

MAKE
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NEDBANK GROUP LIMITED

Renaissance Capital **Banking IT Day**

14 April 2015

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Philip Wessels (ME: R&BB)

A Member of the  **OLDMUTUAL** Group

Client-driven technology megatrends

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MOBILE

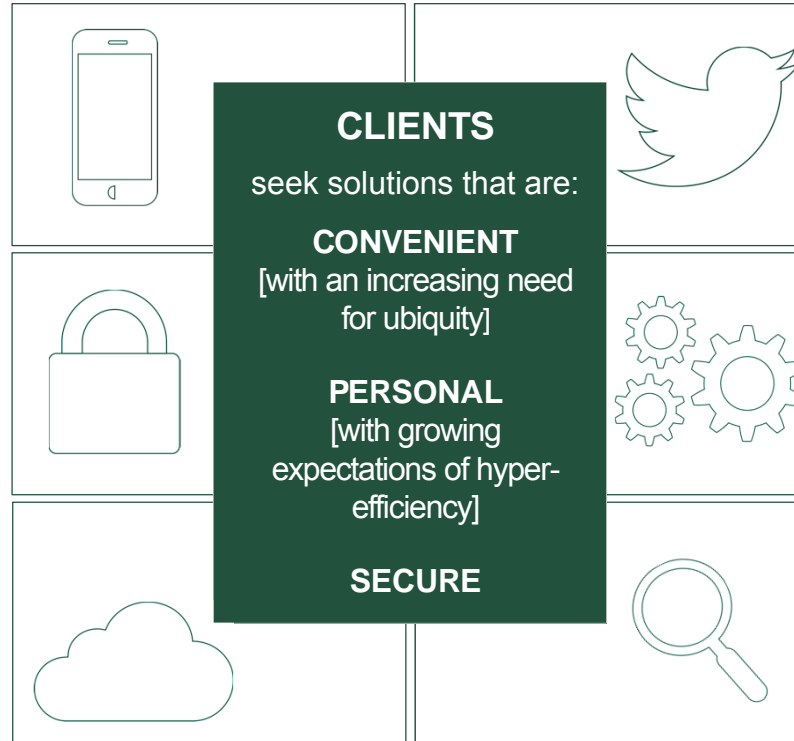
Primary interaction device for customers

CYBER SECURITY

Increasing sophistication & prevalence of cyber fraud

CLOUD COMPUTING

Dynamically scalable & multi-tenant resources driving expectations of “multiplicity” in solutions



SOCIAL MEDIA

Explosion of online technologies and tools enabling the “collaborative economy”

DIGITISATION

Straight through processing (STP) solutions and self-service offerings

BIG DATA

Next generation data analysis using large stores of new information to enable pre-emptive delivery of ‘right time-right place’ propositions to clients

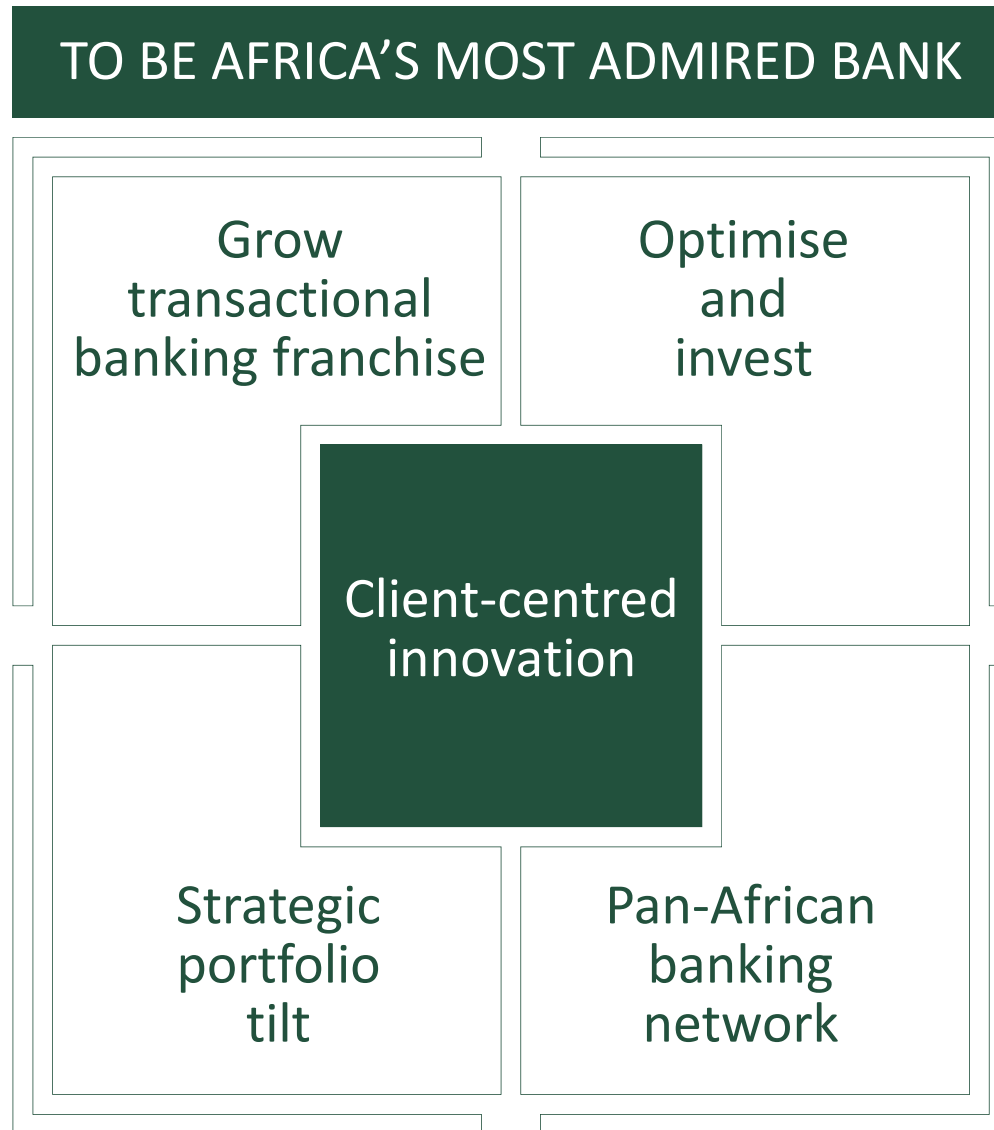
KEY THEMES DRIVING CHANGE IN BANKING



Banks continue to focus on the need to restore client trust & engagement

The Nedbank Group IT strategy is informed by our strategic focus areas

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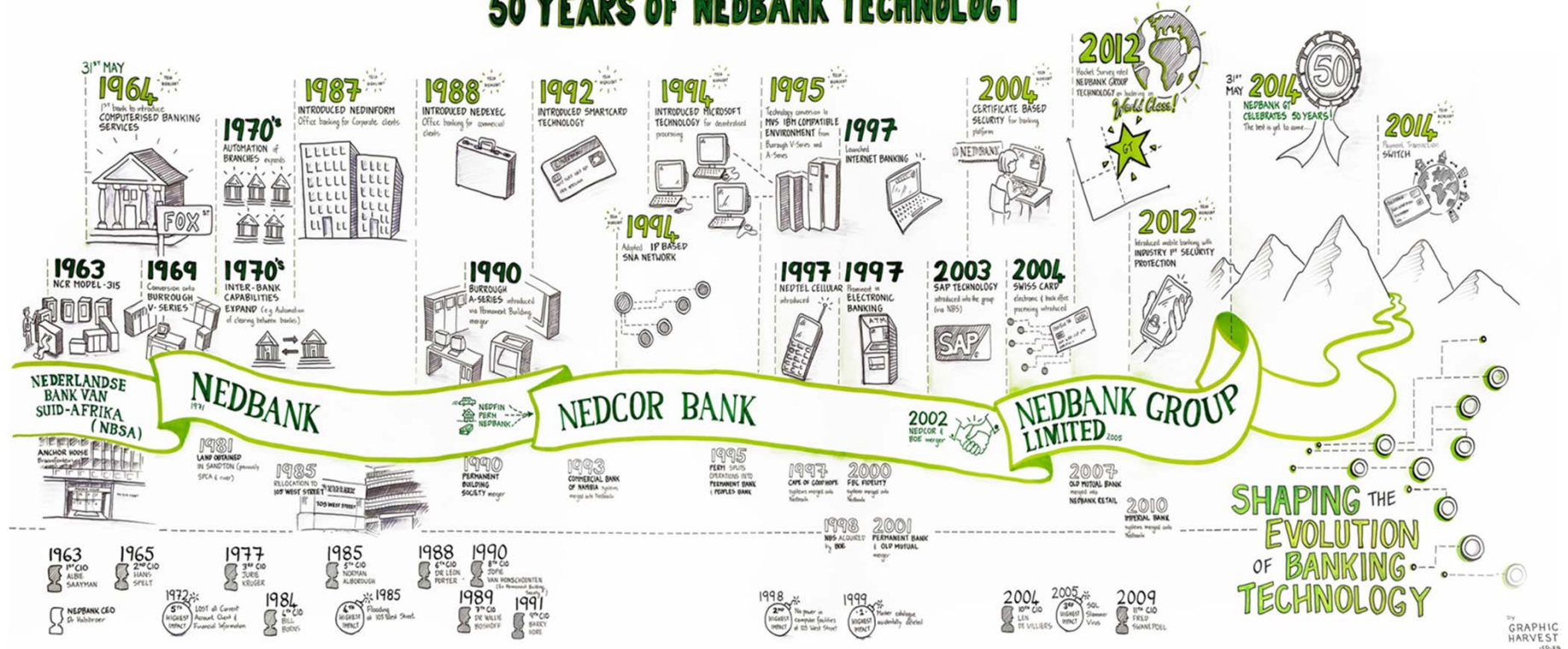


The Nedbank Group IT strategy is informed by our legacy

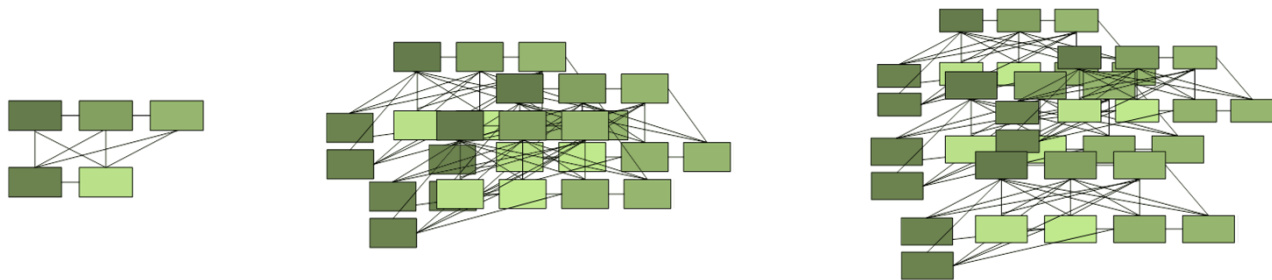
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50 YEARS OF NEDBANK TECHNOLOGY



Growing IT
complexity



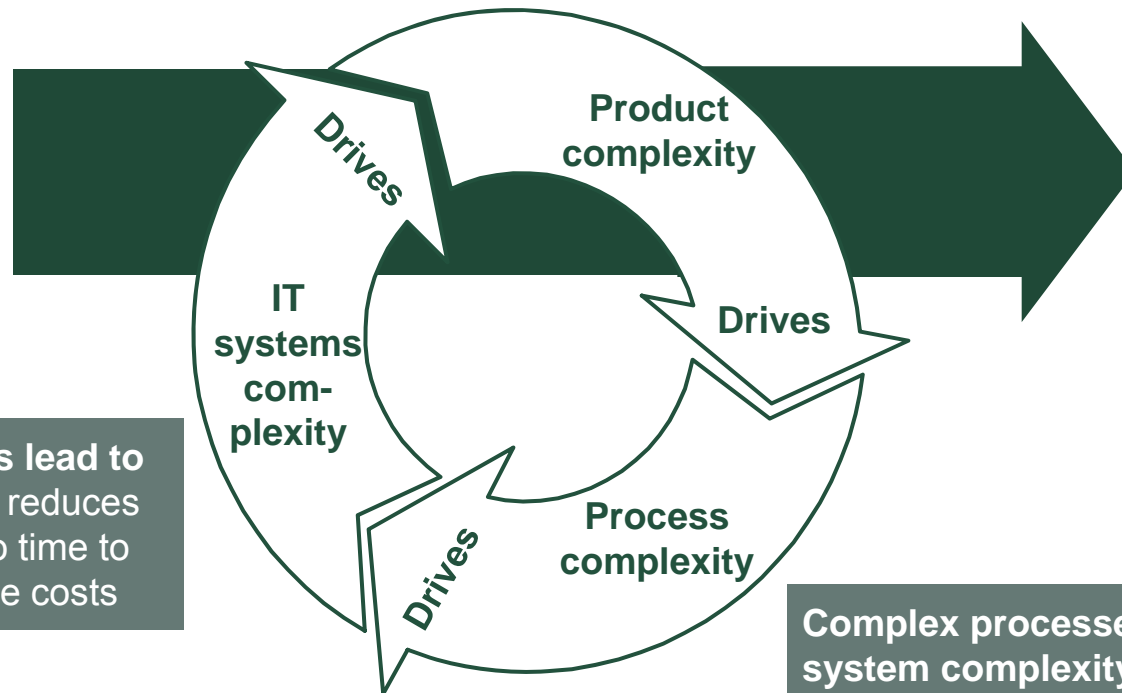
The Nedbank Group IT strategy is informed by the impact of complexity from 'delighting clients'

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Complex products drive complex processes

Impacts entire value chain of delivery from front line staff to technologists coding in back office

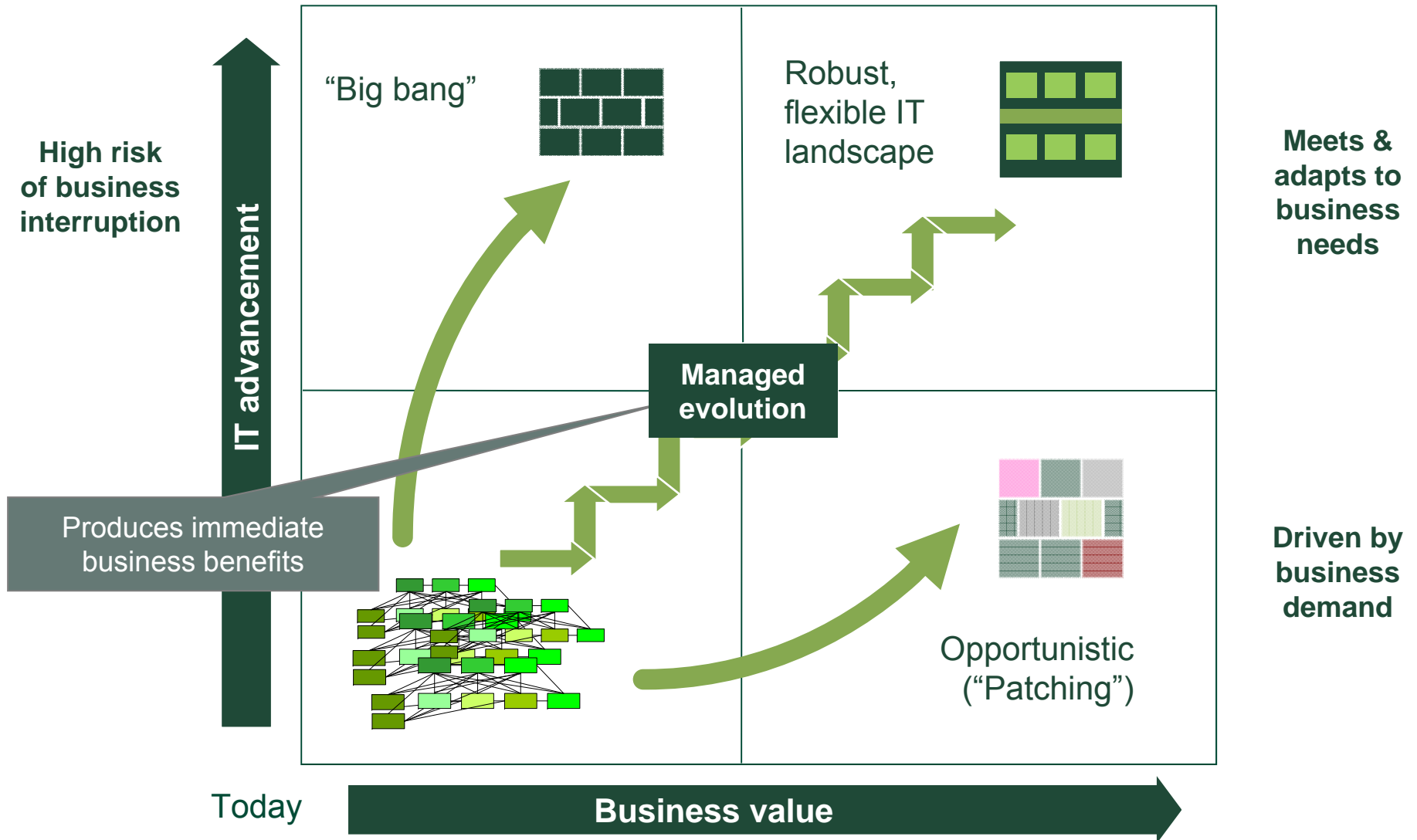


Complex IT systems lead to product complexity reduces collaboration, adds to time to market & fixed service costs

Complex processes drives IT system complexity requiring significant training & creating a culture of complexity, reducing agility

We follow a managed evolution IT strategy

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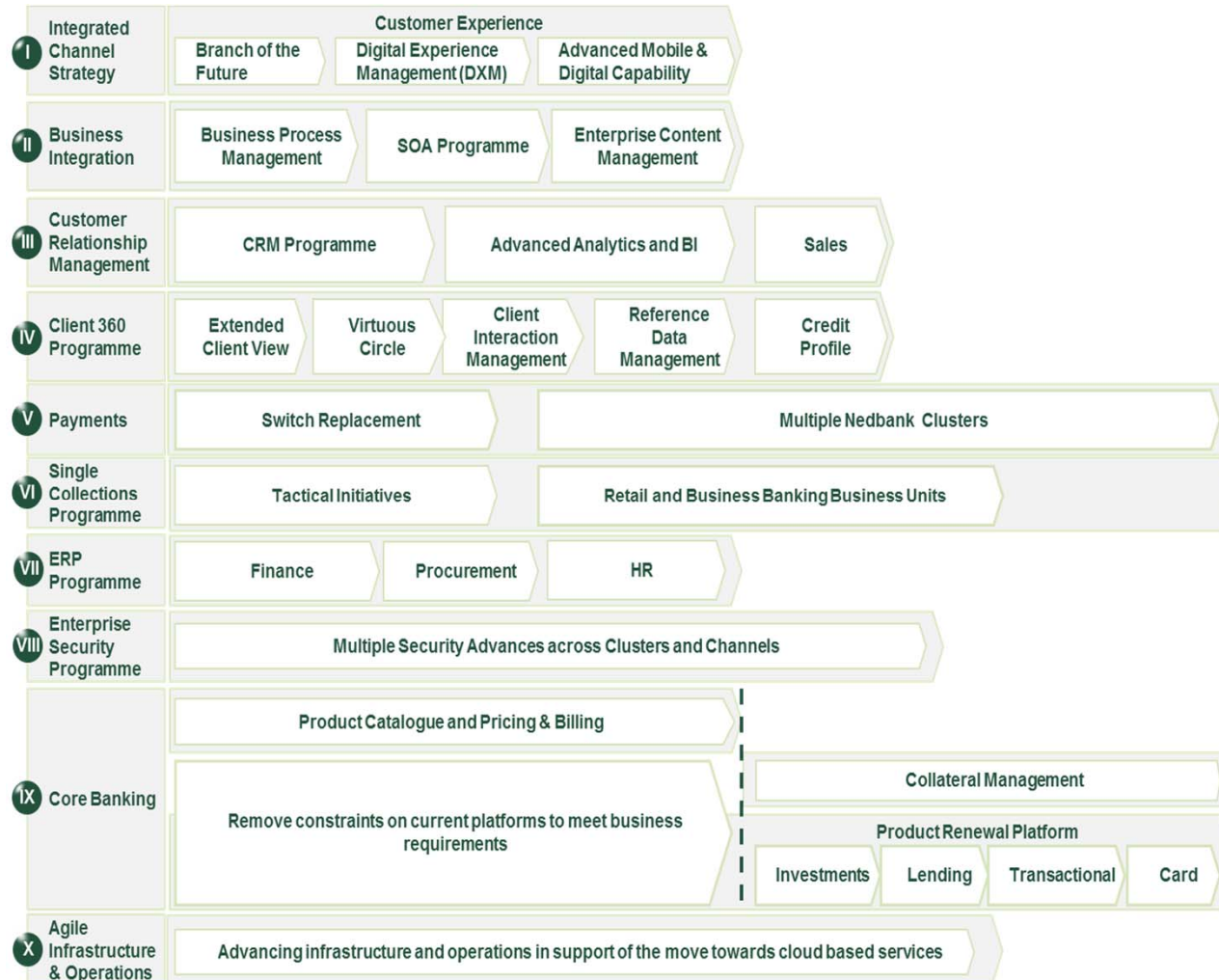


Navigating the core banking transformation journey with new, agile architecture, & through gradual & selective replacement of components

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Key components of the Nedbank systems replacement journey



Benefits of Nedbank's managed evolution approach

- **Prioritises IT spend within an affordable cash flow pot** (R1,1bn to R1,4bn pa)
- **Removes “spaghetti” / complexity in a structured approach** ahead of a core banking replacement
- **Balances business needs & technology advancement** (delivers immediate client & business benefits)
- **Adaptive & allows for flexibility as environment changes** (at multiple levels e.g. technology, investment appetite)
- **Builds enterprise capabilities which improves reusability**

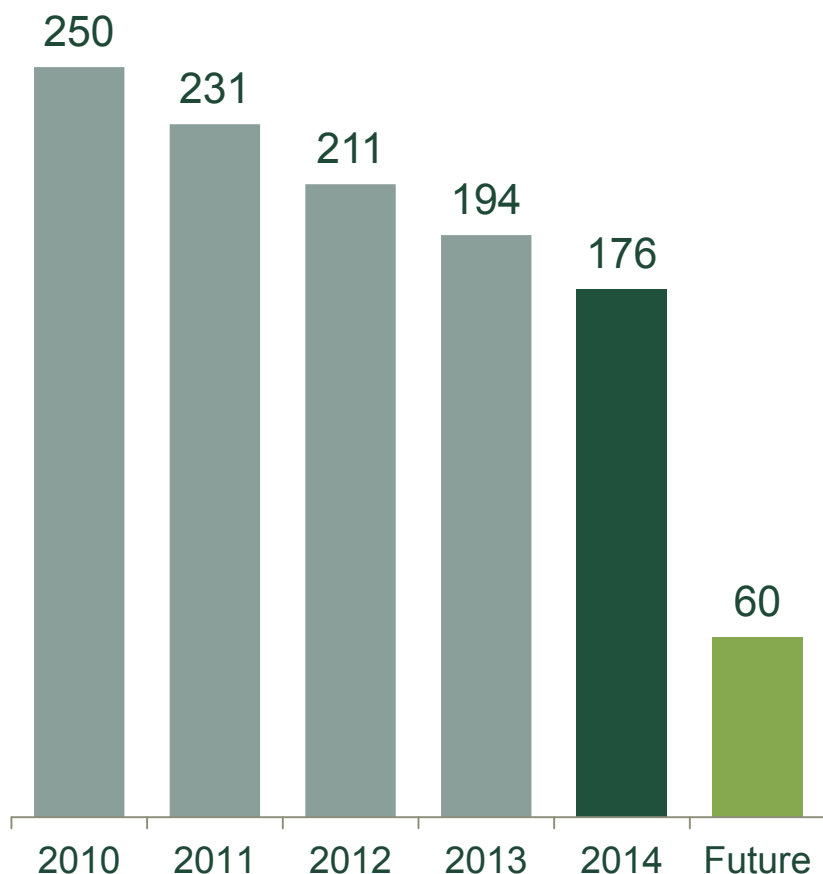
Underpinned by a strategy to rationalise, standardise & simplify our IT systems

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“250 to 60” core systems over time

Number of core systems



Examples of core systems reduced to date

Front Arena

- Cluster: Nedbank Capital
- Number of systems: 7 to 1
- Benefits:
 - Reduced maintenance & enhancement costs
 - Lower operational risk from a single consolidated financial position

Wallstreet

- Cluster: Nedbank Capital
- Number of systems: 9 to 2
- Benefits:
 - Reduced complexity & improved compliance capabilities
 - Increased automation & “straight-through” processing, improving client experiences

SAP ERP implementation

- Shared Services (Finance, HR & Procurement)
- Number of systems: 43 to 1
- Benefits:
 - Reduced spend on legacy systems e.g. license & maintenance fees for 43 systems

Rest of Africa Subsidiaries – core system replacement

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- Support our **one-bank and model bank strategy** in our subsidiaries in the Rest of Africa
- **Flexcube successfully went live in Namibia in Q1 2015.** Swaziland, Lesotho, Malawi & Zimbabwe will follow.
- **Working closely with Ecobank** & its implementation partners (Ecobank has implemented Flexcube in 32 countries across Africa)
- **Flexcube - a 'bank in a box'** - full suite of banking products & adopted Oracle processes that assist in generating:
 - Operational efficiencies
 - Cost benefits
 - Improved client experience
 - Growth opportunities for both Ecobank & Nedbank
 - In Namibia, the product set was rationalised from 400 products to 40
- From an IT perspective, the new operating model allows:
 - Rationalisation & standardisation of products
 - Replacement of Corporate & Retail Internet Banking
 - Refreshing of Technology Infrastructure
 - Alignment to Nedbank's architecture
 - Greater leveraging of Nedbank SA capabilities

Managed evolution also supports investments in enterprise capabilities that are aligned to client value drivers

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Why we are investing?

Convenience



- Anytime banking
- Anywhere banking
- Consistent experience
- Seamless integration

Personalisation



- Client in control
- Responsive interaction
- Dynamic & aware
- Intelligent & intuitive

Security



- Safe & secure banking
- Risk intelligence
- Vulnerability reduced
- Sign-on requirements

Where we are investing?

Integrated channels

- Digital experience
- Branch of the Future

Clients & partners

- Client onboarding
- Relationship management
- Client 360

Products & services

- Loyalty systems
- Rest of Africa
- Cash handling
- Switch replacement

Other: Credit risk, ERP, Security

- Collections
- Credit lifecycle
- SAP ERP
- Strategic Security

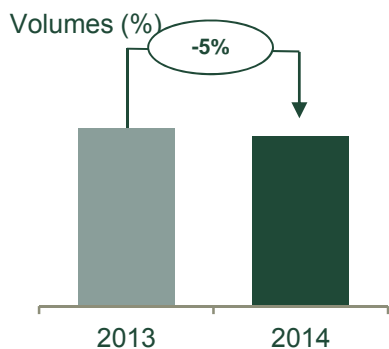
Examples of value created from investments

“Branch of the future” (BOF)

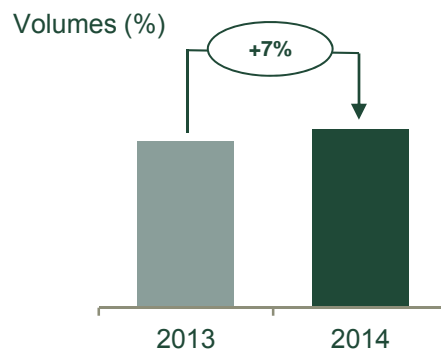
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National Sales in Branches

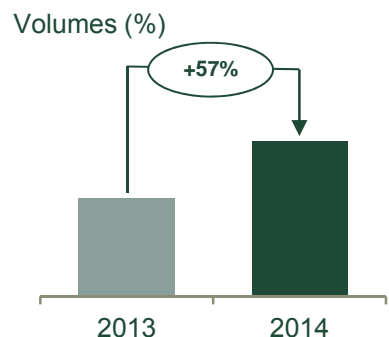


Sales in Reformatted BOF

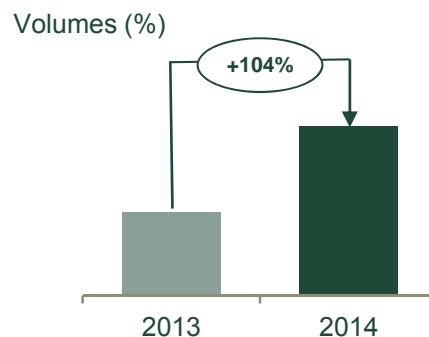


VS

National Sales in Outlets



Sales in Reformatted Outlets

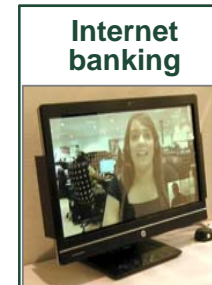
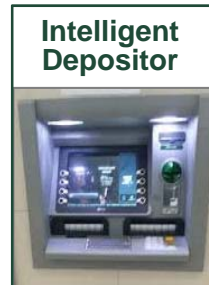
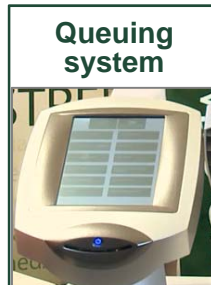
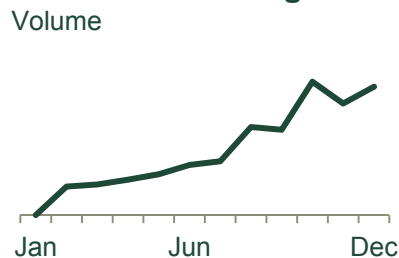


VS

Benefits

- **Improved queuing & self-service options** (Video-banking, Intelligent Depositor at ATMs)
- **Sales of transactional products increased 10% vs. control cell**
- **>20k transactions per month processed through video banker capability**
- **39% of deposit transactions shifted to self service & exceed 354k transactions per month**
- **Reduction in retail floor space of 10,418sqm**

Video Banker Usage



Examples of value created from investments

Nedbank Postilion Switch

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Product / Service delivery overview

IT Infrastructure impact

Client benefit

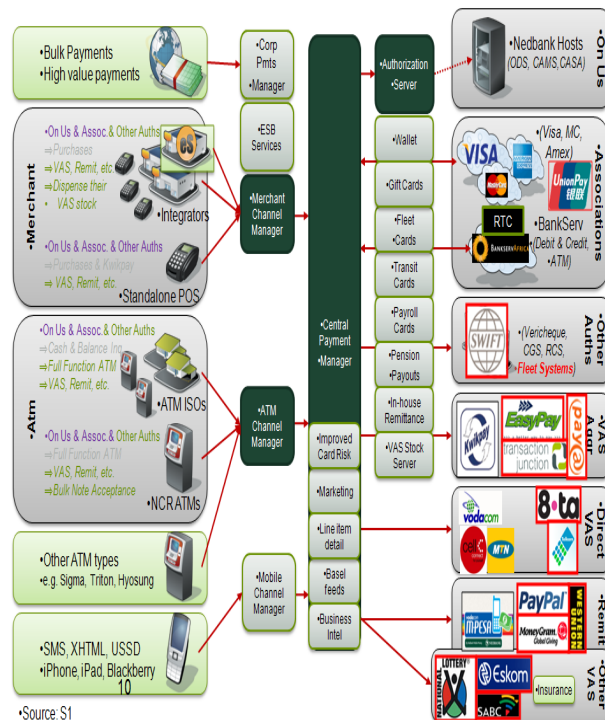
Financial benefit

Payment capability enablement

- First building block in Payment Managed Evolution
- State of the art, fully industry compliant payment hub
- Enables Multi-vendor & multi-device capability
- Capability for NFC & mobile communications

- Increased predictability – **no downtime**
- New payment services** – driving client convenience & security
- Automation of payment processing services** – lower cost to serve
- New products & functionality can be landed quicker**

- Uptime ensures **no financial & operational losses**
- Predictability ensures **client attrition is kept to a minimum**
- Synergies** for adoption of the integrated channels strategy
- Time to market has reduced to 2 – 4 weeks** of development (from 3 – 6 months) & is **delivered at on average a fifth of the innovation costs**



Examples of value created from investments

Market Edge

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Transactional

Dashboard view of transactional level data at various levels to assist in decision making



Product / Service delivery overview

- Nedbank Market Edge™ is a **data service application** enabling Nedbank acquiring merchants to gain insights into their **customer behaviour, demographics & geolocation** helping develop strategies to increase sales & effectively reducing reliance on costly data research companies.

Geographic

Geographical dispersement of payments



IT Infrastructure impact

- Minimal impact** to existing infrastructure
- Low cost to implement.**
- Integration with Nedbank ID makes application **very secure**

Client

Important information about types of clients buying at the merchant



Client benefit

- Online secure dashboards** showing **key indicators** for businesses on 3 levels: holding, brand & actual outlet using real data, not survey data meaning it is more accurate
- Client demographics** including race, LSM, geolocation
- Loyalty & other operational reports** showing time & day turnover helps optimise at a fraction of the cost of research



Know your Business

Card payment statistics and trends

- Market Edge™ gives you an overview of Card sales at your business, including:
- Key performance indicators and trends over time.
 - Customer traffic patterns to help you with operational management and resourcing.
 - All statistics and trends for all your outlets or holistically.



Know your Customer

Customer insights

- Through Market Edge™ you gain insights on your card-paying customers such as:
- Cardholder demographic information for product, merchandising and marketing strategies.
 - Geo-location information showing the reach of an outlet or business into customer markets which may influence new store location area marketing strategies and plans.
 - Information about returning vs first-time customers for the design, implement and evaluation of marketing campaigns and strategies.

Financial benefit

- Additional revenue** through monthly usage fees
- Increased retention** as Nedbank is the only bank providing this information
- New client value proposition**
- Increased cross-sell or conversion** from backup acquirers to primary acquirers

Examples of value created from investments

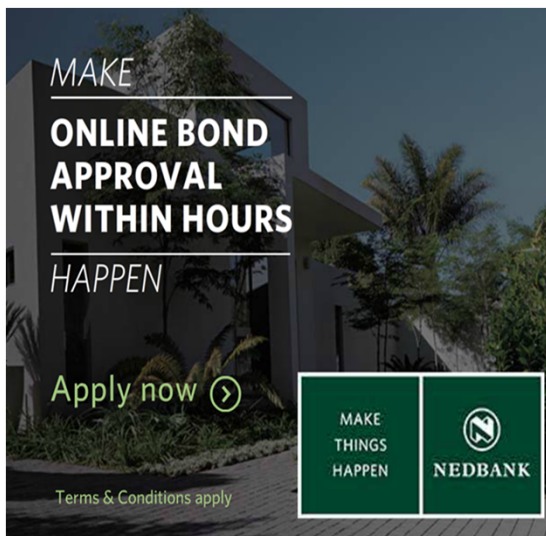
Homeloans digital (online) channel

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Product / Service delivery overview

- Home loans **enables online applications & the receipt of the credit response / bond approval** an average turnaround time of 3 hours
- The channel has **dedicated processing teams** giving the application priority within the work queues



Client benefit

- **Access anytime, anywhere** on tablet, laptop or personal computer
- **Paperless process** from end to end as supporting documents can be uploaded online
- **Quick navigation with dynamic fields & additional tips** to help throughout the form
- Clients can **retrieve their application forms** using a **secure username & password**
- **Regular automated status updates** are sent to clients throughout the application process

Financial benefit

- Registered **over R2bn** through the online channel since inception (Sep '12)
- Channel currently contributes **10% of total granted business**
- Channel attracts a **high volume of non-Nedbank clients** (approx. 50% of granted business on a monthly basis)
- Generally **better risk quality**

Examples of value created from investments

Nedbank Send iMali

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Product / Service delivery overview

- Enables **money transfers to any SA cell number**
- **Cardless withdrawal** of cash from Nedbank ATMs
- **Accessible through Nedbank Digital channels**, namely, Internet banking, Nedbank App Suite, WAP & Cellphone banking



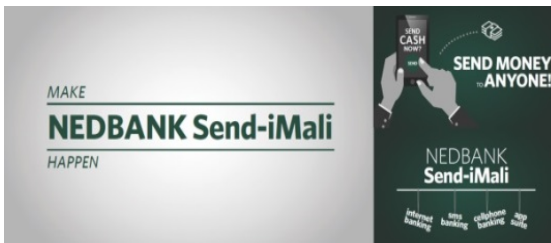
Client benefit

- **Convenient** way of sending money without requiring cash
- Recipient **does not need to have a bank account**
- **Secure movement** of funds when traveling
- Ability to **withdraw own funds at an ATM** (money can be sent to oneself & accessed without a card)
- **Simple pricing model, flat rate** irrespective of the amount being sent
- Recipients of the monies are **not charged a withdrawal fee**



Financial benefit

- **New NIR stream** as sender is charged a fee
- Increases **scale of use of our digital channels**
- **Increases number of digitally enabled client base** across all market segments
- **Cross-sell enablement** to recipients who may not bank with Nedbank
- **Simplified payment capability**



Examples of value created from investments

Loyalty & Rewards SHOP Card

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SHOP Card will be communicated to consumers in an above-the-line marketing campaign in July 2015 positioning Nedbank Greenbacks as the best-in-market rewards programme

Product / Service delivery overview

- Greenbacks **loyalty & reward points** are **automatically available on the Card**
- Can be **used at any American Express merchant or ATM** (cash withdrawal)

Client benefit

- Greenbacks points are **automatically available** on the Card
- Can be used at any American Express merchant or ATM (cash withdrawal)
- ... points can be used:
 - **Abroad**
 - **Online**
 - **For fuel**
- **Exceptional rewards value** (1,12% of spend, uncapped) on American Express Card Purchases
- **Easiest, most flexible redemption**

Financial benefit

- New differentiated & unique loyalty & rewards initiative

Examples of value created from investments

MFC process improvements

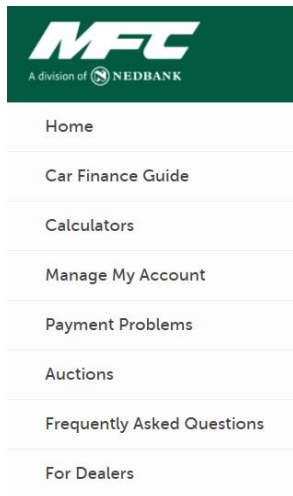
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MFC website

Objective

- Improved content
- Education of clients & rehabilitation options
- Online self-service forms for aftercare



New
visitors
486,132

Returning
visitors
390,465

Average
73,049
visits per
month

NATIS certificate management

Objective

- Manage, administer & process NATIS certificates including receiving, storing, tracking, releasing and reporting.

Benefits

- Reducing financial risks & costs. Cloning/Double discounting
- Improving operational efficiencies / Reducing manual interventions
- Improving data accuracy & client service. Full audit trail & MI Reports

Store
66,000 original
NATIS
documents

Request
Online
application to
request
duplicate
NATIS

Prevention
Ability to
validate title
holder of
vehicle
electronically

Business applications (Fox)

Objective

- Replacement of new business application system

Benefits

- Reducing financial risks & costs. Cloning/Double discounting
- Improving operational efficiencies/ Reducing manual interventions
 - Straight through processing (STP) introduced. Currently 54% is managed through STP
- Improving data accuracy & client service. Full Audit trail and MI Reports
 - Faster turn around of applications – reduction by 3-4 minutes

Examples of value created from investments

Automated credit application process - BB

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Product / Service delivery overview

An electronic credit application that facilitates:

- Applications across all segments, industries, specialised lending & risk categories
- Acquisitions, existing client applications, reviews & excesses
- All credit systems & components required for assessment & review purposes
- Consistent standardised credit assessment / application experience
- Automated real-time tracking, monitoring & reporting ability
- Enhanced staff & client experience

Benefits to the business & client delivery

- Improved credit application **turnaround times** resulting in enhanced **client** experience.
- **Increased staff capacity** to focus on **client service** due to a reduction in admin
- Significant improvement in credit application tracking & monitoring that will facilitate **quicker turnaround times & improved client experience**.
- Ability to **monitor & measure risk** will improve significantly.
- **Improved consistency** in credit application process, approval & experience for staff & clients alike.
- **Improved quality of credit applications**.

Client
Interaction

Opportunity

Credit Application

Decision

ETDB
(Fulfilment)

Business Banking front-end

Financial
analysis

Integrate
limit &
exposures

Mandate
structure
automated

Credit minute

End-to-end credit approval

Examples of value created from investments

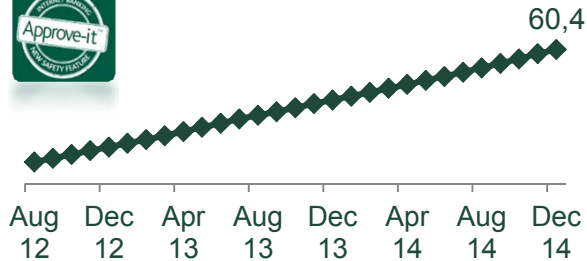
Other client-centred innovations

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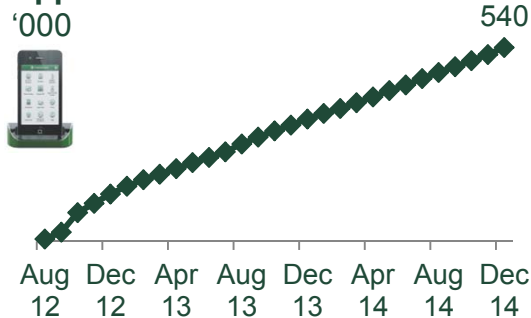
Secure Approve-it transactions

million



App suite downloads

'000



SimplyBiz.co.za
drive your business success

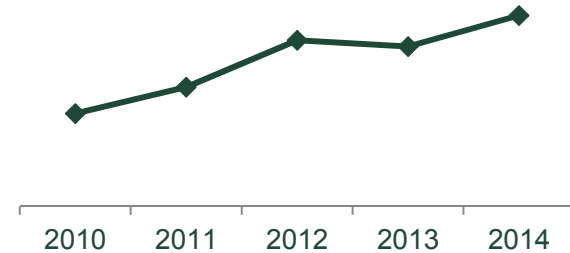


My eBills™

Sage Pastel
my payroll

Corporate payment system revenues

Monthly average



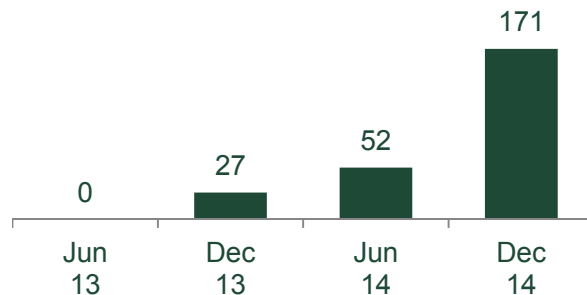
**AFRICAN BANKER
AWARDS 2014**



**Award for
Innovation in
Banking
2014**

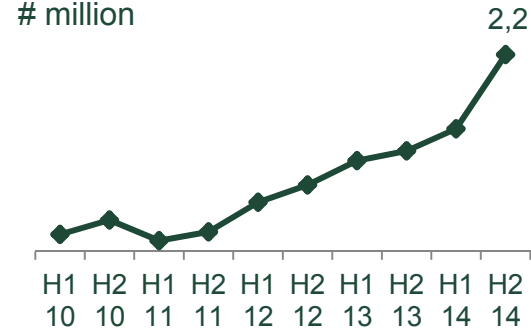
'Branch of the future'

Outlets converted



Digitally enabled clients

million



CORPORATE SAVER



**GET AN ANSWER
WITHIN HOURS**
IT MAKES SENSE TO APPLY ONLINE

**Plug & transact
security token**



MyFinancialLife™

MYMONEYMAP



Nedbank PocketPOS™

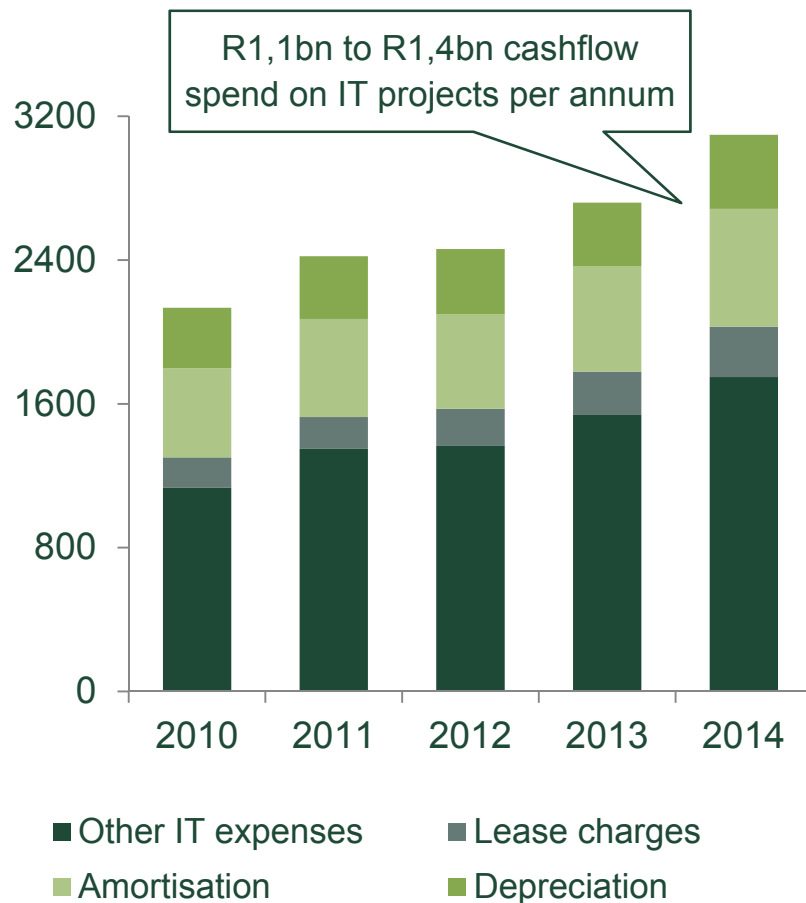
IT spend – prudently managed, whilst investing in technology renewal & skills development

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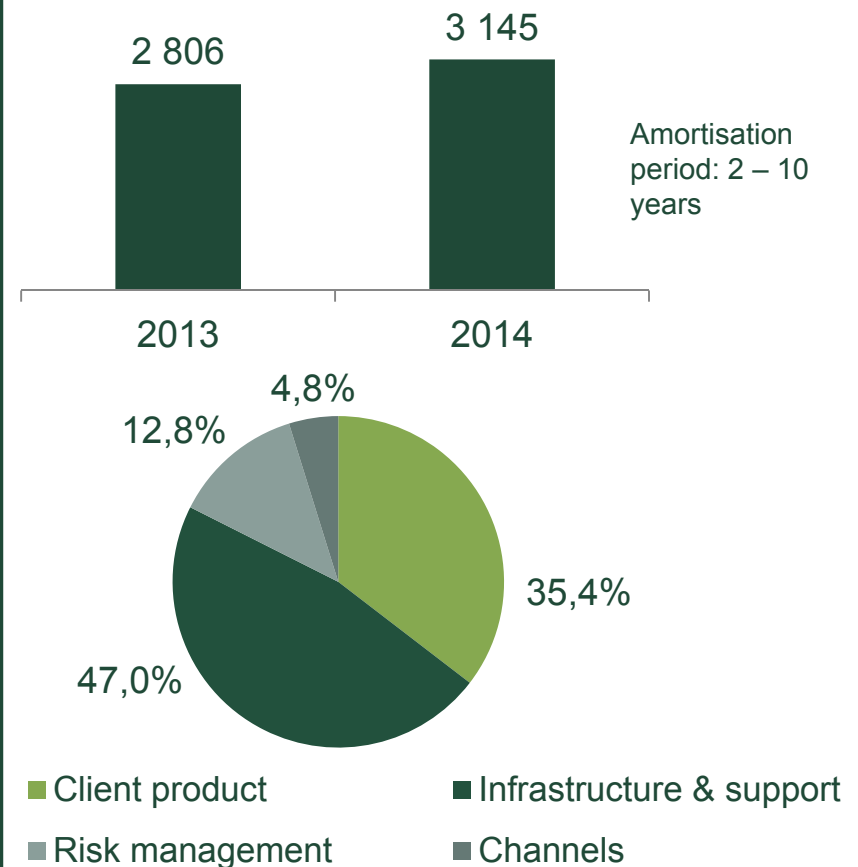
IT costs – Income statement charge

IT costs (Rm)



Capitalised IT costs – Balance sheet

Capitalised software & development costs (Rm)



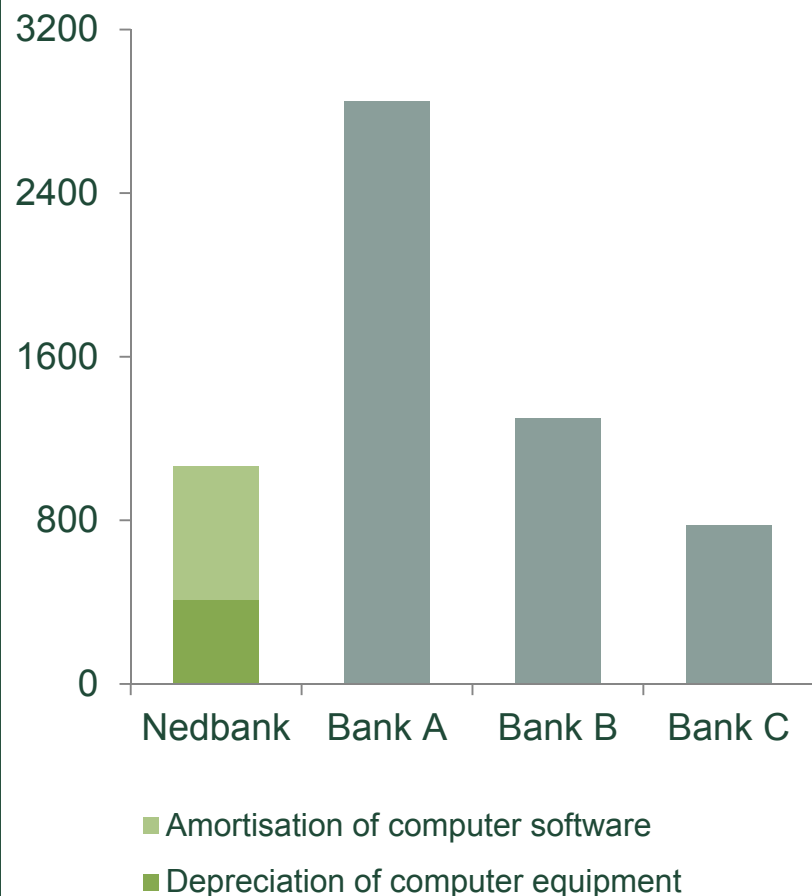
Nedbank benchmarking well against peers

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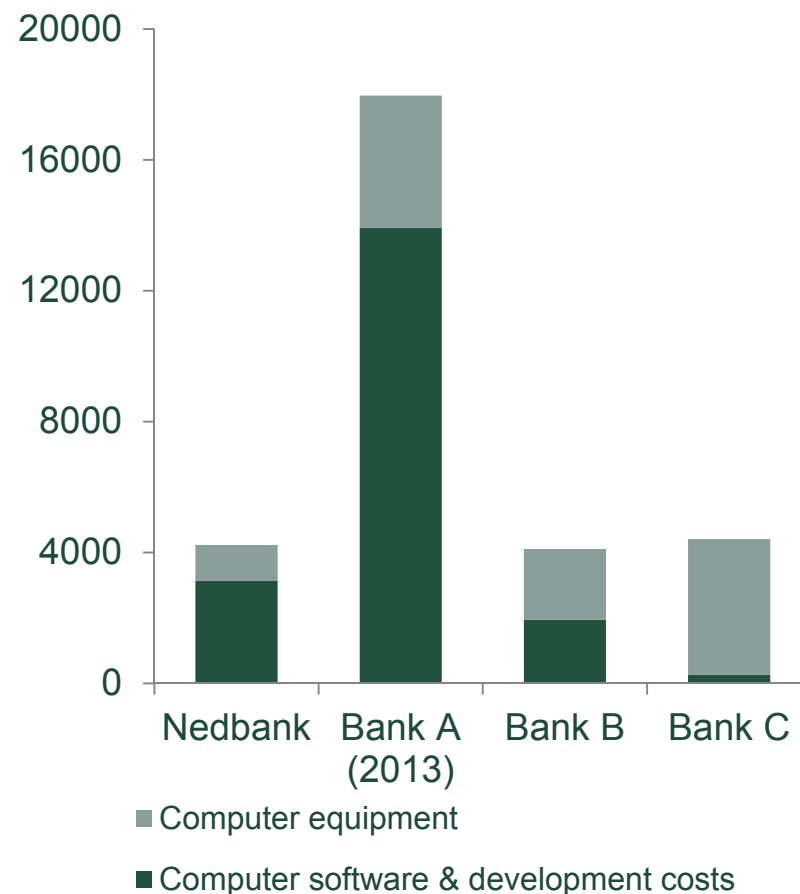
2014 Income statement charge

Depreciation & Amortisation costs (Rm)



IT assets – Balance sheet

Capitalised IT costs & equipment (Rm)

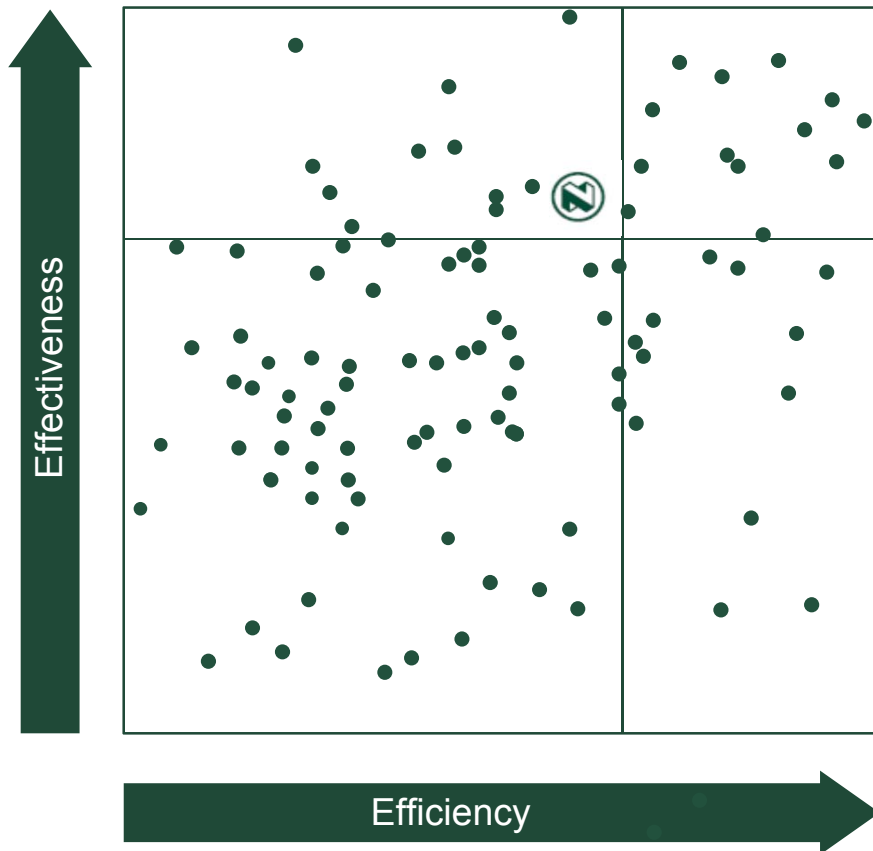


Striving to be world-class at IT effectiveness & efficiency

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Hackett IT assessment



2014 performance

- **Stable IT systems** – 99,95% (2013: 99,89%) uptime against a target of 99,83%
- **Project delivery metrics improving**
 - 92% of projects performed to within 15% of planned schedule duration against a global best practice target of 75%
 - 51 projects completed during 2014 were on average 18% faster than 2011 baseline
- **Green IT** – Continued reduction of electricity, water & paper consumption through Green IT strategies
- **Improved demand management focused on strategic capability building**

Approved managed evolution programmes include: Client 360, Digital Experience Management, Business Process Management, Enterprise Content Management, Services & Strategic Security

- **Mega-trends driving client technology investments**
- **Prudent & client-centred Nedbank IT strategy**
 - Managed evolution approach
 - Client-centred innovation based on client value drivers
 - Optimise & Invest – a key strategic focus area
 - Systems rationalisation from 250 to 60
 - Focus on investment in infrastructure, channel & client systems
- **IT costs well managed** - underpinned by our strategy to ‘rationalise, standardise & simplify systems’ & volume growth
- **Continued focus on improving IT effectiveness & efficiencies**

Contact us

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