NEDBANK GROUP

2022 Interim Financial Results

For the six months ended 30 June 2022

AUG/SEP 2022

Investor presentation






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)

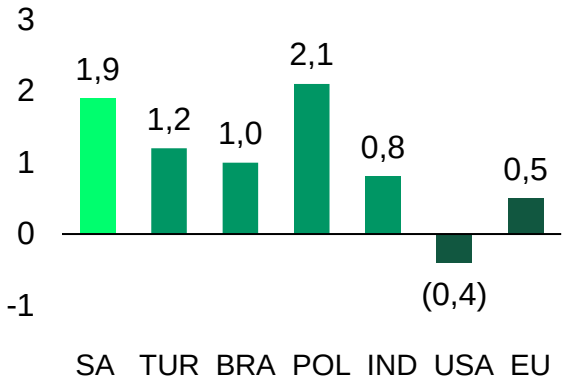
Operating environment – global economic pressures feeding into the local market, although SA economy currently more resilient than many other emerging markets

Global environment

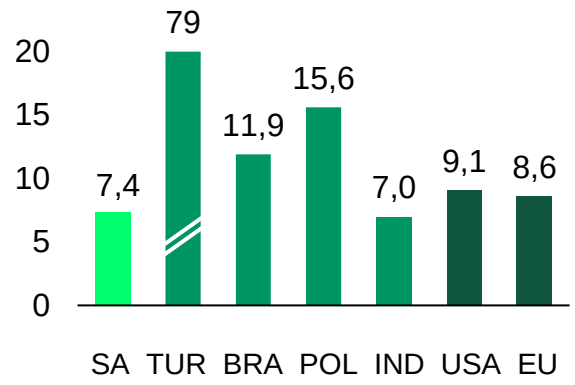
- Ongoing impact of **Ukraine/Russia war**
- **Supply chain constraints** from China lockdowns, but easing
- **Elevated commodity prices**, but support waning
- **Inflationary pressures** (particularly energy & food)
- **Monetary policy tightening** ahead of expectations
- **Increased risk of recession**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

The SA economy has been resilient, despite own challenges

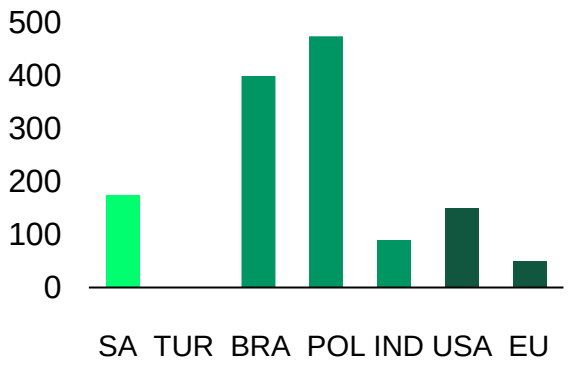
Q1 2022 GDP growth[1] (qoq, %)



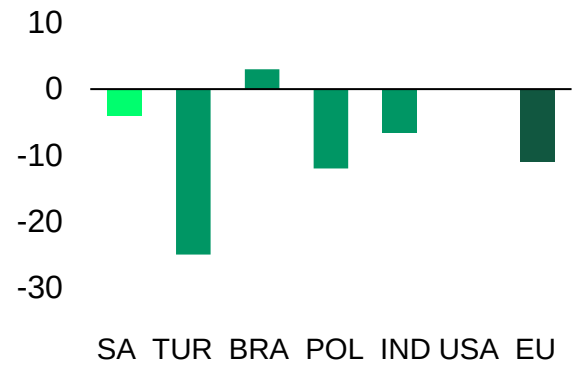
Inflation rate (June 2022, %)



Change in interest rates (ytd, bps)



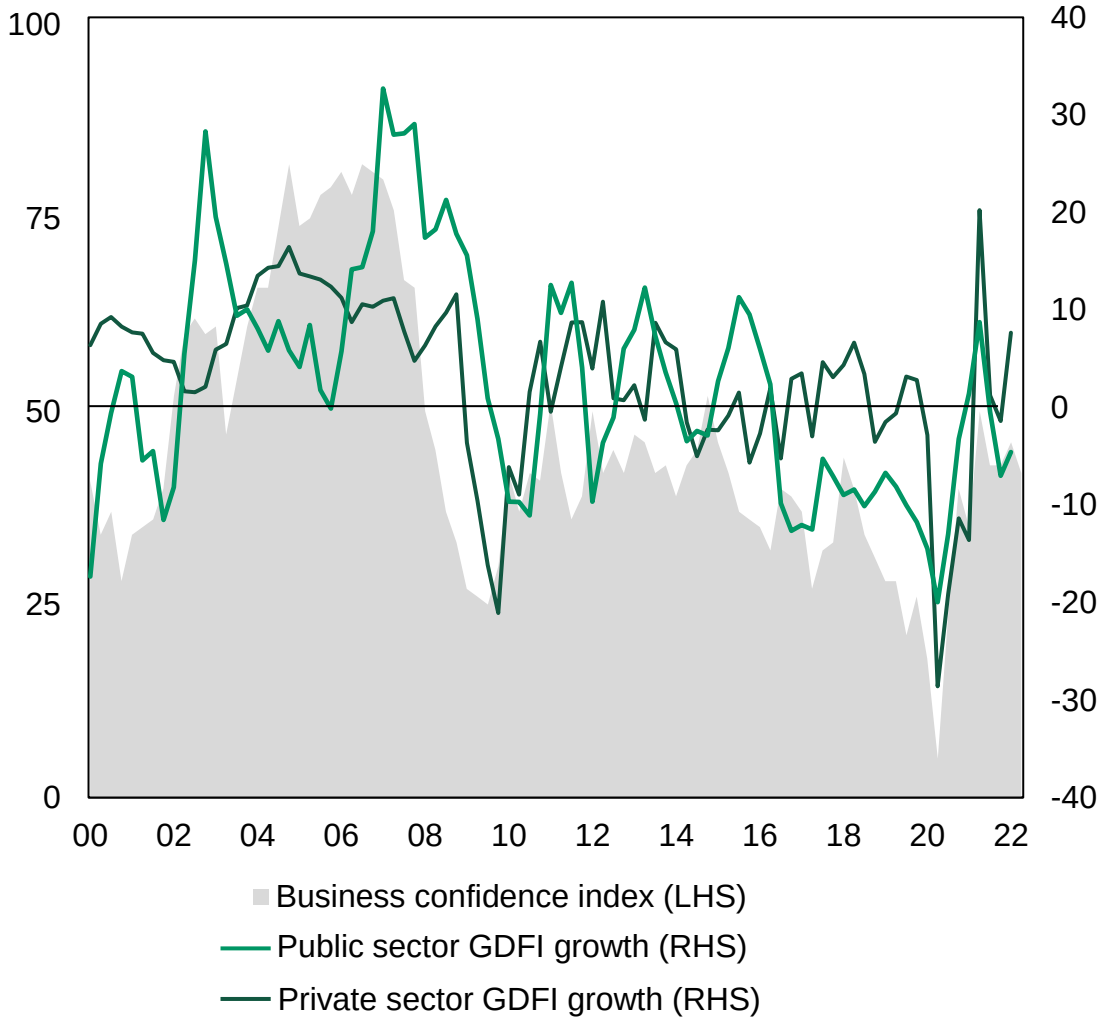
Change in currency[2] (ytd, %)



[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.

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

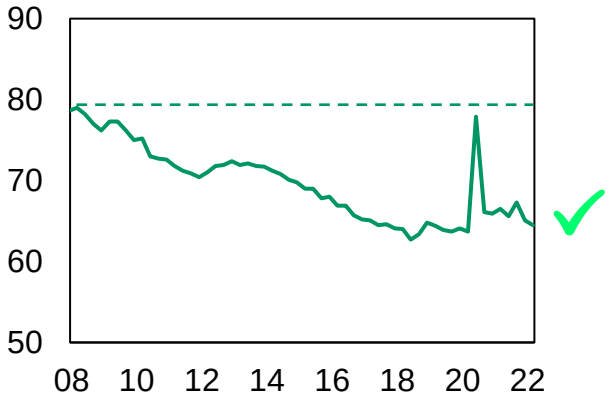
5 Transform the energy sector

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

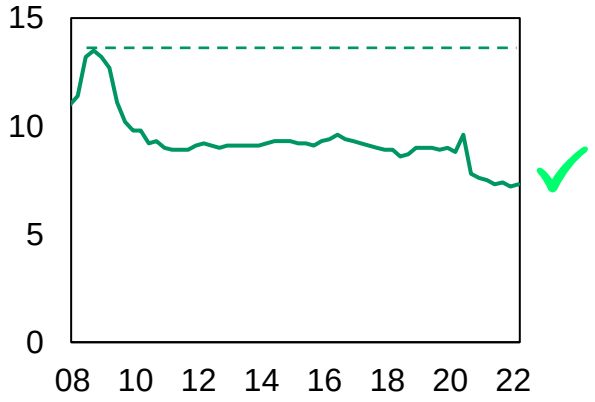
Load-shedding expected to remain intermittent over the next few years, but still elevated in 2022

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

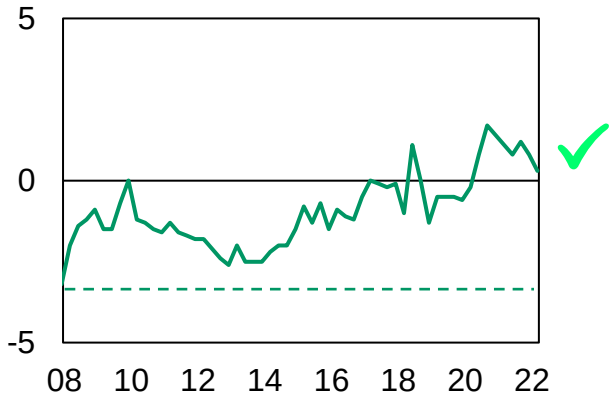
Household debt ratios
(% of PDI)



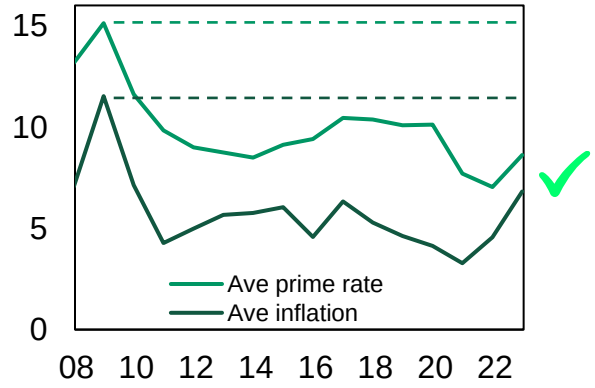
Household debt service costs (% of PDI)



Household savings rates
(% of PDI)



Average inflation & interest rates (%)



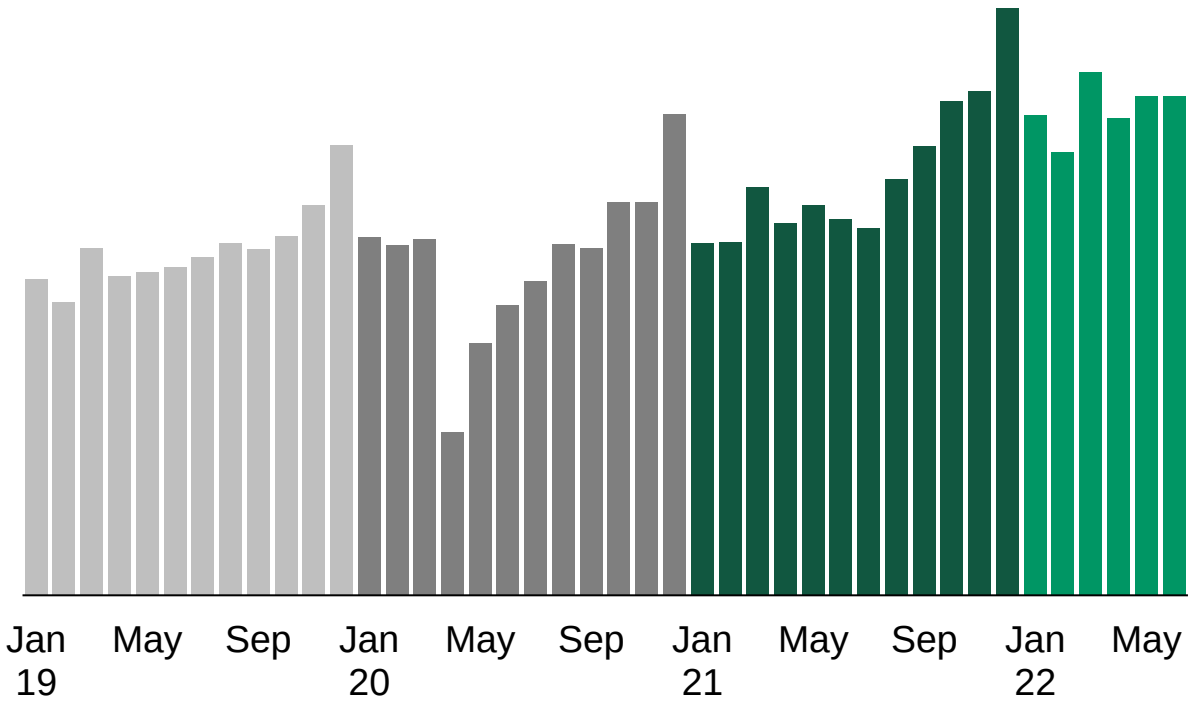
- **Households have de-levered since the GFC**
  - Debt-to-income ratio at a relatively low 64,5%, down from a GFC peak of 79%
- **Interest rates still 100 bps lower than at end-2019 & households' debt servicing cost-to-income ratio at a 16-year low, supporting:**
  - Demand for prime-linked credit
  - 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.

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.*

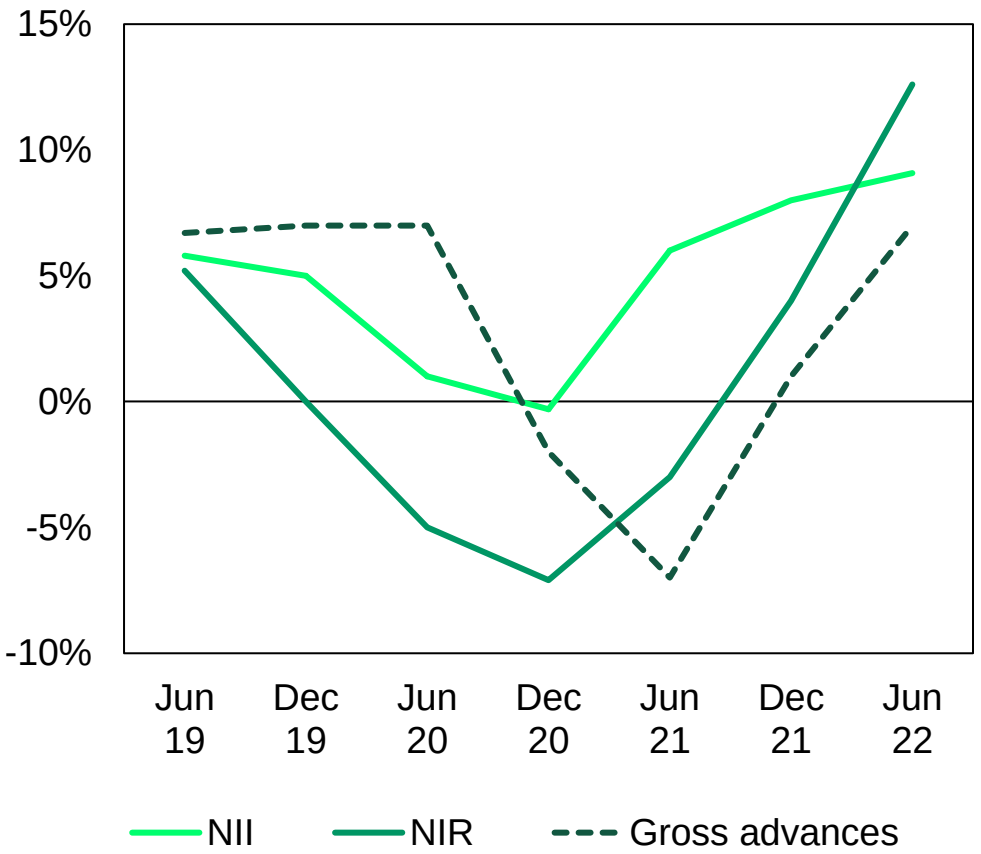
Growth – growth trends improving, notwithstanding the negative macroeconomic & financial market impacts that emerged in Q2 2022

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%

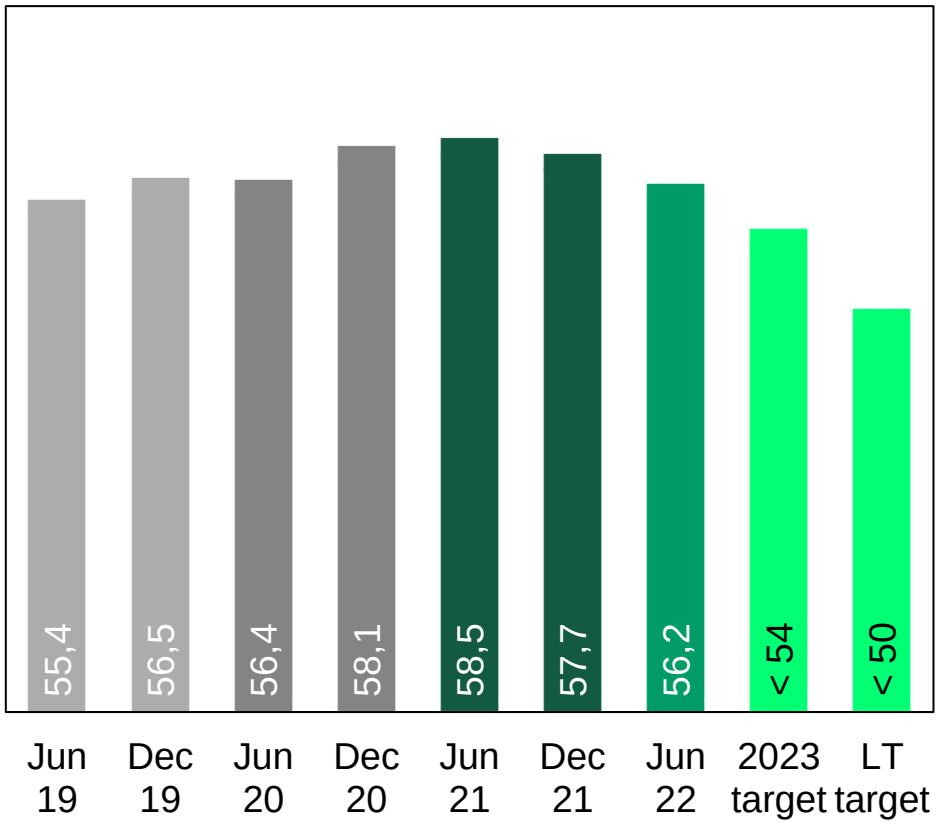
Gross advances +7% (RBB +6% & CIB +9%)

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

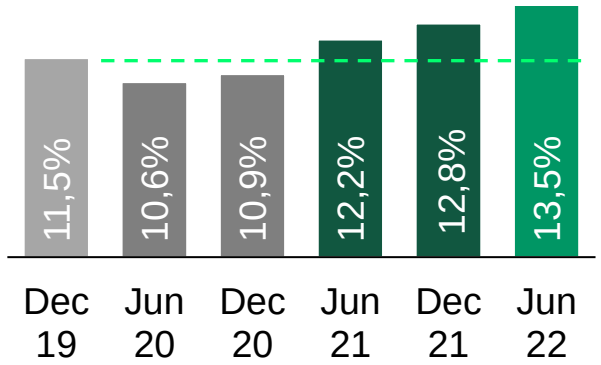
- Managed Evolution IT build **89%** complete, enabling TOM 2.0 savings of **R1,2bn** to date
- Significantly increased levels of digital usage
- Total headcount down **2% ytd** & **10%** since 2019
- Intangible software assets peaked at **R9bn** in 2021 & IT cash flow spend peaked in 2017
- Flexible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

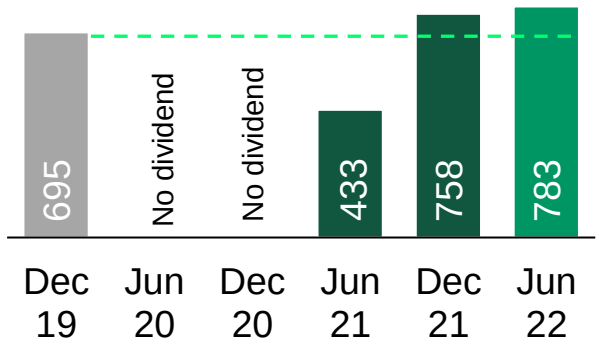
Capital

CET1 ratio (%)



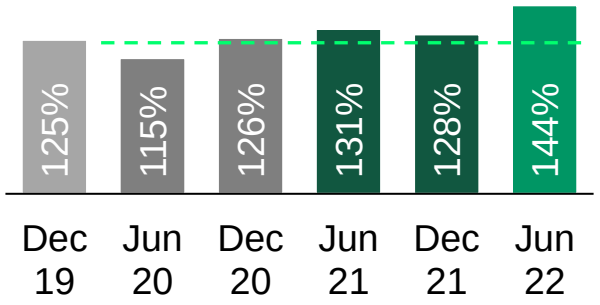
Dividends

Dividends/share (cents)

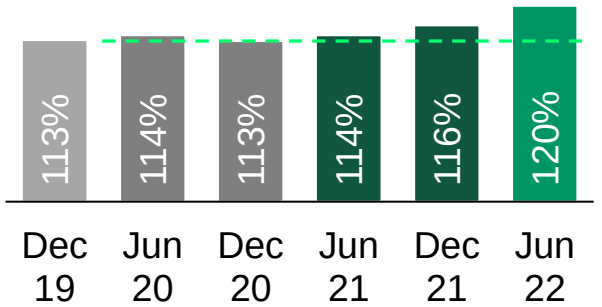


Liquidity

LCR (%)

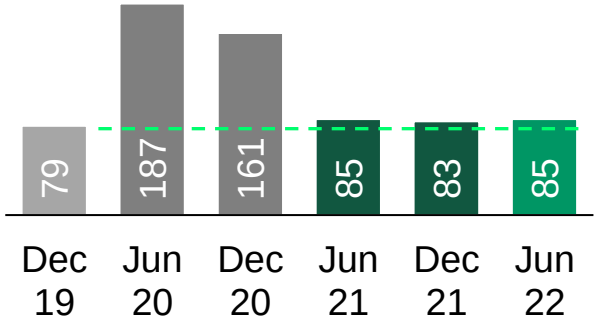


NSFR (%)

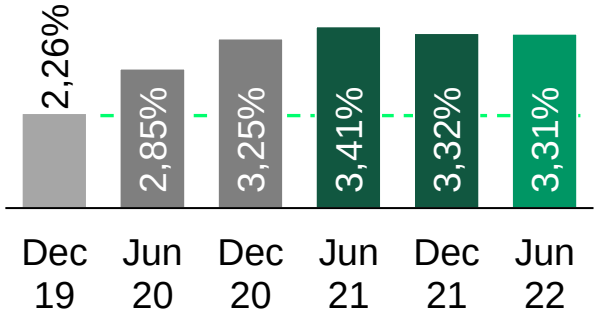


Credit

CLR (%)



Total coverage (%)



2019 levels

Nedbank Group 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

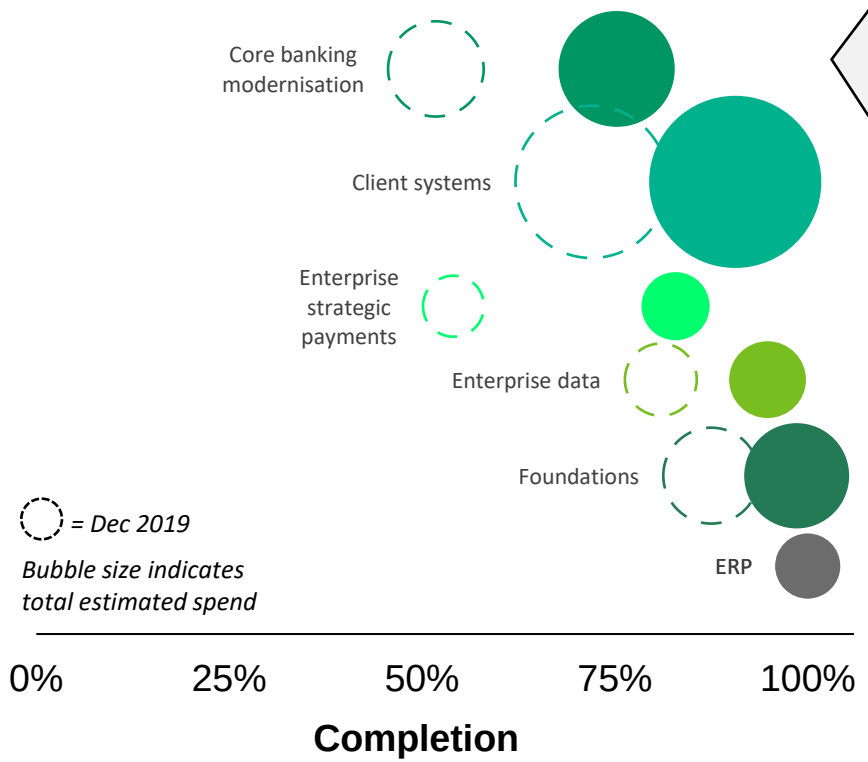
[1] *Set in March 2021.*

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



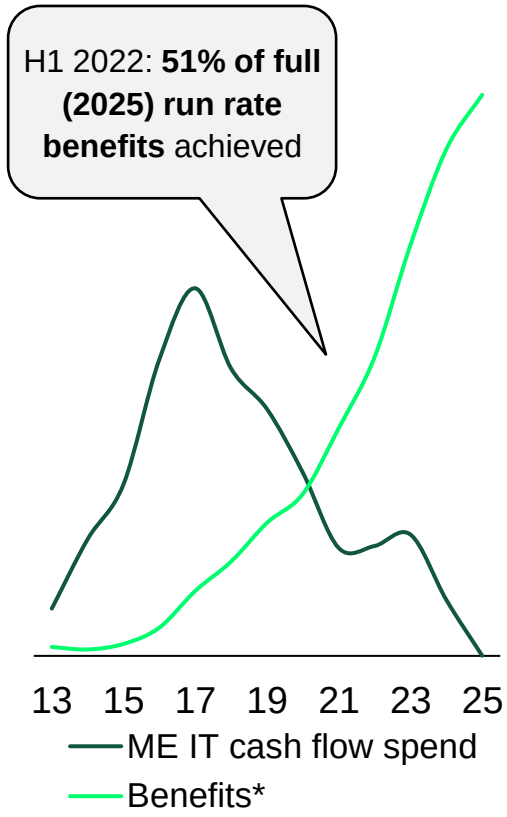
Key IT build components outstanding to completion

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)

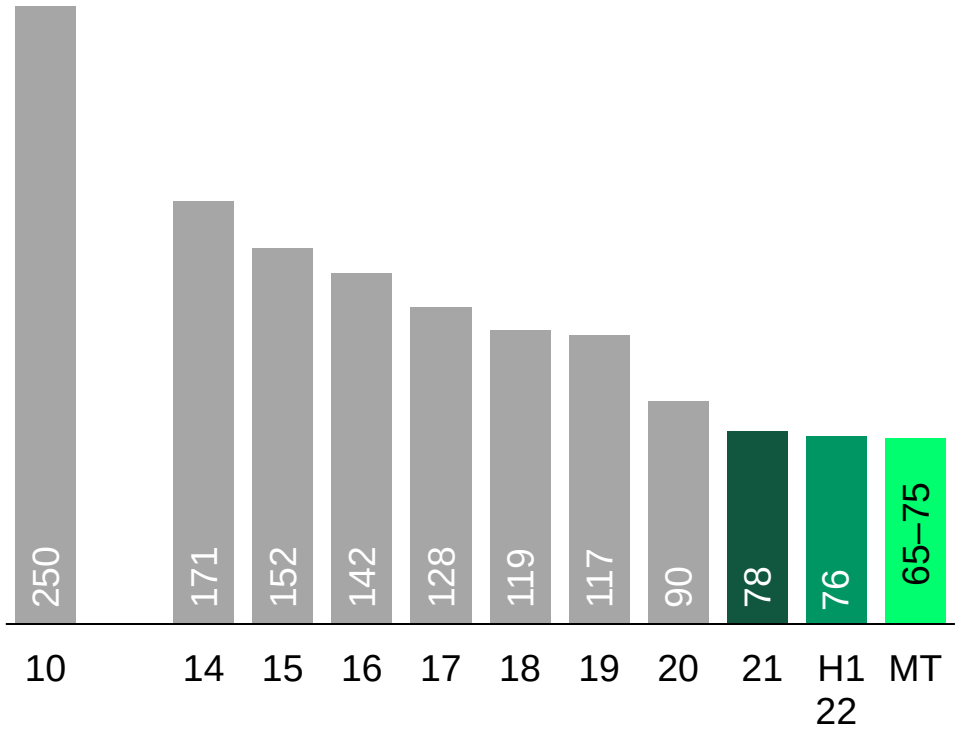
Investment vs benefit realisation to date (%)



* *Excluding once-off benefits.*

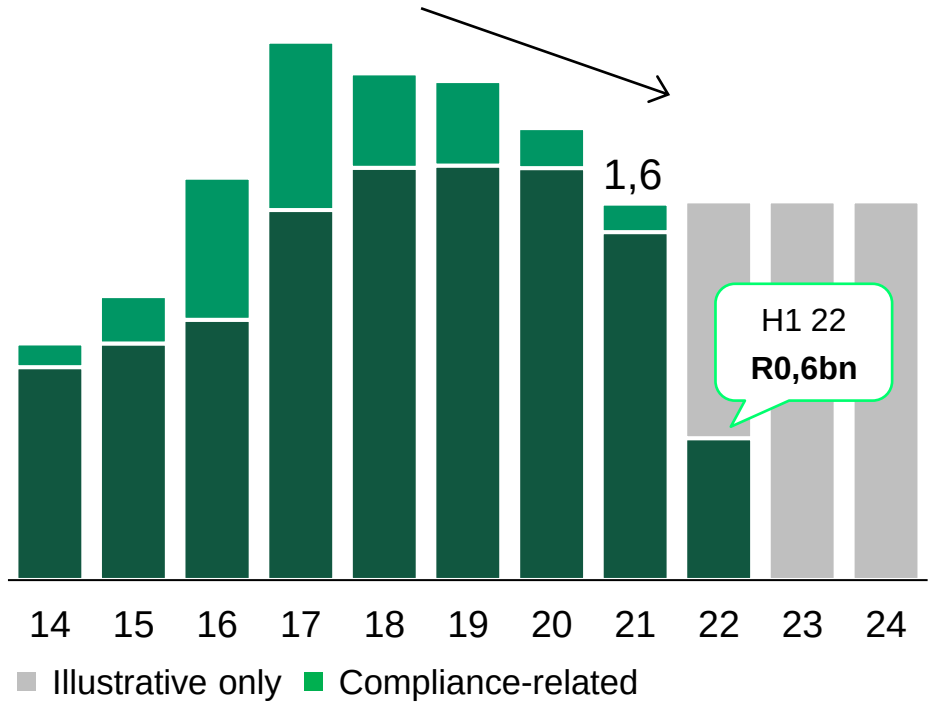
Managed Evolution – IT build materially complete & delivering benefits as per plan

Core systems (#)
Rationalise, standardise & simplify



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

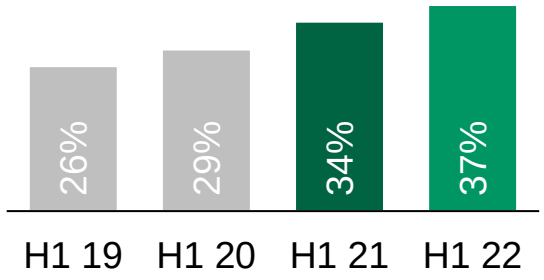
The group's **intangible software assets peaked in 2021 at R9bn**



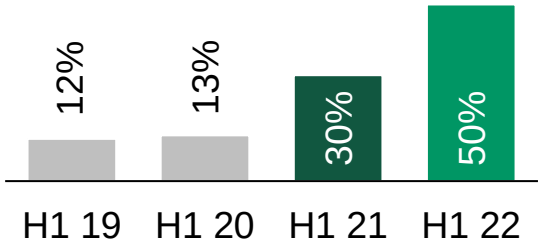
Delivering market-leading client solutions – digital uptake & usage continue to accelerate, driven by world-class delivery, enablement & innovation, as well as client behavioural shifts during Covid-19

Strategic value unlocks

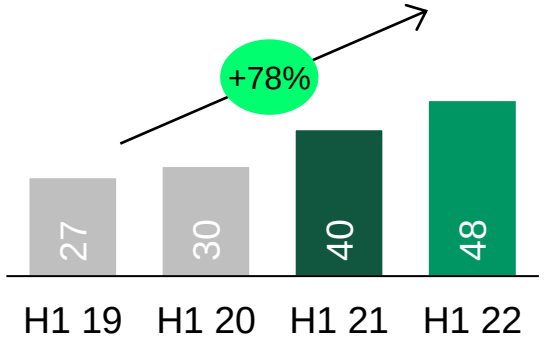
Digitally active clients
(% of total active clients)



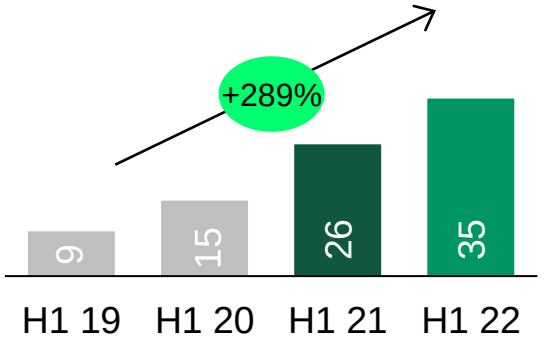
Digital sales
(% of new sales[1])



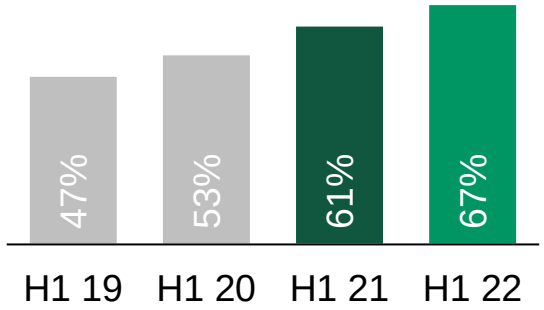
Digital transaction volumes
(# m)



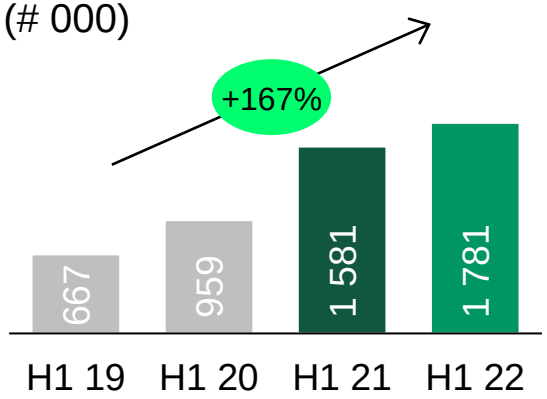
App transaction volumes
(# m)



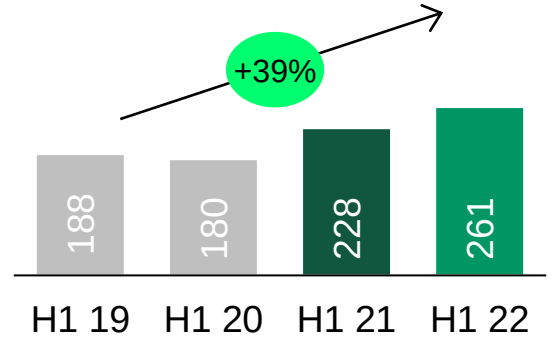
Digitally active main-banked clients (%)



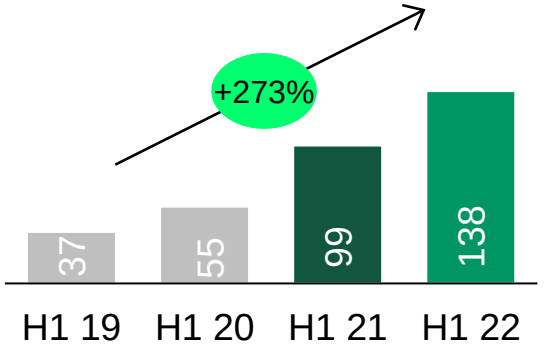
Money app active users
(# 000)



Digital transaction values
(Rbn)



App transaction values
(Rbn)



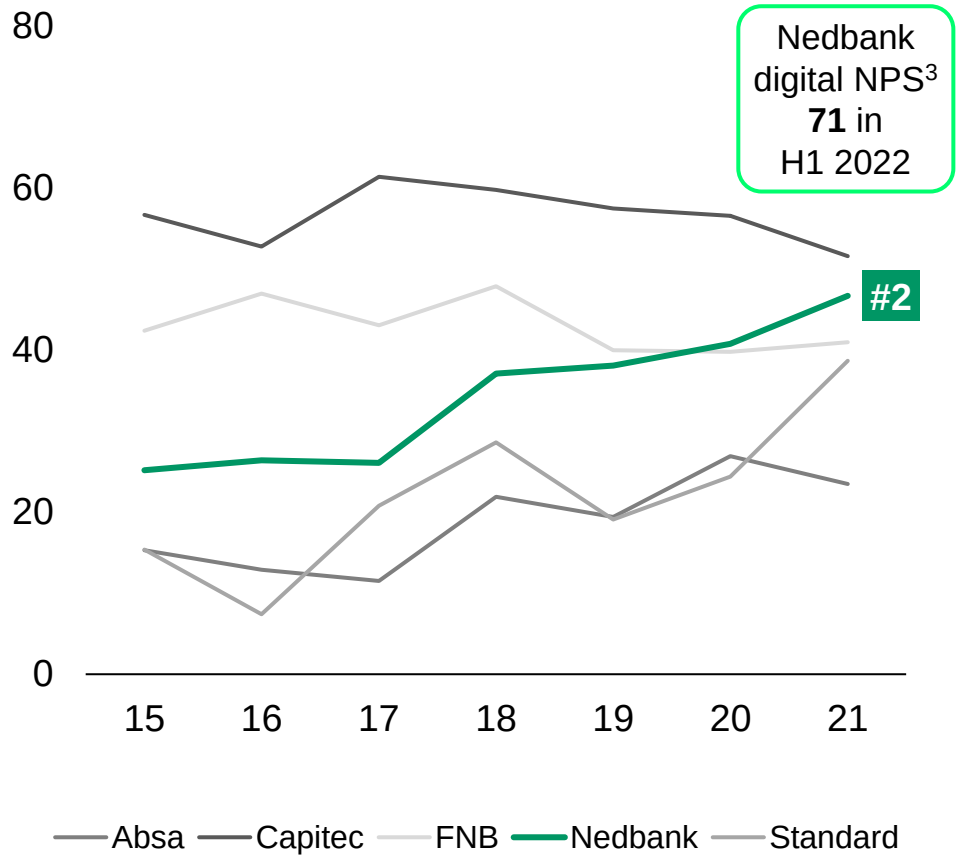
[1] *2019 based on applications, excl MobiMoney. 2020 onwards measured on new funded sales – excl MobiMoney.*
Digitally active clients & Money app users have been restated to align with the new client active definition, ie client has either a non-zero balance asset product or a non-zero balance investment 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

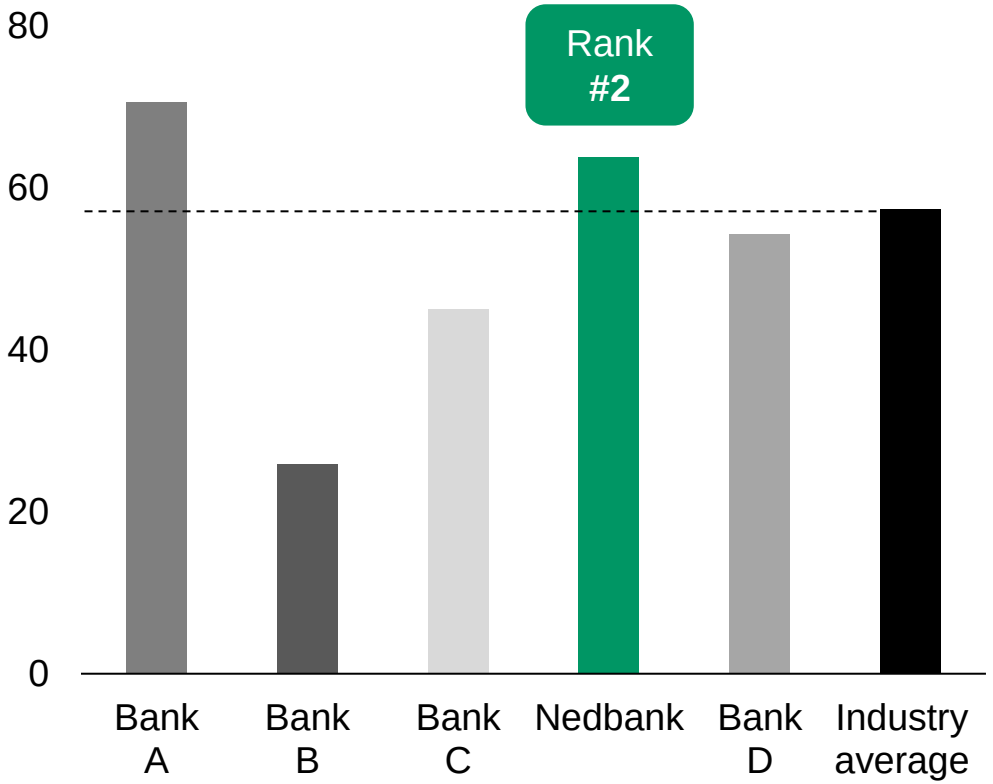
Delivering market-leading client solutions – client satisfaction metrics continue to positively differentiate Nedbank

Strategic value unlocks

2015 to 2021 Net Promoter Score[1]



H1 2022 social media net sentiment[2]

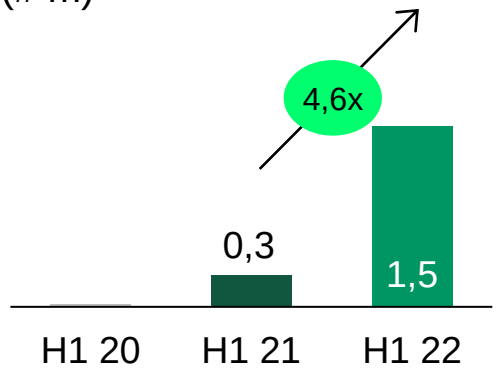


[1] Annual Consulta survey. | [2] Salesforce Social Studio. | [3] Internal measurement of average CX across our digital channels.

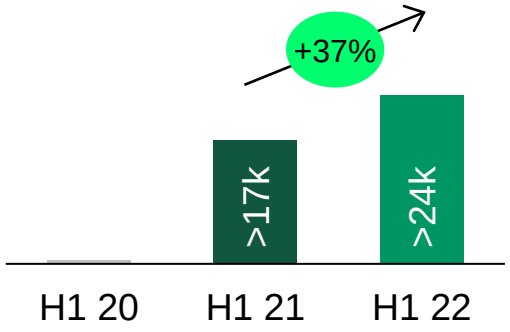
Ongoing disruptive market activities – Nedbank is connecting individuals & businesses via marketplaces & APIs

Strategic value unlocks

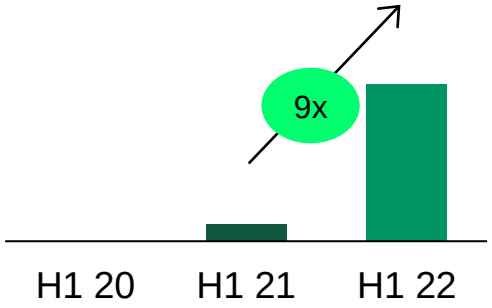
Registered Avo clients (# m)



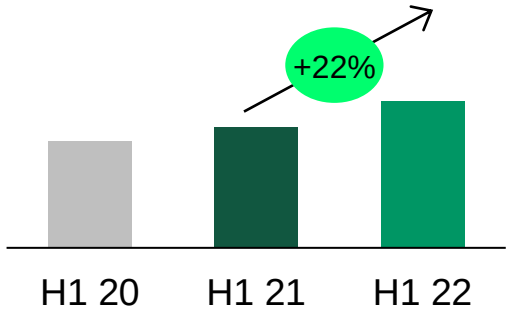
Avo merchants & partners (#)



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

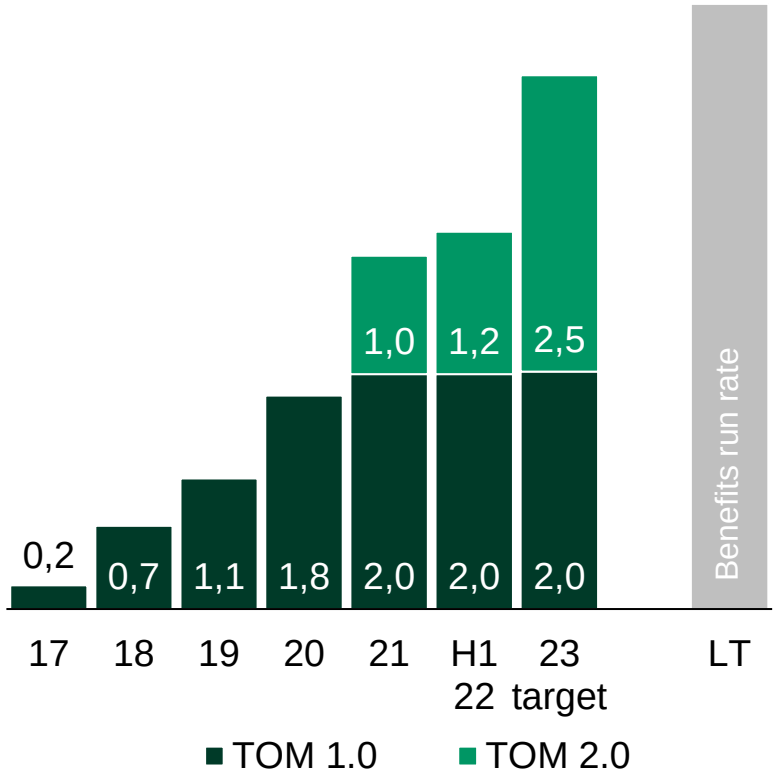
Avo Auto hosts > **140** MFC-accredited dealers & lists **> 6 000** vehicles

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

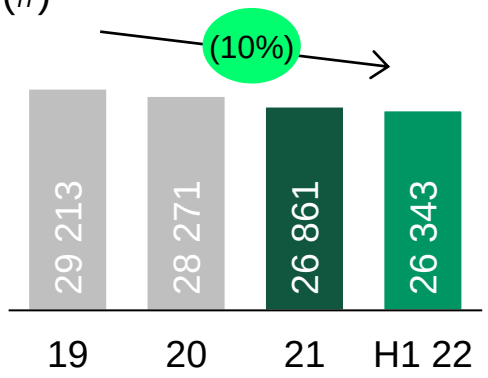
Driving efficient execution – target operating model (TOM) benefits evident in optimisation of operations to enable lower expense growth over time & meet our 2023 cost-to-income ratio target of 54%

Strategic value unlocks

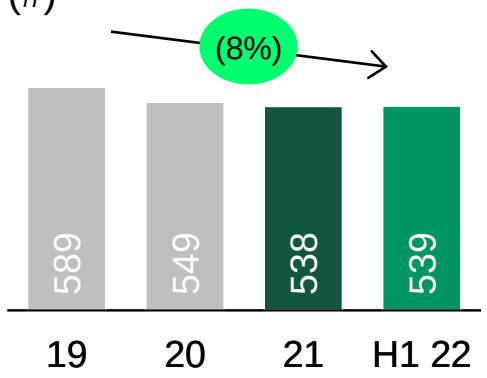
Cumulative TOM benefits
(Rbn)



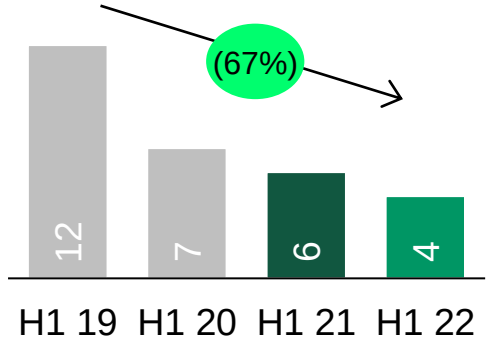
Permanent employees
(#)



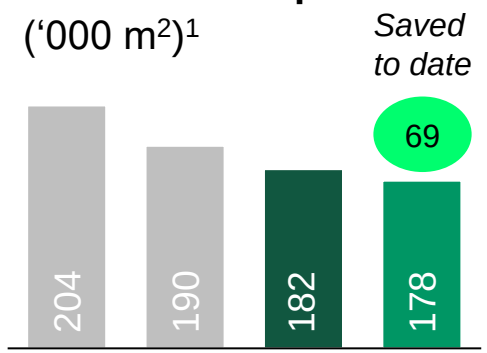
SA outlets/branches
(#)



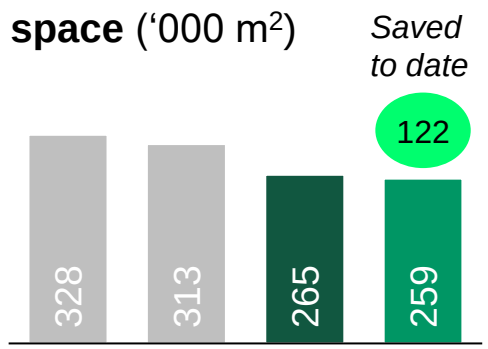
Teller activity
(six months, # m)[2]



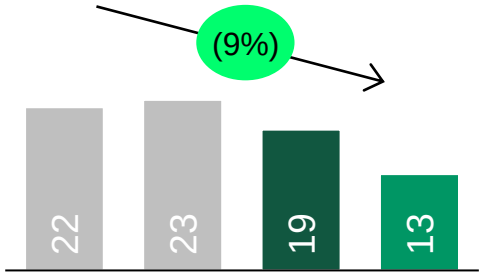
Branch floor space
('000 m²)[1]



Corporate real-estate floor space ('000 m²)



Annual IT amortisation charge (% growth)

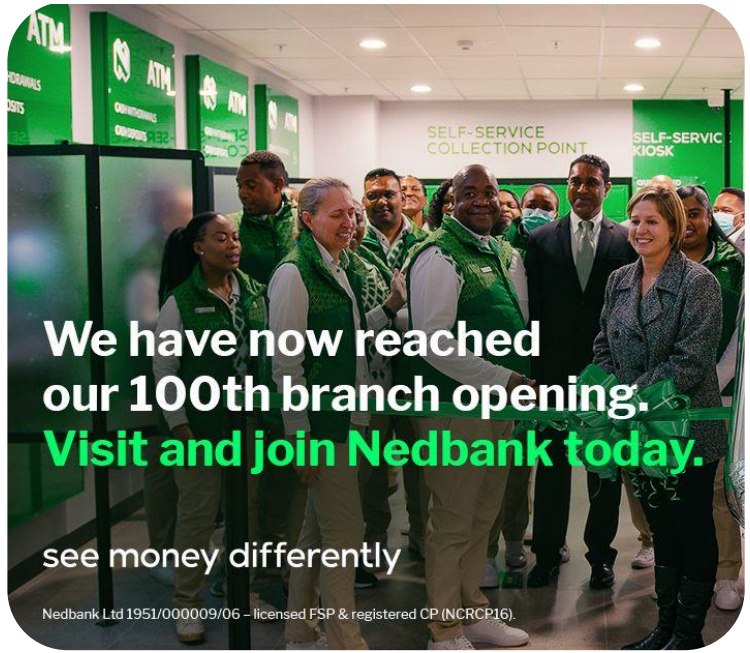


[1] Represents the total branch floor space we have saved since 2018, equating to approximately 17% of our branch floor space since 2018 – floor space saved since 2014 equates to 69k sqm – equivalent to 30% of the 2014 floor space. | [2] Refers to the volume of interactions with tellers.

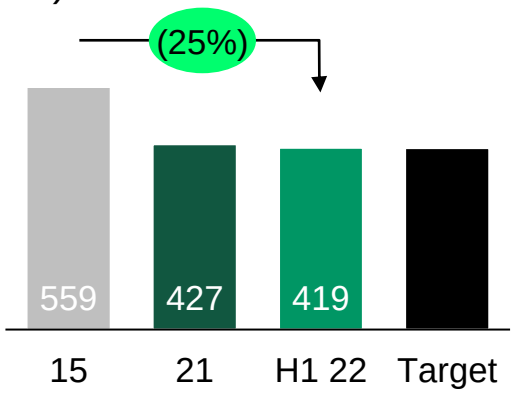
Driving efficient execution: RBB – become more client-centred & changing our distribution footprint as we shift to smaller formats & enable increased levels of self-service

Strategic value unlocks

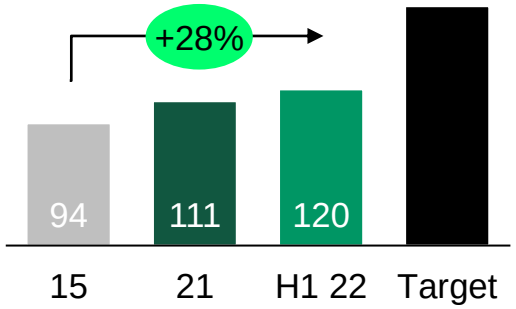
New-format branch milestone



Nedbank branches
(# of)

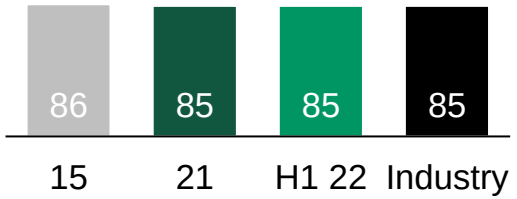


Nedbank in retailers
(# of)

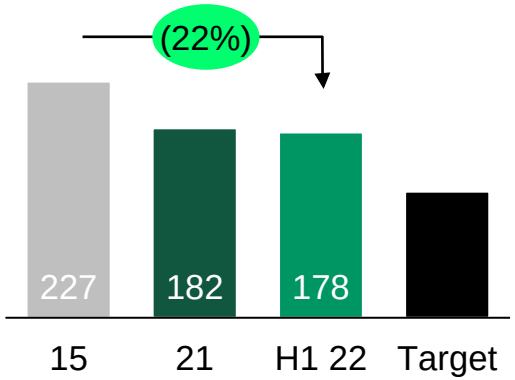


Coverage
(% coverage within 30 km)

Remain very **competitive on coverage** against peers

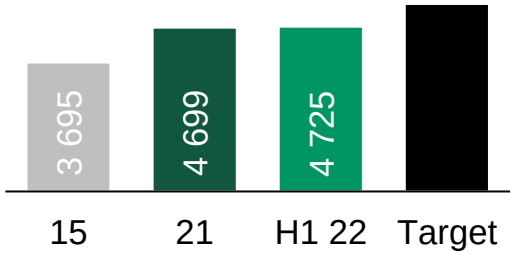


Branch square meterage
('000 m^2)



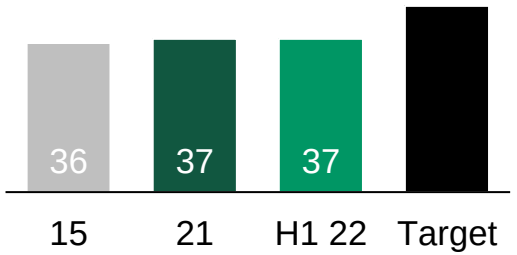
ATMs, IDs & SSKs[1]
(# of)

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%)

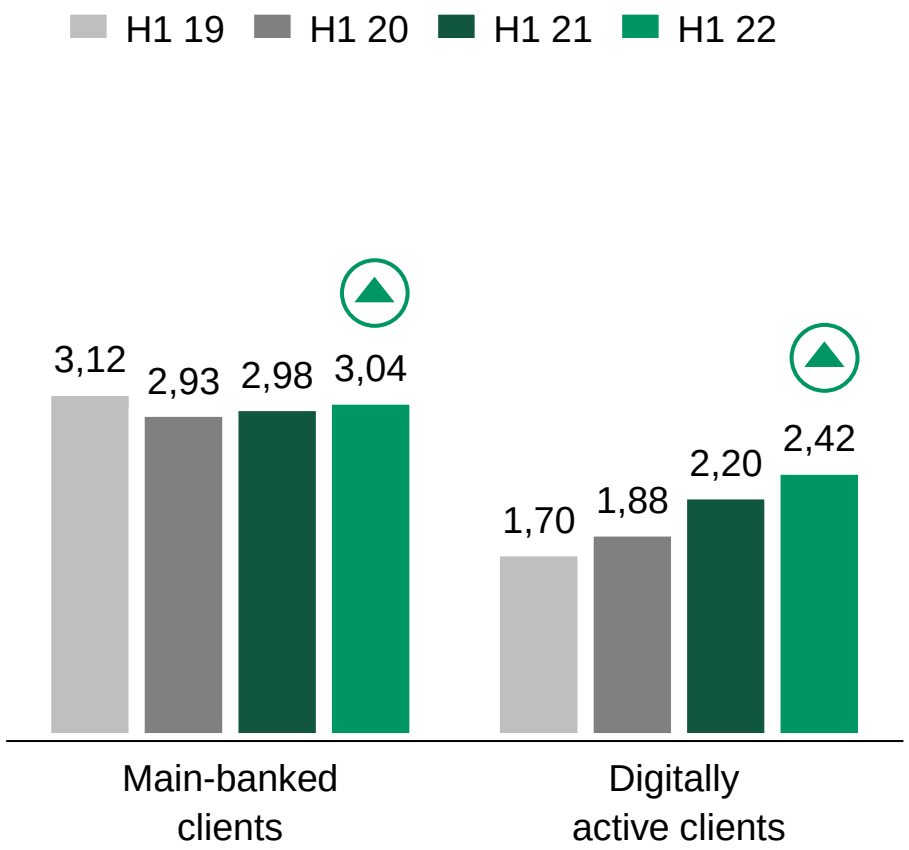
- **Growth opportunities** – infrastructure & SDG-related financing, particularly in wholesale lending
- **Selective credit origination** in areas where we have strong market positions – commercial property, vehicle finance
- **Prudent credit granting** in a more difficult macroeconomic environment & 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.

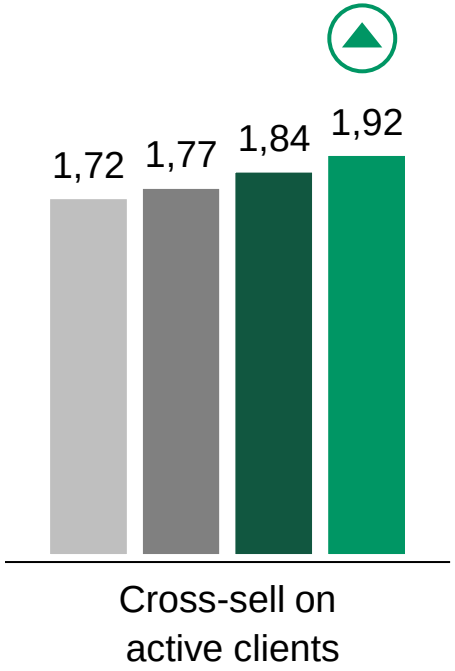
Strategic Portfolio Tilt 2.0 (RBB growth vectors) – growth in main-banked clients & improving levels of cross-sell

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

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%)

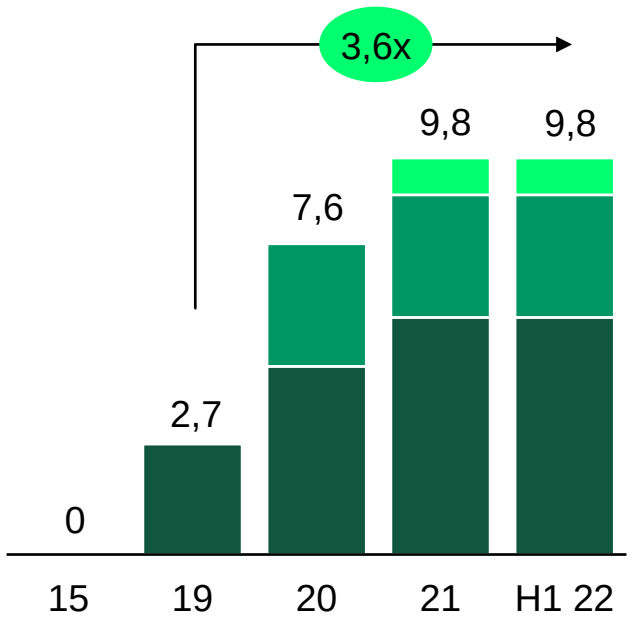


[1] *African, Coloured & Indian population.*

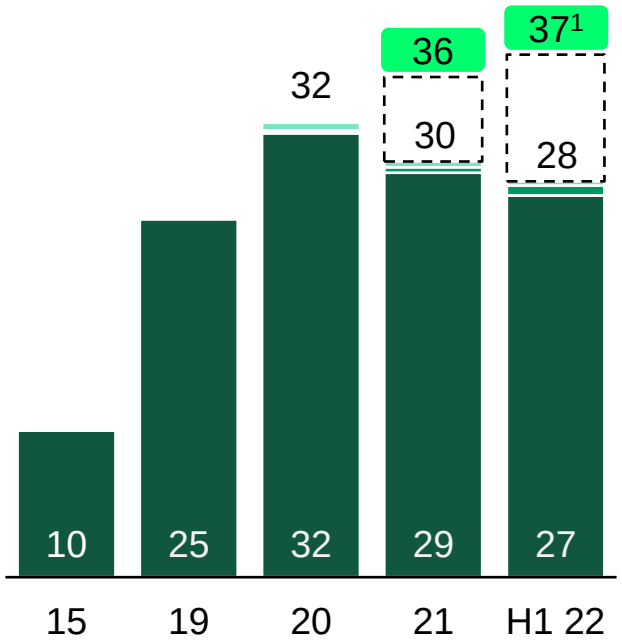
Creating positive impacts – anchoring our position as a market-leading impact financier & energy policy commitments to have zero exposure to fossil-fuel-related activities by 2045

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

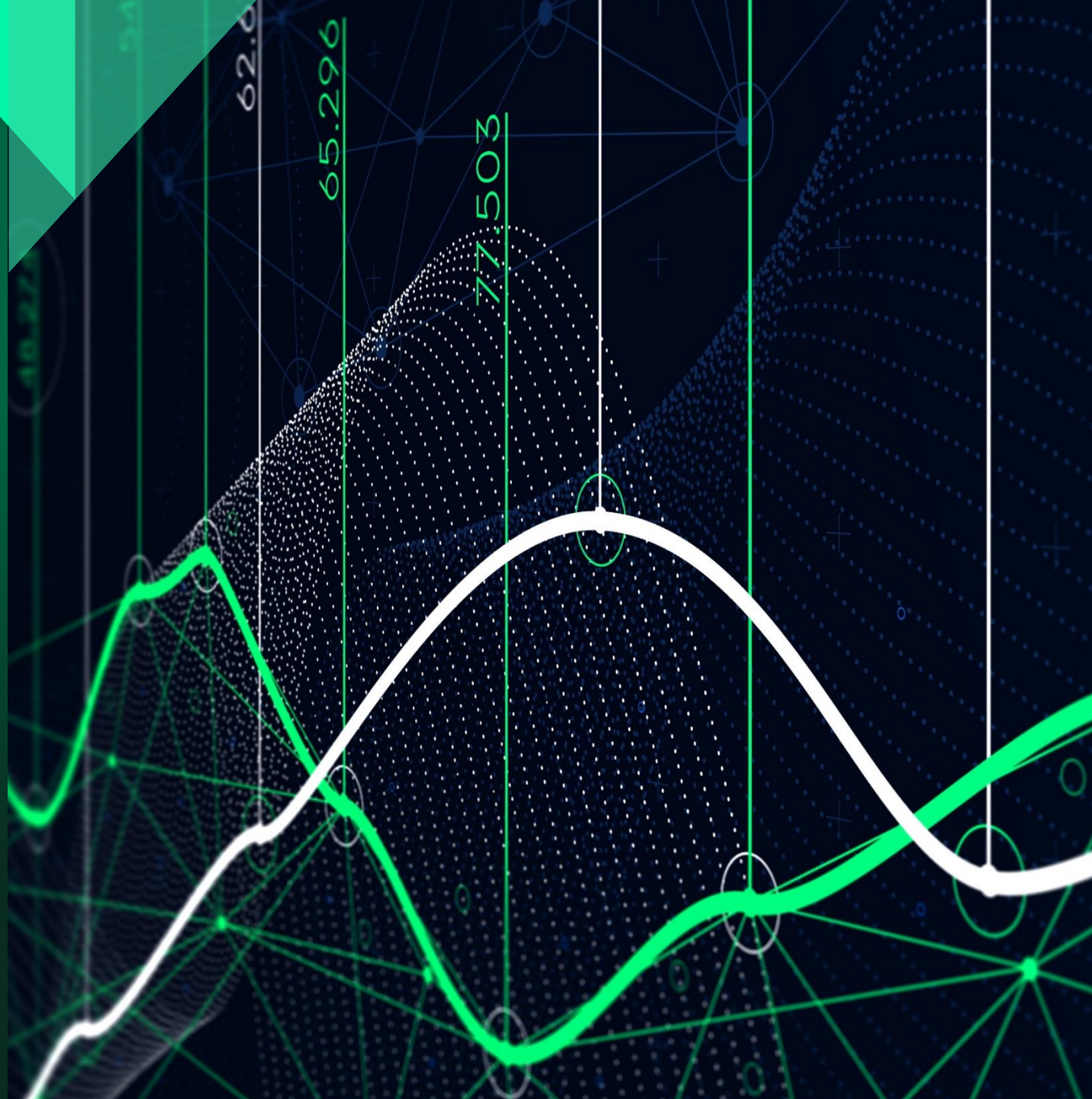
- Ranked #1 company in the **Satrix Inclusion & Diversity Index**
- **Top Empowered Company Awards** – Winner: YES, Enterprise & Supplier Development
- Approved as **signatory to the UN PRI**
- **Listed on A2X in April 2022**, offering investors choice – Nedbank a top 10 traded stock
- **Progressing 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%.

NEDBANK GROUP

Financial overview

‘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

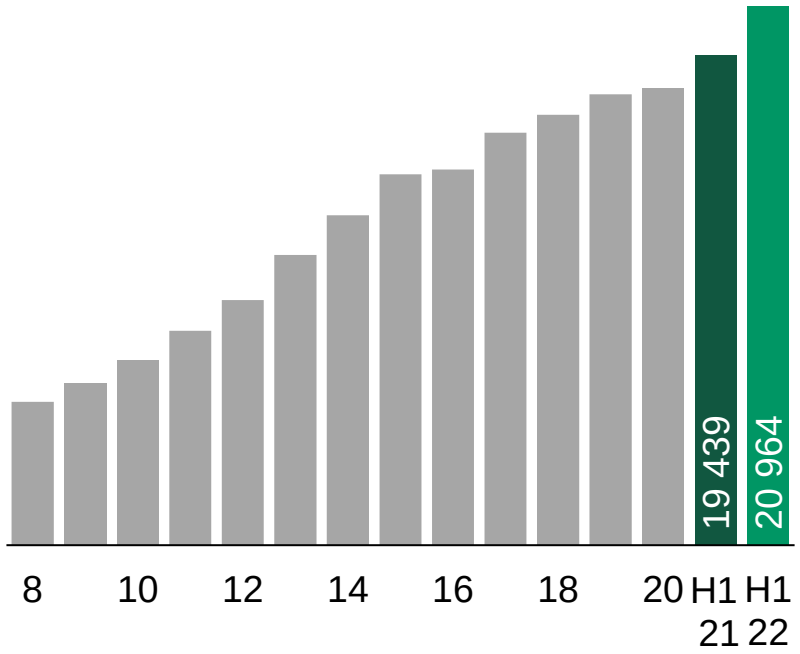
	H1
Managed Evolution/ Digital	✓
TOM 2.0	✓
SPT 2.0	✓
Creating positive impacts	✓

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

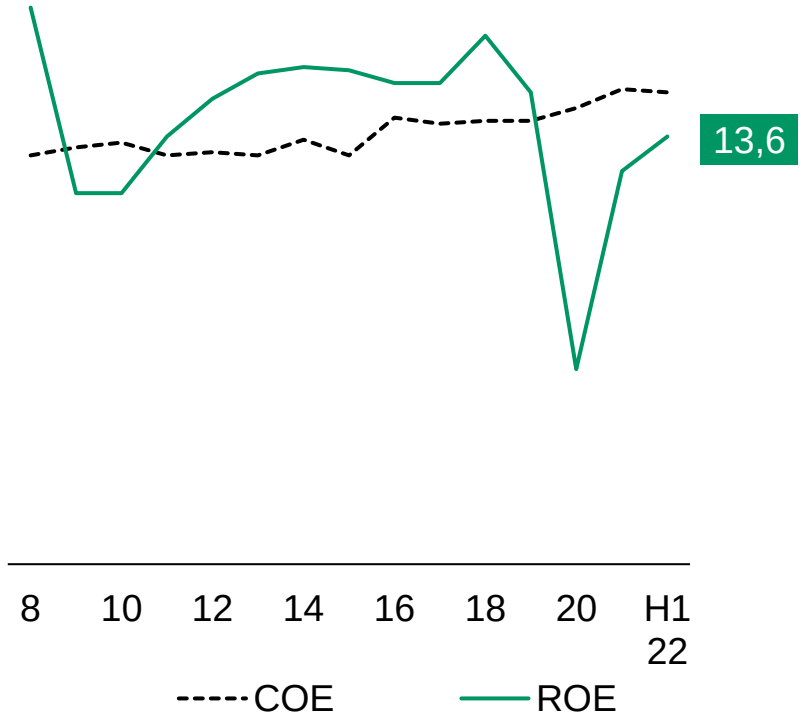
✓ Positive ✗ Negative – No material impact in H1 22

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

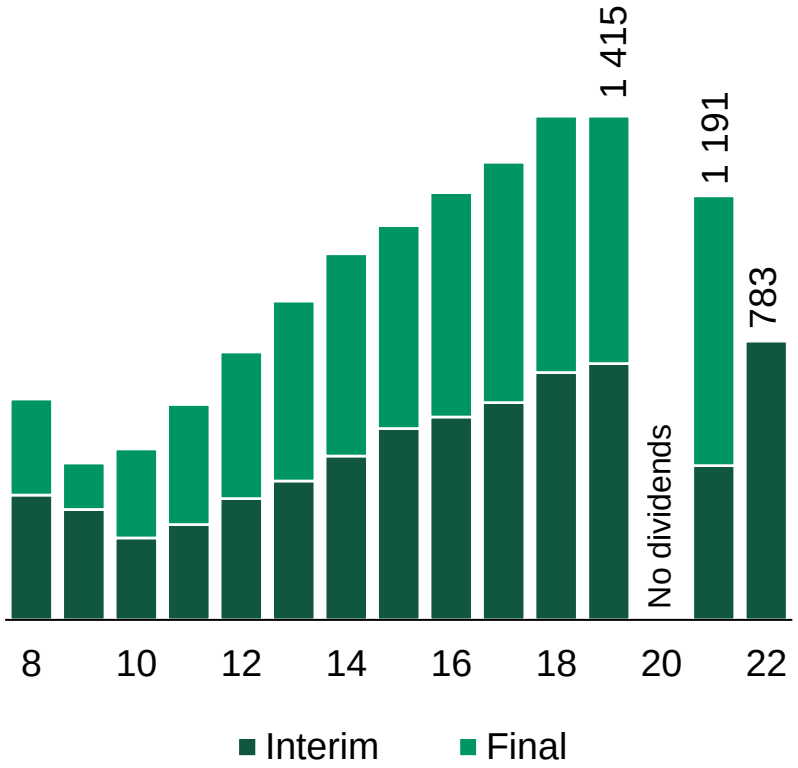
NAV per share (cents)



ROE & cost of equity (%)



Dividend per share (cents)



Strong NAV growth +8% yoy

ROE increasing towards COE

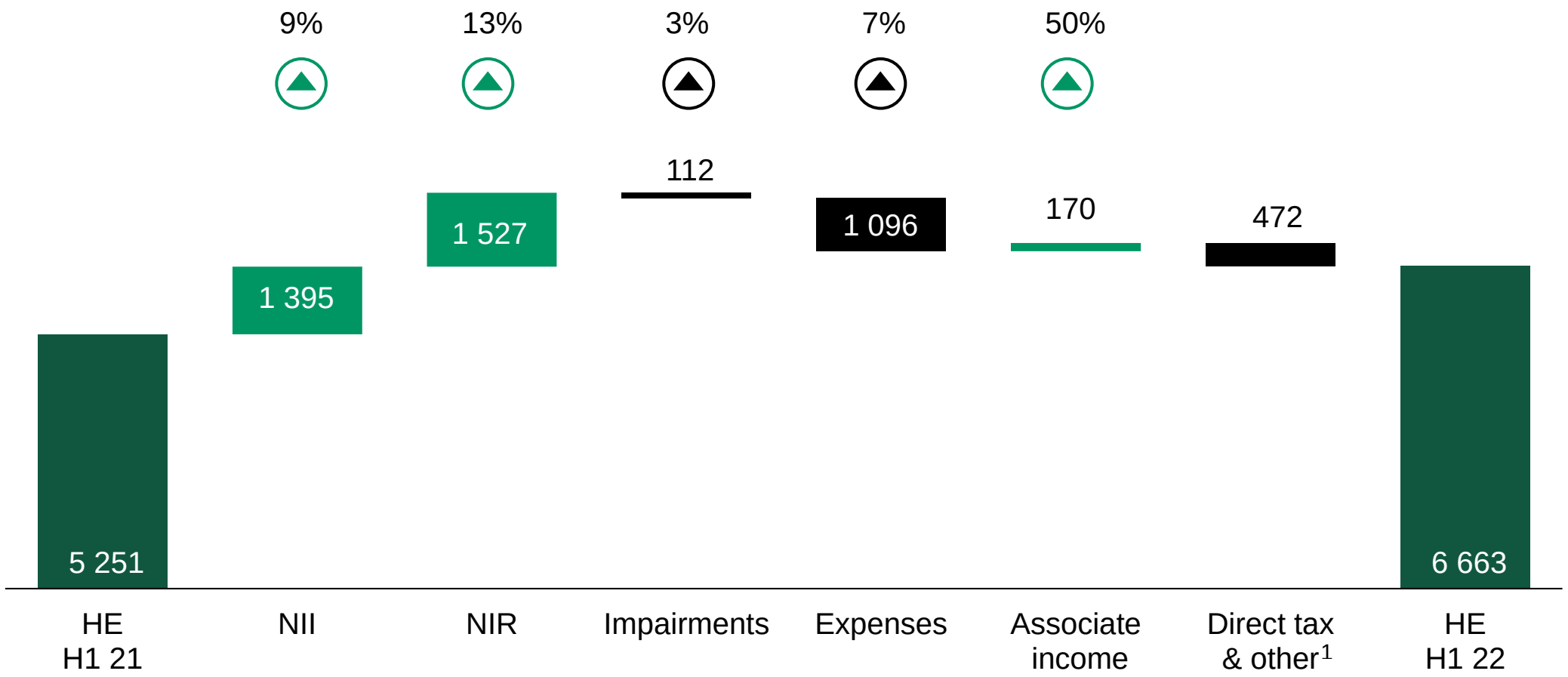
Interim dividend at 1,75x cover

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

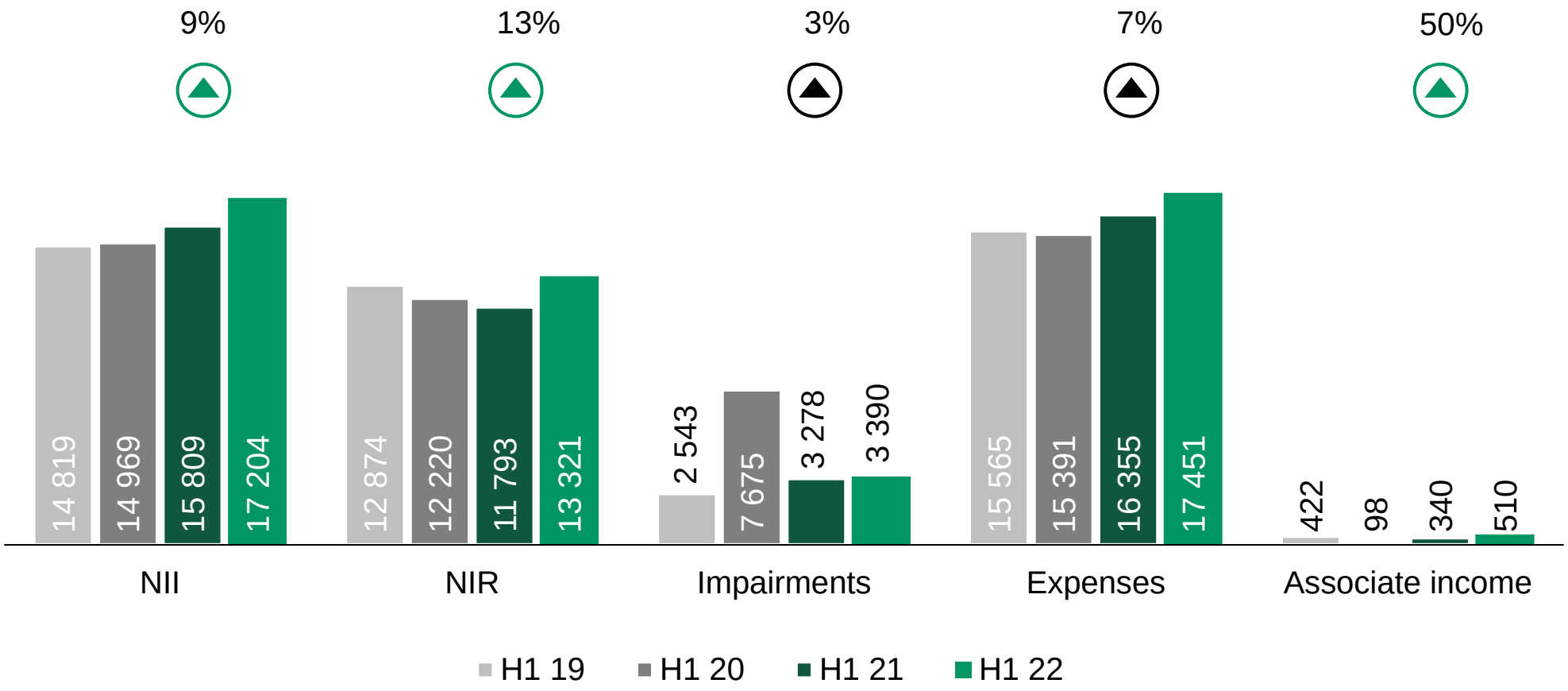
Headline earnings (Rm)



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

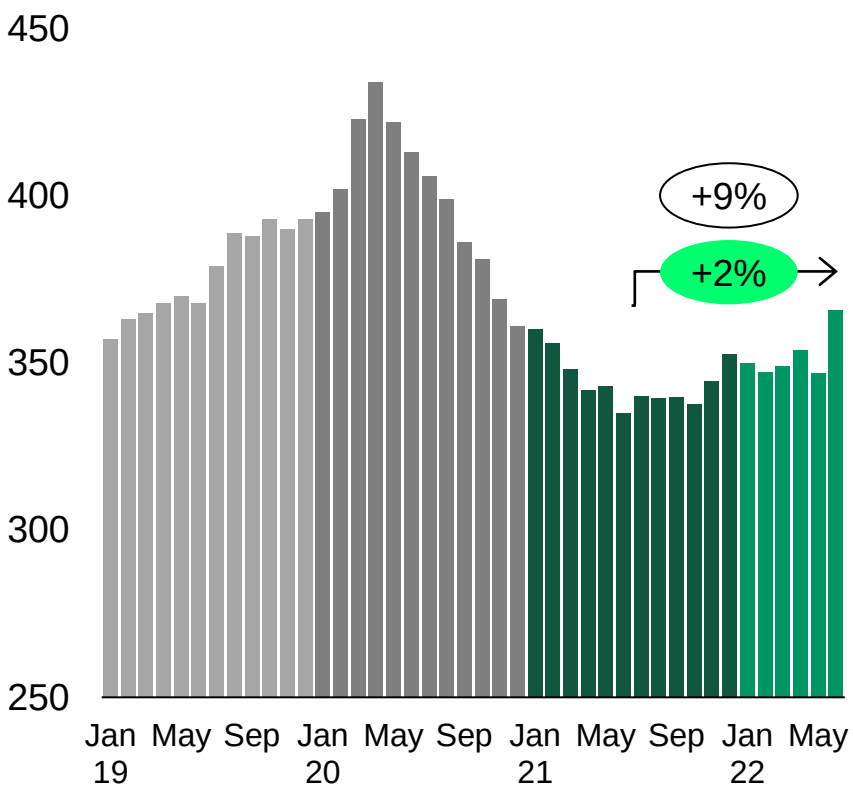
Headline earnings up by 27% – driven by strong revenue growth

Key earnings drivers (pre-tax, Rm)

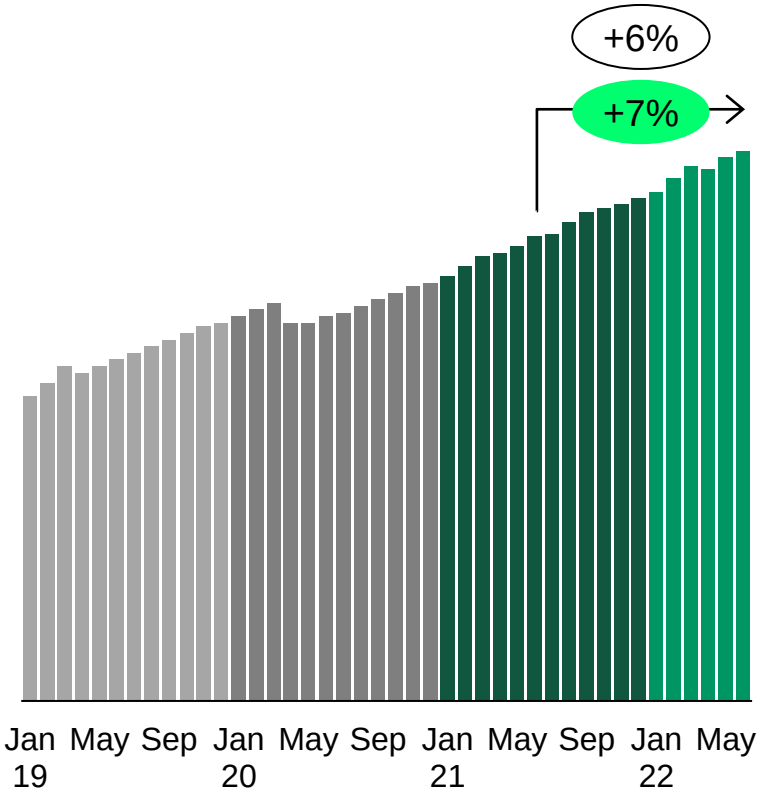


Gross banking advances up 7% yoy

CIB gross banking advances (Rbn)



RBB gross banking advances (Rbn)



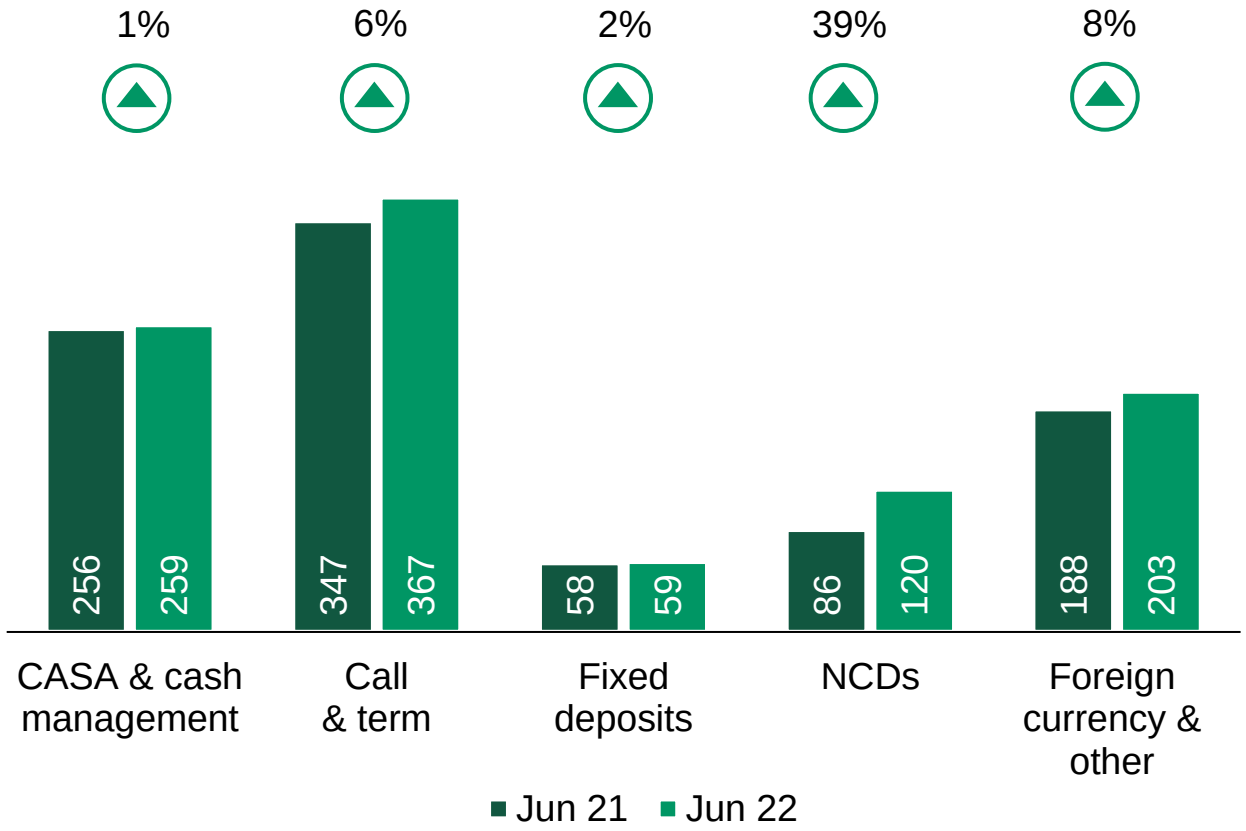
Average yoy growth (6M 2022 on 6M 2021)

Actual yoy growth (June 2022 on June 2021)

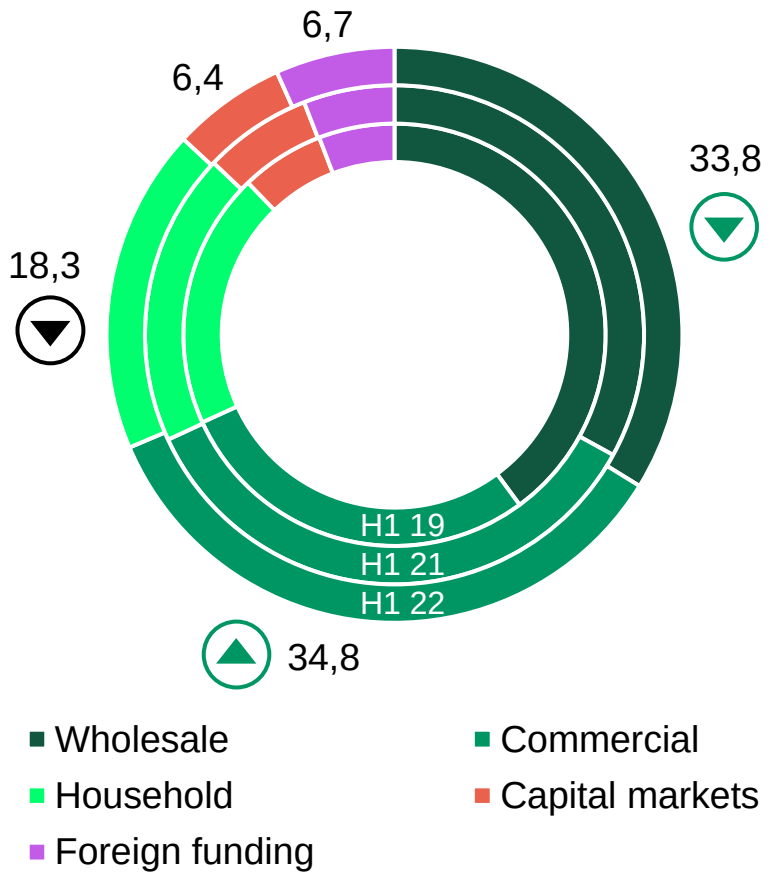
- **Momentum picking up in CIB**
  - Uptick in credit demand & robust pipeline with H2 2022 focus on conversion in key sectors
- **Growth momentum in RBB continued**
  - HL growth broadly in line with market
  - Leveraging our strong position in MFC (second-hand & lower-value vehicles)
  - More cautious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

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

Deposits (Rbn, % change yoy)

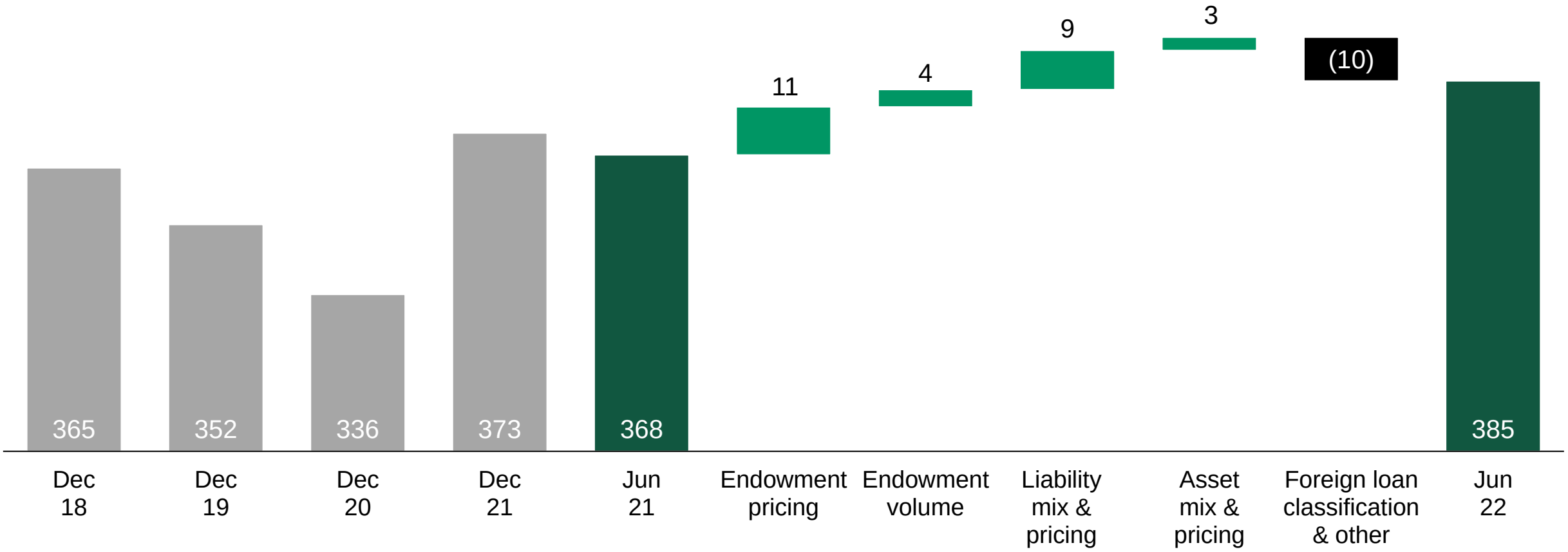


Funding mix (% contribution)



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

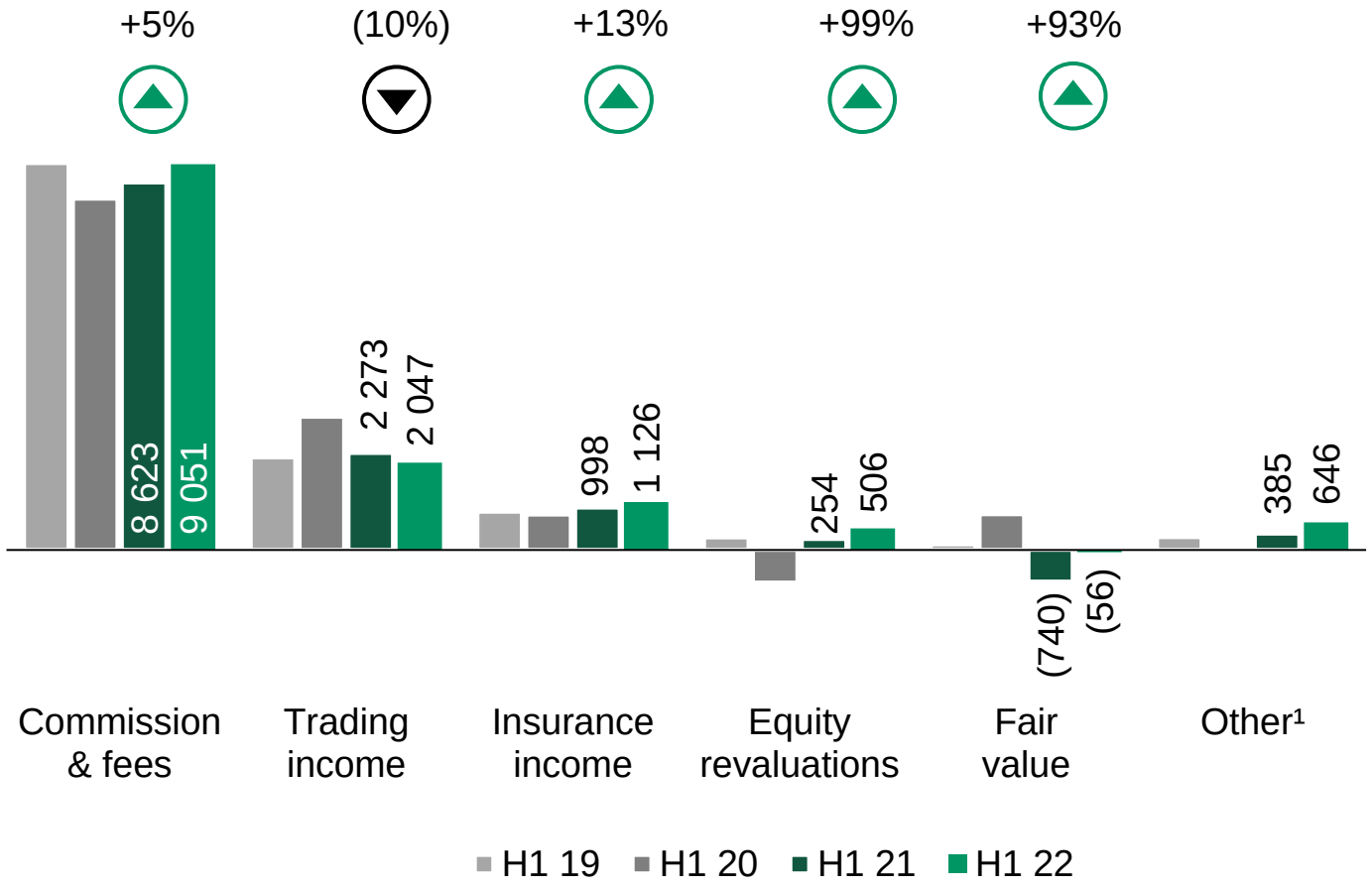
Net interest margin (bps)



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)

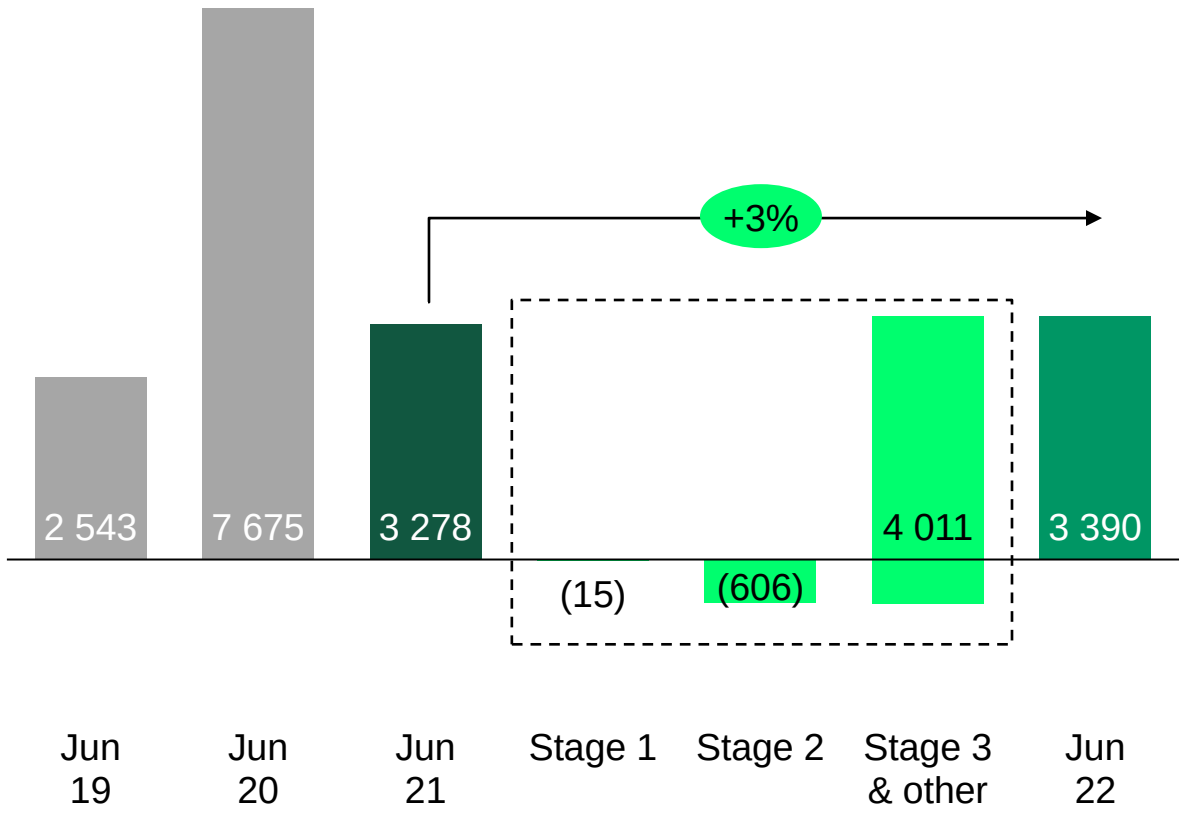


- **Commission & fees** – solid growth driven by ongoing recovery in client transactional activity & cross-sell
- **Trading** – negatively impacted debt & interest rate markets, offset by good outcomes in FX & equity
- **Insurance** – lower claims in the life portfolio, partially offset by higher non-life 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.*

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

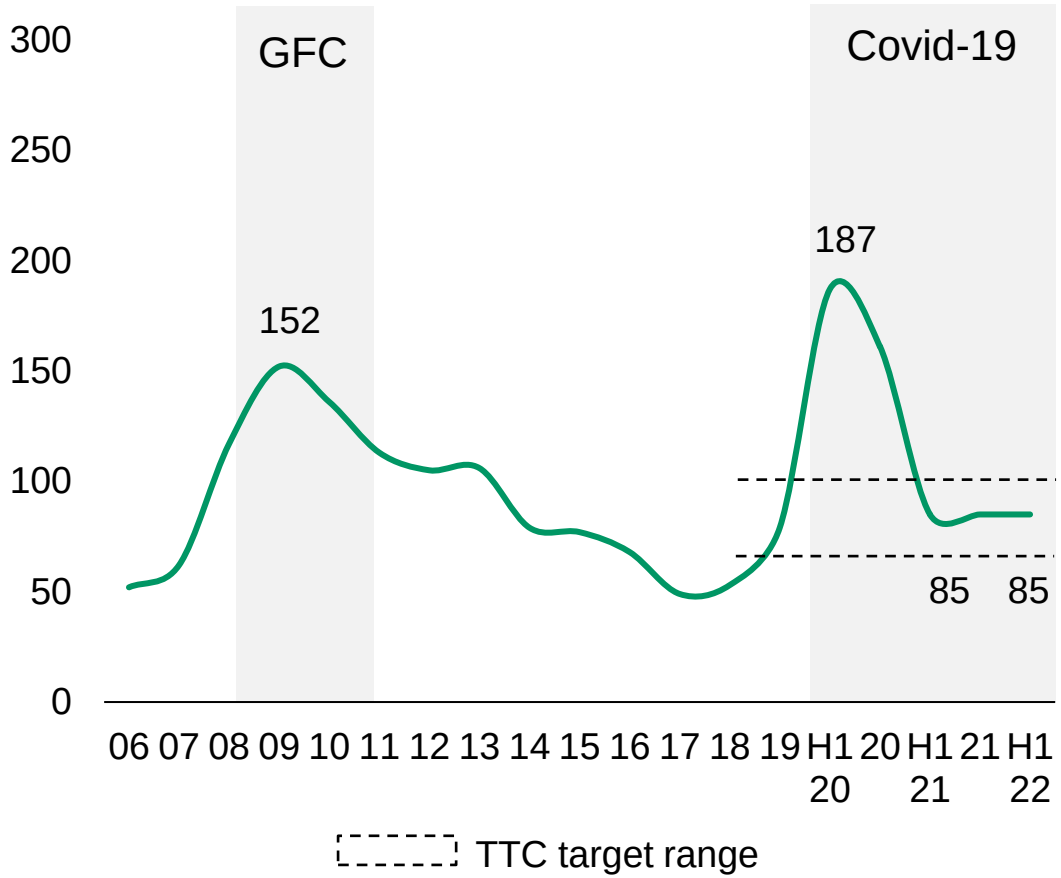
Impairment charge (Rm)



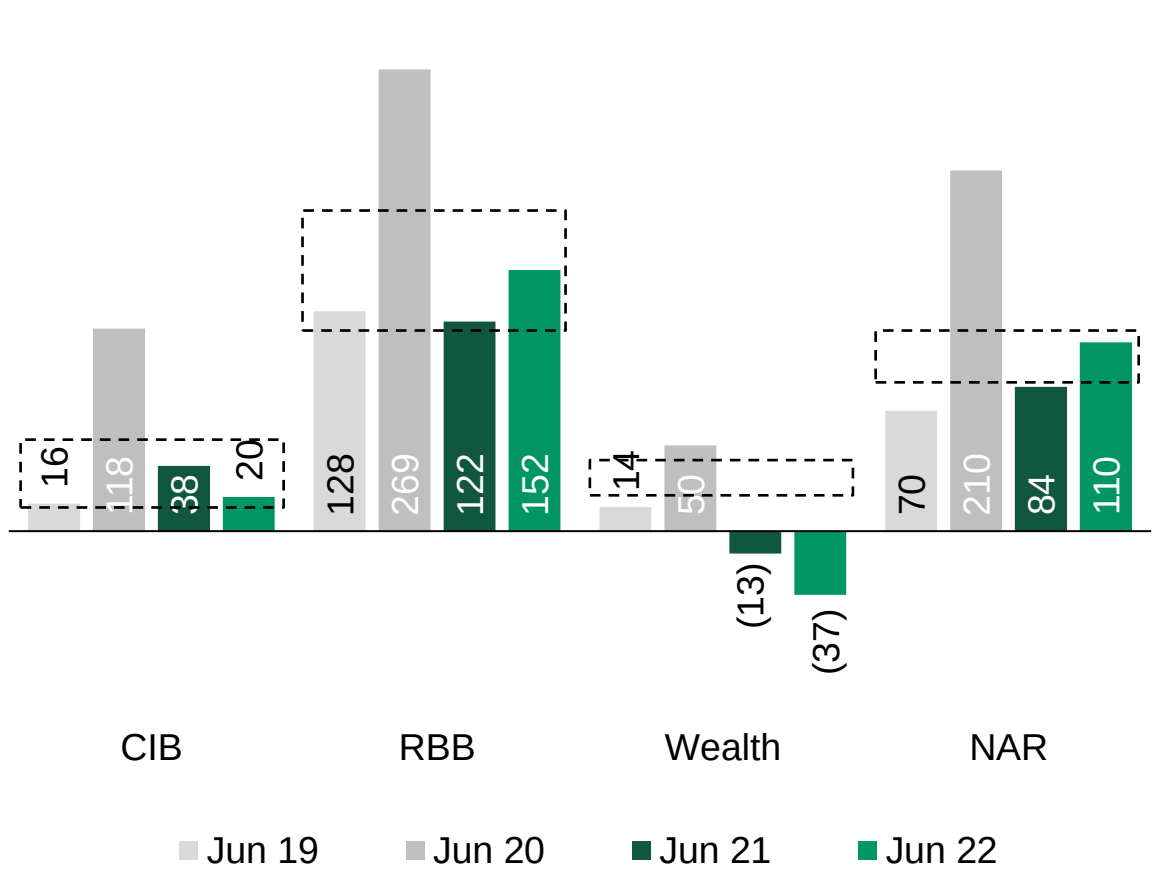
- **Stage 1 impairments** – average gross loan & advances growth of 4%, offset by mix change impact (ytd wholesale growth > ytd retail growth)
- **Stage 2 impairments** – general improvement, but initial signs of higher levels of early arrears (inflation & interest rate pressures)
- **Stage 3 impairments** – 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)

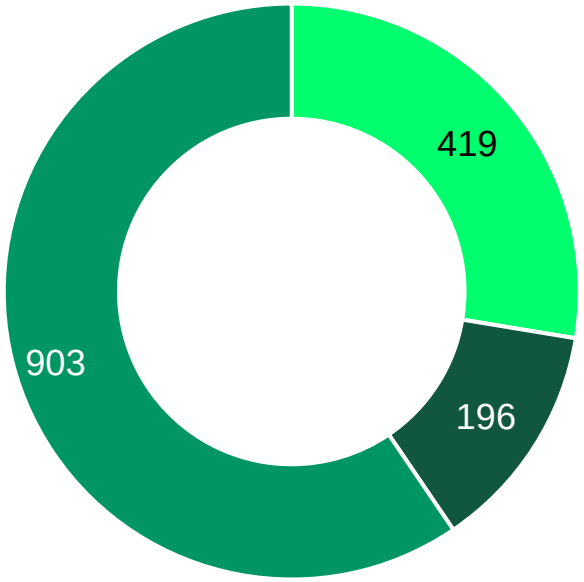


Covid-19 & macro-related adjustments/overlays – risks either emerged via our IFRS models, did not emerge or still remain in place

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**

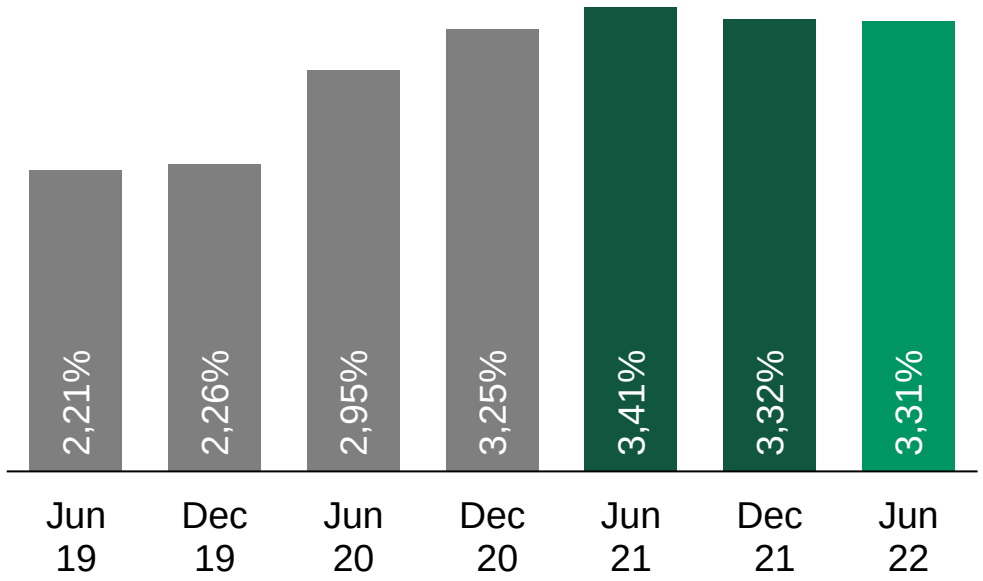
In addition to the R903m Covid-19 & macro-related adjustments/overlays, the group holds a further R1,7bn of other judgemental overlays (Dec 2021: R1,7bn)

Changes Dec 2021 to June 2022
(Rm)

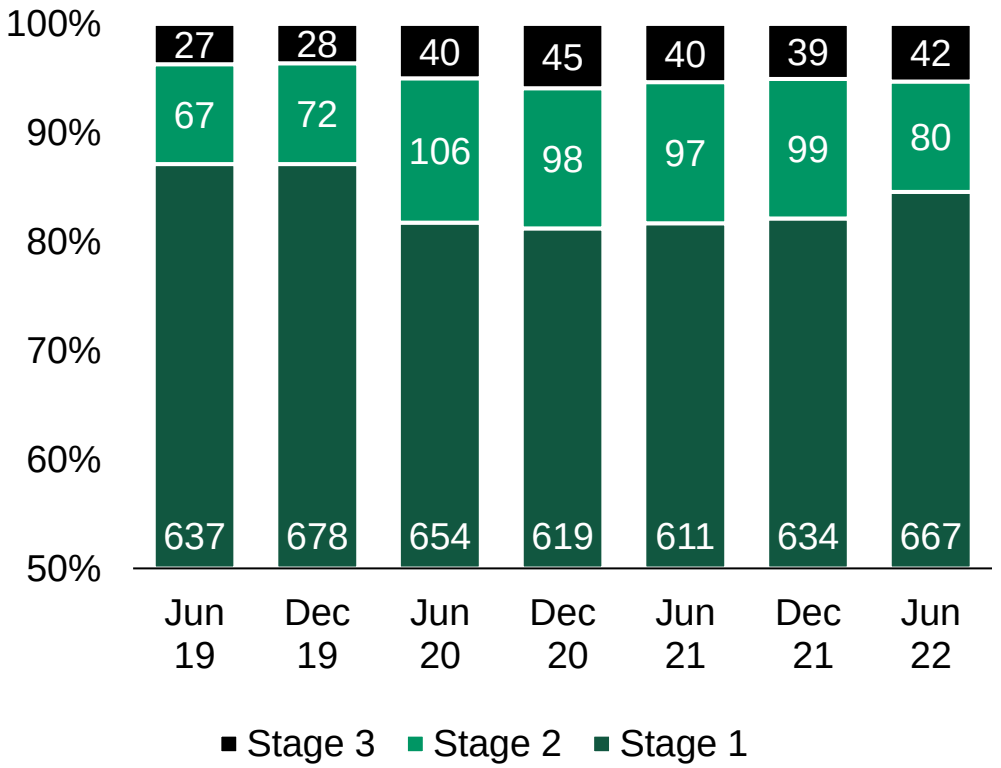


Total ECL coverage of 3,31% remains high & above pre-Covid-19 levels

Total ECL coverage
(%)

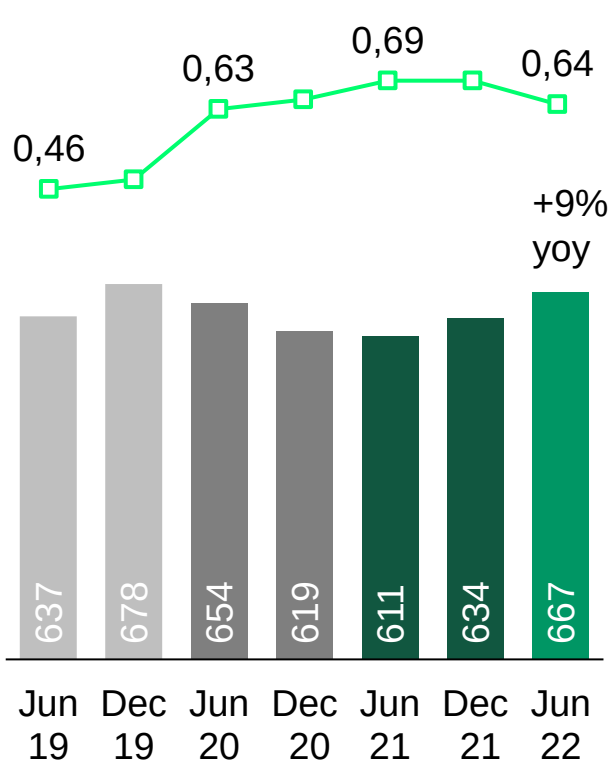


Stage 1, 2 & 3 loan contribution
(Rbn)



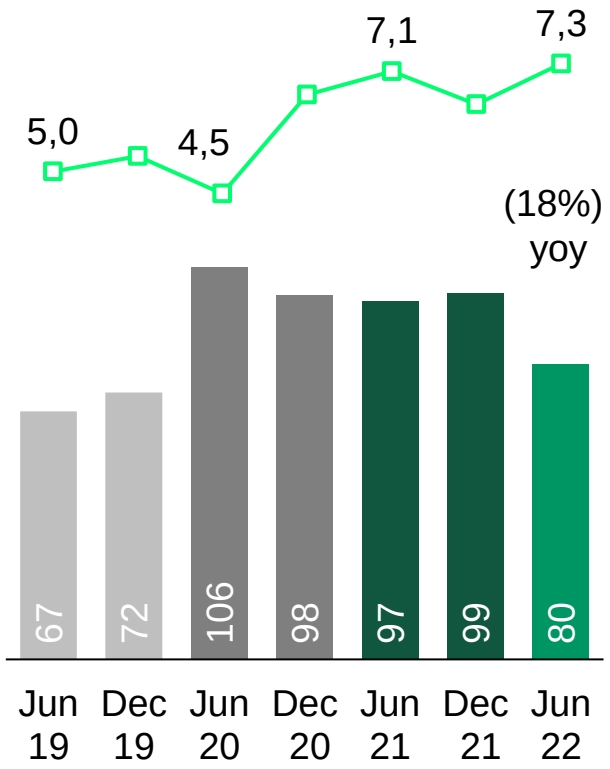
Strong ECL coverage ratios across stage 1, 2 & 3 loans

Stage 1 loans



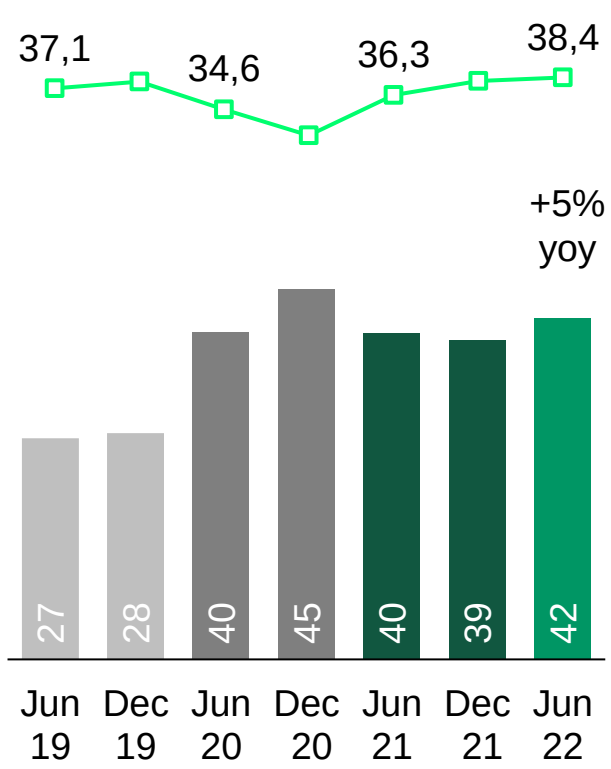
Stage 1 loans – increase driven by loan growth & cure from stage 2 loans

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

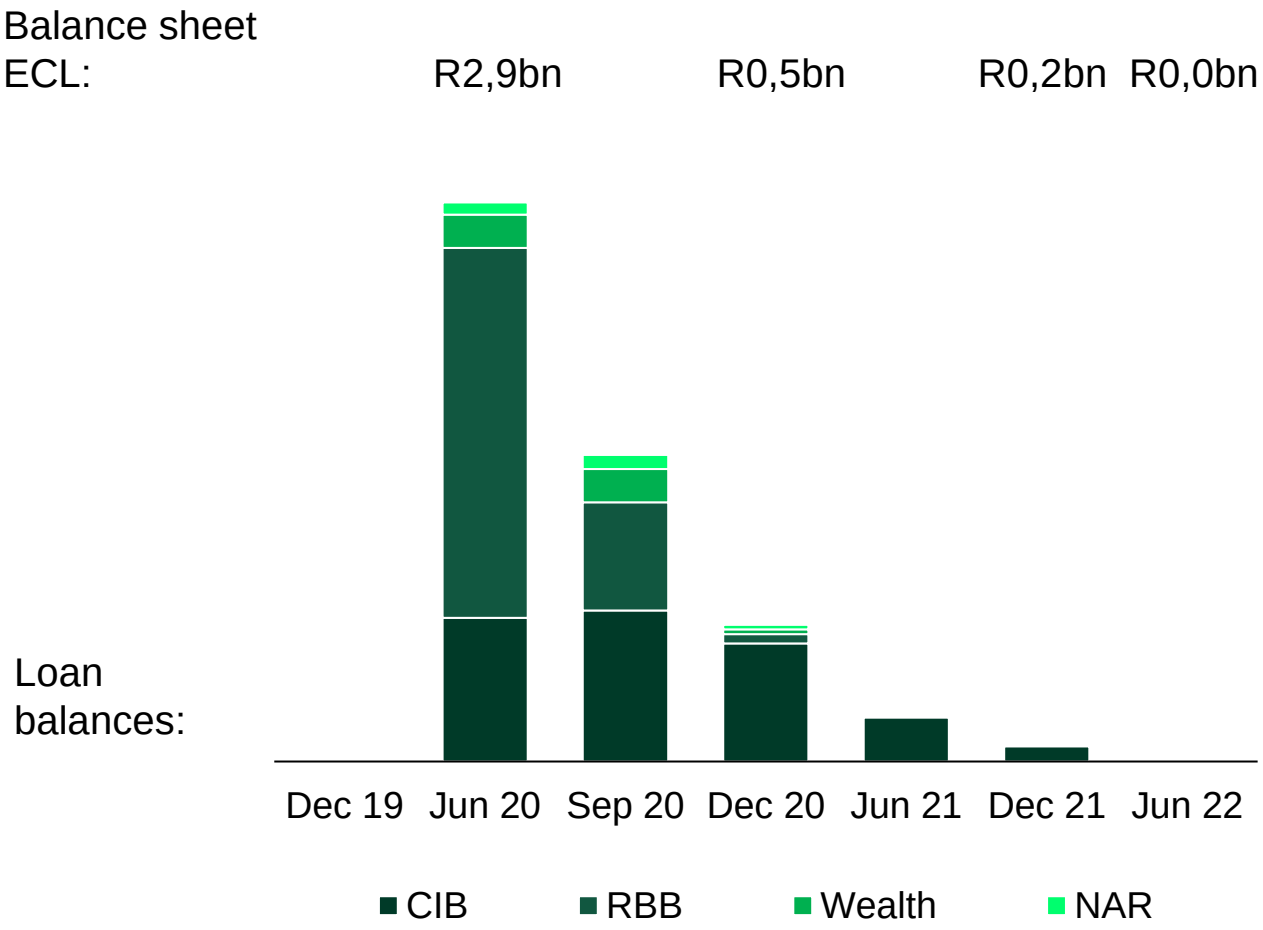


Stage 3 – increase driven by the withdrawal of directive D3/2020 resulting in some loans now classified as stage 3 & a few specific CIB clients

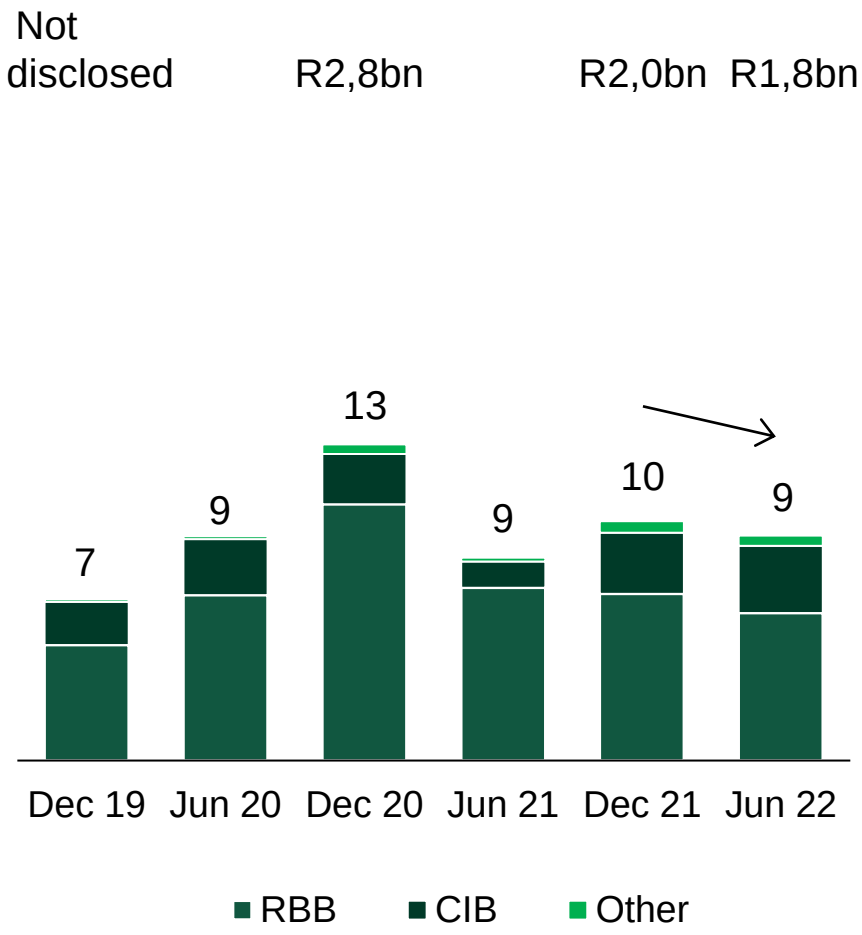
Performing coverage (stage 1 & 2) improved from Jun 2021: 1,56% to Dec 2021: 1,46% & to Jun 22: 1,35%.

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)

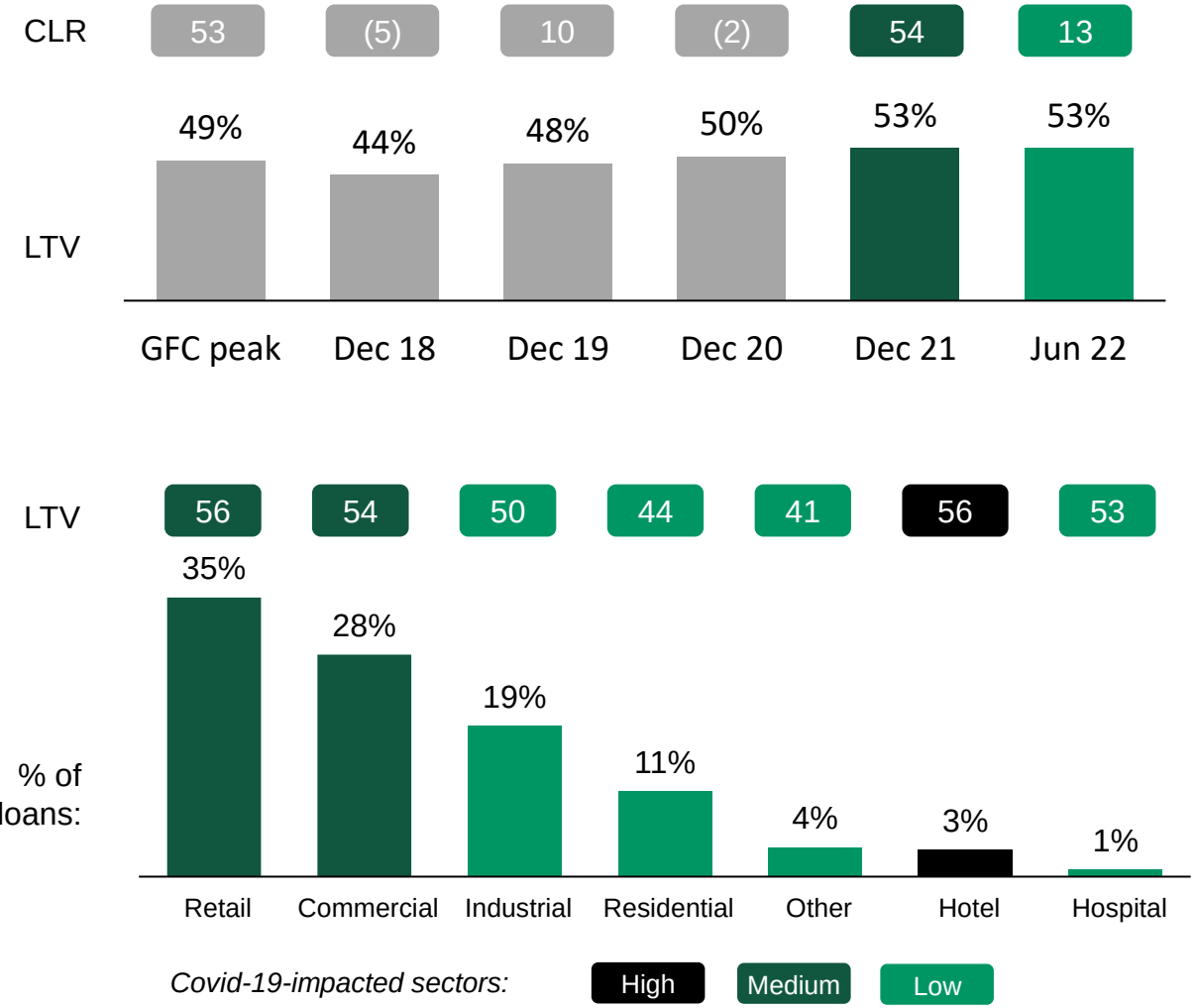


Commercial property finance – a high-quality, well-diversified & collateralised portfolio

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** (%)



Commercial property finance – exposure to Rebosis

The Rebosis board has pro-actively communicated with Nedbank regarding their decision to **apply for voluntary business rescue**

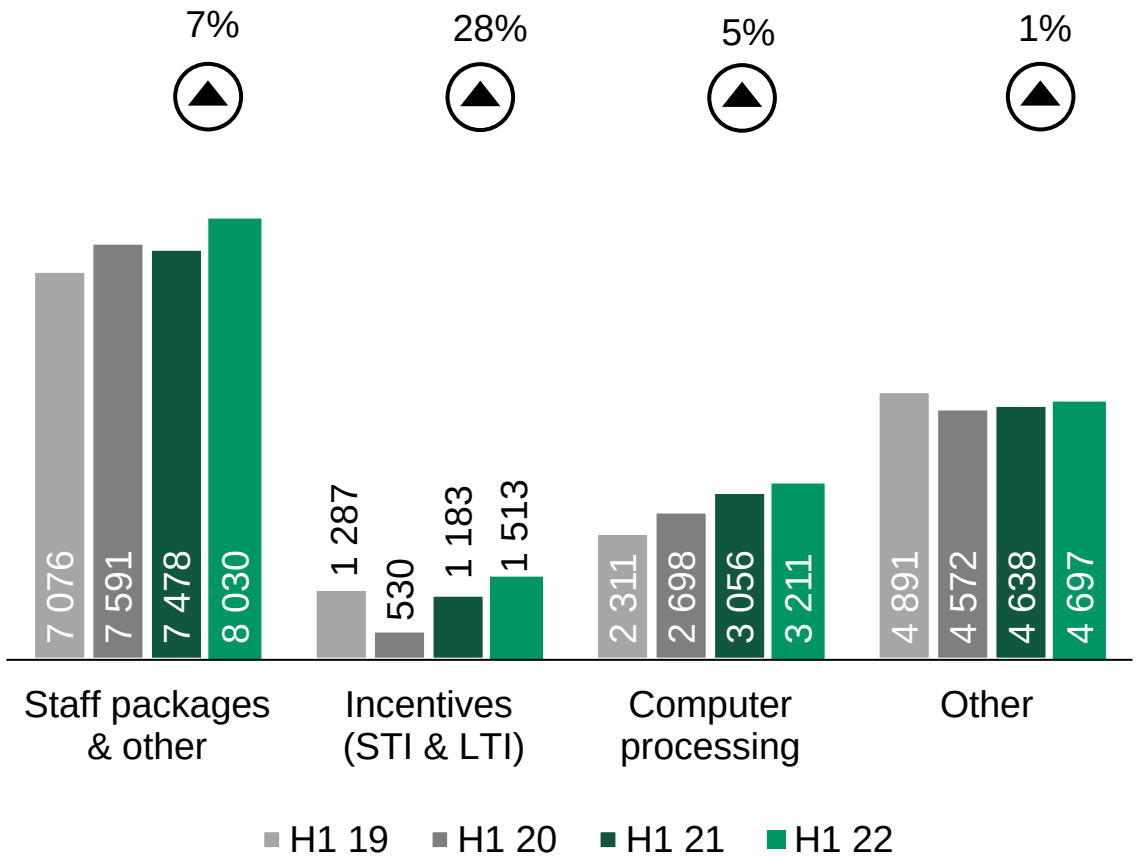
We are committed to working with the business rescue practitioner, as well as with the Rebosis board & management, throughout the process of developing a business rescue plan for the company

Nedbank's exposure to Rebosis at R7,8bn is **secured by a portfolio of 27 commercial & retail properties**, & the **related tenant lease agreements** that we hold as collateral

- **The value of collateral**, which is **determined by Nedbank independently** of the values produced by Rebosis, is **updated regularly** & we use these valuations in making decisions, including the calculation of the Stage 2 lifetime ECL held at 30 June 2022
- In addition, **significant impairment overlays** have been raised since the onset of Covid-19, specifically for large exposures that reside in Stage 2 loans
- We are **comfortable with our overall levels of impairment** held against our exposures to Rebosis
- **The outlook for the group's 2022 CLR remains unchanged** (within the top half of our 60 – 100 bps TTC range)
- **The outlook for CIB's 2022 CLR remains unchanged** (around the mid-point of the cluster's 15 – 45 bps TTC range)

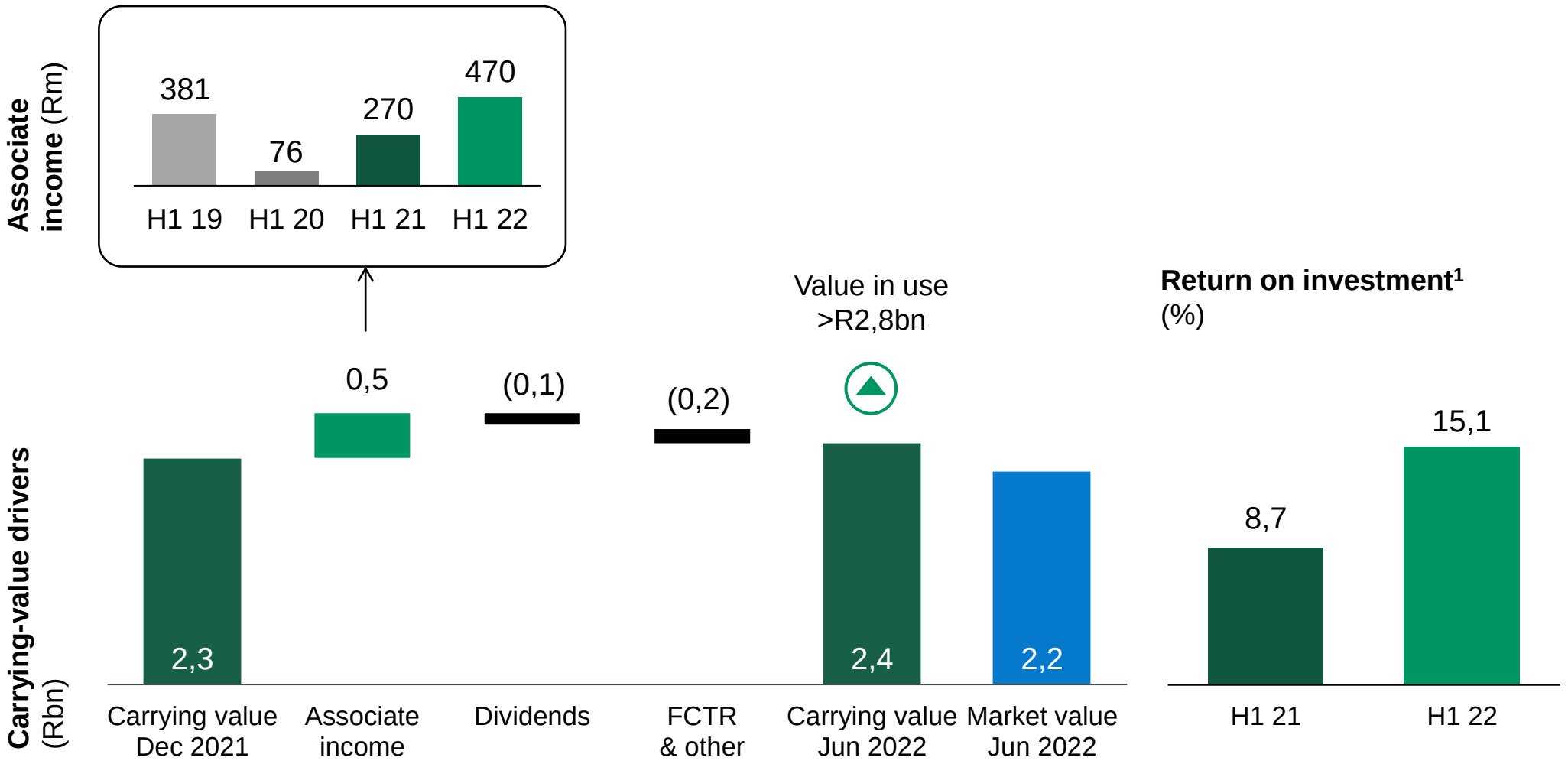
Expenses up by 7% – excluding incentives, expenses up 5%, reflecting a solid operating performance, with focus on efficiencies, benefits from digitisation & TOM 2.0

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).

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

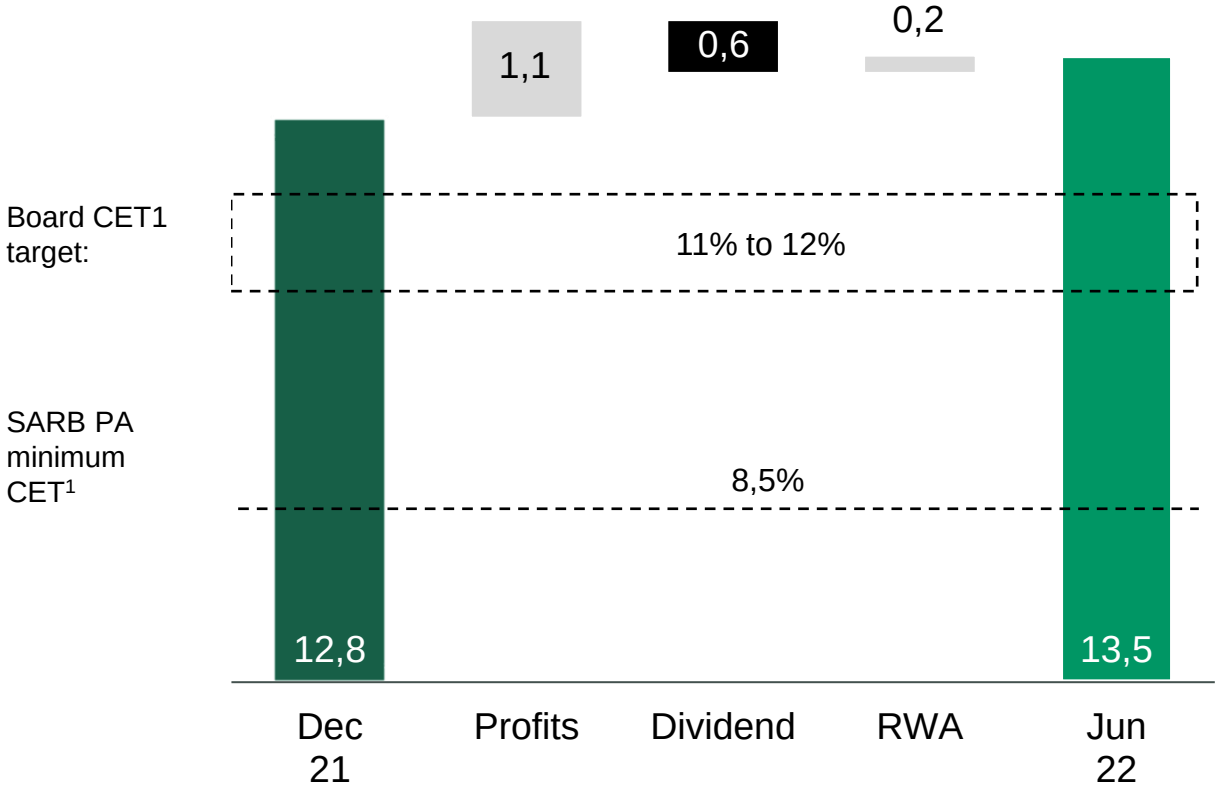
2022 Euromoney Awards for Excellence
Africa's Best Bank for SMEs

2022 Euromoney Awards for Excellence
Africa's Best Digital Bank

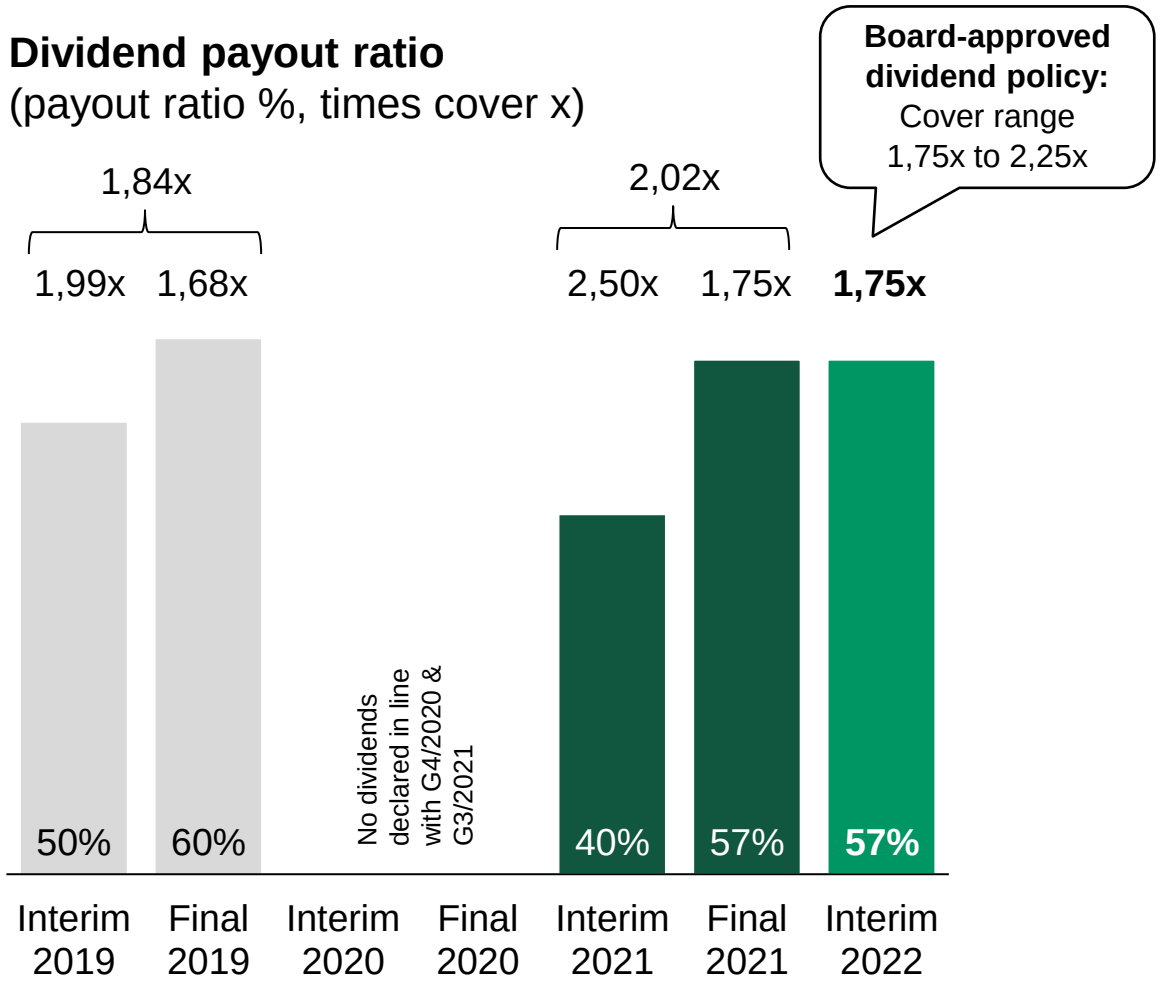
[1]As of 31 March 2022. I [2] At 30 June 2022.

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)

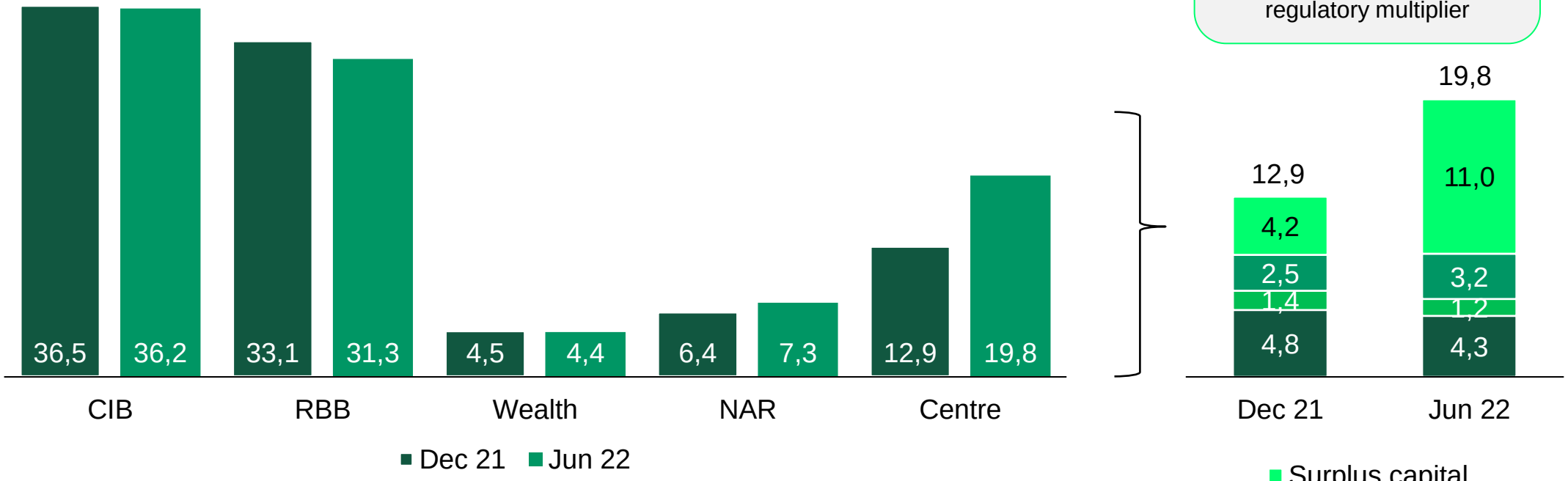


[1] Excluding idiosyncratic buffers & including the D-SIB capital requirement of 100 bps, in line with PA Directive 5/2021 (from 8% in 2021).

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).*

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 clusters ROEs > COE & R11bn of average surplus capital held in the centre

SARB administrative sanctions

Background

- SARB compliance inspection conducted over 3 years ago in **May/June 2019**
- Inspection done only 2 months after fundamental **amendments to the FIC Act**
- The administrative sanctions are as a result of a **limited number of compliance & reporting deficiencies**
- **No evidence** of any actual money laundering or financing of terrorist activities

- **Lengthy delays by government in promulgation of amended FIC Act & related regulations** (impacted on our ability to timeously finalise system requirements & integrate with other related system developments underway eg Eclipse onboarding platform)
- **Majority of compliance gaps were self-identified by Nedbank & disclosed to SARB upfront** (eg certain gaps in cash-threshold reporting amounting to 75% of the financial penalty paid)
- **All compliance deficiencies have been remediated** & all required transactions reported to the FIC, with no evidence of money laundering or financing of terrorism
- **Financial penalty of R20m paid in H1 2022** (covered by central provision, & R15m conditionally suspended)
- **Our current compliance & risk management environment, including reporting obligations, has matured extensively** compared to the initial implementation of the FIC Act in 2019


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.