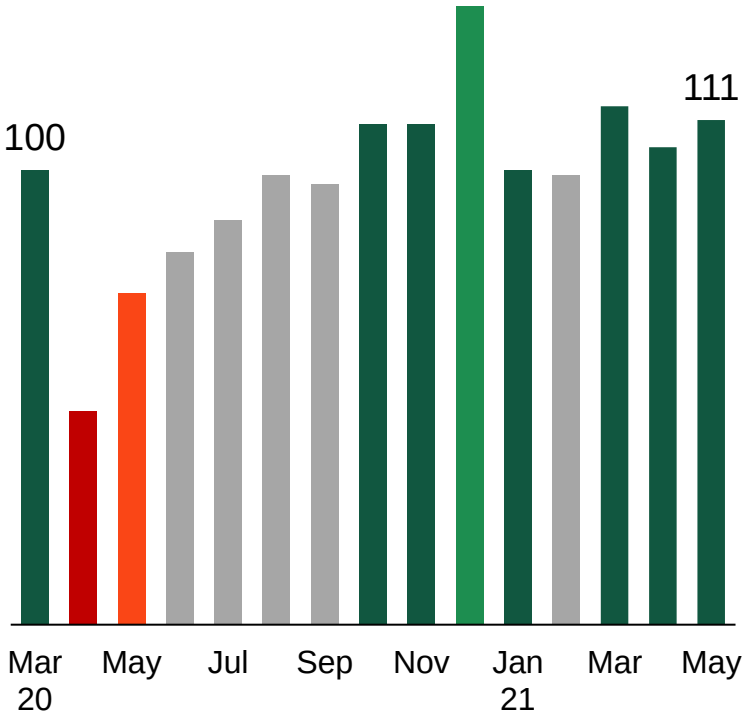
Nedbank Group

Investor presentation – June 2021

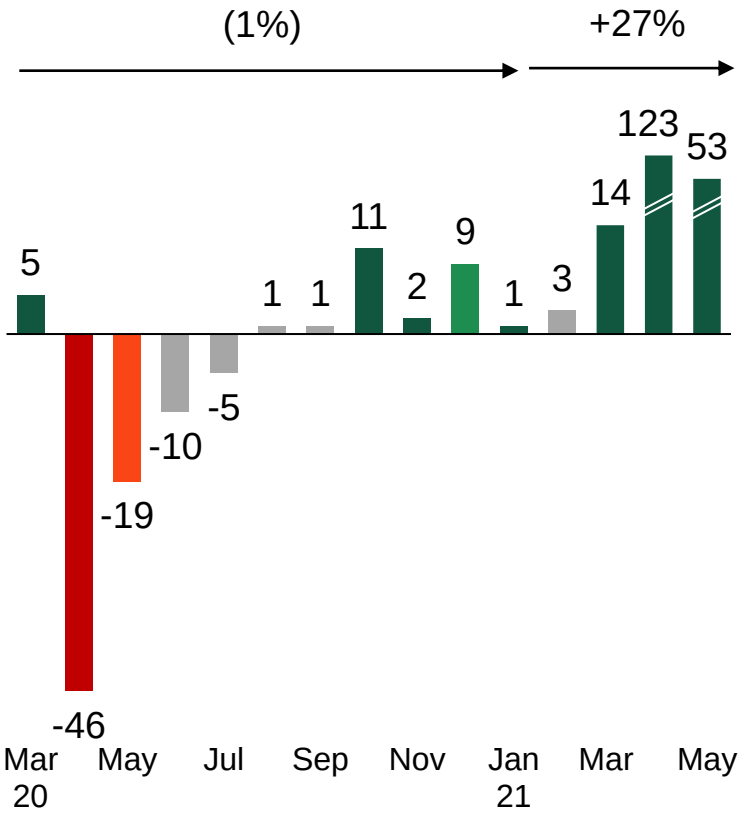
see money differently

Operating environment – high-frequency data from client transactional turnover[1] indicates an improvement in operating conditions in H2 2020 & into 2021

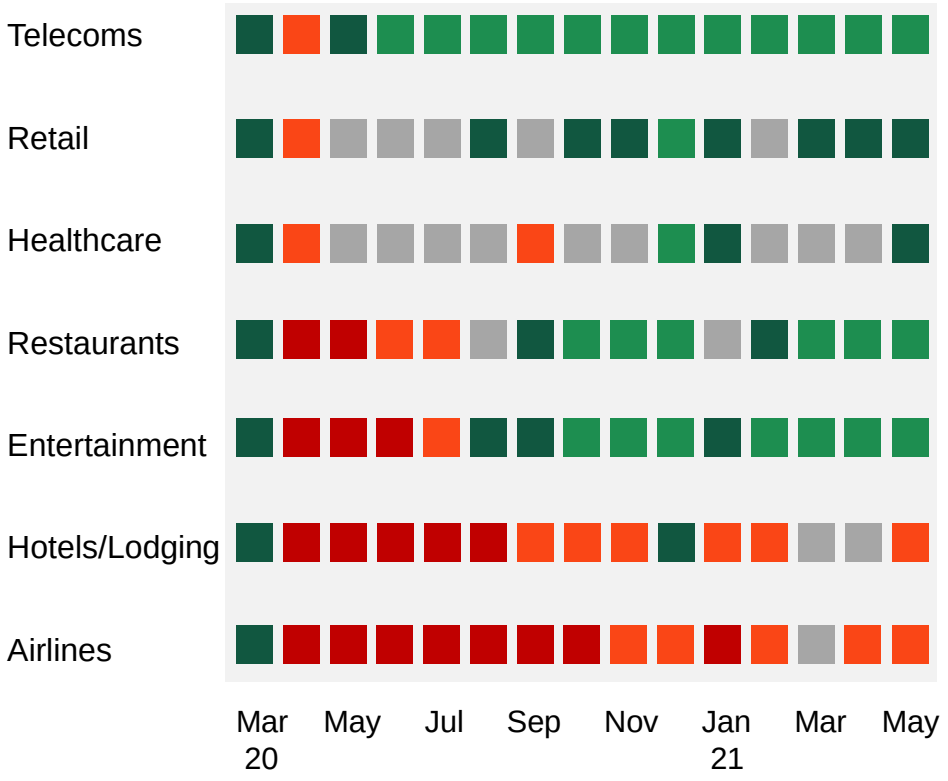
Total industry (indexed to March 2020)



Total industry (yoy growth %)



Key sectors (indexed to March 2020)

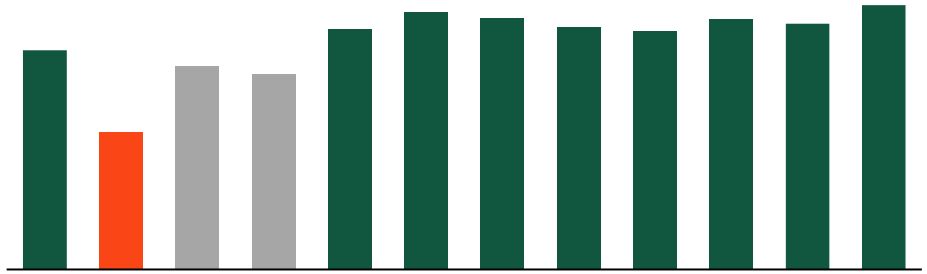


Indicators March 2020 | < 50% | < 80% | < 100% | ≥ 100% | > 120% of March 2020 levels

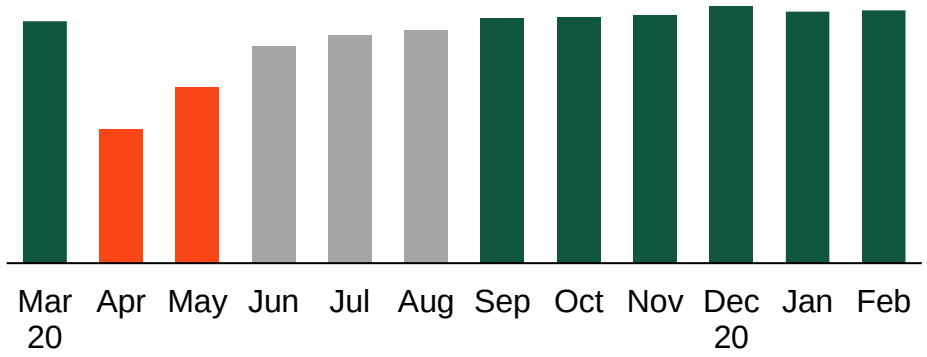
[1] *Based on Nedbank POS & card-related digital payment data (client turnover).*

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

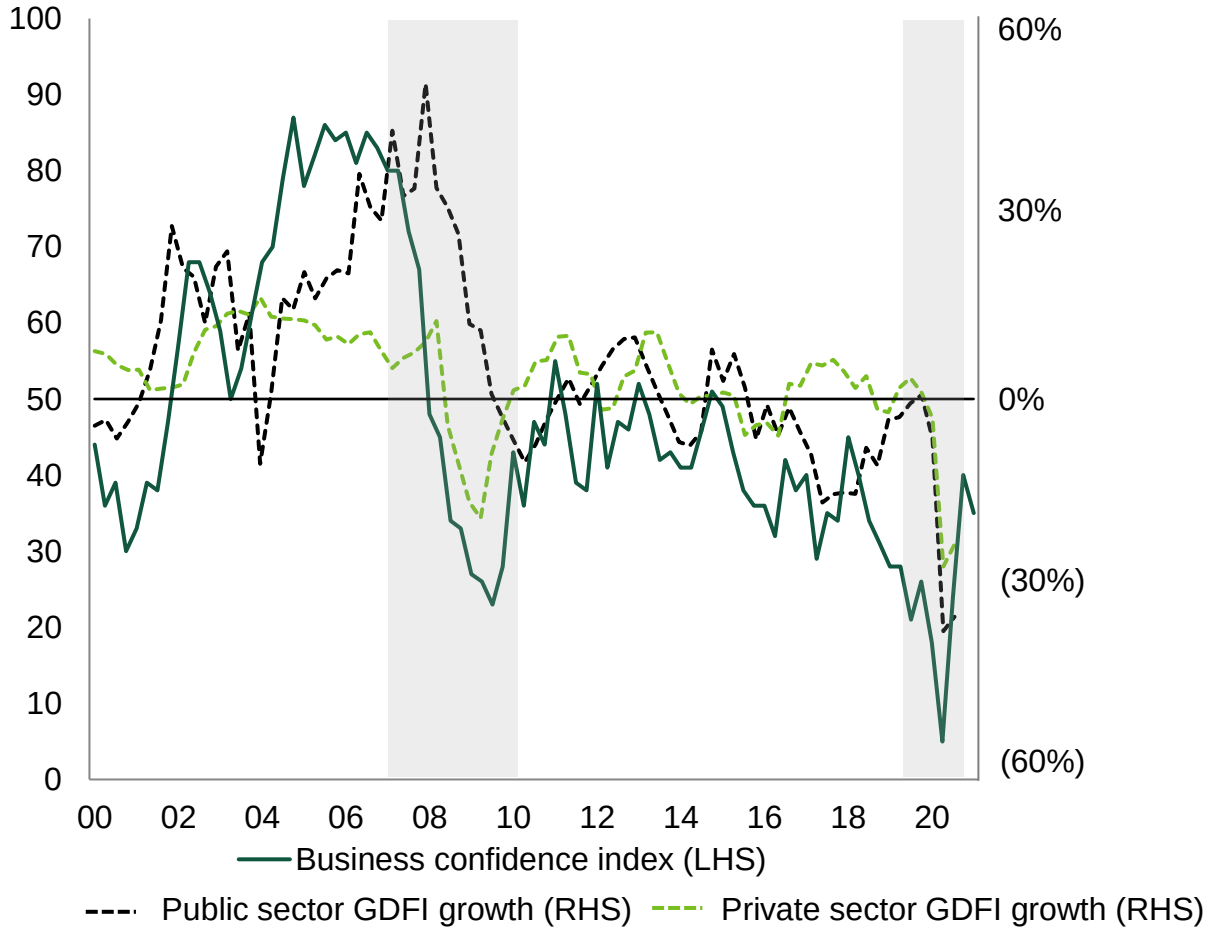
Mining production (indexed to 2019)



Manufacturing production (indexed to 2019)



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



[1] *SA Bureau of Economic Research.*

Nedbank economic forecasts – improving outlook

		Forecast: Feb 2021				Forecast: May 2021			
	20[2]	20	21	22	23	24	21	22	23	24
SA GDP growth	(7,0%)	(7,0%)	3,4%	2,2%	1,8%	1,5%	4,4%	2,0%	1,4%	0,8%
YE prime interest rate	7,0%	7,0%	7,0%	7,5%	7,5%	7,5%	7,0%	8,0%	8,0%	8,5%
Inflation (CPI)	3,3%	3,3%	4,2%	4,6%	4,3%	4,2%	4,4%	4,4%	4,3%	4,5%
Industry credit growth	2,5%	1,2%	4,5%	5,7%	5,1%	5,2%	2,5%	5,7%	5,0%	5,2%
Rand/US$ (year end)	17,0	14,6	15,3	15,9	16,9	18,1	14,8	15,3	15,3	16,3
SA fiscal deficit % of GPD[1]	(6,3%)	(6,4%)	(14,2%)	(10,6%)	(9,8%)	(9,7%)	(14,0%)	(10,5%)	(9,6%)	(9,3%)
SA gov debt % of GDP[1]	63,5%	63,3%	81,5%	84,9%	89,7%	94,1%	81,3%	83,9%	88,5%	93,2%

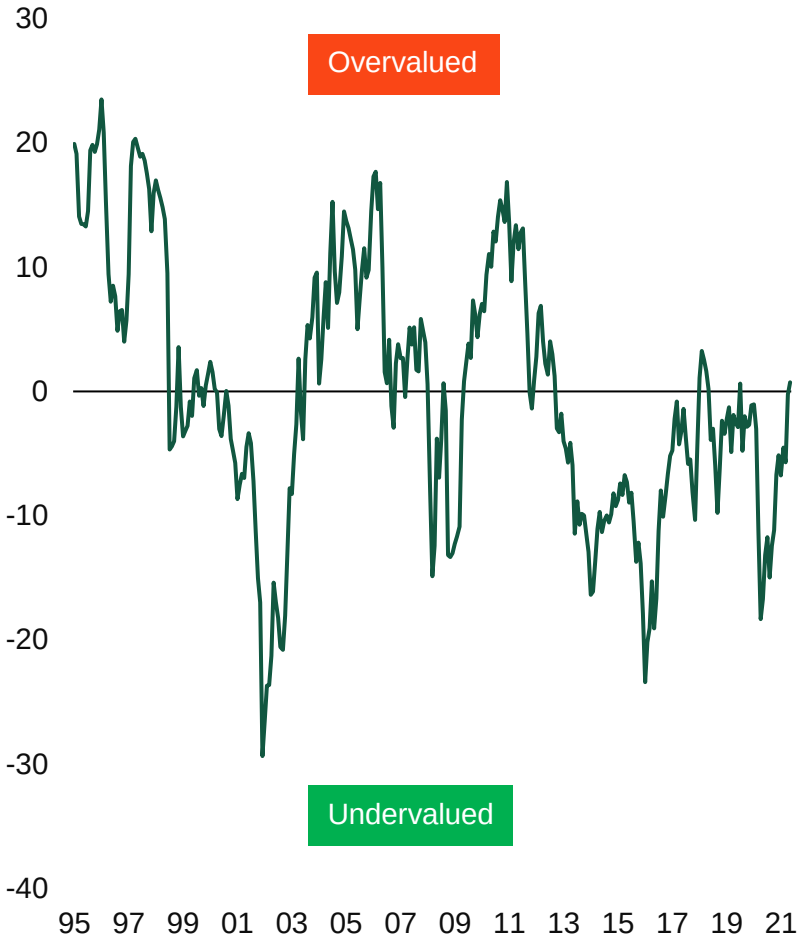
Source: Nedbank Group Economic Unit. | [1] Year ending March. | [2] Nedbank Group Economic Unit forecasts in July 2020 (as part of H1 2020 results).

Rand strengthened to the best level since 2019 vs US$

ZARUSD



Rand vs US$ over/under valuation on PPP



General risk-on sentiment among global investors

Moderately improved sentiment towards EMs

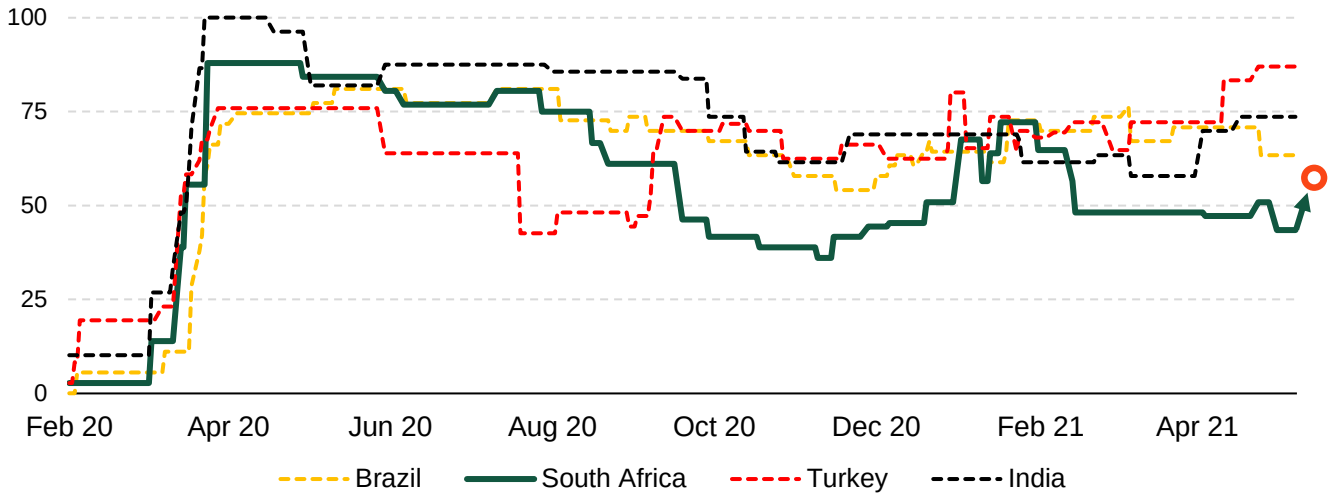
Improved sentiment towards SA

- Generally better-than-expected economic & fiscal outcomes since H2 2020
- Expectations that SA should benefit from rally in commodity prices & shift towards infrastructure investment
- High nominal yields in EMs universe (deep + liquid financial markets)
- Inflation contained & predictable monetary policies
- Gains in the fight against corruption
- Some evidence of energy policy reform

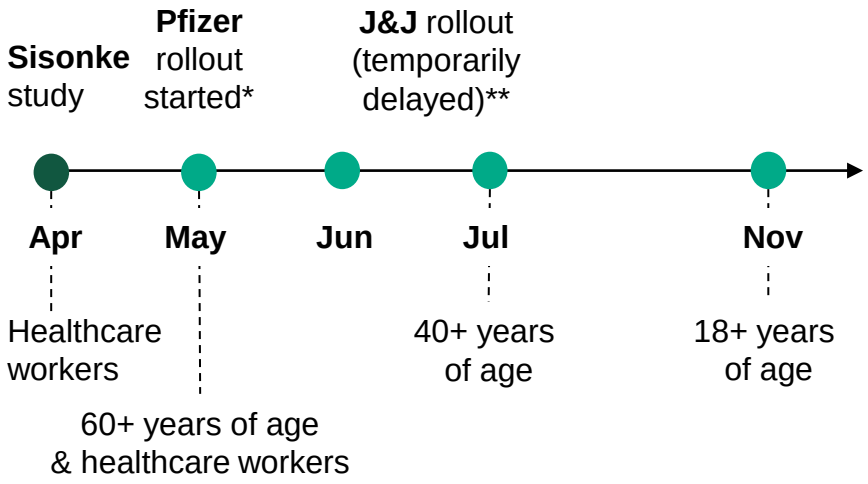
Growing SA trade surplus – supportive real trade flows

Covid-19 infections & vaccine rollout – SA 3rd wave of infections started, but vaccine rollout has been slow

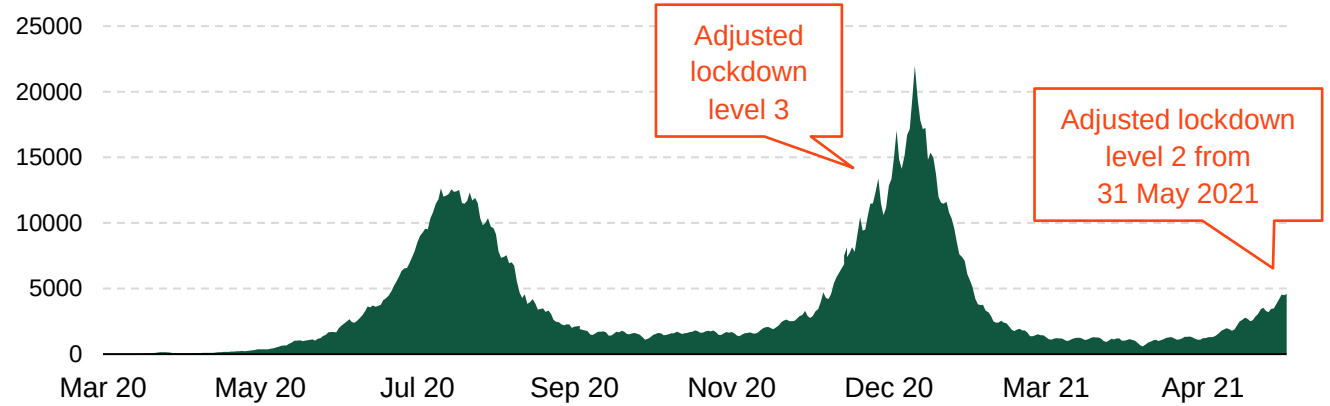
Stringency index[1]



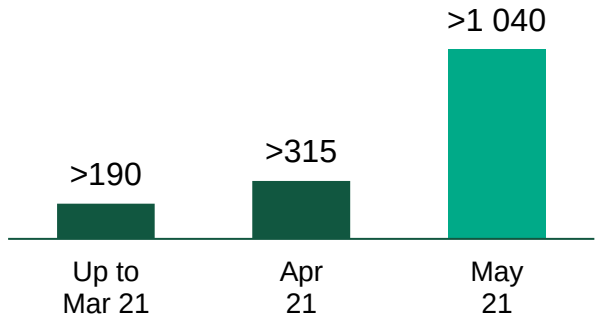
SA vaccination plan



SA positive cases (7 day average)



Vaccine rollout (# 000, 1 dose administered)



* Pfizer total 31,4m by end 2021, ** J&J total 31,2m by end 2021

1 Oxford University | SA expected to increase to >50 as a result of adjusted lockdown level 2

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

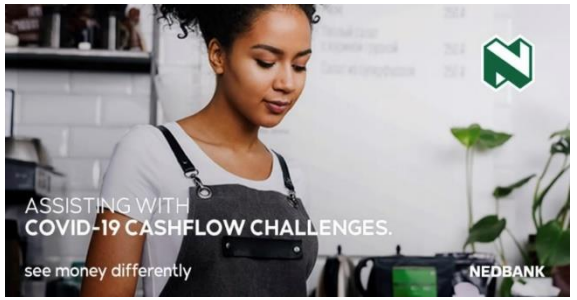
- Enabled & educated our clients to increasingly bank through our **mobile & web capabilities**
- **Support for clients** – eg payment holidays (on R121bn loans for more than 400k clients), fees concessions amounting to R104m, claims from credit life insurance cover (> R150m), applying for readvances & 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.*

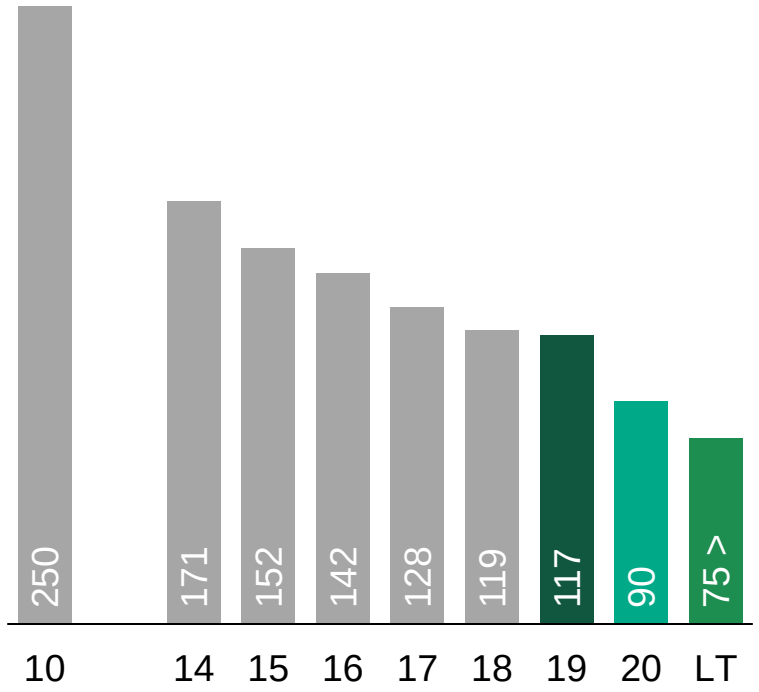
Resilience – our balance sheet metrics remained strong & improved further in H2 2020 & Q1 2021

	Regulatory responses	Nedbank June 2020	Nedbank Dec 2020	Nedbank Mar 2021
Liquidity	▪ Liquidity measures – transmission of liquidity through the system ▪ D1/2020 – minimum LCR from 100% to 80%	LCR **115%**	LCR **126%**	LCR **128%**
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**	D3 relief[2] **R15bn**
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%**	CET1 ratio **11,3%**
Dividends	▪ G4/2020 – suspension of future dividends & cash bonus payments to certain individuals ▪ G3/2021 – board discretion in 2021	No interim dividend declared	No final dividend declared[1]	Intention to start paying

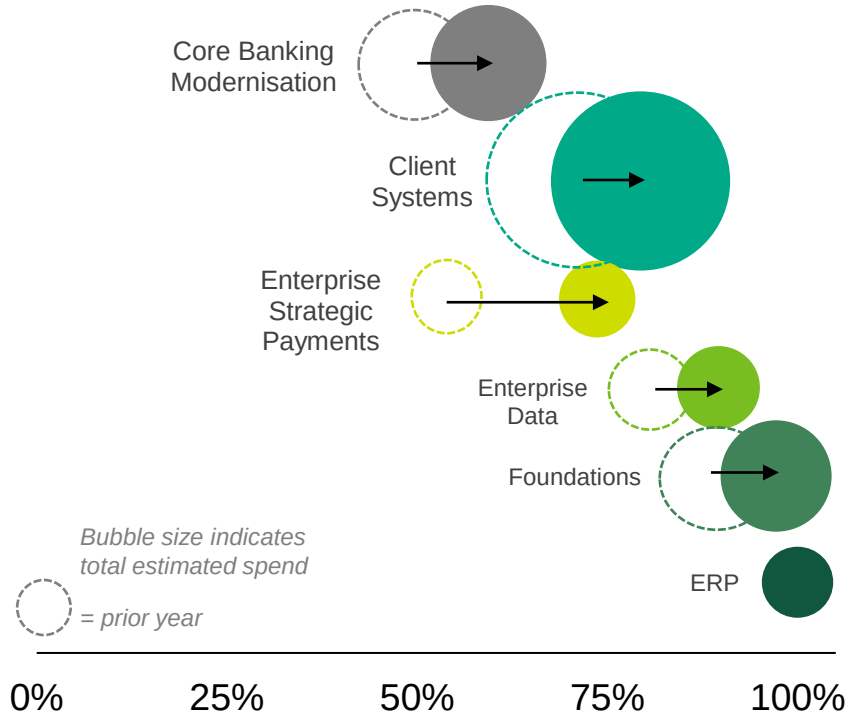
[1] G3/2021 considered. | [2] At 30 April 2021

Managed Evolution technology strategy on track

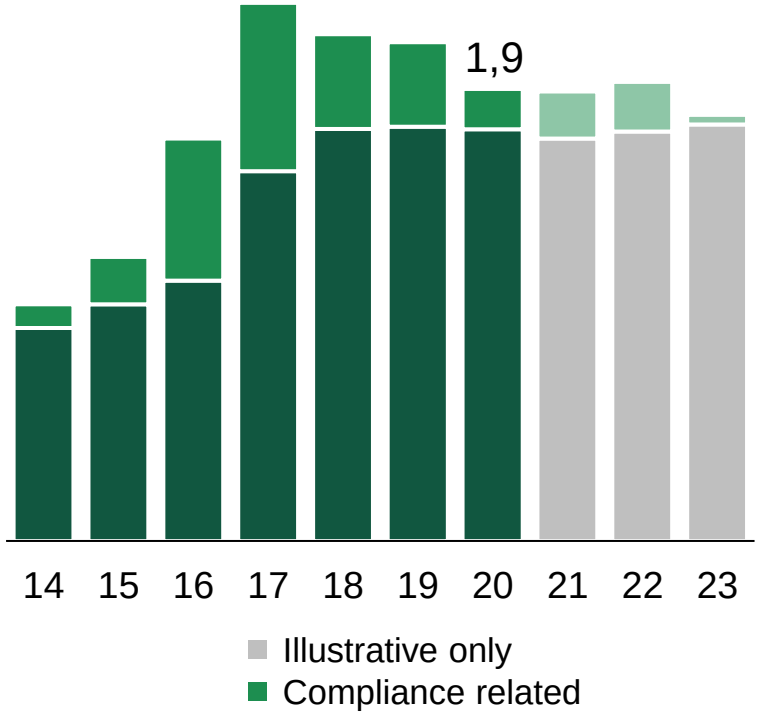
Core systems (#)
Rationalise, standardise & simplify



Managed Evolution programme
~78% complete, R11,4bn by end 2020

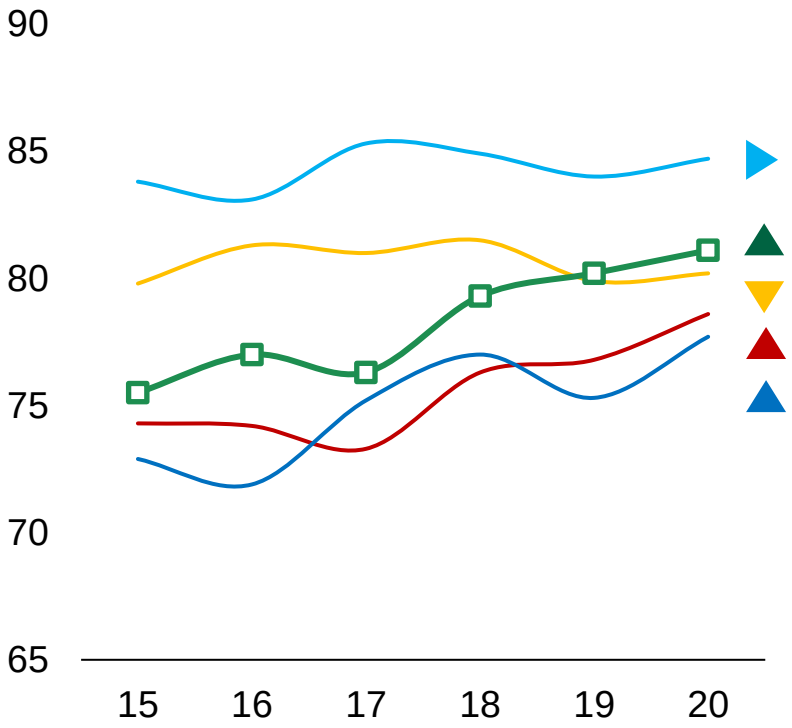


IT software development spend (Rbn)
Annual cashflow continues to decline

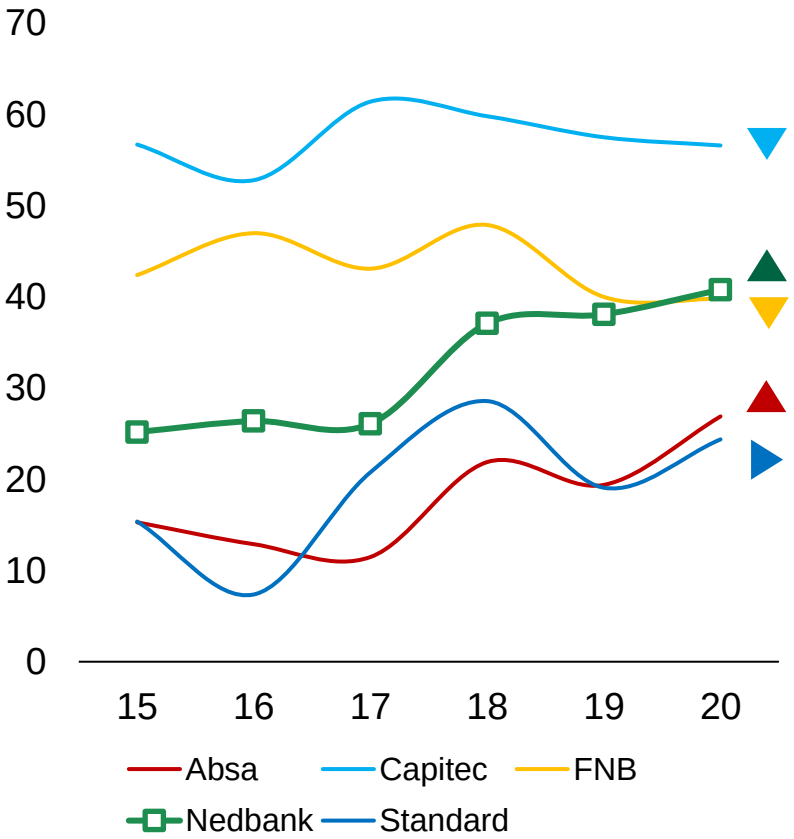


Client satisfaction metrics – continue an upward trajectory & Nedbank now the #2 rated SA bank, while app ratings remain at the top end

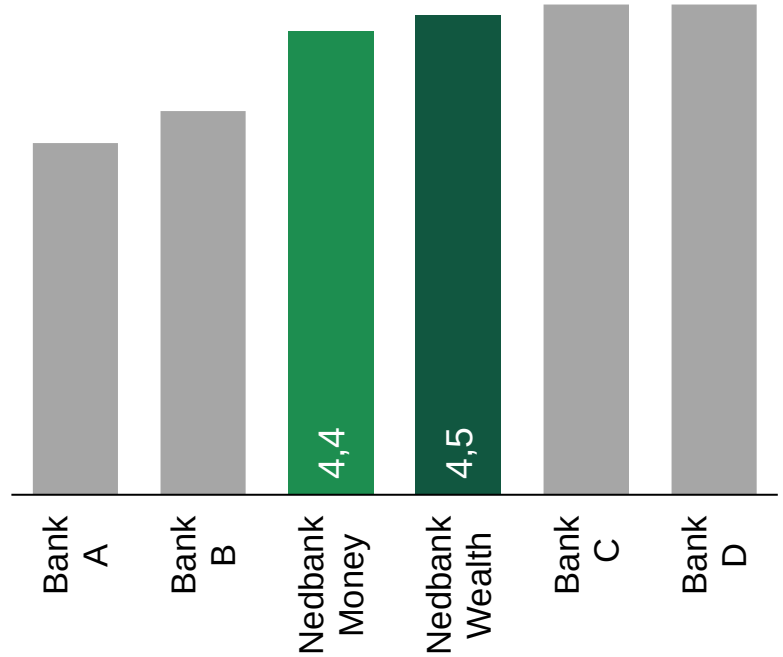
SA-client satisfaction index[1]



Net promoter score[1]



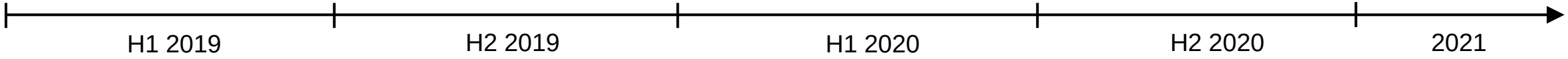
Apple & Google Play Store app ratings[2] (stars / 5)



[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



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)

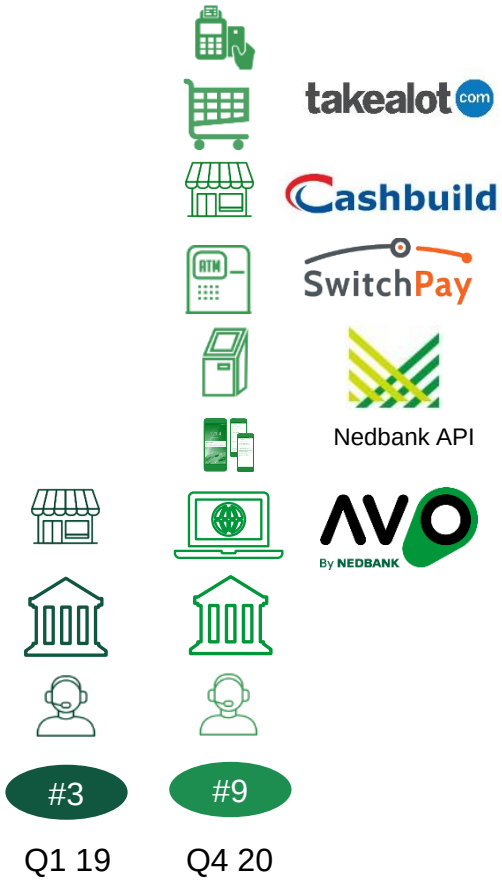
- ▪ Card issuing (2)
  ▪ Overdrafts (2) ✓
- ▪ Home loans (1) [3]
- ▪ Home loans (2) [3]
- ▪ Vehicle Finance [3]
- ▪ Stockbroking [3]
  ▪ Forex [3]
  ▪ Student Loans [3]
- Additional Products
  ▪ NedGroup Investments ✓
- ▪ Wealth [3]
- Additional Products[4]
  ▪ RRB
  ▪ Everyday Banking (MVP)

[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

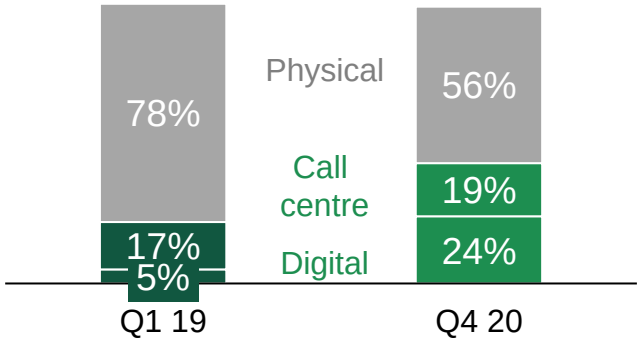
Personal Loans – our first fully digitised client journey/product now delivering tangible benefits

Channels

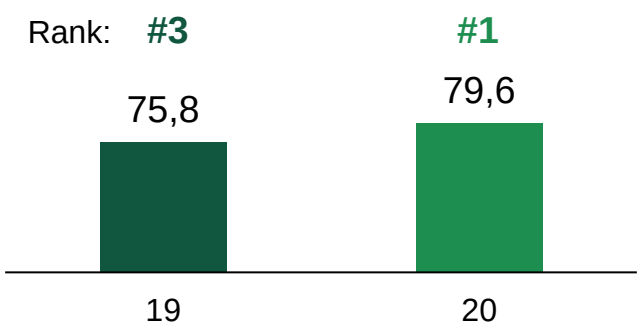


Digital sales

Channels (% of total)

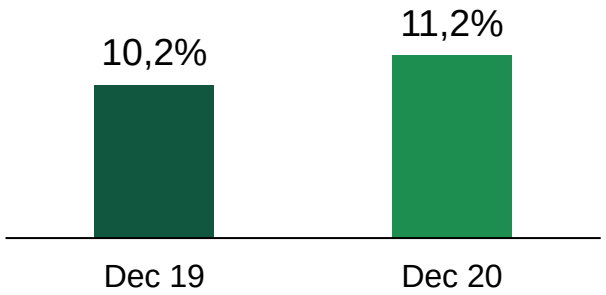


Client satisfaction score (SA-csi)

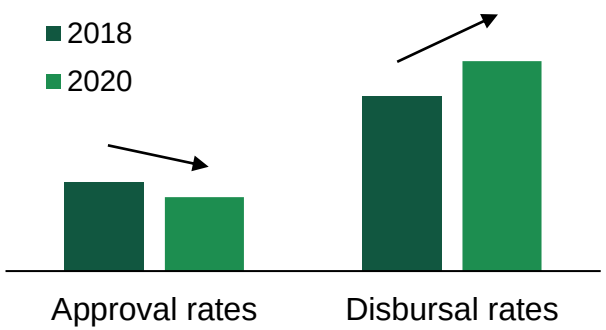


Credit

Personal Loans market share (%)



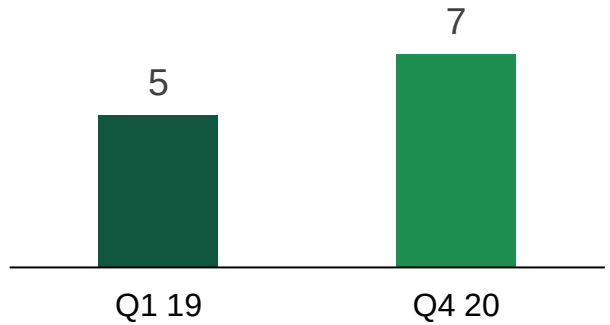
Loan approval and disbursal rates (%)



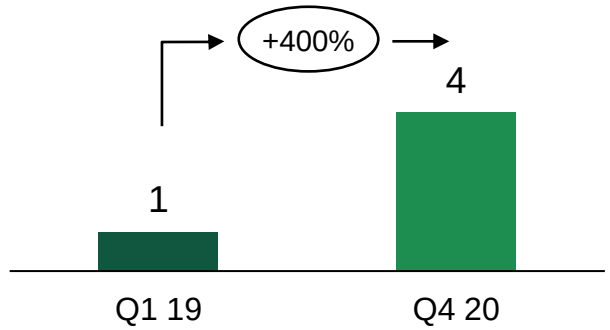
Cross-sell

PL paid into a Nedbank Tx account

Existing Nedbank clients (out of 10)

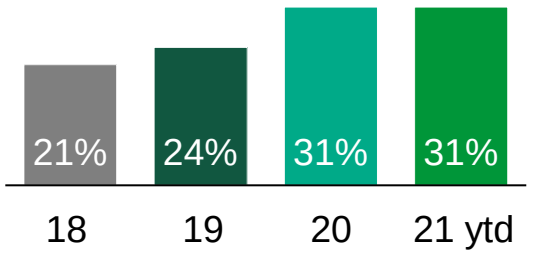


New to Nedbank clients (out of 10)

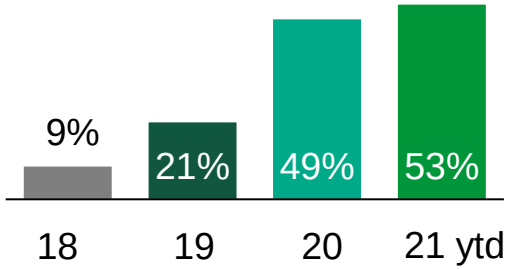


Digital – accelerated delivery, uptake & usage

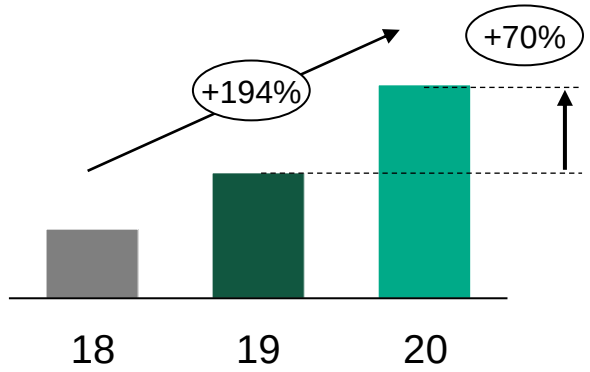
Digitally active clients
(% of total clients)



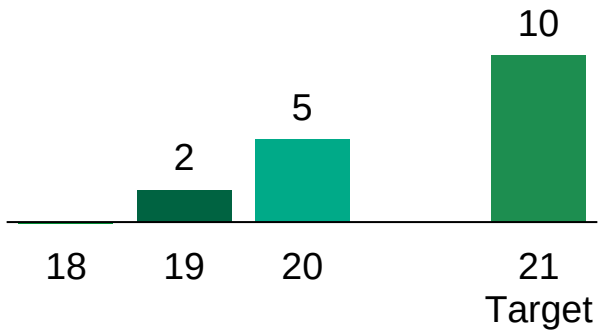
Digital sales[2]
(# 000)



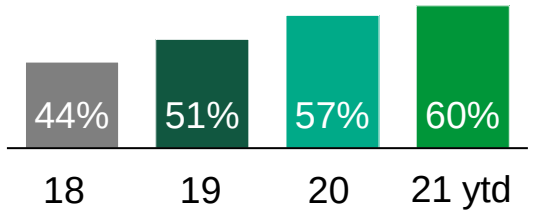
App transaction volumes (# m)



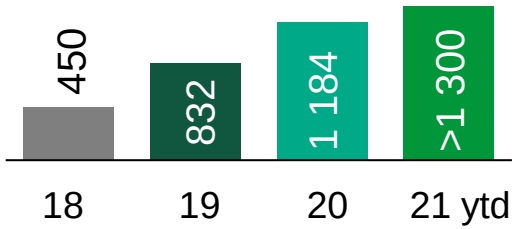
Products digitised
(# of top 10)



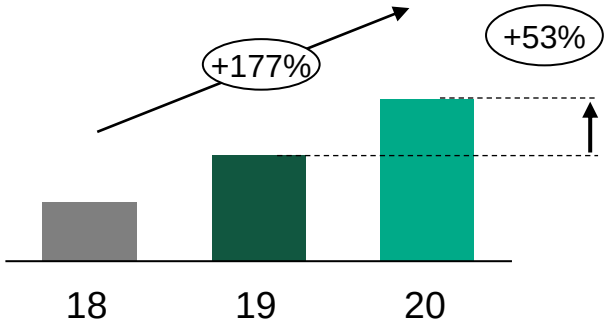
Digitally active clients
(% of main-banked[1] clients)



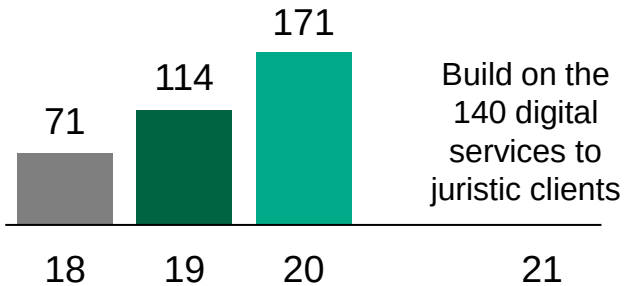
Money app active users
(# 000)



App transaction values (Rbn)



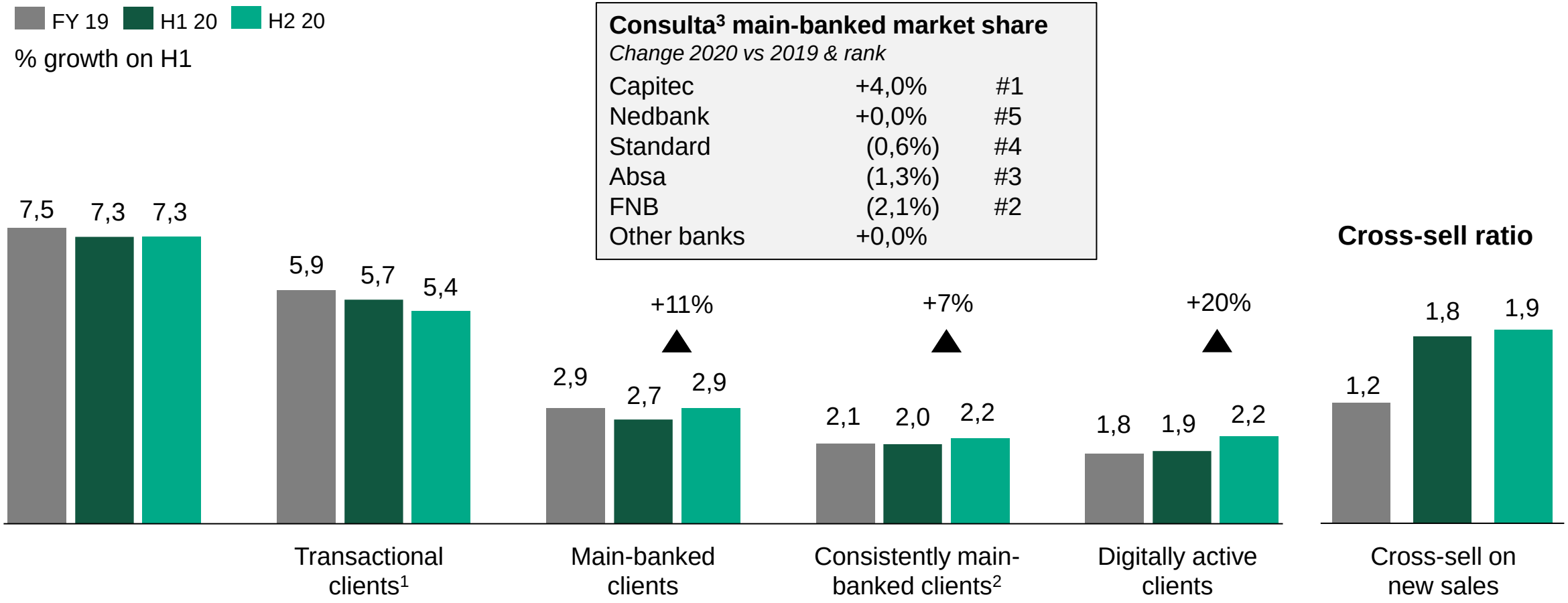
Retail services digitised
(#)



[1] Digitally active main-banked clients | [2] Including Mobimoney

Quality client growth – strong retail main-banked client growth in H2 2020 as transactional activity returned & levels of cross-sell improved

Retail client base breakdown (# million)



Consulta[3] main-banked market share

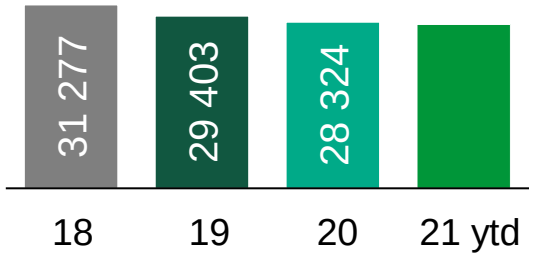
Change 2020 vs 2019 & rank

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

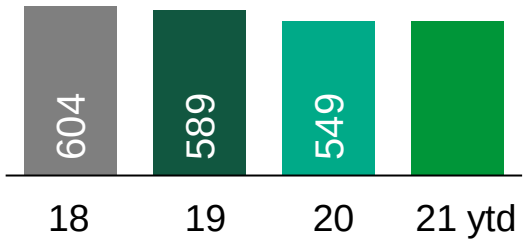
[1] Clients with a transactional product. | [2] Main-banked for each of the past 12 months. | Definition of main-banked clients: Youth & ELB ≥ 3 debits, 1 credit | Middle market ≥ 6 debits, 1 credit | Professionals ≥ 12 debits, 1 credit | SBS ≥ 25 debits | All over 3-month period. | [3] Consulta survey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

Optimisation of operations continue

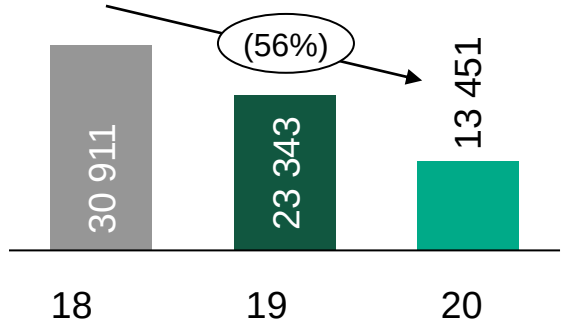
Group employees
(# of)



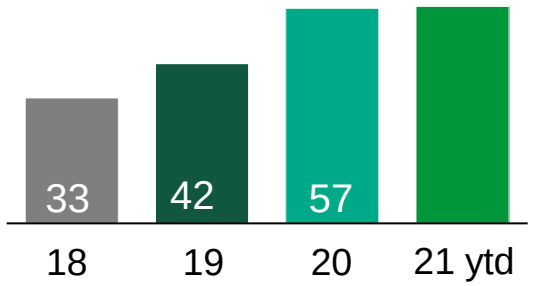
SA outlets/branches
(# of)



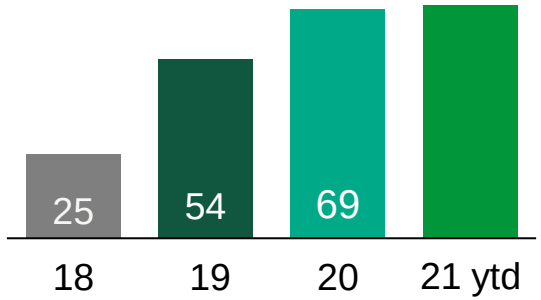
Teller activity
(# 000)[2]



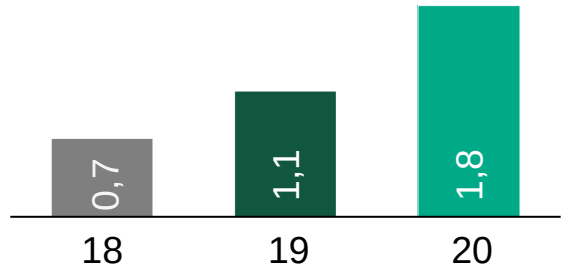
Branch floor space saved
('000 m^2)[1]



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

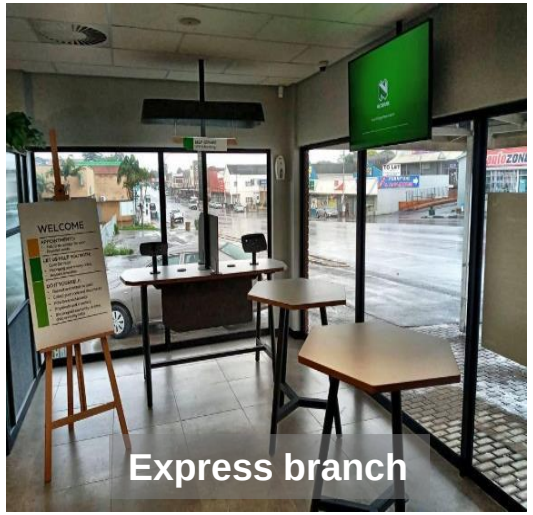


Cumulative TOM 1.0 benefits
(Rbn)

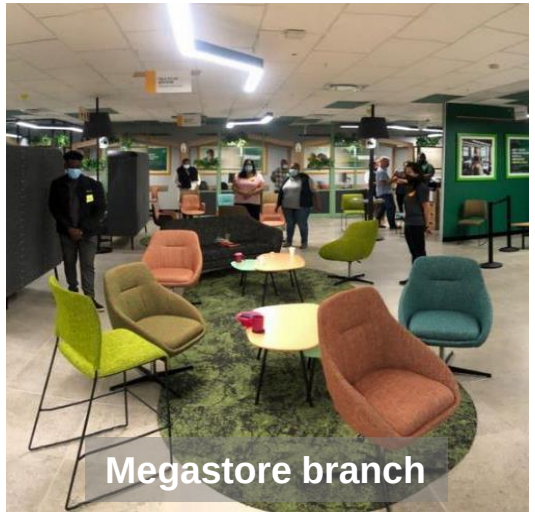


[1] Represents the total branch floor space we saved since 2014 equating to approximately 25% of our branch floor space in 2014 when we started the journey. | [2] Refers to the volume of interactions with tellers.

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

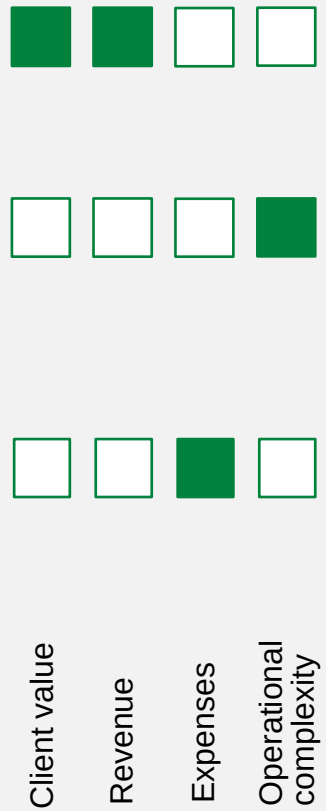
Bank-owned devices (ATMs, ID, SSK, lockers), **digital channels** (App, web, USSD) & **contact centre**

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)



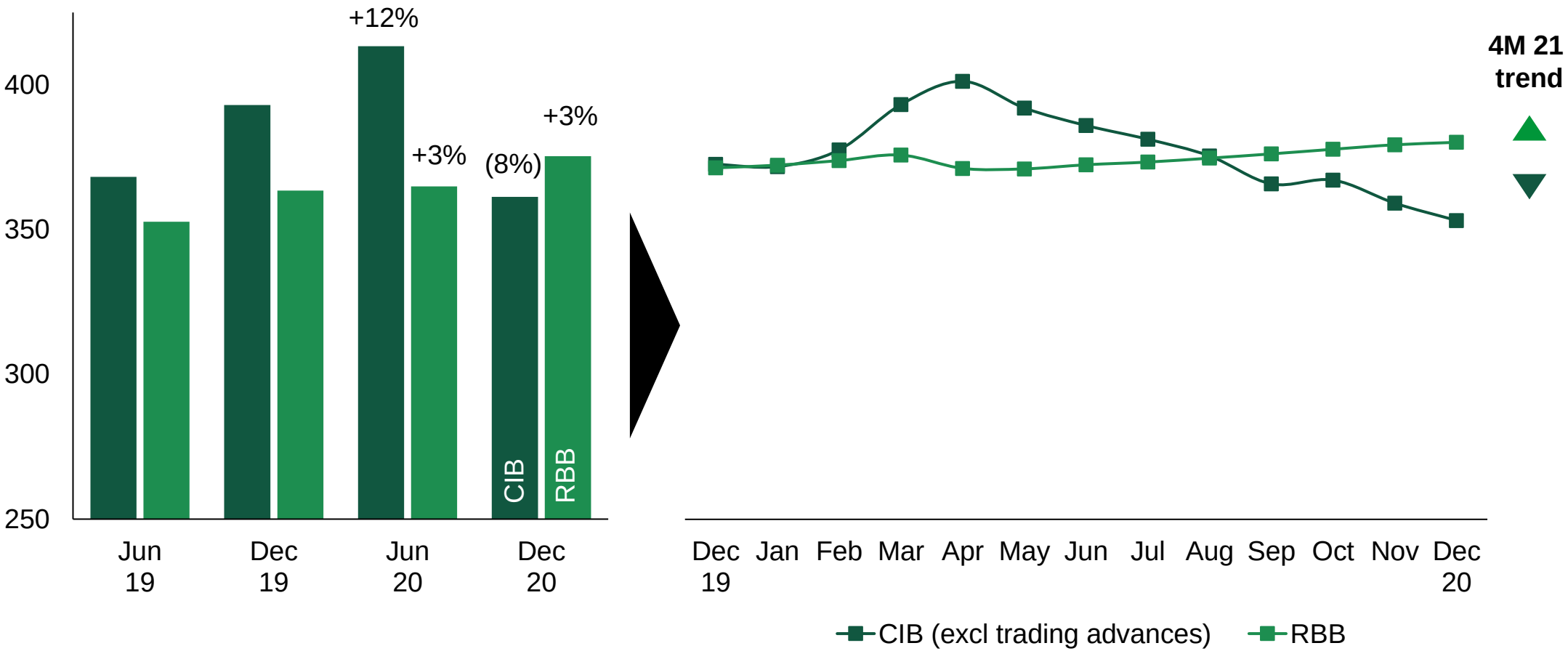
Improved financial performance in H2 & FY 2020 in line with the guidance provided

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.

Gross advances – divergent H1 2020 vs H2 2020 dynamics between retail & wholesale loan growth

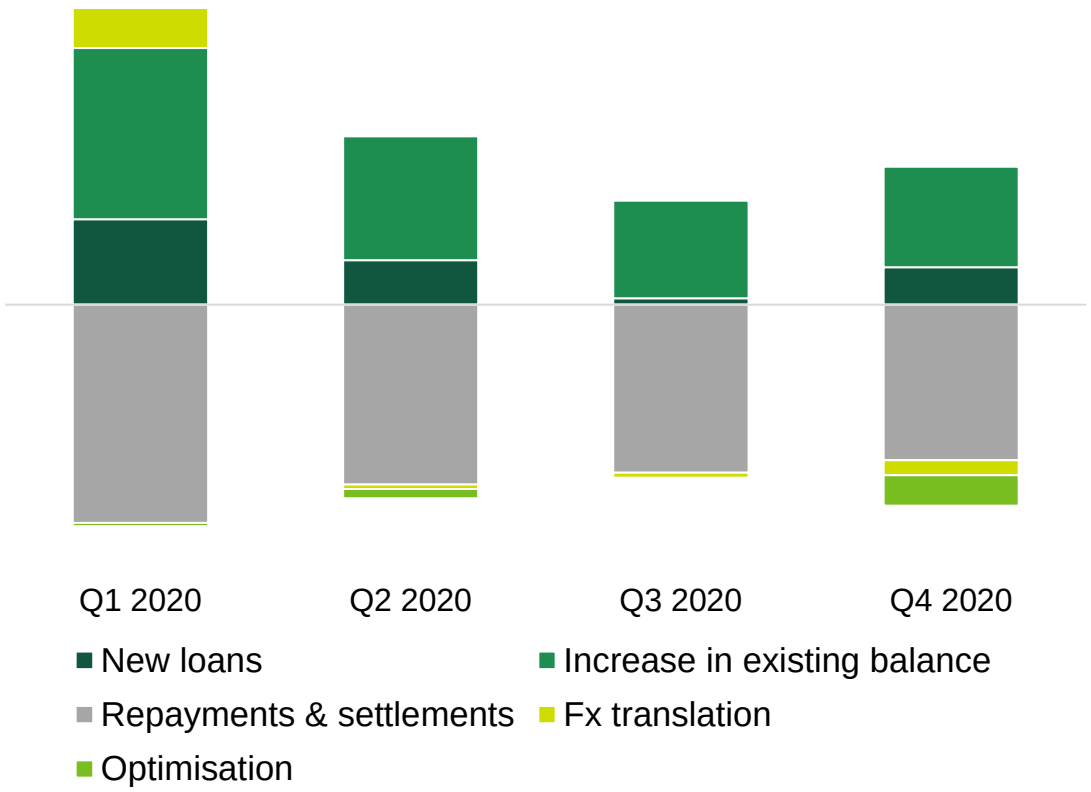
CIB & RBB gross banking advances[1] (Rbn)



[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

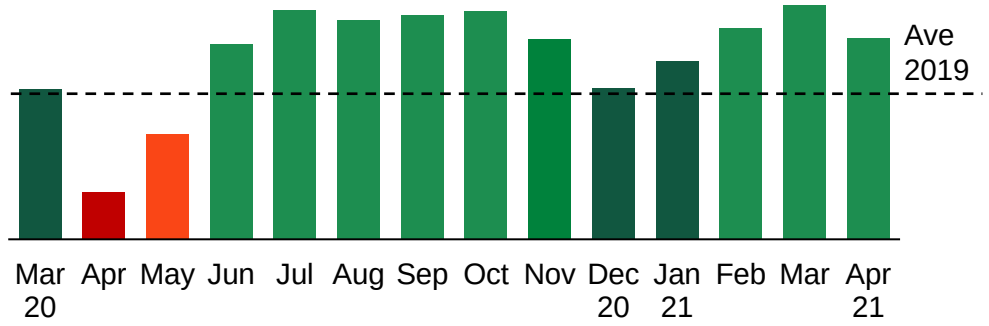
Quarterly advances movements (Rbn)



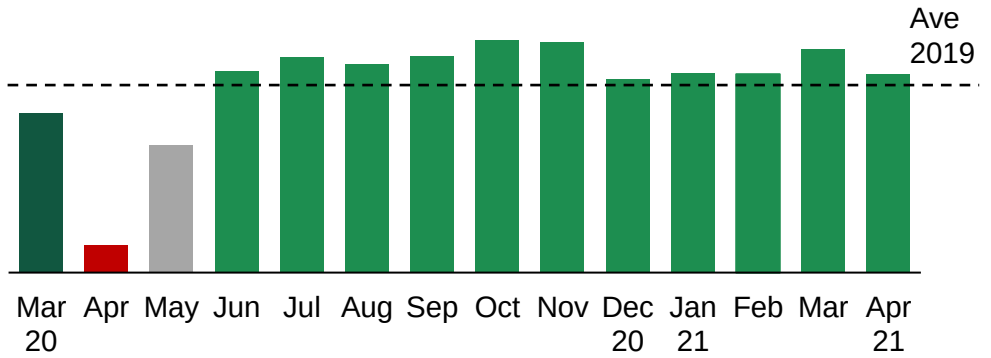
- **New loans** – modest demand in Q1, with lockdown severely impacting Q2/Q3. Slight increase in demand from Q4
- **Existing balances** – driven by clients' search for liquidity in Q1/Q2 & committed structured drawdowns during Q3/Q4
- **Repayments** – need for liquidity reduced
- **RWA optimisation/sale 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 level 5 lockdown but strong secured lending recovery on the back of 300 bps lower interest rates & benefits from our digital channels

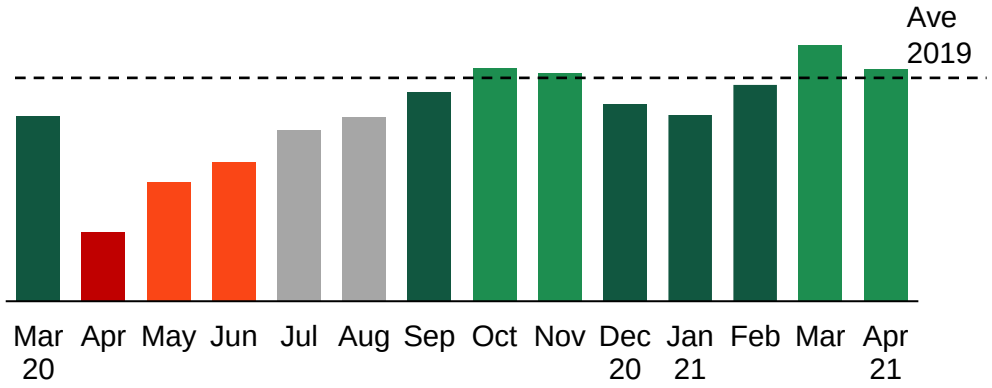
Home loan applications



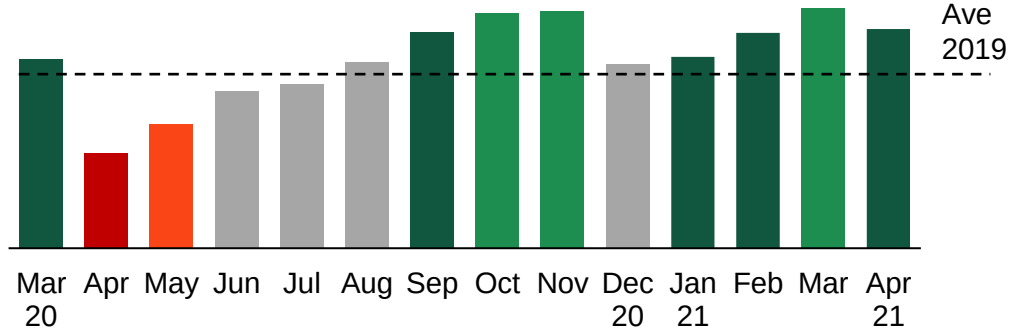
Vehicle finance applications



Personal loan applications

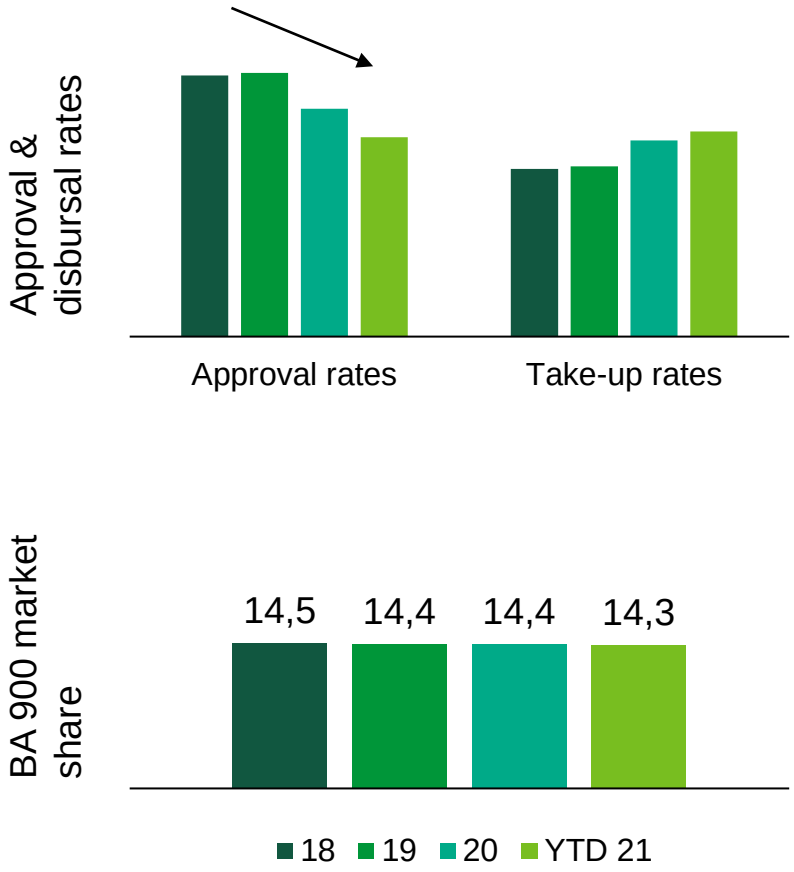


Card applications

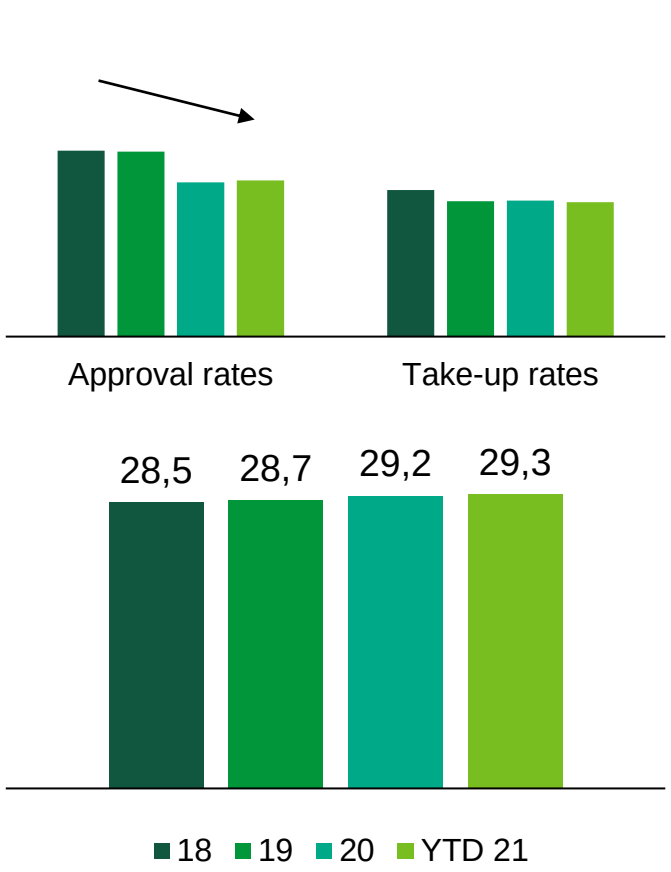


Quality RBB book – supported by selective loan origination & growth enabled by digital innovation

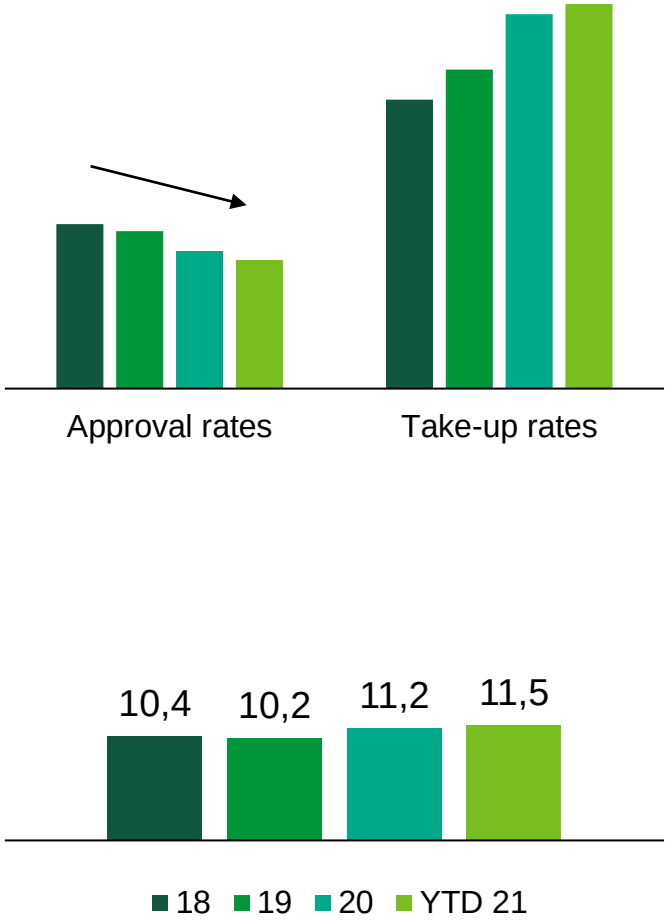
Home loans



Vehicle finance

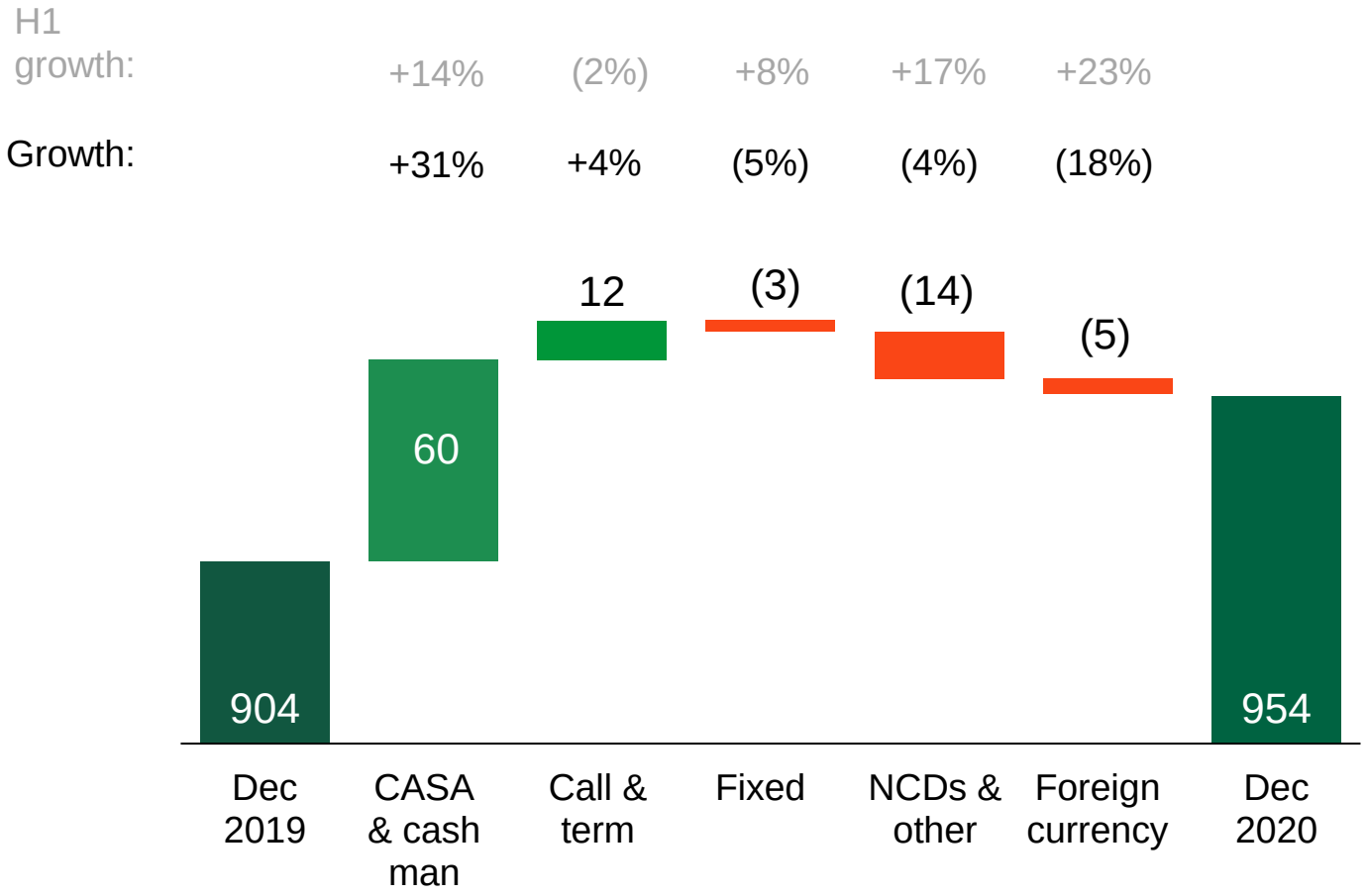


Personal loans



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

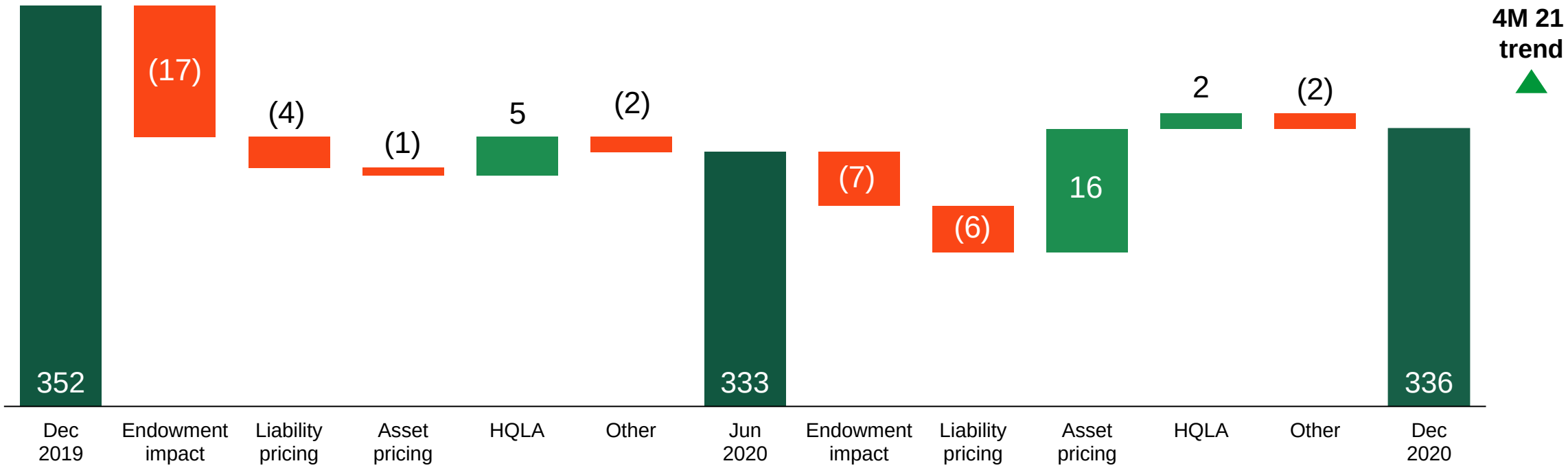
Deposits (Rbn)



- **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 – slow AIEBA growth in 2020 offset by a resilient NIM in H2 2020

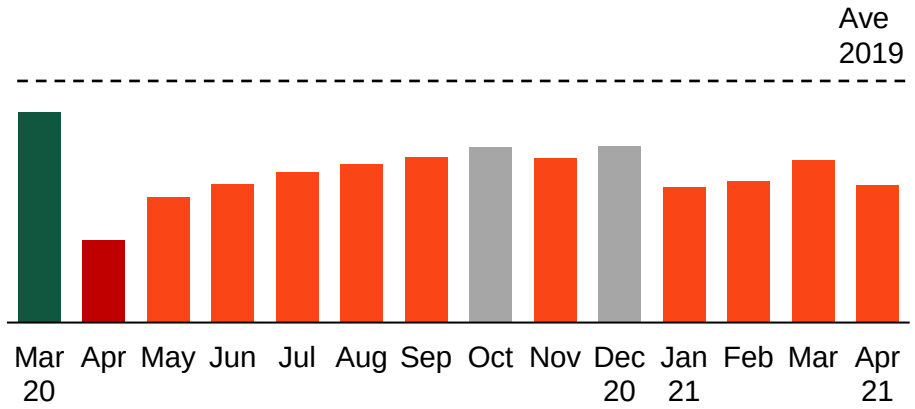
Net interest margin (bps)



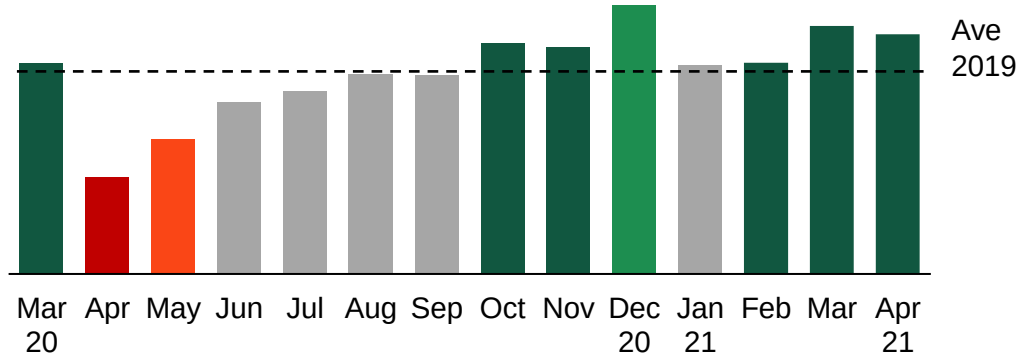
Average interest-earning banking assets: +4,4%;
NII sensitivity for 1% change in interest rates R1,3bn

RBB – slow recovery in transactional activity, with branch transactions still lagging but digital & POS volumes above 2019 levels

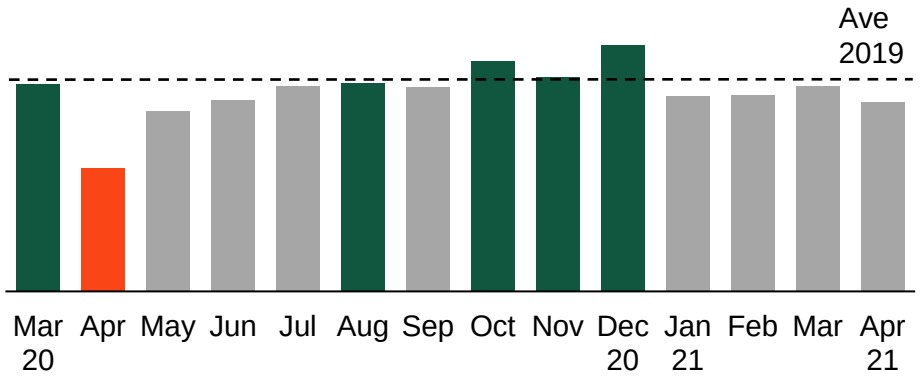
Branch teller transactions



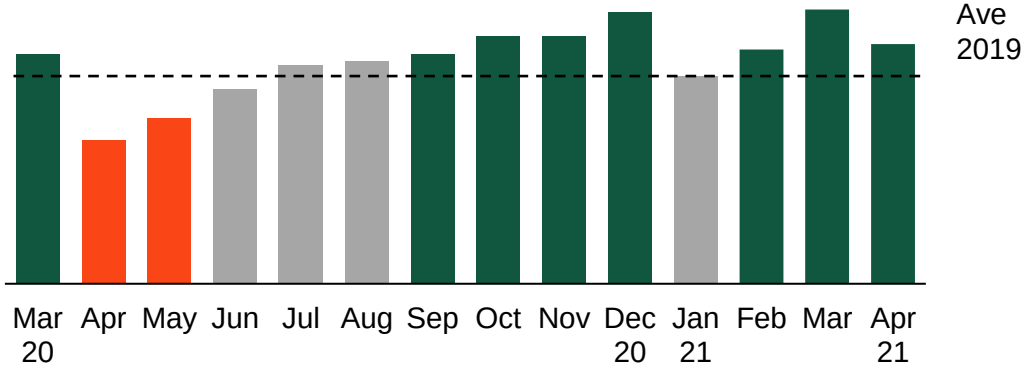
POS volumes



ATM withdrawals



Digital payment & transfers[1]

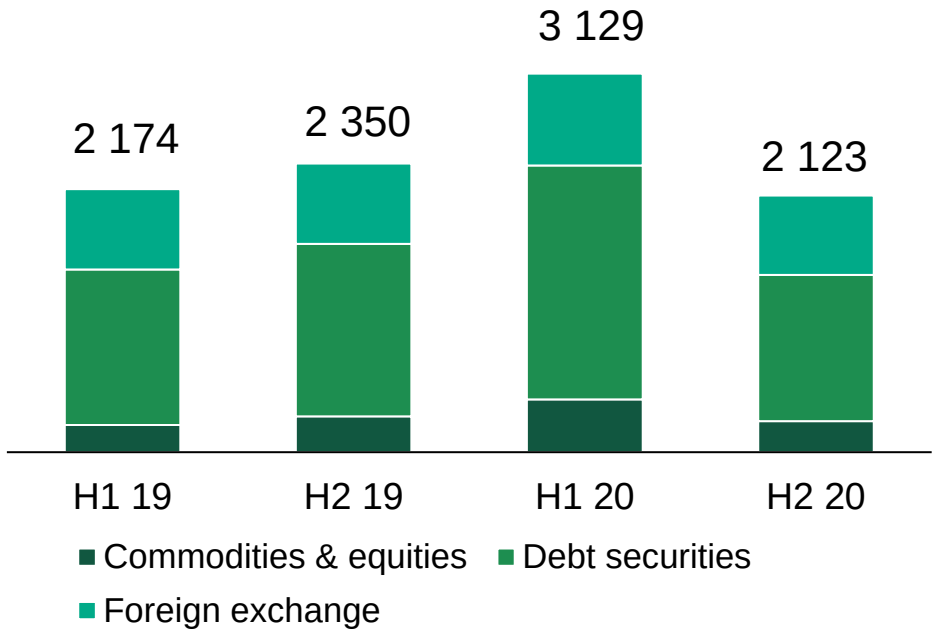


[1] *App & web payment volumes combined.*

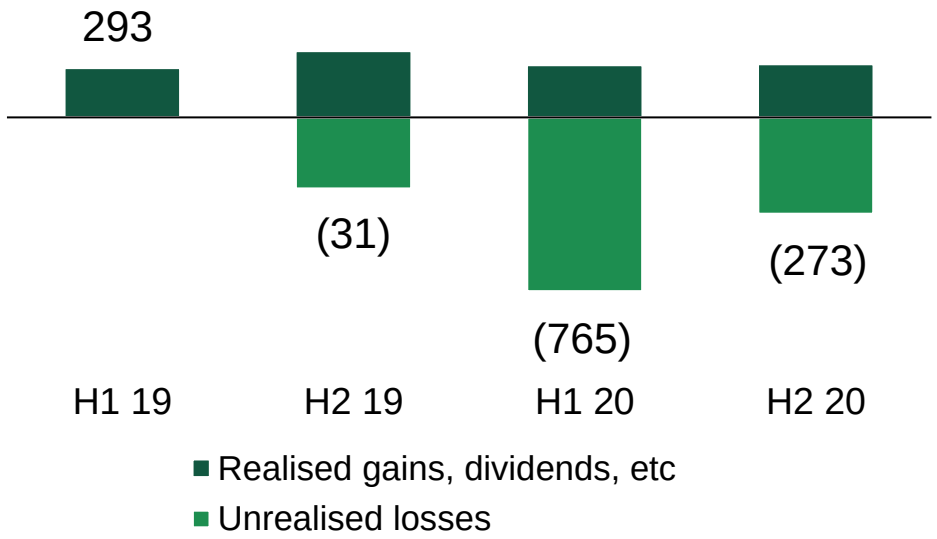
Indicators March 2020 | < 50% | < 80% | < 100% | ≥ 100% | > 120% of March 2020 levels

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

Trading income (Rm)



Private-equity income (Rm)



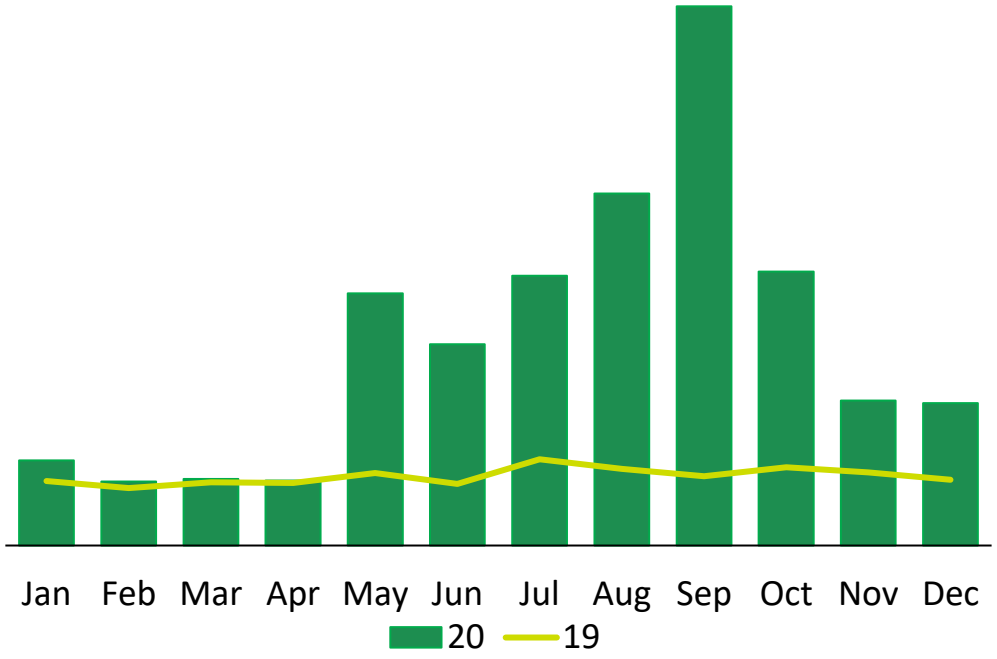
Investment over last few years in market-leading capabilities supported good outcomes:

- **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

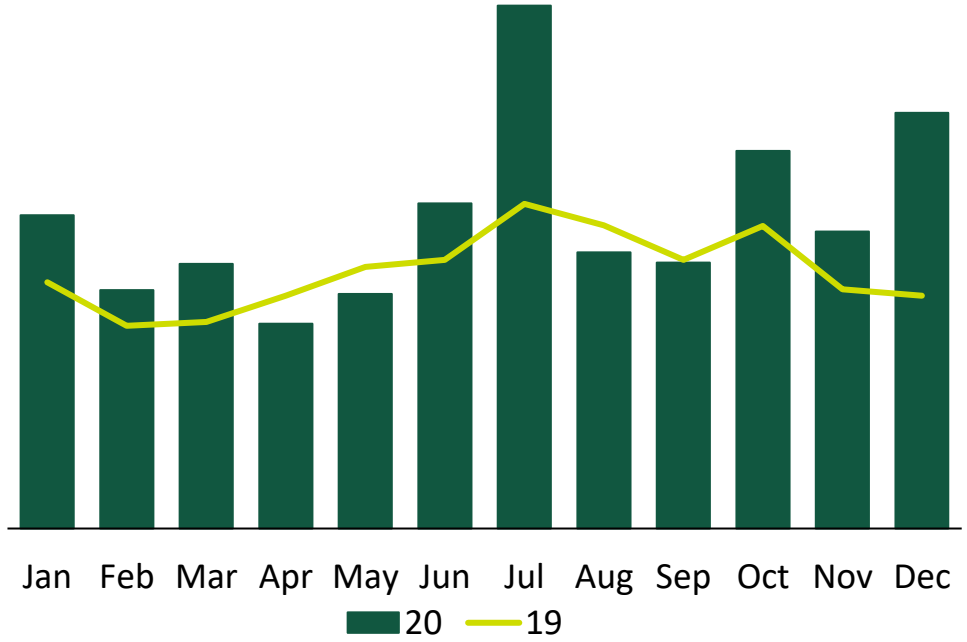
Insurance – higher retrenchment/loss-of-income & funeral claims. 4M 2021 remained elevated when compared to the prior period, although showing a declining trend from recent highs

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

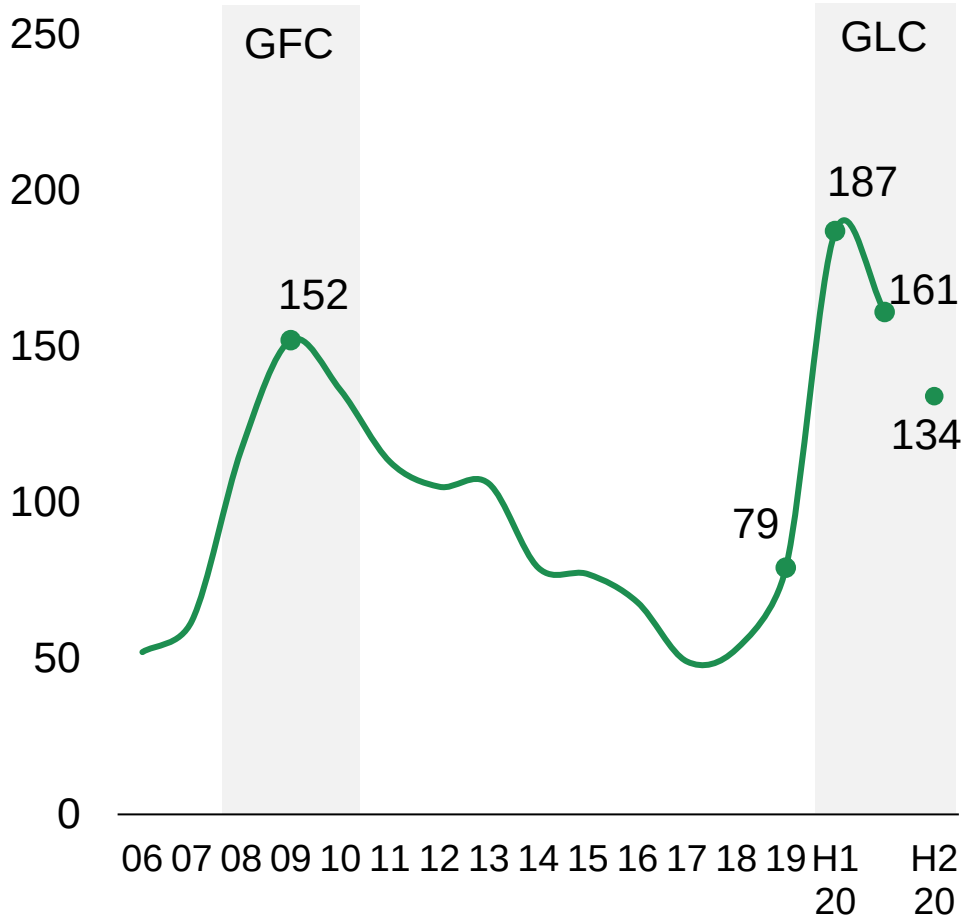
Funeral claims
(volumes)



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

Credit risk – outcome FY 2020 better than was expected at H1 2020

Credit loss ratio[1] (CLR, bps)

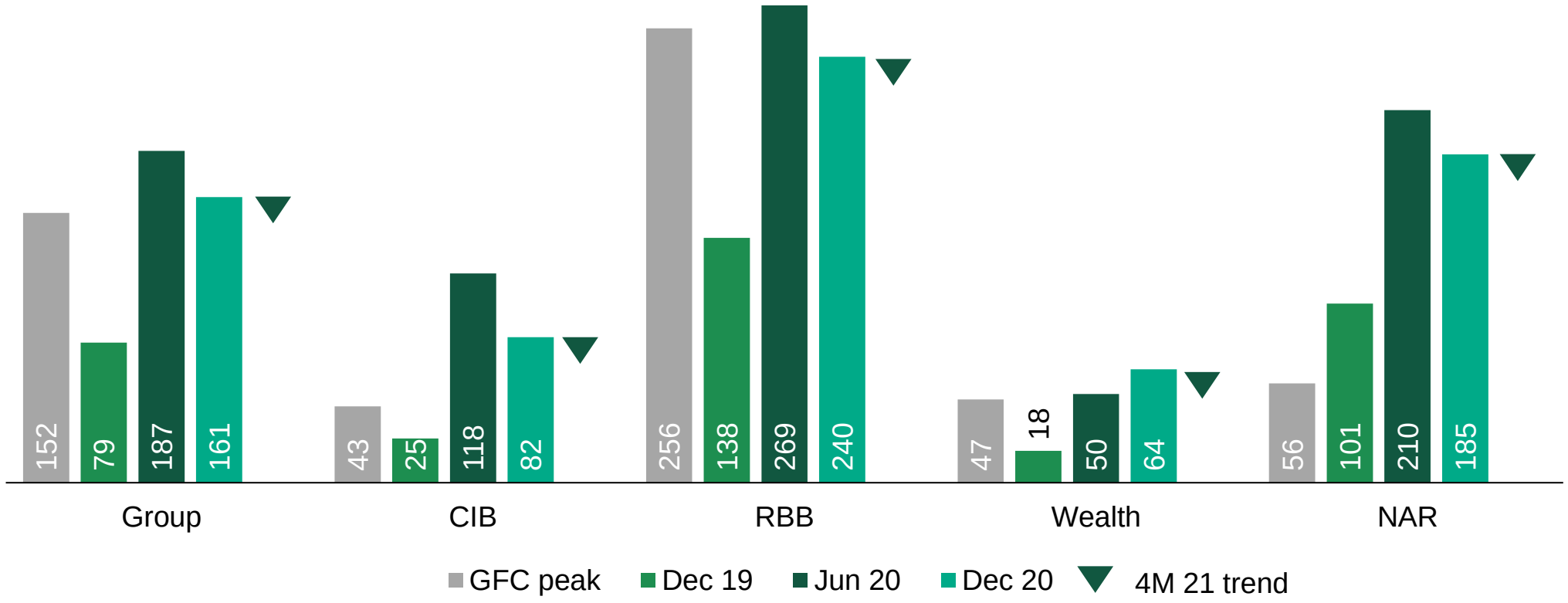


- **CLR ended only marginally higher than GFC**, despite the 1-in-100 years GLC event in 2020
- **High-quality credit book & well secured** (LTVs)
  - Selective origination (lower risk) & enhanced credit risk management & IFRS 9/Basel 3 since the GFC
- **D3 loans reduced to R28bn** (H1 2019: R119bn) – 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 & perform **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 – FY 2020 improvement from H1 levels & slightly higher than GFC levels. 4M 2021 CLRs down across all businesses.

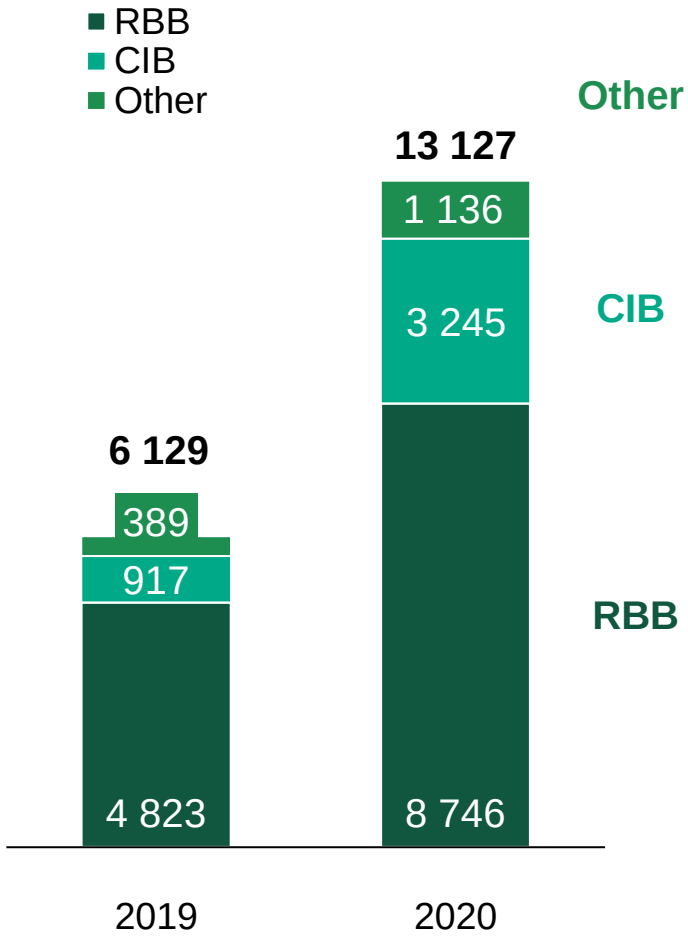
CLR (bps)



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% in 2020 (H1 +202%), driven by stages 2 & 3 impairment migrations & adjustments/overlays due to Covid-19

Impairment charge (Rm)

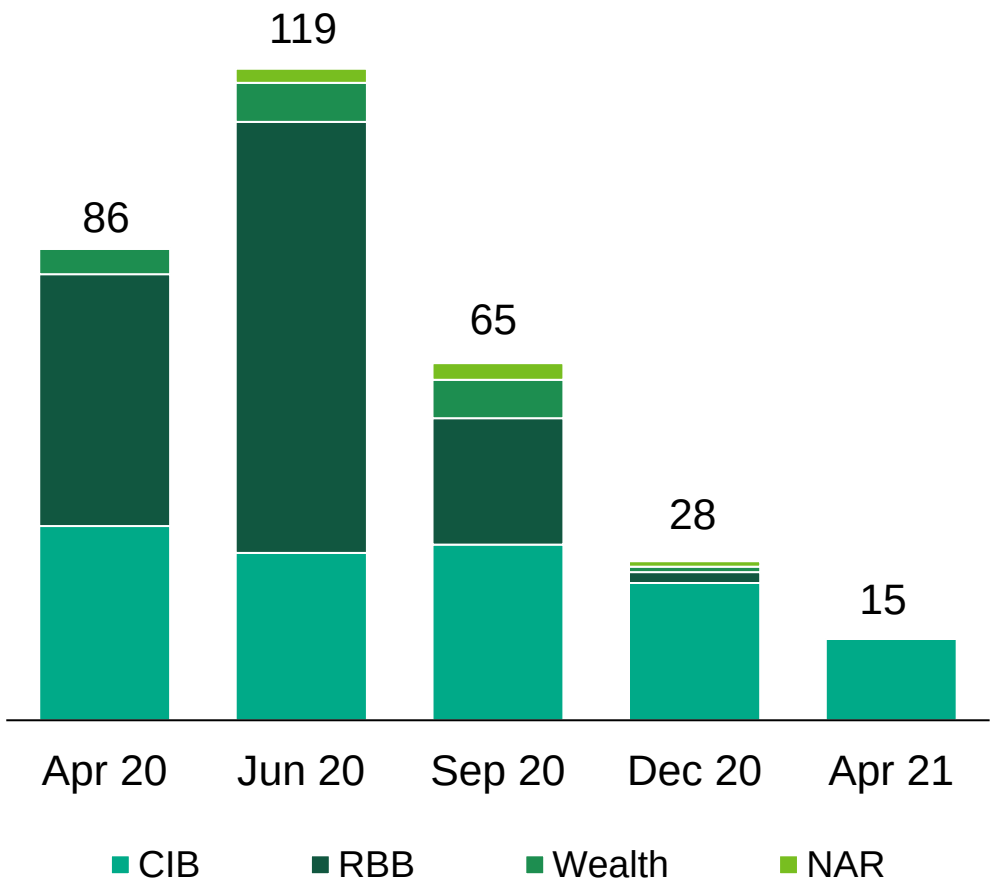


Covid-19 related adjustments/overlays

▪ **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
▪ **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
▪ **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 R14,8bn at 30 April 2021, from a peak in July 2020 of R121bn

D3/2020 relief provided (Rbn)

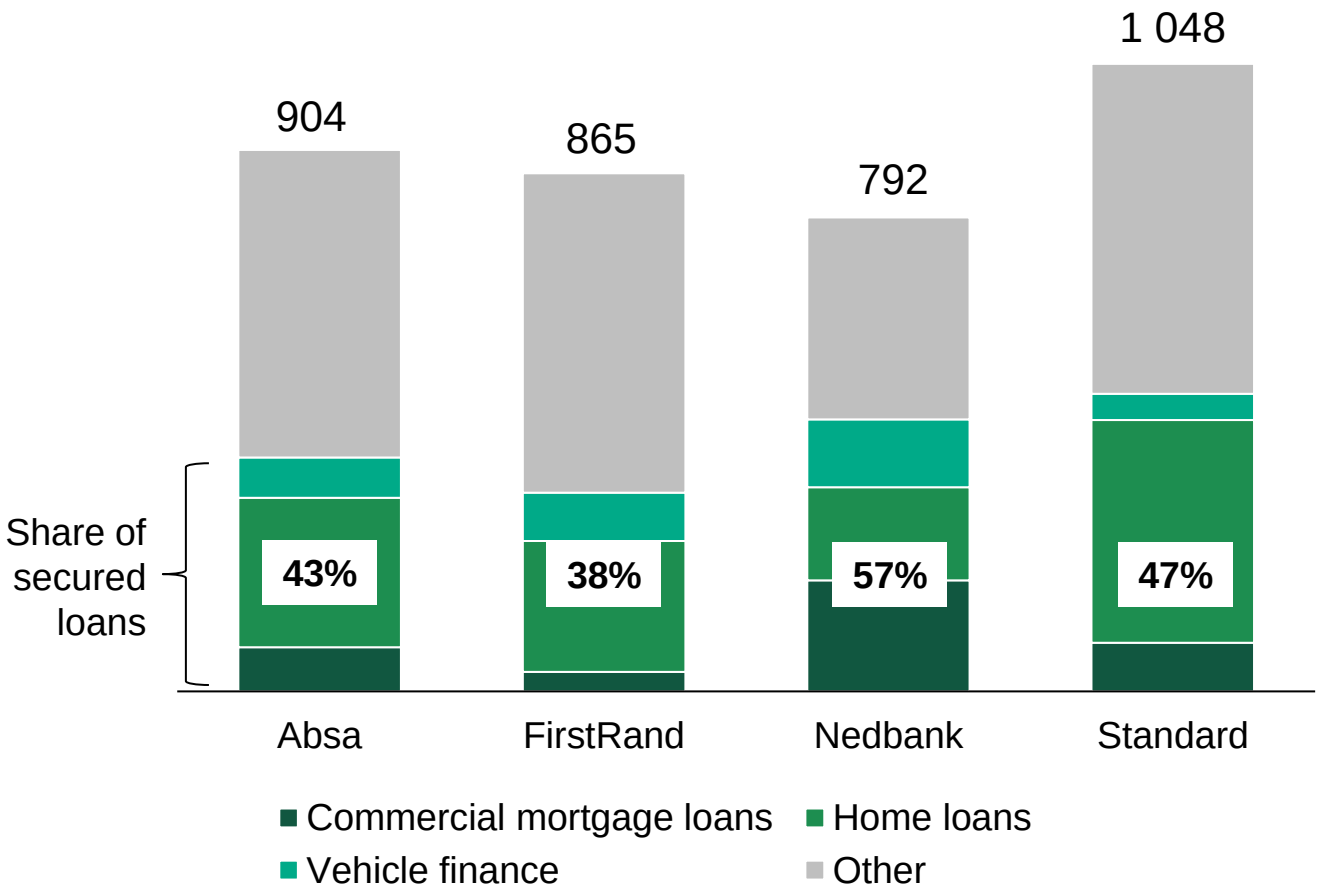


- **Ceased granting D3 renewals** (only on an exceptional basis)
- **RBB**
  - Immaterial
- **CIB**
  - Original payment relief provided beyond 3 months
  - R14,6bn outstanding
  - CPF D3 loans peaked below 6% of book, lowest in the group
- **Wealth & NAR**
  - Immaterial

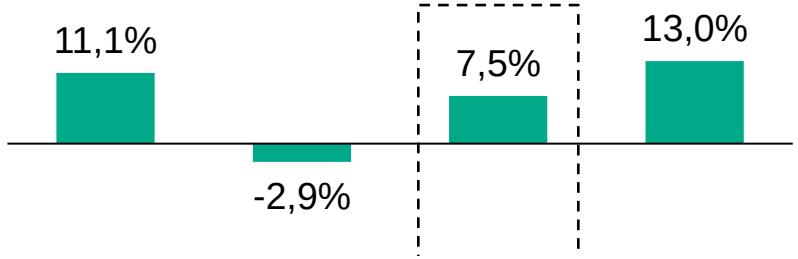
Credit risk – Nedbank has a large secured lending profile, requiring lower coverage generally given the greater extent of collateral/security & selective origination

Gross loans & advances[1]

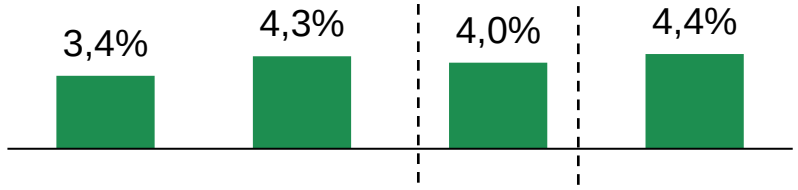
(Rbn, Dec 2020)



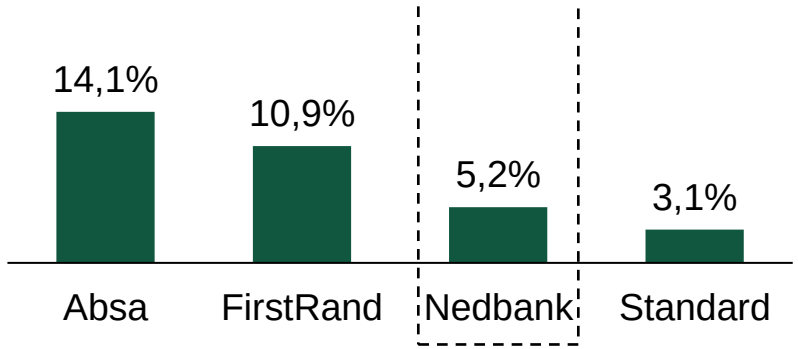
3-year vehicle finance CAGR[1] (%)



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



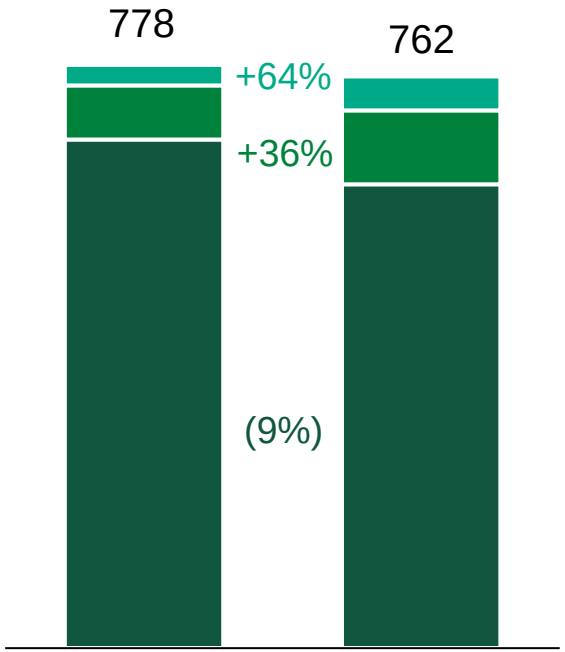
3-year commercial mortgages CAGR[1] (%)



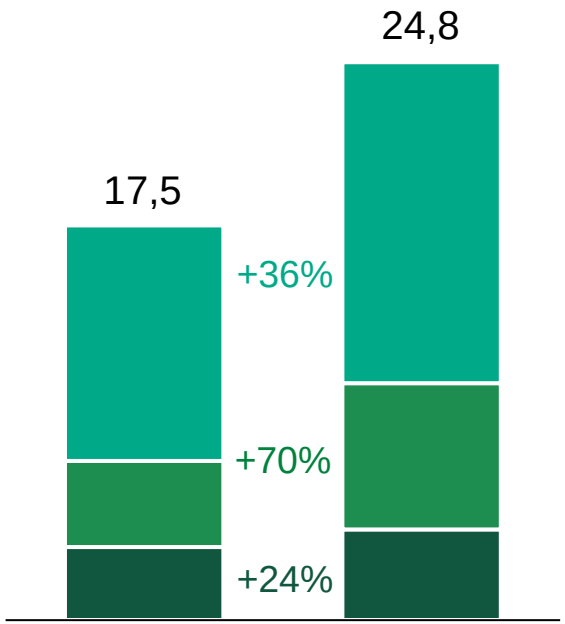
[1] Analysis based on BA 900 data as at 31 Dec 2017 & 31 Dec 2020.

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

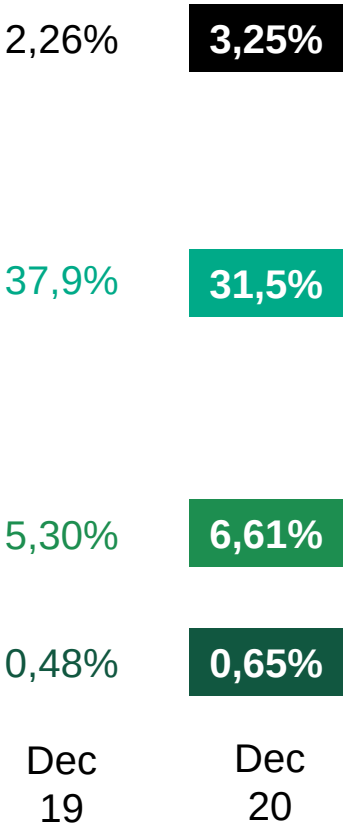
Gross loans & advances[1]
(Rbn)



Expected credit loss
(Rbn)



Coverage ratios



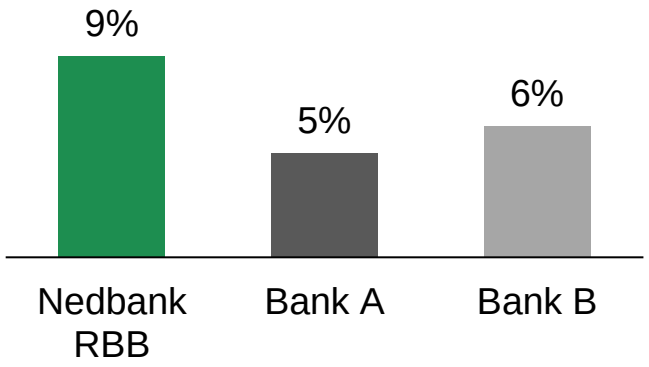


- **Stage 3 coverage** – decrease driven by higher migration of CIB stage 3 loans vs RBB, specific CIB client counters in stage 3 (high collateral, low coverage) vs FY 2019, increase in RBB D7 loans & non-D7 secured loans.
- **Stage 2 coverage** – increase driven by most of the R3,9bn Covid-19 overlays 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

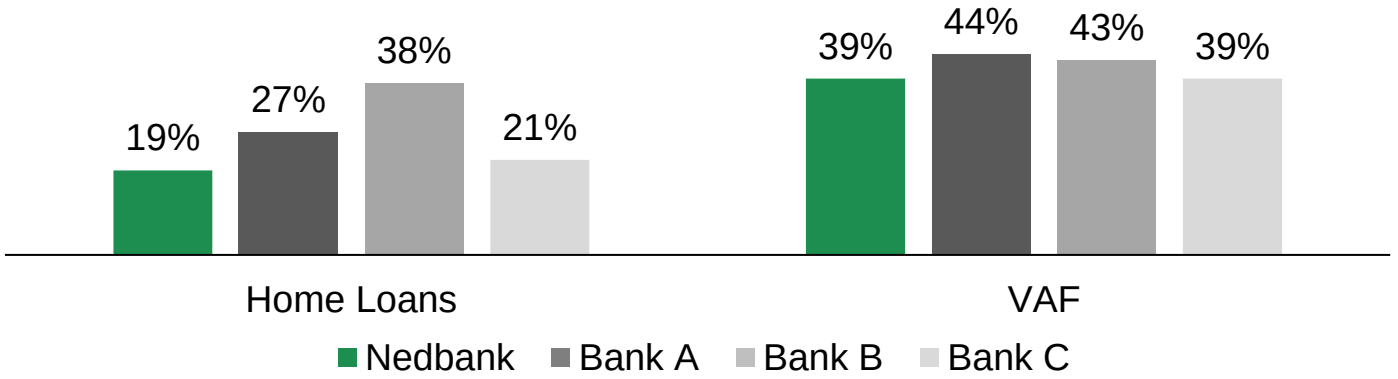
[1] Loans & advances restated to include listed corporate bonds to align with industry practice.

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

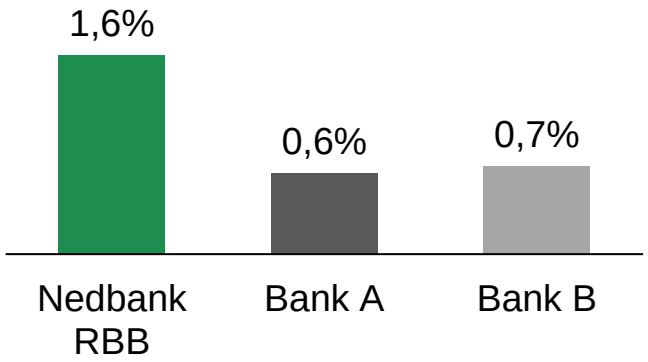
RBB writeoffs
(% of stage 3 RBB loans)



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)

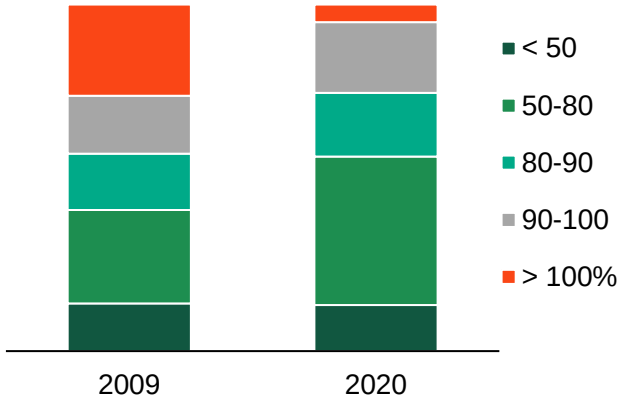
- Nedbank's **VAF book skewed to used/lower value vehicles** (less sharp drop-off/reduction in collateral)
- **New-business market share flat** over 3 years (Experian)
- **Loan approval rates down 6%** since 2018
- **Increased D7 restructures** dilute coverage yoy (high recoveries)

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

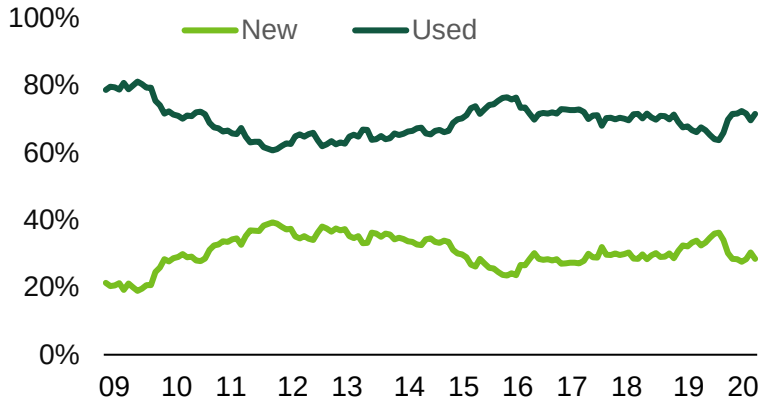
Home loans

LTV distribution 2009 vs 2020 (%)



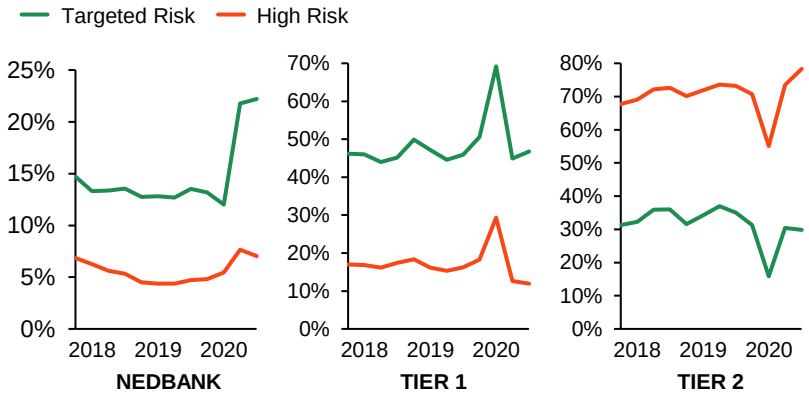
Vehicle finance

New vs used vehicle distribution (%)

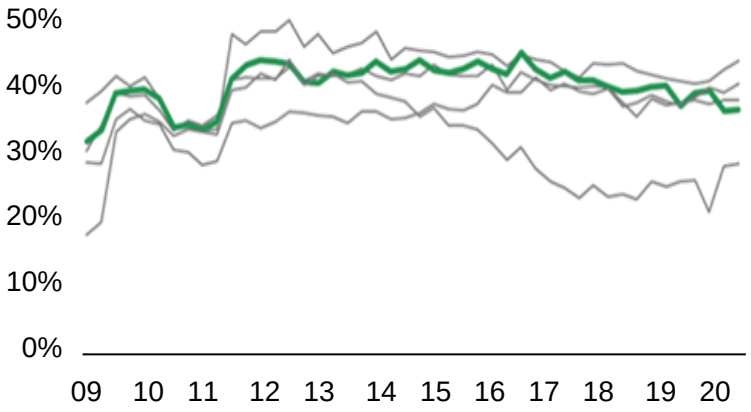


Personal loans

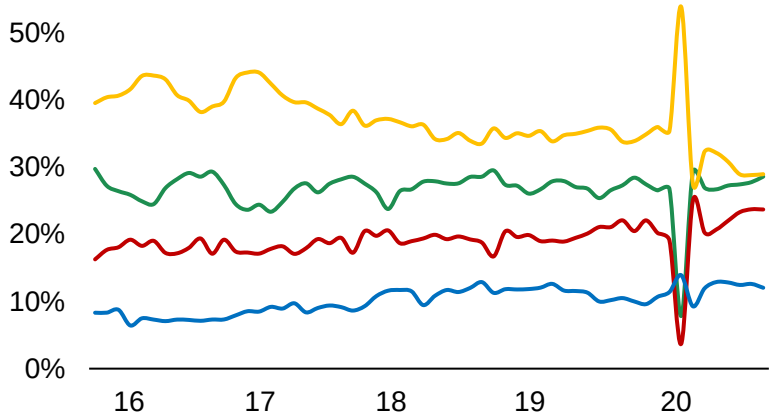
Market share of disbursed business (%)[1]



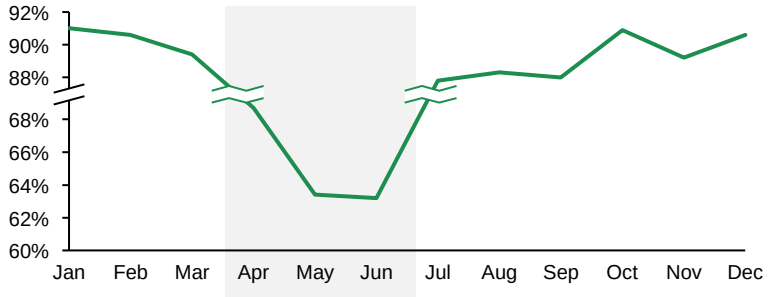
New business – proportion of low-risk clients (%, Lightstone)



New business market share (%, TransUnion)



Payment success (%) – performing book [2]

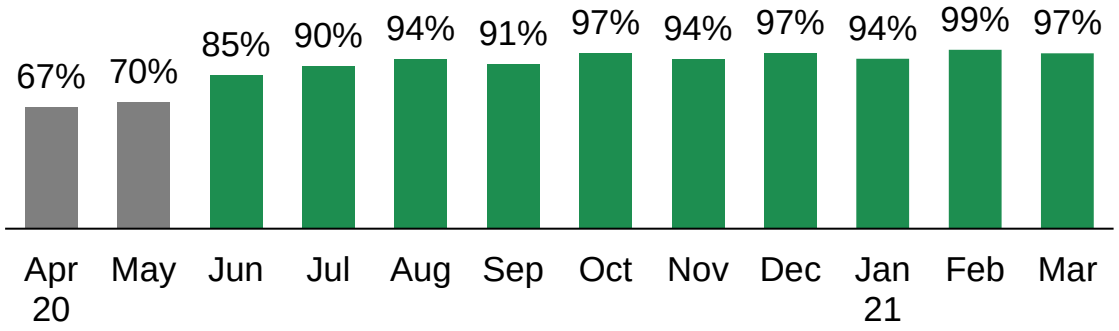


1 Per Experian Bureau Data | Targeted Segment (Bureau Score > 625); High Risk (Bureau Score <= 625) | Tier 1 refers to traditional 4 banks excluding Nedbank while Tier 2 refers to remaining material providers of unsecured personal loans; Tier 1 market share mid 2020 impacted by Covid-relief personal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

Credit risk – commercial property sector performing better than expected; CPF CLR for 2020 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



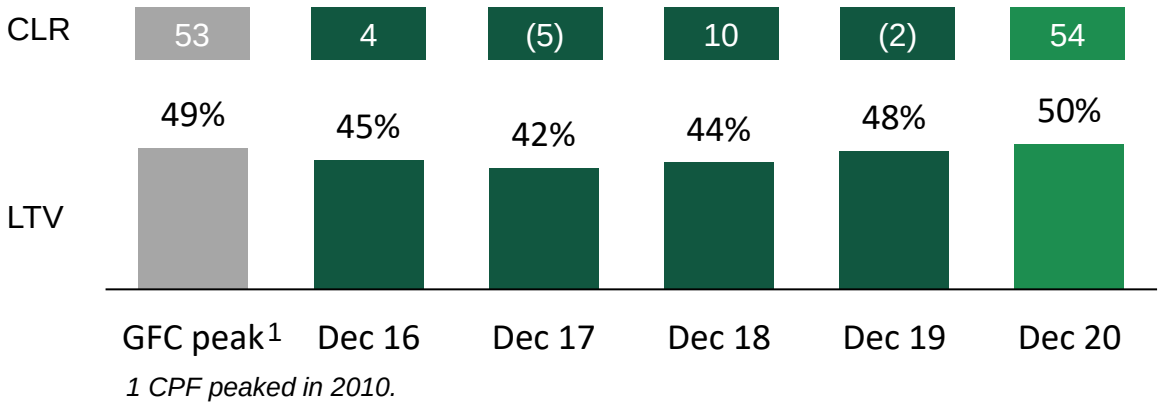
- **Increases in vacancies evident but remain manageable** (increase of between 1,0% to 2,5%)
- **Interest cover ratios (ICR) in the listed sector remain robust** – ICR covenant generally 2x, majority of funds remain above covenant levels
- **Reduced shareholder distributions** in the listed sector have 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) & > 300 ytd 2021 (73% of our exposure).
  - Revaluations in line with market trends (5,5% decrease in valuations). Similar trends in 4M 2021.
  - 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 20: R74m)
- **Stress & scenario testing**

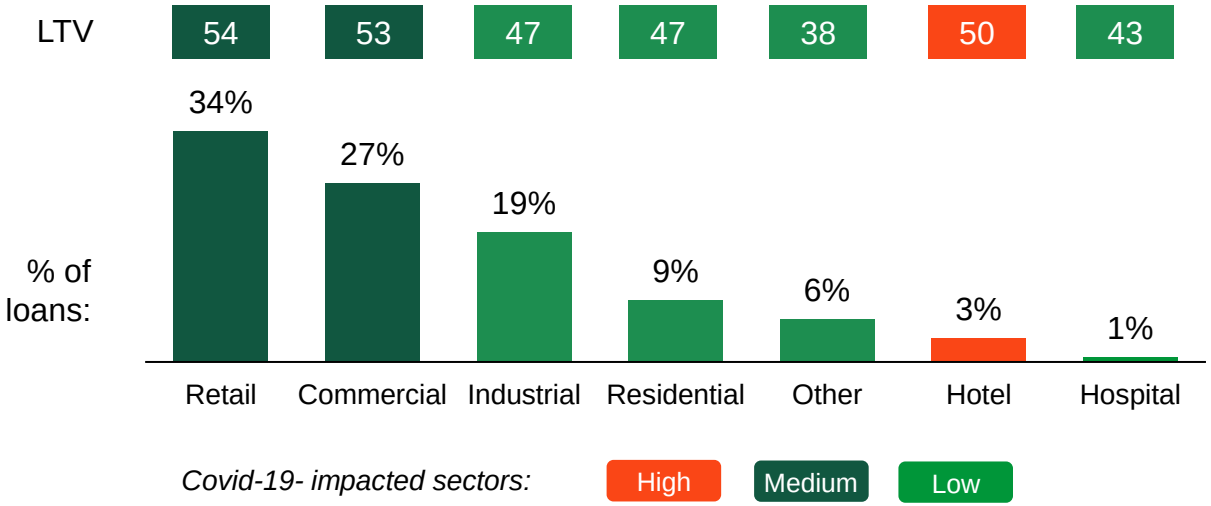
Credit risk – Commercial Property Finance profile

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



1 CPF peaked in 2010.

Diversification & average LTV by sector

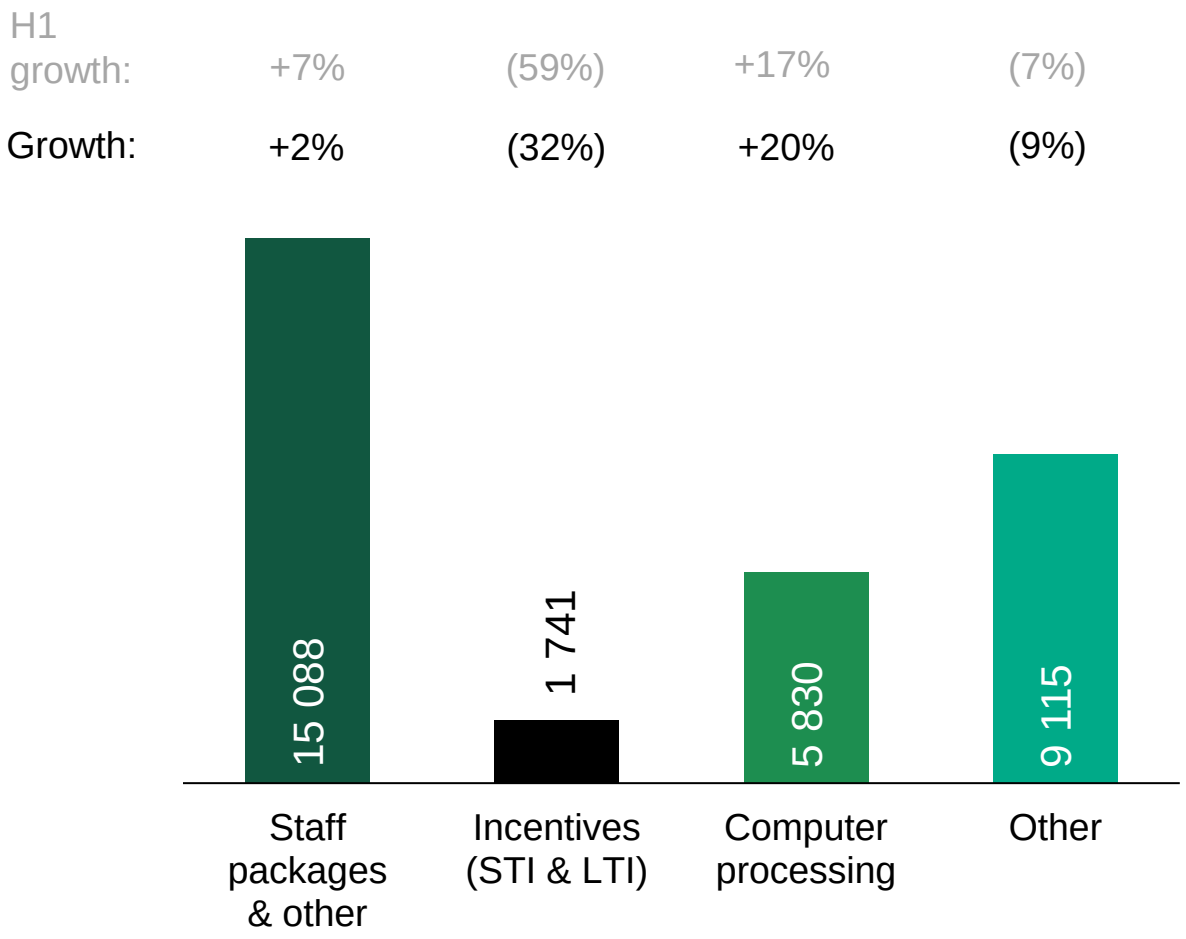


Covid-19- impacted sectors: High Medium Low

- **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**

Expenses – good cost management in 2020 in response to slowing revenue growth, efficiencies & benefits from digitisation

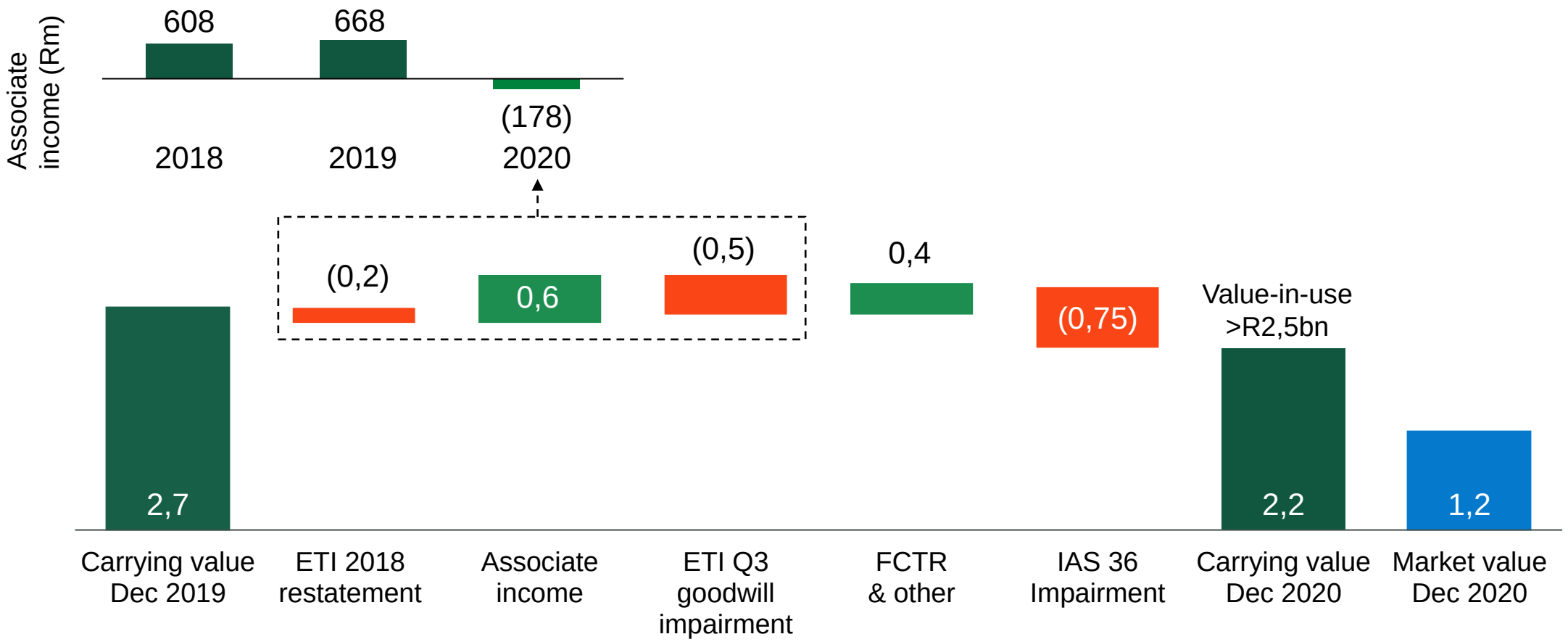
Expenses (Rm)



- **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. H1 2021 associate income estimated at R272m, from H1 2020 at R76m

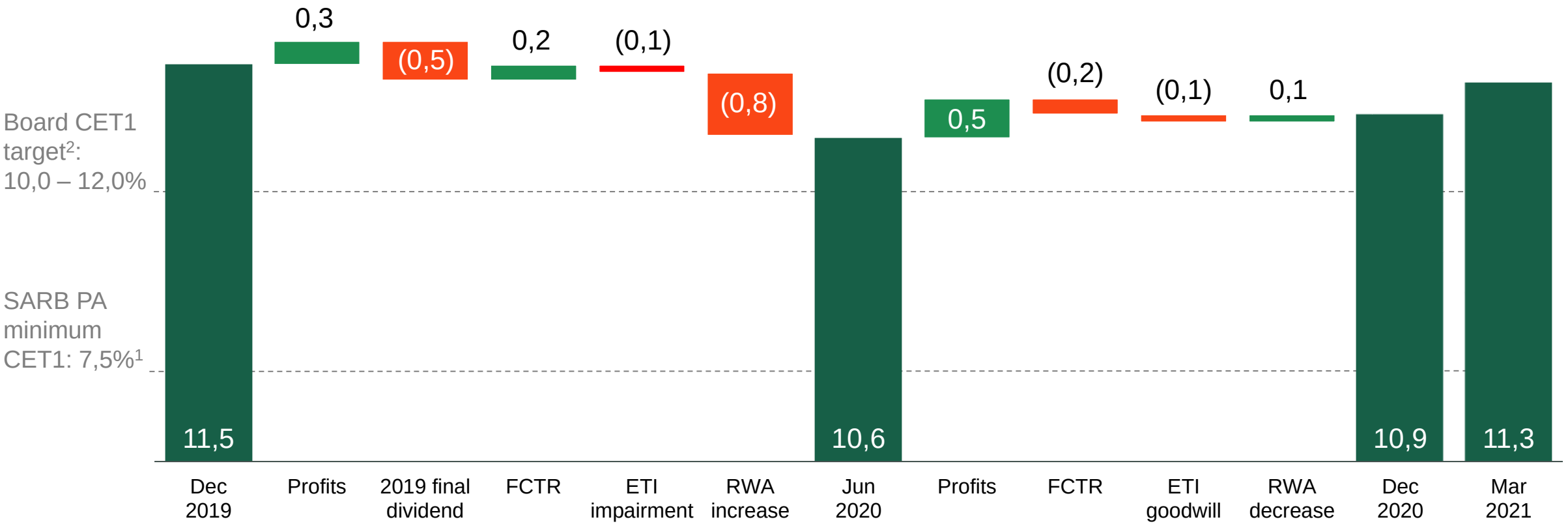
Carrying value drivers (Rbn)



[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.

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	4M 2021 Performance	2021 guidance range*	**Key drivers** (*to be reviewed at H1 2021 results)
NII growth	(0%)	Up low single digits	0% to 3%	▪ Advances growth 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 bps	110 to 130 bps	▪ Ongoing retail & corporate CLR improvement into 2021, but risks from the pace of economic recovery remain
NIR growth	(7%)	< 0% & up low single digits (excl FV)	5% to 9%	▪ Client transactional volumes improve (aligned to economic activity) & benefits from eg cross-sell ▪ High base for trading income vs low base for private-equity in 2020
Expense growth	(1%)	Up low to mid single digits	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%	11,3%	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%	LCR: 128% NSFR: 112%	Above regulatory minima	
DHEPS	(57%)	Increase > 20%		
Dividends	No dividend declared	Resume paying from H1 2021 interim results		▪ Payout range still to be determined by Board

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

67% 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.

Nedbank's climate change journey

2005 **First African bank to sign up to the Equator Principles** – disclosure of environmental & social impacts of project finance transactions.

2006 Became a **signatory to the Carbon Disclosure Project** – disclosure of the carbon impact of our operations.

2008 **Implemented energy reduction targets** & related internal reduction initiatives. Issued a climate change position statement, declaring that Nedbank Group holds itself accountable to addressing climate change.

2010 Achieved **operational carbon neutrality.**

2013 Disclosure of **Nedbank's renewable-energy lending**.

2014 **Leading funder of the renewable-energy** capacity allocated by REIPPPP.

2015 **First disclosure** of percentage of total group lending to **renewable-energy projects versus fossil fuel generation projects.**

2016 **Publicly disclosed position on lending for coal-fired power plants**. Initial commitment excluded existing commitments to round one of SA's Coal Baseload Procurement Programme.

2018 **Strengthened position on lending for coal-fired power plants** by including existing commitments to SA's Coal Baseload Independent Power Producer Procurement Programme

2019 Developed **internal policy regarding the financing of thermal-coal mining and related activities**.
Established a formal governance committee, the Climate Risk Leadership Group (CRLG), under the chairmanship of the Nedbank Chief Risk Officer.

Became **SA's first commercial bank to launch a renewable energy bond** on the JSE

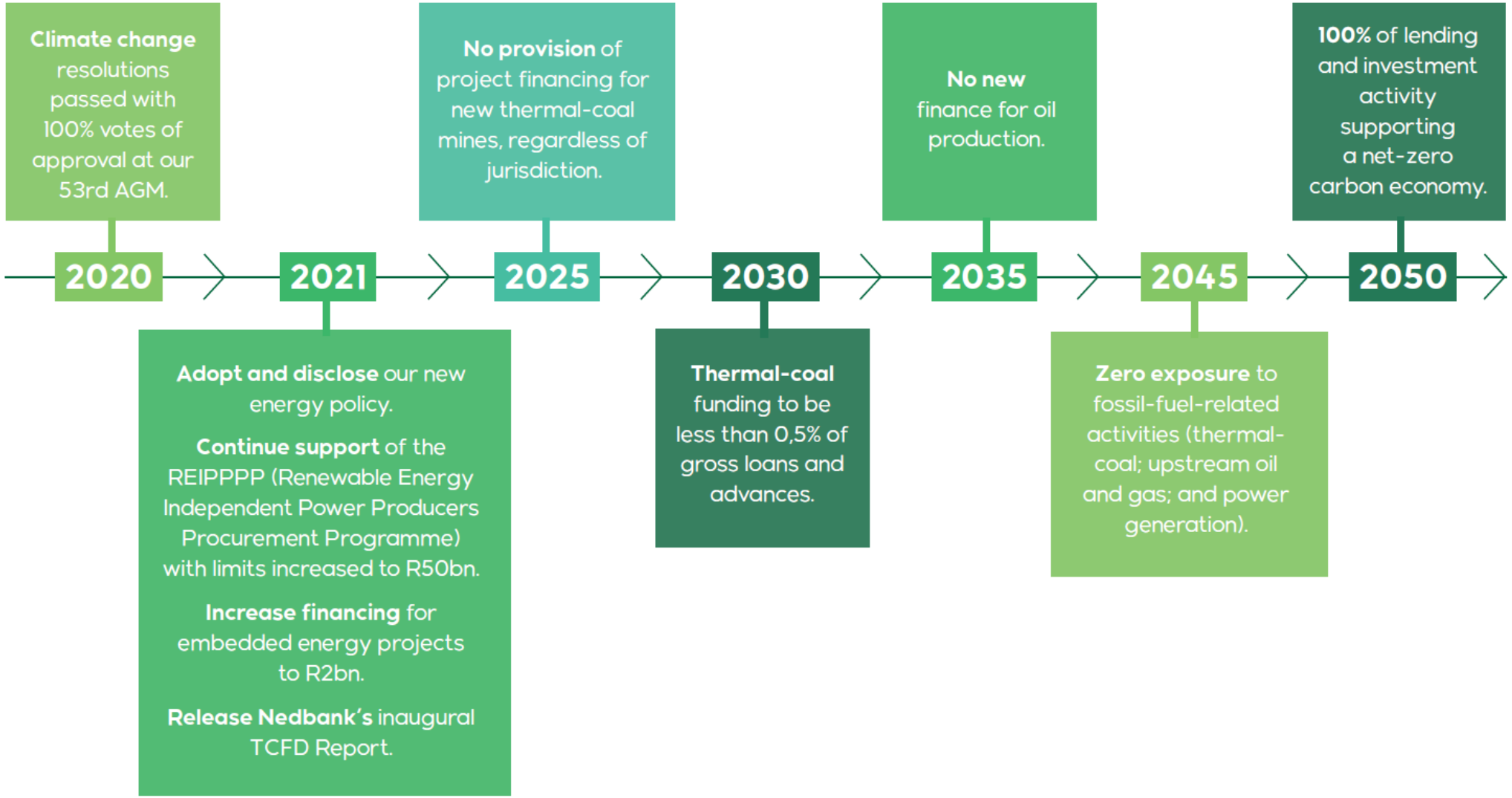
2020 Publicly disclosed a **thermal coal policy**.

Proactively proposed further climate change action by **tabling climate change related shareholder resolutions at our AGM**. 100% votes of approval

2021 Released our **inaugural TCFD report**.

Publicly disclosed our **Energy policy**

Committed to Zero exposure to fossil-fuel-related activities by 2045



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