Nedbank Group Annual results

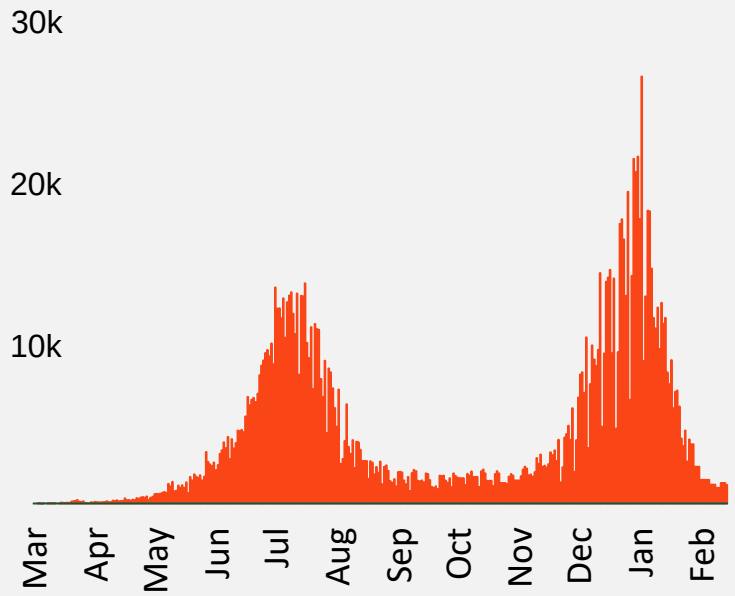
for the year ended 31 December 2020

see money differently

Operating environment – volatile & challenging for Nedbank & our stakeholders

Health crisis …

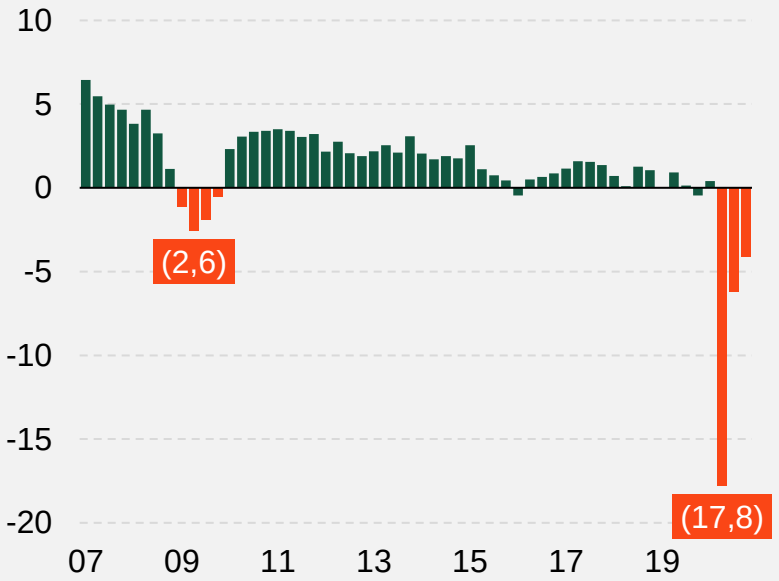
SA confirmed daily positive cases
(#)



Source: sacoronavirus.co.za

… economic crisis …

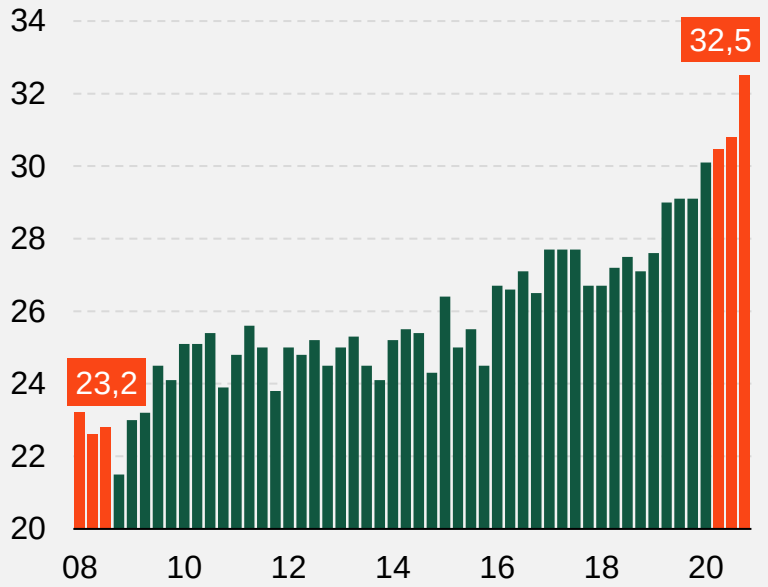
SA quarterly GDP yoy
(%)



Source: Nedbank Group Economic Unit

… social challenges

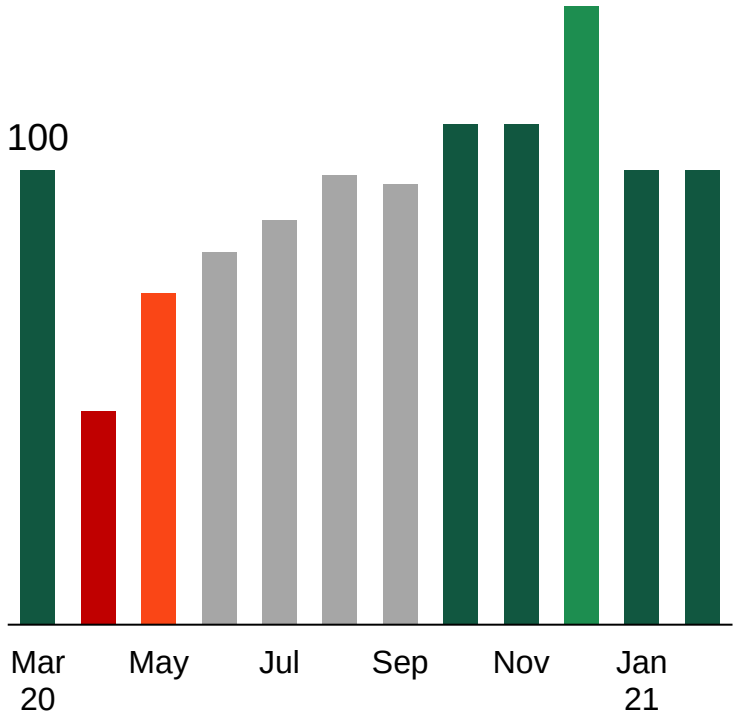
SA unemployment rate
(%)



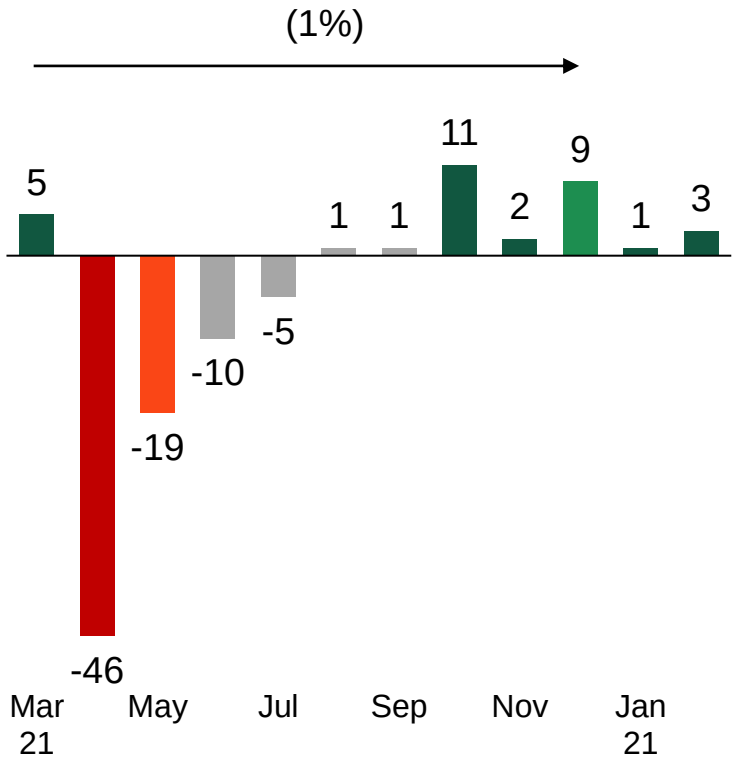
Source: Nedbank Group Economic Unit

Operating environment – high-frequency data from client transactional turnover[1] indicates an improvement in operating conditions in H2

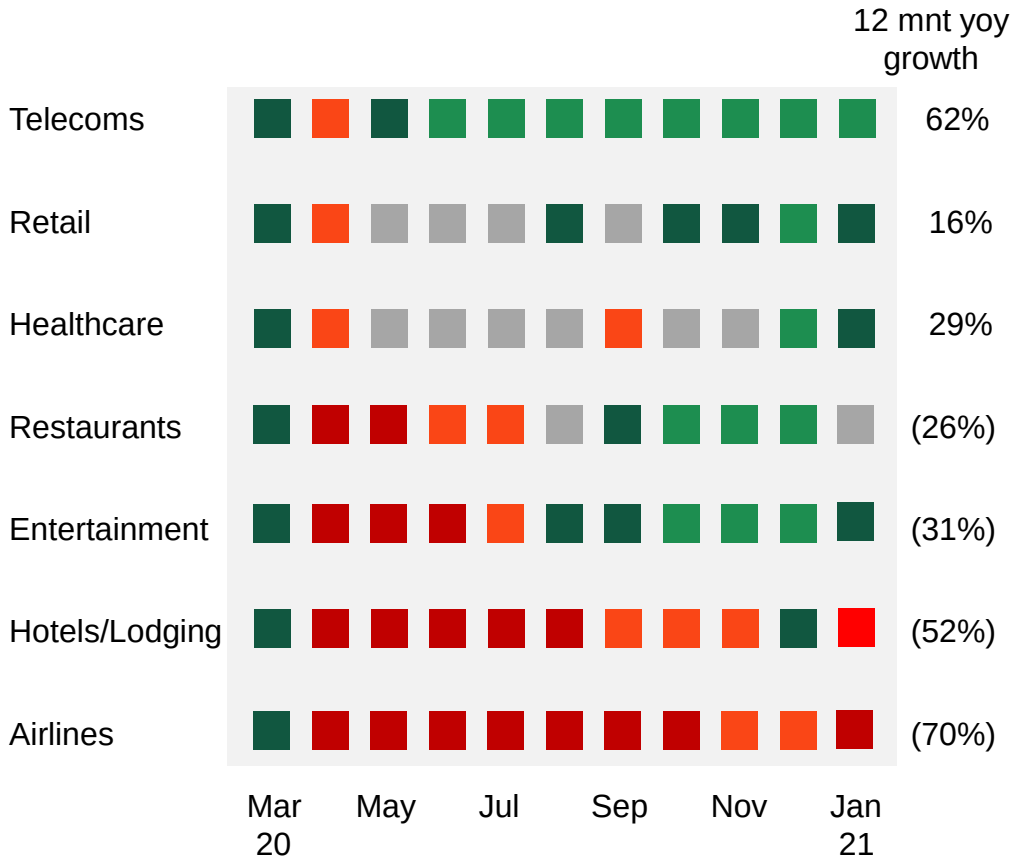
Total industry (indexed to March 2020)



Total industry (yoy growth %)



Key sectors (indexed to March 2020)

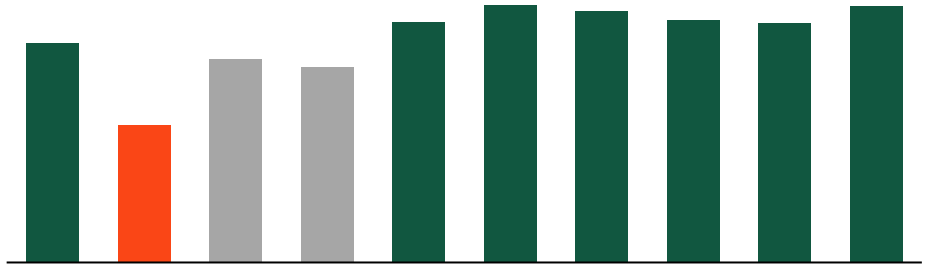


Indicators March 2020 | < 50% | < 80% | < 100% | ≥ 100% | > 120% of March 2020 levels

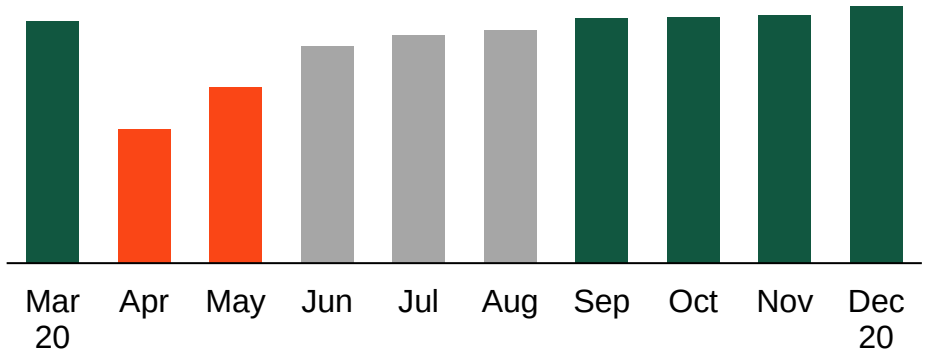
[1] *Based on Nedbank POS & card-related digital payment data (client turnover).*

Operating environment – corporate activity improved, but commitment to long-term fixed investment still lagging

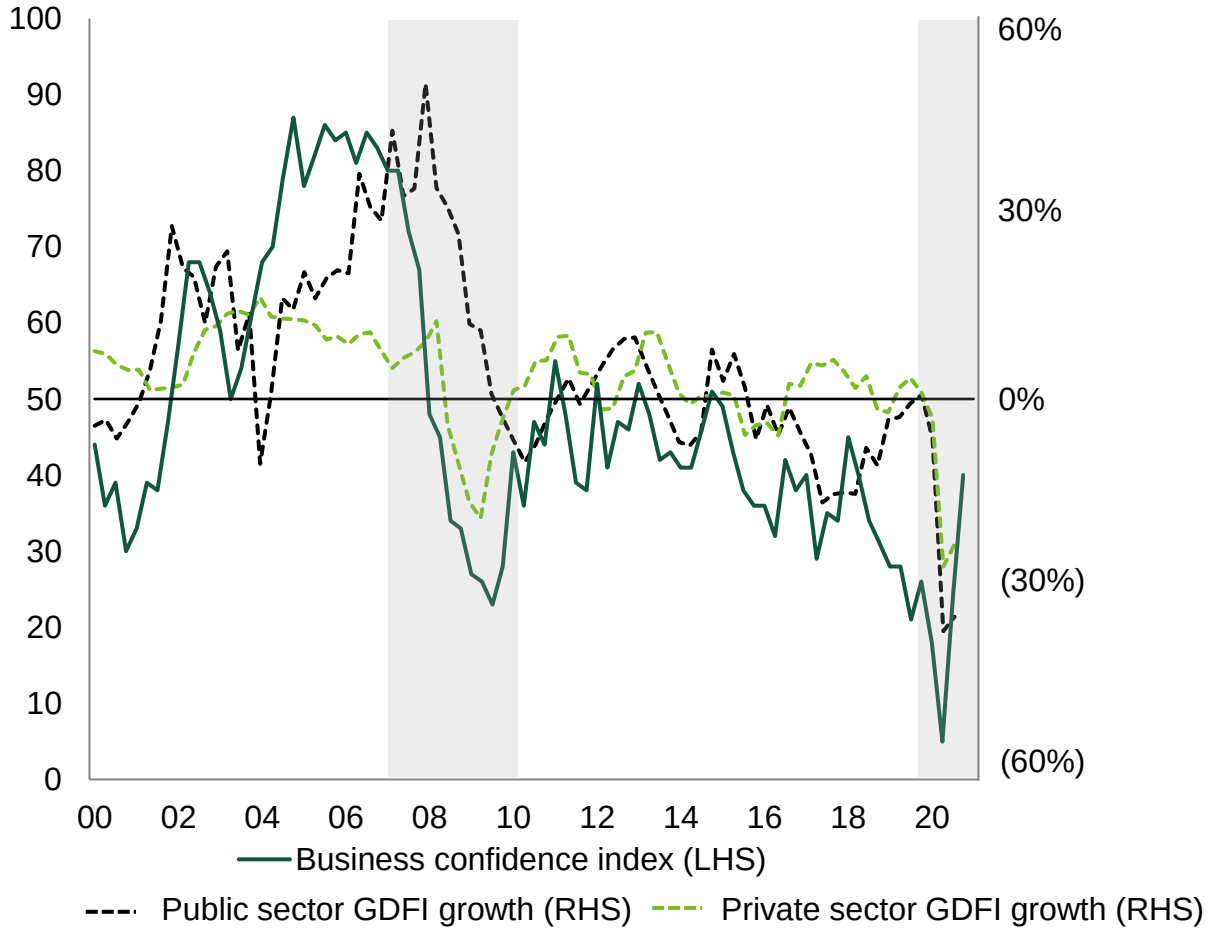
Mining production (indexed to 2019)



Manufacturing production (indexed to 2019)

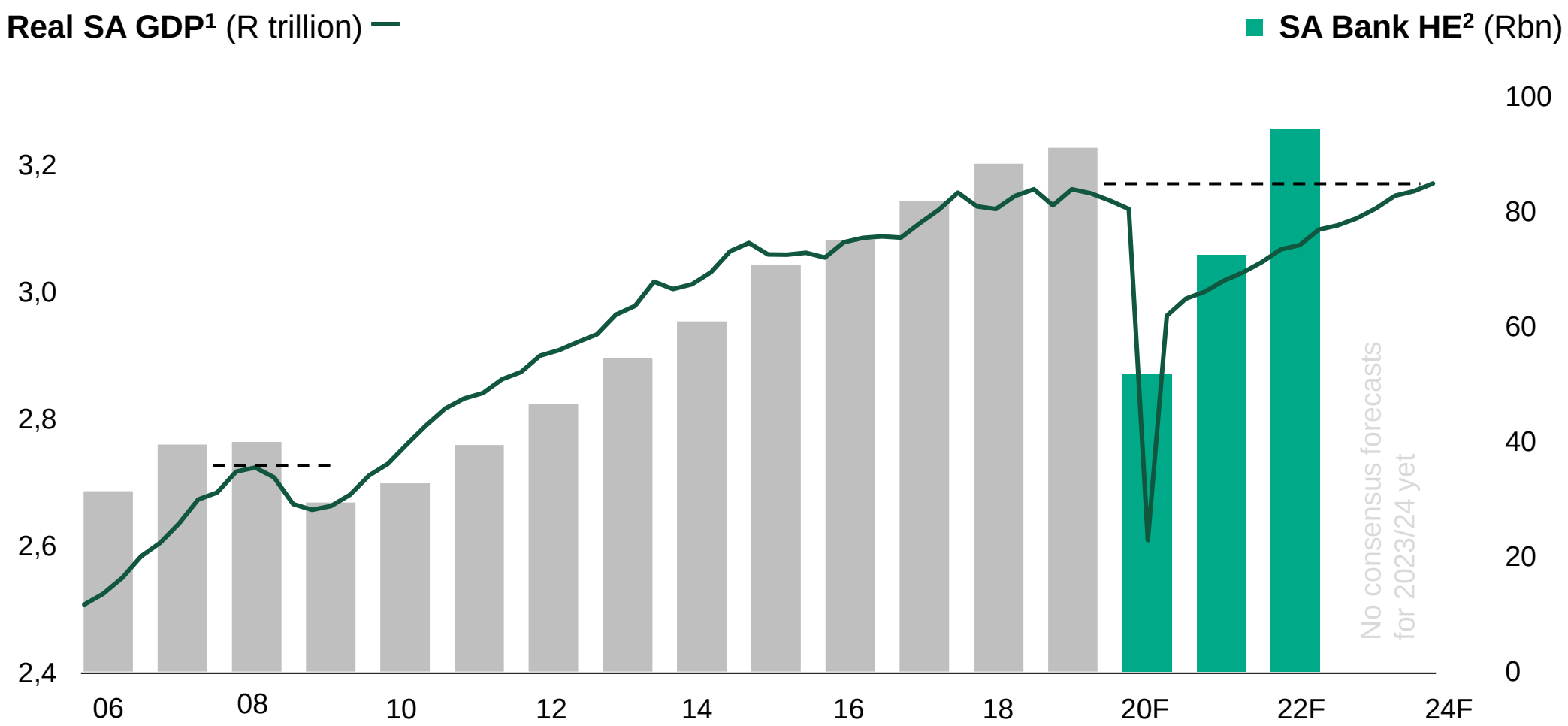


Business confidence[1] (LHS) **vs fixed investment** (RHS)



[1] *SA Bureau of Economic Research.*

Banks are highly integrated in the economies where they operate – SA GDP only forecast to get back to 2019 levels by late 2023/early 2024

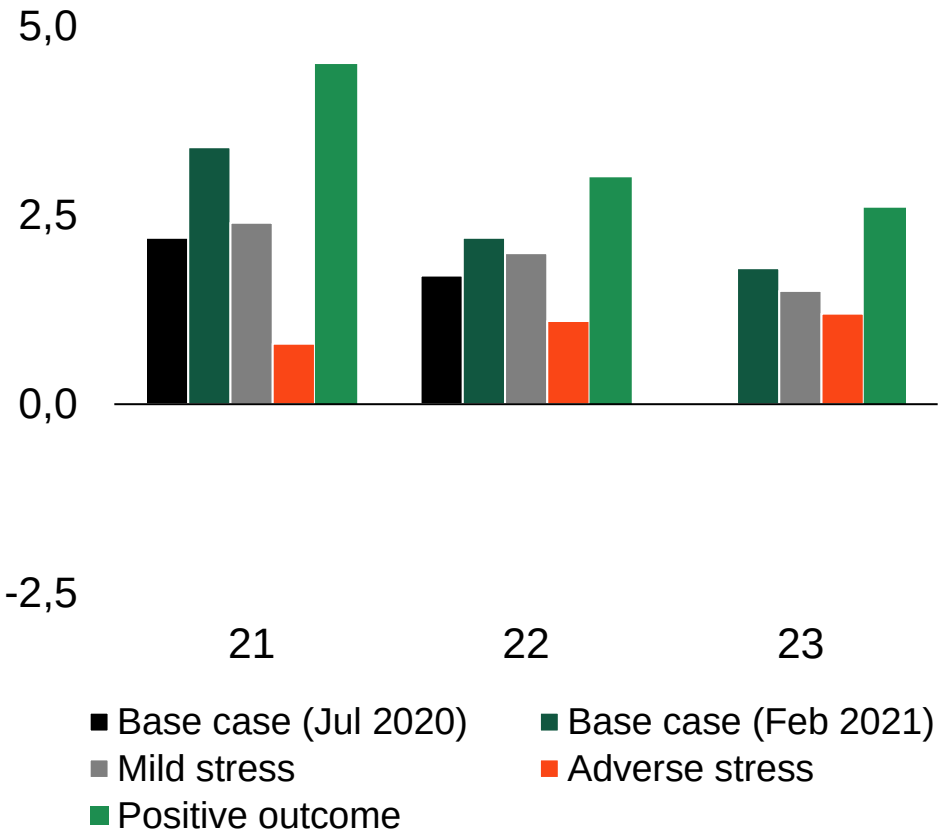


[1] Nedbank Group Economic Unit. | [2] IRESS combined forecasts for ABG, CPI, FSR, NED & SBK (25 March 2021).

Nedbank economic forecasts

		Base case: Feb 2021			
	20[2]	20	21	22	23	24
SA GDP growth	(7,0%)	(7,0%)	3,4%	2,2%	1,8%	1,5%
YE prime interest rate	7,0%	7,0%	7,0%	7,5%	7,5%	7,5%
Inflation (CPI)	3,3%	3,3%	4,2%	4,6%	4,3%	4,2%
Industry credit growth	2,5%	1,2%	4,5%	5,7%	5,1%	5,2%
SA fiscal deficit % of GPD[1]	(6,3%)	(6,4%)	(14,2%)	(10,6%)	(9,8%)	(9,7%)
SA gov debt % of GDP[1]	63,5%	63,3%	81,5%	84,9%	89,7%	94,1%

SA GDP growth scenarios (%)



Source: Nedbank Group Economic Unit. | [1] Year ending March. | [2] Nedbank Group Economic Unit forecasts in July 2020 (as part of H1 2020 results).

Resilience – we supported our staff, clients & society in difficult times

Staff

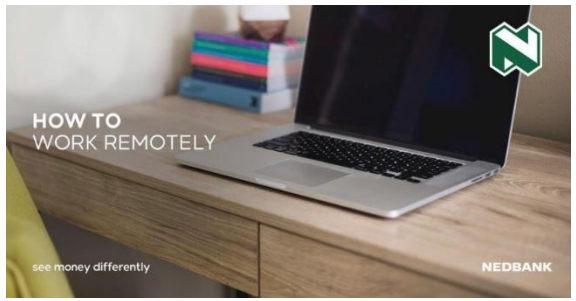
- Primary focus on the **health & safety of our staff** – social distancing, sanitation & health practices, emotional wellbeing, etc
- **Activated BCPs**[1] – tailored for various lockdown phases
- > 75% of SA campus staff enabled to **work from home**
- **All branches reopened**
- **Increased capacity** of staff & clients to work & bank remotely
- Ongoing reviews of our **remuneration & retention strategies**

Clients

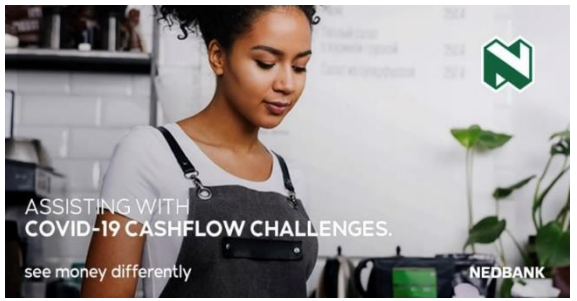
- Enabled & educated our clients to increasingly bank through our **mobile & web capabilities**
- **Support for clients** – eg payment holidays (on R121bn loans for more than 400k clients), fees concessions amounting to R104m, claims from credit life insurance cover (> R150m), applying for readvances & drawdowns on existing facilities, etc
- **Support spaza shops & general dealers** – procurement cards, discounted prices for preapproved goods, etc
- SARB **SME Loan Guarantee Scheme: R1,4bn** paid out

Society

- Enabled staff & clients to **contribute to Solidarity Fund** through our apps, web & internet banking – **R160m**
- One of four banks to **administer the R1bn SA Future Trust** (R300m payouts)
- **Donated > R16m to Covid-19 relief efforts** including the Red Cross
- **Numerous health & economic interventions** through BASA, BLSA & BUSA/Business4SA
- **Cash taxation paid** incl direct, indirect & other taxes: **R8,7bn**
- **79% local procurement** & **92% SME suppliers paid in 30 days (**#PayIn30)









[1] *Business continuity planning.*

Resilience – our balance sheet metrics remained strong & improved further in H2

	Regulatory responses	Nedbank June 2020	Nedbank Dec 2020
Liquidity	▪ Liquidity measures – transmission of liquidity through the system ▪ D1/2020 – minimum LCR from 100% to 80%	LCR **115%**	LCR **126%**
Credit	▪ D3/2020 – provide temporary relief for qualifying loans (distressed Covid-19 related restructures) ▪ G3/2020 – ensure impairments are appropriately conservative but do not result in excessive procyclicality	D3 relief **R119bn**	D3 relief **R28bn**
Capital	▪ D2/2020 – temporary capital relief (removal of Pillar 2A, banks can use Capital Conservation Buffer) ▪ Nedbank well above regulatory minimums	CET1 ratio **10,6%**	CET1 ratio **10,9%**
Dividends	▪ G4/2020 – suspension of future dividends & cash bonus payments to certain individuals ▪ G3/2021 – board discretion regarding dividends & bonuses in 2021	No interim dividend declared	No final dividend declared[1]

[1] *G3/2021 considered.*

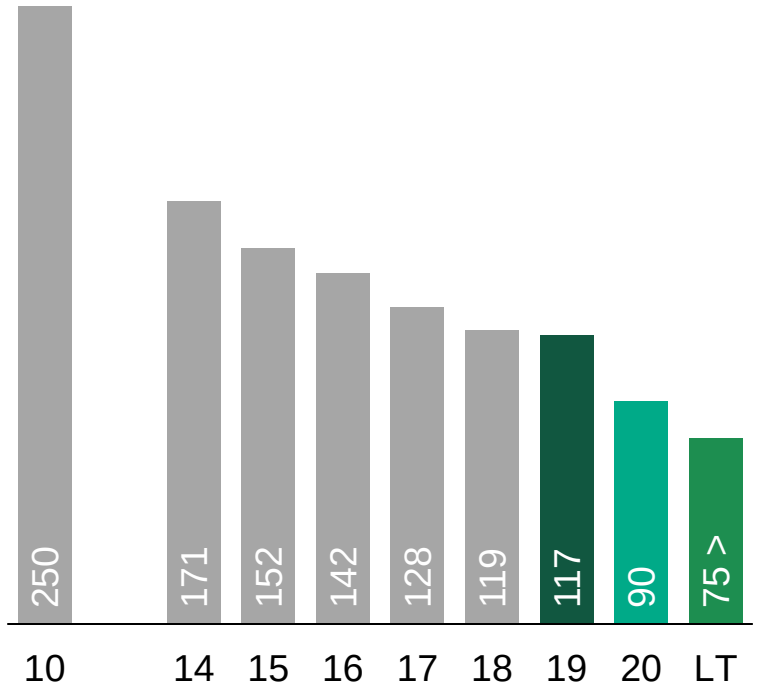
Improved financial performance in H2 & FY 2020 in line with the guidance provided

R million	H1 2020	H1 growth	H2 2020	H2 growth	FY 2020	FY 2020 growth	2020 guidance
NII	**14 969**	1%	**15 112** ✓	(2%)	**30 081**	(0%)	(5%) – 0% ✓
Impairments	**(7 675)**	202%	**(5 452)** ✓	52%	**(13 127)**	114%	
Credit loss ratio (bps)	**187**		**134**		**161**		150 – 185 ✓
NIR	**12 220**	(5%)	**11 920**	(9%)	**24 140**	(7%)	(11%) – (7%) ✓
Expenses	**(15 391)**	(1%)	**(16 381)**	(1%)	**(31 772)**	(1%)	(4%) – (1%) ✓
Net monetary loss	**(47)**		**(158)**		**(205)**	(31%)	
Associate income	**98**	(77%)	**354** ✓	(5%)	**452**	(43%)	
Direct tax	**(928)**	(58%)	**(1 066)**	(38%)	**(1 994)**	(49%)	
Headline earnings	**2 114**	(69%)	**3 326** ✓	(41%)	**5 440**	(57%)	
DHEPS	**434**	(69%)	**679** ✓	(41%)	**1 113**	(57%)	HEPS: -55 to -60% DHEPS > 20% down

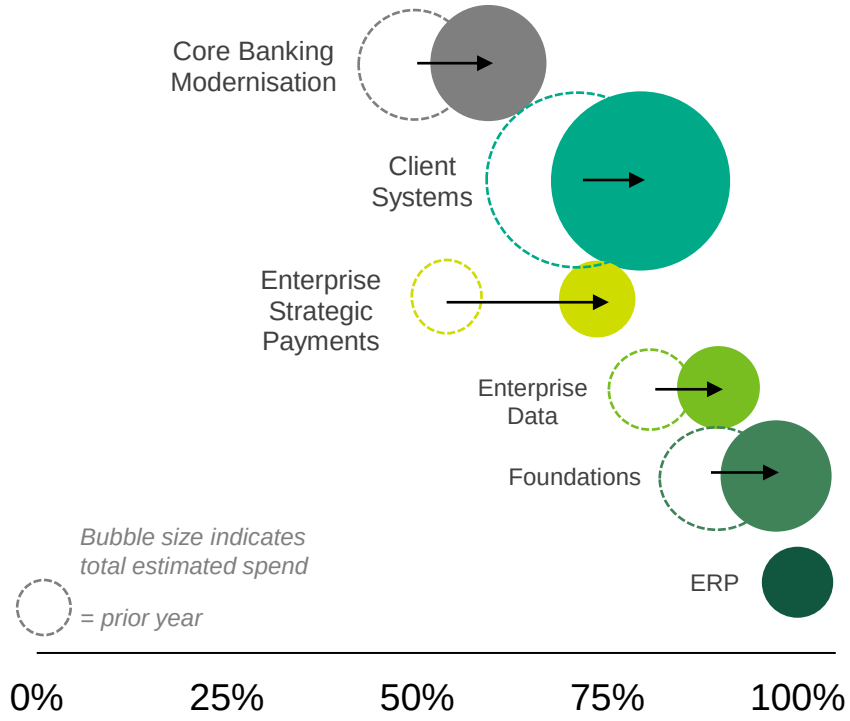
Note: Only key lines of the income statement shown.

Managed Evolution technology strategy on track

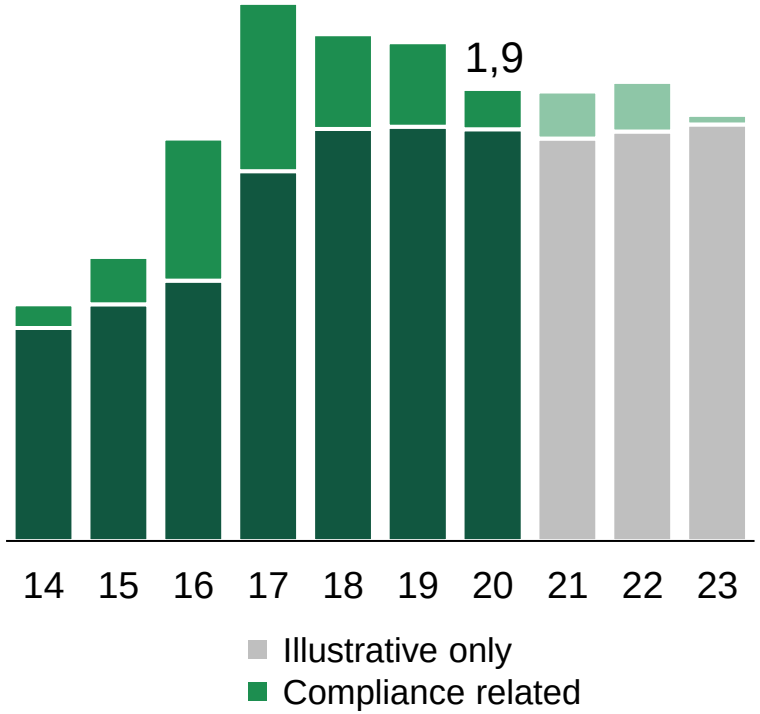
Core systems (#)
Rationalise, standardise & simplify



Managed Evolution programme
~78% complete, R11,4bn spend to date

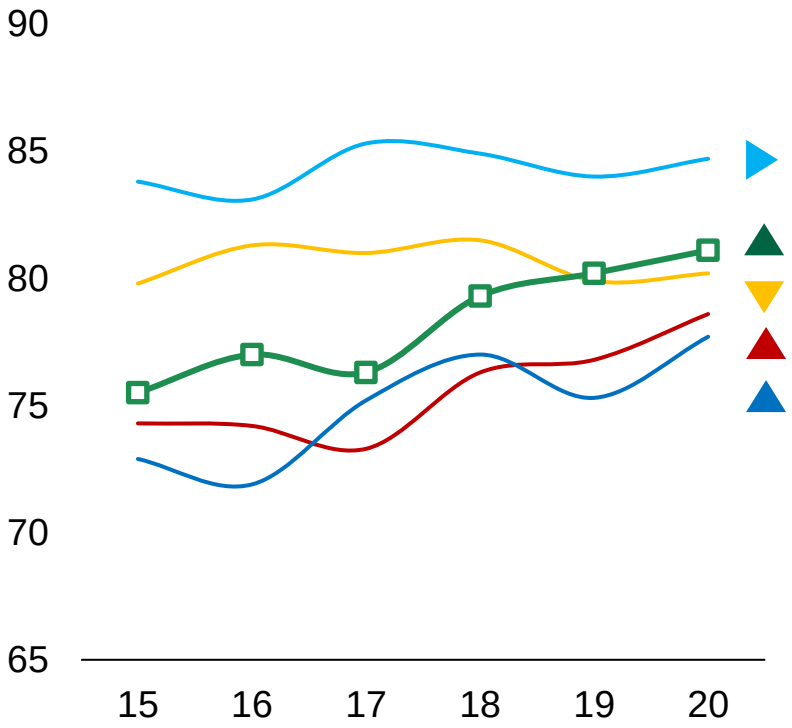


IT software development spend (Rbn)
Annual cashflow continues to decline

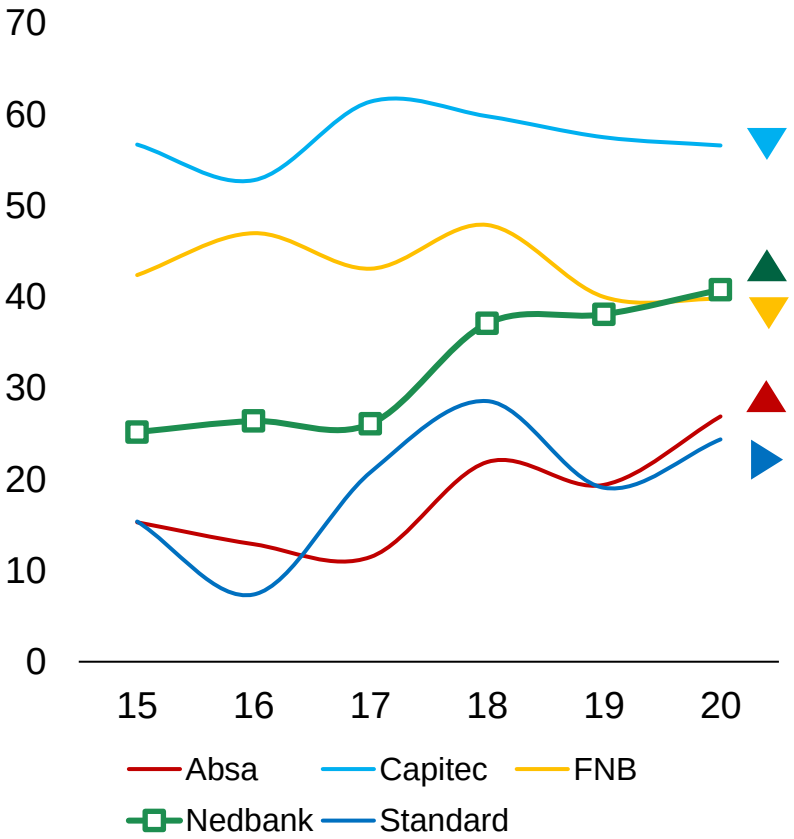


Client satisfaction metrics – continue an upward trajectory & Nedbank now the #2 rated SA bank, while app ratings remain at the top end

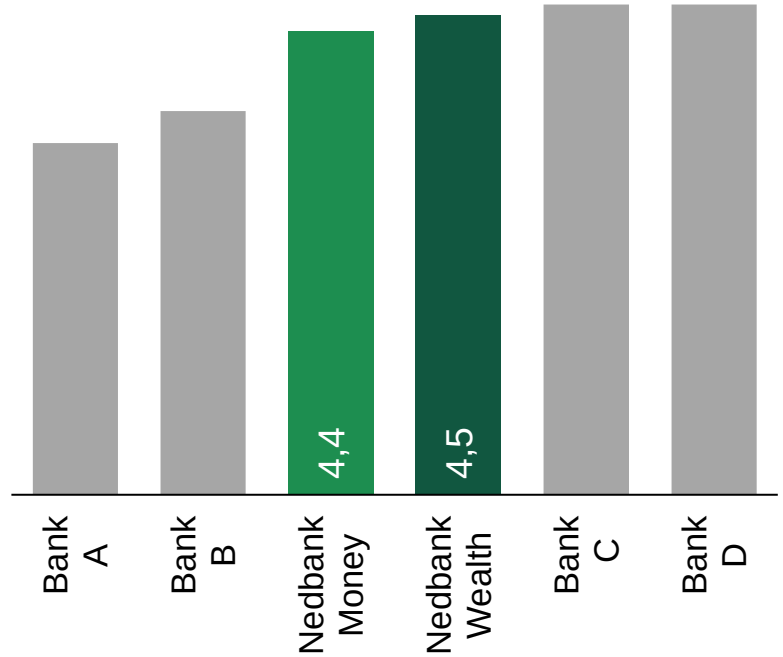
SA-client satisfaction index[1]



Net promoter score[1]



Apple & Google Play Store app ratings[2] (stars / 5)



[1] Annual Consulta survey (released March 2021). | [2] Average of Apple & Google Play Store client ratings (Feb 2021).

Digital – good progress on Eclipse, our simplified end-to-end digital client onboarding for individuals & juristic clients

End-to-end digital client onboarding & digitising our top 10 products

H1 2019 | H2 2019 | H1 2020 | H2 2020 | H2 2021

Clients:

- Individual client onboarding ✓
- RBB ✓ Juristic client onboarding[1] CIB ✓

Channels:

- In branch ✓
- Web & app ✓
- Omni-channel (Branch, Web, App, ATM, Self-service kiosk, Call centre)

Individual Products[2]:

- Personal loans ✓
  - Transactional products
- Card issuing (1) ✓
  - Investments (1)
  - Overdrafts (1)
- Investments (2) ✓

Investments include unit trusts & retirement annuities (additional benefit)

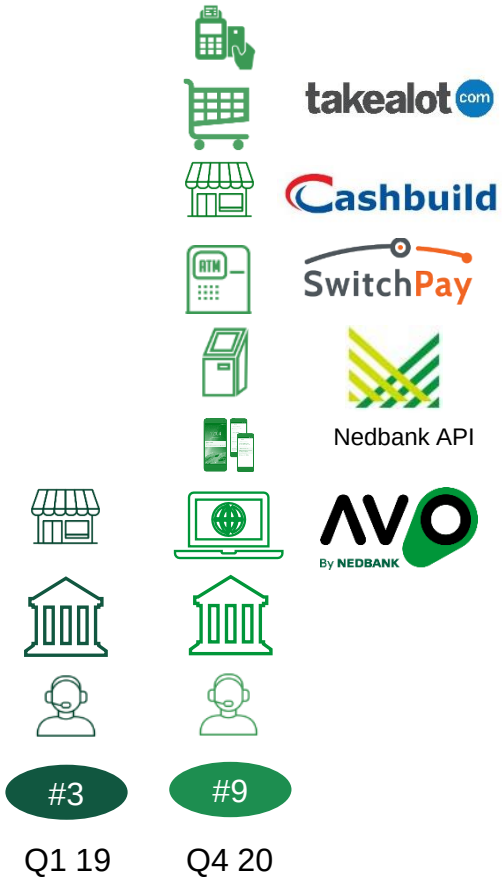
- Card issuing (2)
  - Overdrafts (2) ✓
- Home loans (1) [3]
- Home loans (2) [3]
- Vehicle Finance [3]
- Stockbroking [3]
  - Forex [3]
  - Student Loans [3]
- Additional Products
  - NedGroup Investments ✓
- Wealth [3]
- Additional Products[4]
  - RRB
  - Everyday Banking (MVP)

[1] Juristic Client Onboarding went live on 11 July 2020.
[2] The number (1) refers to first minimal viable product launch on the new platform; (2) refers to additional enhancements.
[3] Delivery timelines remain under review given dependencies on other core Managed Evolution programmes.
[4] A strategic pivot to deliver Everyday Banking and Retail Relationship Banking solutions early resulted in Home loans & Vehicle Asset Finance being reprioritised for delivery in 2021

Digital – Personal loans example

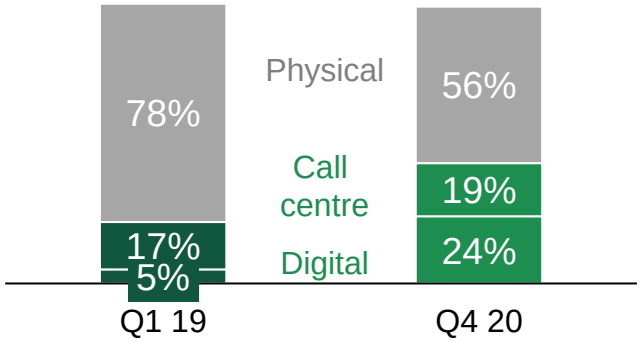
Personal Loans – our first fully digitised client journey/product now delivering tangible benefits

Channels

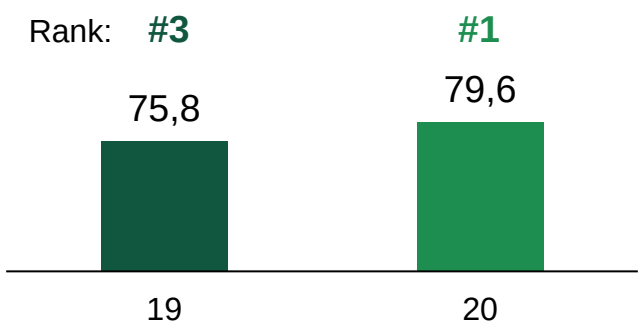


Digital sales

Channels (% of total)

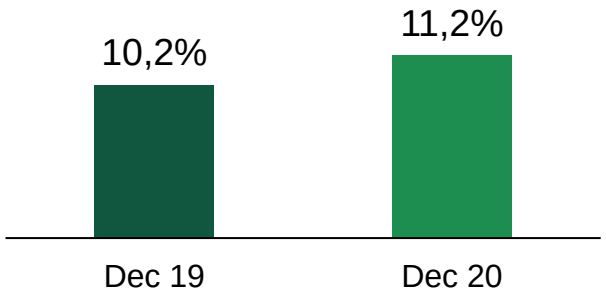


Client satisfaction score (SA-csi)

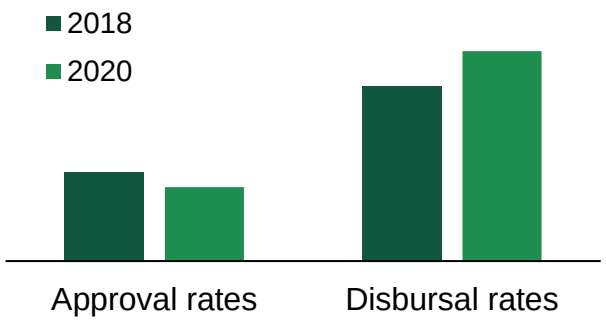


Credit

Personal Loans market share (%)



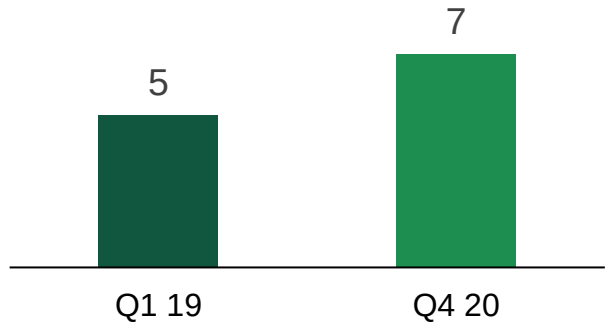
Loan approval & disbursal rates (%)



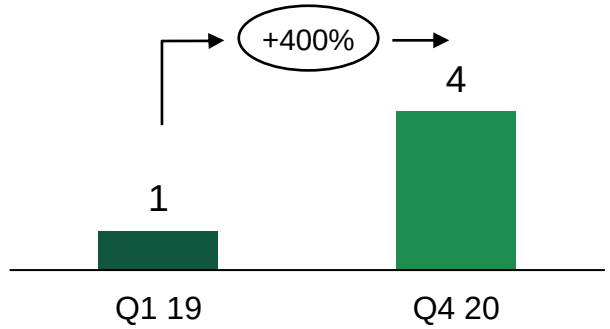
Cross-sell

PL paid into a Nedbank Tx account

Existing Nedbank clients (out of 10)

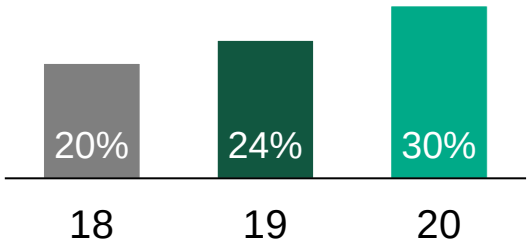


New to Nedbank clients (out of 10)

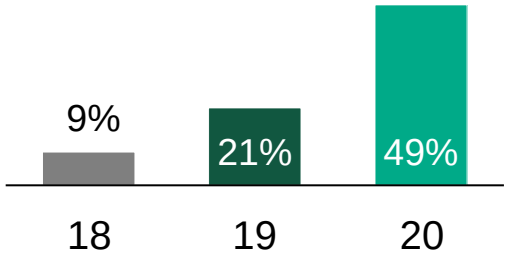


Digital – accelerated delivery, uptake & usage

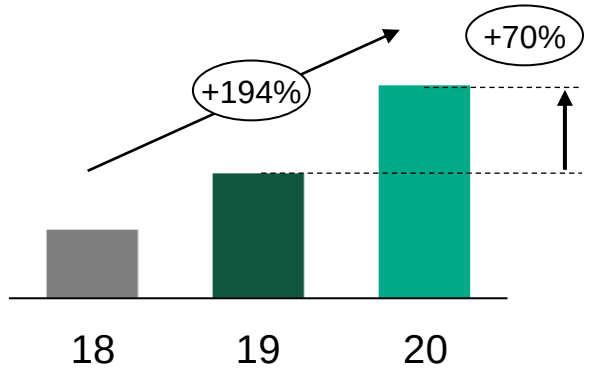
Digitally active clients
(% of total clients)



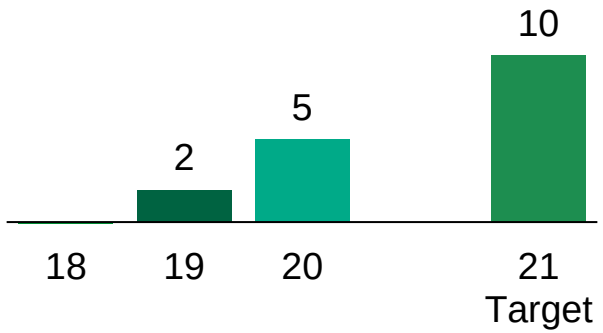
Digital sales
(# 000)



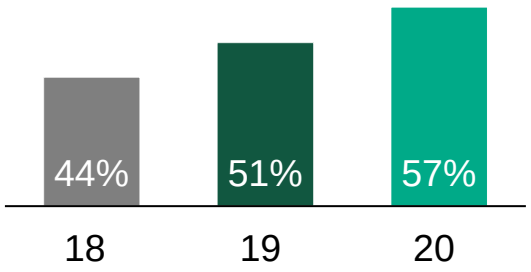
App transaction volumes (# m)



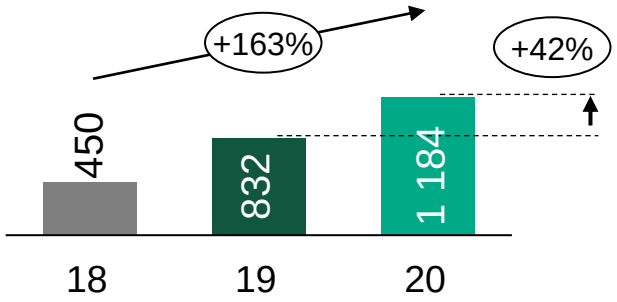
Products digitised
(# of top 10)



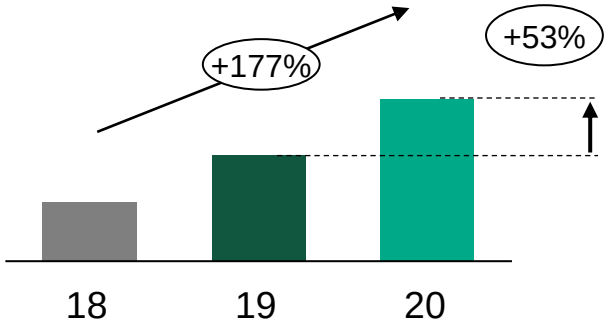
Digitally active clients
(% of main-banked[1] clients)



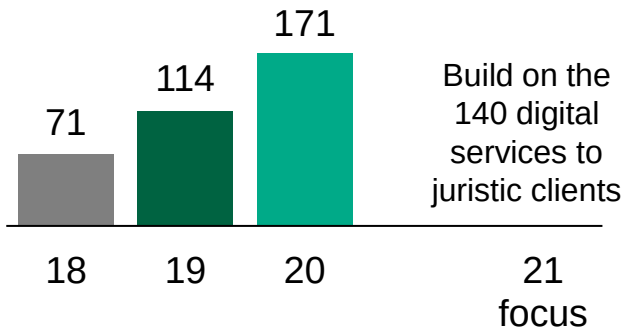
Money app active users
(# 000)



App transaction values (Rbn)



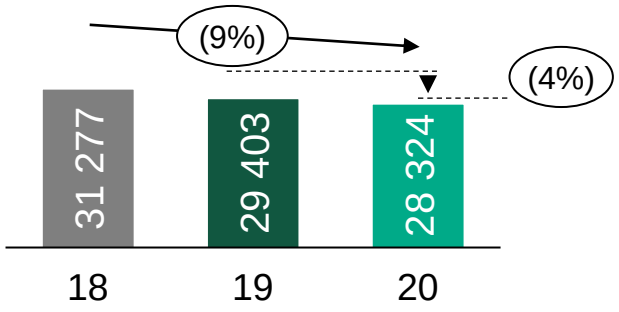
Retail services digitised
(#)



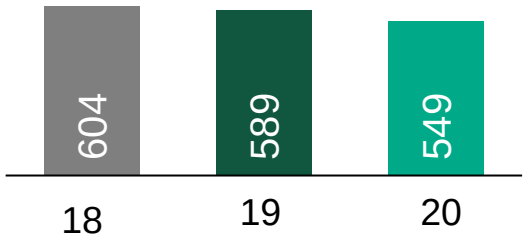
[1] *Digitally active main-banked clients*

Optimisation of operations continue

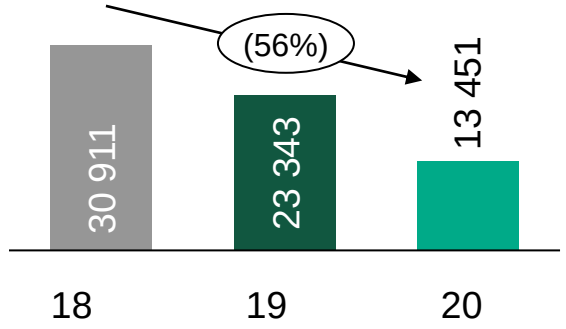
Group employees
(# of)



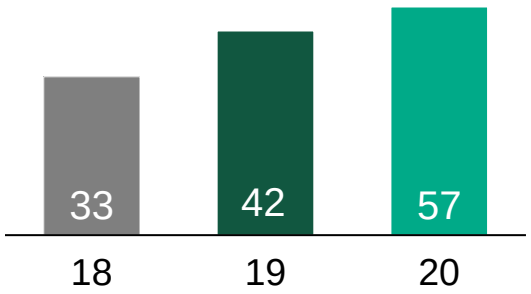
SA outlets/branches
(# of)



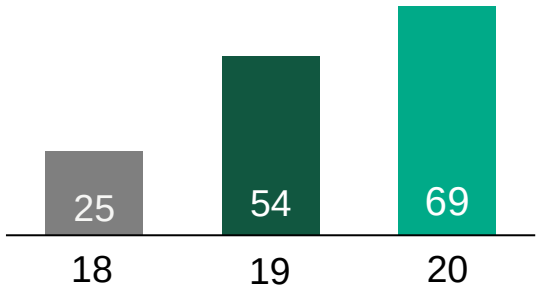
Teller activity
(# 000)[2]



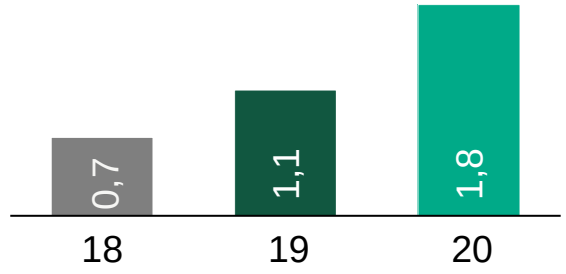
Branch floor space saved
('000 m^2)[1]



Corporate real estate floor space saved ('000 m^2)

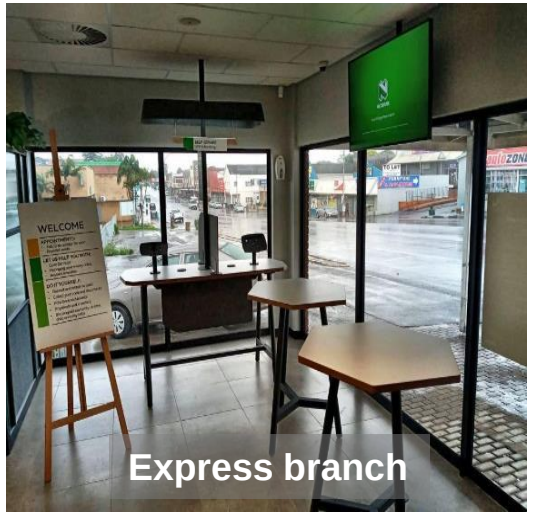


Cumulative TOM 1.0 benefits
(Rbn)

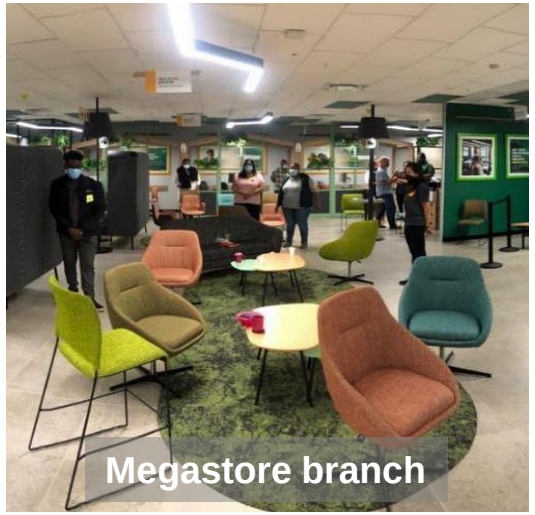


[1] Represents the total branch floor space we saved since 2014 equating to approximately 25% of our branch floor space in 2014 when we started the journey. | [2] Refers to the volume of interactions with tellers.

Efficient & client-centred operating model



Express branch


Megastore branch

Channel infrastructure transformation to reflect a digital operating model

Diversified distribution formats
Megastore Branch, Nedbank Express Branch, Easy Access Branch

Nedbank-owned distribution ▼
Partner distribution ▲

Flexible workforce
In-store (fixed), in/out store staff (flexi) & community activators (mobile force)

underpinned by

Bank-owned devices (ATMs, ID, SSK, lockers), **digital channels** (App, web, USSD) & **contact centre**

Client-centred organisation that enables focused optimisation

Strengthen focus on segment value delivery
eg client segment, product

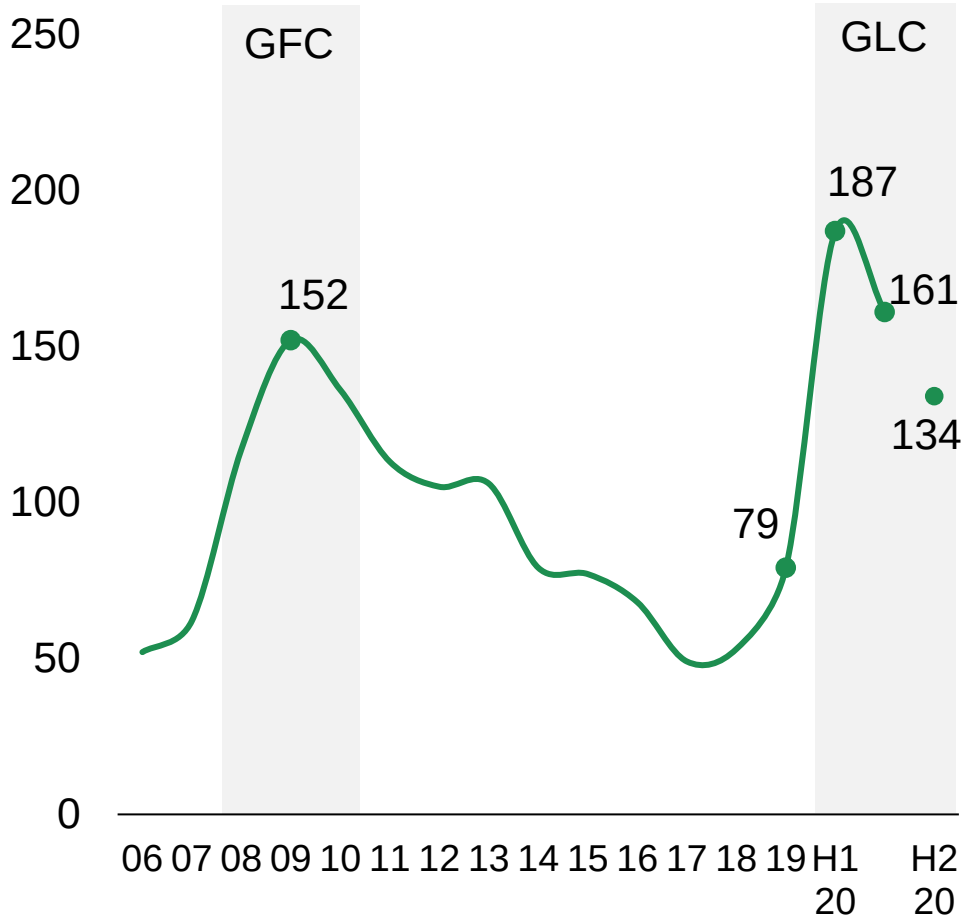
Touchpoint cohesion
(better client interaction)

Consolidation of operations
(client servicing, product admin & risk – credit/ops)

	Client value	Revenue	Expenses	Operational complexity
Strengthen focus on segment value delivery	■	■	□	□
Touchpoint cohesion	□	□	□	■
Consolidation of operations	□	□	■	□

Credit risk – outcome at FY 20 better than was expected at H1 20

Credit loss ratio[1] (CLR, bps)

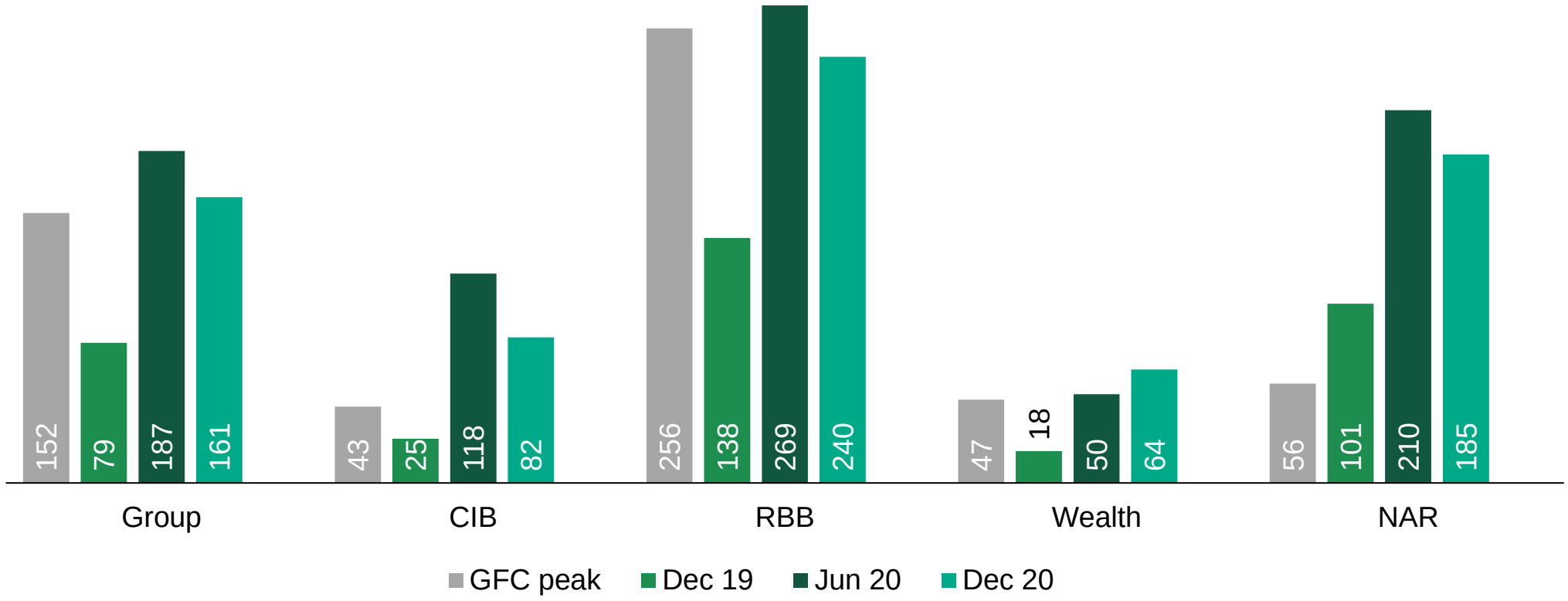


- **CLR ended only marginally higher than GFC**, despite the 1-in-100 years GLC event in 2020
- **High-quality credit book & well secured** (LTVs)
  - Selective origination (lower risk) & enhanced credit risk management & IFRS 9/Basel 3 since the GFC
- **D3 loans reduced to R28bn** (H1 2019: R119bn) – risk now mostly incorporated in credit models
- **D7 loans increased to R13bn** (2019: R6,6bn) – as expected due to end of D3s in H2 2020
- **Coverage ratios have been increased** – book quality, asset mix/security, loan migrations across stages & IFRS 9 classifications (eg SICR, D3 & D7 loans, Covid-19 overlays) & timing of write-offs are key considerations
- **Commercial Property Finance book** continues to confirm its quality & performs **ahead of expectations**

[1] Given the restatement of loans & advances to include listed corporate bonds to align with industry practice, CLRs have also been restated for 2019, H1 2020 & 2020. The impact in 2020 was 6 bps lower CLR for Group at YE 2020 & 3 bps lower at YE 2019.

Credit loss ratio at 161 bps – improvement from H1 levels, slightly higher than GFC levels & within guidance range [150 bps to 185 bps]

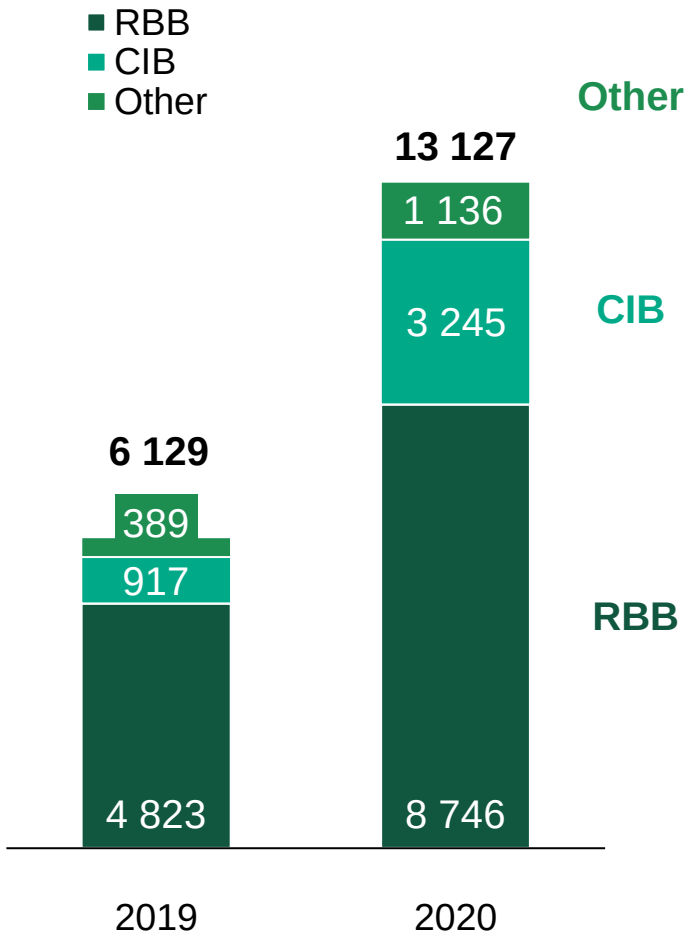
CLR (bps)



Given the restatement of loans & advances to include listed corporate bonds to align with industry practice, CLRs have also been restated for 2019, H1 2020 & 2020. This is only applicable to Group & CIB. The impact in 2020 was 6 bps lower CLR for Group & 3 bps lower CLR for CIB.

Credit risk – R13,1bn impairments up by 114% (H1 +202%), driven by stages 2 & 3 impairment migrations & adjustments/overlays due to Covid-19

Impairment charge (Rm)



Covid-19 related adjustments/overlays

Other

- **Central Provision increase** of R350m in H2 **to R750m** (emerging risk not yet in models/data/macroeconomic forecasts) — R750m
- **NAR & Nedbank Wealth** overlays of **R70m & R98m** — R168m

CIB

- **IB & TS macroeconomic impact: R389m** incorporated in model in H2 (H1: R1,0bn, lower at Dec 2020 given much improved GDP outlook beyond 2020)
- **Additional R386m overlay for specific industry stress** — R386m
- **CPF total overlay of R440m** — R440m

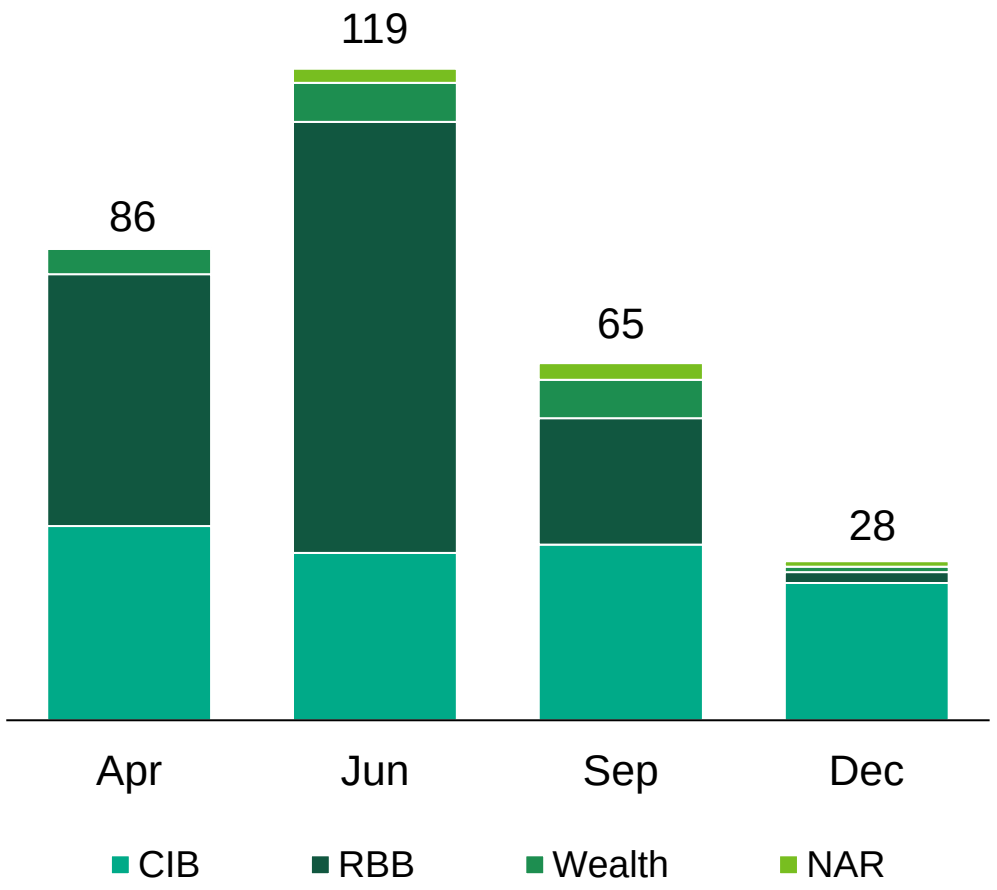
RBB

- **R1,1bn job-loss D3 overlay at H1 incorporated in the Retail models in H2**
- **Interest rate benefit neutralisation overlay reduced** to **R370m** (MFC) from R500m in H1 (Rest of Retail adjusted in the models from H2) — R370m
- **R1,8bn Covid-19 related adjustments**
  - **R334m overlays raised** on Retail D3 loans to cater for short-term residual risk — R334m
  - **BB overlay increased to R416m** from R314m at H1 — R416m
  - **RBB R1 027m** raised for longer-term impact using stressed **forward looking information** (FLI) — R1 027m

R3 891m

Credit risk – D3 loans reduced to R28bn at YE 2020, from a peak in July 2020 of R121bn

D3/2020 relief provided (Rbn)

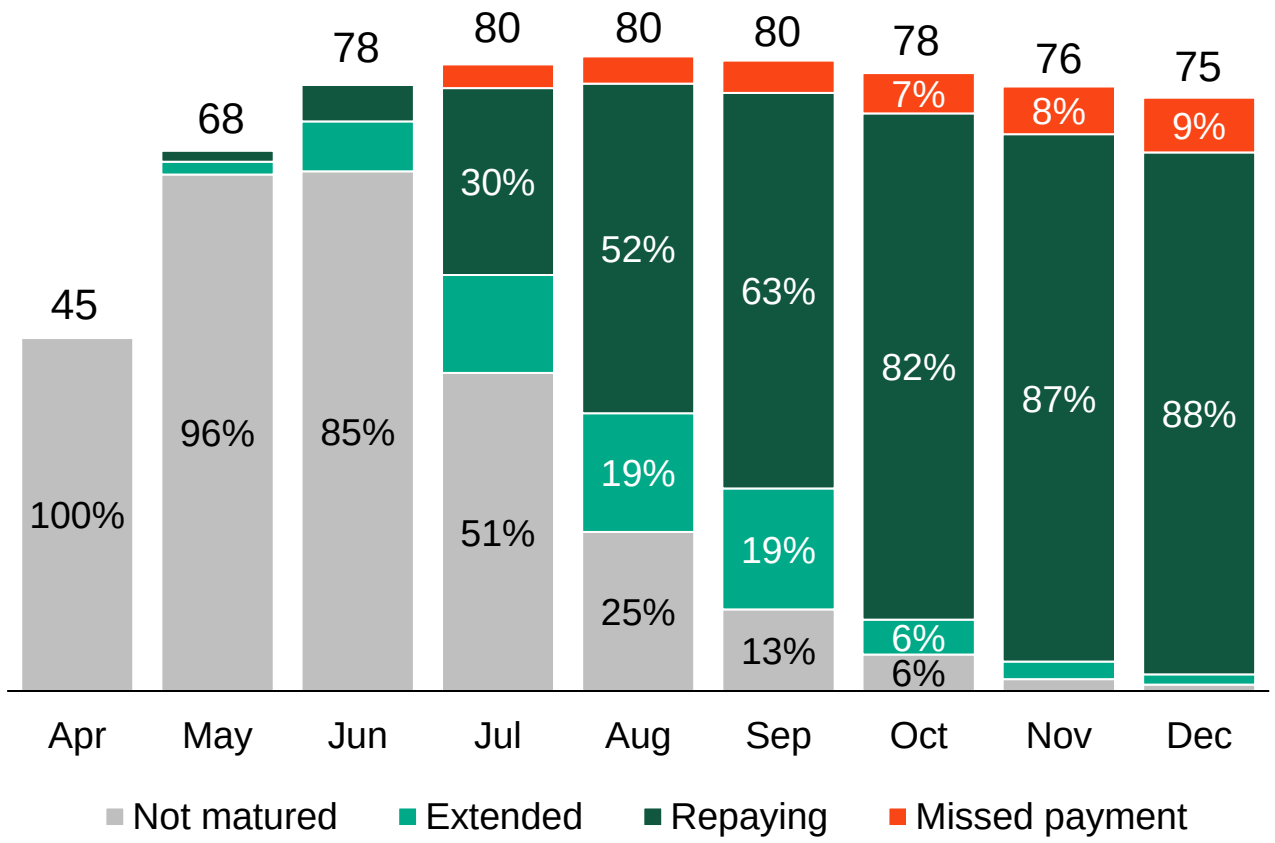


- **Ceased granting D3 renewals** (only on an exceptional basis)
- **RBB**
  - 97% of D3 loans matured
  - Only R2bn outstanding
- **CIB**
  - Original payment relief provided beyond 3 months
  - R25bn outstanding (majority mature in H1 2021)
  - CPF D3 loans peaked below 6% of book, lowest in the group
- **Wealth & NAR**
  - Immaterial

Credit risk – progression of Retail D3 payment holidays & payment success

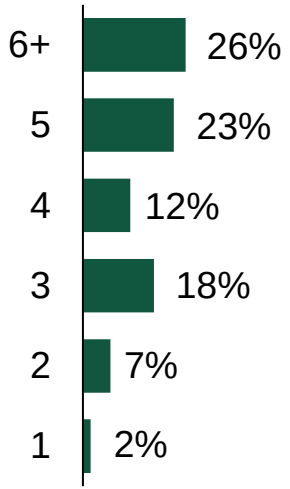
Status of Retail D3 payment holidays

(Rbn, %)



Repaying accounts

(# of payments)

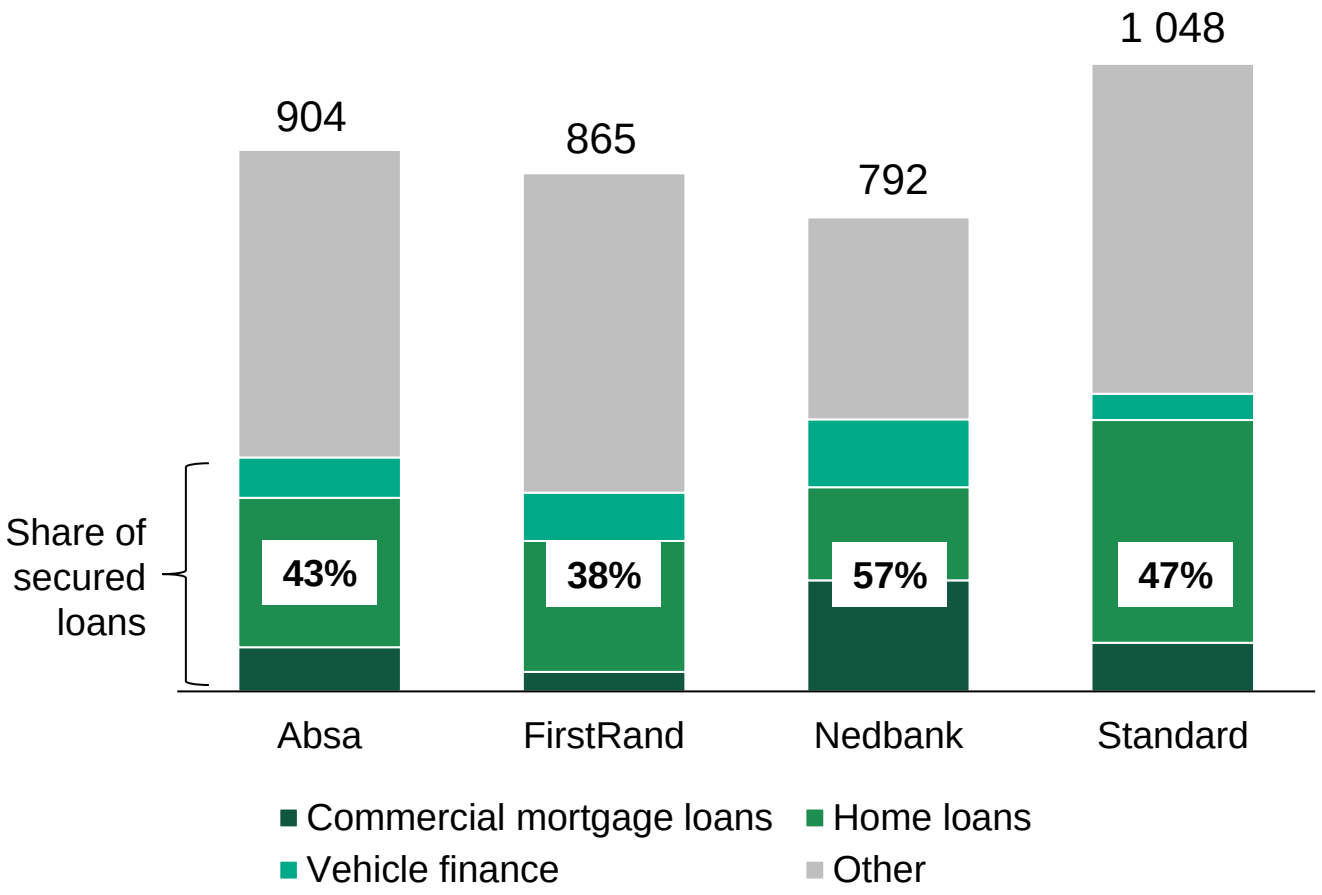


- **D3 loan performance at Dec**
  - 88% of clients repaying (79% have made 3+ payments)
  - 9% missed a payment
    - 6% in Stage 2
    - 3% in Stage 3
  - 2% of D3 payment holidays extended
  - 1% of D3 payment holidays have not yet matured
  - R5bn of D3 loans repaid
  - R200m D3 loans written off
- **Non-D3 loan repayments significantly better**
  - Stage 1 above 90% & approximately 2% better than pre-Covid levels

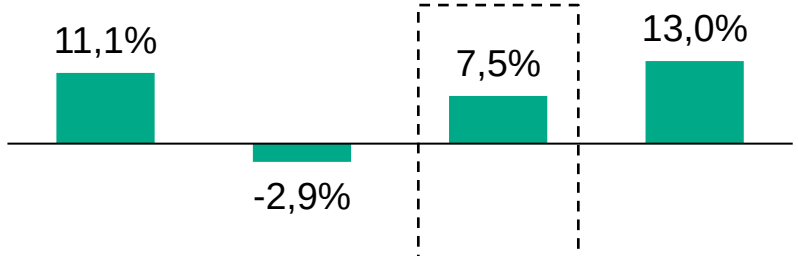
Credit risk – Nedbank has a large secured lending profile, requiring lower coverage generally given the greater extent of collateral/security & selective origination

Gross loans & advances[1]

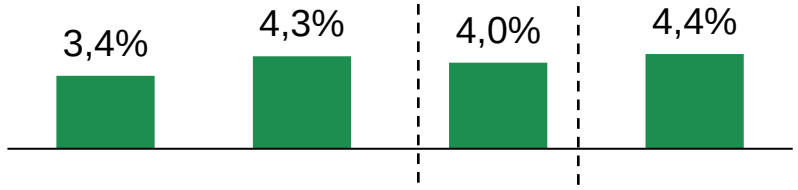
(Rbn, Dec 2020)



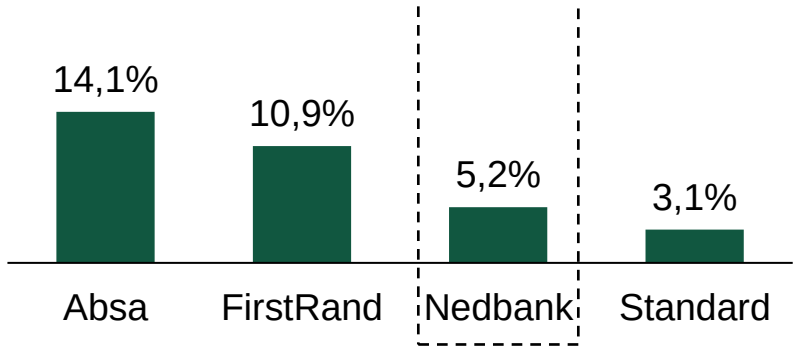
3-year vehicle finance CAGR[1] (%)



3-year home loans CAGR[1] (%)



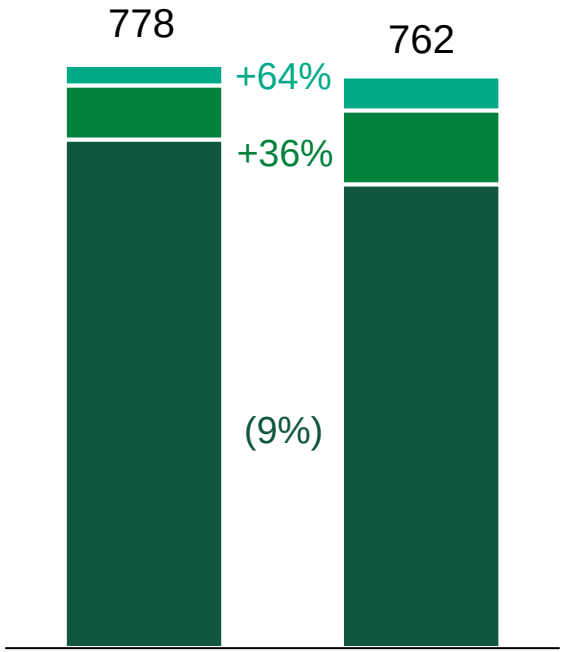
3-year commercial mortgages CAGR[1] (%)



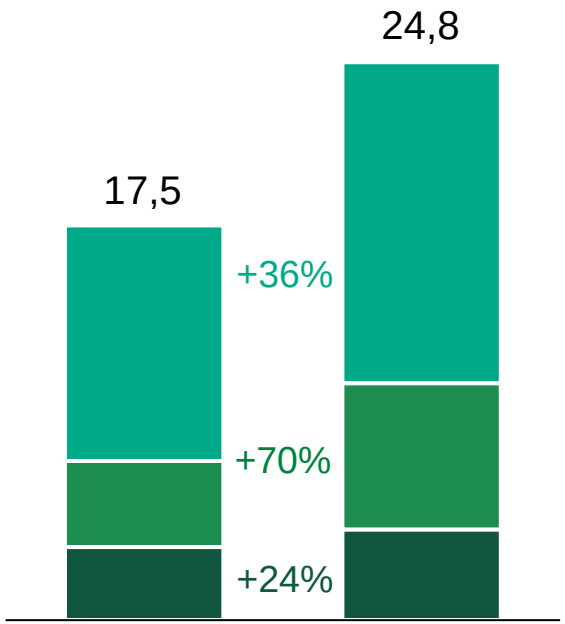
[1] Analysis based on BA 900 data as at 31 Dec 2017 & 31 Dec 2020.

Credit risk – significant increase in total coverage ratio to 3,25%

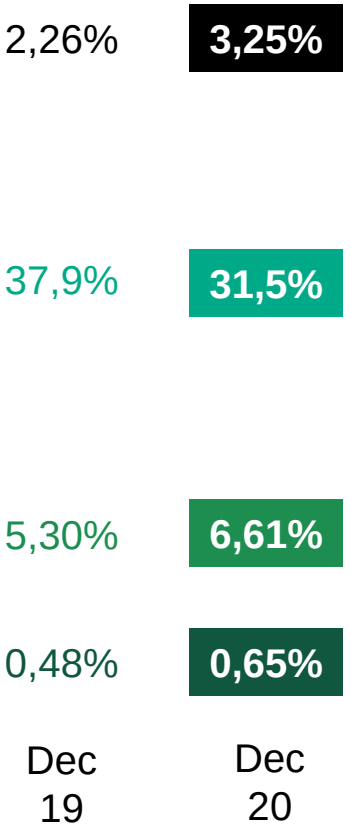
Gross loans & advances[1]
(Rbn)



Expected credit loss
(Rbn)



Coverage ratios



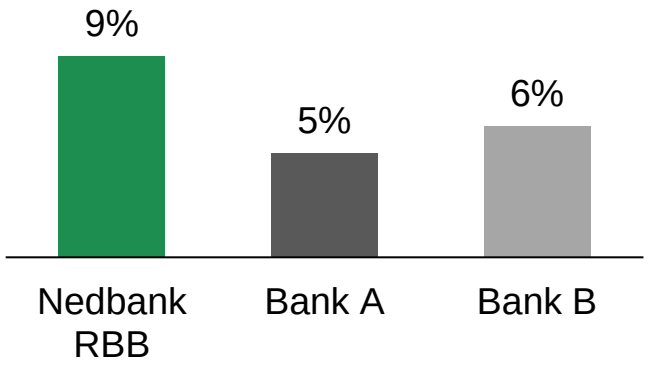
■ Stage 1 ■ Stage 2 ■ Stage 3

- **Stage 3 coverage** – decrease driven by higher migration of CIB stage 3 loans vs RBB, specific CIB client counters in stage 3 (high collateral, low coverage) vs FY 2019, increase in RBB D7 loans & non-D7 secured loans.
- **Stage 2 coverage** – increase driven by most of the R3,9bn Covid-19 overlays including CP, all SICR in stage 2, classification of D3 loans as stage 2 & migration of specific watchlist clients (high coverage).
- **Stage 1 coverage** – increase driven by adverse macro economy & some Covid-19 overlays

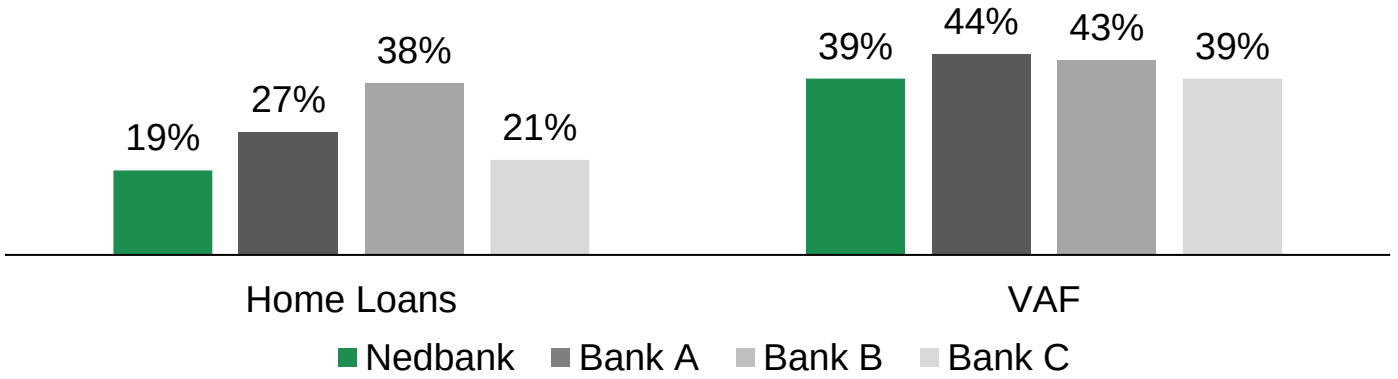
[1] Loans & advances restated to include listed corporate bonds to align with industry practice.

Credit risk – Stage 3 RBB coverage: high-quality portfolio (selective origination & skewed to secured), earlier writeoffs & higher levels of post-writeoff recoveries excl in LGDs

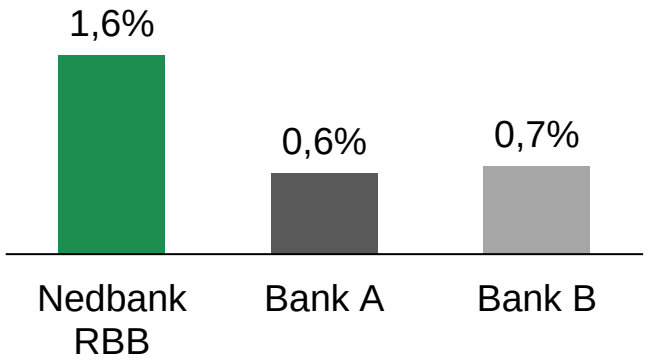
RBB writeoffs
(% of stage 3 RBB loans)



Stage 3 coverage



RBB post-writeoff recoveries[1]
(% of stage 3 RBB loans)



- **Nedbank HL LTVs lower** (78%) than SA peers (~88% disclosed).
- Nedbank has a **mature book** & **market share marginally down** over past 3 years
- **Loan approval rates down 9%** since 2018
- Nedbank **originates fewer loans from loan originators** (Nedbank 30-50% vs peers > 50% over past 3 years)
- **Increased D7 restructures** dilute coverage yoy (high recoveries)

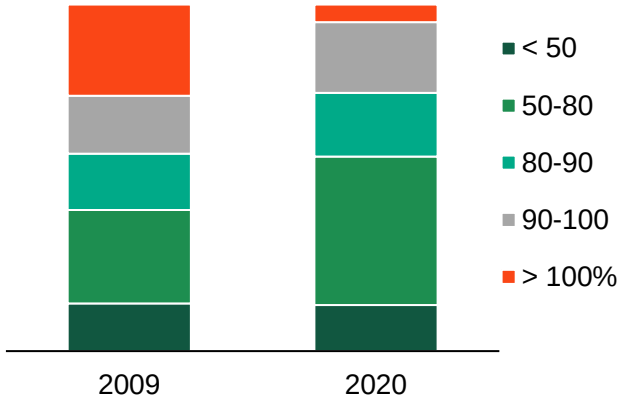
- Nedbank's **VAF book skewed to used/lower value vehicles** (less sharp drop-off/reduction in collateral)
- **New-business market share flat** over 3 years (Experian)
- **Loan approval rates down 6%** since 2018
- **Increased D7 restructures** dilute coverage yoy (high recoveries)

Disclosures as at 30 June 2020 *(Based on 6 months results & excludes banks with 12-month data to ensure comparability.)*
[1] Bank A post-writeoff recoveries only reported at group level | Bank B recoveries include modification gains & losses.

Credit risk – key drivers of coverage including quality origination, low LTVs & good collection outcomes

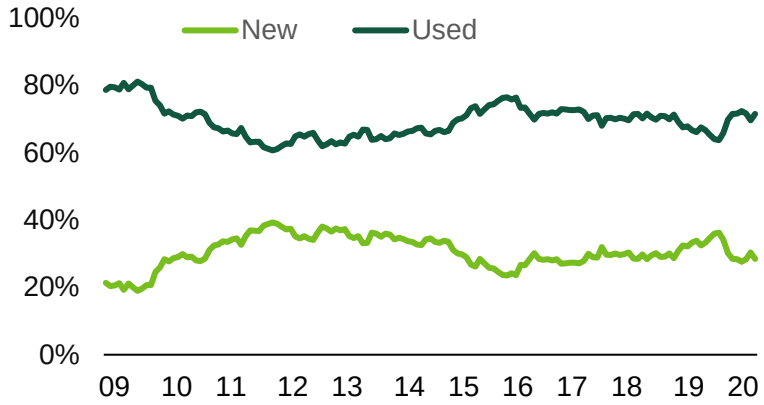
Home loans

LTV distribution 2009 vs 2020 (%)



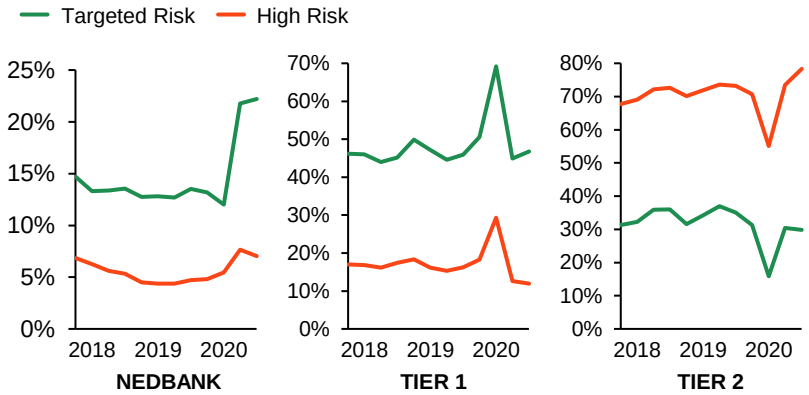
Vehicle finance

New vs used vehicle distribution (%)

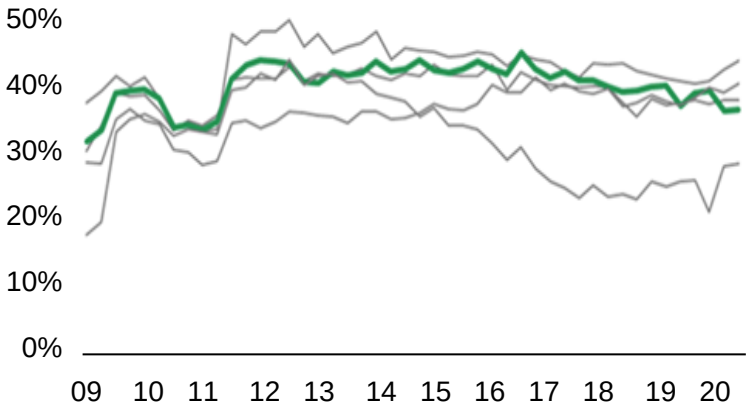


Personal loans

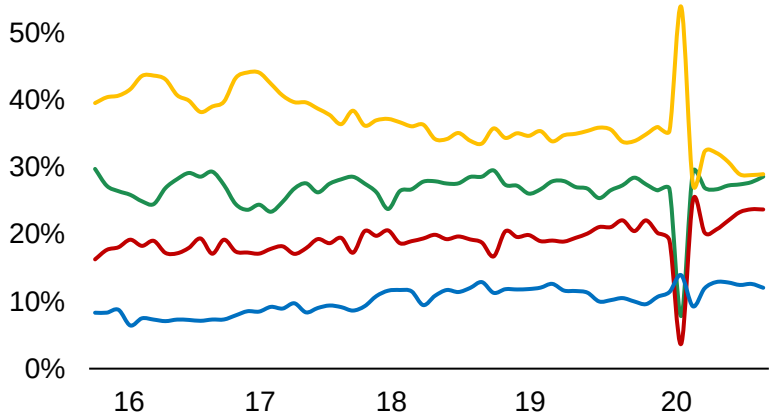
Market share of disbursed business (%)[1]



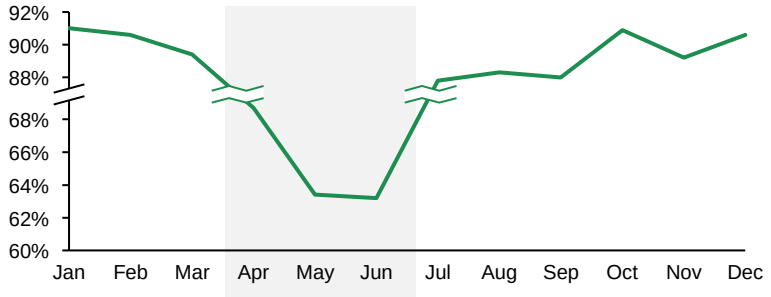
New business – proportion of low-risk clients (%, Lightstone)



New business market share (%, TransUnion)



Payment success (%) – performing book [2]

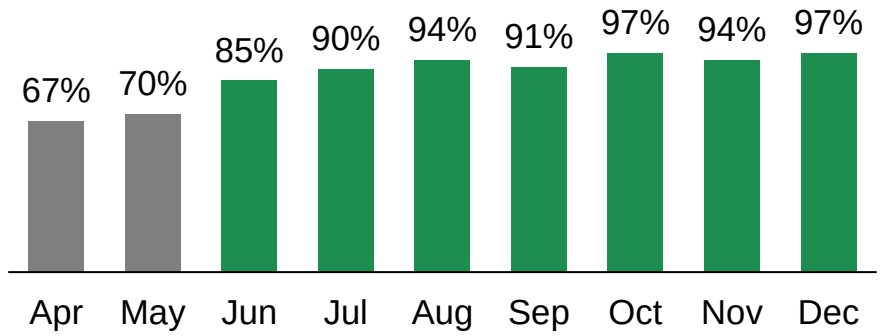


1 Per Experian Bureau Data | Targeted Segment (Bureau Score > 625); High Risk (Bureau Score <= 625) | Tier 1 refers to traditional 4 banks excluding Nedbank while Tier 2 refers to remaining material providers of unsecured personal loans; Tier 1 market share mid 2020 impacted by Covid-relief personal loans | 2 2020 Q2 Payment Success impacted by payment holidays

Credit risk – commercial property sector performing better than expected; CPF CLR at 54 bps marginally above 53 bps GFC peak

Market liquidity

- **Liquidity remained better than expected** across the sector – largely due to better-than-expected rental collections, as evidenced by listed funds collection data



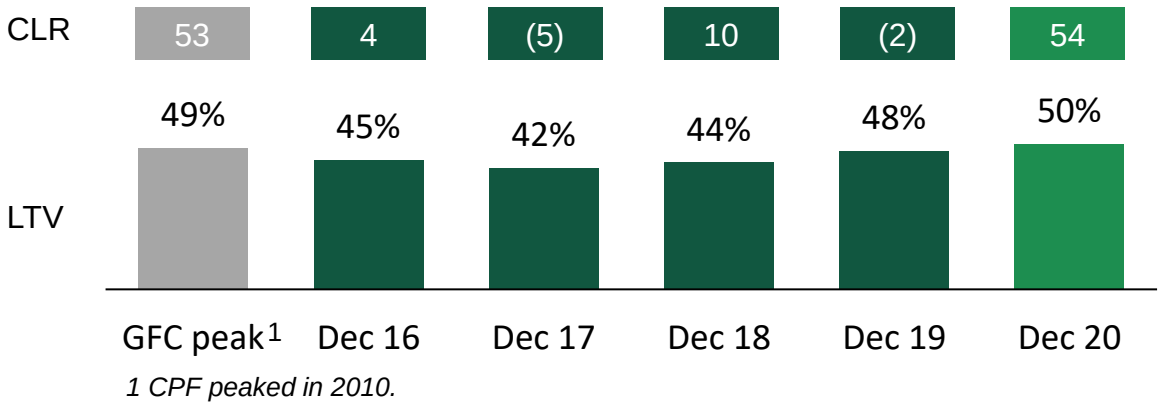
- **Increases in vacancies evident but remain manageable** (increase of between 1,0% to 2,5%)
- **Interest cover ratios (ICR) in the listed sector remain robust** – ICR covenant generally 2x, majority of funds remain above covenant levels
- **Reduced shareholder distributions** in the listed sector have strengthened balance sheets & improved liquidity (good for bondholders/financiers)
- **Clients benefiting from the 300 bps interest rate reductions & low-interest-rate environment**

What gives us comfort

- **High-quality, well-diversified & collateralised portfolio**
- **Low LTVs going into the crisis**
  - Average LTV increased to 50% at YE (48% in 2019) due to lower revaluations
  - LTVs remain low with adequate collateralisation (significantly reduces the risk of potential losses)
- **Revalued > 4 500 properties in H2** (covering 65% of our exposure)
  - Revaluations in line with market trends (5,5% decrease in valuations)
  - Top 20 largest deals with LTV ≥ 50%
  - All deals > R250m exposure & LTV ≥ 65%
- **R440m overlays held in the debt portfolio** to buffer against further deterioration in valuations & credit migration.
- **Low levels of arrears** – 0 to 90 days: R22m (H1: R74m)
- **Stress & scenario testing**

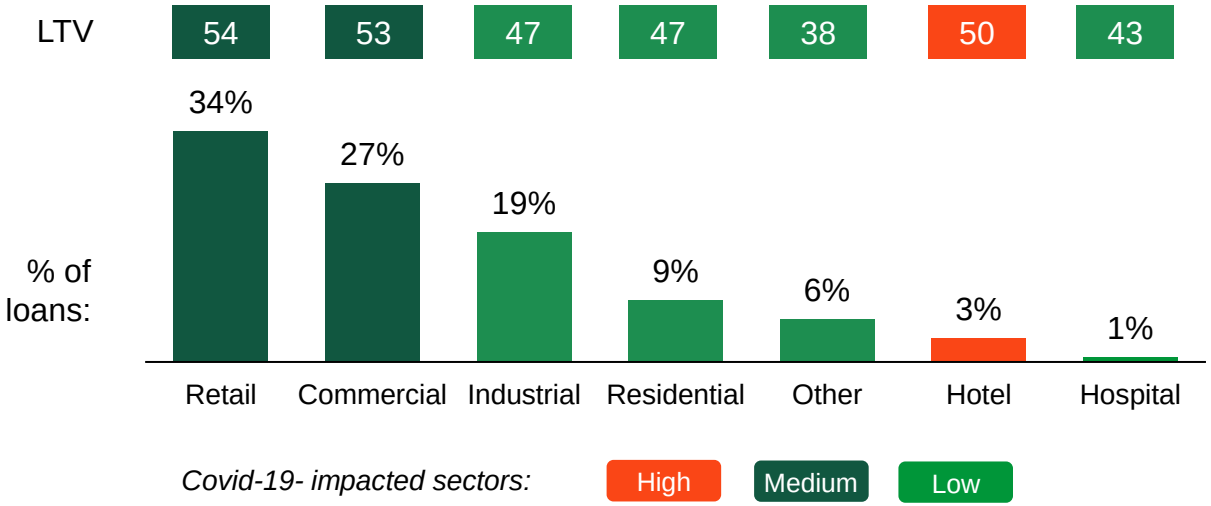
Credit risk – Commercial Property Finance profile

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



1 CPF peaked in 2010.

Diversification & average LTV by sector



Covid-19- impacted sectors: High Medium Low

- **Strong client base** supported by an experienced team
- **Well diversified portfolio** & highly collateralised
- **Low gearing** – adequate collateralisation significantly reduces potential losses
- **Primary lending operation supplemented by private-equity arm**

Credit risk – Commercial Property Finance valuation update

Market trends

- Recent reporting by listed property funds reflects lower property valuations
- Wide range between +2% & -20% (dependent on underlying portfolio) | 6 funds declined > 10% | 3 funds declined between 5% & 10% | 10 funds declined < 5%

Nedbank portfolio – H2 revaluations

- Revalued over 4 500 properties held as collateral against 65% of our exposure, including: i) Largest 20 deals with LTV ≥ 50%, ii) All deals ≥ R250m with LTV ≥ 65%
- Values down 5,5% on comparable values over 12-month period
- Nedbank generally more conservative than client valuations – going into lockdown generally within a range of up to 10% lower & significantly lower for outliers

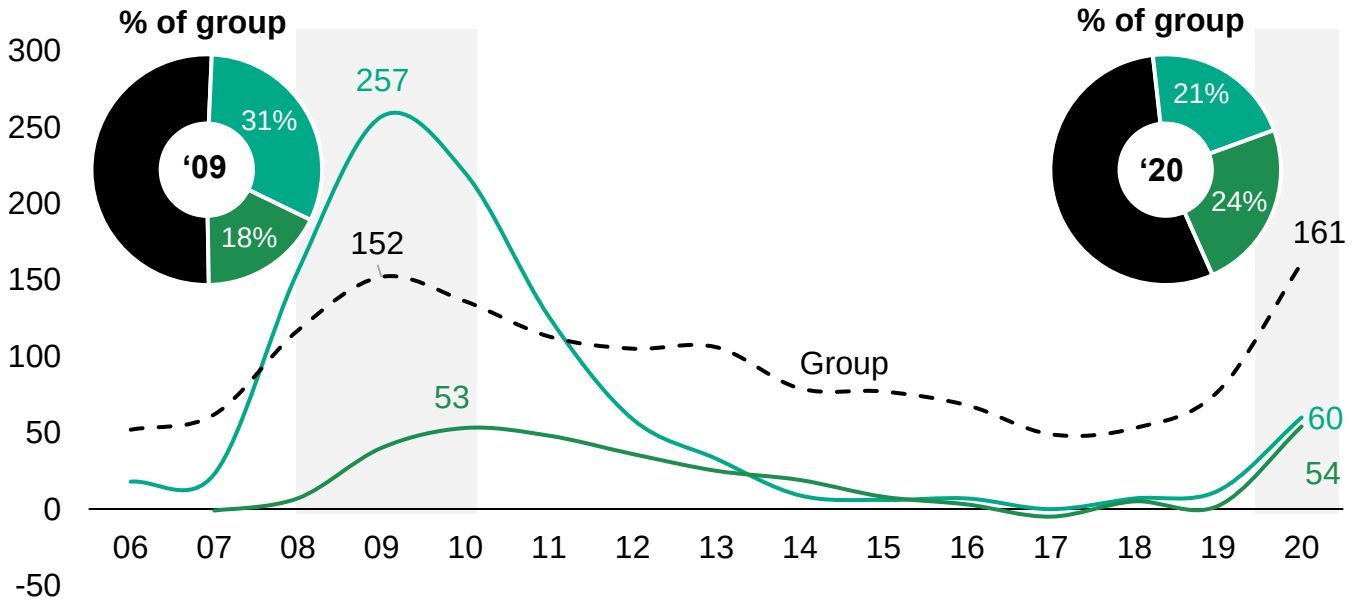
R100m impairment overlay – held to cover risk of collateral not revalued in H2 & further declines expected in the portfolio

Frequency of valuations

- Stage 2 & 3 valuations performed 6 monthly or more regularly if required
- Stage 3 valuations performed on both a market & forced sale basis
- Stage 2 & 3 valuations are generally significantly more conservative than client values – in some instances more than 20% lower

Credit risk – LTVs make CPF & HL good secured asset classes through a crisis & both in a much stronger position than during the GFC

CLR (bps)



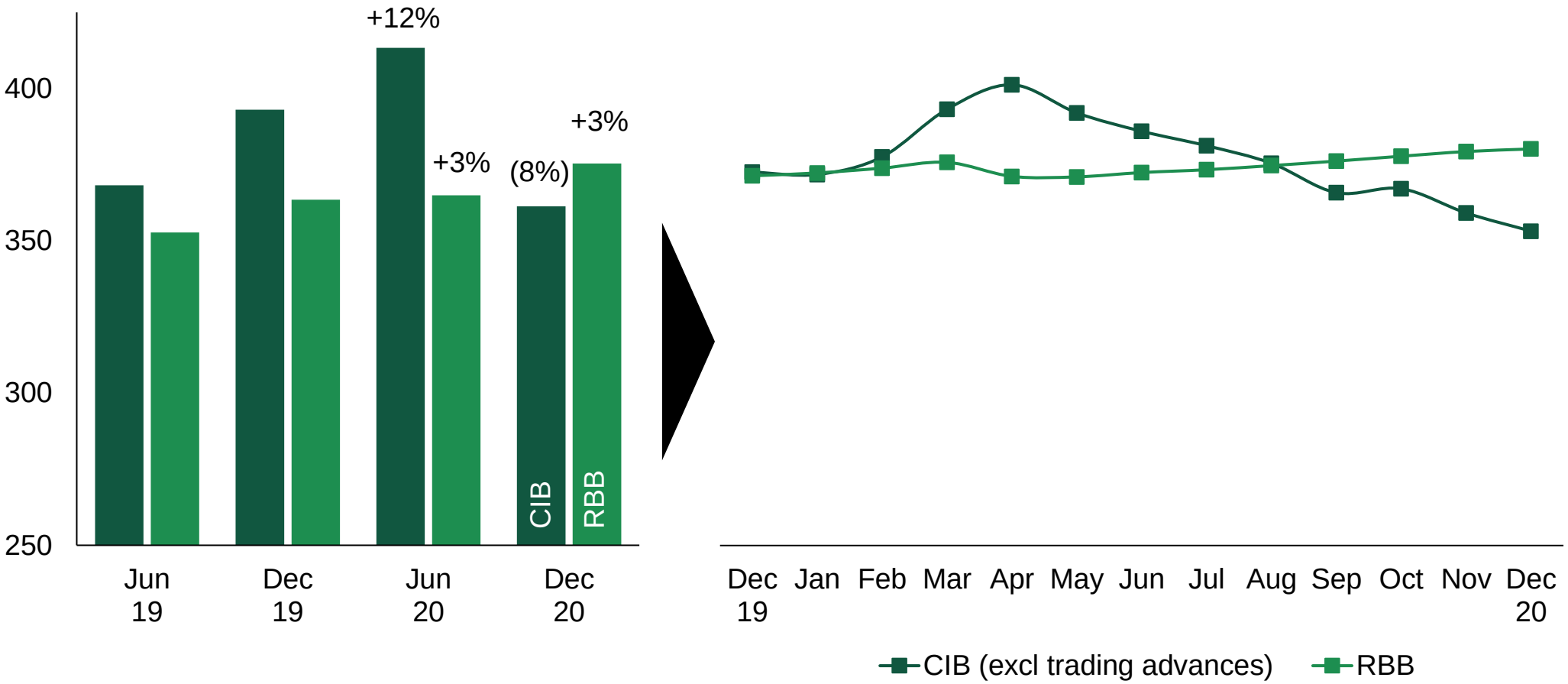
	CPF	HL
Book growth '06 to '09 (CAGR)	+20%	+14%
Change in market share '06 to '09	+0.5%	+0.4%
LTVs '09	49%	85%
Defaulted loans % of '09 book	5%	12%

	CPF	HL
Book growth '16 to '20 (CAGR)	+6%	+4%
Change in market share '16 to '20	(2%)	flat
LTVs '20	50%	78%
Defaulted loans % of '20 book	2%	5%

- **Nedbank total property exposure: 45%** – less than during the GFC: 49%
- **Conservative & high-quality loan growth** going into the GLC crisis (selective origination since GFC)
  - HL & CPF growth well below GFC & recent industry levels (selective origination)
  - LTVs low & indicative of significant security
  - High-volatility CRE book 4% (vs 12% during the GFC – biggest driver of impairments)
  - Risk-adjusted performance management (Basel II/III & EP) into GLC vs non-risk-adjusted (Basel I/ IAS 39 in GFC)
- **Defaulted books significantly lower** going into the GLC

Gross advances -2% – divergent H1 vs H2 dynamics between retail & wholesale loan growth

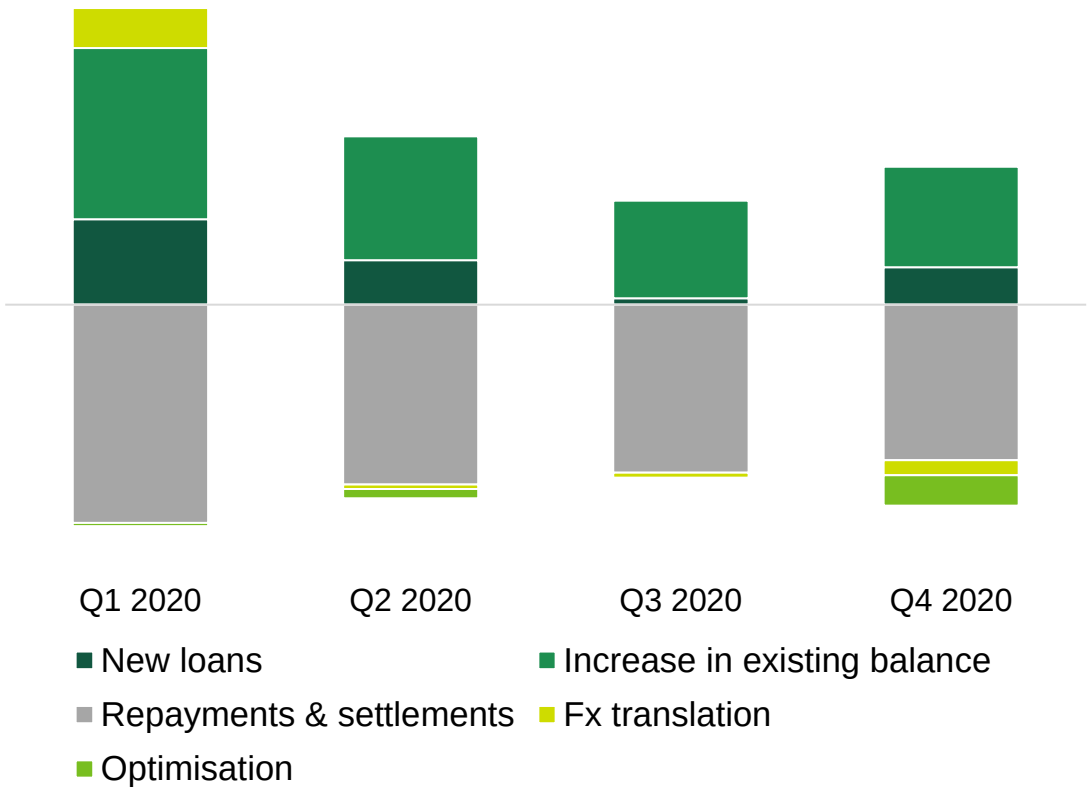
CIB & RBB gross banking advances[1] (Rbn)



[1] *Loans & advances restated to include listed corporate bonds to align with industry practice.*

CIB banking advances – a tale of two halves: client drawdowns on committed facilities in H1 vs repayments & RWA optimisation in H2

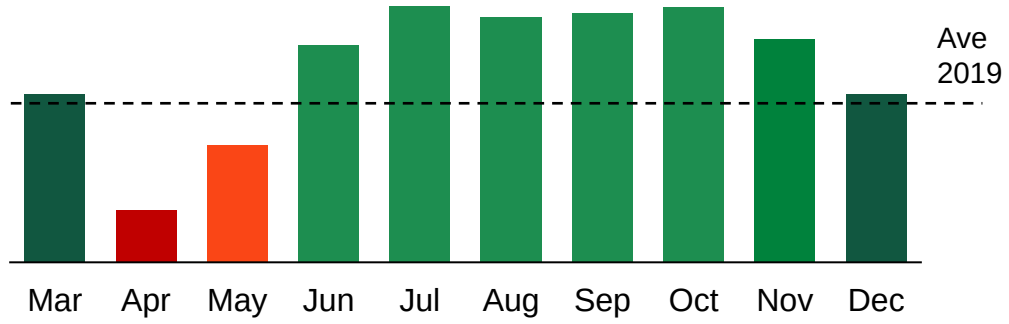
Quarterly advances movements (Rbn)



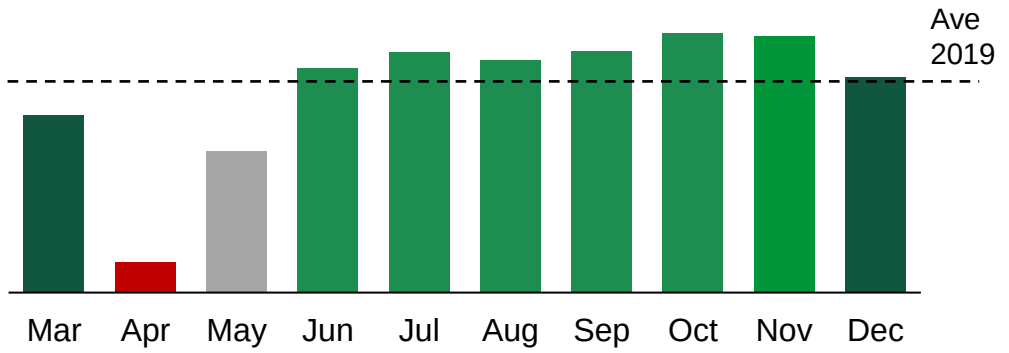
- **New loans** – modest demand in Q1, with lockdown severely impacting Q2/Q3. Slight increase in demand from Q4
- **Existing balances** – driven by clients' search for liquidity in Q1/Q2 & committed structured drawdowns during Q3/Q4
- **Repayments** – need for liquidity reduced
- **RWA optimisation/sale of assets** – optimisation efforts focused on capital preservation
- **Fx** – currency devaluation beneficial in Q1, with slight negative impact as the rand strengthened in H2

Retail loan application volumes – initially impacted by the lockdown but strong demand in H2 on the back of 300 bps lower interest rates

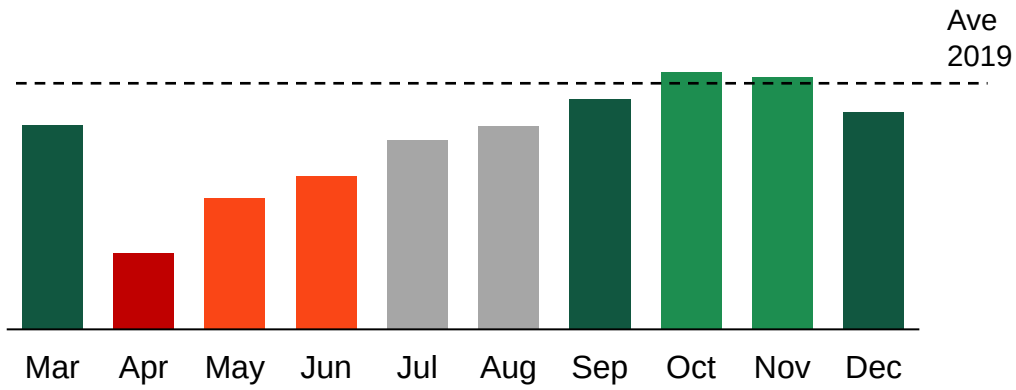
Home loan applications



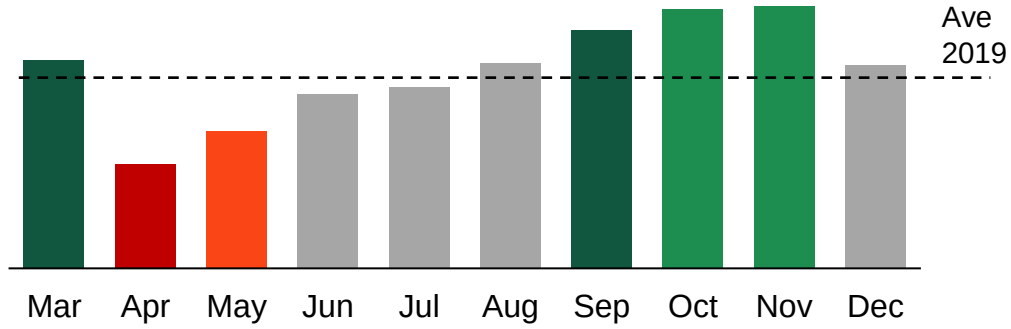
Vehicle finance applications



Personal loan applications



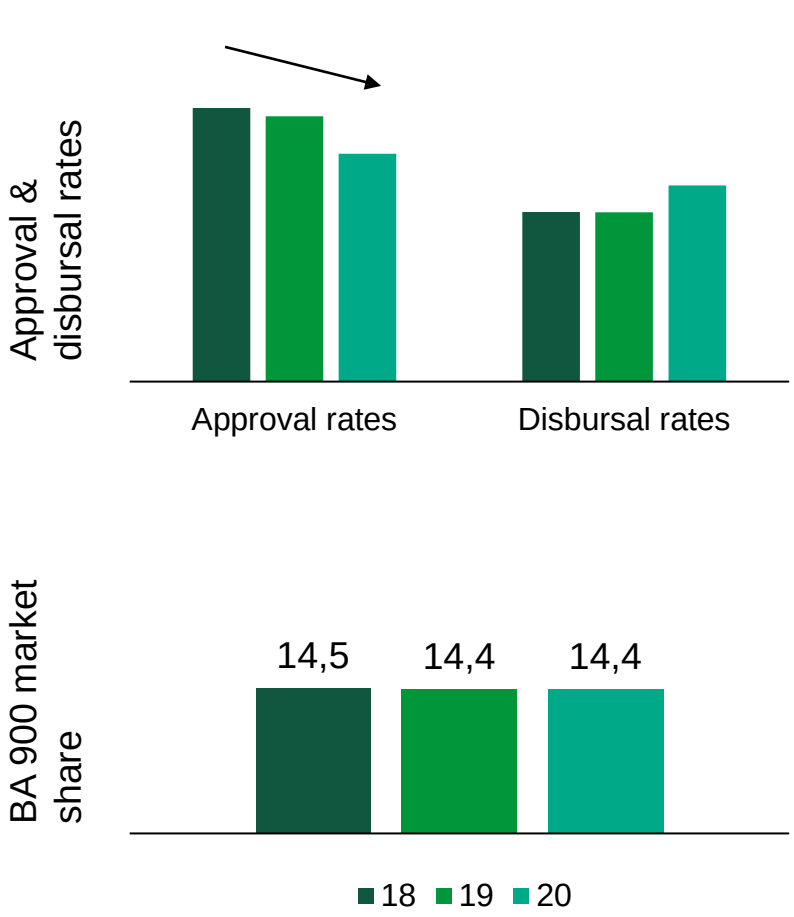
Card applications



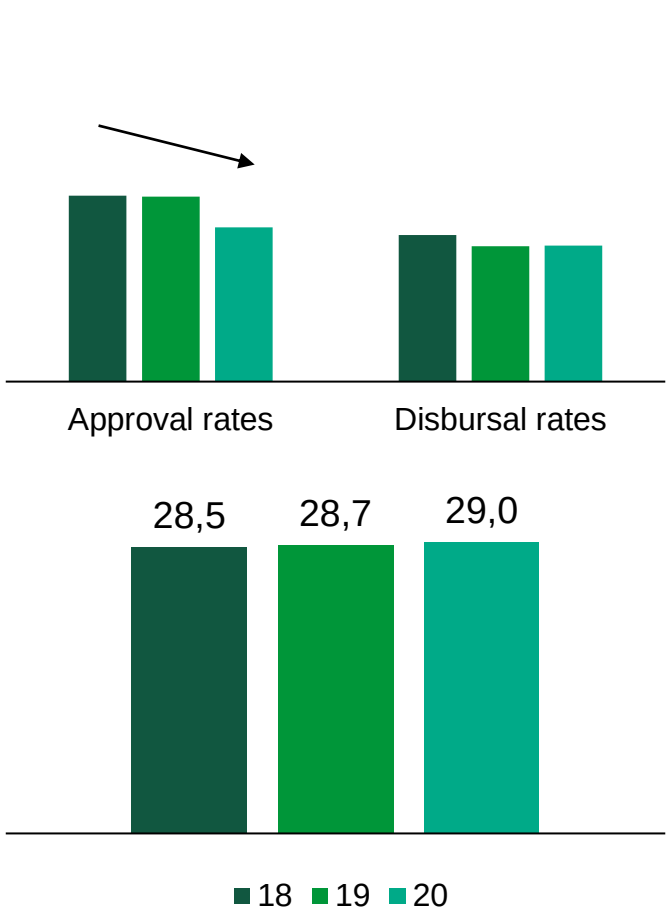
Indicators March 2020 < 50% < 80% < 100% ≥ 100% > 120% of March 2020 levels

Quality RBB book, supported by selective loan origination

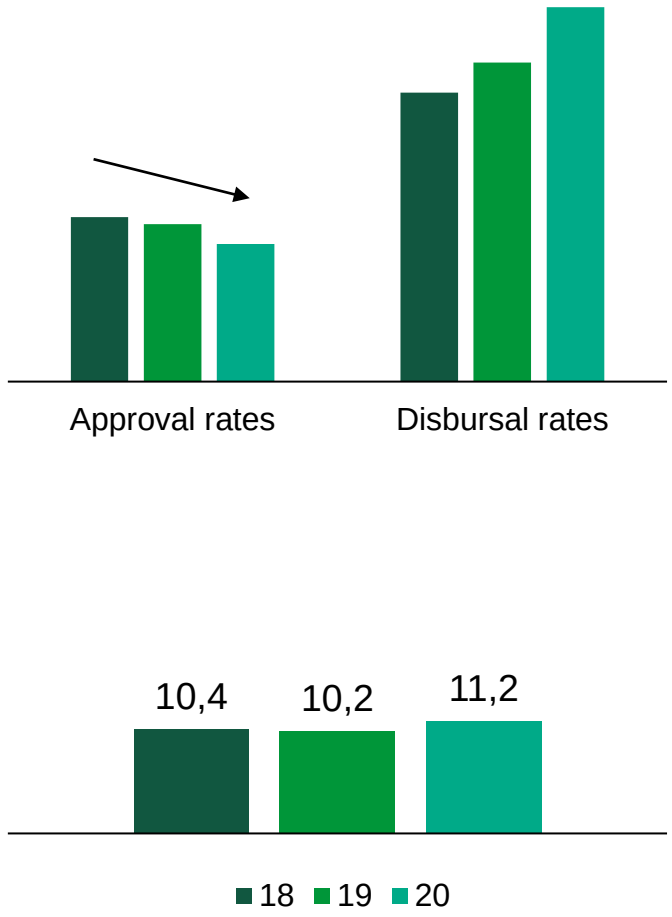
Home loans



Vehicle finance

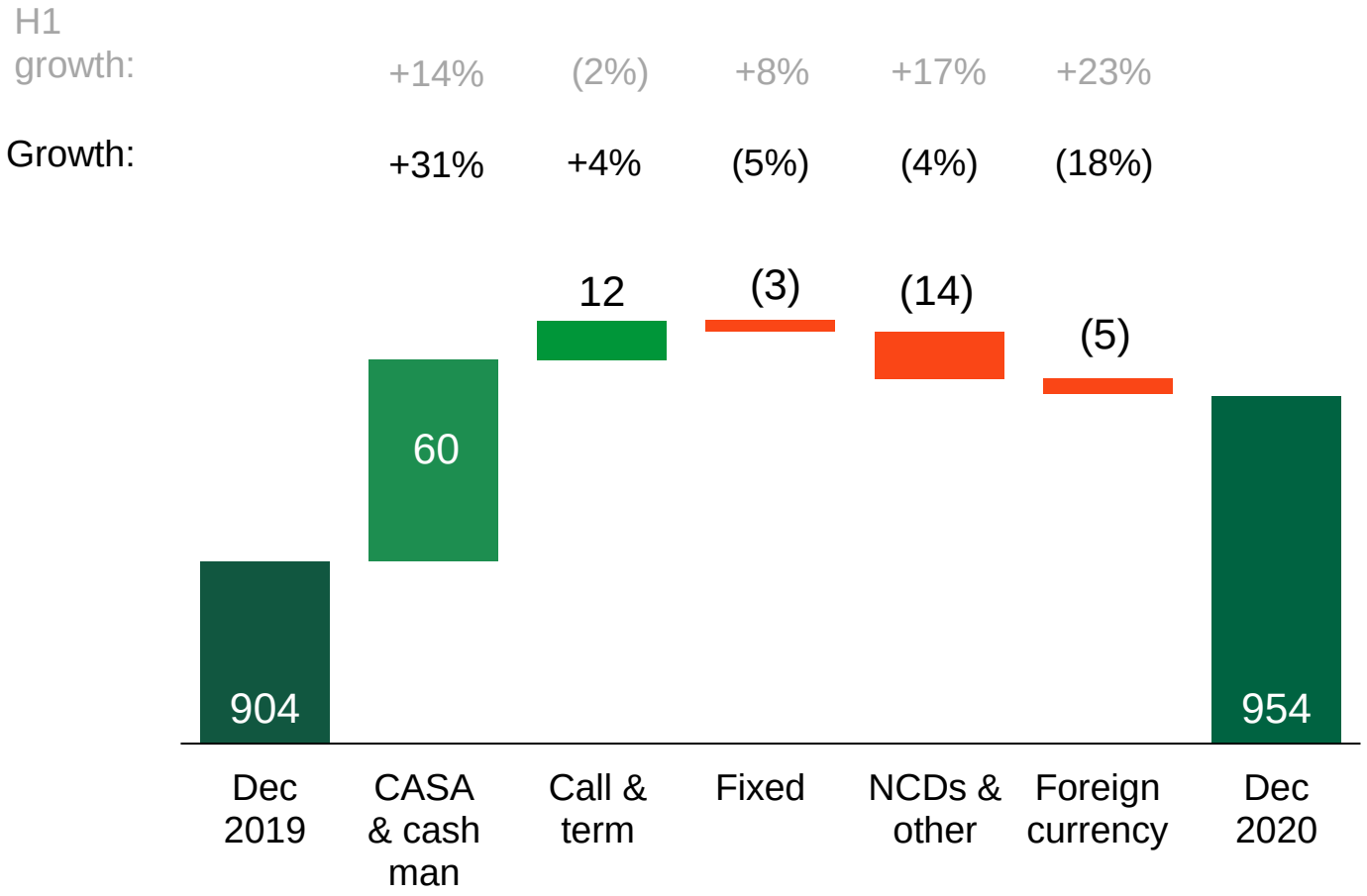


Personal loans



Deposits +6% – driven by clients' short-term operational cash requirements, higher levels of savings & decrease in demand for term deposits

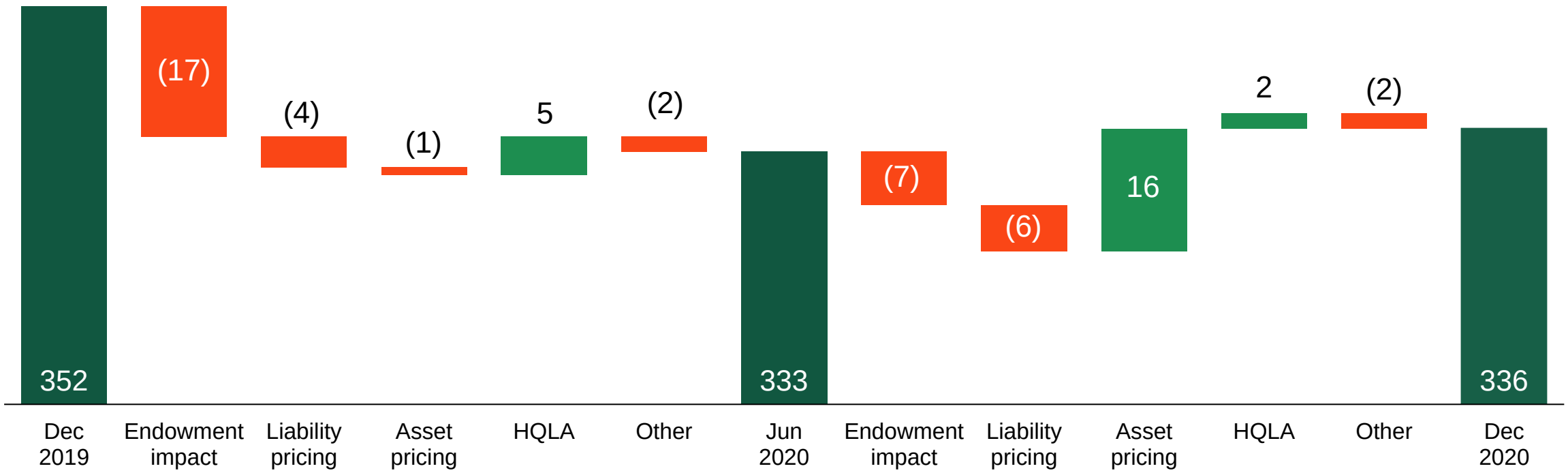
Deposits (Rbn)



- **CASA & cash management** – increased as clients built up their short-term cash surpluses, rolling maturing term deposits into the short end
- **Call, term & fixed deposits** – clients opted to keep their cash short due to the uncertain economic environment
- **NCDs & other term deposits** – clients opted to invest in higher-yielding government bonds coupled with a decrease in repos included in other deposits
- **Foreign currency deposits** – repayment of foreign borrowings
- **Loan-to-deposit ratio improved to 88%** (Dec 2019: 91%)

Net interest income: -0,3% – slow AIEBA growth & a resilient NIM in H2 resulted in decreased NII at the top end of guidance [0% to down 5%]

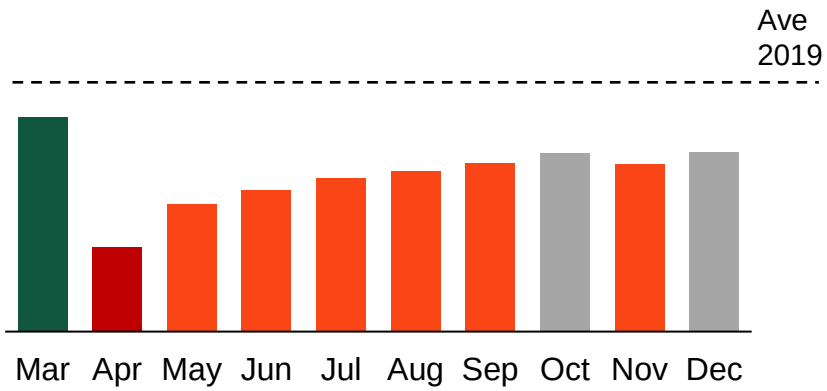
Net interest margin (bps)



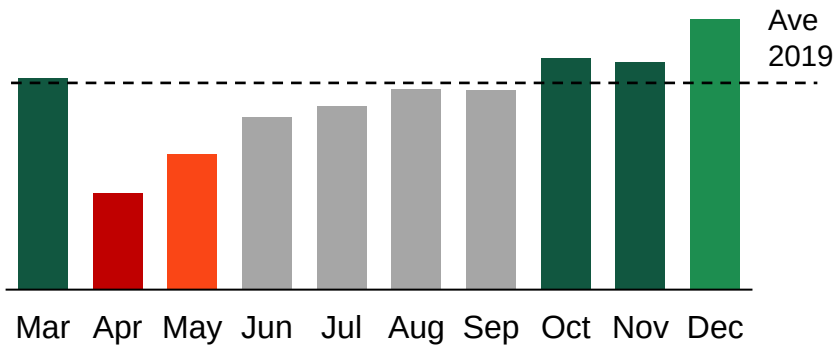
Average interest-earning banking assets: +4,4%;
NII sensitivity for 1% change in interest rates R1,3bn

RBB – recovery in transactional activity in H2 & greater levels of cross-sell on new loans support growth for 2021

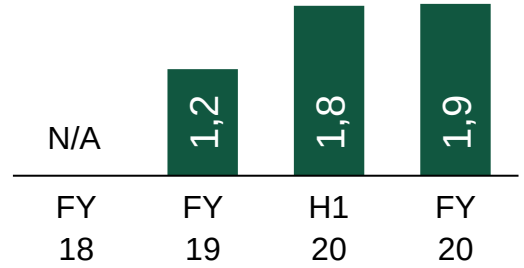
Branch teller transactions



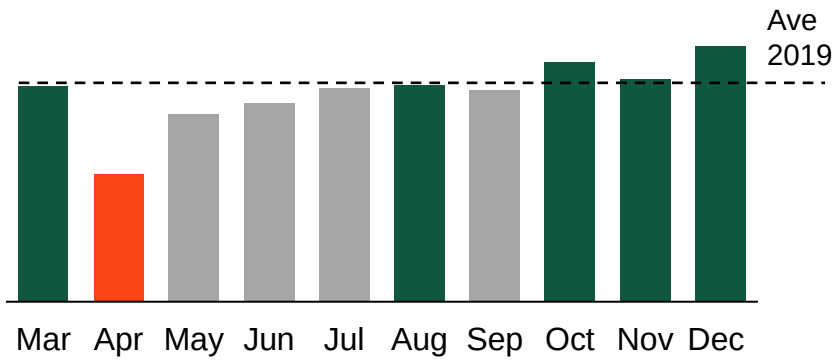
POS volumes



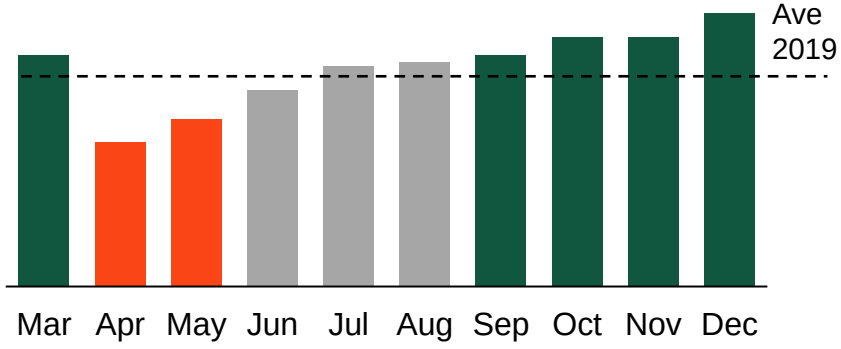
Cross-sell ratio[2]



ATM withdrawals

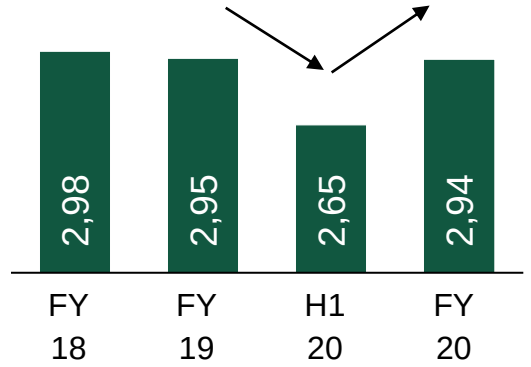


Digital payment & transfers[1]



Retail main-banked clients[3]

(# m)

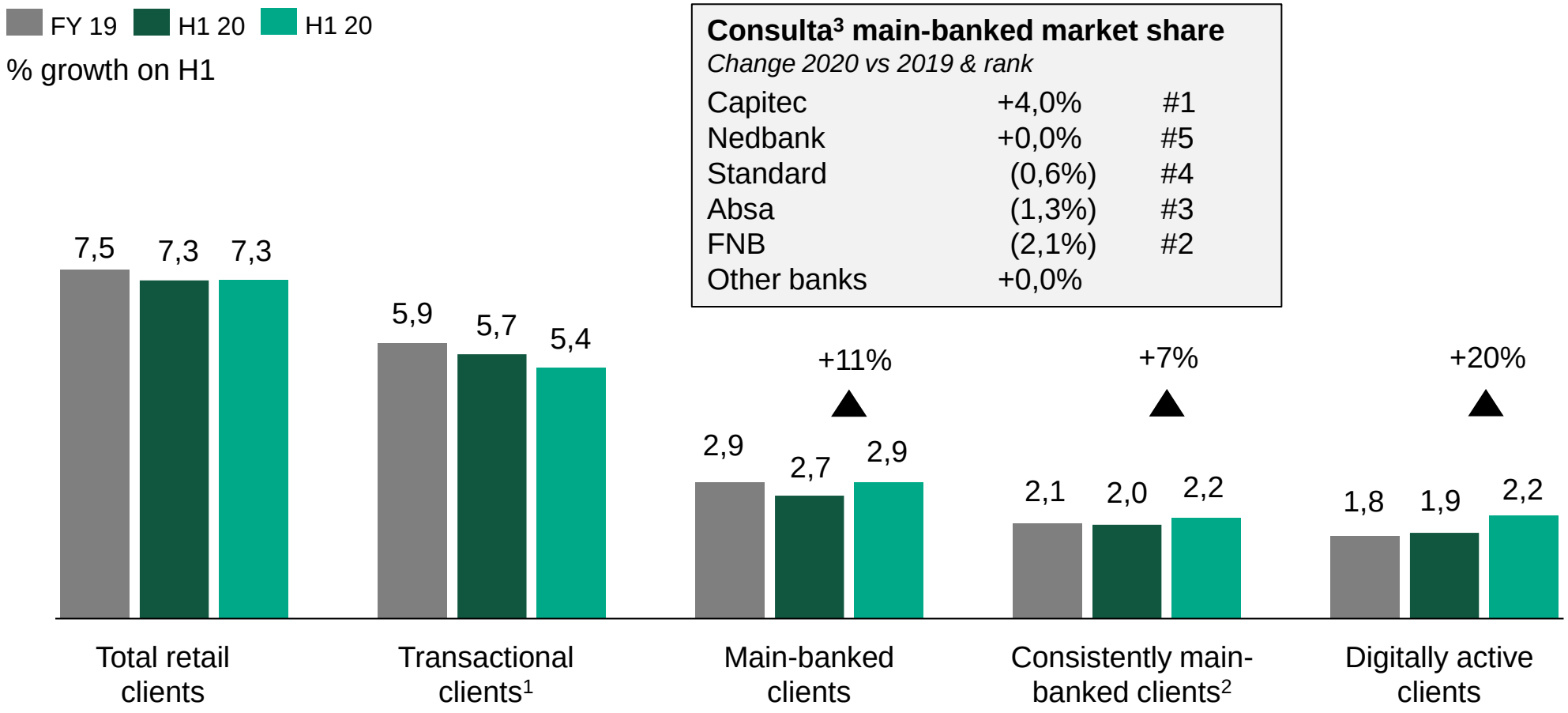


[1] App & web payment volumes combined. | [2] Cross-sell on new sales in branches (Core Plus). | [3] FY 20 Main-banked represents updated segmentation, digital transaction enhancements eg inclusion of MobiMoney & main-banked stabilisation.

Indicators March 2020 | < 50% | < 80% | < 100% | ≥ 100% | > 120% of March 2020 levels

RBB – strong main-banked client growth in H2 as transactional activity returned

Retail client base breakdown (# million)



Consulta[3] main-banked market share

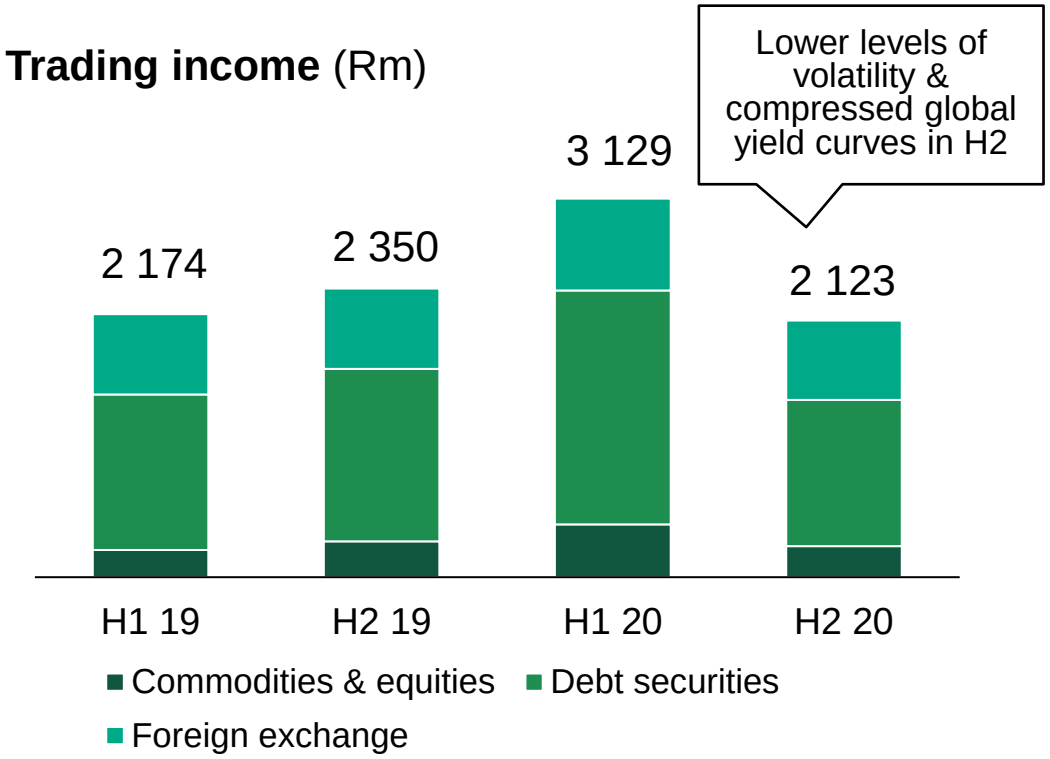
Change 2020 vs 2019 & rank

Capitec	+4,0%	#1
Nedbank	+0,0%	#5
Standard	(0,6%)	#4
Absa	(1,3%)	#3
FNB	(2,1%)	#2
Other banks	+0,0%	

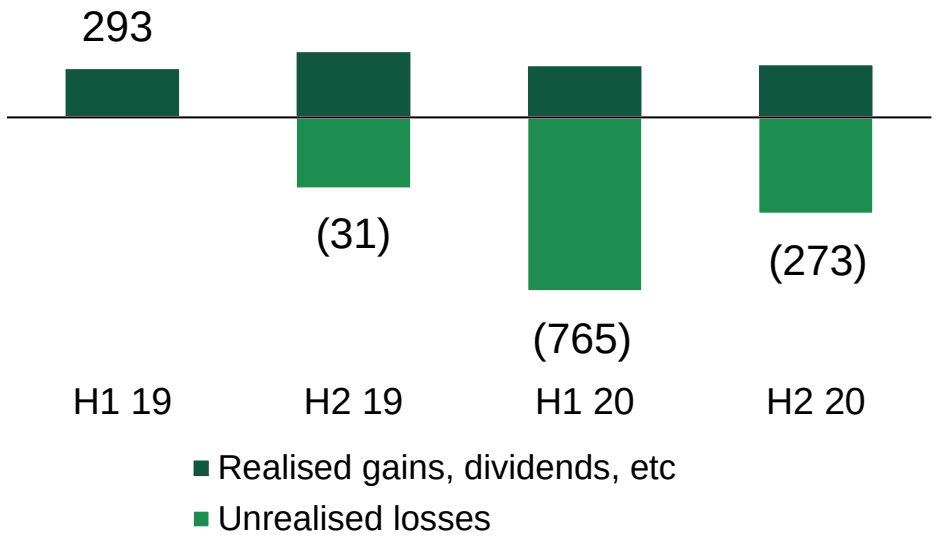
[1] Clients with a transactional product. | [2] Main-banked for each of the past 12 months. | Definition of main-banked clients: Youth & ELB ≥ 3 debits, 1 credit | Middle market ≥ 6 debits, 1 credit | Professionals ≥ 12 debits, 1 credit | SBS ≥ 25 debits | All over 3-month period. | [3] Consulta survey 2020.

Trading income – benefited from volatile market conditions
Private equity – impacted by negative revaluations

Trading income (Rm)



Private-equity income (Rm)



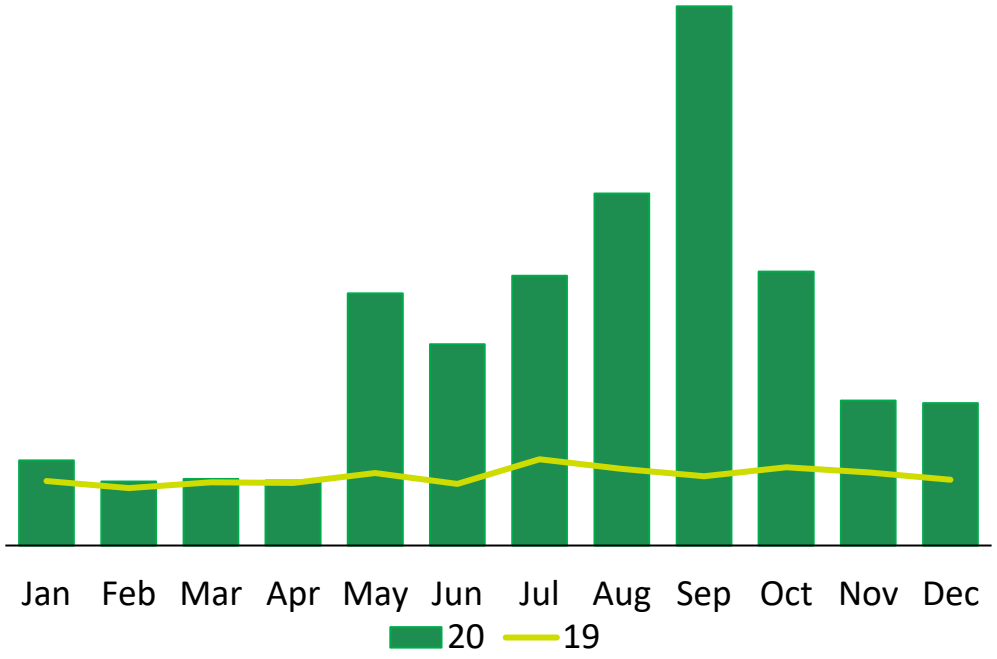
Investment over last few years in market-leading capabilities supported good outcomes:

- **Equities** – increased volatility & good client activity
- **Debt securities** – strong results in fixed income & hedging activity
- **Fx** – uptick in Fx derivatives client flow

- **IB** – negative equity revaluations impacted by weakened client profitability & lower listed market prices
- **CPF** – declines driven by negative equity revaluations, mezz loan impairments & equity valuation overlays created to reflect the expected reduction in valuations over time

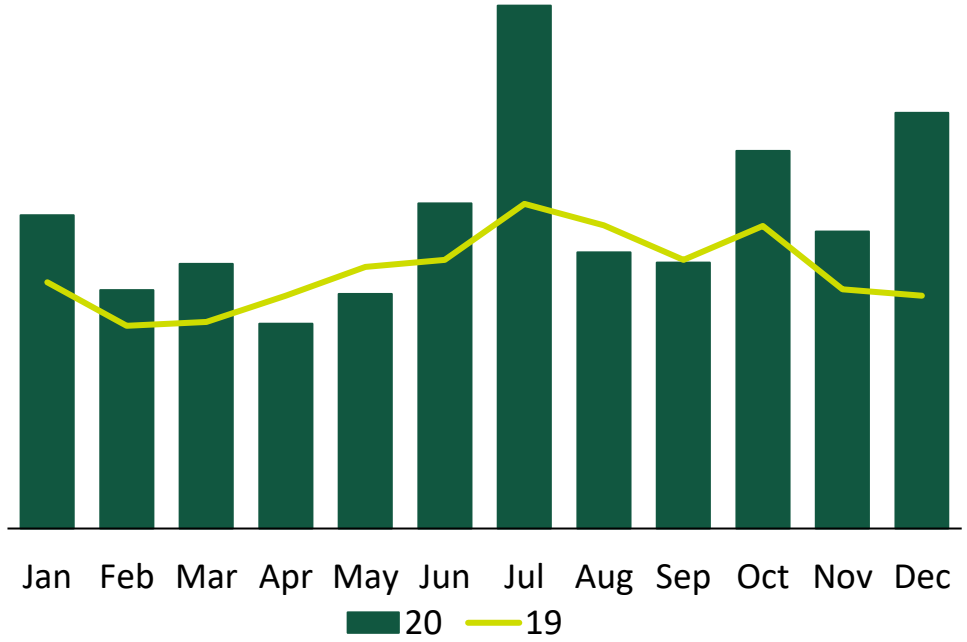
Insurance – higher retrenchment/loss-of-income & funeral claims

Retrenchment/Loss-of-income claims
(volumes)



- Provided clients, who have a Nedbank unsecured loan, the opportunity to apply for **debt relief & claim for credit life protection** through loss-of-income claims

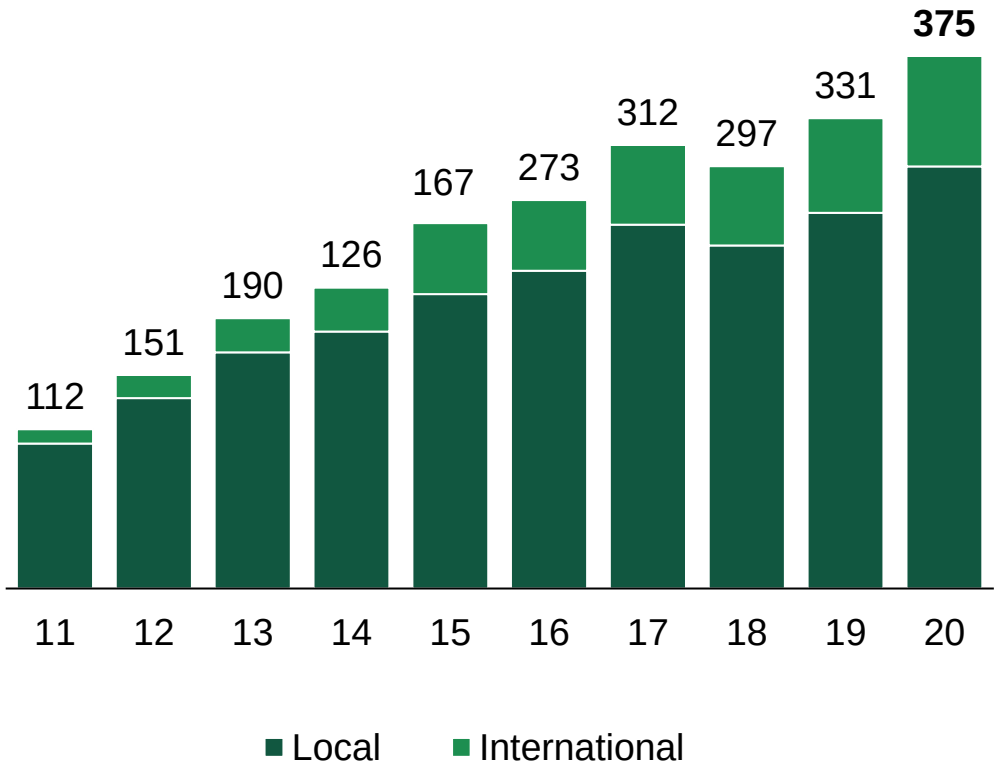
Funeral claims
(volumes)



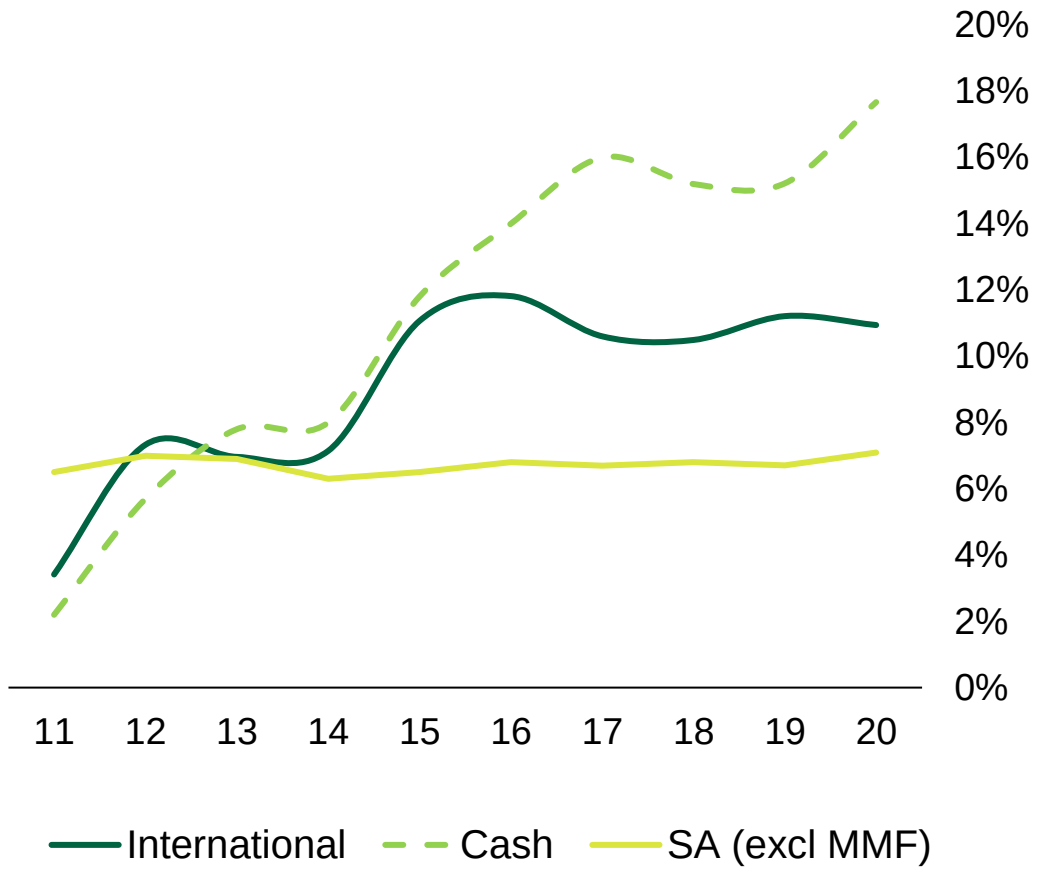
- Increase in funeral claims, in comparison to 2019, as a result of the **severe impact of the Covid-19 pandemic** on clients

Asset Management – strong growth in AUM & increased market share

Assets under Management (Rbn)

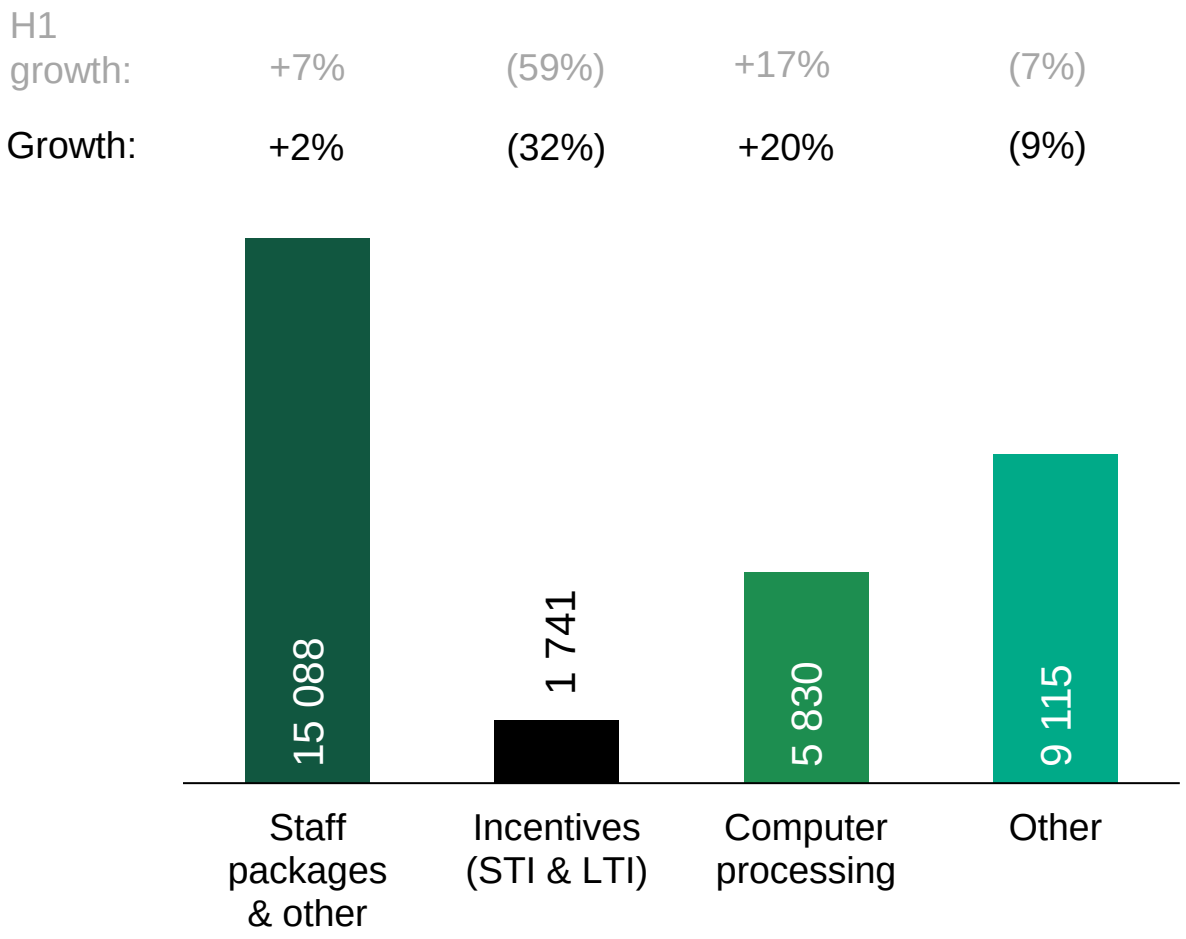


Market share (%)



Expenses down by 1% – good cost management in response to slowing revenue growth, efficiencies & benefits from digitisation & outcome within guidance [-1% to -4%]

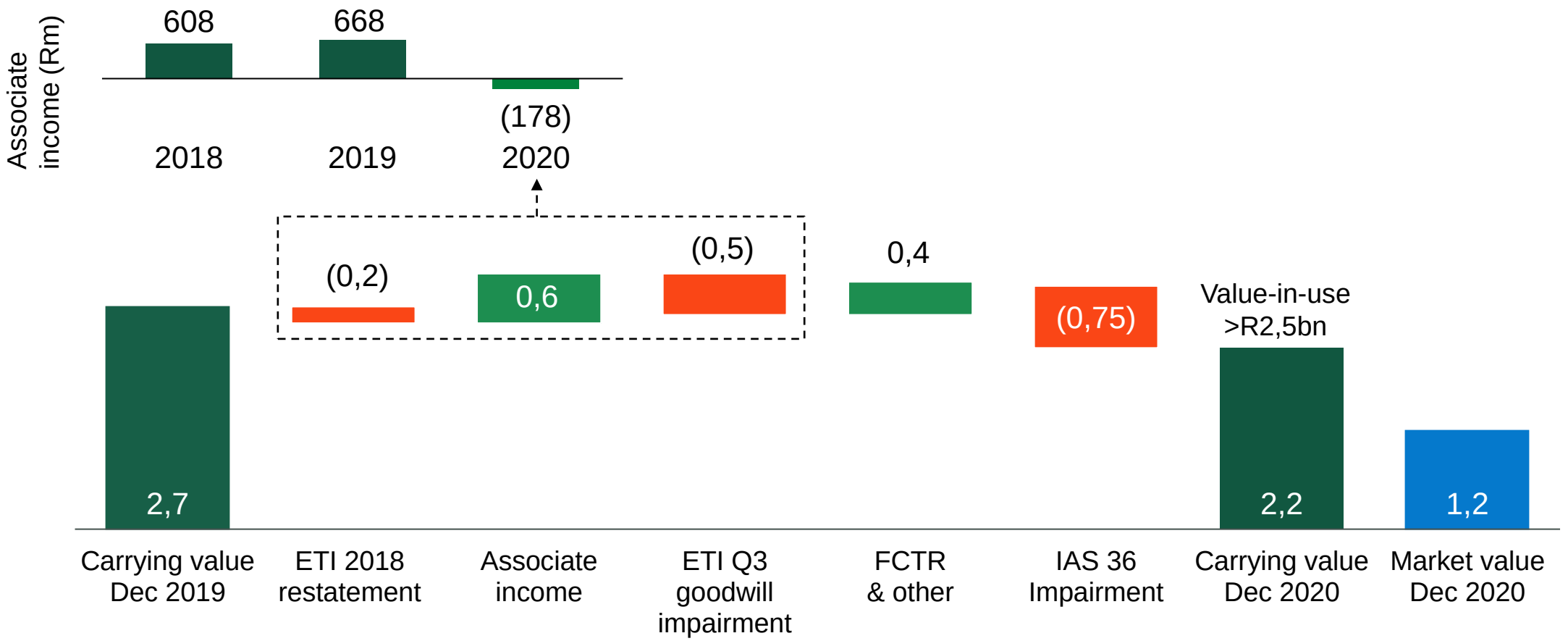
Expenses (Rm)



- **Staff costs**
  - ASR +4,7% offset by 6,1% decline in headcount (mainly through natural attrition)
  - Incentives down 32%
  - Other: higher leave costs (R121m) & PRMA benefit in 2019 base (R354m)
- **Computer processing** – incl software amortisation +23% (2019: +22%)
- **Other costs** – down 9% (includes marketing, communication, travel, etc.)
- **Covid-19-related costs** – R81m (includes PPE, healthcare costs & consulting)
- **TOM 1.0** – additional R675m in 2020 (R1,8bn cumulative benefits to end 2020)

ETI carrying value – improved financial performance offset by once-off items

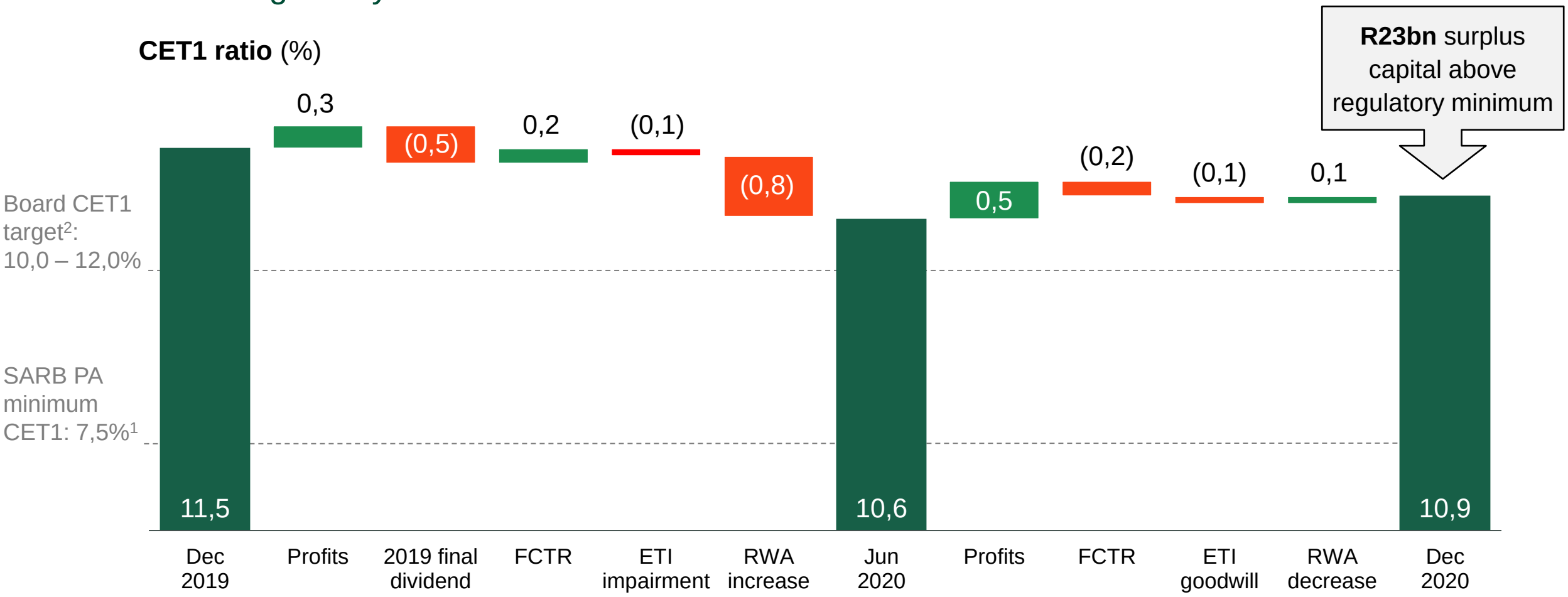
Carrying value drivers (Rbn)



[1] *ETI accounted for one quarter in arrear.*

Capital – CET1 improved from June 2020 driven by both supply (earnings/no dividend) & demand (RWA optimisation/low loan growth); & remains within board target & well above regulatory minimum level

CET1 ratio (%)

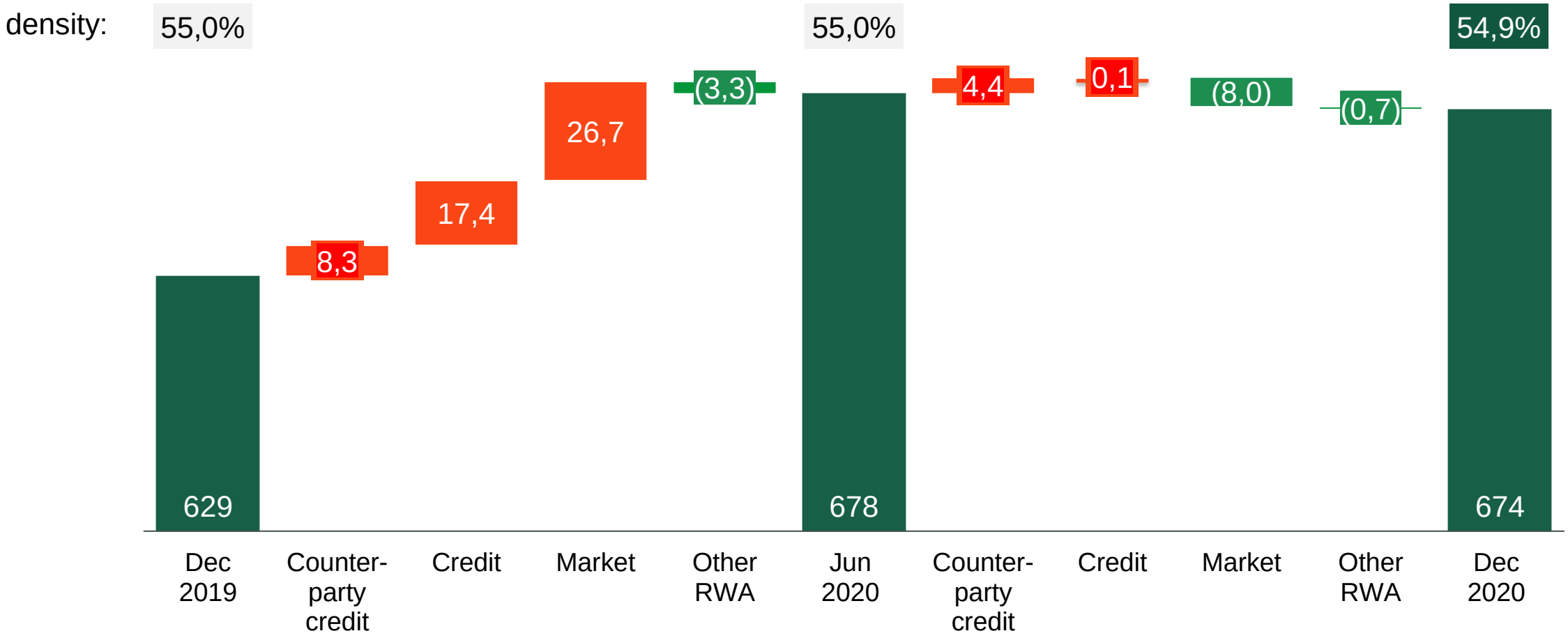


Capital adequacy ratios remain well above regulatory minima under various downside stress scenarios.

[1] Excluding idiosyncratic buffers & including D-SIB of 50 bps. | [2] Nedbank's internal board-approved target ranges have been revised to align with industry benchmarks & adjusted for the lower new regulatory minimum requirements as per the PA Directive 2/2020.

Capital – particular focus on RWA optimisation in H2, following the increase in H1 driven by market & credit RWA increases

Risk-weighted assets (Rbn)



Revised targets for the medium-term that support shareholder value creation

Diluted HEPS (cents)	**Return on equity** (%)	**Cost-to-income ratio** (%)	**Net promoter score** (NPS)
Greater than the 2019 level by **2023** (2019: 2 565 cents)	**Greater than the 2019 level** by **2023** (2019: 15,0%)	**Less than 54%** by **2023** (2019: 56,5%)	**#1 SA bank** by **2023** (2019: #3/ 2020: #2)
Supported by the **CLR** getting back into the TTC range of 60 to 100 bps & meeting our **cost-to-income** target & delivering on **SPT 2.0** & **TOM 2.0** (cumulative R2,5bn benefits over 3 years)	**CET1 ratio** to remain within the board-approved TTC target range of 10% to 12% & well above regulatory levels & **dividend payments expected to** resume for 2021 interim results	Focus on **areas that create value** (SPT 2.0), ongoing investment in the franchise, **efficient execution** & cost optimisation (TOM 2.0) & **digital leadership**	**Market-leading client solutions**, **disruptive market activities** & **leading sustainably/creating positive impact** (caring for staff, clients, society & the environment)

2021 full-year financial guidance based on February 2021 macroeconomic forecasts

	2020 Performance	2021 guidance range[1]	Key drivers
NII growth	(0%)	0% to 3%	▪ Advances growth to recover off a low base – RBB momentum continues & CIB return to growth, albeit at low levels ▪ NIM drivers: interest rates flat in 2021 at 7,0% (run rate impact continues from 2020) & better asset pricing
CLR	161 bps	110 to 130 bps	▪ Ongoing retail & corporate CLR improvement into 2021, but risks from the pace of economic recovery remain
NIR growth	(7%)	5% to 9%	▪ Client transactional volumes improve (aligned to economic activity) & benefits from strategic actions eg cross-sell ▪ High base for trading income vs low base for private-equity in 2020
Expense growth	(1%)	7% to 9%	▪ Impact of new costs (DIS, Twin Peaks) & some discretionary costs returning (eg YES, Sponsorships, marketing etc). Cost control remains a key focus
Capital (CET1 ratio)	10,9%	10% to 12%	▪ Earnings recovery in 2021 & dividends to resume post 2021 interim results announcement ▪ RWA optimisation continues
Liquidity (LCR & NSFR ratios)	LCR: 126% NSFR: 113%	Above regulatory minima	
DHEPS	(57%)	Increase > 20%	
Dividends	No dividend declared	Resume paying from H1 2021 interim results	▪ PA G3/2021 – the board will apply its mind but plan to resume dividend payments when reporting interim results in 2021

Delivering on our purpose – to use our financial expertise to do good

Environment

Assisting our clients

R31bn renewable energy finance provided (since 2012)

> 3 500 MW added to the electricity grid

Leading through example

R7,7bn green/SDG bonds issued & loans secured (#1 SA bank)[3]

Carbon neutral operations (since 2009)

Alignment to the Paris agreement

100% approval of our climate change resolutions (53rd AGM)

1st TCFD report in April 2021

Social

Embracing diversity

Female staff: **> 61%**

Black staff[1]: **> 79%**

BBBEE: **level 1**

Financial inclusion & support

R47bn loans to SMEs, entrepreneurs, professionals[2]

Payment relief on **R121bn** of client loans

Financial solutions to more than **7,3m** clients

Supporting society

45% of **R103m** CSI spend on skills development & education

R16m donated to Covid-19 relief

Governance

Caring culture

17 staff NPS (+10 yoy)

7% staff attrition (down from 2019:11%)

Performance contracts include **ESG components** & Individual group executive ownership of nine **SDGs**

Independent & diverse board

60% Independent directors

60% Black[1] directors

20% Women on the board

Regular shareholder engagements on **ESG** matters (2020: 7th annual roadshow)

MSCI ESG **AA** rating

FTSE Russell **Top 5%** of all banks

SUSTAINALYTICS **16th** out of 408 diversified banks

ISS **Top 20%** of all global banks

1 Defined as African, Indian & Coloured population. | 2 Represents RRB loans & advances. | 3 R4,7bn bonds issued & $200m IFC loan.

Contact us

Nedbank Group
nedbankgroup.co.za
Nedbank Group Limited
Tel: +27 (0) 11 294 4444
Physical address
135 Rivonia Road
Sandown
2196
South Africa

Nedbank Investor Relations



Head of Investor Relations
Alfred Visagie
Direct tel: +27 (0) 10 234 5329
Cell: +27 (0) 82 855 4692
Email: AlfredV@nedbank.co.za



CFO
Mike Davis
Email: MichaelDav@nedbank.co.za



Investor Relations
Larisa Masliukova
Direct tel: +27 (0) 10 234 5402
Cell: +27 (0) 82 085 9914
Email: LarisaM@nedbank.co.za



Investor Relations
Vuyo Majija
Direct tel: +27 (0) 10 234 5975
Cell: +27 (0) 76 785 3562
Email: VuyoMa@nedbank.co.za

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 will prove to be 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 whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.