Nedbank Group Annual results

for the year ended 31 December 2020

see money differently

OVERVIEW

Recovery in H2 2020 after peak Covid-19 impact in H1 2020

- 2020 a very difficult environment for clients & banks
- Excellent outcomes on ‘resilience’ metrics
- Good progress as we transitioned out of the peak of the crisis

Mike Brown
Chief Executive

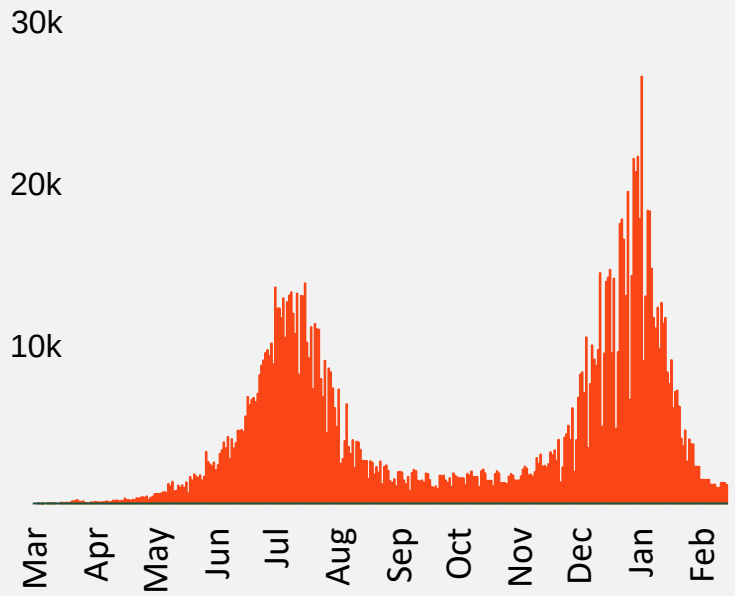
Overview

- **2020 a very difficult environment for clients & banks**
  - High-frequency data indicates an improvement in H2 2020 after Q2 GDP fell 17,5% yoy, full year GDP down 7,0%
- **Excellent outcomes on ‘resilience’ metrics**
  - Focus on health & safety of our stakeholders; & supporting our clients (payment relief on R121bn loans)
  - IT system uptime at multi-year highs (world-class levels) & sound cyber security
  - Strong balance sheet metrics: LCR 126% | NSFR 113% | CET1 10,9% & Tier 1 CAR 12,1% - all above June 2020 levels
  - Total coverage increased to 3,25% (Dec 2019: 2,26%)
- **Good progress as we transitioned out of the crisis**
  - Remained solidly profitable, with HE down by 57%, an improvement on the 69% decline in H1 | Decline driven primarily by higher impairments, lower endowment income & lower client transactional volumes. Financial performance in line with guidance provided to market for all income statement items
  - CLR at 161 bps lower than the H1 2020 peak of 187 bps, slightly higher than the GFC (152 bps) & expected to continue to trend down
  - Great client satisfaction outcomes – ongoing upward trajectory & now rated the #2 SA bank
  - Market-leading technology & digital innovations beneficial during the crisis

Operating environment – volatile & challenging for Nedbank & our stakeholders

Health crisis …

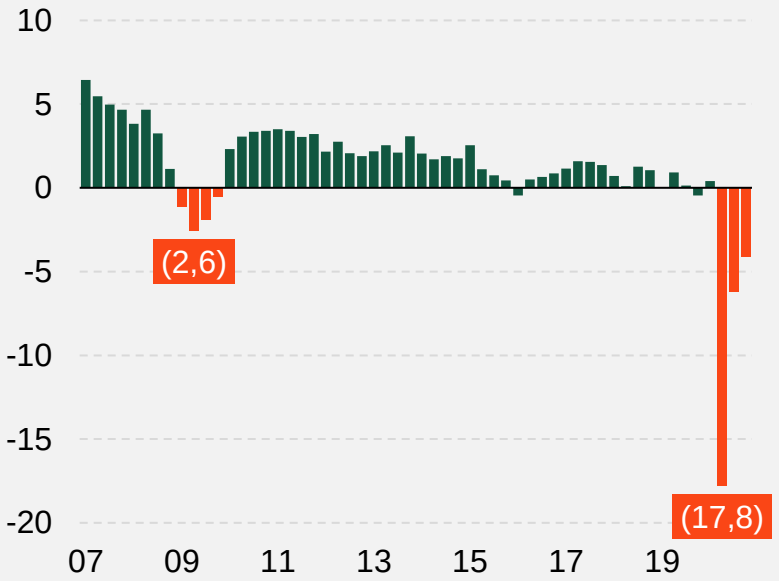
SA confirmed daily positive cases
(#)



Source: sacoronavirus.co.za

… economic crisis …

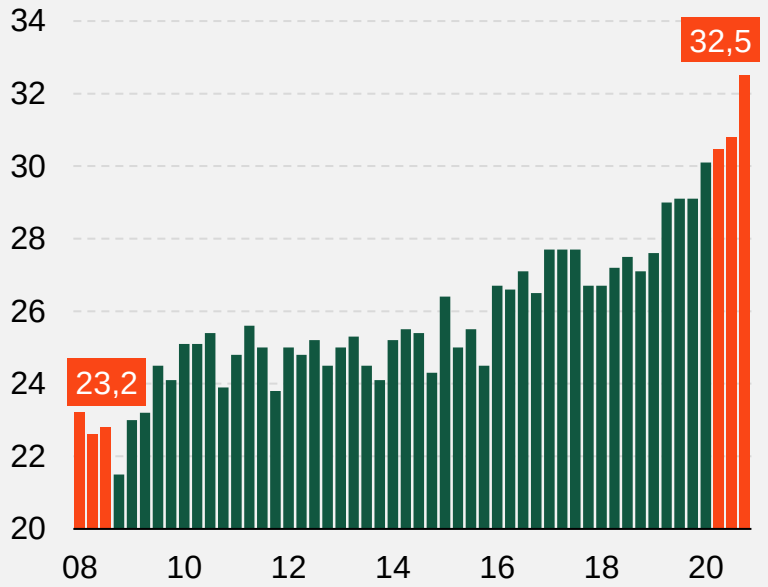
SA quarterly GDP yoy
(%)



Source: Nedbank Group Economic Unit

… social challenges

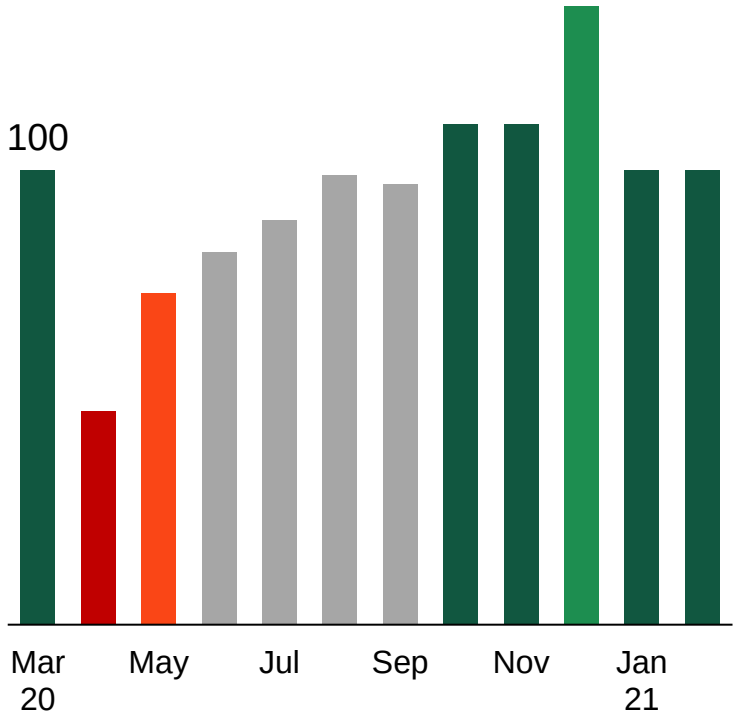
SA unemployment rate
(%)



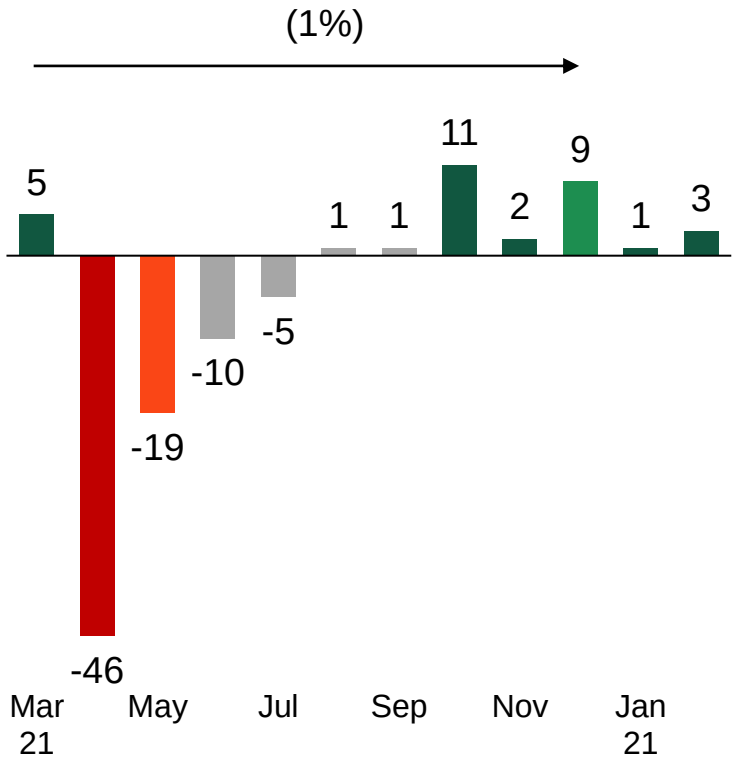
Source: Nedbank Group Economic Unit

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

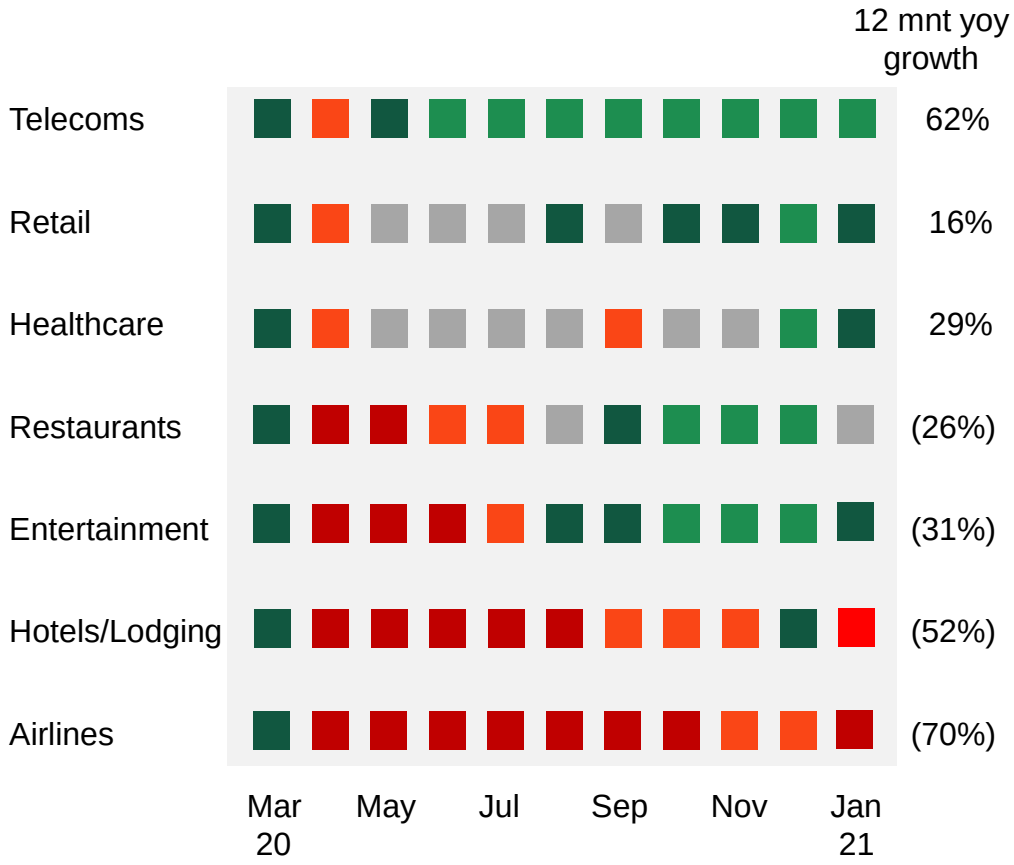
Total industry (indexed to March 2020)



Total industry (yoy growth %)



Key sectors (indexed to March 2020)

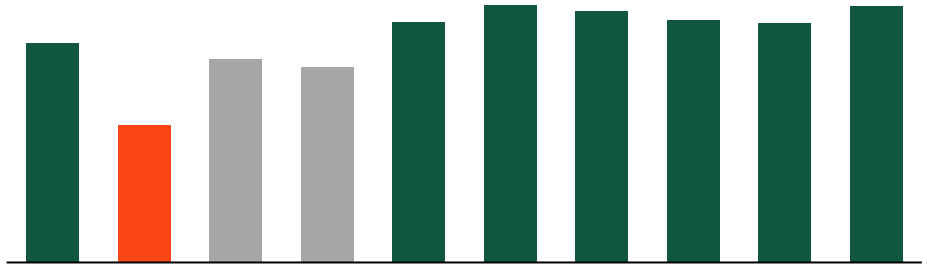


Indicators March 2020 | < 50% | < 80% | < 100% | ≥ 100% | > 120% of March 2020 levels

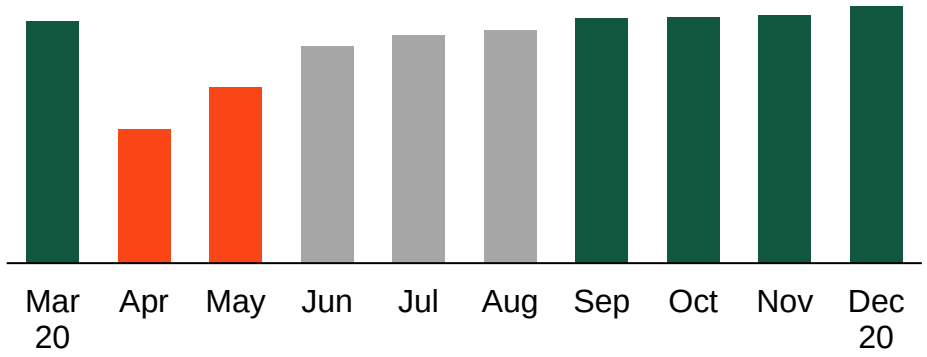
[1] *Based on Nedbank POS & card-related digital payment data (client turnover).*

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

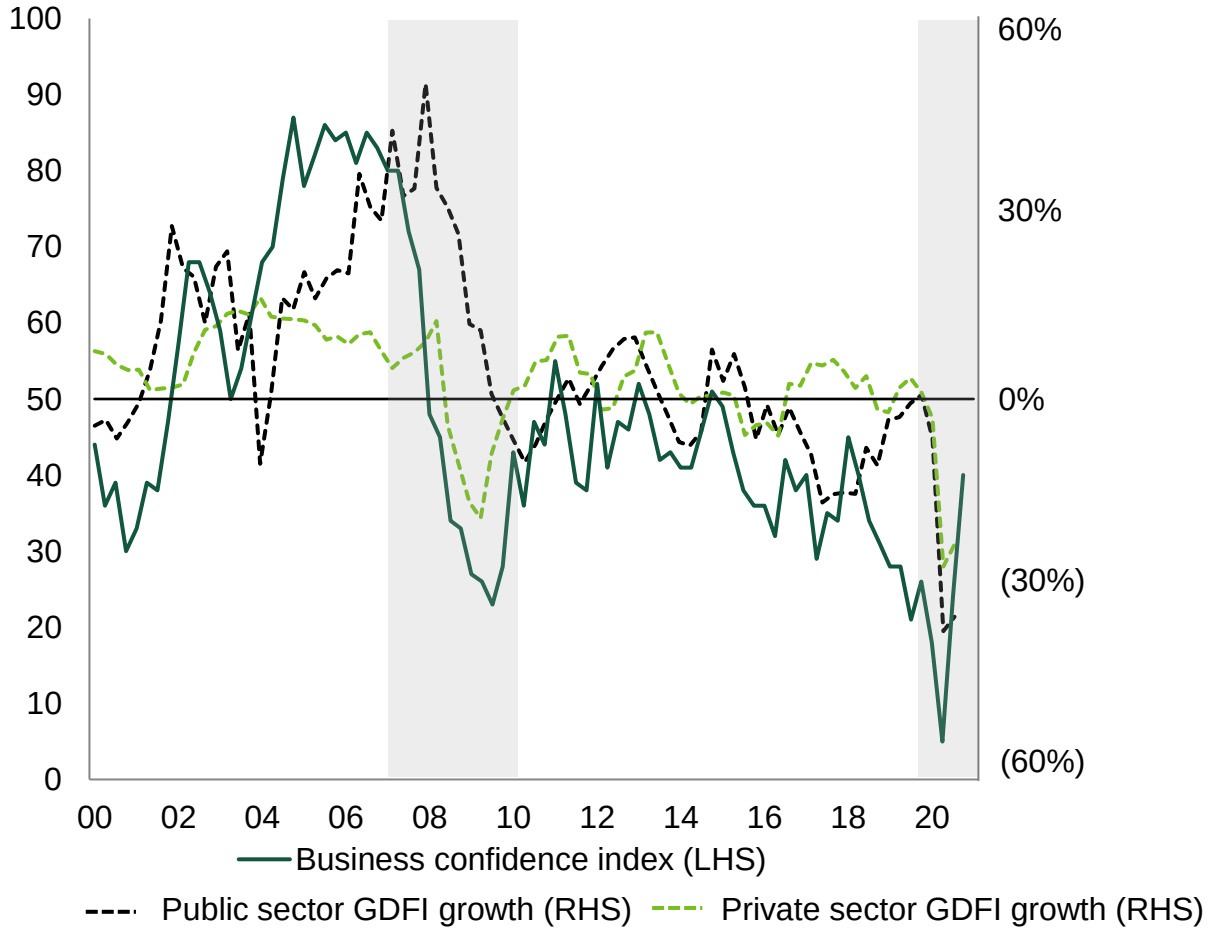
Mining production (indexed to 2019)



Manufacturing production (indexed to 2019)



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



[1] *SA Bureau of Economic Research.*

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

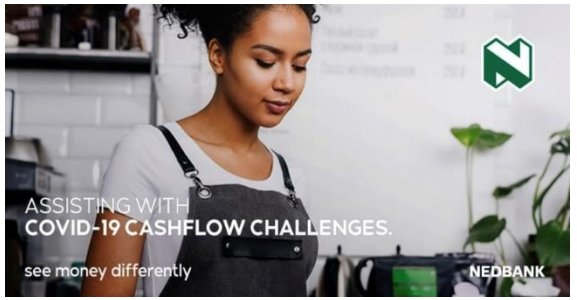
- Enabled & educated our clients to increasingly bank through our **mobile & web capabilities**
- **Support for clients** – eg payment holidays (on R121bn loans for more than 400k clients), fees concessions amounting to R104m, claims from credit life insurance cover (> R150m), applying for readvances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









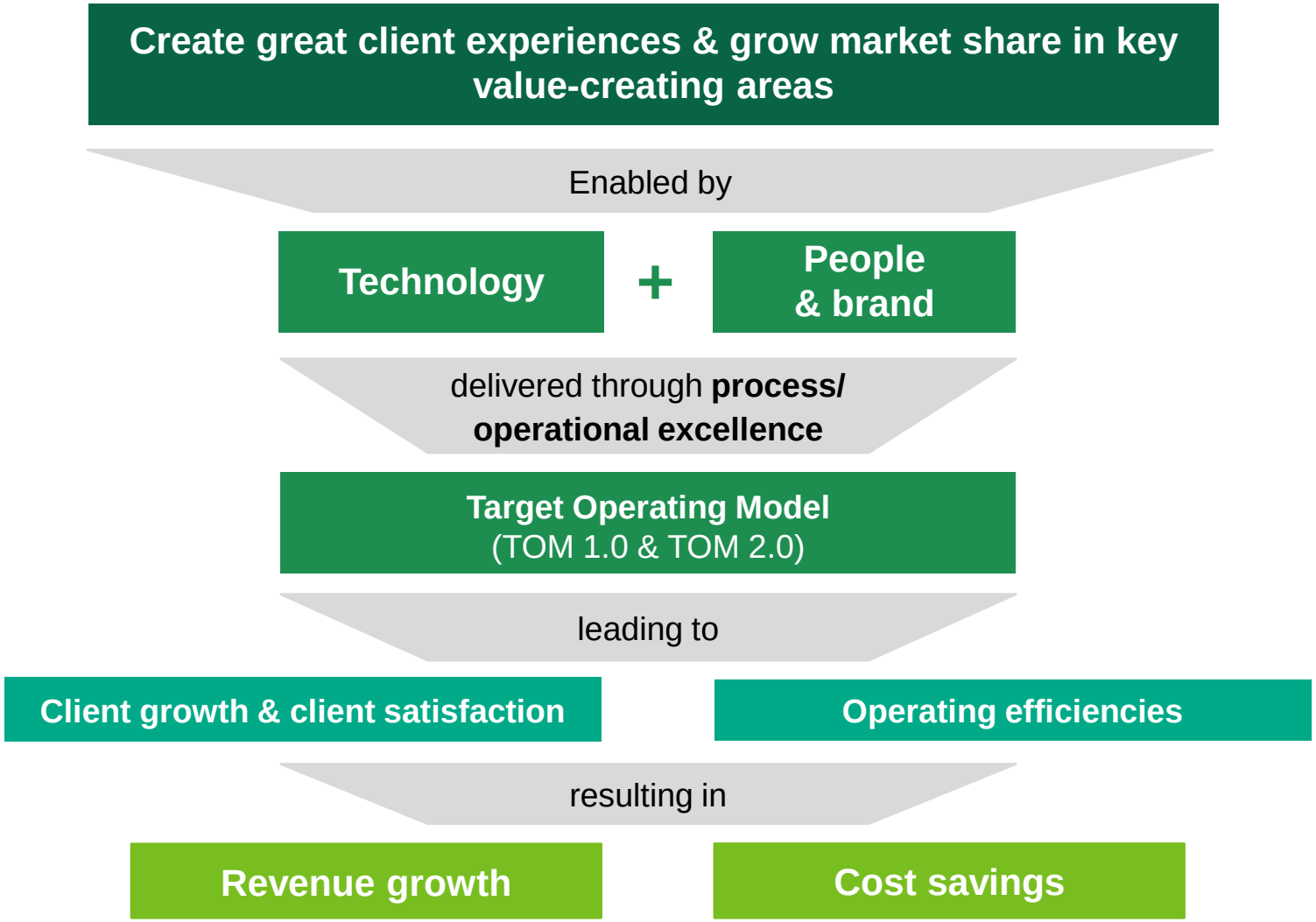
[1] *Business continuity planning.*

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]

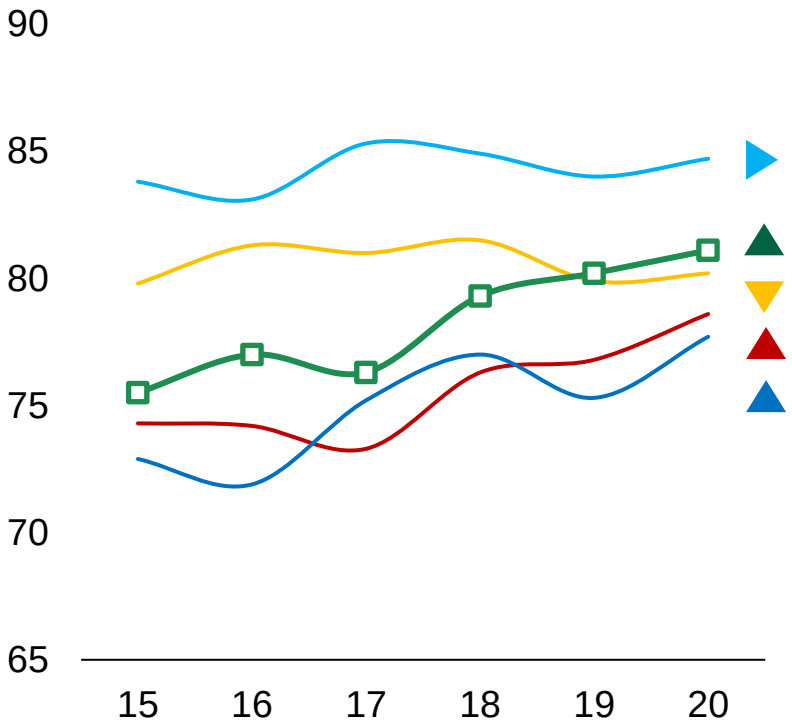
[1] *G3/2021 considered.*

Transition – good progress on delivering key strategic enablers that underpin future revenue growth & cost savings

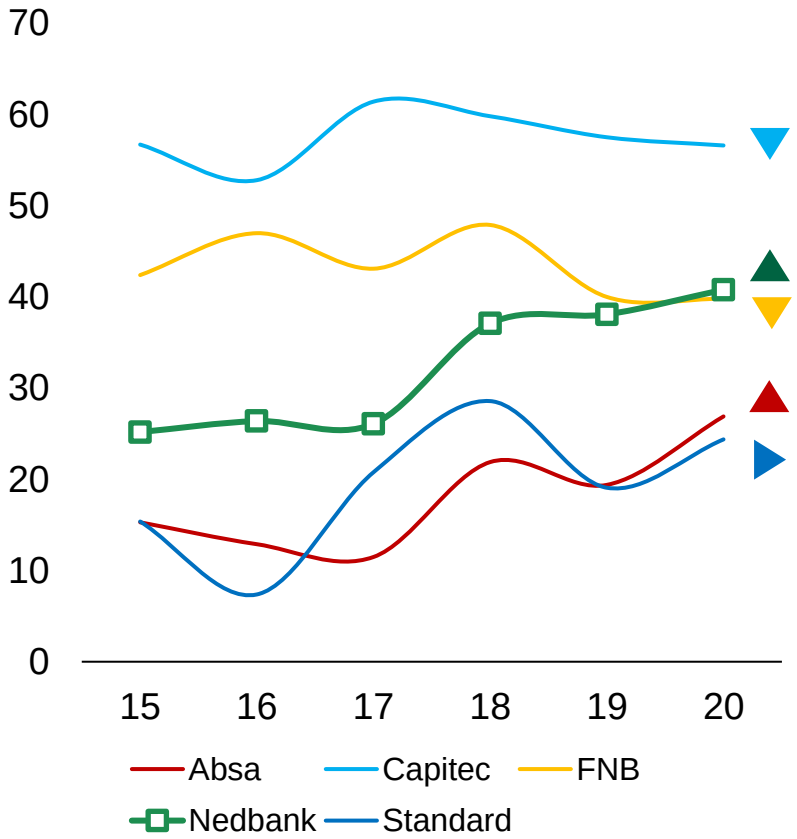


Transition – client satisfaction metrics continue an upward trajectory & Nedbank now the #2 rated SA bank, while app ratings remain at the top end

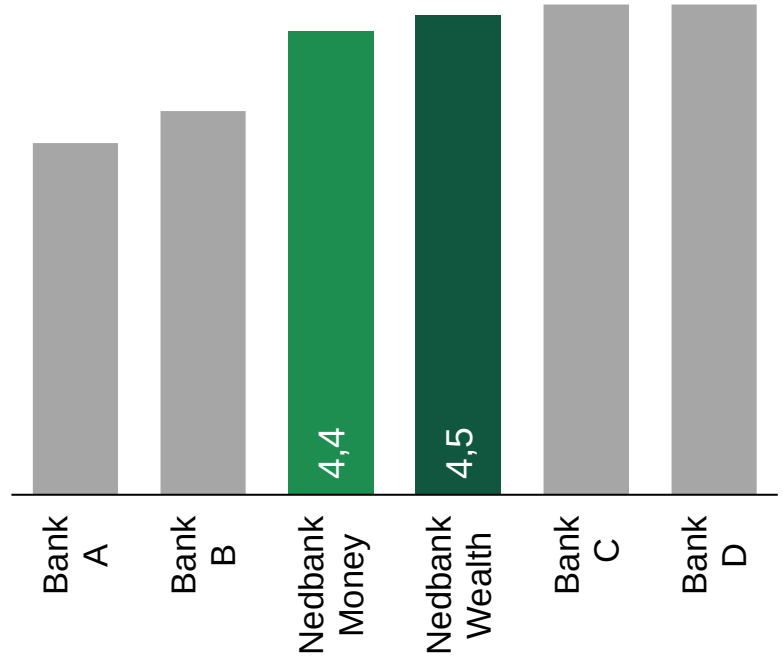
SA-client satisfaction index[1]



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).

Transition – solid progress on our technology strategy, supporting accelerated digital sales & transactional activity & underpinned by high levels of system availability

Managed Evolution – 78% complete (2019: 70%)

- **90** core systems (2019: 117)
- **Individual onboarding in place & juristic rollout in progress**
- **5 products/client journeys digitised** (2019: 2)
- **Digital sales: 49%** (of total sales, 2019: 21%)
- **Digitally active clients: 30%** (of total clients, 2019: 24%)
- Growth in **volume/value of app transactions: +70%/53%**
- **171** of retail services digitised (2019: 114)
- **Record levels of system uptime: 99,6%** (2019: 99,5%)

Digital leadership externally acknowledged[1]

- Best SA Banking App, Best Banking Technology Implementation, Most Innovative Digital Branch Design







[1] *Source: Global Banking & Finance Awards*

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

BOOKLET SLIDE

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]

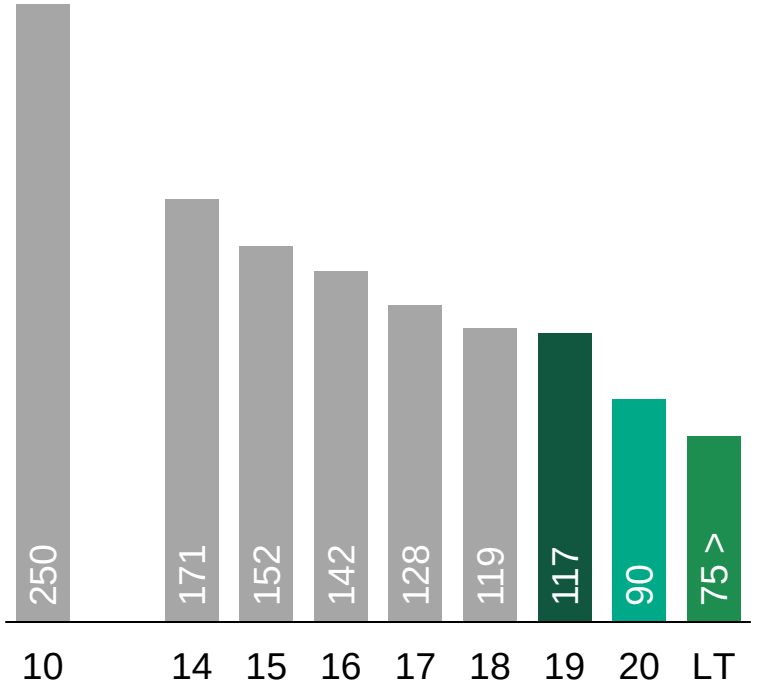
Additional Products[4]
- RRB
- Everyday Banking (MVP)

[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

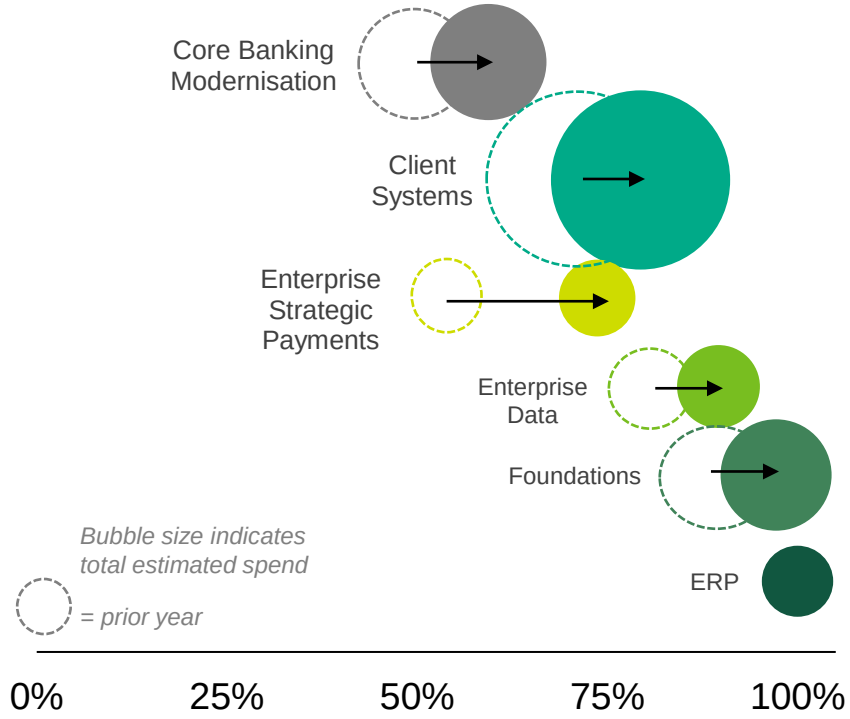
Transition – Managed Evolution technology strategy on track

BOOKLET SLIDE

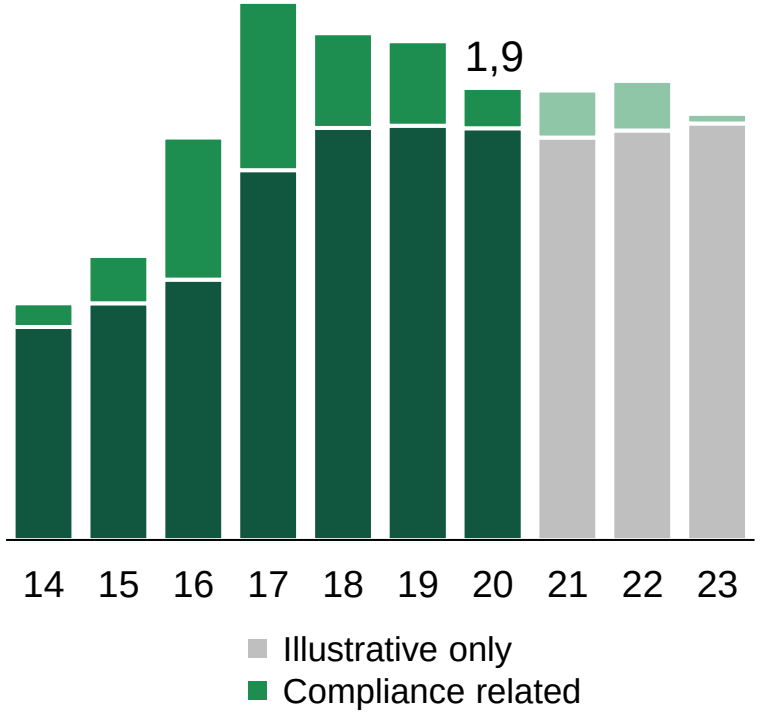
Core systems (#)
Rationalise, standardise & simplify



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



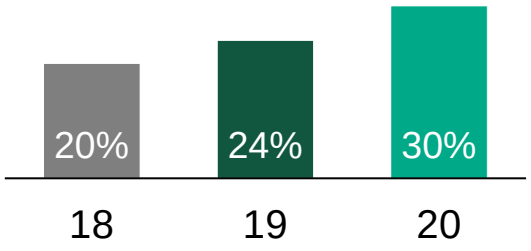
IT software development spend (Rbn)
Annual cashflow continues to decline



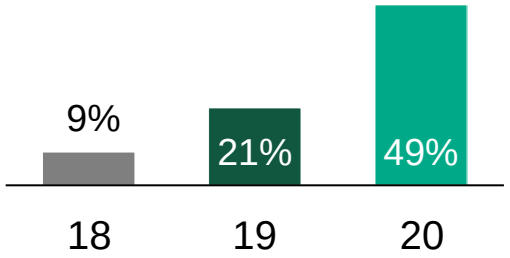
Transition – accelerated digital delivery, uptake & usage

BOOKLET SLIDE

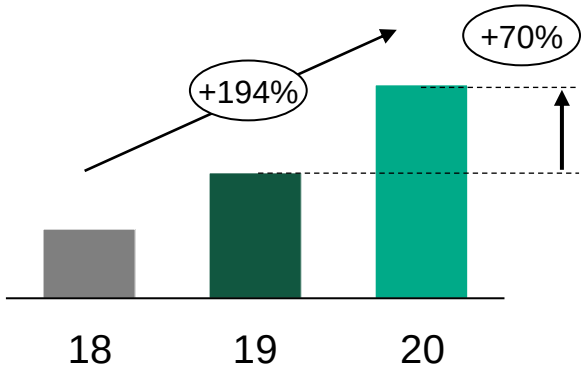
Digitally active clients
(% of total clients)



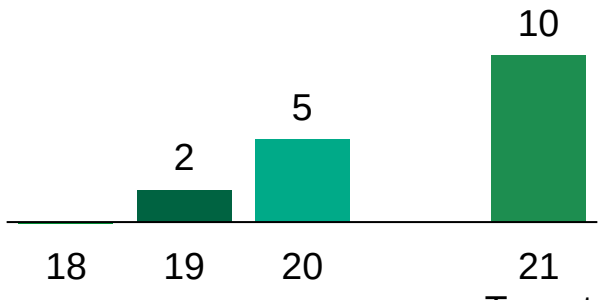
Digital sales
(# 000)



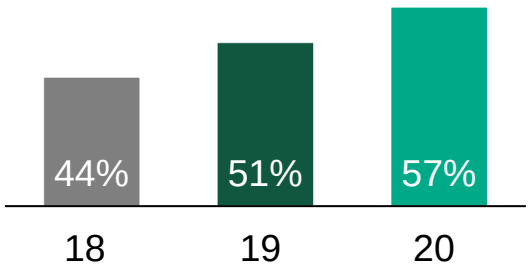
App transaction volumes (# m)



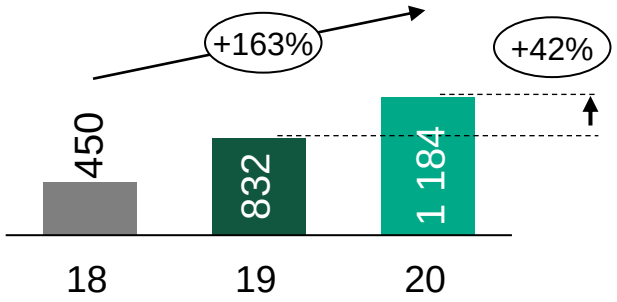
Products digitised
(# of top 10)



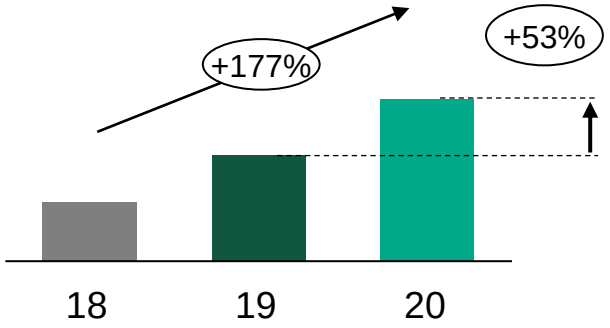
Digitally active clients
(% of main-banked[1] clients)



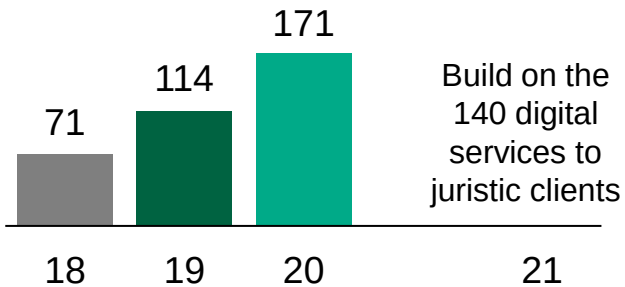
Money app active users
(# 000)



App transaction values (Rbn)



Retail services digitised
(#)



[1] *Digitally active main-banked clients*

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.

MANAGING RISK

Risk Management has demonstrated great agility & effectiveness – the extra focus on credit risk remains, albeit with a much improved outlook

Trevor Adams
Chief Risk Officer

Overview – successful risk management through the ‘Great Lockdown Crisis’

2020 outcomes	Key risk category	Inherent risk	Residual risk	2021 focus
▪ Resilience	Business/Country risks			▪ Re-imagine ▪ SA Inc/macro turnaround
▪ BCP successfully implemented ▪ Best-ever IT stability ▪ No cyber internal breaches (#1 Bitsight ranking)	Operational risk IT risk Cyber risk			▪ Organisational resilience ▪ Emerging 4th IR IT/Digital risks ▪ Cyber resilience
▪ Market conduct & culture programme fully completed ▪ Covid-19 client support ▪ Leading as the ‘green bank’	Conduct risk Reputational risk Climate risk			▪ Regulatory evolution/new SA conduct standards ▪ Stakeholder engagement ▪ Glide-path to 2050/Clean energy opportunities/TCFD
▪ Excellent management of market crisis (Q2) ▪ CLR better than expected ▪ CARs well within/above target ranges	Liquidity & Market risks Credit risk Capital risk			▪ Business-as-usual ▪ Covid-19 credit programme ▪ Optimise risk-adjusted returns ▪ Capital plan/ICAAP ▪ RWA optimisation

Risk indicators
High Medium Low

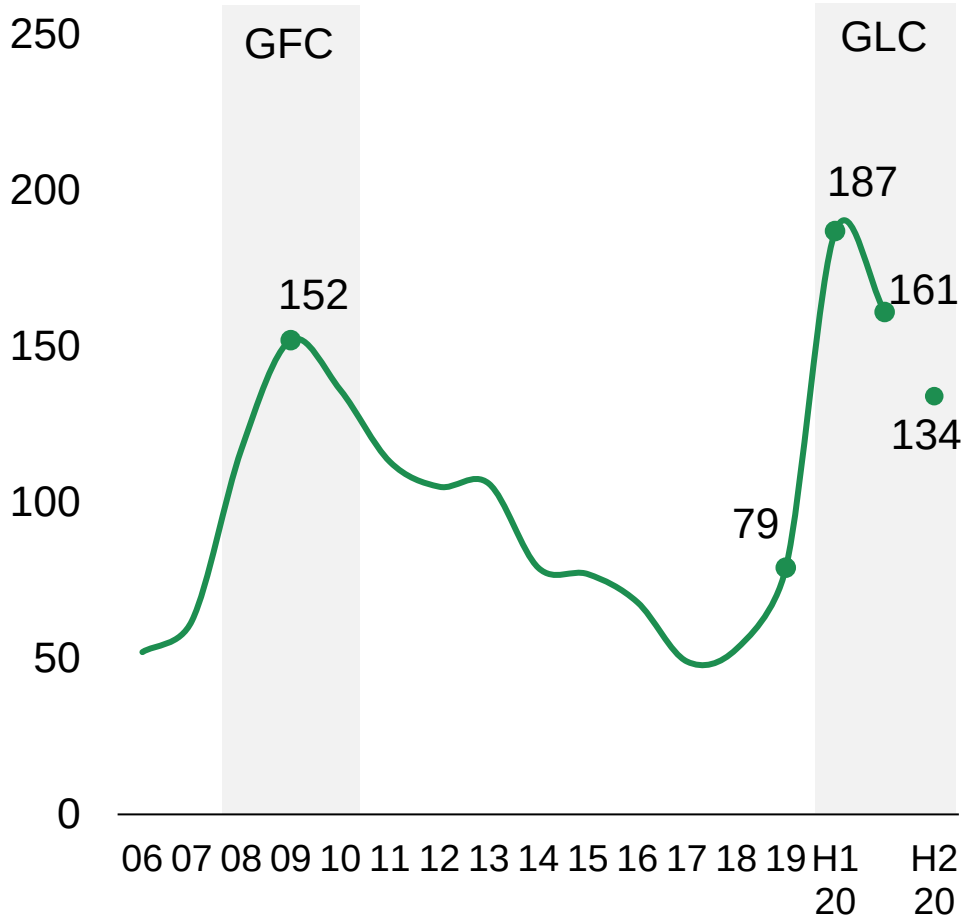
Dec 19 Jun 20 Dec 20 Dec 19 Jun 20 Dec 20

Credit risk – successful approach in managing a 1-in-100 year crisis event

- **Covid-19 Credit Programme**
  - Revised credit models, where appropriate
  - Deep dives (clients, products, portfolios, industry sectors & security valuations)
  - Stress & Scenario Testing
  - Overlays & expert judgment
- **Accounting for credit risk**
  - Balance required & achieved
    - IFRS 9 forward-looking (upfronting)
    - Regulatory guidance (avoid excessive procyclicality)
    - Abnormal economic uncertainty
  - Nedbank economic forecasts at H1 2020 proved to be materially correct
  - Interpretation & application of IFRS 9 (eg staging classifications)
  - Conservatism & prudence applied, especially appropriate in the current economic climate
- **Combined Assurance** across the three Lines of Defence
  - Engaged External Audit early

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

Credit loss ratio[1] (CLR, bps)

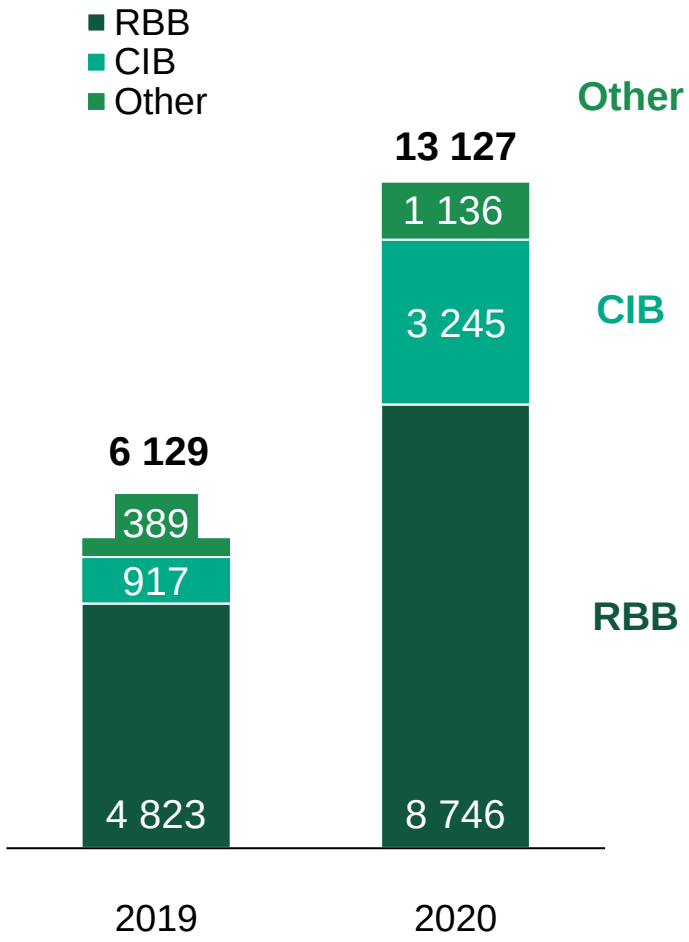


- **CLR ended only marginally higher than GFC**, despite the 1-in-100 years GLC event in 2020
- **High-quality credit book & well secured** (LTVs)
  - Selective origination (lower risk) & enhanced credit risk management & IFRS 9/Basel 3 since the GFC
- **D3 loans reduced to R28bn** (H1 2019: R119bn) – 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 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)

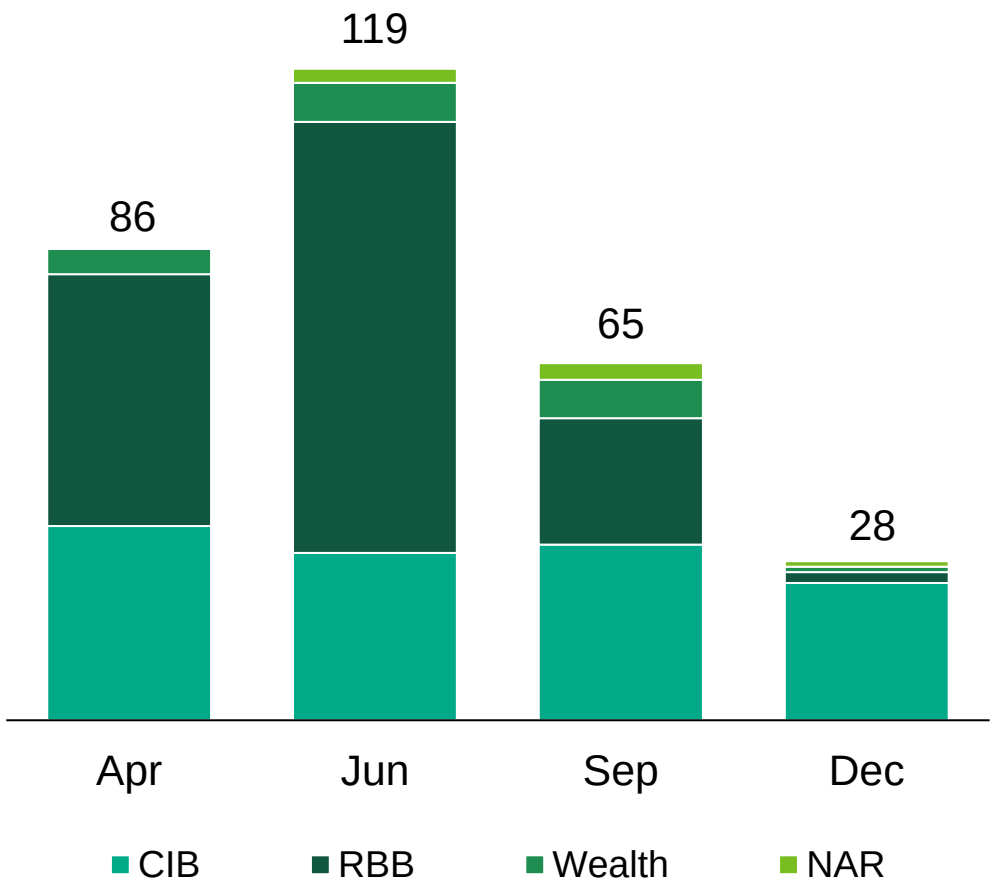


Covid-19 related adjustments/overlays

▪ **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 R28bn at YE 2020, from a peak in July 2020 of R121bn

D3/2020 relief provided (Rbn)

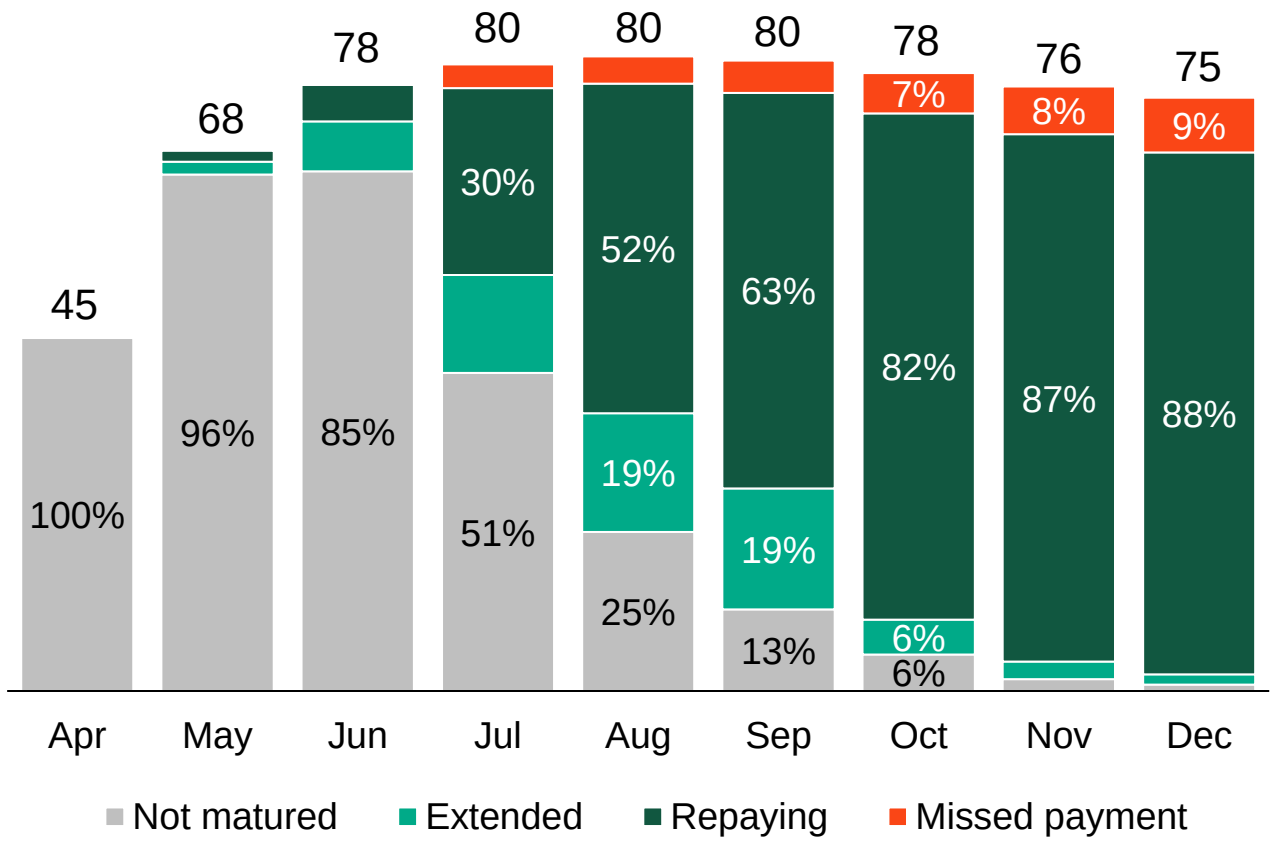


- **Ceased granting D3 renewals** (only on an exceptional basis)
- **RBB**
  - 97% of D3 loans matured
  - Only R2bn outstanding
- **CIB**
  - Original payment relief provided beyond 3 months
  - R25bn outstanding (majority mature in H1 2021)
  - CPF D3 loans peaked below 6% of book, lowest in the group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

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

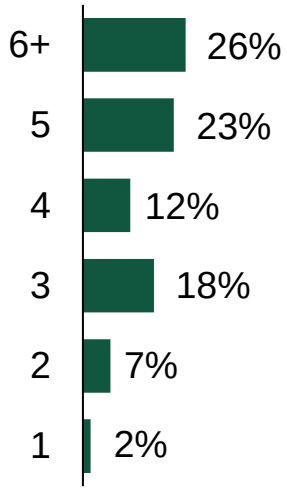
Status of Retail D3 payment holidays

(Rbn, %)



Repaying accounts

(# of payments)

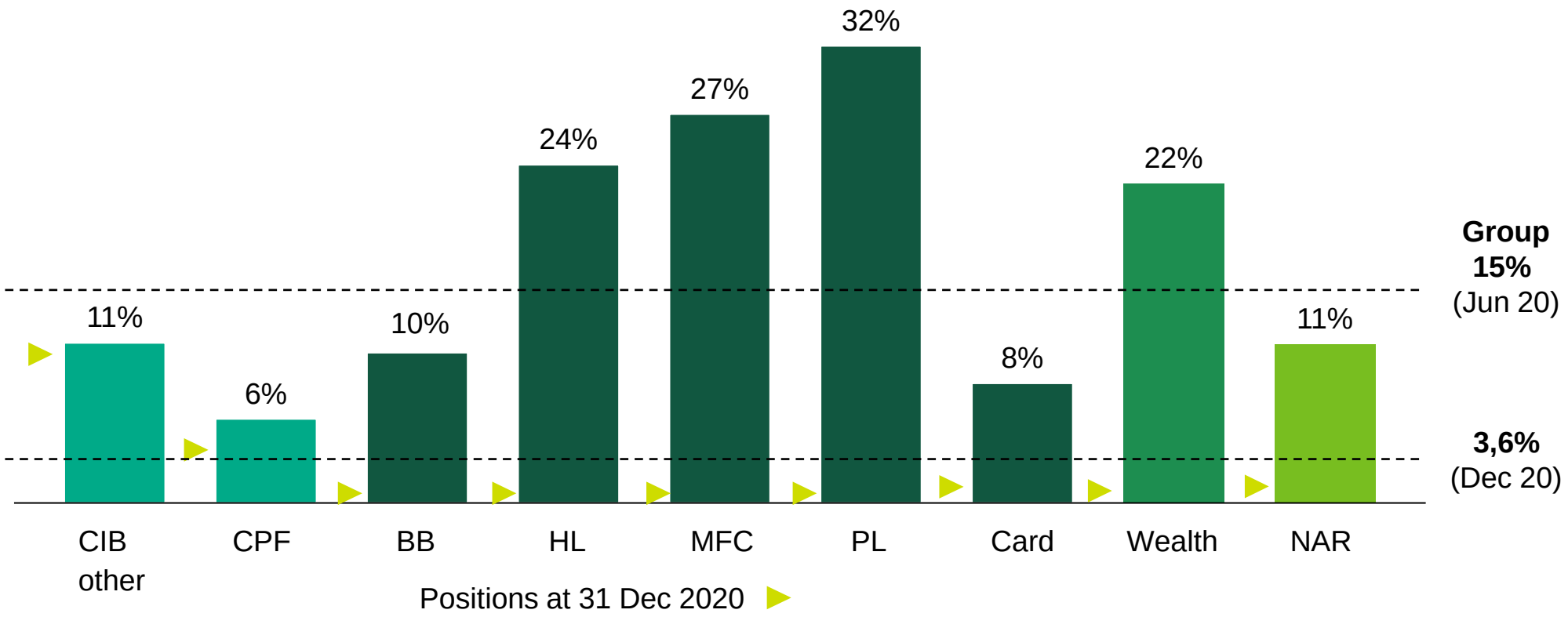


- **D3 loan performance at Dec**
  - 88% of clients repaying (79% have made 3+ payments)
  - 9% missed a payment
    - 6% in Stage 2
    - 3% in Stage 3
  - 2% of D3 payment holidays extended
  - 1% of D3 payment holidays have not yet matured
  - R5bn of D3 loans repaid
  - R200m D3 loans written off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

Credit risk – D3 loans at 30 June 2020 reflect the profile of payment relief provided

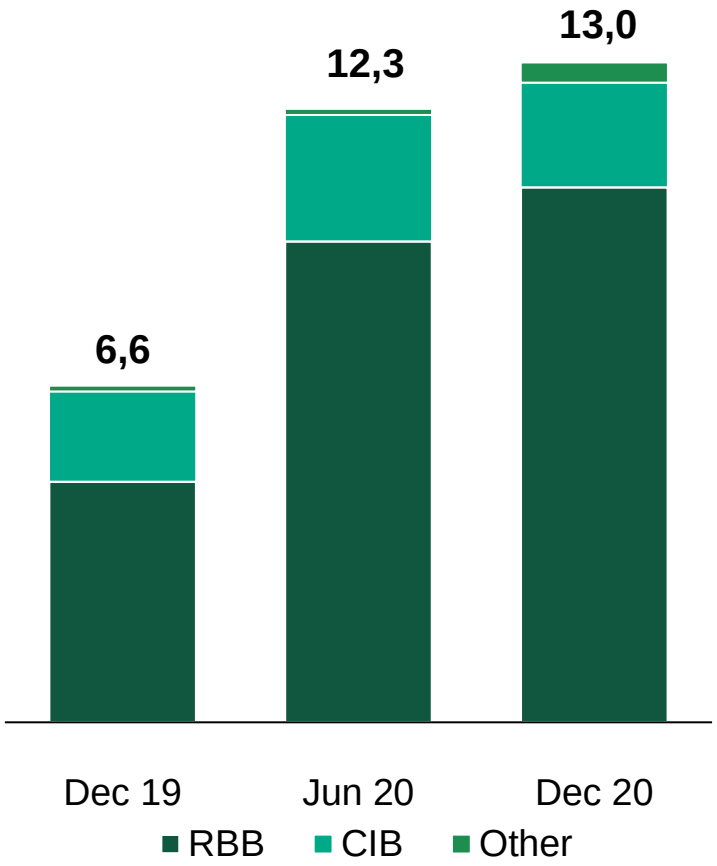
BOOKLET SLIDE

D3 as % of gross loans (Jun 2020)

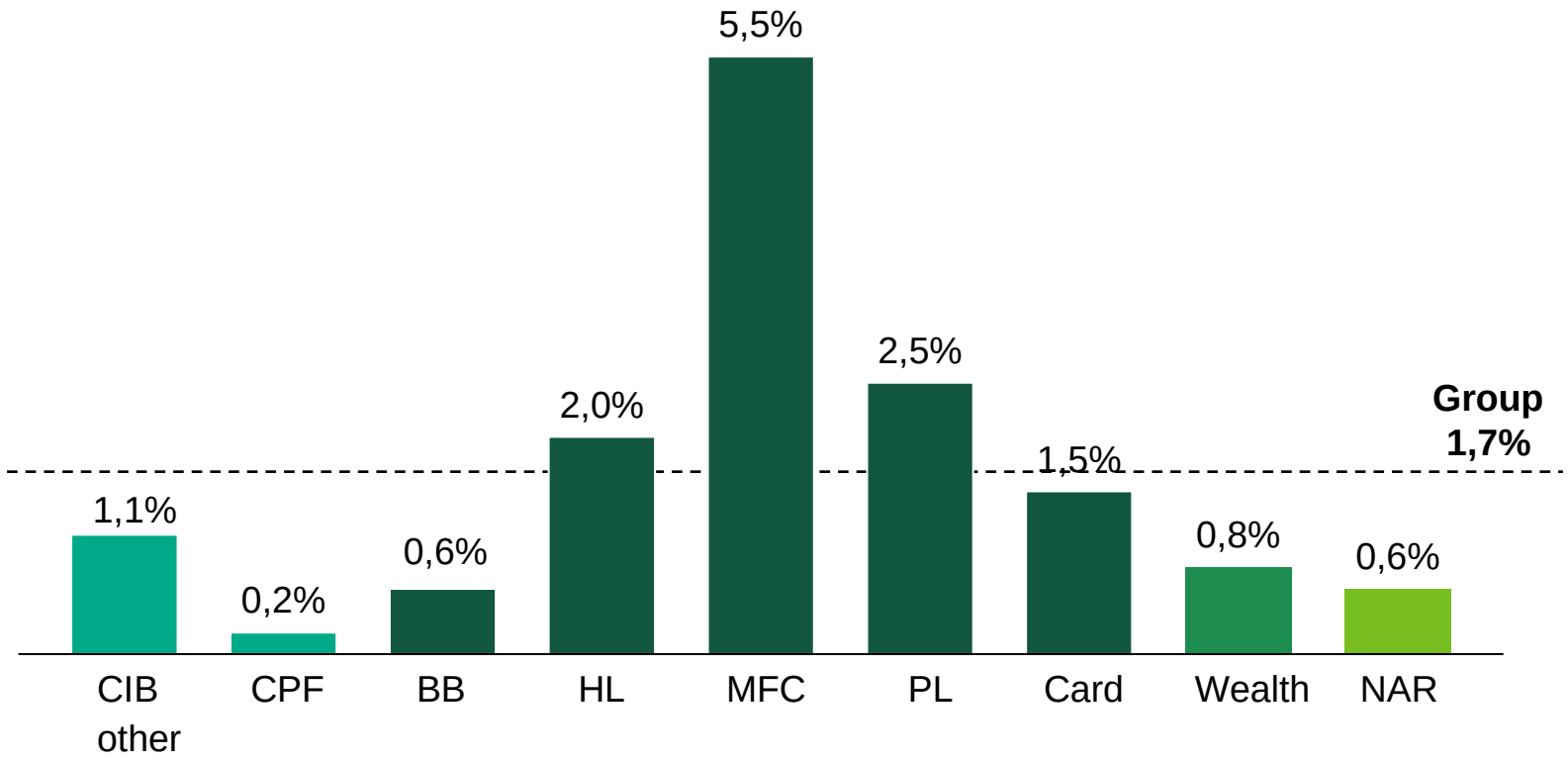


Credit risk – D7 loans increased as expected

D7 exposures (Rbn)

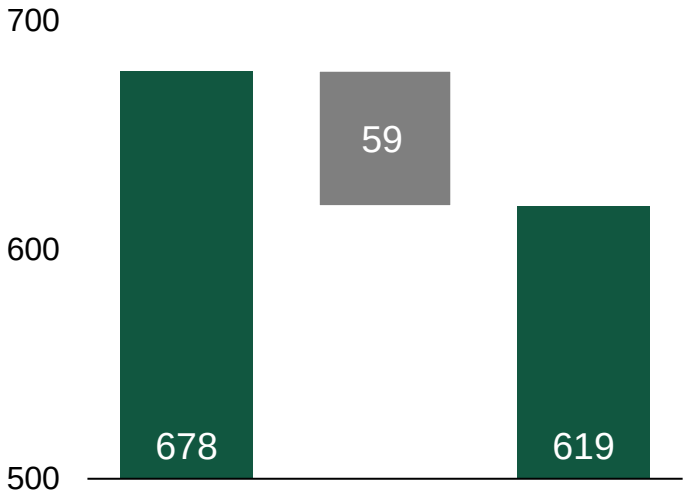


D7 as % of gross loans (Dec 2020)

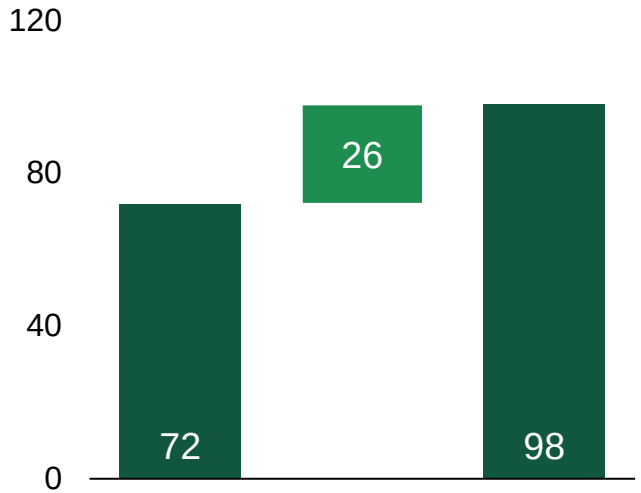


Credit risk – large increases in stages 2 & 3 Gross Loans & Advances, driven by the Covid-19 economic crisis

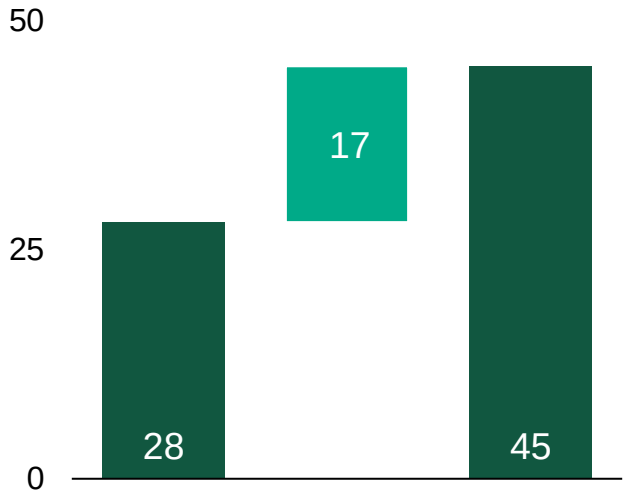
Stage 1 loans & advances[1] (Rbn)



Stage 2 loans & advances[1] (Rbn)



Stage 3 loans & advances[1] (Rbn)



	Dec 19	Dec 20
% of book	87%	81%
Peers[2]	86 to 90%	82 to 87%
% of book	9%	13%
Peers[2]	6 to 9%	9 to 11%
% of book	4%	6%
Peers[2]	4 to 5%	5 to 6%

Key drivers of decrease

- Reduction in CIB book on the back of large repayments, portfolio optimisation & low levels of activity
- Migrations to stage 2 & 3 due to Covid-19

Key drivers of increase

- CIB client migrations & certain watchlist clients triggered SICR
- All SICR treated as stage 2 – IFRS 9 'Low Risk exemption' not applied (R22bn)
- D3 renewals in H2 treated as stage 2

Key drivers of increase

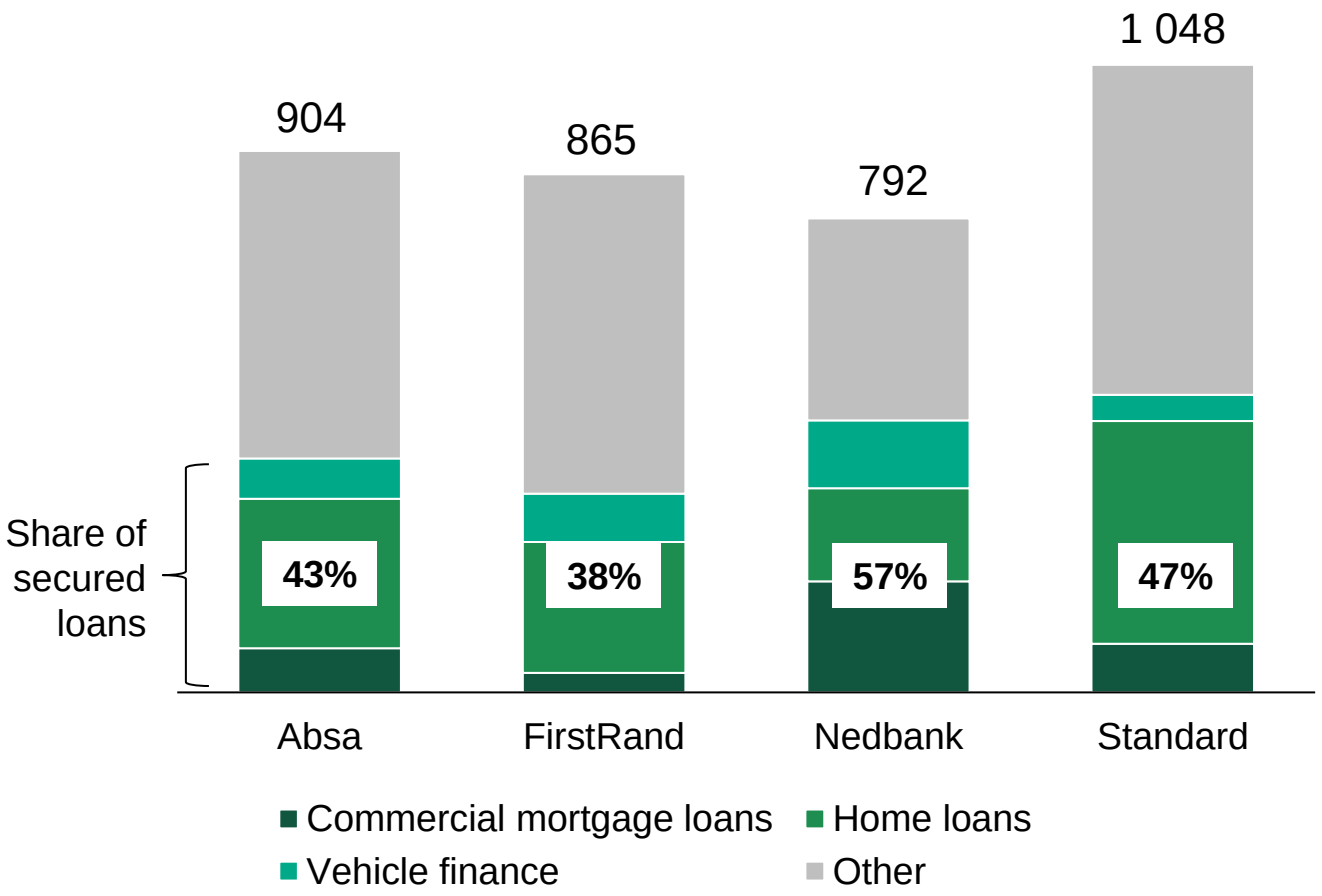
- R6,4bn increase in D7 loans
- Migration of book
  - CIB +169% yoy
  - RBB +48% yoy

[1] Loans & advances restated to include listed corporate bonds to align with industry practice. | [2] Peer range as at 30 June 2020.

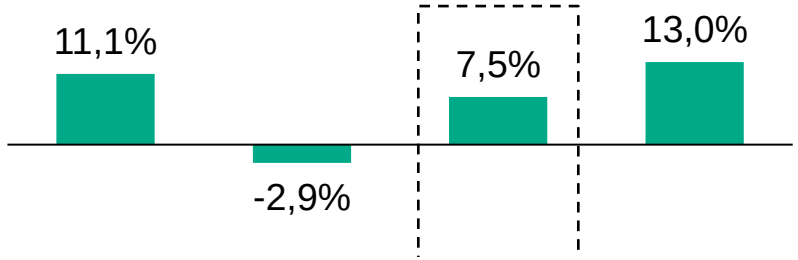
Credit risk – Nedbank has a large secured lending profile, requiring lower coverage generally given the greater extent of collateral/security & selective origination

Gross loans & advances[1]

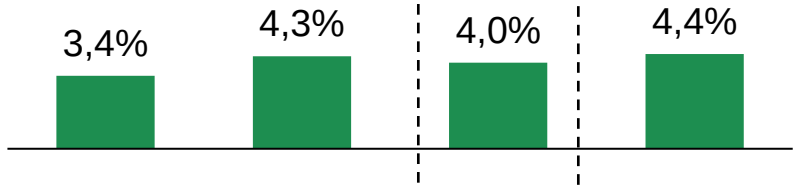
(Rbn, Dec 2020)



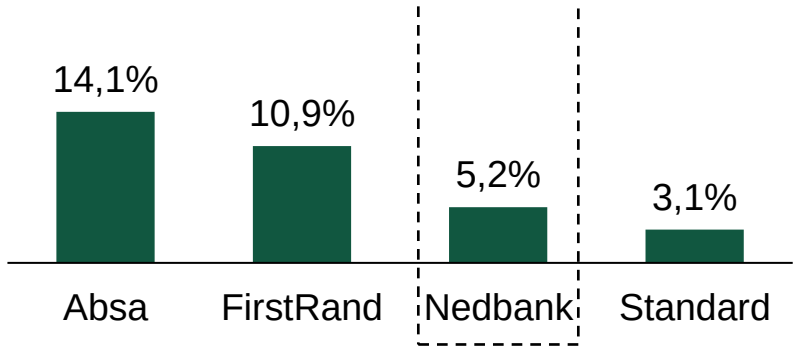
3-year vehicle finance CAGR[1] (%)



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



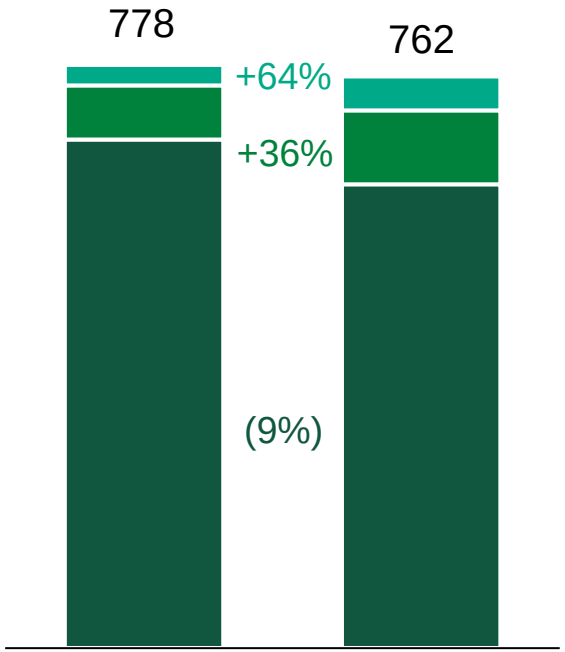
3-year commercial mortgages CAGR[1] (%)



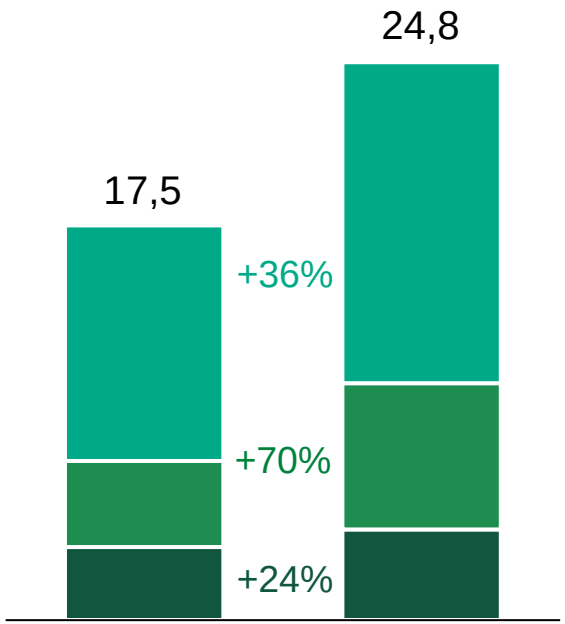
[1] Analysis based on BA 900 data as at 31 Dec 2017 & 31 Dec 2020.

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

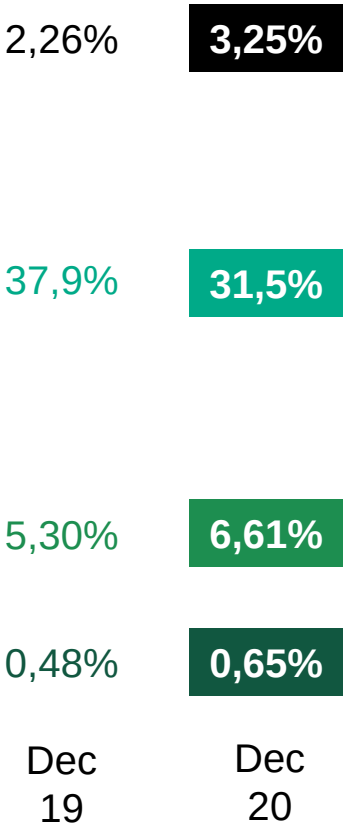
Gross loans & advances[1]
(Rbn)



Expected credit loss
(Rbn)



Coverage ratios





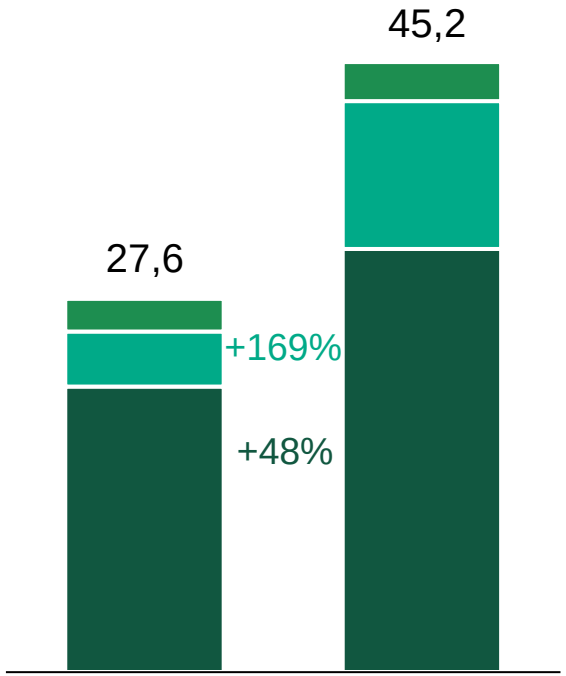
- **Stage 3 coverage** – decrease driven by higher migration of CIB stage 3 loans vs RBB, specific CIB client counters in stage 3 (high collateral, low coverage) vs FY 2019, increase in RBB D7 loans & non-D7 secured loans.
- **Stage 2 coverage** – increase driven by most of the R3,9bn Covid-19 overlays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

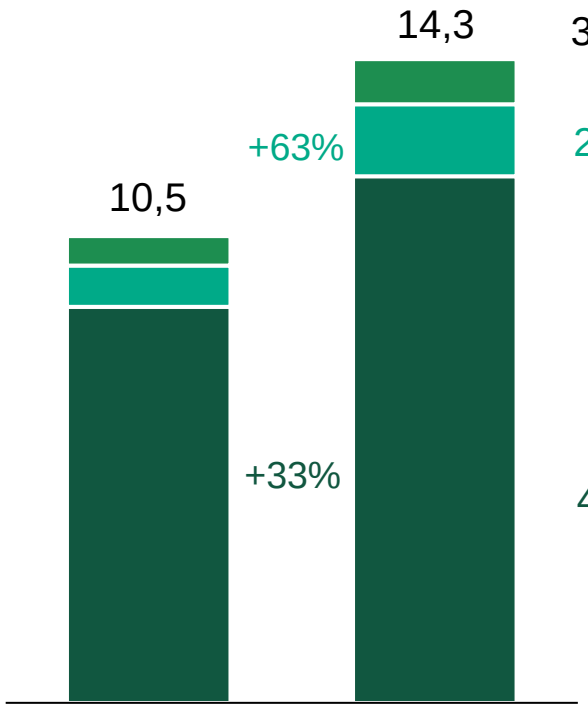
Credit risk – Stage 3 ECL & coverage reflects impact of mix & highly collateralised loans in both CIB & RBB

BOOKLET SLIDE

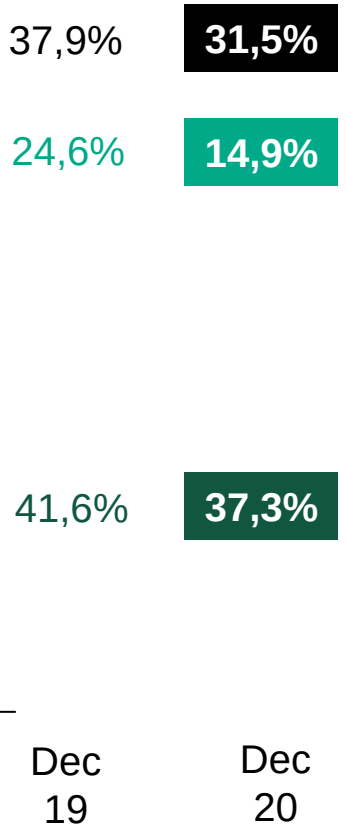
Stage 3 loans & advances[1]
(Rbn)



Expected credit loss
(Rbn)



Coverage ratios



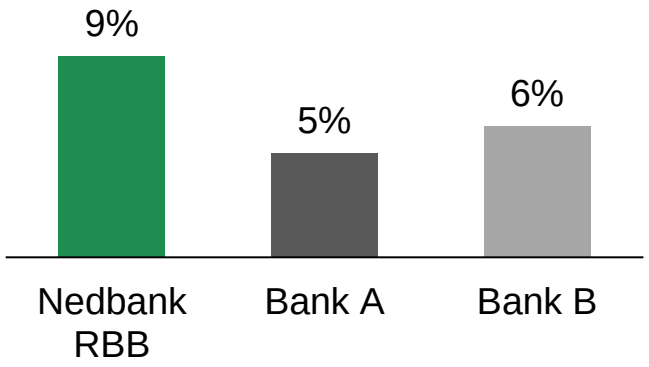
Other CIB RBB

- **Group stage 3 coverage impacted by mix change**
  - Higher CIB growth at lower coverage vs RBB
- **CIB coverage**
  - High collateral, low LTVs
  - Client-by-client ECL calculation incl collateral (top 10 CIB clients: 66% of stage 3 ECL)
  - Specific counters vs FY 2019
- **RBB coverage**
  - Increased levels (esp. HL & MFC) of D7 loans attract lower coverage
  - Expected to increase in H1 2021 as D7 loans exit monitoring
  - Skewed to secured lending

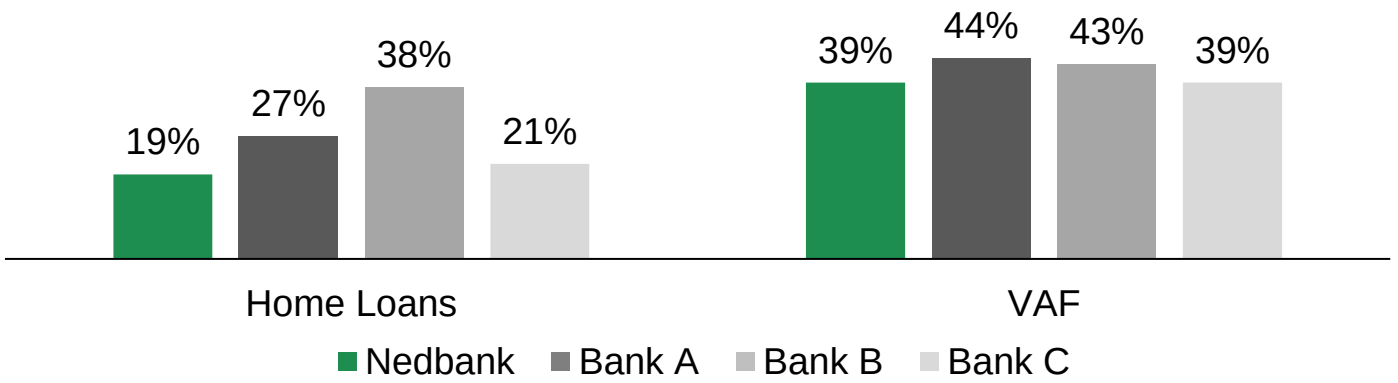
[1] *Loans & advances restated to include listed corporate bonds to align with industry practice.*

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

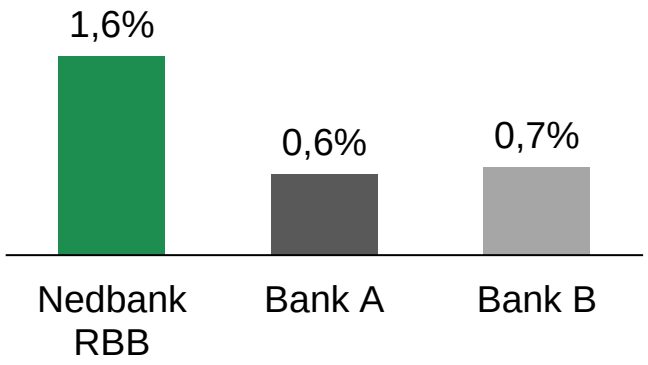
RBB writeoffs
(% of stage 3 RBB loans)



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.

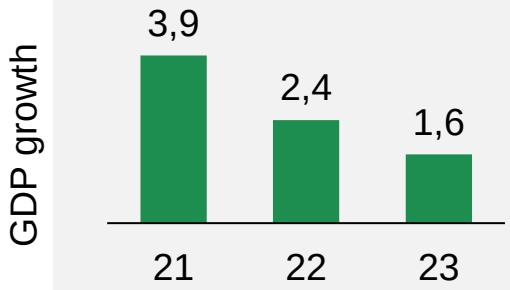
Credit risk – R26,1bn ECL is our base case, with positive & high-stress scenarios indicating minimal up/downside risk

BOOKLET SLIDE

Various scenarios used in ECL modelling for FY 2020 purposes

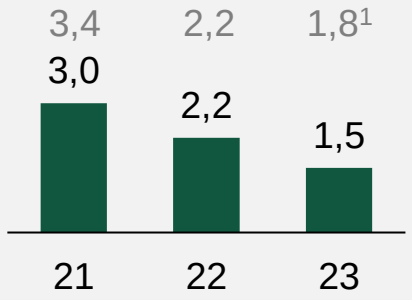
GDP growth assumptions (Dec 2020)

Positive – 21% probability



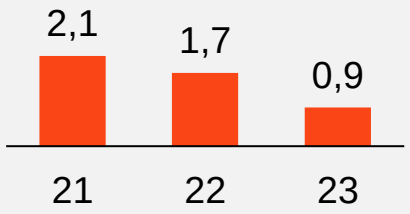
- Virus spreads slower & vaccine rollout somewhat faster leading to the virus largely defeated in ‘21
- Country moves to lockdown Level 0
- CPI increases to just below 4%
- Credit growth around 6%
- Prime flat in 2021 & beyond

Base – 50% probability



- Covid-19 transmissions remain steady & virus effectively contained, with some flare-ups. Vaccine rollout by end ’21
- Lockdowns eased in ‘21
- CPI increases to just below 4%
- Credit growth around 5%
- Prime flat in ‘21 & increases 50 bps in early ‘22

High stress – 8% probability



- Regular virus infection flare-ups occur throughout ‘21. Vaccine rollouts delayed to ‘22
- Long-lasting lockdowns & restrictions. Significant wave of bankruptcies & severe financial instability
- CPI around 5% & credit growth slows to around 3-4%
- Prime increases >1%

A mild-stress scenario, with variables between base case & high stress has a further 21% weighting | [1] Feb 2021 forecasts.

Scenarios

Probability-weighted ECL[2]
R26,1bn

100% probability of **positive** scenario
-1,8%
R25,6bn

100% probability of **high stress** scenario
+3,7%
R27,0bn

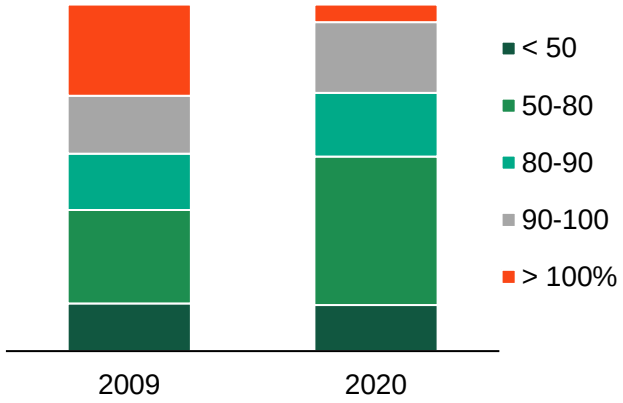
[2] Includes ECL on loans & advances at amortised cost & FV OCI.

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

BOOKLET SLIDE

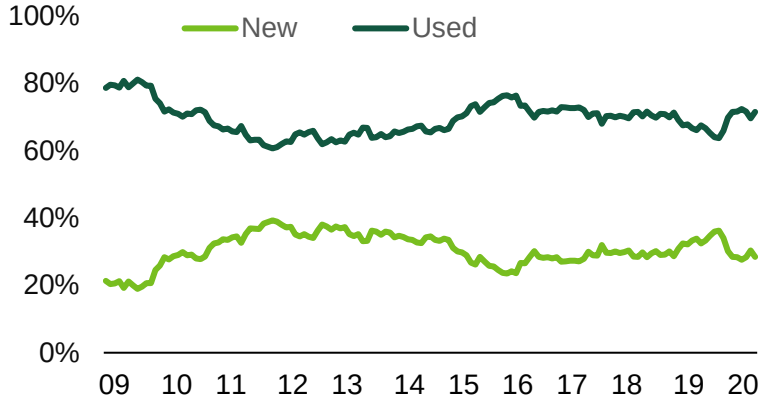
Home loans

LTV distribution 2009 vs 2020 (%)



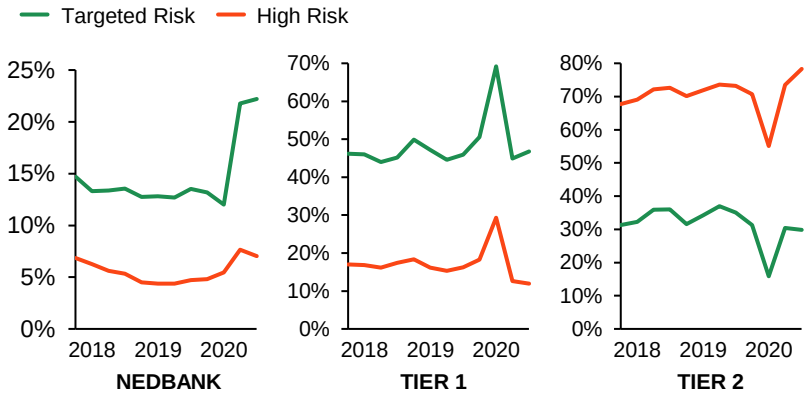
Vehicle finance

New vs used vehicle distribution (%)

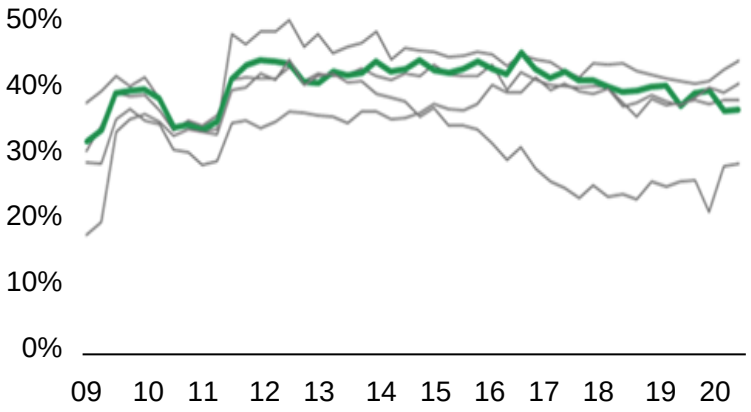


Personal loans

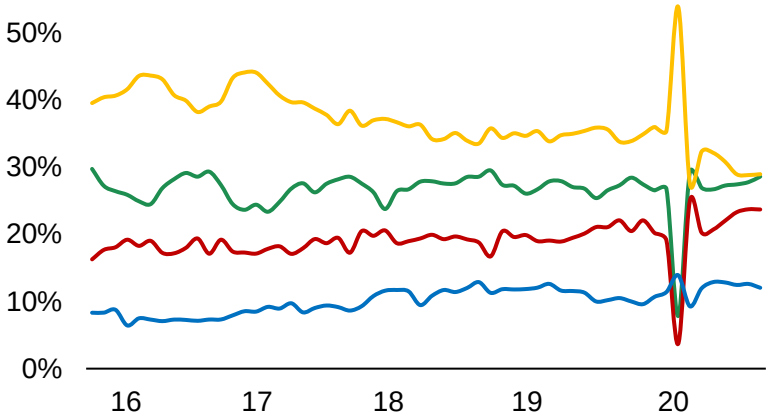
Market share of disbursed business (%)[1]



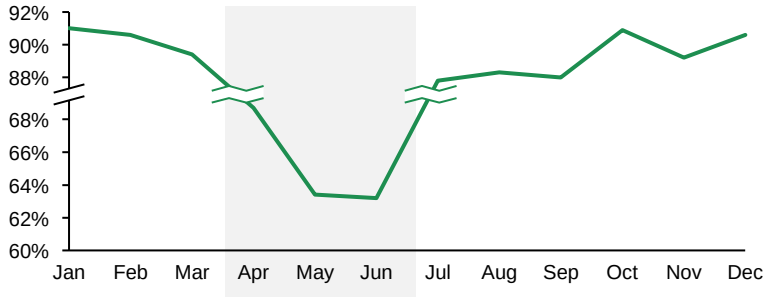
New business – proportion of low-risk clients (%, Lightstone)



New business market share (%, TransUnion)



Payment success (%) – performing book [2]

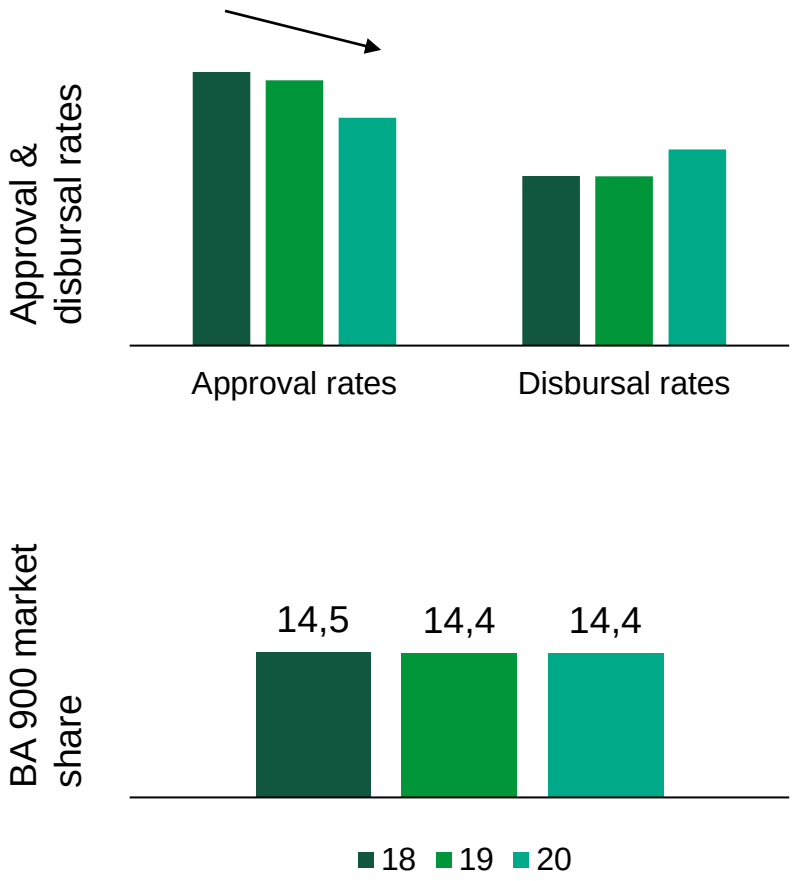


1 Per Experian Bureau Data | Targeted Segment (Bureau Score > 625); High Risk (Bureau Score <= 625) | Tier 1 refers to traditional 4 banks excluding Nedbank while Tier 2 refers to remaining material providers of unsecured personal loans; Tier 1 market share mid 2020 impacted by Covid-relief personal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

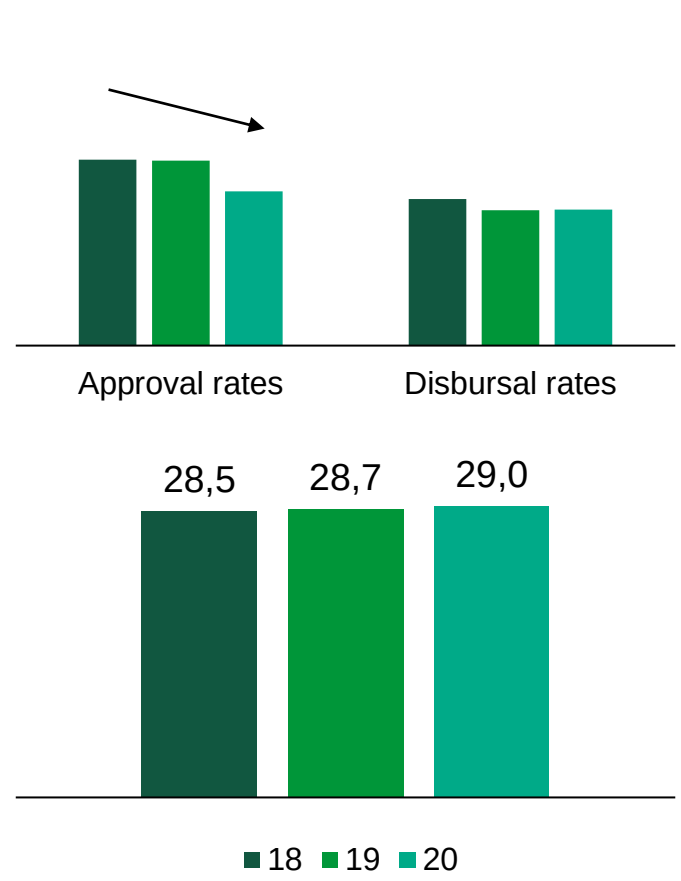
Credit risk – quality RBB book: supported by selective loan origination

BOOKLET SLIDE

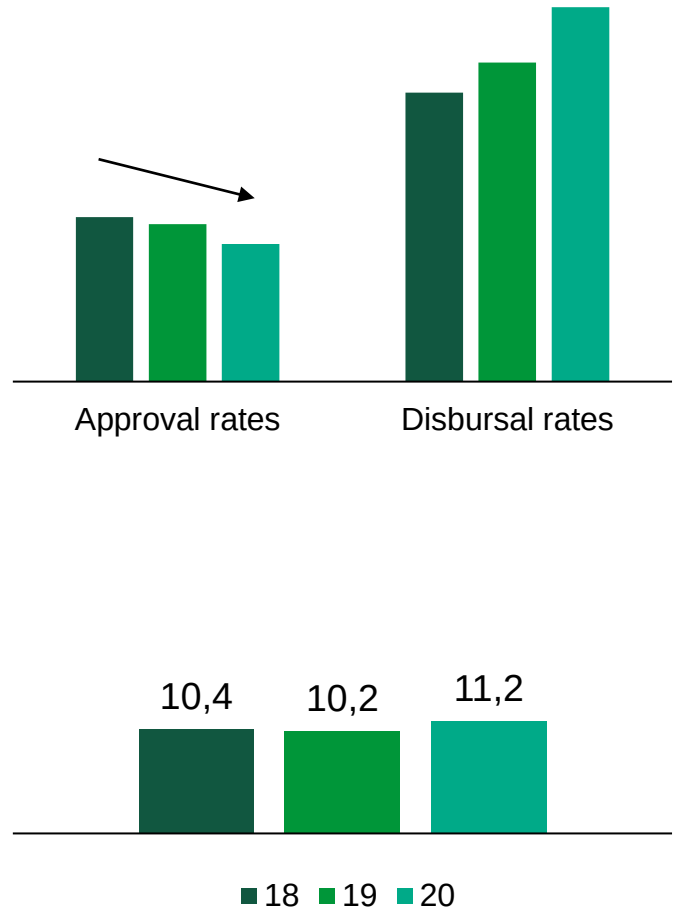
Home loans



Vehicle finance



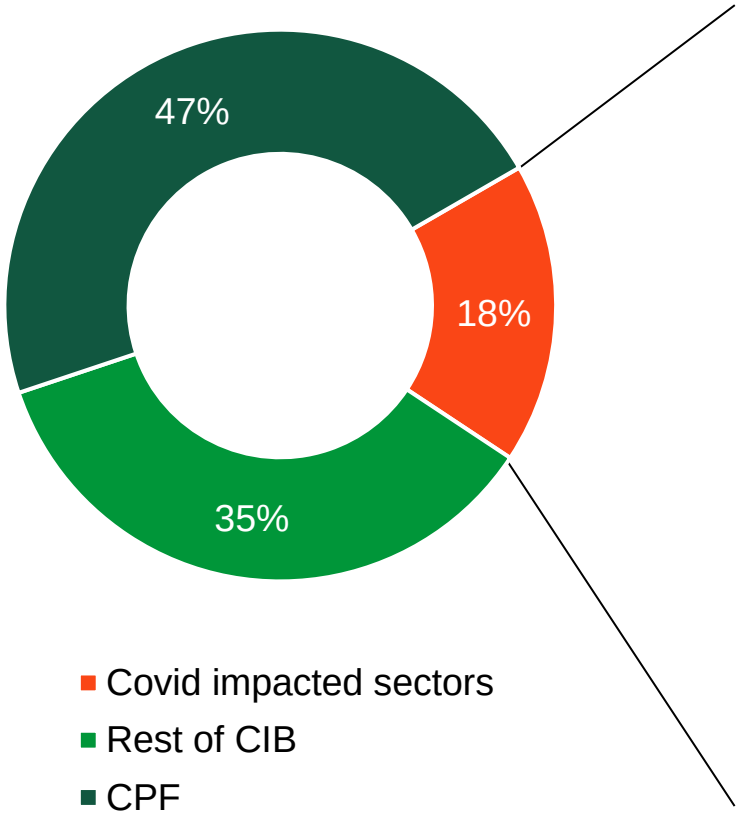
Personal loans



Credit risk – CIB Covid-19 high-risk exposures

BOOKLET SLIDE

CIB Covid-19-impacted sectors (Rbn)



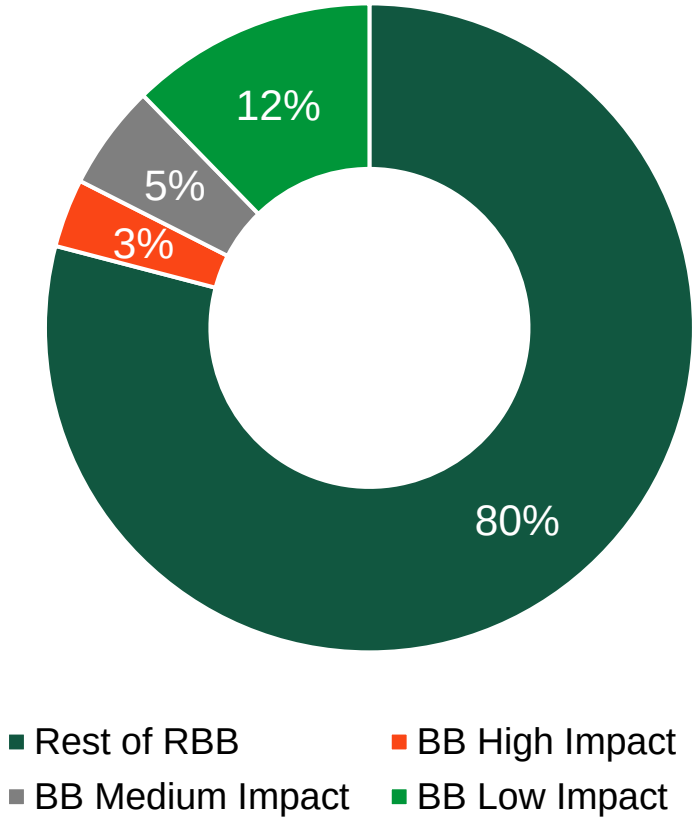
Covid impacted sectors (excl CPF**)	% of CIB exposure	D3 % of sector exp	D7 & NP % of sector exp
▪ **SOEs / Municipalities** – defaulted exposures being restructured with [33%] government guaranteed	7%	0%	5%
▪ **Construction*** – Stressed sector pre-Covid with reduction in high risk & defaulted exposure in 2020	3%	1%	6%
▪ **Aviation** – [38%] of exposure guaranteed & remaining exposure secured at [75%] average LTV	1%	29%	28%
▪ **Retail** – limited high-end fashion exposure with portfolio concentrated to large listed entities	2%	5%	1%
▪ **Automotive & Transport** – Portfolio tilted towards listed entities & OEMs	2%	0%	0%
▪ **Hospitality** – exposure to largest hotel & casino groups with substantial asset / equity base	2%	97%	0%
▪ **Manufacturing** – some improvement post level 2 lockdown	1%	0%	0%

** Construction includes Steel & Cement*
*** CPF to be covered on following slides*

Credit risk – Business Banking Covid-19 high-risk exposures

BOOKLET SLIDE

BB Covid-19-impacted sectors (R'bn)



Covid-19 industry risk classification is linked to the risk of transmission industry classification (Dept of Trade)

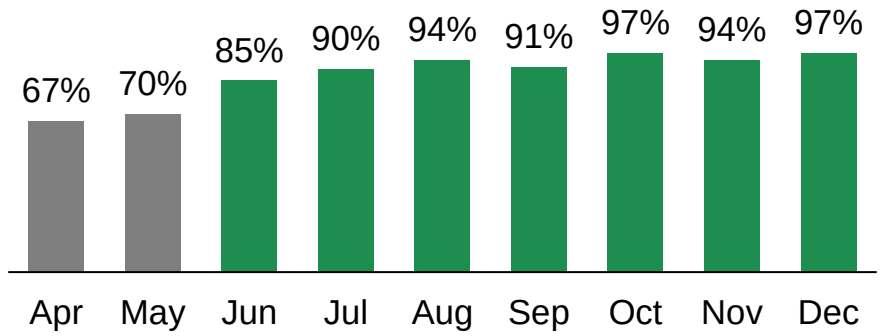
Covid-19-impacted sectors	% of BB exposure	D3 % of sector exp	NP & D7 % of sector exp
Construction	7,8%	8,3%	14,1%
Manufacturing	5,0%	2,3%	2,7%
Mining & Quarry	1,8%	1,1%	2,4%
Value added services	1,7%	3,5%	0,9%

- The **focus of most businesses** has been on protecting employees, understanding the risks to their business & managing the supply chain disruptions. **Every client reviewed** (deep dives)
- The **payment success for payment holidays was above 99% across all sectors**
- **Significant Covid-19 support** provided with ~R9bn (700 clients) in exposure that has been restructured for payment holidays (99,6% ended & 99,4% resumed payment by end Dec 2020)
- Almost R4bn in additional overdraft facilities approved (1 500 clients pre-approved for overdrafts - 500 took up)
- The portfolio remains well secured & **dynamically monitored** to proactively identify emerging risk
- **D7 portfolio only contributed R0.65bn** of R77bn BB loans

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**

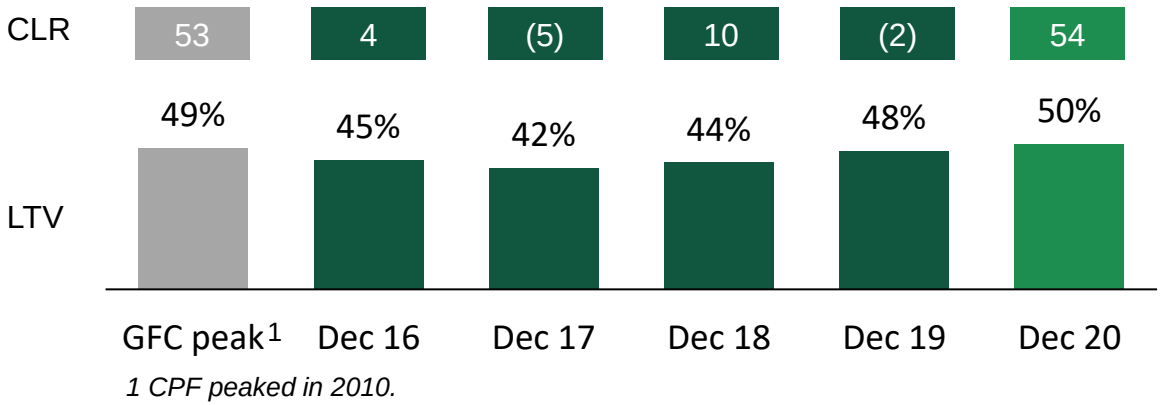
What gives us comfort

- **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

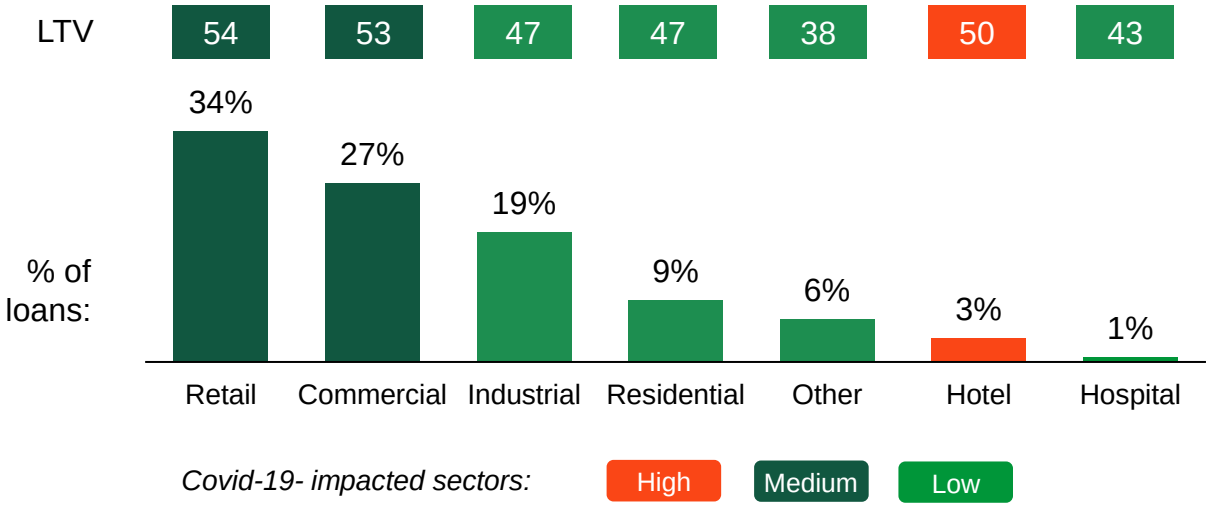
BOOKLET SLIDE

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 sector risks & stress tests

BOOKLET SLIDE

- **Total Expected Credit Loss overlays R440m** for the risks & valuation impacts estimated through various stress-tests
  - **R90m unlisted clients** – for industry stresses in the hospitality, retail & office
  - **R250m for property funds**
  - **R100m to buffer against reductions in valuations** for stage 1 & stage 2 clients
- **Supported clients**
  - R7,2bn loans classified as D3 restructures (4,2% of loans)
  - Declined from H1: R8,7bn (5,8% of loans)
- **Various stress-tests applied to the portfolio in sizing the overlays**
  - Valuation stress for Stage 1 & 2 clients: cap rates increase of 150 bps & income decline of 20%
  - Listed fund PD migration stress: negative PD migration of 1, 2 & 3 bands identified per specific fund
  - Hospitality, Retail, Commercial, Mixed usage type and Industrial type properties: negative PD migration of between 1 & 3 bands have been applied. Residential portfolio generally has higher PD already, so no further migration forecast

Credit risk – Commercial Property Finance valuation update

BOOKLET SLIDE

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

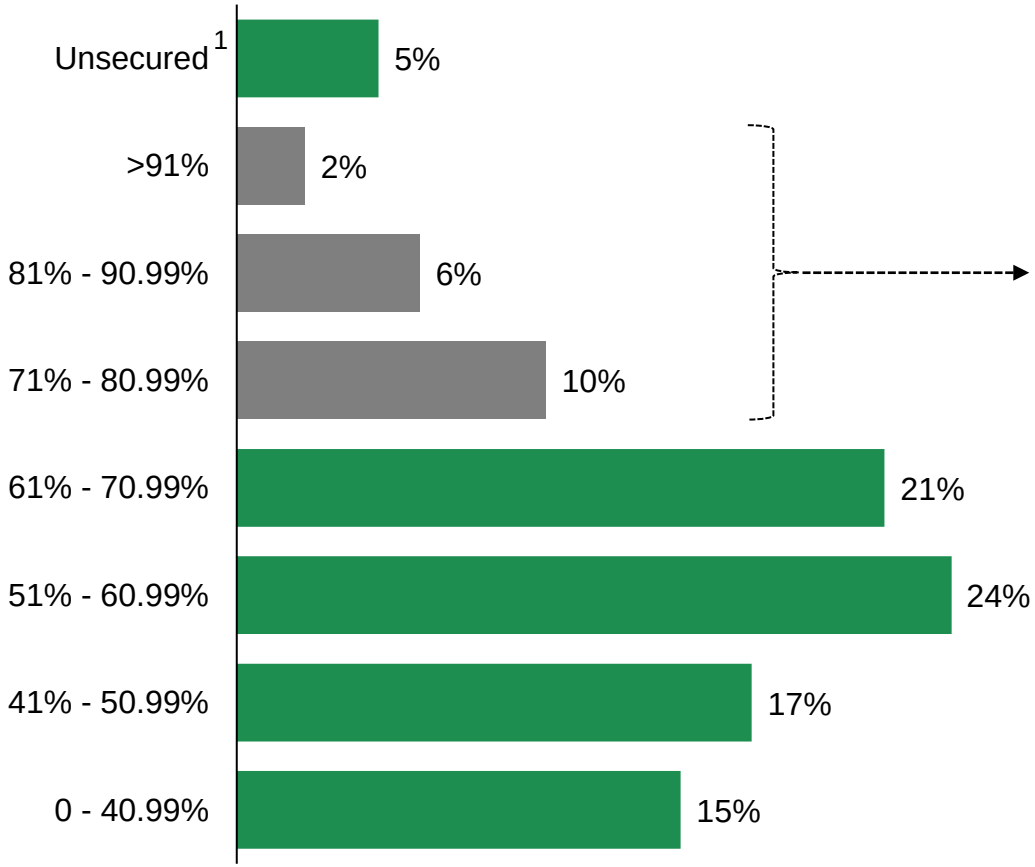
Frequency of valuations

- 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 – Commercial Property Finance valuation update

BOOKLET SLIDE

% of exposure by LTV bucket range (%)



- **Analysed all deals greater than R100m in the >71% buckets** & reviewed the basis of the original credit decisions
- **Did not identify any material concerns** in deals classified as stage 1
- Deals classified as **stage 2 & 3 are monitored on an ongoing basis**
- **We hold overlays of R440m to buffer against further deterioration in risk**

1 High-quality REITS with low gearing.

Credit risk – commercial property sector insights

BOOKLET SLIDE

Office space – oversupplied

- Office vacancies increased to 13,3%, up 60 bps on the previous quarter & the highest since 2004
- Rentals remain under pressure with negative reversions common
- Vacancies likely to increase further in the medium term, but it is uncertain where they will top out & what the potential recovery could look like, as tenants continue to assess their operating models & space requirements
- A repurposing of office space could be seen in certain nodes with high vacancy levels, such as residential conversions

Retail sector – largely oversupplied in metros

- Retail vacancies at the end of September were 6,9%, up 130 bps on the previous quarter & up 200 bps since Feb 2020
- Rentals remain under pressure with negative reversions common – this trend is expected to continue. Rental collections over lock-down period in 2020 were significantly better than expected
- The speed of a vaccine rollout is crucial in lifting footfall & trading densities
- Convenience retail has outperformed larger retail centres & this trend is expected to continue
- Retail will remain under pressure due to difficult economic conditions impacting consumers & retailers

Industrial sector – resilient

- Logistics & warehousing remained the best performing sector in 2020 & forecast to continue this trend in 2021
- Industrial sector performance highly impacted by extent of Eskom load shedding
- The full impact of Covid-19 will need to be assessed over time, but industrial space entered this period with better supply demand dynamics than some of the other segments

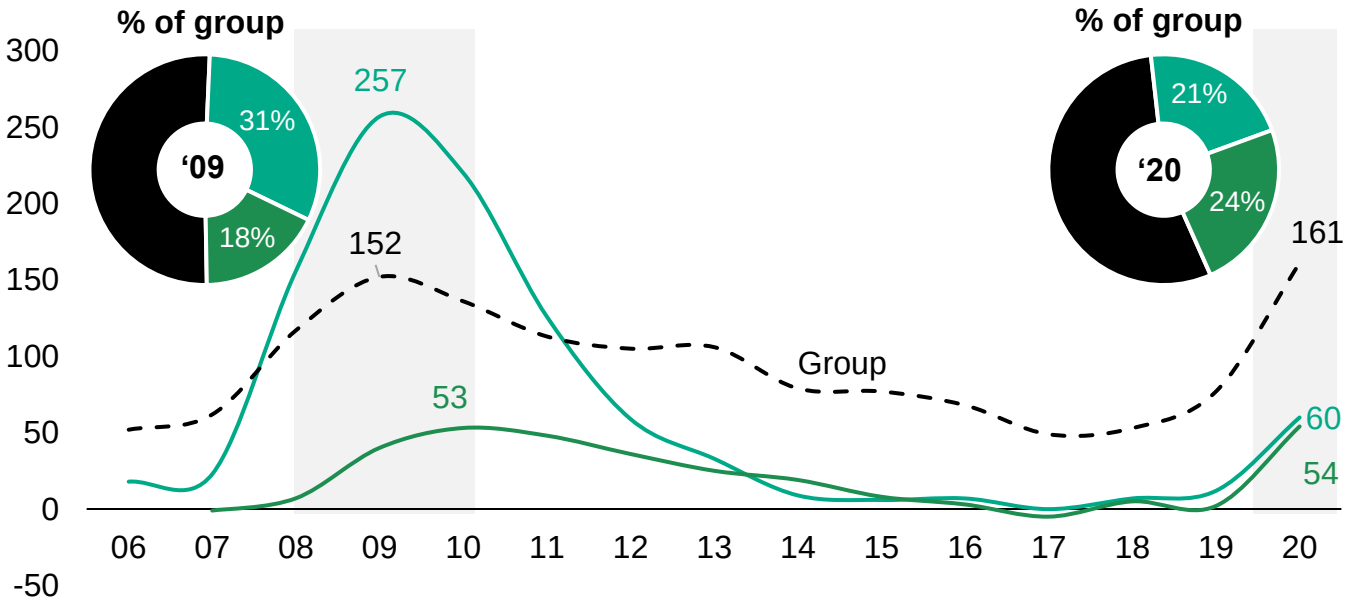
Residential – cautious

- Strong demand for residential product in lower price brackets – purchase price below R1m & monthly rental under R8 500
- Affordable rental stock market buoyant in the current market
- Developers remain cautious given the current economic environment, despite lower interest rates
- Office to residential conversation possible in certain nodes

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

BOOKLET SLIDE

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

CPF Home Loans Rest of Group

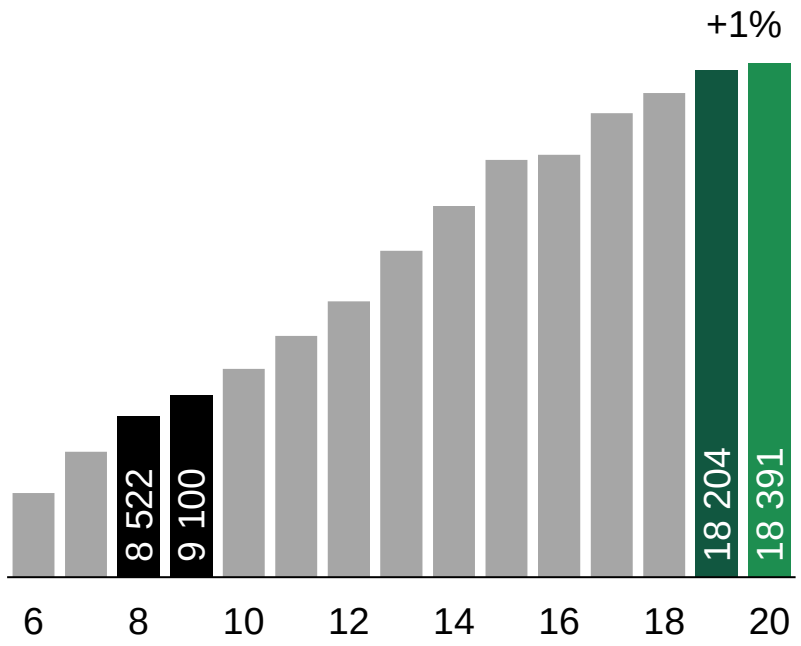
FINANCIAL OVERVIEW

Robust balance sheet, strong liquidity & solvency positions with profitability metrics impacted by lower revenues & increased impairments, offset by expenses well managed

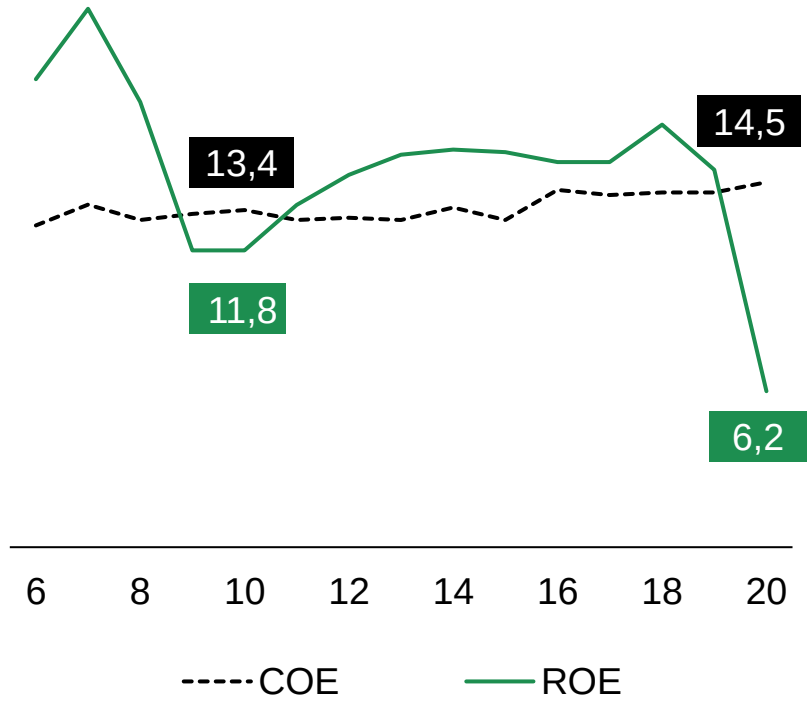
Mike Davis
Chief Financial Officer

A difficult period evident in the key drivers of shareholder value creation

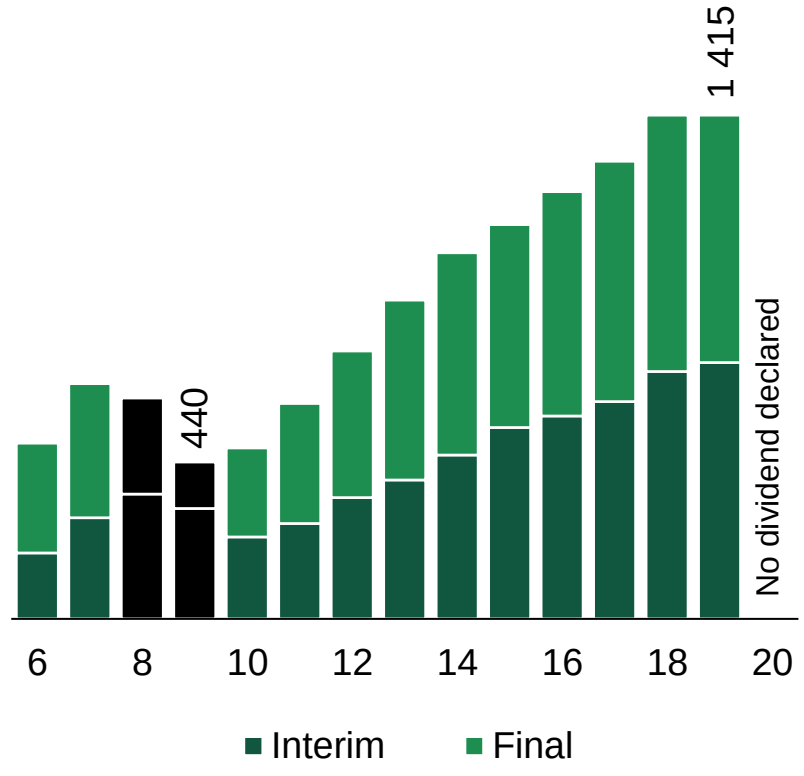
NAV per share (cents)



ROE & cost of equity (%)



Dividend per share (cents)



Positive but slower NAV growth

ROE below COE

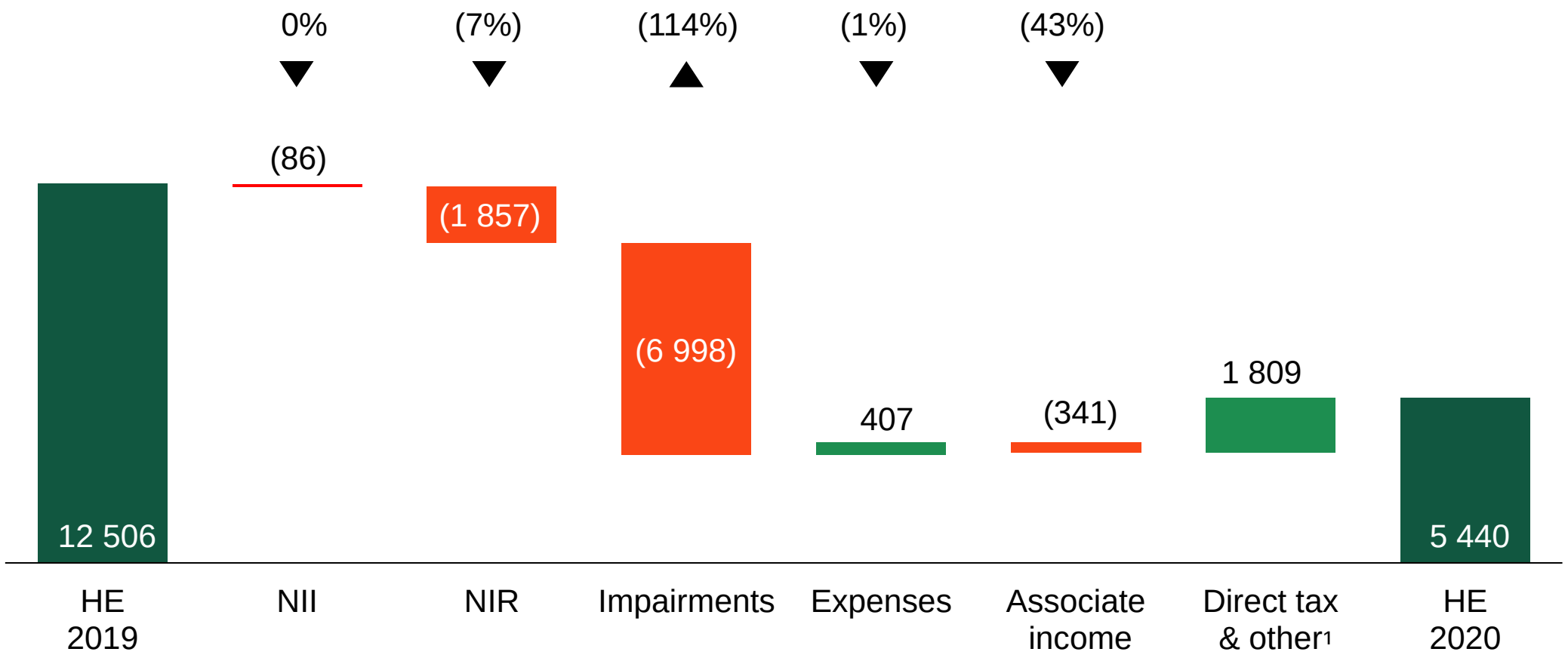
No dividend declared (G3/2021)

Maintained strong liquidity & capital positions notwithstanding the impact of lower revenues & increased impairments on profitability metrics

			2020	2019
Profitability	Headline earnings (Rm)	(57%)	**5 440**	12 506
	Total comprehensive income attributable to ordinary shareholders (Rm)	(60%)	**4 358**	11 017
	DHEPS (cents)	(57%)	**1 113**	2 565
	Basic EPS (cents)	(71%)	**717**	2 500
	ROE (%)		**6,2%**	15,0%
Advances & deposits	Gross banking advances (Rbn)	(2%)	**797**	810
	Deposits (Rbn)	+6%	**954**	904
Asset quality	Credit loss ratio (bps)		**161**	79
	Total coverage (%)		**3,25%**	2,26%
Liquidity	Liquidity coverage ratio (%)		**126%**	125%
	NSFR (%)		**113%**	113%
Capital	CET1 ratio (%)		**10,9%**	11,5%
	Risk-weighted assets (Rbn)	+7%	**674**	629

Headline earnings down by 57% – driven by significant increase in impairments & slowing revenues

Headline earnings (Rm)

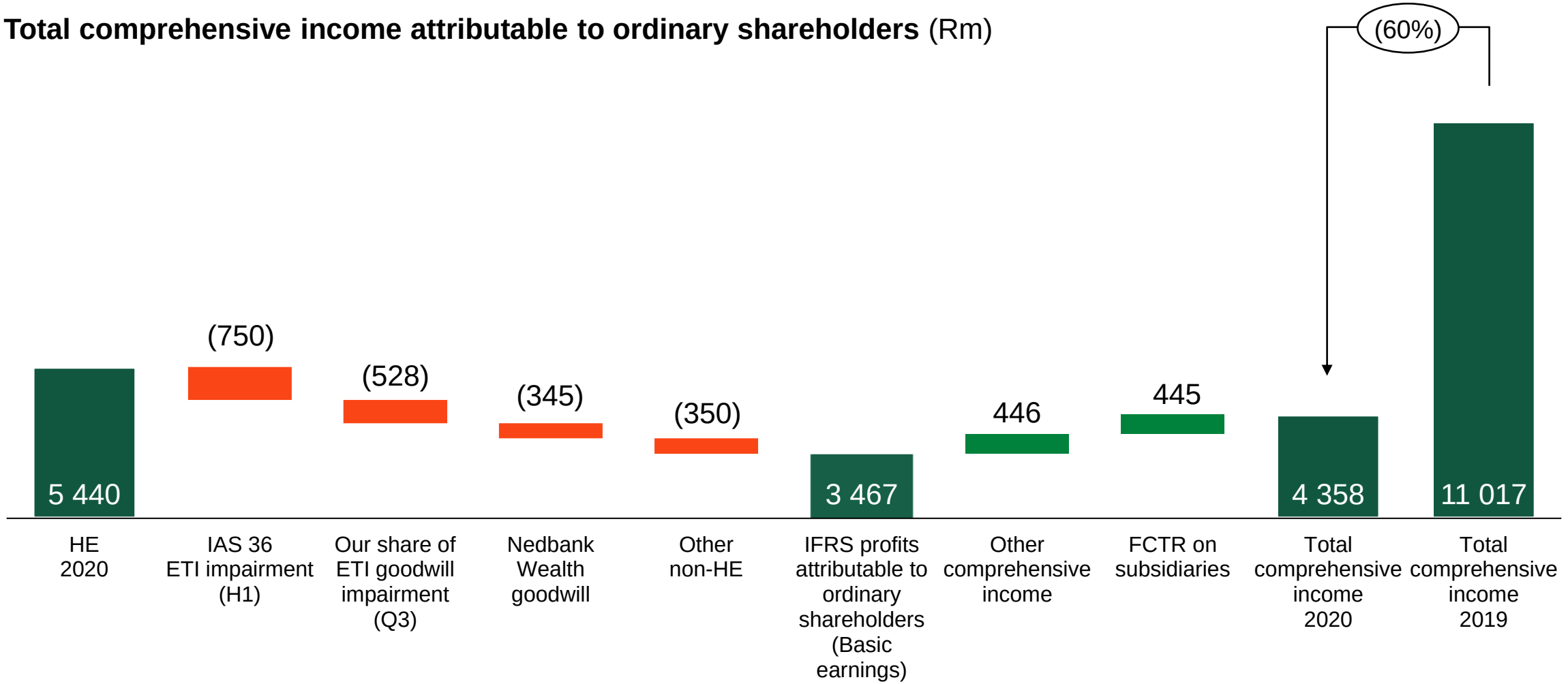


[1] Other includes Indirect tax, Net monetary loss, Minority & Preference shareholders.

Total comprehensive income impacted by ETI adjustments & goodwill impairment of Nedbank Wealth SA

BOOKLET SLIDE

Total comprehensive income attributable to ordinary shareholders (Rm)



[1] *Amount attributable to ordinary shareholders is net of non-controlling interest, preference shares & AT1 of R987m (2019: R717m).*

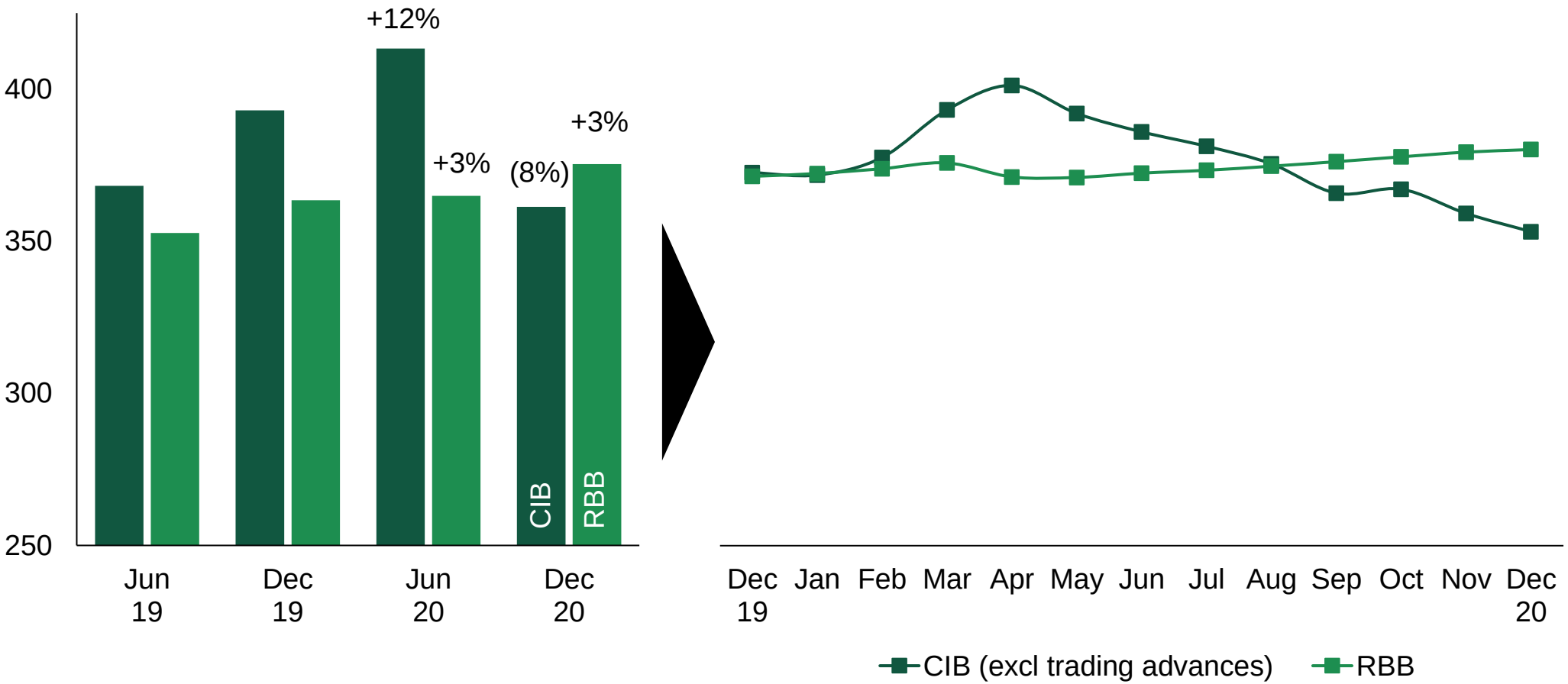
Improved financial performance in H2 & FY 2020 in line with the guidance provided

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

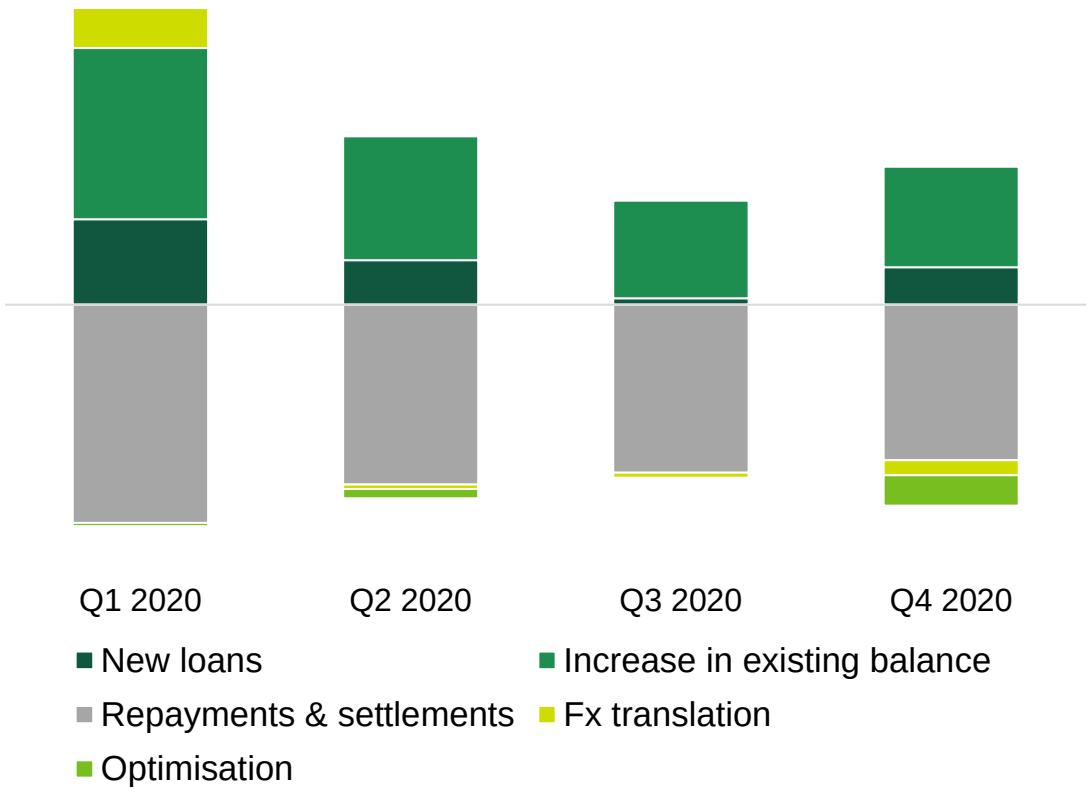
CIB & RBB gross banking advances[1] (Rbn)



[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)

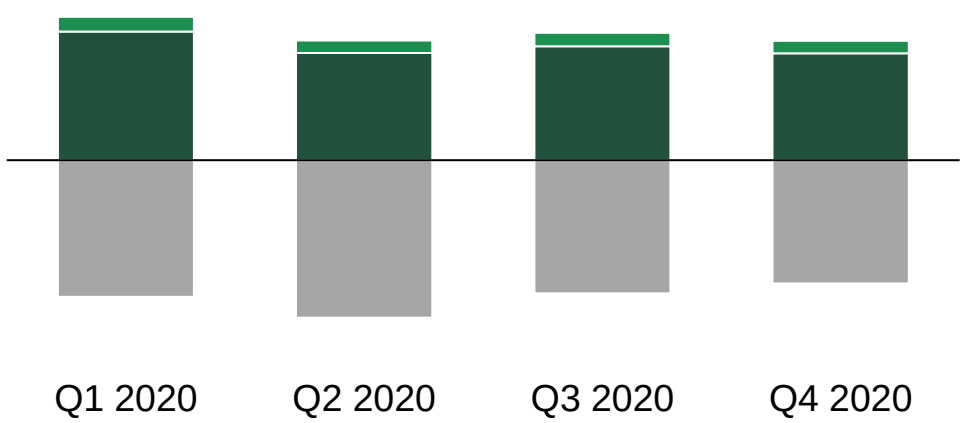


- **New loans** – modest demand in Q1, with lockdown severely impacting Q2/Q3. Slight increase in demand from Q4
- **Existing balances** – driven by clients' search for liquidity in Q1/Q2 & committed structured drawdowns during Q3/Q4
- **Repayments** – need for liquidity reduced
- **RWA optimisation/sale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

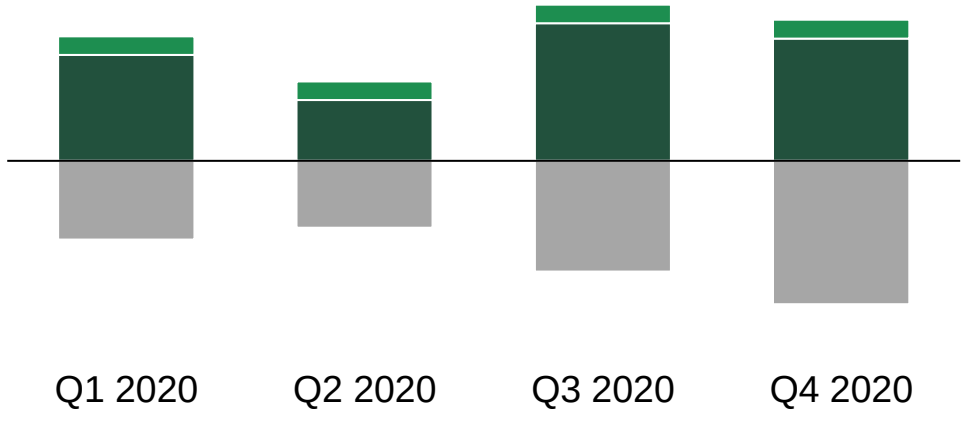
Business Banking & Small Business Services – SBS recovery in Q3 & Q4 while BB remains muted

BOOKLET SLIDE

Business Banking



Small Business Services



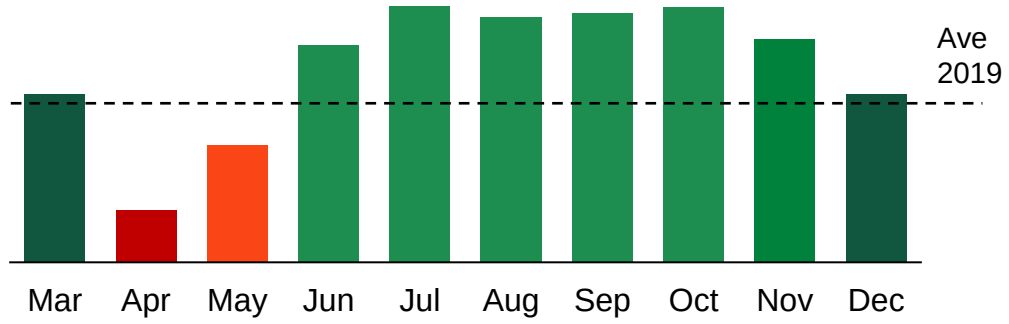
New loans Increase in Existing Balances Repayments and Settlements

- **New loan payouts on term-based lending reduced in Q2** during level five lockdown, but **overdraft-related payouts were strong** as we supported our clients with funding during the crisis
- **Advances reduced by 3%** as new-loan payouts remained muted in Q3 & Q4 given the lower business activity levels

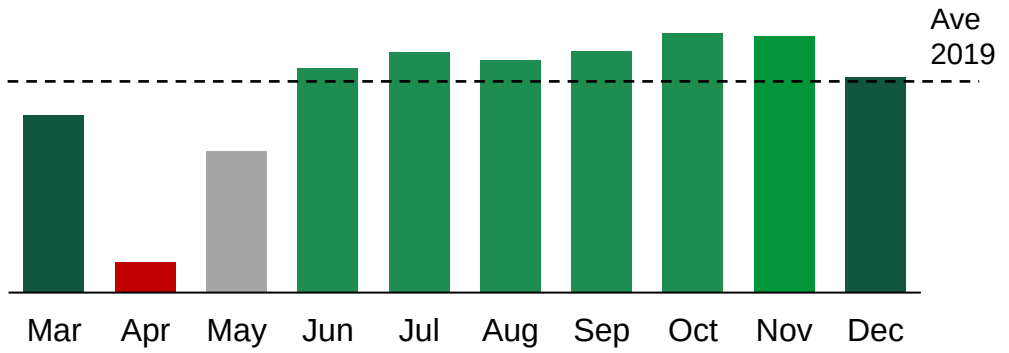
- **New-loan payouts in Q2 were significantly negatively impacted** during level five lockdown
- A **strong recovery in Q3 & Q4** contributed to overall SBS advance growth of 5%

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

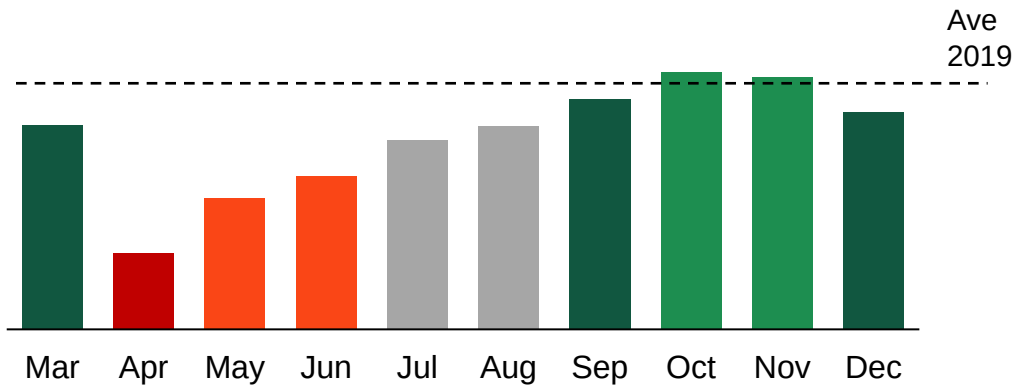
Home loan applications



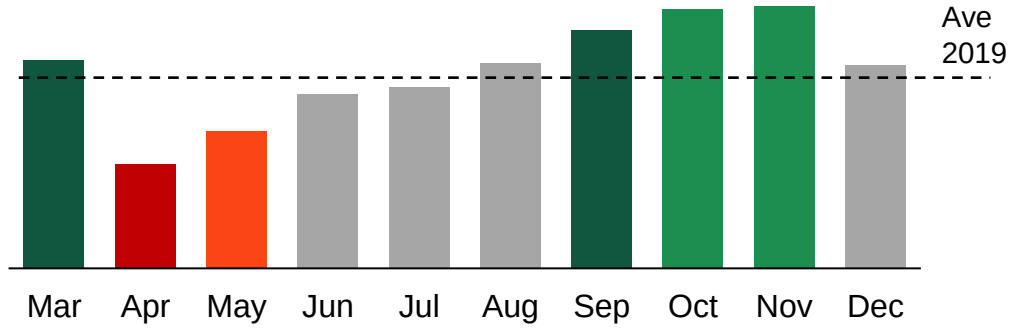
Vehicle finance applications



Personal loan applications



Card applications

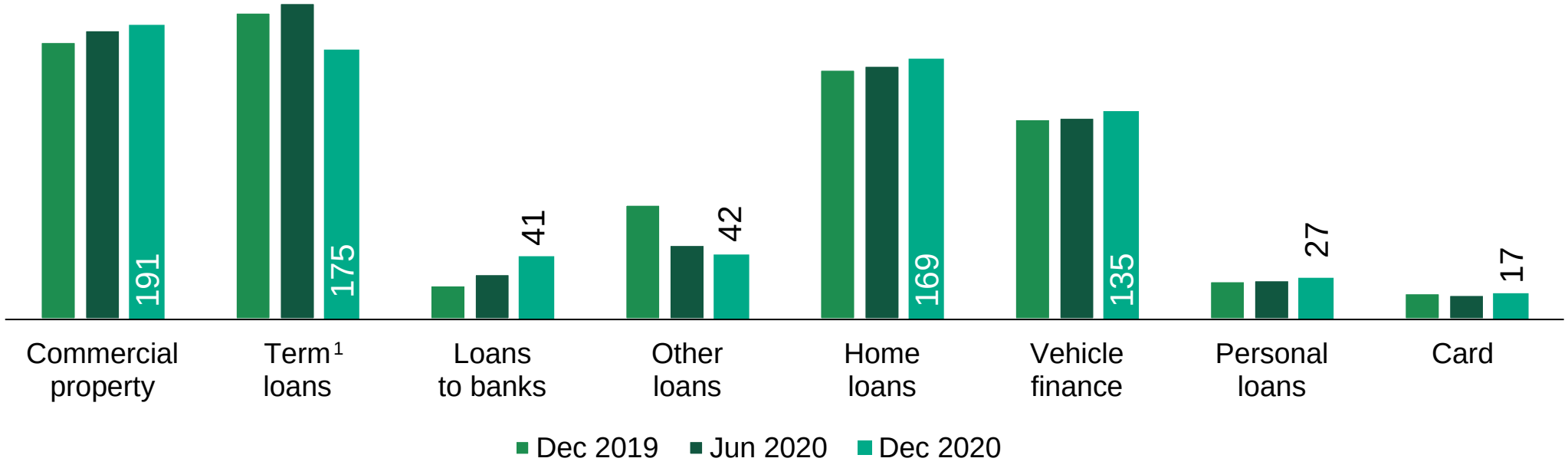


Gross banking advances -2%

BOOKLET SLIDE

Gross banking advances (Rbn)

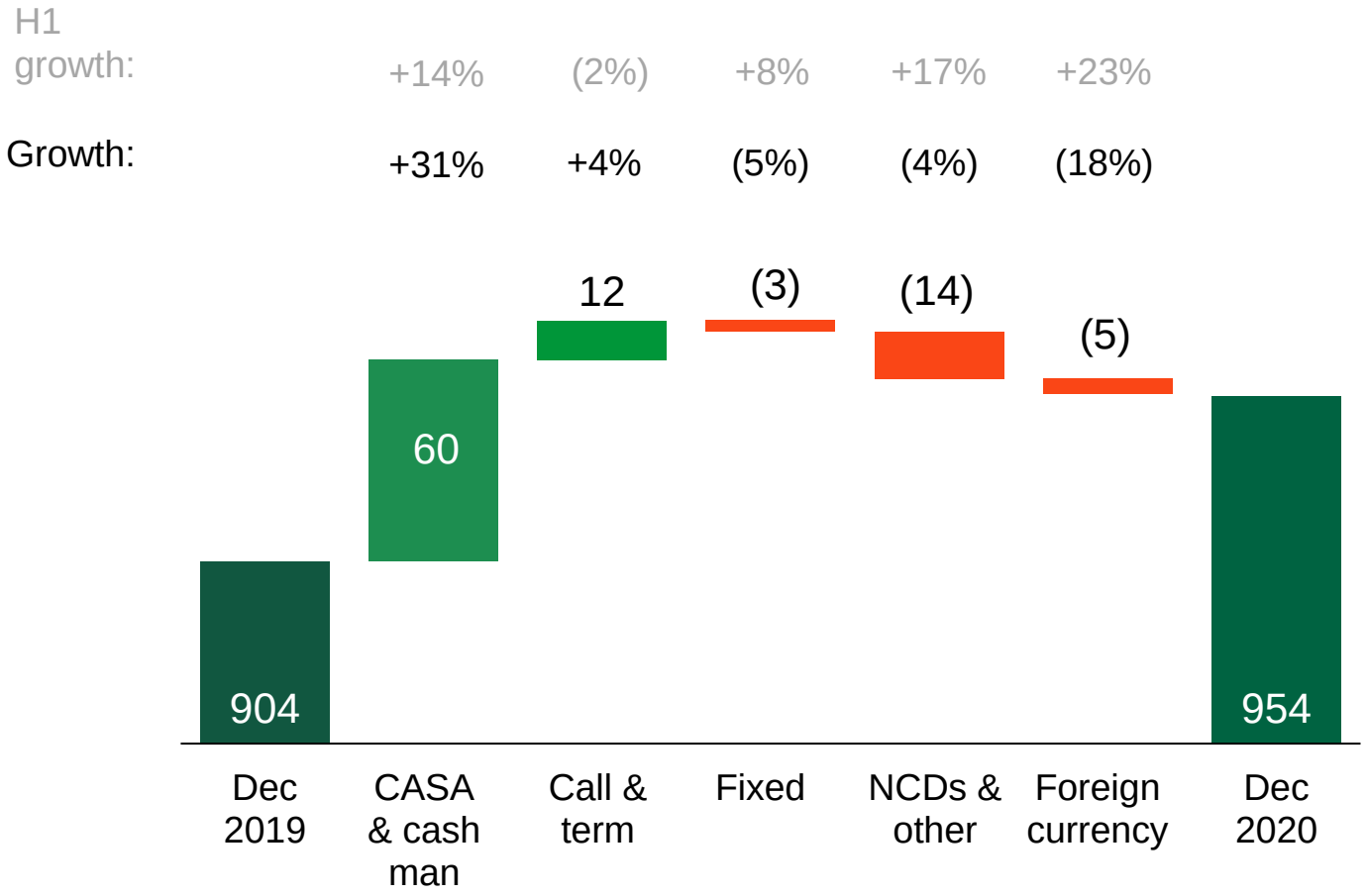
	Wholesale				Retail			
H1 growth:	+9%	+6%	+67%	(71%)	+3%	+1%	+6%	(13%)
Growth:	+6%	(12%)	+84%	(44%)	+4%	+4%	+8%	(2%)



[1] Term loans include a reclassification of some investment banking loans from other loans. | Restated CIB loans & advances to include listed corporate bonds to align with industry practice.

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

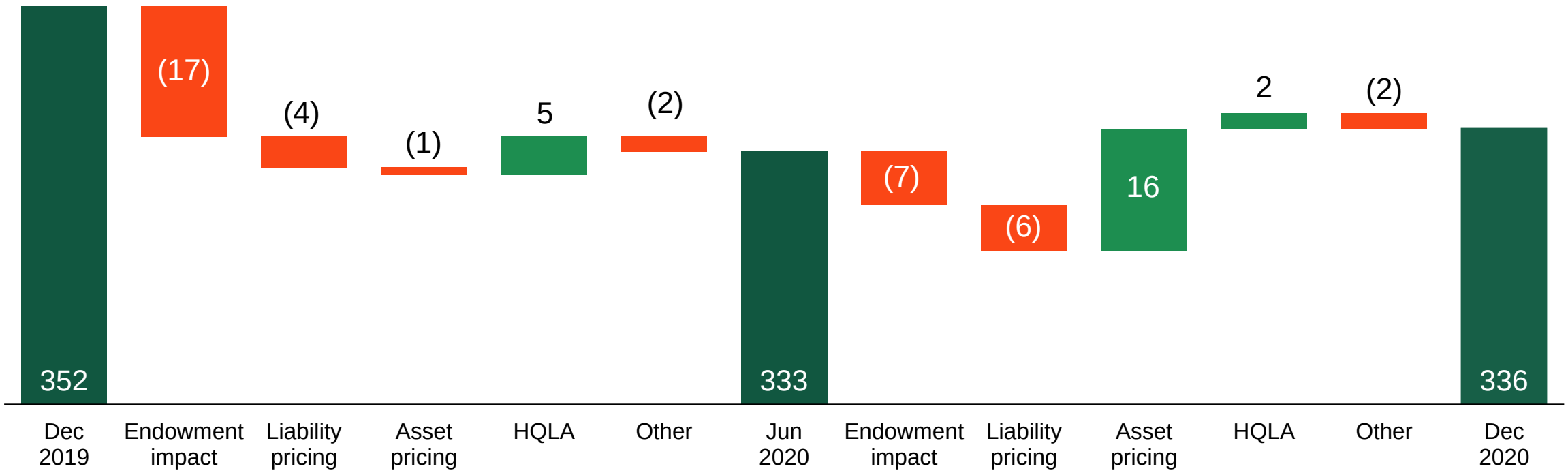
Deposits (Rbn)



- **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%]

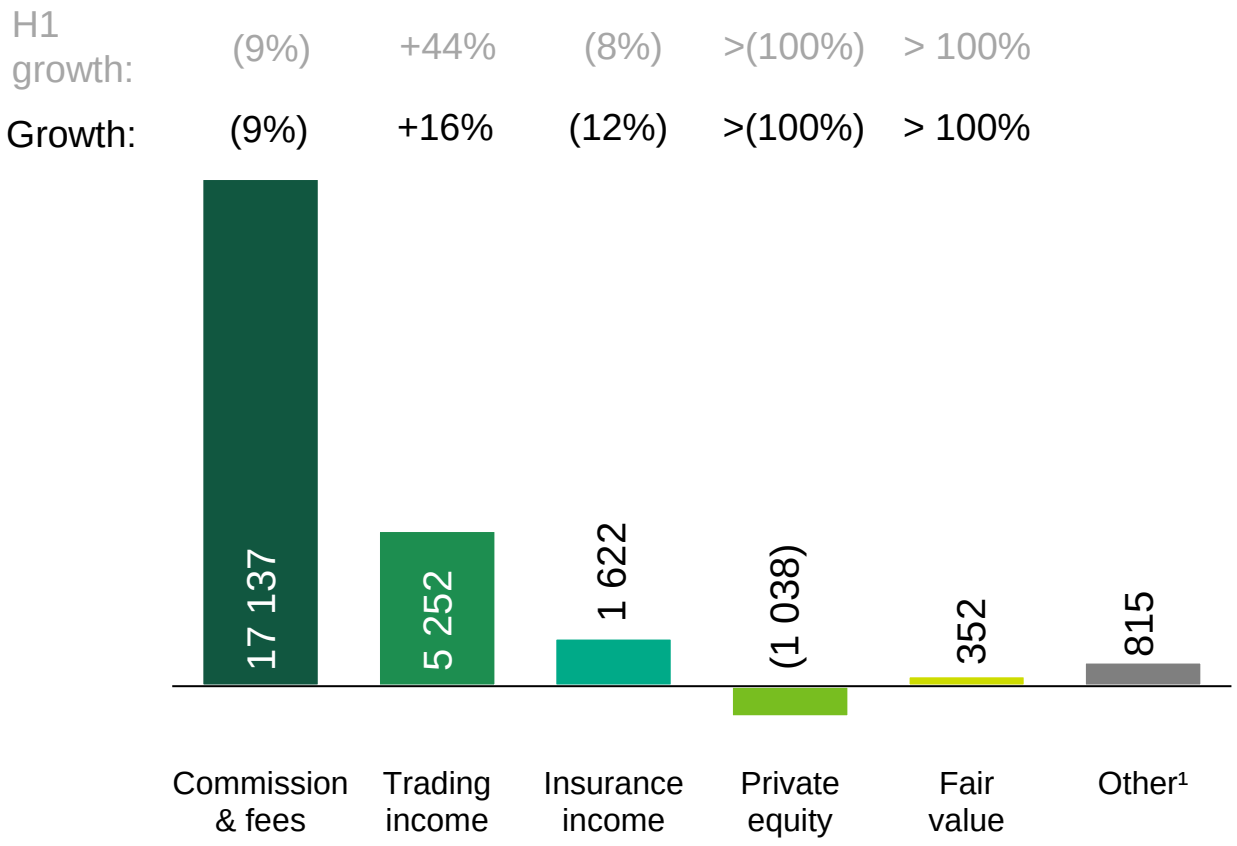
Net interest margin (bps)



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

NIR growth down 7% – despite impact of weak transactional client activity & negative private-equity revaluations, NIR growth at the top end of guidance [-7% to -11%]

NIR (Rm)

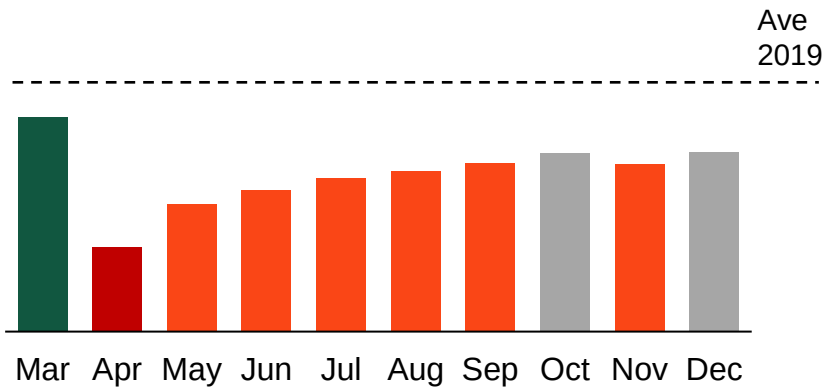


- **Commission & fees** – subdued client transactional activity, particularly during the lockdown in Q2 & yoy impact in H2
- **Trading** – strong performance driven by volatile markets & increased client activity
- **Insurance** – impacted by higher retrenchment/loss-of-income claims & funeral claims, offset by better HOC claims
- **Private equity** – reflective of impact of negative revaluations (impact slowed in H2)
- **Fair value** – gains as a result of the group's fair-value hedge accounting solution, which reduced compared to H1, as expected

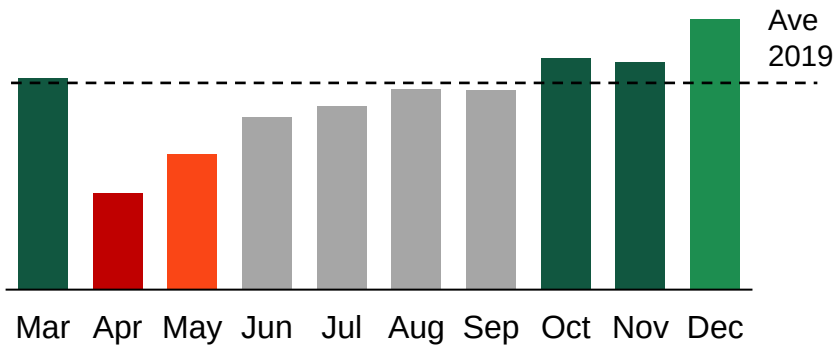
[1] Represents sundry income & investment income.

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

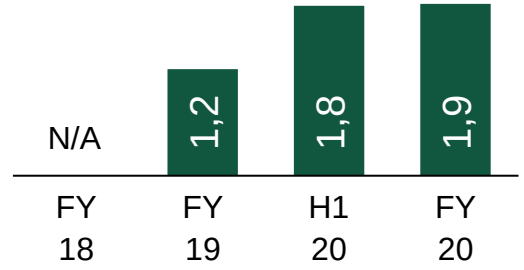
Branch teller transactions



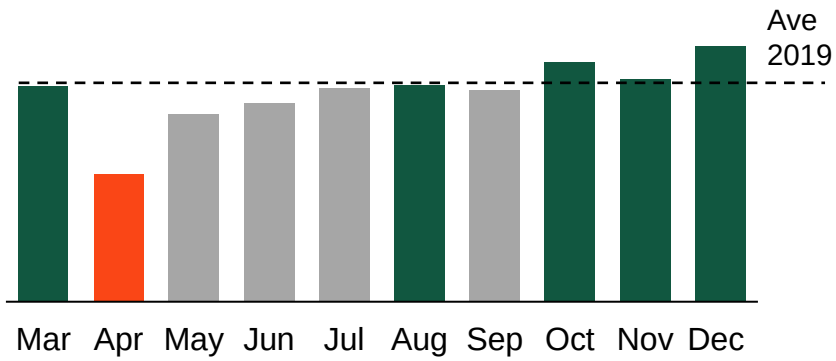
POS volumes



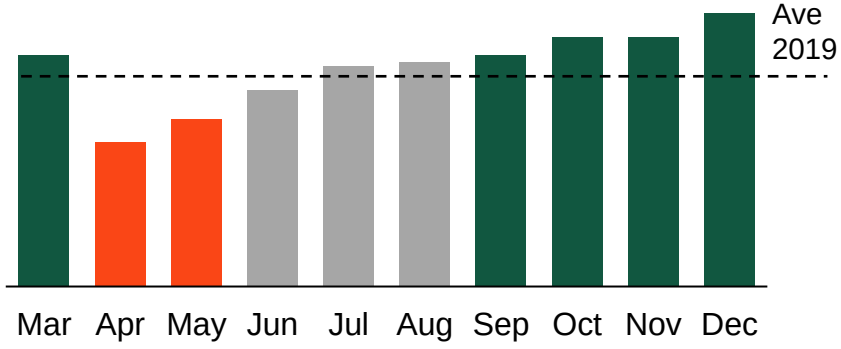
Cross-sell ratio[2]



ATM withdrawals

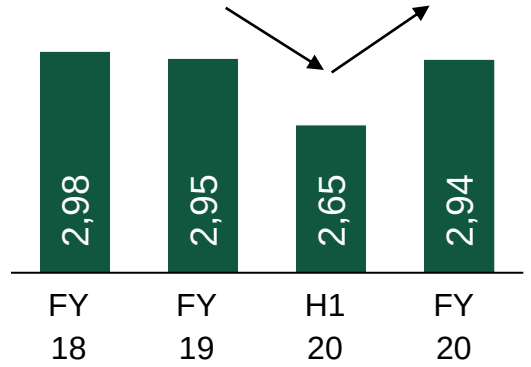


Digital payment & transfers[1]



Retail main-banked clients[3]

(# m)



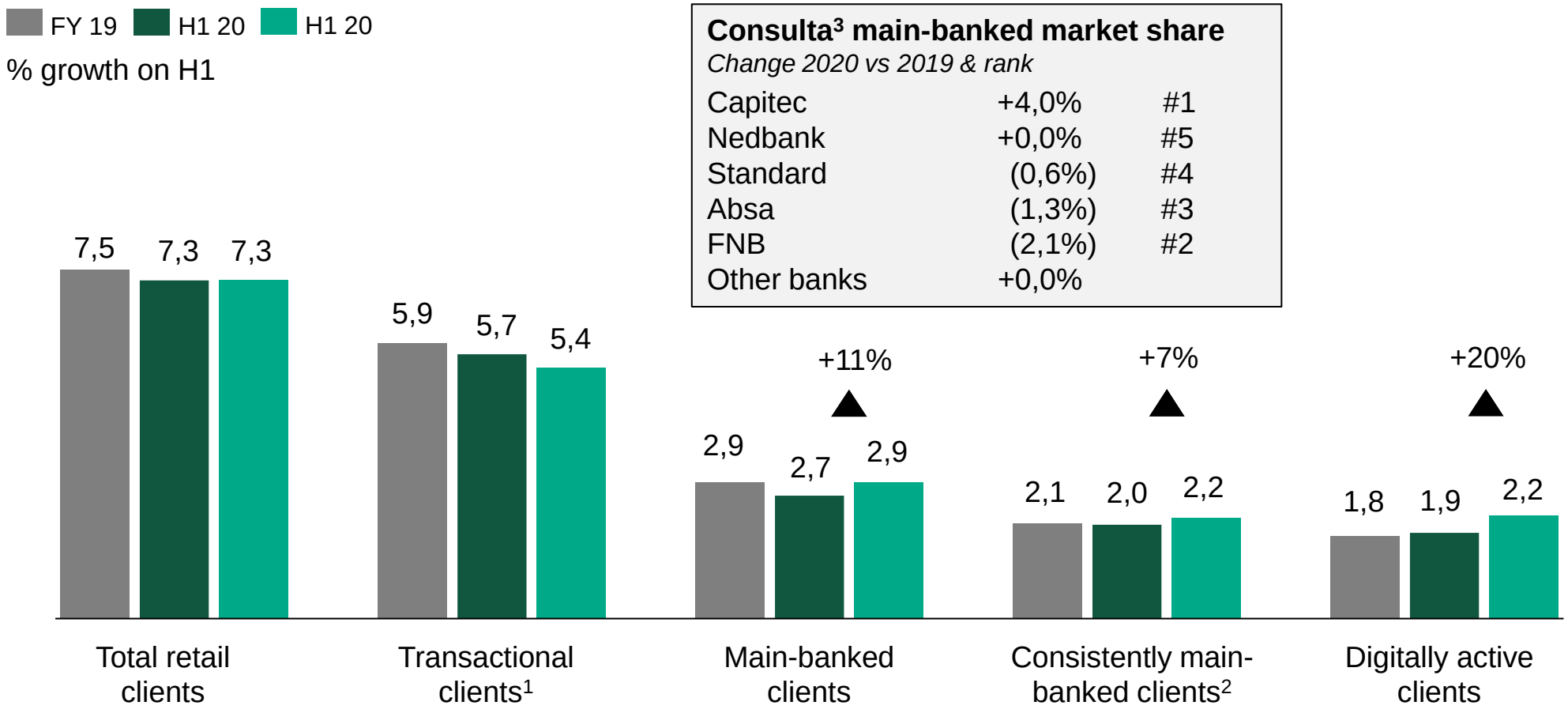
[1] App & web payment volumes combined. | [2] Cross-sell on new sales in branches (Core Plus). | [3] FY 20 Main-banked represents updated segmentation, digital transaction enhancements eg inclusion of MobiMoney & main-banked stabilisation.

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

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

BOOKLET SLIDE

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.

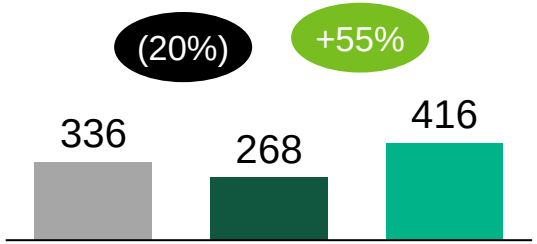
Main-banked clients – ELB, youth & SME segments impacted by slowdown in transactional activity from lockdown, but recovery in H2

BOOKLET SLIDE

Main-banked, # 000

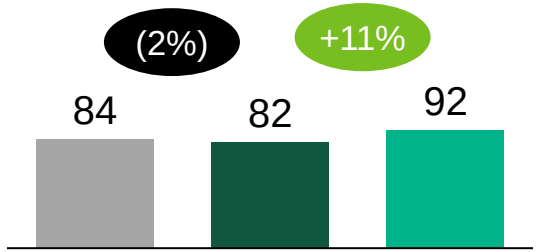
Kids & youth





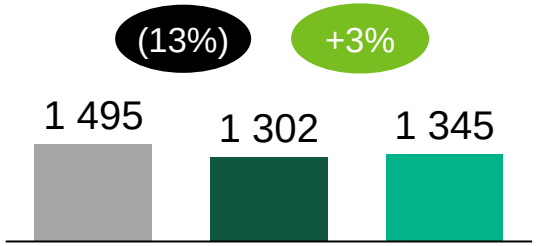
Professional





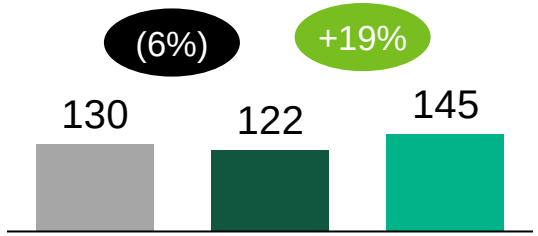
Entry level





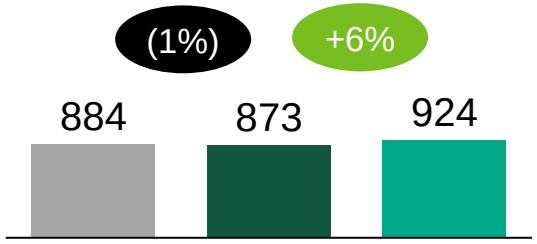
Small Business Services



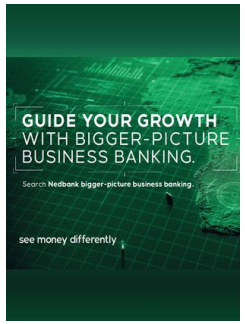


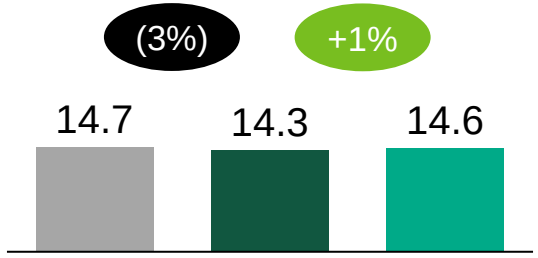
Middle





Business Banking[2]

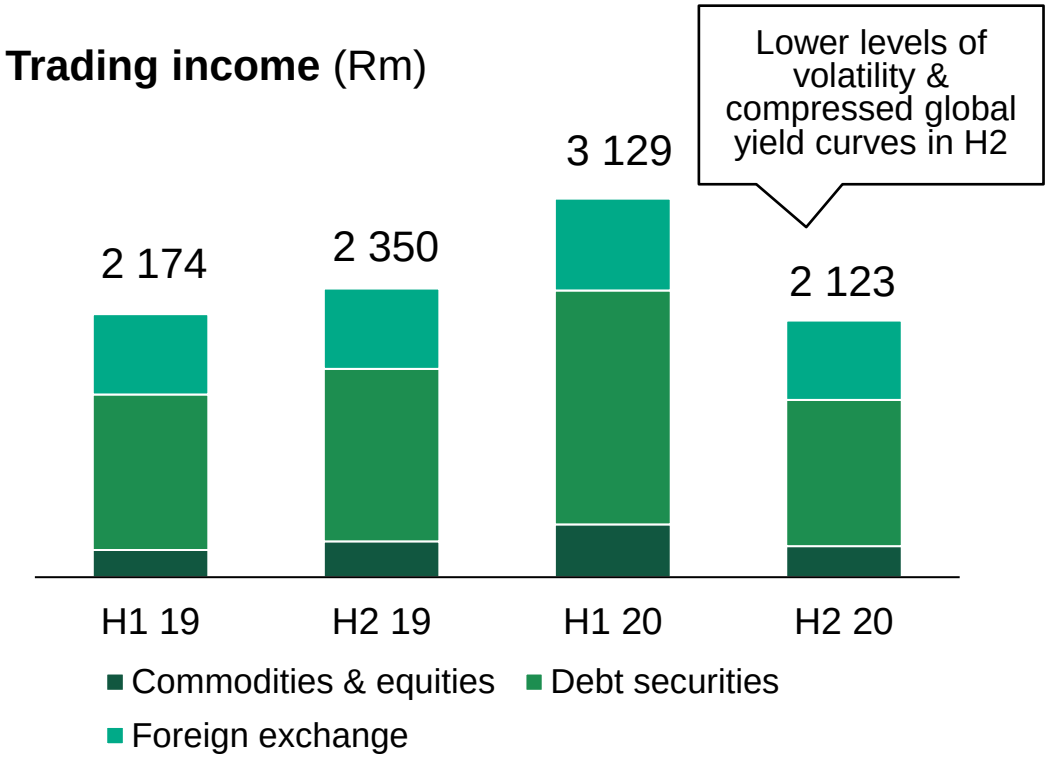




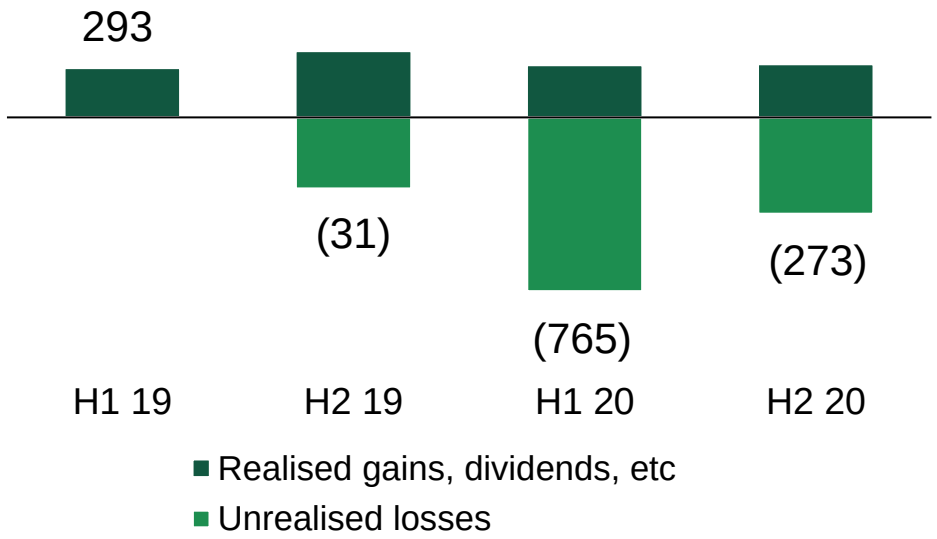
[1] FY 20 showing updated segmentation, digital transaction enhancements eg inclusion of MobiMoney, USSD transactions & main-banked stabilisation assumptions – applicable to all segments except BB. | [2] Client groups with gross operating income contributions in excess of R500 pm. | Note: Non-resident, non-individual segment not shown.

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

Trading income (Rm)



Private-equity income (Rm)



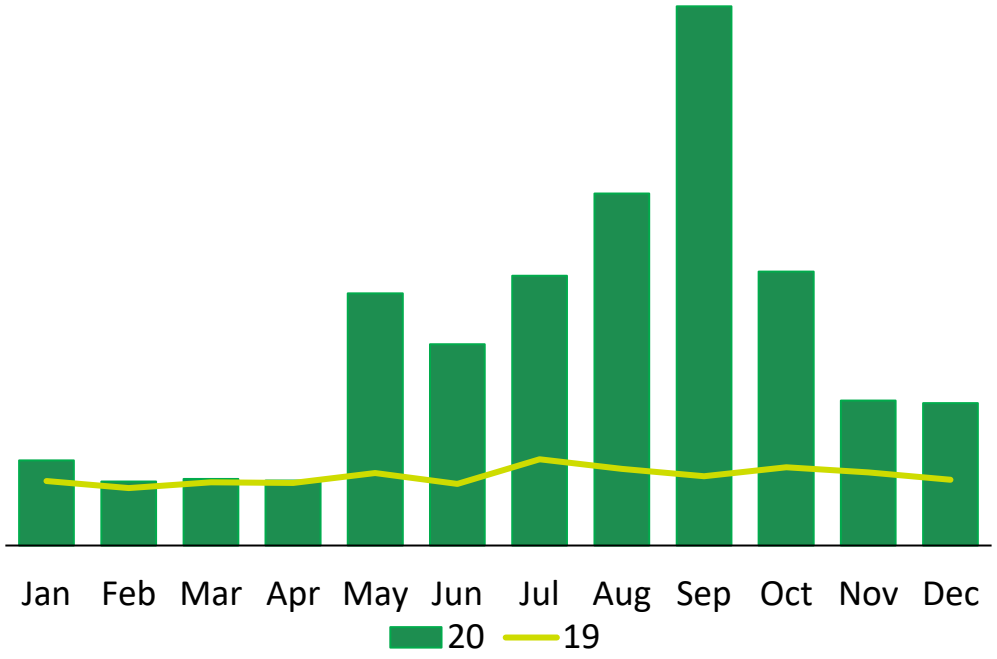
Investment over last few years in market-leading capabilities supported good outcomes:

- **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

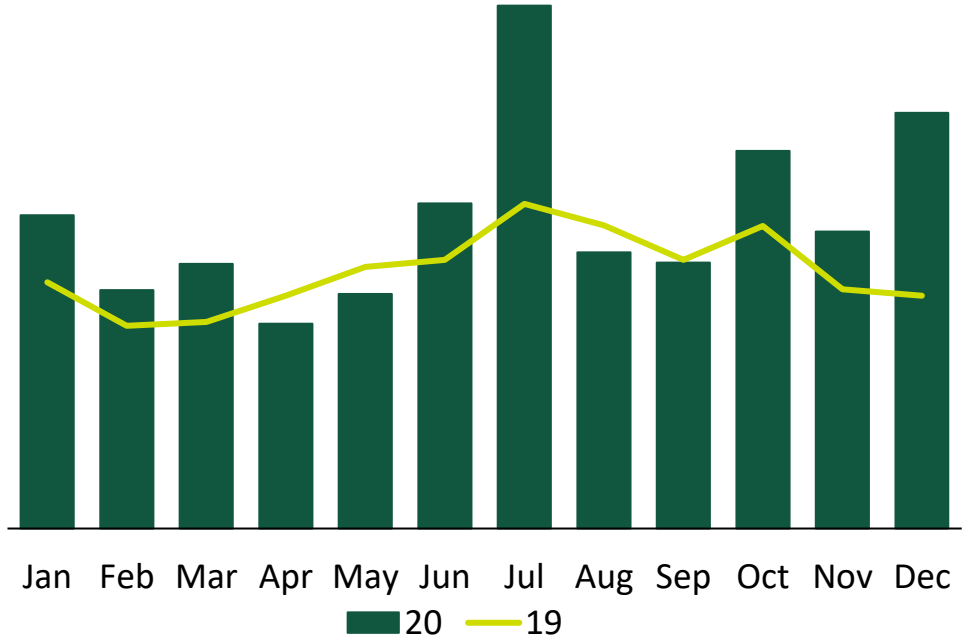
Insurance – higher retrenchment/loss-of-income & funeral claims

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

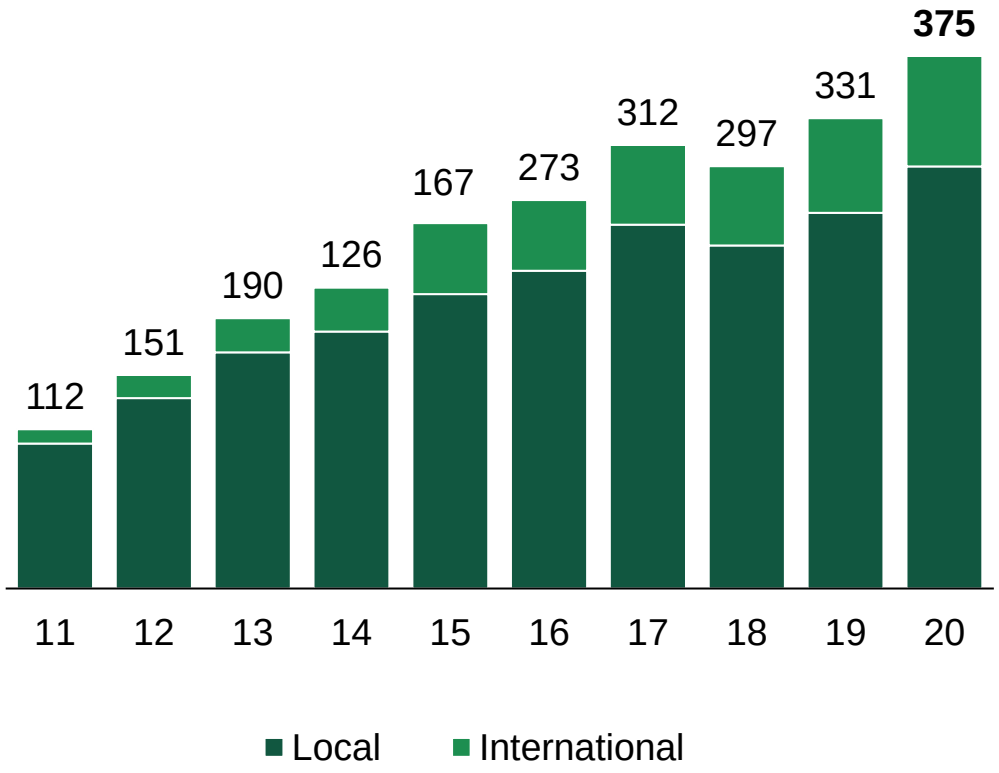
Funeral claims
(volumes)



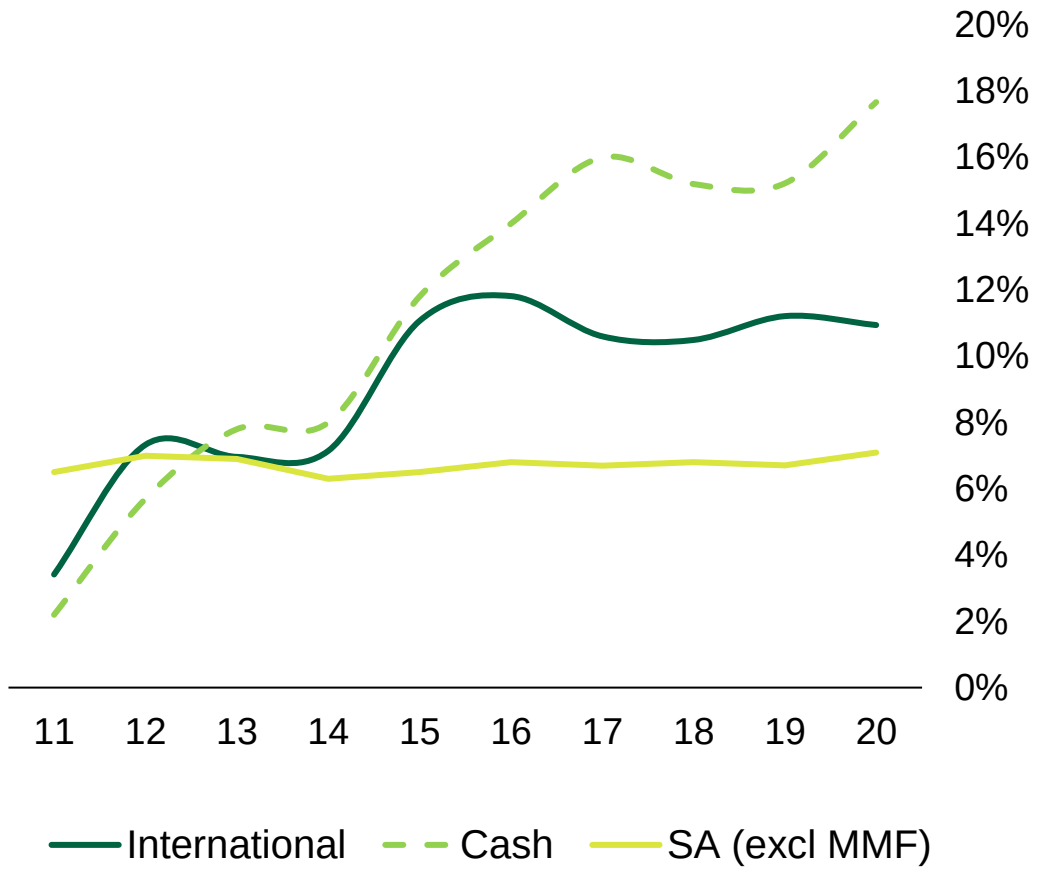
- Increase in funeral claims, in comparison to 2019, as a result of the **severe impact of the Covid-19 pandemic** on clients

Asset Management – strong growth in AUM & increased market share

Assets under Management (Rbn)

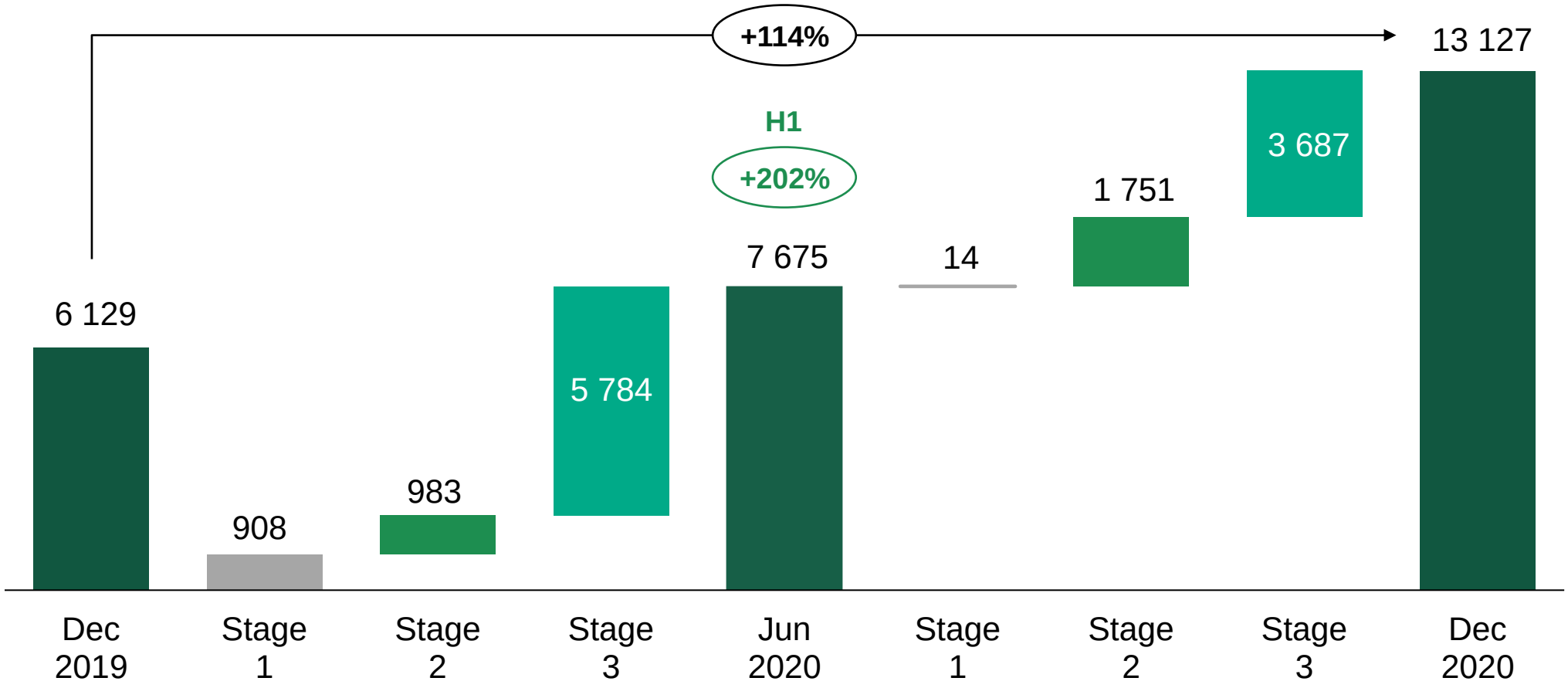


Market share (%)



Impairments up 114% – driven by stage 2 & 3 impairment increases

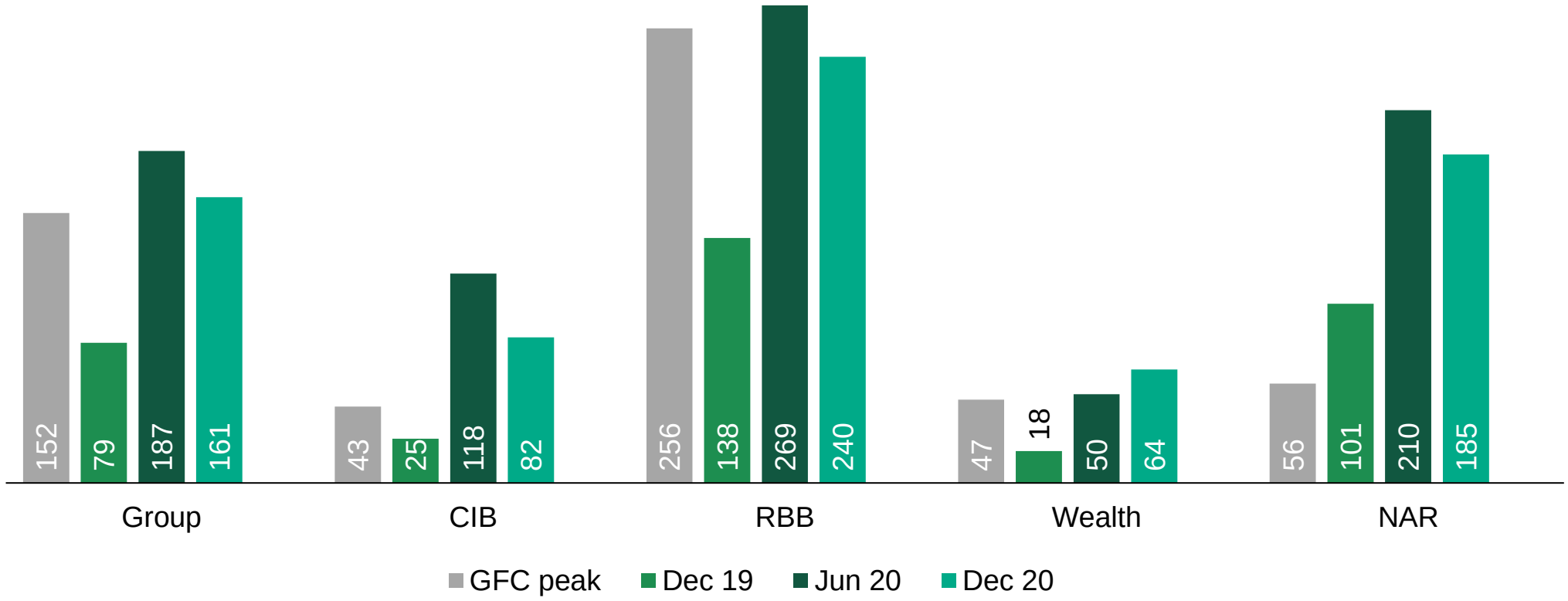
Impairment charge (bps)



Note: Stage 1 includes off-balance-sheet movements.

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

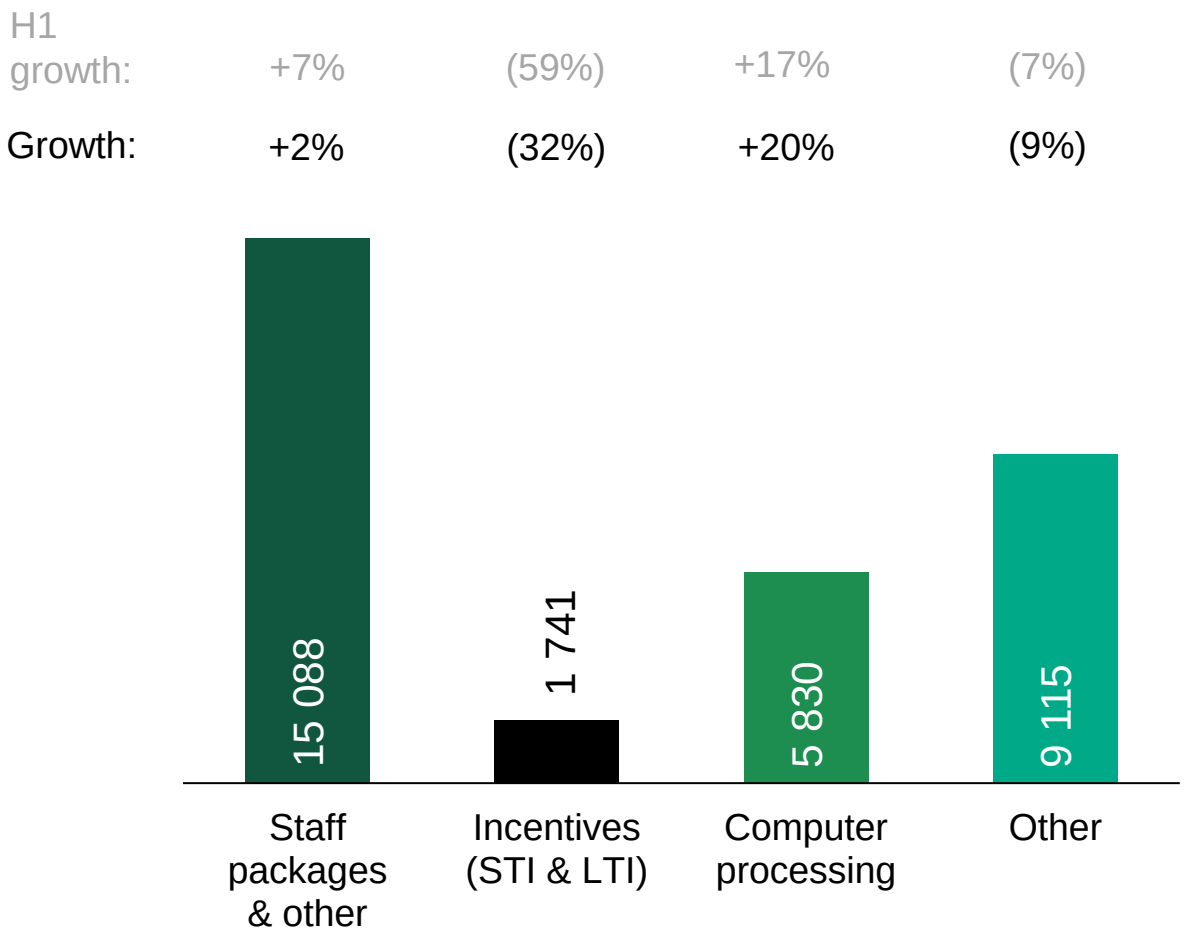
CLR (bps)



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.

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

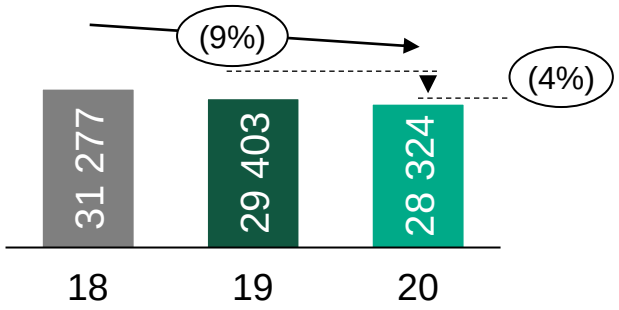
Expenses (Rm)



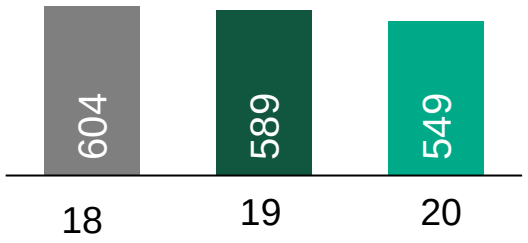
- **Staff costs**
  - ASR +4,7% offset by 6,1% decline in headcount (mainly through natural attrition)
  - Incentives down 32%
  - Other: higher leave costs (R121m) & PRMA benefit in 2019 base (R354m)
- **Computer processing** – incl software amortisation +23% (2019: +22%)
- **Other costs** – down 9% (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)

Optimisation of operations continue

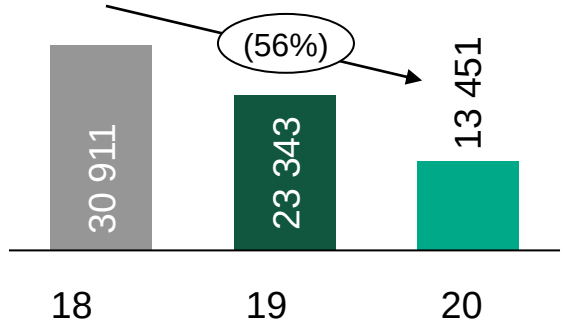
Group employees
(# of)



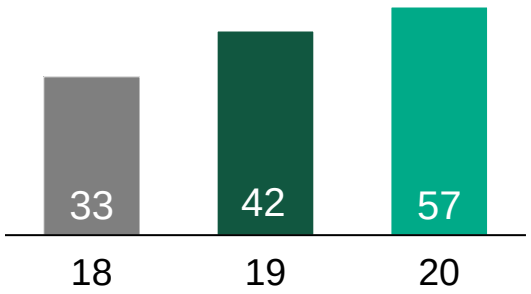
SA outlets/branches
(# of)



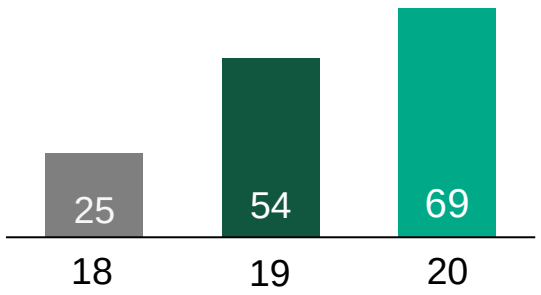
Teller activity
(# 000)[2]



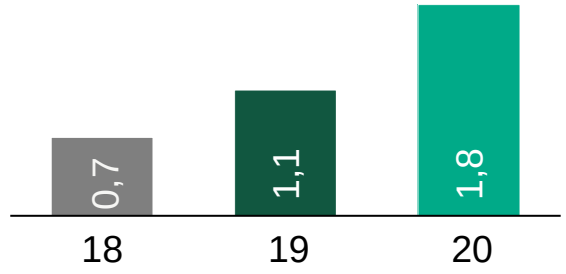
Branch floor space saved
('000 m^2)[1]



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



Cumulative TOM 1.0 benefits
(Rbn)

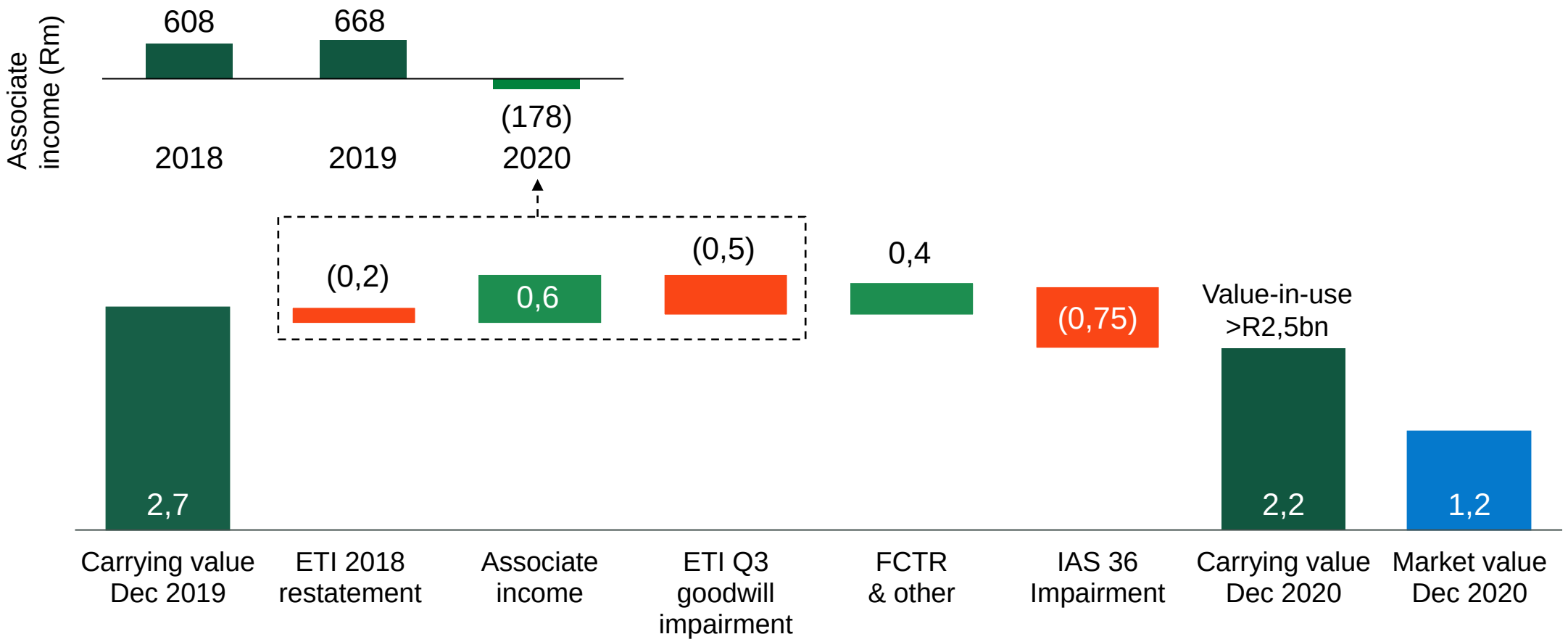


[1] Represents the total branch floor space we saved since 2014 equating to approximately 25% of our branch floor space in 2014 when we started the journey. | [2] Refers to the volume of interactions with tellers.

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

BOOKLET SLIDE

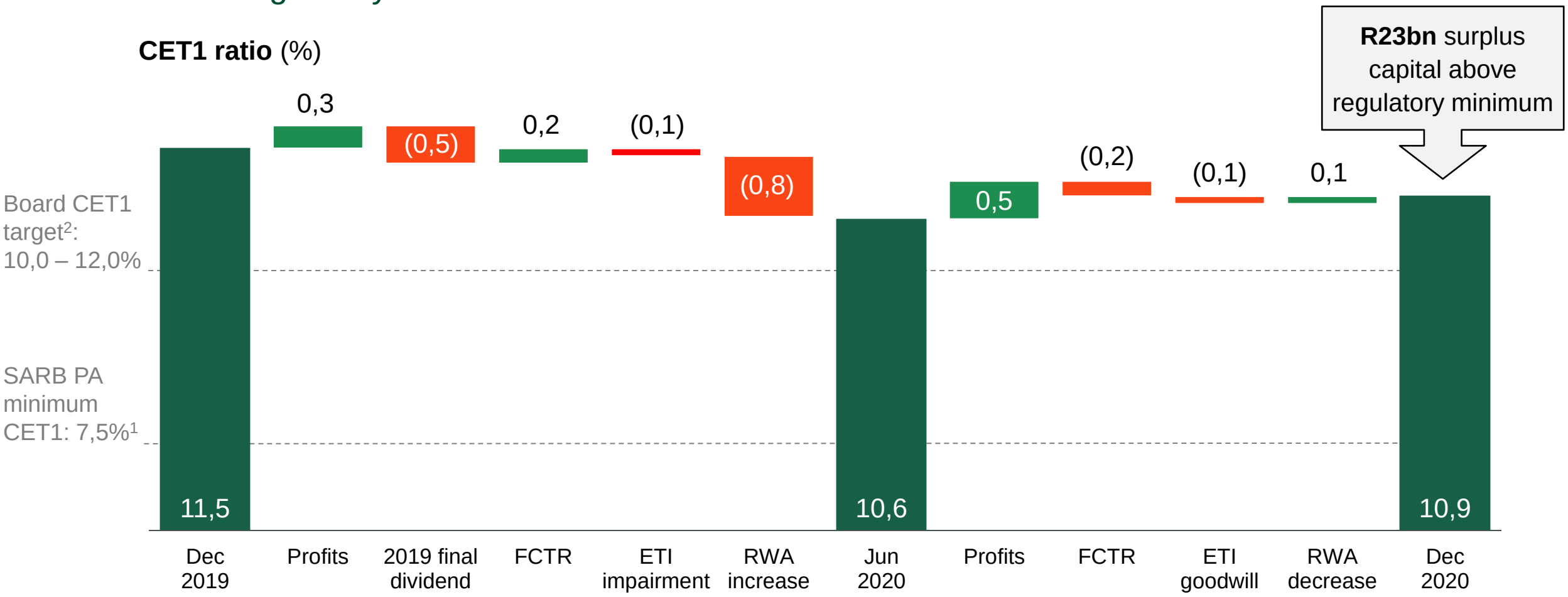
Carrying value drivers (Rbn)



[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 (%)



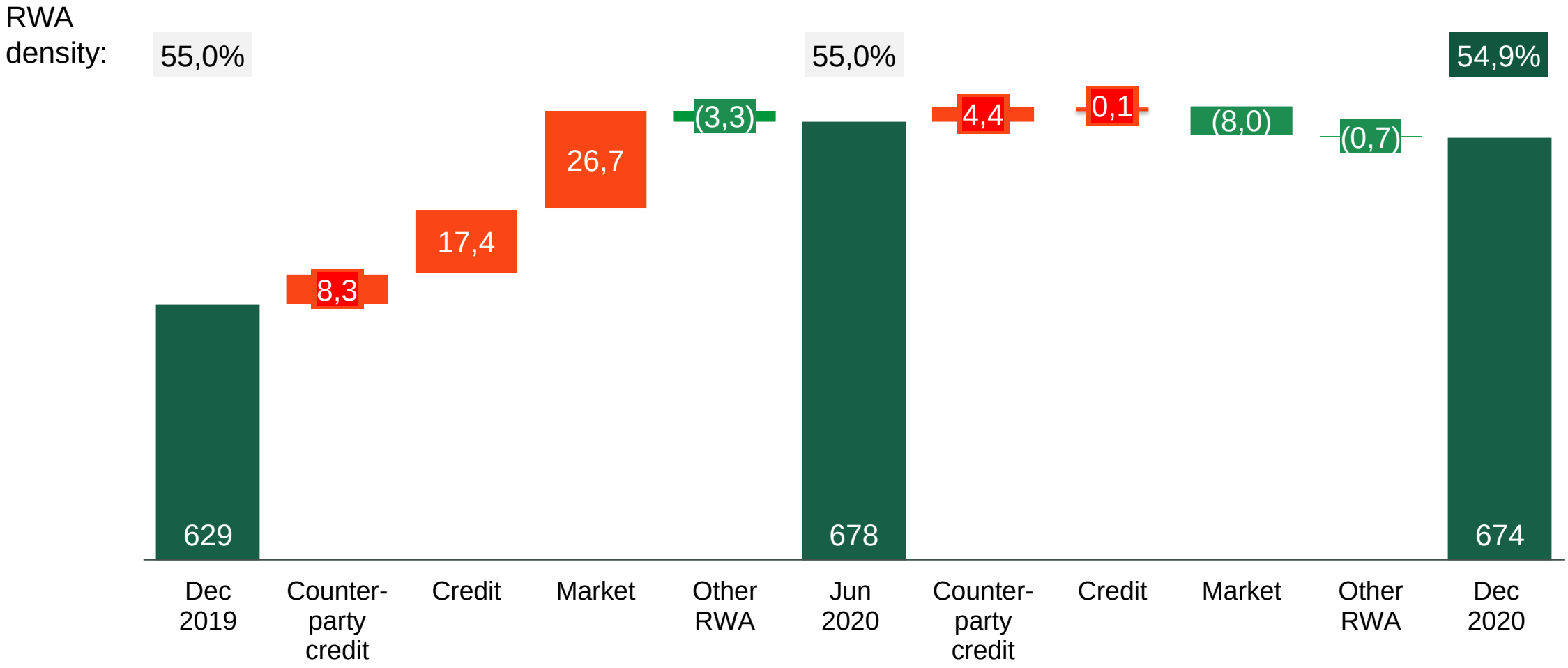
Capital adequacy ratios remain well above regulatory minima under various downside stress scenarios.

[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

BOOKLET SLIDE

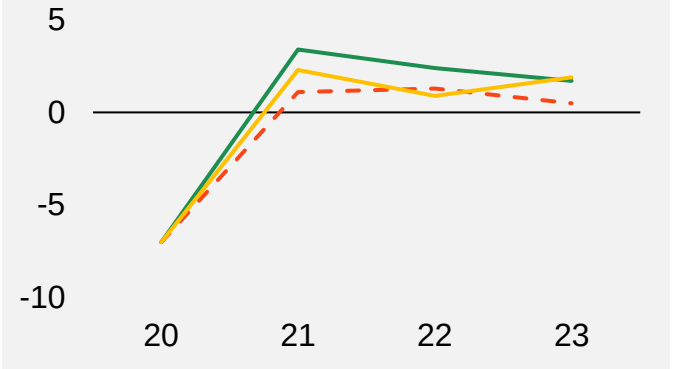
Risk-weighted assets (Rbn)



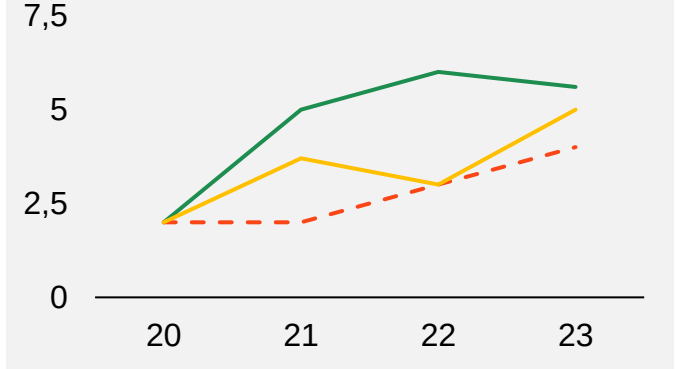
Stress testing – Capital adequacy ratios remain well above regulatory minima under various downside stress scenarios

BOOKLET SLIDE

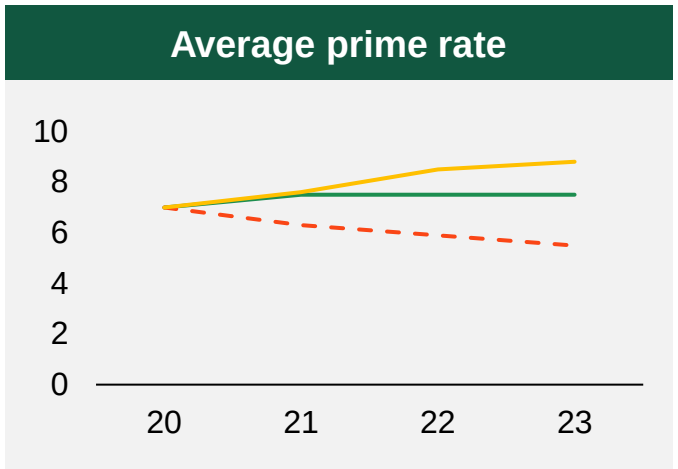
GDP growth



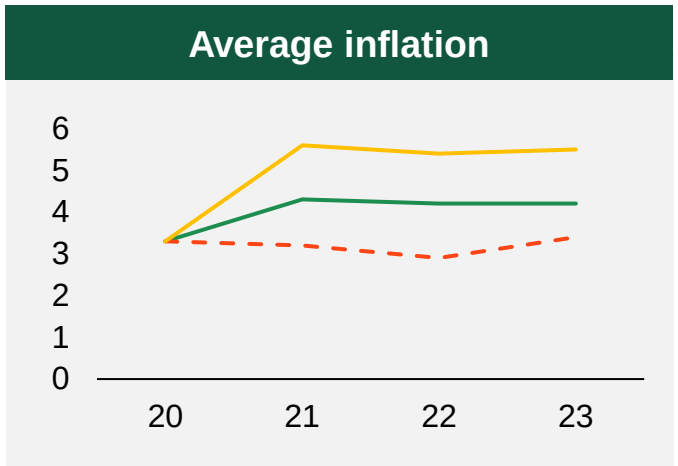
Credit growth



Average prime rate



Average inflation



Base case — Severe inflation scenario - - Severely adverse scenario

Outcomes[1]

CET1 ratio

- 10% to 12%
- > 10%
- > 9,25%

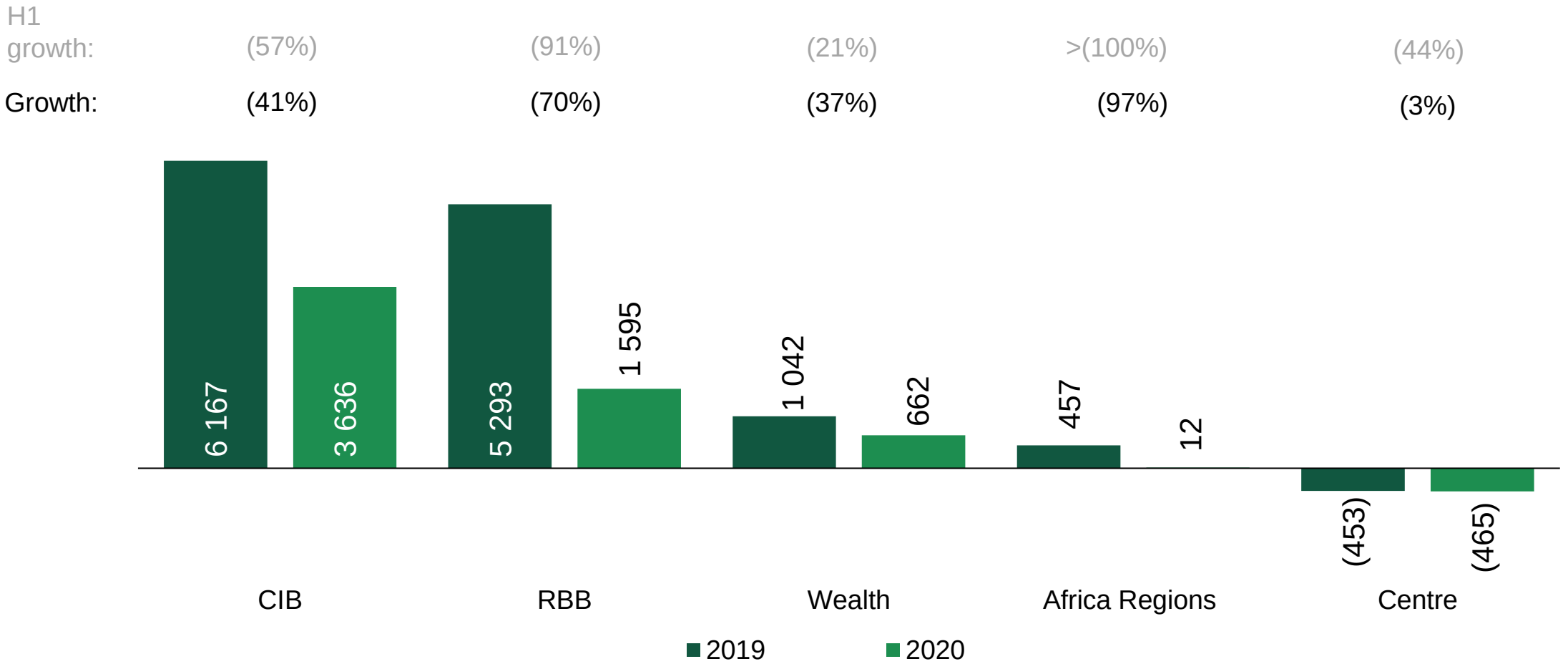
CLR ratio

- < 100 bps by 2022/3
- < 170 bps
- < 200 bps

[1] *For 2021 to 2023 (based on macroeconomic scenarios completed in December 2020).*

Headline earnings by cluster

Headline earnings (Rm)



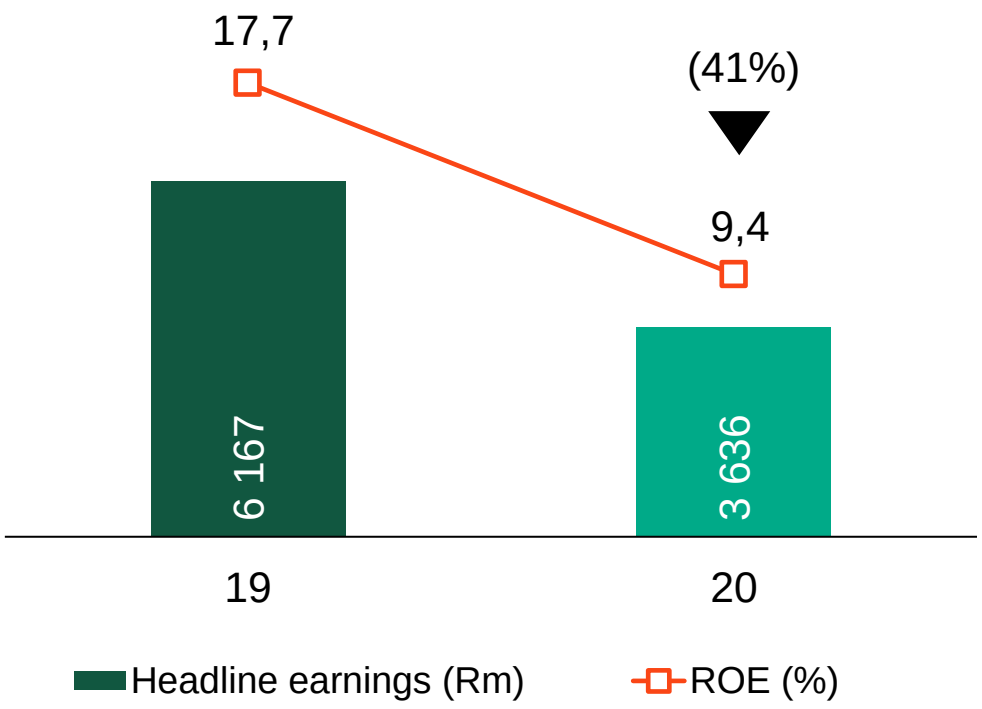
NEDBANK CIB

Crisis negatively impacted revenue growth & increased impairments

Anél Bosman
Group Managing Executive

Crisis negatively impacted revenue growth & increased impairments

Headline earnings, ROE



- **NII** decreased 1%:
  - average banking advances +6%: driven by clients search for liquidity in H1, however repayments & optimisation in H2
  - expansion in client asset margins offset by impact of lower interest rates on endowment & cost of liquidity
- **NIR** decreased 12%:
  - strong trading performance +16%: driven by good client activity & increased volatility
  - negative equity revaluations & lower commission & fees
- **Expenses** decreased 3%: good cost containment
- **CLR** at 82 bps (2019: 25 bps): increased additional provisions & client stresses

CIB strategic growth focus – play our role in rebuilding SA & diversify into Africa

Build SA

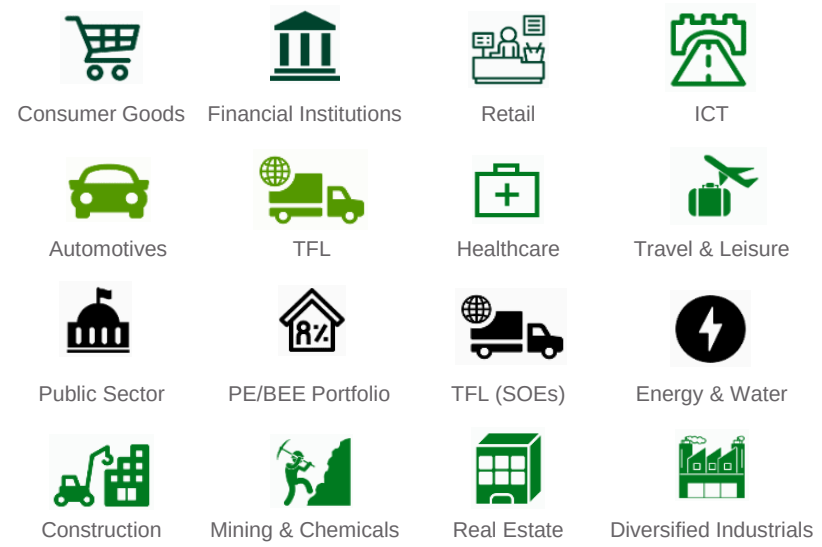
- **Sustainable financing solutions** and contributing to the UN SDG's remains a core focus of our strategy
- **Support government's infrastructure investment programme** as part of South Africa's Economic Reconstruction and Recovery Plan
- Nedbank well positioned to contribute & participate given **market leadership** in renewable energy financing
- **Employ innovative solutions** to play our part in creating a more prosperous & inclusive SA economy

Africa

- **CIB currently financing deals in 20 countries**
- **Leverage our strong relationships**, proven track record and deep industry knowledge to provide bespoke banking solutions in commercial property
- Deliver through a **coordinated approach with NAR** – entrench our capabilities & products

A sector-led approach…

Franchise approach underpinned by sector expertise & informed by enhanced analytics



AFRICAN BANKER AWARDS 2020
Energy Deal of the Year
Renewable Energy Bond - Nedbank

Environmental Finance
IMPACT Awards 2020
Nedbank
Winner of the Year
African Impact Initiative

CIB strategic growth focus – enabled by digital, optimisation & our people

Digital

- **Empower our clients** – created a single channel, the Nedbank Business Hub, using User Experience design principles & client involvement
- **Superior service** – digitising pre-sales and post-sales fulfilment & servicing processes
- **Deepen relationships** – build holistic client insights by leveraging data & CRM



Optimisation

- **Optimise capital** – active management of scarce resources to maximise returns (+R60bn RWA savings in 2020)
- **Transition our portfolio** to reflect our client strategies, improve crosssell & optimise ROE
- **Optimise resourcing and improve flow of work** to create value for clients

Eclipse
Juristic servicing & onboarding

LOANIQ

NEDBANK CIB | NCIB Sales Hub

Microsoft Dynamics 365

NEDBANK CIB | NCIB Service Hub

People

- **Attracting skills** – strong franchise has enabled us to attract key skills across the organisation in recent years
- **Culture** – ongoing improvement to manage hybrid, digitally-enabled & high-performing workforce
- **Diversity & inclusion** remains central to the People strategy



SUNGARD FRONT ARENA



Excellent client solutions & service

BOOKLET SLIDE

2020 Global Investor Survey:
top rated by our clients

2020 Winner:
1st place , technical analysis
Neels Heyneke

2020 Rankings:
1 2nd place
3 3rd place
4 other top 6

2020 Ranking:
1st place for Investment Advisor for BEE deals by value and volume

2021 Global Finance Investment Bank Awards:
Best Debt Bank: Africa

2020 Winner:
Energy Deal of the Year

2020 Winner:
1st place, diversified industrials
Munira Kharva

Impact Awards 2020 Winner:
Impact initiative of the year – Africa

2020 Ranking:
3rd place for Investment Advisors in GCF by deal flow

2021 Global Finance Investment Bank Awards:
Best Investment Bank: South Africa

2020 Winner:
1st place, Young analyst – non equities
Reezwana Sumad

2020 Winner:
1st place, fixed income trading
Mark Southwood

2020 Winner:
SA's best sub-custodian bank for the 11th consecutive year

2020 Ranking:
4th place for GCF Sponsor by deal flow

DCM Rankings 2020:
2nd place by value and volume (incl and excl self-led)



*2020 Spire awards delayed into 2021

Reimagine CIB

A powerful wholesale business focused on our clients

Leverage strengths

Markets	Property Finance	Investment Banking	Transactional Services
Best-in-class teams	Market leader	Advisory led & sector expertise	Disruptive thinking & technology solutions

Strategic focus

Build SA/ Africa	Digital	Optimisation	People

2021 drivers

- **Capital** optimisation continues
- **NIR** – high base in trading but expect other revenue benefits from economic recovery
- **Advances growth** – robust pipeline with selective origination
- **CLR** – improvement off a high base (CPF likely to remain elevated)

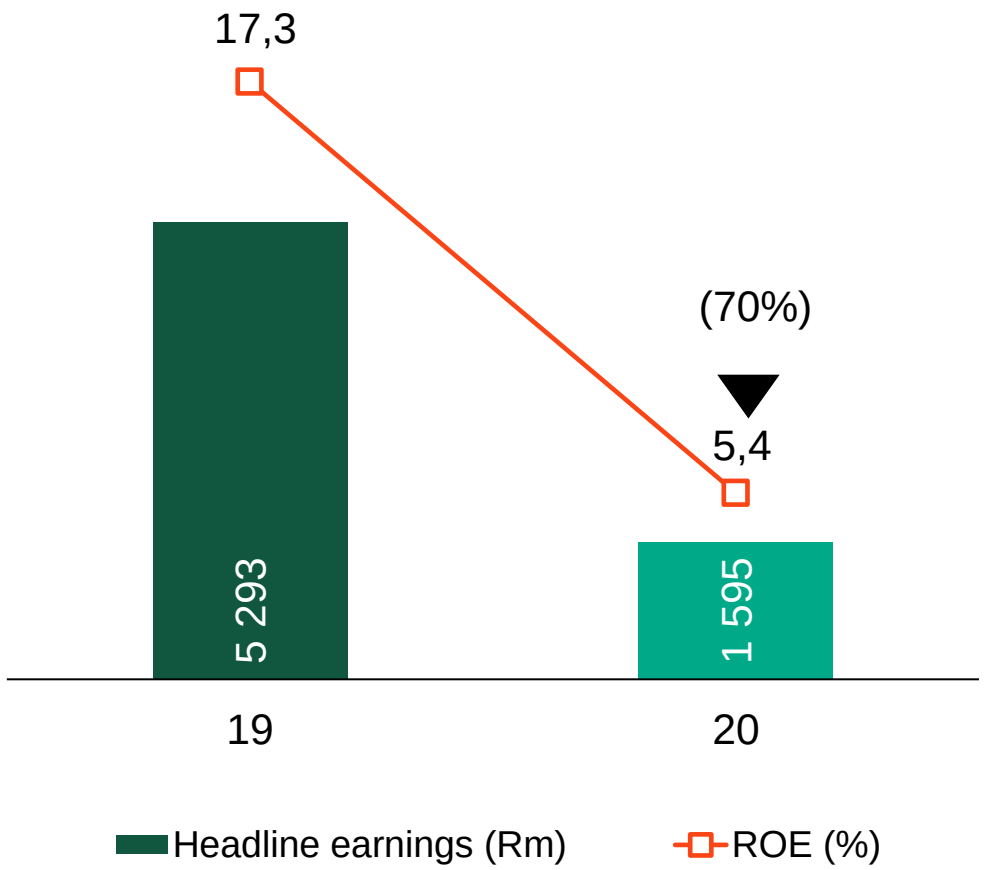
NEDBANK RBB

Improvement in performance in H2 after a difficult H1

Ciko Thomas
Group Managing Executive

Improvement in performance in H2 after a difficult H1

Headline earnings, ROE



NII – decreased 1%

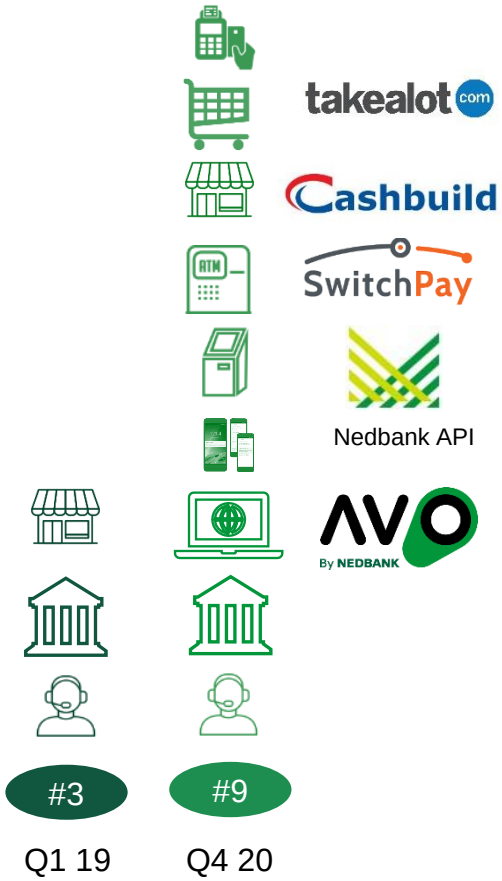
- muted advances & deposit growth with some pick up in H2
- impact of lower interest rates, partially offset by better pricing

- **NIR** – decreased 11%: lower client transactional volumes in lockdown
- **Expenses** – decreased 1%: ongoing benefit from optimising processes & operations
- **CLR** at 240 bps (2019: 138 bps): driven by additional overlays & increased defaults

Reimagine – Digital First, First in Digital

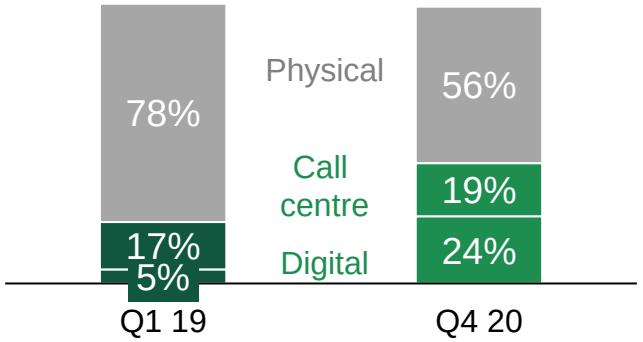
Personal Loans – our first fully digitised client journey/product now delivering tangible benefits

Channels

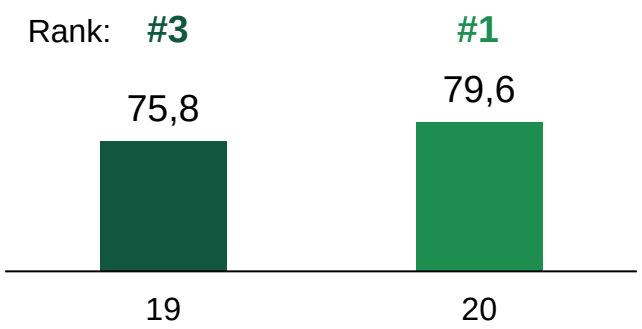


Digital sales

Channels (% of total)

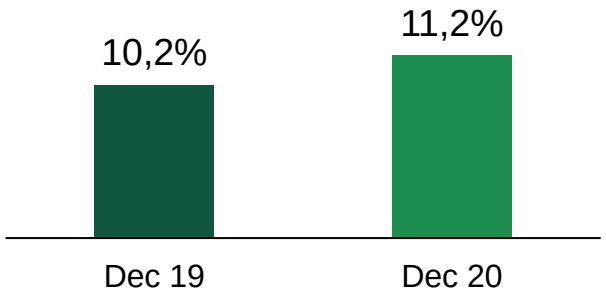


Client satisfaction score (SA-csi)

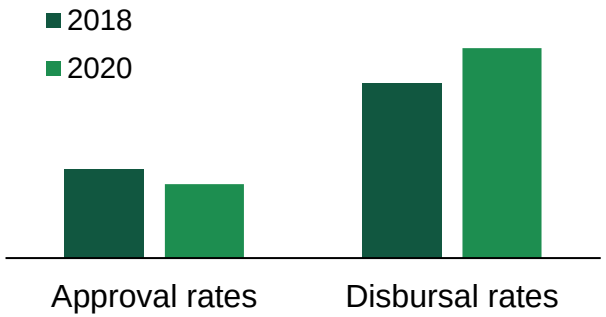


Credit

Personal Loans market share (%)



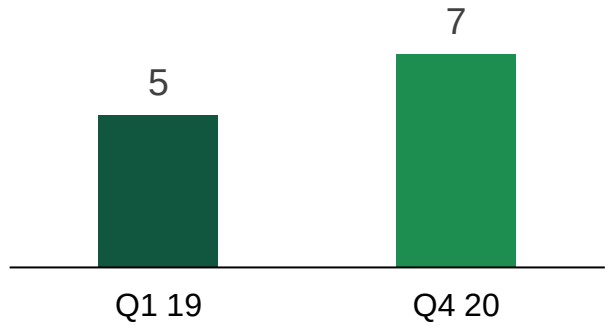
Loan approval & disbursal rates (%)



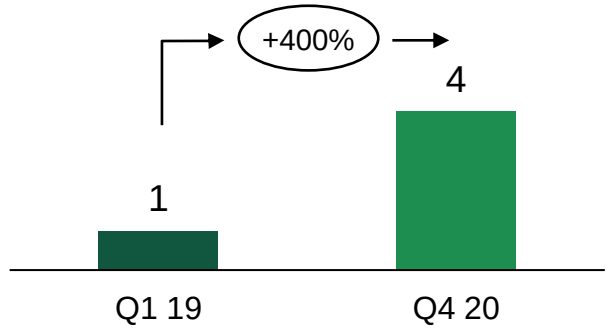
Cross-sell

PL paid into a Nedbank Tx account

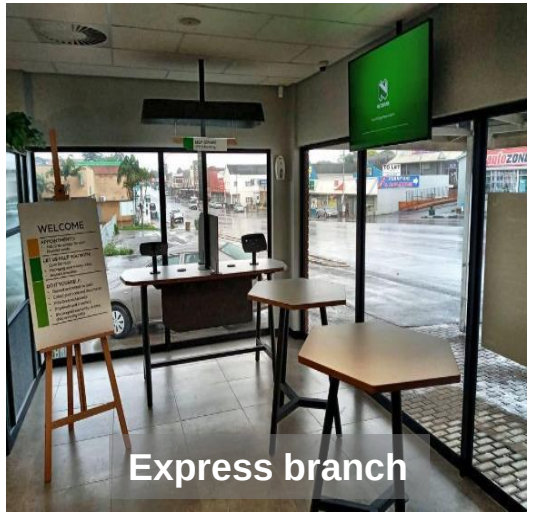
Existing Nedbank clients (out of 10)



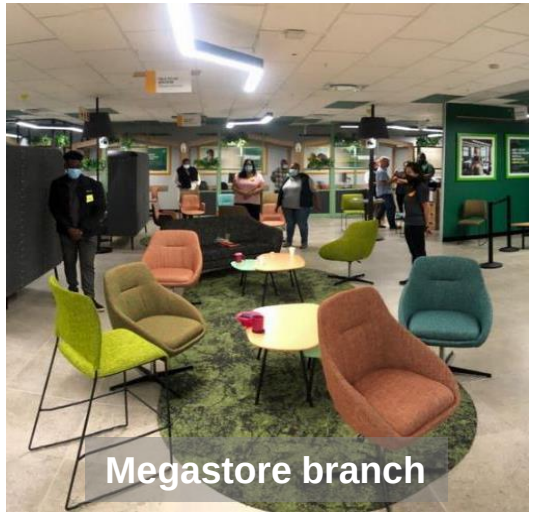
New to Nedbank clients (out of 10)



Reimagine – 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

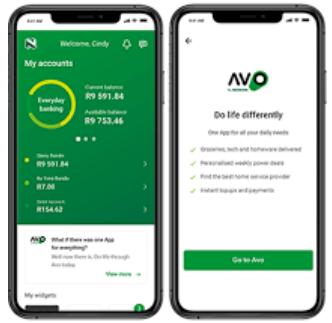
	Client value	Revenue	Expenses	Operational complexity
Strengthen focus on segment value delivery eg client segment, product	■	■	□	□
Touchpoint cohesion (better client interaction)	□	□	□	■
Consolidation of operations (client servicing, product admin & risk – credit/ops)	□	□	■	□

Reimagine – Growth vectors

Market development

New

Existing

Market development	***Diversification***
API Marketplace Township Economy	**AVO** 
Market penetration	***Product development***
Commercialisation of data Cross-sell – increasing our share of wallet Converging our digital platforms for scale	Value-added services Partnerships & collaborations Insurance

Existing

New

Products & services

Reimagine RBB

Building sustainable, profitable businesses through the cycle

Leverage strengths

Consumer
client-centred model delivering market-leading experiences

Retail Relationship Banking
personalised, flexible & proactive approach

Business Banking
accountable, empowered, decentralised business service model

Strategic focus

Digital First, First in Digital

Leading **client experiences**

Efficient **operating model**

New Growth Vectors

2021 drivers

- Momentum in advances growth continues
- Recovery in CLR off high base
- Diversify NIR-generating products given significant impact of Covid-19 & lockdown
- Expense optimisation continues

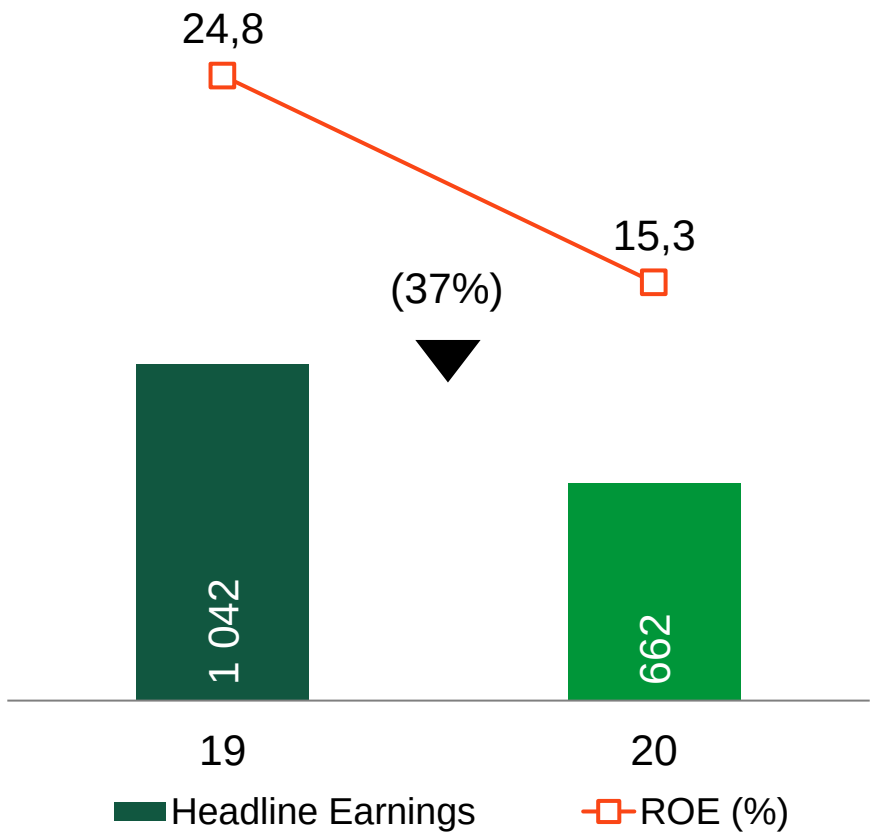
NEDBANK WEALTH

Resilient performance despite operating environment

Iolanda Ruggiero
Group Managing Executive

Resilient performance despite operating environment

Headline earnings, ROE

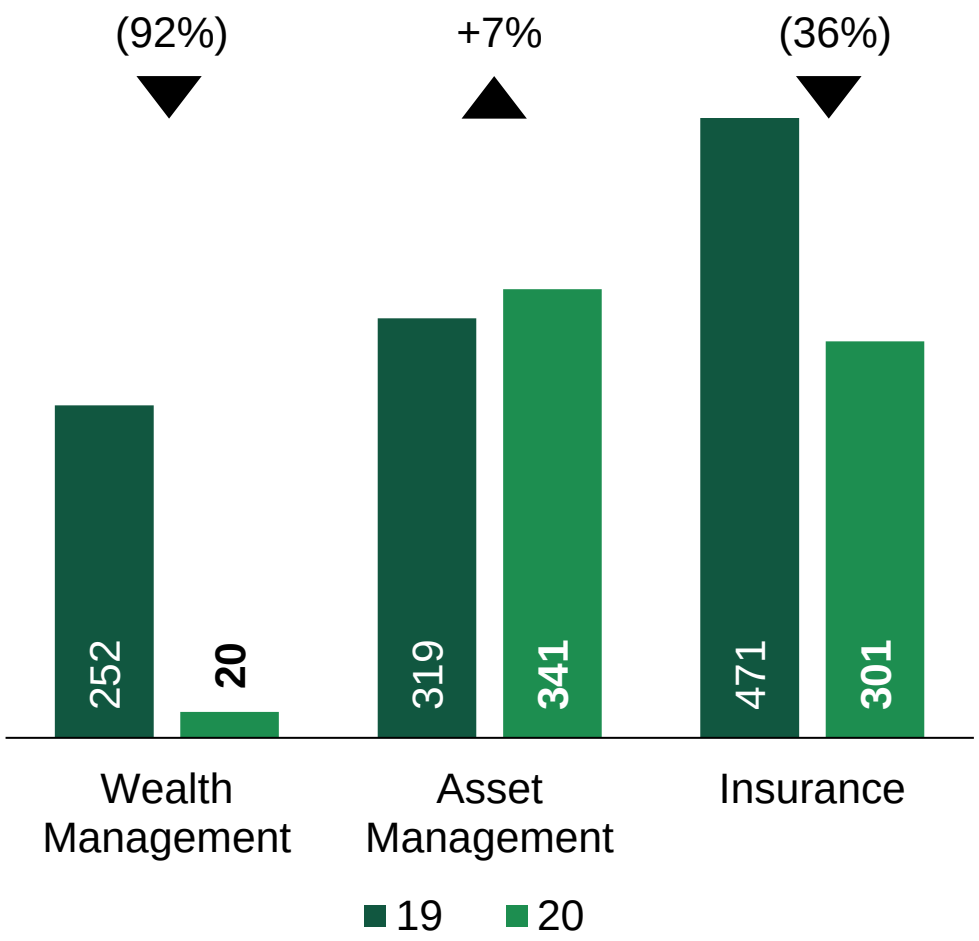


- **ROE above cost of equity**
- **NII** – decreased 22%: reduced interest rates both locally & internationally
- **NIR** – decreased 4%: higher credit life & funeral claims, impact of reduced interest rates on actuarial reserves & lower investment returns on shareholder funds in Insurance, offset by higher asset management fees
- **Expenses** – decreased 2%: costs well-contained
- **CLR** – increased 46 bps to 64 bps: significant growth in credit impairments due to the tough local economic environment & Covid-19 related risks

Resilient performance despite operating environment

BOOKLET SLIDE

Headline earnings per division (Rm)



Wealth Management

- Significant increase in credit impairments locally
- Lower interest rates locally & internationally
- Growth in brokerage income (locally) & Fx income (internationally)

Asset Management

- Positive net flows
- Strong AUM growth
- Shift to lower-risk asset classes

Insurance

- Higher credit life & funeral claims
- Negative impact of reduced interest rates on actuarial reserves and lower investment returns on shareholder funds
- Improved non-life claims experience

Reimagine – Nedbank Wealth growth vectors

Wealth Management

South Africa

- Position integrated offering
- Active cross-selling & CVP positioning into wider Nedbank Group
- Drive Digital enablement

International

- Further establish the Nedbank Private Wealth International business as a high-net-worth advice-led business

Asset Management

- Maintain momentum in cash & passive income
- Grow institutional offering both locally & internationally
- Leverage access to group distribution & digital integration

Insurance

- Drive the execution of key strategic initiatives, such as Personal Lines
- Improve data capabilities
- Accelerate mobile & digital delivery
- Commercialisation of existing assets

Reimagine Nedbank Wealth

Delivering client-driven solutions

Leverage strengths

Wealth Management	Asset Management	Insurance
Holistic & integrated HNW offering Single-investment platform	Best of Breed™ exclusivity 100% digital client engagement	Fully comprehensive Personal Lines solution Digital integration into Nedbank assets

Strategic focus areas

Optimise structure & operations Grow new clients	Deliver long-term performance Provide simple, easy & secure client solutions	Expand mobile & digital platforms Leverage data capabilities

2021 drivers

Wealth Management
- Lower credit impairments off a high base locally
- Upsell & cross-sell initiatives
- Internationally still impacted by record-low interest rates

Asset Management
- Growth in market share
- Cost efficiencies from automation

Insurance
- Increased penetration into the Nedbank Group
- Normalised claims trends

NEDBANK AFRICA REGIONS

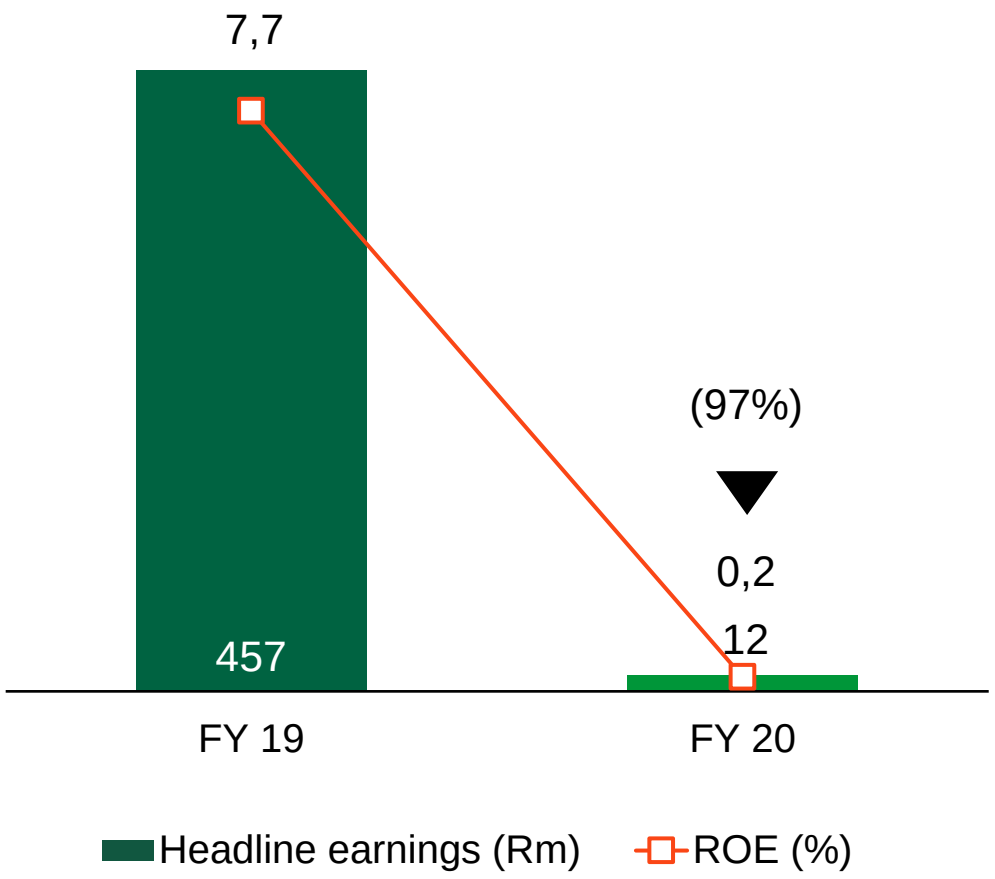
SADC – lower revenues & increased impairments

ETI – resilient performance offset by Ecobank Nigeria (ENG)

Terence G. Sibiya
Group Managing Executive

NAR – resilient business tested by the pandemic

Headline earnings, ROE



SADC

- HE of (R141m), down by >100% from:
  - Lower revenues & higher impairments from Covid-19 economic impact
  - Net monetary loss (HE R89m) as hyper-inflationary pressure persists in Zimbabwe
- Costs down by 5% due to continued efforts in streamlining operating model and increasing efficiency

ETI (Ecobank Transnational Incorporated)

- HE of R153m, down 65% due to:
  - Strong performance in West African regions
  - Offset by 2018 interest reversal related to Nigeria

Reimagine – key strategic growth drivers







pmr.africa

Private banking: Diamond Arrow Award (Namibia)



Greater earnings contribution to the group over the long term from faster growth in economies in the rest of Africa & geographic diversification benefits

SADC – managed operations

- **Digital enhancements** to meet rapidly changing client behaviour
- Increased stake in Banco Único & well positioned for future opportunities in **Mozambique**
- Managed operations portfolio optimisation for greater focus (ie sale of **Malawi** – small market share in a small market)
- **Zimbabwe** business ongoing reconfiguration

ETI – strategic alliance

- Continued **support** in the capacity as shareholder
- **Strong West & Central Africa franchise:** Top 3 in 13 of 16 countries

Reimagine Nedbank Africa Regions

Leveraging enterprise capabilities to unlock opportunities

Strengths

SADC – manage, own & control banks

- Strong wholesale client service model
- Advantageous brand sentiment
- Strong credit risk management

West & Central Africa – ETI

- Widest Pan African network
- LocalknowledgeAfrica™

Strategic focus areas

- Digital enhancements
- Business transformation: Improved efficiency & achieving scale
- Mozambique integration & growth
- Zimbabwe business reconfiguration

- Drive strategic agenda
- Commercialise collaboration & increase deal flows

2021 drivers

SADC

- Maximise Mozambique growth opportunities
- Reimagined business & operating model

ETI

- ETI prospects more positive as evident in FY 2020 results
- Resolution of Ecobank Nigeria challenges to unlock value

OUTLOOK

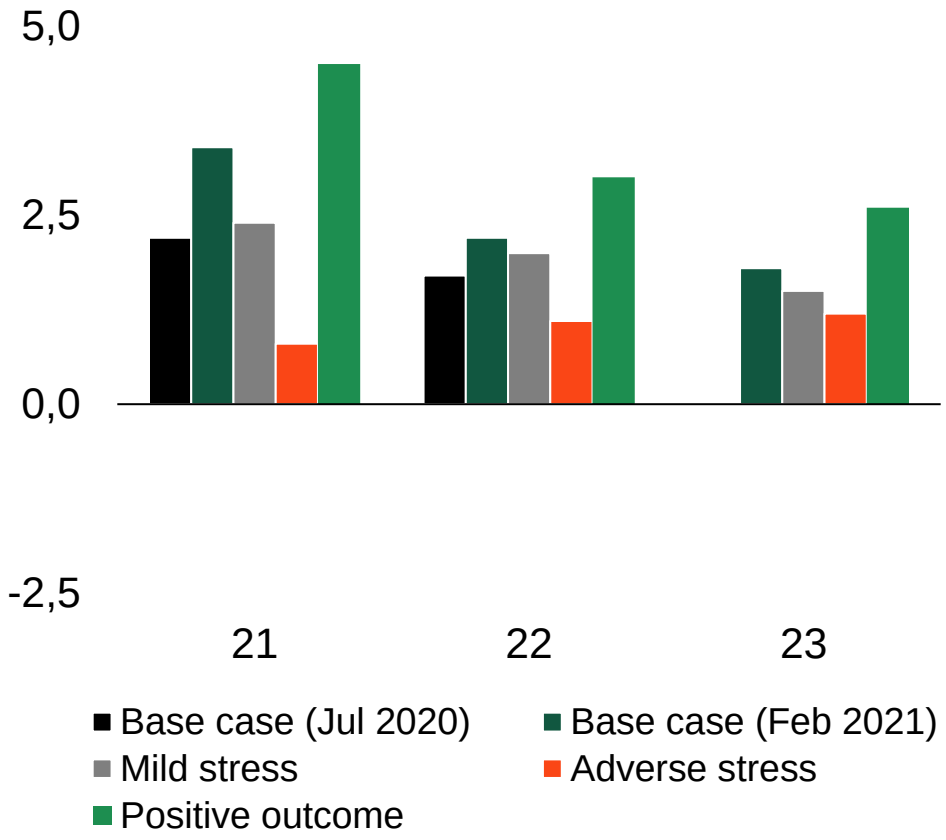
A resilient performance & good strategic progress in a difficult 2020 set the base for stronger growth in the period ahead & delivery of revised medium term targets that support shareholder value creation

Mike Brown
Chief Executive

Economic recovery – Nedbank forecasts

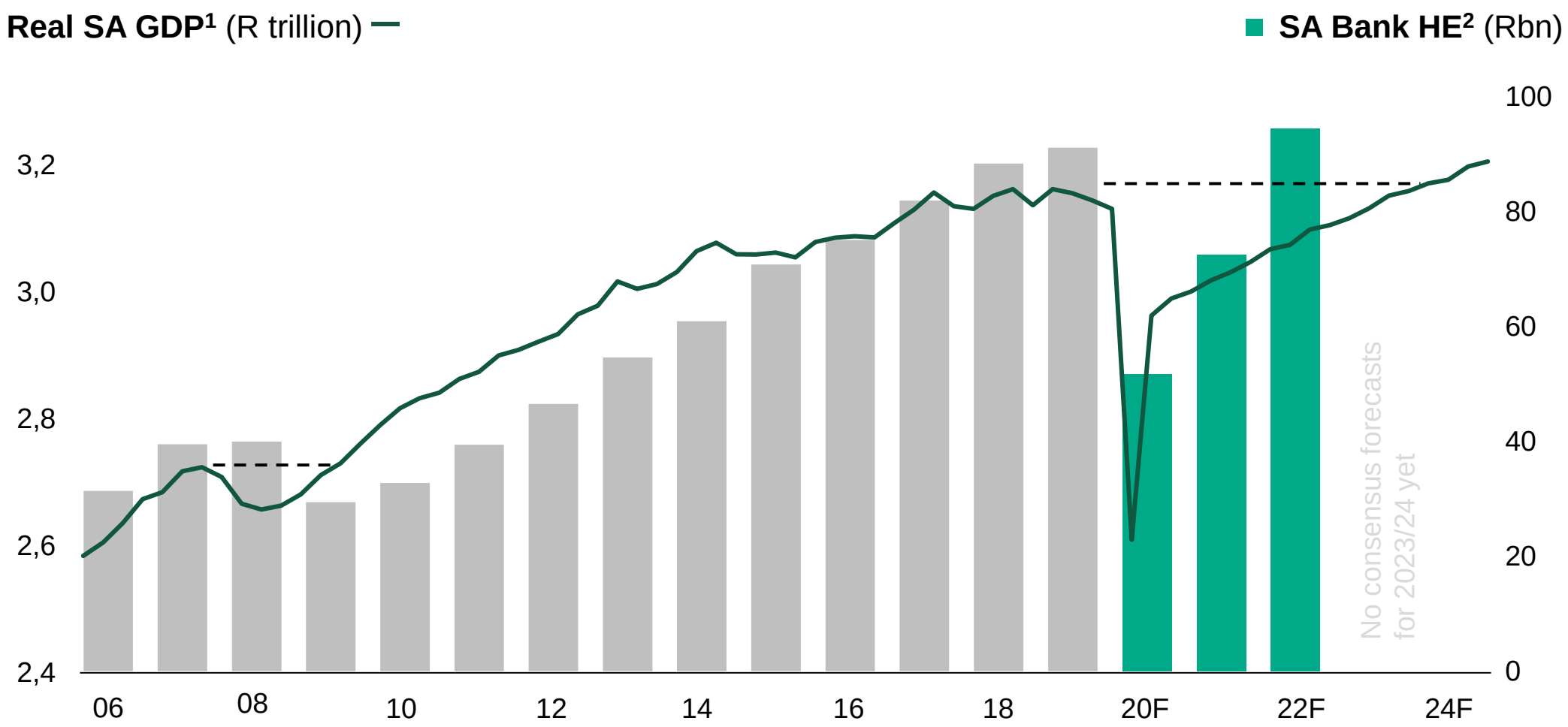
		Base case: Feb 2021			
	20[2]	20	21	22	23	24
SA GDP growth	(7,0%)	(7,0%)	3,4%	2,2%	1,8%	1,5%
YE prime interest rate	7,0%	7,0%	7,0%	7,5%	7,5%	7,5%
Inflation (CPI)	3,3%	3,3%	4,2%	4,6%	4,3%	4,2%
Industry credit growth	2,5%	1,2%	4,5%	5,7%	5,1%	5,2%
SA fiscal deficit % of GPD[1]	(6,3%)	(6,4%)	(14,2%)	(10,6%)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

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 (5 March 2021).

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

Thoughts on the outlook for 2021 & beyond

Although forecast risk remains high as the vaccine roll-out races the virus & variants thereof, our resilient performance in 2020 & good strategic progress position Nedbank well for higher levels of growth & returns

2020

- Period of unprecedented **health, economic & social challenges**
- **Supported all our stakeholders –** Staff, clients & society
- **Excellent outcomes on resilience metrics**
- **Improved financial performance** in H2
- Good progress as we **transitioned out of the crisis**
- **Strong digital progress**

2021

- **Manage through additional waves of the pandemic**
- **Focus on our strategic growth drivers**
- **Create value for all our stakeholders**
- **Maintain focus on resilience metrics** – strong balance sheet
- **DHEPS growth > 20%**
  - Revenue recovery
  - Ongoing improvement in CLR
  - Expenses normalising

Reimagine

- **Deliver on our 2023 targets**
  - DHEPS > 2019 levels
  - ROE > 2019 levels
  - C:I < 54%
  - # 1 in NPS
- **Enabled by value unlocks**
  - Market-leading client solutions
  - Disruptive market activities
  - SPT 2.0
  - TOM 2.0
  - Leading sustainably

Delivering on our purpose of using our financial expertise to do good for all our stakeholders has never been more important

Thank you

NEDBANK GROUP

see money differently

Disclaimer

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

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.

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