

NEDBANK GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1966/010630/06
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('Nedbank Group' or 'the group')

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND TRADING STATEMENT FOR THE SIX MONTHS TO 30 JUNE 2021

In a very difficult operating environment, Nedbank Group remained resilient, made good strategic progress and delivered an improved financial performance in the second half of the year.

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

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

The impact of the very difficult operating environment was evident in Nedbank Group's HE for the year ended 31 December 2020, as it declined by 56,5% to R5,4bn, compared to a decline of 69,2% in H1 2020. Nedbank remained solidly profitable and, despite the challenges of forecasting in such a complex environment, performed in line with the guidance we provided to the market, supported by an improved financial performance in H2 2020. HE for the year was affected by higher impairments and lower revenues, mainly due to lower levels of client activity and the impact of lower interest rates on endowment income. Expenses were well managed and declined

by 1,3% from the prior period. Our ROE of 6,2% was lower than in the year before but improved from the 4,8% reported in H1. Improving the ROE from these levels back to above our cost of equity is a key focus of management. Despite our strong capital and liquidity position at 31 December, having considered the spirit of Prudential Authority Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021.

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

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

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

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

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

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

Mike Brown
Chief Executive

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

FINANCIAL HIGHLIGHTS

- Headline earnings R5 440m, down 56,5% (2019: R12 506m)
- Revenue R54 221m, down 3,5% (2019: R56 164m)
- Credit loss ratio 161 bps (2019: 79 bps)
- Expenses R31 772m, down 1,3% (2019: R32 179m)
- Cost-to-income ratio 58,1% (2019: 56,5%)
- Diluted headline earnings per share 1 113 cents, down 56,6% (2019: 2 565 cents)
- Headline earnings per share 1 126 cents, down 56,8% (2019: 2 605 cents)
- Basic earnings per share 717 cents, down 71,3% (2019: 2 500 cents)
- No final dividend per share (2019: 695 cents)
- No full year dividend per share (2019: 1 415 cents)
- Net asset value per share 18 391 cents, up 1,0% (2019: 18 204 cents)
- Common-equity tier 1 ratio 10,9% (2019: 11,5%)

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, which can be accessed from Wednesday, 17 March 2021, using the following JSE link:
<https://senspdf.jse.co.za/documents/2021/jse/isse/ned/ye2020.pdf>

Alternatively, the full announcement is available on our website at
<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2020.html>

The full announcement is available for inspection at Nedbank's registered office on weekdays from 09:00 to 16:00 by appointment only, in accordance with Covid-19 restrictions, and copies thereof may be requested free of charge from Nedbank Investor Relations at NedgroupIR@Nedbank.co.za.

The auditors' unmodified report (with key audit matters) to the shareholders of Nedbank Group, is contained in our annual financial statements for the year-ended 31 December 2020. The annual financial statements can be accessed using the following link to our annual financial statements at
<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2020.html>

This announcement itself is not audited and therefore the audit report does not cover this announcement.

TRADING STATEMENT FOR THE SIX MONTHS ENDING 30 JUNE 2021

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

there is reasonable certainty about the extent of the increase and the relevant HEPS and basic EPS ranges.

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

For and on behalf of the board

Mpho Makwana
Acting Chairman

Mike Brown
Chief Executive

17 March 2021

Directors

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

** Executive *** Lead independent director

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Sponsors in SA

Merrill Lynch SA Proprietary Limited, Nedbank CIB

Sponsor in Namibia

Old Mutual Investment Services (Namibia) (Proprietary) Limited

Company Secretary: J Katzin

Transfer secretaries in SA

JSE Investor Services (Pty) Limited, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001, SA.
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Transfer secretaries in Namibia

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