Nedbank Group H1 2024 Results Presentation transcript



Jason Quinn, Chief Executive

Slide 1 & 2

Good afternoon and welcome everyone to the Nedbank Group' interim results broadcast. It is a great privilege for me to host the group's results for the first time as Chief Executive.

The agenda of our presentation today, as shown on the left, will start with me providing an overview of the group's performance in the first half of 2024, a reflection on the operating environment and the outcomes we achieved on our strategic growth drivers.

I will then hand over to Mfundo, our COO, who will provide an update on the progress we are making on our strategy and Mike, our CFO, will then follow with an analysis of the group's financial performance, including that of our respective frontline clusters.

I will then return to close the presentation with the outlook for the remainder of the year, and our medium and long-term targets.

You will notice some slides are marked "additional info" in the top right corner, these are slides of additional information and insight which we will not speak directly to today and which are available in our results booklet.

Slide 3

Starting with the overview.

The operating environment during the first six months of 2024 remained challenging. Economic activity was weak, impacted by high interest rates, persistent inflation and general uncertainty ahead of the SA national elections. This meant corporates remained cautious and consumers' finances were strained. However, a peaceful and fair SA election outcome and the swift formation of a Government of National Unity have created space for cautious optimism.

On the strategy side, our delivery continues to show results and we have seen good outcomes across our various strategic value unlocks, with a renewed focus on enhanced execution in support of ongoing value creation. Mfundo will unpack this in more detail shortly.

Despite the difficult operating environment, the group produced a strong financial performance with diluted HEPS up 12% and our ROE, which is usually seasonally lower in the first half of the year, increased to 15%. This performance was driven by lower impairments, good NIR growth and targeted expense management, underpinned by a very strong balance sheet. Shareholders should also be pleased with the 11,5% increase in interim dividend to 971 cents per share.

The seamless transition from Mike Brown to myself was well planned and well executed. I have an excellent working relationship with the board and the leadership teams, which has enabled us to get on with business very smoothly. I have adopted Nedbank's performance targets over the medium term as my own and our focus as a team is heightened on achieving them. I am extremely comfortable with the strong foundations that Nedbank has built, including capital and liquidity levels and an improving financial performance, as well as the group's strong and vibrant culture, its focus on transformation, leading ESG credentials and significant technology investments. We will continue to build on these strong foundations as we evolve and refresh our strategy.

Slide 4

Next, we reflect a bit on the operating environment that provides important context in which our financial results should be assessed:

GDP growth in the first half of the year has been muted and Corporates remained cautious ahead of the national elections. This was evident in slower wholesale advances growth, except for the pockets of growth in areas such as renewable energy finance.

On the positive side, the country's electricity supply stabilised in the first half of the year, with Eskom suspending load-shedding towards the end of March and improving its energy availability factor as shown on the graph on the bottom left.

The SA election outcome and formation of a GNU stimulated positive market sentiment, including lower bond yields, stabilisation in foreign bond and equity sales, stronger equity markets and a stronger rand. Spreads on credit default swaps, as shown on the next slide, improved markedly and are trending towards levels when SA's sovereign credit ratings were at investment grade.

We remain cautiously optimistic around the potential benefits associated with an effective GNU and expect better macroeconomic conditions in the second half of 2024.

Slide 6

On the consumer front, finances remained under pressure as real household incomes contracted and job prospects remained muted.

Transactional income growth continued to experience pressure due to high interest rates and persistent inflation, albeit slowly trending down as shown in the top two graphs.

Debt service costs remained high, highlighting that the strain on consumer finances is still elevated and as a result, we have seen a continued slowdown in household credit growth.

Slide 7

Our strategy outlines our focus and the actions required to achieve our medium- and long-term targets. Our strategy is well-positioned for a natural refresh in an evolutionary manner as we build on the strong foundations that have been put in place.

I will unpack the progress we have made on our strategic value drivers and Mfundo will talk to the group's strategic value unlocks that are enabled by our world-class technology platform and our employees as our most important asset.

Slide 8

Execution has been steady with further opportunities to improve our growth and productivity initiatives, while we maintain very strong risk and capital management metrics.

Starting on the left.

While we were disappointed with the slow pace of advances growth, we recognise the impact the difficult macroeconomic environment has had on the demand for credit. On the upside RBB grew main-banked clients by 7% and NAR increased their client base by 9%. Digital metrics also continued to grow strongly, with app volumes, the key retail channel, up 13%. In Nedbank Wealth AUM increased by 5% to R463bn and trading NIR in CIB increased by 18%.

And lastly, in June we acquired Eqstra to strengthen our positioning in the fleet management market.

From a productivity perspective:

Good collection efforts in RBB and the resolution of stage 3 loans in CIB supported a good impairment outcome.

Our TOM 2.0 programme has reached cumulative cost benefits of R2,6bn, above the R2,5bn target we have set. Our focus on extracting further value from our technology investments has resulted in the launch of TOM 2.1, which Mfundo will unpack further as we aim to achieve a lower cost-to-income ratio over the medium- and long-term.

On the far right, our key risk and capital management metrics reflect a very strong balance sheet:

Our CET1 ratio at 13,3%, remained well above the top end of our Board target range of 12%.

Liquidity metrics, such as LCR and NSFR remained strong, significantly exceeding the minimum regulatory requirements of 100%.

Under credit, our CLR improved to 104 bps, almost back to within our TTC target range and the group's total impairment coverage ratio remains strong at 3,51%.

Lastly, in response to the recent announcement by Transnet and the SIU relating to historic interest rate swap transactions and as stated in our SENS announcement of 26 July, I would like to reiterate the following:

Firstly, we remain satisfied that Nedbank's internal governance procedures were followed in respect of these swaps.

Secondly, that there is no evidence of any Nedbank employee being dishonest, corrupt or in collusion.

Thirdly, the claim that Nedbank profited by more than R2,7bn is incorrect as the sales margin we earned was market-related and amounted to less than R43m. The swaps were commercially sound, and the ROE earned by Nedbank was fair, reasonable and appropriate at 15,5% over the life of the transactions.

And finally, we will strongly defend litigation against us, and we will pursue counterclaims against Transnet and others.

I hand over to Mfundo to talk to our strategy in more detail.



Mfundo Nkuhlu, COO

Slide 9 & 10

Thank you, Jason, and good afternoon, everyone.

In my section today I will demonstrate how our focus on strategic execution through our strategic value unlocks, is creating value and delivering results.

Slide 11

Starting with our technology strategy. At the end of June 2024, our managed evolution IT build reached 95% completion, and the programme is still aiming for full completion by the end of the year, materially within scope, time and budget.

As we finalise this programme, we are now shifting our focus to 4 key areas – completing Managed Evolution, rationalising and simplifying our product set, commercialising data and harmonising or consolidating systems across the Group, including our subsidiaries.

Under Managed Evolution, in the last stretch to the end of the year, we are refactoring and modernising our core banking systems and completing the digitisation of the 2 remaining client onboarding and servicing journeys, being home loans and vehicle finance.

We have started rationalising our product range, with the focus on making banking easier and more affordable for our clients. To this end, more than 2,2m MiGoals transactional accounts have been opened or converted on our new core banking platform. We will continue our focus on reducing the number of transactional products by around 60%, the number of investment products by around 80%, and the number of lending products by a percentage still to be determined.

From a data commercialisation perspective, we have established a dedicated data and analytics team to spearhead our strategy in this space. The progress we have made on our technology journey is foundational for seamless integration and fast adoption of AI capabilities and currently we are

investigating more than 50 use cases that will support revenue uplift, cost optimisation and improve lending decisions.

Lastly, our Nedbank Africa Regions IT systems convergence is underway, with completion set for the end of 2026.

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Multiple benefits have been derived from our technology platform and market-leading digital capabilities.

As we have noted in prior periods, starting on the left – digital onboarding is seamless for both individual and juristic clients and most of our services have been automated and digitised, enabling our clients to self-service.

From a product sales perspective, 64% of all retail sales are now done digitally and we are making great progress towards our target of more than 75%. As shown on the 'additional information slide' Money App transactional volumes and values grew by 13% and 19% respectively.

The launch of PayShap, a real-time, interbank payment offering aimed at reducing the high use of cash in SA, has seen steady growth with Nedbank's share of volumes around 23%.

Benefits for Nedbank are shown on the right of the slide. From a revenue perspective, we continue to unlock higher levels of cross sell, deliver strong growth in main-bank clients and increase the contribution from value-added services and beyond banking solutions such as Avo.

From an operational efficiency perspective, through our Target Operating Model programmes we have saved more than R4,5bn by adopting digital practices, reducing floor space and reducing headcount, mainly through natural attrition.

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Reflecting on our progress relating to strategic portfolio tilt, from a lending and deposit taking perspective, we are pleased to have gained traction in areas that create value.

We have increased market share across home loans, vehicle finance, overdrafts and retail deposits.

While the market share of wholesale term lending decreased, we have a strong deal pipeline in place that will support growth into H2 2024 and beyond.

In commercial mortgages, where we have a leading market position, we have been more selective, with our market share strong at 35,4%.

Given ongoing risks in the environment, we have deliberately slowed growth in unsecured lending and, as a result, we reported a market share decline in personal loans.

From a retail deposit market share perspective, we were pleased with an increase in market share to 16,7%, while more work is required in growing share in commercial deposits.

Slide 17

As Jason mentioned, our Target Operating Model 2.0 programme, that focused on optimising the shape of our infrastructure, shifting our RBB organisational structure to be more client-centred and optimising our shared-services functions, realised benefits of R2,6bn at the end of June.

To illustrate the progress we have made, through Project Imagine branch floor space has decreased by 60 000 m2 since 2020 and through our strategy of consolidating our own campus buildings, we have saved more than 201 000 m2 since 2016.

At the end of June 2024, our total group permanent headcount declined by a net of 17, after absorbing an additional 276 new employees as a result of the acquisition of Eqstra.

Our ongoing focus on extracting value from our technology investments has resulted in the launch of TOM 2.1. We expect further run rate benefits from TOM 2.0 to be unlocked in the period ahead and TOM 2.1 will additionally focus on extracting benefits from the commercialisation of data and analytics capabilities, optimising key processes and payment ecosystem modernisation. We are in the process of finalising associated revenue and cost benefits to be extracted over the medium-term, and more detail will be communicated as part of our 2024 full year results.

Slide 18

Fulfilling the purpose of using our financial expertise to do good is best demonstrated through our delivery against the UN Sustainable Development Goals (SDGs) and the progress we have made on our sustainable-development finance (SDF) ambitions. At 30 June 2024, we provided Sustainable Development Finance support of R154bn, representing 17% of the group's gross loans and advances. This represents good progress from the 13% in 2021 when we set our ambition of reaching 20% by the end of 2025.

This financing is supported by some of the initiatives we highlight on the right of the slide, including R16bn of sustainable finance across multiple sustainable development goals for CIB clients, R28bn for farmers and agriculture and R23bn in support of SMEs.

A key highlight of the period was the conclusion of a R4,5bn term loan facility to support the supply of 75 million cubic meters of water to the Mokolo-Crocodile River Water Augmentation Project in the Lephalale area.

Slide 19

Unpacking renewable energy under SDG 7, the graph on the left shows:

Good progress was made closing a number of renewable energy deals, mostly in private power generation. Exposures increased by 20% to R36bn since December and limits increased by 27% to R58bn, highlighting the very strong pipelines we have in place.

We will continue to convert these pipelines in 2024 and deliver strong growth in our renewable energy portfolio as evident in R11bn of further drawdowns expected by CIB in the second half of the year.

Slide 20

Lastly, as in prior presentations, I will reflect on a few ESG highlights:

In March we became the first SA bank to disclose financed emission targets for our thermal-coal, oil and gas, and power generation portfolios and simultaneously the first SA bank to publish a nature position statement. These actions build on our leadership in climate change and reaffirm our commitment to carbon neutrality by 2050.

We maintained our level 1 broad-based black economic empowerment status for the 6th year in a row and this was supported by improving our African, Coloured, and Indian (ACI) representation to 83% of total employees.

We also recruited more than 3 600 Youth Employment Service (YES) participants, bringing the total first time job opportunities we have provided to the youth to more than 13 500, as we continue to make an impact on South African youth, their families and communities.

Finally, from an ESG ratings perspective, we continue to rank at the top end of our local and global peer group across multiple ratings as shown on the left-hand side of this slide.

I now hand over to Mike to take us through a review of the group's financial performance.



Mike Davis, CFO

Slide 24

Thank you Mfundo,

And good afternoon everyone.

As highlighted by Jason, the operating environment has been challenging, but as Mfundo demonstrated, we've made good strides in implementing our strategy. This meant that revenue growth for the whole sector has been under pressure from the difficult macroeconomic environment, while at Nedbank impairments were well managed despite the ongoing pressure on consumers.

Slide 25

Against this backdrop, all group profitability metrics continued to improve, evident in relatively strong Headline Earnings growth of 8%, strong DHEPS growth of 12% and an improved ROE of 15%. The faster growth in DHEPS when compared to HE is linked to the R5bn share buy-back we executed in 2023.

Our credit loss ratio pleasingly decreased by 17 bps to 104 bps and was almost back to within the group's TTC target range of 60 to 100 bps, in line with the guidance we provided.

While Balance Sheet growth was muted, with advances and deposit growth below mid-single digits, key balance sheet metrics remained strong, evident in our liquidity and capital ratios.

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The key drivers of shareholder value creation all showed positive momentum, with our ROE, which is seasonally lower in the first half of the year, improving to 15%, now equal to the group's cost of equity.

Following our relatively strong earnings growth and capital and liquidity positions, we declared an interim dividend of 971 cents per share that increased by 11,5%, at the top end of our payout ratio.

Net Asset Value per share of R230.97 cents increased by 2% yoy and was impacted by negative foreign currency translation reserve movements relating to accounting for our share of these movements in ETI and our non-SA businesses.

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Reflecting on the primary drivers of the 8% growth of headline earnings:

Net Interest Income increased by 2% and Non-Interest Revenue by 7%, while associate income declined by 26%, given the non-repeat of the reversal of the R175m estimate we provided for our share of the impact of the ETI -related Ghanaian sovereign domestic debt restructure programme in the first half of 2023.

Impairments decreased by 12%, while expenses were well managed, increasing by 8%.

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Reflecting on the balance sheet, gross banking advances growth was muted.

In RBB the 5% growth in both average and actual advances was slower than the prior period. Growth was primarily driven by gradual home loan market share gains and good growth in vehicle finance, but we have been deliberately cautious in unsecured lending, given elevated risk.

CIB's actual banking advances increased by 5%. The increase was driven by growth in term lending, including key growth sectors such as renewable energy, with strong deal pipelines in place for the remainder of the year and into 2025. Commercial-property loans and advances grew slower as clients delayed activity due to South African election uncertainty and the high interest rate environment. Average CIB advances grew by only 1% after a slow first quarter.

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On the opposing side of the balance sheet, deposits increased by 3%.

Due to the higher interest rate environment, clients continued to term out short-dated cash into longer dated deposits. As a result, current and savings accounts, along with cash management deposits, decreased by 4% and 14% respectively.

In contrast, call and term deposits increased by 7%.

Fixed deposits decreased by 3% as consumers utilised borrowings to meet debt service costs. And NCDs decreased by 5% as slower loans and advances growth reduced the need for marginal deposits.

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Turning to the income statement, NII increased by 2% as average interest earning banking asset (AIEBA) growth of 3% was offset by a slight NIM contraction as we had expected.

The 5 bps decline in NIM to 413 bps was primarily driven by asset pricing pressure given increased levels of competition for good quality assets, liability pricing pressure and the introduction of deposit

insurance. This was partially offset by a positive endowment mix impact due to net capital balances growing faster than interest earning assets, and endowment pricing benefits due to the run-rate impact of higher interest rates.

Our active approach to interest rate risk management remains a focus, while we evaluate complimentary strategies.

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NIR growth was good at 7%.

Commission and fees income increased by 8%, supported by strong growth in CIB on the back of deal closures while growth in RBB was more moderate. Continued strong growth in value-added services, higher maintenance fees and growth in both card issuing and acquiring volumes, was offset by slower transactional activity given the difficult macroeconomic environment.

Trading income increased strongly by 14%, due to good client flows, and strong performances in equities and debt securities.

Insurance income declined by 9%, adversely impacted by lower traditional bancassurance volumes, further investment in product and channel initiatives and lower shareholder returns. This decline masked strong underlying premium growth in the MyCover suite and stable claims ratios.

Lastly, other NIR was slightly higher than the prior year, driven by:

Equity investment income that increased by 14%, driven by higher realisation gains from dividends, interest and distributions.

Positive fair-value adjustments, including foreign currency and interest rate gains in the CIB banking book, as well as gains relating to the group's hedge-accounted portfolios.

And these gains were offset with the base effect of R399m foreign currency gains on US dollar capital in Zimbabwe, net of the Net Monetary Loss realised in the prior period that did not repeat.

Excluding the Zimbabwe base effect and the Eqstra acquisition for June, NIR growth was 9,5%.

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Turning to impairments.

The groups' impairment charge decreased by 12% to R4,7bn. The decrease was primarily driven by a 15% decrease in RBB impairments, on the back of focussed management interventions in respect of collections and improved loan origination, as consumers adjusted to a more stable macroeconomic environment over the past 12 months.

Impairments in CIB, Wealth and NAR were well-managed.

The group's central provision remained at R150m and total overlays increased to R1,6bn from R1,1bn in December, in anticipation of model regrounds in RBB in the second half of the year.

Slide 38

The group's credit loss ratio decreased to 104 bps, just above our TTC target range of 60 to 100 bps, in line with the guidance we provided.

The CIB credit loss ratio at 19 bps, was within the bottom half of its TTC target range of 15 to 45 bps, reflecting the cluster's high-quality portfolio.

The credit loss ratio in RBB at 183 bps, was slightly above its through the cycle target range of 120 to 175 bps but declined from the 226 bps reported in the prior period. Pleasingly, credit loss ratios across all RBB products and segments improved from the levels reported in H1 2023, with the exception of vehicle finance given strain experienced in our small taxi portfolio and lower asset realisation values at auctions, and is receiving significant focus.

Wealth reported a credit loss ratio of 17 bps, below its through the cycle target range, while NAR reported a credit loss ratio of 91 bps, within its through the cycle target range, driven by improved collections and subdued loan growth.

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The group's total ECL coverage at 3,51% remains strong and reflects prudent provisioning in the current economic environment.

The Stage 1 coverage ratio remained steady at 0,67% and stage 2 coverage decreased slightly to 6,8%, due to stage migrations.

Stage 3 coverage increased to 38,2% as RBB loans with higher coverage increased by R1bn and stage 3 loans in CIB declined by R8bn since December 2023, after the resolution of large singe-name exposures as expected.

Slide 43

Shifting our focus to costs, expenses increased by just below 8,5%. Excluding the Eqstra acquisition, expense growth was 7,9%, reflecting tight cost control.

The 9% increase in salaries, wages and other employee costs, reflect the impacts of average annual salary increases of 6%, the use of additional contractors to assist in the completion of Managed Evolution and additional costs to retain talent and scarce skills.

Incentives increased by 7%, aligned to higher levels of profitability and vesting expectations.

Computer processing costs increased by 7% and reflect the impact of the rand's devaluation on foreign currency IT contracts, ongoing investment in technology and higher digital volumes.

Accommodation costs decreased by 3% as we continue to benefit from our real estate optimisation initiatives and the impact of lower generator-related costs due to reduced levels of load-shedding.

Other costs include the impact of increased levels of travel and a higher intake of YES participants in 2024.

Slide 44

Reflecting on ETI,

Associate income relating to our 21% shareholding decreased by 32%, primarily given the non-repeat of the base effect of the reversal of the R175m in H1 2023.

The carrying value of our investment in ETI is now immaterial at approximately R600m as the increase in associate income was offset by large negative FCTR movements in the period. Our share of the market value of ETI, listed on the Nigerian stock exchange, is approximately R1,4bn.

Slide 45

Turning to capital, our CET1 ratio at 13,3% remains well above the top end of the board-approved target range of 11 to 12%, positioning us well for growth, complementary bolt-on acquisitions such as Eqstra, sustainable dividend payments at attractive pay-out ratios and to absorb the possible Basel III Positive Cycle Neutral counter-cyclical buffer expected by the end of 2025.

Given our strong capital position, we have obtained all necessary approvals to conduct a further share buyback, which we will execute depending on the market conditions.

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Closing with the clusters:

CIB produced a strong set of results, with headline earnings growth of 13% and its ROE increasing to almost 21%. Earnings growth was primarily driven by an 18% increase in NIR, supported by commission and fees on deal closures and strong growth in trading income.

NII was flat as 1% average advances growth was offset by slight margin compression, while expenses increased by 11%, driven by higher incentive costs aligned with performance.

CIB's medium and long-term focus remains on reducing its cost-to-income ratio to below 44%, through a focus on top line revenue growth, while maintaining an ROE above 19%.

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RBB showed a good recovery with headline earnings growth of 24% and a higher ROE at 14,6%, driven by the strong improvement in impairments.

NII increased by 3%, driven by average loan growth of 5%, partially offset by a slight decrease in NIM due to lower client margins.

NIR increased by 6% or 4% when excluding the Eqstra acquisition. This growth was mainly driven by strong growth in value added services (VAS), higher maintenance fees and growth in card issuing and card acquiring volumes, partially offset by slower transactional activity.

Expenses were well managed, increasing by 6,5% or 5,5% when excluding Eqstra.

RBB's medium and long-term focus continues to be on reducing its cost-to-income ratio to below 57% through revenue growth and productivity improvements, while increasing its ROE to above 20%.

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Nedbank Wealth's headline earnings decreased by 18%, but its ROE remained healthy at close to 25%.

NII increased by 3%, positively impacted by the benefit of higher local and international interest rates, offset by the exit of the corporate e-gaming sector.

NIR decreased by 2% due to the decline in insurance income, as I mentioned earlier, partially offset by growth in assets-under-management.

Credit impairments increased off a low base.

And expenses were well controlled increasing by 5%, notwithstanding the investment in people, brand and digital and data initiatives as well the impacts from higher inflation and exchange rates.

Of note was the impact of the higher tax charges in the international businesses due to the implementation of the minimum 15% OECD pillar 2 global tax rate.

Nedbank Wealth's medium and long-term focus continues to be on reducing its cost-to-income ratio through faster revenue growth in areas such as insurance and maintaining an ROE at least 10% above the group's cost of equity.

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In the Nedbank Africa Regions, headline earnings decreased by 36% and its ROE declined to 18,2%, largely as a result of base effects.

Similarly, the SADC operations' HE decreased by 41% and its ROE decreased to 7,3%. Excluding the base effect of Zimbabwe, headline earnings were up by 65%. NII growth of 8% was driven by improved margins, while NIR decreased by 13% and impairments by a pleasing 24%.

Headline earnings relating to our associate investment, ETI was down 32% on the prior year, largely due to the base effect. The underlying performance of ETI remained robust, with its core regions continuing to show a strong performance, with ROEs of above 25%, while Ecobank Nigeria remains a focus to improve.

In the medium and longer term the cluster remains focused on reducing its SADC cost-to-income ratio by growing the franchise and achieving scale and as a result improve its ROE to above cost of equity.

In closing, I am pleased with our performance for the first half and am looking forward to ongoing momentum in the second half as we continue to make progress towards our medium-term targets.

Thank you – I'll now hand back to Jason.



Jason Quinn, Chief Executive

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Thanks Mike

In closing, I will provide our outlook for the period ahead, starting with our latest economic forecasts. which informs our financial guidance to the market. As noted earlier we are cautiously optimistic around the potential benefits associated with the SA GNU. Our base case assumes better macroeconomic conditions in the second half of 2024 and into the medium- to long-term.

In this context, we forecast SA's GDP to increase by 0,9% in 2024, improving to just below 2% by 2027. Our upside scenario should the GNU make good progress, suggests that GDP growth could exceed 2% from next year on.

Average inflation is expected to ease further and average 4,9% in 2024 and then progress to the mid-point of the SARB 3 – 6% target range.

As a result, we expect the prime lending rate to be cut by 25 bps from September onwards and for rates to reduce cumulatively by 50 bps, taking the prime rate to 11,25% by the end of 2024. We then forecast a further 75 bps cuts of 25 bps each in 2025 taking prime to 10,5% from where it will then remain stable for the next few years.

Credit extension is forecast to remain slow for the rest of 2024 before increasing to above 6% in 2025, supported by a decline in domestic interest rates and improving execution of infrastructure and renewable energy investments. The potential upside scenario is for at least 1% additional growth on top of our base case.

Although difficult to forecast, the Rand is expected to strengthen but remain vulnerable to global developments. Our favourable scenario could see the rand at or below 17 versus the US$ from 2025.

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Turning to our guidance for 2024.

NII growth is now expected to remain below mid-single digits driven by moderate growth in advances, albeit stronger in H2 2024 than in the first half of the year and our NIM is expected to continue to contract slightly due to marginally lower endowment income.

Our credit loss ratio is still expected to move back to within our target range for the full year, due to the steady progress we have made in RBB and having resolved legacy CIB stage 3 loans.

NIR growth is now expected to be around upper-single digits, revised from above mid-single digits given the impact of the Eqstra acquisition. In addition, we expect ongoing benefits from deal flow in CIB, higher levels of cross-sell, main-banked client gains and strong growth in value-added services in RBB, while insurance income is expected to show an improved performance in the second half of the year.

Our focus on tight expense management remains in place and we expect growth of upper-single digits, mainly driven by the impact of the Eqstra acquisition.

Associate income at full year is expected to be slightly lower than 2023.

Capital ratios are expected to remain well above-board ranges and our dividend, subject to board-approval, at the top end of the payout ratio around 57%, while we look for market opportunities to execute further share buybacks.

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The environment for banks and our clients could become more positive should the GNU be effective & enable an environment that delivers higher levels of GDP growth.

The South African National elections was fair and peaceful, with continuity in key government positions and suitable changes in other ministries, setting the tone for economic policy execution, enhanced governance and greater accountability.

Higher levels of GDP growth are attainable should the GNU accelerate structural reform and achieve meaningful fiscal consolidation. This will go a long way towards reducing South Africa's risk premium and unlock efficiencies for the private sector, setting the stage for faster economic growth, and as a result address social challenges such as unemployment and inequality.

The potential upside for Nedbank would be evident in stronger credit and transactional growth, as well as reduced strain on clients as inflation and interest rates decline.

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Lastly, on the back of an improving operating environment, we continue to aspire to deliver ongoing improvements in ROE to increase shareholder value as we show in more detail on the additional information slide.

Our strong financial performance in H1 2024, together with the progress we have made in executing on our strategy and better economic prospects give us confidence in making progress towards our

stretch medium-term targets and, in particular, our aim to increase our ROE to 17% by 2025 and above 18% in the long-term.

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