THE NEDBANK PROCESS TO DETERMINE MATERIAL MATTERS

Our material matters are evident in our key risks and opportunities and represent the issues that have the most impact on our ability to create value. These change over time as new trends and developments shape the macro environment and our stakeholders' needs evolve. We determine our material matters through the following process:

IDENTIFY

Identify all issues that have the potential to impact our earnings sustainability and the ability to create value for our stakeholders. The process of identifying potential material matters is a groupwide responsibility requiring input from all business units and divisions, and taking into account input and feedback from all our stakeholders. Areas of potential impact that are assessed, include financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including political and policy matters).

RANK

Rank the issues identified according to greatest relevance in the current operating context and highest potential to impact significantly on the viability of our business and relationships with stakeholders. While this is a collaborative effort, our Group Executive Committee assumes responsibility for approval of the material matters before their endorsement by the Group Transformation, Social and Ethics Committee, and finally, the Nedbank Group Limited board.

APPLY AND VALIDATE

Apply the material matters lens to inform our long-term business strategies and targets as well as short-to-medium-term business plans. This is done primarily through the execution of our strategy.

ASSESS

Assess the material matters continuously to ensure that our strategy remains relevant.

WHY DO WE MERGE MATERIALITY WITH OUR RISKS/ OPPORTUNITIES PROCESS

RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT (MATERIAL MATTERS)

Our material matters are reflected in our key risks and opportunities and represent the issues that have the most impact on our ability to create sustainable value for our stakeholders. While these issues change over time as new trends and developments shape the macro environment and our stakeholders' needs evolve, the broad themes remain consistent. Our material matters are: the SA macroeconomic environment; disruptive technologies and increased competition; demands on governance, regulation and risk management; transformation of society within environmental constraints; managing growth opportunities vs volatility in the rest of Africa; requirements for scarce and evolving skills; and changing relationships between business, government, labour and civil society.

WHY OUR MATERIAL MATTERS IMPACT OUR ABILITY TO CREATE SUSTAINABLE VALUE

Our material matters	Why these issues impact on our ability to create sustainable value for our stakeholders
South African macroeconomic environment	▪ as a Financial services provider, we are highly connected to and interdependent on the macroeconomic environment ▪ 90% of earnings generated in South Africa
Disruptive technologies and increased competition	▪ new digital technologies are reshaping the value proposition of existing financial products and services and how these are delivered to and consumed by clients ▪ opportunities for the digitisation of financial services, enhanced client experiences and new products and channels ▪ evolving organisational structures and internal processes, as well as new staffing and skills requirements
Demands on governance, regulation and risk management	▪ an exponential increase in regulations since the global financial crisis ▪ regulations have placed new demands on banks, resulting in increased cost of banking
Transformation of society within environmental constraints	▪ economic, social and environmental challenges we are facing globally continued to intensify ▪ stakeholders expect companies to actively contribute towards addressing these challenges
Managing growth opportunities vs volatility in the rest of Africa	▪ sub-Saharan Africa (SSA) is considered to be an attractive long-term investment region fuelled by its strong economic growth potential, estimated to grow on a sustainable basis between two to four times faster than SA
Requirements for scarce and evolving skills	▪ the pace of change in banking is accelerating, and digitisation is at the forefront of the change in the industry, with strong competition to deliver superior client experiences and pressure to remain competitive ▪ consumer behaviours and uptake of the digital offerings will influence roles and skill sets required for banks to grow their businesses

LINKAGE BETWEEN OPPORTUNITIES, RISKS & STRATEGIC FOCUS AREAS

The opportunity, given Nedbank's differentiation

Economic recovery – The anticipated improvement in socioeconomic conditions, under both Ramareality and Ramaphoria scenarios, supports banks. Opportunities include sentiment and confidence driving corporate and consumer spending and investment, pockets of growth in infrastructure and the rest of Africa, an increase in mergers and acquisitions activity, and potentially less stress for consumers as interest rates rise slowly or even plateau. Given Nedbank's wholesale banking bias, we are well positioned in CIB to grow strongly when business confidence returns, while RBB will gain from improved consumer confidence and Nedbank Wealth will benefit as equity markets recover.

- **Growing our transactional banking franchise faster than the market**
- **Managing scarce resources to optimise economic outcomes**

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

Economic recovery – For banks an ongoing uncertain economic environment has a negative impact on earnings growth potential, particularly in a Ramaphobia scenario and the likely sovereign downgrade that would ensue. Key risks are ongoing weak advances growth, particularly muted retail lending and corporates not investing, slower transactional volumes that impact revenue growth and higher bad debts driven by job losses or large corporate defaults. Managing costs wisely is an imperative as we discuss on page 46.

Land expropriation without compensation – EWC has created significant uncertainty. In 2018 we presented our position in Parliament, noting that, while land reform is necessary, it does not require section 25 of the Constitution to be amended. We maintain that a sensible outcome will prevail, with areas of risk such as vacant land being less than 0,5% of our advances portfolio. A positive outcome of EWC could result in more South Africans receiving title deeds to their property, which should drive greater levels of financial inclusion and credit growth.

Exposure to SOEs – Our exposure to SOEs is limited and largely guaranteed by government. This risk is discussed in more detail on page 47.

- 3 **Business risk**
- 9 **Market risk**
- 7 **Reputational risk**

For more details on our top 10 risks refer to pages 58 and 59.

USING OUR MATERIAL MATTERS TO INFORM OUR STRATEGIC TRADEOFFS

Managing scarce resources to optimise economic outcomes

Portfolio tilt

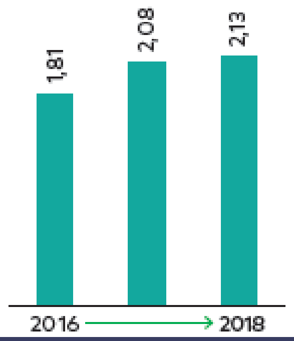
Strategic portfolio tilt, in the context of scarce capital and liquidity (financial capital), is an ongoing and conscious tradeoff between business and product opportunities that are highly capital and liquidity consuming with low economic profit and those that are less consumptive and more economic profit generative. We are tilting our portfolio in areas that will optimise risk-adjusted returns, as illustrated on page 47.

An example is our strategy of supporting the diversification of SA's electricity supply (natural capital). Currently 2,13% of our total group lending and finance commitments relate to renewable-energy generation, compared with the 0,43% of total funding of coal- and fossil-fuel-based energy generation (including our direct facilities to Eskom).

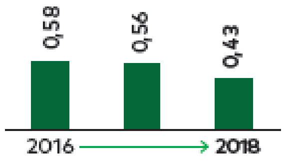
Financial

Natural

Renewable energy as a percentage of group lending and finance commitments
(%)



Coal- and fossil-fuel energy generation as a percentage of total funding
(%)



Committed to zero financing towards the development of new coal-fired power plants going forward, regardless of country or technology