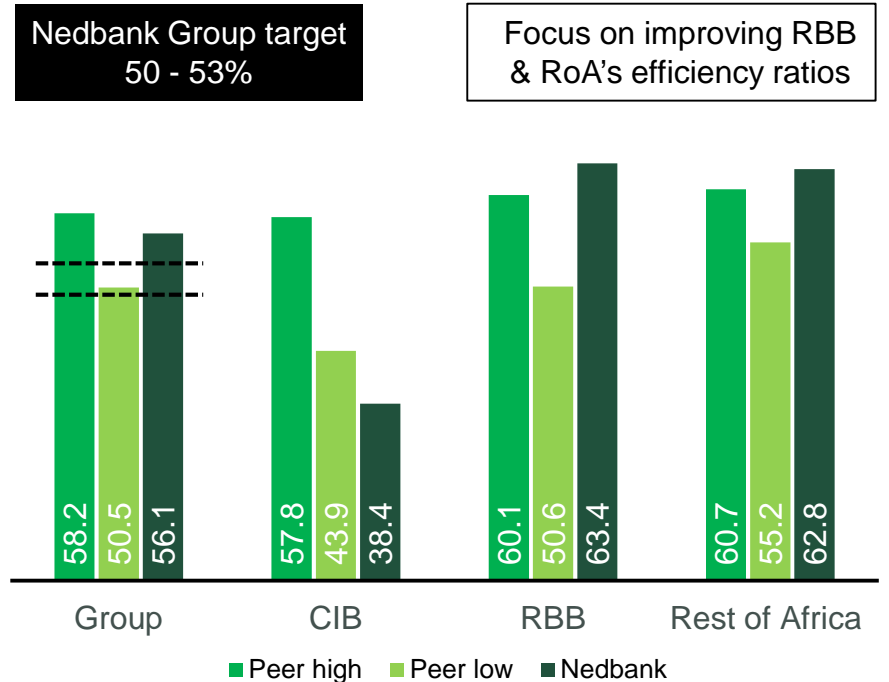
# Optimise & Invest – extracting efficiencies to sustainably invest for the future

## Areas of investment to unlock further efficiencies & get to scale

- **Building a sustainable RBB franchise**
  - Integrated channels
  - Mobile & digital offerings
- **Investing in core banking in our Rest of Africa subsidiaries to enabling scaling**
- **Managed evolution: core system replacement**
- **Digital processes & products across all our businesses**
- **Regulatory requirements**

## Efficiency ratios vs. peer group

Cost to income ratio, %



# Strategic portfolio tilt – selective origination & quality portfolio driving lower cost of risk

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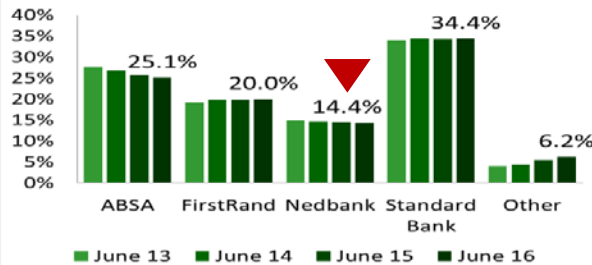


## BA 900 market share %

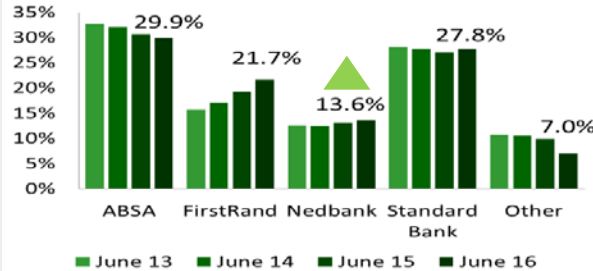
Retail 16.8% ▶

Wholesale 21.0% ▲

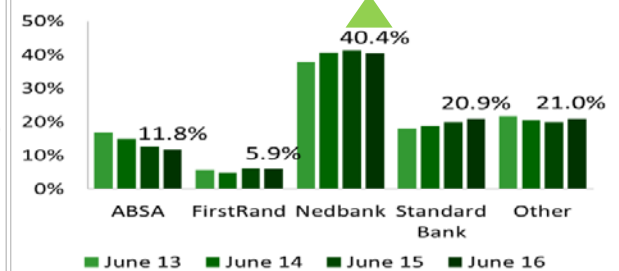
Home Loans (%)



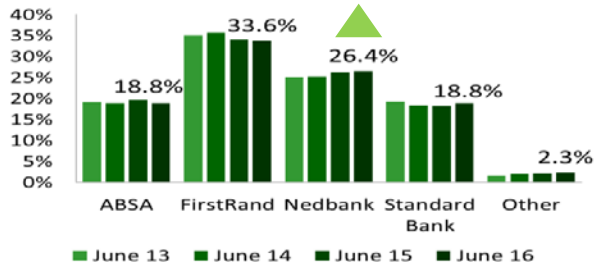
Credit Cards (%)



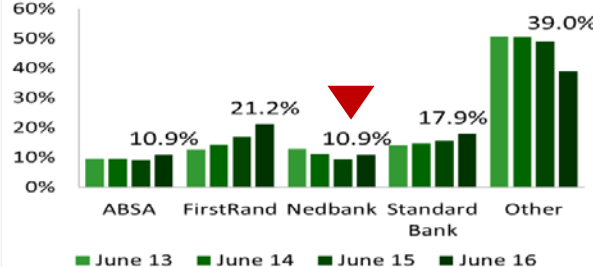
Commercial Mortgage Loans (%)



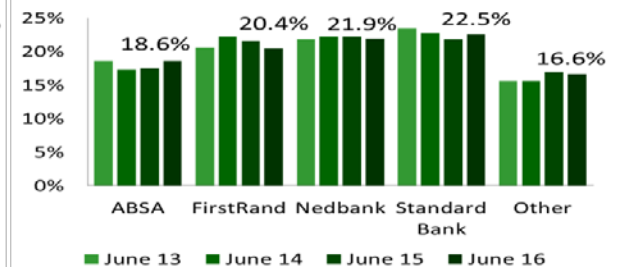
Instalment Credit (%)



Personal Loans (%)



Core Corporate Loans (%)



1. BA 900 market share

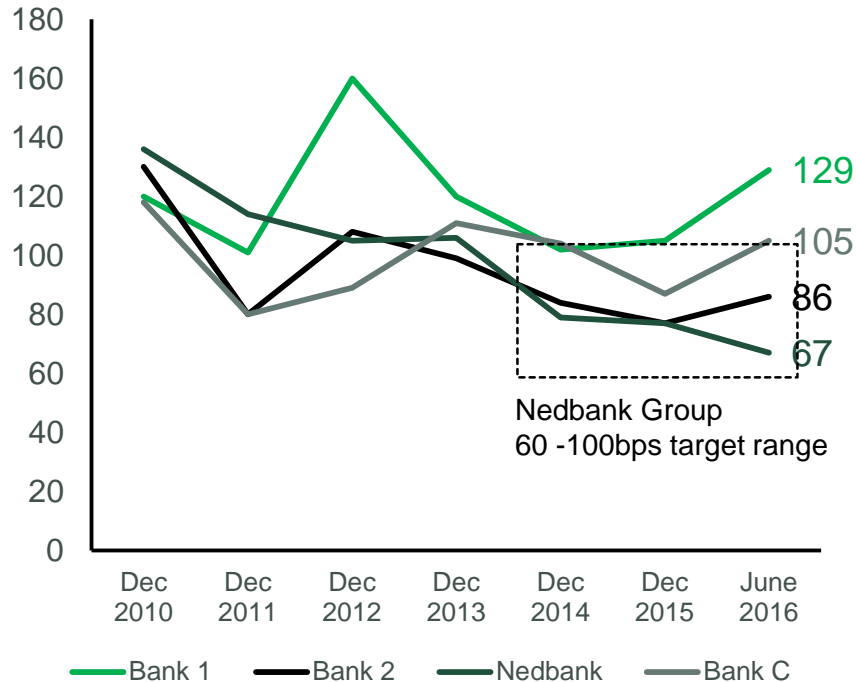


# Strategic portfolio tilt – selective origination & quality portfolio driving lower cost of risk

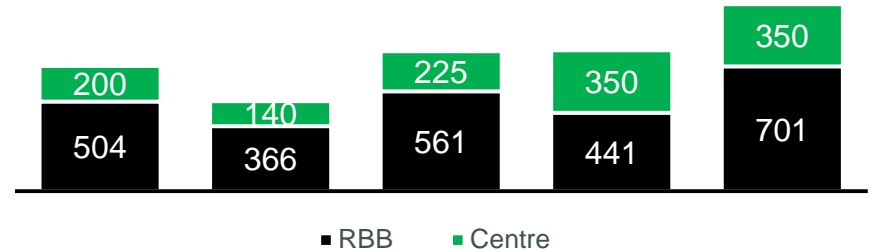
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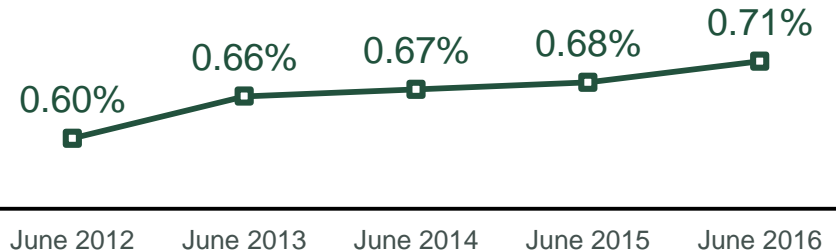
## Credit loss ratio bps



## Overlays & central provision Rm



## Portfolio coverage Rm



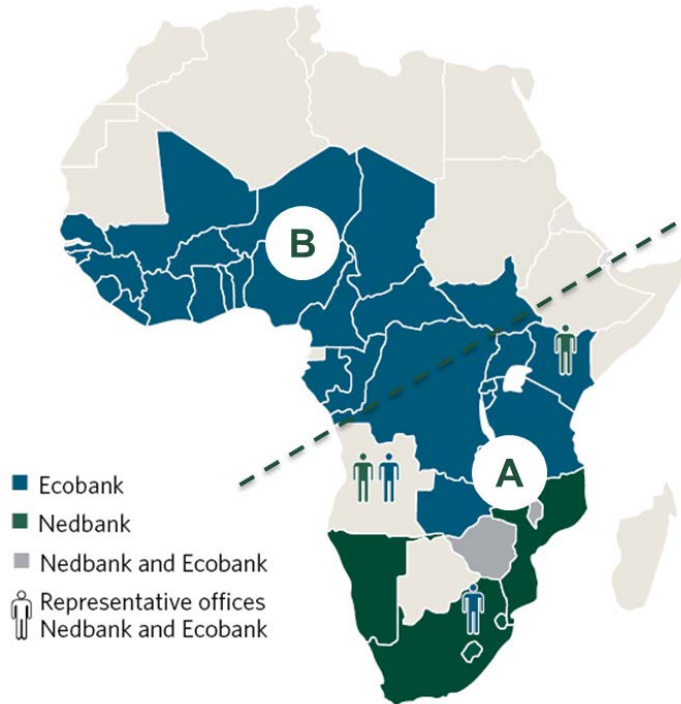


# Building a regional champion with access to a Pan-African banking network

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## A client-centred, risk-mitigated, capital-efficient, long term strategy



### SADC & East Africa (A)

- Own, manage & control banks
  - Standardised business & operating model including IT systems
  - Banco Unico (Mozambique): 38,7% shareholding increasing to 50%+1 in H2 2016 (~R112m)
  - Grow presence from 6 to 10 countries in the medium-term

### West & Central Africa (B)

- Partnership approach
- ETI 21,8% strategic shareholding
  - Board representation
  - Strategic & technical banking alliance
- Nedbank to generate business flows over & above equity investment
  - >70 wholesale clients bank with ETI
  - 3 joint deals completed in 2015

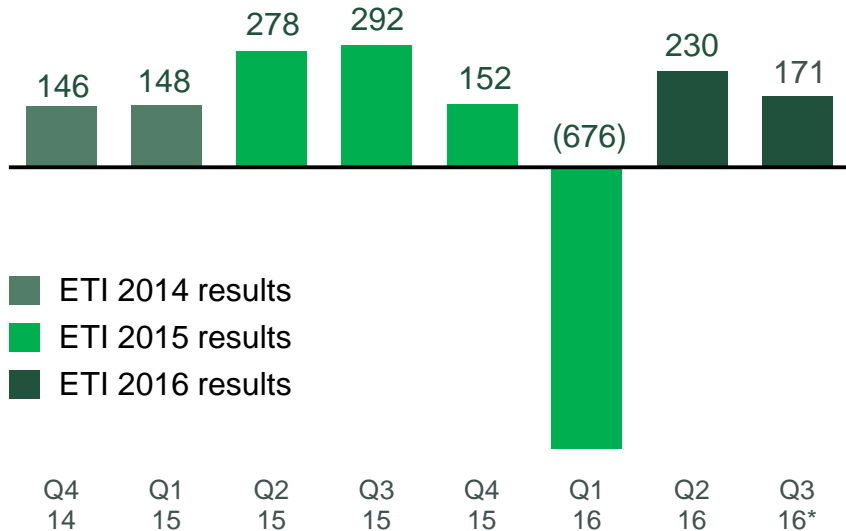


# Building a regional champion with access to a Pan-African banking network

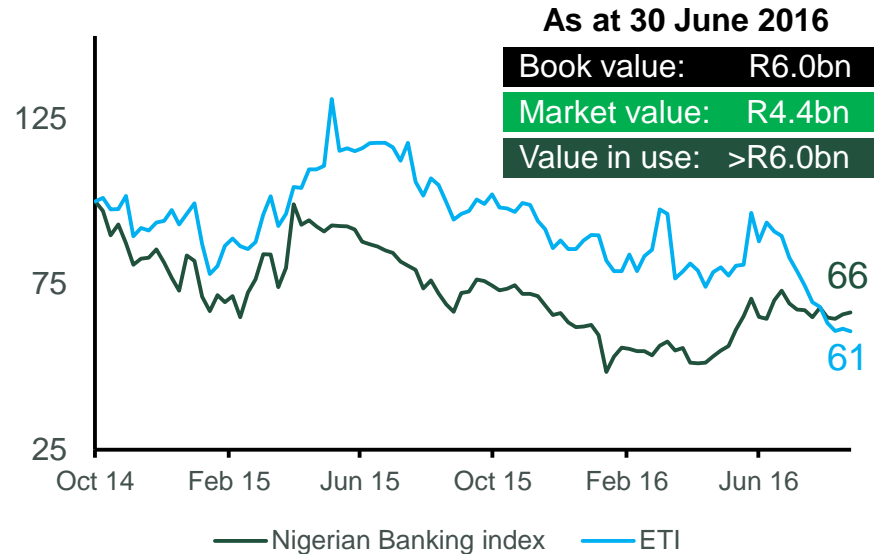


**Currency, commodity & liquidity pressures in rest of Africa evident in ETI results & share price, but the long-term prospects remain attractive**

**Associate income from our 21.8% shareholding in ETI (Rm)**



**Relative share price performance**  
Based to 100: 1 Oct 2014



\* Q3 2016 estimate based on ETI Q2 2016 attributable profit & R / US\$: 14.12.

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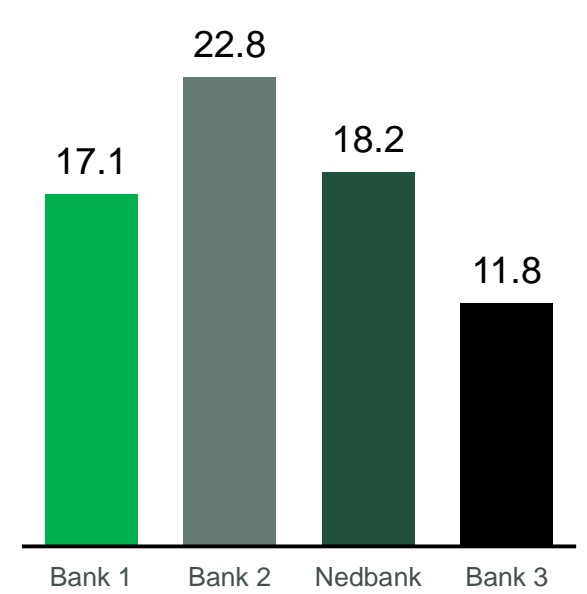
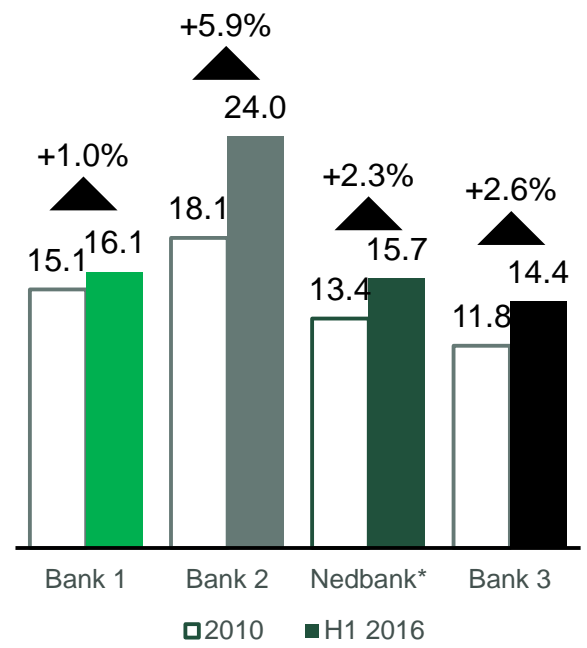
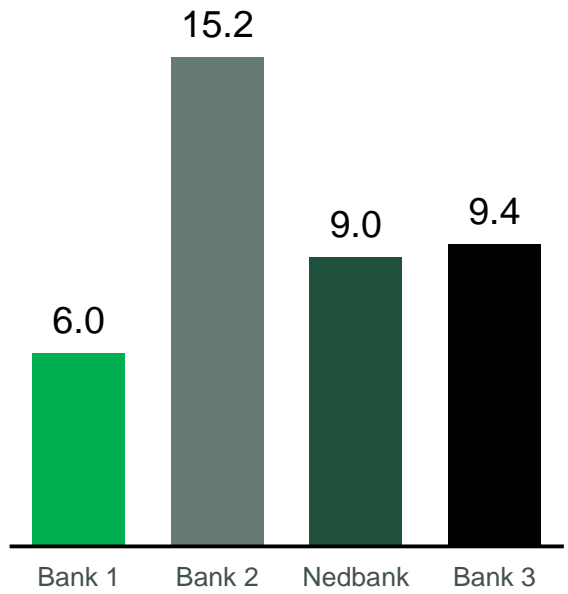
# Nedbank Group delivered strong growth in NAV & earnings that underpin ROE uplift



**NAV per share growth**  
(2010 to June 2016, CAGR %)

**Return on equity**  
(2010 to June 2016, %)

**Dividend per share growth**  
(2010 to FY 2015, CAGR %)

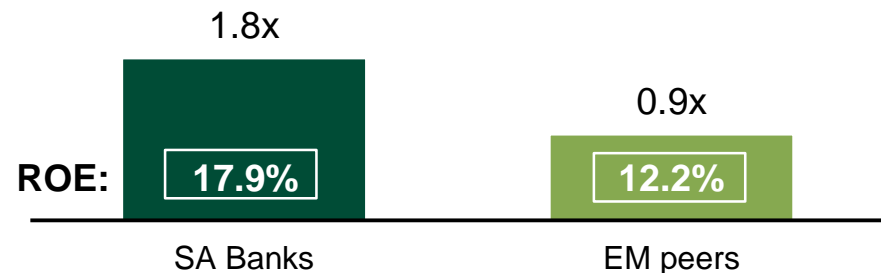


\* To ensure comparability to peers Nedbank shows ROE excl goodwill | ROE excluding ETI related funding costs & associate income: 18.4% for H1 2016

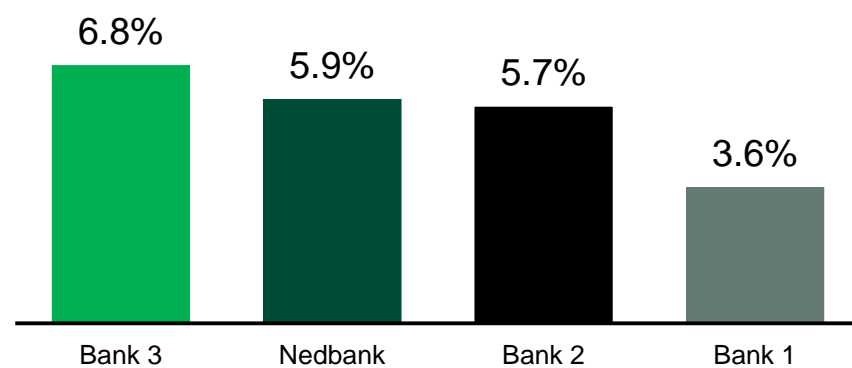
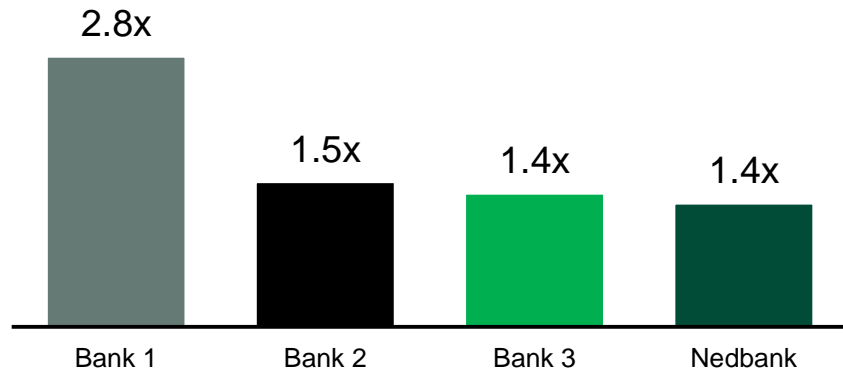
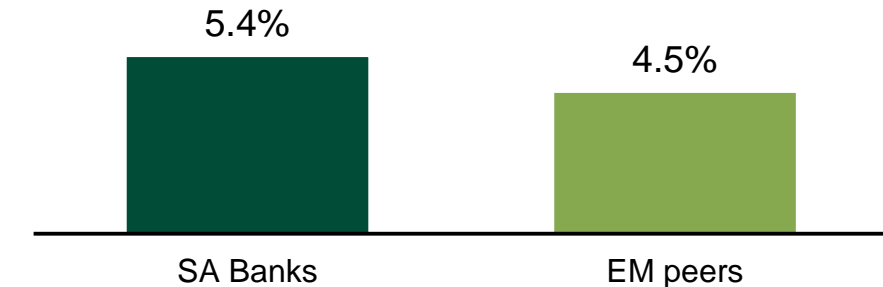
# SA banks are priced at a premium to other EM peers & offer higher yields. In this universe Nedbank offers relative value



Price to book ratios (x)



Dividend yield (%)



Source: Deutsche Bank: SA banks include big 4 banks | EM include banks from Turkey, Brazil & Russia | Source: Bloomberg (30 September 2016), Based on historic disclosures

# Delivering on our strategic focus areas enable Nedbank Group to progress towards our medium-to-long-term targets

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Metric	H1 2016	vs MLT	Medium-to-long-term target
ROE (excl goodwill)	15.7%	✘	5% above COE
Diluted HEPS growth	1.6%	✘	≥ CPI + GDP growth + 5%
Credit loss ratio	67 bps	✓	60–100 bps
NIR-to-expenses ratio	83.0%	✘	> 85%
Efficiency ratio <sup>1</sup>	57.1%	✘	50%–53%
Basel III CET 1 CAR	11.6%	✓	Basel III basis: 10.5% – 12.5%
Tier 1 CAR	12.5%		11.5% – 13.0%
Total CAR	14.5%		14.0% – 15.0%
Dividend cover	1.99x	✓	1.75 to 2.25 times

1. Efficiency ratio includes associate income.

- **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
- **Relative valuation to peers provides upside, underpinned by 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, increase cross business flows between SA, rest of Africa subsidiaries & Ecobank
- **Extract efficiencies across all our businesses to fund future investment**
- **Enable improvements in efficiency ratios & ROEs**

MAKE  
THINGS  
HAPPEN



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GROUP

# Q&A

