

Nedbank Group Interim Results

for the six months ended 30 June 2021

see money differently

OVERVIEW

Strong performance in H1 2021, helped by a more supportive economic environment

Mike Brown
Chief Executive

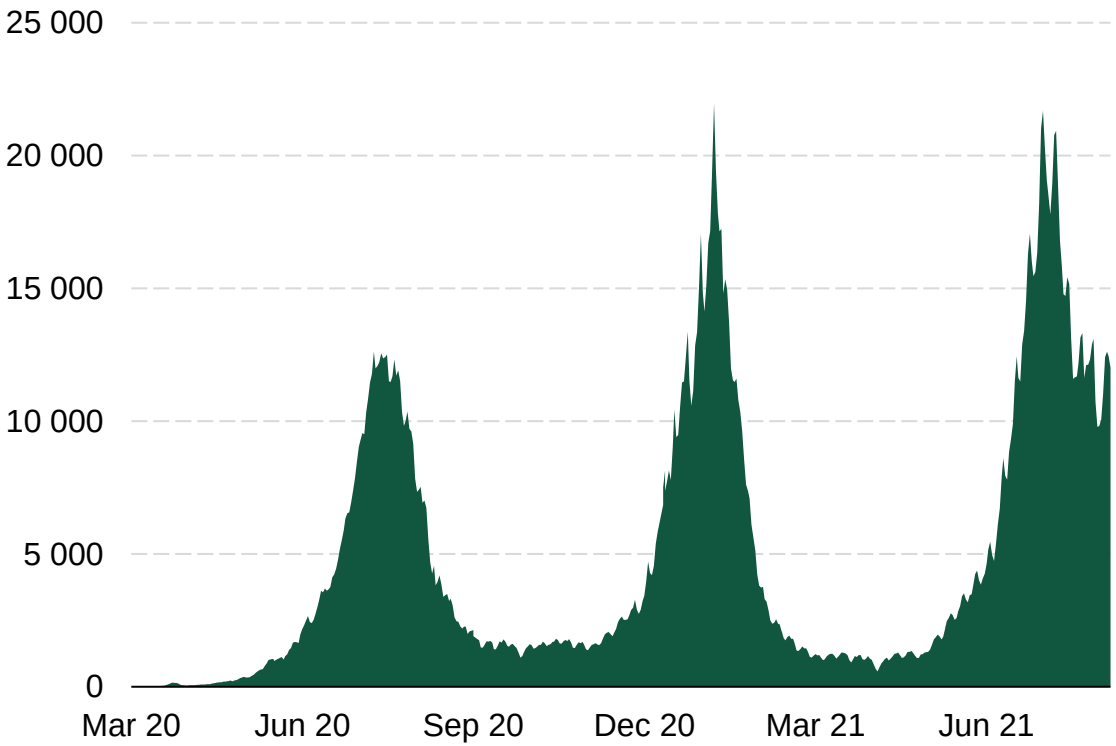
- Key resilience metrics above pre-crisis levels
- HE +148% to R5,3bn, driven by a significant improvement in impairments
- Good strategic progress

Overview

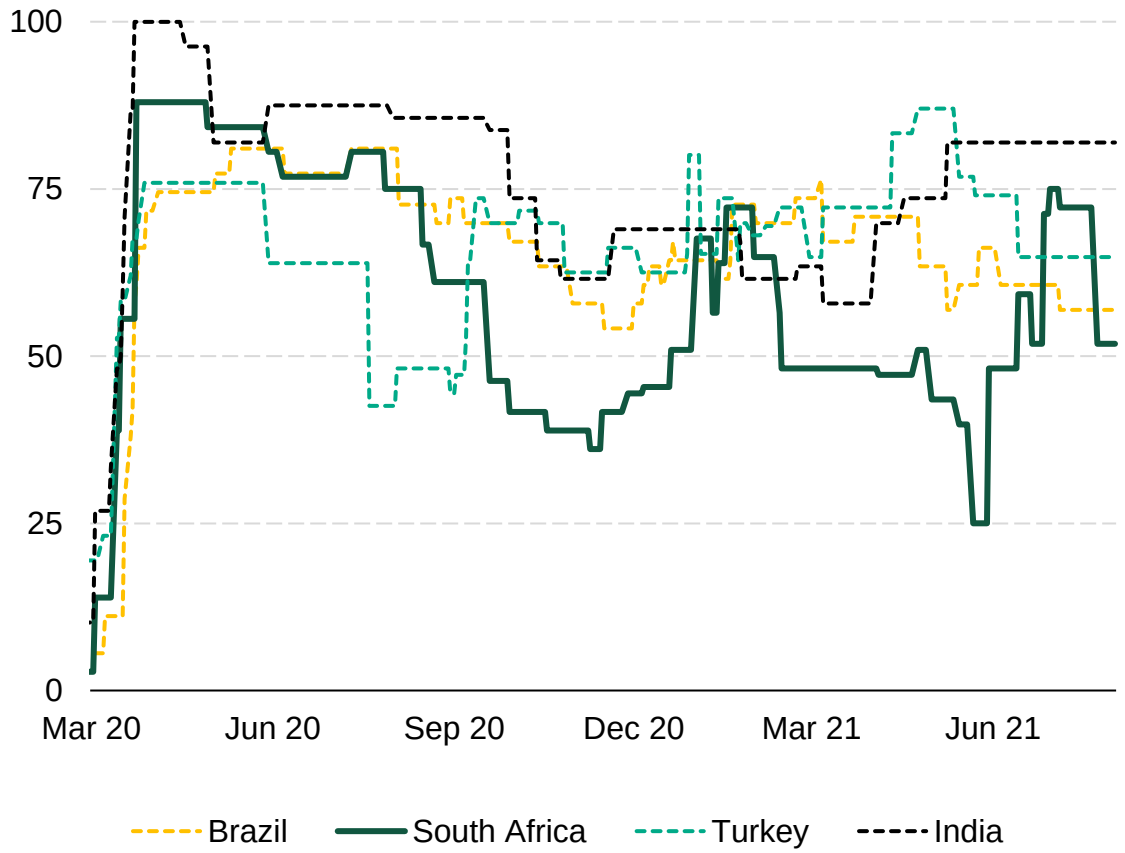
- **A more supportive environment in H1 2021**
  - GDP growth improving off a low base (2020: -7,0% decline | 2021 forecast: 4,2% growth)
  - More severe third wave of Covid-19 infections, but lockdown levels more supportive
  - Muted demand for corporate credit & excess cash being used to repay debt
  - Robust demand for retail credit as clients benefit from lower interest rates
  - Recovery of transactional activity off a low base – ongoing strong growth in digital
  - Civil unrest in July 2021 likely to reduce 2021 GDP growth by 0,4% & introduction of adjusted lockdown level 4 by a further 0,4%; previous forecast 5,0% reduced to 4,2%
- **Key resilience metrics above pre-crisis levels & solid financial recovery off a low base**
  - CET1 (12,2%), LCR (131%) & NSFR (114%) all above pre-crisis (2019) levels
  - Total coverage (3,41%) at multi-year high & central overlays increased to R4,5bn (Dec 20: R3,9bn)
  - HE growth of 148% to R5,3bn, driven by significantly lower impairments, widening NIM & expense discipline
  - Dividend payments resumed
- **Good ongoing strategic progress**
  - Market share gains in key product areas, ongoing main-banked client growth, productivity improvement & excellent risk & capital management

Operating environment – SA heading towards the end of a third wave of Covid-19 infections, with lockdown levels less stringent than in the first wave

SA positive Covid-19 cases
(7-day average)



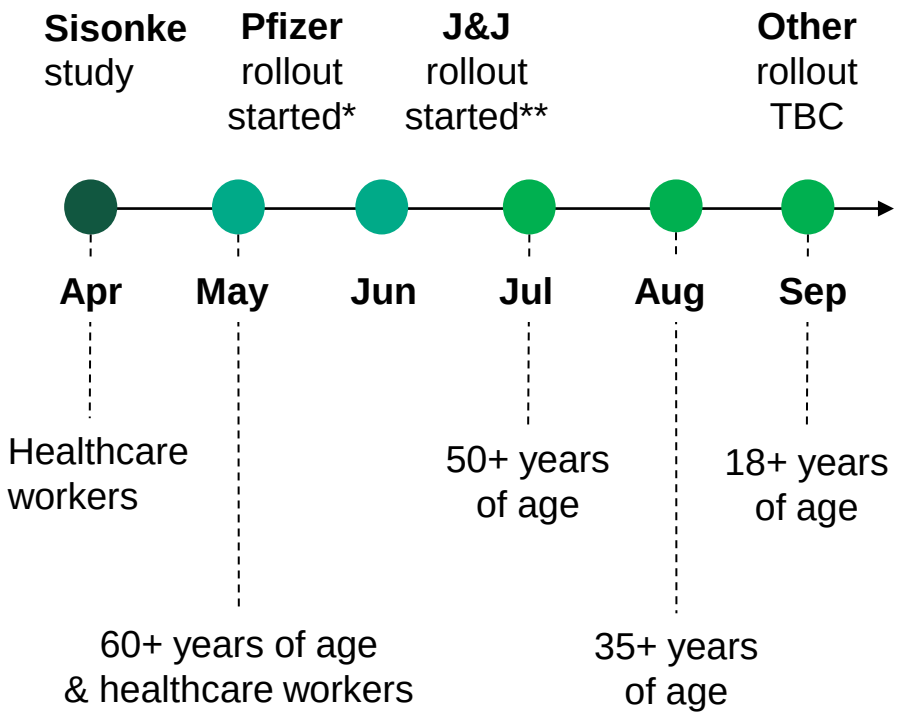
Stringency index[1]



1 Oxford University

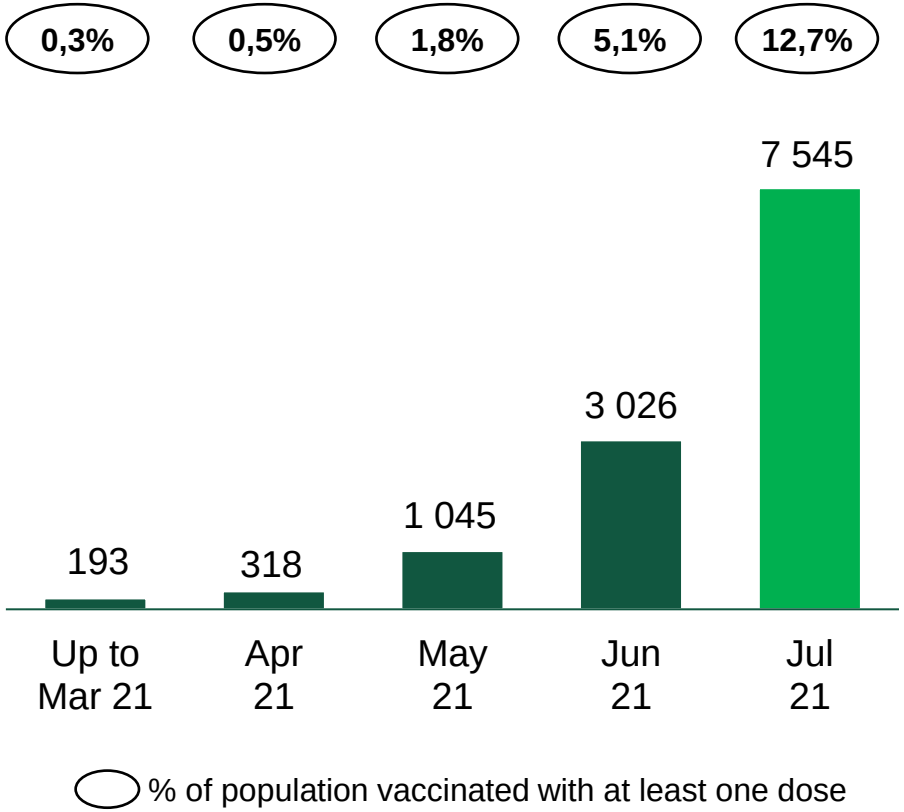
Operating environment – vaccine rollout gathering pace

SA vaccination plan



Vaccine rollout

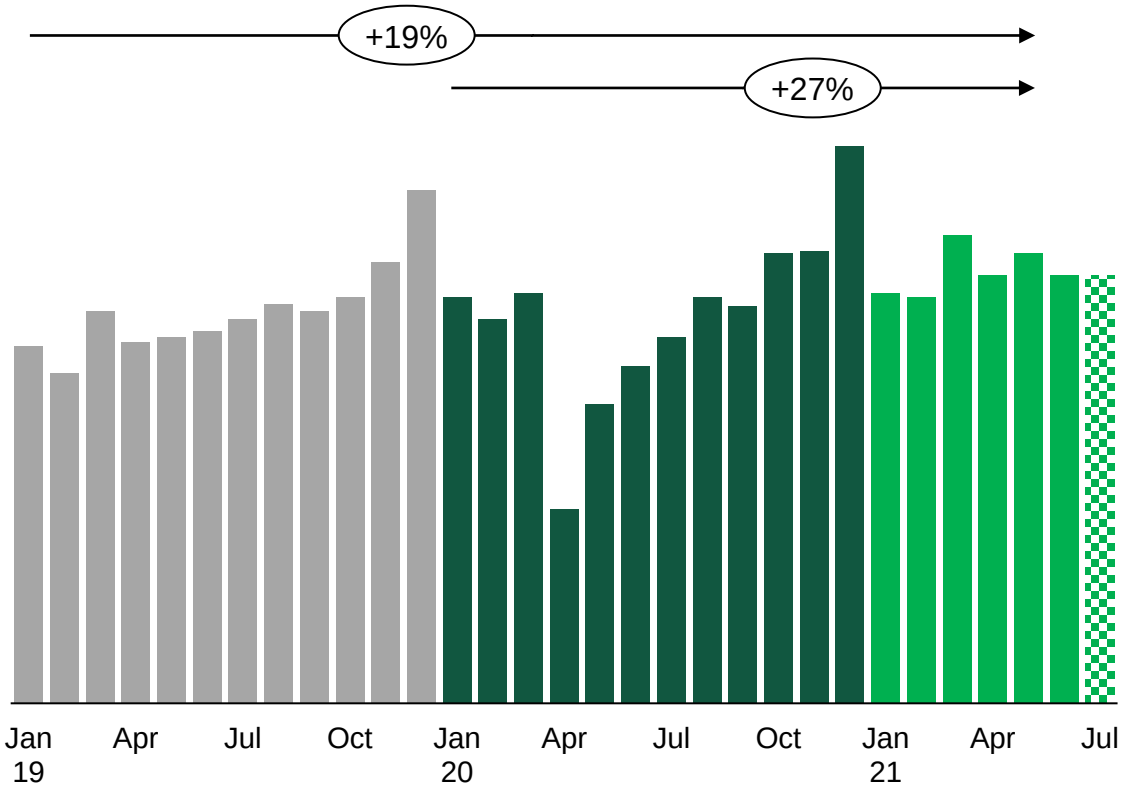
(‘000 doses administered)



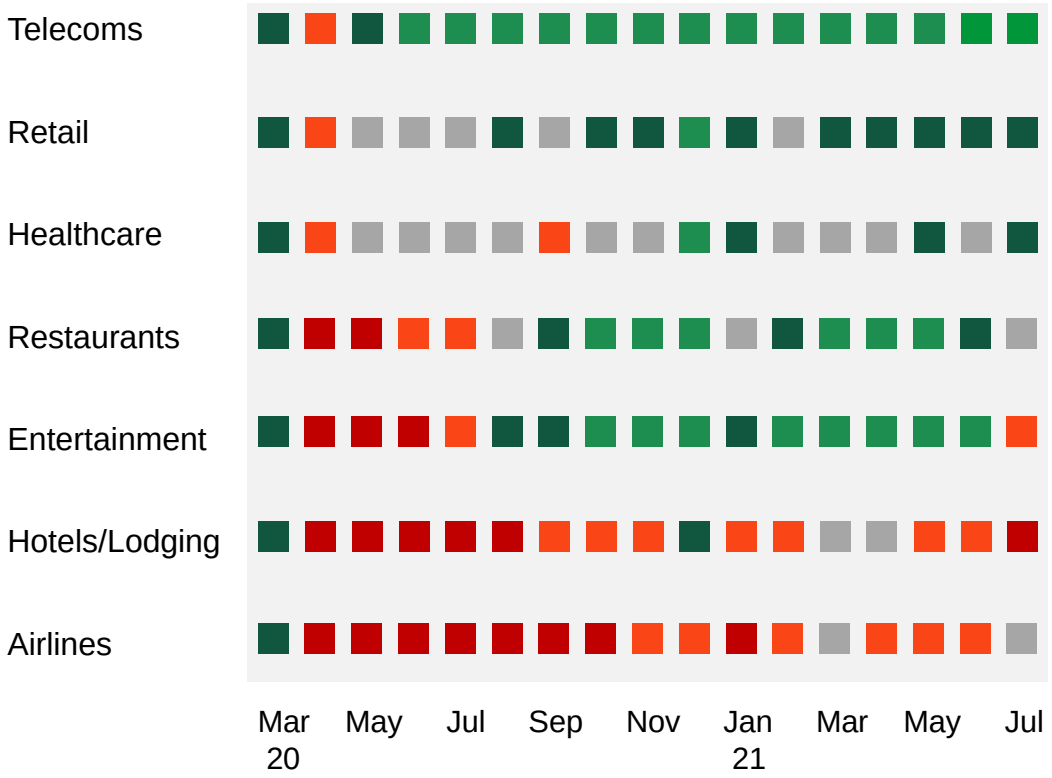
** SA Vaccination plan: Pfizer: 38m by end-2021 (2 doses required) & ** J&J :31m by end-2021 (1 dose required) | 7,4% of population fully vaccinated at 31 July 2021.*

Operating environment – high-frequency data from client transactional turnover[1] shows an improvement in operating conditions in H2 2020 & into H1 2021

Total monthly industry POS turnover
(Rbn, growth for 6M yoy %)



Key sectors
(indexed to March 2020)



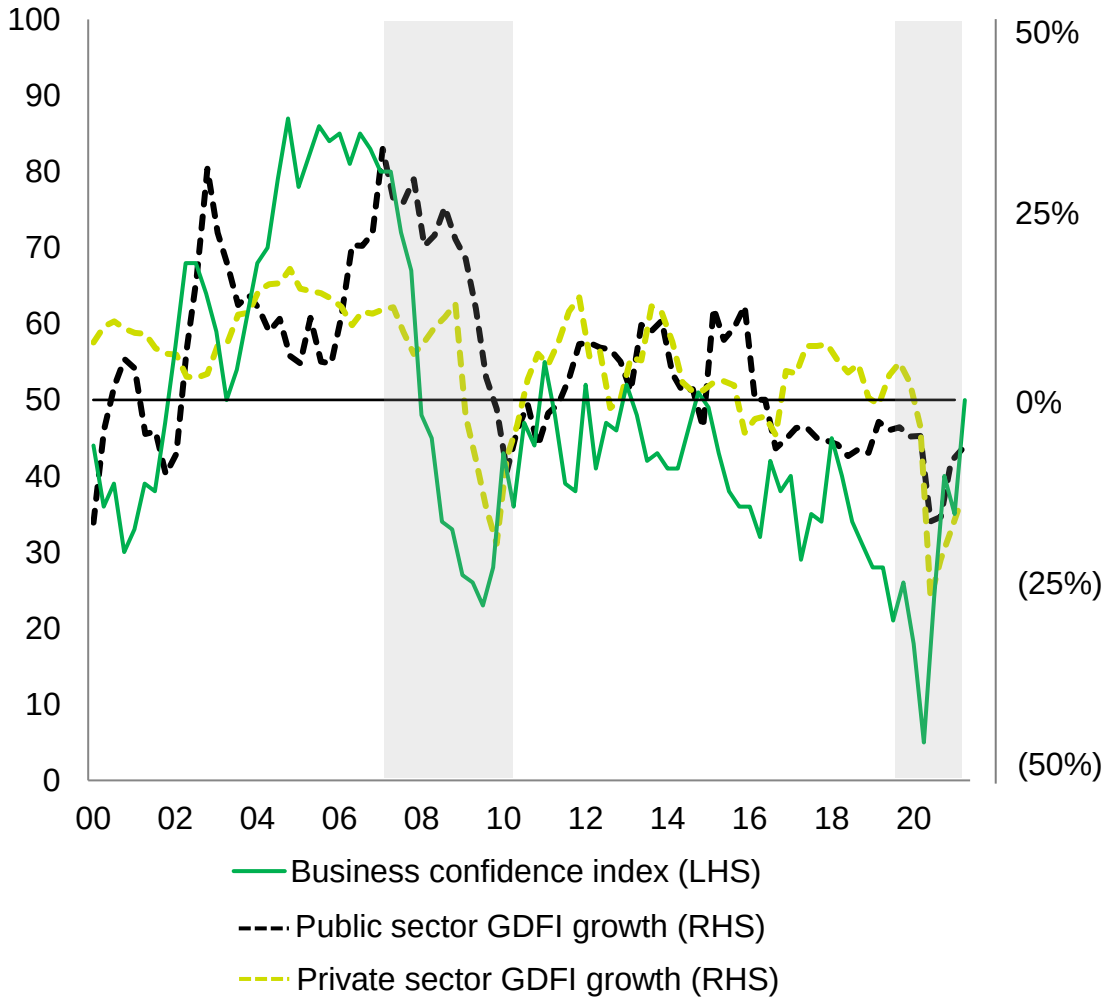
6M (January to June) yoy change

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

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

Operating environment – low levels of fixed investment by public & private sector, & recent unrest will increase country risk premium

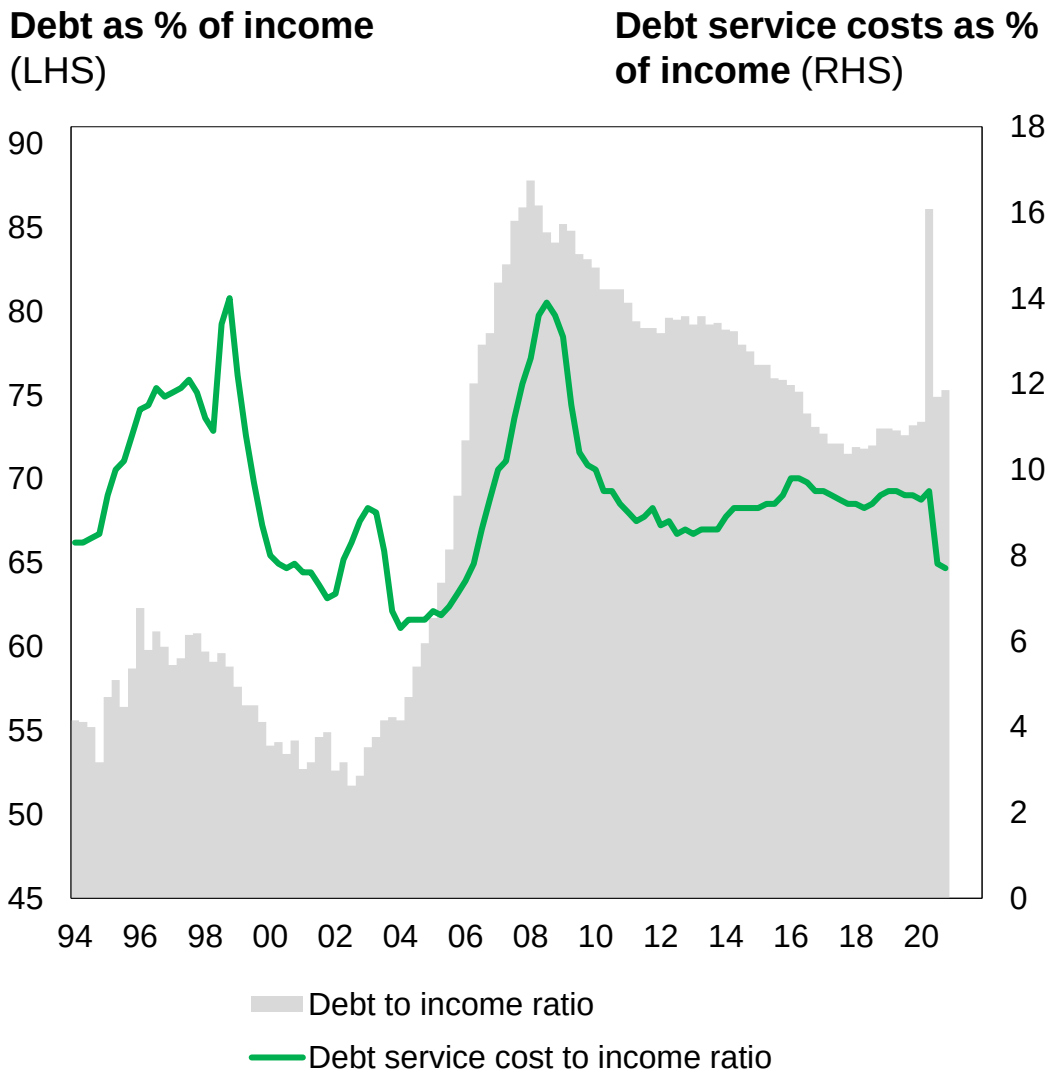
Business confidence[1] vs fixed investment



- **Q2 21 business confidence recovered to 50 points** (neutral position) but new corporate loan demand still muted
- **Positive developments on key SA reforms**
  - Increased private energy generation capacity to 100 MW
  - Sale of majority stake in SAA
- **Renewable energy**
  - Nedbank participating in 4 projects in the emergency renewable energy round
  - Round 5 REIPPP in progress – likely to close Q1/Q2 2022
- **Recent civil unrest & looting will have negative impact on country risk & investor confidence**

[1] *SA Bureau of Economic Research.*

Operating environment – households benefiting from 300 bps lower interest rates



- **Households have de-levered since the GFC**
  - Peak of 88% to current level of 75%
- **Interest rates 300 bps lower in 2020 supporting:**
  - Demand for prime-linked credit (home loans, vehicle finance, etc) – evident in solid RBB loan growth
  - Easier for households, businesses & corporates to service their debt – evident in lower CLRs
- **Households were net savers in 2020 & the trend continued into Q1 21** – ratio of savings to disposable income, up to 0,7% (-0,4% at end-2019)

SA civil unrest & looting (second week July 2021) – physical impact limited to KwaZulu-Natal & parts of Gauteng, but long-term impact on the country is concerning

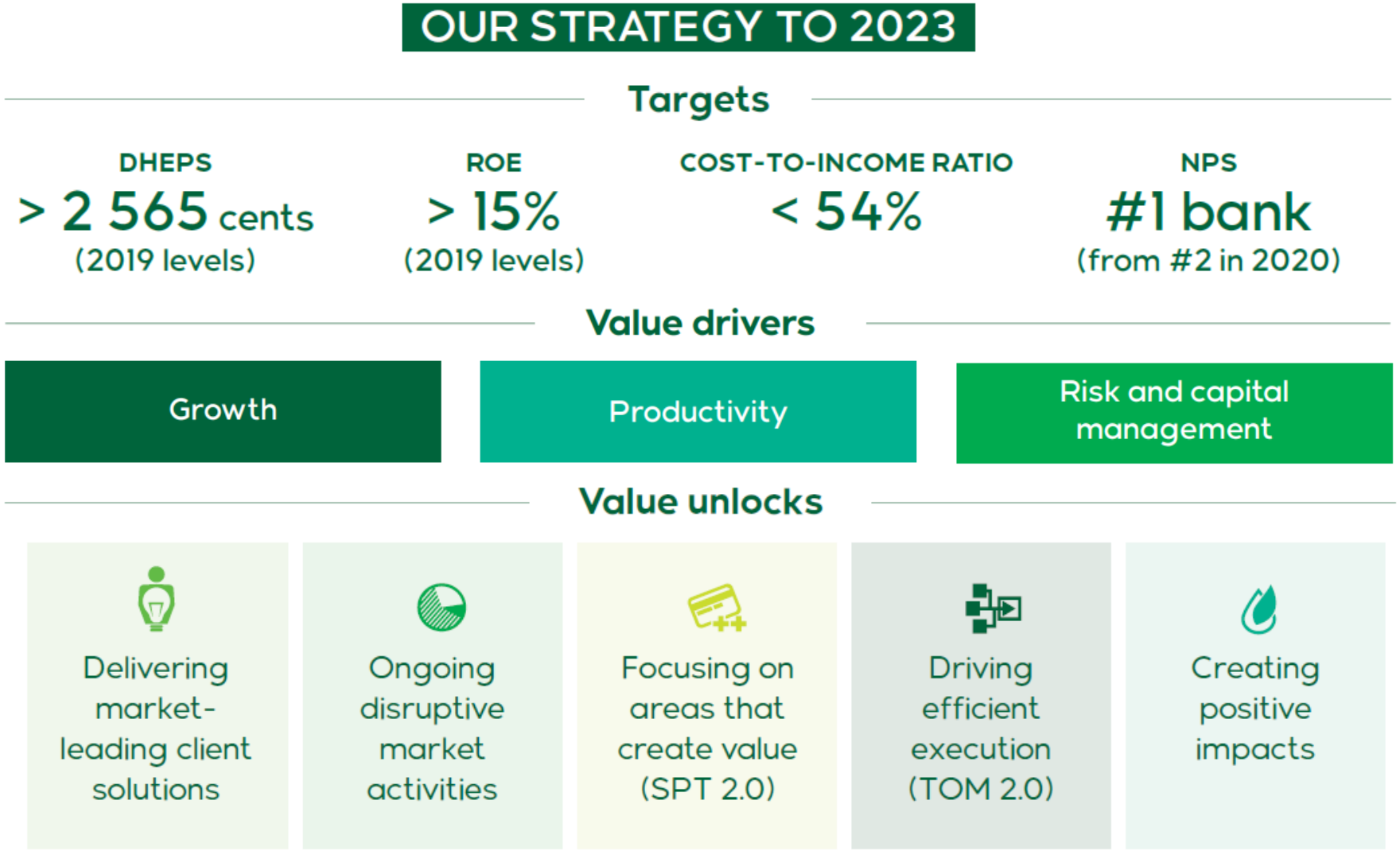
Impact on Nedbank

- Primary focus on safety of our employees & clients
  - More than 3 400 employees affected – no injuries or casualties reported
- BCP from Covid-19 response & hybrid working practices beneficial
- At the height of the crisis (isolated to KwaZulu-Natal & parts of Gauteng):
  - 226 branches (52%) & 60 Boxer outlets (55%) closed (55 vandalised in total). End-July: 29 branches & 23 Boxer stores damaged/closed.
  - Trading hours amended to allow employees sufficient time to travel home safely
  - 325 ATMs (8%) vandalised
  - Contact centre remained open 24/7 & digital channels beneficial
- Supported employees (counselling, food parcels – 106 tons of food & goods distributed, etc)

Implications

- Macroeconomic impact
  - Estimated 0,4% negative impact on 2021 GDP growth
  - Reconstruction activity likely to offset potential lower levels of investment in the short term
- Nedbank & our clients
  - Own infrastructure – covered by Sasria
  - Impact on clients
    - Vast majority of clients covered by Sasria
    - CIB – 166 clients impacted, but no significant support requested yet. All impacted CPF clients have Sasria cover
    - RBB – 300 BB & > 2 800 RRB clients impacted, most covered by insurance
    - Retail – HL & VAF loan application volumes down in KZN in July
    - Transactional impact not material based on initial high-frequency data

Progress on our strategy to 2023



Growth & productivity – solid progress to date

Growth

BA900 market share[1] (%)

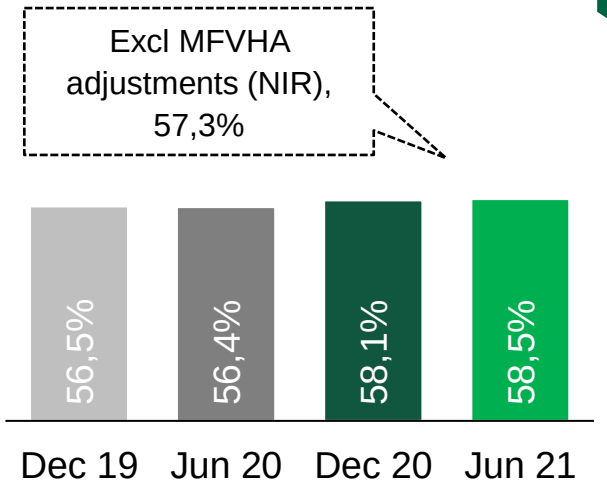
	Share	Change yoy
Home loans	**14,3%**	▼
Vehicle finance	**36,6%**	▲
Personal loans	**11,6%**	▲
Card issuing	**12,5%**	▲
Household overdrafts	**8,6%**	▲
CPF	**38,1%**	▼
Core corporate loans	**20,5%**	▼
Household deposits	**15,2%**	▼

Client gains & AUM

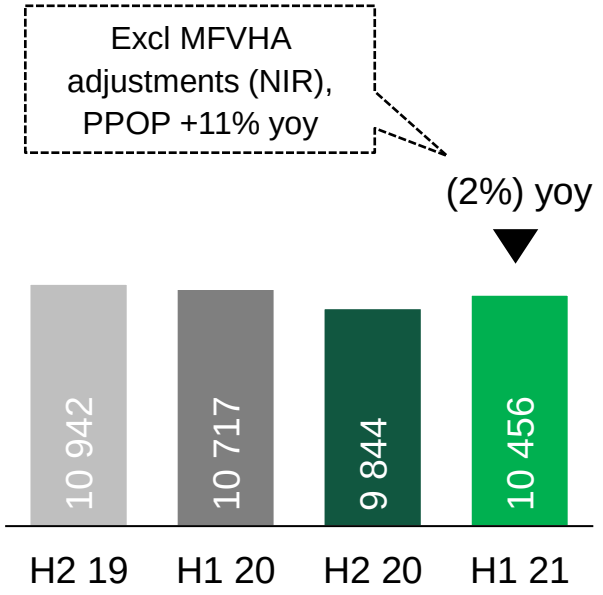
CIB new-client gains in H1 21	+**18**
Retail main-banked client growth	+**2%**
NAR client gains	+**14%**
AUM growth	+**9%**

Productivity

Cost-to-income ratio (%)



PPOP (Rm)



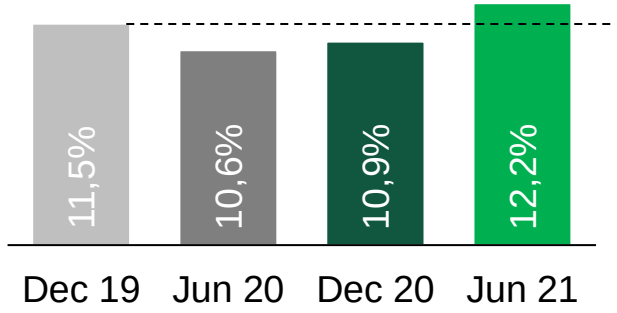
[1] *At May 2021.*

Risk & capital management – balance sheet metrics remained resilient, improved further in H1 2021 & now above 2019 levels

Capital

CET1 ratio (%)

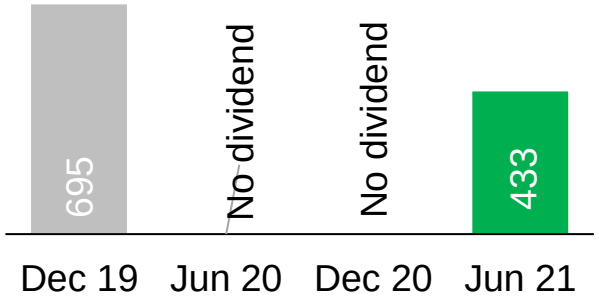
✓



Dividends

Dividends/share (cents)

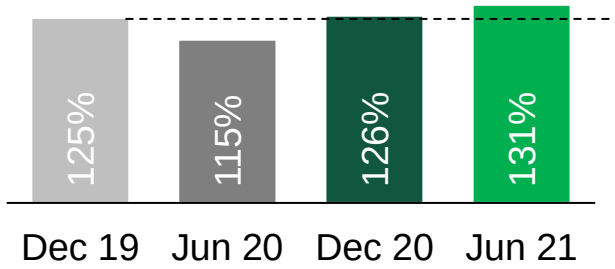
✓



Liquidity

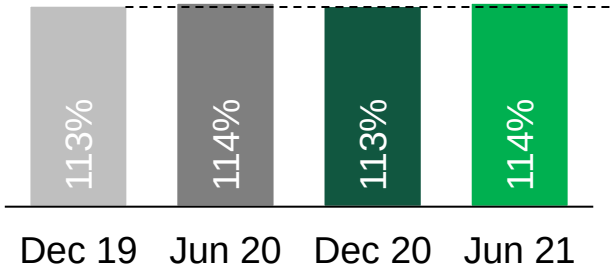
LCR (%)

✓



NSFR (%)

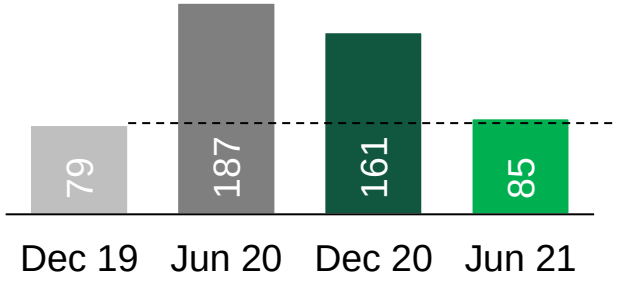
✓



Credit

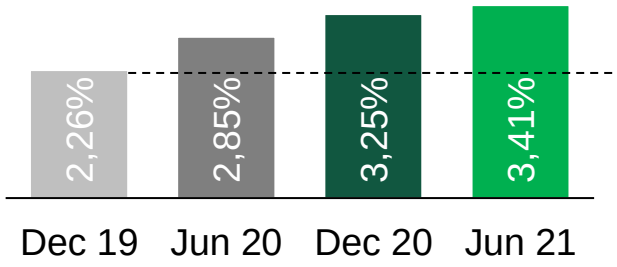
CLR (%)

✓



Total coverage (%)

✓



Good progress on our technology strategy – supported by accelerated digital sales & transactional activity & underpinned by high levels of system availability

Managed Evolution – 81% complete (H1 20: 74%)

- **84** core systems (H1 20: 106)
- **Individual onboarding in place & juristic making good progress** (99% in BB & 88% in CIB in June 21)
- **6 of our top 10 products/client journeys digitised** + various additional products (incl investments)
- **Digital sales: 54%** of total sales (H1 20: 53%)
- **Digitally active clients: 61%** of total main-banked clients (H1 20: 55%)
- **Growth in digital transactions: +33%** (volume) & **27%** (value) yoy
- **High levels of system uptime: 99,5%** (H1 20: 99,7%)

Digital leadership externally acknowledged

- Most Innovative Digital Bank[1], Best Digital Bank[2], Best Mobile & Internet Banking[3,4], Best Bank for APIs[1,2], Best Technology Transformation[1], Best Innovation in Retail Banking[5]

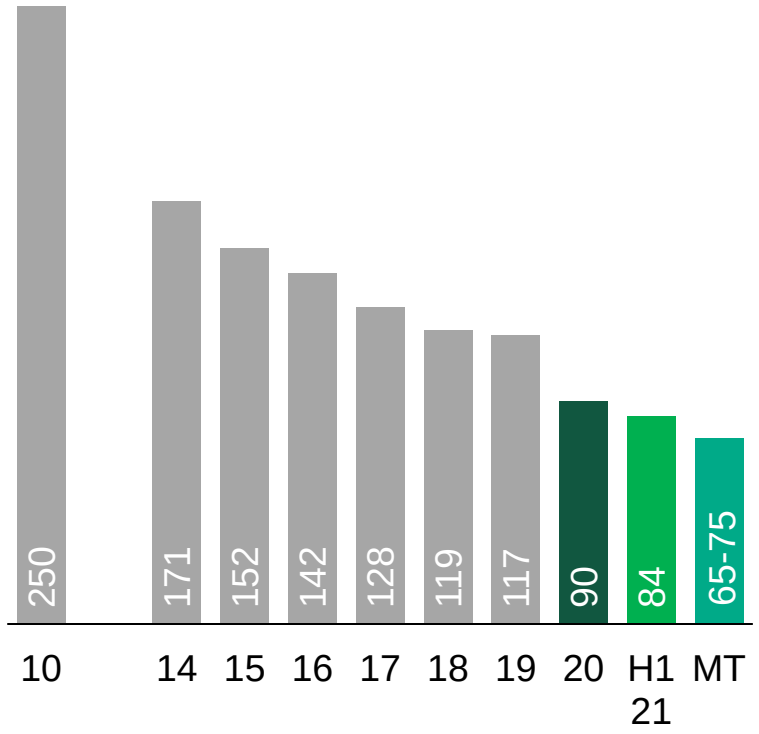




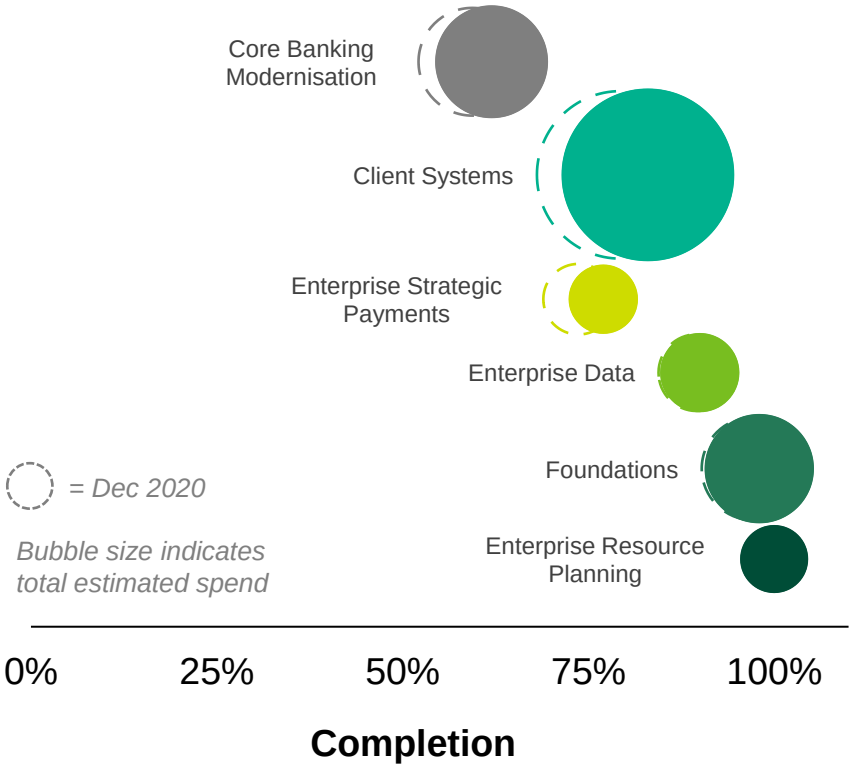
Source: [1] WorldEco. [2] Global Banking & Finance Awards. [3] Global Business Outlook. [4] International Business Magazine. [5] International Banker.

Our Managed Evolution technology strategy is materially complete & delivering benefits as per plan

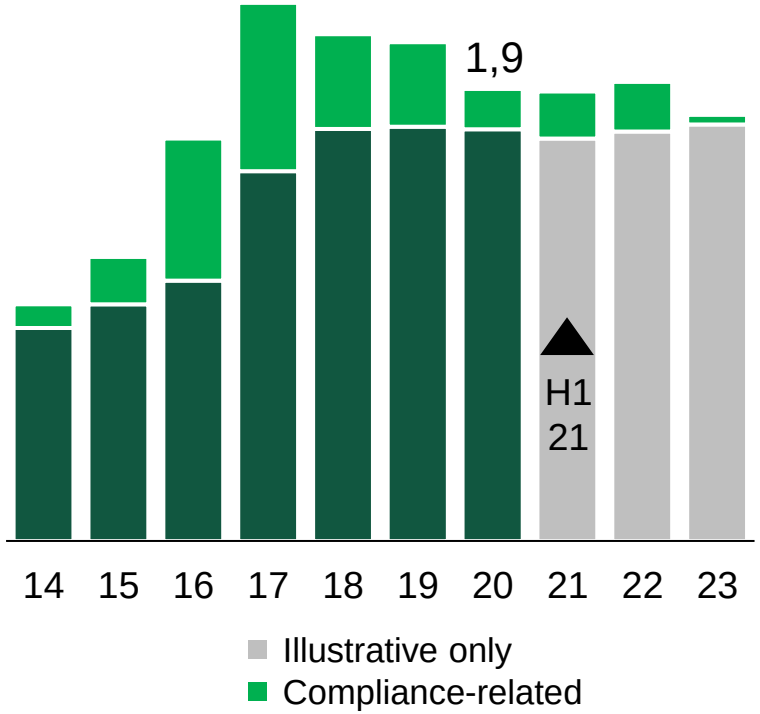
Core systems (#)
Rationalise, standardise & simplify



Managed Evolution programme
~81% complete, R9,5bn by June 2021
(R12,2bn including new technologies)

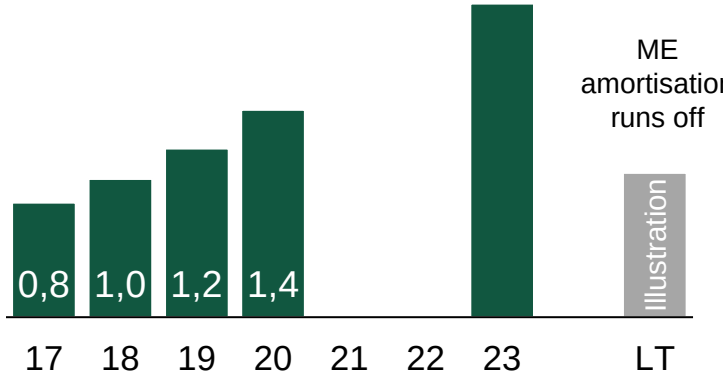


IT software development spend (Rbn)
Annual cashflow continues to decline

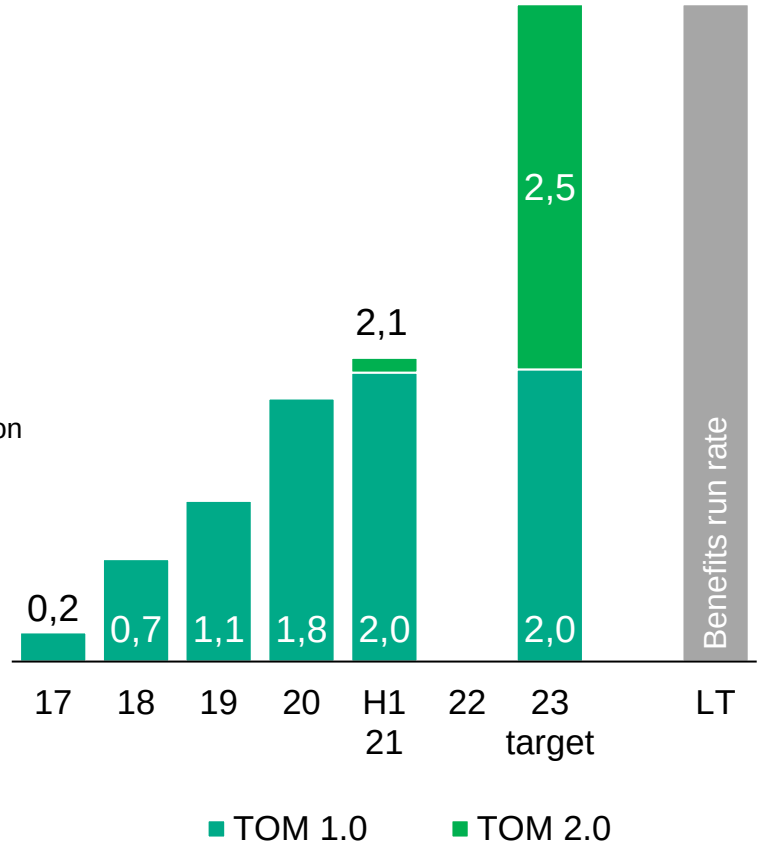


The benefits from our technology investments & digitisation are being unlocked through TOM 1.0 & TOM 2.0

Amortisation charge (Rbn)



Cumulative TOM 1.0 & TOM 2.0 benefits (Rbn)



Other benefits

TOM 2.0

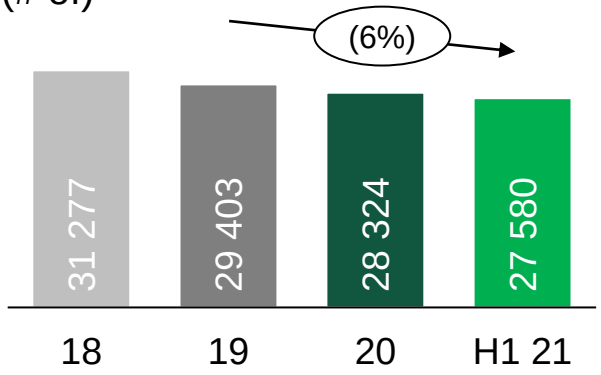
Optimising the shape of our infrastructure (branch & CRE), a more-client-centred RBB structure (incl back-office optimisation) & groupwide shared-services optimisation

TOM 1.0

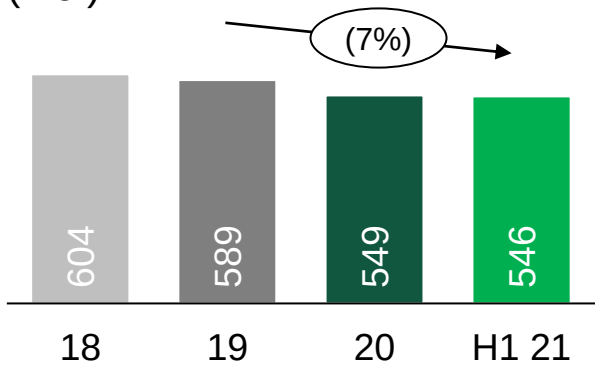
Modernised technology platform (ME), optimised digital innovation capabilities (DFL) & implementation of end-to-end digital client onboarding, & digital products & services.

TOM 1.0 & TOM 2.0 outcomes – evident in optimisation of operations to enable lower expense growth over time & meet our 2023 cost-to-income ratio target of 54%

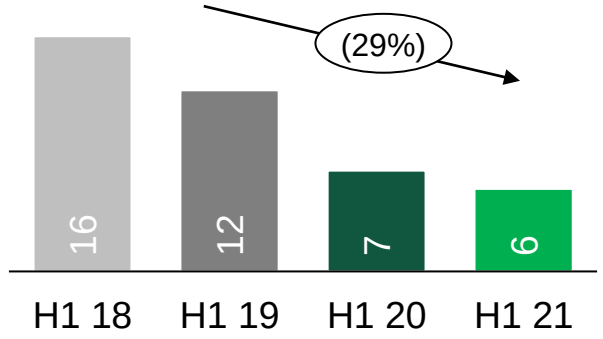
Group employees
(# of)



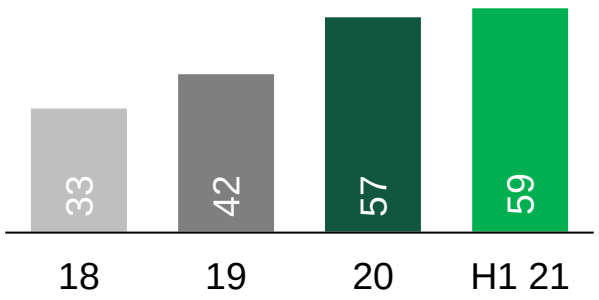
SA outlets/branches
(# of)



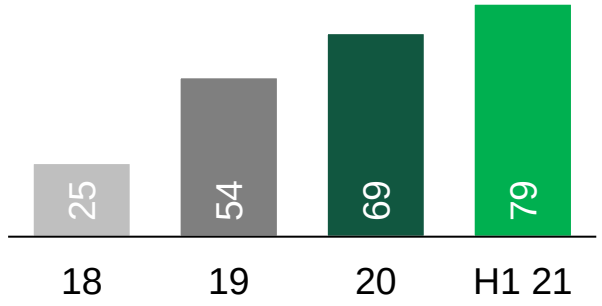
Teller activity
(# m)[2]



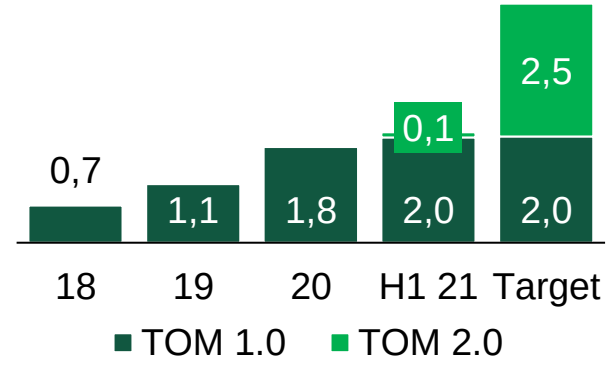
Branch floor space saved
('000 m[2])[1]



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



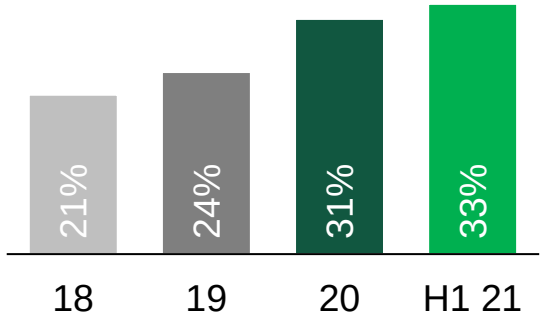
Cumulative TOM 1.0 & TOM 2.0 benefits (Rbn)



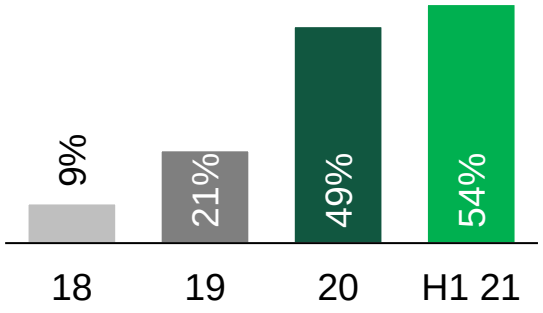
[1] Represents the total branch floor space we saved since 2014, equating to approximately 25% of our branch floor space in 2014 when we started the journey. | [2] Refers to the volume of interactions with tellers.

Accelerated digital uptake & usage – driven by world-class delivery, enablement & innovation, as well as client behavioural shifts during Covid-19

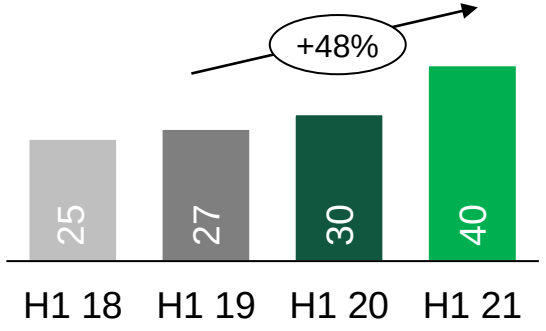
Digitally active clients
(% of total clients)



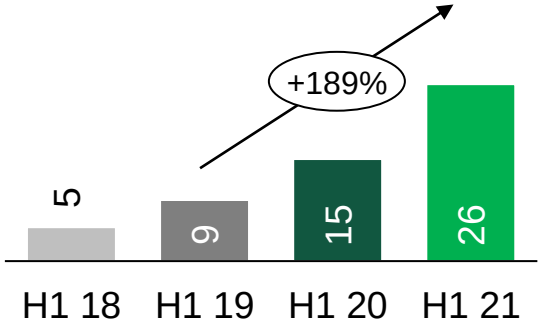
Digital sales[2]
(% of total sales)



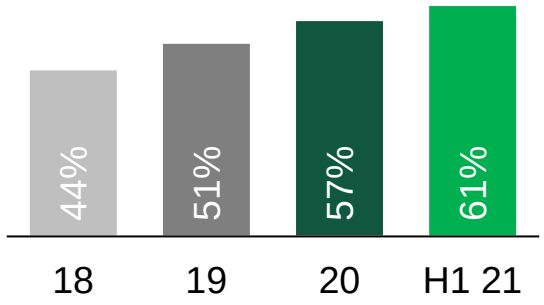
Digital transaction volumes
(# m)



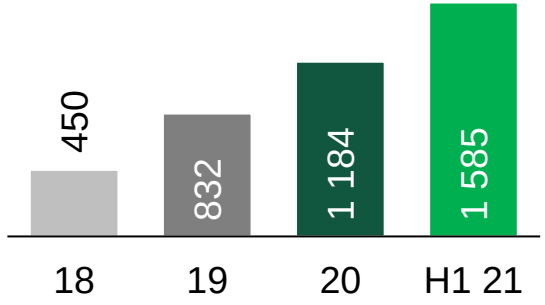
App transaction volumes
(# m)



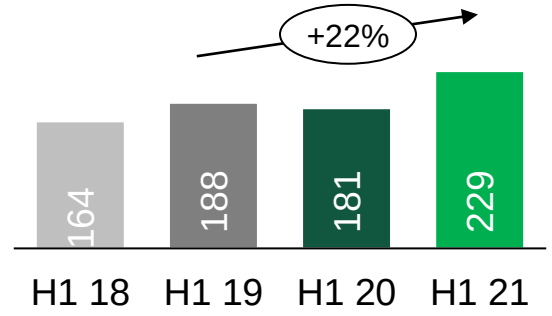
Digitally active clients
(% of main-banked[1] clients)



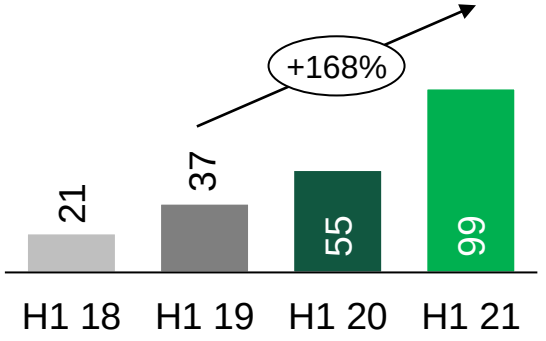
Money app active users
(# 000)



Digital transaction values
(Rbn)



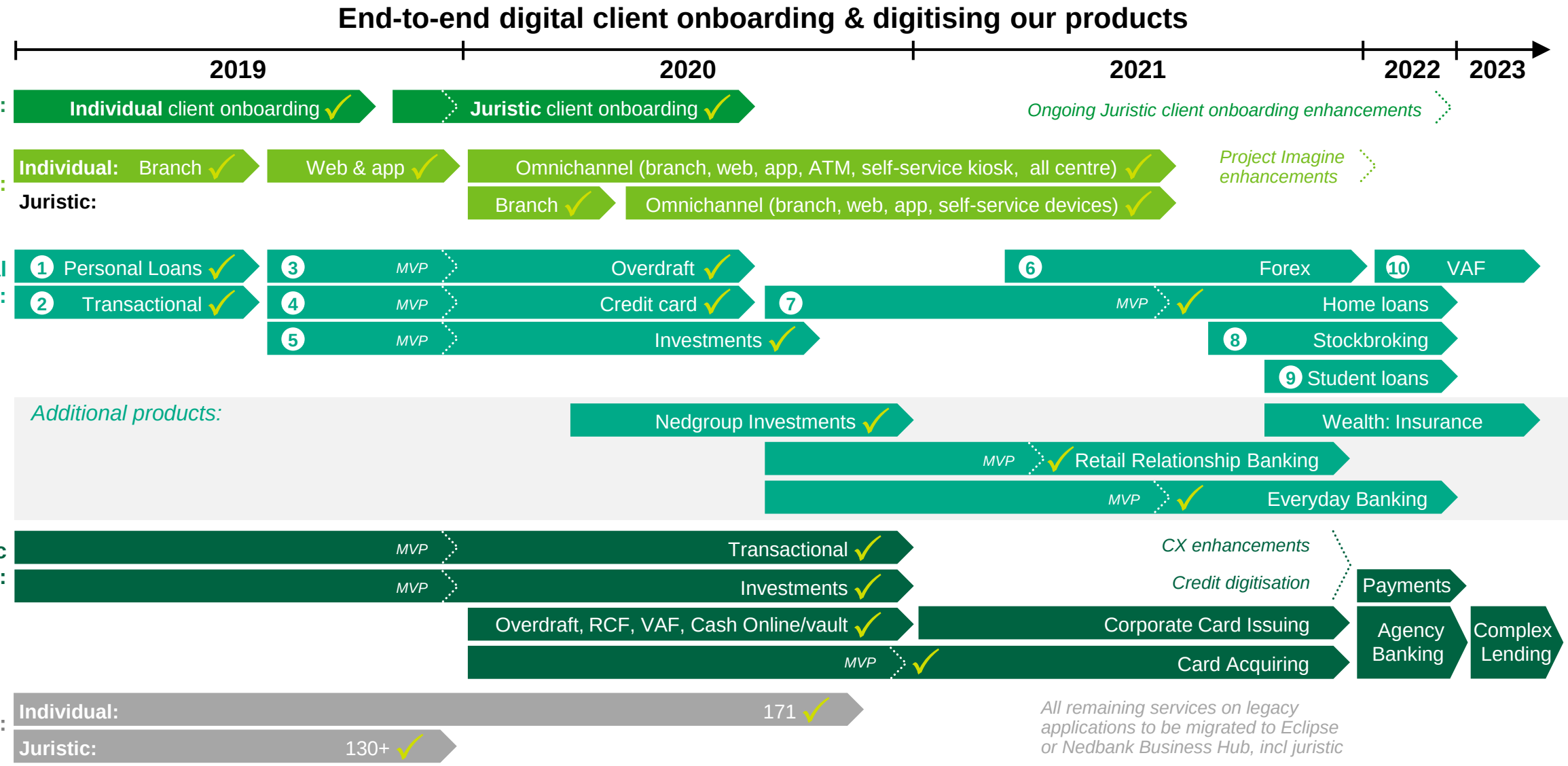
App transaction values
(Rbn)



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

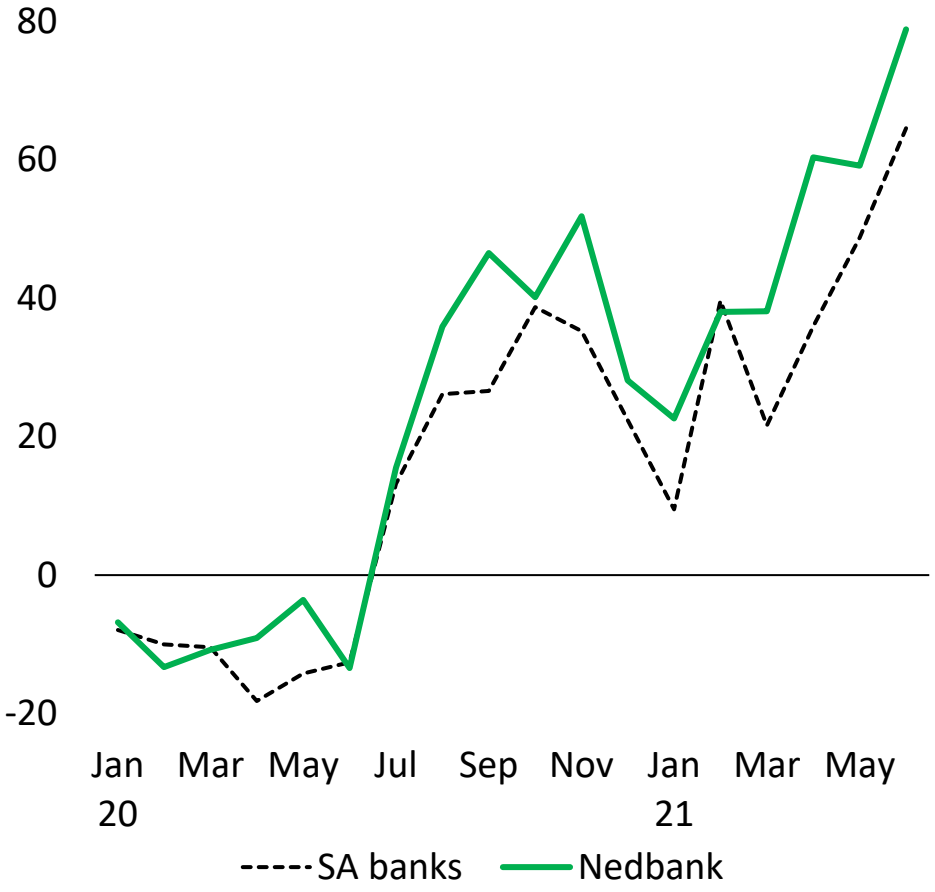
Our digital journeys, enabled by Eclipse & Nedbank Business Hub, have expanded to include additional products outside of the Top 10

BOOKLET SLIDE

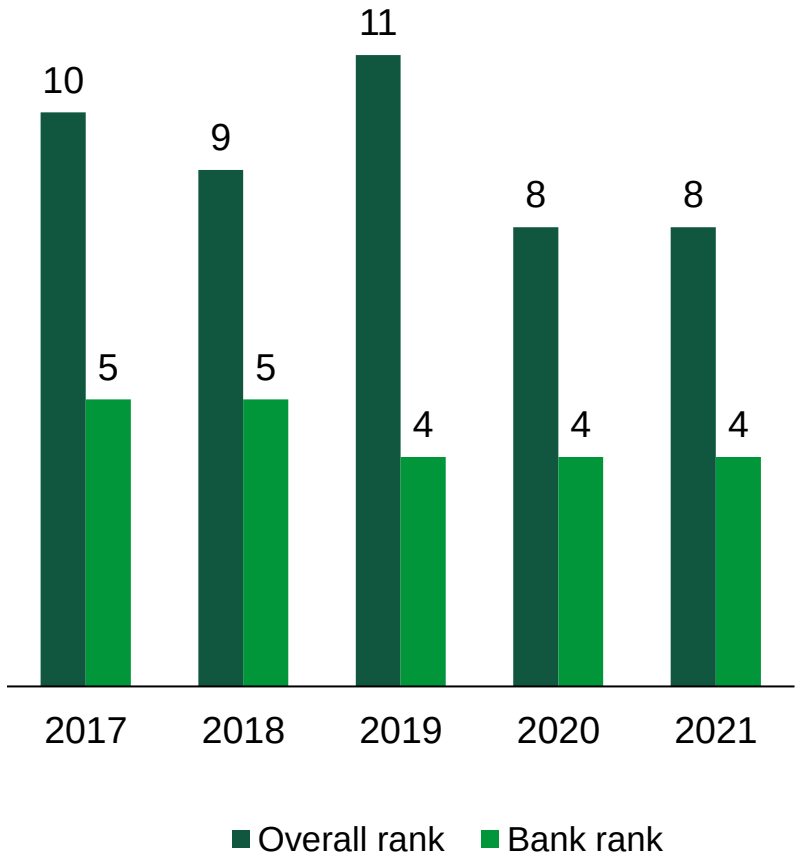


Improving client satisfaction levels supported Nedbank's ranking at the top-end of sentiment scores, while we also maintained our position as a top-10 SA brand

Brand sentiment[1]



Nedbank's brand rank in SA[2]

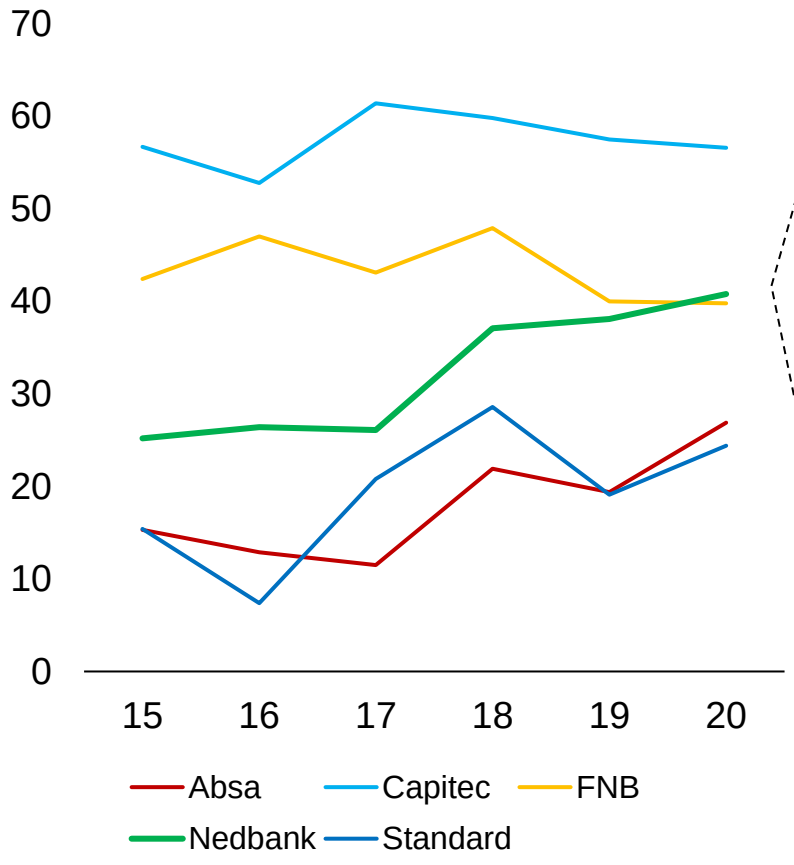


R15bn
brand value

[1] January 2020 to June 2020: Brandseye & July 2020 to June 2021: Salesforce Social Studio. | [2] BrandFinance.

Client satisfaction metrics continue on an upward trajectory, enabled by segment, product & channel ratings

Net Promoter Score[1]



Nedbank NPS rank[2]	Business	Channel	Product
#1	BB		PL HL Loyalty & rewards
#2	Consumer Private SME	ATMs App USSD	Credit card Investments MFC Funeral cover
#3			Contact centre Online banking Transactional
#4		Branch	
#5			

[1] *Annual Consulta survey (released March 2021).*
[2] *Among top 5 SA retail banks.*

External recognition received across all business clusters in H1 21
– enabled by business excellence, innovation & ESG leadership

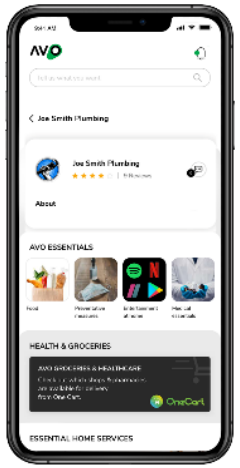
BOOKLET SLIDE

The Banker	The Banker	GLOBAL FINANCE	GLOBAL FINANCE	WorldEco	WorldEco	WorldEco	Global Business Outlook
2021 Deal of the Year Africa: High Yield & Leveraged Finance (Peregrine's LBO & Delisting)	**2021 Deal of the Year Africa:** Infrastructure & Project Finance: Mozambique LNG 1 $15,4bn financing	**2021 Global Finance Investment Bank Awards:** Best Debt Bank: Africa	**2021 Global Finance Investment Bank Awards:** Best Investment Bank: South Africa	**Most Innovative Digital Bank:** 2021 Nedbank	**Best bank for API initiatives:** 2021 Nedbank	**Best Technology Transformation:** 2021 Nedbank	**Best Digital Bank in South Africa:** 2021 Nedbank
Global Banking & Finance review	Global Banking & Finance review	Global Banking & Finance review	Global Banking & Finance review	Global Banking & Finance review	Global Banking & Finance review	INTERNATIONAL BUSINESS MAGAZINE	INTERNATIONAL BUSINESS MAGAZINE
Best Corporate Bank South Africa | 2021 Nedbank CIB	**Best Investment Bank** South Africa | 2021 Nedbank CIB	**Best Forex Bank** Southern Africa 2021 Nedbank CIB	**Debt Deal of the Year** South Africa | 2021 Old Mutual DMTN Programme	**Best Digital Bank** | South Africa | 2021 Nedbank	**Best Open Banking APIs** South Africa | 2021: Nedbank	**Best Mobile Banking** **Best Internet Banking** South Africa | 2021 Nedbank RBB	**Best Mobile Banking** **Best Internet Banking** South Africa | 2021 Nedbank NAR
AFRICAN BANKER AWARDS 2021	INTERNATIONAL BANKER	GLOBAL BUSINESS Review Magazine	CITY OF LONDON WEALTH MANAGEMENT AWARDS	Global Banking & Finance review	EUROMONEY	AFRICAN BANKER AWARDS 2021	OLIVER TOP EMPOWERMENT AWARDS
2021 nominee: Infrastructure Deal of the Year	**Best Innovation in Retail Banking** 2021 Nedbank RBB	**Best Retail Bank** & **Best CSR Bank** South Africa 2021	**Best Private Bank** 2021 Nedbank Private Wealth (7th year in a row)	**Best Bank for Sustainable Development** South Africa | 2021 Nedbank	**Best Bank for Sustainable Development** Africa | 2021 Nedbank	**2021 nominee:** Sustainable Bank of the Year Agriculture: Deal of the Year	**Top Empowered Business of the Year** 2021 Nedbank

Business-related Technology/innovation-related ESG-related

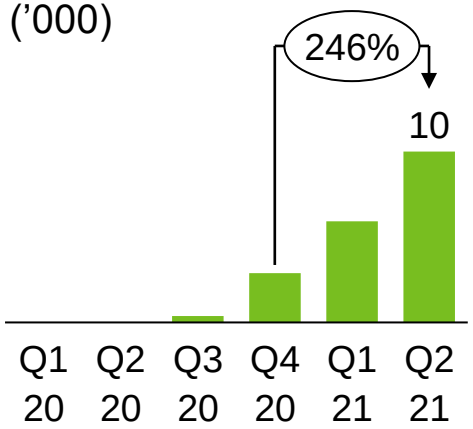
Ongoing disruptive market activities – Avo & APIs gaining good traction

- Avo continues to attract new clients and merchants
- Ytd value of transactions already greater than FY 2020

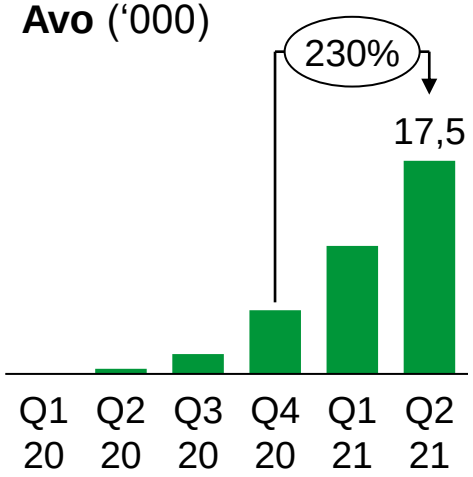


- API_Marketplace showing green shoots with positive momentum
- 29 third-party providers currently live or with finalised commercial agreements in the process of going live

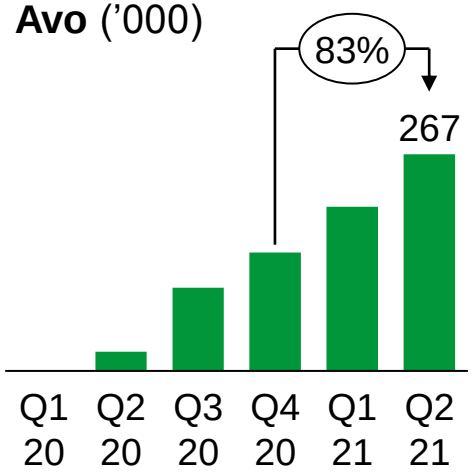
Personal-loan disbursals on API_Marketplace (’000)



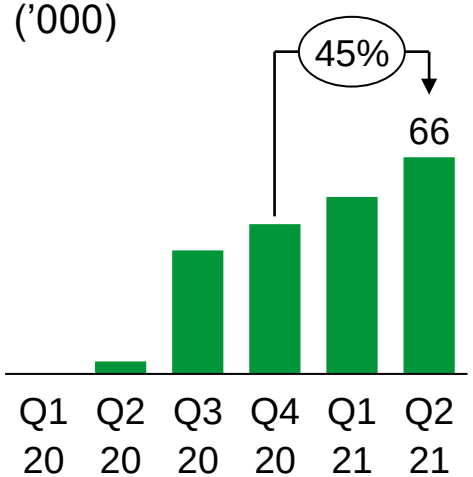
Merchants & partners on Avo (‘000)



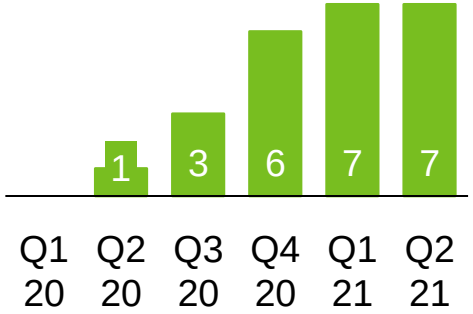
Registered clients on Avo (’000)



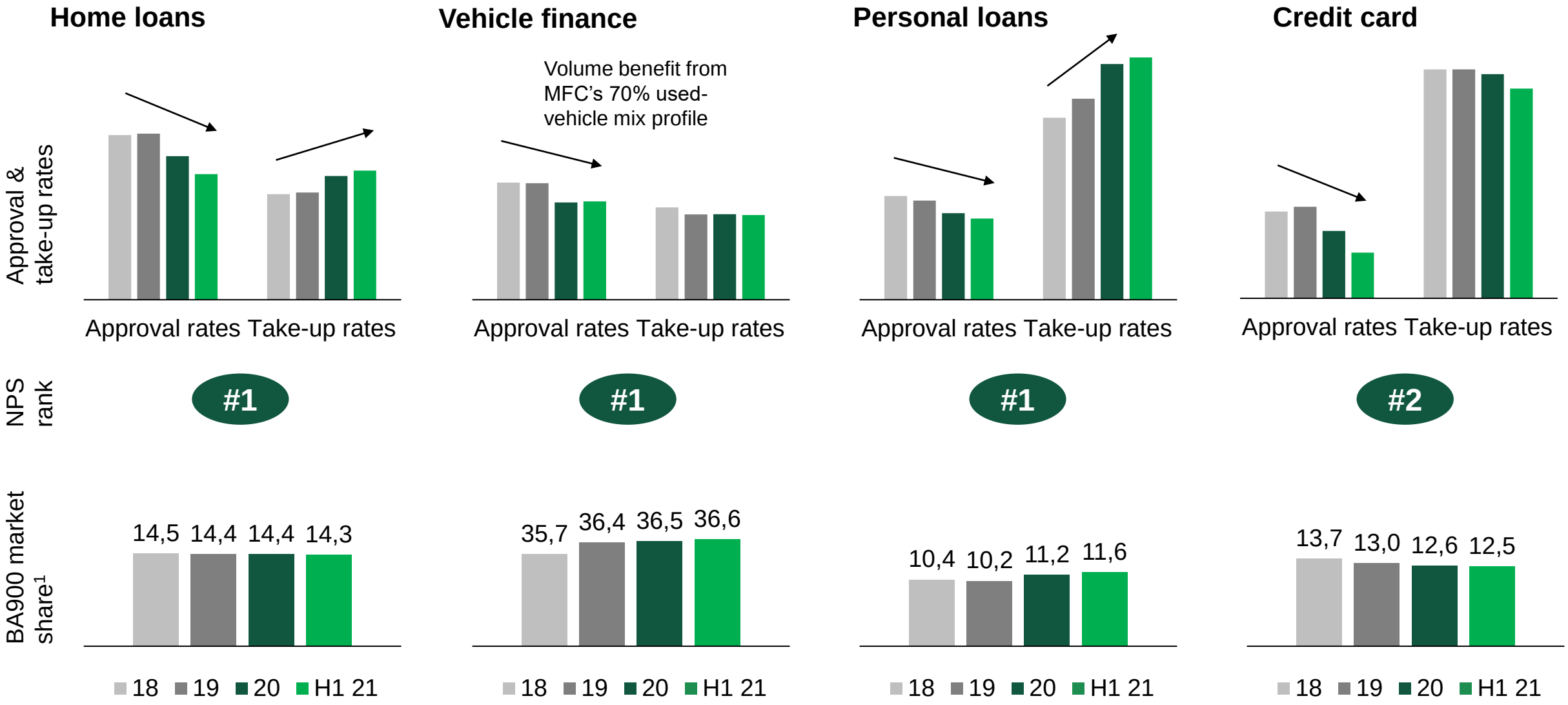
Product orders on Avo (’000)



API products used (#)



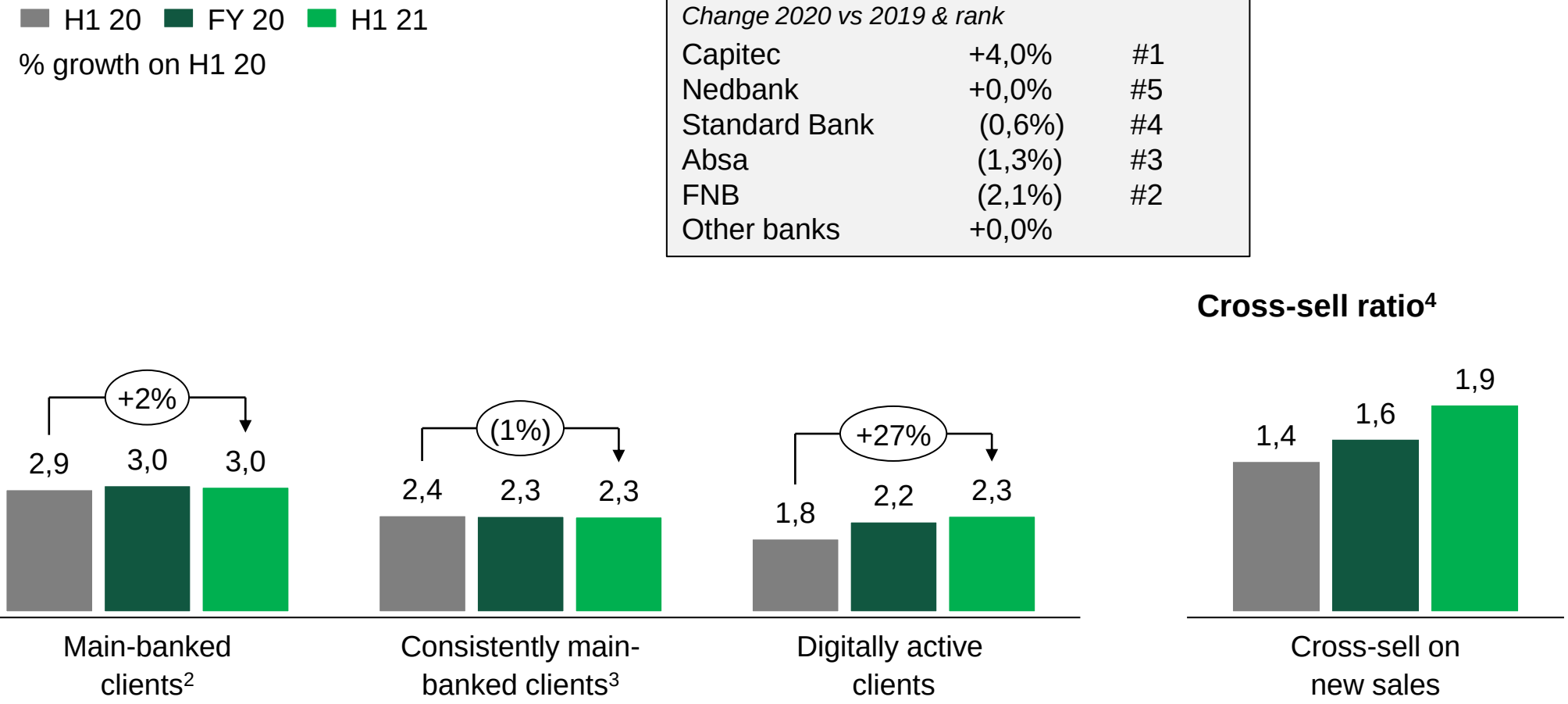
Strategic Portfolio Tilt 2.0 – retail credit growth supported by our digital channels, notwithstanding more stringent approval rates



[1] *H1 2021 market share from BA900s as at May 2021. Vehicle finance share for households*

Strategic Portfolio Tilt 2.0 – main-banked clients up 2%, retail digitally active clients continue to show good growth yoy, while cross-sell on new sales continues to increase

Retail client base breakdown (# million)



Consulta[1] main-banked market share

Change 2020 vs 2019 & rank

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

Cross-sell ratio[4]

[1] Consulta survey 2020 | [3] Definition of main-banked [updated rule]: clients who achieved a minimum deposit OR number of quality transactions on average per month over three months. | [3] Main-banked for each of the past 12 months. | [4] Prior periods have been restated to reflect a ytd view as opposed to the previous reporting, which was based on a point in time – the ytd view is a more accurate reflection of the full performance for the period. | All periods represent updated segmentation.

Strategic Portfolio Tilt 2.0 – Personal Loans example

BOOKLET SLIDE

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

Channels

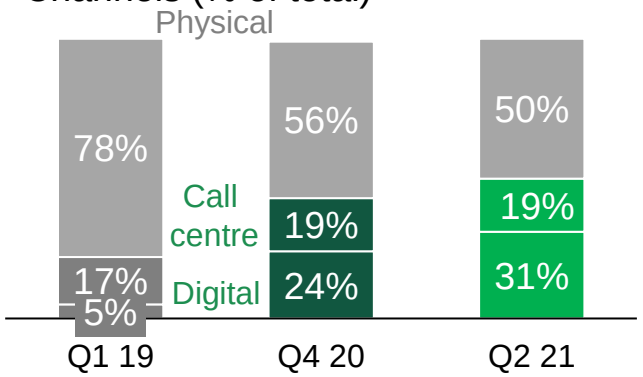
takealot.com
Cashbuild
SwitchPay
Nedbank API
AVO By NEDBANK

#3 Q1 19

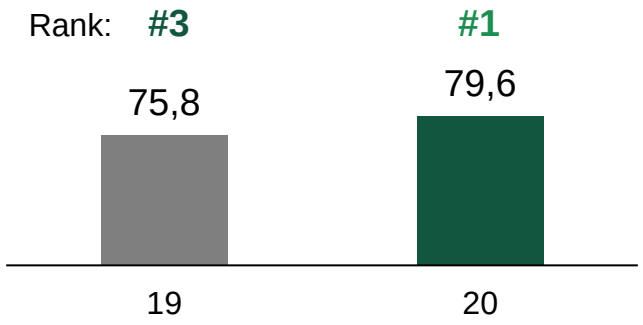
#9 Q4 20

Digital sales

Channels (% of total)

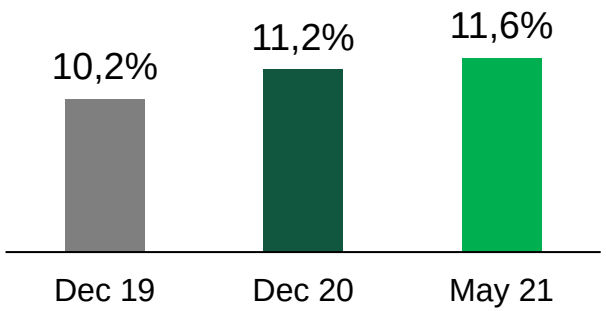


Client satisfaction score (SAcsi)

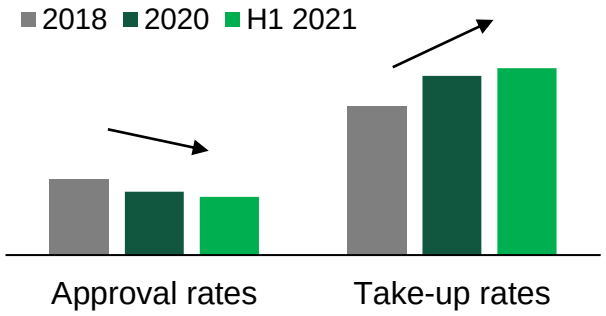


Credit

Personal Loans market share (%)



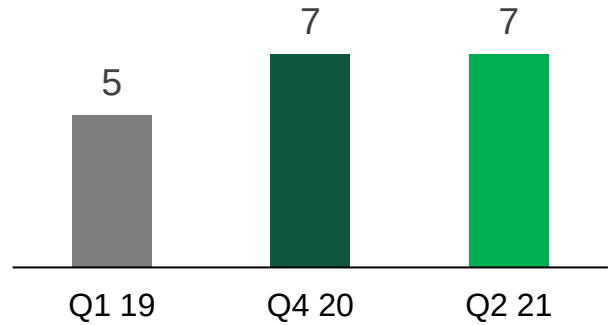
Loan approval and take-up rates (%)



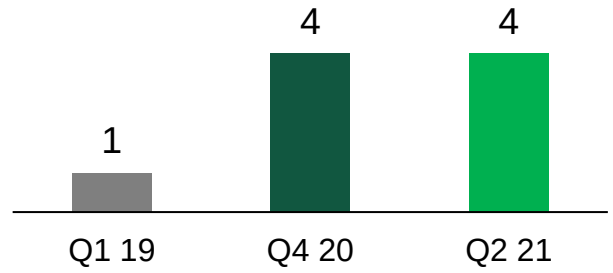
Cross-sell

PL paid into a Nedbank Tx account

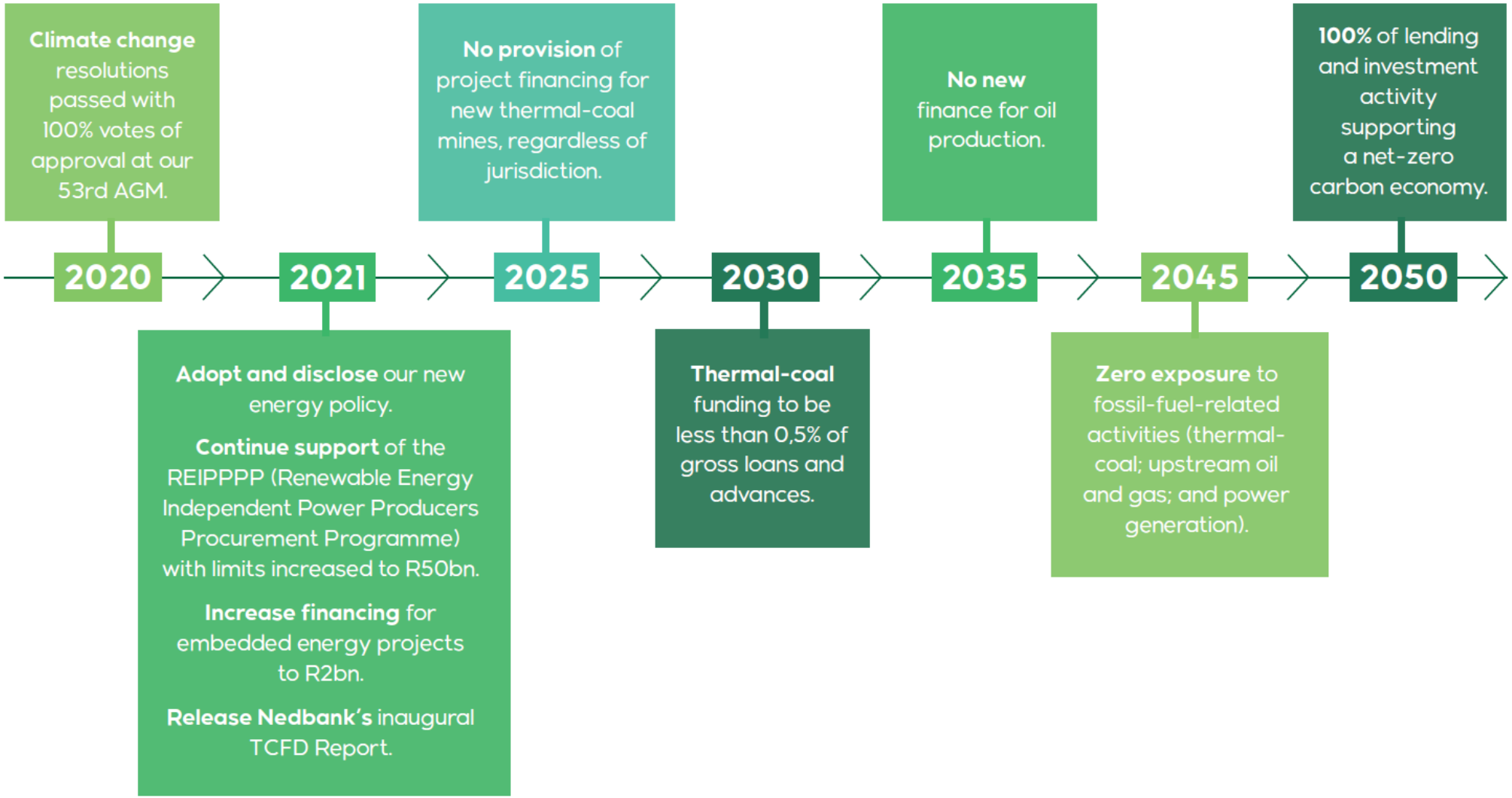
Existing Nedbank clients (out of 10)



New to Nedbank clients (out of 10)

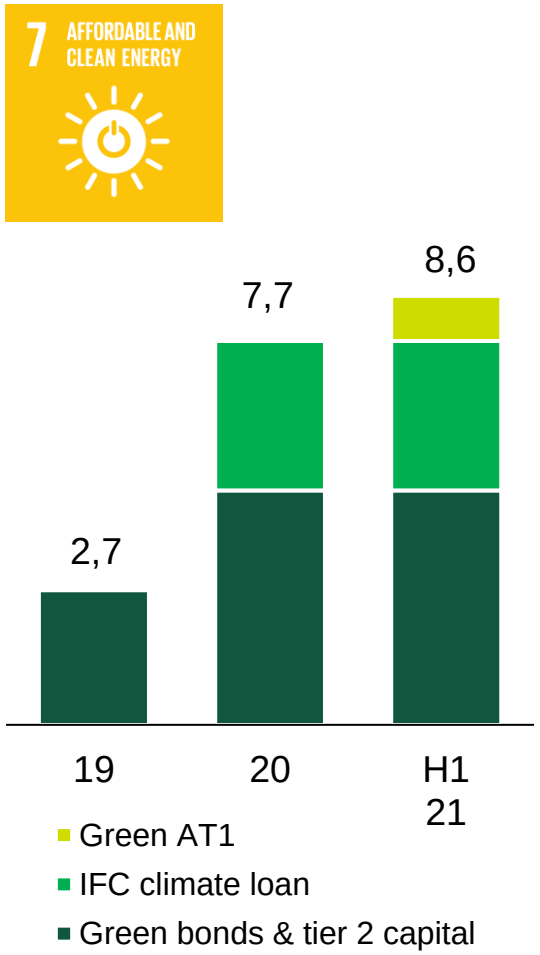


Creating positive impacts – in H1 2021 we released our energy policy which commits Nedbank to zero exposure to fossil-fuel-related activities by 2045



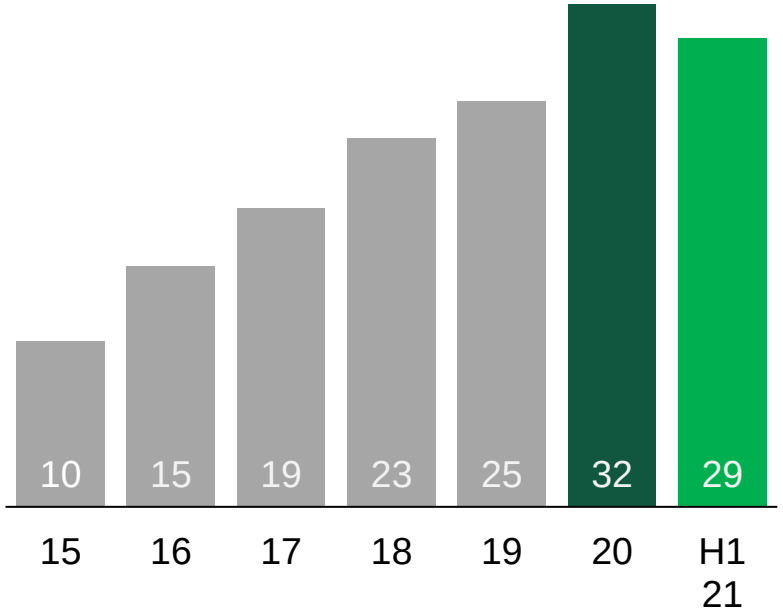
Creating positive impacts – delivering on our purpose & leading in SDG-related funding & finance contributing to top-tier ESG ratings

Sustainable funding[1] (Rbn)



Renewable energy (REIPPPP) financing (exposures, Rbn)

Board limit increased to **R50bn**, & additional **R2bn** for embedded energy by 2022



ESG ratings

MSCI ESG — **AA** rating

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

SUSTAINALYTICS — **20th** out of 417 diversified banks

ISS — **Top 20%** of all global banks

[1] *On 29July 2021, Nedbank raised a further R125m via a Green Housing Bond.*

Creating positive impacts – delivering on our purpose to use our financial expertise to do good



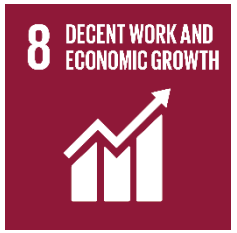
106 tons of food & supplies to employees, families & communities impacted by recent riots



R50m CSI spend in H1 21, with **65% allocated to education**



Own operational total **water consumption down by 11%** yoy



Continued support of the **Youth Employment Service,** with more than **1 900 job opportunities** to unemployed youth



Maintained **level 1 BBBEE** status & announced **2021 Top Empowered Business of the Year**[1]



#PayIn30 – **94%** of suppliers paid in 30 days (up from 92% in 2020)



R5bn funding for the construction of buildings that conform to **green building standards** in H1 2021



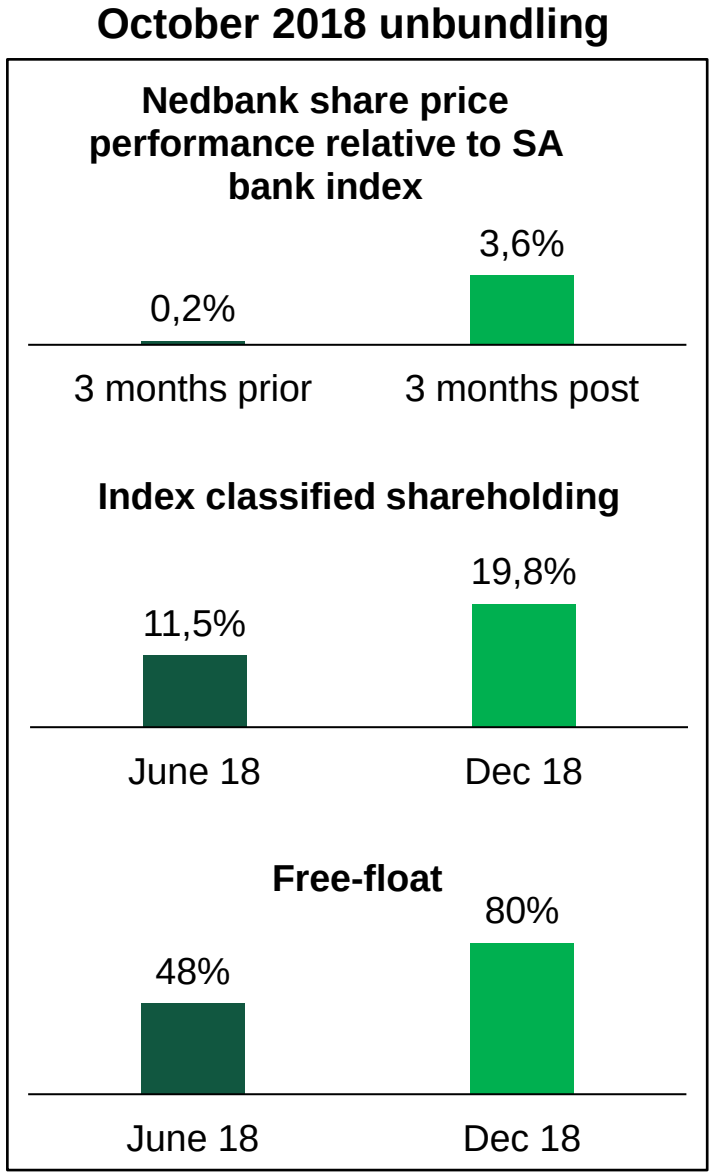
Independent directors up to **71%** (67%)[3]

AIC[2] **directors** up to **64%** (60%)[3]

[1] Oliver Top Empowerment Awards. | [2] African, Indian & Coloured population. | [3] Comparative as at our AGM in May 2021 .

Old Mutual unbundling

- **OM to unbundle 12,2% of its share in Nedbank & retain 7,2%**
  - No impact on strategy, day-to-day management or operations of Nedbank, our employees or clients
  - Existing commercial relationship underpinned by arms-length agreements
  - Increased free float of Nedbank shares from current 80% to 93% (enhanced liquidity & more favourable position in relevant indices)
- **Key dates**
  - OM announced unbundling: 23 June 2021
  - Proposed date of unbundling: 8 November 2021



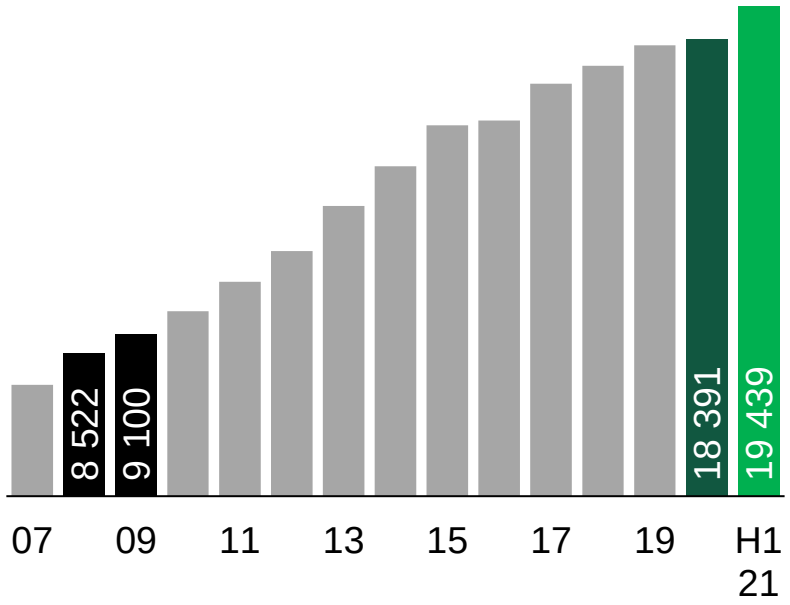
Strong HE recovery driven by significantly lower impairments, widening NIM & expense discipline

Mike Davis
Chief Financial Officer

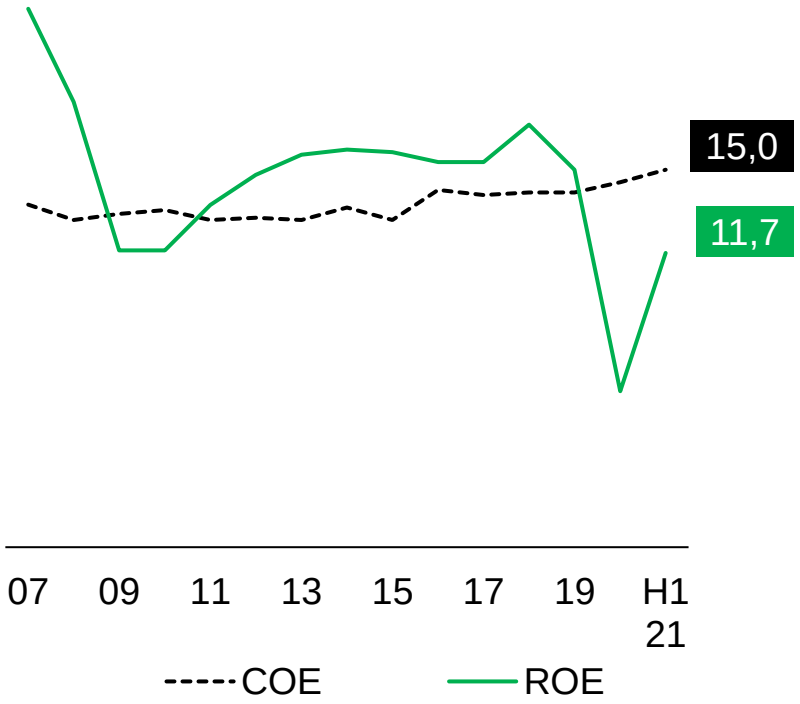
FINANCIAL OVERVIEW

Key drivers of shareholder value creation – strong NAV growth, ROE recovering & resumed dividend payments

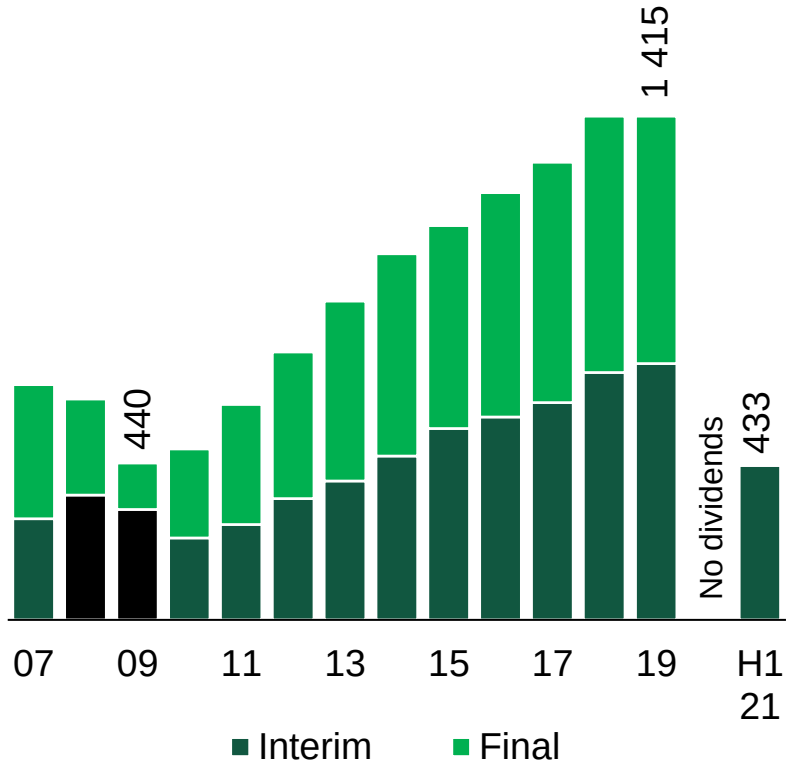
NAV per share (cents)



ROE & cost of equity (%)



Dividend per share (cents)



Strong NAV recovery +8% yoy

ROE improved to double digits

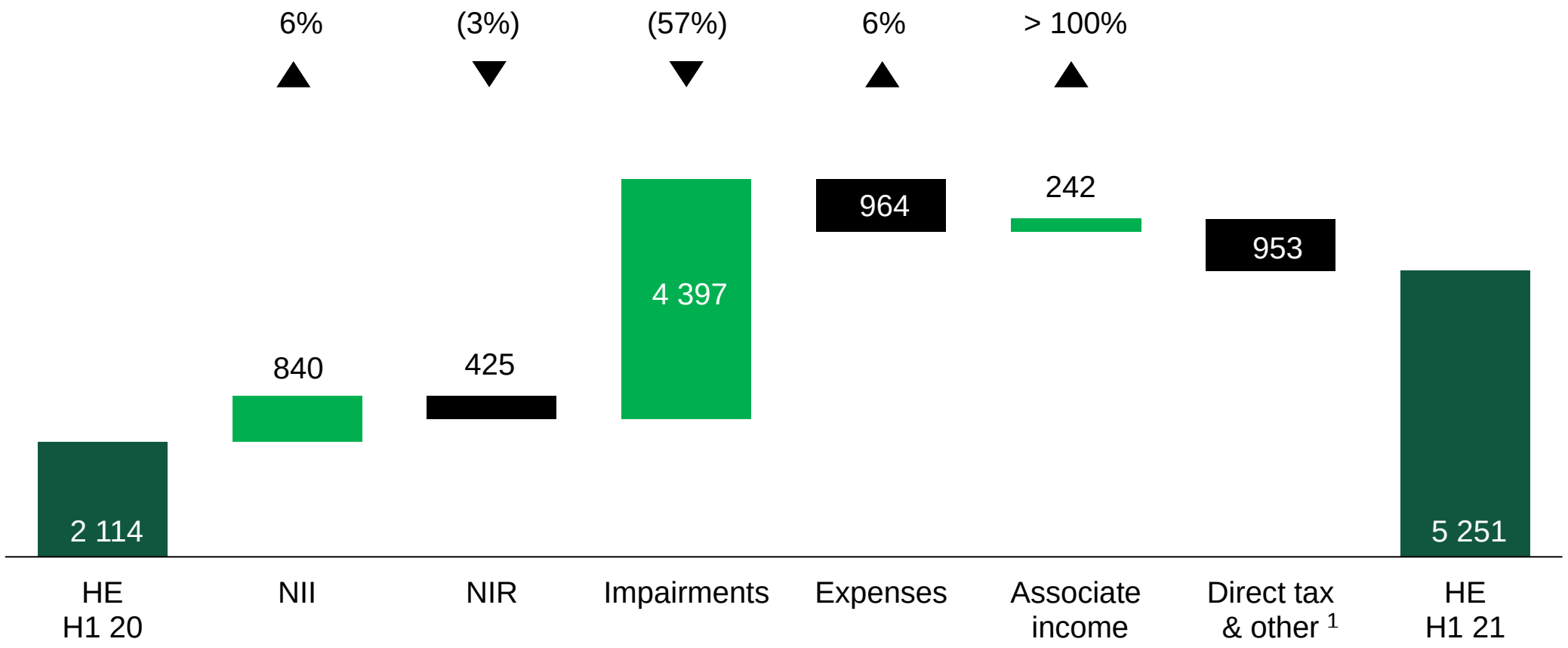
Resumed interim dividend

Strong capital & liquidity position, supported by improved profitability & conservative levels of impairments

		H1 2021	H1 2020
Profitability	Headline earnings (Rm)	148%	**5 251**	2 114
	DHEPS (cents)	146%	**1 067**	434
	Basic EPS (cents)	300%	**1 081**	270
	ROE (%)		**11,7%**	4,8%
Advances & deposits	Gross banking advances (Rbn)	(7%)	**781**	838
	Deposits (Rbn)	(1%)	**936**	944
	NIM (bps)		**368**	333
Asset quality	Credit loss ratio (bps)		**85**	187
	Total coverage (%)		**3,41%**	2,85%
Liquidity	Liquidity coverage ratio (%)		**131%**	115%
	NSFR (%)		**114%**	114%
Capital	CET1 ratio (%)		**12,2%**	10,6%
	Risk-weighted assets (Rbn)	(5%)	**647**	678

Headline earnings up by 148% – driven by a significant decrease in impairments

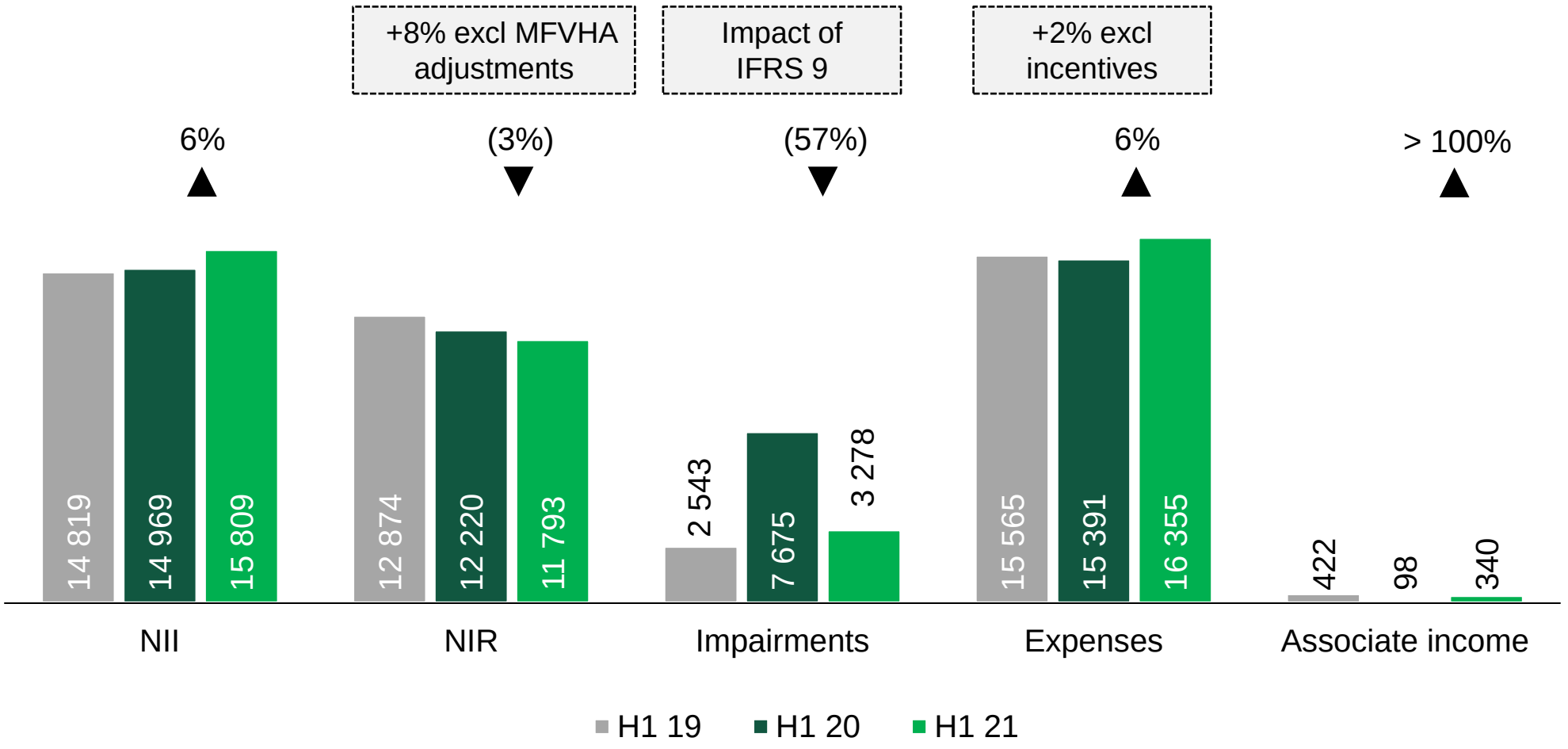
Headline earnings (Rm)



[1] Other includes Indirect tax, net monetary loss, and minority & preference shareholders.

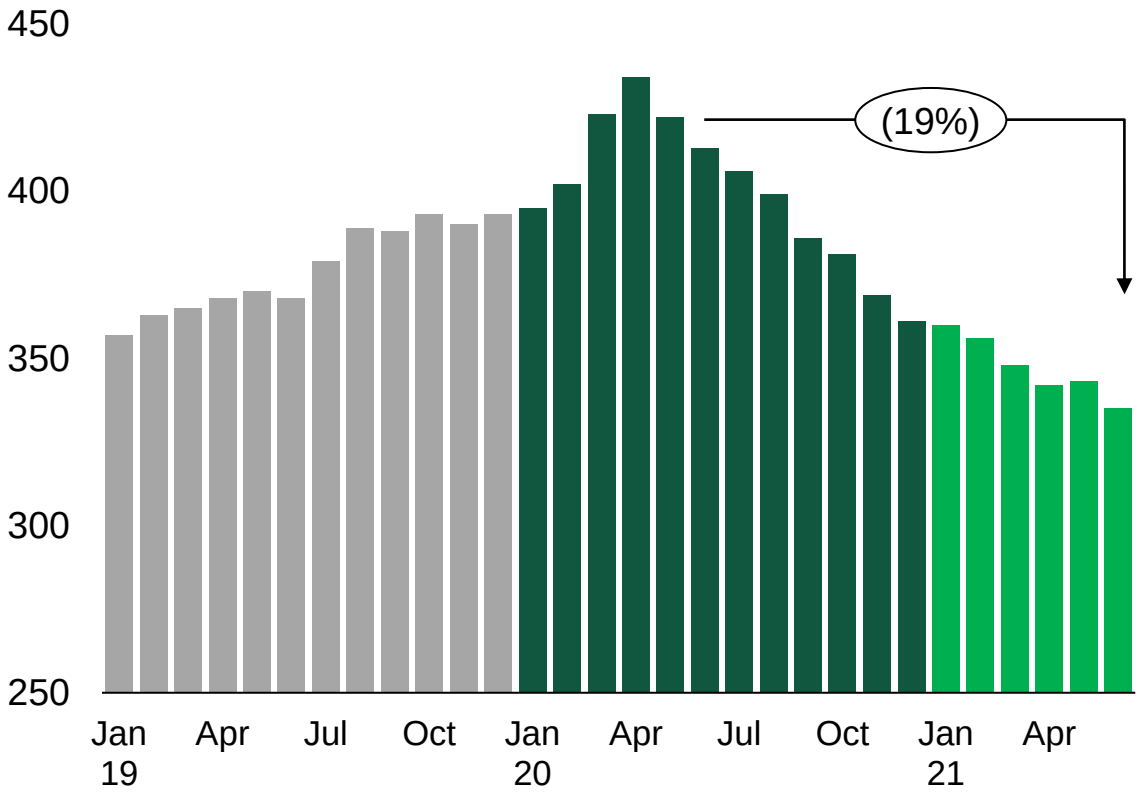
Headline earnings drivers – solid NII growth, significantly lower impairments & strong associate income recovery, NIR (excl MFVHA adjustments) up strongly

Key earnings drivers (pre-tax, Rm)

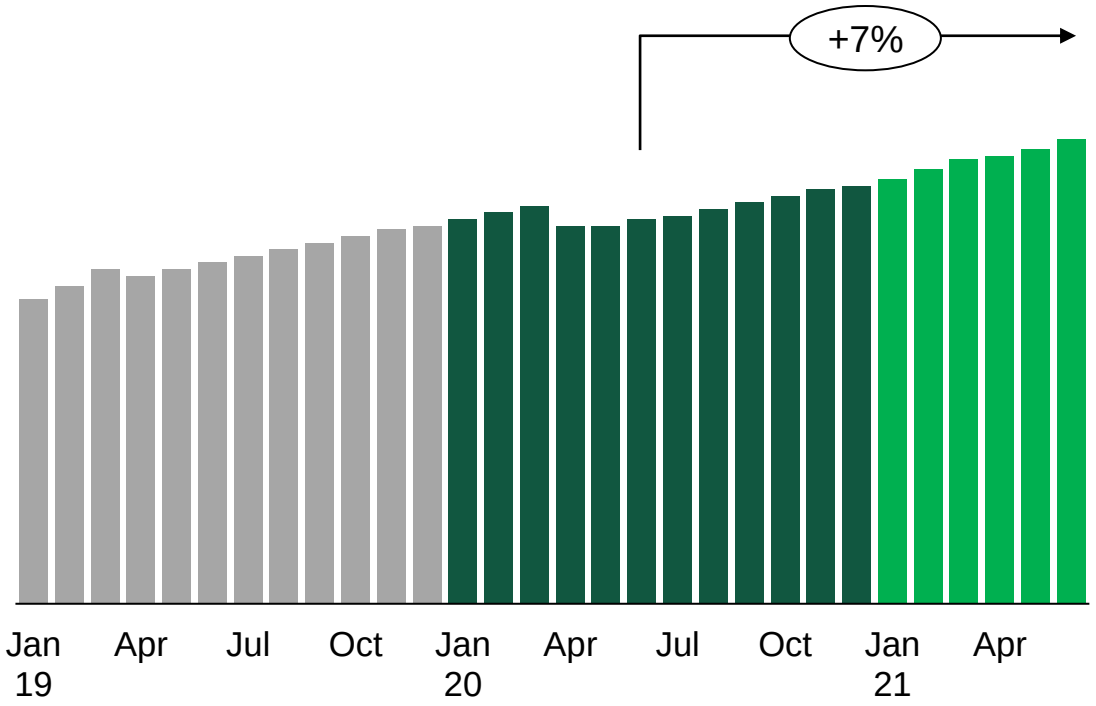


Gross loans & advances down 7% yoy – momentum in RBB continued, while RWA optimisation, client repayments & weak corporate confidence impacted CIB

CIB gross banking advances[1] (Rbn)



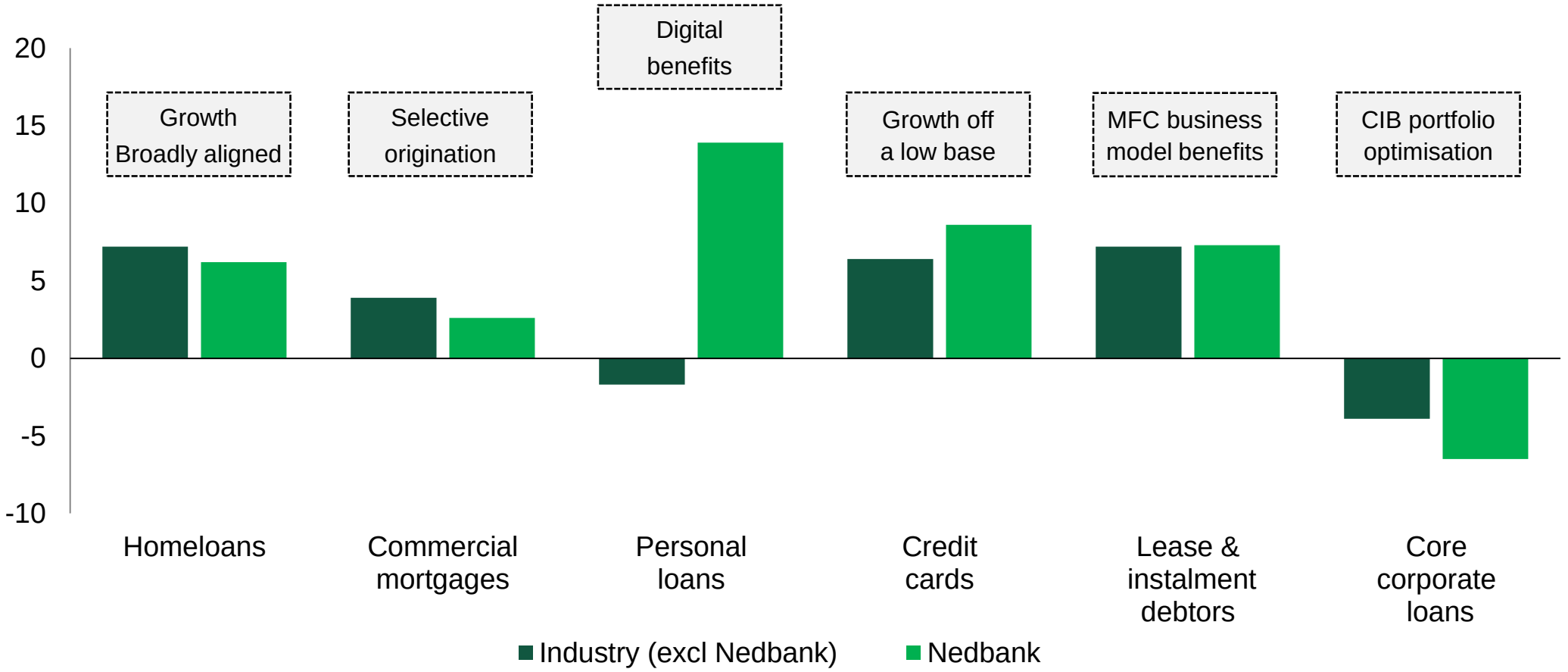
RBB gross banking advances (Rbn)



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

Gross loans & advances growth in line with SPT 2.0 & broadly aligned with industry trends

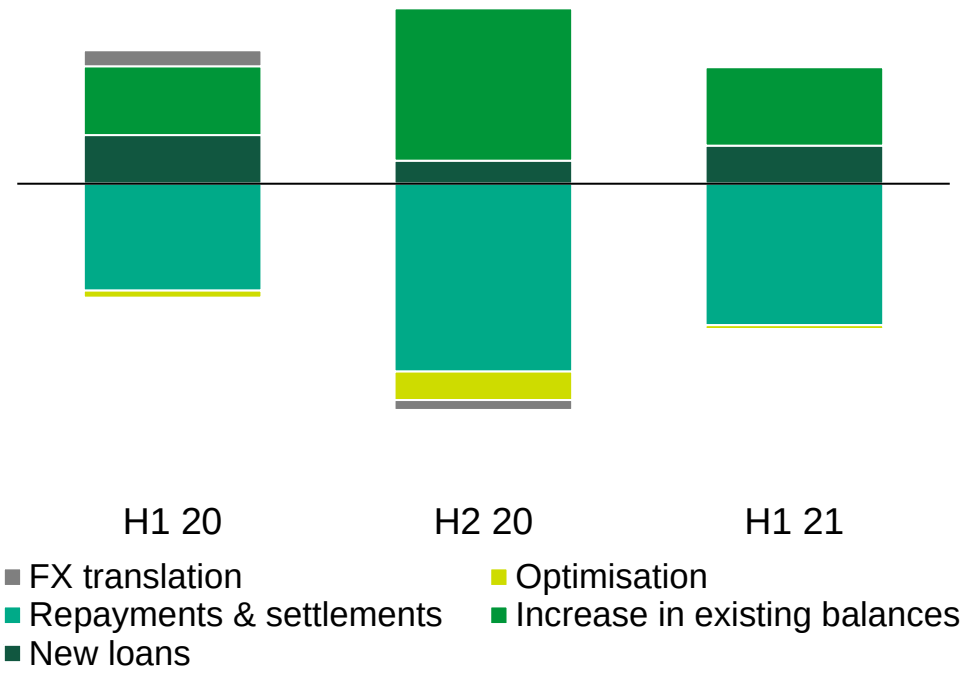
BA 900 gross loans & advances: Nedbank vs SA banks (excl Nedbank)[1] (% growth yoy)



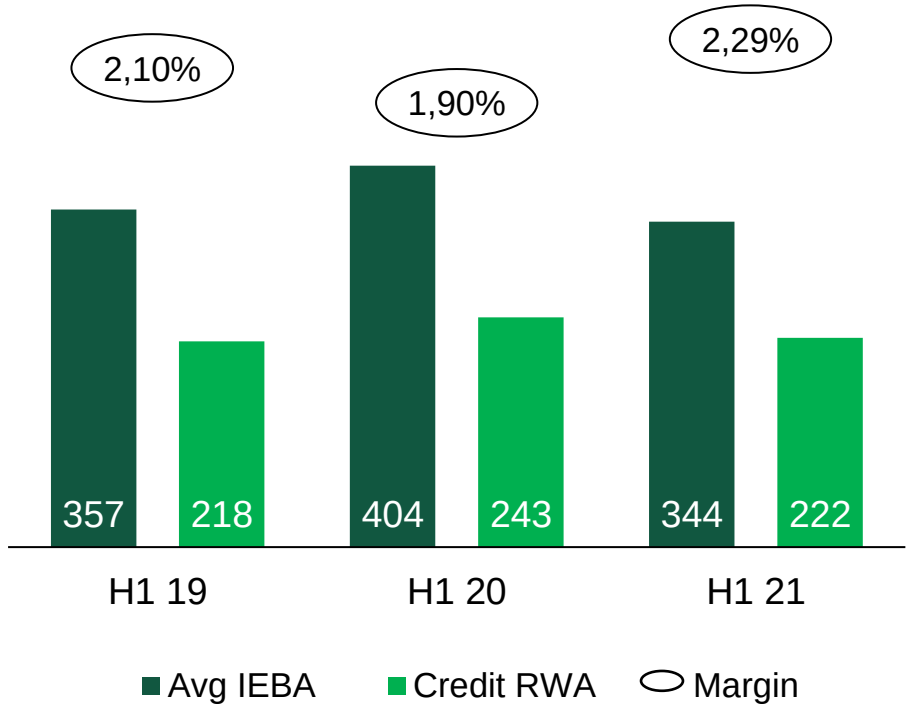
[1] *SARB BA 900 disclosures: May 2021 vs May 2020.*

CIB banking advances – growth impacted by client repayments & portfolio optimisation evident in higher NIM & lower RWA

Six-monthly CIB advances movements (Rbn)



Average IEBA, RWA (Rbn) & **NIM** (%)

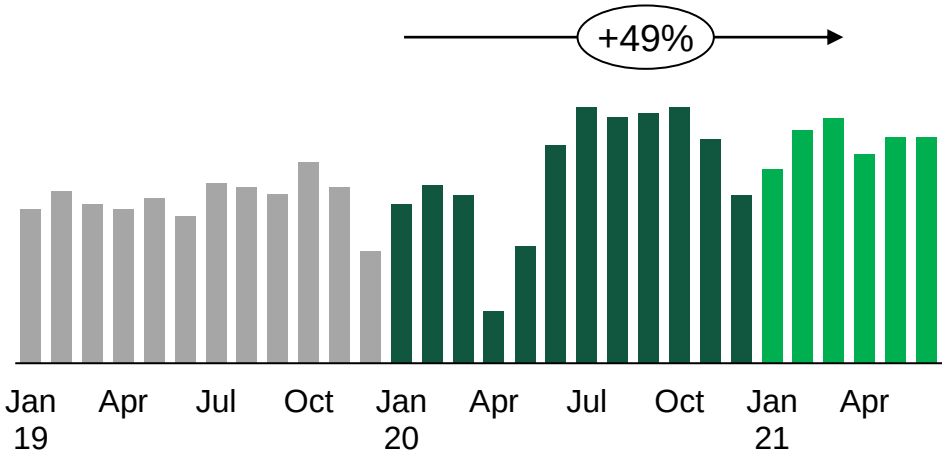


- **Level of repayments remain high** & driven by reduced liquidity needs & clients being in a cash-flush cycle
- **Demand for new loans muted**, but improving slightly from H2 20 levels

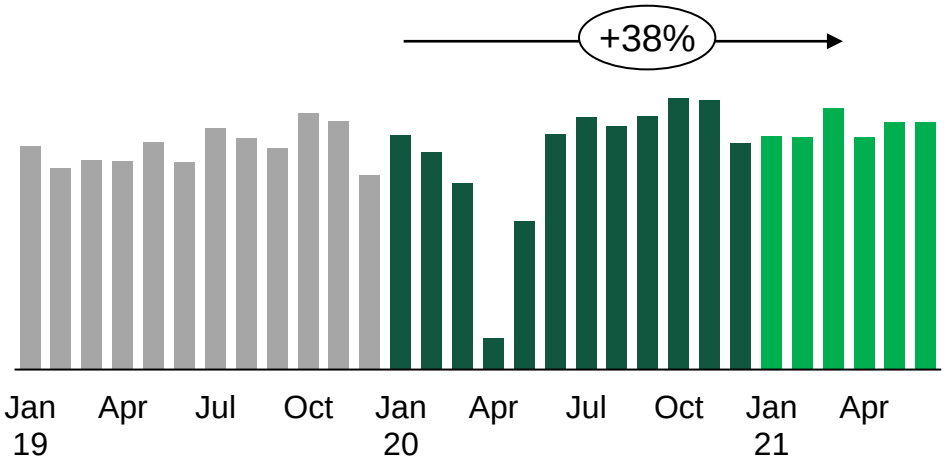
- **Conscious focus on optimising returns** – resulting in higher NIM & reduction in RWA
- **Advances pipeline** remains resilient going into H2

Retail loan application volumes – initial impact of strict lockdowns in 2020 but strong recovery on the back of 300 bps lower interest rates & benefits from our enhanced digital channels

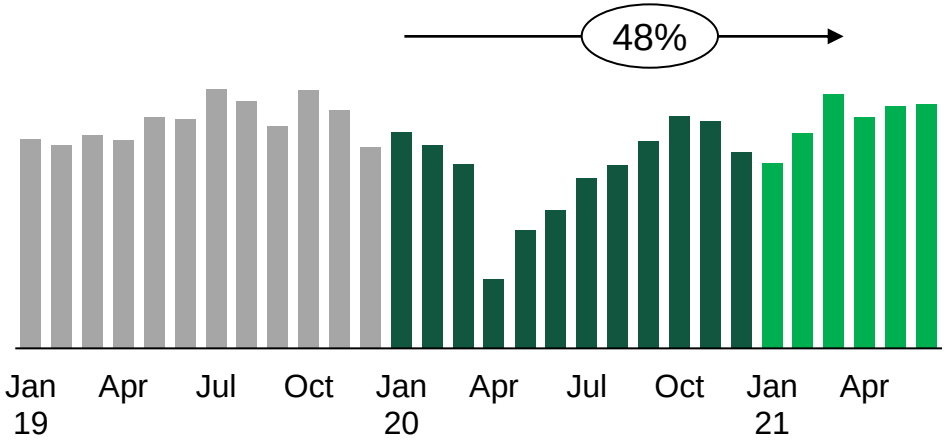
Home loan applications



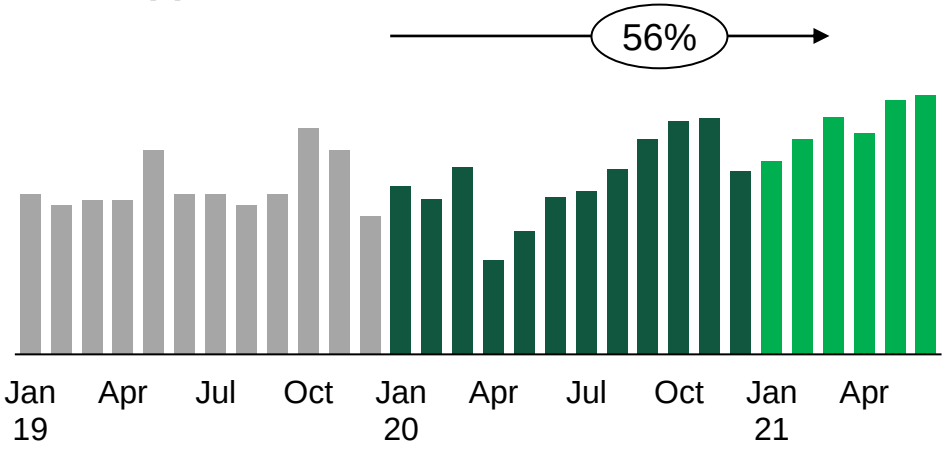
Vehicle finance applications



Personal-loan applications

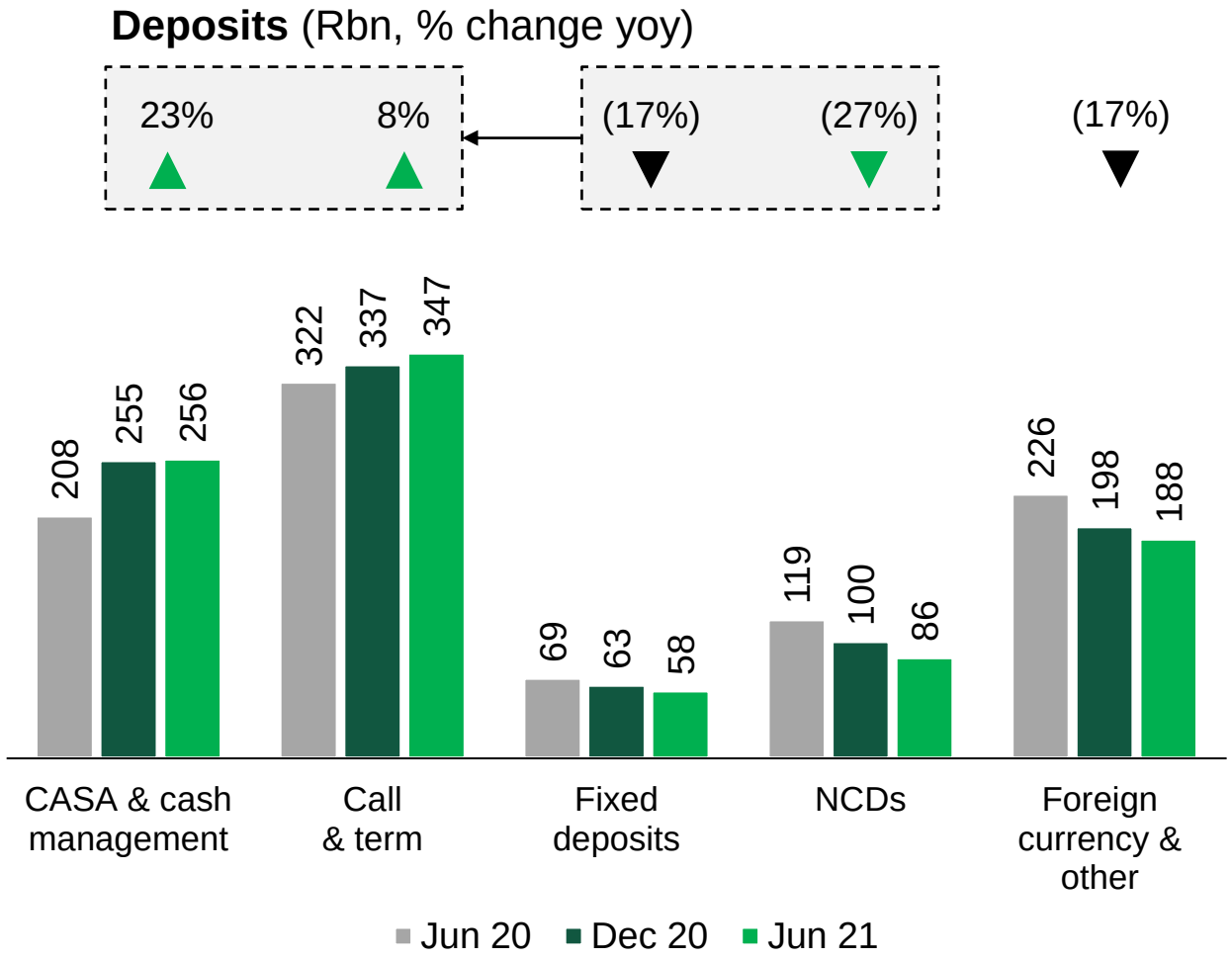


Card applications



2019 2020 2021 6M yoy change

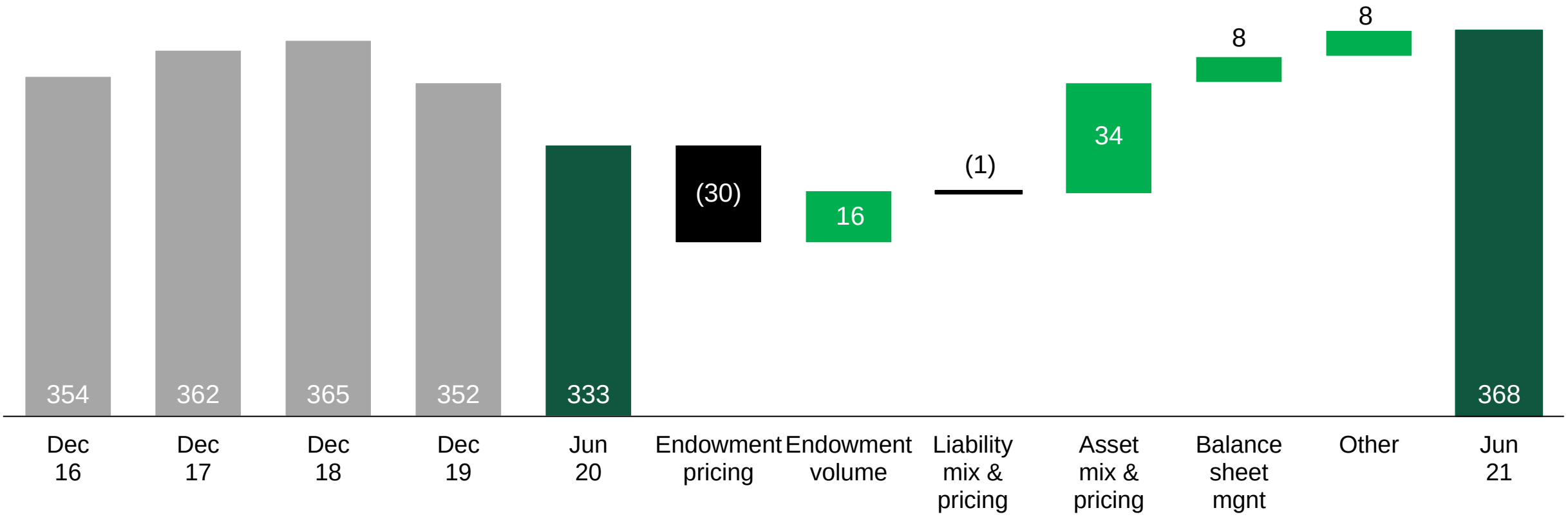
Deposits down 1% yoy – demand for term deposits replaced by increased demand for short-term deposits



- **Increased appetite to place money in the shorter end in order to ensure access to liquidity**
  - CASA & cash management ▲
  - Call & term ▲
  - Fixed deposits ▼
  - NCDs ▼
- **Loan-to-deposit ratio strengthened to 87%** (Dec 2020: 88%)

NII up 6% – higher NIM driven by levels of capital (endowment), asset mix changes, improved asset pricing & HQLA optimisation

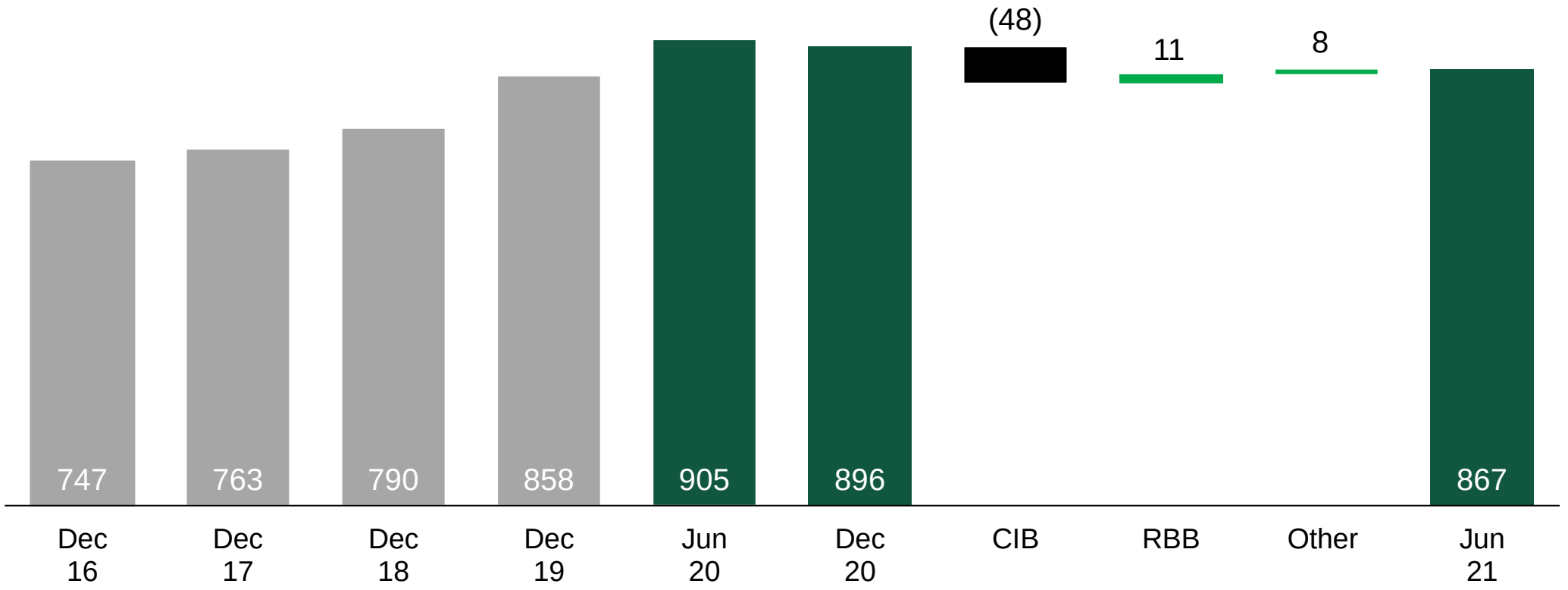
Net interest margin (bps)



NII sensitivity for 1% change in interest rates R1,5bn

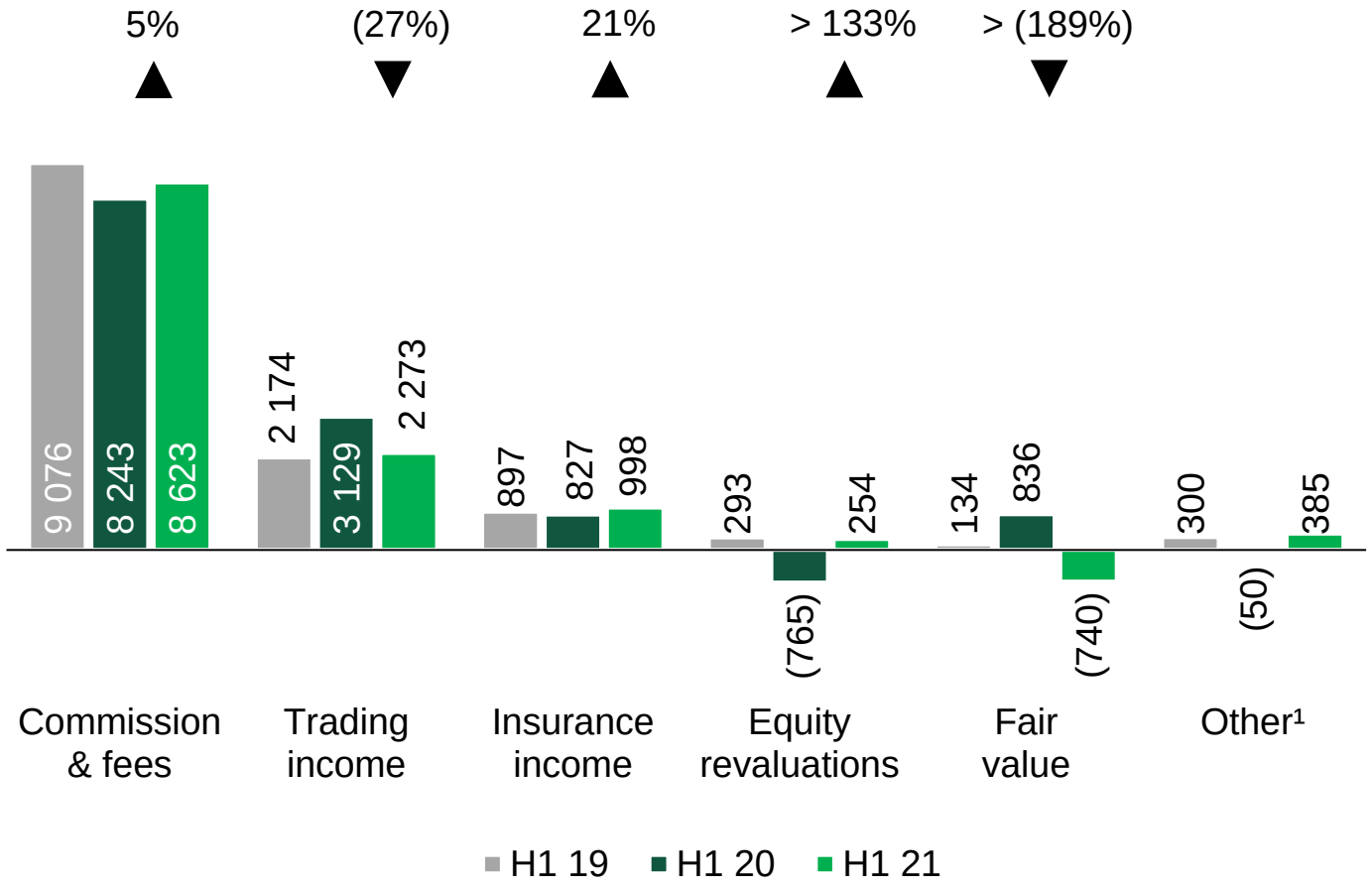
AIEBA down 4% yoy – lower CIB banking advances growth

Average interest-earning banking assets (Rbn)



NIR down 3% (excl MFVHA +8%) – recovery in fee & commission income, insurance & equity revaluations, offset by impact of high H1 2020 trading base & fair-value unwind

NIR (Rm)

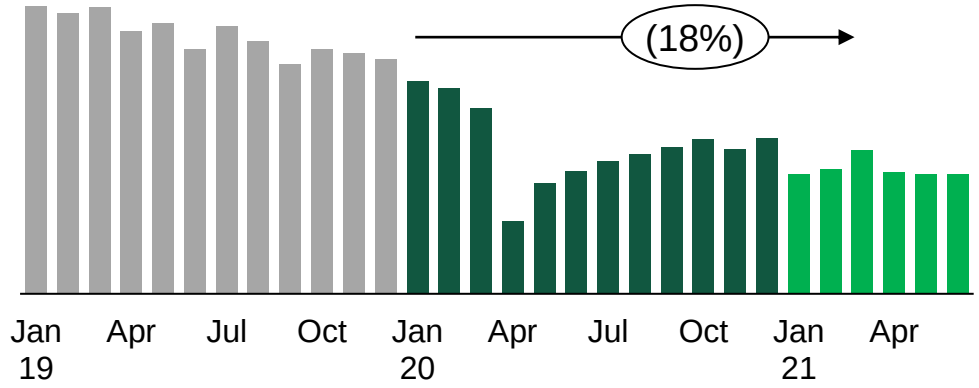


- **Commission & fees** – recovery evident in increasing client transactional activity, yoy main-banked client gains & cross-sell
- **Trading** – solid performance (ahead of H1 19) but growth impacted by high H1 20 base
- **Insurance** – enhanced ALM strategy & improved investment performance, partially offset by increase in life claims
- **Equity revaluations** – non-recurrence of negative revaluations from 2020
- **Fair value** – unwind of the H1 20 gains as a result of the group's macro fair-value hedge accounting solution

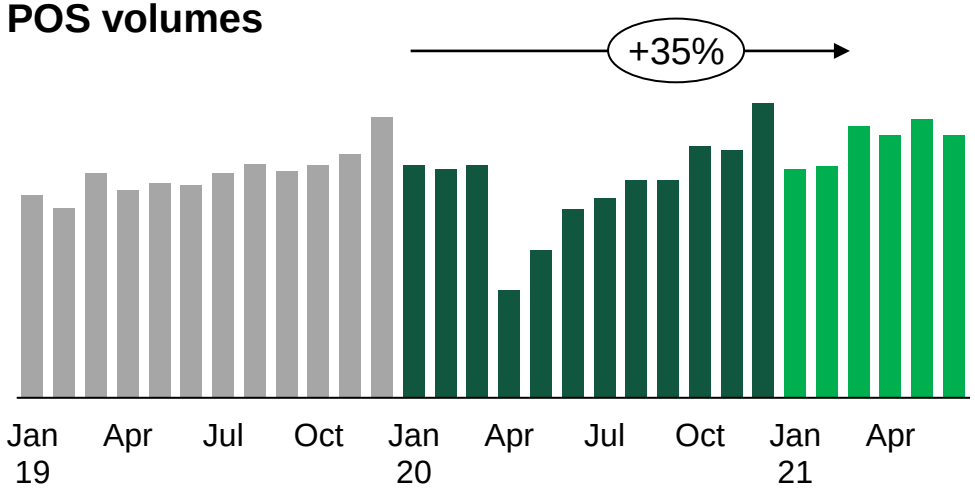
[1] Represents sundry income & investment income.

RBB – digital & POS volumes well above 2019 & 2020 levels, highlighting ongoing shift towards digital & enabled by Covid-19-related behavioural changes

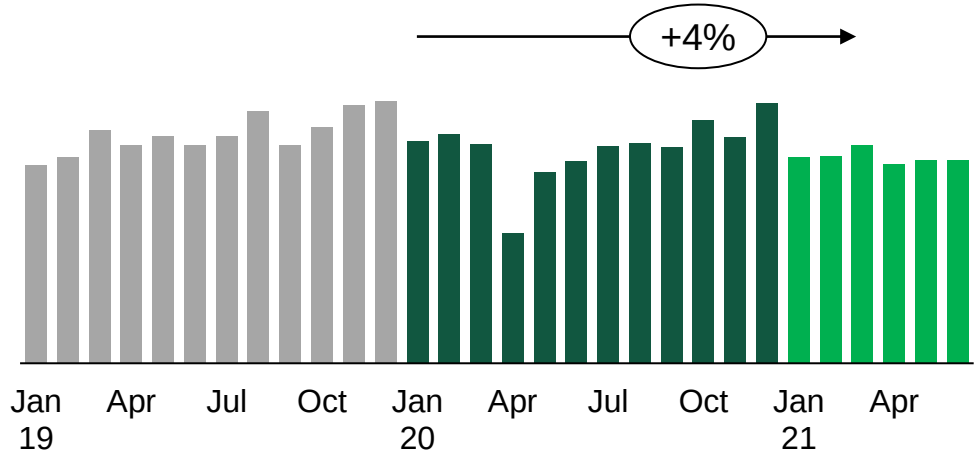
Branch teller transactions[1]



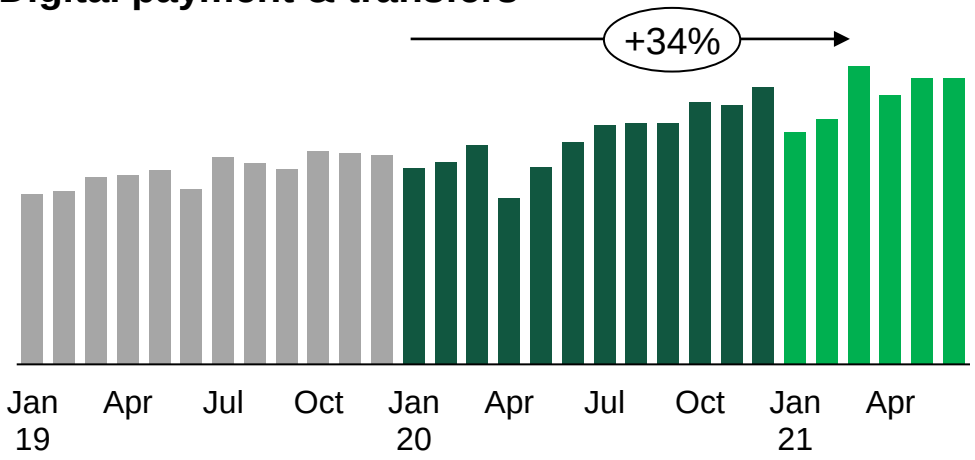
POS volumes



ATM withdrawals



Digital payment & transfers[2]

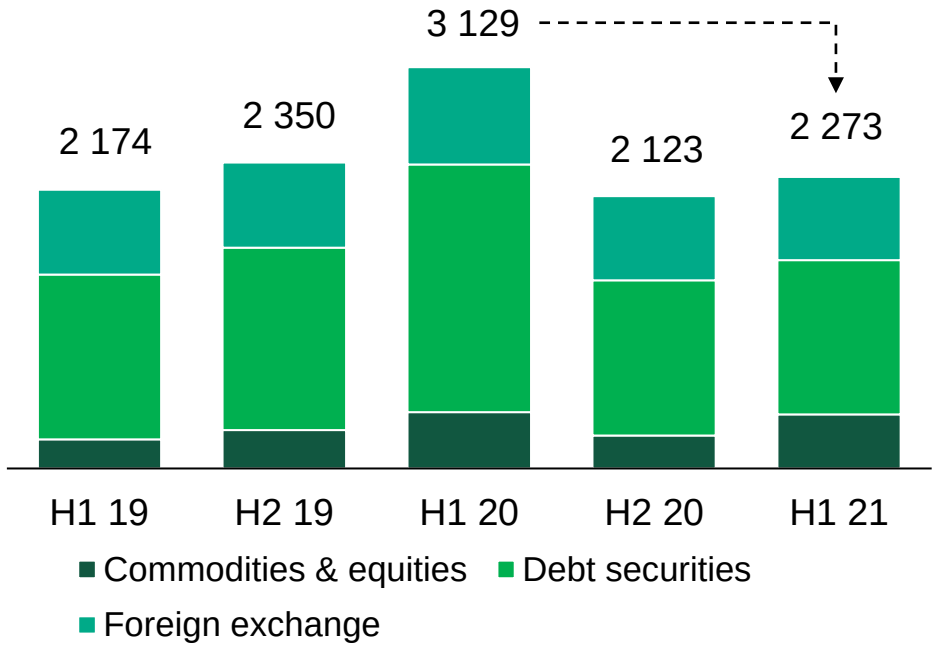


2019 2020 2021 6M yoy change

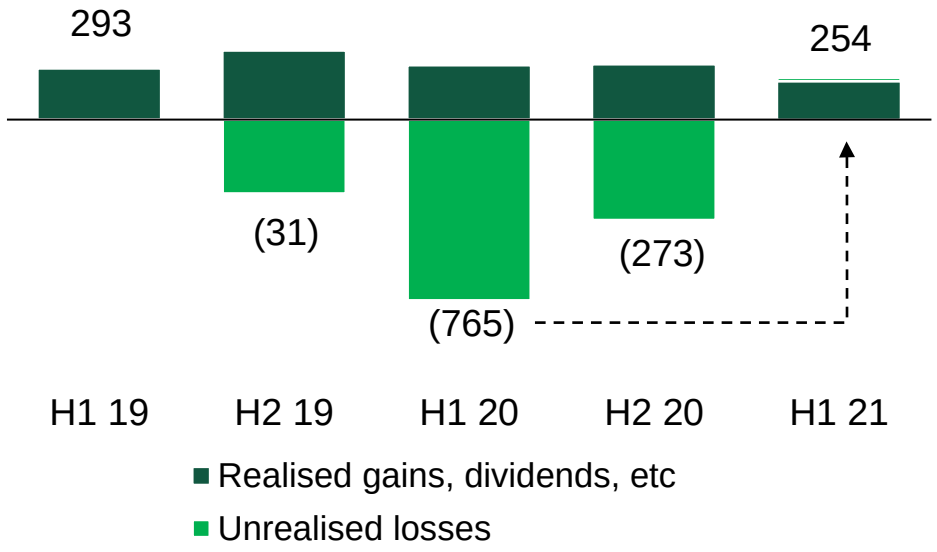
[1] Teller transactions include any cash related transactions performed over the counter (e.g. deposits, withdrawals, transfers etc) | [2] App & web payment volumes combined.

Trading income & equity revaluations – growth impact of H1 2020 base, normalising to 2019 levels

Trading income (Rm)



Equity revaluations (Rm)

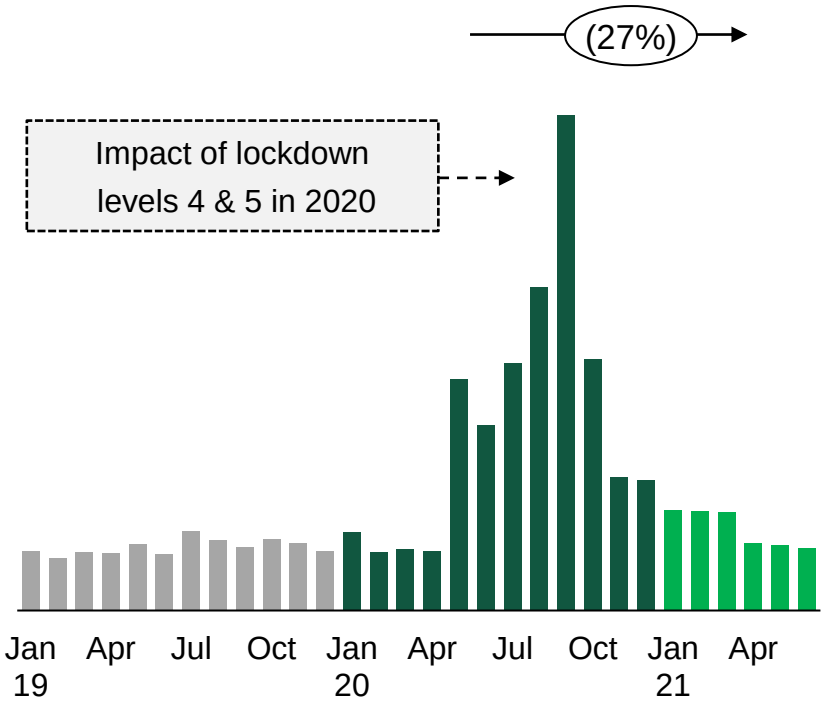


- **Equities** – flat performance off a high base, with good outcomes in periods of volatility
- **Debt securities & FX** – lower due to high base & once-off income earned in H1 20

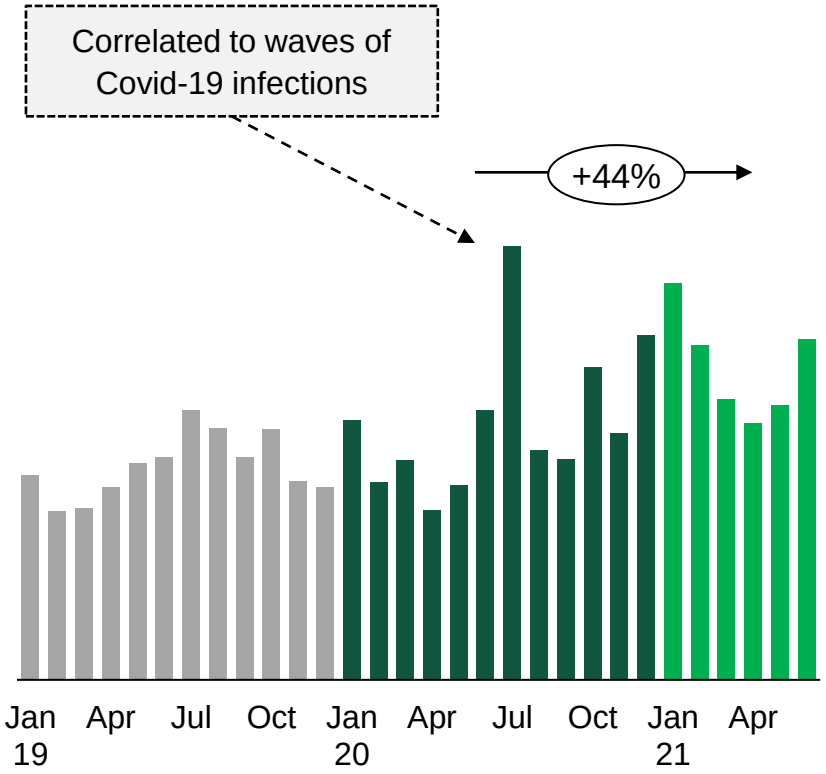
- **IB** – normalisation of equity revaluations driven by improved investee company profitability resulting in increased valuations
- **CPF** – declines in 2020 driven by negative equity revaluations, impairment of mezzanine loans & overlays created for further potential devaluation

Insurance – retrenchment/loss-of-income claims trending lower towards 2019 levels, while funeral claims remain elevated

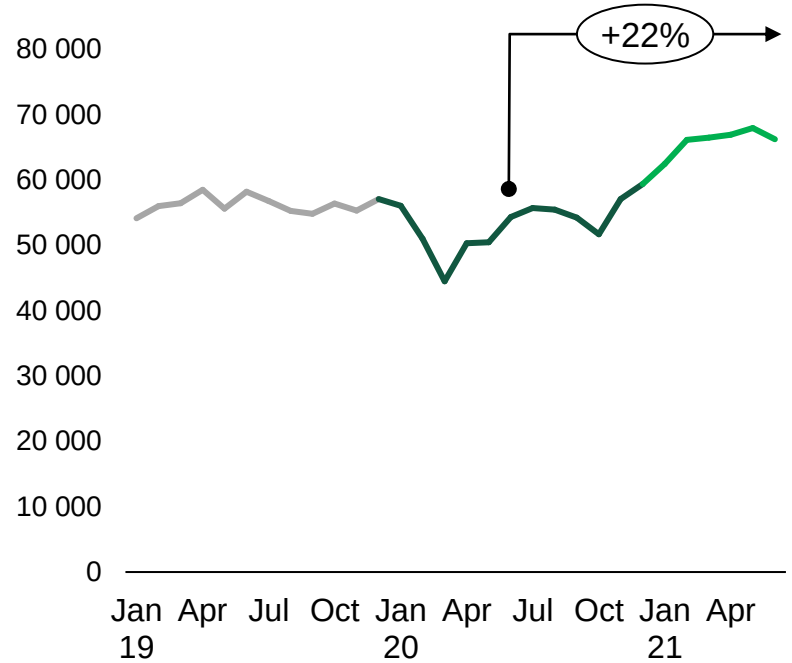
Retrenchment/Loss-of-income claims
(volumes)



Funeral claims
(volumes)



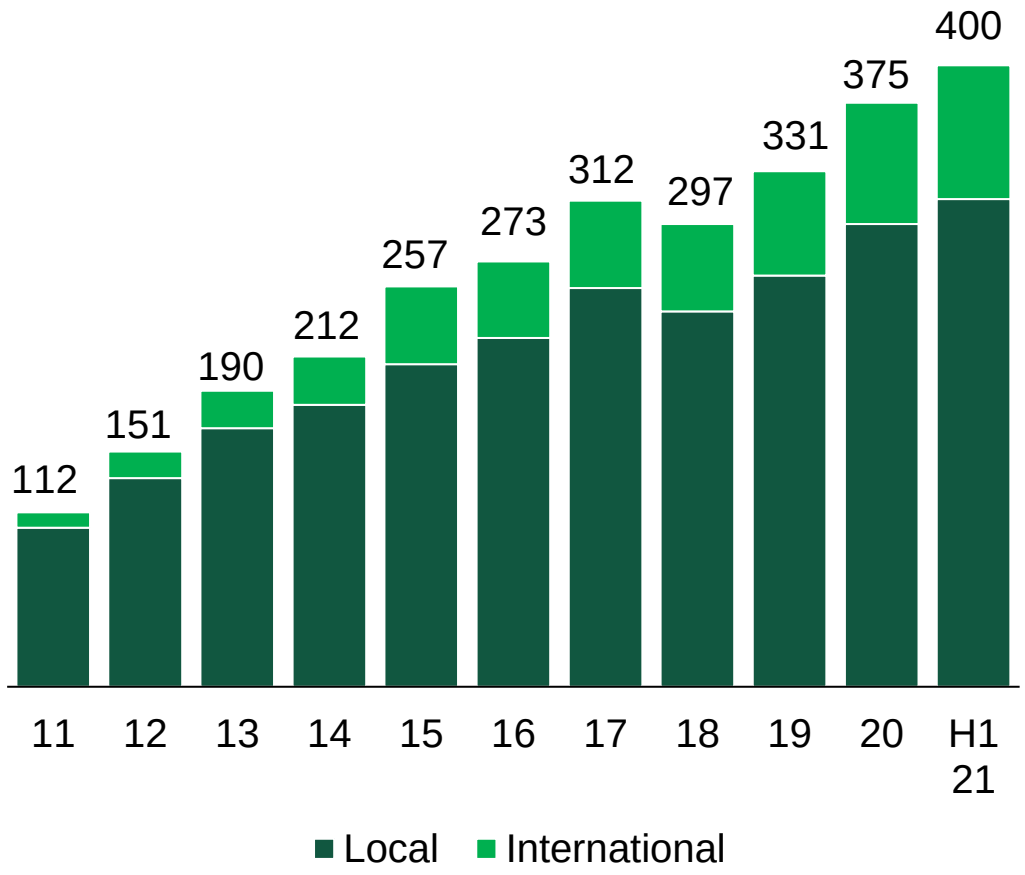
JSE all share index
(points)



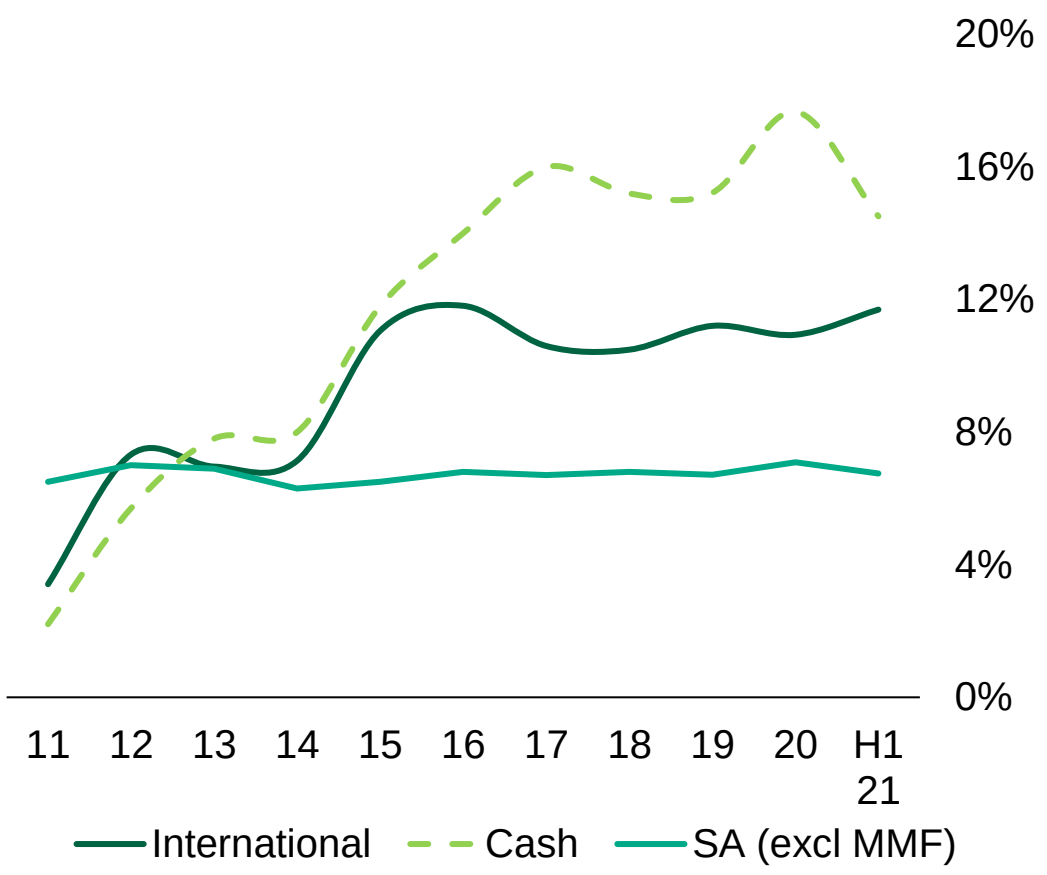
2019 2020 2021 6M yoy change

Asset Management – strong growth in AUM

Assets under management (Rbn)

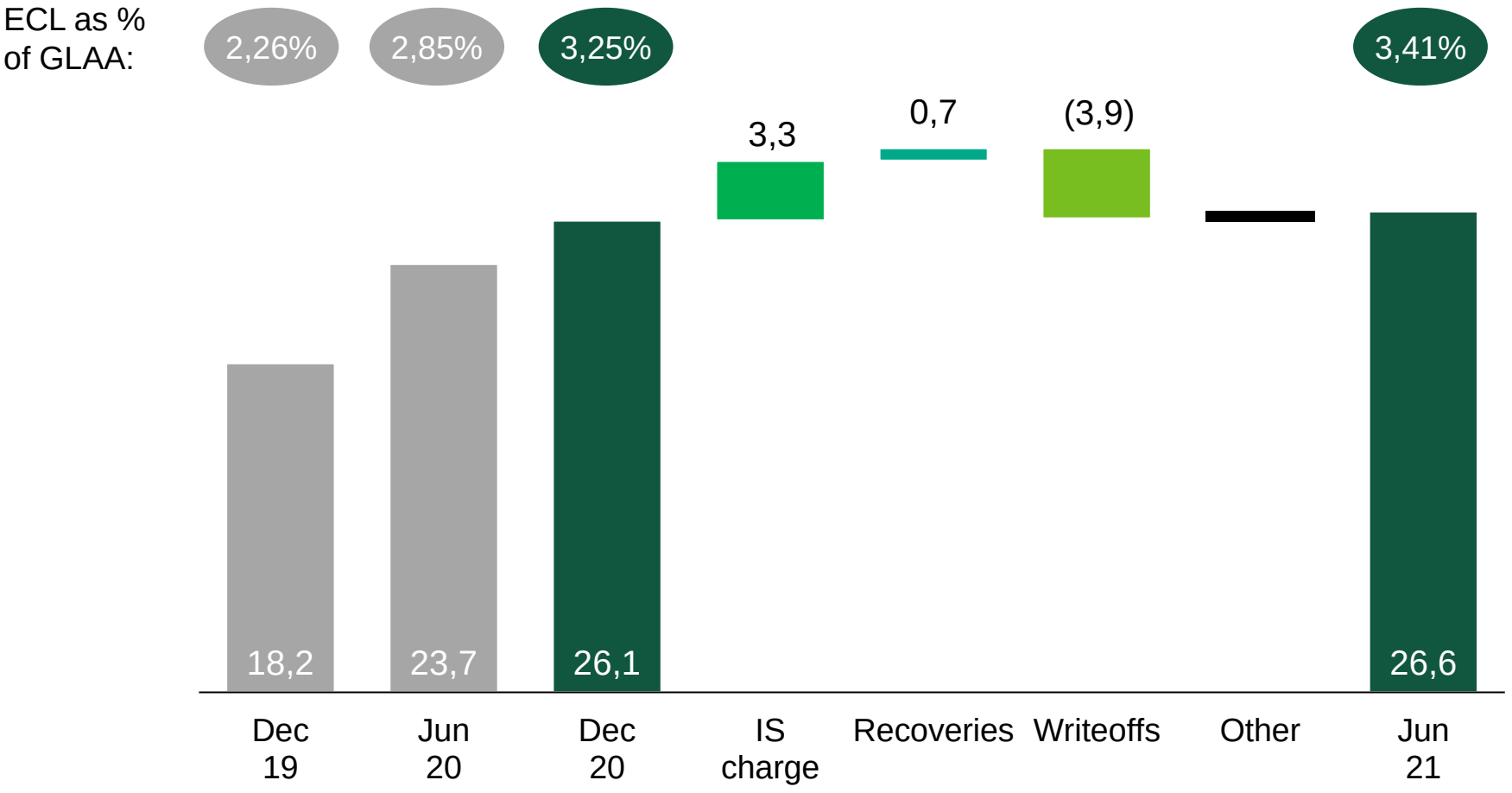


Market share (%)



Balance sheet ECL strengthened to R26,6bn – driven by R3,3bn impairment charge & R650m recoveries, while writeoffs at R3,9bn remain conservative

Balance sheet ECL (Rbn)

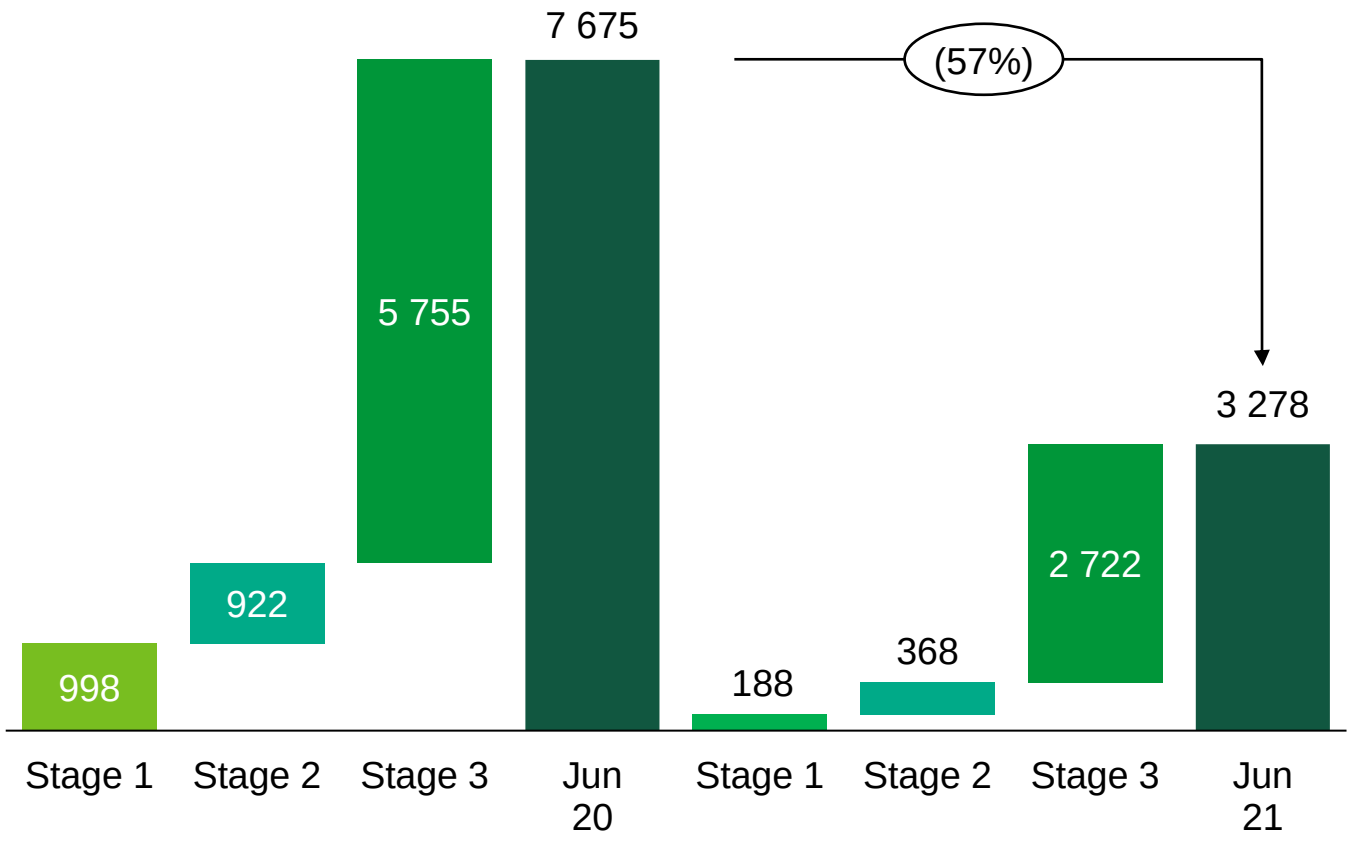


Writeoffs & post-writeoff recoveries (Rbn)



Impairment charge down 57%

Impairment charge (Rm)

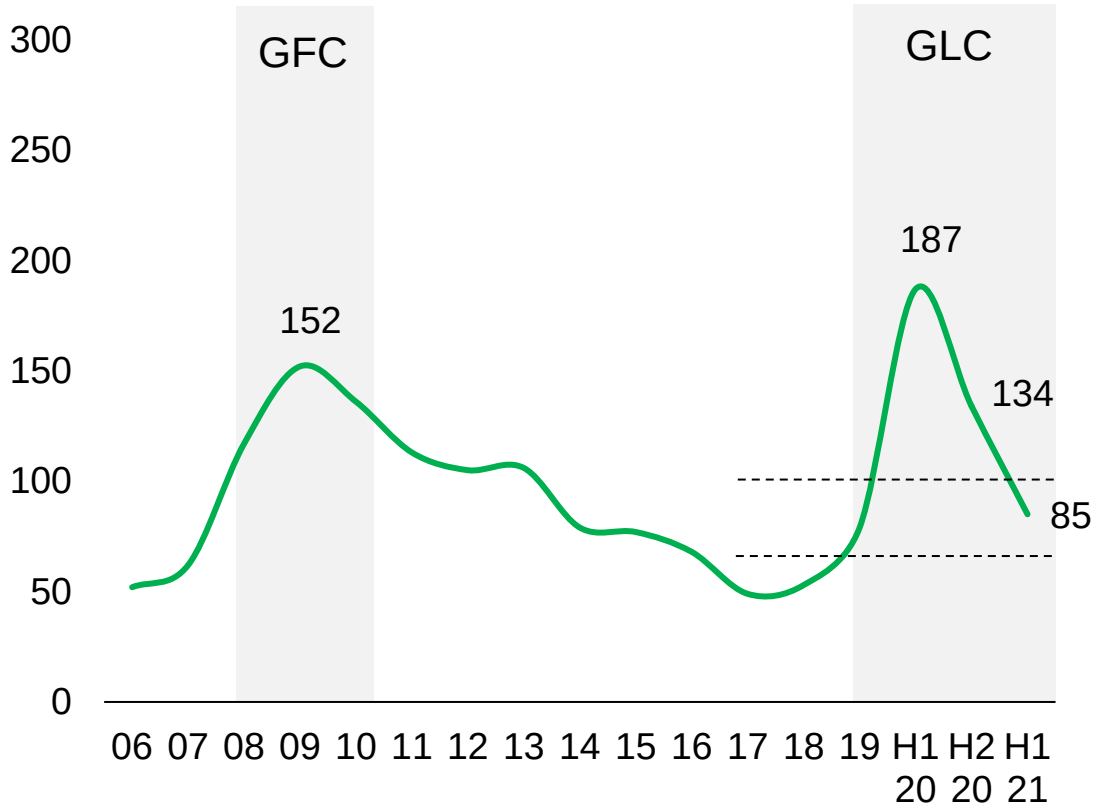


Key drivers

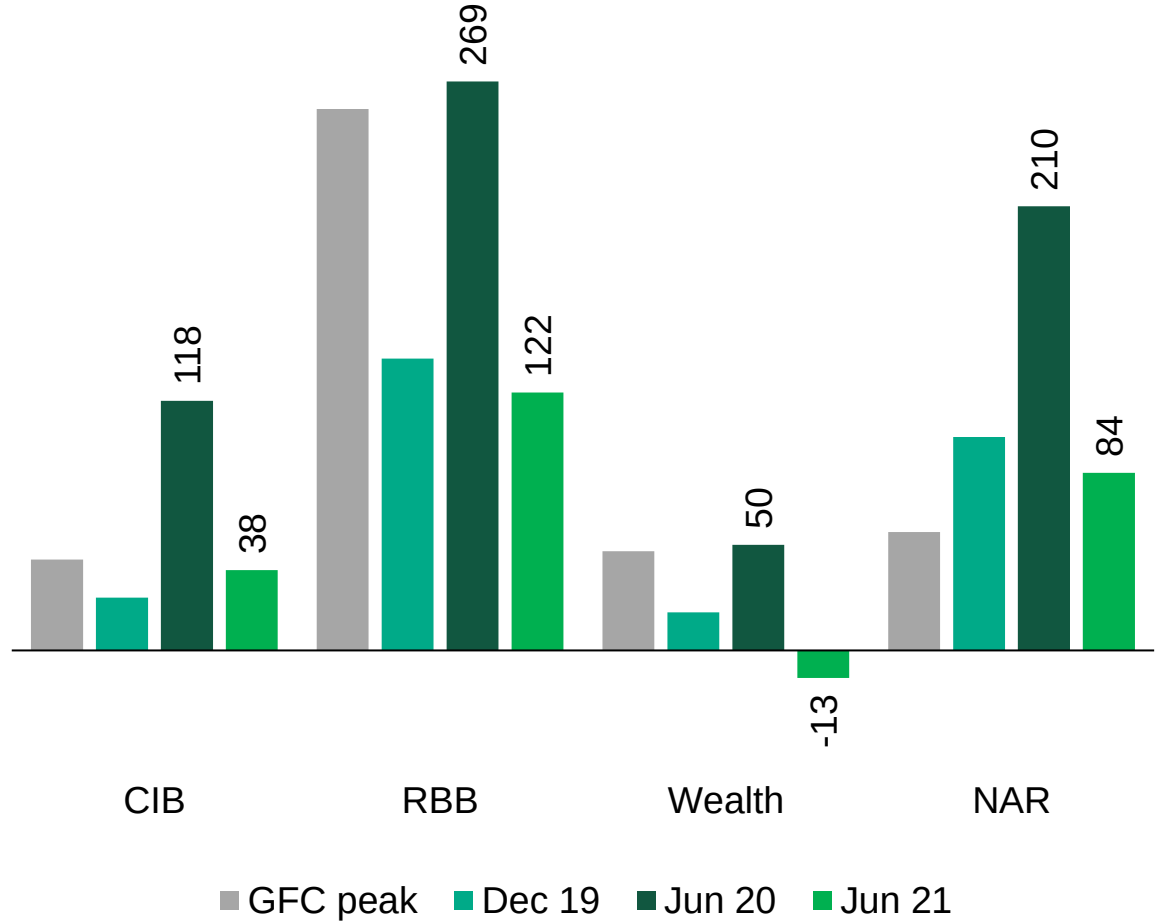
- **Gross loans & advances down 7%** yoy
- **Significantly better collections experience** – benefits from 300 bps interest rate cuts in 2020 & improved risk profile
- **Macroeconomic benefits coming through in models** – mainly as GDP growth improved from the 2020 decline & forecasts improved
- **D3 loans reduced to R9bn** (Jun 20: R119bn) – remaining loans in CIB to mature in H2
- **D7 loans reduced to R9bn** (Dec 20: R13bn) – restructured loans cured
- **Level of judgemental & macroeconomic overlays remain conservative** – increased to R4,5bn (Dec 20: R3,9bn)

Credit loss ratio reduced to within our TTC range of 60 to 100 bps – impact of IFRS accounting evident in H1 20 vs H1 21

Group CLR (bps)

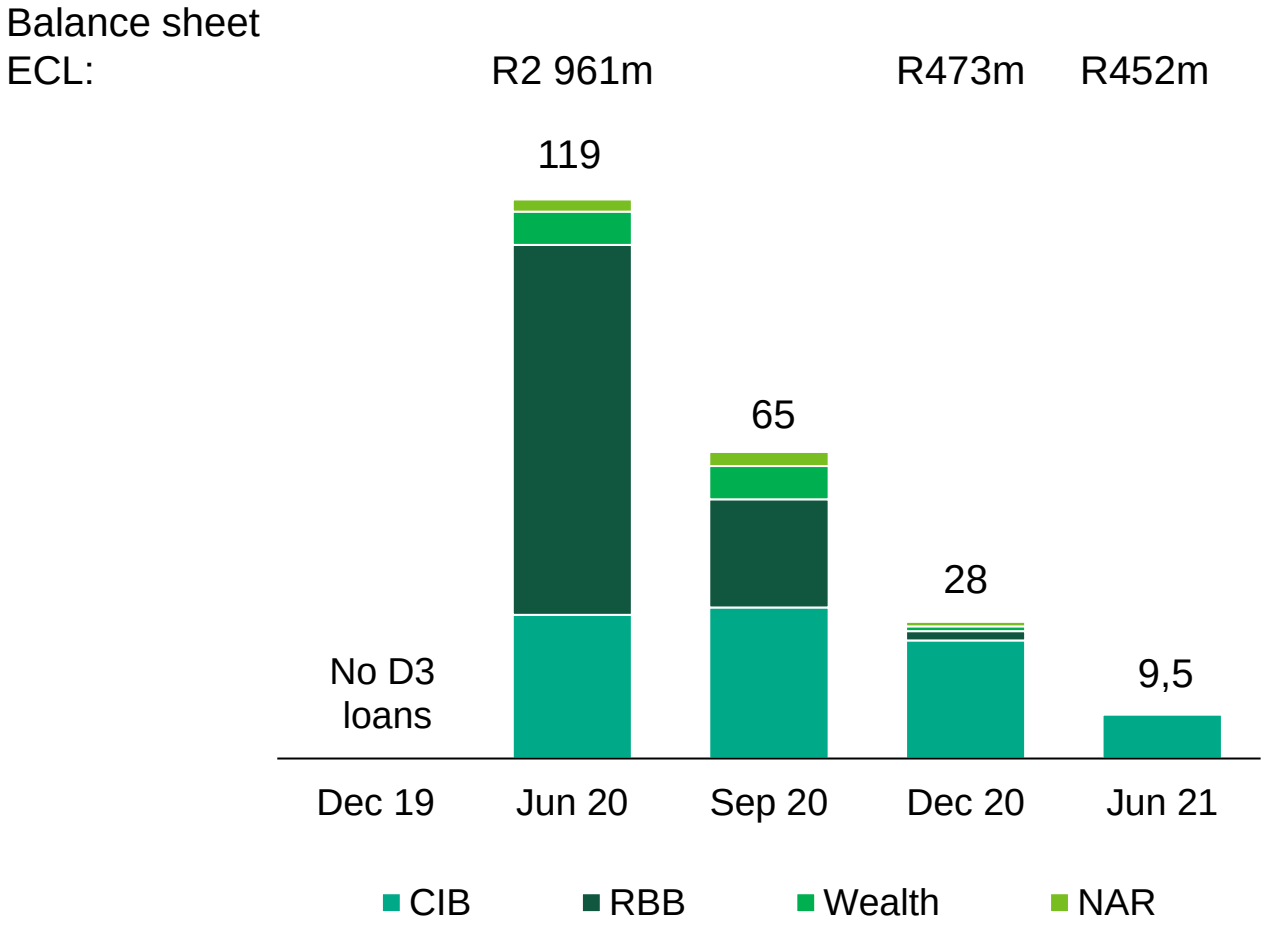


Cluster CLR (bps)

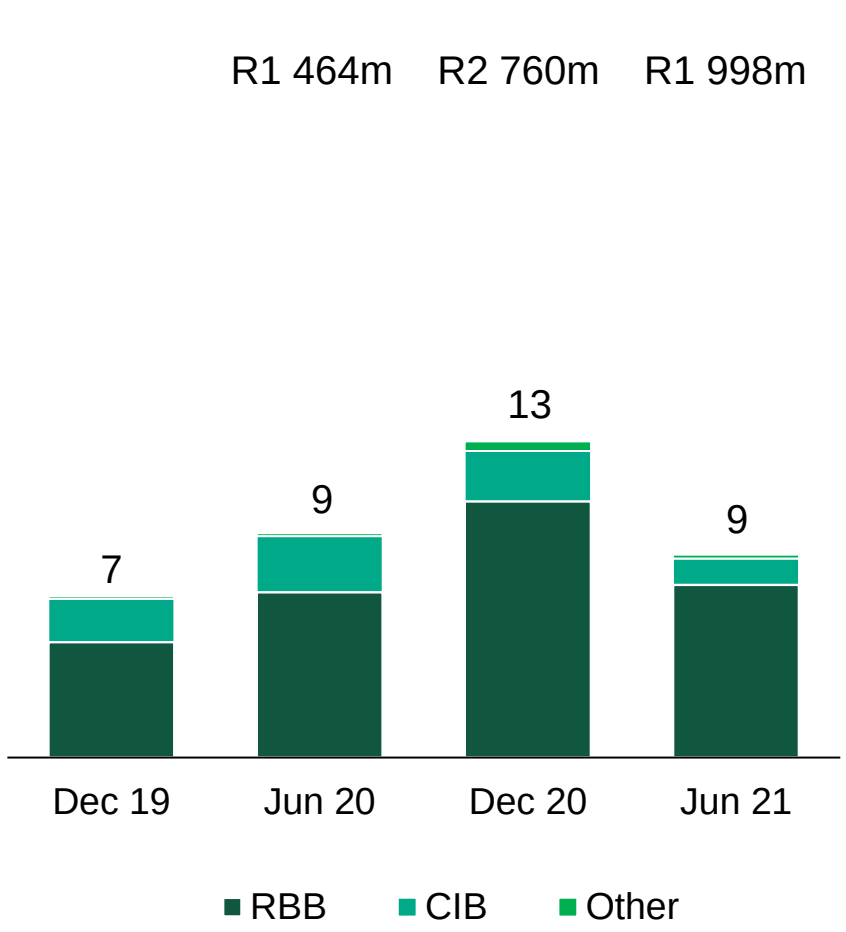


Credit risk – D3 (payment relief) loans & D7 (restructured) loans reduced significantly

D3/2020 relief provided (Rbn)



D7/2015 provided (Rbn)



Covid-19 & macro-related adjustments/overlays increased to R4,5bn
– remains conservative in an uncertain environment

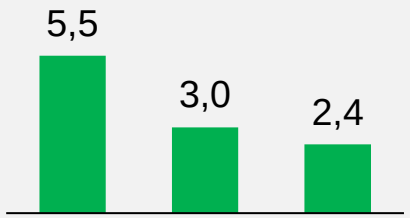
	Covid-19 & macro-related adjustments/overlays	Dec 2020		Jun 2021
Other	▪ **Central provision** (emerging risk not yet in models/data/macroeconomic forecasts)	R750m	R250m	R1 000m
Other	▪ **NAR & Nedbank Wealth** overlays	R168m	(R29m)	R139m
CIB	▪ **IB & TS macroeconomic impact**		R82m	R82m
CIB	▪ **IB & TS overlays** – D3/D7 migration risk in post-forbearance period	R386m	R339m	R725m
CIB	▪ **CPF overlays**	R440m	R294m	R734m
RBB	▪ **Interest rate benefit neutralisation overlay** (MFC, the rest of Retail adjusted in the models from H2 20)	R370m	R11m	R381m
RBB	▪ **Covid-19-related adjustments**			
RBB	– **Overlays on Retail loans** to cater for short-term residual risk (reduction driven by RBB D3 loans declining to zero)	R334m	(R202m)	R132m
RBB	– **BB overlays**	R416m	(R84m)	R332m
RBB	– Longer-term impact using stressed **forward-looking information** (FLI)	R1 027m	(R20m)	R1 007m
		R3 891m	R641m	**R4 532m**

Expected credit loss – probability-weighted ECL at R26,6bn, with mild-stress scenario indicating extent of downside risk to recent events

ECL modelling for H1 21

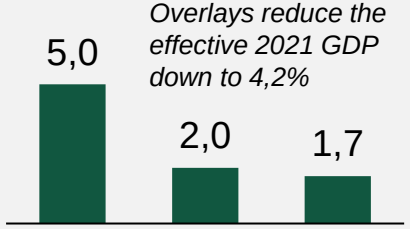
GDP growth assumptions (as at June 2021)

Positive – 21% probability

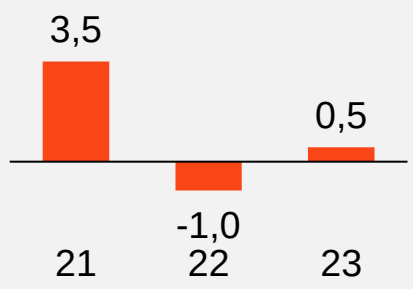


Base – 50% probability

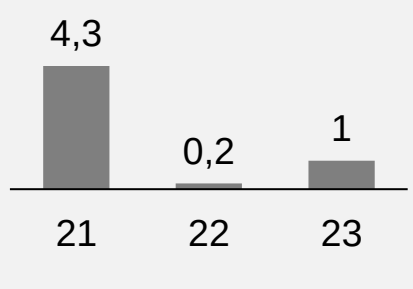
Overlays reduce the effective 2021 GDP down to 4,2%



High stress – 8% probability



Mild stress – 21% probability



Scenarios

Probability-weighted ECL[1]
R26,6bn

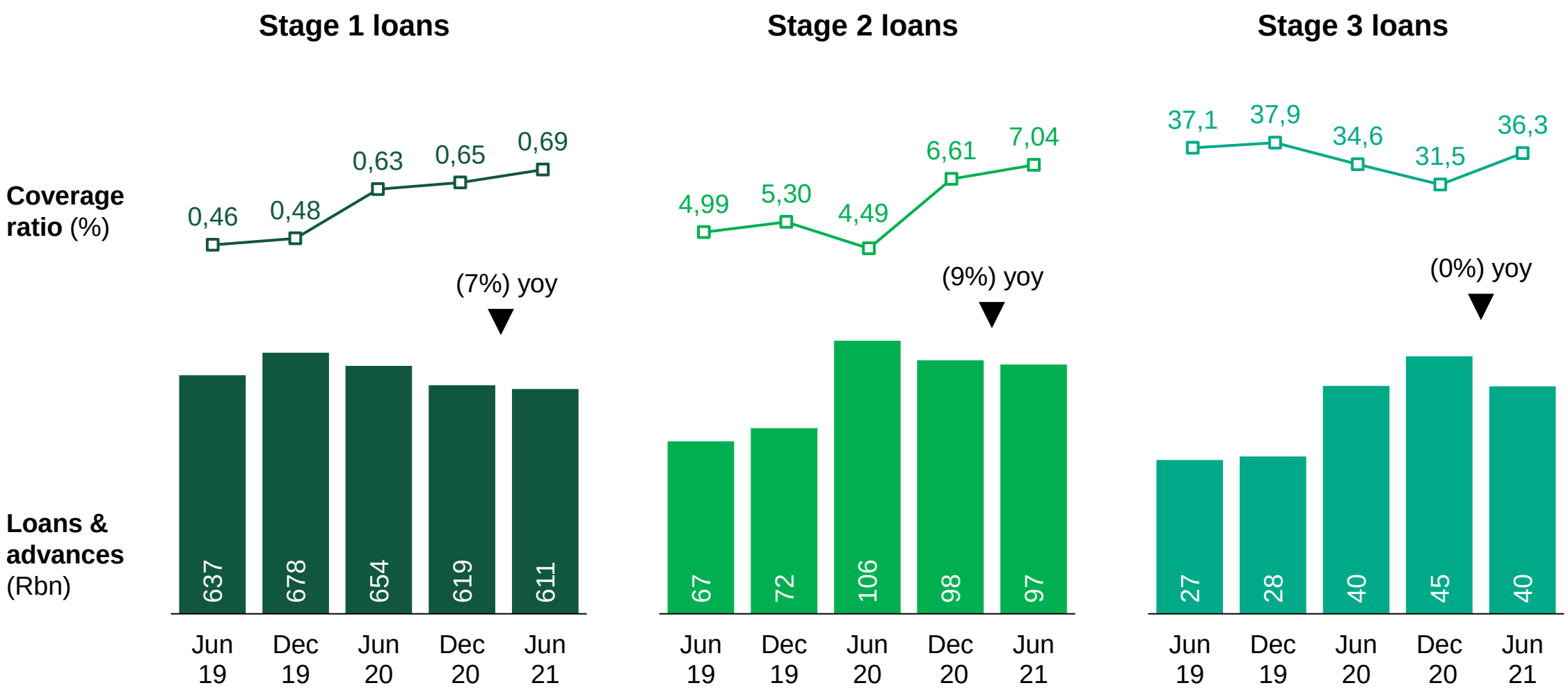
100% probability of **Base case** ECL
R26,3bn

100% probability of **mild-stress** scenario
+R48m to **R26,7m**

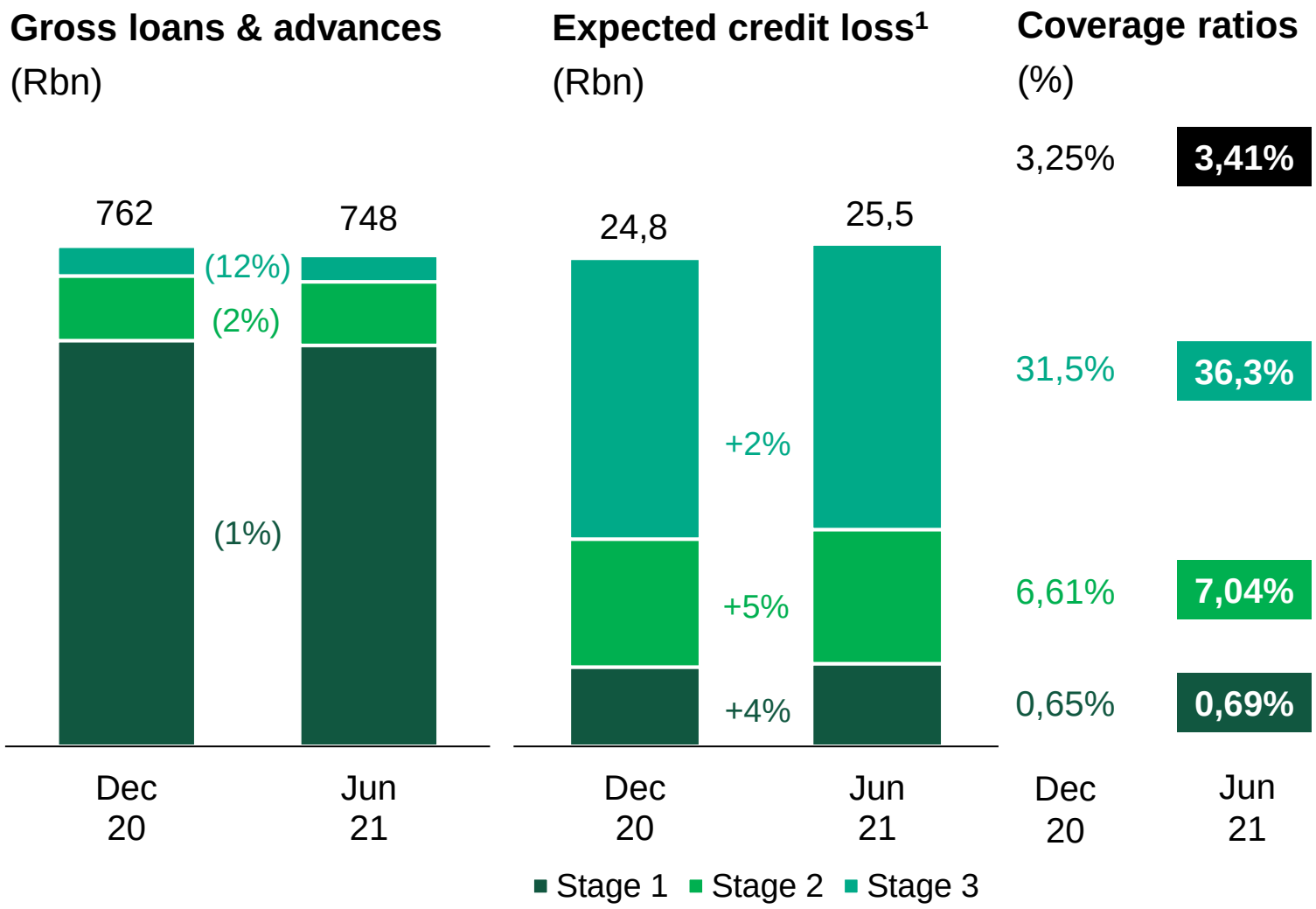
100% probability of **high-stress** scenario
+R0,4bn to **R27,1bn**

[1] *Includes ECL on loans & advances at amortised cost & FV OCI & R1bn relating to the central provision.*

Credit risk – reduction in loans & advances across stages 1, 2 & 3 and increases in coverage ratios



Credit risk – increase in total coverage ratio to 3,41%



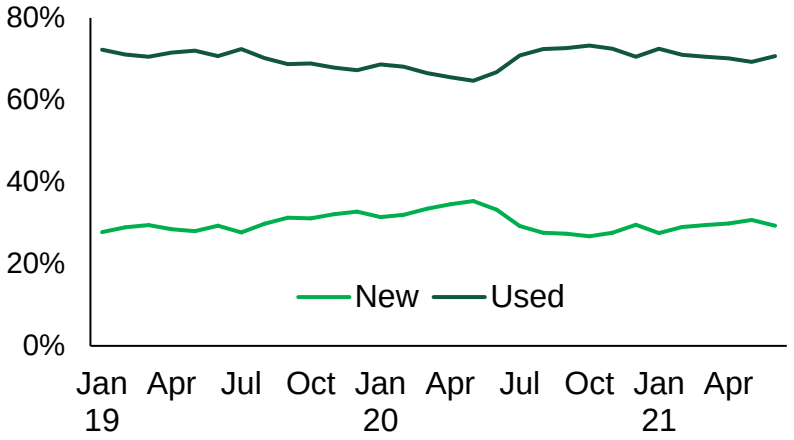
- **Stage 3 coverage** – increase driven by D7 loans curing & CIB stage 3 clients with low coverage migrating to the performing book
- **Stage 2 coverage** – increase driven by additional R250m central provision & CIB overlays, as well as migration of specific watchlist clients (with high coverage)
- **Stage 1 coverage** – marginal increase driven by stage movement

[1] *Excludes fair-value & off-balance sheet items.*

RBB metrics highlight the good quality of the book

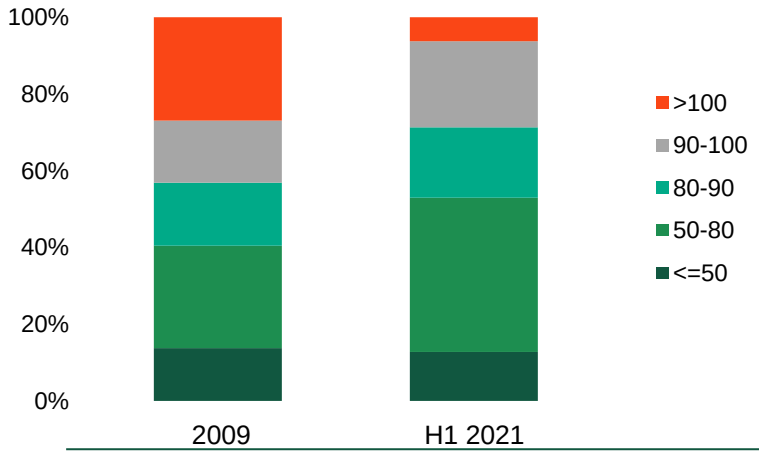
Vehicle finance

New vs used vehicle distribution (%)



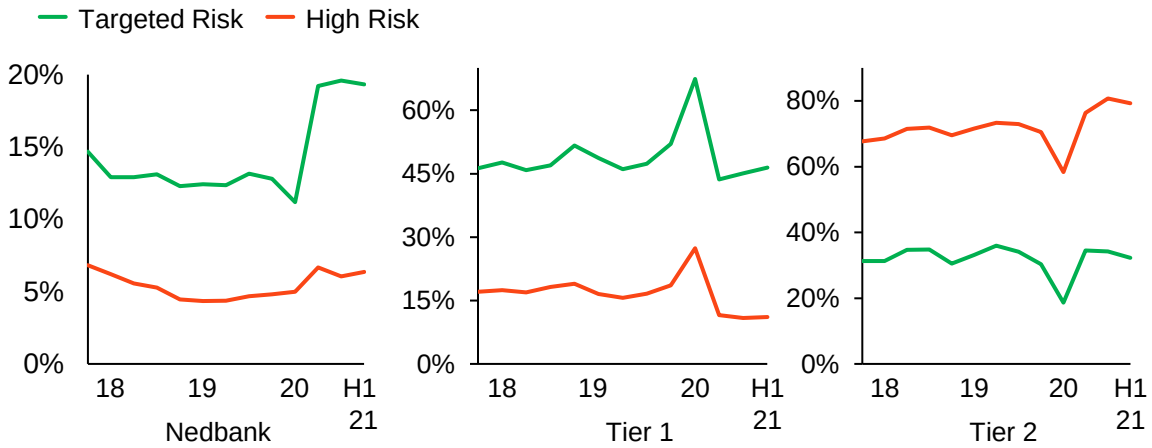
Home loans

LTV Distribution 2009 vs H1 2021 (%)

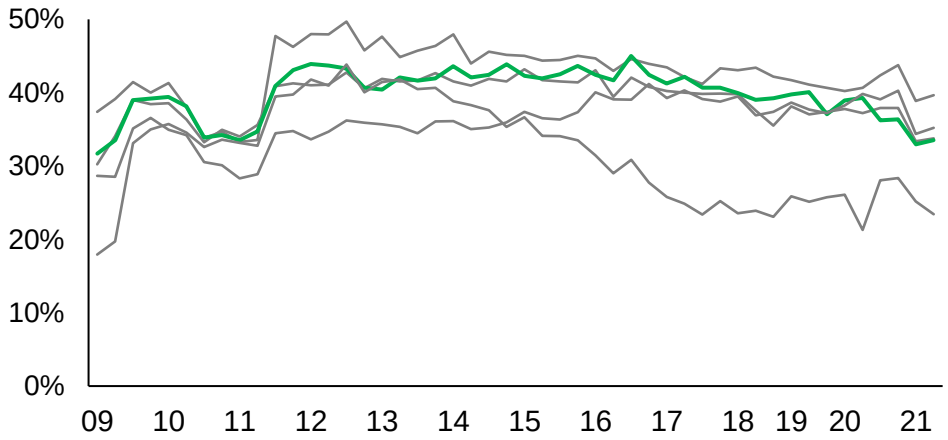


Personal loans

Market share of disbursed business (%)[1]



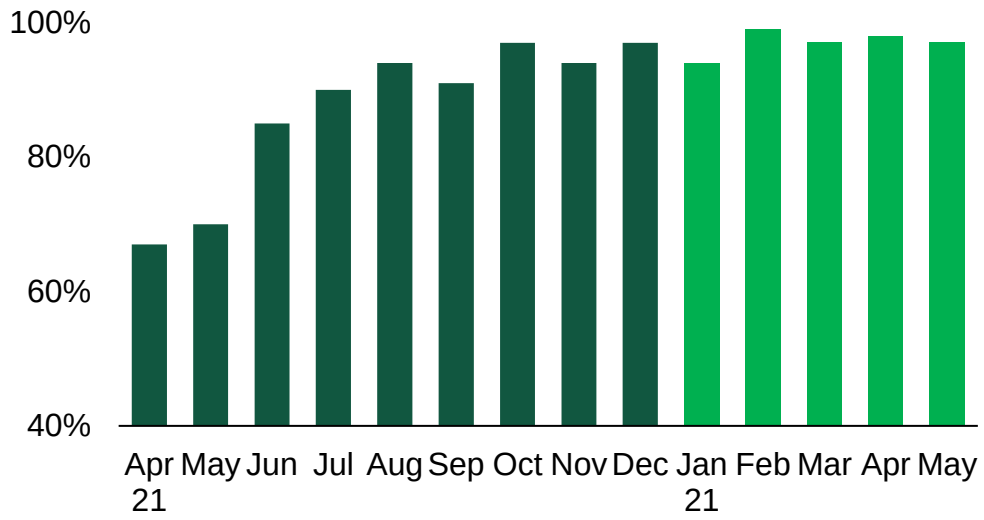
HL new business - Low-risk clients proportion[2] (%)



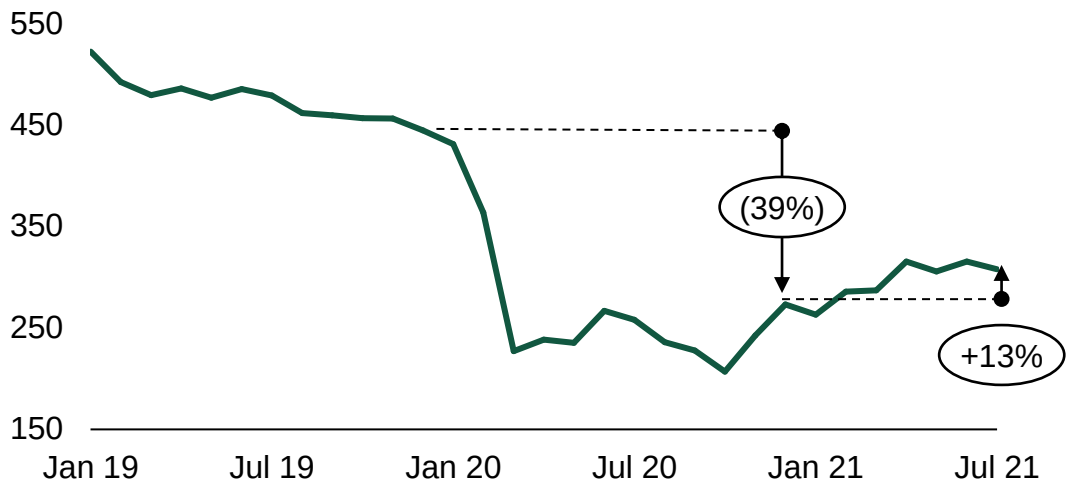
[1] Source: Experian. Tier 1 refers to traditional 4 banks excluding Nedbank, while Tier 2 refers to remaining material providers of unsecured personal loans. | [2] Source: Lightstone.

Commercial property finance – the commercial property sector performing better than expected

Listed fund rental collections (% rent received)



SAPY index



- **Liquidity remains better than expected** across the sector – largely due to better-than-expected rental collections, as evidenced by listed funds collection data
- **Increases in vacancies evident but remain manageable** (increase of between 1,0% and 3,0%)
- **Sasria cover in place for all properties damaged during unrest** with both business interruption & damage cover. We do not expect any material adverse impact to our portfolio

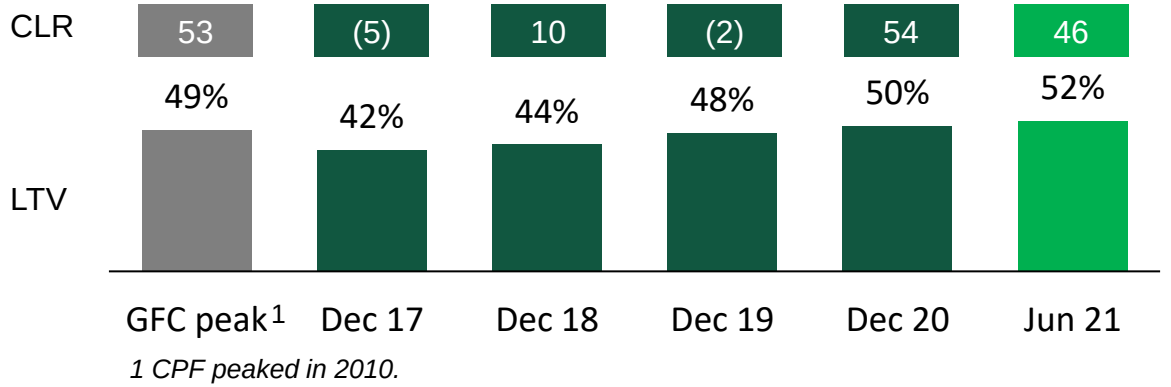
- **Some recovery in share prices** as performance of the sector has generally been better than expected
- **Reduced shareholder distributions** have strengthened balance sheets & improved liquidity (good for bondholders/financiers)
- **Interest cover ratios (ICR) in the listed sector remain robust** – ICR covenant generally 2x; majority of funds remain above covenant levels
- **Clients benefiting from the 300 bps interest rate reductions & low-interest-rate environment**

Commercial property finance – a high-quality, well-diversified & collateralised portfolio, with additional overlays for the risk of potential future stresses

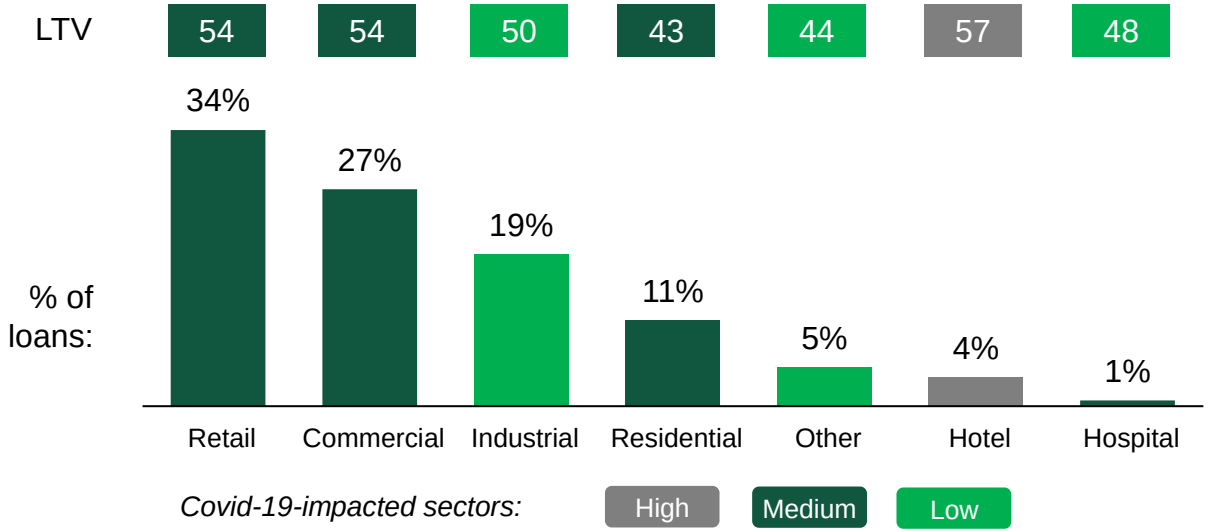
What gives us comfort?

- **High-quality, well-diversified & collateralised portfolio**
- **Low LTVs going into the crisis**
  - Average LTV increased to 52%
  - LTVs remain low, with adequate collateralisation (significantly reduces the risk of potential losses)
- **Revalued > 5 200 properties in past 12 months** (covering 79% of our exposure by value)
  - Revaluations in line with market trends (5,6% decrease in valuations)
- **Increased overlays to R734m** (Dec 2020: R440m) to buffer against further deterioration in valuations & credit migration
- **Low levels of arrears**
  – 0 to 90 days: R11m (H1 20: R48m)

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

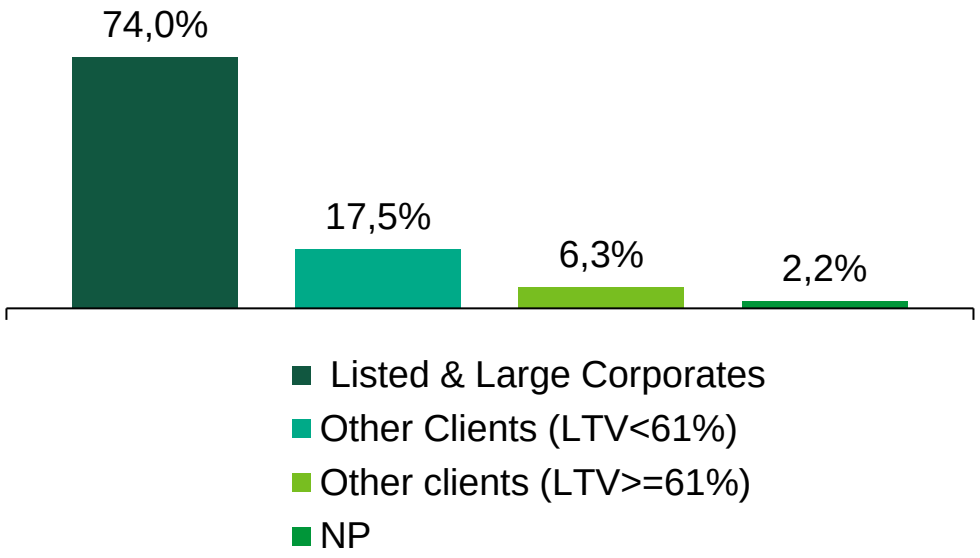


1 CPF peaked in 2010.

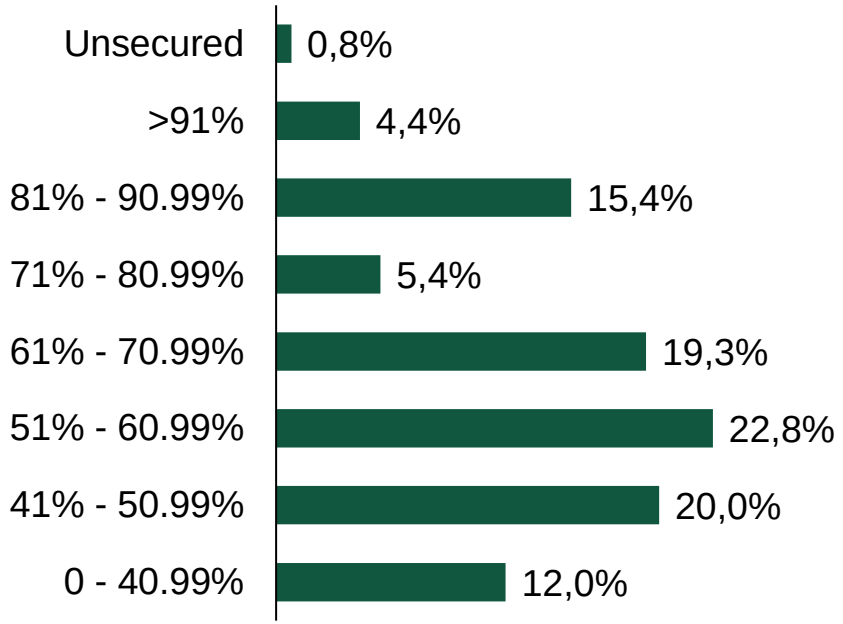


Commercial property finance – commercial property sector

Commercial exposure by client type (%)



Loan-to-value on commercial sector (%)

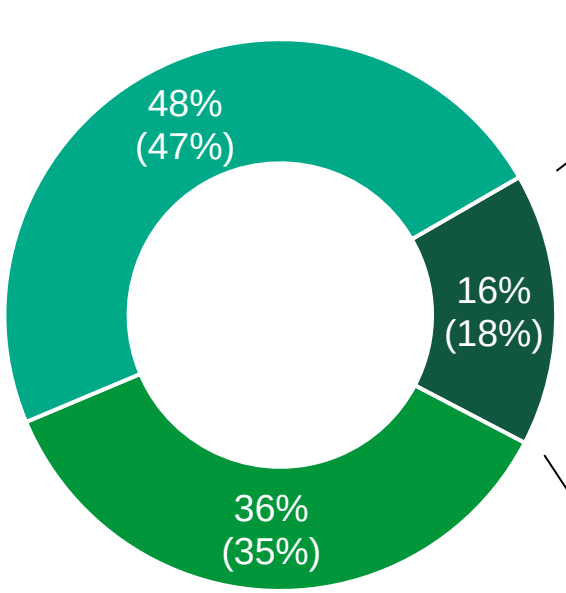


- **Vacancy levels much lower than market levels** [Nedbank: 7,6%, Market*: 15%] – indicating better quality portfolio in general
- **Listed & large clients represent bulk of exposure** – low gearing & well-diversified portfolio
- **Other clients (LTV<61%) can absorb significant increase in vacancies & reduction in rentals** while still meeting debt obligations
- **Majority of exposure in higher LTV buckets to listed funds & large corporates**
- While the office market will remain under pressure, the **quality of the collateral pool & composition of our portfolio reduces our risk**

** Based on SAPOA Q2 2021*

Credit risk – CIB Covid-19 high-risk exposures

CIB Covid-19-impacted sectors (Rbn)

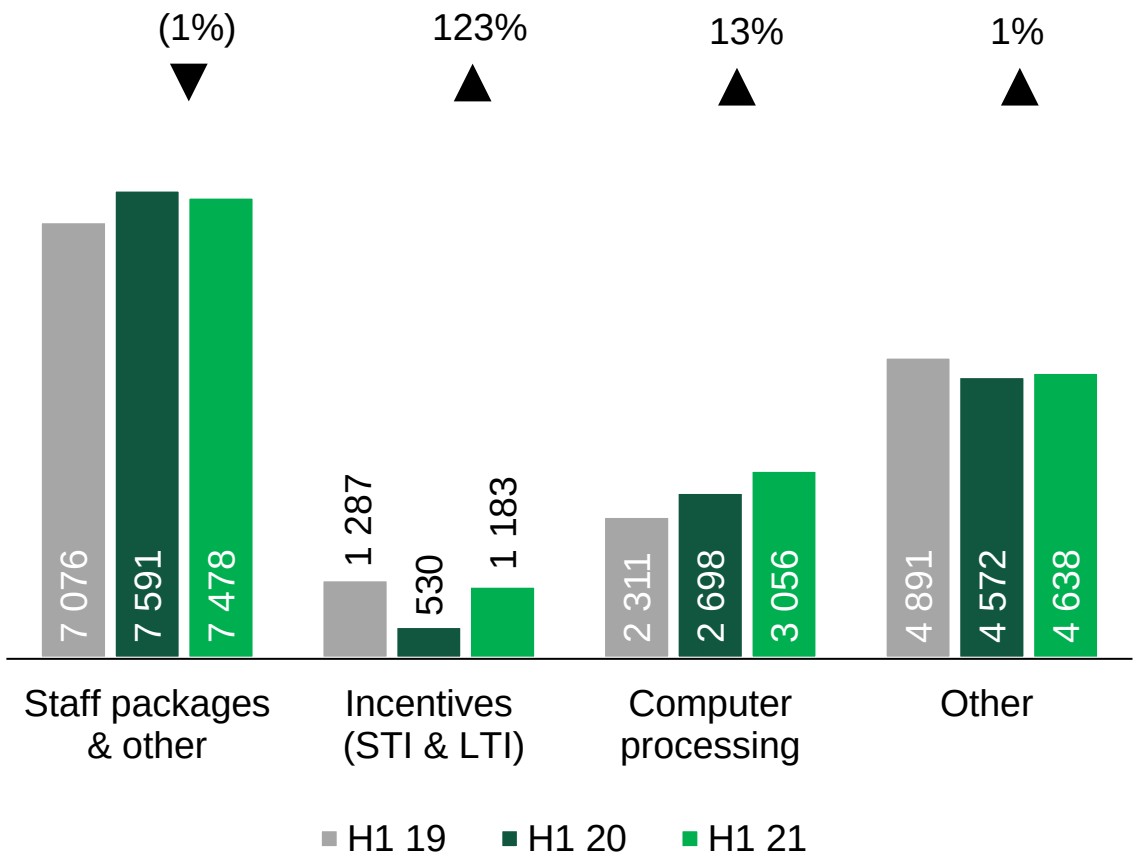


Covid-19-impacted sectors (excl CPF)	% of CIB exposure	D3 % of sector exp	D7 & NP % of sector exp
▪ **SOEs/Municipalities** – defaulted exposures being restructured, with 33% government-guaranteed	6% (7%)	0% (0%)	5% (5%)
▪ **Construction*** – Stressed sector pre-Covid-19 with reduction in high-risk & defaulted exposure in 2020	3% (3%)	0% (13%)	1% (6%)
▪ **Aviation** – 27% of exposure guaranteed & remaining exposure secured at 75% average LTV	1% (1%)	16% (29%)	42% (27%)
▪ **Retail** – limited high-end fashion exposure, with portfolio concentrated in large listed entities	1% (2%)	7% (5%)	1% (1%)
▪ **Automotive & Transport** – Portfolio tilted towards listed entities & OEMs	2% (1%)	3% (0%)	0% (0%)
▪ **Hospitality** – exposure to largest hotel & casino groups with substantial asset/equity base	2% (2%)	55% (95%)	0% (0%)
▪ **Manufacturing** – ongoing improvement	1% (1%)	0% (25%)	0% (0%)

** Construction includes Steel & Cement | (x%) denotes position at 31 December 2020*

Expenses up 6% – reflecting good cost management, with focus on efficiencies & benefits from digitisation. Excluding incentives, expenses up 2%

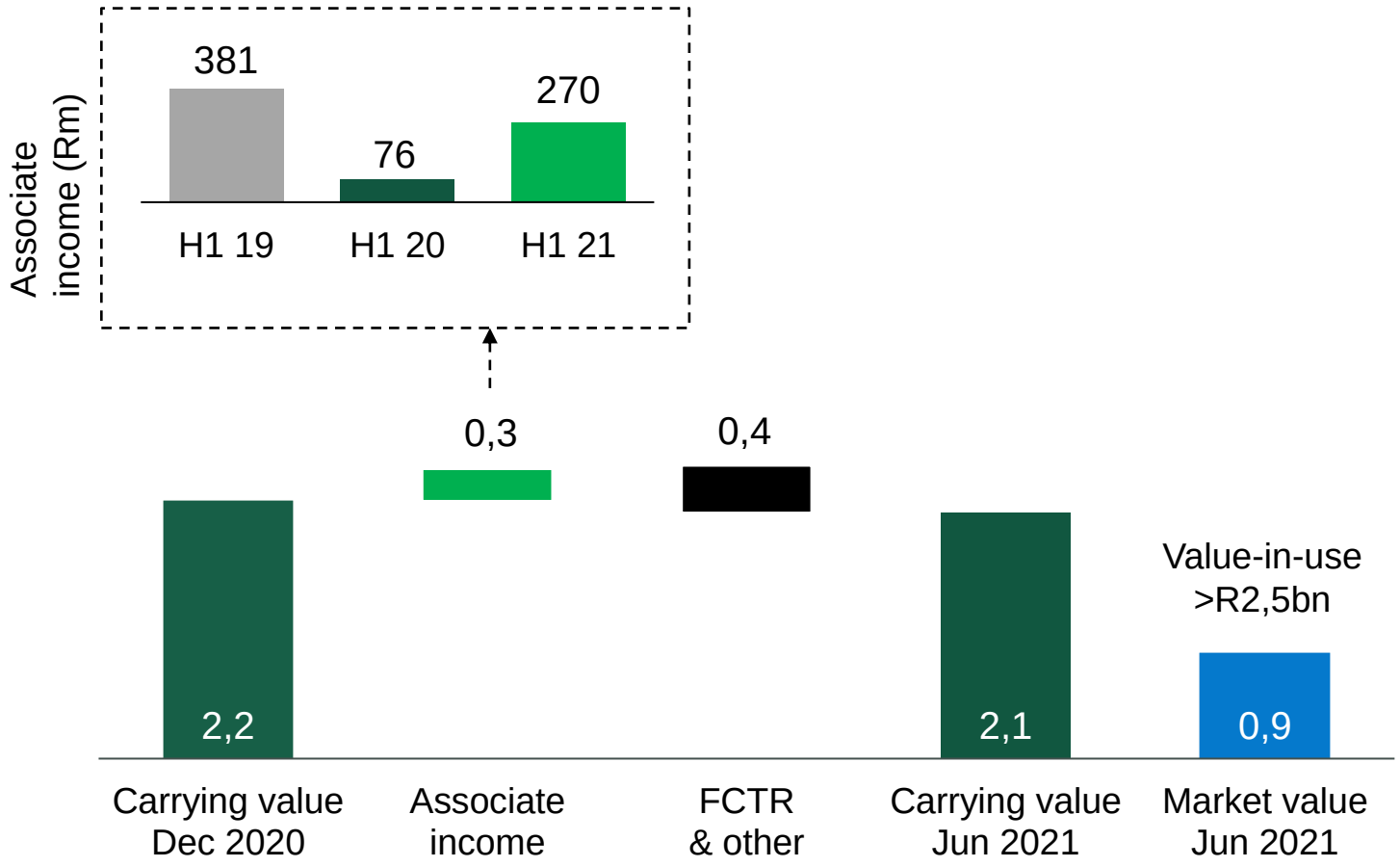
Expenses (Rm)



- **Staff costs**
  - ASR +3,5%
  - 4% yoy decline in headcount (mainly through natural attrition)
  - Incentives up 123% (down 59% in H1 20) – aligned with improved profitability metrics
- **Computer processing** – amortisation growth rate slowing as ME journey matures (H1 21: +21%, H1 20: +23%, H1 19: +28%)
- **Other costs** – up 1% (includes travel, communication, marketing, etc)
- **TOM 2.0** – R106m savings in H1 21 (R2,5bn target by end-2023)

Associate income from ETI up 255% – good strategic & financial progress provide for future upside

Carrying value drivers (Rbn)



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

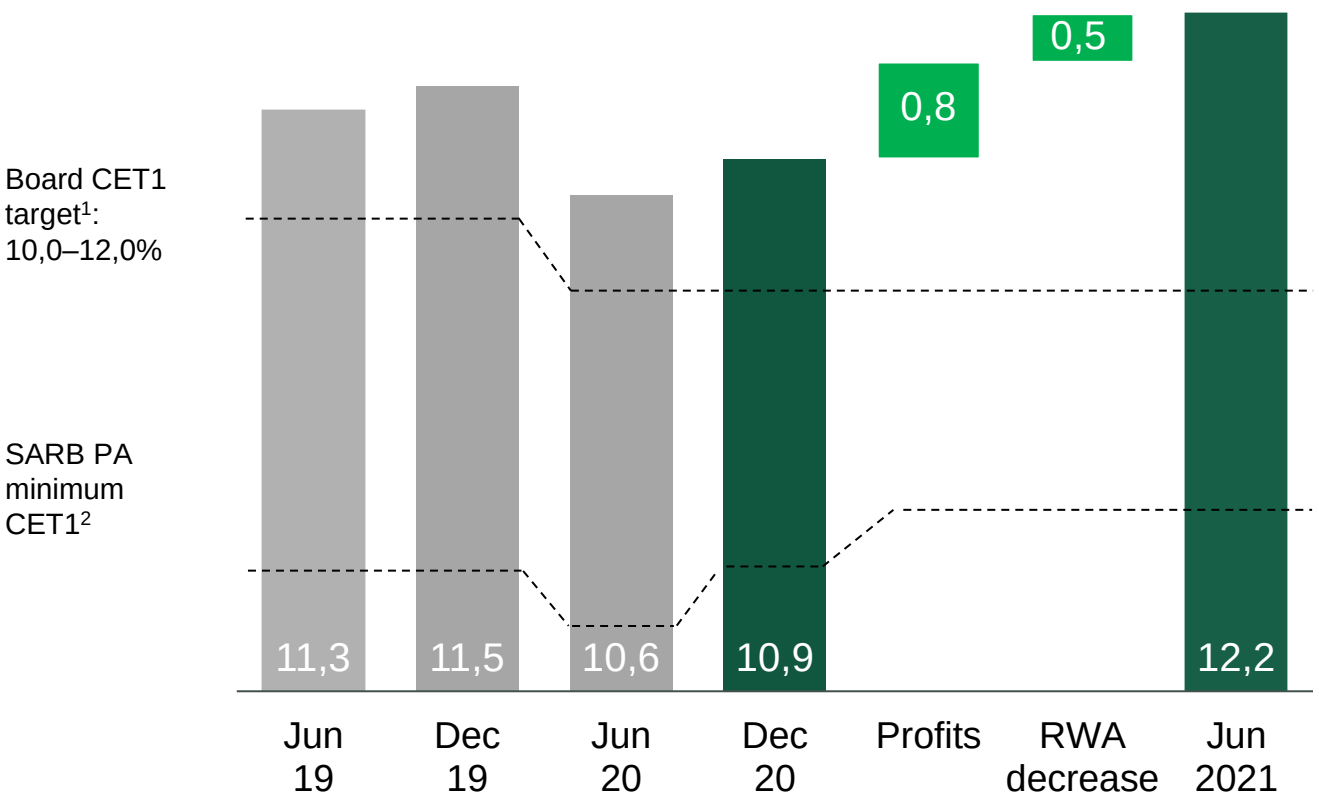
ETI Investment

- **Leading West & Central Africa franchise:** top 3 in 13 of 16 countries
- **Strong performance** in core West & Central Africa regions, reflected by the solid rebound in earnings & attractive ROEs[1]: 21%, 27% & 19%
- **NPLs continue to decline**
- Market leading franchise driving **strong deposit growth**
- **Material improvement in its capital position –** total CAR[1] up to 14,7%
- **Ecobank Nigeria** remains a drag on overall ETI performance (ROE: 3%)

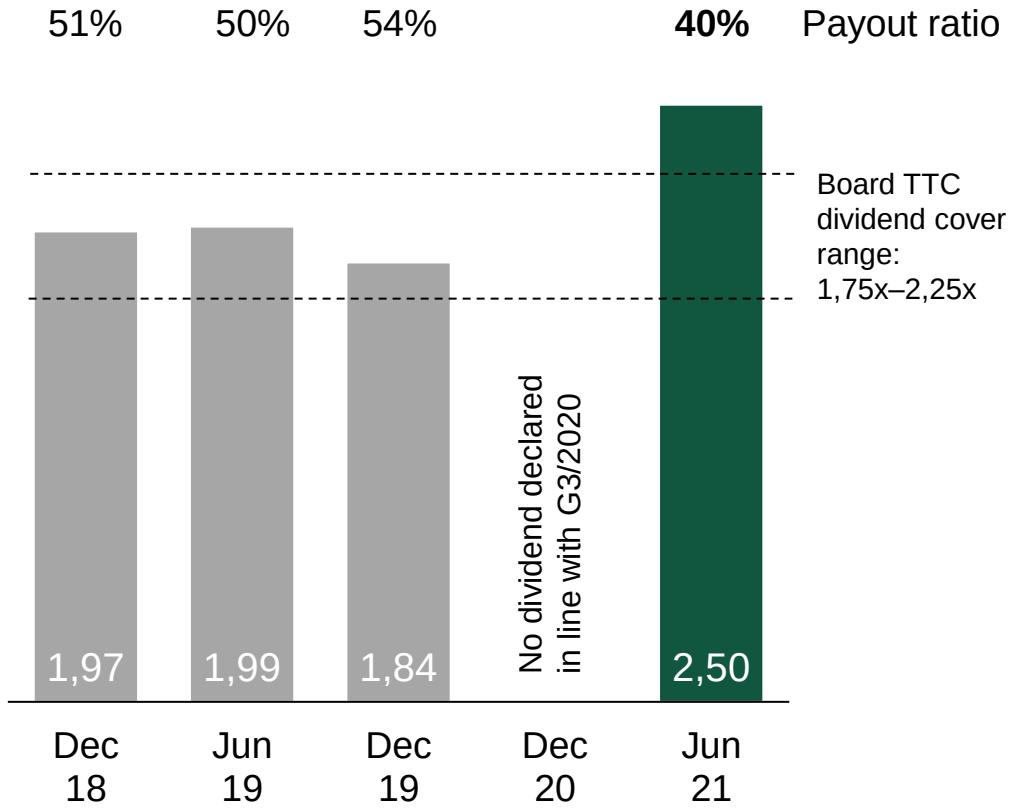
[1] *June 2021 results: ROE in UEMOA – 20,5%; AWA – 27,0%; CESA – 19,4%; Nigeria – 2,5%*

Capital – CET1 ratio above pre-Covid levels & above the top-end of our board-approved target range of 10% to 12%, dividend payments resumed

CET1 ratio (%)



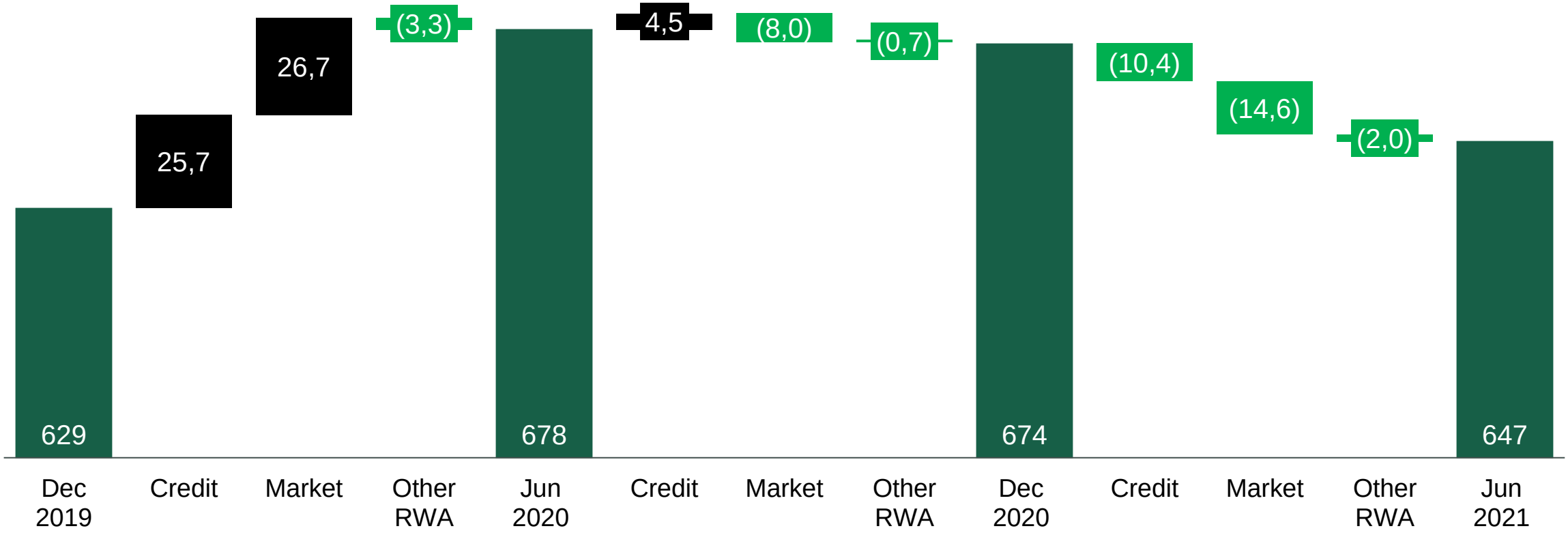
Dividend cover (times)



[1] During 2020 Nedbank's internal board-approved target ranges were adjusted to reflect the lower new regulatory minimum requirements, in line with the PA Directive 2/2020. | [2] Excluding idiosyncratic buffers & including the D-SIB capital requirement of 100 bps, in line with PA Directive 5/2021 (from 50 bps in Dec 2020).

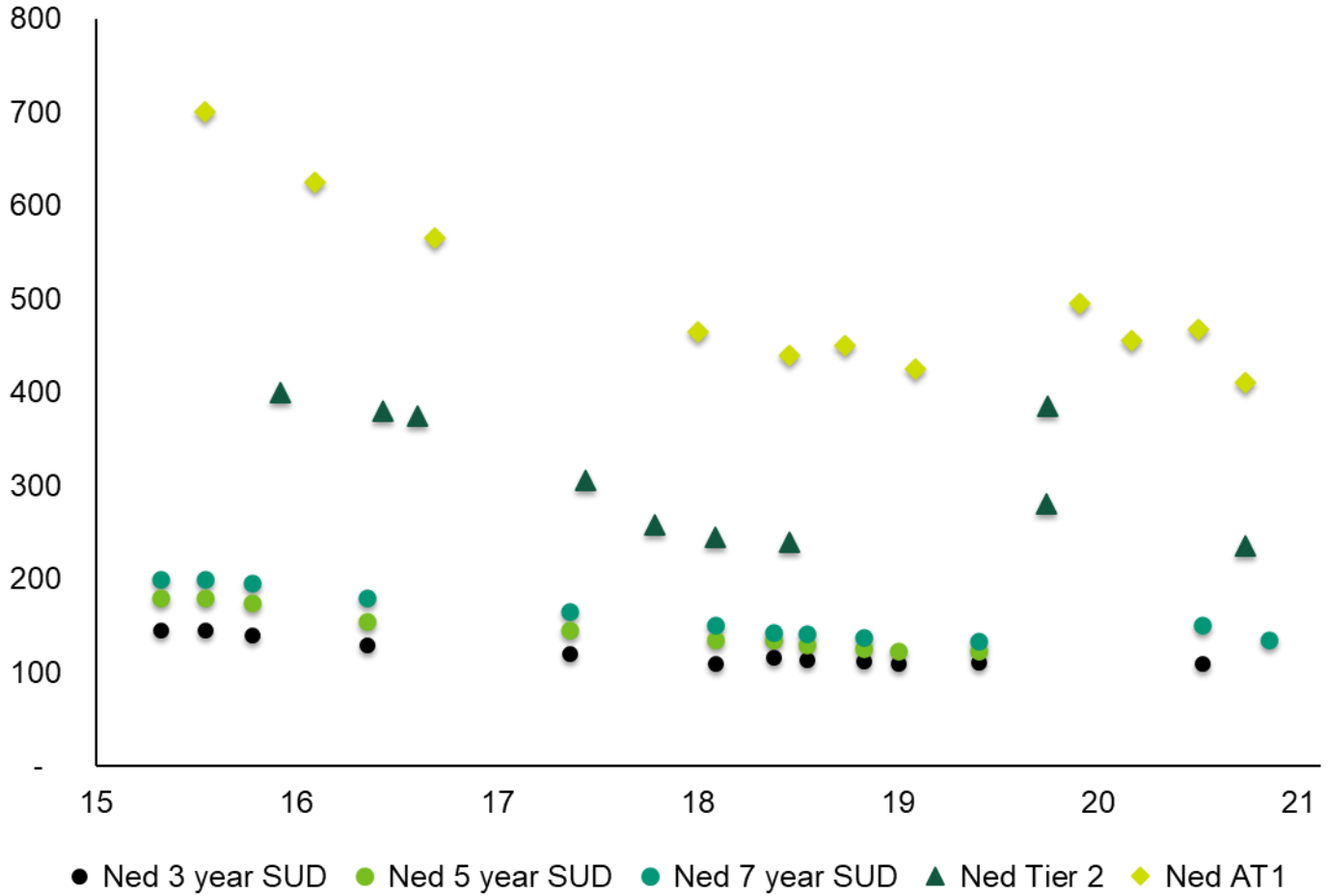
Risk-weighted assets – credit RWA optimisation beneficial, along with normalisation of market RWA as volatility moved through the models

Risk-weighted assets (Rbn)



Pricing of funding – reduced over time & within industry ranges

Nedbank pricing vs SA banking peers (bps above JIBAR)



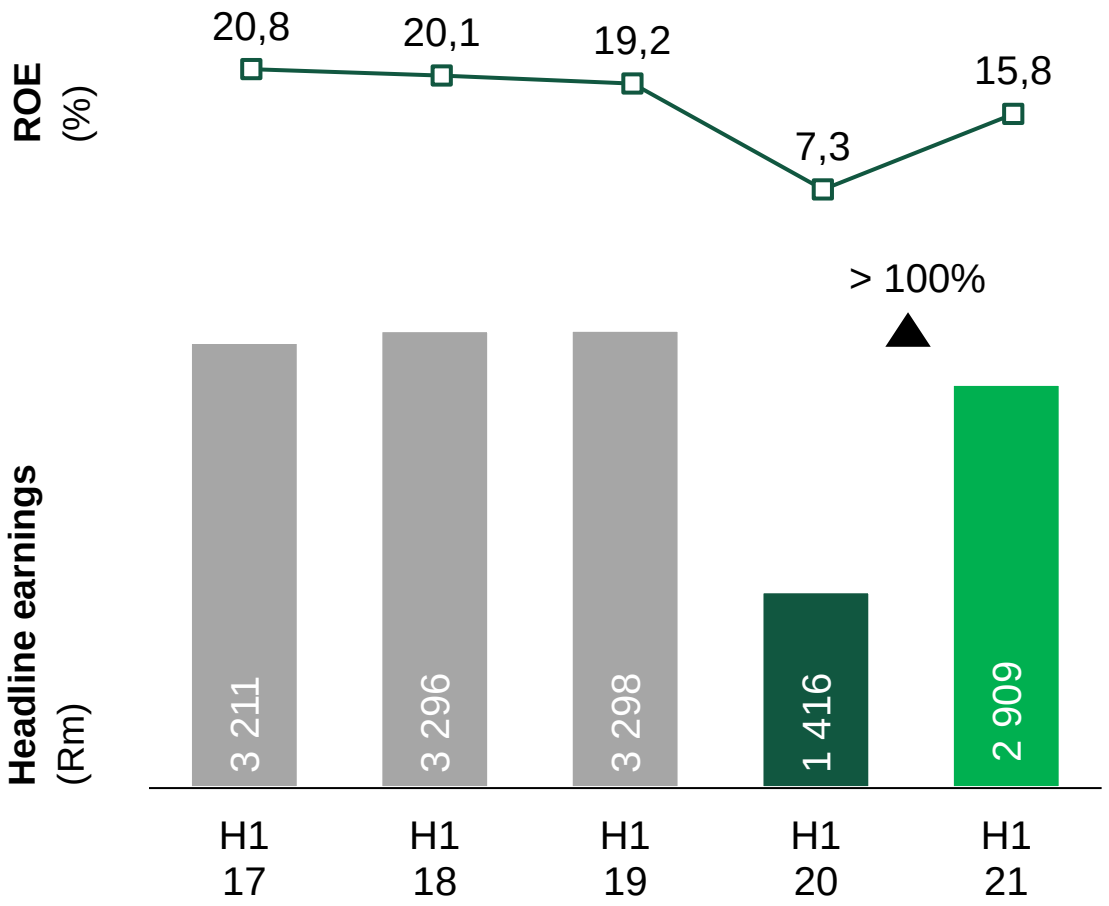
SA banks pricing over the past 24 months

- **AT1**
  - Peers: 423 to 485 (Ned: 410 to 495)
- **Tier 2 debt**
  - Peers: 210 to 375 (Ned: 235 to 385)
- **Senior unsecured**
  - Peers[1]: 3 year: 110 to 112 (Ned: 110 to 112)
  - Peers[2]: 5 year: 124 to 126 (Ned: 123 to 126)
  - Peers: 7 year: 134 to 145 (Ned: 133 to 150)

Excluding a single 3-year[1] issuance at 77 bps & a single 5-year[2] issuance at 100 bps due to low & dislocated NCD curve at the time.

CIB financial performance – solid HE driven by lower impairments & NIR normalisation

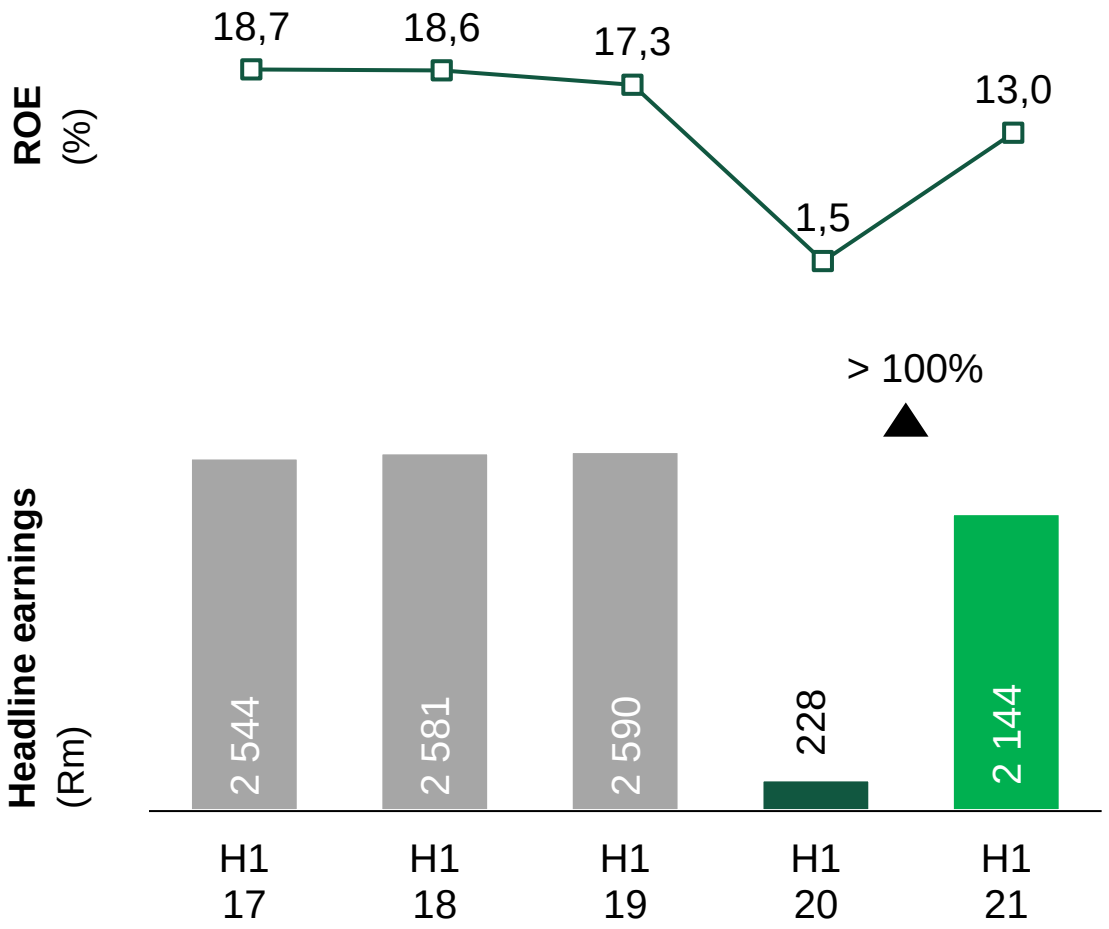
Financial performance



- **NII up 2%**
  - NIM increased by 39 bps – benefitting from higher prime/cost-of-funding spread & optimisation of portfolio
  - Lower loans & advances – impacts from client repayments & muted corporate demand
- **Impairments down 72%**
  - Improvement in macroeconomic factors, decline in loans & advances, reduction in stage 3 charge – partially offset by an increase in judgemental overlays
  - CLR at 38 bps within TTC target range
- **NIR up 8%**
  - Trading revenue solid, but down yoy given the high H1 20 base
  - Equity revaluations up off a low H1 20 base
- **Expense growth of 10%** driven by higher incentive costs & increased strategic spend
- **Allocated capital down 5%** – lower credit & market RWA

RBB financial performance – solid progress in building the franchise

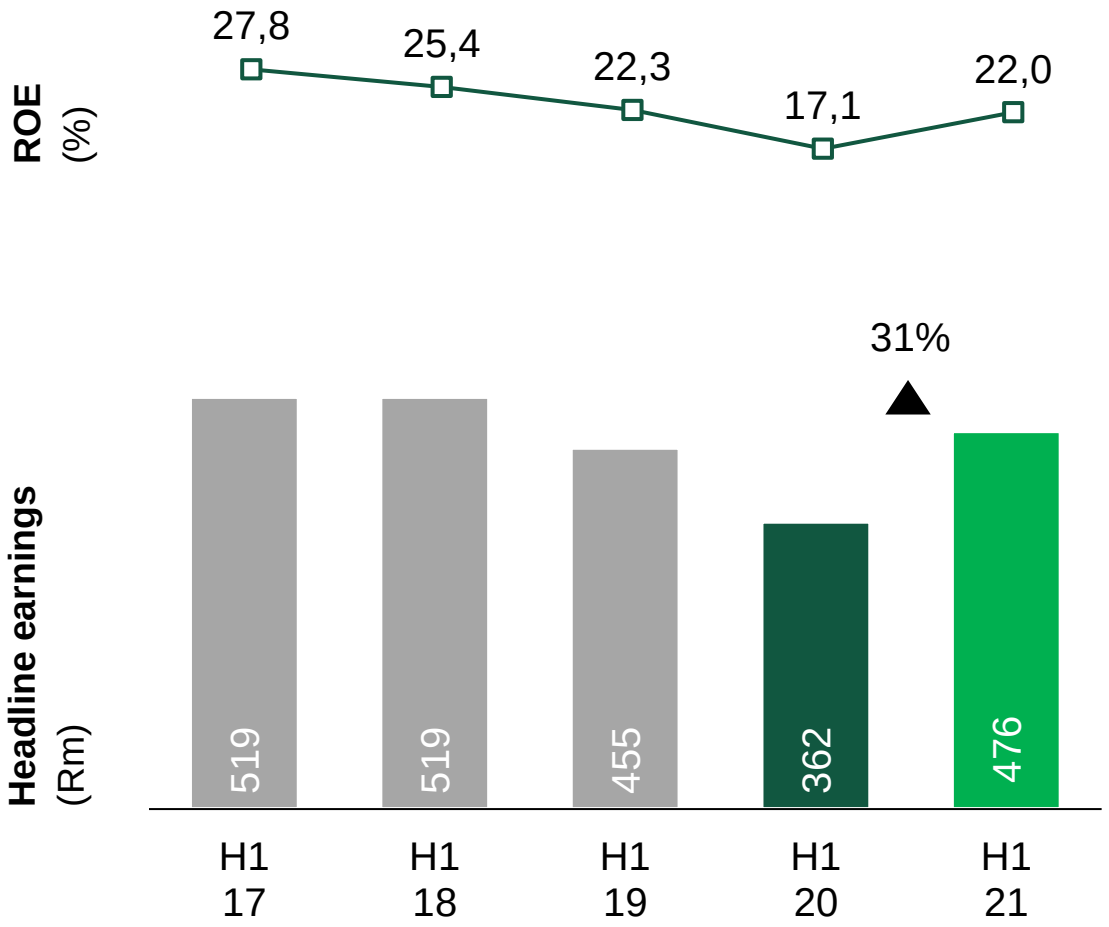
Financial performance



- **NII up 6%**
  - Advances growth momentum across all products
  - NIM increased by 12 bps
- **Impairments down by 53%**
  - Better collections experience, reduction in D3 & D7 loans & overlay releases
  - CLR at 122 bps below TTC target range
- **NIR up by 7%**
  - Strong recovery seen in client transaction activity
  - Full recovery remains impacted by Covid-19 restrictions
- **Expense growth of 7%** driven by higher incentive costs, offset by ongoing cost optimisation

Wealth financial performance – strong HE supported by Insurance ALM strategy, strong AUM, improved markets & credit impairment recoveries, offset by the impact of record-low interest rates

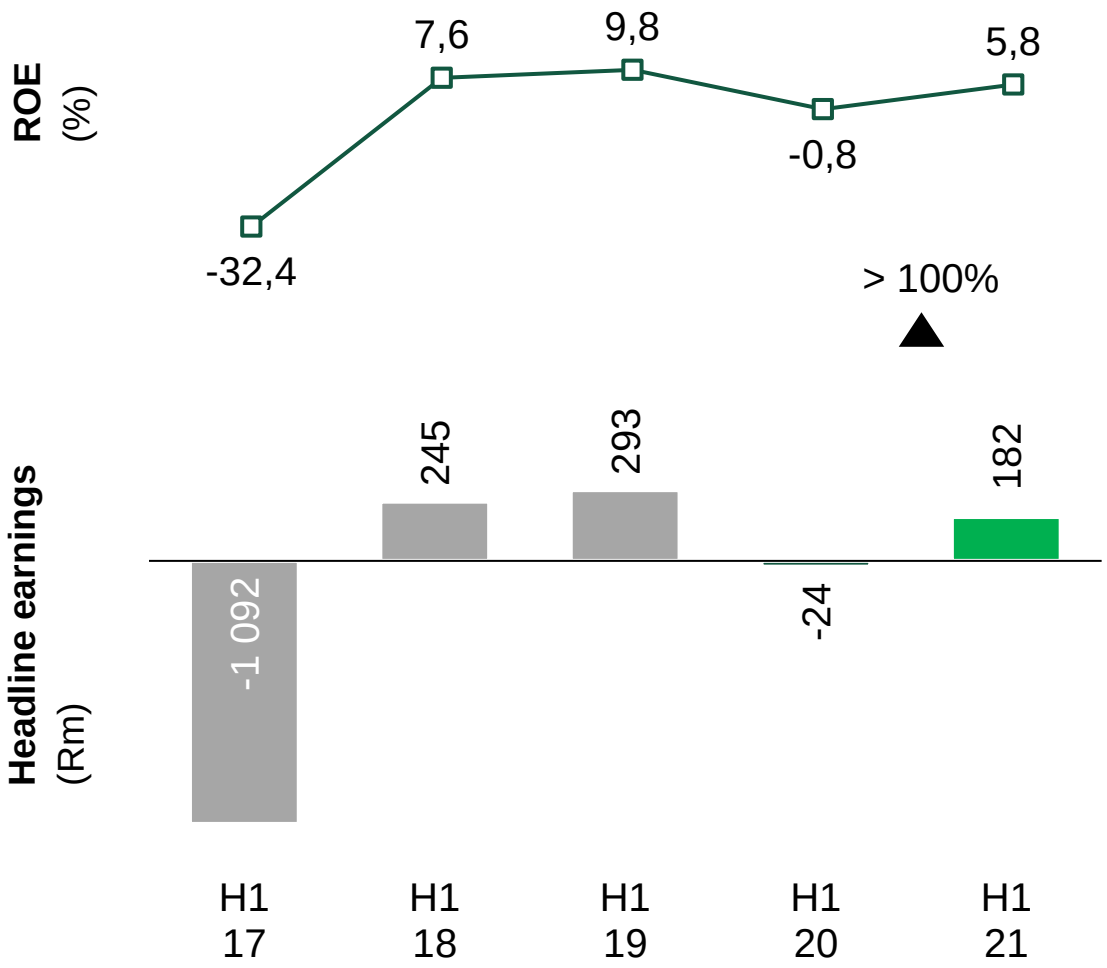
Financial performance



- **Strong ROE above cost of equity**
- **Insurance HE up 91%**
  - – Strong growth from implementation of enhanced ALM strategy & improved investment performance, offset by increase in life claims
- **Asset Management HE up 5%**
  - – AUM increased by 9% yoy due to positive netflows of R9bn & strong market rebound
- **Wealth Management HE down 39%**
  - – Impacted by record-low interest rates, particularly offshore
  - – Impairments benefitted from a large recovery

NAR financial performance – turnaround in performance largely driven by ETI

Financial performance



- **SADC HE slightly negative**
  - HE (after central costs) of R11m loss when compared with R4m in H1 2020
  - NII decreased by 2% on the back of muted growth in the lending book & lower NIM
  - NIR declined by 14% due to lower client transactional activity & lower forex gains than in the prior year
  - Underperformance was offset by lower impairments & net monetary loss
- **ETI HE up > 100%**
  - HE of R193m (from R28m loss in H1 2020), driven by strong recovery across three core regions (UEMOA, AWA & CESA)
  - Although profitable, Ecobank Nigeria's performance remains suboptimal

OUTLOOK

On track towards **meeting our 2023 targets**

Mike Brown
Chief Executive

- Resilience phase delivered – all key metrics above 2019 levels & at the top-end of targets
- Environment remains risky, volatile & uncertain

Nedbank economic forecasts – updated forecasts include 0,4% estimated negative 2021 GDP impact from recent civil unrest & 0,4% from move to adjusted level 4 lockdown

	Forecast: Feb 2021					Forecast: July 2021			
	20	21	22	23	24	21	22	23	24
SA GDP growth	(7,0%)	3,4%	2,2%	1,8%	1,5%	4,2%	2,0%	1,6%	0,7%
YE prime interest rate	7,0%	7,0%	7,5%	7,5%	7,5%	7,0%	8,0%	8,0%	8,5%
Inflation (CPI)	3,3%	4,2%	4,6%	4,3%	4,2%	4,4%	4,5%	4,4%	4,4%
Industry credit growth	1,2%	4,5%	5,7%	5,1%	5,2%	2,7%	4,5%	4,3%	4,7%
Rand/US$ (year-end)	14,6	15,3	15,9	16,9	18,1	15,0	15,3	16,0	16,6
SA fiscal deficit % of GPD[1]	(6,4%)	(14,2%)	(10,6%)	(9,8%)	(9,7%)	(13,8%)	(10,4%)	(9,5%)	(9,1%)
SA govt debt % of GDP[1]	63,3%	81,5%	84,9%	89,7%	94,1%	79,1%	84,1%	88,3%	92,8%

Source: Nedbank Group Economic Unit. | [1] Year ending March.

Revised 2021 full-year financial guidance based on H1 2021 financial performance, strategic progress & emerging risks

	H1 21	Initial 2021 guidance		Revised 2021 guidance	Key risks
NII growth	+6%	0% to 3%	▲	Above mid-single-digit growth (5% to 7%)	▪ Weak recovery in CIB advances growth & negative impact of recent social unrest on retail momentum ▪ NIM expected to decline slightly from H1 2021 levels (interest rates flat for 2021)
CLR	85 bps	110 to 130 bps	▼	Around top-end of TTC target range (80 to 110 bps)	▪ Maintaining conservatism into H2 2021, but risks from further macroeconomic deterioration, further civil unrest or large unexpected corporate defaults
NIR growth	(3%)	5% to 9%	▼	Below mid single-digit growth (2% to 5%)	▪ Client transactional volumes fail to improve further in H2, material increase in insurance claims & significant slowdown in trading income
Expense growth	+6%	7% to 9%	▼	Above mid-single-digit growth (6% to 8%)	▪ Financial outperformance leading to a higher incentive charge
Capital (CET1 ratio)	12,2%	10% to 12%	▲	Around top-end of range	
Liquidity (LCR & NSFR ratios)	LCR: 131% NSFR: 114%	Above regulatory minima		Above regulatory minima	
DHEPS growth	146%	Increase > 20%		Increase > 20%	
Dividend	433 cents	Final (H2) dividend within our target range of 1,75x to 2,25x			

Meeting our medium-term targets supporting shareholder value creation

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

Management's assessment of current progress:

Conclusion – key resilience metrics very strong & other metrics on track towards meeting our 2023 targets

Resilience – completed

- CET1 ratio: **12,2%**
- LCR: **131%**
- NSFR: **114%**
- Coverage ratio: **3,41%**
- Covid-19 & macroeconomic-related overlays: **R4,5bn**
- Dividend payments resumed

Reimagine

- **Digital innovation** continues
- **Client satisfaction metrics** improve further
- **TOM 2.0** – target unlocking R2,5bn in benefits
- **SPT 2.0** – leverage balance sheet to grow clients, transactional income & deposits
- **Creating positive impacts** – using our financial expertise to do good

- **2021 outlook**
  - DHEPS growth: **> 20%**
  - H2 dividend: **within our target range**
- **Medium-term targets** (by 2023)
  - DHEPS: **> 2019 levels**
  - ROE: **> 2019 levels**
  - C:I: **< 54%**
  - NPS: **#1**

Thank you

Disclaimer

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

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

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