



NEDBANK GROUP

Be the difference **that impacts our world**



see money differently



2021 Annual Financial Results

Investor meetings

March/April 2022

Nedbank Group 2021 results – strong financial performance, enabled by a more supportive environment, ongoing strategic delivery & good operational performance

A more supportive environment

- **GDP growth recovery** off a low base
- **Corporates** cautious
- **Low interest rates** supporting retail clients
- **Less negative economic impact** from Covid-19-related lockdowns in Q4

Strong financial performance

- HE: + **115%**
- ETI assoc: **> 100%**
- CET1: **12,8%**
- LCR: **128%**
- NSFR: **116%**
- Coverage: **3,32%**
- Final DPS: **758 cps**

Strong operational performance

- PPOP: **+9%**
- JAWS: **+0,8%**

Good strategic delivery

- **Digital** leadership
- Market-leading **client experiences**
- **Market share gains** in key areas
- **Productivity** improvements
- **ESG leadership** maintained

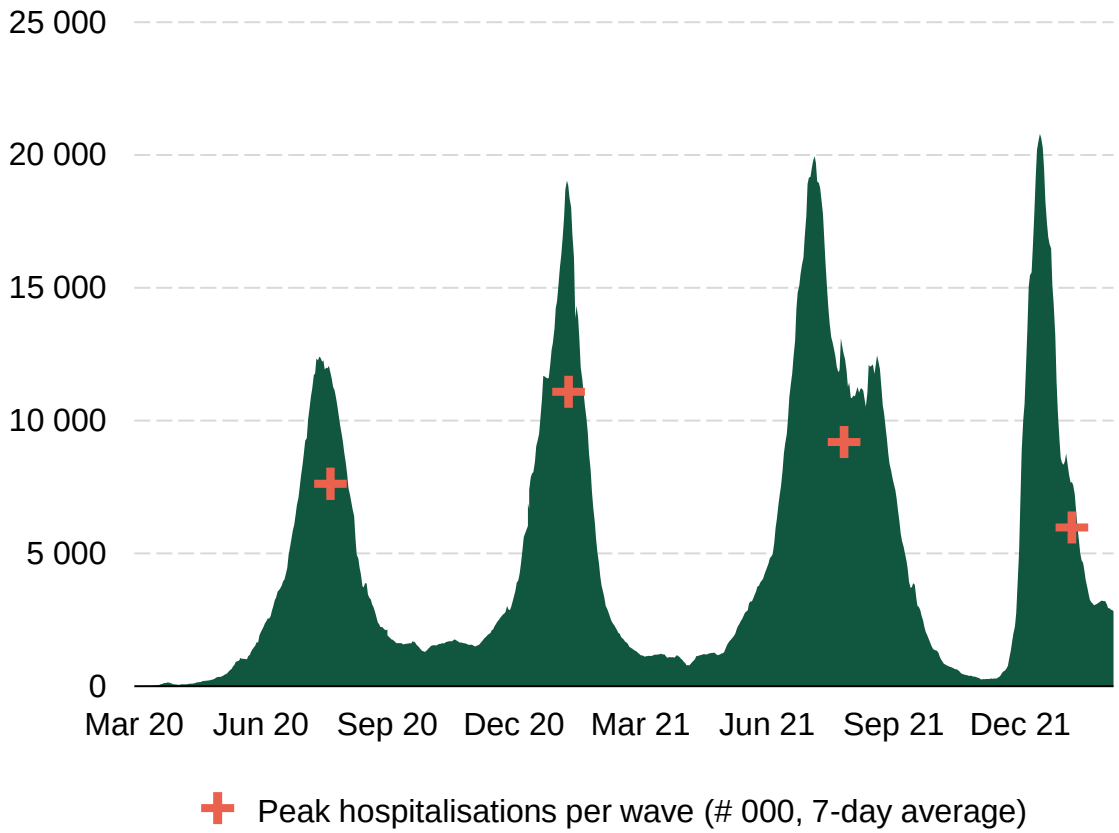


Operating environment

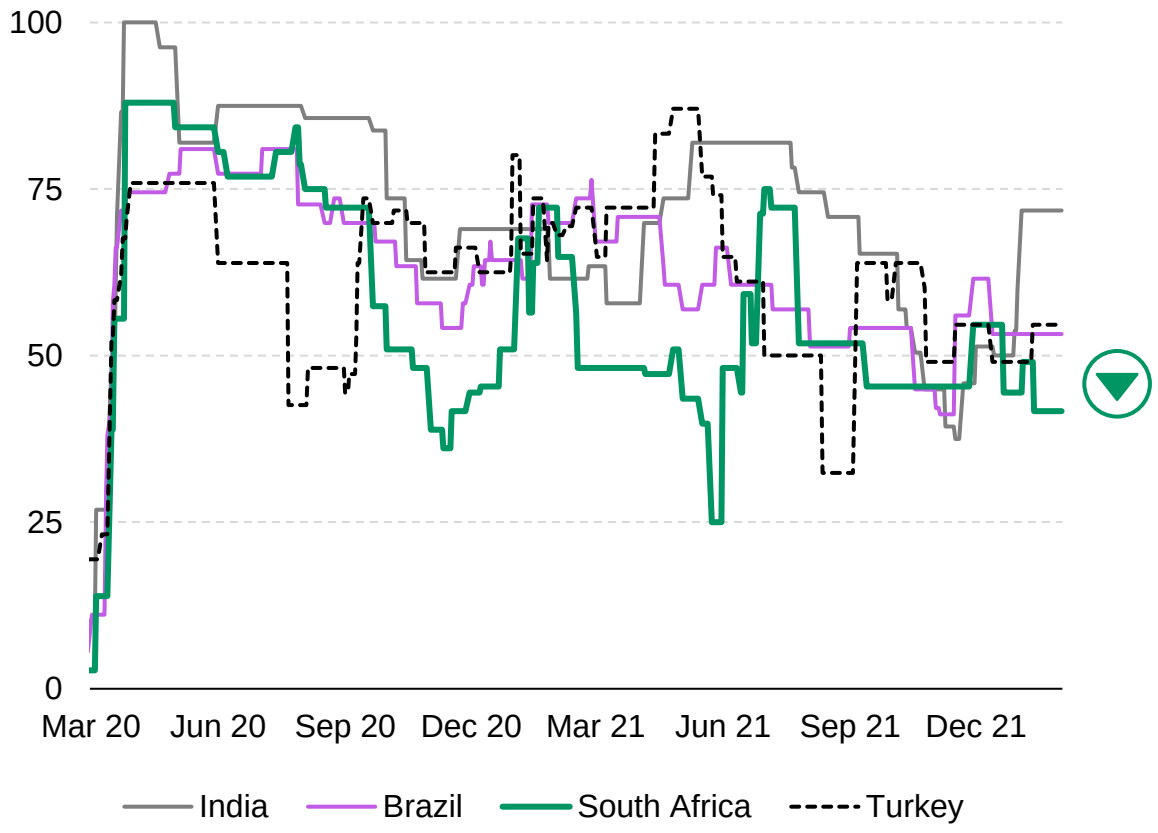
‘A more **supportive environment** for Nedbank & our clients in 2021’

Operating environment – lower mortality & hospitalisations during the Omicron wave & less negative economic impact from lockdowns in Q4 2021

SA positive Covid-19 cases[1]
(7-day average)



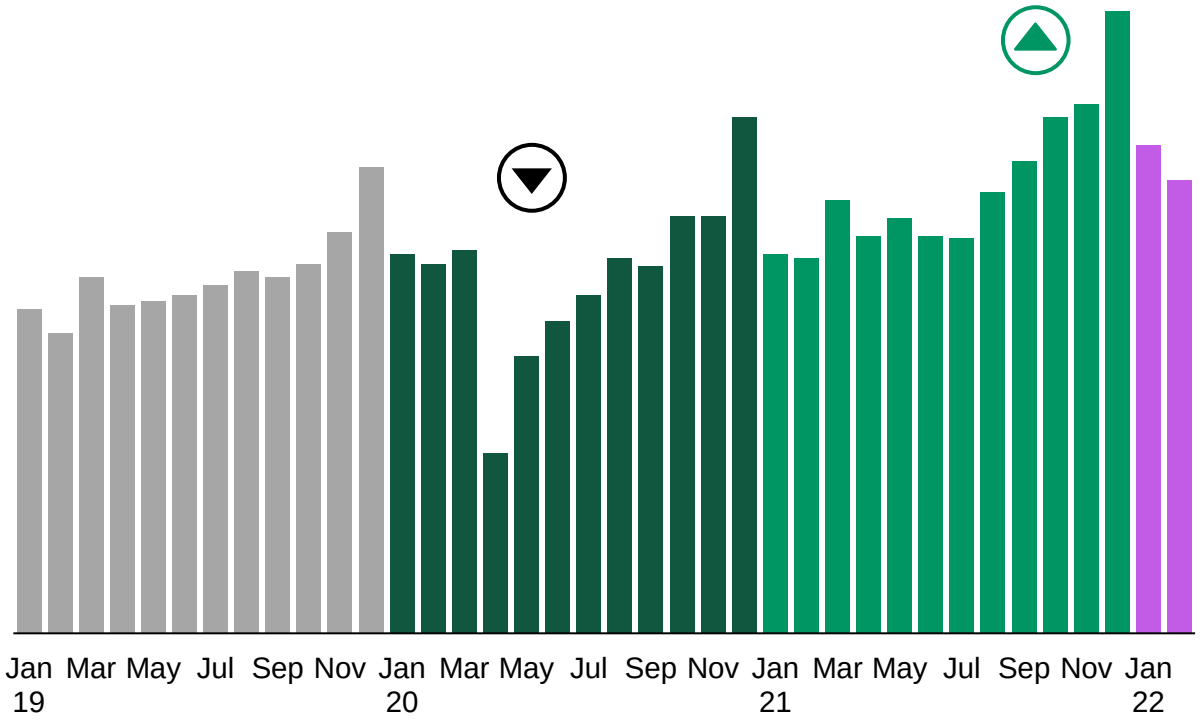
Stringency index[2]



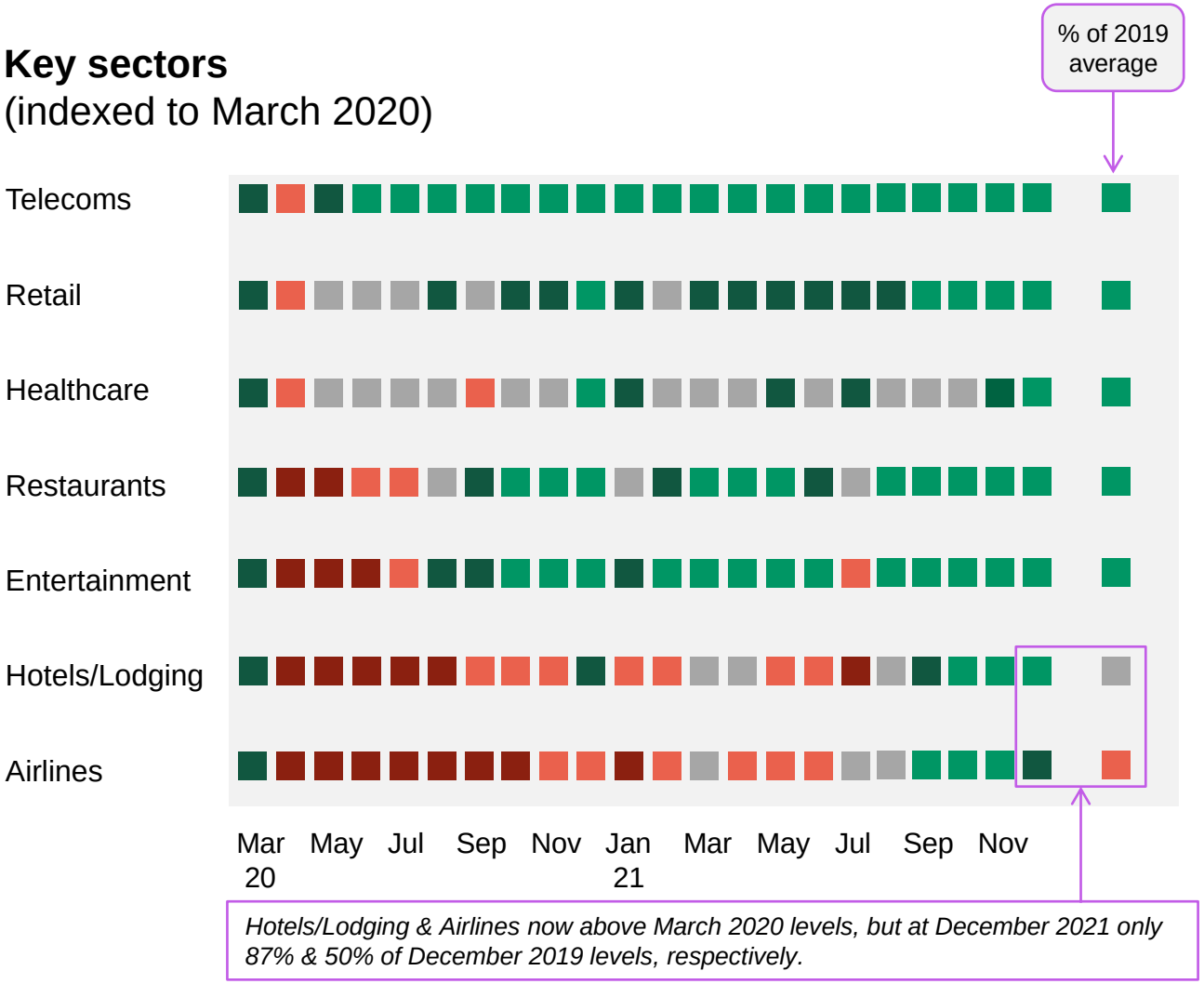
[1] National Institute for Communicable Diseases: Peak average daily hospital admissions > 2 500 during the second wave & lowest during the fourth wave at ~1 400. | [2] Oxford University.

Operating environment – high-frequency data from our client transactional turnover[1] shows a continued improvement in operating conditions

Total monthly industry POS turnover
(Rbn)



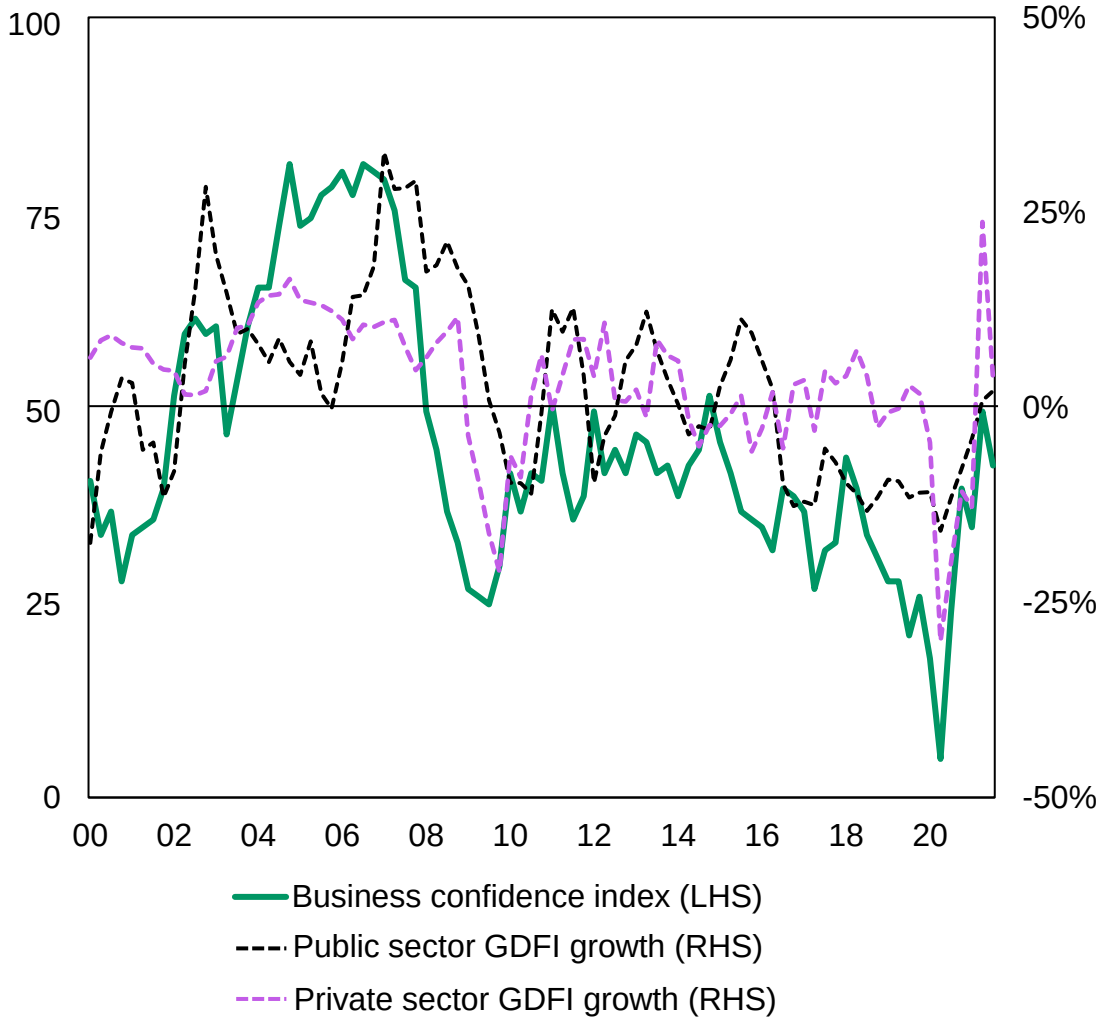
Key sectors
(indexed to March 2020)



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

Operating environment – positive developments on key SA reforms, but business confidence still low

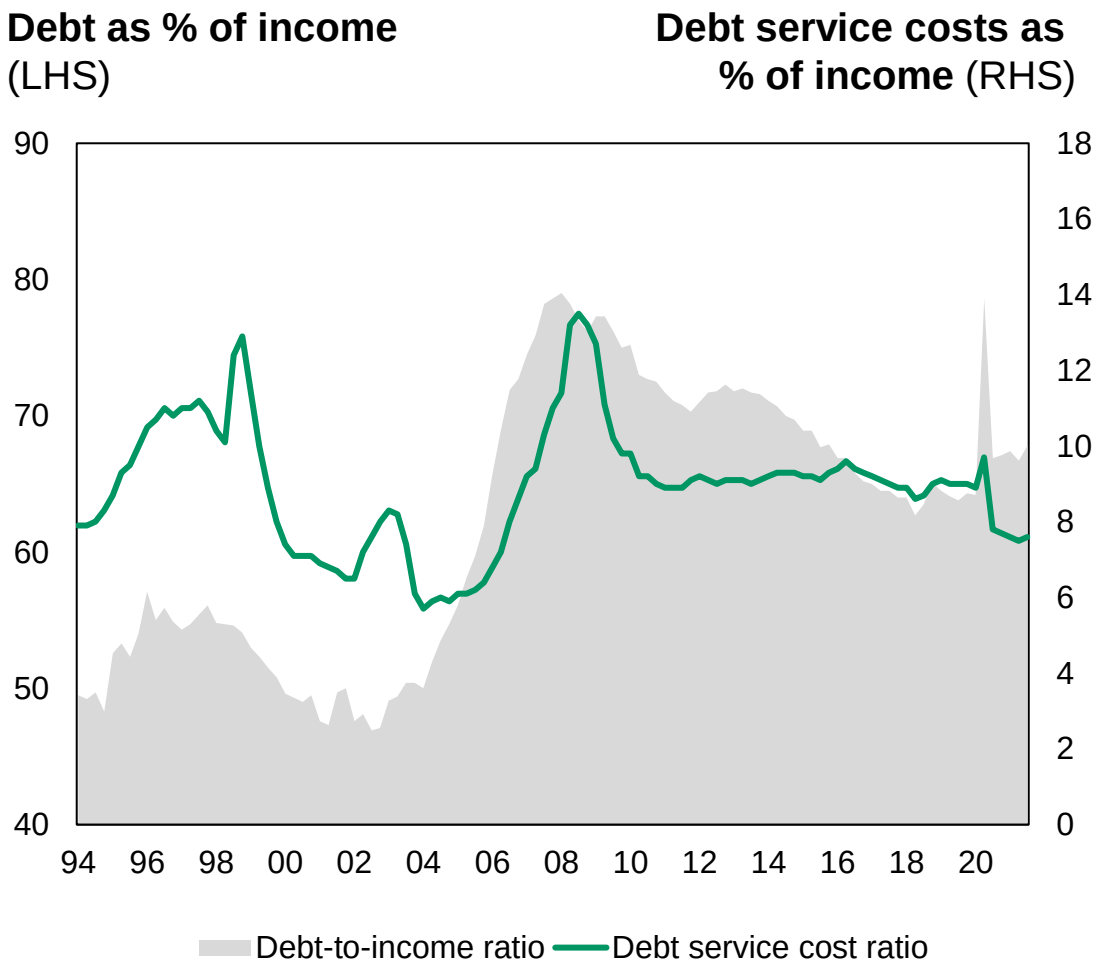
Business confidence[1] vs fixed investment



- **Business confidence remains below 50** (neutral position) evident in new corporate loan demand that is still weak
- **Positive developments on key SA reforms[2]**
  - 'Red tape reduction drive'
  - Unbundling of Eskom transmission (by Dec 2022)
  - Increased private energy generation capacity to 100 MW
  - RFP for public-private partnership in Ports
  - Auctioning of 5G spectrum
  - Third-party access to SA freight rail network
- **Renewable energy**
  - Nedbank participated in 4 projects in the emergency renewable-energy round (500 MW to finalise Q1 2022) | Round 5 REIPPP concluded (2 600 MW) – thinly priced market | Round 6 bids (2 600 MW) open in due course
- **Commodity boom beneficial to some clients** but resulted in early repayments/limited financing needs

[1] SA Bureau of Economic Research. | [2] Extracted from the SA President's State of the Nation Address 2022.

Operating environment – households benefiting from lower interest rates, but pressure on consumers increasing



- **Households have de-levered since the GFC**
  - Peak of 79% to current level of 68%
- **Interest rates 250 bps lower since 2019, supporting:**
  - Demand for prime-linked credit (home loans, vehicle finance, etc) – evident in solid RBB loan growth
  - Easier for households, businesses & corporates to service their debt – evident in lower CLRs
- **Rising pressure on consumers**
  - Transport (oil), electricity & food price increases



Strategic overview

‘Good strategic delivery – digital leadership, market-leading client experiences, market share gains in key areas, productivity improvements & ESG leadership maintain’

Nedbank Group strategy

Targets to 2023[1]

DHEPS	ROE	Cost-to-income ratio	Net Promoter Score
> 2 565 cents (2019 levels)	**> 15%** (2019 levels)	**< 54%**	**#1 bank** (from #2 in 2021)

Strategic value drivers

Growth | **Productivity** | **Risk & capital management**

Strategic value unlocks

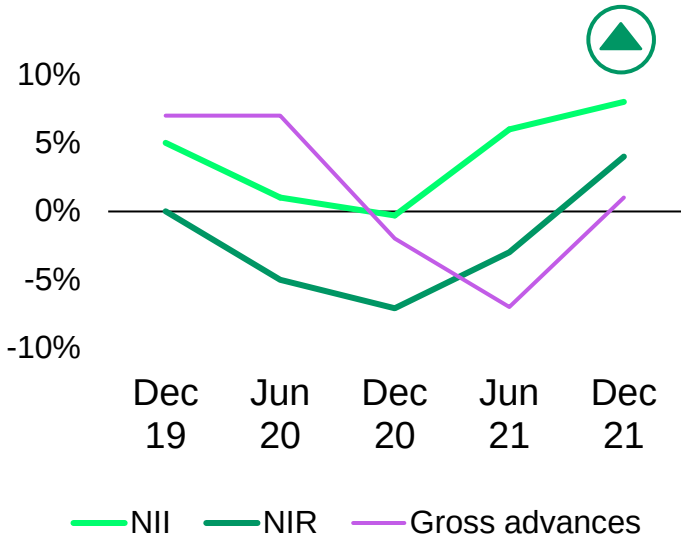
Delivering market-leading client solutions	Ongoing disruptive market activities	Driving efficient execution (TOM 2.0)	Focusing on areas that create value (SPT 2.0)	Creating positive impacts

[1] *Set in March 2020.*

Growth & productivity – trends improving, revenue drivers up & cost-to-income down

Growth

Revenue & advances growth (%)



Client gains & AUM

CIB new primary clients **+35**

Retail main-banked clients **+1%**

NAR clients[1] **+1%**

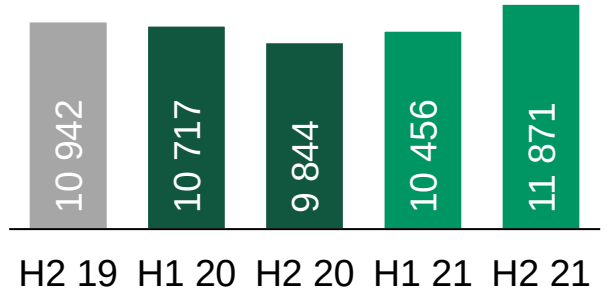
AUM growth **+13%** to R424bn

Productivity

PPOP (Rm)

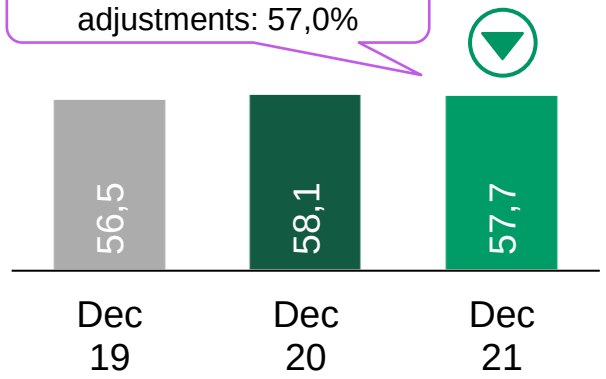
Excl MFVHA adjustments: +16% yoy

H2 on H2 +21% yoy



Cost-to-income ratio (%)

Excl MFVHA adjustments: 57,0%

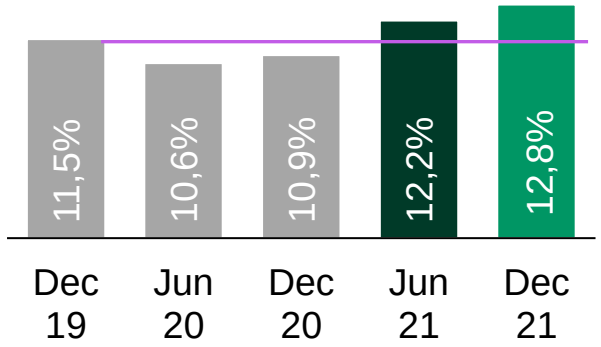


[1] *Excl dormant-account closures growth was 14%.*

Risk & capital management – balance sheet metrics strong & above 2019 levels

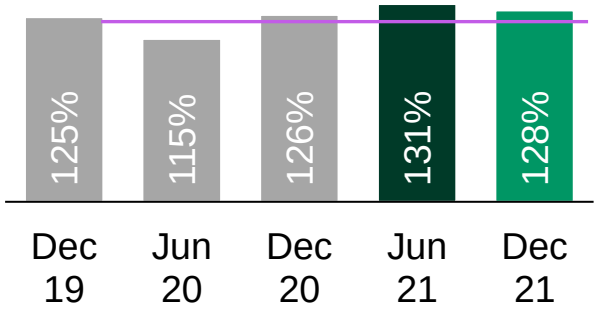
Capital

CET1 ratio (%)

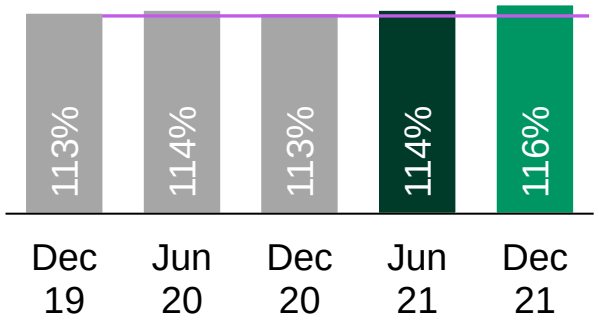


Liquidity

LCR (%)

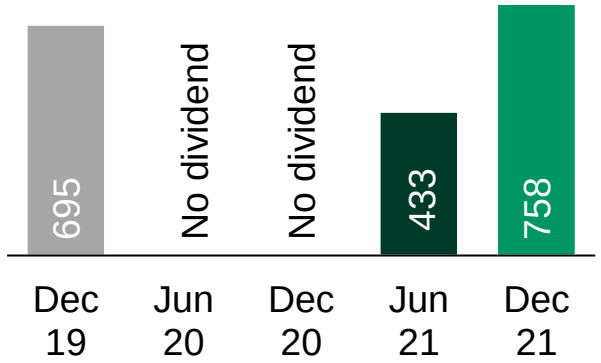


NSFR (%)



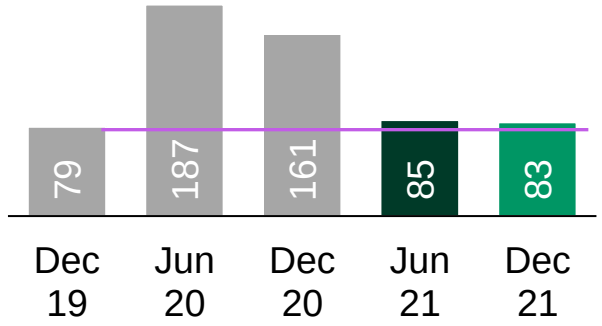
Dividends

Dividends/share (cents)

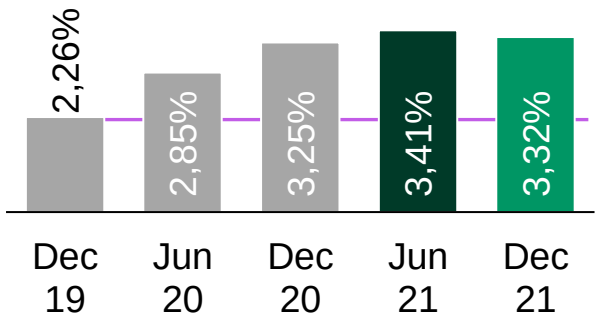


Credit

CLR (%)



Total coverage (%)



Managed Evolution – good progress on our technology strategy

Managed Evolution
85% complete
(2020: 78%)

- **78** core systems (2020: 90)
- Individual & juristic **digital onboarding in place**
- **6 of our top 10 product/client** journeys digitised + various additional products
- IT cash flow spend peaked in 2017 at R2,3bn & 2021: **R1,6bn**
- Intangible software assets peaked in 2021 at **R9bn**

Digital leadership
externally
acknowledged

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

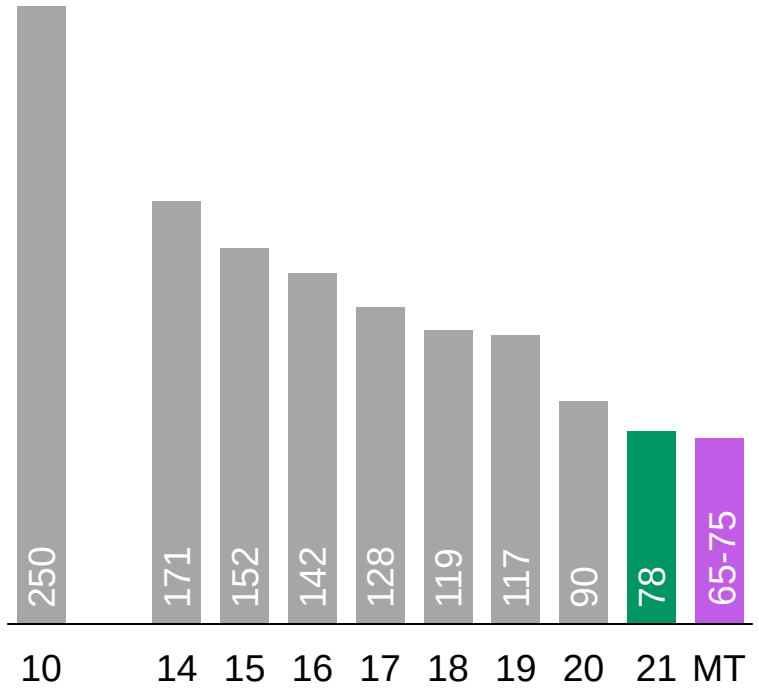




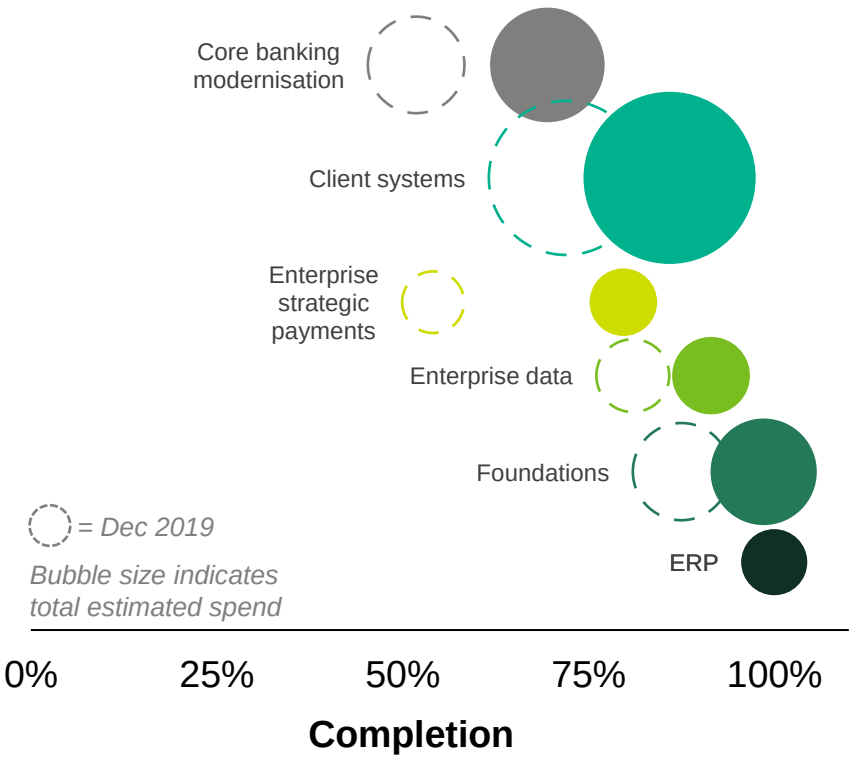
Source: [1] WorldEco. [2] Global Banking & Finance Awards. [3] Global Business Outlook. [4] International Business Magazine. [5] International Banker.

Managed Evolution – materially complete & delivering benefits as per plan

Core systems (#)
Rationalise, standardise & simplify

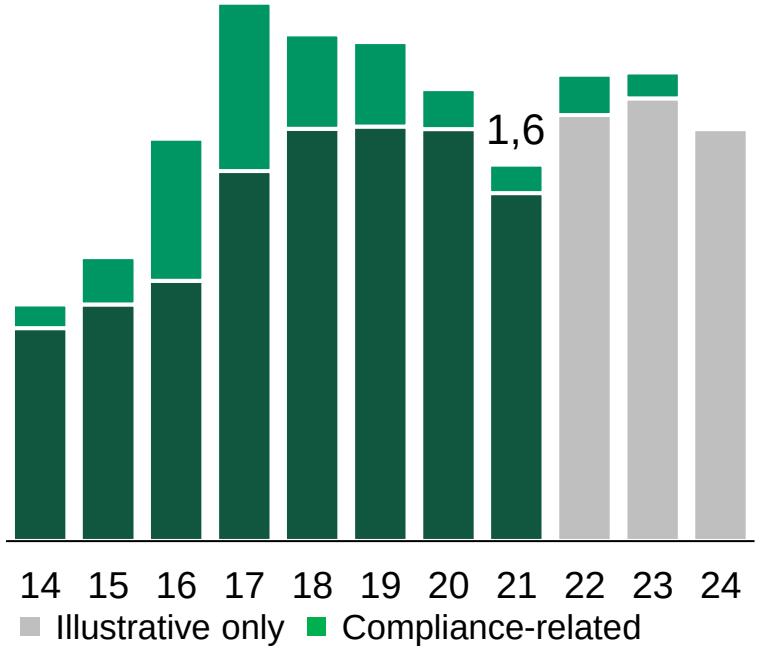


Managed Evolution programme
~85% complete, R9,8bn by Dec 2021
(R13bn including new technologies)



IT software development spend (Rbn)
Annual cash flow spend peaked[1]

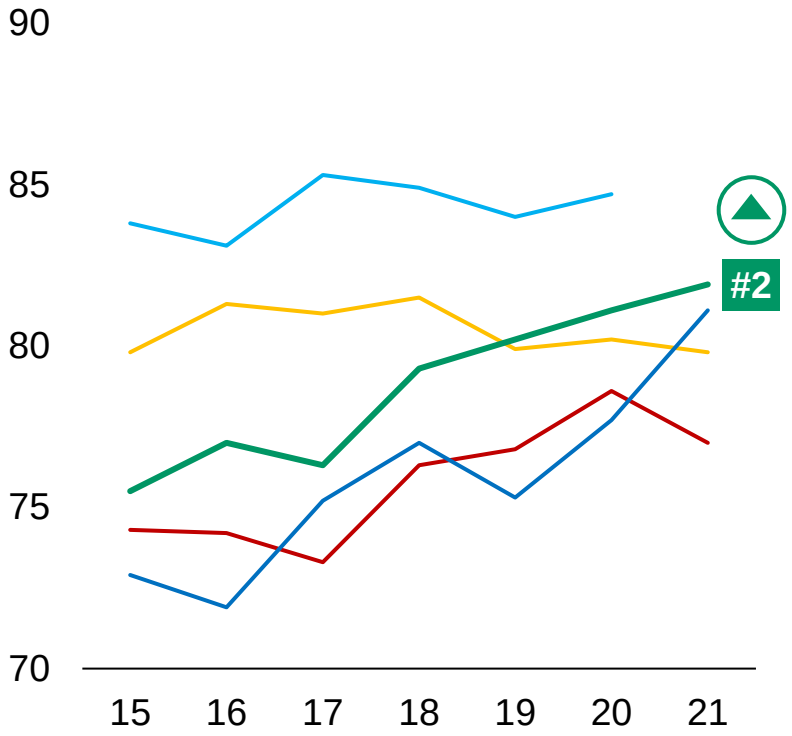
The group's **intangible software assets are expected to have peaked in 2021 at R9bn,** in line with reducing cash flow spend.



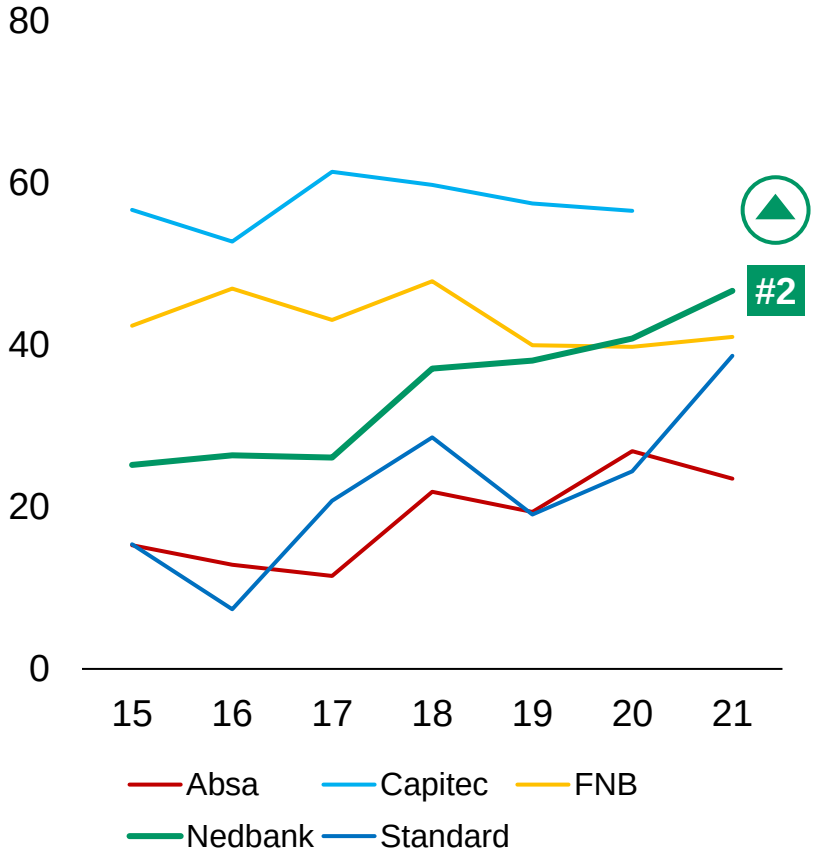
[1] *Project cash flow in 2021 was lower yoy as some large programmes came to an end. The expectation is to increase in 2022 as we aim to complete last few components of ME.*

Delivering market-leading client solutions – client satisfaction & brand metrics continue on an upward trajectory

SA Client Satisfaction Index[1]



Net Promoter Score[1]



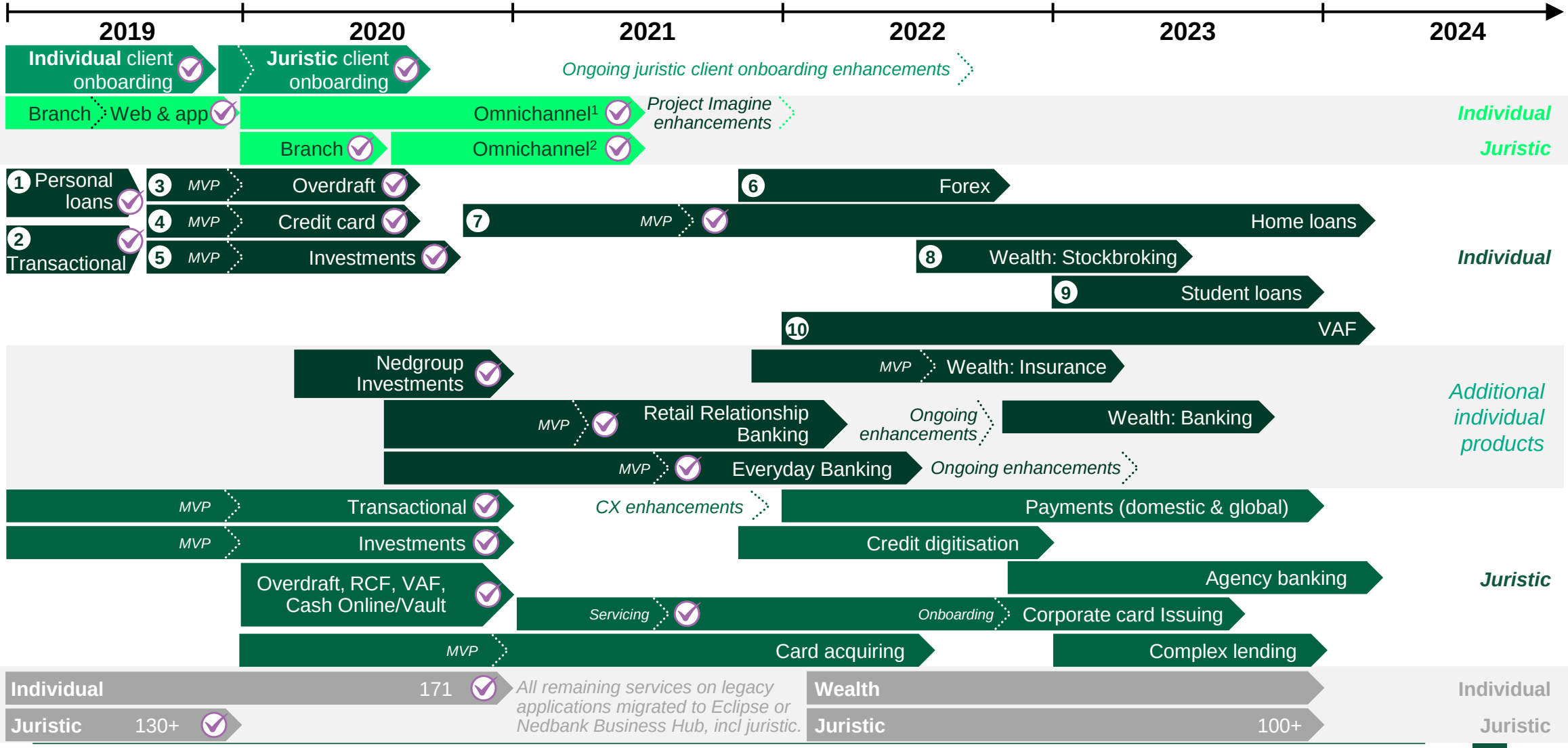
Other metrics

- **Brand sentiment ranking (#2)** consistently above SA bank average[2]
- Nedbank brand value[3]: **R15bn**
- SA brand rank[3] in SA: #**8**
- **Multiple wholesale & retail banking awards** for business impact & expertise

[1] Annual Consulta survey. Capitec did not subscribe to the 2021 survey.
[2] 1 January 2020 to June 2020: Brandseye & July 2020 to December 2021: Salesforce Social Studio.
[3] Top 8 among Top 50 SA companies (Brand Finance).

Delivering market-leading client solutions – our digital journeys are enabled by Eclipse & Nedbank Business Hub

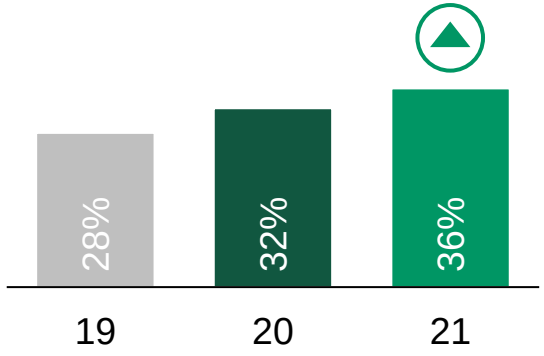
End-to-end digital client onboarding & digitising our products



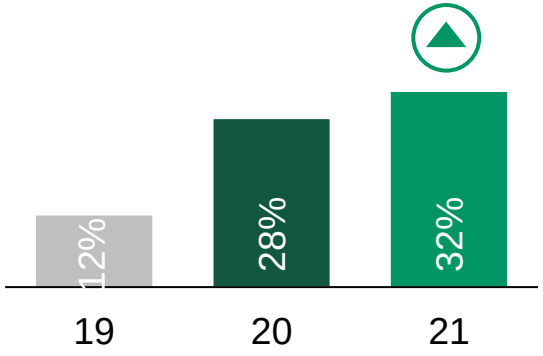
[1] Branch, web, app, ATM, self-service kiosk, call centre. | [2] Branch, web, app, self-service devices.

Delivering market-leading client solutions – digital uptake & usage accelerated, driven by world-class delivery, enablement & innovation, as well as client behavioural shifts during Covid-19

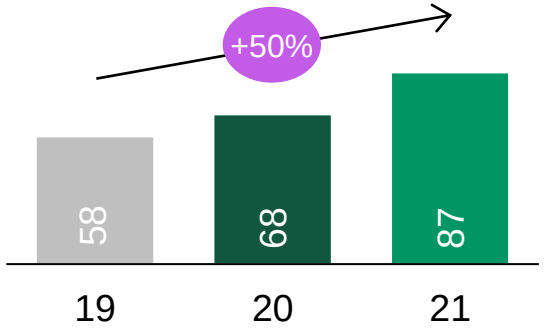
Digitally active clients
(% of total active clients)



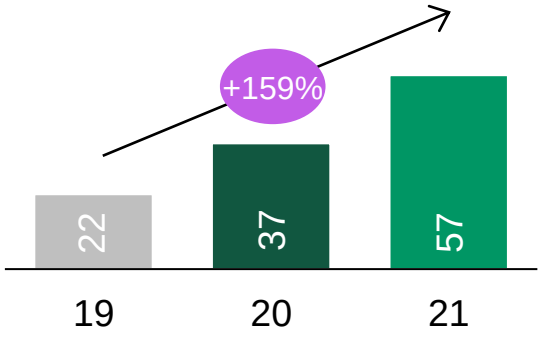
Digital sales
(% of new sales[1])



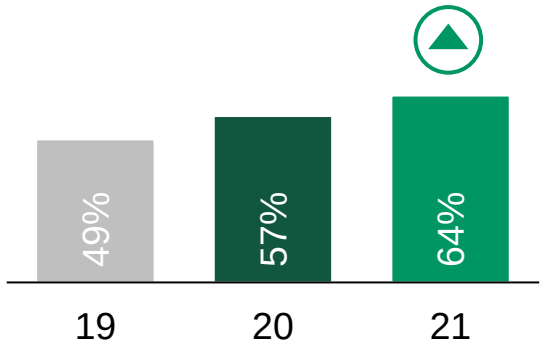
Digital transaction volumes
(# m)



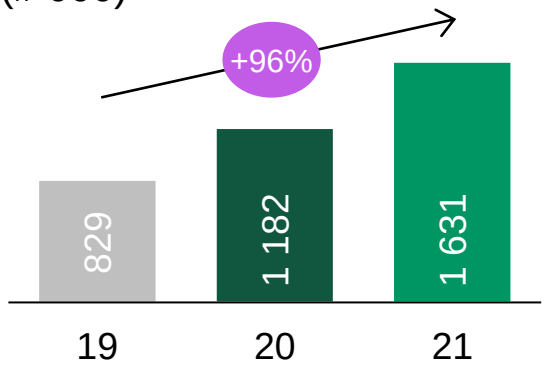
App transaction volumes
(# m)



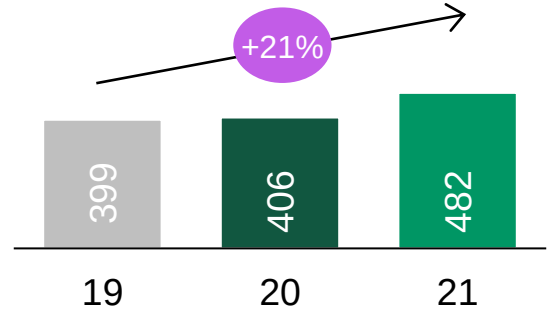
Digitally active main-banked clients



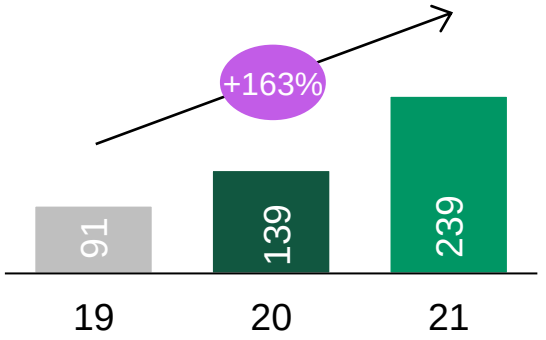
Money app active users
(# 000)



Digital transaction values
(Rbn)



App transaction values
(Rbn)

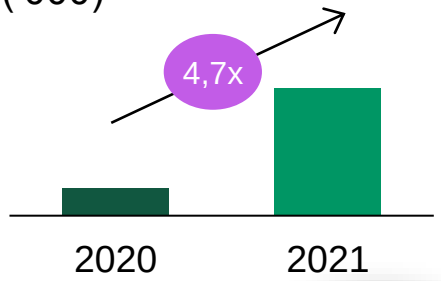


[1] *2019 based on applications, excl. MobiMoney. 2020 onwards measured on new funded sales – excl MobiMoney.*
Digitally active clients & Money app users have been restated to align to the new client active definition ie Client has either a non-zero balance asset product or a non-zero balance investment product; or a positive funded balance Transactional Product (TP), or a negative TP balance with a transaction done within the last 12 months.

Change since 2019

Ongoing disruptive market activities – Nedbank is connecting individuals & businesses via marketplaces & APIs, now > 1 million clients[1]

Registered clients ('000)



B2C
>675 000 clients

We **connect** individuals & businesses to marketplaces

1

We **catalyse** for growth through collaboration & partnerships

2

We **conquer** African challenges together

3

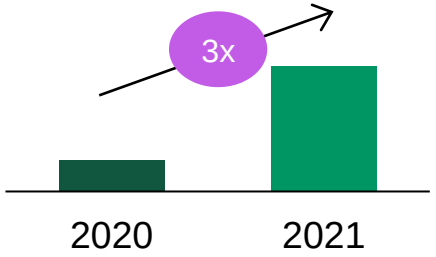
AVO BUSINESS
karri POWERED BY NEDBANK
Scan to Pay
NEDBANK MONEY MESSAGE
MYHOMELIFE by NEDBANK

>1/4 million products & services

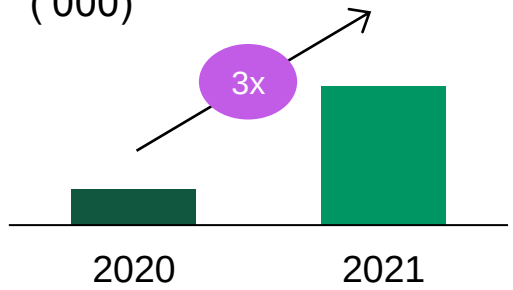
B2B
>20 250 businesses

11 verticals

Gross merchandise value (Rm)



Merchants & partners ('000)

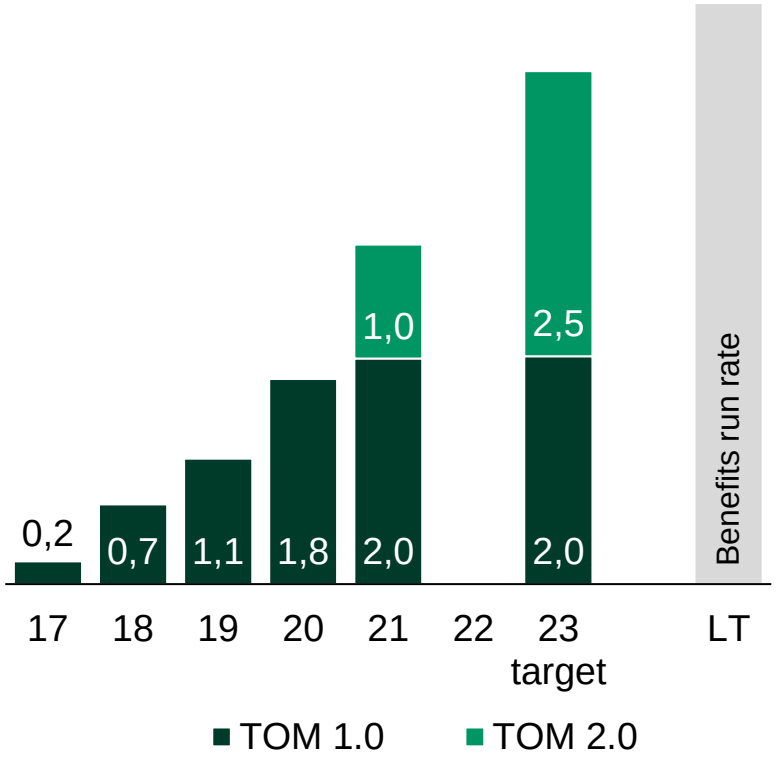


[1] *At the beginning of March 2022.*

Driving efficient execution – the benefits from our Managed Evolution technology investments & digitisation are being unlocked through TOM 1.0 & TOM 2.0

Cumulative TOM 1.0 & TOM 2.0 benefits

(Rbn)



TOM 2.0

Optimising the shape of our infrastructure in a more digital world, embedding a more client-centred RBB structure (incl back-office optimisation) & optimise groupwide shared services

TOM 1.0

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

Shift to digital payments – **optimise own physical channels** (Imagine)

Hybrid working practices – **shrink own property**

Client-centred model – **leaner RBB structure** (Phoenix)

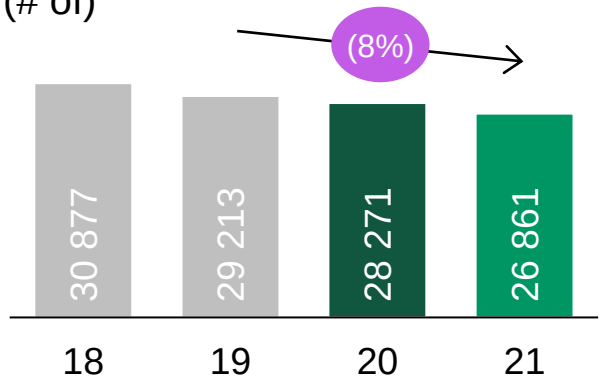
Benefits from **technology transformation**

Efficient & effective central functions

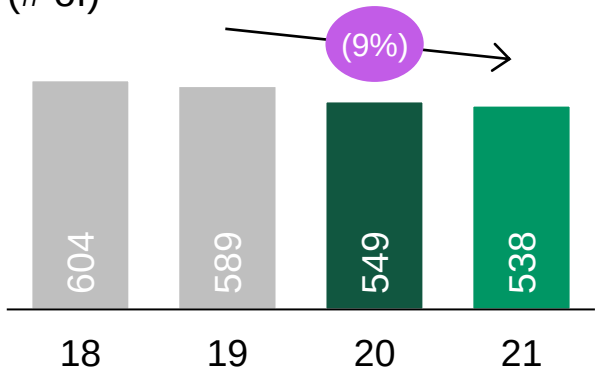
Reset third-party spend – **smarter supply chain & procurement**

Driving efficient execution – benefits evident in optimisation of operations to enable lower expense growth over time & meet our 2023 cost-to-income ratio target of 54%

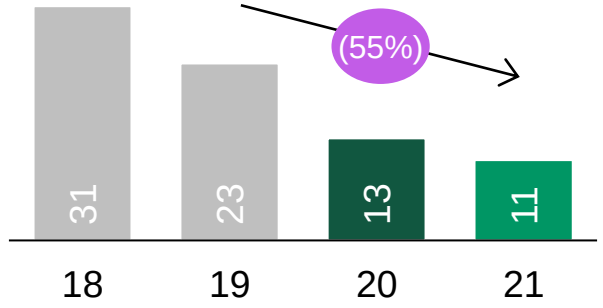
Permanent employees
(# of)



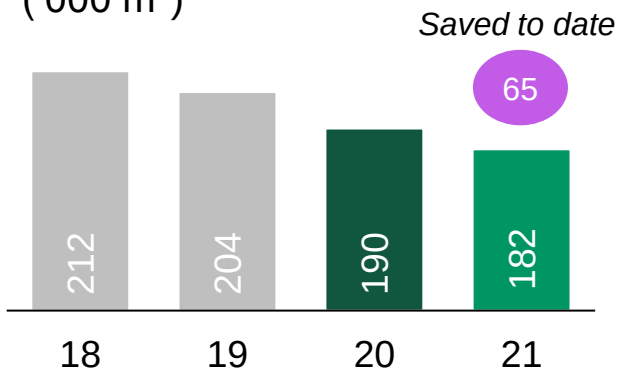
SA outlets/branches
(# of)



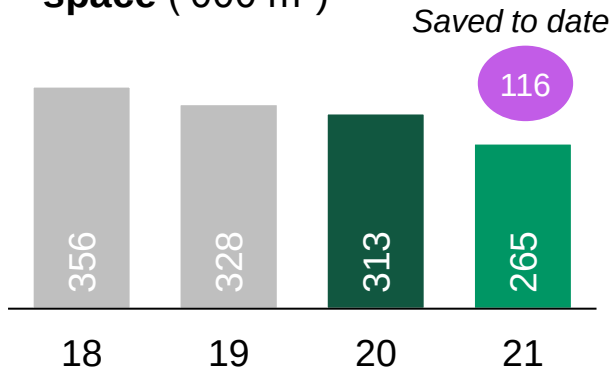
Teller activity
(# m)[2]



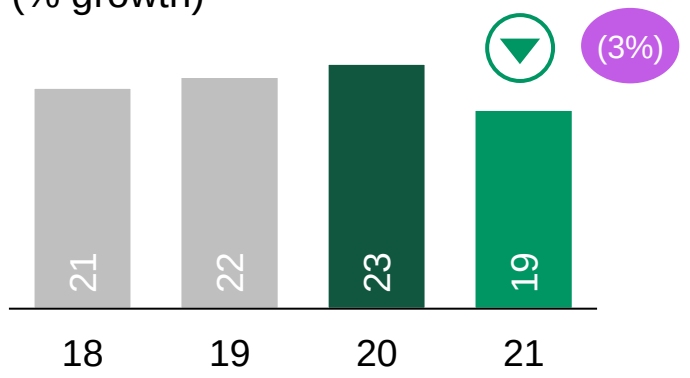
Branch floor space
('000 m^2)[1]



Corporate real-estate floor space ('000 m^2)



Annual amortisation charge
(% growth)

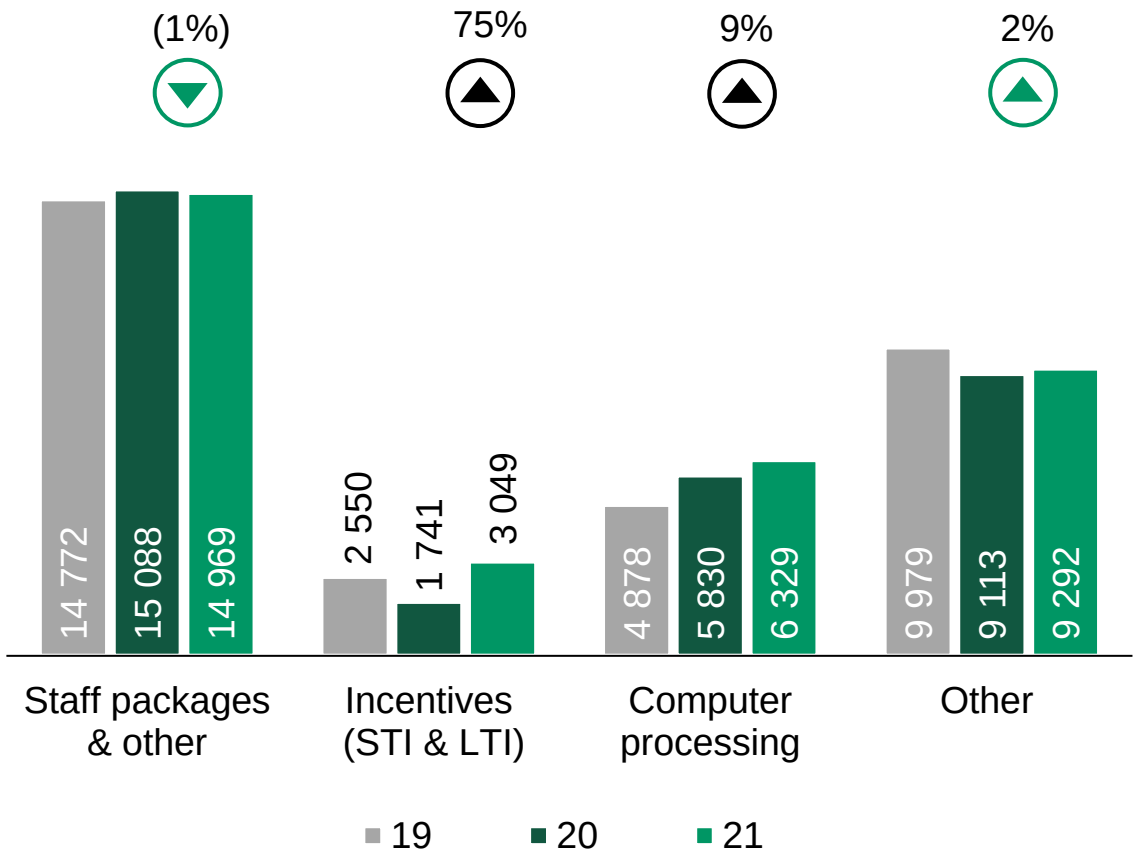


Change since 2019

[1] Represents the total branch floor space we saved since 2018, equating to approximately 14% of our branch floor space since 2018 – floor space saved since 2014 equates to 65k sqm – equivalent of 28% of the 2014 floor space. | [2] Refers to the volume of interactions with tellers.

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

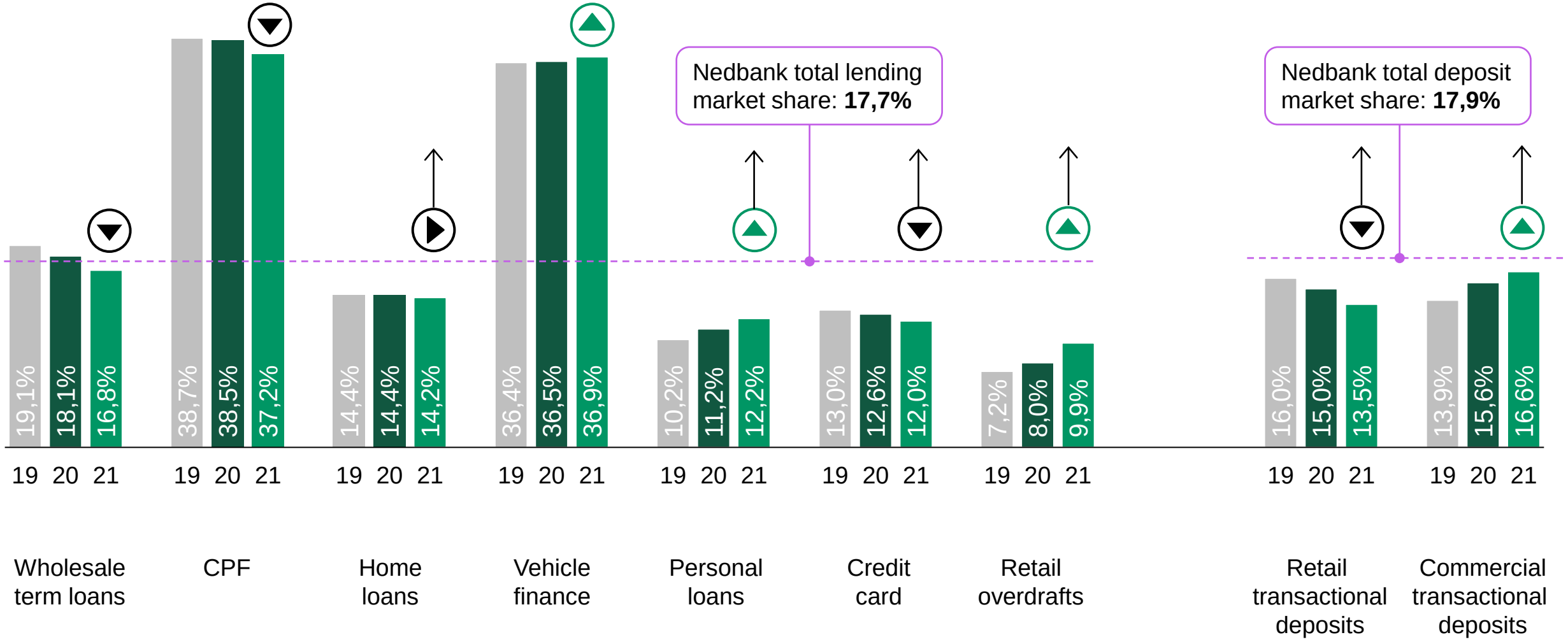
Expenses (Rm)



- **Staff costs**
  - Annual salary increases: +3,5%
  - 5% decline in headcount (mainly through natural attrition)
  - Variable-pay incentives up by 75%, aligned with improved profitability metrics (down 32% in 2020 & down 24% in 2019)
- **Computer processing** – amortisation growth rate slowing as ME journey matures (2021: +19%, 2020: +23%, 2019: +22%)
- **Other costs** – up by 2% (some normalisation in discretionary spend including marketing & YES, partially offset by savings from lower accommodation-related costs)
- **TOM 2.0** – R967m benefits in 2021 (R2,5bn targeted by end-2023)

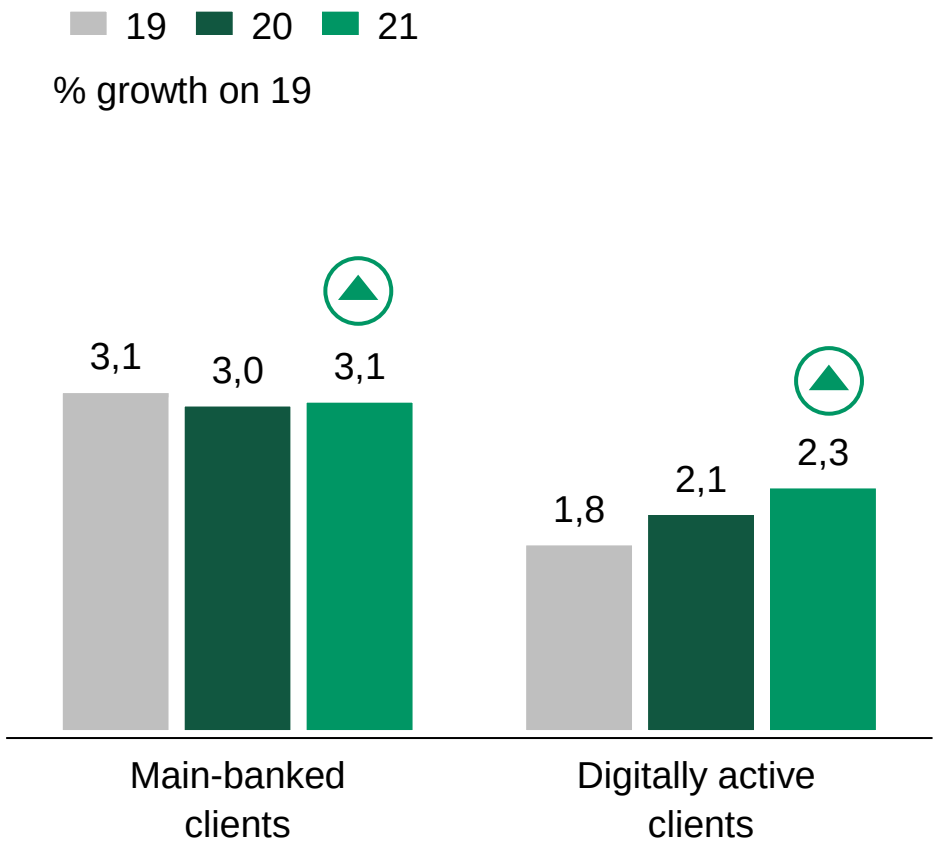
Strategic portfolio tilt 2.0 – target growth where we are underweight & be selective in areas of strength, while growing the transactional banking franchise (main-banked client gains & higher cross-sell)

BA 900 market share (%)

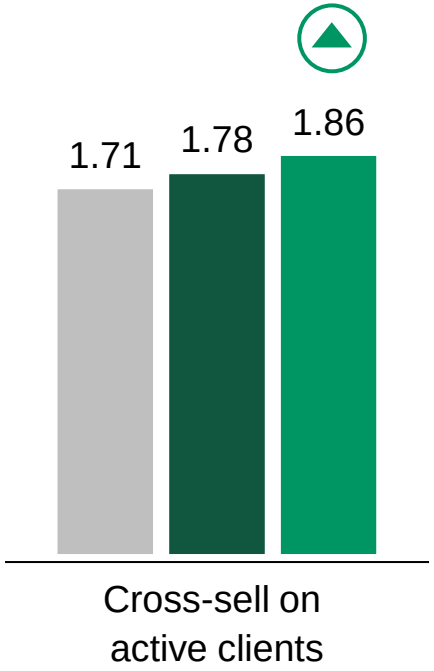


Strategic portfolio tilt 2.0 – growth in main-banked clients & improving levels of cross-sell on new sales

Retail client base breakdown (# million)



Cross-sell ratio[1]



Consulta[2] **main-banked market share**

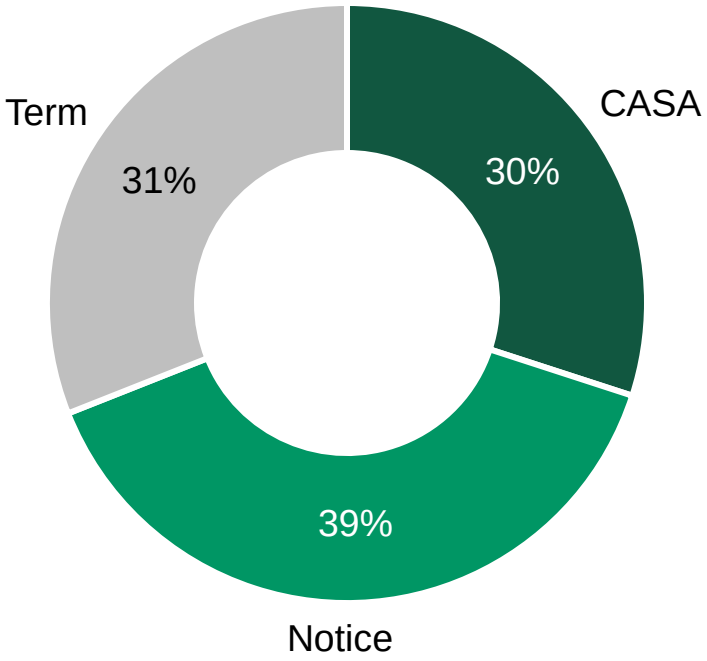
	2020	2021	Share	
Nedbank	+0,0%	+1,1%	12,4%	▲
Capitec	+4,0%	+0,9%	40,1%	▲
Other banks	+0,0%	+0,6%	1,8%	▲
SBSA	(0,6%)	(0,4%)	13,6%	▼
FNB	(2,1%)	(0,6%)	18,5%	▼
Absa	(1,3%)	(1,6%)	13,6%	▼

[1] Based on new definition of active clients: Client has either a non-zero-balance asset product or a non-zero-balance investment product; or a positive-funded-balance transactional product (TP), or a negative TP balance with a transaction done within the past 12 months. | [2] Consulta surveys: 2020 & 2021 (released November 2021).

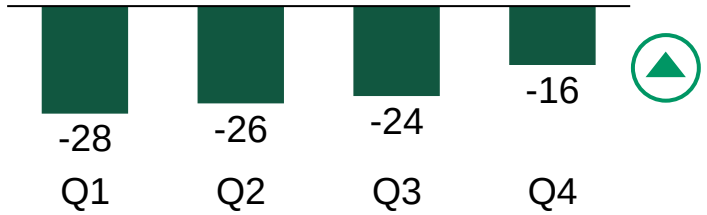
Strategic portfolio tilt 2.0 – focus on arresting household deposit market share losses

CONSUMER

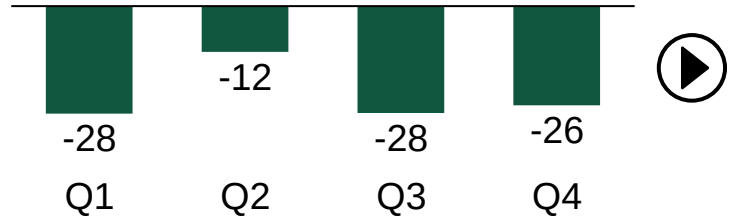
Total household deposit market contribution



Total household market share,
Qoq change in 2021, bps

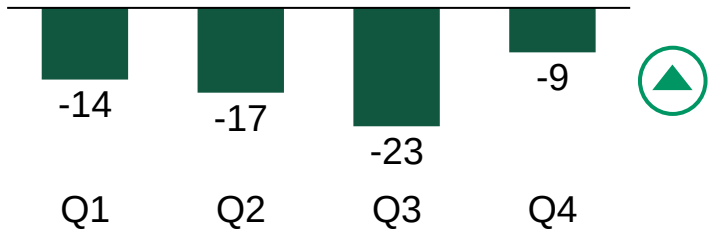


Household notice market share,
Qoq change in 2021, bps



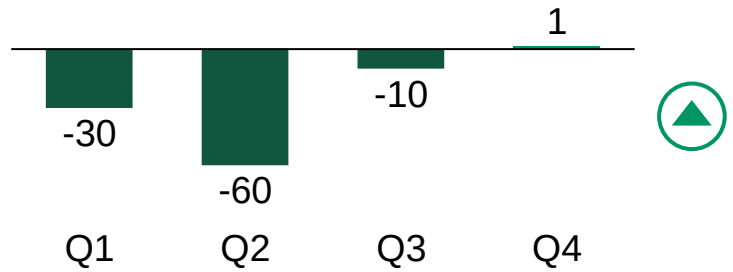
Pricing driven

Household CASA market share,
Qoq change in 2021, bps



Franchise driven

Household term market share,
Qoq change in 2021, bps

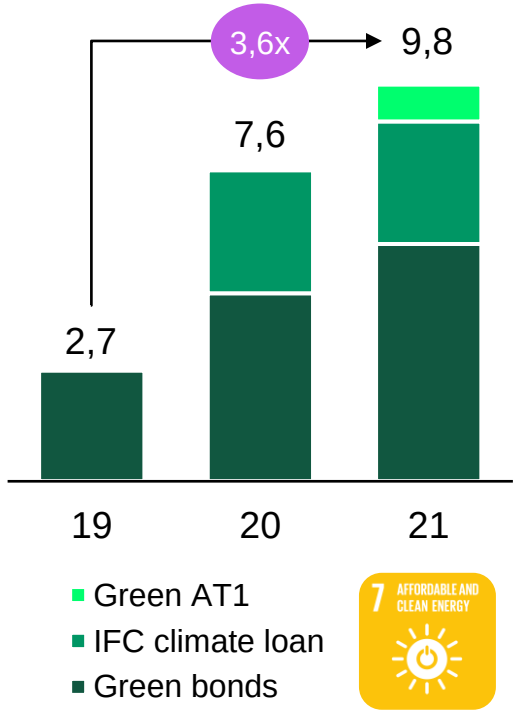


Q4 2021 was our best quarter of 2021 in arresting household deposit market share losses – driven by pricing strategy on term deposits & CASA improvement driven by main-banked-client gains

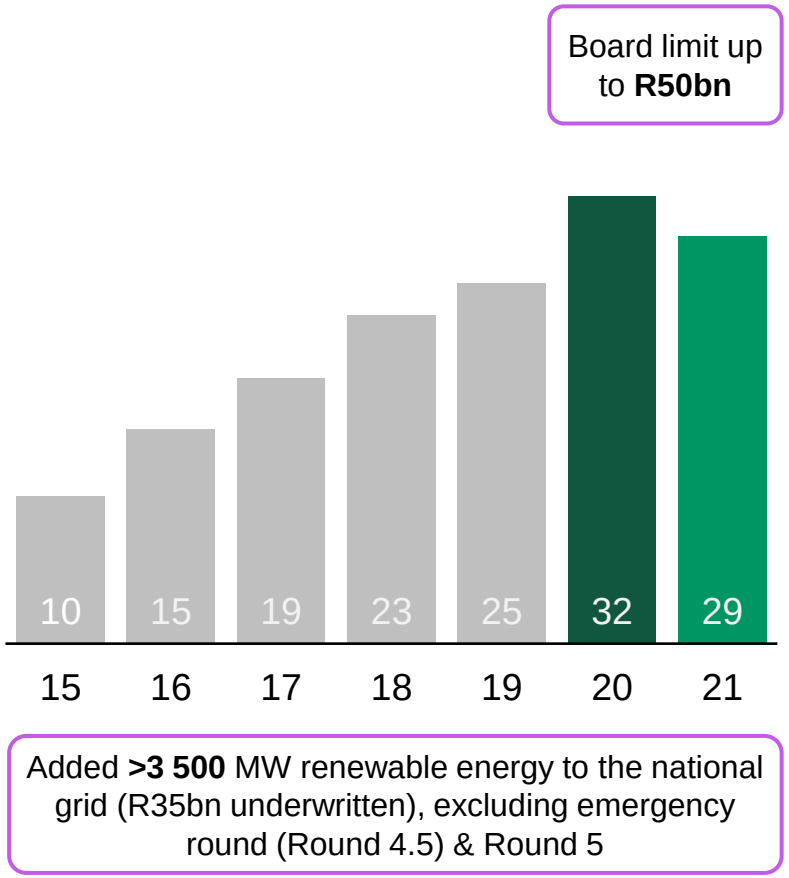
Note: HH deposit categories have been adjusted for known differences in classification among the banks.

Creating positive impacts – anchoring our position as an impact financier

Sustainable funding (Rbn)



Renewable energy (REIPPPP) financing (exposures, Rbn)



Our journey to zero exposure to fossil-fuel-related activities by 2045

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

2021 – Adopted & disclosed our market-leading **energy policy** & inaugural **TCFD report**

2025 – **No provision** of project financing for **new thermal-coal mines**

2030 – **Thermal-coal funding** to be < 0,5% of gross loans & advances

2035 – **No new finance** for oil production

2045 – **Zero exposure** to fossil-fuel-related activities

2050 – **100% of lending & investing** supporting a net-zero carbon economy

Creating positive impacts – social/societal

> R360m
study loans to **students**[3]

> R5bn
loans for **student accommodation**[3]

R121m
CSI spend in 2021, with **47%** allocated **to education**

R57bn
loans to **SMEs, entrepreneurs, professionals**[2]

> 1 900
job opportunities supported for unemployed youth (YES)

87%
of Nedbank-owned **buildings Green Star-rated**

Carbon-neutral operations (since 2009)

R5bn
loans for **affordable housing**[3]

R25bn
loans for **green buildings**[3]

Level 1 BBBEE
status
(for past 4 years)
Black staff[1]:
> 79%

106
tons of food & supplies to employees, families & communities impacted by the July 2021 riots

R800m
lending towards **water projects** in 2021

Own operational total **water consumption down by**
18% yoy
(39% since 2019)





[1] African, Coloured & Indian population. | [2] Represents RRB loans & advances. | [3] Over past 5 years.

Creating positive impacts – governance

Nedbank Board

Independent directors
up to **69%** (2020: 67%)

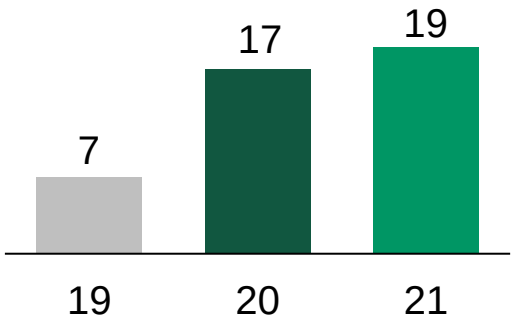
Black (ACI[1]) directors
up to **62%** (2020: 60%)

Female directors
up to **23%** (2020: 20%)

Regular shareholder engagements on **ESG** matters (2021: eighth annual roadshow)

A supporting culture

Great place to work NPS:



Attrition:

9%
employee attrition
(2020: 7% | 2019: 11%)

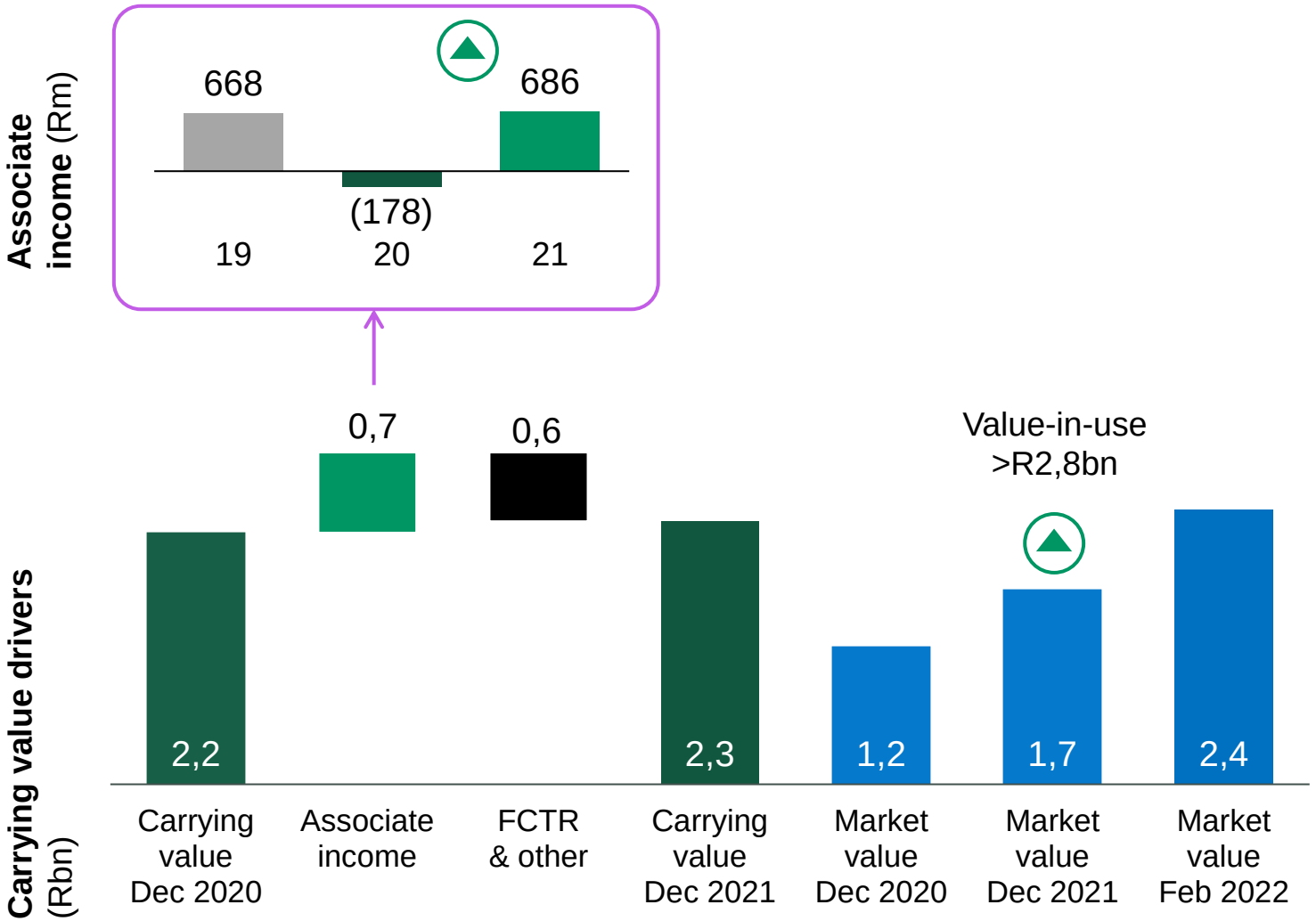
ESG incorporated in performance scorecards & remuneration

ESG ratings

MSCI ESG	**AA** rating	**Top 33%** of global banks
FTSE Russell	**4,3** out of 5	**Top 6%** of global banks
SUSTAINALYTICS	**16,5** low risk	**22nd** out of 420 diversified banks
ISS	**C** rating	**Top 20%** of all global banks

[1] *Defined as African, Coloured & Indian population.*

ETI associate investment financial performance – strong turnaround in financial performance accompanied by a material improvement in the balance sheet



ETI Associate Investment

- **Leading West & Central Africa franchise:** top 3 in 13 of 16 countries
- **Improvement in NPLs & liquidity,** with three core regions reporting lower NPLs & higher coverage ratios
- **Strong performance from three core regions**, with regional ROEs all greater than 21%[1]
- **Signs of improvement in Ecobank Nigeria** – with increased profitability & strengthened capital position
- **Dividend payment to resume**, subject to AGM approval

[1] *ROEs of UEMOA:21,4%, AWA:24,9% & CESA:22,2%.*

Note: ETI accounted for 1 quarter in arrear. | Associate income includes goodwill impairment.

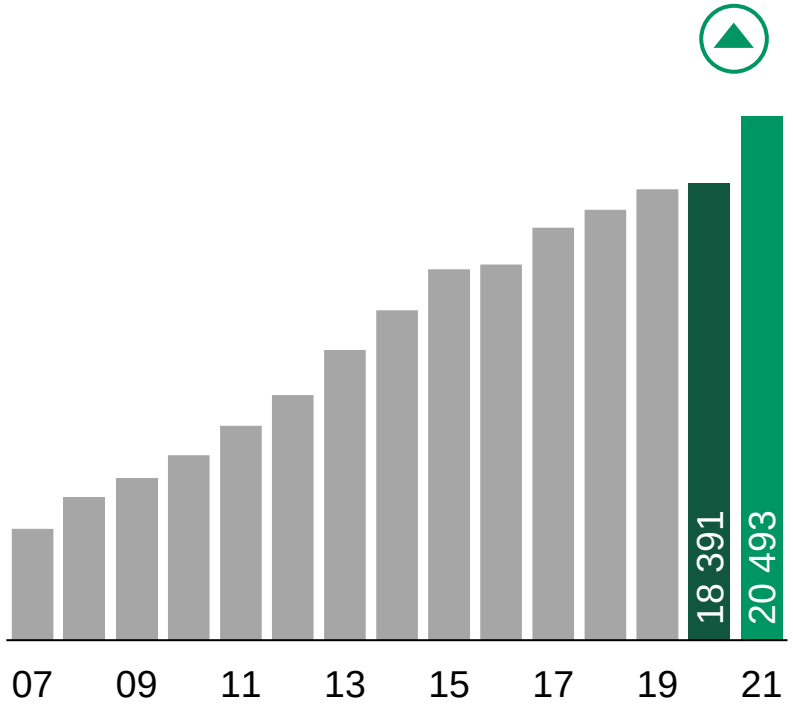


Financial overview

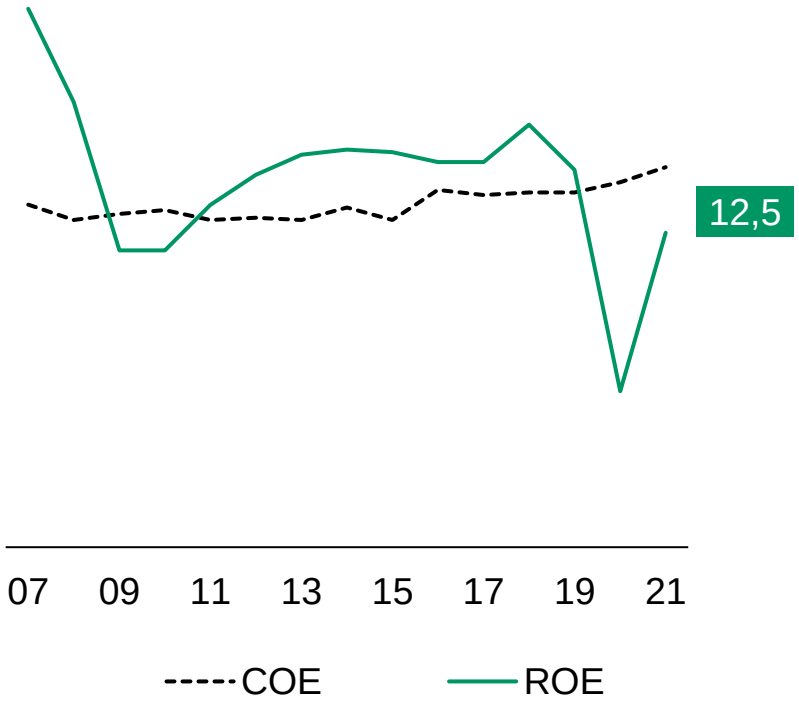
‘Strong HE recovery ahead of expectations & ROE up to 12,5%’

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

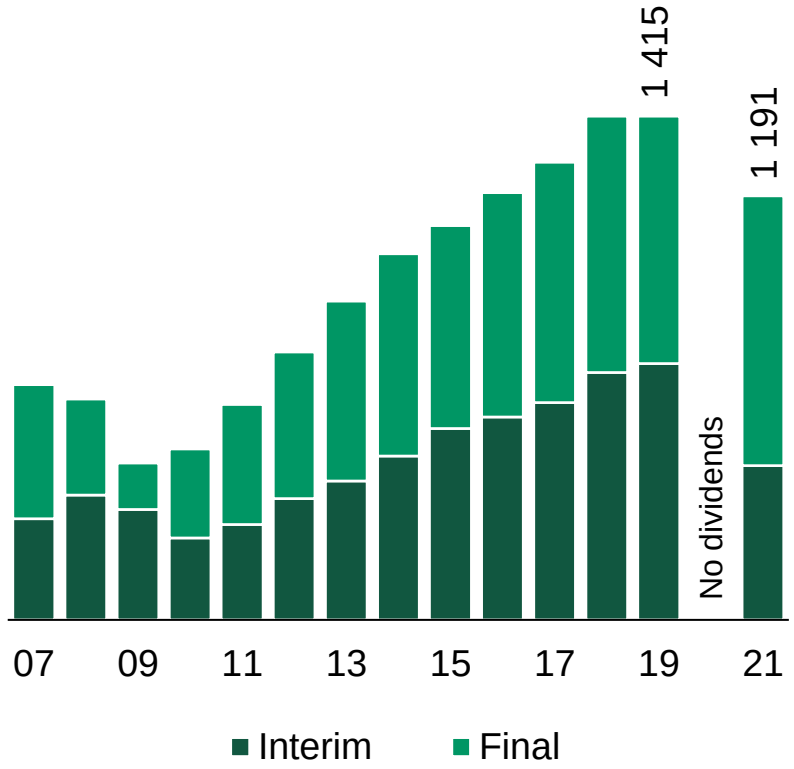
NAV per share (cents)



ROE & cost of equity (%)



Dividend per share (cents)



Strong NAV recovery +11% yoy

ROE improved to double digits

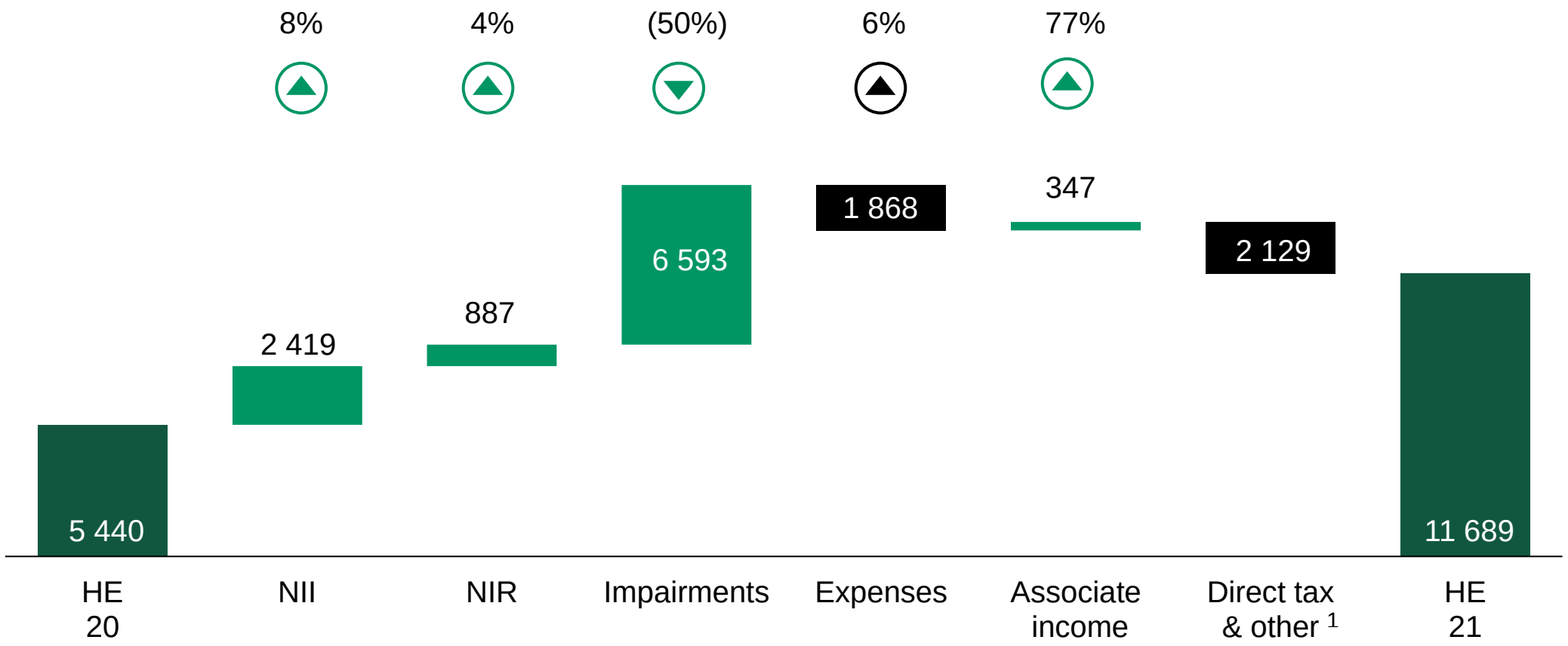
Final dividend at 1,75x cover

Strong capital & liquidity positions, supported by stronger profitability & prudent levels of provisioning

		yoy	2021	2020	2019
Profitability	Headline earnings (Rm)	115%	**11 689**	5 440	12 506
	DHEPS (cents)	112%	**2 362**	1 113	2 565
	Basic EPS (cents)	223%	**2 317**	717	2 500
	ROE (%)		**12,5%**	6,2%	15,0%
Advances & deposits	Gross banking advances (Rbn)	1%	**807**	797	810
	Deposits (Rbn)	2%	**972**	954	904
	NIM (bps)		**373**	336	352
Asset quality	Credit loss ratio (bps)		**83**	161	79
	Total coverage (%)		**3,32%**	3,25%	2,26%
Liquidity	Liquidity coverage ratio (%)		**128%**	126%	125%
	NSFR (%)		**116%**	113%	113%
Capital	CET1 ratio (%)		**12,8%**	10,9%	11,5%
	Risk-weighted assets (Rbn)	(3%)	**657**	674	629

Headline earnings up by 115% – driven by a significant decrease in impairments, strong revenue recovery & well-managed expenses

Headline earnings (Rm)



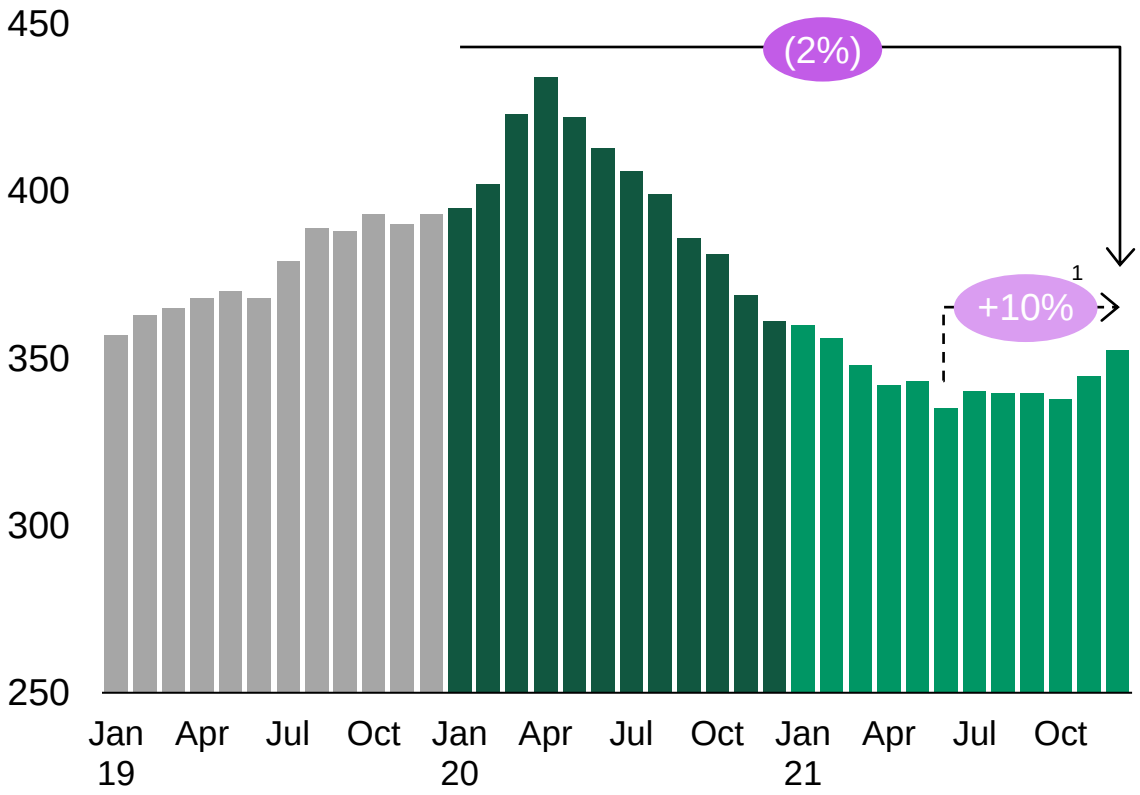
[1] Other includes Indirect tax, net monetary loss, and minority & preference shareholders.

Strong PPOP growth across all our clusters

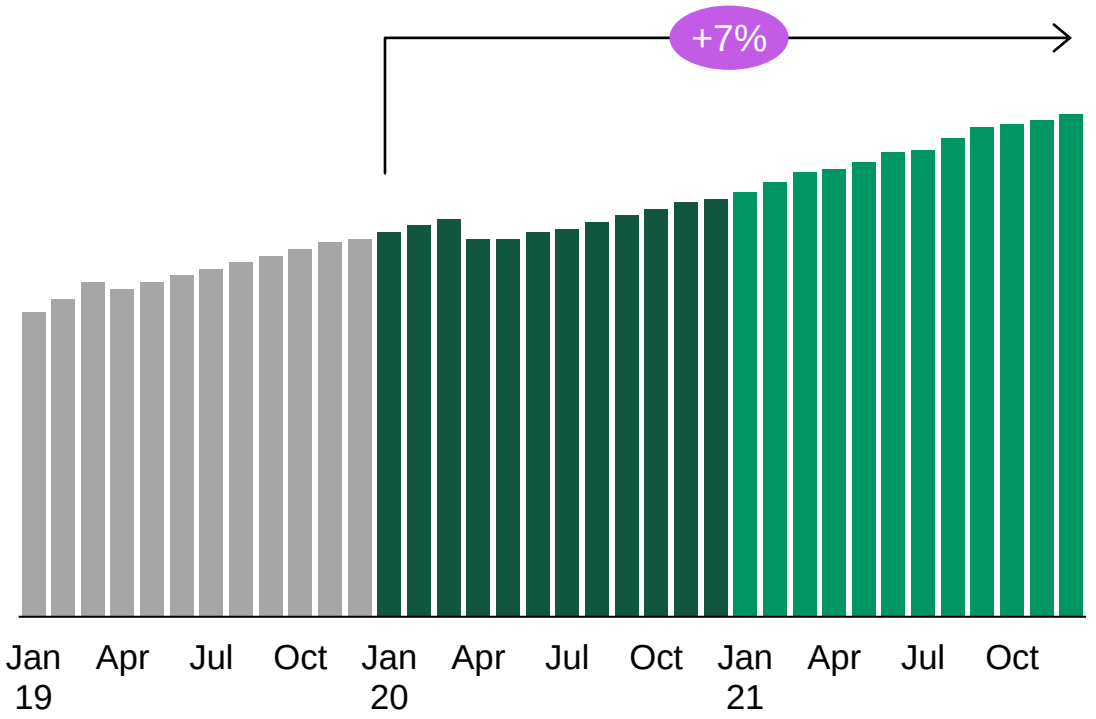
PPOP (Rm)	yoy	2021	2020	2019	yoy	H1 2021	H1 2020	yoy	H2 2021	H2 2020
CIB	8%	**8 734**	8 092	8 920	1%	**4 423**	4 363	16%	**4 311**	3 729
RBB	5%	**11 432**	10 931	12 175	3%	**5 291**	5 136	6%	**6 141**	5 795
Wealth	22%	**1 275**	1 048	1 358	13%	**600**	531	31%	**675**	517
NAR	76%	**736**	419	626	16%	**279**	241	156%	**457**	178
Centre	111%	**150**	71	(502)	(131%)	**(138)**	446	177%	**288**	(375)
Group	9%	**22 327**	20 561	22 577	(2%)	**10 456**	10 717	21%	**11 871**	9 844

Gross banking advances up 1% – momentum in RBB continued, while CIB reversed the downward growth trend in the second half of 2021

CIB gross banking advances (Rbn)



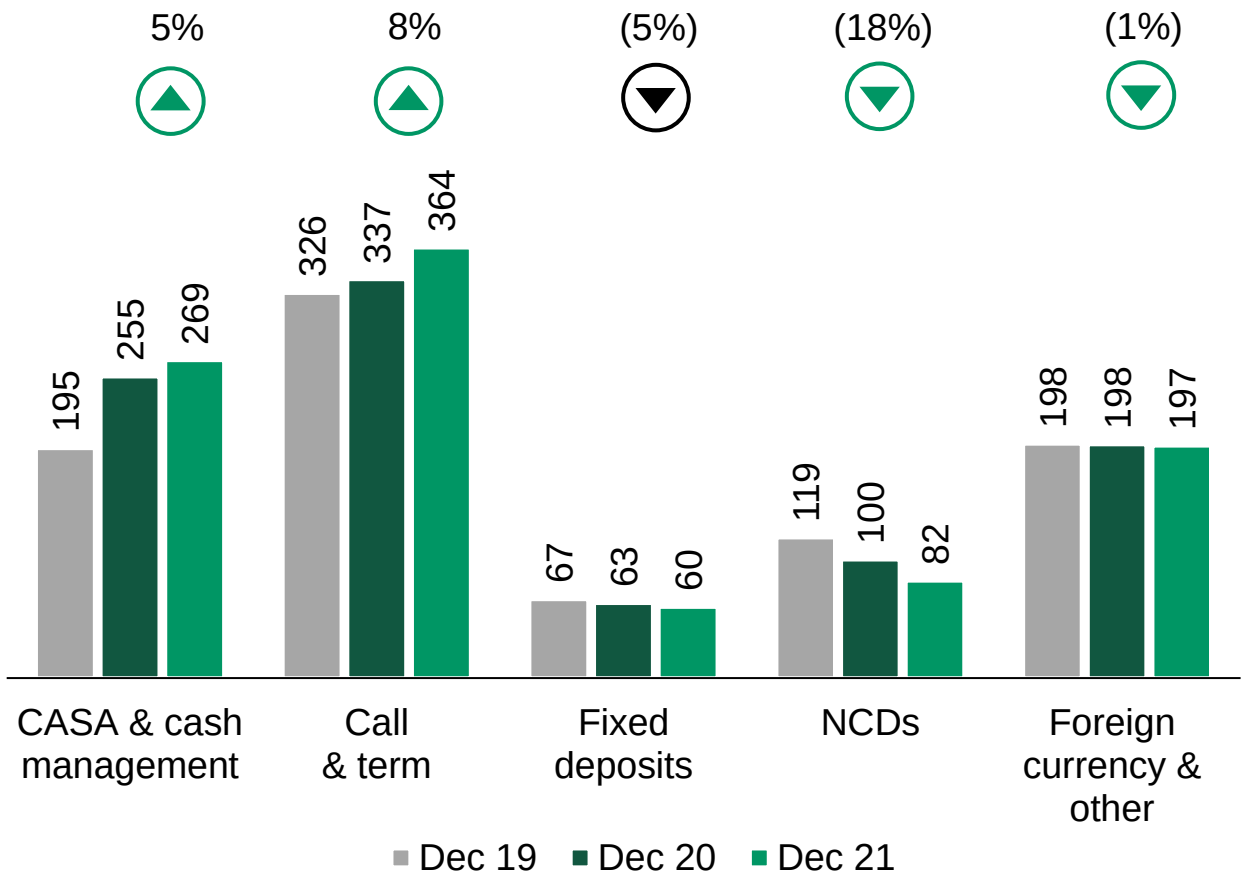
RBB gross banking advances (Rbn)



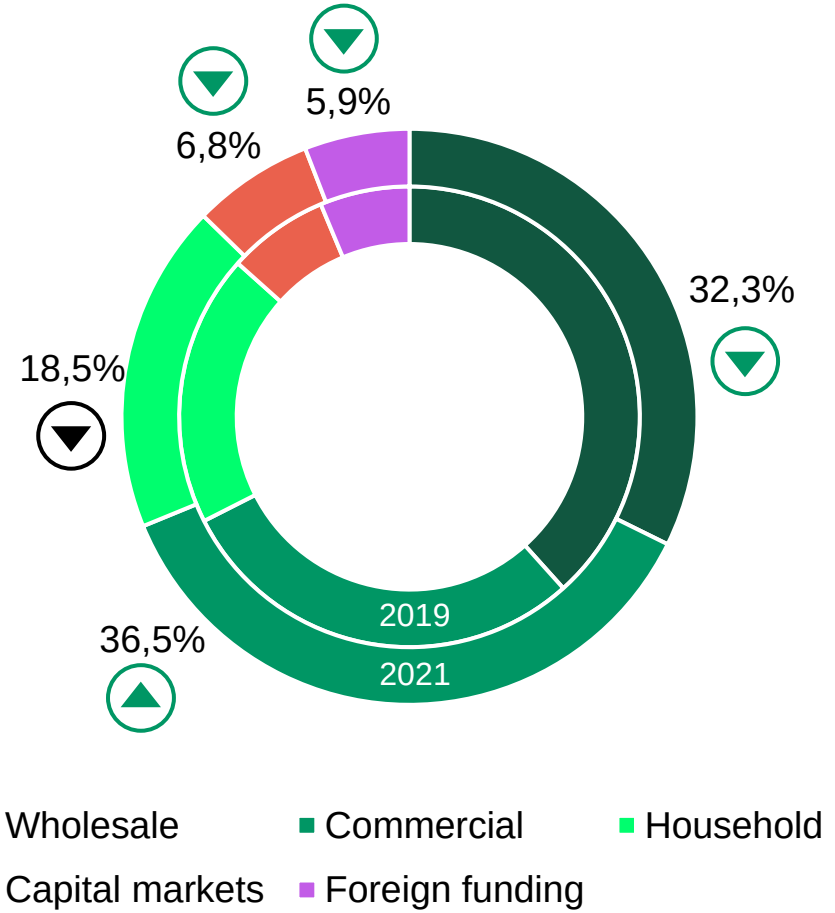
[1] *Annualised.*

Deposits up by 2% – good growth in transactional & core deposits, while reliance on wholesale funding continues to reduce

Deposits (Rbn, % change yoy)

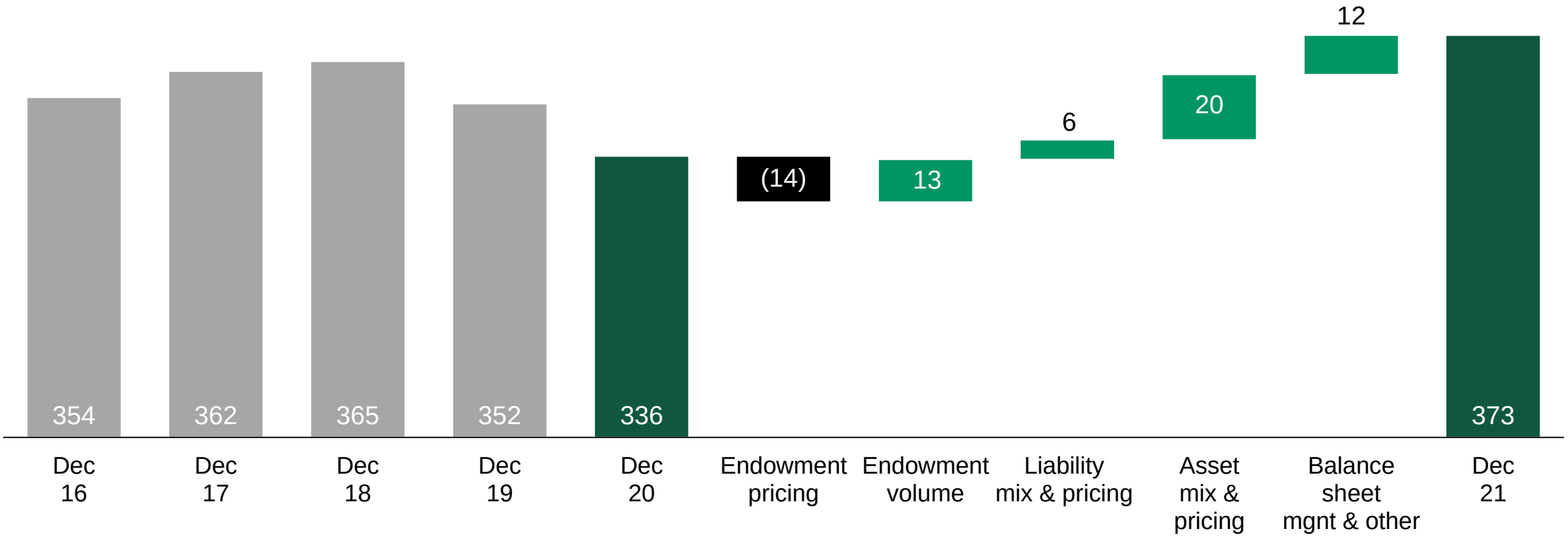


Funding mix (% contribution 2021 vs 2019)



NII up by 8% – NIM expansion driven by higher levels of endowment (capital & CASA), asset & liability mix changes, improved asset pricing, risk management & basis risk impact

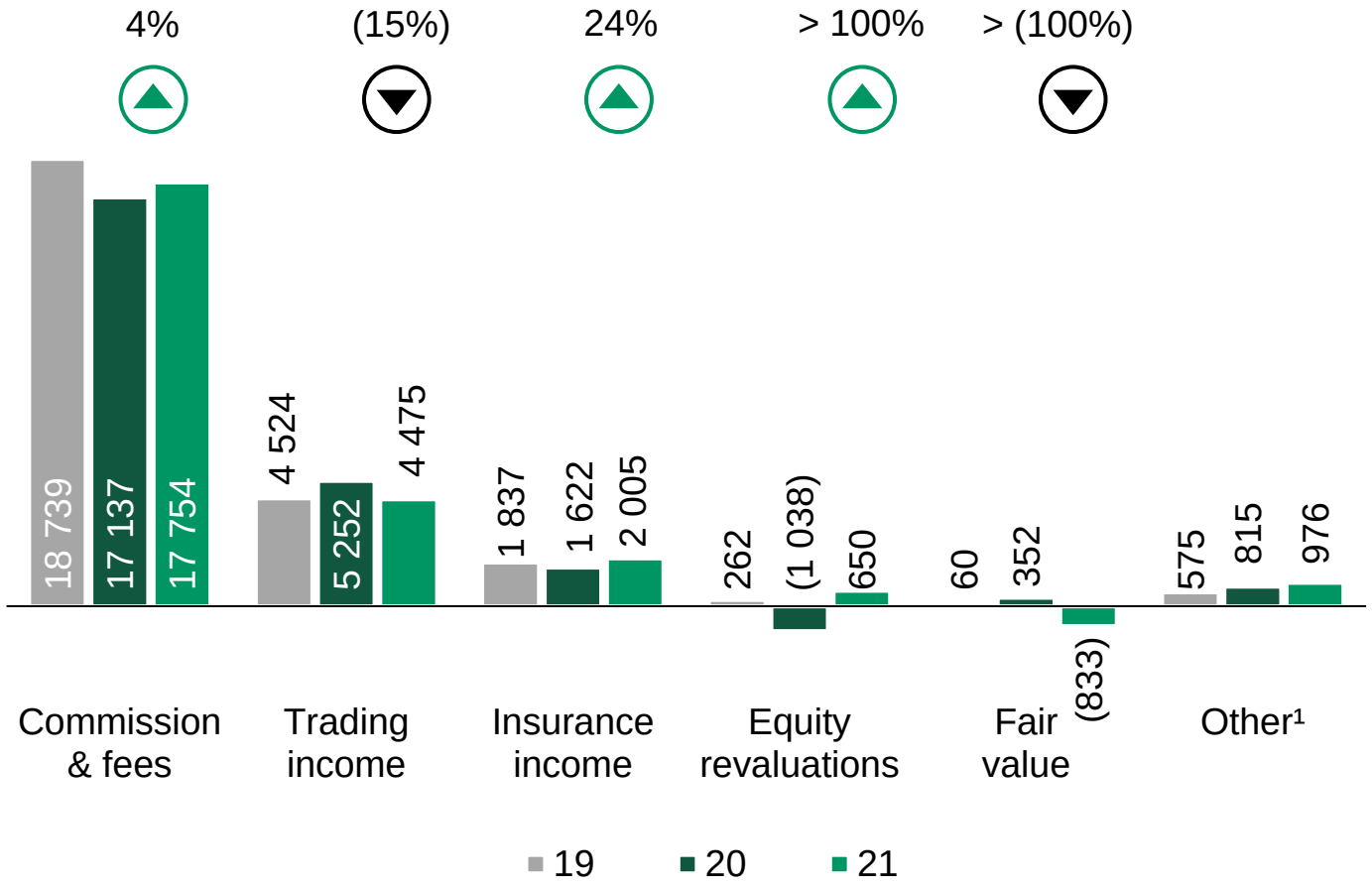
Net interest margin (bps)



Positively positioned for a rising rate cycle – NII sensitivity for 1% change in interest rates: R1,6bn

NIR up by 4% – recovery in commission & fees, insurance income & equity revaluations, partially offset by the impact of a high 2020 trading base & fair-value unwinds

NIR (Rm)

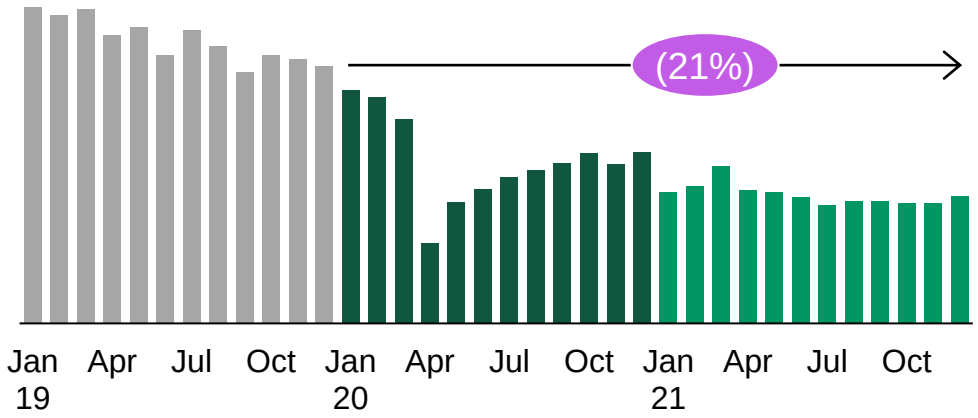


- **Commission & fees** – recovery evident in increasing client transactional activity, main-banked client gains & cross-sell
- **Trading** – solid performance but growth impacted by high 2020 base
- **Insurance** – enhanced ALM strategy & improved investment performance, partially offset by an increase in death & funeral claims
- **Equity revaluations** – non-recurrence of negative revaluations in 2020
- **Fair value** – unwind of the 2020 gains as a result of the group's macro fair-value hedge accounting solution (no further volatility in H2 2021 & not expected to recur)

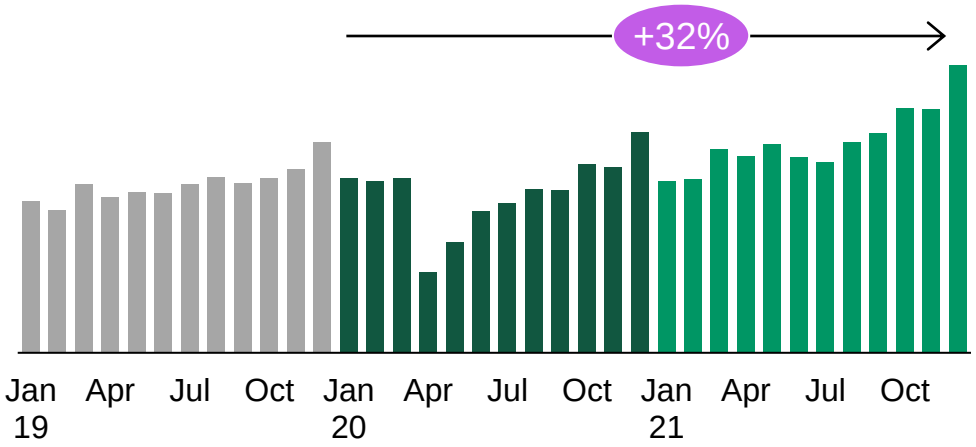
[1] Represents sundry income & investment income.

NIR – our technology strategy, along with shifts in RBB client transactional behaviours are driving NIR growth & cost optimisation opportunities

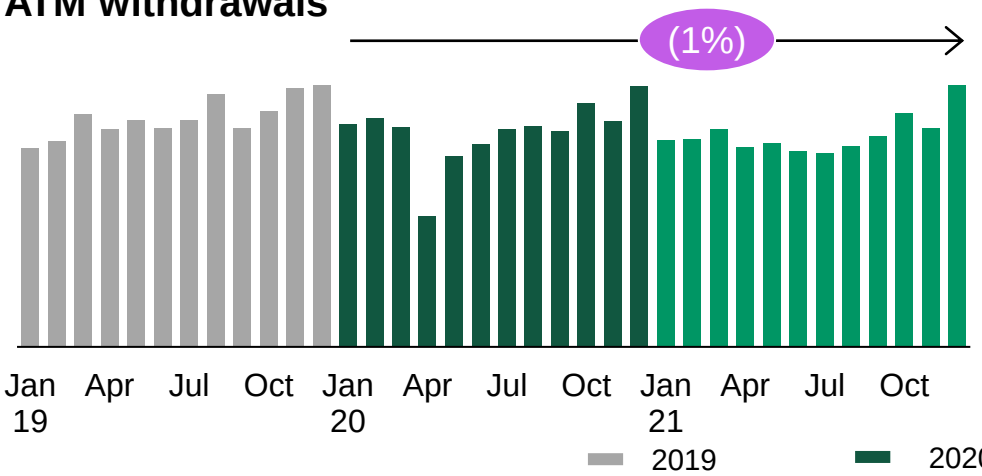
Branch teller transactions[1]



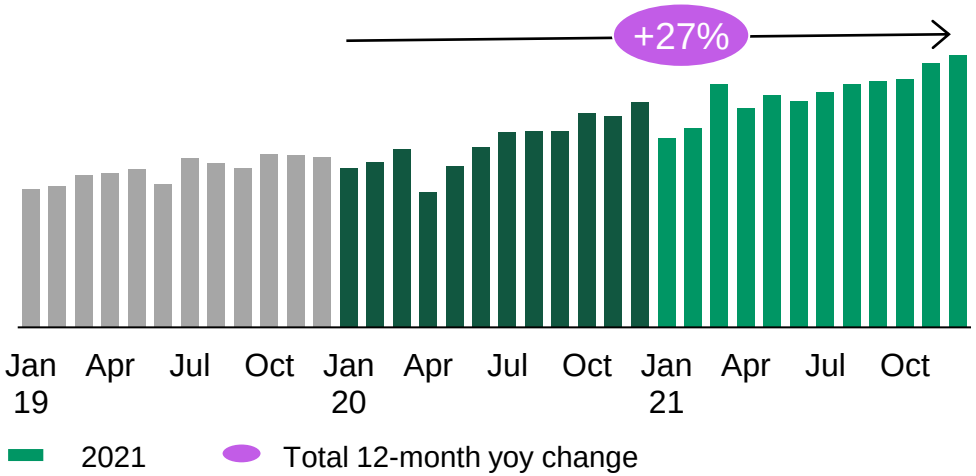
POS volumes



ATM withdrawals



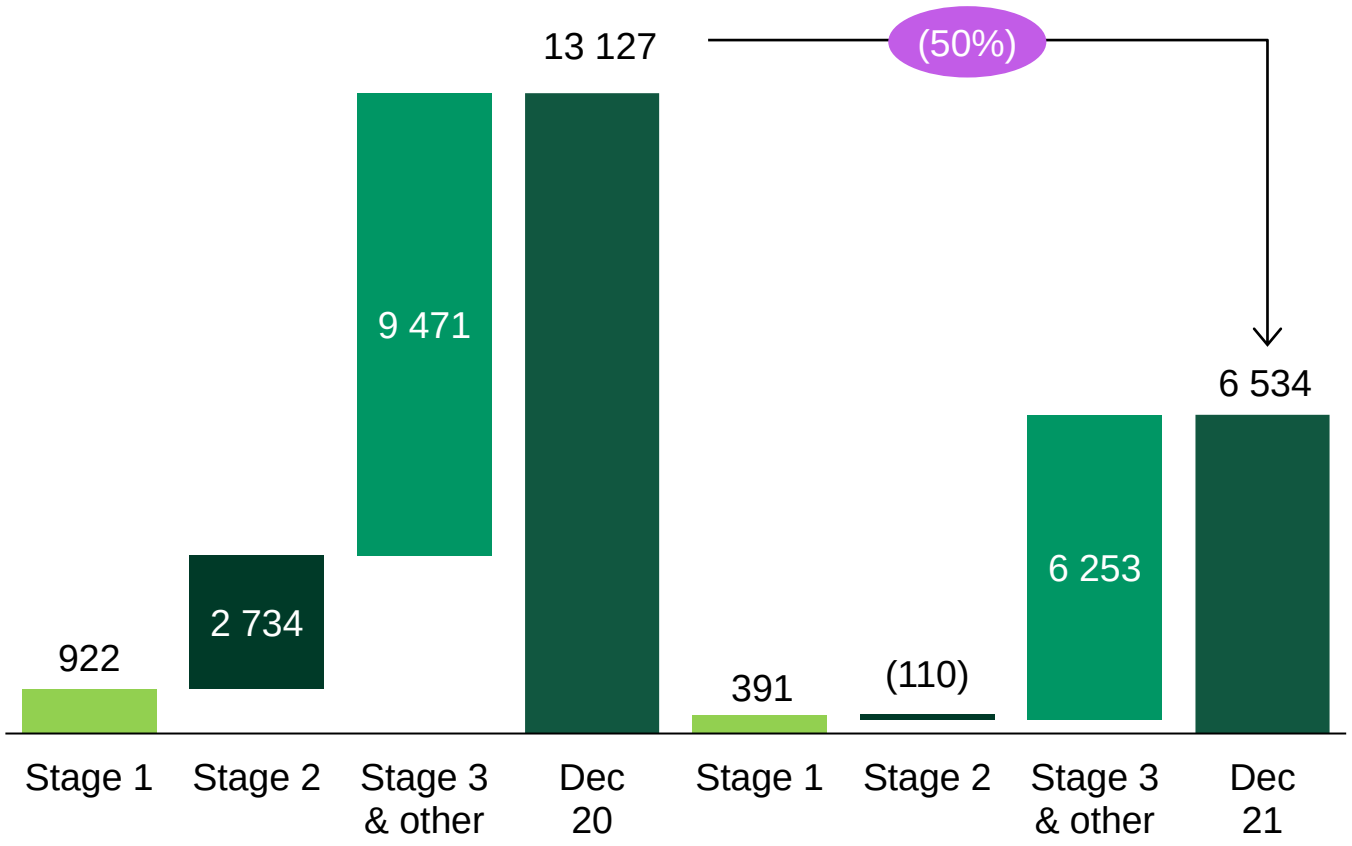
Digital payment & transfers[2]



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

Impairment charge down by 50%

Impairment charge (Rm)



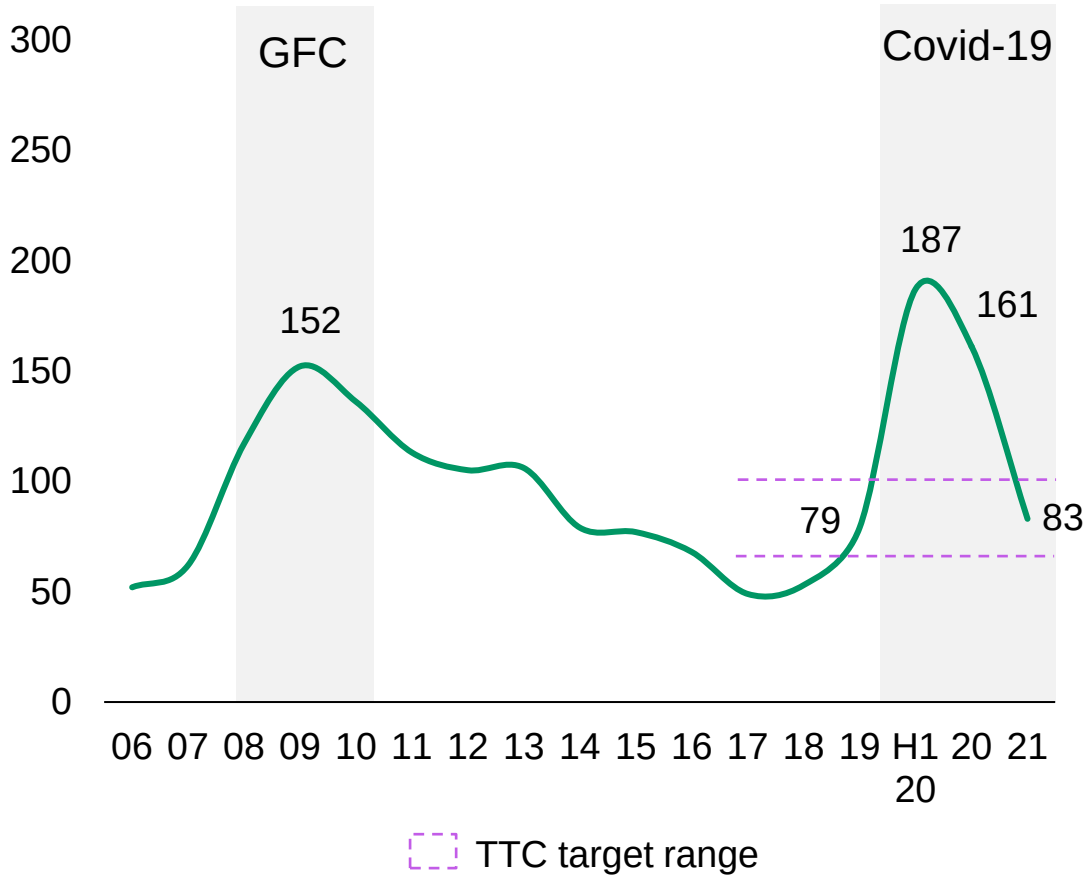
Key drivers

- **Gross loans & advances up by 1%**
- **Significantly better collections experience** – benefits from interest rate cuts in 2020 & improved risk profile
- **Macroeconomic benefits coming through in models** – mainly as GDP growth improved
- **D3 loans[1] reduced to R3bn** (Jun 20: R119bn)
- **D7 loans[2] reduced to R10bn** (Dec 20: R13bn) – restructured loans cured
- **Judgemental & macroeconomic overlays –** R1,7bn emerged in our new IFRS models, R675m released through the IS & R1,5bn remain in place

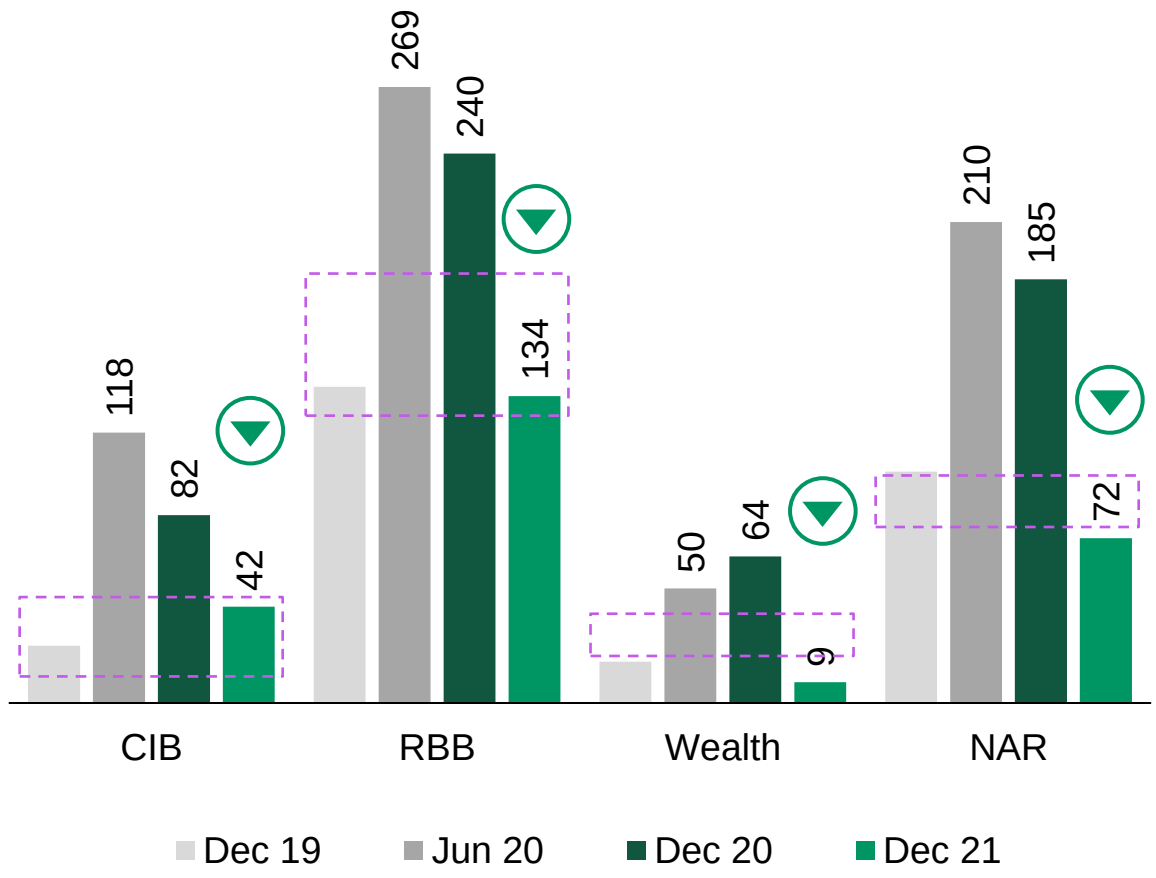
[1] D3 loans: Covid-related relief loans provided under PA D3/2020. | [2] D7 loans: Distressed restructured loans provided under PA D7/2015.

Credit loss ratio reduced to 83 bps – within our TTC range of 60 to 100 bps

Group CLR (bps)

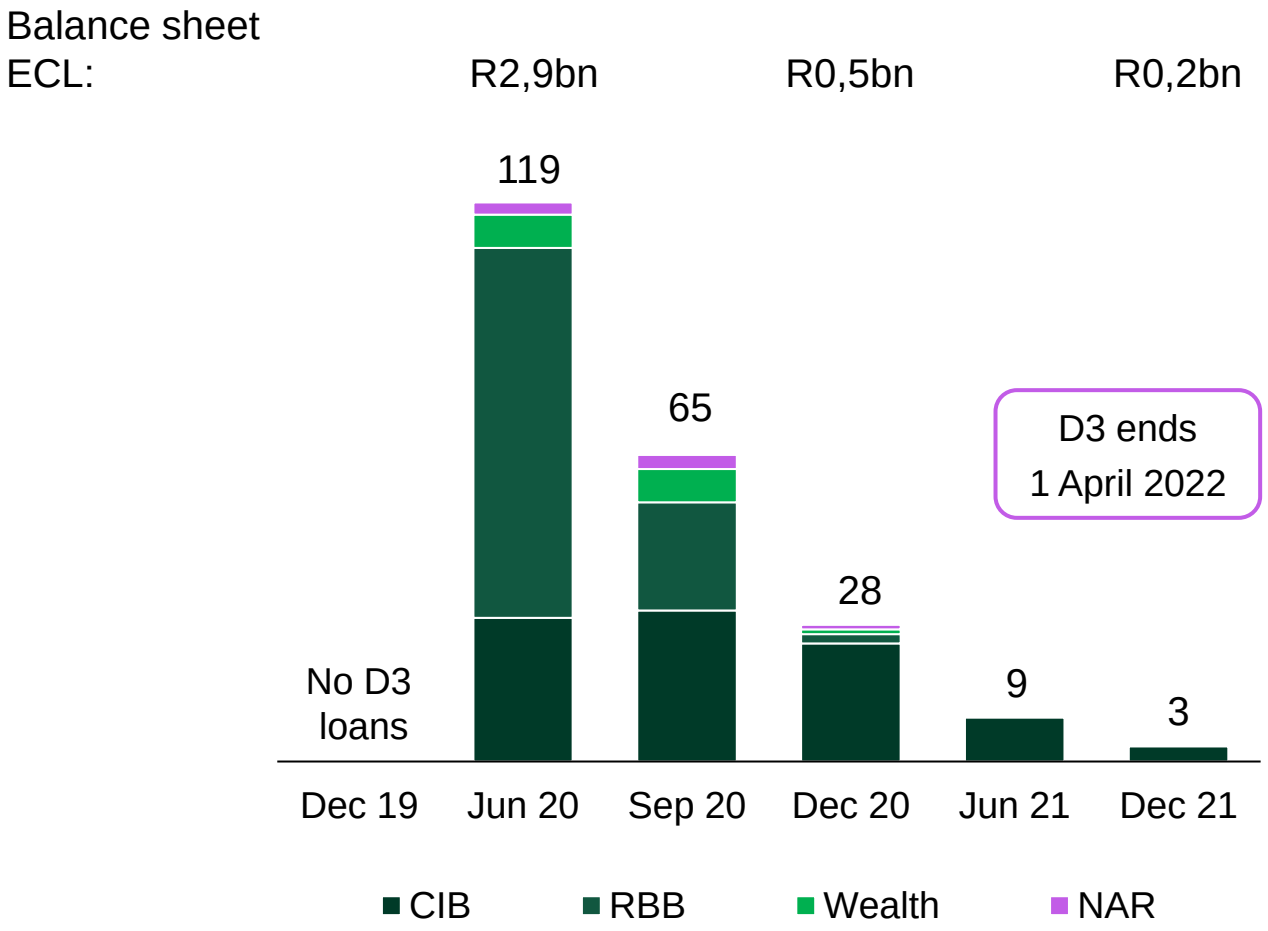


Cluster CLR (bps)

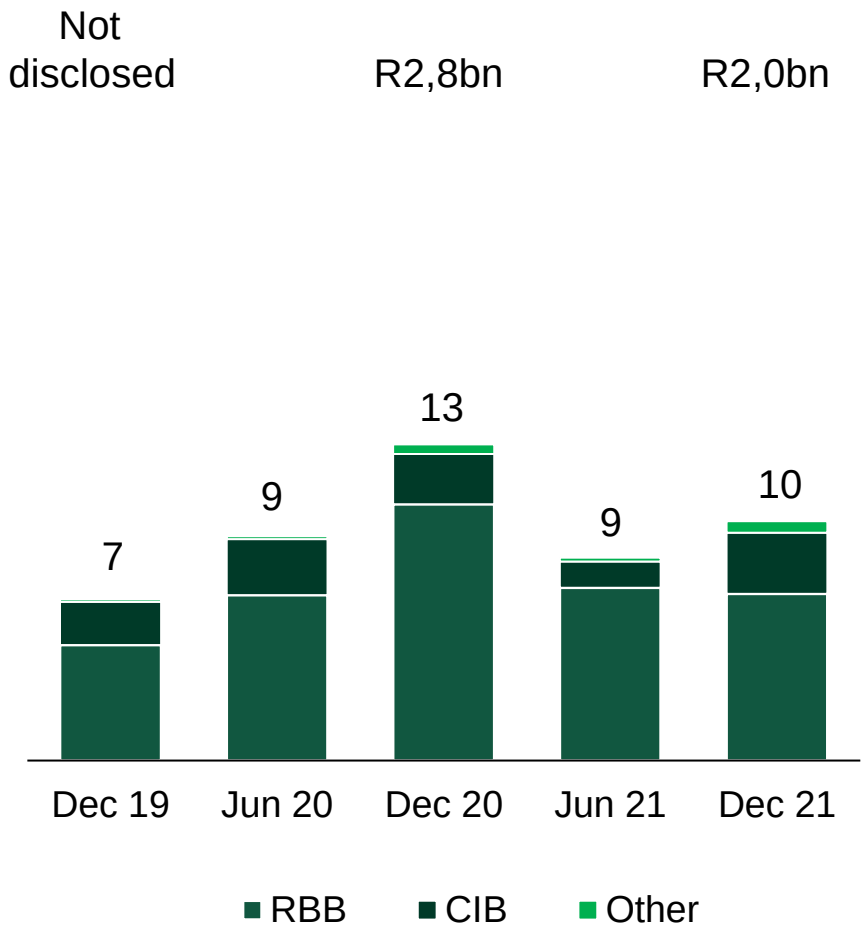


Credit risk – D3 (payment relief) loans & D7 (restructured) loans reduced significantly from Dec 2020

D3/2020 relief provided (Rbn)



D7/2015 restructured loans (Rbn)

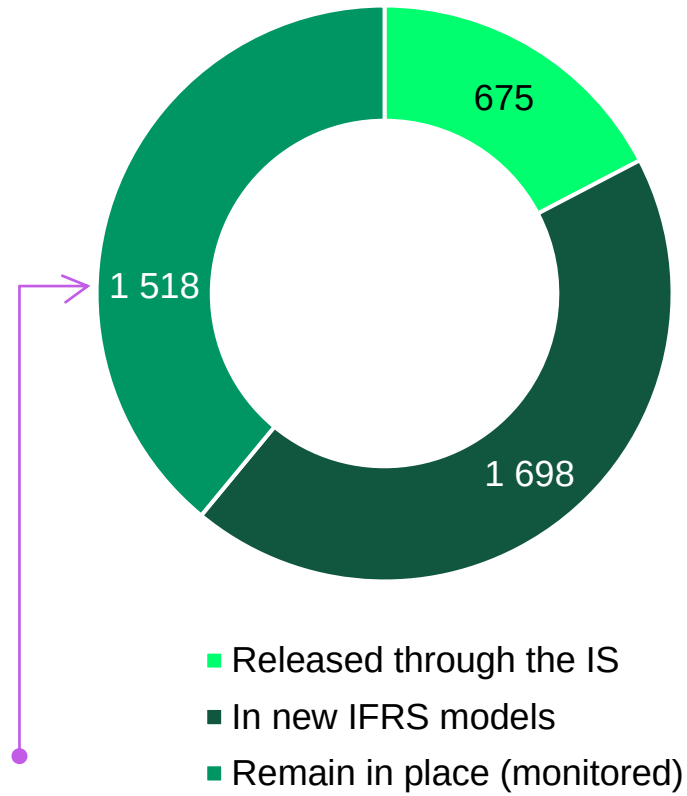


Covid-19 & macro-related adjustments/overlays – risks either emerged via our new IFRS models, did not emerge or still remain in place

Covid-19 & macro-related adjustments/overlays	Dec 2020	Dec 2021
Other		
▪ **Central provision** (emerging risk not yet in models/data/macroeconomic forecasts)	R750m	R500m
▪ **NAR & Nedbank Wealth** overlays	R168m	R75m
CIB		
▪ **IB & TS overlays** – D3/D7 migration risk	R386m	R76m
▪ **CPF overlays**	R440m	R370m
RBB		
▪ **Interest rate benefit neutralisation overlay** (MFC, the rest of Retail adjusted in the models from H2 20)	R370m	R0m
▪ **Covid-19-related adjustments**		
– **Overlays on Retail loans** to cater for short-term residual risk (reduction driven by RBB D3 loans declining to zero)	R334m	R0m
– **BB overlays**	R416m	R257m
– Longer-term impact using stressed **forward-looking information** (FLI)	R1 027m	R240m
	R3 891m	**R1 518m**

In addition to the R1,5bn Covid-19 overlays, new overlays were raised in RBB & CIB

Changes 2020 to 2021
(Rm)

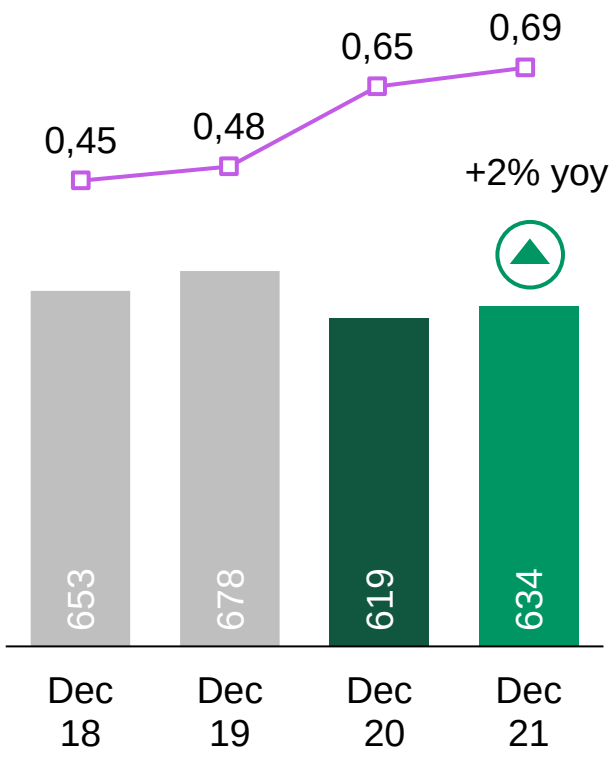


Credit risk – strong coverage ratios across stage 1, 2 & 3 loans

Coverage ratio (%)

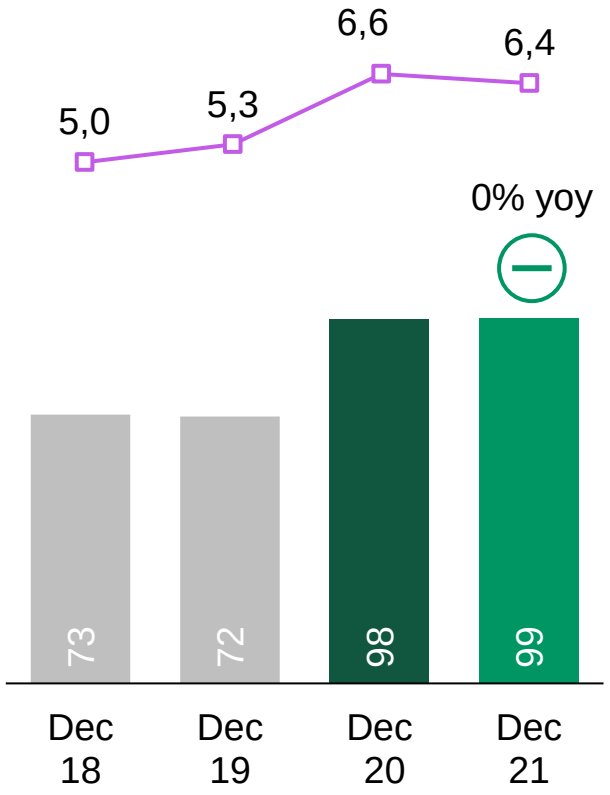
Loans & advances (Rbn)

Stage 1 loans



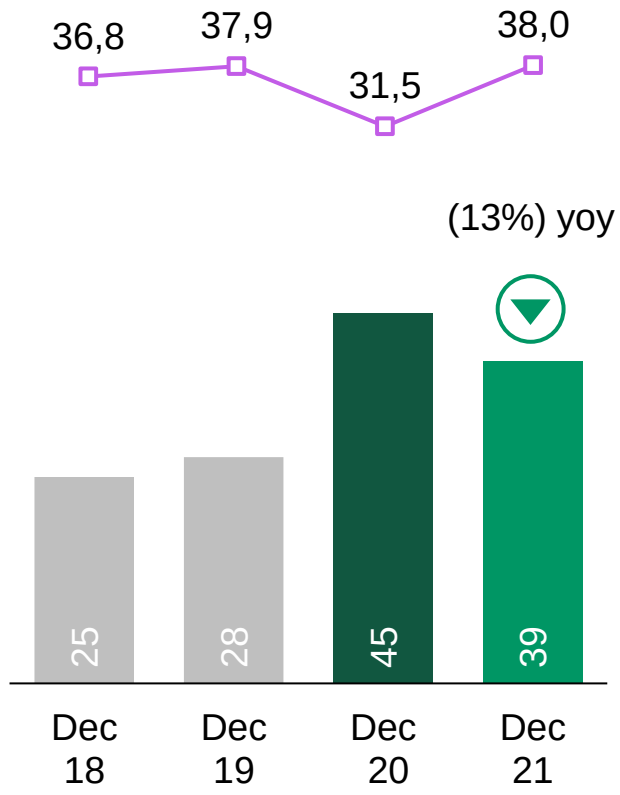
Stage 1 coverage – marginal increase driven by mix changes (RBB vs CIB growth)

Stage 2 loans



Stage 2 coverage – decrease driven by the reduction of the central provision & other overlays

Stage 3 loans



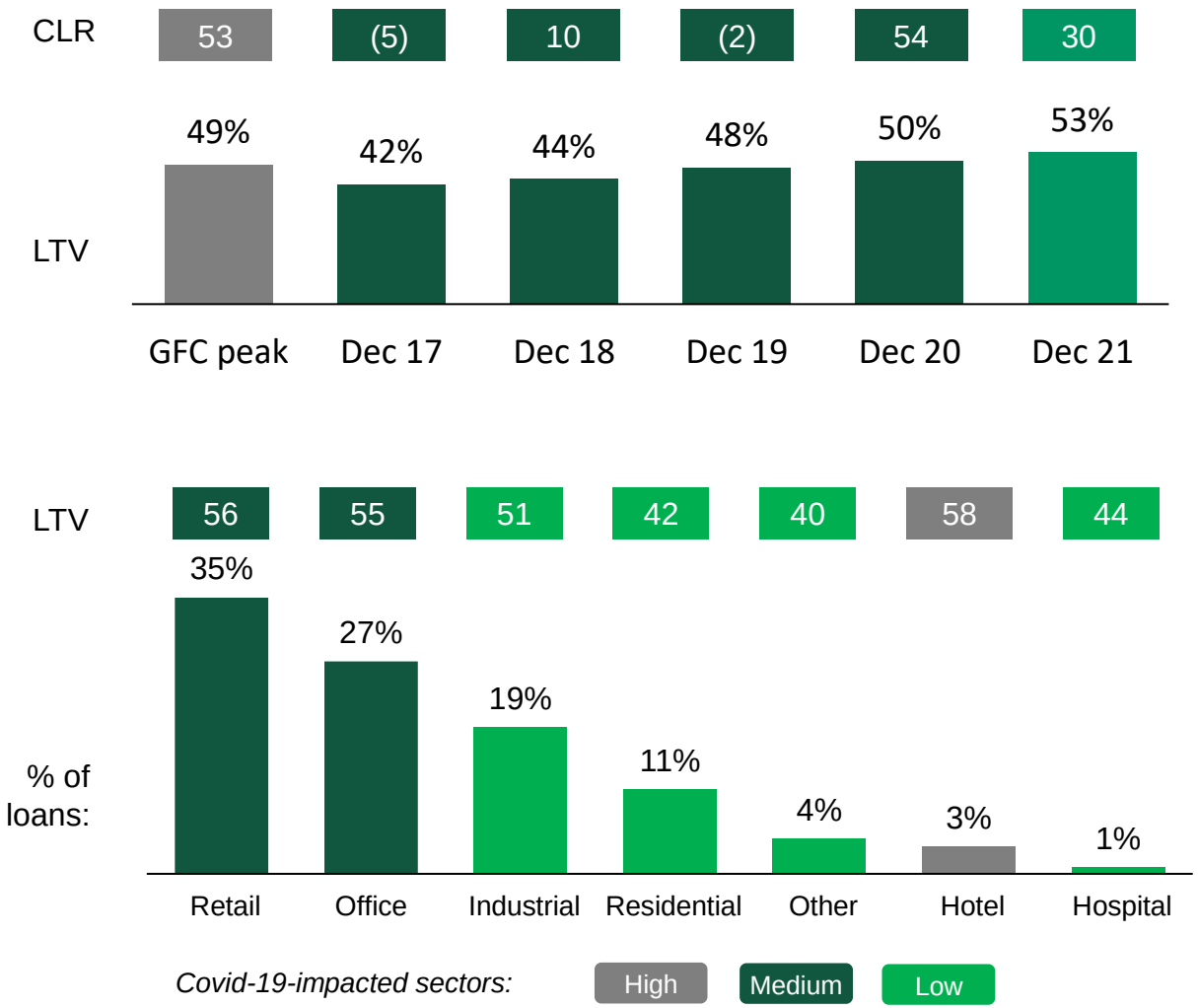
Stage 3 coverage – increase driven by D7 loans curing & higher CIB stage 3 coverage ratio

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

What gives us comfort?

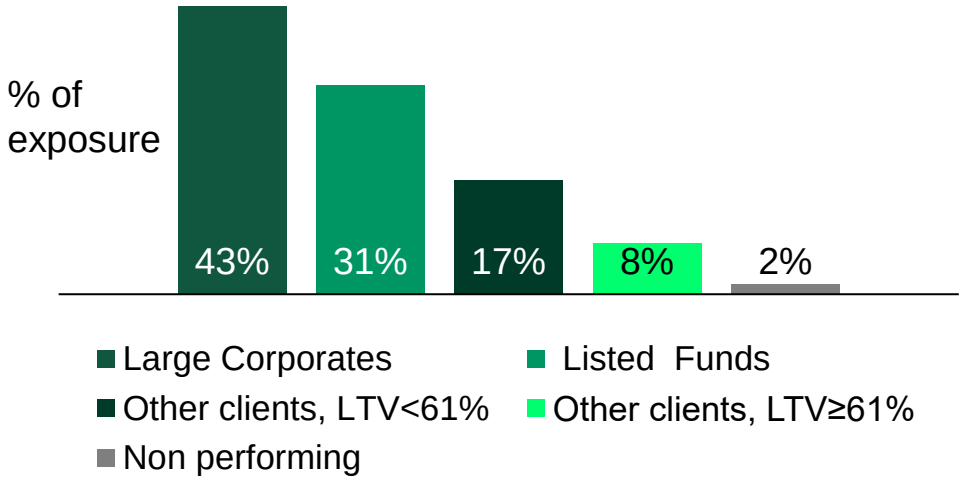
- **High-quality, well-diversified & collateralised portfolio**
- **Portfolio LTVs remain low**
  - Average LTV increased to 53% – due to downward revaluations of collateral
  - LTVs remain low, with adequate collateralisation – significantly reduces the risk of potential losses
- **Covid-19-related and other overlays increased to R670m** (Dec 20: R440m) to buffer against further deterioration in valuations & credit migration
- **Low levels of arrears**
  – 0 to 90 days: R5m (Dec 20: R22m)
- **Minimal impact** on debt servicing due to July unrest – all properties impacted were insured

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

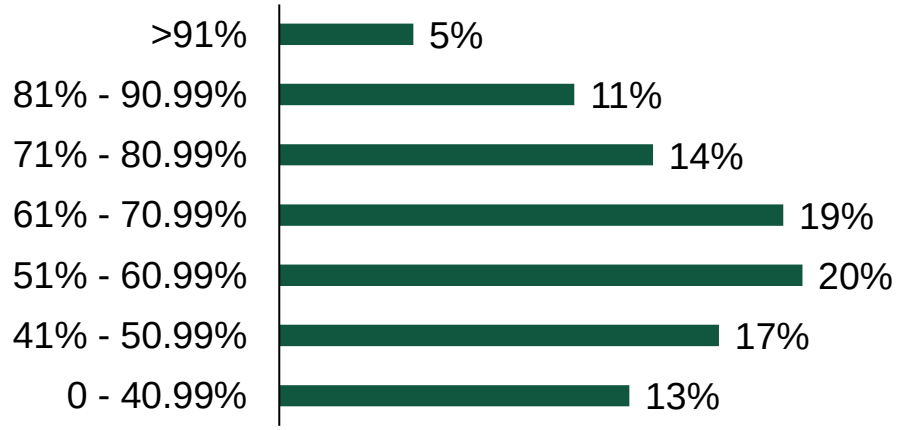


Nedbank commercial property finance – office portfolio

Office exposure by client type (%)



Loan-to-value (%)



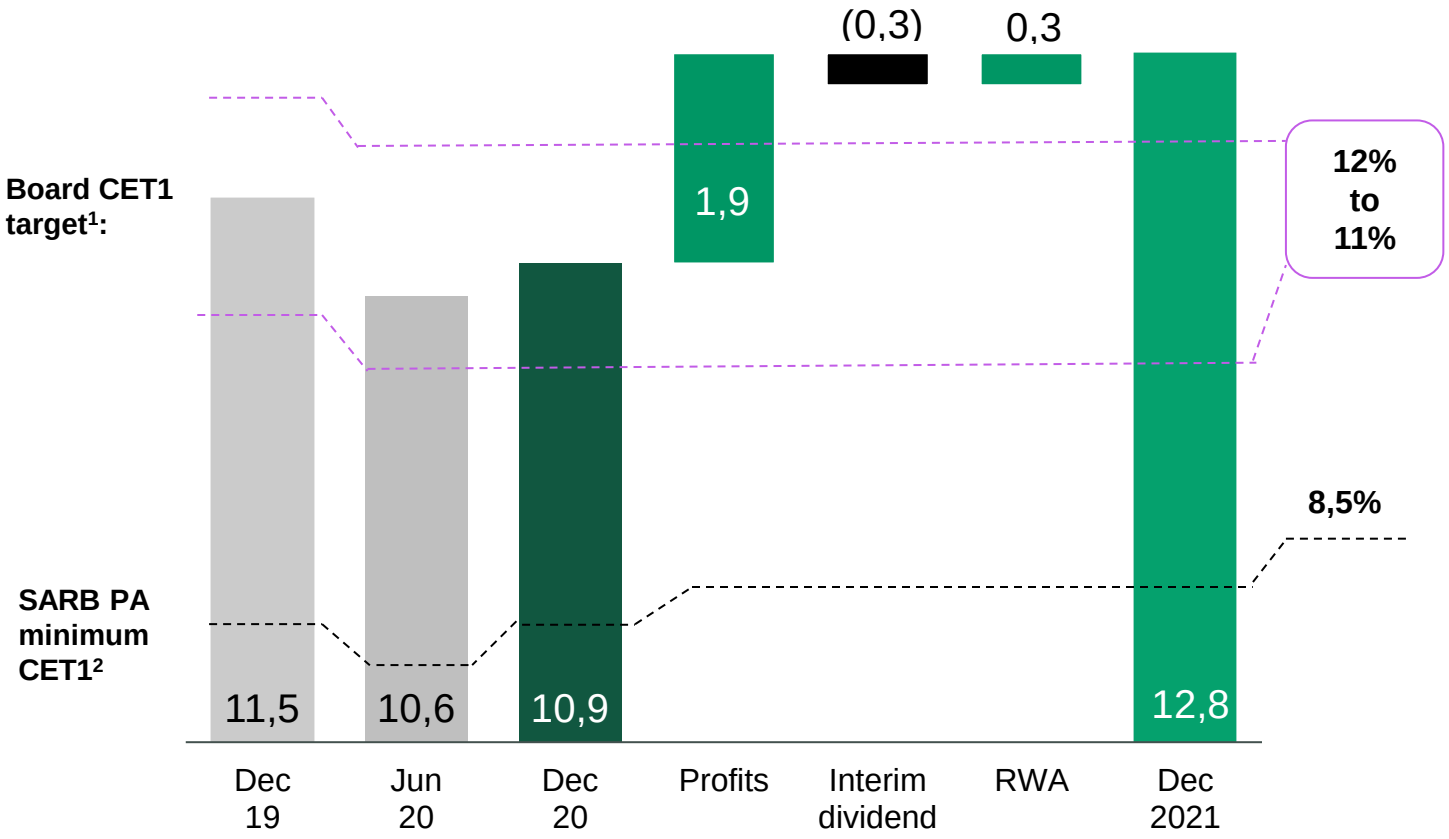
Vacancies (%)	**Nedbank**	**Market***
Commercial vacancies	8%	16%

- **Listed funds and large corporates comprise 74% of exposure** – generally low gearing & well-diversified portfolios, able to absorb increased vacancies & reduced rentals
- **Other clients LTV < 61%** – low gearing – able to absorb increased vacancies & reduced rentals while still meeting debt obligations
- **Other clients (LTV ≥ 61%) –** risk not significant
  - Exposure at elevated gearing levels (>81% LTV) is less than R200m
  - Lease expiry profile greater than 36 months across all exposures
  - Vacancy level: 6,2%
- **93% of exposure in higher LTV buckets (> 81%) is to listed funds & large corporates**
- While the office market will remain under pressure, the **quality of the collateral pool & composition of our portfolio reduces our risk**

** Based on SAPOA Q4 2021.*

Capital – CET1 ratio above pre-Covid levels & above the top-end of our revised board-approved target range of 11% to 12%

CET1 ratio (%)



Active capital management

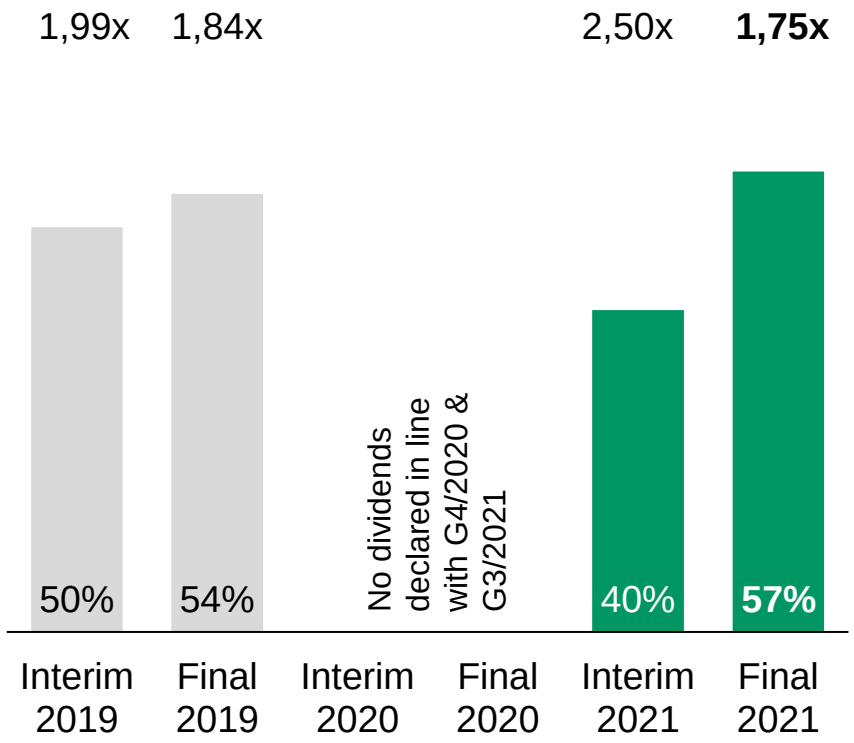
- Maintain conservatism in a difficult, uncertain & volatile environment
- Retain adequate capital to grow the business
- Pay dividends in line with board policy of 1,75x – 2,25x cover
- Other management actions

~R6bn surplus capital above the top end of target range (12%) & **~R28bn** surplus capital above regulatory minimum (8,5%)

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

Dividends – strong capital position supported a final dividend at 1,75 times cover & dividend yield that is attractive for investors

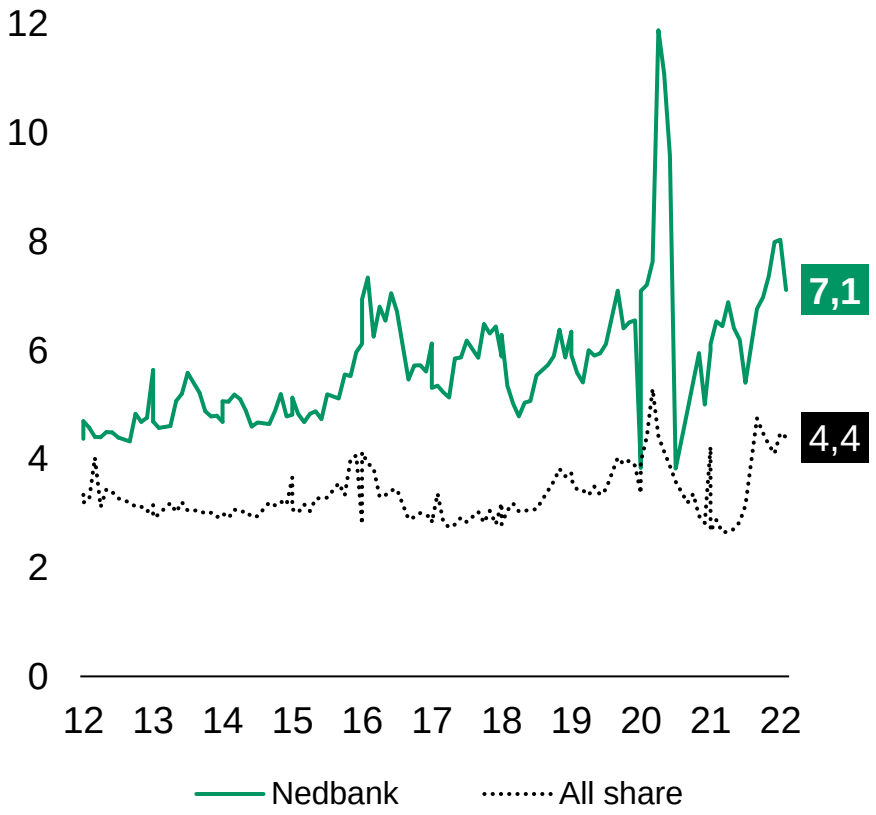
Dividend payout ratio
(payout ratio %, times cover x)



Board-approved dividend policy:

Dividend coverage range 1,75x to 2,25x

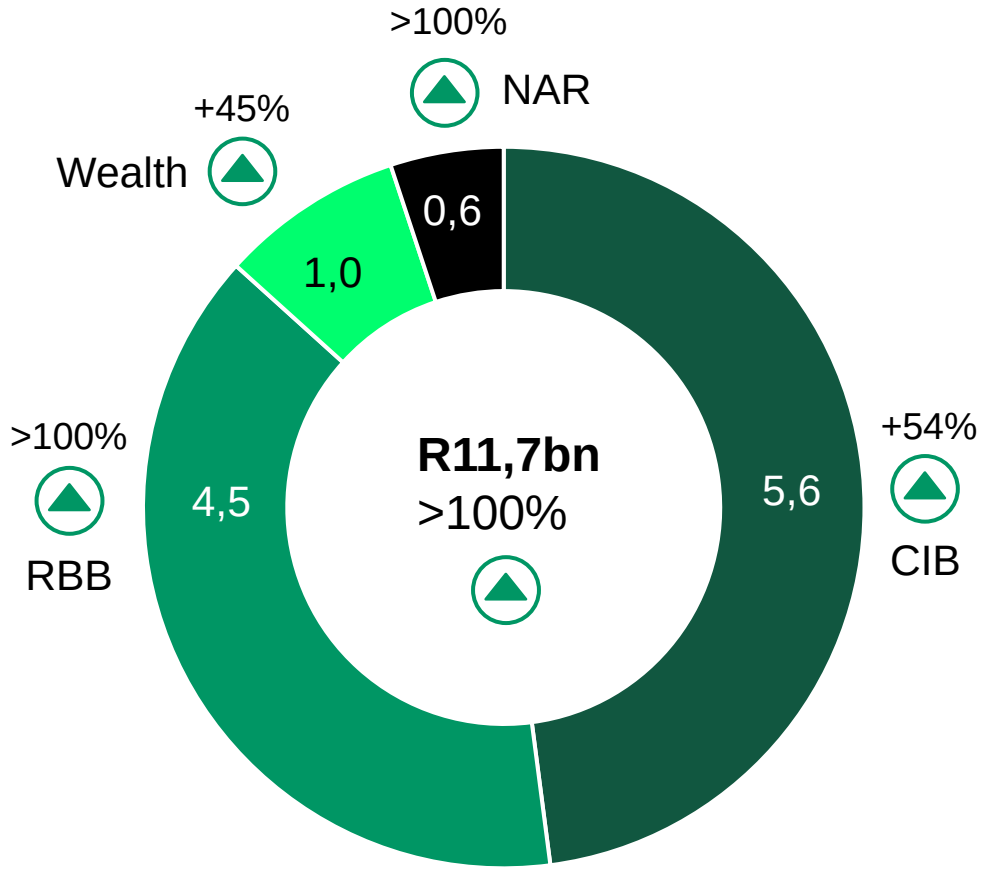
Forward dividend yield[1]
(%)



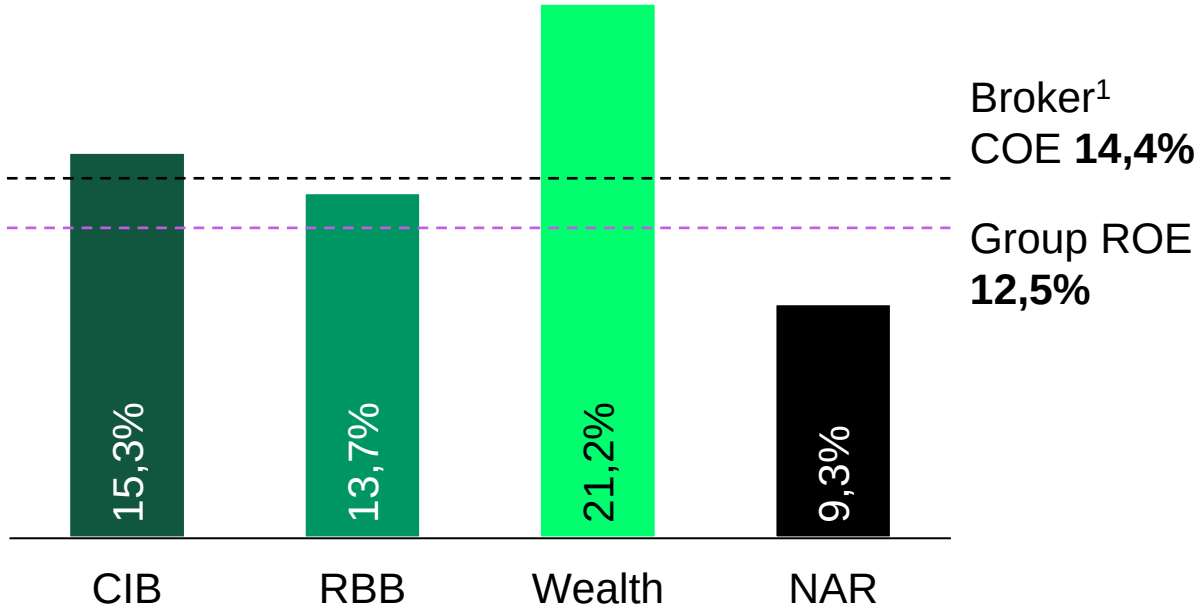
[1] *Refinitiv (at 9 February 2022 based on consensus broker forecasts).*

Cluster financial overview

Headline earnings
(Rbn, growth %)



Return on equity
(%)



[1] *Average of 8 sell-side brokers.*



Outlook

‘On track to meet our 2023 targets, with DHEPS target now expected to be delivered a year earlier’

Nedbank economic forecasts – 2022 & beyond

	Forecast: February 2021						Forecast: February 2022					
	19	20	21	22	23	24	21	22	23	24	21	Medium term
SA GDP growth	0,1%	(6,4%)	3,4%	2,2%	1,8%	1,5%	4,8%	1,7%	1,8%	1,0%	▲	▼
YE prime interest rate	10,0%	7,0%	7,0%	7,5%	7,5%	7,5%	7,25%	8,5%	9,0%	9,5%	▲	▲
Inflation (CPI)	4,1%	3,3%	4,2%	4,6%	4,3%	4,2%	4,6%	4,9%	4,2%	4,3%	▲	▶
Industry credit growth	5,3%	1,2%	4,5%	5,7%	5,1%	5,2%	2,4%	4,5%	4,3%	4,7%	▼	▼
Rand/US$ (year-end)	14,0	14,6	15,3	15,9	16,9	18,1	15,9	15,9	15,6	16,3	▲	▶
SA fiscal deficit % of GDP[1]	(3,6%)	(5,1%)	(14,2%)	(10,6%)	(9,8%)	(9,7%)	(10,0%)	(6,5%)	(5,7%)	(4,5%)	▼	▼
SA govt debt % of GDP[1]	52%	56%	82%	85%	90%	94%	67%	67%	70%	71%	▼	▼

Source: Nedbank Group Economic Unit.

[1] Year ending March.

2022 full-year financial guidance based on current economic forecasts

	2021 performance	2022 guidance[1]	Key drivers
NII growth	+8%	Upper single digits	▪ 125 bps interest rate increases in 2022 ▪ RBB advances growth > CIB advances growth ▪ Continued NIM expansion
CLR	83 bps	Within top half of our 60 to 100 bps TCC range	▪ Negative impact from mix change & rising interest rates, offset by a quality portfolio
NIR growth	+4%	Upper single digits	▪ Ongoing benefits from SPT 2.0 (main-bank client gains, cross-sell, new revenue streams etc) ▪ MVFHA volatility removed
Expense growth	+6%	Above mid-single digits	▪ Some costs return as lockdowns ease (eg travel, sponsorships) & new regulatory costs (eg deposit insurance, Twin Peaks) ▪ TOM 2.0 benefits
DHEPS growth	+112%	> GDP + CPI + 5%	
Capital (CET1 ratio)	12,8%	Above TTC range of 11,0% to 12,0%	▪ Remain above the top end of board target range
Dividend	2,02x cover	Within target range of 1,75x to 2,25x	

[1]This guidance is not a profit forecast & has not been reviewed or reported on by the group's joint auditors.

Meeting our medium-term targets supports shareholder value creation

Targets to 2023

DHEPS	ROE	Cost-to-income ratio	Net Promoter Score
> 2 565 cents (2019 levels)	**> 15%** (2019 levels)	**< 54%**	**#1 bank** (from #2 in 2021)
Supported by the **CLR** remaining in the TTC range of 60 to 100 bps, meeting our **cost-to-income** target & delivering on **SPT 2.0** & **TOM 2.0** (targeting cumulative R2,5bn benefits over 3 years)	**CET1 ratio** to remain above the revised board-approved TTC target range of 11% to 12% & well above regulatory levels. **Dividend within cover range** (1,75x – 2,25x)	Focus on **areas that create value** (SPT 2.0), ongoing investment in the franchise, **efficient execution,** cost optimisation (TOM 2.0) & **digital leadership**	**Market-leading client solutions**, **disruptive market activities** & **creating positive impacts** (caring for employees, clients, society & the environment)
Currently expected to be achieved a year earlier in 2022	Remains a stretch target	Remains a stretch target	Remains a stretch target

Long-term targets

DHEPS growth	ROE	Cost-to-income ratio	Net Promoter Score
> GDP + CPI +5%	**> 18%** (COE + 3% to 4%)	**< 50%**	**#1 bank**

Disclaimer

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

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

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

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

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

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