Nedbank Group Interim results

for the six months ended 30 June 2020

see money differently

OVERVIEW

Primary focus in H1 2020 has been on resilience:

- health & safety of our staff
- supporting our clients
- maintaining a strong balance sheet
- communication

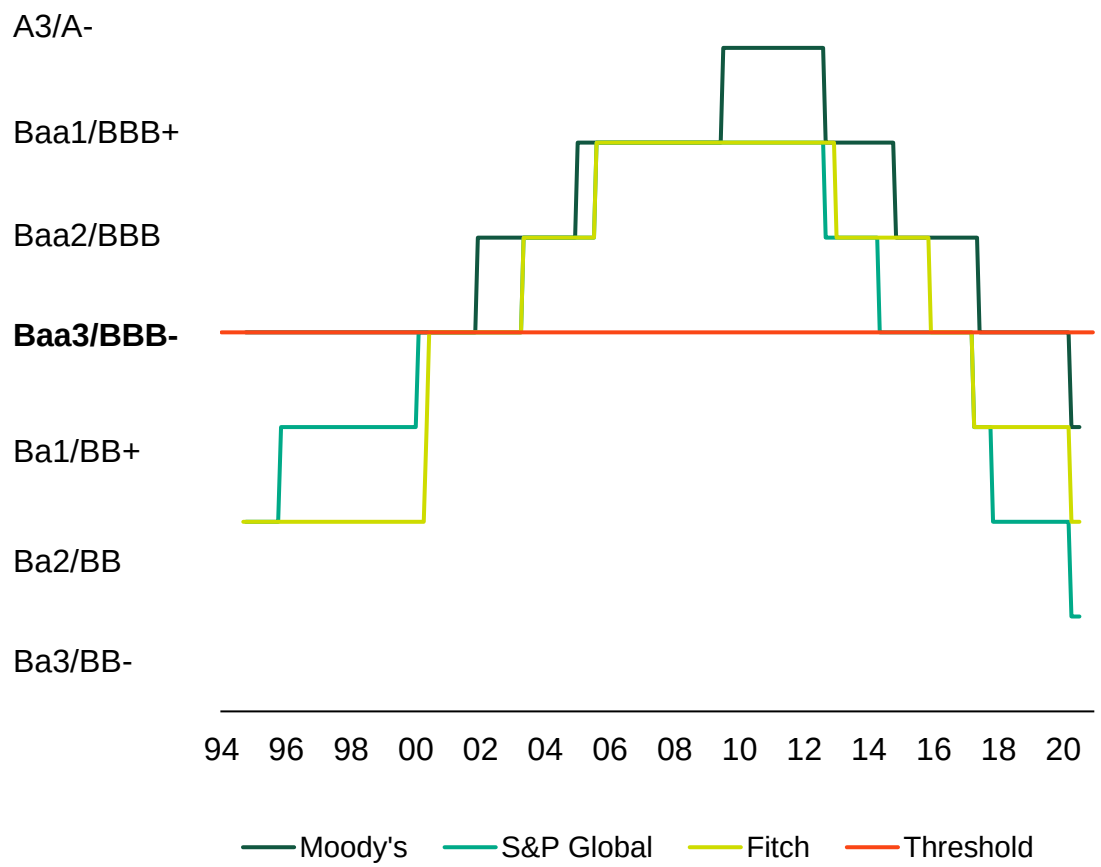
Mike Brown
Chief Executive

Overview

- **A very difficult environment for clients & banks** – compared to the GFC the SA economy is in a worse position, but SA banks in a stronger position
- **Primary focus on health & safety of staff & clients; & supporting our clients** – including health & safety measures, new digital innovations & supporting clients with D3 restructures on R119bn loans
- **Maintained strong balance sheet metrics**
  - LCR 115% | NSFR 114% | CET1 10.6% & Tier 1 CAR 11.7%
  - Total coverage up to 2.95% (2.31% at Dec 19)
- **HE down 69% to R2.1bn reflecting the impact of a significant increase in impairments & a slowdown in client activity impacting revenue growth under lockdown**
  - ECL charge increased 202% to R7.7bn, resulting in an annualised CLR of 194 bps (inclusive of R2.9bn provision build from judgemental overlays & the impact from IFRS 9 macro forward-looking assumptions)
  - Interest rate cuts of 275 bps up to 30 June 2020 (adverse endowment impact), transactional volumes down since lockdown started & negative revaluations of private equity to reflect listed market
  - Expenses very well managed: -1%
- **Tilted our strategy:** Resilience, Transition & Re-imagine – leveraging technology investments

SA entered the Covid-19 crisis on the back of an already challenging macroeconomic environment

Foreign currency ratings: SA

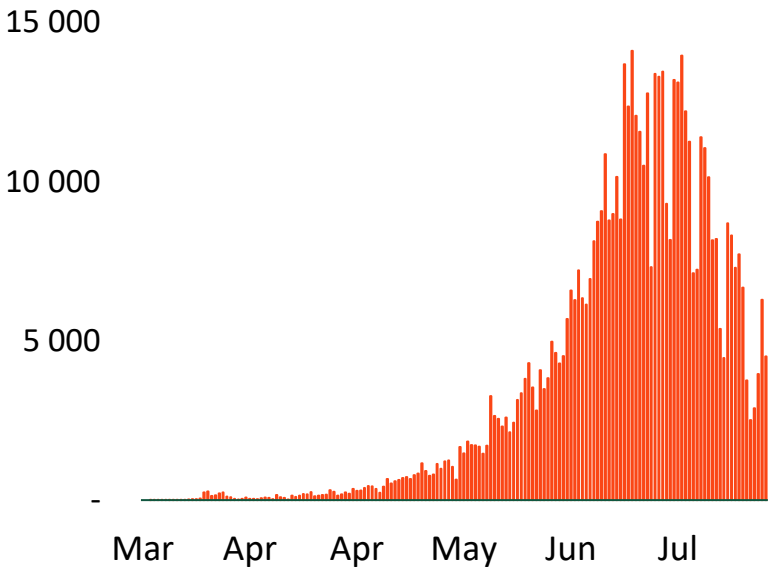


- **SA economic downswing** the longest since records began in 1945 – urgent structural reform required to boost investment & economic growth
- **Ongoing financial & operational challenges at Eskom**
- **Unsustainable fiscal position** without material increase in economic growth
- **Sovereign credit ratings** now all firmly below investment grade
- **Ongoing policy uncertainty negatively impacting confidence** (EWC, SARB, NHI, SWF, Mining Charter, prescribed assets, etc)
- **Ongoing corruption & political infighting**
- **Elevated government cost structures & red tape**

Evolution of Covid-19 pandemic – a health crisis turned into an economic crisis & escalating into a social crisis

Health crisis …

SA confirmed daily positive cases
(#)

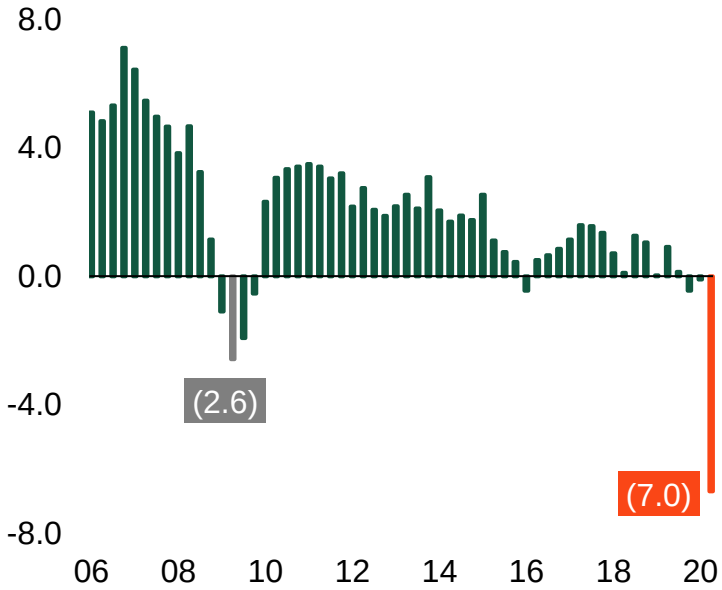


Source: sacoronavirus.co.za

- SA deaths: 2% of confirmed cases – at the lower end of global countries
- SADC countries' infections low & lagging SA

… economic crisis …

SA GDP yoy
(%)

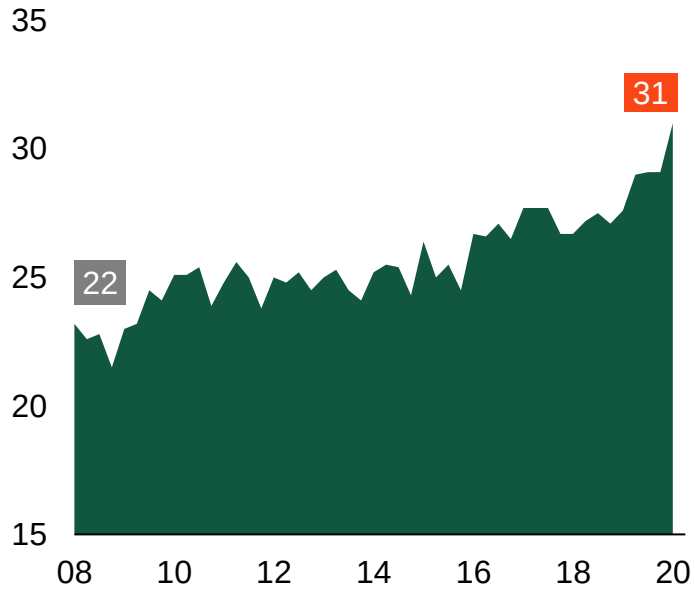


Source: Nedbank Group Economic Unit

- SA Q2 GDP likely to be down > 40%
- Nedbank forecasts informed by underlying recovery from client/industry data

… escalating social crisis

SA unemployment
(%)



Source: Nedbank Group Economic Unit

- SA unemployment forecast to peak in Q2 at c35% (1.6m job losses), ending 2020 at 31%

The Covid-19 pandemic has led to the Great Lockdown Crisis (GLC) – expected to have a longer, more widespread & deeper impact than the GFC

	GFC (Financial)	**GLC** (Covid-19 pandemic)
Cause	US mortgage credit crisis	Viral pandemic
Probability	1-in-15-year event	1-in-100-year event
Source	Originated in US	Global spread of virus + lockdown creating supply & demand shocks
Major sectors impacted	Financial markets/housing	Broad impact across sectors/economies
Time horizon	2 years	Uncertain – V, U, L or W shape
SA fiscal response	Countercyclical fiscal response	R500bn national stimulus package
SA monetary response	Initial interest rate hikes in 2008 (followed by c500 bps cuts)	300 bps cuts in interest rates to date (off a lower base)
Regulatory response	Capital & liquidity increases (Basel III)	Relaxation of liquidity & capital requirements (directives & guidance notes) & SARB bond-buying programme

SA economy in a more challenging position but SA banks in a much stronger position when compared to the GFC

SA economy (going into the crisis[1])

	GFC	GLC
Debt to GDP ratio	26%	61%
Budget deficit	0.2%	(6.3%)
Unemployment rate	22%	29%
Prime interest rate	15%	10%
CPI (inflation)	13%	4%
Consumer confidence	-4%	-9%
Business confidence	33%	26%

SA banks

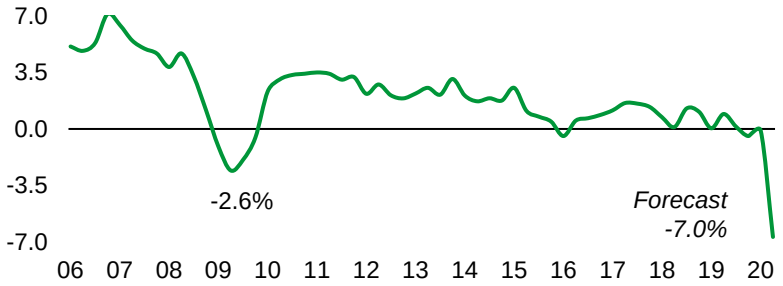
	GFC	GLC
Role of global banks	Cause	Part of solution
SA industry credit growth[2]	> 20%	5 to 7%
SA regulatory intervention	Limited	Positive
SA bank capital & liquidity	Solid (no issues)	Stronger (no issues)
Provision accounting	IAS 39 (incurred losses)[3]	IFRS 9 (forward-looking)[4]
Digital adoption/usage	Low	Higher

1 As at Dec 2008 vs Dec 2019. | 2 Prior 3 years. | 3 Slower impairment recognition. | 4 Faster impairment recognition.

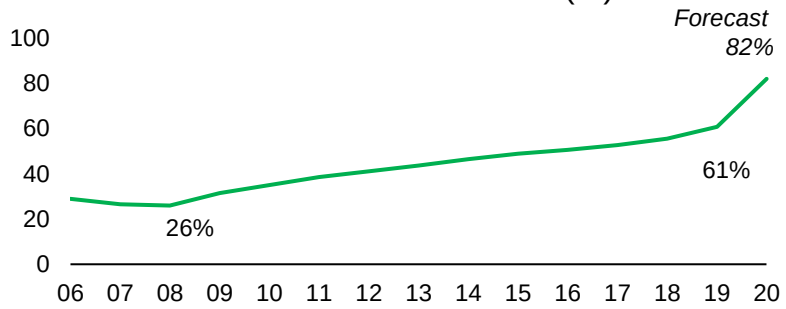
SA economy is in a significantly more challenging position entering the GLC when compared to the GFC

BOOKLET SLIDE

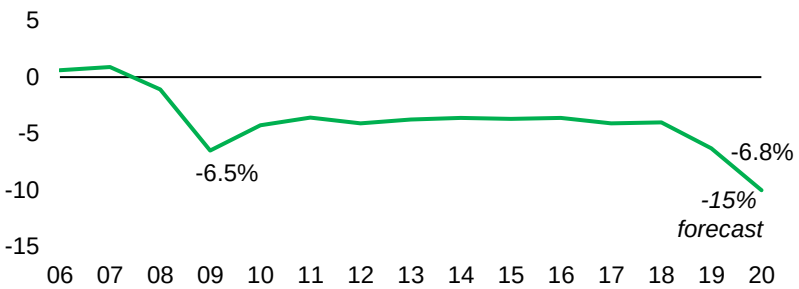
GDP growth (yoy)



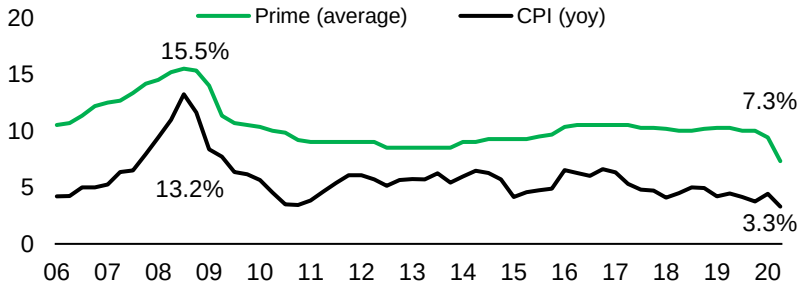
Gross debt as % of GDP (%)



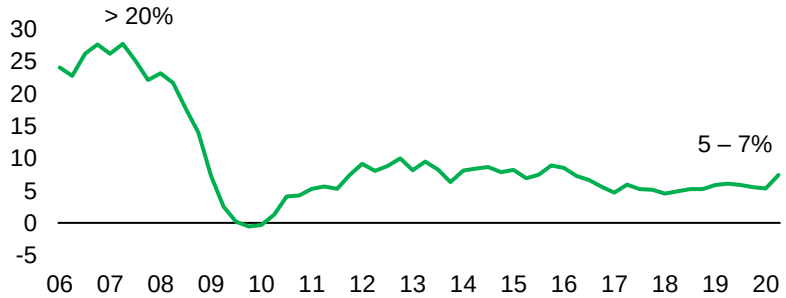
SA budget balance (%)



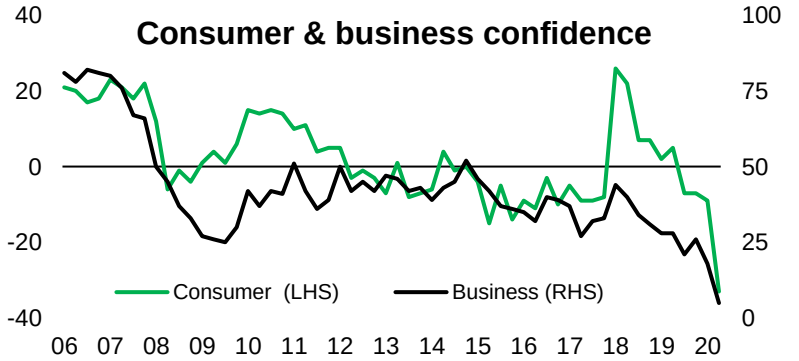
Average prime rate & CPI (%)



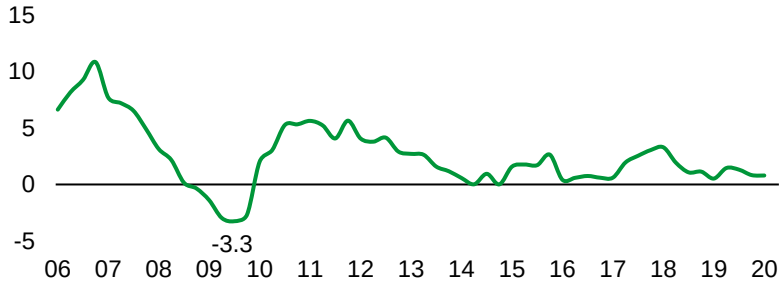
Credit growth (%)



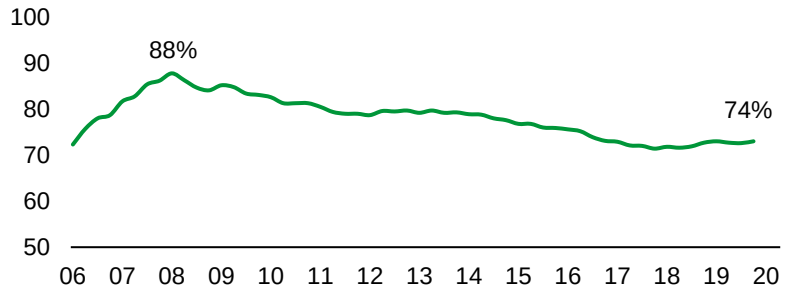
Consumer & business confidence



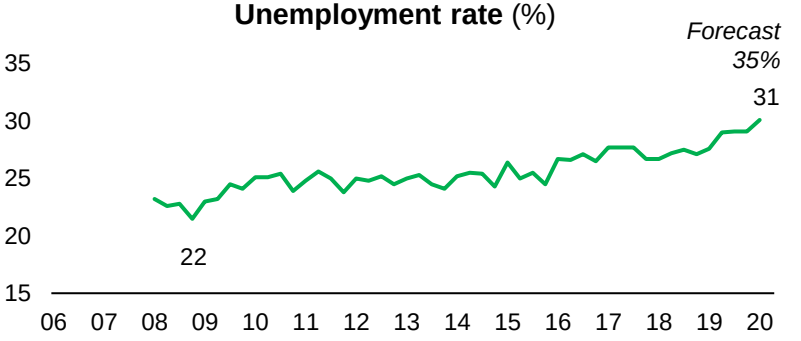
Household spending (yoy)



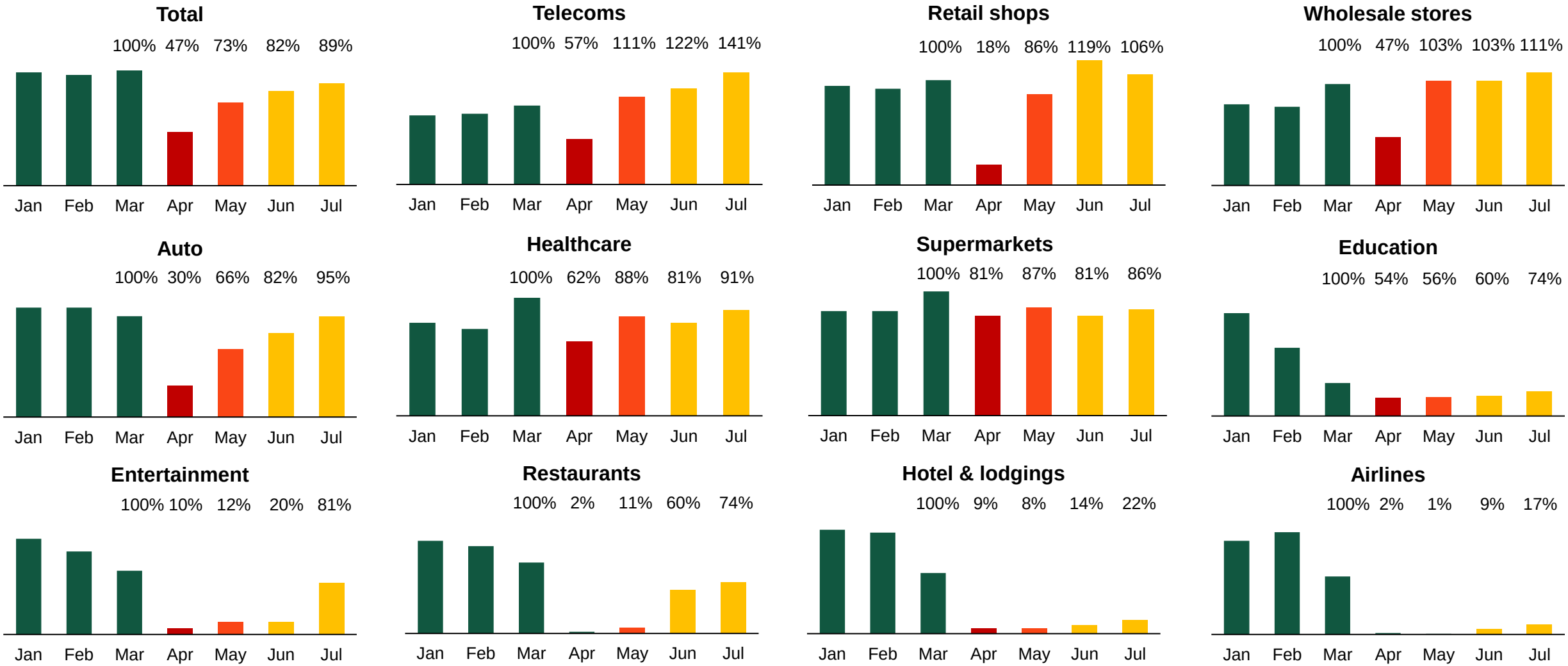
Household-debt-to-income ratio (%)



Unemployment rate (%)



Client turnover data from our POS devices & digital channels highlights the impact & recovery rate through the lockdown levels for various industries in SA



1 Based on Nedbank POS & digital payment data (client turnover). | Numbers above the graphs show rand turnover volumes as percentage of March.

Nedbank's response to the Covid-19 pandemic
Resilience, transition & re-imagine

Primary focus on the health & safety of our staff, continuing to serve our clients as banking is an essential service & supporting clients as they manage their finances through this difficult period

Resilience
Manage the crisis

Increased focus on the following:

- Managing liquidity, capital, market & credit risk
- Operational resilience/ IT stability/ ongoing digital rollout
- Scenario modelling & stress testing
- Managing discretionary costs
- Enhanced communication with staff, clients & investors

Transition
Enable recovery

Reintegrate staff & business functions in a phased manner (in line with government lockdown levels).

- Mitigating downside risk
- Supporting our clients
- Managing costs
- Delivering best in class client experiences

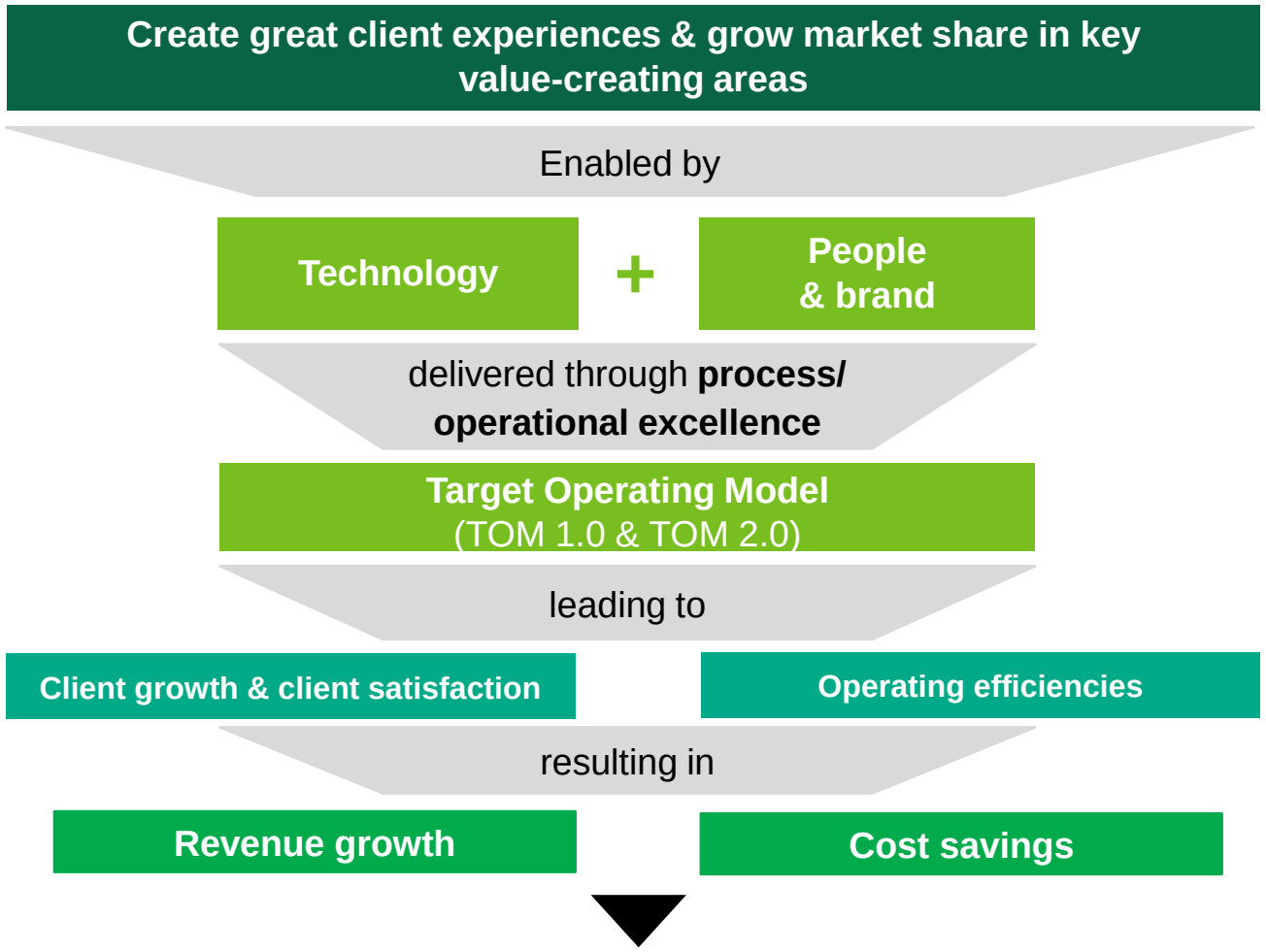
Re-imagine
Strategise for a new normal

A rebased growth strategy that delivers competitive advantage.

- Digital leadership & market-leading client experiences
- Strategic Portfolio Tilt 2.0
- Target Operating Model 2.0
- Explore new growth vectors

Q2/ Q3 2020 → Q3/ Q4 2020 → Q4 & 2021 onwards

Nedbank's strategy spine – ongoing delivery on key strategic drivers



1 We will update investors on our medium- to long-term targets once we have more clarity.

Nedbank's response to the Covid-19 pandemic

Our technology progress continues & digital capabilities have been beneficial

Managed Evolution – **74**% complete

- **106** core systems (H1 19: 112)
- **Individual onboarding in place & juristic rollout in progress**
- **5 products digitised** (H1 19: 2 | 2020 target: top 10)
- **Digital sales: 53%** (of total sales, H1 19: 18%)
- **Digitally active clients: 25%** (of total clients, H1 19: 23%)
- **168** of services digitised (H1 19: 86 | 2020 target: 170)
- **Excellent system uptime: 99.7%** (2019: 99.1%)

Digital leadership externally acknowledged[1]

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





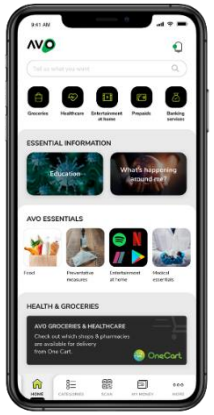


1 Source: Global Banking & Finance Awards

Nedbank's response to the Covid-19 pandemic

Innovative digital client solutions assisted our clients during the lockdown

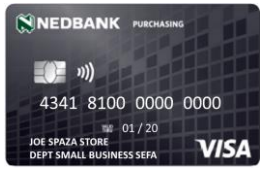
Avo super app



E-commerce platform

Healthcare services, online shopping & fulfilment, & digital home entertainment services

Spaza shop support

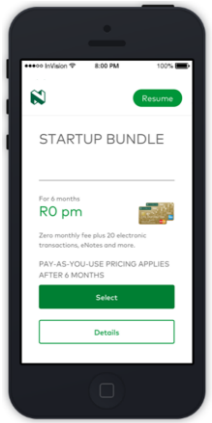




Covid-19 grant for spaza shops

Prefunded cards allowing purchase at selected wholesalers & onboarded through branch & Boxer stores

Startup Bundle



Zero fees in first 6 months

SME account for new business owners + access to a dedicated relationship banker & beyond banking support via SimplyBiz

Tap on Phone



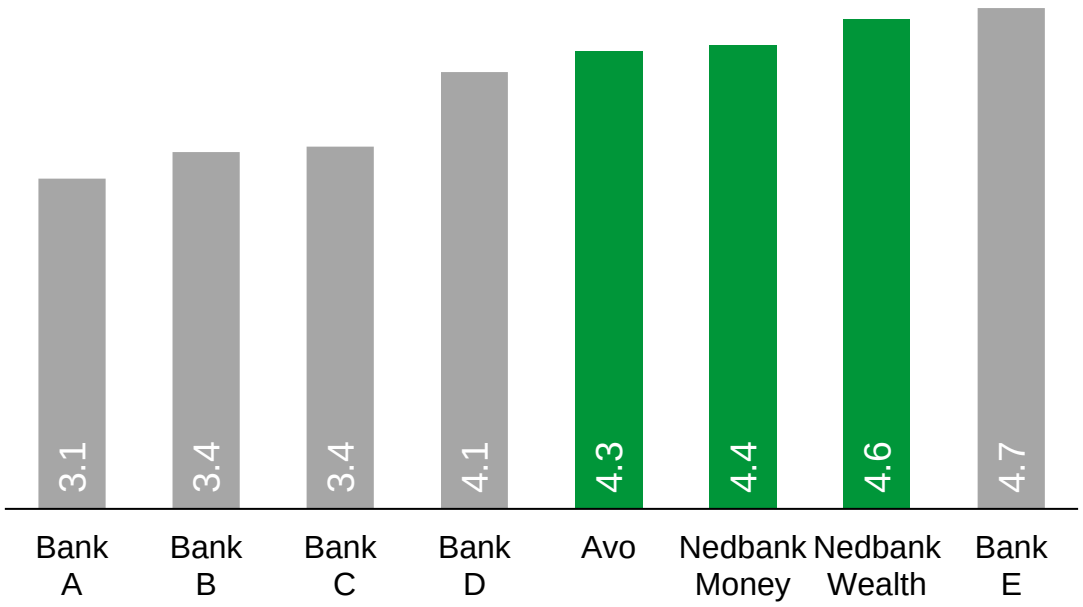
Enabling contactless payments

First for Africa, contactless payment capability

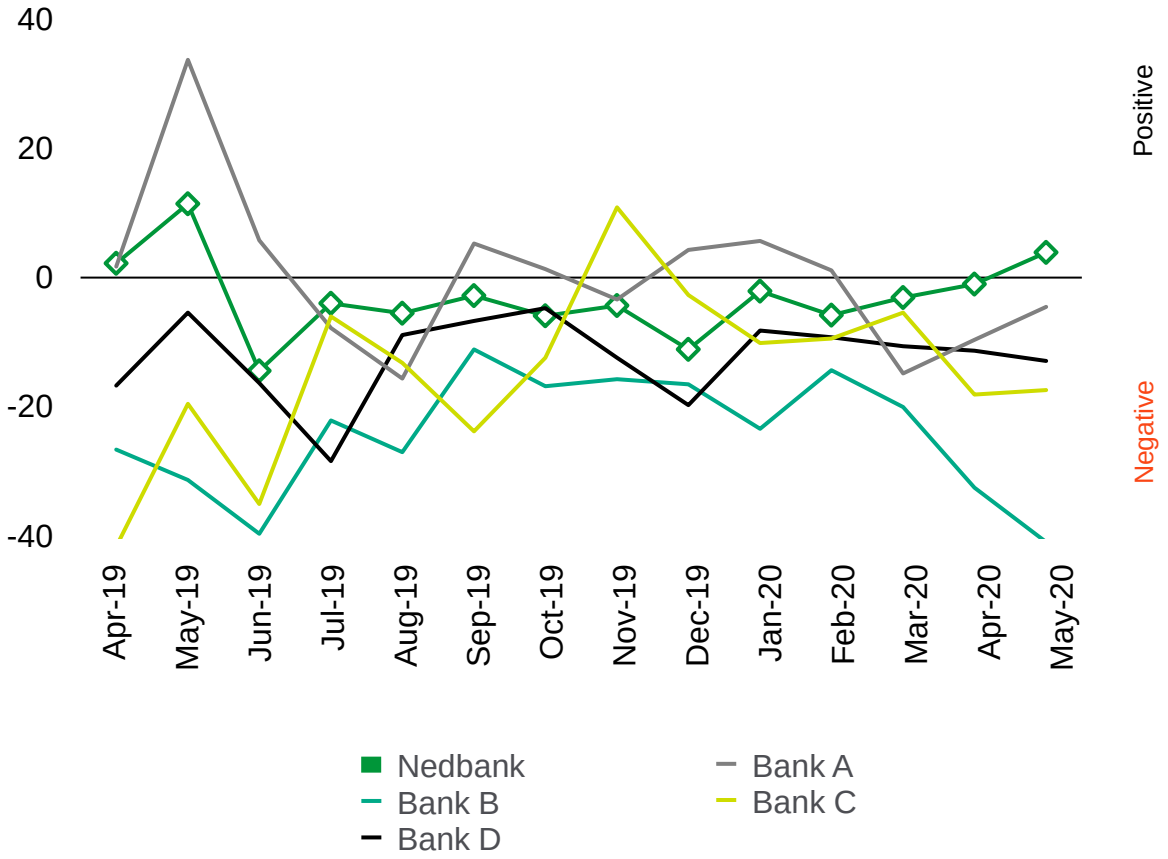
Allows merchants to use their smartphones to accept payments

App & client sentiment rankings in H1 2020 evident of our strategy to deliver market-leading client experiences

Apple & Google Play Store app ratings[1] (stars / 5)



Net social media sentiment scores (%)



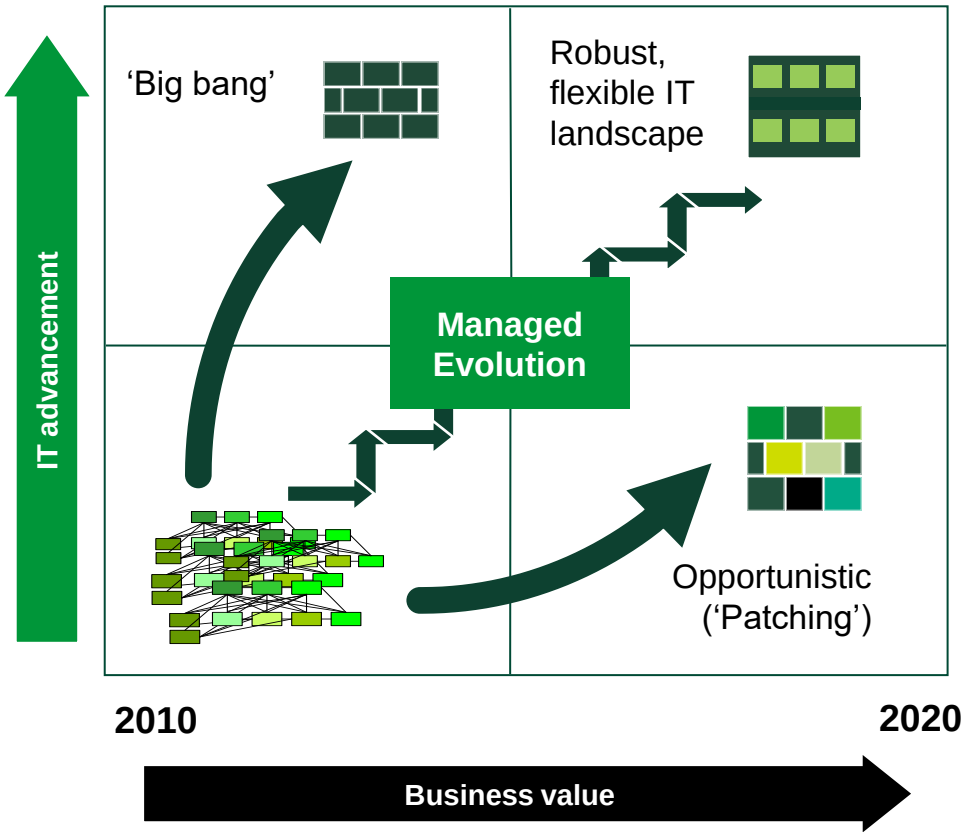
1 Average of Apple & Google Play Store client ratings

Source: BrandsEye

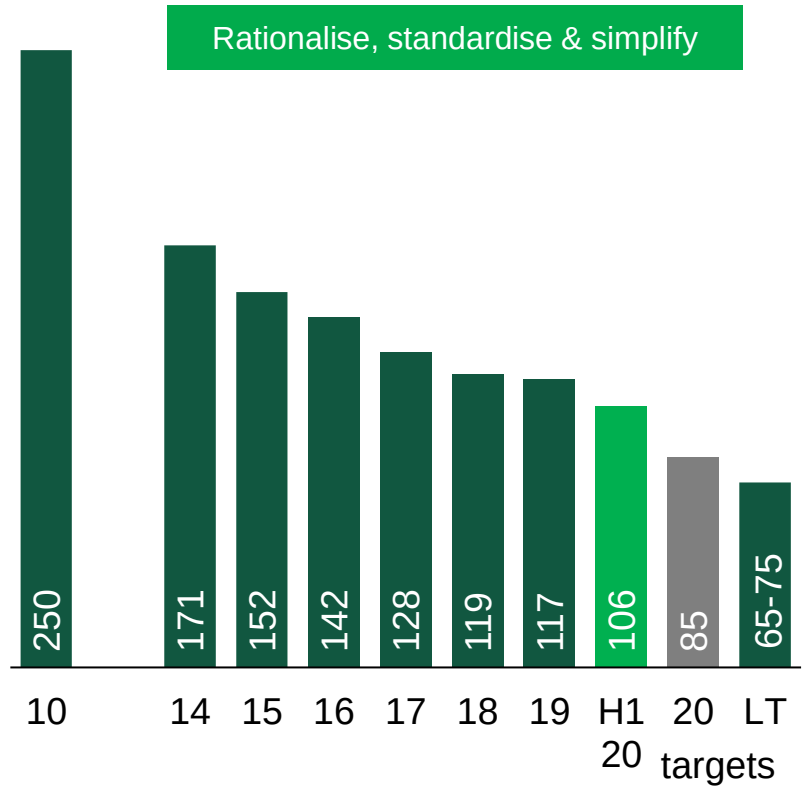
Managed Evolution strategy is enabling core banking system rationalisation, standardisation & simplification

BOOKLET SLIDE

Managed Evolution approach



Core systems[1] (#)



2020 outcomes

Digitise | **Delight** | **Disrupt**

- 24/7, real-time systems
- Agile, flexible multilayered architecture
- Digitally fit & analytically strong organisation
- Platforms that are innovative & responsive to change
- Omnichannel client onboarding & servicing

1 Historical numbers have been adjusted to align with the current definition of core to banking systems. The previously stated target of 60 by the end of 2020 has been revised upward due to our strategy to modernise, rather than rationalise some systems & includes new systems such as Flexcube in our Africa Regions cluster.

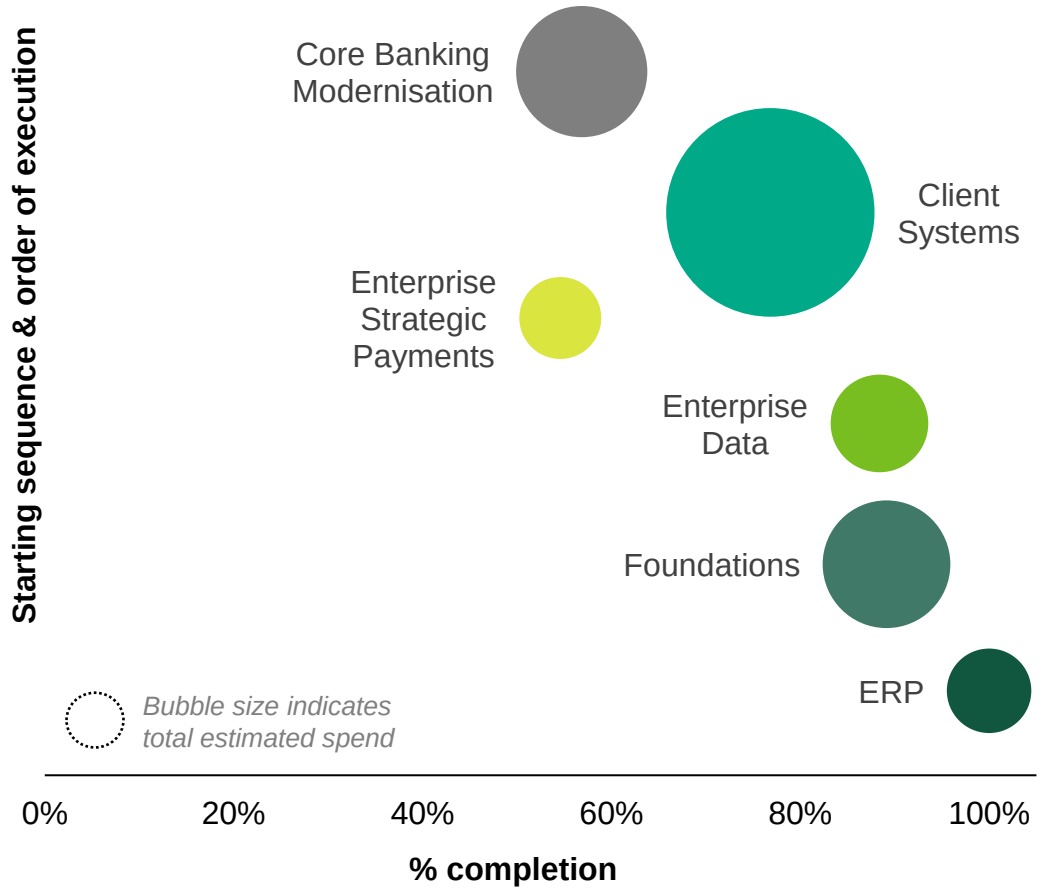
The Managed Evolution programme is ~74% complete[1]

BOOKLET SLIDE

Spend

ERP	R0.6bn
Foundations	R1.4bn
Data	R0.8bn
Strategic payments	R0.6bn
Client systems	R3.8bn
Core banking modernisation	R1.5bn
New technologies	R1.7bn
Total	**R10.4bn**

IT investment profile



2020 outcomes

Foundations – mostly complete, ongoing investment in cybersecurity

Data – advance machine learning, RPA, artificial intelligence, single data store

Client systems – complete 7/8 individual product journeys.

New technologies – platforms & ecosystems

2020+ outcomes

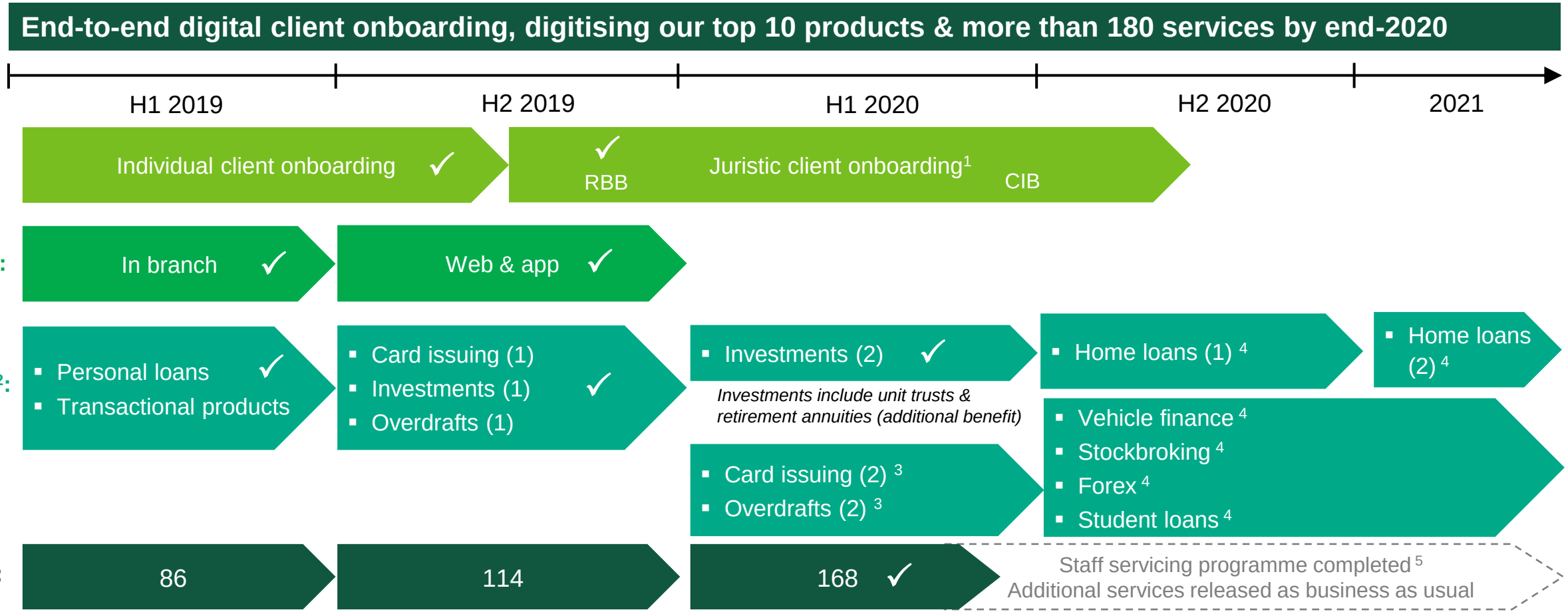
Strategic payments – full-service hub

Core banking modernisation – modernisation of generic transactional product, lending & deposit systems, decommission legacy middleware

1 As reported, ME programme was ~70% complete at December 2019. Materially complete by 2020 is ~80%, including Foundations at ~95%

Eclipse progress – simplified end-to-end digital client onboarding for individuals & juristic clients

BOOKLET SLIDE

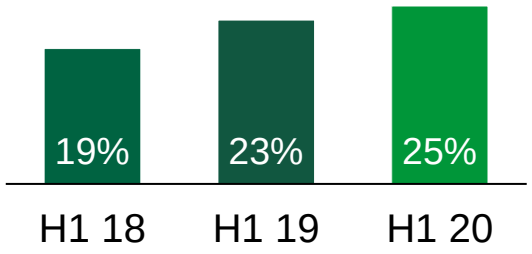


1) Juristic client onboarding went live on 11 July 2020.
2) The number (1) refers to first minimal viable product launch on the new platform; (2) refers to additional enhancements.
3) Card & overdraft rollout completed by end-July 2020.
4) Delivery timelines remain under review given dependencies on other core Managed Evolution programmes.
5) 186 services initially targeted for digitisation, reduced to 170 after rationalisation & additional scope. 60 services delivered in Digital Servicing Releases. 108 services subsequently released under the Staff Servicing Programme. The remaining investments services, delayed due to third-party dependencies, will be deployed to Eclipse as business as usual.

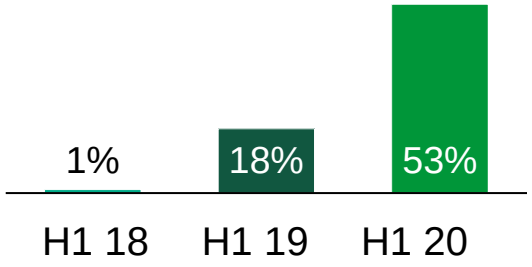
Accelerated digitisation of technology & operations supportive given the impact of the lockdown on physical channels

BOOKLET SLIDE

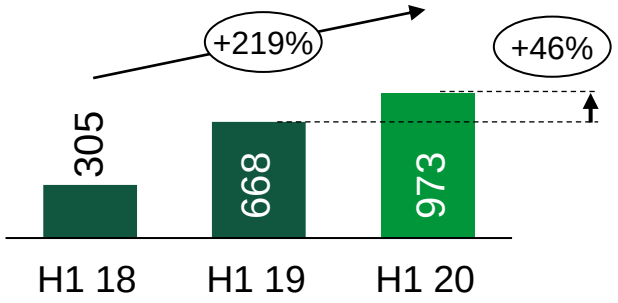
Digitally active clients
(% of total clients)



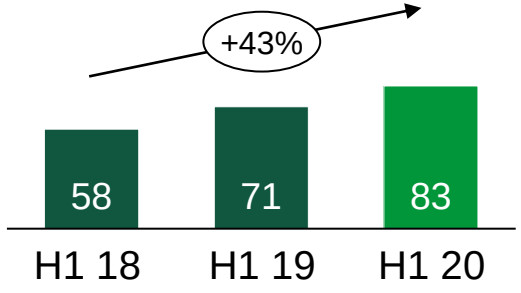
Digital sales
(# 000)



Money app active users
(# 000)



Self-service cash deposit volumes (%)



- **The importance of digital solutions has increased** during lockdown
- **Increase also driven by further enhancements across digital solutions** including Eclipse, apps, website & API such as:
  - Covid-19 debt relief applications
  - Avo app
  - New-to-franchise personal loans
  - voucher purchases
  - investment products
  - insurance quotes

Nedbank's response to the Covid-19 pandemic
Staff, clients & society

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
- > 77% of SA campus staff enabled to **work from home**
- **68% of branches remain open**, 149 temporarily closed
- **Increased capacity** of staff & clients to work & bank remotely
- Reviewing aspects of our **remuneration & retention strategy**

Clients

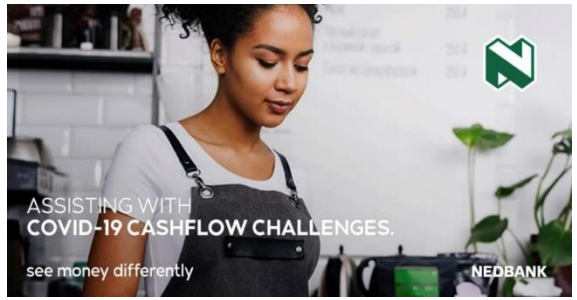
- Enabled & educated our clients to increasingly bank through our **mobile & web capabilities**
- **Support for clients** – eg payment holidays (on R119bn loans), reduced card repayment fees, claim from credit life insurance cover, applying for readvances & drawdowns on existing facilities, etc
- **Support spaza shops & general dealers** – procurement cards, discounted prices for preapproved goods, etc
- **> 900 communications** sent to clients
- SARB R100bn **SME Loan Guarantee Scheme: R1.2bn** approved

Society

- Enabled staff & clients to **contribute to Solidarity Fund** through our apps, web & internet banking – **R143m**
- One of four banks to **administer the R1bn SA Future Trust** (R300m paid)
- **Donated > R14m 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: **R4.5bn**
- **Early payment of 925 SME suppliers** during lockdown (> R60m in value)









1 Business Continuity Planning

Nedbank's response to the Covid-19 pandemic
Regulators

	Regulatory responses	Nedbank June 2020
Liquidity	▪ Liquidity measures – transmission of liquidity through the system ▪ D1/2020 – minimum LCR from 100% to 80%	LCR **115%**
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 restructures **R119bn**
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%**
Dividends	▪ G4/2020 – suspension of future dividends & cash bonus payments to certain individuals	No interim dividend declared[1]

SA banks working closely with PA & SARB to ensure safety & soundness of the system

1 And no cash bonuses to certain individuals.

A responsible corporate citizen & focus on ESG

BOOKLET SLIDE

Delivering on our purpose
of using our financial expertise to do good



Maintained **>50% of SED spend** on education



Staff

Female 62%

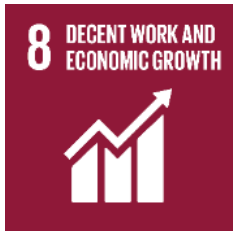
Black[1] 79%



Launched a **R2bn SDG Green bond** in H1 2020



78% procurement spend – support SA business



Processed **early payments to 925 SMMEs** during lockdown



Donated **> R14m to Covid-19 relief** efforts



Dow Jones Sustainability Index – included for 15th year



Africa's first carbon-neutral financial organisation – since 2010 (& balanced our water consumption since 2015)



Climate change resolutions – first SA company to proactively raise climate change resolutions & pass with 100% votes of approval at May 2020 AGM





Only SA company awarded overall winner at all three major reporting awards in 2019 – IAS (SA), EY Integrated Reporting & JSE Chartered Secretaries Integrated Reporting - awards

MSCI ESG **AA** rating

FTSE Russell **Top 6%** of all banks

SUSTAINALYTICS **15th** out of 361 banks of similar size

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

1 Defined as African, Indian & Coloured population.

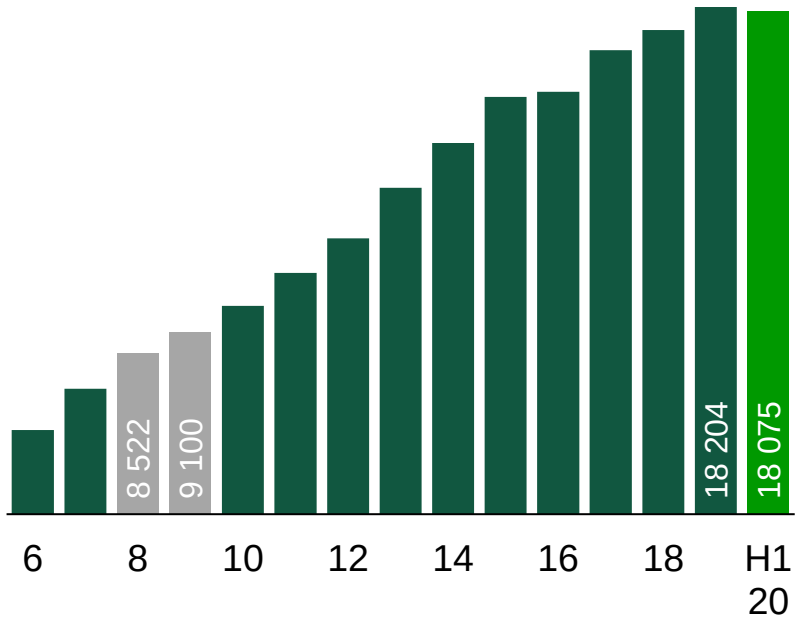
FINANCIAL OVERVIEW

Impact of the Covid-19 pandemic evident in significantly higher impairments

Raisibe Morathi
CFO

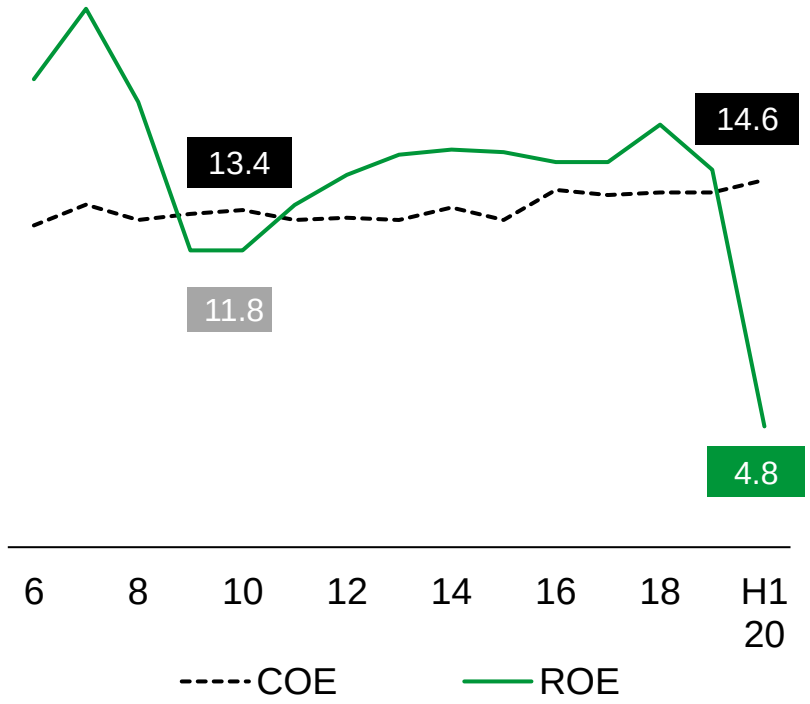
A difficult period evident in the key drivers of shareholder value creation

NAV per share (cents)



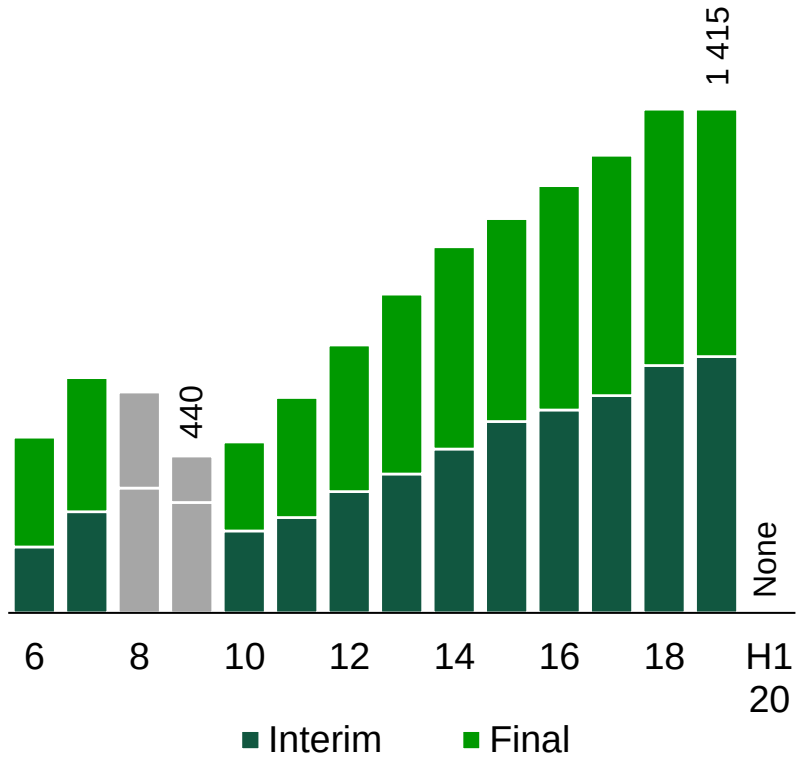
Positive but slower NAV growth yoy

ROE & cost of equity (%)



ROE below COE

Dividend per share (cents)

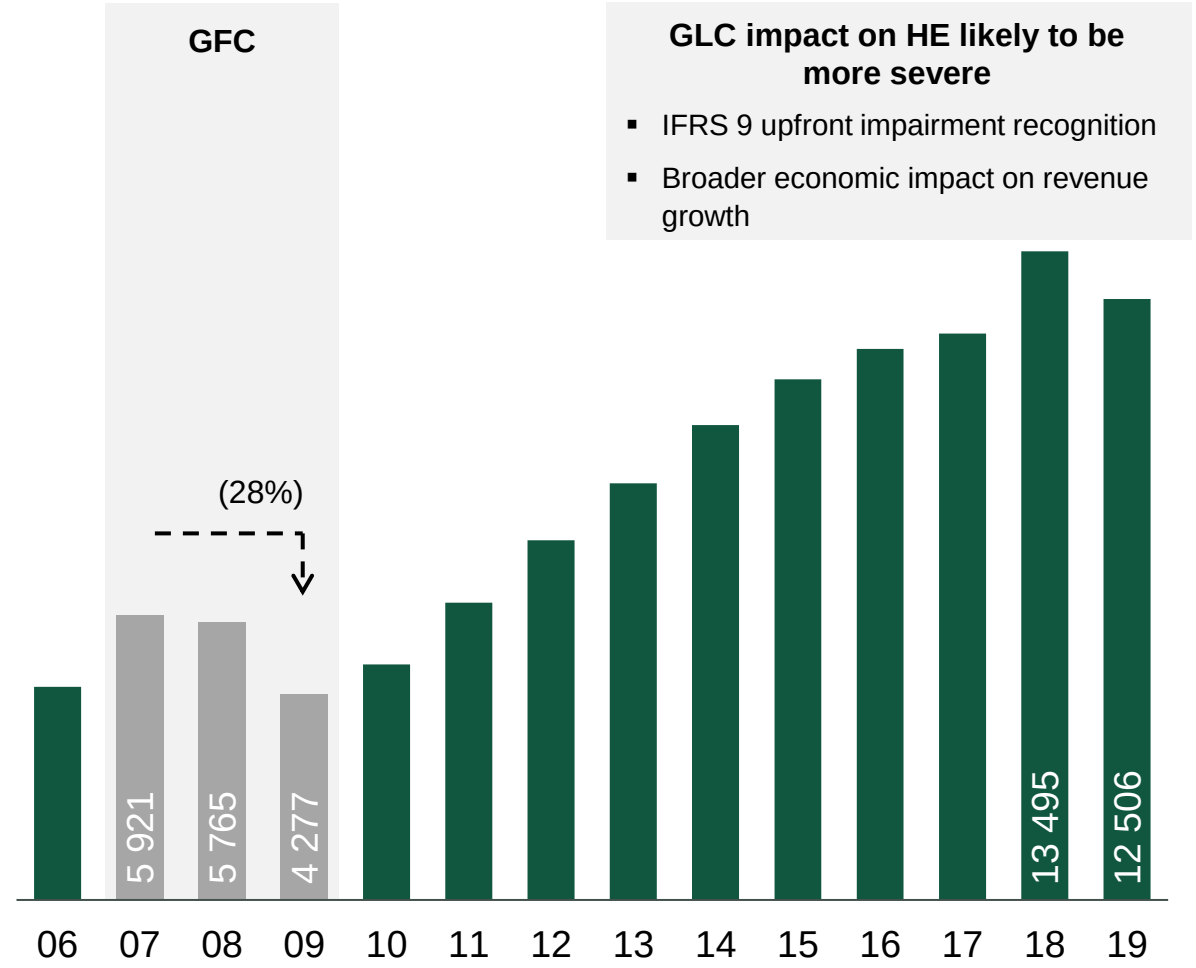


No interim dividend declared (G4/2020)

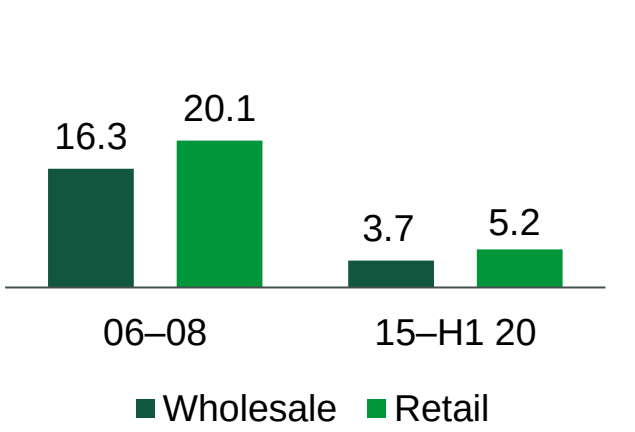
Nedbank enters the GLC in a stronger position compared to the GFC – slower loan growth, higher coverage, longer funding profile, higher liquidity buffers & stronger levels of capital

BOOKLET SLIDE

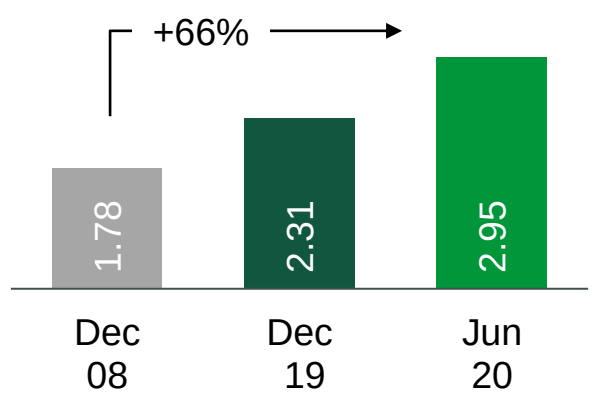
Headline earnings (Rm)



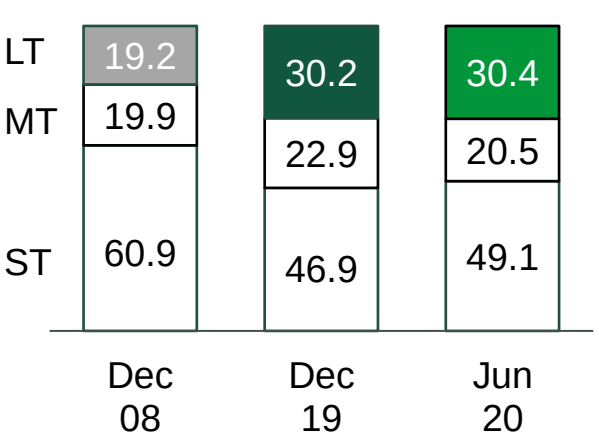
Loan growth (CAGR %)



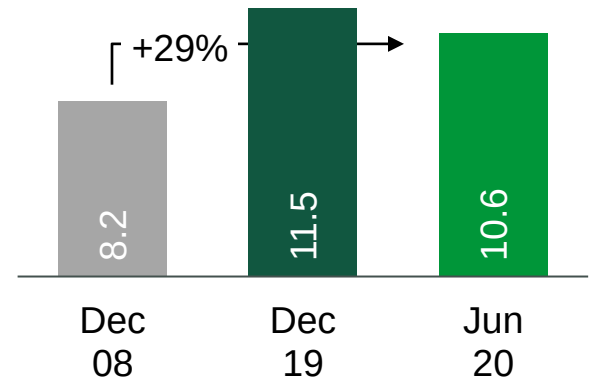
Total coverage (%)



Funding tenor (%)



CET1 ratio (%)

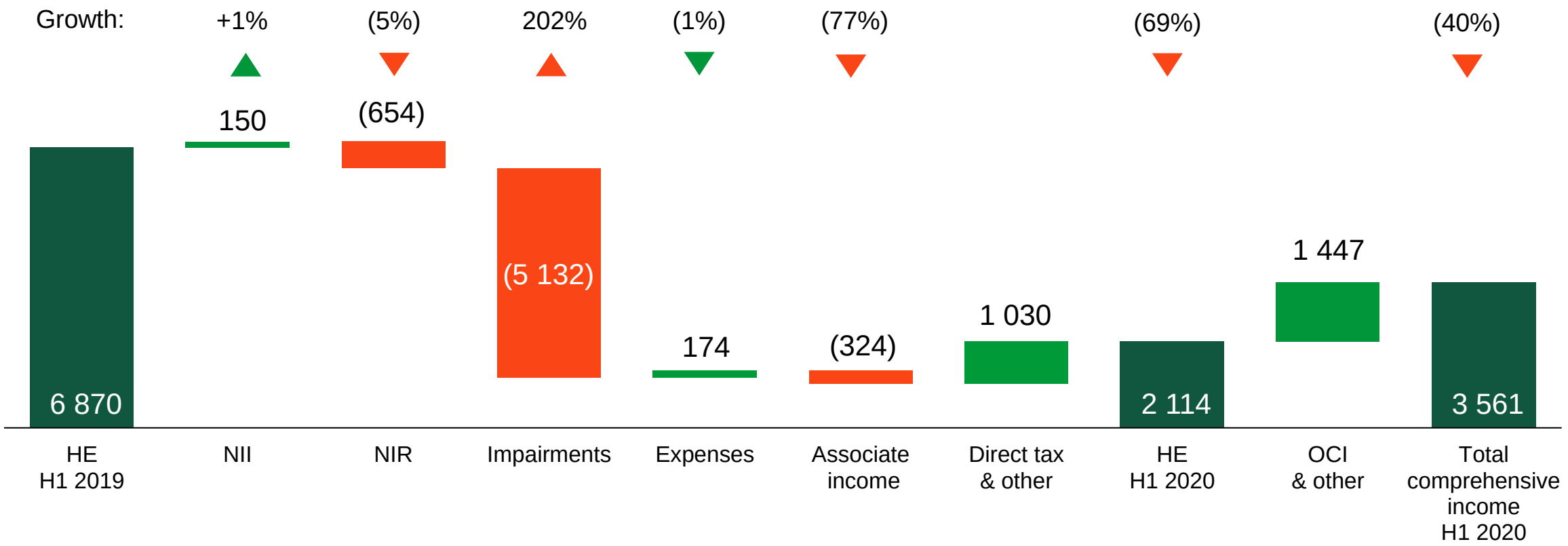


Maintained strong liquidity & capital positions notwithstanding the impact of increased impairments on profitability metrics

			H1 2020	H1 2019
Profitability	Headline earnings (Rm)	(69%)	**2 114**	6 870
	Total comprehensive income (Rm)	(40%)	**3 561**	5 978
	DHEPS (cents)	(69%)	**434**	1 411
	Basic EPS (cents)	(81%)	**270**	1 419
	ROE (%)		**4.8%**	16.8%
Advances & deposits	Gross banking advances (Rbn)	+7%	**808**	753
	Deposits (Rbn)	+9%	**944**	866
Asset quality	Credit loss ratio (bps)		**194**	70
	Total coverage (%)		**2.95%**	2.21%
Liquidity	Long-term funding ratio (%)		**30%**	29%
	Liquidity coverage ratio (%)		**115%**	115%
Capital	CET1 ratio (%)		**10.6%**	11.3%
	Risk-weighted assets (Rbn)	+10%	**678**	619

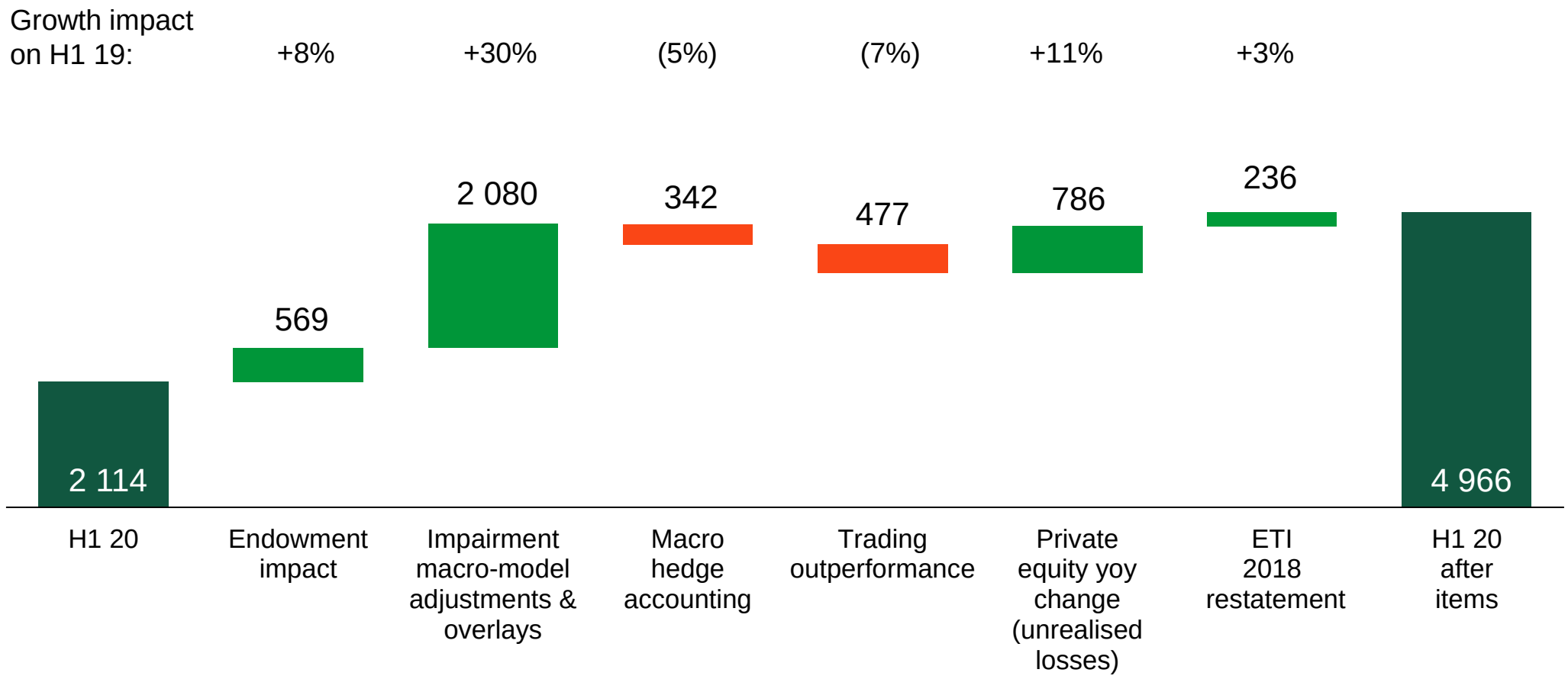
Headline earnings & total comprehensive income – decline driven by significant increase in impairments

Headline earnings/Total comprehensive income (Rm)



Quality of earnings

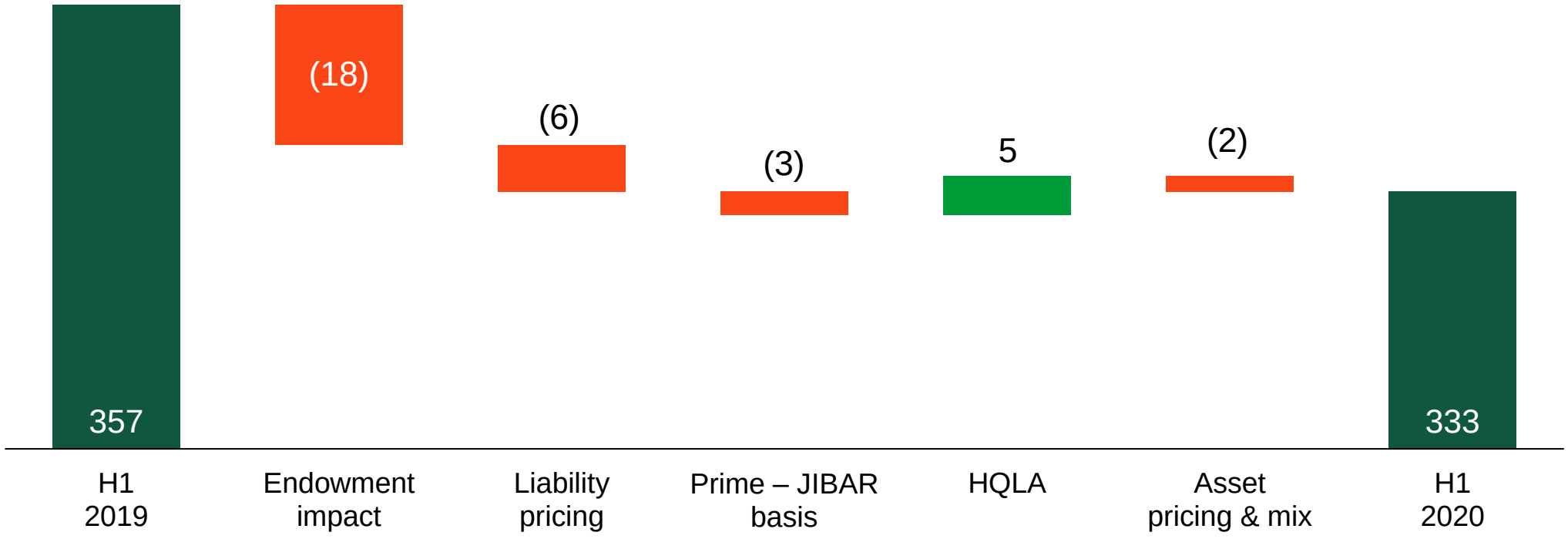
Headline earnings (Rm)



Note: Impairments: R2 889m model adjustments & judgemental overlays

Net interest income +1% – strong AIEBA growth but a decrease in NIM as lower interest rates reduce endowment income

Net interest margin (bps)

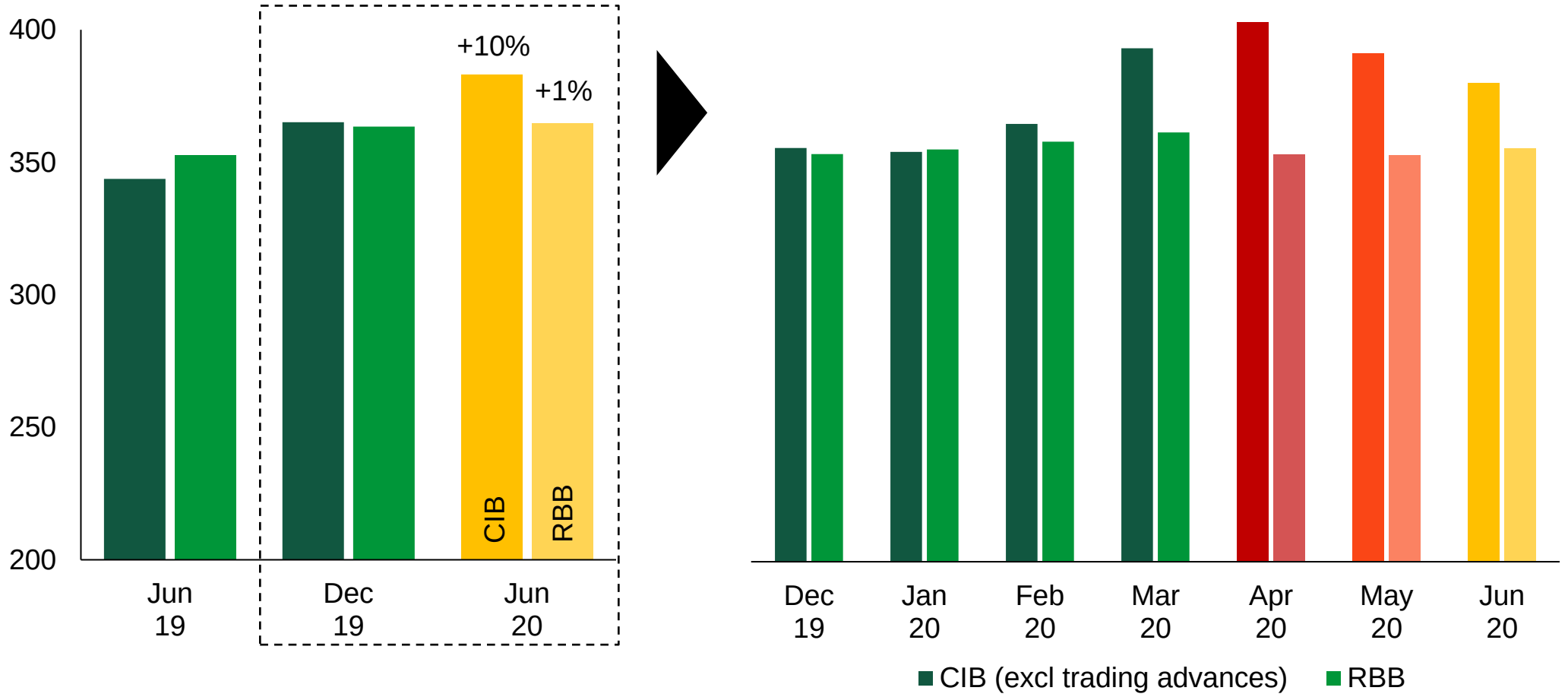


Average interest-earning banking assets: +8.2%;
NII sensitivity for 1% change in interest rates R1.3bn

Gross advances +7% ytd annualised

RBB slowdown during lockdown & recovering off a low base, while CIB increased as a result of drawdowns on unutilised facilities

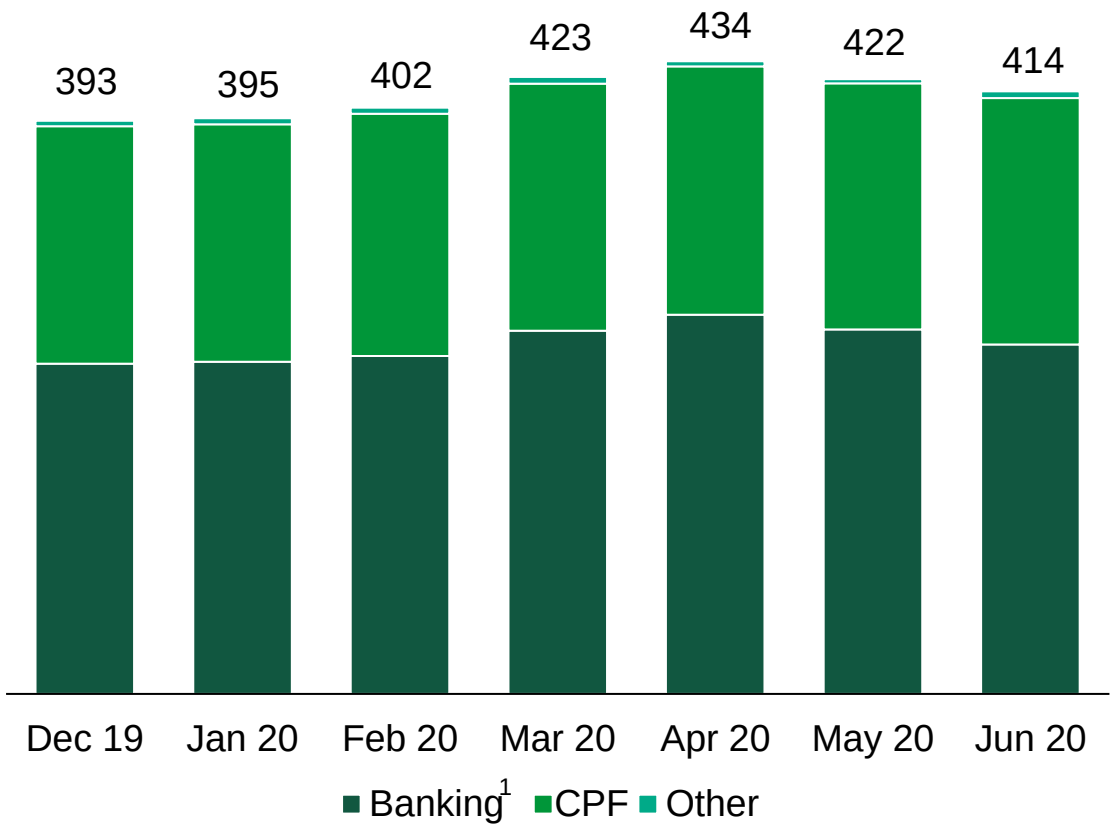
CIB & RBB gross banking advances (Rbn)



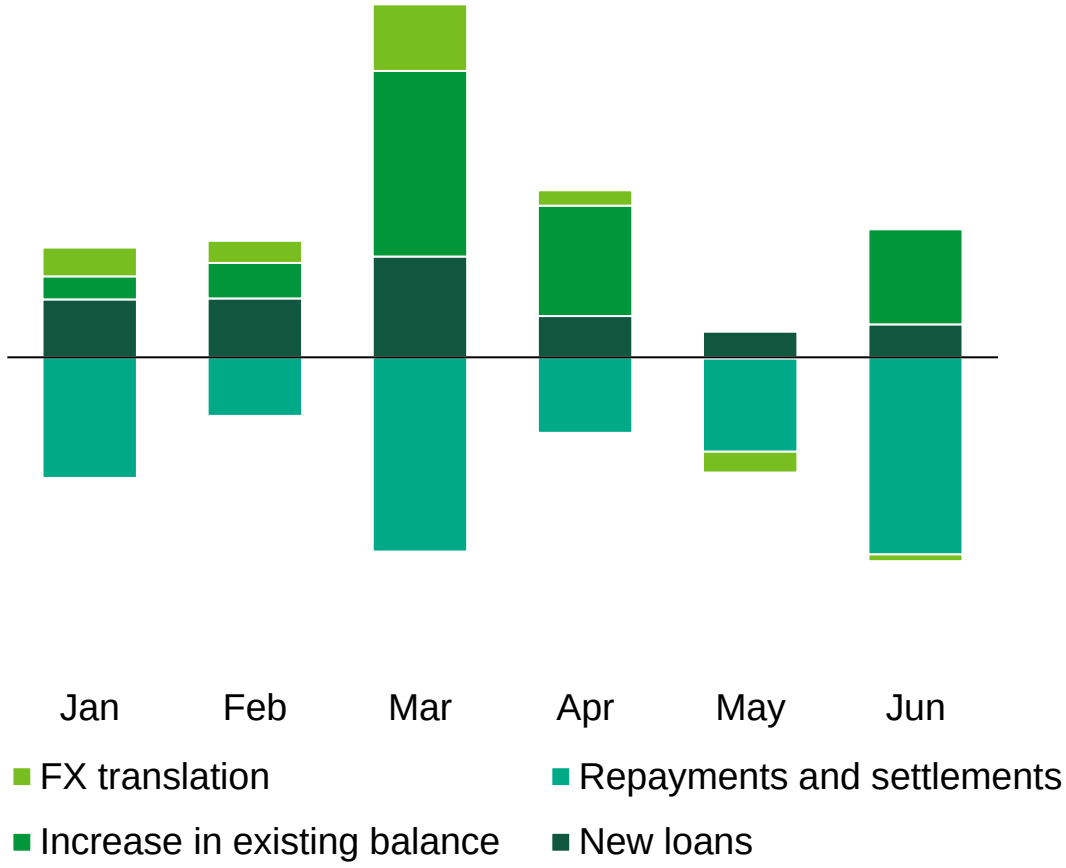
Note: CIB is darker shades & RBB lighter shades. Red (stage 5) to yellow (stage 3) reflects the various stages of lockdown.

CIB banking advances – impact of client access to committed facilities & currency movements

Gross banking advances, incl corporate bonds (Rbn)



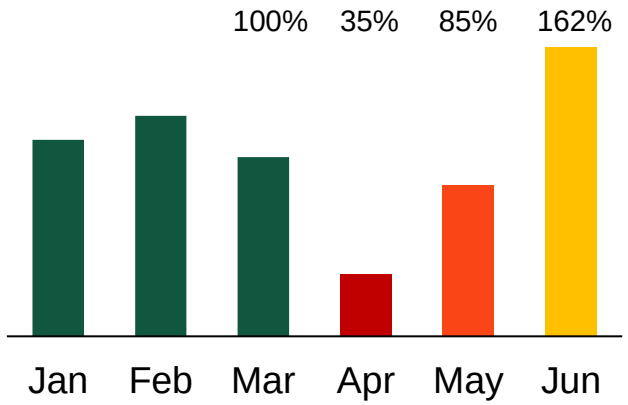
Monthly advances movements (Rbn)



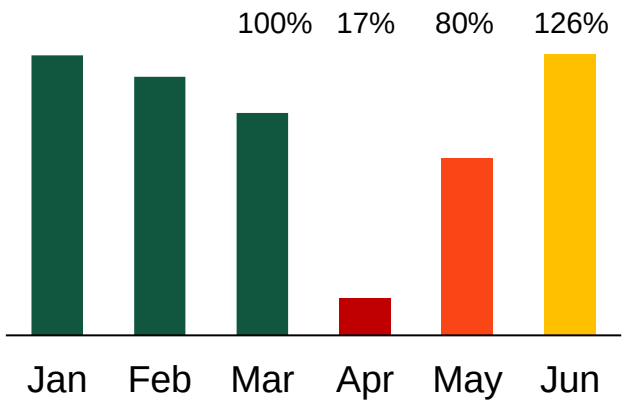
1 Banking defined as investment banking & working capital combined.

RBB loan application volumes impacted by the national lockdown – pressure initially in HL & MFC

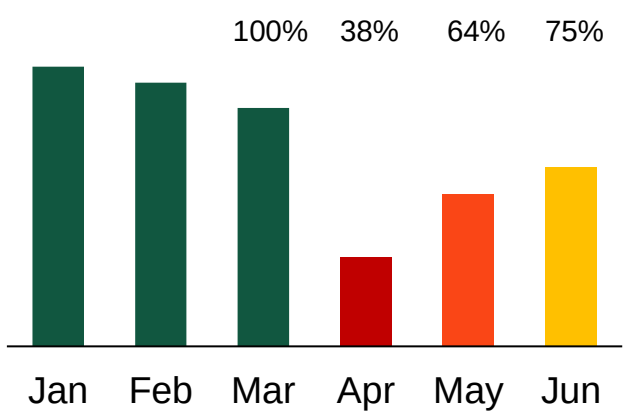
Home loan applications



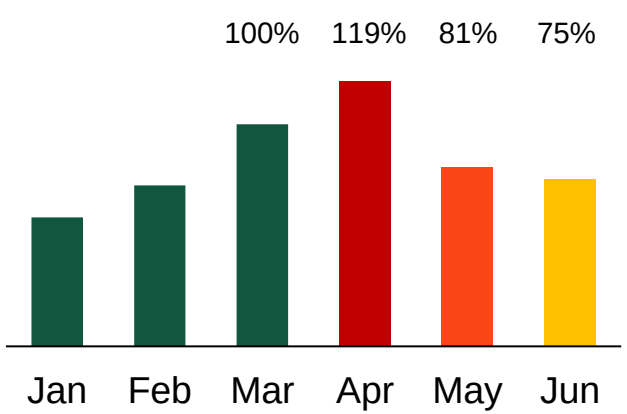
Vehicle finance applications



Personal loan applications



Business Banking applications



Indicators Prior to lockdown | Level 5 | Level 4 | Level 3

- **Demand for loans in April & May** affected by the lockdown & consequential restrictions
- **Recently increased HL & MFC applications** driven by pent-up demand, reduced interest rates & reduced asset prices, eg switch to used vehicles (HL approval rates marginally up to 52% & MFC down 4% to 32%)
- **PL impacted by both reduced demand & physical branch closures**, however pickup in digital sales at 28% (from 6% in H1 19). PL approvals down 4% to 27%
- **BB increase in March to May due to the applications for Covid-19 restructures** & other forms of support

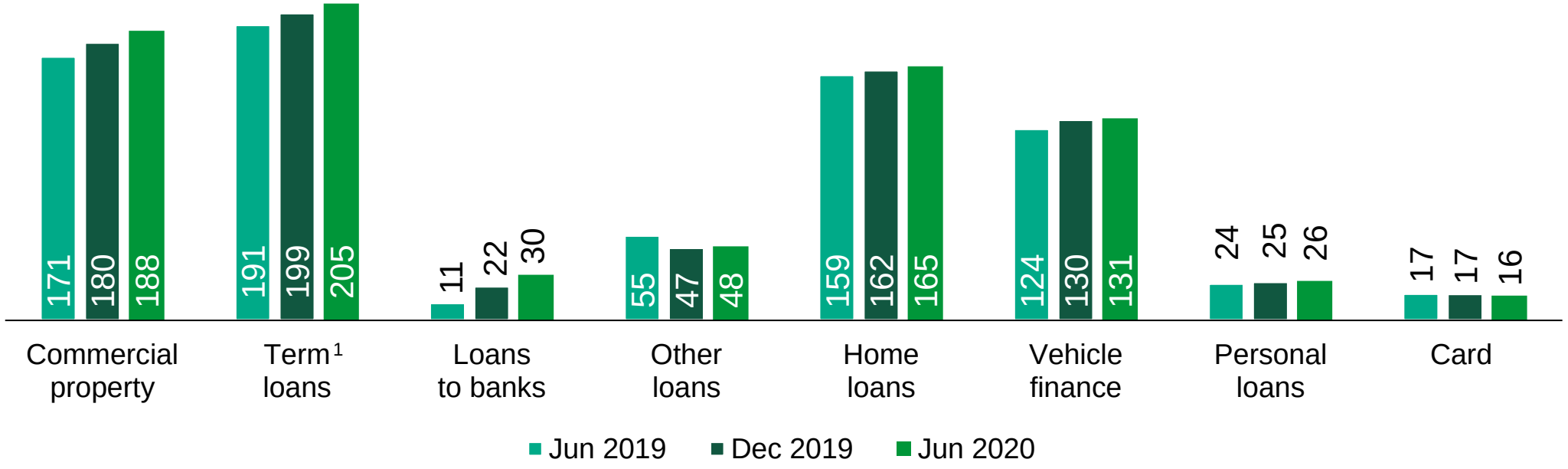
Numbers above the graphs show applications as percentage of March.

Gross banking advances +7% ytd annualised

BOOKLET SLIDE

Gross banking advances (Rbn)

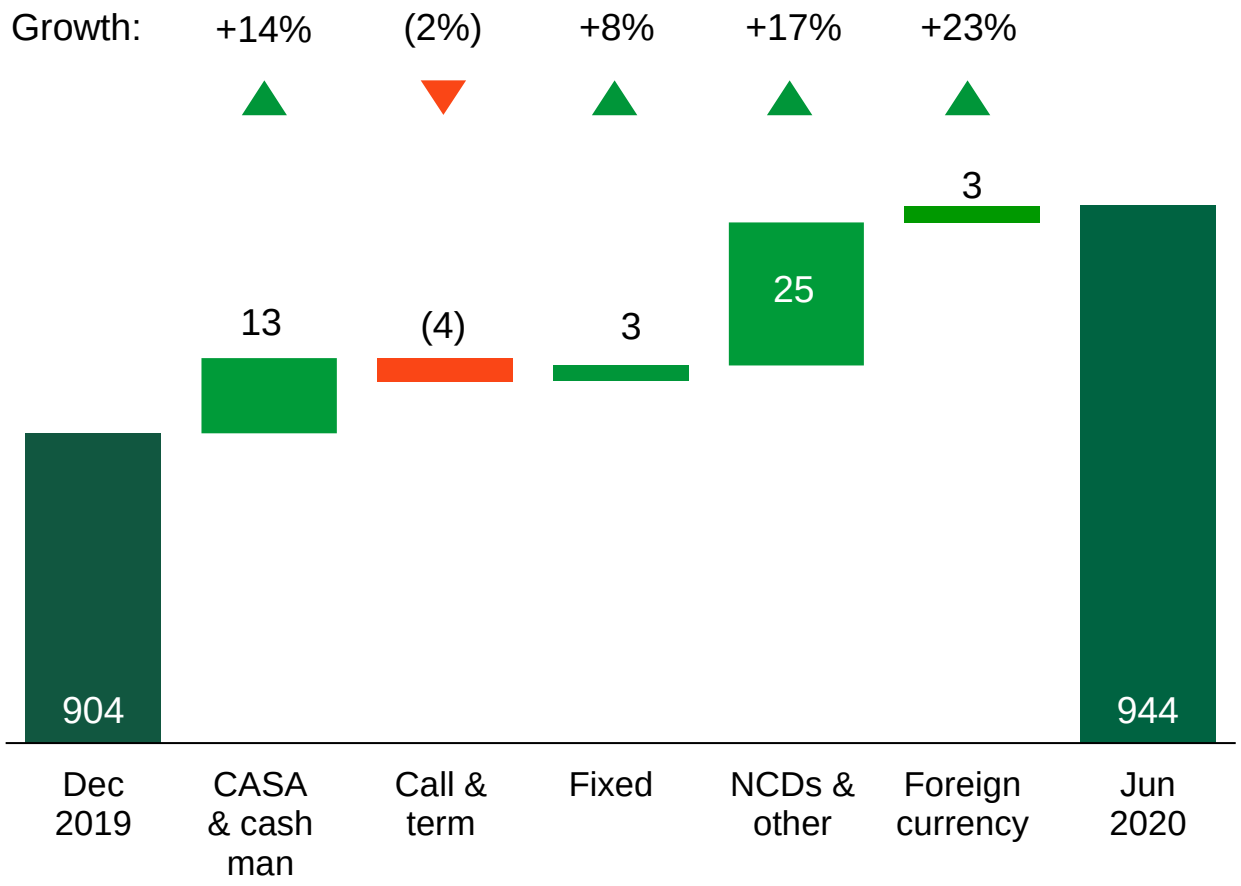
	Wholesale				Retail			
Yoy growth	+10%	+7%	>100%	(13%)	+4%	+6%	+8%	(8%)
Ytd annualised growth	+9%	+6%	+69%	+4%	+3%	+1%	+6%	(13%)



1 Term loans include a reclassification of some investment banking loans from other loans.

Deposits +9% ytd annualised – clients remained liquid during the lockdown given uncertainties

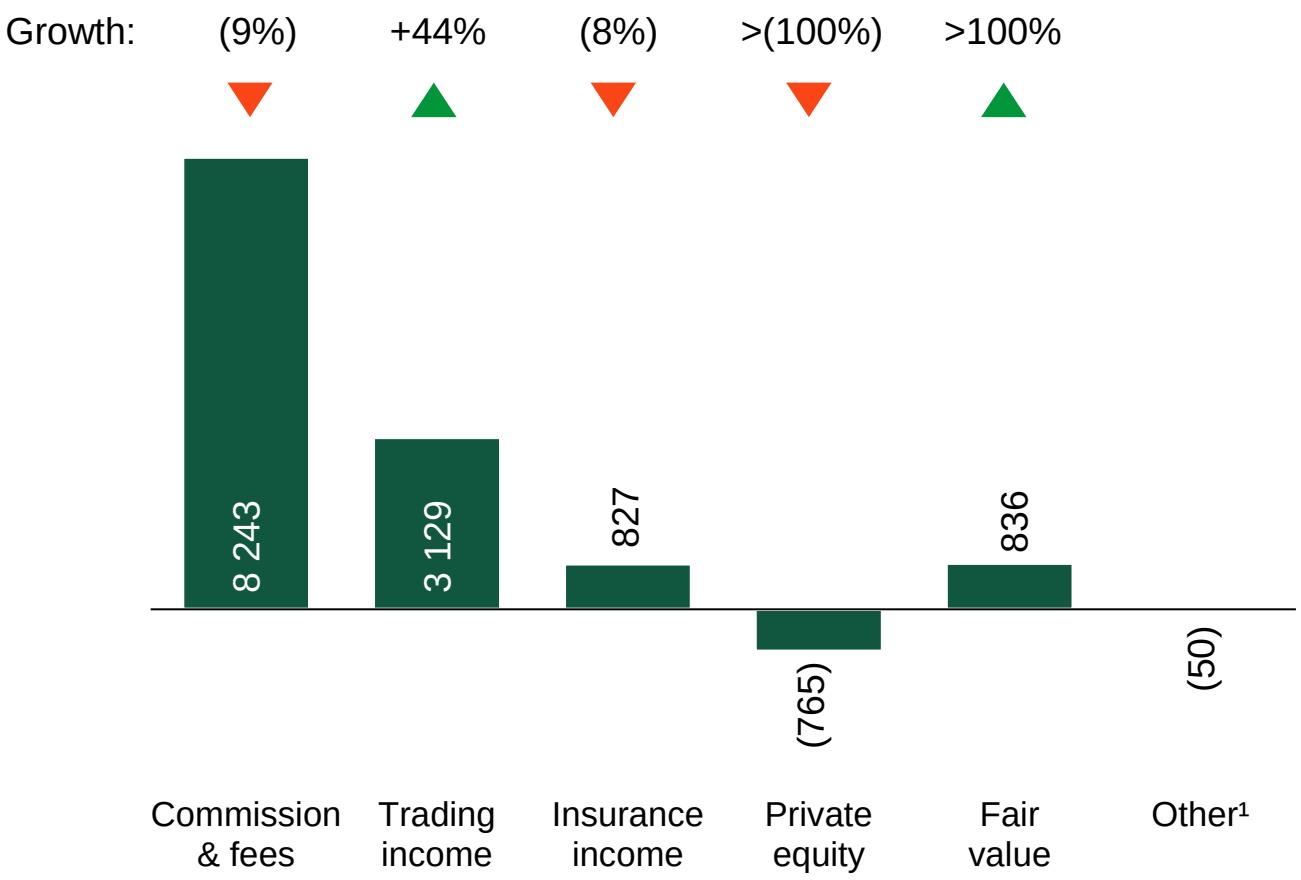
Deposits (Rbn)



- **CASA & cash management** – increase in short-term operational cash requirements to support businesses impacted by Covid-19
- **Call, term & fixed deposits** – client shifts towards short-term operational deposits
- **NCDs & other term deposits** – increased institutional & corporate demand for term deposits, following the interest rate cuts, after the initial financial market shock in March/April
- **Loan-to-deposit ratio improved to 87%** (Dec 19: 88%)

NIR growth down 5% – client transactional activity slowed materially & private equity impacted by lower valuations, partially offset by strong trading income

NIR (Rm)



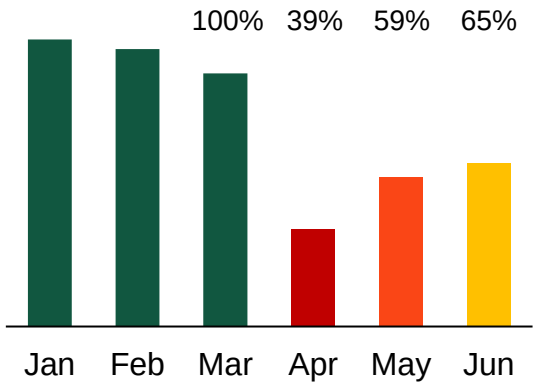
Key drivers

- **Commission & fees**
  - Subdued client transactional activity, particularly during the lockdown in April
  - Fee concessions & increased use of digital channels
- **Trading** – strong performance driven by volatile markets & includes some once-off transactions
- **Insurance** – impacted by increased actuarial reserves & higher retrenchment/loss of income claims
- **Private equity** – reflective of impact of negative revaluations
- **Fair value** – gains as a result of the group's fair-value hedge accounting solution

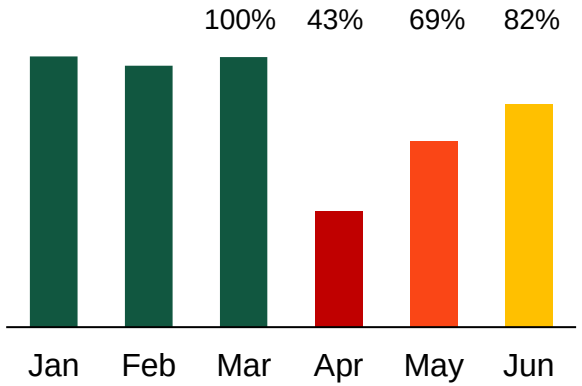
1 Represents sundry income & investment income.

RBB – transactional impact from lockdown, partially offset increased levels of cross-sell

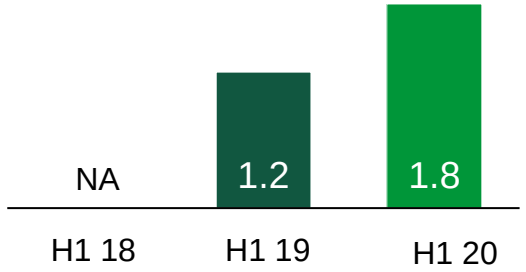
Branch teller transactions



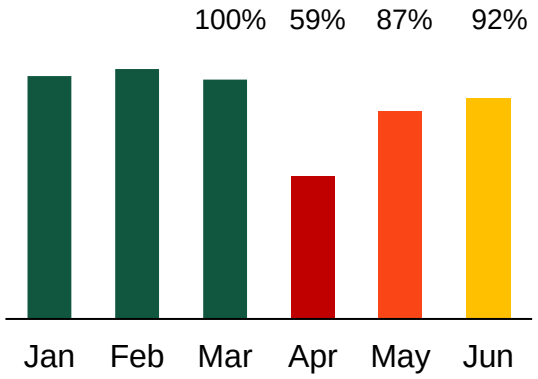
POS volumes



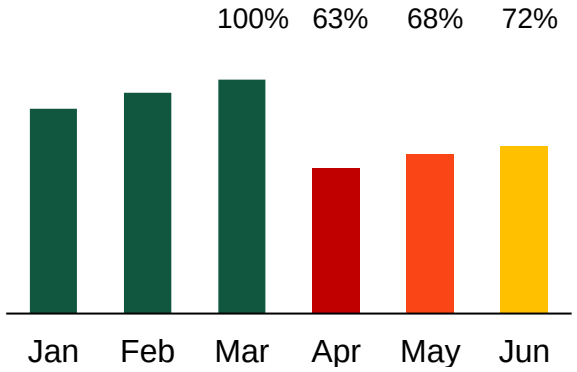
Cross-sell ratio[2]



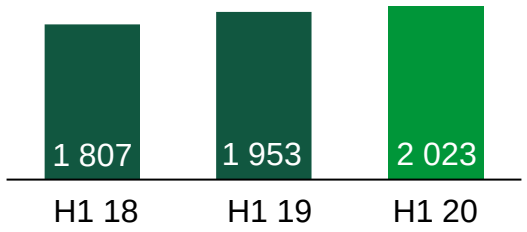
ATM withdrawals



Digital payment volumes[1]



Consistently main-banked[3] (m)



Indicators Prior to lockdown | Level 5 | Level 4 | Level 3

- **Branch teller transactions impacted by the temporary closure** of 149 branches
- **POS volumes reduced significantly from April** with recovery in May & June in sectors that have resumed trading activities
- **ATM withdrawals settling at slightly lower levels** than pre-lockdown levels
- **Digital payment volumes up strongly ahead of lockdown**
- Core Plus & Eclipse driving **higher cross-sell on new business**
- **Consistently main-banked clients +3.6%**

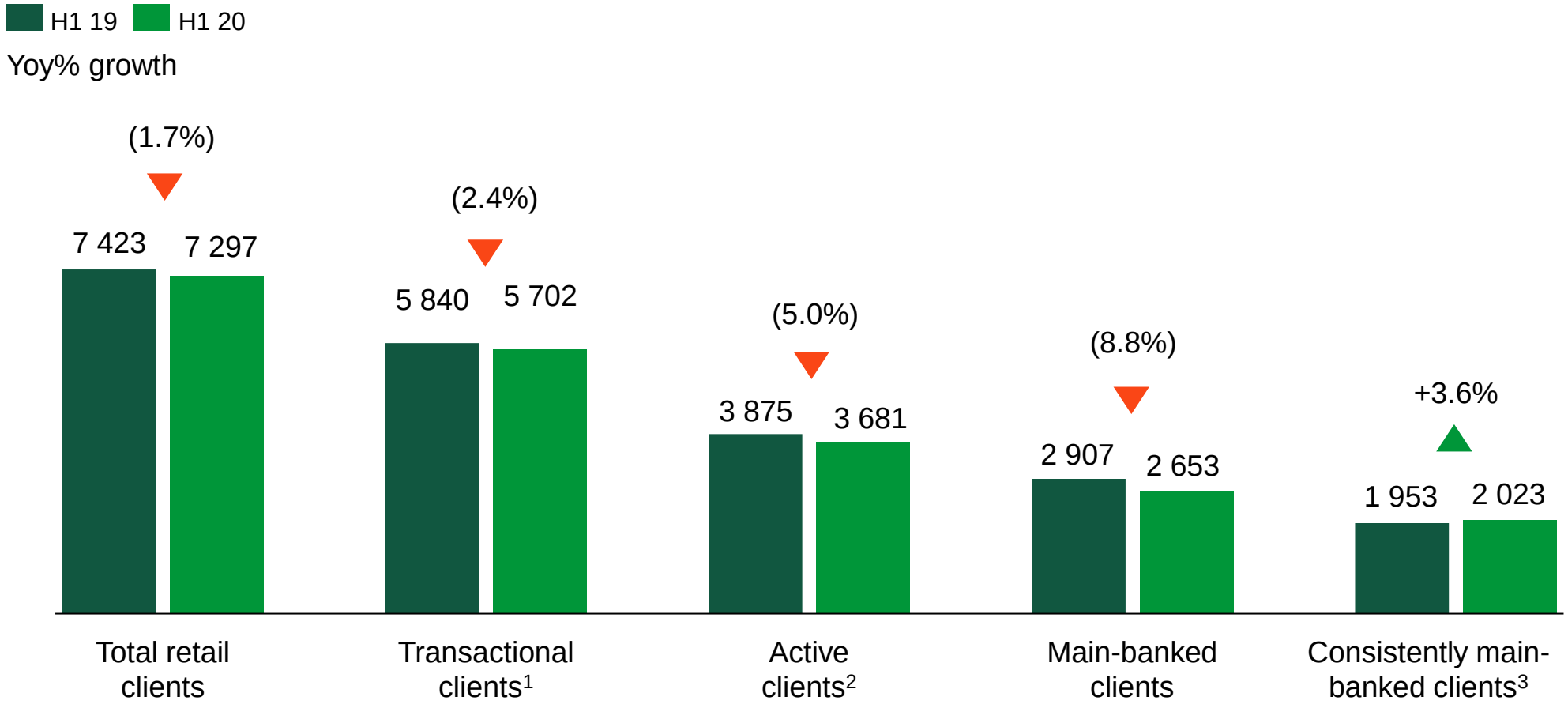
1 App & web payment volumes combined. | 2. Cross-sell on new sales. | 3. Main-banked for each of the last 12 months.

Nedbank Retail & Business Banking

Good growth in consistently main-banked clients

BOOKLET SLIDE

Retail client base breakdown (#000)



1 Clients with a transactional product. | 2 Active clients within the last 6 months. | 3 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.

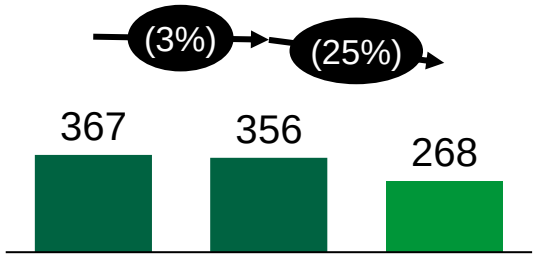
Main-banked clients – ELB, youth & SME segments impacted by slowdown in transactional activity from lockdown

BOOKLET SLIDE

Main-banked, # 000

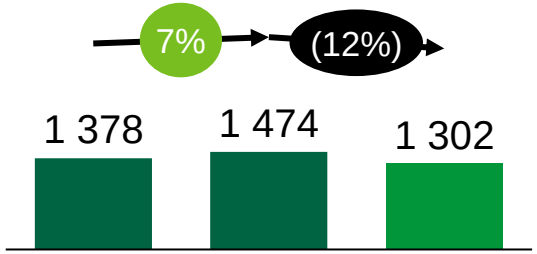
Kids & youth





Entry level

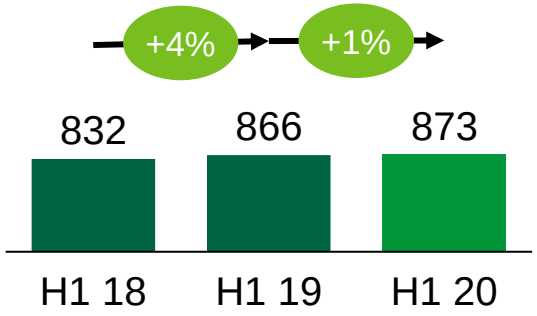




+3%[1]

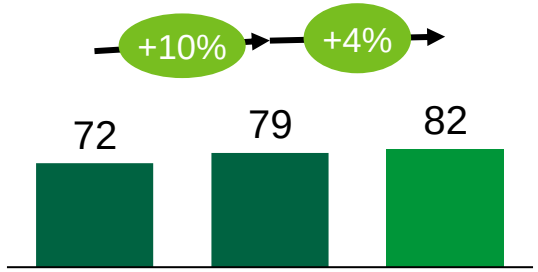
Middle





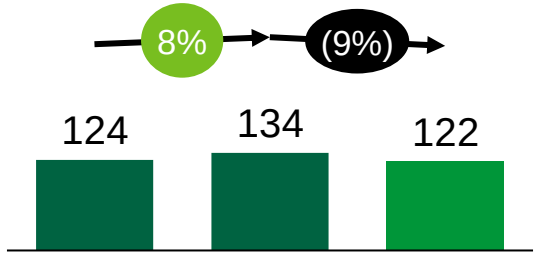
Professional



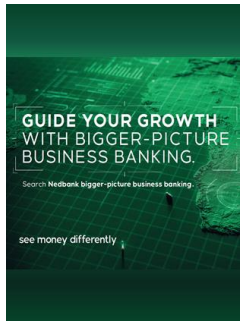


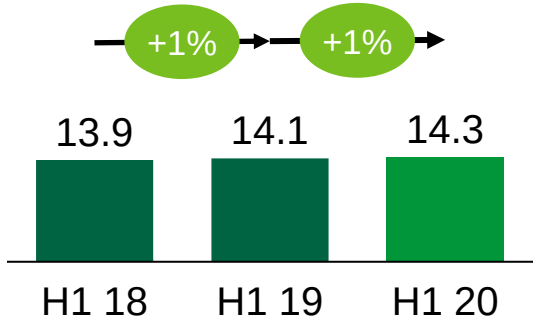
Small Business Services[2,3]





Business Banking[2]

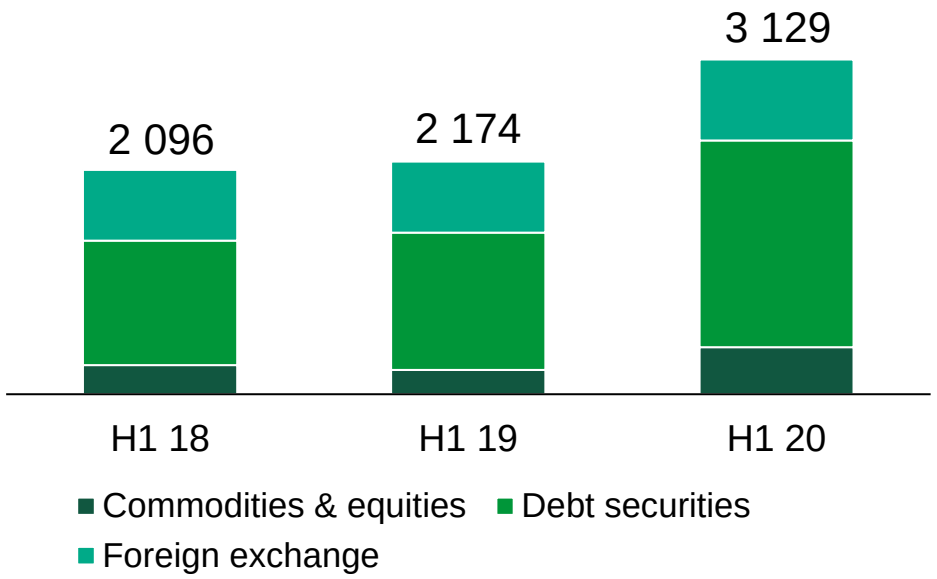




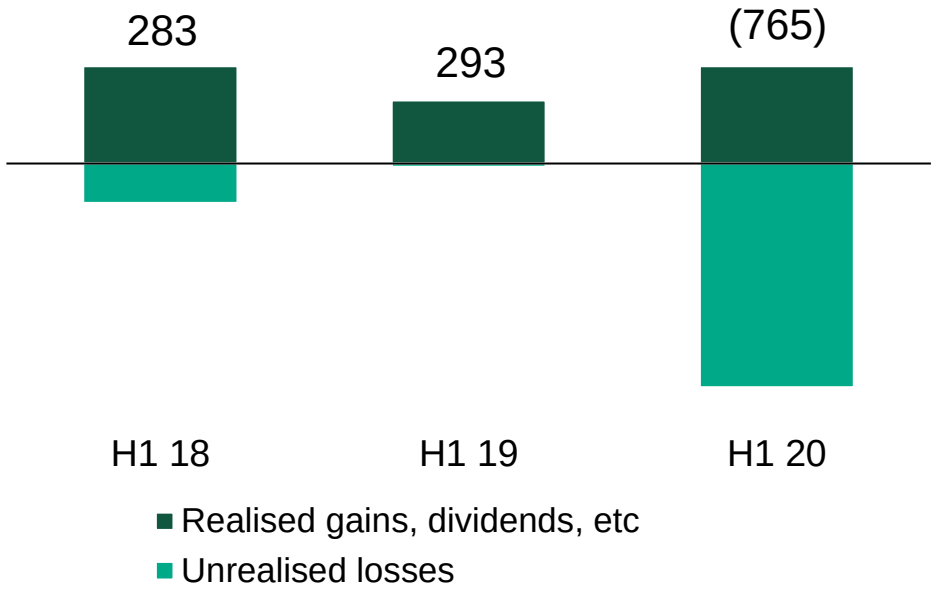
1 Mass: Emerging (clients earning R60K to 100K) has grown by 3.3%. | 2 Client groups with gross operating income contributions in excess of R500 pm. | 3 Numbers adjusted for client move from BB to RRB; 2020 negatively impacted by main-banked rule requiring (avg of 25 debits over 3 months) disqualifying businesses not operational during lock-down. Total client growth positive.

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

Trading income (Rm)



Private-equity income (Rm)



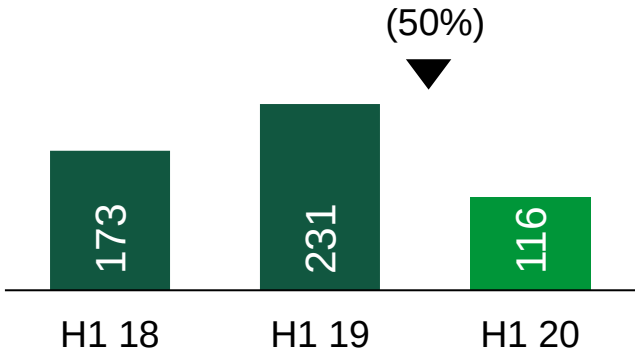
Investment over last few years in market-leading capabilities supported good outcomes:

- **Equities + >100%:** increased volatility & good client activity.
- **Debt securities +51%:** strong results in fixed income & hedging activity.
- **FX +15%:** uptick in Fx derivatives client flow.

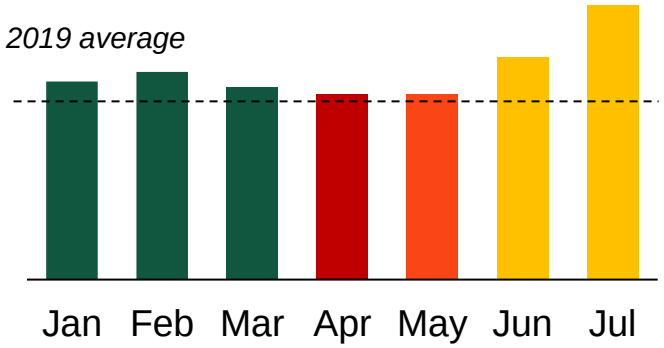
- **IB** – negative equity revaluations impacted by weakened client profitability, lower listed market prices & increases in the cost of equity.
- **CPF** – declines driven by equity valuation overlays created to reflect the expected reductions in valuations over time.

Insurance – lower interest rates impacting actuarial reserves, lower sales volumes & higher retrenchment/loss of income claims

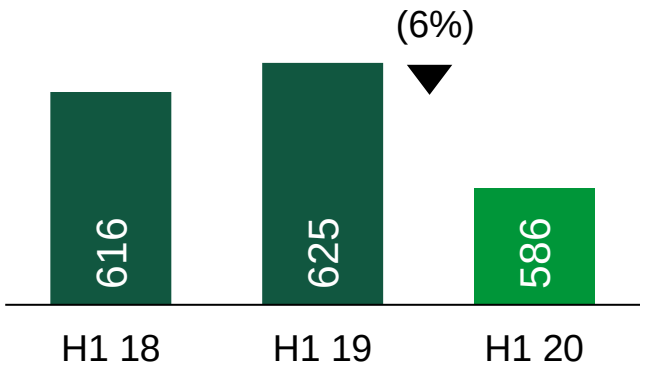
Life value of new business (Rm)



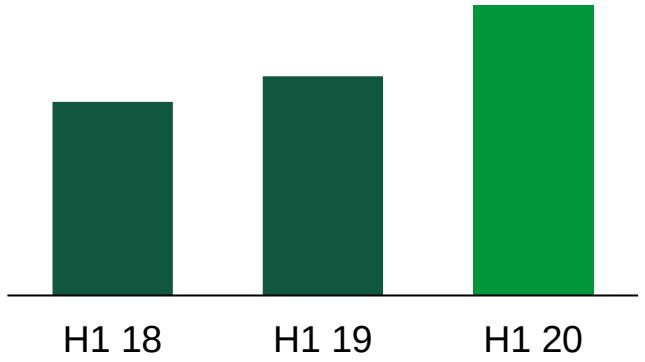
Retrenchment/Loss of income claims (Rm)



Non-life GW premiums (Rm)



Actuarial reserves (Rm)



Life

- Lower interest rates negatively impacted actuarial reserves
- Decrease in VNB due to lower sales volumes across all products

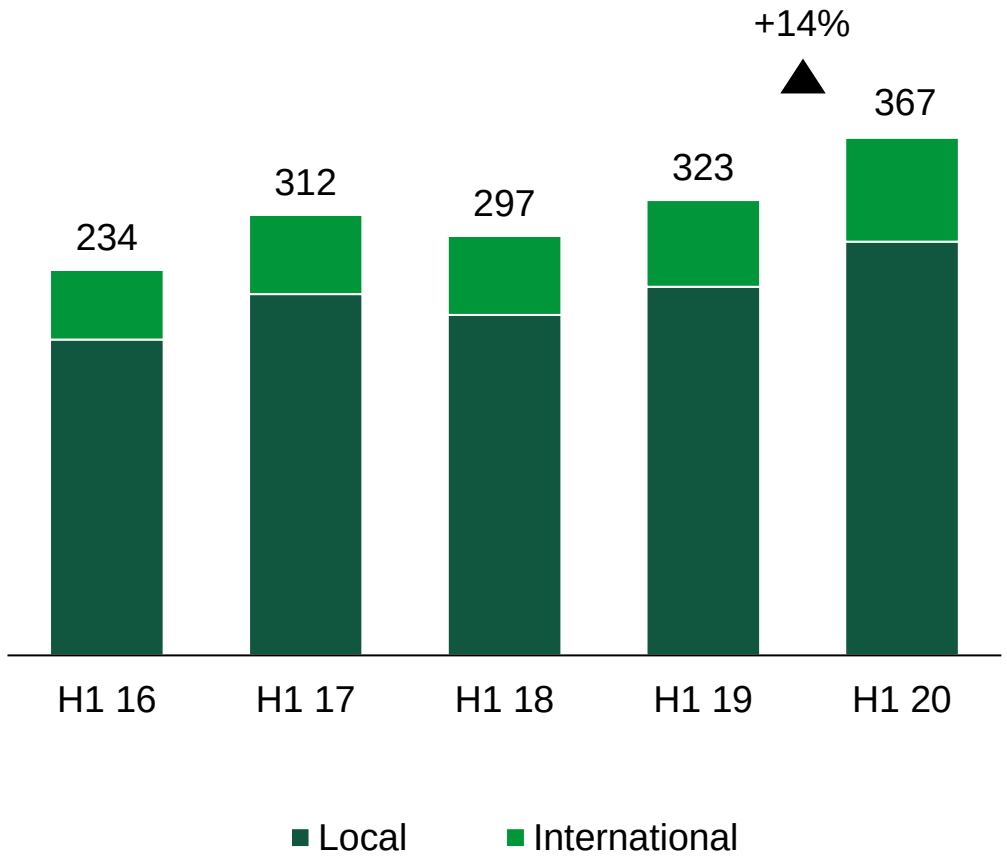
Non-life

- Better-than-expected claims experience in general, but higher retrenchment/loss of income claims
- Lower sales volumes due to Covid-19
- Very strong solvency ratios

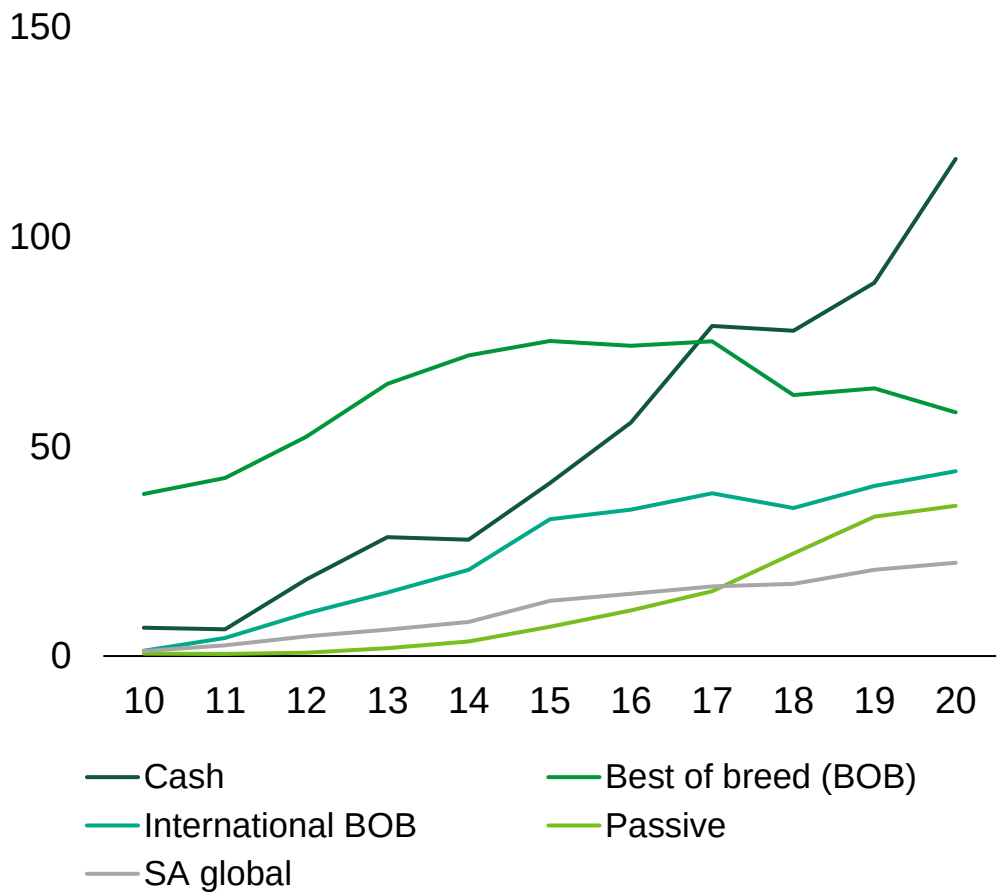
Indicators Prior to lockdown Level 5 Level 4 Level 3

Asset Management – strong net inflows & higher performance fees, offset by investor shift to passive & fixed-income/cash asset classes

Assets under management (Rbn)

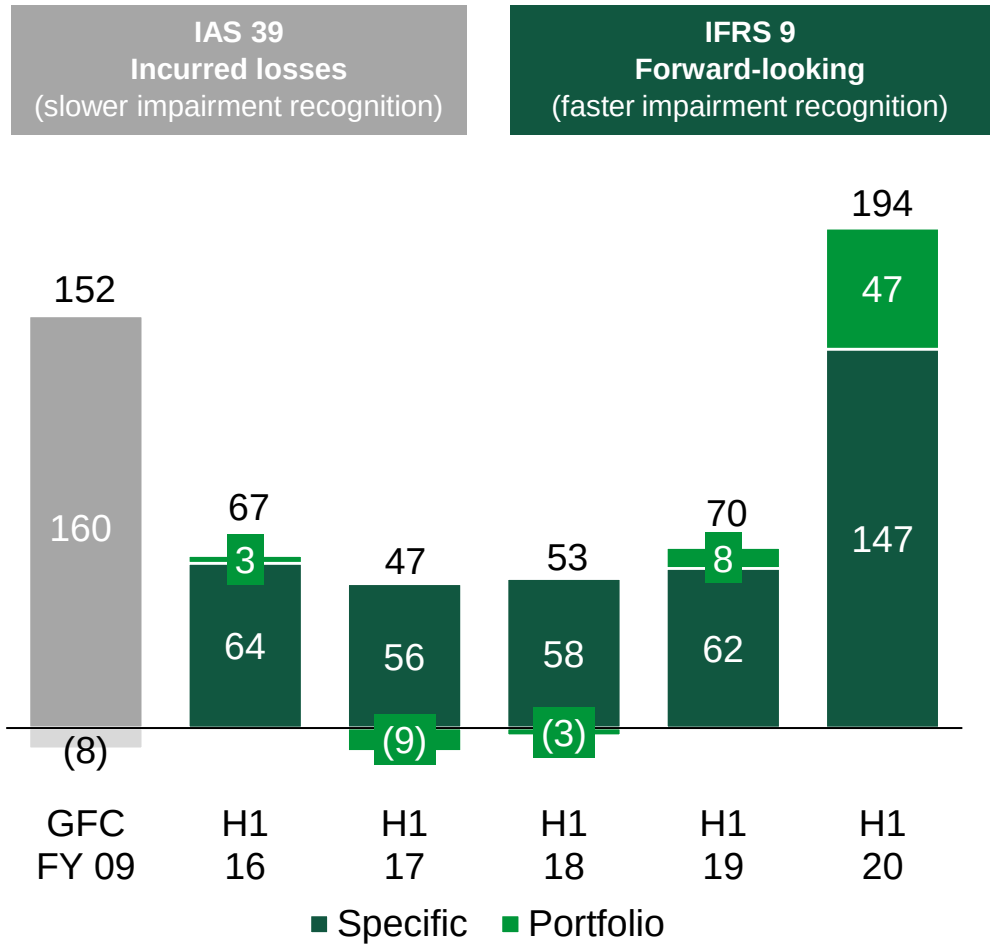


Unitised asset under management (Rbn)

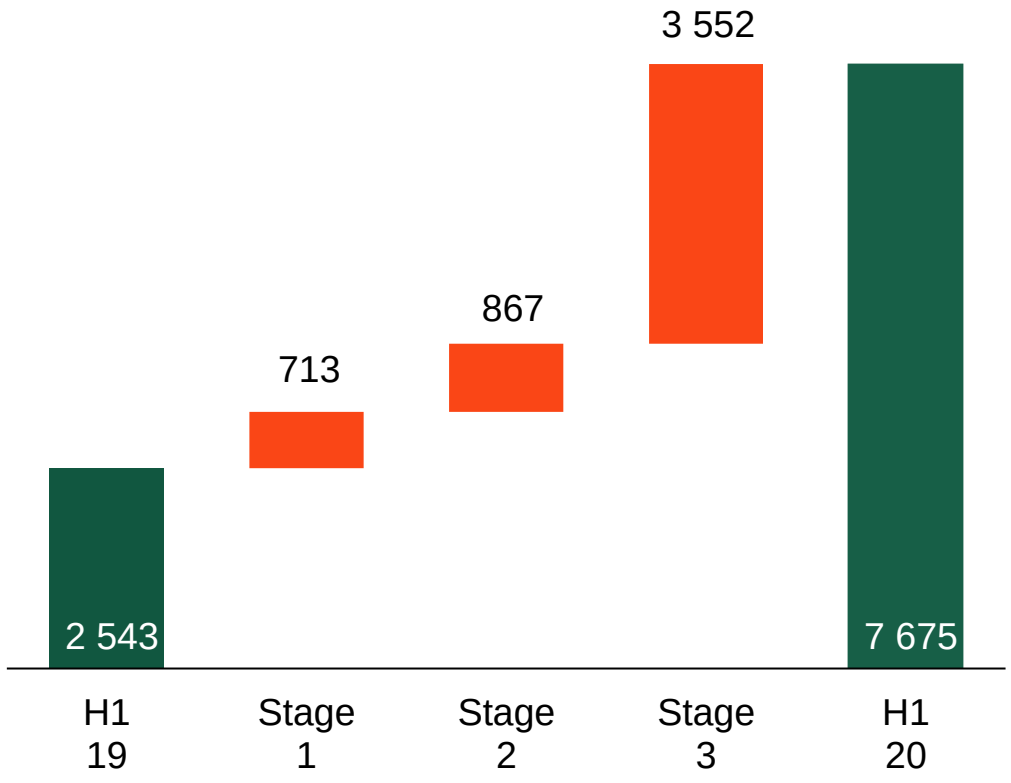


Impairments up 202% – increase across all stages

Group CLR (bps)



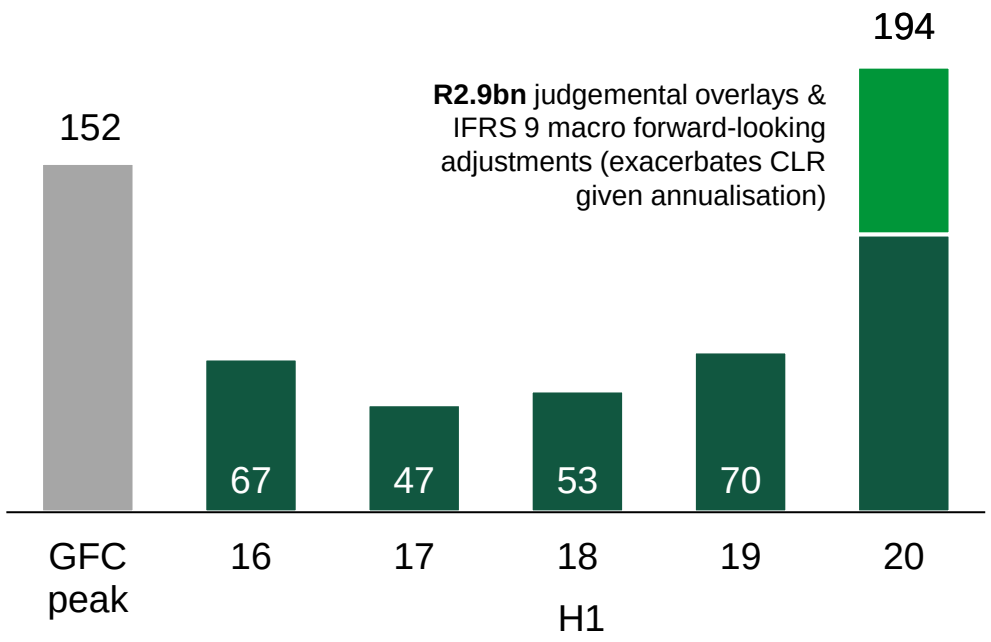
Impairment charge (Rm)



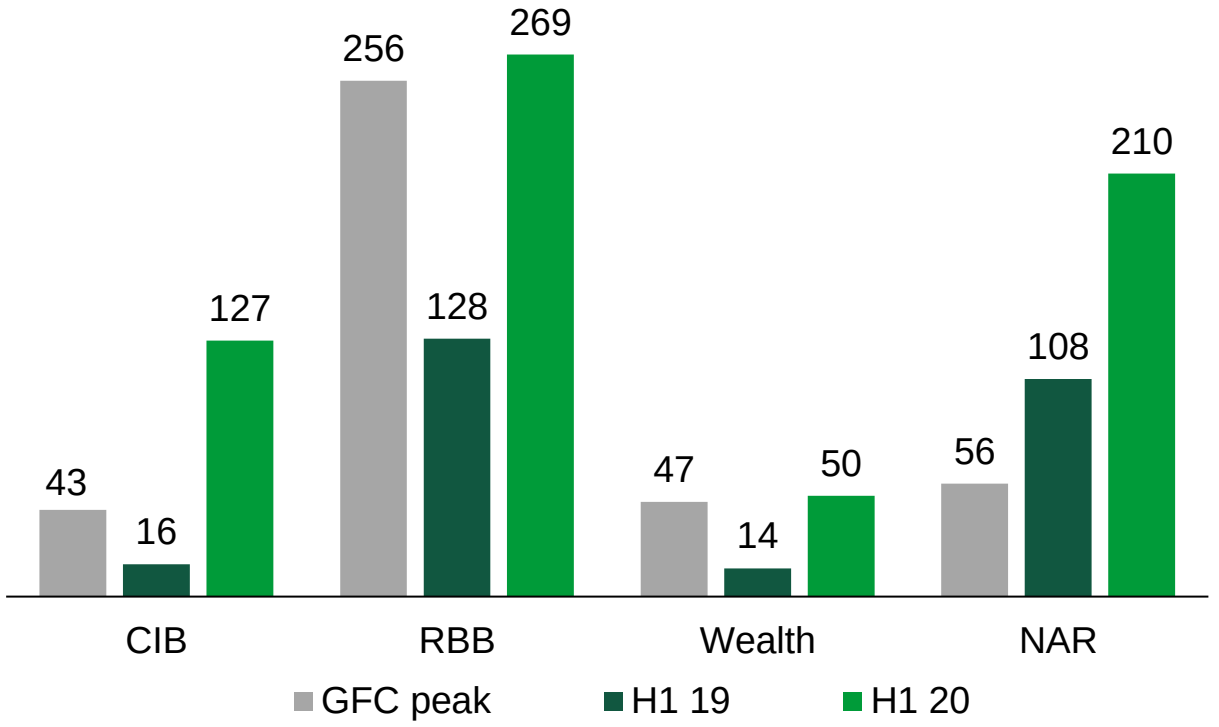
Note: Stage 1 includes off balance sheet movements.

Credit loss ratio up to 194 bps – impacted by additional R2.9bn judgemental overlays & macro forward-looking adjustments in anticipation of future defaults & impact of annualisation

Group CLR (bps)



Cluster CLR (bps)



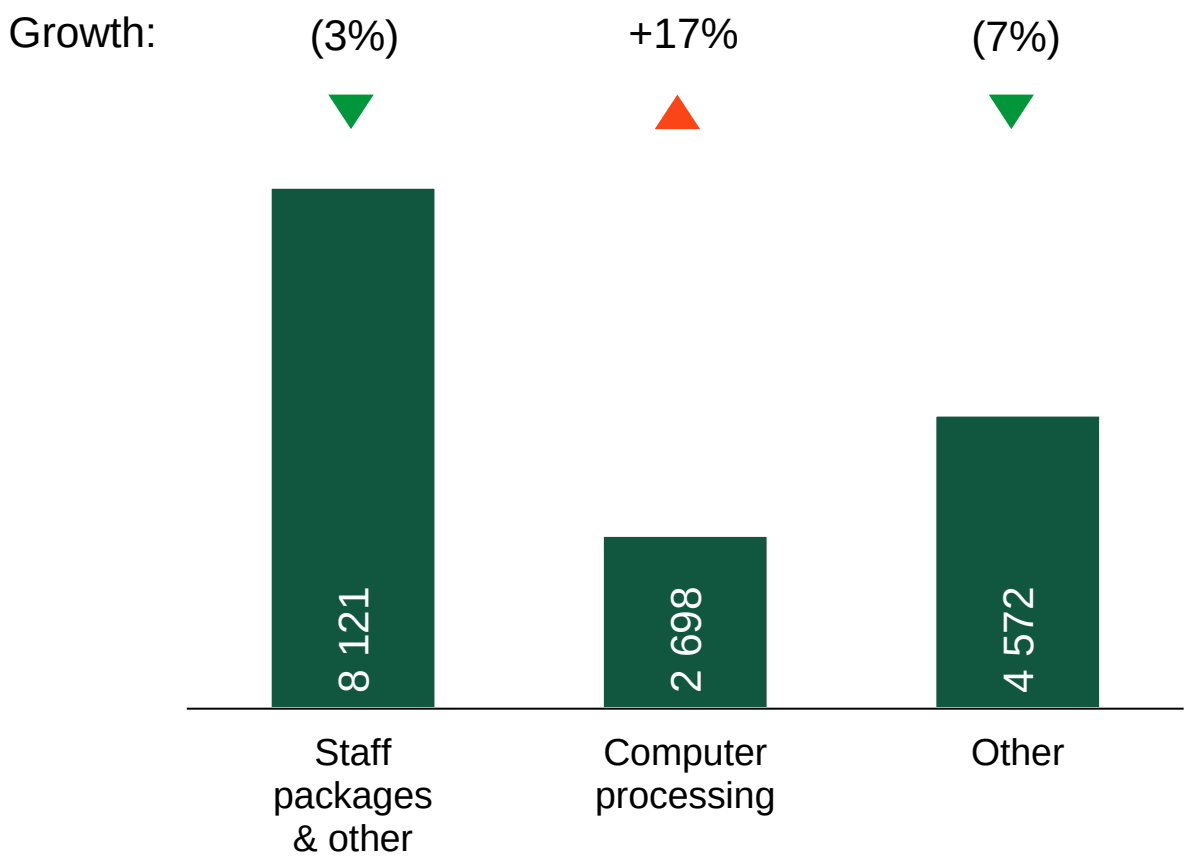
Average banking advances (%)

47.3%	45.4%	4.1%	2,9%

CLR excluding annualisation of the R2 889m overlays & model adjustments: 157 bps

Expenses down 1% – good cost management in response to slowing revenue growth & benefits from digitisation

Expenses (Rm)



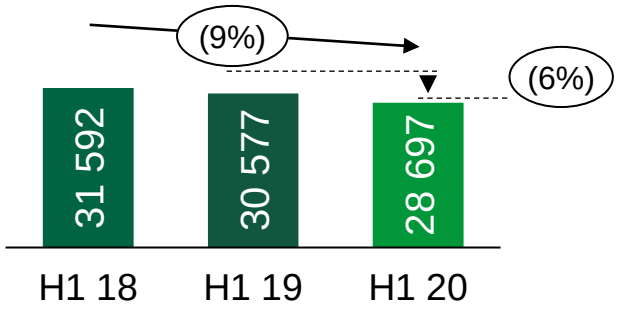
Key drivers

- **Staff costs:**
  - ASR +4.7% offset by 6.1% decline in headcount (natural attrition)
  - Incentives down 59%
  - Other: higher leave costs (R121m) & PRMA benefit in 2019 base (R354m)
- **Computer processing** – incl software amortisation +23% (H1 19: +28%)
- **Other costs** – down 7% (includes marketing, communication, travel, etc)
- **Covid-19-related costs** – R40m (includes PPE, healthcare costs & consulting)
- **TOM 1.0** – additional R353m in H1 (R1.5bn cumulative benefits to date).

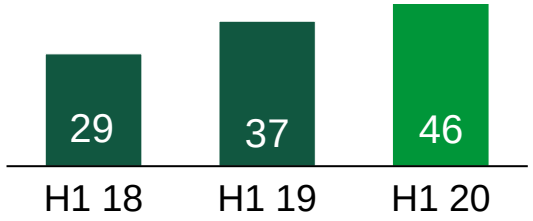
Optimisation of processes & operations continue

BOOKLET SLIDE

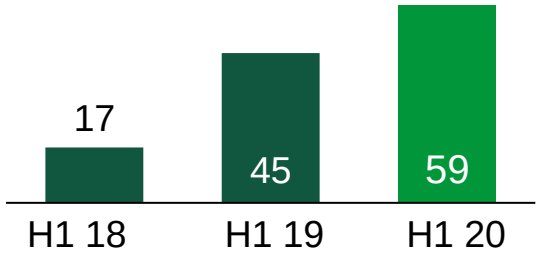
Total group employees
(#)



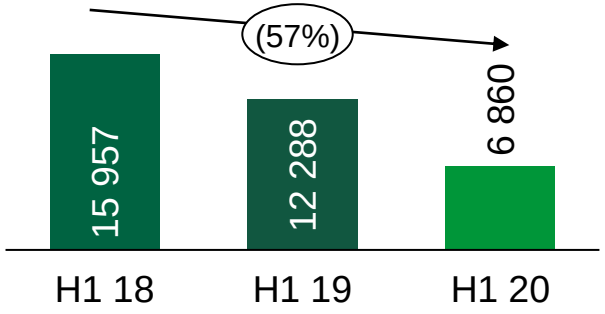
Branch floor space saved
('000 m²)[1]



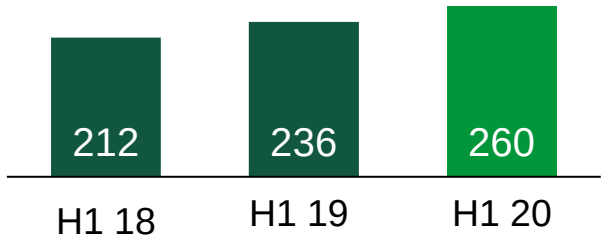
Corporate real estate savings
('000 m²)



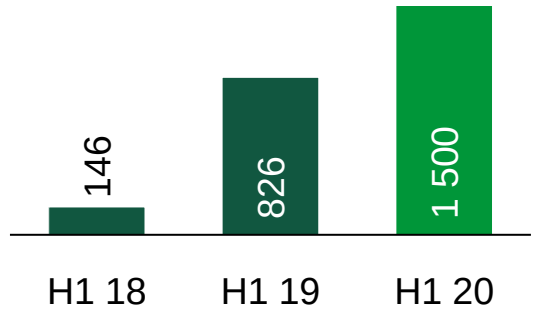
Teller activity
(# 000)[2]



Branches permanently closed
(cumulative #) [3]



Cumulative TOM 1.0 benefits
(Rm)



1 Represents the total branch floor space we saved since 2014 with a target of > 49 000m² equating to approximately 25% of our branch floor space in 2014 when we started the journey. | 2 Refers to the volumes of interactions. | 3 Closures since Dec 2014.

IT spend reducing from 2020

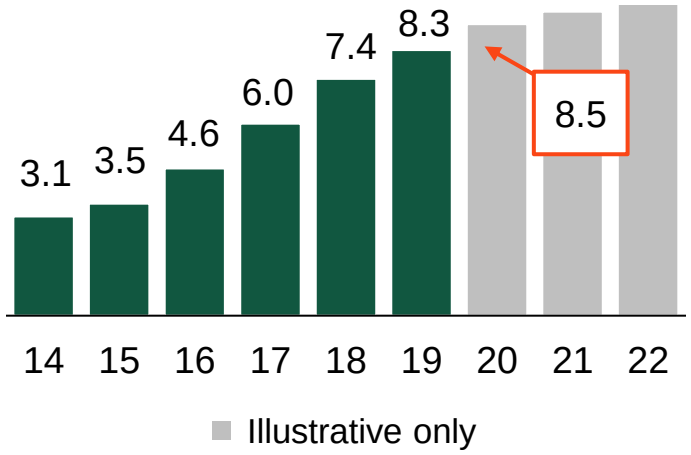
BOOKLET SLIDE

IT software development spend (Rbn)

Regulatory projects almost complete & development cost on new technologies decreasing



Capitalised IT costs (Rbn)

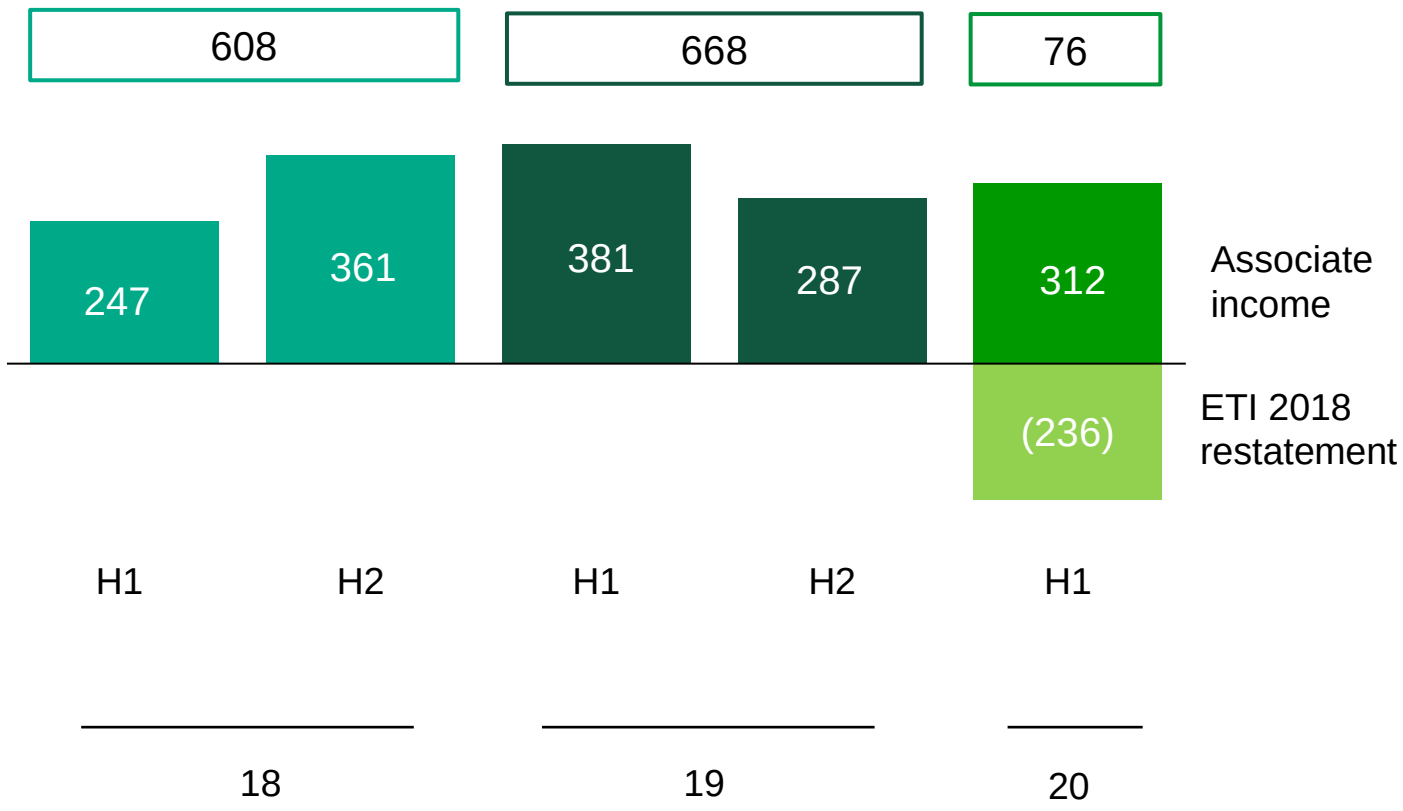


Amortisation charge (Rbn)



ETI associate income – ETI recovery impacted by difficult Nigerian environment & accounting for our share of ETI's 2018 restatement

Associate income from ETI[1] (Rm)



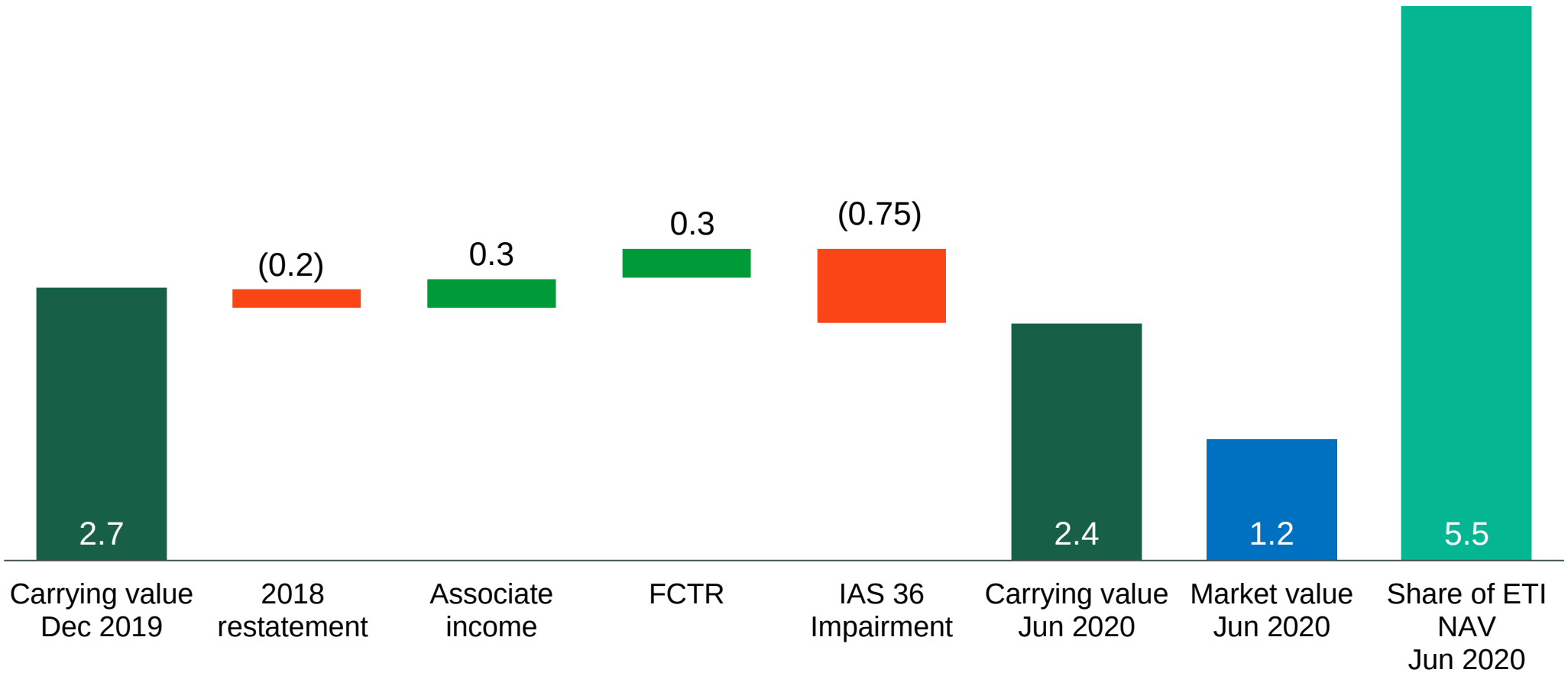
ETI H1 2020 results

- PAT – 22% (+3% in constant currency)
- Nigerian operations
  - Challenging economic & regulatory environment
  - NPLs remain elevated
  - Slightly improved profit & ROE: 4.0%
- Robust performance in other ETI geographies
  - ROEs > 19%
- Capital & liquidity remain adequate

1 ETI accounted for one quarter in arrear.

ETI carrying value – R750m impairment given uncertain environment

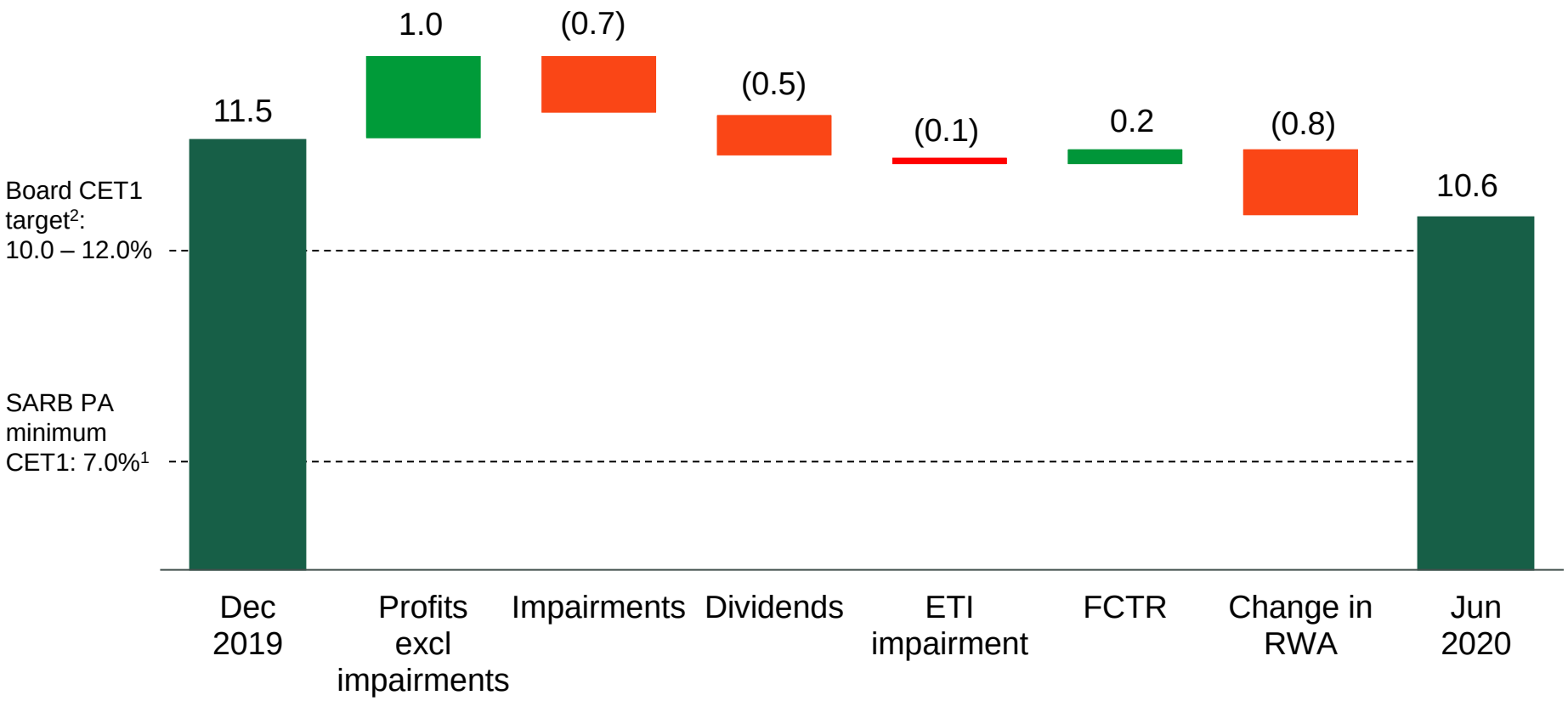
Carrying value drivers vs market value (Rbn)



Value-in-use now cR2.4bn

Capital – CET1 well above regulatory minimum & GFC levels. In H1 impacted on the supply side by dividend & lower profits & on the demand side by higher RWAs

CET1 ratio (%)



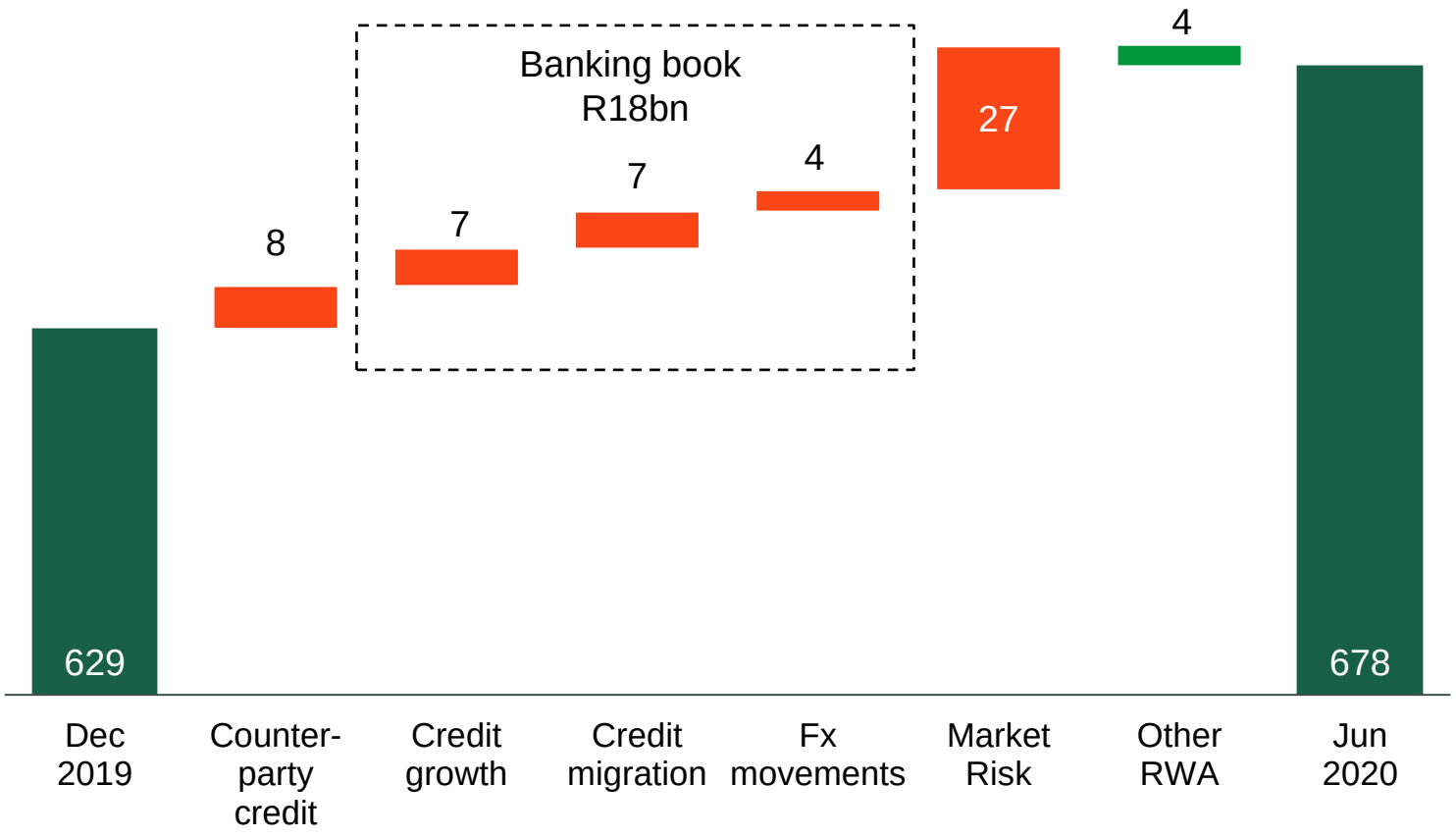
- **Tier 1 CAR 11.7%**
- **Total CAR 14.3%** – Tier 2 issuance of R2.0bn in H1
- **Excess CET1** over regulatory minimum: R25bn

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

Capital – Risk-weighted assets +8%, driven by increase in credit & market RWA

BOOKLET SLIDE

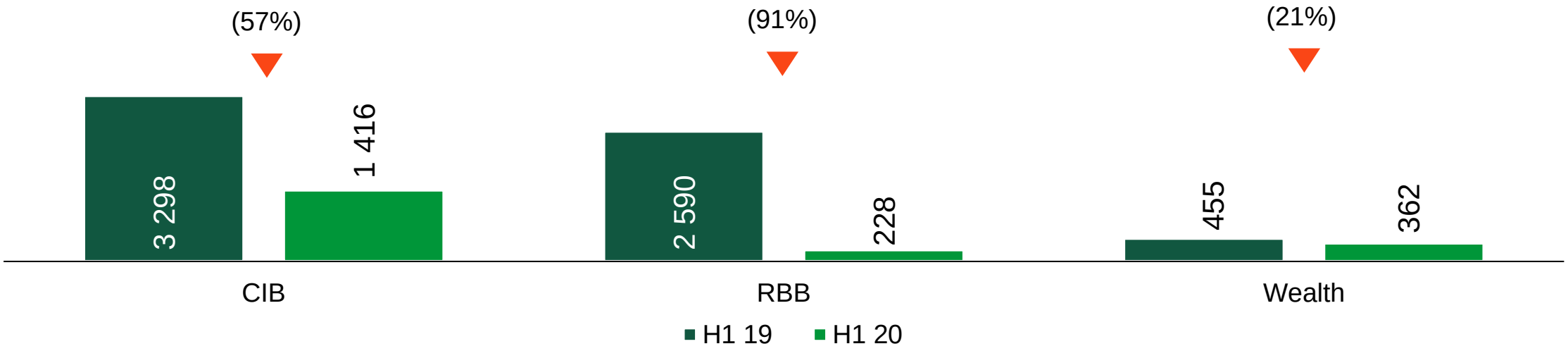
RWA (Rbn)



- **Credit RWA** – driven by:
  - increased drawdowns on unutilised facilities
  - weaker ZAR
  - lockdown regulations
- **Market risk**
  - extreme market volatility from Covid-19 crisis

Headline earnings – decline across all clusters

Headline earnings (Rm)



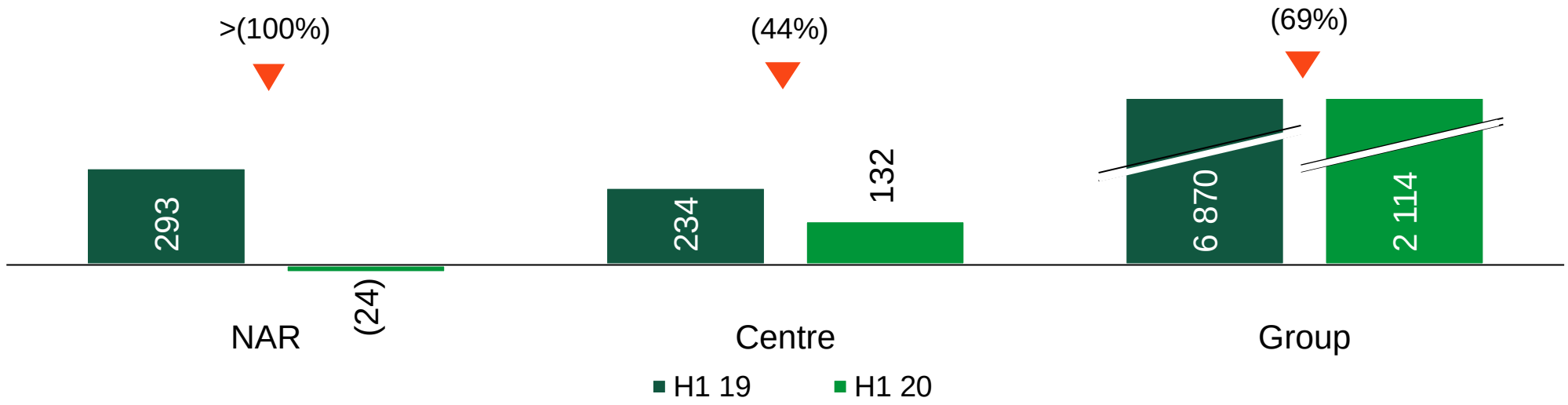
- Strong advances growth
- NIM – impact of lower interest rates, but improved asset pricing
- Impairments +780% – macro-model adjustments & overlays
- Strong trading performance offset by downward private-equity revaluations

- Muted advances growth
- NIM – impact of lower interest rates & Prime-JIBAR squeeze
- Impairments +122% – additional overlays & increased defaults
- Lower transactional volumes
- Ongoing benefits of cost optimisation

- Weak market performance affecting shareholders' fund
- Lower insurance revenue
- Substantial decline in interest rates impacting wealth management
- Increased impairments >100%
- Strong asset management performance

Headline earnings – decline across all clusters

Headline earnings (Rm)



- ETI 2018 restatement (HE: R236m)
- SADC HE -86% driven by increased impairments & lower revenue

- PRMA in the H1 2019 base (HE: R255m)
- Central provision increase
- Fair-value gains

MANAGING RISK

Successfully managed risks in H1 2020 – special focus on operational, market, liquidity, credit & capital risks

Trevor Adams
Chief Risk Officer

Nedbank's response to the Covid-19 pandemic

Supplementary governance structure set up as a foundation for success

BOARD
(Every 4 weeks | Initially every 2 weeks)

EXCO
(Twice weekly | Initially daily)

Market Crisis & Covid-19 Exco
(Every two weeks | Initially every week)

Cluster Excos
(Weekly | Initially daily)

Pandemic Steercom
(3x per week | Initially daily)

Covid-19 Credit Committee
(Weekly)

Liquidity Risk Committee
(Ad hoc. | Initially twice weekly)

Plus regular calls between:

- Chairman, CE & Exco members
- GRCMC/GCC Chairman & CRO
- GAC Chairman, CFO & CIA

No compromises to governance during lockdown, enabled by IT

Successful risk management through the crisis/lockdown

Enterprisewide Risk Management Framework proved resilient & robust, while internal controls remained sound & effective

	Key risk category	Inherent risk	Residual risk	Outcome
BCP & heightened focus on staff, operations & technology	Operational risk			Business continuity intact Risks well managed with no material issues
	IT & cyberrisks			
Active liquidity & market risk management	Liquidity risk			Risks are business-as-usual post the March/April crisis/ extreme volatile period
	Market risks			
Supporting clients & working with regulators	Credit risk			Risks/Bad debts take longer to emerge (accounting upfront) Nedbank asset quality is sound & balance sheet is strong
	Capital risk			

Risk indicators

High
Medium
Low

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

BCP, Operational, IT & Cyber risks

No material issues – business-as-(un)usual

Business Continuity Plan (BCP)

- Early activation of Pandemic Steerco in Feb 2020
- Activation of groupwide BCPs since mid-March
- Early adoption of social distancing measures & hygiene protocols. Reorganisation of branches & campus sites to align with regulations
- > 77% staff (excluding branch staff) continue to work from home
- ~5% of total staff tested Covid-19 positive (87% recovery rate; five deaths). Active infections around ~1% & declining

Operational risk

- No material operational risk issues or losses
- Financial crime positive trends – external gross fraud losses decreased 21% yoy & internal gross losses decreased 79% yoy

IT risk

- Excellent system stability – no severity 1 incidents & uptime above 2019 levels
- Supported risk governance & staff to work remotely

Cyber risk

- Nedbank external security rating (BitSight) at an advanced level & the highest rating among local peers
- Cyberresilience remained intact with no breaches to own cyberdefences despite greater digital adoption & work-from-home practices

Credit Risk – Nedbank's approach to managing credit risk in an unprecedented 1-in-100-year event: **Covid-19 Credit Programme**

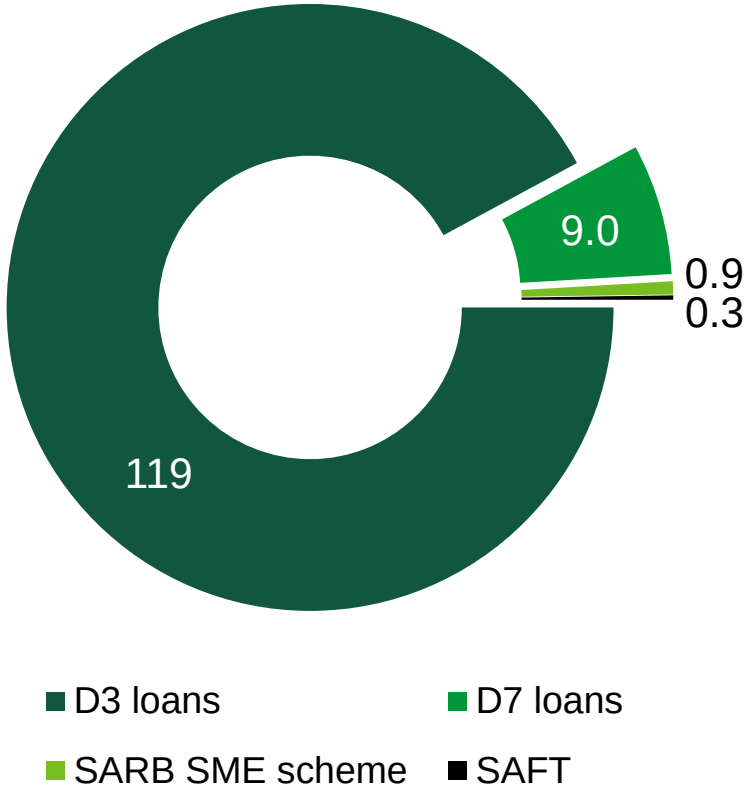
- **Reviewed & adjusted (where appropriate) Nedbank's credit models**
  - For the unprecedented macroeconomic impacts & to take account of the regulatory relief measures (guidance to avoid excessive procyclicality)
  - Support from global consulting firm
  - Credit policies revised & board-approved
- **Nedbank's approach – not 'all about the models'**
  - Detailed (bottom-up) client reviews in both CIB & BB, as well as sector/industry analysis
  - Deep dives (CPF, BB & CIB high-stress sectors)
  - Granular analysis at product level in Retail
  - Detailed analysis of macrofactors/scenarios (eg forecast of job losses)
  - Scenario & stress-testing (including the valuation of security).
- **Abnormal extent of 'expert judgement' & interpretation** (eg IFRS 9, D3 regulatory relief, D7)
- **Comprehensive governance, independent validation & combined assurance** (three lines of defence)

Credit Risk – Nedbank's approach to managing credit risk in an unprecedented 1-in-100-year event: **Accounting for credit risk**

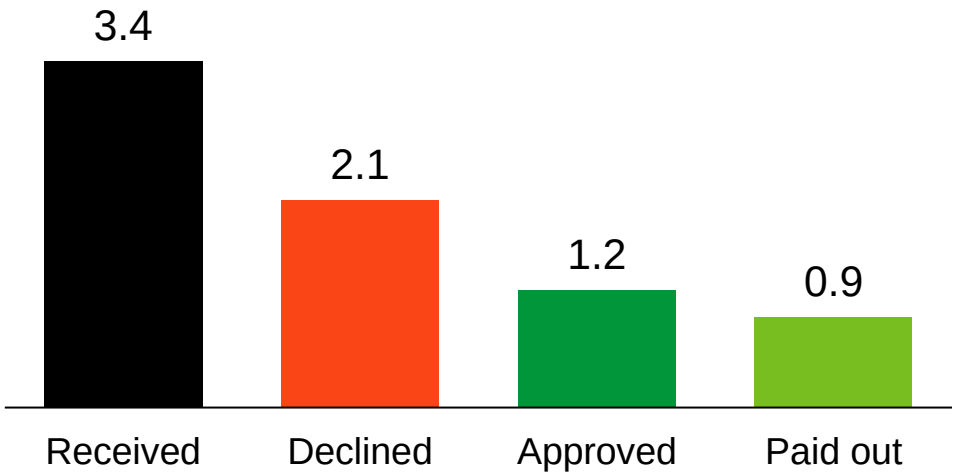
- **Economic state of the nation**
  - Abnormal levels of uncertainty
  - Some facts will only play out later (eg unemployment rates/job losses, which industries/companies ultimately survive/fail, how D3 qualifying clients behave once payment holiday ends)
  - Forecast risk/error accordingly remains high
- **Two fundamental authorities not completely aligned**
  - **IFRS 9:** forward-looking expected credit loss (ECL) ('upfront/front-load' macroeconomic impact)
  - **PA Directive 3/2020 (D3) & G3/2020 (G3):** avoid excessive procyclicality (excessive 'upfronting') & so undue volatility in ECL
- **A 'balance' is required** – Nedbank's general principles of conservatism & prudence applied, but not excessively procyclical
- **Based on current approved macroeconomic scenarios & factors (assumptions)**

Relief to clients – extensive relief to clients by providing access to existing credit facilities, D3 & D7 restructures, SARB R100bn SME loan scheme & SAFT

Relief to clients[1] (Rbn)



SARB SME loan scheme[1] (Rbn)



Primary reasons for declines (SME loan scheme)

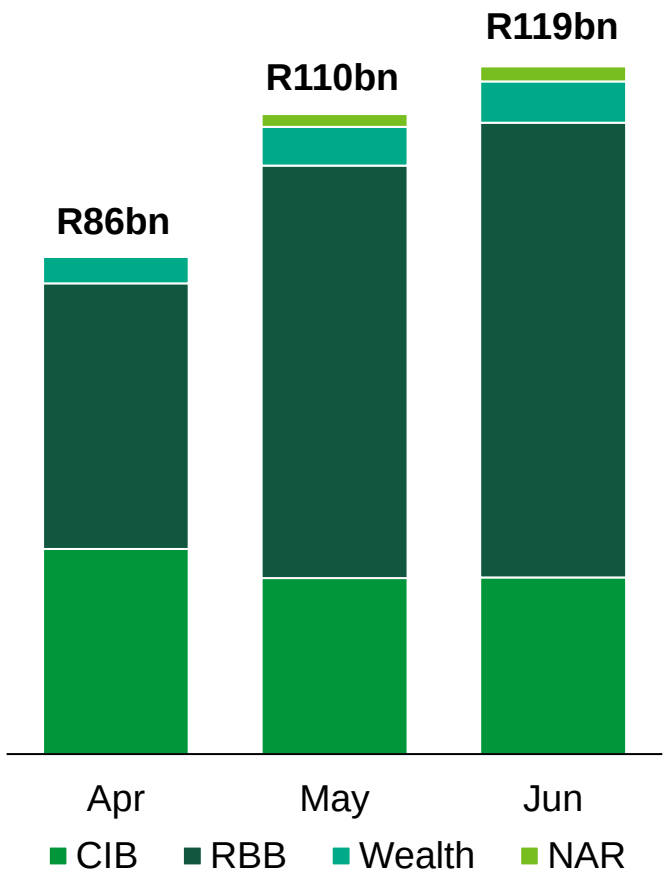
- Not in good standing at 29 Feb 2020
- Future debt service capacity questionable
- Loans requested more than R300m limit
- Client needs not aligned to the scheme criteria

Scheme subsequently amended by SARB

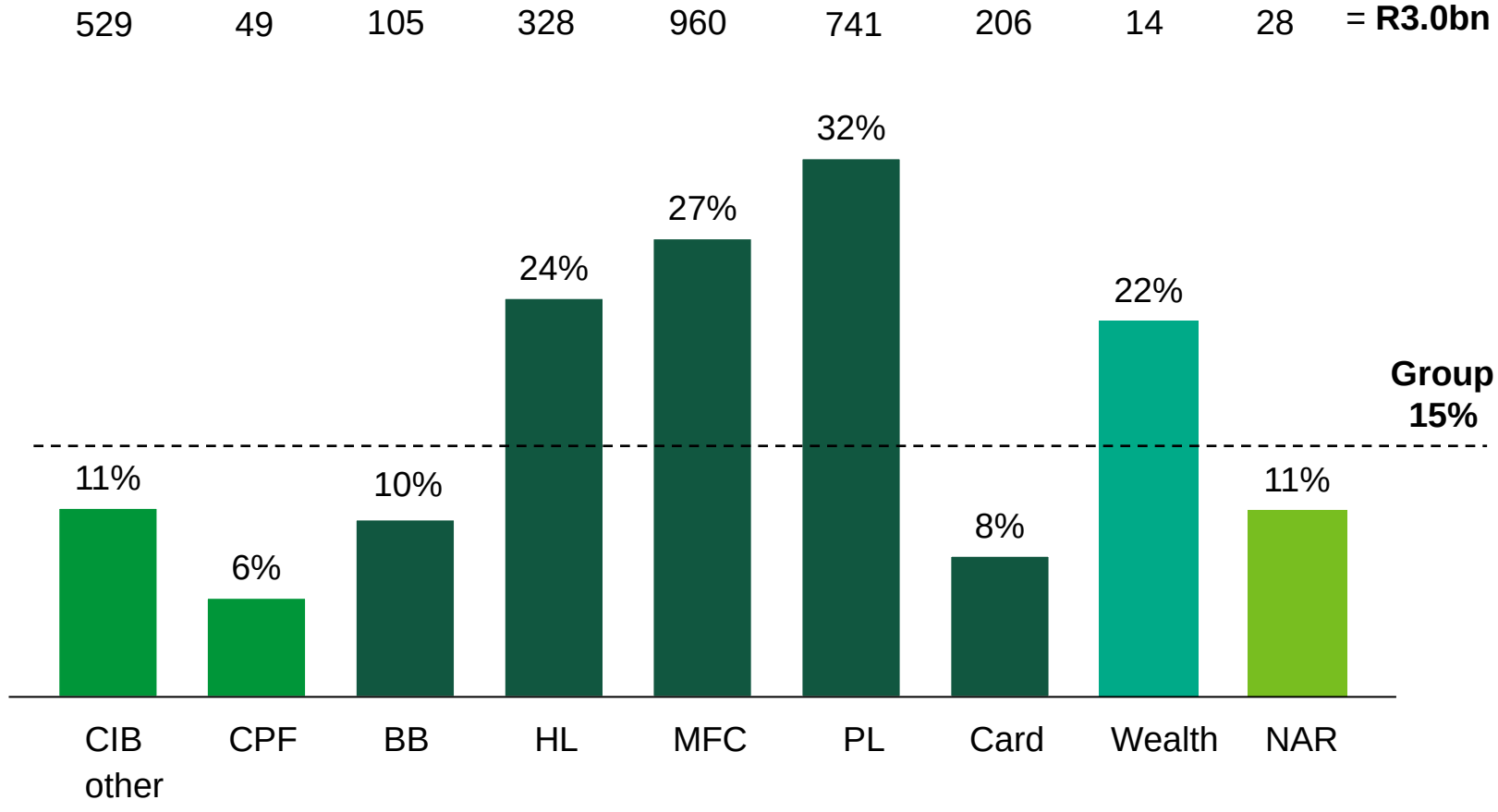
1 SARB SME loan scheme as at 21 Aug 2020. | R0.1bn loans still being assessed.

SARB Directive 3 loans: R119bn (15%) – pace of relief slowed into June

D3 exposures (Rbn)



D3 as % of gross loans (Jun 2020)

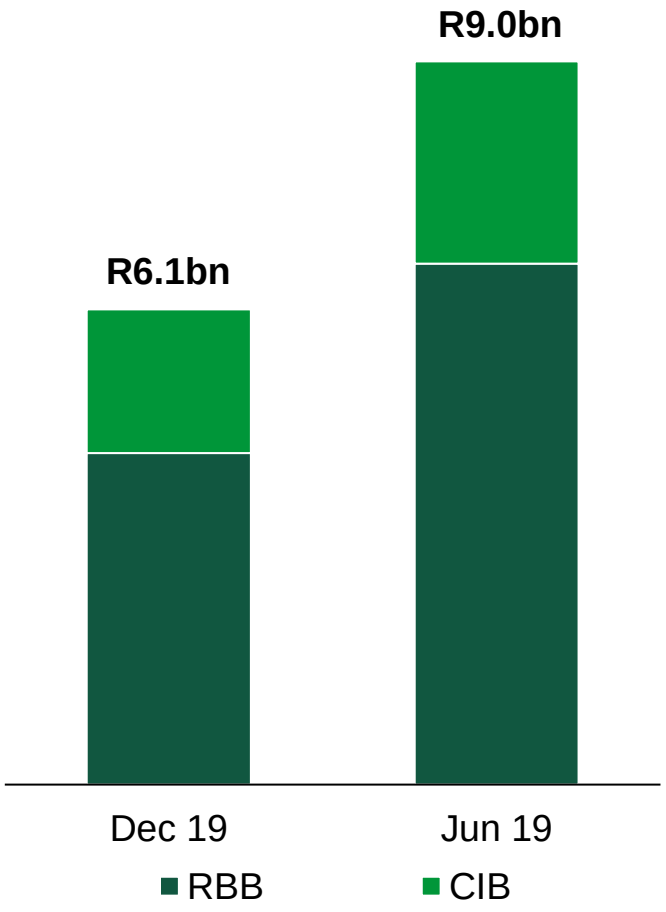


D3 impairments

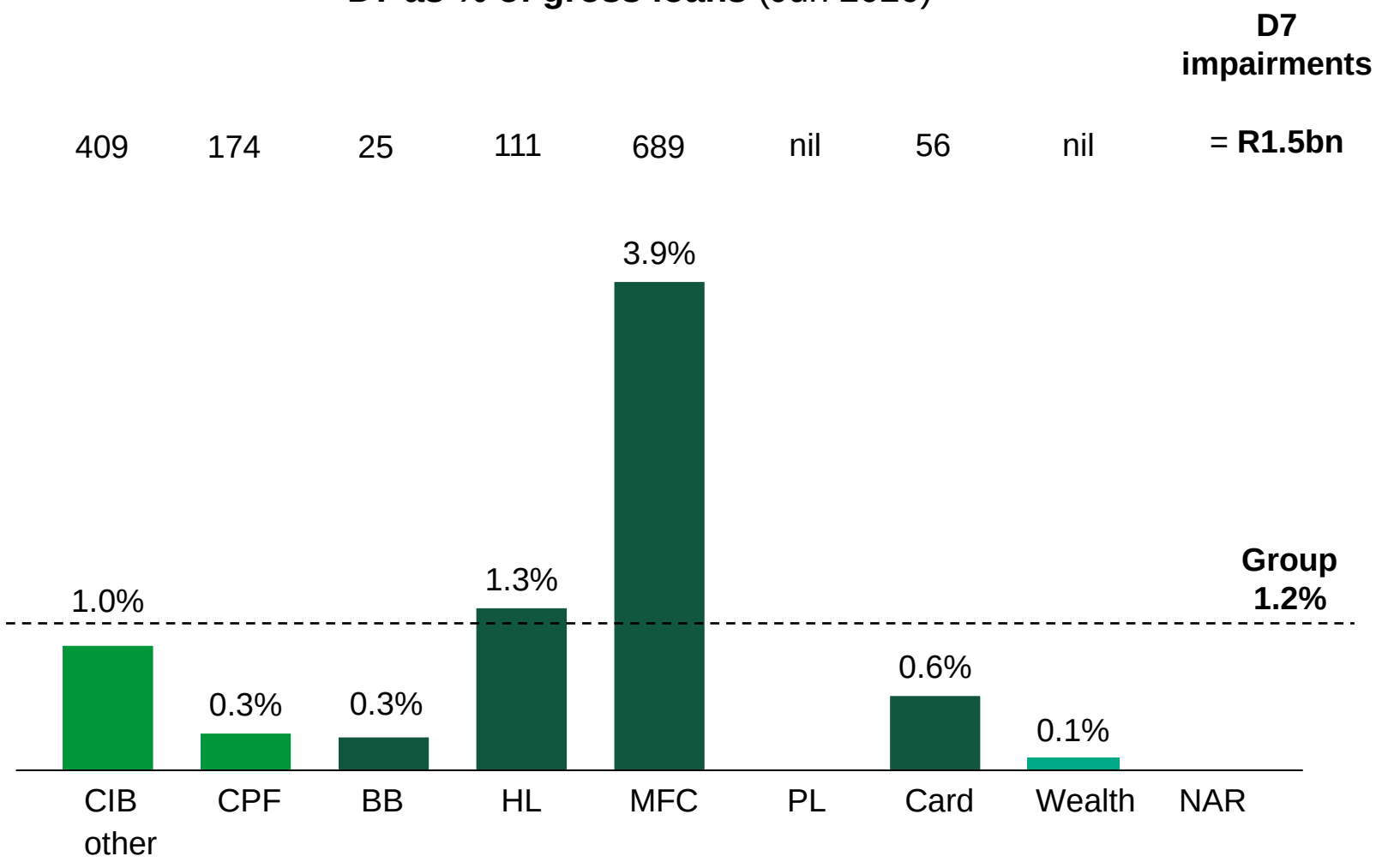
= **R3.0bn**

SARB Directive 7 loans: R9.0bn (1.2%)

D7 exposures (Rbn)

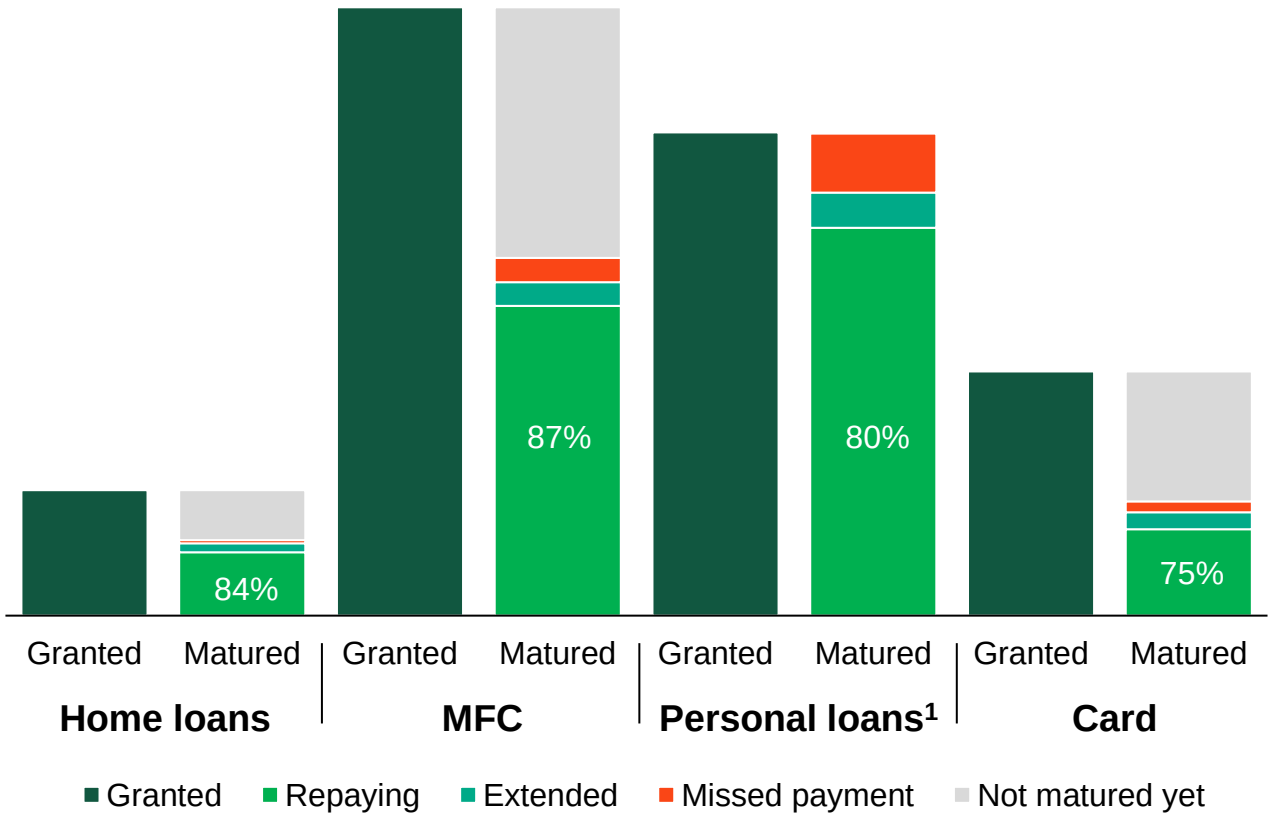


D7 as % of gross loans (Jun 2020)



Payment success & insights

Current status of Retail D3 payment holidays (#, July 2020)

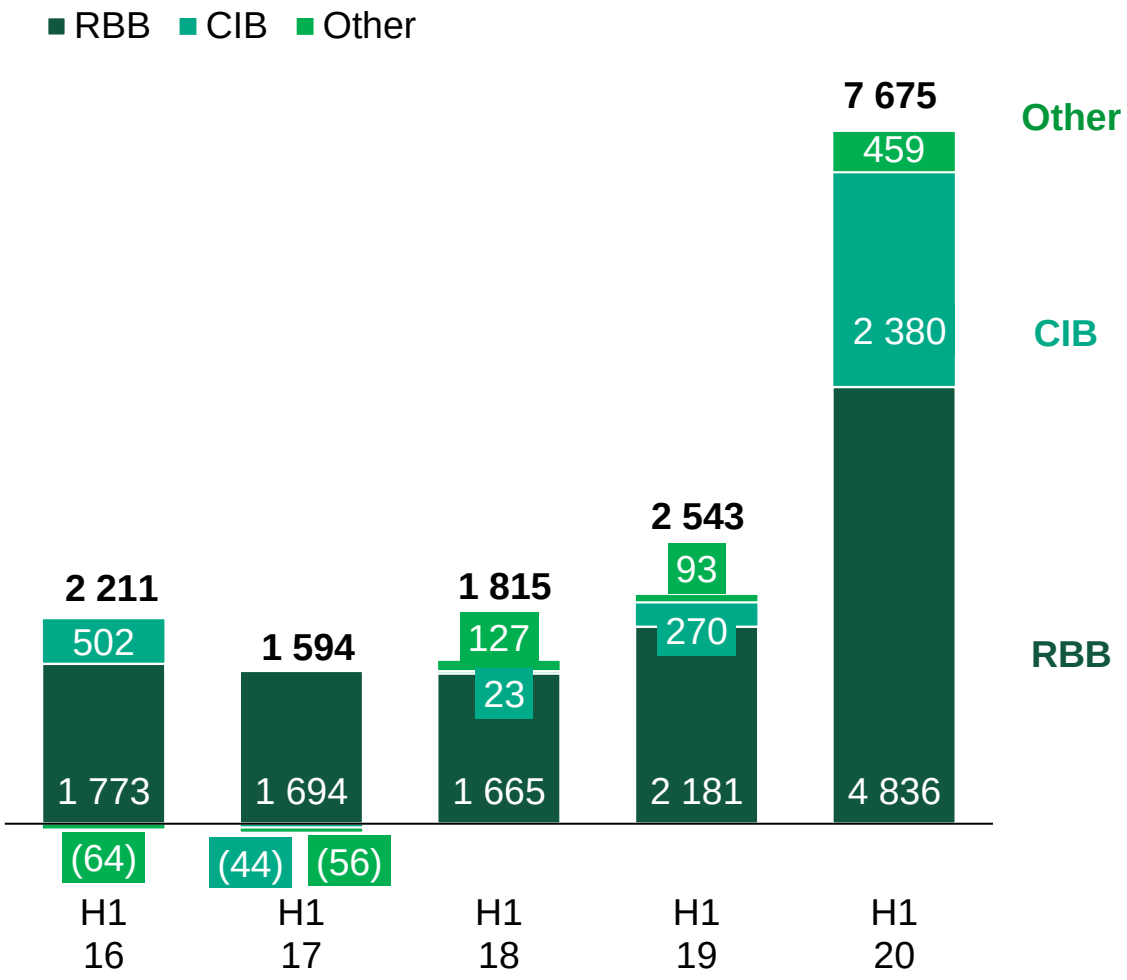


- **Non-D3 loan repayments significantly better than expected** to date across all products – on average well above 90% & slightly better than pre-Covid 19 levels
- **D3 loan performance**
  - 75% to 87% resumed payment across 4 major products
  - Average c10% of payment holidays extended
  - Average c10% of clients missed payments

1 PL granted holidays on monthly basis & after each missed payment a discussion is had with a client to extend under D3 or move into normal collections process. Therefore no "not matured yet" category

Impairment charge +202% – driven by IFRS 9 forward-looking macro-adjustments, Covid-19-related overlays & increased stage 3 impairments

Impairment charge (Rm)



Other

- **Central provision increase of R150m to R400m** to account for risks that have been incurred but have not yet emerged, eg job losses & distress beyond the D3 relief period
- **NAR & Nedbank Wealth** overlays of **R44m & R49m**

CIB

- **Macroeconomic upfront adjustment: +R1 012m**
- **CPF R200m overlay** for Retail & Hospitality & other sectors
- **Stage 3 advances +76% ytd** as watchlist clients increased

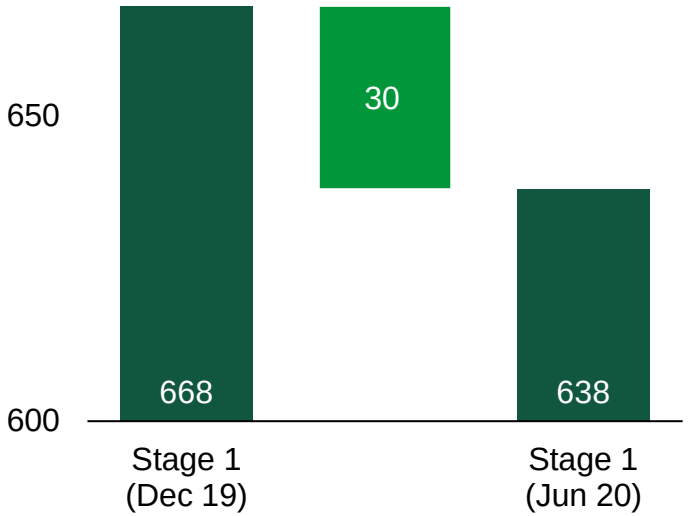
RBB

- **R1.9bn Covid-19-related adjustments**
  - **R1 120m overlay for job losses on D3 loans**
  - **R500m lower interest rates benefit** (reversed the R500m in macro-economic models & retained in impairments)
  - **R314m overlay in BB**
- **Stage 3 advances +40% ytd given client pressures**

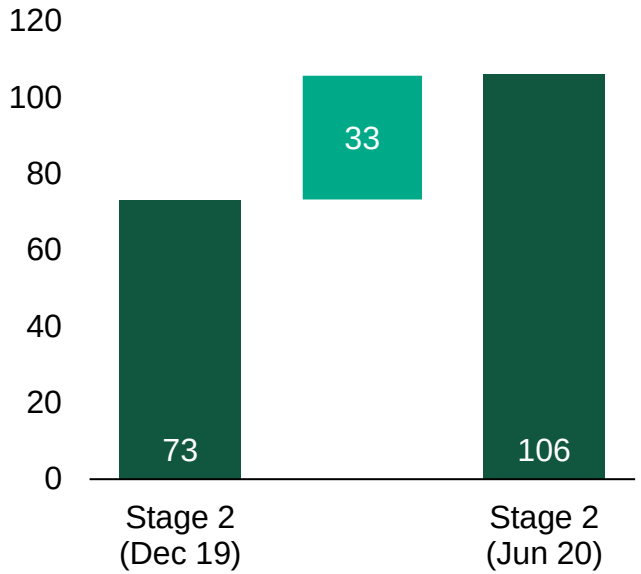
Note: R2.9bn macromodel adjustments & overlays: RBB R1.9bn minus R500m model releases + CIB R1.2bn + NAR & Nedbank Wealth R93m + Central provision R150m

IFRS 9 stage movements – large increases in stages 2 & 3
Gross loans & advances (Rbn)

Stage 1 loans & advances[1] (Rbn)



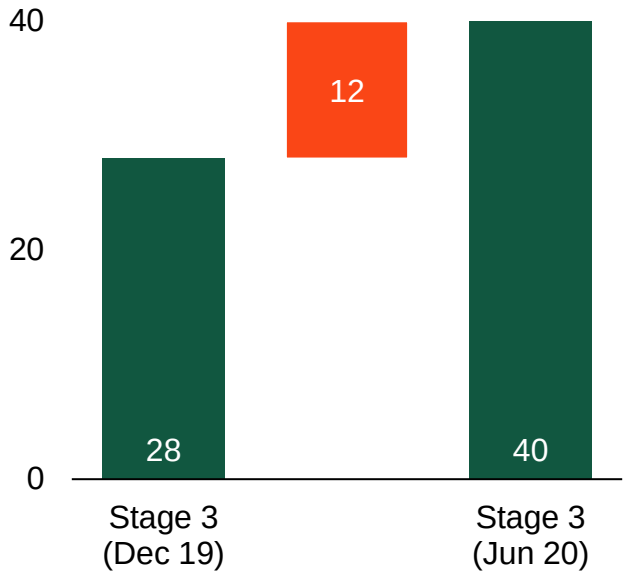
Stage 2 loans & advances[1] (Rbn)



Key drivers of increase

- D3 loans considered SICR (significant Increase in credit risk)
- CIB client migrations

Stage 3 loans & advances[1] (Rbn)



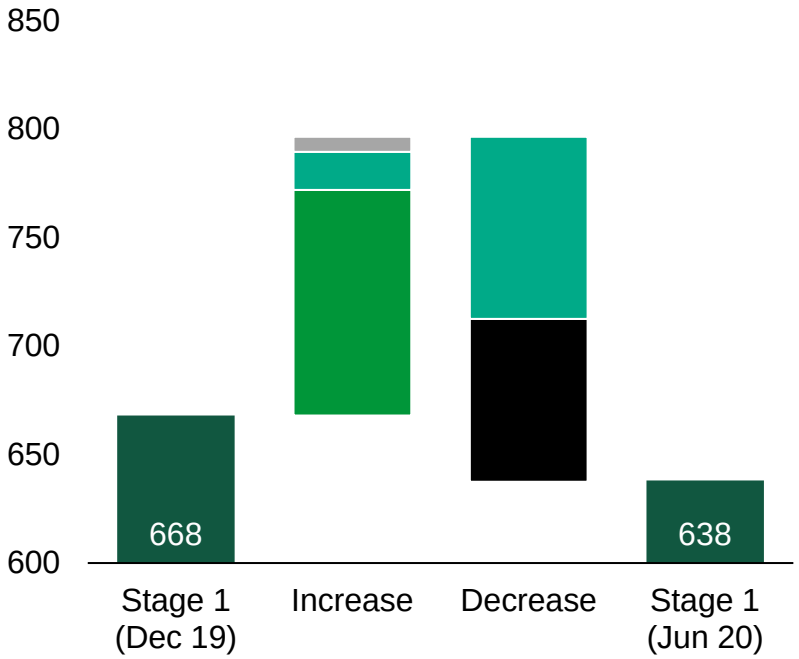
Key drivers of increase

- Non-qualifying D3 loan treated as D7 loans
- Ageing/Deterioration of book
  - CIB +76% ytd
  - RBB +40% ytd

Note: Loans & advances include Fair-value OCI loans & off balance sheet amounts. Refer to page 126 & 127 of the results booklet.

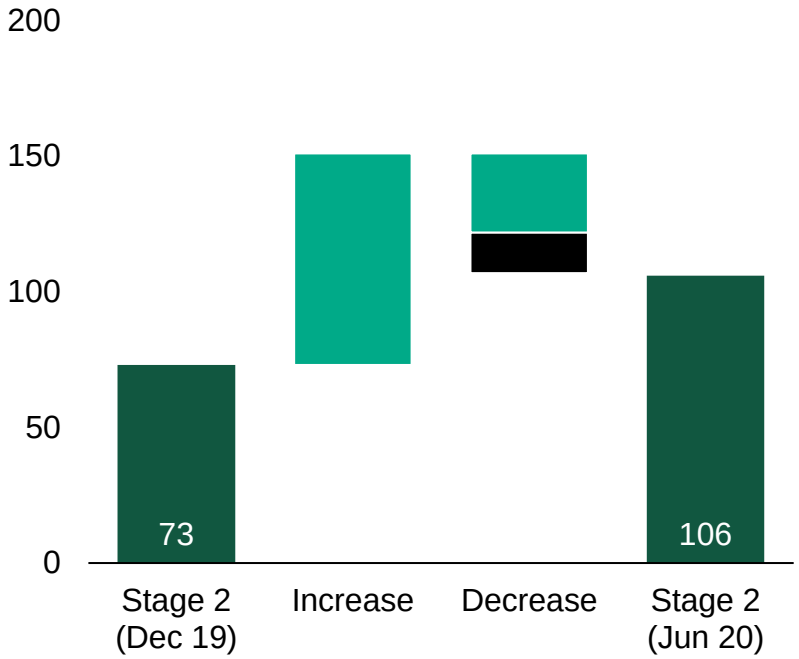
IFRS 9 stage movements – large increases in stage 2 & 3
Gross loans & advances (Rbn)

BOOKLET SLIDE



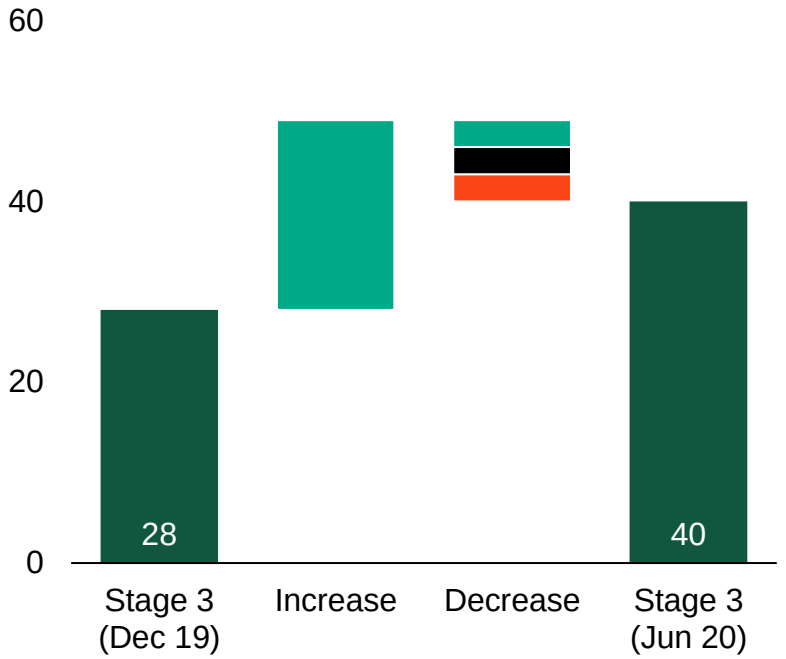
Increases
- R104bn new advances
- R18bn transferred from stage 2 & 3
- R7bn Fx & other changes

Decreases
- R75bn repayments
- R76bn transferred to stage 2
- R8bn transferred to stage 3



Increases
- R78bn transferred from stage 1 & 3

Decreases
- R15bn repayments
- R17bn transferred to stage 1
- R13bn transferred to stage 3



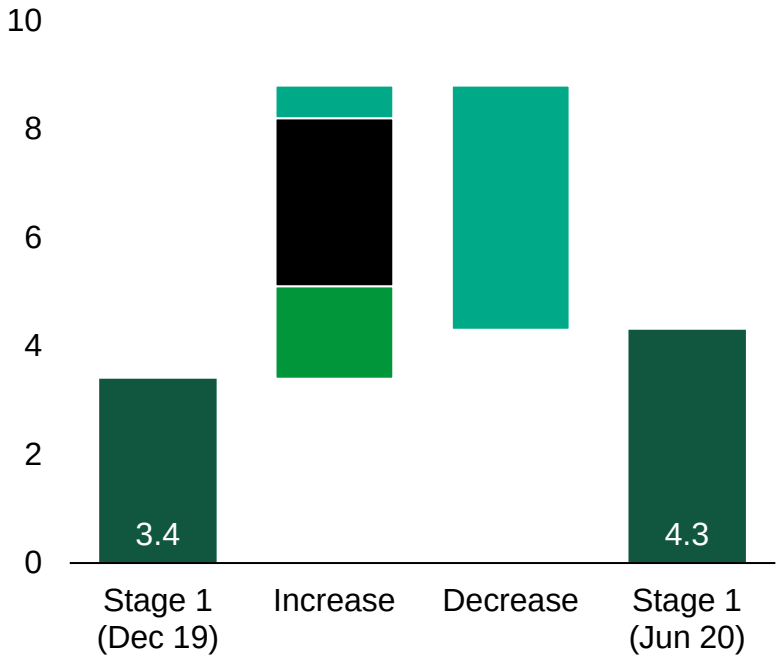
Increases
- R21bn transferred from stage 1 & 2

Decreases
- R3bn writeoffs
- R3bn repayments
- R3bn transferred to stage 1 & 2

New advances | Repayments | Transfers | Currency & other | Writeoffs

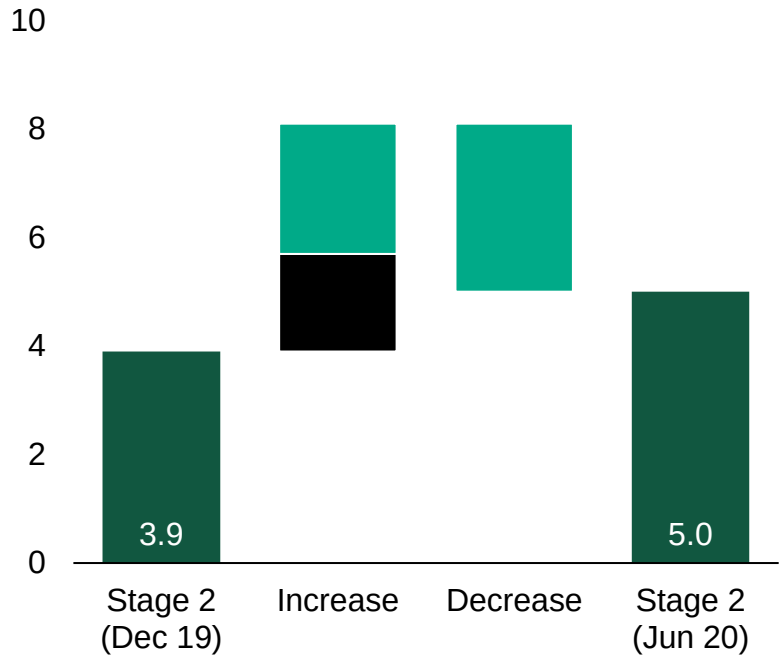
IFRS 9 stage movements – increases across all stages
ECL (Rbn)

BOOKLET SLIDE



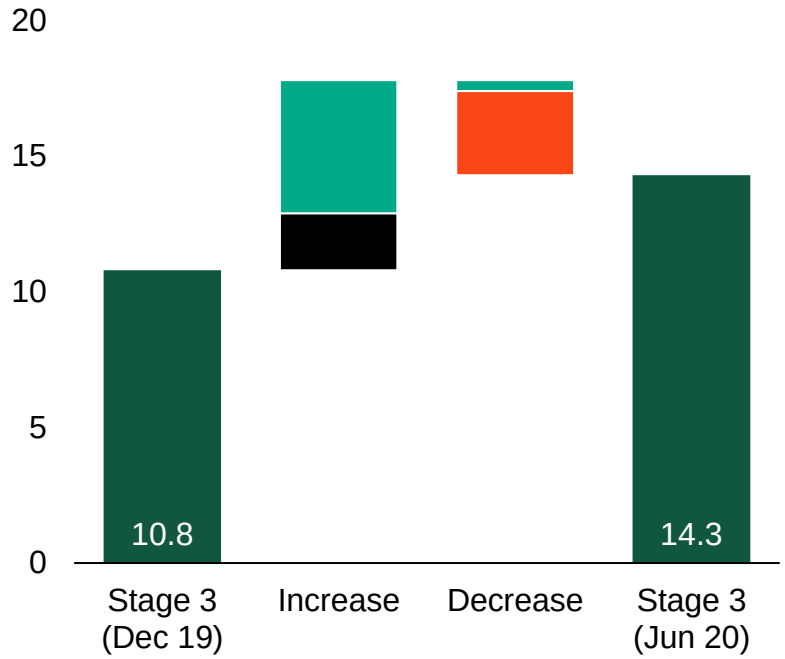
Increases
- R1.7bn new advances
- R0.6bn transferred from stage 2 & 3
- R3.1bn ECL remeasurements

Decreases
- R2.2bn transferred to stage 2
- R2.3bn transferred to stage 3



Increases
- R2.3bn transferred from stage 1 & 3
- R1.8bn ECL remeasurements

Decreases
- R0.4bn transferred to stage 1
- R2.6bn transferred to stage 3



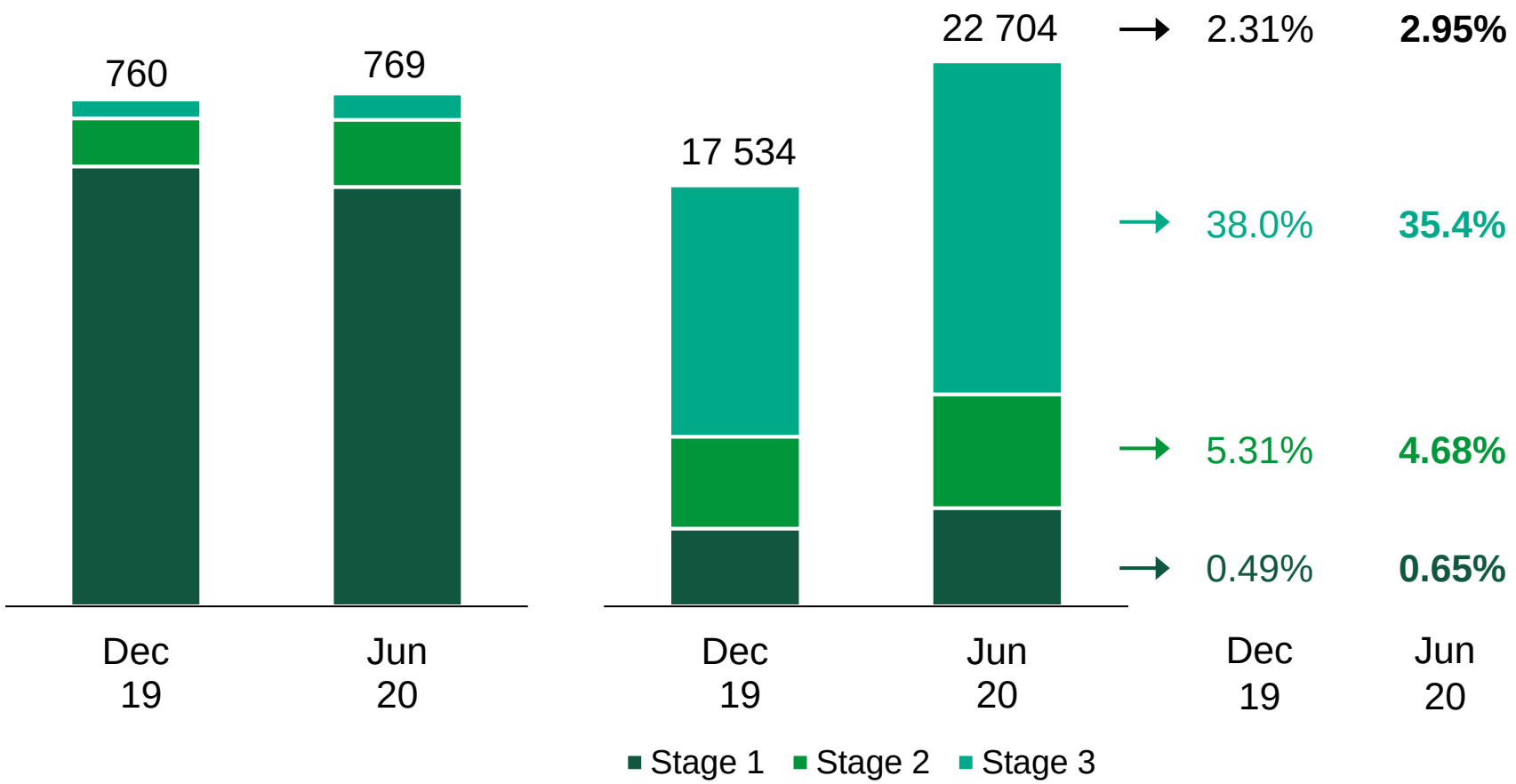
Increases
- R4.9bn transferred from stage 1 & 2
- R2.1bn ECL remeasurements

Decreases
- R3.1bn writeoffs
- R0.4bn transferred to stage 1 & 2

New advances | Repayments | Transfers | Currency & other | Writeoffs

Coverage – significant increase in overall coverage ratio to 2.95%

Gross loans & advances[1] (Rbn) | **Expected credit loss** (Rm) | **Coverage ratios** (%)



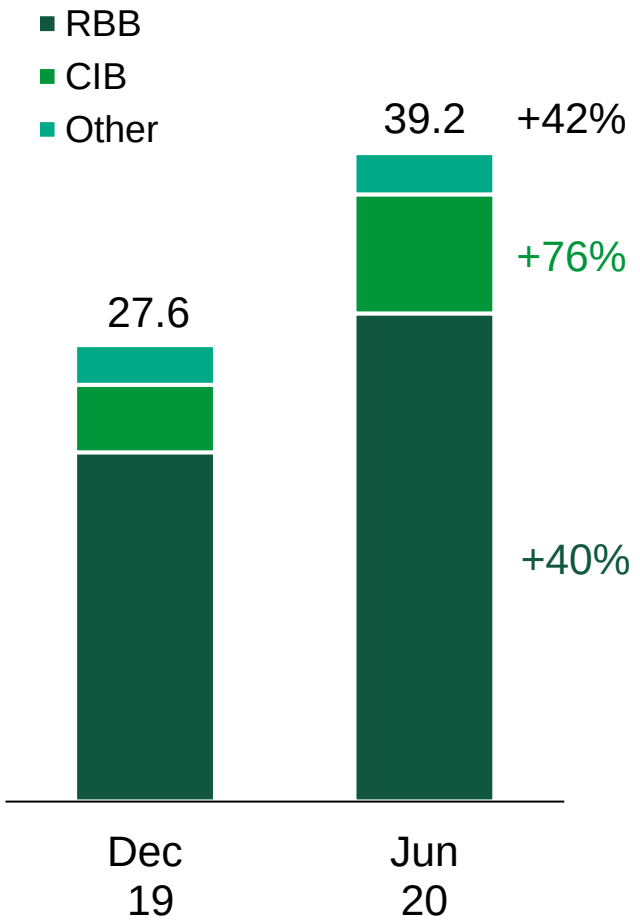
- **Stage 3 coverage** – reflects change in mix between CIB & RBB, as well as impact of D7 loans that attract lower coverage
- **Stage 2 coverage** – mix changes, good management of large CIB clients & extensions of facilities for distressed clients
- **Stage 1 coverage** – increase driven by additional IFRS-9 macro-economic model adjustments & overlays raised

1 Excludes fair-value & off-balance-sheet items.

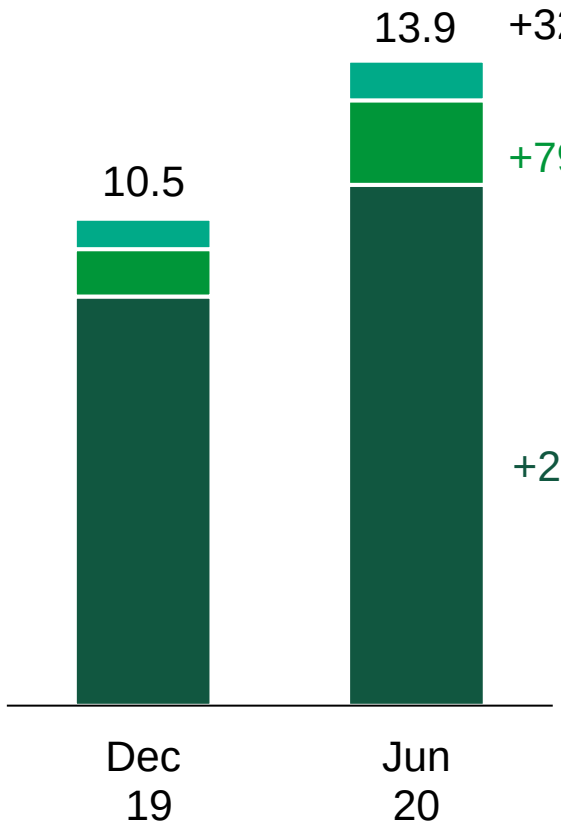
Stage 3 advances, ECL & coverage – impact of mix change

BOOKLET SLIDE

Stage 3 advances (Rbn)



Stage 3 ECL (Rbn)



Coverage ratios (%)

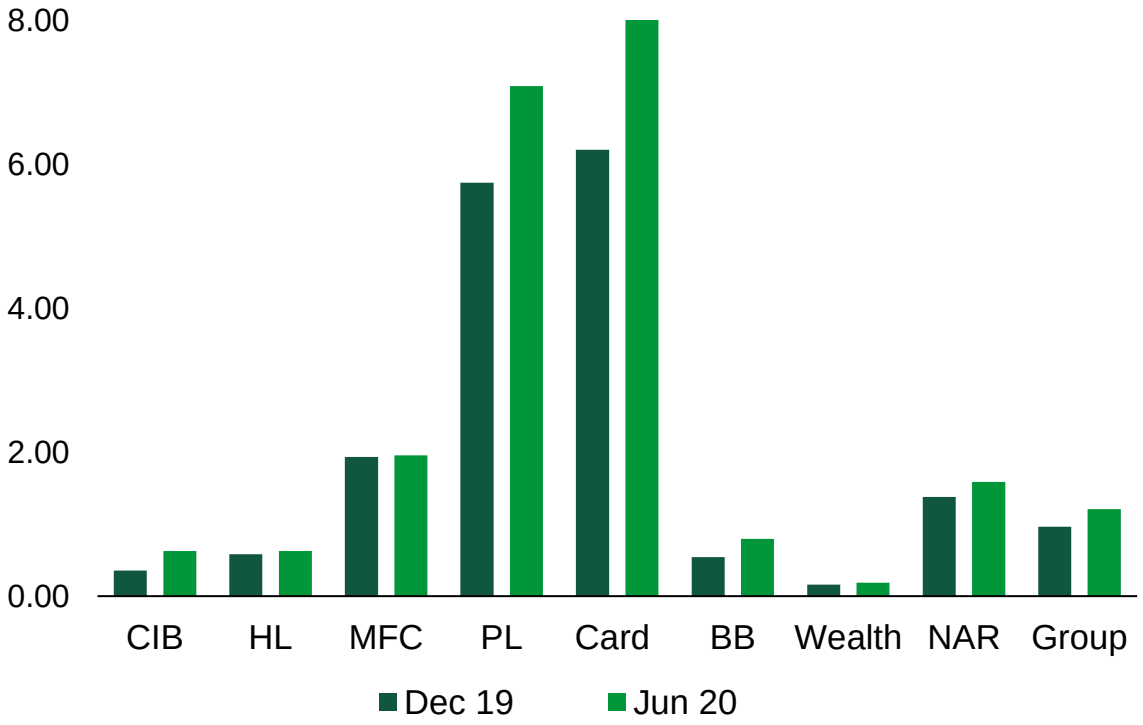
	Dec 19	Jun 20
	38.0%	**35.4%**
	24.6%	**24.9%**
	41.6%	**38.0%**

- **Group coverage impacted by mix change**
  - Higher CIB growth at lower coverage vs RBB
- **CIB coverage stable**
  - Client-by-client ECL calculation incl collateral (top 10 clients 67% of CIB stage 3 loans)
  - Stresses most evident in aviation, business services & selected SOEs
- **RBB coverage reduced**
  - New D3 stage 3 advances attract lower coverage vs non-D3 loans
  - Increased levels of D7 loans attract lower coverage

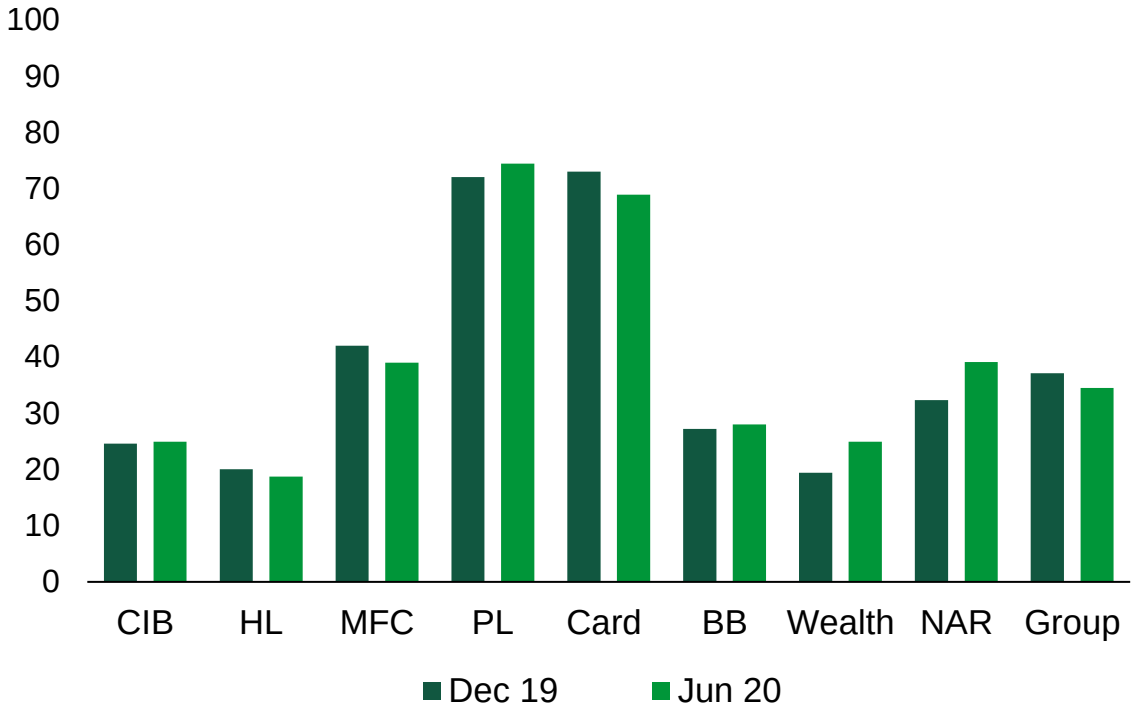
Coverage – significant increase in stage 1 & 2 coverage across all clusters & products, with mix change impacting stage 3 coverage

BOOKLET SLIDE

Stage 1 & stage 2 coverage (%)



Stage 3 coverage (%)

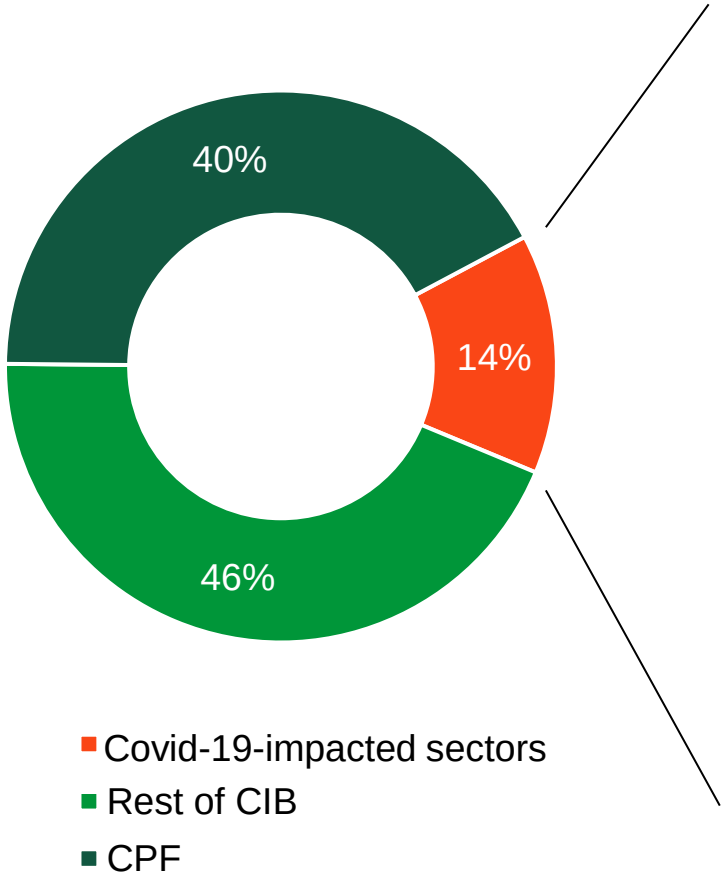


- **Stage 1 & 2 (portfolio) coverage ratios increased** across the board
- **More impairments raised for D3 clients** that remain in stage 1 & 2

- **Home loans & MFC slightly lower due to increased D7 restructures** (which attracts a lower coverage)
- **CIB coverage based on specific client profile & collateral**

Deep dive – CIB Covid-19 high-risk exposures

CIB Covid-19-impacted sectors (excl CPF) (Rbn)



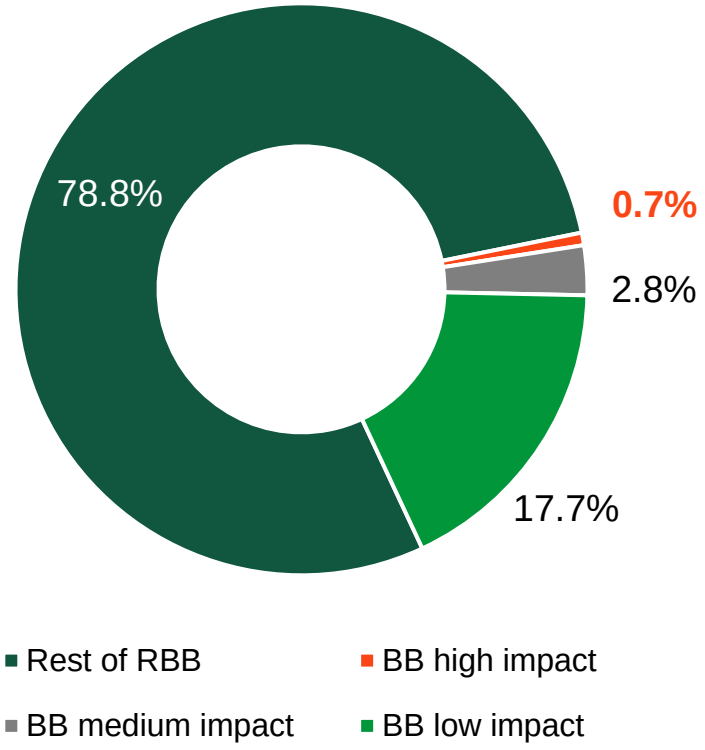
Covid-19-impacted sectors (excl CPF**)	% of CIB exposure	D3 % of sector exp	D7 & NP % of sector exp
▪ **SOEs** – defaulted exposures restructured with 33% government-guaranteed	3%	0%	12%
▪ **Construction*** – stressed sector pre-Covid-19 with efforts to reduce high-risk & defaulted exposure	3%	54%	3%
▪ **Aviation** – 50% of exposure guaranteed & remaining exposure secured at 83% average LTV	2%	18%	9%
▪ **Retail** – limited high-end fashion exposure with portfolio concentrated to large listed entities	2%	6%	0%
▪ **Automotive & Transport** – portfolio tilted towards listed entities & OEMs	2%	7%	0%
▪ **Hospitality** – exposure to largest hotel & casino groups with substantial asset/equity base	1%	97%	0%
▪ **Manufacturing** – significantly impacted by lockdown with improvement expected from level 2 lockdown	1%	25%	0%

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

Deep dive – Business Banking Covid-19 high-risk exposures

BOOKLET SLIDE

BB Covid-19-impacted sectors (Rbn)



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

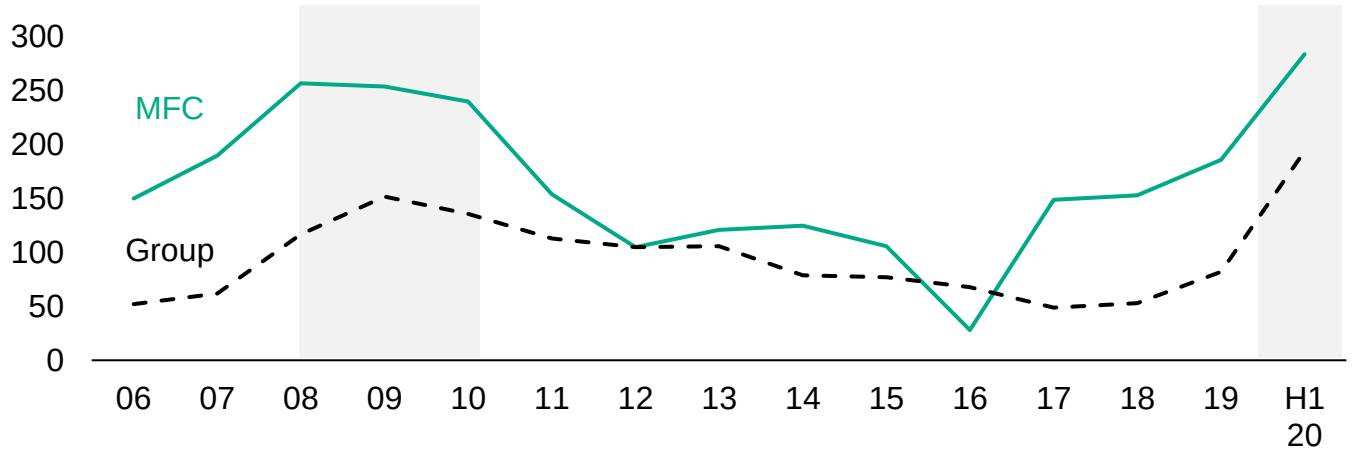
Covid-19-impacted sectors	% of BB exposure	D3 % of sector exp	D7 & NP % of sector exp
Petroleum refineries	1.0%	1.4%	2.8%
Hotels, restaurants, takeaways & tourism	2.0%	6.7%	5.0%
Aviation	0.1%	0.2%	0.2%
Recreation	0.1%	0.1%	2.5%

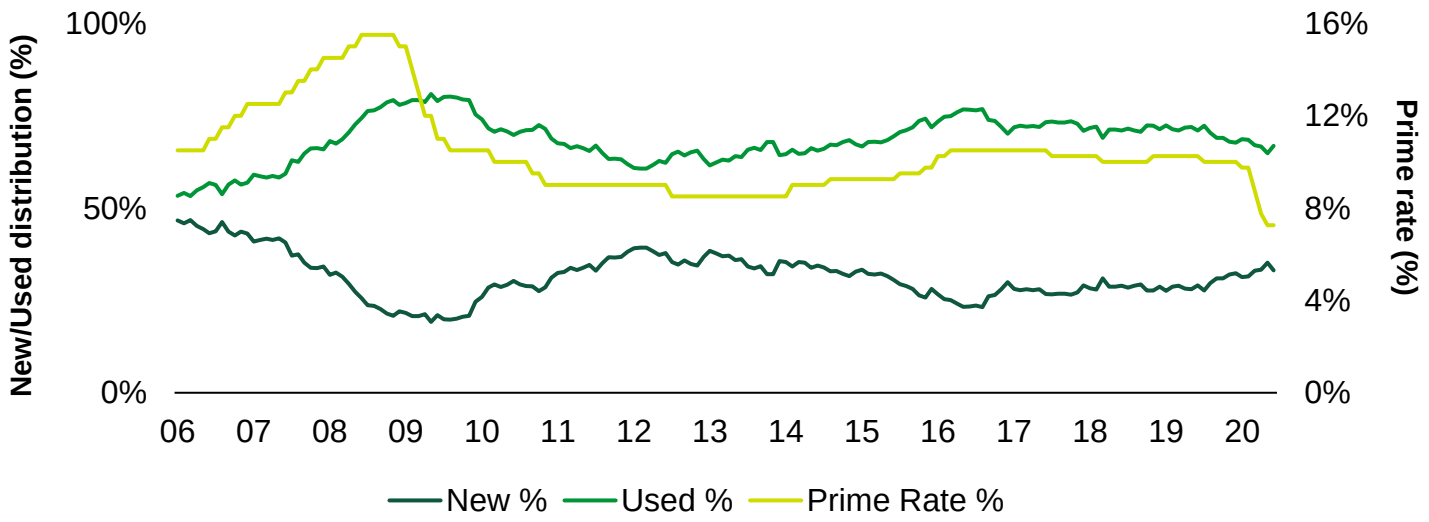
- The **focus of most businesses** at present is on protecting employees, understanding the risks to their business & managing the supply chain disruptions
- **Clients contacted individually** to understand their specific circumstances.
- **R15bn in financial assistance** – mostly to low- & medium- risk clients
- The portfolio remains **well secured & dynamically monitored** to proactively identify emerging risk
- **D7 portfolio only contributed R0.2bn** of R88bn BB loans

Deep dive – MFC

BOOKLET SLIDE

CLR (bps)

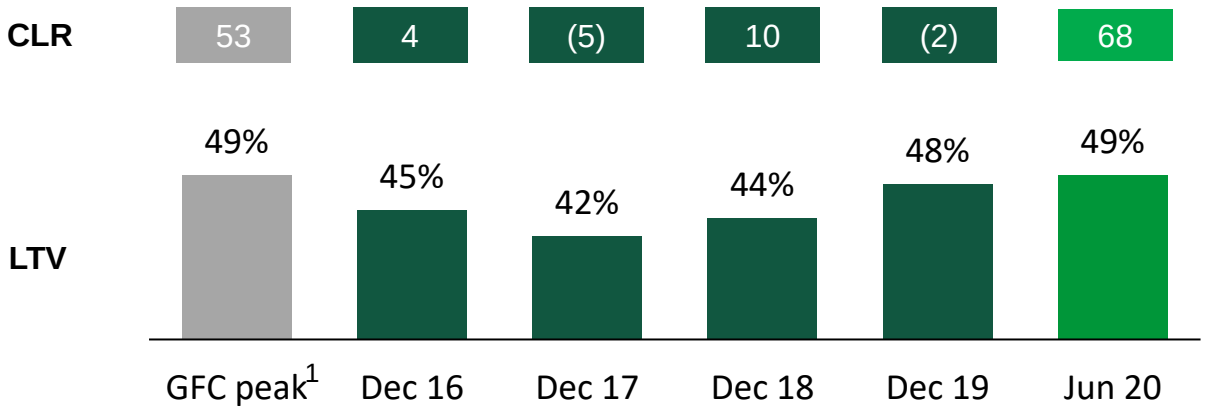




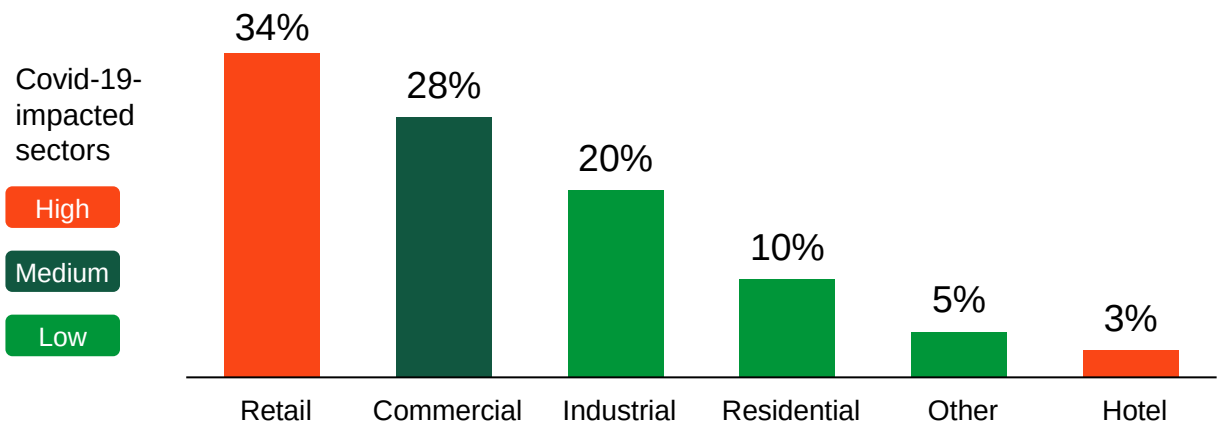
- **MFC strength in the lower-value used-car market** (long-run track record of countercyclical resistance)
- **Pressure on asset values expected, but used-car stock makes it a buyers' market** (as new car prices come under pressure)
- **R537m additional impairments** in the form of overlays
- **Credit tightening** commenced throughout 2019
- **Market share gains in BA 900 not a true reflection** due to strong presence of non-bank financiers (MFC-held market share)

Deep dive – Commercial Property Finance

CLR (bps), **LTVs** (%)



Diversification by sector (% of advances)



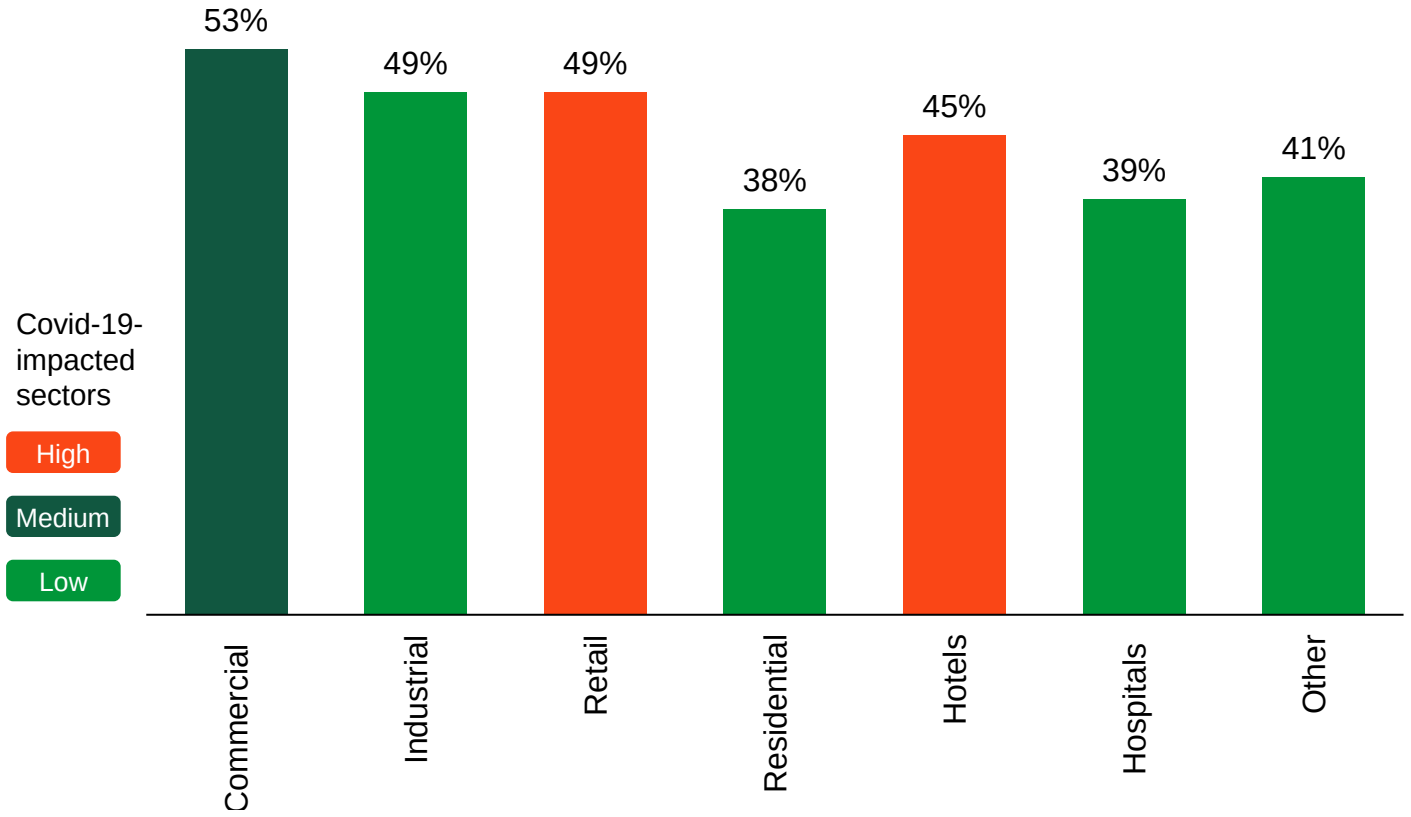
- **Strong client base supported by an experienced team**
- **Well-diversified portfolio & highly collaterised**
- **Low gearing** – adequate collateralisation significantly reduces potential losses
- **Primary lending operation supplemented by private-equity arm**
- **R106m overlay retained** for current valuations to account for uncertainty
- **Stage 2 & 3 clients' security valued on a regular basis**

Covid-19 impacted sectors as per industry stress | Sector diversification done on more granular basis than prior disclosures. | 1 CPF peaked in 2010.

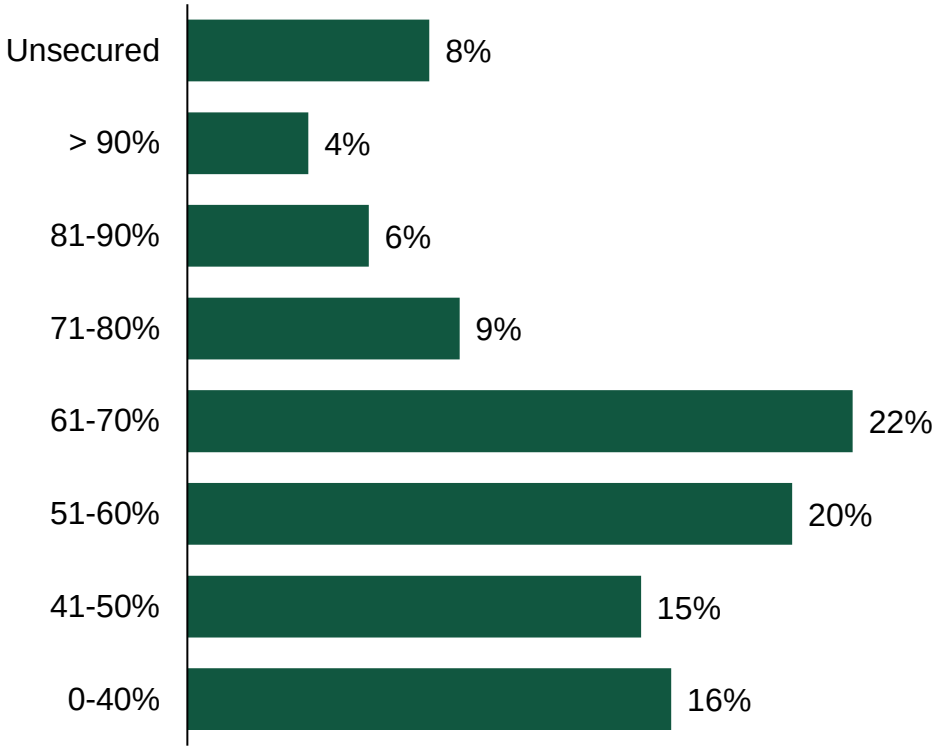
Deep dive – Commercial Property Finance

BOOKLET SLIDE

Average LTV by sector (%)



% of exposure by LTV bucket range (%)



Deep dive – Commercial Property Finance

BOOKLET SLIDE

Valuations methodology

- **Internal team of 22 qualified valuers**
- **Establish our own collateral valuations & base our lending decisions off these**
- **Listed funds**
  - Use their independent valuations as a base but make our own assessments & adjustments to reflect Nedbank view of market values
  - Generally our valuations are below company valuations – range of up to 10% lower
- **Unlisted environment**
  - Perform our own valuations on each property we take as collateral
- **Frequency of valuations**
  - Valuation performed on a regular basis for stage 1 loans
  - 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

Commercial property sector performing better than expected

What gives us comfort

- **Low LTVs going into the crisis (48%)** – adequate collateralisation significantly reduces potential losses
- Liquidity was the initial concern, **but listed client rental collections better than expected**
  - April: 67%
  - May: 72%
  - June: 84%
  - July: 88%
- **Clients benefiting from the interest rate reductions & lower gearing**
- **Reduced shareholder distributions** good for bondholders
- **Levels of arrears** (0 to 90 days): R74m.

Key risks we are focusing on

- **R200m additional overlay** – for industry stresses in the hospitality, retail & other sectors
- **R106m overlay retained** – to buffer against **changes in valuations** for Stage 1 & Stage 2 clients
- **Supported clients: R8.7bn** loans classified as D3 restructures (5.6% of loans)
- Property values will come under pressure over the next 24 months. **Nedbank valuations below company valuations**
- **Various stress-test applied to the portfolio**:
  - Valuation stress for Stage 1 & 2 clients: cap rates increase of 150 bps & income decline of 20%
  - PD migration stress: negative PD migration of 2 bands
  - Hospitality & Retail: negative PD migration of 3 bands & 10% reduction in value
- **Overlays & impairments adequate** for the potential high-risk sector & valuation impacts estimated through the various stress-tests

Commercial property sector insights

BOOKLET SLIDE

Office space – oversupplied

- Office vacancies increased to 12.3%, up 70 bps on the previous quarter
- Rentals remain under pressure with negative reversions common
- The permanent impact of Covid-19 will take time to filter into vacancy rates as tenants assess their operating models & space requirements
- Development activity expressed as a percentage of existing space is 1.1%, which is an all-time low. Pre-let rates were at 73%, indicating limited speculative development

Retail sector – largely oversupplied in metros

- Retail vacancies at the end of March was 4.8%, above the long-term average of 2.9%. This is expected to increase as the more permanent impact of Covid-19 is felt on the underlying tenant base
- Rentals remain under pressure with negative reversions common - this trend is expected to continue. Rental collections during the initial lockdown period were, however, better than expected
- 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

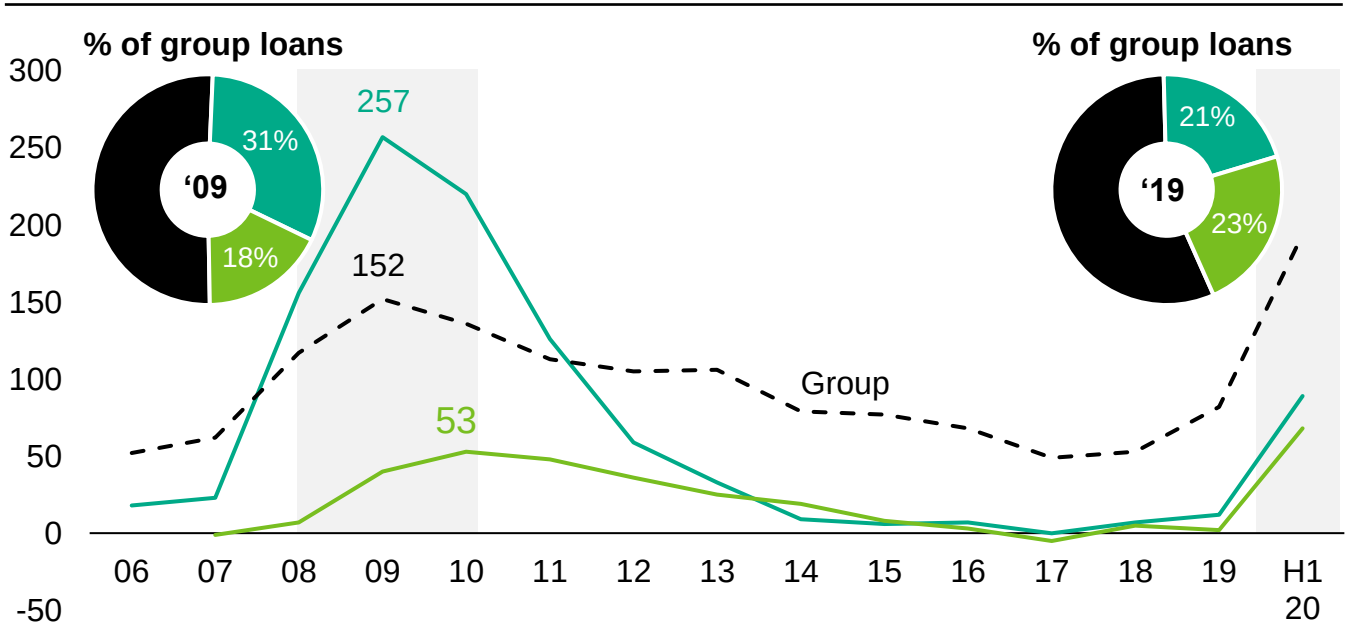
- Industrial vacancy rate is 5% across the board (last reported December 2019), below its long-term average of 5.6%
- Rental growth remained flat at 4.1%
- The full impact of Covid-19 will need to be assessed over time, but industrial space entered this period with better supply demand dynamics than 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

Home loans vs commercial property – LTV differential makes CPF a more secured asset class through a crisis. Both portfolios in much stronger position than the GFC

CLR (bps)



	CPF	HL
Book growth ’06 to ’09 (CAGR)	+20%	+14%
Change in market share ‘06 to ‘09	+0.5%	+0.4%
LTVs ’09	49%	85%
Defaulted loans % of ‘09 book	4.9%	12.3%

	CPF	HL
Book growth ‘16 to ’19 (CAGR)	+6%	+4%
Change in market share ‘16 to ‘19	(2.1%)	flat
LTVs ’19	48%	77%
Defaulted loans % of ‘19 book	1.7%	4.6%

- **Nedbank total property exposure: 44%** – significantly 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 levels
  - HL & CPF growth at or below industry (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

MANAGING RISK *(CONTINUED)*

Successfully managed risks in H1 2020 – special focus on operational, market, liquidity, credit & capital risks

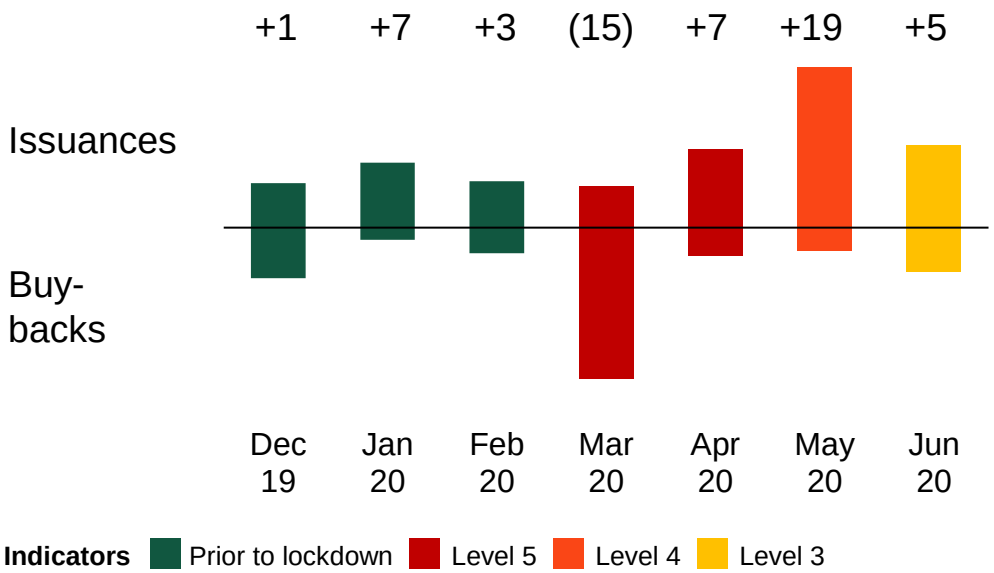
Mike Davis
Group Executive: BSM & CFO designate[1]

1 CFO Designate from 25 August 2020 & CFO effective 1 October 2020.

Liquidity risk – LCR & NSFR remained well above regulatory minimum requirements, assisted by SARB industry interventions & internal management actions

	Dec ‘19	Mar ‘20	Jun ’20
LCR	125%	110%	115%
NSFR	113%	110%	114%
LTF	30.2%	29.3%	30.4%

NCD issuances & buybacks (Rbn)

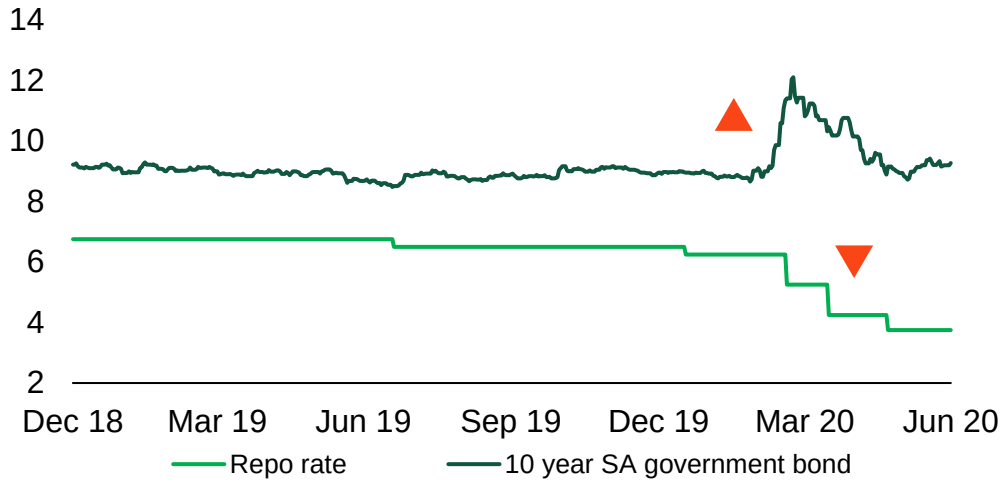


- **D1/2020** – reduced the minimum **LCR** requirement from 100% to 80% with effect from 01 April 2020
- **LCR: 115%**
  - well above the minimum regulatory requirement
  - maintained appropriate operational buffers designed to absorb seasonal, cyclical & systemic volatility
  - NCD buybacks increased over the level 4 & 5 lockdown period as holders of these instruments needed to remain liquid, but has since returned to normality
- **NSFR: 114%** – well above 100% regulatory requirement

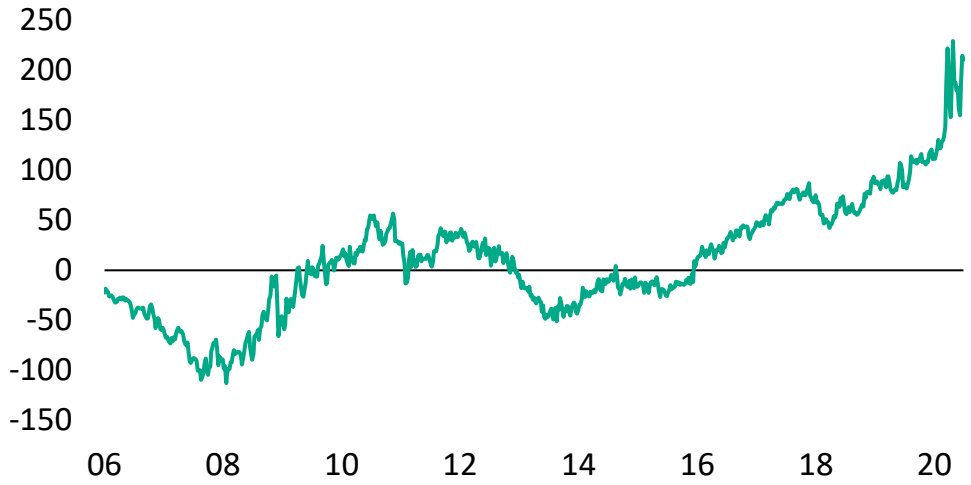
LTF = Long-term funding ratio. | LCR = Liquidity coverage ratio (3-month average). | NSFR = Net stable funding ratio.

Market risks – impact of spreads, bond yields & interest rates on banks

Repo rate vs 10-year SA government bond



Spread between gov bond & 10-year swap curves



Interest Rate Risk in Banking Book (IRRBB) – rates at short end of the yield curve (repo rate) have reduced significantly (275 bps rate cuts in H1 2020)

- Economic value of equity (EVE) remains at a low level as a result of risk management strategies (-R139m for a 100 bps decline in interest rates)
- Remained well within NII & EVE primary board limits
- Adversely impacted endowment income, without historical natural hedge against lower impairments

Bond yields – rates at long end of the curve have increased steeply (Jun 20 vs Jun 19/Dec 19)

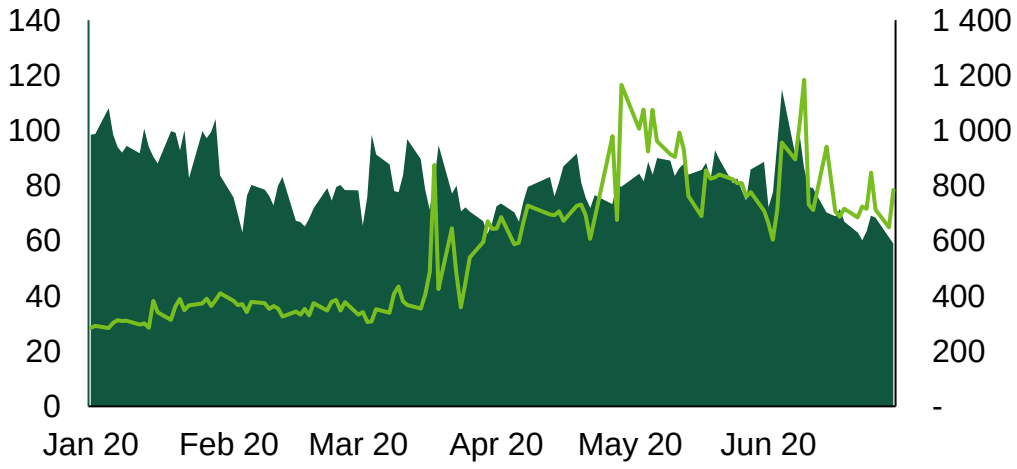
- Bank valuations have been impacted negatively by the increase in cost of capital (SA government bond indicative of risk-free rate)
- Private-equity valuations have similarly been affected negatively, conservative but no ‘fire-sale’ approach adopted
- Unprecedented levels of market price volatility beneficial for trading performance

Market risks – Trading market risk well-managed leading to outperformance in H1

Chicago Board Options Exchange Market Volatility Index



VaR & stress exposure (Rm)



Market characteristics

- Period of unprecedented market volatility & dislocations (eg bond/swap curves)
- Widespread asset sales at levels not justified by fundamentals
- Provided traders with the opportunity to deliver a strong performance in H1

Trading market risk well-managed & governed

- Volatility (only) caused market risk & capital measures to increase
- No commensurate increase in risk-taking
- Within board-approved risk appetite & tolerance levels – temporary increase
- Positive Funding Valuation Adjustment (FVA) – significant value captured through hedging during March 2020

Stress-testing & scenario analysis – adequate levels of capital in a more stressed scenario

		Base case U-shaped recession followed by stagnation			Adverse scenario Deep & long U-shaped recession		
Macro drivers[1]	**19**	**20**	**21**	**22**	**20**	**21**	**22**
SA GDP growth	0.2%	(7.0%)	2.2%	1.7%	(12.0%)	(3.6%)	3.5%
YE prime interest rate	10.0%	7.0%	7.0%	7.0%	7.0%	7.0%	6.3%
Inflation (CPI)	4.1%	3.3%	4.2%	4.1%	3.6%	4.2%	3.8%
Credit growth	5.4%	2.5%	5.7%	6.4%	(1.3%)	2.0%	3.8%

Stress-testing indicators (2020 to 2022)

CET1 capital adequacy ratio	> 10%	Well above SARB minimum
CLR peak	150 bps to 185 bps	< 220 bps

1 Nedbank forecasts & scenarios updated: July 2020 (Nedbank Group Economic Unit).

OUTLOOK

Environment remains challenging & uncertain
& forecast risk remains high

Mike Brown
Chief Executive

Significant deterioration in macroeconomic environment, expected to improve in 2021 off a low base

	January 2020				July 2020			
	19	20	21	22	19	20	21	22
SA GDP growth	0.2%	0.7%	1.1%	1.3%	0.2%	(7.0%)	2.2%	1.7%
YE prime interest rate	10.0%	9.8%	9.8%	9.8%	10.0%	7.0%	7.0%	7.0%
Inflation (CPI)	4.1%	4.3%	4.3%	4.9%	4.1%	3.3%	4.2%	4.1%
Industry credit growth	5.4%	6.3%	7.0%	7.2%	5.4%	2.5%	5.7%	6.4%
Unemployment rate	29.1%	ND	ND	ND	29.1%	31.0%	30.5%	29.0%

Forecasts by Nedbank Group Economic Unit (January vs July 2020).

2020 financial guidance[1] based on current macroeconomic forecasts, but forecast risk remains high

	H1 2020 Performance	2020 guidance range[1]	Analyst forecast ranges[2]	Key risks/opportunities
NII growth	+1%	-5% to 0%	-6% to -3%	▪ Significant in/decrease in retail &/or wholesale loan growth ▪ Significant change in prime interest rate (Current Dec 2020 forecast: 7.00%)
CLR	194 bps	150 bps to 185 bps	144 bps to 200 bps	▪ Deterioration in macro forecasts, performance of the D3 loans & job losses (expect 3-10% job losses across various products) ▪ Large corporate default(s)
NIR growth	(5%)	-7% to -11%	-4% to +2%	▪ Client transactional volume recovery as a result of various lockdown levels, trading & private-equity volatility & changes in macro fair value hedges
Expense growth	(1%)	-4% to -1%	-3% to +3%	▪ Incentives driven by the group's financial performance
Capital (CET1 ratio)	10.6%	> 10%	ND	▪ RWA migration ▪ Extent of earnings decline
Liquidity (LCR & NSFR ratios)	LCR: 115% NSFR: 114%	> 100%	ND	▪ Recurrence of financial market volatility, offset by SARB interventions
DHEPS	(69%)	HEPS & EPS decline more than 20%		
Dividends	No dividend declared	SARB PA G4/2020 applies	No dividend forecast	▪ Board will take guidance from SARB PA G4/2020

1 Based on current economic forecasts. | 2 Based on sell-side forecasts from 1 May 2020 (7 number of analysts) up to 21 Aug 2020.

Thoughts on the outlook for 2020 & beyond

Environment to remain challenging & uncertain – forecast risk high

H1 2020

- Period of unprecedented **health, economic & social challenges**
- **Impacted our staff & our clients**
- **Nedbank Group** remained
  - **profitable** (HE R2.1bn);
  - **open for business;**
  - **with capital & liquidity metrics within board-approved targets** & well above all prudential requirements.

Ongoing focus on resilience

- **Primary focus on health & safety of our staff** – remain alert for second wave
- **Supporting our clients** – manage restructures as payment holidays end
- **Focus on collections**
- **Maintain strong balance sheet metrics** well above regulatory minima
- **Work with Regulators** on maintaining safety & soundness of the system

Tilting our strategy: Re-imagine

- Delivering **great client experiences**
- **Leveraging our technology** investments & digital leadership – new revenue streams & cost efficiencies
- **Strategic Portfolio Tilt 2.0** – leveraging our balance sheet to grow transactional business
- **TOM 2.0** (physical distribution, RBB client-centric structure & shared services optimisation) – expected to deliver greater benefits than TOM 1.0

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

Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

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

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements are correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings or profits, or consequential loss or damage.