

see money differently

Powering resilience

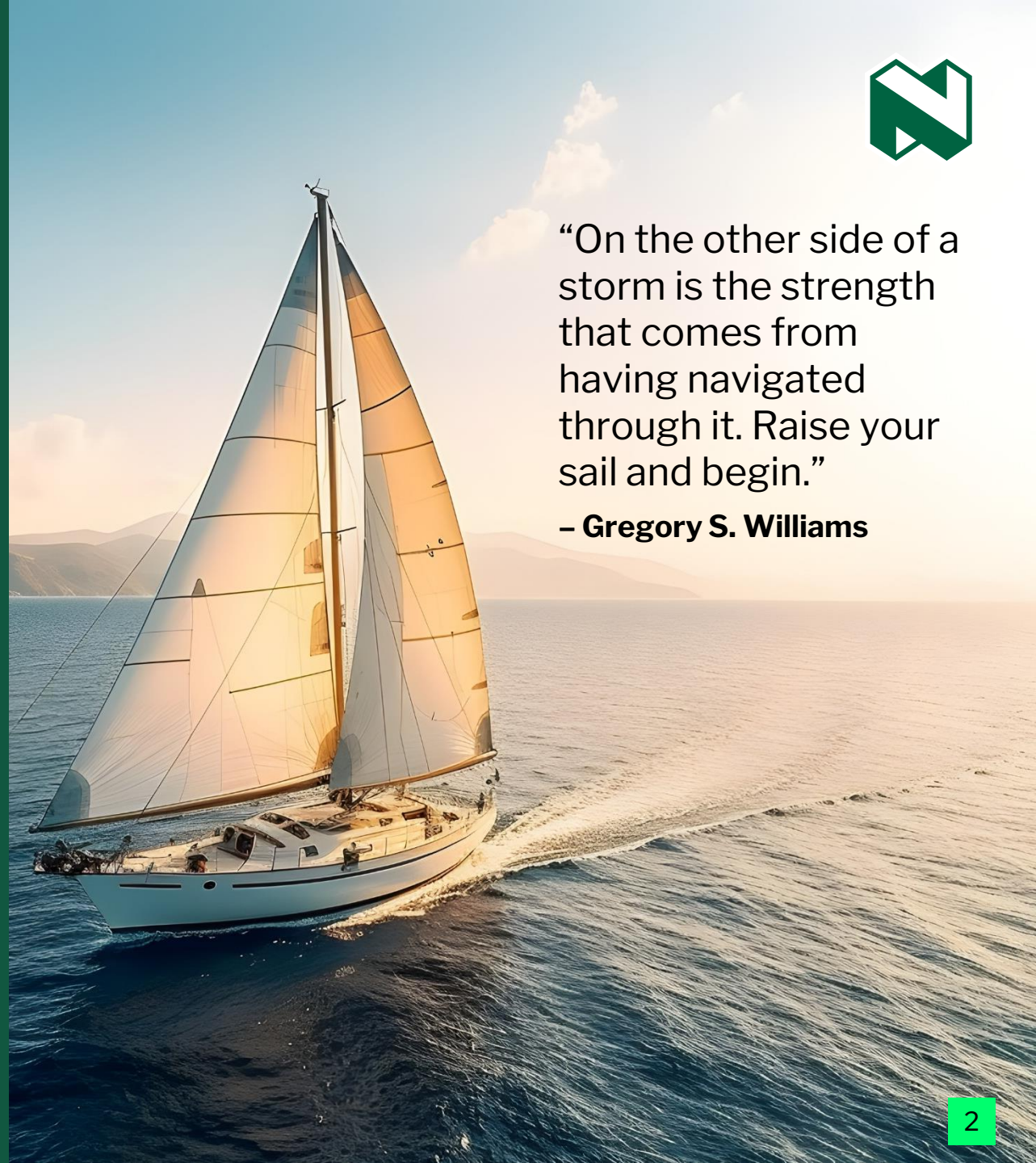
26th UBS SA Financial Services Conference

October 2023

NEDBANK GROUP

Agenda – Powering Resilience

- **A resilient SA banking system**
- **Dealing with crises & stress events**
- **Nedbank's organisational resilience in action**
  - Financial resilience
  - Data resilience
  - Operational resilience
  - People resilience
  - Environmental & societal resilience
- **The important role of Corporate SA**
- **Conclusion**

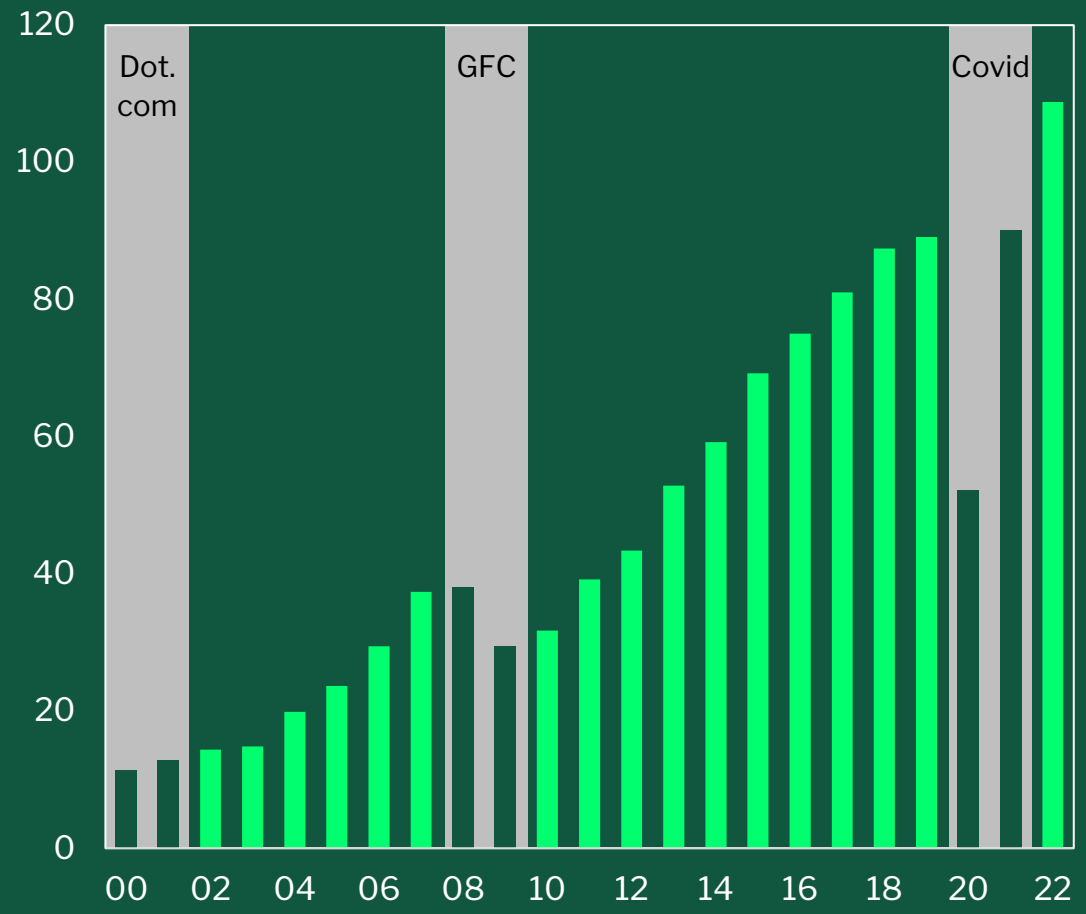


"On the other side of a storm is the strength that comes from having navigated through it. Raise your sail and begin."

– Gregory S. Williams

SA undoubtedly has a resilient banking system – underpinned by worldclass regulatory oversight & strong banks

SA bank headline earnings[1]
(Rbn)



- **PA/SARB** – prudent & highly regarded, embracing world-class practices
- **SA banking system** – profitable through crisis events (no tax-payer or shareholder bailouts needed)
- **SA banks well-capitalised** (Basel III, Industry CET1: 13,4%)[2]
- **SA banks very liquid** (no issues such as seen at regional US banks, Industry LCR: 151%)[2]
- **Experienced bank** management teams & boards
- **Regular engagement** on key issues

[1] SA Bank Group HE including Absa, Capitec, FirstRand, Nedbank & Standard Bank. | [2] SARB: Selected South African banking sector trends, July 2023.

SARB Flavour of the year (2023) – organisational resilience

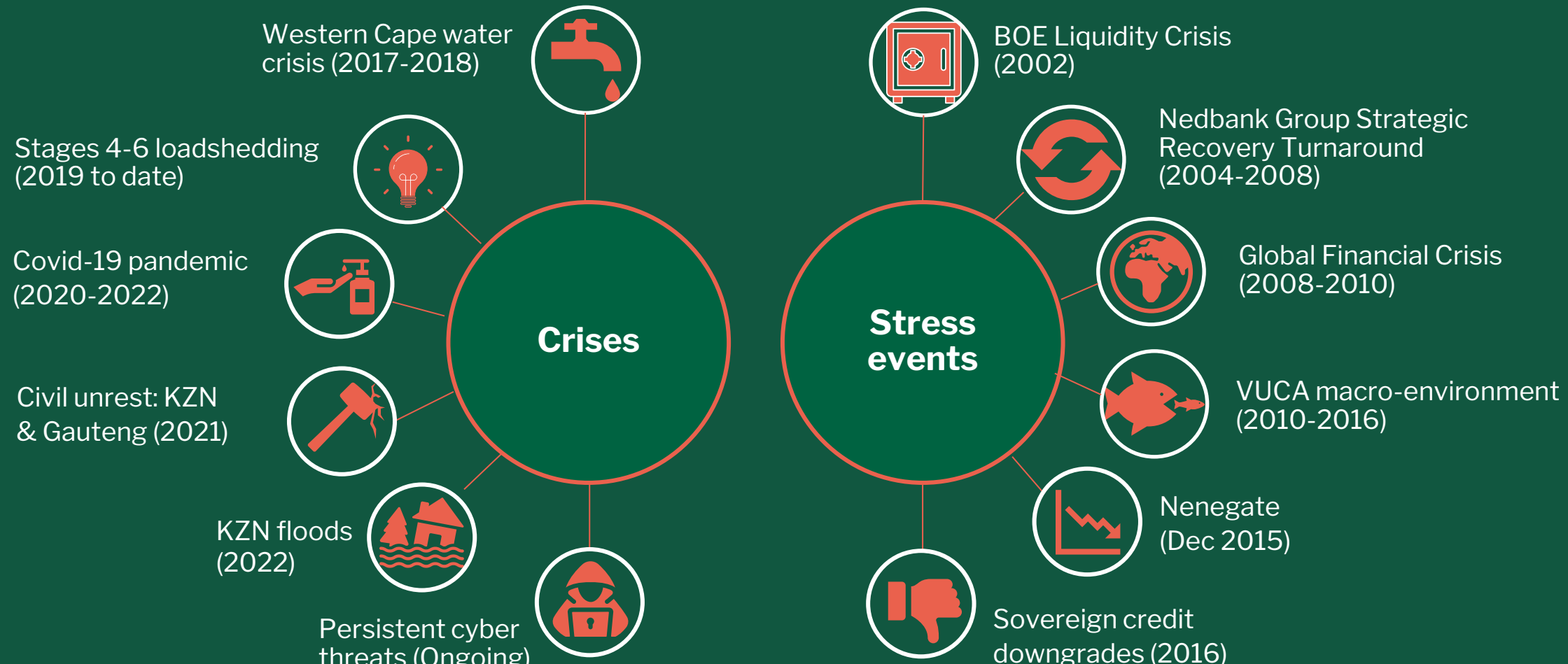


Discussion topics

- Governance & leadership
- Risk management
- Mapping interconnections & interdependencies
- Change readiness
- Situational awareness
- ICT including cyber
- Third-party dependency & supply chain

Nedbank has considerable institutional knowledge & experience in dealing with past crises & stress events, while building organisational resilience

Experience in dealing with past crises & stress events

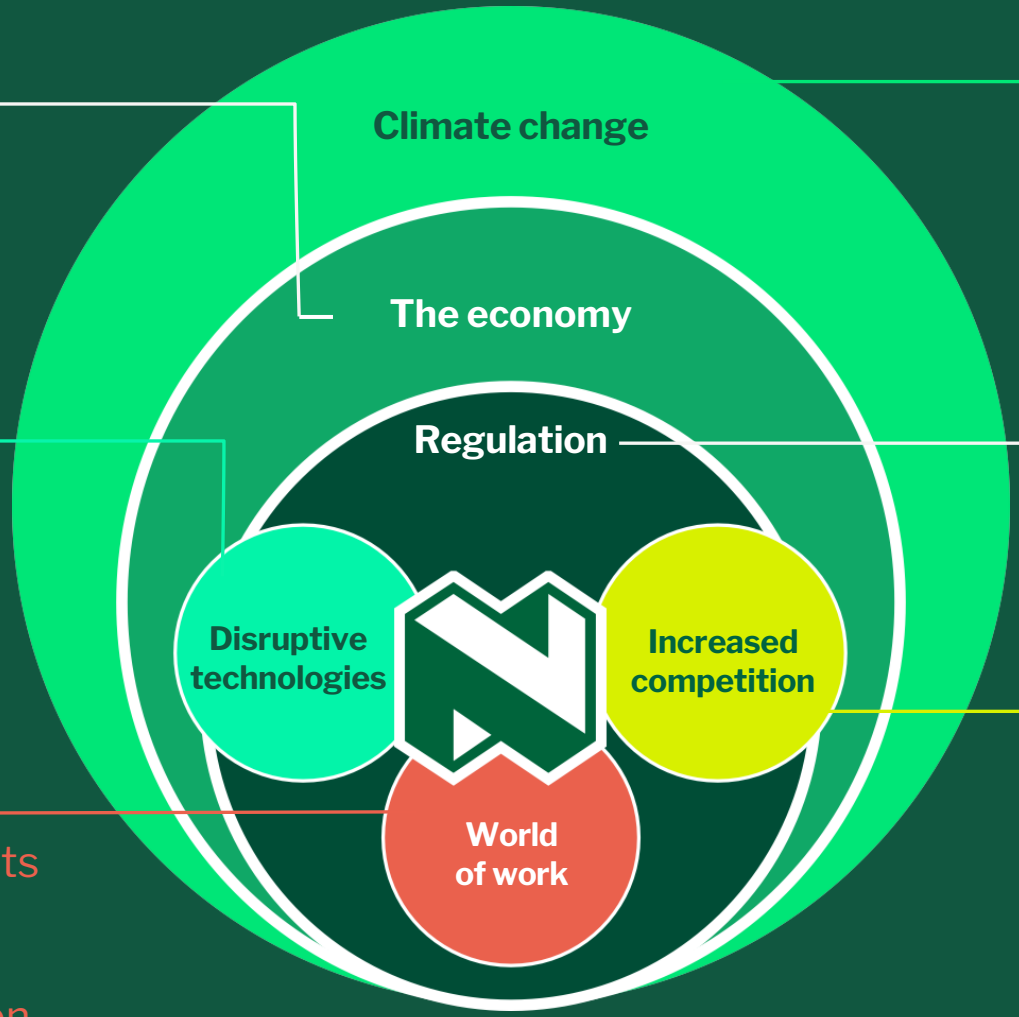


The external environment continues to change & surprise, requiring banks to remain resilient

The economy
- Global, regional & local economics
- Geopolitics
- Social & political issues

Disruptive technologies
- Digital acceleration
- Emerging technologies – eg AI, Blockchain
- Behavioural changes
- Cyber crime

World of work
- Evolving skills requirements & shortages
- New ways of work
- Diversity, equity & inclusion



Climate change
- Extreme weather events
- Just Transition
- Stranded assets
- Energy shortages
- Drought, etc

Regulation
- New regulation
- Anti-money laundering
- Basel III

Increased competition
- Incumbents
- New entrants
- Fintech & Big-tech

[1] *Nedbank Group's material matters are discussed in detail in our #1 ranked 2022 Integrated Report (EY IR awards).*

Nedbank adopts a comprehensive approach to organisational resilience
– across operations, data, people & financial metrics, while actively contributing to better environmental & societal outcomes

Nedbank's organisational resilience model for financial and non-financial risk



Anticipate & prepare | Respond & adapt | Recover & learn

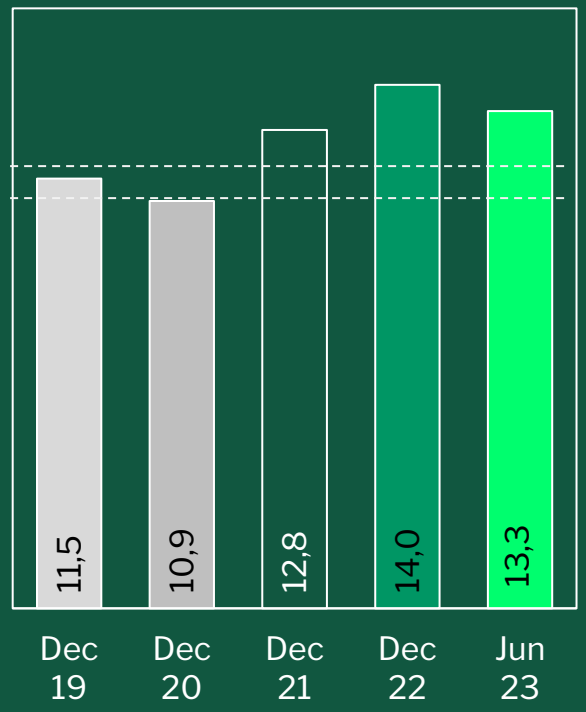
1 Financial	2 Operational	3 Data	4 People
The ability to withstand financial shocks to liquidity, capital & assets	The ability to maintain the availability of core technology & continue critical business processes	The ability to maintain the confidentiality, integrity, & availability of critical data	The ability to maintain the availability & productivity of the workforce

5 Environmental & societal

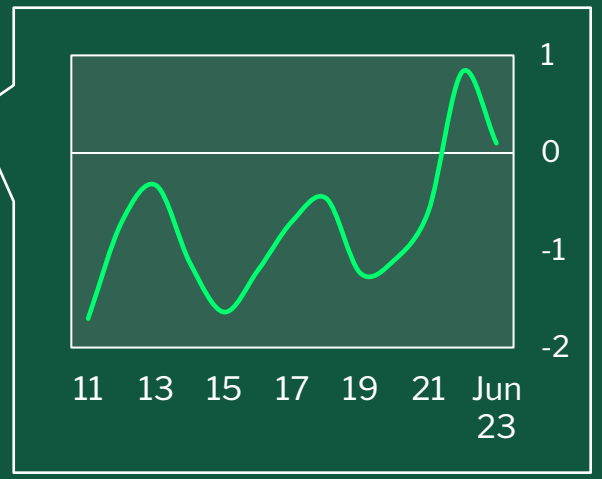
Contributing to a prosperous economy, environment & society

1 **Powering financial resilience** – Nedbank's strong balance sheet protects against uncertainty & downside risk, while supporting growth opportunities

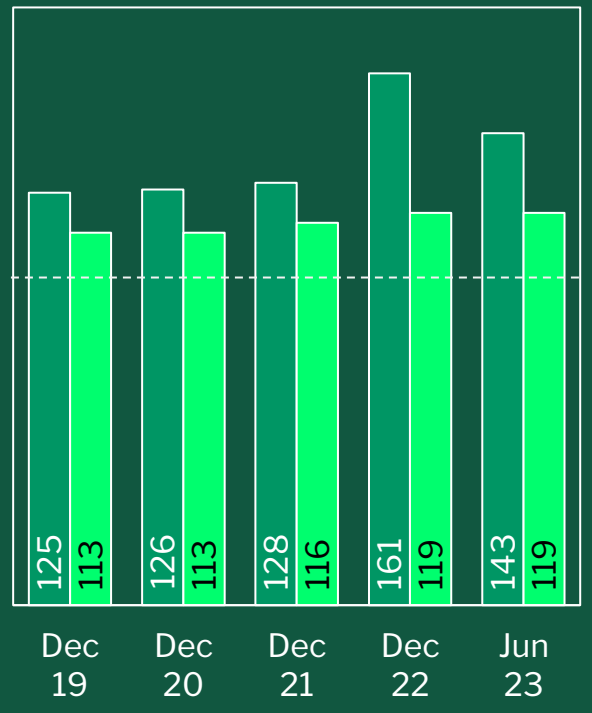
CET1 capital ratio
(%)



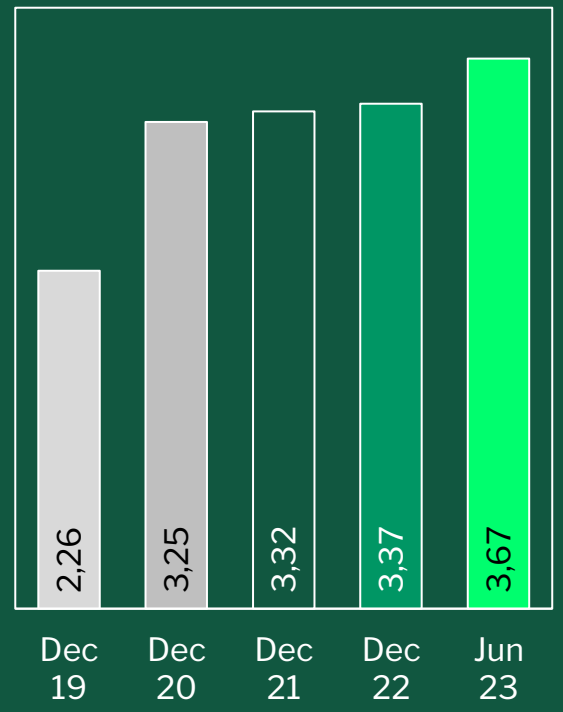
CET1 capital ratio
(NED % above/below peers)



LCR & NSFR
(%)

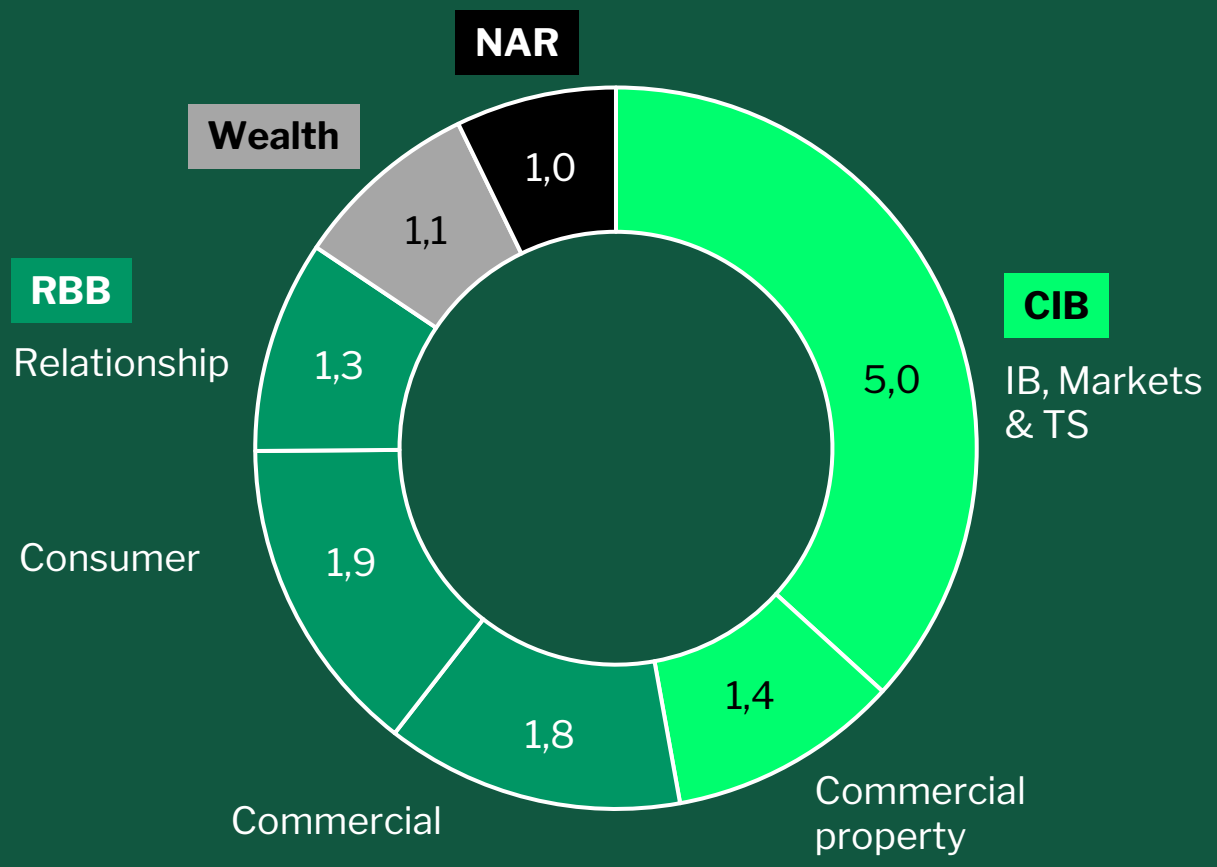


ECL coverage
(%)



1 **Powering financial resilience** – a diversified portfolio of businesses are leveraging their strengths & have become more competitive

Headline earnings
(2022 Rbn, contribution)



- **Market leading businesses** in commercial-property, renewable-energy, sectors such as mining, telecoms & public sector, vehicle finance, card acquiring & highly rated in commercial & SME banking
- **Worldclass technology & leading digital capabilities**
- **#1 bank in NPS** (client satisfaction metrics)
- An award-winning, integrated & holistic advice-led, **high-net-worth** offering for local & international clients
- Unique b**est-of-breed asset management** business
- **Access to the largest banking network in Africa** through our ETI strategic alliance

2 **Powering operational resilience** – Nedbank has built a worldclass technology stack through Managed Evolution that positions us well for the future

Core banking systems (84% complete)

Product lifecycle management

- Pricing & billing
- Product catalogues

Core product systems

Deposit products

- **Transactional**
- **Investment**

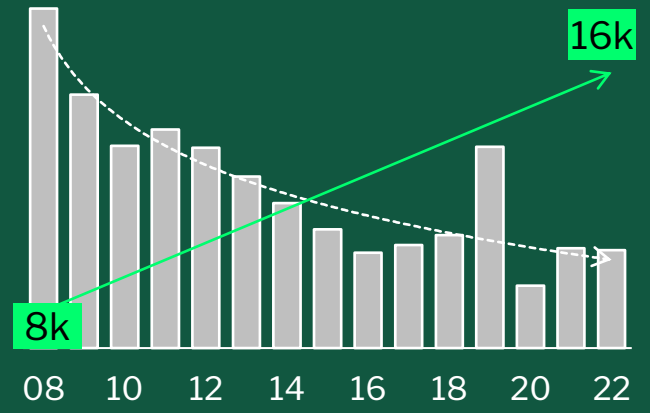
Lending products

Foundational components (99% complete)

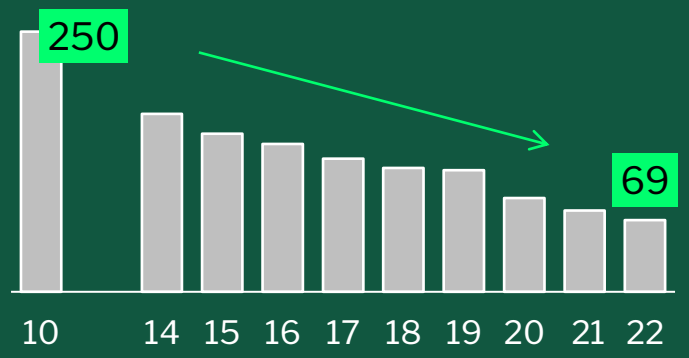
- Enterprise content & master data management
- Client systems
- Enterprise security
- Enterprise data
- Modular architecture

An agile, flexible multi-layered platform, using **best of breed systems**, that is innovative & responsive to change, while protecting against cyber-threats

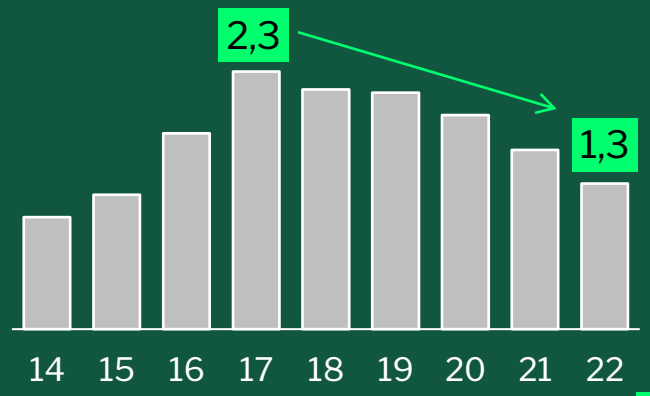
System downtime & IT changes
(▯ hours, ▯ #)



Core systems
(#)



IT software development spend
(Rbn)



2 **Powering operational resilience** – a future-fit IT stack that enables market-leading client experiences, revenue opportunities & efficiency benefits, all key components of becoming more resilient

Leading client experiences

Digital onboarding
Fully FICA-compliant, paperless

Digital services

Individual	Juristic
> 210	> 435

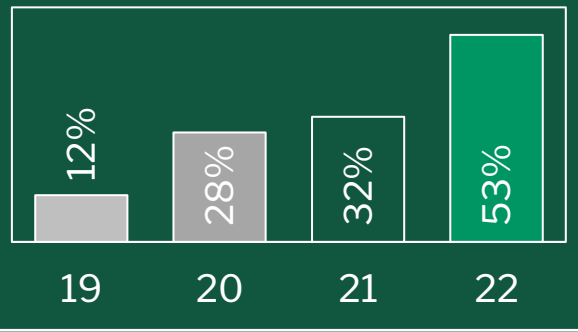
Available on apps, web, Eclipse & Nedbank Business Hub

Great client experiences
NPS
▲ **#1 bank**
(2019: #3)

Revenue growth

Retail cross-sell	VAS revenue
▲1,95 (2019: 1,72)	▲198% (vs 2019)
Avo Gross Merchandise Value	**Main-banked clients**
▲70%	▲11%

Digital sales
(% of new sales)



Cost optimisation

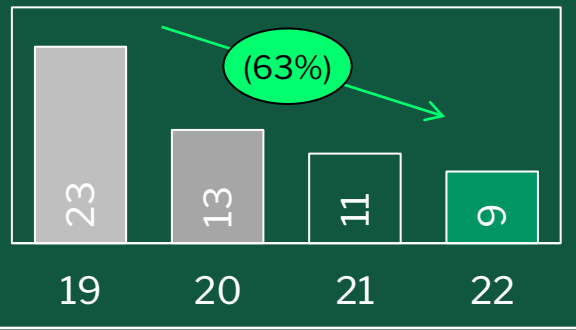
Target operating model benefits **R3,7bn** (TOM 1 & 2)

Operational efficiencies

Floor space	Headcount
▼30%	▼11%

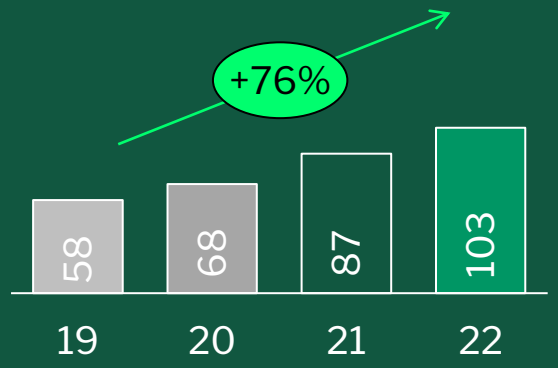
(since 2019)

Teller activity
(# million)

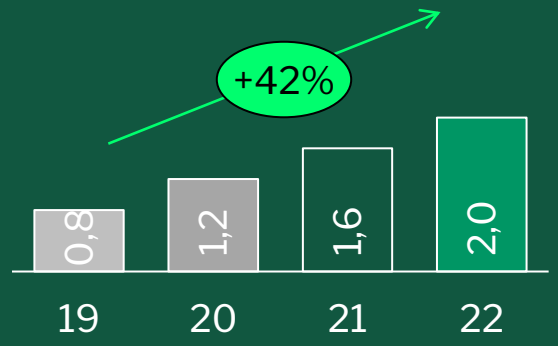


2 **Powering operational resilience** – digital when you want it, human when you need it

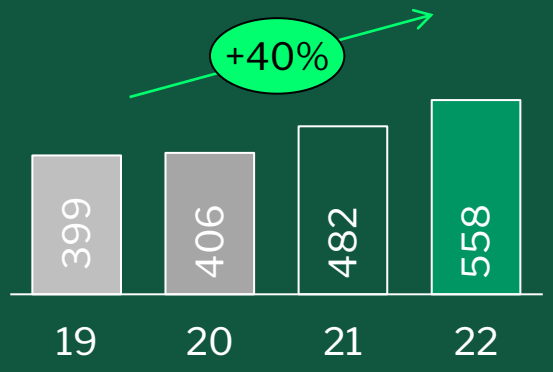
Digital transaction volumes
(# m)



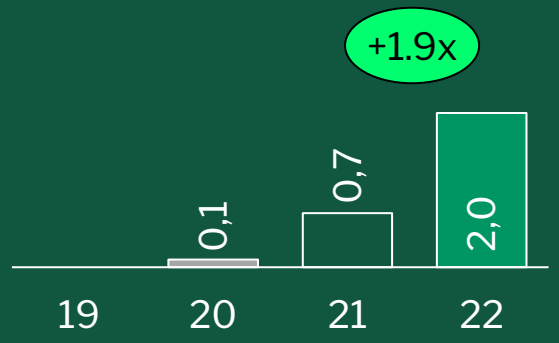
Money app users
(# m)



Digital transaction values
(Rbn)

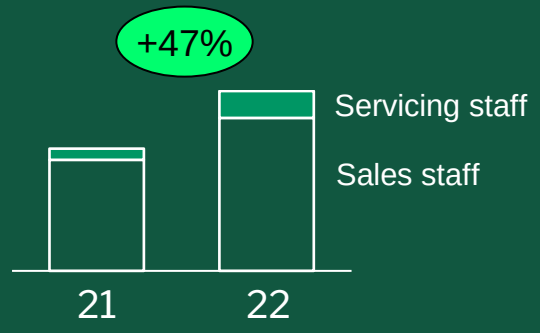


Avo users
(# m)

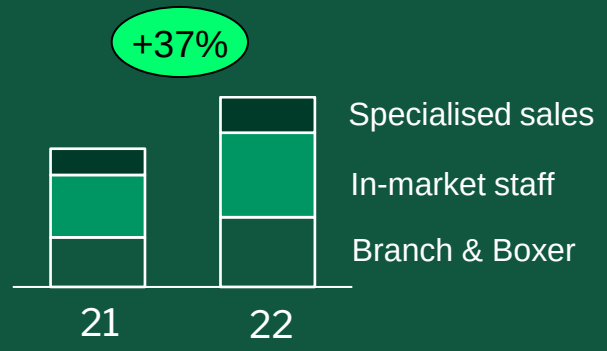


Change since 2019

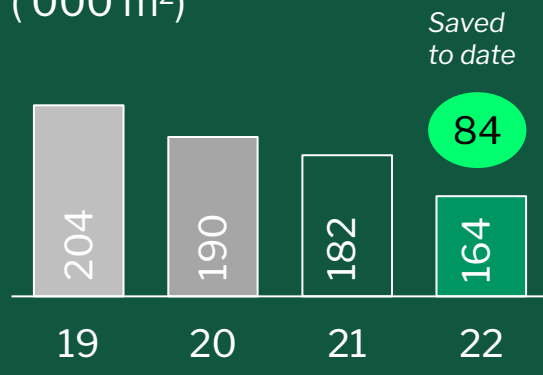
Branch staff sales
(Sales/role/day)



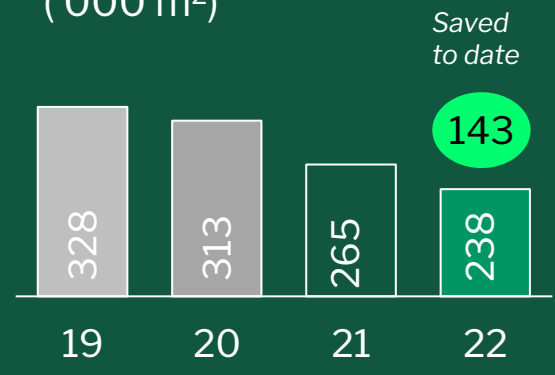
Dedicated branch sales
(Sales/banker/day)



Branch floor space
('000 m²)



CRE floor space
('000 m²)



3 **Powering data resilience** – leveraging Artificial Intelligence to strengthen our productivity, enhance processes, reduce risk, & serve clients

Leveraging our **strong Microsoft partnership**

40 AI use cases delivered in recent years

Exploring **> 40 new data & analytics use cases**

Secured 300 Microsoft AI licences to experiment

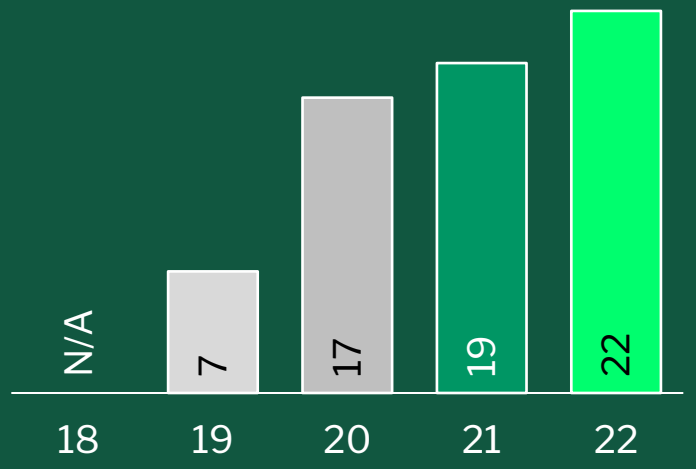
Leveraging AI technology – use case examples

Copilot, a new generative AI tool for M365 productivity apps	**Advanced credit scoring** models	**Early warning systems** eg defaults on loan payments	**Client profitability** enhancements
Cross- or upsell lead creation	Pre-approved **lending offers**	**Optimised cash operations** based on predicted needs	**Fraud detection** & prevention

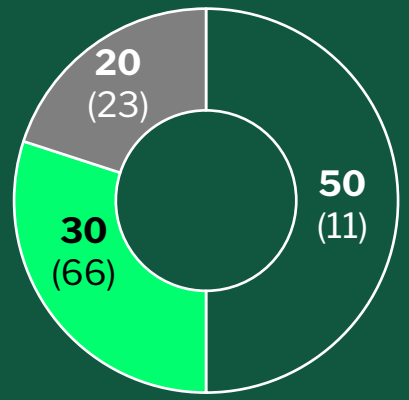
Implemented **numerous controls** to protect against **cyber threats**, **attacks** & **vulnerabilities**

4 **Powering people resilience** – our employees, culture & people practices have proven to be resilient through crises & continue to position us as an employer of choice

Great place to work NPS
(%)



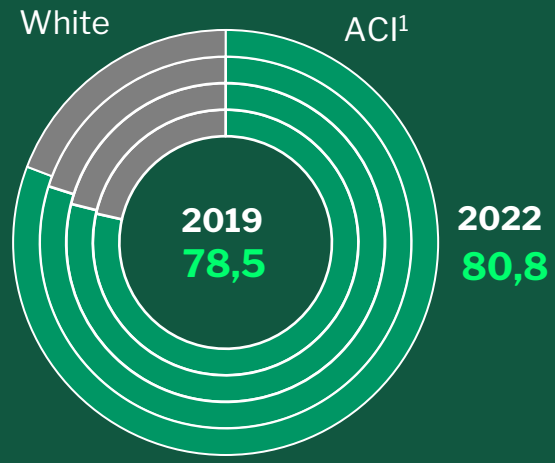
Target workforce model
(% of clients)



Target
(H1 23 actual)

- Full-time on premise
- Hybrid
- Work from home

Diversity, equity & inclusion
(% of employees)



[1] Africa, Coloured, Indian employees

The Nedbank way – culture principles

- Purpose into practice
- Client obsession
- Do right things & do things right
- Play to win
- Stronger together
- Different is good
- Learn to grow

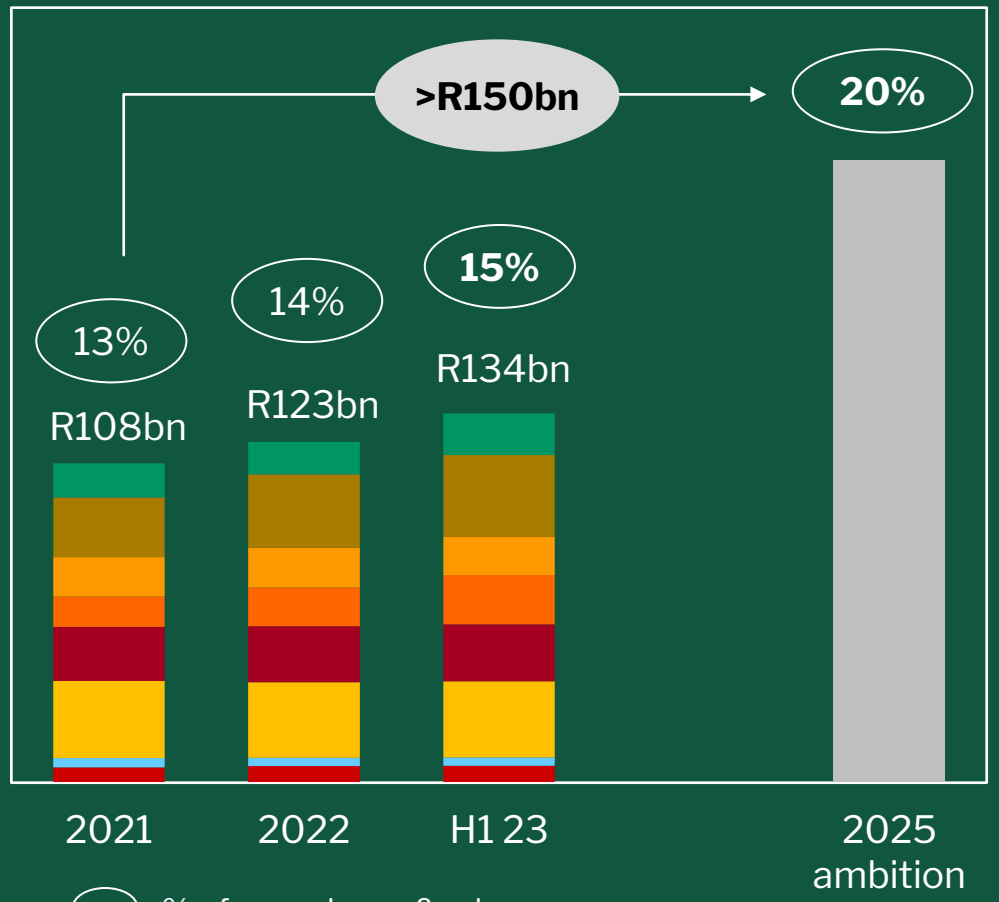
Youth Employment Service

first time job opportunities to
10 000
unemployed youth

5

Powering environmental & societal resilience – we continue to focus on fulling our purpose of using our financial expertise to do good

Sustainable-development finance
(Rbn)



R191m funding for clean water & sanitation in H1 2023

R21bn lending exposure to small business & their owners

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

R15bn sustainable finance across multiple SDGs for clients in CIB, up 28% yoy

R28bn total renewable-energy exposures

R30bn support for farmers

> 7000 student loans since 2015

43 000 student beds since 2015

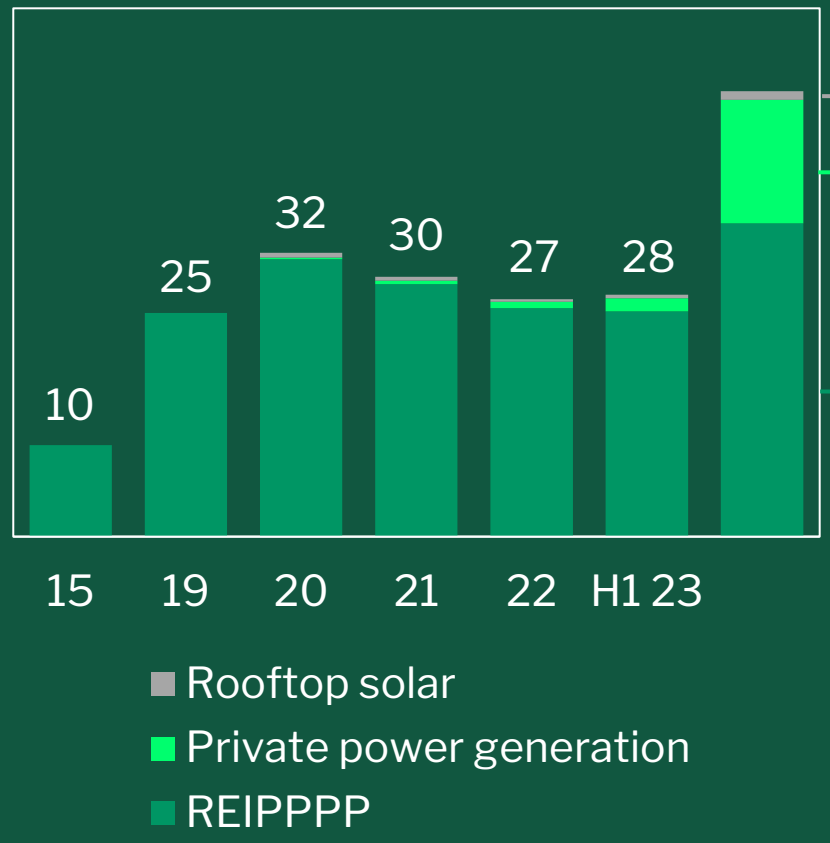
R1.6bn for new affordable home loans in H1 2023, equating to

> 2 600 homes

R706m towards affordable housing in H1 2023

5 **Powering environmental & societal resilience** – we are leveraging our strengths to support a Just Energy transition, while enabling energy security

Renewable energy financing
(drawn exposures, Rbn)



Renewable energy financing opportunities

Rooftop solar finance
- Solar PV solutions up by >300% hoh
- HL solar readvance solution to be complemented with a HL solar CVP in Q3 2023

>R1,2bn

Commercial private generation
- CIB mandated on 1,9 GW of new commercial private generation
- < 1 GW at 31 Dec 2022

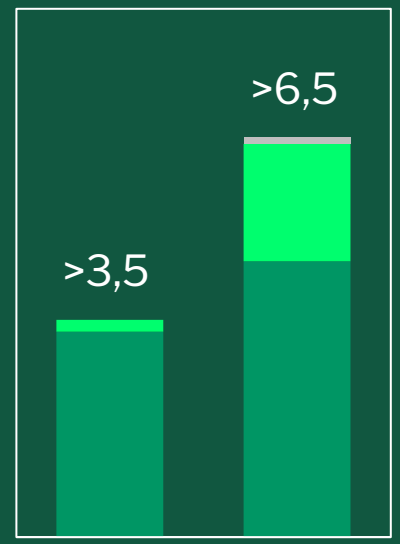
R13bn

REIPPP
Lead arranger on 1,1 GW of projects
- 4 RMIPPPP projects ✓✓✓
- 4 REIPPPP round 5 ✓✓
- 2 REIPPPP round 6

R10bn[1]

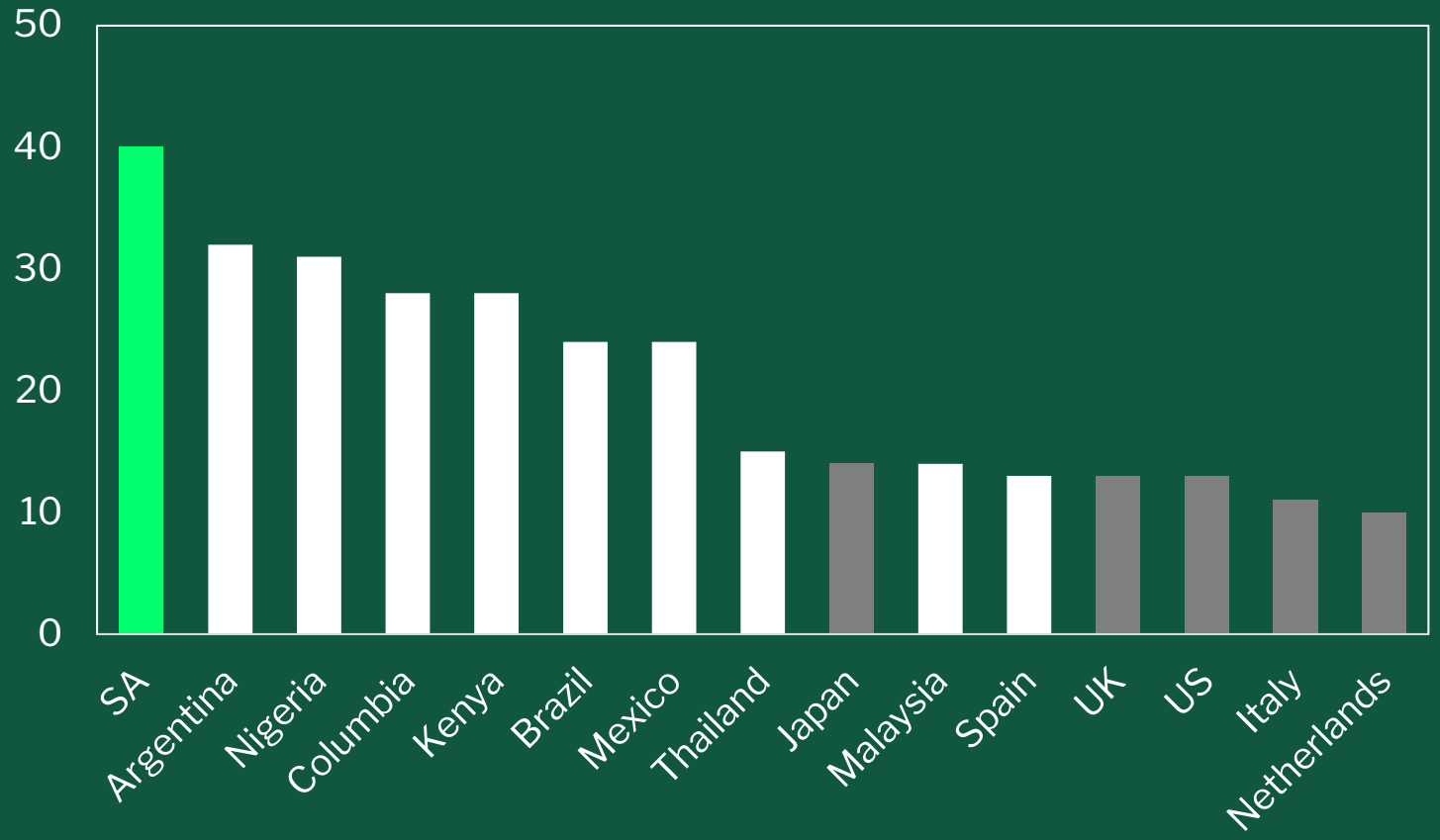
[1] *Includes financing for 0,5 GW of other government procurement projects where Nedbank is not the lead arranger.* ✓ *Number of projects expected to be closed by end 2023.*

Nedbank support
(GW)



5 **Powering environmental & societal resilience** – Corporate SA is highly trusted & has been core to South Africa's resilience for many years

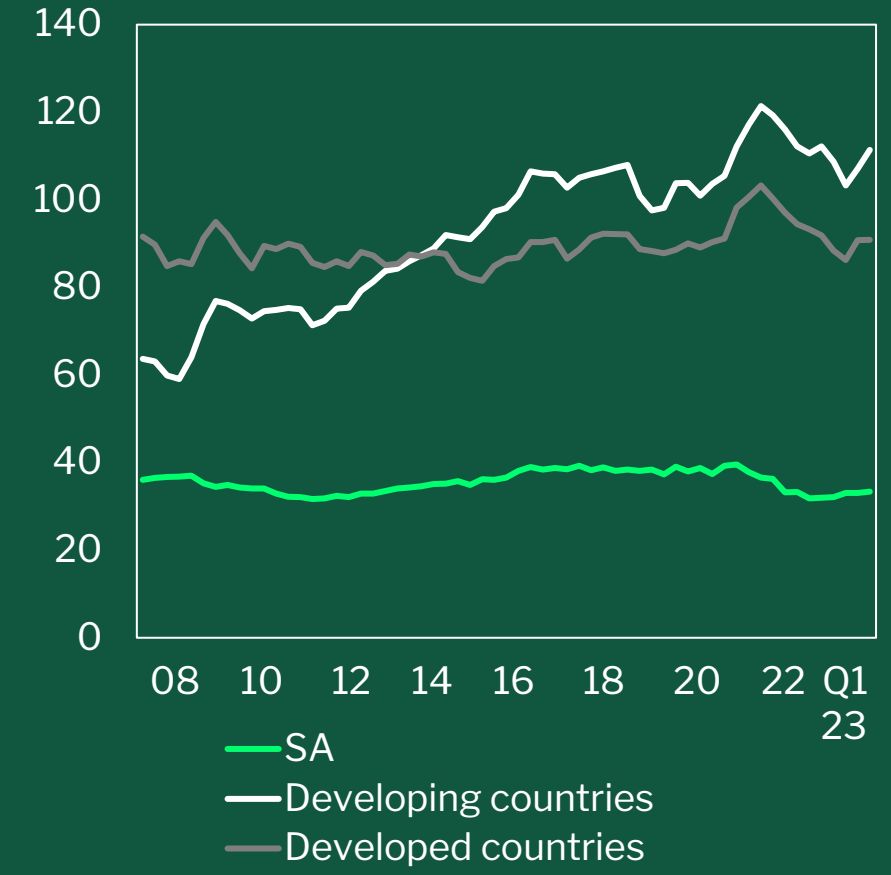
Differential between trust in business vs government



	SA	Argentina	Nigeria	Columbia	Kenya	Brazil	Mexico	Thailand	Japan	Malaysia	Spain	UK	US	Italy	Netherlands
Trust in business:	62	52	66	68	71	64	71	71	47	68	49	50	55	57	61
Trust in government:	22	20	35	40	43	40	47	56	33	54	36	37	42	46	51

Source: Edelman Trust Barometer (2023).

Corporate debt % of GDP



Source: Bank of International Settlements Data.

5 **Powering environmental & societal resilience** – the imperative for Business & Government to work together to unlock stronger economic growth

Energy/electricity



R560bn[1] SA GDP lost in 2022 due to loadshedding



R411bn[2] SA GDP lost in 2022 due to rail & port infrastructure collapse

Logistics/transport

Crime/corruption

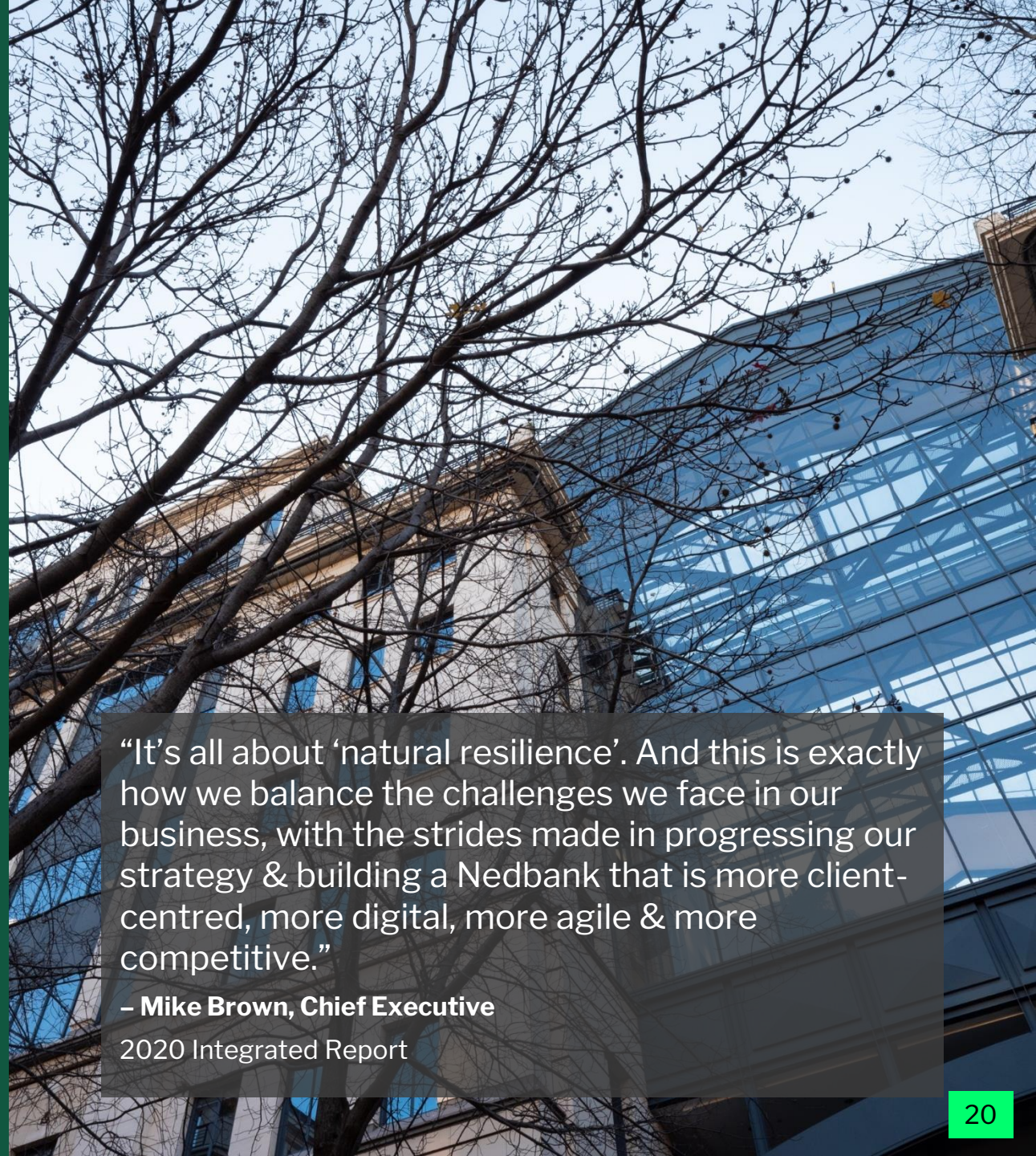


R50bn[3] GDP lost in 2021 due to KZN riots

[1] *Council for Scientific and Industrial Research.* | [2] GAIN Group. I [3] *SAPOA.*

Conclusion

- **Extensive experience & lessons learnt over time**
- **Nedbank powering resilience through**
  - a very strong balance sheet
  - a diversified & highly competitive portfolio of businesses
  - world class technology & leading digital capabilities
  - operating model changes driving efficiencies
  - significant environmental & social contributions
- **Business & Government working together** – more important than ever



"It's all about 'natural resilience'. And this is exactly how we balance the challenges we face in our business, with the strides made in progressing our strategy & building a Nedbank that is more client-centred, more digital, more agile & more competitive."

– Mike Brown, Chief Executive

2020 Integrated Report



Thank you

Celebrating Nedbank's 135th birthday

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

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