



Nedbank Group Limited **annual results**

for the year ended 31 December 2021

Be the difference that impacts our world

NEDBANK GROUP

Headline earnings	DHEPS	HEPS	Basic EPS	Dividend per share (final)	ROE	Revenue growth	CLR	CET1 ratio	NAV per share
R11 689m	**2 362 cents**	**2 410 cents**	**2 317 cents**	**758 cents**	**▲ 12,5%**	**R57 527m**	**▼ 83 bps**	**▲ 12,8%**	**20 493 cents**
▲ 115%	**▲ 112%**	**▲ 114%**	**▲ 223%**	(2020: No final dividend)	(2020: 6,2%)	**▲ 6%**	(2020: 161 bps)	(2020: 10,9%)	**▲ 11%**
(2020: R5 440m)	(2020: 1 113 cents)	(2020: 1 126 cents)	(2020: 717 cents)			(2020: R54 221m)			(2020: 18 391 cents)

Strong performance enabled by a more supportive environment, ongoing strategic delivery and a good operational performance

The operating environment in 2021 was more supportive for Nedbank and our clients. The South African economy performed better than we expected at the start of the year, resulting in upward revisions of GDP growth to 4,9%. Off the low base in 2020, the rebound in economic growth was underpinned by higher commodity prices, lower levels of lockdown restrictions and some positive developments on key reforms in SA. The low-interest-rate environment supported demand for retail credit and transactional activity increased as lockdown levels eased. Demand for corporate credit remained muted, particularly in the first half of the year, as excess cash was used to repay debt and investment activity remained low.

Encouragingly, demand for corporate credit saw a recovery in the second half. In the third quarter, the negative impacts of a prolonged third wave of Covid-19 infections, tighter lockdown restrictions, the July civil unrest in parts of the country and frequent power outages weighed heavily on economic activity. Trading conditions improved in the last quarter of 2021, supported by more lenient lockdown restrictions despite the onset of the fourth Covid-19 wave (Omicron variant).

The Nedbank Group's financial performance for 2021 reflects a strong rebound off a low 2020 base. HE in 2021 increased by 115% to R11,7bn, but remains 7% below 2019 levels. HE growth was driven by significantly lower impairments, a higher net interest margin, recovery in NIR growth, disciplined expense management, and a stronger financial performance from our associate investment in ETI. Preprovisioning operating profit increased by 9% and JAWS was positive at 0,8%. The key drivers of shareholder value creation were also positive, with NAV per share increasing by 11%, the group's ROE improving to 12,5% (2020: 6,2%) and a a full-year dividend of 1 191 cents per share at 2,02 times cover.

Key balance sheet metrics have all strengthened to above pre-Covid-19-crisis levels. Capital and liquidity ratios increased as reflected in our tier 1 capital ratio of 14,3% (Dec 2020: 12,1%), CET1 ratio of 12,8% (Dec 2020: 10,9%), average fourth-quarter LCR of 128% (Dec 2020: 126%) and NSFR of 116% (Dec 2020: 113%). Overall impairment coverage increased to multi-year highs of 3,32% (Dec 2020: 3,25%) and our CLR declined to 83 bps (Dec 2020: 161 bps), and is now back within our board-approved TTC target range of 60–100 bps.

The strong financial performance was supported by ongoing strategic delivery. Our ME technology journey to create a modern, modular and digital IT stack is at 85% completion. The benefits of this are evident in most of our digital metrics showing double-digit growth, as well as target operating model (TOM 2.0) benefits of R967m being realised, as we move forward towards our target of R2,5bn by the end of 2023. In the 2021 Consulta survey Nedbank achieved the number two ranking among the five largest South African banks on client satisfaction metrics, with NPS increasing further to 47. Progress on our strategic portfolio tilt strategy (SPT 2.0) was evident in market share gains in key product areas and main-banked clients, as well as improved levels of cross-sell. Nedbank recorded the largest retail main-banked market share gain among the large South African banks, while CIB gained 35 new primary clients. We continued to create positive impacts by delivering against the United Nations SDGs and increasing our focus on ESG matters. In 2021 we released our Energy Policy and inaugural TCFD report and successfully concluded Africa's first green AT1 instrument, while maintaining ESG ratings at the top-end of the local and international peer group.

After a strong rebound in South African GDP in 2021, we currently forecast the country's GDP to increase by a more modest 1,7% in 2022. Good strategic and operational delivery should support delivery of a solid financial performance for the full-year 2022, underpinned by revenue growth and an ongoing cost focus. We are on track to meet our medium-term targets* set for end-2023. Pleasingly, we now expect to meet the diluted HEPS target (greater than 2 565 cents per share) in 2022, a year ahead of our previous expectation. We continue to focus on achieving an ROE greater than the 2019 ROE level of 15%, reducing our cost-to-income ratio to below 54%, and ranking number one on the NPS among South African banks, all by the end of 2023.

The past two years have been unprecedented and extraordinarily difficult for our clients and employees. Thank you to all our employees for remaining resilient throughout the Covid-19 crisis, continuing to follow the Covid-19 health protocols and diligently supporting our clients and the economy with unrelenting commitment. We extend our heartfelt condolences to the families, friends and communities of employees and clients who have lost their loved ones during this time.

Our Chairperson, Vassi Naidoo, passed away during 2021 after a long and brave battle with cancer. He led our board with integrity and passionately loved the Nedbank brand and all that we stand for. We will be forever grateful for his contribution to Nedbank.

Mike Brown
Chief Executive
9 March 2022

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

Progress on our strategy

Delivering market-leading client solutions

- ME technology journey – **85% complete** (2020: 78%)
- **Digital sales: 32%** (of total sales, 28% in 2020)
- **Digitally active clients: 64%** (of total main-banked clients, 57% in 2020)
- Improved client satisfaction – **#2 in NPS and brand sentiment** among the large South African banks
- Money app transaction volumes growth of **54%**

Focusing on areas that create value (SPT 2.0)

- Increased market share in **personal loans, overdrafts and vehicle finance**
- Client gains
  - Main-banked clients in retail **up by 1% to 3,1 million** and cross-sell was 1,9 products (2020: 1,8)
  - Nedbank recorded the **largest increase in main-banked market share of all South African banks**, increasing by 1,1% to 12,4% (independent 2021 Consulta survey)
  - **35 new primary clients** in CIB
  - Clients in NAR **up by 1% to 338 000**

Ongoing disruptive market activities

- **Avo super app**
  - » > 675 000 clients and > 20 250 merchants
  - » 3x yoy growth of gross merchandise value
- **APIs**
  - » 45 third-party providers signed up
  - » Enabled 360% increase in personal-loans disbursals
- **Karri app**
  - » > 800 active schools
  - » > 1,2 million parents and children on database

Driving efficient execution (TOM 2.0)

- TOM 2.0 benefits of **R967m** (target of R2,5bn by end-2023)
- Reduced headcount and branches by **8% and 9% over the past two years**

Creating positive impacts

- **R29bn renewable-energy lending exposures**
- Structured and arranged **R1,1bn Green Residential Development Bond** for Nedbank Limited

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

Environmental (E)

- Commitment to **zero exposure** to fossil-fuel-related activities **by 2045**
- Raised **R910m funding** in Africa's first green AT1 instrument to support **new green infrastructure projects**
- **First TCFD report** released in April 2021

Social (S)

- Female employees: **> 61%**
- Black employees: **> 79%**
- Maintained level **1 BBBEE** status
- **76%** of our procurement spend used to support **South African businesses**
- *#PayIn30* – **91%** of suppliers paid in **30 days**
- **R57bn** of financing to SMEs

Governance (G)

- Independent directors: **69%**
- Women on the board: **23%**
- Regular shareholder **engagements on ESG matters**
- ESG ratings:
  - » MSCI: **AA**
  - » FTSE Russell: **Top 6% of global banks**
  - » ISS: **Top 20% of global banks**

For further information: This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement made available on the JSE's website at https://senspdf.jse.co.za/documents/2022/jse/isse/ned/ye2021.pdf on Wednesday, 9 March 2022, and also available at nedbankgroup.co.za.

Copies of the full announcement may be requested by contacting Nedbank Group Investor Relations by email at NedgroupIR@Nedbank.co.za and are available for inspection at Nedbank Group's registered office at no charge on weekdays from 09:00 to 16:00 by appointment only, in accordance with Covid-19 restrictions. These results and additional information are available at nedbankgroup.co.za.

The auditors' unmodified report (including key audit matters) to the shareholders of Nedbank Group, is contained in our annual financial statements for the year-ended 31 December 2021. The annual financial statements can be accessed using the following link: https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2021.html.

Nedbank Group Ltd Reg No 1966/010630/06. Nedbank Ltd. Licensed financial services and registered credit provider (NCRCP16).

Registered office	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196 PO Box 1144, Johannesburg, 2000
Company Secretary	J Katzin
Sponsors in SA	Merrill Lynch SA Proprietary Limited, Nedbank Corporate and Investment Banking, a division of Nedbank Limited
Sponsor in Namibia	Old Mutual Investment Services (Namibia) Proprietary Limited
Reg no	1966/010630/06
JSE share code	NED
ISIN	ZAE000004875
NSX share code	NBK
JSE Alpha code	NEDI

Abbreviations

BBBEE	broad-based black economic empowerment
bps	basis points
CET1	common-equity tier 1
CIB	Corporate and Investment Banking
CLR	credit loss ratio
DHEPS	diluted headline earnings per share
EPS	earnings per share
ESG	environmental, social and governance
ETI	Ecobank Transnational Incorporated
GDP	gross domestic product
HE	headline earnings
HEPS	headline earnings per share
LCR	liquidity coverage ratio
ME	Managed Evolution
NAR	Nedbank Africa Regions
NAV	net asset value
NII	net interest income
NIR	non-interest revenue
NPS	Net Promoter Score
NSFR	net stable funding ratio
ROE	return on equity
SA	South Africa
SDGs	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
TOM	target operating model
TTC	through the cycle
yoy	year-on-year