NEDBANK
GROUP

RESILIENCE.
TRANSITION.
REIMAGINE.

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER
2020

see money differently

Contents

IN A VERY DIFFICULT OPERATING ENVIRONMENT, NEDBANK GROUP REMAINED RESILIENT, MADE GOOD STRATEGIC PROGRESS AND DELIVERED AN IMPROVED FINANCIAL PERFORMANCE IN THE SECOND HALF OF THE YEAR.

The year 2020 was unprecedented as the Covid-19 pandemic and subsequent lockdowns led to a rapid slowdown in global economic growth. In SA the pandemic and resultant domestic lockdowns had a severe impact on economic activity as the country's GDP declined by 7,0%, the largest fall in this metric since World War II. Businesses and individuals came under severe pressure and transactional volumes fell significantly in Q2 2020 before recovering somewhat in the second half of the year. In response to the economic crisis the SARB cut interest rates by 300 bps, which proved beneficial to clients' cashflow as instalments on floating-rate loans declined, but this also resulted in lower endowment income for Nedbank. On the back of these economic pressures, job losses increased and many clients' current and future ability to repay debt declined, resulting in higher levels of impairment charges, now determined under more-forward-looking IFRS 9 models. Despite these challenges, the SA banking sector and Nedbank demonstrated strong levels of resilience and was able to support clients while remaining well capitalised, liquid and profitable, albeit at levels lower than in the prior year.

Nedbank's primary focus has been on the health and safety of our stakeholders, including employees and clients, as well as on helping our clients in good standing to navigate the financial challenges that arose in their business and personal finances. At the peak of the crisis we supported our clients with cashflow relief on more than R120bn of loans. We are pleased that our clients reduced this level of support to R28bn by the end of the year as economic conditions improved. We pivoted our strategy to focus on resilience and maintaining a well-capitalised and liquid balance sheet. Capital and liquidity ratios remained strong and most finished the year at higher levels than those reported in June, reflected in our tier 1 capital ratio of 12,1% (June 2020: 11,7%), CET1 ratio of 10,9% (June 2020: 10,6%), average fourth-quarter LCR of 126% (June 2020: 114,5%) and NSFR of 113% (June 2020: 114%) – all well above regulatory minima. Overall impairment coverage also increased from 2,26% in 2019 to 3,25% at year-end. We remain on high alert for the risks associated with new rounds of infections and variants and continue to monitor the effect that new lockdown restrictions may have on our clients and the economy as a whole.

The impact of the very difficult operating environment was evident in Nedbank Group's HE for the year ended 31 December 2020, as it declined by 56,5% to R5,4bn, compared to a decline of 69,2% in H1 2020. Nedbank remained solidly profitable and, despite the challenges of forecasting in such a complex environment, performed in line with the guidance we provided to the market, supported by an improved financial performance in H2 2020. HE for the year was affected by higher impairments and lower revenues, mainly due to lower levels of client activity and the impact of lower interest rates on endowment income. Expenses were well managed and declined by 1,3% from the prior period. Our ROE of 6,2% was lower than in the year before but improved from the 4,8% reported in H1. Improving the ROE from these levels back to above our cost of equity is a key focus of management. Despite our strong capital and liquidity position at 31 December, having considered the spirit of Prudential Authority Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021.

We made excellent progress on our goal of delivering market-leading client experiences, as is evident in improved client satisfaction rankings. In the 2020 Consulta survey Nedbank increased its position to number two in the Net Promoter Score (NPS) among the five large SA banks, and maintained the second-highest-rated position in the SAcsi survey on customer satisfaction. During the lockdown our digital capabilities were vital as we launched various innovations such as Avo (our super app). We also introduced more retail digital onboarding (Eclipse) capabilities to new products such as investments, cards and overdrafts, and started the rollout of juristic client onboarding. This resulted in retail digital sales increasing to 49% of all sales (2019: 21%) and digitally active clients increasing by 25% to 2,2m. Our digital successes were underpinned by our Managed Evolution (ME) technology strategy, which is materially complete for all the foundation projects and overall 78% complete (2019: 70%). Our Target Operating Model 1.0 (TOM 1.0) optimisation programme recorded additional savings of R675m in 2020, translating to cumulative savings of R1,8bn to end-2020.

The group's long-term sustainability journey continues. Our focus remains on the delivery of the United Nations SDGs and we look forward to publishing our first TCFD report as part of our integrated reporting suite in April 2021.

The Nedbank franchise is well positioned for growth, as reflected in our 'Reimagine' strategy, which includes delivering market-leading client solutions, unlocking value through our Strategic Portfolio Tilt 2.0 and Target Operating Model 2.0 (TOM 2.0) initiatives, and leading sustainably as we deliver on our purpose of using our financial expertise to do good for all our stakeholders.

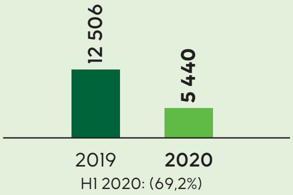
Forecasting remains difficult in a volatile health and economic environment, but we currently expect the country's GDP to increase by 3,4% in 2021. Given the economic forecasts from the Nedbank Group Economic Unit, our strategic drivers and particularly our expectation of an ongoing improvement in the credit loss ratio, our current guidance on financial performance for the half-year 2021 is to grow HEPS and EPS by more than 20%, as referred to in our trading statement.

We have revised our medium-term targets* so that they reflect the current environment, and by 2023 we aim to exceed our 2019 diluted HEPS level of 2 565 cents, achieve an ROE greater than the 2019 ROE level of 15%, reduce our cost-to-income ratio to below 54%, and rank number one on the NPS among SA banks.

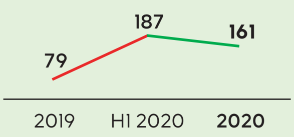
We thank all our committed Nedbank employees for remaining resilient during an extraordinarily difficult time, and for continuing to follow the Covid-19 health protocols while diligently supporting our clients and the economy throughout this crisis. We extend our deepest condolences to the families, friends and communities of employees and clients who have succumbed to Covid-19 and related illnesses.

Mike Brown
Chief Executive

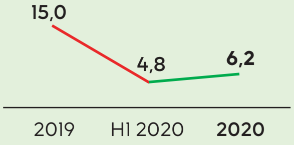
HEADLINE EARNINGS
(56,5%)



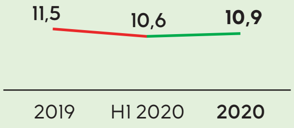
CLR
161 bps



ROE
6,2%



CET1 RATIO
10,9%



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* *These targets are not profit forecasts and have not been reviewed or reported on by the group's joint auditors.*

Nedbank Group Annual results

for the year ended 31 December 2020

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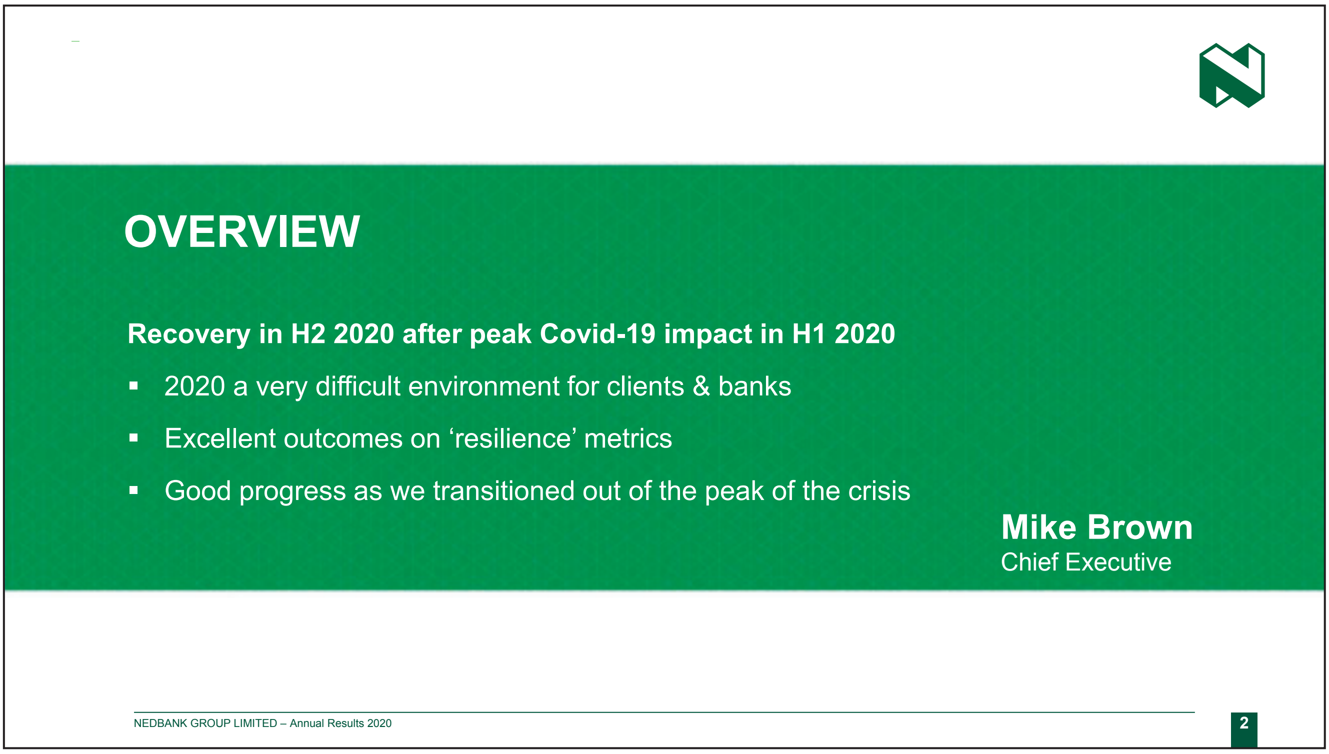


OVERVIEW

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

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

Mike Brown
Chief Executive

NOTES:

Overview

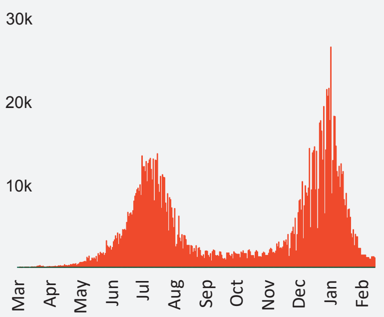
- **2020 a very difficult environment for clients & banks**
  - High-frequency data indicates an improvement in H2 2020 after Q2 GDP fell 17,5% yoy, full year GDP down 7,0%
- **Excellent outcomes on 'resilience' metrics**
  - Focus on health & safety of our stakeholders; & supporting our clients (payment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

NOTES:

Operating environment – volatile & challenging for Nedbank & our stakeholders

Health crisis …

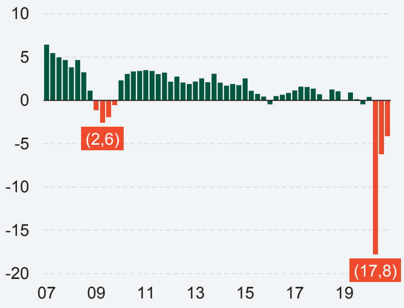
SA confirmed daily positive cases
(#)



Source: sacoronavirus.co.za

… economic crisis …

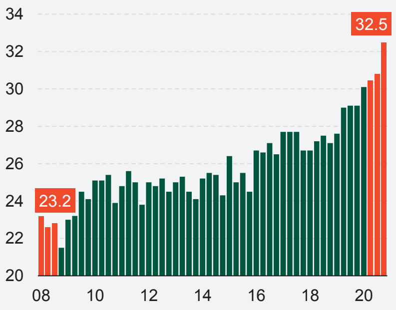
SA quarterly GDP yoy
(%)



Source: Nedbank Group Economic Unit

… social challenges

SA unemployment rate
(%)



Source: Nedbank Group Economic Unit

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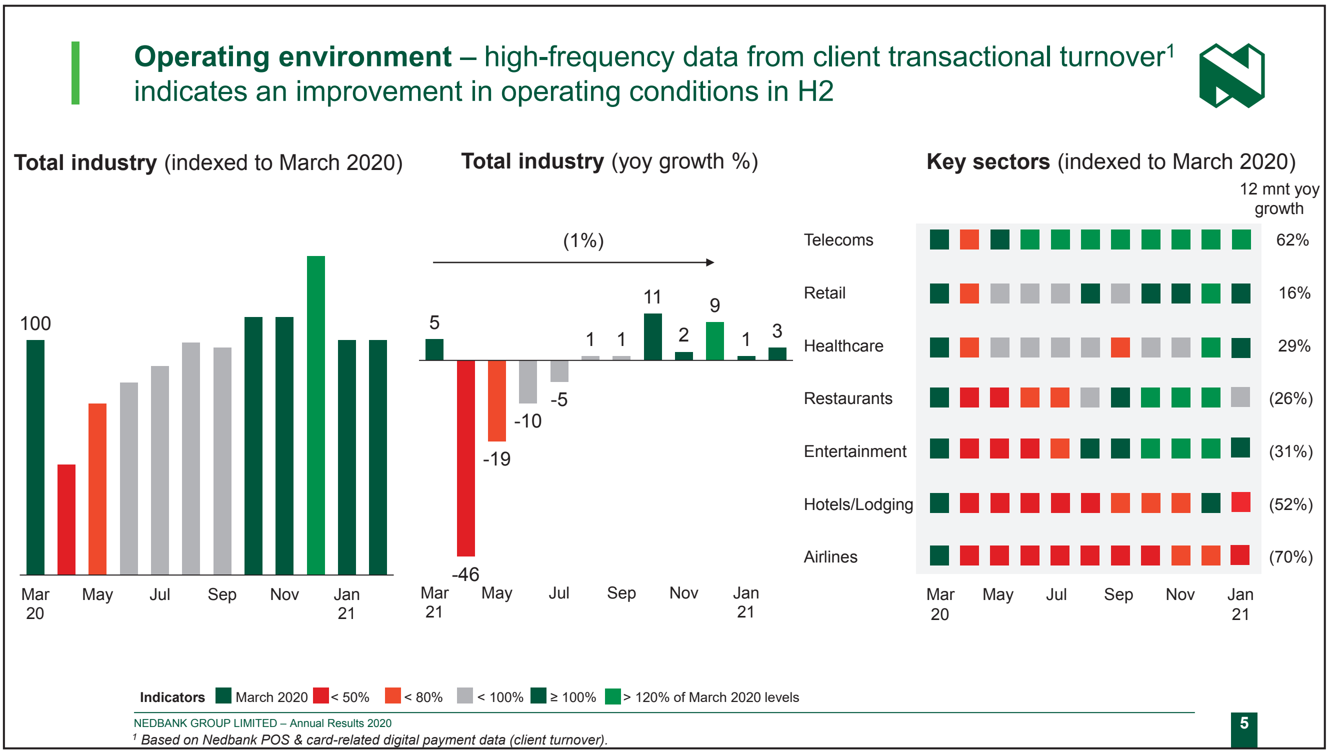

Operating environment – high-frequency data from client transactional turnover[1] indicates an improvement in operating conditions in H2

Total industry (indexed to March 2020)

Total industry (yoy growth %)

Key sectors (indexed to March 2020)

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

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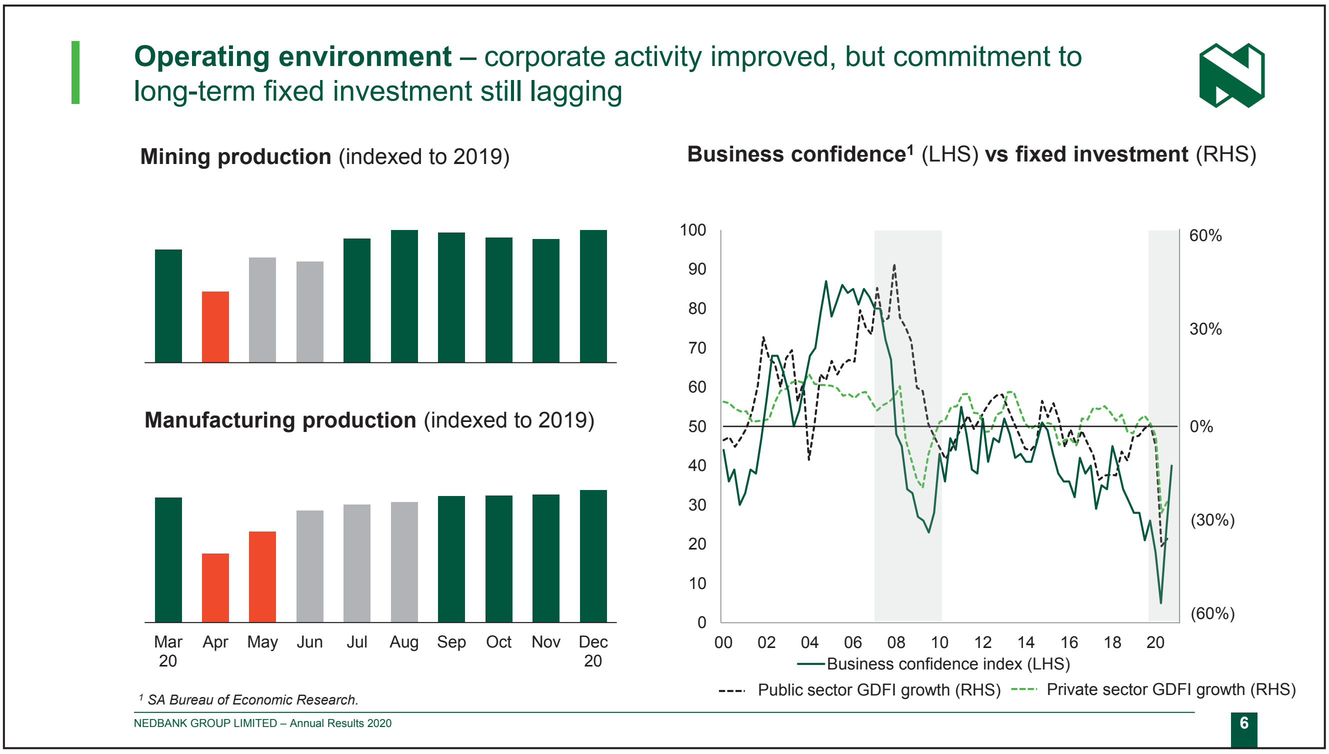

Operating environment – corporate activity improved, but commitment to long-term fixed investment still lagging

Mining production (indexed to 2019)

Manufacturing production (indexed to 2019)

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

[1] SA Bureau of Economic Research.

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NOTES:

Resilience – we supported our staff, clients & society in difficult times

Staff

- Primary focus on the **health & safety of our staff** – social distancing, sanitation & health practices, emotional wellbeing, etc
- **Activated BCPs**[1] – tailored for various lockdown phases
- > 75% of SA campus staff enabled to **work from home**
- **All branches reopened**
- **Increased capacity** of staff & clients to work & bank remotely
- Ongoing reviews of our **remuneration & retention strategies**

Clients

- Enabled & educated our clients to increasingly bank through our **mobile & web capabilities**
- **Support for clients** – eg payment holidays (on R121bn loans for more than 400k clients), fees concessions amounting to R104m, claims from credit life insurance cover (> R150m), applying for readvances & drawdowns on existing facilities, etc
- **Support spaza shops & general dealers** – procurement cards, discounted prices for preapproved goods, etc
- SARB **SME Loan Guarantee Scheme: R1,4bn** paid out

Society

- Enabled staff & clients to **contribute to Solidarity Fund** through our apps, web & internet banking – **R160m**
- One of four banks to **administer the R1bn SA Future Trust** (R300m payouts)
- **Donated > R16m to Covid-19 relief efforts** including the Red Cross
- **Numerous health & economic interventions** through BASA, BLSA & BUSA/Business4SA
- **Cash taxation paid** incl direct, indirect & other taxes: **R8,7bn**
- **79% local procurement** & **92% SME suppliers paid in 30 days** (#PayIn30)

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[1] Business continuity planning.

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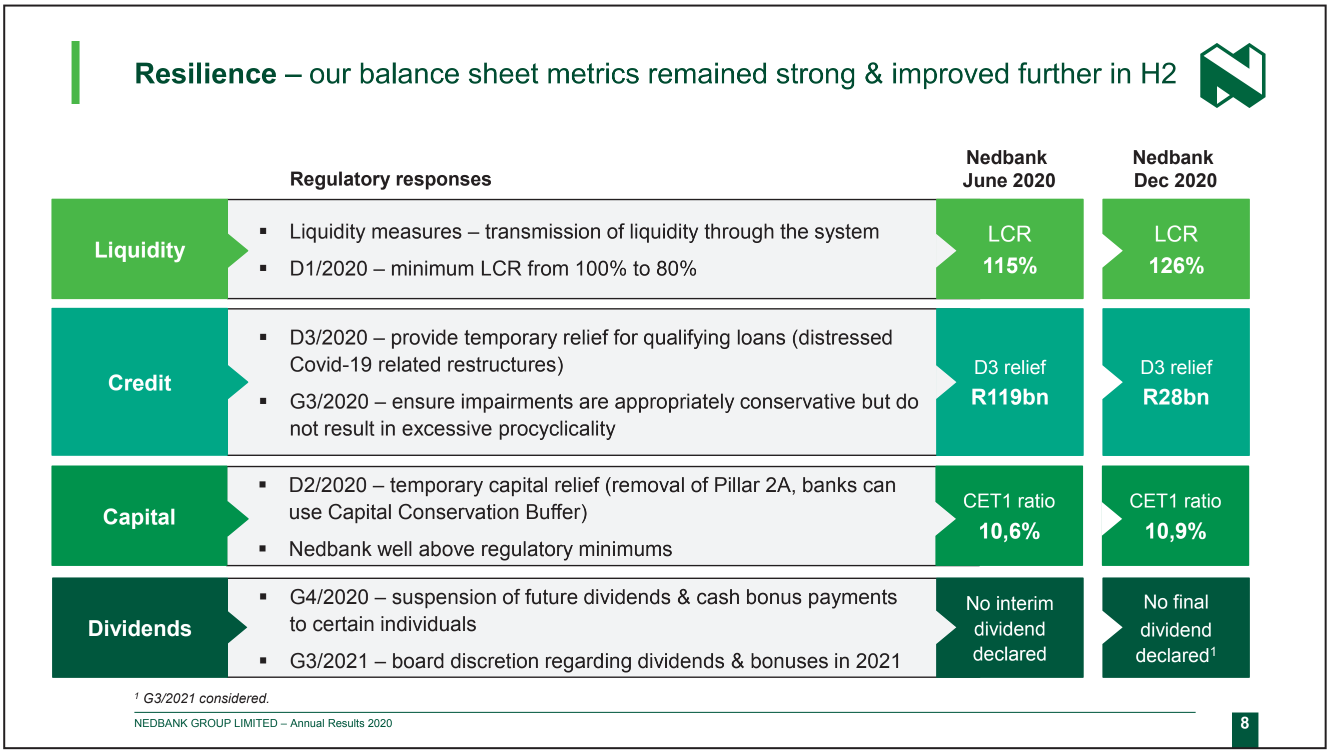

Resilience – our balance sheet metrics remained strong & improved further in H2

	Regulatory responses	Nedbank June 2020	Nedbank Dec 2020
Liquidity	- Liquidity measures – transmission of liquidity through the system - D1/2020 – minimum LCR from 100% to 80%	LCR **115%**	LCR **126%**
Credit	- D3/2020 – provide temporary relief for qualifying loans (distressed Covid-19 related restructures) - G3/2020 – ensure impairments are appropriately conservative but do not result in excessive procyclicality	D3 relief **R119bn**	D3 relief **R28bn**
Capital	- D2/2020 – temporary capital relief (removal of Pillar 2A, banks can use Capital Conservation Buffer) - Nedbank well above regulatory minimums	CET1 ratio **10,6%**	CET1 ratio **10,9%**
Dividends	- G4/2020 – suspension of future dividends & cash bonus payments to certain individuals - G3/2021 – board discretion regarding dividends & bonuses in 2021	No interim dividend declared	No final dividend declared[1]

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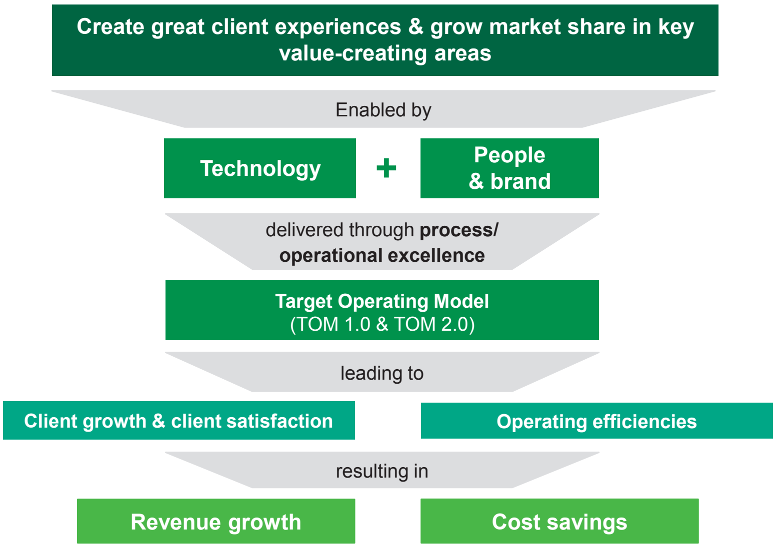
[1] G3/2021 considered.

NOTES:

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



Create great client experiences & grow market share in key value-creating areas

Enabled by

Technology + **People & brand**

delivered through **process/ operational excellence**

Target Operating Model
(TOM 1.0 & TOM 2.0)

leading to

Client growth & client satisfaction

Operating efficiencies

resulting in

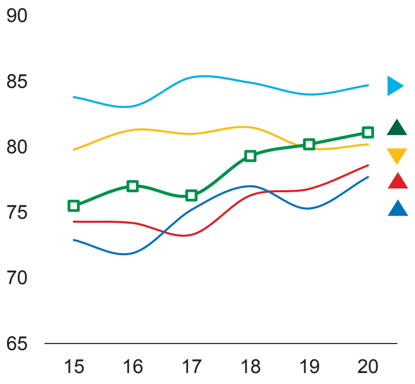
Revenue growth

Cost savings

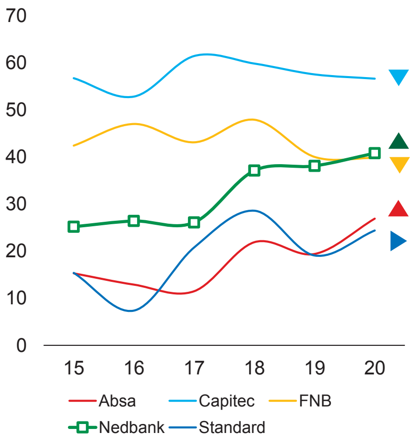
NOTES:

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

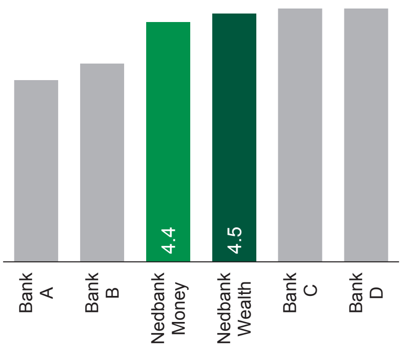
SA-client satisfaction index[1]



Net promoter score[1]



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



[1] *Annual Consulta survey (released March 2021).* | [2] *Average of Apple & Google Play Store client ratings (Feb 2021).*

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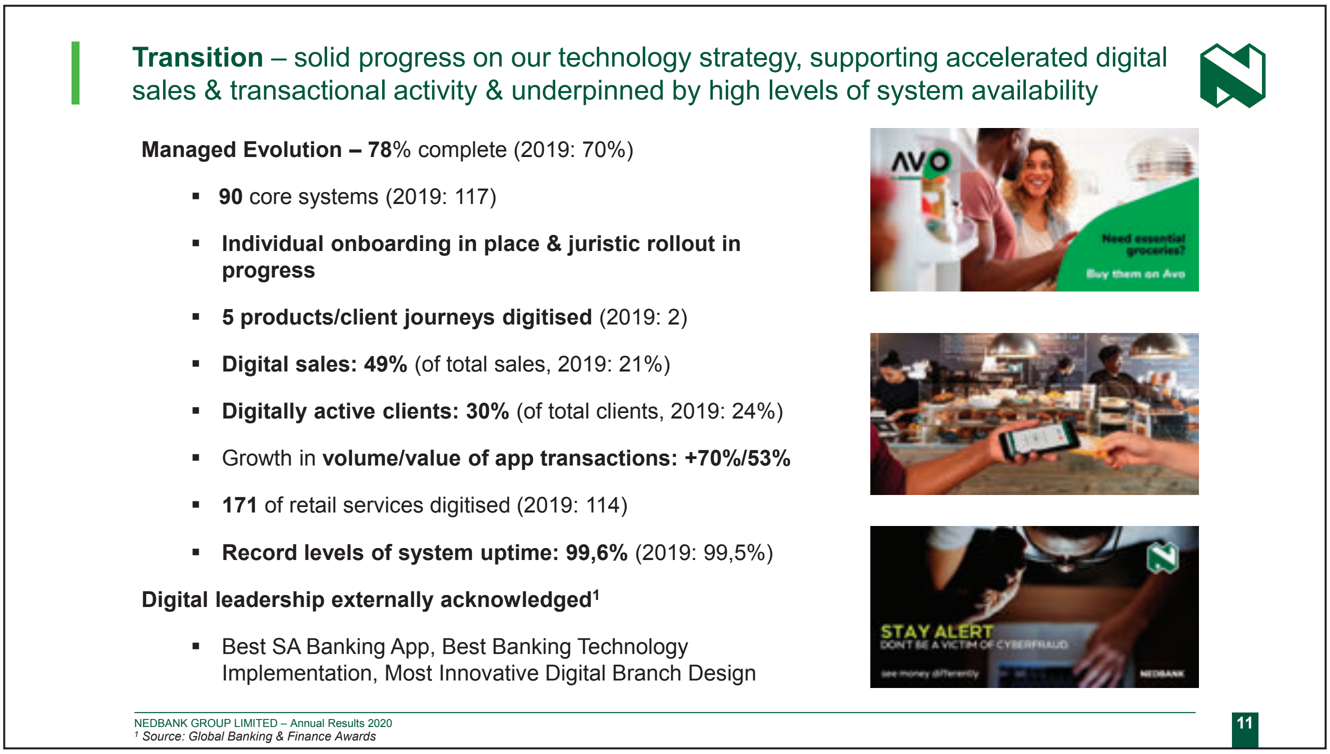

Transition – solid progress on our technology strategy, supporting accelerated digital sales & transactional activity & underpinned by high levels of system availability

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

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

Digital leadership externally acknowledged[1]

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

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[1] Source: Global Banking & Finance Awards

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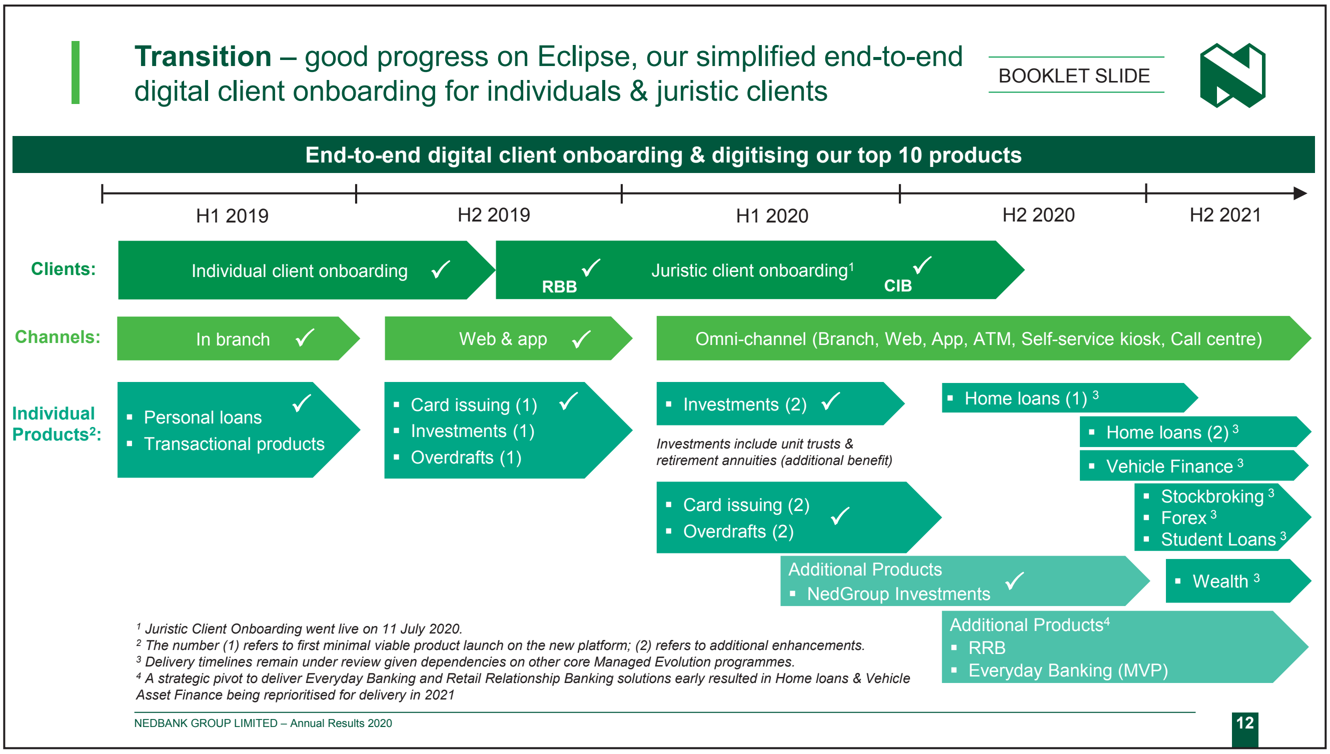

Transition – good progress on Eclipse, our simplified end-to-end digital client onboarding for individuals & juristic clients

BOOKLET SLIDE

End-to-end digital client onboarding & digitising our top 10 products

H1 2019 | H2 2019 | H1 2020 | H2 2020 | H2 2021

Clients:
- Individual client onboarding ✓
- RBB ✓ Juristic client onboarding[1] CIB ✓

Channels:
- In branch ✓
- Web & app ✓
- Omni-channel (Branch, Web, App, ATM, Self-service kiosk, Call centre)

Individual Products[2]:
- Personal loans; Transactional products ✓
- Card issuing (1); Investments (1); Overdrafts (1) ✓
- Investments (2) ✓
  Investments include unit trusts & retirement annuities (additional benefit)
- Card issuing (2); Overdrafts (2) ✓
- Additional Products: NedGroup Investments ✓
- Home loans (1) [3]
- Home loans (2) [3]
- Vehicle Finance [3]
- Stockbroking [3]; Forex [3]; Student Loans [3]
- Wealth [3]
- Additional Products[4]: RRB; Everyday Banking (MVP)

[1] *Juristic Client Onboarding went live on 11 July 2020.*
[2] *The number (1) refers to first minimal viable product launch on the new platform; (2) refers to additional enhancements.*
[3] *Delivery timelines remain under review given dependencies on other core Managed Evolution programmes.*
[4] *A strategic pivot to deliver Everyday Banking and Retail Relationship Banking solutions early resulted in Home loans & Vehicle Asset Finance being reprioritised for delivery in 2021*

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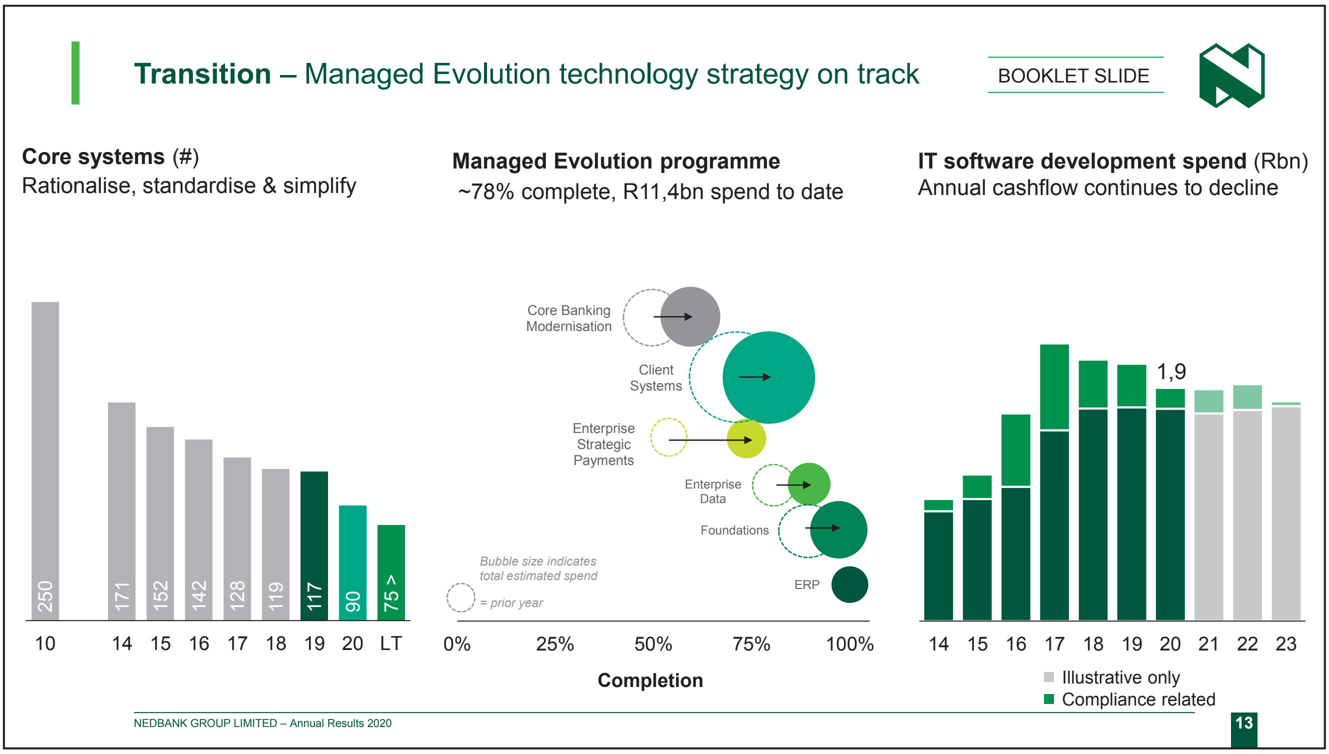


Transition – Managed Evolution technology strategy on track

BOOKLET SLIDE

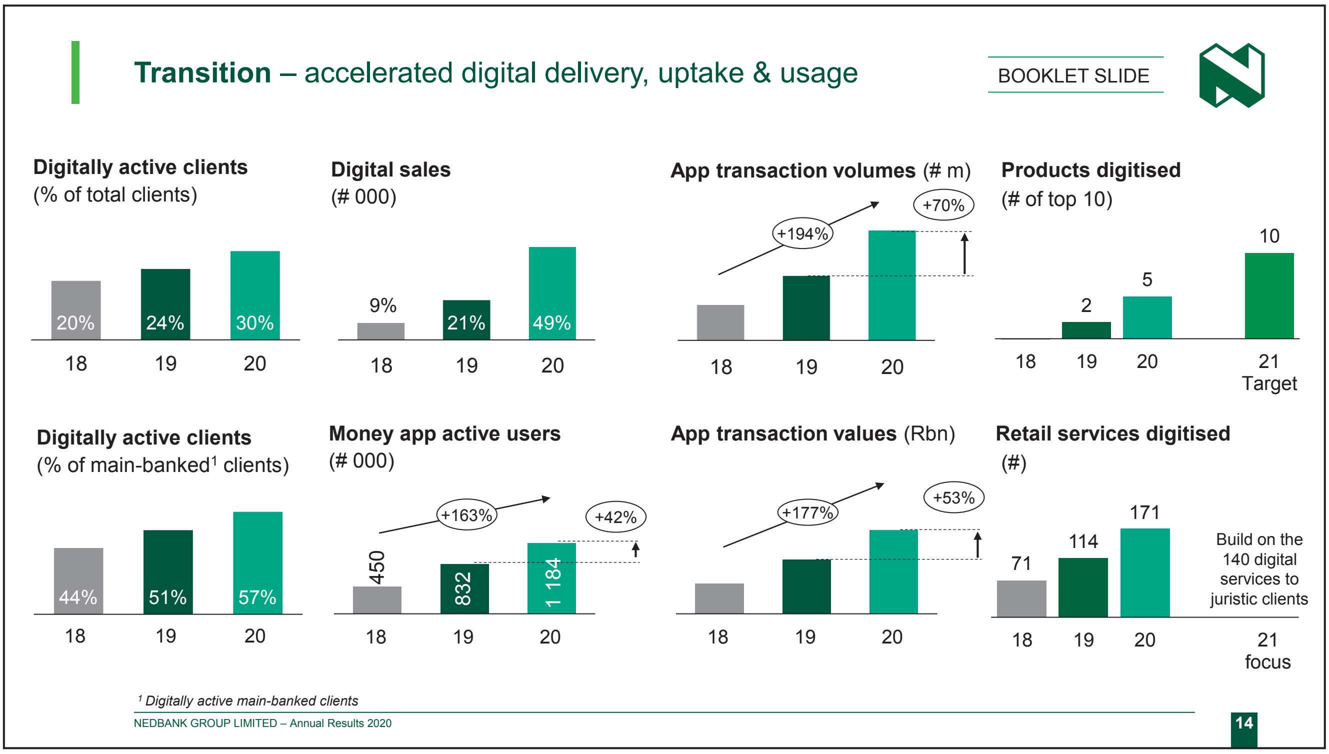
Core systems (#)
Rationalise, standardise & simplify

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

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

▨ Illustrative only
🟩 Compliance related

NOTES:



Transition – accelerated digital delivery, uptake & usage

BOOKLET SLIDE

Digitally active clients
(% of total clients)

Digital sales
(# 000)

App transaction volumes (# m)

Products digitised
(# of top 10)

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

Money app active users
(# 000)

App transaction values (Rbn)

Retail services digitised
(#)

Build on the 140 digital services to juristic clients

[1] Digitally active main-banked clients

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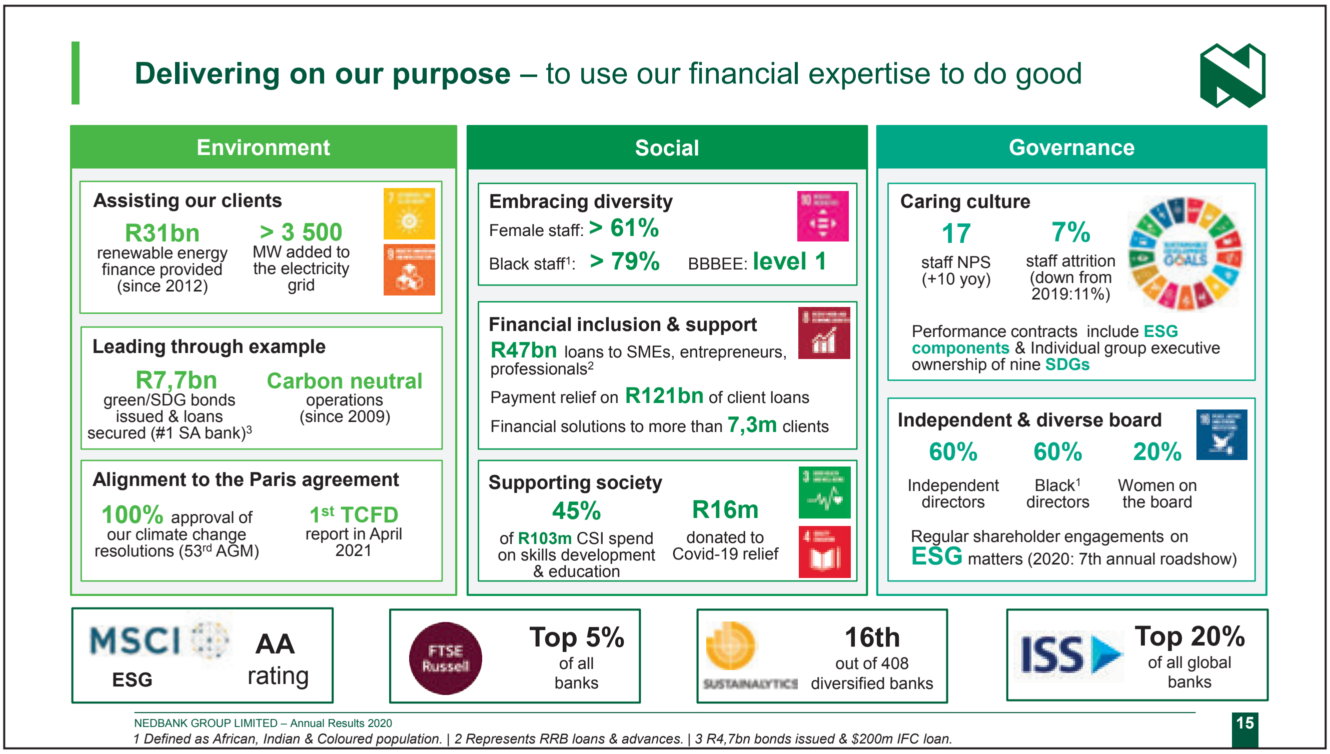

Delivering on our purpose – to use our financial expertise to do good

Environment

Assisting our clients

R31bn renewable energy finance provided (since 2012)

> 3 500 MW added to the electricity grid

Leading through example

R7,7bn green/SDG bonds issued & loans secured (#1 SA bank)[3]

Carbon neutral operations (since 2009)

Alignment to the Paris agreement

100% approval of our climate change resolutions (53rd AGM)

1st TCFD report in April 2021

Social

Embracing diversity

Female staff: > 61%

Black staff[1]: > 79%

BBBEE: level 1

Financial inclusion & support

R47bn loans to SMEs, entrepreneurs, professionals[2]

Payment relief on R121bn of client loans

Financial solutions to more than 7,3m clients

Supporting society

45% of R103m CSI spend on skills development & education

R16m donated to Covid-19 relief

Governance

Caring culture

17 staff NPS (+10 yoy)

7% staff attrition (down from 2019:11%)

Performance contracts include ESG components & Individual group executive ownership of nine SDGs

Independent & diverse board

60% Independent directors

60% Black[1] directors

20% Women on the board

Regular shareholder engagements on ESG matters (2020: 7th annual roadshow)

MSCI ESG AA rating

FTSE Russell Top 5% of all banks

SUSTAINALYTICS 16th out of 408 diversified banks

ISS Top 20% of all global banks

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1 Defined as African, Indian & Coloured population. | 2 Represents RRB loans & advances. | 3 R4,7bn bonds issued & $200m IFC loan.

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NOTES:

MANAGING RISK

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

Trevor Adams
Chief Risk Officer

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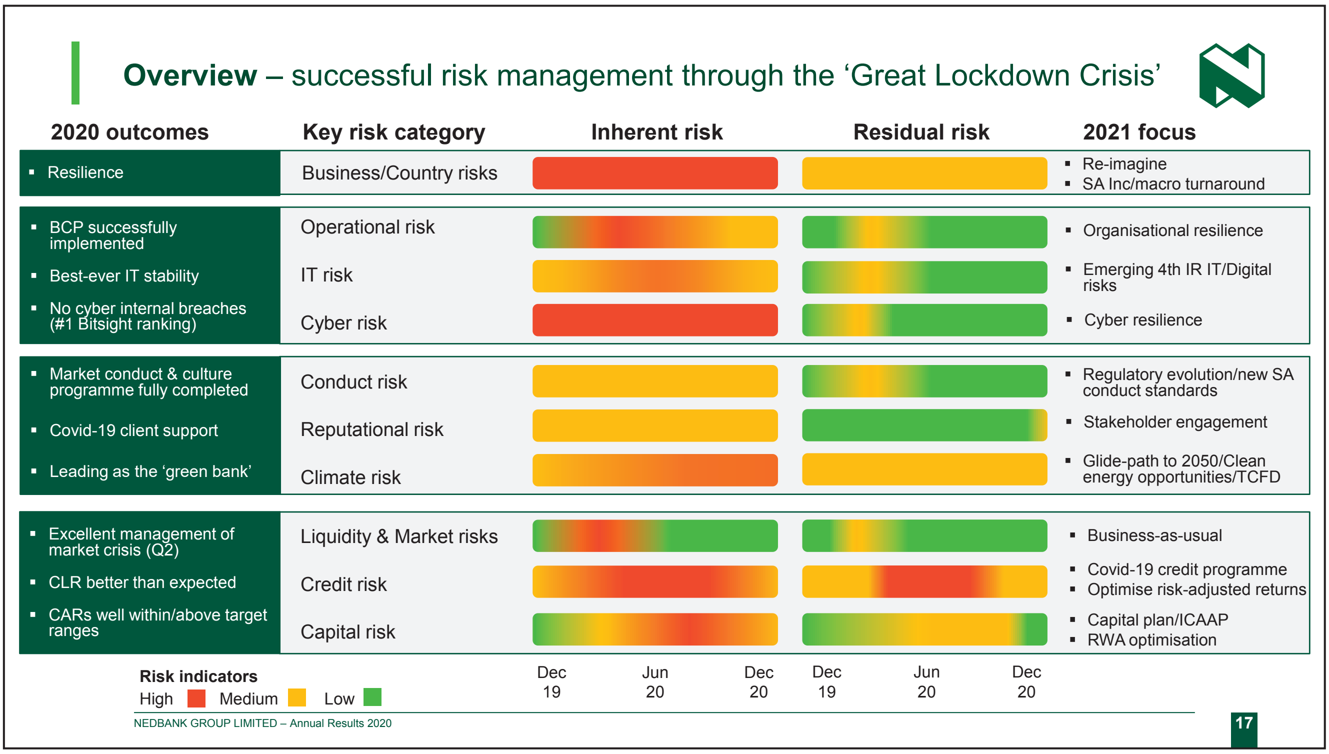

Overview – successful risk management through the ‘Great Lockdown Crisis’

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

Risk indicators
High 🟥 Medium 🟨 Low 🟩

NOTES:

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

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

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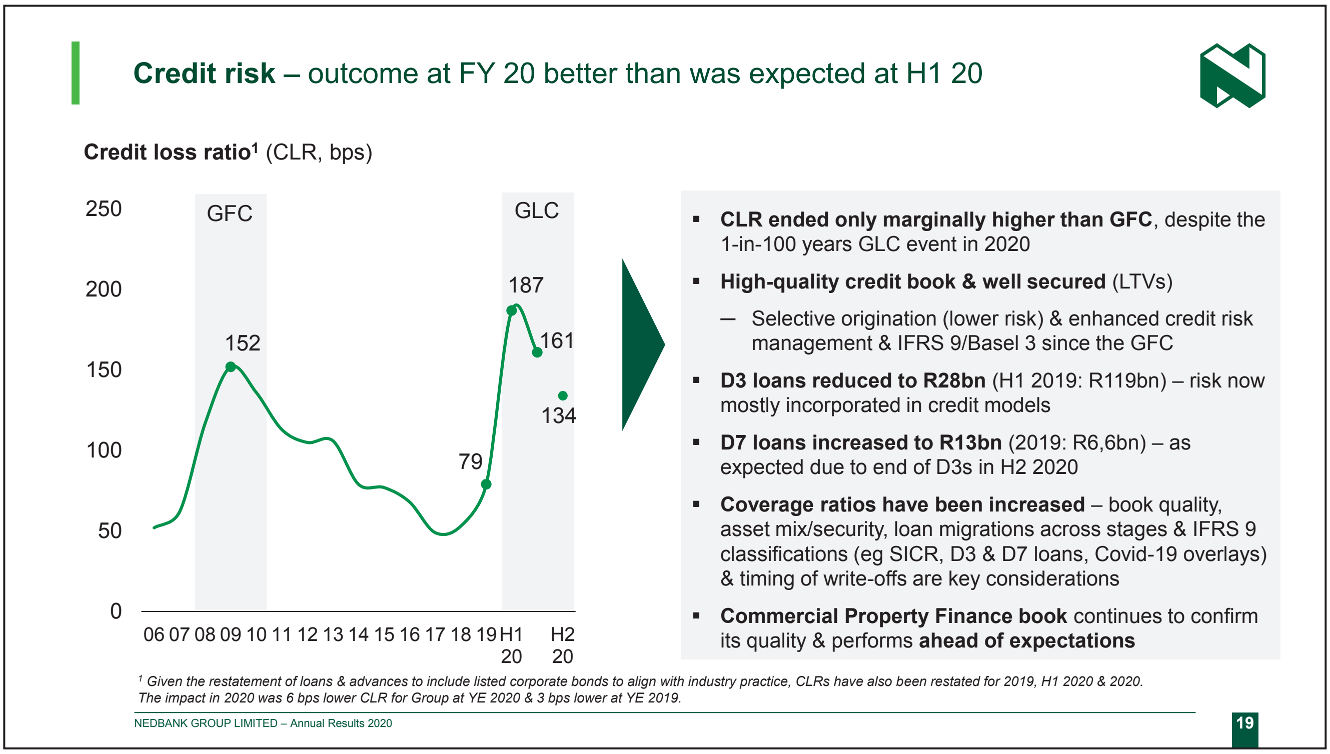

Credit risk – outcome at FY 20 better than was expected at H1 20

Credit loss ratio[1] (CLR, bps)

- **CLR ended only marginally higher than GFC**, despite the 1-in-100 years GLC event in 2020
- **High-quality credit book & well secured** (LTVs)
  - Selective origination (lower risk) & enhanced credit risk management & IFRS 9/Basel 3 since the GFC
- **D3 loans reduced to R28bn** (H1 2019: R119bn) – risk now mostly incorporated in credit models
- **D7 loans increased to R13bn** (2019: R6,6bn) – as expected due to end of D3s in H2 2020
- **Coverage ratios have been increased** – book quality, asset mix/security, loan migrations across stages & IFRS 9 classifications (eg SICR, D3 & D7 loans, Covid-19 overlays) & timing of write-offs are key considerations
- **Commercial Property Finance book** continues to confirm its quality & performs **ahead of expectations**

[1] Given the restatement of loans & advances to include listed corporate bonds to align with industry practice, CLRs have also been restated for 2019, H1 2020 & 2020. The impact in 2020 was 6 bps lower CLR for Group at YE 2020 & 3 bps lower at YE 2019.

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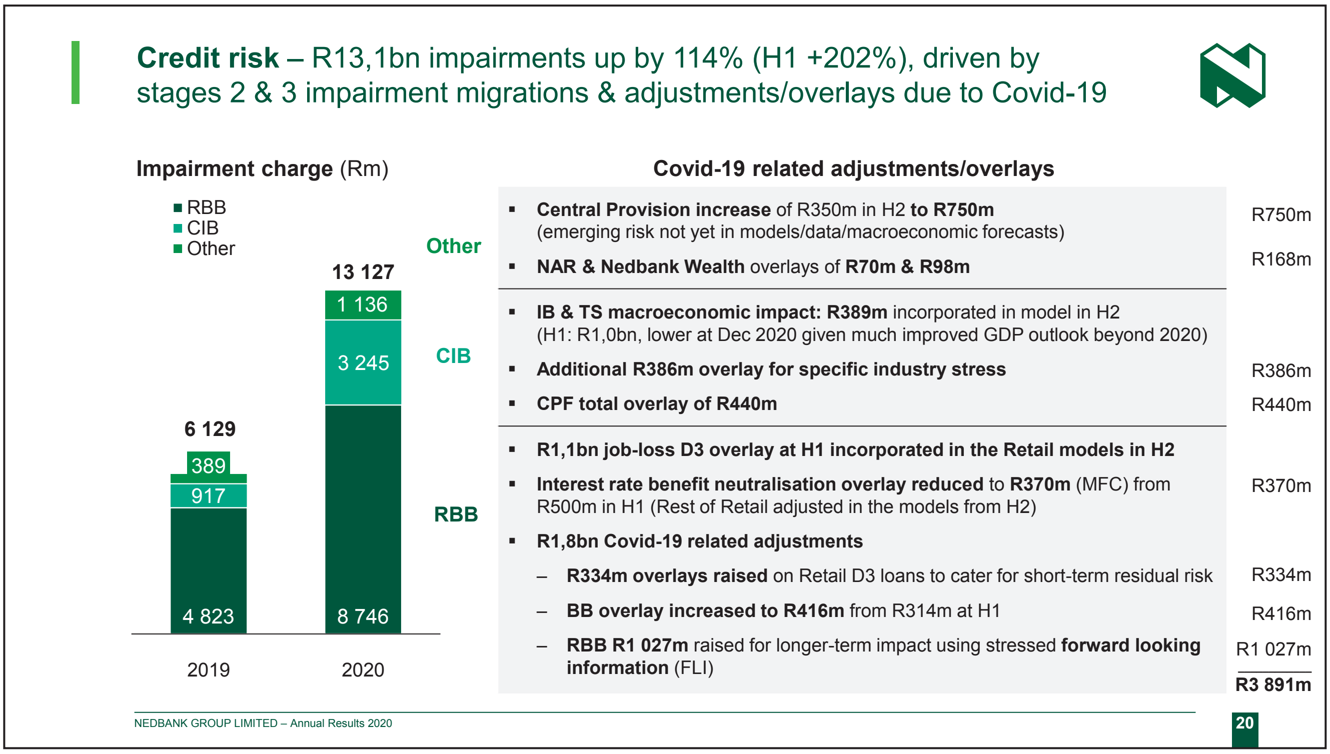

Credit risk – R13,1bn impairments up by 114% (H1 +202%), driven by stages 2 & 3 impairment migrations & adjustments/overlays due to Covid-19

Impairment charge (Rm)

Covid-19 related adjustments/overlays

▪ **Central Provision increase** of R350m in H2 **to R750m** (emerging risk not yet in models/data/macroeconomic forecasts)	R750m
▪ **NAR & Nedbank Wealth** overlays of **R70m & R98m**	R168m
▪ **IB & TS macroeconomic impact: R389m** incorporated in model in H2 (H1: R1,0bn, lower at Dec 2020 given much improved GDP outlook beyond 2020)	
▪ **Additional R386m overlay for specific industry stress**	R386m
▪ **CPF total overlay of R440m**	R440m
▪ **R1,1bn job-loss D3 overlay at H1 incorporated in the Retail models in H2**	
▪ **Interest rate benefit neutralisation overlay reduced** to **R370m** (MFC) from R500m in H1 (Rest of Retail adjusted in the models from H2)	R370m
▪ **R1,8bn Covid-19 related adjustments**	
– **R334m overlays raised** on Retail D3 loans to cater for short-term residual risk	R334m
– **BB overlay increased to R416m** from R314m at H1	R416m
– **RBB R1 027m** raised for longer-term impact using stressed **forward looking information** (FLI)	R1 027m
	R3 891m

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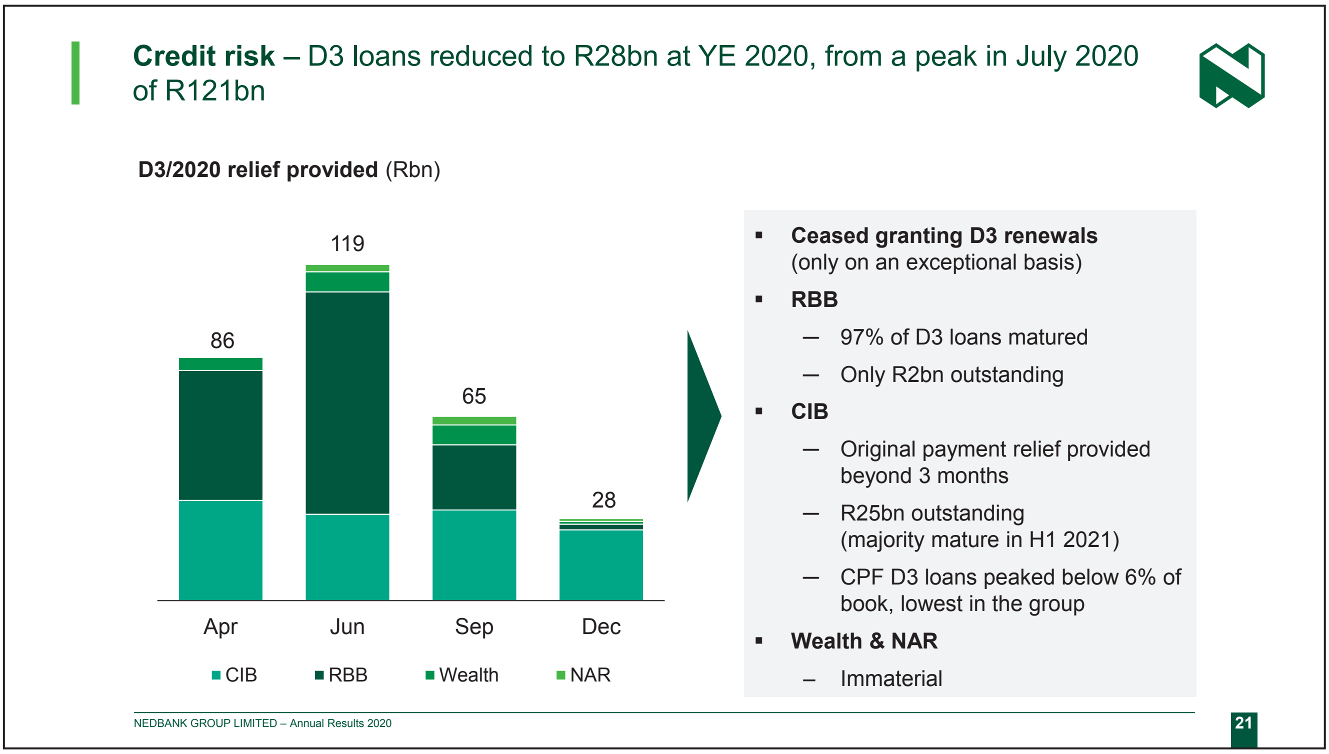

Credit risk – D3 loans reduced to R28bn at YE 2020, from a peak in July 2020 of R121bn

D3/2020 relief provided (Rbn)

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

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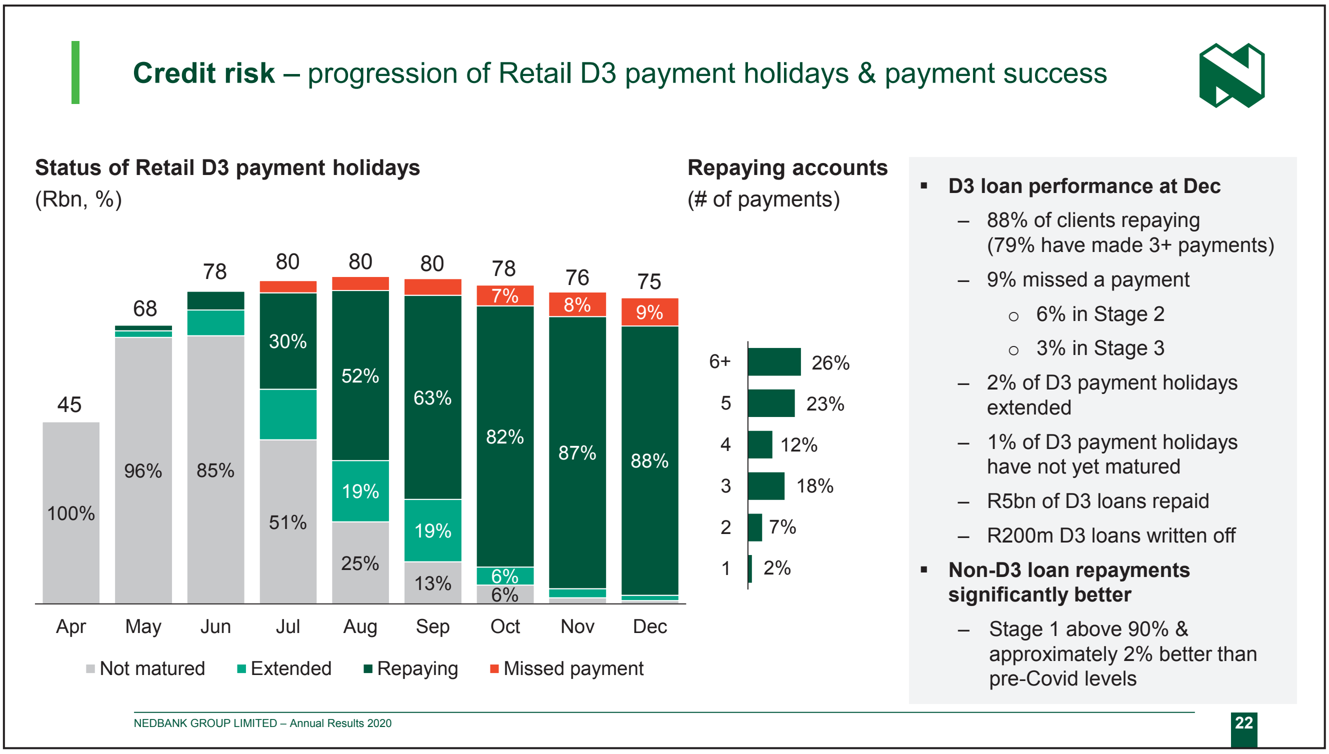


Credit risk – progression of Retail D3 payment holidays & payment success

Status of Retail D3 payment holidays (Rbn, %)

Repaying accounts (# of payments)

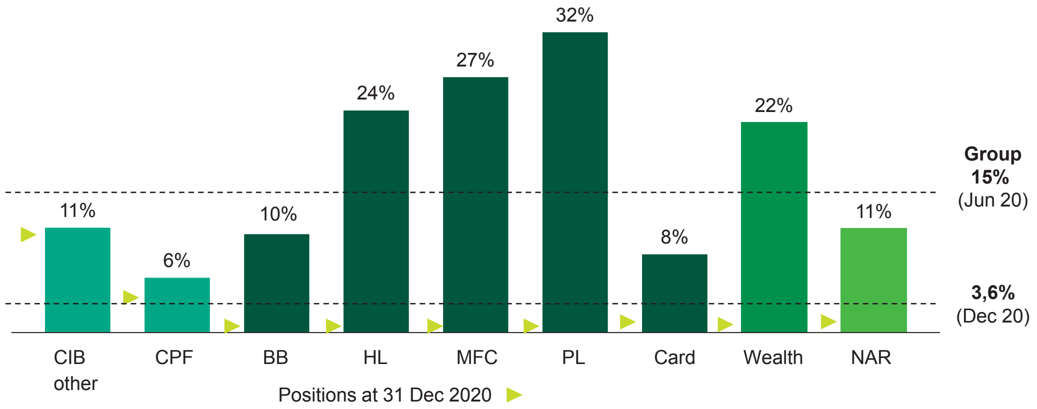
- **D3 loan performance at Dec**
  - 88% of clients repaying (79% have made 3+ payments)
  - 9% missed a payment
    - 6% in Stage 2
    - 3% in Stage 3
  - 2% of D3 payment holidays extended
  - 1% of D3 payment holidays have not yet matured
  - R5bn of D3 loans repaid
  - R200m D3 loans written off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

NOTES:

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

BOOKLET SLIDE

D3 as % of gross loans (Jun 2020)



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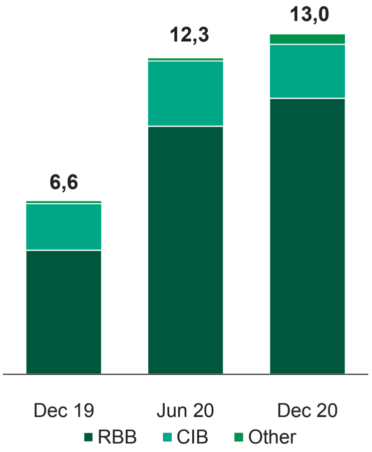
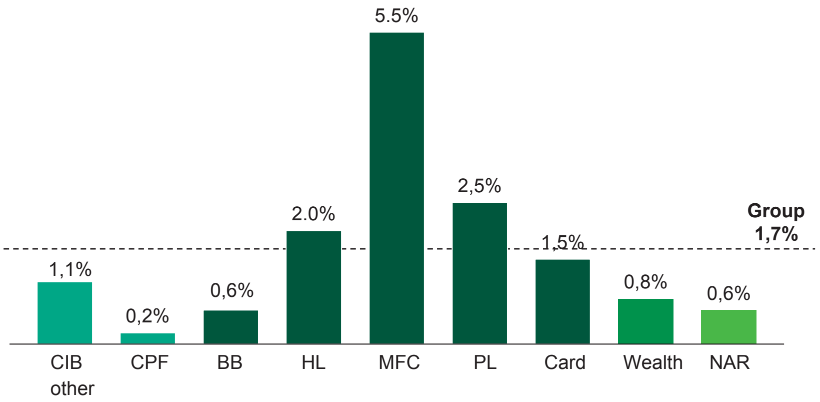
Credit risk – D7 loans increased as expected

D7 exposures (Rbn)



D7 as % of gross loans (Dec 2020)



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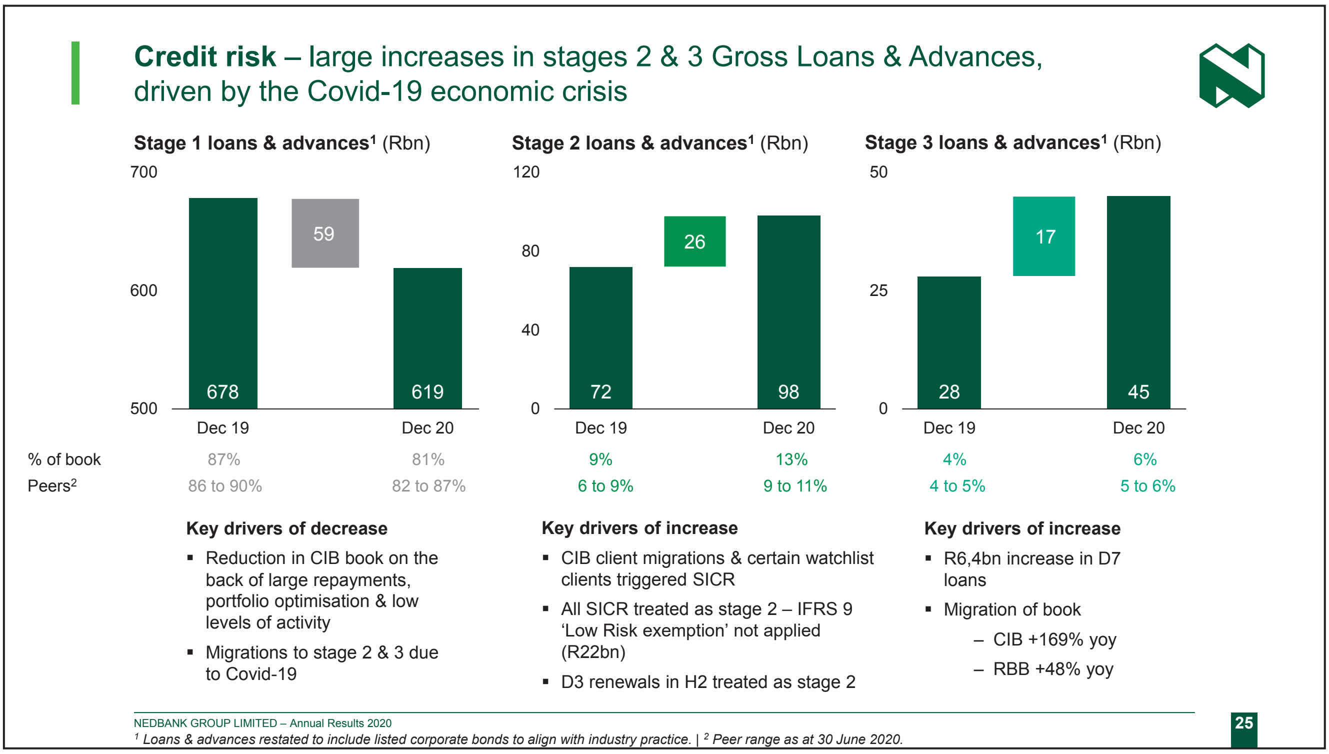

Credit risk – large increases in stages 2 & 3 Gross Loans & Advances, driven by the Covid-19 economic crisis

Stage 1 loans & advances[1] (Rbn) **Stage 2 loans & advances[1]** (Rbn) **Stage 3 loans & advances[1]** (Rbn)

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

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

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

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

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

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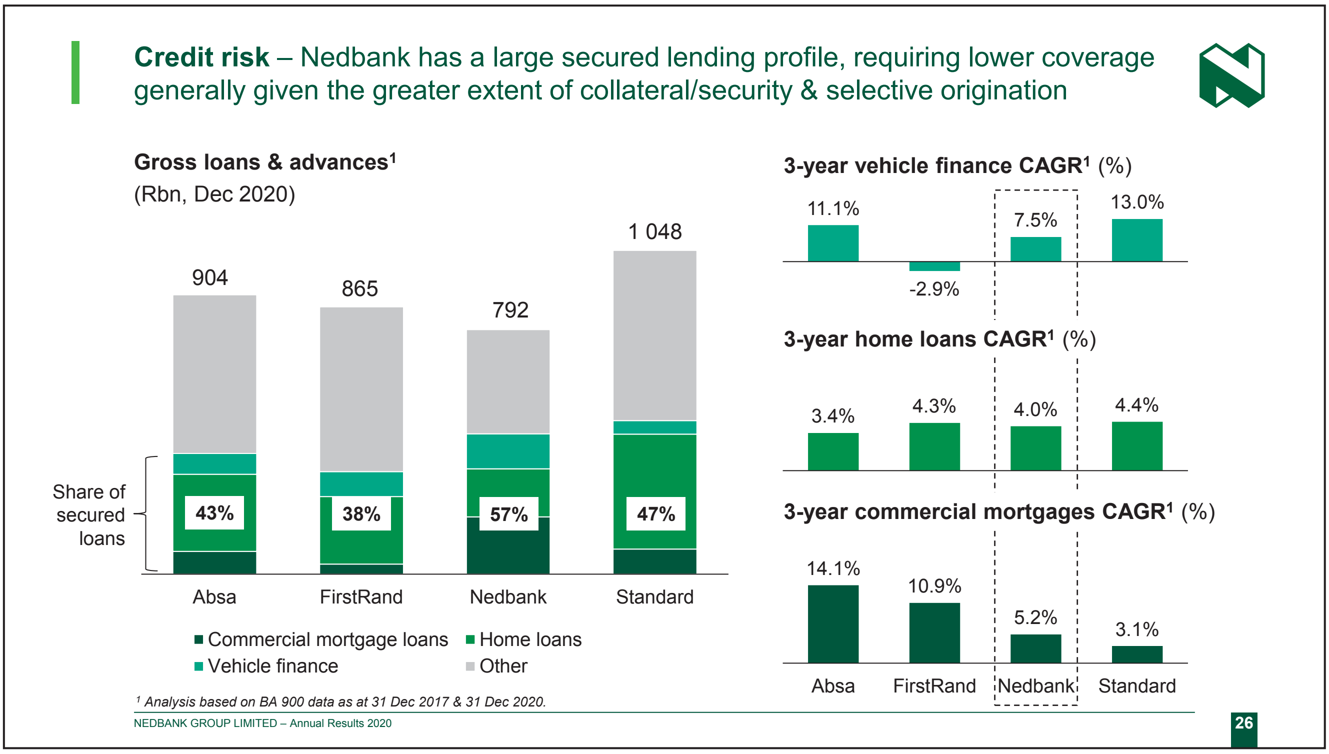

Credit risk – Nedbank has a large secured lending profile, requiring lower coverage generally given the greater extent of collateral/security & selective origination

Gross loans & advances[1]
(Rbn, Dec 2020)

	Absa	FirstRand	Nedbank	Standard
Gross loans & advances	904	865	792	1 048
Share of secured loans	43%	38%	57%	47%

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

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

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

	Absa	FirstRand	Nedbank	Standard
3-year vehicle finance CAGR[1] (%)	11.1%	-2.9%	7.5%	13.0%
3-year home loans CAGR[1] (%)	3.4%	4.3%	4.0%	4.4%
3-year commercial mortgages CAGR[1] (%)	14.1%	10.9%	5.2%	3.1%

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

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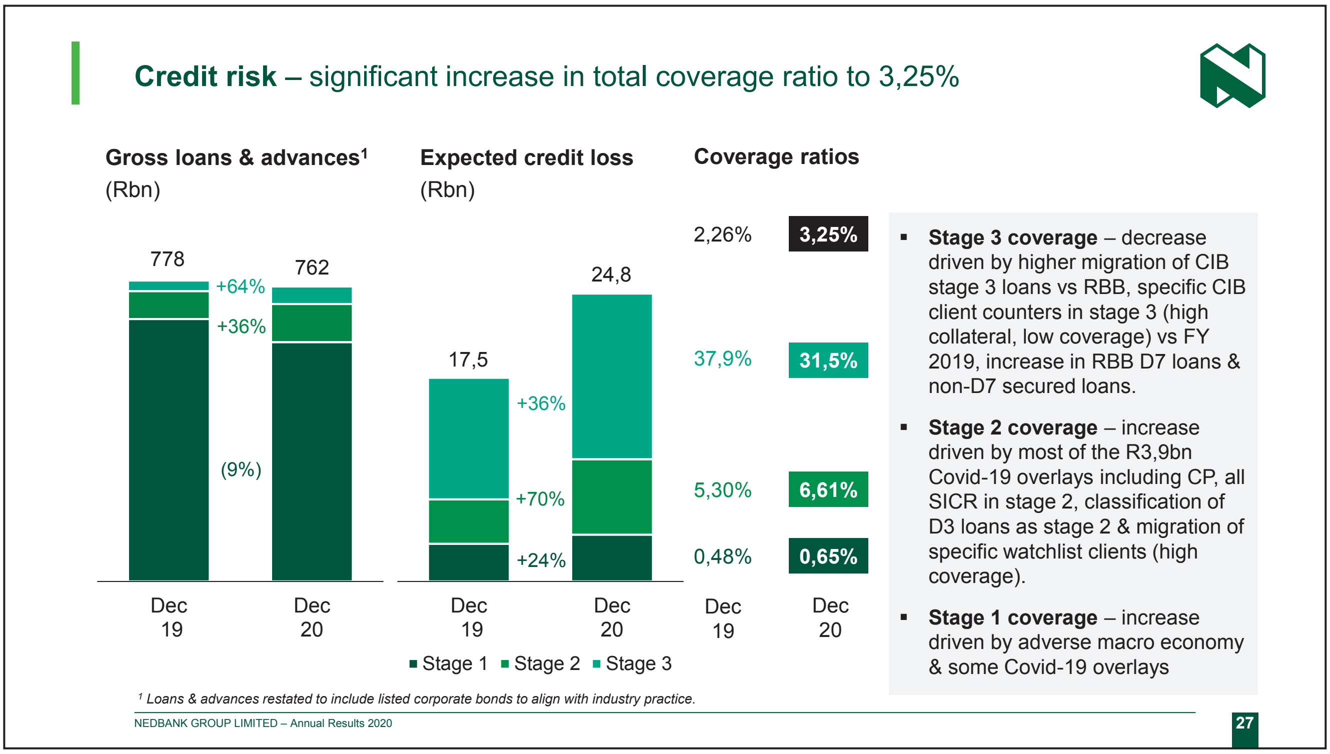

Credit risk – significant increase in total coverage ratio to 3,25%

- **Stage 3 coverage** – decrease driven by higher migration of CIB stage 3 loans vs RBB, specific CIB client counters in stage 3 (high collateral, low coverage) vs FY 2019, increase in RBB D7 loans & non-D7 secured loans.
- **Stage 2 coverage** – increase driven by most of the R3,9bn Covid-19 overlays including CP, all SICR in stage 2, classification of D3 loans as stage 2 & migration of specific watchlist clients (high coverage).
- **Stage 1 coverage** – increase driven by adverse macro economy & some Covid-19 overlays

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

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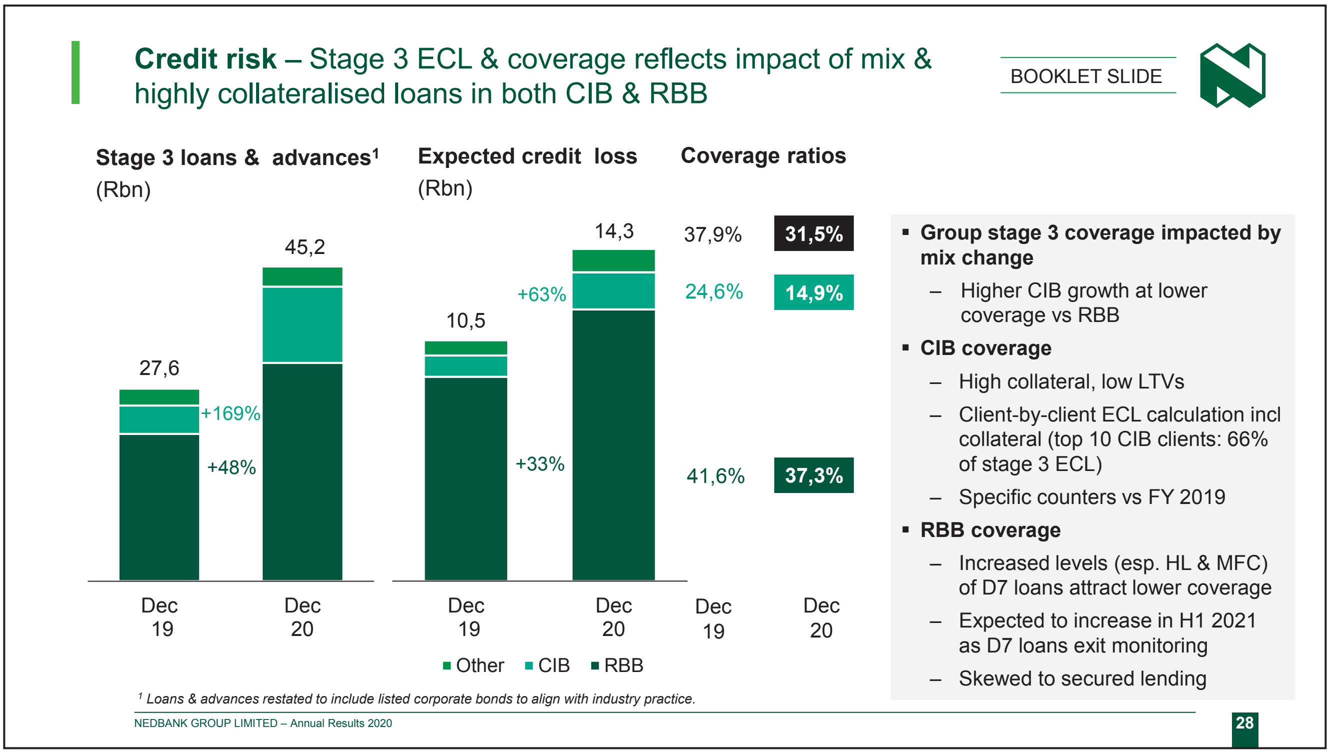

Credit risk – Stage 3 ECL & coverage reflects impact of mix & highly collateralised loans in both CIB & RBB

BOOKLET SLIDE

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

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

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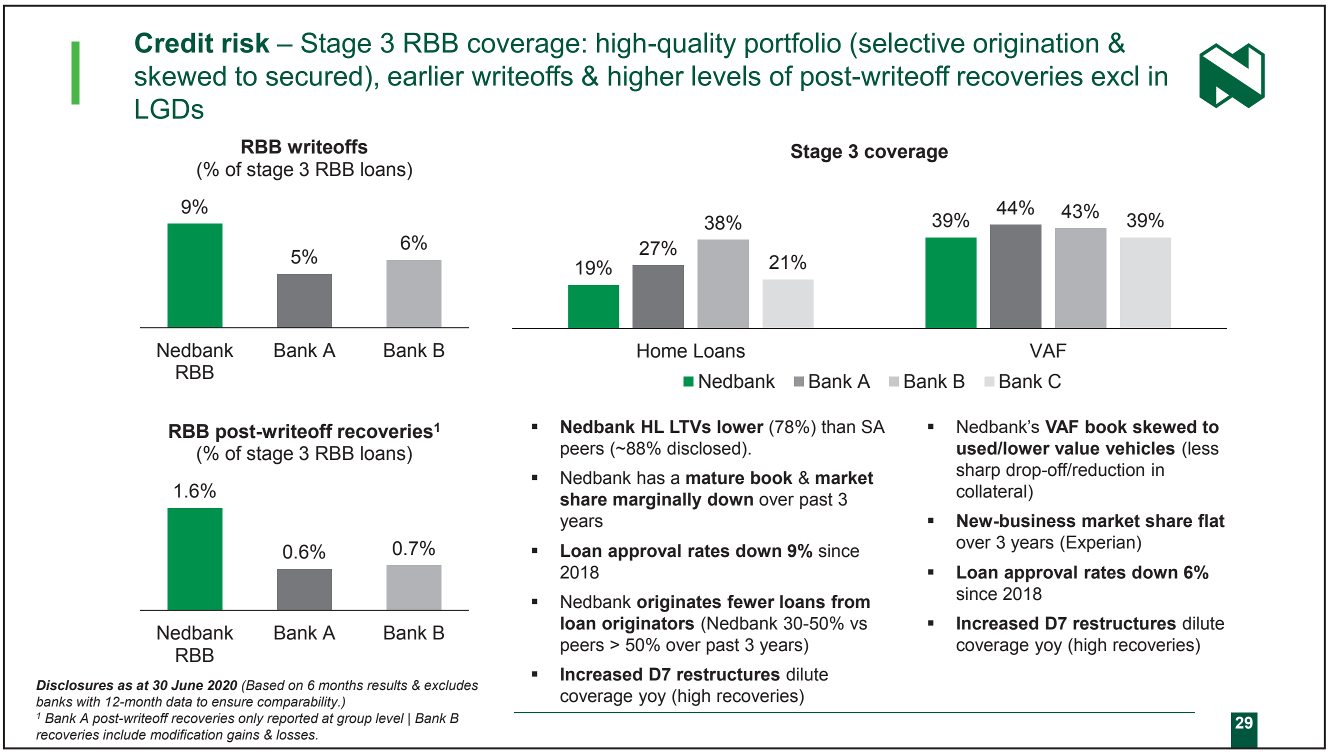

Credit risk – Stage 3 RBB coverage: high-quality portfolio (selective origination & skewed to secured), earlier writeoffs & higher levels of post-writeoff recoveries excl in LGDs

- **Nedbank HL LTVs lower** (78%) than SA peers (~88% disclosed).
- Nedbank has a **mature book** & **market share marginally down** over past 3 years
- **Loan approval rates down 9%** since 2018
- Nedbank **originates fewer loans from loan originators** (Nedbank 30-50% vs peers > 50% over past 3 years)
- **Increased D7 restructures** dilute coverage yoy (high recoveries)

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

***Disclosures as at 30 June 2020** (Based on 6 months results & excludes banks with 12-month data to ensure comparability.)*

[1] Bank A post-writeoff recoveries only reported at group level | Bank B recoveries include modification gains & losses.

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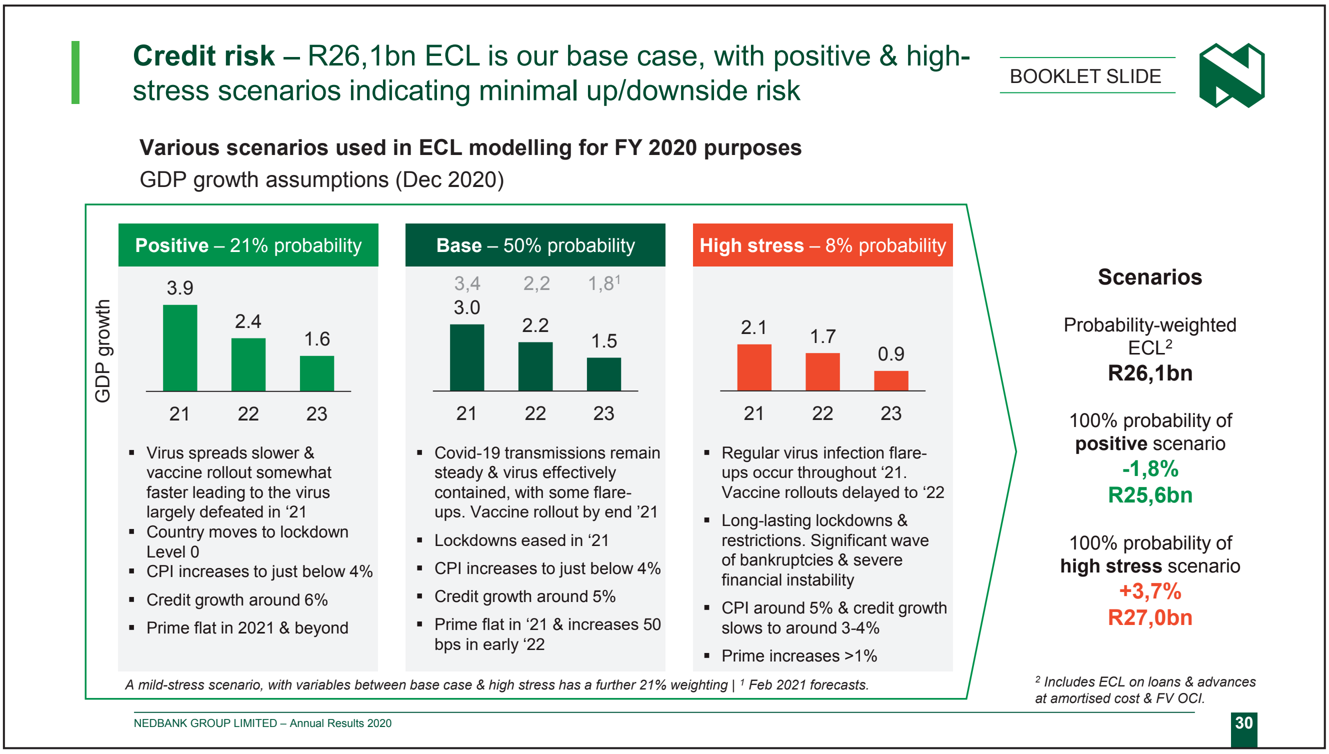

Credit risk – R26,1bn ECL is our base case, with positive & high-stress scenarios indicating minimal up/downside risk

BOOKLET SLIDE

Various scenarios used in ECL modelling for FY 2020 purposes

GDP growth assumptions (Dec 2020)

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

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

High stress – 8% probability
- Regular virus infection flare-ups occur throughout '21. Vaccine rollouts delayed to '22
- Long-lasting lockdowns & restrictions. Significant wave of bankruptcies & severe financial instability
- CPI around 5% & credit growth slows to around 3-4%
- Prime increases >1%

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

Scenarios

Probability-weighted ECL²
R26,1bn

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

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

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

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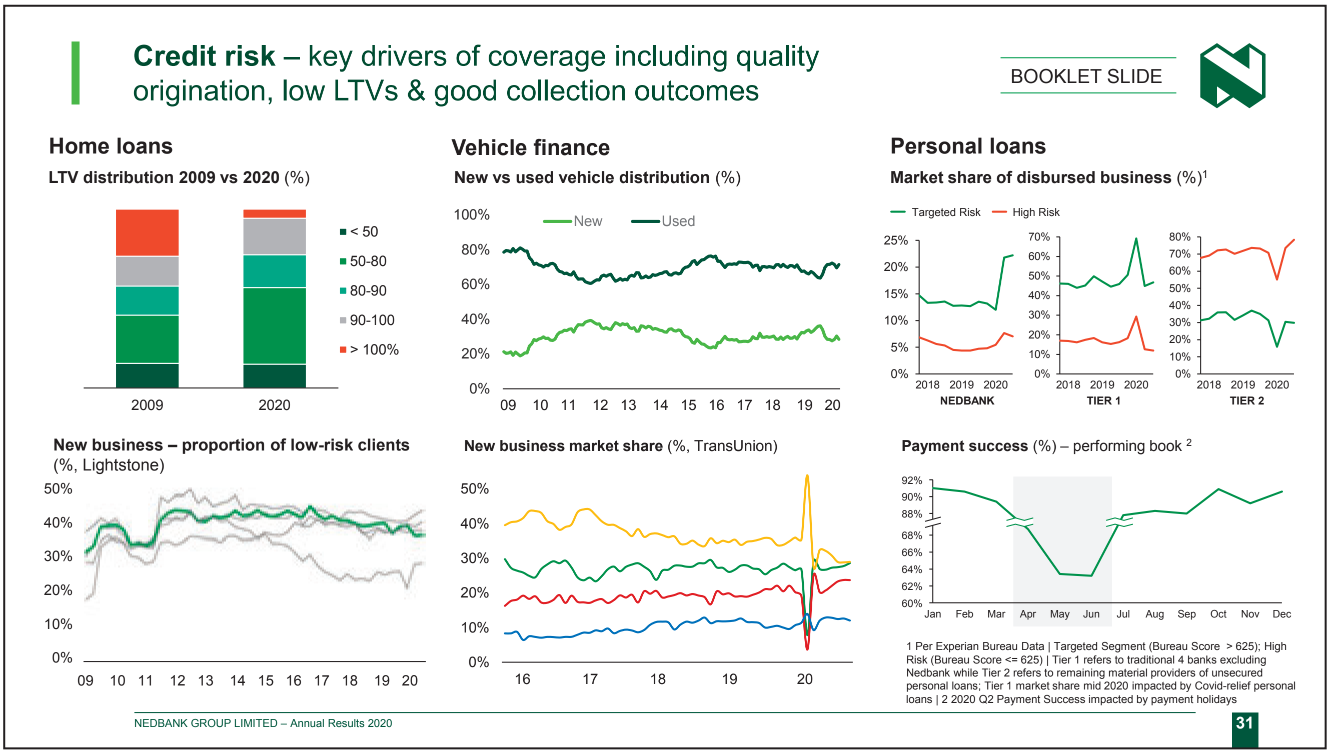

Credit risk – key drivers of coverage including quality origination, low LTVs & good collection outcomes

BOOKLET SLIDE

Home loans

LTV distribution 2009 vs 2020 (%)

Vehicle finance

New vs used vehicle distribution (%)

Personal loans

Market share of disbursed business (%)[1]

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

New business market share (%, TransUnion)

Payment success (%) – performing book [2]

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

NEDBANK GROUP LIMITED – Annual Results 2020

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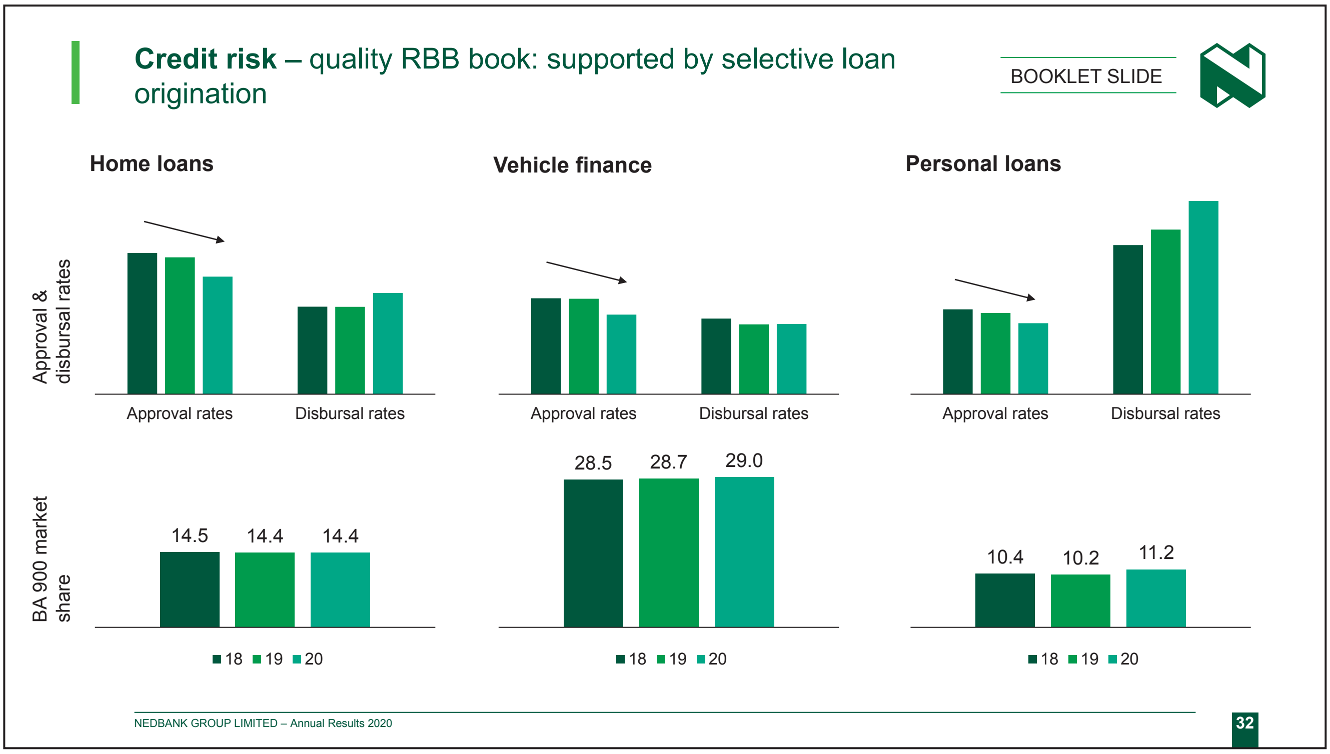

Credit risk – quality RBB book: supported by selective loan origination

BOOKLET SLIDE

Home loans

Vehicle finance

Personal loans

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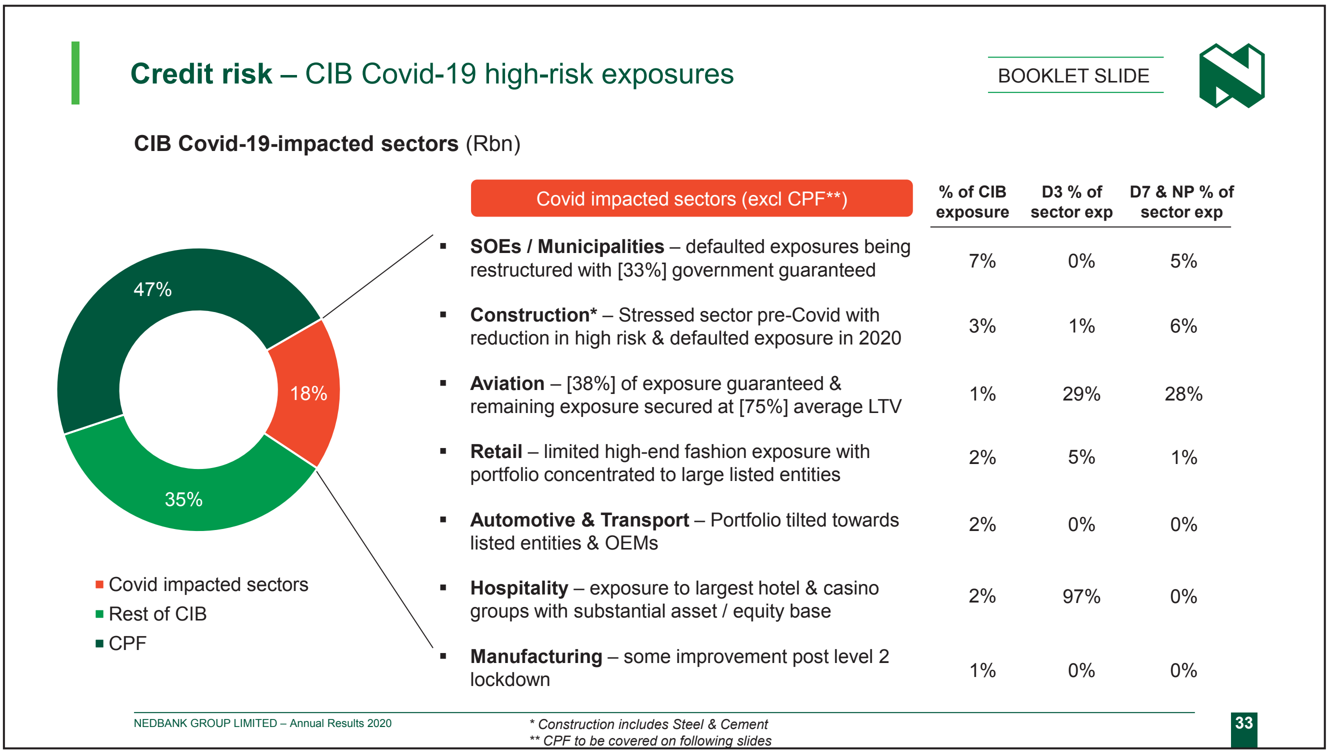

Credit risk – CIB Covid-19 high-risk exposures

BOOKLET SLIDE

CIB Covid-19-impacted sectors (Rbn)

🟥 Covid impacted sectors
🟩 Rest of CIB
■ CPF

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

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

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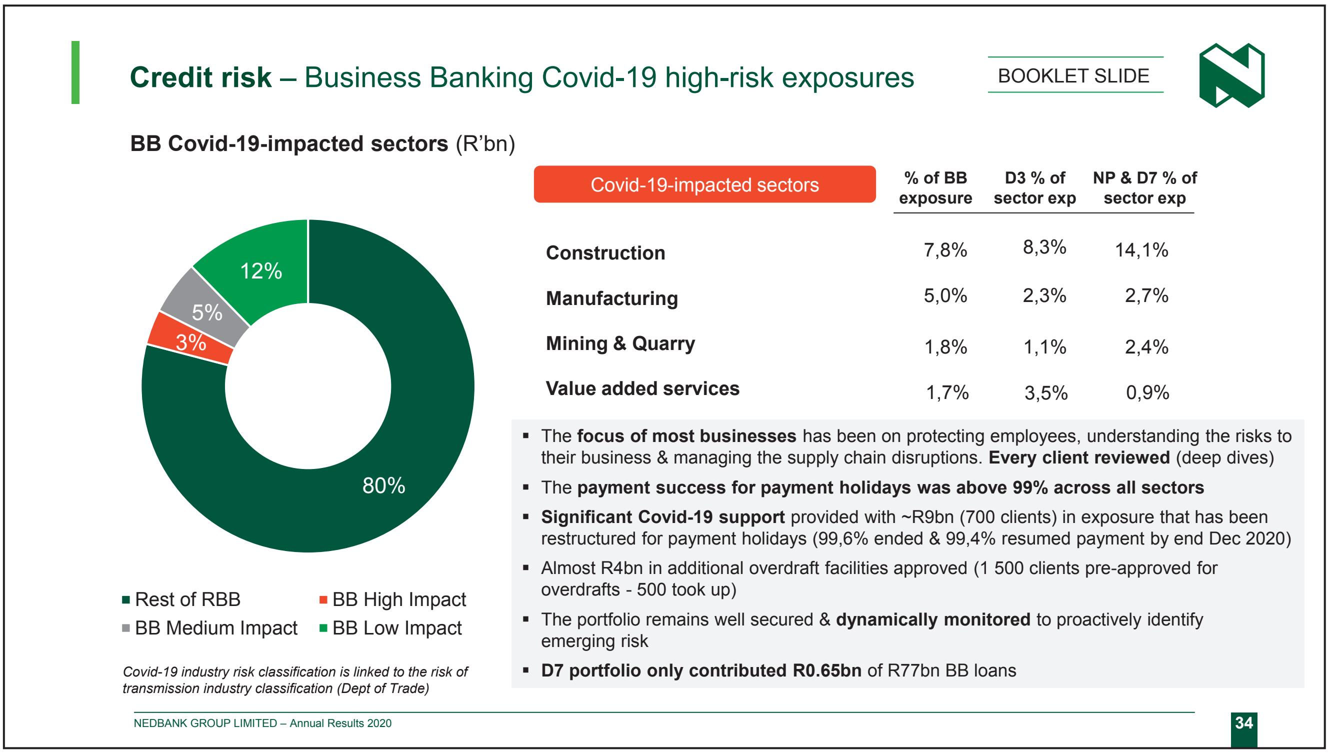

Credit risk – Business Banking Covid-19 high-risk exposures

BOOKLET SLIDE

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

■ Rest of RBB
🟥 BB High Impact
▨ BB Medium Impact
🟩 BB Low Impact

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

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

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

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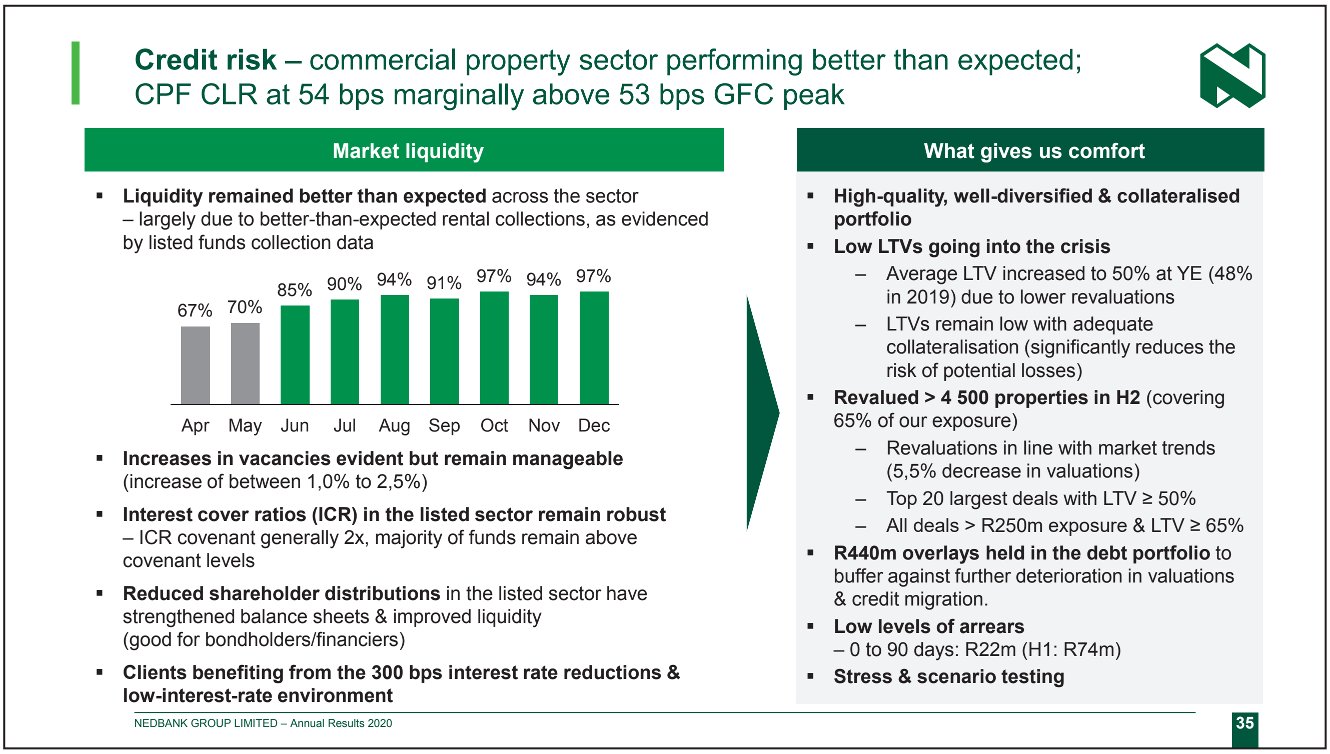

Credit risk – commercial property sector performing better than expected; CPF CLR at 54 bps marginally above 53 bps GFC peak

Market liquidity

- **Liquidity remained better than expected** across the sector – largely due to better-than-expected rental collections, as evidenced by listed funds collection data

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
67%	70%	85%	90%	94%	91%	97%	94%	97%

- **Increases in vacancies evident but remain manageable** (increase of between 1,0% to 2,5%)
- **Interest cover ratios (ICR) in the listed sector remain robust** – ICR covenant generally 2x, majority of funds remain above covenant levels
- **Reduced shareholder distributions** in the listed sector have strengthened balance sheets & improved liquidity (good for bondholders/financiers)
- **Clients benefiting from the 300 bps interest rate reductions & low-interest-rate environment**

What gives us comfort

- **High-quality, well-diversified & collateralised portfolio**
- **Low LTVs going into the crisis**
  - Average LTV increased to 50% at YE (48% in 2019) due to lower revaluations
  - LTVs remain low with adequate collateralisation (significantly reduces the risk of potential losses)
- **Revalued > 4 500 properties in H2** (covering 65% of our exposure)
  - Revaluations in line with market trends (5,5% decrease in valuations)
  - Top 20 largest deals with LTV ≥ 50%
  - All deals > R250m exposure & LTV ≥ 65%
- **R440m overlays held in the debt portfolio** to buffer against further deterioration in valuations & credit migration.
- **Low levels of arrears** – 0 to 90 days: R22m (H1: R74m)
- **Stress & scenario testing**

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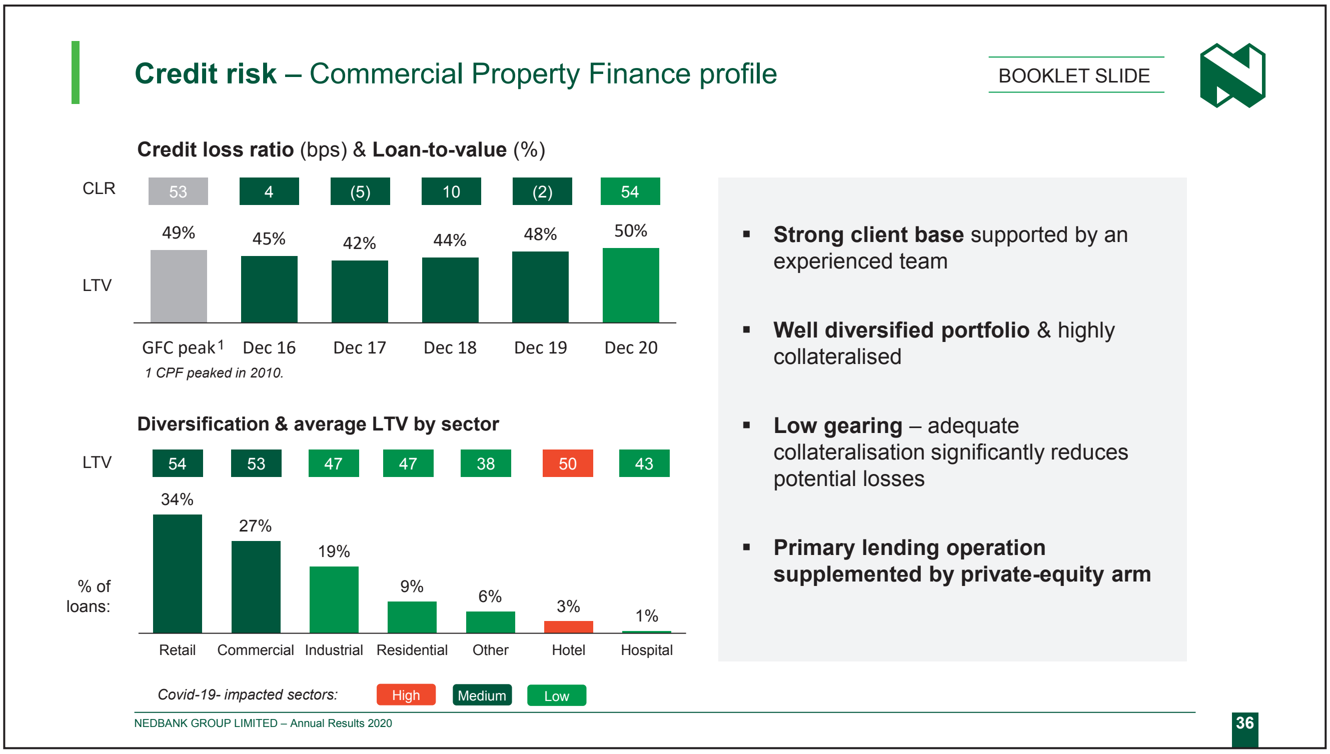

Credit risk – Commercial Property Finance profile

BOOKLET SLIDE

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

	GFC peak[1]	Dec 16	Dec 17	Dec 18	Dec 19	Dec 20
CLR	53	4	(5)	10	(2)	54
LTV	49%	45%	42%	44%	48%	50%

1 CPF peaked in 2010.

Diversification & average LTV by sector

	Retail	Commercial	Industrial	Residential	Other	Hotel	Hospital
LTV	54	53	47	47	38	50	43
% of loans:	34%	27%	19%	9%	6%	3%	1%

Covid-19- impacted sectors: High Medium Low

- **Strong client base** supported by an experienced team
- **Well diversified portfolio** & highly collateralised
- **Low gearing** – adequate collateralisation significantly reduces potential losses
- **Primary lending operation supplemented by private-equity arm**

NOTES:

Credit risk – commercial property sector risks & stress tests

BOOKLET SLIDE

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

NOTES:

Credit risk – Commercial Property Finance valuation update

BOOKLET SLIDE

Market trends

- Recent reporting by listed property funds reflects lower property valuations
- Wide range between +2% & -20% (dependent on underlying portfolio) | 6 funds declined > 10% | 3 funds declined between 5% & 10% | 10 funds declined < 5%

Nedbank portfolio – H2 revaluations

- Revalued over 4 500 properties held as collateral against 65% of our exposure, including: i) Largest 20 deals with LTV ≥ 50%, ii) All deals ≥ R250m with LTV ≥ 65%
- Values down 5,5% on comparable values over 12-month period
- Nedbank generally more conservative than client valuations – going into lockdown generally within a range of up to 10% lower & significantly lower for outliers

R100m impairment overlay – held to cover risk of collateral not revalued in H2 & further declines expected in the portfolio

Frequency of valuations

- Stage 2 & 3 valuations performed 6 monthly or more regularly if required
- Stage 3 valuations performed on both a market & forced sale basis
- Stage 2 & 3 valuations are generally significantly more conservative than client values – in some instances more than 20% lower

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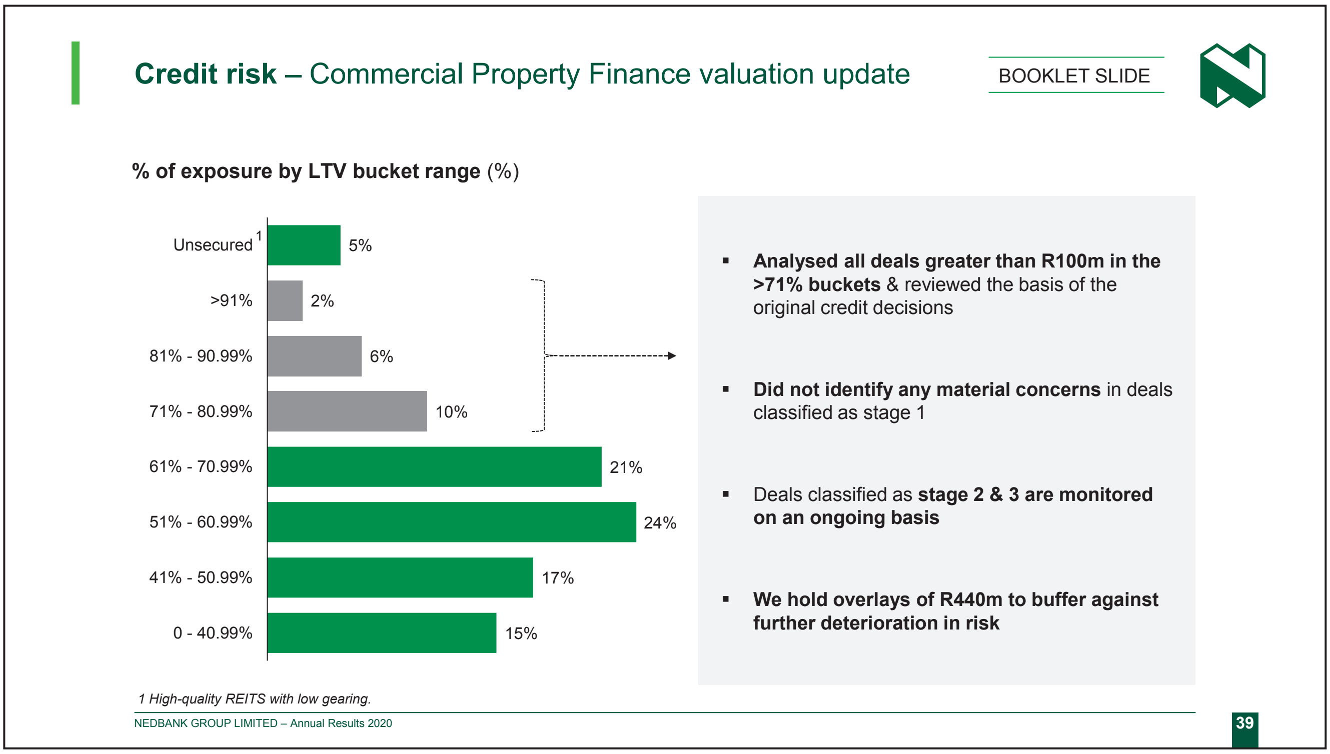

Credit risk – Commercial Property Finance valuation update

BOOKLET SLIDE

% of exposure by LTV bucket range (%)

Unsecured[1]	5%
>91%	2%
81% - 90.99%	6%
71% - 80.99%	10%
61% - 70.99%	21%
51% - 60.99%	24%
41% - 50.99%	17%
0 - 40.99%	15%

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

1 High-quality REITS with low gearing.

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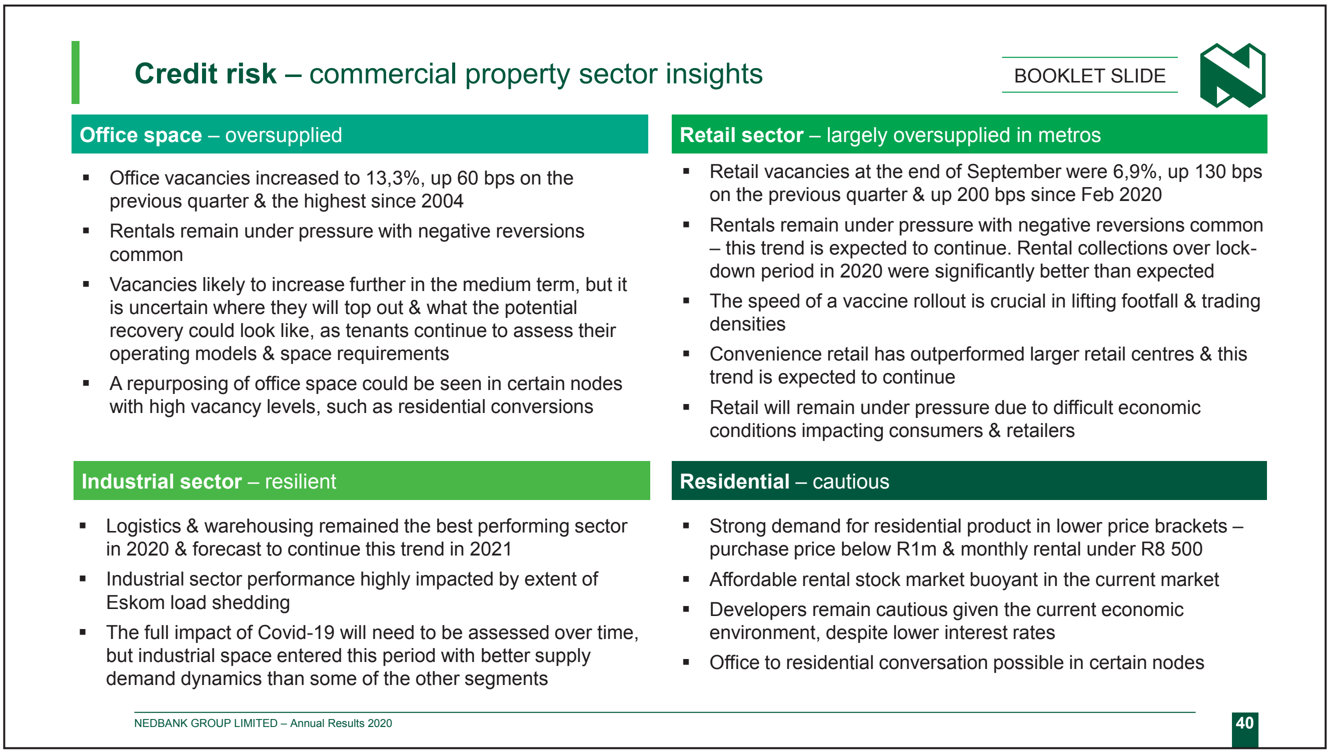

Credit risk – commercial property sector insights

BOOKLET SLIDE

Office space – oversupplied

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

Retail sector – largely oversupplied in metros

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

Industrial sector – resilient

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

Residential – cautious

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

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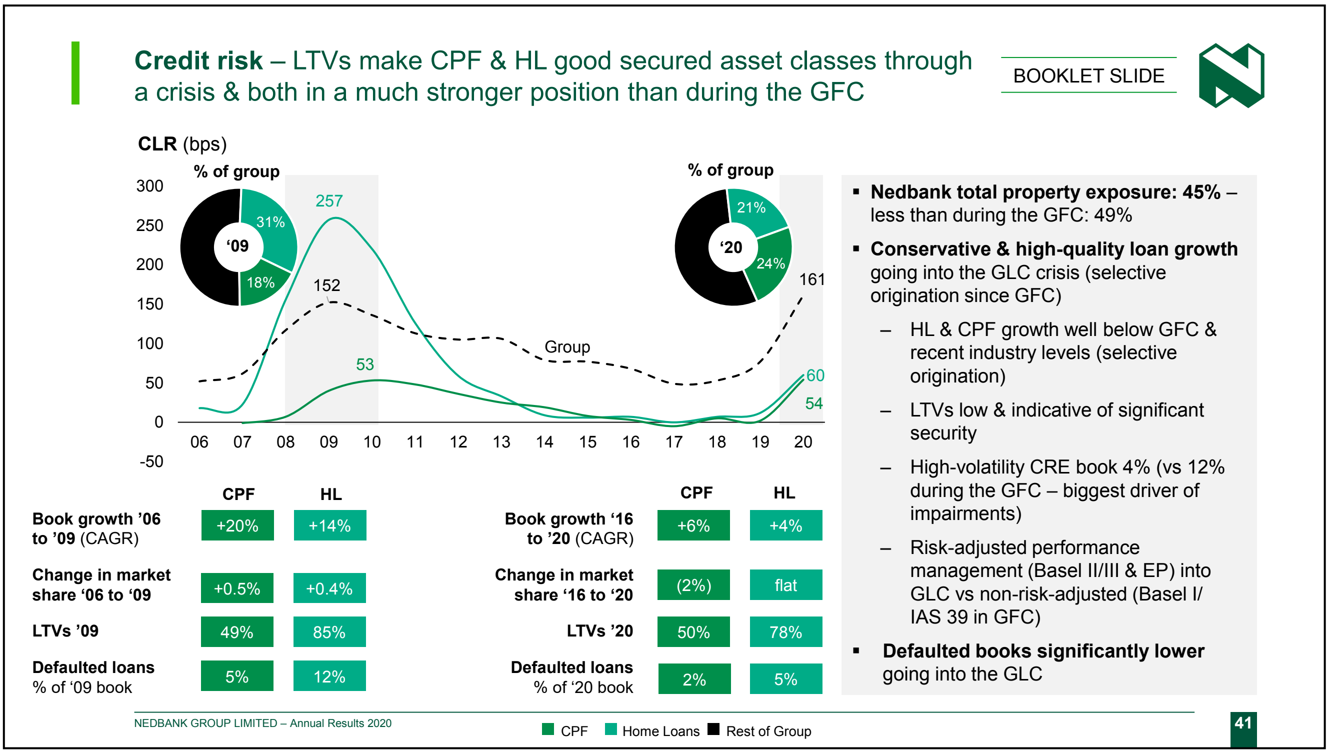


Credit risk – LTVs make CPF & HL good secured asset classes through a crisis & both in a much stronger position than during the GFC

BOOKLET SLIDE

	CPF	HL
Book growth '06 to '09 (CAGR)	+20%	+14%
Change in market share '06 to '09	+0.5%	+0.4%
LTVs '09	49%	85%
Defaulted loans % of '09 book	5%	12%

	CPF	HL
Book growth '16 to '20 (CAGR)	+6%	+4%
Change in market share '16 to '20	(2%)	flat
LTVs '20	50%	78%
Defaulted loans % of '20 book	2%	5%

🟩 CPF 🟩 Home Loans ■ Rest of Group

- **Nedbank total property exposure: 45%** – less than during the GFC: 49%
- **Conservative & high-quality loan growth** going into the GLC crisis (selective origination since GFC)
  - HL & CPF growth well below GFC & recent industry levels (selective origination)
  - LTVs low & indicative of significant security
  - High-volatility CRE book 4% (vs 12% during the GFC – biggest driver of impairments)
  - Risk-adjusted performance management (Basel II/III & EP) into GLC vs non-risk-adjusted (Basel I/ IAS 39 in GFC)
- **Defaulted books significantly lower** going into the GLC

NOTES:

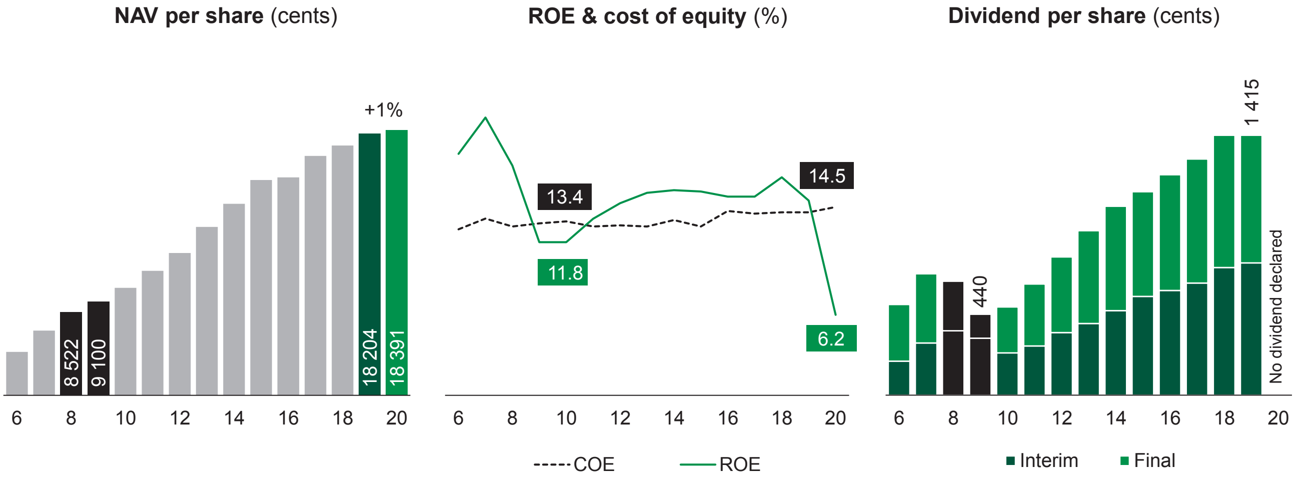
FINANCIAL OVERVIEW

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

Mike Davis
Chief Financial Officer

NOTES:

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



Positive but slower NAV growth

ROE below COE

No dividend declared (G3/2021)

NOTES:

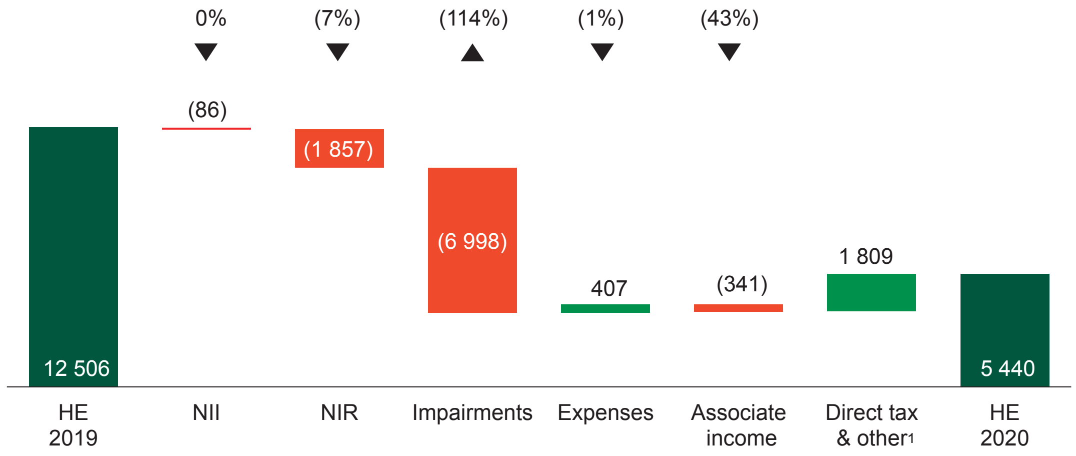
Maintained strong liquidity & capital positions notwithstanding the impact of lower revenues & increased impairments on profitability metrics

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

NOTES:

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

Headline earnings (Rm)



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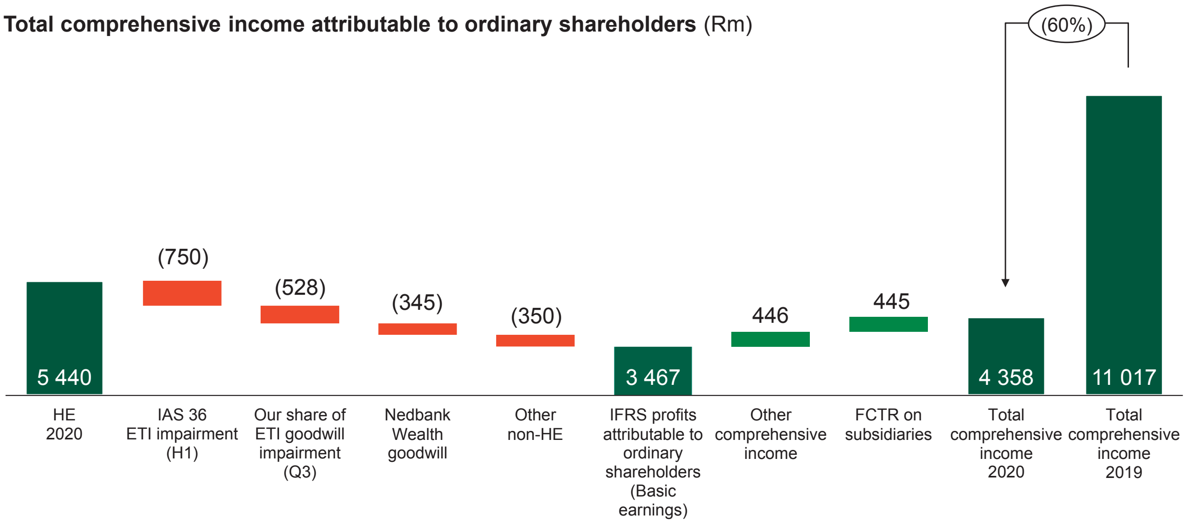
[1] Other includes Indirect tax, Net monetary loss, Minority & Preference shareholders.

NOTES:

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

BOOKLET SLIDE

Total comprehensive income attributable to ordinary shareholders (Rm)



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

NOTES:

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

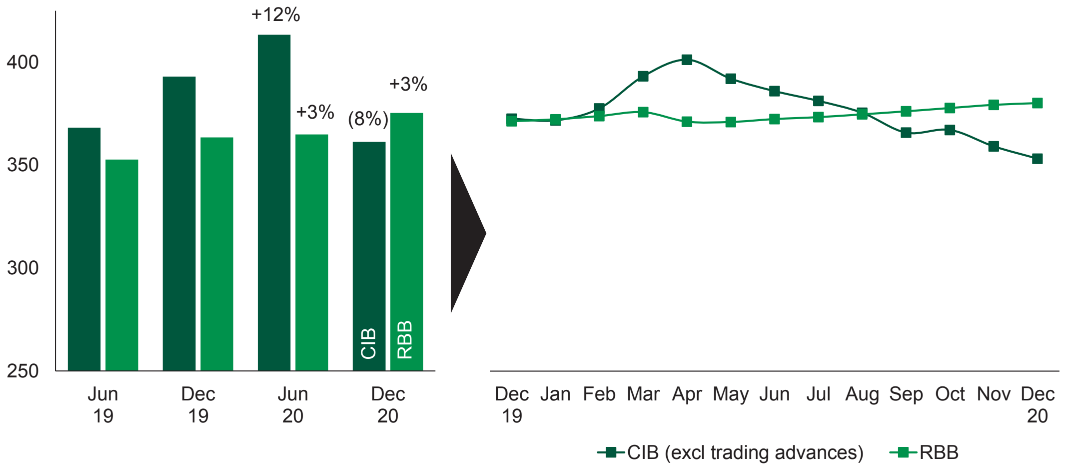
R million	H1 2020	H1 growth	H2 2020	H2 growth	FY 2020	FY 2020 growth	2020 guidance
NII	**14 969**	1%	**15 112** ✓	(2%)	**30 081**	(0%)	(5%) ● ▲ ● 0% ✓
Impairments	**(7 675)**	202%	**(5 452)** ✓	52%	**(13 127)**	114%	
Credit loss ratio (bps)	**187**		**134**		**161**		150 ● ▲ ● 185 ✓
NIR	**12 220**	(5%)	**11 920**	(9%)	**24 140**	(7%)	(11%) ● ▲ ● (7%) ✓
Expenses	**(15 391)**	(1%)	**(16 381)**	(1%)	**(31 772)**	(1%)	(4%) ● ▲ ● (1%) ✓
Net monetary loss	**(47)**		**(158)**		**(205)**	(31%)	
Associate income	**98**	(77%)	**354** ✓	(5%)	**452**	(43%)	
Direct tax	**(928)**	(58%)	**(1 066)**	(38%)	**(1 994)**	(49%)	
Headline earnings	**2 114**	(69%)	**3 326** ✓	(41%)	**5 440**	(57%)	
DHEPS	**434**	(69%)	**679** ✓	(41%)	**1 113**	(57%)	HEPS: -55 to -60% DHEPS > 20% down

Note: Only key lines of the income statement shown.

NOTES:

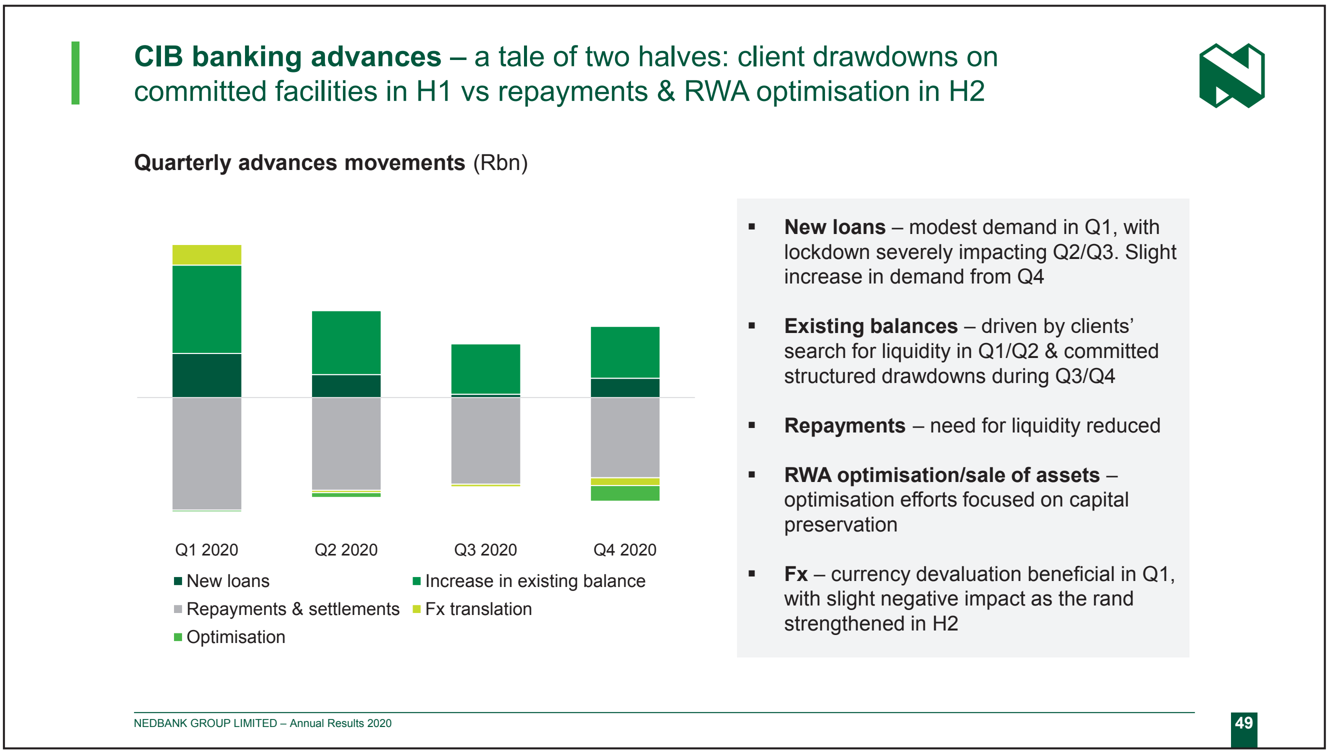
Gross advances -2% – divergent H1 vs H2 dynamics between retail & wholesale loan growth

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



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

NOTES:

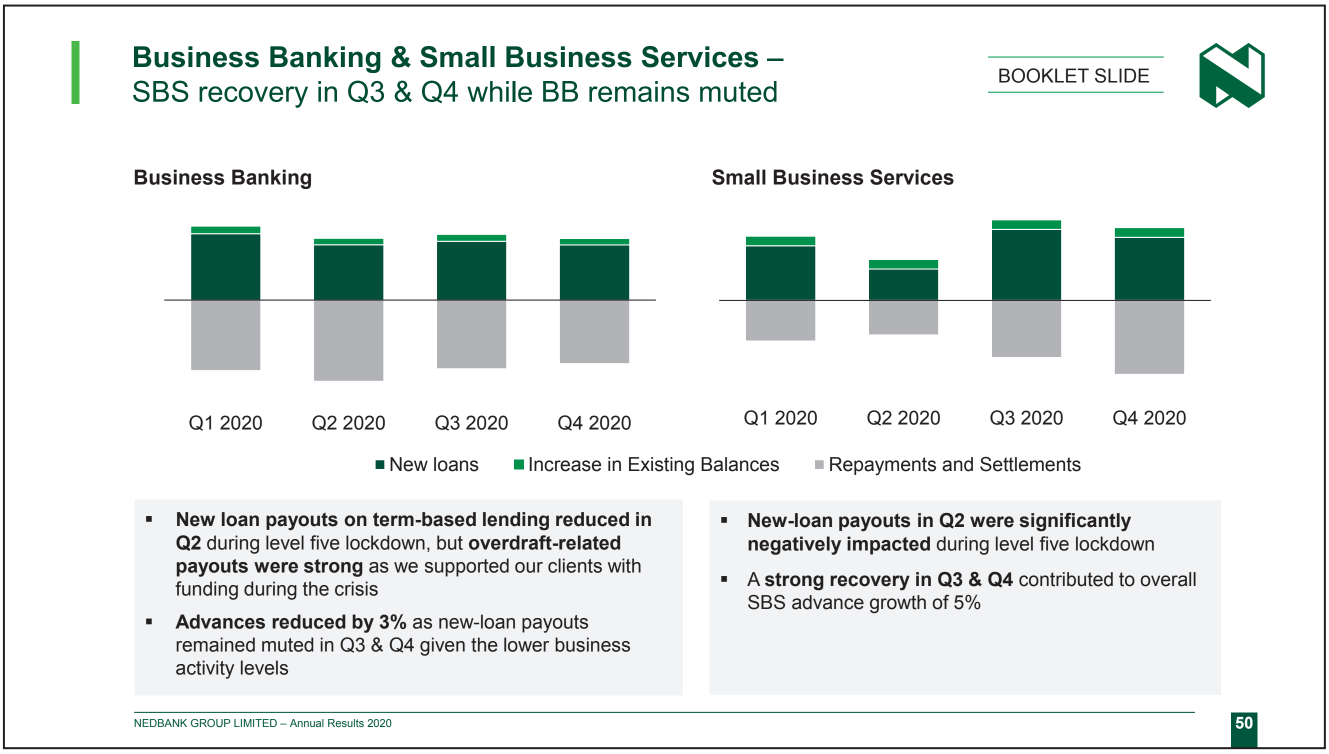


CIB banking advances – a tale of two halves: client drawdowns on committed facilities in H1 vs repayments & RWA optimisation in H2

Quarterly advances movements (Rbn)

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

NOTES:



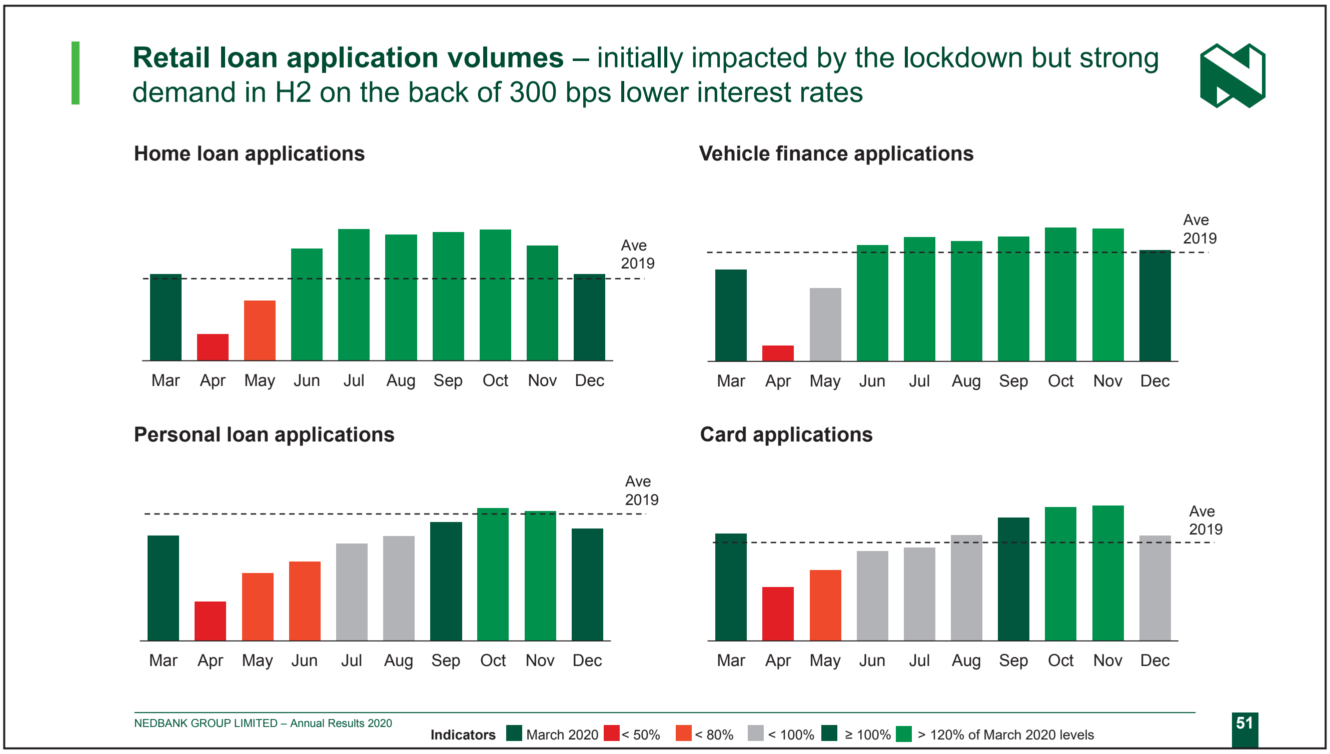
Business Banking & Small Business Services – SBS recovery in Q3 & Q4 while BB remains muted

BOOKLET SLIDE

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

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

NOTES:



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

Home loan applications

Vehicle finance applications

Personal loan applications

Card applications

Indicators 🟩 March 2020 🟥 < 50% 🟧 < 80% ⬜ < 100% 🟩 ≥ 100% 🟩 > 120% of March 2020 levels

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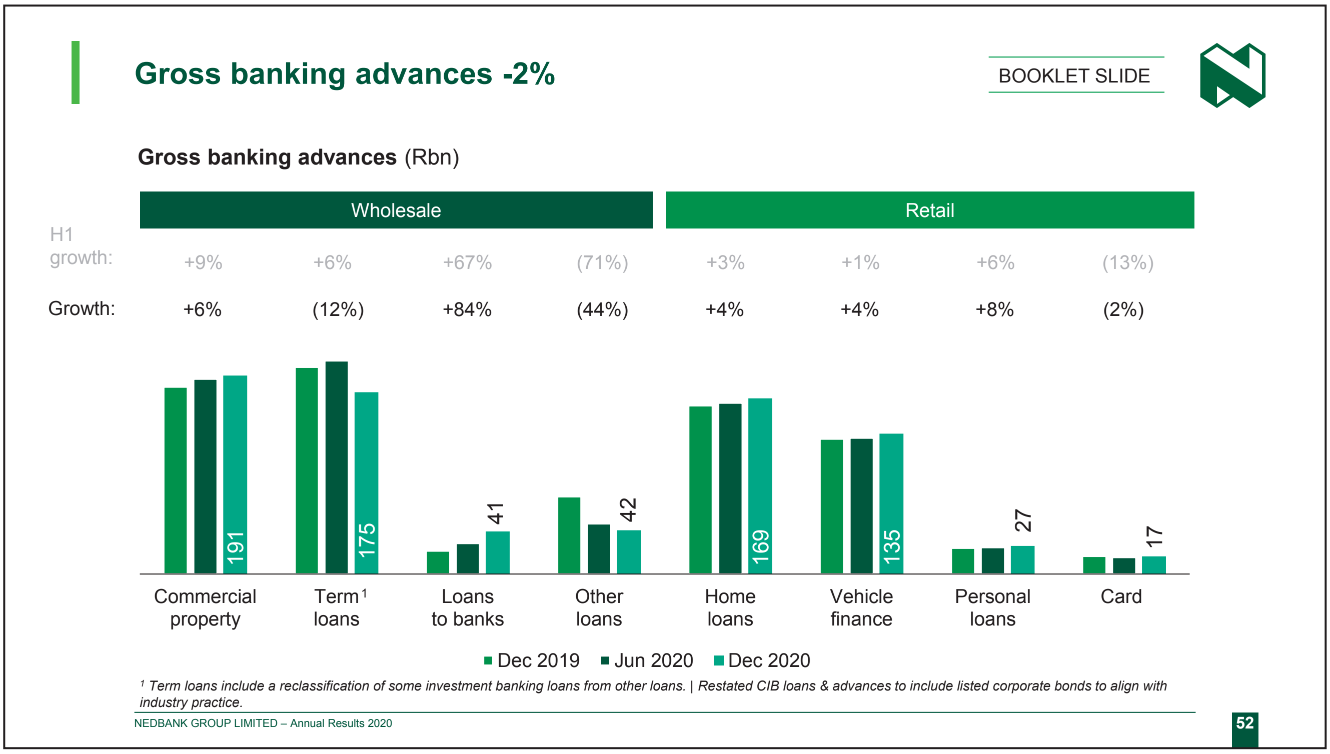


Gross banking advances -2%

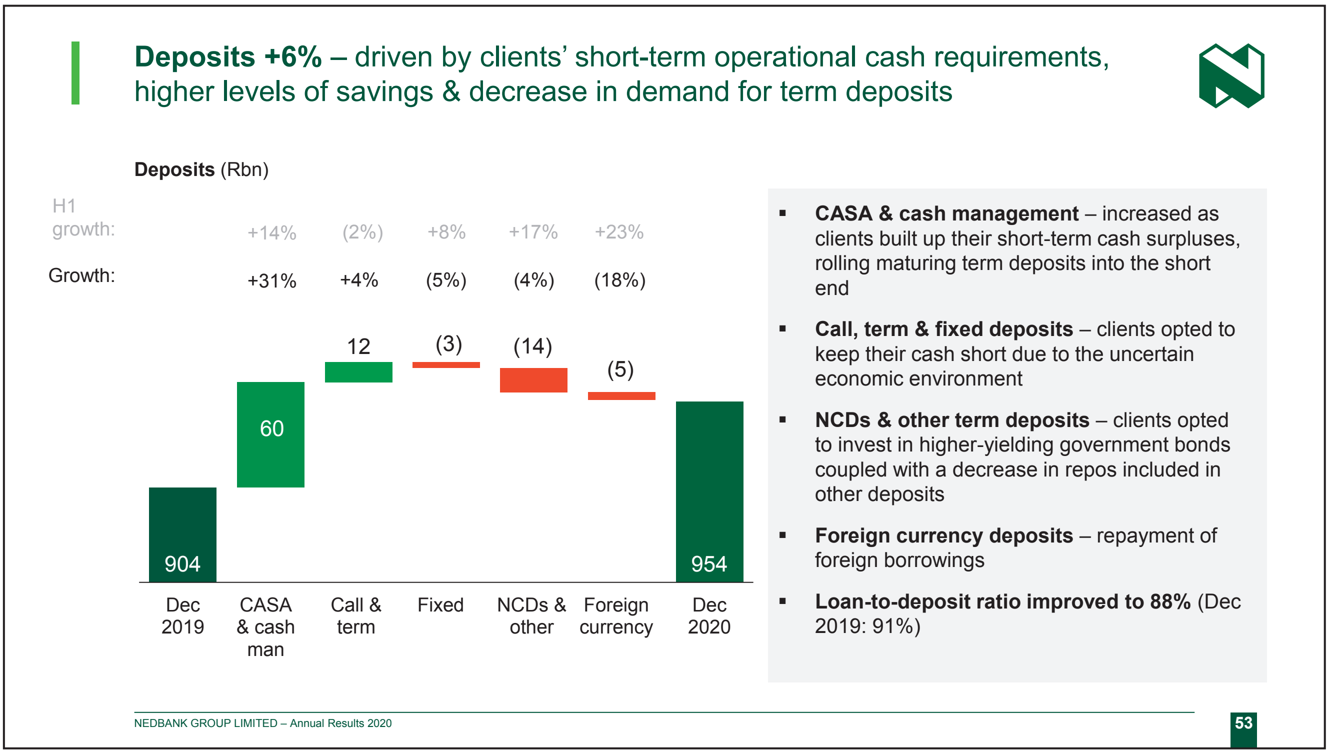
BOOKLET SLIDE

Gross banking advances (Rbn)

	Wholesale				Retail			
H1 growth:	+9%	+6%	+67%	(71%)	+3%	+1%	+6%	(13%)
Growth:	+6%	(12%)	+84%	(44%)	+4%	+4%	+8%	(2%)
	Commercial property	Term[1] loans	Loans to banks	Other loans	Home loans	Vehicle finance	Personal loans	Card

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

NOTES:

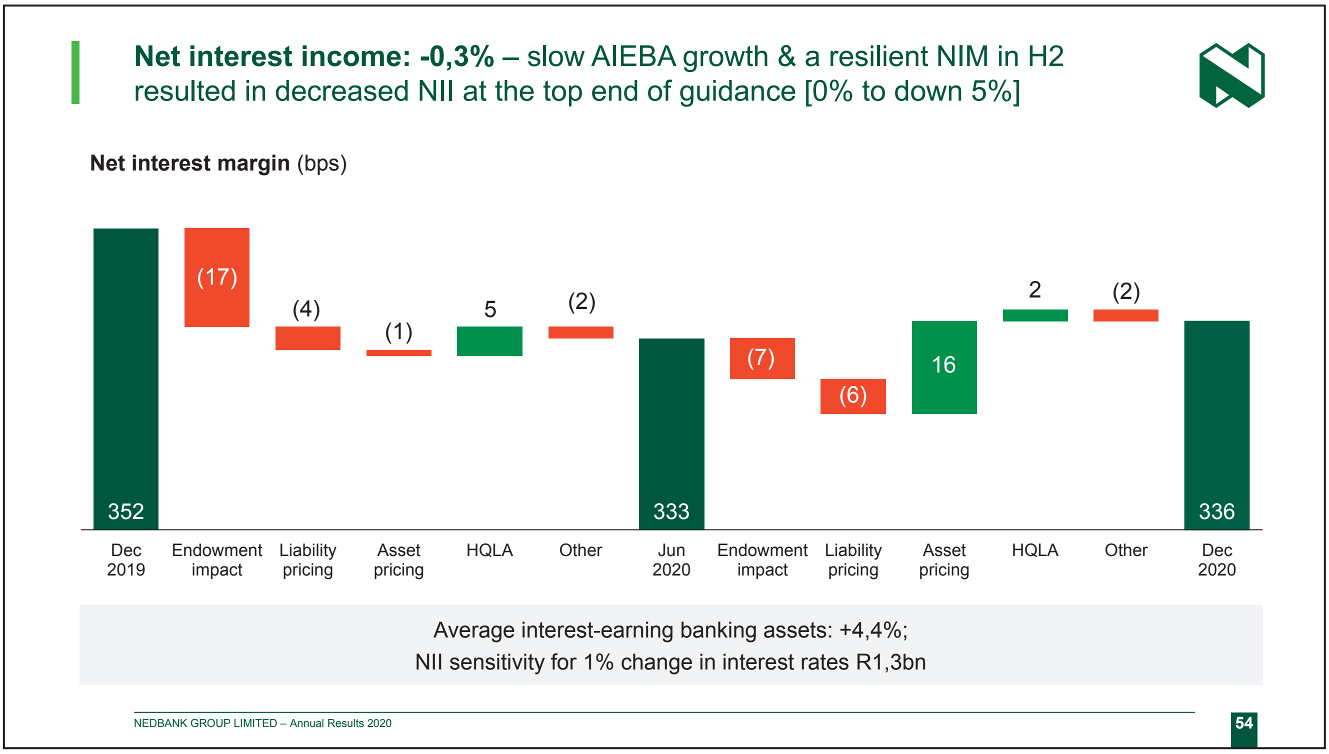


Deposits +6% – driven by clients' short-term operational cash requirements, higher levels of savings & decrease in demand for term deposits

Deposits (Rbn)

- **CASA & cash management** – increased as clients built up their short-term cash surpluses, rolling maturing term deposits into the short end
- **Call, term & fixed deposits** – clients opted to keep their cash short due to the uncertain economic environment
- **NCDs & other term deposits** – clients opted to invest in higher-yielding government bonds coupled with a decrease in repos included in other deposits
- **Foreign currency deposits** – repayment of foreign borrowings
- **Loan-to-deposit ratio improved to 88%** (Dec 2019: 91%)

NOTES:

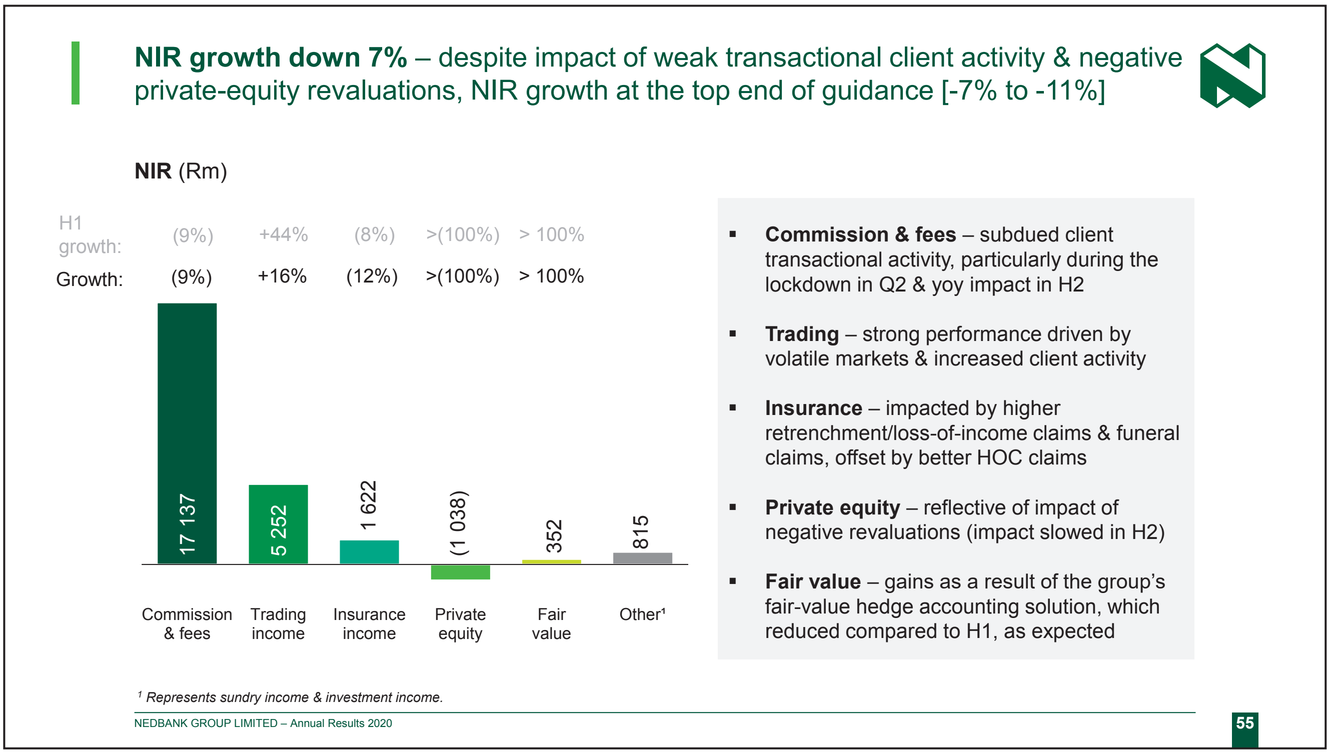


Net interest income: -0,3% – slow AIEBA growth & a resilient NIM in H2 resulted in decreased NII at the top end of guidance [0% to down 5%]

Net interest margin (bps)

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

NOTES:



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

NIR (Rm)

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

[1] Represents sundry income & investment income.

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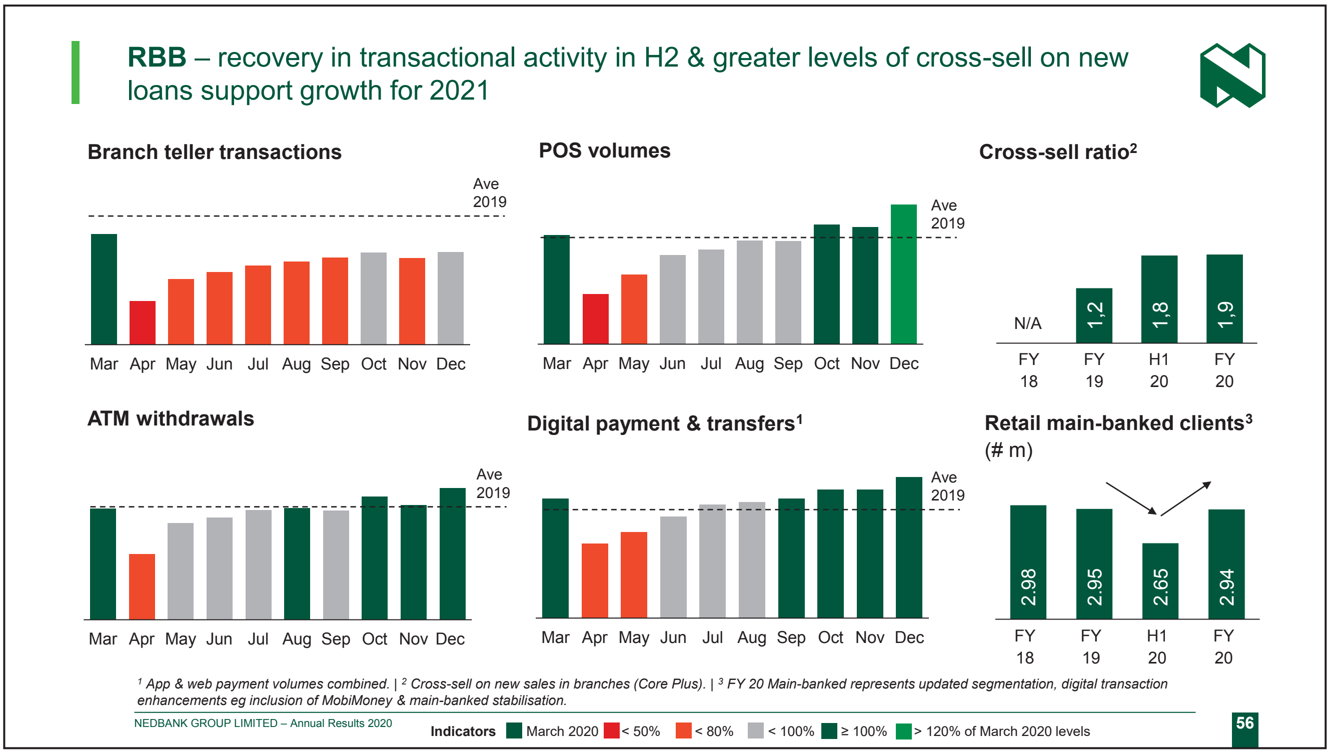

RBB – recovery in transactional activity in H2 & greater levels of cross-sell on new loans support growth for 2021

Branch teller transactions

POS volumes

Cross-sell ratio[2]

ATM withdrawals

Digital payment & transfers[1]

Retail main-banked clients[3] (# m)

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

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Indicators 🟩 March 2020 🟥 < 50% 🟧 < 80% ⬜ < 100% 🟩 ≥ 100% 🟩 > 120% of March 2020 levels

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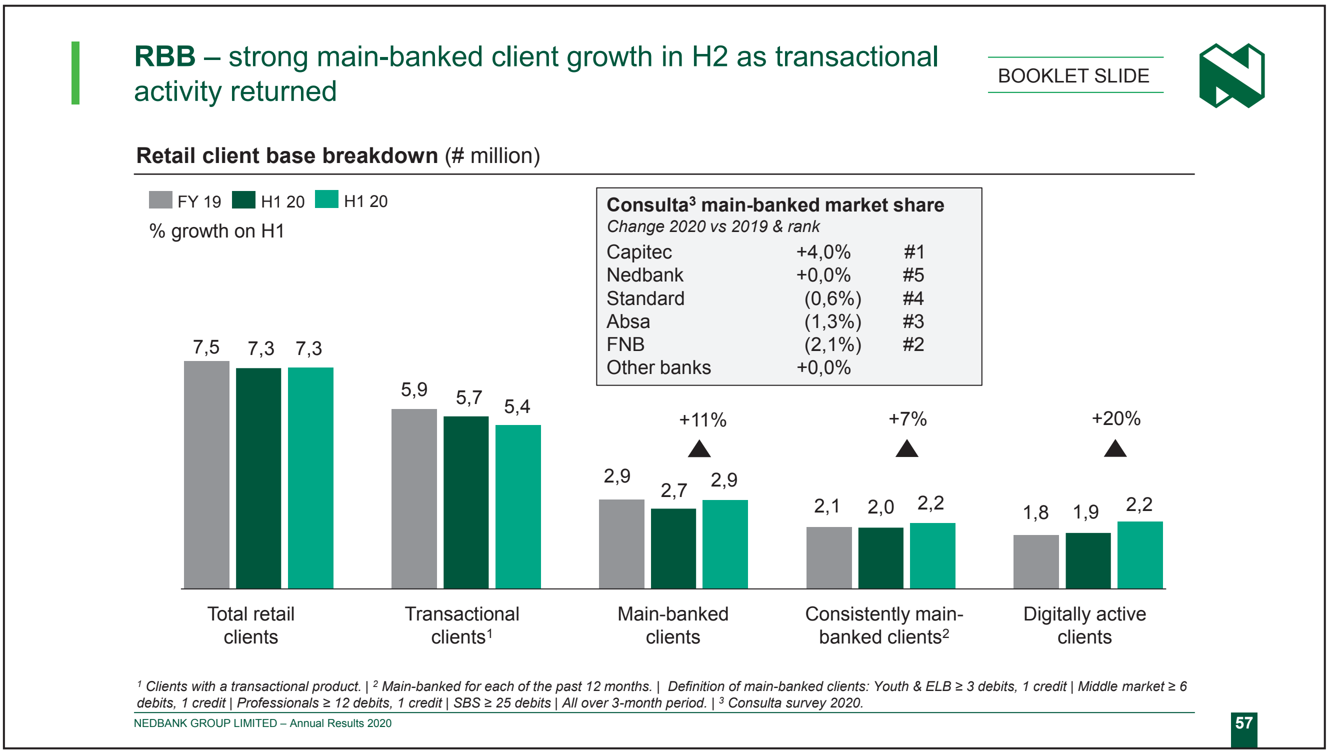

RBB – strong main-banked client growth in H2 as transactional activity returned

BOOKLET SLIDE

Retail client base breakdown (# million)

Consulta[3] main-banked market share

Change 2020 vs 2019 & rank

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

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

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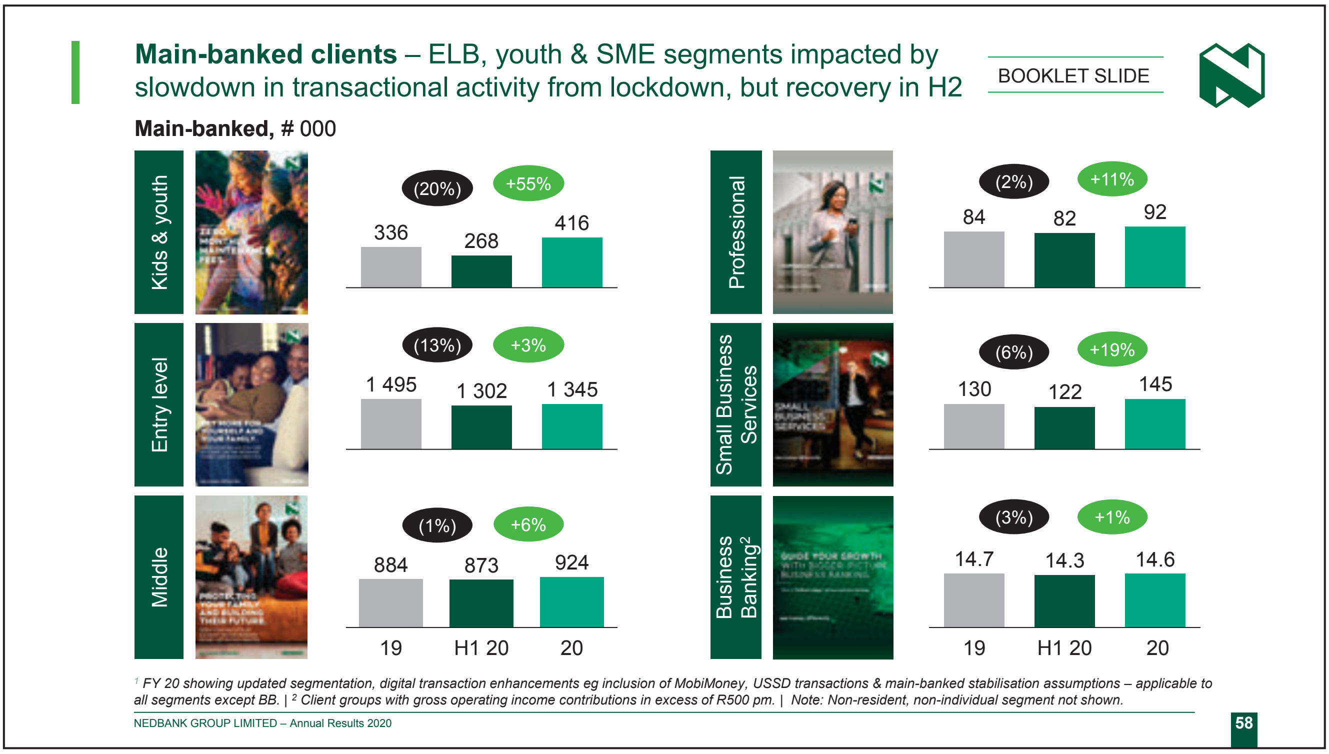

Main-banked clients – ELB, youth & SME segments impacted by slowdown in transactional activity from lockdown, but recovery in H2

BOOKLET SLIDE

Main-banked, # 000

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

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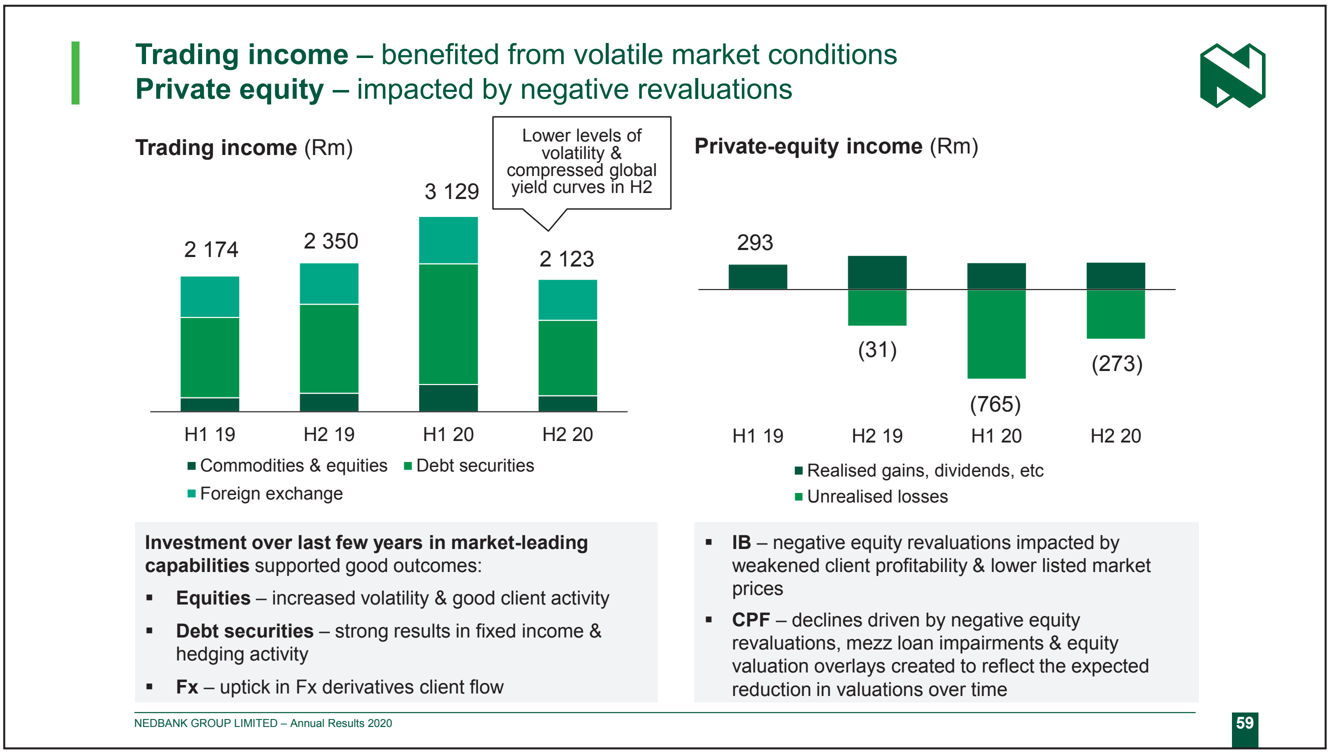

Trading income – benefited from volatile market conditions
Private equity – impacted by negative revaluations

Trading income (Rm)

Private-equity income (Rm)

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

- **Equities** – increased volatility & good client activity
- **Debt securities** – strong results in fixed income & hedging activity
- **Fx** – uptick in Fx derivatives client flow

- **IB** – negative equity revaluations impacted by weakened client profitability & lower listed market prices
- **CPF** – declines driven by negative equity revaluations, mezz loan impairments & equity valuation overlays created to reflect the expected reduction in valuations over time

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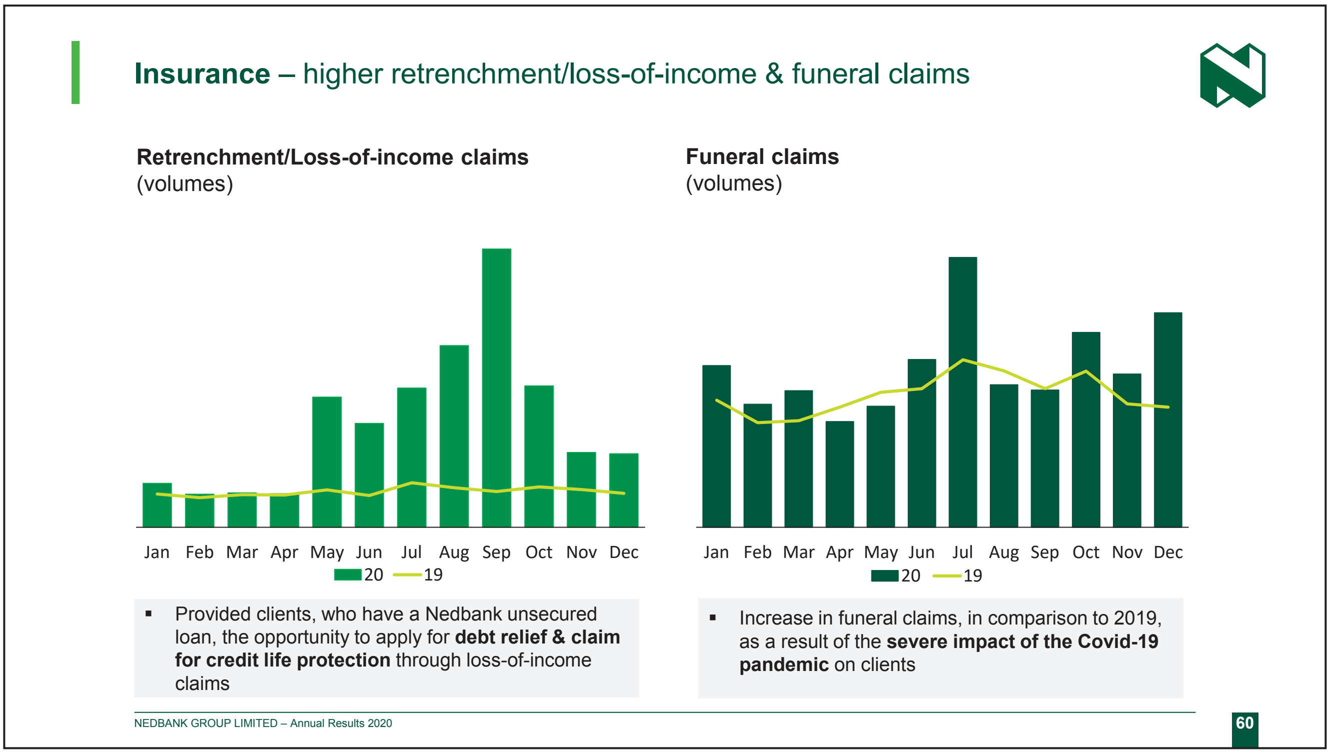

Insurance – higher retrenchment/loss-of-income & funeral claims

Retrenchment/Loss-of-income claims
(volumes)

Funeral claims
(volumes)

- Provided clients, who have a Nedbank unsecured loan, the opportunity to apply for **debt relief & claim for credit life protection** through loss-of-income claims

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

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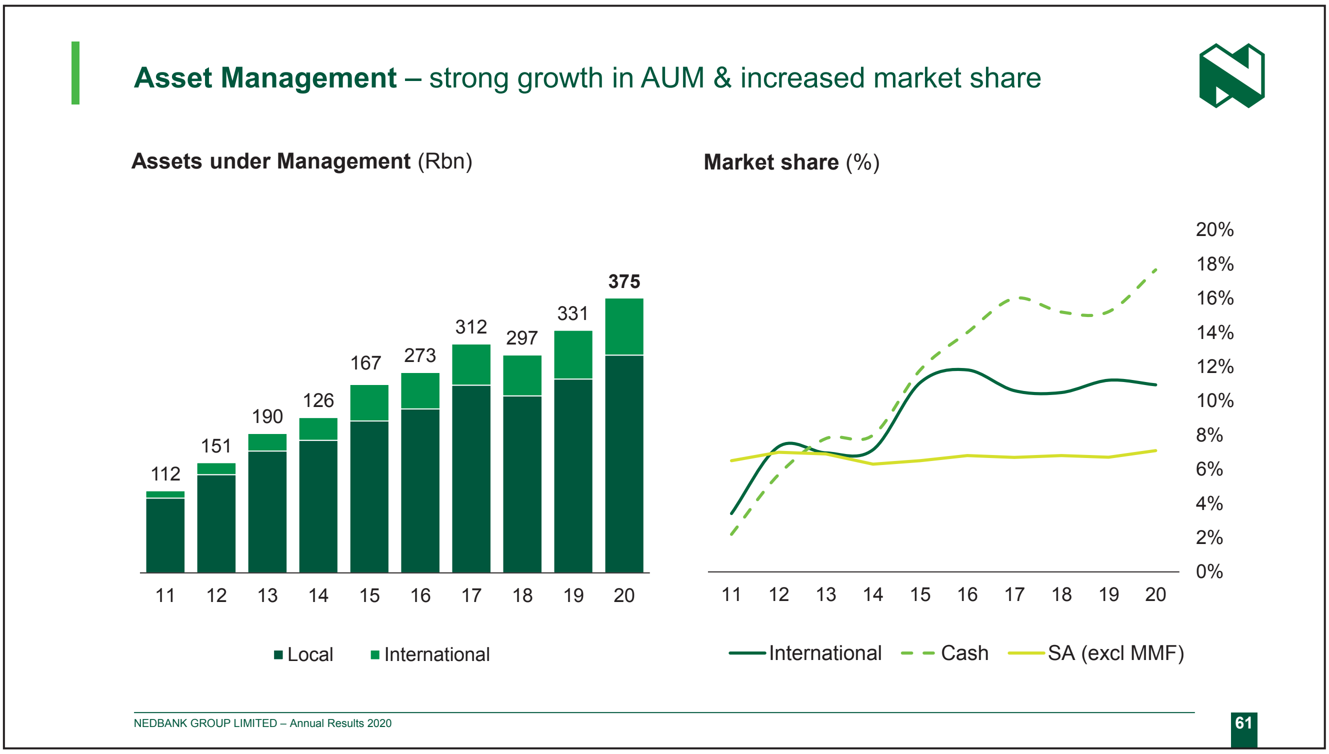

Asset Management – strong growth in AUM & increased market share

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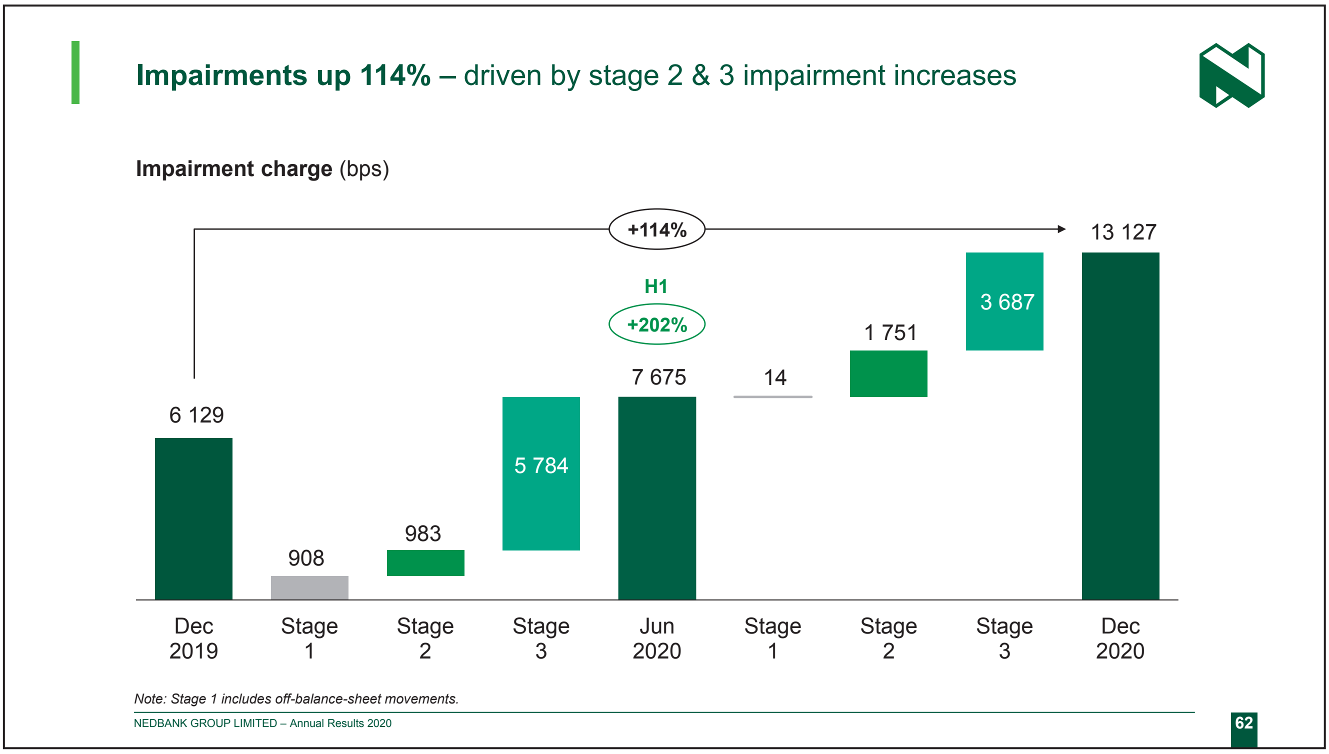

Impairments up 114% – driven by stage 2 & 3 impairment increases

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

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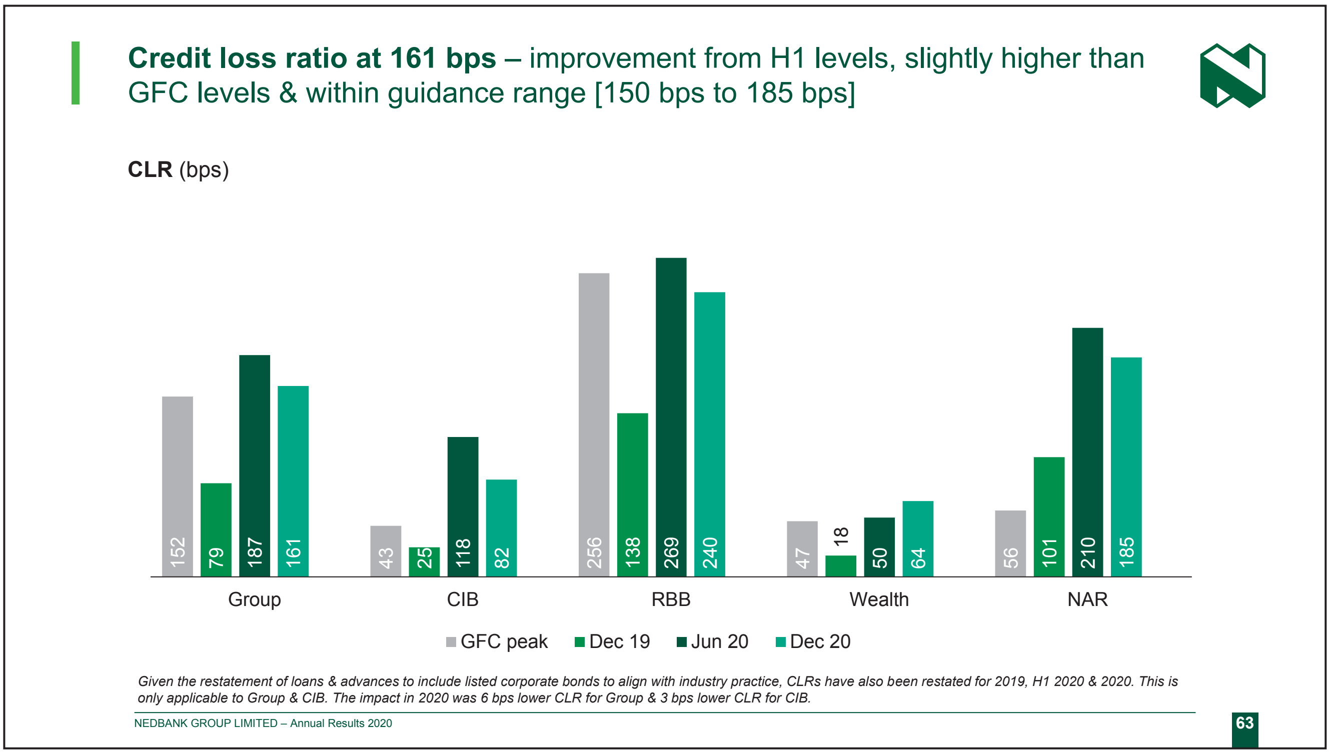
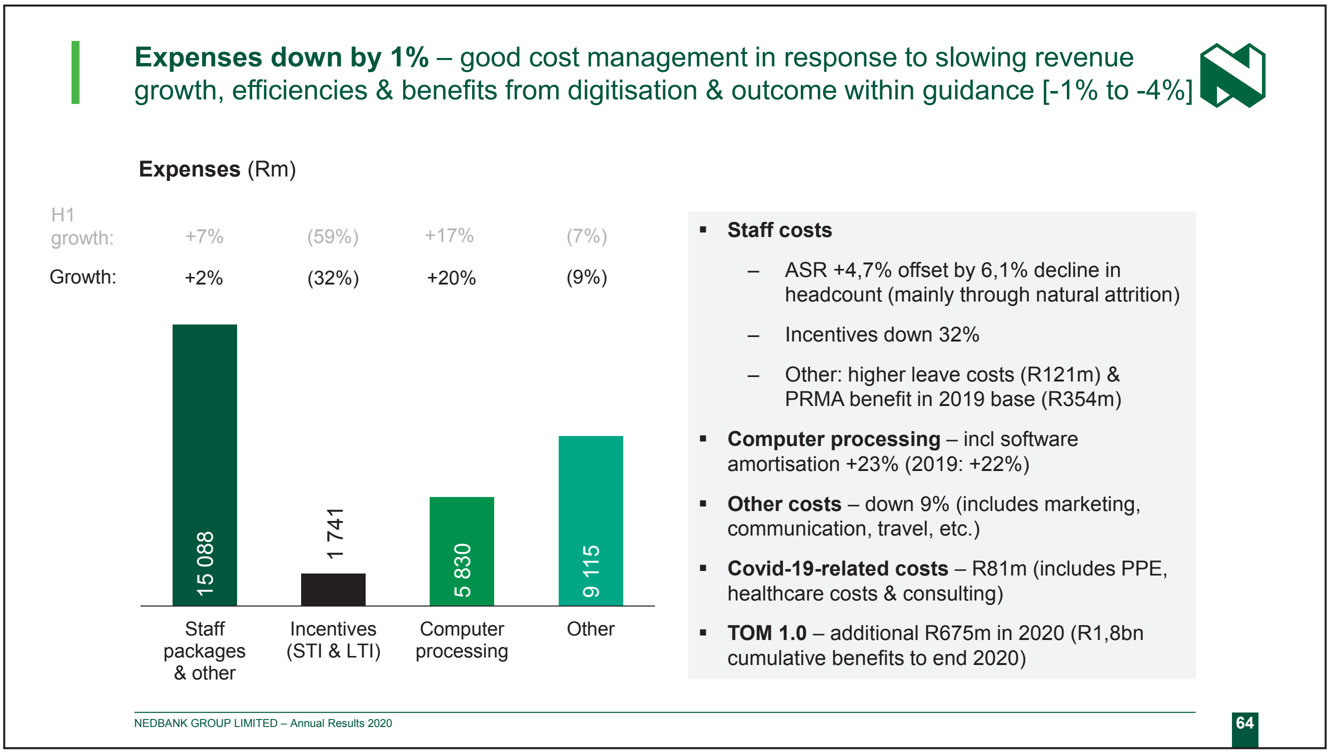


Credit loss ratio at 161 bps – improvement from H1 levels, slightly higher than GFC levels & within guidance range [150 bps to 185 bps]

CLR (bps)

Given the restatement of loans & advances to include listed corporate bonds to align with industry practice, CLRs have also been restated for 2019, H1 2020 & 2020. This is only applicable to Group & CIB. The impact in 2020 was 6 bps lower CLR for Group & 3 bps lower CLR for CIB.

NOTES:



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

Expenses (Rm)

- **Staff costs**
  - ASR +4,7% offset by 6,1% decline in headcount (mainly through natural attrition)
  - Incentives down 32%
  - Other: higher leave costs (R121m) & PRMA benefit in 2019 base (R354m)
- **Computer processing** – incl software amortisation +23% (2019: +22%)
- **Other costs** – down 9% (includes marketing, communication, travel, etc.)
- **Covid-19-related costs** – R81m (includes PPE, healthcare costs & consulting)
- **TOM 1.0** – additional R675m in 2020 (R1,8bn cumulative benefits to end 2020)

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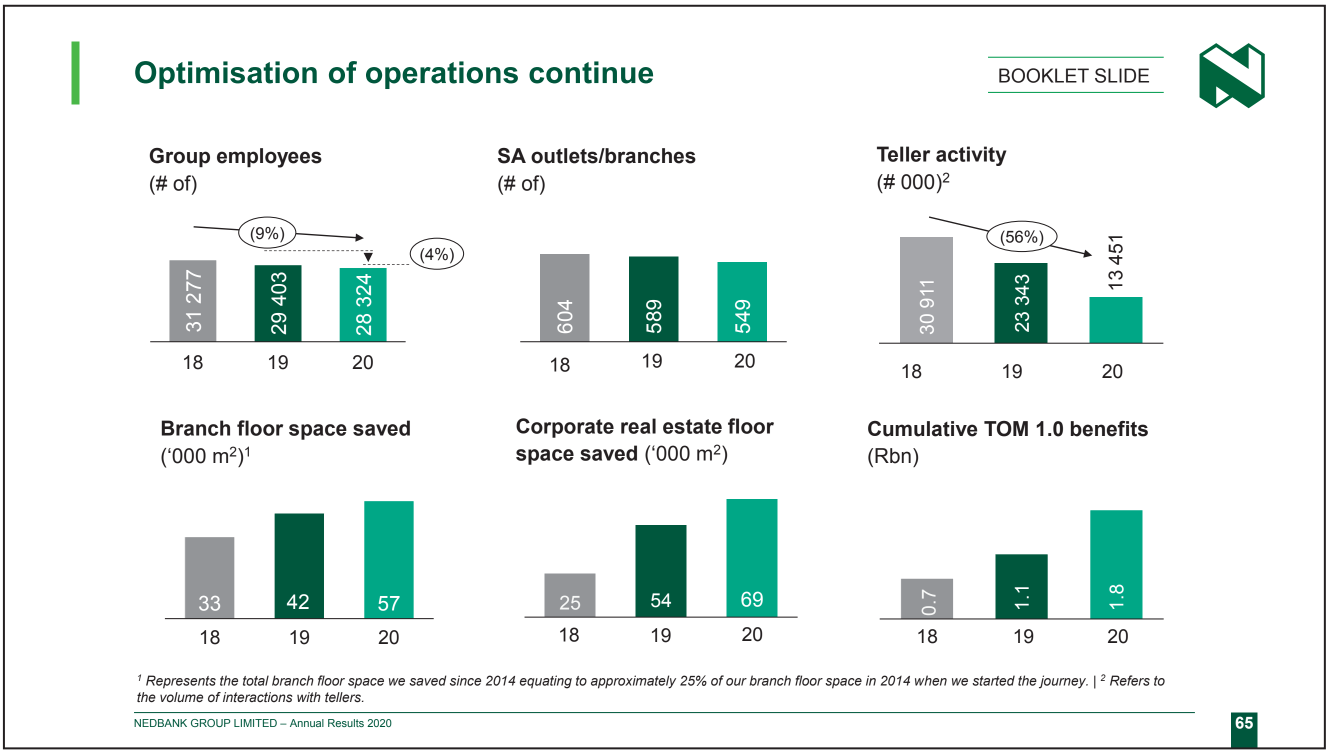


Optimisation of operations continue

BOOKLET SLIDE

Group employees
(# of)

SA outlets/branches
(# of)

Teller activity
(# 000)[2]

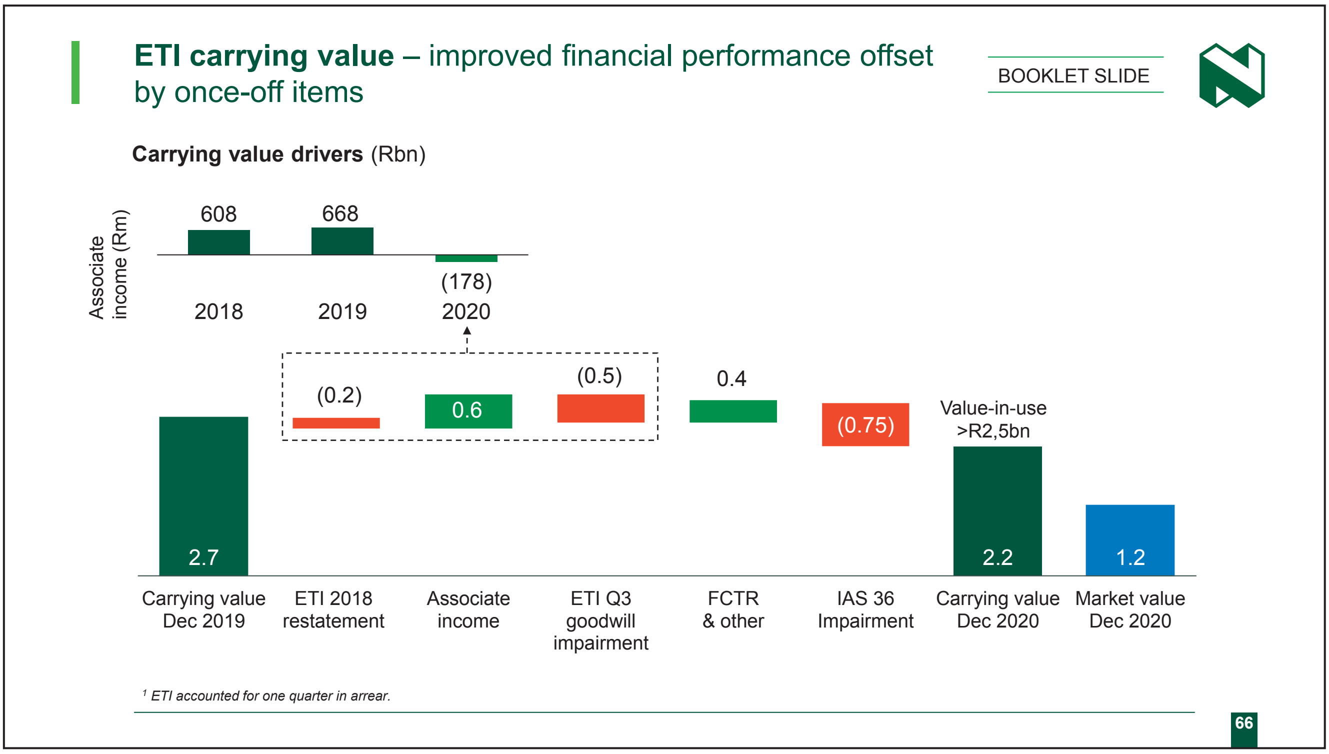
Branch floor space saved
(‘000 m^2)[1]

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

Cumulative TOM 1.0 benefits
(Rbn)

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

NOTES:



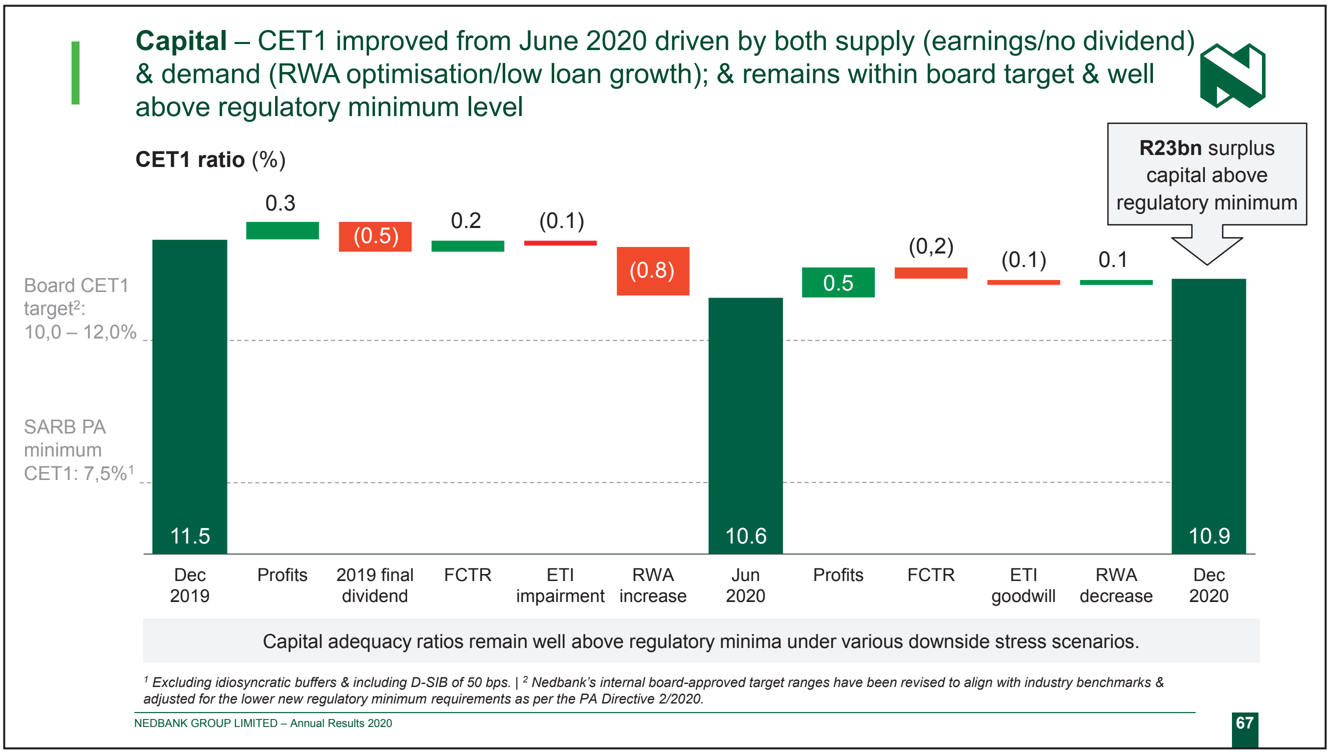
ETI carrying value – improved financial performance offset by once-off items

BOOKLET SLIDE

Carrying value drivers (Rbn)

[1] ETI accounted for one quarter in arrear.

NOTES:



Capital – CET1 improved from June 2020 driven by both supply (earnings/no dividend) & demand (RWA optimisation/low loan growth); & remains within board target & well above regulatory minimum level

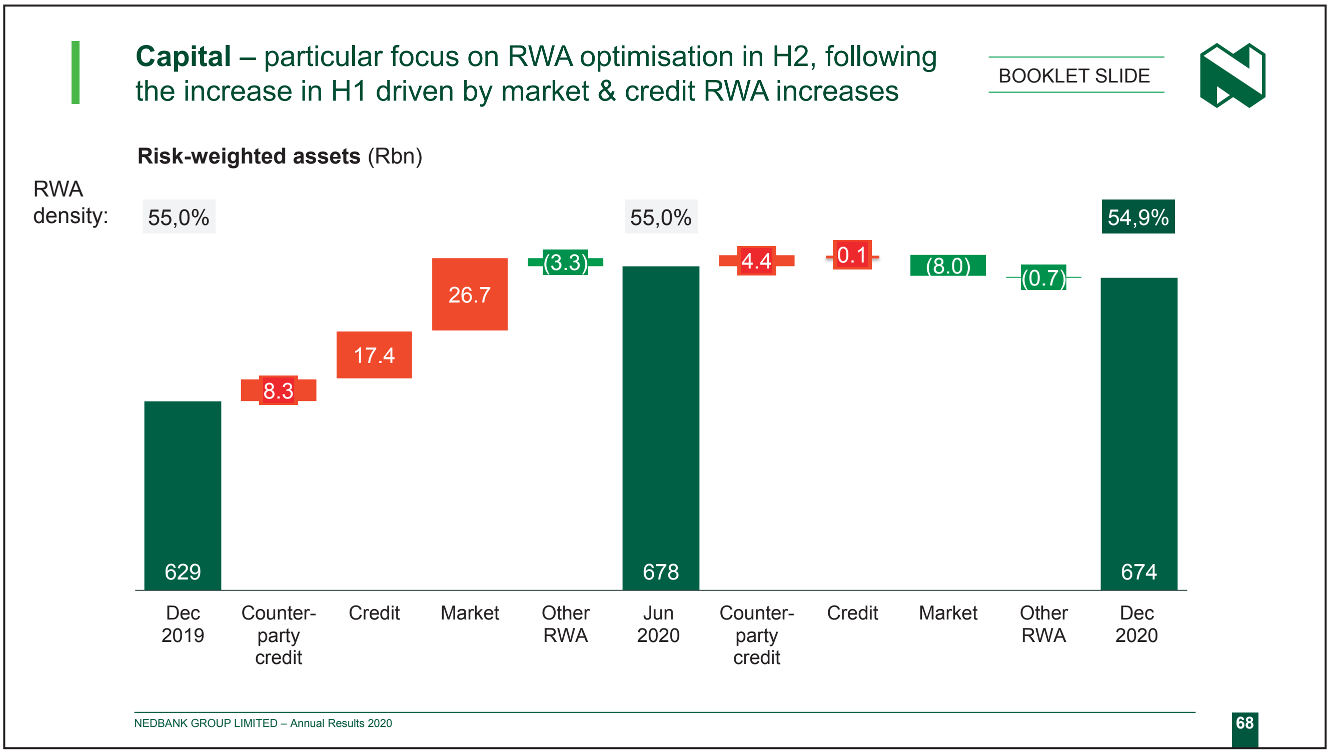
CET1 ratio (%)

R23bn surplus capital above regulatory minimum

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

[1] Excluding idiosyncratic buffers & including D-SIB of 50 bps. | [2] Nedbank's internal board-approved target ranges have been revised to align with industry benchmarks & adjusted for the lower new regulatory minimum requirements as per the PA Directive 2/2020.

NOTES:

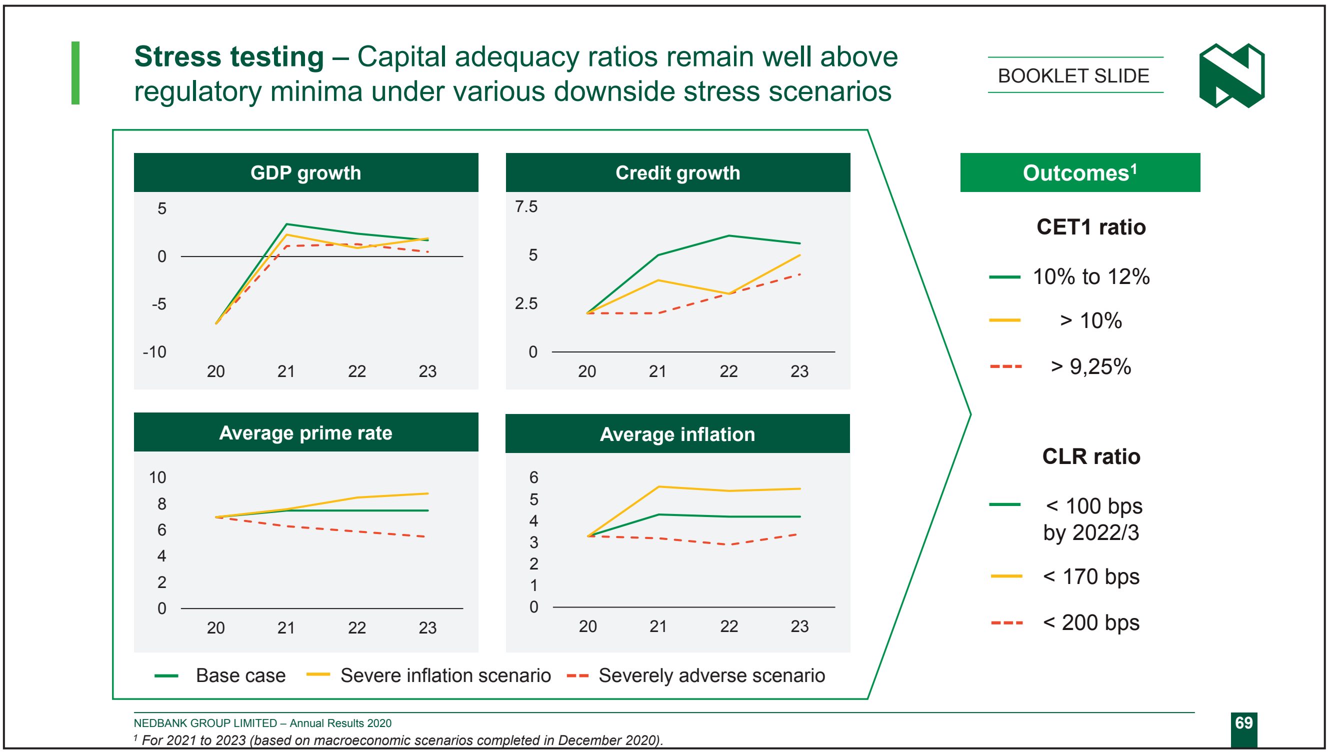


Capital – particular focus on RWA optimisation in H2, following the increase in H1 driven by market & credit RWA increases

BOOKLET SLIDE

Risk-weighted assets (Rbn)

NOTES:



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

BOOKLET SLIDE

Outcomes[1]

CET1 ratio

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

CLR ratio

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

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

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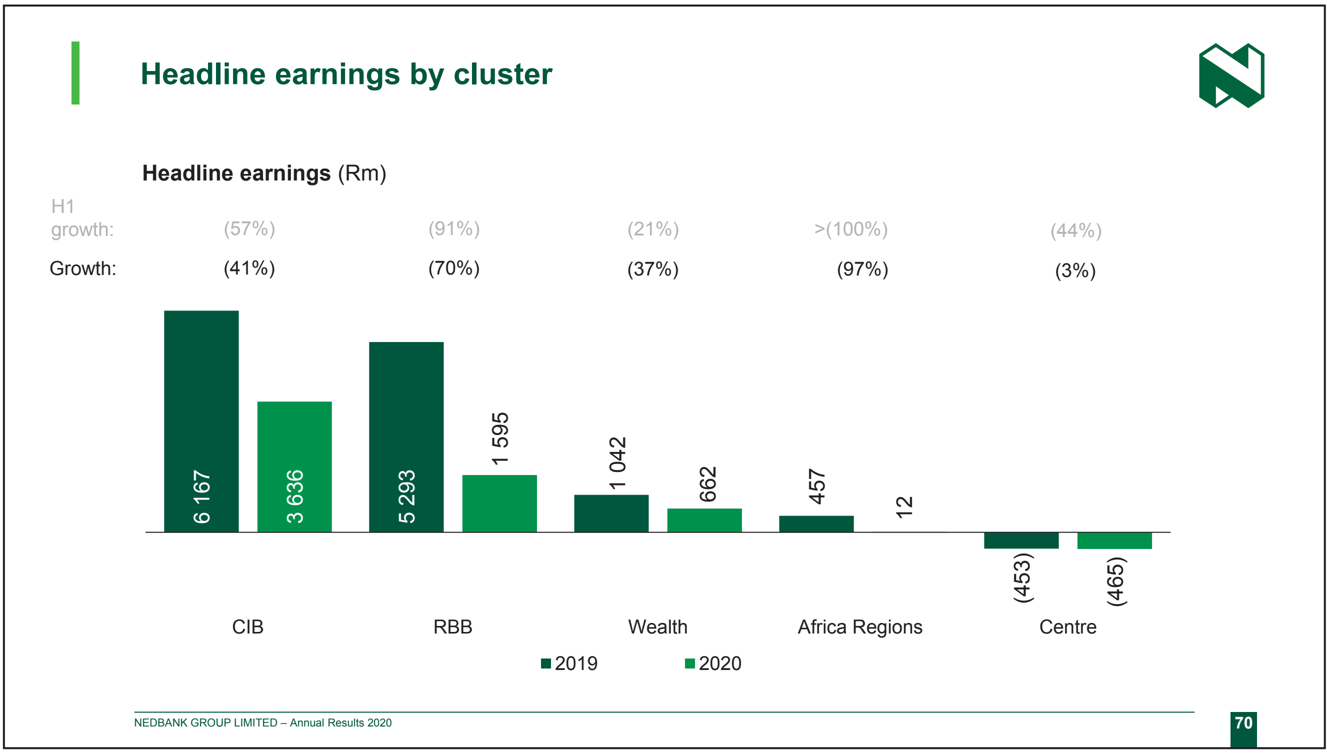


Headline earnings by cluster

Headline earnings (Rm)

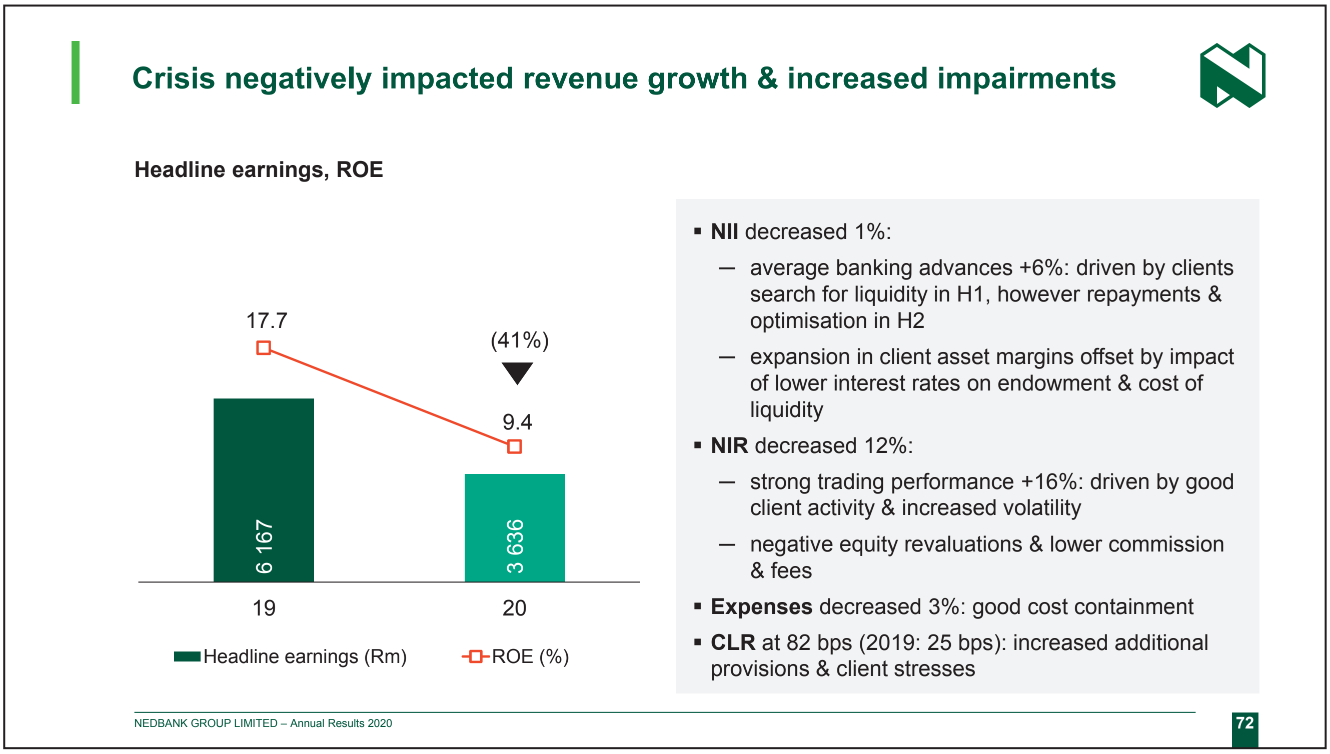
NOTES:

NEDBANK CIB

Crisis negatively impacted revenue growth & increased impairments

Anél Bosman
Group Managing Executive

NOTES:

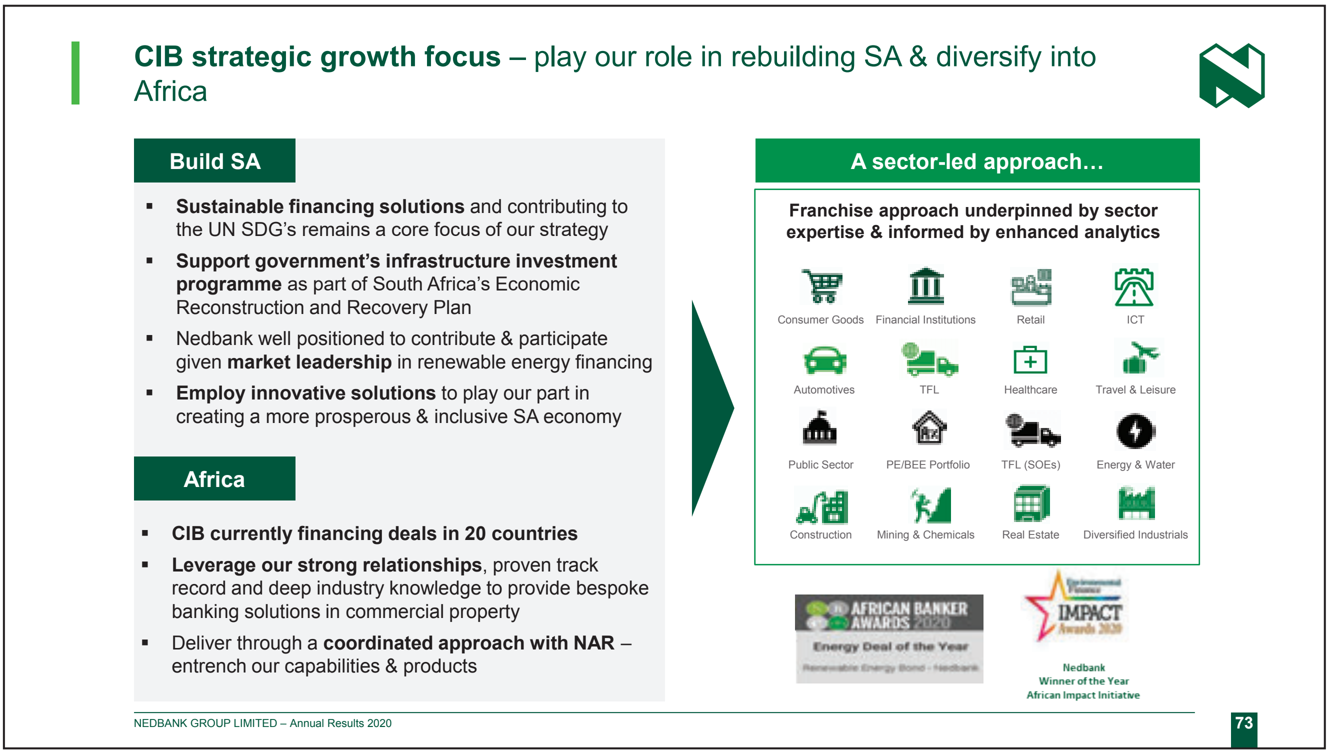


Crisis negatively impacted revenue growth & increased impairments

Headline earnings, ROE

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

NOTES:



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

Build SA

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

Africa

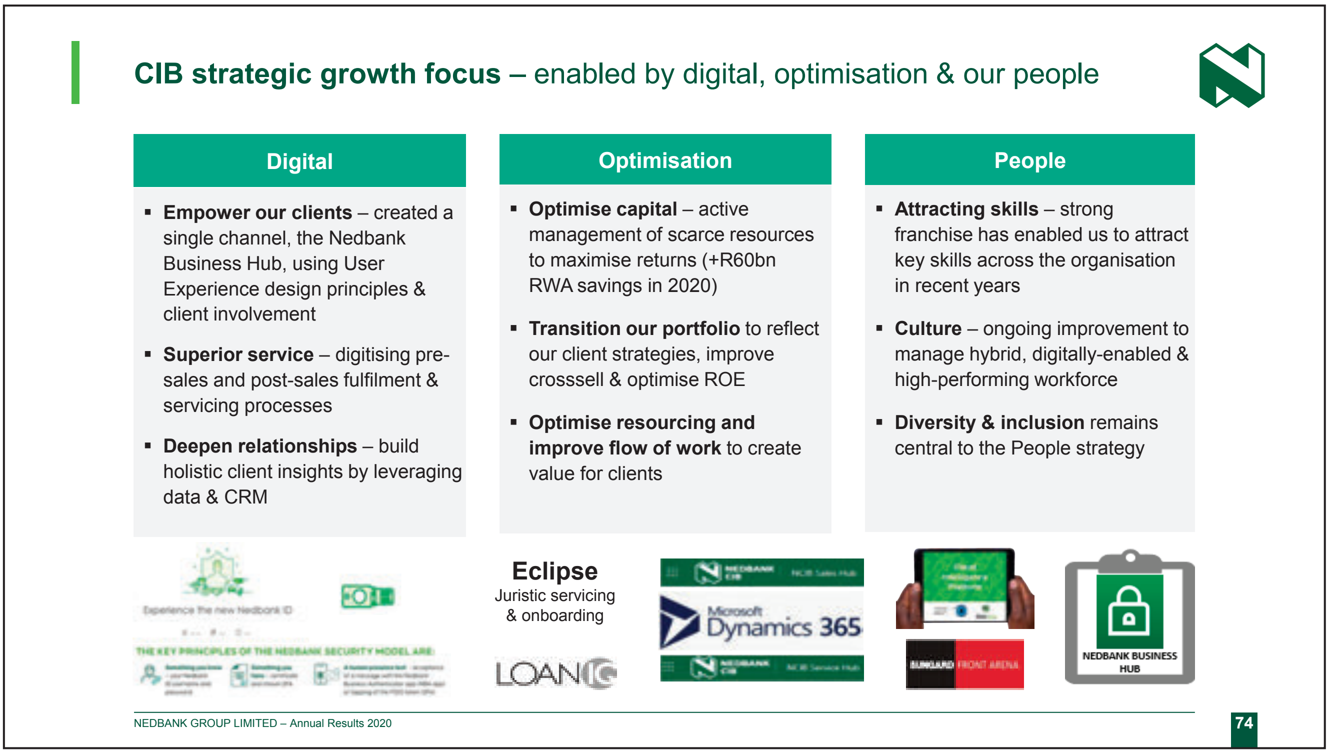
- **CIB currently financing deals in 20 countries**
- **Leverage our strong relationships**, proven track record and deep industry knowledge to provide bespoke banking solutions in commercial property
- Deliver through a **coordinated approach with NAR** – entrench our capabilities & products

A sector-led approach…

Franchise approach underpinned by sector expertise & informed by enhanced analytics

Nedbank
Winner of the Year
African Impact Initiative

NOTES:



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

Digital

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

Optimisation

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

People

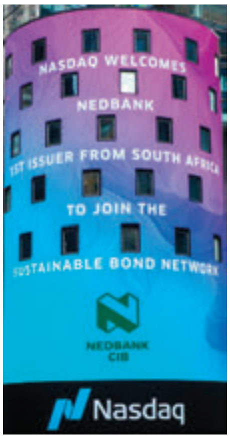
- **Attracting skills** – strong franchise has enabled us to attract key skills across the organisation in recent years
- **Culture** – ongoing improvement to manage hybrid, digitally-enabled & high-performing workforce
- **Diversity & inclusion** remains central to the People strategy

NOTES:

Excellent client solutions & service

BOOKLET SLIDE

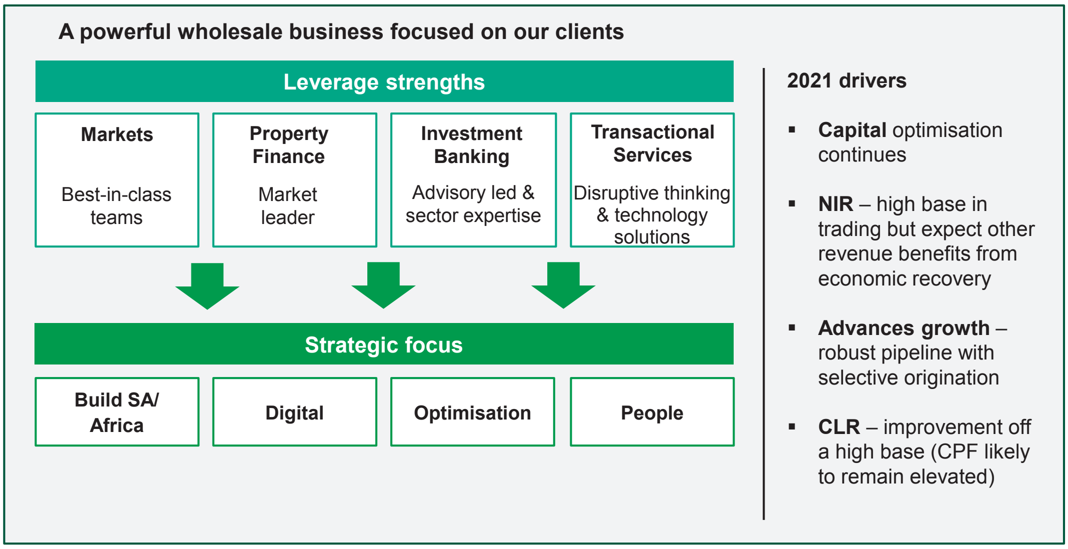
GLOBAL INVESTOR GROUP FOW ISF **2020 Global Investor Survey:** top rated by our clients	financialmail Top Analyst Awards **2020 Winner:** **1st place**, technical analysis Neels Heyneke	financialmail Top Analyst Awards **2020 Rankings:** 1 2nd place 3 3rd place 4 other top 6	DealMakers **2020 Ranking:** 1st place for Investment Advisor for BEE deals by value and volume	Global Finance **2021 Global Finance Investment Bank Awards:** Best Debt Bank: Africa
AFRICAN BANKER AWARDS 2020 **2020 Winner:** Energy Deal of the Year	financialmail Top Analyst Awards **2020 Winner:** **1st place**, diversified industrials Munira Kharva	Environmental Finance **Impact Awards 2020 Winner:** Impact initiative of the year – Africa	DealMakers **2020 Ranking:** 3rd place for Investment Advisors in GCF by deal flow	Global Finance **2021 Global Finance Investment Bank Awards:** Best Investment Bank: South Africa
financialmail Top Analyst Awards **2020 Winner:** **1st place**, Young analyst – non equities Reezwana Sumad	financialmail Top Analyst Awards **2020 Winner:** **1st place**, fixed income trading Mark Southwood	GLOBAL FINANCE **2020 Winner:** SA's best sub-custodian bank for the 11th consecutive year	DealMakers **2020 Ranking:** 4th place for GCF Sponsor by deal flow	Bloomberg **DCM Rankings 2020:** **2nd place** by value and volume (incl and excl self-led)



*2020 Spire awards delayed into 2021

NOTES:

Reimagine CIB



A powerful wholesale business focused on our clients

Leverage strengths

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

Strategic focus

Build SA/ Africa	**Digital**	**Optimisation**	**People**

2021 drivers

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

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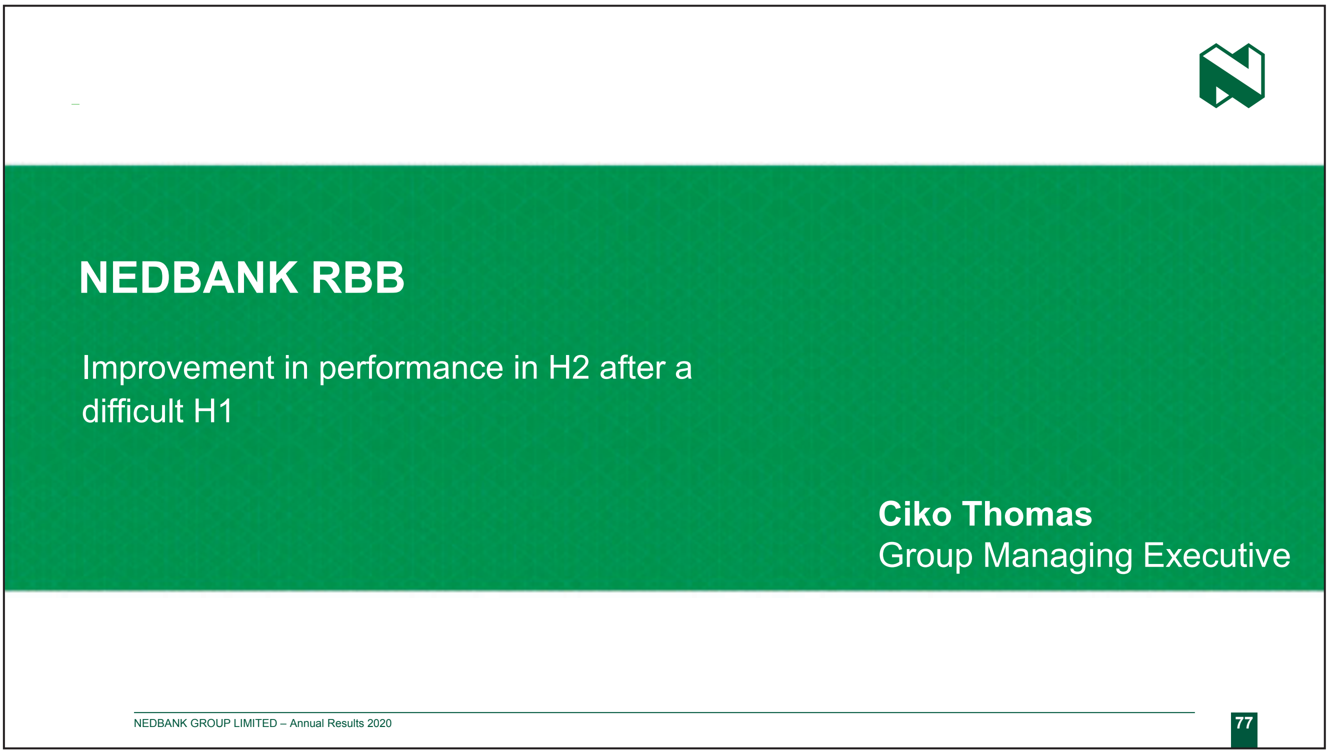

NEDBANK RBB

Improvement in performance in H2 after a difficult H1

Ciko Thomas
Group Managing Executive

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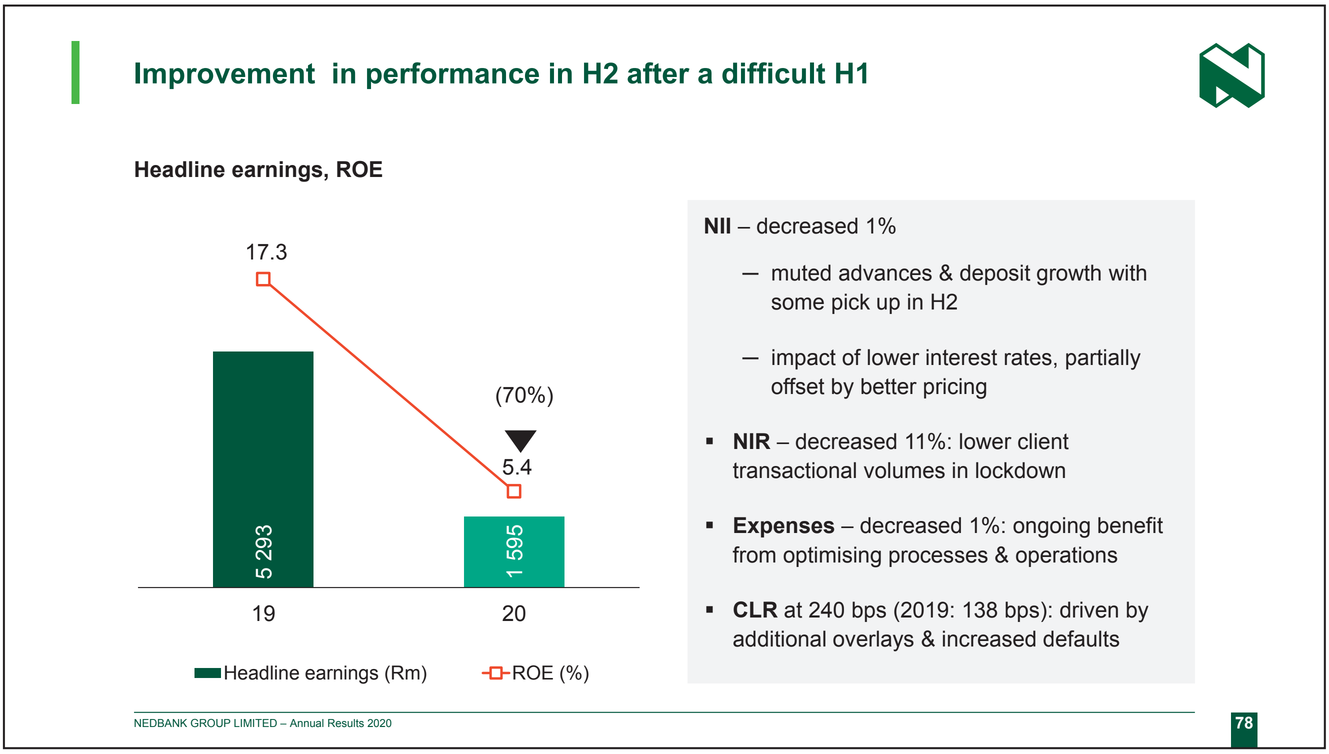

Improvement in performance in H2 after a difficult H1

Headline earnings, ROE

NII – decreased 1%
  - muted advances & deposit growth with some pick up in H2
  - impact of lower interest rates, partially offset by better pricing

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

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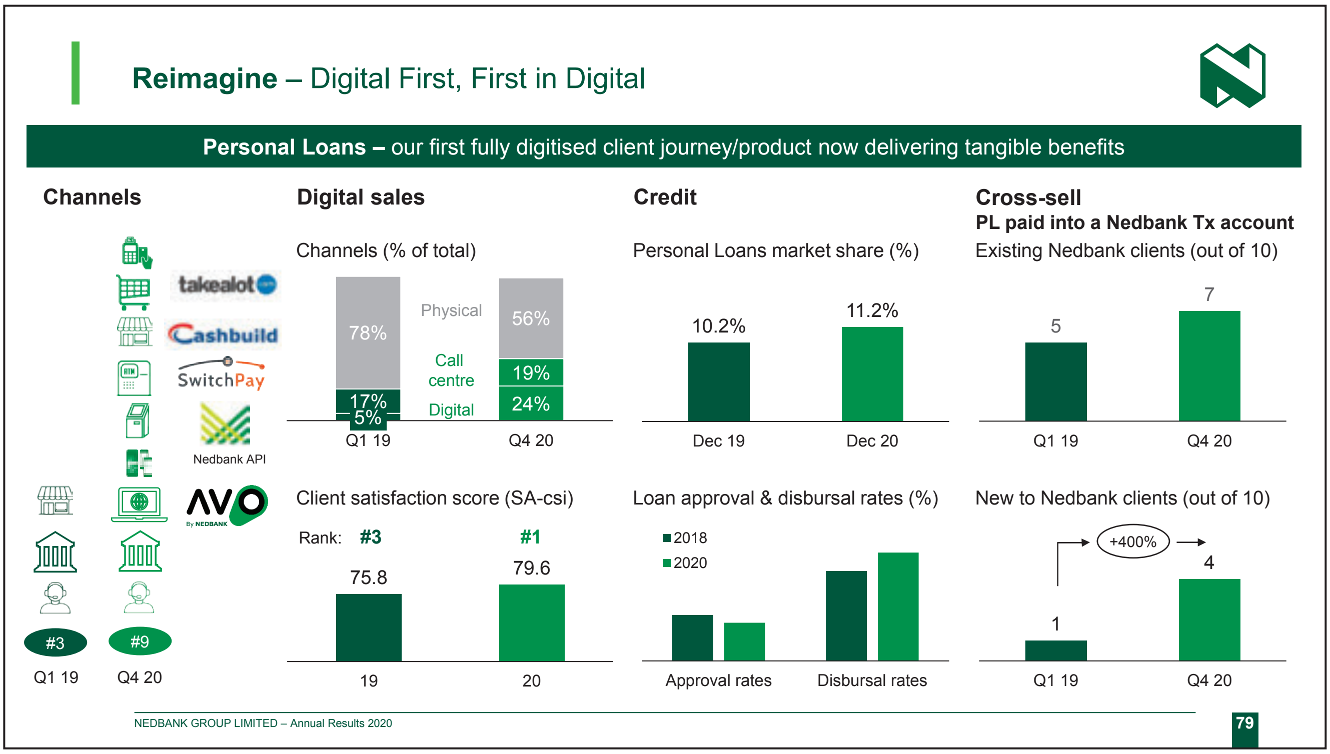

Reimagine – Digital First, First in Digital

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

Channels

Q1 19	Q4 20
#3	#9

Digital sales

Channels (% of total)

	Q1 19	Q4 20
Physical	78%	56%
Call centre	5%	19%
Digital	17%	24%

Client satisfaction score (SA-csi)

	19	20
Rank:	#3	#1
Score	75.8	79.6

Credit

Personal Loans market share (%)

Dec 19	Dec 20
10.2%	11.2%

Loan approval & disbursal rates (%)

Cross-sell

PL paid into a Nedbank Tx account

Existing Nedbank clients (out of 10)

Q1 19	Q4 20
5	7

New to Nedbank clients (out of 10)

Q1 19	Q4 20
1	4

+400%

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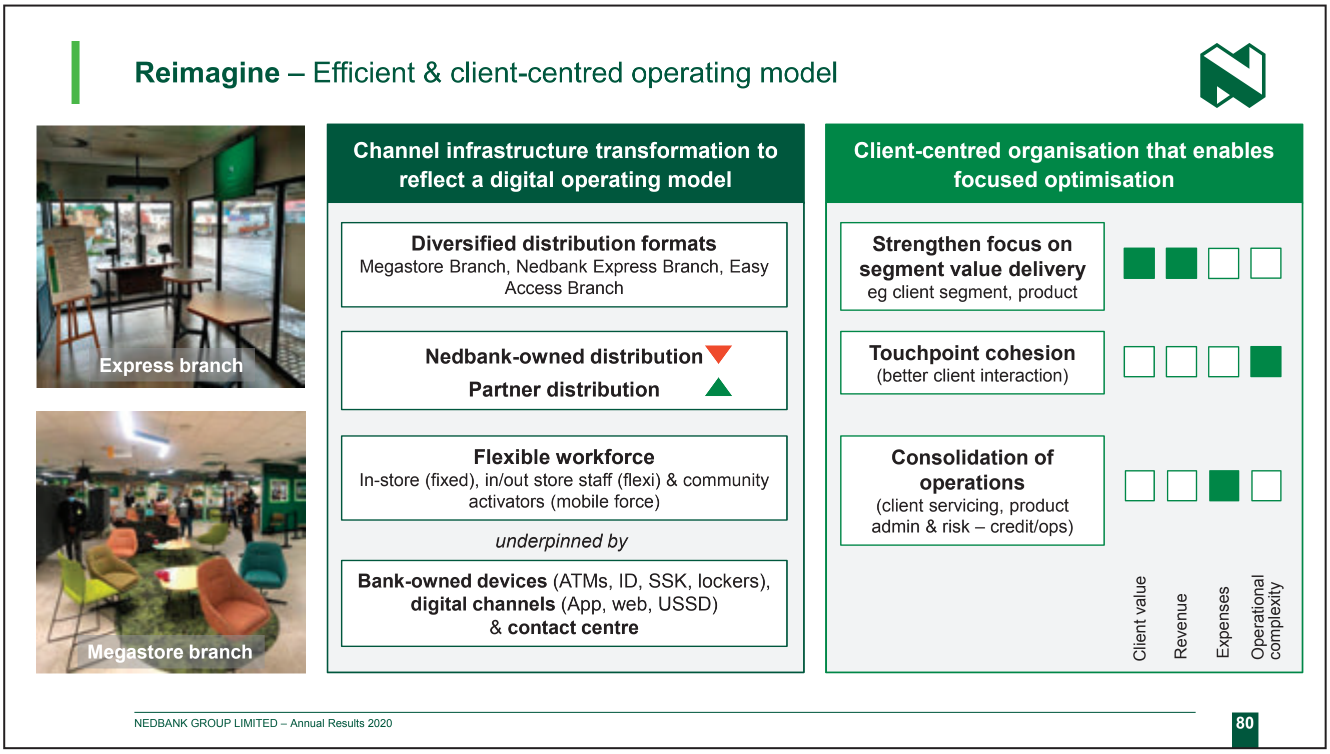

Reimagine – Efficient & client-centred operating model

Channel infrastructure transformation to reflect a digital operating model

Diversified distribution formats
Megastore Branch, Nedbank Express Branch, Easy Access Branch

Nedbank-owned distribution ▼
Partner distribution ▲

Flexible workforce
In-store (fixed), in/out store staff (flexi) & community activators (mobile force)

underpinned by

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

Client-centred organisation that enables focused optimisation

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

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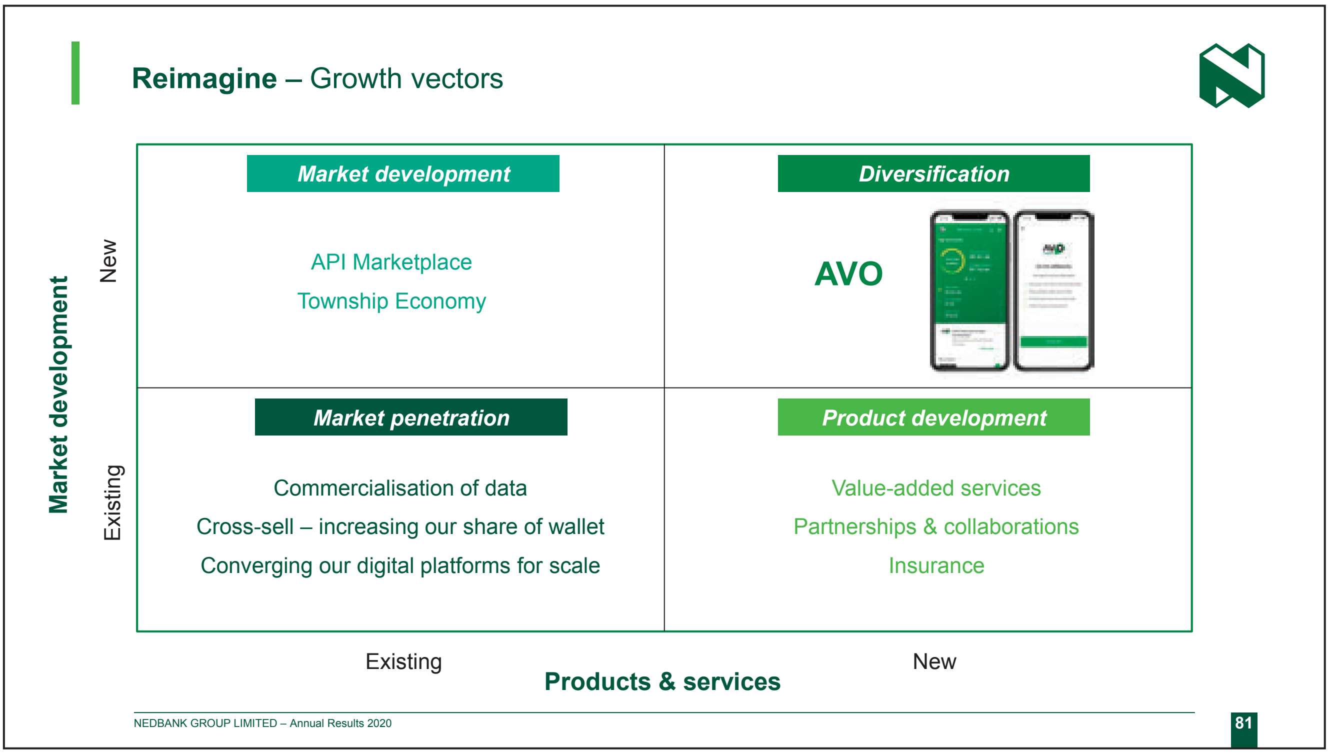

Reimagine – Growth vectors

Market development

New

Market development

API Marketplace

Township Economy

Diversification

AVO

Existing

Market penetration

Commercialisation of data

Cross-sell – increasing our share of wallet

Converging our digital platforms for scale

Product development

Value-added services

Partnerships & collaborations

Insurance

Existing

Products & services

New

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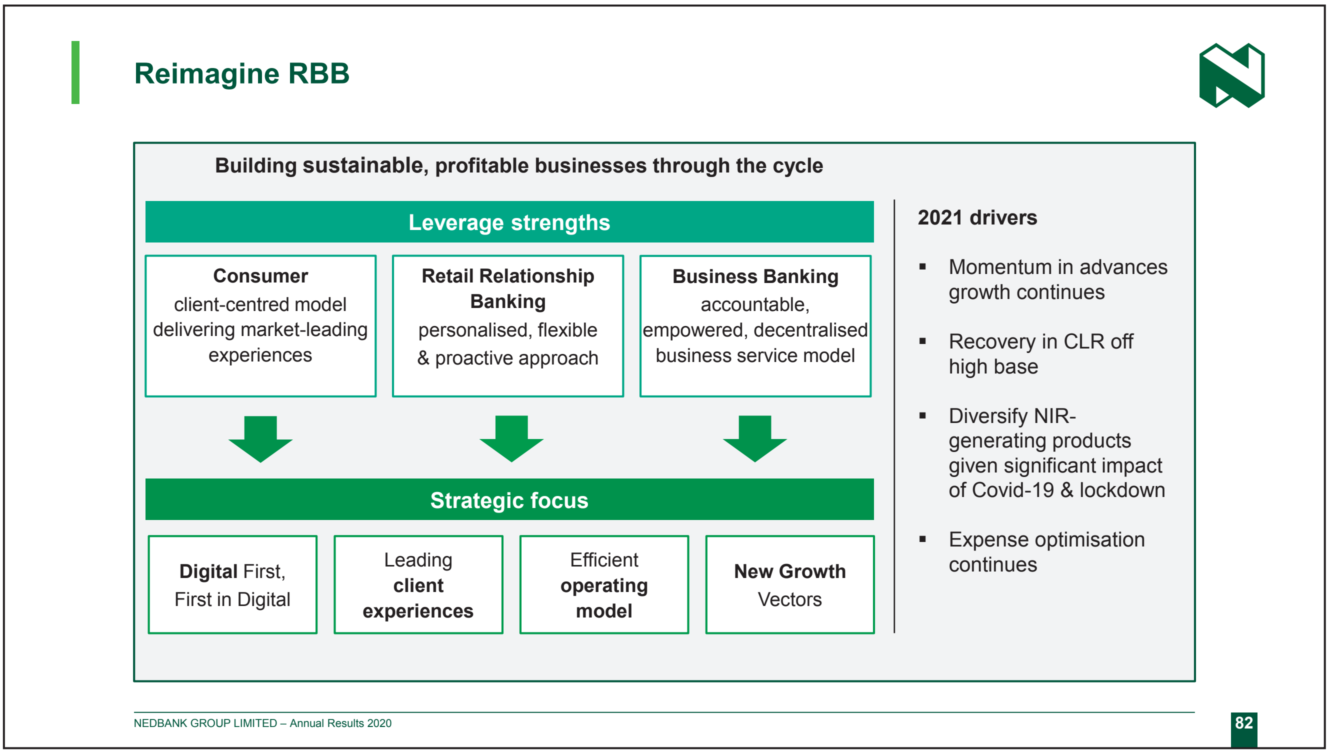

Reimagine RBB

Building sustainable, profitable businesses through the cycle

Leverage strengths

Consumer
client-centred model delivering market-leading experiences

Retail Relationship Banking
personalised, flexible & proactive approach

Business Banking
accountable, empowered, decentralised business service model

Strategic focus

Digital First, First in Digital

Leading **client experiences**

Efficient **operating model**

New Growth Vectors

2021 drivers

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

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NEDBANK WEALTH

Resilient performance despite operating environment

Iolanda Ruggiero
Group Managing Executive

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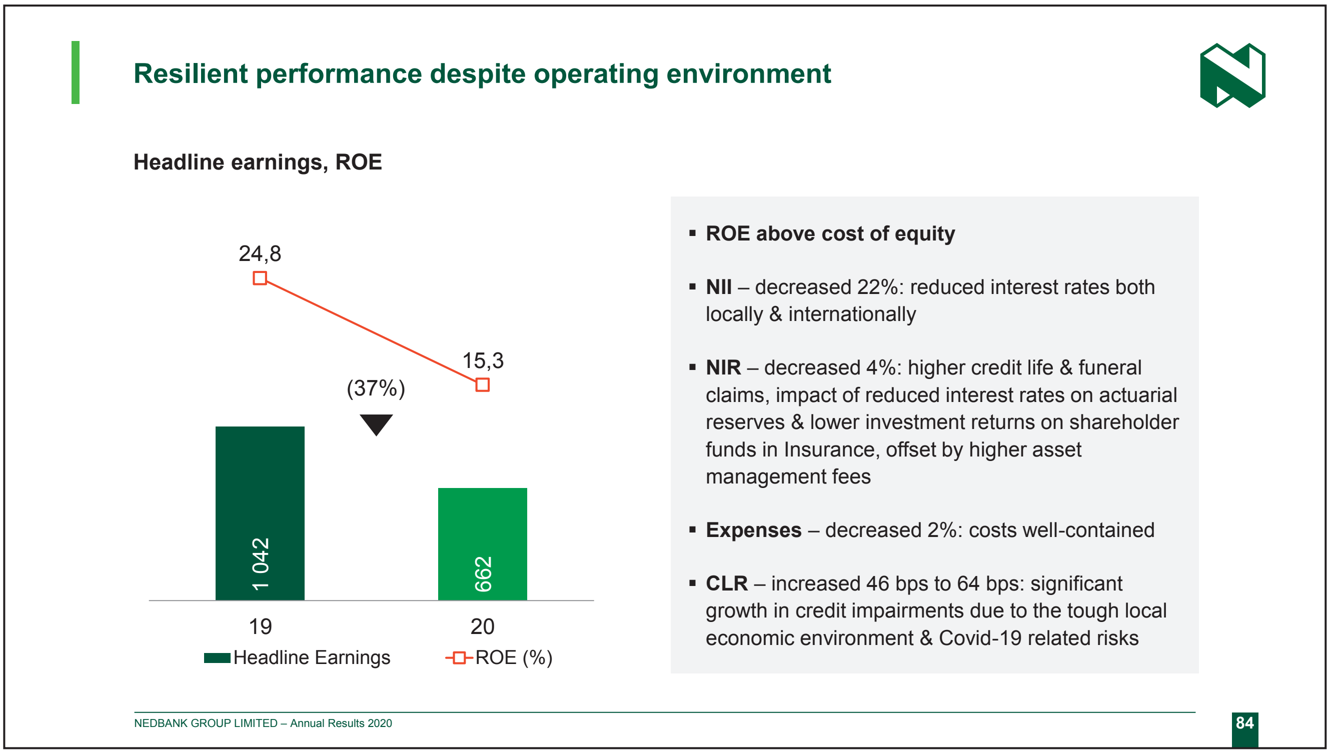

Resilient performance despite operating environment

Headline earnings, ROE

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

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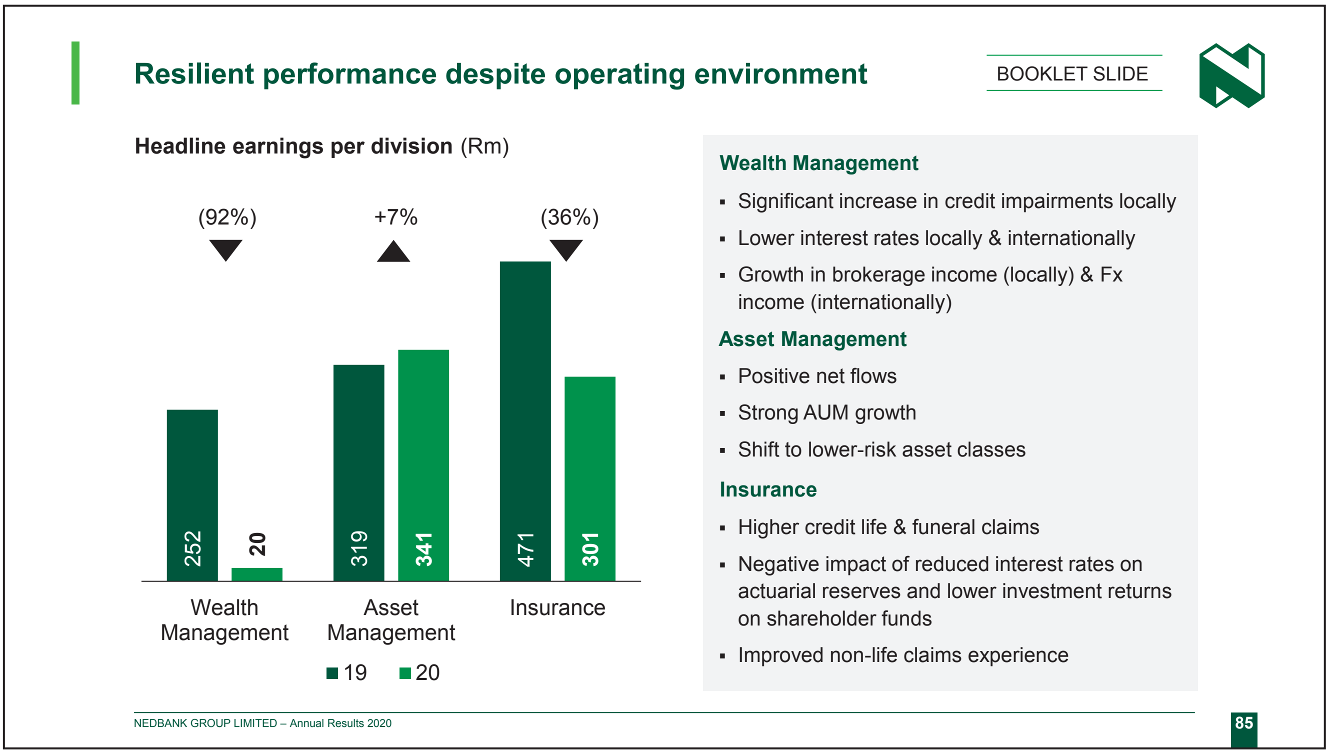

Resilient performance despite operating environment

BOOKLET SLIDE

Headline earnings per division (Rm)

Wealth Management

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

Asset Management

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

Insurance

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

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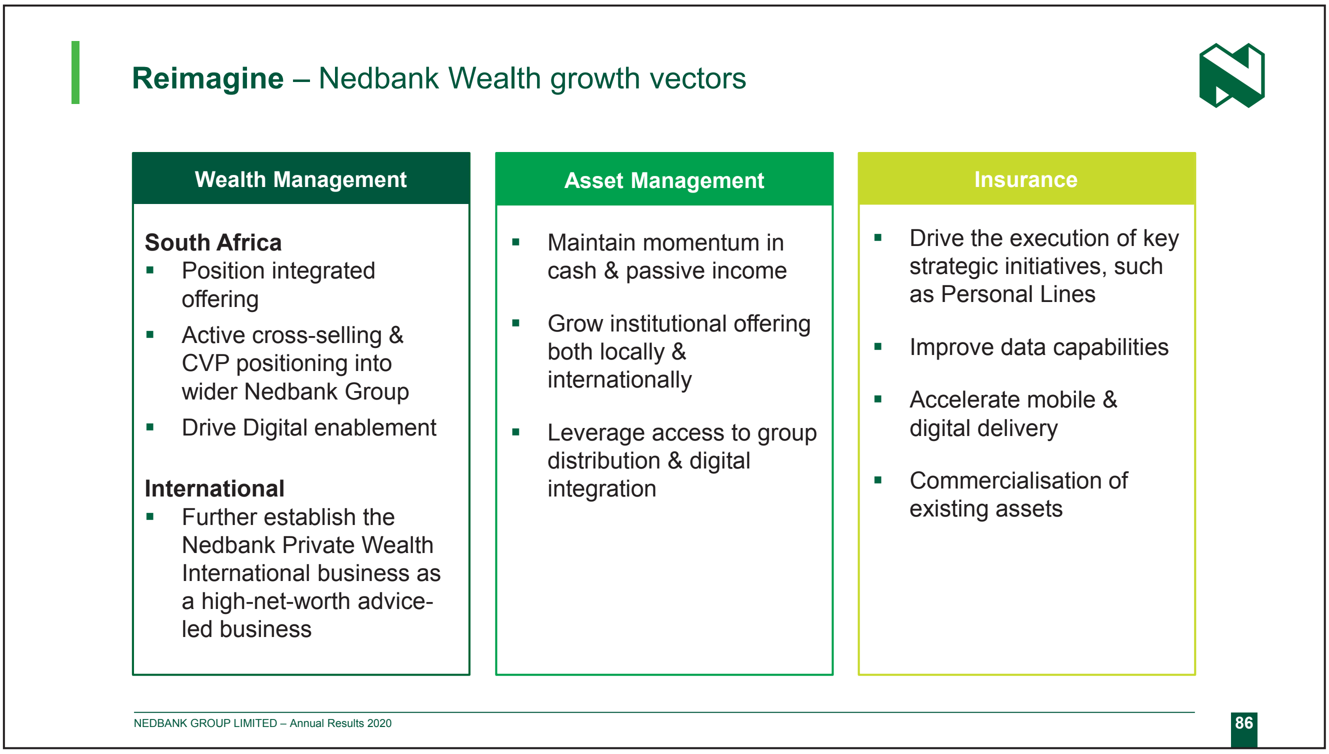

Reimagine – Nedbank Wealth growth vectors

Wealth Management

South Africa

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

International

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

Asset Management

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

Insurance

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

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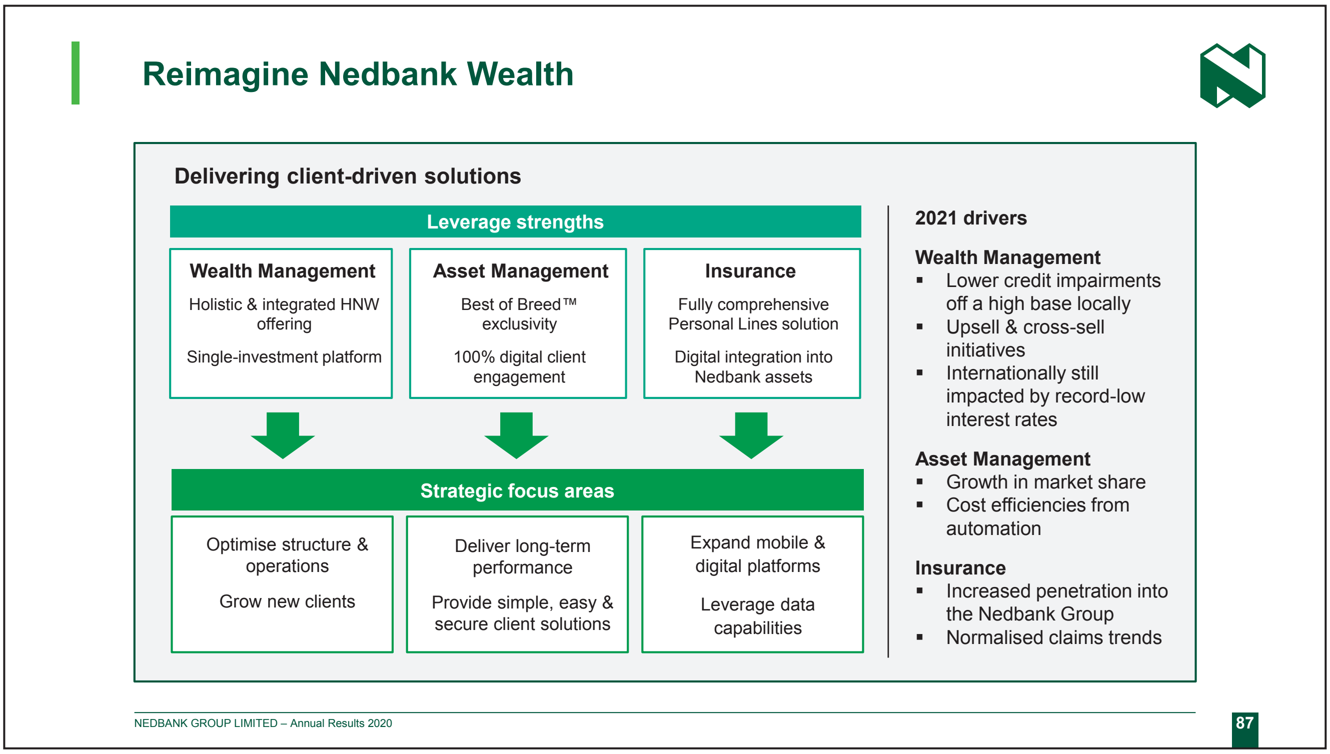

Reimagine Nedbank Wealth

Delivering client-driven solutions

Leverage strengths

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

Strategic focus areas

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

2021 drivers

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

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

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

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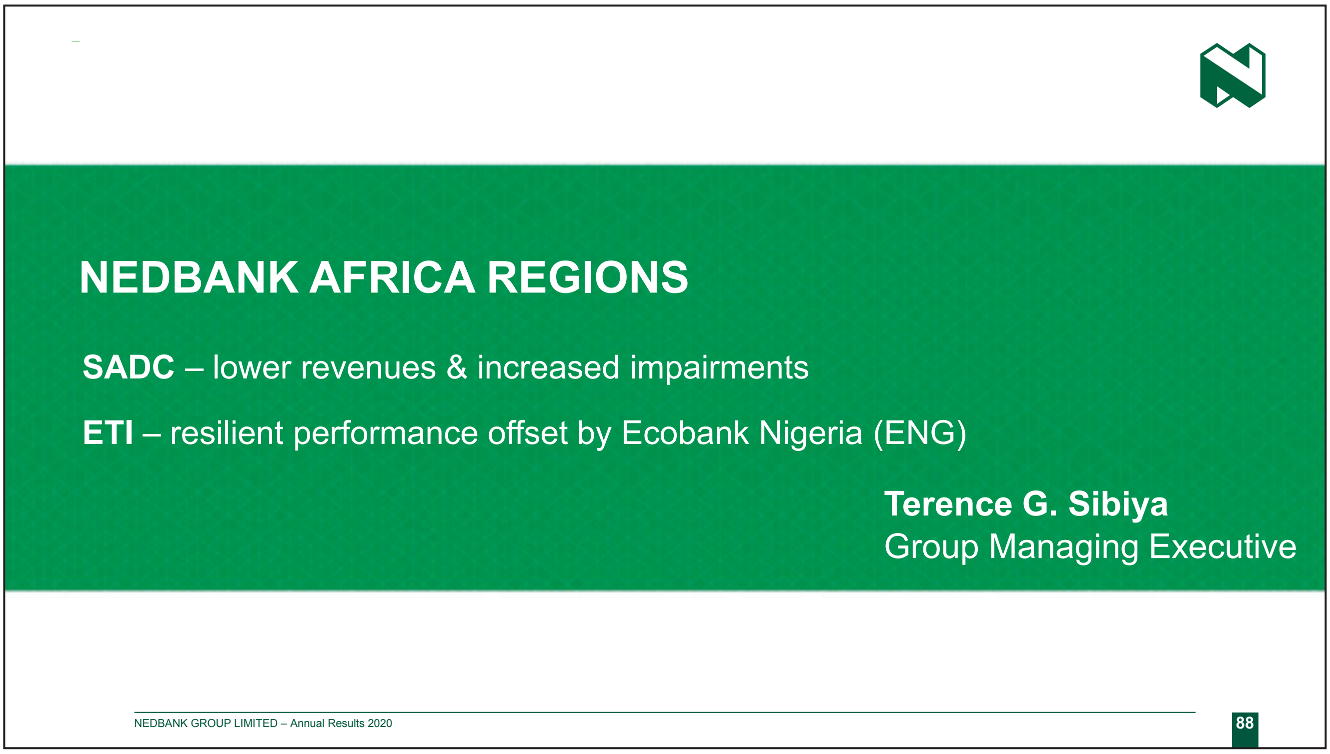

NEDBANK AFRICA REGIONS

SADC – lower revenues & increased impairments

ETI – resilient performance offset by Ecobank Nigeria (ENG)

Terence G. Sibiya
Group Managing Executive

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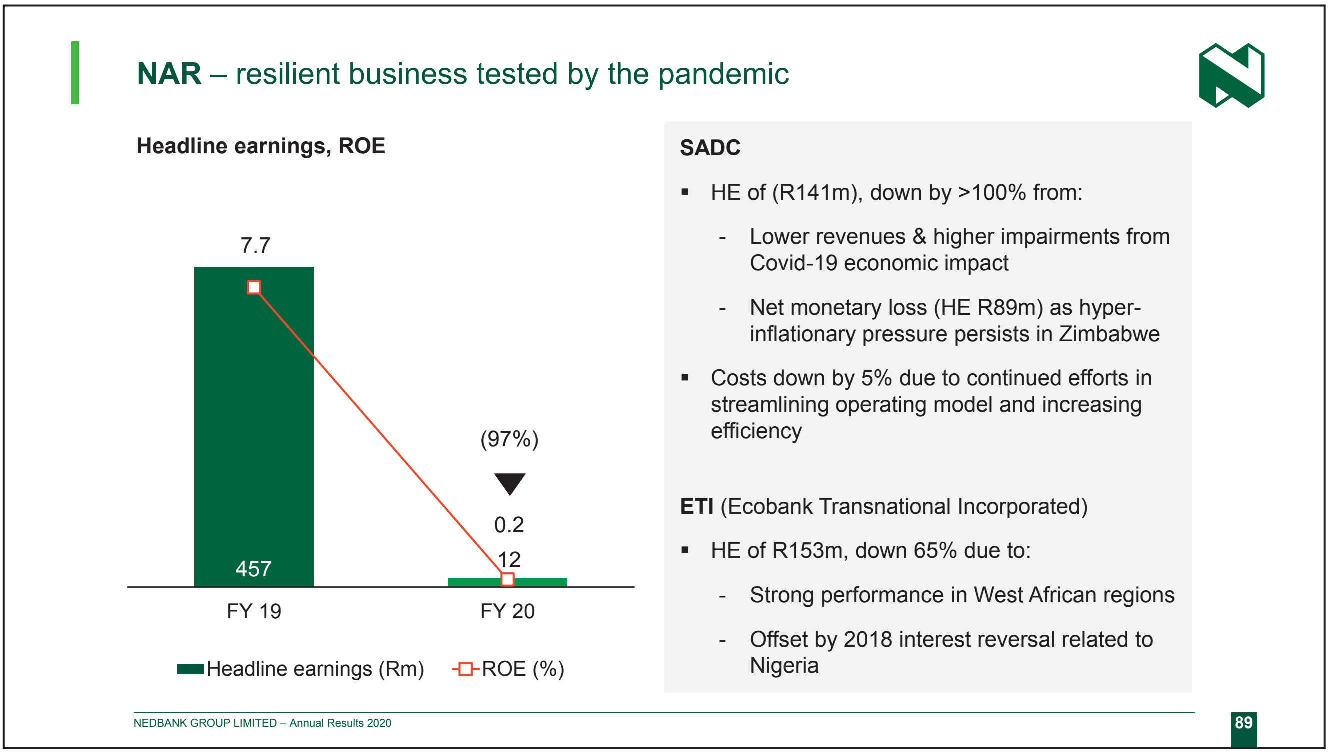

NAR – resilient business tested by the pandemic

Headline earnings, ROE

SADC

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

ETI (Ecobank Transnational Incorporated)

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

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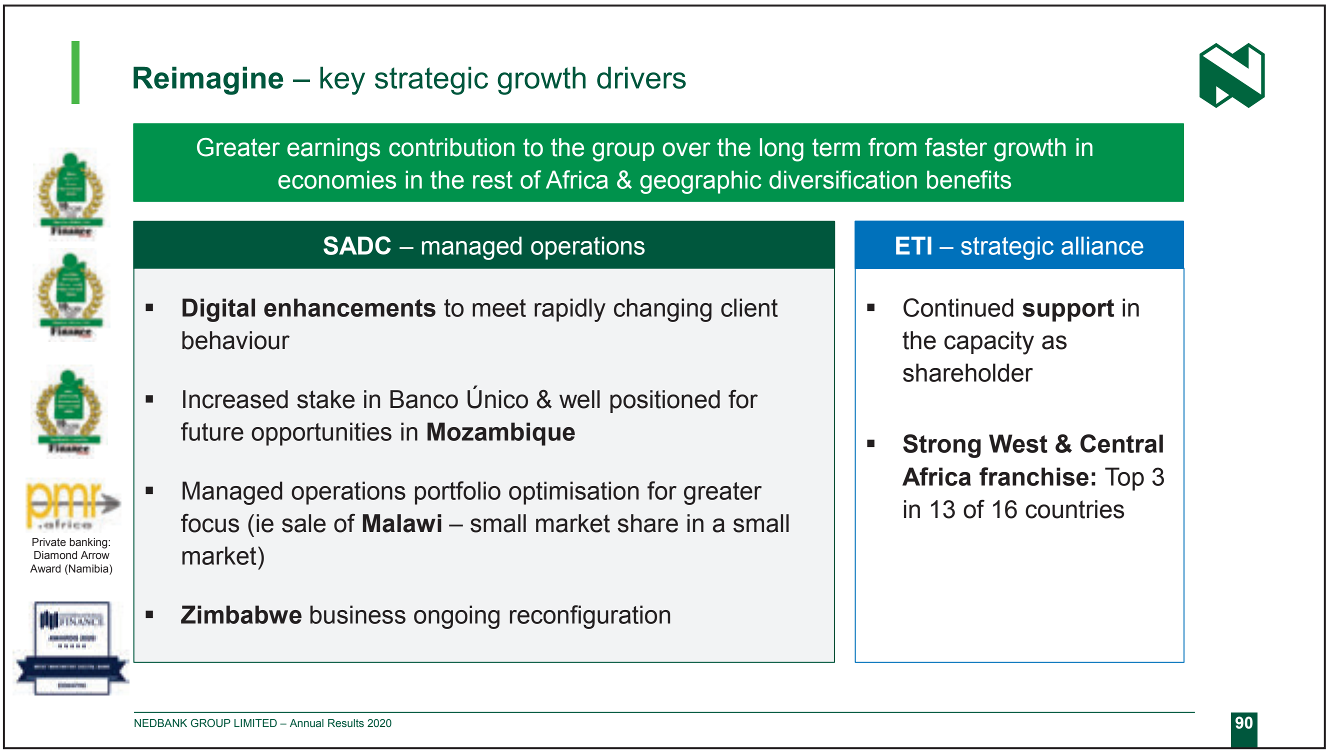

Reimagine – key strategic growth drivers

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

SADC – managed operations

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

ETI – strategic alliance

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

Private banking: Diamond Arrow Award (Namibia)

NOTES:

Reimagine Nedbank Africa Regions

Leveraging enterprise capabilities to unlock opportunities

Strengths

SADC – manage, own & control banks
- Strong wholesale client service model
- Advantageous brand sentiment
- Strong credit risk management

West & Central Africa – ETI
- Widest Pan African network
- LocalknowledgeAfrica™

Strategic focus areas

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

- Drive strategic agenda
- Commercialise collaboration & increase deal flows

2021 drivers

SADC

- Maximise Mozambique growth opportunities
- Reimagined business & operating model

ETI

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

NOTES:

OUTLOOK

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

Mike Brown
Chief Executive

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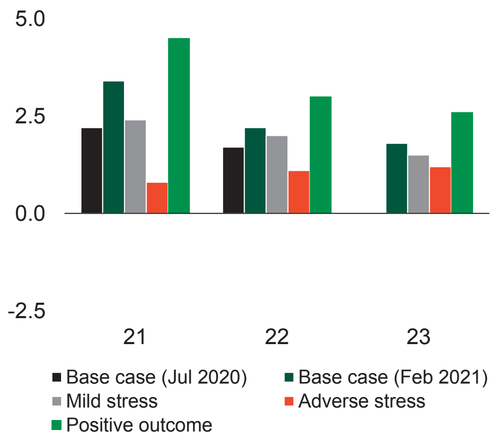
Economic recovery – Nedbank forecasts

	20[2]	20	Base case: Feb 2021 21	22	23	24
SA GDP growth	(7,0%)	(7,0%)	3,4%	2,2%	1,8%	1,5%
YE prime interest rate	7,0%	7,0%	7,0%	7,5%	7,5%	7,5%
Inflation (CPI)	3,3%	3,3%	4,2%	4,6%	4,3%	4,2%
Industry credit growth	2,5%	1,2%	4,5%	5,7%	5,1%	5,2%
SA fiscal deficit % of GPD[1]	(6,3%)	(6,4%)	(14,2%)	(10,6%)	(9,8%)	(9,7%)
SA gov debt % of GDP[1]	63,5%	63,3%	81,5%	84,9%	89,7%	94,1%

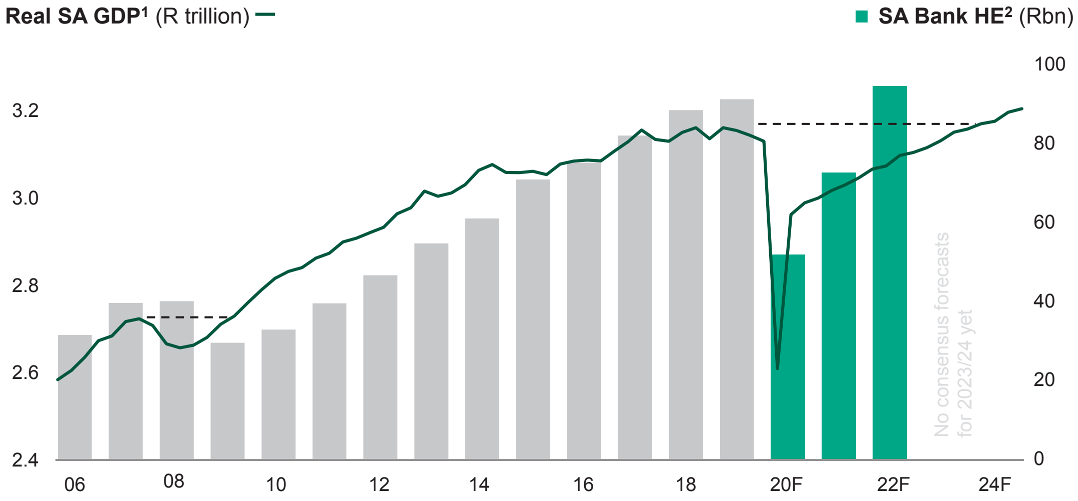
SA GDP growth scenarios (%)



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

NOTES:

Banks are highly integrated in the economies where they operate – SA GDP only forecast to get back to 2019 levels by late 2023/early 2024



[1] Nedbank Group Economic Unit. | [2] IRESS combined forecasts for ABG, CPI, FSR, NED & SBK (5 March 2021).

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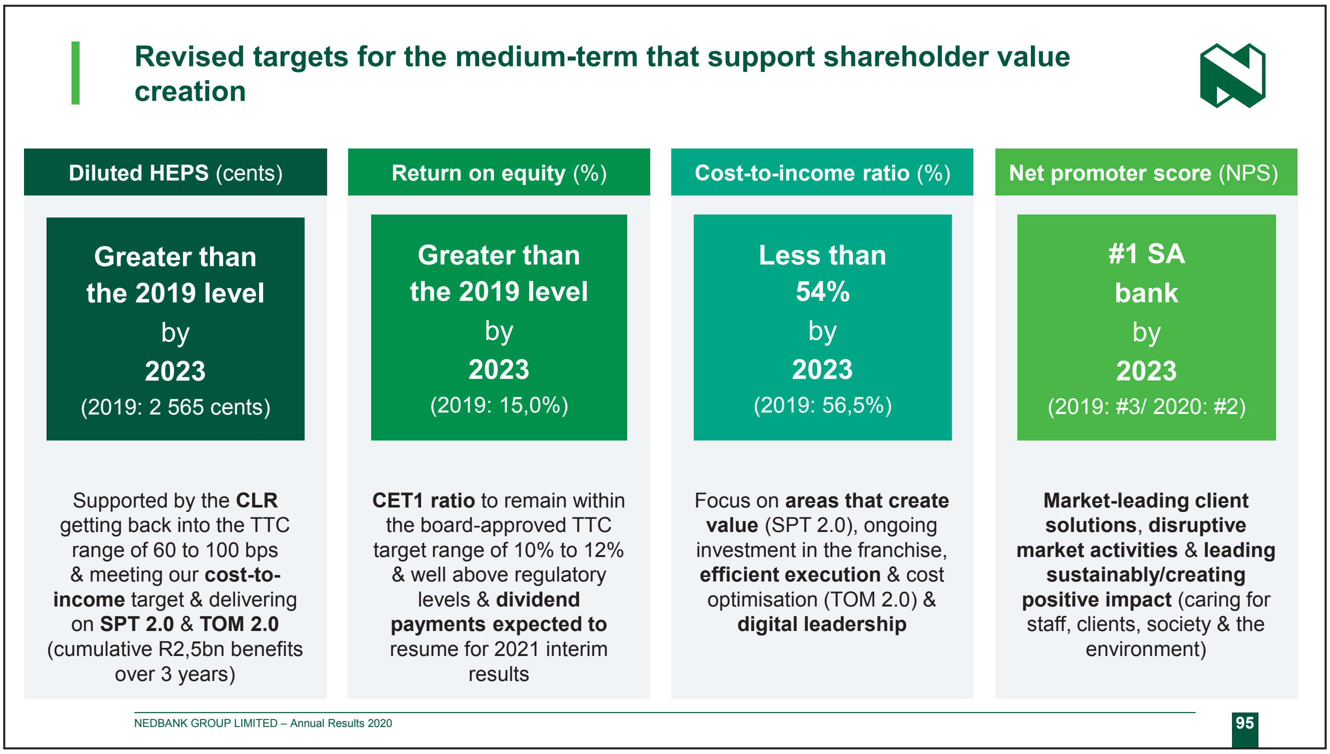

Revised targets for the medium-term that support shareholder value creation

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

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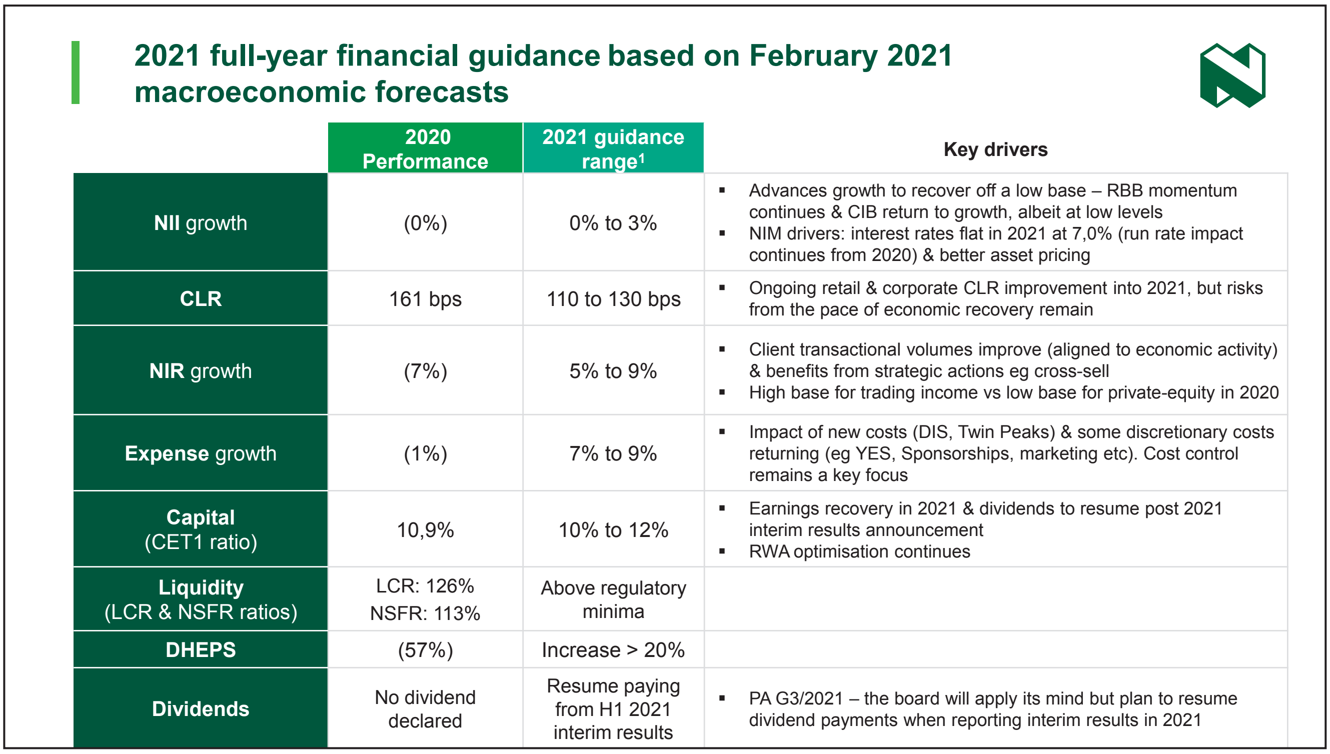

2021 full-year financial guidance based on February 2021 macroeconomic forecasts

	2020 Performance	**2021 guidance range**[1]	**Key drivers**
NII growth	(0%)	0% to 3%	▪ Advances growth to recover off a low base – RBB momentum continues & CIB return to growth, albeit at low levels ▪ NIM drivers: interest rates flat in 2021 at 7,0% (run rate impact continues from 2020) & better asset pricing
CLR	161 bps	110 to 130 bps	▪ Ongoing retail & corporate CLR improvement into 2021, but risks from the pace of economic recovery remain
NIR growth	(7%)	5% to 9%	▪ Client transactional volumes improve (aligned to economic activity) & benefits from strategic actions eg cross-sell ▪ High base for trading income vs low base for private-equity in 2020
Expense growth	(1%)	7% to 9%	▪ Impact of new costs (DIS, Twin Peaks) & some discretionary costs returning (eg YES, Sponsorships, marketing etc). Cost control remains a key focus
Capital (CET1 ratio)	10,9%	10% to 12%	▪ Earnings recovery in 2021 & dividends to resume post 2021 interim results announcement ▪ RWA optimisation continues
Liquidity (LCR & NSFR ratios)	LCR: 126% NSFR: 113%	Above regulatory minima	
DHEPS	(57%)	Increase > 20%	
Dividends	No dividend declared	Resume paying from H1 2021 interim results	▪ PA G3/2021 – the board will apply its mind but plan to resume dividend payments when reporting interim results in 2021

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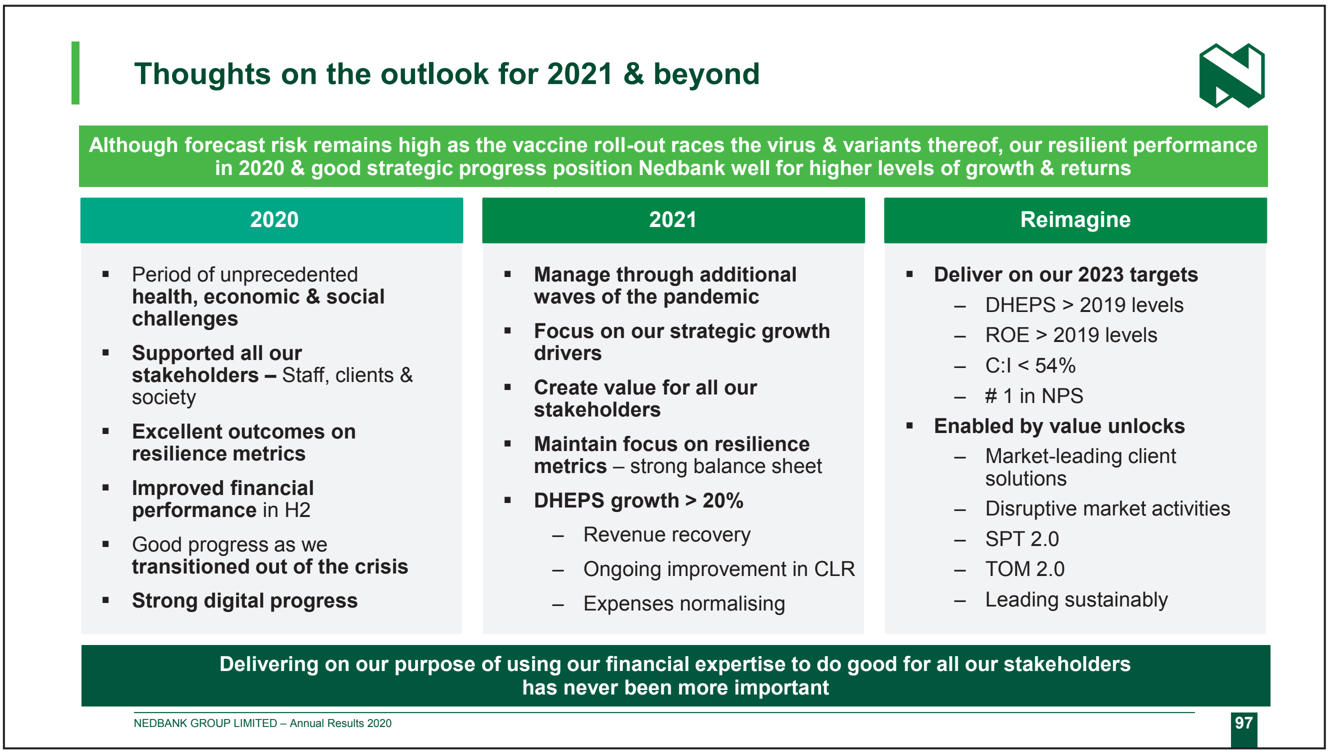

Thoughts on the outlook for 2021 & beyond

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

2020

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

2021

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

Reimagine

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

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

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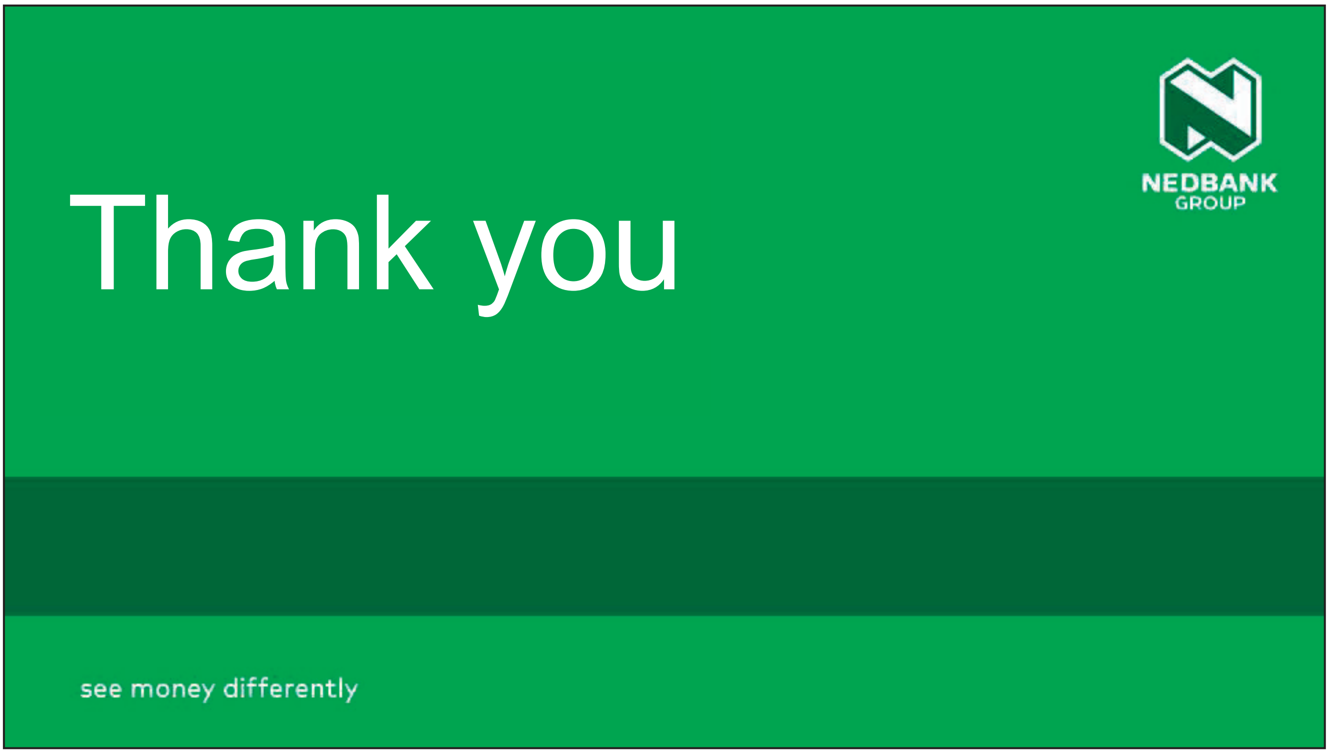

Thank you

NEDBANK GROUP

see money differently

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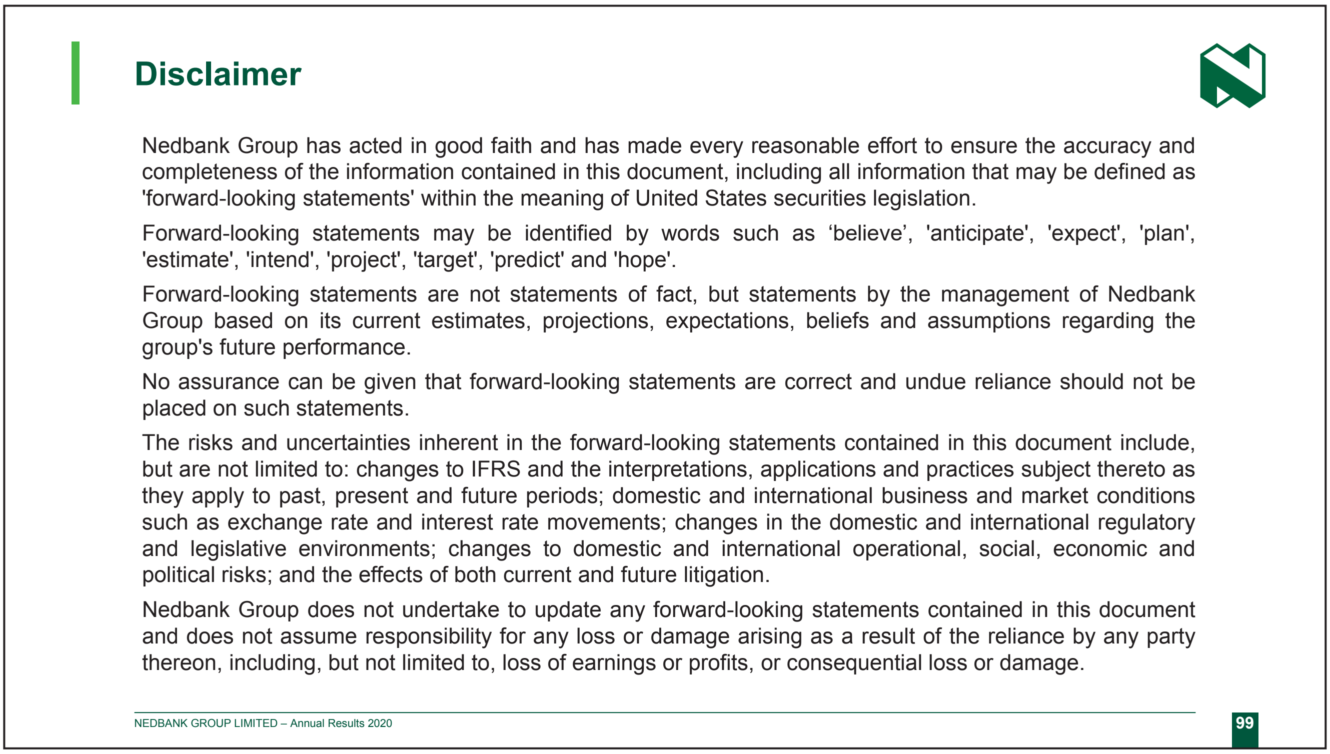

Disclaimer

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.

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NEDBANK GROUP LIMITED – Annual Results 2020

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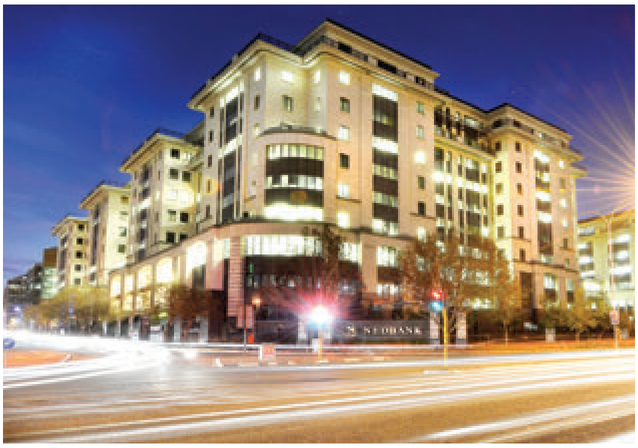
2020 RESULTS COMMENTARY.

2020 RESULTS COMMENTARY



BANKING AND ECONOMIC ENVIRONMENT

In 2020 the onset of the Covid-19 pandemic brought global economic activity to a near standstill as many countries imposed tight restrictions to curb the spread of the virus – a period aptly named the Great Lockdown Crisis (GLC). This tipped the world economy into a deep recession. The International Monetary Fund (IMF) projects a contraction of 3,5% in global GDP for 2020, which would have been far worse had it not been for the unprecedented global monetary and fiscal policy response. While many advanced countries continued to battle new waves of Covid-19 infections in the final quarter, resulting in tighter lockdown restrictions and softer economic activity, confidence nonetheless improved, boosted by the rapid development and production of effective vaccines. Equity markets rallied, with the US markets closing at record highs. The surge in risk appetite late in 2020 also boosted demand for emerging-market assets, which supported capital inflows, driving some recovery in emerging-market equities, bonds and currencies.

The pandemic hit most emerging and developing countries particularly hard, aggravating deeply entrenched structural imbalances and adding to already high public debt burdens. The pandemic-induced recession had a material impact on tax revenues, and most governments increased health and other pandemic-related spending aggressively, resulting in large budget deficits and sharply higher public debt burdens. Economic activity in China rebounded strongly from the second quarter onwards as the country managed to contain the virus while rolling out a large fiscal stimulus package amplified by substantial liquidity injections and looser monetary policies. The Chinese economy expanded by 2,3% in 2020, making it the only country in the world to post growth in 2020, albeit its slowest rate of growth since 1976. The stronger-than-expected recovery in China, together with infrastructure investment programmes in many countries supported demand for and prices of commodities, providing some relief to many commodity-exporting emerging economies in the second half of the year, particularly in Latin America and sub-Saharan Africa. While Covid-19 infection rates have not been as high in sub-Saharan Africa as in many other regions, the collapse in global oil prices in the second quarter, restrictions on international trade and tourism, as well as strict lockdown measures in many African countries have caused substantial economic and fiscal damage. The IMF projects that the region's GDP shrunk by 2,6% in 2020.

In SA economic conditions also improved in the second half of the year, but the recovery was too muted to erase the damage done under the strict lockdown imposed in the second quarter. The economy shrunk by 7,0% in 2020. This followed several years of economic stagnation caused by widespread corruption, repeated power outages, the slow pace of structural reforms, widening fiscal deficits and mounting public debt. Against this already bleak background, the negative impact of the pandemic and lockdown on SA's growth prospects and debt level resulted in both Moody's and Fitch downgrading the country's sovereign credit ratings in April. With all three major global rating agencies now considering SA's sovereign debt as subinvestment grade, foreign capital inflows dried up, debt and equity markets experienced extreme volatility, and the rand depreciated sharply. The South African Reserve Bank acted quickly to adopt extraordinary measures to stabilise markets. These measures included increasing liquidity provision to the banking sector through the repo mechanism, limited purchases of government debt in the secondary market and cutting policy rates by a dramatic 300 basis points, taking the prime rate to a 55-year low. These measures were successful in supporting market liquidity and restoring stability. The government also responded with a R500bn fiscal relief package consisting of extensions to social grants, UIF payments, a loan guarantee scheme and tax deferrals. As a result of this environment, government's finances deteriorated even further. National Treasury expects the budget deficit to have hit 14% of GDP in 2020, up from an already problematic 6,4% in 2019. Government projects its gross debt burden to peak at 88,9% in 2025/26, with debt service costs anticipated to remain the fastest-growing expenditure item in the budget over the years to come, increasingly crowding out other urgent spending priorities. While this outcome is better than what was expected in the MTBS, the weak fiscal metrics will continue to undermine domestic growth prospects and further deterioration in the country's ratings remains a risk. This will weigh on confidence, raise hurdle rates for new private sector investments and increasingly crowd out the private sector from the capital markets.

Consumer finances and spending also improved in the second half of 2020. Data on high-frequency industry turnover from our point-of-sale (POS) devices and digital channels highlighted surprising resilience, with sales picking up noticeably from August, after sharp declines in April and May were registered. Industries that held up well during the year include telecommunications, healthcare and grocery retail and wholesale stores. Airlines, entertainment, hotels and restaurants were affected most adversely, with sales still well below 2019 levels. The recovery in fixed-investment activity has been much less compelling, even though the rebound in global trade, led by China, supported relatively robust recoveries in the mining and manufacturing sector. Fixed-investment activity is set to contract by a historic 18,2% in 2020.

Inflation ended 2020 at a subdued 3,1%, kept in check by lower global oil prices, modest increases in local food prices and weak domestic demand.

The year 2020 was a volatile and difficult year for the South African banking sector as it navigated the various lockdown levels, resulting in lower client activity and significantly higher credit risk. Increased market volatility boosted trading activities, which to some degree offset a slowdown in corporate dealflow across various sectors. Impairments rose significantly as a result of the difficult operating environment for our clients and due to the frontloading of forward-looking IFRS 9 portfolio impairments. Despite these challenges, the banking sector demonstrated strong levels of resilience and was able to support clients while remaining well capitalised, liquid and profitable, albeit at levels lower than in the prior year.

While South African sovereign finances entered the GLC in a much worse economic shape than they did the Global Financial Crisis (GFC), the banking system entered this crisis in a stronger position, with higher levels of capital and surplus liquidity (largely as a result of Basel III). Overall credit growth in the recent pre-GLC period (5% to 7%) has been slower than it was in the pre-GFC period (more than 20%). Impairments during the GLC are higher when compared with GFC impairment levels, in part due to the frontloading of impairments under forward-looking IFRS 9 macro-factor models (faster impairment recognition), which is materially different from the previous IAS 39 accounting requirements (slower impairment recognition) for incurred losses used during the GFC. While the GFC was a financial crisis, triggered by credit overextension (particularly in US residential mortgage loans) and high levels of gearing, rippling through global financial markets and translating into an economic recession, this is a health crisis that has morphed into an economic crisis as a result of the lockdown and poses significant social challenges such as higher levels of inequality and unemployment.

Group strategy

The impact of the Covid-19 pandemic has resulted in a tilt in our strategic focus since the lockdown started at the end of March 2020. Initially, our focus was on 'Resilience', as we managed the group through the most restrictive phases of the lockdown and the extreme volatility experienced in financial markets. Our focus on 'Transition' continued thereafter as the strict lockdown at levels four and five eased and we reintegrated our full suite of financial services. As part of business planning in the latter part of the year our focus shifted to 'Reimagine', as we strategised to emerge stronger in a post-Covid-19 world and set revised medium-term targets for 2023.

Resilience (Manage the crisis) – Our key focus throughout the pandemic has been on ensuring the health, safety and wellbeing of our stakeholders, including our employees and clients. We invoked business continuity plans (BCPs) and enabled remote working across the enterprise as we continued to deliver essential banking services. Additionally, we focused on ensuring our IT systems were stable and available, reviewed stress-testing scenarios and modelling of potential economic outcomes, educated clients and employees regarding digital solutions and capabilities available to them, provided debt relief to support qualifying clients, launched new digital solutions such as Avo (our repurposed platform solution for essential services) and enabled clients to transact through digital channels. From a financial perspective, our focus was on managing liquidity, capital, market, operational and credit risk, and at the same time managing discretionary costs, with less focus on profitability other than as an initial buffer against capital.

Transition (Enable recovery) – From Q3 our focus shifted from managing the crisis to dealing with its implications and the reintegration of the business in a phased manner (in line with revisions to government lockdown levels). Our focus was on mitigating downside risk, providing ongoing support to clients, managing costs and continuing to deliver world-class client experiences while remaining alert to new waves of infections and market volatility. This held us in good stead as the second wave emerged in December 2020. Pleasingly, the focus on managing credit risk and discretionary costs, together with a macroeconomic recovery from the low Q2 2020 base, supported a stronger second-half financial performance.

Reimagine (Strategise for value creation in a new environment) – The environment for our employees, clients and other stakeholders, as well as the world of financial services and banking, is likely to be materially different after the Covid-19 pandemic. As part of our business planning in H2 2020 we identified opportunities to create new revenue streams, enhance operations and optimise the structure of our businesses. Key value unlocks for the future include delivering market-leading client solutions, growing in value-creating areas (including in line with the Strategic Portfolio Tilt 2.0 as we leverage our balance sheet to grow transactional revenue and deposits while increasing cross-sell), continuing our disruptive market activities (underpinned by digital leadership), driving efficient execution (including in line with the Target Operating Model 2.0, through which we are optimising our branch infrastructure in the context of an increasingly digital world, shifting our RBB structure to be more client-centred, as well as optimising shared services across the group), and leading sustainably (caring for our employees, clients, society and the environment). These value unlocks support our revised medium-term targets, and by 2023 we aim to have achieved DHEPS greater than the 2019 level (2 565 cents), ROE greater than the 2019 levels (ROE 2019: 15,0%), a cost-to-income ratio lower than 54% (2019: 56,5%) and the number one ranking in the NPS (2019: 3), having improved to number two among all South African banks in 2020 in the recently released Consulta survey.

Leveraging our strategic foundations

Delivering on the Nedbank strategy over the past few years has positioned us well in building foundational enterprise capabilities that have been beneficial during the Covid-19 pandemic and will support delivery of our reimagined strategies. In 2020 our focus on delivering market-leading client solutions was evident in the rollout of new digital innovations and enhanced client satisfaction ratings. In particular, our technology investments with our Managed Evolution (ME) IT strategy and Digital Fast Lane (DFL) as key components have provided an enhanced digital platform to enable delivery of new digital products and services and faster product development, as well as support operating efficiencies.

- **Delivering innovative, market-leading client solutions**
  - **Eclipse:** Our simplified digital client onboarding platform for individual clients continued to gather pace, enabling clients to open FICA-compliant accounts remotely through our employee-assisted and self-service channels. All new individual client applications, transactional products and personal-loan sales are now processed through Eclipse. In the period we also expanded digital product sales to include investments, cards and overdrafts. During the year a decision was made to pivot delivery of Everyday Banking solutions on Eclipse ahead of secured-lending products as we respond to a changing environment. The roll-out of home loans, vehicle finance, stockbroking, forex and student loans should be completed in 2021. Juristic client onboarding in RBB was rolled out, with 99% of all juristic onboarding done in December 2020 via Eclipse in RBB, while the CIB roll-out is progressing well.
  - **Apps:** The Money app, which makes banking more convenient for our retail clients, is now actively used by 1,2m clients, up by 42% from 2019. It continues to be rated highly on the Apple and Google app stores, with an average client rating of 4,4 (out of five). Transaction volumes on the app increased by 70% and transaction values increased by 53% when compared to 2019. The Nedbank Private Wealth app, which offers integrated local and international-banking capabilities, has been downloaded nearly 24 000 times and has an average rating of 4,5 on the Apple and Google app stores.
  - **Avo:** In response to the crisis, which created challenges for many clients in accessing essential services such as healthcare and home repair services, we launched our market-leading digital innovation Avo, which is a one-stop super app enabling clients to buy essential products and services online and have them delivered to their home, with payment via the Nedbank digital wallet. Since its launch in app stores on 19 June 2020 Avo has signed up more than 145 000 customers, along with over 5 000 businesses registering and offering their products and services on this e-commerce platform.

  - » **Tap on phone:** We launched SA's first tap-on-phone functionality, enabling all merchants and business owners to convert their cellphones into payment acceptance devices to meet the needs of clients who are increasingly looking for contactless ways to pay. This tap-on-phone functionality is a first for Africa, and Nedbank is currently the only bank to offer this capability.
  - » **Loyalty and rewards:** Our enhanced loyalty and rewards solution (a money management programme offering incentives for better money management and opportunities for doing good for society, as well as enabling clients to earn rewards) continued to gain traction. To date we have signed up more than one million Greenbacks members on the new platform and have so far acquired over 300 000 new members since launching the new programme in September 2019, an increase of 28%.
  - » These initiatives helped us to increase the number of digitally active clients by 25% to 2,2m.

- **Operational efficiencies and optimisation**
  - » Cost discipline during the period increased as we actively managed discretionary spend and leveraged existing initiatives to optimise our cost base. These included the reduction of our core systems from 250 to 90 since the inception of the ME programme (a reduction of 27 since December 2019), and we are on track to reach our target of 60 to 75 core systems. The rationalisation, standardisation and simplification of our core banking operating systems led to reduced infrastructure, support and maintenance costs, less complexity and increased agility in adopting new innovations. Overall, investments in various foundational IT programmes are either complete or nearing completion, and we expect annual IT cashflow spend to remain flat or decline from here, after having peaked in 2019. Our ME programme has now reached 78% completion.
  - » During 2020 additional self-service options, which were previously available in branches or through employee-assisted channels only, were released on our digital channels, taking the total digital self-service functions to 171 (compared with 114 in 2019). This digitisation of services in RBB, along with the impact of the lockdown, has enabled us to increase digital service volumes by 187% and reduce branch teller volumes by 42%. To date, branch floor space has decreased by almost 57 000 m^2 (decreased by around 15 000 m^2 in 2020) and employee points of presence declined by 40 in 2020 to 549. Over the past 12 months we reduced total group headcount by 1 079, mainly through natural attrition.
  - » Through our strategy of consolidating and standardising corporate real estate, our number of campus sites (offices) has decreased from 31 to 26 over the past two years, with a longer-term target of 19. Since 2016 we have saved almost 69 000 m^2 and saved around 15 000 m^2 in 2020. In the next few years we will continue to optimise the portfolio by enhancing workstation use to more than 100% (from the current 94%) by enabling flexible office constructs to support more dynamic ways of work, as well as leveraging successful work-from-home experiences as a result of Covid-19, while creating further value and cost reduction opportunities.
  - » Our TOM 1.0 initiatives recorded additional savings of R675m in 2020, translating to cumulative savings of R1,8bn to end 2020, which is ahead of our R1,2bn target by December 2020 as disclosed in the corporate performance targets in our long-term incentive scheme. We have started implementing TOM 2.0, which looks at the shape of our branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure so that it is more client-centred, as well as shared-services optimisation across the group. We anticipate cumulative revenue uplift and costs savings relating to TOM 2.0 of R2,5bn in the next three years (of which approximately 90% relate to cost savings). Cumulative TOM 1.0 savings of R1,8bn (R675m in 2020) exceeded the incremental increase of computer-processing costs, adjusted for inflation, of R1,1bn over three years (R291m incremental amortisation and depreciation charges in 2020) and we expect similar benefits from TOM 2.0.

REVIEW OF RESULTS

Nedbank Group's financial performance for the year ended 31 December 2020 reflects the difficult operating environment, largely as a result of the impact of the Covid-19 pandemic and strict lockdowns in Q2 2020. HE declined by 56,5% to R5,4bn. While HE in H1 2020 declined by 69,2% and was primarily impacted by a significant increase in impairments (largely related to IFRS 9 forward-looking macro models and Covid-19-related judgemental overlays), H2 2020 earnings showed an improvement when compared to H1 as levels of additional impairments in the six months declined, non-interest-revenue (NIR) declined less than expected and the group's net interest margin (NIM) improved, in part due to better asset pricing. Expenses remained well managed. The underlying financial performance for all key metrics was in line with the guidance we provided at our interim results and during our market announcements in H2 2020.

HEPS and EPS declined by 56,8% to 1 126 cents and by 71,3% to 718 cents respectively, in line with the updated trading statement released on 5 March 2021, which highlighted a decline of between 55% and 60% in HEPS and between 69% and 74% in EPS respectively. When compared with HEPS, the larger decline in EPS can be attributed primarily to the R750m impairment of the group's investment in Ecobank Transnational Incorporated (ETI) as disclosed in our H1 2020 results, accounting for our share of ETI's impairment of their own goodwill, as announced in their 9M 2020 results released in November 2020, and an impairment relating to Nedbank's own goodwill on the SA Wealth businesses. DHEPS declined by 56,6% to 1 113 cents.

ROE and ROA declined to 6,2% and 0,45% respectively but improved from 4,8% and 0,36% in H1 2020. Return on RWA decreased from 2,02% to 0,82% as headline earnings declined and RWA grew by 7,2%. NAV per share of 18 391 cents increased by 1,0%, compared to 18 204 cents in December 2019.

Throughout the crisis the group maintained strong capital and liquidity positions. Our IFRS 9 fully phased-in CET1 and tier 1 capital ratios of 10,9% and 12,1% increased from H1 2020 levels and remained well above our board targets of 10,0% to 12,0% and greater than 11,25% respectively, and well above the SARB minimum requirements of 7,5% and 9,25% respectively (excluding idiosyncratic buffers). For Q4 an average LCR of 126% was above the H1 level of 115% and well above the adjusted regulatory minimum level of 80% under the PA's Directive 1/2020 (D1) (revised from 100% on 1 April 2020). An NSFR of 113% was in line with that in H1 and well above the 100% regulatory minimum. Despite our strong capital and liquidity position at 31 December, having considered the spirit of Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021.

CLUSTER FINANCIAL PERFORMANCE

Nedbank Group's HE declined by 56,5% to R5 440m and our ROE of 6,2% was below our cost of equity of 14,5%. The decline in HE was less than the 69,2% recorded in H1 2020 and consequently ROE improved from the 4,8% reported at half year. Year on year ROEs were lower across all our frontline clusters as HE declined and capital levels increased in the difficult Covid-19 operating environment.

	Change (%)	HE (Rm)		ROE (%)	
		2020	2019	**2020**	2019
CIB	(41,0)	**3 636**	6 167	**9,4**	17,7
RBB	(69,9)	**1 595**	5 293	**5,4**	17,3
Wealth	(36,5)	**662**	1 042	**15,3**	24,8
NAR	(97,4)	**12**	457	**0,2**	7,7
Centre	(2,8)	**(465)**	(453)		
Group	(56,5)	**5 440**	12 506	**6,2**	15,0

HE in CIB declined by 41,0% (H1 2020: -57,1%) to R3,6bn, and the cluster delivered an ROE of 9,4% (H1 2020: 7,3%). HE was primarily impacted by an increase in impairments as reflected in the CLR, increasing to 82 bps (H1 2020: 118 bps) from 25 bps in the prior year. NII declined by -0,7%, with average interest-earning banking assets (AIEBA) increasing by 5,4% to R392bn. Actual gross banking advances decreased by 8,1% to R361bn due to early repayments from clients as well as active portfolio management as we focused on capital optimisation. Trading advances grew by 118% as clients repaid foreign currency banking loans and advances early, resulting in excess liquidity being placed in the repo market. Improved client asset pricing was offset by the impact of the significant decline in interest rates on endowment income. NIR declined by 11,6%, impacted by negative equity revaluations, partially offset by a strong trading performance across all asset classes given increased market volatility and client demand. Expenses decreased by 2,6%, driven by good cost containment, resulting in a cost-to-income ratio of 43,8%.

HE in RBB declined by 69,9% to R1,6bn and ROE declined to 5,4% (H1 2020: 1,5%). The HE decline of 49,4% in H2 was less than the 91,2% reduction seen in H1. The main drivers for this performance were higher impairment charges, including R2,2bn of Covid-19-related adjustments, as well as lower NIR as a result of lower levels of client transactional activity. The CLR increased to 240 bps from 138 bps in the prior year and is above the cluster's TTC target range of 130 bps to 180 bps, but below the H1 2020 peak level of 269 bps. Revenue growth was impacted by slow advances growth, although improving in the second half of the year, and NIM pressure from the impact of lower interest rates on endowment income. NIR decreased as client-related transactional activity slowed during the lockdown, particularly in the travel and leisure sectors, where we have a leading market share via the Amex franchise. A reduction in expenses was supported by the management of discretionary spend and ongoing optimisation of processes and operations, including a reduction in permanent headcount in RBB of 290 largely through natural attrition.

HE in Nedbank Wealth decreased by 36,5% (H1 2020: 20,5%) to R662m, with an ROE of 15,3% (H1 2020: 17,1%) remaining above the group's cost of equity. Wealth Management experienced a decline in earnings impacted by a reduction in SA and global interest rates, as well as significantly higher impairments locally. This was partly offset by a very good performance in Asset Management, which benefited from positive netflows, resulting in a 13,1% growth in AUM to R375bn. Insurance results were impacted by higher claims in the life portfolio, the negative effect of reduced interest rates on actuarial reserves and lower investment returns on shareholder funds.

HE in Nedbank Africa Regions declined by 97,4% to R12m, with an ROE of 0,2%. The performance of the cluster reflects the impact of Covid-19 on the SADC operations evident in higher impairments (CLR up to 185 bps from 101 bps) and lower revenues, as well as accounting for the continued impact of hyperinflation in Zimbabwe. HE benefited from R153m relating to our investment in ETI, inclusive of our share of a 2018 ETI restatement reported in their 2019 results and now included in Nedbank's 2020 results.

The performance in the Centre reflects a R500m (pretax) increase in the central impairment (to R750m) and the base effect in 2019 of the final postretirement medical aid (PRMA) credit amounting to R255m (after tax). This was offset by fair-value gains as a result of the group's fair-value hedge accounting solution that partially unwound in H2 2020.

FINANCIAL PERFORMANCE

Net interest income

NII decreased by 0,3% to R30 081m, an outcome that was at the top end of our full-year 2020 guidance range of between 0% and a decline of 5%. The decline reflects AIEBA growth of 4,4% and a lower NIM. The AIEBA growth was driven by muted advances growth and higher levels of HQLA in the banking book. AIEBA growth slowed from the 8,2% recorded in H1 2020.

NIM decreased by 16 bps to 3,36% from 3,52% in 2019, an improvement from the 3,33% recorded in June 2020. Cumulative interest rate cuts of 300 bps had a negative impact on endowment income, decreasing NIM by 24 bps. Liability pricing and the narrowing of the prime–JIBAR spread reduced NIM by a further 10 bps and 4 bps respectively, while strategic management actions in 2020 resulted in asset pricing increasing NIM by 15 bps and HQLA optimisation contributing to an increase of 7 bps.

Impairments charge on loans and advances

Impairments increased significantly, driven by the impact of Covid-19 on consumers and businesses and the difficult SA macroeconomic environment. The group's impairment charge increased by 114% to R13 127m, including R3,9bn of Covid-19-related overlays and judgemental estimates. The group's CLR increased from 79 bps in 2019 to 161 bps in 2020, an outcome that was just below the mid-point of our full-year 2020 guidance range of between 150 bps and 185 bps. During the period loans and advances were restated to include listed corporate bonds to ensure alignment with industry practice, and this reduced the group CLR by 3 bps and 6 bps in 2019 and 2020 respectively (this restatement applied to CIB only and consequently the group).

To support clients in good standing, the group provided D3/2020 payment relief on a total of more than R120bn of client loans across the portfolio, representing 15% of total loans and advances. At 31 December 2020, this had declined to R28bn as payment holidays matured and clients resumed payment plans. RBB D3 loans declined from a peak of R80bn to R2bn at the end of December, with 88% of clients who had any form of payment relief having resumed payment, 9% having missed payments and 3% having payment relief either extended or having not yet matured. The remaining outstanding D3/2020 loans include R25bn for clients in CIB and the majority of these are expected to mature in H1 2021.

Impairments in CIB increased by more than 100% to R3 245m and its CLR, at 82 bps, is above its TTC target range of 15 bps to 45 bps, but below the 118 bps in H1 2020. This compares with the 43 bps peak during the GFC. Stage 1 and 2 impairments increased as a result of Covid-19-related overlays, amounting to R826m. These overlays were driven by a bottom-up industry review, where the current macroeconomic forecasts and models do not yet sufficiently capture the impact of Covid-19 for certain vulnerable sectors in the CIB portfolio that are impacted by Covid-19. Stage 3 impairments increased, this relating to specific counters (most notably those operating in the aviation, business services and selected SOE sectors).

In RBB impairments increased by 81% to R8 746m and its CLR, at 240 bps, increased to above the top end of its TTC target range of 130 bps to 180 bps as a result of R1,8bn judgemental Covid-19 adjustments and increased levels of consumer stress. RBB's CLR compares with the 269 bps reported in H1 2020 and 256 bps during the GFC.

During the year the group's central provision was increased by R500m to R750m to account for emerging risks not yet reflected in the data, impairment models or macroeconomic forecasts.

CLR (%)	Average banking advances (%)	2020	2019[1]	TTC target ranges
CIB	**48,4**	**0,82**	0,25	0,15–0,45
RBB	**44,7**	**2,40**	1,38	1,30–1,80
Wealth	**4,0**	**0,64**	0,18	0,20–0,40
NAR	**2,9**	**1,85**	1,01	0,75–1,00
Group	**100,0**	**1,61**	0,79	0,60–1,00

[1] *CLR for 2019 restated due to reclassification of listed corporate bonds into loans and advances.*

Overall coverage increased from 2,26% of total loans and advances at December 2019 to 3,25% at December 2020 due to clients moving into different stages of impairment and additional overlays raised for Covid-19-related risks. The stage 1 coverage ratio increased to 0,65% (December 2019: 0,48%), driven by Covid-19-related overlays. The stage 2 coverage ratio increased to 6,61% (December 2019: 5,30%), primarily as a result of the increased levels of Covid-19-related overlays, our classification of the majority of D3 loans as stage 2 and an increase in watch list clients. In line with guidance from the Basel Committee, Nedbank does not use the low-risk exemption available under IFRS 9. The stage 3 coverage ratio decreased to 31,5% (December 2019: 37,9%) given the mix impact of CIB stage 3 loans increasing faster than that of RBB stage 3 loans, an increase in the number of stage 3 clients in CIB with high levels of collateral, and an increase in D7 restructures in Retail (so-called performing restructures or technical cures), which attract a lower coverage than non-D7 restructures.

Non-interest revenue

NIR decreased by 7,1% to R24 140m, an outcome at the top end of the full-year 2020 guidance range of a decline of between 7% and 11%. The decline was primarily driven by lower levels of client-related transactional activity, lower equity valuations and lower insurance income.

- Commission and fee income declined by 8,6% (H1 2020: declined by 9,2%) to R17 138m. Transactional activity declined significantly in H1, impacted by the lockdown, but had improved by the end of H2 2020 to above pre-crisis levels. Digital, POS and ATM volumes increased to above March levels in the second half of the year, although branch volumes remained lower. The number of retail main-banked clients, at 2,94m, was flat on 2019, but improved by 11% from H1 2020 levels as transactional activity returned. Fee concessions in April and May decreased NIR by R104m. CIB was also impacted negatively by subdued client activity but recorded 37 primary client wins that will support growth into the future.
- Insurance income declined by 11,7% (H1 2020: declined by 7,8%) to R1 622m due to higher credit life loss-of-income claims and funeral claims as a result of Covid-19, as well as the adverse impact of reduced interest rates on actuarial reserves and the effect of lower JSE market performance on shareholder funds, despite some improvement in Q4. Credit life loss-of-income claims peaked in September and while volumes had decreased by December, they remain above normalised levels. This was partially offset by an improved non-life claims experience.
- Trading income increased by 16,1% (H1 2020: 43,8%) to R5 252m given increased market volatility and higher client activity.
- Private-equity income declined to a loss of R1 039m (H1 2020: R765m loss), primarily due to downward revaluations of unrealised investments as the subdued macroeconomic environment impacted the profitability of investee counters and listed market prices declined, although the levels of adverse impact declined in H2.
- Fair-value gains from the group's fair-value hedge-accounting solution increased more than 100% to R352m and, as expected, partially unwound in H2 2020 (H1 2020: R836m).

Expenses

The decline in expenses of 1,3% to R31 772m was in line with our full-year 2020 guidance range of a decline of between 1% and 4%, reflecting the close management of our discretionary spend, a decline in incentives and continuing optimisation initiatives offset by increased levels of Covid-19-related spend.

- Staff-related costs decreased by 2,8% following:
  - » average 2020 annual salary increases of 4,7% and a reduction in employee numbers of 1 079 since 31 December 2019, largely through natural attrition and including the impact of the sale of Nedbank Malawi (171 employees) in Q1 2020 (total of 3,7% reduction in headcount yoy); and
  - » a 27% decrease in STIs impacted by the group's financial performance (2019 decrease of 25%) and a 50% decrease in LTIs (2019 decrease of 22%) as expected vesting ratios have declined due to underperformance against corporate performance targets set in a pre-Covid-19 environment.
  - » This decline was partially offset by the base effect of the PRMA pretax credit of R354m in 2019 and a R121m increase in the leave expense provision as employees took less leave during lockdown.
- Computer-processing costs increased by 19,5% to R5 830m, driven by the increase in the amortisation charge of 23,0%, as well as investment in digital solutions and cash and self-service devices. The incremental savings under TOM 1.0 of R675m have more than offset the increase in amortisation and depreciation charges of R291m.
- Other cost lines reflect the management of discretionary spend during the crisis. Savings were recorded across travel, communication, marketing and training. We also unlocked cumulative benefits of R1,8bn (December 2019: R1,1bn) from process enhancements and implementing TOM 1.0, mainly in RBB.
- Covid-19-related spend of R81m includes the provision of personal protective equipment, additional spend to comply with health and safety regulations, and international consulting support relating to impairment model development and provisioning. Increasing demand on technology as a result of Covid-19, such as that arising from working from home, has not had a material impact on our cost base.

The group's decrease in expenses of 1,3% was less than the decrease in revenue and associate income of 4,0%, resulting in a negative JAWS ratio of 2,7% and the cost-to-income ratio increasing to 58,1% (December 2019: 56,5%).

Hyperinflation accounting in Zimbabwe

In the second half of 2019 the group adopted hyperinflation accounting in Zimbabwe. Given the further depreciation of the Zimbabwean dollar, a R205m monetary loss was recorded (2019: R296m loss), which had a net effect on HE of R89m (2019: R142m).

Earnings from associates

A loss from associates of R76m, relating primarily to the group's 21% shareholding in ETI for the period ended 31 December 2020, has been recognised. This includes accounting for our share of ETI's earnings from Q4 2019 to Q3 2020 (in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear), as well as Nedbank's share (R236m) of the US$79,5m restatement of ETI's 2018 income statement for interest accruals on oil market exposures that had to be reversed in terms of Central Bank of Nigeria regulations, as well as Nedbank's share of ETI's impairment on goodwill of US$159m, relating to ETI's acquisition of Oceanic Bank in Nigeria. Nedbank's share of ETI's goodwill impairment decreased Nedbank's profit for the year by R528m with no impact on HE.

Due to the prolonged decline of the market value of Nedbank's investment in ETI below its carrying value, Nedbank reviewed its impairment provision at 30 June 2020. While various scenarios supported a value-in-use calculation above the carrying value of our investment, more weight was given to downside scenarios and an impairment of R750m was raised. Our position was reassessed at 31 December 2020 and no change in impairment was required.

Total comprehensive income

Total comprehensive income attributable to ordinary shareholders declined by 60,4% during the year to R4 358m, driven by the 56,5% decline in HE to R5 440m as well as the R750m impairment of the group's investment in ETI, accounting for our share of ETI's impairment of their own goodwill (R528m) and an impairment relating to Nedbank's own goodwill on the SA Wealth businesses (R345m). The decline was partially offset by other comprehensive income that increased by more than 100% to R891m, primarily as a result of foreign currency translation gains in the period as the rand weakened against most currencies.

STATEMENT OF FINANCIAL POSITION

Capital

The group remains capitalised at levels well within board targets, well above the minimum regulatory requirements and well above the levels during the GFC, with a tier 1 ratio of 12,1% (H1 2020: 11,7%) and a CET1 ratio of 10,9% (H1 2020: 10,6%). The CET1 ratio was achieved after absorbing the final 2019 ordinary-dividend distribution of R3,5bn, the impairment of the group's investment and goodwill in ETI, further investment in software development as part of the ME programme, and an increase in credit RWA, driven by credit migration and the effect of volatility in market risk RWA.

The tier 1 CAR was impacted by the further grandfathering of old-style preference shares (R531m) in January 2020 in line with the Basel III transitional arrangements, as well as the issuance of additional tier 1 instruments of R972m. The total CAR included the redemption of R2,3bn tier 2 capital and the issuance of new-style tier 2 capital of R4,1bn, in line with the group's capital plan.

Basel III capital ratios (%)	**2020**	**2019**	**Internal target range**	**Regulatory minimum**[2]
CET1	**10,9**	11,5	10,0–12,0	**7,5**
Tier 1	**12,1**	12,8	> 11,25	**9,25**
Total CAR	**14,9**	15,0	> 13,0	**11,5**

(Ratios include unappropriated profits.)

[2] *PA minimum requirements are disclosed, excluding bank-specific Pillar 2b capital requirements. The PA issued Directive 2/2020 in April 2020, which provided capital relief to banks in light of the Covid-19 pandemic and temporarily relaxed the Pillar 2A requirements to nil, resulting in regulatory minimum requirements decreasing for CET1 by 50 bps for tier 1 by 75 bps and by 100 bps for total CAR.*

Funding and liquidity

Maintaining a strong liquidity position remains a priority for the group during the crisis.

The group achieved a quarterly average long-term funding ratio of 25,4%, which compared favourably with the industry average of 22,0% in an environment of increased financial market volatility as a result of the Covid-19 pandemic.

The group's December 2020 average LCR of 125,7% (H1 2020: 114,5%) exceeded the minimum regulatory requirement, with the group maintaining appropriate operational buffers designed to absorb seasonal, cyclical and systemic volatility observed in the LCR. On 31 March 2020 the PA issued Directive 1/2020, reducing the minimum LCR requirement from 100% to 80% with effect from 1 April 2020.

Nedbank Group LCR	**2020**	**2019**
HQLA (Rm)	**206 943**	177 985
Net cash outflows (Rm)	**164 583**	142 421
Liquidity coverage ratio (%)[3]	**125,7**	125,0
Regulatory minimum (%)	**80,0**	100,0

[3] *Average for the quarter.*

More details on the LCR are available in the 'Additional information' section of the condensed consolidated annual financial results.

Nedbank's portfolio of LCR-compliant HQLA increased by 16,3% to a December 2020 quarterly average of R207bn in support of the higher quarterly arithmetic average in the LCR net cash outflows driven by increased financial market volatility introduced by the Covid-19 pandemic. Nedbank proactively managed its HQLA liquidity buffers, resulting in a marginal yoy increase in the LCR. The HQLA portfolio, together with Nedbank's portfolio of other sources of quick liquidity, equated to total available sources of quick liquidity of R254,4bn, representing 20,7% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a December 2020 ratio of 112,8% (December 2019: 113,0%). The structural liquidity position of the group remained relatively the same yoy as a result of well-managed balance sheet growth.

Banking loans and advances

Gross banking loans and advances decreased by 1,6% yoy to R797bn, driven primarily by a reduction in CIB banking advances in the second half of the year. The group's loans and advances were restated to include listed corporate bonds, in line with industry practice. The restatement related to Nedbank Group and CIB only.

Gross banking loans and advances growth by cluster was as follows:

Rm	**Change (%)**	**2020**	**2019**[5]
CIB	**(8,1)**	**361 280**	393 088
RBB	**3,3**	**375 385**	363 471
Wealth	**1,9**	**31 567**	30 970
NAR	**7,8**	**24 186**	22 427
Centre[4]	**>100**	**4 438**	(307)
Group	**(1,6)**	**796 856**	809 649

[4] *Includes macro fair-value hedge-accounted portfolios and disclosure reallocations.*

[5] *The group reclassified listed corporate bonds of R22bn (2019: R28bn) from government and other securities to loans and advances to be aligned with peer disclosure and so that they better reflect the group's management of these assets.*

CIB gross banking loans and advances declined by 8,1% yoy to R361bn. Increased levels of client drawdowns during the crisis in H1 was offset by early repayments, active sell-downs, selective participation and portfolio optimisation, predominantly in H2 2020.

RBB gross loans and advances increased by 3,3% yoy to R375bn. After a negative impact as a result of the closure of the deeds office and motor dealerships in April 2020, payouts increased in H2 2020 as clients who were in good financial standing took advantage of the 300 bps decline in interest rates. BB advances declined by 2,7% as new-loan payouts remained muted, given the lower business activity levels, and were not sufficient to replace the book rundown. MFC (vehicle finance) loans increased by 4,6% due to a combination of increases in average payout per deal, as well as a slowdown in rundown. Unsecured lending grew by 10,3% as a result of product and process enhancements, mostly through digital and call centre channels, driving increased take-up rates of approved loans. Card advances decreased by 2,0%, challenged by the impact of Covid-19 and clients' reduced ability to spend during the period. Residential mortgage loans grew by 4,8%, slightly ahead of the industry.

Deposits

Deposits grew by 5,5% to R954bn, with total funding-related liabilities increasing by 5,1% to R1 014bn, while the loan-to-deposit ratio was 88% (2019: 91%).

Within the clusters CIB grew deposits by 11,4%, RBB by 4,5%, Wealth by 9,7% and Africa Regions by 10,2% while the Centre declined by 14,2%.

Current and savings accounts (CASA), along with cash management deposits, increased by 31,1%, driven by increased short-term operational cash requirements by businesses impacted by Covid-19, while retail clients opted to hold more short-term operational deposits given the impact of Covid-19 on the economy. Individually, current accounts increased by 14,7%, cash management accounts increased by 47,6% and savings accounts increased by 35,7% (including foreign exchange translation gains in Nedbank Wealth). Call and term deposits increased by 3,5% and fixed deposits decreased by 5,0% as retail clients opted to keep their cash short or in notice deposits due to the uncertain economic environment. Fixed deposits were subject to increased competition in the domestic market, where some banks were pricing retail fixed deposits above the wholesale cash curve. NCDs decreased by 15,6% as institutional clients opted to invest in higher-yielding government bonds and treasury bills, while other deposits increased by 11,8% as a result of increased institutional and financial corporate demand for term deposits. The demand for other deposits was also linked to client appetite for increased deposit duration in an environment of slow growth and lower interest rates and contributed positively to managing Nedbank's contractual longer-term funding ratio. Foreign funding, although small in relative terms for Nedbank, decreased by 17,8%, facilitated by the prepayment of foreign currency lending facilities.

USING OUR FINANCIAL EXPERTISE TO DO GOOD

Nedbank continues to play an important role in society and in the economy, and this role has been elevated during the Covid-19 crisis. We remain committed to delivering on our purpose of using our financial expertise to do good and to contribute to the wellbeing and growth of the societies in which we operate by delivering value to our staff, clients, shareholders, regulators and society.

Staff

- Despite the difficult operating environment in 2020, employee engagement levels remained high. Our employee insights survey highlighted that 85% of the participating employees are proud to work for Nedbank and our employee NPS increased from seven in 2019 to 17 in 2020.
- We have not retrenched any employees as a result of Covid-19 and have paid our 28 324 employees' salaries and benefits of R16,8bn. Our Agility Centre successfully redeployed 234 employees into alternative roles within Nedbank, while 18 employees were regrettably retrenched as result of changes in operational requirements.
- Before the crisis emerged in 2020, we concluded annual salary increases with our bargaining-unit employees at 6,3%, with non-bargaining-unit employees receiving increases of no more than 4,0% and the blended average employee salaries increasing by 4,7%.
- Our Nedbank Group executives, other senior management and boardmembers received no increases in their guaranteed pay for 2020.
- In 2020 we increased our focus on the physical, mental and financial wellbeing of our employees through various interventions. We are saddened by the loss of nine of our employees who succumbed to Covid-19 in 2020.
- Although a portion of our employees qualified, we did not apply for any benefit from any of the Unemployment Insurance Fund TERS subsidies.
- Paid special leave was introduced for employees who were unable to perform their duties and did not fall into the essential-services category and for those in self-quarantine who were unable to perform their duties remotely.
- In 2020 training spend amounted to R924m (2019: R760m) and a skills development score of 15,99 was achieved (2019: 15,67) on the BBBEE scorecard.
- We enabled more than 16 500 employees to work from home (more than 75% of campus-based employees) as BCPs were activated seamlessly with the ongoing support of our technology teams.
- The employee uptake of digital learning increased significantly, with 45 565 online LinkedIn Learning courses completed in 2020, which reflects growth of over 183% on the previous year. The Udemy learning platform has 511 users, with an increase in adoption rate from 62% in 2019 to 71% in 2020.
- Despite the crisis, we continued to focus on transformation as a key imperative to ensuring Nedbank remains relevant in a transforming society. Black representation at board level is 60%, at executive level it is 46% and among our total employees it is more than 78%. Female representation at board level is 20%, at executive level it is 46% and among total employees it is 61%.
- We were formally recognised for our efforts towards transformation and diversity and for being an employer of choice during 2020: We placed second in the 'Reporting JSE-listed boards' category; won the 'Employer of choice: Large organisations' category at the Topco Media Future of HR Awards; placed third in the category 'Employer of choice: Commercial and Retail Banking' at the SA Graduate Employers Association (SAGEA) Employer Awards; and won the Oliver Top Empowerment Award for our 2019 participation in the Youth Employment Service (YES) programme.

Clients

- Delivering market-leading client experiences remains a key priority and we are pleased to report that in the 2020 Consulta survey, we achieved second position among the five largest SA banks, and recorded the largest increase over the past five years in both client satisfaction (SAcsi score of 81%) and NPS (score of 41%). Our focus on client satisfaction during the crisis enabled us to be ranked consistently number one or two on social-media net sentiment by BrandsEye. Nedbank was also announced winner of both the Most Helpful Bank in Africa during Covid-19 and Most Helpful Bank in SA during Covid-19 categories by the Asian Banker as part of their BankQuality™ consumer survey.
- We safeguarded R954bn of deposits at competitive rates.
- We supported clients by advancing R210bn (2019: R208bn) in new loans to enable them to finance their homes, vehicles and education, as well as grow their businesses, and to help them manage through a difficult period in 2020.
- Under the PA's Directive 3/2020 we supported more than 400 000 clients who were in good standing at 29 February 2020 with payment relief (payment holidays) on more than R120bn of loans.
- We provided an online portal for clients to access various debt relief programmes by leveraging the onboarding capabilities that we have built, and we digitised debt relief application processes on our digital channels.

- Clients who have a Nedbank Personal Loan and have lost their income were able to claim against credit life protection, which covers up to 12 months of debt payments (amounting to more than R150m paid in 2020).
- We implemented our end-to-end digital onboarding, sales and servicing capabilities as part of our ME technology journey, which have proven to be beneficial in this time, with digital sales in RBB increasing to 49% (from 21% in 2019). Excluding MobiMoney, digital sales increased to 26% (from 12% in 2019). Our clients' access to banking improved, as digitally active retail users increased by 25% to 2,2m.
- Nedbank won various awards at the prestigious Global Banking & Finance Awards in recognition of the progress we made and our leadership in digital banking. The awards included Best Banking Technology Implementation in SA (Managed Evolution), Most Innovative Digital Branch Design in SA, Most Innovative Retail Banking App in SA (Nedbank Money app) for the second year in a row, Best Retail Bank in SA and CIO of the Year in South Africa. At the 2021 Global Finance World's Best Investment Bank Awards, Nedbank CIB won the Best Debt Bank: Africa category and was the overall country winner in the Best Investment Bank: SA category.
- Nedbank's brand ranking among SA companies increased from 11 in 2019 to eight in 2020, and Nedbank's brand was one of only two banking brands to improve value yoy in the 2020 annual review by Brand Finance of the most valuable brands in SA.

Shareholders

- Banks are highly integrated in the economies in which they operate and, as a result of the Covid-19 pandemic and sharp reductions in GDP, bank share prices across the world declined. Similarly, SA bank share prices declined in 2020 as reflected in the JSE SA bank index closing down 22% yoy. While we are disappointed that the Nedbank share price declined by 40% in 2020, we continue to focus on delivering on our strategy and actions alongside enhanced disclosure to address key issues investors may have. Pleasingly, in an environment of heightened forecast risk, we achieved the 2020 guidance we provided in H2 2020 and continue to focus on the drivers of value creation, as evident in our revised 2023 financial targets.
- Despite our strong capital and liquidity position at 31 December, having considered the spirit of Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021.
- We successfully hosted our first virtual AGM in 2020 and recorded good voting outcomes. We became the first company in SA to proactively table two climate-change-related resolutions, which shareholders unanimously supported as both received 100% votes of approval. Our inaugural TCFD report will be published in April 2021.
- We ensured transparent, relevant and timeous reporting; enhanced our disclosures to shareholders; and hosted numerous virtual investor engagements in 2020, which were accompanied by a significant increase in investor attendance.
- Nedbank achieved first place with honours at the 2020 EY Excellence in Integrated Reporting Awards – the only SA company to be named overall winner for three years in a row. This achievement was followed by a top 40 merit award at the 2020 Chartered Governance Institute of Southern Africa/JSE Integrated Reporting Awards.

Regulators

- We worked closely with the government, regulators and the Banking Association SA to mitigate the risks of Covid-19 and the associated lockdowns on the economy and to ensure the safety and soundness of the SA banking system.
- Key developments included the following:
  - SARB changed its liquidity management strategy to help with the orderly transmission of liquidity through the financial system. Through Directive 1/2020 the regulatory minimum for the LCR was reduced from 100% to 80%.
  - The PA issued Directive 3/2020, amending the requirements specified in Directive 7/2015 to provide temporary relief to banks for qualifying clients whose loans were up to date at 29 February 2020 when dealing with any Covid-19-related distressed restructures.
  - The PA issued Directive 2/2020, which allows for the temporary removal of the systemic risk buffer, or Pillar 2A capital requirement, which was reduced from 1% in total CAR to zero. Banks can now use their capital conservation buffers, including the additional loss absorbency requirements that were built up by D-SIBs.
  - A block exemption was issued by the Department of Trade, Industry and Competition allowing banks to collectively formulate the SME loan guarantee scheme with National Treasury and SARB and to engage and agree on client relief measures, for example helping Sassa beneficiaries and announcing payment holidays during the pandemic.
- We maintained a strong capital position, with a tier 1 capital ratio of 12,1% and CET1 ratio of 10,9%.
- We ended the year in a strong liquidity position, with an average LCR of 126% in Q4 of 2020 and an NSFR of 113% at December 2020. Both ratios improved on the levels achieved at June 2020.
- We hold investments of over R159bn in government and public sector bonds as part of our HQLA requirements.
- We made cash taxation payments across the group of R8,7bn (2019: R11,5bn) relating to direct, indirect and employee taxes, as well as other taxation.

SOCIETY

Our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of products and services that satisfy societal needs and through our own operations, we aim to play our part in enabling a thriving society, create long-term value and maintain trust to ensure the ongoing success of our brand. This is particularly important in the current context of SA as well as the broader African continent.

We have adopted the United Nations SDGs as a framework for measuring delivery on our purpose, and this has proven very important during this time. We continued to make progress in driving groupwide adoption, awareness and delivery of the SDGs to bring our purpose to life. Key highlights include the following:

Good health and wellbeing (SDG 3)

- We donated over R16m towards Covid-19 relief efforts: R5m was provided to The South African Red Cross Society and R2m to Doctors Without Borders.
- We actively engaged in numerous health and economic interventions through the Banking Association South Africa, Business Leadership SA and Business Unity SA (including Business4SA).

Quality education (SDG 4)

- Over the past five years Nedbank has provided approximately 4 300 students with student loans to the value of R232m. A total of R38m of this was disbursed to 617 students in 2020.

- Every year our sponsorship of the Thuthuka Education Upliftment Fund supports 45 students who are pursuing an academic qualification towards becoming chartered accountants in SA, and we have funded the qualification of 56 black chartered accountants.
- Our CSI spend totalled R103m in 2020 and included over R46m allocated to skills development and education.
- We provided further funding for the development of student accommodation of R691m, creating an additional 785 beds in 2020.

Clean water and sanitation (SDG 6)

- We continued to work with key water players to address issues with services, including providing advisory services and funding for significant water projects such as those of the Trans-Caledon Tunnel Authority (TCTA) and Rand Water.
- We decreased our own total water consumption by 25% as a result of ongoing water restriction measures, floorspace consolidation and reduced levels of employees at our campus sites due to the lockdown.

Affordable and clean energy (SDG 7)

- Nedbank launched a R2,0bn SDG-linked tier 2 capital instrument (SDG green bond), which is the first of its kind in SA, listed on the Green Bonds segment of the JSE and created in partnership with the African Development Bank. Proceeds will be used to fund solar and wind renewable-energy projects. The inaugural Nedbank Green Renewable Energy Bond won numerous awards in 2020: Energy Deal of the Year at the African Banker Awards 2020 and the Impact Initiative of the Year at the Environmental Finance Impact Awards 2020. During the year Nedbank also became the first SA sustainable bond issuer to be invited to join the Nasdaq Sustainable Bond Network as a contributing member.
- We continued our focus on embedded generation through our partnerships with leading developers in embedded generation, such as the Sola Group and Energy Partners, who can provide our clients with trusted energy solutions.
- In December 2020 Nedbank partnered with the International Finance Corporation (IFC) in raising $200m of climate-linked loan financing. This funding is being directed towards a combination of solar, wind and biomass projects and is aimed at supporting the construction of new projects under future rounds of SA's REIPPP.

Decent work and economic growth (SDG 8)

- We developed new digital solutions to facilitate greater banking access and lower banking costs for our clients, including a USSD-based application process for onboarding informal traders, enabling them to accept payments digitally at no cost to them and limiting handling of cash for their safety during the pandemic.
- We launched the Nedbank Small Business Services Startup Bundle, which is a bank account for new small businesses offering zero monthly maintenance fees for the first six months.
- We facilitated the distribution of R300m of loans to small businesses as one of the banks administering the South African Future Trust, at no cost to the fund, while we also waived fees for all loans approved under the scheme. We also created a partnership with SA's largest crowd funder, ThundaFund, which continues to help small businesses raise emergency operational funds from their supporters. Under the SARB SME loan guarantee scheme we paid out R1,4bn in loans.
- We enabled our employees and clients to contribute R160m to the Solidarity Fund through the Money app, Online Banking and the Nedbank website.

Reduced inequalities (SDG 10)

- In 2020 a total of 16,9m people were reached through radio, TV, digital platforms and social media as we digitised our financial literacy and education initiatives during the Covid-19 lockdown.
- We waived ATM withdrawal charges for Sassa clients and Saswitch fees for all clients during levels four and five of the Covid-19 lockdown.
- We partnered with the Department of Small Business and Development to help spaza shops and general dealers access support during the Covid-19 crisis. Through our branches and numerous Boxer stores with a Nedbank presence we issued more than 5 000 procurement cards to spaza shop owners preloaded with R3 500, allowing purchases at selected wholesalers.
- We added the Nedbank Insurance Funeral Plan onto five Nedbank digital platforms – the Money app, Online Banking, USSD, API Marketplace and Avo – to give our clients online access and enable financial inclusion.
- We have retained a level one BBBEE contributor status for the third consecutive year in financial year 2020 under the Amended FSC.
- In our own operations 79% of our procurement spend was used to support local SA business. In an effort to support the cashflow needs of small businesses as part of our commitment to the #PayIn30 Campaign, 92% of the total amount paid to 1 747 qualifying SMEs was paid within 30 days of our receiving their invoices.

Sustainable cities and communities (SDG 11)

- We disbursed R1 527m towards the development of affordable housing for lower-income households, bringing our five-year investment in this key sector to R5,7bn.
- We provided funding of over R2,2bn for the construction of buildings that conform to green building standards in 2020, bringing the amount of funding provided to this important sector to over R12bn to date.

Economic outlook

The outlook for the global economy has improved with the development and rollout of Covid-19 vaccines. Most economies are expected to return to growth in 2021, underpinning a rebound in merchandise trade, although activity in some services sectors will remain subdued. The risks to the global outlook remain to the downside, with much depending on the efficacy of the vaccines in containing the pandemic. The large advanced and developing economies are expected to continue to lead the global upturn, with China recording the fastest growth. The return to pre-Covid-19 global output levels is unlikely in the foreseeable future due to the destruction of some production capacity. Stimulatory measures on the monetary and fiscal fronts will also be key determinants of the pace of rebound across different economies. The IMF forecasts global GDP to rise by 5,5% in 2021 as vaccines contain the spread of the virus and allow governments around the world to ease lockdowns and encourage a return to normal economic activity. The world economy is further expected to benefit from the large government stimulus programmes announced by a few advanced economies, notably the US and Japan. In mid-January 2021 the markets welcomed the inauguration of newly elected US president Joe Biden, with expectations that the US would once again play a coordinating role on a global scale and that the US$1,9 trillion US stimulus programme would help support the global economy. In sub-Saharan Africa most countries are likely to emerge from the crisis with large budget deficits. However, the new African Continental Free-trade Area (AfCFTA) will serve as a framework for the region's economic recovery and a World Bank report estimates regional income could receive a US$450bn boost. In the short term the IMF expects a muted recovery in sub-Saharan Africa, with growth forecast to rebound by 3,2% in 2021.

SA's economic outlook has improved since 2020 but remains uncertain. Consequently, forecast risk remains high given the continuously evolving environment particularly the risk of a third wave of the virus. It is essential that government follows the path to deficit reduction set out in the national budget to avoid any further sovereign risk rating downgrades and the resultant negative feedback loops. Given government's limited resources, the focus should be on implementing much-needed growth-enhancing structural reforms, particularly ensuring a more stable energy supply, stabilising SOEs and the release of spectrum. Ultimately, the pace of the domestic economic recovery will depend on how quickly SA can achieve herd immunity as the phased Covid-19 vaccine rollout races against new and more contagious variants of the virus. The outlook for the SA economy is nevertheless more promising, with the recovery supported by firmer consumer spending, the rebuilding of domestic inventories and stronger commodity prices and export growth, particularly during the second half of the year. The Nedbank Economic Unit forecasts GDP growth of 3,4% for 2021, which is a material improvement from the 7,0% contraction in 2020, but real GDP is expected to return to 2019 levels only in the latter part of 2023.

Inflation is set to increase in 2021, edging higher off a low base on an uptick in fuel, food and electricity prices. These upside pressures will be contained by subdued domestic demand and a stronger rand. Headline inflation is forecast to average around 4,1% in 2021. We believe that the SARB has provided appropriate monetary stimulus since the pandemic began last year, and therefore we expect interest rates to remain flat throughout 2021.

The SA banking system weathered a very difficult and uncertain operating environment in 2020 and emerged with resilient capital and liquidity positions. Significant economic support is expected from low interest rates and the likely normalisation of activity once the global vaccination drive has gathered some critical mass and starts to contain the spread of the virus. However, it will take longer to repair the damage inflicted to household incomes and company profits. These realities will contain the speed of recovery to a modest pace over the next 12 months. The outlook for overall credit demand in the industry, although improving from 2020 levels, is expected to remain weak, reflecting the difficult economic conditions faced by households and companies. Industry-level credit growth is expected to improve gradually during the year to end at around 4,5%.

Prospects

Our guidance on financial performance for the full year 2021, in a global and domestic macroeconomic environment with high forecast risk, is currently as follows:

- **NII** growth to be between 0% and 3%. Loan growth should recover and NIM is expected to contract slightly on the back of the run rate of the full impact of interest rate cuts on endowment, partially offset by improved asset pricing.
- **CLR** to be between 110 bps and 130 bps, above our TTC target range of 60 bps to 100 bps but showing an improvement from the 161 bps reported in 2020.
- **NIR** to increase by between 5% and 9% as transactional activity recovers off a low base and strategic initiatives such as cross-sell and new revenue streams contribute to growth, as insurance claims decline but remain elevated, and as negative private-equity realisations and revaluations create a low 2020 base. Trading income growth will likely be more muted off the high 2020 base.
- **Expenses** growth to be between 7% and 9%, reflecting the impact of improved levels of profitability on incentives, expected new additional costs such as Deposit Insurance and Twin Peaks, the return of some discretionary spend such as marketing, Nedbank's support of YES, as well as our current expectation of other activities returning to normality.
- **Liquidity** metrics, including the LCR and NSFR ratios, to remain well above PA minimum requirements.
- **CET1 capital** ratio to remain within the board-approved target range of 10% to 12%.
- **Dividend** payment to resume when reporting interim results in 2021, an expectation supported by the group's robust balance sheet and earnings growth off a low base.

In line with our 'Reimagined' strategy we have revised and set new medium- and long-term targets that we believe are appropriate to drive value creation in the current economic environment. These, together with our 2021 guidance, are as follows:

Metric	2020 performance[6]	Full-year 2021 outlook	Medium-term target	Long-term target
ROE	**6,2%**	Improve on 2020	Greater than 2019 levels (15%) by 2023	> 18%
Growth in DHEPS	**(56,6%)**	Growth greater than 20%	Greater than 2019 levels (2 565 cents) by 2023	≥ consumer price index + GDP growth + 5%
CLR	**161 bps**	Between 110 bps to 130 bps	Between 60 bps and 100 bps of average banking advances	
Cost-to-income ratio (including associate income)	**58,1%**	Increases	Below 54% by 2023	≤ 50%
CET1 capital adequacy ratio (Basel III)	**10,9%**	Within target range	10,0–12,0%[7]	
Dividend cover	**No dividend paid**	1,75–2,25 times	1,75–2,25 times	

[6] The COE is currently forecast at around 14,4% in 2021 to 2023.

[7] This target will be reconsidered in light of the proposed reintroduction of Pillar 2A in 2022 as per the proposed directive published by the PA in Feb 2021.

Shareholders are advised that all guidance is based on organic earnings and our latest macroeconomic outlook and has not been reviewed or reported on by the group's joint auditors.

Trading statement for the six months ending 30 June 2021

HEPS and basic EPS for the six months ending 30 June 2021 are expected to increase by more than 20% (HEPS greater than 525,6 cents and basic EPS greater than 324 cents) when compared with those in the six-month period ended 30 June 2020 (HEPS: 438 cents, basic EPS: 270 cents). A further trading statement will be issued to provide more specific guidance when there is reasonable certainty about the extent of the increase and the relevant HEPS and basic EPS ranges.

Shareholders are advised that the information in this trading statement has not been reviewed or reported on by the group's joint auditors.

Board and leadership changes during the period

Peter Moyo tendered his resignation as a non-executive director of Nedbank Group Limited and Nedbank Limited with effect from 19 March 2020. Joel Netshitenzhe retired as an independent non-executive director with effect from the close of Nedbank Group's AGM on 22 May 2020. Iain Williamson was appointed as a non-executive director with effect from 1 June 2020, in line with the relationship agreement between Old Mutual Limited (OML) and Nedbank Group, which provides for OML to nominate one director to the boards of Nedbank Group and Nedbank Limited for as long as OML's shareholding in Nedbank Group is equal to or greater than 15%. On 22 January 2021 our Group Chairman, Vassi Naidoo, took a leave of absence to focus on treatment he is receiving for a medical condition that is unrelated to Covid-19. In terms of Nedbank Group's Board Continuity Programme, Mpho Makwana (Lead Independent Director of the group) assumed the role as acting Chairman until Vassi's return.

Raisibe Morathi resigned as the Chief Financial Officer (CFO) and executive director on the Nedbank Group Limited and Nedbank Limited boards with effect from 30 September 2020. In accordance with Nedbank Group's executive succession plan and after a process overseen by a panel of non-executive directors, Mike Davis, formerly Group Executive of Balance Sheet Management and an existing member of the Group Executive Committee, was appointed as the group's CFO and to the group's boards on 1 October 2020.

Brian Kennedy, Group Managing Executive for Nedbank CIB, reached the mandatory retirement age of 60 and retired on 31 March 2020 and Anél Bosman was appointed as Group Managing Executive for Nedbank CIB and as a member of the Group Executive Committee with effect from 1 April 2020. Given Nedbank's ongoing focus on growth in the rest of Africa, Dr Terence Sibiya, Managing Executive for Nedbank Africa Regions, was appointed as a member of the Group Executive Committee with effect from 1 April 2020.

Forward-looking statements

This announcement is the responsibility of the directors and contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include global, national and regional health; political and economic conditions; sovereign credit ratings; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive, regulatory and legal factors. By consequence, the financial information on which all forward-looking statements is based has not been reviewed or reported on by the group's joint auditors.

For and on behalf of the board

Mpho Makwana	**Mike Brown**
Acting Chairman	*Chief Executive*

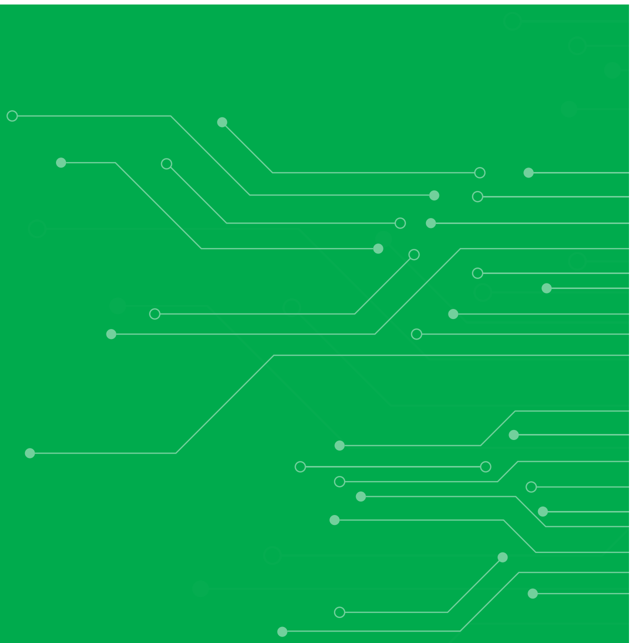
17 March 2021

Directors

V Naidoo (Chairman), PM Makwana** (Acting Chairman), MWT Brown* (Chief Executive), HR Brody, BA Dames, MH Davis* (Chief Financial Officer), NP Dongwana, EM Kruger, RAG Leith, L Makalima, Prof T Marwala, Dr MA Matooane, MC Nkuhlu* (Chief Operating Officer), S Subramoney, IG Williamson.

** Executive ** Lead Independent Director*

FINANCIAL RESULTS.



Financial highlights

for the year ended 31 December

		Change (%)	2020	2019
Statistics				
Number of shares listed	m	1,0	**502,1**	497,1
Number of shares in issue, excluding shares held by group entities	m	0,6	**483,9**	481,2
Weighted-average number of shares	m	0,7	**483,2**	480,0
Diluted weighted-average number of shares	m	0,2	**488,7**	487,5
Headline earnings	Rm	(56,5)	**5 440**	12 506
Profit attributable to ordinary equity holders	Rm	(71,1)	**3 467**	12 001
Total comprehensive income	Rm	(54,5)	**5 345**	11 735
Preprovisioning operating profit	Rm	(8,9)	**20 561**	22 577
Economic (loss)/profit	Rm	>(100)	**(6 580)**	1 412
Headline earnings per share	cents	(56,8)	**1 126**	2 605
Diluted headline earnings per share	cents	(56,6)	**1 113**	2 565
Basic earnings per share	cents	(71,3)	**717**	2 500
Diluted basic earnings per share	cents	(71,2)	**709**	2 462
Ordinary dividends declared per share	cents		**–**	1 415
Interim				720
Final				695
Ordinary dividends paid per share	cents	(51,7)	**695**	1 440
Dividend cover	times		**N/A**	1,84
Total assets administered by the group	Rm	8,6	**1 602 683**	1 474 485
Total assets	Rm	7,4	**1 228 137**	1 143 349
Assets under management	Rm	13,1	**374 546**	331 136
Life insurance embedded value	Rm	13,1	**3 606**	3 188
Life insurance value of new business	Rm	(32,8)	**283**	421
Net asset value per share	cents	1,0	**18 391**	18 204
Tangible net asset value per share	cents	0,8	**15 549**	15 426
Closing share price	cents	(39,6)	**12 948**	21 430
Price/earnings ratio	historical		**11,5**	8,2
Price-to-book ratio	historical		**0,7**	1,2
Market capitalisation	Rbn	(39,0)	**65,0**	106,5
Number of employees (permanent staff)		(3,2)	**28 271**	29 213
Number of employees (permanent and temporary staff)		(3,7)	**28 324**	29 403
Key ratios (%)				
ROE			**6,2**	15,0
Return on tangible equity			**7,4**	17,8
ROA			**0,45**	1,13
Return on RWA			**0,82**	2,02
NII to average interest-earning banking assets			**3,36**	3,52
NIR to total income			**44,5**	46,3
NIR to total operating expenses			**76,0**	80,8
CLR – banking advances			**1,61**	0,79
Cost-to-income ratio			**58,1**	56,5
Gross operating income growth less expense growth rate (JAWS ratio)			**(2,7)**	1,3
Effective taxation rate			**23,7**	22,8
Group capital adequacy ratios (including unappropriated profits):				
– CET1			**10,9**	11,5
– Tier 1			**12,1**	12,8
– Total			**14,9**	15,0

Consolidated statement of comprehensive income

for the year ended 31 December

Rm	Note	% change	2020	2019
Interest and similar income		(13,6)	72 300	83 680
Interest expense and similar charges		(21,1)	42 219	53 513
Net interest income	1	(0,3)	30 081	30 167
Impairments charge on financial instruments	2	> 100	13 127	6 129
Income from lending activities		(29,5)	16 954	24 038
Non-interest revenue	3	(7,1)	24 140	25 997
Operating income		(17,9)	41 094	50 035
Total operating expenses	4	(1,3)	31 772	32 179
Zimbabwe hyperinflation		(30,7)	205	296
Indirect taxation		(4,7)	1 148	1 096
Profit from operations before non-trading and capital items		(51,6)	7 969	16 464
Non-trading and capital items	5	> 100	(1 562)	(651)
Profit from operations		(59,5)	6 407	15 813
Share of (losses)/gains of associate companies	10	> (100)	(76)	793
Profit from operations before direct taxation		(61,9)	6 331	16 606
Total direct taxation	6	(50,6)	1 877	3 796
Direct taxation			1 994	3 942
Taxation on non-trading and capital items			(117)	(146)
Profit for the year		(65,2)	4 454	12 810
Other comprehensive income/(losses) net of taxation		> (100)	891	(1 075)
Items that may subsequently be reclassified to profit or loss				
Exchange differences on translating foreign operations			672	(159)
Share of OCI of investments accounted for using the equity method			(189)	(1 025)
Debt investments at FVOCI – net change in fair value			119	(232)
Items that may not subsequently be reclassified to profit or loss				
Share of OCI of investments accounted for using the equity method			395	(145)
Remeasurements on long-term employee benefit assets			(80)	300
(Losses)/Gains on property valuations			(26)	186
Total comprehensive income for the year		(54,5)	5 345	11 735
Profit attributable to:				
– Ordinary shareholders		(71,1)	3 467	12 001
– Non-controlling interest – ordinary shareholders		> 100	55	18
– Holders of preference shares		(19,8)	251	313
– Holders of participating preference shares	7		(58)	
– Holders of additional tier 1 capital instruments		54,6	739	478
Profit for the year		(65,2)	4 454	12 810
Total comprehensive income attributable to:				
– Ordinary shareholders		(60,4)	4 358	11 017
– Non-controlling interest – ordinary shareholders		> (100)	55	(73)
– Holders of preference shares		(19,8)	251	313
– Holders of participating preference shares	7		(58)	
– Holders of additional tier 1 capital instruments		54,6	739	478
Total comprehensive income for the year		(54,5)	5 345	11 735
Headline earnings reconciliation				
Profit attributable to ordinary equity holders		(71,1)	3 467	12 001
Less: Non-headline earnings items		> 100	(1 445)	(505)
Non-trading and capital items			(1 562)	(651)
Taxation on non-trading and capital items			117	146
Share of associate (ETI) impairment of goodwill			(528)	
Headline earnings		(56,5)	5 440	12 506

Consolidated statement of financial position

at 31 December

Rm	Note	2020	2019
Assets			
Cash and cash equivalents		**14 891**	14 149
Other short-term securities		**52 605**	64 451
Derivative financial instruments		**80 325**	35 243
Government securities		**130 468**	97 286
Other dated securities		**1 753**	3 271
Loans and advances to clients	8	**731 214**	769 859
Trading loans and advances	8	**71 251**	32 678
Loans and advances to banks	8	**40 838**	22 249
Other assets		**16 802**	15 393
Current taxation assets		**164**	281
Investment securities	9	**26 425**	28 961
Non-current assets held for sale		**69**	735
Investments in associate companies	10	**3 322**	3 917
Deferred taxation assets		**657**	389
Investment property		**–**	56
Property and equipment		**11 334**	11 977
Long-term employee benefit assets		**5 777**	5 602
Mandatory reserve deposits with central banks		**26 491**	23 486
Intangible assets	11	**13 751**	13 366
Total assets		**1 228 137**	1 143 349
Equity and liabilities			
Ordinary share capital		**484**	481
Ordinary share premium		**18 583**	18 096
Reserves		**69 925**	69 020
Total equity attributable to ordinary equity holders		**88 992**	87 597
Non-controlling interest attributable to ordinary shareholders		**466**	780
Holders of preference shares		**3 164**	3 222
Holders of additional tier 1 capital instruments		**7 822**	6 850
Total equity		**100 444**	98 449
Derivative financial instruments		**65 130**	27 991
Amounts owed to depositors	12	**953 715**	904 382
Provisions and other liabilities		**23 704**	23 297
Current taxation liabilities		**590**	161
Non-current liabilities held for sale		**–**	598
Deferred taxation liabilities		**390**	939
Long-term employee benefit liabilities		**2 604**	2 533
Investment contract liabilities		**20 868**	24 571
Insurance contract liabilities		**922**	715
Long-term debt instruments		**59 770**	59 713
Total liabilities		**1 127 693**	1 044 900
Total equity and liabilities		**1 228 137**	1 143 349

Consolidated statement of changes in equity

for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property reserve revaluation	Share-based payment reserve
Balance at 1 January 2019	477 128 735	477	17 315	(1 389)	1 725	1 507
Shares issued in terms of employee incentive schemes	4 170 790	4	825			(632)
Additional tier 1 capital instruments issued						
Shares (acquired)/no longer held by group entities and BEE schemes	(125 146)		(44)			
Preference share dividend paid						
Dividends paid to shareholders						
Total comprehensive income for the year				(855)	186	–
Profit attributable to ordinary equity holders and non-controlling interest						
Exchange differences on translating foreign operations				(68)		
Movement in fair-value reserve						
Gains on property revaluations					186	
Remeasurements on long-term employee benefit assets						
Share of OCI of investments accounted for using the equity method				(787)		
Transfer to/(from) reserves					(72)	46
Share-based payment reserve movements						591
Additional tier 1 capital instruments interest paid						
Other movements						
Balance at 31 December 2019	**481 174 379**	**481**	**18 096**	**(2 244)**	**1 839**	**1 512**
Shares issued in terms of employee incentive schemes	**5 000 960**	**5**	**779**			**(435)**
Additional tier 1 capital instruments issued						
Shares (acquired)/no longer held by group entities and BEE schemes	**(2 282 572)**	**(2)**	**(292)**			
Preference share dividend paid[3]						
Additional tier 1 capital instruments interest paid						
Dividends paid to shareholders						
Total comprehensive income for the year				**146**	**(26)**	**–**
Profit attributable to ordinary equity holders and non-controlling interest						
Exchange differences on translating foreign operations[4]				**672**		
Movement in fair-value reserve						
Gains/(Losses) on property revaluations					**(26)**	
Remeasurements on long-term employee benefit assets						
Share of OCI of investments accounted for using the equity method				**(526)**		
Transfer to/(from) reserves					**(41)**	**(337)**
Share-based payments reserve movement						**292**
Transactions with non-controlling interest				**103**	**(15)**	
Other movements						
Balance at 31 December 2020	**483 892 767**	**484**	**18 583**	**(1 995)**	**1 757**	**1 032**

[1] *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves, to comply with various banking regulations, of R290m (2019: R168m). The prior-year balance was offset by the difference between the at-acquisition fair value (net basis) and gross value of the Banco Único put option of R223m.*

[2] *Represents the accumulated profits after distributions to shareholders and appropriations of retained earnings to other non-distributable reserves.*

[3] *Preference share dividends include total dividends paid of R280m less preference dividends earned in respect of preference shares, held by group entities, of R29m.*

[4] *Exchange differences of R672m disclosed in the statement of other comprehensive income includes R227m for the conversion of our investment in ETI from USD to ZAR.*

[5] *The R58m loss attributable to holders of participating preferences shares relates to economic losses allocated to participating preference shareholders in accordance with an operating-profit-share preference share agreement.*

Other non-distributable reserves[1]	Fair-value reserves	Other distributable reserves[2]	Total equity attributable to ordinary equity holders	Non-controlling interest attributable to ordinary shareholders	Equity attributable to preference shareholders	Holders of participating preference shares[5]	Holders of additional tier 1 capital instruments	Total shareholders' equity
(80)	1 064	62 508	83 127	867	3 222		3 397	90 613
		(197)	–					–
			–				3 500	3 500
			(44)					(44)
			–		(313)			(313)
		(7 112)	(7 112)	(14)				(7 126)
–	(470)	12 156	11 017	(73)	313		478	11 735
		12 001	12 001	18	313		478	12 810
			(68)	(91)				(159)
	(232)		(232)					(232)
			186					186
		300	300					300
	(238)	(145)	(1 170)					(1 170)
25		1	–					–
			591					591
			–				(525)	(525)
		18	18					18
(55)	**594**	**67 374**	**87 597**	**780**	**3 222**	**–**	**6 850**	**98 449**
		(53)	**296**					**296**
			–				**972**	**972**
			(294)					**(294)**
			–		**(251)**			**(251)**
							(739)	**(739)**
		(3 451)	**(3 451)**	**(49)**				**(3 500)**
–	**456**	**3 782**	**4 358**	**55**	**251**	**(58)**	**739**	**5 345**
		3 467	**3 467**	**55**	**251**	**(58)**	**739**	**4 454**
			672					**672**
	119		**119**					**119**
			(26)					**(26)**
		(80)	**(80)**					**(80)**
	337	**395**	**206**					**206**
401	**(89)**	**66**	**–**					**–**
			292					**292**
(56)	**–**	**173**	**205**	**(320)**				**(115)**
		(11)	**(11)**					**(11)**
290	**961**	**67 880**	**88 992**	**466**	**3 222**	**(58)**	**7 822**	**100 444**

Return-on-equity drivers

for the year ended 31 December

Rm	2020	2019
NII	**30 081**	30 167
Impairments charge on financial instruments	**(13 127)**	(6 129)
NIR	**24 140**	25 997
Income from normal operations	**41 094**	50 035
Total operating expenses	**(31 772)**	(32 179)
Zimbabwe hyperinflation	**(205)**	(296)
Share of gains of associate companies	**452**	793
Net profit before taxation	**9 569**	18 353
Indirect taxation	**(1 148)**	(1 096)
Direct taxation	**(1 994)**	(3 942)
Net profit after taxation	**6 427**	13 315
Non-controlling interest	**(736)**	(496)
Headline earnings	**5 691**	12 819
Daily average interest-earning banking assets	**895 880**	857 981
Daily average total assets	**1 209 835**	1 104 160
Daily average shareholders' funds	**88 021**	83 579
Daily average shareholders' funds, excluding goodwill	**82 897**	78 402

Note: Averages calculated on a 365-day basis.

	2020	2019
NII/average interest-earning banking assets	**3,36%**	3,52%
	less	less
Impairments/average interest-earning banking assets	**1,47%**	0,71%
	add	add
NIR/average interest-earning banking assets	**2,69%**	3,03%
	4,58%	5,84%
	less	less
Total expenses/average interest-earning banking assets	**3,55%**	3,75%
	less	less
Zimbabwe hyperinflation/average interest-earning banking assets	**0,02%**	0,03%
	add	add
Associate income/average interest-earning banking assets	**0,05%**	0,09%
	1,06%	2,15%
	multiply	multiply
100% – effective direct and indirect taxation rate	**0,67**	0,73
	multiply	multiply
100% – income attributable to minorities	**0,85**	0,94
Headline earnings	**0,60%**	1,48%
	multiply	multiply
Interest-earning banking assets/daily average total assets	**74,0%**	77,7%
	=	=
Return on total assets	**0,45%**	1,13%
	multiply	multiply
Leverage	**13,74**	13,21
	=	=
ROE	**6,2%**	15,0%

SEGMENTAL ANALYSIS.

Our organisational structure, products and services

We deliver our products and services through **four main business clusters**.

NEDBANK CORPORATE AND INVESTMENT BANKING

OUR CLIENTS

Corporates, institutions and parastatals with an annual **turnover of over R750m**.

> 600 **large corporate clients.**

OUR PRODUCTS AND SERVICES

Full suite of wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, commercial-property finance, deposit-taking, and transactional banking.

OUR AREAS OF STRENGTH AND DIFFERENTIATION

- Market leader with strong expertise in commercial property, corporate advances, advisory and renewable-energy financing.
- Market leading trading franchise with excellent trading capabilities across all asset classes
- Leading industry expertise in public sector, mining and resources, infrastructure and telecoms.
- Integrated model, delivering high levels of client service and better coverage.
- Ability to attract and retain high-quality intellectual capital.
- Efficient franchise.

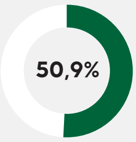
KEY METRICS

ADVANCES
R429bn

HE
R3 636m

ROE
9,4%

ADVANCES



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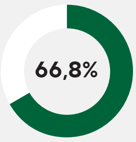


NEDBANK RETAIL AND BUSINESS BANKING

Individual clients and **businesses**.

> 7,3 million clients, including:

- > **302 000 small and medium enterprises** (typically businesses with an annual turnover of less than R30m), as well as informal traders like spaza shops.
- > **14 583 business-banking client groups with a annual turnover of between R30m and R750m.** (Client groups with an annual turnover of < R30m previously managed under Business Banking were migrated to small and medium enterprises in July 2019). Of the total clients, **2,94 million are retail main-banked clients.**

Full range of Banking and Beyond services including transactional banking, card and payment solutions, lending solutions, deposit-taking services, risk management, investment products, card-acquiring services for businesses, ecosystems and platforms-based solutions.

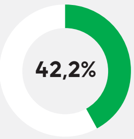
- A leader in business banking, underpinned by an accountable, empowered, decentralised business service model.
- End-to-end digital onboarding capability for transactional and lending products across various channels.
- Differentiated and disruptive CVPs across our different client segments, including Unlocked.Me, MobiMoney, Avo, MoneyTracker, USSD-based Stokvel Account, Home-buying Toolkit, Karri school payments app, tap on phone, SimplyBiz and API_Marketplace.
- Highly competitive relationship banking offering for our affluent (Professional Banking) and small-business clients.
- Digitally enabled, reimagined distribution network with five different store types, including retailer partnerships and flexible workforce.
- Leading client experiences evidenced by our improvement in NPS and social-media sentiment, as well as recent award wins for being most helpful bank in South Africa (and Africa) during Covid-19, as voted by clients (Asian Banker BankQuality Consumer Survey on Retail Banks 2020).
- Proud of my Town community transformation initiative.

ADVANCES
R356bn

HE
R1 595m

ROE
5,4%

ADVANCES



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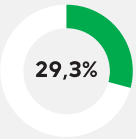


NEDBANK WEALTH

High-net-worth individuals, and **other retail**, **business** and **corporate clients**.

> 18 400 high-net-worth clients locally and internationally (SA, UK, Guernsey, Jersey, Isle of Man and the UAE).

Wide range of financial services, including high-net-worth banking and wealth management solutions, as well as asset management and insurance offerings.

NEDBANK PRIVATE WEALTH SINCE 1834 | NEDGROUP INVESTMENTS | NEDBANK INSURANCE

Nedbank Insurance

- Nedbank Insurance Funeral Plan (NIFP) included on five Nedbank digital platforms (Money app, Online Banking, USSD, API_Market Place and Avo).
- Nedbank Insurance on-licence personal lines product will be launched to the the broader market in 2021 and included on the Money app.

Nedbank Private Wealth

- Holistic and integrated high net worth offering.
- Launched a seamless service to enable clients to transfer money from their SA account to their Nedbank Private Wealth International Focus Account via the Nedbank Private Wealth app.
- Nedbank Private Wealth International was named Best Boutique Private Bank at the 2020 Wealth briefing MENA Region awards.

Asset Management

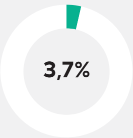
- Top fund managers identified through Nedgroup Investments' Best of breed™ investment approach.
- Nedgroup Investments launched the MyRetirement solution – an innovative, low-cost, post-retirement solution.

ADVANCES
R31bn

HE
R662m

ROE
15,3%

ADVANCES



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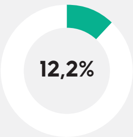


NEDBANK AFRICA REGIONS

Retail, small and medium enterprises, and business and corporate clients across the countries we operate in.

> 334 000 clients.

Full range of banking services, including transactional, lending, deposit-taking services and card products, as well as selected wealth management offerings.

Bancassurance offering in selected markets.

NEDBANK | ÚNICO | Ecobank

SADC (own, manage and control banks)

- Presence in five SADC countries – well positioned for growth on the back of a standardised model nuanced for market context.
- Technology investments to enhance CVPs and achieve scale (Winner of various awards in 2020: Best Digital Bank in Lesotho and the Most Innovative Bank in Eswatini. Banco Único was awarded Best Digital Bank of Mozambique by the Global Banking & Finance Review, making it the 25th award they have received for their digital offers.)
- Winner of the Fastest-growing Bank award in Mozambique (Banco Único) at the Global Banking & Finance Awards.
- Aiming for #1 in client service in every market that we are operating in. (#1 in NPS scores in Lesotho and Namibia, and Nedbank Namibia won a Diamond Arrow award at the PMR.africa Namibia Country Survey Business Excellence Awards for Nedbank Private Banking.)

Central and West Africa (ETI alliance – 21,2% shareholding)

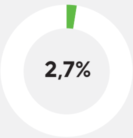
- Ecobank-Nedbank alliance is the widest banking network on the African continent in 39 countries.
- Aiming to increase deal flow by leveraging ETI's local presence and knowledge and Nedbank's structuring expertise.
- ETI has a very strong West and Central Africa franchise: they are in the top three in 13 of 16 countries in the region.

ADVANCES
R23bn

HE
R12m

ROE
0,2%

ADVANCES



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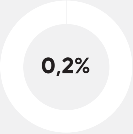


Operational segmental reporting

for the year ended 31 December

	Nedbank Group		Corporate and Investment Banking	
Rm	**2020**	2019	**2020**	2019
Summary of consolidated statement of financial position (Rm)				
Assets				
Cash and cash equivalents	41 382	37 635	997	1 798
Other short-term securities	52 605	64 451	24 403	30 773
Derivative financial instruments	80 325	35 243	80 264	35 174
Government and other securities	132 221	100 557	54 232	35 317
Loans and advances	843 303	824 786	428 992	423 542
Other assets	78 301	80 677	18 460	17 122
Intragroup assets	–	–		
Total assets	1 228 137	1 143 349	607 348	543 726
Equity and liabilities				
Total equity	100 444	98 449	38 691	34 885
Average allocated capital	90 115	85 111	38 691	34 885
Non-controlling interest	11 451	10 852		
Other equity[1]	(1 122)	2 486		
Derivative financial instruments	65 130	27 991	65 079	27 973
Amounts owed to depositors	953 715	904 382	423 046	379 656
Provisions and other liabilities	49 078	52 814	10 095	8 426
Long-term debt instruments	59 770	59 713	543	705
Intragroup liabilities	–	–	69 894	92 081
Total equity and liabilities	1 228 137	1 143 349	607 348	543 726
Summary of consolidated statement of comprehensive income (Rm)				
NII	30 081	30 167	7 339	7 390
Impairments charge on financial instruments	13 127	6 129	3 245	917
Income from lending activities	16 954	24 038	4 094	6 473
NIR	24 140	25 997	7 229	8 175
Operating income	41 094	50 035	11 323	14 648
Total operating expenses	31 772	32 179	6 432	6 604
Zimbabwe hyperinflation	205	296		
Indirect taxation	1 148	1 096	159	181
Profit/(Loss) from operations	7 969	16 464	4 732	7 863
Share of gains of associate companies	452	793	115	121
Profit before direct taxation	8 421	17 257	4 847	7 984
Direct taxation	1 994	3 942	1 211	1 836
Profit after taxation	6 427	13 315	3 636	6 148
Profit attributable to:				
– Non-controlling interest – ordinary shareholders	55	18		(19)
– Holders of preference shares	193	313		
– Holders of additional tier 1 capital instruments	739	478		
Headline earnings	5 440	12 506	3 636	6 167
Selected ratios				
Average interest-earning banking assets (Rm)	895 880	857 981	392 089	371 862
Average risk-weighted assets (Rbn)	665 119	620 113	340 490	302 360
ROA (%)	0,45	1,13	0,60	1,15
RORWA (%)	0,82	2,02	1,07	2,04
ROE (%)	6,2	15,0	9,4	17,7
Interest margin (%)[2]	3,36	3,52	1,87	1,99
NIR to total income (%)	44,5	46,3	49,6	52,5
NIR to total operating expenses (%)	76,0	80,8	112,4	123,8
CLR – banking advances (%)	1,61	0,79	0,82	0,25
Cost-to-income ratio, including associate income (%)	58,1	56,5	43,8	42,1
Effective taxation rate (%)	23,7	22,8	25,0	23,0
Contribution to group economic (loss)/profit (Rm)	(6 580)	1 412	(1 974)	1 234
Number of employees (permament staff)	28 271	29 213	2 470	2 553

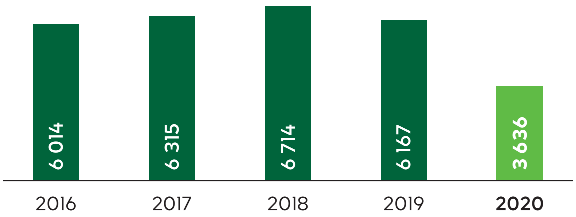
[1] *Other equity includes the variance between average allocated capital, which is computed using the average-equity month-end balances and actual equity.*

[2] *Cluster margins include internal assets.*

	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2020	2019	2020	2019	2020	2019	2020	2019
	6 468	6 168	1 981	1 746	6 813	6 341	25 123	21 582
			25 105	20 701	3 639	4 083	(542)	8 894
			2	7	33	38	26	24
					827	848	77 162	64 392
	356 272	349 396	31 133	30 741	23 233	21 678	3 673	(571)
	11 917	10 610	22 023	24 238	3 811	4 898	22 090	23 809
	15 941	11 577			2 733	499	(18 674)	(12 076)
	390 598	377 751	80 244	77 433	41 089	38 385	108 858	106 054
	29 573	30 573	4 327	4 204	6 471	5 943	21 382	22 844
	29 573	30 573	4 327	4 204	6 471	5 943	11 053	9 506
							11 451	10 852
							(1 122)	2 486
			12	6	39	11		1
	354 243	338 901	43 945	40 060	33 294	30 223	99 187	115 542
	5 242	5 829	25 527	29 703	967	1 891	7 247	6 965
	1 540	2 448			318	317	57 369	56 243
			6 433	3 460			(76 327)	(95 541)
	390 598	377 751	80 244	77 433	41 089	38 385	108 858	106 054
	19 692	19 831	897	1 148	1 274	1 547	879	251
	8 746	4 823	208	57	437	233	491	99
	10 946	15 008	689	1 091	837	1 314	388	152
	11 830	13 318	3 303	3 436	1 454	1 220	324	(152)
	22 776	28 326	3 992	4 527	2 291	2 534	712	–
	20 161	20 384	3 061	3 113	2 325	2 427	(207)	(349)
					205	296		
	488	548	91	113	64	58	346	196
	2 127	7 394	840	1 301	(303)	(247)	573	153
					337	672		
	2 127	7 394	840	1 301	34	425	573	153
	590	2 059	178	259	(30)	(64)	45	(148)
	1 537	5 335	662	1 042	64	489	528	301
					52	32	3	5
	(58)	42					251	271
							739	478
	1 595	5 293	662	1 042	12	457	(465)	(453)
	364 417	349 599	59 590	52 968	33 126	30 848	46 658	52 704
	211 606	203 383	29 060	26 468	44 636	48 938	39 327	38 964
	0,42	1,44	0,81	1,40	0,03	1,19		
	0,75	2,60	2,28	3,94	0,03	0,93		
	5,4	17,3	15,3	24,8	0,2	7,7		
	5,40	5,67	1,51	2,17	3,85	5,01		
	37,5	40,2	78,6	75,0	53,3	44,1		
	58,7	65,3	107,9	110,4	62,5	50,3		
	2,40	1,38	0,64	0,18	1,85	1,01		
	64,0	61,5	72,9	67,9	75,9	70,6		
	27,7	27,8	21,2	19,9	(88,2)	(15,0)		
	(2 693)	967	35	447	(929)	(384)	(1 019)	(852)
	17 267	17 607	2 115	2 207	2 352	2 581	4 067	4 265

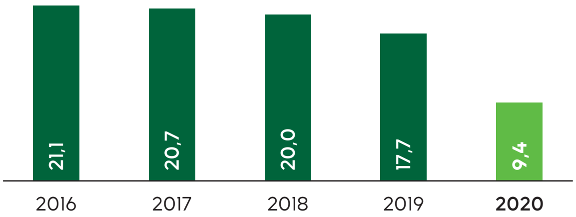
Nedbank Corporate and Investment Banking

HEADLINE EARNINGS
(Rm)



The Covid-19 pandemic and the difficult economic environment impacted CIB's results. HE decreased by 41,0% to R3 636m and ROE fell to 9,4%. GOI was under pressure and declined by 6,4% to R14 683m, due largely to decreased endowment income, negative equity revaluations and declining fees and commissions. This was offset by good trading income growth of 16%. Capital was well managed throughout the year and grew by 10,9% due to rating migrations, advances growth during H1 and an increase in market risk capital.

RETURN ON EQUITY
(%)



NII decreased by 0,7% to R7 339m, with AIEBA increasing by 5,4% to R392bn and average banking advances increasing by 6,2% to R394bn, as clients drew down on liquidity facilities during the crisis. Actual banking advances decreased 8,1% to R361bn due to repayments in H2 as well as optimisation efforts to manage RWA. This was in large part due to an active focus on portfolio and capital optimisation. Average deposits increased by 10,8% to R407bn as a result of delayed client capital investment. NIM decreased by 12 bps to 1,87% driven by a reduction in endowment and higher cost

FINANCIAL HIGHLIGHTS

	Corporate and Investment Banking		Property Finance		Corporate and Investment Banking, excluding Property Finance	
	2020	2019	**2020**	2019	**2020**	2019
Headline earnings (Rm)	**3 636**	6 167	**250**	1 654	**3 386**	4 513
NII (Rm)	**7 339**	7 390	**2 111**	2 106	**5 228**	5 284
Impairments charge on financial instruments (Rm)	**3 245**	917	**911**	(32)	**2 334**	949
NIR (Rm)	**7 229**	8 175	**146**	1 207	**7 083**	6 968
Gross operating income (including associate income) (Rm)	**14 683**	15 686	**2 258**	3 313	**12 425**	12 373
Operating expenses (Rm)	**6 432**	6 604	**956**	1 051	**5 476**	5 553
ROE (%)	**9,4**	17,7	**2,7**	16,7		
ROA (%)	**0,60**	1,15	**0,12**	0,9		
CLR – banking advances (%)	**0,82**	0,25	**0,54**	(0,02)		
NIR to total operating expenses (%)	**112,4**	123,8	**15,3**	114,8		
Cost-to-income ratio (%)	**43,8**	42,1	**42,4**	31,7		
Interest margin (%)	**1,87**	1,99	**1,07**	1,12		
Total assets (Rm)	**607 348**	543 726	**174 587**	167 975	**432 761**	375 751
Average total assets (Rm)	**608 288**	538 064	**172 680**	159 412	**435 608**	378 652
Total advances (Rm)	**428 992**	423 542	**168 832**	148 473	**260 160**	275 069
Average total advances (Rm)	**446 176**	405 888	**166 942**	153 840	**279 234**	252 048
Total deposits (Rm)	**423 046**	379 656	**341**	268	**422 705**	379 388
Average total deposits (Rm)	**407 418**	367 804	**357**	503	**407 061**	367 301
Average allocated capital (Rm)	**38 691**	34 885	**9 222**	9 921	**29 469**	24 964

Financial highlights

	Property Finance		Investment Banking		Markets		Working capital and transactional services	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Gross operating income (including associate income) (Rm)	**2 258**	3 313	**3 460**	3 649	**5 682**	5 106	**3 283**	3 618
Average total advances (Rm)	**166 942**	153 840	**198 942**	187 444	**58 455**	38 724	**21 837**	25 880

of funding during the crisis. This reduction was partially offset by asset margin increases as credit spreads widened to reflect the risk backdrop.

Impairments increased to R3,2bn (2019: R917m) to account for the expected deterioration in the credit environment and stress in certain industries. Even though we have more favourable forward-looking macro parameters compared to H1 2020, we applied additional impairment overlays within the Investment Banking and Transactional Services portfolio, as well as the property sectors where we expect lagging risk migration over the next 12 to 18 months. The CLR increased to 0,82%, which is higher than the GFC peak of 0,43%. The total impairment coverage ratio increased from 0,65% in December 2019 to 1,08%, driven by stage 1 and stage 2 portfolio impairments. Stage 3 advances increased from R4,1bn in December 2019 to R11,0bn – representing 3,7% of banking advances - as the difficult environment resulted in several watchlist clients migrating to non-performing status or requiring distressed restructures. The increased stage 3 impairments mostly relate to lower-than-expected recovery values and an increased time to resolve non-performing loans in the current depressed environment. The stage 3 (specific) coverage ratio decreased to 14,9% due to some write offs in H2 2020 where higher impairments were held, the level of collateralisation on the remaining defaulted book and certain stage 3 loans having implemented restructures. These will now be monitored before they can be re-rated to the performing portfolio. A total of R25,4bn in Directive 3/2020 restructures (8,2% of banking advances) were still in place at year-end, with exposures mainly in the hospitality, property, consumer goods and construction and cement sectors. We remain vigilant on high-risk sectors such as aviation, construction and hospitality and we believe we have raised adequate impairments.

NIR decreased by 11,6% to R7 229m due to negative equity revaluations in private equity income as the profitability of certain counters were impacted over this period. Fee and commission income declined by 10,8% to R2 906m as a result of the lockdown negatively impacting new-client-related activities - particularly in Investment Banking. These factors were offset somewhat by good trading income performance – growing at 16,1% and a 4,9% growth in Transactional Services – which continued to see primary-client wins. The NIR-to-expense ratio decreased to 112,4% (2019: 123,8%).

Cost containment resulted in expenses decreasing by 2,6% from the prior year. Our cost-to-income ratio has increased slightly from 42,1% in the prior year to 43,8% as a result of the muted income levels.

PROPERTY FINANCE

Conditions in the property sector are likely to remain challenging for the foreseeable future. Our areas of focus during the second half of the year have been on liquidity pressures caused by the lockdown as well as the longer-term impact expected on property values. We have worked extensively with clients to offer short-term liquidity relief where they experienced cashflow pressures. Our experience, however, is that liquidity in the sector remained significantly better than expected, with our portfolio remaining resilient. We anticipate a decline in property values in the medium term and have started to see this materialise through results reported in the listed sector, as well as through our own valuations of collateral that we hold. While initial value reductions have generally not been excessive, we anticipate the downward trend to continue for the foreseeable future. We will continue to work with clients to understand the themes that are evolving and the potential impact they could have on values. GOI decreased by 31,9%, driven mainly by NIR declining 87,9% as a result of negative equity revaluations, impairments in the mezzanine book and reduced fee and commission income. Total advances increased by 4,1% to R169bn, but NII was flat as a result of the interest rate cuts impacting endowment income. The CLR increased to 0,54% (2019: -0,02%) due to increased impairments as well as overlays raised for listed funds and exposures in the retail, offices and hospitality sectors where we expect negative risk migration over the next 12 to 18 months.

Our portfolio contains good-quality collateralised assets and is well diversified. This is underpinned by a strong client base and supported by an experienced property team.

INVESTMENT BANKING

Investment Banking was impacted by higher impairment charges and negative revaluations on equity exposures, which resulted in GOI decreasing by 5,6%. Actual banking advances, including corporate bonds, decreased by 13,6% due to active portfolio management as we focused on capital optimisation and experienced early repayments from clients in the second half of the year. NII increased by 9,9% due to higher annual average advances and a change in the mix across the portfolio. A higher impairment charge was driven by the expected negative risk migration in the performing portfolio and a larger defaulted book with increased stage 3 impairments. Defaulted exposures increased due to clients experiencing increased pressure, particularly in the aviation, commodity trading, business services and SOE sectors. NIR was impacted by negative equity revaluations, with the private equity portfolio experiencing a reduction in the overall portfolio valuation in line with related JSE sectors. Fees and commissions decreased by 16,4% due to reduced client activity. Despite the challenges in specific sectors we have seen growth in mining and resources, oil and gas, telecoms and energy where Investment Banking has market-leading expertise. Focus is being put on the current advances pipeline to ensure optimisation of return on risk-weighted assets and cross-selling into the broader CIB offering.

MARKETS

Markets were well positioned for volatility, with trading income growing at 16,3% off a strong base, reflecting good performances across all asset classes. Revenue generation remained robust, despite an expected decline given the dissipation of volatility and compression of rates in the second half of the year. GOI grew at 11,3% and NIR increased by 12,2% to R4 857m. Equities trading increased by 50,7%, driven by strong risk management, increased levels of volatility and good client activity. Strong market-making results in fixed income as well as hedging activity in xVA led to an overall increase of debt securities revenue. Foreign exchange performance was up by 8,6%, largely driven by good outcomes in FX derivatives hedging where Nedbank's newly positioned offering and team were able to take advantage of the increased client activity levels during the lockdown period.

WORKING CAPITAL AND TRANSACTIONAL SERVICES

GOI decreased by 8,8% due to the decline in NII from R2 129m in 2019 to R1 792m. This was due to margin pressure on deposits, while average deposits grew 10,6%. Transactional revenue increased by 4,9% driven by the contribution and cumulative effect of our 160 primary-banked wins since 2015, inclusive of the 37 won in 2020 that will also accrete NIR over time. These primary-banked clients represent 10% of the Transactional Services GOI.The Transactional Services business placed strategic focus on growing the short-term lending, trade finance and asset-based finance books through the formation of a specialised Working Capital sales team to facilitate additional deposit and transactional growth. In 2020, 46 new facilities were granted to the value of R14bn and 10 restructures undertaken, amounting to R6,4bn (total of R20,4bn).The overall credit environment remains difficult, with impairments increasing and a slowdown in global trade activity being experienced in 2020.

Transactional Services continues to deliver on significant innovation in our product areas. We are focussed on efficiencies as well as API initiatives and solutions together with selected clients. Nedbank has invested in its digital capabilities and we will roll out the Nedbank Business Hub (NBH) - an advanced juristic onboarding and servicing digital platform.

Looking forward

The Covid-19 pandemic and the subsequent measures implemented to contain the spread of the virus have caused further damage to an economy that was already in technical recession. Despite this, we have a robust pipeline and will continue to focus on optimising risk and returns, cross selling and diversifying our revenue pools. Uncertainty continues to be a trend with the ongoing pandemic and a third wave of infections in SA could become a reality.

We are continuing our efforts to help clients, protect businesses, and save jobs by providing highly focused client service and assistance where it is needed with an emphasis on providing proactive risk management and focus on resolutions in stressed sectors. Our key strategies for 2021 are to formalise our balance sheet optimisation approach, build opportunities off the base of our ESG credentials, work with South African institutions to build a sustainable economy and accelerate our digital ambitions.

We plan to enhance the active optimisation of our balance sheet in line with global investment banking trends, focusing on delivering our ROE ambitions. By developing deep client and product analytics to understand overall returns, changes over time and the effect of pipeline deals, we will ensure we are focused on the right sectors, clients and products. Attracting, upskilling and retaining top talent continues to be significant levers in growing our businesses and remain a priority while we continue to ensure that we build a culture with diversity, equity and inclusion at its heart.

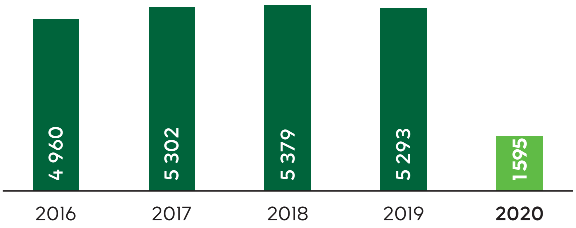
We believe our credentials and strength in ESG have an important part to play in creating a sustainable franchise – climate change is a defining battle of our generation that we must win and, as such, we will use our financial expertise to play a part in achieving a sustainable future for the country. We followed up our successful green renewable issuance in 2019 by raising R2bn through a first-of-its kind SDG-linked bond instrument listed on the green segment of the JSE. We also established a dedicated Sustainable Finance Solutions team to keep a front and centre presence and profile in the market as the go-to bank for innovative sustainable financial solutions. Our contribution to growth in our country as a financial services player remains a key focus. To this end we will look for opportunities to support the government's Economic Reconstruction and Recovery Plan – with a focus on infrastructure and using our strong sector expertise and market leadership in renewable energy.

Globally, our industry is increasingly seeing technology as a core capability of product delivery and innovation. There is also a growing focus on digital client experience. We still take the view that deep, quality client relationships are paramount, but acknowledge the importance of our digital ambitions to fulfil on a 'warm digital' engagement. This entails investing in meaningful client relationships where it matters, while creating a great digital 'self-service' experience for our clients' day-to-day needs. Our focus, in this respect, is the long-term development of the Nedbank Business Hub to provide a single digital channel for all our clients' day-to-day transactional and servicing requirements with a consistent, omni-channel user experience. We will leverage the assets created through Managed Evolution and adopt agile and lean practices in partnership with Group Technology to accelerate our digital delivery.

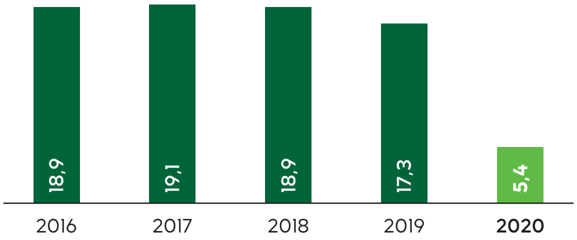
Favourable	Unfavourable
• Strong performance in trading income increasing by 16%. • Expenses reduced as a result of cost containment. • R25bn of D3 restructures to clients across all sectors still in place. • Achieved 37 primary client wins.	• Impairments increased as the credit environment deteriorated. • Worsening economic environment led to negative revaluations in private-equity income and lower client activity. • Reduced endowment income from interest rate reductions.

Nedbank Retail and Business Banking

HEADLINE EARNINGS
(Rm)



RETURN ON EQUITY
(%)



OVERVIEW

RBB's financial performance has been severely impacted by the Covid-19 pandemic and lockdown measures, with HE for the year declining by 69,9% to R1 595m. The HE decline of 49,4% in H2 was better than the 91,2% reduction seen in H1, highlighting some degree of normalisation in economic activity.

Allocated capital remained flat and, coupled with the much lower earnings, resulted in an ROE of 5,4%, up from 1,5% in June 2020.

The main drivers of this performance are an 81,4% higher impairment charge and 4,9% lower revenues, while expenses decreased by 1,1% on the back of reduced staff incentives and active cost management.

NII, although underpinned by moderate growth in advances and deposits, decreased as a result of higher funding costs and lower endowment income given the cumulative 300 bps decline in interest rates. Lower NIR was driven mainly by a reduction in client transactional activities and lower card acquiring revenue, particularly in the travel and leisure sectors, where we have a large market share. The decrease in revenues has resulted in PPOP decreasing by 10%.

Impairments increased as clients felt the effect of earnings reductions due to the pandemic, although the impact anticipated at half year did not materialise to the full extent expected. This together with concerted collections efforts towards the end of 2020 resulted in a better-than-expected final impairment charge. We have maintained additional forward-looking information (FLI) impairment overlays across RBB to cover for further job losses that may still emerge given the fragile economy and further Covid-19-related lockdowns. We have also taken cognisance of our exposure to certain sectors of the economy that have been impacted more severely by the pandemic.

Notwithstanding the weaker financial performance, RBB showed positive traction on a number of key non-financial metrics, including a 25% increase in digitally active clients, growth in main-banked clients in the EP-rich middle and affluent segments, market share gains in small business, improved Net Promoter Scores, maintaining second position in the South Africa Client Satisfaction Index (SAcsi), and showing positive trends in cross-sell. The business was also recognised at a number of awards, which are covered under the Digital Innovations section below.

KEY DRIVERS OF THE 2020 FINANCIAL PERFORMANCE

NII decreased by 0,7% to R19 692m, driven mainly by lower endowment income and the higher cost of funds (including prime–JIBAR squeeze), with moderate growth in average advances.

Average total banking advances increased by 3,7% to R348bn, driven primarily by growth in personal loans and vehicle finance. Retail lending growth accelerated in H2 after recording low volumes during the April and May lockdown as demand for new home loans and vehicle finance stalled and card balances decreased. Personal Loans has seen good market share growth given enhanced digital processes, preapproved-loan solutions and lending APIs. Overdrafts increased as we supported the cashflow needs of our SME and Business Banking clients. Overall new-loan payouts decreased by R7,1bn to R97bn when compared to 2019. We experienced record intake and payouts on secured lending in H2, particularly in Home Loans.

Average deposits increased by 4,7% to R344bn. Our market share of household deposits declined to 15,7% at December 2020, due to proactive pricing decisions to ensure an appropriate balance between margin and volume. This was driven mainly by reduced market share in demand and term deposits (down from 18,5% to 17,7%) as aggressive rate behaviour from competitors increased.

Defaulted advances increased by 48% to R31,3bn from R21,1bn in December 2019, increasing the defaulted book to 8,3% of the advances portfolio, up from 5,8% in December 2019.

Balance sheet impairments rose to 5,1% of total advances (2019: 3,9%) and coverage on the performing book increased to 2,15% from 1,54%. In particular, stage 2 coverage has increased from 6,94% to 9,48% as we have moved R771m of our Covid-19-related FLI provision to stage 2 in line with an expectation of R3,8bn of impacted GLAAs. It should, however, be noted that these GLAAs have not shown any individual stress behaviour, but on a portfolio basis we expect some of our clients to still be impacted by income and job losses in 2021.

The CLR of 240 bps is an increase from 138 bps in the previous year. We have seen an increase in impairments due to higher consumer stress driven by a worsening macroeconomic environment as a result of the Covid-19 lockdown. Covid-19-related impairments of R1,8bn include job-loss-related FLI overlays (R1,0bn) to account for the likelihood that clients would still experience distress into 2021, Directive 3/2020 loans to cater for short-term residual risk of R334m, and a R416m provision to cater for specific industry stress in Business Banking.

The loan repayment profile of the Directive 3/2020 payment relief population was significantly better than expected, with 88% of clients having repaid (79% have made three or more payments) and 9% having missed a payment (6% in stage 2 and 3% in stage 3). At December 2020, 3% had not yet matured (2% had had payment holidays extended and 1% were still under the original payment holiday). In addition, R5bn of these Directive 3/2020 loans had been repaid, with only R200m written off.

NIR decreased by 11,2% to R11 830m, primarily as a result of a reduction in transactional income and lower revenue from Card Issuing (a combined reduction of 9,4% yoy was offset by average product price increases of 3,25% from 1 January 2020). The NIR decrease was driven by Covid-19 lockdown impacts evident in falling card spend, lower sales across products, unfavourable client behaviour (eg increased transacting within bundles or a shift to self-service channels), higher insurance claims and fee waivers provided to clients during the height of the crisis.

Expenses decreased by 1,1% to R20 161m, driven by reduced incentives and cost savings of R1 342m through ongoing, active cost management and a reduction in discretionary spend during the Covid-19 lockdown. Headcount has also decreased by 290 to 17 379 since December 2019, mainly achieved through natural attrition as we continue to leverage our investment in digital and Managed Evolution. In 2017 we launched our cost optimisation programme through the Business Transformation Office and by the end of 2020 we achieved R1,4bn in cumulative savings, driven mainly by our branch optimisation programme and process optimisation through robotic process automation (RPA) and digital transformation initiatives.

Execution of our strategic focus areas

Clients – Total client numbers decreased to 7,3 million, driven by lower transactional client numbers as transactional sales fell by 22%, impacted by the lockdown period. However, the number of main-banked clients was flat, falling slightly by 0,1% yoy to 2,94m at December 2020. This was a good outcome considering that main-banked clients had fallen to 2,65m in June 2020 as Covid-19 lockdown led to lower levels of client acquisition and client transacting frequency. Lower client transacting frequency impacts Nedbank's main-banked count, as Nedbank's 'main-banked' definition assumes regular transactional behaviour. Nedbank's main-banked share of South African adults in 2020 was 11,2%, which was flat yoy. The share is estimated from the 2020 edition of a survey run annually by Consulta, an independent research company, that asks South African individuals, 'Who is your main bank?' With flat yoy growth in main-banked share, Nedbank was the second-best performing of SA's top five retail banks regarding yoy change in main-banked share.

In terms of our client experience metrics, Nedbank registered excellent gains in 2020 relative to peers. Consulta's annual survey reported that Nedbank was now second among the big five retail SA banks on the Net Promoter Score (NPS), an improvement from third place in 2019. Nedbank retained its second position in the SAcsi – another measure of client experience – and extended the gap when compared to the third-placed bank. Nedbank's performance reflects a seven-year positive trajectory in its NPS and SAcsi scores. Furthermore, Nedbank performed the best of the big five banks in loyalty scores, measured by a brand tracker study that Consulta conducts. Nedbank is proud to have received three awards from the Asian Banker for most helpful bank during Covid-19 in SA and Africa and most recommended retail bank in SA for credit cards.

Nedbank has also achieved pleasing improvements in its cross-sell ratio. Overall, the cross-sell ratio in Consumer Banking has improved from 1,85 to 1,87. In addition, the cross-sell ratio for new clients has improved dramatically, driven mainly by CorePlus, with new clients now joining with an average of 1,9 products, compared to 1,2 products for the same period in 2019.

Digital innovation – The acceleration of our digital journey continued into H2, with core capabilities built to make clients' lives easier and more convenient, while security was enhanced simultaneously. Clients can now apply for homeowner's insurance cover and claim directly through the bank's digital platforms, Retail Relationship Banking clients can now apply for an overdraft, and informal traders can apply for trade grants on USSD platforms. Buying journeys and offerings were also improved, with a new array of unit trusts, additional choice of over 230 airtime and data products, an improved experience for claiming free basic electricity for qualifying clients, and an enhanced gaming and software product catalogue. A host of user-friendly features were introduced, including the ability to redeem Greenbacks into a savings or investment account or to donate them to a charity, enhanced statements, and more seamless loan-offering processes. All these new and convenient features proved beneficial to clients as the various Covid-19 lockdown conditions prevailed. An exciting set of new features is planned for launch in Q1 and early Q2 2021 that will bring about a new payment functionality, a personal-financial-management capability and an enhanced self-service experience through chat.

Nedbank also established key strategic relationships that will consume products through API Marketplace, further extending the digital distribution capability beyond Nedbank-owned channels. Notably, Gumtree has partnered with MFC to use the Asset Vehicle Finance (AVF) APIs to better connect buyers and sellers in Gumtree Auto. Global small-business cloud accounting platform Xero has collaborated with Nedbank to provide SME clients with access to their financial data through a fully digital, API-enabled bank feed. Throughout 2020 API Marketplace enhanced the platform and product capability, further laying the foundation for the scaling of the existing products (Personal Loans, Vehicle Asset Finance, Wallet, Rewards, Payments, Open Data). Digital sales and servicing have benefited from the commercialisation and product focus applied to API Marketplace in 2020, contributing to alternate revenue streams for Nedbank.

Avo by Nedbank, the super app that brings customers and businesses together, has scaled significantly since its beta launch in May 2020. With more than 145 000 customers and over 5 000 businesses signed up to Avo by year-end, Avo continued to accurately match customers' lifestyle needs to product and service offerings through powerful AI, safe and secure payments, and bank-grade security. Under lockdown restrictions Avo pivoted initially to provide access only to essential goods and services and deliver to homes throughout SA. However, as restrictions started to lift new customer journeys and experiences were introduced to Avo, extending the proposition beyond online grocery shopping, home services and health essentials. These included offering a wide variety of goods and services, including tech, furniture, gaming and home appliances; extending the on-demand delivery to takeaway and liquor; and creating SA's first digital mall experience by extending the offerings of outlets to a wider audience on Avo with a convenient click-and-collect lounge situated at the mall. These fresh and relevant customer experiences continue to contribute to Avo's success as a double-sided platform, providing not only great convenience and value to customers but also a digital marketplace that continues to attract small, medium and large enterprises looking to extend their business models and accelerate their digital and e-commerce strategies in the new normal.

Digitally active clients increased by 25% to 2,22 million, with 1,18 million clients using the Nedbank Money app (up 42% yoy). The growth is driven by the wide array of additional account opening, self-service and beyond-banking digital propositions, which have been designed to ensure exceptional client experiences. Logons per user have continued to increase, indicating growing usage levels due to the number of services available and

FINANCIAL HIGHLIGHTS

for the year ended 31 December

SEGMENTAL VIEW

	Total Retail and Business Banking		Business Banking		Consumer Banking		Relationship Banking	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Headline earnings (Rm)	**1 595**	5 293	**803**	1 383	**161**	2 789	**815**	969
NII (Rm)	**19 692**	19 831	**3 784**	4 129	**13 257**	13 238	**2 635**	2 556
Impairments charge on financial instruments (Rm)	**8 746**	4 823	**853**	382	**7 480**	4 238	**379**	131
NIR (Rm)	**11 830**	13 318	**1 777**	1 934	**7 070**	7 852	**1 475**	1 465
Operating expenses (Rm)	**20 161**	20 384	**3 561**	3 724	**12 601**	12 726	**2 587**	2 536
ROE (%)	**5,4**	17,3	**11,4**	19,0	**0,9**	14,4	**26,3**	32,5
ROA (%)	**0,42**	1,44	**0,55**	0,94	**0,07**	1,28	**0,90**	1,20
CLR – banking advances (%)	**2,40**	1,38	**1,10**	0,50	**3,32**	1,95	**0,82**	0,32
NIR to total operating expenses (%)	**58,7**	65,3	**49,9**	51,9	**56,1**	61,7	**57,0**	57,8
Cost-to-income ratio (%)	**64,0**	61,5	**64,0**	61,4	**62,0**	60,3	**63,0**	63,1
Interest margin (%)	**5,40**	5,67	**2,60**	2,83	**3,58**	3,72	**2,91**	3,17
Total advances (Rm)	**356 272**	349 396	**74 860**	77 658	**233 769**	225 689	**46 938**	44 779
Average total advances (Rm)	**347 598**	335 101	**75 668**	75 459	**225 428**	217 198	**45 585**	41 041
Total deposits (Rm)	**354 243**	338 901	**143 442**	139 603	**124 763**	118 872	**85 750**	80 627
Average total deposits (Rm)	**343 724**	328 272	**139 408**	139 301	**121 763**	116 022	**82 197**	72 548
Average allocated capital (Rm)	**29 573**	30 573	**7 023**	7 292	**18 160**	19 412	**3 092**	2 980

Total includes income, impairments and costs relating to Channel, Card Acquiring and Shared Services, which are not reflected separately.

ease of use, with our digital NPS ratings topping the rankings and app ratings consistently above 4,2.

Digital sales grew strongly by 144% yoy, with the digital contribution to total retail sales increasing from 21% in 2019 to 49% in 2020. The digital contribution for core product sales increased from an average of 12% in 2019 to 26% in 2020. The new nedbank.co.za platform landed its first digital journey as Personal Loans was deployed to the market in November and is already showing a marked improvement in sales.

Despite the tough macroeconomic environment, digital payment volumes continued to grow, up by 17% yoy, with Money app payments increasing by 53% yoy. Exciting new digital features were landed, including the ability to receive inward international payments, and significant innovations are scheduled for release in H1 2021.

The tremendous progress made in our digital journey was acknowledged by the market through improve rankings and awards. The Nedbank Money app was named the Best Retail Banking App SA at both the Global Banking & Finance Awards and International Business Magazine Awards; the Nedbank Money app was ranked second in SA by SAcsi and second overall when benchmarked globally against apps of leading US banks; and at the most recent awards by the Asian Banker Nedbank was also named the Best Retail Bank SA by both Global Banking & Finance Awards and International Business Magazine Awards. Further accolades were given in the form of the Nedbank API Marketplace being recognised globally by Innopay in their open-banking benchmark, with Nedbank being listed as one of the top Starters in Open Banking in 2020. Avo by Nedbank also achieved industry recognition, winning the category Best Mobile Wallet Award at Mobexx Awards 2020 and the Silver Loerie for Service Design at the 2020 Loerie Awards.

Physical distribution – Our physical footprint reflects both the increased drive towards client self-service and a diverse SA consumer base that still requires face-to-face assistance. In response to shifts in client behaviour and preferences that were fast-tracked by Covid-19, we continued to optimise our branch footprint. Since December 2019 we closed 46 points of presence and opened four new branches and two in-retailer outlets. This reduction has not affected our coverage of the bankable population in SA, which remains around 85%. To date we achieved actual floor space reduction of close to 57 000 m^2 at 31 December 2020, representing a total reduction in branch floor space of 25% from what we occupied in 2014. In response to the continued increase in transaction volumes through our self-service channels and additional closures we exceeded our revised targeted reduction in branch space of 49 000 m^2 by the end of 2020.

We expanded our ATM footprint with a further 44 devices to include 12 additional cash-accepting devices, and during this period cash dispensed through branches and ATMs decreased by 8%, largely due to the impact of Covid-19. Altogether, 84% of client cash deposits at branches are now being processed through cash-accepting ATM devices, an increase of 32% from 2016. In 2020 we continued to improve the experience of clients at our devices through landing touch screen ATMs and enriched functionality through the ability to apply for a loan in real time. In 2021 we will look to roll out our new ATM front-end, which will enable an improved client experience and new functions such as QR-code-initiated withdrawals from the app, meaning that clients will not have to touch our ATMs when touching ATMs has been deemed a Covid-19 risk, as well as real-time cash deposits, which will mean clients will no longer have to wait for funds to be reflected in their accounts. Clients will also be able to enrol for MobiMoney and pay bank-approved beneficiaries and all Nedbank accounts at any of our Intelligent Depositor devices.

PRODUCT VIEWS, EXCLUDING BUSINESS BANKING

	Home Loans		VAF		Unsecured Lending		Transactional		Card and Payments		Forex and Investment	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
NII (Rm)	**2 729**	2 408	**4 392**	4 315	**3 613**	3 456	**2 299**	2 631	**1 435**	1 454	**1 525**	1 549
Consumer banking and other	**1 907**	1 759	**4 272**	4 206	**3 551**	3 423	**1 080**	1 262	**1 435**	1 453	**1 023**	1 109
Relationship banking	**822**	649	**120**	109	**62**	33	**1 219**	1 369		1	**502**	440
Impairments charge on financial instruments (Rm)	**842**	157	**3 015**	1 910	**2 521**	1 372	**44**	41	**1 472**	923		
Consumer banking and other	**551**	61	**2 958**	1 899	**2 489**	1 349	**44**	41	**1 472**	923		
Relationship banking	**291**	96	**57**	11	**32**	23						
NIR (Rm)	**252**	249	**701**	712	**656**	707	**4 858**	5 198	**3 450**	4 254	**194**	240
Consumer banking and other	**206**	203	**690**	702	**621**	677	**3 581**	3 920	**3 428**	4 228	**110**	164
Relationship banking	**46**	46	**11**	10	**35**	30	**1 277**	1 278	**22**	26	**84**	76
Operating expenses (Rm)	**1 655**	1 537	**1 548**	1 434	**1 648**	1 624	**6 961**	7 228	**3 349**	3 441	**1 368**	1 430
Consumer banking and other	**1 119**	1 102	**1 467**	1 360	**1 589**	1 585	**5 425**	5 579	**3 335**	3 425	**1 007**	1 108
Relationship banking	**536**	435	**81**	74	**59**	39	**1 536**	1 649	**14**	16	**361**	322
Headline earnings (Rm)	**334**	680	**422**	1 083	**67**	832	**91**	395	**19**	936	**249**	254
Consumer banking and other	**304**	562	**427**	1 059	**63**	831	**(600)**	(324)	**13**	928	**87**	114
Relationship banking	**30**	118	**(5)**	24	**4**	1	**691**	719	**6**	8	**162**	140
ROE (%)	**6,4**	13,8	**5,6**	14,6	**2,1**	22,1	**3,6**	13,3	**0,7**	29,2	**39,5**	35,0
CLR – banking advances (%)	**0,64**	0,12	**2,69**	1,81	**10,88**	6,16	**23,66**	22,08	**8,94**	5,42		
Cost-to-income ratio (%)	**55,5**	57,9	**30,4**	28,5	**38,6**	39,0	**97,3**	92,3	**68,5**	60,3	**79,6**	79,9
Interest margin (%)	**2,03**	1,86	**3,64**	3,82	**15,29**	15,36	**4,48**	5,91	**8,24**	7,87	**1,00**	1,07
Average total advances (Rm)	**130 552**	124 366	**106 781**	101 218	**21 040**	19 546	**114**	117	**13 855**	14 658	**2**	2

The table does not include BB HE of R803m (2019: R1 383m) and other unallocated costs of R391m (2019: R270m) relating to Channel, Clients and Shared Services. Therefore, the table does not cross-cast.

Significant progress has been made in enhancing functionality across self-service and online channels, providing our clients with enhanced convenience. Our network of 415 self-service kiosks within our branches allows clients to complete self-service actions at their own convenience such as changing their ATM limit, maintaining their profile, issuing statements and blocking and replacing cards for PAYU and Savvy Plus accounts. The long-term aim is to offer this across all accounts and to personalise cards for clients, making the card process much faster as we continue to offer convenient options for clients. The kiosks will also offer the ability to open PAYU accounts seamlessly; they are being piloted in four Boxer outlets.

A further addition to our 24/7 zone in select branches is 58 lockers through which clients can collect their new or renewed cards and eNatis documents. The locker solution extends beyond banking and provides clients with a convenient collection point for items ordered on e-commerce sites such as Takealot, Avo or our Unlocked.Me platform. We plan to roll out more of these branches nationally and to select Engen garages. We are pleased with our progress in making it easier and more convenient for clients to access our services.

Our Contact Centre is available to clients 24 hours a day and use has increased by 13%, substantially due to Covid-19. In 2020 we successfully piloted an arrangement where Contact Centre staff worked from home to ensure continuity in our channel during these tough times and we were also able to switch effectively temporarily branches to assist with Contact Centre volumes during Covid-19. New technologies landed in the Contact Centre to enable co-browsing, which allows clients to give access to agents to help them complete digital transactions more effectively. Our live chat also continues to grow, with 28,6% of all interactions now being non-voice, and we are investing in AI to further enhance our chat functionalities. In Q1 2021 we will go to market with a toll-free number that clients can call to remove airtime constraints, especially in the ELB segment.

In 2020 we also identified the need to change our distribution approach in township economies and piloted two new concepts in the Easy Access branch in Marshalltown and a taxi rank acquisition model in Randburg. Further rollout was hampered by Covid-19, but 2021 will see the expansion of this model as we move away from a traditional branch model towards a more in-community mobile operating model leveraging a growing partnership base.

Value propositions – We continue to commercialise several disruptive CVPs across our segments, including those covered under digital innovations. For the kids and teens segment (up to the age of 16) we have collaborated with The Walt Disney Company Africa on the Disney series *Ducktales* and in the creation of a unique financial literacy series called *Penny Power*. *Penny Power* is a simple way to educate children on money management through a series of episodes that follows Penny opening a Nedbank4Me Account while learning to save money, bank safely and give back to her community. The response to *Penny Power* has been encouraging, with enhanced sales on our digital channels being particularly pleasing.

In the ELB segment we have expanded our Proud of My Town programme to 10 townships in SA. Through this programme Nedbank contributes a share of card spend from clients in those communities towards community projects involving entrepreneurship, early-childhood development and food security. These efforts were extremely well-received by these communities, and Nedbank's main-banked client growth and transactional sales growth have been better in those areas than in the rest of the country, demonstrating the power of the programme. We were also pleased to introduce the short-term loan product – an unsecured loan repayable within 30 days of amounts as little as R250, up to R6 000. Our pricing for this product is the most competitive of major South African banks. This is an important step forward in offering inclusive financial services to as many South Africans as possible.

In the middle-market segment 2020 saw the launch of the Lifestyle Desk in our contact centre. This provides clients of our Platinum transactional product, Savvy Bundle, access to 24/7 contact centre support. The desk has agents dedicated to delivering superior service to this segment. Agents can fulfil all service requests as well as assist clients with opening or applying for new products. The client experience and cross-sell metrics from this desk have been pleasing.

We also partnered with the Department of Small Business Development to provide payment solutions for Covid-19 relief grants, the Spaza Shop Support Scheme and the fruits-and-veggies grant. For the Spaza Shop Support Scheme we worked through our branches and selected Boxer stores with a Nedbank presence to facilitate applications for the scheme. The programme was launched in April 2020 and by the end of December 2020 we had received close to 9 500 applications, with more than 5 000 procurement cards issued to spaza shops preloaded with R3 500 each. For this group of spaza shop owners we partnered with the Mastercard Center for Inclusive Growth, offering tailored training on business education delivered in weekly modules via SMS and covering a range of topics critical to business growth and financial security, such as recordkeeping, savings and the benefits of electronic payments. This was well received, with a 99% enrolment rate having been achieved.

We continued with the differentiated funding structure partnership with Pick n Pay, which facilitates the opening of new Pick n Pay market and bottle stores and/or the conversion or revamping of existing spaza shops or general dealers in townships to Pick n Pay-branded franchisees. To date we have offered transactional banking to 39 stores, of which 12 have been funded under this lending structure.

To drive cashless payments in the informal trading sector, we have enabled MobiMoney wallets to accept Masterpass payments and also developed a pay code for traders. This unique SMS short code is issued to informal traders and enables them to accept payments through a MobiMoney wallet. These key capabilities provide clients with a simple, convenient and cost-effective way to receive funds, make deposits and withdrawals, and use value-added and payment services within the wallet.

The Karri payments app kicked off 2020 with exponential growth in Q1, with active users, transaction value and number of transactions up by 96%, 82% and 98% yoy respectively. The subsequent closure of schools due to Covid-19 saw traditional collection activity come to a standstill. The Karri team, however, used this time to create new value for customers, launching a Covid-19 screening administration function, a tuck shop QR code solution as well as an exclusive partnership with Bidvest Waltons to help parents and schools with simplifying the purchasing, delivery and administration of stationery. The Karri app is more relevant now than ever, being used by more than 650 schools across SA and maintaining its position as one of the highest-rated apps (with a 4,5 rating). Despite the dramatic impact of Covid-19 the team managed to set an all-time record for monthly active users in February as well as an all-time record for monthly transaction value in November 2020.

Treating clients fairly and market conduct – 2020 saw Nedbank demonstrate its brand promise through a number of interventions. These included enabling debt relief applications through various channels, enabling clients to use and adopt online banking through remote assistance and education, keeping the complaints teams and branches available (essential services) to assist our clients, improving measures for safe queue management, attending to vulnerable clients' needs, and executing a communication strategy to ensure our clients were kept updated with all developments. The formal market conduct programme was completed in October 2020, and new processes were developed through the programme to deliver fair client outcomes. We remain on our market conduct journey into 2021, as we seek to implement best practices for more and improved fair client outcomes.

Loyalty and rewards – Having successfully launched the new Greenbacks programme in September 2019, we saw good growth in 2020 and launched several new developments, despite the challenges presented by Covid-19. The new Greenbacks is not just a rewards programme but a money management programme that prompts, incentivises and rewards good money behaviours. The planned evolution of the programme is designed to help and support our clients, even more so now given the financial hardships faced by many consumers.

We have successfully launched the Card Swiper package (credit card), Money Manager package (transactional products), Responsible Borrower (loan products from Home Loans, Personal Loans and MFC) as well as the Structured Saver package (investment products).

Membership has already grown to over 1 000 000, with monthly enrolments growing rapidly, and of this base 65% are now main-banked. With the focus on digital delivery, the programme has launched multiple redemption options via the Money app and Online Banking. In addition to giving clients the option to redeem Greenbacks to pay for card fees or bank charges, as deposits into unit trusts, or to support an affinity of their choice, they can now also donate to the Solidarity Fund. Clients can also redeem their Greenbacks for airtime, data and electricity using the USSD functionality, allowing a broader base of the population now to benefit from this capability.

The Greenbacks SHOP Card for business and corporate clients was launched during the year. The card enables the conversion of Greenbacks to rands to be used to spend or grow their business. Similarly, we launched the American Express Membership Rewards Card, unlocking over R130m for clients and auto-enrolling a large portion of our base – a world first within the American Express global network.

Looking forward

We anticipate a partial rebound in 2021. The current shift to digital by businesses and consumers, including the sustained adoption of remote working and learning practices, is expected to continue. To support our clients in the envisaged 'new normal', we remain committed to delivering on our client-centred growth strategy and boldly executing our plans to deliver delightful client experiences through digital transformation using the five strategic levers of digital first, first in digital; leading client experiences; efficient operating model; new growth vectors; and equipping our staff to lead and manage change. We expect continued momentum in advances, with recovery in the CLR coming off a high base in 2020. We will continue to diversify NIR-generating products given the significant impact of Covid-19 lockdown while still continuing to optimise expenses.

Our focus remains on accelerating financial inclusivity of our banking propositions through leading client experiences to meet evolving client needs by commercialising existing CVPs and developing new disruptive CVPs, delivering competitively priced products, actively reducing transacting costs for our clients through digital banking services, and tapping into platform-based propositions to offer beyond-banking solutions. The focus for 2021 will be on expanding and fully commercialising existing offerings such as Avo, the new Greenbacks programme and township economy solutions, while also launching new innovations, including Money Tracker – Nedbank's integrated personal financial management tool; international payment features on Online Banking and the Money app; and the business hub portal to enable self-service for larger businesses.

In terms of digital capabilities for small, medium and large businesses, we continued development and implementation of our enterprise juristic client onboarding and servicing platform (Nedbank Business Hub). The Business Hub is an important component of our overall digital juristic journey, more so in an accelerated post-Covid-19 landscape, and is the first step towards an enhanced digital relationship with our clients and includes the ability for staff to leverage the capabilities on a client's behalf. The Business Hub allows clients to have a holistic view of their transactional Nedbank accounts on one banking portal, from which they can also digitally start product onboarding, access and track services (some of which are already straight-through), as well as access and maintain transactional channels. The Business Hub is accessed via a world-class, single security and authentication solution that provides a choice of mobile or token second-factor authentication.

We are currently reimagining the strategic focus areas of our business to leverage the strong capabilities built over the years, especially our digital capabilities, to expand our offerings to new markets, to create new disruptive products and solutions, and to develop new revenue-generating opportunities, including township economies, black industrialists, strategic partnerships, integrated payment capabilities, and platform and API Marketplace-based solutions.

Future distribution investments are aimed at ensuring an optimal client channel footprint. This will provide more self-service device options for clients, ensure a marginally reduced branch footprint, as well as enable a reformatted strategy aimed at unlocking more space efficiencies and equipping branches with self-service capabilities to provide convenient alternatives for our clients. There is also a focus on quality-client acquisition. We aim to achieve this through deepening the relationship with our clients by improving the client experience and ensuring we have value-adding, cost-effective products that will drive improvement in our key NPS. We have launched our new staffed interface for account opening and servicing, which will further enhance growth in our transactional-banking franchise by reducing the amount of staff-assisted time required to onboard new clients and by facilitating better cross-selling and client experiences.

NEDBANK RETAIL AND BUSINESS BANKING SEGMENTAL REVIEW

Business transfers

Following an in-depth review of industry practices and internal capabilities, the annual turnover threshold for Business Banking clients was lifted from R10m to R30m in 2019, motivated by a need for Business Banking to create capacity to focus on larger SMEs, coupled with a business model in Retail Relationship Banking that is well-geared to serve small businesses with lower complexity.

As a result, about 17 000 clients with a turnover of R10m to R30m were transferred from Business Banking to Retail Relationship Banking in July 2019. This saw the following movements for the prior period:

- R3,9bn in advances.
- R7,2bn in deposits.
- R78m in HE for six months.
- 7 297 client groups (equivalent to 17 000 client records).

Business Banking

Business Banking provides relationship-based banking services to mid-sized corporates and agricultural, franchising and public sector entities with an annual turnover of less than R750m but more than R30m. Comments below reflect the core Business Banking yoy performance adjusted for the client migration to Retail Relationship Bank.

Business Banking generated HE of R803m and achieved an ROE of 11,4% despite a muted economy not yet operating at pre-Covid-19 levels. It was evident that activity levels increased during H2, with GOI decreasing by only 4,9% in H2 when compared to 6,6% in H1, while judicious cost management resulted in expenses decreasing by 1,6% yoy. Impairment levels improved, with CLR moving from 150 bps in H1 to 110 bps in H2.

Given the tough economy, new-loan payouts declined to R23,5bn yoy, with average advances increasing by only 2,9%, notwithstanding strong growth in overdrafts of 9%, as we supported our clients with funding during the crisis. Average deposits increased by 2,7%, as clients managed their cashflows more carefully, coupled with competitor pressures in the market given the low-interest-rate environment. Business Banking remains a strong generator of funding, with R73,1bn in net surplus funds generated.

The CLR of 110 bps increased by 60 bps yoy and is above the TTC target range of 50–70 bps, as we raised Covid-19-related overlays of R406m. The increase in impairments reflects the potential deterioration in the credit portfolio due to Covid-19 credit risk across all the key sectors, including our estimation of downstream impacts. Given the continuing risk in high-stress sectors such as hotels, tourism and franchising, among others, although we consider ourselves to be adequately provided, there is further downside risk across these sectors and related downstream sectors due to the uncertainty around the extent and duration of lockdown restrictions.

Enhanced analytics to identify client attrition risk and to support targeted client acquisition, cross-sell and retention efforts, as well as increased client engagements during the crisis, have resulted in significant improvements in client satisfaction and improved client loyalty ratings in the second quarter. Although active client groups declined yoy to 14 583, these have collectively contributed to a three-percentage-point increase in market share to 23% owing to an increased number of clients nominating Nedbank as their main bank in 2020.

As a responsible bank that sees money differently, we introduced proactive support measures for our clients during this very challenging period in the form of various financial assistance mechanisms and loan restructures to around 5 200 clients totalling over R16bn. In addition to proactive funding assistance and loan restructures, Business Banking has also provided assistance of R645m to qualifying businesses via the SME loan guarantee scheme. Business Banking has also been instrumental in actively driving awareness of our new innovative market trading platform, Avo, to assist merchants in their effort to sustain business and trade through the various Covid-19 alert levels.

Despite limited marketing presence, the 2020 Brand Performance Annual Report indicates an increase in awareness levels of 4% for Business Banking from 70% in January to 74% for the full year, with consideration levels also increasing by 4% to 42%. Client loyalty reached a new high of a pleasing 91% for the full year, the highest we have seen following the proactive client engagements initiated by our frontline teams during this crisis. Nedbank Business Banking achieved the highest loyalty score across all main banks.

Business Banking is well positioned to support the growth of SA and our people by enabling business growth through the delivery of key initiatives to the business sector that will add to the future sustainability of SA. We will also continue to focus on delivering delightful client experiences through the consistent performance of our core banking propositions. To do so we will continue to leverage our capability in developing digital advances, which includes providing machine-learning tools to our frontline client service teams. A further focus will be developing propositions that will unlock new markets and new revenue streams, including high-end disruption through the delivery of ecosystem-led CVPs that are enabled by digital innovation.

Retail Relationship Banking

Retail Relationship Banking (RRB) provides relationship-based banking services to affluent individuals and their households (salaried and self-employed), to non-resident clients and embassies, and to SMEs with a turnover of less than R30m and their business owners.

The relationship banking CVP is designed for clients seeking a personalised, flexible and proactive approach, and caters for the more complex financial needs typically associated with the above-mentioned client segments.

Despite the stressed Covid-19 macroeconomic environment and significantly lower interest rates, RRB delivered R815m in HE and a solid ROE of 26,3%. This demonstrates both the resilience of the underlying client segments (albeit with small-business clients taking more strain than affluent clients) and the quality of the RRB business itself, which remains a significant contributor to the overall performance of the cluster.

Rebased HE declined by 22% yoy, of which almost half is attributable to a reduction in endowment earnings, given lower interest rates. Average advances growth recovered to 6,1%, driven by record home loan and reasonable vehicle sales and the Covid-19 loan applications. Average liabilities growth of 7,9% improved on the prior year, which meant the business increased the net funding contribution to the cluster and group to R41,3bn. The RRB CLR has increased from 32 bps to 82 bps and reflects a stressed scenario beyond the TTC range of 40–80 bps. Impairments include an FLI overlay of R117m for job losses. In addition to proactive funding assistance and loan restructures to approximately 15 000 clients, RRB also provided assistance in excess of R680m to qualifying businesses via the SME loan guarantee scheme and R300m via the SA Future Trust.

From a strategic perspective, the Professional Banking value proposition remains a well-priced, high-value offering in the very competitive private-banking category. Our digital platforms – Online Banking and the Money app – provide extensive self-service capabilities, while the relationship model ensures a quick, tailored response to the more complex banking needs. Progress in terms of establishing Nedbank as a leader in this segment is evidenced by an improving trend in NPS, with the bank achieving the highest SAcsi score in the market and steady growth. Market share, however, remained flat yoy. Additional enhancements to our digital platforms, including the end-to-end digital onboarding of a professional client, is expected to yield further growth.

Nedbank also remains well positioned in the small-business segment, with urban market share increasing to 23% as a result of positive perceptions regarding our ability to understand and serve the needs of this important sector. According to the 2020 Small Business Tracker (a Nedbank-commissioned survey that has been running for 12 years and is conducted by independent research company KPI Research), small-business owners now rank Nedbank as the market leader in the provision of banking services to this market.

H2 saw significant emphasis placed on closing the remaining gaps to make the Online Banking and Money app channels fully functional for small businesses. For small-business owners this means a seamless experience as they can manage their personal and business banking in one place. The migration of small-business clients to the new platforms is now almost complete, setting the foundation for ongoing enhancements and innovation in this market.

The SimplyBiz beyond banking portal has grown to over 17 000 registered users and continues to offer much-needed guidance and support to small-business owners with initiatives like the Shifting Gear programme, Back-a-Business crowdfunding campaign and the hosting of webinars on a variety of topics.

Looking ahead to the coming year, focus in RRB will remain on balancing the need to support our client base with funding where possible, while also managing risk tightly. Further investments into digital enablement (such as appointment booking, digital account opening and credit applications, as well as financial management capabilities) will strengthen Nedbank's position in this highly contested market space.

Consumer Banking

Consumer Banking serves approximately 6,6 million clients in three primary subsegments, namely youth, ELB and the middle market. These consist mostly of individuals earning less than R750 000 a year, but also include some non-individual clients, primarily stokvels, clubs and societies.

Consumer Banking generated HE of R161m in 2020, with HE of R416m reported in H2, showing an improvement when compared to the headline loss of R255m in H1. The 2020 HE of R161m is a 94% decline when compared to 2019 HE of R2,789m. The major swing in HE relative to 2019 came on the impairments line mainly as a result of the impact of Covid-19. The CLR increased to 332 bps in 2020, up from 195 bps in 2019. Impairments grew to R7,480m in 2020, up by R3,242m or 76,5% from the 2019 level of R4,238m. This large increase in impairments materially impacted HE for 2020.

Revenue growth was also challenging in a Covid-19- and lockdown-impacted consumer market. NII was largely flat at 0,1% growth, underpinned by advances growth on average of 3,8% per annum and liabilities growth on average of 4,9% per annum, offset by lower margin and endowment. NIR was down by 10%, due to transacting volumes being well below prior years during the lockdown period. Reduced sales of Transactional and Card products due to lockdown also contributed to the lower NIR. Expenses were reduced by 1% for the year, as the business minimised discretionary spend and continued to harvest efficiencies in distribution and from digitising onboarding and servicing.

Beneath the challenged financial performance in the first half of 2020 is a business that is showing positive fundamentals to support profitable growth going forward. Firstly, the client experience has continued to shift positively. Consulta's annual survey reported that Nedbank was now second of the big five retail SA banks on NPS, having leapfrogged from third place in 2019. Nedbank retained its second position in the SAcsi, another measure of client experience.

Secondly, our performance on cross-sell is improving after many years of being flat. The Consumer Banking cross-sell ratio has improved to 1,91 in December 2020, from 1,85 in December 2019. This is supported by a client-centred, opportunity-based cross-sell strategy (Core Plus), which has been rolled out across the branch network. Under this strategy, we are experiencing a material improvement as new-to-Nedbank clients are now joining with an average of 1,84 products per client, compared to 1,16 a year ago. Furthermore, we have deployed a data-driven 'next best action' capability, which empowers our frontline with cross-sell and upsell leads.

Thirdly, our digital journey continues to be a platform for us to create even better convenience for more of our clients, and a more efficient operating model. Across transactional, credit cards, investments and personal-loans products, the share of sales Nedbank does through digital channels is now ahead of the average of SA banks, as reported by Finalta. The digitisation of client onboarding journeys through our front-end platform, Eclipse, has been a material contributor to the improved client experience referenced above. It offers clients benefits such as shorter onboarding times and same-day disbursal of personal loans. Eclipse also supports efficiencies by being paperless and straight-through. Digital servicing also improved, with digitally active clients growing to 2,2 million, an improvement of 25% yoy.

These fundamental improvements are starting to show themselves on the BA900s, with Nedbank improving market share in 2020 for personal loans, overdrafts, vehicle loans and home loans. From H2 2020 the credit card product also registered improved market share.

In summary, the financial performance in Consumer Banking has been challenging, largely due to pressure on the impairments line. However, there are some fundamental markers of improved competitiveness versus peers, in particular regarding client experience, BA900 market share in most products, and the share of sales performed digitally. Together with the improvements in cross-sell, these trends are a firm foundation on which the business can build to achieve profitable growth going forward.

NEDBANK RETAIL AND BUSINESS BANKING PRODUCT REVIEW

Transactional Banking

Transactional Banking provides fully inclusive access to banking by offering affordable and meaningful banking to clients across all income levels, enabling financial inclusion and effective money management through key innovations such as MobiMoney, Unlocked.Me and savings pockets.

Social distancing and lockdown regulations resulted in elevated volumes of self-service transactions, with a notable shift in behaviour away from the branch to ATMs and digital channels for cash withdrawals, deposits and payments. Payments for goods and services resulted in increased usage of EFTs, instant payments and Send-iMali transactions. Send-iMali volumes further increased due to the need for people to send money instantly and cost-effectively to loved ones countrywide. The purchasing of value-added services such as airtime, electricity and Lotto also increased, demonstrating the value and convenience of the availability of these services.

As we continue on our digital journey, all our transactional products are now enabled for straight-through processing on the Money app and Online Banking. This supports the delivery of delightful client experiences that enable convenient and seamless account activation. The client experience has been further enhanced with card delivery to lockers, home or office, thereby ensuring our clients can bank safely.

MobiMoney wallets continue to resonate with clients, with almost one million wallets opened to date. This continues to be an innovative and market-leading solution, zero monthly maintenance fees, free deposits up to R4 000 per month, and the ability to pay bills and buy airtime and electricity. Payment options have been increased through the enablement of Masterpass and a unique feature called Paycode, which enables informal traders with a MobiMoney wallet to receive payments from customers. We continue to deliver client-centred innovations on this platform. Our targeted acquisition strategies have been focused on key industries and clients subsegments, enabling wallets for previously underserviced individuals.

Card and Payments

Card and Payments provides card issuing, acceptance and payment products and solutions across all client segments, extending beyond Retail into Nedbank Private Wealth. It is also responsible for the bank's commercial card offerings. Card and Payments offerings include key innovations such as tap on phone, scan to pay, Market Edge and GAP Access.

Card-related NIR and client spend growth saw a strong recovery in H2 as lockdown measures eased and economic activity resumed. The recovery of certain sectors that have been harder hit by ongoing restrictions is slower, in particular travel, entertainment, restaurant and hospitality. However, other industries, including supermarkets and retail, healthcare and telecommunications, are seeing significant growth in volumes across all the levels of lockdown, with online e-commerce driving most of the spend during the strictest lockdown levels. Spend in Card Issuing grew by 22% in H2 2020 on H1 2020, with Card Acquiring volume growth at 30% for the same period. The growth for Card Issuing and Card Acquiring was driven by the economic recovery, seasonality, increased client acquisition and limit increases for Card Issuing.

Consumers and merchants are keenly interested in minimising the risk of exposure to Covid-19 through person-to-person contact or shared surfaces. The pandemic has prompted surges in online shopping and the use of contactless payment technologies. It has also fuelled the popularity of recent shopping innovations, including app-based shopping, curbside pickup and QR-code-based ordering and purchasing. There was a significant increase in the use of our digital payment methods, with growth of 62% in e-commerce volumes, over 500% growth in contactless payments and 37% growth in QR payments. The introduction of national lockdowns and curfews has also resulted in a noticeable shift in consumer spend patterns, with trade peaking between 09:00 and 15:00 versus the pre-Covid-19 pattern of between 09:00 and 19:00. While the pandemic has been the main driver of these trends, we expect these trends to continue and become the new normal in transacting behaviour.

Our Card and Payments innovation agenda was dominated by digitally enabled, simple, secure and cost-effective payments. Nedbank is a leader in mobile payments through its scan-to-pay capability; Masterpass acceptance; Samsung, Garmin and Fitbit Pay solutions; as well as market leading e-commerce solutions across a broad network of merchants. Nedbank is also the first in Africa to launch tap on phone, a payments solution that enables businesses to accept payments by simply using an Android smartphone for contactless card payments. Nedbank also launched the SEFA small-business card during the pandemic in partnership with the Department of Small Business Development, as well as the Pick n Pay Smart Shopper card for businesses, enabling Pick n Pay stores to purchase goods and services directly at beneficial rates while earning rewards points within the Smart Shopper programme.

Card and Payments digitised its client onboarding and servicing capabilities by going live on the Eclipse platform in the consumer card segment, enabling our frontline channels and client self-service area to digitally onboard clients, assess their credit, open accounts and issue cards. Similarly, in the commercial card environment, Nedbank has been piloting a juristic servicing and onboarding platform aimed at enabling digital statements, real-time transaction listings and balances, as well as offering other unique commercial card services to a range of small-business, business banking and corporate clients.

Forex and investment products

Our purpose is to create investment and forex value propositions that are centred on evolving client experiences by steadily improving digital channels, enabling a lower cost-to-serve model.

As interest rates declined, we have noted aggressive pricing from competitors, which we intentionally did not match as it would have resulted in a negative margin and this reduced new and additional investment volumes.

During 2020 we expanded the investment capabilities on the Money app and Online Banking to include Nedgroup Investments unit trusts and tax-free savings products. Consumer digital investment volumes have improved to 65% of new accounts opened (FY 2019: 36%) and 74% of notices of withdrawal (FY 2019: 53%). In the 2020 SAcsi report on notices and saving, client-perceived value, client satisfaction and client loyalty increased by 1%, 2% and 3% respectively. We look forward to our consistent efforts yielding a positive tilt in the portfolio going forward.

The Forex business aims to create new and improved trade and cross-border payment value propositions across all RBB segments. These include travel cards, foreign banknotes, remittances and foreign currency accounts, and are among the business-related services that enable clients to import and export with well-managed risks.

We observed material reductions in revenues resulting from travel restrictions, largely eliminating travel card and foreign banknotes volumes from late March. Import and export values and outgoing international payments have been under pressure, with heightened competitive margin compression being seen in the market.

The Nedbank individual forex international banking and travel container was launched on the Money app in 2020. The forex container features the Travel (buy and sell currency for yourself or your child), Invest or Save (view balances) functionalities, as well as those enabling a digitised experience of international incoming and outgoing payments and cross-order remittance payments to Africa. The digitisation of various other services will be delivered in 2021, including of international incoming and outgoing payments for small businesses. The cross-border-remittance footprint will be expanded from Africa to international destinations and will include incoming money transfers through a partnership with Western Union.

Unsecured Lending

Unsecured Lending serves all segments of Consumer Banking with personal loans, overdrafts and student loans.

The gross personal-loans portfolio (excluding disclosure adjustments) of R25,2bn represents the majority (97%) of Unsecured Lending's total advances.

Unsecured Lending HE was negatively impacted by a 84% increase in net impairments due to Covid-19, resulting in a CLR increase from 6,16% to 10,4%. In total, approximately a quarter of the portfolio requested assistance due to either personal or household income stress in 2020.

Credit risk management and collections remain the key priority in this environment. Credit policy was tightened in April by reducing risk appetite on high-risk clients, and sector-specific tightening was implemented. In addition, the collections team headcount was increased to manage increased volumes and as a result collections performance exceeded expectations in H2 2020. Early risk indicators have returned to pre-Covid-19 levels and are in line with risk appetite and expectations.

Personal Loans average advances increased by 9,7%, while period-end advances were up by 11,0%, resulting in total market share of 10,9%, up from 9,9% in the prior year. New-business market share in targeted lower-risk segments increased to 17%, compared to 13% in 2019, having reached more than 20% in Q4.

All new business is now being written on a new technology stack via Eclipse or the Nedbank Money app. The shift to digital continues to gain momentum, as evidenced by the 50% fourth-quarter increase in value disbursed from direct channels (call centres and digital solutions) from pre-Covid-19 levels. During the lockdown more than 50% of personal loans were originated through direct channels, compared with 35% in the first quarter. Furthermore, self-service via digitisation increased to 37% versus 20% in 2019. A consumer overdraft solution was introduced in the Money app in Q4 2019, with the app becoming the biggest channel for new Nedbank overdrafts in 2020 – three to four times greater than the branch channel. Consumer overdraft volumes are up by 217% yoy. Transactional cross-sell after the sale of a personal loan to non-Nedbank clients has nearly doubled yoy from approximately 17% to 32% and remains a key lever in growing our main-banked base.

We have launched our fully digital personal-loans API solution, which enables both Nedbank and non-Nedbank clients to take out personal loans or pay for goods and services with just a few clicks in under 10 minutes. These initiatives are beginning to scale and are expected to provide further impetus to digital growth and enhance the market share trajectory for both Personal Loans and Transactional Banking via cross-sell.

Home Loans

Home Loans provides secured-lending products to the consumer, professional and SME segments, with the relationship segments RRB and Business Banking providing these products to their segments directly, leveraging off the home loans product line infrastructure for several of the administrative processes.

HE declined by 51%, driven by higher-than-expected credit losses as a result of the Covid-19 pandemic. In response to the pandemic, Nedbank Home Loans proactively assisted over 47 000 clients with debt relief totalling 17% of the book. The overall impairment coverage on the book has increased to 2,02%, resulting in a CLR of 64 bps.

The South African property market was severely impacted by the lockdown restrictions in the second quarter, with estate agents and deeds offices not being able to operate. As restrictions eased, demand returned strongly and a significant increase in mortgage application volumes was experienced in the second half of the year, driven by pent-up demand and the lower interest rate environment. As a result, the value of new mortgages granted grew by 24% and overall advances by 4,79%, slightly ahead of the market, to R137bn.

Nedbank continues to invest in innovative home loan CVPs, digital offerings and overall improvements in client service experience. For the last three years we have been working collaboratively across the group to eliminate pain points that hinder client experience. These efforts are bearing results, with Nedbank Home Loans now holding the top position in all measured constructs according to the Consulta SAcsi 2020 report.

MFC

MFC provides motor vehicle financing primarily to the consumer market segment. The financing of dealer floor plans and key vehicle distributor joint ventures are materially aligned with our vehicle finance dealer partner and client offering.

MFC's HE in the first half of the year decreased by 79%, but rebounded to a lower yoy decrease of 60% for the full financial year. MFC posted HE of R427m for 2020 (2019: R1,059bn). Lower HE was primarily attributable to decreased NII and increased impairment levels presented by the challenges of Covid-19.

MFC provided financial support through payment holiday restructures to approximately 220 000 of our clients, representing R33bn in loans. The payment success rate on the Covid-19 restructured loans is very encouraging so far, and MFC had good collections success over December month-end when compared to 2019.

The motor industry, like many major businesses in SA, saw a total shutdown of vehicle sales in the months of April and May as a result of Covid-19. With the relaxation in lockdown levels as well as consumers taking advantage of the lower interest rates, sales volumes recovered steadily over the few months following total lockdown, resulting in gross book growth of 4,7% yoy. The pandemic saw MFC move swiftly to a fully integrated digital process in terms of the origination and payout of vehicle finance, thereby protecting clients from potential exposure. Clients using this digital process increased from 33% to 93% in 2020, and the digital process will have a material positive impact on operational efficiencies going forward.

MFC maintains a sustainable vehicle finance model and remains resolute in providing an ever-evolving value proposition to our dealer partners and clients.

Favourable	Unfavourable
• Finalised the rollout of Eclipse for individuals, more than 90% of total juristic applications completed. • Launch and rollout of our superapp, Avo by Nedbank. • Debt relief support offered to qualifying clients. • Launched Tap on Phone contactless payment capability & USSD-based homeloan affordability calculator. • The Nedbank Money App was named the best Retail Banking App. • Nedbank API Marketplace recognised globally by Innopay. • On SACSi and NPS, Nedbank has made material progress and is now rated second.	• Earnings severely impacted by the Covid-19 national lockdown in H1. • Worsening macro-environment driving increase in impairments. • Economic uncertainty influencing borrowing activity. • Aggressive competitor pricing driving lower household deposit market share. • Transactional volumes down particularly due to industries impacted by the Covid-19 lockdown. • Cost-to-income ratio and ROE ratio requires improvement.

RETAIL AND BUSINESS BANKING: KEY BUSINESS STATISTICS

		2020	2019
Business Banking			
New client acquisitions – groups[1]		**278**	1 087
Cross-sell product holding		**84 644**	83 380
Home Loans			
Number of applications received	thousands	**182**	157
Average loan-to-value of new business registered	%	**93**	93
Average balance-to-original-value of portfolio	%	**78**	77
Proportion of new business written through own channels	%	**52**	67
Proportion of book written since 2009	%	**83**	79
Owned-properties book	Rm	**32**	28
MFC			
Number of applications received	thousands	**1 601**	1 664
Percentage of used vehicles financed	%	**70,4**	70,6
Personal Loans			
Number of applications received	thousands	**1 088**	1 380
Average loan size	R000s	**61,4**	52,8
Average term	months	**44,2**	41,8
Retail deposits			
Total value of deposits taken in	rand billions	**73**	81
Total value of deposit withdrawals	rand billions	**78**	80
Number of clients at period-end			
Retail main-banked clients	thousands	**2 942**	2 945
Consistently main-banked clients[2]	thousands	**2 168**	2 045
Total Retail clients	thousands	**7 309**	7 523
Business Banking groups		**14 583**	14 709
Small Business Services segment	thousands	**302**	296
Home Loans	thousands	**295**	295
MFC	thousands	**574**	603
Personal Loans	thousands	**433**	453
Card Issuing	thousands	**1 067**	1 048
Investment products	thousands	**1 462**	1 501
Transactional products	thousands	**5 414**	5 946
Distribution			
Number of Business Banking locations		**58**	63
Number of retail outlets		**549**	589
Number of new-image branches[3]		**364**	379
Number of ATMs		**4 224**	4 180
Number of ATMs with cash-accepting capabilities[4]		**1 244**	1 232
Digitally active retail clients	thousands	**2 221**	1 777
POS devices	thousands	**102**	101

[1] *The new-client-acquisition measurement was amended to include a minimum GOI threshold. A total of 584 of the 1 087 client groups in 2019 met the new criteria.*

[2] *Clients who met our transactional-activity criteria for each of the past 12 months.*

[3] *Included in the number of retail outlets – shown separately for additional disclosure.*

[4] *Cash-accepting devices and interactive teller machines included in total number of ATMs.*
For 2020 H2 - all clients are showing updated segmentation, digital transaction enhancements eg inclusion of MobiMoney, USSD transactions & main-banked stabilisation assumptions – applicable to all client segments except BB

BALANCE SHEET AVERAGE ADVANCES AND IMPAIRMENTS

	Daily gross average advances Rm		Stage 1 %		Stage 2 %		Stage 3 %		% of total advances		Credit loss ratio[1] %	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Home loans	**132 437**	126 054	**82,8**	85,0	**10,4**	10,4	**6,8**	4,6	**36,4**	35,9	**0,64**	0,14
VAF	**111 965**	105 384	**80,3**	79,5	**11,5**	15,1	**8,3**	5,4	**31,5**	31,1	**2,69**	1,82
Personal loans	**23 177**	21 143	**67,2**	71,3	**14,2**	11,9	**18,6**	16,8	**6,5**	6,1	**10,62**	6,39
Card	**16 414**	17 022	**76,8**	85,2	**9,4**	4,3	**13,8**	10,5	**4,4**	4,6	**8,97**	5,42
Other loans	**2 754**	2 150	**83,3**	79,6	**6,4**	9,5	**10,3**	10,9	**0,8**	0,6	**3,78**	3,27
Total Retail	**286 747**	271 753	**80,2**	81,7	**11,1**	12,0	**8,7**	6,2	**79,5**	78,3	**2,75**	1,63
Business Banking	**77 361**	76 659	**75,0**	87,7	**18,2**	8,0	**6,8**	4,3	**20,5**	21,7	**1,10**	0,50
Total RBB	**364 108**	348 412	**79,1**	83,0	**12,5**	11,1	**8,3**	5,8	**100,0**	100,0	**2,40**	1,38

[1] *Impairments charge and resultant CLR include charges housed centrally within RBB.*

BALANCE SHEET IMPAIRMENT AS A PERCENTAGE OF BOOK

	% of total		Stage 1 %		Stage 2 %		Performing stage 3 %		Non-performing stage 3 %		Total stage 3[1] %	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Home loans[2]	**2,02**	1,47	**0,23**	0,20	**5,07**	3,72	**10,78**	15,65	**24,18**	21,30	**19,31**	20,03
VAF	**5,29**	4,09	**1,16**	0,85	**11,47**	7,67	**21,72**	22,42	**71,80**	65,85	**36,84**	41,78
Personal loans	**20,04**	16,83	**4,27**	3,85	**24,51**	17,07	**56,99**	54,85	**76,73**	75,61	**73,43**	71,85
Card	**17,57**	13,18	**4,36**	4,27	**49,58**	44,22	**34,64**	14,08	**76,47**	77,45	**69,40**	72,81
Other loans	**11,17**	12,59	**1,66**	1,48	**27,51**	24,41	**50,00**	57,32	**79,11**	84,52	**77,78**	83,57
Total Retail	**5,73**	4,48	**1,10**	0,96	**11,94**	7,69	**21,31**	24,59	**54,84**	53,38	**40,28**	44,40
Business Banking	**2,61**	1,68	**0,54**	0,33	**3,68**	2,84			**22,66**	27,24	**22,66**	27,24
Total RBB	**5,09**	3,87	**0,99**	0,81	**9,48**	6,94	**21,31**	24,59	**46,44**	47,70	**37,35**	41,65

BALANCE SHEET ACTUAL ADVANCES

	Total advances Rm		Stage 1 Rm		Stage 2 Rm		Performing stage 3 Rm		Non-performing stage 3 Rm		Total stage 3 Rm	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Home loans	**136 703**	130 455	**113 190**	110 930	**14 268**	13 578	**3 359**	1 340	**5 886**	4 607	**9 245**	5 947
VAF	**118 103**	112 956	**94 781**	89 814	**13 552**	17 027	**6 820**	3 390	**2 950**	2 725	**9 770**	6 115
Personal loans	**24 274**	22 010	**16 307**	15 699	**3 440**	2 618	**758**	674	**3 769**	3 019	**4 527**	3 693
Card	**16 474**	16 817	**12 658**	14 332	**1 545**	720	**384**	129	**1 887**	1 636	**2 271**	1 765
Other loans	**2 963**	2 245	**2 468**	1 787	**189**	213	**14**	9	**292**	236	**306**	245
Total Retail	**298 517**	284 483	**239 404**	232 562	**32 994**	34 156	**11 335**	5 542	**14 784**	12 223	**26 119**	17 765
Business Banking	**76 868**	78 988	**57 659**	69 277	**13 988**	6 315			**5 221**	3 396	**5 221**	3 396
Total RBB	**375 385**	363 471	**297 063**	301 839	**46 982**	40 471	**11 335**	5 542	**20 005**	15 619	**31 340**	21 161

BALANCE SHEET ACTUAL IMPAIRMENTS

	Total impairments Rm		Stage 1 Rm		Stage 2 Rm		Performing stage 3 impairments Rm		Non-performing stage 3 impairments Rm		Total stage 3 impairments Rm	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Home loans[2]	**2 766**	1 921	**257**	225	**724**	505	**362**	210	**1 423**	981	**1 785**	1 191
VAF	**6 250**	4 620	**1 097**	761	**1 554**	1 305	**1 481**	760	**2 118**	1 794	**3 599**	2 554
Personal loans	**4 864**	3 705	**697**	605	**843**	447	**432**	370	**2 892**	2 283	**3 324**	2 653
Card	**2 894**	2 216	**552**	612	**766**	319	**133**	18	**1 443**	1 267	**1 576**	1 285
Other loans	**331**	283	**41**	26	**52**	52	**7**	5	**231**	200	**238**	205
Total Retail	**17 105**	12 745	**2 644**	2 229	**3 939**	2 628	**2 415**	1 363	**8 107**	6 525	**10 522**	7 888
Business Banking	**2 008**	1 330	**310**	226	**515**	179			**1 183**	925	**1 183**	925
Total RBB	**19 113**	14 075	**2 954**	2 455	**4 454**	2 807	**2 415**	1 363	**9 290**	7 450	**11 705**	8 813

INCOME STATEMENT IMPAIRMENTS

	Income statement impairments charge[1,3] Rm		Stage 1 Rm		Stage 2 Rm		Stage 3 Rm		Interest on impaired advances Rm		Postwriteoff recoveries Rm	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Home loans	**842**	178	**14**	64	**179**	(59)	**776**	294	**(82)**	(71)	**(45)**	(50)
VAF	**3 014**	1 919	**375**	154	**212**	251	**2 917**	1 963	**(42)**	14	**(448)**	(463)
Personal loans	**2 460**	1 351	**92**	52	**358**	76	**2 927**	2 095	**(653)**	(549)	**(264)**	(323)
Card	**1 473**	923	**(56)**	205	**455**	(178)	**1 411**	1 200	**(58)**	(21)	**(279)**	(283)
Other loans	**104**	70	**16**	3	**1**	1	**133**	121	**(25)**	(23)	**(21)**	(32)
Total Retail	**7 893**	4 441	**441**	478	**1 205**	91	**8 164**	5 673	**(860)**	(650)	**(1 057)**	(1 151)
Business Banking	**853**	382	**87**	13	**366**	3	**415**	400	**5**	11	**(20)**	(45)
Total RBB	**8 746**	4 823	**528**	491	**1 571**	94	**8 579**	6 073	**(855)**	(639)	**(1 077)**	(1 196)

[1] *Impairment charge and resultant CLR include charges housed centrally within RBB.*

[2] *For the HL product, there have historically been performing loans that have been incorrectly allocated to non-performing within the default category. This has resulted in coverage ratios being overstated on performing defaults and understated on non-performing defaults. Total defaulted category and provisions are however correct. Coverage ratios on performing defaulted loans should reflect as Dec 2019: 11,00%. Coverage ratios on non-performing default should reflect as Dec 2019: 24,11%.*

[3] *The income statement charge includes the charge associated with unutilised balances.*

Retail and Business Banking – restructured advances and impairments

BALANCE SHEET ACTUAL ADVANCES

	Total advances Rm				Restructured loans[1] Rm			
	Total advances	Stage 1	Stage 2	Stage 3	**D3 total advances**	D3 stage 1	D3 stage 2	D3 stage 3
Home loans	**136 703**	113 190	14 268	9 245	**31 531**	26 131	4 777	623
VAF	**118 103**	94 781	13 552	9 770	**27 389**	19 989	5 781	1 619
Personal loans	**24 274**	16 307	3 440	4 527	**6 191**	3 776	1 364	1 051
Card	**16 474**	12 658	1 545	2 271	**2 285**	1 092	917	276
Other loans	**2 963**	2 468	189	306				
Total Retail	**298 517**	239 404	32 994	26 119	**67 396**	50 988	12 839	3 569
Business Banking	**76 868**	57 659	13 988	5 221	**8 002**	6 136	1 653	213
Total RBB	**375 385**	297 063	46 982	31 340	**75 398**	57 124	14 492	3 782

[1] *Restructured D3 loans are those that have during 2020 or previously, been restructured as D3 and reflects the staging and balances as at 31 December 2020.*

BALANCE SHEET ACTUAL IMPAIRMENTS

Rm	**Total impairments**	Stage 1	Stage 2	Stage 3	**D3 Total impairments**	D3 stage 1	D3 stage 2	D3 stage 3
Home loans	**2 766**	257	724	1 785	**403**	63	256	84
VAF	**6 250**	1 097	1 554	3 599	**1 534**	352	708	474
Personal loans	**4 864**	697	843	3 324	**1 536**	195	465	876
Card	**2 894**	552	766	1 576	**775**	89	516	170
Other loans	**331**	41	52	238				
Total Retail	**17 105**	2 644	3 939	10 522	**4 248**	699	1 945	1 604
Business Banking	**2 008**	310	515	1 183	**119**	32	46	41
Total RBB	**19 113**	2 954	4 454	11 705	**4 367**	731	1 991	1 645

BALANCE SHEET IMPAIRMENT AS A PERCENTAGE OF BOOK

	% of total	Stage 1 %	Stage 2 %	Stage 3 %	% D3 of total	D3 stage 1 %	D3 stage 2 %	D3 stage 3 %
Home loans	**2,02**	0,23	5,07	19,31	**1,28**	0,24	5,36	13,48
VAF	**5,29**	1,16	11,47	36,84	**5,60**	1,76	12,25	29,28
Personal loans	**20,04**	4,27	24,51	73,43	**24,81**	5,16	34,09	83,35
Card	**17,57**	4,36	49,58	69,40	**33,92**	8,15	56,27	61,59
Other loans	**11,17**	1,66	27,51	77,78				
Total Retail	**5,73**	1,10	11,94	40,28	**6,30**	1,37	15,15	44,94
Business Banking	**2,61**	0,54	3,68	22,66	**1,49**	0,52	2,78	19,25
Total RBB	**5,09**	0,99	9,48	37,35	**5,79**	1,28	13,74	43,50

[1] *Non-D3 Stage 3 accounts have been in Stage 3 for longer than D3 accounts, and as such further progressed down the LGD2 curve with higher associated coverage*

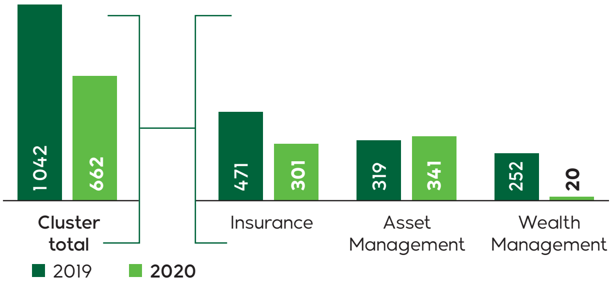
Non-restructured loans Rm			
Non-D3 total advances	Non-D3 stage 1	Non-D3 stage 2	Non-D3 stage 3
105 172	87 059	9 491	8 622
90 714	74 792	7 771	8 151
18 083	12 531	2 076	3 476
14 189	11 566	628	1 995
2 963	2 468	189	306
231 121	188 416	20 155	22 550
68 866	51 523	12 335	5 008
299 987	239 939	32 490	27 558

Non-D3 total impairments	Non-D3 stage 1	Non-D3 stage 2	Non-D3 stage 3
2 363	194	468	1 701
4 716	745	846	3 125
3 328	502	378	2 448
2 119	463	250	1 406
331	41	52	238
12 857	1 945	1 994	8 918
1 889	278	469	1 142
14 746	2 223	2 463	10 060

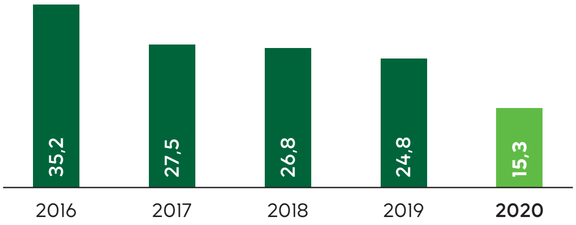
% Non-D3 of total	Non-D3 stage 1 %	Non-D3 stage 2 %	Non-D3 stage 3[1] %
2,25	0,22	4,93	19,73
5,20	1,00	10,89	38,34
18,40	4,01	18,21	70,43
14,93	4,00	39,81	70,48
11,17	1,66	27,51	77,78
5,56	1,03	9,89	39,55
2,74	0,54	3,80	22,80
4,92	0,93	7,58	36,50

Nedbank Wealth

HEADLINE EARNINGS
(Rm)



RETURN ON EQUITY
(%)



FINANCIAL HIGHLIGHTS

for the year ended 31 December

	2020	2019
Headline earnings (Rm)	**662**	1 042
NII (Rm)	**897**	1 148
Impairments charge on financial instruments (Rm)	**208**	57
NIR (Rm)	**3 303**	3 436
Operating expenses (Rm)	**3 061**	3 113
ROE (%)	**15,3**	24,8
ROA (%)	**0,81**	1,40
CLR – banking advances (%)	**0,64**	0,18
NIR to total operating expenses (%)	**107,9**	110,4
Cost-to-income ratio (%)	**72,9**	67,9
Interest margin (%)	**1,51**	2,17
Assets under management (Rm)	**374 546**	331 136
Life assurance embedded value (Rm)	**3 606**	3 188
Life assurance value of new business (Rm)	**283**	421
Total assets (Rm)	**80 244**	77 433
Average total assets (Rm)	**81 428**	74 302
Total advances (Rm)	**31 133**	30 741
Average total advances (Rm)	**32 134**	31 141
Total deposits (Rm)	**43 945**	40 060
Average total deposits (Rm)	**45 170**	41 072
Average allocated capital (Rm)	**4 327**	4 204

In a complex operating environment exacerbated by the Covid-19 pandemic, Nedbank Wealth's HE declined by 36,5% to R662m and ROE remained resilient at 15,3%, above cost of equity. Asset Management experienced a good overall performance, attracted positive net flows and delivered strong growth in AUM. Locally, Wealth Management earnings were impacted negatively by a substantial increase in credit impairments due to the difficult macroeconomic environment and Covid-19-related risks, coupled with substantially lower interest rates. The international Wealth Management business experienced a decline in earnings as a result of record-low USD and GBP interest rates. Insurance results were impacted by higher claims in the life portfolio, the negative effect of reduced interest rates on actuarial reserves and lower JSE investment returns on shareholder funds, albeit with a slight recovery in the fourth quarter.

NII decreased by 21,9% to R897m due to significantly reduced interest rates both locally and internationally, resulting in NIM contracting to 1,51%. The CLR deteriorated to 64 bps due to a significant increase in credit impairments locally as a result of the unprecedented macroeconomic environment and Covid-19-related risks. Payment relief of R7,8bn was provided to Nedbank Private Wealth clients in good standing to help them through short-term liquidity challenges.

NIR declined to R3 303m, down by 3,9% as a result of higher claims in the life portfolio, the impact of reduced interest rates on actuarial reserves, and lower investment returns on shareholder funds in Insurance. NIR was further impacted by lower planner productivity on commission earned due to lockdown restrictions and reduced portfolio management fees in the local Wealth Management business. This was partially offset by higher client trading activity on the back of volatile markets, resulting in growth in brokerage income locally, and an increase in foreign exchange income internationally, as well as solid growth in AUM in Asset Management.

The NIR-to-expenses ratio increased to 107,9%, with expenses declining by 1,7% as costs continue to be well managed.
The cost-to-income ratio increased to 72,9%, primarily due to the impact of the lower-interest-rate environment on NII.

WEALTH MANAGEMENT

Wealth Management's HE declined by 92% to R20m, mainly driven by a substantial increase in credit impairments due to the impact of Covid-19 on the local business, as well as the effect of the low-interest-rate-environment, both locally and internationally.

In addition, Covid-19 lockdown restrictions resulted in delays in the winding up of estates and clients continuing to de-risk their portfolios to lower-margin products. The pandemic further impacted new-business volumes in investment management and financial planning, resulting in lower investment advice fees, partially offset by strong growth in brokerage income. During the pandemic digital adoption increased significantly, with 20% more clients using the Nedbank Private Wealth app and the demand for Online Share trading accounts growing by more than 100%. A key focus area for the business is to provide seamless client experiences, with 77% of clients who transferred money between their SA and international accounts, using the Nedbank Private Wealth app.

Internationally, earnings were impacted by reduced USD and GBP interest rates, resulting in lower revenue, while lending activity was affected by lower property transaction volumes combined with strong competition from UK ring-fenced banks. Despite the impact of Covid-19 on new investment business volumes and global stock markets, the business showed solid growth in AUA, while AUM remained steady compared to prior year. Nedbank Private Wealth International was named Best Boutique Private Bank at the 2020 WealthBriefing MENA Region Awards.

ASSET MANAGEMENT

Asset Management delivered strong HE of R341m, up 7% due to good overall performance, strict expense control and growth in market share. AUM increased by 13,1% to R375bn, benefitting from positive net flows of R28bn, particularly in lower-risk cash and fixed-income funds. The Nedgroup Investments Core Fund range continued to grow and now exceeds R40bn and is the largest low-cost, multi-asset range in the SA market. The international range ranked third in the December 2020 PlexCrown Unit Trust Survey and is well positioned for South African clients to diversify their investments offshore. As part of an ongoing journey to enhance client experiences, Nedgroup Investments increased digital adoption, hosted over 70 online events, significantly increased their social-media following and integrated into several Nedbank platforms, including the Money app and Online Banking. In 2020 Nedgroup Investments launched MyRetirement, an innovative and industry-first retirement solution designed to help with the problem of insufficient retirement savings in SA.

INSURANCE

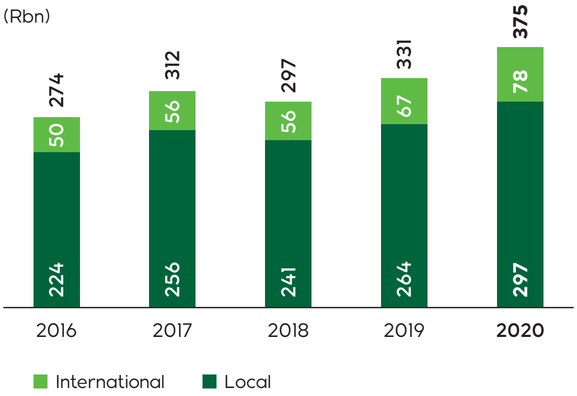
Insurance HE declined by 36% to R301m due to an increase in credit life loss-of-income and funeral claims resulting from Covid-19 and the impact of reduced interest rates on actuarial reserves, as well as lower investment returns on shareholder funds. This was offset by an improved non-life claims experience, most notably in the vehicle value-added products.

Throughout 2020, Nedbank Insurance provided clients with a Nedbank unsecured loan the opportunity to apply for debt relief and claim for credit life protection through loss-of-income claims, underwritten by the life business amounting to more than R150m. In addition, Nedbank Insurance offered clients up to 10% discount on their premiums if a policy was purchased through a digital channel and the debit order was linked to a Nedbank account.

Life EV increased by 13,1% to R3 606m despite higher retrenchment and mortality claims as a result of the Covid-19 pandemic, and the continued weak economic environment. VNB decreased by 33% to R283m due to a reduction in sales volumes across all products as a result of lockdown restrictions, partially offset by higher average premiums. Non-life gross written premiums declined by 8,4% to R1,081m due to a decrease in sales volumes as a result of the constrained economic environment. Insurance reported a significant uptake in digital sales, notably in the funeral product, and continues to deliver numerous digital client solutions through various platforms with the intention of including the entire portfolio on Nedbank digital platforms by the end of 2021.

ASSETS UNDER MANAGEMENT

(Rbn)



Looking forward

We anticipate a prolonged economic recovery, considering the inextricable link between market conditions and Covid-19 trends. Uncertainty around a possible third wave of Covid-19 infections may result in higher credit impairments in our Wealth Management businesses and loss-of-income and death claims in our Insurance business. Ongoing competition from UK ring-fenced banks and a possible further reduction in the zero-interest rate environment are expected to impede earnings internationally.

Nedbank Wealth is committed to providing world-class client service, building data and digital capability, driving new client growth and long-term performance, collaborating within the cluster and the rest of the group, as well as investing in people and culture. While the business continues to invest for the future, it is equally important to ensure operational resilience, improved returns and sustainable growth.

The local Wealth Management business will focus efforts on creating an advice-led business that fulfils clients' needs by delivering simplified solutions and commercialising digital tools. Collaboration within the group will be paramount to increasing client penetration and building an efficient and sustainable business.

Our international Nedbank Private Wealth business will focus on new client growth and digital adoption and continue to build on its strategy of moving from an affluent banking-led business to a high-net-worth advice-led business.

Asset Management remains committed to delivering long-term fund performance, making it simple, easy and secure to do business as well as taking further steps in their journey towards becoming leaders in responsible investing. Nedgroup Investments will continue to integrate with Nedbank's online and Money app digital channels.

Insurance will focus on enhancing client experiences, improving data capabilities, expanding mobile and digital platforms and collaborating within the group to penetrate the Nedbank client base, while *being reliably there* for clients during these uncertain times. In 2021 the Nedbank Insurance on-licence personal lines solution will be launched to the broader market and included on numerous Nedbank digital platforms, such as the Money app, in the first half of the year.

ASSETS UNDER MANAGEMENT

Rm	2020	2019
Fair value of funds under management – by type		
Unit trusts	**314 539**	273 243
Third parties	**957**	946
Private clients	**59 050**	56 947
	374 546	331 136
Fair value of funds under management – by geography		
SA	**296 971**	264 448
Rest of the world	**77 575**	66 688
	374 546	331 136

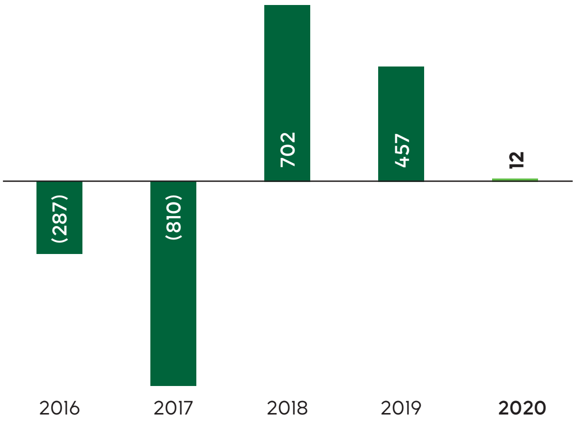
Rm	Unit trusts	Third party	Private clients	Total
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2019	**273 243**	**946**	**56 947**	**331 136**
Inflows	**617 754**	**235**	**12 394**	**630 383**
Outflows	**(587 149)**	**(292)**	**(15 062)**	**(602 503)**
Mark-to-market value adjustment	**8 266**	**(14)**	**4 318**	**12 570**
Foreign currency translation differences	**2 425**	**82**	**453**	**2 960**
Closing balance – 31 December 2020	**314 539**	**957**	**59 050**	**374 546**

Rm	SA	Rest of the world	Total
Reconciliation of movement in funds under management – by geography			
Opening balance at 31 December 2019	**264 448**	**66 688**	**331 136**
Inflows	**614 689**	**15 694**	**630 383**
Outflows	**(588 846)**	**(13 657)**	**(602 503)**
Mark-to-market value adjustment	**6 680**	**5 890**	**12 570**
Foreign currency translation differences		**2 960**	**2 960**
Closing balance – 31 December 2020	**296 971**	**77 575**	**374 546**

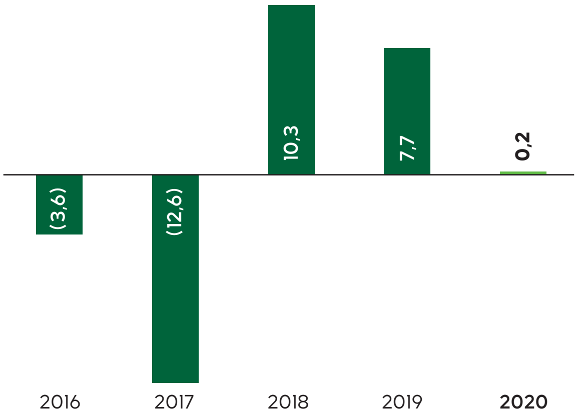
Favourable	Unfavourable
• Steady international AUM growth. • Positive netflows in Asset Management. • Improved non-life claims experience. • Costs well-managed. • Significant increase in digital adoption.	• Significant decline in local and international interest rates. • Substantial growth in credit impairments. • Lending activity impacted by lower property transaction volumes. • Continued shift towards lower-risk products. • Increase in credit life loss of income and funeral claims in Insurance.

Nedbank Africa Regions

HEADLINE EARNINGS
(Rm)



RETURN ON EQUITY
(%)



Although the health impact of the Covid-19 pandemic in Africa has been milder than on other regions, the socioeconomic wellbeing of many Africans has been affected negatively. Especially vulnerable have been those dependent on travel and tourism, and commodity exporting economies, particularly oil. Due to Covid-19 and its lockdown measures, sub-Saharan Africa's GDP is expected to have contracted by 2,6% in 2020, with per capita income declining significantly – the deepest contraction on record.

All the countries in which Nedbank operates implemented various measures to curb the spread of the virus, which included:

- lockdowns or partial lockdowns by implementing either states of emergency or states of disaster; and
- strict social distancing at workplaces (including branches) as well as the implementation of health and safety protocols.

With the second wave of infections in late 2020 and in early 2021, stricter measures were implemented to curb the spread of the virus. These included closing borders, imposing curfews (e.g. from 18:00 to 06:00 in Zimbabwe) and introducing strict business trading hours.

Regulatory interventions in response to the pandemic in the countries where we operate included:

- reducing liquid asset requirements and reserve requirements;
- implementing conditions enabling banks to help with credit repayment holidays or restructures for clients affected by the pandemic;
- directing banks not to declare and pay dividends;
- encouraging banks to reduce merchant fees and pricing for digital channels;
- reducing interest rates significantly;
- requiring bank employees, who were declared essential workers, to work in rotation and restricting the number of employees working on premises; and
- delaying the implementation of key rules and regulations, for example Basel 2.5 in Lesotho.

Despite the impact of the Covid-19 pandemic, our NAR business remains resilient on all key balance sheet measures and is well positioned for growth. Highlights include the following:

- Our subsidiaries have adequate capital levels above minimum requirements and continue to report strong liquidity.
- Through collaboration with our regulators and respective governments, we were able to support our clients with payment holidays and debt restructures.
- Key business drivers continue to improve, for instance client growth and growth in digital usage.
- Nedbank brand sentiment improved in most subsidiaries in 2020, with Zimbabwe being the leader in its market – a testament to our client-centred response.
- West and Central Africa regions of ETI continue to deliver strong returns.

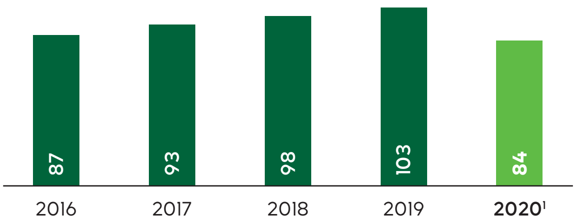
OUR STRATEGY ON THE CONTINENT

Once we emerge from the Covid-19 pandemic, we expect growth in regions where we operate to be faster than in SA. This will provide opportunities for diversifying earnings and returns over the longer term. Our strategy remains to own, manage and control banking operations in SADC and East Africa, and to give our clients access to a banking network in West and Central Africa through our strategic investment in the pan-African banking group ETI, which has subsidiaries in 33 African countries.

As part of portfolio optimisation, we completed our exit from Malawi in H1 2020 and increased our stake in Banco Único to 87,5% as we look to leverage Mozambican growth opportunities for the Group. We are currently integrating the business into the group so that we can leverage our enterprise capabilities to unlock value from our investment.

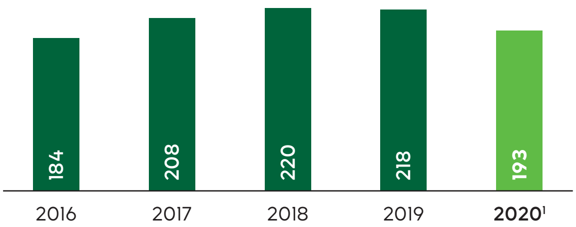
As part of the Zimbabwe business reconfiguration, work is being done to reshape the balance sheet to reduce the impact of monetary loss as a result of hyperinflation. We have reported an improvement in the net monetary loss in 2020 vs 2019. We are also refocusing to be more digital, with a special focus on wholesale, transactional banking, trade finance and cash management. As part of continuing to reimagine the business, we have also reduced our branch footprint.

BRANCHES



[1] *Malawi disposed of in H12020.*

ATMS



[1] *Malawi disposed of in H12020.*

SADC SUBSIDIARIES PERFORMANCE

With our focus on driving workplace banking and rolling out sales squads in our wholesale business, our overall number of clients grew by 10% in 2020 to 334 000. In line with transforming our business for the digital age, we have increased our digitally enabled accounts and digitally active clients by 37% and 75% respectively. We increased our app payment and transfer volumes by 83% and 65% respectively, and increased volume and the value of value-added services (electricity, airtime, instant payments) by 121% and 91% respectively.

As part of continuing to invest in our businesses and giving our clients improved offers and better experiences, we rolled out the following in 2020:

- Nedbank Namibia launched **IDToday**, a digital identity management platform for the remote submission of clients' identity documents. IDToday enables clients to open a bank account on their phone by taking and submitting a selfie.
- In Zimbabwe we launched a new online and offsite account application process, including offsite activation, which makes us one of only two banks in Zimbabwe with online account-opening capabilities.
- We launched **Send Money** functionality in Namibia, Lesotho and eSwatini. It enables clients to send money to anyone with a valid cellphone number. In Zimbabwe we launched Zimswitch Instant Payment Interchange Technology (Zipit) to Ecocash transfer facility. Clients can now transfer money from Nedbank Mobile Banking (an app) to any Econet cellphone number.
- We launched Nedbank Online in Eswatini, Lesotho and Namibia, the new personal online banking that offers clients the same features and benefits as the highly-rated Nedbank Money (Africa) App.
- **We launched U-Super Salário in Mozambique**, a new super account that gives clients a host of benefits for having their salary paid into their Único account. After the third month of depositing their salary into the account, they can get an overdraft facility of up to 50% of their net monthly salary.
- We introduced **health insurance for Banco Único clients** to give them access to a private network of health providers in Mozambique, SA, Portugal and India.

All these new products and services were well received in their respective markets.

We are continually focusing on improving our client service. Our clear, simple and bold aspiration is to be #1-rated in client experiences in every market where we operate. In 2020 we achieved significant improvements across many key client metrics: our Namibian and Lesotho businesses achieved the highest net promoter scores in their respective markets.

As part of managing costs, we reduced our headcount by 9% to 2 352. This was a result of the disposal of the Malawi business, natural attrition and headcount freezes. We are also reimagining our business for a post-Covid-19 world and have been reviewing our distribution strategy. We reduced our branches by 6% to 84, and our ATMs by 2% to 193. As we focus on being a more digital business, new investments into our physical presence are limited to high-growth micro markets and the minimum presence that regulation requires. We have grown the number of point-of-sale (POS) devices by 3% to 8 780, resulting in an increase in merchant turnover of 30% to R11,7bn.

Our progress was also acknowledged externally. Key awards won in 2020 include the following:

- Nedbank Lesotho was awarded the Best Digital Bank in Lesotho and Best Corporate Governance Bank by the Global Banking & Finance Review.
- Nedbank Swaziland won the award for the Most Innovative Digital Bank in Eswatini for 2020 at the International Finance Awards.
- Banco Único was awarded Best Digital Bank of Mozambique by the Global Banking & Finance Review, making it the 25th award they have received for their digital offers. Banco Único was also awarded the Fastest Growing Retail Bank in Mozambique for 2020 (Global Banking & Finance Review).
- Namibia won a Diamond Arrow Award at the PMR.Africa Namibia Country Survey Business Excellence Awards for Nedbank Private Banking, and was recognised in the category Companies/Institutions held in high esteem as good corporate citizens based on their corporate responsibility initiatives and investments over the past 12 months.
- Nedbank Zimbabwe won the Sustainability Award at the 2020 Banks and Banking Survey Awards and was first runner-up in the 2020 Top Companies Awards in Zimbabwe for the banking sector category and first runner-up in the banking category at the 2020 Service Excellence Awards Ceremony category.

ETI (WEST AND CENTRAL AFRICA)

Adjusting for the impact of a prior-year adjustment and goodwill write off in Nigeria, ETI's financial recovery continued, albeit with slower earnings growth. The performance for the nine months

FINANCIAL HIGHLIGHTS

	Nedbank Africa Regions		SADC		ETI	
	2020	2019	**2020**	2019	**2020**	2019
Headline earnings (Rm)	**12**	457	**(141)**	20	**153**	437
NII (Rm)	**1 274**	1 547	**1 549**	1 868	**(275)**	(321)
Impairments charge on financial instruments (Rm)	**437**	233	**437**	233		
NIR (Rm)	**1 454**	1 220	**1 454**	1 220		
Operating expenses (Rm)	**2 325**	2 427	**2 325**	2 427		
Associate income	**337**	672	**(13)**	4	**350**	668
ROE (%)[1]	**0,2**	7,7	**(2,6)**	0,4	**14,0**	52,0
ROA (%)	**0,03**	1,19	**(0,42)**	0,06	**2,09**	6,20
Return on cost of ETI investment (%)	**5,6**	10,7			**5,6**	10,7
CLR – banking advances (%)	**1,85**	1,01	**1,85**	1,01		
NIR to total operating expenses (%)	**62,5**	50,3	**62,5**	50,3		
Cost-to-income ratio (%)	**75,9**	70,6	**77,8**	78,5		
Interest margin (%)	**3,85**	5,01	**5,42**	7,00		
Total assets (Rm)	**41 089**	38 385	**38 909**	35 711	**2 180**	2 674
Average total assets (Rm)	**38 739**	37 641	**36 004**	34 738	**2 735**	2 903
Total advances (Rm)	**23 233**	21 678	**23 233**	21 678		
Average total advances (Rm)	**22 409**	21 959	**22 409**	21 959		
Total deposits (Rm)	**33 294**	30 223	**33 294**	30 223		
Average total deposits (Rm)	**32 470**	30 780	**32 470**	30 780		
Average allocated capital (Rm)	**6 471**	5 943	**5 366**	5 094	**1 105**	849

[1] *ROE on subsidiary and associate incountry statutory capital is 0,5% (2019: 4,9%), with Namibia 4,1% (2019: 13,1%); Eswatini 9,2% (2019: 14,6%); Lesotho 5,1% (2019: 10,7%); Zimbabwe 6,8% (2019: -57,2%) and Banco Único -4,5% (2019: 13,5%).*

ending 30 September 2020 (ETI results are reported in Nedbank results a quarter in arrear) was driven by the following:

- Strong financial performance and solid returns registered in the anglophone and francophone West Africa regions, reflecting the quality of the franchise. (Ecobank is a market leader in six countries and among the top three in 16 countries where they do business.)
- Resilient financial performance in the Central, Eastern and Southern Africa (CESA) region, adversely impacted by hyperinflation in Zimbabwe.
- Although there has been improvement, Nigeria continues to be a drag on the group's performance, due to persistently elevated NPLs and ongoing economic headwinds, including a lower oil price and foreign exchange shortages for most of 2020.

The collaboration between ETI and Nedbank continued, with more than 245 Nedbank client accounts having been opened at Ecobank businesses across the continent. We have also continued to grow treasury activities. It was encouraging that Ecobank Nigeria (ENG) was able to issue a NGN50bn (equating to approximately USD125m) 10-year subordinated Tier 2 bond during December 2020, while also placing a USD300m five-year Eurobond in January 2021 at a spread of 7,125%.

Due to the prolonged decline of ETI's listed share price below its carrying value, at 30 June 2020, Nedbank reviewed its impairments provisions. Various scenarios had supported VIU calculations above the carrying value of the investment, but to be prudent, we decided to impair the investment by R750m in the first half of the year. Our position was reassessed in December 2020 and no additional impairment was required.

FINANCIAL HIGHLIGHTS

Given the difficult macroeconomic environment, exacerbated by the effects of the Covid-19 pandemic, the HE of the Nedbank Africa Regions business declined by 97% to R12m, resulting in ROE of 0,2%. The performance reflects higher impairments and lower NII in our SADC businesses, and two once-offs items reported by ETI.

Our SADC subsidiaries produced a loss of R141m from HE of R20m in 2019. The loss was driven by lower revenue, higher impairments due to the Covid-19 pandemic and a R205m net monetary loss as inflationary pressure persisted in Zimbabwe, a reduction from R296m in 2019. HE impact of net monetary loss was R89m (2019: R142m). Revenues were impacted by lower NII (down 11%) and slower growth in advances as the subsidiary performances were affected by the deteriorating macroeconomic conditions due to Covid-19 and a decline in interest rates (especially in common monetary countries). NIR grew by 19% (down 4%, excluding Zimbabwe) as transactional volumes, especially digital, driven by investments made and accelerated digital client usage due to the lockdowns, climbed.

Average gross advances and average deposits were up from the prior year by 2,4% and 5,5% respectively.

Policy uncertainty and a lack of foreign direct investments continue to damage the Zimbabwean economy, contributing to hyperinflationary conditions. According to the Zimbabwe National Statistics Agency, Zimbabwe's annual inflation was 363% in January 2021, with monthly CPI standing at nearly 5,43% (Zimbabwe officially adopted hyperinflationary accounting with effect from 1 July 2019). Zimbabwe's inflation has been on a downward trend since August 2020, following the introduction of a foreign exchange auction trading system that brought some stability to the foreign exchange market.

The CLR increased to 185 bps from 101 bps in 2019 due to a significant increase in impairments from R233m to R437m. This is above our board-approved CLR target limit of 100 bps due to increased pressure on clients because of the pandemic. Altogether, 16,1% of the NAR loan book has been restructured, with the sector exposure broadly aligned to key economic drivers. As at year-end, 2 116 accounts had been restructured across the NAR portfolios with a total exposure of R3,9bn. Although, 86% have matured and of those that have matured 90% have resumed repayment. Overall impairments are decreasing as the economies are starting to recover but will likely continue to be under pressure if more restrictions and lockdown measures are implemented because of new waves of infections.

Expenses decreased by 4,2% to R2 325m, underpinned by the good management of overall costs, including headcount reduction, reduced marketing spend, lower travel costs and a decline in other non-essential costs.

Nedbank's HE from ETI declined by 65% from the prior year, to R153m. ETI's performance was adversely affected by the restatement the previous year, our share of that being R236m and a goodwill impairment relating to the Oceanic acquisition, both relating to the Nigerian business. Given the impact of the one-off items, Nedbank recognised a loss from associates of R178m. As our share of the goodwill impairment of R528m is excluded from HE, Nedbank reported HE of R153m, after deducting R198m of after-tax funding costs. Excluding the effects of the one-off items, associate income was down 12%, at R587m (from the R668m reported in FY2019), while HE was 11% lower, at R388m (FY2019: R437m).

Looking forward

Following the devastating health and economic crisis caused by the pandemic, economies appear to be emerging from one of the deepest recessions and beginning a subdued recovery. We expect Covid-19 and the potential lockdowns due to increased infections to continue to impact African economies in 2021 until a significant percentage of the population is inoculated.

Growth in sub-Saharan Africa is expected to rebound to 3,2% in 2021, which is slightly weaker than previously projected, before firming to 3,9% in 2022.

Performance in the SADC region for 2021 is expected to improve year on year, but the Covid-19 pandemic will still impact the overall economy and business performance. We are continuing to reimagine our businesses for the new post-Covid-19 normal and are ensuring that they get a fair share of market profit pools. Our focus areas for 2021 are the following:

- Accelerating the digitisation and automation of our business to be more competitive, and continuing to build our transactional franchise.
- Completing the reconfiguration of the Zimbabwe business.
- Leveraging our increased investment in Mozambique to address opportunities, including in the energy, agriculture and agro-processing sectors.
- Transforming our business model for overall efficiency, while driving overall growth to achieve scale.

In ETI, our focus is on increasing the value of our investment. We are working through our representation on the board to ensure continued growth of the business for sustainable long-term value, including addressing the persistent challenges in Ecobank Nigeria to unlock shareholder value. Through our investment we are continuing to work on the commercialisation of collaboration initiatives and increasing business flows.

Nedbank is committed to long-term and profitable growth in our Africa Regions business and seeks to leverage these growth opportunities and improve returns on equity. Our ambition is to give our clients access to the best financial services network on the continent. Despite a challenging macroeconomic environment, we expect the Africa Regions business in the medium to long term to grow its overall contribution to group earnings and returns.

Favourable	Unfavourable
• Strong liquidity and capital positions across subsidiaries. • Good cost management and operational effectiveness. • 10% growth in number of clients with strong transactional growth and POS usage. • Launched new digital offers for clients (Send Money) with significant increase in adoption and usage. • Strong returns from ETI's West & Central African subsidiaries. • Recognised and won awards for Most Innovative Digital Bank in Eswatini, Best Digital Bank in Lesotho and Mozambique and Best Bank for Corporate Governance in Lesotho. • Improving brand sentiment across markets with leadership position in Zimbabwe. • Leading NPS scores in Namibia and Lesotho, with top 3 performance in Eswatini and Mozambique. • Improved client online client sales and onboarding processes (IDToday onboarding with selfie). • Trading income increased strongly given increased market volatility and higher client volumes.	• Earnings severely impacted by the Covid-19 lockdowns across all countries. • Difficult macro and socio-economic environment driving increase in impairments and worsening credit loss ratio. • Negative endowment due to lower interest rates especially in CMA countries. • Tourism and resource sectors negatively affected but lockdown and pandemic. • Zimbabwe continued to be affected by hyperinflation resulting in a monetary loss albeit with an improvement from 2019. • Associate income from ETI negatively impacted by Ecobank Nigeria related once-offs: the restatement of 2018 earnings (our share: R236m) and the impairment of goodwill from the Oceanic acquisition (our share: R528m). • Weak return on equity.

Geographical segmental reporting

for the year ended 31 December

	Nedbank Group		SA[1]		Nedbank Africa Regions[2]		Rest of world	
Rm	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Summarised statement of financial position								
Assets								
Cash and cash equivalents	**41 382**	37 635	**32 642**	29 655	**6 813**	6 341	**1 927**	1 639
Other short-term securities	**52 605**	64 451	**27 702**	42 562	**3 639**	4 083	**21 264**	17 806
Derivative financial instruments	**80 325**	35 243	**80 173**	35 075	**33**	38	**119**	130
Government and other securities	**132 221**	100 557	**131 277**	126 171	**827**	848	**117**	1 491
Loans and advances	**843 303**	824 786	**777 395**	722 532	**23 233**	21 678	**42 675**	52 623
Other assets	**78 301**	80 677	**68 589**	70 739	**3 811**	4 898	**5 901**	5 040
Intragroup assets	**–**	–	**(2 733)**	(499)	**2 733**	499		
Total assets	**1 228 137**	1 143 349	**1 115 045**	1 026 235	**41 089**	38 385	**72 003**	78 729
Equity and liabilities								
Total equity	**100 444**	98 449	**81 974**	81 926	**6 471**	5 943	**11 999**	10 580
Derivative financial instruments	**65 130**	27 991	**65 004**	27 913	**39**	11	**87**	67
Amounts owed to depositors	**953 715**	904 382	**854 767**	812 008	**33 294**	30 223	**65 654**	62 151
Provisions and other liabilities	**49 078**	52 814	**46 924**	49 922	**967**	1 891	**1 187**	1 001
Long-term debt instruments	**59 770**	59 713	**59 452**	59 396	**318**	317		
Intragroup liabilities	**–**	–	**6 924**	(4 930)			**(6 924)**	4 930
Total equity and liabilities	**1 228 137**	1 143 349	**1 115 045**	1 026 235	**41 089**	38 385	**72 003**	78 729
Summarised statement of comprehensive income (Rm)								
NII	**30 081**	30 167	**27 703**	27 548	**1 274**	1 547	**1 104**	1 072
Impairments charge on financial instruments	**13 127**	6 129	**11 815**	5 824	**437**	233	**875**	72
Income from lending activities	**16 954**	24 038	**15 888**	21 724	**837**	1 314	**229**	1 000
NIR	**24 140**	25 997	**21 559**	23 598	**1 454**	1 220	**1 127**	1 179
Operating income	**41 094**	50 035	**37 447**	45 322	**2 291**	2 534	**1 356**	2 179
Total operating expenses	**31 772**	32 179	**28 576**	28 940	**2 325**	2 427	**871**	812
Zimbabwe hyperinflation	**205**	296			**205**	296		
Indirect taxation	**1 148**	1 096	**1 065**	1 014	**64**	58	**19**	24
Profit/(Loss) from operations	**7 969**	16 464	**7 806**	15 368	**(303)**	(247)	**466**	1 343
Share of gains of associate companies	**452**	793	**115**	121	**337**	672		
Profit before direct taxation	**8 421**	17 257	**7 921**	15 489	**34**	425	**466**	1 343
Direct taxation	**1 994**	3 942	**1 986**	3 885	**(30)**	(64)	**38**	121
Profit after taxation	**6 427**	13 315	**5 935**	11 604	**64**	489	**428**	1 222
Profit attributable to non-controlling interest	**987**	809	**935**	777	**52**	32		
Headline earnings	**5 440**	12 506	**5 000**	10 827	**12**	457	**428**	1 222

[1] *Includes all group eliminations.*

[2] *The Nedbank Africa Regions geographical segmental income statement and balance sheet consist of the SADC banking subsidiaries and the investment in ETI. These statements do not include transactions concluded with clients resident in the rest of Africa by other group entities within CIB nor transactional-banking revenues. For example, CIB has credit exposures to clients resident in the rest of Africa of R34,0bn (2019: R31,8bn).*

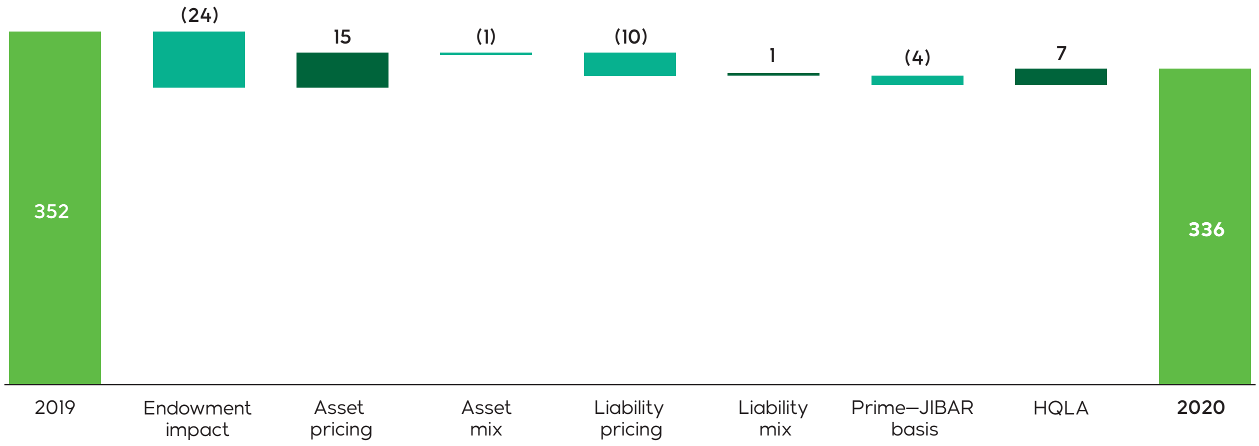
INCOME STATEMENT ANALYSIS.

1 Net margin analysis

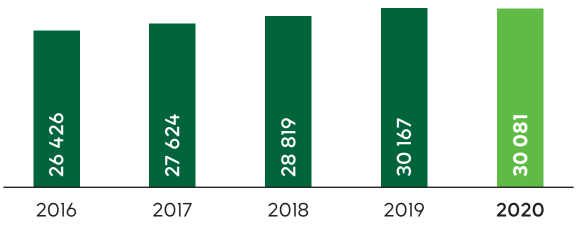
	2020		2019	
Nedbank Group	**Bps**	**Rm**	Bps	Rm
Closing-average interest-earning banking assets		**895 880**		857 981
Opening NIM/NII	**352**	**30 167**	365	28 819
Growth in banking assets		**1 333**		2 465
Endowment	**(24)**	**(2 128)**	(3)	(268)
Capital, net of working capital	**(9)**	**(812)**	(3)	(226)
Deposits	**(15)**	**(1 316)**		(42)
Asset margin pricing and mix	**14**	**1 237**	(4)	(357)
Impact due to pricing	**15**	**1 357**	(6)	(555)
Impact due to mix change	**(1)**	**(120)**	2	198
Liability margin pricing and mix	**(9)**	**(788)**		31
Deposits pricing and mix	**(9)**	**(742)**		62
Impact due to pricing	**(10)**	**(851)**	1	123
Impact due to mix change	**1**	**109**	(1)	(61)
Impact of changes in the funding profile		**(46)**		(31)
Prime–JIBAR basis	**(4)**	**(305)**	1	77
HQLA	**7**	**610**	(2)	(204)
IFRS 16: Leases[1]			(4)	(293)
Other		**(45)**	(1)	(103)
Closing NIM/NII for the year	**336**	**30 081**	352	30 167

[1] *No impact in 2020.*

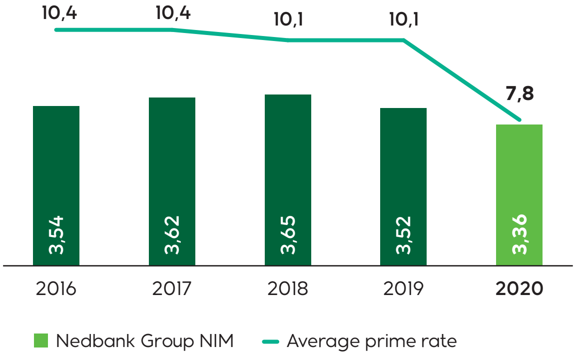
NET INTEREST MARGIN (YOY)
(Bps)



NET INTEREST INCOME
(Rm)



INTEREST MARGIN TRENDS VERSUS PRIME RATE
(%)



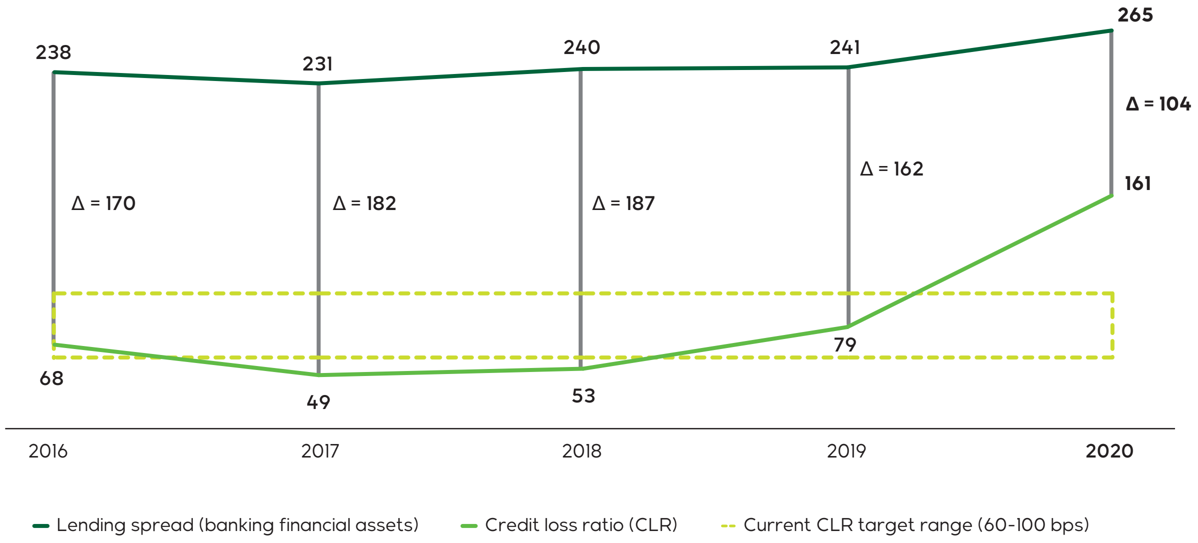
NET INTEREST INCOME

Favourable	Unfavourable
• Positive asset pricing due to improved risk-based pricing. • Positive deposit mix impact due to faster growth in deposits with higher margins versus wholesale sources of funding. • Positive impact of yield optimisation strategies on banking book HQLA portfolios and lower levels of low yielding HQLA held in the banking book.	• Negative endowment due to lower interest rates, following interest rate cuts of 300 bps. • Liability margin deteriorated due to aggressive competitor pricing across wholesale and retail term and demand deposits. • A squeeze in prime–JIBAR-basis spread as prime-linked assets repriced immediately for changes in the repo rate, while term funding post-hedging, repriced over three months.

NII SENSITIVITY ANALYSIS

- At December 2020 the NII sensitivity of the group's banking book for a 1% parallel reduction in interest rates, measured over 12 months, was 1,47% of total group ordinary shareholders' equity, which is below the board's approved risk limit of < 2,25%.
- This exposes the group to a decrease in NII of approximately R1 310m before tax, should interest rates decrease by 1% across the yield curve, measured over a 12-month period. Nedbank London branch and Wealth International NII sensitivities are, however, measured at a 0,5% instantaneous decrease in interest rates.
- The group's NII sensitivity exhibits very little convexity and will therefore also result in an increase in pretax NII of approximately similar amounts should interest rates increase by 100 bps.
- The group's NII sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity over the cycle.
- Nedbank Limited's economic value of equity (EVE) for a 100-bps-decline in interest rates remains at a low level of 0,24% (-R165m) of ordinary shareholders' equity, which is below the board's approved risk limit of 1%.

LENDING SPREAD VERSUS CREDIT LOSS RATIO (INCLUDING TARGET RANGE) OF NEDBANK GROUP
(Bps)



- The group's lending spread improved by 24 bps in the current year to 265 bps. This was primarily due to improved pricing, noting that improved residential mortgage pricing was largely driven by an alignment in the period over which mortgage commission is amortised to net interest income (R135m, 2 bps).
- The group's CLR increased by 82 bps yoy to 161 bps at 31 December 2020, breaching the upper-end of the target range of 60–100 bps. The CLR was impacted by stage migrations in both retail and wholesale, adjustments to macroeconomic forecasts, the forward-looking provisioning requirements of IFRS 9 and heightened risk due to the Covid-19 pandemic. During the period loans and advances were restated to include listed corporate bonds (previously disclosed as government and other securities) to align with industry practice, and this reduced the group CLR by 3 bps and 6 bps in 2019 and 2020 respectively.

Average banking statement of financial position and related interest

	2020			2019		
	Average balance	**Margin statement interest[1]**		Average balance	Margin statement interest[1]	
Rm	**Assets**	**Received**	**%**	Assets	Received	%
Average prime rate			**7,80**			10,14
Assets						
Loans and advances						
Home loans (including properties in possession)	**165 603**	**12 234**	**7,39**	159 406	15 073	9,46
Commercial mortgages	**186 240**	**13 834**	**7,43**	170 087	16 369	9,62
Instalment debtors	**128 006**	**12 559**	**9,81**	121 231	14 277	11,78
Credit card balances	**16 752**	**2 256**	**13,47**	17 378	2 581	14,85
Overdrafts	**23 554**	**1 933**	**8,21**	22 954	2 373	10,34
Term loans and other[2]	**236 647**	**15 147**	**6,40**	229 811	18 358	7,99
Personal loans	**25 963**	**5 330**	**20,53**	23 907	5 151	21,55
Impairment of loans and advances	**(21 268)**			(16 297)		
Government and other dated securities	**93 022**	**7 535**	**8,10**	84 501	7 162	8,48
Short-term funds and trading securities	**41 361**	**1 472**	**3,56**	45 003	2 336	5,19
Interest-earning banking assets	**895 880**	**72 300**	**8,07**	857 981	83 680	9,75
Other[3]	**141 385**			106 974		
Total assets	**1 037 265**	**72 300**	**6,97**	964 955	83 680	8,67
	Liabilities	**Paid**	**%**	Liabilities	Paid	%
Equity and liabilities						
Deposit and loan accounts	**483 084**	**22 943**	**4,75**	456 578	30 628	6,71
Current and savings accounts	**127 150**	**663**	**0,52**	111 379	1 074	0,96
Negotiable certificates of deposit	**114 620**	**7 212**	**6,29**	117 088	9 259	7,91
Other interest-bearing liabilities[1]	**104 982**	**6 683**	**6,37**	85 887	7 214	8,40
Long-term debt instruments	**61 035**	**4 718**	**7,73**	57 306	5 338	9,31
Interest-bearing banking liabilities	**890 871**	**42 219**	**4,74**	828 238	53 513	6,46
Other[4]	**146 394**			136 717		
Total shareholders' equity and liabilities	**1 037 265**	**42 219**	**4,07**	964 955	53 513	5,55
Interest margin on average interest-earning banking assets	**895 880**	**30 081**	**3,36**	857 981	30 167	3,52

[1] *Yields are before incorporating the impact of hedging derivatives.*

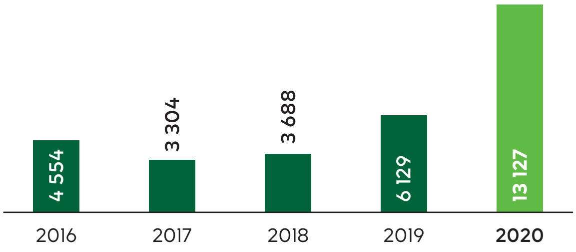
[2] *Includes term loans, preference shares, factoring debtors, interest on derivatives and other lending-related instruments.*

[3] *Includes cash and banknotes, derivative financial instruments, insurance assets, associates and investments, property and equipment, mandatory reserve deposits with central banks, intangible assets and other assets.*

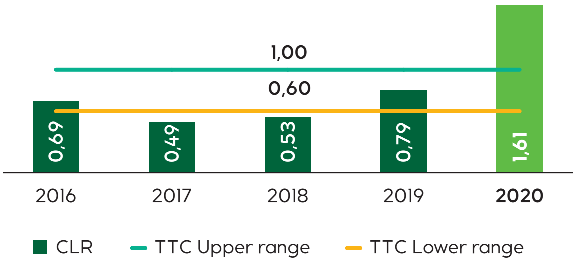
[4] *Includes derivative financial instruments, investment contract liabilities, other liabilities and elimination entries.*

2 Impairments

NEDBANK GROUP IMPAIRMENTS CHARGE
(Rm)



NEDBANK GROUP CREDIT LOSS RATIO TRENDS
(%)



RESTRUCTURED CREDIT EXPOSURES IN TERMS OF D3/2020 AND D7/2015 AT YEAR END

Nedbank cluster/business unit	Restructured credit exposure transactions						GLAA held at amortised cost (Stage 1, 2 and 3)	D3 restructures as % of cluster/ business unit GLAA
	D3 restructures			D7 restructures				
2020	**Total number**	**Exposure (Rm)**	**Impairments (Rm)**	**Total number**	**Exposure (Rm)**	**Impairments (Rm)**	**Exposure (Rm)**	**%**
Corporate and Investment Banking	53	25 355	281	24	2 061	516	331 769	7,64
CIB excl Property Finance	19	18 160	250	6	1 792	433	166 127	10,93
Property Finance	34	7 195	31	18	269	83	165 642	4,34
Retail and Business Banking	15 241	2 051	189	59 073	10 540	2 196	375 385	0,55
Business Banking	61	179	4	257	448	51	76 868	0,23
Retail	15 180	1 872	185	58 816	10 092	2 145	298 517	0,63
Wealth	1	4		73	249	14	30 566	0,01
Nedbank Africa Regions	138	333	3	143	144	34	24 186	1,38
Centre							376	
Group	15 433	27 743	473	59 313	12 994	2 760	762 282	3,64

Favourable	Unfavourable
• Nedbank provided D3/2020 payment relief on a total of more than R120bn of client loans across the portfolio during 2020. • At 31 December 2020, this had declined to R28bn as payment holidays matured and clients resumed payment plans. • The H2 CLR reduced to 134 bps from 187 bps in H1 2020 resulting in the CLR of 161 bps at year end as the economic outlook improved and lockdown eased.	• Impairments increased 114%, due to the impact of Covid-19 on consumers and businesses and the difficult SA macroeconomic environment. • The charge includes R3,9bn of Covid-19-related overlays and judgemental estimates. • CLR of 161 bps was above the upper end of the CLR TTC target range of 100 bps.

NEDBANK GROUP INCOME STATEMENT IMPAIRMENT CHARGE AND CREDIT LOSS RATIO

	Stage 1	Stage 2	Stage 3	Off-balance-sheet	Non-LAA and FVOCI	Impairments charge, net of recoveries (excl non-LAA)	Average banking advances	CLR	Target
2020 (Rm)	Rm	Rm	Rm	Rm	Rm	Rm	%	%	%
Corporate and Investment Banking (CIB)	**271**	**435**	**1 941**	**305**	**293**	**3 245**	**48,4**	**0,82**	**0,15-0,45**
CIB excluding Property Finance	**138**	**136**	**1 463**	**305**	**293**	**2 335**	**29,6**	**1.03**	
Property Finance	**133**	**299**	**478**			**910**	**18,8**	**0,54**	**0,15-0,35**
Retail and Business Banking (RBB)	**519**	**1 533**	**6 619**	**75**		**8 746**	**44,7**	**2,40**	**1,30-1,80**
Business Banking	**11**	**366**	**415**	**62**		**854**	**9,5**	**1,10**	**0,50-0,70**
Retail[1]	**508**	**1 167**	**6 204**	**13**		**7 892**	**35,2**	**2,75**	**1,60-2,40**
Wealth	**22**	**31**	**155**			**208**	**4,0**	**0,64**	**0,20-0,40**
Nedbank Africa Regions	**101**	**54**	**267**	**9**	**6**	**437**	**2,9**	**1,85**	**0,75-1,00**
Centre		**500**	**(1)**		**(8)**	**491**			
Nedbank Group	**913**	**2 553**	**8 981**	**389**	**291**	**13 127**	**100,0**	**1,61**	**0,60-1,00**

[1] *For further disaggregation refer to the RBB segmental report on pages 79 to 93.*

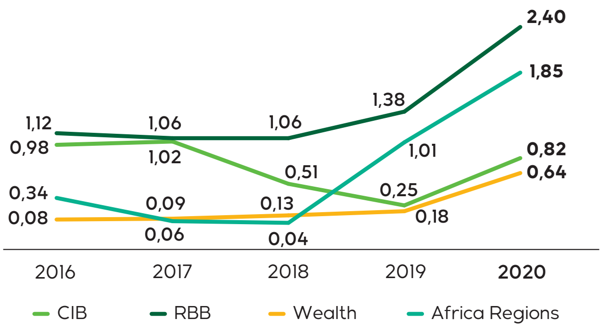
	Stage 1	Stage 2	Stage 3	Off-balance-sheet	Non-LAA and FVOCI	Impairments charge, net of recoveries (excl non-LAA)	Mix of average banking advances	CLR	Target
2019 (Rm)	Rm	Rm	Rm	Rm	Rm	Rm	%	%	%
Corporate and Investment Banking (CIB)	1	254	616	46		917	46,3	0,25	0,15-0,45
CIB excluding Property Finance	(30)	179	693	45		887	27,2	0,45	
Property Finance	31	75	(77)	1		30	19,1	(0,02)	0,15-0,35
Retail and Business Banking (RBB)	476	102	4 241	4		4 823	46,5	1,38	1,30-1,80
Business Banking	(21)	3	400			382	10,2	0.50	0,50-0,70
Retail[1]	497	99	3 841	4		4 441	36,3	1.63	1,60-2,40
Wealth	(1)	4	54			57	4,2	0,18	0,20-0,40
Nedbank Africa Regions	71	23	129	6	4	233	3,0	1,01	0,75-1,00
Centre		99				99			
Nedbank Group	547	482	5 040	56	4	6 129	100,0	0,79	0,60-1,00

[1] *For further disaggregation refer to the RBB segmental report on pages 79 to 93.*

IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

2020 (Rm)	Nedbank Group	Corporate and Investment Banking	Retail and Business Banking	Wealth	Nedbank Africa Regions	Centre
Balance at the beginning of the year	18 152	2 745	14 144	229	771	263
Stage 1 ECL allowance	3 428	658	2 507	24	240	(1)
Stage 2 ECL allowance	3 931	767	2 819	25	72	248
Stage 3 ECL allowance	10 793	1 320	8 818	180	459	16
Statement of comprehensive income charge net of recoveries	13 127	3 245	8 746	208	437	491
Stage 1 ECL allowance	913	271	519	22	101	
Stage 2 ECL allowance	2 553	435	1 533	31	54	500
Stage 3 ECL allowance	8 981	1 941	6 619	155	267	(1)
Off-balance-sheet allowance	389	305	75		9	
Non-loans and advances	(2)				6	(8)
FVOCI loan impairment charge	293	293				
Adjusted for:	(5 202)	(1 352)	(3 633)	(3)	(225)	11
Recoveries	1 165	6	1 077		82	
Interest in suspense	1 059	74	855		130	
Amounts written off	(7 419)	(1 378)	(5 979)	(3)	(59)	
Foreign exchange and other transfers	(9)	(54)	414		(372)	3
Non-loans and advances	2				(6)	8
ECL allowance – closing balance	26 077	4 638	19 257	434	983	765
Stage 1	4 237	935	3 015	46	241	
Stage 2	6 772	1 306	4 504	56	158	748
Stage 3	15 068	2 397	11 738	332	584	17
Split by measurement category	26 077	4 638	19 257	434	983	765
Loans and advances	24 804	3 539	19 113	434	953	765
Loans and advances in FVOCI	609	609				
Off-balance-sheet allowance	664	490	144		30	

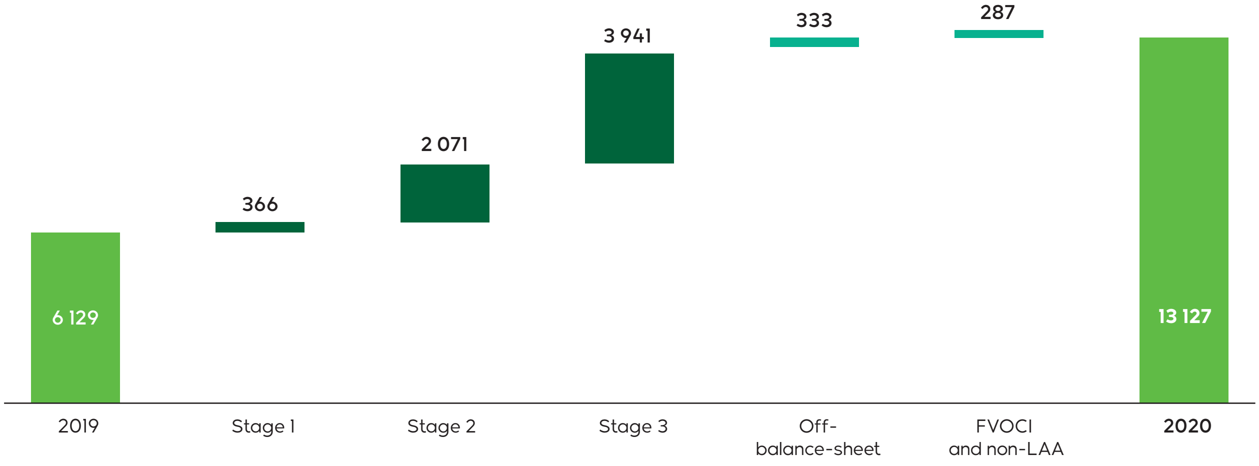
NEDBANK GROUP CREDIT LOSS RATIO PER CLUSTER
(%)



2019 (Rm)	Nedbank Group	Corporate and Investment Banking	Retail and Business Banking	Wealth	Nedbank Africa Regions	Centre
Balance at the beginning of the year	15 826	1 865	12 795	187	814	165
Stage 1 ECL allowance	2 878	591	2 042	25	219	1
Stage 2 ECL allowance	3 586	549	2 791	22	76	148
Stage 3 ECL allowance	9 362	725	7 962	140	519	16
Statement of comprehensive income charge net of recoveries	6 129	917	4 823	57	233	99
Stage 1 ECL allowance	547	1	476	(1)	71	
Stage 2 ECL allowance	482	254	102	4	23	99
Stage 3 ECL allowance	5 040	616	4 241	54	129	
Off-balance-sheet allowance	56	46	4		6	
Non-Loans and advances	4				4	
Adjusted for:	(3 803)	(37)	(3 474)	(15)	(276)	(1)
Recoveries	1 247	20	1 196		31	
Interest in suspense	723	83	640			
Amounts written off	(5 491)	(117)	(5 275)	(15)	(84)	
Foreign exchange and other transfers	(278)	(23)	(35)		(219)	(1)
Non-loans and advances	(4)				(4)	
Balance at the end of the year	18 152	2 745	14 144	229	771	263
Stage 1 ECL allowance	3 428	658	2 507	24	240	(1)
Stage 2 ECL allowance	3 931	767	2 819	25	72	248
Stage 3 ECL allowance	10 793	1 320	8 818	180	459	16
Split by measurement category	18 152	2 745	14 144	229	771	263
Loans and advances	17 541	2 224	14 075	229	749	264
Loans and advances in FVOCI	340	340				
Off-balance-sheet allowance	271	181	69		22	(1)

NEDBANK GROUP IMPAIRMENT DRIVERS

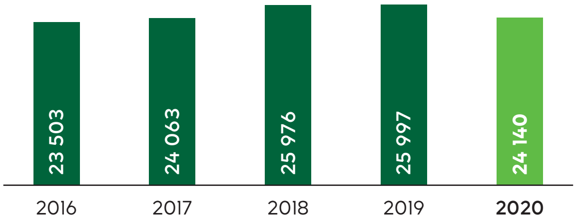
(Rm)



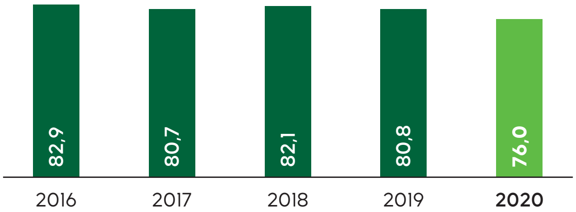
Notes

3 Non-interest revenue

NON-INTEREST REVENUE
(Rm)



NON-INTEREST REVENUE TO TOTAL OPERATING EXPENSES
(%)

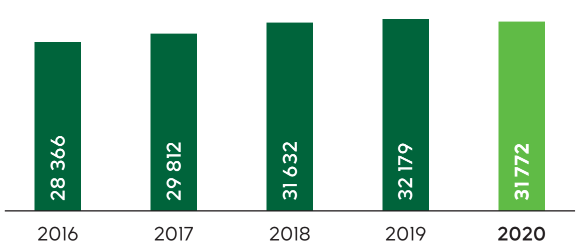


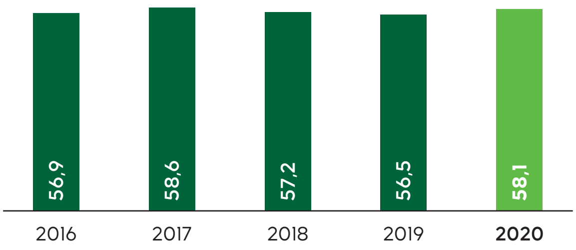
	Nedbank Group		Corporate and Investment Banking	
Rm	**2020**	2019	**2020**	2019
Commission and fees income	**17 137**	18 739	**2 907**	3 256
Administration fees	**1 327**	1 252	**57**	53
Card income	**3 178**	3 743	**17**	
Cash-handling fees	**1 017**	1 136	**202**	222
Exchange commission	**707**	652	**200**	198
Guarantees income	**311**	267	**229**	185
Insurance commission	**406**	516		
Other commission[3]	**3 910**	4 391	**1 420**	1 508
Other fees[4]	**1 989**	2 239	**724**	1 034
Service charges	**4 292**	4 543	**58**	56
Insurance income	**1 622**	1 837		
Fair-value adjustments	**352**	60	**(357)**	(13)
Fair-value adjustments	**(338)**	(49)	**(373)**	(23)
Hedge-accounted portfolios	**690**	109	**16**	10
Trading income	**5 252**	4 524	**5 094**	4 390
Commodities	**53**	99	**53**	99
Debt securities	**3 142**	2 708	**3 142**	2 708
Equities	**642**	426	**642**	426
Foreign exchange	**1 415**	1 291	**1 257**	1 157
Private-equity income	**(1 038)**	262	**(861)**	267
Realised gains, dividends, interest and other income[5]	**659**	723	**818**	727
Unrealised losses[1]	**(1 697)**	(461)	**(1 679)**	(460)
Investment income	**212**	198	**154**	174
Sundry income[2]	**603**	377	**292**	101
Total non-interest revenue	**24 140**	25 997	**7 229**	8 175

[1] *Unrealised losses relate to equity investments in associates and joint ventures, which are estimated and converted to realised or dividends once earned.*
[2] *Sundry income, includes fair value movements on equity instruments and foreign currency translation losses.*
[3] *Includes internal commission from the Wealth Cluster to RBB cluster.*
[4] *Other fees includes internal advisory fees from the Centre Cluster to CIB cluster.*
[5] *Realised gains includes accounting adjustments for owner occupied properties managed by CIB but 'owner occupied' at a Group level.*

	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	11 268	12 622	**2 099**	2 045	**839**	872	**24**	(56)
	525	522	**664**	588	**67**	70	**14**	19
	3 065	3 652			**95**	90	**1**	1
	785	880	**1**	3	**29**	31		
	216	259	**120**	88	**96**	102	**75**	5
	51	44			**31**	38		
	245	309	**156**	200	**5**	7		
	2 386	2 715	**(110)**	(65)	**201**	213	**13**	20
	98	96	**1 221**	1 188	**25**	22	**(79)**	(101)
	3 897	4 145	**47**	43	**290**	299		
	329	460	**1 250**	1 352	**70**	70	**(27)**	(45)
	29	41	**–**	–	**8**	4	**672**	28
					8	4	**27**	(30)
	29	41					**645**	58
	74	73	**–**	–	**84**	61	**–**	–
	74	73			**84**	61		
	(19)	–	**–**	(1)	**(15)**	–	**(143)**	(4)
					(15)		**(144)**	(4)
	(19)			(1)			**1**	
	12	13	**4**	4	**13**	1	**29**	6
	137	109	**(50)**	36	**455**	212	**(231)**	(81)
	11 830	13 318	**3 303**	3 436	**1 454**	1 220	**324**	(152)

4 Expenses


TOTAL OPERATING EXPENSES
(Rm)


COST-TO-INCOME RATIO
(%)

	Nedbank Group		Corporate and Investment Banking	
Rm	**2020**	2019	**2020**	2019
Staff costs	**16 829**	17 322	**2 721**	2 783
Salaries and wages	**15 171**	15 089		
Total incentives	**1 741**	2 550		
Short-term incentives	**1 455**	1 980		
Long-term incentives	**286**	570		
Other staff costs	**(83)**	(317)		
Computer processing[5]	**5 830**	4 878	**501**	503
Depreciation of computer equipment	**760**	746		
Depreciation of right-of-use assets: computer equipment	**88**	79		
Amortisation of intangible assets	**1 436**	1 167		
Operating lease charges for computer processing	**224**	217		
Other computer processing expenses	**3 322**	2 669		
Fees and insurances	**4 094**	4 152	**664**	667
Occupation and accommodation[1,2]	**2 304**	2 274	**233**	231
Marketing and public relations	**1 077**	1 455	**43**	89
Communication and travel	**717**	845	**287**	304
Other operating expenses[3]	**921**	1 253	**58**	55
Activity-justified transfer pricing	**–**	–	**1 925**	1 972
Total operating expenses	**31 772**	32 179	**6 432**	6 604

Analysis of total IT-related function spend included in total expenses	**2020**	2019
IT staff-related costs within Group Technology	**2 094**	2 110
Depreciation and amortisation of computer equipment, software and intangibles	**2 284**	1 993
Other IT costs (including licensing, development, maintenance and processing charges)[4]	**3 613**	2 923
Total IT-related functional spend	**7 991**	7 026

[1] *Includes depreciation of right-of-use assets of R827m (2019: R813m).*

[2] *Includes building depreciation charges of R422m (2019: R451m).*

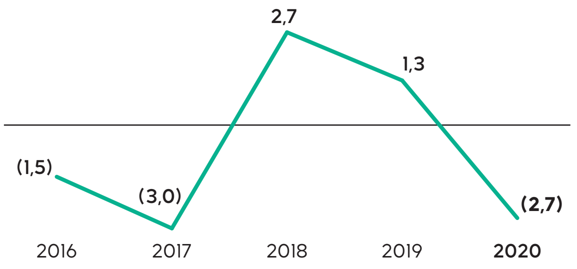
[3] *Includes furniture depreciation charges of R352m (2019: R358m), consumables and sundry expenses.*

[4] *Includes consulting and professional fees (that are embedded in fees and insurance), communication and travel, and other IT-related spend (embedded in computer processing).*

[5] *During the year the was a refinement to allocation of internal costs and recoveries with NAR resulting in higher computer processing costs and lower fees and insurances costs.*

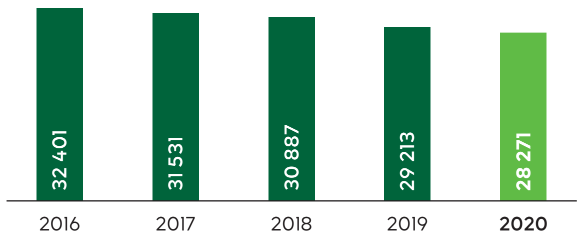
GROSS OPERATING INCOME GROWTH RATE LESS EXPENSES GROWTH RATE (JAWS RATIO)

(%)



TOTAL EMPLOYEES

(Permanent staff)



	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	7 486	7 940	**1 608**	1 608	**1 084**	1 068	**3 930**	3 923
	2 267	1 771	**365**	321	**379**	83	**2 318**	2 200
	2 494	2 509	**207**	210	**260**	437	**469**	329
	1 933	1 954	**156**	149	**179**	180	**(197)**	(240)
	562	677	**54**	89	**42**	60	**376**	540
	317	327	**27**	52	**64**	68	**22**	94
	462	555	**45**	69	**18**	188	**338**	386
	4 640	4 651	**599**	615	**299**	343	**(7 463)**	(7 581)
	20 161	20 384	**3 061**	3 113	**2 325**	2 427	**(207)**	(349)

Favourable

- Employee numbers decreased by 1 079 largely through natural attrition.
- STIs have been impacted by the group's financial performance, and LTIs, impacted as expected vesting ratios, have decreased due to underperformance against corporate performance targets.
- Good management of discretionary spend during the crisis contributed to savings being recorded across travel, communication, marketing and training.
- Optimisation initiatives delivering cost savings, including cumulative run-rate savings from our target operating model of R1,8bn. The incremental savings under TOM (R675m) have more than offset the incremental amortization (R291m).

Unfavourable

- Computer-processing costs increased, driven by an increase in the amortisation charge of 23,0%.
- The base effect of the PRMA pretax credit amounted to R354m in 2019.
- The leave expense increased R121m as locked-down employees took less leave.
- Covid-19-related spend of R81m includes the provision of personal protective equipment, additional spend to comply with health and safety regulations, and international consulting support relating to impairment model development and provisioning.

5 Headline earnings reconciliation

Rm	2020		2019	
	Gross	**Net of taxation**	Gross	Net of taxation
Profit attributable to ordinary equity holders		**3 467**		12 001
Non-trading and capital items	**1 562**	**1 445**	651	505
IAS 16 loss on disposal of property and equipment	**89**	**72**	18	13
IAS 36 impairment of associate: ETI	**750**	**750**		
IAS 36 impairment of goodwill	**345**	**345**	117	117
IAS 36 impairment of property and equipment			148	107
IAS 36 impairment of intangible assets	**207**	**149**	289	198
IAS 40 loss/(profit) on revaluation of investment properties	**2**	**2**	(2)	(2)
IFRS 5 impairment of non-current assets held for sale	**17**	**17**	48	48
IFRS 16 impairment of right-of-use assets	**152**	**110**	33	24
Share of (losses)/gains of associate companies				
IAS 36 share of associate (ETI) impairment of goodwill	**528**	**528**		
Headline earnings		**5 440**		12 506

6 Taxation charge

	2020	2019
Direct taxation	**1 994**	3 942
Taxation rate reconciliation (excluding non-trading and capital items) (%)		
Standard rate of SA normal taxation	**28,0**	28,0
Reduction of taxation rate:		
– Non-taxable income	**(3,1)**	(1,8)
– Capital items	**0,4**	(0,1)
– Foreign income and section 9D attribution	**(1,1)**	(1,0)
– Share of gains of associate companies	**(1,5)**	(1,3)
– Additional tier 1 taxation on interest paid	**(2,5)**	(0,8)
– Revenue losses not recognised	**(1,2)**	0,2
– Non-deductible expenses[1]	**(2,3)**	(0,5)
– Zimbabwe hyperinflation	**0,7**	0,3
– Prior-year adjustments	**(0,7)**	(1,2)
Total taxation on income as percentage of profit before taxation	**23,7**	22,8
Effective tax rate excluding ETI associate income/(loss)	**24,7**	24,0

[1] *Non-deductible expenses include the impact of share-based payments due to forfeitures and lower allocation prices, as well as non-recognition of income losses provided for.*

7 Preference shares

Dividends declared	**Number of shares**	**Cents per share**	**Amount Rm**
2021			
Nedbank – Final (dividend number 36) declared for 2020 – payable April 2021	**358 277 491**	**29,45696**	**105,5**
2020			
Nedbank – Final (dividend no 34) declared for 2019 – paid April 2020	**358 277 491**	**42.11186**	**150,9**
Nedbank – Interim (dividend no 35) declared for 2020 – paid September 2020	**358 277 491**	**35.94033**	**128,8**
Total of dividends declared			**279,7**
Nedbank (MFC) – Participating preference shares[1]			**(58,0)**
Less: Dividends declared in respect of shares held by group entities			**(29,1)**
			192,6
2019			
Nedbank – Final (dividend no 32) declared for 2018 – paid March 2019	358 277 491	42,23172	151,3
Nedbank – Interim (dividend no 33) declared for 2019 – paid September 2019	358 277 491	42,35729	151,8
Total of dividends declared			303,1
Nedbank (MFC) – Participating preference shares[1]			41,7
Less: Dividends declared in respect of shares held by group entities			(31,6)
			313,2

[1] *Share in economic profit/(loss), calculated semiannually.*

Notes

STATEMENT OF FINANCIAL POSITION ANALYSIS.

8 Loans and advances

SEGMENTAL BREAKDOWN

	Nedbank Group		Corporate and Investment Banking	
Rm	**2020**	2019	**2020**	2019
Home loans	**168 900**	162 238	**33**	10
Commercial mortgages	**190 583**	179 801	**155 016**	145 602
Properties in possession	**149**	150		
Credit cards	**16 721**	17 089		
Overdrafts	**23 593**	26 747	**4 008**	5 557
Personal loans	**26 916**	24 829		
Term and other loans	**175 489**	199 040	**153 534**	180 446
Overnight loans	**10 175**	14 945	**8 681**	13 078
Foreign client lending	**5 580**	6 508	**3 146**	5 166
Instalment debtors	**135 269**	130 067	**2 877**	2 795
Preference shares and debentures	**12 274**	12 766	**11 973**	12 440
Factoring accounts	**5 130**	6 563		
Listed corporate bonds[2]	**21 910**	27 960	**21 910**	27 960
Fair-value hedge-accounted portfolios	**4 163**	941	**102**	34
Trade, other bills and bankers' acceptances	**4**	5		
Loans and advances before impairments	**796 856**	809 649	**361 280**	393 088
Impairment of advances	**(24 804)**	(17 541)	**(3 539)**	(2 224)
Total banking loans and advances	**772 052**	792 108	**357 741**	390 864
Comprises:				
– Loans and advances to clients	**731 214**	769 859	**323 233**	372 319
– Loans and advances to banks	**40 838**	22 249	**34 508**	18 545
Total loans and advances after impairments	**772 052**	792 108	**357 741**	390 864
Trading loans and advances	**71 251**	32 678	**71 251**	32 678

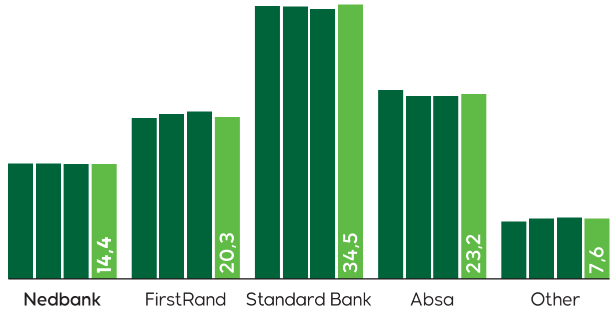
[1] *Centre includes the group's centrally managed macro fair-value hedge accounting adjustment, intercluster adjustments relating to deferred revenue recognised in LAA, a central impairment provision and an impairment on other assets.*

[2] *During 2020, the group reviewed the presentation of corporate bonds. As a result of the review, the group reclassified listed corporate bonds from 'government and other securities' into 'loans and advances'. The measurement basis of these instruments has not changed from prior years. Total equity as presented in prior statements of financial position was not impacted by this reclassification.*

Market share according to BA900

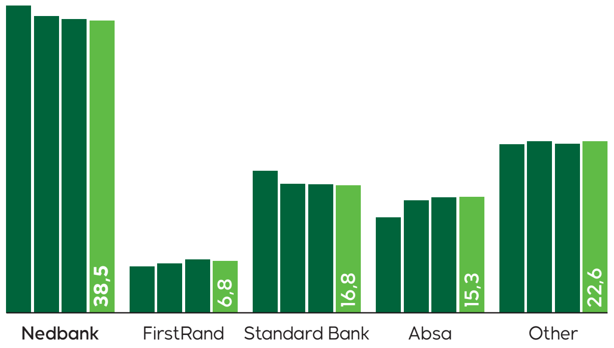
HOME LOANS (2017–2020)

(%)



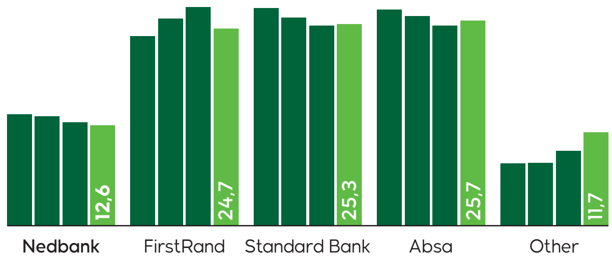
COMMERCIAL MORTGAGE LOANS (2017–2020)

(%)

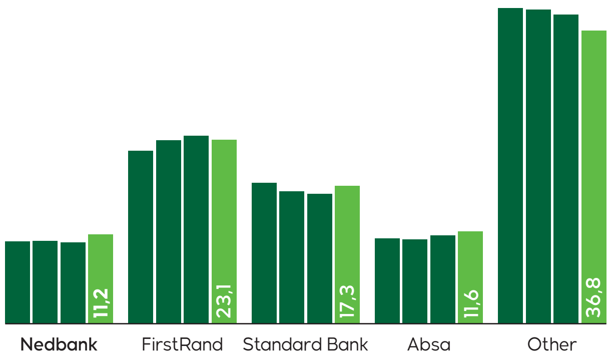


	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre[1]	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	144 512	138 811	**17 135**	16 988	**7 220**	6 941		(512)
	24 879	23 668	**9 014**	8 814	**1 550**	1 721	**124**	(4)
	50	44	**13**	11	**86**	95		
	16 584	16 958			**137**	131		
	16 089	17 871	**188**	171	**3 308**	3 148		
	24 954	22 663			**1 962**	2 166		
	11 562	10 028	**5 003**	4 738	**5 146**	4 087	**244**	(259)
	909	1 270			**585**	597		
	206	170			**2 228**	1 172		
	130 423	125 285	**46**	62	**1 914**	2 364	**9**	(439)
	133	140	**168**	186				
	5 084	6 563			**46**			
							4 061	907
					4	5		
	375 385	363 471	**31 567**	30 970	**24 186**	22 427	**4 438**	(307)
	(19 113)	(14 075)	**(434)**	(229)	**(953)**	(749)	**(765)**	(264)
	356 272	349 396	**31 133**	30 741	**23 233**	21 678	**3 673**	(571)
	356 269	349 394	**28 027**	28 393	**20 012**	20 324	**3 673**	(571)
	3	2	**3 106**	2 348	**3 221**	1 354		
	356 272	349 396	**31 133**	30 741	**23 233**	21 678	**3 673**	(571)

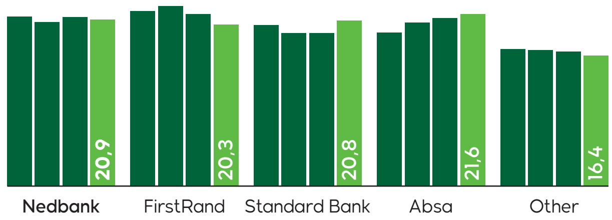
CREDIT CARDS (2017–2020)
(%)



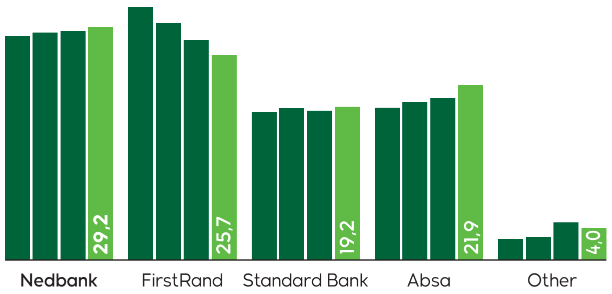
PERSONAL LOANS (2017–2020)
(%)



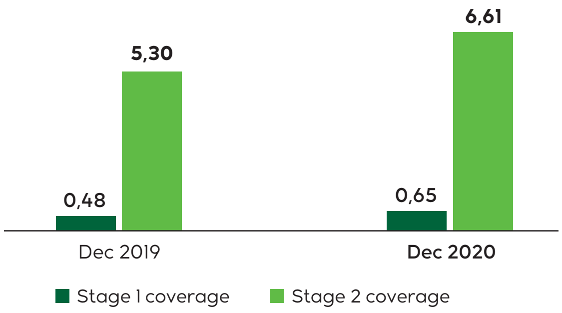
CORE CORPORATE LOANS (2017–2020)
(%)



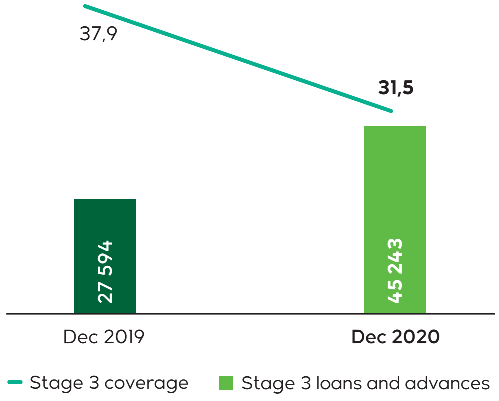
INSTALMENT SALES AND LEASES (2017–2020)
(%)



STAGE 1 AND STAGE 2 COVERAGE
(%)



STAGE 3 ADVANCES AND COVERAGE RATIO
(Rm) (%)



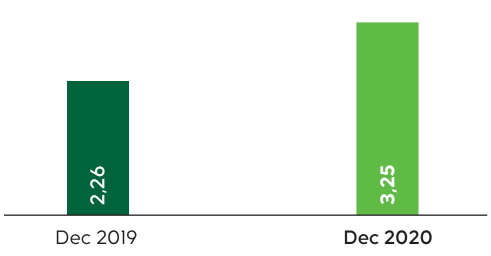
SUMMARY OF LOANS AND ADVANCES AND COVERAGE RATIOS

GLAA, ECL and coverage ratios, by cluster, by stage

	Stage 1			Stage 2		
	GLAA	ECL	Coverage	GLAA	ECL	Coverage
2020	Rm	Rm	%	Rm	Rm	%
Corporate and Investment Banking (CIB)	272 163	812	0,30	48 642	1 093	2,25
CIB excluding Property Finance	125 566	504	0,40	32 918	485	1,47
Property Finance	146 597	308	0,21	15 724	608	3,87
Retail and Business Banking (RBB)	297 063	2 954	0,99	46 982	4 454	9,48
Business Banking	57 659	310	0,54	13 988	515	3,68
Retail	239 404	2 644	1,10	32 994	3 939	11,94
Wealth	28 511	46	0,16	735	56	7,62
Nedbank Africa Regions	20 489	217	1,06	2 072	152	7,34
Centre	382	–			748	
Gross loans and advances/ ECL held at amortised cost	618 608	4 029	0,65	98 431	6 503	6,61
GLAA/ECL for assets held at FVOCI	12 501	54		4 599	71	
Trading GLAA held at FVTPL	71 251					
Banking Book GLAA held at FVTPL	11 599					
GLAA for fair-value hedge-accounted portfolios	4 164					
Off-balance-sheet ECL	–	154			198	
Total GLAA/ ECL	718 123	4 237		103 030	6 772	

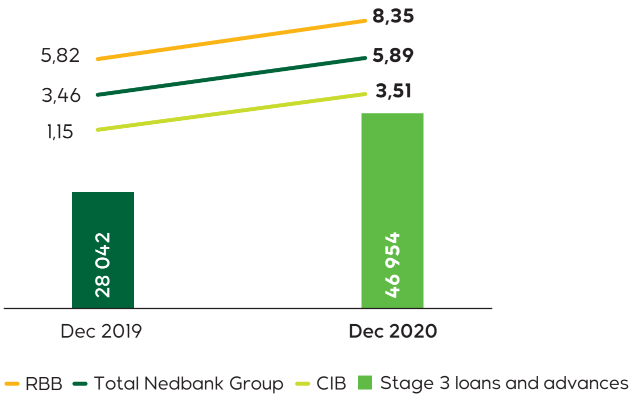
NEDBANK GROUP COVERAGE

(%)



STAGE 3 ADVANCES AS A PERCENTAGE OF GROSS BANKING LOANS AND ADVANCES

(Rm)



	Stage 3			TOTAL				
	GLAA	ECL	Coverage	GLAA	ECL	Coverage	GLAA excluding trading book	Stage 3 GLAA as % of total GLAA
	Rm	Rm	%	Rm	Rm	%	Rm	%
	10 964	1 634	14,9	331 769	3 539	1,07	361 280	3,51
	7 643	993	13,0	166 127	1 982	1,19	195 536	4,78
	3 321	641	19,3	165 642	1 557	0,94	165 744	2,00
	31 340	11 705	37,3	375 385	19 113	5,09	375 385	8,35
	5 221	1 183	22,7	76 868	2 008	2,61	76 868	6,79
	26 119	10 522	40,3	298 517	17 105	5,73	298 517	8,75
	1 320	332	25,2	30 566	434	1,42	31 567	4,18
	1 625	584	35,9	24 186	953	3,94	24 186	6,72
	(6)	17		376	765		4 438	
	45 243	14 272	31,5	762 282	24 804	3,25	796 856	5,89
	1 711	484		18 811	609			
				71 251			71 251	
				11 599				
				4 164				
		312			664			
	46 954	15 068		868 107	26 077		868 107	

Favourable	Unfavourable
• Total GLAA increased to R868,1bn (2019: R842,3bn). The GLAA was restated to include listed corporate bonds in line with market, which were previously classified as 'government and other securities'. Strong growth in Trading Book advances, has been offset by negative growth in CIB Banking Loans and Advances (LAA) and muted growth in RBB LAA.	• In H2 2020, D3 renewals in Retail were classified and treated as Stage 2 GLAA, to account for anticipated elevated risk. Since August 2020, we pro-actively discouraged further/new payment holidays to enable a risk-read on this population by year end. Subsequent relief was classified as D7.

	Stage 1			Stage 2		
	GLAA	ECL	Coverage	GLAA	ECL	Coverage
2019	Rm	Rm	%	Rm	Rm	%
Corporate and Investment Banking (CIB)	328 209	549	0,17	29 860	675	2,26
CIB excluding Property Finance	187 740	375	0,20	12 350	366	2,96
Property Finance	140 469	174	0,12	17 510	309	1,76
Retail and Business Banking (RBB)	301 839	2 455	0,81	40 471	2 807	6,94
Business Banking	69 277	226	0,33	6 315	179	2,83
Retail	232 562	2 229	0,96	34 156	2 628	7,69
Wealth	29 589	24	0,08	452	25	5,53
Nedbank Africa Regions	19 700	220	1,12	1 305	68	5,21
Centre	(1 217)	(1)			248	
Gross loans and advances/ ECL held at amortised cost	678 120	3 247	0,48	72 088	3 823	5,30
GLAA/ECL for held at FVOCI	16 558	67		577	38	
Trading GLAA held at FVTPL	32 678					
Banking Book GLAA held at FVTPL	13 323					
GLAA for fair-value hedge-accounted portfolios	941					
Off-balance-sheet ECL		115			70	
Total GLAA/ECL	741 620	3 429		72 665	3 931	

GLAA, ECL AND COVERAGE, BY PRODUCT

	Stage 1			**Stage 2**		
	GLAA	**ECL**	**Coverage**	**GLAA**	**ECL**	**Coverage**
2020	**Rm**	**Rm**	**%**	**Rm**	**Rm**	**%**
Residential mortgages	**141 082**	**352**	**0,25**	**15 988**	**798**	**4,99**
Commercial mortgages	**161 287**	**376**	**0,23**	**18 367**	**694**	**3,78**
Instalment debtors	**108 290**	**1 160**	**1,07**	**16 511**	**1 626**	**9,85**
Credit cards and overdrafts	**21 031**	**834**	**3,97**	**7 581**	**1 094**	**14,43**
Term loans[1]	**113 252**	**1 093**	**0,97**	**23 204**	**1 268**	**5,46**
Other loans to clients	**41 950**	**114**	**0,27**	**9 598**	**866**	**9,02**
Other	**31 716**	**100**		**7 182**	**157**	
GLAA/ECL held at amortised cost	**618 608**	**4 029**	**0,65**	**98 431**	**6 503**	**6,61**

[1] *FVOCI is deducted from 'term loans'.*

	Stage 1			Stage 2		
	GLAA	ECL	Coverage	GLAA	ECL	Coverage
2019	Rm	Rm	%	Rm	Rm	%
Residential mortgages	140 062	288	0,21	14 181	539	3,80
Commercial mortgages	154 801	218	0,14	18 713	338	1,81
Instalment debtors	105 416	802	0,76	18 043	1 321	7,32
Credit cards and overdrafts	29 216	859	2,94	5 209	524	10,06
Term loans[1]	152 020	887	0,58	12 929	775	5,99
Other loans to clients	55 337	102	0,18	1 944	283	14,56
Other	41 268	91		1 069	43	
GLAA/ECL held at amortised cost	678 120	3 247	0,48	72 088	3 823	5,30

[1] *FVOCI is deducted from 'term loans'.*

	Stage 3			TOTAL				
	GLAA	ECL	Coverage	GLAA	ECL	Coverage	GLAA excluding trading book	Stage 3 GLAA as % of total GLAA
	Rm	Rm	%	Rm	Rm	%	Rm	%
	4 079	1 001	24,6	362 148	2 225	0,61	393 088	1,15
	2 919	786	27,0	203 009	1 527	0,75	233 915	1,44
	1 160	215	18,5	159 139	698	0,44	159 173	0,73
	21 161	8 813	41,6	363 471	14 075	3,87	363 471	5,82
	3 396	925	27,2	78 988	1 330	1,68	78 988	4,30
	17 765	7 888	44,4	284 483	12 745	4,48	284 483	6,24
	929	180	19,4	30 970	229	0,74	30 970	3,00
	1 422	461	32,3	22 427	749	3,34	22 427	6,34
	3	16		(1 214)	263		(307)	
	27 594	10 471	37,9	777 802	17 541	2,26	809 649	3,46
	448	235		17 583	340			
				32 678			32 678	
				13 323				
				941				
		86			271			
	28 042	10 792		842 327	18 152		842 327	

	Stage 3			**TOTAL**		
	GLAA	**ECL**	**Coverage**	**GLAA**	**ECL**	**Coverage**
	Rm	**Rm**	**%**	**Rm**	**Rm**	**%**
	11 656	**2 319**	**19,9**	**168 726**	**3 469**	**2,06**
	5 644	**999**	**17,7**	**185 298**	**2 069**	**1,12**
	10 468	**3 874**	**37,0**	**135 269**	**6 660**	**4,92**
	4 277	**2 476**	**57,9**	**32 889**	**4 404**	**13,39**
	7 606	**3 869**	**50,9**	**144 062**	**6 230**	**4,32**
	1 524	**227**	**14,9**	**53 072**	**1 207**	**2,27**
	4 068	**508**		**42 966**	**765**	
	45 243	**14 272**	**31,5**	**762 282**	**24 804**	**3,25**

	Stage 3			TOTAL		
	GLAA	ECL	Coverage	GLAA	ECL	Coverage
	Rm	Rm	%	Rm	Rm	%
	7 826	1 571	20,1	162 069	2 398	1,48
	2 488	504	20,3	176 002	1 060	0,60
	6 607	2 704	40,9	130 066	4 827	3,71
	3 081	1 913	62,1	37 506	3 296	8,79
	6 503	3 212	49,4	171 452	4 874	2,84
	293	271	92,5	57 574	656	1,14
	796	296		43 133	430	
	27 594	10 471	37,9	777 802	17 541	2,26

ECONOMIC SCENARIOS

		AS AT 31 DECEMBER 2020						
						Economic forecast (%)		
Scenario	**Probability weighting (%)**	**Total ECL allowance**	**Difference to weighted scenarios**	**Percentage difference to weighted scenarios**	**Economic measures**	**2021**	**2022**	**2023**
Base case	**50%**	**25 949**	**(128)**	**(0,49%)**	**GDP**	**3,04**	**2,22**	**1,52**
					Prime	**7,00**	**7,38**	**7,50**
					HPI	**2,10**	**2,30**	**3,50**
Mild stress	**21%**	**26 466**	**389**	**1,49%**	**GDP**	**2,84**	**1,65**	**1,15**
					Prime	**7,25**	**8,00**	**8,00**
					HPI	**1,81**	**2,12**	**3,08**
Positive outcome	**21%**	**25 613**	**(464)**	**(1,78%)**	**GDP**	**3,85**	**2,44**	**1,57**
					Prime	**7,00**	**7,00**	**7,00**
					HPI	**3,60**	**4,10**	**4,80**
High stress	**8%**	**27 034**	**957**	**3,67%**	**GDP**	**2,14**	**1,68**	**0,92**
					Prime	**7,42**	**8,46**	**8,50**
					HPI	**1,51**	**1,94**	**2,66**
Weighted scenarios	**100%**	**26 077**						

GROSS ADVANCES AND ECL MOVEMENT

Reconciliation of loss allowance relating to financial assets measured at amortised cost and FVOCI because changes in the associated ECL is recognised in impairment charges. The reconciliation excludes loans measured at FVTPL and fair-value hedge-accounted portfolios because changes in fair values are recognised in NIR.

	Stage 1		
Loans and advances (Rm)	**GLAA**	**ECL**	**Amortised cost**
Net balance at 31 December 2019	**671 267**	**3 362**	**667 905**
New loans and advances originated	**209 531**	**2 234**	**207 297**
Loans and advances written-off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(188 166)**	**4 692**	**(192 858)**
Transfers to stage 1	**38 912**	**840**	**38 072**
Transfers to stage 2	**(103 931)**	**(2 749)**	**(101 182)**
Transfers to stage 3	**(20 520)**	**(4 294)**	**(16 226)**
Foreign exchange and other movements	**3 996**	**98**	**3 898**
Net balances	**611 089**	**4 183**	**606 906**
Total credit and zero balances	**7 519**	**(49)**	**7 568**
Balance at 31 December 2020	**618 608**	**4 134**	**614 474**
GLAA/ECL for assets held at FVOCI	**12 501**		**12 501**
Loans and advances at FVTPL	**82 850**		**82 850**
GLAA for fair-value hedge-accounted portfolios	**4 164**		**4 164**
Off-balance-sheet impairment allowance		**(154)**	**664**
ECL credit and other balances[2]		**49**	**(61)**
Loans and advances at 31 December 2020	**718 123**	**4 029**	**714 592**

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[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

[2] *Total credit and zero balances throughout this note refer to the loss allowance on balances that became liabilities to the group during the financial year. The group however still has credit risk exposure on these facilities.*

		AS AT 31 DECEMBER 2019						
						Economic forecast (%)		
Scenario	Probability weighting (%)	Total ECL allowance	Difference to weighted scenarios	Percentage difference to weighted scenarios	Economic measures	2020	2021	2022
Base case	50%	18 073	(79)	(0,44%)	**GDP**	1,09	1,32	1,49
					Prime	10,00	10,00	10,00
					HPI	1,69	5,00	5,56
Mild stress	21%	18 657	505	2,78%	**GDP**	0,59	0,66	1,23
					Prime	10,46	10,42	10,25
					HPI	0,34	1,69	5,00
Positive outcome	21%	17 352	(800)	(4,41%)	**GDP**	1,69	1,97	2,14
					Prime	9,58	9,50	9,50
					HPI	7,93	9,38	10,00
High stress	8%	19 362	1 210	6,67%	**GDP**	0,02	(0,06)	1,07
					Prime	10,83	11,00	10,83
					HPI	0,00	1,74	4,27
Weighted scenarios[1]	100%	18 152						

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[1] *Note: The R18 152m excludes non-loans and advances of R34m for 2019.*

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	72 071	3 893	68 178	27 605	10 557	17 048	770 943	17 812	753 131
							209 531	2 234	207 297
				(7 419)	(7 419)		(7 419)	(7 419)	
	(29 790)	3 755	(33 545)	(5 069)	4 071	(9 140)	(223 025)	12 518	(235 543)
	(36 211)	(690)	(35 521)	(2 701)	(150)	(2 551)			
	106 033	2 782	103 251	(2 102)	(33)	(2 069)			
	(14 179)	(3 115)	(11 064)	34 699	7 409	27 290			
	485	76	409	172	149	23	4 653	323	4 330
	98 409	6 701	91 708	45 185	14 584	30 601	754 683	25 468	729 215
	22	(12)	34	58		58	7 599	(61)	7 660
	98 431	6 689	91 742	45 243	14 584	30 659	762 282	25 407	736 875
	4 599		4 599	1 711		1 711	18 811		18 811
							82 850		82 850
							4 164		4 164
		(198)			(312)			(664)	664
		12			–			61	(61)
	103 030	6 503	96 341	46 954	14 272	32 370	868 107	24 804	843 303

	Stage 1		
CIB, excluding Property Finance (Rm)	**GLAA**	**ECL**	**Amortised cost**
Net balance at 31 December 2019	187 740	418	187 322
New loans and advances originated	75 098	241	74 857
Loans and advances written-off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(96 945)	370	(97 315)
Transfers to stage 1	16 781	481	16 300
Transfers to stage 2	(55 851)	(557)	(55 294)
Transfers to stage 3	(5 760)	(389)	(5 371)
Foreign exchange and other movements	4 503	9	4 494
Balance at 31 December 2020	125 566	573	124 993
GLAA/ECL for assets held at FVOCI	12 501	54	12 447
Banking Book GLAA held at FVTPL	10 598		10 598
Loans and advances at 31 December 2020	148 665	627	148 038

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 1		
Property Finance (Rm)	**GLAA**	**ECL**	**Amortised cost**
Net balance at 31 December 2019	140 469	174	140 295
New loans and advances originated	38 724	59	38 665
Loans and advances written-off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(29 569)	9	(29 578)
Transfers to stage 1	8 252	106	8 146
Transfers to stage 2	(11 138)	(38)	(11 100)
Transfers to stage 3	(135)	(2)	(133)
Foreign exchange and other movements	(6)		(6)
Balance at 31 December 2020	146 597	308	146 289

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 1		
Business Banking (Rm)	**GLAA**	**ECL**	**Amortised cost**
Net balance at 31 December 2019	69 213	232	68 981
New loans and advances originated	23 491	317	23 174
Loans and advances written-off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(20 369)	(10)	(20 359)
Transfers to stage 1	1 329	49	1 280
Transfers to stage 2	(13 420)	(184)	(13 236)
Transfers to stage 3	(2 585)	(94)	(2 491)
Balance at 31 December 2020	57 659	310	57 349
Loans and advances at 31 December 2020	57 659	310	57 349

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	12 350	420	11 930	2 919	869	2 050	203 009	1 707	201 302
							75 098	241	74 857
				(1 349)	(1 349)		(1 349)	(1 349)	–
	(18 280)	364	(18 644)	(20)	1 119	(1 139)	(115 245)	1 853	(117 098)
	(16 164)	(396)	(15 768)	(617)	(85)	(532)	–	–	–
	55 851	394	55 457		163	(163)	–	–	–
	(920)	(156)	(764)	6 680	545	6 135	–	–	–
	81	1	80	30	10	20	4 614	20	4 594
	32 918	627	32 291	7 643	1 272	6 371	166 127	2 472	163 655
	4 599	71	4 528	1 711	484	1 227	18 811	609	18 202
							10 598	–	10 598
	37 517	698	36 819	9 354	1 756	7 598	195 536	3 081	192 455

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	17 510	309	17 201	1 160	215	945	159 139	698	158 441
							38 724	59	38 665
				(29)	(29)		(29)	(29)	–
	(2 404)	512	(2 916)	(213)	308	(521)	(32 186)	829	(33 015)
	(8 120)	(101)	(8 019)	(132)	(5)	(127)	–	–	–
	11 146	38	11 108	(8)		(8)	–	–	–
	(2 408)	(150)	(2 258)	2 543	152	2 391	–	–	–
							(6)	–	(6)
	15 724	608	15 116	3 321	641	2 680	165 642	1 557	164 085

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	6 238	184	6 054	3 397	929	2 468	78 848	1 345	77 503
							23 491	317	23 174
				(128)	(128)		(128)	(128)	–
	(3 762)	172	(3 934)	(1 212)	312	(1 524)	(25 343)	474	(25 817)
	(1 232)	(29)	(1 203)	(97)	(20)	(77)	–	–	–
	13 770	227	13 543	(350)	(43)	(307)	–	–	–
	(1 026)	(39)	(987)	3 611	133	3 478	–	–	–
	13 988	515	13 473	5 221	1 183	4 038	76 868	2 008	74 860
	13 988	515	13 473	5 221	1 183	4 038	76 868	2 008	74 860

	Stage 1		
Retail – Home Loans (Rm)	GLAA	ECL	Amortised cost
Net balance at 31 December 2019	110 772	226	110 546
New loans and advances originated	6 051	22	6 029
Loans and advances written-off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements1	1 347	451	
Transfers to stage 1	4 961	18	4 943
Transfers to stage 2	(7 925)	(185)	(7 740)
Transfers to stage 3	(2 179)	(275)	(1 904)
Foreign exchange and other movements			–
Net balances	113 027	257	112 770
Total credit and zero balances	163	(1)	164
Balance at 31 December 2020	113 190	256	112 934

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 1		
Retail – Instalment Debtors (Rm)	GLAA	ECL	Amortised cost
Net balance at 31 December 2019	89 814	761	89 053
New loans and advances originated	38 637	468	38 169
Loans and advances written-off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(26 021)	1 241	(27 262)
Transfers to stage 1	6 560	142	6 418
Transfers to stage 2	(8 954)	(576)	(8 378)
Transfers to stage 3	(5 255)	(939)	(4 316)
Balance at 31 December 2020	94 781	1 097	93 684

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 1		
Retail – Card, term and other (Rm)	GLAA	ECL	Amortised cost
Net balance at 31 December 2019	25 540	1 285	24 255
New loans and advances originated	13 889	935	12 954
Loans and advances written-off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(8 147)	2 553	(10 700)
Transfers to stage 1	613	41	572
Transfers to stage 2	(4 063)	(1 122)	(2 941)
Transfers to stage 3	(3 755)	(2 402)	(1 353)
Net balances	24 077	1 290	22 787
Total credit and zero balances	7 356	(48)	7 404
Balance at 31 December 2020	31 433	1 242	30 191

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	13 574	505	13 069	5 938	1 192	4 746	130 284	1 923	128 361
							6 051	22	6 029
			–	(200)	(200)	–	(200)	(200)	–
	(420)	455		(535)	117		392	1 023	–
	(4 430)	(14)	(4 416)	(531)	(4)	(527)	–	–	–
	8 788	229	8 559	(863)	(44)	(819)	–	–	–
	(3 248)	(449)	(2 799)	5 427	724	4 703	–	–	–
		(2)	2			–	–	(2)	2
	14 264	724	13 540	9 236	1 785	7 451	136 527	2 766	133 761
	4		4	9		9	176	(1)	177
	14 268	724	13 544	9 245	1 785	7 460	136 703	2 765	133 938

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	17 027	1 305	15 722	6 115	2 554	3 561	112 956	4 620	108 336
			–			–	38 637	468	38 169
			–	(2 102)	(2 102)	–	(2 102)	(2 102)	–
	(3 065)	751	(3 816)	(2 302)	1 272	(3 574)	(31 388)	3 264	(34 652)
	(5 381)	(112)	(5 269)	(1 179)	(30)	(1 149)	–	–	–
	9 437	627	8 810	(483)	(51)	(432)	–	–	–
	(4 466)	(1 017)	(3 449)	9 721	1 956	7 765	–	–	–
	13 552	1 554	11 998	9 770	3 599	6 171	118 103	6 250	111 853

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	3 538	822	2 716	5 664	4 143	1 521	34 742	6 250	28 492
			–			–	13 889	935	12 954
			–	(3 550)	(3 550)	–	(3 550)	(3 550)	–
	(578)	823	(1 401)	(67)	1 078	(1 145)	(8 792)	4 454	(13 246)
	(538)	(34)	(504)	(75)	(7)	(68)	–	–	–
	4 394	1 177	3 217	(331)	(55)	(276)	–	–	–
	(1 660)	(1 127)	(533)	5 415	3 529	1 886	–	–	–
	5 156	1 661	3 495	7 056	5 138	1 918	36 289	8 089	28 200
	18	(12)	30	48	(1)	49	7 422	(61)	7 483
	5 174	1 649	3 525	7 104	5 137	1 967	43 711	8 028	35 683

Wealth (Rm)	Stage 1		
	GLAA	ECL	Amortised cost
Net balance at 31 December 2019	29 589	24	29 565
New loans and advances originated	5 134	20	5 114
Loans and advances written-off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(5 260)	66	(5 326)
Transfers to stage 1	270	1	269
Transfers to stage 2	(1 443)	(34)	(1 409)
Transfers to stage 3	(475)	(31)	(444)
Foreign exchange and other movements	696		696
Net balances	28 511	46	28 465
Banking Book GLAA held at FVTPL			–
Balance at 31 December 2020	29 512	46	28 465

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

Nedbank Africa Regions (Rm)	Stage 1		
	GLAA	ECL	Amortised cost
Net balance at 31 December 2019	19 700	240	19 460
New loans and advances originated	8 459	172	8 287
Loans and advances written-off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(5 187)	(43)	(5 144)
Transfers to stage 1	144	1	143
Transfers to stage 2	(1 137)	(55)	(1 082)
Transfers to stage 3	(376)	(162)	(214)
Foreign exchange and other movements	(1 114)	88	(1 202)
Balance at 31 December 2020	20 489	241	20 248
Off-balance-sheet ECL		(21)	21
Loans and advances at 31 December 2020	20 489	220	20 269

[1] *Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.*

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	452	25	427	929	180	749	30 970	229	30 741
							5 134	20	5 114
				(3)	(3)		(3)	(3)	–
	(756)	139	(895)	(232)	(18)	(214)	(6 248)	187	(6 435)
	(209)	(1)	(208)	(61)		(61)	–	–	–
	1 505	35	1 470	(62)	(1)	(61)	–	–	–
	(261)	(142)	(119)	736	173	563	–	–	–
	4		4	13	1	12	713	1	712
	735	56	679	1 320	332	988	30 566	434	30 132
							1 001		1 001
	735	56	679	1 320	332	988	31 567	434	31 133

	Stage 2			Stage 3			Total		
	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost	GLAA	ECL	Amortised cost
	1 305	72	1 233	1 485	459	1 026	22 490	771	21 719
							8 459	172	8 287
				(58)	(58)		(58)	(58)	–
	(447)	(12)	(435)	(485)	(151)	(334)	(6 119)	(206)	(5 913)
	(138)	(1)	(137)	(6)		(6)	–	–	–
	1 142	56	1 086	(5)	(1)	(4)	–	–	–
	(190)	(35)	(155)	566	197	369	–	–	–
	400	78	322	128	138	(10)	(586)	304	(890)
	2 072	158	1 914	1 625	584	1 041	24 186	983	23 203
		(6)	6		(3)	3		(30)	30
	2 072	152	1 920	1 625	581	1 044	24 186	953	23 233

9 Investment securities

Rm	2020	2019
Private-equity investments	**7 380**	7 315
Private-equity associates – Property Partners	**1 842**	1 885
Private-equity associates – Investment Banking	**1 128**	898
Private equity – Property Partners	**1 339**	1 559
Private equity – Investment Banking	**3 071**	2 973
Listed investments	**136**	896
Unlisted investments	**3 150**	2 758
Taquanta asset managers portfolio	**470**	468
Strate Limited	**143**	143
Other	**2 537**	2 147
Total listed and unlisted investments	**10 666**	10 969
Listed policyholder investments at market value	**13 129**	13 253
Unlisted policyholder investments at directors' valuation	**2 641**	4 750
Net policyholder liabilities	**(11)**	(11)
Total policyholder investments	**15 759**	17 992
Total investment securities	**26 425**	28 961

EQUITY RISK IN THE BANKING BOOK

		2020	2019
Total equity portfolio	Rm	**13 988**	14 886
Disclosed at fair value	Rm	**10 666**	10 969
Equity-accounted, including investment in ETI	Rm	**3 322**	3 917
Percentage of total assets	%	**1,1**	1,3
Percentage of group minimum economic-capital requirement	%	**4,8**	4,8

- Equity risk in the banking book is primarily assumed in CIB, which actively makes investments with clearly defined strategies.
- Additional investments are undertaken as a result of operational requirements or strategic decisions, or as part of debt restructuring.
- The equity portfolio that is held at fair value declined by R303m. The sale of a protected equity structure and negative revaluation adjustments as a result of Covid-19 was offset by additional investment assets.
- The value of the portfolio that is equity-accounted decreased by R595m to R3 322m (2019: R3 917m). This was largely due to a decline in the ETI strategic investment value by R494m since 2019. ETI reported a solid operational performance for the nine months to end-September 2020, with positive movements in other comprehensive income amounts for fair value through OCI instruments and foreign exchange movements in FCTR. However, the decline in the investment value was due to a R750m impairment in H1 and Nedbank's share of ETI's own goodwill impairment of R528m, relating to Ecobank Nigeria's purchase of Oceanic Bank.
- The ETI strategic investment is accounted for under the equity method of accounting and is therefore not carried at fair value.
- The board sets the overall risk appetite and strategy of the group for equity risk, and business develops portfolio objectives and investment strategies for its investment activities. These address the types of investment, expected business returns, desired holding periods, diversification parameters and other elements of sound investment management oversight.

10 Investments in associate companies

Name of company and nature of business	Equity-accounted earnings Rm		Carrying amount Rm		Net exposure to associates[1] Rm	
	2020	2019[2]	**2020**	2019	**2020**	2019
Associates						
Listed						
ETI[3]	**(178)**	668	**2 180**	2 674	**(7)**	69
Unlisted						
Private equity: Tracker Technology Holdings Proprietary Limited	**56**	49	**570**	549	**774**	874
Private equity: Other investments	**37**	33	**156**	285		
Other strategic investments	**9**	43	**416**	409		
Total	**(76)**	793	**3 322**	3 917	**767**	943

[1] *Includes on-balance-sheet and off-balance-sheet exposure.*

[2] *Equity-accounted earnings included a R25m profit in 2019 related to SBV Services Proprietary Limited.*

[3] *Ecobank Transnational Incorporated is a pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and Ivory Coast.*

The percentage holding in ETI at 31 December 2020 was 21,2% (31 December 2019: 21,2%).

ACCOUNTING RECOGNITION OF ETI

Rm	**2020**	2019
Opening carrying value	**3 674**	4 245
IFRS 9 transitional adjustment		
Opening carrying value	**3 674**	4 245
Share of associate (losses)/gains[1,2]	**(178)**	668
Share of other comprehensive income/(losses)[1,2]	**207**	(1 169)
Foreign currency translation[3]	**227**	(70)
Closing carrying value (pre-impairment provision)	**3 930**	3 674
Impairment provision	**(1 750)**	(1 000)
Closing carrying value	**2 180**	2 674

[1] *Applicable period: 1 October 2018 – 30 September 2020, and the group's share of ETI's 2018 restatement.*

[2] *Applicable average exchange rate: 1 January 2020 – 31 December 2020.*

[3] *Applicable period: 1 January 2020 – 31 December 2020, ie the cumulative difference at each quarter of the earnings and other comprehensive income converted at an average USD/ZAR rate, compared with the related US dollar balances converted at the quarter-end spot rate. The USD/ZAR exchange rate depreciated from R14,01 on 31 December 2019 to R14,70 on 31 December 2020.*

The market value of the group's investment in ETI, based on its quoted share price, was R1,2bn on 31 December 2020 and R1,0bn on 12 March 2021. The ETI share trades in low volumes, given its low free float, while also being listed in an illiquid market. The difference between market value and carrying value is significant and prolonged, which has represented evidence of an impairment indicator at 31 December 2020.

Where an impairment indicator exists, IAS 36 requires that an impairment test is computed, which compares the higher of the fair value less costs of disposal (fair value) or its VIU and the carrying value of the investment. The computation of the VIU in accordance with IFRS is subject to significant judgement as it is, among other things, based on economic estimates, macro assumptions and the discounting of future cashflow estimates. At 30 June 2020 management computed the VIU based on a number of scenarios. While various scenarios supported a value-in-use calculation above the carrying value of our investment, in the prevailing environment more weight was given to downside scenarios and an additional impairment of R750m was raised at 30 June 2020. This reduced the carrying value of the group's investment to R2,4bn at 30 June 2020. The group's position was reassessed at 31 December 2020 year-end and, based on this reassessment, no further impairment provision was raised.

11 Intangible assets

Rm	2020	2019
Computer software and capitalised development costs	**8 981**	8 254
Goodwill[1]	**4 747**	5 057
Client relationships, contractual rights and other	**23**	55
	13 751	13 366

[1] *The group's annual impairment test indicated that the goodwill relating to a cash-generating unit in Nedbank Wealth was impaired as a result of the negative macroeconomic environment. This resulted in an impairment of goodwill totalling R345m (2019: R117m), which is not recognised in headline earnings.*

Rm	Amortisation periods	2020	2019
Computer software[1]	2–10 years	**7 352**	6 502
Core product and client systems		**1 724**	1 689
Support systems		**2 438**	2 435
Digital systems		**2 492**	1 721
Payment systems		**698**	657
Development costs not yet commissioned	none	**1 629**	1 752
Core product and client systems		**523**	447
Support systems		**343**	326
Digital systems		**578**	869
Payment systems		**185**	110
		8 981	8 254
Computer software			
Opening balance		**6 502**	5 310
Additions		**475**	378
Commissioned during the year		**1 949**	2 082
Foreign exchange and other moves		**18**	(2)
Amortisation charge for the year		**(1 436)**	(1 167)
Impairments		**(156)**	(99)
Closing balance		**7 352**	6 502
Development costs not yet commissioned			
Opening balance		**1 752**	1 941
Additions		**1 877**	2 025
Commissioned during the year		**(1 949)**	(2 082)
Impairments		**(51)**	(132)
Closing balance		**1 629**	1 752

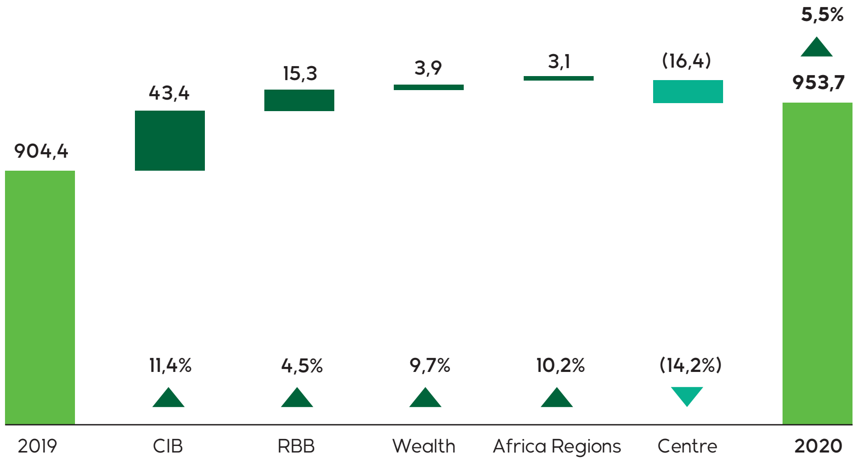
Notes

12 Amounts owed to depositors

SEGMENTAL BREAKDOWN

	Nedbank Group		Corporate and Investment Banking		
Rm	**2020**	2019	**2020**	2019	
Current accounts	**98 886**	86 199	**8 105**	6 628	
Savings accounts	**44 233**	32 586		1	
Other deposits and loan accounts	**675 363**	614 909	**389 077**	328 434	–
Call and term deposits	**337 197**	325 730	**123 311**	114 658	
Fixed deposits	**63 429**	66 735	**16 404**	13 680	
Cash management deposits	**111 832**	75 748	**97 678**	61 782	
Other deposits	**162 905**	146 696	**151 684**	138 314	
Foreign currency liabilities	**21 146**	25 734	**13 597**	19 244	
Negotiable certificates of deposit	**100 405**	118 984			
Macro fair-value hedge accounting adjustments	**1 415**	326			
Deposits received under repurchase agreements	**12 267**	25 644	**12 267**	25 349	
Total amounts owed to depositors	**953 715**	904 382	**423 046**	379 656	
Comprises:					
– Amounts owed to clients	**905 081**	846 625	**378 581**	324 888	
– Amounts owed to banks	**48 634**	57 757	**44 465**	54 768	
Total amounts owed to depositors	**953 715**	904 382	**423 046**	379 656	

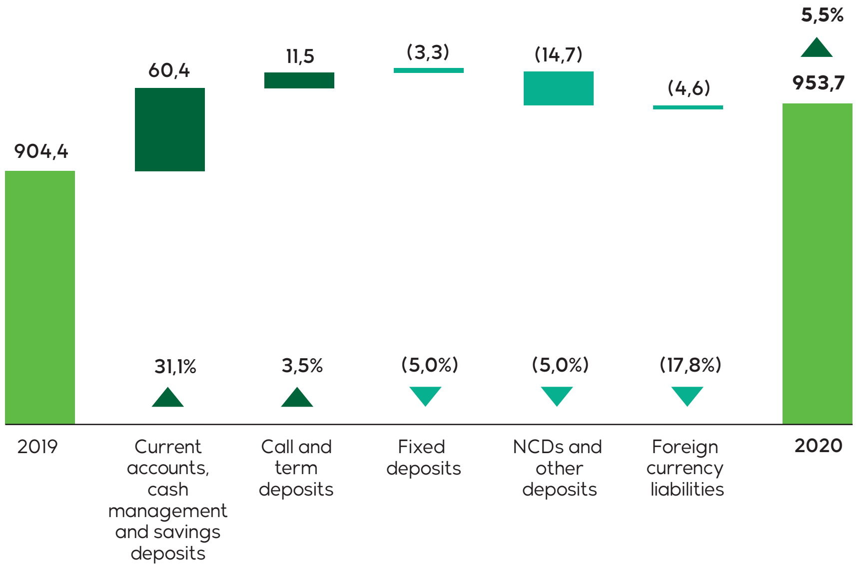
DEPOSITS BY CLUSTER
(Rbn)



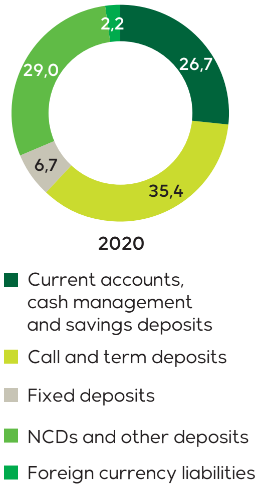
- Deposits grew by 5,5% to R953,7bn, with total funding-related liabilities increasing by 5,1% to R1 013,5bn.
  - » With 94,1% of all funding-related liabilities emanating from client deposits, Nedbank's loan-to-deposit ratio was 88,4%.
  - » All client-facing clusters grew faster than nominal GDP growth.

	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	79 768	69 996	**1 874**	1 838	**9 052**	7 645	**87**	92
	12 300	10 661	**31 083**	21 130	**850**	794	**–**	
	255 150	252 231	**10 957**	17 070	**18 947**	17 335	**1 232**	(161)
	192 121	187 061	**9 311**	12 964	**12 451**	11 044	**3**	3
	43 562	49 079	**614**	677	**2 857**	3 299	**(8)**	
	11 748	10 979	**424**	1 384	**1 893**	1 524	**89**	79
	7 719	5 112	**608**	2 045	**1 746**	1 468	**1 148**	(243)
	7 025	6 013	**31**	22	**493**	455	**–**	
					3 952	3 699	**96 453**	115 285
							1 415	326
						295	**–**	
	354 243	338 901	**43 945**	40 060	**33 294**	30 223	**99 187**	115 542
	353 315	339 359	**43 945**	40 054	**32 240**	28 827	**97 000**	113 497
	928	(458)	**–**	6	**1 054**	1 396	**2 187**	2 045
	354 243	338 901	**43 945**	40 060	**33 294**	30 223	**99 187**	115 542

DEPOSITS BY PRODUCT
(Rbn)



CONTRIBUTION
(%)



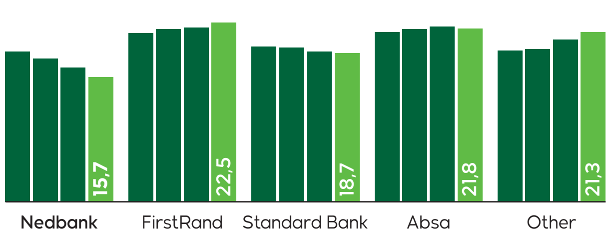
- » Transactional deposits grew by 31,1%, while non-transactional investment deposits increased by 4,7%. CIB transactional deposits increased by 54,6% while non-transactional investment deposits grew by 9,3%. Transactional deposits grew faster than non-transactional deposits, driven by increased short-term operational cash requirements by businesses impacted by Covid-19. RBB transactional deposits increased by 13,3% as clients opted to hold more short-term operational deposits given the impact of Covid-19 on the economy, noting that there was an increase in shorter-term savings while non-transactional term investment deposits grew by only 0,9%. Nedbank Wealth transactional deposits increased by 37,1%, due mainly to foreign exchange translation gains, while non-transactional deposits decreased by 32,8%, due mainly to a decrease in Nedbank Wealth international volumes because of the record-low interest rate environment (ie near 0% returns).
- » Call and term deposits increased by 3,5%, while fixed deposits decreased by 5,0% as retail clients opted to keep their cash in short-term or notice deposits due to the uncertain economic environment, noting that fixed deposits were subject to some domestic competitors pricing fixed deposits above the wholesale cash curve. NCDs and other deposits decreased by 5,0%, driven by a decrease in NCD funding of 15,6% as clients placed cash in higher-yielding government bonds and treasury bills, preferring other, more structured deposits, which grew by 11,8% offset by a decrease in deposits under repo of 52,2%. The demand for other, more structured deposits was also linked to client appetite for increased deposit duration in an environment of slow growth and lower interest rates.

- Foreign currency liabilities, which represent only 2,2% of Nedbank's total deposits, decreased by 17,8%, due to the prepayment of foreign currency lending facilities which resulted in a decrease in foreign currency liabilities. It should be noted that foreign currency liabilities are matched against foreign currency assets, resulting in an insignificant foreign currency mismatch when expressed as a percentage of the total balance sheet.
- During 2020 Nedbank maintained a strong balance sheet position, as observed through the funding profile, liquidity buffers and key liquidity risk metrics. Nedbank's three-month average long-term funding ratio was 25,4%.
- Nedbank Group remains committed to growing its retail and commercial deposits, while managing the funding profile.

Market share according to BA900

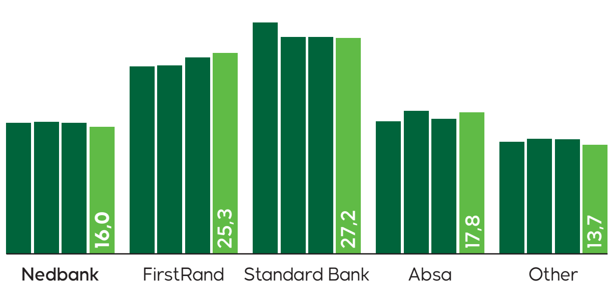
HOUSEHOLD DEPOSITS[1] (2017–2020)

(%)



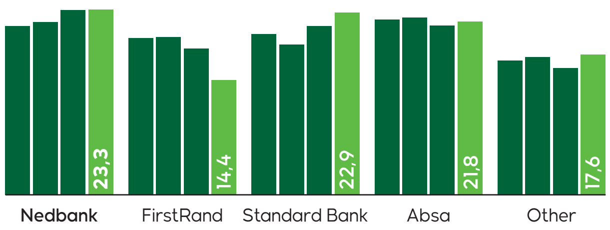
NON-FINANCIAL CORPORATE DEPOSITS[2] (2017–2020)

(%)



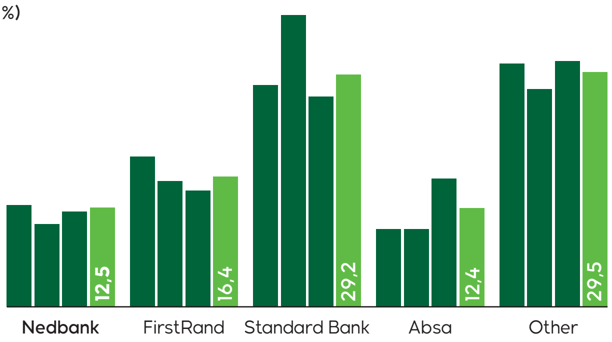
WHOLESALE DEPOSITS[3] (2017–2020)

(%)



FOREIGN CURRENCY LIABILITIES[4] (2017–2020)

(%)



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[1] Includes households according to the BA900 return.

[2] Includes private non-financial corporate-sector deposits, unincorporated businesses as well as non-profit organisations and charities according to the BA900 return.

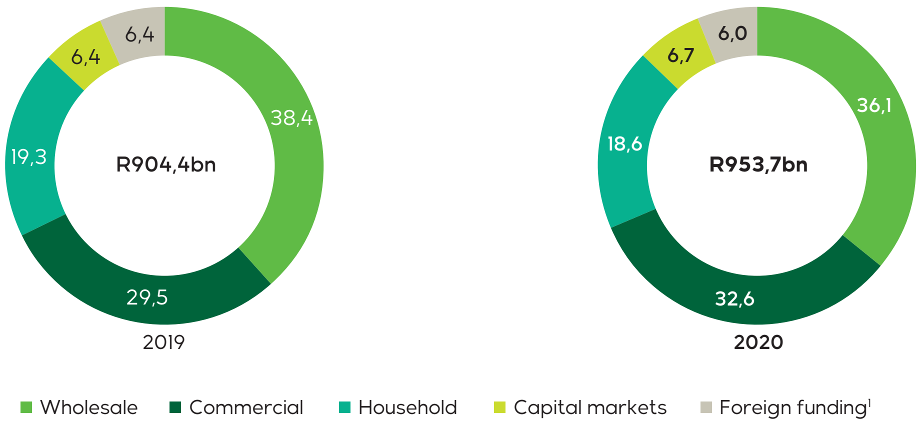
[3] Includes insurers, pension funds, private financial corporate-sector deposits, collateralised borrowings and repurchase deposits according to the BA900 return.

[4] Includes foreign currency deposits and foreign currency funding according to the BA900 return.

- In 2020 our funding mix tilted towards decreased funding contributions from wholesale deposits, household deposits and foreign funding. Our funding mix tipped towards increased funding contributions from commercial deposits and capital markets funding. Our quarterly average long-term funding ratio of 25,4% compared favourably with the industry average of 22,0% in an environment of increased financial market volatility as a result of the Covid-19 pandemic.
- We currently source 36,1% of total funding from wholesale deposits, and this has decreased by 2,3% versus December 2019. The overall objective is to reduce wholesale funding reliance through increases in retail and commercial deposits, while wholesale deposits are typically a source of long-term funding, playing an important part in managing the overall term funding profile and reducing short-term contractual funding reliance.
- We remain focused on growing retail and commercial deposits, with an emphasis on offering competitive and innovative transactional and investment products, as well as an ongoing emphasis on meeting client needs through product, pricing, innovation and digital client experiences.

NEDBANK GROUP'S DEPOSIT MIX

(%)



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[1] *Foreign funding comprises deposits denominated in foreign currency, foreign currency funding and the foreign sector.*

Liquidity risk and funding

SUMMARY OF NEDBANK GROUP LIQUIDITY RISK AND FUNDING PROFILE

		2020	2019
Total sources of quick liquidity	Rm	**254 400**	227 713
Total HQLA	Rm	**206 943**	177 985
Other sources of quick liquidity	Rm	**47 457**	49 728
Total sources of quick liquidity (as a percentage of total assets)	%	**20,7**	19,9
Long-term funding ratio (three-month average)	%	**25,4**	30,2
Senior unsecured debt, including green bonds	Rm	**41 649**	42 295
–Green bonds	Rm	**2 628**	2 644
Total capital market issuance (excluding additional tier 1 capital)	Rm	**59 770**	59 713
Reliance on NCDs (as a percentage of total deposits)	%	**10,5**	13,2
Reliance on foreign funding currency deposits (as a percentage of total deposits)	%	**2,2**	2,8
Loan-to-deposit ratio	%	**88,4**	91,2
Basel III liquidity ratios			
LCR[1]	%	**125,7**	125,0
Minimum regulatory LCR requirement[2]	%	**80,0**	100,0
NSFR[3]	%	**112,8**	113,0
Minimum regulatory NSFR requirement	%	**100,0**	100,0

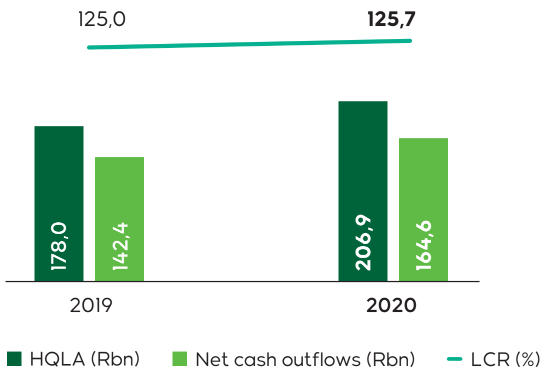
[1] *Only banking and/or deposit-taking entities are included in the group LCR. The group ratio represents an aggregation of the relevant individual net cash outflows (NCOF) and the individual HQLA portfolios across all banking and/or deposit-taking entities, where surplus HQLA holdings in excess of the minimum requirement of 100% have been excluded from the aggregated HQLA number in the case of all non-SA banking entities. The above figures reflect the simple average of daily observations over the quarter ending December 2020 for Nedbank Limited and the simple average of the month-end values at 31 October 2020, 30 November 2020 and 31 December 2020 for all non-SA banking entities.*

[2] *On 31 March 2020 the PA issued Directive 1/2020, reducing the minimum LCR requirement from 100% to 80% with effect from 1 April 2020. The revised minimum LCR requirement will remain in force until financial markets normalise.*

[3] *Only banking and/or deposit-taking entities are included in the group NSFR and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance-sheet items.*

- Nedbank Group remains well funded, with a strong liquidity position underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign currency funding.
- The group's quarterly average LCR exceeded the revised minimum regulatory requirement of 80% applicable from 1 April 2020, with the group maintaining appropriate operational buffers designed to absorb seasonal, cyclical and systemic volatility observed in the LCR in 2020. On 31 March 2020 the PA issued Directive 1/2020, reducing the minimum LCR requirement from 100% to 80% with effect from 1 April 2020. The reduction in the LCR minimum requirement was in direct response to financial market volatility brought on by the Covid-19 pandemic and the resulting national lockdown, which caused financial and non-financial corporates to tilt towards increased holdings of short-term deposits during March 2020 and April 2020, when financial market volatility was at its highest.
  - » The LCR (calculated using the simple average of daily observations over the quarter ending December 2020 for Nedbank Limited and the simple average of the month-end values at 31 October 2020, 30 November 2020 and 31 December 2020 for all non-SA banking entities) was 125,7%.
    - Nedbank's portfolio of LCR-compliant HQLA (mainly comprising government bonds and treasury bills) increased to a quarterly average of R206,9bn, up from 2019 when the portfolio amounted to R178,0bn.
    - Despite the higher quarterly arithmetic average in the LCR net cashflows driven by increased financial market volatility introduced by the Covid-19 pandemic, Nedbank proactively managed its HQLA liquidity buffers resulting in a year-on-year increase in the LCR.
    - Nedbank will continue to manage the HQLA portfolio within risk appetite targets, taking balance sheet growth into account while maintaining appropriately sized surplus liquid-asset buffers based on market conditions.

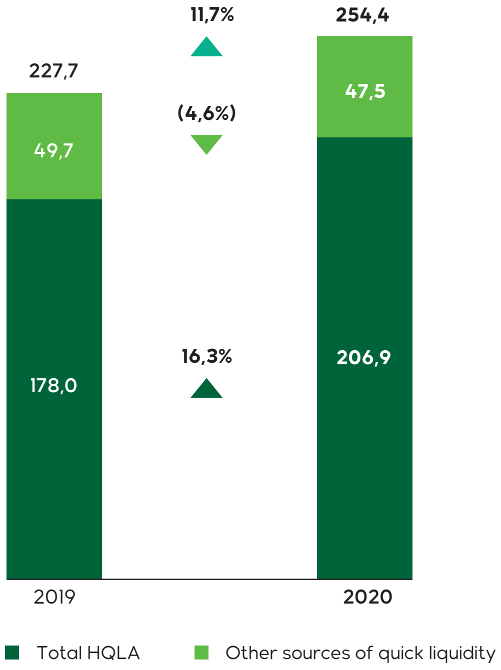
NEDBANK GROUP LCR EXCEEDS MINIMUM REGULATORY REQUIREMENTS



» In addition to the HQLA portfolio maintained for LCR purposes, Nedbank also identifies other sources of quick liquidity, which can be accessed in times of stress. Nedbank Group has significant sources of quick liquidity, as is evident in the combined portfolio of HQLA and other sources of quick liquidity, collectively amounting to R254,4bn at December 2020 and representing 20,7% of total assets.

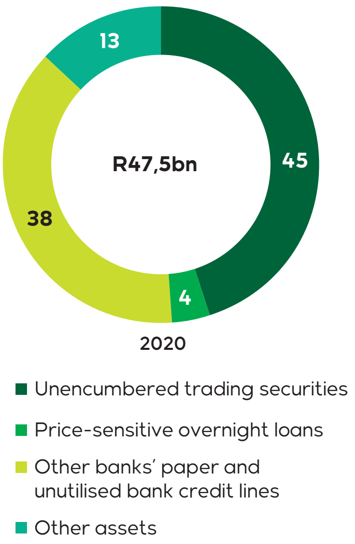
TOTAL SOURCES OF QUICK LIQUIDITY

(Rbn)



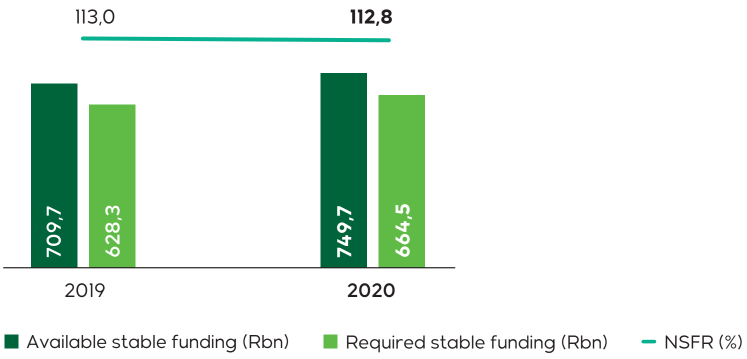
OTHER SOURCES OF QUICK LIQUIDITY CONTRIBUTION

(%)



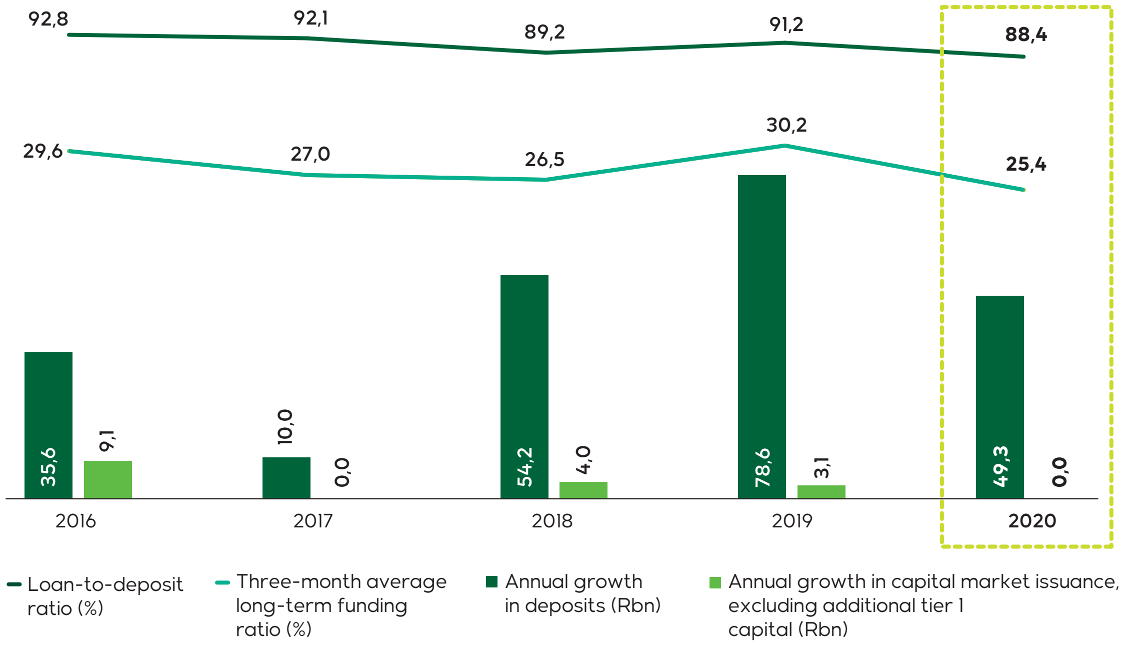
- Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018, with a December 2020 ratio of 112,8% (December 2019: 113,0%). The structural liquidity position of Nedbank remained relatively the same as a result of well-managed balance sheet growth. The key focus in terms of the NSFR is to achieve ongoing compliance within the context of balance sheet optimisation.

NEDBANK GROUP NSFR EXCEEDS MINIMUM REGULATORY REQUIREMENTS



- A strong funding profile was maintained in 2020, and Nedbank recorded a three-month average long-term funding ratio of 25,4% in the last quarter of the year. The focus on proactively managing Nedbank's long-term funding profile contributed to a strong balance sheet position and sound liquidity risk metrics. Nedbank has continued to run a more prudent long-term funding profile when compared with the industry average of 22,0%.
  - Nedbank successfully issued R3,1bn in senior unsecured debt, while R3,6bn matured during the year.
  - Nedbank issued tier 2 capital instruments of R4,1bn and redeemed R2,3bn during the year, in line with the group's capital plan.
- While foreign currency funding reliance remains small at 2,2% of total deposits, Nedbank continues to focus on growing this funding source in support of funding base diversification where the proceeds can be applied to meet funding requirements for foreign advances growth at attractive interest rates.
- The group's 2020 Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports were approved by the board and submitted to the PA, in accordance with annual business-as-usual processes. The group's recovery plans, which incorporate Nedbank London, were updated and approved by the board on 19 February 2020. Nedbank is currently awaiting the promulgation of the Financial Sector Laws Amendment Bill (FSLAB), which will give rise to the Resolution Regime, where Nedbank's recovery plans will be required to dovetail into the resolution plans. The latest feedback received is that the FSLAB may be promulgated only towards the end of Q2 2021. The promulgation of FSLAB in Q2 2021 and insights from various discussion papers to be released by SARB will be a key part of the updates of the various recovery plans during H2 2021.

NEDBANK GROUP FUNDING AND LIQUIDITY PROFILE, UNDERPINNED BY STRONG LIQUIDITY RISK METRICS



Equity analysis

ANALYSIS OF CHANGES IN NET ASSET VALUE

	Change (%)	2020	2019
Balance at the beginning of the year		**98 449**	90 613
Additional shareholder value	(60,4)	**4 358**	11 017
Profit attributable to ordinary equity holders		**3 467**	12 001
Currency translation movements		**146**	(855)
Exchange differences on translating foreign operations – foreign subsidiaries[1]		**672**	2
Exchange differences on translating foreign operations – ETI[1]			(70)
Share of other comprehensive income of investments accounted for using the equity method – ETI[2]		**(526)**	(787)
Fair-value adjustments		**456**	(470)
Fair-value adjustments on debts instruments		**119**	(232)
Share of other comprehensive income of investments accounted for using the equity method[2]		**337**	(238)
Defined-benefit fund adjustment		**(80)**	300
Share of other comprehensive income of investments accounted for using the equity method (included in other distributable reserves)		**395**	(145)
Property revaluations		**(26)**	186
Transactions with ordinary shareholders	55,0	**(2 952)**	(6 565)
Dividends paid		**(3 451)**	(7 112)
Equity-settled share-based payments		**292**	591
Other transactions		**207**	(44)
Transaction with non-controlling shareholders	>(100)	**(372)**	(134)
Exchange differences on translating foreign operations[1]		**–**	(91)
Other transaction with non-controlling shareholders		**(372)**	(43)
Additional tier 1 capital instruments		**972**	3 500
Other movements		**(11)**	18
Balance at the end of the year	2,0	**100 444**	98 449

[1] *Exchange differences on translating foreign operations disclosed in the statement of other comprehensive income of R1444m (2019: R159m).*

[2] *Share of other comprehensive losses of investments accounted for using the equity method as disclosed in the statement of comprehensive income of R246m (2019: R1 025m).*

[3] *Represents non-controlling interest's share of profits and other comprehensive income less dividends paid and the net change in equity related to the acquisition of additional shares in subsidiary.*

MOVEMENTS IN GROUP FOREIGN CURRENCY TRANSLATION RESERVE

	Change (%)	2020	2019
Balance at the beginning of the year		**(2 244)**	(1 389)
Foreign currency translation reserve (FCTR)	>100	**146**	(855)
ETI		**(299)**	2
Banco Único		**(118)**	(70)
Other subsidiaries		**563**	(787)
FCTR on transactions with non-controlling interests		**103**	
Balance at the end of the year	11,1	**(1 995)**	(2 244)

EXCHANGE RATES

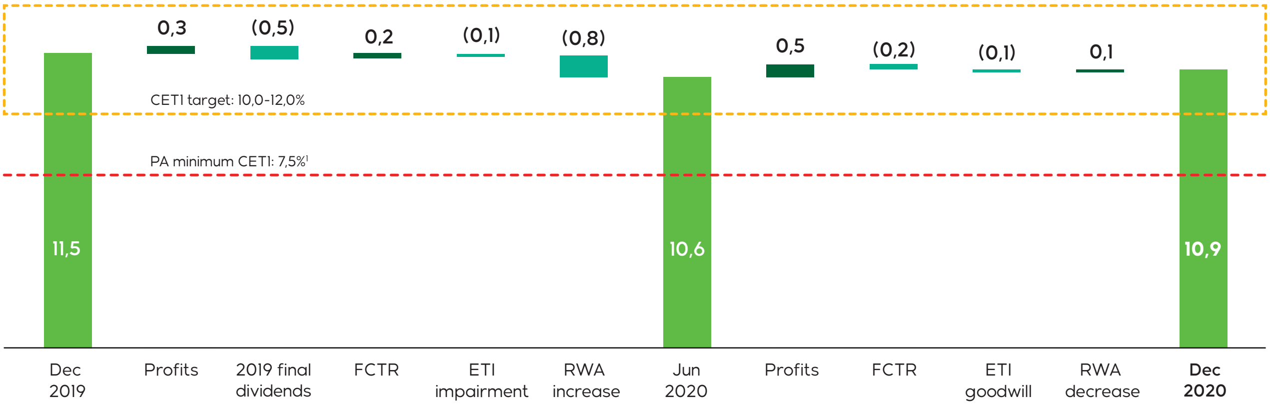
	Average			Closing		
	Change (%)	2020	2019	Change (%)	2020	2019
UK pound to rand	8,5	**19,99**	18,43	8,9	**20,07**	18,43
US dollar to rand	3,0	**14,87**	14,44	23,9	**14,70**	14,01
US dollar to naira	5,4	**381,21**	361,64	4,6	**381,20**	364,47
Rand to naira	6,3	**26,64**	25,05	(0,4)	**25,94**	26,05

Capital management

REGULATORY CAPITAL ADEQUACY AND LEVERAGE

CET1 CAPITAL RATIO

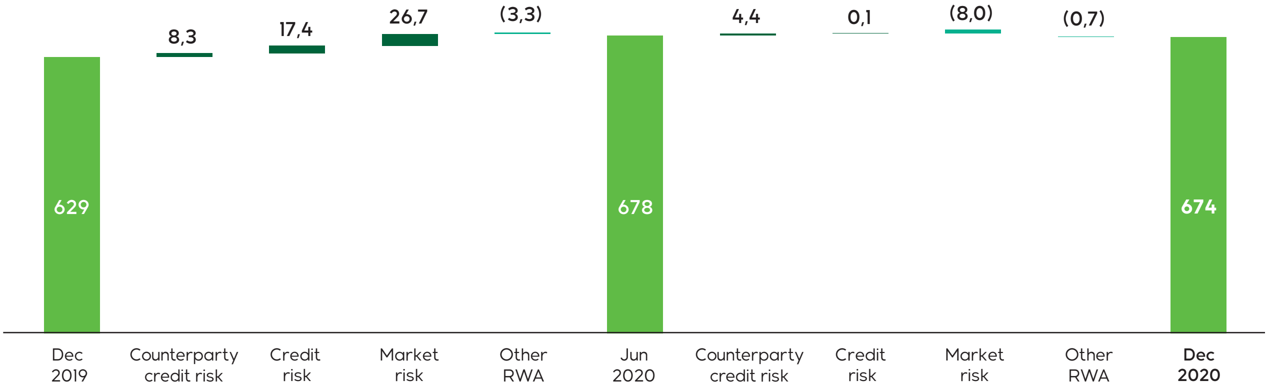
(%)



[1] *PA minimum at December 2019 excludes idiosyncratic buffer and D-SIB capital requirements. PA minimum at December 2020 excluding idiosyncratic buffer, including D-SIB capital requirements with the Pillar 2A revised to nil.*

RISK-WEIGHTED ASSETS

(Rbn)



Nedbank Group maintained a capital adequacy position well above regulatory minima having absorbed the 2019 final ordinary dividend of R3,5bn, further impairment of the ETI investment of R750m, our share of ETI's own goodwill impairment of R528m, further investment in software development as part of the ME programme, and increased RWA largely due to credit risk migration and the effects of volatility in the market risk RWA, as a result of the impact of the Covid-19 pandemic and asset growth.

Nedbank manages capital levels within the board-approved risk appetite, expectations of the rating agencies, requirements of the regulators and the returns expected by shareholders. Nedbank further seeks to ensure that its capital structure uses the full range of capital instruments and capital management activities available to optimise the financial efficiency and loss absorption capacity of its capital base.

In H1 2020 the PA supported the banking industry through Directive 2/2020 (capital directive) and Directive 3/2020 (credit directive), which were designed to provide temporary relief. Directive 2/2020 provided capital relief through the temporary relaxation of the Pillar 2A capital requirements to nil, thereby reducing the minimum requirements for the CET1, tier 1 and total capital ratios by 50 bps, 75 bps and 100 bps, respectively. The PA also issued Guidance Note 4/2020, which encouraged banks to preserve capital and not distribute ordinary dividends out of 2020 earnings.

Dispensations provided by the PA allowed the capital ratios of banks to absorb movements in the balance sheet, driven by increased drawdowns and a change in repayment patterns by clients, adverse backbook migration and the impact of illiquid and dislocated markets, which recovered in H2 2020. Earnings generation improved in H2 2020 and balance sheet growth slowed, which together with RWA optimisation initiatives resulted in stronger capital ratios for the full year 2020.

In February 2021 the PA published Guidance Note 3/2021, which replaced Guidance Note 4/2020. The guidance note encourages boards of banks to be prudent when making decisions relating to distributions of dividends on ordinary shares and the payment of cash bonuses to executive officers and material-risktakers in 2021. Despite our strong capital and liquidity position at 31 December 2020, having considered the spirit of Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, in the midst of the current uncertainty about the progression of the virus, possible third waves, and the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. Based on our current forecasts, the group expects to resume dividend payments when reporting interim results in 2021.

		PA minimum[1]	Internal targets	**2020**	2019
Nedbank Group					
Including unappropriated profits					
Total CAR	%		**> 13,00**	**14,9**	15,0
Total tier 1	%		**> 11,25**	**12,1**	12,8
CET1	%		**10,00–12,00**	**10,9**	11,5
Surplus tier 1 capital	Rm			**19 462**	22 245
Leverage	times	**< 25**	**< 20**	**15,4**	15,0
Dividend cover	times		**1,75–2,25**	**N/A**	1,84
Cost of equity	%			**14,5**	14,1
Excluding unappropriated profits					
Total CAR	%	**11,50**		**14,8**	14,8
Total tier 1	%	**9,25**		**12,1**	12,6
CET1	%	**7,50**		**10,8**	11,4
Nedbank Limited					
Including unappropriated profits					
Total CAR	%		**> 13,00**	**15,3**	15,5
Total tier 1	%		**> 11,25**	**12,0**	12,8
CET1	%		**10,00–12,00**	**10,4**	11,2
Surplus tier 1 capital	Rm			**15 219**	18 202
Excluding unappropriated profits					
Total CAR	%	**11,50**		**15,0**	15,1
Total tier 1	%	**9,25**		**11,8**	12,4
CET1	%	**7,50**		**10,1**	10,8

[1] *PA minimum at December 2019 excludes idiosyncratic buffer and D-SIB capital requirements. PA minimum at December 2020 excluding idiosyncratic buffer, including D-SIB capital requirements with the Pillar 2A revised to nil.*

OVERVIEW OF RISK-WEIGHTED ASSETS

	Nedbank Group			Nedbank Limited		
	2020		2019	**2020**		2019
Rm	**RWA**	**MRC**[1]	RWA	**RWA**	**MRC**[1]	RWA
Credit risk	**436 948**	**50 249**	419 286	**364 557**	**41 924**	348 376
Standardised Approach (TSA)	**36 951**	**4 249**	35 052	**134**	**15**	133
Supervisory Slotting Approach	**7 287**	**838**	10 234	**6 375**	**733**	9 290
Advanced Internal Ratings-based Approach	**392 710**	**45 162**	374 000	**358 048**	**41 176**	338 953
Counterparty credit risk	**16 613**	**1 910**	9 713	**14 898**	**1 713**	9 456
Current-exposure method	**16 613**	**1 910**	9 713	**14 898**	**1 713**	9 456
Credit valuation adjustment	**22 279**	**2 562**	16 476	**21 620**	**2 486**	15 668
Equity positions under Simple Risk Weight Approach	**42 291**	**4 863**	41 021	**25 841**	**2 972**	26 534
Securitisation exposures in banking book	**445**	**51**	589	**445**	**51**	589
Internal Ratings-based Approach	**91**	**10**	285	**91**	**10**	285
External Ratings-based Approach, including Internal-assessment Approach	**354**	**41**	304	**354**	**41**	304
Market risk	**40 916**	**4 706**	22 199	**39 322**	**4 522**	20 971
Standardised Approach	**3 024**	**348**	1 487	**1 624**	**187**	699
Internal Model Approach	**37 892**	**4 358**	20 712	**37 698**	**4 335**	20 272
Operational risk	**73 665**	**8 472**	74 139	**61 818**	**7 109**	62 795
Standardised Approach	**7 318**	**842**	7 208	**1**		1
Advanced Measurement Approach (AMA)	**63 973**	**7 357**	63 539	**59 848**	**6 883**	60 059
Floor adjustment	**2 374**	**273**	3 392	**1 969**	**226**	2 735
Amounts below the thresholds for deduction (subject to 250% risk weighting)	**13 989**	**1 609**	15 228	**1 633**	**188**	1 633
Other assets (100% risk weighting)	**26 542**	**3 052**	30 074	**20 514**	**2 360**	24 867
Total	**673 688**	**77 474**	628 725	**550 648**	**63 325**	510 889

[1] *Total minimum required capital (MRC) is measured at 11,5%, including 1% for the D-SIB requirement, and excludes the bank-specific Pillar 2b requirement.*

- The group's total RWA/total assets density improved marginally from 55,0% in 2019 to 54,9% in 2020, driven by an increase of 7,2% in RWA relative to a change in total assets of 7,4%. The increase in total RWA is attributable mainly to the following:
  - » Credit risk migration, driven by the impact of the Covid-19 pandemic and asset growth, resulted in a credit RWA increase of R17,5bn (4,2%) for the year, offset by strategic optimisation initiatives.
  - » Counterparty credit risk and credit valuation adjustment RWA increased by R6,9bn (71,0%) and R5,8bn (35,2%) respectively, due to increased deal volume and an adjustment in the fair value of hedges, which was driven by currency volatility against major currencies.
  - » Trading market RWA increased by R18,7bn (84,3%), driven mainly by the stressed conditions affecting both global and local financial markets that were characterised by a sharp increase in March 2020 on the back of unprecedented volatility. This volatility, observed in the FX and the interest-rate markets to which the bank is primarily exposed, resulted in a direct increase in the bank's value at risk (VaR) used for the regulatory capital model. Nedbank's derivatives valuation adjustment optimisation initiative in H2 2020 resulted in a reduction of the overall increase in trading market RWA, to close the year at R40,9bn (June 2020: R48,9bn), this reduction is expected to continue into 2021.
  - » Other RWA decreased by R4,0bn, due to a combination of balance sheet changes supported by optimisation initiatives.

SUMMARY OF REGULATORY QUALIFYING CAPITAL AND RESERVES[1]

	Nedbank Group		Nedbank Limited	
Rm	**2020**	2019	**2020**	2019
Including unappropriated profits				
Total tier 1 capital	**81 779**	80 401	**66 154**	65 459
CET1	**73 455**	72 506	**57 269**	57 015
Share capital and premium	**19 067**	18 577	**20 111**	19 221
Reserves	**69 925**	68 534	**49 771**	50 521
Minority interest: Ordinary shareholders	**463**	848		
Deductions	**(16 000)**	(15 453)	**(12 613)**	(12 727)
Additional tier 1 capital	**8 324**	7 895	**8 885**	8 444
Preference share capital and premium	**1 063**	1 594	**1 063**	1 594
Perpetual subordinated debt instruments	**7 822**	6 850	**7 822**	6 850
Regulatory adjustments	**(561)**	(549)		
Tier 2 capital	**18 574**	13 840	**18 014**	13 812
Subordinated debt instruments	**15 604**	13 810	**15 604**	13 810
Excess of downturn expected loss over eligible provisions	**2 626**		**2 408**	
General allowance for credit impairment	**391**	300	**2**	2
Regulatory adjustments	**(47)**	(270)		
Total capital	**100 353**	94 241	**84 168**	79 271
Excluding unappropriated profits				
Tier 1 capital	**81 380**	79 315	**64 769**	63 532
CET1 capital	**73 056**	71 420	**55 884**	55 088
Total capital	**99 954**	93 155	**82 783**	77 344

[1] *For comprehensive 'composition of capital' and 'capital instruments main features' disclosure please refer to https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/capital-and-risk-management-reports.html.*

- The group's tier 1 capital position was positively impacted by the issuance of new-style additional tier 1 instruments of R972m in 2020, offset by a further grandfathering of preference shares in January 2020, in line with the Basel III transitional arrangements.
- The group's total capital was further impacted by the redemption of new-style tier 2 capital instruments of R2,3bn and the issuance of new-style tier 2 capital instruments of R4,1bn during 2020, in line with the group's capital plan.
  - » The focus remains on issuing fully loss-absorbent capital, with Basel III fully compliant capital making up 99% of the group's total capital structure, with the group having issued R15,6bn of new-style tier 2 capital and R7,8bn of new-style additional tier 1 capital since the implementation of Basel III in 2013.
- The group's gearing (including unappropriated profits) remains below the Regulatory Leverage Ratio Framework requirement of less than 25 times, at 15,4 times.

REGULATED BANKING SUBSIDIARIES

Nedbank Group banking subsidiaries are well capitalised for the environments in which they operate, with CARs well in excess of respective host regulators' minimum requirements.

	2020			2019	
	Total capital requirement (host country)	**RWA**	**Total capital ratio**	RWA	Total capital ratio
	%	**Rm**	**%**	Rm	%
Africa Regions					
Banco Único	**12,0**	**3 697**	**17,4**	3 863	16,7
Nedbank Namibia Limited	**11,0**	**14 419**	**13,1**	13 047	15,0
Nedbank (Swaziland) Limited	**8,0**	**5 549**	**14,8**	4 966	17,3
Nedbank (Lesotho) Limited	**8,0**	**2 033**	**28,1**	2 051	26,4
Nedbank (Zimbabwe) Limited	**12,0**	**1 184**	**21,1**	1 042	21,3
Isle of Man					
Nedbank Private Wealth (IOM) Limited	**13,0**	**8 986**	**16,2**	7 627	15,7

Economic capital adequacy

NEDBANK GROUP ECONOMIC CAPITAL REQUIREMENT

	2020		2019	
	Rm	**Mix %**	Rm	Mix %
Credit risk	**45 101**	**69**	43 847	64
Market risk	**5 852**	**9**	8 088	12
Business risk	**6 601**	**10**	7 960	12
Operational risk	**4 020**	**6**	4 770	7
Insurance risk	**505**	**< 1**	472	< 1
Other assets risk	**3 301**	**5**	3 166	5
Minimum economic capital requirement	**65 380**	**100**	68 303	100
Add: Stress-tested capital buffer (10%)	**6 538**		6 830	
Total economic capital requirement	**71 918**		75 133	
AFR	**105 111**	**100**	97 184	100
Tier A capital	**80 669**	**77**	74 977	77
Tier B capital	**24 442**	**23**	22 207	23
Total surplus AFR	**33 193**		22 051	
AFR: Total economic capital requirement (%)	**146**		129	

- Nedbank Group's minimum economic capital requirement decreased by R2,9bn during the year, driven primarily by the following:
  - The annual model parameter updates, which were carried out before Covid-19, resulted in a decrease of R2,2bn, R1,4bn and R750m in market risk economic capital, business risk economic capital and operational-risk economic capital respectively.
  - The decrease was offset by an increase of R1,3bn in credit risk economic capital, largely due to drawdowns of unutilised facilities, a weaker ZAR impacting USD-denominated facilities in the CIB portfolio, and lower growth in the RBB portfolio as a result of the impact of the lockdown regulations.
- Nedbank Group's AFR increased by R7,9bn in 2020, mainly as a result of the following:
  - A R5,7bn increase in tier A capital and a R2,2bn increase in tier B capital following the issuance of R972m new-style additional tier 1 capital and R4,1bn of new-style tier 2 capital instruments, which was offset by the grandfathering of old-style preference shares of R531m and the redemption of new-style tier 2 capital instruments of R2,3bn, in line with the group's capital plan.

External credit ratings

	Standard & Poor's		Moody's Investors Service	
	Nedbank Limited	Sovereign rating SA	Nedbank Limited	Sovereign rating SA
	Jul 2020	Nov 2020	Nov 2020[2]	Nov 2020[1]
Outlook	Stable	Stable	Negative	Negative
Foreign currency deposit ratings				
Long-term	BB-	BB-	Ba2	Ba2
Short-term	B	B	Not prime	Not prime
Local currency deposit ratings				
Long-term	BB	BB	Ba2	Ba2
Short-term	B	B	Not prime	N/A
National scale rating				
Long-term deposits	zaAA	zaAAA	Aa1/NP	
Short-term deposits	zaA-1+	zaA-1+	P-1.za	

[1] *On 24 November 2020 Moody's downgraded SA to subinvestment grade.*

[2] *On 27 November 2020 Moody's downgraded Nedbank Limited to subinvestment grade.*

External rating agencies still view the SA banking sector as resilient, with stable core earnings, sophisticated risk management and good levels of capitalisation and liquidity.

SUPPLEMENTARY INFORMATION.

Earnings per share and weighted-average shares

Earnings per share	**Basic**	**Diluted basic**	**Headline**	**Diluted headline**
2020				
Earnings for the year	**3 467**	**3 467**	**5 440**	**5 440**
Weighted-average number of ordinary shares	**483 208 526**	**488 738 145**	**483 208 526**	**488 738 145**
Earnings per share (cents)	**717**	**709**	**1 126**	**1 113**
2019				
Earnings for the year	12 001	12 001	12 506	12 506
Weighted-average number of ordinary shares	479 960 027	487 478 442	479 960 027	487 478 442
Earnings per share (cents)	2 500	2 462	2 605	2 565

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue.

Fully diluted basic earnings and fully diluted headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

	2020		2019
Number of weighted-average dilutive potential ordinary shares (000)	**Potential shares[1]**	**Weighted-average dilutive shares**	Weighted-average dilutive shares
Traditional schemes	**9 627**	**3 840**	5 808
Nedbank Group Restricted-share Scheme (2005)	**7 286**	**2 846**	4 200
Nedbank Group Matched-share Scheme	**2 341**	**994**	1 608
Total BEE schemes	**1 723**	**1 690**	1 711
BEE schemes – SA	**1 690**	**1 690**	1 703
Community	**1 690**	**1 690**	1 690
Black executives			12
Black management			1
BEE schemes – Namibia	**33**		8
Total	**11 350**	**5 530**	7 519

[1] *Potential shares are the total number of shares arising from historic grants, schemes or awards, available for distribution.*

Matched shares **Instrument expiry date**	**Number of shares**
1 April 2021	**582 024**
1 April 2022	**859 449**
1 April 2023	**1 861 524**
Matched shares outstanding not exercised at 31 December 2019	**3 302 997**
Movements due to shares exercised/forfeited during the year	**(962 360)**
Total potential shares	**2 340 637**
Weighted-average dilutive shares applicable for the year	**994 119**

The obligation to deliver the matched shares issued under the voluntary and compulsory share scheme is subject to time and other performance criteria.

This obligation existed over 31 December 2020 and therefore has a dilutive effect.

Matched shares are not issued and are therefore not recognised as treasury shares. However, until they are issued, there remains a potential dilutive effect.

Nedbank Group employee incentive schemes

for the year ended 31 December

Nedbank Group employee incentive schemes	**2020**	2019
Summary by scheme		
Nedbank Group Restricted-share Scheme (2005)	**11 054 244**	9 067 832
Nedbank Group Matched-share Scheme (2005)	**3 302 997**	2 235 442
Instruments outstanding at the end of the year	**14 357 241**	11 303 274
Analysis		
Performance-based – restricted shares	**6 319 602**	5 094 706
Non-performance-based – restricted shares	**4 734 642**	3 973 126
Performance-based – matched shares (CBSS[1])	**2 216 960**	1 544 042
Non-performance-based – matched shares (VBSS[2])	**1 086 037**	691 400
Instruments outstanding at the end of the year	**14 357 241**	11 303 274
Movements		
Instruments outstanding at the beginning of the year	**11 303 275**	11 548 674
Granted	**7 298 988**	4 421 294
Accelerated	**(2 675)**	
Exercised	**(3 584 901)**	(4 265 176)
Surrendered	**(657 446)**	(401 518)
Instruments outstanding at the end of the year	**14 357 241**	11 303 274

[1] *Compulsory Bonus Share Scheme.*

[2] *Voluntary Bonus Share Scheme.*

Nedbank Group (2005) restricted- and matched-share schemes

Restricted shares[1]

Details of instruments granted and not exercised at 31 December 2019 and the resulting dilutive effect:

Instrument expiry date	**Number of shares**	
16 March 2021	**1 375 460**	P
15 March 2021	**1 135 994**	
17 August 2021	**99 624**	P
18 August 2021	**82 981**	
15 March 2022	**1 791 468**	P
16 March 2022	**1 304 969**	
16 August 2022	**55 253**	P
17 August 2022	**55 235**	
20 March 2023	**2 997 797**	P
21 March 2023	**2 155 463**	
Restricted shares not exercised at 31 December 2020	**11 054 244**	
Unallocated shares	**442 525**	
Treasury shares	**11 496 769**	
Average shares exercised or forfeited during the year	**(4 211 211)**	
Total potential shares	**7 285 558**	
Weighted-average dilutive shares applicable for the year	**2 845 852**	

[1] *Restricted shares are issued at a market price for no consideration to participants, and are held by the scheme until the expiry date (subject to achievement of performance conditions). Participants have full rights and receive dividends.*

[P] *Performance-based instruments.*

Long-term debt instruments

Instrument code	**2020**	2019
Subordinated debt	**15 994**	14 229
Callable notes (rand-denominated)	**13 665**	13 912
Long-term debenture (Namibian dollar-denominated)	**317**	317
Green bonds (rand-denominated)	**2 012**	
Securitised liabilities – callable notes (rand-denominated)	**2 084**	3 152
Senior unsecured debt – senior unsecured notes (rand-denominated)	**39 021**	39 651
Unsecured debentures (rand-denominated)	**43**	37
Senior unsecured green bonds (rand-denominated)	**2 628**	2 644
Total long-term debt instruments in issue	**59 770**	59 713

Further information can be accessed on our group website:
https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/capital-and-risk-management-reports.html
https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/debt-investor/debt-investors-programme.html

Additional tier 1 capital instruments

The group issued new-style (Basel III-compliant) additional tier 1 capital instrument as follows:

Instrument code	**Instrument terms**	**2020**	2019
Subordinated			
Callable notes (rand-denominated)			
NEDT1A	3-month JIBAR + 7,00% per annum	**1 500**	1 500
NEDT1B	3-month JIBAR + 6,25% per annum	**500**	500
NGLT1A	3-month JIBAR + 5,65% per annum	**600**	600
NGLT1B	3-month JIBAR + 4,64% per annum	**750**	750
NGT103	3-month JIBAR + 4,40% per annum	**671**	671
NGT104	3-month JIBAR + 4,50% per annum	**1 829**	1 829
NGT105	3-month JIBAR + 4,25% per annum	**1 000**	1 000
NGT106	3-month JIBAR + 4,95% per annum	**500**	
NGT107	3-month JIBAR + 4,55% per annum	**472**	
Total non-controlling interest attributable to additional tier 1 capital instruments		**7 822**	6 850

The additional tier 1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable, subject to regulatory approval, at the sole discretion of the issuer from the applicable call date and following a regulatory or tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, in certain conditions the regulator may prohibit Nedbank from making interest payments. Accordingly, for accounting purposes the instruments are classified as equity instruments and disclosed as part of the non-controlling interest.

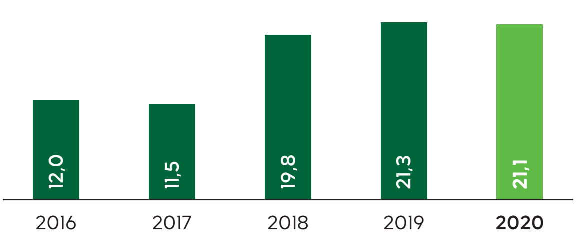
Shareholders' analysis

Register date:	31 December 2020
Authorised share capital:	600 000 000 shares
Issued share capital:	502 054 496 shares

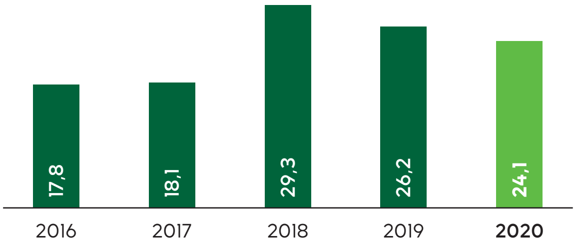
	Number of shares	**2020 % holding**	2019 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (SA) Limited and associates (includes funds managed on behalf of other beneficial owners)[1]	110 244 073	**21,96**	24,12
Nedbank Group treasury shares	18 161 729	**3,62**	3,19
BEE trusts	6 617 448	**1,32**	1,33
Eyethu scheme – Nedbank SA	6 466 786	**1,29**	1,30
Omufima scheme – Nedbank Namibia	150 662	**0,03**	0,03
Nedbank Group (2005) Restricted- and Matched-share Schemes	11 496 769	**2,29**	1,85
Nedbank Namibia Limited	47 512	**0,01**	0,01
Public Investment Corporation (SA)	52 179 569	**10,39**	10,76
Allan Gray Investment Council (SA)	44 923 743	**8,95**	5,44
Coronation Fund Managers (SA)	43 059 294	**8,58**	7,53
BlackRock Incorporated (International)	20 930 707	**4,17**	3,59
Lazard Asset Management (international)	14 010 027	**2,79**	2,13
The Vanguard Group Incorporated (international)	12 577 779	**2,51**	3,00
Sanlam Investment Management Proprietary Limited (SA)	10 869 310	**2,16**	2,36
GIC Asset Management Proprietary Limited (international)	8 496 798	**1,69**	2,10
Dimensional Fund Advisors (US, UK and AU)	7 623 141	**1,52**	2,13
Major beneficial shareholders			
Old Mutual Life Assurance Company (SA) Limited and associates (SA)[1]	107 789 952	**21,47**	24,09
Government Employees Pension Fund (SA)	57 048 786	**11,36**	10,88
Allan Gray Balanced Fund (SA)	28 832 304	**5,74**	1,81
Geographical distribution of shareholders			
Domestic	381 130 548	**75,91**	73,79
SA	359 973 691	**71,70**	70,65
Namibia	15 402 387	**3,06**	1,83
Unclassified	5 754 470	**1,15**	1,31
Foreign	120 923 948	**24,09**	26,21
United States of America	63 601 013	**12,67**	13,26
Asia	17 867 624	**3,56**	4,49
Europe	17 634 097	**3,51**	4,46
United Kingdom and Ireland	12 383 228	**2,47**	2,05
Other countries	9 437 986	**1,88**	1,95
Total shares listed	502 054 496	**100,00**	100,00
Less: Treasury shares held	18 161 729		
Net shares reported	483 892 767		

[1] *Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial owners and increased after the Old Mutual Managed Seperation had been completed as a result of the subsequent odd-lot offer and due to movements in shares held on behalf of policyholders. The relationship agreement with Old Mutual Limited is available at https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/About%20Nedbank%20 Group/Old%20Mutual/Nedbank%20Old%20Mutual%20Limited%20Relationship%20Agreement%202018.pdf.*

INDEX CLASSIFIED SHAREHOLDING
(December, %)



FOREIGN SHAREHOLDING
(December, %)



Notes

Basel III balance sheet credit exposure by business cluster and asset class

	Nedbank CIB	Property Finance	Nedbank Retail and Business Banking	Nedbank Wealth	Rest of Africa	Centre
AIRB Approach	**481 535**	**170 447**	**372 364**	**22 004**	**–**	**81 207**
Corporate	193 170	54 117	15 052	147		279
Specialised lending – HVCRE[4]	5 437	5 437		59		
Specialised lending – IPRE[5]	105 806	105 764	1 447	5 536		2 528
Specialised lending – project finance	47 001					123
SME – corporate finance	7 177	4 961	32 288	2 020		8
Public sector entities	19 395		97	30		17
Local governments and municipalities	10 084		954			1 143
Sovereign	7 853		2	229		77 100
Banks	85 440			1 721		
Securities firms						
Retail mortgage			134 299	10 309		
Retail revolving credit			16 783	71		
Retail – other			138 251	160		
SME – retail	4		33 017	1 722		9
Securitisation exposure	168	168	174			
TSA[6]	**–**	**–**	**126**	**24 322**	**38 226**	**–**
Corporate					10 518	
SME – corporate			126	1 501		
Public sector entities					614	
Local government and municipalities					27	
Sovereign				10 621	7 699	
Banks				4 778	3 509	
Retail mortgage				6 639	7 393	
Retail revolving credit					565	
Retail – other				783	4 180	
SME – retail					3 721	
PiPs			**50**	**13**	**86**	
Non-regulated entities	**16 685**		**265**			
Total Basel III balance sheet exposure[7]	**498 220**	**170 447**	**372 805**	**46 339**	**38 312**	**81 207**
dEL (AIRB Approach)						
Expected-loss performing book						
BEEL on defaulted advances						
IFRS impairment on AIRB loans and advances						
Excess of downturn expected loss over eligible provisions8						

[1] *Risk weighting is shown as a percentage of exposure at default (EAD) for the AIRB Approach and as a percentage of total credit extended for The Standardised Approach (TSA).*

[2] *dEL is in relation to performing loans and advances.*

[3] *Best estimate of expected loss (BEEL) is in relation to defaulted loans and advances.*

[4] *High-volatility commercial real estate.*

[5] *Income-producing real estate.*

[6] *A portion of the legacy Imperial Bank book in Nedbank RBB, Nedbank Private Wealth (UK) and the non-SA banking entities in Africa are covered by TSA.*

[7] *Balance sheet credit exposure includes on-balance-sheet, repurchase and resale agreements and derivative exposure.*

[8] *Excess impairments compared to downturn expected loss for IRB exposures totalled R3 317m at December 2020. However, in accordance with the Bank's Act regulations the total amount that may be included in tier 2 unimpaired reserve funds is limited to 0,6% of total IRB risk-weighted-assets, which amounts to R2 626m at December 2020.*

	Nedbank Group 2020	**Mix %**	**Change %**	**Risk weighting[1]**	**Downturn expected loss (dEL)[2]**	**BEEL[3]**	Nedbank Group December 2019	Downturn expected loss (dEL)[2]	BEEL[3]
	957 110	**92,1**	**8,4**	**40,4**	**7 700**	**13 626**	883 170	7 268	9 993
	208 648	**20,1**	**(0,8)**	**50,5**	**1 480**	**1 030**	210 389	1 108	867
	5 496	**0,5**	**(32,5)**	**109,7**	**62**	**52**	8 145	124	133
	115 317	**11,1**	**6,7**	**29,3**	**225**	**469**	108 068	316	88
	47 124	**4,5**	**1,3**	**54,7**	**119**	**103**	46 505	168	
	41 493	**4,0**	**12,9**	**48,6**	**233**	**418**	36 758	238	289
	19 539	**1,9**	**15,0**	**49,3**	**70**	**207**	16 987	118	
	12 181	**1,2**	**0,3**	**33,5**	**8**		12 151	5	15
	85 184	**8,2**	**1,8**	**11,3**	**17**	**16**	83 672	19	
	87 161	**8,4**	**118,5**	**39,6**	**48**		39 894	66	
	144 608	**13,9**	**3,8**	**26,2**	**746**	**1 947**	139 305	706	1 348
	16 854	**1,6**	**(1,3)**	**62,1**	**789**	**1 619**	17 079	776	1 318
	138 411	**13,3**	**6,7**	**48,9**	**3 388**	**6 837**	129 729	3 130	5 182
	34 752	**3,4**	**2,7**	**42,9**	**515**	**928**	33 851	494	753
	342		**(46,3)**	**130,4**			637		
	62 674	**6,3**	**3,3**	**50,8**	**–**	**–**	60 701	–	–
	10 518	**1,0**	**0,1**	**99,5**			10 513		
	1 627	**0,2**	**10,7**	**82,2**			1 470		
	614	**0,1**	**(24,5)**	**94,3**			813		
	27		**(10,0)**	**96,6**			30		
	18 320	**1,8**	**23,1**	**58,3**			14 880		
	8 287	**0,8**	**(10,30)**	**19,5**			9 240		
	14 032	**1,4**	**8,6**	**40,0**			12 925		
	565	**0,1**	**(22,7)**	**38,5**			731		
	4 963	**0,5**	**(16,7)**	**74,0**			5 961		
	3 721	**0,4**	**(10,10)**	**73,4**			4 138		
	149		**(0,7)**				150		
	16 950	**1,6**	**(12,2)**				19 308		
	1 036 883	**100,0**	**7,6**	**–**	**7 700**	**13 626**	963 329	7 268	9 993
						21 326			17 261
						7 700			7 268
						13 626			9 993
						(24 643)			(17 358)
						(3 317)			(97)

Nedbank Limited
Consolidated statement of comprehensive income

for the year ended 31 December

Rm	2020	2019
Interest and similar income	**68 654**	79 240
Interest expense and similar charges	**41 146**	51 888
Net interest income	**27 508**	27 352
Impairments charge on financial instruments	**12 425**	5 953
Income from lending activities	**15 083**	21 399
Non-interest revenue	**19 026**	20 905
Operating income	**34 109**	42 304
Total operating expenses	**27 705**	27 891
Indirect taxation	**1 017**	961
Profit from operations before non-trading and capital items	**5 387**	13 452
Non-trading and capital items	**(417)**	(424)
Profit from operations	**4 970**	13 028
Share of gains of associate companies	**115**	121
Profit before direct taxation	**5 085**	13 149
Total direct taxation	**1 164**	3 076
Direct taxation	**1 283**	3 205
Taxation on non-trading and capital items	**(119)**	(129)
Profit for the year	**3 921**	10 073
Other comprehensive (losses)/income net of taxation	**256**	144
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translating foreign operations	**199**	(37)
Debt investments at FVOCI – net change in fair value	**96**	(294)
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on long-term employee benefit assets	**(40)**	330
(Losses)/Gains on property revaluations	**1**	145
Total comprehensive income for the year	**4 177**	10 217
Profit attributable to:		
– Ordinary shareholders	**3 977**	10 087
– Preference shareholders in joint ventures	**(58)**	
– Non-controlling interest – ordinary shareholders	**2**	(14)
Profit for the year	**3 921**	10 073
Total comprehensive income attributable to:		
– Ordinary shareholders	**4 233**	10 231
– Preference shareholders in joint ventures	**(58)**	
– Non-controlling interest – ordinary shareholders	**2**	(14)
Total comprehensive income for the year	**4 177**	10 217
Headline earnings reconciliation		
Profit attributable to ordinary and preference equity holders	**3 977**	10 087
Less: Non-headline earnings items net of taxation	**(298)**	(295)
Non-trading and capital items	**(417)**	(424)
Taxation on non-trading and capital items	**119**	129
Headline earnings attributable to ordinary and preference equity holders	**4 275**	10 382

Nedbank Limited
Consolidated statement of financial position

at 31 December

Rm	**2020**	2019
Assets		
Cash and cash equivalents	**8 115**	8 199
Other short-term securities	**27 082**	42 395
Derivative financial instruments	**79 933**	34 923
Government and other dated securities	**131 380**	127 662
Loans and advances to clients	**729 807**	735 886
Trading loans and advances	**71 251**	32 678
Loans and advances to banks	**34 510**	18 546
Other assets	**10 407**	10 544
Current taxation assets	**75**	213
Investment securities	**8 269**	9 007
Non-current assets held for sale	**69**	90
Investments in associate companies	**1 037**	1 229
Deferred taxation assets	**346**	42
Investment property		56
Property and equipment	**9 661**	10 403
Long-term employee benefit assets	**5 709**	5 505
Mandatory reserve deposits with central banks	**24 482**	21 424
Intangible assets	**10 225**	9 508
Total assets	**1 152 358**	1 068 310
Total equity and liabilities		
Ordinary share capital	**28**	28
Ordinary share premium	**20 073**	19 182
Reserves	**53 512**	53 582
Total equity attributable to ordinary equity holders	**73 613**	72 792
Preference share capital and premium	**3 561**	3 561
Holders of participating preference shares	**(58)**	7
Holders of additional tier 1 capital instruments	**7 822**	6 850
Non-controlling interest attributable to ordinary shareholders	**11**	9
Total equity	**84 949**	83 219
Derivative financial instruments	**64 649**	27 621
Amounts owed to depositors	**929 761**	881 297
Provisions and other liabilities	**12 359**	13 473
Current taxation liabilities	**516**	42
Deferred taxation liabilities	**155**	645
Long-term employee benefit liabilities	**2 366**	2 401
Long-term debt instruments	**57 603**	59 612
Total liabilities	**1 067 409**	985 091
Total equity and liabilities	**1 152 358**	1 068 310

Nedbank Limited
Consolidated financial highlights

for the year ended 31 December

	2020	2019
ROE (%)	**6,0**	15,1
ROA (%)	**0,39**	1,04
NII to average interest-earning banking assets (%)	**3,35**	3,45
CLR – banking advances (%)	**1,61**	0,81
Cost-to-income ratio	**59,4**	57,7

Definitions

12-month ECL This expected credit loss represents an ECL that results from default events on financial instruments occurring within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months), weighted by the probability of the defaults occurring.

Assets under administration (AUA) (Rm) Market value of assets held in custody on behalf of clients.

Assets under management (AUM) (Rm) Market value of assets managed on behalf of clients.

Central Counterparty (CCP) A clearing house that interposes itself between counterparties for contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts.

Common-equity tier 1 (CET1) capital adequacy ratio (%) CET1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Cost-to-income ratio (%) Total operating expenses as a percentage of total income, being net interest income, non-interest revenue and share of profits or losses from associates and joint arrangements.

Coverage (%) On-balance-sheet ECLs divided by on-balance-sheet gross banking loans and advances. Coverage excludes ECLs on off-balance-sheet amounts, ECL and gross banking loans and advances on the fair value through other comprehensive income (FVOCI) portfolio, and loans and advances measured at fair value through profit or loss (FVTPL).

Credit loss ratio (CLR) – (% or bps) income statement impairment charge on banking loans and advances as a percentage of daily average gross banking loans and advances. Includes the ECL recognised in respect of the off-balance-sheet portion of loans and advances.

Default In line with the Basel III definition, default occurs in respect of a client in the following instances:

- When the bank considers that the client is unlikely to pay their credit obligations to the bank in full without the bank having recourse to actions such as realising security (if held).
- When the client is past due for more than 90 days on any material credit obligation to the bank. Overdrafts will be considered as being past due if the client has breached an advised limit or has been advised of a limit smaller than the current outstanding amount.
- In terms of Nedbank's Group Credit Policy, when the client is placed under business rescue in accordance with the Companies Act, 71 of 2008, and when the client requests a restructure of their facilities as a result of financial distress, except where debtor substitution is allowable in terms of the regulations.

At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A stage 3 impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

For retail portfolios this is product-centred, and a default would therefore be for a specific advance. For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction with a legal-entity borrower default, all transactions with that legal-entity borrower would be treated as having defaulted.

To avoid short-term volatility, Nedbank employs a six-month curing definition where subsequent defaults will be an extension of the initial default.

Diluted headline earnings per share (DHEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares, adjusted for potential dilutive ordinary shares.

Directive 1 of 2020 A directive from the Prudential Authority (PA) that provides temporary measures to aid compliance with the liquidity coverage ratio during the Covid-19 pandemic stress period. The PA has deemed it appropriate to amend the minimum liquidity coverage ratio (LCR) requirement temporarily to 80%, effective from 1 April 2020.

Directive 2 of 2020 A directive from the PA provides temporary capital relief to alleviate risks posed by the Covid-19 pandemic. The PA has implemented measures to reduce the specified minimum requirement of capital and reserve funds to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole, and to individual banks. These measures are intended to provide relief to banks in response to the Covid-19 pandemic, thereby enabling banks to continue providing credit to the real economy during this period of financial stress.

Directive 3 of 2020 A directive from the PA that implemented measures to ensure that various types of relief to qualifying borrowers that were up to date at 29 February 2020, such as payment holidays, do not result in unintended consequences such as inappropriate higher capital requirements. The PA has provided temporary relief for qualifying loans from portions of Directive 7/2015 dealing with distressed restructures. Importantly, this relief covers retail, small and medium enterprises (SMEs) and corporate loans, including all specialist asset classes such as commercial property.

Directive 7 of 2015 A directive from the PA that provides clarity on how banks should identify restructured credit exposures and how these exposures should be treated for purposes of the definition of default.

Dividend cover (times) Headline earnings per share divided by dividend per share.

Economic profit (EP) (Rm) Headline earnings less the cost of equity (total equity attributable to equity holders of the parent, less goodwill, multiplied by the group's cost-of-equity percentage).

Effective taxation rate (%) Direct taxation as a percentage of profit before direct taxation, excluding non-trading and capital items.

Earnings per share (EPS) (cents) Earnings attributable to ordinary shareholders, divided by the weighted-average number of ordinary shares in issue.

Forward-looking economic expectations The impact of forecast macroeconomic conditions in determining a significant increase in credit risk (SICR) and ECL.

Gross operating income growth rate less expenses growth rate (JAWS ratio) (%) Measure of the extent to which the total income growth rate exceeds the total operating expenses growth rate.

Guidance Note 4 of 2020 A guidance note from the South African Reserve Bank that recommends that banks no longer make dividend distributions on ordinary shares in order to conserve capital, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory-capital relief provided.

Guidance Note 3 of 2021 A guidance note from the South African Reserve Bank that recommends banks be prudent and consider the adequacy of their current and forecasted capital and profitability levels, internal capital targets and risk appetite as well as current and potential future risks posed by the ongoing pandemic when making distributions of dividends on ordinary shares and the payment of cash bonuses to executive officers and material risk takers. Guidance Note 3 of 2021 replaces Guidance Note 4 of 2020.

Headline earnings (Rm) The profit attributable to equity holders of the parent, excluding specific separately identifiable remeasurements, net of related tax and non-controlling interests.

Headline earnings per share (HEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares in issue.

Lifetime ECL The ECL of default events between the reporting date and the end of the lifetime of the financial asset, weighted by the probability of the defaults occurring.

Life insurance embedded value (Rm) The embedded value (EV) of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth.

Life insurance value of new business (Rm) A measure of the value added to a company as a result of writing new business. Value of new business (VNB) is calculated as the discounted value, at the valuation date, of projected after-tax shareholder profit from covered new business that commenced during the reporting period, net of frictional costs and the cost of non-hedgeable risk associated with writing new business, using economic assumptions at the start of the reporting period.

Net asset value (NAV) (Rm) Total equity attributable to equity holders of the parent.

Net asset value (NAV) per share (cents) NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Net interest income (NII) to average interest-earning banking assets (AIEBA) (%) NII as a percentage of daily average total assets, excluding trading assets. Also called net interest margin (NIM).

Net monetary gain/(loss) (Rm) Represents the gain or loss in purchasing power of the net monetary position (monetary assets less monetary liabilities) of an entity operating in a hyperinflation environment.

Non-interest revenue (NIR) to total income (%) NIR as a percentage of operating income, excluding the impairments charge on loans and advances.

Number of shares listed (number) Number of ordinary shares in issue, as listed on the JSE.

Off-balance-sheet exposure Undrawn loan commitments, guarantees and similar arrangements that expose the group to credit risk.

Ordinary dividends declared per share (cents) Total dividends to ordinary shareholders declared in respect of the current period.

Performing stage 3 loans and advances (Rm) Loans that are up to date (not in default) but are classified as defaulted due to regulatory requirements, ie Directive 7 of 2015 or the curing definition.

Preprovisioning operating profit (PPOP) (Rm) Headline earnings plus direct taxation plus impairment charge on loans and advances.

Profit attributable to equity holders of the parent (Rm) Profit for the period less non-controlling interests pertaining to ordinary shareholders, preference shareholders and additional tier 1 capital instrument noteholders.

Profit for the period (Rm) Income statement profit attributable to ordinary shareholders of the parent, before non-controlling interests.

Return on equity (ROE) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity.

Return on equity (ROE) (excluding goodwill) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity, less goodwill.

Return on cost of ETI investment (%) Headline earnings from the group's ETI investment pre-funding costs divided by the group's original cost of investment (R6 265m)

Return on tangible equity (%) Headline earnings as a percentage of daily average ordinary shareholders' equity, less intangible assets.

Return on risk-weighted assets (RWA) (%) Headline earnings as a percentage of monthly average Risk-weighted assets (RWA).

Risk-weighted assets (RWA) (Rm) On-balance-sheet and off-balance-sheet exposures after applying prescribed risk weightings according to the relative risk of the counterparty.

SME loan guarantee scheme An initiative by National Treasury and the South African Reserve Bank, in partnership with participating commercial banks, aimed at giving financial support to SMEs affected by the lockdown.

Stage 1 Financial assets for which the credit risk (risk of default) at the reporting date has not significantly increased since initial recognition.

Stage 2 Financial assets for which the credit risk (risk of default) at the reporting date has significantly increased since initial recognition.

Stage 3 Any advance or group of loans and advances that has triggered the Basel III-definition of default criteria, in line with the SA banking regulations. At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A stage 3 impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

Stage 3 ECL (Rm) ECL for banking loans and advances that have been classified as stage 3 advances.

Tangible net asset value (Rm) Equity attributable to equity holders of the parent, excluding intangible assets.

Tangible net asset value per share (cents) Tangible NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Tier 1 capital adequacy ratio (CAR) (%) Tier 1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Total capital adequacy ratio (CAR) (%) Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Value in use (VIU) (Rm) The present value of the future cashflows expected to be derived from an asset or cash-generating unit.

Weighted-average number of shares (number) The weighted-average number of ordinary shares in issue during the period listed on the JSE.

Year-to-date annualised or ytd annualised The growth rate for the six-month period to 30 June annualised by 366 days, divided by 182 days.

Abbreviations and acronyms

AFR available financial resources
AGM annual general meeting
AI artificial intelligence
AIEBA average interest-earning banking assets
AIRB Advanced Internal Ratings-based
AMA Advanced Measurement Approach
AML anti-money-laundering
API application programming interface
AUA assets under administration
AUM assets under management
BBBEE broad-based black economic empowerment
BEE black economic empowerment
bn billion
bps basis point(s)
CAGR compound annual growth rate
CAR capital adequacy ratio
CCP Central counterparty
CET1 common-equity tier 1
CIB Corporate and Investment Banking
CIPC Companies and Intellectual Property Commission
CLR credit loss ratio
COE cost of equity
CPI consumer price index
CPF commercial-property finance
CSI corporate social investment
CVP client value proposition
D1/2020 or D1 Directive 1 of 2020 issued by the Prudential Authority
D2/2020 or D2 Directive 2 of 2020 issued by the Prudential Authority
D3/2020 or D3 Directive 3 of 2020 issued by the Prudential Authority
D7/2015 or D7 Directive 7 of 2015 issued by the Prudential Authority
DHEPS diluted headline earnings per share
D-SIB domestic systemically important bank
ECL expected credit loss
EE employment equity
ELB entry-level banking
EP economic profit
EPS earnings per share
ESG environmental, social and governance
EV embedded value
ETI Ecobank Transnational Incorporated
FCTR foreign currency translation reserve
FSC Financial Sector Code
FSCA Financial Sector Conduct Authority
FVOCI fair value through other comprehensive income
FVTPL Fair value through profit or loss
GDP gross domestic product
GFC great financial crisis
GLAA gross loans and advances
GLC great lockdown crisis
G4/2020 Guidance Note 4 of 2020 issued by the Prudential Authority
G3/2021 Guidance Note 3 of 2021 issued by the Prudential Authority
GOI gross operating income
group Nedbank Group Limited
HE headline earnings
HEPS headline earnings per share
HQLA high-quality liquid asset(s)
IAS International Accounting Standard(s)
ICAAP Internal Capital Adequacy Assessment Process
IFRS International Financial Reporting Standard(s)
ILAAP Internal Liquidity Adequacy Assessment Process
IMF International Monetary Fund
JIBAR Johannesburg Interbank Agreed Rate
JSE JSE Limited
LAA loans and advances
LAP liquid-asset portfolio
LCR liquidity coverage ratio
LIBOR London Interbank Offered Rate
LTI long-term incentive
m million
M&A mergers and acquisitions
MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)
MRC minimum required capital
MZN Mozambican metical
N/A not applicable
NAFEX The Nigerian Autonomous Foreign Exchange Rate Fixing Methodology
NAR Nedbank Africa Regions
NCA National Credit Act, 34 of 2005
NCD negotiable certificate of deposit
NCOF net cash outflows
NGN Nigerian naira
NII net interest income
NIM net interest margin
NIR non-interest revenue
NPL non-performing loan(s)
NPS Net Promoter Score
NSFR net stable funding ratio
nWoW New Ways of Work
OCI other comprehensive income
OM Old Mutual
PA Prudential Authority
PAT profit after tax
PayU Pay-as-you-use account
Plc public listed company
PPOP preprovisioning operating profit
PRMA postretirement medical aid
R rand
RBB Retail and Business Banking
Rbn South African rands expressed in billions
REITs real estate investment trusts
Rm South African rands expressed in millions
ROA return on assets
ROE return on equity
RORWA return on risk-weighted assets
RPA robotic process automation
RRB Retail Relationship Banking
RTGS real-time gross settlement
RWA risk-weighted assets
SA South Africa
SAcsi The South African Customer Satisfaction Index
SADC Southern African Development Community
SAICA South African Institute of Chartered Accountants
SARB South African Reserve Bank
SDGs Sustainable Development Goals
SICR Significant increase in credit risk
SME small to medium enterprise
STI short-term incentive
TSA The Standardised Approach
TTC through the cycle
UK United Kingdom
USA United States of America
USD United States dollar (currency code)
USSD unstructured supplementary service data
VAF vehicle and asset finance
VaR value at risk
VIU value in use
VNB value of new business
YES Youth Employment Service
yoy year on year
ytd year to date
ZAR South African rand (currency code)

Notes

Company details

NEDBANK GROUP LIMITED

Incorporated in the Republic of SA
Registration number 1966/010630/06

REGISTERED OFFICE

Nedbank Group Limited, Nedbank 135 Rivonia Campus,
135 Rivonia Road, Sandown, Sandton, 2196
PO Box 1144, Johannesburg, 2000

TRANSFER SECRETARIES IN SA

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19 Ameshoff Street, Braamfontein, Johannesburg, 2001, SA.

PO Box 4844, Marshalltown, 2000, SA.

NAMIBIA

Transfer Secretaries (Proprietary) Limited
Robert Mugabe Avenue No 4, Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

INSTRUMENT CODES

Nedbank Group ordinary shares

JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
JSE alpha code:	NEDI
ADR code:	NDBKY
ADR CUSIP:	63975K104

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code:	NBKP
ISIN:	ZAE000043667
JSE alpha code:	BINBK

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This announcement is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial results presentation to investors.
- Link to a webcast of the presentation to investors.

For further information please contact Nedbank Group Investor Relations at NedGroupIR@nedbank.co.za.

Company Secretary: J Katzin
Sponsors in SA: Merrill Lynch SA Proprietary Limited
Nedbank CIB

Sponsor in Namibia

Old Mutual Investment Services (Namibia) (Proprietary) Limited

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 will be 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, profits, or consequential loss or damage.

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