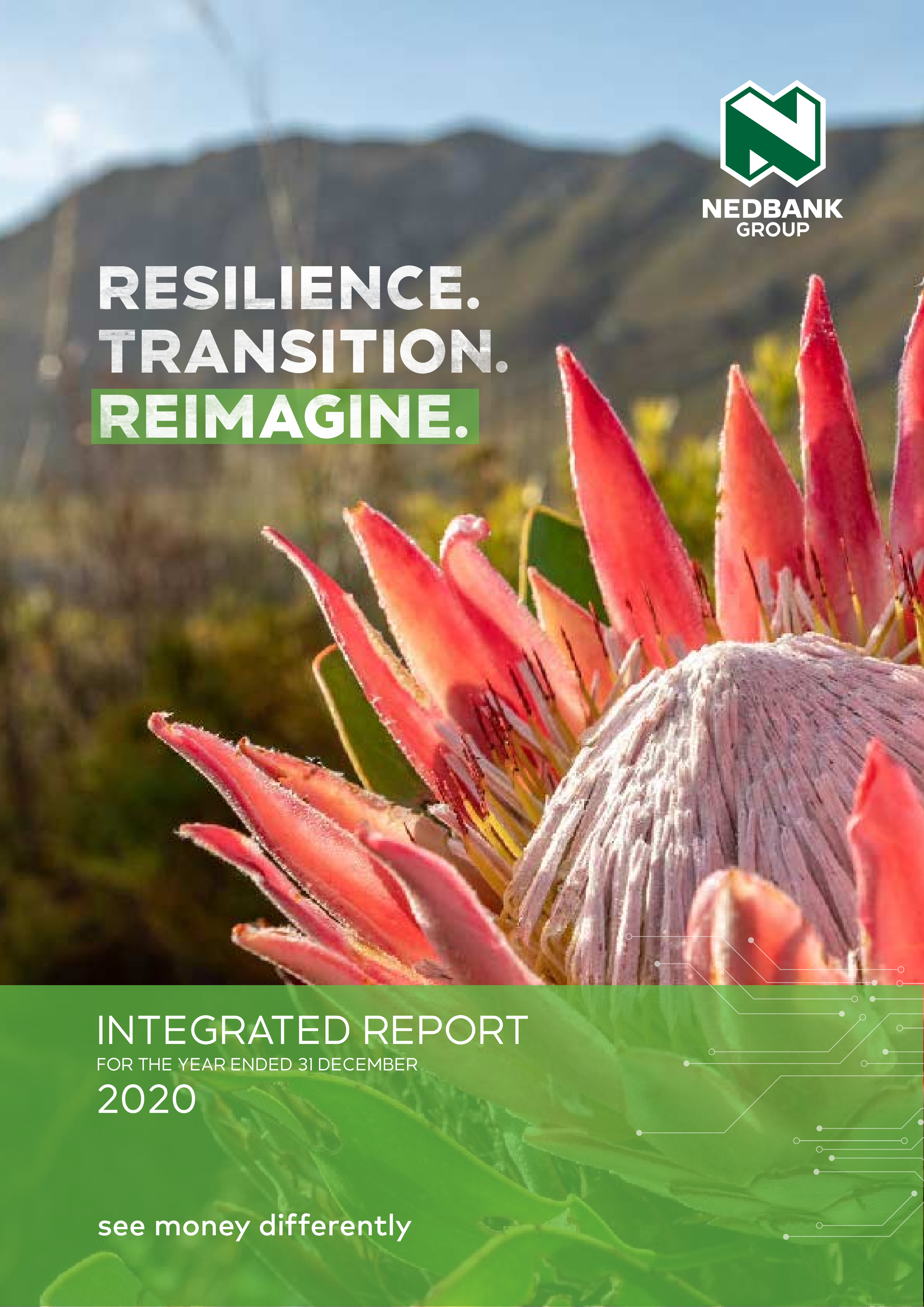
NEDBANK GROUP

RESILIENCE. TRANSITION. REIMAGINE.



INTEGRATED REPORT
FOR THE YEAR ENDED 31 DECEMBER
2020

see money differently

OUR PURPOSE

To use our financial expertise to do good for individuals, families, businesses and society.

ABOUT OUR COVER

2020 has been a year of ups and downs. In the face of a difficult year, we are proud that we have stayed true to our purpose of using our financial expertise to do good, supporting our clients and employees through the Covid-19 crisis and contributing to society. We have remained resilient on key operational, liquidity and capital metrics, and our leadership has done a commendable job in managing the health and safety of stakeholders, including employees and clients. What Nedbankers have managed to achieve resonates in the fynbos that we find in the South African landscape – it not only survives against all odds, but actually thrives after being faced with devastation, such as drought or fire. It's all about 'natural resilience'. And this is exactly how we balance the challenges we faced in our business, with the strides made in progressing our strategy and building a Nedbank that is more client-centred, more digital, more agile and more competitive. As with the fynbos analogy, if the foundations are strong – like ours – you can withstand the severe conditions and flourish once the environment has improved.

Mike Brown, Chief Executive – January 2021

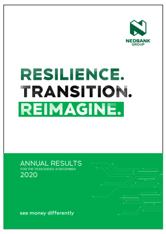
FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements about Nedbank Group's financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's joint auditors.

Forward-looking statements made by Nedbank Group on 17 March 2021 at the time of releasing our 2020 results were informed by the group's business plans and economic forecasts in February 2021.

nedbankgroup.co.za

As part of our comprehensive integrated reporting, the 2020 Integrated Report is supplemented by our various online publications and additional information available on our website at nedbankgroup.co.za. In 2020 our suite of supplementary reports were consolidated into three separate reports – a climate, society (social) and governance report.



FINANCIAL AND RISK MANAGEMENT REPORTING

- **2020 Results Booklet and presentation**
- **2020 Nedbank Group Annual Financial Statements**
- **2020 Pillar 3 Risk and Capital Management Report**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORTING

- **TCFD and other climate-change-related disclosures**

Nedbank energy policy*

Nedbank climate change position statement*

SOCIETY (SOCIAL) REPORTING

- **Sustainable Development Review**
- **People Review**
- **Transformation Review**
- **Stakeholder Engagement Review**

Broad-based black economic empowerment (BBBEE) certificate*

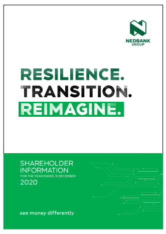
Global Reporting Initiative Standards*

GOVERNANCE REPORTING

- **Governance Review**
- **Ethics Review**
- **Treating Clients Fairly Review (Market conduct)**
- **Financial Crime Review (AML, Fraud and Cybercrime)**
- **Remuneration Review**
- **Tax Review**

Key policies*

Boardmember and group executive profiles*



SHAREHOLDER INFORMATION

- **Notice of 54th annual general meeting (AGM)**
- **Form of proxy**

Shareholding profile*

** Available separately at nedbankgroup.co.za.*

Contents

NAVIGATION ICONS

Our capitals

Financial
Intellectual
Manufactured
Human
Natural
Social and relationship

Our strategic unlocks

Delivering market-leading client solutions
Ongoing disruptive market activities
Focusing on areas that create value (SPT 2.0)
Driving efficient execution (TOM 2.0)
Creating positive impacts

Our stakeholders

Clients
Employees
Regulators
Shareholders
Society

Other icons

IV King IV
Top 12 risks
This icon directs the reader to pages or supplementary reports with more information.

ABOUT OUR INTEGRATED REPORT

OUR PURPOSE	INTEGRATED THINKING AND DELIVERY ON OUR PURPOSE		
Vision	Risks	Short-, medium- and long-term outlook	Board and board subcommittees
LEADING THROUGH OUR PURPOSE	DETERMINING OUR MATERIAL MATTERS	DEVELOPING OUR STRATEGY	DELIVERING ON OUR STRATEGY
Values	Opportunities	Financial and non-financial targets	Exco and exco subcommittees
Board, Group Exco	Board, Group Exco	Board, Group Exco	Board, Group Exco

How do we think about value creation, preservation and erosion?

Value creation, preservation and erosion are the consequences of how we apply and leverage our capitals as part of our strategy execution and are evident in how these capitals change over time, our financial performance and the outputs and outcomes for all stakeholders. Our value creation and preservation processes are embedded in our purpose (page 14), described as part of our business model on pages 10 and 11, and integrated into the way we think and make decisions.

In our report, we use the icons below to denote value creation, preservation and erosion:

- Value creation
- Value preservation
- Value erosion

How do we consider materiality and our material matters?

We apply the principle of materiality in assessing what information should be included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on our six capitals and the group's ability to be a sustainable business that consistently creates, protects and minimises the erosion of value for all stakeholders.

Identifying our material matters is a groupwide responsibility and requires input from all business units and divisions, an assessment of the risks and opportunities in our operating environment and input and feedback from all our stakeholders. Our material matters, as described on pages 36 to 45, influence our group's strategy, inform the evolution of our business model, our long-term business strategies as well as our short-, medium- and long-term targets. Identifying issues and their potential impact is a collaborative effort.

Our Group Executive Committee (Group Exco) approves these material matters as part of our business planning before the Nedbank Group Board endorses them. These material matters are assessed continuously to ensure that our strategy remains relevant in an evolving operating environment. This has been the case during the Covid-19 pandemic that emerged in SA during March 2020 and has significantly impacted all our material matters.

Identify
issues that have the potential to impact our earnings sustainability and create, preserve or erode value for our stakeholders.

Prioritise
those with the greatest relevance in our operating context as material matters.

Apply and validate
the material matters to inform our strategy, our six capitals and targets.

Assess
continually to ensure our strategy remains relevant.

APPROVAL BY THE BOARD

The board acknowledges its responsibility of ensuring the integrity of this integrated report. In the board's opinion, this report addresses all the issues that are material to the group's ability to create value and fairly presents the integrated performance of Nedbank Group. The board is confident that the report was prepared in accordance with the International <IR> Framework (2021). This report was approved by the board of directors of Nedbank Group on 13 April 2021.

Mpho Makwana
(Lead Independent Director and acting Chairman)

Mike Brown
(Chief Executive)

Hubert Brody

Linda Makalima

Prof Tshilidzi Marwala

Dr Mantsika Matooane

Our integrated report is the outcome of a groupwide integrated reporting process. The process is governed by the board, led by Group Exco, assured through our coordinated assurance model and delivered through groupwide collaboration. Our integrated approach to decision-making, management and reporting enables us to create and preserve value as we deliver on our purpose – using our financial expertise to do good.

This report is prepared in accordance with the International <IR> Framework of the International Integrated Reporting Council (IIRC), including enhancements published in January 2021.

OUR INTEGRATED REPORTING PROCESS

International <IR> Framework	Coordinated assurance model	Exco sign-off
COMPILING OUR REPORT	VALIDATING THE INTEGRITY OF THE REPORT	APPROVINGTHE INTEGRATED REPORT
Reporting standards	Board and exco review	Board approval
Board, Group Exco, integrated reporting team	Board, Group Exco, internal audit, external auditors	Board, Group Exco

What process do we follow to complete the Nedbank integrated report?

The 2020 integrated report is prepared from Group Exco and board discussions, minutes, decisions and approvals (reflecting the group's integrated thinking) as well as internal and external reporting information as required by the Integrated <IR> Framework (2021). A crossfunctional team, led by the Group CFO and representing various clusters and subject matter experts across the group, produces several drafts of the integrated report with oversight from Group Exco and the board. The business clusters and Group Exco members review these drafts ahead of board reviews, and executive and boardmembers also contribute to the content. All members of Group Exco and the board are involved in the various approval processes, which are also supported by the oversight provided by independent assurance providers. The Group Integrated Report Approval Committee (which has delegated authority from the board) provides final approval and sign-off.

Which reporting frameworks do we adhere to?

Our integrated reporting is guided by the principles and requirements of the International <IR> Framework, IFRS and the King Code of Governance Principles for South Africa (King IV), and is in accordance with the `core' option of the Global Reporting Initiative (GRI) Standards. As a South African bank and a company listed on the JSE, we align with the JSE Listings Requirements, the SA Companies Act, 71 of 2008, and the Banks Act, 94 of 1990. More recently we have adopted the disclosure recommendations of the TCFD.

How do we ensure the integrity of our report?

The board ensures the integrity of the integrated report through our integrated reporting process, the various approvals and sign-offs by Group Exco and the board, and relies on our coordinated assurance model, overseen by the Group Audit Committee, that assesses and assures various aspects of our business operations and reporting. These assurances are provided by management and the board through rigorous internal reporting governed by the group's ERMF, internal audit and independent external sources and service providers.

Our annual financial statements are assured by our joint external auditors, Ernst & Young Inc. (EY) and Deloitte & Touche (Deloitte), limited assurance on selected sustainability information is provided by Deloitte, and Mosela Rating Agency provides limited assurance on our application of the Amended FSC and the group's BBBEE status. We have indicated the level of assurance provided on pages 71 and 93 and included the Independent Assurance Providers' Limited Assurance Report on Selected Sustainability Information on pages 102 and 103.

Brian Dames	Mike Davis (Chief Financial Officer)	Neo Dongwana	Errol Kruger
Rob Leith	Mfundo Nkuhlu (Chief Operating Officer)	Stanley Subramoney	Iain Williamson

OUR INTEGRATED REPORT

Reporting period

This report is produced and published annually, covering the year 1 January to 31 December 2020. Any material events after this date and up to the board approval date of 13 April 2021 have also been included.

Operating businesses

We report on the primary activities of the group, our business clusters, key support areas and subsidiaries in our African and international operations.

Financial and non-financial reporting

Our integrated report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create value sustainably.

Targets and strategy

We cover the strategic pivot made during 2020 in response to the Covid-19 pandemic, and provide insight into the group's future strategy and financial and non-financial targets for the short, medium (two to three years) and long term (five years or more).

Targeted readers

This report is intended to address the information requirements of long-term investors (our equity and preference shareholders, bondholders, debt providers and prospective investors), but we also present information relevant to how we create, preserve and minimise the erosion of value for other key stakeholders, including our employees, clients, regulators and society.

Risk and ESG reporting

We have integrated our governance and risk management principles, practices and outcomes throughout our integrated report. In addition, specific board subcommittee reports are placed in the relevant sections given the integrated nature of governance.

Detailed ESG disclosures are available in our supplementary reports, which are available at nedbankgroup.co.za.

NEDBANK GROUP AT A GLANCE

Overview of Nedbank Group

Nedbank Group is one of the largest financial services groups in Africa, offering wholesale and retail banking, as well as insurance, asset management and wealth management services and solutions. In SA, Nedbank has a strong franchise evidenced by a 19% deposit and 19% advances market share.

Outside SA we operate in five countries in the Southern African Development Community (SADC), through subsidiaries and banks in Lesotho, Mozambique, Namibia, eSwatini and Zimbabwe. In Central and West Africa we have a strategic alliance with Ecobank Transnational Incorporated (ETI) and we have representative offices in Angola and Kenya. Outside Africa we have a presence in key global financial centres to provide international financial services for Africa-based multinational and high-net-worth clients in Guernsey, Isle of Man, Jersey and London, and we have a representative office in Dubai.

TOTAL ASSETS
R1,2tn

TOTAL DEPOSITS
R954bn

EMPLOYEES
28 324

CLIENTS
7,6m

A **purpose-led business** focused on delivering positive societal and environmental impact, underpinned by a unique client-driven and people-centred culture.

16

Good governance and ESG leadership.

16 to 31

One of SA's **most experienced financial services management teams.**

35

Leadership positions in renewable-energy finance, corporate and commercial property lending, small-business services, retail vehicle finance, card acquiring, digital client value propositions and asset management.

8 and 9

World-class technology and leading digital innovations.

52 to 57

Top-tier client satisfaction metrics.

52

GROSS BANKING ADVANCES
R797bn

ASSETS UNDER MANAGEMENT
R375bn

HEADLINE EARNINGS
R5,4bn

COMMON EQUITY TIER 1 (CET1) CAPITAL RATIO
10,9%

MARKET CAPITALISATION
R65bn

MARKET-LEADING
digital innovations

TOP TIER CLIENT SATISFACTION METRICS – NET PROMOTER SCORE
41%

Level 1
BBBEE CONTRIBUTOR

Carbon-neutral
OPERATIONS

MSCI ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) RATING:
AA

Information at 31 December 2020

What differentiates Nedbank?

Prudent management of expenses over time and ongoing cost optimisation initiatives.

61 to 63

Excellent risk management track record.

46 to 49

Committed to **doing business in a manner that contributes positively to society.**

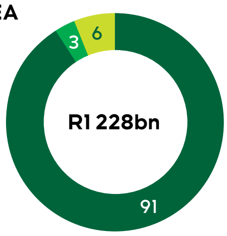
64 to 67
87 to 93

Top-tier ESG rankings and practices.

31

A strong Corporate and Investment Banking (CIB) franchise and a competitive Retail and Business Banking (RBB) business position us well to benefit from an increase in business and consumer confidence, as well as from a recovery in South African economic growth.

ASSETS BY GEOGRAPHICAL AREA
(%)



Access to the largest banking network in Africa through our own operations in the SADC and our strategic alliance with ETI in 39 countries.

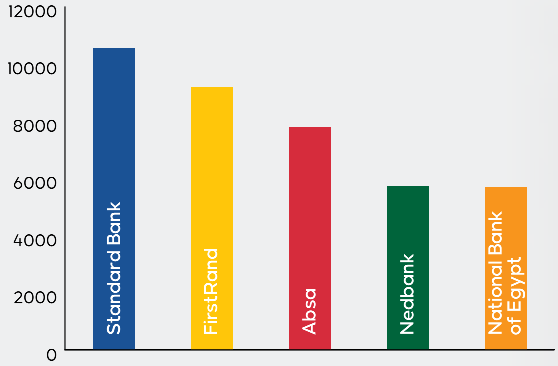
Nedbank Group in context

Banks in Africa collectively represent around 1% of global bank capital but generate double the profits and, as a result, approximately 2% of global bank earnings.

Nedbank is the fourth-largest bank in Africa as measured by assets and capital, with the big four banks in SA the largest banks on the continent.

The South African banking sector has approximately R4,2tn in advances, of which Nedbank has a 19% share. We also have a 19% share of the R4,6tn South African deposit market, an important indicator of franchise strength. Our R375bn total AUM makes Nedbank the fifth-largest unit trust manager in SA.

LARGEST BANKS IN AFRICA BY TIER 1 CAPITAL
(US$bn, 2020)

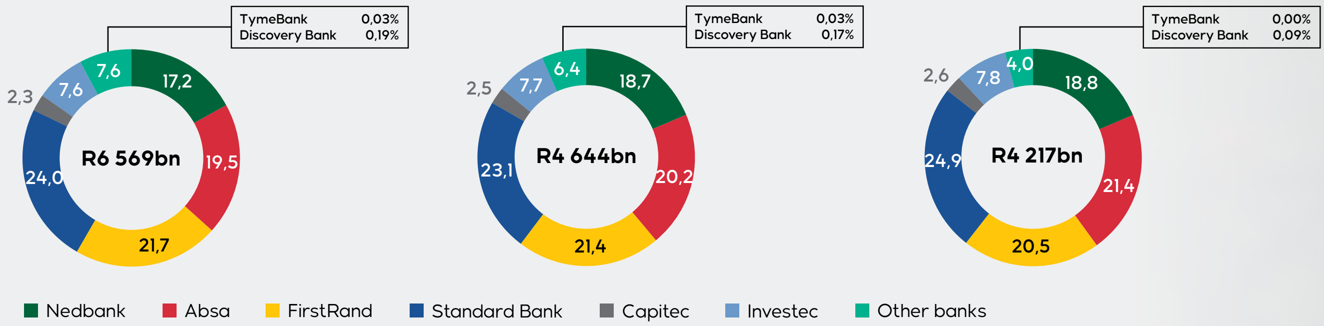


Source: The Banker magazine, July 2020.

SOUTH AFRICAN TOTAL ASSETS MARKET SHARE
(%)

SOUTH AFRICAN DEPOSIT MARKET SHARE
(%)

SOUTH AFRICAN ADVANCES MARKET SHARE
(%)

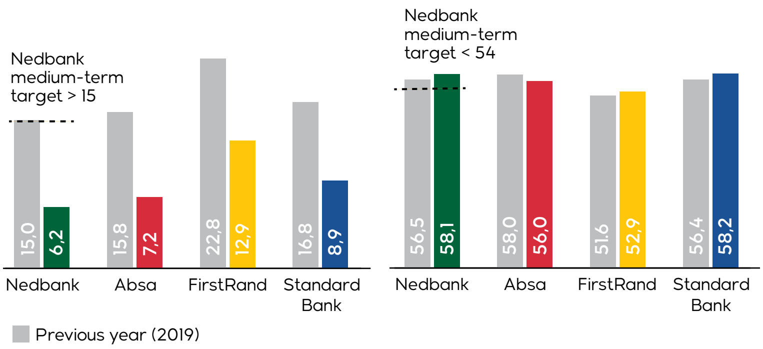


Source: SARB BA900 at 31 December 2020.

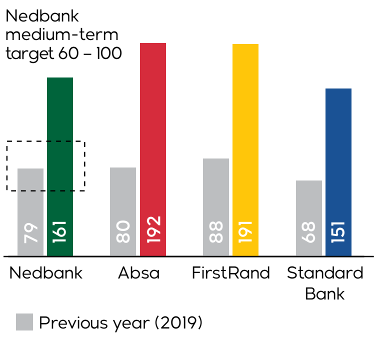
Despite the crisis conditions in 2020, large South African banks remain well capitalised and liquid, with key ratios well above minimum regulatory levels. In 2020 return on equity (ROE) reduced to below cost of equity (COE) as the Covid-19 pandemic impacted earnings negatively, although in normal cycles, South African banks generated solid returns ahead of COE (around 14% to 15%). While cost-to-income ratios are generally above 50%, they are expected to trend lower from current levels over time as South African banks optimise their cost bases and revenue growth recovers along with the economy. Credit extension has been prudent, but credit loss ratios (CLRs) increased significantly in 2020 as South African banks raised judgemental overlays and client stresses or defaults increased, leading to higher levels of bad debt.

ROE[1]
(%)

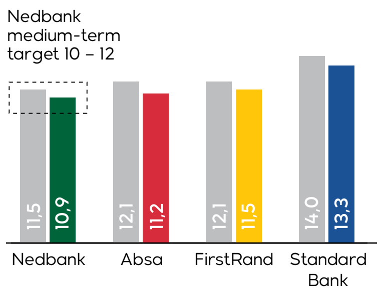
COST-TO-INCOME RATIO[2]
(%)



CREDIT LOSS RATIO
(Bps)



CET1 RATIO
(%)



1 *Nedbank reports ROE on an HE basis. Absa Group and FirstRand report ROE on a normalised basis.*

2 *Nedbank and FirstRand include associate income in the calculation of the cost-to-income ratio, while Absa and Standard Bank exclude associate income. Nedbank's cost-to-income ratio, excluding associate income, is 58,6%.*

Sources: Nedbank, Absa, Standard Bank December 2020 annual results. FirstRand June 2020 annual results.

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.

NEDBANK CIB

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.

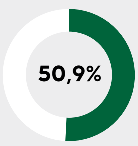
KEY METRICS

ADVANCES
R429bn

HE
R3 636m

ROE
9,4%

ADVANCES



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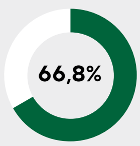


NEDBANK RETAIL AND BUSINESS BANKING

OUR CLIENTS

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 an annual turnover of between R30m and R750m.**
  Of the total clients, **2,94 million are retail main-banked clients.**

OUR PRODUCTS AND SERVICES

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.

NEDBANK

MFC A division of NEDBANK

OUR AREAS OF STRENGTH AND DIFFERENTIATION

- 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 the most helpful bank in SA (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.

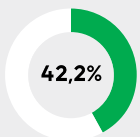
KEY METRICS

ADVANCES
R356bn

HE
R1 595m

ROE
5,4%

ADVANCES



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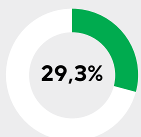


NEDBANK WEALTH

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 Insurance

- Leverages existing distribution channels and platforms to sell short-term, credit life and other insurance products to Nedbank's 7,6 million clients.

Nedbank Private Wealth

- Holistic and integrated high-net-worth offering.
- Launched a seamless service to enable clients to transfer money from their SA accounts to their Nedbank Private Wealth International Focus Accounts 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

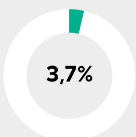
- Top fund managers identified through Nedgroup Investments' Best of Breed™ investment approach.
- Nedgroup Investments launched the MyRetirement solution – an innovative, low-cost, post-retirement solution.

ADVANCES
R31bn

HE
R662m

ROE
15,3%

ADVANCES



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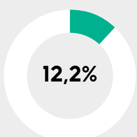
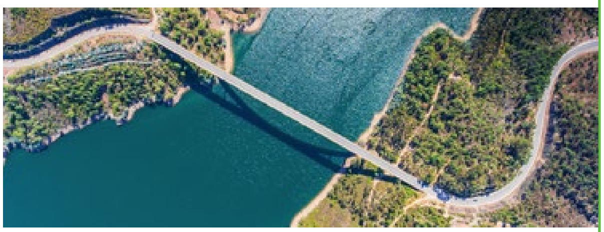


NEDBANK AFRICA REGIONS

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.

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)

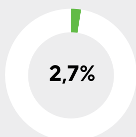
- Ecobank-Nedbank alliance is the widest banking network on the African continent in 39 countries.
- Aiming to increase deal flow by leveraging ETI's local presence and knowledge and Nedbank's structuring expertise.
- ETI has a very strong West and Central Africa franchise: they are in the top three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

ADVANCES
R23bn

HE
R12m

ROE
0,2%

ADVANCES



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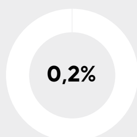


Our value-creating business model

Key drivers of change in our business model impacted by Covid-19

For a discussion of our material matters refer to pages 36 to 44.

The macroeconomic environment
adjusting to and managing through the difficult SA environment and investing in Nedbank Africa Regions for the long term.

OUR SIX CAPITALS … … ENABLE VALUE-ADDING BUSINESS ACTIVITIES

INPUTS

Financial capital

Our strong capital base, as well as diversified sources of deposits and funding from investors and clients that are used to support our clients, including the extension of credit and facilitating payments and transactions.

- **Equity of R100bn** (2019: R98bn)
- **Deposits of R954bn** (2019: R904bn)

Intellectual capital

Our intangible assets, including brand, reputation and franchise value, research and development capabilities, innovation capacity, knowledge and expertise, as well as strategic partnerships.

- **Eighth-most valuable South African brand** (2019: tenth) and the fourth-most valuable South African banking brand
- **World-class and market-leading IT capabilities**
- **A leader across various products and segments,** including renewable-energy finance, corporate and commercial-property lending, small-business services, retail vehicle finance, card acquiring, digital CVPs and asset management

Human capital

Our culture and our people, our collective knowledge, skills and experience to enable innovative and competitive solutions for our clients and value for all stakeholders.

- **28 324 employees** (2019: 29 403) who embrace a culture that is:
  - client-driven and people-centred;
  - innovative and competitive; and
  - strong in compliance and governance
- **Reward structures** linked to performance and value drivers
- **An experienced and diverse executive team** and a **strong board**
- **A transformed workforce**

Manufactured capital

Our business structure and operational processes, including our fixed assets such as property and equipment, digital assets, including digital products and information technology (IT) systems that provide the framework and mechanics of how we do business and create value.

- **90 core IT systems** (2019: 117), which are being modernised as part of our technology journey
- **R11,4bn invested in our technology platform** since 2010 (2019: R9,6bn)
- **549 SA outlets** (covering more than 85% of the population in SA), **4 224 ATMs** and **102 000 point-of-sale devices** (2019: 589, 4 180 and 101 000 respectively)
- **Market-leading digital** products, services and CVPs

Social and relationship capital

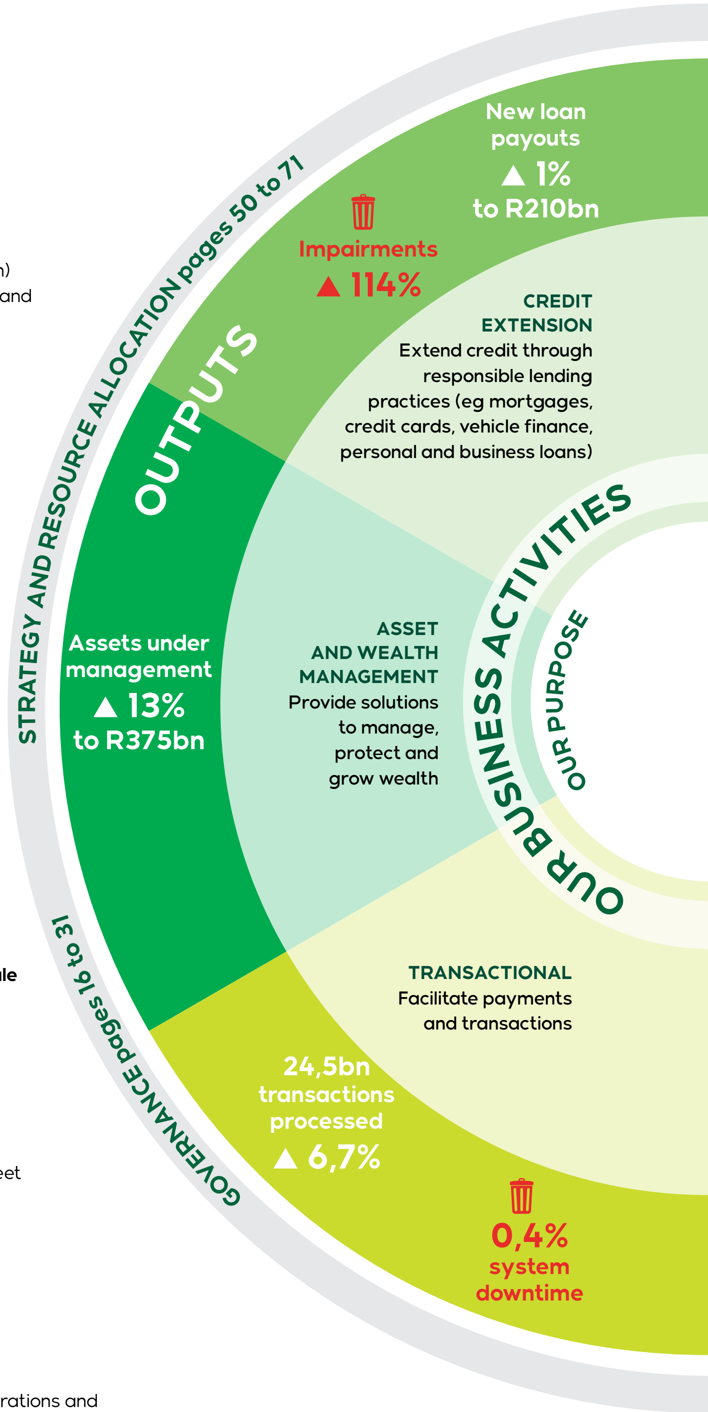
Stakeholder relationships, including the communities in which we operate, as we recognise the role that banks play in building a strong and thriving society as well as a financial ecosystem.

- **7,6 million total clients** (2019: 7,8 million)
- Embracing **sustainable-development financing** to meet the SDGs as well as responsible ESG practices
- One of SA's **most transformed banks**
- **Good relationships** with our stakeholders

Natural capital

The direct use and impact on natural resources in our operations, including energy, water and climate, and our influence through our business activities.

- We impact the natural environment directly in our operations and indirectly through the financing of client activities:
  - **Leader in renewable-energy financing** and green bond issuances
  - **10 Green Star-rated buildings**



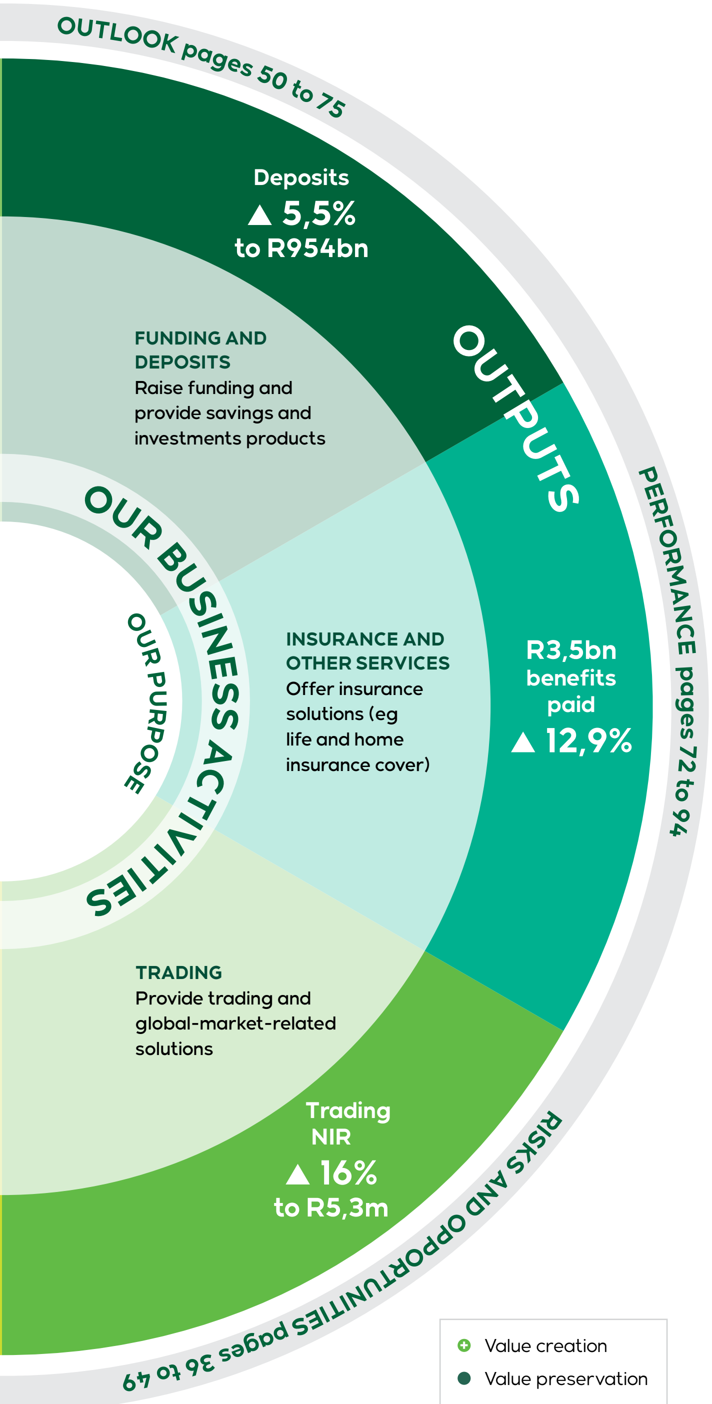
AND ENSURE OUR ABILITY TO CREATE VALUE IN THE FUTURE.

Digital transformation
accelerating the shift from physical products, services and channels to digital and client-centred solutions.

Transformation of society within environmental constraints
increasing focus on delivering on our purpose and the SDGs.

Scarce and evolving skills
transforming and enabling our workforce for the future.

THAT CREATE ... ... VALUE FOR OUR STAKEHOLDERS



OUTCOMES

STAKEHOLDERS IMPACTED

Financial capital

- ● Net asset value (NAV) per share up by 1,0%
- ● Strong balance sheet (CET1 ratio: 10,9%)
- ⊖ Share price down by 39,6%
- ⊖ HE R5,4bn, down by 57%
- ⊖ ROE of 6,2%, down from 15,0% and below COE of 14,5%
- ⊖ No dividend declared

Intellectual capital

- ⊕ IT modernisation programme (Managed Evolution): 78% complete
- ⊕ Market-leading end-to-end digital onboarding capability (Eclipse) implemented
- ⊕ Brand value increased by 4% to R16,5bn
- ● Scarce skills retained in areas such as data analytics, IT, equities and advisory solutions

Human capital

- ⊕ R16,8bn paid in salaries and benefits
- ⊕ Percentage salary increase for unionised employees greater than management
- ⊕ Employee NPS up by 10 points to 17
- ⊕ More than 75% of campus-based employees enabled to work remotely from home
- ⊕ Staff attrition reduced to 7,1% from 10,8%
- ● A transformed workforce (79% black and 61% female representation)
- ⊖ 18 employees retrenched

Manufactured capital

- ⊕ Digital product sales up to 49% of total sales
- ⊕ Digitally active clients up by 25% to 2,2m
- ⊕ Digitised 171 of branch services
- ● Uptime of application systems at 99,6% (2019: 99,1%)
- ● Branches reduced by 40 (without impacting client satisfaction levels)
- ⊖ Data breach at external provider (no known impact to Nedbank clients to date)

Social and relationship capital

- ⊕ Client NPS increased to 41% (now the #2 South African bank)
- ⊕ 37 new primary client wins in CIB
- ● Clients supported with payment relief on R121bn loans as a result of Covid-19
- ● R8,7bn direct and indirect tax contributions
- ● R103m socioeconomic investment
- ● Level 1 BBBEE contributor status maintained
- ● MSCI ESG rating maintained at AA
- ● Retail main-banked clients flat on 2019 levels
- ⊖ Received < R7m in notable fines
- ⊖ Number of client complaints up by 9%

Natural capital

- ⊕ Raised R2,0bn in green (SDG) bonds and disbursed R31bn renewable-energy deals, adding > 3 500 MW to the national grid
- ⊕ Supporting the transformation of the energy system over time through interventions such as our new energy policy
- ● Carbon-neutral operations and effectively net-zero operational water usage
- ⊖ 0,66% of loans used for financing to thermal coal clients (with a policy in place to reduce finance)

⊕ Value creation
● Value preservation
⊖ Value erosion

Our stakeholders – their needs and expectations

As a financial services provider we are deeply connected to the environment we operate in and the societies we serve. Our ability to create and protect value is dependent on our relationships, our activities and the contributions we make to our stakeholders. By providing for their needs and meeting their expectations we create and protect value for our stakeholders and for Nedbank, while looking to minimise value erosion.

EMPLOYEES

81

FS P EX

Quality of relationship:

28 324
EMPLOYEES

61% FEMALE
39% MALE

91% SA-BASED
9% AFRICA AND INTERNATIONAL

79% BLACK
21% WHITE

THEIR NEEDS AND EXPECTATIONS

- A safe and healthy work environment, supported by flexible work practices#.
- Fair remuneration, effective performance management, and recognition.
- Challenging work, with opportunities to make a difference.
- Career development and advancement opportunities.
- An empowering and enabling environment that embraces diversity and inclusivity.

KEY OBJECTIVES AND METRICS WE TRACK

- A culture that is client-centred and innovative.
- A diverse and inclusive employee profile.
- Employee attrition.
- Employee satisfaction metrics.

RELEVANT MATERIAL MATTERS

- Evolving world of work.
- Disruptive technologies.
- Environmental constraints.
- The economy.

CLIENTS

82

FS P EX

Quality of relationship:

7,6 million retail, wealth, SME, business banking and corporate clients:

> 7,3m
RETAIL CLIENTS
(FROM CHILDREN AND SENIORS TO ENTRY-LEVEL AND MIDDLE-MARKET CLIENTS), INCLUDING:

> 320 000 SME CLIENTS

> 14 500 BUSINESS BANKING CLIENTS

> 18 400 WEALTH CLIENTS

> 600 CORPORATE CLIENTS

> 334 000 NEDBANK AFRICA REGIONS CLIENTS

THEIR NEEDS AND EXPECTATIONS

- Innovative solutions and services, including lending, deposit-taking, transactional and advisory services, global markets, wealth management, asset management and insurance#.
- Safe and convenient access to banking (channel of choice), increasingly through digital channels#.
- Excellence in client service.
- Value-for-money banking that is competitive and transparent in pricing#.
- Responsible banking services and solutions, and a trusted financial partner#.
- Payment relief for qualifying clients#.

KEY OBJECTIVES AND METRICS WE TRACK

- Brand value among South African companies and banking peers.
- NPS and client satisfaction ratings.
- Client complaints.
- Wholesale league tables.
- South African asset manager market share and rankings.
- Impactful solutions that make a difference (eg aligned to SDGs).

RELEVANT MATERIAL MATTERS

- The economy.
- Disruptive technologies.
- Increased competition.
- Environmental constraints.

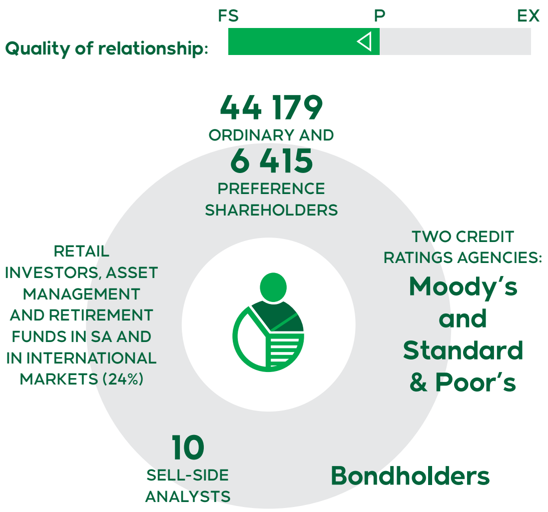
Quality of relationship key:
FS Falling short
P Performing
EX Excelling
▷ Yoy change

For more details on how we delivered for our stakeholders and on our targets refer to pages 80 to 93.

Denotes increased importance during the Covid-19 pandemic.

SHAREHOLDERS

83 to 85



THEIR NEEDS AND EXPECTATIONS

Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream, enabled by:

- Growth in NAV.
- Sustainable financial returns, with ROE exceeding COE.
- Attractive and sustainable growth strategy.
- Sound balance sheet to protect against downside risk#.
- Strong and experienced management#.
- Transparent reporting and disclosure#.
- Sound ESG practices#.

KEY OBJECTIVES AND METRICS WE TRACK

- NAV per share growth.
- ROE and cost-to-income ratios.
- Price-to-book ratios.
- Dividends paid and dividend cover.
- Relative share price performance.
- AGM voting outcomes.
- ESG ratings.

RELEVANT MATERIAL MATTERS

- The economy.
- Demands on governance.
- Increased competition.
- Environmental constraints.
- Disruptive technologies.
- Evolving world of work.

REGULATORS

86

THEIR NEEDS AND EXPECTATIONS

- Compliance with all legal and regulatory requirements#.
- Being a responsible taxpayer in the countries where we do business.
- Active participation and contribution to industry and regulatory working groups#.

KEY OBJECTIVES AND METRICS WE TRACK

- Effective delivery of compliance with regulatory change (meeting minimum regulatory requirements).
- Basel III capital ratios, as well as liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) compliance (exceeding the minimum SARB requirements with suitable buffers).
- CLR [within our 60 bps to 100 bps through the cycle (TTC) target range].
- Direct and indirect tax contributions.
- BBBEE contributor status (Amended FSC).

RELEVANT MATERIAL MATTERS

- The economy.
- Demands on governance.

SOCIETY

87 to 90

THEIR NEEDS AND EXPECTATIONS

- Providing access to expert financial advice, products and solutions that help to create positive impacts for individuals, their families, their businesses and their communities#.
- Partnering on common social and environmental issues#.
- Using our resources to promote social and environmental issues as well as other common agendas to build a thriving society#.
- Embracing transformation through (among other things) delivery in line with BBBEE legislation.

KEY OBJECTIVES AND METRICS WE TRACK

- Financing of sustainable development to meet the SDGs, thereby promoting socioeconomic transformation through enabling economic inclusion, job creation and poverty alleviation.

RELEVANT MATERIAL MATTERS

- The economy.
- Environmental constraints.
- Evolving world of work.
- Disruptive technologies.
- Demands on governance.

* *Other regulatory stakeholders include foreign revenue authorities, various government departments and chapter 9 institutions, including the Department of Trade and Industry (the dti), the Department of Labour, the National Treasury, the Financial Intelligence Centre (FIC) and the JSE. We also comply with various regulatory bodies outside SA, including central banks and local financial services regulators of countries in which we have representation or operations.*

Our purpose, vision, brand, strategy and values

OUR PURPOSE

To use our financial expertise to do good for individuals, families, businesses and society

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

OUR VISION

To be the most-admired financial services provider in Africa by our employees, clients, shareholders, regulators and society

OUR BRAND PROMISE

see money differently

OUR STRATEGY TO 2023

Targets

DHEPS	ROE	COST-TO-INCOME RATIO	NPS
> 2 565 cents (2019 levels)	> 15% (2019 levels)	< 54%	#1 bank (from #2 in 2020)

Value drivers

- Growth
- Productivity
- Risk and capital management

Value unlocks

- Delivering market-leading client solutions
- Ongoing disruptive market activities
- Focusing on areas that create value (SPT 2.0)
- Driving efficient execution (TOM 2.0)
- Creating positive impacts

OUR VALUES

Integrity | Respect | Accountability | People-centred | Client-driven

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

Our success depends on the degree to which we deliver value to society. It is therefore important to understand our role in society and how society can be different because Nedbank is a part of it. Banks play a crucial role in facilitating economic activity and enabling sustainable growth and development by moving capital from where it is to where it is required. A deep understanding of one's purpose guides strategy and decision-making in this regard and should result in an optimal balance between long-term value creation and short-term outcomes.

NEDBANK GROUP

A strong and profitable business enables continued investment in our employees and operations, which in turn creates value for our clients, shareholders and society at large. Trust is core to our relationships and to creating and preserving value.

EMPLOYEES

Our employees are key to making Nedbank a great place to bank and work. Motivated and skilled employees, together with efficient, innovative and value-creating solutions, services and operations, offer value to our clients. Employees, as part of society, contribute materially to the communities in which they live and work.

Value is created and preserved through ...

- employment opportunities in the countries in which we operate;
- rewarding employees for the value they add;
- embracing flexible working practices;
- encouraging our employees to embrace technological changes, further their careers and improve our services and products; and
- contributing to the transformation towards a more inclusive society through employment equity and gender equality.

CLIENTS

Our clients remain our largest source of deposits, which enable us to fund lending activities. Gaining more clients and deepening existing relationships result in greater revenue growth, while responsible banking practices and world-class risk management mitigate value destruction.

Value is created and preserved through ...

- safeguarding deposits, investments and wealth, while growing returns;
- providing credit in a responsible manner that enables wealth creation, sustainable development and job creation in line with the SDGs;
- supporting clients through the Covid-19 pandemic;
- facilitating transactions that are the backbone of economic value exchange;
- enabling financial inclusion by offering unbanked clients access to affordable products;
- providing financial education and advice; and
- developing innovative solutions that meet our clients' specific needs.

SHAREHOLDERS

The financial capital we source from our equity and debt investors and our retained earnings enable business continuity and growth, including strategic investments.

Value is created and preserved through ...

- increasing NAV, returns, dividends and share price;
- maintaining a strong balance sheet to protect against downside risk (as was evident during the Covid-19 pandemic);
- investing in and growing our client franchises and our people sustainably; and
- following good ESG practices that ensure a sustainable business for the long term.

GOVERNMENT

The tax we pay and investments in government and public sector bonds are imperative for the economic and social development of the countries in which we operate.

Value is created and preserved through ...

- contributing meaningfully to government budgets through our own corporate taxes and employees paying personal taxes; and
- investing in government and public sector bonds as required by prudential regulation, thereby partially supporting the funding needs of government.

REGULATORS

Regulation reduces systemic risk and promotes the healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client confidence in Nedbank. We have a responsibility to comply fully with the regulations of the countries in which we operate.

Value is created and preserved through ...

- embracing sustainable banking practices and regulatory compliance, which enable a safe and stable banking system and a thriving society; and
- working closely with regulators during crisis times.

SOCIETY

We embrace our role in society as an active contributor to building a thriving society and can do this only with engaged communities that have the same values.

Value is created and preserved through ...

- transforming economies, the environment and society positively through our lending and investment activities, which are aligned with the SDGs;
- playing a meaningful role in the broader society as a procurer and consumer of goods and services; and
- making a difference through our partnerships and CSI activities.

Read more about our value creation for our stakeholders on pages 74 to 87.

LEADING THE WAY FOR VALUE CREATION AND PRESERVATION THROUGH GOOD GOVERNANCE

Reflections from our acting Chairman

‘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 to enable a thriving society, create long-term value and maintain trust. This is particularly important in the current context of SA as well as the broader African continent.’

Mpho Makwana, acting Chairman

2020 has been referred to in varied terms, the most common being that it was one laden with turbulence and uncertainty on a scale that occurs once in a 100 years. Early last year the rapid spread of the Covid-19 virus changed our world almost overnight. The pandemic put governments under pressure to act quickly and decisively with very little information to guide them. One by one, countries adopted strict containment measures, including nationwide lockdowns that severely disrupted business and life as we knew it. More importantly, the greatest public health crisis in living memory laid bare both the strengths and weaknesses of the systems we had come to rely on.

In late February the threat of the pandemic triggered a chaotic sell-off in financial markets. The International Monetary Fund (IMF) estimated that between March and May 2020 about 80% of the world's economy was under various forms of lockdown, plunging the world into the deepest recession since the Great Depression of 1929. Crises such as pandemics and the Great Depression can be compared with what the ancient Greeks called a Kairos time – a time for something to change, a moment of truth.

The major central banks responded by cutting policy rates to near zero, restarting or expanding quantitative easing programmes and offering targeted government-backed bridging finance to companies and households while governments rolled out fiscal support measures.

These responses calmed financial markets and propped up confidence. The rapid development of several effective vaccines and the ongoing liquidity injections by central banks assisted with the start of an economic recovery by year-end, although the possibility of a third wave and slow vaccine rollout may scupper plans for a quicker recovery.

Low commodity prices and global trade restrictions hurt sub-Saharan economies and they entered their first recession in 25 years. The metal-exporting and tourism-dependent economies of southern Africa were hit hard, with their close linkages to the South African economy exerting even more pressure. Recovery is underway, but it is fragile.

THE CURVE THAT SHAPED OUR LIVES

Unfortunately, SA's economy was already in a weakened position before the pandemic landed on our shores, with the country stuck in the longest economic downswing since records began. The government responded quickly to the pandemic by implementing one of the world's strictest lockdowns from late March 2020 to the end of April 2020. At the time the panic gripping global financial markets hurt local financial markets, and market conditions deteriorated further after Moody's and Fitch downgraded the country's sovereign-credit ratings.

The SARB reacted by cutting interest rates by 300 basis points, taking prime to a 55-year low, providing additional liquidity to the banking sector via the repo mechanism, easing certain prudential requirements, and purchasing small amounts of government bonds. These measures were successful in restoring domestic market stability. The government implemented a R500bn fiscal relief package, which extended social grants and Unemployment Insurance Fund payments, created a loan guarantee scheme and enabled certain tax deferrals.

Although the GDP fell by 7%, the economy ended 2020 on a slightly firmer footing. The damage inflicted by the pandemic continued to mount in the tragic loss of life, the surge in unemployment to a record high and the deterioration in the country's fiscal metrics. Continued underperformance of state-owned enterprises relative to their developmental mandate, their onerous strain on the fiscus and protracted energy shortages continue to weigh negatively on the national brand and public confidence.

However, despite the devastation of 2020 there were glimmers of hope. President Ramaphosa reached out to business, encouraging greater cooperation between government, the private sector and labour, resulting in various sector-specific plans to support economic recovery and job creation, and we applaud the excellent work done by Business4SA. The government also announced the South African Economic Reconstruction and Recovery Plan, focusing on addressing constraints to inclusive economic growth, including, among other things, energy and food security, a mass employment programme and reviving the tourism sector. However, the implementation of structural economic reform remains key to SA's longer-term prospects. Now, more than ever, individual South Africans, business and labour need to work together to help government in overcoming the obstacles that lie ahead of us.

Our role as a financial services provider in society and in the economy became even more important during the Covid-19 crisis. We remained committed to delivering on our purpose of using our financial expertise to do good and are proud that Nedbank continues to withstand the Kairos event with remarkable resilience – we stayed open for business and were profitable in a period of unprecedented health, economic and social challenges.

I am pleased to say that Nedbank management seamlessly changed gears in what can be described as an extremely difficult environment. Initially, our focus was shifted to 'Resilience', as management navigated their way through the most restrictive phases of the lockdown. 'Transition' followed as the strict level four and five lockdown levels eased, and we reintroduced our full suite of financial services. Focus shifted to 'Reimagine' in the latter part of the year as we revised the group's medium-term targets to 2023, with support from the board, and began to outline a stronger Nedbank in the context of a post-Covid-19 world.

Nedbank's central priority throughout the year was on ensuring the health, safety and well-being of our employees, clients and other stakeholders. Soon after the first few positive Covid-19 cases had been confirmed, business continuity plans were invoked. I am pleased that 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 employees will remain a top priority as we work with various stakeholders to procure and fund vaccines in the months ahead.

We supported more than 400 000 clients, who were in good standing at 29 February 2020, with payment relief (payment holidays) on R121bn of loans. We worked closely with the government, regulators and Banking Association South Africa (BASA) to mitigate the risks of Covid-19 and the associated lockdowns on the economy and ensure the safety and soundness of the South African banking system.

Covid-19 had a devastating impact on small and medium enterprises, and to this end Nedbank adopted a standard of paying small suppliers within 30 days and supports the #Payin30 initiative. This culture of responsible payment terms is a key lever for sustainability while ensuring the survival of these businesses.

The members of various board committees were involved actively in overseeing and monitoring the group's response to the Covid-19 pandemic, including the management of business, operational and cyberrisk, as well as the group's balance sheet and liquidity, credit, capital and market risks. The group ended the year with a strong balance sheet, prudent levels of impairments against loans and advances and other inherent risks reduced significantly when compared to the height of the crisis.

LEAVING NO-ONE BEHIND

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 to enable a thriving society, create long-term value and maintain trust. 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. With a growing focus on stakeholder capitalism we will also continue to ensure our corporate governance mechanisms seek to align our goals with those of a broad base of stakeholders. We know our purpose is to create long-term value and not to maximise short-term profits and enhance shareholder value at the cost of other important stakeholder groups. We are working incredibly hard to ensure we play our part in ensuring that our systems leave no-one behind.

I am proud that we continued to focus on transformation as a key imperative to ensure Nedbank remains relevant in a transforming society. To this end, Nedbank has once again achieved a level 1 BBBEE contributor status for 2020 under the Amended FSC.

LEADING CHANGE

Nedbank has an excellent track record and strong credentials in leading the change required to address climate-related issues. As our sustainability journey continues to grow and mature, the board acknowledges that, in context of the Paris Agreement and the rising impact of climate change, more needs to be done.

At our 2020 annual general meeting we reached a key milestone as we proactively tabled two climate-change-related resolutions that shareholders supported unanimously. And the approval of these resolutions is just the beginning. During the year we constituted a Board Group Climate Resilience Committee (GCRC) to provide independent oversight of the Social and Environmental Risk Framework (SERF) and to monitor and steer the operationalisation of the Climate Risk Management Framework (CRMF). Our inaugural 2020 TCFD Report will be published on 22 April 2021, coinciding with World Earth Day.

We also developed an energy policy that builds on our Climate Change Position Statement. This policy outlines our commitment to align our business strategy, policies, mandates and incentives with the Paris Agreement over time. Accordingly, we expect to align with a science-based glide path across all sectors over the next few years to inform how we will help clients – and society more broadly – to achieve a net-zero economy by 2050.

Nedbank continues to lead in the green bond issuance space and became the first South African sustainable bond issuer to be invited to join the Nasdaq Sustainable Bond Network as a contributing member.

ENABLING INNOVATION

To remain relevant and competitive in this digital age the Nedbank Board has been proactive and focused on innovation as one of its governance responsibilities. We realise that life 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 the latter part of the year we identified opportunities to create new streams of revenue, enhance operations and optimise our physical footprint alongside the structure of parts of our businesses.

Nedbank has seen an acceleration in the launch of digital innovations and CVPs over the past two years. Ecosystems and platforms were top of mind in 2020 as we repurposed our Avo super app to enable clients (consumers and suppliers) to procure and supply goods and services during lockdown.

PAST RELATIONSHIP WITH REGIMENTS

You may have seen the amaBhungane article published on 8 February 2021 speculating on Nedbank's past relationship with Regiments. As a start we want to reiterate that Nedbank has zero tolerance for corruption, and we expect our employees, clients and service providers to conduct themselves with integrity.

Under the oversight of the Nedbank Board and the Directors' Affairs Committee (DAC), we commissioned detailed internal forensic investigations of all of the transactions referred to in the media article and, in the case of the Transnet-related matters, this was supplemented with an external legal review of specific conclusions of the internal forensic investigation and specific conclusions. These investigations found no evidence of any Nedbank or Nedbank employee dishonesty, corruption, collusion or breaches of any laws or regulations. At the time of entering into these transactions, Nedbank was not aware of and did not suspect any unlawful or corrupt conduct by Regiments or collusive relationships between Regiments and the state-owned enterprise clients they were advisors to. In all cases Nedbank's returns were reasonable and market-related for the risks assumed.

The media article refers extensively to an 'Introduction of Derivatives' agreement between Nedbank and Regiments that was concluded in 2009. The last transaction (other than the payment of trail fees legally due for deals concluded before 2011) done under this agreement was in 2011, at which stage Regiments was in no way linked to state capture. A further transaction was introduced to Nedbank in 2012 by a party to whom Regiments was a joint-venture party, with full client disclosure. In respect of the Transnet transactions in 2015 and 2016, this matter has been aired extensively at the Zondo Commission, and Nedbank paid no fees to Regiments.

Nedbank's activities are conducted ethically and transparently for the benefit of our clients and stakeholders. We are confident that there was nothing unlawful or unusual about the agreements that are referred to in the media reports. We will continue to support and cooperate with the relevant authorities and commissions looking into these matters.

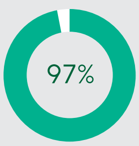
APPRECIATION

Many lives have been lost as a result of the pandemic. Our sincerest condolences to our employees, clients and stakeholders who have lost loved ones during this period. May we all find the courage to tap into our resilience and carry on living with full gratitude for the gift of life.

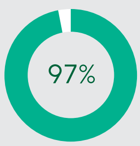
Steve Jobs said that great things in business are never done by one person, but by a team of people. Thank you to our team of more than 28 000 employees who remained committed to living our purpose and serving our 7,6 million clients during an extremely turbulent time. I am deeply grateful for your resilience. The Kairos year that 2020 was, changed our ways of work, ways of shopping, heightened our health consciousness and placed unprecedented strain on lives and livelihoods.

BOARD EVALUATIONS

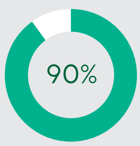
Our board and board committees are monitored for effectiveness and transparency every year. The overall positive outcome and results from the 2019/20 board effectiveness review were the following:



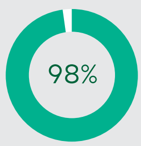
The board provides **ethical leadership**



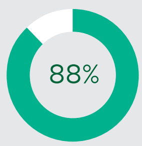
The board exercises **effective control**



The board achieves **good performance**



The board fulfils its **mandate** as provided in the board and board committee charters



The board is generally satisfied with how **management supports** the board

Coming out of the review, recommendations on board reporting and scenario planning after Covid-19, as well as enhancements to the board's non-executive succession plan, have been addressed.

The Nedbank Board and board committees, including the board and committee evaluations for certain subsidiaries, will be conducted independently by the Institute of Directors South Africa NPC in 2021.

Sincerest appreciation to my fellow boardmembers and specifically our Chairman Vassi Naidoo, who fell ill at the beginning of 2021 with a condition that is not related to Covid-19. We wish him a speedy recovery and cherish the prospect of having him back fully restored to health to lead the Nedbank family. In Mike Brown Nedbank is privileged to be led by a Chief Executive endowed with immense love for our country and extraordinarily attuned leadership. His integrity, resilience, foresight and passion rubbed off on our very capable executive team and, together with their calm, consistent and transformational leadership, they led Nedbank exceptionally well through this turbulent and unusual period. We are proud that in a tumultuous year Mike Brown was recognised for his leadership by his peers and that he received the 2020 Business Leader of the Year Award at the Sunday Times Top 100 Companies Awards. Congratulations, Mike.

Great crises tend to bring about profound change. The Plague marked the end of the Middle Ages and the beginning of the Renaissance. Similarly, the Spanish flu in 1918 and 1919 gave rise to the euphoric 20s, a period of dramatic change. Although uncertainty abounds, we do know that all pandemics come to an end and we must use the Covid-19 crisis as that defining Kairos opportunity that offers us an opportunity to leap and be bankers on a quest to leave Nedbank, SA and the planet a better place than when we stepped into our various roles of service to our clients and stakeholders.

With the Power of Green that vests in Nedbank, I am confident that we will prevail, ensuring that our clients are touched deeply by our collective quest to be financial experts who do good.

Mpho Makwana
Acting Chairman

Read more about Nedbank's comprehensive response to the Covid-19 pandemic:

Governance 21
Support for our employees 81
Support for our clients 82
Engaging with our shareholders 83
Working with our regulators 86
Contributing to society 89
Strategic pivot 50
Revised targets 51
Digital acceleration 52 to 57

Board philosophy

IV

The board and group executive strive to create maximum systems value by delivering on our purpose and ensuring relevance and sustainability of the business model by monitoring the macro environment, the availability and quantity of capital inputs, and stakeholder needs, all of which inform the strategy of the group. This strategy, delivered through our strategic value unlocks, enables the group to maintain focus in conducting operations underpinned by good governance, and at the same time delivering our financial targets. During the Covid-19 pandemic that emerged in March 2020, the board was focused particularly on value preservation and minimising value erosion.

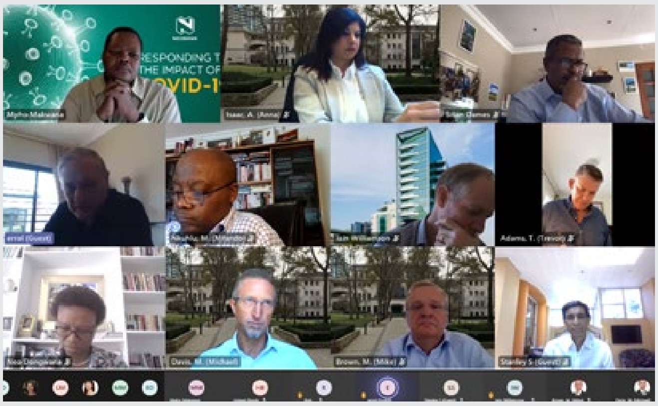
The year 2020 will be remembered as an extremely turbulent year for individuals and for business as the global pandemic tested the resilience of many industries, including the banking industry. Our robust governance practices contributed to Nedbank Group remaining resilient during this challenging period.

Nedbank is committed to the highest standards of governance, ethics and integrity. We embrace world-class banking practices and robust institutional governance and risk frameworks to ensure our banking services are secure and stable. We review these practices and frameworks on an ongoing basis, being mindful of the dynamic landscape, influenced by, among other factors, health and economic changes (such as the impact of the Covid-19 pandemic), cultural shifts in the workplace, digital trends such as artificial intelligence (AI), geopolitics, enhanced data safety and security requirements, and climate change risks to ensure that we act in the best interest of our stakeholders.

Banks are expected to adapt to regulatory changes quickly, which means we have to entrench good governance practices, while retaining the flexibility to respond proactively to the fast-changing regulatory environment. However, governance within Nedbank Group entails far more than legislative compliance and best-practice principles. We believe that good governance can contribute to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

The board's governance oversight is guided by its commitment to its responsibilities and governance objectives. These objectives provide a mechanism to measure and evaluate performance in applying the King IV principles and outcomes.

We provide detailed disclosure on the application status of the King IV principles in our Governance Review available online as part of the 2020 Governance Report at nedbankgroup.co.za.



2020 KEY BOARD DISCUSSIONS

Besides our regular agenda items, such as detailed feedback from the chairs of board committees on the deliberations of those committees, comprehensive presentations by the Chief Executive on top-of-mind items (incorporating, among other things, discussions about the competitor landscape, key reputational risk matters, progress on significant programmes underway in the organisation, and the status of key strategic actions) and presentations by the Chief Financial Officer (CFO) on our financial results and forecasts at regular intervals, the board also had the following important discussions in 2020.

JAN/FEB

- **Approved** the Nedbank Group **Recovery Plan**.
- **Considered** the group's **climate-change resolutions** for the 53rd AGM.
- **Approved** the group's 2020–2022 **financial forecasts** post 2019 year-end.
- **Participated** in a **bespoke board training programme** addressing topics such as geopolitics, rethinking change management, conduct risk and lessons for boardmembers using case studies, disruptive technologies in digital transformation, and occupational health and safety (OHS) training.

MAR/APR

- **Approved** the **2019 annual financial results and final dividend**.
- **Approved** the **2019 Integrated Report**.
- **Approved** the 2019 **Pillar 3 Report**.
- **Considered the impact of Covid-19 and lockdowns** on Nedbank's stakeholders and response.
- **Instituted** regular ad hoc **Covid-19 board calls**.
- **Oversaw** the group's strategy pivot to Resilience, Transition and Reimagine.
- **Reconsidered** the group's solvency and liquidity test and the final 2019 dividend in the context of the PA guidance note 4 (G4/2020).
- **Monitored** payment holidays for clients.

Board responsibilities and key focus areas

KEY BOARD FOCUS AREAS IN 2020

IV

Given the unprecedented impact of the Covid-19 pandemic, the following areas received heightened focus in 2020:

1. **Nedbank's response to the Covid-19 pandemic, including risk management**
2. **Pivoting the group's strategy**
3. **Driving innovation**
4. **Reputational matters**
5. **Strengthening our response to climate change**

1 Nedbank's response to the Covid-19 pandemic

During times of crisis the role of the board is important as it provides appropriate guidance and oversight. In 2020 the board oversaw the group's strategic decisions and responses relating to the Covid-19 pandemic. This included support to stakeholders (protecting value and minimising value erosion) while remaining aligned to shifts and pivots that are required in strategy (creating value). The board received updates on how clients and suppliers were managing through the pandemic, and considered actions to ensure the health and safety of the group's employees and other stakeholders. Members of various board subcommittees remained actively involved in overseeing and monitoring the group's response to the pandemic and levels of lockdown, including the management of business, operational and cyberrisk, as well as the group's balance sheet, which entailed liquidity, credit, capital and market risks.

As the Covid-19 pandemic emerged in March 2020, increased focus was placed on business risk (in particular the macroeconomic impact of the lockdowns), keeping employees and clients safe and invoking business continuity plans to ensure essential services continue. During the first few months of the crisis heightened focus was on business (and country), people and operational, liquidity, credit, capital and market risks. Many of these risks have subsided with business, credit, strategic execution, capital and cyberrisk (top five risks as shown below). In 2020 we also added climate risk as a separate risk to our top 12 risks, reflecting the increasing importance of climate change and our increased focus on it.

The change in risk focus means that resource allocation shifts increased towards key risks, and in 2020 this was evident in additional independent oversight that was provided, additional meetings held and increased analysis and reporting. From a financial capital perspective, resource allocation shifts were evident in the strengthening of liquidity buffers, strong capital ratios and not declaring a dividend in 2020.

Our top five risks

January 2020 (before the crisis)	March 2020 (incorporating Covid-19)	2021
1 Business (and country) risk	1 Business (global and country) risk	1 Business (global and country) risk
2 Strategic execution risk	2 People and operational risk	2 Credit risk
3 Cyberrisk	3 Liquidity risk	3 Strategic execution risk
4 Credit risk	4 Credit risk	4 Capital risk
5 Operational risk	5 Capital risk	5 Cyberrisk

Read more about our top 12 risks on pages 46 to 49 and in our 2020 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Additional focus was placed on monitoring the effect of Covid-19 on the group's stakeholders, while brand, technology, liquidity and capital were also ongoing discussion points at board meetings in 2020. Nine additional board calls were held in 2020, dedicated to considering Nedbank's response to the Covid-19 pandemic.

MAY/JUN

- **Approved** Nedbank's participation in the **bilateral loan guarantee scheme** with the South African government.
- **Approved** the group's updated **capital plan, revised capital targets, recovery plan triggers and early-warning indicators**.
- **Approved** the annual appointment of the **Group Chairman**.
- **Approved the annual strategy planning session** focusing on Resilience, Transition and Reimagine.
- **Held** the group's seventh annual **ESG roadshow** with shareholders.
- **Held** the group's **first virtual AGM**.
- **Monitored ETI's** liquidity and capital position.
- **Interrogated** the commencement of **TOM 2.0**.

JUL/AUG

- **Approved** the group's 2021–2023 **strategy framework**.
- **Approved** the group's **2020 interim results**.
- **Monitored** progress on **SDG 4 and 7**.
- **Monitored** progress on the **commercialisation of data**.
- **Monitored** progress on **Managed Evolution**.

2 Pivoting the group's strategy

- Strategy is a key responsibility of the board and although it maintains its independence, it is important to have a deep understanding of the business by investigating, monitoring and engaging with management on multiple levels.
- As the Covid-19 pandemic emerged, the board worked closely with management in pivoting the group's strategy to `Resilience' (the immediate focus in Q2 2020 as we managed the crisis) followed by `Transition' (focus from Q3 2020 as we enabled recovery) and `Reimagine' (strategising for value creation in a new environment).

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

RESILIENCE	TRANSITION	REIMAGINE
Manage the crisis	**Enable recovery**	**Strategise for value creation**
From **Q2 2020 ...**	From **Q3 2020 ...**	Into **2021 ...**

Following the annual strategy session between the board and Group Exco in July 2020, where the board debated and provided input into the strategy framework, the group's three-year business plan and relevant risk appetites were signed off in November 2020. The group's 'Reimagine' strategy includes value drivers (growth, productivity and risk and capital management) that aim to create, preserve and reduce erosion of value as we seek to meet our revised medium-term targets (2023). These targets include DHEPS, ROE, cost-to-income ratio and NPS.

Value creation is enabled by five strategic unlocks: Delivering market-leading client solutions; disruptive market activities; focusing on areas that create value (SPT 2.0); driving efficient execution (TOM 2.0); and creating positive impacts. Read more about our targets on page 51 and our strategy (value unlocks) on pages 52 to 65.

2020 KEY BOARD DISCUSSIONS

SEPT/OCT

- **Held** annual meeting with the PA and the FSCA to discuss the group's medium- and long-term strategy (including any changes due to Covid-19), projections for the next 18 months, as well as risk management.
- **Approved** the board ethics statement.
- **Approved** the Nedbank Group ERMF.
- **Appointed** Mike Davis as CFO and Executive Director, as well as Debt Officer in terms of debt listing requirements.
- **Monitored** progress on SDG 8 and 12.

NOV/DEC

- **Approved** the 2020 Internal Capital Adequacy Assessment Process (ICAAP) Report.
- **Interrogated and approved** the Nedbank Group business plan for 2021–2023.

3 Driving innovation

The digitisation of banks means that innovation, disruption and cybersecurity remain top of mind in banking, and this trend has accelerated during the Covid-19 pandemic.

To remain relevant and competitive in this digital age the board has been proactive and enabled innovation from the top as one of its governance responsibilities. Over the past few years the board has promoted and enabled innovation by actively participating in Board Technology Days to stay abreast of local and global trends. The board attended various presentations on cyberrisk management, disruptive fintech strategies and risk management in digitally enabled banks, engaged in platform strategy discussions and appointed a subcommittee to act as a sounding board for management on digital platforms.

Nedbank has seen an acceleration in the launch of digital innovations and CVPs over the past two years. Ecosystems and platforms were top of mind in 2020 as we repurposed our Avo super app to enable clients (consumers and suppliers) to procure and supply goods and services during lockdown. A significant increase in digital activity was underpinned by heightened focus on system stability and availability, while significant investment and resources continue to be allocated to our technology systems, platforms, as well as digital innovation generally. The board, through the Group Information Technology Committee (GITCO), oversees the group's approximately R1,9bn annual IT cashflow spend and progress on digital programmes, ensuring an appropriate return on investment.

Read more about our technology strategy and digital innovations on pages 52 to 55.

4 Reputational matters

Investigative journalism has played an important role in the exposure of state capture and corruption in SA. However, Nedbank strongly disagrees with the allegations contained in the amaBhungane article against Nedbank, and strongly refutes any inference that Nedbank was complicit in an alleged scheme by Regiments to defraud or to extract undue benefit from their clients. At the time of entering into the transactions, Nedbank was not aware of, nor had any reason to suspect, any associated unlawful or corrupt conduct on the part of Regiments.

Under the oversight of the Nedbank Board and the DAC, Nedbank commissioned detailed internal forensic investigations of the transactions and, in the case of Transnet-related matters, this was supplemented by an external legal review of specific conclusions of the internal forensic investigation. These investigations found no evidence of any collusion or corruption by Nedbank. We pride ourselves on effective risk management, good governance, and ethical conduct. Our ethics philosophy envisages a relationship of trust with our internal and external stakeholders, in which we demonstrably act with integrity. Nedbank has zero tolerance for corruption, and we expect all of our stakeholders, including our clients, service providers and employees, to conduct themselves ethically and with integrity. We are supporting, and will continue to support and cooperate with, the relevant authorities and commissions. Deep dives and lessons learnt exercises continue to be top of mind for the board.

5 Strengthening our response to climate change

Nedbank Group has an excellent track record and strong credentials in leading the change required to address climate change, and our leadership in this area has been endorsed by the board over the past 30 years. As our sustainability journey continues to grow and mature, from being the first African bank to adopt the Equator Principles in 2005 and the first African bank to become carbon neutral in 2010 to being the first commercial bank to launch a renewable-energy bond on the JSE in 2019, the board acknowledges that, in the context of the Paris Agreement and the rising impact of climate change, more needs to be done.

As part of our journey as a purpose-led business, we are committed to playing a leading role in addressing climate change, and the risks and opportunities that it presents, in ways that are sensitive to the local socioeconomic context and climate vulnerability. Banks play a central role in driving sustainable socioeconomic development for the benefit of all stakeholders by providing capital where it is needed most. Banks' financing choices can serve to enable the necessary transition to a low-carbon economy and contribute to building climate resilience through the financing of adaptation measures.

At our 2020 AGM we reached a key milestone as we proactively tabled two climate-change-related resolutions (resolution 6.1 to disclose an energy policy no later than April 2021, and resolution 6.2 to report on our approach to measuring, disclosing and assessing our climate-related risks by the same date). Both these were passed with 100% votes of approval.

During the year we constituted a Board Group Climate Resilience Committee (GCRC) to provide independent oversight of the Social and Environmental Risk Framework (SERF) and to monitor and steer the operationalisation of the Climate Risk Management Framework (CRMF).

Our inaugural 2020 TCFD Report will be published on 22 April 2021 and embraces four key pillars: governance; strategy; risk management; and metrics and targets.

Our disclosures relating to resolutions 6.1 and 6.2 are available in this report and at nedbankgroup.co.za.

FOCUS AREAS OF THE BOARD IN 2021

IV

Many of the key focus areas of 2020 will continue to be a priority in 2021, particularly as the Covid-19 pandemic continues to impact all aspects of our business and stakeholders. Key focus areas for 2021 include:

- **Nedbank's ongoing response to the Covid-19 pandemic;**
- **credit risk, collections and capital management;**
- **operating efficiencies enabled through Managed Evolution;**
- **achieving enterprise agility through TOM 2.0;**
- **growing the transactional banking franchise through SPT 2.0;**
- **key reputational issues; and**
- **retention and attraction of talent.**

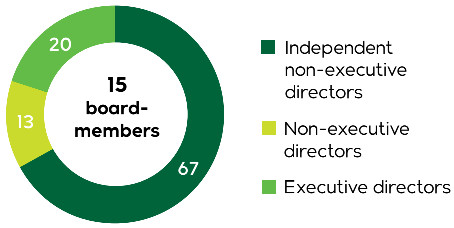
Our board profile

INDEPENDENCE – PROTECTING THE INTERESTS OF ALL SHAREHOLDERS

IV

The majority of Nedbank's boardmembers are independent directors, which complies with King IV and global best-practice governance. An independent board committee, the Group Related-party Transactions Committee (GRPTC), chaired by our Lead Independent Director, is in place to consider, review, evaluate and provide oversight of related-party transactions to ensure transactions are fair and in Nedbank's best interest.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS
(%)



__Nedbank policy:__ Maintain board structure comprising a majority of non-executive directors, of whom a majority should be independent non-executive directors.

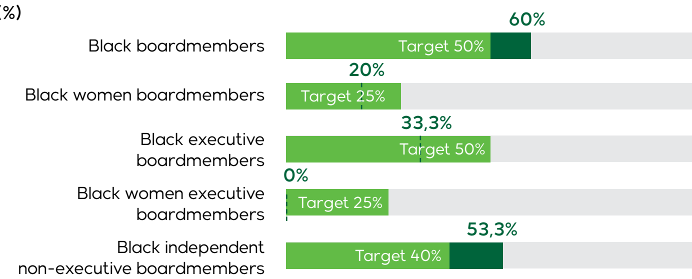
BOARD DIVERSITY – BEING RELEVANT IN A TRANSFORMING SOCIETY

IV

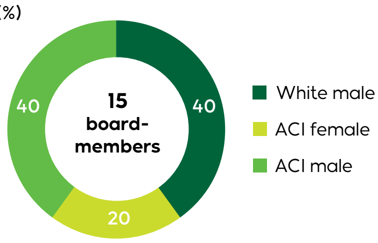
In a fast-transforming society, board diversity is important for remaining relevant and sustainable. Studies have shown that diversity matters, as companies that embrace gender, race and ethnic diversity perform better financially. Nedbank is committed to promoting diversity at board level, with diversity and inclusion being key considerations in our board selection processes. We strive for a transformed board that closely reflects the demographics of SA as we continue to meet our diversity targets on black and female board representation.

The group's policy on the promotion of gender and race diversity at board level has been incorporated into the board continuity programme. Nedbank's targets are informed by the Amended FSC. Achievement against diversity targets at board level has declined following the resignation of Raisibe Morathi, and the targets for black women boardmembers, black executive boardmembers, and black women executive boardmembers currently no longer meet Nedbank's own targets. Increasing gender and race diversity is a key focus area of the board's succession plan. At 31 March 2021 our results were as listed below:

PROMOTION OF DIVERSITY AT BOARD LEVEL
(%)



BOARD DEMOGRAPHICS
(%)



ACI – African, Coloured and Indian

__Nedbank policy:__ Maintain board membership that represents the demographics of SA.

BALANCE OF KNOWLEDGE, SKILLS AND EXPERIENCE – WELL DIVERSIFIED TO ADD VALUE TO ALL ASPECTS OF NEDBANK GROUP

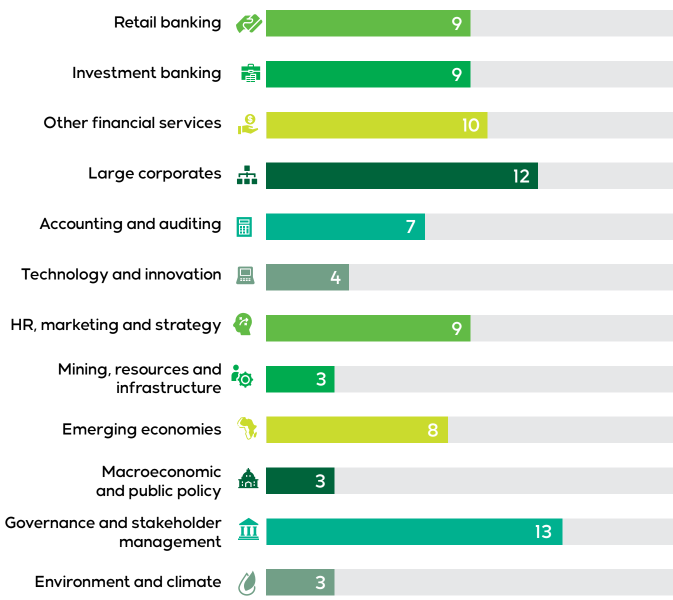
IV

Banks and financial services companies need a broad range of skills to ensure and create value in the interest of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in Nedbank's own long-term strategy. Having the appropriate mix of skills and experience ensures that the board as a collective is well equipped to guide and drive the bank's strategy into the future and thereby create value.

Over the past three years we have expanded and strengthened our board skills and experience specifically in retail and investment banking, other financial services such as insurance; large corporates; accounting and auditing; HR; strategic planning; mining, resources and infrastructure; IT innovation, digital and cyberresilience; and doing business in emerging economies.

Directors regularly attend courses, conferences and seminars to ensure that they keep up to date with changes and trends. In 2020 directors received updates and training, among other things, on rethinking change management, conduct risk and lessons learnt from the Commercial Bank of Australia case study, disruptive technologies, climate transition strategies, open banking, and understanding Value-at-Risk (VaR) procyclicality and valuation adjustments including XVA.

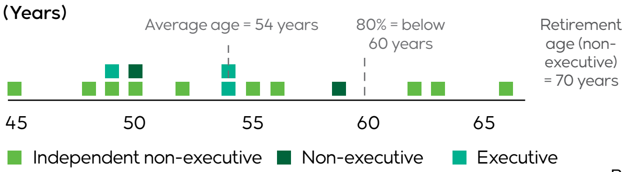
BOARD SKILLS AND EXPERIENCE
(Number of boardmembers with experience)



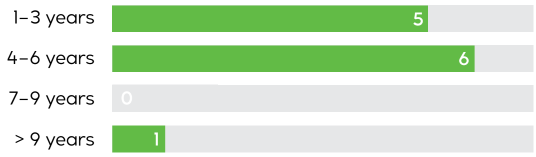
BOARD TENURE AND EXPERIENCE – A BLEND OF EXPERIENCE AND NEW INSIGHT

IV

EXECUTIVE AND NON-EXECUTIVE DIRECTORS: AGE



NON-EXECUTIVE DIRECTORS: TENURE



***Nedbank policy:** Non-executive directors must retire at the first AGM that follows their reaching the age of 70 or after nine years of being on the board as a non-executive, unless agreed otherwise by the board. The board has extended Mpho Makwana's tenure on the Nedbank Group Board while progressing the board succession plan.*

Brian Dames (chair of the Group Climate Resilience Committee), Dr Mantsika Matooane (chair of the Group IT Committee), and Mpho Makwana (Lead Independent Director and chair of the Group Directors' Affairs Committee, Group Transformation, Social and Ethics Committee and Group Related-party Transactions Committee) retire in the next three years. The board's succession plan, which is looking to increase its members with expertise in areas such as legal, retail banking and complex accounting, will also look to replace the skills that will be lost with these retirements, including skills in digital and technology, climate risk, large corporate, HR and marketing.

BOARD OF DIRECTORS

IV

Independent non-executive

VASSI NAIDOO 66
Chairman: Nedbank Group and Nedbank Limited
5 years on the board

MPHO MAKWANA 50
Lead Independent Director
Chair: DAC, GRPTC, GTSEC
> 9 years on the board

HUBERT BRODY 56
Chair: Remco
3 years on the board

BRIAN DAMES 55
Chair: GCRC
6 years on the board

NEO DONGWANA 48
3 years on the board

ERROL KRUGER 63
Chair: GRCMC, GCC
4 years on the board

LINDA MAKALIMA 52
3 years on the board

PROF TSHILIDZI MARWALA 49
1 year on the board

DR MANTSIKA MATOOANE 45
Chair: GITCO
6 years on the board

STANLEY SUBRAMONEY 62
Chair: GAC
5 years on the board

Non-executive

ROB LEITH 58
4 years on the board

IAIN WILLIAMSON 50
< 1 year on the board

Executive

MIKE BROWN 54
Chief Executive
16 years on the board

MIKE DAVIS 49
CFO
< 1 year on the board

MFUNDO NKUHLU 54
COO
6 years on the board

Non-executive directors are given no fixed term of appointment, and all directors are subject to retirement by rotation in terms of the company's memorandum of incorporation. An executive director is required to retire from the board at age 60, unless otherwise agreed by the board.

Executive directors are subject to six-month notice periods. This excludes the CE, who is subject to a 12-month notice period. Executive directors are discouraged from holding significant directorships outside the group.

Board changes since the 53rd AGM

Additions Iain Williamson (Old Mutual Limited nominee in terms of the relationship agreement), Mike Davis (CFO)

Retirement Joel Netshitenzhe **Resignation** Raisibe Morathi (CFO)

Board nominees for the 54th AGM

Election Iain Williamson, Mike Davis (CFO) **Re-election** Neo Dongwana, Mfundo Nkuhlu and Mpho Makwana (given that he will have been on the board for longer than nine years, he will put himself forward for annual election by shareholders).

YOUR VOTE IS NEEDED ON
Director elections

Board representation at 31 March 2021.

Our board structure and mandates

The board of directors provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls. This makes it possible to assess and manage risk to ensure long-term sustainable development and growth. The board has ultimate accountability and responsibility for the performance and affairs of the company and ensures that the group adheres to high standards of ethical behaviour.

The board committees assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed annually and effectively delegated in respect of certain of the board's responsibilities. These terms of reference are available at nedbankgroup.co.za. The board monitors these responsibilities to ensure effective coverage of and control over the operations of the group. Detailed reports from the chairs of the board and board committees can be accessed at nedbankgroup.co.za.

Nedbank Group Limited and Nedbank Limited Board

Chairman: Vassi Naidoo

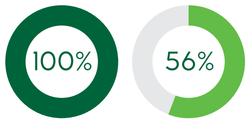
■ Attendance ■ % of committee members who are independent directors

Group Audit Committee (GAC)* — Chair: Stanley Subramoney

- Assists the board in its evaluation of the integrity of our financial statements through evaluation of the adequacy and efficiency of our internal control systems, accounting practices, information systems and internal auditing applied in the day-to-day management of our business.
- Manages the relationship with the external auditors and assesses their independence and effectiveness.
- Facilitates and promotes communication between the board, executive management, the external auditors and the Chief Internal Auditor.
- Introduces measures to enhance the credibility and objectivity of financial statements and reports.

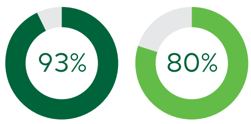
Group Credit Committee (GCC) — Chair: Errol Kruger

- Assists the board in fulfilling its credit risk oversight responsibilities, particularly with regard to the evaluation of credit mandates and governance, policies and credit risk.
- Confirms the adequacy of credit impairments.
- Acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's credit rating and risk estimation systems and processes. The Prudential Authority (PA) requires that the GCC is chaired by a non-executive director.
- The current membership includes five independent non-executive directors, one non-executive director and three executive directors.



Group Information Technology Committee (GITCO) — Chair: Dr Mantsika Matooane

- Oversees the execution of the board's approved IT and digital strategy.
- Performs reviews and monitors enterprise IT matters to ensure appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a group basis (eg cyberthreats and other regulatory risks).
- Ensures alignment and implementation of a well-coordinated, efficient, effective and properly resourced IT strategy, which enables the organisation to remain highly competitive.
- Assumes ultimate accountability for the effectiveness of all governance functions pertaining to the group's technology capability, as required by the Banks Act, 94 of 1990, and in support of the requirements of the Group Audit Committee.



Group Remuneration Committee (Remco) — Chair: Hubert Brody

Enables the board to achieve its responsibilities in relation to the group's Remuneration Policy, processes and procedures, and specifically enables the group to do the following:

- Meet the requirements of section 64C of the Banks Act.
- Operate remuneration structures that are aligned with best market practice.
- Conform with the latest thinking regarding good corporate governance on executive remuneration.
- Align the behaviour of executives with the strategic objectives of the group.

* *In terms of the Companies Act the GAC members are appointed by shareholders. However, the Banks Act views the GAC as a board committee subject to SARB oversight. Refer to the resolution for shareholders to vote on the appointment of the GAC members on page 85.*

** *Attendance is reported excluding Peter Moyo, one of our then non-executive directors, whose attendance was impacted by a litigation process before his resignation from the board (effective from 19 March 2020).*

BOARD MEETING ATTENDANCE (2020)

97%**

71 Total number of board and board committee meetings

■ Attendance ■ % of committee members who are independent directors

Group Risk and Capital Management Committee (GRCMC) — Chair: Errol Kruger

- Ensures the identification, assessment, control, management, reporting and remediation of risks across a wide range of the organisation's ERMF.
- Sets and owns Nedbank's risk strategy and monitors conformance with risk management policies, procedures, regulatory and internal limits and exposures, and processes and practices. The monitoring of the group's key issues control log (KICL) is paramount to GRCMC's oversight role.

100%** | 67%

Group Related-party Transactions Committee (GRPTC) — Chair: Mpho Makwana

- Considers, reviews, evaluates and oversees related-party transactions of all types and approves, ratifies, disapproves or rejects related-party transactions.
- Determines whether related-party transactions are fair and in the best interests of Nedbank.
- Reviews, revises, formulates and approves policies on related-party transactions.
- Conducts a review of all related-party transactions concluded throughout the group at least once per year.

100% | 100%

Group Transformation, Social and Ethics Committee (GTSEC) — Chair: Mpho Makwana

- Advises on, oversees and monitors Nedbank Group's activities with regard to social and economic development, ethics, transformation, sustainability, corporate citizenship, environment, health, public safety, stakeholder relationship, labour and employment matters.
- Applies the recommended practices and regulations as outlined in King IV and the Companies Act in executing its mandate.

100% | 80%

Group Directors' Affairs Committee (DAC) — Chair: Mpho Makwana

- Considers, monitors and reports to the board on reputational risk and compliance risk, application of King IV and the corporate governance provisions of the Banks Act, 94 of 1990.
- Acts as the Nominations Committee for the board.

100%** | 100%

Group Climate Resillience Committee (GCRC) — Chair: Brian Dames

- Enables the board to achieve its responsibility in relation to the group's:
  - identification, assessment, control, management, reporting and remediation of all categories of the climate-related risks and opportunities; and
  - adherence to internal risk management policies, procedures, processes and practices.

FIRST FORMAL MEETING IN 2021 | 100%

→ INTERDEPENDENCY OF BOARD COMMITTEES

Following the constitution of the Group Climate Resilience Committee, the Nedbank Group Board has 10 formal board committees. Board committees report in detail on key discussions and activities at each Nedbank Group Board meeting, and the minutes of board committee meetings are also subsequently made available to all boardmembers. The Group IT Committee and the Group Credit Committee also report to the Group Audit Committee on the adequacy and effectiveness of the group's information system controls, and the group's internal financial controls with respect to credit risk, respectively. The Chairs of the Group Risk and Capital Management Committee and the Group Remuneration Committee also meet separately to consider remuneration risks, and there is a formal process between the Group Remuneration Committee and the Group Transformation, Social and Ethics Committee in respect of the consideration of the ethics of remuneration.

Other key areas of responsibility and oversight

COMPLIANCE – ADHERING TO ALL APPLICABLE LAWS AND REGULATIONS

IV

Nedbank is committed to ensuring that appropriate controls are in place to confirm compliance with the various regulatory requirements applicable to the group. We monitor and report on such compliance through the Group DAC, which is one of the board committees established in terms of the Banks Act, 94 of 1990. In addition, we comply with various codes and regulatory requirements. As a member of BASA we subscribe to the Code of Banking Practice, which is a voluntary code that governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and we work with the Banking Ombudsman's office to ensure that client complaints are resolved appropriately and timeously. The Basel Committee on Banking Supervision published a guideline in July 2015, Corporate Governance Principles for Banks, and we are ensuring continuous compliance with this guideline.

ETHICS AND HUMAN RIGHTS – DOING BUSINESS RESPONSIBLY MEANS DOING BUSINESS ETHICALLY

IV

As a purpose-led and values-driven organisation, Nedbank's ethics philosophy is to do business responsibly, ethically and with fair treatment of clients in mind. The law is a minimum standard for good conduct and we believe that the required trust and conduct that underpins our ethics philosophy is established by having a collaborative approach to ethical leadership, a commonly accepted and lived set of values, effective governance, effective risk and compliance management, and transparent and timeous communication with regulators and investors.

Leadership commitment is essential in building and maintaining an ethical culture. The board sets the tone at the top and leads the group ethically, effectively, and responsibly within acceptable risk parameters. This is aligned to the King IV principle that 'the governing body should lead ethically and effectively' and formally constitutes one of the 'Board Corporate Governance Objectives' against which the board is measured annually.

A continued enhancement of Nedbank's ethical culture and respect for human rights remain top of mind (through relevant board committees) and executive management (through relevant group executive committees), especially against the backdrop of state capture, the various commissions of inquiry and recent corporate failures. In addition, due to material matters such as the Covid-19 pandemic expediting the move towards increasing digitisation and new ways of work, a challenging macroeconomic environment, increasing emphasis on treating clients fairly, climate change and the fight against corruption, there is a heightened focus on the continued institutionalisation of ethics and human rights at Nedbank. Our Employee Code of Ethics and Conduct provides Nedbank employees with practical guidelines on expected behaviour as well as aspirational values that should underlie all decisions and behaviours. The code also serves as our public commitment that Nedbankers will uphold the highest ethical standards.

The board assumes ultimate responsibility for the group's ethics performance and adherence to human rights principles. Nedbank has implemented a comprehensive governance structure which, among other things, gives effect to the responsibilities of the board in relation to ethics as outlined in the King IV Code. This responsibility is delegated to executive management, which uses various tools to fulfil its mandate. Nedbank has implemented a myriad of practical mechanisms and processes to drive ethical behaviour as part of maintaining a culture of ethics, including but not limited to:

Board ethics and human rights statements and ad hoc declarations	Dedicated Group Ethics Office	Remuneration Policy	Ethics and human rights-related codes, policies, and frameworks	Letter of Representation process
Social and Environmental Management System (SEMS) assessments and due diligence for clients	Supplier due diligence and Supplier Code of Ethics and Conduct	Channels for reporting unethical behaviour	Participation of Nedbank's Ethics Office in high-risk/ high-value tenders as an independent observer	Mechanisms to review and manage client and supplier relationships when necessary

Key actions and initiatives undertaken in 2020 included, but were not limited to, the following:

- Development of an Ethics in Digital Technology and Artificial Intelligence Policy.
- Enhancement of our human rights portfolio, including a review of policies and processes with a view to identify opportunities for enhancement, and the development of a human rights framework.
- Ethics awareness and human rights training to 3 018 employees, following training to 1 991 employees in 2019.
- Employee acknowledgement of the Employee Code of Ethics and Conduct – 93%.
- Ethics Office participation as an independent observer in 14 high-risk/high-value tenders.
- Ethics, human rights and governance-related training provided to 39 suppliers.
- Employees dismissed on disciplinary matters, relating to dishonesty and unethical conduct: 148.
- Suspicious transactions reported to the FIC: 14 701.

An Independent Ethics Risk Assessment covering Nedbank's South African operations was conducted by The Ethics Institute on behalf of Nedbank and finalised in 2020. One in every three employees participated in the anonymous survey. The results of the assessment indicated that Nedbank is currently scoring in the 98th percentile in relation to ethical behaviour and scoring in the 65th percentile in relation to culture, when benchmarked against other entities measured. The outcome has further assisted in identifying areas for sustained focus and improvement, which will form part of Nedbank's ethics management plan for 2021–2022.

More details on our approach to ethics and human rights are disclosed in our supplementary 2020 Governance Report available at nedbankgroup.co.za.

IV

CONFLICT OF INTEREST – MANAGING EFFECTIVELY

Under the Companies Act, 71 of 2008 (Companies Act), a director of a company must use their powers and perform their functions in good faith and for a proper purpose, in the best interest of the company. This includes the duty of a director to avoid a conflict of interest. Section 60 of the Banks Act, 94 of 1990, also provides for the fiduciary duties of directors and executive officers of a bank. Nedbank Group's Policy on Conflict of Interest, available at nedbankgroup.co.za, sets out the processes that the directors of Nedbank Group and its executive management must follow to declare their interests, as well as how any potential conflict must be managed and evaluated.

Before a director accepts additional commitments, that director must discuss the issue and agree with the Chairman on it to ensure that it does not present a potential conflict of interest that would affect the director's ability to exercise their fiduciary duties. A director may accept other board appointments, provided that any potential conflict is considered and appropriately disclosed and managed, and the appointments do not conflict with the group and/or adversely affect the director's duties. The proposed board appointment must also be agreed with the Chairman prior to the director accepting such an appointment.

A director or prescribed officer is prohibited from using their position or confidential and price-sensitive information to benefit themselves or any related third party, whether financially or otherwise. Directors and officers are also required to inform the board timeously of conflicts, or potential conflicts of interest that they may have in relation to particular items of business or other directorships. At the start of each board meeting, at the request of the chair, all boardmembers must declare any actual and/or potential conflict of interest with matters to be considered at that meeting. Comprehensive registers of individual directors' interests inside and outside the company are maintained and updated and signed by the directors, with details noted by the board at each board meeting.

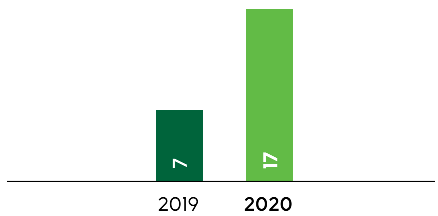
With regard to Nedbank, Iain Williamson, Chief Executive of Old Mutual Limited, recuses himself from all board discussions that include Nedbank Wealth's business strategy, given a conflict of interest with Old Mutual Limited.

IV

VALUES AND CULTURE – LEADING FROM THE TOP

Governance is supported by the tone at the top, the example the board and management set and the values and behaviours embraced by all employees in the organisation. As part of our culture journey over the past two years, we have revisited our required culture in the context of our strategy, the new ways of work and the digital transformation of financial services. Our top leadership is driving and enabling new leadership mindsets and capabilities required to manage and thrive in an agile, digital, fast-paced, client-centred and competitive environment. In addition, the group's people promise, as shown on page 66, depicts that the Nedbank culture is fully endorsed by the board. Recent culture shifts are positive, as evident in outcomes of leadership in digital innovation, being resilient and agile, and the improved levels of client satisfaction scores.

GREAT PLACE TO WORK NPS
(%)



IV

NEDBANK'S RELATIONSHIP WITH STAKEHOLDERS – SUPPORTING OUR STAKEHOLDERS DURING DIFFICULT TIMES

The board continuously monitors the group's relationship with its stakeholders and also engages directly with employees, clients, regulators, shareholders and other stakeholders from time to time. In addition to oversight at the Nedbank Group Board, employee and societal matters are dealt with at the GTSEC, reputational matters across all stakeholders at the DAC and regulatory matters at GRCMC and GAC.

In 2020 the focus on the needs and expectations of stakeholders was elevated given the impact of Covid-19. The board concurs that the actions taken by the group in support of all its stakeholders, as discussed in more detail on pages 81 to 91, generally led to an improvement in the quality of relationships. This was evident in support for and improved levels of employee and client satisfaction, support for suppliers and society, and working effectively with regulators. At the height of the crisis and when share prices were under severe pressure, the board held its ESG roadshow with shareholders and focused discussions on the board's role in overseeing the group's response to the Covid-19 pandemic and managing risk.

IV

BOARD EFFECTIVENESS

The size of the Nedbank board, at 15 members, is influenced by the demands of a vast and complex banking industry. The size gives the board adequate membership for its 10 board committees, of which four are statutory, while maintaining adequate levels of independence.

In compliance with the PA's Directive 4/2018 relating to the maximum number and/or type of boards a non-executive director may serve on, a non-executive director should not hold more than five directorships of listed and/or significant unlisted operating boards, including the Nedbank boards. Regard is given to the size of the entities of which a director is a boardmember as well as the type of directorships they hold (ie non-executive chair; non-executive; executive; trustee; and/or board subcommittee positions). Time constraints and potential conflicts of interest are balanced against development opportunities relating to more board positions. All Nedbank directors comply with this requirement.

IV

FAIR AND RESPONSIBLE REMUNERATION –
ALIGNED WITH VALUE CREATION AND MINDFUL OF THE WEALTH GAP IN SA

The board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders. Remuneration of executives and employees is linked to sustainable value creation objectives in line with the group's strategy and is based on clear performance targets that have adequate stretch and market benchmarking, at the same time being mindful of the wealth gap in SA.

In 2020 and 2021:

- Executive and cluster management received no increases in guaranteed pay in 2020, and middle-management increases of between 2,0% and 4,0%, below the average bargaining-unit employee increases of 6,3%. In 2021 executive and cluster management will receive increases of 3% on average, 3% for middle management and bargaining-unit employees 4% on average.
- Short-term incentives decreased by 29%, reflecting the group's financial performance and underperformance compared to targets set prior to Covid-19, but the group achieved excellent outcomes on resilience metrics in a once in a 100 years crisis, including strong balance sheet ratios, world-class IT stability, and supporting employees and clients, while making great progress on digital solutions and client-satisfaction ratings.
- Vesting of long-term incentives declined by 50% over 2020 due to underperformance against corporate performance targets as a result of the material impact of the Covid-19 pandemic.
- We continued to close the remuneration gap between black and white employees, while Equal Pay for Work of Equal Value analysis shows no unjustifiable pay differentials on gender.

The high-level outcomes for 2020 are shown on pages 94 to 100, with more details in our Remuneration Policy as part of the 2020 Governance Report available at nedbankgroup.co.za.

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE
GROUP DIRECTORS' AFFAIRS COMMITTEE (DAC)

'Compliance of the future means making the best use of technology, being agile, ensuring that compliance management is integrated in the business and embracing challenges.'

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

- Oversaw the activities of the compliance function as contemplated in the Banks Act, 94 of 1990, ensuring effective management of regulatory and supervisory risks.
- Oversaw the activities of the Regulatory Advocacy and Policy Office, regulator interactions and reputational risk matters.
- Received reports on Covid-19 measures, activities and inspections, and gave input into the group's pandemic scenarios.
- Led efforts aligned with strategies aimed at mitigating risks arising from increased uncertainty and volatility in the macroeconomic environment due to the pandemic.
- Ensured the fair treatment of clients by tracking market conduct compliance, breaches, complaints, and remediation.
- Monitored anti-money-laundering, combating-the-financing-of-terrorism (AML, CFT) and sanctions compliance levels, as well as inspections by regulators (including relating to the group's offshore entities and subsidiaries).

Focus for 2021 and beyond

- Supporting the use of technology, digital tools, and specialist skills to enhance the compliance function to be agile and entrepreneurial within legal and supervisory requirements.
- Retaining focus on the fair treatment of clients.
- Monitoring regulatory developments, regulator interactions and reputational risk matters.
- Monitoring the group's strategy for open finance.
- Maintaining oversight of AML, CFT and sanctions compliance levels and outcomes of inspections.
- Ongoing succession planning.

Stakeholders

Clients
Regulators
Employees
Shareholders

Top 12 risks

3 Strategic execution risk
9 Reputational (and association) risk
10 Climate risk
11 Conduct risk
12 Regulatory and compliance risk

A comprehensive DAC report is available online in our 2020 Governance Report on our group website at nedbankgroup.co.za.

IV

ENGAGING WITH INVESTORS ON ESG MATTERS –

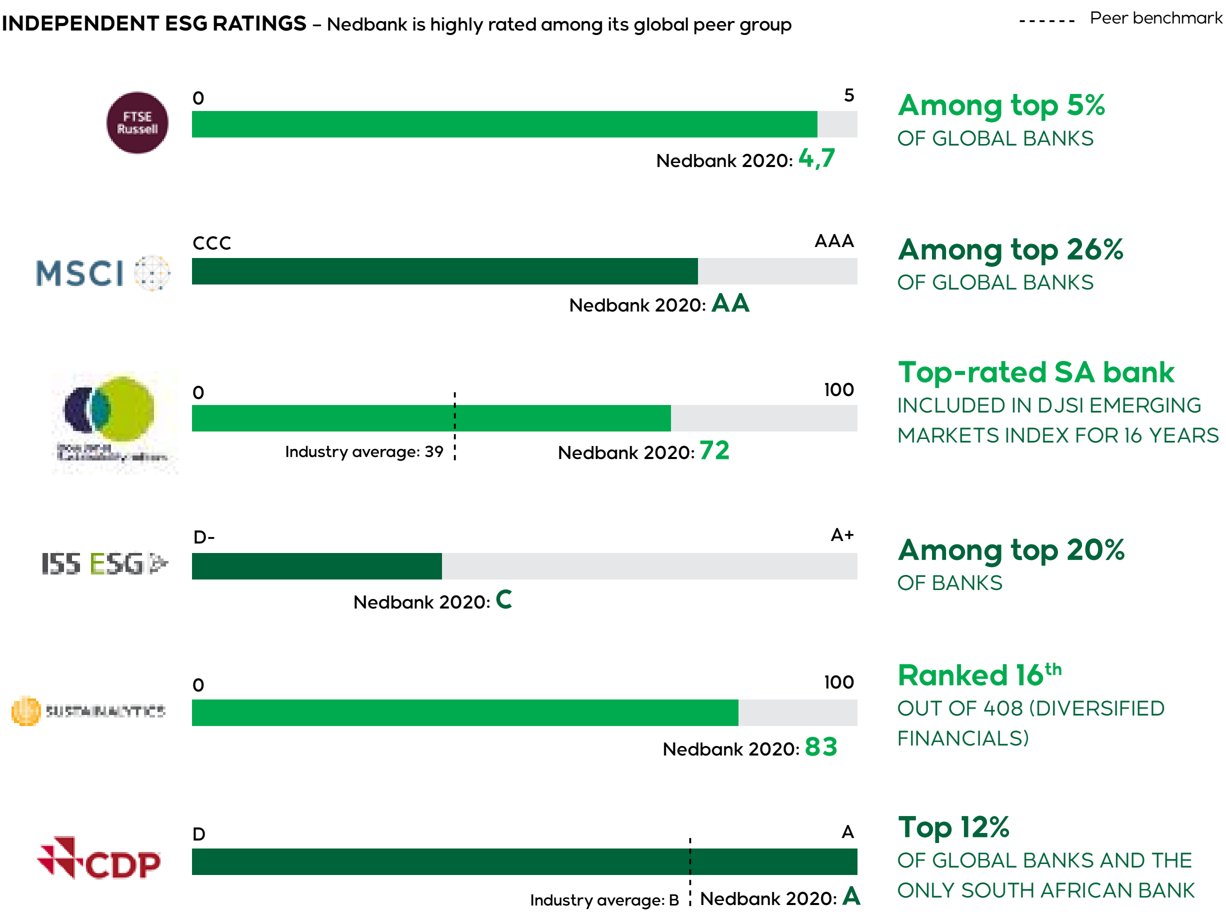
A SUSTAINABLE NEDBANK CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT AND SOCIETY

We continually engage with shareholders on ESG and strategic matters, enabling our board to exercise constructive influence, as and when appropriate, and to protect the interests of our minority shareholders.

Nedbank Group's seventh ESG shareholder roadshow in April 2020 was hosted virtually by Vassi Naidoo (Chairman) and Mpho Makwana (Lead Independent Director), and this year we also included Errol Kruger (Independent Director and chair of our two board risk committees) given the significantly heightened risk environment. As in prior years, the overall response from shareholders was that Nedbank Group is highly regarded for its ESG practices and disclosures, the proactive nature of engaging on ESG matters and for always considering shareholder input. In 2020 the following key topics were discussed: Nedbank's response to the Covid-19 pandemic, including governance, strategy, risk management and stakeholder initiatives (such as support for employees, clients and society), board and executive changes and succession planning; mandatory audit firm rotation plans, strategic progress of Nedbank's digital journey; Nedbank's relationship with Old Mutual Limited; as well as components of the Nedbank Remuneration Policy, including the negative impact of the crisis on both short- and long-term incentives and corporate performance targets. In addition, Nedbank proactively engaged with stakeholders on climate change ahead of the 53rd AGM, resulting in both resolutions having been passed with 100% votes of approval. In the first quarter of 2021, management engaged with shareholders on reputational matters that emerged in an amaBhungane article, and the board responded to specific shareholder questions.

Read more about some of these and other shareholder discussions between the board and management on pages 83 and 84.

INDEPENDENT ESG RATINGS – Nedbank is highly rated among its global peer group



CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

Reflections from our Chief Executive

'As I reflect on what has been, in the words of so many, 'an unprecedented year' filled with uncertainty, health challenges, economic hardship and stress for millions of people, I believe that the South African banking sector and Nedbank demonstrated strong levels of resilience. We were able to focus on the health and safety of our employees and supporting clients while remaining well capitalised, liquid and profitable, albeit at levels lower than the year before.'

Mike Brown, Chief Executive

2020 – AN UNPRECEDENTED YEAR WHERE THE SOUTH AFRICAN BANKING SYSTEM AGAIN DEMONSTRATED ITS STRENGTH

Covid-19 is a health and human tragedy that became the catalyst for a once in a 100 years economic crisis as South Africa's GDP declined by 7% (the largest decline since World War 2) and unemployment levels rose to 32,5%.

The South African banking system navigated 2020 very well, appropriately balancing supporting clients and the economy while ensuring that the safety and soundness of the financial system were never at risk. From the onset of the Covid-19 pandemic, a period aptly named the Global Lockdown Crisis (GLC), we quickly pivoted our strategy to focus on three pillars – Resilience, Transition and Reimagine.

I am particularly proud that we have stayed true to our purpose as our primary focus tilted to 'Resilience', ensuring the health and safety of our stakeholders, including our employees and clients, as well as helping over 400 000 clients in good standing with cashflow relief on R121bn of loans at the peak of the crisis. We are pleased that so many of our clients have been able to recover their financial standing and reduce this level of support to R28bn (with only R2bn remaining for retail clients) by the end of the year as economic conditions improved.

NEDBANK REMAINED RESILIENT

We achieved excellent outcomes on our 'Resilience' metrics that became our key strategic focus in Q2 2020. Profitability was not our key focus, other than as an initial buffer against capital in a time that balance sheet strength was more important than income statement returns. We have remained resilient on all key operational, liquidity and capital metrics, and our Nedbank leadership team has done a commendable job in managing the health and safety of employees and clients. The uptime and stability of our information technology system have been exceptional and recorded multi-year highs.

2020 TIMELINE

MARCH

- Announced the 2019 Nedbank Group annual results.
- Covid-19 emerges in SA.
- South African government introduces level 5 lockdown.
- Activated business continuity planning.

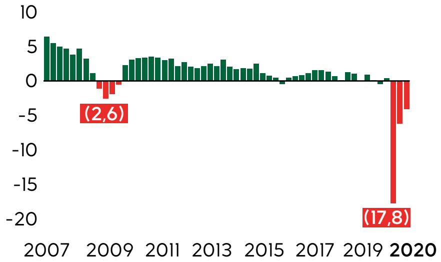
APRIL

- Appointed Anél Bosman (ME: CIB) and Dr Terence Sibiya (ME: NAR) to Group Exco.
- Held 'Nedbank's response to Covid-19' investor call.
- Activated Covid-19 ad hoc board meetings.
- Activated Pandemic Steering Committee.

MAY

- Released Q1 2020 voluntary trading update and trading statement.
- Launched the Avo super app.
- Introduced Eclipse for juristic and corporate clients.

SA QUARTERLY GDP YOY
(%)



Source: Nedbank Group Economic Unit.

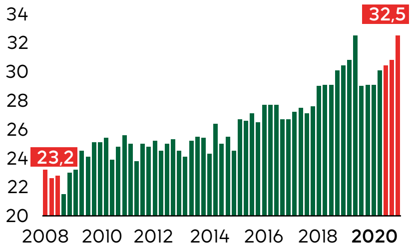
We maintained a well-capitalised and liquid balance sheet and most capital and liquidity ratios finished the year at higher levels than reported in June, reflected in our tier 1 capital ratio of 12,1%, CET1 ratio of 10,9%, average Q4 LCR of 126% and NSFR of 113% – all well within our board target ranges and well above regulatory minima. Overall impairment coverage also increased from 2,26% in 2019 to 3,25% at year-end.

Much like the fynbos on the cover of this report, with our strong foundations firmly intact, Nedbank has withstood the severe conditions brought about by the Covid-19 pandemic and is positioned to grow again as the environment continues to improve. However, we remain on high alert for the risks associated with new rounds of infections and variants, and continue to monitor the vaccine rollout and the effect that any new lockdown restrictions may have on our clients and the economy as a whole. Simply put, vaccination is the best economic policy any country can follow in 2021, but at the time of releasing this report, SA's vaccine progress has been disappointing.

IMPROVED FINANCIAL PERFORMANCE IN H2

During an extraordinarily difficult operating environment, Nedbank remained solidly profitable albeit at lower levels than the prior period. Our financial performance improved in H2, with full-year headline earnings declining by 57% to R5,4bn compared to a decline of 69% in H1 2020.

SA UNEMPLOYMENT RATE
(%)



Source: Nedbank Group Economic Unit.

We performed in line with the guidance provided to the market at the end of H1 2020, despite the challenges of accurate forecasting in such a complex environment.

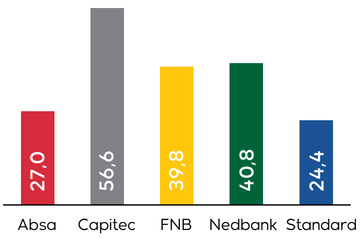
Headline earnings for the year was impacted by higher impairments and lower revenues, the latter mainly from lower levels of client activity and the impact on endowment of lower interest rates. Expenses were managed well and declined on the prior year and the group's ROE of 6,2% improved from the 4,8% reported in H1. Improving the ROE from these levels to back above our cost of equity is a key focus of management to improve shareholder value. Our CLR was up to 161 bps, inclusive of R3,9bn of Covid-19-related overlays and judgemental estimates and the impact of the International Financial Reporting Standard 9 macro forward-looking assumptions, and ended the year lower than the peak H1 CLR of 187 bps and slightly higher than the GFC peak of 152 bps.

Despite our strong capital and liquidity position at 31 December, having considered the spirit of PA 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, the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. We expect to resume dividend payments when reporting interim results in 2021.

GOOD PROGRESS ON CLIENT SATISFACTION AND OUR TECHNOLOGY STRATEGY

As we transitioned out of the peak of the crisis, a major highlight for 2020 was the excellent progress we made on our strategic goal of delivering market-leading client experiences supported by our investments in technology, digital platforms and our people. This is evident in our improved client satisfaction rankings, with Nedbank rated as the second-best bank in SA on client satisfaction. In the 2020 Consulta survey Nedbank increased its position to number two in the NPS among the five large South African banks.

2020 CONSULTA NPS
(%)



During the lockdown our digital capabilities were vital as we launched various innovations such as Avo (our super app) and rolled out our digital onboarding (Eclipse) to juristic clients and included several new products. As a result, our retail digital sales, including our digital wallet product MobiMoney, increased to 49% of all sales (2019: 21%) and digitally active clients increased by 25% to 2,2 million. In 2020 the volume and value of app transactions increased by 70% and 53% respectively. Our digital successes were underpinned by our Managed Evolution technology strategy, which is materially complete for all the foundation projects and 78% complete overall (2019: 70%).

JUNE

- Received Global Banking and Finance Awards: Best Banking Technology Implementation, Most Innovative Digital Branch Design SA and Most Innovative Retail Banking App SA.

AUGUST

- Announced 2020 Nedbank Group interim results.

OCTOBER

- Appointed Mike Davis as CFO.
- Released Q3 2020 voluntary trading update.

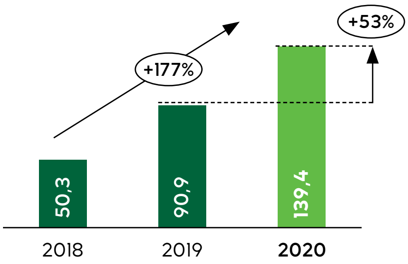
NOVEMBER

- Board approved the Nedbank Group business plan for 2021–2023.

DECEMBER

- Covid-19 second wave emerges in SA.

APP TRANSACTION VALUES
(Rbn)



We are proud that Nedbank won various awards at the prestigious Global Banking and Finance Awards for Excellence 2020 in recognition of the progress made and its 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 (Nedbank Money app) in SA for the second year in a row, Best Retail Bank in SA and CIO of the year in SA. Our TOM 1.0 optimisation programme recorded additional savings of R675m in 2020, translating to cumulative savings of R1,8bn to end 2020, ahead of our R1,2bn target by December 2020.

CREATING POSITIVE IMPACTS

Our long-term sustainability and success are contingent on the degree to which we deliver value to society. We continue to play an important role in society and in the economy, and this role has been elevated during the Covid-19 crisis as we actively engaged with the government and regulators in numerous health and economic interventions through BASA, Business Leadership SA and Business Unity SA (including Business4SA). As a purpose-driven organisation, our long-term sustainability journey continues. Our focus remains on increasing the percentage of our lending and investment that contributes to sustainable socioeconomic development and delivery on the United Nations SDGs and we published our first TCFD Report as part of our integrated reporting suite in April 2021.

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 did not retrench any employees as a result of Covid-19 and paid special leave was introduced for employees who were unable to perform their duties but did not fall into the essential-services category, as well as for those in self-quarantine who were unable to perform their duties remotely.

Our transformation agenda continues to focus on black and female employees, and we are pleased that Nedbank retained a level 1 BBBEE contributor status for the third consecutive year in financial year 2020 under the Amended FSC.

> ‘Simply put, vaccination is the best economic policy any country can follow in 2021, but at the time of releasing this report, SA's vaccine progress has been disappointing.’

A REIMAGINED FUTURE

At Nedbank we continue to focus on the drivers of value creation and leveraging our strategic foundations that have been beneficial during the Covid-19 pandemic and will support delivery of our strategy. The Nedbank franchise is well positioned for growth, as reflected in our ‘Reimagine’ strategy, which includes delivering market-leading client solutions, exploring new revenue growth opportunities, unlocking value through our SPT 2.0 and TOM 2.0 initiatives, and creating positive impacts as we deliver on our purpose of using our financial expertise to do good for all our stakeholders.

On the back of our three-year economic forecasts from the Nedbank Group Economic Unit and our ‘Reimagine’ strategy we have revised our medium-term targets so that they reflect the current environment, and by the end of 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 in NPS among South African banks. We believe these targets have sufficient stretch to ensure they are suitably challenging and, in my experience, shareholders are better served by management setting challenging targets (even if they are not fully achieved) than by setting lowball targets that are easily met.

Based on our current forecasts the group expects HEPS and basic earnings per share for the six months to June 2021 to increase by more than 20% when compared to the six months ended 30 June 2020.

Given our improved outlook on the economy, we believe that delivery on the revised medium-term targets, along with the resumption of dividend payments from interim results in 2021, should result in significant shareholder value creation from current levels.

APPRECIATION

As we navigated the health, economic and social challenges associated with the Covid-19 pandemic in 2020, a key message stood out – as Nedbankers we are resilient and #StrongerTogether. Our employees' response to a once in a 100 years event has been incredibly inspiring. Nedbankers did everything they can to ensure that Nedbank not only withstood the tests that 2020 brought, but also supported our clients and the economy. We really are stronger together.

Thank you to the more than 28 000 Nedbank employees for continuing to observe the Covid-19 health protocols while diligently supporting our clients and the economy throughout this crisis. We extend our heartfelt condolences to the families, friends and communities of employees and clients who have succumbed to Covid-19 and related illnesses.

I would like to thank the Chairman, acting Chairman and the board for your continued counsel as we navigated the ups and downs of 2020 and on behalf of management to wish the Chairman a speedy recovery. Thank you to my executive team for your support and dedication as we successfully responded to the Covid-19 pandemic by quickly pivoting our strategy and making a difference in extraordinary circumstances. We thank all our 7,6 million retail and wholesale clients for embracing Nedbank as the Most Helpful Bank in Africa and SA during Covid-19. We appreciate the support of our shareholders as well as all other stakeholders during the crisis, in particular the excellent work done collectively by SARB, National Treasury and BASA.

As we look forward to a stronger 2021, Nedbank remains committed to delivering on our purpose of using our financial expertise to do good and to contribute to the well-being and growth of the societies in which we operate by creating and delivering value to our employees, clients, shareholders, regulators and society.

Mike Brown
Chief Executive

Our Group Executive Committee

The Nedbank Group Exco is a diverse and experienced management team that comprises the Chief Executive (CE), Chief Operating Officer (COO), Chief Financial Officer (CFO) and 10 other members of top management.

Executive directors

MIKE BROWN 54
CE
Exco member since:
17 June 2004
Appointed CE: March 2010
26 years' service at Nedbank

MFUNDO NKUHLU 54
COO
Exco member since:
1 December 2008
15 years' service at Nedbank

MIKE DAVIS 49
CFO
Exco member since:
1 January 2015
23 years' service at Nedbank

Our nine prioritised SDGs are allocated to Group Exco members who champion groupwide responses to the SDGs.

Refer to pages 87 and 88 for our progress on sustainable development finance.

Frontline MEs

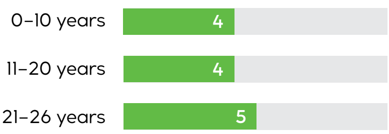
ANÉL BOSMAN 54
Group Managing Executive: CIB
Exco member since:
1 April 2020
18 years' service at Nedbank

CIKO THOMAS 52
Group Managing Executive: RBB
Exco member since:
18 January 2010
10 years' service at Nedbank

IOLANDA RUGGIERO 50
Group Managing Executive: Wealth
Exco member since:
1 May 2015
16 years' service at Nedbank

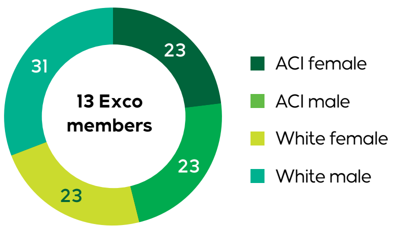
DR TERENCE SIBIYA 52
Group Managing Executive: NAR
Exco member since:
1 April 2020
8 years' service at Nedbank

GROUP EXCO TENURE AT NEDBANK
(Number of Exco members)

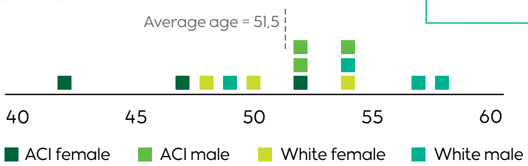


More than 200 years of combined service.

GROUP EXCO DEMOGRAPHICS
(%)



GROUP EXCO AGE[1]
(Years)



***Nedbank policy:** Group Exco members retire on reaching the age of 60.*

Shared services Group Executives

TREVOR ADAMS 58
Chief Risk Officer
Exco member since:
5 August 2009
23 years' service at Nedbank

DEB FULLER 48
Group Executive: Group HR
Exco member since:
25 June 2018
2 years' service at Nedbank

ANNA ISAAC 52
Group Chief Compliance Officer
Exco member since:
1 January 2019
22 years' service at Nedbank

PRIYA NAIDOO 47
Group Executive: Strategy
Exco member since:
1 January 2015
18 years' service at Nedbank

KHENSANI NOBANDA 42
Group Executive: Group Marketing and Corporate Affairs
Exco member since:
15 May 2018
2 years' service at Nedbank

FRED SWANEPOEL 57
Chief Information Officer
Exco member since:
1 November 2008
23 years' service at Nedbank

Group Exco changes during the year:

Additions: Anél Bosman (1 April 2020)
Dr Terence Sibiya (1 April 2020)
Change: Mike Davis CFO (1 October 2020)
Retirement: Brian Kennedy (31 March 2020)
Resignation: Raisibe Morathi (30 September 2020)

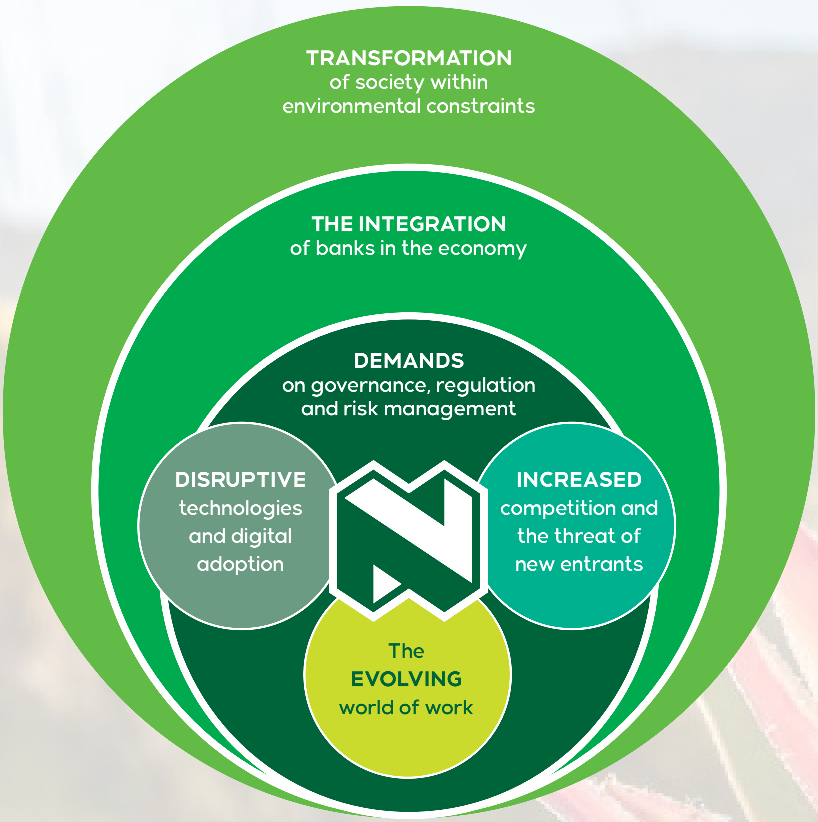
[1] *Age at 31 March 2021.*

Our operating environment

Covid-19 brought into sharp focus and exacerbated many of the fragilities embedded in our economy. While the environment remains volatile, uncertain, complex and ambiguous, the pandemic has helped us to clearly identify what is paramount in terms of societal well-being.

While many things have changed in the past year, the pandemic has reinforced the imperative to create a more equitable and prosperous future for all, while operating within planetary boundaries. Against this backdrop, we have identified the following material matters as the issues that have the greatest likelihood of affecting our ability to create sustained value for our stakeholders. While these issues do change over time, as our stakeholders' needs evolve and new trends and developments – like the pandemic – shape the macro environment, the broad themes remain consistent. These material matters include:

OUR MATERIAL MATTERS



DETERMINING OUR MATERIAL MATTERS

Identify
issues that have the potential to impact our earnings sustainability and create, preserve or erode value for our stakeholders.

Prioritise
those with the greatest relevance in our operating context as material matters.

Apply and validate
the material matters to inform our strategy and targets.

Assess
continually to ensure our strategy remains relevant.

TOP 12 RISKS

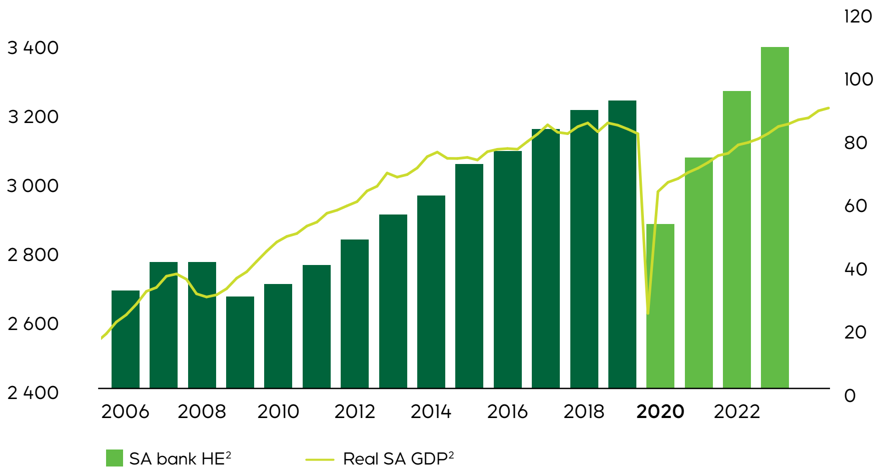
1. Business (global and country) risk
2. Credit risk
3. Strategic execution risk
4. Capital risk
5. Cyberrisk
6. Operational risk
7. Liquidity risk
8. Market risk
9. Reputational (and association) risk
10. Climate risk
11. Conduct risk
12. Regulatory and compliance risk

THE INTEGRATION OF BANKS IN THE ECONOMY

Banks are highly integrated into the economies where they operate – not only are our clients, both corporate and retail, active participants in the economy, but as banks we facilitate lending and investments, deposit-taking and transactions.

South African bank earnings are therefore correlated to South African GDP – the impact of economic recession during the global financial crisis in 2008/9 and also during the Covid-19 pandemic (great lockdown crisis) was evident in lower bank earnings in 2020, as shown in the graph alongside. For Nedbank this is highly relevant as we generate more than 90% of our earnings from SA and in 2020 we recorded a 56,5% decline in headline earnings to R5,4bn. Our ability to create and preserve value is dependent on key economic drivers, our response to them and their impact on our stakeholders.

SA BANK HE[1] VERSUS REAL SA GDP[2]
(Rbn)



[1] *Nedbank Group Economic Unit.*

[2] *IRESS combined forecasts for ABG, CPI, NED and SBK (5 March 2021).*

THE SOUTH AFRICAN MACROECONOMIC ENVIRONMENT

2020 was an unprecedented year 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 South African 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 into the second half of the year. In response to the economic crisis 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 banks. 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. Notwithstanding these challenges, the overall banking sector and Nedbank demonstrated strong levels of resilience and were able to support clients while remaining well capitalised, liquid, and profitable, albeit at levels lower than the prior year.

Scenarios for the short to medium term

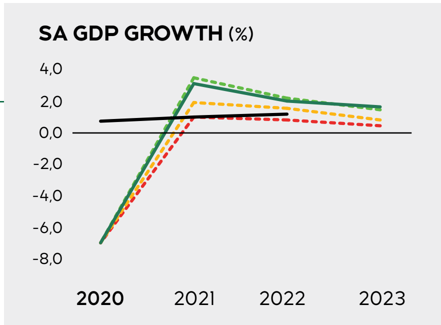
Looking forward, in an ongoing volatile and uncertain environment, we continue to assess the macroeconomic outlook by considering various scenarios.

Our base case scenario (completed in February 2021) represents the underlying assumptions used in our three-year business planning (2021 to 2023) that informs our short- and medium-term financial guidance and targets (shown on pages 75 and 51 respectively), stress testing and communication to the investment community. To illustrate the material change in macroeconomic conditions over the past 12 months, we also include our Nedbank Group Economic Unit's forecasts at January 2020 (prior to the great lockdown crisis) and it is clear that the Covid-19 pandemic and lockdowns have materially impacted key economic drivers. GDP growth, interest rates, credit growth and inflation are all lower than what we initially expected. We further present scenarios, illustrating both a better-than-expected potential outcome ('positive scenario') and two downside scenarios ('high stress' and 'severely adverse stress') to highlight that our capital levels are expected to remain sound, even in a severely adverse environment.

BASE CASE –
A SLOW CLIMB BACK TO 2019 LEVELS

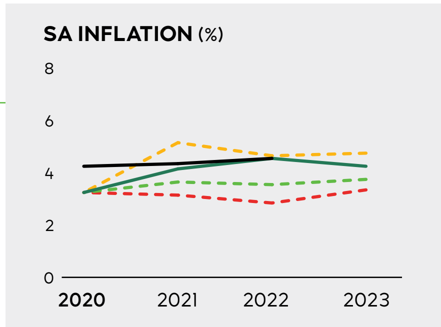
Covid-19 transmission rates remain steady in 2021 and the virus is effectively contained, with some regional flare-ups and lockdown levels not deteriorating beyond adjusted level 3. The vaccine rollout makes good progress by the end of 2021 and lockdown levels are eased during the year. The economic impact of Covid-19 lessens over time and the country adjusts to a new normal. The business environment improves significantly only in 2022. Inflation increases to just below 4% and industry-level credit growth hovers around 5% over the next few years. The prime interest rate remains flat at 7% in 2021 and increases by 50 bps in early 2022.

NEDBANK CET1 RATIO:
10–12%



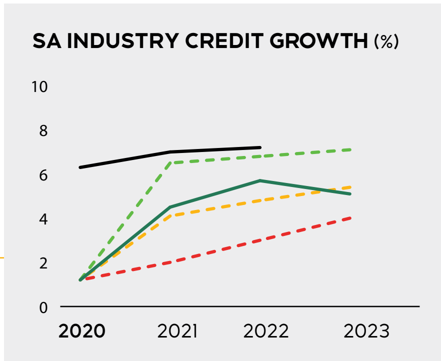
POSITIVE SCENARIO –
V-SHAPED RECESSION

The spread of the virus is slower and the vaccine rollout somewhat faster, leading to the virus largely being defeated in 2021. When new infections are detected, transmissions are effectively halted as society is largely compliant. SA moves to lockdown level zero in H1 2021. The economy still operates under sub-optimal levels given ongoing impacts on areas such as tourism, which recovers in 2022. Inflation increases to just below 4% and industry credit growth increases to around 6%. The prime interest rate remains flat at 7% over the next three years.



NEDBANK CET1 RATIO:
10–12%

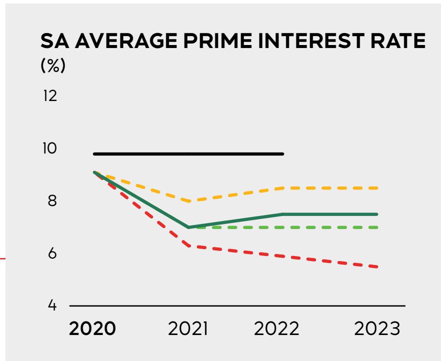
Base case (January 2020) | Base case (February 2021) | Positive | High stress | Severely adverse



NEDBANK CET1 RATIO:
10–12%

HIGH STRESS SCENARIO –
LONG-TERM STAGNATION

Regular virus infection flare-ups occur throughout 2021 and a large-scale vaccine rollout is delayed to late 2021. Lockdowns are eased but localised lockdowns continue at adjusted level 3. While key lessons are learnt, responses are still biased to overregulation. Business operations continue to be interrupted and productivity levels reduced. Inflation rises to around 5% and industry-level credit growth slows to around 3% to 4%, while the prime rate increases by more than 1% during 2021 and 2022.



NEDBANK CET1 RATIO:
> 9,25%

SEVERELY ADVERSE SCENARIO –
DEFLATIONARY ENVIRONMENT

The world economy enters a deflationary cycle and domestic inflation decelerates dramatically. Covid-19 remains a threat throughout 2021 as civic compliance fades, resulting in multiple waves of infections, which cause permanent damage to some sectors such as aviation, hospitality and entertainment. Lockdown levels deteriorate beyond level 3. Locally, unemployment spikes, poverty increases, incomes continue to decline in 2021 and a plunge in fixed investment results in declines in corporate credit demand. Interest rates decline further, and credit growth declines to around 3%.

Under all scenarios, Nedbank Group remains profitable and CET1 remains well above the regulatory minimum of 7,5%.

CHANGING RELATIONSHIPS BETWEEN BUSINESS, GOVERNMENT, LABOUR AND CIVIL SOCIETY

With the onset of Covid-19, the concept of a social compact among all roleplayers, including business, labour, government and civil society, has been revived to envisage a new South African economy as we strive to 'build back better'.

Covid-19 represented a severe and unexpected shock to an already strained South African economy. As outlined in the 'Social Compact on Economic Recovery', agreed to by government, business, labour and civil society, at the National Economic Development and Labour Council (Nedlac) in 2020, SA is now 'on the threshold of an important opportunity to imaginatively, and with unity of purpose, reshape its economic landscape as it confronts the devastating effects of Covid-19'.

In October 2020 President Cyril Ramaphosa announced the 'Economic Reconstruction and Recovery Plan' which incorporates the 'Social Compact on Economic Recovery'. The plan sets out eight priority interventions that together should improve the underlying investment environment, faster economic growth and unlock job creation.

Infrastructure investment	**Energy security**	**Presidential employment stimulus**	**Strategic localisation, industrialisation and export promotion**
Tourism recovery and growth	**The green economy**	**Food security**	**Gender equality and economic inclusion**

Implementation of the plan will require that government collaborates with all social partners. Encouragingly, some elements of the plan have already been implemented, including delivering on three of the sector master plans to ensure renewed support to grow South African businesses. Additionally, in December 2020 government and its social partners signed the historic Eskom Social Compact, which outlines the necessary actions that SA must take, collectively and as individual constituencies, to meet the country's energy needs now and into the future. A number of regulatory reforms giving effect to the plan have also already been published, including the proposed amendments to Regulation 28 of the Pension Funds Act, which will increase investment by pension funds in government-led infrastructure development, and the Preservation and Development of Agricultural Land Bill, which protects agricultural land for food production, fuel and fibre and addresses the threat to national and household food security.

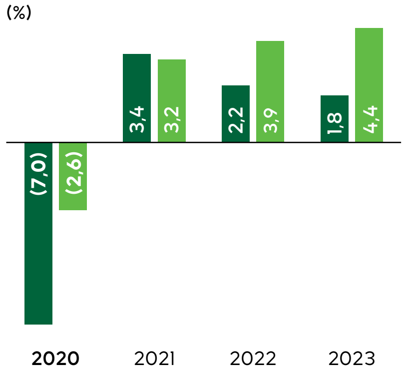
Nedbank supports government's drive to forge a new economy and will continue to work together with government and other social partners to drive fundamental and everlasting change to enable SA to emerge from the current crisis with a higher growth and more transformed economy.

LONG-TERM GROWTH OPPORTUNITIES VS SHORT-TERM VOLATILITY IN THE REST OF AFRICA

Sub-Saharan Africa (SSA) is considered to be an attractive long-term investment region, fuelled by its strong economic growth potential.

Strong population growth, a long-term rise in the middle-class population, urbanisation trends, increasing technology usage, abundant natural resources and the conclusion of the African Continental Free Trade Agreement (AfCFTA) are key drivers for investments in SSA and will create opportunities for banks. Banking penetration still remains relatively low in many African countries, creating an opportunity for established banks from well-developed financial markets to grow. Many markets in SSA, however, do come with increased risk, such as resource dependency, political instability and currency volatility.

SA GDP VS SSA GDP (INCLUDING SA) GROWTH
(%)



■ SA GDP growth

■ SSA GDP growth (including SA)

Sources: Nedbank and IMF. Forecasts at February 2021.

Similar to SA, governments across Africa implemented various emergency measures to curb the spread of the Covid-19 pandemic. The GDP decline for SSA in 2020 was estimated at 2,6%, indicating that the impact of the Covid-19 pandemic was less severe than what was experienced in SA. In SSA most countries are likely to emerge from the crisis with large budget deficits, however the new AfCFTA will serve as a framework for the region's economic recovery and a World Bank report estimates regional income could, over time, receive a US$450bn boost. In the short term, the IMF expects a muted recovery in SSA, with growth forecast to rebound by 3,2% in 2021.

In the SADC, where Nedbank operates, the economy of Zimbabwe will continue to be challenging, given hyperinflationary conditions, while Mozambique has significant growth potential in the long term, given gas exploration possibilities but recent violence is concerning. Other SADC countries closer to SA are expected to recover in line with SA's economic prospects. Key markets in which ETI operates, such as Ghana and Côte d'Ivoire, should see some improvement, but operating conditions in Nigeria remain challenging from both an economic and a regulatory perspective.

OUR OPPORTUNITIES

South African economic recovery – An improvement in socioeconomic conditions, under both 'base case' and 'positive' scenarios, supports banks. Opportunities include improving sentiment and confidence driving higher levels of corporate and consumer spending and investment, growth in infrastructure and an increase in mergers and acquisitions activity. Given Nedbank's wholesale-banking strength and support of the South African infrastructure drive, we are well positioned in CIB to grow strongly when business confidence returns, while RBB will gain from improved consumer confidence. Better-than-expected macroeconomic conditions as described in our 'positive' scenario could assist a financial outperformance against our financial targets shown on pages 51 and 75.

Growth and expansion into Africa – The ongoing opportunity for us is to support our South African clients who continue to expand into faster-growing markets in Africa, leveraging SA's position as the gateway to Africa and using the unique expertise in CIB and that of our partner, Ecobank. On the back of ongoing investment, our NAR business will continue to strengthen its positioning in SADC markets.

Focusing on areas that create value (SPT 2.0) **Creating positive impacts**

OUR KEY RISKS

South African economic recovery – For banks an ongoing uncertain economic environment would have a negative impact on earnings growth potential under a 'severe deflation' scenario. Key risks include slower advances growth, particularly muted retail lending and corporates not investing, lower interest rates (endowment impact), lower transactional volumes that impact revenue growth, and bad debts remaining elevated as a result of job losses and corporate defaults. Managing costs wisely is an imperative, as we discuss on page 61. Managing business, liquidity, credit and capital risk remains a key focus area, as is evident in how we managed risk (see more on pages 47 and 48).

1 Business (global and country) risk **4 Capital risk** **8 Market risk**
2 Credit risk **7 Liquidity risk** **9 Reputational (and association) risk**

THE IMPACT ON OUR BUSINESS MODEL

In a difficult macroeconomic environment, we are accelerating delivery of digital innovations (intellectual capital) and the drive for greater levels of digital sales and service to improve client satisfaction levels (social capital) through market-leading client solutions, exploring new revenue streams beyond banking (ecosystems and disruptive CVPs), focusing on the areas that create value (SPT 2.0) and extracting operating efficiencies (TOM 2.0). The behavioural outcomes of the Covid-19 pandemic are already evident in increased levels of digital adoption and the promotion of greater levels of flexible work practices by our employees (human capital). Expansion into Africa remains a longer-term opportunity, but we are increasingly looking to leverage our capabilities (human, intellectual and manufactured capital) in SA to improve the performance of our SADC operations.

TRANSFORMATION OF SOCIETY WITHIN ENVIRONMENTAL CONSTRAINTS

The 2021 World Economic Forum Global Risks Report highlights that if environmental considerations are not tackled with urgency, environmental degradation will intersect with societal division with dire consequences. For us this means ensuring that socioeconomic development needs are met, without further eroding the environment, biodiversity and related ecosystems needed to make that future prosperity possible.

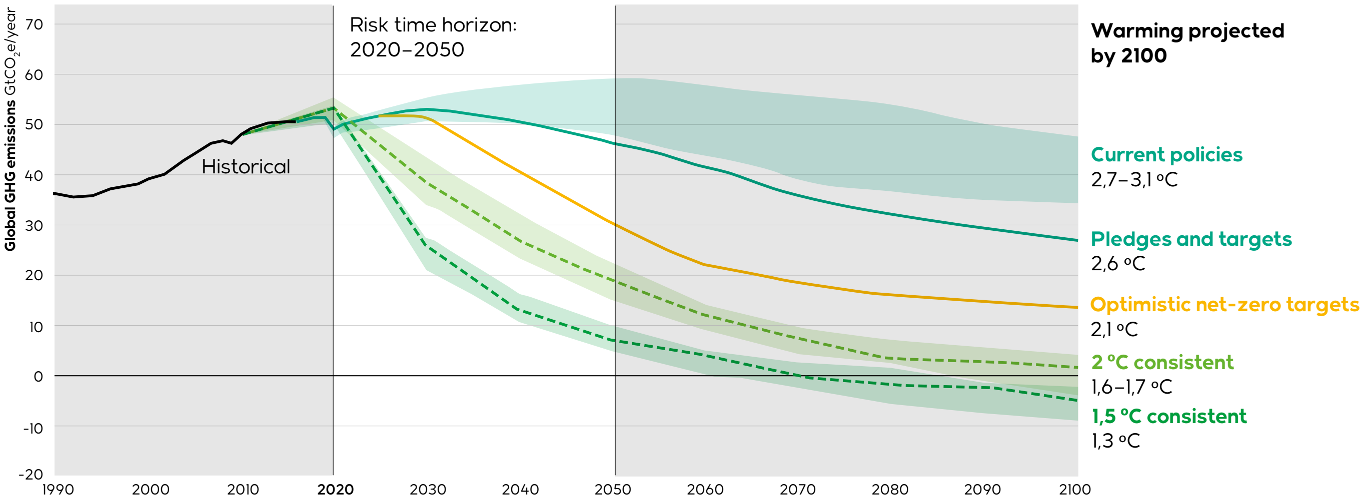
Despite global CO_2 emissions falling by an estimated 7–9% in the first half of 2020, given the Covid-19 enforced economic shutdown, a similar decrease is required annually for at least the next decade to maintain the progress needed to limit dangerous global warming and avoid the worst impacts of climate change. Importantly, the impact of the economic shutdown on jobs and societal well-being undermines much of the progress made in prior years. This is particularly evident in countries with poor social support structures, as is the case on most of the African continent with the equality divide ever widening. The call to 'build back better' is one that must be heeded, within environmental constraints and with more equitable societal outcomes as key foundational principles for all stakeholders.

It is predicted that southern Africa could experience temperature increases of more than double the global average. That means it is essential for everyone who calls Africa home to do whatever they can to hold the temperature rise to between 1,5 ºC and 2 ºC above pre-industrial levels, as stipulated by the Paris Agreement.

Marking just 10 years until the SDGs are to be achieved, 2020 stood as a stark reminder of the fact that time is running out for the planet and its people. The success of this transformation journey depends entirely on strong and committed leadership, a desire to cooperate rather than compete, and a willingness by businesses, governments and individuals to reject short-term gratification that detracts from the long-term investment needed to create the future we all want and need.

EMISSIONS TRAJECTORIES AND WARMING PROJECTIONS BY 2100

(%)



Source: Climate Action Tracker Warming Projections Global Update December 2020.

The significant role that the financial sector has to play in driving this transformation of society has become more apparent in the past 12 months. Financial services organisations touch every area of society, and have the ability to stop investing in harmful industry while speeding up the transition to a sustainable economy. Such approaches include radical acceleration in sustainable finance activity, deliberate and ordered divestment from fossil fuels, more aggressive decisions aligned with responsible investment and transparent disclosure and reporting aligned with TCFD.

Covid-19 and our natural world: An important lesson for mankind

The Covid-19 pandemic was not caused by climate change, but the two phenomena share a common origin – the prevailing mistaken belief that humanity is separate from, and somehow elevated above, the natural world in which it exists.

Nature is often viewed as subordinate to our economic machinery – little more than a source of materials and energy, and a sink for the waste we generate. In reality, our survival as a species depends absolutely on the healthy and proper functioning of the world's natural systems. And of all the lessons that Covid-19 taught mankind, this dependence on the natural systems we take so for granted, and abuse so easily, must be the most important and valuable.

The main impacts of both Covid-19 and climate change are delivered not directly through the events themselves, but through the reaction of our social, political, and economic systems to these events. Our response to Covid-19 forced us to recognise that this was not an external challenge that exists outside of our human endeavours; and climate change and the decimation of earth's natural resources and biodiversity are no different. These are not 'environmental problems', they are human problems. As such, they require humans to be the solution.

Our relentless consumption of the natural world is destroying the conditions that make human progress and the benefits of advanced civilisation possible. Our prospects as a species will be greatly diminished if we continue this way. Fundamental changes are now mandatory, beginning with mindsets and beliefs that underpin our collective behaviours.

Source: Adapted from the Nedbank Climate Guide (nedbankgroup.co.za).

OUR OPPORTUNITIES

The SDGs – The use of innovative financial solutions to meet clients' needs as they relate to the SDGs represents a significant opportunity. We have positioned supporting the SDGs at the heart of our strategy, using this to create an enduring competitive advantage. As we continue to build insights and capabilities, we will be able to manage climate-change-related risks proactively and develop new solutions to assist our clients to prepare for the future.

Focusing on areas that create value (SPT 2.0)

Creating positive impacts

OUR KEY RISKS

Climate change – The impacts of climate change include: more natural disasters and increased costs to rebuild (or retrofit) infrastructure where required; increased energy costs, water shortages and quality issues; and increased food prices and shortages. Extreme weather events impact clients and ultimately insurers through higher claims. The imperative to protect essential ecosystem services provided by our environment, amid growing social and political pressure, leads to certain industries becoming less viable, resulting in potential job losses.

1 **Business (global and country) risk** **10** **Climate risk**

9 **Reputational (and association) risk**

THE IMPACT ON OUR BUSINESS MODEL

Globally 2020 tied with 2016 as the warmest on record, a signal of the increasing impact of climate change on the planet. With the majority of Nedbank's business generated on African shores, our geographic positioning makes us, and our clients, particularly vulnerable to the negative impacts of climate change.

As such, we are increasingly allocating financial capital and selectively tilting financing decisions to support the delivery of the SDGs (social capital), through our strategic unlocks: SPT 2.0 and creating a positive impact, thereby growing in certain products and market segments over time. Our new energy policy (intellectual and natural capital) focuses on reducing support for carbon-intensive industries (wastage and value erosion) over time and increasing our focus on renewable-energy solutions (creating value).

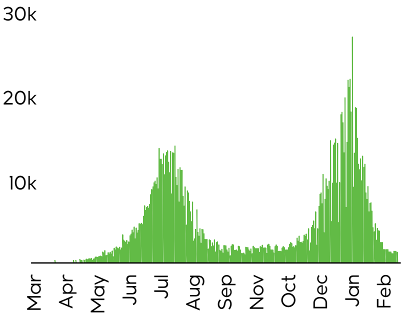
Read more about this on pages 64 and 65 and in our inaugural TCDF Report available at nedbankgroup.co.za.

THE EVOLVING WORLD OF WORK

In SA the Covid-19 pandemic quickly turned, as it did globally, from a health crisis to an economic crisis to a social crisis. SA's unsustainably high unemployment levels increased even further with the country's weak fiscal position preventing any material long-term increase in the cost of the social safety net.

After a second wave of infections from December 2020, the good news on the health front was that new daily infections had decreased to enable a return to lockdown level 1 in late February 2021, but we remain wary of a third wave of infections during the coming winter months and are tracking closely the progress being made on vaccine rollouts. Simply put, vaccination is the best economic policy any country can follow in 2021.

SA CONFIRMED DAILY POSITIVE CASES
(Number)



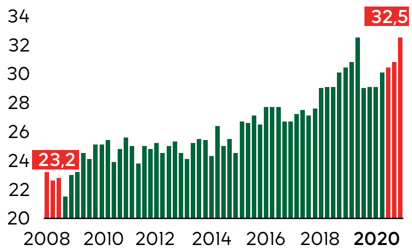
Source: sacoronavirus.co.za.

The Covid-19 pandemic also impacted how business is conducted, what clients and employees expect and where and how employees work. Business operations and people practices continue to be adapted during unprecedented levels of uncertainty about the future, which accelerates the pace of digital transformation.

A large proportion of the global workforce is currently working remotely and hybrid working models (working from home and on-site) are likely to become the norm. A more virtual, dispersed workforce challenges leaders to lead large-scale change and motivate employees remotely. The new world of work demands a more agile organisational design with flatter structures and distributed decision-making. In the future, companies are expected to have a leaner permanent workforce and an increased flexible workforce, while adding more bots to the expanded definition of 'who' makes up the workforce. Workspaces will become increasingly more collaborative, enabling cross-functional teams to collaborate either physically or virtually, with a choice of enabling digital and creative tools.

The increased pace of change also heightens the constant demand for new skills, including AI, machine learning, robotics, design, complex problem-solving, analytical thinking and a range of interpersonal skills. Continuous self-directed learning is therefore critical for employees to remain relevant in their roles. For organisations, existing skills gaps, coupled with an increase in immigration as a result of uncertainty and political and economic volatility, are likely to widen SA's growing skills shortage. Companies are under pressure to attract, grow and retain top talent. Furthermore, SA's unemployment rate reached an unprecedented 32,5% during Q4 2020.

SA UNEMPLOYMENT RATE
(%)



Source: Nedbank Group Economic Unit.

OUR OPPORTUNITIES

The evolving world of work – At Nedbank we embrace the change and the following propositions are being implemented:

- repurposing our real estate towards the workplace of the future, together with a world-class digital workplace experience, irrespective of where and when work is performed;
- creating an internal talent marketplace approach, supported by new digital learning offerings to grow and mobilise talent internally, while ensuring a steady supply of scarce and critical skills when needed;
- expanding our well-being value proposition to cater for employee needs more holistically as well as an improved support experience; and
- providing remote working options to access diverse talent, especially from underrepresented groups, or for scarce skills that are unavailable locally. Leading a more virtual, dispersed workforce requires new leadership capabilities. The 2021 launch of the Nedbank Human-centred Leadership Framework will be supported by a refreshed leadership development approach to empower leaders to #LeadTheDifference. See more detail on our people strategy on pages 66 and 67.

Driving efficient execution (TOM 2.0) **Creating positive impacts**

OUR KEY RISKS

Skill shortages – The demand for scarce and critical skills escalates as digital transformation continues to transform talent and skills required for the future. A 'buy' talent strategy will be supported by a predominant 'build' strategy towards developing sustainable internal talent pipelines.

The evolving world of work – Assumptions around a 'post-pandemic' workplace are largely untested and practices will evolve to guide our investment decisions, while improving employee experiences, irrespective of where and when work is performed.

Employee stress, health and safety – The intensifying pace of change in the workplace, coupled with social and economic distress in our society brought about by the Covid-19 pandemic, means that employee stress and mental, physical and financial health concerns have increased. There is also a growing agenda around safety in the workplace. This poses a risk to employee engagement and productivity. Read more on how we supported our employees during these challenging times on page 81 .

3 Strategic execution risk **6 Operational risk**

The impact on our business model

Within the context of the evolving world of work, we seek to develop innovative people practices, driving engagement and productivity as many of our employees are enabled to work remotely.

DISRUPTIVE TECHNOLOGIES AND DIGITAL ADOPTION

The world has become increasingly digitised and all industries are feeling the impact of the pervasiveness of technology. Financial institutions have seen leading indicators of this revolution as it changed various aspects of providing financial services while creating new opportunities – from digitisation of financial services, enhanced client experiences and new products and channels, to evolving organisational structures and internal processes, as well as new staffing and skills requirements, and enabling people increasingly to work remotely. The Covid-19 pandemic has accelerated digital adoption to mitigate the impact of reduced mobility.

Acceleration of digitisation

As we have noted in prior reports, the digitisation of financial services includes embracing and leveraging mobile technology, fintech partnerships, cloud computing, big data, advanced analytics, machine learning, blockchain technology, AI, robotics and biometrics in the optimisation of legacy IT infrastructure as well as in the pursuit of new revenue channels and opportunities. Banks (which have both the scale and position of trust with clients) are increasingly partnering with fintechs, enabling faster delivery of new innovations.

In SA and in Africa, internet and smartphone penetration remains low and below that of both developed markets and emerging markets such as Russia, China, Brazil and Turkey, while cellphone penetration is higher. As penetration increases over the next few years, driven by increased bandwidth, a reduction in data costs and the introduction of more affordable smartphones, usage of digital banking products and services should increase.

SA ranks among some of most expensive countries regarding mobile data in Africa, based on a report by Cable.co.uk (a UK price comparison website). SA, where the average price of 1 GB is R88 or US$4,30, ranked 148 out of 228 countries, much more expensive than other parts of Africa, including Nigeria (58th), Kenya (41st), Tanzania (23rd) and Rwanda (64th). These costs need to be reduced further, particularly for the entry-level and underbanked population, to enable greater adoption of digital solutions.

Cyberrisk

The dark side of the global technology revolution is that financial crime has increased dramatically, evidenced by the increase in the number, intensity and sophistication of high-profile cyberattacks. These attacks are usually aimed at accessing, changing or destroying sensitive information, extorting money from users or interrupting normal business processes. Banks have become attractive targets for cyberattacks because of their key role in payment and settlement systems, the volume of sensitive client information they hold and the potentially adverse impact of interfering with the smooth functioning of banking services.

The following industry trends are illustrative of the challenges:

- Remote workers will continue to be a target for cybercriminals.
- As a result of 5G increasing the bandwidth, connected devices will become more vulnerable to cyberattacks.
- 95% of cybersecurity breaches are caused by human error.
- Spear phishing attempts will continue, as seen in the 88% of organisations worldwide that experienced these attacks in the past few years.
- Data breaches exposed 36 billion records globally in the first half of 2020.
- A total of 86% of breaches globally was financially motivated and 10% was motivated by espionage.

OUR OPPORTUNITIES

Revenue growth and cost optimisation – Opportunities for Nedbank include continuing to enhance our client experiences (social capital) through disruptive technologies and digital adoption, thereby meeting our goal of leading in NPS, gaining client transactional volumes and revenue (SPT 2.0) and improving efficiency through technology (lower cost to serve), as well as TOM 2.0. In 2021 we will continue to expand our client propositions beyond banking, build on foundations put in place, such as APIs, and learnings from our existing ecosystem plays, such as Avo.

- **Delivering market-leading client solutions**
- **Ongoing disruptive market activities**
- **Focusing on areas that create value (SPT 2.0)**
- **Driving efficient execution (TOM 2.0)**

OUR KEY RISKS

Cyberrisk – Since 2016 cyberrisk has been identified as a top risk and it has become more important given the digitisation of products and services, ranking at number five of our current top 12 risks.

3 Strategic execution risk
6 Operational risk
5 Cyberrisk

The impact on our business model

Digital transformation is fundamentally changing the way we do business, from client onboarding and product sales to servicing. We are moving away from paper-intensive, predominantly employee-assisted channels (manufactured capital) to more effective and cost-efficient digital solutions (intellectual capital) that also drive improved levels of client satisfaction (social capital). Internally, more than 75% of our campus-based employees have been enabled to work from home (human capital) and many of these new work practices are likely to continue post the pandemic, resulting in a new work from home policy. Read more about this on pages 67, 69 and 81.

INCREASED COMPETITION AND THREAT OF NEW ENTRANTS

Competitors in the banking sector have evolved over time to include new entrants, fintech disruptors and big-tech disruptors that seek to challenge the incumbents. These disruptors are revolutionising the banking experience for clients, but many have battled to scale and achieve financial sustainability.

While many fintech players have found it hard to scale and are increasingly partnering with traditional banks, big-tech disruptors such as Google, Amazon, Facebook, Apple, Microsoft, Alibaba and Tencent have the financial muscle, as well as the ability to scale, and are therefore arguably a greater threat to traditional banks. Recently regulators have become concerned around the potential dominance of these large platforms, and new laws, regulations and oversight are being implemented.

Disruptors usually start small, creating solutions that serve an unserved market or client need. However, while disruptors or challengers may be more innovative and agile, incumbents do have large advantages of their own. These include a history and a track record, existing scale benefits, established and strong brands, significant data sets, intellectual property and annuity cashflows to fund innovations at a scale that smaller fintechs do not have. Incumbents that do not respond fast enough get disrupted.

The past few years saw the launch of value propositions by various new entrants in the South African banking system. SARB has granted banking licences to Discovery Bank, TymeBank, Postbank and Bank Zero. In addition, insurers and telecommunication providers are expanding into attractive banking profit pools. Some players focus primarily on transactional services and deposits and they are challenging existing banks with innovative digital solutions.

In some instances, the Covid-19 pandemic has delayed the rollout of new value propositions and in some cases new entrants have scaled back their ambitions as the macroeconomic environment has impacted anticipated break-even time horizons. Capitec remains the most successful and aggressive of the so-called new competitors. For the balance, while growth has been strong off a low base, main-banked client penetration and deposit market share gains remain low.

OUR OPPORTUNITIES

Accelerating innovation in a client-centred manner – Competition continues to challenge us to respond through new innovative solutions and market-leading client experiences. Our response has been pleasing, as evident in recent client satisfaction metrics and main-banked market share statistics as shown on pages 52 to 60. Investment in expansion opportunities for the commercialisation of data, adjacent markets and beyond-banking solutions has accelerated and we plan to build on Avo, our super app and first foray into platform/ecosystem solutions. More on this on pages 61 to 63.

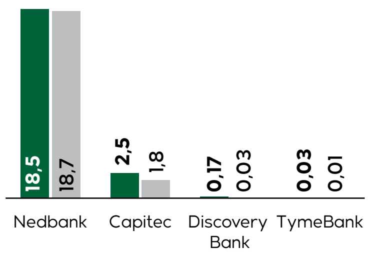
- **Delivering market-leading client solutions**
- **Focusing on areas that create value (SPT 2.0)**
- **Driving efficient execution (TOM 2.0)**

OUR KEY RISKS

Pressure on revenues – A loss of market share of certain deposits and pressure on revenue pools, brought about by lower bank fees, are key risks should our client value propositions not remain competitive or digital banking solutions become a commodity. We are responding to these risks through our growth strategies (as shown on pages 58 to 60), as well as executing our cost optimisation initiatives through TOM 2.0, discussed in more detail on pages 61 to 63.

3 Strategic execution risk **6 Operational risk**

DEPOSIT MARKET SHARE – 2020 VS 2019
(%)



With the Covid-19 pandemic playing a big role in how clients prefer to interact with banks and merchants and seeking alternative methods of paying for goods while limiting physical contact, Nedbank is among the first South African banks to provide our clients with the Apple Pay service recently launched in SA. Apple Pay is a secure, contactless and private method of payment, re-affirming our commitment of meeting the needs of our clients by providing them with convenient ways to pay while still earning Greenbacks with every payment. The integration of the Apple Pay service (from a big-tech player) follows on from Nedbank partnering with fintechs such as Entersekt and Karri.

DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

As one of the largest black-swan events in recent decades, the scale of the Covid-19 pandemic meant that the regulatory environment was thrown into an unprecedented and unpredictable storm as regulators and governments across the world looked to introduce emergency regulations and policies to manage the impact of the pandemic on lives and livelihoods. In SA alone, a total of 1 523 new regulatory instruments impacting financial institutions were published in 2020 – this constituted an increase of approximately 60% from 2019.

The South African banking industry managed the Covid-19 pandemic without introducing any systemic risk. This is evidence of the adoption of world-class risk practices, compliance with regulatory requirements and the presence of a strong local regulator. South African banks worked closely with the government, regulators and BASA to mitigate the risks of Covid-19 and the associated lockdowns on the economy, and ensured the safety and soundness of the South African banking system through good liquidity management, payment relief for qualifying clients and a focus on capital. All listed South African banks, including Nedbank, reported capital and liquidity ratios well above regulatory minima. Read more about Nedbank's performance and the actions of the industry to manage the crisis on page 86.

Looking ahead, South African lawmakers are moving forward with proposed regulatory instruments that will impact Nedbank, including the following:

- **Environment** – The Climate Change Bill will likely come into force in 2021, leading to regulations that will govern both the carbon budget system as well as mitigation plans (currently known as pollution prevention plans).
- **Property** – Land reform will remain a topical issue. The proposed amendment to section 25 of the Constitution, and the Expropriation Bill, may come into force in 2021. Key issues that will impact banks include uncertainty in relation to the security of bondholders.
- **Workplace** – The Employment Equity Amendment Bill allows for the Minister of Employment and Labour to establish sectoral numerical targets without prior consultation. Failure to comply with the predetermined employment equity targets could preclude banks from access to government work.
- **Open finance and the digital economy** – New open-finance regulation is expected in 2021. This will impact banks' technology and digital strategies, including the treatment of client data and access to such data by third-party fintechs and insurtechs.
- **FSCA** – The FSCA has issued a number of draft regulatory instruments that seek to regulate the conduct of financial institutions in the South African market. These include the Conduct of Financial Institutions Bill (COFI) and the draft Conduct Standard for Banks (Conduct Standard).
- **Resolution Regime** – The National Treasury and SARB have released the Financial Sector Laws Amendment Bill, which, once promulgated, will give effect to the Resolution Framework. As part of this a Deposit Insurance Scheme (DIS) will be created, which will collect deposit insurance levies and deposit insurance premiums. In addition, first-loss-after-capital (FLAC) debt instruments would be introduced in the future, but only after SARB has finalised its feasibility assessment relating to the introduction of bail in debt instruments designed to recapitalise a bank-in resolution. The costs associated with DIS may be incurred from as early as H2 2021 and lead to additional growth in expenses.

- **Basel III reforms** – Basel III reforms announced in December 2017 include placing a floor on certain model outputs for portfolios subject to the AIRB approach; introducing new credit RWA calculation rules for portfolios subject to the standardised approach; using a new standardised approach for the calculation of credit valuation adjustment and operational RWAs; and setting a floor on the group RWAs equal to 72,5% of RWAs calculated on a revised standardised approach. The capital floors' effective date is 2022, but Nedbank will see the full impact only in 2026. As these Basel III reforms have yet to be converted into national law, there is still uncertainty regarding the interpretation of some of the rules, such that reliable impact estimates in SA are not yet available and have been delayed in light of the Covid-19 crisis.
- **Mandatory Audit Firm Rotation** – The Independent Regulatory Board for Auditors' (IRBA's) Mandatory Audit Firm Rotation (MAFR) rules are effective from 1 April 2023, requiring that if a firm has served as an appointed auditor for 10 or more consecutive financial years before the financial year starting on or after 1 April 2023, then the audit firm may not accept reappointment as auditor. Nedbank has put plans in place to ensure compliance with this rule.

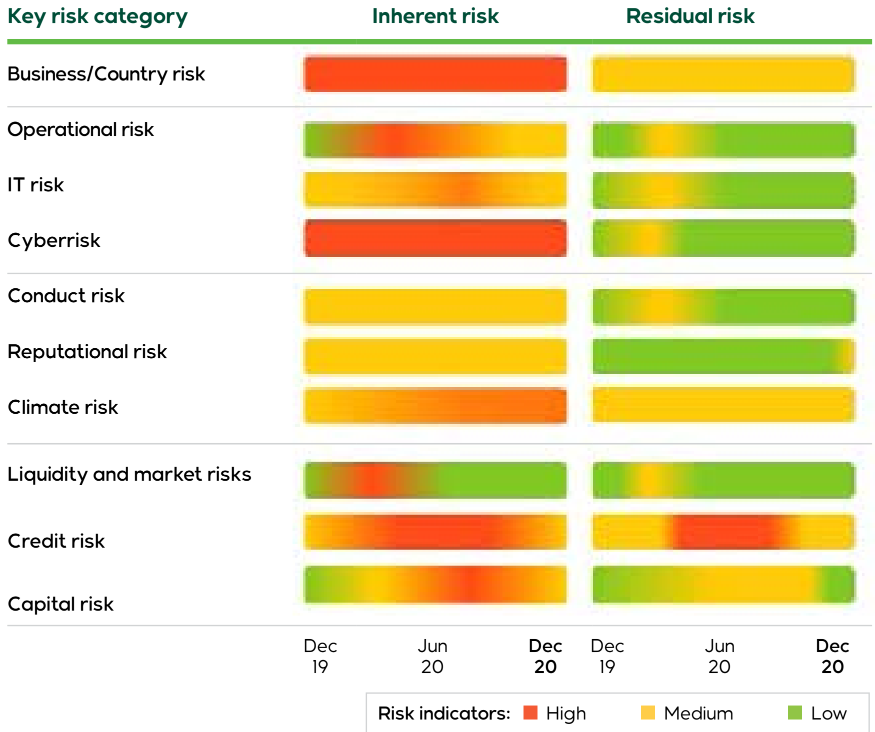
Managing risk strategically

In recent years Nedbank's risk universe expanded greatly to include emerging risks such as cybersecurity, data loss and privacy, and climate change. We also had to meet increasingly stringent regulatory requirements.

In 2020 the once in a 100 years black-swan event brought about an economic, health and social crisis that far exceeded the 2008–2010 global financial crisis in scope and impact. Credit, liquidity, market and capital risks were once again key focus areas during this crisis. In addition, the unprecedented level of change increased our strategic execution risk and geopolitical risk. The overall state of our risk management, balance sheet management, internal control environment and risk culture has been exceptional, and remains sound and robust. We strive for agile but responsible, accountable and effective governance and risk management, while managing risks associated with our external environment and material matters.

How our key risks evolved during the crisis

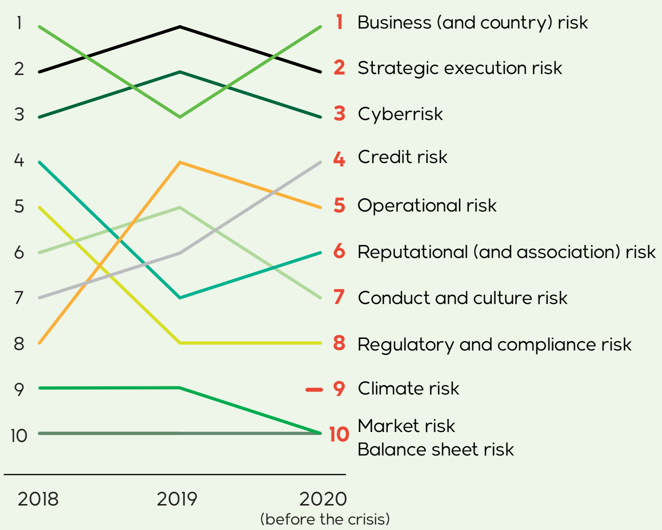
Business (and country) risk was number one on our top 12 risks and was driven by external factors such as Covid-19, local macroeconomic and political risks, and the unprecedented level of change underpinned by the Fourth Industrial Revolution. This has heightened inherent risk across the entire risk universe, with high levels of stress during Q2 2020 across operational, liquidity, market and credit risks. Many of these risks normalised towards the end of 2020. However, residual risk, or the net risk outcomes internally at Nedbank, were very favourable and we ended 2020 with a much-improved outlook than was the case at June 2020.



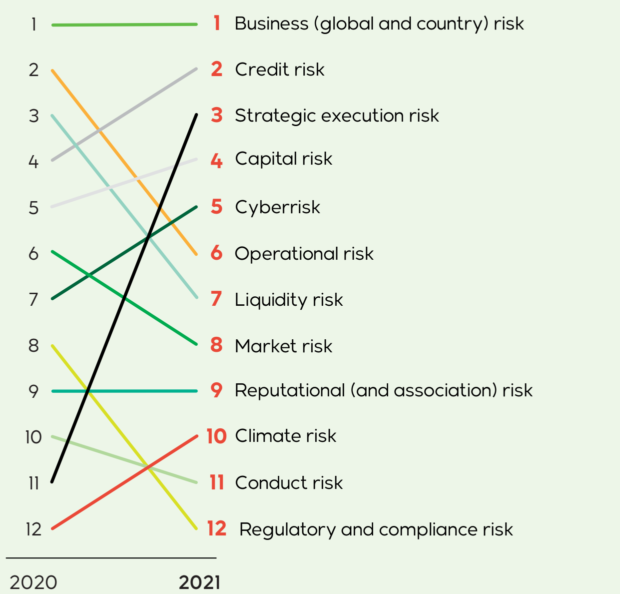
Nedbank's top 12 risks

Although the uncertainty and volatility brought on by Covid-19 is unprecedented, we have demonstrated our organisational resilience and management of abnormal risks. Successfully taking advantage of the unique opportunities that arise is of paramount importance. Our top 12 risks have been reassessed as we move from Covid-19 'Resilience' in 2020 to 'Reimagine' in 2021, as outlined below.

TOP 10 RISKS: THREE-YEAR OVERVIEW



TOP 12 RISKS: UPDATED FOR IMPACT OF COVID-19 CRISIS



TOP 12 RISKS

1 Business (global and country) risk

Global optimism has increased as the rollout of the Covid-19 vaccines gains momentum amid potential easing of lockdowns in 2021. However, there remains a high degree of uncertainty regarding the pace and durability of the economic recovery in both advanced and emerging economies. In addition, geopolitical tensions, trade disputes and the future path of Covid-19 are key risks that could hamper global economic recovery.

The Covid-19 pandemic is likely to exacerbate SA's economic growth challenges, suggesting that a sustainable rebound in economic growth would be muted as shown in our scenarios on page 38. With the banking sector highly interlinked to economic activity, the sector saw the biggest impact in 2020, with a gradual recovery expected in 2021.

Our response

- Unlocking 'New normal opportunities', as described in our 'Reimagine' strategy from page 50.
- Focusing on 'Resilience' through the Covid-19 crisis, including our business continuity plans.
- Continuing with stress testing remains an integral part of our risk management and assists in assessing our position against different macroeconomic conditions.
- Remaining resilient, with capital buffers and liquidity positions (financial capital) well above regulatory required levels, as we show on page 73.

2 Credit risk

Credit has become a top risk in the wake of the Covid-19 crisis and the already adverse macroeconomic environment.

Our wholesale business experienced subdued credit demand due to ongoing uncertainty, slow economic growth and lack of demand, while our retail business experienced stronger demand on the back of interest rate reductions. Impairments increased significantly with the group's impairment charge increasing 114% to R13,1bn. The group's CLR ended 2020 at an all-time high of 161 bps (2019: 79 bps). This outcome is only marginally higher than at the peak of the global financial crisis in 2009, when the CLR was at 152 bps.

Our response

- Focusing on preventing undue/excessive credit concentration and large/unexpected losses by maintaining a diversified credit portfolio.
- Implementing SPT 2.0, as discussed on pages 58 to 60, to take advantage of opportunities identified, without compromising risk appetite.
- Continuing with the Covid-19 Credit Programme that was launched in April 2020 in response to the Covid-19 economic crisis.

3 Strategic execution risk

While execution of the 2020 strategic plans was under pressure during 2020 as a result of the lockdown restrictions, we have been highly resilient throughout the Covid-19 pandemic and pivoted our strategic focus, business operations and risk strategy successfully, considering the significant risks to primarily focus on the health and safety of our employees and the support and service of clients.

Our response

- Making good progress in innovation and digital solutions to introduce efficiencies and to be 'fit-for-purpose' as discussed in TOM 2.0 on pages 61 to 63.
- Updating SPT 2.0 targets in the 2021–2023 business plan.
- Timely execution/programme management.

4 Capital risk

The group remains well capitalised, despite the impact of Covid-19 with CET1, tier 1 and total capital ratios at year-end 2020 well within board-approved target ranges and above regulatory minima.

Our response

- Maintaining a sophisticated world-class ICAAP.
- Making ongoing enhancements, including stress and scenario testing, and RWA focus and optimisation.
- Ensuring that our capital adequacy is always maintained/preserved so we can support clients and withstand adverse impact from unexpected outcomes.

5 Cyberrisk

Cyberrisk remains inherently high. Our most important cyberrisks include loss of money and client data (at Nedbank or through a third party) as well as system downtime to the extent that transactions cannot be processed. Criminals continue to use Covid-19-themed social engineering attacks (phishing, vishing and smishing) and exploit remote-working vulnerabilities.

Ever-escalating cyberrisk exposure on the back of the Fourth Industrial Revolution and accelerated advances in technology, digital landscapes and interconnectedness have prompted a radically elevated focus on cyberrisk management.

To date, cyberrisk has been well managed, with no breaches to our defences.

Our response

- Continuing to focus on enhancing third-party/supplier practices and data loss protection.
- Evolving our approach to digitalisation and working from home in a 'new normal' context.
- Ensuring the resilience of our critical systems, platforms and infrastructures against disruptive cyberattacks.
- Continuing to drive employee awareness about potential cyber-related threats.

6 Operational risk

The exposure to operational risk is elevated as the organisation manages crisis measures implemented to limit the impact of Covid-19 and intermittent electricity supply interruptions. In addition, there is pressure on the IT environment as the demand for digital solutions and banking services has significantly increased due to Covid-19 and the new normal working arrangements.

Employee well-being also remains a key focus area as our people strategy responds to the updated context and supports organisational performance.

Our response

- Evolving our focus now on 'Organisational Resilience', and the new emerging IT/digital risks.
- Remaining committed to the safety, health and well-being of our employees as utmost priority, and continuing to take significant measures to achieve this during the Covid-19 pandemic and potential future waves and planning for vaccine rollouts.

7 Liquidity risk

Liquidity and funding are the blood supply for banking and management thereof has advanced through time.

We remain compliant with all key liquidity ratios, and liquidity risk remained in great shape through the most challenging part of the crisis.

Our response

- Maintaining adequate liquidity ratios and buffers to navigate the group through a liquidity stress event successfully.
- Driving delivery of the SPT 2.0 strategy to ensure it translates into transactional deposits gains through targeted and responsible growth in selected assets and thereby an uplift in transactional banking generally.

8 Market risk

Covid-19 has caused an unprecedented impact on both local and global financial markets. The speed and severity of market price movements were faster and deeper than those experienced during the 2008 global financial crisis. Dislocations occurred as markets, operating under stressful conditions, ceased to price assets correctly.

Financial markets remained weak for the remainder of the year and were driven by economic news related to the pandemic and prospects of the vaccine rollout.

Our response

- Monitoring and managing market risk appetite and related limits proactively.
- Ensuring our market risk governance structure and processes are sound and remain effective.

9 Reputational (and association) risk

Reputational risk remains heightened for banks in general due to:

- increased stakeholder expectations of banks, which have been exacerbated by Covid-19 and climate risk/change;
- continued focus on corruption, the Zondo Commission (and associated reputational risk of clients, suppliers and counterparties being implicated);
- the increased focus and regulation pertaining to banks' conduct standards; and
- the Fourth Industrial Revolution and the associated cyber- and people risks.

Stakeholder perceptions are being informed by our resilience and positive response to the Covid-19 environment.

Our response

- Ensuring reputational risk is aligned with the Reputational Risk Management Framework and following a robust risk governance process involving high-risk committees, the Group Reputational Risk Committee (Exco subcommittee), and the Directors' Affairs Committee (DAC) (board subcommittee) in accordance with a four-tier framework.
- Established supplementary governance structures to manage Covid-19-related risks and matters effectively.
- Ensuring that our response plan to reputational risk is being overseen by the Group Reputational Risk Committee and regulators are kept updated.

10 Climate risk

We adopted and disclosed our new energy policy.

We are committed to mitigating risks related to climate change that have significant implications for our clients, employees, suppliers, partners and the group itself.

As part of our journey as a purpose-led bank, we are committed to playing a leading role in addressing climate change in ways that are sensitive to the local structural economic challenges, development imperatives and climate vulnerability. We will continuously demonstrate this commitment through active involvement in how we operate, invest and lend.

The focus on climate-related risk continues with increased shareholder activism and more disclosure expected around banks' climate-related risk management.

Our response

- Further enhanced our governance with the finalisation of the CRMF, along with the establishment of the Group Climate Resilience Committee (GCRC) and executive committees. The Climate Risk Plan and Climate Risk Appetite have been finalised, with the focus now being on execution and ongoing evolution.
- The CRMF is informed by global best practice, such as the Taskforce on Climate-related Financial Disclosures (TCFD), which relates to principles for lending, investment practices, asset management, insurance and own operations.
- We will publish our inaugural TCFD Report on 22 April 2021, available at nedbankgroup.co.za.

11 Conduct risk

Conduct risk is heightened due to the increased regulatory focus, the 'court of public opinion' and social media, investigative journalism, adverse South African macro/political environments, the Zondo Commission and general negative sentiments towards banks. Nevertheless, outcomes of conduct risk were generally positive to date.

In the context of the Covid-19 pandemic, conduct risk and treating our clients fairly continue to be a focus point.

Our response

- We completed the Market Conduct and Culture Programme.
- Developing a task team through which efforts across all clusters are coordinated to ensure timely implementation of Conduct Standard for Banks requirements.

12 Regulatory and compliance risk

A new regulatory wave is imminent on the back of the Fourth Industrial Revolution and digital transformation in banking, open banking and risks attaching to digitally enabled banks.

We successfully completed the Regulatory Change Programme (RCP) by the end of 2020, except for the finalisation of certain system-related aspects of the AML Financial Intelligence Centre Amendment Act (FICAA) (SA) component of the AML Programme, which has six components.

Our response

- Our regulatory model risk management is mature.
- Completing the remaining AML FICAA (SA) component of the AML Programme of RCP by the end of 2021.

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE (GRCMC)

'Despite the radically heightened external risk environment, the outcomes and state of risk and capital management continued to be excellent throughout 2020, confirming Nedbank's agility and effectiveness, and the strong risk culture. Nedbank has been resilient throughout Covid-19 and has pivoted its strategic focus, business operations and risk strategy successfully, in light of the significant risks in this unprecedented environment. Nedbank has focused primarily on the health and safety of its employees, and on support to, and the service of, its clients. It has managed people, operational, market, credit, capital and liquidity risks proactively, and ultimately ensured business continuity. Significant risks that continue to be monitored very closely include credit and capital risks, together with the continuing external uncertainty.'

Errol Kruger (Chair)

Ensuring and protecting value in 2020

- Oversaw Nedbank's ERMF, ensuring its agility during Market Crisis 2020 and the Covid-19 pandemic.
- Monitored Nedbank's risk universe heatmap, risk trends and groupwide key issues.
- Reviewed revised capital and liquidity plans and targets in response to the volatile environment.
- Focused on anti-money-laundering and combating the financing of terrorism (AML/CFT), which was retained as a thematic.
- Ensured an end-to-end review of risk appetite, considering the impact of Covid-19.
- Oversaw cyberresilience, enabling Nedbank to respond effectively to cyberattacks. The effective management of cyberrisk ensured there were no breaches of Nedbank's own defences.

Focus for 2021 and beyond

- Ensure ongoing organisational resilience of Nedbank in the wake of a once in a 100 years event (Covid-19 health and economic crisis).
- Monitor progress of Nedbank's strategic portfolio tilt (SPT 2.0) to ensure it translates into market share growth within risk parameters.
- Monitor thematics, which will at a minimum include capital risk, cyberrisk, conduct risk, internal control environment (ICE), strategic execution risk, AML/CFT and market risk.

Stakeholders

- Clients
- Employees
- Regulations
- Shareholders

Top 12 risks

1 Business (global and country) risk
2 Credit risk
3 Strategic execution risk
4 Capital risk
5 Cyberrisk
6 Operational risk
7 Liquidity risk
8 Market risk
10 Climate risk
11 Conduct risk
12 Regulatory and compliance risk

A comprehensive GRCMC report is available online in our 2020 Governance Report on our group website at nedbankgroup.co.za.

Our strategy

The impact of the Covid-19 pandemic has resulted in a pivot 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. We switched to 'Transition' as the strict level 4 and 5 lockdown levels eased, and we reintegrated our full suite of financial services. As part of business planning in the latter part of 2020, our focus shifted to 'Reimagine' as we strategised to emerge stronger in a post-Covid-19 world, create value for stakeholders and set revised medium-term targets.

STRATEGIC TILT IN 2020

Primary focus on the health and safety of our employees, continuing to serve our clients as an essential service and supporting clients as they manage their finances through this difficult period.

RESILIENCE	TRANSITION	REIMAGINE
Manage the crisis	**Enable recovery**	**Strategise for value creation**
From **Q2 2020 …**	From **Q3 2020 …**	Into **2021 …**

Resilience (Manage the crisis) – The key focus since the pandemic started has been on ensuring the health, safety and well-being of our employees and clients (social and human capital). 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 that our IT systems (manufactured capital) were stable and available, undertaking stress-testing scenarios and modelling potential economic outcomes, educating clients and employees about digital solutions and capabilities available to them, providing debt relief to support qualifying clients, launching new digital solutions (intellectual capital), such as Avo (our repurposed platform solution for essential services) and enabling 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 (financial capital).

Transition (Enable recovery) – From Q3 2020 our focus shifted from managing the crisis to dealing with the implications thereof and reintegration of the business in a phased manner (in line with government lockdown levels). The 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 any second wave of infections and market volatility. This focus positioned us well to deal with the second wave that emerged in December 2020.

Reimagine (Strategise for value creation in a new environment) – Looking forward, 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, given the shifts in the operating environment, our material matters and the changing needs and expectations of our stakeholders. As part of our strategic planning in H2 2020, we identified opportunities to create new streams of revenue, enhance operations and optimise the structure of our businesses.

Our revised 'Reimagine' strategy gives us a clear view on where we will focus as a purpose-led organisation. With the South African economy predicted to 'normalise' back to 2019 GDP levels only by 2023/24, our strategy aims to create value through targeted market share growth and increased productivity, unlocked by our people, brand, digital transformation and world-class execution.

TARGETS, VALUE DRIVERS AND STRATEGIC VALUE UNLOCKS

Knowing that we had to be realistic that the financial targets we set previously were not achievable in the Covid-19 environment – in which the economy is expected to have its biggest contraction since World War II – we withdrew our previous guidance and medium-to-long-term financial targets in April 2020. Setting targets in an environment with such variability is complex, but it is still something we need to do, so we know what success looks like and to inform our shareholders of the value creation potential, if we deliver on it. In this context, we have set ourselves ambitious medium-term targets, and by end 2023 we aim to achieve DHEPS greater than the 2019 level (2 565 cents), ROE greater than the 2019 level (2019: 15,0%), a cost-to-income ratio lower than 54% (2019: 56,5%) and to be rated first in the NPS (2019: third), having improved to the number-two position among all South African banks in the Consulta survey of 2020.

Our vision, values and purpose, described on page 14, remain central to who we are and what we do to remain relevant. Our long-term targets remain in place, but the timeframe for reaching them has shifted out given the impact of the pandemic. These targets include growing DHEPS at or above nominal GDP plus 5%, achieving an ROE above 18% and reducing our cost-to-income ratio to below 50%.

OUR STRATEGY TO 2023

Targets

DHEPS	ROE	COST-TO-INCOME RATIO	NET PROMOTER SCORE
> 2 565 cents (2019 levels)	> 15% (2019 levels)	< 54%	#1 bank (from #2 in 2020)

Value drivers

Growth | Productivity | Risk and capital management

Value unlocks

Delivering market-leading client solutions	Ongoing disruptive market activities	Focusing on areas that create value (SPT 2.0)	Driving efficient execution (TOM 2.0)	Creating positive impacts
52 to 55	55 to 57	58 to 60	61 to 63	64 and 65

To meet our 2023 and long-term targets we will focus on the three value drivers: growth, productivity, and risk and capital management:

- **Growth** – To grow we will entrench and build on our strengths while investing in areas that are critical to win. We will focus on growing our share of transactional relationships and related deposits across all our businesses, and ensure we deliver market-leading client experiences that will help to attract new clients and a deepened share of wallet among existing clients.
- **Productivity** – To boost our productivity and improve operational efficiency, we will build on and accelerate existing efforts in focusing on distribution and improving our middle, back-office and support functions, leveraging the technology platforms that we have put in place.
- **Risk and capital management** – Our world-class risk management capabilities will ensure that we balance risk/return trade-offs and, in particular, that we outperform on credit – this is our largest risk and in a Covid-19 world is the largest driver of change in earnings. This was evident in our 2020 results, with a 114% increase in impairments and the biggest headwind to headline earnings, and we expect that as credit losses normalise in the future this will provide the biggest tailwind to getting back to 2019 or pre-Covid-19 levels of earnings.

Our medium- and long-term targets are underpinned by strategic value unlocks that drive resource allocation and activities in our business model. Many of these are not new but have been built on the strategic foundations that were put in place over the past few years. Investments in technology through our ME technology strategy (manufactured and intellectual capital), our people strategy (human and intellectual capital) and brand (social capital) have started to differentiate Nedbank in the minds of our employees and clients. Our fundamental point of departure is that market-leading client experiences across all our client-facing businesses – CIB, RBB, Wealth and NAR, measured by internal and external client satisfaction measures – are the foundation to enable market share growth in those areas that add most shareholder value.

DELIVERING MARKET-LEADING CLIENT SOLUTIONS

Financial services providers that respond best to the digital challenge in a client-centred manner by delivering market-leading client solutions will continue to improve client satisfaction levels and as a result should gain a disproportionate share of client revenues.

In this context, our aspiration is to be Africa's number-one digital financial services provider, to achieve a client NPS (client satisfaction) of at least 60% and rank number one among the top five South African banks, achieve 75% of our sales through digital channels and assist 70% of our clients to be digitally active. These aspirations are informed by global benchmarks, derived from financial services providers that are regarded as leaders in digital transformation, such as Sberbank, DBS and ING. Our strategy is underpinned by technology and people as key enablers, with the latter discussed on page 66.

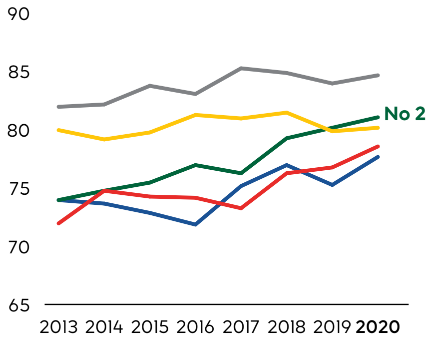
In 2020 our focus on delivering market-leading client solutions was evident in the rollout of various new digital innovations and enhanced client satisfaction ratings, building on the successes of the past few years.

DELIGHT – CREATING GREAT CLIENT EXPERIENCES

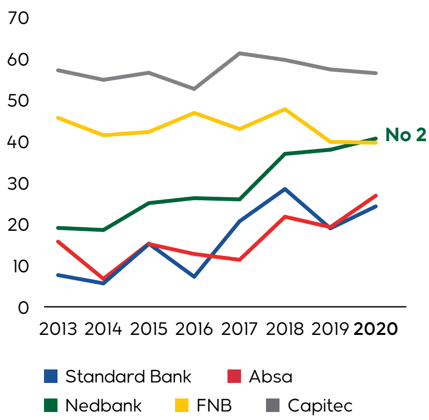
(SOCIAL AND RELATIONSHIP CAPITAL)

- In the 2020 Consulta survey, Nedbank, through RBB, achieved a number-two position among the five largest South African banks in both client satisfaction (SAcsi score of 81,1%) and NPS metrics (score of 41%). The upward trend over the past five years positions us well to continue to differentiate ourselves in the market and reach our target of a number-one position by 2023.
- In CIB, we are increasingly seen as a leading South African corporate and investment bank, attracting both new clients and employees from other banks on the back of big shifts in league table rankings, while Nedbank Wealth continues to be differentiated across asset and wealth management and increasingly through recent innovations in insurance, such as the Nedbank Insurance on-licence personal lines solution that will be launched to the broader market in 2021 and included on numerous Nedbank digital platforms.
- Nedbank's brand ranking among South African companies increased from 10 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 of the most valuable brands in SA by Brand Finance. Our strategic focus is aimed at entrenching Nedbank's brand positioning of 'see money differently', which is highly relevant and transcends all the segments we service.

SOUTH AFRICAN-CLIENT SATISFACTION INDEX[1]
(%)



NPS[1]
(%)



[1] *Annual Consulta survey (released March 2021).*

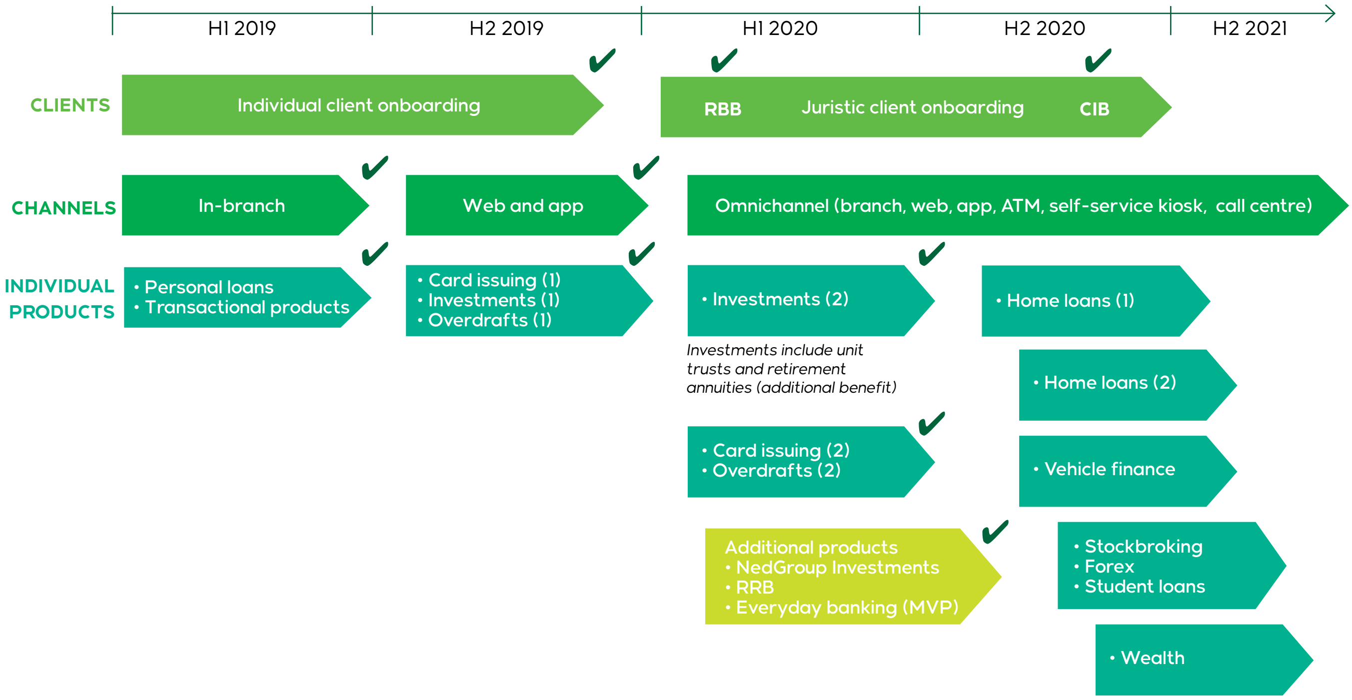
DIGITISE – OUR PRODUCTS AND SERVICES

(MANUFACTURED AND INTELLECTUAL CAPITAL)

The digitisation of our products and services remains a key focus as we continue to invest in our platforms and innovative client value propositions. Our progress is reflected in the following key solutions:

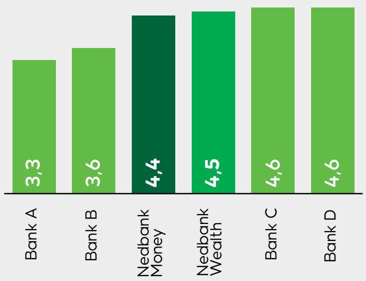
Eclipse: Our simplified digital client onboarding platform for individual and juristic clients continued to mature, allowing clients to open FICA-compliant accounts remotely through our employee-assisted and self-service channels. All new client applications, transactional products and personal-loan sales are now processed through Eclipse. In 2020 we 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 rollout of home loans, vehicle finance, stockbroking services, forex services and student loans should be completed in 2021. Juristic client onboarding in RBB was rolled out, with 99% of all juristic onboarding in December 2020 completed via Eclipse in RBB, while the CIB rollout is progressing well.

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



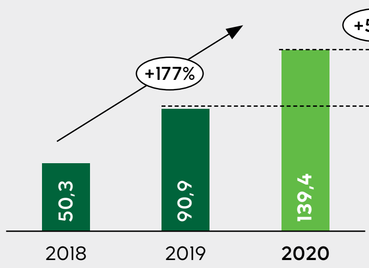
Apps: The Money app, which makes banking more convenient for our retail clients, is now used actively by 1,2 million clients, up 42% from 2019. It continues to be rated highly on the Apple App Store and Google Play Store, with an average client rating of 4,4 (out of 5). Transaction volumes on the app increased by 70% and transaction values increased by 53% 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 App Store and Google Play Store. The Nedbank Money (Africa) app was launched in May 2019 and has almost 55 000 enrolled app users in Namibia, eSwatini, Lesotho and Zimbabwe.

APPLE APP STORE AND GOOGLE PLAY STORE [2]
(Stars/5)

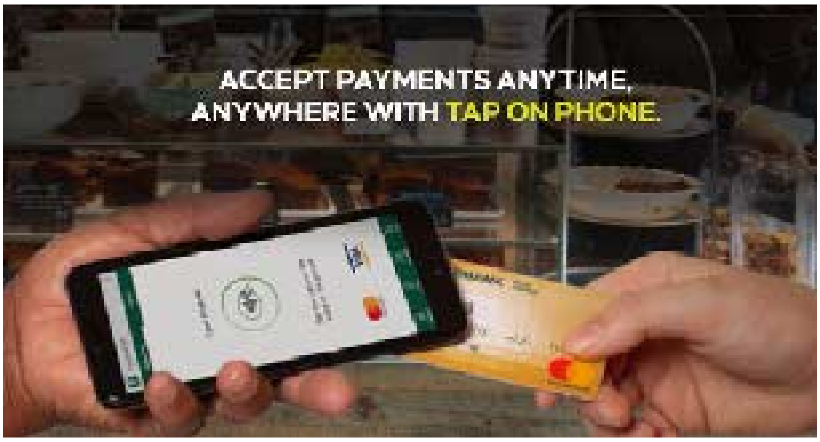


[2] *Average of Apple App Store and Google Play Store client ratings (February 2021).*

APP TRANSACTION VALUES
(Rbn)



- **Tap on phone and QR code ATM withdrawals:** We launched SA's first tap-on-phone functionality, allowing all merchants and business owners to convert their phones into payment acceptance devices to meet the needs of customers 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. In February 2021, in another first for the South African banking industry, we launched QR code functionality in the Money app that allows clients to draw money at an ATM without touching these devices, contributing to enhanced hygiene protocols.



- **Loyalty and rewards:** Our enhanced loyalty and rewards solution (a money management programme providing incentives for better money management, doing good for society and 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%.

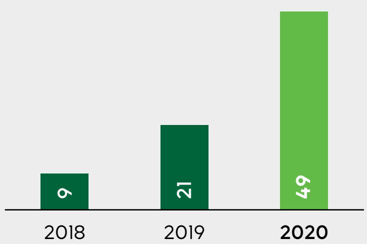
School payment solution – The Karri app is an integrated message-based, payment, collection and reconciliation app that we developed to solve a niche problem experienced by schools. Karri enables parents to make school-related payments within seconds – at the same time relieving schools, parents and children from the risk of cash payments and the burden of administering collections. Over 700 schools and their parents and children are enjoying the benefits of the Karri app, with monthly transactions averaging R15m.

As schools reopened during the Covid-19 lockdown, the Karri app has served as an ideal solution to the complexities of collecting money in times of social distancing. A Covid-19 data-screening administration capability was developed and offered to schools free of charge on the app. This offers schools a digital and central solution to record and monitor the Covid-19-related exposures of their students attending class. Karri currently has 274 organisations using the screening functionality to support their Covid-19 screening and safety protocols. A total of 43 of these are new organisations that joined Karri specifically for the screening product, which was launched in June 2020.

The outcomes of end-to-end digital onboarding, as well as digital sales and servicing capabilities, have been beneficial and evident in significant increases recorded over the past two years:

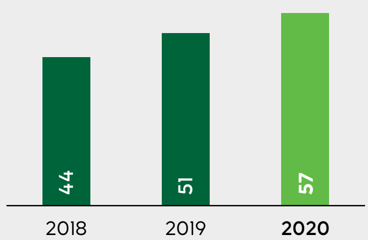
Digital sales – On the back of Eclipse and the introduction of new digital channels, digital sales in RBB increased to 49% of all sales (from 21% in 2019), with a target of more than 75% in the medium term. Excluding MobiMoney, digital sales increased to 26% (from 12% in 2019).

DIGITAL SALES
(%)



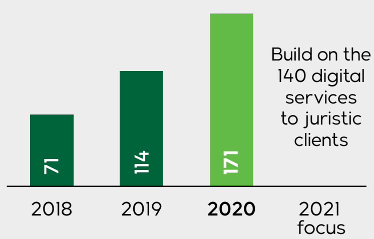
Digital activity – Our clients' access to banking improved, as digitally active Retail users increased by 25% to 2,2 million. This equated to 30% of total clients (medium-to-long-term target of 70%) and 57% of digitally active main-banked clients respectively. Digitally active clients in our NAR businesses increased by 75%. To increase digital adoption, we will continue to enhance client experiences on our digital products and educate clients on the use and benefits of digital banking.

DIGITALLY ACTIVE CLIENTS
(% of main-banked clients)



Digital servicing – During 2020 additional self-service options for functions that were previously available only in branches or through staffed channels 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 Retail, along with the impact of the lockdown, has enabled us to increase digital service volumes by 187%. These include self-service options such as balance enquiries, transfers between accounts, beneficiary management, limit changes and card freezes. In 2021 and beyond, our focus will be on maturing and rolling out more digital services to our juristic clients in Business Banking and CIB.

RETAIL SERVICES DIGITISED
(Number of services)



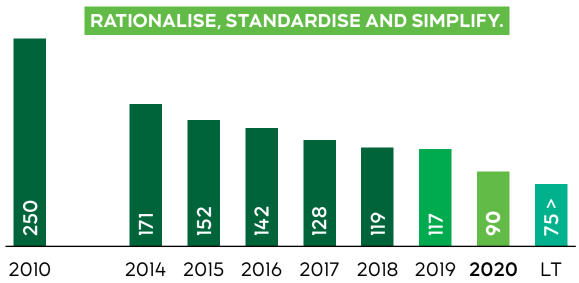
OUR TECHNOLOGY STRATEGY: MANAGED EVOLUTION

(MANUFACTURED AND INTELLECTUAL CAPITAL)

Our ambition is to become a more client-focused, digital, competitive and agile bank, and our ME strategy, which encompasses the modernisation of our core banking environment, is providing an enhanced digital platform to enable delivery of our digital products and services and faster product development.

- Modernisation of core banking systems is central to delivering innovative, market-leading client experiences, while ensuring we remain at the forefront of cyberresilience. We have studied many banks across the world and concluded that our approach, as opposed to a big-bang or opportunistic patching, is the most cost-effective and efficient approach to core systems replacement. This programme remains the bank's IT transformation enabler, providing the platforms to be leveraged for improved client experience and improved operational efficiency (supporting TOM 1.0 and 2.0).
- Similarly, this modernisation enables us to simplify our product and system landscape, while enabling our clients to access the requisite products and services digitally on the channel of their preference, as evident in the progress we have made on Eclipse.
- Core systems continue to be rationalised, standardised and simplified into a modern and modular IT stack. The reduction of our core systems from 250 to 90 since the inception of the ME programme has progressed well and we are on track to reach our target of less than 75 core systems over the next few years. The benefit of this is evident in reductions in infrastructure, support and maintenance costs, and complexity, as well as an increased agility in adopting new innovations.
- At the end of 2020 we reached 78% completion of the ME journey. Overall, investments in various foundational IT programmes are either complete or nearing completion and we expect IT cashflow spend to have peaked.

CORE SYSTEMS
(Number of systems)



ONGOING DISRUPTIVE MARKET ACTIVITIES

As traditional revenue streams come under pressure, banks are increasingly looking for revenue growth opportunities beyond banking or finding value-adding solutions to accompany existing solutions. In the past few years we have introduced beyond-banking initiatives such as value-added services on our digital channels (eg buying electricity, data, airtime and lottery tickets), Unlocked.Me, the Karri app and various other digital solutions and platforms that create delightful client experiences.

These place us in a strong position to compete with new entrants and existing banks in the market. We continue to invest in data and platform-related activities as we evolve our business model continually to underpin future growth, and a few of these include APIs, data and AI, as well as ecosystems.

- **APIs** – We were the first bank in Africa to launch an API platform that is aligned with the Open Banking Standard. The Nedbank API_Marketplace is an easy-to-use, secure offering that allows approved partners to create innovative and disruptive solutions that put client experience first.
  - By using Nedbank API_Marketplace, approved partners can leverage the bank's data and financial capabilities to integrate with our standard, secure and scalable APIs. The ongoing cost of this channel is materially lower than traditional channels, while it provides access to new sources of revenue for us.
  - A few examples in 2020 include: Gumtree partnering with MFC to use the vehicle and asset finance APIs to better cover buyers and sellers in Gumtree Auto, and Xero, collaborating with us to provide SME clients with access to their financial data.

Nedbank API

- **Data and AI** – In our digitisation focus we are also improving on how we can leverage data for commercial value. Banks have large and rich databases, which can be used to personalise solutions to enable us to use information as a service and provide insight into optimising operations.
  - » To date we delivered the data infrastructure, data pipelines, models and analytics that generate data insights based on user events and activities, and we have built an AI and machine-learning infrastructure to support both ongoing data-driven insights and real-time delivery of insights to clients, merchants and tenants based on their behaviour on the platform, serving their needs in the moment with relevant recommendations and offers.
  - » Our focus on the commercialisation of big data will accelerate in the next few years as we use our rich data to personalise product offerings for our clients and enable data-driven cross-selling and client engagements. We are increasing the use of AI and data to create interactions with clients that address their relevant needs, at a relevant time and conveyed in relevant language and imagery across the most optimal platforms. A few examples from our key businesses include the following:
    - o **CIB** is using data and AI to engage clients in new ways in Property Finance. We have developed a partnership to use AI and computer vision technology to create a visual walk-through of a construction site using a 3D camera mounted on a hard hat. Our team and our clients can access a platform to monitor construction progress remotely and have a visual record of the site over the development period. The technology reduces travel time and allows project stakeholders to identify issues early, track progress over time and resolve disputes by referring to the visual records. This innovation will allow Nedbank to engage its clients in a new, highly relevant manner as well as providing them with valuable information when needed.

    - o In **RBB,** to commercialise AI in the marketing intelligence space, we have created an AI-driven engine (Adam) that drives personalised interactions with clients. It addresses a relevant need, reaches the client at a relevant time, and is conveyed in the relevant language and imagery. This results in more relevant propositions to these clients, leading to improved client satisfaction, cross-sell opportunities and retention, as well as delivering increased revenue and improved cost-efficiencies. We have used machine-learning techniques to analyse the underlying drivers for attrition and improved our ability to respond proactively to retain clients. We improved the accuracy of credit decisioning through the use of AI to assess client behaviour and quantify the related risk. We also incorporated advanced statistical and AI techniques for test-and-learn experiments to aid product development, allowing the business to embrace data-led innovation.
    - o In **Nedbank Wealth** an automated routing system forwards incoming emails from clients to the appropriate desk in Nedbank Insurance. We are also finalising solutions that provide automatic responses to clients. In Asset Management, we implemented the MyRetirement solution, which is a robo-advice offering for clients who have retired.

CASE IN POINT

Avo – our repurposed ecosystems solutions

In response to the Covid-19 crisis that created challenges for many clients to access essential services such as healthcare and home repair services, we launched our market-leading digital innovation Avo. This is a one-stop super app that enables users to buy essential products and services online and have them delivered to their homes. Payment is made using a digital wallet.

- Since its launch in app stores on 19 June 2020, Avo has signed up more than 145 000 consumers, along with over 5 200 businesses registering and offering their products and services on this e-commerce platform.
- During the year we signed up leading brands and suppliers, which have provided the following:
  - » Prepaid vouchers (4% of transactions) – from brands such as Cell C, MTN and Vodacom.
  - » Groceries (32% of transactions) – from retailers such as OneCart, Woolworths, Pick n Pay, Makro, Clicks and Dis-Chem.
  - » Gift vouchers (3% of transactions) – from Deezer, Google Play, Playstation, Xbox, Hollywoodbets and Lottostar.
  - » Shopping (59% of transactions) – from stores and other retailers, such as Hirsch's.
  - » Services (1% of transactions) – cleaning services, armed response, electrical, carpentry, plumbing, painting, pest control and gardening.
- Looking forward, we will focus on 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.

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP INFORMATION TECHNOLOGY COMMITTEE (GITCO)

'GITCO oversees the implementation of Nedbank's enterprise IT strategy and monitors the effectiveness of governance functions pertaining to the group's technology capability. Our responsibility has been elevated during the Covid-19 pandemic. In this context, we continue to leverage our risk and cybercapabilities for differentiation and market outperformance. A mature, evolving IT capability and technology stack ensured operational excellence during this volatile and uncertain year, while having enabled enterprise agility, an exciting innovation cadence and delivery of great client experiences, digitally.'

Dr Mantsika Matooane (Chair)

Ensuring and protecting value in 2020

In fulfilling its mandate, GITCO oversaw and monitored the following during 2020:

Resilience

- The provision of technology solutions to support and enable clients through the Covid-19 pandemic, ie helping clients continue to transact and remain financially stable.
- Employee enablement for remote working, including in the areas of remote access, team collaboration, risk management and workforce productivity.
- IT system integrity, stability and availability.
- Cyberresilience.
- Enterprise IT spend.

Transition

- Mitigation of the impact of Covid-19 on the business and clients.
- Path to production and deployment practices.
- Rationalisation and simplification of systems, applications and policies.

Reimagine

- Nedbank's technology three-year plan.
- Strategic pivot and launch of Avo.
- Ongoing rollout of Eclipse.
- Opportunities to optimise our pan-African operations.
- Value realisation across our innovation portfolio.

Focus of 2021 and beyond

GITCO will oversee and monitor the following to ensure the continued focus on the digitisation and delivery of gold-standard client journeys and services across all distribution channels:

- System availability and stability.
- Cyberresilience.
- Completion of the ME programme and benefits realisation.
- Delivery of the group's digital strategy.
- Orchestration of enterprise technology assets.
- Scaling of the Avo platform.
- Enhancement of Nedbank's operating model and investment case as enabled by technology.

Stakeholders

- Clients
- Regulations
- Employees
- Shareholders

Top 12 risks

- 3 Strategic execution risk
- 5 Cyberrisk
- 6 Operational risk
- 12 Regulatory and compliance risk

A comprehensive GITCO report is available online in our 2020 Governance Report on our group website at nedbankgroup.co.za.

FOCUSING ON AREAS THAT CREATE VALUE (SPT 2.0)

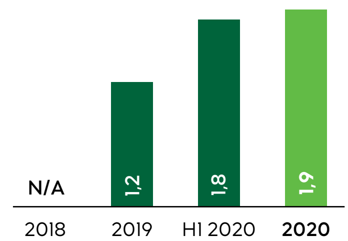
As we reimagined our strategy at the end of 2020, we have increased our focus on areas that create value (financial capital), particularly now that we have a more complete set of digital solutions in place to deliver on our targets and ambitions. Our response, SPT 2.0, is a groupwide strategy that is focused on growing our transactional banking franchise by right-sizing certain subscale advances market shares and cross-selling into transactional deposits through integrated CVPs. At the same time, we make sure that credit risk is well managed within risk appetite. Evidence of this strategy can be seen in Personal Loans, where we have improved client satisfaction levels, increased lending market share (without lowering underwriting standards) and increased cross-sell, thereby growing our share of main-banked clients.

GROWING OUR SHARE OF MAIN-BANKED CLIENTS, TRANSACTIONAL INCOME AND DEPOSITS

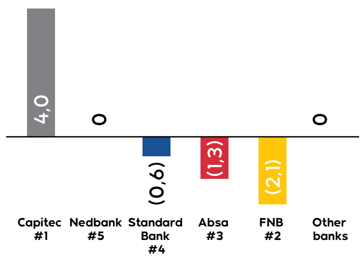
Our transactional-banking strategy starts by delivering market-leading client experiences that will lead to growing and retaining our clients, and deepening our share of wallet as we convert new and existing clients into main-banked and transactional-banking clients. Growing our transactional-banking franchise faster than the market improves our ROE over time, as deposits and transactional revenues consume less capital and add to our funding pool. At the same time, earnings volatility is reduced as more stable sources of income are increased. As we digitise more of our products, as shown on page 53, we expect similar outcomes as we grow in areas that create value. In 2020:

- CIB again recorded primary-client wins and this will support transactional growth into the future. The cluster has now exceeded its annual target of 25 new primary-client wins for five years in a row. The NIR-to-advances ratio of 112,4% illustrates that there is still significant upside in converting clients who have only a lending product to do more of their transactional banking with us.
- In RBB the number of retail main-banked clients, at 2,94 million, was broadly flat on 2019, but improved by 11% from H1 2020 levels, as transactional activity returned after being impacted by the crisis. (Lower transacting frequency impacts Nedbank's main-banked count, as our definition assumes regular transactional behaviour.) In line with this, the annual Consulta main-banked market share survey shows that we were the only large universal bank not to have lost main-banked market share, based on the question: 'Who is your main bank?' From a segment perspective, we gained main-banked clients in the middle market, among professionals and the small-business sector. These are all profitable segments to grow in. Youth and entry-level main-banked clients declined yoy as these segments were under more pressure during the lockdown. Pleasingly, our strategic initiatives such as CorePlus and the digital solutions mentioned on the previous pages, have helped our cross-sell ratio (on new business) to increase from 1,2 in 2019 to 1,9 in 2020.

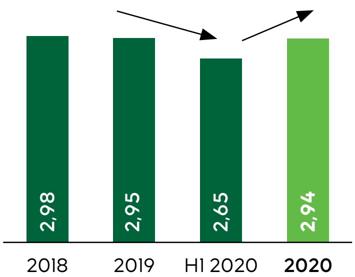
RETAIL CROSS-SELL RATIO
(Number of products per client)



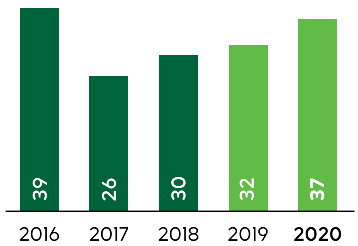
CONSULTA MAIN-BANKED MARKET SHARE
(Change 2020 vs 2019 and rank)



RETAIL MAIN-BANKED CLIENTS
(m)



CIB PRIMARY-CLIENT WINS
(Number)



Household and non-financial commercial deposit market share, both attractive sources of funding, continue to experience the impact of aggressive pricing by domestic competitors. Fixed deposits, in particular, were subject to increased competition in the domestic market, where some banks were pricing retail fixed deposits above the wholesale cash curve. To neutralise this, our focus on gaining a greater share of main-banked clients, who are good sources of current and savings accounts, will be heightened, and we believe our digital solutions have now positioned us to grow.

Market share (%, December 2020)	**One-year change**	**Nedbank share**	**Looking ahead**	
Household deposits	▼	15,7%	Grow share with a focus on cross-sell	▲
Non-financial commercial deposits	▼	16,0%	Grow share with a focus on transactional gains	▲
Commercial transactional deposits	▲	15,6%		

Leveraging our strong lending position and grow in attractive areas that create value

Nedbank has market-leading positions in vehicle finance (with MFC) and commercial-property finance, both established over more than 20 years ago, and underpinned by differentiated value propositions, market-leading capabilities and insights, as well as having been able to attract the best skills. In addition, CIB is one of the leading corporate and investment banks in SA and this is evident in our core corporate lending market share of 21%. In these product categories we look to maintain market share, but will leverage our strong position to cross-sell to existing and new clients.

Given selective origination strategies over the past few years, our market share in retail lending products such as home loans, credit cards, overdrafts and personal loans is lower than most peers. This has positioned us well in the current challenging environment, and on the back of digital innovations we are now well positioned to both grow market share and leverage integrated CVPs to cross-sell transactional and deposit products. This will be done without relaxing credit criteria.

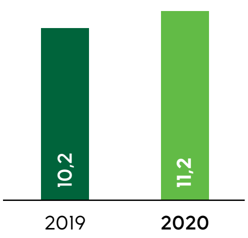
CASE IN POINT

Leveraging digital innovation to achieve SPT 2.0

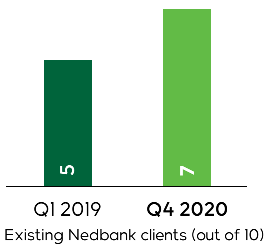
In 2019 personal loans became one of the first products to be fully digitised. We totally re-engineered the client and loans application process, moving from complex, multiple-page paper forms to a simplified digital application that is prepopulated with Nedbank and external feeds, and in many cases requires only an identity number from a client in order to apply for a loan. This has enabled us to also differentiate on processing and disbursal, offering fully end-to-end straight-through processing, a disbursal in 10 minutes and automated loan consolidation.

The result has been significantly improved client experiences, with our personal loans improving from being rated third among South African banks with regard to client satisfaction and NPS metrics in 2019, to number one (measured independently by Consulta). Our digital capabilities have also enabled us to expand loan origination channels from three – branch, call centre and kiosk in 2019 – to nine, including Online Banking, our apps, ATMs and APIs.

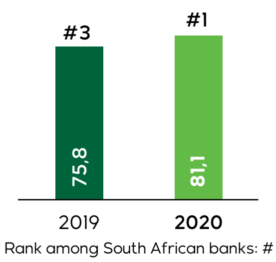
PERSONAL LOANS MARKET SHARE
(%)



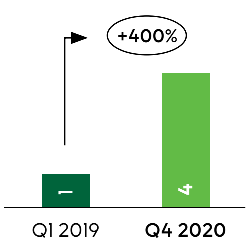
PERSONAL LOANS PAID INTO A NEDBANK TRANSACTIONAL ACCOUNT
(Out of 10)



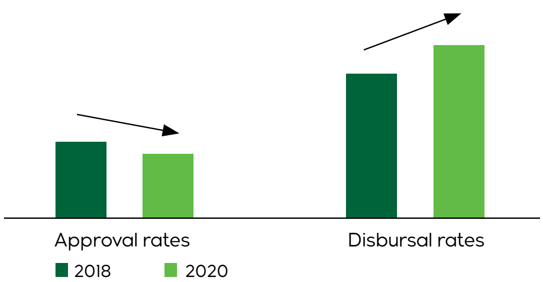
CLIENT SATISFACTION SCORE (SAcsi)
(%)



NEW TO NEDBANK CLIENTS
(Out of 10)



LOAN APPROVAL AND DISBURSAL RATES
(%)



The outcomes are also evident in a significant increase in digital sales contribution and reduction in costly and time-consuming branch sales. Cross-sell increased as seven out of every 10 existing Nedbank Personal Loans clients now have their loan proceeds paid into a Nedbank transactional account, up from five out of 10 clients in 2019. More importantly, four out of every 10 non-Nedbank clients or new-to-Nedbank clients have opened Nedbank transactional accounts and have their loans paid into the account, up from one out of every 10 previously non-Nedbank clients just over 18 months ago. Our lending market share increased from 10,2% in 2019 to 11,2% in 2020, notwithstanding a reduced risk profile.

Looking back, 2020 was a challenging year as individuals and business dealt with the impact of Covid-19 and large economic contraction. In response, impairments increased by 114% and we supported more than 400 000 qualifying clients with payment relief on loans of R121bn. The financial impact is discussed in more detail in the CFO section starting on page 72, and we expect the group's CLR to improve from 2020 levels.

In addition, financing activities that support the SDGs is a specific tilt that is receiving increased focus as we deliver on our purpose and contribute positively to society. More insight on this is available on pages 64 and 65.

Market share (%, December 2020)	**One-year change**	**Nedbank share**	**Looking ahead**	
Home loans	▶	14,4%	Grow share, cross-sell and deliver an integrated CVP	▲
Vehicle and asset finance	▲	36,5%	Maintain share, cross-sell and deliver an integrated CVP	▶
Credit card	▼	12,6%	Grow share, cross-sell and deliver an integrated CVP	▲
Personal loans	▲	11,2%	Grow share in general and cross-sell	▲
			Reduce share in high-risk segment (< R5 000/month)	▼
Core corporate loans	▼	20,9%	Maintain share with a focus on cross-sell	▶
Commercial mortgage loans	▼	38,5%	Maintain share with a focus on cross-sell	▶

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP CREDIT COMMITTEE (GCC)

'The Covid-19 pandemic is an unprecedented health, economic and social challenge that has hurt the struggling South African economy and ability of borrowers to meet debt obligations. The committee oversaw the successful implementation of a comprehensive Covid-19 credit programme by providing independent oversight of changes in the credit risk policies, procedures and credit models, and active credit risk management to ensure the credit portfolio remains resilient, optimally managed and adequately impaired.'

Errol Kruger (Chair)

Ensuring and protecting value in 2020

- Tracked and monitored the implementation of SARB Directive 3/2020 pertaining to credit restructures and their classification and performance in light of Covid-19.
- Approved the Covid-19 Credit Policy to govern the treatment of restructured credit exposures in response to Covid-19, which enabled payment relief or holidays on loans of R121bn.
- Approved the implementation of the Covid-19 SME Credit Fund Policy to ensure consistent treatment of Covid-19 loans.
- Monitored the changes in macroeconomic projections and post-model adjustments to ensure that the overall portfolio was adequately impaired.
- Approved the review, adjustments and overrides of credit models to avoid undue short-term volatility and excessive procyclicality of impairments and capital requirements.
- Applied effective credit-risk mitigation strategies, including early identification of distressed portfolios and proactive management of all watch-list clients.

Focus for 2021 and beyond

- Oversee the delivery of ongoing market-leading client experiences and innovative digital solutions backed by integrated credit processes.
- Continue with early-identification strategies with regard to distressed portfolios, concentration risks and proactive management of key watch list clients.
- Manage credit risk and maintain resilient capital and credit loss ratios while remaining on high alert for subsequent waves of Covid-19.
- Oversee the implementation of optimisation initiatives for credit risk-weighted assets.
- Review the credit risk appetite, including CLR target ranges post-Covid-19 in 2021.

Stakeholders

Clients
Regulators
Employees
Shareholders

Top 12 risks

1 Business (global and country) risk
2 Credit risk
10 Climate risk
12 Regulatory and compliance risk

A comprehensive GCC report is available online in our 2020 Governance Report on our group website at nedbankgroup.co.za.

DRIVING EFFICIENT EXECUTION (TOM 2.0)

Technological developments not only enhance client experiences and enable new streams of revenue growth, but also provide opportunities for improving efficiency by bringing new digital offerings to the market more quickly, lowering the cost to serve and optimising the overall cost base through the reduction of branch sizes and ancillary costs.

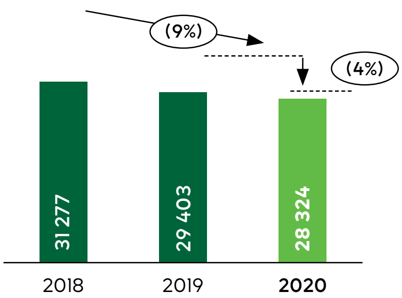
Central to us achieving our medium-term cost-to-income-ratio target of less than 54% and long-term target of less than 50%, is optimising the efficiency of our operations.

DELIVERING ON TOM 1.0

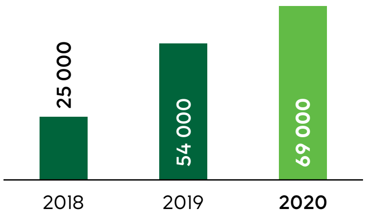
Nedbank has always been highly regarded for its ability to manage costs wisely, and during 2020 the focus increased as we managed discretionary spend actively and leveraged existing initiatives to reduce costs by 1%.

- Overall, investment in various foundational IT programmes are either complete or nearing completion, and we expect annual IT cashflow spend to remain similar or continue to decline from here, after having peaked in 2017 at just over R2bn. Aligned with this, we reduced our core systems by a further 27 to 90 in 2020, with the aim of reducing it further to less than 75.
- The digitisation of services in RBB, along with the impact of the lockdowns, has enabled us to increase digital service volumes by 187% and reduce branch teller volumes by 42%. Branch floor space has decreased by almost 57 000 m^2 to date (the decrease was by about 15 000 m^2 in 2020) and staffed points of presence declined by 40 in 2020 to 549.
- 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 utilisation to greater 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.
- As we respond to a digital world, our total group headcount was reduced by 1 079 to 28 324, mainly through natural attrition, and we believe this trend will continue.
- Our TOM 1.0 initiative 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.

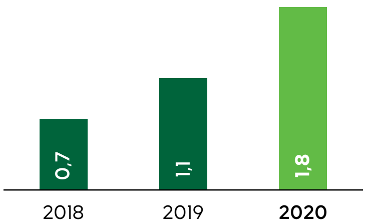
GROUP EMPLOYEES
(Number)



CORPORATE REAL ESTATE FLOOR SPACE SAVED
(m^2)



CUMULATIVE TOM 1.0 BENEFITS
(Rbn)



LOOKING FORWARD (TOM 2.0)

As we continue to become more efficient, we have started implementing TOM 2.0, which optimises the shape of our channel and branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure to be more client-centred, as well as shared-services optimisation across the group. We anticipate revenue uplift and cost savings relating to TOM 2.0 of a cumulative R2,5bn in the next three years (of which approximately 90% will relate to cost savings).

- **Optimising our channel infrastructure** – As clients increasingly use our market-leading digital channels and solutions, we look to create five new future-fit stores, many being smaller than traditional flagship branches and tailored for specific markets. We plan for a decrease in Nedbank-owned distribution, but an increased use of partner distribution. These new stores will be supported with flexible staffing options and rely on our digital channels reaching scale to ensure our clients are not impacted negatively.

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 ▲

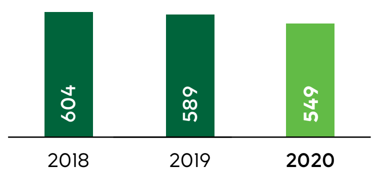
Flexible workforce
In-store (fixed), in/out-store employees (flexi) and community activators (mobile force)

underpinned by

Bank-owned devices (ATMs, Intelligent Depositor devices, self-service kiosks, lockers), **digital channels** (app, web, USSD) and **contact centre**

» As part of this initiative we have already installed 58 lockers from which clients can collect their new or renewed cards and eNatis documents. The locker service extends beyond banking and provides clients with a convenient collection point for items ordered on e-commerce sites such as Takealot, Avo and Unlocked.Me.

SOUTH AFRICAN OUTLETS/BRANCHES
(Number)



» We are also changing our approach to township economies, and we piloted two new concepts in the easy-access branch in Marshalltown and a taxi rank model in Randburg. The year 2021 will see the expansion of these models as we move away from traditional branches to more in-community, mobile operating models.

- **Client-centred organisation** – In RBB we initiated a new client-centred organisational structure that will strengthen our focus on value delivery to client segments, improve client interactions and lead to a consolidation of operations.

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 administration and risk – credit/ops)	□	□	■	□

- **Shared services** – After rightsizing our frontline business for a digital world, we are doing the same in our shared-services environments and are looking for optimisation across group technology, commercial real estate, finance, human resources, risk and marketing.

CREATING POSITIVE IMPACTS

Banks play a central role in driving sustainable socioeconomic development for the benefit of all stakeholders and creating the future by providing capital for investment in the real economy. Banks' financing choices must then enable rather than undermine the necessary transition to a net-zero economy.

We acknowledge that we, alongside our stakeholders, operate in a nested, interdependent system. This means that for our business to succeed, we need a thriving economy, a well-functioning society and a healthy environment. We also recognise that issues such as climate change, inequality, social justice and, most recently, pandemics are playing an increasingly material role in shaping this system.

Our purpose guides our strategy, behaviours and actions towards the delivery of long-term systems value for us and our stakeholders. We use the Nedbank Sustainable Development Framework to focus our efforts and identify business opportunities and risks as well as cost savings. While the exact size of these opportunities and savings may differ across geographies at a global level, they are substantial. The Business and Sustainable Development Commission estimates them to be over US$12tn annually by 2030.

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

Positive impact is deliberately sought and innovated for across all our identified strategic unlocks, including client solutions and disruptive market activities, as guided by the SDGs. Nine of the 17 SDGs have been prioritised, as these are areas in which we believe we have the greatest ability to deliver meaningful impact through innovation in our banking products, lending and investment practices. These nine goals are being championed by nine group executives, with a focus on ensuring that the percentage of our lending and investment towards sustainable socioeconomic development grows in a manner commensurate with the needs of our clients, the size of the strategic opportunities offered and our desire to lead in this area.

Positive developments in 2020 included the following:

- The adoption of an energy policy that serves to guide the transition away from fossil fuels, while accelerating efforts to finance non-fossil-energy solutions needed to support socioeconomic development and build resilience to climate change.
- A dedicated Sustainable Finance Solutions unit which is mandated to partner with our clients to identify sustainable finance and investment opportunities and maximise their contribution to, and benefits from, such solutions.
- The growth of our embedded-energy lending portfolio, with ambitions for it to be one of our fastest-growing portfolios in 2021.
- The launch of SA's first green tier-2 capital instrument. This R2bn SDG-linked bond is listed on the Green Bonds segment of the JSE.

'We have entered the "decade of change". This is a relatively short space of time in which we need to transform our energy sector, our transportation sector, our food systems and our built environments completely, and in a manner that drives more equitable societal outcomes and respects environmental constraints. This is an unprecedented task and while we may not know exactly how to enable this rapid transition, we will use the SDGs to guide our strategic efforts, and work with sector experts, our clients and government to take the required collective action.'

Mike Brown, Chief Executive

Looking forward

Through a deliberate tilt in our lending and investment activities we will play a leading role in addressing sustainable development in ways that are sensitive to the local context, including climate vulnerability, development imperatives and structural economic challenges. We expect to align with a science-based glidepath over the next few years to inform how we will assist clients across all sectors – and society more broadly – to achieve the ambition of a net-zero economy.

2020
Climate change resolutions passed with 100% votes of approval at our 53rd AGM.

2021
Adopt and disclose our new energy policy.

Continue support of the REIPPPP (Renewable Energy Independent Power Producers Procurement Programme) with limits increased to R50bn.

Increase financing for embedded energy projects to R2bn.

Release Nedbank's inaugural TCFD Report.

2025
No provision of project financing for new thermal-coal mines, regardless of jurisdiction.

2030
Thermal-coal funding to be less than 0,5% of gross loans and advances.

2035
No new finance for oil production.

2045
Zero exposure to fossil-fuel-related activities (thermal-coal; upstream oil and gas; and power generation).

2050
100% of lending and investment activity supporting a net-zero carbon economy.

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP CLIMATE RESILIENCE COMMITTEE (GCRC)

'Climate change is a financial risk and therefore an integral part of the responsibility of the board. A dedicated GCRC has been established, effective from March 2021, that will ensure Nedbank transforms, optimises and effectively manages climate-related risks and opportunities across its operating, lending and investing activities.'

Brian Dames (Chair)

Focus for 2021 and beyond

- Monitor the implementation progress of the CRMF across the three lines of defence.
- Ensure that climate-related risks and opportunities are managed in line with global best practice to ensure that risks are properly identified, evaluated or stress-tested, managed, monitored, and reported on continuously as the risks evolve over time.
- Review compliance with the group climate risk appetite, limits and authority levels, as well as provide oversight to evolve climate risk appetite setting on sectors sensitive to climate issues.
- Provide oversight to optimise the market positioning and brand equity of Nedbank as a leader in sustainability.
- Overseeing the implementation of systems for the capturing of climate-related risk data for scenario planning and reporting.

Stakeholders

Clients
Shareholders
Employees
Society

Top 12 risks

1 Business (global and country) risk
2 Credit risk
3 Strategic execution risk
10 Climate risk

A comprehensive GCRC report is available online in our 2020 Governance Report. Our 2020 TCFD Report is also available on our group website at nedbankgroup.co.za.

OUR PEOPLE STRATEGY

Our people strategy is a key enabler of the delivery of the group's strategy. At its core is the principle of leading sustainably by delivering on our people vision of positioning Nedbank as an employer of choice that develops, attracts and retains critical talent and skills.

Our People Promise influences the Nedbank culture and strengthens what differentiates Nedbank's employee value proposition from those of our competitors.

Purpose-led

Our purpose is clear: to use our financial expertise to do good.

This is what drives us to be the difference that impacts our world every day. Integrity, good ethics and values-based behaviour are our way of life. We act with purpose in every step, spreading the Nedbank magic to bring about positive change, because managing money with purpose makes a real difference in people's lives and in our world.

Service excellence

We are one team and we deliver world-class service with purpose.

Our clients are our everything. Together, we show up for them in big and small ways, rewarding the trust they have placed in us.

The extra mile? It is the new standard, because going the distance makes the difference.

High performance

It's in our nature to look at the world differently. Our purpose fuels us to make an impact and this drives us to perform better, work smarter and reach higher.

This strong results orientation is supported by our developmental approach to performance management. When we are good at what we do, our clients see money differently and live better lives as a result. That is the impact we are after.

Growth and development

Growth comes from striving to be a better version of ourselves each day.

We never stop developing ourselves, bringing our potential to life by making the most of every learning opportunity and facing challenges with courage.

With our finger on the pulse and our eyes on tomorrow, we seize every opportunity to make an impact, with an unshakeable shared passion.

Diversity and inclusion

We strive to create a culture of inclusion and belonging.

Celebrating diversity, we welcome everyone and anyone who shares our passion for our purpose.

We treat each colleague, stakeholder and client with care, respect and integrity – because that is who we are.

When things go wrong, we communicate openly to learn from mistakes, reminding ourselves to be the difference that impacts our world.

Our people strategy is delivered through four key strategic choices:

Fit-for-future TOM, organisation design and workforce composition

Digital transformation of our business is supported by significant changes in our operating model, organisation design and workforce compositions, as briefly discussed under TOM 2.0 on pages 62 and 63. This will drive efficiency, reduce cost to serve and enable greater agility and speed required to compete effectively. The evolution of our strategic workforce planning will enable the required reshaping, resizing and reskilling of a more blended workforce (permanent and contingent workers).

Human-centred leadership and culture that unlocks value for our clients

Our culture shift will enable the digital transformation and operating model reset, and improve our competitiveness. Our culture will be embedded through a human-centred leadership approach and inspires greater purpose to deliver greater impact. Our People Promise guides our employee experiences and is tested through regular pulse surveys. In a new world of work, where work becomes something we do as opposed to a place we go to, culture and leadership become the glue that binds us.

Transformed and skilled workforce

A highly skilled, diverse and transformed workforce, representative of society, is key to remaining competitive. Our talent strategy sets out to attract, motivate, engage and delight talent with scarce and critical skills from under-represented groups, while reskilling our workforce for a new reality. Our People Promise themes of Diversity and inclusion, and Growth and development evidence our commitment to the development of our workforce and creating a sense of belonging for all.

High-performing and healthy workforce

Focus on the well-being of our employees increases with the new challenges emerging from remote working, with rising stress and health-related concerns as a consequence of the pandemic. Our priority is to support and enable a high-performing and healthy workforce. Our ability to compete for future skills will be enhanced through attractive rewards and benefit offerings, with an increased focus on supporting and improving the physical, mental and financial health of our employees.

Read more about how we created and protected value for our employees on page 81, as well our People Review within our 2020 Society Report available at nedbankgroup.co.za.

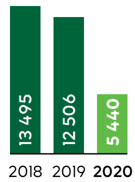
Making strategic trade-offs and assessing the impact on our capitals

Making strategic trade-offs is key to ensuring we are well positioned for the future. We assess the availability and quality of capital inputs, balance the short and long term and take tough decisions to create long-term value. Below are four key trade-offs we made and the rationale behind our decisions.

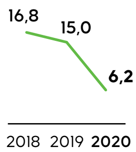
Maintaining balance sheet strength in the crisis versus optimising levels of profitability

From a financial capital perspective, our focus in 2020 was on managing liquidity, capital, market, operational and credit risk, with less focus on profitability other than as an initial buffer against capital erosion (trade-off between long-term sustainability versus short-term profitability). While headline earnings in 2020 declined by 56,5%, capital and liquidity metrics remained well above regulatory minima and internal board targets and benefited from management actions during the crisis to ensure these metrics remain robust.

HEADLINE EARNINGS
(Rbn)

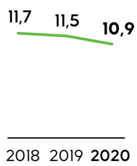


RETURN ON EQUITY
(Rbn)

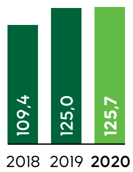


VERSUS

COMMON EQUITY TIER 1
(%)



LIQUIDITY COVERAGE RATIO
(%)



Key business model shift:

Our strategy as described on pages 50 to 67 aims to support delivery of our medium-term targets and improve profitability over the next few years, while we will continue to maintain a strong balance sheet to protect us against any potential downside risks.

Capital outcomes in 2020

- Reduced profitability.
- A resilient balance sheet.

The evolution of banking – digital versus traditional

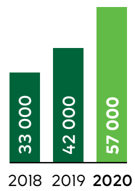
As financial products and services (manufactured capital) are increasingly digitised, there is a trade-off between employees (human capital), physical outlets (manufactured capital) and digital products and services (manufactured and intellectual capital). Through automation and increased client adoption of digital solutions that drive improved client experiences (social and relationship capital), the need for direct human interaction is reduced.

From a capital allocation perspective, a reduction in overall headcount and headcount-dependent activities (such as in-branch teller services) and outlets (both the branch numbers and size thereof), resulted in cost savings. These cost savings are partially offset by the impact of IT investments (financial capital).

SOUTH AFRICAN OUTLETS/BRANCHES
(Number)

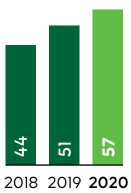
TELLER ACTIVITY
(Number)

BRANCH FLOOR SPACE SAVED
(m^2)

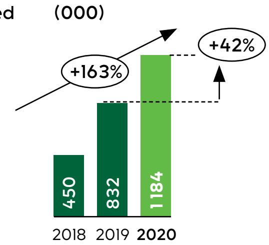


VERSUS

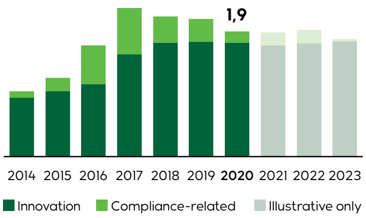
DIGITALLY ACTIVE CLIENTS
(% of main-banked clients)



MONEY APP ACTIVE USERS
(000)



IT SOFTWARE DEVELOPMENT SPEND
(Rbn)



Key business model shift:

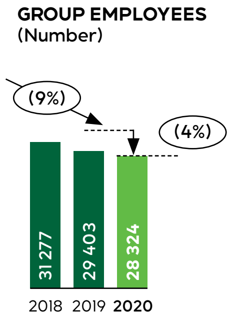
Client activity shifting from physical products, services and outlets to digital products, services and channels.

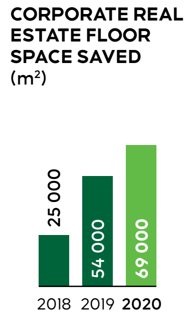
Capital outcomes in 2020

- Improved client satisfaction levels.
- Reduction in physical infrastructure.
- Modernisation of IT systems and infrastructure.
- Maintained elevated financial spend on technology investments.
- Operational cost savings.
- Responding to client needs and increasing competitor threats.

Transitioning towards the workforce of the future

The number of employees (human capital) required for traditional and administrative roles is reducing as client behaviour changes and we digitise and automate processes, embrace digital innovations (manufactured and intellectual capital) and invest in skills required (human and intellectual capital) in the Fourth Industrial Revolution. In addition, Covid-19 has fast-tracked the adoption of working-from-home-practices, underpinned by appropriate IT support to make this happen, as well as the way we operate through TOM 2.0, evident in new branch formats and an ongoing reduction in our own commercial real estate.





TRADITIONAL ROLES AND WORKPLACES

VERSUS

WORKPLACE OF THE FUTURE

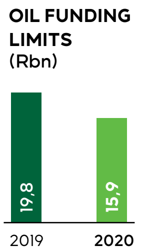
Key business model shift:
Within the context of the evolving world of work, we seek to develop innovative people practices, driving engagement and productivity, as many of our employees are enabled to work remotely.

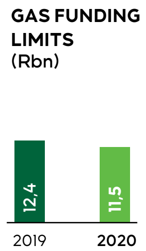
Capital outcomes in 2020

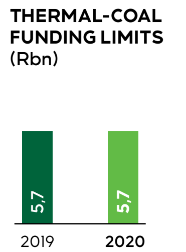
- Reducing the number of total employees in a responsible manner (mostly through natural attrition).
- Reskilling employees and investing in skills relevant for driving business change in the Fourth Industrial Revolution.

Portfolio tilt in line with our purpose and the SDGs

In the context of scarce capital and liquidity (financial capital), there is an ongoing and conscious trade-off between business and product opportunities that are highly capital- and liquidity-consuming with low economic profit, and those that are less consumptive and more economic profit generative. However, we are also tilting our portfolio to areas that create positive impact. For example, we are supporting the diversification of SA's electricity supply (natural capital) and reducing our impact on the environment (natural capital). Over the long term this will be financially beneficial (financial capital) for all our stakeholders (social capital).







Less than 1% of total advances, to reduce to 0,5% by 2030 (target)

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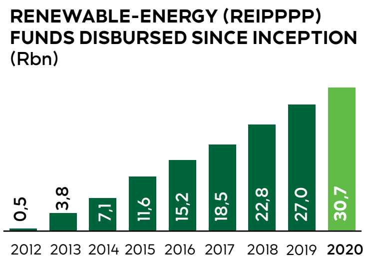


Key business model shift:
Increasingly tilting our lending to align with our purpose and the SDGs.

Capital outcomes in 2020

- Through our lending, we are actively reducing our impact on the environment.
- Making a positive change to society and the environment.

Value creation • Value preservation • Value erosion

Strategic value unlocks – key performance indicators

Value unlocks	Value drivers	Executive remuneration	Yoy change	2020	2019	2018
Delivering market-leading client solutions						
Digitally active clients (% of total clients)	Growth/Productivity	GCC	▲	**30**	24	20
Digital sales (% of total sales)	Growth/Productivity	GCC	▲	**49**	21	12
Digitised services rollout	Growth/Productivity	GCC	▲	**171**	91	52
ME completion (%)	Growth/Productivity	GCC	▲	**78**	70	60
Ongoing disruptive market activities						
Brand value ranking in SA (banking)	Growth		►	**4**	4	5
Consumer NPS	Growth/Productivity	GCC	▲	**2**	3	3
Avo super app – consumers/merchants (000)	Growth		N/A	**145/5**	Launched 2020	
Focusing on areas that create value (SPT 2.0)						
Main-banked retail clients (000)	Growth	CPT	►	**2,94**	2,95	2,98
Main-banked retail market share (%)	Growth	GCC	►	**11,2**	11,2	13,1
Retail cross-sell for new sales (times)	Growth	GCC	▲	**1,9**	1,3	1,3
Household deposit market share (%)	Growth	CPT	▼	**15,7**	16,9	18,0
Commercial transactional deposits market share (%)	Growth	CPT	▲	**15,6**	14,0	14,5
CET1 (%)	Risk and capital management	GCC	▼	**10,9**	11,5	11,7
CLR (bps)	Risk and capital management	GCC	▲	**161**	79	53
CIB NIR-to-advances ratio (%)	Growth	GCC	▼	**1,7**	2,1	2,4
NIR-to-expenses ratio (%)	Growth/Productivity	GCC	▼	**76**	80,8	82,1
CIB primary client wins	Growth	GCC	▲	**37**	32	30
Driving efficient execution (TOM 2.0)						
Branch floor optimisation (000 m^2)	Productivity	GCC	▲	**57**	42	33
Corporate real estate floor space savings (000 m^2)	Productivity	GCC	▲	**69**	54	25
Cost-to-income ratio (%)	Productivity	GCC	▲	**58,1**	56,6	57,2
Cumulative TOM 1.0 benefits (Rbn)	Productivity	GCC	▲	**1,8**	1,1	0,7
Core IT system optimisation (# of systems)	Productivity	GCC	▲	**90**	117	119
ROE (%)	Growth/Productivity/Risk and capital management	CPT	▼	**6,2**	15	16,8
Creating positive impacts						
Renewable-energy lending (Rbn) – exposure[2]	Growth	GCC	▲	**32,3**	26,1	23,4
Renewable-energy lending (Rbn) – limits	Growth	GCC	▲	**37,2**	36,7	40,2
Thermal-coal funding (% of total advances)	Risk and capital management	GCC	►	**0,7**	0,7	Not reported
BBBEE contributor status	Growth	GCC	►	**1**	1	1

GCC – Considered as part of agreed goal commitment contracts, which impact STI and LTI allocations for executives.

CPT – Corporate performance target impacts LTI vesting percentage.

[1] Peer average is the simple average for Absa, FirstRand and Standard Bank.

[2] 2020 includes R30,7bn renewable-energy (REIPPPP) funds disbursed since inception.

Benchmark[1]	Target 2020	Outlook 2021	Outlook Medium term	Outlook Long term	Assurance
N/A	Increase	Increase	Increase	> 70	[MO] [LA1]
> 35	Increase	Increase	> 45	> 75	[MO] [LA1]
N/A	180	Servicing growth	Complete	–	[MO]
N/A	80	Materially complete	Complete	–	[MO]
N/A	Improve	Improve	Top-2 bank brand		[IN – Brand Finance]
N/A	Improve	Close gap to No 1	No 1	No 1	[LA1] [IN – Consulta]
First bank to launch a super app	Increase	Increase	Increase	Increase	[MO]
N/A	Increase	Increase	5,0m	Increase	[MO] [LA1]
17,4 peer average	> 15	Increase	> 13	> 15	[MO] [LA1] [IN – Consulta]
2–3	Increase	Increase	> 2	> 2	[MO]
20,9 peer average	Increase	Increase	Increase	> 19	[IN – SARB BA900]
25,1 peer average	Increase	Increase	> 16,9	> 18	[IN – SARB BA900]
12 peer average (PA min 7,5)	Increase	10-12	10–12	10–12	[FS]
178 peer average	60–100	110–130	60–100	60–100	[FS]
N/A	> 2,0	> 2,0	> 2,0	> 2,0	[MO]
76,2 peer average	Increase	Increase	> 85	> 85	[FS]
N/A	25	25	Increase	Increase	[MO]
N/A	49	Increase	Increase	Increase	[MO]
N/A	Increase	Increase	> 100	> 120	[MO]
55,7 peer average	Guidance withdrawn	Increase in 2021 before decreasing	< 54	≤ 50	[MO] [FS]
N/A	1,2	TOM 2.0	2,5	–	[MO]
N/A	85	79	65–75	< 75	[MO]
9,7 peer average	Guidance withdrawn	Improve	> 15	> 18	[MO] [FS]
Nedbank: number-one bank	Increase	R50bn committed to REIPPPP			[MO] [FS]
Nedbank: number-one bank	Increase				[MO] [FS]
N/A	< 1	< 1	< 1	< 0,5	[MO] [FS]
Nedbank: joint number-one bank	1	1	1	1	[MO] [OV] [LA2]

Assurance indicators

- **LA** External limited assurance on selected sustainability information [LA1] and the application of the Amended FSC and the group's BBBEE status [LA2]. Related opinions are available at nedbankgroup.co.za.
- **MO** Management and board oversight through rigorous internal reporting governed by the group's ERMF.
- **IN** Information sourced from external sources, eg independent surveys.
- **OV** Independent oversight by regulatory bodies, including SARB, FSCA and various financial-sector ombudsman offices.
- **FS** Financial information extracted from the 2020 Nedbank Group Limited Audited Annual Financial Statements.

DELIVERING AND REWARDING FOR VALUE CREATION

Reflections from our Chief Financial Officer

> Nedbank has navigated the Covid-19 crisis well and from a financial perspective I am pleased to report that our balance sheet remains robust, and liquidity and solvency positions strong, with profitability metrics impacted by lower revenues and increased impairments, although expenses were well managed.

Mike Davis, Chief Financial Officer

2020 – AN UNPRECEDENTED 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% for the year, the largest fall in this metric since World War II, recovering after the Q2 GDP yoy decline of 17,8%.

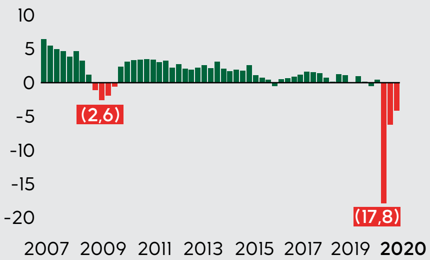
Businesses and individuals came under severe pressure and transactional volumes fell significantly in Q2 2020 before recovering somewhat into the second half of the year.

Client turnover data from our point-of-sale (POS) devices and digital channels, illustrate how retail activity declined by more than 50% in April. We saw a moderate recovery to July, with activity levels still below March, but from October growth has been positive. The recovery has however not been equal and industries that have proven more resilient were telecoms, retail and healthcare, while industries that still remain under pressure include restaurants, entertainment, hotels and airlines.

From a business perspective we have seen some recovery in H2 2020 with operational activity improving, as evident in mining and manufacturing production being above 2019 levels for the most part of the second half of the year. However, commitment to long-term fixed investment is still low, as is evident in the correlation between business confidence and fixed investment. For Nedbank, while client pipelines remain robust, timing of execution is uncertain as there are many well-known structural issues that need to be addressed to improve the attractiveness of SA as an investment destination, in particular with respect to energy security.

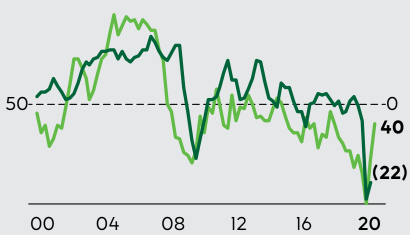
In response to the economic crisis SARB cut interest rates by 300 bps, which proved beneficial to clients' cashflow as instalments on floating-rate loans declined, but this also resulted in lower endowment income for banks. On the back of these economic pressures, job losses increased and many clients' current and future ability to repay debt declined, resulting in materially higher levels of impairment charges, now determined under more-forward-looking IFRS 9 models and overlays. Despite these challenges, the South African banking sector and Nedbank demonstrated strong levels of resilience. We were able to support our clients and the economy while remaining well capitalised, liquid and profitable, albeit at levels lower than in the prior year.

SA QUARTERLY GDP YOY
(%)

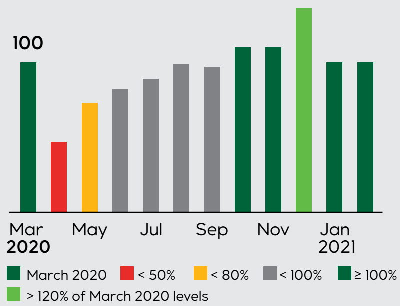


Source: Nedbank Group Economic Unit.

BUSINESS CONFIDENCE (LHS) VS FIXED INVESTMENT (RHS)



TOTAL INDUSTRY POS TURNOVER
(Indexed to March 2020)



ROBUST BALANCE SHEET, STRONG LIQUIDITY AND SOLVENCY POSITIONS, WITH PROFITABILITY ADVERSELY IMPACTED BY THE PANDEMIC

Our financial performance for 2020 reflects the difficult operating environment, largely as a result of the impact of the Covid-19 pandemic and strict lockdowns in Q2 2020.

Headline earnings declined by 56,5% to R5,4bn, while headline earnings in H1 2020 declined by 69,2%. Headline earnings was impacted primarily by a significant increase in impairments (largely related to IFRS 9 forward-looking macro models and Covid-19-related judgemental overlays) resulting in the group's CLR increasing to 161 bps. NII declined marginally as muted advances growth was offset by a lower NIM as a result of the impact of lower interest rates on endowment. NIR declined by 7% given lower levels of client-related transactional activity, lower equity valuations and lower insurance income on the back of Covid-19-related claims. H2 2020 earnings showed an improvement when compared to H1 as levels of additional impairments in the six months declined, NIR declined less than expected and the group's NIM improved, in part due to better asset pricing. Expenses remained well managed.

HEPS and EPS declined by 56,8% to 1 126 cents and by 71,3% to 717 cents respectively. When compared with HEPS, the larger decline in EPS can be attributed primarily to the R750m impairment of the group's investment in ETI as disclosed in our H1 2020 results, accounting for our share of ETI's impairment of their own goodwill (R528m), as announced in their nine-month 2020 results released in November 2020, and an impairment relating to Nedbank's own goodwill related to the South African Wealth businesses (R345m).

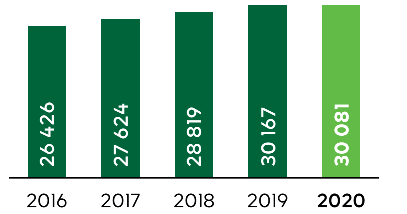
ROE and ROA declined to 6,2% and 0,45% respectively, but improved from 4,8% and 0,36% in H1 2020. NAV per share of 18 391 cents increased by 1,0%, compared to 18 204 cents in December 2019.

Throughout the crisis we maintained strong capital and liquidity positions. Our 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 2020 our 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 (revised from 100% on 1 April 2020). Our NSFR of 113% was in line with that in H1 2020 and well above the 100% regulatory minimum.

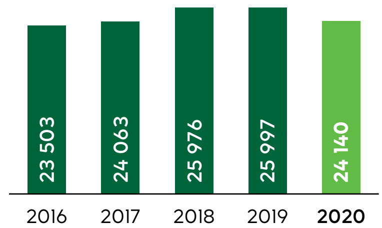
Despite our strong capital and liquidity position at 31 December, having considered the spirit of PA Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible 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.

The underlying financial performance is discussed in more detail on the following pages.

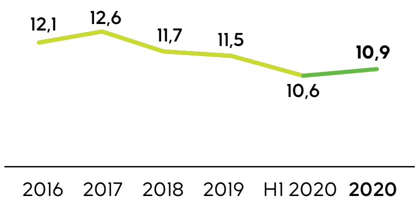
NET INTEREST INCOME
(Rm)



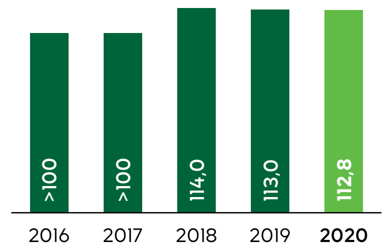
NON-INTEREST REVENUE
(Rm)



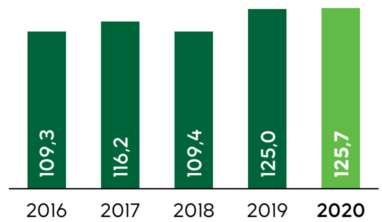
COMMON EQUITY TIER 1 RATIO
(%)



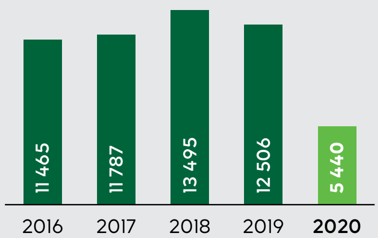
NET STABLE FUNDING RATIO
(%)



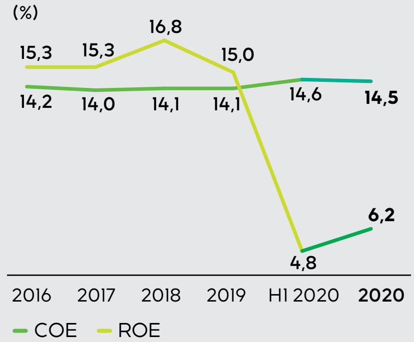
LIQUIDITY COVERAGE RATIO
(%)



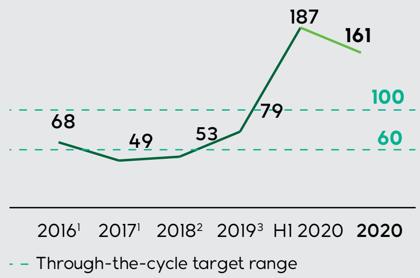
HEADLINE EARNINGS
(Rm)



ROE AND COST OF EQUITY
(%)



CREDIT LOSS RATIO
(Bps)



[1] *Calculated in terms of IAS 39.*
[2] *The CLR for 2018 has not been restated for the reclassification of listed corporate bonds from government and other securities to loans and advances.*
[3] *Restated due to reclassification of listed corporate bonds into loans and advances.*

OUR FINANCIAL PERFORMANCE

Headline earnings

Rm	Change %	2020	2019	2018
Net interest income	(0,3)	**30 081**	30 167	28 819
Impairments charge on financial instruments	> (100)	**(13 127)**	(6 129)	(3 688)
Income from lending activities	(29,5)	**16 954**	24 038	25 131
Non-interest revenue	(7,1)	**24 140**	25 997	25 976
Total operating expenses	1,3	**(31 772)**	(32 179)	(31 632)
Zimbabwean hyperinflation	30,7	**(205)**	(296)	
Indirect taxation	(4,7)	**(1 148)**	(1 096)	(942)
Share of gains of associate companies	(43,0)	**452**	793	528
Headline profit before direct taxation	(51,2)	**8 421**	17 257	19 061
Direct taxation	49,4	**(1 994)**	(3 942)	(4 807)
Non-controlling interest	(22,0)	**(987)**	(809)	(759)
Headline earnings	(56,5)	**5 440**	12 506	13 495
Diluted headline earnings per share (cents)	(56,6)	**1 113**	2 565	2 736
Dividend declared per share (cents)		**N/A**	1 415	1 415
Dividend cover (times)		**N/A**	1,84	1,97

Financial position

Rm	Change %	2020	2019 (Restated)[1]	2018 (Restated)[1]
Cash and securities	30,6	**280 042**	214 400	189 371
Loans and advances	2,2	**843 303**	824 786	758 941
Other assets	0,6	**104 792**	104 163	95 600
Total assets	7,4	**1 228 137**	1 143 349	1 043 912
Total equity attributable to ordinary equity holders	1,6	**88 992**	87 597	83 778
Non-controlling interest	5,5	**11 452**	10 852	7 493
Amounts owed to depositors	5,5	**953 715**	904 382	825 804
Provisions and other liabilities	41,3	**114 208**	80 805	71 250
Long-term debt instruments	0,1	**59 770**	59 713	55 587
Total equity and liabilities	7,4	**1 228 137**	1 143 349	1 043 912
Assets under management	13,1	**374 546**	331 136	297 338
Key ratios (%)				
ROE		**6,2**	15,0	16,8
ROA		**0,45**	1,13	1,33
NIM		**3,36**	3,52	3,65
CLR[2]		**1,61**	0,79	0,53
Cost-to-income		**58,1**	56,5	57,2
CET1		**10,9**	11,5	11,7

[1] *For the year ended 31 December 2020, the group reclassified listed corporate bonds from government and other securities to loans and advances. Accordingly, the statement of financial position for the years ended 31 December 2019 and 2018 were restated.*

[2] *The CLR for 2018 has not been restated for the reclassification of listed corporate bonds from government and other securities to loans and advances.*

	2021 outlook
Net interest income **Key drivers:** NII decreased by 0,3%, reflecting 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. NIM decreased by 16 bps to 3,36%, an improvement from the 3,33% recorded in H1 2020. Cumulative interest rate cuts of 300 bps had a negative impact on endowment income, decreasing NIM by 24 bps, while liability pricing reduced NIM by a further 10 bps. Strategic management actions in 2020 resulted in asset pricing increasing NIM by 15 bps and HQLA optimisation contributing to an increase of 7 bps.	*NII growth to be between 0% and 3%.* Loan growth should recover in 2021 and our NIM is expected to contract slightly on the back of the full run rate impact of interest rate cuts on endowment, partially offset by improved asset pricing.
Impairments charge on loans and advances **Key drivers:** Impairments increased by 114% driven by the impact of Covid-19 on consumers and businesses and the difficult South African macroeconomic environment, 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.	*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.* This key ratio has both the largest upside and downside risk given the race between vaccines and the virus, and the impact that differing levels of lockdown under any future waves could have.
Non-interest revenue **Key drivers:** NIR decreased by 7,1%. Commission and fee income declined by 8,6% as transactional activity declined significantly in H1, impacted by the lockdown. Digital, POS and ATM volumes increased to above March levels in the second half of the year, although branch volumes remained lower. Insurance income declined by 11,7% 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. Trading income increased by 16,1% given increased market volatility and higher client activity. Private-equity income declined to a loss of just over R1bn, primarily due to downward revaluations of unrealised investments as the subdued macroeconomic environment impacted the profitability of investee counters and listed market prices declined. Excluding the private equity impact, NIR decreased by 2,2%.	*NIR to increase by between 5% and 9%.* Transactional activity is expected to recover off a low base and strategic initiatives such as STP 2.0, cross-sell and new revenue streams contribute to growth. Negative private-equity realisations and revaluations create a low 2020 base. Trading income growth will likely be more muted off the high 2020 base.
Total operating expenses **Key drivers:** Expenses decreased by 1,3%, 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. Computer-processing costs increased by 19,5%, driven by an increase in the amortisation charge, 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.	*Expenses growth to be between 7% and 9%.* Growth reflects the impact of improved levels of profitability on incentives, expected new additional regulatory 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.
Dividends **Key drivers:** Despite our strong capital and liquidity position at 31 December, having considered the spirit of PA 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.	*Dividend payment is expected to resume when reporting interim results in 2021,* supported by the group's robust balance sheet and earnings growth off a low base.
Banking loans and advances **Key drivers:** Gross banking loans and advances declined by 2%, impacted by an 8% decline in CIB banking advances. CIB initially benefited from increased client drawdowns on existing credit facilities while RBB was negatively impacted, as secured lending came to a halt, particularly in April. In the second half of the year, RBB's momentum accelerated but CIB experienced lower client use of existing facilities, lower levels of demand for new loans, higher levels of repayment as the need for liquidity declined and active portfolio management as we focused on capital optimisation.	*Loan growth should be positive in 2021,* supported by economic recovery and our SPT 2.0 strategy.
Amounts owed to depositors **Key drivers:** Deposits grew by 5,5% with current and savings accounts, along with cash management deposits, increasing by 31%, 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. 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.	*In line with our SPT 2.0 strategy we expect deposit growth to remain ahead of loan growth,* and market share gains in household and commercial transactional deposits over time.
CET1 ratio **Key drivers:** 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% and a CET1 ratio of 10,9%. 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 RWA.	*Our CET1 capital ratio is expected to remain within the board-approved target range of 10% to 12%,* with adequate buffers in place to support our clients and the economy.

SIGNIFICANT ACCOUNTING MATTERS

As a consequence of Covid-19, the various stages of lockdown and the resulting adverse macro environment, credit risk and the assessment of impairments was the key significant accounting matter, including the following:

- Defining what is considered to be a significant increase in credit risk, particularly in light of the debt relief programmes to help retail and wholesale banking clients manage the challenges of Covid-19 through payment deferrals, covenant waivers, and refinancing or credit restructuring.
- Selecting and calibrating credit models and linking these input parameters to macroeconomic drivers.
- Estimating macroeconomic parameters based on forecast macroeconomic scenarios, noting that the uncertainty around the economic recovery, including impacts of further waves of the virus, timing of the vaccine rollouts and the difficulty in gauging the impact of relief measures all meant that there is a significant increase in the level of forecasting risk under the current environment.
- Making post-model adjustments to account for emerging or developing events, model and data limitations and deficiencies, and the application of expert credit judgement.

As a result of the focus on credit and credit-related accounting matters and judgements the group took the proactive step of providing additional financial and non-financial disclosures to the market to aid in transparency and understanding.

Impairment testing of goodwill was a key significant accounting matter which in relation to Nedbank Private Wealth, resulted in a goodwill impairment of R345m being recognised due to Covid-19 and the macroeconomic impact, particularly lower interest rates.

Consideration of the impairment of the group's investment in its associate, ETI, was a key significant accounting matter which resulted in an additional impairment provision of R750m, based on a lower value-in-use (VIU). The VIU is based on, among other things, economic estimates, macroeconomic assumptions and the discounting of future cashflow estimates.

Valuation of financial instruments held at fair value was a key significant accounting matter which included a review of details of critical valuation judgements applied to the valuation of group treasury and trading instruments, including funding valuation adjustments.

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP AUDIT COMMITTEE (GAC)

'In response to the challenges posed by Covid-19, the GAC responded through enhanced engagements with management, Group Internal Audit and the external auditors to allow additional time to consider key accounting judgements and to ensure a robust audit thereof.'

Stanley Subramoney (Chair)

Ensuring and protecting value in 2020

- Monitored the impact of Covid-19 on the overall group performance, with a key focus on credit risk.
- Continued to monitor reputational risk concerns related to the external auditors and received regular updates from the external audit firms' senior leadership.
- Considered control deficiencies identified via the group's three lines of defence, as well as the appropriateness of management's response, including remediation, reliance on compensating controls and additional review procedures.
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved findings.

Focus for 2021 and beyond

- Continue to focus on ensuring that the group's financial systems, processes and internal financial controls are operating effectively.
- Continue to monitor accounting implications arising from credit impairments, hyperinflation accounting in the Nedbank Zimbabwe subsidiary, accounting implications from our investment in ETI and goodwill impairment assessments.
- Continue to monitor the requirements arising from MAFR that will require Deloitte to rotate after the 2023 financial year-end.

Stakeholders

- Employees
- Regulators
- Shareholders

Top 12 risks

1 Business (global and country) risk
2 Credit risk
5 Cyberrisk
6 Operational risk
7 Liquidity risk
9 Reputational (and association) risk
12 Regulatory and compliance risk

A comprehensive GAC report is available online in our 2020 Governance Report and in our 2020 Nedbank Group Limited Annual Financial Statements on our group website at nedbankgroup.co.za.

AUDITOR INDEPENDENCE

Following a comprehensive tender process, Ernst & Young was appointed as a new joint external auditor of Nedbank and Nedbank Group in 2019, alongside Deloitte. Deloitte's rotation will be finalised by no later than December 2023. This is in line with the MAFR rules of the Independent Regulatory Board for Auditors, effective from 1 April 2023, requiring that if a firm has served as an appointed auditor for 10 or more consecutive financial years before the financial year commencing on or after 1 April 2023, then the audit firm may not accept reappointment as auditor. Some shareholders early-adopt MAFR principles in their proxy voting. We continue to reiterate our commitment to implement MAFR fully for our 2024 financial year. However, we are limited in the short term by regulatory requirements, and the complexity and practicality of changing both auditors in a short period.

CE AND CFO INTERNAL FINANCIAL CONTROL RESPONSIBILITY

Nedbank continues to maintain a strong risk culture and has implemented adequate and effective internal financial controls (IFCs) to confirm the integrity and reliability of the financial statements. These IFCs safeguard, verify and maintain accountability of our assets, are based on established policies and procedures and are implemented by trained and skilled employees whose duties are duly segregated.

As a consequence, Mike Brown (CE) and I (Mike Davis) as CFO were able to make the attestation required by the JSE.

FINANCIAL OUTLOOK OVER THE SHORT, MEDIUM AND LONG TERM

Our guidance on financial performance for the full year 2021, in a global and domestic macroeconomic environment with high forecast risk, is that we will see a recovery in both NII and NIR, leading to positive revenue growth after a decline in 2020. The group's CLR is expected to be below the 161 bps reported in 2020, between 110 bps and 130 bps. Expense growth will be higher, reflecting the impact of improved levels of profitability on incentives, expected new additional regulatory costs and the return of some discretionary spend as some activities return to normality. Liquidity metrics, including the LCR and NSFR ratios, are expected to remain well above PA minimum requirements, and the group's CET1 capital ratio to remain within the board-approved target range of 10–12%. More detail on these targets are provided on page 75.

Dividend payment should resume when we report interim results in 2021, an expectation supported by a robust balance sheet and earnings growth off a low base.

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

Metric	2020	Medium-term target (2–3 years)*	Long-term target (5+ years)
ROE	**6,2%**	More than 15% by 2023	> 18%
Growth in DHEPS	**(56,6%)**	More than 2019 levels (2 565 cents) by 2023	≥ CPI + GDP growth + 5%
CLR	**161 bps**	Between 60 bps to 100 bps of average banking advances	Between 60 bps to 100 bps of average banking advances
Cost-to-income ratio	**58,1%**	Below 54% by 2023	≤ 50%
CET1 capital adequacy ratio[1]	**10,9%**	10–12%	10–12%
Dividend cover	**No dividend paid**	1,75–2,25 times	1,75–2,25 times

** Based on the group's economic forecasts in February 2021.*

[1] This target will be reconsidered in light of the proposed reintroduction of Pillar 2A in 2022 according to the proposed directive published by the PA in February 2021.

APPRECIATION

I became the CFO on 1 October 2020 and the transition from Raisibe Morathi, our previous CFO, to me has been seamless and I thank Raisibe for her guidance, support and counsel over the years. To my colleagues on the board and the group executive team, thank you for your support during a very difficult year. Thank you to the dedicated and hard-working finance teams across the group, who finalised our reporting while largely working from home, and for ensuring that we maintain our high standards and professionalism, which is evident in the various reporting awards that Nedbank received in 2020. I also thank all our shareholders and the broader investment community, both locally and internationally, for your continued investment and interest in Nedbank Group, and for the warm welcome I received. I look forward to further engagements over the coming years.

Mike Davis
Chief Financial Officer

Cluster financial summary

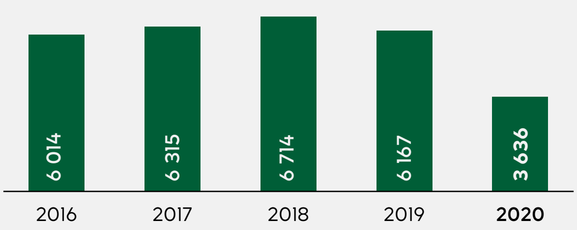
NEDBANK CORPORATE AND INVESTMENT BANKING

2020 PERFORMANCE

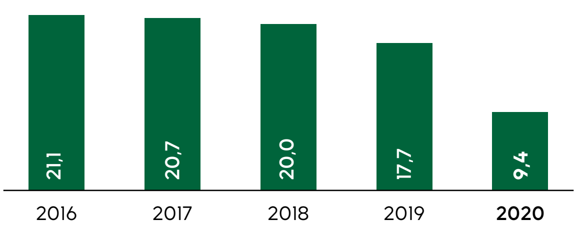
Headline earnings in CIB declined by 41,0% (H1 2020: -57,1%) to R3,6bn, and the cluster delivered an ROE of 9,4% (H1 2020: 7,3%).

Headline earnings 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 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%.

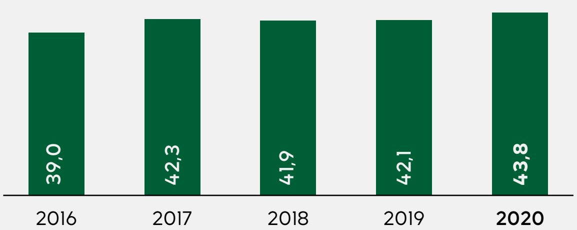
HE (Rm)



ROE (%)



COST-TO-INCOME RATIO (%)



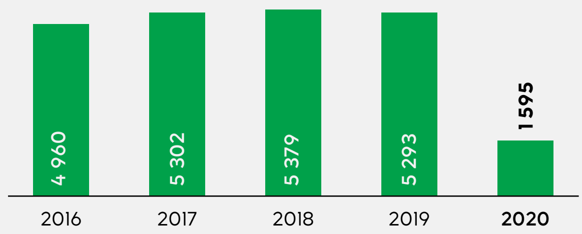
OUTLOOK/DRIVERS

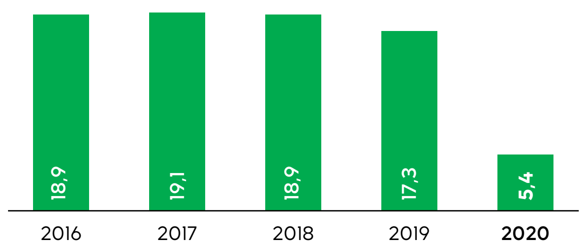
- Advances growth driven by robust pipeline with selective origination.
- High base in trading but expect other NIR benefits from economic recovery.
- CLR to see an improvement off a high base (CPF likely to remain elevated).
- Capital optimisation to continue.

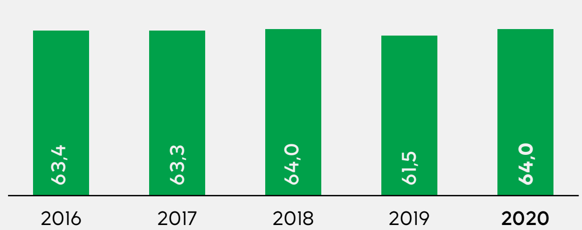
NEDBANK RETAIL AND BUSINESS BANKING

Headline earnings in RBB declined by 69,9% (H1 2020: -91,2%) to R1,6bn and the cluster delivered an ROE decline to 5,4% (H1 2020: 1,5%).

The main drivers 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.





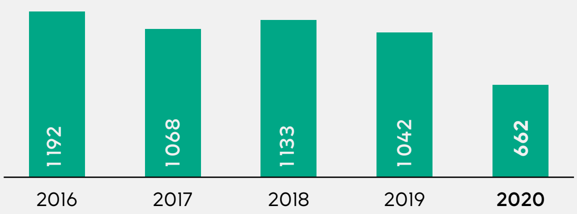


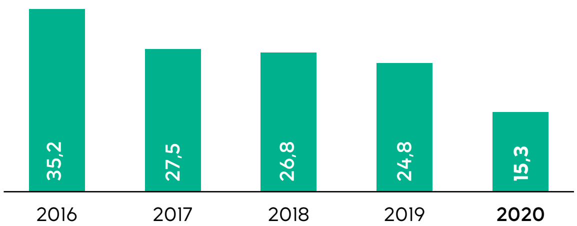
- Momentum in advances growth continues.
- Recovery in CLR off a high base.
- Diversifying NIR-generating products given significant impact of Covid-19 and lockdown.
- Expense optimisation continues.

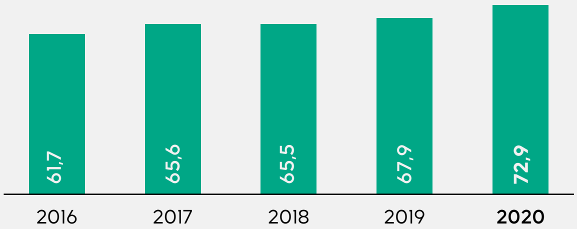
NEDBANK WEALTH

Headline earnings in Nedbank Wealth declined 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 South African 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% 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.





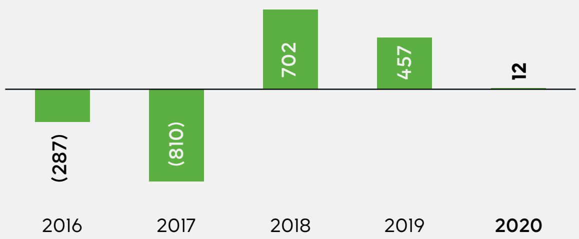


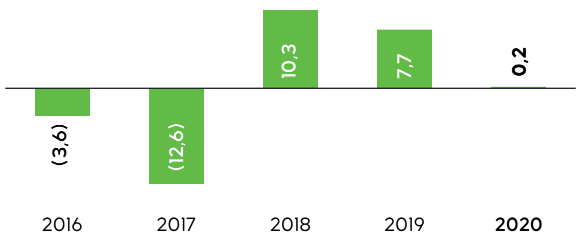
- Wealth Management: Lower credit impairments off a high base locally; focus on upsell and cross-sell initiatives while international business is still impacted by record-low interest rates.
- Asset Management: Continued growth in market share and cost-efficiencies from automation.
- Insurance: Focus on increasing penetration into the Nedbank Group and on normalised claims trends.

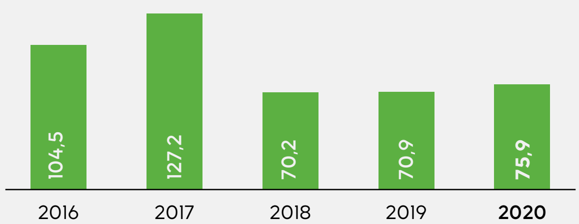
NEDBANK AFRICA REGIONS

Headline earnings in NAR declined by 97,4% (H1 2020: ->100%) to R12m, with an ROE of 0,2% (H1 2020: -0,8%).

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. Headline earnings 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. We made good progress on digital enhancements to meet rapidly changing client behaviour. We also increased our stake in Banco Único and are well positioned for future opportunities in Mozambique.





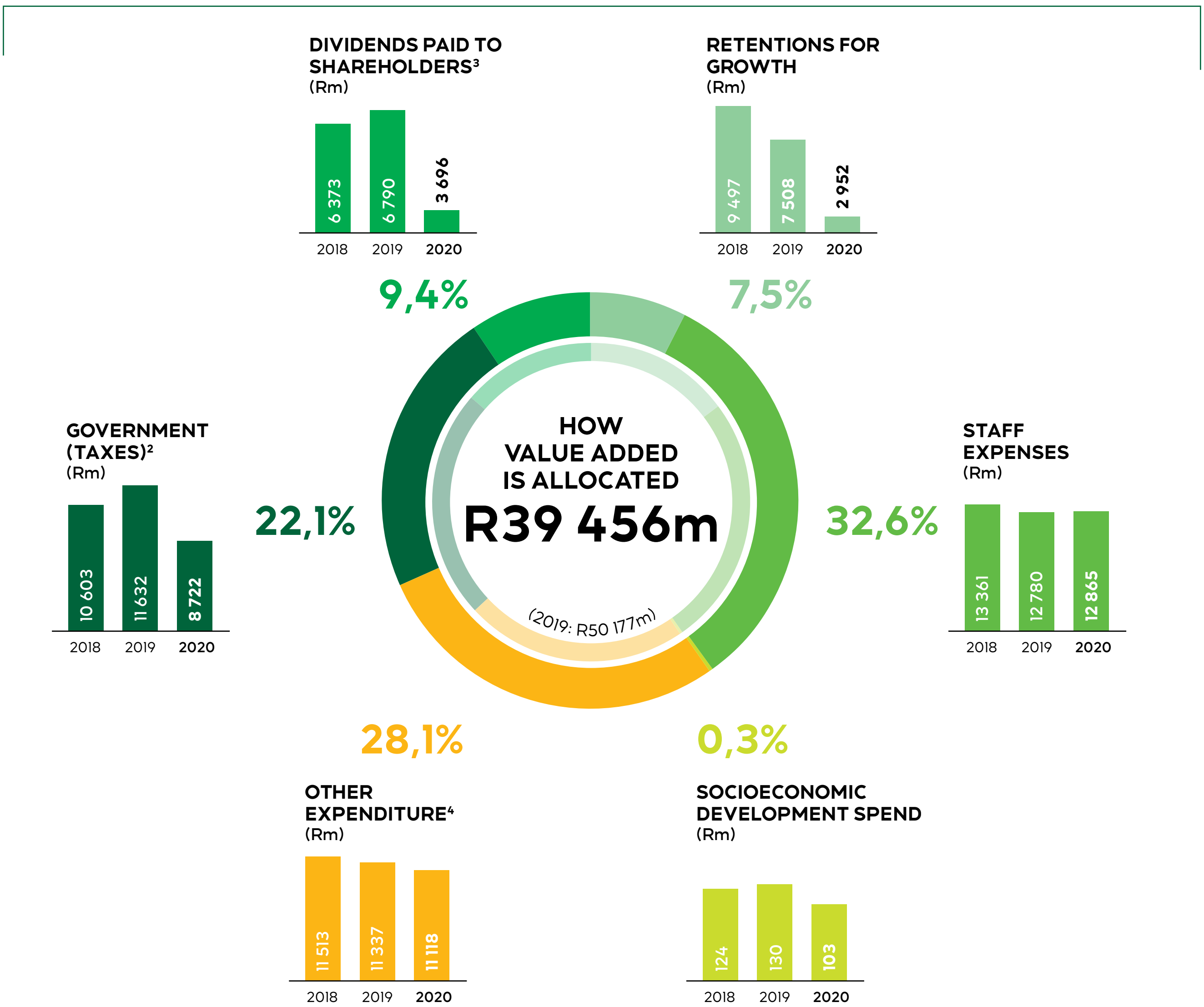


- SADC: Maximise Mozambique growth opportunities and deliver on our 'Reimagine' strategy and optimised operating model.
- ETI: Prospects more positive as evident in their 2020 results and drive for the resolution of Ecobank Nigeria challenges to unlock value.

Value for stakeholders

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 well-being and growth of the societies in which we operate by creating value to our employees, clients, shareholders, regulators and society. In 2020 profitability and returns were not our primary focus as we supported our stakeholders during difficult times.

NET INTEREST INCOME R30 081m − **IMPAIRMENT LOSSES ON LOANS AND ADVANCES R13 127m** + **OTHER INCOME[1] R22 502m** = **VALUE ADDED R39 456m**



[1] *Includes non-interest revenue, non-trading and capital items, and share of profits of associate companies.*

[2] *Includes direct and indirect tax, payroll tax, dividends withholding tax and other taxes.*

[3] *Value is allocated to shareholders in respect of cash dividends and income attributable to non-controlling shareholders.*

[4] *Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations and fees and assurance.*

INVESTING IN OUR EMPLOYEES

Quality of relationship: Falling short — Excelling

Yoy change

We assess the quality of the relationship with our employees through the value we created in 2020, including the performance against specific key performance indicators discussed below. Our assessment is subjective but informed by our employee NPS score of 17, support for our employees during Covid-19, ongoing investment and progress on transformation metrics and a lower attrition level of 7,1% and only 18 employees were retrenched.

Value creation, preservation and erosion in 2020

- (Value creation) 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, and we would like to improve this metric further over time.
- (Value creation) Before the crisis emerged in 2020, we concluded annual salary increases with our bargaining-unit employees at 6,3%. Non-bargaining-unit employees received increases of no more than 4,0% and executive management zero increases. In 2021, average salary increases for our bargaining-unit employees is 4,0%, again ahead of non-bargaining-unit employees at an average of 3,0%.
- (Value creation) We provided ongoing development and training (R924m spend, up from R760m in 2019). Employee uptake of digital learning during the lockdown increased significantly with 45 565 online LinkedIn Learning courses completed, up 183% on the prior year.
- (Value creation) We enabled more than 16 500 employees (more than 75% of campus-based employees) to work from home as business continuity plans were seamlessly activated with the ongoing support of our technology teams. Many of our work-from-home practices will continue into the future.
- (Value creation) We increased our focus on the physical, mental and financial well-being of our employees through various interventions.
- (Value creation) Staff attrition reduced to 7,1% from 10,8% in 2019 and remained below the industry benchmark of 11–13%, although total employees reduced by 1 079. As our operating model evolves in a digital world (TOM 2.0), we expect to see further reductions over the next few years.
- (Value preservation) We have not retrenched any employees as a direct result of Covid-19 and paid our 28 324 employees' salaries and benefits of R16,8bn. Paid special leave was introduced for employees who were unable to perform their duties and did not fall into the essential services category and those in self-quarantine who were unable to perform their duties remotely.
- (Value preservation) We continued to focus on diversity as a key imperative to ensuring Nedbank remains relevant in a transforming society. Black representation is more than 78% and female representation just over 61%.
- (Value erosion) While our Agility Centre successfully redeployed 234 employees into alternative roles within Nedbank, 18 employees were regrettably retrenched as a result of changes in operational requirements.

Value creation · Value preservation · Value erosion

Nedbank was formally recognised for its efforts towards transformation, diversity and for being an employer of choice during 2020: Nedbank was placed second in the 'Reporting JSE-listed boards' category; placed first in the 'Employer of Choice: Large Organisations' at the Topco Media 'Future of HR Awards'; placed third in the category 'Employer of Choice: Commercial and Retail Banking' SA Graduate Employers Association (SAGEA); and won the Oliver Top Empowerment Award for our 2019 participation in the YES programme.

Employee NPS 17 (2019: 7)	**> 75%** CAMPUS-BASED EMPLOYEES ENABLED TO WORK FROM HOME	**> 78%** BLACK EMPLOYEES (2019: 79%)	**> 61%** FEMALE EMPLOYEES (2019: 62%)	**7,1%** STAFF ATTRITION (2019: 10,8%)

CASE IN POINT

Pivoting our people agenda in the face of the Covid-19 pandemic

The downward trend in the economy, together with a unique set of challenges presented by the Covid-19 pandemic, resulted in unprecedented levels of employee uncertainty about their future and increased levels of well-being concerns. More than 2 400 Nedbank employees contracted Covid-19, nine of which regrettably lost their lives in 2020. In addition, many lost loved ones and had to provide for extended family members who lost their income.

We pivoted our practices and people agenda to ensure the health, safety and security of our employees and the resilience of our business during the pandemic. A Pandemic Steering Committee was established to ensure that our employees, clients and stakeholders are protected and adhere to lockdown restrictions, and that we sustain our ability to deliver essential services:

- Essential workers continued to serve our clients on-site on a rotational basis. We continued to deliver on key projects while seamlessly transitioning a large portion of our workforce to working from home.
- Select policies and benefits were updated, eg employees who were not able to perform their normal duties. Those who had to quarantine were granted special leave while earning their full salaries.
- Our employee well-being programme was enhanced to focus on money management, emotional and mental health counselling and coaching support for employees. Webinars, virtual team activities and the services of the Nedbank Well-being partners jointly pivoted to provide a 'safe' place to employees to access support.
- Learning offerings were pivoted to digital channels and we invested in digital learning platforms to enhance the learner experience while enabling ongoing employee reskilling going forward.

Notwithstanding the challenges presented by the pandemic, we successfully pivoted our practices and people agenda to support a reimagined, more competitive Nedbank. Many of the changes thought to be temporary at the time, will now be central to our people agenda going forward.

SDG IMPACTED:

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

DELIVERING MARKET-LEADING EXPERIENCES AND SUPPORTING OUR CLIENTS DURING THE COVID-19 CRISIS

Quality of relationship: Falling short — Excelling

Yoy change

We assess the quality of the relationship with our clients through the value we created in 2020, including the performance against specific key performance indicators discussed below. Our assessment is subjective but informed by the high levels of client satisfaction in retail, and the market-leading innovations that have made a difference in our clients' lives.

Value creation, preservation and erosion in 2020

- Client satisfaction at high levels:
  - In the 2020 Consulta survey, Nedbank achieved a number-two position among the five largest South African banks, and recorded the largest increase over the past five years in both the SAcsi (81%) and NPS (41%) independent surveys.
  - Apple App Store and Google Play Store ratings for our apps remain above 4,3 out of 5.
  - Our focus on client satisfaction during the crisis enabled Nedbank to be ranked consistently number one or two on social media net sentiment by BrandsEye.
  - Nedbank was 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 consumer surveys.
- Client access to banking improved, as digitally active retail users increased by 25% to 2,2 million. This was supported by system uptime at a historic high of 99,6%.
- We continued with the rollout of our end-to-end digital onboarding, and sales and servicing capabilities as part of our ME technology journey, which have proven to be beneficial for our clients during this time, evident in digital sales increasing to 49% of total sales (from 21% in 2019).
- We were awarded the 'Energy Deal of the Year' at the African Banker Awards, won first place at the DealMakers Awards for BEE deals by value and volume, and ended the year second in debt capital markets league tables by value and volume (in both categories: including and excluding self-led deals).
- Our asset management business, Nedgroup Investments increased client AUM by 13% to R375bn, supporting clients to grow and protect their wealth.
- We ensured the health and safety of our clients by maintaining high standards of hygiene, social-distancing practices and increased usage of our digital solutions.
- We safeguarded R954bn of deposits at competitive rates.
- 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 made R210bn in new loan payouts to enable clients to finance their homes, vehicles and education, as well as to grow their businesses and help them manage through a difficult period in 2020.
- We received 79 135 complaints in 2020 (2019: 72 506), however, only from 1% of our total client base and 98,7% of the complaints were resolved within SLA timelines, and only 1,5% were escalated to the Ombudsman.

Value creation · Value preservation · Value erosion

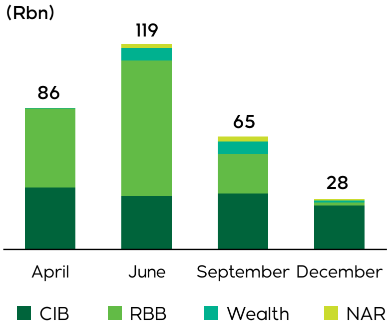
R121bn
PAYMENT RELIEF PROVIDED

#2
SOUTH AFRICAN BANK RANKED ON CLIENT SATISFACTION METRICS

R954bn
DEPOSITS SAFEGUARDED

R375bn
AUM

D3/2020 RELIEF PROVIDED
(Rbn)



CASE IN POINT

Supporting our clients during the Covid-19 pandemic

As the Covid-19 pandemic emerged in late March 2020, it was clear that many clients would not be able to fulfil their short-term debt obligations, given cashflow constraints, job losses or other financial pressures. In support of the PA's Directive 3/2020, clients in good standing at 29 February 2020 could qualify for temporary debt relief. To deal with the more than 400 000 clients that restructured R121bn of loans (payment relief), our business clusters took a client-centric approach and put various initiatives in place:

- CIB dealt with restructures on a client-by-client basis, leveraging our strong client relationship and insights into sectors that were under stress. In total R31bn of D3 restructures were provided and at the end of 2020, R25bn of D3 loans remained and these will mostly mature in H1 2021.
- RBB provided an online portal for clients to access various debt relief programmes by leveraging the onboarding capabilities that we have built, and digitised debt-relief application processes in respect of D3 loans peaked at R80bn and at the end of 2020, only R2bn were still active. Altogether 88% of clients have already started repaying their loans.
- Payment relief of R7,8bn was provided to Nedbank Private Wealth clients in good standing to help them through short-term liquidity challenges. Nedbank Insurance clients with a Nedbank unsecured loan had the opportunity to apply for debt-relief and claim for credit life protection through loss-of-income claims. These were underwritten by the life business and amounted to more than R150m paid in 2020.
- NAR provided payment relief and account restructures, on a case-by-case basis, to the value of R4bn, and at the end of 2020, 86% of all relief granted had matured and 90% of clients have resumed their payments.
- In addition to D3 payment relief, we reduced card repayment fees, processed claims from credit life insurance cover and supported clients who applied for readvances and drawdowns on existing facilities. We paid out R1,4bn to clients under the SARB SME Loan Guarantee Scheme.

SDG IMPACTED:

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

Quality of relationship: Falling short — Excelling

Yoy change

We assess the quality of the relationship with the investment community through the value we created and protected in 2020, including the performance against specific key performance indicators discussed below. Our assessment is subjective but informed by our positive AGM outcomes, independent reporting and financial communication awards, top-tier ESG ratings and maintaining a strong balance sheet during the crisis. This was offset by not paying a dividend in 2020 and a poor share price performance (but recovering strongly from lows of April 2020), impacted by a weaker financial performance than in 2019, given the impact of Covid-19.

Value creation, preservation and erosion in 2020

- (Value creation) We ensured transparent, relevant and timeous reporting. We enhanced our disclosures to shareholders, particularly around credit risk (regarded as market-leading) and hosted numerous virtual investor engagements, which were accompanied by a significant increase in investor attendance.
- (Value creation) In an environment of heightened forecast risk, our financial performance was in line with the 2020 guidance we provided as part of our interim results.
- (Value creation) The group's ESG ratings remain in the top tier of its peer group, both locally and internationally (see page 31 for more information).
- (Value preservation) We successfully hosted our first virtual AGM in 2020 and recorded good voting outcomes.
- (Value preservation) Nedbank became the first company in SA proactively to table two climate-change-related resolutions, which shareholders unanimously supported as both received 100% votes of approval. In April 2021 we delivered on these resolutions by releasing our first TCFD Report and our new energy policy.
- (Value preservation) We remained resilient through the crisis and maintained a strong balance sheet to protect us against downside risk, as evident in capital and liquidity ratios that were within board-approved ranges and well above regulatory minima (see page 73).
- (Value erosion) The group's financial performance reflects a very difficult environment as headline earnings declined by 56,5% to R5,4bn and the ROE of 6,2% was below our COE of 14,5%.
- (Value erosion) The Nedbank share price declined by 40% in 2020 compared to the JSE South African banks index declining by 22%. We continue to focus on delivering on our strategy and enhance disclosure to address key issues investors may have. We are focused on ensuring we can return our financial performance to pre-Covid-19 levels, as illustrated in our 2023 and long-term targets shown on page 51.
- (Value erosion) Despite our strong capital and liquidity position at 31 December the group has decided not to declare a final dividend for 2020. This is after having considered the spirit of the PA's 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. Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021.

Value creation | Value preservation | Value erosion

Key issues we engaged on with the investment community

We proactively communicate our strategy and activities to shareholders through an active and highly rated investor relations programme (Nedbank IR was rated among the top five in the 2020 Global Institutional Investor survey). Our management meets regularly with the investment community while our board, through our chairman, lead independent director and other boardmembers engage on ESG-related matters. In line with a JSE guidance note on transparent and regular disclosures during the Covid-19 pandemic, we increased our levels of engagement and reporting in 2020 by providing voluntary trading updates, additional investor calls and enhanced disclosures. The following were the key topics discussed during our more than 300 engagements in 2020:

Main topics of discussion	Our response and actions
The impact of the Covid-19 pandemic	During the crisis, our primary focus switched from increasing returns and profitability to one of resilience, meaning looking after the health and safety of our employees and clients, supporting our clients in their time of need, ensuring maximum IT system uptime, maintaining a strong balance sheet and significantly enhancing communication to employees, investors and clients. We tilted our strategy to Resilience, Transition, and Reimagine while leveraging our technology investment where our digital capabilities were beneficial during lockdown levels. South African banks, with a larger component of their earnings from SA (such as Nedbank), experienced a larger reduction in earnings during 2020, reflecting the impact of a significant increase in impairments, the impact of the lockdown on activity-based revenue streams and lower endowment income from the 300 bps decline in interest rates. Nedbank weathered the storm of the crisis extremely well as evidenced in resilient balance sheet metrics with capital and liquidity ratios well above regulatory minima as shown on page 73, and headline earnings as well as key capital and liquidity ratios improving from the levels reported in H1 2020.
Adequacy of impairments	Nedbank followed comprehensive credit governance processes, supported by assurance across our three lines of defence and external assurance. We had extensive discussions with investors on our assumptions and disclosed our methodologies and judgemental overlays, and provided clarity on restructures, payment performance after payment holidays, macroeconomic assumptions, our exposure to high-stress sectors and our analysis of coverage levels. Total coverage increased from 2,26% to 3,25% and our CLR declined to 161 bps from a peak of 187 bps in the first half.

Main topics of discussion	Our response and actions
Commercial-property finance	During the year we continued to provide best-in-class disclosures relating to our commercial property finance advances portfolio. Notwithstanding industry pressures brought about by Covid-19, our portfolio proved to be resilient as the commercial-property sector performed better than we had expected and we benefited from our well diversified, highly collateralised portfolio. The sector is likely to remain under pressure for the foreseeable future, but we are confident that through the impairment overlays raised in 2020 and by working closely with our clients, that our CPF business will continue to perform well.
Investment case drivers/outlook	A key focus for investors was trying to understand how the value drivers of banks are likely to play out after the crisis, including when dividend payments will resume, when HE (and DHEPS) will return to pre-crisis levels (2019) and when ROE will get back to above COE. As shown on page 51, we aim to have DHEPS and ROE above 2019 levels by end 2023 and declare dividends in 2021 (in line with PA Directive 3/2021). Delivering on these targets, supported by our strategy, as described on pages 50 to 67, should underpin value creation for shareholders, particularly in the context of Nedbank's relatively low price-to-book ratio of 0,8 times (March 2021), which is well below the 15-year average of around 1,5 times.
Progress on RBB's positioning in a competitive environment	Nedbank is increasingly differentiating itself in the market and in 2020 we made significant progress on the key drivers of future value creation that supports RBB being a much stronger player in the market. In the 2020 Consulta main-banked survey, Nedbank was the only one of the big four banks to hold its market share (11,2%) and overall the second-best performer among all banks. On client satisfaction metrics, we improved our ranking to number two among the top five South African banks in both the SAcsi and NPS surveys with our aim to be number one by 2023. Cross-sell on new retail client sales increased to 1,9 times from 1,2 times in 2019. This was supported by the group's progress on the Managed Evolution programme being 78% complete and TOM 1.0 savings ahead of incremental IT amortisation.
Remuneration	Following engagements with shareholders and enhancements to our remuneration practices in 2020, we were pleased that resolutions relating to our remuneration policy and implementation report received more than 98% of votes of support at our 53rd AGM. The 2019 outcomes were well received, along with the CPT changes (cost-to-income and inclusion of goodwill). In context of the Covid-19 crisis and the need to retain, motivate and attract key employees, as well as poor LTI vesting outcomes (as historic CPTs will not be met given the unprecedented impact of Covid-19), the Remco made changes to the 2021 scheme, as discussed on pages 95 and 96.
Reputational matters	In February and March 2021 Nedbank engaged with various shareholders on reputational matters in the media in respect of our historic relationship with Regiments as discussed on pages 18 and 23.

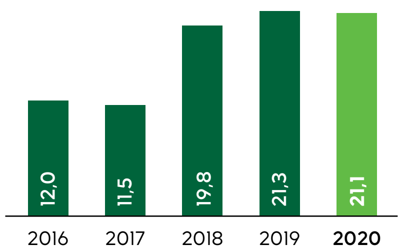
Key shareholding changes

2020 saw a reduction in Nedbank's international shareholding, primarily driven by reduced appetite by foreign investors for South African-related investments given the deteriorating South African macroeconomic environment and increased risk.

	% holding 2020	% holding 2019
Major shareholders/managers		
Old Mutual Life Assurance Company and Associates[1]	**22,0**	24,1
Public Investment Corporation (SA)	**10,4**	10,8
Coronation Fund Managers (SA)	**8,6**	7,5
Allan Gray Investment Council (SA)	**9,0**	5,4
BlackRock Incorporated (international)	**4,2**	3,6
Nedbank Group treasury shares	**3,6**	3,2
Lazard Asset Management (international)	**2,8**	2,1
The Vanguard Group Inc (international)	**2,5**	3,0
Sanlam Investment Management (SA)	**2,2**	2,4
GIC Asset Management (Pty) Ltd (international)	**1,7**	2,1
Dimensional Fund Advisors (US, UK and AU)	**1,52**	2,13
Index-classified shareholders	**21,1**	21,3
International shareholders	**24,1**	26,2

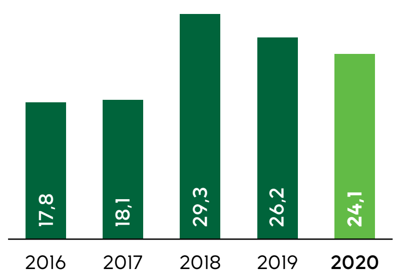
[1] *Old Mutual retains a strategic minority shareholding in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial holders.*

INDEX-CLASSIFIED SHAREHOLDING
(December, %)



Source: JP Morgan Cazenove.

FOREIGN SHAREHOLDING
(December, %)



Source: JP Morgan Cazenove.

Voting outcomes at the 53rd AGM and important resolutions for the 54th AGM

All the resolutions at the 53rd AGM (2020) were passed, except for the authority to issue authorised but unissued ordinary shares for cash. Noteworthy resolutions include the following:

Key resolutions at the 53rd AGM (2020)	2020 votes in favour (%)	Key resolutions for the 54th AGM (2021)	
Ordinary resolution 3.1 and 3.2: • Reappointment of Deloitte • Reappointment of Ernst & Young	 81,2 99,8	Shareholders will be asked to approve Deloitte and Ernst & Young as Nedbank's auditors for 2021.	YOUR VOTE IS NEEDED ON Appointment of auditors
Advisory endorsement on a non-binding basis, of the following: • Nedbank Group Remuneration Policy • Nedbank Group Remuneration Implementation Report	 97,7 98,4	Our remuneration policy remains a focus and we continue to engage proactively with our shareholders to get their feedback.	YOUR VOTE IS NEEDED ON Remuneration Policy
Ordinary resolutions 4.1, 4.2, 4.3 and 4.4. (new) • Appointment of the Nedbank GAC members	100,0 99,9 99,6 100,0	This resolution (new in 2020) will now be a standard resolution going forward.	YOUR VOTE IS NEEDED ON Appointment of GAC members
Ordinary resolution 6.1 and 6.2 • Adoption and public disclosure of an energy policy (new). • Authority to report on the company's approach to measuring, disclosing and assessing its exposure to climate-related risks.	 100,0 100,0	Nedbank's energy policy and our approach to climate-related governance, strategy, risks and opportunities as well as metrics and targets are included in the group's inaugural TCFD Report available at nedbankgroup.co.za.	
Authority to issue authorised but unissued ordinary shares for cash.	74,0	Nedbank will not put this resolution forward at the 54th AGM (2021).	

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP RELATED-PARTY TRANSACTIONS COMMITTEE (GRPTC)

'The GRPTC remained focused on related-party transactions oversight and ensured that they were fair and in the best interest of Nedbank. The protection of shareholder interests remains central to the GRPTC's role.'

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

- Oversaw the accurate disclosure of on-balance-sheet transactions in the annual financial report in terms of IAS 24: Related-party disclosures.
- Ensured that the mutually beneficial commercial arrangements in place with Old Mutual Limited (OML) were at arm's length, commercially viable and compliant with regulatory and competition law requirements. Considered and oversaw new business transactions with OML for 2020.
- Continued to monitor the unclaimed odd-lot offer funds.

Focus for 2021 and beyond

- Monitor and review all related-party transactions with OML.
- Monitor and review all related-party transactions above R50m and those below R50m at the GRPTC's discretion, if required to do so.

Stakeholders

Regulators

Shareholders

Top 12 risks

3 Strategic execution risk
9 Reputational (and association) risk
11 Conduct risk
12 Regulatory and compliance risk

A comprehensive GRPTC report is available online in our 2020 Governance Report on our group website at nedbankgroup.co.za.

ENSURING SUSTAINABLE BANKING WITH OUR REGULATORS

Quality of relationship: Falling short — Excelling

Yoy change

We assess the quality of the relationship with our regulators through delivering on our commitments in 2020, including the performance against specific key performance indicators discussed below, as well as working closely together to mitigate the risks associated with Covid-19. Our assessment is subjective but informed by alignment with regulatory requirements and remedial action where required, offset by fines paid in 2020.

Value creation, preservation and erosion in 2020

Nedbank demonstrated resilience and agility though proactive engagements to assess and mitigate regulatory risk. Through a formalised New Regulatory Affairs process regulatory developments are analysed to determine the applicability to and impact on the business. This process ensures that Nedbank proactively addresses any impact and effectively participates in the regulatory consultation processes either through industry associations or directly with government, regulators and policymakers.

- (Value creation) In 2020, we worked closely with the government, regulators and BASA to mitigate the risks of Covid-19 and the associated lockdowns to the economy and ensure the safety and soundness of the South African banking system.
- (Value preservation) We complied with all key aspects of Basel III:
  - We achieved a strong capital position, with a tier 1 capital ratio of 12,1% and CET1 ratio of 10,9%, well above SARB regulatory minima and in line with our board-approved targets of greater than 11,25% and 10–12% respectively. Our expectation is to continue to manage our capital in line with our targets.
  - We achieved a strong liquidity position, with an average LCR of 126% in Q4 2020 (above the regulatory minimum of 80%) and an NSFR of 113% (above the regulatory minimum of 100%).
- (Value preservation) We paid R8,7bn in direct, indirect and employee taxes to support the governments and societies where we operate.
- (Value preservation) We retained our level 1 BBBEE contributor status for the third year in a row.
- (Value erosion) We received notable fines to the value of < R7m (2019: < R18m). These related to regulatory non-compliance in Nedbank Africa Regions (Namibia and Lesotho). Remedial actions are in place as we continue to enhance our control environment to manage our compliance risk and minimise regulatory fines.

Value creation | Value preservation | Value erosion

Level 1	10,9%	113%	126%	R8,7bn
BBBEE CONTRIBUTOR	CET1 RATIO	NSFR	LCR	CASH TAX PAID

CASE IN POINT

Working with our regulators to ensure a stable financial market in response to Covid-19

During 2020 we worked closely with the government, regulators and BASA to mitigate the risks of Covid-19 and the associated lockdowns to the economy and ensured the safety and soundness of the South African banking system.

- **Liquidity –** SARB changed its liquidity management strategy to assist with the orderly transmission of liquidity through the financial system. Through Directive 1 (D1/2020) the regulatory minimum for the LCR was reduced from 100% to 80%. The minimum LCR requirement will remain in force until such time as financial markets normalise, whereafter banks will be required to restore their LCR above the minimum 100% over an appropriate phase-in period. The changes to the minimum LCR requirement are aligned with actions taken by international regulators.
- **Credit –** The PA issued D3/2020, amending the requirements specified in D7/2015 to provide temporary relief to banks when dealing with any Covid-19-related distressed restructures for qualifying clients whose loans were up to date at 29 February 2020. This assisted banks to manage the procyclical nature of the crisis and continue to support the real economy.
- **Capital –** The PA issued D2/2020, 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 are allowed to use their capital conservation buffers, including the additional loss absorbency requirements that were built up by D-SIBs. These measures were not required since banks' capital levels remained strong during the crisis.
- **Competition –** A block exemption was issued by the Department of Trade, Industry and Competition allowing banks collectively to formulate the SME Loan Guarantee Scheme with National Treasury and SARB and to engage and agree on client relief measures, such as assisting South African Social Security Agency (Sassa) beneficiaries and announcing payment holidays during the pandemic.

SDG IMPACTED:

1 NO POVERTY | 8 DECENT WORK AND ECONOMIC GROWTH | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

CREATING A POSITIVE IMPACT IN SOCIETY

Quality of relationship: Falling short — Excelling

Yoy change

During 2020 we strengthened our relationship with the communities that we serve and key civil society organisations. We did this by focusing on delivery that is aligned to our Sustainable Development Framework. Our assessment is subjective but informed by our contributions towards a thriving society and healthy environment, including our actions during the Covid-19 pandemic. The quality of the relationships is also informed by independent metrics such as Salesforce Social Studio banking industry sentiment, where Nedbank ranked as second best in the industry.

Value creation, preservation and erosion in 2020

We are aware that we, alongside our stakeholders, operate in a nested, interdependent system. This means that for our business to succeed, we need a thriving economy, a well-functioning society and a healthy environment. We also recognise that sustainability issues such as climate change, inequality, social justice and, most recently, pandemics, are playing an increasingly material role in shaping this system.

Within this context our purpose guides our strategy, behaviours and actions towards the delivery of long-term systems value. We use our Sustainable Development Framework to focus our efforts and identify strategic areas with business opportunities and risks as well as cost savings.

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

Making an impact through sustainable development finance

Sustainable development finance and the role that financial institutions play in addressing the world's ESG challenges are critically important. A dedicated focus on sustainable development finance is the most impactful lever to drive positive societal impact and progress toward the SDGs. Our activity in this regard for the 2020 period is outlined below:

SDG 4: QUALITY EDUCATION

- Over the past five years, we have provided around 4 300 students with student loans worth R232m. A total of R37,9m was disbursed to support 617 students in 2020.
- Through our clients like CampusKey, we have provided R5,1bn in funding for over 41 780 student beds since 2015. In 2020 we invested R691m, which delivered an additional 785 beds.
- In 2020 we partnered with MoveUp to create nearly 500 000 free smart CVs; and with Gradesmatch to provide over 240 000 qualification matches, 119 000 career matches, and assistance with National Student Financial Aid Scheme (NSFAS) applications for over R200m, all in an effort to support positive educational outcomes increasing the employability of our youth.

SDG 6: CLEAN WATER AND SANITATION

- Provided financial support to important water sector players such as the Trans-Caledon Tunnel Authority (TCTA) for the Vaal River System, to Rand Water to support running cost, and provision of preference share funding to South African Water Works for two water concessions at Mbombela and Ballito.
- Provided over R70m for the Knysna Local Municipality, of which almost R59m was committed to fund a water-related infrastructure upgrade.
- The WWF Nedbank Green Trust has invested more than R42m in 18 freshwater and marine projects in the past five years.
- Achieved net-zero operational water usage thanks to our support of the WWF-SA Water Balance Programme.
- Reduced office water usage across all our campus sites by 25% yoy.

SDG 7: AFFORDABLE AND CLEAN ENERGY

- We adopted and disclosed our new energy policy.
- We have arranged 42 transactions in renewable-energy projects as part of SA's REIPPPP, underwriting a total of R36,2bn and paying out R31bn to date.
- Four photovoltaic projects (265 MW) and two wind projects (172 MW) reached commercial operation, contributing 437 MW to SA's energy supply.
- A total of R197m of our property finance lending in 2020 was for facilities that included solar power, as we start to leverage our market-leading position in property finance.
- We launched SA's first green tier 2 capital instrument – a R2bn SDG-linked bond listed on the Green Bonds segment of the JSE.
- Partnered with the International Finance Corporation (IFC) in a US$200m climate finance loan mechanism.
- Launched a residential solar energy finance offering, disbursing R2,5m in loans to date.

SDG 8: DECENT WORK AND ECONOMIC GROWTH

- Supported our clients with cashflow relief on R121bn of loans.
- Over one million MobiMoney wallets were opened in 2020, with a value of R23m transferred.
- Since its launch in April 2018, our Stokvel Account has attracted over 4 300 stokvel groups, with more than 182 000 members and deposits of R65m.
- Advanced R3,5bn in finance to small business clients.
- Rated the top bank in terms of support of the South African Future Trust (SAFT) initiative, with R300m in funding granted to around 2 500 small-business employees and 26 000 individual salaries paid.

SDG 9:
INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Concluded a US$296m project finance deal for the Beitbridge Border Post upgrade and modernisation project in Zimbabwe.

SDG 10:
REDUCED INEQUALITIES

- The total value of crossborder transfers increased significantly in 2020 (188%) and new client acquisition increased by 158% despite restrictions placed on local currency usage in Nigeria, which negatively impacted this corridor.
- The number of digitally active clients grew by 20%, from over 1,8 million clients to 2,2 million.
- A total of 171 services for individuals were digitised for self-service and staff-servicing, and over 1,2 million clients have enrolled on the Money app.
- We have reached just over 23,9 million people across SA through various financial education initiatives.

SDG 11:
SUSTAINABLE CITIES AND COMMUNITIES

- We disbursed funds totalling R686m towards new affordable- and social-housing developments, facilitating delivery of 1 882 units.
- Provided R1 527m in home loans in the affordable-housing market.
- In 2020 we provided funding of over R2,2bn (2019: R790m) for the construction of buildings that conform to green building standards, bringing the amount of funding provided to this important sector to more than R12bn to date.

SDG 12:
RESPONSIBLE CONSUMPTION AND PRODUCTION

- Supported SA's recycling sector, including the provision of R122m in funding to Extrupet to expand its recycling plants.
- Our innovative funding solutions for the agriculture sector support sustainable farm interventions, ranging from water storage maximisation solutions and soil health interventions to cutting-edge irrigation equipment and shade netting to reduce evaporation. Impact benefits tracked include the increase in pack-out percentage; an increase in on-farm revenue and a decrease in water usage.
- We provided a donation of over R1,5m that went towards FoodForward SA's operational costs, effectively supporting the provision of over R1,7m meals.

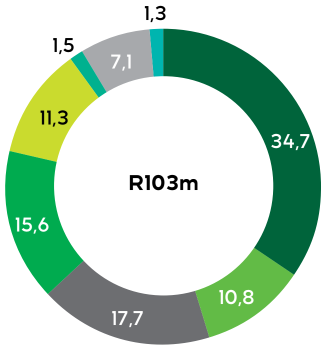
SDG 15:
LIFE ON LAND

- We have partnered with World Wildlife Fund (WWF) to protect and develop SA's essential water source areas, while at the same time creating opportunities for supporting communities that rely on these areas for their livelihoods. The intention of this five-year, R25m partnership is to showcase the value of an effective water source partnership model and deliver valuable learning and insights that can be replicated nationally.
- Work undertaken by the WWF Nedbank Green Trust complements this partnership by ensuring that the country's many ecological assets are secured, managed and restored. The Trust also works in the Grasslands biome, which is considered a national conservation priority.

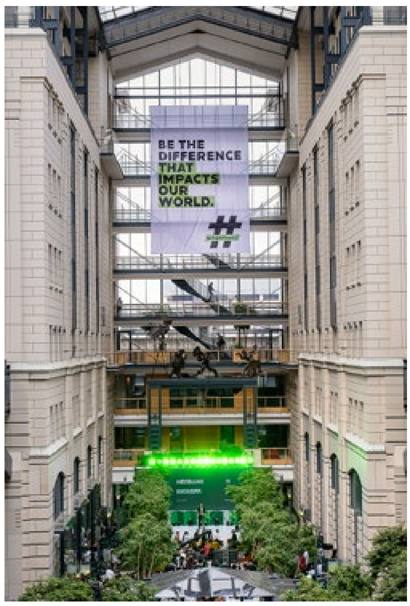
Making an impact in 2020 through corporate social investment

In 2020, the total value of CSI support and investment delivered across our group was R103m with just over R16,5m redirected to Covid-19 relief activities. Investment outside of Covid-19 support was split predominantly across education and skills development, but also going into employee volunteerism, healthcare, community development and environmental development through the four Nedbank affinities and a range of other trusts and CSI funding vehicles.

TOTAL CSI
(%)



- Education
- Skills development
- Community development (including Children's Affinity donations)
- Health
- Green
- Arts
- Volunteerism
- Sports



For more details on how we delivered for our stakeholders and on our targets refer to pages 80 to 93.

Reducing our environmental impact

Resource usage reduction targets

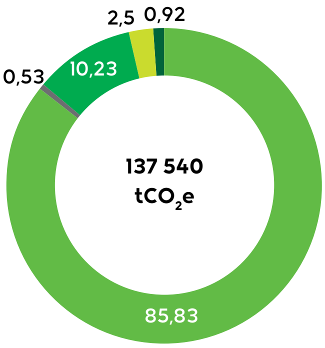
We continue to set reduction targets to limit the impact of our operations on the environment. These targets clearly specify the resource usage levels to which we aspire as a group and that we use to guide behaviour at group, cluster, business unit, team and individual level. Most targets were met and maintained before their respective target years. With this in mind, new targets were set, using 2019 as the new base year for the 2020 to 2025 period.

Refer to nedbankgroup.co.za for details of these reduction targets.

Carbon footprint reduction

In absolute terms our overall reported GHG emissions decreased by 27,01% from 2019 to 2020. Year on year, the carbon emissions per full-time employee (FTE) decreased by 22,7% to 4,71 tCO_2e and emissions per square metre of office space decreased by 25%.

NEDBANK GROUP 2020 CARBON FOOTPRINT
(%)



- Scope 1: Diesel, refrigerants, etc
- Scope 2: Electricity
- Scope 3: Office paper
- Scope 3: Commuting
- Scope 3: Business travel

Resource consumption not reflected above includes water consumption of 191 194 kℓ (2019: 254 801 kℓ); 116 tonnes (2019: 183 tonnes) of waste sent to landfill and 329 tonnes (2019: 616 tonnes) of waste recycled.

In 2020 our overall operational investment into environmental sustainability initiatives amounted to R59,1m. We also invested R9,6m (2019: R9,4m) into the purchase of carbon credit offsets to meet our operational carbon-neutral commitment. A total of 145 000 tCO_2e was retired for the 2020 period (2019: 195 000 tCO_2e).

CASE IN POINT

Supporting the health and well-being of society during the Covid-19 crisis

The devastating impact of Covid-19 on all sectors of society required a significant, groupwide response from Nedbank, aimed at providing support to all our stakeholders impacted by the pandemic, including employees, clients and society at large.

The priorities identified by Nedbank for Covid-19 support during 2020 were as follows:

- Health and safety of our employees.
- Protecting and supporting our clients and impacted stakeholders such as suppliers.
- Humanitarian efforts – provision of food and hygiene items and care to the most vulnerable in society.
- Supporting healthcare workers – provisions for field hospitals and providing protective gear to healthcare workers.
- Logistical support to fight the virus, such as procuring ventilators, contact tracing and mobile testing.
- Community awareness and education – using our platforms to drive awareness and safety with employees, clients and general society.

Aligned to these focus areas Nedbank Group provided support to the total value of over R16,5m to vulnerable people, families and communities, as well as frontline healthcare and essential services workers in SA. As Nedbank's primary CSI arm, the Nedbank Foundation provided the majority of this support, but also played an invaluable coordinating role in ensuring that Covid-19 support from across Nedbank Group was distributed to those organisations most able to access and help those in need. Those organisations included Doctors Online, Doctors without Borders, World Vision, The SA Red Cross, Gift of the Givers, Solidarity Fund, The Aurum Institute as well smaller local organisation across the country.

Bolstering our own contributions to the Solidarity Fund we made it easy for employees and clients to make their own donations through our website, the internet and our mobile apps with R160m donated through these channels. In addition, we facilitated the distribution of R300m from the R1bn SA Future Trust.

With over 6 000 suppliers in Nedbank's procurement network, we recognised that we had a vital role to play in helping these businesses, many of them small, medium and microenterprises, to survive the economic impact of Covid-19 and the lockdown. In line with our established support of the #Payin30 initiative, 92% of Nedbank's SME suppliers were paid within 30 days, and 35% of these payments were made within 10 days to alleviate cashflow burdens. In addition, all Nedbank personal protective equipment requirements were procured from businesses already on our preferred supplier list to bolster their revenues, and we provided businesses that rent space from us with a range of rental relief options to assist them through this difficult time and help them stay in business.

SDG IMPACTED:

Maximising our impact through responsible finance and investment

Responsible finance

One of the 17 risk categories actively managed by Nedbank is social and environmental risk, which includes climate change. Our primary exposure to such risks results from our lending and investment activities. We actively manage these risks using the SEMS and by ensuring that we are aligned with industry best practice and environmental, social and human rights benchmarks. We also take a partnership approach to all sensitive investments, working closely with our clients and relevant authorities to maximise benefits and minimise the negative impacts of these activities.

In 2020 the most significant application of the SEMS within our specific business units was as follows:

- In our Investment Banking and Client Coverage divisions all new applications and credit risk reviews of high-risk transactions were included in the SEMS assessment process and externally assured. In total 764 deals were assessed. This represents an increase from the 526 assessments completed in 2019. The number of transactions assessed in Property Finance for 2020 was 1 043 (2019: 1 012). These transactions were specifically screened for environmental risks, including contamination to water risk.
- In our Business Banking operations we identified and defined high-impact industries. In 2020, 948 clients (2019: 861) involved in these sectors were assessed.

Focus on biodiversity

As a financial institution, our greatest impact on biodiversity remains the operations of the high-impact industries we help finance. Nedbank will continue to encourage our clients to identify, measure and value the biodiversity dependencies and impacts of their operations to establish biodiversity action plans, to disclose their biodiversity risks and performance and to have a biodiversity monitoring system in place.

More information on Nedbank's Natural Capital and Biosafety Guidelines is available on our group website at nedbankgroup.co.za.

Responsible investment

In 2020 we published our inaugural Responsible Investment Research Report, in which we provide an overview of the current landscape in SA and across the globe. The report covers our fund manager assessment programme, how we measure our managers on their responsible investment progress, and it is a blueprint for asset managers to improve their current standing by identifying and applying best practices.

At the end of 2020, Nedgroup Investments' AUM stood at R375bn. As a business, Nedgroup Investments has identified SDGs 8, 9, 10, 11 and 12 as the most significant SDGs to which we can contribute through our business activities. Our universe extends to encompass most of the SDGs through the diverse investments we facilitate into various regions, sectors and companies.

For more details on our social and environmental risk management, biodiversity and responsible investment approach please visit nedbankgroup.co.za and the nedgroupinvestments website.

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE (GTSEC)

'At Nedbank, we use our financial expertise to do good. Our ethical and inclusive culture delivers innovative, market-leading client experiences based on relationships of trust with our internal and external stakeholders. Our employee value proposition, which we launched as our People Promise, guides the lived employee experience and is supported by our commitment towards authentic transformation throughout our organisation.'

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

- Reviewed CSI contributions of R16,5m towards Covid-19 relief operations.
- Oversaw management of the impact of the Amended FSC against the industry targets to measure our BBBEE contributor status. We maintained our level 1 status.
- Reviewed our new leadership philosophy and framework to enable a necessary shift in culture to meet prevailing context and demands.
- Monitored progress and guided practice to enhance successful progression towards our employment equity plans.
- Oversaw an independent external ethics risk assessment across our South African operations.
- Approved an enhanced Code of Ethics and Conduct, which provides guidance to employees on values and conduct.
- Continued to monitor progress towards delivery on our purpose as guided by our Sustainable Development Framework.

Focus for 2021 and beyond

- Oversee the enhancement of our Human-centred Leadership philosophy.
- Monitor and oversee the impact of the People Promise and culture shift.
- Monitor the retention of talent in general and African talent in particular.
- Oversee the YES initiative.
- Monitor the impact of the Amended FSC, focusing on amendments resulting from the industry review process.
- Oversee the enhancement of our sustainable finance offerings so we deliver on our purpose.

Stakeholders

Clients
Shareholders
Employees
Society
Regulators

Top 12 risks

3 Strategic execution risk
6 Operational risk
10 Climate risk
11 Conduct risk
12 Regulatory and compliance risk

A comprehensive GTSEC report is available online in our 2020 Governance Report on our group website at nedbankgroup.co.za.

Stakeholder value creation – key performance indicators

Key performance indicators	Value	Executive remuneration	Yoy change
Employees FS EX			
Salaries and benefits (Rbn)	Remuneration and benefits to employees		▲
Annual salary increase – unionised employees (%)	Salary increases for bargaining-unit employees		▶
Training spend (Rm)	Investment in employee development		▲
Attrition (%)	Ability to retain and rotate skills	GCC	▼
Great Place to Work NPS	Employee satisfaction and loyalty	GCC	▲
Employment equity – black employees (%)	Commitment to an inclusive society	GCC	▶
Employment equity – female employees (%)		GCC	▶
Clients FS EX			
Loan payouts (Rbn)	New loan payouts to clients		▲
System availability (%)	System uptime to enable uninterrupted financial processing	GCC	▲
Average annual price increase	Value-for-money banking		▶
Service ranking of high-net-worth clients	Quality of service to high-net-worth individual clients	GCC	▼
Investment performance in asset management business	Investment performance for clients	GCC	▼
Nedbank Money app average rating (out of 5)	Delivering market-leading client experiences	GCC	▶
Nedbank Private Wealth app average rating (out of 5)		GCC	▶
SAcsi (%)	Overall satisfaction with our products and services	GCC	▲
Client complaints received (000)	Quality of service experience through effective complaints handling	GCC	▲
Banking Ombudsman cases in favour of Nedbank (%)			▼
Shareholders FS EX			
Share price performance (%)	Share price appreciation		▼
Full-year dividend per share (cents)	Dividend for shareholders		▼
Full-year dividend per share cover (times)			▼
Price-to-book ratio	Valuation indicator of the Nedbank share		▼
MSCI ESG rating	ESG rating of most influential ratings agency	GCC	▶
Regulators FS EX			
CET1 ratio – Basel III (%)	Strength of capital position	GCC	▼
LCR ratio – Basel III (%)	Strength of liquidity position	GCC	▲
NSFR ratio – Basel III (%)	Strength of stable funding	GCC	▶
Notable regulatory fines or penalties received (Rm)	Indicator of adherence to regulatory requirements		▼
Taxes – direct, indirect and employees (Rbn)	Contribution to the fiscus	GCC	▼
Society FS EX			
Consumer finance education – participants (000)	Value through education		▼
Total socioeconomic spend (Rm)	Contribution to society		▼
Local procurement spend (% of total)	Supporting local suppliers	GCC	▶
Carbon footprint offset to neutral (tCO_2e)	The impact of our business on the environment and society	GCC	▼
SEMS deals reviewed[1]	The impact of our business on the environment and society		▲
Finance assessed under Equator Principles (US$m)	The impact of our business on the environment and society		▼
Carbon footprint per FTE employee (tCO_2e)	The impact of our business on the environment and society	GCC	▼

Quality of relationship: **FS** Falling short **EX** Excelling ▷ Yoy change

GCC – Considered as part of agreed goal commitment contracts, which impact STI and LTI allocations for executives.
CPT – Corporate performance target impacts LTI vesting percentage.

[1] *SEMS deals reviewed relate to deals in our CIB business.*
[2] *Peer average is the simple average for Absa, FirstRand and Standard Bank.*

2020	2019	2018	Benchmark[2]	Outlook	Assurance
16,8	17,3	17,5	N/A	Maintain competitive remuneration	[MO] [FS]
6,3	6,3	7,0	N/A	Above the increase for management	[MO]
924	760	468	N/A	Continue to invest in employees	[LA2]
7,1	10,8	10,1	11–13	Maintain	[MO] [LA1]
17	7	N/A	N/A	Improve	[MO]
78,9	78,5	77,4	Not publicly available for all peers	Continue driving transformation	[LA2]
61,2	61,8	61,8			
210	208	181	N/A	Continue to extend credit	[MO]
99,6	99,1	99,2	N/A	> 99,1	[LA1]
At inflation	At inflation	At inflation	N/A	Below inflationary increases	[MO]
4th	5th	4th	No 1: Investec	No 1 in the industry	[IN – Intellidex]
Not ranked	Top offshore manager in SA	Top offshore manager in SA	No 1: T. Rowe Price	Rating among top 3	[IN – Raging Bull awards]
4,4	4,4	N/A	Top tier app rating	Maintain top rating	[IN – iOS and Android app stores]
4,5	4,6	N/A			
81,1	80,2	79,3	No 2 SA bank	Continue strong performance in client satisfaction	[LA1] [IN – Consulta]
79,1	72,5	63,9	Not publicly available	Committed to providing world-class service	[MO]
65,9	72,3	75,5	72,2 industry average		[LA1] [IN – [Ombudsman]
(39,6)	(22,0)	7,3	(22)(FINI 15)	Perform above peers	[IN – JSE]
N/A	1 415	1 415	N/A	Expect to pay dividend in 2021	[MO] [FS]
N/A	1,84	1,97			
0,7	1,2	1,6	1,2 peer average	No 2 bank	[IN – JSE]
AA	AA	A	Top 26% of global banks	Maintain ESG leadership rating	[IN – MSCI]
10,9	11,5	11,7	12 peer average (PA min: 7,5)	10–12	[MO] [OV]
125,7	125,0	109,4	PA min: 80 for 2020	> SARB minimum of 100	[MO] [OV]
112,8	113,0	114,0	PA min: 100 for 2020	> SARB minimum of 100	[MO] [OV]
< 7	< 18	< 9	N/A	Zero, although risk of fines has increased	[MO] [OV]
8,7	11,6	10,6	N/A	Responsible taxpayer	[OV]
29,0	175,5	175,5	N/A	Maximum alignment of impact with strategy	[MO] [LA2]
103	130	124	Top 3, Trialogue CSI survey	Spend > R100m	[MO] [LA2]
> 75	> 75	> 75	According to Amended FSC	> 75	[MO] [LA2]
137 540	188 443	196 992	Nedbank market leader	Maintain carbon-neutrality	[LA1]
764	526	688	Leader in disclosure	Enhance SEMS integration	[MO] [LA1]
45 (2 deals)	75 (1 deal)	538 (15 deals)	Leader in disclosure	Enhance Equator Principles integration	[MO] [LA1]
4,71	6,09	6,30	Leader in performance on the Carbon Disclosure Project	Continue to reduce our impact through reduction targets	[MO] [LA1]

Assurance indicators

- LA — External limited assurance on selected sustainability information [LA1] and the application of the Amended FSC and the group's BBBEE status [LA2]. Related opinions are available at nedbankgroup.co.za.
- MO — Management and board oversight through rigorous internal reporting governed by the group's ERMF.
- IN — Information sourced from external sources, eg independent surveys.
- OV — Independent oversight by regulatory bodies, including SARB, FSCA and various financial sector ombudsman offices.
- FS — Financial information extracted from the 2020 Nedbank Group Limited Audited Annual Financial Statements.

Remuneration outcomes

The Remco has deliberated at length on the most appropriate way to remunerate our people for their outstanding effort under the most difficult of circumstances during 2020. Soon after the onset of the pandemic it became evident that the group's remuneration objectives and the arrangements for motivating and retaining our employees set in a pre-Covid-19 environment were severely compromised by the significantly changed circumstances. The Remco's responsibility is to ensure that any resultant changes to the remuneration arrangements maintain a healthy balance between the interests of our shareholders, regulators and society at large while addressing retention risk to ensure the continued sustainability and competitiveness of the bank from a human capital point of view.

Discretion and discerning judgement by remuneration committees play an important role in this environment where the risk of materially over- or underachieving targets has increased considerably. The Remco held two meetings (in May and June 2020) over and above its six scheduled meetings to workshop these implications and develop what it believes is a responsible and appropriate response. One of the outcomes of our deliberations is that we do not favour any reset or replacement of historical or in-flight incentive awards.

BACKGROUND

As the pandemic unfolded, our response was to shift our immediate objectives to emphasise the short-term operational and financial resilience of the bank, which in turn would enable us to play a key societal role in supporting our clients and frontline employees and mitigating some of the financial and economic consequences of the crisis. The Group Exco Goal Commitment Contracts (GCCs) were accordingly pivoted to reflect this change across three categories:

- Resilience – 'managing the crisis' across key operational elements including the health and safety of our employees and clients; managing liquidity and preserving and optimising capital; supporting and servicing our clients in managing their financial challenges; and ensuring high levels of IT stability.
- Transition – moving from managing the crisis to dealing with the immediate aftermath of the crisis and stabilising the business; containing costs; and protecting revenue with sound risk and compliance outcomes.
- Reimagine – widening our field of vision and conceptualising 'the new normal' that will require a rebased strategy to grow the business and create shareholder value.

FAIR AND RESPONSIBLE REMUNERATION

Each year, remuneration differentials are thoroughly tested using a multivariable model that considers a wide range of admissible factors. Variances are identified for remedial action. Based on this exercise, the Remco is satisfied that pay differentials are justifiable and not attributable to gender or race bias.

Executive guaranteed package (GP) increases are set by reference to, among other things, the remuneration of the broader workforce, which is represented by Sasbo, the finance union in SA. Employees have a right to freedom of association and unions representing their interests. At 31 December 2020 a total of 64% of our employees were covered under the collective bargaining agreement with Sasbo.

There are also collective-bargaining arrangements in our subsidiaries in Lesotho, Namibia, eSwatini and Zimbabwe. Care is taken to ensure that salary increase settlements are appropriate within the context of local market and economic conditions.

We accordingly continue to remunerate our employees in the bargaining unit appropriately relative to the industry and continue to seek measures to reduce any unjustified pay differentials.

GUARANTEED PACKAGE INCREASES IN

2020

Following negotiations with Sasbo, the total GP of employees in the bargaining unit was increased by 6,3% effective from April 2020, compared with 4% for the non-bargaining-unit employees and 0% for executives at cluster and group level.

The minimum GP for permanent, full-time employees in SA was increased to R170 000 per annum in 2020, up from R160 000 in 2019, and is significantly higher than the minimum wage in SA.

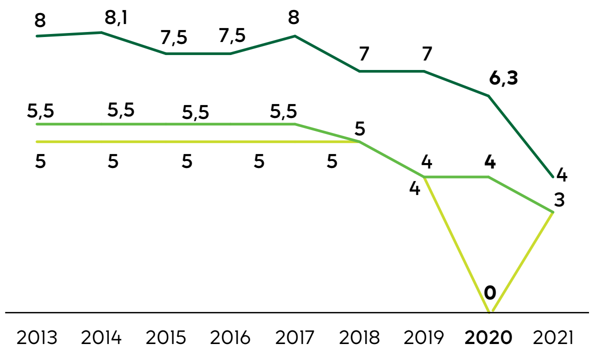
2021

Employees on Group Exco level and non-bargaining-unit employees will receive an increase in their total GP in the 2021 annual pay review averaging 3%. This compares to 4% for the bargaining unit. The minimum GP for permanent, full-time employees in SA was increased to R180 000 per annum in 2021, up from R170 000 in 2020, and remains significantly higher than the minimum wage in SA.

As shown in the graphic below, the GP increases of senior management remain lower than those of the bargaining unit. This has been a deliberate approach in an endeavour to reduce income inequality. This has the added effect of increasing the STI awards of the bargaining-unit members as variable pay is determined as a percentage of GP.

GUARANTEED REMUNERATION INCREASES

(%)



– Executive *(including Cluster Exco from 2020)*
– Non-bargaining unit *(below Cluster Exco level from 2020)*
– Bargaining unit

SHORT-TERM INCENTIVE

The group's financial performance has been severely impacted by the external events of 2020. Even though we have maintained profitability throughout the year, headline earnings have reduced by 56,5% compared to 2019.

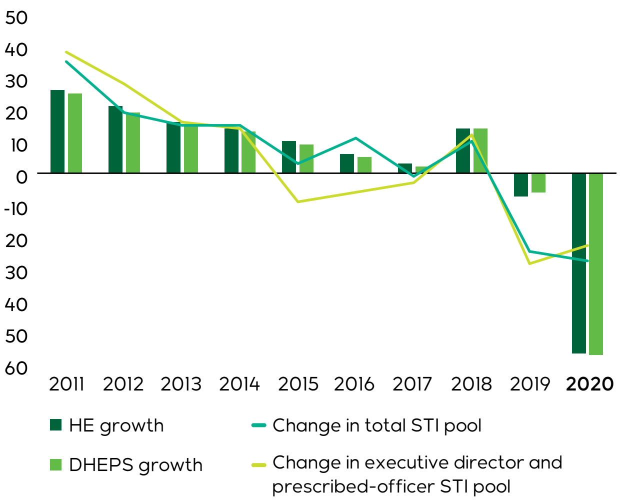
This year, the usual 'on-target' approach to building the group's STI pool was nullified in the pandemic environment as the annual targets set at the beginning of the year were not achievable and misaligned with changed strategic priorities. Consistent with our remuneration policy, the final determination of the STI pool is not driven by a formula, but is also subject to a qualitative approach where the Remco may make discretionary adjustments to make any required corrections. More specifically, this year the Remco has applied a holistic assessment of performance that included non-quantifiable aspects and emphasised resilience-based factors that became our short-term strategic priority. The Remco believes that this approach was necessary to motivate and reward the extraordinary efforts by all levels of employees across the bank during the pandemic.

The performance assessment detailed in the Remuneration Review has resulted in an outcome that has exceeded expectations on many of the resilience-based elements of performance while shareholder-related factors were disappointing, and below expectations. This assessment results in an STI pool of R1 435m for the 2020 financial year, which is 29% lower than the 2019 pool of R2 028m. The 2019 pool was 22,7% lower than the 2018 pool of R2 625m. The 2020 STI pool represents 16% of headline earnings (prebonus and pretax) compared with 10,2% in 2019 and 12,6% in 2018 (see graphic on the right). This pool of R1 435m also includes an upward realignment of R60m in CIB, to address base issues in the competitiveness of remuneration in the Global Markets division, which significantly outperformed in 2020 with trading income up 16,0% on 2019. This amount of R60m was informed by benchmark analysis against data provided by the AON McLagan Investment Banking Survey, in which the major investment banking firms in SA participate. If we adjust for this R60m, the group STI pool reduced by 32% over 2019.

Consistent with prior years, 50% of any STI over R1m is deferred in shares over three years, and subject to *malus* and clawback provisions.

Working with the GRCMC, the Nedbank Group Limited Board (the board) has given due consideration to PA Guidance Note 3/2021 issued by the PA in terms of section 6(5) of the Banks Act, 94 of 1990 (Banks Act). The board is satisfied that the payment of cash bonuses to the group's material risk-takers and senior managers, totalling R149m in respect of the 2020 financial year (0,016% impact on CET1), does not have a material effect on the bank's capital position and is required in balancing the long- and short-term interests of our stakeholders.

ANNUAL % GROWTH IN HE AND DHEPS* VS % CHANGE IN STI POOLS

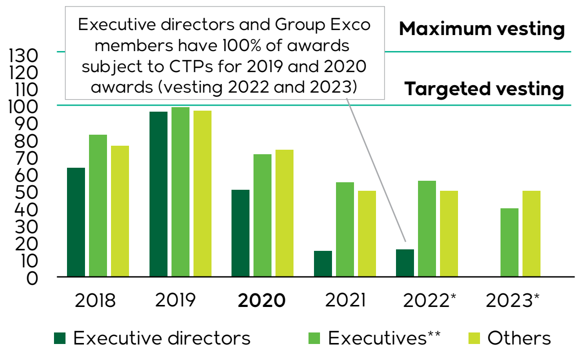


The Remco is satisfied that the STI pool decreased appropriately after the committee holistically considered the quality of leadership and employee performance over a very difficult period.

LONG-TERM INCENTIVE

Due to the low achievement against the corporate performance targets attached to the LTI awards, only 15% of the 2018 LTI awards to executive directors will vest in 2021. The impact of this is evident in the single-figure remuneration outcomes of executive directors and prescribed officers set out in the Implementation Report. Furthermore, based on current forecasts, only 16% of the 2019 awards to Group Exco members are estimated to vest in 2022 and 0% of the 2020 awards will vest in 2023 (see adjacent graph).

LTI VESTING
(%)



* *Estimates for future vesting only in 2022 and 2023.*

** *Includes Group Exco members (other than executive directors) for awards vesting in 2021. Relevant for Cluster Executives only for 2022 and 2023.*

Consistent with our remuneration policy, the Remco is of the opinion that the in-flight LTI awards must run their course. Although correct in our view, this approach does create motivational and talent retention risks to the Nedbank Group. These matters, combined with the expected ongoing pandemic-related health risks and economic uncertainties, were carefully considered by the Remco in approving the following measures:

- LTI and deferred STI (DSTI) awards over and above the regular allocations were approved on a highly selective basis to critical and scarce talent. This resulted in LTI awards of R146,7m to 101 employees over and above the normal annual allocation, at face value, and 52 DSTI awards amounting to R34m. Participants in these LTI awards were notified during the financial year that such additional awards would be issued to them during March 2021, together with the regular annual issuance. It was also determined that such allocations will carry the same CPTs and weightings as the annual issuance, which have now been finalised. These additional awards increased the LTI allocations of the group by 15,4% over the regular allocation.
- The CPTs and weightings for the 2021 award were reviewed. After lengthy consideration, the Remco believes that completely rigid projections of targets cannot be responsibly set when economic forecasting risk remains so high in the short to medium term. In this environment, fixed targets have the risk of being materially over- or undershot. ROE and DHEPS will however be maintained as the key financial performance measures with the following revisions:
  - » Vesting against the ROE CPT will be tested in the final year of the three-year vesting period, based on the performance of that year alone. The target for 100% vesting aligns with the medium-term goal of a recovery of ROE to 2019 levels of 15% by 2023. The Remco will retain the right to amend the vesting outcome, should there be a material windfall gain or loss resulting from unforeseen accounting effects or should COE in the final year be significantly different from what is currently projected. Importantly, we have deviated from the usual approach of setting an ROE target relative to COE. This was done with the express objective to create a straightforward target that is easy to convey across the organisation.
  - » The DHEPS CPT will be determined as a three-year cumulative target. The annual DHEPS targets will be reviewed by the Remco at the commencement of the second and final year of vesting to take into account any significant unforeseen changes in macroeconomic variables. The cumulative target for 100% vesting is aligned with a level commensurate with the medium-term goal of a recovery to 2019 levels.

- Achieving the maximum stretch of both the ROE and DHEPS targets will result in a vesting outcome of 200%, an increase from 130% to align with the peer group.
- The efficiency ratio has been replaced with four 'business recovery' metrics to emphasise the importance of maintaining balance sheet resilience and of navigating a recovery towards achievement of our targets over the medium term. These four metrics will each be rated at the end of the three-year measurement period on a scale from 1 to 5. Maximum vesting, at an overall level of 5 in 2023 on these metrics, will be limited to 100%. To achieve 100% vesting, the Remco would need to be satisfied that the group has made substantial progress over the three-year period in the following areas:
  - Capital adequacy within board-approved ranges
  - Liquidity within board-approved ranges
  - SPT 2.0 according to board-approved plans
  - TOM 2.0 according to board-approved plans
- In recent years, the proportion of LTI awards to Group Exco members that carry performance conditions has gradually increased to 100%. From 2014, 100% of awards to executive directors have been subject to performance conditions. Similarly, in March 2019 the percentage of awards to all other Group Exco members was increased from 60% to 100%. On careful consideration of the current environment and likely future uncertainty, the Remco has decided that, for the 2021 LTI award to Group Exco members, 20% of the award will not carry performance conditions.
- The following CPT weightings will apply for the 2021 issuance, which will be reviewed again in 2022 for future issuances:

CPT weightings	Group Exco members %	Cluster Exco members %	All other Nedbank LTI participants %
ROE (including goodwill) by 2023	30	20	20
DHEPS, cumulative over 2021 to 2023	30	20	20
Business recovery metrics	20	20	10
Total	**80**	**60**	**50**
% award with performance conditions	80	60	50
% award without performance conditions	20	40	50
Total	**100**	**100**	**100**

- The Matched Share Scheme (MSS) is operated under our approved LTI plan, whereby 50% of all STI awards above the deferral threshold of R1m is compulsorily deferred into shares on a post-tax basis and is subject to *malus* and clawback. Employees may also voluntarily defer up to a maximum of 50% of their post-tax STI under the voluntary bonus share scheme. Participants are offered a share-matching arrangement of up to a one-for-one basis after three years, provided that they are still in service and the matching performance condition is met. For 2021, for all employee levels, 50% of the match will be contingent on the matching condition. This was previously 100% for Group Exco members, and 50% for other employee levels. The matching performance condition will be reset to ROE ≥ COE (previously ROE ≥ COE + 1%), which aligns with a recovery to 2019 levels, and matching will be tested in the final year of vesting.

The Remco believes these changes to the CPTs and weightings will help ensure that the LTI plan will have legitimacy and the desired effect of motivating and retaining executives and employees while at the same time requiring a strong recovery for full vesting. It also recognises that there are macroeconomic risks and opportunities largely outside our control.

The Group Exco members continue to build their shareholdings as indicated in the implementation report and they are all in compliance with minimum shareholding requirements.

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP REMUNERATION COMMITTEE (REMCO)

'The Group Remco is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration Policy have been met, without material deviation.'

Hubert Brody (Chair)

Ensuring and protecting value in 2020

- Deliberated on the most appropriate way to remunerate our people for their outstanding effort under the most difficult of circumstances during 2020.
- Applied a holistic assessment of performance that included non-quantifiable aspects and emphasised resilience-based factors in determining the short term incentive pool.
- Reviewed and approved changes to the LTI and Matched Share Scheme CPTs and weightings.
- Ensured oversight of fair pay outcomes.
- Approved the overall remuneration spend for all employees, as well as individual remuneration proposals for the Chief Executive and Group Exco members.
- Reviewed benchmark remuneration data from Mercer, PwC Remchannel and published data from the financial and telecoms sectors that are considered our peer groups for maintaining competitive remuneration.

Focus for 2021 and beyond

- Ensuring the Remuneration Policy and resultant outcomes support our strategic objectives and that these are appropriate to the changing environment.
- Reviewing annually the LTI CPTs, vesting ranges, and weightings between performance and time vesting, seeking to ensure appropriate balance between shareholder interests and retention risks.
- Monitoring changing regulatory interventions as a result of Covid-19.
- Ensuring that remuneration is implemented in accordance with the Remuneration Policy.

Stakeholders

Clients
Regulators
Employees
Shareholders

Top 12 risks

1 Business (global and country) risk
3 Strategic execution risk
6 Operational risk

A comprehensive Remco report and the Remuneration Review are available online in our 2020 Governance Report at nedbankgroup.co.za.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

The managing executives of the four frontline, income-generating clusters are included in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers. The performance for 2020 of the CE and other executive directors and prescribed officers is outlined below. For further details refer to the Remuneration Review in our 2020 Governance Report.

MIKE BROWN Chief Executive (Performance outcome: Exceeding)

Value creation · Value preservation · Value erosion

Financial performance (Value erosion)

- HE of R5,4bn down by 56,5% and ROE of 6,2% impacted by higher impairments and lower revenues. Expenses well managed. Balance sheet metrics became a key focus under the Resilience strategy from Q2 2020, and remained strong, with less focus on profitability other than as a buffer against capital.
- Realised R1,8bn of cumulative TOM 1.0 savings and started implementation of TOM 2.0 to unlock R2,5bn of value over the next three years.

Resilience (Value preservation)

- Implemented various actions to ensure the health and safety of our employees and clients.
- Supported clients, including through payment holidays on R121bn of loans.
- Maintained IT system uptime at multi-year highs (world-class levels) and sound cybersecurity.
- Capital and liquidity metrics within board-approved target ranges.

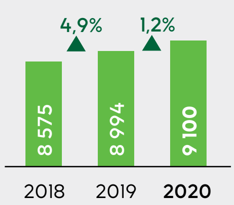
Strategy (Value creation)

- Ensured great client satisfaction rating outcomes (SA's no 2-ranked bank on NPS and SAcsi).
- Maintained main-banked clients' market share in RBB at 11,2% (Consulta) and gained 37 primary transactional account wins in CIB. Lost some household deposit market share largely as a result of aggressive competitor pricing and gained commercial transactional deposits market share. Small gains in retail advances market share in all categories except for card.
- Launched various market-leading digital innovations (such as Avo), while all digital metrics increased by double digits.
- ME technology strategy materially complete at 78%.
- Improved Nedbank's brand ranking in SA from number 11 in 2019 to number eight.

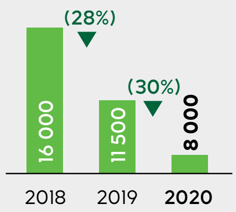
Environmental, social and governance (Value creation)

- Continued to drive Nedbank's overall leadership in climate-change-related matters.
- Increased employee NPS from 7 to 17.
- Reduced headcount by 1 079, mostly through natural attrition, and limited retrenchments of only 18 employees.
- Achieved female employees as percentage of total employees at 61% and black employees at 79%.
- Maintained level 1 BBBEE under the Amended FSC codes.
- Ensured seamless Group Exco succession (CFO, CIB and NAR Exco positions).
- Worked with government, the banking industry, business and labour to find solutions to counter the negative impact of Covid-19 on the economy and maintain safety and soundness of the banking system.
- Voted by peers as Sunday Times Business Leader of the Year in 2020.

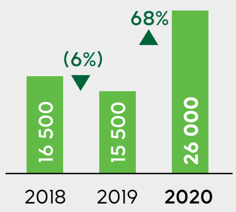
GUARANTEED REMUNERATION (R000)



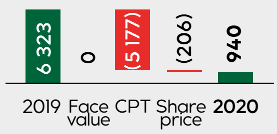
TOTAL STI (R000)



TOTAL LTI AT FACE VALUE (R000)



SINGLE-FIGURE LTI (R000)



MIKE DAVIS Chief Financial Officer (Performance outcome: Exceeding)

Value creation | Value preservation | Value erosion

Financial performance (Value erosion)

- HE of R5,4bn down by 56,5% and ROE of 6,2% impacted by higher impairments and lower revenues due to Covid-19.
- Expenses well managed and maintained strong balance sheet metrics, including solvency, liquidity and levels of provisioning.

Resilience (Value preservation)

- Seamless transition into the CFO role.
- Implemented actions to ensure the health and safety of our employees and clients.
- As executive responsible for balance sheet management, managed liquidity and capital very well with all metrics within board targets and above regulatory minima and improved on H1 2020.
- Enhanced disclosures and communication to shareholders, particularly around credit risk, and addressed various critical stakeholder concerns. Achieved the 2020 guidance provided as part of the group's interim results.

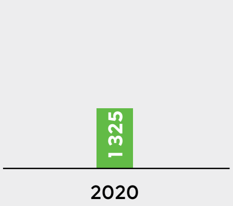
Strategy (Value creation)

- Good cost management, unlocking efficiencies and benefits from digitisation, headcount optimisation, improved office space utilisation and procurement.
- Optimal execution of liquidity risk and capital management strategies.
- Taxation risk well managed.

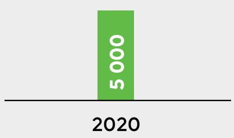
Environmental, social and governance (Value creation)

- Climate-change-related resolutions received 100% votes of approval at the 53rd Nedbank Group AGM and as Exco owner of SDG 7, ensured good progress on renewable-energy solutions, including first green Tier 2 capital instrument issued in SA.
- Ensured the achievement of sustainability efficiencies through a reduction in electricity consumption, water reduction, a decrease in landfill and an increase in recycling.
- 10 of all Nedbank buildings are Green Star-rated.
- 79% of procurement spend used to support local South African business and to support the cashflow needs of small businesses: #PayIn30 Campaign (92% of Nedbank's SME suppliers were paid within 30 days).
- Maintained robust and efficient tax compliance and incurred no penalties or interest charges.
- Received multiple prestigious industry awards in recognition of Nedbank's high standards of financial reporting and communication.
- Obtained good AGM outcomes and maintained ESG ratings in the top tier of the peer group, both locally and internationally.

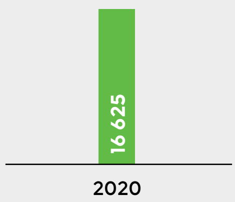
GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



GP from 1 October 2020 when appointed as a prescribed officer.

MFUNDO NKUHLU Chief Operating Officer (Performance outcome: Performing)

Value creation | Value preservation | Value erosion

Financial performance (Value erosion)

HE of R5,4bn down by 56,5% and ROE of 6,2% impacted by higher impairments and lower revenues. Expenses well managed.

Resilience (Value preservation)

- Implemented actions to ensure the health and safety of our employees.
- Activated BCPs, tailored for various lockdown phases.
- Maintained IT system uptime at multi-year highs (world-class levels) and sound cybersecurity.
- As ETI boardmember, ensured ETI's liquidity and capital levels remain above regulatory minima.
- Nedbank representative responsible for active industry/regulatory engagement during Covid-19.

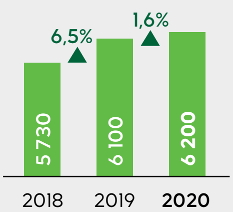
Strategy (Value creation)

- Oversaw key IT implementations as we progressed our ME programme to 78% completion with foundational elements 95% complete.
- Oversaw the launch of various market-leading digital innovations (such as Avo), while all digital metrics increased by double digits.
- COO function well managed and continued to deliver improvements in operational excellence and collaboration.
- Delivered additional TOM cost savings of R675m (cumulative R1,8bn to 2020). Developed actions for R2,5bn of value to be unlocked from TOM 2.0.
- Improved Nedbank's brand ranking in SA from number 11 in 2019 to number eight.
- As Nedbank representative, an active participant as chair of the ETI risk committee.

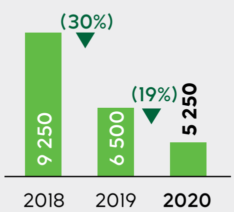
Environmental, social and governance (Value creation)

- Maintained level 1 BBBEE in transformation under the Amended FSC codes.
- Increased employee NPS from 7 to 17 and implemented various HR changes relevant in the new normal.
- Continued participation and leadership on BASA forums, including chair of the BASA Exco, and steered industry recommendations to the BASA Board on the response to Covid-19 and related credit stress and payment solutions.
- Completed seamless transition of NAR Exco position.
- Provided leadership/oversight of market conduct in Nedbank to ensure appropriate client outcomes.

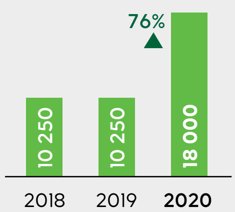
GUARANTEED REMUNERATION
(R000)



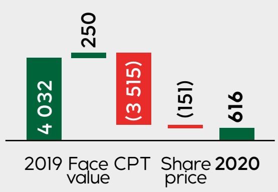
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE-FIGURE LTI
(R000)



ANÉL BOSMAN **Managing Executive: CIB** (Performance outcome: Exceeding)

Value creation · Value preservation · Value erosion

Financial performance

HE in CIB declined by 41,0% to R3,6bn and delivered an ROE of 9,4%. HE was primarily impacted by an increase in impairments and slower revenue growth due to Covid-19. Trading income growth was strong with improved rankings in the 2020 Financial Mail 'Ranking the Analysts Awards' with 15 total awards.

Resilience

- Implemented actions to ensure the health and safety of our employees, and activated BCPs, tailored for various lockdown phases in CIB.
- Supported clients in managing their financial challenges, eg payment holidays and restructures on more than R30bn of loans (December 2020 at R25bn).
- Managed credit and collections: CLR at 82 bps up from 25 bps in 2019, but declined from H1 2020 peak of 118 bps. Early identification, proactive management and monitoring of watch list clients. The CPF book continues to confirm its quality and perform ahead of expectations.
- Capital very well managed through RWA optimisation.

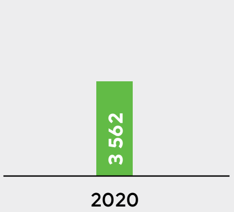
Strategy

- Gained 37 primary clients while facing increased competition, and maintained good league table rankings.
- Maintained a healthy lending pipeline.
- Continued to deliver a market-leading efficiency ratio for CIB businesses of 44%.
- Good progress made in juristic onboarding as part of the Eclipse digital programme.
- Portfolio optimisation: optimised allocation and use of capital and liquidity.

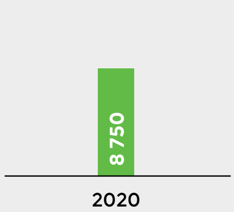
Environmental, social and governance

- R31bn renewable-energy finance provided since 2012, and R7,7bn green/SDG bonds issued and loans secured (number one South African bank).
- Maintained a strong governance and control environment.
- Focused on accelerating our digital change agenda while ensuring that we build a culture with diversity, equity and inclusion at its heart.

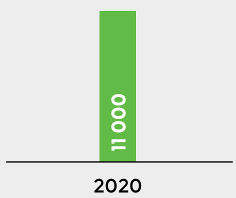
GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



GP from 1 April 2020 when appointed as a prescribed officer.

CIKO THOMAS **Managing Executive: RBB** (Performance outcome: Performing)

Value creation · Value preservation · Value erosion

Financial performance

- RBB HE declined by 69,9% to R1,6bn and ROE declined to 5,4%, mainly due to higher impairment charges as well as lower revenue due to lower interest rates and client transactional activity.
- Good progress made in optimising branch footprint and headcount to adapt to the uptake of digital sales and services.
- Focused on new opportunities/growth vectors (APIs, township economy) and increased cross-sell ratio on new sales (from 1,2 to 1,9 products).

Resilience

- Implemented actions to ensure the health and safety of our employees, and activated BCPs tailored for various lockdown phases in RBB. All branched reopened in H2 2020.
- Enabled and educated our clients to increasingly bank through our digital channels.
- Supported clients in managing their financial challenges, eg provided payment holidays and restructures on R80bn of loans (reduced to R2bn at December 2020), and various fee concessions.
- Managed credit and collections: CLR at 240 bps, increased from 138 bps in 2019, but declined from H1 2020 peak of 269 bps.

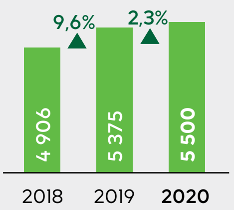
Strategy

- Achieved great client satisfaction outcomes – ongoing upward trajectory and now rated the number 2 South African bank (NPS and SAcsi).
- 2020 Consulta survey estimated Nedbank's share of main-banked clients at 11,2%, flat yoy and retail main-banked client numbers also remained flat at 2,94 million.
- Lost market share in household deposits to 15,7%, given aggressive competitor behaviour.
- Launched market-leading digital innovations that proved beneficial during the crisis (eg Avo, APIs) and made good progress on Eclipse. Digital sales increased to 49% of all sales, and growth in volume was up by 70% and value of app transactions was up by 53%, while digitally active clients increased by 25%.

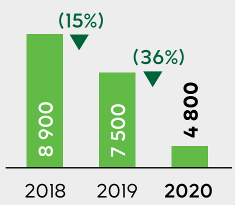
Environmental, social and governance

- Significant support for entry-level clients and SMEs (eg launched USSD-based application process for onboarding informal traders, Small Business Services Startup Bundle, R47bn loans to SMEs, entrepreneurs and professionals). One of the four banks to administer the R1bn SA Future Trust (R300m payouts to small businesses) at no costs or fees. Under the SARB SME Loan Guarantee Scheme paid out R1,3bn in loans.
- Waived ATM withdrawal charges and Saswitch fees for Sassa clients.
- Provided R1,5bn towards the development of affordable housing and over R2,2bn for the construction of buildings that conform to green building standards in 2020.
- Ensured compliance with FICA requirements and embedded client identification and verification in our digital client onboarding, including juristic.
- Extensive interventions to support employees affected by RBB optimisation, resulting in 234 employees being successfully redeployed, while 18 were retrenched as a result of changes in operational requirements.

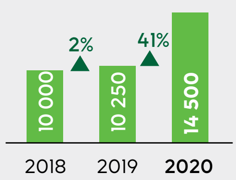
GUARANTEED REMUNERATION
(R000)



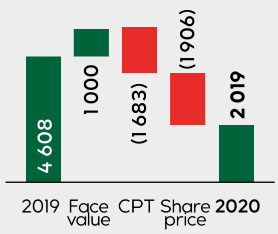
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE-FIGURE LTI
(R000)



IOLANDA RUGGIERO Managing Executive, Wealth (Performance outcome: Performing)

Value creation · Value preservation · Value erosion

Financial performance

HE declined by 36,5% to R662m and ROE remained resilient at 15,3%, above the group's COE.

Resilience

- Implemented actions to ensure the health and safety of our employees, and activated BCPs tailored for various lockdown phases in Wealth.
- Digitally enabled our clients to bank, insure and invest increasingly through our mobile and web capabilities.
- Supported clients in managing their financial challenges, including R8bn debt relief (less than R0,5bn at December 2020).
- CLR at 64 bps, managed effectively to minimise impairment losses.

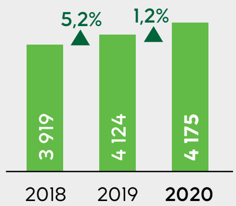
Strategy

- Nedbank Private Wealth app average rating of 4,5 and Nedbank Private Wealth International named 'Best Boutique Private Bank' at the 2020 WealthBriefing MENA Region Awards. Altogether 20% more clients used the Nedbank Private Wealth app and the demand for online share trading accounts grew by more than 100% in 2020.
- Added the Nedbank Insurance Funeral Plan to five Nedbank digital platforms – the Money app, Online Banking, USSD, API_Marketplace and Avo.
- Nedgroup Investments launched MyRetirement solution – an industry-first retirement solution designed to help with insufficient retirement savings in SA.
- AUM increased by 13% to R375bn, benefiting from positive net flows.
- The Nedgroup Investments international range ranked third in the December 2020 PlexCrown Unit Trust Survey.

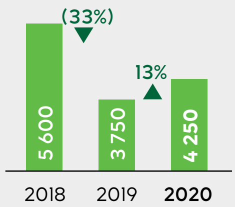
Environmental, social and governance

- Assisted clients with credit life protection through loss-of-income claims, amounting to more than R150m paid in 2020.
- Good progress/conclusion of risk and compliance initiatives aligned with changing environment.

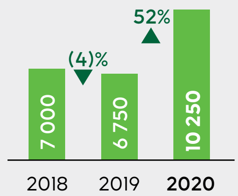
GUARANTEED REMUNERATION
(R000)



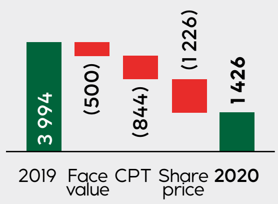
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE-FIGURE LTI
(R000)



DR TERENCE SIBIYA Managing Executive, NAR (Performance outcome: Performing)

Value creation · Value preservation · Value erosion

Financial performance

NAR HE declined by 97,4% to R12m, with an ROE of 0,2% due to higher impairments and lower revenues. HE was also negatively impacted by persistent hyperinflation pressure in Zimbabwe.

Resilience

- Implemented actions to ensure health and safety of our employees, and activated BCPs across the region tailored for various lockdown phases in NAR.
- Enabled and educated our clients to bank increasingly through our mobile and web capabilities.
- Supported clients in good standing with managing their financial challenges during the pandemic with R4bn payment holidays (less than R0,2bn at December 2020).
- Maintained strong capital and liquidity levels in all our NAR subsidiaries, above board and regulatory minima.

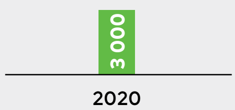
Strategy

- Accelerated digitisation and automation rollout through ongoing improvements of the Nedbank Money Africa App and the launch of Online Banking and Nedbank Send Money.
- Increased NAR digitally active clients by 75%, and increased app payment and transfer volumes by 83% and 65% respectively.
- Grew client numbers by 10% to 334 000.
- Improved Nedbank brand sentiment in most subsidiaries, with Zimbabwe being the leader in its market.
- Made good progress in optimising the NAR portfolio, reflected in an increase in the bank's shareholding in Banco Único, the disposal of Nedbank Malawi and the ongoing reconfiguration of the Zimbabwe business. Good progress in integration of Banco Único into Nedbank Group.
- Continued support for ETI in our capacity as shareholder and continued to deepen our relationship with ETI.

Environmental, social and governance

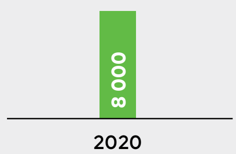
- Leadership teams strengthened – appointment of four managing directors in the SADC operations and filled key vacancies across the subsidiaries.
- Successful market conduct implementation, but still some improvement required in overall control environment in NAR.

GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)

TOTAL LTI AT FACE VALUE
(R000)



GP from 1 April 2020 when appointed as a prescribed officer.

Abbreviations and acronyms

ACI African, Coloured and Indian
AGM annual general meeting
AI artificial intelligence
AIEBA average interest-earning banking assets
AIRB Advanced Internal Ratings-based
AML anti-money-laundering
API application programme interface
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
CET1 common equity tier 1
CIB Corporate and Investment Banking
CLR credit loss ratio
COE cost of equity
CPI consumer price index
CPF commercial-property finance
CPT corporate performance targets
CRMF Climate Risk Management Framework
CSI corporate social investment
CVP client value proposition
DHEPS diluted headline earnings per share
D-SIB domestic systemically important bank
EE employment equity
ELB entry-level banking
EP economic profit
EPS earnings per share
ESG environmental, social and governance
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
GLAA gross loans and advances
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
JSE JSE Limited
LCR liquidity coverage ratio
LTI long-term incentive
m million
MAFR mandatory audit firm rotation
ME Managed Evolution
MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)
MW megawatt
MZN Mozambican Metical
NAR Nedbank Africa Regions
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
OCI other comprehensive income
OM Old Mutual
PA Prudential Authority
PAYU Pay-as-you-use Account
plc public listed company
R rand
RBB Retail and Business Banking
Rbn South African rands expressed in billions
REIPPPP Renewable Energy Independent Power Producer Procurement Programme
Rm South African rands expressed in millions
ROA return on total assets
ROE return on equity
RRB Retail Relationship Banking
Rtn South African rands expressed in trillions
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
SEMS Social and environmental management system
SICR Significant increase in credit risk
SME Small and medium-sized enterprises
SPT strategic portfolio tilt
STI short-term incentive
TOM Target Operating Model
TSA The Standardised Approach
TTC through the cycle
UK United Kingdom
US United States
USSD unstructured supplementary service data
VAF vehicle and asset finance
VaR value at risk
VIU value in use
XVA x-value adjustment
YES Youth Employment Service
yoy year on year
ytd year to date
ZAR South African rand (currency code)

Independent Assurance Providers' Limited Assurance Report

We have performed our limited assurance engagement in respect of the key performance indicators (denoted with 'LA1' per the Integrated Report) for the year ended 31 December 2020.

The subject matter comprises the sustainability key performance indicators disclosed in accordance with management's basis of preparation, the Global Reporting Initiative (GRI) Standards and the alignment with AA1000APS (2018) principles (inclusivity, materiality and responsiveness), as prepared by the responsible party, during the year ended 31 December 2020.

The terms of management's basis of preparation comprise the criteria by which Nedbank Group Limited compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

Category	Selected sustainability information	Coverage/Reporting boundary
Environmental	Number of Equator Principle Deals that had their first drawdown within the financial year	CIB (Investment Banking and Client Coverage)
	All CIB credit risk reviews and new applications included the screening of high risk clients and EP relevant deals via the Social and Environmental Management System (SEMS)	CIB (Investment Banking and Client Coverage)
	Total Carbon Footprint (tCO_2e)	Scope 1: Campus buildings and Nedbank Limited (South African operations) Scope 2: Campus buildings; non-Campus buildings and non-South African bank offices and/or outlets Scope 3: Nedbank Limited (South African operations)
	Total water consumed (kℓ)	Nedbank Campus buildings
	Waste sent to landfill (tonnes)	Nedbank Campus buildings
	Waste recycled (tonnes)	Nedbank Campus buildings
Economic: Clients and banking	Net promoter score (NPS)	Client promotion of Nedbank for Retail and Business Banking, Wealth and CIB
	Number of main-banked clients	Retail
	Primary client wins	CIB
	Percentage of digitally active retail clients	Retail and Business Banking
	Digital sales (% of total sales)	Retail and Business Banking
	Nedbank Africa Regions number of clients	Nedbank Africa Regions
	Market share	Nedbank Limited
	Client Satisfaction Index	Retail and Business Banking
	Banking Ombudsman cases in favour of Nedbank	Nedbank Group
IT	System availability	Nedbank Group
Human resources	Staff attrition rate	South African Nedbank staff turnover percentage

DIRECTORS' RESPONSIBILITY

The directors being the responsible party, and where appropriate, those charged with governance, are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

- Ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;
- Confirming the measurement or evaluation of the underlying key performance indicators against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information; and
- Designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historic Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicators of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Deloitte applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUMMARY OF WORK PERFORMED

We have performed our procedures on the key performance indicator transactions of Nedbank Group Limited, as prepared by management in accordance with management's basis of preparation for the year ended 31 December 2020.

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected key performance indicators;
- Assessing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected key performance indicators for disclosure in the reports;
- Inspecting supporting documentation and performing analytical review procedures; and
- Evaluating whether the selected key performance indicator disclosures are consistent with our overall knowledge and experience of sustainability and non-financial processes.

Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per Mark Victor
Partner
13 April 2021

5 Magwa Crescent
Waterfall City, Waterfall
Private Bag X6, Gallo Manor, 2052
South Africa

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

JSE Investor Services (Pty) Limited,
19 Ameshoff Street, Braamfontein, Johannesburg, 2001, SA.

PO Box 4844, Marshalltown, 2000, SA.

NAMIBIA

Transfer Secretaries (Proprietary) Limited
4 Robert Mugabe Avenue, 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

FOR MORE INFORMATION CONTACT

Investor Relations

Email: NedGroupIR@Nedbank.co.za

Mike Davis

Chief Financial Officer
Tel: +27 (0)10 234 4296

Alfred Visagie

Executive Head, Investor Relations
Tel: +27 (0)10 234 5329
Email: AlfredV@Nedbank.co.za

This report is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial and risk management reporting
- Task Force on Climate-related Financial Disclosures (TCFD) reporting
- Society (social) reporting
- Governance reporting
- Shareholder information

For more 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 US 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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