Nedbank Group

INVESTOR ROADSHOW

Q3 2018

see money differently

NEDBANK

Nedbank Group – a leading African financial services provider

Old Mutual Group
54%
shareholding in Nedbank Group
(**19.9%** post unbundling)

JSE Top 40
company

Listed on the JSE since
1969
(established 1834)

Market capitalisation
R125bn
(at 30 June '18)

Top performing share in the peer group in H1 2018

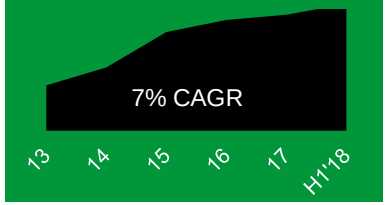
Headline earnings
R11.8bn
for the year ended 2017
(H1 2018: R6.7bn)

Total clients
8.0m

Employees
31 592

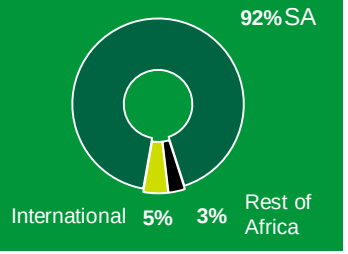
Access to the largest banking network in Africa
39
Countries
(21.2% share in ETI)

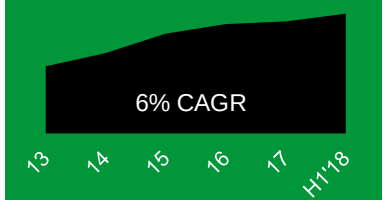
Digitally enabled clients
> 5.8m

Assets
> R1 trillion


Assets under management
R314bn
+6%

Advances

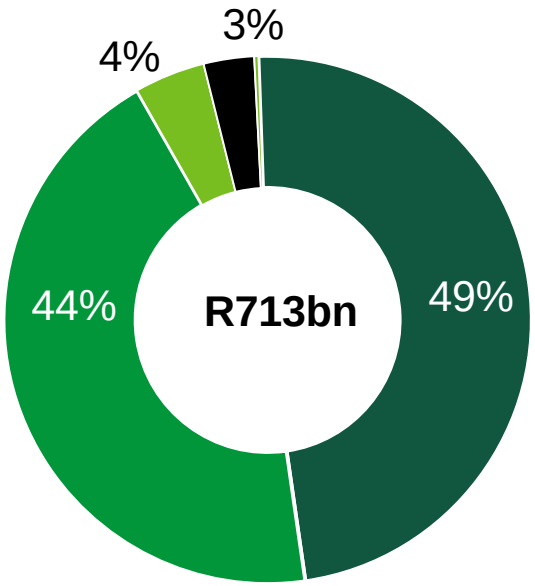
Advances


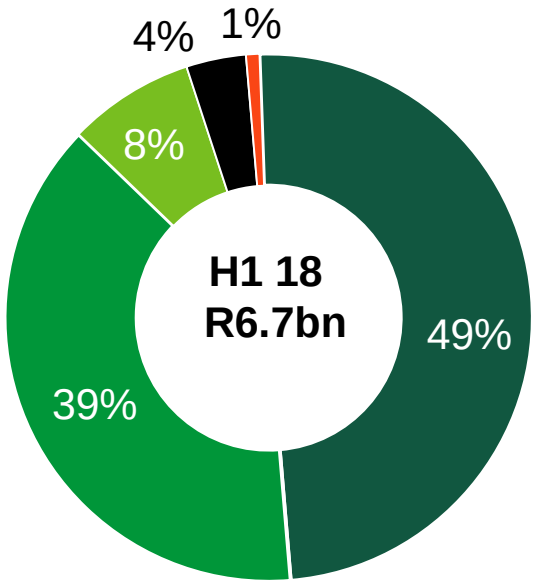
Deposits
R802bn


Diversified & growing franchises

Corporate & Investment Banking	Retail & Business Banking	Wealth	Rest of Africa
Banking solutions to corporates, institutions & parastatals with turnover of >R750m per annum.	Banking solutions to individual retail clients, as well as businesses with a turnover of <R750m per annum.	Integrated insurance, asset & wealth management solutions for a wide spectrum of clients, including entry-level to high-net-worth individuals, corporates & businesses	Banking solutions to retail, small & medium enterprises (SMEs), business & corporate clients across the 6 countries we operate in.

Advances



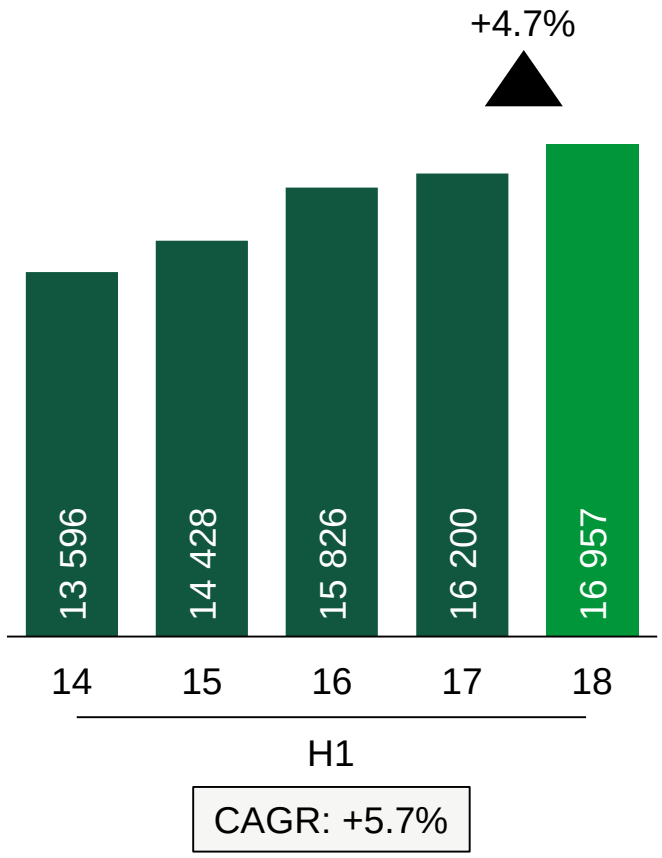


Headline earnings

CIB RBB Wealth Rest of Africa Centre

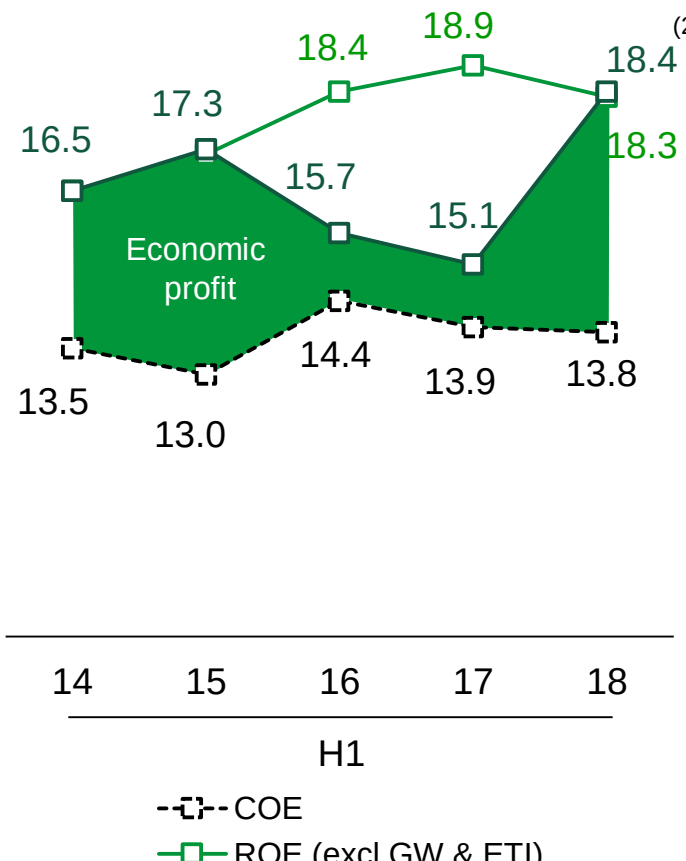
Solid track record in delivering value to shareholders

NAV per share[1] (cents)

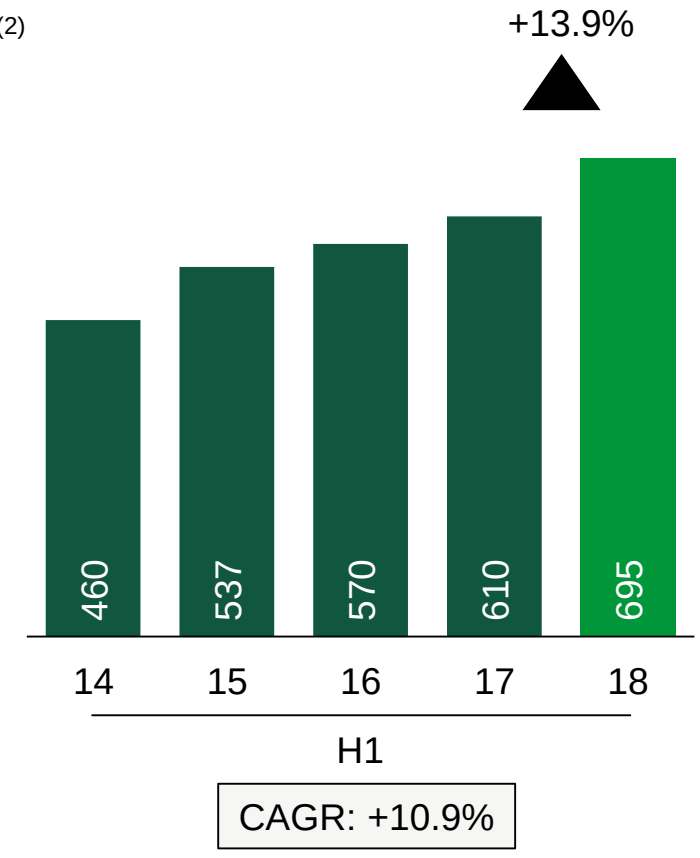


CAGR: +5.7%

ROE & cost of equity (%)



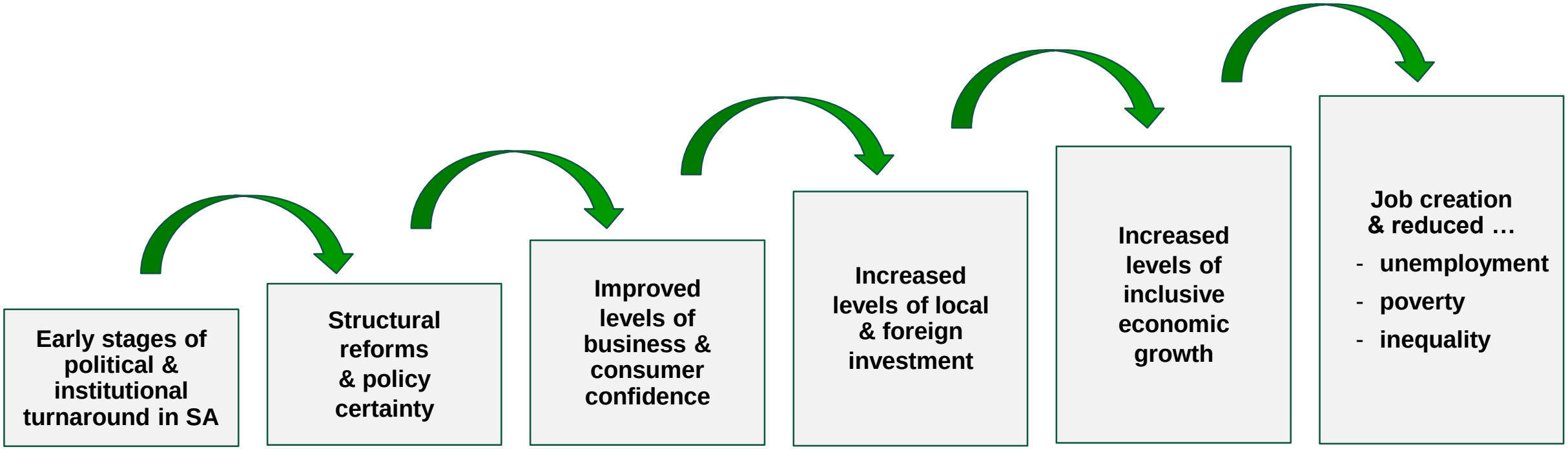
Dividend per share (cents)



CAGR: +10.9%

1 NAV per share excluding IFRS day 1 impact: H1 2018: 176 20c
CAGR +6.7% & +8.8% yoy
2 ROE (excl GW), excluding IFRS impact: 17.8%

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



eg
- Land reform
- Mining Charter
- SOE performance

Government, business, labour & civil society working together to create a more prosperous SA for all her people …
… underpinned by improved skills & educational outcomes

Our environment – cyclical economic upturn off a low base

Macroeconomic drivers[1] (%)

	2017	2018	2019	2020
GDP SA	1.3%	1.0%	1.8%	2.2%
GDP SSA	2.9%	3.3%	3.8%	3.9%
Inflation (CPI)	5.3%	4.6%	5.3%	5.2%
Industry credit growth	5.2%	4.3%	6.7%	8.2%
Average prime interest rate	10.4%	10.0%	10.2%	10.5%

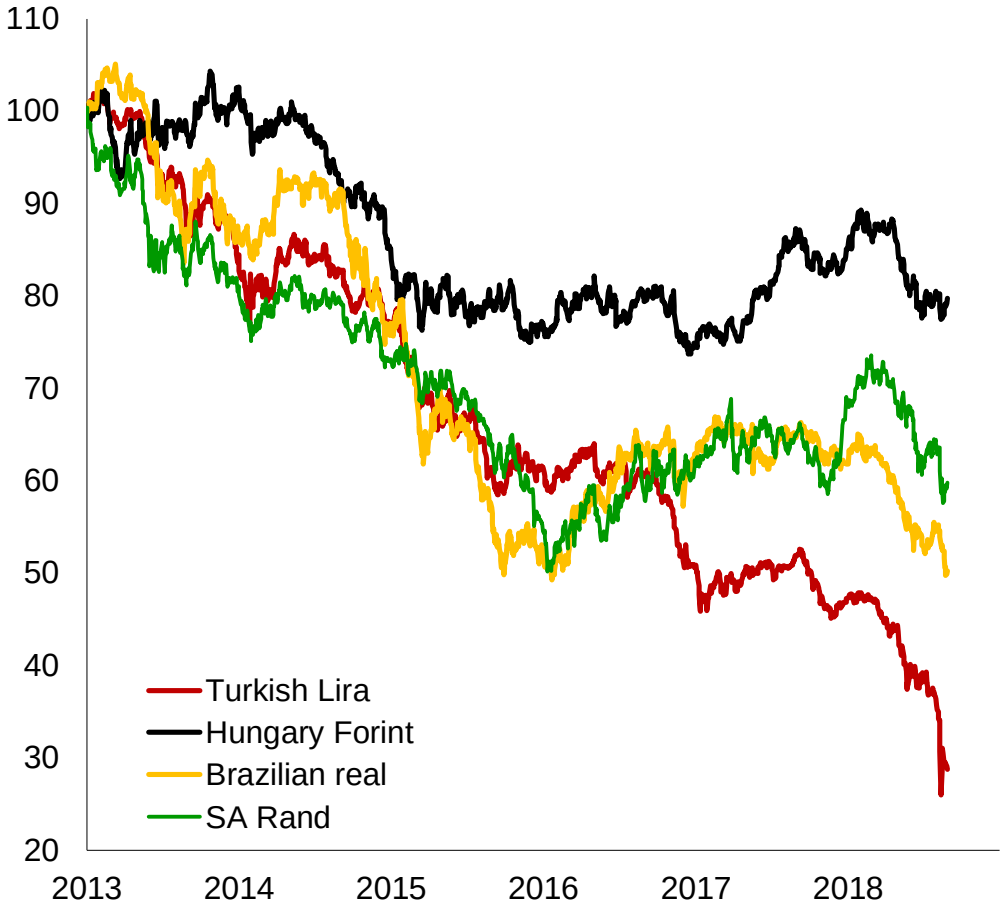
Prospects

- **Balance sheet**
  - Stronger wholesale & retail advances growth
    - » Corporate clients awaiting clarity on land expropriation, mining charter, structural reforms, etc
  - Liquidity metrics & capital levels to remain strong
- **Income statement**
  - Revenue growth in 2018 higher than in 2017
  - Impairments to increase cyclically & cognisant of IFRS 9 impact
  - Expenses continue to be well managed
- **Assets under management**
  - Good overall, with strong growth in cash, offshore & passive

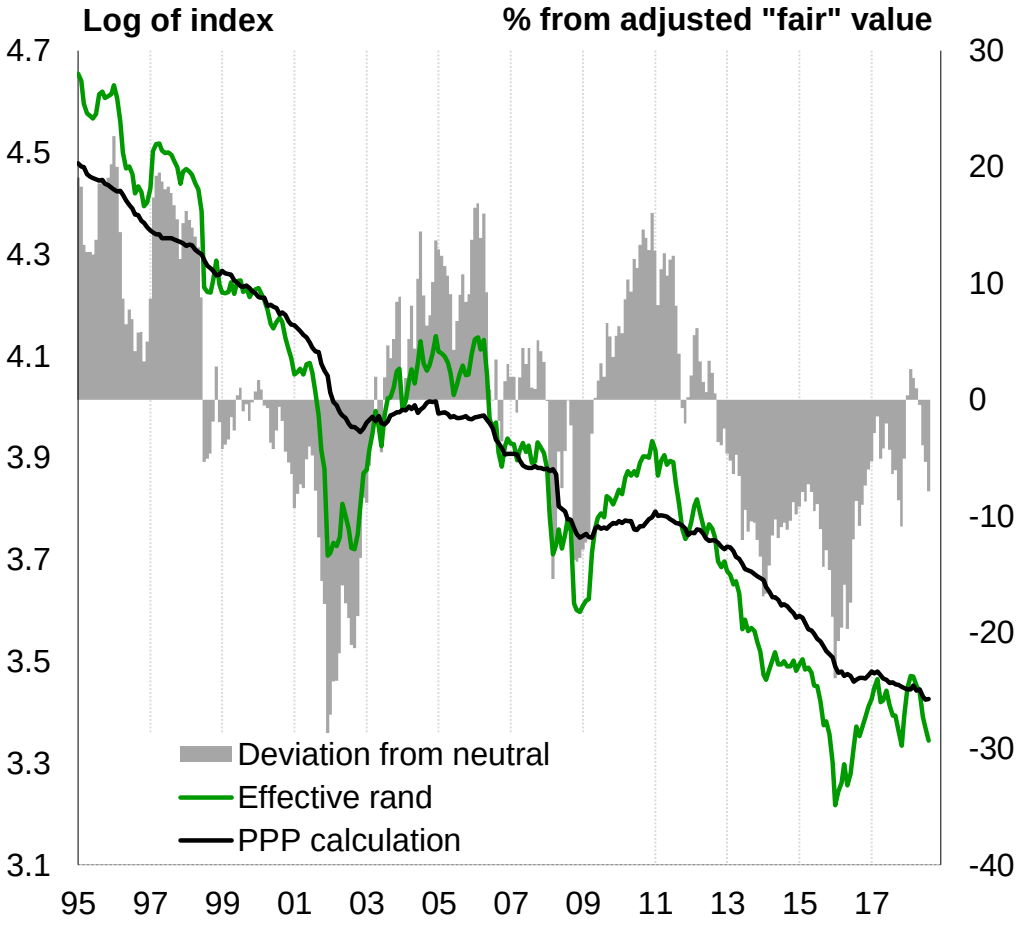
1 All Nedbank Economic Unit forecasts at 25 July 2018 | GDP SSA as per IMF.

Our environment – emerging market currency weakness, although the Rand is undervalued on a purchasing power parity basis

EM currencies relative to US$ (100 at 1 Jan 2013)

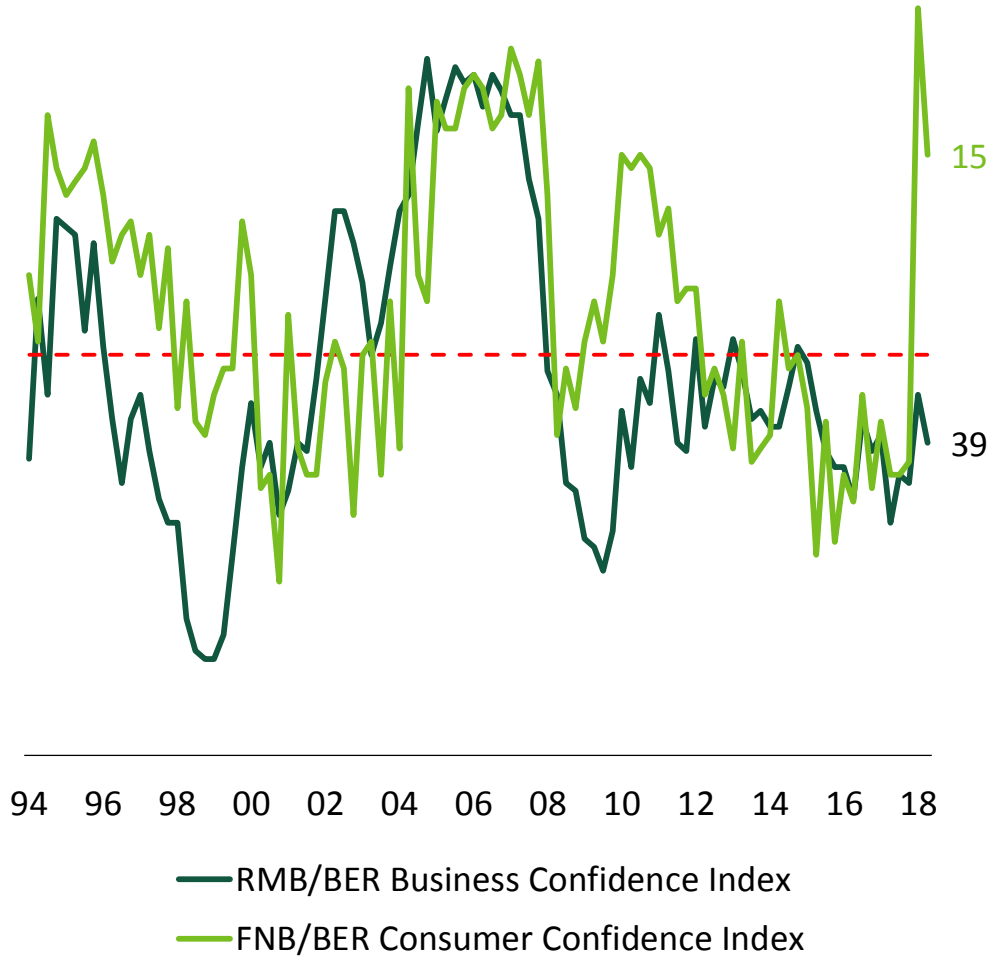


Rand on PPP basis

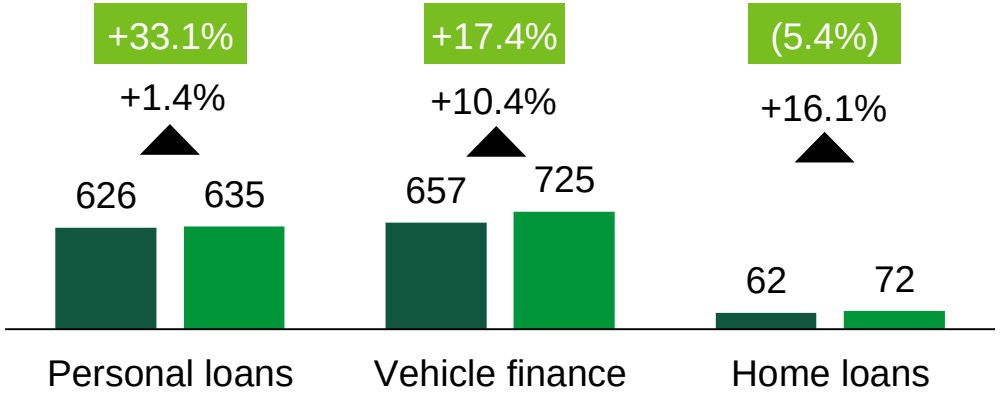


Green shoots – gradual recovery in retail credit, but demand for corporate credit remains weak

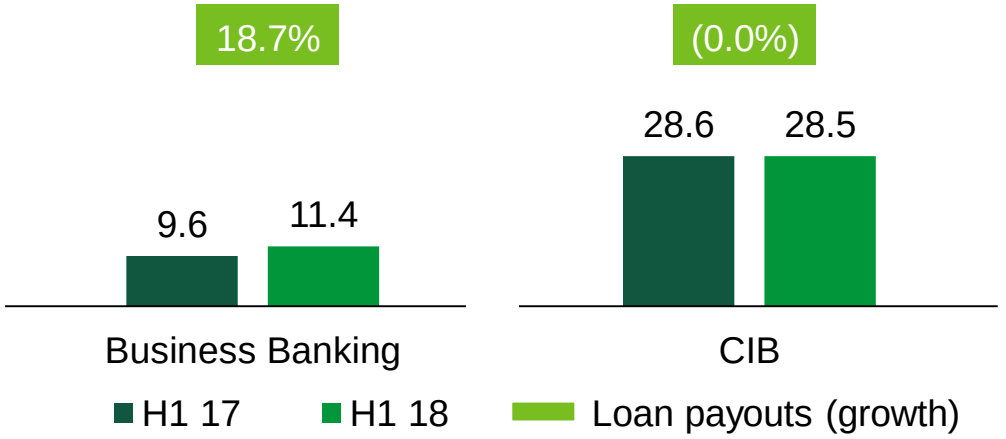
Business & consumer confidence



Retail credit application volumes (000) & loan payouts



BB & CIB loan payouts (Rbn)



Nedbank contributing to building a prosperous & inclusive South Africa

State Owned Enterprises

- New boards & leadership appointed. Governance issues being addressed, but strategic change will take longer
- BASA and ASISA working on possible funding models
- Nedbank Public Sector exposure: R24bn (government underpin to key SOEs incl Eskom, SAA): < 3% of group advances

Land expropriation

- Important to distinguish facts from political rhetoric
- President Ramaphosa noted a sensible approach & we expect him to keep to his word – it will be a process (to consult, obtain input etc) & be implemented without impacting the economy or food security
- Nedbank supports accelerated land reform & restitution, but not through a change in S25 of the Constitution, which already provides for expropriation without compensation, in particular circumstances where this is in the national interest or the courts decide this is just & equitable. If changes are made to the constitution to clarify this, the precise wording will be vital. BASA & Nedbank are active participants in the debate which commenced.
- Implemented correctly, greater levels of land ownership could accelerate wealth creation

CEO initiative

- Nedbank a key participant
- SME Fund - listed businesses & government-mandated institutional funds committed R1.5bn to support the growth & strengthening of the SME sector in SA
- Youth Employment Service – aims to see more than 1m young South Africans (ages of 18 and 35) being offered paid-work experience over the next 3 years (cost will amount to c1.5% of NPAT).

Transformation

- Nedbank a leader in transformation (Remained a Level 2 BBBEE contributor, now measured under the Amended FSC)

Old Mutual managed separation

Listing of Old Mutual Limited (OML)

- Listed on 26 June 2018
- OML market capitalisation on 30 June 2018 R137bn, including R67bn attributable to OML's ~ 54% investment in Nedbank Group

Allow OML shareholder base to transition to an SA & EM investor base

- Sufficient time for OML's shareholder register to transition to an SA- & EM-focused & mandated investor base

Unbundling

- Unbundling of Nedbank Group ordinary shares to OML shareholders – approximately 6 months after listing OML
- OML retaining a strategic minority shareholding[1] of 19.9% (underpins the ongoing commercial relationship)
- Concluded relationship agreement with OML
- OML shareholders will receive approximately three ordinary shares in Nedbank Group for every 100 OML shares held

Nedbank Group shareholding after unbundling

- Increased index weightings (free-float from ~ 45% to ~ 80%)
- Normalisation of SA shareholding (many underweight given holding through OM)
- 'Independent' Nedbank attractive for SA & international investors
- Nedbank to remain listed on the JSE[2]

Business as usual for Nedbank

- No impact on strategy, day-to-day management & operations, staff or clients
- Technology, brand & businesses have not been integrated
- Engagements have been at arm's length – overseen by independent board structures
- No impact on ongoing OM collaboration in SA & rest of Africa

1 Calculated as the Nedbank Group ordinary shares held by OML shareholder funds divided by the total Nedbank Group ordinary shares in issue
2 Secondary listing on the Namibian Stock Exchange to remain

Old Mutual managed separation – ongoing mutually beneficial relationship between Nedbank & OML

OML investor day (17 May 2018)

Nedbank Group & OML relationship agreement

Ongoing arm's length commercial relationship

'OML is committed to being a significant minority shareholder in accordance with the new relationship agreement' – CEO, Peter Moyo

- The OML Nedbank relationship agreement (RA) replaces the historic RA between Old Mutual plc and Nedbank Group & governs the terms of the Nedbank Group and OML relationship upon completion of the Nedbank unbundling
- Key aspects:
  - i. commercial basis of the relationship,
  - ii. governance processes and, in particular, OML's right to nominate one board member to serve on the Nedbank Group and Nedbank Limited boards (reduce to 1 board member on or before the date of Nedbank Unbundling),
  - iii. the protocols governing any review by OML of the level of its Strategic Minority Shareholding.
- Synergies, cost savings & outsourced IT network. >R1bn joint synergies achieved in 2017
- Nedbank uses OML as product provider of complex life and P&C insurance products
- Nedbank is the transactional banker to OML

Key performance indicators – strong financial performance

					Managed operations	
		H1 2018	H1 2017		**H1 2018[1]**	H1 2017[1]
Headline earnings (Rm)	27.0%	**6 696**	5 271	2.0%	**6 562**	6 433
Economic profit (Rm)	>100%	**1 685**	393			
ROE (excl goodwill)		**18.4%**[2]	15.1%		**18.3%**	18.9%
Diluted HEPS growth		**26.3%**	(3.7%)		**1.4%**	5.9%
Preprovisioning operating profit growth		**20.2%**	(5.7%)		**5.2%**	(0.1%)
Net interest margin		**3.67%**	3.58%			
Credit loss ratio		**0.53%**	0.47%			
Efficiency ratio		**55.8%**	59.3%		**56.0%**	56.5%
CET1 CAR		**12.4%**	12.3%			
Dividend per share (cents)	13.9%	**695**	610			

1 Excluding ETI associate income/losses, as well as ETI-related funding costs. Approximately R113m STI in H1 2018 related to ETI included in managed operations
2 ROE (excl GW), excluding IFRS impact: 17.8%

IFRS 9 & 15 changes impacted the shape of the income statement

Rm	H1 2018	H1 2017	% change	Suspended interest (IFRS 9)	New-business strain (IFRS 9)	Initiation fees (IFRS 9)	Loyalty schemes (IFRS 15)	Adjusted H1 2018	% change
NII	**14 006**	13 548	3.4	192		(141)		**14 057**	3.8
Impairments	**1 815**	1 594	13.9	192	(101)			**1 906**	19.6
NIR	**12 236**	11 730	4.3			126	145	**12 507**	6.6
Expenses	**14 756**	14 369	2.7				124	**14 880**	3.6
Headline earnings	**6 696**	5 271	27.0	0	73	(11)	15	**6 773**	28.5
ROE (excl GW)	**18.4%**	15.1%						**17.8%**[1]	
NIM	**3.67%**	3.58%						**3.67%**	
CLR	**0.53%**	0.47%						**0.56%**	
Efficiency ratio	**55.8%**	59.3%						**55.6%**	

Suspended interest on the non-recoverable portion of the specific defaulted book is no longer recognised as NII, for which impairments were previously raised (RBB: R181m & CIB: R11m)

New-business strain – impact of higher levels of portfolio provisions raised on new loans under IFRS vs IAS 39 (RBB) & adjusting for base effects from overlays releases in the unsecured portfolio

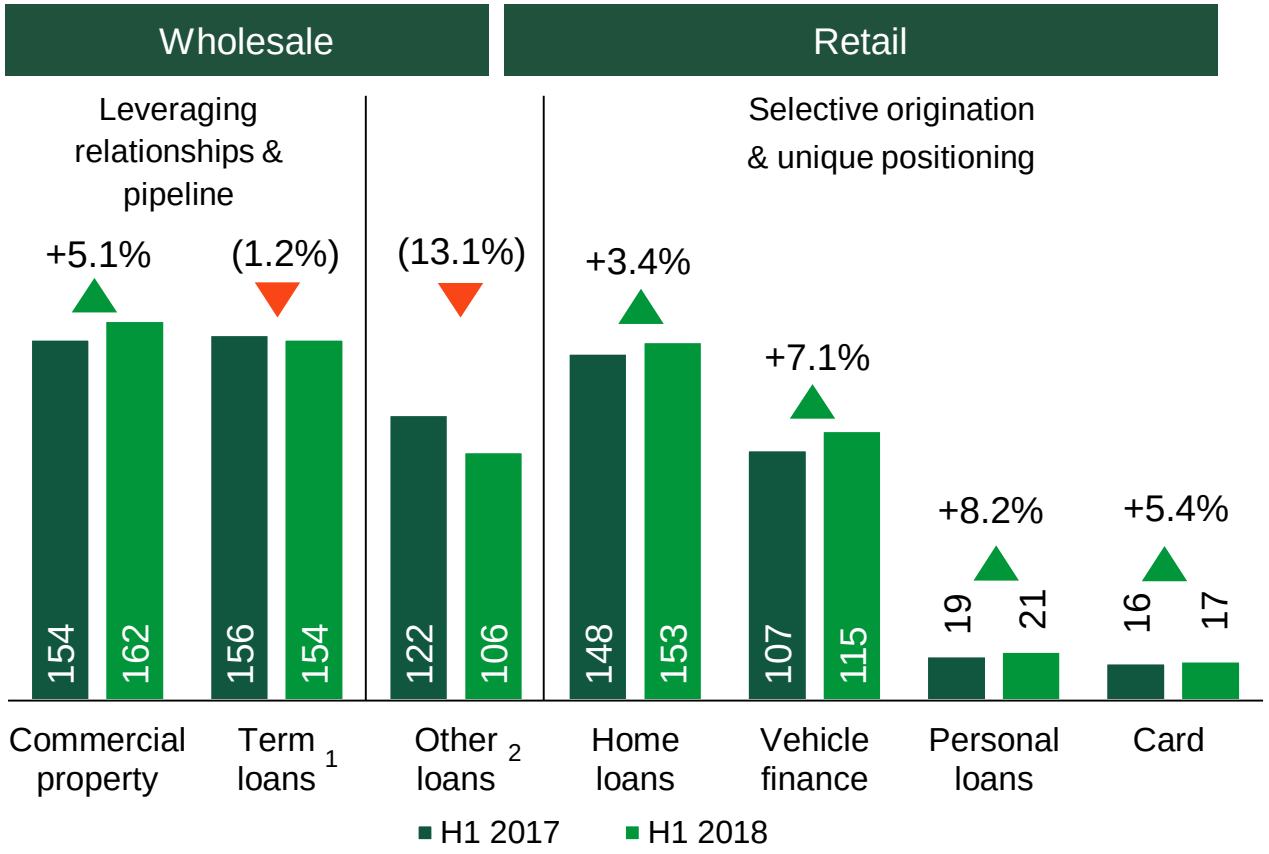
Initiation fees previously recognised as NIR now amortised to NII through the effective interest rate method (RBB)

Loyalty schemes – costs of the reward programme were previously recognised as an expense & now recognised as a reduction in NIR (RBB)

1 Excludes day one R3.2bn adjustment

Advances – solid growth & market share gains across retail portfolios offset by wholesale portfolios remaining flat

Gross advances (Rbn)



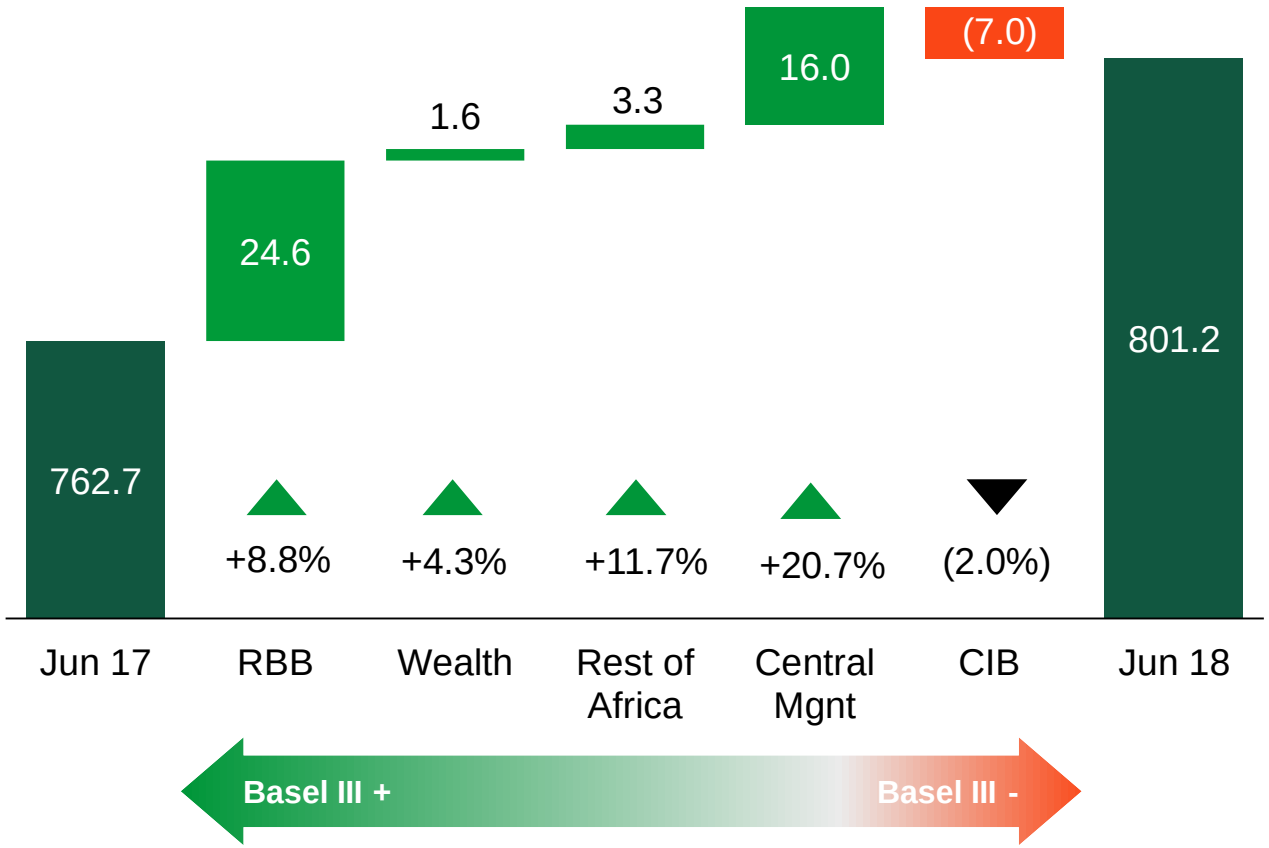
BA900 market share[3] (%)

	Share	Yoy trend	Ytd trend
Commercial property	**39.6**	(0.7) ▼	(0.9) ▼
Core corporate[4]	**21.3**	0.0 ▶	+0.3 ▲
Home loans	**14.5**	0.0 ▶	0.0 ▶
Vehicle finance[5]	**28.1**	+0.5 ▲	0.0 ▶
Personal loans	**10.3**	+0.2 ▲	0.0 ▶
Card	**14.2**	+0.1 ▲	0.2 ▲

1 Term loans include other longer-dated loans in CIB | 2 Other loans reflect a decrease in foreign client lending, largely in trading advances & the preference share book reducing due to reduction in appetite for preference share deals | 3 BA900 at May 2018. | 4 Core corporate loans exclude volatile short-term lending. | 5 Vehicle finance per BA900 comprises total lease & Instalment sales.

Deposits – focus remains on Basel III-friendly deposits

Deposits (Rbn)



1 BA900 at May 2018

BA900 market share[1]

	Share	Yoy trend	Ytd trend
Wholesale	**22.7**	+2.0 ▲	+1.5 ▲
Corporate (non-financial)	**16.6**	(0.1) ▼	+0.1 ▲
Household	**19.0**	0.0 ▶	+0.1 ▲
Foreign currency	**12.3**	(1.2) ▼	(0.5) ▼

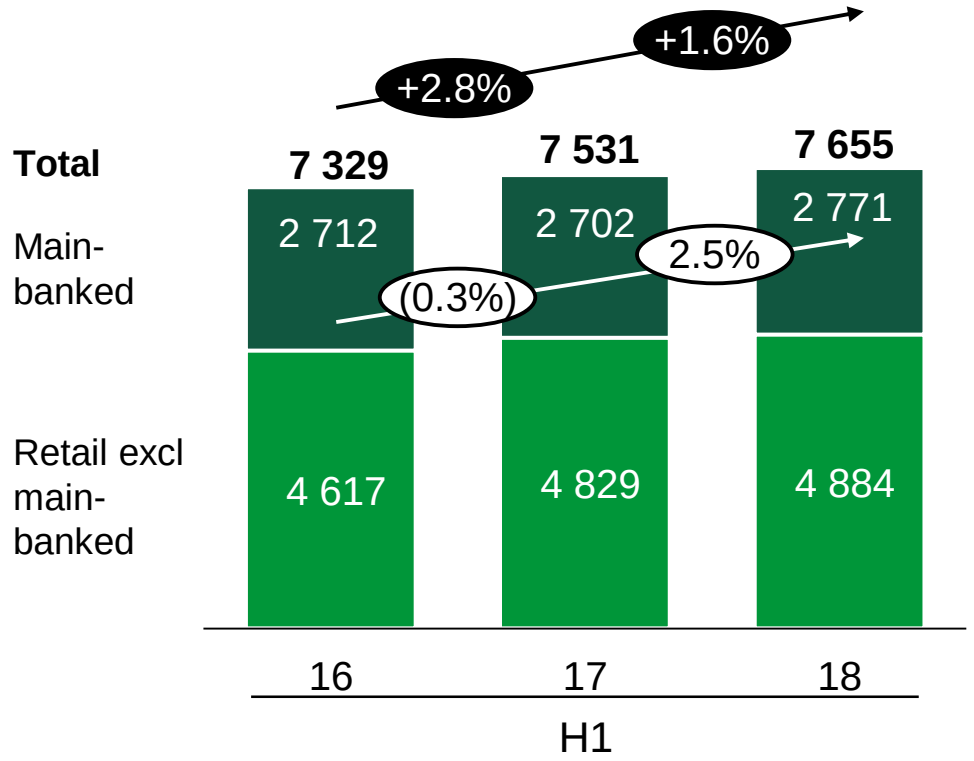
Loan-to-deposit ratio: 89% (Jun 17: 93%)

LCR: 107% (min reg: 90%)

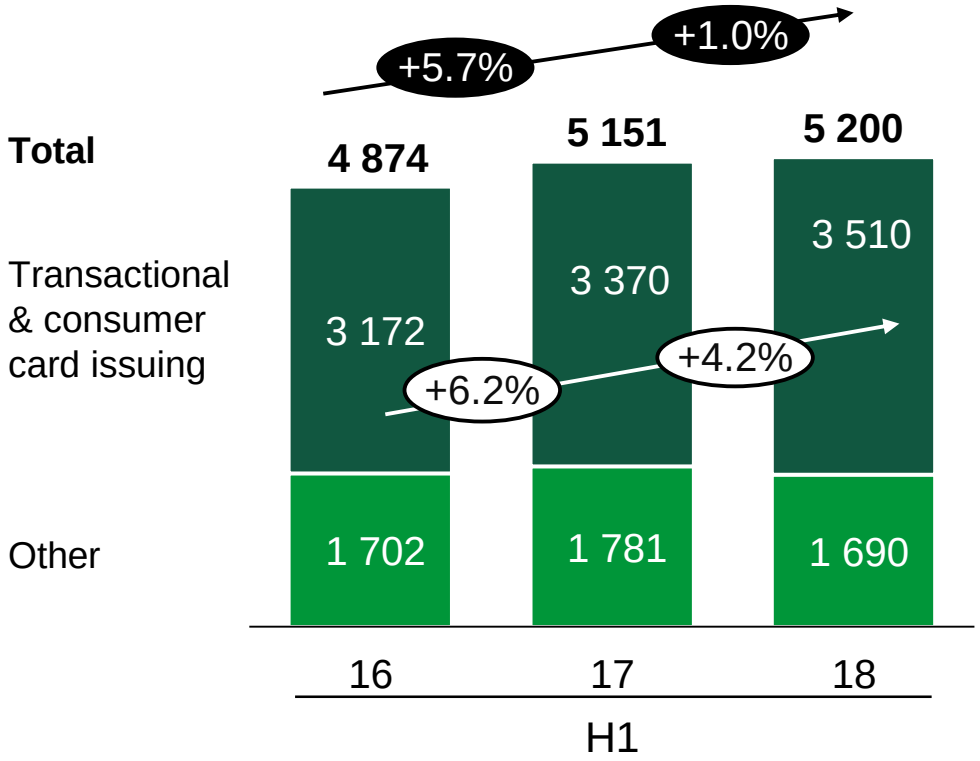
NSFR: 116% (min reg: 100%)

Retail transactional NIR growth ahead of client growth – deeper client penetration

Total retail client base (#000)



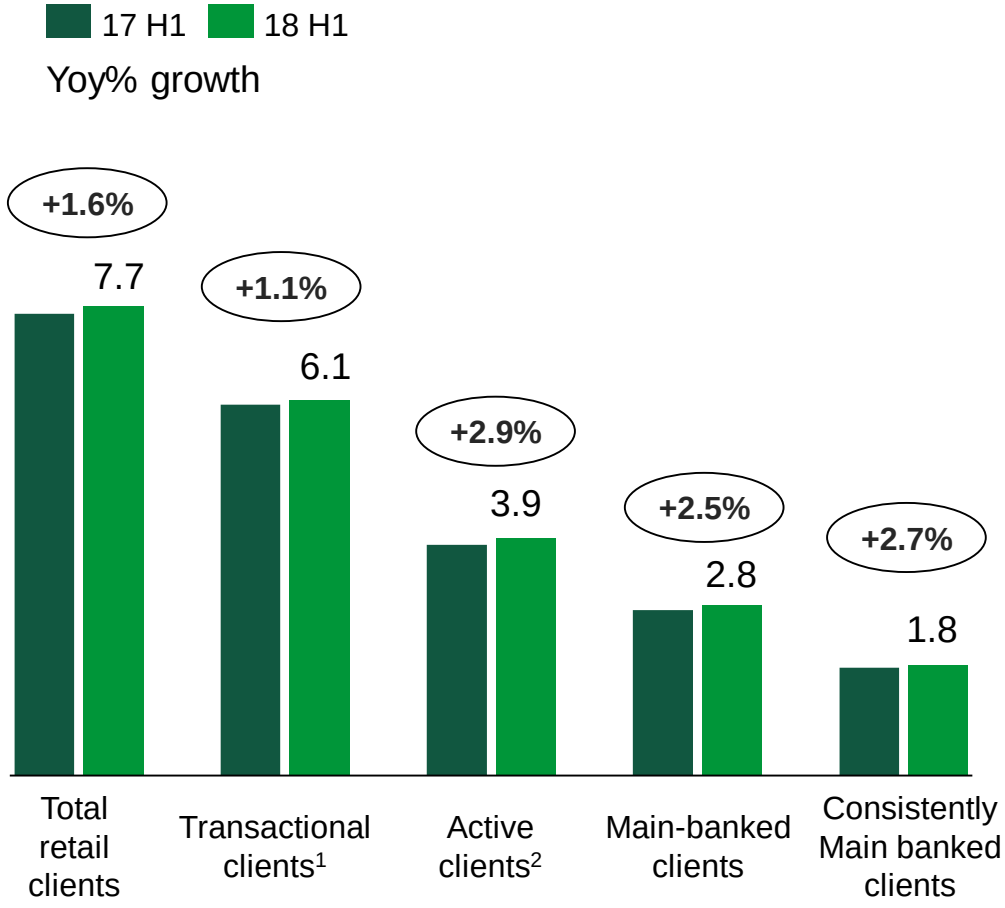
Retail NIR (Rm)



Before IFRS	**H1 17**	**H1 18**
Total retail NIR	+5.7%	+6.2%
Transactional & card issuing	+6.2%	+8.1%

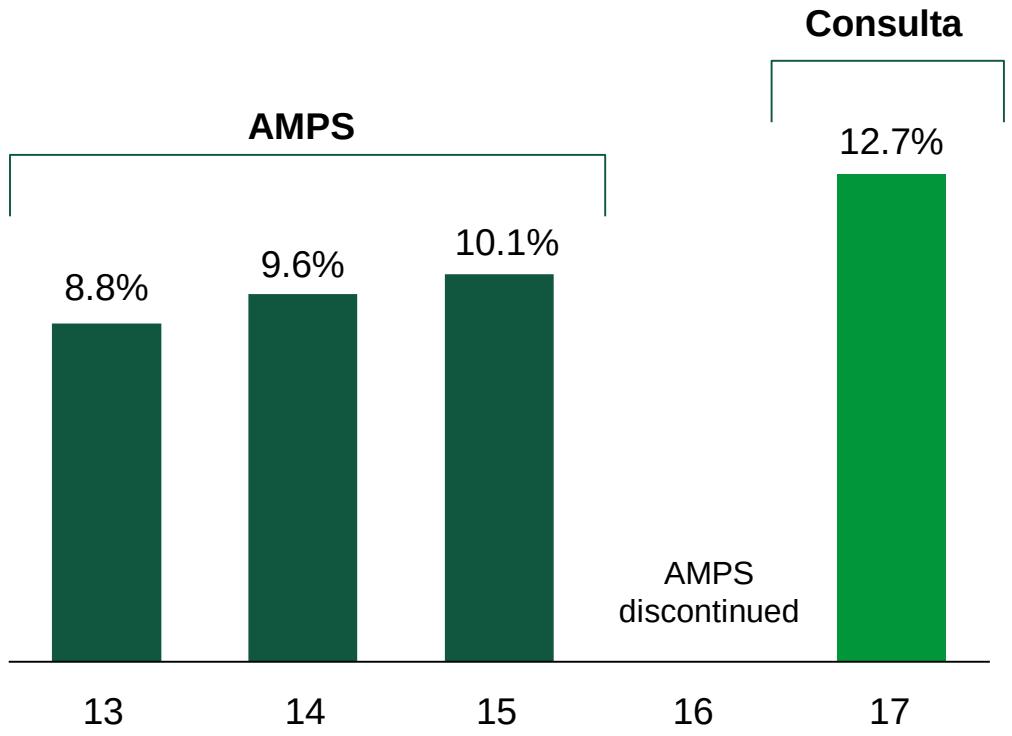
NIR growth underpinned by good growth in retail clients

Retail client base breakdown (#m)



Nedbank main-banked market share (%)

Same question asked:
'Which ONE bank do you regard as your main bank for personal banking?'



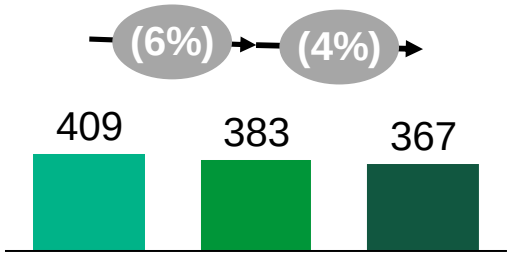
Definition of main-banked clients: Youth & ELB ≥ 3 debits, 1 credit ; Middle market ≥ 6 debits, 1 credit ; Professionals ≥ 12 debits, 1 credit ; SBS ≥ 25 debits ; All over 3-month period.

Client-centred strategy intact with strong growth in the middle market

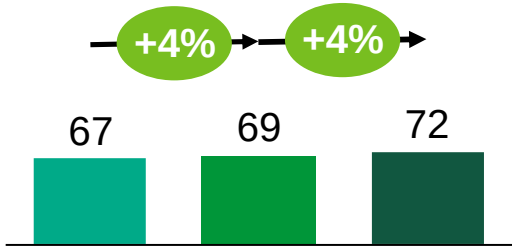
Main-banked, # 000

UNLOCKED.ME student CVP launched to address growth

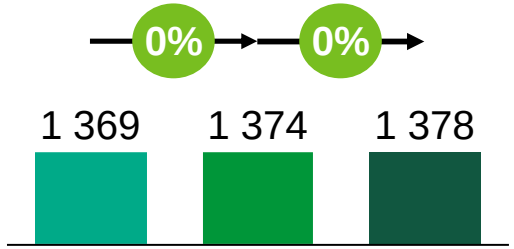
Kids & youth



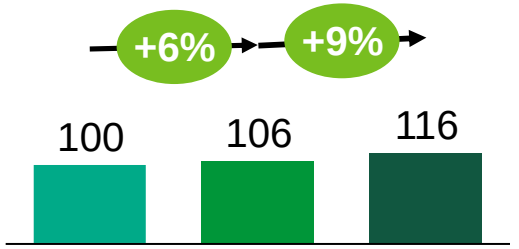
Professional



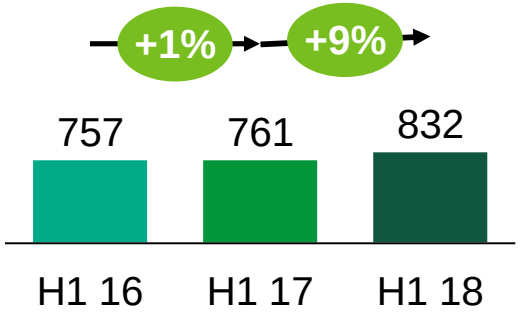
Entry level



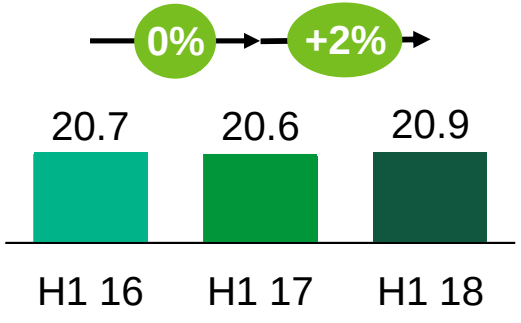
Small Business Services[2]



Middle

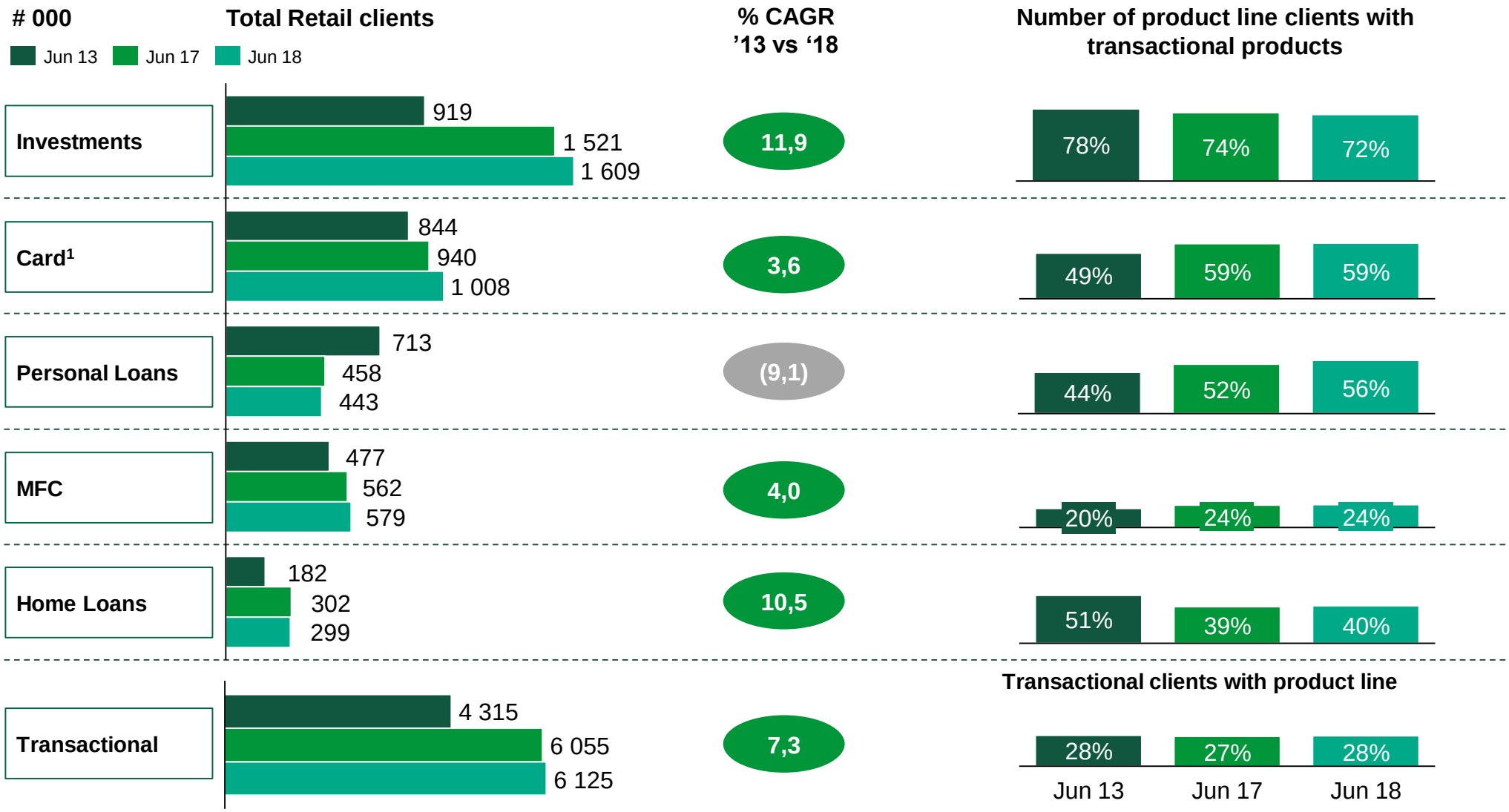


Business Banking[1]



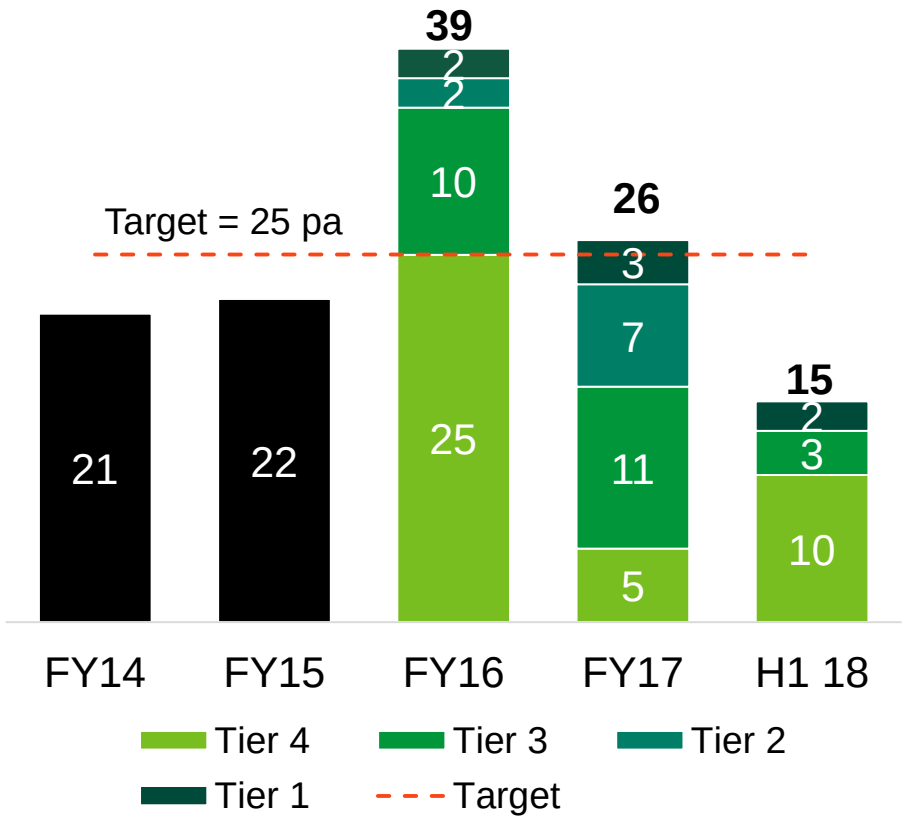
[1] Client groups with gross operating income contributions in excess of R500 pm. Previous years were rebased for migration of the Grey Portfolio from BB to SBS on 1 June 2018
[2] Previous years were rebased for migration of the Grey Portfolio from BB to SBS on 1 June 2018 Note: Non-resident, non-individual segment not shown.

Building more enduring retail client relationships through transactional product cross-sell



CIB – ongoing new primary-client wins

Primary-client wins (#)



Definition of tiers:

- Tier 1 > R5m
- Tier 2 < R5m > R500k
- Tier 3 < R500k > R100k
- Tier4 < R100k

Selected primary-transactional-account wins

CITY OF CAPE TOWN ISIXEKO SASEKAPA STAD KAAPSTAD

City of Ekurhuleni

SEDIBENG DISTRICT MUNICIPALITY

SAMPADA PRIVATE EQUITY

STEYN CITY

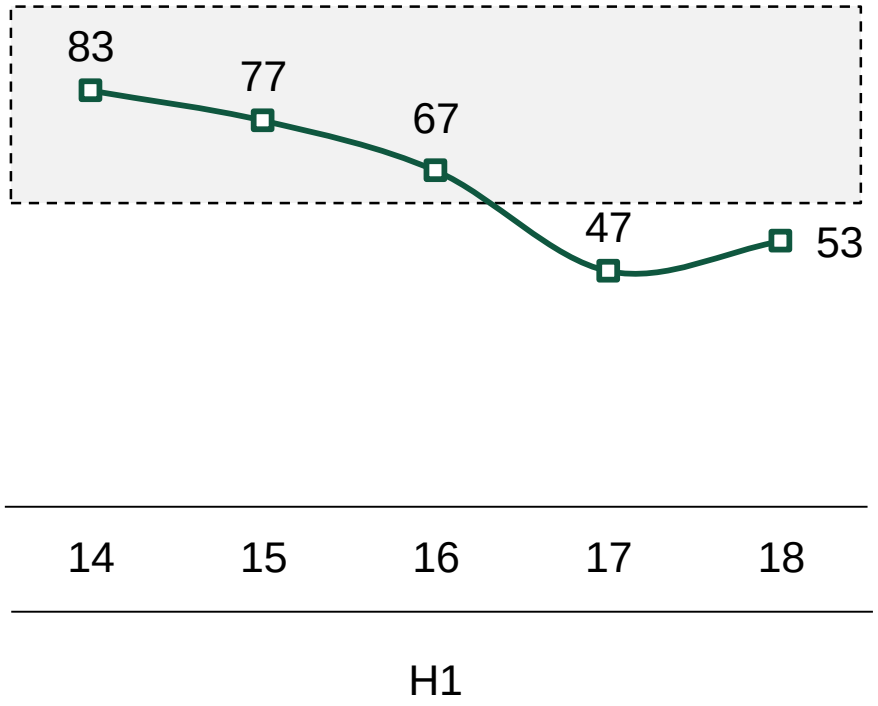
CLEARWATER CAPITAL

SAFRAN HELICOPTER ENGINES

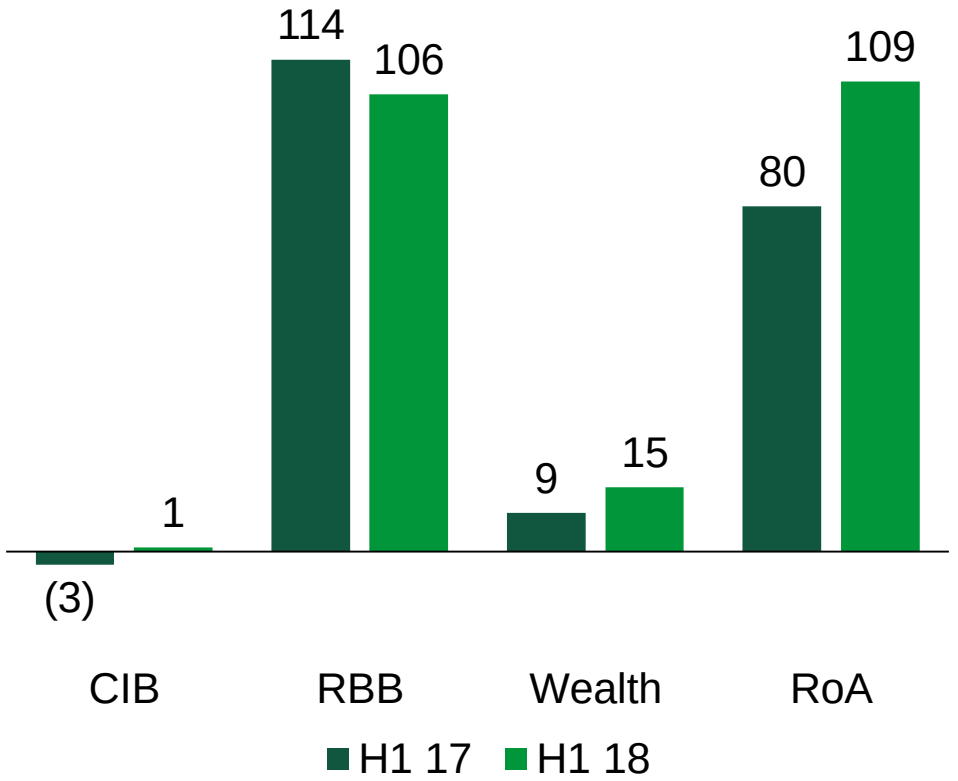
WESCOAL TRADING

Credit loss ratio – improvement underpinned by a quality portfolio, IFRS changes & proactive risk management

Group CLR[1] (bps)



Cluster CLR (bps)

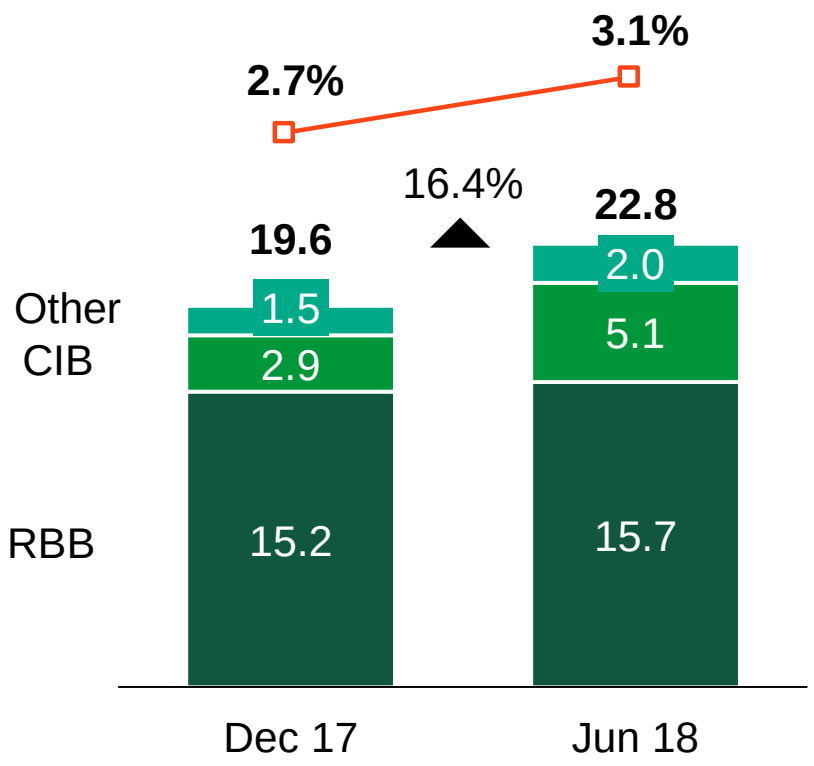


Banking advances	46.7%	46.1%	4.1%	3.1%

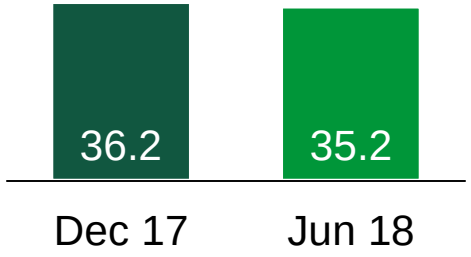
1 Nedbank through-the-cycle target range: 60–100 bps.

Defaulted advances – increase driven by specific counters in CIB, with prudent coverage levels maintained

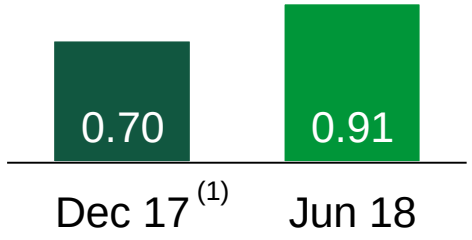
Defaulted advances (Rbn, %)



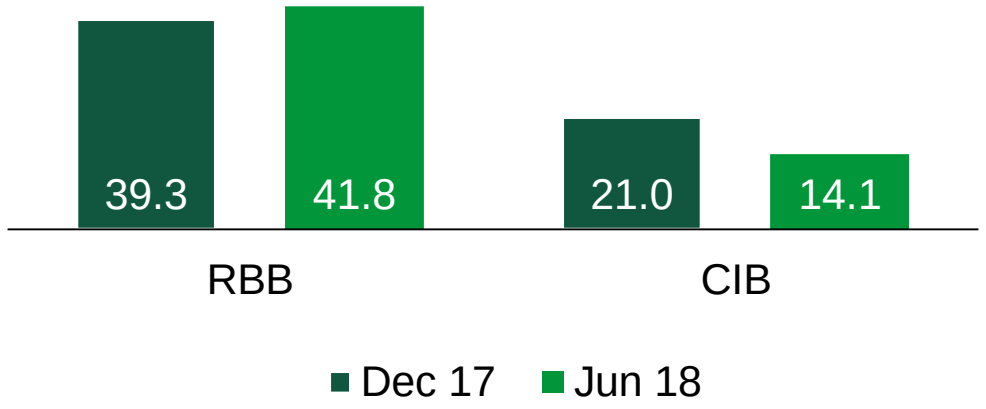
Specific coverage (%)



Portfolio coverage (%)



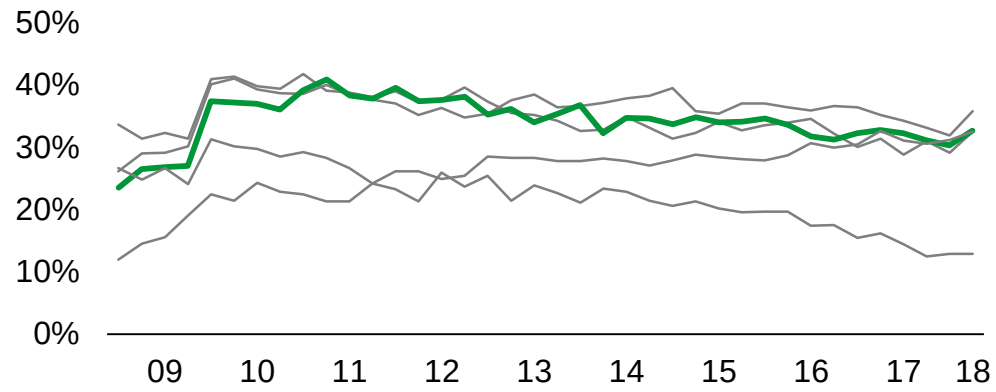
RBB & CIB specific coverage (%)



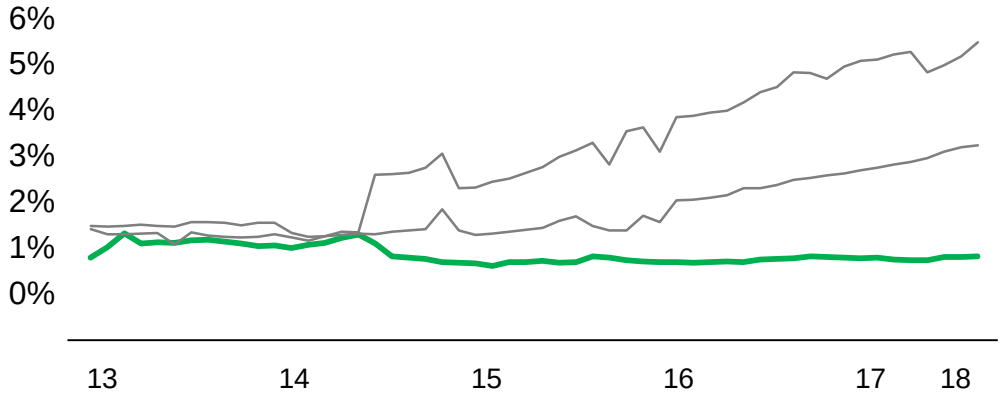
1 Portfolio coverage after IFRS day 1: 0.93%

RBB – CLR underpinned by quality origination

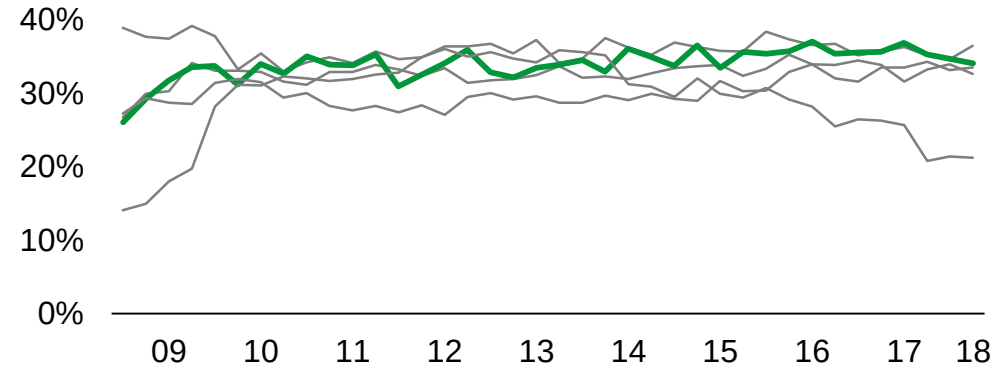
HL new business – low-risk clients proportion[1] (%)



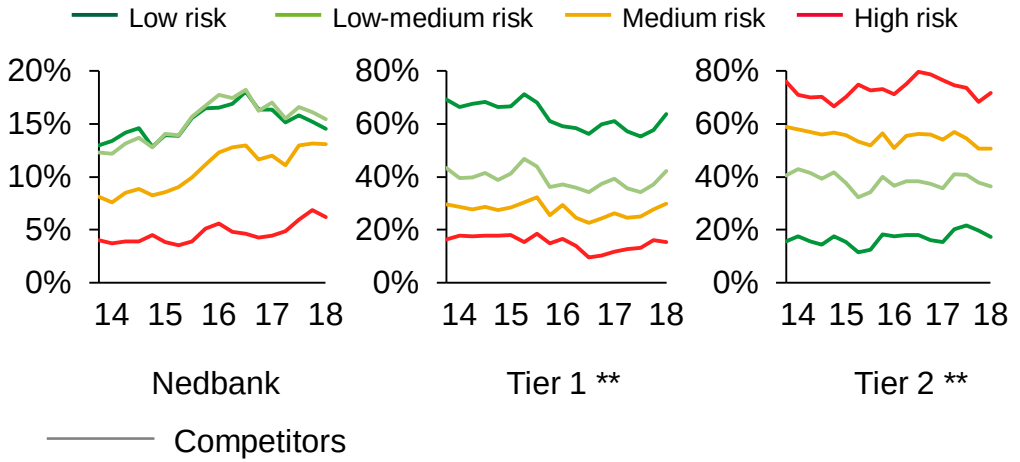
Vehicle Finance 3 Months+ arrears benchmarking[3]



HL new business – low-risk properties proportion[2] (%)



PL market share of new business by risk band[3] (%)

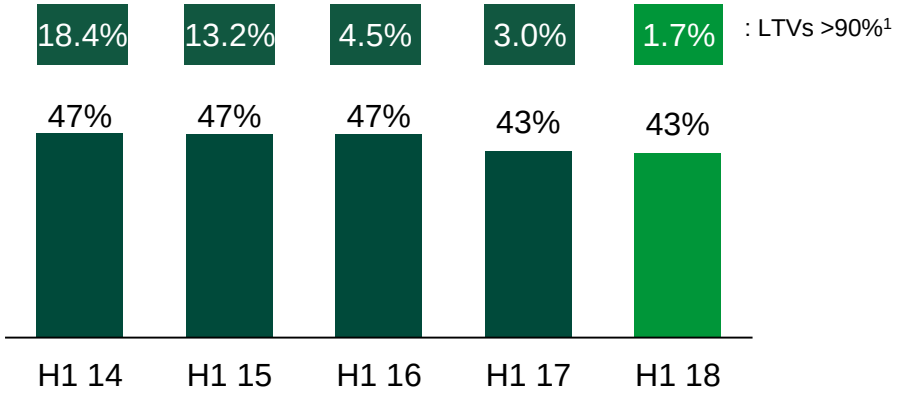


[1] Source: Experian Delphi Score
[2] Source: Lightstone Risk Quality Grade
[3] Source: Experian

* Low risk (Bureau score ≥ 658); Low−medium risk (Bureau score 644−657); Medium risk (Bureau score 626−643); High risk (Bureau score ≤ 625)
** Tier 1 refers to traditional 4 banks, excluding Nedbank, while tier 2 refers to remaining material providers of unsecured personal loans

High quality commercial property book

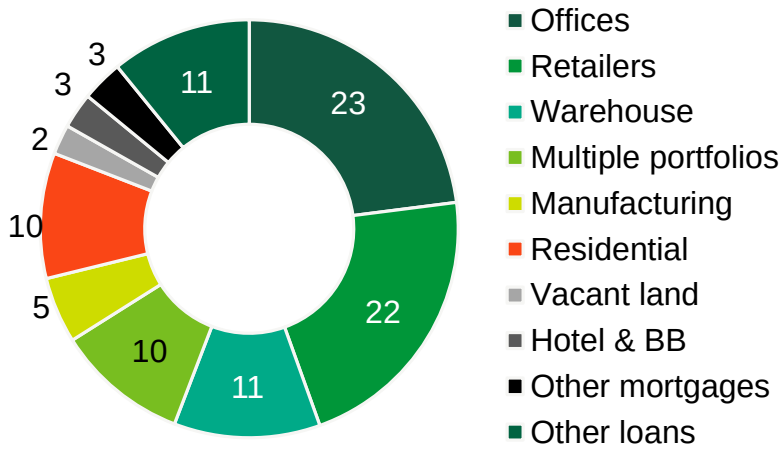
Low average loan to value (LTV) (%)



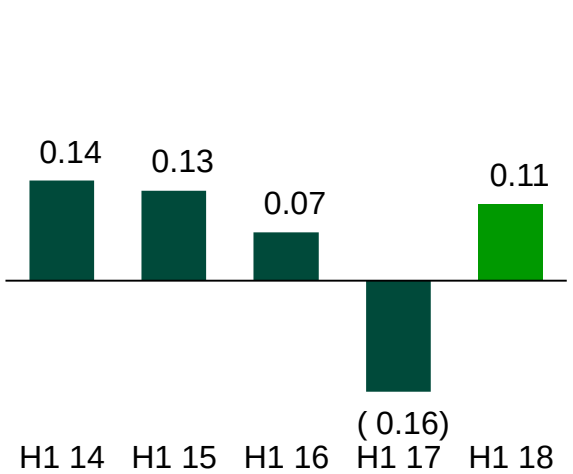
Key drivers

- Strong client base supported by an experienced team
- Lending access to existing collateral pools
- Vacant land < 3% & residential < 10% of portfolio
- Retail centre developments funded on > 70% pre-lets
- 29% of book lending into listed property funds
- Primary lending operation supplemented by private-equity arm

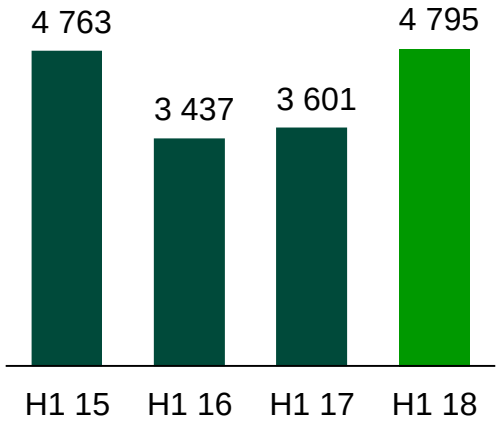
Diversified book by property type (%)



CLR (%)



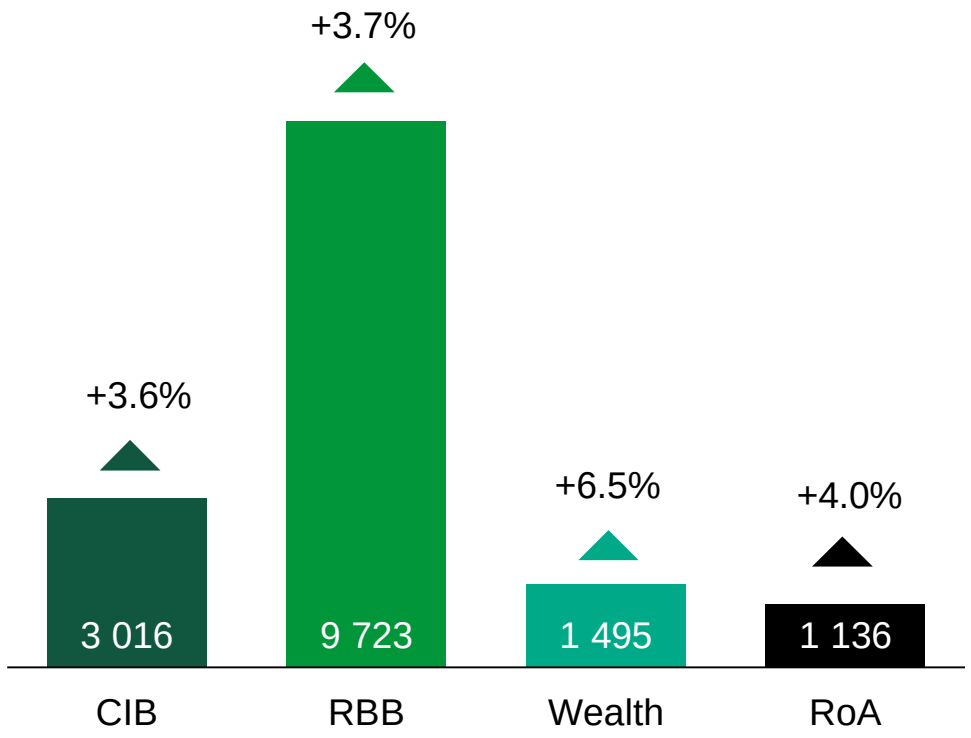
Investing book size (Rm)



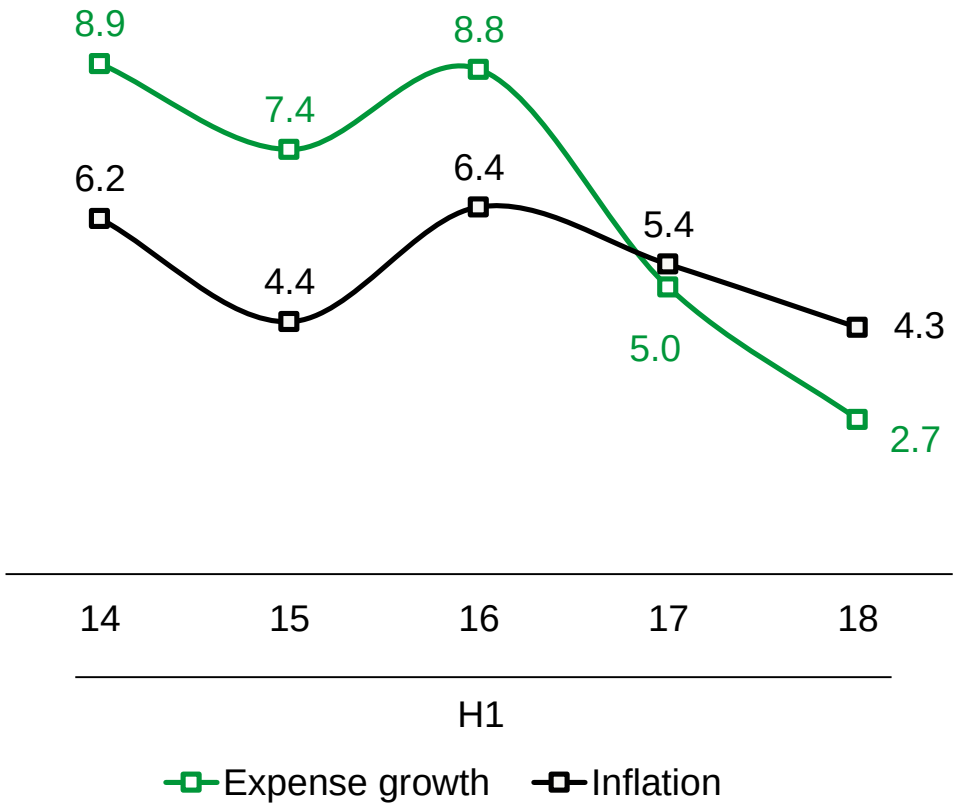
[1] Excludes unsecured loans to listed REITS – by regulation these REITS have gearing ratios of less than 60%.

Expenses – good cost management in response to slow revenue growth & benefit from PRMA credit & IFRS changes

Expenses by cluster (Rm, % growth)



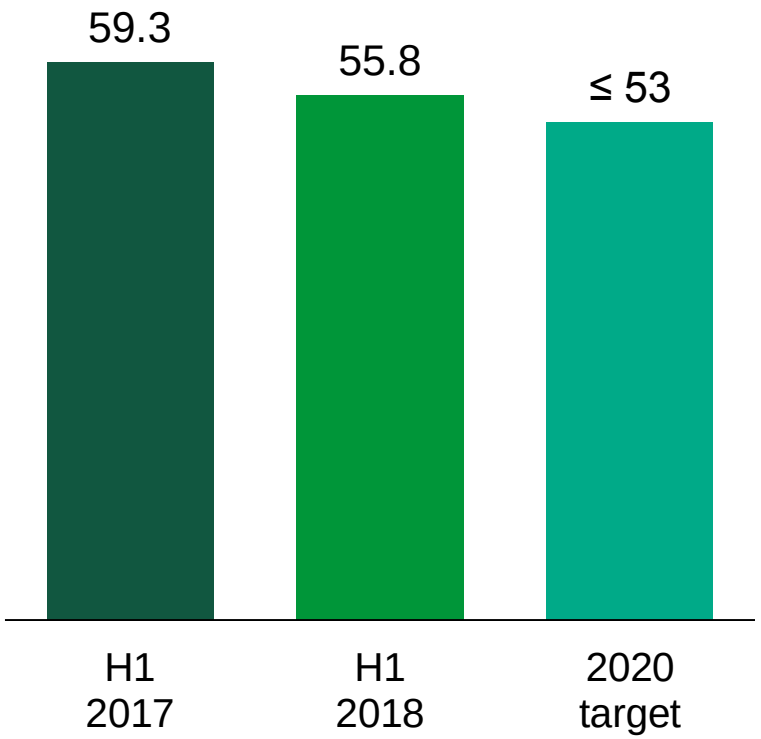
Expense growth (%)



1 Expense growth, excluding R250m pretax PRMA credit (recorded in the Centre), was +4.4%. | Expense growth excluding IFRS changes was +3.6%.

Expenses – initiatives in place to support our efficiency ratio target of ≤ 53% by 2020

Efficiency ratio (%)



Target operating model[1]

R228m cost savings (R512m run rate), include:

- Optimisation of branch footprint
  - reduction in floor space
  - reduction in outlets
- Self-service banking
  - new digital services on mobile, app & web
- Sales & service integration

R1.2bn by 2020

Other ongoing cost savings

Savings of R109m, include:

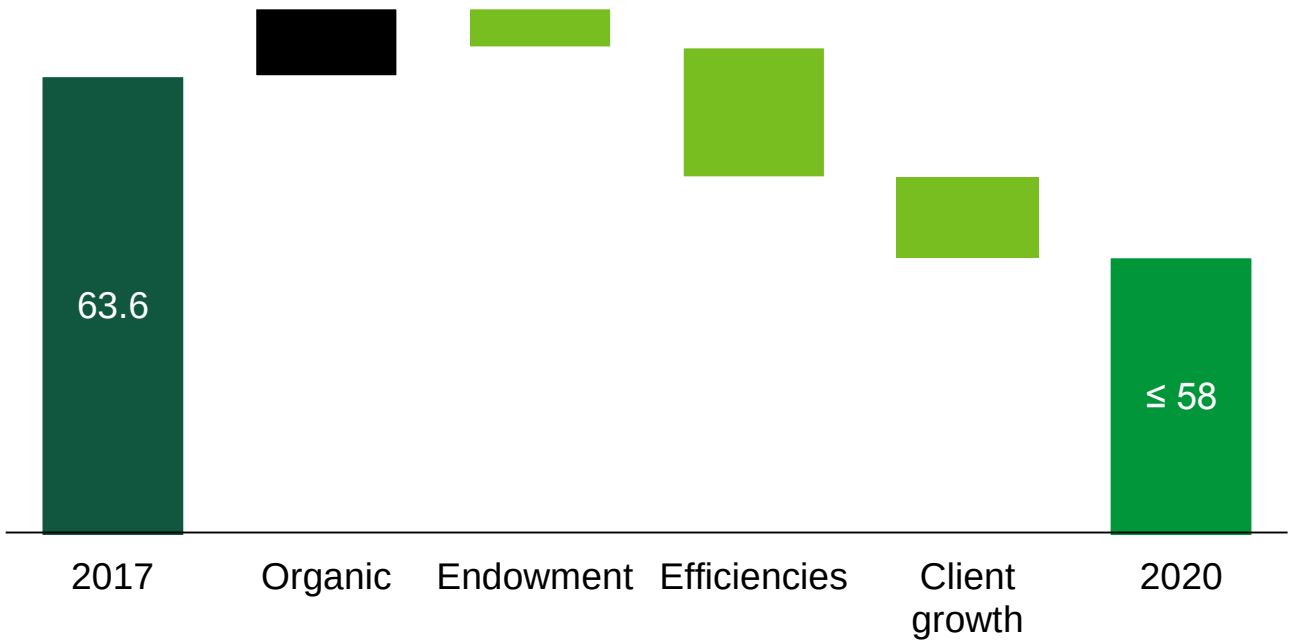
- Adoption of automation & robotics
- Procurement benefits from SAP implementation – eg live auctions
- Managed evolution of core IT systems – decommissioned 126 since 2010 to 125 (target < 60 by 2020)
- Headcount reduction – 1 154 since Dec 16 (included in TOM)

Ongoing

1 Target operating model initiatives enable Nedbank to operate with greater agility, leading to revenue & cost saving benefits.

Pathway for RBB efficiency ratio to ≤ 58% by 2020

Efficiency ratio: 2017 to 2020

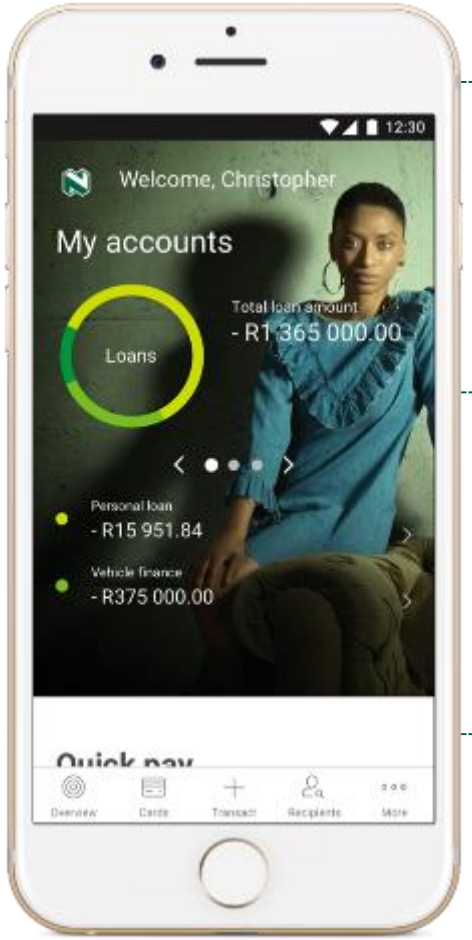


Key drivers

- **Organic** – efficiency ratio deteriorates as inflationary cost increases & ongoing investments in the franchise/ digital exceed organic revenue growth in a more competitive environment
- **Endowment** – benefit from higher interest rate projections in 2020
- **Efficiencies** – including TOM & other savings
- **Client growth** – linked to transactional banking markets share from 12.7% to > 15% by 2020
- **Advances growth** ahead of market in most asset classes

Digital 1st, 1st in digital – digitise. Nedbank Money app™ reached more than 1m downloads, with 42 services added since launch (Target > 180 by 2020)

1 million downloads & > 400k active users
in under 10 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

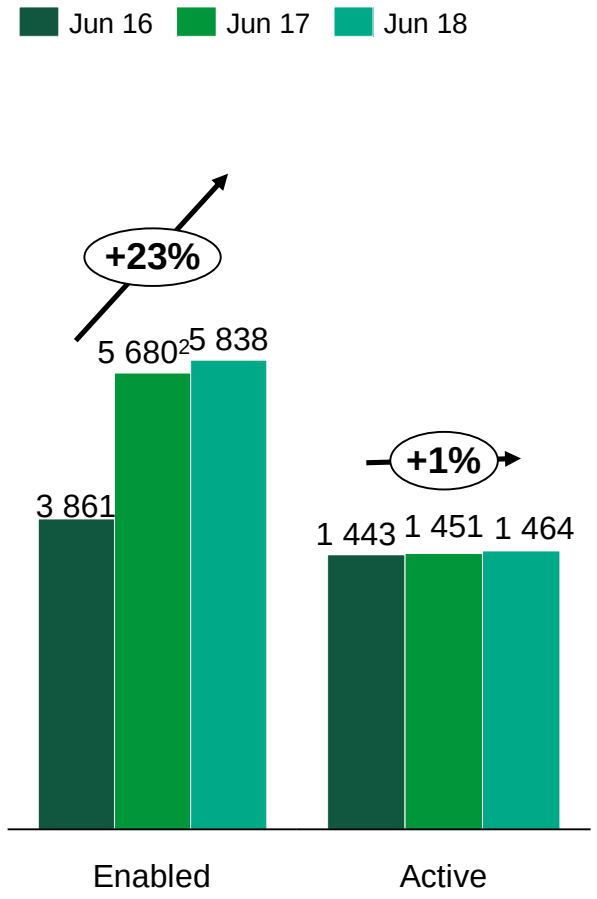
An additional –
21 services landed between June & July 2018

Selected highlights

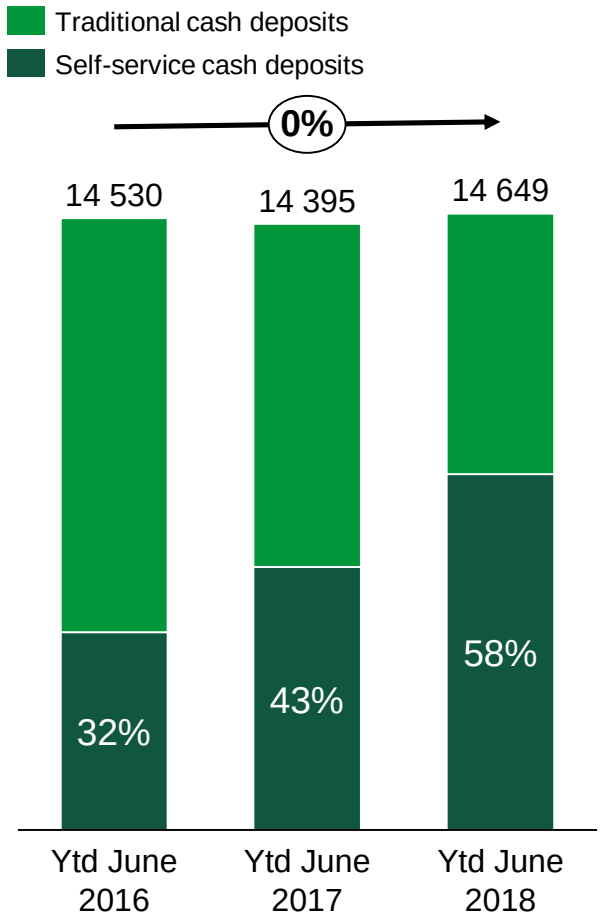
- Balance peek
- Club Account information
- Foreign currency account information
- **Maintain, cancel, increase or decrease** your overdraft
- Activate **tap-and-go**
- **Personalise your app**
- Greenbacks rewards balances and points
- Card on-and-off (Freeze/unfreeze)
- Share **proof of account details 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
- **Settlement request** Personal loans
- **Maintain** debit orders
- **Activate** credit card
- **Pay Me request**
- Maintain **statement delivery** (MFC)
- **View & stop** debit order

Accelerated digitisation of technology & operations

Digital clients[1] (# 000)



Cash deposit volumes (# 000)



Yoy change in 2018

Devices

Intelligent depositors	▲	23%
ATMs	▼	(3%)
Video bankers	▲	16%
Self service kiosks	▲	148%
Interactive tellers	▲	>100%

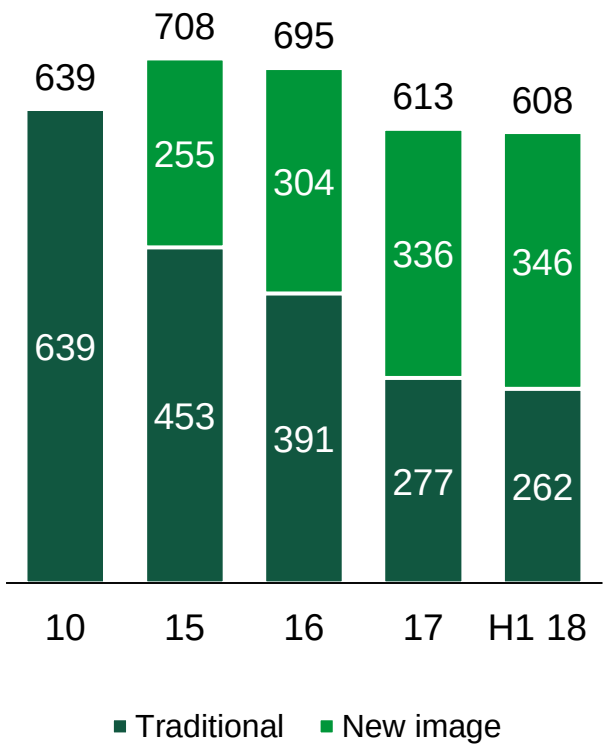
Volumes

Digital VAS volumes	▲	18%
App[2] transaction volumes	▲	26%
App[2] enrolments	▲	61%
ID deposits	▲	35%
Teller activity	▼	(16%)

1 Digitally enabled & active clients have been restated to include all digital channels, including USSD, and to allow for only last 90 days of recent activity.
2 Includes all versions of the Nedbank app.

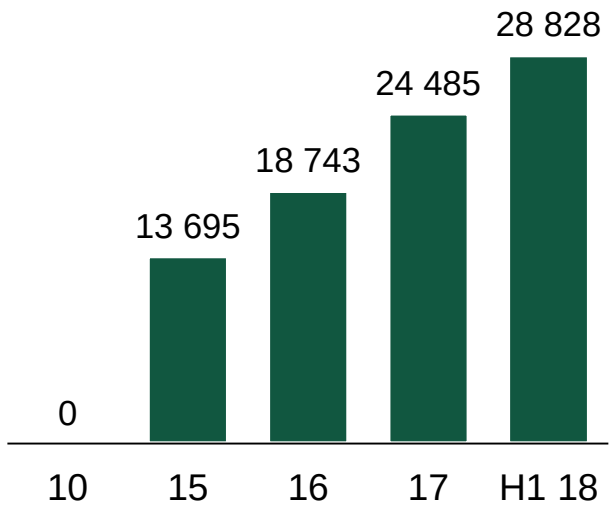
Integrated channels – efficient use of space & staff, optimising branch footprint

Total & new-image outlets
(#)

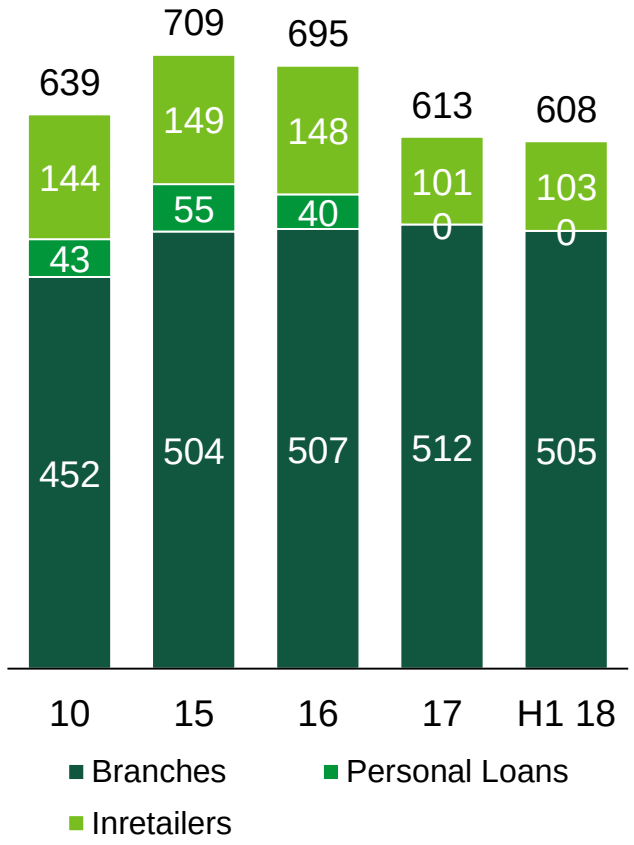


Floor space saved
(m^2)

Cumulative target >30 000 m^2 by 2020[1]



Outlets format mix
(#)

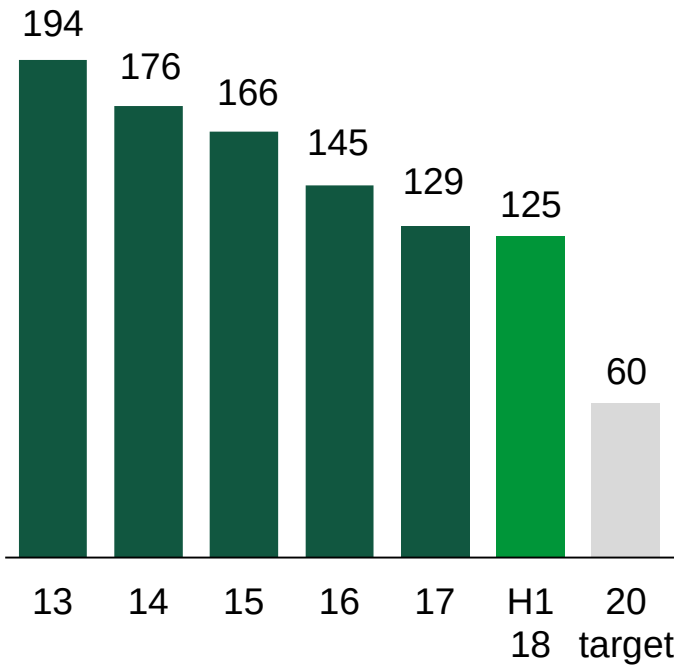


1 Given good progress, target will be reviewed.

Investing in technology to enhance client experiences & unlock efficiencies

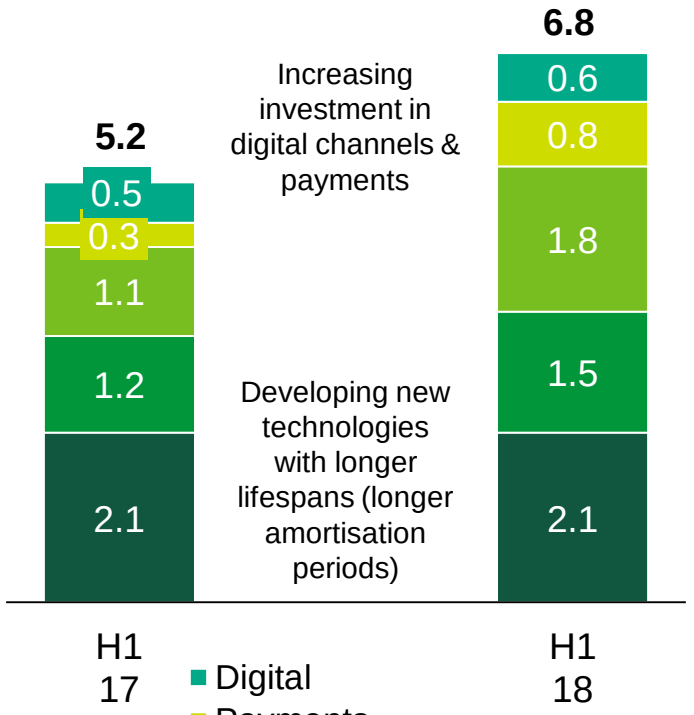
Core systems (#)

Rationalise, standardise & simplify



- Support includes core foundation programmes: SAP ERP, IT security, Enterprise Data & IFRS 9 (credit modelling).
- Core product & client include Flexcube (RoA), IB loan mgnt (CIB), Client CIS & AML.

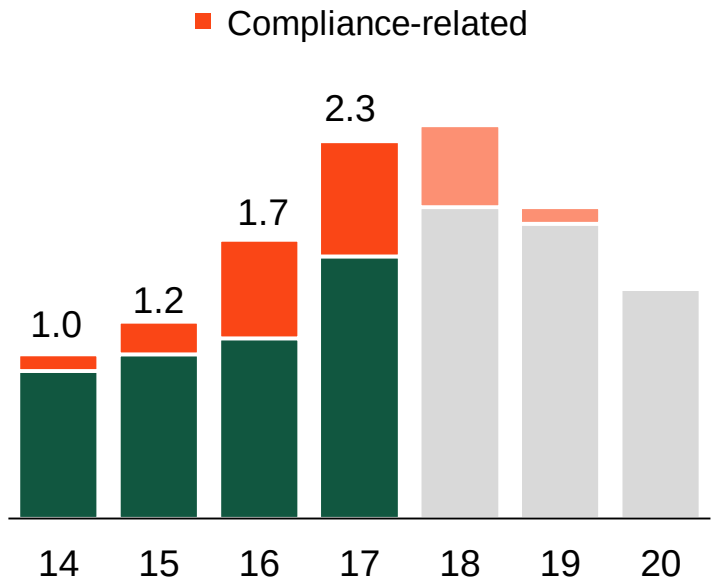
Capitalised IT costs (Rbn)



- Digital includes client onboarding & servicing, eg various apps & web enablement.
- Payments include authenticated collections & payment switch.

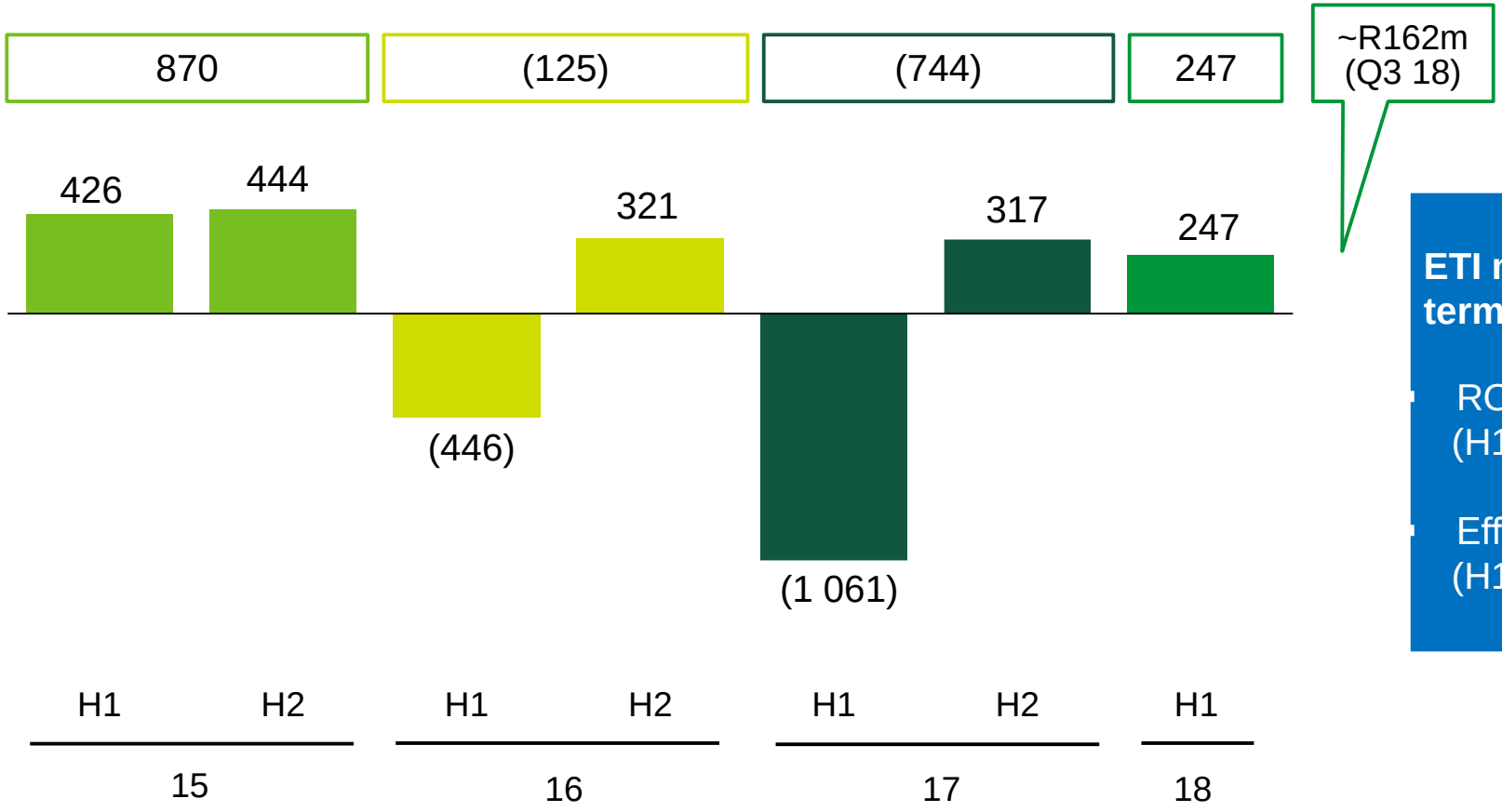
IT cashflow spend (Rbn)

Projected to peak as regulatory projects are completed & development costs on new technologies decrease



Associate income – ETI performance reflective of management actions & improving environment

Associate income from ETI[1] (Rm)



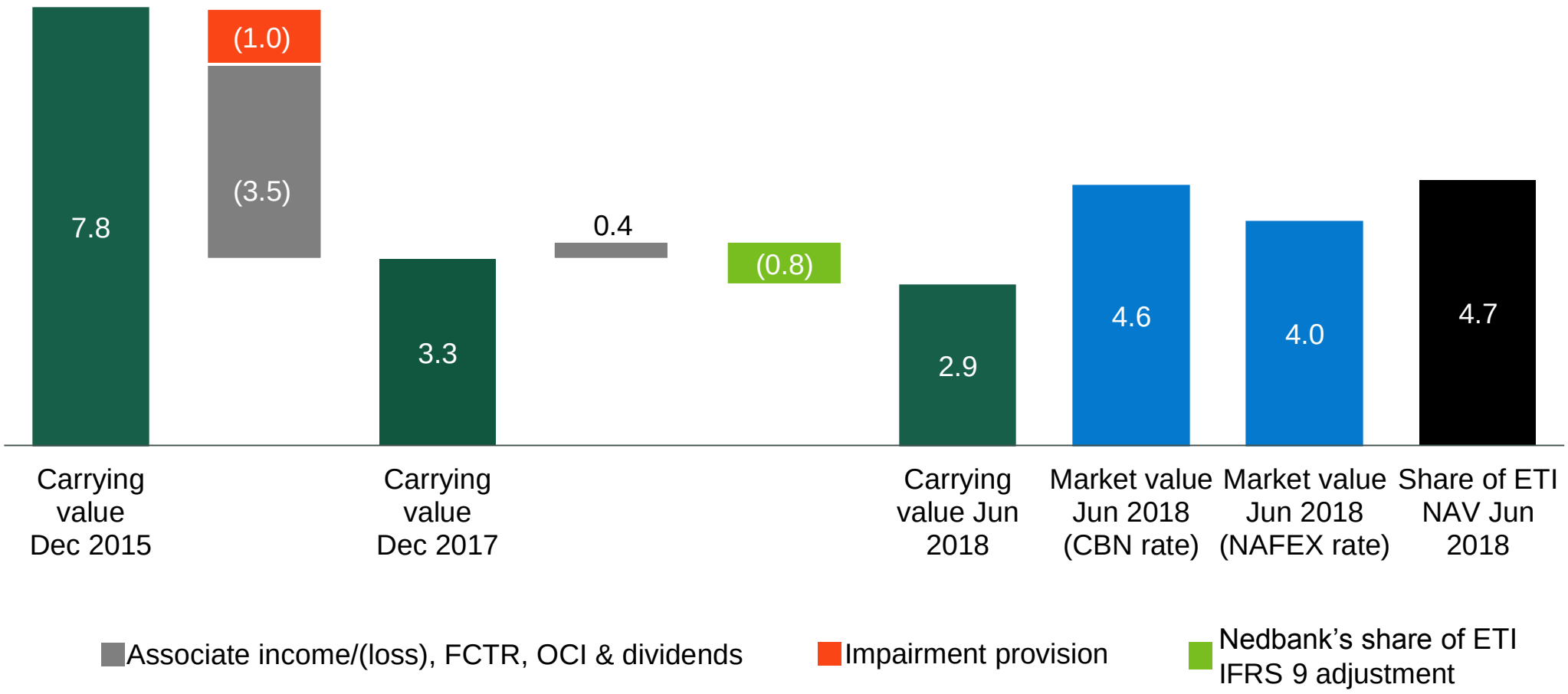
ETI medium-to-long term guidance[2]

- ROTE target: COE + 5% (H1 2018: 20.9%)
- Efficiency ratio: 50−55% (H1 2018: 61.9%)

1 ETI accounted for one quarter in arrear. | 2 Source: ETI disclosures. ETI reported COE at ~ 17%.
ETI H1 performance (Nedbank Q2 & Q3 2018) in line with 2018 guidance. Estimated Q3 2018 associate income of R162m based on R13.27 / US$

ETI market value greater than carrying value – R1bn impairment provision to be reviewed at 31 Dec 2018

Carrying value drivers vs market value (Rbn)



Nedbank – Ecobank collaboration gaining traction

1 Transactional banking: Over 90 Nedbank clients with more than 200 new accounts opened at Ecobank

2 Dealflow: Increased treasury & trading activities for improved business revenue flows

3 Other initiatives include:

Integrated crossborder transfer solution

The integrated crossborder transfer solution was approved by SARB & launched internally in June 2018, enabling Nedbank Money app users to transfer money to an Ecobank account in 33 African countries.

Nedbank Wealth: Financial planning initiative

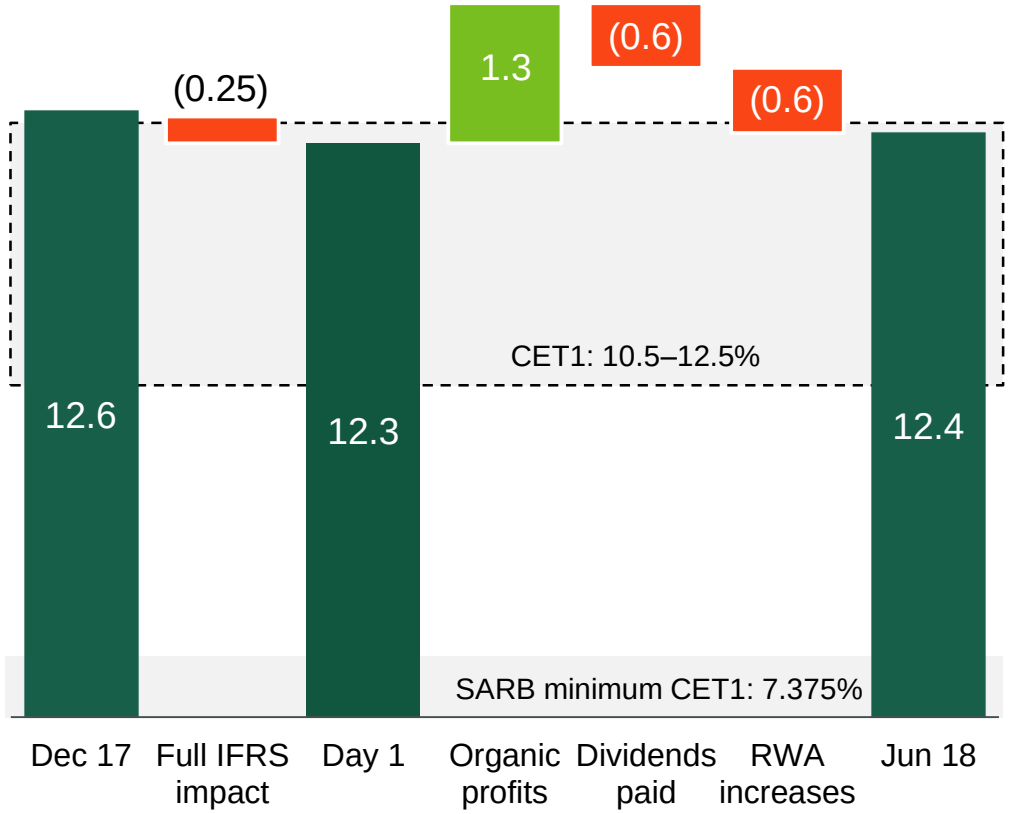
Nigeria the first country selected for developing a financial planning business & Nedbank referrals in existing Ecobank territories.

During the rest of 2018 this offer will be expanded into:

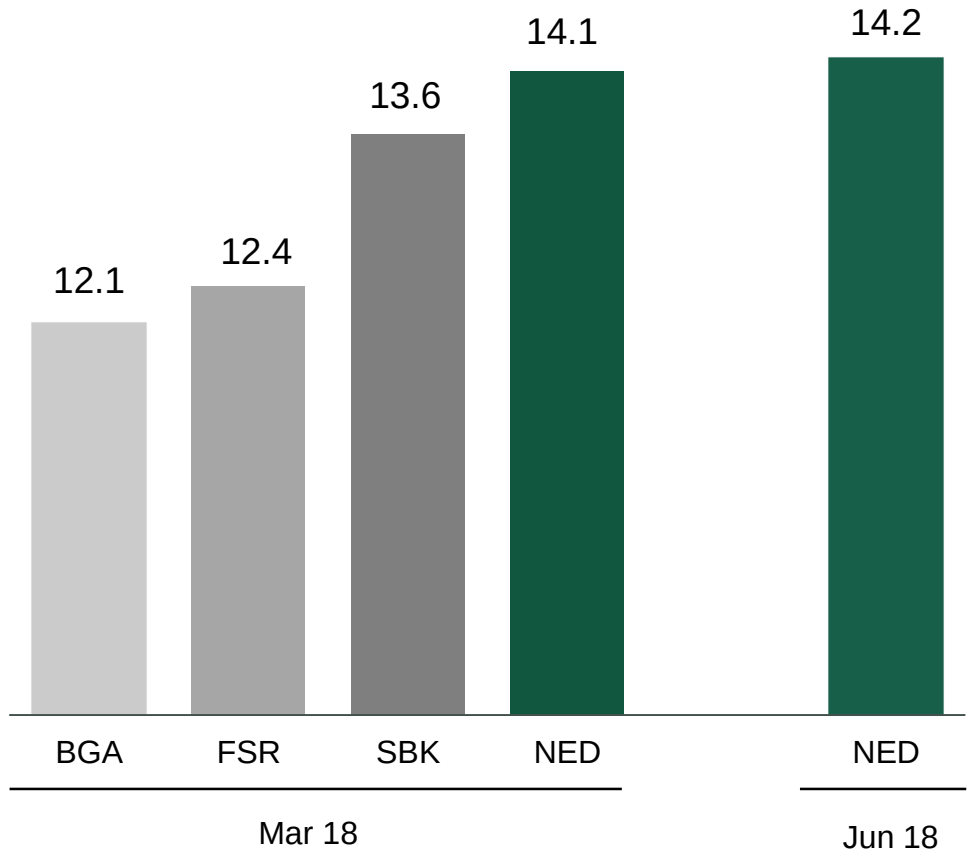
- Ghana
- Cote d'Ivoire
- Senegal

Capital – CET1 towards the top end of our target range

CET1 capital ratio (%) – post full IFRS implementation



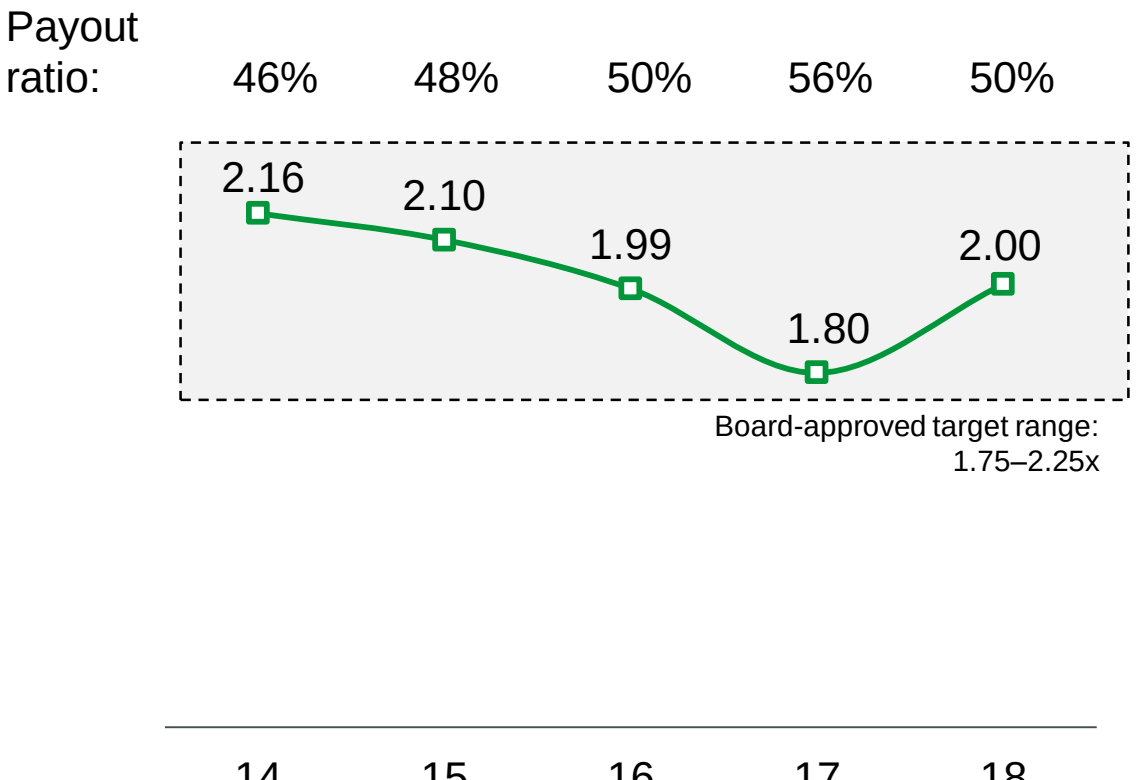
Fully loss-absorbent capital adequacy ratios[1] (%)



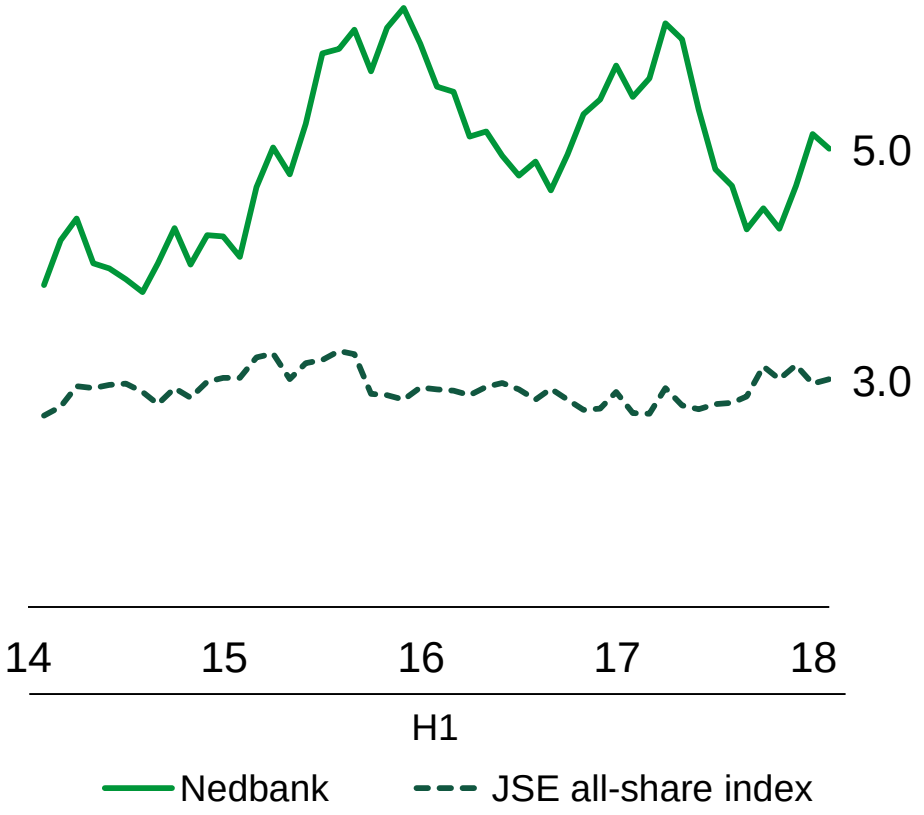
1 Excluding unappropriated profit. | Fully loaded IFRS impact included for BGA, SBK & NED. | BGA normalised (excl Barclays settlement). | FSR includes impact of Aldermore but excludes IFRS impact..

Dividend – dividend cover within our target range

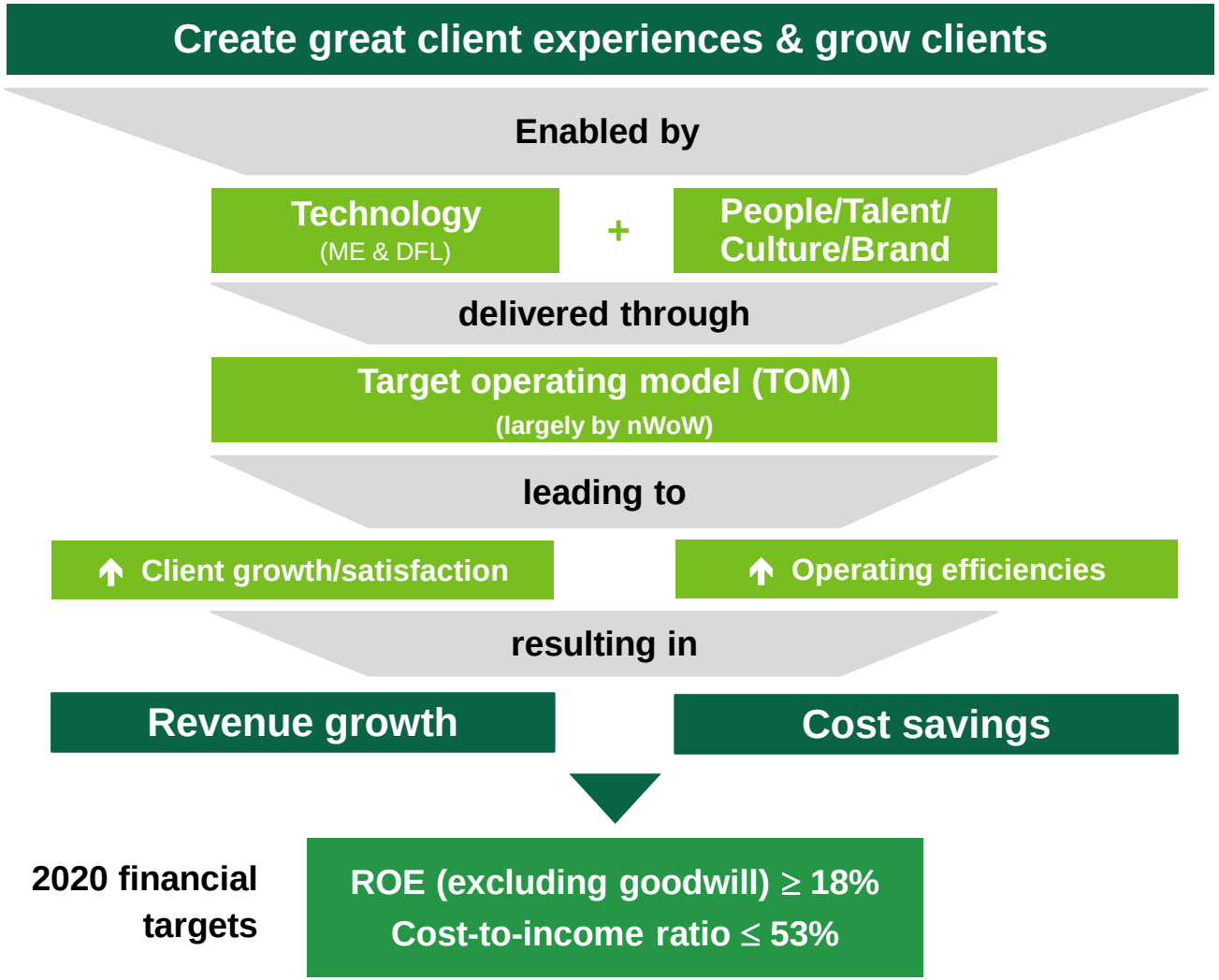
Dividend cover (times)



Dividend yield (%)



Nedbank strategic focus – creating great client experiences & growing clients



… innovations launching in H2 2018

- **Simplified client onboarding** – convenient, FICA-compliant account opening from your couch
- Ability **to sell an unsecured loan, bundled with a transactional account, on the web**
- New **loyalty & rewards programme**
- **Geyser telemetry** – reduce electricity usage
- Further rollout of **software robots, artificial intelligence, robo-advisors, chatbots**
- Integration with **ETI remittance app** to reach 2.7m workers

Delivering innovative market-leading client experiences

Executive EySight™

Cross-sell & client servicing benefits

Real-time client & management information insight

- Insight into client cross-or up-sell opportunities
- Continuous enhancements leading to management insights & predictive analytics

Robotics Process Automation

First implementations delivering benefits

Improve efficiencies, accuracy & quality of work

- 135 processes identified
- Potential cost-savings in man hours

Technology

Implementations | Pilots

LOANIQ FINASTRA China Systems IBM Blockchain

Enhancing client experiences

- Implementation of systems to enhance client experience
- Continuous testing of disruptive technologies to improve the way we do business

Delivering innovative market-leading client experiences

UNLOCKED.ME

Banking's first

Innovative lifestyle e-commerce platform

- UNLOCKED.ME brings together three pillars, It is a platform which will allow you to **unlock** your **lifestyle**, your **potential** and your **money**.
- It is full of unique **experiences**, sure to thrill our youth target audience. It is our **first lifestyle market place**, designed with our clients in mind.

Digital branch

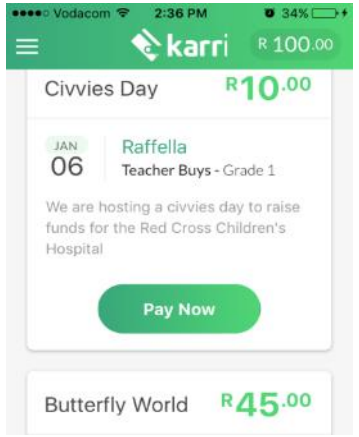
Leading in digital outlets

SA's first digital branch – entirely self-service

- Launched at Gautrain Sandton Station (Sept '17)
- Technology available: Intelligent Depositor, video banking, quick-chat banking, self service kiosk, virtual reality, grab-and-learn wall, interactive demo station, facial recognition

Payment solutions

Winning in digital

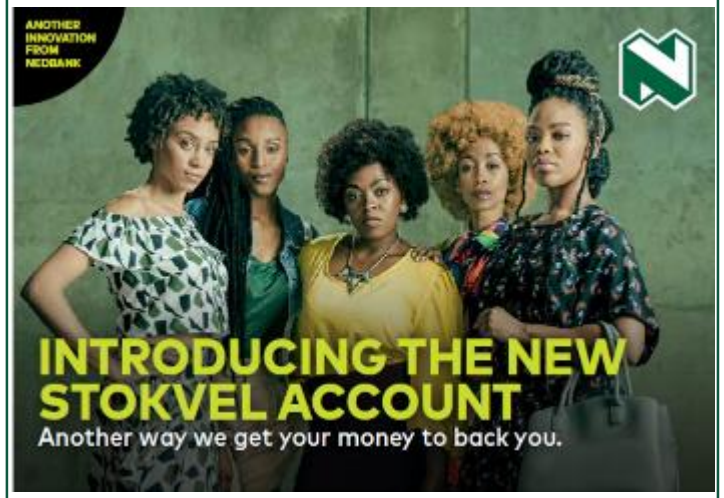


Worldclass banking apps

- **The Nedbank Money app** features user-centred design for basic banking with self service capabilities.
- The Karri App is an **integrated, mobile payment solution**, to reduce the handling of cash at schools

Delivering innovative market-leading client experiences

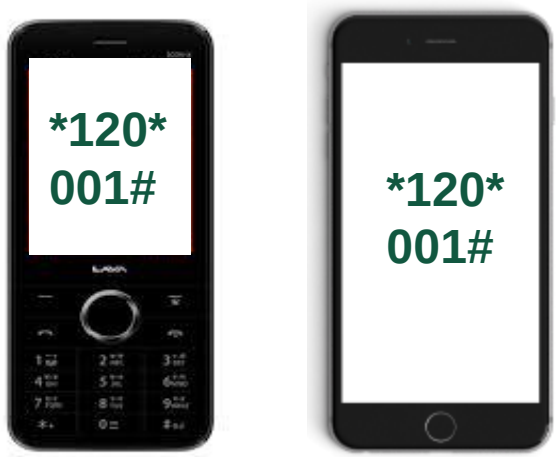
STOKVEL



Innovative savings vehicle solution for complexity in Stokvel community

- A holistic offering specifically designed to allow the millions of people in the Stokvel market to pool their financial resources to save effectively.
- With a best-in-market burial benefit of R15 per member per month that provides a R10 000 benefit. It also offers rewards on the account & financial education for Stokvel members.

MOBIMONEY



Innovative solutions for driving inclusive banking at low cost

- A wallet-based transactional solution that allows people to pay, send & save their money in an account-free environment via USSD functionality.
- Ability to open a Nedbank account within seconds by simply dialling the SMS string *120*002# & entering their name & ID number.

Nedbank Online Banking

Refresh of digital channels for enhanced client experience

- Launched to clients in April 2018 with client-centred design at the core.
- Enrolment is easy & intuitive, simplified everyday banking functionality & enables a host of self-service functionality.

Delivering innovative market-leading client experiences

Nedbank Private Wealth app

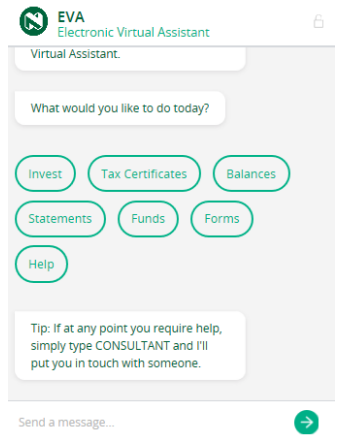
Award-winning App

Global consolidated view of your wealth

- A top-rated high-net-worth Nedbank Private Wealth app
- Continued enhancements to app include new features & functionality such as:
  - In-app personal messaging & after-hours chatbot
  - Quick & easy transacting
  - International integration

Chatbot, Robo-advisor & geyser telemetry

In demand market solutions



Enhancing digital solutions

- Chatbot EVA, continued enhancements & recently winning *The Banker* magazine's Tech Project award in the AI & Robotics category for robo-advice
- Chatbot NIC, recent updates include live-agent service functionality & funeral quoting capabilities
- Successful geyser telemetry pilot to be increased to 500 users

Systems & processes

Seamless administration

Improving business efficiency

- Digitising & automating business processes in asset management leading to improved client experience & increased business efficiency
- Completed a key phase in implementing a single-policy administration system for life & non-life insurance

2018 guidance

NII	▪ Average interest-earning banking asset growth below nominal GDP growth (from: increase in line with nominal GDP growth) ▪ NIM slightly above the 2017 level of 3.62% (no change)
CLR	▪ To increase, but remain below the bottom of our target range of 60–100 bps (under IFRS 9) (from: to increase to within the bottom half of our target range)
NIR	▪ Above mid-single-digit growth (no change)
Associate income	▪ To be positive (ETI associate income reported quarterly in arrear) (no change)
Expenses	▪ Below mid-single-digit growth (from: increase by mid-single-digits)

Growth in DHEPS for full-year 2018 more than or equal to growth in nominal GDP +5% (no change)

2020 & medium-to-long-term targets

Metric	H1 2018	vs MLT	Medium-to-long-term target (MLT)	2018 outlook [1]	vs 2017
ROE (excl goodwill)	**18.4%**	▲	5% above COE [3] **(≥ 18% by 2020)**	Increase, but remain below MLT	▲
Diluted HEPS growth	**26.3%**	▲	≥ CPI + GDP growth + 5%	Grow in line with MLT, supported by ETI recovery	▲
Credit loss ratio	**53 bps**	▼	60–100 bps	Increase but remain below the bottom half of our MLT (under IFRS 9)	▲
NIR-to-expenses ratio	**82.9%**	▼	> 85%	Increase, but remain below MLT	▲
Efficiency ratio [2]	**55.8%**	▲	50–53% **(≤ 53% by 2020)**	Decrease, but remain above MLT	▼
CET 1 CAR Tier 1 CAR Total CAR	**12.4%** **13.2%** **15.6%**	▶ ▲ ▲	Basel III basis: 10.5–12.5% > 12% > 14%	Within target range	▶
Dividend cover	**2.00 x**	▶	1.75 to 2.25 times	Within target range	▶

1 2018 outlook compared to FY 2017 based on current economic forecasts. | 2 Efficiency ratio includes associate income. | 3 Target to be revised should Nedbank make future acquisitions that increase goodwill

2020 targets – strategy in place to improve financial metrics in RBB & RoA, while maintaining good returns in CIB & Wealth

	Efficiency ratio			Return on equity[1]		
	Nedbank H1 2018	Peer average[2]	Nedbank 2020 target	Nedbank H1 2018	Peer average[2]	Nedbank 2020 target
Nedbank Group	**55.8%**	**54%**	**≤ 53%**	**18.4%**	**18%**	**≥ 18%**
Corporate & Investment Banking	40.9%	48%	≤ 40%	20.1%	21%	≥ 20%
Retail & Business Banking	64.0%	56%	≤ 58%	18.6%	27%	≥ 20%
Wealth	67.1%	64%	≤ 60%	25.4%	24%	≥ 30%
Rest of Africa[3]	73.4%	54%	≤ 60%	7.6%	19%	≥ COE

1 Nedbank ROE target at group excluding goodwill for comparability purposes. | 2 Peer averages based on Dec 2017 for BGA & SBK, June 2017 for FSR | CIB – BGA CIB, RMB & SBK CIB | RBB – BGA SA RBB, FNB & Wesbank, SBK SA PBB, Wealth – BGA WIMI, RoA – BGA RoA (Barclays Africa acquisition), SBK RoA Legal.
3 Rest of Africa includes ETI. COE estimated at > 16%.

Nedbank Group – an attractive investment

Building a more client−focused, digital, agile & competitive Nedbank

An improving macroeconomic environment

- Supportive global environment
- Cyclical improvement in SA growth as confidence levels improve, with structural changes now more likely
- Rest of Africa growth ahead of SA growth

KPIs that support shareholder value creation

- 2018 DHEPS growth ≥ nominal GDP growth + 5%
- ROE (excluding goodwill) ≥ 18% by 2020
- Cost to income ≤ 53% by 2020
- Strong governance & enterprisewide risk management

Strong & growing franchises

- CIB – strong wholesale franchise (ROE ≥ 20%) benefiting as business confidence improves
- RBB – ongoing revenue growth momentum, CLR outperformance & efficiencies/ digital to drive C:I ≤ 58% & ROE ≥ 20% by 2020
- Wealth – attractive ROE business (≥ 30% by 2020) leveraging Nedbank distribution
- Rest of Africa
  - ETI turnaround underway
  - Investments made to unlock scale in SADC subsidiaries

Attractive valuation metrics

- Nedbank price-to-book ratio at the lower end of SA peer group
- Nedbank dividend yield at the higher end of SA peer group
- Improved free-float after unbundling, with any overhang reduced during transition of OML shareholder base after OML listing & before Nedbank unbundling

Environment, social & governance – Nedbank a leader

Thomson Reuters Diversity & Inclusion Index – Nedbank the only African company in the top 20 most diverse & inclusive organisations

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

Africa's first carbon neutral financial organisation – carbon neutral since 2010

WWF Nedbank Green Trust Partnership – invested R211m since inception in support of over 200 environmental projects throughout South Africa.

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

Overall winner in JSE Top 100 integrated reporting awards

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

Our purpose – to use our financial expertise to do good for individuals, families, businesses & society

STAFF

- Paid **R8.1bn in salaries & benefits** to support our 31 592 staffmembers & their families
- Facilitated transfer of **R2.6bn payroll taxes** on behalf of staff to government
- Implemented a leadership & culture change programme supporting strategy, incl **New Ways of Work**
- **Transforming our workforce** towards SA demographics (> 78% black employees)

CLIENTS

- **R82bn new-loan payouts** to enable clients to finance their homes, vehicles, education & grow their businesses
- Increased **main-banked clients by 2.5%**
- **Enhanced client convenience** – 1 034 Intelligent Depositors, 57% digitally focused branches & various innovative CVPs & innovations including 1 million Money app downloads
- Safeguarded **R801bn deposits** at competitive interest rates
- Supported SARB in **banking > 17 000 VBS clients** (> R250m deposits)

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

SHAREHOLDERS

- **NAV per share up 4.7%** to 16 957 cents
- Paid **R3.4bn dividends** to shareholders who represent pension funds & investments of all South Africans (incl GEPF, a 6.2% shareholder in Nedbank)
- **Supportive outcomes at 51st AGM** – all resolutions passed with > 90% votes of approval

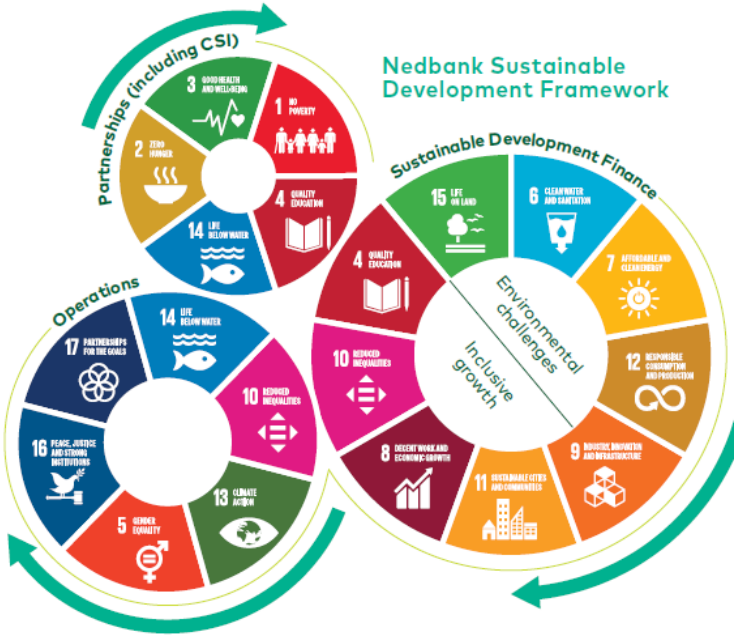
REGULATORS

- Maintained a strong balance sheet to **support a safe & stable banking system**
- Paid **R5.7bn direct, indirect & other taxes**
- Invested **more than R100bn in government & public sector bonds** to support the funding needs of government

SOCIETY

- Procured **75% of our goods & services locally**
- **Contributed more than R55m to socioeconomic development** (50% spent on education)
- **Active participant in the CEO Initiative**
- Remained a **level 2 BBBEE** contributor, now measured under the Amended FSC

Delivering on our sustainability initiatives – through our products & services, collaboration & partnership and our own operations



PRODUCTS AND SERVICES: SUSTAINABLE DEVELOPMENT FINANCE

- Invested **R3,8bn in empowerment financing** (R68bn since 2012*).
- Disbursed **R18,4bn** for renewable deals, adding a further **2 100 MW** to the national grid.
- A total of **R10,06bn** has been invested by clients in the **Nedbank Green Savings Bond** (R25,2bn since inception).
- Made more than **5 700 beds** (2016: 5 000) available through our **R1,1bn lending** for **student accommodation**.

* *2012 is the Financial Sector Code (FSC) baseline year.*

OPERATIONS

- Invested **R355m** in training **our staff.**
- Invested in strategic **water source areas,** resulting in net **zero operational water usage.**
- Since 2013 we have **decreased our total carbon footprint by 7,14%** and our **carbon footprint per fulltime employee** (FTE) (tCO_2e) by **16,24%.**
- Committed to **no further financing of coal-based power plants*.**

PARTNERSHIPS (INCLUDING CSI)

- Invested **R168m** in **socioeconomic activities.**
- Increased our annual **tertiary education** investment by **R22m** to **R94m.**
- We are proactively working with our **drought-impacted clients** to ensure their resilience during this difficult period. Assistance includes **restructuring debt** and **provision of working capital** where required.
- Invested an annual **R3,8m** in **sustainable agriculture practices** through the **WWF-SA.**

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Disclaimer

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