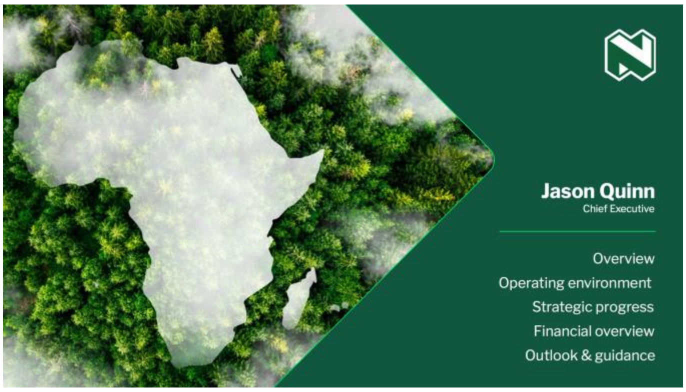
Nedbank Group 2025 Annual Results Presentation transcript



Jason Quinn, Chief Executive

Slide 1 & 2

Good afternoon and welcome everyone to the Nedbank Group 2025 annual results presentation.

Our presentation today will start with an overview of the group's performance for the year, a reflection on the operating environment and an update on some key strategic developments. I will then hand over to Mfundo, our COO, who will provide an update on the progress we are making on our strategic execution and Mike, our CFO, will follow with an analysis of the group's financial performance for the period. I will then return to close the presentation with an update on the economic outlook, our guidance for 2026, and prospects for the medium to long term.

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2025 was a transformative year from a strategic perspective at Nedbank. The external environment remained volatile and uncertain as evidenced by continued global geopolitical conflict with concerning recent developments in the Middle East. Despite this we have seen cautious optimism emerge as markets began pricing in a more supportive macroeconomic environment and the progress SA has made on multiple fronts. I will unpack some of these shortly. Banking conditions were particularly challenging in the first half of the year, but I am encouraged by early green shoots, evident in both corporate and consumer activity.

From a strategy perspective, we've made a number of bold and swift strategic decisions, including the group's strategic reorganisation effective 1 July, acquiring iKhokha and concluding the sale of our 21% shareholding in ETI. In January this year we also announced our intention to acquire a controlling interest in a leading East African bank, NCBA Group. In addition, we concluded a confidential R600m settlement with Transnet, avoiding a costly and protracted legal process, which would have been an ongoing management distraction for years to come. Putting this long-standing matter behind us will clear the path towards our substantial support of South Africa's broader logistics infrastructure investment requirements, currently estimated at over R100bn. The settlement represents a full and final closure of the matter, with neither party admitting fault. Pleasingly, we see momentum building as evidence in underlying growth across all our business clusters, mostly in H2.

From a financial performance, while our results for the year were slightly ahead of guidance, a 3% growth in diluted HEPS is not a satisfactory outcome for us. Similarly, our ROE of 15.4% was above cost of equity of 14.6% but declined from the 15.8% in the prior year.

On the positive side, we maintained a strong balance sheet, declared a final dividend of 1 104 cents, completed a R2.4bn share buyback programme at attractive share price levels of around R229 /share and we ended the year with a CET1 ratio of 12.9%.

Slide 4

Reflecting a bit more on the operating environment, financial markets are buoyed with optimism, and we expect GDP growth to have increased by 1.4% from the 0.5% in 2024. Unlike this time last year, we believe that this optimism is not unfounded and is supported by evidence of an improved working relationship within the GNU, solid progress on structural reforms, stabilisation of energy supply and transport networks, enhanced collaboration on public-private partnership initiatives and continued fiscal discipline, as reflected in the recent SA budget. In addition, South Africa's removal from the FATF grey list, and S&P's sovereign upgrade with a positive outlook, the first since 2009 also contributed to an improved investor sentiment.

The outcomes are evident in the graphs on the left. SA government long-bond yields improved to their lowest levels in more than a decade and CDS spreads narrowed back to investment-grade levels, reflecting reduced sovereign risk perceptions. The combination of all of these items translated into tangible foreign market flows and a stronger rand.

Slide 5

Improved operating conditions were also evident in private sector loans and advances growth of 7.8%. On the consumer front, we have seen how higher levels of real disposable income, low and steady inflation at around the new and clarified 3% SARB target combined with 150 bps lower interest rates, started to stimulate household credit demand towards the end of the year. On the corporate side, we have seen how the economic recovery, slightly higher levels of business confidence, higher fixed investment and a low 2024 base resulted in corporate credit growth improving to above 10%.

Reflecting on infrastructure opportunities, our economic unit's latest Capital Expenditure Project Listing shows a sharp rise in investment plans announced in 2025, particularly in the private sector for the first time in a while, which increased by over 230% when compared to 2024. We are very well positioned to participate in this upside.

Slide 6

Turning now to the bold strategic decisions we made and executed on during the year. We successfully restructured our Retail and Business Banking and Nedbank Wealth Clusters into a more focused, client-centred organisational design. We created Personal and Private Banking, a cluster solely focused on individual clients, headed up by Ciko Thomas and Business and Commercial Banking, a juristic-focused cluster, which covers the spectrum of Mid-corporate, Commercial and SME clients, headed up by Andiswa Bata who joined us in August. This strategic reorganisation was aimed at being a catalyst to enhance our focus on clients, drive faster revenue growth and unlock efficiency and productivity enhancements. The reorganisation, which impacted more than 16 000 colleagues, was swiftly executed and was in place by 1 July. This resulted in various strategic initiatives across our clusters. I will now highlight a few proof points which are all evidenced by improving H2 momentum:

In CIB we increased our appetite to deepen participation in larger high-quality deals, and while drawdowns were slow, client activity was robust and pipelines remain very strong. In BCB we swiftly filled key leadership positions, including the managing executive of the cluster. We accelerated advances growth in the second half of the year and we made good progress in launching new value propositions. In PPB, where our focus is on addressing scale challenges in certain products and segments, we are pleased with solid progress. We saw improving deposit and loan growth at improving quality and ahead of the industry. Insurance cross sell is starting to increase strongly, transactional revenue growth improved, and the cluster continued to unlock efficiencies and productivity gains, with further progress expected in 2026 and beyond. In NAR, we recorded strong loan growth and client gains, while we look to participate in exciting growth opportunities in Namibia and Mozambique.

Slide 7

We also made some bold strategic decisions to strengthen our competitive positioning in fleet management and in the SME payments space, both now part of BCB. In June 2024 we acquired Eqstra and I am pleased to report that in its first full financial year as part of the group we have achieved full operational integration. We have realised efficiencies across funding and technology and achieved some early client gains and upsell successes.

In December we completed the acquisition of 100% of iKhokha. This is a strategically important transaction for us as it strengthens and fast tracks our payments and merchant acquiring capabilities, particularly in the fast-growing SME and informal merchant segments, where our presence has been low. Annually, iKhokha processes more than R20bn in digital payments and to date has distributed more than R3bn in working capital into the SME sector through its more than 54 000 POS devices. Looking forward we seek to grow the SME client base and cross-sell lending, banking, payments and business solutions.

Slide 8

As noted before, the sale of ETI followed a strategic review that included an evaluation of performance against our initial investment case which did not materialise as expected, with a significant negative impact on our NAV, which Mike will unpack for the last time later in the presentation. Unfortunately, a minority stake limited our ability to drive strategic progress and the quality of the associate accounted earnings stream was low and was not backed up by dividend flows from ETI. Increasing risks of continuing to hold onto the investment due to regulatory uncertainty and the probability of increasing capital requirements in certain jurisdictions, would have resulted in a scenario where we would have had to inject additional capital, to prevent shareholding dilution. I am thus pleased to report that we finalised the disposal of our 21.2% shareholding in ETI for a purchase consideration of US$100 million or R1.6bn. Importantly we have received the unencumbered cash proceeds and all regulatory approvals.

In January, we announced our intention to make an offer to acquire approximately 66% of the issued share capital of NCBA Group, one of East Africa's leading financial services groups. The offer consists of the issuance of new Nedbank ordinary shares, which contributes 80% and 20% in cash, valuing the transaction at approximately R13.9 billion, based on a Nedbank share issue price of R250.

In a recent positive development, on 19 February we announced that we received exemption from the Kenyan Capital Markets Authority to make a mandatory offer to acquire 100% of NCBA shares. Upon successful completion, NCBA will become a subsidiary of Nedbank, while the remaining shareholding will continue to trade on the Nairobi Stock Exchange. The transaction remains subject to regulatory approvals and is expected to be concluded by the third quarter of 2026.

Many of you will recall that on the back of our strategic refresh last year we indicated, that having disposed of the ETI Investment, we would focus on Southern and Eastern Africa. We noted that in particular our home base of South Africa still presents significant opportunity to improve growth and returns and that we saw further opportunities in Namibia and Mozambique. We also highlighted that we intended to enter East Africa either through acquisition or on a greenfields approach playing primarily to our strengths in CIB, particularly in structured finance, fixed income and currency trading, trade finance and in sectors like energy and resources.

I also indicated that quality entry points into the Kenyan banking sector were rare and hard to execute and may take time. We were thus very pleased to be able to execute a unique and compelling opportunity to acquire a leading bank with a great track record and an outstanding board and management team. The deal structure is also compelling as it keeps the majority of NCBA investors exposed to the combined Nedbank and NCBA business. Following the lessons learnt from the disappointing ETI experience we have ensured that all of those learnings have been applied to the NCBA acquisition.

Slide 9

The strategic rationale for the deal is set out on this slide. At a high level we see East Africa as a region of significant strategic importance to Nedbank, underpinned by strong macroeconomic fundamentals, a robust and predictable regulatory environment and attractive growth potential.

Secondly, NCBA is a top tier 1 bank, which has an attractive ROE, low cost to-income ratio and is well capitalised with a strong track record of regular and consistent dividend distributions in cash. It has a strong well-established brand, extensive regional presence, more than 60 million clients and expertise in areas such as digital banking. Lastly, the transaction will bring together two highly complementary organisations where Nedbank can benefit from NCBA's modern technology and digital platforms positioning us to grow and diversify earnings, and NCBA will benefit from Nedbank CIB's expertise and the group's strong balance sheet. NCBA will retain its brand, local leadership team, independent governance, and listing on Nairobi Stock Exchange.

This proposed transaction represents a significant strategic reset for Nedbank's presence on the African continent, with a renewed focus on the SADC and East Africa regions, driven through businesses under Nedbank Group's direct ownership and control, with high correlation between earnings and dividend accretion.

Slide 11

Lastly before I hand over to Mfundo, a quick assessment of the progress we have made on our strategic value drivers. Starting on the left,

- In the wholesale space, banking advances growth was modest. Despite a shift in our appetite, improving client activity and encouraging pipelines, drawdowns were slow, given ongoing delays in deal closures. We are very well positioned to benefit as infrastructure investment gains momentum and we have thus far seen a strong start to 2026, although it is still early days.

- On the more positive side, we recorded good growth in retail advances and gained market share in home loans, vehicle asset finance, overdrafts and retail deposits.
- We experienced pressure on margins, primarily from lower interest rates but, pleasingly, the decrease in NIM seems to have slowed in the second half of the year and we continue to build out our hedging program in a commercially appropriate manner.
- We also saw an increase in client numbers across all segments and strong growth in digital transactions, value added services and payment volumes.

From a productivity perspective while expenses were well managed, our cost to income ratio was under pressure, mostly on the back of slow revenue growth. I am pleased to update you that we have identified new productivity initiatives exceeding R1.5bn, which are expected to be realised over the next few years.

On the far right, key risk and capital management metrics reflect our strong balance sheet with our CET1 ratio at 12.9%, above our revised Board target range of 11% to 12.5%. Liquidity metrics all significantly exceeded the minimum regulatory requirements of 100%. I was pleased that we were able to optimise capital management further through the execution of R2.4bn of well-timed buy backs at attractive levels of around R229 per share. From a risk management perspective, we are pleased to have reported a further improvement in impairment outcomes, leading to our credit loss ratio at 68 bps moving to the bottom half of our target range, supporting capacity to increase our lending appetite. The progress on LLR delivers firmly on our commitment 18 months ago to move back into our target range. With that, let me hand over to Mfundo to reflect on the progress we have made on our strategic value unlocks.

Mfundo Nkuhlu, COO

Slide 12 & 14

Thank you, Jason and good afternoon everyone.

Starting with Digital Experience as our first key focus area. In 2025, digital activity and usage grew by double digits as evident in the increases in App transaction volumes and values, and active users. By the end of the year, 73% of all sales in PPB were on digital channels.

Our juristic businesses also noted steady progress as the adoption rate of the Nedbank Business Hub increased to 76% in BCB and 50% in CIB respectively, both driven by higher levels of 'self-service' and the delivery of enhanced digital features. Digital FX transactions increased to 75% with Ned FX expected to further enhance our digital capabilities.

Our current focus is to leverage AI, machine learning and robotics across the value chain, including credit decisioning, fraud analytics, digital marketing and cross sell with our dedicated data and analytics capabilities as key enabler of digital growth and innovation. We also look to unlock productivity benefits linked to the seamless use of people and machines in the delivery of our services. To this end, we look forward to the launch our new app that will deliver highly personalised and contextual experiences tailored to users' needs and we expect average app logins per client per month, currently at 24.5, to increase further.

Slide 15

From the perspective of client experience, we reported good outcomes across key metrics but acknowledge that there is more to be done, particularly in enhancing digital experiences. In our consumer business, our Net Promoter Score improved to 77 and ranked #2 among the large South African retail banks. In the Small Business Services segment, we recorded the second highest level of NPS in 9 years and in Mid-corporate, the KPI Research study noted that Nedbank achieved a client satisfaction score of 87, placing this new business division first in the SA peer group. In CIB we achieved a client satisfaction outcome of 80%, in line with the global benchmark and in Nedbank Africa Regions, we achieved good outcomes in Mozambique and Zimbabwe. A key highlight of the period was the value of the Nedbank brand that increased by 24% to R20bn and now ranks top 8 among all South African companies.

Slide 17

As part of strategy execution under Strategic portfolio tilt, we are making good progress in building stronger client franchises and enhancing client primacy, which is central to growing revenues. Total group clients were up 7% and reached 8 million for the first time in the group's history. This was supported by 9% growth in both PPB to 7.5 million clients and NAR to over 430 000 clients.

Main-banked clients in PPB showed reasonable growth and cross-sell penetration improved to 2.02 products per client. Importantly, our Greenbacks loyalty and rewards programme increased its client base by 19% to 2.1 million on the back of a more competitive loyalty and rewards scheme and for the Amex card users, an additional 100 000 merchants now accept our cards on their devices. Lastly, as shown on the far right, our market share in the Commercial Banking segment improved to 24%.

Slide 18

From a BA 900 perspective, we made good progress in key product lines. In the retail lending we increased market share across home loans, vehicle finance, and overdrafts as highlighted by the green arrows, but still fell short of our desired portfolio mix ambitions. After historic market share losses in personal loans and credit cards, it was pleasing to see declines halted in H2 2025, and with appropriate risk management we expect our performance to continue to improve over time.

In our wholesale businesses we were disappointed with market share losses in term loans as competition for scarce and good quality assets remained fierce. The closure of large transactions, particularly in energy and infrastructure, was delayed into 2026 and client repayments resulted in slower growth. In commercial mortgages, where we have a leading market position, we supported our clients, and the market share remained strong around 35%. Looking forward, CIB is well-positioned for growth with strong pipelines that are weighted to low risk, including power, renewables and infrastructure, while in BCB advances are growing off a low base, driven by our sector-led expertise and new client value propositions. Retail deposits were up slightly while commercial deposits decreased marginally. Going forward, we aim to gain further deposit market share with a heightened focus on transactional deposits.

Slide 19

As part of our 2024 results, we outlined a number of transformational growth initiatives, designed to leverage our strong foundations and core capabilities to unlock new revenue streams and drive cost optimisation. Today, I will not cover all of them but focus on the progress we have made on payments and insurance.

With regard to payments modernisation, as shown on the left-hand side, we recognise the enormous potential of digitising small, fast payments instead of using cash, which has become very expensive to manage. In 2025 we recorded 183% growth in PayShap revenues, and very strong growth across contactless payments, value added services, e-commerce and Money app payments, when compared to a 6% decline in cash withdrawals.

With regard to insurance, as shown on the right-hand side, the opportunity to grow and cross-sell traditional bancassurance and new solutions such as the MyCover suite into the Nedbank client base is accelerating, enabled by the organisational restructure. Insurance offerings are being integrated into client journeys at points of need, and provide clients with data-driven, personalised offers through enhanced digital experiences. This approach aims to increase client penetration from 19% in 2025 to more than 30% in the medium term and grow gross earned premiums by more than 50%. Early signs are evident in the strong growth in earned premiums across the MyCover Funeral, Personal Lines and Life product lines and the increases in credit product penetration in card and overdrafts, with home loans and vehicle finance enhancements planned for 2026.

Slide 20

Lastly, under our 5th strategic value unlock, I will reflect on a few highlights. We continued to provide loans and finance to clients that are aligned to the UN Sustainable Development Goals. At the end of 2025, Sustainable Development Finance exposures amounted to R207bn, which represented around 21% of the group's gross loans and advances, and as a result achieved our 2025 ambition of 20% which we set back in 2021.

From a transformation perspective, we maintained our level 1 broad-based black economic empowerment status for the 8th year in a row, supported by ongoing improvements in African, Coloured, and Indian employee representation and a 3% increase in African talent representation at both senior- and middle management levels. We also provided first-time job opportunities to more than 3 800 Youth Employment Service (YES) participants, bringing the cumulative opportunities to more than 17 000 since inception. In a year in which we had large scale changes arising from the organisational restructure, we were pleased to have been announced the #2 ranked SA company on the Forbes World Best Employers list and top 50 globally. I now hand over to Mike to take us through a review of the Group’s financial performance.

Mike Davis, CFO

Slide 23 & 24

Thank you Mfundo, and good afternoon.

Our financial performance for 2025 was muted, although slightly ahead of the guidance we provided at our preclose meeting in December and market consensus of an expected decline. Headline earnings increased by 2%, DHEPS by a slightly faster 3%, due to buy-backs, and our ROE was softer at 15.4%, although ahead of cost of equity at 14.6%. Excluding the once-off R600m Transnet settlement, HE increased by 4%, DHEPS increased by 5% and ROE at 15.8% was similar to 2024. Basic earnings per share however decreased by 53%, as we accounted for the impact of disposing of our ETI shareholding.

From a balance sheet perspective gross banking advances growth was modest at 6%, while deposit balances grew strongly at 11%. Net Asset Value per share at around R250 increased by 4% year on year and other balance sheet metrics remained strong, evident in our capital and liquidity ratios. The total dividend for the year was 2 132 cents per share, representing an attractive dividend yield of around 7%.

Slide 26

Unpacking the numbers, the 2% increase in HE was underpinned by revenue growth of between 3% and 4%, associate income that declined by 8% as ETI did not contribute to the second half of the year, the impairment charge improved by 18% and expenses increased by 7%.

Slide 27

Reflecting on balance sheet growth, advances grew by 6% yoy driven by 6% and 9% growth in home loans and vehicle finance respectively on the back of strong front book sales as we leverage our existing MFC partnerships and new Mortgage Originator Joint Ventures, including with the BetterHome Group, Ooba and Multinet.

Modest growth in personal loans of 2% was the outcome of deliberate historic actions taken to derisk the book, together with the impact of a change in the write off policy implemented during 2024. New sales levels have lifted strongly in 2025 and there were no further market-share losses in the second half of the year, enabled by specific initiatives focused on originating better quality business. Card and overdrafts increased by 7% off a low base.

Term loans, reflecting largely the growth in our wholesale businesses, grew by 3%, impacted by delayed deal closures, despite improved client activity and robust pipelines. Commercial property finance grew by a modest 2% due to resilient domestic client demand that was offset by a contraction in the African portfolio due to heightened competition, client prepayments, and adverse foreign-exchange movements.

Deposit growth of 11%, as shown on the far right, was underpinned by a 10% increase in franchise call and term deposits, a 23% increase in other deposits as clients extended tenure in response to Nedbank's competitive term offerings and NCDs that increased off a low base.

Slide 30

Looking at the income statement in a bit more detail, Net Interest Income increased by 3% as growth in average interest earning banking assets of 9% was offset by margin contraction. The 9% growth was driven by 6% growth in average banking advances and higher levels of high-quality liquid assets.

The 24 bps decline in the margin to 381 bps was primarily driven by a 12 bps negative endowment mix impact, due to capital and transactional deposit balances growing slower than average interest earning banking assets; and an 11 bps negative endowment impact from lower interest rates. The impact of asset mix changes as well as asset and liability pricing pressures reduced margins further by 8 bps. Pleasingly, the rate of the decline in margin slowed in the second half of the year when compared to the first half.

From an interest rate sensitivity perspective, a 1% change in interest rates impacts NII by approximately R1.5bn. To date, we have implemented approximately 38% of our endowment hedge as progress depends on interest rate levels. This has reduced our sensitivity from c18 bps in 2021 to c13 bps, expressed on average interest earning banking assets.

Slide 31

Non Interest Revenue growth was 4%, in line with the guidance we provided during the group's pre-close update of below mid-single digits. Commission and fees increased by 6%, supported by Eqstra that was in for a full 12 months in 2025. Within PPB, we were pleased with transactional NIR growth of 8% in our consumer banking business, reflecting good progress in strengthening the franchise and strong growth in value added services of 36%. Growth in CIB was restrained by delayed deal flow moving to 2026 and a high prior year base.

Trading and Fair Value income decreased by a combined 6%, including a 1% increase in Markets. Trading income increased by 10%, driven by strong growth in forex and debt securities, offset by slower equity trading income, while fair-value income declined. Insurance income increased by 5%, due to an improved non-life claims experience and strong growth in premiums and policies within the MyCover suite, as Mfundo highlighted earlier. This was partially offset by sizable positive actuarial basis changes in the prior period. Excluding the base effect, insurance income increased by 11%.

Slide 32

Turning to impairments. The groups' impairment charge decreased by 18% and the CLR improved to 68 bps, which was better than we had expected. The improvement was primarily the outcome of decisive risk management actions and an improved macroeconomic environment.

At a cluster level CIB reported a recovery of R718m and a credit loss ratio at negative 17 bps, primarily the result of successful workout and derisking strategies that resulted in provision releases, given the decline in stage 2 and stage 3 exposures. The BCB credit loss ratio decreased to 21 bps, to well below its through the cycle target range of 50 to 70 bps. The decline was driven by an outstanding performance in recoveries and collections. PPB's credit loss ratio decreased to 163 bps from 176 bps in the prior year, within its through the cycle target range of 130 to 190 bps as a result of ongoing credit risk and collections initiatives and better-quality front-book origination. Home loans and vehicle finance reported improvements, while credit card impairments increased off a low prior year base and the personal loan credit loss ratio remains elevated, although improving from the first half of the year through better front book origination. Nedbank Africa Regions reported a CLR of 89 bps, back to within its through the cycle target range of 85 to 120 bps, driven largely by lower impairments due to improved recoveries and stronger asset growth.

Within gross loans and advances, stage 1 loans increased by 10%, while stage 2 and stage 3 loans reduced by 5% and 2% respectively. As a result, the group's total ECL coverage at 2.96% decreased from 3.32%, mainly driven by the decline in stage 2 and 3 loans.

Slide 35

Shifting our focus to costs, underlying expense growth was 5%. An 8% increase in salaries, wages and other employee costs, reflect the impacts of average annual salary increases of 6% and the additional Eqstra staff costs not fully in the base. Incentives decreased by 2%, aligned with profitability metrics and vesting probabilities relating to corporate performance targets.

Computer processing costs increased by 5%, driven by ongoing investments in digital, data, and cloud solutions, as well as higher digital volumes, partially offset by negative growth in the amortisation of intangible assets. Fees, insurance, accommodation and marketing were all well managed increasing by a combined 3%, while the large increase in other operating expenses was due to the inclusion of the Transnet settlement.

Slide 36

Turning now to the disposal of our historic ETI associate investment. The graph unpacks the ETI lifetime outcome from the date of the original investment to the date of sale. We show on this slide the on-sale accounting treatment where R8.6bn is crystalised through the income statement as a non-headline earnings item. The R8.6bn is made up of our share of historic Foreign Currency Translation and Other Comprehensive Income losses to the value of R7.4bn and an IFRS 5 adjustment of R1.2bn on sale. The sale proceeds of R1.6bn represent the $100m sales price less transaction costs converted at the 17 December rand US$ exchange rate.

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Moving to capital. The movement in our CET1 ratio this year reflects solid capital generation, the payment of dividends in the calendar year, a 3% increase in RWA, and the combined impacts of share buy backs which was beneficial to ROE, the acquisition of iKhokha, the sale of ETI and final Basel 3 reforms. The increase in RWA was mainly due to an increase in credit and operational risk, partially offset by a marked improvement in equity risk following the adoption of the final reforms. At 12.9% our CET1 ratio remains above the top end of our revised target range of 11 to 12.5%, positioning for growth, the execution of the NCBA acquisition and to sustain dividend payments within our target range.

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I will close with the financial performance of our clusters in their new construct. CIB produced headline earnings growth of 2% and delivered an ROE of 21.4%. Earnings growth and returns were supported by lower impairments and disciplined capital management. NII decreased by 2% reflecting actual advances growth of 5% and a decline in margin on the back of lower interest rates, competitive pricing and a lower-risk loan book mix. NIR decreased by 2% due to negative FV adjustments and lower commission and fees given a high 2024 base and deals delayed into 2026, despite solid underlying activity. Trading income and equity investment income on the other hand were up strongly and underlying operating expenses were well managed. The cluster is well placed for future growth given its skills, expertise and strong pipelines.

Headline Earnings in our new cluster Business & Commercial Banking decreased by 7%, delivering an ROE of 20.8%. NII decreased by 1%, given a slight decline in advances and a lower margin on the back of interest rates cuts. NIR increased by 13% including the full year impact of Eqstra. Underlying NIR growth was driven by higher card acceptance and commercial issuing volumes, as well as growth in value-added services. Expenses increased by 12%, but by only 8%, when excluding Eqstra. BCB is now fully resourced and positioned for growth.

Headline Earnings in Personal & Private Banking pleasingly increased by 9%, delivering a higher ROE of 15.6%. Growth was driven by a 7% increase in NIR, as a result of strong growth in value added services and insurance income. NII increased by 1% on the back of 6% growth in advances diluted by a decrease in margin, mainly due to lower endowment and the advances mix impact. Expenses were very well managed and increased by only 4%. The momentum we are starting to see in PBB is pleasing as it seeks to increase its ROE towards 18%.

Lastly, in the Nedbank Africa Regions, headline earnings decreased by 1%, delivering an ROE of 20.5%. The earnings decline was mainly due to the sale of ETI that resulted in no associated income reported in the second half. HE in our SADC operations increased by 15% but its ROE remains low at 9.0%, which remains our focus. Thank you – I'll now hand back to Jason.

Jason Quinn, Chief Executive

Slide 44 & 45

Thanks Mike and Mfundo.

Let’s start this section by looking at our latest macroeconomic forecasts. We expect banking conditions to improve further in the coming years as SA’s GDP for 2026 to 2028 is around 1.5% to 1.8%. Inflation should remain around the Reserve Bank's target of 3% due to a stable rand, low global oil prices, lower inflation expectations, and fewer supply-side challenges. It is too early to call out any changes in this guidance based on recent events in the Middle East.

After a cumulative 150 bps cut in interest rates, including the 25 bps in November, interest rates are currently forecast to reduce by a further 50 basis points. To my mind though, this is becoming increasingly unlikely, with a plausible scenario of rates flat from here for the foreseeable future. Credit extension is forecast to remain relatively robust around 7 to 8%, supported by the anticipated recovery in the domestic economy and lower interest rates. Although difficult to forecast due to geopolitics, the Rand is expected to average slightly above 16 rand to the US$ in the coming years.

Slide 46

Turning to our guidance for 2026. We expect NII growth to increase to around mid-single digits. This is likely to be driven by stronger advances growth across all our clusters. Our NIM is expected to contract slightly given the ongoing impact of lower interest rates. Our credit loss ratio is expected to be around mid-70 bps, below the mid-point of our TTC target range as impairments in CIB and BCB normalise off a very low 2025 base PPB will continue to see an improvement in its credit loss ratio. NIR growth is expected to grow at upper-single digits, driven by execution of various growth initiatives across all our clusters. Associate income from ETI will not recur in 2026 or beyond. Expenses are expected to be below mid-single digits as our focus on cost management continues.

On capital, we expect to operate within our revised board-approved target range of 11.0% to 12.5% by the end of the year. Dividends, subject to board approval, will be declared within our target range of 1.75 to 2.25 times cover.

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I am even more excited today about the group's growth prospects in the medium term than I was a year ago, given our strategic focus and execution in 2025, which won't necessarily offset the discontinuance of contribution from ETI in 2026, but will do so from 2027.

Tailwinds in 2026 will come from an improving macroeconomic environment, strong underlying business momentum as we highlighted in our presentation today, the benefits from the organisational restructure and the once off Transnet settlement that is now in the base. We do however face some headwinds – these include endowment pressure from lower interest rates, wholesale impairments normalising off a low base and no further earnings contribution from ETI. These impacts will be more material in our interim results given that we had a final R927m contribution from ETI in H1 2025. Notwithstanding this, the focus for 2026 remains on delivering an ROE above 15%, heading towards 2025 levels, and improving our cost-to-income ratio.

Into the medium-term we firstly see benefits from a more constructive macroeconomic environment, including us being well positioned to capitalise on large energy and infrastructure finance opportunities, stronger retail credit growth and a low but more stable interest-rate backdrop and low inflation, particularly from an endowment perspective. Our transform initiatives are starting to scale, and we should see more meaningful contributions from insurance, payments and other growth vectors, as well as ongoing market share gains in lending and deposits.I am particularly encouraged by our various productivity initiatives which I mentioned earlier, including AI projects, which in combination will improve our cost to income ratio. We also expect to unlock synergies from our Eqstra and iKhokha acquisitions, while NCBA is expected to contribute once the transaction is finalised. From a capital perspective, we remain committed to be flexible in the management of capital and being good stewards of capital, as we demonstrated in 2025.

Overall, these initiatives, along with underlying momentum underpin our confidence in progressing to our medium-term targets of an ROE of 17% and a cost-to-income ratio of 54%.

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