



UBS 14th South African Financial Services Conference

The Investment Case for Nedbank Group

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Chief Executive

27 October 2011



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Agenda

- Africa & South Africa
- SA Banking industry
- Nedbank Group
- Summary & prospects



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Africa & South Africa - attractive investment destinations

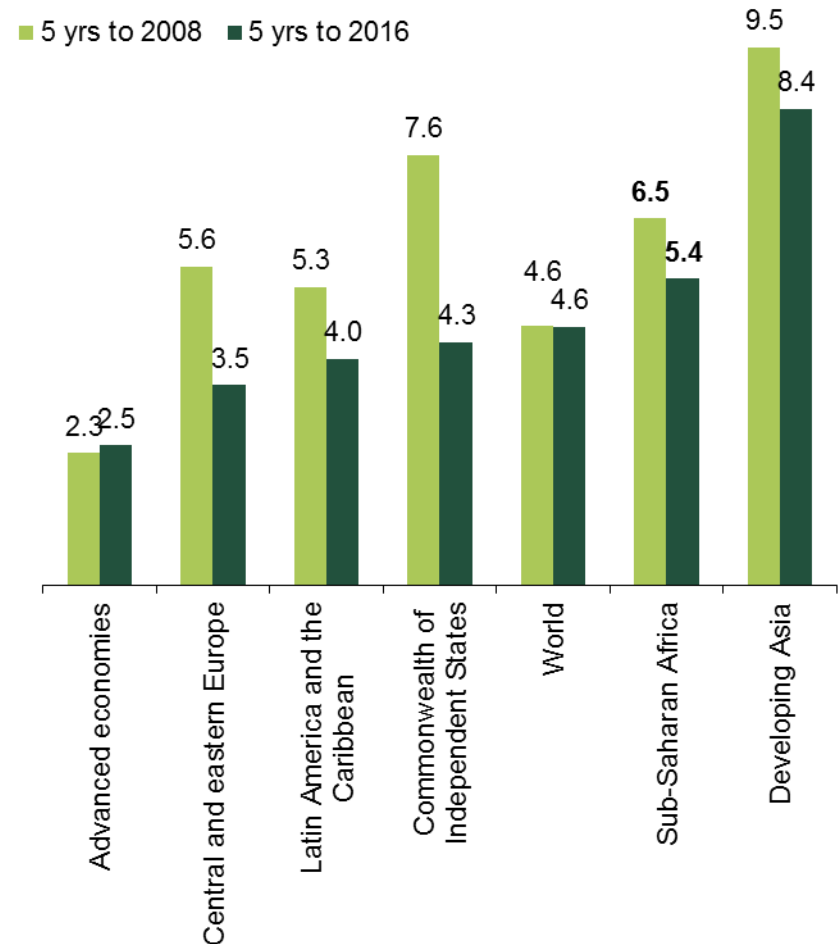
The case for African growth

- Good growth prospects on the back of commodity-intensive growth in emerging world
- Take advantage of the new global environment - improved policies & governance and lower debt
- Demographics & health breakthroughs will assist longer-term prospects
- Growing emerging middle class and exerting influence – McKinsey study “Lions on the move”
- Better cooperation on regional trade & infrastructure

The South African case

- Similar to rest of Africa – well positioned with mineral riches in a resource-hungry world
- Strategic springboard into rest of continent – good governance, well developed financial markets, legal system, infrastructure & technology
- SA companies expanding into rest of Africa – retail, financial, construction, mining & telecommunications. 2005: 8.2% of South African FDI into Africa vs. 2009: 21.6% (UNCTAD World Investment Report 2011)

Strong GDP growth potential (%)

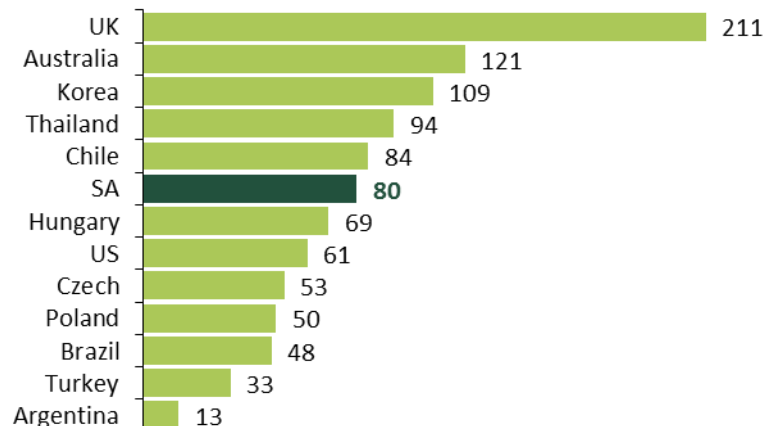


Africa & South Africa - attractive investment destinations

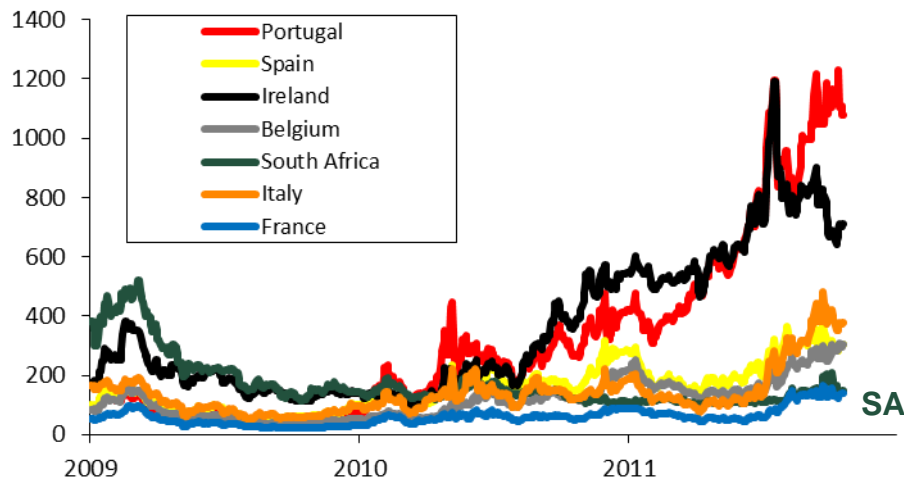
Gross government debt: GDP by 2012



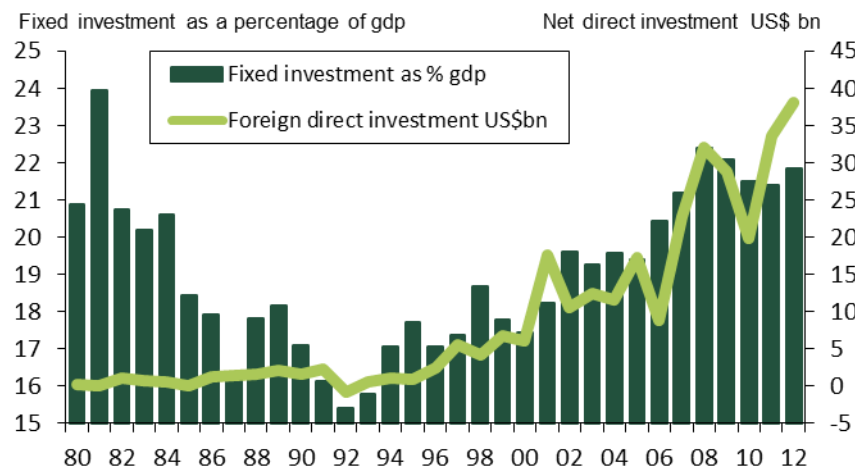
Domestic credit as % of GDP (2008 data)



5-year CDS spreads



Investment into Africa



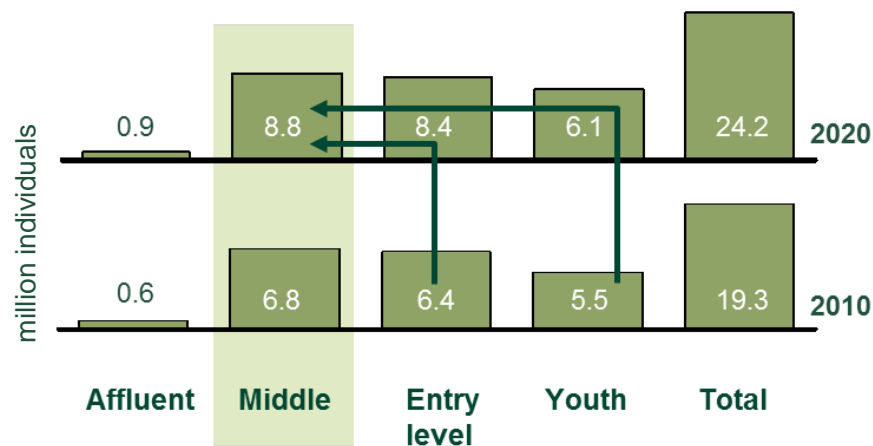
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South Africa's growth potential

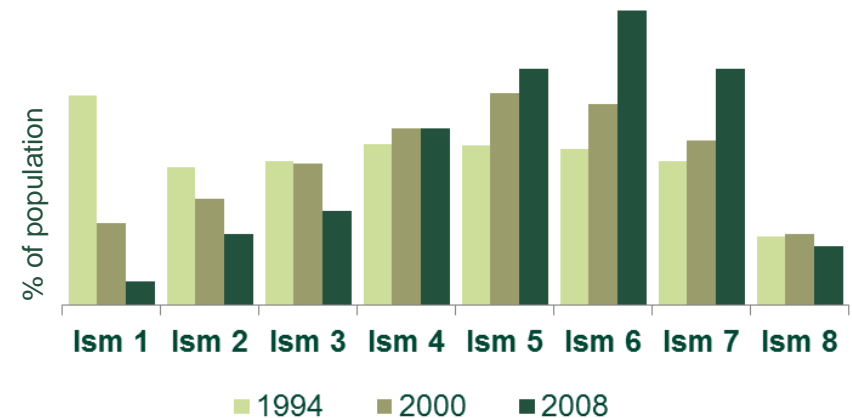
Public sector infrastructure expenditure potential (by sector)

	2010/11	2011/12	2012/13	2013/14	MTEF	% of total
Economic services	228.7	216.2	219.4	228.5	664.1	82.1
Energy	102.8	96.5	98.1	96.8	291.4	36.0
Water & sanitation	21.0	26.8	25.4	28.2	80.4	9.9
Transport & logistics	80.5	67.5	69.1	75.6	212.1	26.2
Other	24.4	25.4	26.8	28.0	80.2	9.9
Social services	26.2	29.5	34.9	44.3	108.7	13.4
Health	8.5	10.3	15.1	20.6	46.0	5.7
Education	6.8	9.2	10.1	11.5	30.7	3.8
Community facilities	6.0	6.4	5.9	8.0	20.2	2.5
Other	4.9	3.7	3.9	4.2	11.8	1.5
Justice & protection	3.1	3.3	7.1	10.2	20.6	2.5
Central government & other	2.1	3.8	7.9	3.5	15.2	1.9
Total	260.1	252.9	269.3	286.4	808.6	100.0
% of gdp	9.8	8.7	8.4	8.1		

A growing banking population



A wealthier middle class





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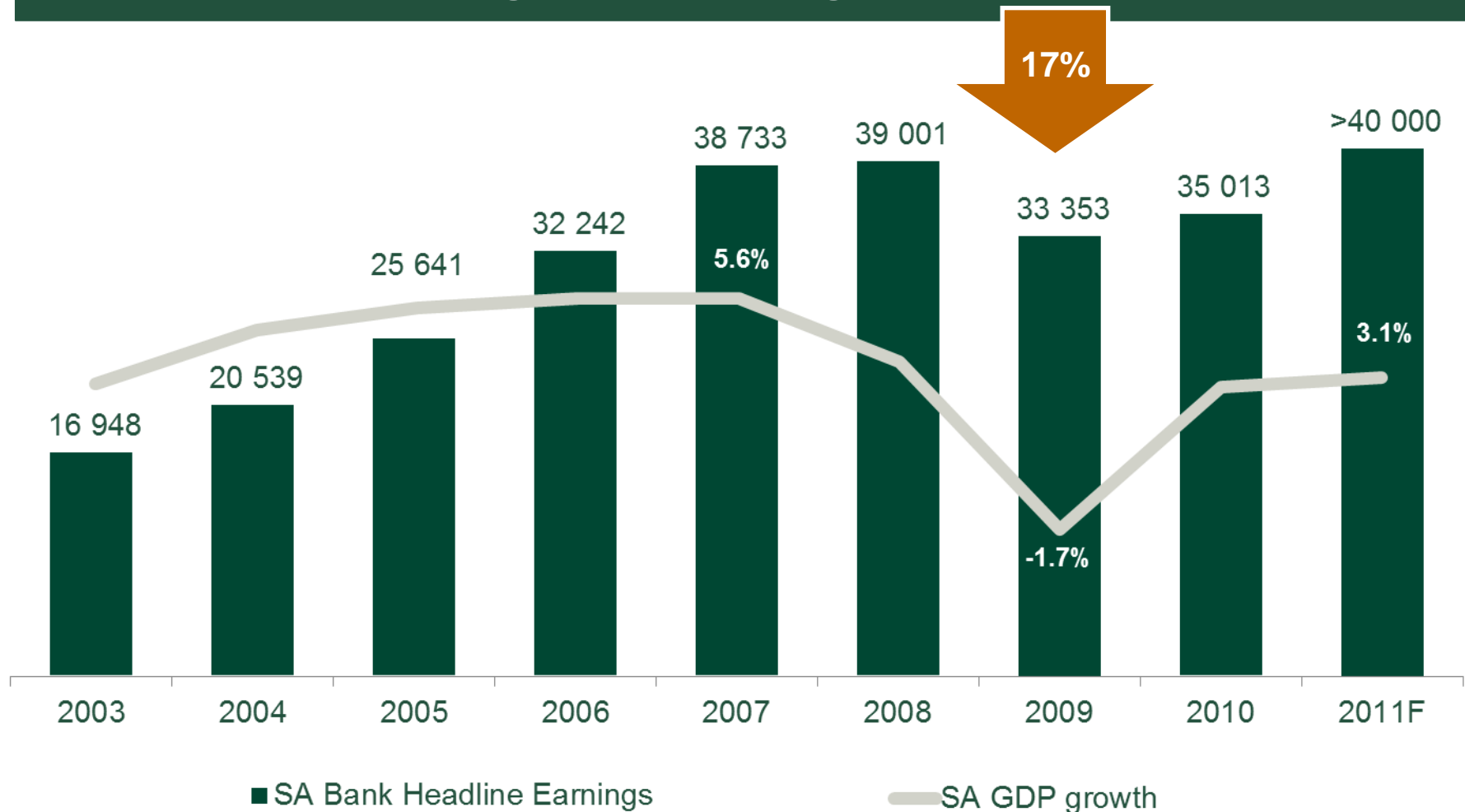
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Sound banking and governance environment

Indicators for South Africa	Rank (/142) 2011 - 2012	Rank (/139) 2010 - 2011
Strength of auditing & reporting standards	1	1
Regulation of securities exchange	1	1
Efficacy of corporate boards	2	2
Soundness of banks	2	6
Protection of minority shareholder's interests	3	6
Financial market development	4	9
Financing through local equity market	4	7
Strength of investor protection	10	10

SA banks have weathered the crisis well

SA Bank Headline Earnings (Rm) vs. GDP growth (%)



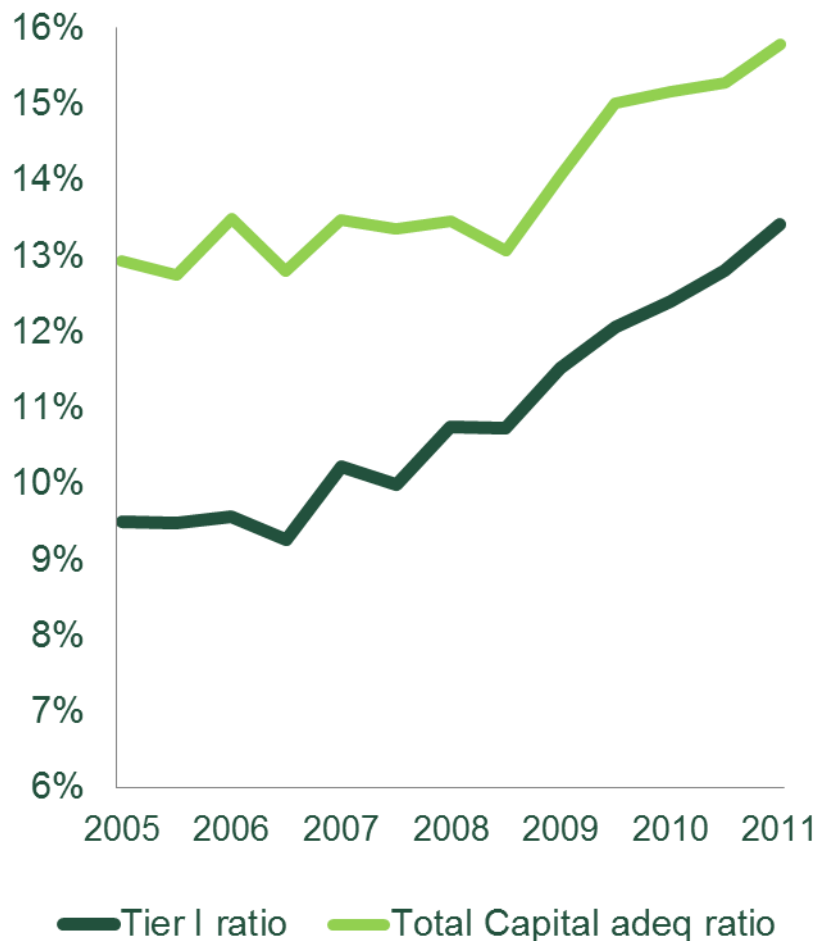
Source: UBS, Nedbank Economics Unit

HE includes ABSA, FirstRand, Standard Bank, Nedbank, Investec, Abil and Capitec

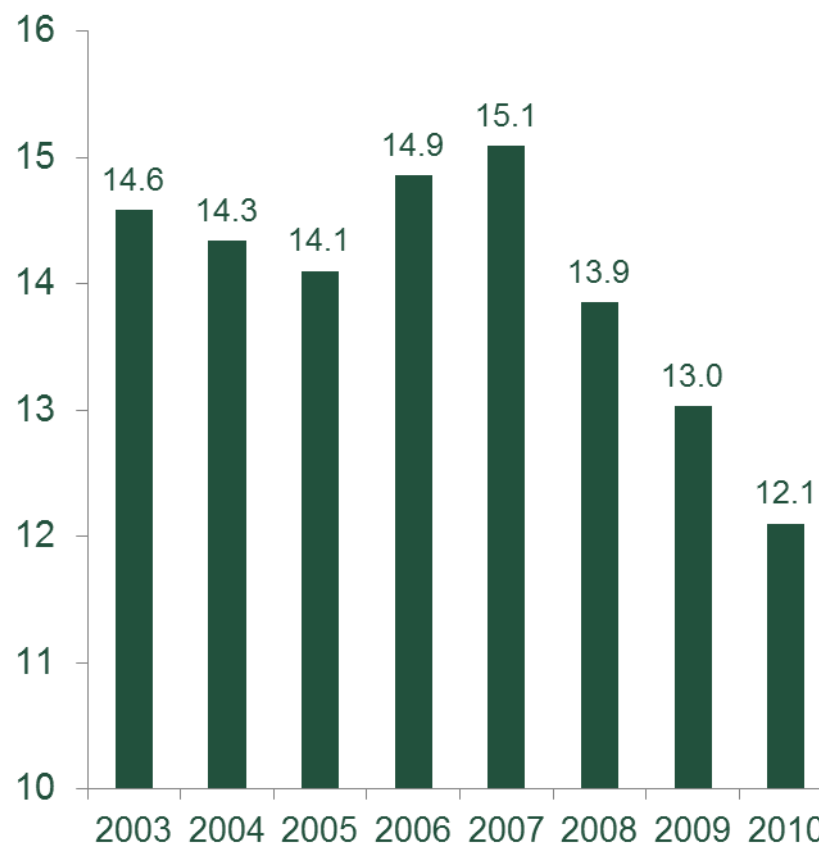
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Stronger capital position & lower leverage ratios

SA Bank Capital Ratios (%)

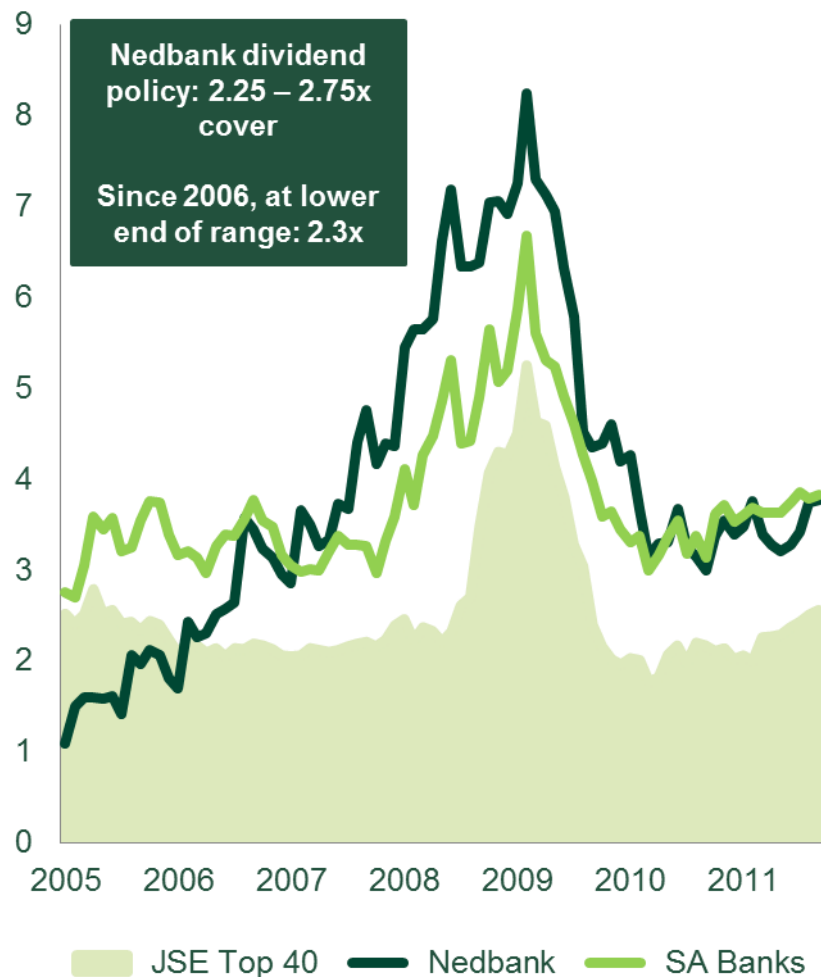


SA Bank Leverage Ratios (x)



SA banks - high dividend yields & equity upside

Dividend yield (%)



Nedbank long-term price: book



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Nedbank Group has a long & proud history

The average age of a Dow Jones company is 40 - 50 years. Nedbank's origins date back 180 years



The original bank building at Brugspruit was erected in 1897



Our vision is to be most admired by all our stakeholders

Building Africa's most admired bank... by our

staff

clients

shareholders

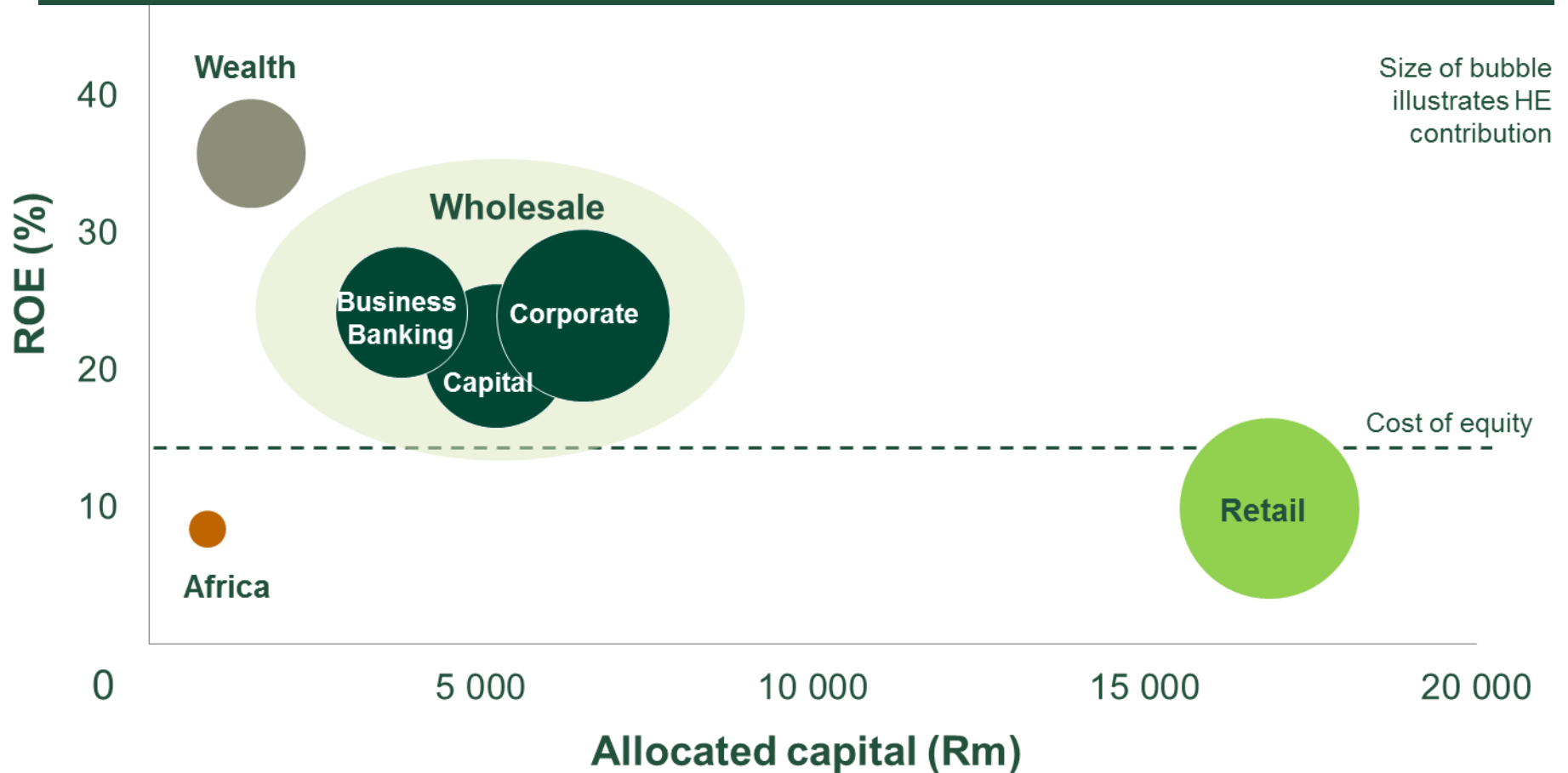
regulators

communities

...building a long-term sustainable business

Growth focus

- Leveraging strengths in Wholesale
- Grow Wealth business & Africa
- Reposition Nedbank Retail



Build on & leverage strong wholesale franchise

Nedbank Capital	Nedbank Corporate	Nedbank Business Banking
<ul style="list-style-type: none">• Highly competitive in domestic market• Top 3 ratings in selected segments and industry expertise	<ul style="list-style-type: none">• Top 2 corporate bank• Leader in Commercial Property Finance	<ul style="list-style-type: none">• Distinctive decentralised client servicing model

- Track record of high ROEs (>20%)
- Strong lending & liability positions (Top 2 market share in key markets e.g. 37% CPF market share)
- Competitive trading, electronic banking & payment systems (Wallstreet, Netbank etc)
- Best in peer group risk management & CLRs over extended period
- Leading client satisfaction metric rankings and capabilities

...consistent investment in systems - strong platform for growth

We have identified key strategic growth drivers

Reposition Nedbank Retail

Client-centred focus
underpinned by strong risk management

Grow primary clients & cross-sell
for sustainable ROE

Grow NIR

Provides high returns,
low capital &
liquidity consumption
and reduces earnings at risk profile

Portfolio tilt and maximise EP

Active portfolio management: optimise
resources – capital, liquidity & costs

Focus on EP growth
Deposits a key priority

Building Africa's most admired bank

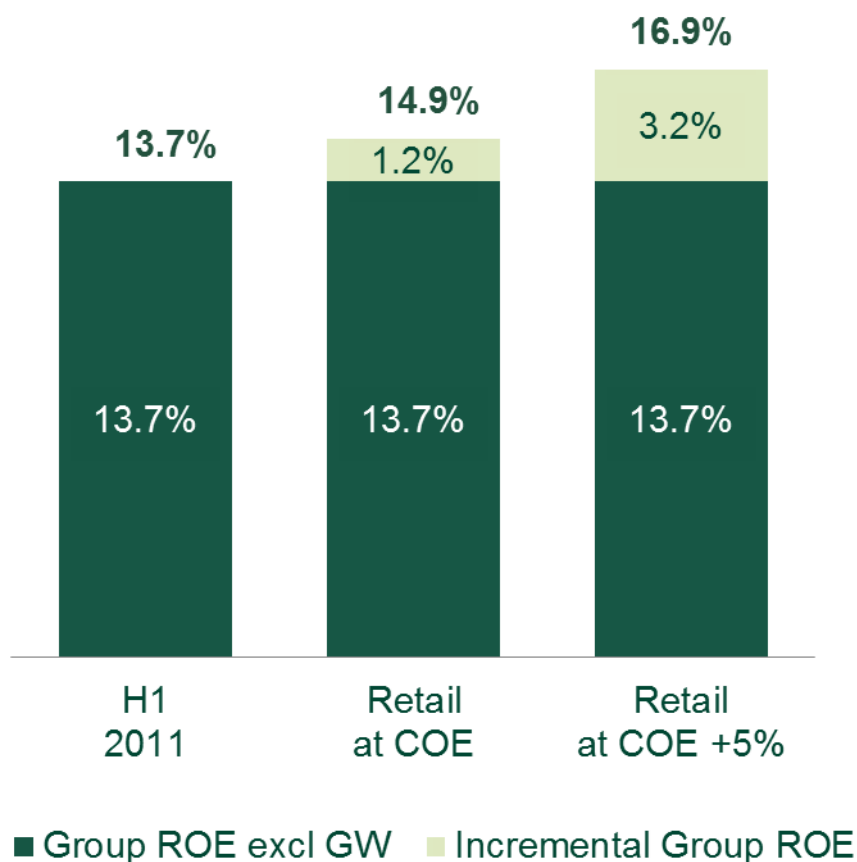
Long-term growth opportunity
4 tier strategy to selectively
expand into Africa

Client-centred approach

Sustainability embedded in group strategy

Repositioning Nedbank Retail provides significant upside

Illustrative impact of Retail ROE uplift (based on June 2011 interims)



Key deliverables - medium term

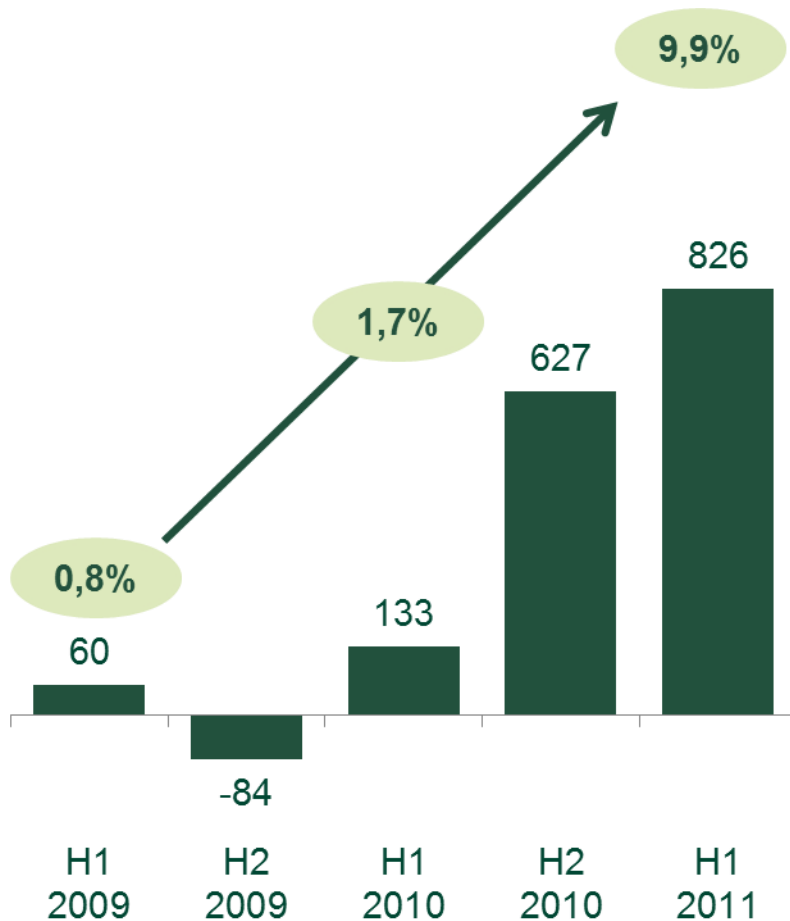
- Improve risk management capabilities
- Shift from product to client centricity
- Leverage wholesale & areas of strength e.g. MFC, PL, Card
- Unlock R600m* cost efficiencies
- Re-invest R400m**: 340 new outlets & >1 000 new ATMs
- Grow transactional income and primary clients
- Win in mobile
- Improve HL profitability

* run rate in year 4

** cumulative capex over 4 years

Good progress on repositioning Nedbank Retail

Nedbank Retail progress on headline earnings (Rm) & ROE (%)



H1 2011 results:

- Unlocked R140m cost efficiencies
- New CVPs – Savvy, KeYona, Nedbank @Work & Retail savings bonds
- 116 new outlets & 420 new ATMs
- Home Loans
 - New business written: EP positive
 - Highest coverage ratio in peer group
- CLR improved & portfolio impairment strengthened
- 20% NIR growth includes primary client gains & improved cross-sell
- SBS – significantly improved metrics

Strategic growth drivers

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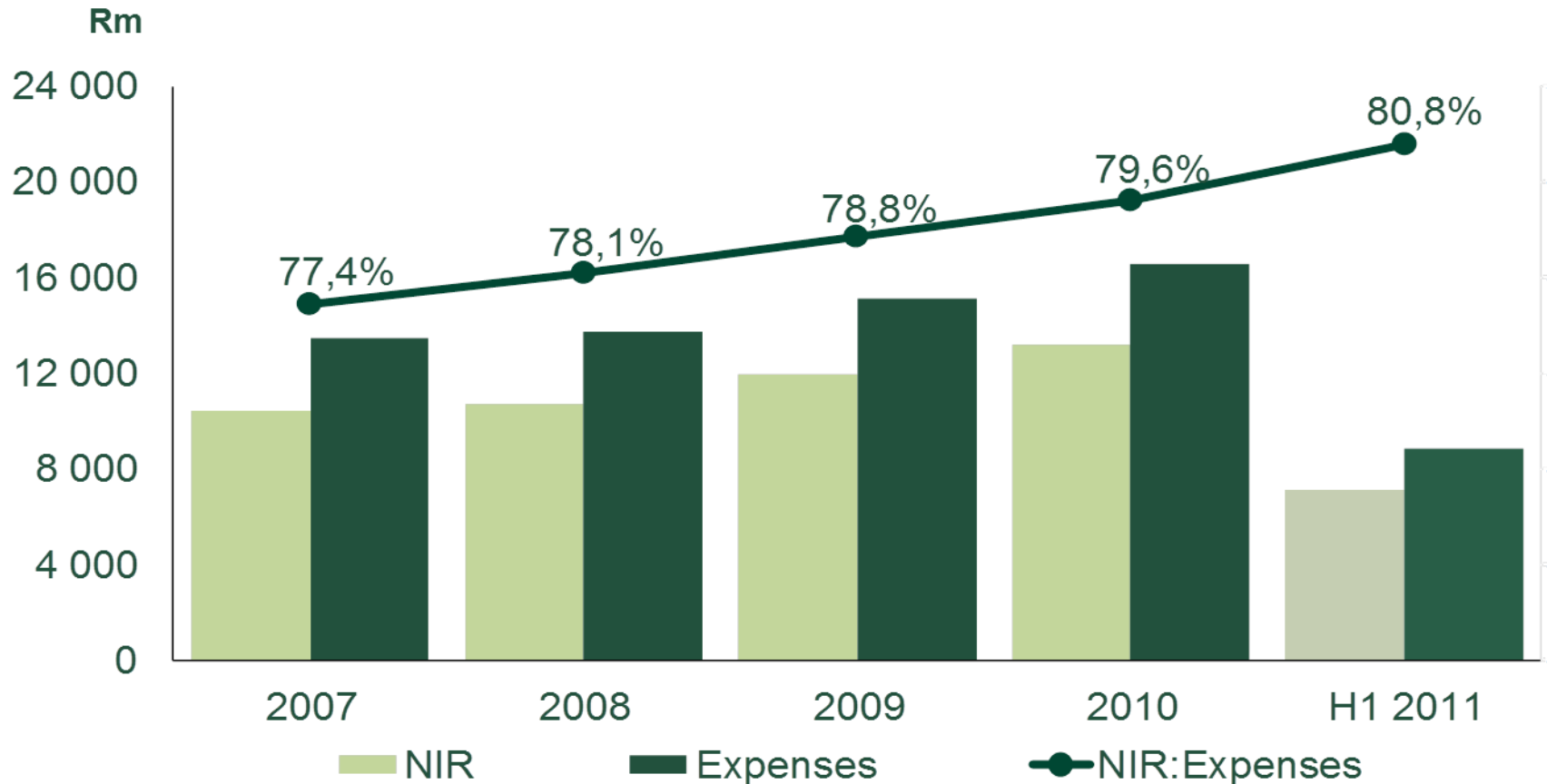
Our greatest long-term opportunity: Improving NIR

	Nedbank		Big 3 Average	
Du Pont analysis (2010)	% of Interest Earning Assets	% of Equity	% of Interest Earning Assets	% of Equity
NII	3,35	39,9	3,56	37,9
Impairments	1,25	14,9	1,09	11,6
NIR	2,66	31,8	3,81	40,6
Expenses	3,35	39,9	4,34	46,3
Headline earnings	0,99	11,8	1,37	14,6

*Note: Based on latest interim results
Big 3 average include Standard, ABSA and FirstRand Banking*

NIR : Expenses trend – consistent delivery

Targeting NIR : expenses ratio > 85% in medium-to-long-term



...strong H1 2011 on the back of ~2x average peer NIR growth in 2010

Broad based approach to grow NIR

Results to June 2011: New innovative solutions, investment in systems, primary client gains & cross-sell, footprint expansion...

- Commission & fees up 14,1%
- New client offerings e.g.
 - Various new insurance products
 - Ke Yona campaign launch (Entry Level Banking)
- Invested in distribution channels
 - Branches & other outlets: +116 (6 months: +72)
 - ATMs: +420 (6 months: +184)
- Netbank Business & CPS volume growth of 32,9%
- Net primary client gains
 - Retail: 94 000
 - Business Banking: 625
 - Corporate Banking: 24
- Wealth: >1 500 new HNW clients
- Retail transactional price increases in line with inflation
- Capital maintained high NIR : expense ratio
- Trading income up 3,3%
- Insurance income up 30,2%

Strategic growth drivers

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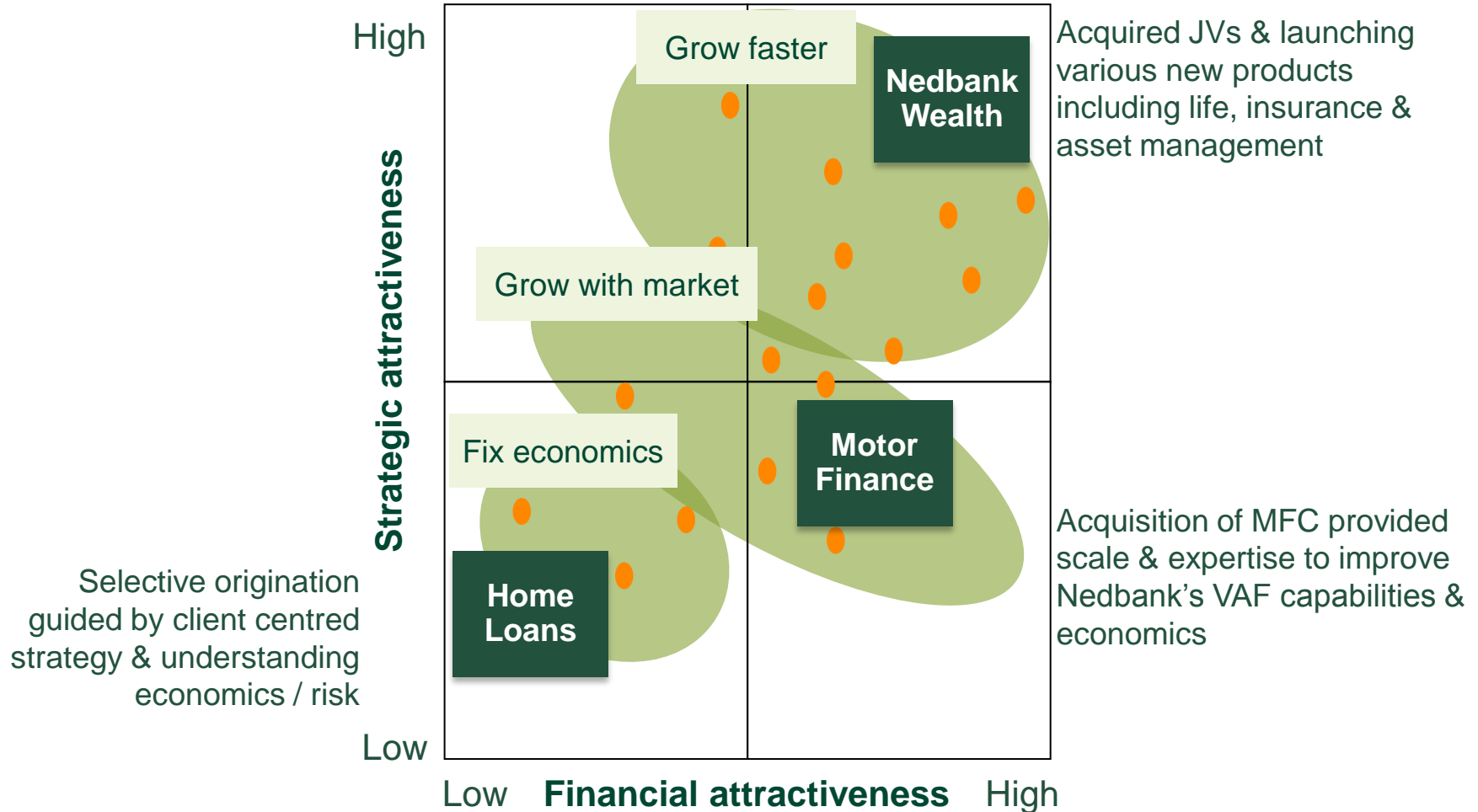
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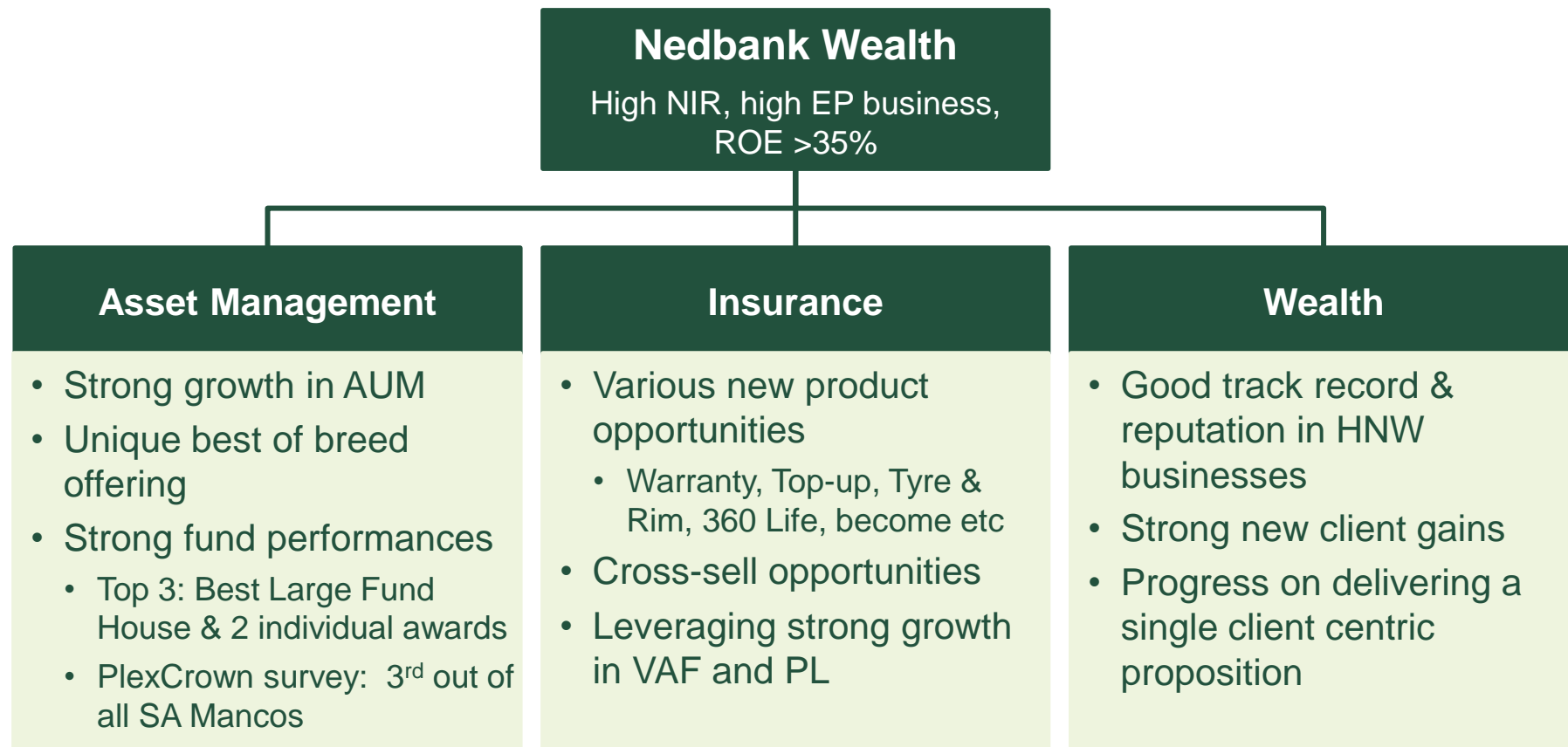
Sustainability embedded in group strategy

Portfolio tilt & maximise EP - examples

EP pool attractiveness



Nedbank Wealth – high ROE, high growth potential



Buyout of former joint ventures effectively removed the remaining insurance product restrictions and presented an opportunity to reorganise the business to be more client centric

Strategic growth drivers

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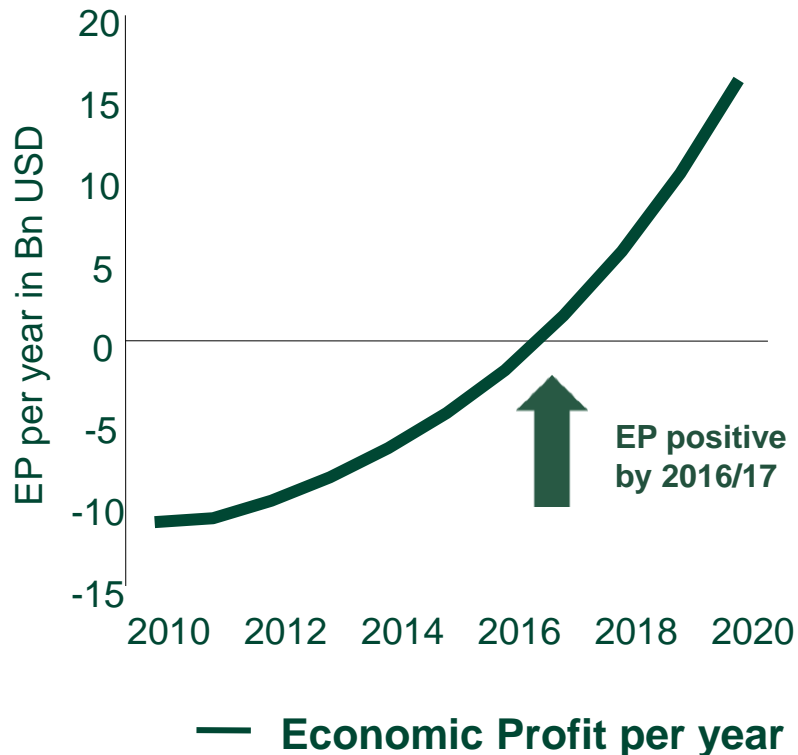
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Rest of Africa remains a medium to long-term opportunity

Sub-Saharan Africa (excl SA) EP development 2010 - 2020



- **Focussed on building stronger position in Southern Africa, where:**
 - ~75% of financial services economic profit pool is; &
 - Nedbank, locally, has greater opportunity to capture a larger share of EP
- **Basel 3 uncertainty & requirement to increase capital levels** impacting actions
- **Rest of Africa only likely to turn EP positive by 2016/7**

Rest of Africa remains a medium to long-term opportunity

South Africa	Rest of Africa			
First & foremost need to improve competitive positioning	Support wholesale client expansion into Africa	ROEs remain low & challenging in short to medium-term	Regulation & political issues remain challenging in some jurisdictions	Longer-term growth opportunity

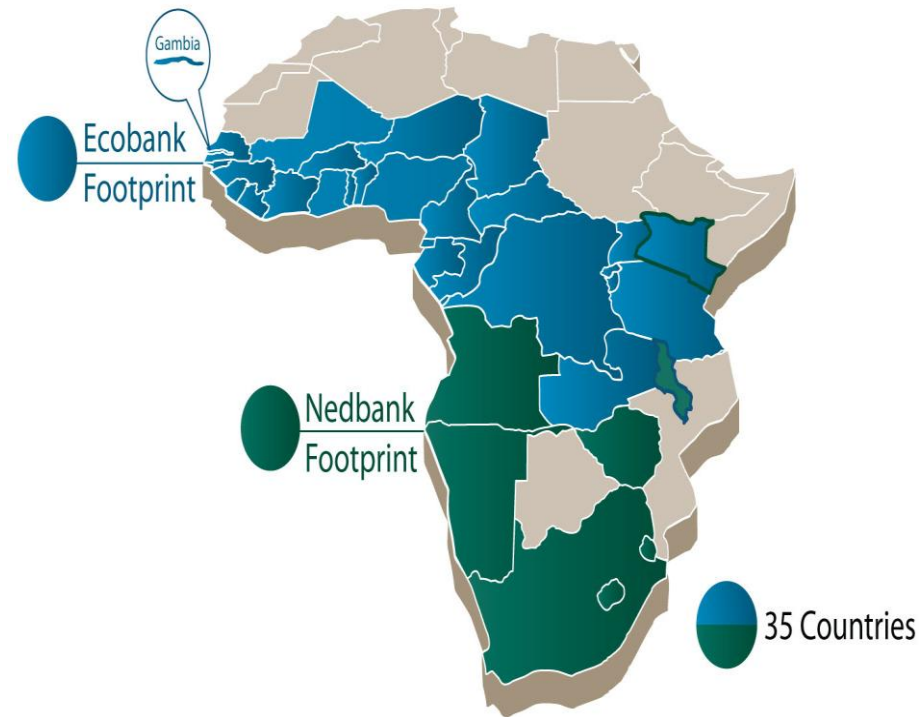


Expand & grow in SADC	Advisory boutiques	Pan-African / Ecobank network	Selected investment opportunities
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Provides:		
Options	Low cost / risk of entry	Presence

Unparalleled presence in Africa

Providing a 'one bank' client experience across 35 countries



Leverage off strengths of Nedbank & Ecobank

- Nedbank's strong wholesale banking market position in SA
- Nedbank's balance sheet to participate in larger transactions
- Ecobank's leading pan-African footprint
 - Access to local knowledge as key enabler for doing business in Africa
 - Opportunities arising from Ecobank's acquisition of Oceanic in Nigeria (Top 5 bank)
 - Multi-lingual operation in English; Portuguese & French-speaking countries

Local knowledge & market intelligence

'One bank' client experience with innovative products & solutions in retail, wholesale & investment banking

- **>30 successful client referrals**
- **Strong IB pipeline**

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Unique culture & positive staff morale

Current culture values

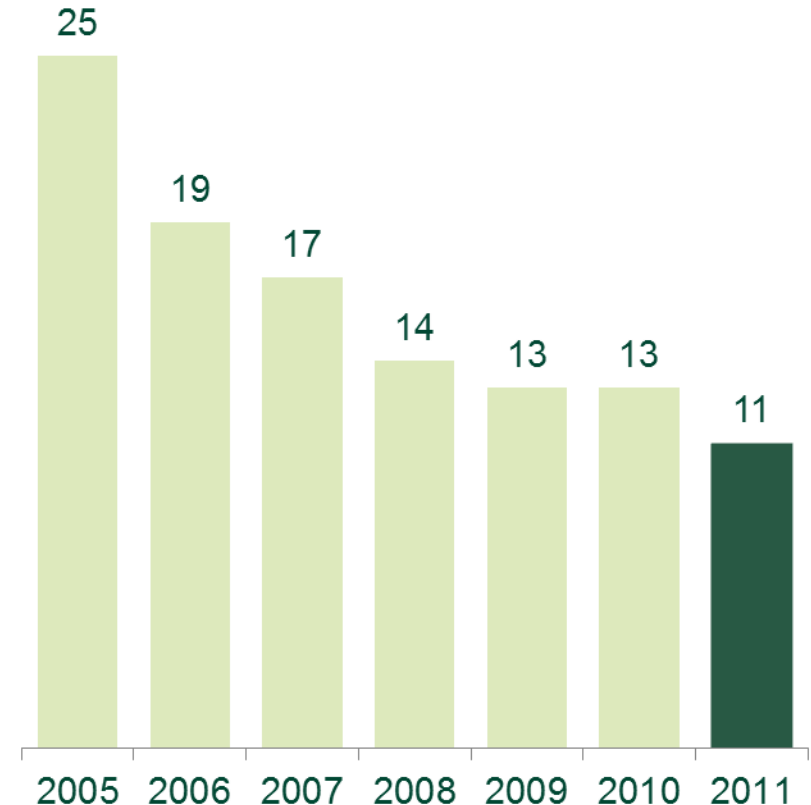
6 matches ideal culture matches

1. accountability
2. client driven
3. client satisfaction
4. brand reputation
5. achievement
6. teamwork
7. environmental awareness
8. commitment
9. being the best
10. cost-consciousness

≥6 matches world class

Cultural entropy

Approaching to world class levels



10% = "Healthy functioning organisation"

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Nedbank a leader in sustainability

More relevant in a changing world and changing society

Africa's first & only carbon neutral financial organisation

Dow Jones World Sustainability Index – 6th year

South African Carbon Disclosure Project Leadership Index

FT Emerging Markets Sustainable Bank for Middle East & Africa

Level 2 dti contributor & 3rd most empowered company on JSE

Key sponsor of South Africa National Values Survey

20 year partnership with WWF





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Drivers of valuation – cyclical gearing (well positioned)

Bank

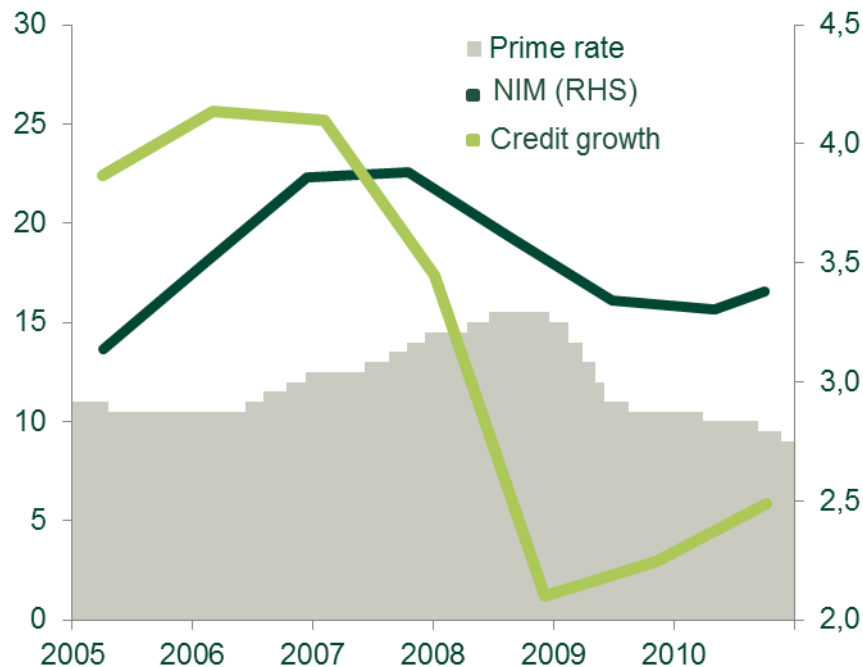
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Macro-economic
hedge fund

+

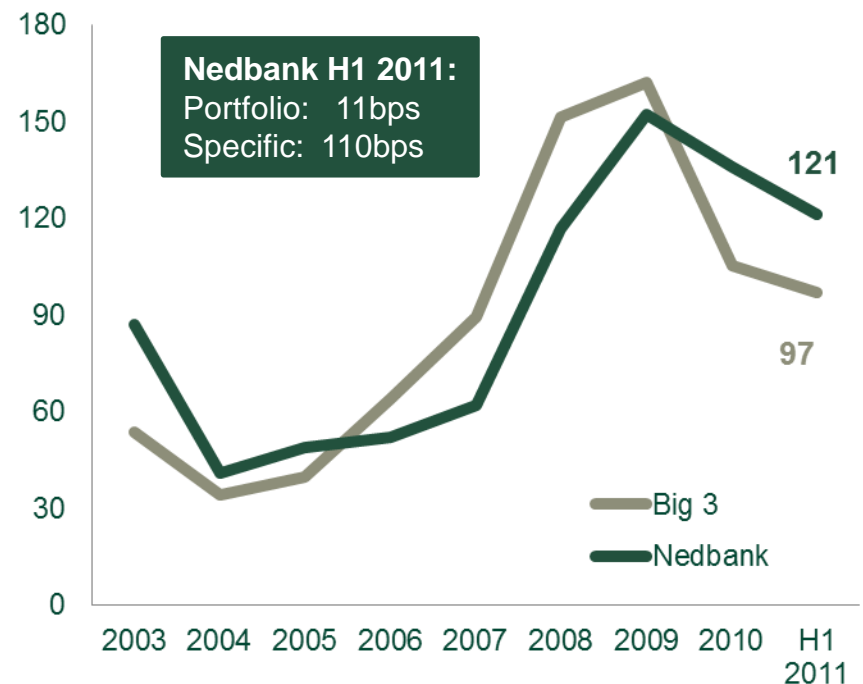
Fees & services
business

NIM (%)



... interest rates anticipated to increase in Q3 2012

Credit loss ratio, bps



... coverage ratios increased to 35,8%

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Drivers of valuation – NIR growth (momentum off low base)

Bank

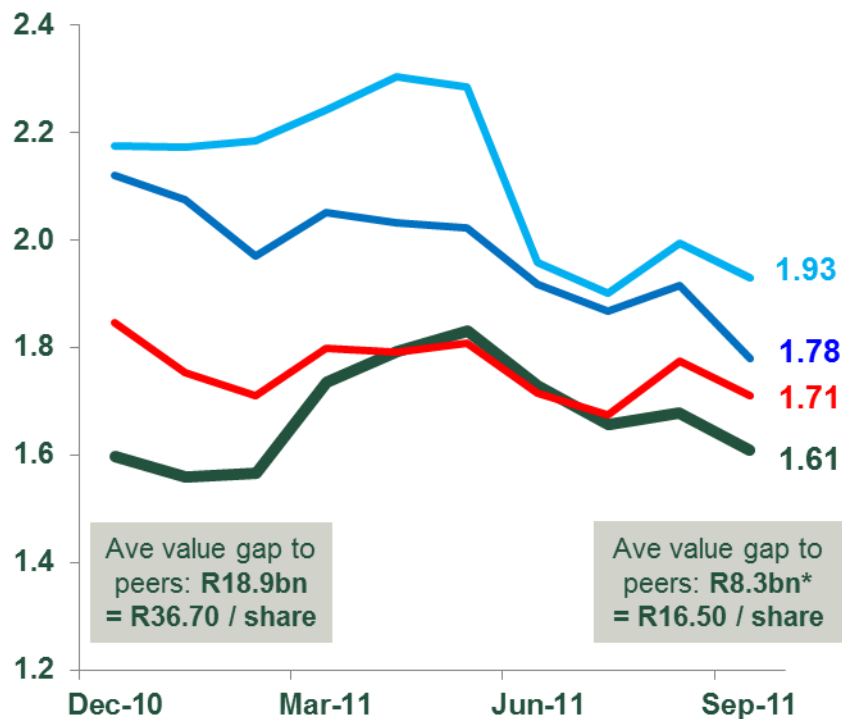
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Macro-economic
hedge fund

+

Fees & services
business

Closing the price: tangible book gap



NIR a key driver...

Strategy to increase NIR:

- Client focussed opportunities
- NIR : Expense targets
- NIR focus in scorecards

Higher price / tNAV ratio

Value gap to peers closed by R10bn since December 2010*

Note: Average value gap = Nedbank implied valuation based on average peer P:tNAV less Nedbank market cap
* Calculations as at 30 Sept 2012

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Delivery of NIR & CLR targets – illustrative scenario

			NIR : expenses			ROE (excl. goodwill)
			Current	Mid way	Target	
			80,8%	82,9%	85,0%	
Impairments CLR	Current	1,21%	13,7%	14,8%	15,6%	
	Top of target range	1,00%	15,9%	17,1%	17,8%	
	Mid-target range	0,80%	18,0%	19,2%	20,0%	

- Based on annualised June 2011 results
- Assuming no change in leverage & incremental capital
- Assuming efficiency ratio remains the same

... further uplift from interest rate sensitivity of R592m pre-tax for every 1% increase in interest rates = approximately 1,1% addition to ROE

In summary, Nedbank is well positioned for growth

Foundations for growth

- Experienced management team
- Well capitalised & funded
- Strong wholesale banking franchise
- Well positioned in selected advances categories & deposits
- Proven cost discipline
- Client centred approach
- Outward focus: investing for growth
- Unique corporate culture & good staff morale
- Leading in transformation & sustainability

Opportunities for growth

- Continued NIR growth
- Retail upside
- Wealth businesses
- Improving client service & products
- Ongoing impairment unwind
- Accelerating innovation
- Endowment upside when cycle turns
- Wholesale advances pipeline
- Low risk expansion into Africa



Thank you



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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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