

# South Africa Banking Sector

Analysing the financials

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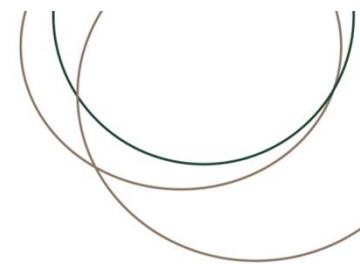
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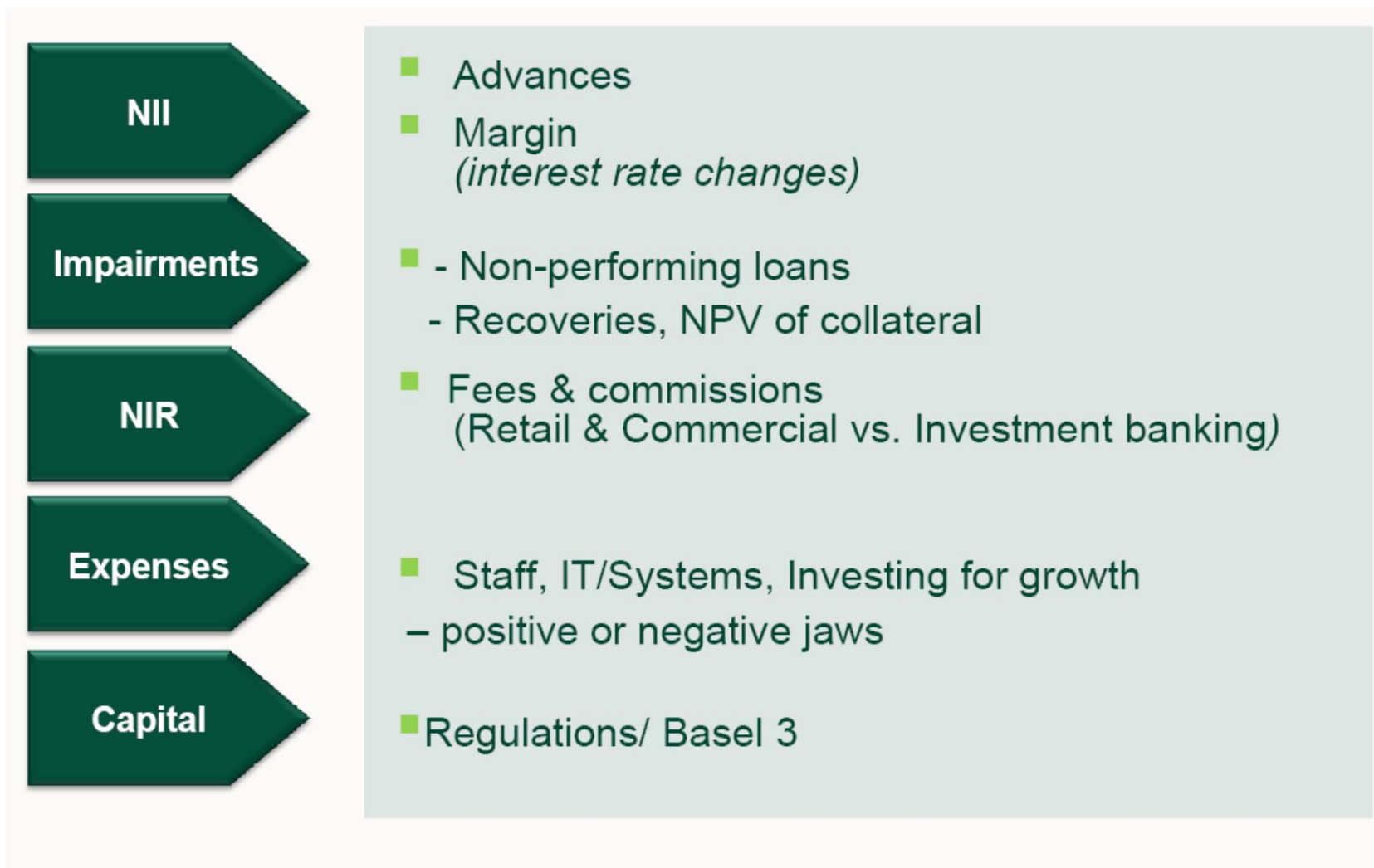
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## The financials



## Financial drivers



Source : Nedbank

## Consolidated statement of comprehensive income



Rm – year ended	% change	2010	2009
Net interest income	1,9	16 608	16 306
Impairments	(6,7)	(6 188)	(6 634)
Income from lending activities	7,7	10 420	9 672
Non-interest revenue	11,0	13 215	11 906
Total expenses	9,9	(16 598)	(15 100)
Indirect taxation	2,1	(447)	(438)
Associate income	<(100)	1	55
Headline profit before taxation	8,1	6 591	6 095
Direct taxation	10,9	(1 366)	(1 232)
Minorities & preference shares	(44,5)	(325)	(586)
<b>Headline earnings</b>	14,6	4 900	4 277
<b>Basic earnings</b>	(0,3)	4 811	4 826

Source : Nedbank

## Segmental performance/ Divisional analysis

Rm – year ended	% change	Headline earnings		ROE %	
		2010	2009 Restated	2010	2009 Restated
Nedbank Capital	(17,2)	1 202	1 452	23,5	31,0
Nedbank Corporate	(13,1)	1 496	1 722	19,7	23,7
Nedbank Business Banking	(26,4)	825	1 121	26,4	26,6
Nedbank Retail	>100	760	(27)	4,6	(0,2)
Nedbank Wealth	17,9	592	502	41,0	40,9
Operating units	2,2	4 875	4 770	14,4	14,1
Centre	>100	25	(493)		
Group	14,6	4 900	4 277	11,8	11,8

Source : Nedbank

## NII – margin analysis



% of daily average interest-earning banking assets	%	Rm
<b>December 2009</b>	<b>3,39</b>	<b>16 306</b>
Growth in banking assets		492
Endowment on capital and deposits	(0,18)	(925)
Liability mix & price movement	(0,04)	(173)
Cost of lengthening funding profile	(0,06)	(273)
Liability mix and other	0,02	100
Asset mix & margin improvement	0,12	586
Other	0,06	318
<b>December 2010</b>	<b>3,35</b>	<b>16 608</b>

Source : Nedbank

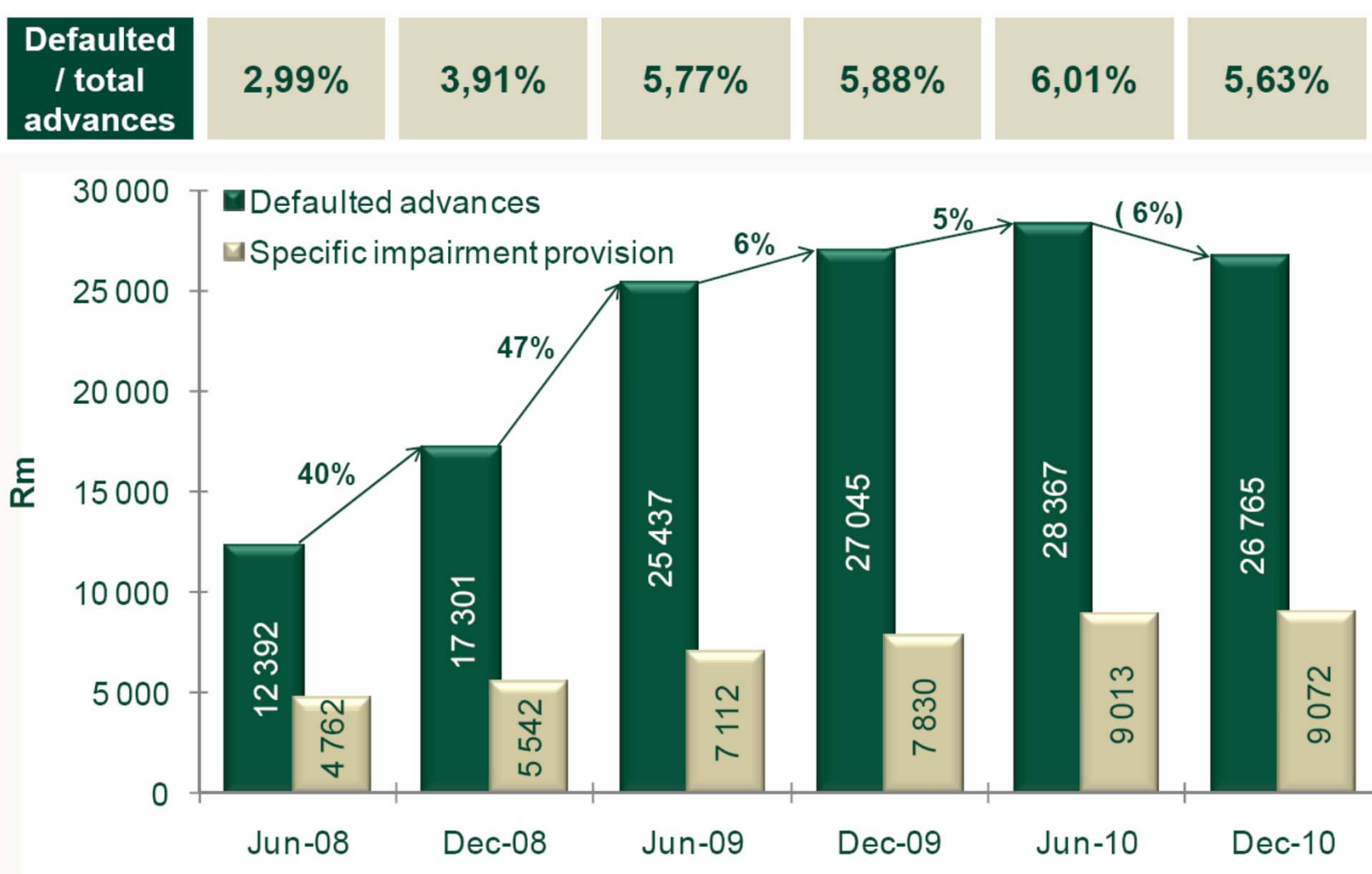
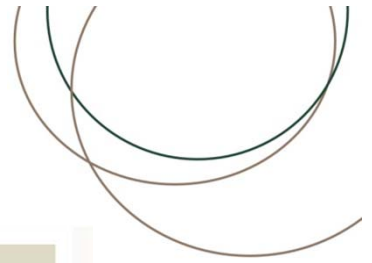


## Impairment charge

	% of avg banking advances	2010	H2 2010	H1 2010	2009 <i>Restated*</i>
Impairment charge (Rm)		<b>6 188</b>	2 944	3 244	6 634
<b>Credit loss ratio (%)</b>		<b>1,36</b>	1,27	1,46	1,52
Nedbank Capital		<b>1,27</b>	1,72	0,80	0,36
Nedbank Corporate		<b>0,20</b>	0,10	0,31	0,25
Nedbank Business Banking		<b>0,40</b>	0,48	0,32	0,52
Nedbank Retail		<b>2,67</b>	2,42	2,93	3,17
Nedbank Wealth		<b>0,15</b>	0,05	0,24	0,47

Source : Nedbank

# Defaulted advances



Source : Nedbank

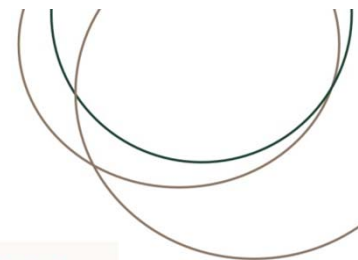


## Non-interest revenue

Rm – year ended	% change	2010	2009
Commission & fees	13,7	9 758	8 583
Insurance income	39,8	860	615
	15,4	10 618	9 198
Trading income	13,9	2 096	1 841
Private equity income	(25,0)	228	304
Other income		531	519
Fair value adjustments		(258)	44
	11,0	13 215	11 906

Source : Nedbank

## Expenses



Rm – year ended	% change	2010	2009
<b>Staff costs</b>	11,3	<b>8 794</b>	7 898
<b>Computer processing</b>	7,1	<b>2 135</b>	1 993
Marketing & PR	17,2	<b>1 009</b>	861
Fees & insurance	13,1	<b>1 592</b>	1 407
Other	4,3	<b>3 068</b>	2 941
	9,9	<b>16 598</b>	15 100

Source : Nedbank



## Consolidated statement of financial position

Rm	% change	2010	2009
Cash & securities	7,8	<b>78 613</b>	72 908
Advances	5,5	<b>475 273</b>	450 301
Other		<b>54 832</b>	47 494
<b>Total assets</b>	<b>6,7</b>	<b>608 718</b>	<b>570 703</b>
Ordinary shareholders' equity	11,2	<b>44 101</b>	39 649
Minorities & preference shareholders		<b>3 713</b>	5 335
Deposits	4,5	<b>490 440</b>	469 355
Long-term debt instruments	30,0	<b>26 104</b>	20 084
Other		<b>44 360</b>	36 280
<b>Total equity &amp; liabilities</b>	<b>6,7</b>	<b>608 718</b>	<b>570 703</b>

Source : Nedbank



## Advances

Rm	% change	2010	2009
Home loans	0,7	145 895	144 921
Commercial mortgages	6,7	86 100	80 672
Properties in possession	(25,4)	662	887
Term loans	9,2	74 605	68 321
Credit cards	7,9	7 910	7 334
Overnight loans	1,1	12 552	12 420
Overdrafts	20,0	13 307	11 093
Other loans to clients	1,3	46 239	45 664
Leases & instalment sales	5,9	67 881	64 128
Preference shares & debentures	23,2	20 499	16 633
Reverse repurchase agreements	35,2	10 849	8 026
Impairment of advances	14,6	(11 226)	(9 798)
	5,5	475 273	450 301

Source : Nedbank



## Deposits

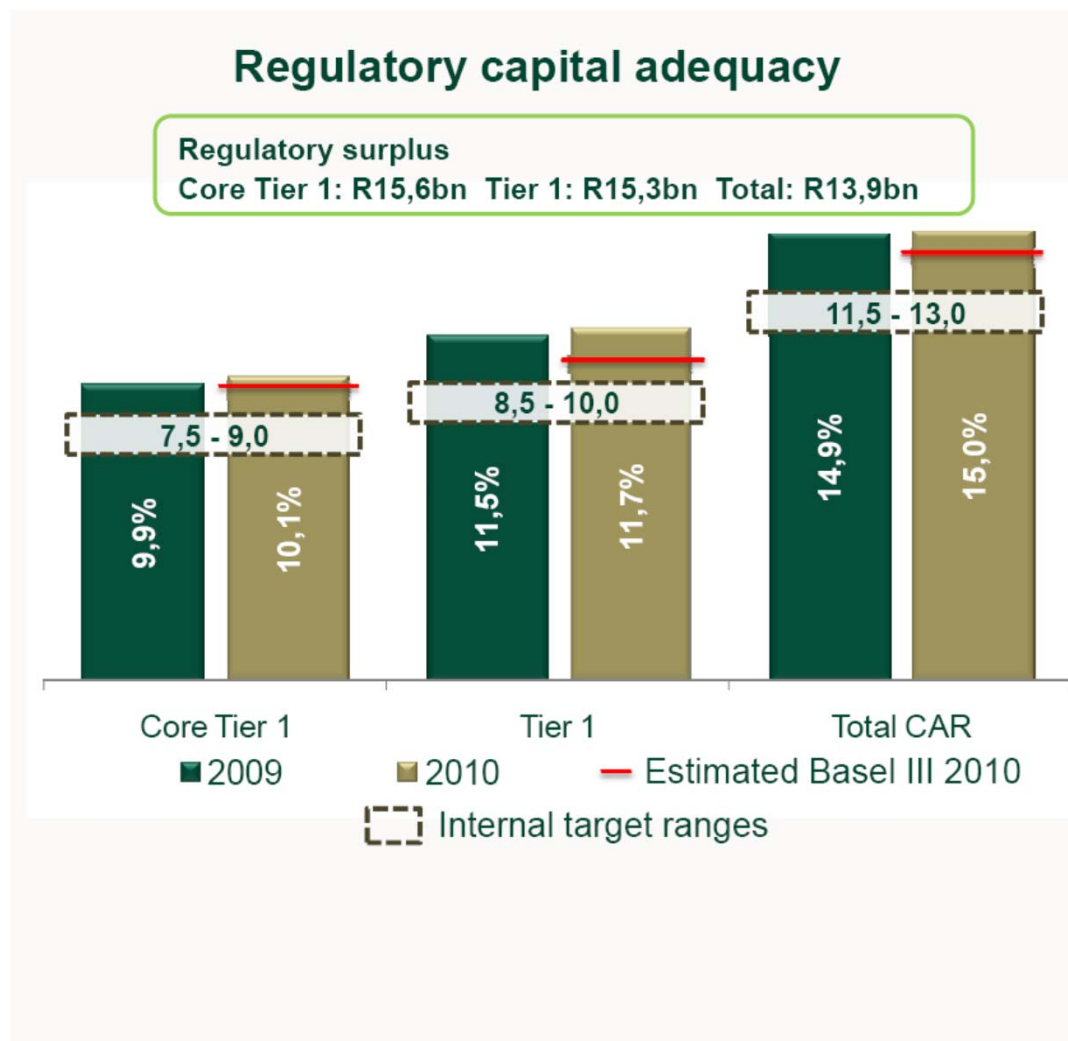
Rm	% change	2010	2009
<b>Current accounts</b>	7,0	<b>47 672</b>	44 539
<b>Savings accounts</b>	(3,5)	<b>14 756</b>	15 294
<b>Term deposits &amp; other</b>	3,4	<b>293 467</b>	283 829
Foreign currency liabilities	39,2	<b>9 781</b>	7 027
NCDs & FRNs	6,6	<b>110 584</b>	103 731
Deposit repurchase agreements	(5,1)	<b>14 180</b>	14 935
	4,5	<b>490 440</b>	469 355

*... loans to deposit ratio stable at 96,9%  
& long-term funding ratio (average for Q4) improved from 20,1% to 24,0%*

Source : Nedbank



# Capital adequacy ratios

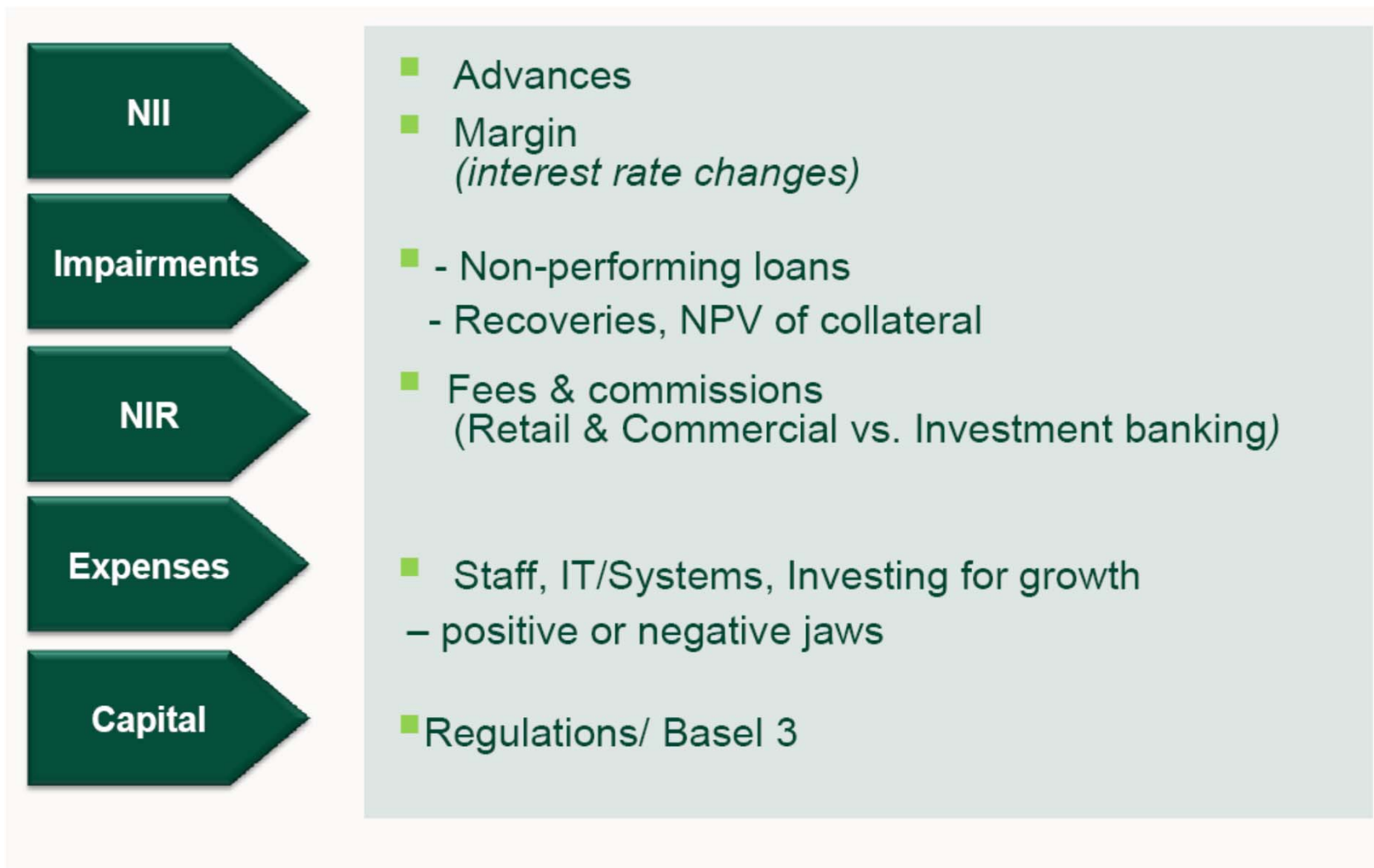


- Capital driven by regulations
- Still awaiting final B3 local capital requirements

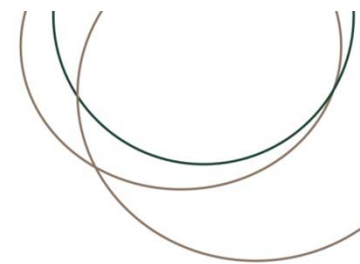
Source : Nedbank



## Financial drivers

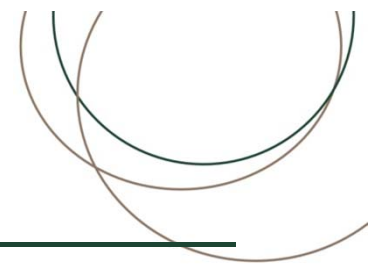


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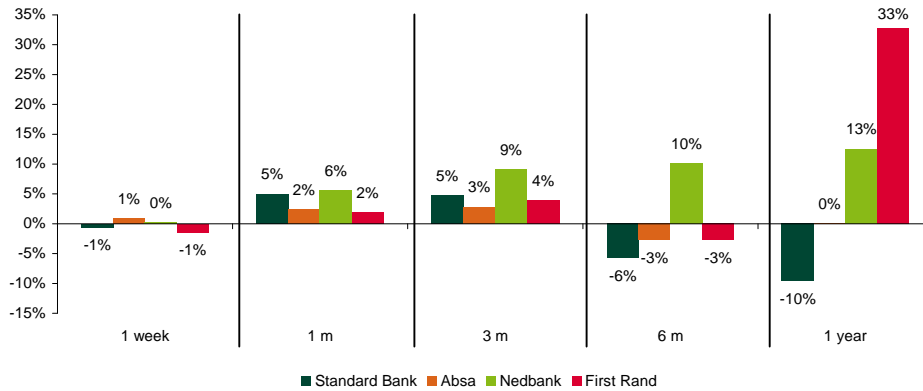


## Using the financials

# SA Banks – Share Performance summary

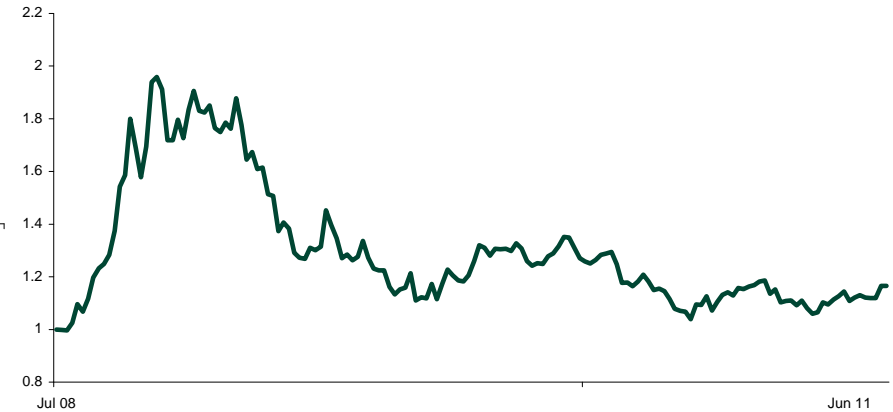


## SA Banks Absolute Performance



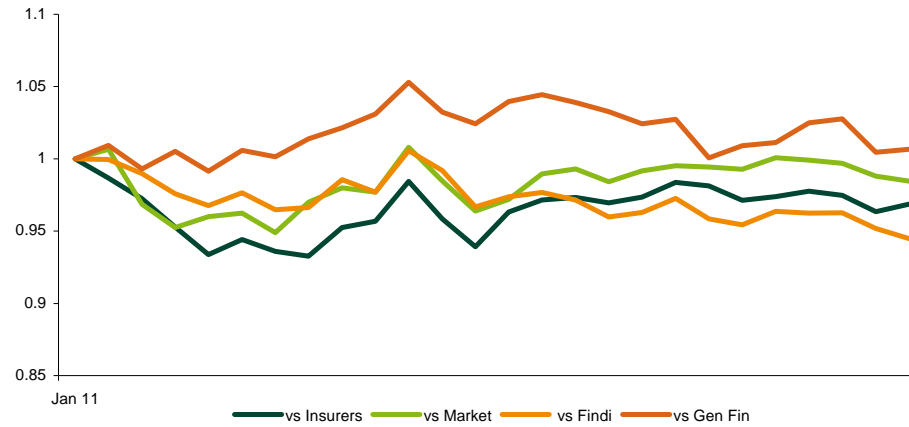
Source: I-Net

## SA Banks Relative to Emerging Market Banks



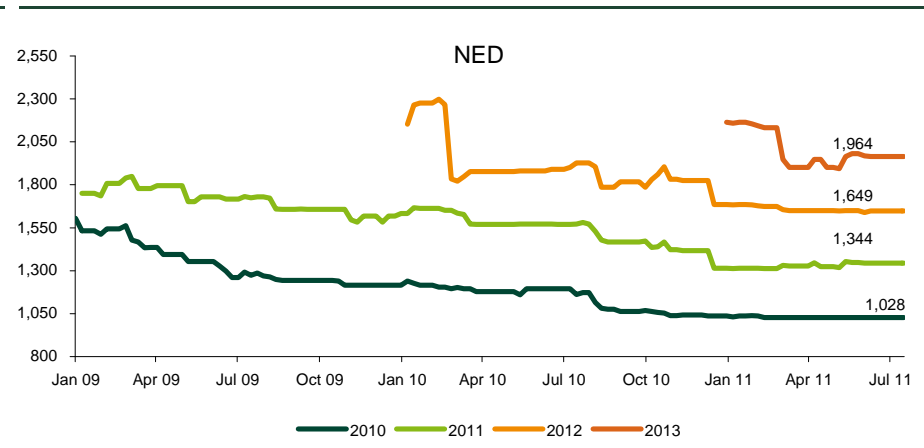
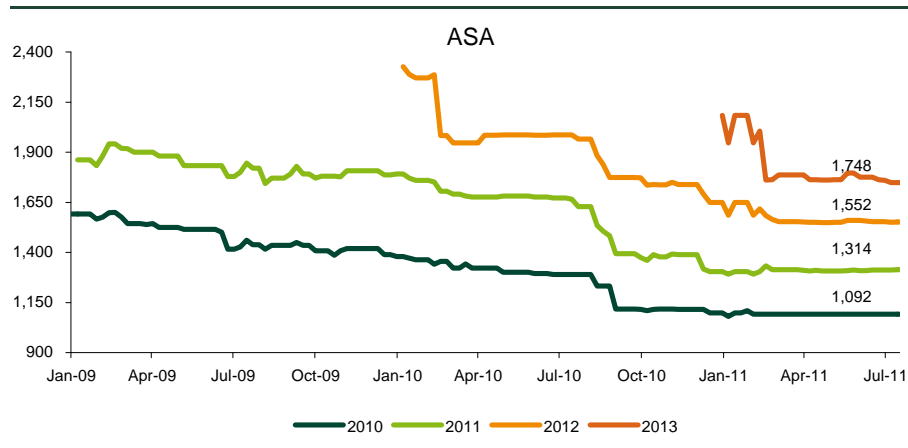
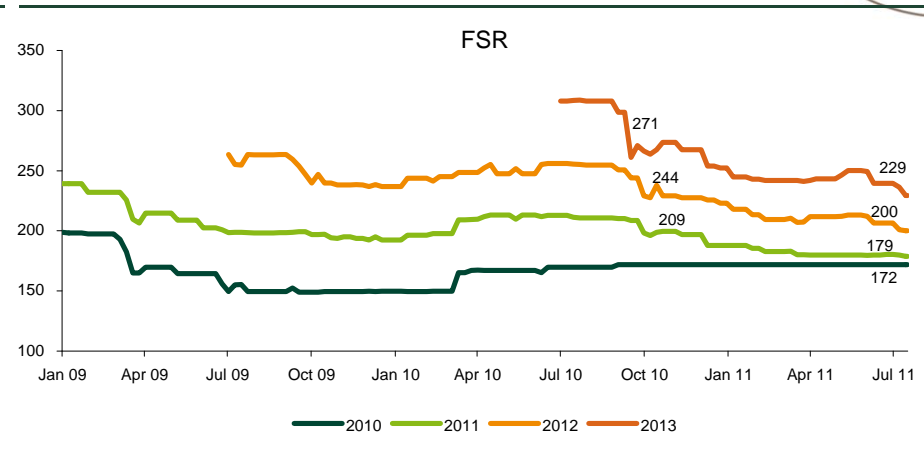
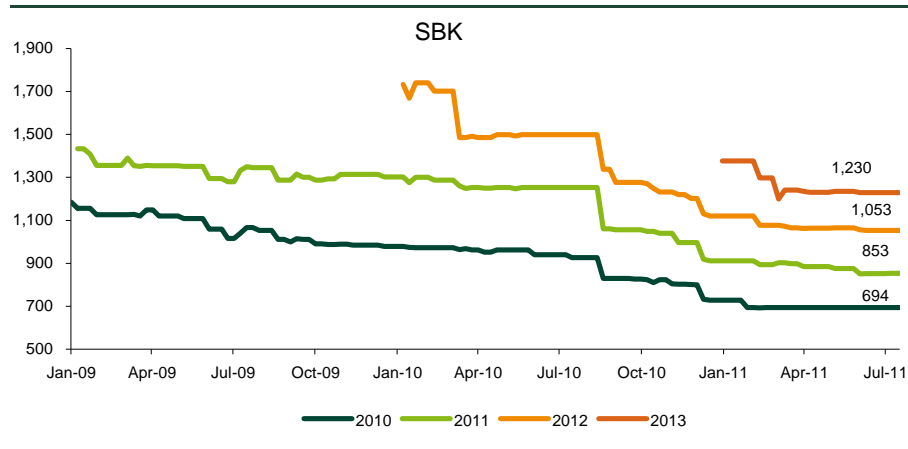
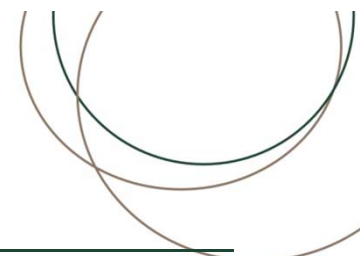
Source: Bloomberg (Note: Performance is USD based)

## SA Banks vs Insurance, ALSI and Findi (6 months)



Source: I-Net

# Share price drivers: Changes to consensus earnings



Future earnings expectations drive share prices

Source : Bloomberg, I-Net



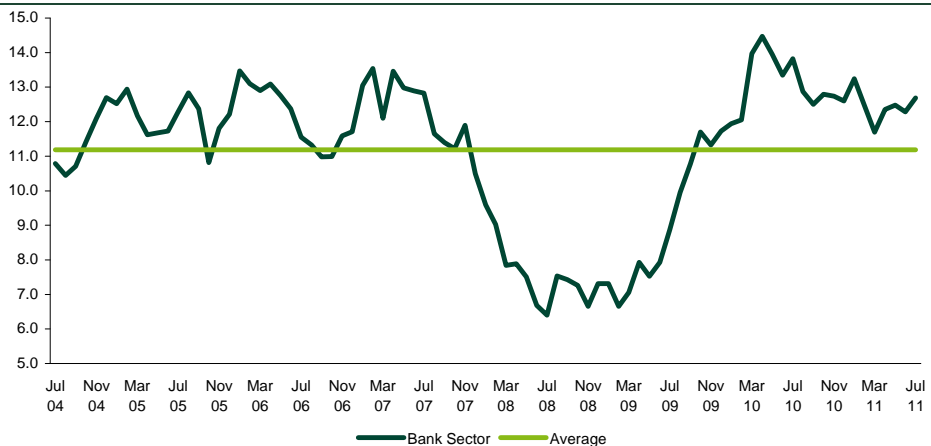
# Sector Valuation Multiples – Price to Earnings

Forward – P/E



- Valuations can however be considered on forward or historic bases

Historic – P/E

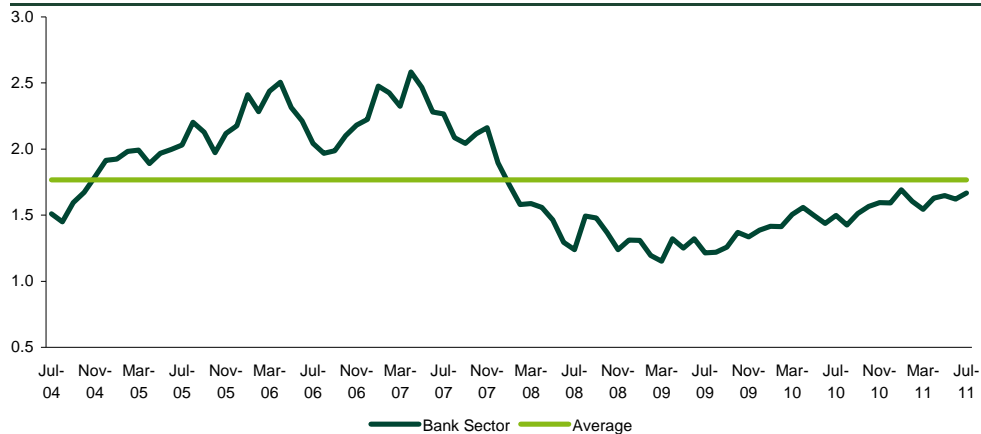


Source : I-Net, Bloomberg (Note: "Forward" multiples are based on rolling 12 month consensus forecasts)



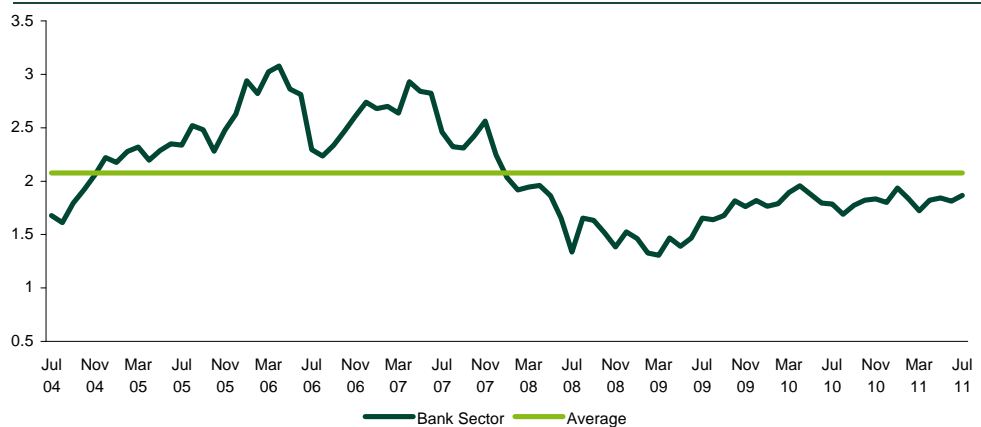
# Sector Valuation Multiples – Price to Book

Forward – P/B



- Price to Book value is also an important valuation basis

Historic – P/B

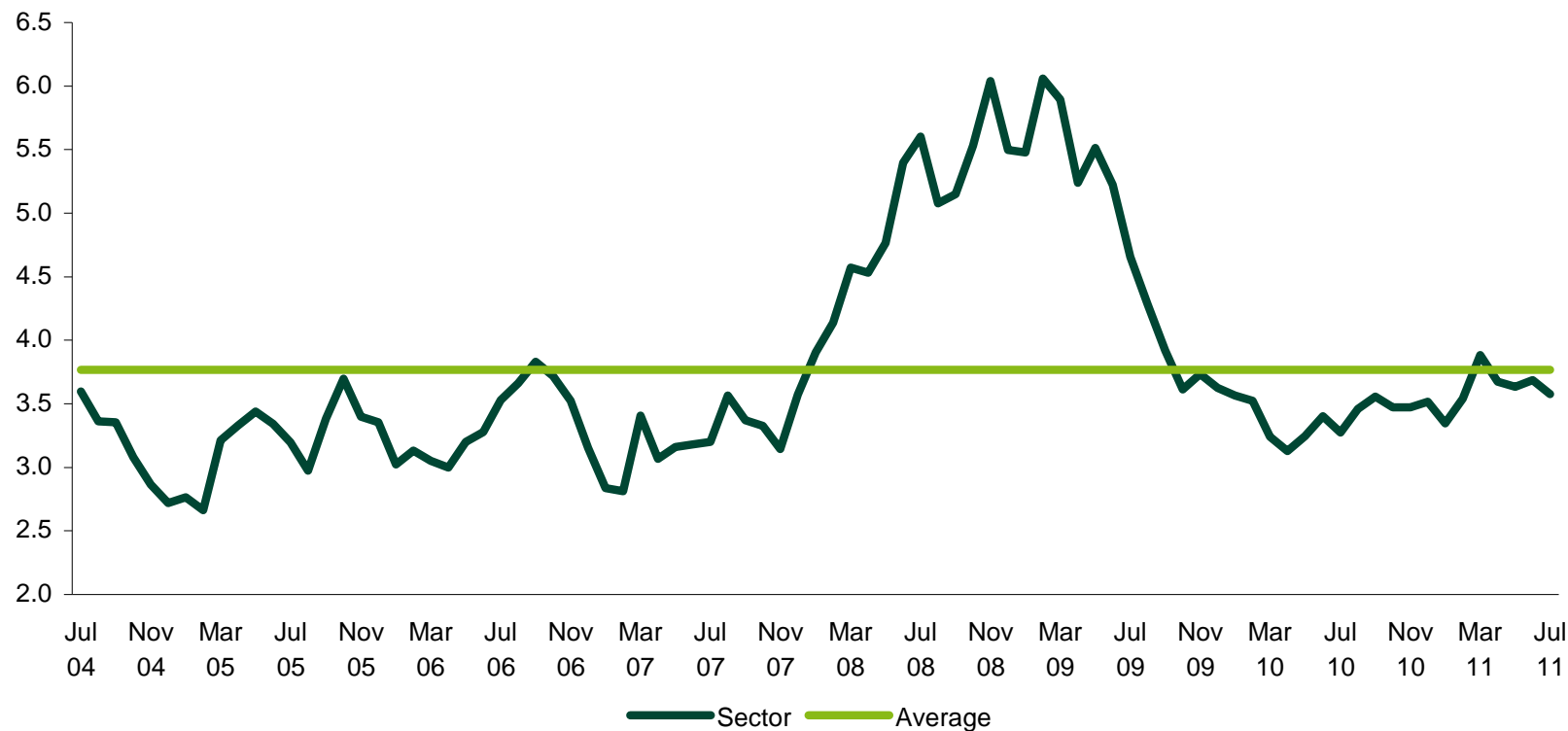


Source : I-Net, Bloomberg (Note: "Forward" multiples are based on rolling 12 month consensus forecasts)



# Sector Valuation Multiples – Dividend yield

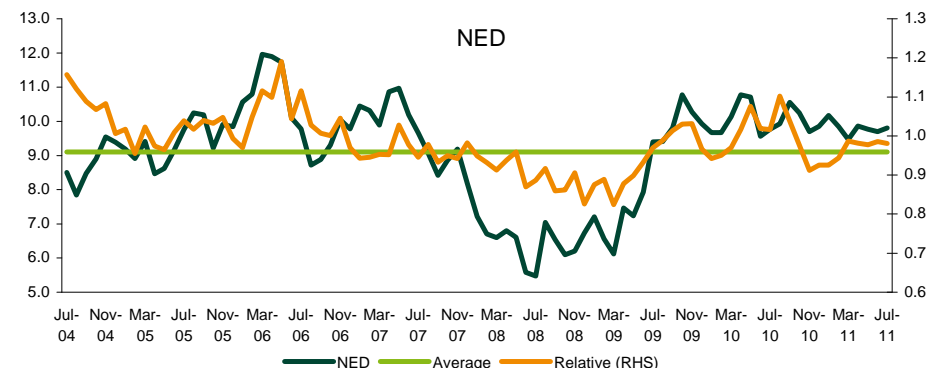
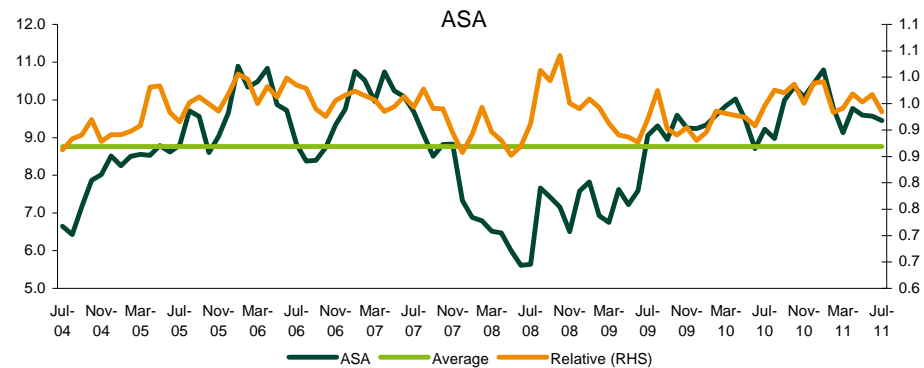
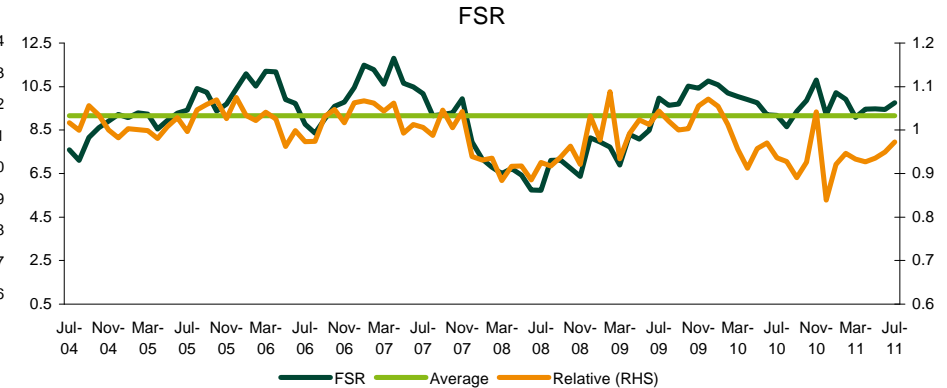
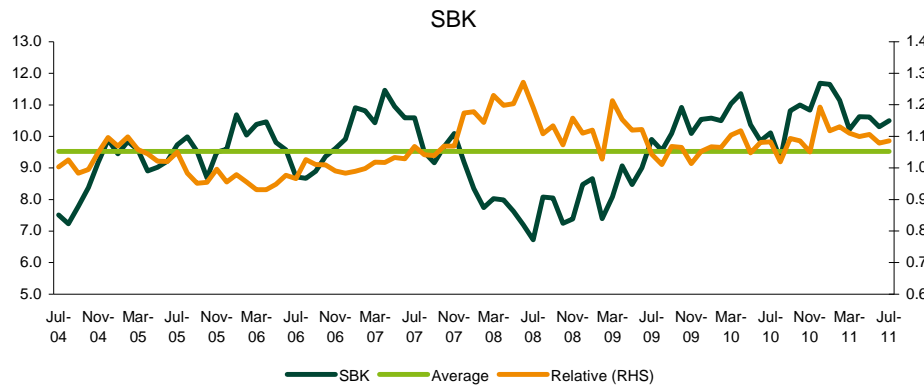
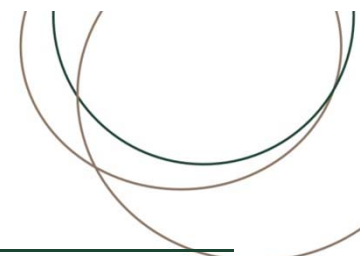
Historic



Dividends are an important measure of reference

Source : I-Net

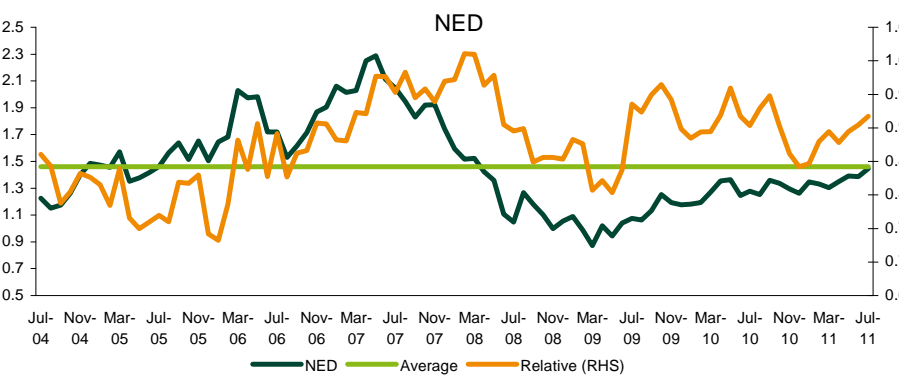
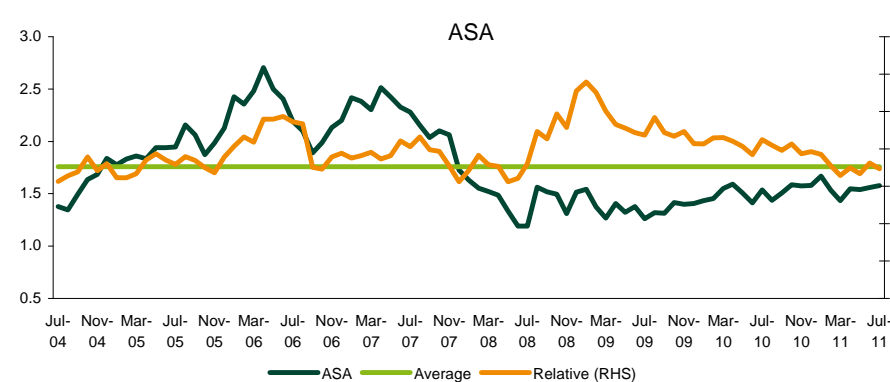
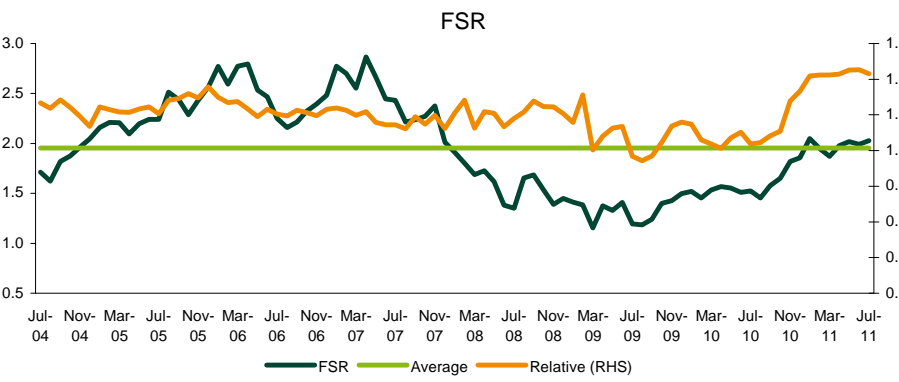
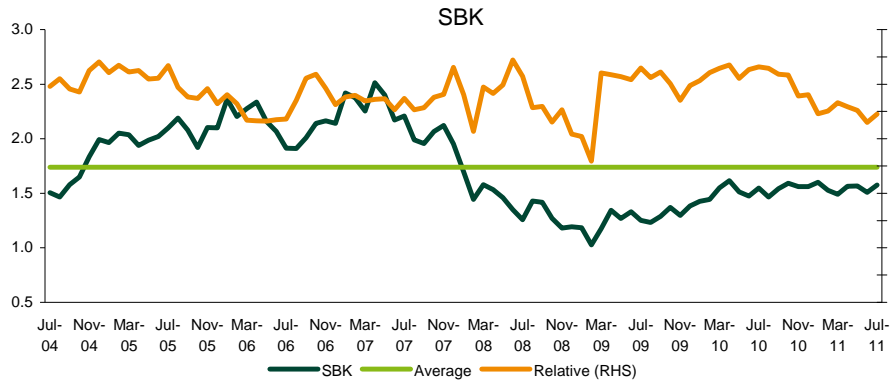
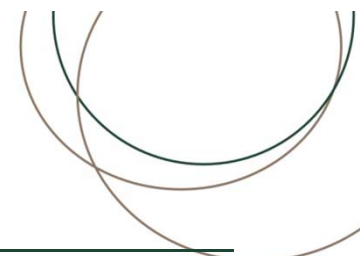
# Company Valuation Multiples - Forward PE



We compare companies with each other

Source : Bloomberg, I-Net

# Company Valuation Multiples - Forward Price to Book



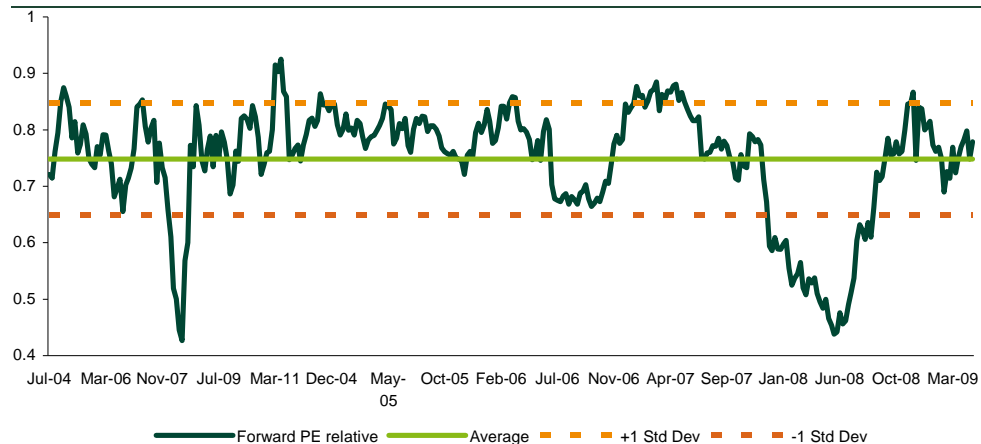
We compare companies with each other

Source : Bloomberg



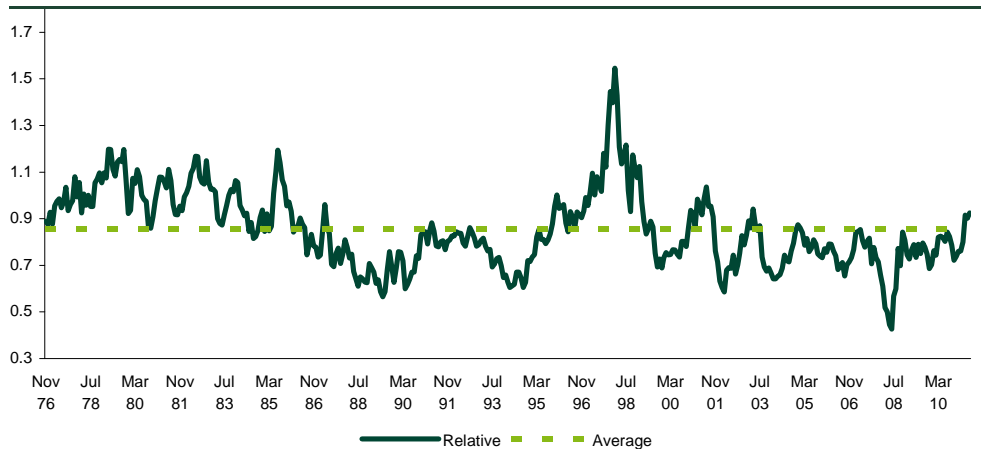
# Comparing to Market: SA PE relatives

Forward - SA Banks vs the ALSI



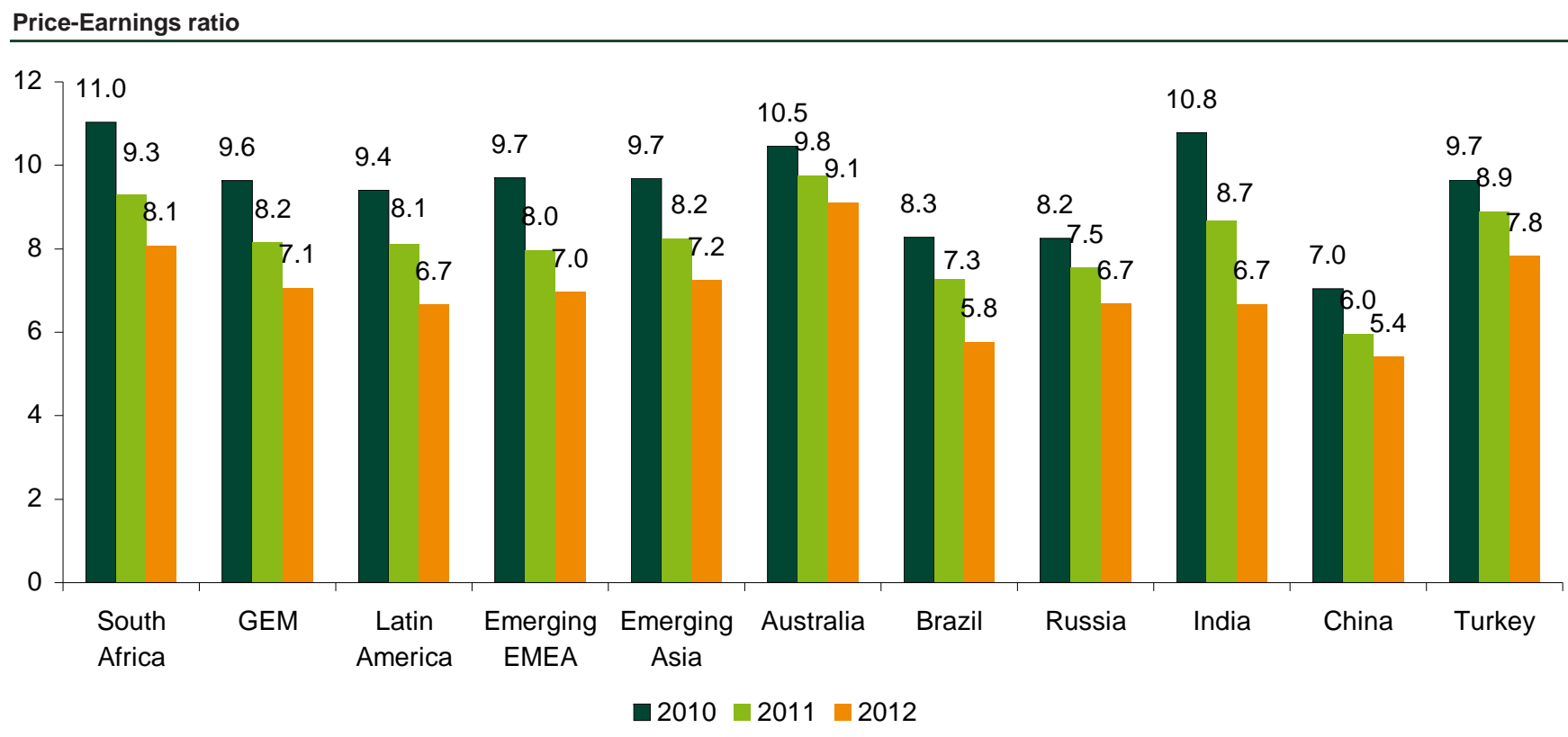
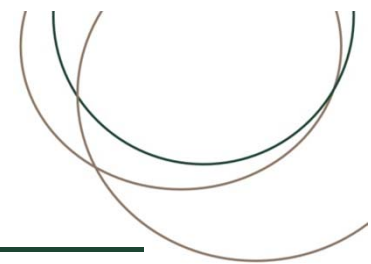
- We also compare banks with the market as a whole

Historic – Banks vs ALSI



Source : I-Net

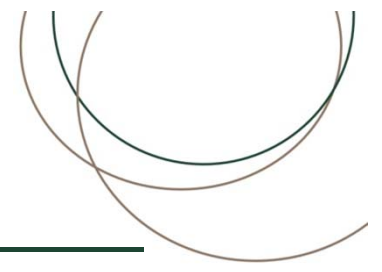
# Comparing to International Banks: Price to earnings



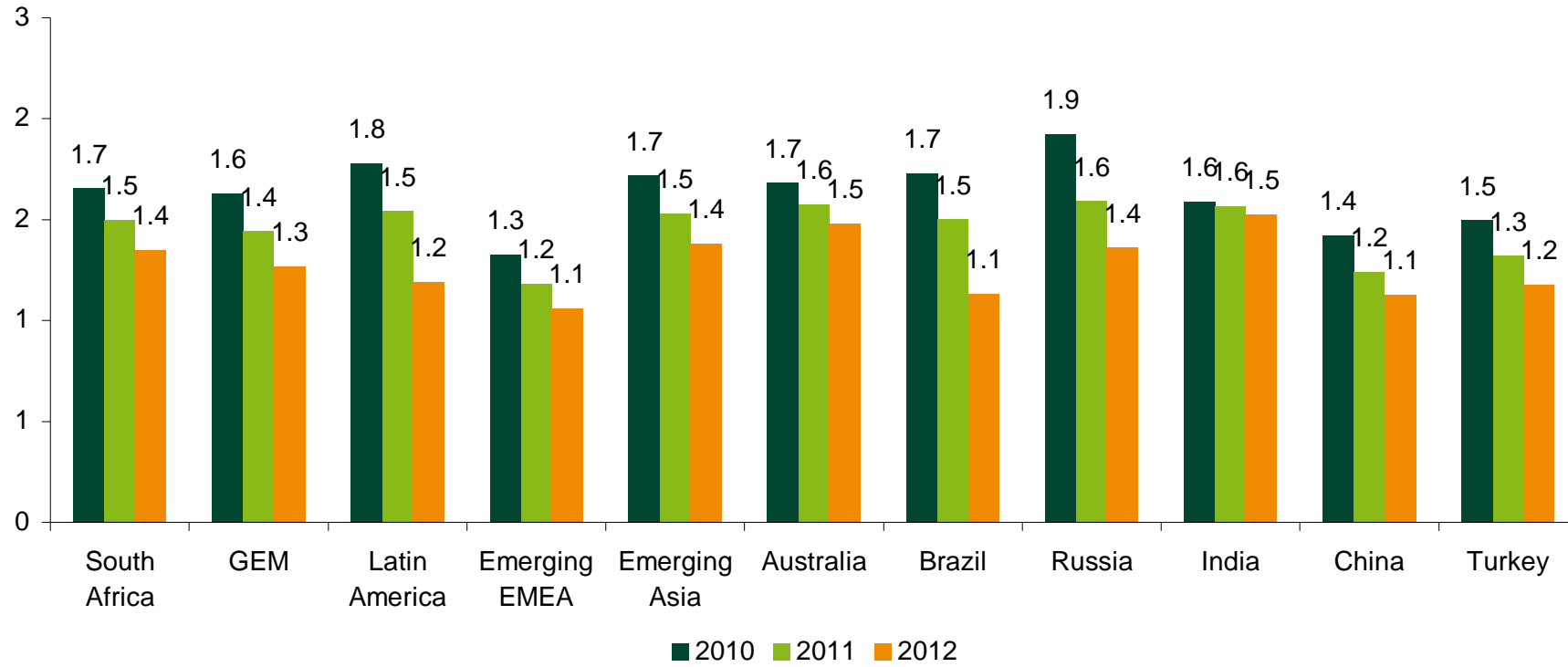
We compare SA banks with international peers

Source :Bloomberg; Company data; Nedbank Capital estimates (Note: Metrics are used based on weighted averages per region for stocks under Nedbank Capital coverage)

# Comparing to International Banks: Price to book

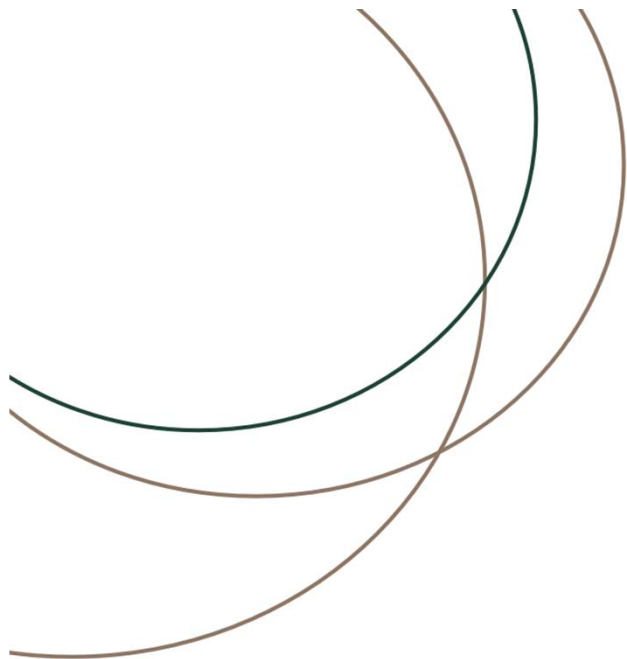


Price-Book ratio



We compare SA banks with international peers

Source : Bloomberg; Company data; Nedbank Capital estimates (Note: Metrics are used based on weighted averages per region for stocks under Nedbank Capital coverage)



# Thank You

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