NEDBANK GROUP

2022 Interim Financial Results

For the six months ended 30 June 2022

10 AUGUST 2022






NEDBANK GROUP

Overview

Mike Brown

Chief Executive

Agenda

Highlights & operating environment

Strategic progress

Financial overview

Outlook & guidance



Overview

Environment	Strategic	Operational	Financial
Good momentum into Q1 2022, but a more challenging Q2 2022	**Strategic delivery on track**	**Solid operational performance**	**Revenue uplift driving HE growth & strong balance sheet, enabling strong growth in interim dividend**
▪ **SA GDP growth of 1,9% qoq** in Q1, with Q2 GDP expected to decline ▪ **Corporate client activity improving** & pipelines attractive ▪ **Retail clients resilient to date,** despite rising interest rates & inflation	▪ **Digital** leadership ▪ Market-leading **client experiences** ▪ **Market share gains** in key areas ▪ **Productivity** improvements ▪ **ESG leadership** maintained	▪ PPOP: **+17%** ▪ JAWS: **+4%** ▪ Cost-to-income: **56,2%**	▪ HE: **+27%** ▪ Revenue: **+11%** ▪ CET1: **13,5%** ▪ LCR: **144%** ▪ NSFR: **120%** ▪ Coverage: **3,31%** ▪ Interim DPS: **+81%** (back above H1 2019)

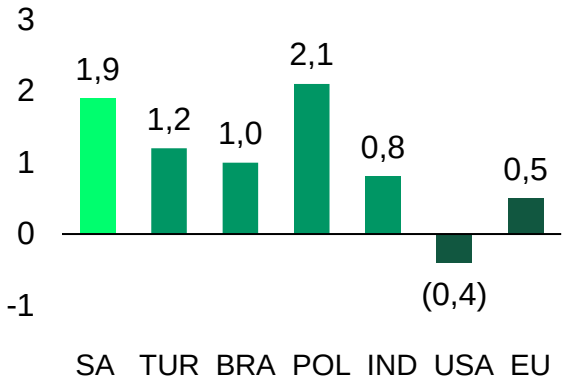
Operating environment – global economic pressures feeding into the local market, although SA economy currently more resilient than many other emerging markets

Global environment

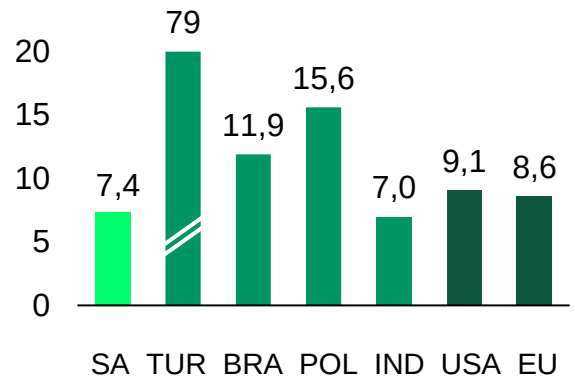
- Ongoing impact of **Ukraine/Russia war**
- **Supply chain constraints** from China lockdowns, but easing
- **Elevated commodity prices**, but support waning
- **Inflationary pressures** (particularly energy & food)
- **Monetary policy tightening** ahead of expectations
- **Increased risk of recession** in key markets

The SA economy has been resilient, despite own challenges

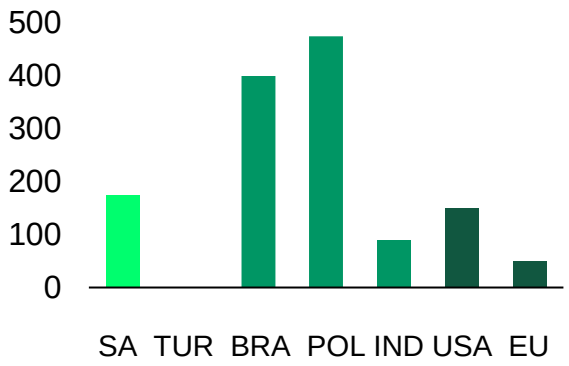
Q1 2022 GDP growth[1] (qoq, %)



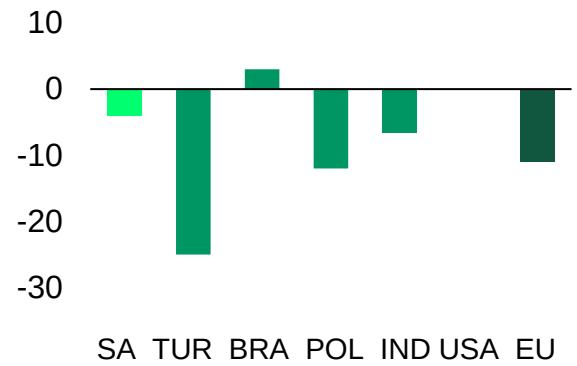
Inflation rate (June 2022, %)



Change in interest rates (ytd, bps)



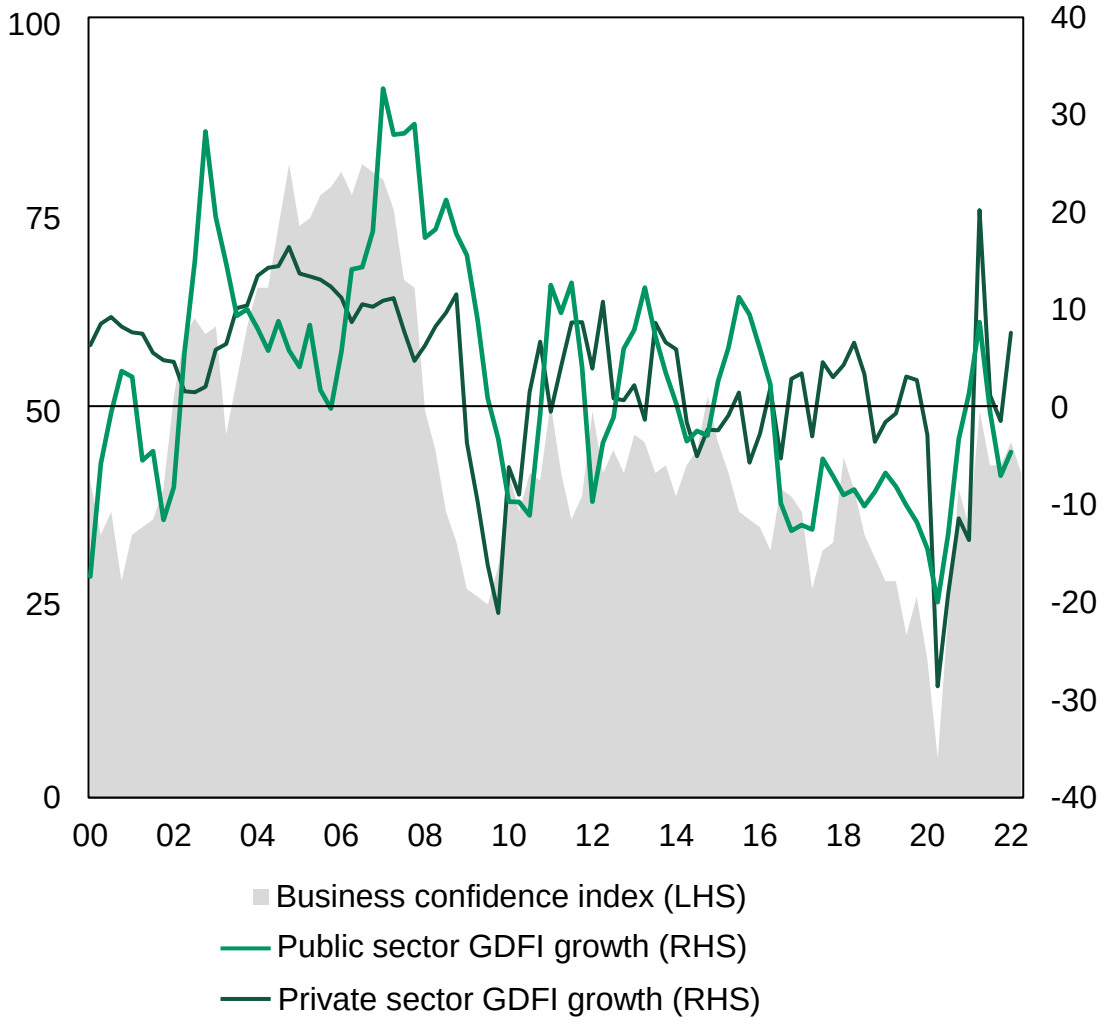
Change in currency[2] (ytd, %)



[1] World Bank forecasts (June 2022). | [2] Relative to the US$ to 25 July 2022.

Operating environment – some positive developments on key SA reforms, but business confidence still low as delivery remains slow & energy constraints remain

Business confidence[1] vs growth in fixed investment



- **Fixed investment edging up off a low base & client activity improving, driving a mild recovery in wholesale loan growth**
- **Positive developments on key SA reforms[2] but delivery remains slow**
  - ‘Red-tape reduction drive’
  - SA president’s energy plan – initiatives to improve operations at Eskom & adding significant new capacity (private sector)
  - RFP for public-private partnership in ports
  - Some large water infrastructure projects underway & aim to eliminate delays in granting water licences
  - Auctioning of 5G spectrum
  - Third-party access to SA freight rail network
- Negative impact from **KZN floods**
- **Stage six load-shedding** (electricity shortages are expected to continue over the next few years)

[1] SA Bureau of Economic Research. | [2] Extracted from the SA president's State of the Nation Address 2022.

Booklet slide

Operating environment – SA government plan to address electricity constraints & ensure sustainable supply

1 Support for Eskom

- Improve performance of existing fleet – increase budget for spares, bringing back experienced plant managers/engineers, etc
- Purchase surplus electricity from IPPs, mines, neighbouring countries, etc
- Use foreign funding to repurpose power plants
- Appointed special SAPS team to address fraud/corruption/sabotage
- Make land available for 1 600 MW of generation

2 Accelerate new capacity from IPPs

- Renewable, gas & battery storage
- Bid window 4 (2 000 MW) completed
- Accelerate bid window 5 delivery (2 600 MW to come online from 2024)
- Doubled bid window 6 (2 600 MW to 5 200 MW)
- RFP for gas by Sept 2022
- RFP for battery storage shortly after Sept 2022

3 Accelerate private sector capacity

- Initial 100 MW self-generation pipeline = 80 projects/ 6 000 MW
- Removed 100 MW cap & licensing requirements
- Change in regulation for municipalities to procure privately
- Create a single point of entry for approvals

4 Accelerate rooftop solar

- Accelerate rooftop solar by businesses & households + enable feed into the national grid (sell to Eskom)
- Eskom to publish rules & feed-in tariffs

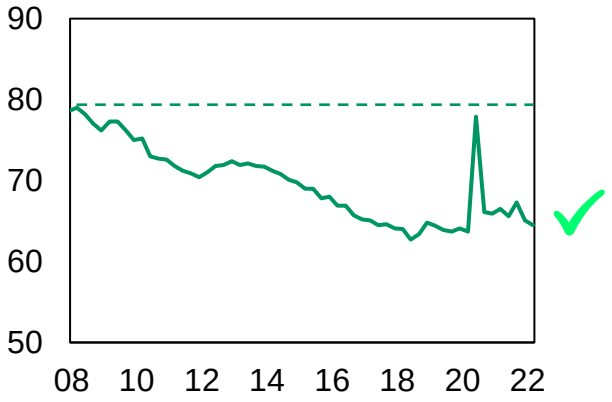
5 Transform the energy sector

- Restructure Eskom into generation, transmission & distribution (completed by end-2022 & board appointments in progress)
- Allow more generation/competition, but Eskom retains transmission

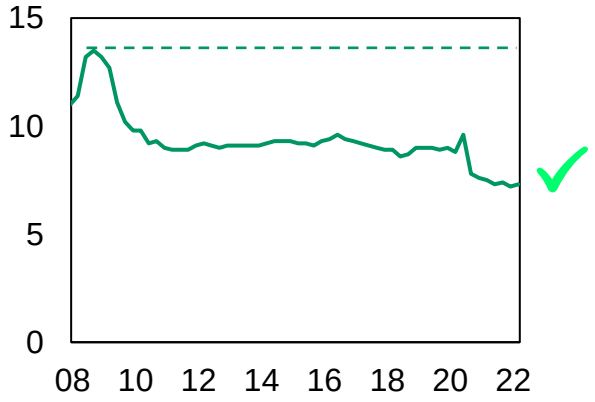
Load-shedding expected to remain intermittent over the next few years, but still elevated in 2022

Operating environment – households remain resilient despite rising interest rates & inflation

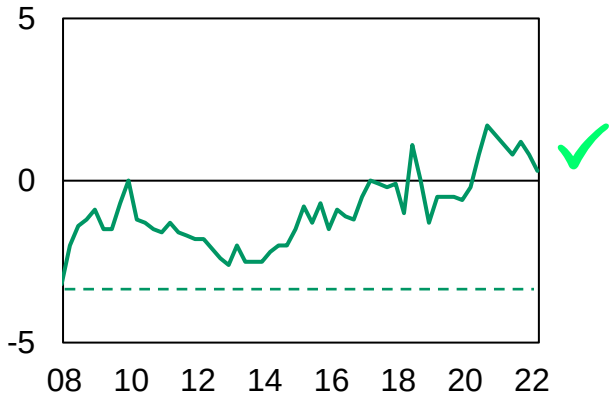
Household debt ratios
(% of PDI)



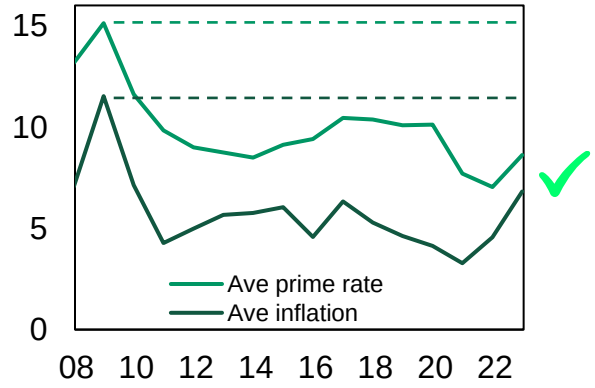
Household debt service costs (% of PDI)



Household savings rates
(% of PDI)



Average inflation & interest rates (%)



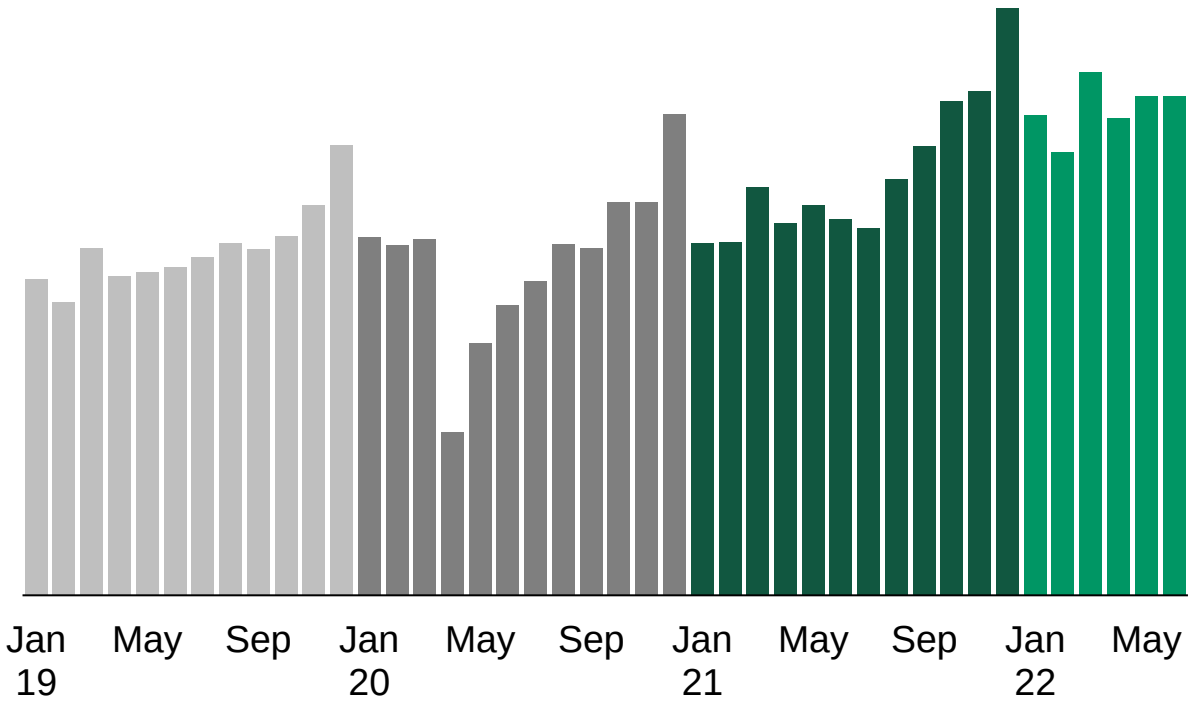
- **Households have de-levered since the GFC**
  - Debt-to-income ratio at a relatively low 64,5%, down from a GFC peak of 79%
- **Interest rates still 100 bps lower than at end-2019 & households' debt servicing cost-to-income ratio at a 16-year low, supporting:**
  - Demand for prime-linked credit
  - Easier cash flow for households, businesses & corporates to service their debt
- **Households have accumulated savings**, providing some buffer against rising interest rates
- **The recovery in employment likely to continue** as tourism picks up
- **Rising pressure on consumers** – from fuel, food & electricity price increases, but the inflation shock is not likely to be as severe as during the GFC

PDI = Personal disposable income.

Booklet slide

Operating environment – our high-frequency card & POS data shows a continued SA recovery

Total monthly industry POS turnover[1]
(Rbn)



- **Recovery continued** into H1 2022 (although H1 seasonally lower than H2)
- **All underlying industries now above 2019 levels**
- **Amex volumes above 2019 levels since April 2022** (recovery in corporate, leisure & travel sectors)
  - Corporate spend[2] up > 80% ytd
  - Foreign cardholder spend up[2] > 180% ytd

[1] Based on Nedbank POS & card-related digital payment data (client turnover).| [2] Monthly volumes in June 2022.

Booklet slide

Operating environment – risks & implications of a possible SA FATF greylisting & actions underway

The **Financial Action Task Force (FATF) Mutual Evaluation Report** identified significant weaknesses in parts of the SA's AML, CFT & CPF systems. The SA government was given until October 2022 to demonstrate that it has a credible plan to address the deficiencies, failing which it could be placed on a monitoring greylist in February 2023

Key actions

Omnibus bill	IO 1	IO 2, 4 & 5	IO 2, 6, 7 & 8	IO 2, 6, 8, 9, 10 & 11
Proposed to address technical deficiencies & amendments to NPO Act, FIC Act, Co Act, etc	Complete national risk assessment & identify potential vulnerabilities to conceal inward flow of suspected proceeds	Supervision, preventative measures, & beneficial ownership enhancements	International cooperation, ML investigations, prosecutions & asset forfeiture enhancements	International cooperation, TF investigations & prosecutions enhancements

The potential risks relating to greylisting SA

If a greylisting materialises, SA would be deemed to pose a much higher money laundering & terrorist financing & proliferation risk, & could face, inter alia:

- **high risk classification** by the EU & UK, **downgrade** in investment grade ratings & **potential de-investment**;
- **increased monitoring** by FATF;
- **adverse economic consequences** for trade & transactions;
- impacts to **correspondent banking relationships**; &
- **possible restrictions on banks** in the US, UK & EU from transacting with SA banks

Potential implications for SA banks & Nedbank

- Global correspondent banks & other intermediary financial institutions involved in transactions with SA entities are likely to:
  - demand a **higher level of due diligence**;
  - may **reprice business**; or
  - as last resort **de-risk SA exposures**
- **Nedbank has adequate AML/CFT & sanctions measures in place**, & fully supports all the initiatives to address the weaknesses identified by FATF within SA
- The most **pertinent components** in respect of financial institutions/banks can be found under **IO 4**, which deals with **preventive measures**

IO = Immediate outcome workstreams led by a SA government interdepartmental working group. | AML: Anti-money-laundering. | CFT: Counter-financing of terrorism & related activities. | CPF: Counter-proliferation Financing & related activities.

Nedbank Group strategy

Strategic value drivers

Growth | **Productivity** | **Risk & capital management**

Strategic value unlocks

Enabled by **Managed Evolution** technology strategy

Delivering market-leading client solutions	Ongoing disruptive market activities	Driving efficient execution (TOM 2.0)	Focusing on areas that create value (SPT 2.0)	Creating positive impacts

Targets to 2023[1]

DHEPS	ROE	Cost-to-income ratio	Net Promoter Score
> 2 565 cents (2019 levels)	**> 15%** (2019 levels)	**< 54%**	**#1 bank** (from #2 in 2021)

Long-term targets

> CPI + GDP +5% (growth)	> 18% (COE + 3% to 4%)	< 50%	#1 bank

[1] *Set in March 2021.*

Nedbank Group strategy

Strategic value drivers

Growth | **Productivity** | **Risk & capital management**

Strategic value unlocks



Delivering market-leading client solutions



Ongoing disruptive market activities



Driving efficient execution (TOM 2.0)



Focusing on areas that create value (SPT 2.0)



Creating positive impacts

Enabled by **Managed Evolution** technology strategy

Targets to 2023[1]

DHEPS	ROE	Cost-to-income ratio	Net Promoter Score
> 2 565 cents (2019 levels)	**> 15%** (2019 levels)	**< 54%**	**#1 bank** (from #2 in 2021)

Long-term targets

> CPI + GDP +5% (growth)	**> 18%** (COE + 3% to 4%)	**< 50%**	**#1 bank**

[1] *Set in March 2021.*

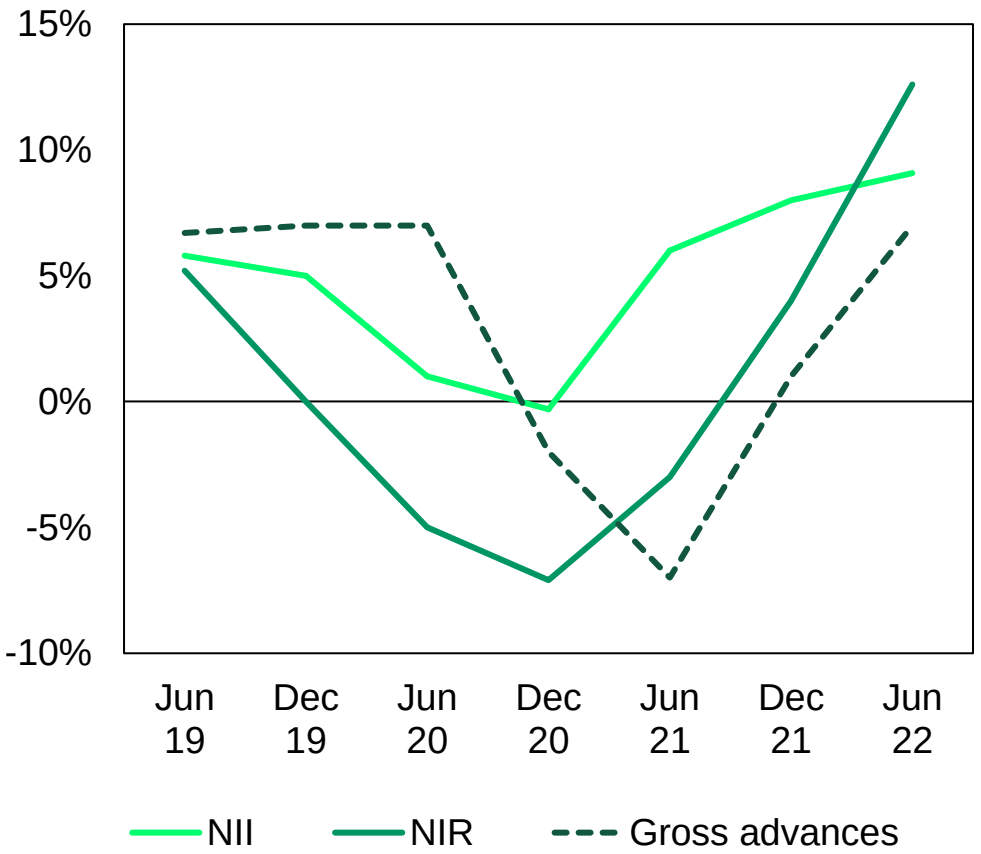
Growth – growth trends improving, notwithstanding the negative macroeconomic & financial market impacts that emerged in Q2 2022

Strategic value drivers

Growth | Productivity | Risk & capital management

Nedbank revenue & gross advances growth

(%)



Strong digital & client-driven growth

- New primary client wins in CIB: **11**
- Retail main-banked clients: **+2%** yoy to 3,04m
- NAR client gains: **+4%** to 351k
- App volumes **+35%** yoy & **+289%** since 2019

Negative impact from financial markets

- AUM down 9% ytd to R385bn
- Trading income down 10%

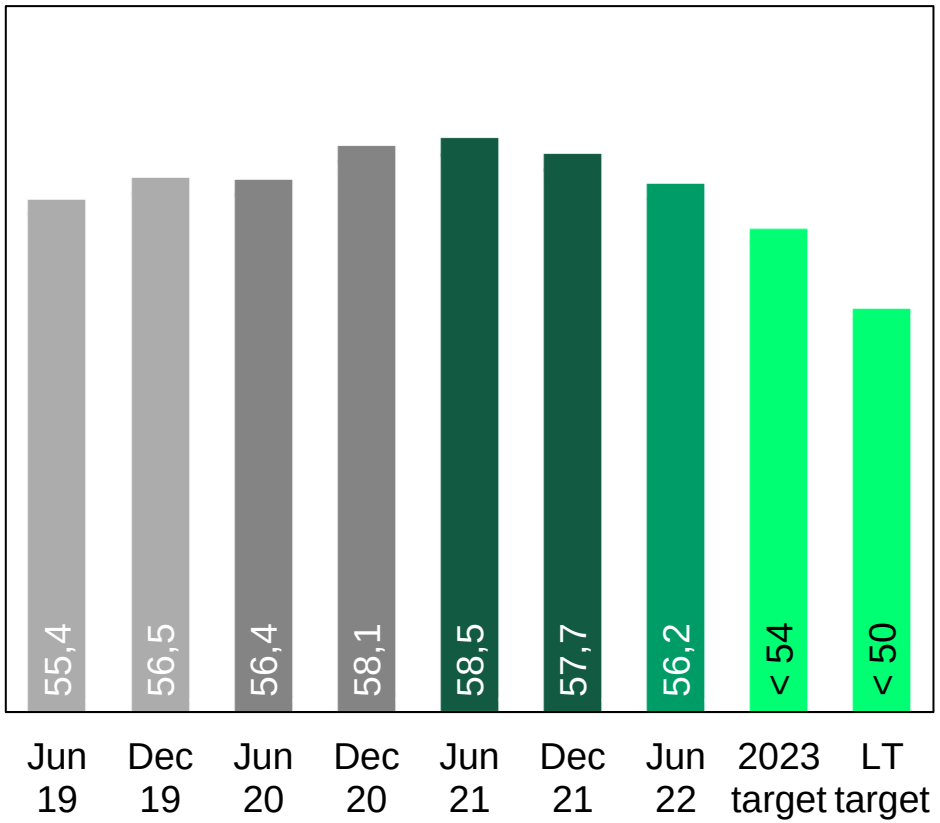
Gross advances +7% (RBB +6% & CIB +9%)

Structural benefit from higher interest rates (endowment)

Productivity – optimisation benefits becoming more evident

Nedbank cost-to-income ratio

(%)



H1 2022 PPOP growth +17% to R12,2bn

Structural cost optimisation benefits

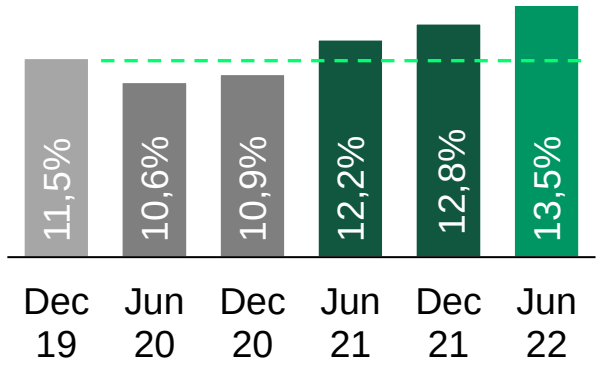
- Managed Evolution IT build **89%** complete, enabling TOM 2.0 savings of **R1,2bn** to date
- Significantly increased levels of digital usage
- Total headcount down **2% ytd** & **10%** since 2019
- Intangible software assets peaked at **R9bn** in 2021 & IT cash flow spend peaked in 2017
- Flexible work practices & real-estate optimisation enabling ongoing cost savings

Risk & capital management – balance sheet metrics remain robust & interim dividend now back above H1 2019 levels

Strategic value drivers: Growth | Productivity | **Risk & capital management**

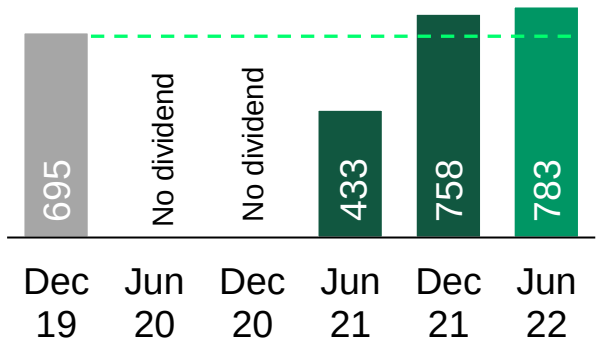
Capital

CET1 ratio (%)



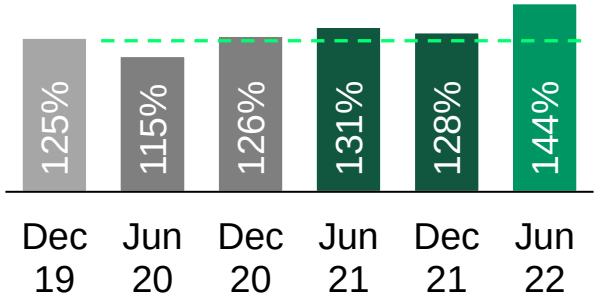
Dividends

Dividends/share (cents)

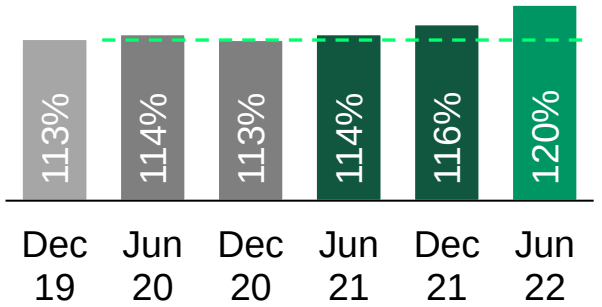


Liquidity

LCR (%)

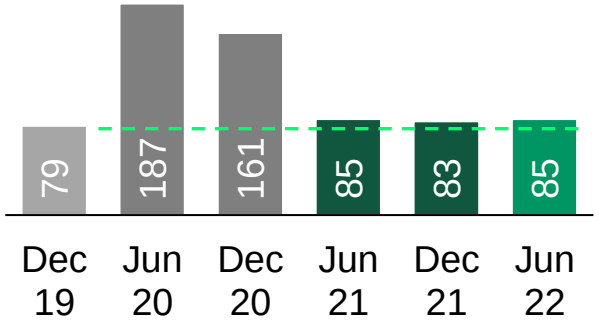


NSFR (%)

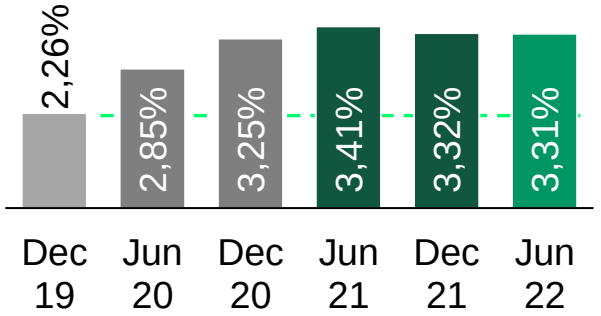


Credit

CLR (%)



Total coverage (%)



2019 levels

NEDBANK GROUP

Strategic progress

Mfundo Nkuhlu

COO

‘**Strategic delivery** enabling financial benefits, with more value to be unlocked in the medium-to-long term’



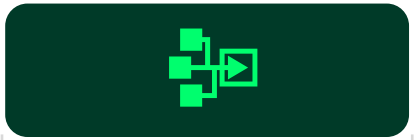
Nedbank Group strategy

Strategic value drivers

- **Growth**
- **Productivity**
- **Risk & capital management**

Strategic value unlocks







Delivering market-leading client solutions	Ongoing disruptive market activities	Driving efficient execution (TOM 2.0)	Focusing on areas that create value (SPT 2.0)	Creating positive impacts

Enabled by **Managed Evolution** technology strategy

Targets to 2023[1]

DHEPS	ROE	Cost-to-income ratio	Net Promoter Score
> 2 565 cents (2019 levels)	> 15% (2019 levels)	< 54%	#1 bank (from #2 in 2021)

Long-term targets

> CPI + GDP +5% (growth)	> 18% (COE + 3% to 4%)	< 50%	#1 bank

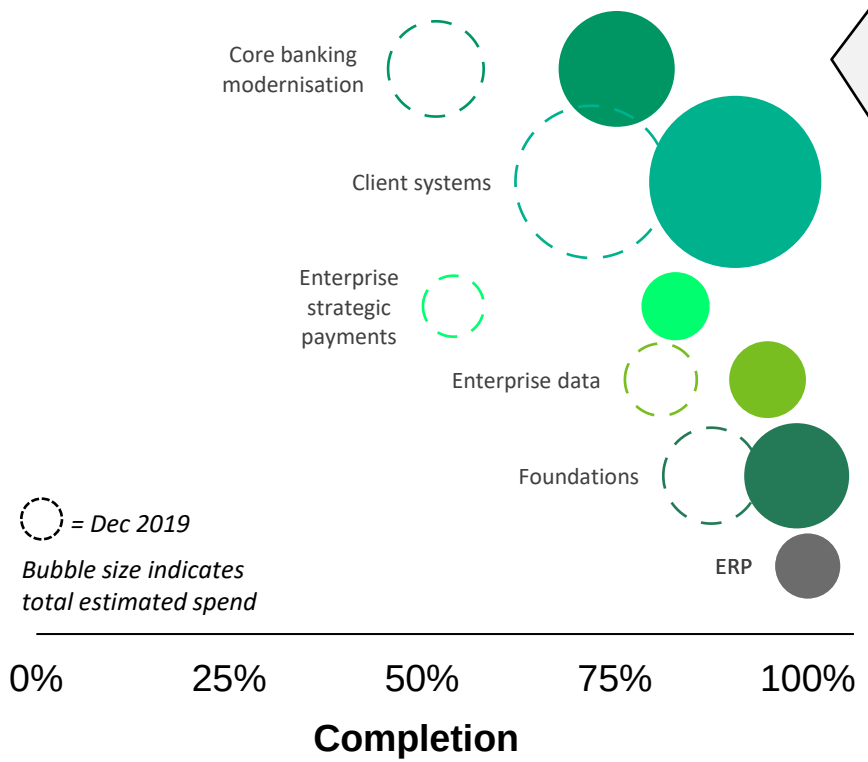
[1] *Set in March 2021.*

Managed Evolution – IT build materially complete & delivering benefits as per plan

Strategic value unlocks

Managed Evolution programme

Invested R10bn to 30 Jun 2022, 89% of planned investment



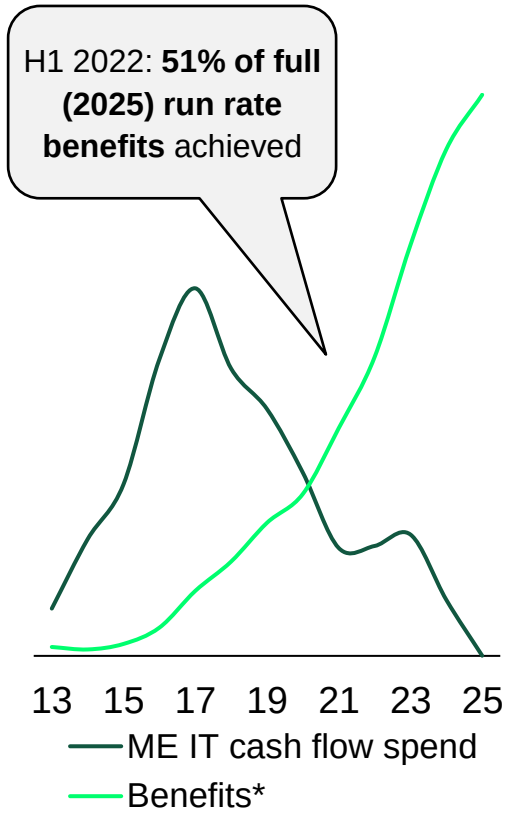
Key IT build components outstanding to completion

Core banking modernisation
(75% complete, R0,6bn remaining)
Generic deposit & transaction products, product life cycle management

Onboarding & servicing
(91% complete, R0,4bn remaining)
Foreign currency account, home loans & vehicle asset finance

Complete **payments** modernisation
(83% complete, R0,1bn remaining)

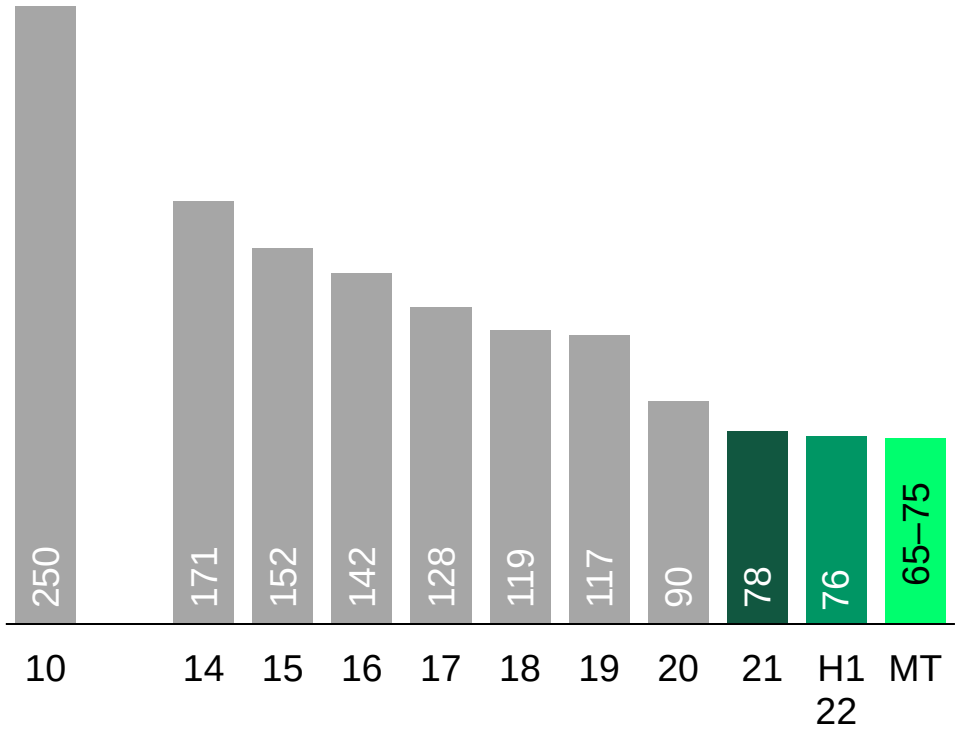
Investment vs benefit realisation to date (%)



* *Excluding once-off benefits.*

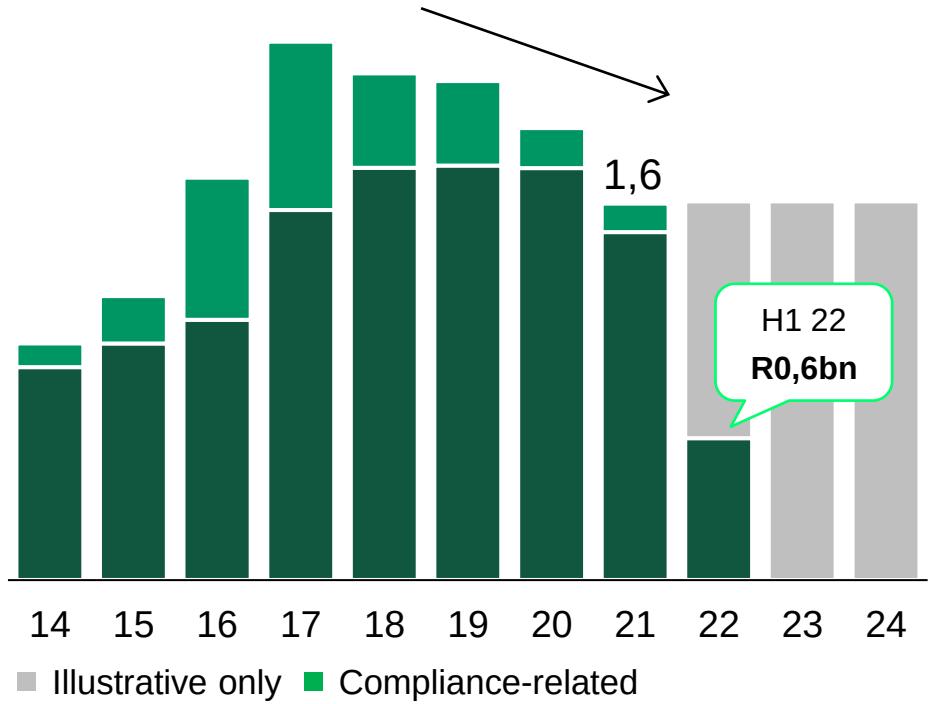
Managed Evolution – IT build materially complete & delivering benefits as per plan

Core systems (#)
Rationalise, standardise & simplify



Total IT software development spend (Rbn)
Annual cash flow consistently down

The group's **intangible software assets peaked in 2021 at R9bn**

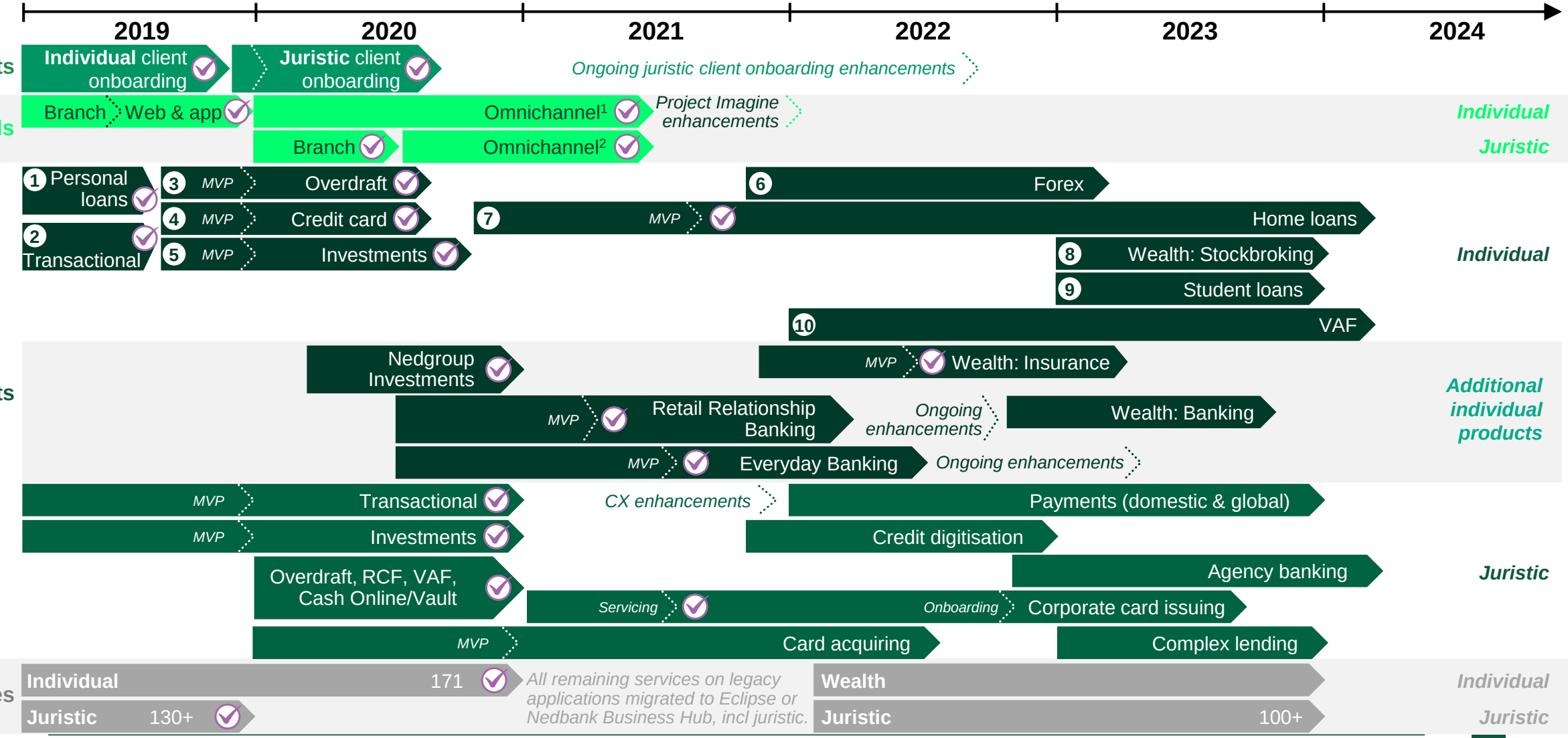


Delivering market-leading client solutions – our digital journeys are enabled by client onboarding via Eclipse (retail) & Nedbank Business Hub (juristic)

Strategic value unlocks

Booklet slide

End-to-end digital client onboarding & digitising our products

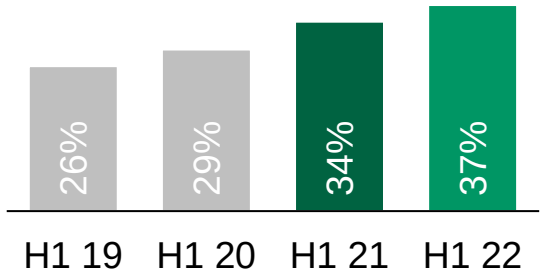


[1] Branch, web, app, ATM, self-service kiosk, call centre. | [2] Branch, web, app, self-service devices.

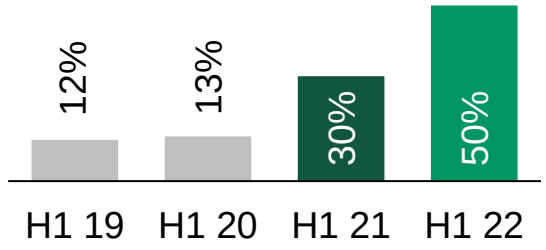
Delivering market-leading client solutions – digital uptake & usage continue to accelerate, driven by world-class delivery, enablement & innovation, as well as client behavioural shifts during Covid-19

Strategic value unlocks

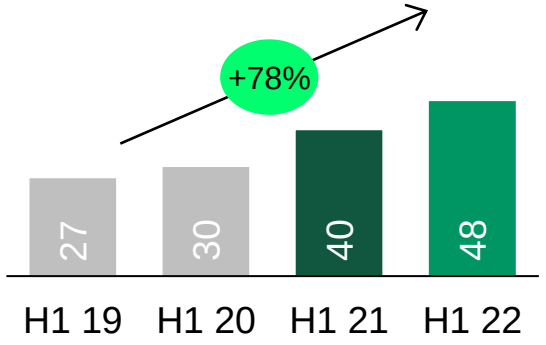
Digitally active clients
(% of total active clients)



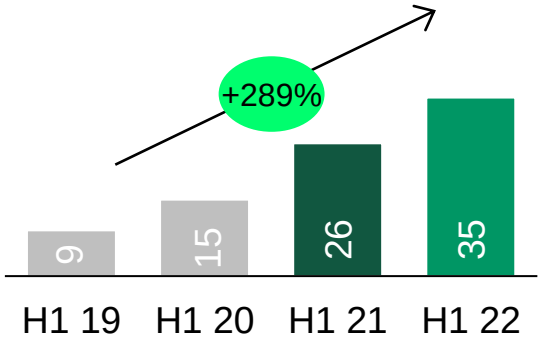
Digital sales
(% of new sales[1])



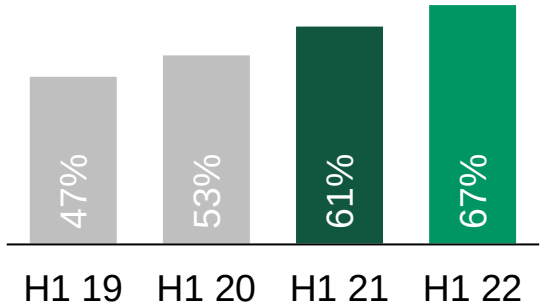
Digital transaction volumes
(# m)



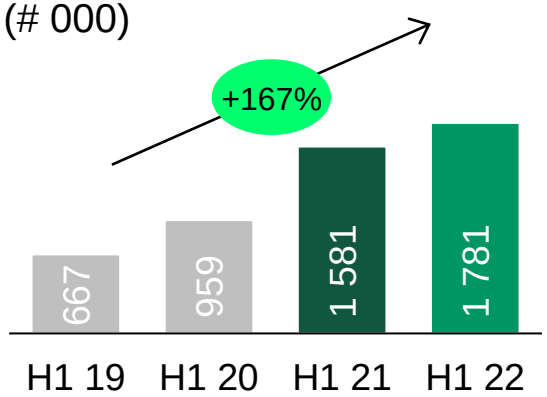
App transaction volumes
(# m)



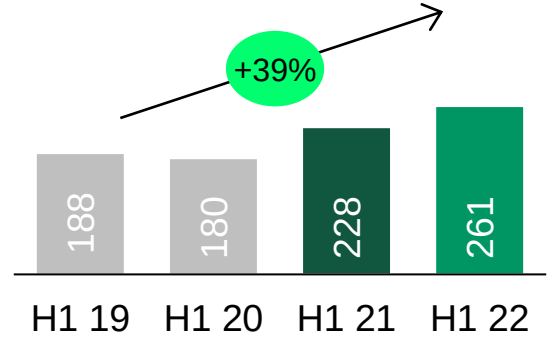
Digitally active main-banked clients (%)



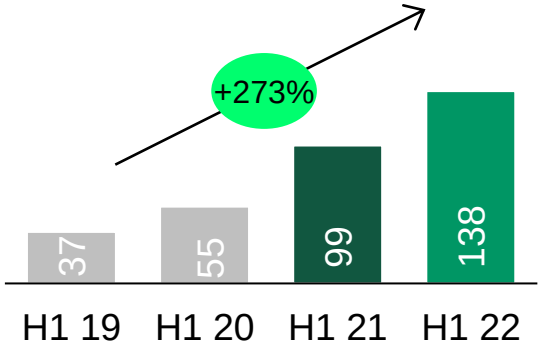
Money app active users
(# 000)



Digital transaction values
(Rbn)



App transaction values
(Rbn)



[1] *2019 based on applications, excl MobiMoney. 2020 onwards measured on new funded sales – excl MobiMoney.*
Digitally active clients & Money app users have been restated to align with the new client active definition, ie client has either a non-zero balance asset product or a non-zero balance investment product; or a positive-funded balance transactional product (TP), or a negative TP balance with a transaction done within the last 12 months.

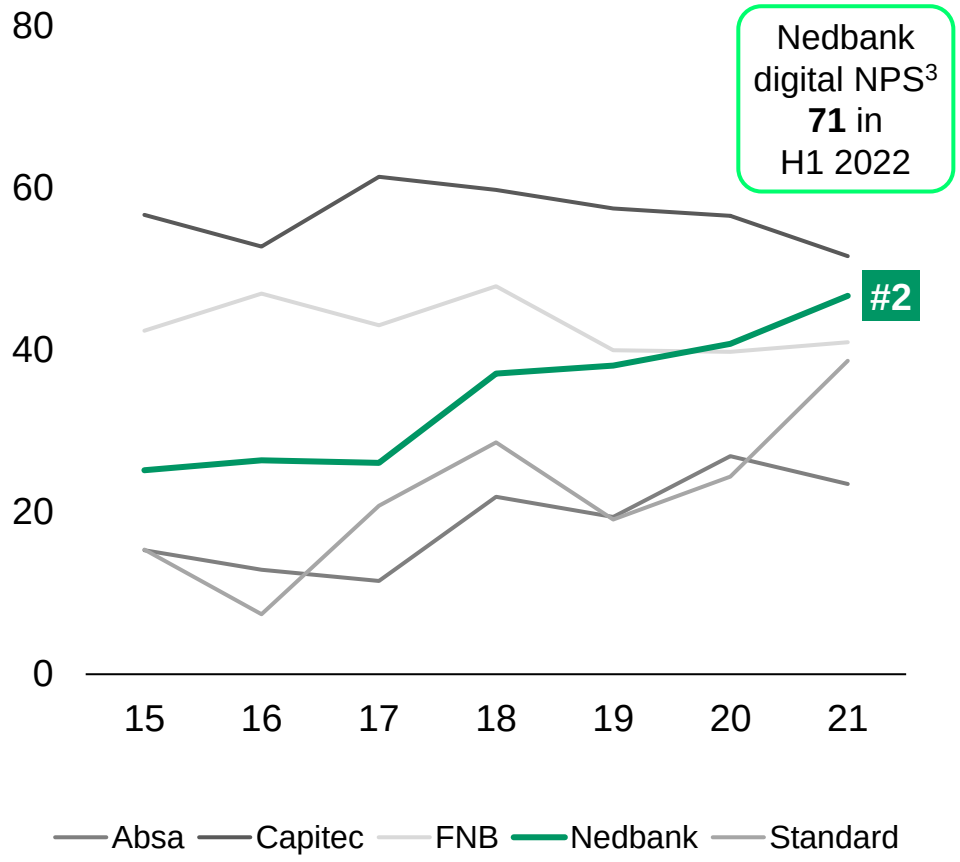
Change since 2019

Delivering market-leading client solutions – client satisfaction metrics continue to positively differentiate Nedbank

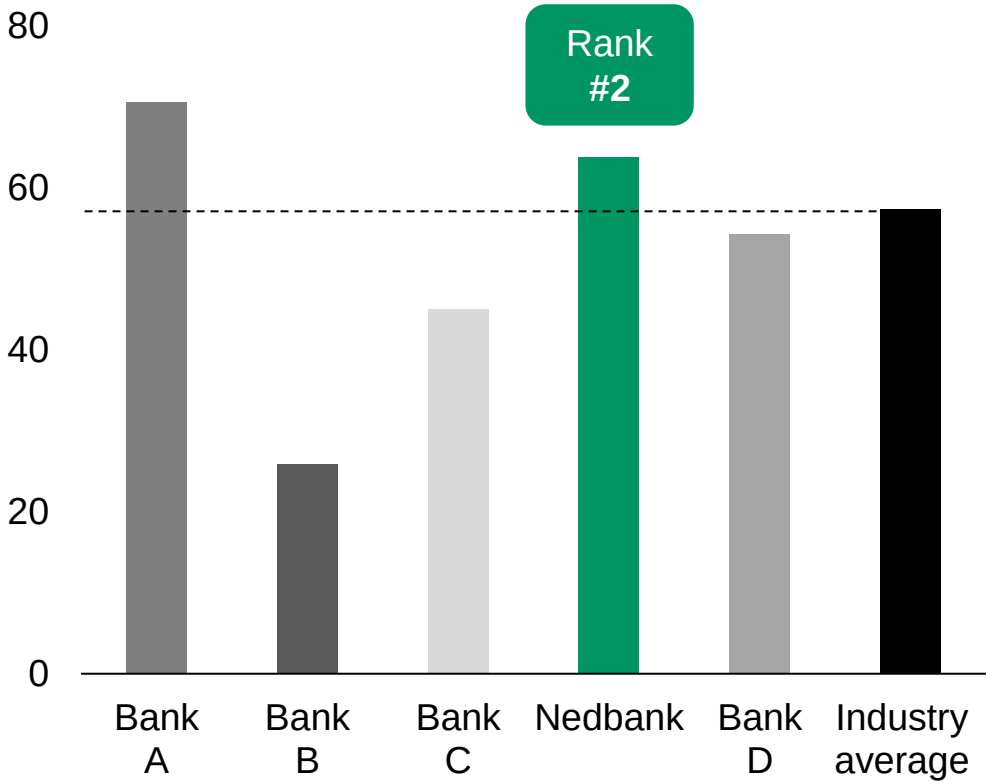
Strategic value unlocks

Booklet slide

2015 to 2021 Net Promoter Score[1]



H1 2022 social media net sentiment[2]



[1] Annual Consulta survey. | [2] Salesforce Social Studio. | [3] Internal measurement of average CX across our digital channels.

Booklet slide

External recognition received in H1 2022 – enabled by business excellence, digital innovation & ESG leadership

2022 The Asian Banker Awards
Best Retail Bank in Africa and South Africa (winner)

2022 Intellidex/ Investors Monthly
Archetype Award for Internationally Wealthy Family (winner)

2022 Global Finance Investment Bank Awards
Best Investment Bank: SA (winner)

2022 Global Banking & Finance Awards
Excellence in Innovation Banking App (Nedbank AVO) (winner)

2022 Global Banking & Finance Awards
Best Corporate ESG Strategy South Africa (winner)

2022 Top Empowerment Awards
Top Empowered: Youth Employment Service YES Initiative (winner)

2022 The Asian Banker Awards
Best SME Bank in South Africa (winner)

2022 Intellidex/ Investors Monthly
Top Wealth Manager of Large Institutions Award (3rd place)

2022 Digital Banker Awards
Outstanding digital transformation (Nedbank Business Hub) (winner)

2022 The Asian Banker Awards
Best API and Open Banking Implementation

ESG Investing 2022 Global ESG reporting awards
Best Sustainability Reporting (finalist)

2022 Bonds & Loans Africa
Local Currency ESG and Sustainable Finance Deal of the Year (winner)

2022 International Activeops Awards
Excellence in Running Insurance Operations (winner)

2022 Intellidex/ Investors Monthly
People's Choice Award for Private Banks (second place)

2022 Finnovex Southern Africa Awards
Excellence in Mobile Banking (winner)

2022 Professional Wealth Management Awards
Best private bank for Digital Customer Service in Africa

ESG Investing 2022 Global ESG reporting awards
Best Climate-related Reporting (finalist)

2022 Top Empowerment Awards
Top Empowered Company: Enterprise & Supplier Development (winner)

2022 Global Finance Investment Bank Awards
Best M&A Bank: Africa (winner)

The Banker Deals of the Year 2022
Deal of the Year- Africa-Loans (Tanzania) (winner)

2022 Global Banking & Finance Awards
Bank for Digital Banking Services & Most Innovative Retail Banking App in Lesotho (winner)

2022 Global Finance The Innovators awards
Outstanding Innovation in ESG (Green Res Dev Bond) (winner)

2022 Global Finance Sustainable Finance awards
Outstanding leadership in green bonds (winner)

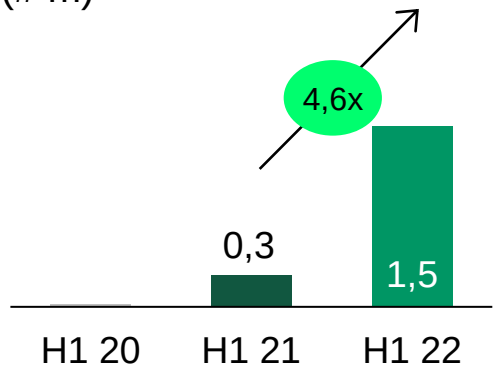
2022 Global Finance Sustainable Finance awards
Outstanding leadership in sustainability linked bonds (winner)

Business-impact- & expertise-related Technology- & innovation-related Purpose- & ESG-related

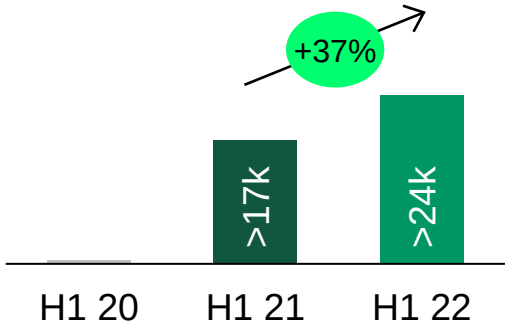
Ongoing disruptive market activities – Nedbank is connecting individuals & businesses via marketplaces & APIs

Strategic value unlocks

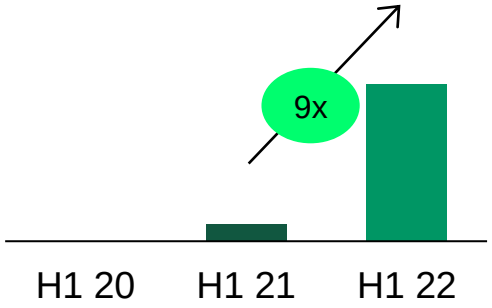
Registered Avo clients (# m)



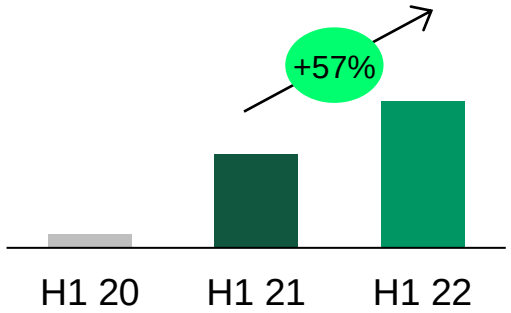
Avo merchants & partners (#)



Avo gross merchandise value (Rm)



API_Marketplace products (#)





H1 2022 developments

In April 2022 we launched **Avo B2B Marketplace**

More than **10 000 drivers** in our SA delivery fleet

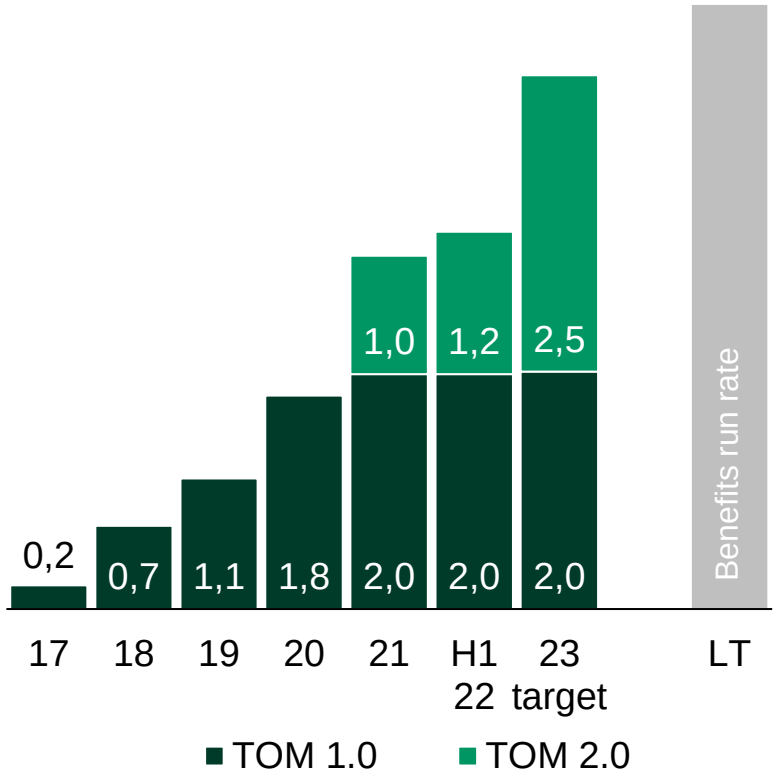
Avo Auto hosts > **140** MFC-accredited dealers & lists **> 6 000** vehicles

In Q2 2022, appointed an official **Apple Authorised Reseller**

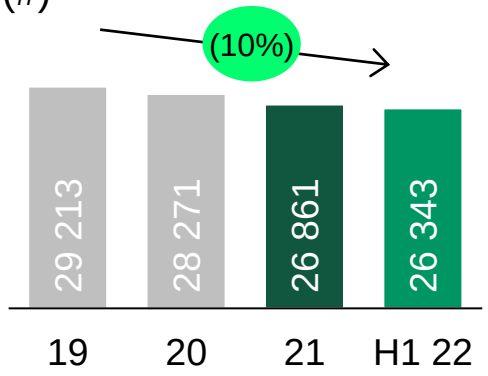
Driving efficient execution – target operating model (TOM) benefits evident in optimisation of operations to enable lower expense growth over time & meet our 2023 cost-to-income ratio target of 54%

Strategic value unlocks

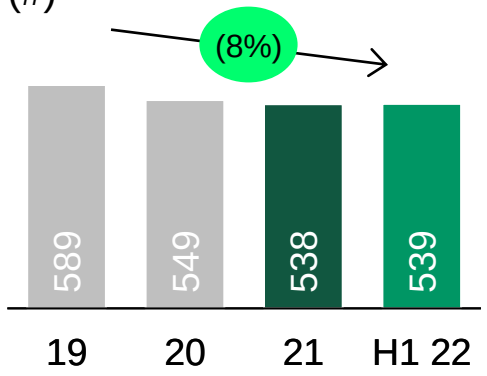
Cumulative TOM benefits
(Rbn)



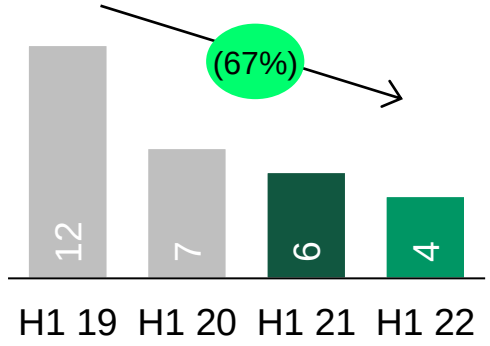
Permanent employees
(#)



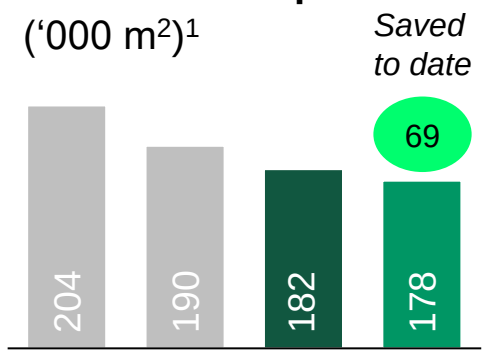
SA outlets/branches
(#)



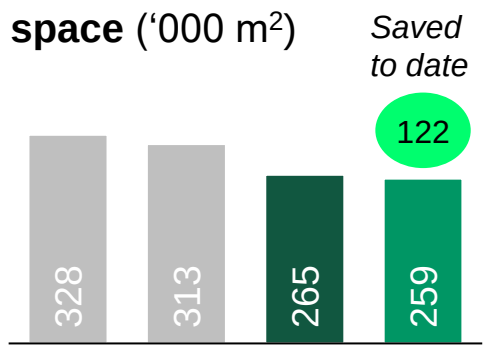
Teller activity
(six months, # m)[2]



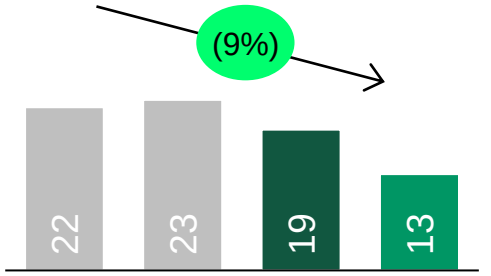
Branch floor space
('000 m²)[1]



Corporate real-estate floor space ('000 m²)



Annual IT amortisation charge (% growth)



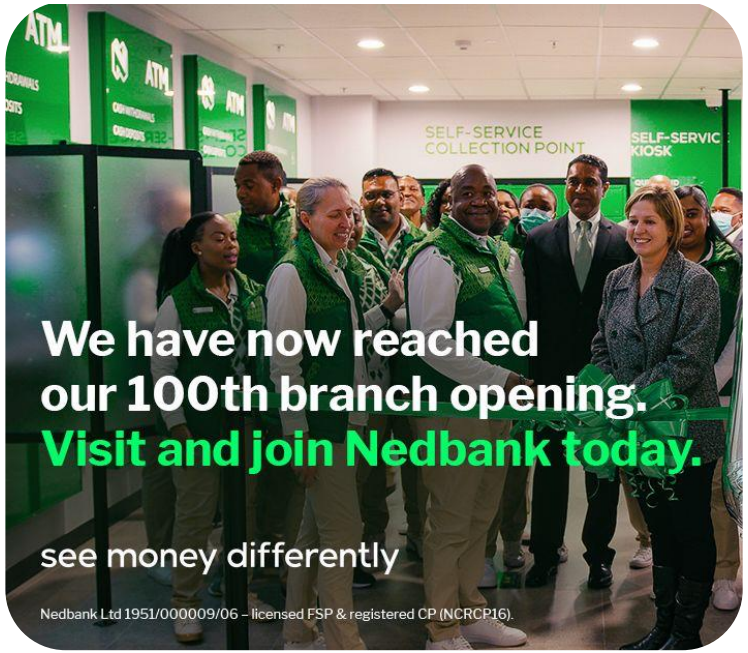
[1] Represents the total branch floor space we have saved since 2018, equating to approximately 17% of our branch floor space since 2018 – floor space saved since 2014 equates to 69k sqm – equivalent to 30% of the 2014 floor space. | [2] Refers to the volume of interactions with tellers.

Driving efficient execution: RBB – become more client-centred & changing our distribution footprint as we shift to smaller formats & enable increased levels of self-service

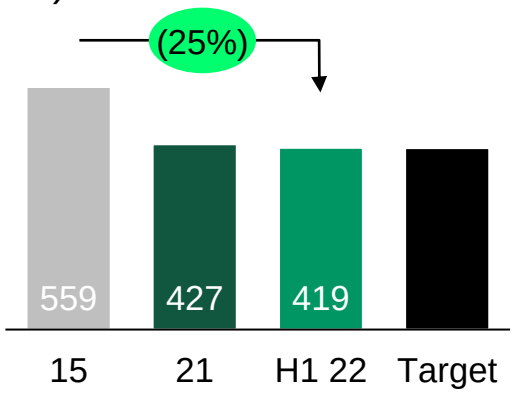
Strategic value unlocks

Booklet slide

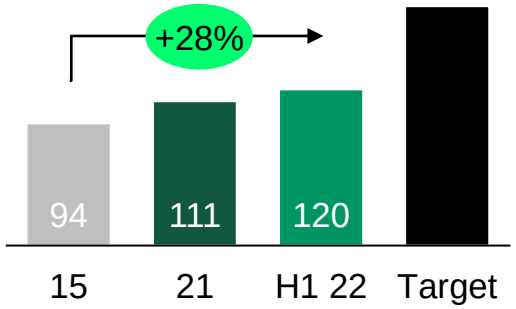
New-format branch milestone



Nedbank branches
(# of)

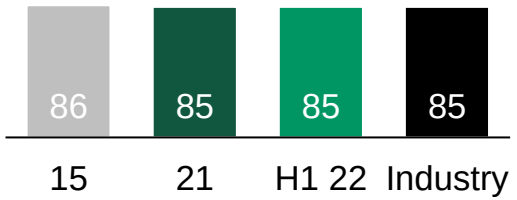


Nedbank in retailers
(# of)

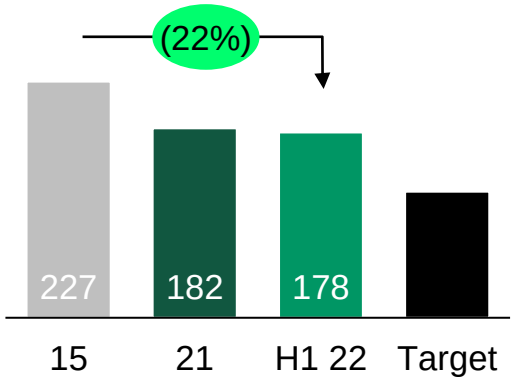


Coverage
(% coverage within 30 km)

Remain very **competitive on coverage** against peers

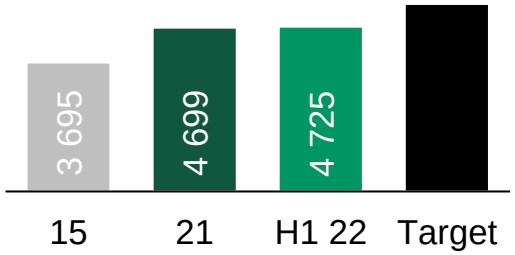


Branch square meterage
('000 m^2)



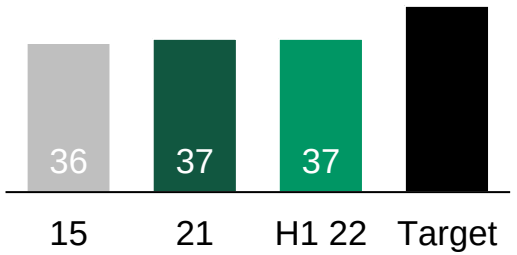
ATMs, IDs & SSKs[1]
(# of)

Branches supplemented by a growing number of convenient **self-service options**



Sales staff ratio[2]
(% of employees)

A larger % of our people will **focus on sales**



[1] Automated teller machines, Intelligent Depositors & self-service kiosks. | [2] Consumer, which includes Boxer & BDO. | All targets set in January 2022 – target for 2024.

Strategic Portfolio Tilt 2.0 – targeting profitable market share gains over time & increased cross-sell, while being prudent in a more difficult economic environment

Strategic value unlocks

BA900 market share[2] (%)

	19	20	21	H1 22
Core corporate loans	21,2	20,9	19,8	**19,4**
CPF	38,7	38,5	37,2	**37,6**
Home loans	14,4	14,4	14,2	**14,0**
Vehicle finance	36,4	36,5	36,3	**36,0**
Personal loans	10,2	11,2	12,2	**11,9**
Card	13,0	12,6	12,0	**11,4**
Retail overdrafts	7,2	8,0	9,9	**10,6**
Retail transactional deposits	16,0	15,0	13,5	**13,7**
Commercial transactional deposits	13,9	15,6	16,6	**14,3**

Including preference shares[1]: 19,9% (2021: 20,2%)

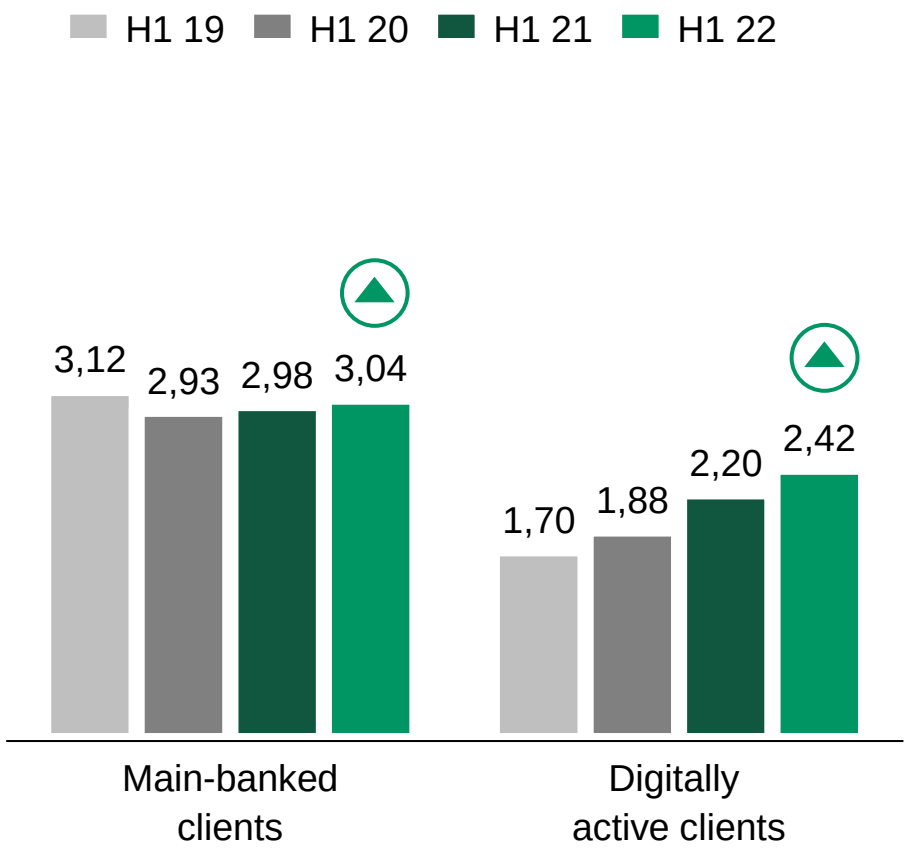
- **Growth opportunities** – infrastructure & SDG-related financing, particularly in wholesale lending
- **Selective credit origination** in areas where we have strong market positions – commercial property, vehicle finance
- **Prudent credit granting** in a more difficult macroeconomic environment & grow market share over time – personal loans, card
- **Leverage** digital channels, improved client experiences & cross-sell
- **Grow transactional deposits** – household transactional deposits a key focus area leading to strongest ytd growth among large SA banks

[1] CIB preference shares reported in Nedbank Group, not Nedbank Limited & therefore not included in the BA900 returns as the industry does, resulting in an understatement of our core corporate loans market share. | [2] H1 2022 market share at May 2022.

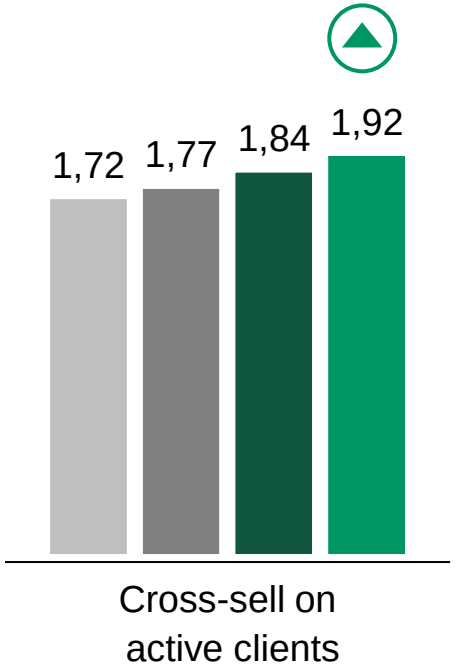
Strategic Portfolio Tilt 2.0 (RBB growth vectors) – growth in main-banked clients & improving levels of cross-sell

Strategic value unlocks

Retail client base breakdown (# m)



Cross-sell ratio[1]



Consulta[2] **main-banked market share** (%)

	2015	2020	2021
Nedbank	10,1%	11,2%	12,4%
Capitec	21,2%	39,2%	40,1%
Other banks	1,9%	1,3%	1,8%
SBSA	20,5%	14,0%	13,6%
FNB	21,7%	19,1%	18,5%
Absa	24,6%	15,2%	13,6%

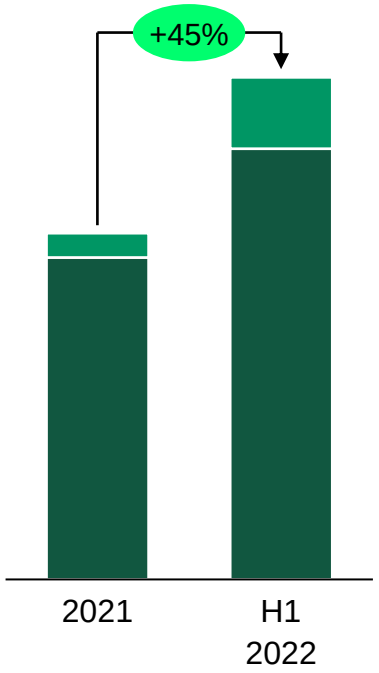
[1] Based on new definition of active clients: Client has either a non-zero balance asset product or a non-zero balance investment product; or a positive-funded balance transactional product (TP), or a negative TP balance with a transaction done within the past 12 months | [2] Consulta surveys: 2020 & 2021 (released November 2021). AMPS Survey: 2015

Strategic value unlocks – strong retail product sales uplift driven by improvements in-branch & from our digital channels

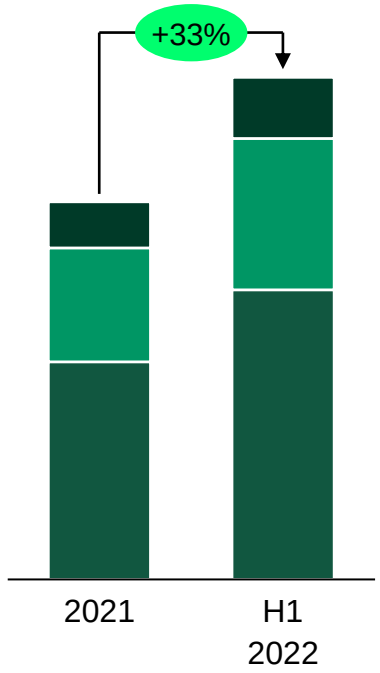
Strategic value unlocks

Booklet slide

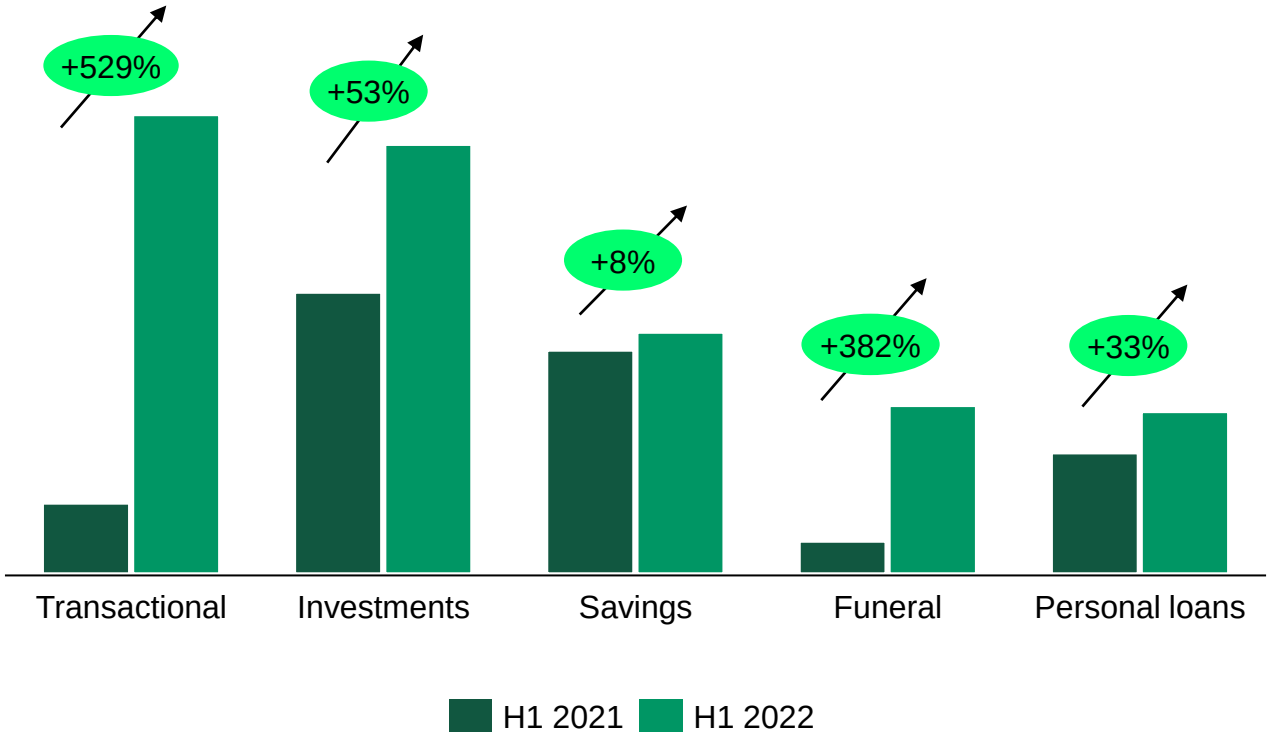
Branch staff sales
(Sales/role/day)



Dedicated branch sales
(Sales/banker/day)



Digital sales of retail products
(# of products sold)



In summary – delivery on all key strategic value unlocks progressing well, driving revenue & cost benefits

Managed Evolution

- ME investment in IT build **89%** complete
- Benefit realisation, on track, at **51%** of full run rate target
- **Cash flow spend & IT assets peaked**

All digital metrics increasing strongly

+

SPT 2.0

- HH deposit market share gains
- Cautious lending in a more difficult environment

+

Client satisfaction levels increasing
(SAcsi & NPS: #2)

+

TOM 2.0
R1,2bn of benefits, well on track towards our R2,5bn target by 2023

=

- Stronger **revenue growth**
- **Main-banked** client gains
- **Cost optimisation**

Creating positive impacts – using our financial expertise to do good

Strategic value unlocks

4 QUALITY EDUCATION

R363m financing in H1 2022

607 student loans (> 6 500 since 2015)

733 student beds funded (> 43 000 since 2015)



8 DECENT WORK AND ECONOMIC GROWTH

R20bn lending exposure to small business & their owners, up 12% yoy

Banking solutions to more than **300k SMEs**

1 835 first-time job opportunities for unemployed youth (YES) & > 7 000 since 2019

11 SUSTAINABLE CITIES AND COMMUNITIES

R1,6bn for affordable home loans, equating to **2 366** homes

R163m towards the financing of green buildings (>R25bn to date)

Carbon-neutral operations (since 2009)

6 CLEAN WATER AND SANITATION

R227m funding for clean water sanitation in H1 2022

Net-zero operational water use since 2018 through Nedbank's support of the WWF-SA Water Balance Programme, which removes invasive alien trees in key water-scarce areas



7 AFFORDABLE AND CLEAN ENERGY

R28bn total renewable-energy exposures

>3 500 MW added to the national electricity grid

Commencing with wheeling of green power from IPPs to reduce our own operational carbon emissions, ramping up to **>10%** of our energy consumption over the next few years

10 REDUCED INEQUALITIES

Level 1 BBBEE status for the past 4 years

80% black[1] employees (H1 2021: 79%)

62% female employees (H1 2021: 61%)

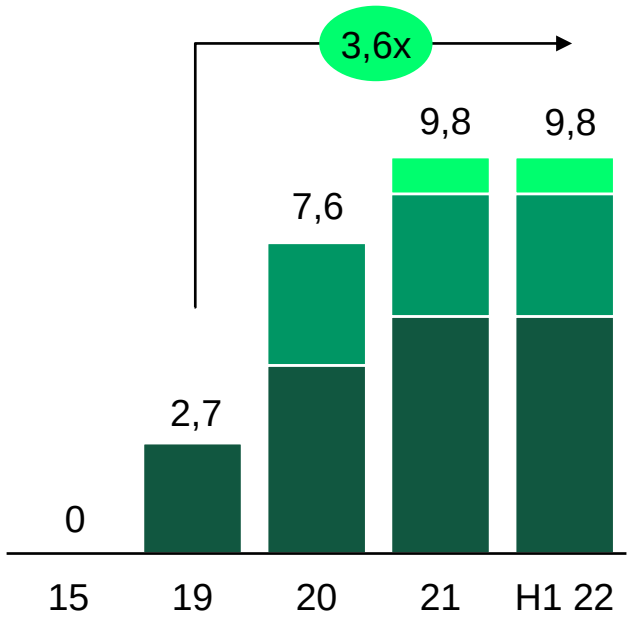


[1] *African, Coloured & Indian population.*

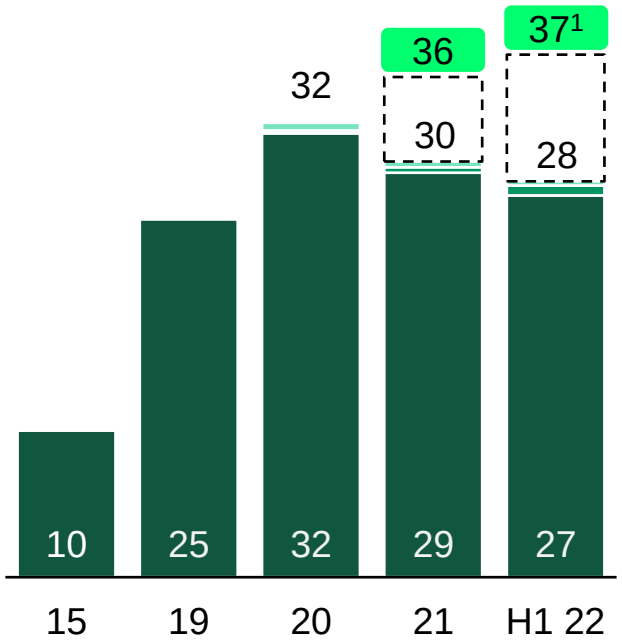
Creating positive impacts – anchoring our position as a market-leading impact financier & energy policy commitments to have zero exposure to fossil-fuel-related activities by 2045

Strategic value unlocks

Sustainable funding
(Rbn)



Total renewable-energy financing
(drawn exposures, Rbn)



- **Embedded energy:** mandated on various milestone projects in RFPs
- **RBB solar financing** solution launched

REIPPPP

- Lead arranger on 4 projects in emergency round/REIPPPP (close Q3 2022)
- Preferred bidder status in round 5 (close Q3 2022)
- Actively seeking to participate in round 6

Our journey to zero exposure to fossil-fuel-related activities by 2045

2020 – **Climate change resolutions** passed with 100% votes of approval at our 53rd AGM

2021 – Adopted & disclosed our market-leading **Energy Policy** & inaugural **TCFD report**

2025 – **No provision** of project financing for **new thermal-coal mines**

2030 – **Thermal-coal funding** to be < 0,5% of gross loans & advances

2035 – **No new finance** for oil production

2045 – **Zero exposure** to fossil-fuel-related activities

2050 – **100% of lending & investing** supporting a net-zero carbon economy

[1] Current limits with immediate REIPPPP board-approved limits up to R50bn (to be reviewed as required).

Creating positive impacts – ESG

Nedbank's ESG ratings

MSCI	**AA** rating	**Top 34%** of global banks
FTSE Russell	**4,3** out of 5	**Top 6%** of global banks
SUSTAINALYTICS	**17,3** low risk	**30th** out of 415 diversified financials
ISS ESG	**C** rating	**Top 20%** of all global banks
S&P Global	**68** out of 100	**Top-tier** SA bank

H1 2022 updates

- Ranked #1 company in the **Satrix Inclusion & Diversity Index**
- **Top Empowered Company Awards** – Winner: YES, Enterprise & Supplier Development
- Approved as **signatory to the UN PRI**
- **Listed on A2X in April 2022**, offering investors choice – Nedbank a top 10 traded stock
- **Progressing audit matters**
  - Appointed, Vuyelwa Sangoni (Deloitte), a black African female lead audit partner
  - MAFR (rotation) decision in Q4 2022
- **Remuneration**[1] – no requests for meetings after < 75% votes of approval at our 54th AGM (Nedbank remains open to shareholder engagement & feedback)
- **Market leading** disclosures/ESG practices

1 Remuneration implementation vote of 72,9% & remuneration policy vote of 71,7%.

Creating positive impacts – our sustainability journey

Booklet slide

1990
- **Inception of the WWF Nedbank Green Trust**.

2003
- First South African bank to join the **UNEP FI**.

2004
- From 2004 to 2017 Nedbank was included in the **Dow Jones World Sustainability Index**. Since 2018, Nedbank has been included in the Emerging Markets Index.

2005
- First African bank to become a member of the **Equator Principles**.

2006
- Became a signatory to the **CDP** with respect to our own operations and have been a **leading performer** since.

2007
- Established the **Carbon Finance Team**.

2008
- First issued the **Climate Change Position Statement** declaring that Nedbank Group holds itself accountable to addressing climate change.

2009
- Committed to becoming operationally carbon-neutral.
- Awarded **South Africa's first Green Star rating** (four stars) for the Nedbank phase 2 head office building in Sandton.
- Established our **Carbon Trading Desk**.

2010
- Achieved **carbon-neutral status for Nedbank own operations**.
- Group's **SEMS** is consolidated; it provides detail on the policy, procedures and workflow required to identify and assess the environmental or social impacts of investments or lending activities undertaken by Nedbank Group.

2011
- Launched **South Africa's first Green Index**.
- Member of the **NBI Advisory Committee on Climate Change**.

2012
- Adopted the Old Mutual Group responsible-investment standards to align with Old Mutual's commitment to the **UN Principles of Responsible Investment (PRI)** and **CRISA**.
- Nedbank worked with the **SARB and the National Treasury** to give effect to a policy of responsible lending.

2013
- Addressed many of the compliance requirements of being a signatory to the PRI, such as committing to the publication of our Responsible Investment Policy and Voting Guidelines on the Nedgroup Investments website.

2014
- Published the **Nedbank Carbon Footprinting Guide**.

2015
- Updated Nedbank Group's **Climate Change Position Statement** to align it with the Paris Agreement.
- Established our **Embedded Generation Unit** to finance sub-utility-scale renewable energy.
- Introduced a commercial r**enewable-energy finance solution**. The 2015 offering included free energy audits and longer-than-usual payback periods.

2016
- Tasked the embedded Generation Unit in 2016 with building on Nedbank's successful funding of the **REIPPPP** and offered further support for the necessary shift towards renewable energy.

2017
- **First African bank to stop providing project financing for new coal-fired power plants** – regardless of technology or country.
- Achieved **net-zero operational water use for our own operations**.

2018
- The Nedbank Sustainable Development Framework incorporates all UN SDGs that we can address impactfully through finance or our core business.

2019
- Nedbank Clocktower and Plattekloof offices received **City of Cape Town Water Star Rating certification**.
- Developed a Renewable Energy Bond, the first such SDG-focused capital market instrument in South Africa.
- First bank in South Africa to list a **renewable-energy bond on the Green Bond segment of the JSE. First green bond in South Africa**.

2020
- **First South African company to table climate-related resolutions – passed by its shareholders (100% votes) at the 53rd AGM, held on 22 May 2020**.

2021
- **First GCRC** (a board subcommittee) meeting held in March 2021.
- Published our **Energy Policy**.
- Recognised as the **Best Bank for Sustainable Finance in Africa** by the Euromoney Awards for Excellence in July 2021.
- Awarded **overall winner** for **Best Sustainability Reporting.**

2025
- **No provision of project financing for new thermal-coal mines,** regardless of jurisdiction.

2030
- **Thermal-coal funding declining to 0,5% of group total advances**.

2035
- **No advancing of any new finance for oil production**, regardless of jurisdiction.

2045
- Aim to have **zero exposure to all fossil-fuel-related activities**.

2050
- **100% of our lending and investment activity supporting a net-zero carbon economy**.

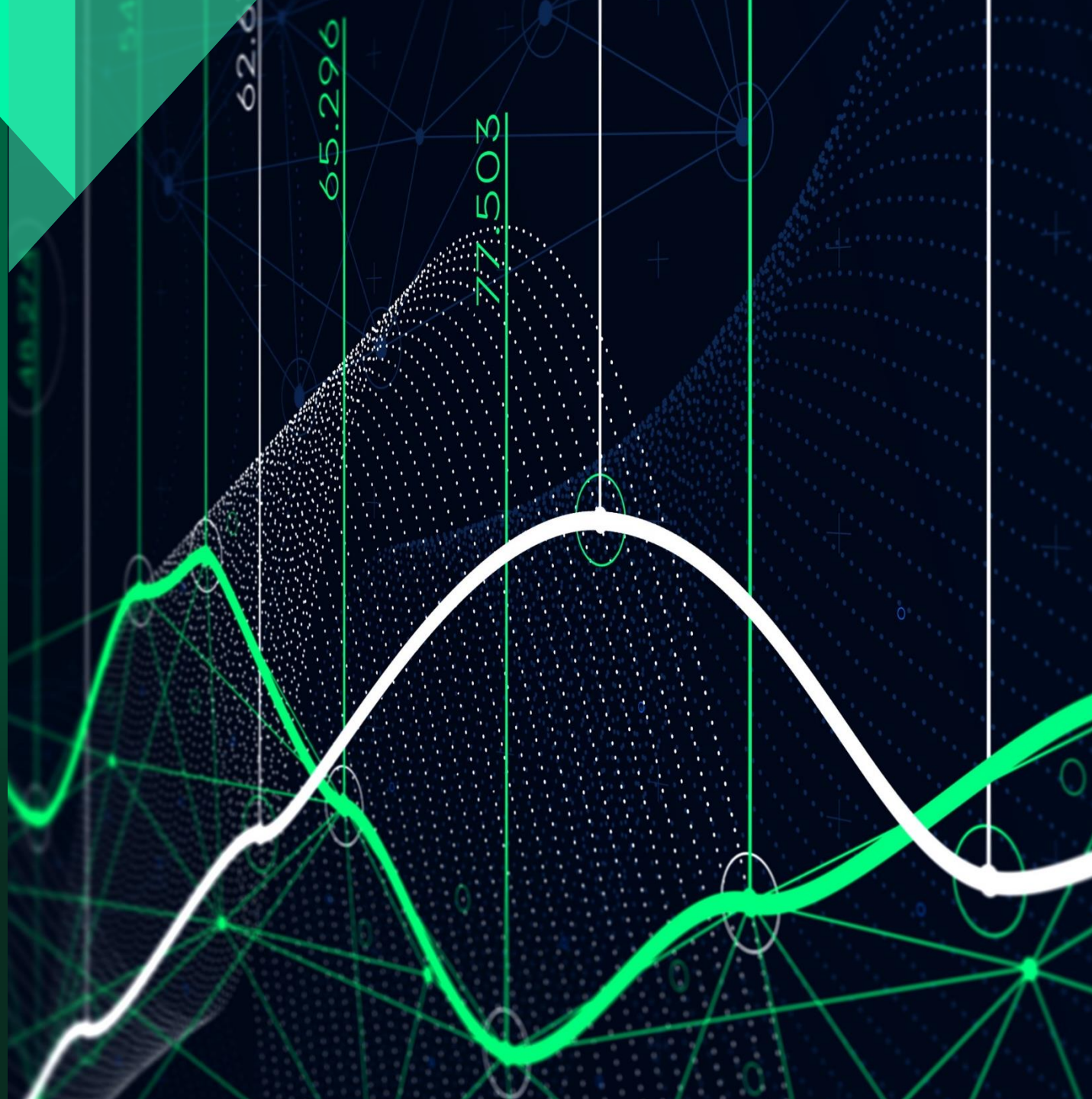


NEDBANK GROUP

Financial overview

Mike Davis
Chief Financial Officer

‘Strong revenue uplift driving HE growth of 27% & a higher ROE of 13,6%, enabling 81% increase in interim dividend’



Key environmental & strategic drivers – mixed impact on the group's H1 2022 financial performance

Operating environment

	Q1	Q2
SA GDP growth	✓	✗
SA inflation	–	✗
SA prime interest rate	✓	✓
Business confidence	✗	✗
Electricity constraints	–	✗

	Q1	Q2
Global & local markets	–	✗
Currency impacts	–	✗
Regulation	–	–
Competition	✗	✗

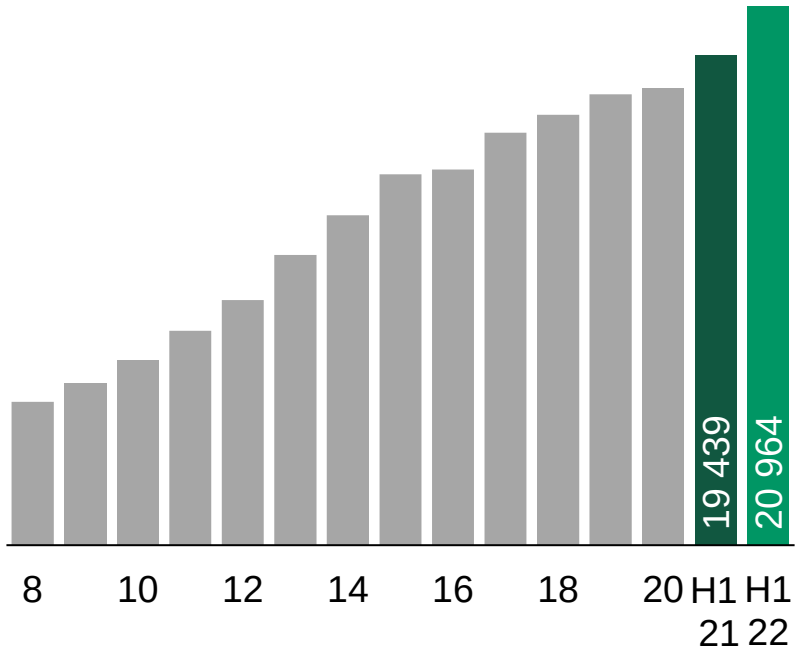
Strategic delivery

	H1
Managed Evolution/ Digital	✓
TOM 2.0	✓
SPT 2.0	✓
Creating positive impacts	✓

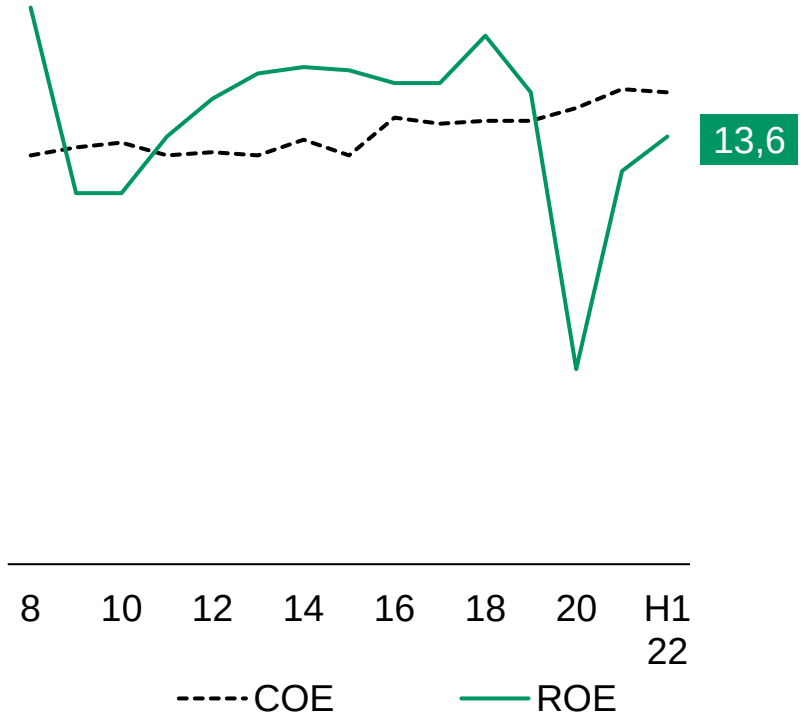
- Revenues **+11%**
- HE +**27%**
- ROE to **13,6%**
- DPS **+81%**

Key drivers of shareholder value creation – strong NAV growth & ROE recovery, strong capital generation with the interim dividend up 81%

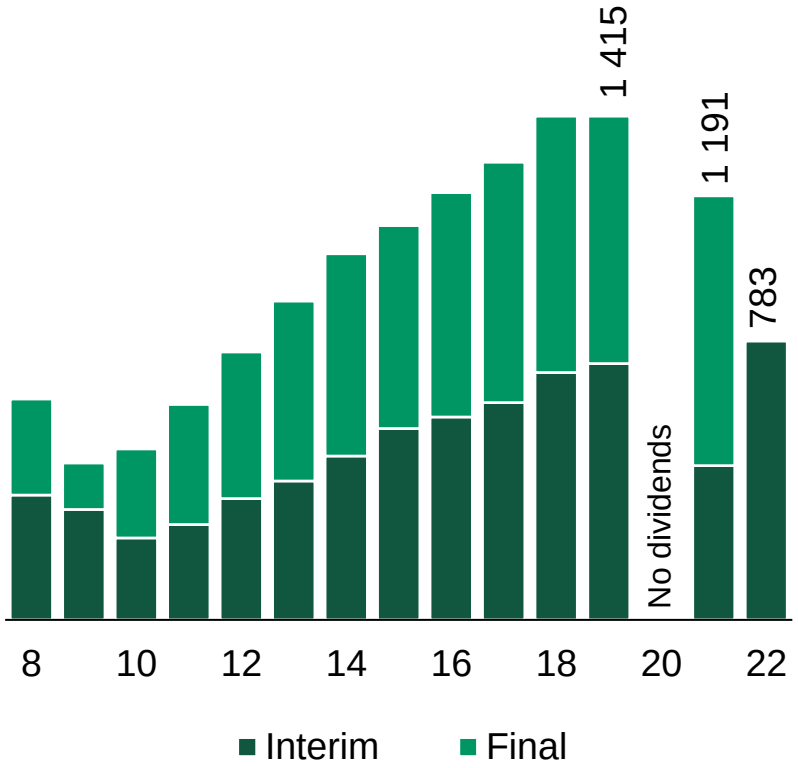
NAV per share (cents)



ROE & cost of equity (%)



Dividend per share (cents)



Strong NAV growth +8% yoy

ROE increasing towards COE

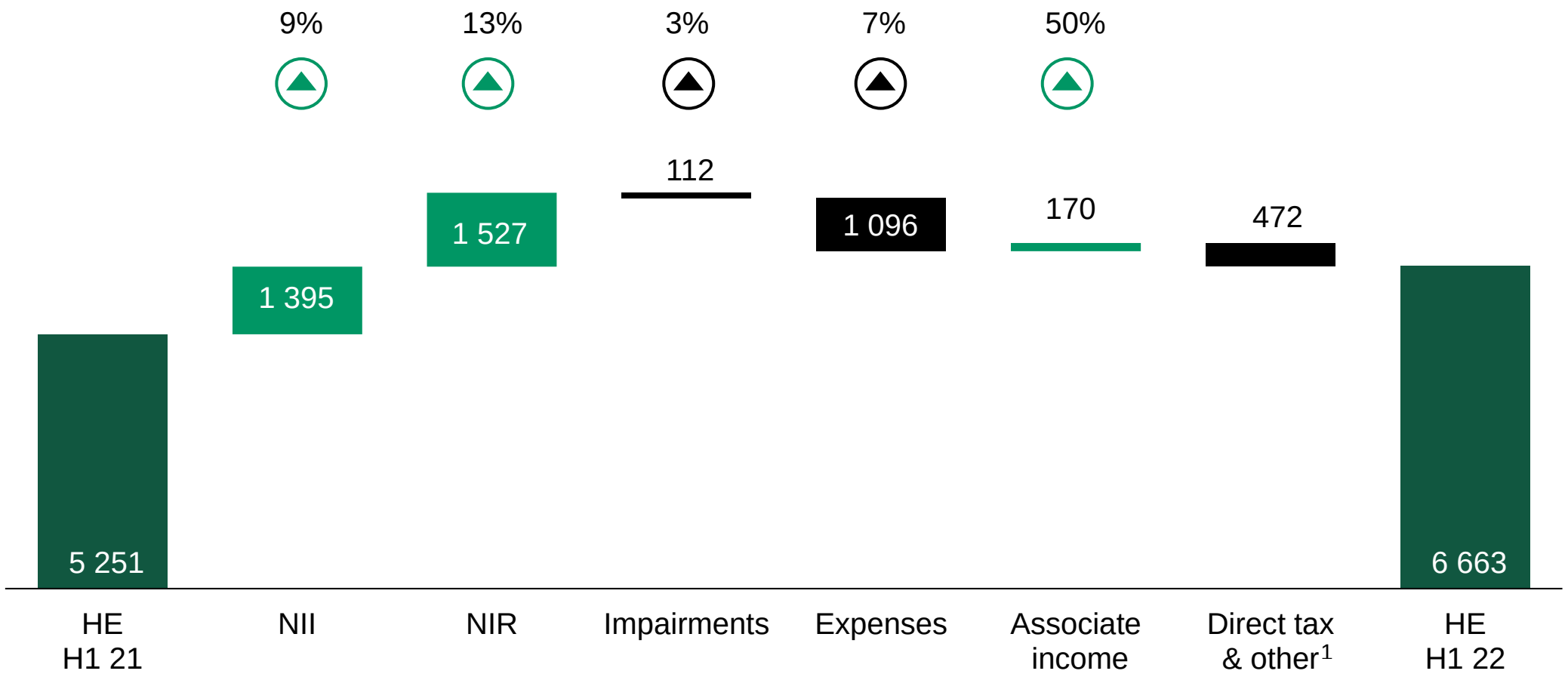
Interim dividend at 1,75x cover

Stronger profitability metrics, supported by robust capital & liquidity positions & prudent levels of provisioning

		yoy	H1 2022	H1 2021	H1 2020	H1 2019
Profitability	Headline earnings (Rm)	27%	**6 663**	5 251	2 114	6 870
	DHEPS (cents)	25%	**1 335**	1 067	434	1 411
	Basic EPS (cents)	31%	**1 412**	1 081	270	1 419
	ROE (%)		**13,6**	11,7	4,8	16,8
Advances & deposits	Gross banking advances (Rbn)	7%	**831**	781	838	753
	Deposits (Rbn)	8%	**1 008**	936	944	866
	NIM (bps)		**385**	368	333	357
Asset quality	Credit loss ratio (bps)		**85**	85	187	70
	Total coverage (%)		**3,31**	3,41	2,85	2,21
Liquidity	Liquidity coverage ratio (%)		**144**	131	115	115
	NSFR (%)		**120**	114	114	110
Capital	CET1 (%)		**13,5**	12,2	10,6	11,3
	Risk-weighted assets (Rbn)	(0%)	**644**	647	678	619

Headline earnings up by 27% – driven by strong revenue growth

Headline earnings (Rm)

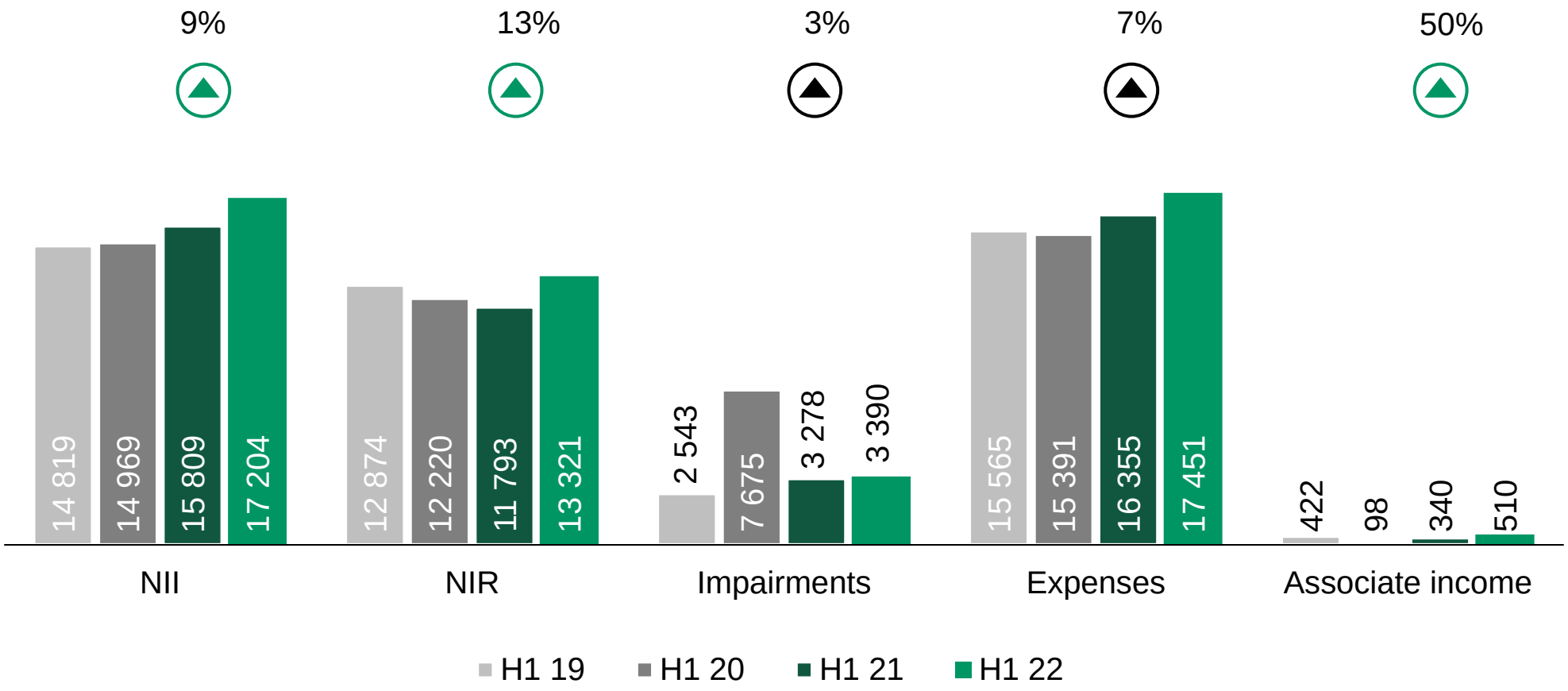


[1] *Other includes indirect tax, net monetary loss, and minority & preference shareholders.*

Booklet slide

Headline earnings up by 27% – driven by strong revenue growth

Key earnings drivers (pre-tax, Rm)



Booklet slide

PPOP growth of 17% & cost-to-income ratio down to 56,2%

PPOP (Rm)	yoy	**H1 2022**	H1 2021	H1 2020	H1 2019
CIB	3%	**4 563**	4 423	4 363	4 598
RBB	19%	**6 315**	5 291	5 136	5 793
Wealth	(9%)	**547**	600	531	576
NAR	130%	**642**	279	241	413
Centre		**161**	(138)	446	255
Group	17%	**12 228**	10 456	10 717	11 635

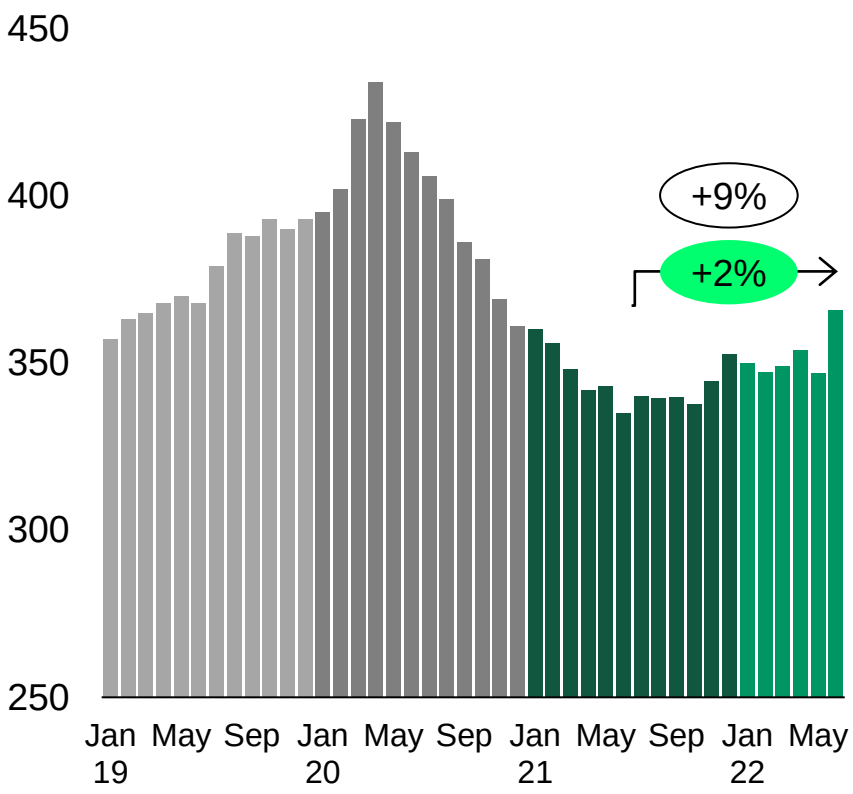
Cost-to-income (%)	**H1 2022**	H1 2021	H1 2020	H1 2019
CIB	**43,3**	42,9	41,0	40,9
RBB	**62,4**	65,5	65,0	62,3
Wealth	**73,5**	71,7	76,7	74,6
NAR	**55,1**	74,9	74,8	70,0
Centre				
Group	**56,2**	58,5	56,4	55,4

- CIB resilient in a tough operating environment
- RBB continues to report solid revenue growth & realise benefits from cost optimisation

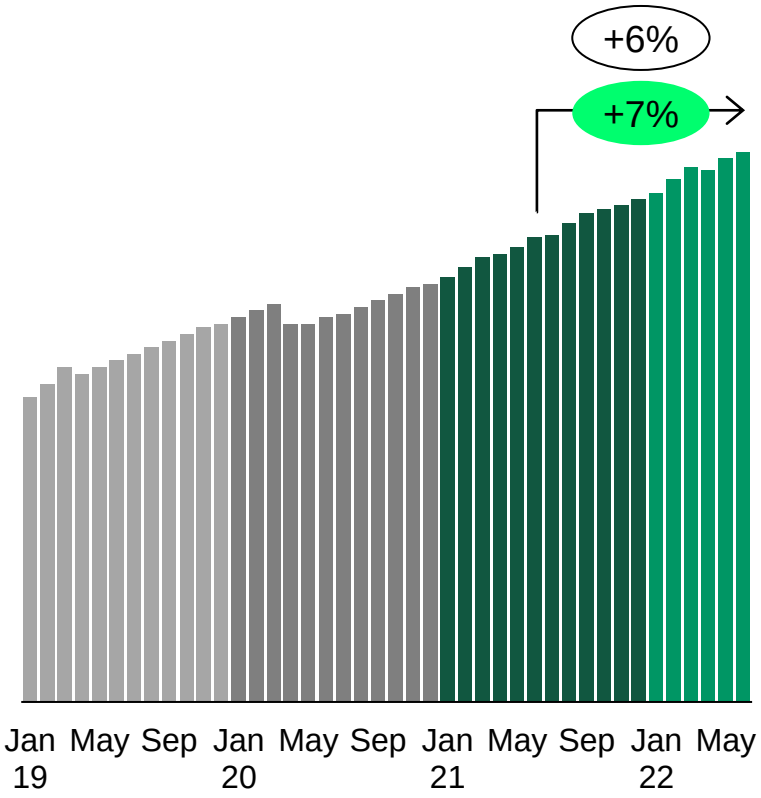
- Wealth negatively impacted by external market developments (revenue growth) & base effects
- NAR supported by ongoing progress from ETI & FX gains in Zimbabwe on foreign-denominated assets

Gross banking advances up 7% yoy

CIB gross banking advances (Rbn)



RBB gross banking advances (Rbn)



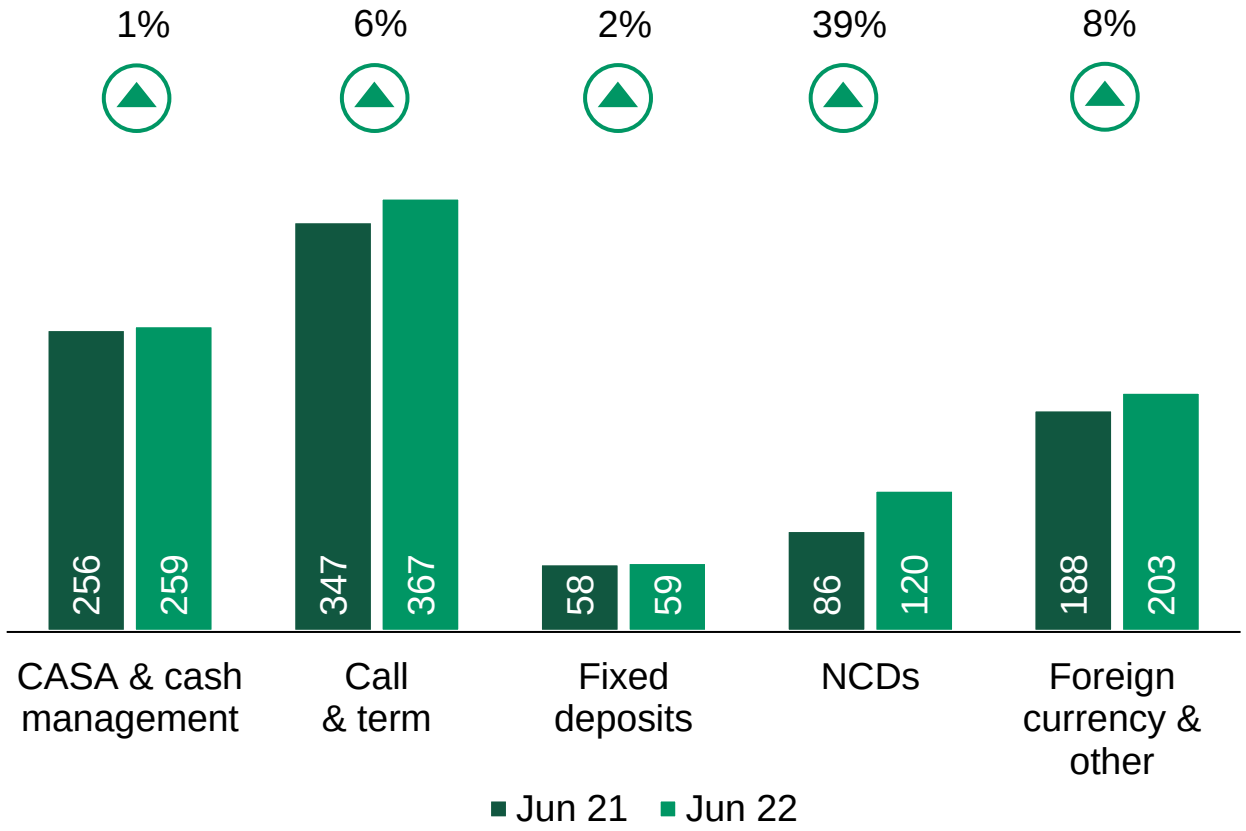
- **Momentum picking up in CIB**
  - Uptick in credit demand & robust pipeline with H2 2022 focus on conversion in key sectors
- **Growth momentum in RBB continued**
  - HL growth broadly in line with market
  - Leveraging our strong position in MFC (second-hand & lower-value vehicles)
  - More cautious in unsecured lending given elevated risk in the macroeconomic environment
  - Solid growth in SME & commercial client segments

Average yoy growth (6M 2022 on 6M 2021)

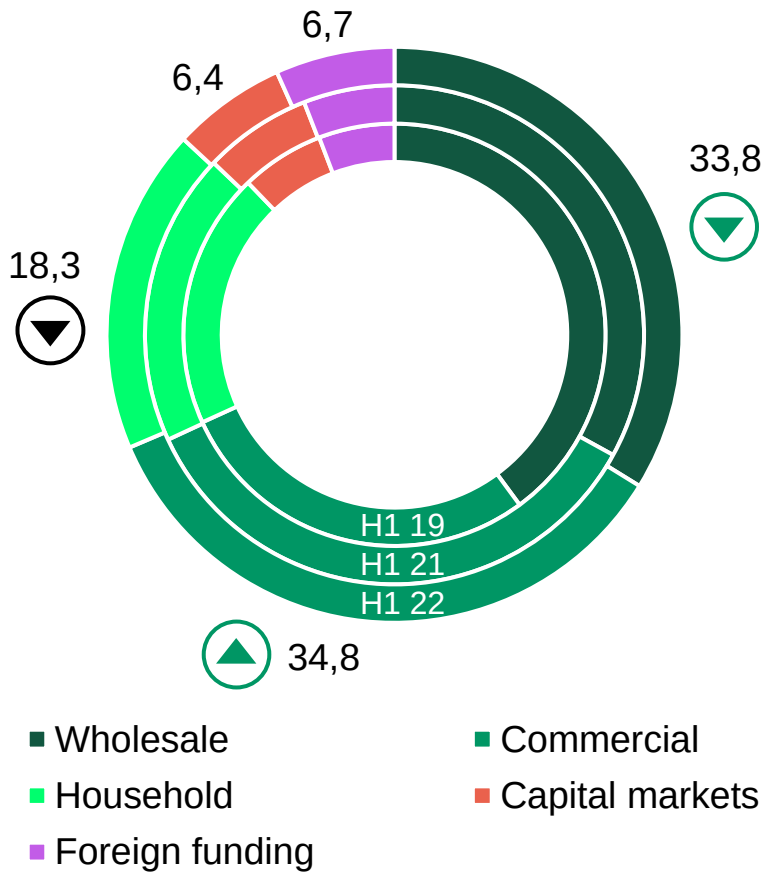
Actual yoy growth (June 2022 on June 2021)

Deposits up by 8% – exceeding R1 trillion for the first time

Deposits (Rbn, % change yoy)

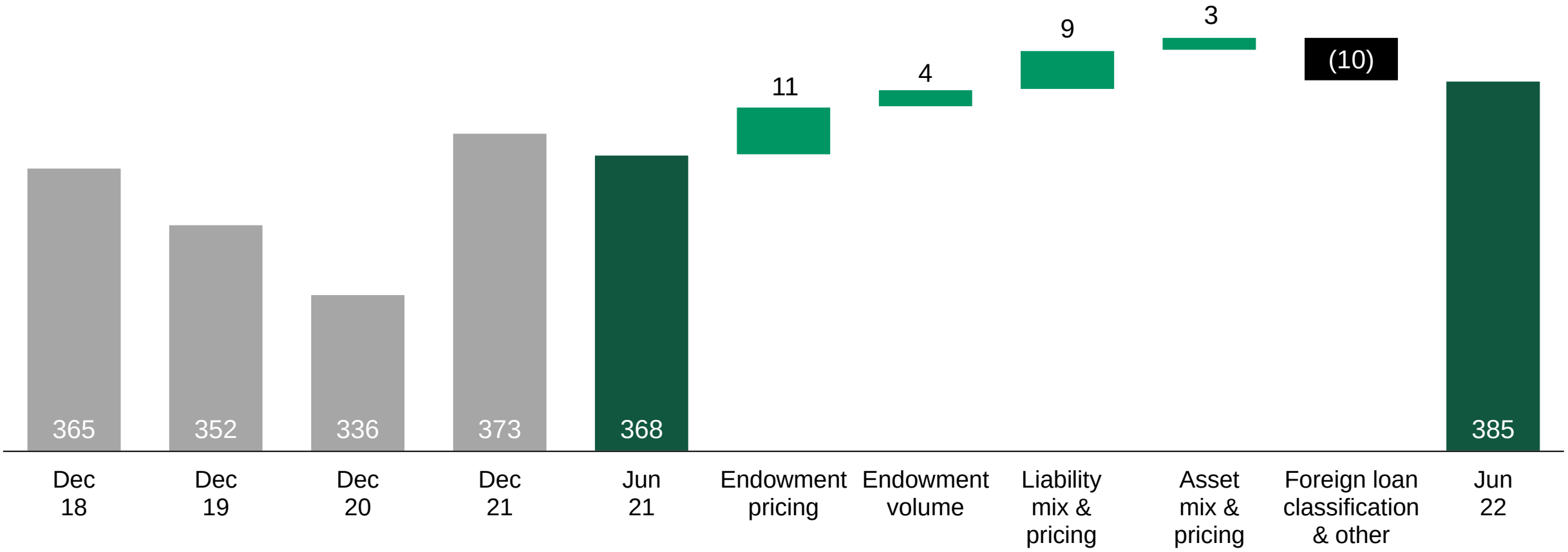


Funding mix (% contribution)



NII up by 9% – NIM expansion driven by endowment income (higher interest rates as well as capital & CASA volumes), asset/liability mix & pricing benefits

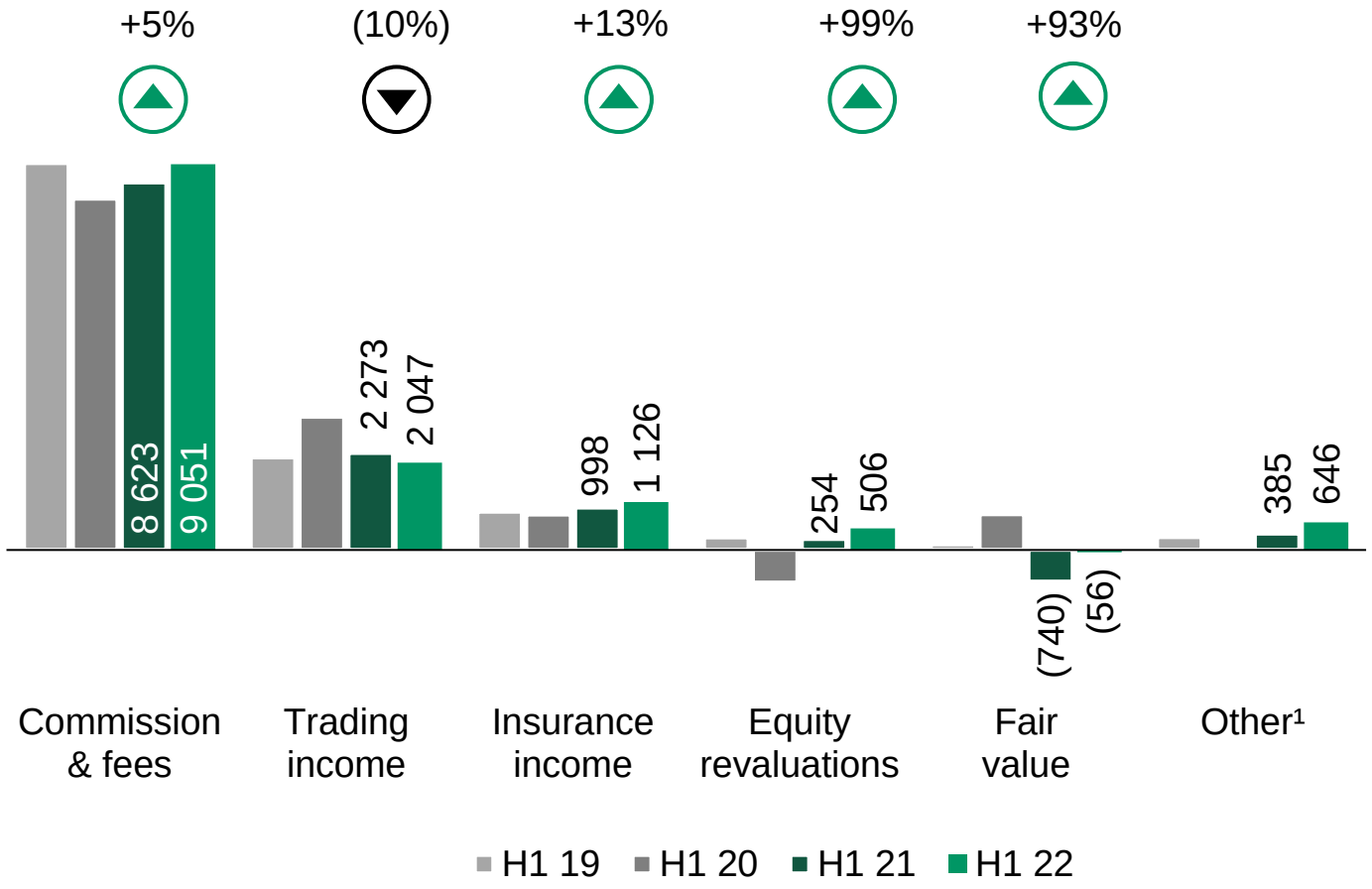
Net interest margin (bps)



Positively positioned for a rising rate cycle – NII sensitivity for 1% change in interest rates: R1,6bn

NIR up by 13% – solid commission & fees growth, good insurance income & equity performance & prior-year MVFHA loss did not recur. NIR growth excl MFVHA +7%

NIR (Rm)



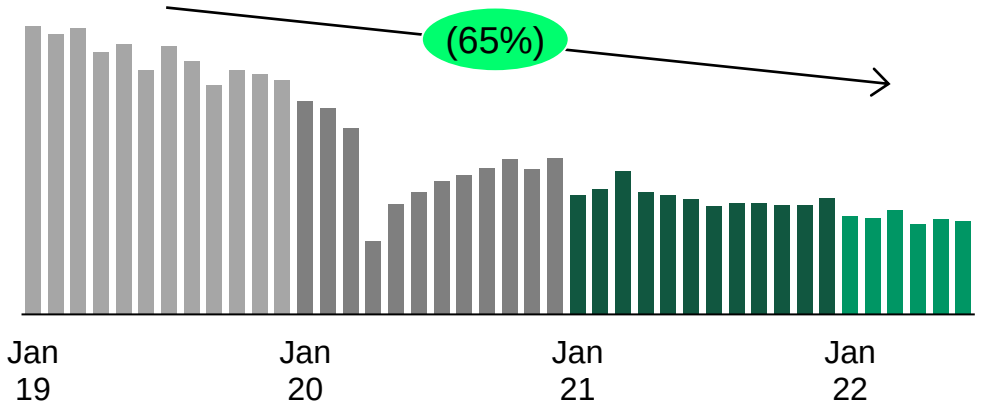
- **Commission & fees** – solid growth driven by ongoing recovery in client transactional activity & cross-sell
- **Trading** – negatively impacted debt & interest rate markets, offset by good outcomes in FX & equity
- **Insurance** – lower claims in the life portfolio, partially offset by higher non-life claims due to KZN floods
- **Equity** – driven by realised gains & dividends
- **Fair value** – boosted by H1 2021 fair-value losses that did not recur
- **Other** – increase driven by R360m of FX gains in Zimbabwe on foreign-denominated assets & R112m related to hyperinflation indexing (offset in net monetary loss)

[1] *Represents sundry income & investment income.*

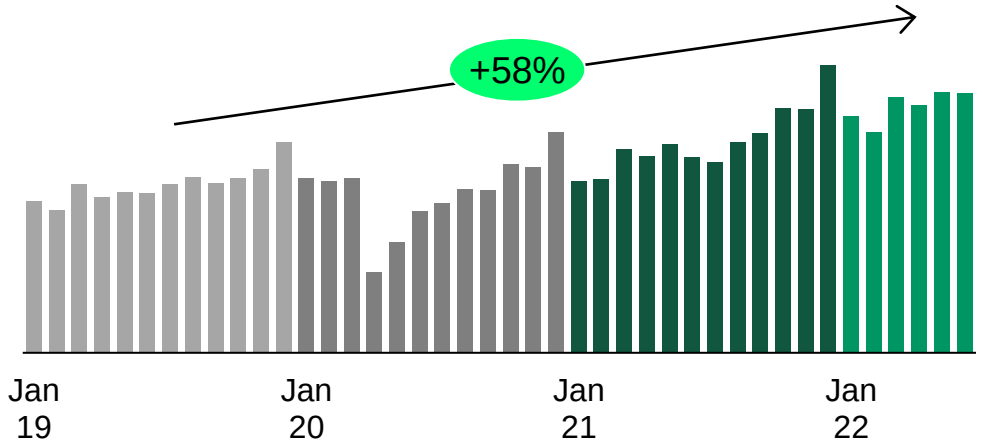
Booklet slide

NIR – our ME technology strategy, along with shifts in RBB client transactional behaviours, is driving NIR growth & cost optimisation opportunities

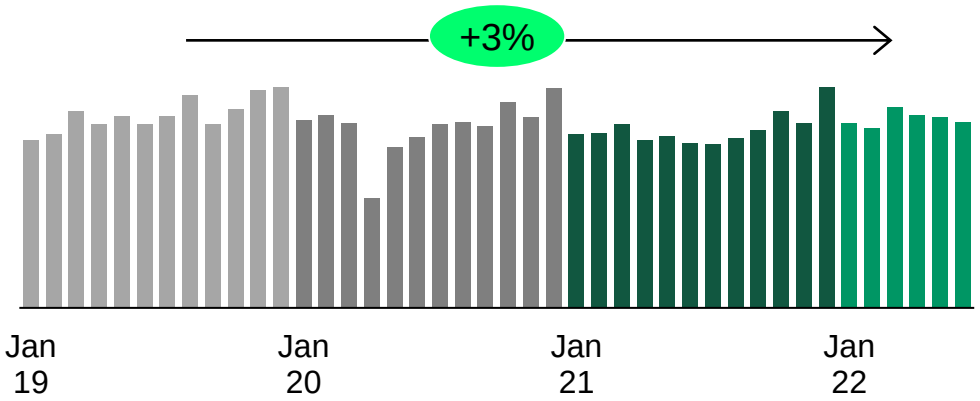
Branch teller transactions[1]



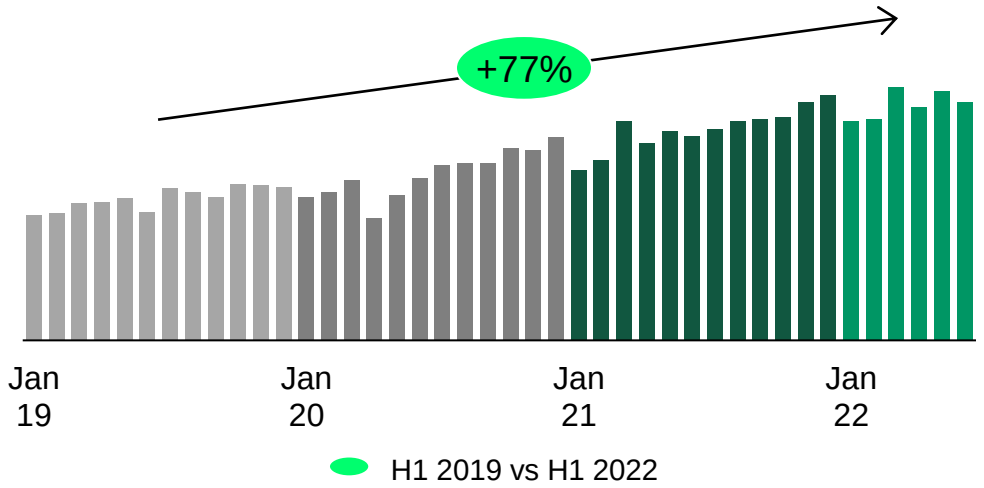
POS volumes



ATM withdrawals



Digital payment & transfers[2]

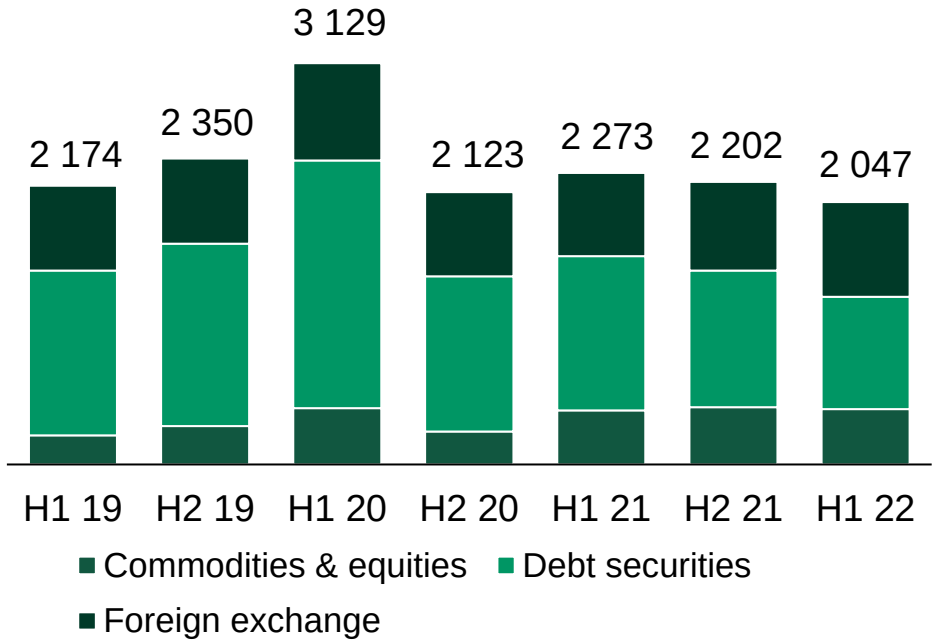


[1] Teller transactions include any cash-related transaction performed over the counter (eg deposits, withdrawals & transfers, etc). | [2] App & web payment volumes combined.

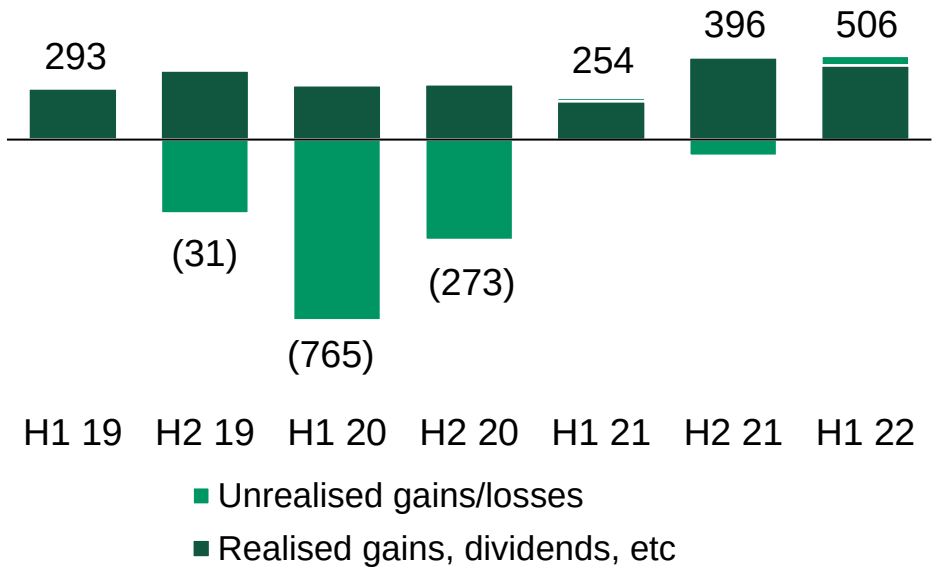
Booklet slide

Trading income & equity revaluations – low levels of market liquidity impacting trading, while the equity portfolio has seen higher yoy realised gains & dividends

Trading income (Rm)



Equity revaluations (Rm)



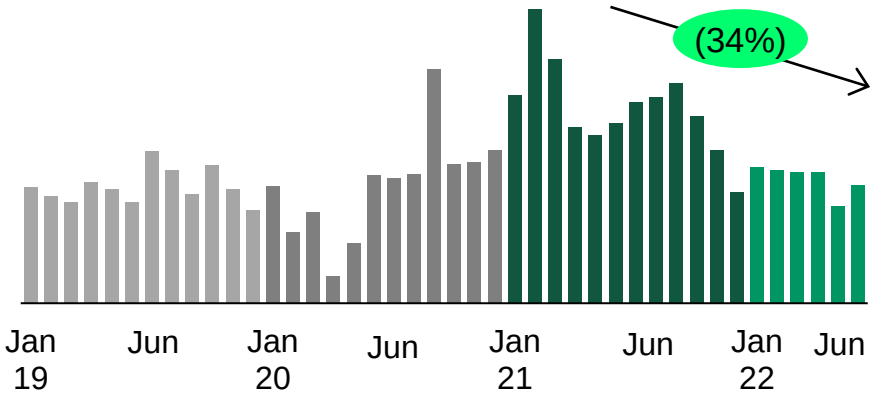
- **Equities –** growth on the back of good client flows & positioning into risk events
- **FX –** increase in client activity has driven 6% growth across the FX franchise
- **Debt securities –** tough macro backdrop & high 2021 base

- **Investment Banking** – driven by realised gains & dividends
- **CPF** – increased valuations on certain assets compared to the prior year

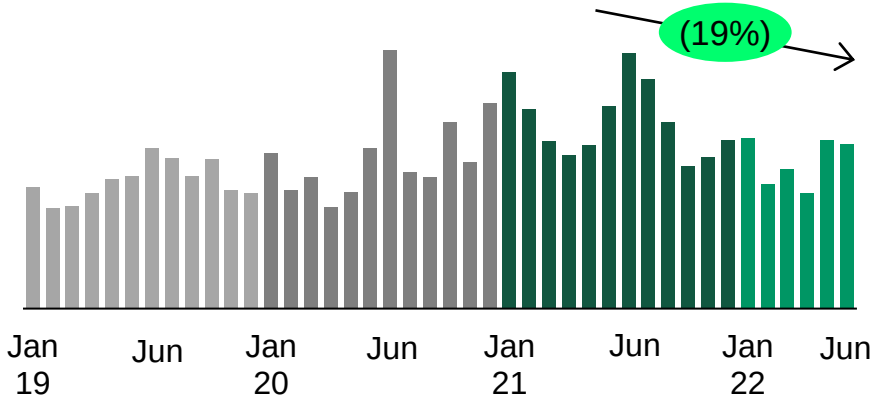
Booklet slide

Nedbank Insurance income – higher non-life claims due to KZN floods & reduced investment returns due to negative market performance, offset by lower claims in the life portfolio

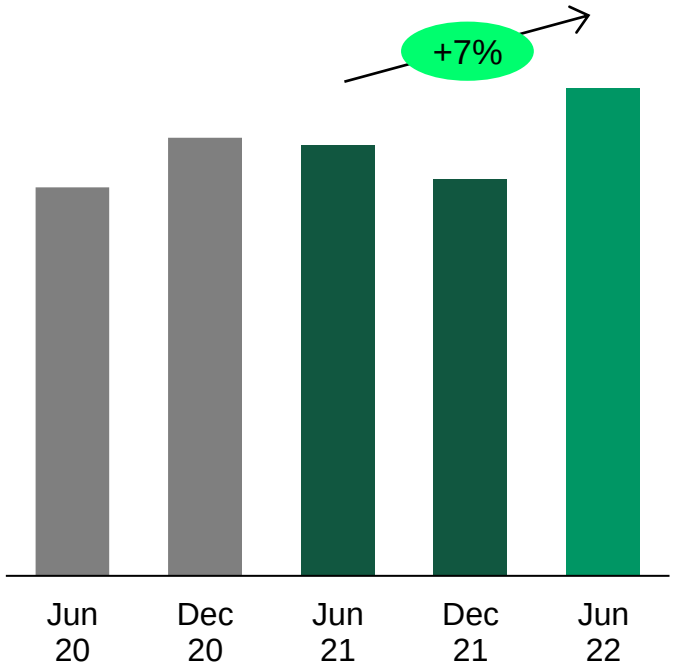
Death claims
(volumes)



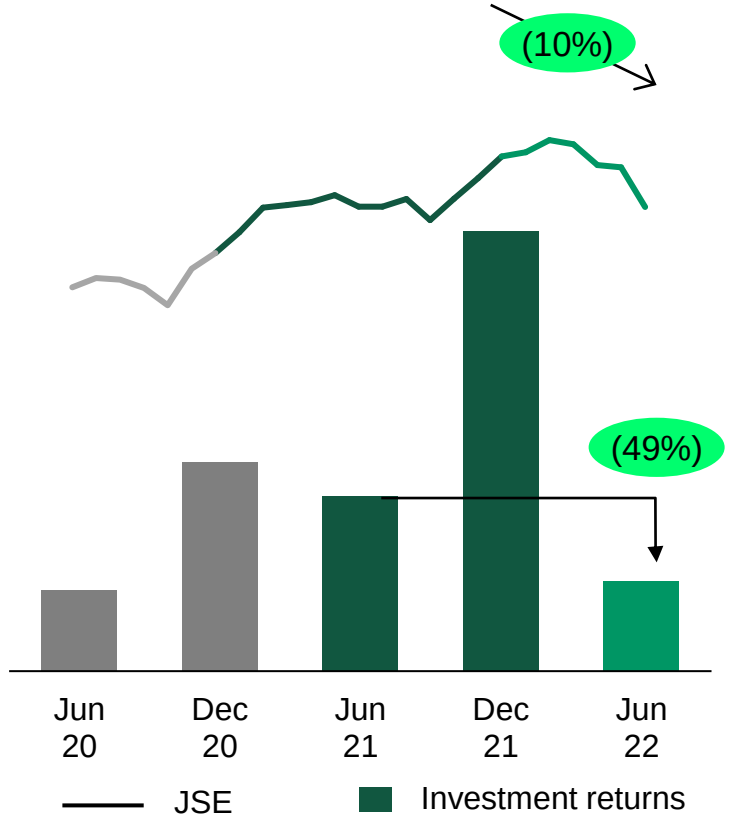
Funeral claims
(volumes)



Non-life claims ratio
(%)



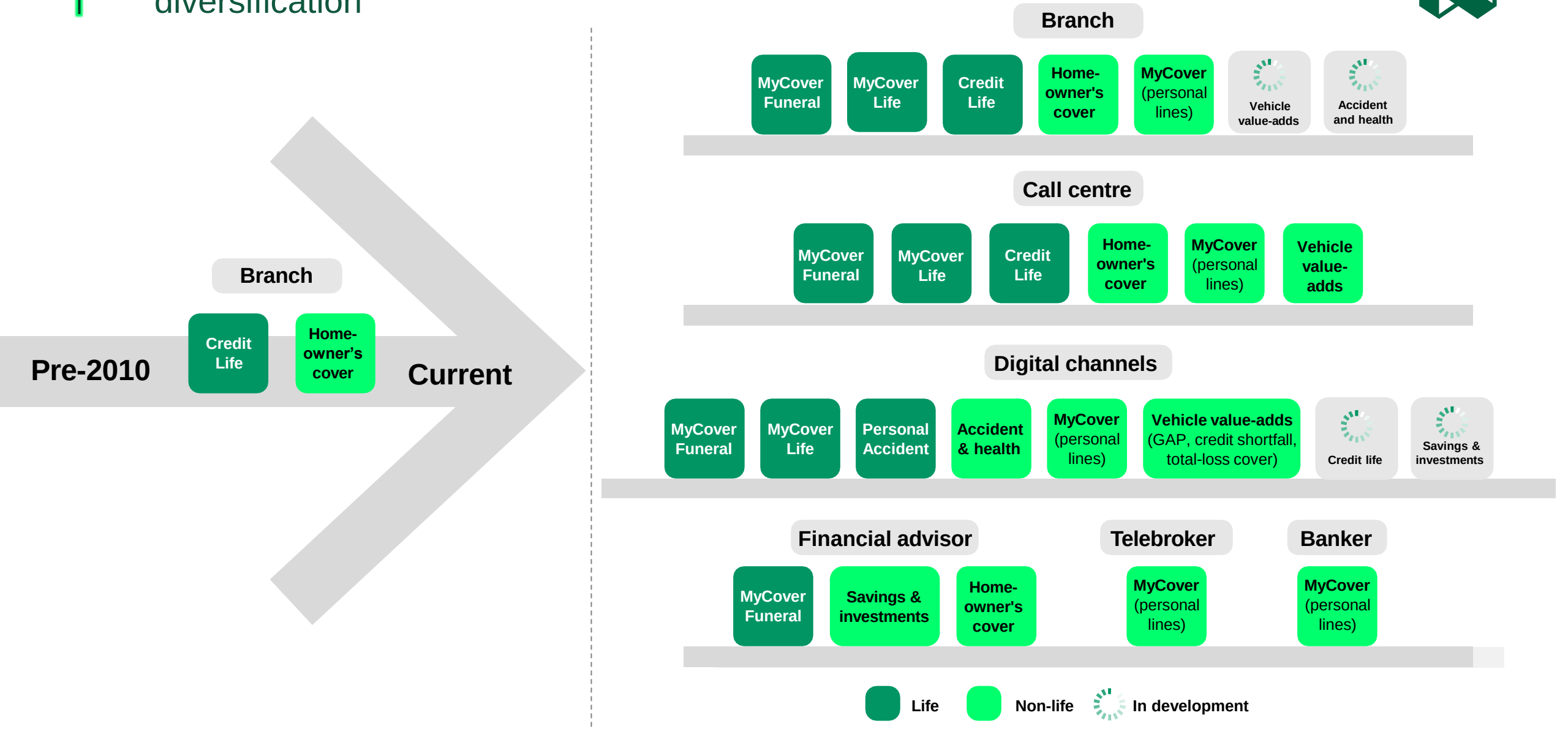
JSE All-share Index[1] & investment returns (volumes)



[1] Measured end-December '21 to end of June '22.

Booklet slide

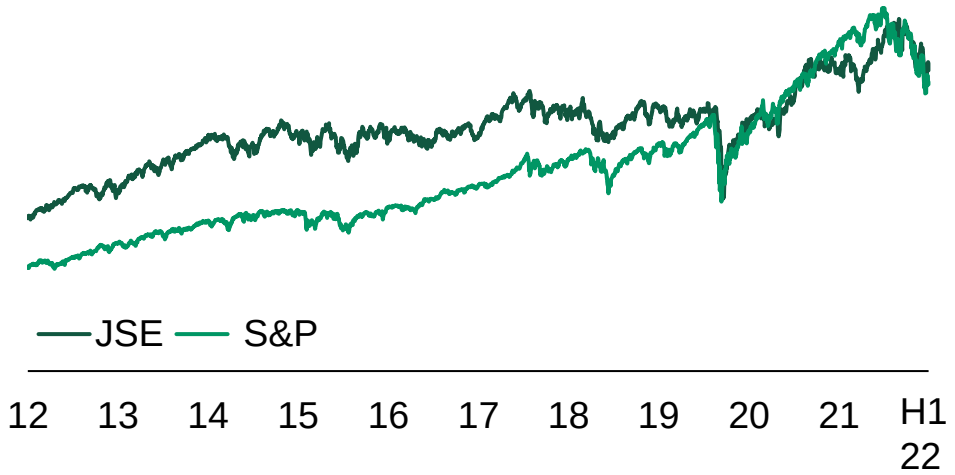
Nedbank Insurance – significant progress made on product & channel diversification



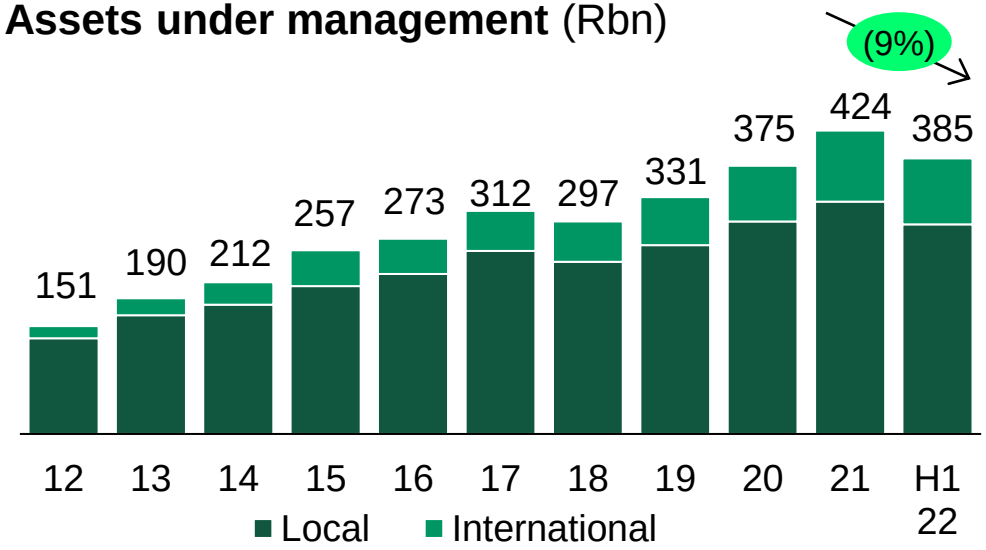
Booklet slide

Asset Management – 9% ytd decline in AUM driven by negative market performance & net outflows, particularly in the cash portfolio

JSE & S&P indices



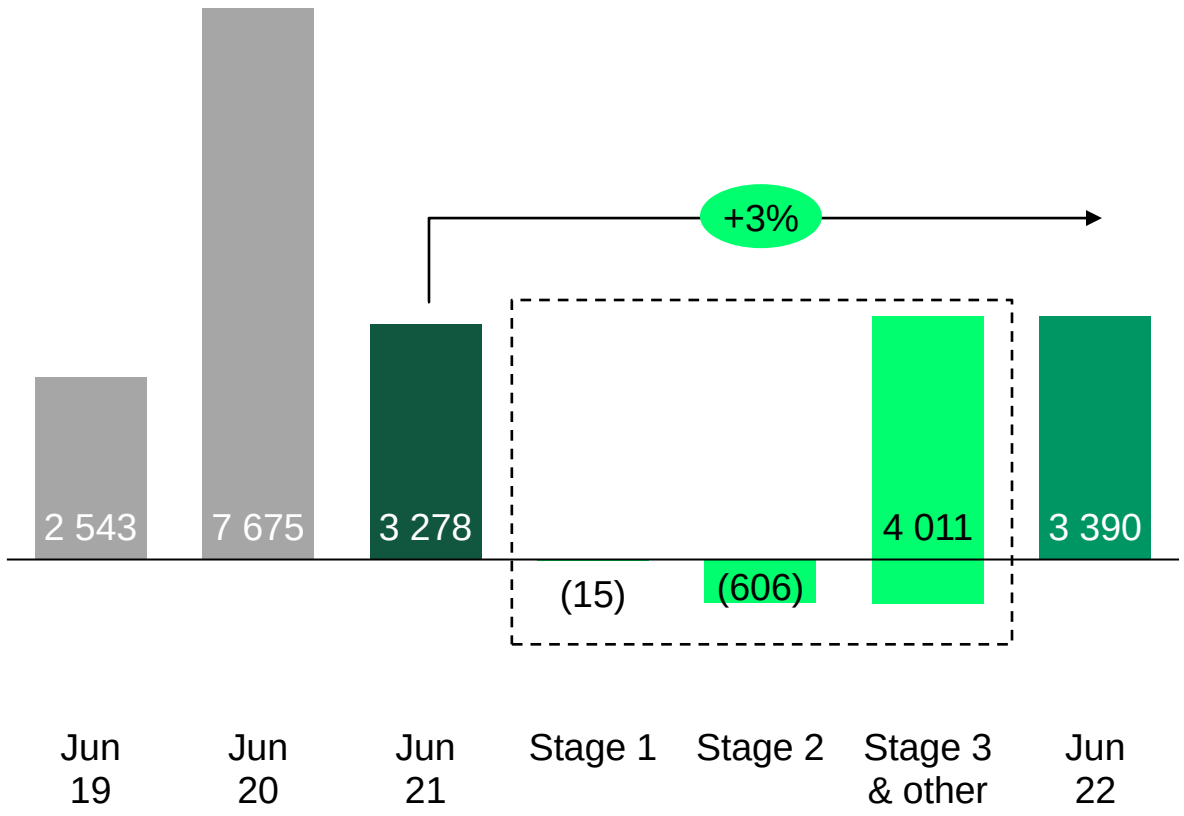
Assets under management (Rbn)



- Lower AUM due to **negative market performance** (S&P 500 down 21% & JSE down 10%) and net outflows
- Increased outflows in the cash portfolio due to reversal of 2020 ‘Covid-19 excess’
- Higher inflows into low-cost Core & Global fund ranges, benefiting from the desire of South Africans to diversify
- ASISA Q1 2022 statistics:
  - **5th largest AUM locally** (7% market share)
  - **3rd largest AUM international** (12% market share)

Impairment charge up 3% – driven by stage 3 increases, partially offset by improvements in stage 1 & 2 impairments

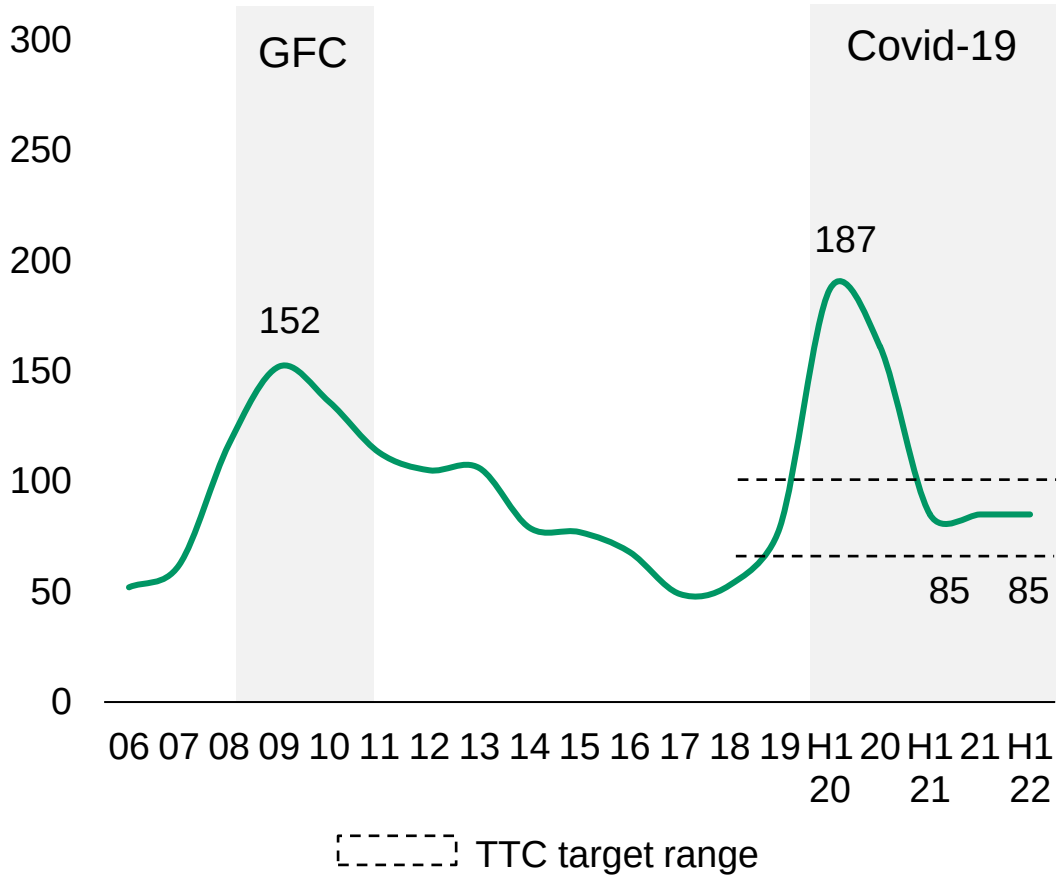
Impairment charge (Rm)



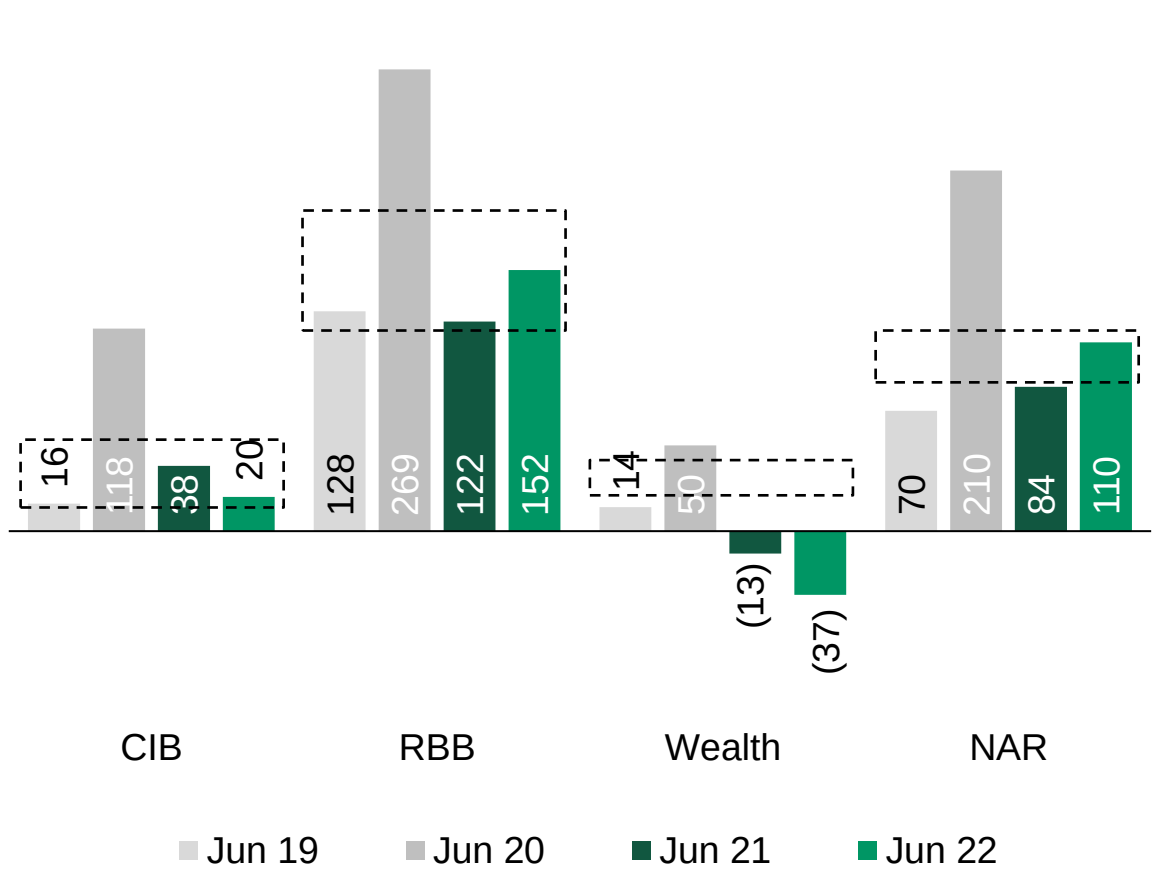
- **Stage 1 impairments** – average gross loan & advances growth of 4%, offset by mix change impact (ytd wholesale growth > ytd retail growth)
- **Stage 2 impairments** – general improvement, but initial signs of higher levels of early arrears (inflation & interest rate pressures)
- **Stage 3 impairments** – providing for specific CIB counters (including aviation & agricultural sectors) & impact of withdrawal of D3 loans
- **Judgemental Covid-19 & macro-economic overlays** – since Dec 2021 R0,2bn emerged in our IFRS models, R0,4bn was released through the IS (as expected risks did not emerge) & R0,9bn remains in place

Credit loss ratio flat at 85 bps – within our TTC range of 60 to 100 bps

Group CLR (bps)

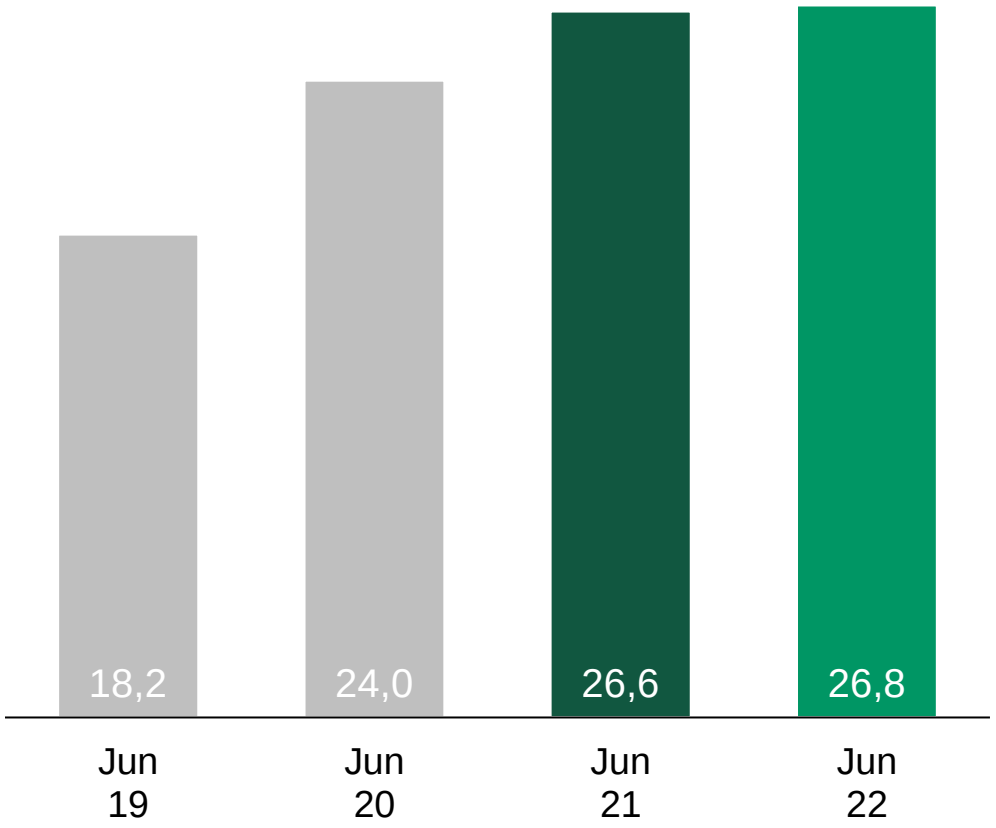


Cluster CLR (bps)

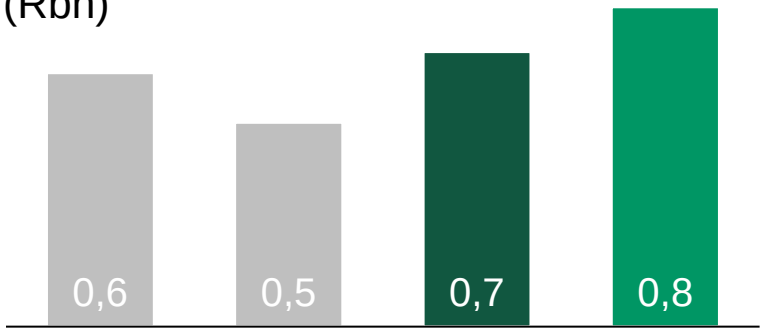


Balance sheet ECL at R26,8bn – driven by R3,4bn impairment charge & an increase in recoveries, while write-offs remain conservative

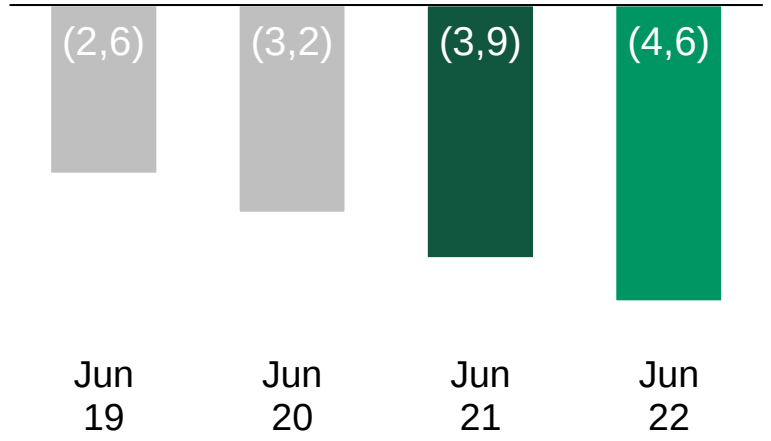
Balance sheet ECL (Rbn)



Post-write-off recoveries (Rbn)



Write-offs (Rbn)



Booklet slide

All clusters within or below TTC target ranges & coverage above 2019 levels

	Credit loss ratio (bps)					**ECL coverage** (%)			
	H1 22	H1 21	H1 20	H1 19	TTC	**H1 22**	H1 21	H1 20	H1 19
CIB	**20**	**38**	**118**	**16**	**15–45**	**1,29**	**1,28**	**1,05**	**0,57**
CIB excl CPF	26	31	156	33		1,40	1,38	1,21	0,65
CPF	13	46	63	(8)		1,19	1,19	0,81	0,47
RBB	**152**	**122**	**269**	**128**	**120–175**	**4,82**	**4,92**	**4,69**	**3,77**
CB	12	9	150	38	50–70	1,95	2,48	2,35	1,51
Retail	188	151	302	155	160–240	5,59	5,56	5,34	4,45
HL	19	4	89	9		1,62	1,91	1,96	1,50
VAF	167	114	284	168		4,86	4,92	4,79	3,89
PL	909	835	1 096	562		23,5	20,8	19,2	16,2
Card	629	568	997	605		16,4	12,0	16,3	14,1
Wealth	**(37)**	**(13)**	**50**	**14**	**20–40**	**1,31**	**1,35**	**0,99**	**0,63**
NAR	**110**	**84**	**210**	**108**	**85–120**	**5,09**	**4,53**	**4,00**	**3,33**
Group	**85**	**85**	**187**	**70**	**60–100**	**3,31**	**3,41**	**2,85**	**2,21**

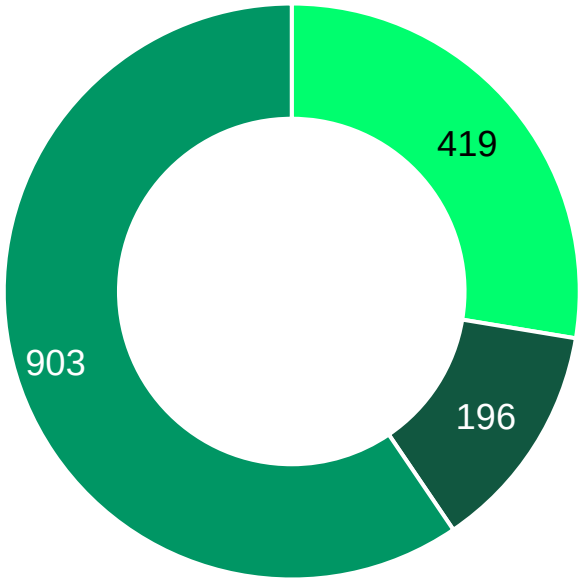
Booklet slide

Covid-19 & macro-related adjustments/overlays – risks either emerged via our IFRS models, did not emerge or still remain in place

	Covid-19 & macro-related adjustments/overlays	Dec 2021	Jun 2022
Other	▪ **Central provision** (emerging risk not yet in models/data/macroeconomic forecasts)	R500m	R450m
	▪ **Nedbank Wealth & NAR** overlays	R75m	R72m
CIB	▪ **IB & TS overlays** – migration risk	R76m	-
	▪ **CPF overlays**	R370m	R300m
RBB	▪ **Interest rate benefit neutralisation overlay** (MFC, the rest of Retail adjusted in the models from H2 20)	-	-
	▪ **Covid-19-related adjustments**		
	– **Overlays on Retail loans** to cater for short-term residual risk (reduction driven by RBB D3 loans declining to zero)	-	-
	– **CB overlays**	R257m	R10m
	– Longer-term impact using stressed **forward-looking information** (FLI)	R240m	R71m
		R1 518m	**R903m**

In addition to the R903m Covid-19 & macro-related adjustments/overlays, the group holds a further R1,7bn of other judgemental overlays (Dec 2021: R1,7bn)

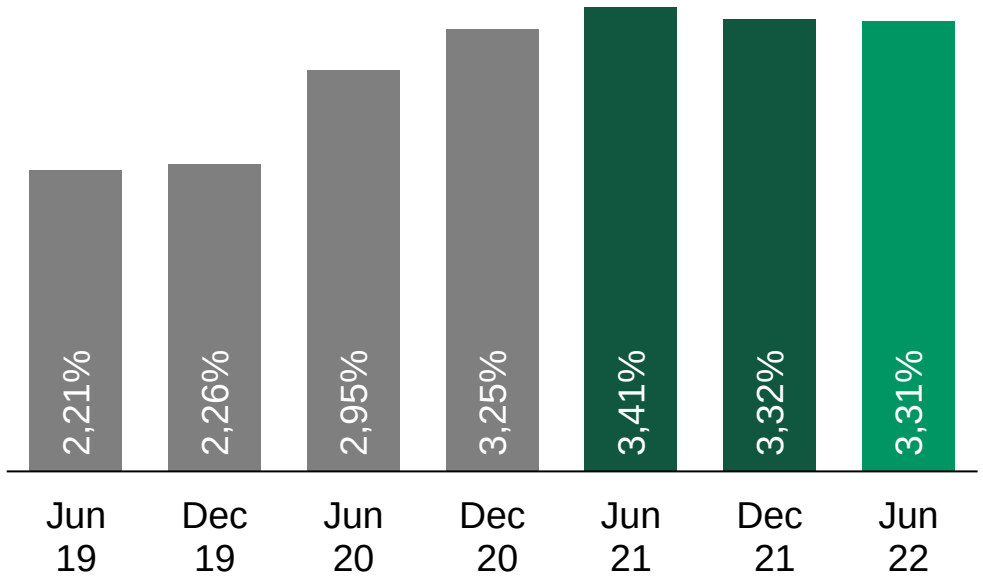
Changes Dec 2021 to June 2022
(Rm)



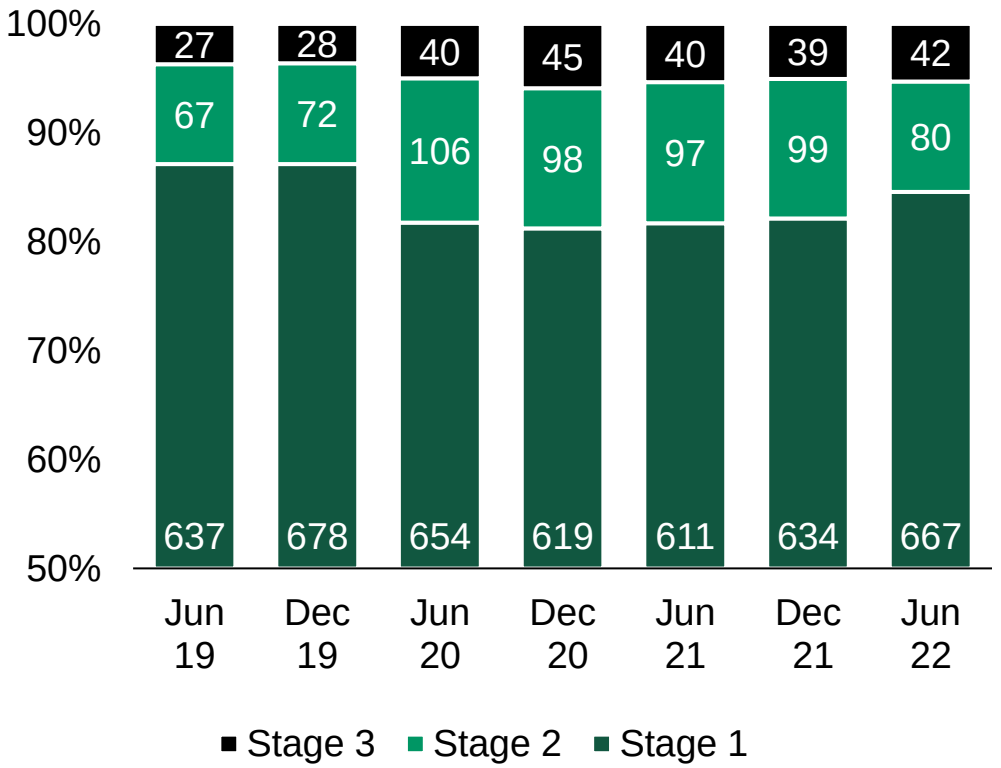
- Released through the IS
- Risk emerged via our IFRS models
- Remain in place (monitored)

Total ECL coverage of 3,31% remains high & above pre-Covid-19 levels

Total ECL coverage
(%)

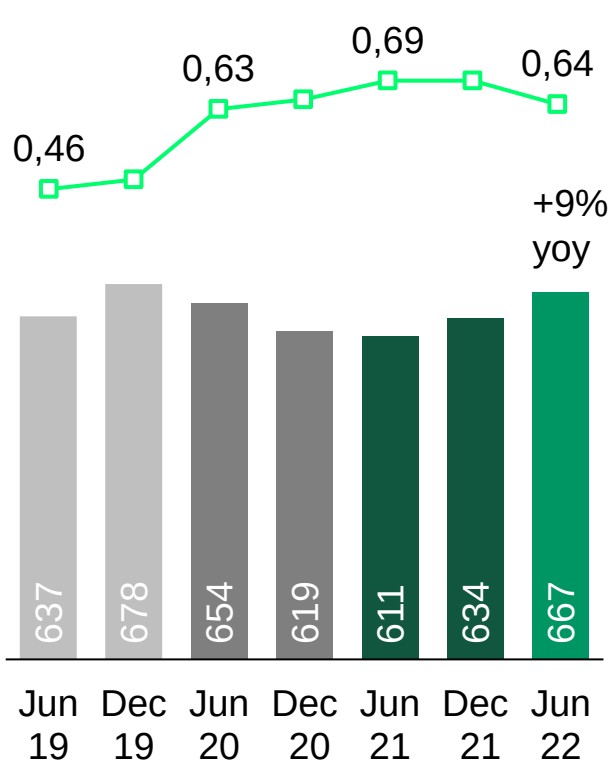


Stage 1, 2 & 3 loan contribution
(Rbn)



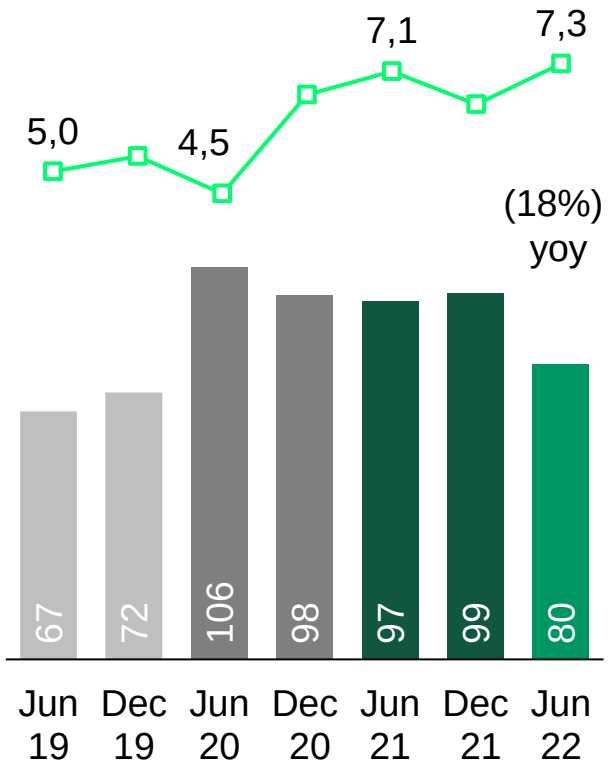
Strong ECL coverage ratios across stage 1, 2 & 3 loans

Stage 1 loans



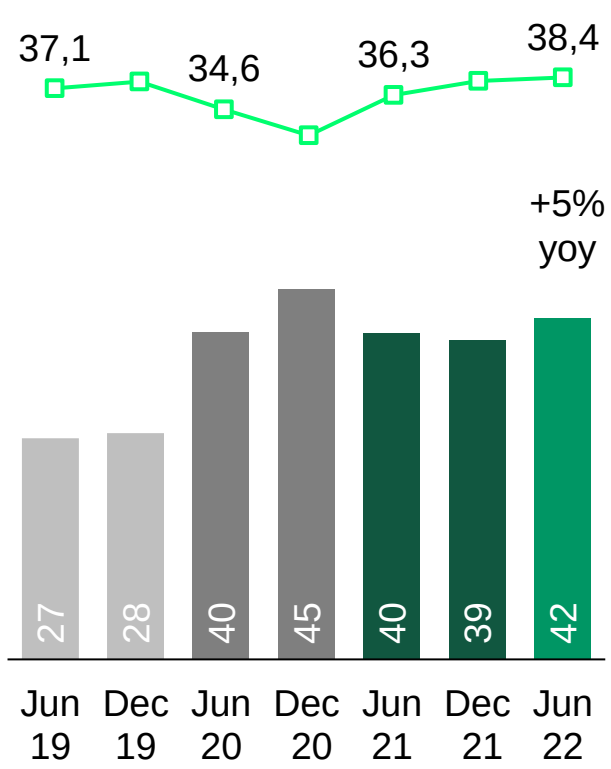
Stage 1 loans – increase driven by loan growth & cure from stage 2 loans

Stage 2 loans



Stage 2 – decrease driven by recovery in some sectors in CIB (eg hospitality & previous stressed SOEs, cured & moved to stage 1). Retail up as a result of increases in early arrears

Stage 3 loans



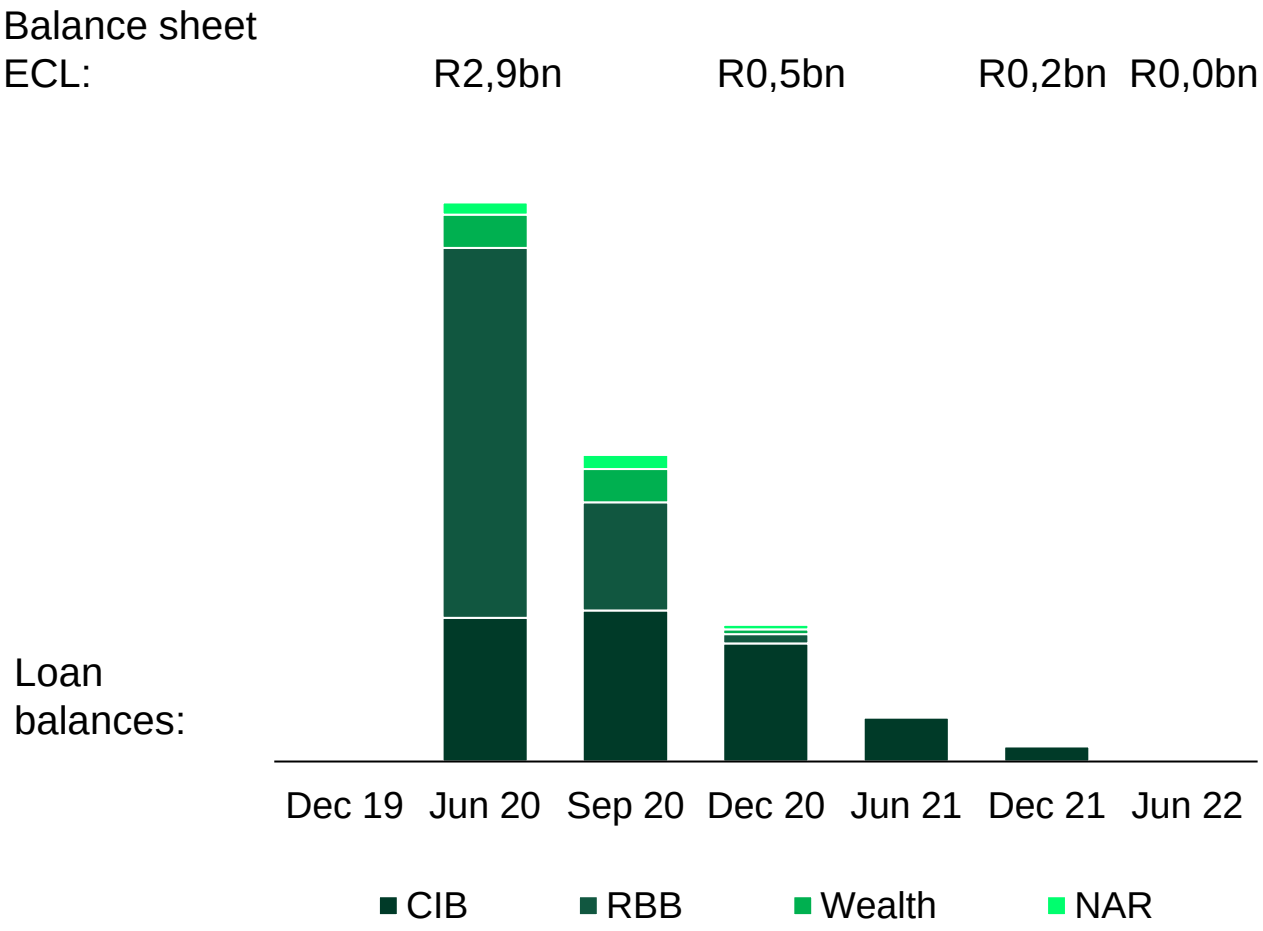
Stage 3 – increase driven by the withdrawal of directive D3/2020 resulting in some loans now classified as stage 3 & a few specific CIB clients

Performing coverage (stage 1 & 2) improved from Jun 2021: 1,56% to Dec 2021: 1,46% & to Jun 22: 1,35%.

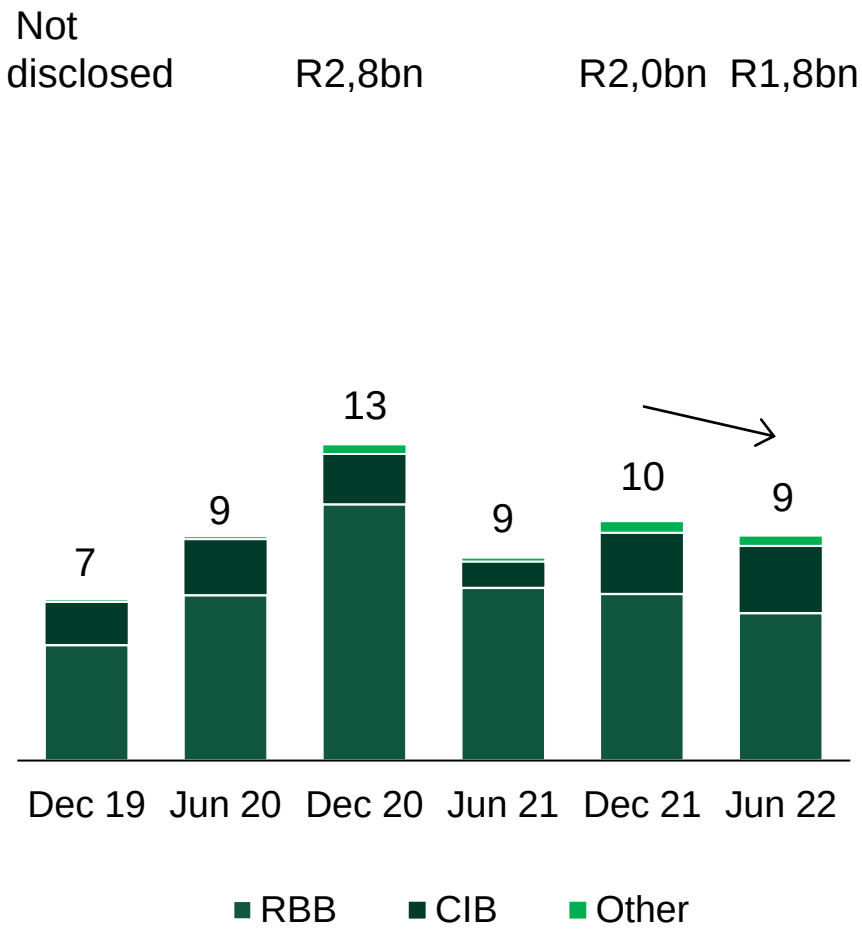
Booklet slide

Credit risk – D3 (payment relief) withdrawn from 31 March 2022, while D7 (restructured) loans declined from December 2021 levels

D3/2020 payment relief loans (Rbn)

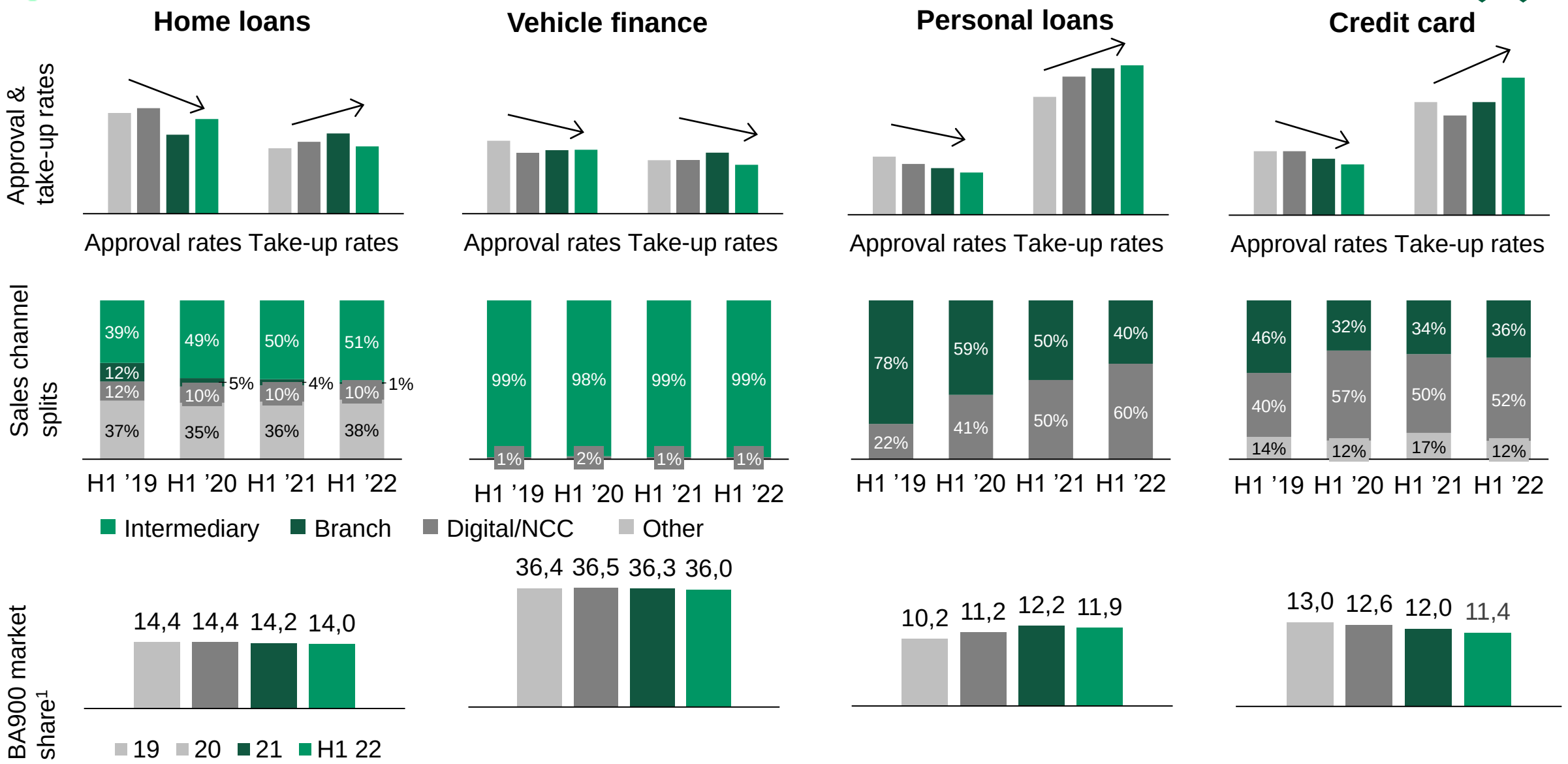


D7/2015 restructured loans (Rbn)



Booklet slide

Strategic Portfolio Tilt 2.0 – more cautious retail credit growth in a challenging environment



[1] *BA 900 market share at end May 2022*

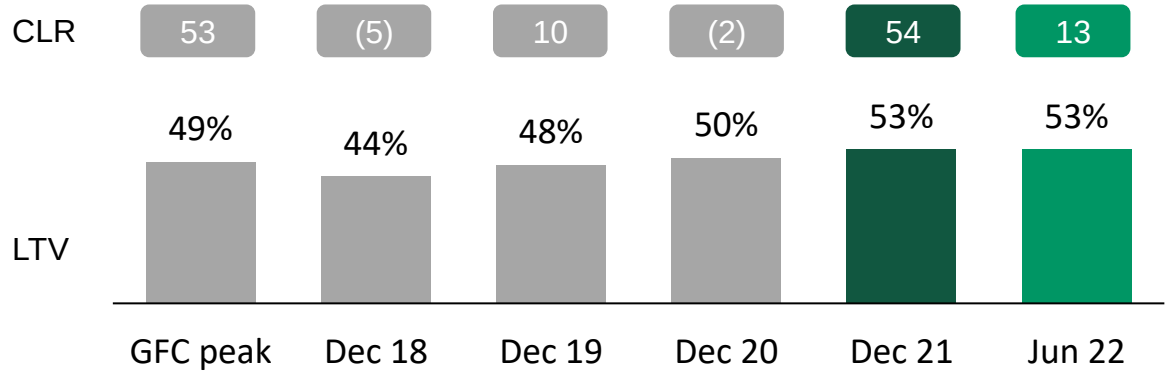
Booklet slide

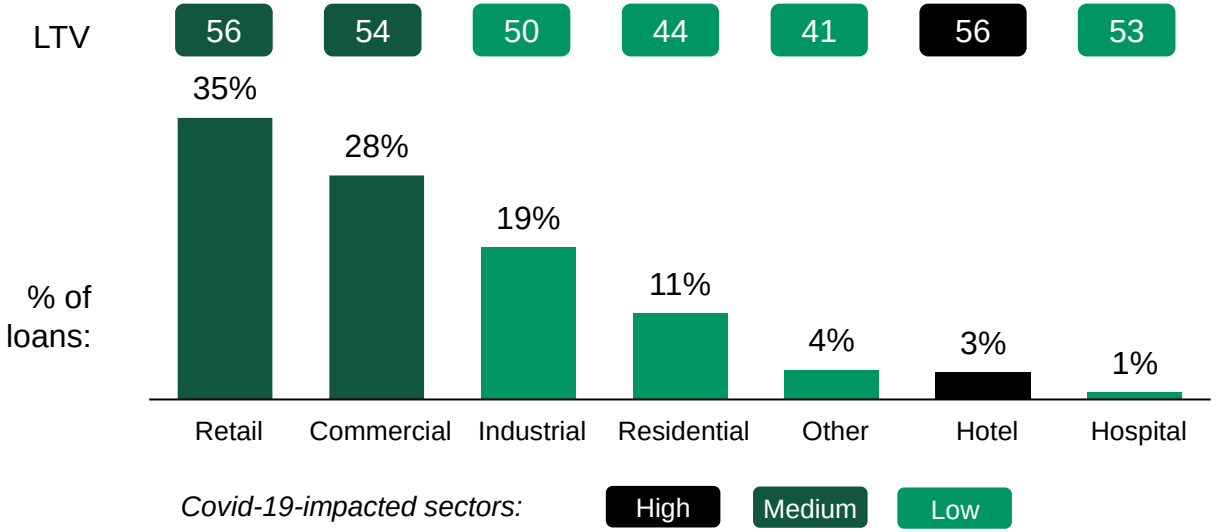
Commercial property finance – a high-quality, well-diversified & collateralised portfolio

What gives us comfort?

- **High-quality, well-diversified & collateralised portfolio**
- **Portfolio LTVs remain low at 53%**
  - LTVs remain low, with adequate collateralisation – significantly reduces the risk of potential losses
- **Covid-19-related (R300m) & other overlays (R290m) decreased to R590m** (Dec 21: R670m) – buffers against further deterioration in valuations & credit migration
- **Offices vacancies across the Nedbank collateral portfolio are at 8,5%** (Dec 21: 8,2%) compared to the office sector as a whole at 16,7% (Dec 21: 16,0%) – higher-quality portfolio
- **Low levels of arrears**
  - 0 to 90 days: R37m (Jun 21: R11m)

Credit loss ratio (bps) & **Loan-to-value ratio** (%)

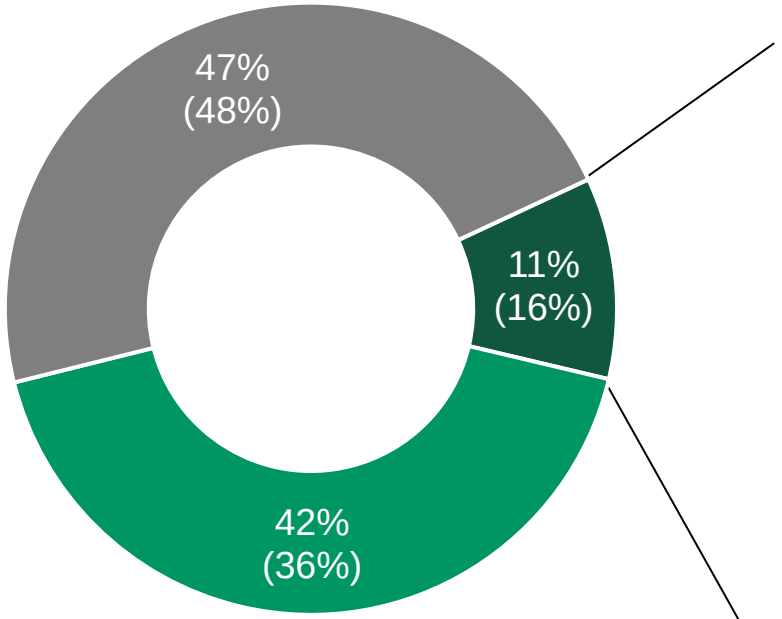




Booklet slide

Credit risk – CIB Covid-19 high-risk exposures

CIB high-risk sectors



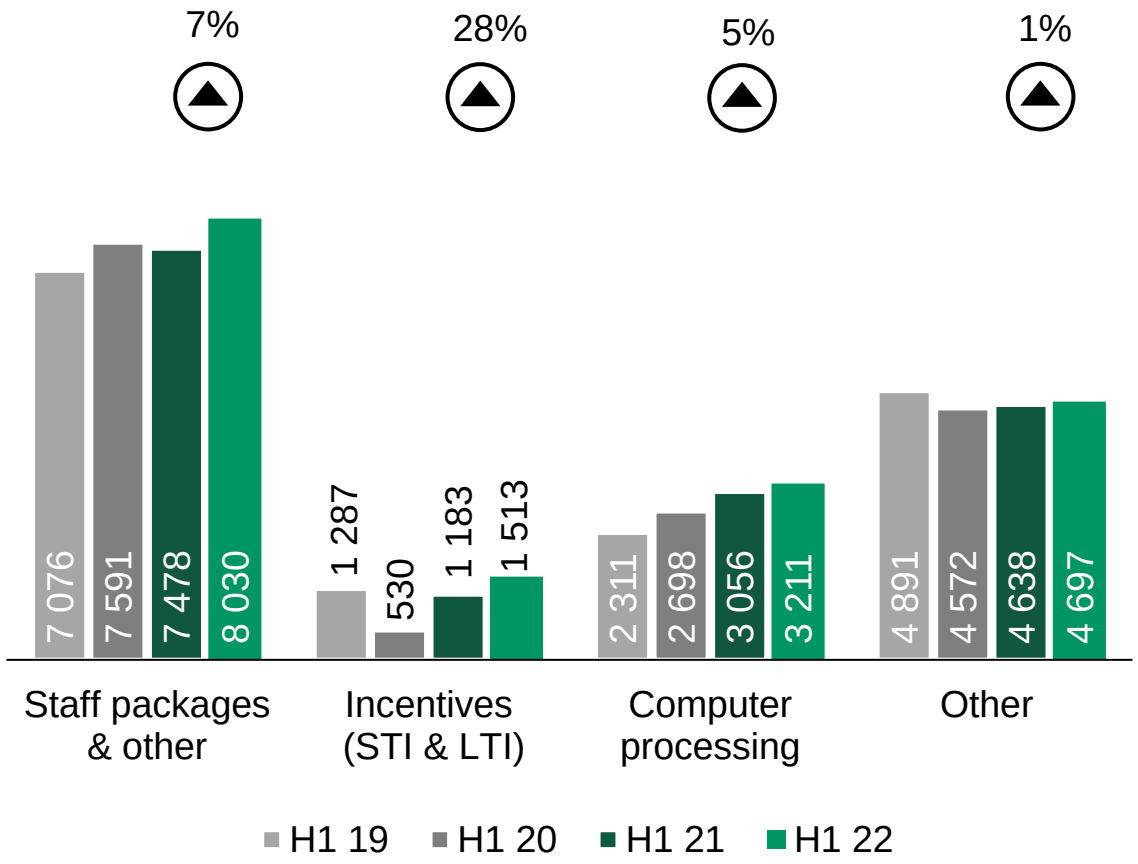
- Covid-19-impacted sectors
- Rest of CIB
- CPF

Covid-19-impacted sectors (excl CPF)	% of CIB exposure	D7 & NP % of sector exp
▪ **SOEs/Municipalities** – defaulted exposures reducing, with 11% government-guaranteed	5% (7%)	4% (5%)
▪ **Construction*** – Stressed sector pre-Covid-19 with reduction in defaulted exposure since 2020	3% (3%)	13% (1%)
▪ **Aviation** – 33% of exposure guaranteed & remaining exposure secured at 83% average LTV	1% (1%)	55% (42%)
▪ **Hospitality** – exposure to largest hotel & casino groups with substantial asset/equity base	2% (2%)	0% (0%)

** Construction includes Steel & Cement. | (%) denotes exposure at 30 June 2021.*

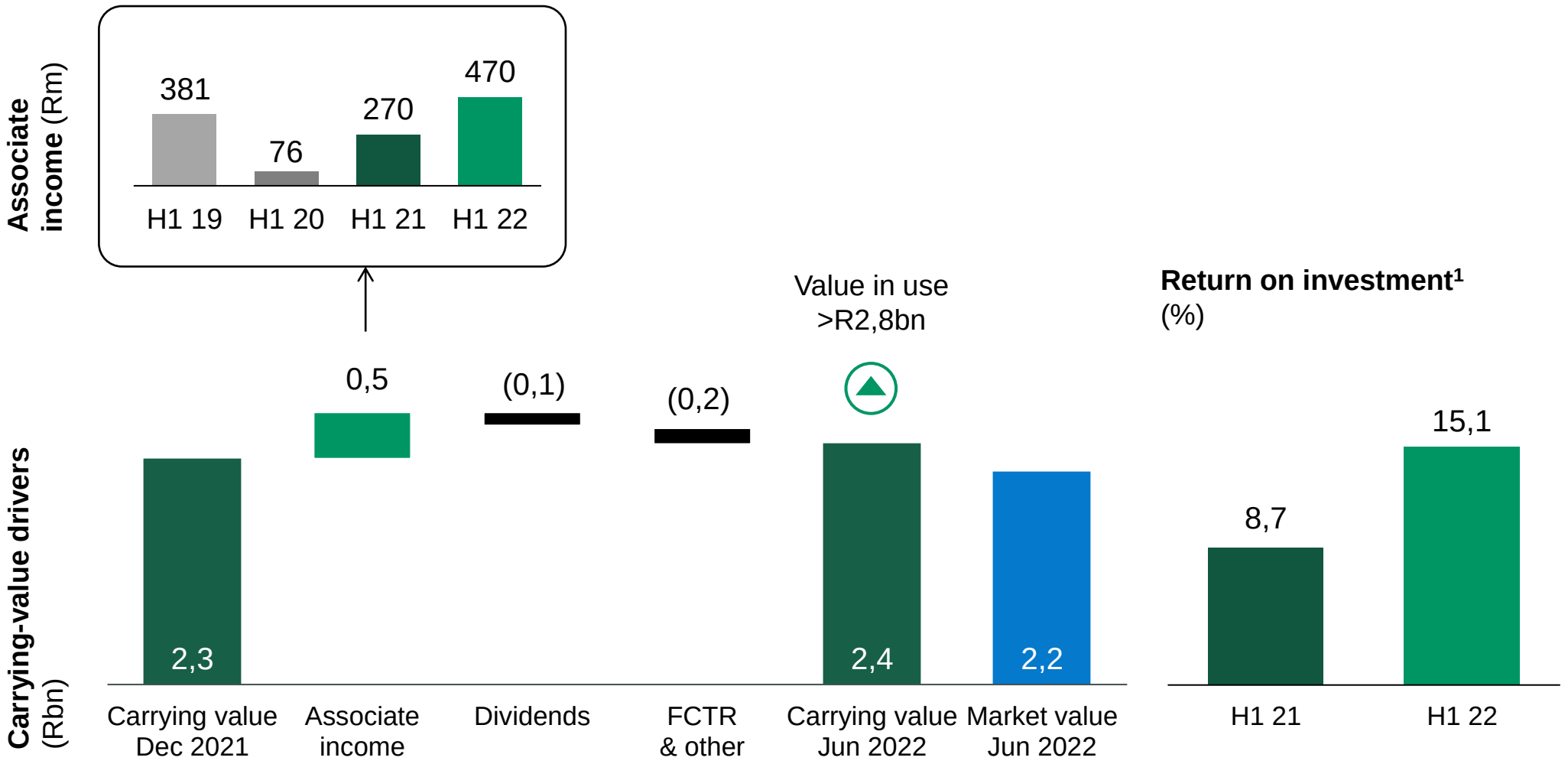
Expenses up by 7% – excluding incentives, expenses up 5%, reflecting a solid operating performance, with focus on efficiencies, benefits from digitisation & TOM 2.0

Expenses (Rm)



- **Staff costs**
  - Salaries & wages +3%
    - Average ASR increases: +4,6% (BU +5,2%)
    - 4% yoy decline in permanent headcount (mainly through natural attrition)
  - Other staff costs increased due to lower returns from employee benefit assets & higher IT staff development costs expensed (not capitalised)
  - Variable-pay incentives +28%, aligned with improved profitability metrics (STI +22%)
- **Computer processing** – amortisation growth rate slowing as our ME journey matures (H1 22: +13%, 2021: +19%, 2020: +23%) & benefits from transitioning to cloud services (lower depreciation charge)
- **Other costs** +1%
  - Normalisation of discretionary spend, including marketing (+12%) & travel (+21%)
  - Offset by savings from lower accommodation-related costs (-5%) & TOM savings

ETI associate investment – strong continued turnaround in financial performance



Note: ETI accounted for 1 quarter in arrear. | Associate income includes goodwill impairment. | Return on original investment of R6,3bn (based on associate income).

Booklet slide

ETI associate investment – an ongoing strong financial performance supporting our investment, while strategic progress is encouraging

ETI share price (NGN)



ETI associate investment

- **ETI paid a dividend** for the first time in 6 years
- **ETI's ROTE[2] up to 19,5%**
- **Strong capital & liquidity metrics[1]** – CAR: 14,8% (H1 2019: 12,8%)
- **Share price re-rating:** +45% in 2021 & +22% H1 2022 (highest level in 3 years during Q1 2022 at NGN13,50)
- **ETI–Nedbank collaboration** – levels of collaboration & pipeline of deals are increasing (> 30 deals currently in the pipeline)

Recent awards

2022 Euromoney Awards for Excellence
Africa's Best Bank

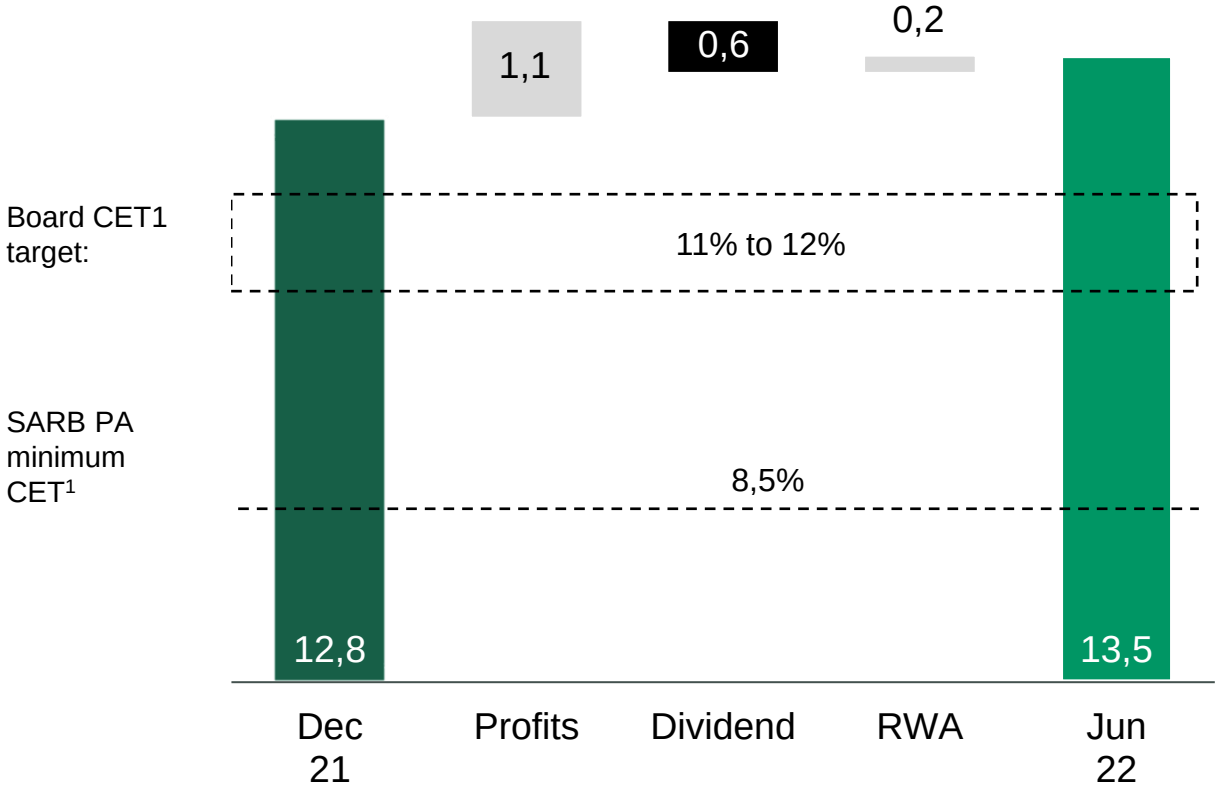
2022 Euromoney Awards for Excellence
Africa's Best Bank for SMEs

2022 Euromoney Awards for Excellence
Africa's Best Digital Bank

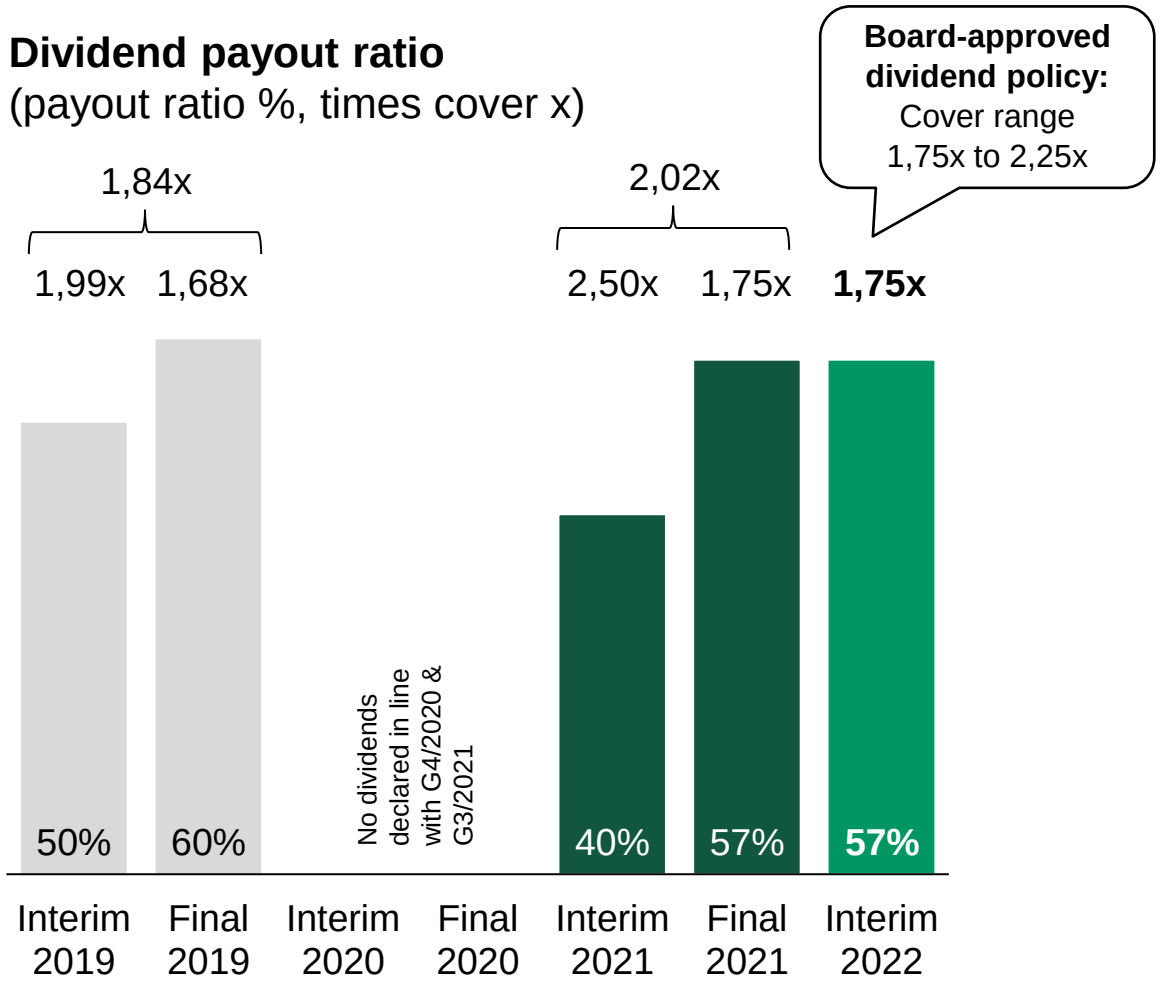
[1]As of 31 March 2022. I [2] At 30 June 2022.

Capital – CET1 ratio well above the top end of our board-approved target range of 11% to 12%, supporting strong growth in the interim dividend

CET1 ratio (%)



Dividend payout ratio
(payout ratio %, times cover x)

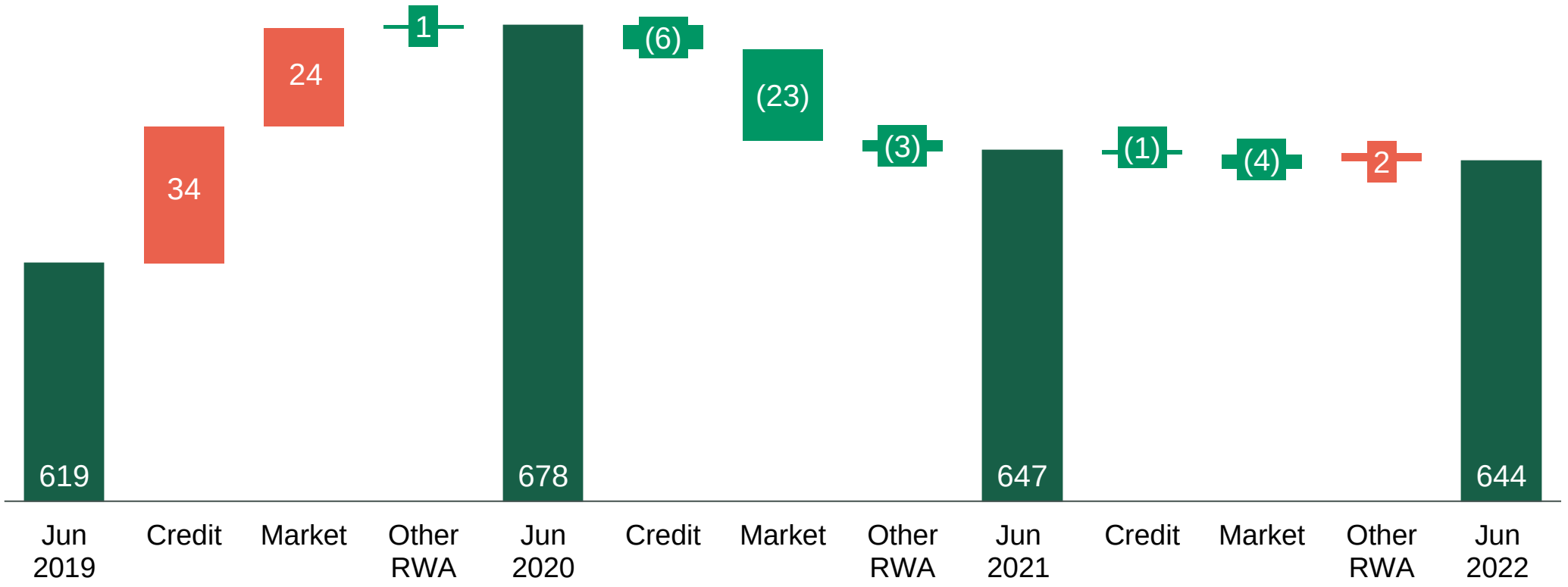


[1] Excluding idiosyncratic buffers & including the D-SIB capital requirement of 100 bps, in line with PA Directive 5/2021 (from 8% in 2021).

Booklet slide

Risk-weighted assets – credit RWA optimisation & selective origination, along with normalisation of market RWA as volatility reduced

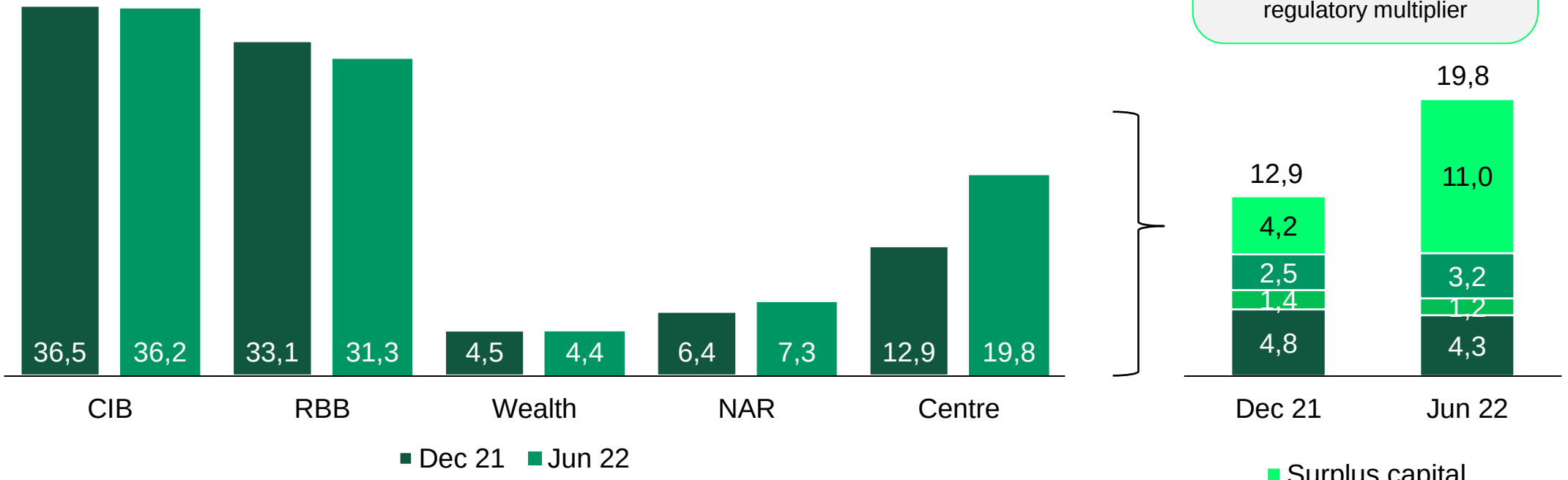
Risk-weighted assets (Rbn)



Capital allocation – surplus capital held at the centre, driven by the group's stronger levels of profitability & lower RWA growth

Average surplus capital of **R11bn** driven largely by the strong CET1 ratio of 13,5%, compared with the 11,5% regulatory multiplier

Average capital allocation (Rbn)



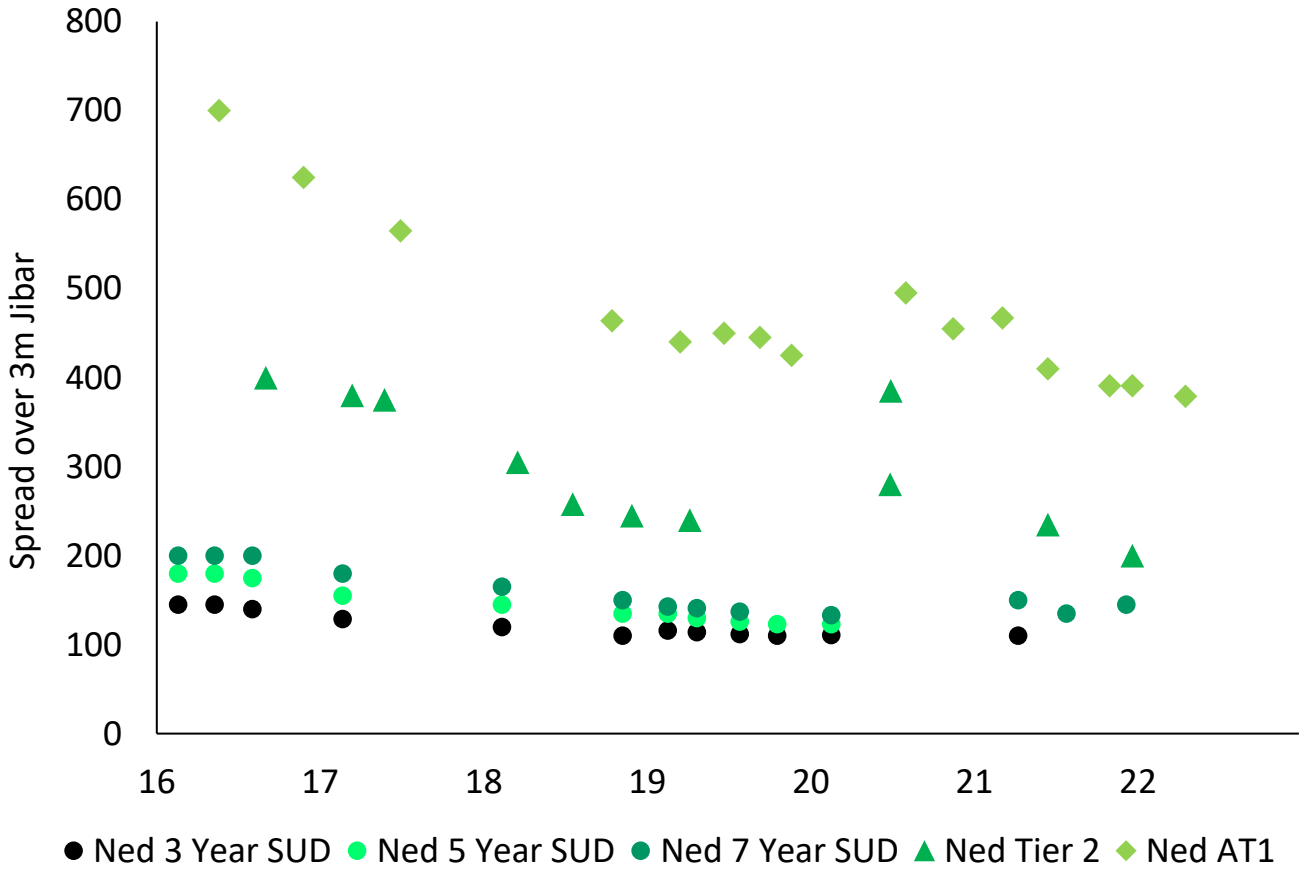
- The group allocates capital to clusters at the higher of economic or regulatory capital requirements. In H1 2022 the capital multipliers for economic and regulatory capital allocations were revised upwards in line with regulatory minimums and new board targets
- Business risk model & inter-risk diversification factors were further enhanced, resulting in lower capital allocated to RBB

** Mainly relates to property risk (R1,8bn) & credit risk for the HQLA portfolio (R0,8bn).*

Booklet slide

Capital management – pricing has reduced over time across all capital & debt instruments, reflecting market dynamics & the strength of the Nedbank franchise

Nedbank AT1, Tier 2 & Senior Unsecured Debt pricing
(bps above JIBAR)



SA bank pricing ranges during 2021/2022 (bps)

AT 1 ◆

- SA banks: 379 to 480 (Nedbank: 379 to 467)

Tier 2 ▲

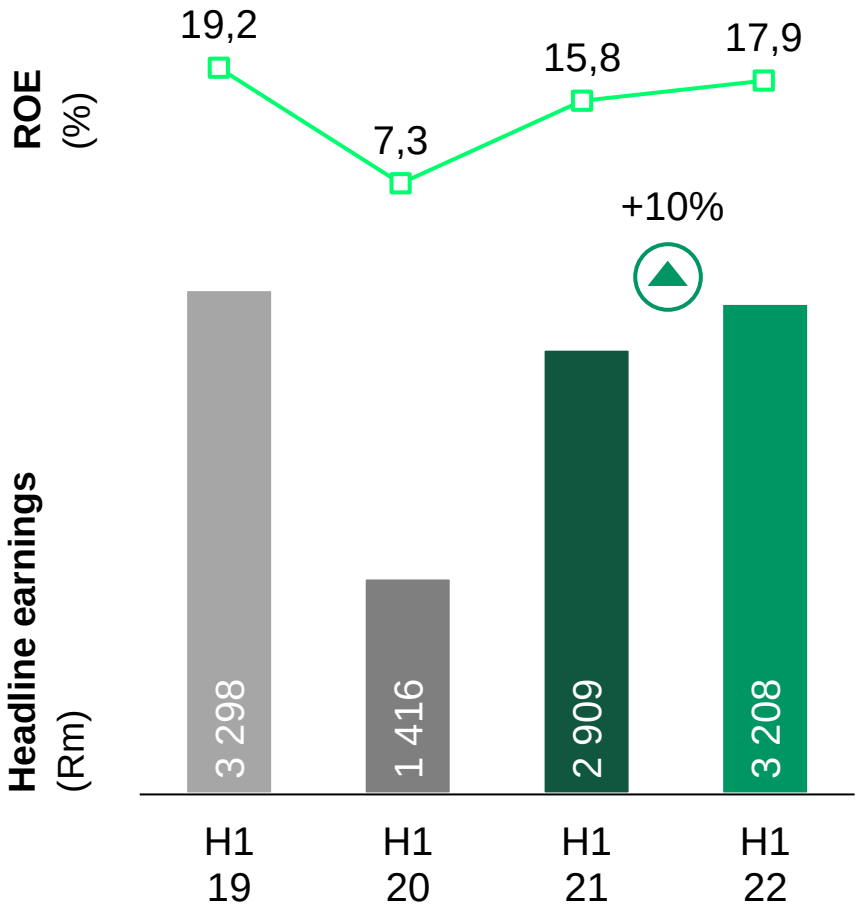
- SA banks: 190 to 260 (Nedbank: 200 to 235)

Senior unsecured ●

- SA banks 3 year: 101 to 120 (Nedbank: 110)
- SA banks: 7 year: 145 to 155 (Nedbank: 135 to 150)

CIB financial performance – solid HE growth & ROE expansion, driven by NII & impairments, with NIR impacted by lower trading income

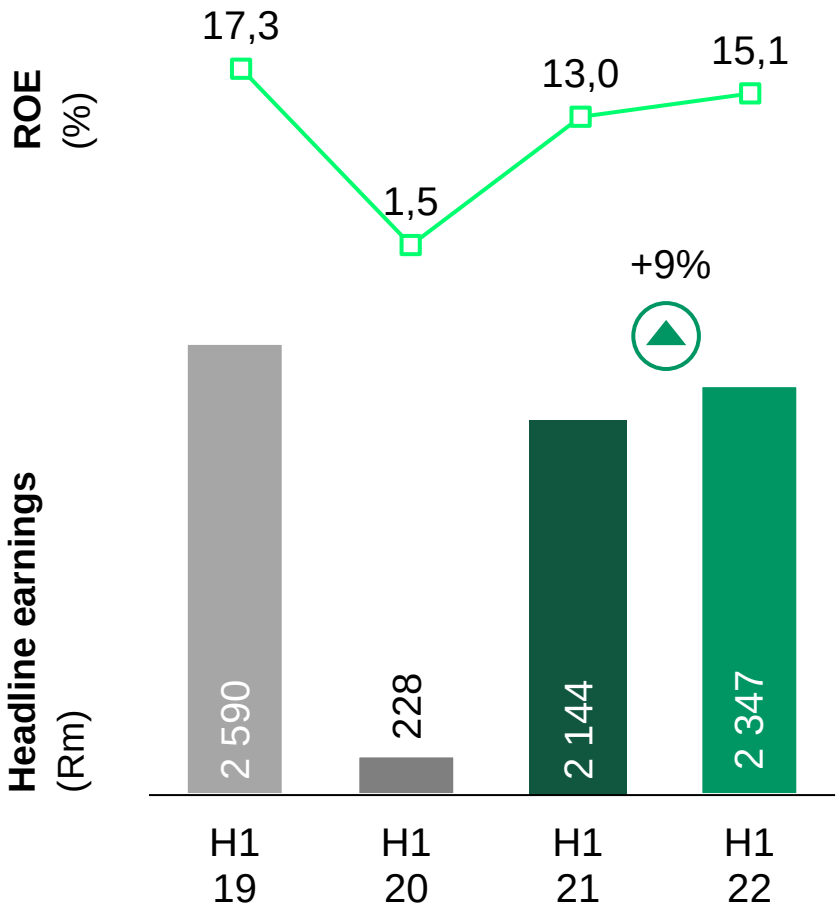
Financial performance



- **NII up 10%**
  - NIM increased by 17 bps, benefiting from optimisation of exposures & returns, in a rising interest rate cycle
- **Impairments down 47%**
  - CLR at 20 bps (lower end of TTC range, including providing for stressed counters), with CPF continuing to perform well
- **NIR down 1%**
  - Strong performance in the equity portfolios, mostly through realised gains & dividends
  - Debt & interest rate markets offset good outcomes in foreign exchange & equities
  - Lower-than-anticipated transactional income impacted by lower fees in payments & processed values in cash withdrawals

RBB financial performance – ROE improved to above COE with strong revenue growth & good cost optimisation, partially offset by a normalisation of impairments

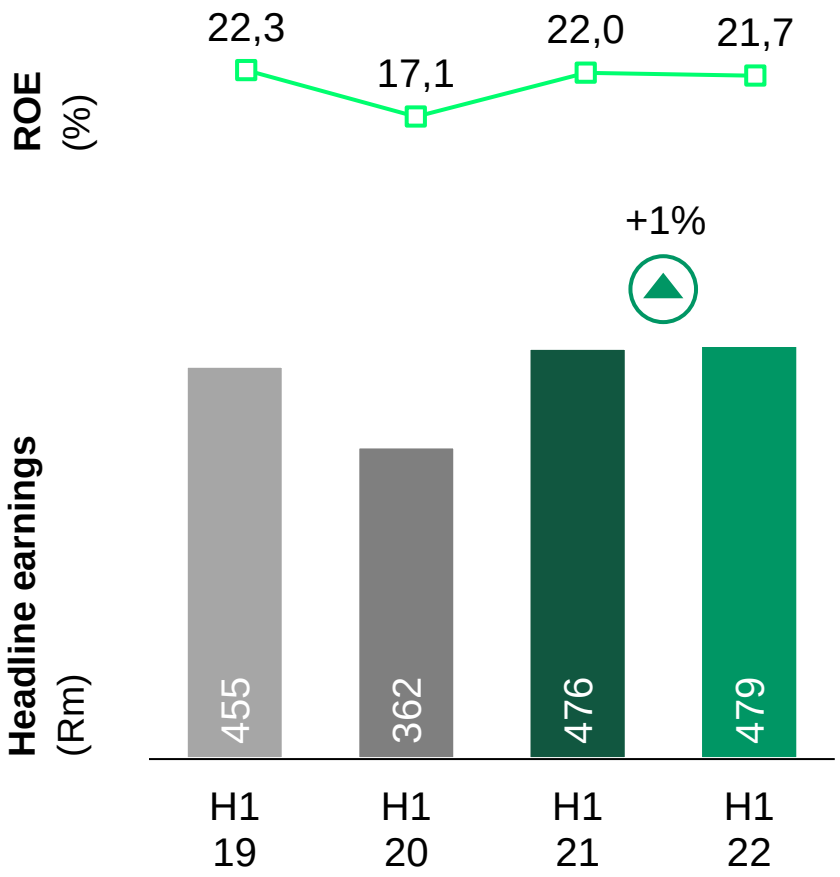
Financial performance



- **NII up 10%**
  - Advances growth momentum continued & endowment benefit of higher interest rates
- **Impairments up 32%**
  - Increase in CLR to 152 bps, driven largely by once-off base effects in H1 2021 (R529m) & now within the middle of the TTC target range
  - Adjusting for these once-off benefits (relating to the curing of D7 accounts & release of Covid-19-related overlays), the normalised H1 2021 CLR was 150 bps. On a normalised basis the CLR was up by 2 bps yoy
- **NIR up 9%**
  - Strong recovery seen in client transactional activity
  - Much higher card interchange volumes
- **Expense growth of 4%**
  - Enabled by ongoing cost optimisation & digitisation impacts

Wealth financial performance – HE up 1%, impacted by negative market performance & KZN floods, with ROE remaining strong

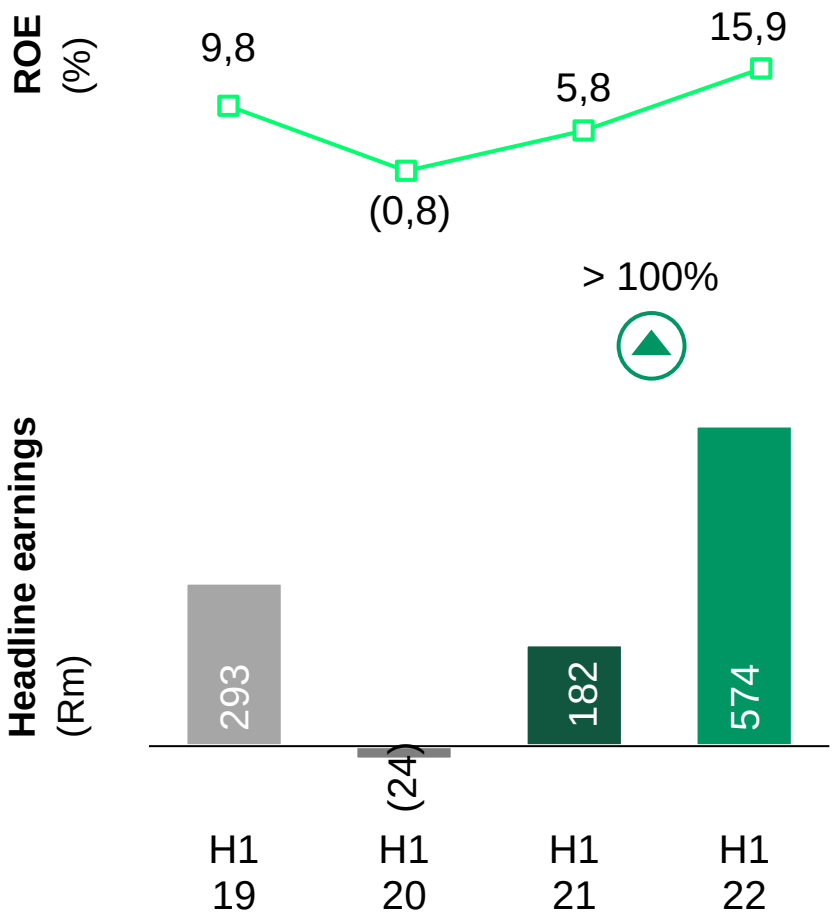
Financial performance



- **Insurance HE down 30%,** impacted by:
  - Higher non-life claims due to the KZN floods
  - Reduced investment returns due to negative market performance
  - Offset by lower claims in the life portfolio
- **Asset Management HE flat**
  - Average AUM remained steady, resulting in flat NIR
- **Wealth Management HE up >100%**, benefiting from:
  - Credit impairment recoveries
  - Higher local & international interest rates
  - Increase in brokerage & estate fees

NAR financial performance – strong uplift in ROE with improving performance from SADC operations & strong performance from ETI

Financial performance



- **SADC operations**
  - HE of R190m, up from R11m loss in H1 2021, & ROE of 6,1%
  - NII increased by +12%, driven by improved margins
  - NIR up 79% (> 2019 levels), driven by forex gains in Zimbabwe (offset in net monetary loss) & increased transaction volumes
  - Impairments increased by 18% & CLR increased 26 bps to 110 bps, off a low base in the prior year
- **ETI associate investment**
  - HE of R384m, up from R193m in H1 2021
  - Improved capital & liquidity metrics – total CAR 14,8%[1] (H1 2021: 12,3%), with an improved ROTE of 19,5%[2]
  - Dividend payment resumed
  - Although profitable, Ecobank Nigeria's performance remains suboptimal & a key management focus

[1]At 31 March 2022 I [2] At 30 June 2022

NEDBANK GROUP

Outlook

Mike Brown

Chief Executive

‘We remain on track to meet our 2023 targets, with DHEPS target expected to be delivered in 2022’



Nedbank current economic forecasts – 2022 & beyond

	Forecast: February 2021						Forecast: February 2022				Forecast: July 2022		
	19	20	21	22	23	24	21A	22	23	24	22	23	24
SA GDP growth	0,1%	(6,4%)	3,4%	2,2%	1,8%	1,5%	4,9%	1,7%	1,8%	1,0%	1,8%	1,5%	1,6%
Prime interest rate (year-end)	10,0%	7,0%	7,0%	7,5%	7,5%	7,5%	7,25%	8,5%	9,0%	9,5%	9,75%	10,5%	10,5%
Inflation (average CPI)	4,1%	3,3%	4,2%	4,6%	4,3%	4,2%	4,6%	4,9%	4,2%	4,3%	6,8%	5,5%	4,6%
Industry credit growth	5,3%	1,2%	4,5%	5,7%	5,1%	5,2%	4,5%	4,5%	4,3%	4,7%	5,4%	4,6%	5,3%
Rand/US$ (year-end)	14,0	14,6	15,3	15,9	16,9	18,1	15,9	15,9	15,6	16,3	16,9	16,6	16,8
SA fiscal deficit % of GDP[1]	(3,6%)	(5,1%)	(14,2%)	(10,6%)	(9,8%)	(9,7%)	(10,0%)	(6,5%)	(5,7%)	(4,5%)	(5,8%)	(6,2%)	(5,7%)
SA govt debt % of GDP[1]	52%	56%	82%	85%	90%	94%	67%	67%	70%	71%	70%	73%	75%

Source: Nedbank Group Economic Unit.

[1] Year ending March.

2022 full-year financial guidance based on current economic forecasts

	H1 2022 performance	Initial 2022 guidance[1]	Revised 2022 guidance[1]		Key drivers
NII growth	+9%	Upper single digits	Low double digits	▲	▪ 250 bps interest rate increases in 2022 ▪ RBB advances growth > CIB advances growth ▪ Continued NIM expansion
CLR	85 bps	Within top half of our 60 to 100 bps TTC range	Within top half of our 60 to 100 bps TTC range	▶	▪ Negative impact from mix change, rising interest rates & general pressure on consumers, offset by benefits of a quality portfolio & high ECL coverage
NIR growth	+13%	Upper single digits	Upper single digits	▶	▪ Ongoing benefits from SPT 2.0 ▪ MVFHA volatility removed (benefits in H1 2021 do not repeat)
Expense growth	+7%	Above mid-single digits	Above mid-single digits, with upside risk	▲	▪ Some costs return (eg travel, sponsorships), new regulatory costs (Twin Peaks) & incentive costs aligned with financial performance, along with increased inflationary and FX-related pressures ▪ TOM 2.0 benefits continue
DHEPS growth	+25%	> GDP + CPI + 5%	> GDP + CPI + 5%	▶	▪ H1 2022 DHEPS growth > H2 2022 DHEPS growth
Capital (CET1 ratio)	13,5%	Above TTC (11% to 12%)	Above TTC (11% to 12%)	▶	▪ Remains above the top end of board target range
Dividend	1,75x cover	Within target range (1,75x to 2,25x)	At the lower end of target range (1,75x to 2,25x)	▼	▪ Supported by strong capital ratios

[1]This guidance is not a profit forecast & has not been reviewed or reported on by the group's joint auditors.

Meeting our medium-term targets & progress towards our long-term targets support shareholder value creation

Targets to 2023

DHEPS	ROE	Cost-to-income ratio	Net Promoter Score
> 2 565 cents (2019 levels)	**> 15%** (2019 levels)	**< 54%**	**#1 bank** (from #2 in 2021)
Expected to be achieved in 2022	Remains a stretch target	Remains a stretch target	Remains a stretch target

Long-term targets

DHEPS growth	ROE	Cost-to-income ratio	Net Promoter Score
> GDP + CPI +5%	**> 18%** (COE + 3% to 4%)	**< 50%**	**#1 bank**

Conclusion – the group's strong H1 2022 financial performance & good strategic delivery position Nedbank well for delivery of our 2023 targets, notwithstanding a difficult macroeconomic environment

Strong balance sheet

CET1: 13,5%

LCR: 144%

NSFR: 120%

ECL coverage: 3,31%

Strong start to the year supports meeting our 2022 financial guidance

HE up 27%

Strong revenue growth: +11%

C:I down to 56,2%

CLR stable at 85 bps

Interim DPS: +81%

Tangible proof points around strategic delivery

ME IT build nearing completion

Digital growth

Client satisfaction up

TOM 2.0 savings

SPT 2.0 benefits

Purpose/ESG delivery

Meeting our 2023 & LT targets will create shareholder value through:

- DHEPS growth
- Improvement in ROE
- Efficiency gains
- Dividend growth

All business cluster ROEs > COE & R11bn of average surplus capital held in the centre


Thank you
see money differently
NEDBANK

Disclaimer

Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as ‘believe’, 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements are correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings or profits, or consequential loss or damage.