CREATING VALUE BY USING OUR FINANCIAL EXPERTISE TO DO GOOD.

NEDBANK GROUP

NEDBANK GROUP LIMITED

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

IN A PERIOD OF UNPRECEDENTED HEALTH, ECONOMIC AND SOCIAL CHALLENGES THAT HAVE IMPACTED OUR STAFF AND OUR CLIENTS, NEDBANK GROUP REMAINED PROFITABLE AND OPEN FOR BUSINESS, WITH CAPITAL AND LIQUIDITY RATIOS WITHIN BOARD-APPROVED TARGETS AND WELL ABOVE ALL PRUDENTIAL REQUIREMENTS.

The Covid-19 pandemic has had a material impact on individuals, families, businesses, societies and countries in what is becoming known as the Great Lockdown Crisis (GLC). Unfortunately, as a result of consistently weak economic growth and an unsustainable fiscal position, the SA economy entered this crisis in a more challenging position than it did entering the Global Financial Crisis (GFC). The impact of the pandemic and the GLC has resulted in a revision of our 2020 SA GDP growth forecast to a contraction of 7,0%, with the second quarter expected to be most impacted and the Q2 GDP in SA forecast expected to decrease by more than 40%. By contrast, SA banks are in a more resilient position than they were during the GFC, with loan growth going into the GLC being more prudent, impairment coverage ratios being higher, funding tenor being longer and capital levels being stronger than they were during the GFC.

At Nedbank our primary focus since the crisis started has been on resilience: ensuring the health and safety of our staff and clients; invoking business continuity plans; ensuring IT systems stability; supporting our clients in managing their finances through this very difficult period; and managing liquidity, credit risk, capital and discretionary costs closely. We have provided payment relief to our qualifying clients in good standing on R119bn of loans under PA D3/2020, reduced various fees, and launched digital innovations to assist our clients during the lockdown, including the Avo app and Tap on Phone payments functionality. Throughout the crisis we have maintained a strong balance sheet, evident in a tier 1 capital ratio of 11,7% and CET1 ratio of 10,6% at 30 June 2020, as well as a strong liquidity profile. Both ratios are above board-approved minimum targets and well above all regulatory requirements. The Covid-19 health crisis morphed quickly into an economic crisis and is currently escalating to become a social crisis due to, among other things, increases in already unacceptable levels of unemployment. As Nedbank, we are committed to making a difference in this difficult environment and deliver on our purpose to use our financial expertise to do good for our clients and society.

Nedbank Group's HE in the six months to 30 June 2020 declined by 69% to R2,1bn, impacted by a significant increase in the impairment charge, including a provision build from forward-looking IFRS-9 macro-model adjustments and judgemental overlays for anticipated Covid-19-related impacts and expected job losses, in total amounting to R2,9bn. In addition, H1 was impacted by the effect of lower interest rates on endowment income (NII) and a decrease in NIR as a result of lower client transactional activity in Q2 2020 and negative revaluations to unrealised private-equity investments driven by lower listed market prices and increases in cost of equity. Expenses were well managed and declined on the prior period.

Forecasting in the current environment is complex and estimates are subject to a much higher level of forecast risk than usual, but we are hopeful that the worst impacts of Covid-19 and the GLC are behind us and that impairments in the second half will be lower than in the first half and client activity will continue to increase off a low base. Our focus in the second half of 2020 will remain on resilience as we reintegrate business functions in a phased manner, including delivering market-leading client experiences and innovative digital solutions, supporting our clients, and optimising on costs, while managing credit risks and maintaining resilient capital and liquidity ratios and remaining on high alert for subsequent waves of infection.

We thank our 29 000 dedicated staffmembers who have been observing the Covid-19 health protocols and supporting our clients and the economy during this difficult period. We also extend our deepest condolences to the families and friends of the five Nedbank staffmembers who have passed away as a result of Covid-19 and related illnesses.

Mike Brown
Chief Executive

26 August 2020

see money differently

HEADLINE EARNINGS
▼ (69,2%)
R2 114m

DHEPS
▼ (69,2%)
434 cents

HEPS
▼ (69,5%)
438 cents

BASIC EPS
▼ (80,9)%
270 cents

DIVIDEND PER SHARE (Interim)
No interim dividend declared, in line with G4/2020

ROE
▼ 4,8%
(June 2019: 16,8%)

REVENUE GROWTH
▼ (1,8%)
R27 189
(June 2019: R27 693)

COST-TO-INCOME RATIO
▲ 56,4%
(June 2019: 55,4%)

CLR
▲ 194 bps
(June 2019: 70 bps)

CET1 RATIO
▼ 10,6%
(June 2019: 11,3%)

NAV PER SHARE
▲ 1,6%
to 18 075 cents

PAYMENT RELIEF to clients under D3/2020
R119bn

TILTING OUR STRATEGY TO RESPOND TO THE COVID-19 PANDEMIC AND LOCKDOWN

The primary focus in H1 2020 was on the health and safety of our staff and clients, as well as continuing to serve and support clients as they manage their finances through this difficult period.

Resilience
(Manage the crisis)
Q2/Q3 2020

Increased focus on:
- managing liquidity, capital, market and credit risk;
- operational resilience, IT stability and ongoing digital rollout;
- scenario modelling and stress-testing;
- managing discretionary costs; and
- enhanced communication with staff, clients and investors.

Transition
(Enable recovery)
Q3/Q4 2020

Reintegrate staff and business functions in a phased manner (in line with government lockdown levels):
- Mitigate downside risk
- Support our clients
- Manage costs
- Deliver best-in-class client experiences

Re-imagine
(Strategise for a new normal)
Q4 2020 and 2021 onwards

A rebased growth strategy that delivers a competitive advantage:
- Digital leadership and market-leading client experiences
- Strategic Portfolio Tilt 2.0
- Target Operating Model 2.0
- Explore new growth vectors

Delivery on strategic foundations

We have made great progress in several areas:

- Technology strategy (Managed Evolution) **74% complete.**
- **Three additional products digitised**
  – Credit cards, investments and overdrafts
- **Digital sales up to 53%** (H1 2019: 18%) **on total sales**
- **New innovative products launched**, such as the Avo app and Tap on Phone

Stakeholders

Staff
- Paid **R8,1bn in salaries and benefits.**
- Focused on **social distancing, sanitation** and **health practices.**
- Enabled **77%** of SA campus staff **to work from home.**
- Staff transformation: now stands at more than **79% black representation.**

Clients
- Safeguarded **R944bn of deposits** at **competitive interest rates.**
- **68% of branches remained open.**
- **Provided support for clients:**
  – Payment holidays for 375 000 clients
  – Fee waivers
  – Credit life insurance
- Nedbank won various awards at the **Global Banking** and **Finance Awards for Excellence 2020**, including **Best Retail Bank in SA** and **Most Innovative Retail Banking App (Nedbank Money app).**

Shareholders
- Paid the **final 2019 dividend** to the value of **R3,4bn** in April 2020.
- Successfully hosted the **first virtual AGM** in **2020** and **recorded good voting outcomes.**

Regulators
- Worked closely with the government, regulators and the **Banking Association SA** to mitigate the risks of the virus on the economy and the **SA banking system.**
- Strong capital and liquidity position:
  – **Tier 1 capital: 11,7%**
  – **LCR: 114,5%**

Society
- **Donated R14m** towards **Covid-19** relief efforts.
- **Launched a R2bn SDG green bond**, which is the **first** of its kind in **SA** – proceeds to fund **solar** and **wind renewable-energy projects.**
- **Enabled staff** and **clients** to contribute **R143m** to the **Solidarity Fund.**
- **Waived ATM withdrawal charges** for **Sassa** clients and **Saswitch** fees for **all clients** during the **Covid-19 level five** and **level four lockdown.**

ENSURING AND PROTECTING VALUE THROUGH GOOD GOVERNANCE

Governance set up to oversee our Covid-19 response – additional board meetings and Market Crisis and Covid-19 Exco supported by the Pandemic Steerco, Covid-19 Credit Committee and a Liquidity Risk Committee.

Board independence at 67% – protecting the interests of all stakeholders.

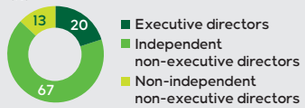
First SA company to table two climate-change-related resolutions proactively, 100% votes of approval.

Engaged with shareholders on our seventh annual governance roadshow – **received strong support for our progress on environmental, social and governance matters.**

BOARD DEMOGRAPHICS (%)



BOARD COMPOSITION (%)



For further information: This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement made available on the JSE's website at **https://senspdf.jse.co.za/documents/2020/jse/isse/ned/ie2020.pdf** on Wednesday, 26 August 2020, and also available on our website at **nedbankgroup.co.za**.

Copies of the full announcement may be requested by contacting Nedbank Group Investor Relations by email at **NedgroupIR@Nedbank.co.za** and are available for inspection at Nedbank Group's registered office at no charge on weekdays from 09:00 to 16:00 by appointment only, in accordance with Covid-19 restrictions.

These results and additional information are available at nedbankgroup.co.za.

Registered office	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196 PO Box 1144, Johannesburg, 2000
Company Secretary	J Katzin
Sponsors in SA	Merrill Lynch SA Proprietary Limited, Nedbank CIB
Sponsor in Namibia	Old Mutual Investment Services (Namibia) (Proprietary) Limited
Reg no	1966/010630/06
JSE share code	NED
ISIN	ZAE000004875
NSX share code	NBK

Abbreviations

AGM	annual general meeting
CET1	common-equity tier 1
CIB	Corporate and Investment Banking
DHEPS	diluted headline earnings per share
EPS	earnings per share
HE	headline earnings
HEPS	headline earnings per share
IFRS	International Financial Reporting Standards
NAV	net asset value per share
NII	net interest income
NIR	non-interest revenue

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