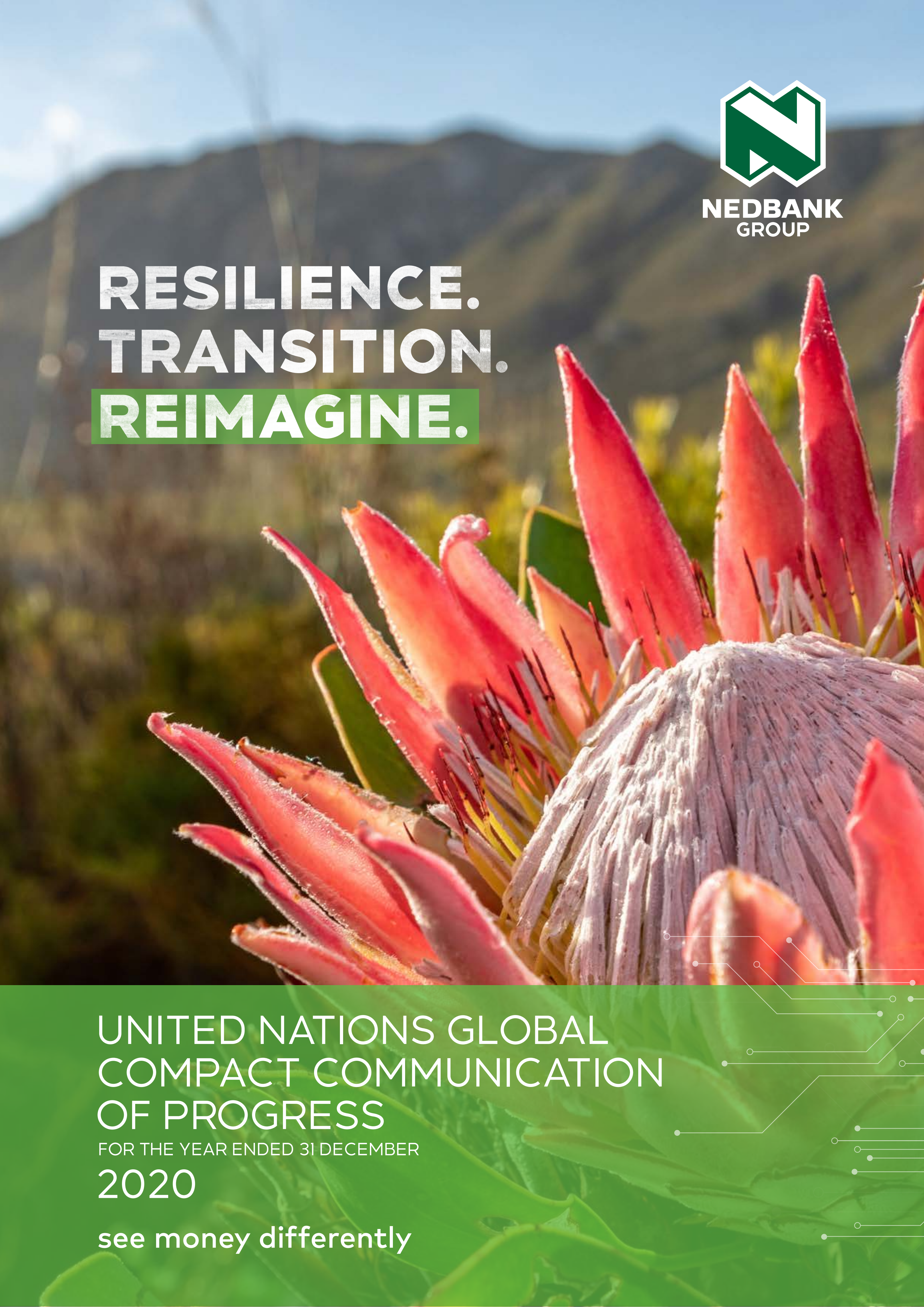


NEDBANK GROUP

RESILIENCE. TRANSITION. REIMAGINE.

UNITED NATIONS GLOBAL COMPACT COMMUNICATION OF PROGRESS

FOR THE YEAR ENDED 31 DECEMBER

2020

see money differently

Contents

Letter from our Chief Executive

NEDBANK GROUP – CONTINUED COMMITMENT TO THE UNITED NATIONS GLOBAL COMPACT

As Chief Executive of Nedbank Group, I reaffirm our commitment to the United Nations Global Compact and the 10 principles that underpin it. In addition, as a Group, we remain a signatory to the Equator Principles and the CEO Water Mandate and we continue to support the UNEP FI Positive Impact Working Group.

These commitments, along with deliberate focus on the Sustainable Development Goals (SDGs), form an important part of our overall strategy as we align our core business to deliver on our purpose – to use our financial expertise to do good for individuals, families, businesses and society.

The SDGs represent a powerful lens to identify opportunities for business innovation and growth, and they define the 'good' in our purpose. As such, in 2020 we continued to reorient our strategic approach to focus on the most material SDG targets through our three main points of leverage – Products and Services: Sustainable Development Finance, Operations and Corporate Social Investment.

We are proud to support the work undertaken by the UNGC, cognisant of the important role that the private sector plays in this.

Yours sincerely

Mike Brown
Chief Executive Officer

31 March 2021

NEDBANK GROUP AT A GLANCE

Overview of Nedbank Group

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

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

TOTAL ASSETS
R1,2tn

TOTAL DEPOSITS
R954bn

EMPLOYEES
28 324

CLIENTS
7,6m

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

Good governance and ESG leadership.

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

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

World-class technology and leading digital innovations.

Top-tier client satisfaction metrics.

GROSS BANKING ADVANCES
R797bn

ASSETS UNDER MANAGEMENT
R375bn

HEADLINE EARNINGS
R5,4bn

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

MARKET CAPITALISATION
R65bn

MARKET-LEADING
digital innovations

TOP TIER CLIENT SATISFACTION METRICS – NET PROMOTER SCORE
41%

Level 1
BBBEE CONTRIBUTOR

Carbon-neutral
OPERATIONS

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

Information at 31 December 2020

What differentiates Nedbank?

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

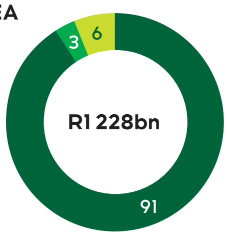
Excellent risk management track record.

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

Top-tier ESG rankings and practices.

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

ASSETS BY GEOGRAPHICAL AREA
(%)



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

Reflections from our acting Chairman

> Our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of products and services that satisfy societal needs, and through our own operations, we aim to play our part to enable a thriving society, create long-term value and maintain trust. This is particularly important in the current context of SA as well as the broader African continent.

Mpho Makwana, acting Chairman

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

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

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

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

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

THE CURVE THAT SHAPED OUR LIVES

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

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

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

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

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

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

Nedbank's central priority throughout the year was on ensuring the health, safety and well-being of our employees, clients and other stakeholders. Soon after the first few positive Covid-19 cases had been confirmed, business continuity plans were invoked. I am pleased that we have not retrenched any employees as a result of Covid-19 and have paid our 28 324 employees' salaries and benefits of R16,8bn. Our employees will remain a top priority as we work with various stakeholders to procure and fund vaccines in the months ahead.

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

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

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

LEAVING NO-ONE BEHIND

Our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of products and services that satisfy societal needs, and through our own operations, we aim to play our part to enable a thriving society, create long-term value and maintain trust. This is particularly important in the current context of SA as well as the broader African continent.

We have adopted the United Nations SDGs as a framework for measuring delivery on our purpose, and this has proven very important during this time. With a growing focus on stakeholder capitalism we will also continue to ensure our corporate governance mechanisms seek to align our goals with those of a broad base of stakeholders. We know our purpose is to create long-term value and not to maximise short-term profits and enhance shareholder value at the cost of other important stakeholder groups. We are working incredibly hard to ensure we play our part in ensuring that our systems leave no-one behind.

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

LEADING CHANGE

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

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

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

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

ENABLING INNOVATION

To remain relevant and competitive in this digital age the Nedbank Board has been proactive and focused on innovation as one of its governance responsibilities. We realise that life for our employees, clients and other stakeholders, as well as the world of financial services and banking, is likely to be materially different after the Covid-19 pandemic. As part of our business planning in the latter part of the year we identified opportunities to create new streams of revenue, enhance operations and optimise our physical footprint alongside the structure of parts of our businesses.

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

PAST RELATIONSHIP WITH REGIMENTS

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

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

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

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

APPRECIATION

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

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

BOARD EVALUATIONS

IV

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

97% — The board provides **ethical leadership**

97% — The board exercises **effective control**

90% — The board achieves **good performance**

98% — The board fulfils its **mandate** as provided in the board and board committee charters

88% — The board is generally satisfied with how **management supports** the board

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

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

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

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

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

Mpho Makwana
Acting Chairman

Read more about Nedbank's comprehensive response to the Covid-19 pandemic in our Nedbank Group Integrated Report 2020 on the following pages:

Governance 21

Support for our employees 81

Support for our clients 82

Engaging with our shareholders 83

Working with our regulators 86

Contributing to society 89

Strategic pivot 50

Revised targets 51

Digital acceleration 52 to 57

Our value-creating business model

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

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

OUR SIX CAPITALS ... ... ENABLE VALUE-ADDING BUSINESS ACTIVITIES

INPUTS

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

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

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

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

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

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

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

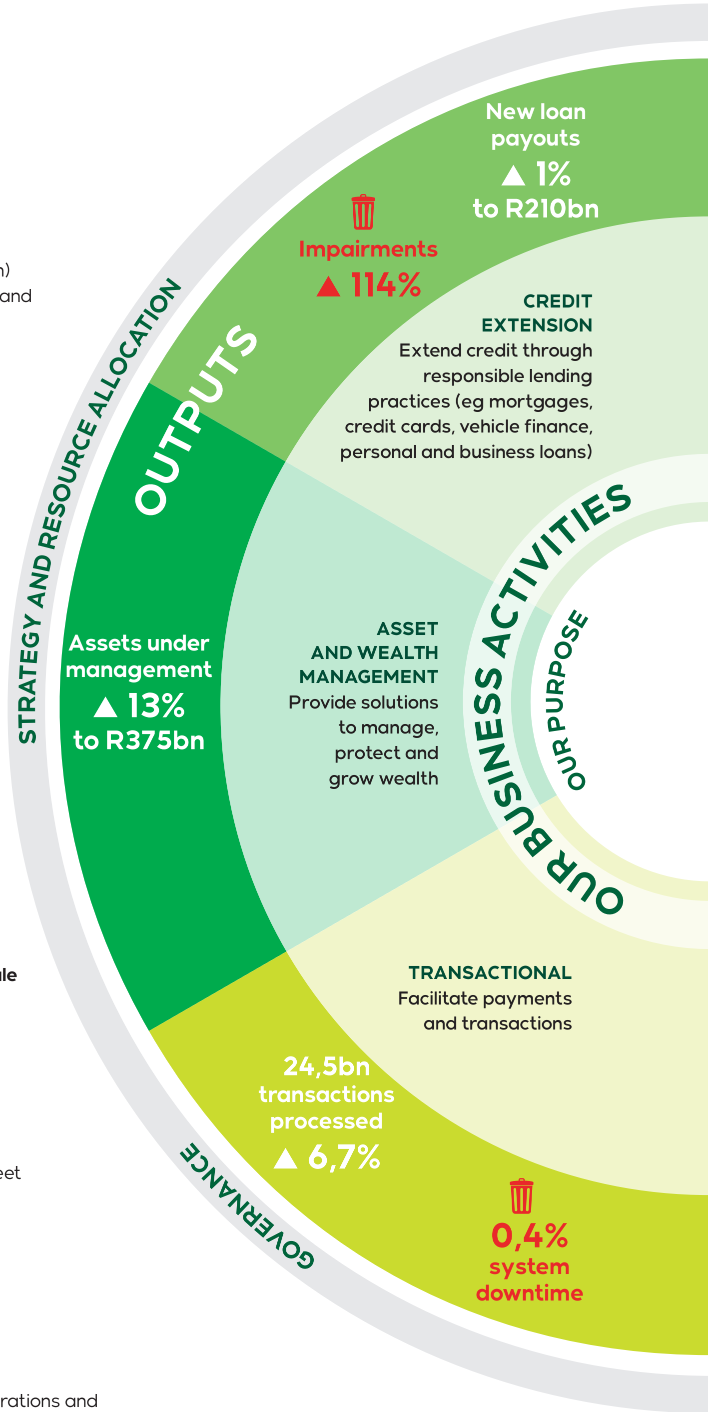
- **90 core IT systems** (2019: 117), which are being modernised as part of our technology journey
- **R11,4bn invested in our technology platform** since 2010 (2019: R9,6bn)
- **549 SA outlets** (covering more than 85% of the population in SA), **4 224 ATMs** and **102 000 point-of-sale devices** (2019: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

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

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

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

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



AND ENSURE OUR ABILITY TO CREATE VALUE IN THE FUTURE.

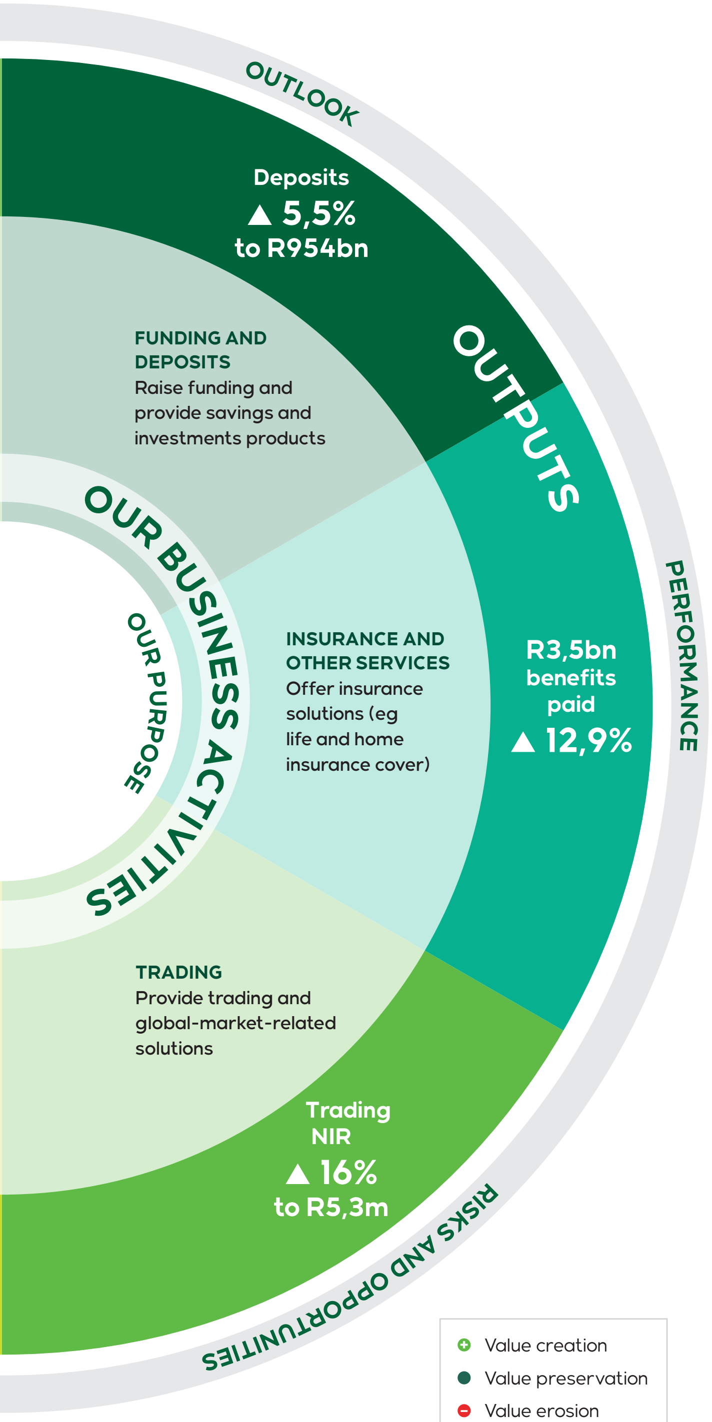
Digital transformation
accelerating the shift from physical products, services and channels to digital and client-centred solutions.

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

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

THAT CREATE ...

... VALUE FOR OUR STAKEHOLDERS



- Value creation
- Value preservation
- Value erosion

OUTCOMES

STAKEHOLDERS IMPACTED

Financial capital

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

Intellectual capital

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

Human capital

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

Manufactured capital

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

Social and relationship capital

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

Natural capital

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

Our purpose, vision, brand, strategy and values

OUR PURPOSE

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

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

OUR VISION

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

OUR BRAND PROMISE

see money differently

OUR STRATEGY TO 2023

Targets

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

Value drivers

- Growth
- Productivity
- Risk and capital management

Value unlocks

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

OUR VALUES

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

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

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

EMPLOYEES

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

Value is created and preserved through ...

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

NEDBANK GROUP

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

CLIENTS

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

Value is created and preserved through ...

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

SHAREHOLDERS

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

Value is created and preserved through ...

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

GOVERNMENT

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

Value is created and preserved through ...

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

REGULATORS

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

Value is created and preserved through ...

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

SOCIETY

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

Value is created and preserved through ...

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

Reflections from our Chief Executive

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

Mike Brown, Chief Executive

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

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

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

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

NEDBANK REMAINED RESILIENT

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

2020 TIMELINE

MARCH

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

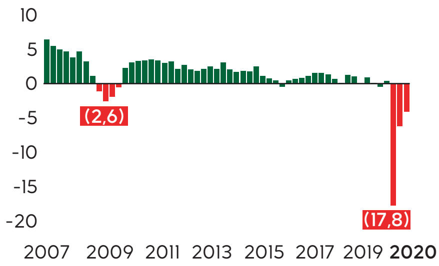
APRIL

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

MAY

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

SA QUARTERLY GDP YOY
(%)



Source: Nedbank Group Economic Unit.

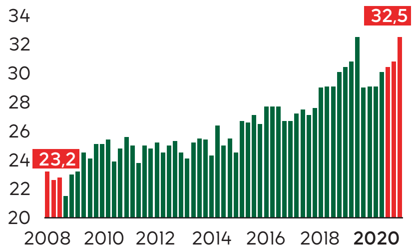
We maintained a well-capitalised and liquid balance sheet and most capital and liquidity ratios finished the year at higher levels than reported in June, reflected in our tier 1 capital ratio of 12,1%, CET1 ratio of 10,9%, average Q4 LCR of 126% and NSFR of 113% – all well within our board target ranges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

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

IMPROVED FINANCIAL PERFORMANCE IN H2

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

SA UNEMPLOYMENT RATE
(%)



Source: Nedbank Group Economic Unit.

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

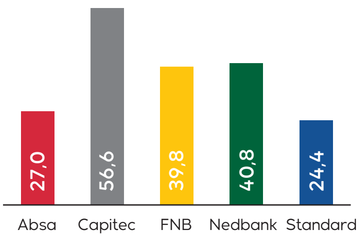
Headline earnings for the year was impacted by higher impairments and lower revenues, the latter mainly from lower levels of client activity and the impact on endowment of lower interest rates. Expenses were managed well and declined on the prior year and the group's ROE of 6,2% improved from the 4,8%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

Despite our strong capital and liquidity position at 31 December, having considered the spirit of PA Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, the vaccine rollout and its effectiveness, the group has decided not to declare a final dividend for 2020. We expect to resume dividend payments when reporting interim results in 2021.

GOOD PROGRESS ON CLIENT SATISFACTION AND OUR TECHNOLOGY STRATEGY

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

2020 CONSULTA NPS
(%)



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

JUNE

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

AUGUST

- Announced 2020 Nedbank Group interim results.

OCTOBER

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

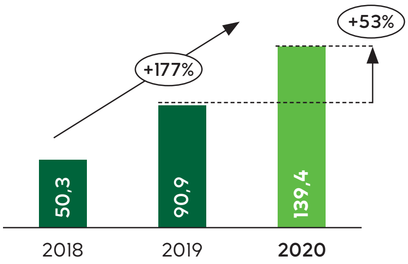
NOVEMBER

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

DECEMBER

- Covid-19 second wave emerges in SA.

APP TRANSACTION VALUES
(Rbn)



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

CREATING POSITIVE IMPACTS

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

Despite the difficult operating environment in 2020, employee engagement levels remained high. Our employee insights survey highlighted that 85% of the participating employees are proud to work for Nedbank and our employee NPS increased from seven in 2019 to 17 in 2020. We did not retrench any employees as a result of Covid-19 and paid special leave was introduced for employees who were unable to perform their duties but did not fall into the essential-services category, as well as for those in self-quarantine who were unable to perform their duties remotely.

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

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

A REIMAGINED FUTURE

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

On the back of our three-year economic forecasts from the Nedbank Group Economic Unit and our 'Reimagine' strategy we have revised our medium-term targets so that they reflect the current environment, and by the end of 2023 we aim to exceed our 2019 diluted HEPS level of 2 565 cents, achieve an ROE greater than the 2019 ROE level of 15%, reduce our cost-to-income ratio to below 54%, and rank number one in NPS among South African banks. We believe these targets have sufficient stretch to ensure they are suitably challenging and, in my experience, shareholders are better served by management setting challenging targets (even if they are not fully achieved) than by setting lowball targets that are easily met.

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

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

APPRECIATION

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

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

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

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

Mike Brown
Chief Executive

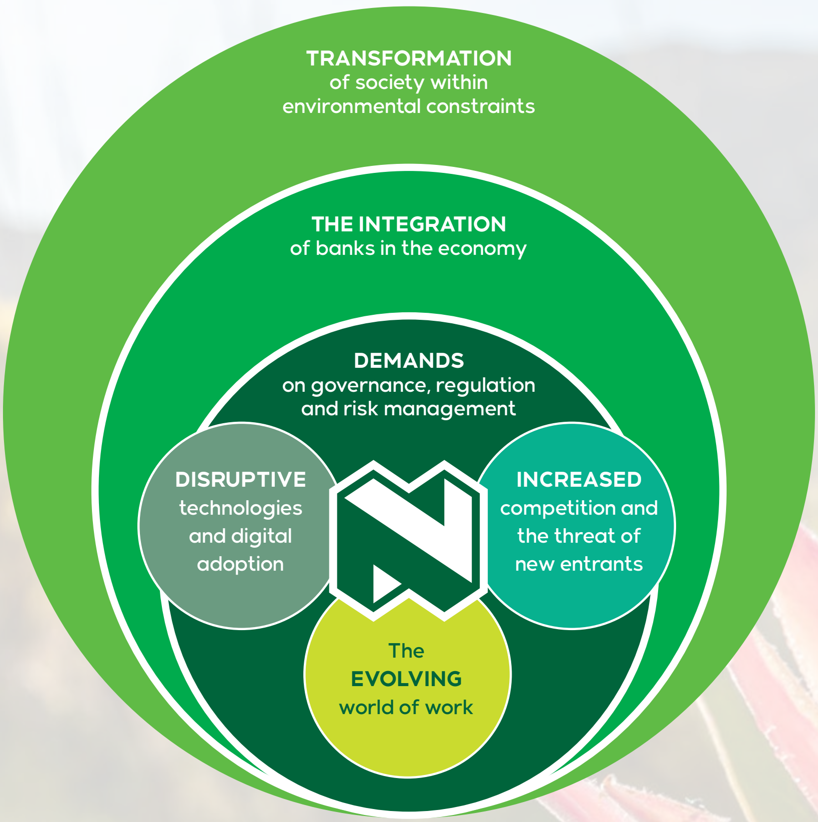
WWF NEDBANK GREEN TRUST
JOIN US IN CELEBRATING 30 YEARS OF CONSERVING THE ENVIRONMENT
AND SUPPORT NATURE CONSERVATION, AT NO COST TO YOU.
You can also do good for the environment by banking, investing and insuring with Nedbank.
The WWF Nedbank Green Trust, cofounded by Nedbank and WWF-SA in 1990, is a mutually beneficial partnership that supports nature conservation projects through community-based programmes. Since inception, we've helped raise more than R300 million for the funding of over 200 major conservation projects. These conservation projects have enabled thousands of bird species to survive and thrive.
Simply open an account and link it to Nedbank Green Affinity to support nature conservation, at no cost to you. Visit any Nedbank branch or call 0860 555 111.
To enter a competition and stand a chance to win your share of R100 000, visit www.nedbankgreen.co.za. T&Cs apply.
#30YearsConservation
see money differently
NEDBANK
T&Cs apply.
Nedbank Ltd Reg No 1951/000009/06. Authorised financial services and registered credit provider (NCRCP16).

Our operating environment

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

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

OUR MATERIAL MATTERS



DETERMINING OUR MATERIAL MATTERS

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

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

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

Assess continually to ensure our strategy remains relevant.

TOP 12 RISKS

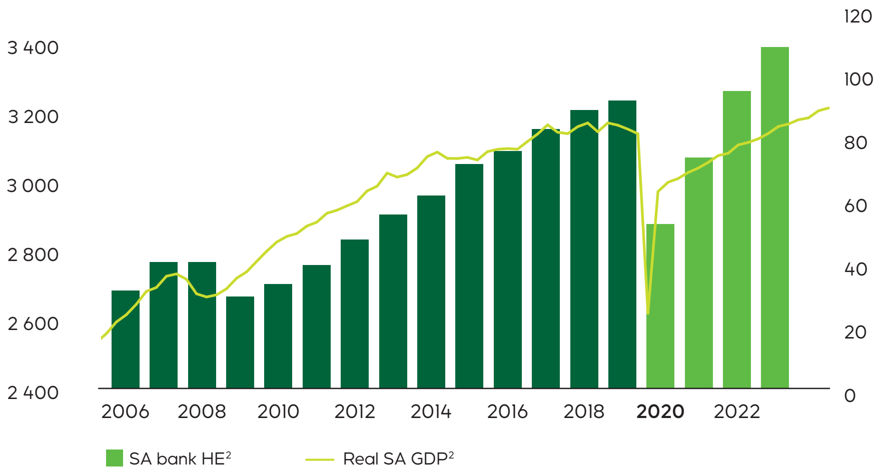
1. Business (global and country) risk
2. Credit risk
3. Strategic execution risk
4. Capital risk
5. Cyberrisk
6. Operational risk
7. Liquidity risk
8. Market risk
9. Reputational (and association) risk
10. Climate risk
11. Conduct risk
12. Regulatory and compliance risk

THE INTEGRATION OF BANKS IN THE ECONOMY

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

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

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



[1] *Nedbank Group Economic Unit.*

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

THE SOUTH AFRICAN MACROECONOMIC ENVIRONMENT

2020 was an unprecedented year as the Covid-19 pandemic and subsequent lockdowns led to a rapid slowdown in global economic growth. In SA, the pandemic and resultant domestic lockdowns had a severe impact on economic activity as South African GDP declined by 7,0%, the largest fall in this metric since World War II.

Businesses and individuals came under severe pressure and transactional volumes fell significantly in Q2 2020 before recovering somewhat into the second half of the year. In response to the economic crisis SARB cut interest rates by 300 bps, which proved beneficial to clients' cashflow as instalments on floating-rate loans declined. But this also resulted in lower endowment income for banks. On the back of these economic pressures job losses increased and many clients' current and future ability to repay debt declined, resulting in higher levels of impairment charges, now determined under more forward-looking IFRS 9 models. Notwithstanding these challenges, the overall banking sector and Nedbank demonstrated strong levels of resilience and were able to support clients while remaining well capitalised, liquid, and profitable, albeit at levels lower than the prior year.

Scenarios for the short to medium term

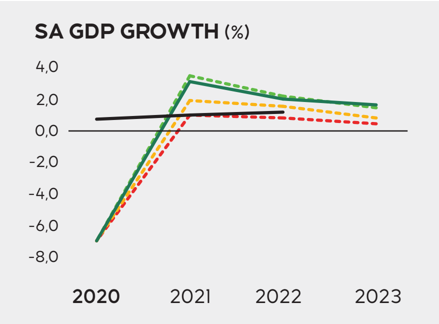
Looking forward, in an ongoing volatile and uncertain environment, we continue to assess the macroeconomic outlook by considering various scenarios.

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

BASE CASE – A SLOW CLIMB BACK TO 2019 LEVELS

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

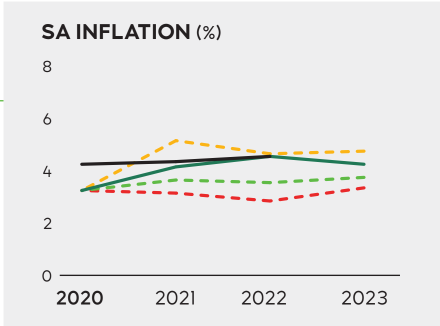
NEDBANK CET1 RATIO:
10-12%



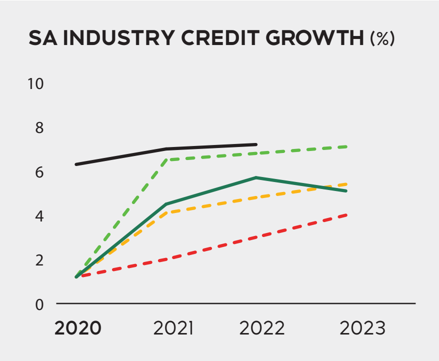
POSITIVE SCENARIO – V-SHAPED RECESSION

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

NEDBANK CET1 RATIO:
10-12%



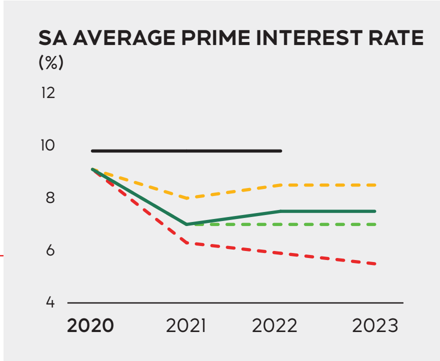
Base case (January 2020) | Base case (February 2021) | Positive | High stress | Severely adverse



NEDBANK CET1 RATIO:
10-12%

HIGH STRESS SCENARIO – LONG-TERM STAGNATION

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



NEDBANK CET1 RATIO:
> 9,25%

SEVERELY ADVERSE SCENARIO – DEFLATIONARY ENVIRONMENT

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

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

CHANGING RELATIONSHIPS BETWEEN BUSINESS, GOVERNMENT, LABOUR AND CIVIL SOCIETY

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

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

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

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

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

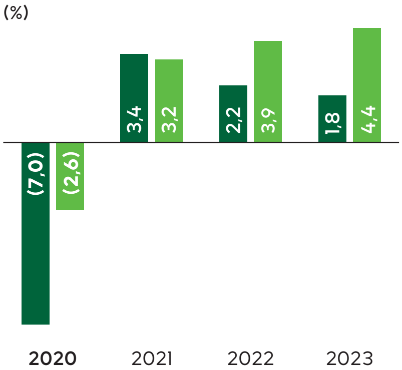
Nedbank supports government's drive to forge a new economy and will continue to work together with government and other social partners to drive fundamental and everlasting change to enable SA to emerge from the current crisis with a higher growth and more transformed economy.

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

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

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

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



■ SA GDP growth
■ SSA GDP growth (including SA)

Sources: Nedbank and IMF. Forecasts at February 2021.

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

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

OUR OPPORTUNITIES

South African economic recovery – An improvement in socioeconomic conditions, under both 'base case' and 'positive' scenarios, supports banks. Opportunities include improving sentiment and confidence driving higher levels of corporate and consumer spending and investment, growth in infrastructure and an increase in mergers and acquisitions activity. Given Nedbank's wholesale-banking strength and support of the South African infrastructure drive, we are well positioned in CIB to grow strongly when business confidence returns, while RBB will gain from improved consumer confidence. Better-than-expected macroeconomic conditions as described in our 'positive' scenario could assist a financial outperformance against our financial targets shown on pages 51 and 75 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

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

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

OUR KEY RISKS

South African economic recovery – For banks an ongoing uncertain economic environment would have a negative impact on earnings growth potential under a 'severe deflation' scenario. Key risks include slower advances growth, particularly muted retail lending and corporates not investing, lower interest rates (endowment impact), lower transactional volumes that impact revenue growth, and bad debts remaining elevated as a result of job losses and corporate defaults. Managing costs wisely is an imperative. Managing business, liquidity, credit and capital risk remains a key focus area, as is evident in how we managed risk (see more on pages 47 and 48 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

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

THE IMPACT ON OUR BUSINESS MODEL

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

TRANSFORMATION OF SOCIETY WITHIN ENVIRONMENTAL CONSTRAINTS

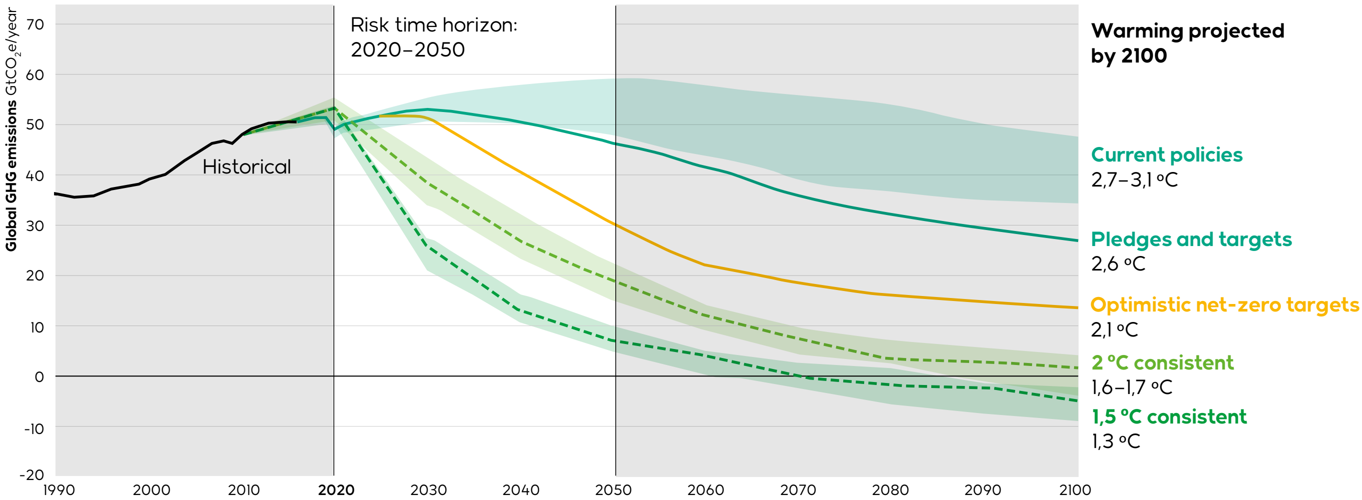
The 2021 World Economic Forum Global Risks Report highlights that if environmental considerations are not tackled with urgency, environmental degradation will intersect with societal division with dire consequences. For us this means ensuring that socioeconomic development needs are met, without further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

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

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

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

EMISSIONS TRAJECTORIES AND WARMING PROJECTIONS BY 2100
(%)



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

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

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

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

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

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

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

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

OUR OPPORTUNITIES

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

Focusing on areas that create value (SPT 2.0)

Creating positive impacts

OUR KEY RISKS

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

1 Business (global and country) risk
10 Climate risk
9 Reputational (and association) risk

THE IMPACT ON OUR BUSINESS MODEL

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

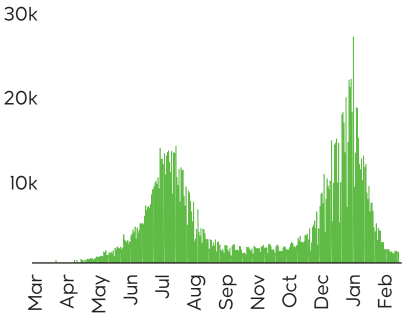
As such, we are increasingly allocating financial capital and selectively tilting financing decisions to support the delivery of the SDGs (social capital), through our strategic unlocks: SPT 2.0 and creating a positive impact, thereby growing in certain products and market segments over time. Our new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

THE EVOLVING WORLD OF WORK

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

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

SA CONFIRMED DAILY POSITIVE CASES
(Number)



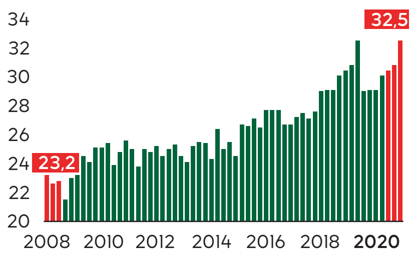
Source: sacoronavirus.co.za.

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

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

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

SA UNEMPLOYMENT RATE
(%)



Source: Nedbank Group Economic Unit.

OUR OPPORTUNITIES

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

- repurposing our real estate towards the workplace of the future, together with a world-class digital workplace experience, irrespective of where and when work is performed;
- creating an internal talent marketplace approach, supported by new digital learning offerings to grow and mobilise talent internally, while ensuring a steady supply of scarce and critical skills when needed;
- expanding our well-being value proposition to cater for employee needs more holistically as well as an improved support experience; and
- providing remote working options to access diverse talent, especially from underrepresented groups, or for scarce skills that are unavailable locally. Leading a more virtual, dispersed workforce requires new leadership capabilities. The 2021 launch of the Nedbank Human-centred Leadership Framework will be supported by a refreshed leadership development approach to empower leaders to #LeadTheDifference. See more detail on our people strategy on pages 66 and 67 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

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

OUR KEY RISKS

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

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

Employee stress, health and safety – The intensifying pace of change in the workplace, coupled with social and economic distress in our society brought about by the Covid-19 pandemic, means that employee stress and mental, physical and financial health concerns have increased. There is also a growing agenda around safety in the workplace. This poses a risk to employee engagement and productivity. Read more on how we supported our employees during these challenging times on page 81 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

3 Strategic execution risk **6 Operational risk**

The impact on our business model

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

DISRUPTIVE TECHNOLOGIES AND DIGITAL ADOPTION

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

Acceleration of digitisation

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

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

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

Cyberrisk

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

The following industry trends are illustrative of the challenges:

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

OUR OPPORTUNITIES

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

Delivering market-leading client solutions

Ongoing disruptive market activities

Focusing on areas that create value (SPT 2.0)

Driving efficient execution (TOM 2.0)

OUR KEY RISKS

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

3 Strategic execution risk
6 Operational risk
5 Cyberrisk

The impact on our business model

Digital transformation is fundamentally changing the way we do business, from client onboarding and product sales to servicing. We are moving away from paper-intensive, predominantly employee-assisted channels (manufactured capital) to more effective and cost-efficient digital solutions (intellectual capital) that also drive improved levels of client satisfaction (social capital). Internally, more than 75% of our campus-based employees have been enabled to work from home (human capital) and many of these new work practices are likely to continue post the pandemic, resulting in a new work from home policy. Read more about this on pages 67, 69 and 81 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

INCREASED COMPETITION AND THREAT OF NEW ENTRANTS

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

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

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

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

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

OUR OPPORTUNITIES

Accelerating innovation in a client-centred manner – Competition continues to challenge us to respond through new innovative solutions and market-leading client experiences. Our response has been pleasing, as evident in recent client satisfaction metrics and main-banked market share statistics as shown on pages 28 to 36 of the 2020 Nedbank Integrated Report. Investment in expansion opportunities for the commercialisation of data, adjacent markets and beyond-banking solutions has accelerated and we plan to build on Avo, our super app and first foray into platform/ecosystem solutions. More on this on pages 37 to 39 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za..

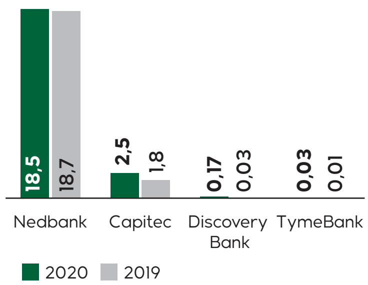
- **Delivering market-leading client solutions**
- **Focusing on areas that create value (SPT 2.0)**
- **Driving efficient execution (TOM 2.0)**

OUR KEY RISKS

Pressure on revenues – A loss of market share of certain deposits and pressure on revenue pools, brought about by lower bank fees, are key risks should our client value propositions not remain competitive or digital banking solutions become a commodity. We are responding to these risks through our growth strategies (as shown on pages 32 to 36), as well as executing our cost optimisation initiatives through TOM 2.0, discussed in more detail on pages 37 to 39 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

3 **Strategic execution risk** **6** **Operational risk**

DEPOSIT MARKET SHARE – 2020 VS 2019
(%)



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

DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

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

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

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

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

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

Our strategy

The impact of the Covid-19 pandemic has resulted in a pivot in our strategic focus since the lockdown started at the end of March 2020. Initially, our focus was on 'Resilience', as we managed the group through the most restrictive phases of the lockdown and the extreme volatility experienced in financial markets. We switched to 'Transition' as the strict level 4 and 5 lockdown levels eased, and we reintegrated our full suite of financial services. As part of business planning in the latter part of 2020, our focus shifted to 'Reimagine' as we strategised to emerge stronger in a post-Covid-19 world, create value for stakeholders and set revised medium-term targets.

STRATEGIC TILT IN 2020

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

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

Resilience (Manage the crisis) – The key focus since the pandemic started has been on ensuring the health, safety and well-being of our employees and clients (social and human capital). We invoked business continuity plans (BCPs) and enabled remote working across the enterprise as we continued to deliver essential banking services. Additionally, we focused on ensuring that our IT systems (manufactured capital) were stable and available, undertaking stress-testing scenarios and modelling potential economic outcomes, educating clients and employees about digital solutions and capabilities available to them, providing debt relief to support qualifying clients, launching new digital solutions (intellectual capital), such as Avo (our repurposed platform solution for essential services) and enabling clients to transact through digital channels. From a financial perspective, our focus was on managing liquidity, capital, market, operational and credit risk, and at the same time managing discretionary costs, with less focus on profitability other than as an initial buffer against capital (financial capital).

Transition (Enable recovery) – From Q3 2020 our focus shifted from managing the crisis to dealing with the implications thereof and reintegration of the business in a phased manner (in line with government lockdown levels). The focus was on mitigating downside risk, providing ongoing support to clients, managing costs and continuing to deliver world-class client experiences while remaining alert to any second wave of infections and market volatility. This focus positioned us well to deal with the second wave that emerged in December 2020.

Reimagine (Strategise for value creation in a new environment) – Looking forward, the environment for our employees, clients and other stakeholders, as well as the world of financial services and banking, is likely to be materially different after the Covid-19 pandemic, given the shifts in the operating environment, our material matters and the changing needs and expectations of our stakeholders. As part of our strategic planning in H2 2020, we identified opportunities to create new streams of revenue, enhance operations and optimise the structure of our businesses.

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

TARGETS, VALUE DRIVERS AND STRATEGIC VALUE UNLOCKS

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

Our vision, values and purpose, described on page 10, remain central to who we are and what we do to remain relevant. Our long-term targets remain in place, but the timeframe for reaching them has shifted out given the impact of the pandemic. These targets include growing DHEPS at or above nominal GDP plus 5%, achieving an ROE above 18% and reducing our cost-to-income ratio to below 50%.

OUR STRATEGY TO 2023

Targets

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

Value drivers

Growth | Productivity | Risk and capital management

Value unlocks

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

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

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

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

DELIVERING MARKET-LEADING CLIENT SOLUTIONS

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

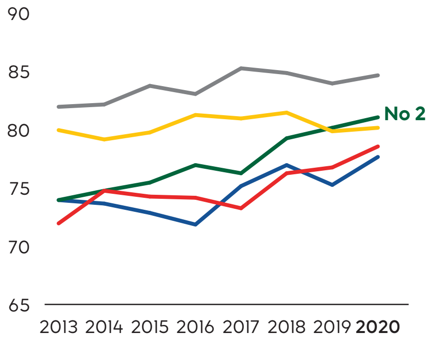
In this context, our aspiration is to be Africa's number-one digital financial services provider, to achieve a client NPS (client satisfaction) of at least 60% and rank number one among the top five South African banks, achieve 75% of our sales through digital channels and assist 70% of our clients to be digitally active. These aspirations are informed by global benchmarks, derived from financial services providers that are regarded as leaders in digital transformation, such as Sberbank, DBS and ING. Our strategy is underpinned by technology and people as key enablers, with the latter discussed on page 66 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.

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

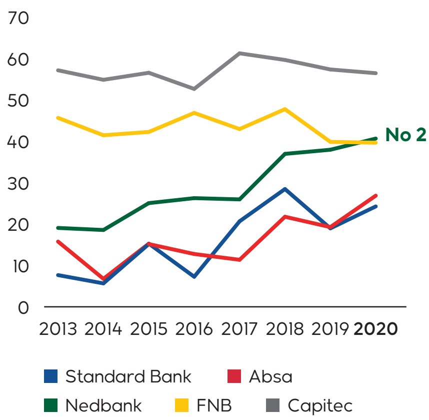
DELIGHT – CREATING GREAT CLIENT EXPERIENCES
(SOCIAL AND RELATIONSHIP CAPITAL)

- In the 2020 Consulta survey, Nedbank, through RBB, achieved a number-two position among the five largest South African banks in both client satisfaction (SAcsi score of 81,1%) and NPS metrics (score of 41%). The upward trend over the past five years positions us well to continue to differentiate ourselves in the market and reach our target of a number-one position by 2023.
- In CIB, we are increasingly seen as a leading South African corporate and investment bank, attracting both new clients and employees from other banks on the back of big shifts in league table rankings, while Nedbank Wealth continues to be differentiated across asset and wealth management and increasingly through recent innovations in insurance, such as the Nedbank Insurance on-licence personal lines solution that will be launched to the broader market in 2021 and included on numerous Nedbank digital platforms.
- Nedbank's brand ranking among South African companies increased from 10 in 2019 to eight in 2020, and Nedbank's brand was one of only two banking brands to improve value yoy in the 2020 annual review of the most valuable brands in SA by Brand Finance. Our strategic focus is aimed at entrenching Nedbank's brand positioning of 'see money differently', which is highly relevant and transcends all the segments we service.

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



NPS[1]
(%)

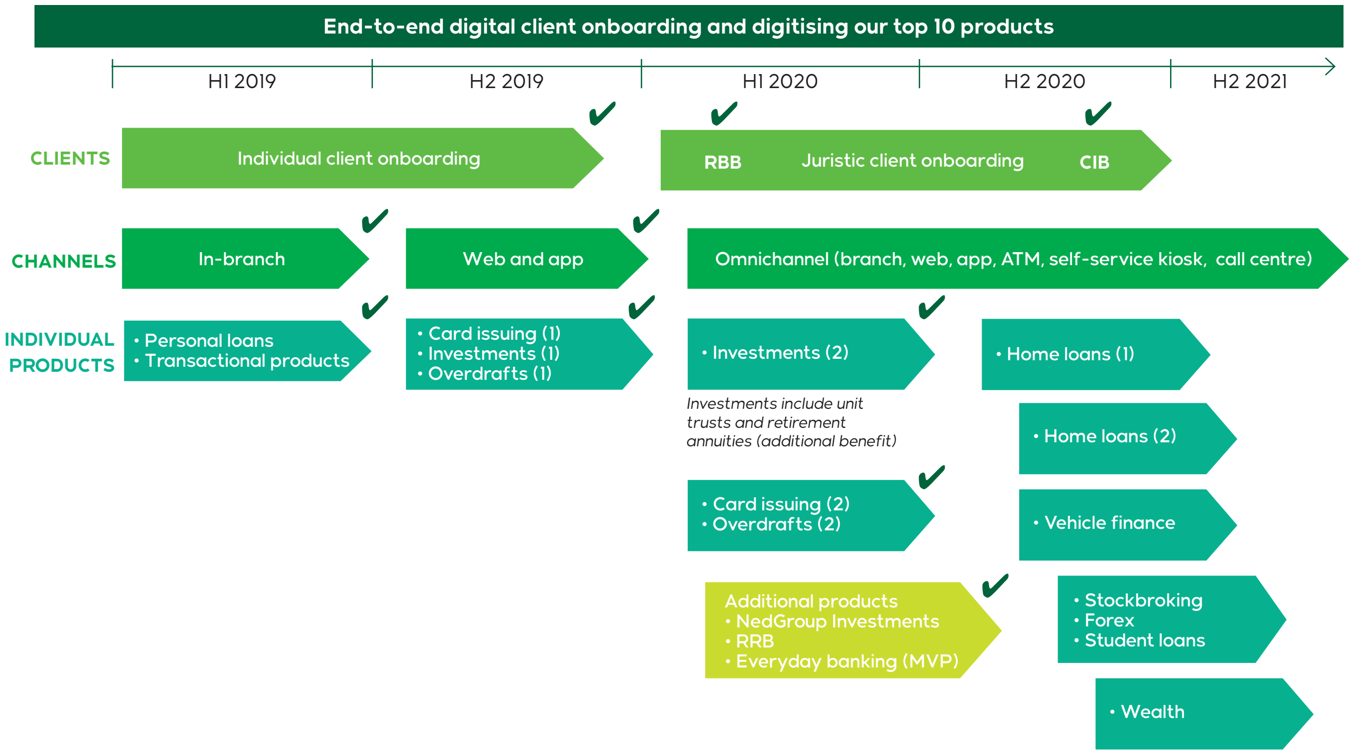


[1] *Annual Consulta survey (released March 2021).*

DIGITISE – OUR PRODUCTS AND SERVICES
(MANUFACTURED AND INTELLECTUAL CAPITAL)

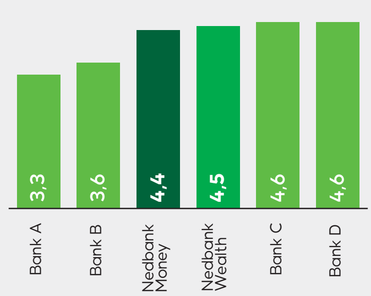
The digitisation of our products and services remains a key focus as we continue to invest in our platforms and innovative client value propositions. Our progress is reflected in the following key solutions:

Eclipse: Our simplified digital client onboarding platform for individual and juristic clients continued to mature, allowing clients to open FICA-compliant accounts remotely through our employee-assisted and self-service channels. All new client applications, transactional products and personal-loan sales are now processed through Eclipse. In 2020 we expanded digital product sales to include investments, cards and overdrafts. During the year a decision was made to pivot delivery of everyday banking solutions on Eclipse ahead of secured-lending products as we respond to a changing environment. The rollout of home loans, vehicle finance, stockbroking services, forex services and student loans should be completed in 2021. Juristic client onboarding in RBB was rolled out, with 99% of all juristic onboarding in December 2020 completed via Eclipse in RBB, while the CIB rollout is progressing well.



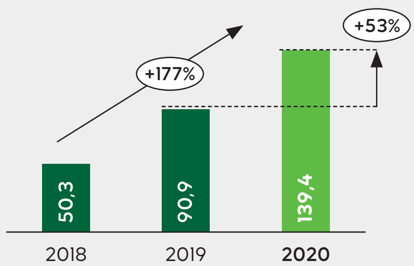
Apps: The Money app, which makes banking more convenient for our retail clients, is now used actively by 1,2 million clients, up 42% from 2019. It continues to be rated highly on the Apple App Store and Google Play Store, with an average client rating of 4,4 (out of 5). Transaction volumes on the app increased by 70% and transaction values increased by 53% compared to 2019. The Nedbank Private Wealth app, which offers integrated local and international banking capabilities, has been downloaded nearly 24 000 times and has an average rating of 4,5 on the Apple App Store and Google Play Store. The Nedbank Money (Africa) app was launched in May 2019 and has almost 55 000 enrolled app users in Namibia, eSwatini, Lesotho and Zimbabwe.

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

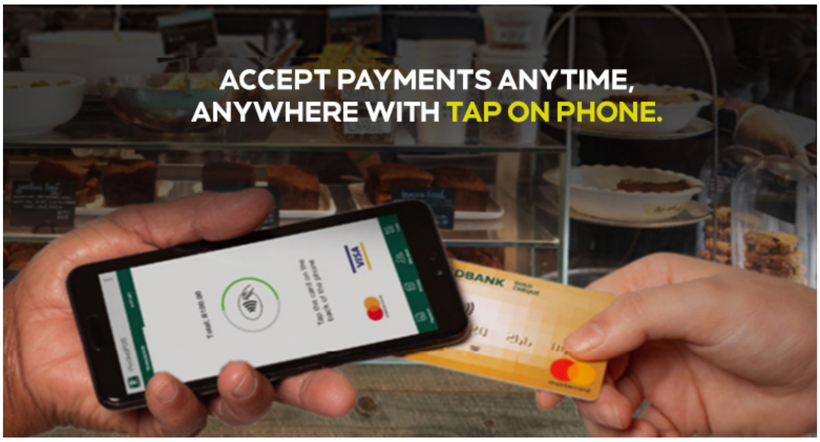


[2] *Average of Apple App Store and Google Play Store client ratings (February 2021).*

APP TRANSACTION VALUES
(Rbn)



- **Tap on phone and QR code ATM withdrawals:** We launched SA's first tap-on-phone functionality, allowing all merchants and business owners to convert their phones into payment acceptance devices to meet the needs of customers who are increasingly looking for contactless ways to pay. This tap-on-phone functionality is a first for Africa, and Nedbank is currently the only bank to offer this capability. In February 2021, in another first for the South African banking industry, we launched QR code functionality in the Money app that allows clients to draw money at an ATM without touching these devices, contributing to enhanced hygiene protocols.
- **Loyalty and rewards:** Our enhanced loyalty and rewards solution (a money management programme providing incentives for better money management, doing good for society and enabling clients to earn rewards) continued to gain traction. To date we have signed up more than one million Greenbacks members on the new platform and have so far acquired over 300 000 new members since launching the new programme in September 2019, an increase of 28%.



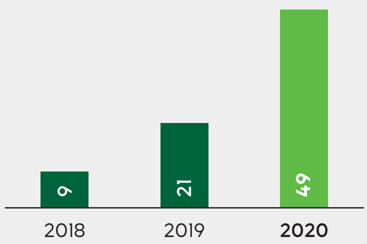
School payment solution – The Karri app is an integrated message-based, payment, collection and reconciliation app that we developed to solve a niche problem experienced by schools. Karri enables parents to make school-related payments within seconds – at the same time relieving schools, parents and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

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

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

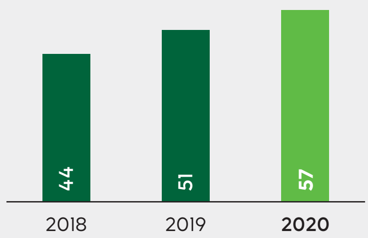
Digital sales – On the back of Eclipse and the introduction of new digital channels, digital sales in RBB increased to 49% of all sales (from 21% in 2019), with a target of more than 75% in the medium term. Excluding MobiMoney, digital sales increased to 26% (from 12% in 2019).

DIGITAL SALES
(%)



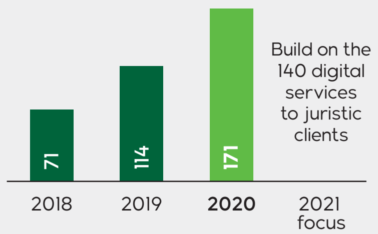
Digital activity – Our clients' access to banking improved, as digitally active Retail users increased by 25% to 2,2 million. This equated to 30% of total clients (medium-to-long-term target of 70%) and 57% of digitally active main-banked clients respectively. Digitally active clients in our NAR businesses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

DIGITALLY ACTIVE CLIENTS
(% of main-banked clients)



Digital servicing – During 2020 additional self-service options for functions that were previously available only in branches or through staffed channels were released on our digital channels, taking the total digital self-service functions to 171 (compared with 114 in 2019). This digitisation of services in Retail, along with the impact of the lockdown, has enabled us to increase digital service volumes by 187%. These include self-service options such as balance enquiries, transfers between accounts, beneficiary management, limit changes and card freezes. In 2021 and beyond, our focus will be on maturing and rolling out more digital services to our juristic clients in Business Banking and CIB.

RETAIL SERVICES DIGITISED
(Number of services)



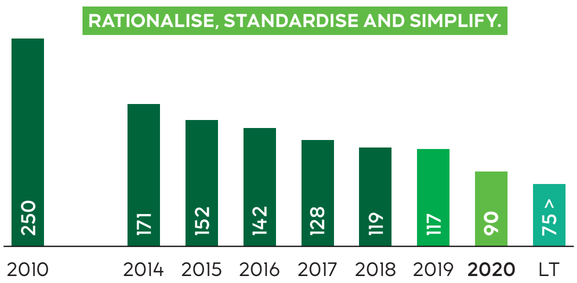
OUR TECHNOLOGY STRATEGY: MANAGED EVOLUTION

(MANUFACTURED AND INTELLECTUAL CAPITAL)

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

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

CORE SYSTEMS
(Number of systems)



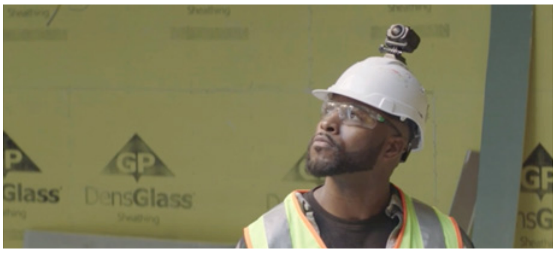
ONGOING DISRUPTIVE MARKET ACTIVITIES

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

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

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

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

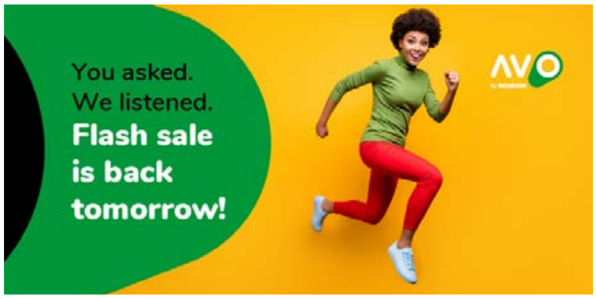


    - o In **RBB,** to commercialise AI in the marketing intelligence space, we have created an AI-driven engine (Adam) that drives personalised interactions with clients. It addresses a relevant need, reaches the client at a relevant time, and is conveyed in the relevant language and imagery. This results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

CASE IN POINT

Avo – our repurposed ecosystems solutions

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



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

GROUP INFORMATION TECHNOLOGY COMMITTEE (GITCO)

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

Dr Mantsika Matooane (Chair)

Ensuring and protecting value in 2020

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

Resilience

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

Transition

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

Reimagine

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

Focus of 2021 and beyond

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

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

Stakeholders

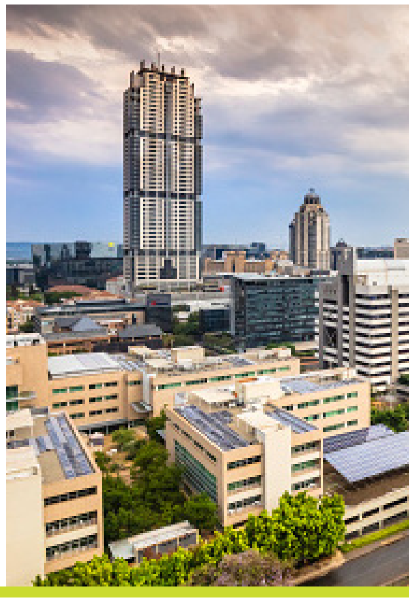
Clients
Regulations
Employees
Shareholders

Top 12 risks

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

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

FOCUSING ON AREAS THAT CREATE VALUE (SPT 2.0)



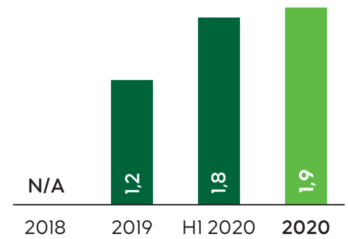
As we reimagined our strategy at the end of 2020, we have increased our focus on areas that create value (financial capital), particularly now that we have a more complete set of digital solutions in place to deliver on our targets and ambitions. Our response, SPT 2.0, is a groupwide strategy that is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

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

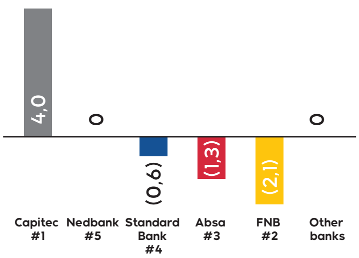
Our transactional-banking strategy starts by delivering market-leading client experiences that will lead to growing and retaining our clients, and deepening our share of wallet as we convert new and existing clients into main-banked and transactional-banking clients. Growing our transactional-banking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

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

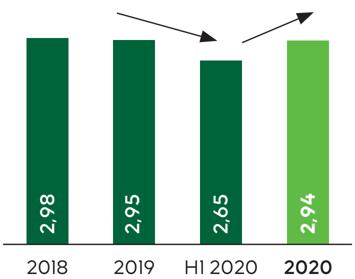
RETAIL CROSS-SELL RATIO
(Number of products per client)



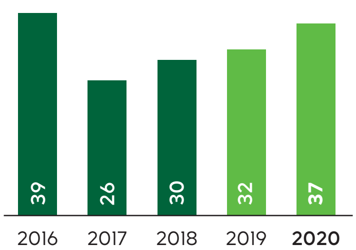
CONSULTA MAIN-BANKED MARKET SHARE
(Change 2020 vs 2019 and rank)



RETAIL MAIN-BANKED CLIENTS
(m)



CIB PRIMARY-CLIENT WINS
(Number)



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

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

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

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

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

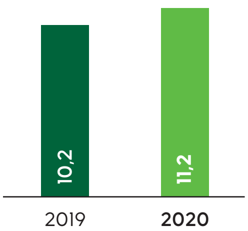
CASE IN POINT

Leveraging digital innovation to achieve SPT 2.0

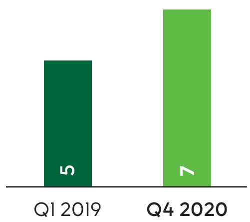
In 2019 personal loans became one of the first products to be fully digitised. We totally re-engineered the client and loans application process, moving from complex, multiple-page paper forms to a simplified digital application that is prepopulated with Nedbank and external feeds, and in many cases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

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

PERSONAL LOANS MARKET SHARE
(%)

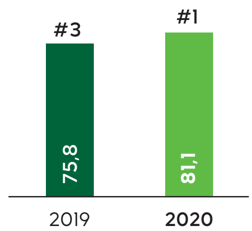


PERSONAL LOANS PAID INTO A NEDBANK TRANSACTIONAL ACCOUNT
(Out of 10)



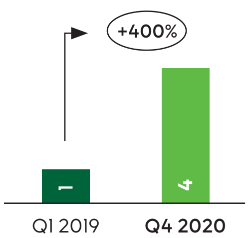
Existing Nedbank clients (out of 10)

CLIENT SATISFACTION SCORE (SAcsi)
(%)

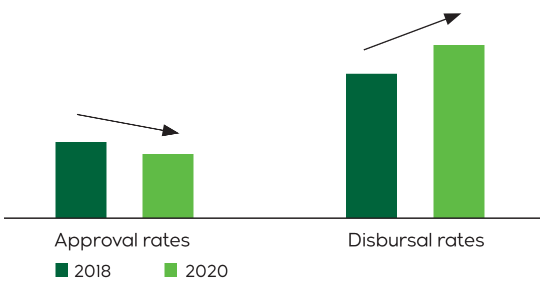


Rank among South African banks: #

NEW TO NEDBANK CLIENTS
(Out of 10)



LOAN APPROVAL AND DISBURSAL RATES
(%)



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

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

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

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

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP CREDIT COMMITTEE (GCC)

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

Errol Kruger (Chair)

Ensuring and protecting value in 2020

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

Focus for 2021 and beyond

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

Stakeholders

Clients
Regulators
Employees
Shareholders

Top 12 risks

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

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

DRIVING EFFICIENT EXECUTION (TOM 2.0)

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

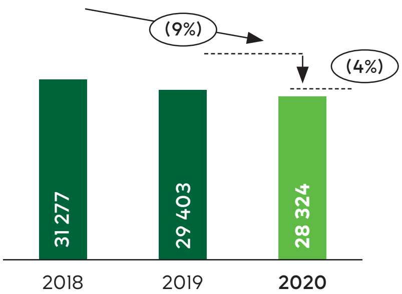
Central to us achieving our medium-term cost-to-income-ratio target of less than 54% and long-term target of less than 50%, is optimising the efficiency of our operations.

DELIVERING ON TOM 1.0

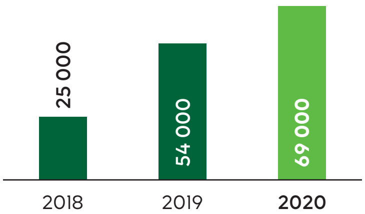
Nedbank has always been highly regarded for its ability to manage costs wisely, and during 2020 the focus increased as we managed discretionary spend actively and leveraged existing initiatives to reduce costs by 1%.

- Overall, investment in various foundational IT programmes are either complete or nearing completion, and we expect annual IT cashflow spend to remain similar or continue to decline from here, after having peaked in 2017 at just over R2bn. Aligned with this, we reduced our core systems by a further 27 to 90 in 2020, with the aim of reducing it further to less than 75.
- The digitisation of services in RBB, along with the impact of the lockdowns, has enabled us to increase digital service volumes by 187% and reduce branch teller volumes by 42%. Branch floor space has decreased by almost 57 000 m² to date (the decrease was by about 15 000 m² in 2020) and staffed points of presence declined by 40 in 2020 to 549.
- Through our strategy of consolidating and standardising corporate real estate, our number of campus sites (offices) has decreased from 31 to 26 over the past two years, with a longer-term target of 19. Since 2016 we have saved almost 69 000 m² and saved around 15 000 m² in 2020. In the next few years we will continue to optimise the portfolio by enhancing workstation utilisation to greater than 100% (from the current 94%) by enabling flexible office constructs to support more dynamic ways of work as well as leveraging successful work-from-home experiences as a result of Covid-19, while creating further value and cost-reduction opportunities.
- As we respond to a digital world, our total group headcount was reduced by 1 079 to 28 324, mainly through natural attrition, and we believe this trend will continue.
- Our TOM 1.0 initiative recorded additional savings of R675m in 2020, translating to cumulative savings of R1,8bn to end-2020, which is ahead of our R1,2bn target by December 2020, as disclosed in the corporate performance targets in our long-term incentive scheme.

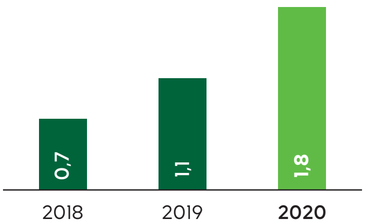
GROUP EMPLOYEES
(Number)



CORPORATE REAL ESTATE FLOOR SPACE SAVED
(m²)



CUMULATIVE TOM 1.0 BENEFITS
(Rbn)



LOOKING FORWARD (TOM 2.0)

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

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

Channel infrastructure transformation to reflect a digital operating model

Diversified distribution formats
Megastore Branch, Nedbank Express Branch, Easy Access Branch

Nedbank-owned distribution ▼
Partner distribution ▲

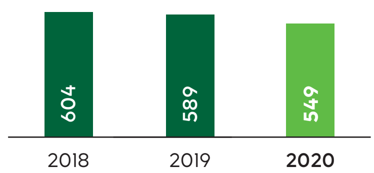
Flexible workforce
In-store (fixed), in/out-store employees (flexi) and community activators (mobile force)

underpinned by

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

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

SOUTH AFRICAN OUTLETS/BRANCHES
(Number)



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

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

Client-centred organisation that enables focused optimisation

	Client value	Revenue	Expenses	Operational complexity
Strengthen focus on segment value delivery (eg client segment, product)	■	■	□	□
Touchpoint cohesion (better client interaction)	□	□	□	■
Consolidation of operations (client servicing, product administration and risk – credit/ops)	□	□	■	□

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

CREATING POSITIVE IMPACTS

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

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

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

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

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

Positive developments in 2020 included the following:

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

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

Mike Brown, Chief Executive

Looking forward

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

2020

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

2021

Adopt and disclose our new energy policy.

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

Increase financing for embedded energy projects to R2bn.

Release Nedbank's inaugural TCFD Report.

2025

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

2030

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

2035

No new finance for oil production.

2045

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

2050

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

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP CLIMATE RESILIENCE COMMITTEE (GCRC)

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

Brian Dames (Chair)

Focus for 2021 and beyond

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

Stakeholders

- Clients
- Shareholders
- Employees
- Society

Top 12 risks

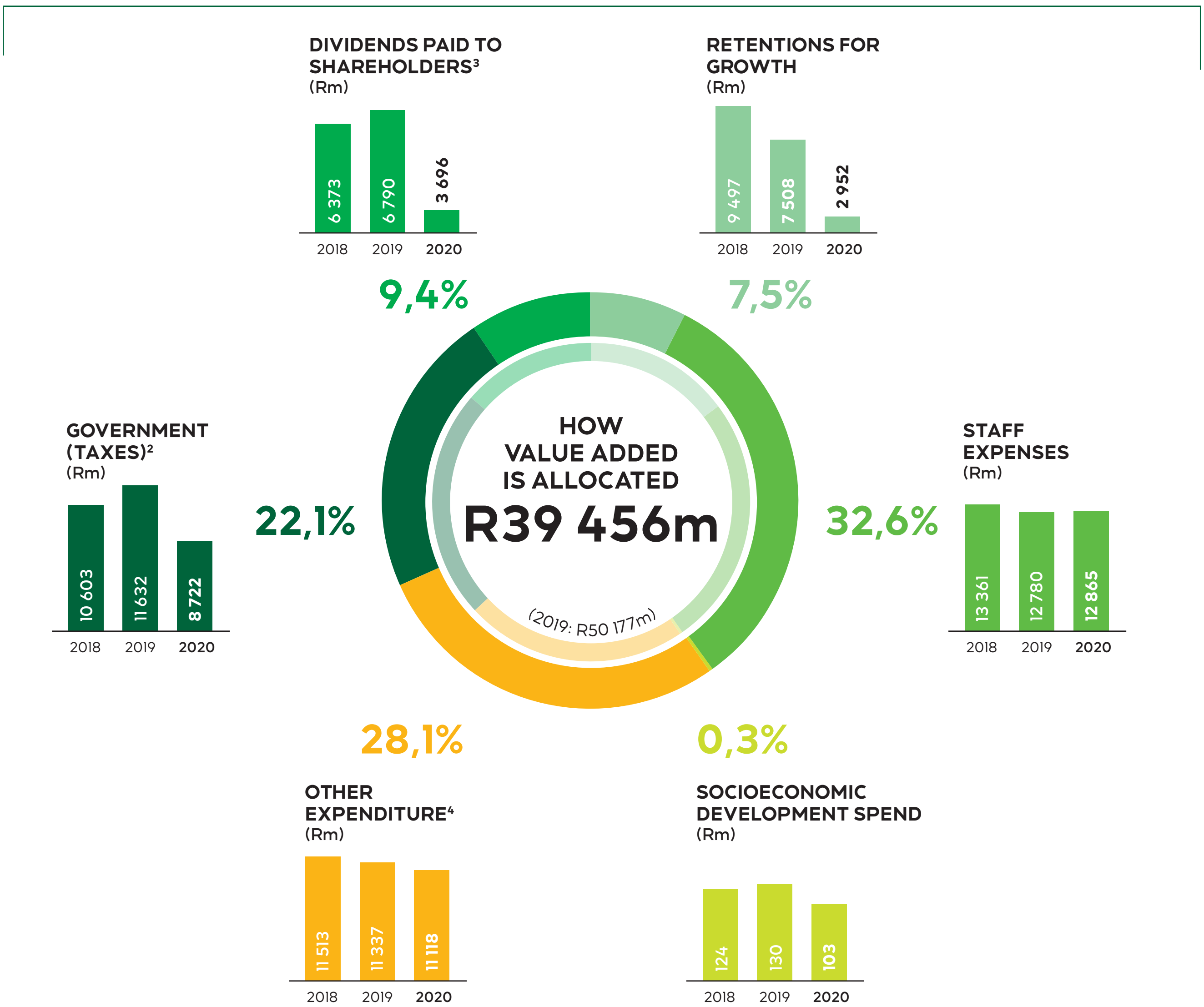
1 Business (global and country) risk
2 Credit risk
3 Strategic execution risk
10 Climate risk

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

Value for stakeholders

Nedbank continues to play an important role in society and in the economy, and this role has been elevated during the Covid-19 crisis. We remain committed to delivering on our purpose of using our financial expertise to do good and to contribute to the well-being and growth of the societies in which we operate by creating value to our employees, clients, shareholders, regulators and society. In 2020 profitability and returns were not our primary focus as we supported our stakeholders during difficult times.

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



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

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

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

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

INVESTING IN OUR EMPLOYEES

Quality of relationship: Falling short — Excelling

Yoy change

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

Value creation, preservation and erosion in 2020

- Despite the difficult operating environment in 2020, employee engagement levels remained high. Our employee insights survey highlighted that 85% of the participating employees are proud to work for Nedbank and our employee NPS increased from seven in 2019 to 17 in 2020, and we would like to improve this metric further over time.
- Before the crisis emerged in 2020, we concluded annual salary increases with our bargaining-unit employees at 6,3%. Non-bargaining-unit employees received increases of no more than 4,0% and executive management zero increases. In 2021, average salary increases for our bargaining-unit employees is 4,0%, again ahead of non-bargaining-unit employees at an average of 3,0%.
- We provided ongoing development and training (R924m spend, up from R760m in 2019). Employee uptake of digital learning during the lockdown increased significantly with 45 565 online LinkedIn Learning courses completed, up 183% on the prior year.
- We enabled more than 16 500 employees (more than 75% of campus-based employees) to work from home as business continuity plans were seamlessly activated with the ongoing support of our technology teams. Many of our work-from-home practices will continue into the future.
- We increased our focus on the physical, mental and financial well-being of our employees through various interventions.
- Staff attrition reduced to 7,1% from 10,8% in 2019 and remained below the industry benchmark of 11–13%, although total employees reduced by 1 079. As our operating model evolves in a digital world (TOM 2.0), we expect to see further reductions over the next few years.
- We have not retrenched any employees as a direct result of Covid-19 and paid our 28 324 employees' salaries and benefits of R16,8bn. Paid special leave was introduced for employees who were unable to perform their duties and did not fall into the essential services category and those in self-quarantine who were unable to perform their duties remotely.
- We continued to focus on diversity as a key imperative to ensuring Nedbank remains relevant in a transforming society. Black representation is more than 78% and female representation just over 61%.
- While our Agility Centre successfully redeployed 234 employees into alternative roles within Nedbank, 18 employees were regrettably retrenched as a result of changes in operational requirements.

Value creation · Value preservation · Value erosion

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

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

CASE IN POINT: Pivoting our people agenda in the face of the Covid-19 pandemic

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

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

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

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

SDG IMPACTED:

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

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

Quality of relationship: Falling short — Excelling

▷ Yoy change

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

Value creation, preservation and erosion in 2020

- ⊕ Client satisfaction at high levels:
  - In the 2020 Consulta survey, Nedbank achieved a number-two position among the five largest South African banks, and recorded the largest increase over the past five years in both the SAcsi (81%) and NPS (41%) independent surveys.
  - Apple App Store and Google Play Store ratings for our apps remain above 4,3 out of 5.
  - Our focus on client satisfaction during the crisis enabled Nedbank to be ranked consistently number one or two on social media net sentiment by BrandsEye.
  - Nedbank was announced winner of both the 'Most Helpful Bank in Africa during Covid-19' and 'Most Helpful Bank in SA during Covid-19' categories by The Asian Banker as part of their consumer surveys.
- ⊕ Client access to banking improved, as digitally active retail users increased by 25% to 2,2 million. This was supported by system uptime at a historic high of 99,6%.
- ⊕ We continued with the rollout of our end-to-end digital onboarding, and sales and servicing capabilities as part of our ME technology journey, which have proven to be beneficial for our clients during this time, evident in digital sales increasing to 49% of total sales (from 21% in 2019).
- ⊕ We were awarded the 'Energy Deal of the Year' at the African Banker Awards, won first place at the DealMakers Awards for BEE deals by value and volume, and ended the year second in debt capital markets league tables by value and volume (in both categories: including and excluding self-led deals).
- ⊕ Our asset management business, Nedgroup Investments increased client AUM by 13% to R375bn, supporting clients to grow and protect their wealth.
- ● We ensured the health and safety of our clients by maintaining high standards of hygiene, social-distancing practices and increased usage of our digital solutions.
- ● We safeguarded R954bn of deposits at competitive rates.
- ● We supported more than 400 000 clients who were in good standing at 29 February 2020 with payment relief (payment holidays) on more than R120bn of loans.
- ● We made R210bn in new loan payouts to enable clients to finance their homes, vehicles and education, as well as to grow their businesses and help them manage through a difficult period in 2020.
- ⊖ We received 79 135 complaints in 2020 (2019: 72 506), however, only from 1% of our total client base and 98,7% of the complaints were resolved within SLA timelines, and only 1,5% were escalated to the Ombudsman.

⊕ Value creation ● Value preservation ⊖ Value erosion

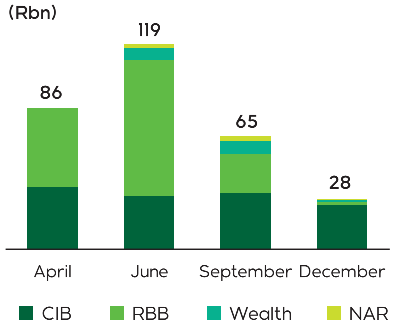
R121bn
PAYMENT RELIEF PROVIDED

#2
SOUTH AFRICAN BANK RANKED ON CLIENT SATISFACTION METRICS

R954bn
DEPOSITS SAFEGUARDED

R375bn
AUM

D3/2020 RELIEF PROVIDED
(Rbn)



CASE IN POINT: Supporting our clients during the Covid-19 pandemic

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

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

SDG IMPACTED:

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

Quality of relationship: Falling short — Excelling

Yoy change

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

Value creation, preservation and erosion in 2020

- (Value creation) We ensured transparent, relevant and timeous reporting. We enhanced our disclosures to shareholders, particularly around credit risk (regarded as market-leading) and hosted numerous virtual investor engagements, which were accompanied by a significant increase in investor attendance.
- (Value creation) In an environment of heightened forecast risk, our financial performance was in line with the 2020 guidance we provided as part of our interim results.
- (Value creation) The group's ESG ratings remain in the top tier of its peer group, both locally and internationally.
- (Value preservation) We successfully hosted our first virtual AGM in 2020 and recorded good voting outcomes.
- (Value preservation) Nedbank became the first company in SA proactively to table two climate-change-related resolutions, which shareholders unanimously supported as both received 100% votes of approval. In April 2021 we delivered on these resolutions by releasing our first TCFD Report and our new energy policy.
- (Value preservation) We remained resilient through the crisis and maintained a strong balance sheet to protect us against downside risk, as evident in capital and liquidity ratios that were within board-approved ranges and well above regulatory minima.
- (Value erosion) The group's financial performance reflects a very difficult environment as headline earnings declined by 56,5% to R5,4bn and the ROE of 6,2% was below our COE of 14,5%.
- (Value erosion) The Nedbank share price declined by 40% in 2020 compared to the JSE South African banks index declining by 22%. We continue to focus on delivering on our strategy and enhance disclosure to address key issues investors may have. We are focused on ensuring we can return our financial performance to pre-Covid-19 levels, as illustrated in our 2023 and long-term targets shown on page 51.
- (Value erosion) Despite our strong capital and liquidity position at 31 December the group has decided not to declare a final dividend for 2020. This is after having considered the spirit of the PA's Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness. Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021.

Value creation | Value preservation | Value erosion

Key issues we engaged on with the investment community

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

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

Main topics of discussion	Our response and actions
Commercial-property finance	During the year we continued to provide best-in-class disclosures relating to our commercial property finance advances portfolio. Notwithstanding industry pressures brought about by Covid-19, our portfolio proved to be resilient as the commercial-property sector performed better than we had expected and we benefited from our well diversified, highly collateralised portfolio. The sector is likely to remain under pressure for the foreseeable future, but we are confident that through the impairment overlays raised in 2020 and by working closely with our clients, that our CPF business will continue to perform well.
Investment case drivers/outlook	A key focus for investors was trying to understand how the value drivers of banks are likely to play out after the crisis, including when dividend payments will resume, when HE (and DHEPS) will return to pre-crisis levels (2019) and when ROE will get back to above COE. We aim to have DHEPS and ROE above 2019 levels by end 2023 and declare dividends in 2021 (in line with PA Directive 3/2021). Delivering on these targets, supported by our strategy, as described on pages 26 to 41, should underpin value creation for shareholders, particularly in the context of Nedbank's relatively low price-to-book ratio of 0,8 times (March 2021), which is well below the 15-year average of around 1,5 times.
Progress on RBB's positioning in a competitive environment	Nedbank is increasingly differentiating itself in the market and in 2020 we made significant progress on the key drivers of future value creation that supports RBB being a much stronger player in the market. In the 2020 Consulta main-banked survey, Nedbank was the only one of the big four banks to hold its market share (11,2%) and overall the second-best performer among all banks. On client satisfaction metrics, we improved our ranking to number two among the top five South African banks in both the SAcsi and NPS surveys with our aim to be number one by 2023. Cross-sell on new retail client sales increased to 1,9 times from 1,2 times in 2019. This was supported by the group's progress on the Managed Evolution programme being 78% complete and TOM 1.0 savings ahead of incremental IT amortisation.
Remuneration	Following engagements with shareholders and enhancements to our remuneration practices in 2020, we were pleased that resolutions relating to our remuneration policy and implementation report received more than 98% of votes of support at our 53rd AGM. The 2019 outcomes were well received, along with the CPT changes (cost-to-income and inclusion of goodwill). In context of the Covid-19 crisis and the need to retain, motivate and attract key employees, as well as poor LTI vesting outcomes (as historic CPTs will not be met given the unprecedented impact of Covid-19), the Remco made changes to the 2021 scheme, as discussed on pages 95 and 96 of the 2020 Nedbank Integrated Report available online on our group website at nedbankgroup.co.za.
Reputational matters	In February and March 2021 Nedbank engaged with various shareholders on reputational matters in the media in respect of our historic relationship with Regiments as discussed on page 6.

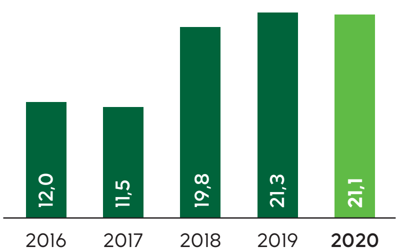
Key shareholding changes

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

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

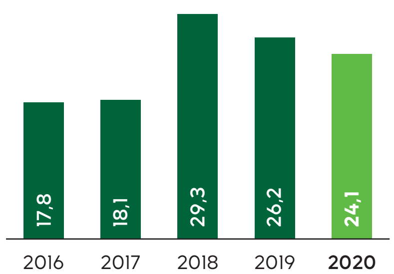
[1] *Old Mutual retains a strategic minority shareholding in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial holders.*

INDEX-CLASSIFIED SHAREHOLDING
(December, %)



Source: JP Morgan Cazenove.

FOREIGN SHAREHOLDING
(December, %)



Source: JP Morgan Cazenove.

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

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

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

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP RELATED-PARTY TRANSACTIONS COMMITTEE (GRPTC)

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

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

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

Focus for 2021 and beyond

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

Stakeholders

Regulators
Shareholders

Top 12 risks

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

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

ENSURING SUSTAINABLE BANKING WITH OUR REGULATORS

Quality of relationship: Falling short — Excelling

Yoy change

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

Value creation, preservation and erosion in 2020

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

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

Value creation · Value preservation · Value erosion

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

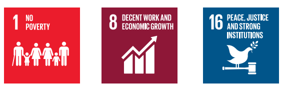
CASE IN POINT

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

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

- **Liquidity –** SARB changed its liquidity management strategy to assist with the orderly transmission of liquidity through the financial system. Through Directive 1 (D1/2020) the regulatory minimum for the LCR was reduced from 100% to 80%. The minimum LCR requirement will remain in force until such time as financial markets normalise, whereafter banks will be required to restore their LCR above the minimum 100% over an appropriate phase-in period. The changes to the minimum LCR requirement are aligned with actions taken by international regulators.
- **Credit –** The PA issued D3/2020, amending the requirements specified in D7/2015 to provide temporary relief to banks when dealing with any Covid-19-related distressed restructures for qualifying clients whose loans were up to date at 29 February 2020. This assisted banks to manage the procyclical nature of the crisis and continue to support the real economy.
- **Capital –** The PA issued D2/2020, which allows for the temporary removal of the systemic risk buffer, or Pillar 2A capital requirement, which was reduced from 1% in total CAR to zero. Banks are allowed to use their capital conservation buffers, including the additional loss absorbency requirements that were built up by D-SIBs. These measures were not required since banks' capital levels remained strong during the crisis.
- **Competition –** A block exemption was issued by the Department of Trade, Industry and Competition allowing banks collectively to formulate the SME Loan Guarantee Scheme with National Treasury and SARB and to engage and agree on client relief measures, such as assisting South African Social Security Agency (Sassa) beneficiaries and announcing payment holidays during the pandemic.

SDG IMPACTED:



CREATING A POSITIVE IMPACT IN SOCIETY

Quality of relationship: Falling short — Excelling

Yoy change

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

Value creation, preservation and erosion in 2020

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

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

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

Making an impact through sustainable development finance

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

SDG 4: QUALITY EDUCATION

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

SDG 6: CLEAN WATER AND SANITATION

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

SDG 7: AFFORDABLE AND CLEAN ENERGY

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

SDG 8: DECENT WORK AND ECONOMIC GROWTH

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

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

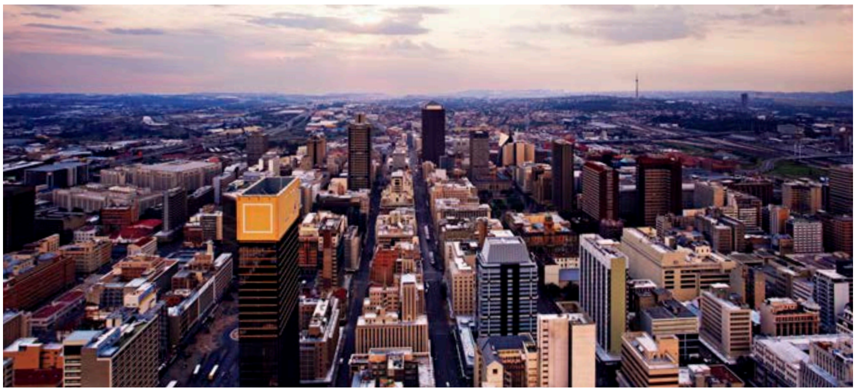
- Concluded a US$296m project finance deal for the Beitbridge Border Post upgrade and modernisation project in Zimbabwe.

SDG 10: REDUCED INEQUALITIES

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

SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

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



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

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

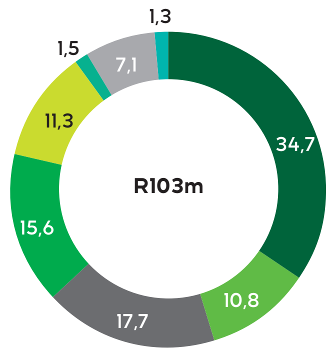
SDG 15: LIFE ON LAND

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

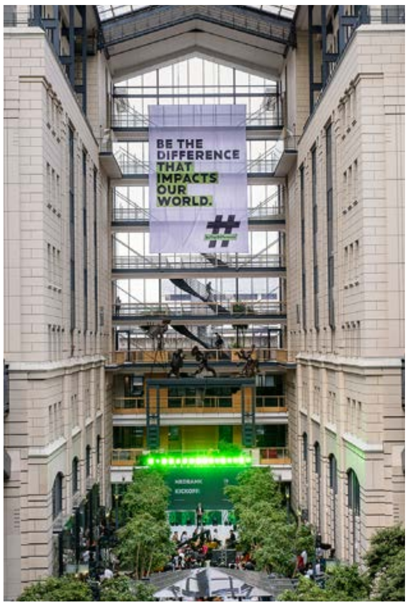
Making an impact in 2020 through corporate social investment

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

TOTAL CSI
(%)



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



Reducing our environmental impact

Resource usage reduction targets

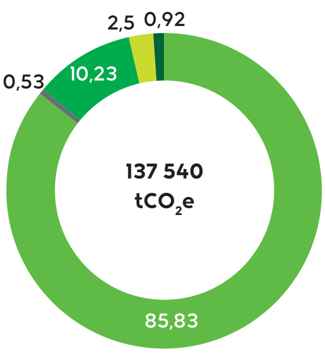
We continue to set reduction targets to limit the impact of our operations on the environment. These targets clearly specify the resource usage levels to which we aspire as a group and that we use to guide behaviour at group, cluster, business unit, team and individual level. Most targets were met and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

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

Carbon footprint reduction

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

NEDBANK GROUP 2020 CARBON FOOTPRINT
(%)



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

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

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

CASE IN POINT

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

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

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

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

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

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

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

SDG IMPACTED:

Maximising our impact through responsible finance and investment

Responsible finance

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

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

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

Focus on biodiversity

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

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

Responsible investment

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

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

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

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE (GTSEC)

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

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

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

Focus for 2021 and beyond

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

Stakeholders

- Clients
- Shareholders
- Employees
- Society
- Regulators

Top 12 risks

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

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

Stakeholder value creation – key performance indicators

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

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

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

CPT – Corporate performance target impacts LTI vesting percentage.

[1] *SEMS deals reviewed relate to deals in our CIB business.*

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

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

Assurance indicators

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

GLOBAL REPORTING INITIATIVE STANDARDS INDEX

FOR THE 2020 FINANCIAL YEAR WE HAVE USED THE GLOBAL REPORTING INITIATIVE (GRI) STANDARDS FOR SUSTAINABILITY REPORTING.

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Organisational profile				
102–1	Name of the organisation	Core	Nedbank Group Limited	
102–2	Activities, brands, products, and services	Core	Nedbank Group at a glance Our value-creating business model Our organisational structure, products and services Sustainable Development Finance	1–10
102–3	Location of headquarters	Core	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, Gauteng, SA	
102–4	Location of operations	Core	Nedbank Group at a glance Company structure Reflections from our Chief Financial Officer	1–10
102–5	Ownership and legal form	Core	Nedbank Group at a glance Company structure	
102–6	Markets served	Core	Nedbank Group at a glance Our value-creating business model Our organisational structure, products and services	1–10
102–7	Scale of the organisation	Core	Nedbank Group at a glance Our value-creating business model Our organisational structure, products and services Reflections from our Chief Financial Officer Ten-year Review Sustainable Development Finance Our workforce and headcount movement in review	1–10
102–8	Information on employees and other workers	Core	Our workforce and headcount movement in review	1–2, 3–6
102–9	Supply chain	Core	Preferential procurement Governance Review	1–10
102–10	Significant changes to the organisation and its supply chain	Core	None for the period	1–10
102–11	Precautionary principle or approach	Core	Managing social and environmental risk Governance Review	1–10
102–12	External initiatives	Core	Recognition and ratings Governance Review	1–10
102–13	Membership of associations	Core	Membership, bodies and associations	1–10
Strategy				
102–14	Statement from senior decisionmaker	Core	Reflections from our acting Chairman Reflections from our Chief Executive	1–10
102–15	Key impacts, risks, and opportunities	Core	Our operating environment Targets, value drivers and strategic unlocks Making strategic trade-offs and assessing the impact on our capitals Value for stakeholders Sustainable Development Governance Framework Managing social and environmental risk Pillar 3 Risk and Capital Management Report	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Ethics and integrity				
102–16	Values, principles, standards, and norms of behaviour	Core	Our purpose, vision, brand, strategy and values Governance Review	1–10
102–17	Mechanisms for advice and concerns about ethics	Core	Ethics Review Pillar 3 Risk and Capital Management Report	1, 2, 10
Governance				
102–18	Governance structure	Core	Reflections from our acting Chairman Our board structure and mandates Sustainable Development Governance Framework Governance Review	1–10
102–19	Delegating authority		Sustainable Development Governance Framework Governance Review	1–10
102–20	Executive-level responsibility for economic, environmental and social topics		Sustainable Development Governance Framework Governance Review	1–10
102–21	Consulting stakeholders on economic, environmental and social topics		Reflections from our acting Chairman Our board structure and mandates Sustainable Development Governance Framework Stakeholder Engagement Review Governance Review	1–10
102–22	Composition of the highest governance body and its committees		Our board profile Our board structure and mandates Governance Review	1–10
102–23	Chair of the highest governance body		Our board profile Governance Review	1–10
102–24	Nominating and selecting the highest governance body		Our board profile Governance Review	1–10
102–25	Conflicts of interest		Governance Review	1–10
102–26	Role of highest governance body in setting purpose, values, and strategy		Governance Review	1–10
102–27	Collective knowledge of highest governance body		Our board profile Governance Review	1–10
102–28	Evaluating the highest governance body's performance		Governance Review	1–10
102–29	Identifying and managing economic, environmental and social impacts		Our operating environment Our board profile Our board structure and mandates Sustainable Development Governance Framework Governance Review	1–10
102–30	Effectiveness of risk management processes		Our board profile Our board structure and mandates Our operating environment Sustainable Development Governance Framework Value for stakeholders Stakeholder Engagement Review Governance Review Pillar 3 Risk and Capital Management Report	1–10
102–31	Review of economic, environmental and social topics		Our board structure and mandates Our operating environment Sustainable Development Governance Framework Value for stakeholders Stakeholder Engagement Review Governance Review Pillar 3 Risk and Capital Management Report	1–10
102–32	Highest governance body's role in sustainability reporting		Group Transformation, Social and Ethics Committee	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
102–33	Communicating critical concerns		Governance Review	1–10
102–34	Nature and total number of critical concerns		2020 key board discussions The number of issues is not disclosed.	1–10
102–35	Remuneration policies		Remuneration Review	1, 2, 3–6
102–36	Process for determining remuneration		Remuneration Review	3–6
102–37	Stakeholders' involvement in remuneration		Remuneration Review Board committee feedback: Group Remuneration Committee Notice of 54th AGM Form of proxy	3–6
102–38	Annual total compensation ratio		Tracked and monitored internally but not reported publically Remuneration Review	3–6
102–39	Percentage increase in annual total compensation ratio		Tracked and monitored internally but not reported publically Remuneration Review	3–6
Stakeholder engagement				
102–40	List of stakeholder groups	Core	Value for stakeholders Stakeholder Engagement Review Governance Review	1–10
102–41	Collective bargaining agreements	Core	Managing our employee relations	3
102–42	Identifying and selecting stakeholders	Core	Value for stakeholders Stakeholder Engagement Review Governance Review	1–10
102–43	Approach to stakeholder engagement	Core	Value for stakeholders Stakeholder Engagement Review Governance Review	1–10
102–44	Key topics and concerns raised	Core	Value for stakeholders Stakeholder Engagement Review Governance Review	1–10
102–45	Entities included in the consolidated financial statements	Core	About our integrated report Company structure	
102–46	Defining report content and topic boundaries	Core	About our integrated report	
102–47 103–1 103–2 103–3	List of material topics	Core	These are determined from our materiality process and through our core function of being a bank. Economic performance, compliance (environmental, social, product responsibility) employment, training and education, diversity and equal opportunity, human rights investment, non-discrimination, local communities, anti-corruption, product and service labelling, client privacy, tax, climate change, product portfolio and active ownership. Our operating environment Stakeholder Engagement Policy Targets, value drivers and strategic unlocks Stakeholder value creation – key performance indicators Ten-year Review	
102–48	Restatements of information	Core	No reclassifications and restatements were made for the period	
102–49	Changes in reporting	Core	None	
102–50	Reporting period	Core	About our integrated report	
102–51	Date of most recent report	Core	About our integrated report	
102–52	Reporting cycle	Core	About our integrated report	
102–53	Contact point for questions regarding the report	Core	Contacts	

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
102–54, 102 55	Claims of reporting in accordance with the GRI Standards	Core	Our report is in accordance with the core requirements of the GRI Standards About our integrated report	
102–56	External assurance	Core	About our integrated report Independent Assurance Providers' Limited Assurance Report	
Economic performance				
201	Management approach disclosures – Economic performance	Core	See 102–47	
201–1	Economic performance – Direct economic value generated and distributed	Core	Our value-creating business model Reflections from our Chief Financial Officer Ten-year Review Value for stakeholders Pillar 3 Risk and Capital Management Report	1–10
201–2	Economic performance – Financial implications and other risks and opportunities due to climate change		Our operating environment Making strategic trade-off and assessing the impacts of our capitals	7–9
201–3	Economic performance – Defined-benefit plan obligations and other retirement plans		Remuneration Review	3
201–4	Economic performance – Financial assistance received from government		No financial assistance received from government	
203–1	Indirect economic impacts – Infrastructure investments and services supported		Sustainable Development Finance Transformation Review	1, 2, 7–9
203–2	Indirect economic impacts – Significant indirect economic impacts		Transformation Review Sustainable Development Review Reskilled and upskilled workforce	1–10
204–1	Procurement practices – Proportion of spending on local suppliers		Preferential procurement Ethics Review	1–10
207	Management approach disclosures – tax	Core	See 102-47	1–10
207-1	Approach to tax		Tax Review	1, 2, 10
207-2	Tax governance, control, and risk management		Tax Review	1, 2, 10
207-3	Stakeholder engagement and management of concerns related to tax		Tax Review	1, 2, 10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Energy				
302–1	Energy – Energy consumption within the organisation		Carbon footprint measurement	1, 2, 7–9
302–3	Energy – Energy intensity		Carbon footprint measurement	1, 2, 7–9
302–4	Energy – Reduction of energy consumption		Carbon footprint measurement	1, 2, 7–9
Emissions				
305–1	Emissions – Direct (scope 1) GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–2	Emissions – Energy indirect (scope 2) GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–3	Emissions – Other indirect (scope 3) GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–4	Emissions – GHG emissions intensity		Carbon footprint measurement	1, 2, 7–9
305–5	Emissions – Reduction of GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–6	Emissions – Emissions of ozone-depleting substances (ODS)		Carbon footprint measurement	1, 2, 7–9
Compliance (environmental)				
307	Management approach disclosures – Environmental compliance	Core	See 102–47	
307–1	Environmental compliance – Non-compliance with environmental laws and regulations	Core	None for the period	1, 2, 7–9
FS1	Policies with specific environmental and social components applied to business lines	Core	Sustainable Development Governance Framework Managing social and environmental risk Ethics Review	1, 2, 7–9
FS2	Procedures for assessing and screening environmental and social risks in business lines	Core	Sustainable Development Governance Framework Managing social and environmental risk Committed to responsible investment Ethics Review	1–10
FS3	Processes for monitoring clients' implementation of, and compliance with, environmental and social requirements included in agreements or transactions	Core	Sustainable Development Governance Framework Managing social and environmental risk	1–9
FS4	Processes for improving staff competence to implement the environmental and social policies and procedures as applied to business lines	Core	TCFD Report Reduction targets Pillar 3 Risk and Capital Management Report Ethics Review	1–10
FS5	Interactions with clients/investors/business partners regarding environmental and social risks and opportunities	Core	Value for stakeholders Corporate social investment Stakeholder Engagement Review Carbon offset projects	1–10
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Core	Assurance statement	1–9
FS15	Policies for the fair design and sale of financial products and services	Core	Committed to responsible investment Managing social and environmental risk Delivering market-leading client solutions Growing our share of main-banked clients, transactional income and deposits Pillar 3 Risk and Capital Management Report	1,2
Employment				

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
401	Management approach disclosures – Employment	Core	See 102–47	
401–1	Employment – New employee hires and employee turnover	Core	Our value-creating business model	1, 2, 3–6
401–2	Employment – Benefits provided to fulltime employees that are not provided to temporary or part-time employees		Remuneration Review	1, 2, 3–6
404	Management approach disclosures – Training and education	Core	See 102–47	
404–1	Training and education – Average hours of training per year per employee	Core	Reskilled and upskilled workforce	1–6
404–2	Training and education – Programmes for upgrading employee skills and transition assistance programmes		Reskilled and upskilled workforce Our investment in leadership development Talent mobility	1–6
404–3	Training and education		Performance management	1–6
Diversity and equal opportunity				
405	Management approach disclosures – Diversity and equal opportunity	Core	See 102–47	
405–1	Diversity and equal opportunity – Diversity of governance bodies and employees	Core	Our board profile Workforce demographics Governance Review	1–6
Human rights investment				
412	Management approach disclosures – Human rights investments	Core	See 102–47	
412–2	Human rights assessment – Employee training on human rights policies or procedures human rights clauses or that underwent human rights screening		Ethics Review	1–10
412–3	Human rights assessment – Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		Applying the Equator Principles Ethics Review	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Non-discrimination				
406	Management approach disclosures – Non-discrimination	Core	See 102–47	
406–1	Non-discrimination – Incidents of discrimination and corrective actions taken	Core	Ethics Review	1–6
Local communities				
413	Management approach disclosures – Local communities	Core	See 102–47	
413–1	Local communities – Operations with local community engagement, impact assessments, and development programmes	Core	Applying the Equator Principles Corporate social investment Stakeholder Engagement Review Transformation Review	1–10
FS13	Access points in low-populated or economically disadvantaged areas by type	Core	Access to financial services Transformation Review	1–10
FS14	Initiatives to improve access to financial services for disadvantaged people	Core	Access to financial services Transformation Review	1, 2
Anti-corruption				
205	Management approach disclosures – Anti-corruption	Core	See 102–47	
205–1	Operations assessed for risks related to corruption	Core	Pillar 3 Risk and Capital Management Report Ethics Review	10
205–2	Communication and training about anti-corruption policies and procedures		Pillar 3 Risk and Capital Management Report Ethics Review	10
205–3	Confirmed incidents of corruption and actions taken		Pillar 3 Risk and Capital Management Report	10
415–1	Political contributions		Nedbank policy does not allow for contributions to political parties	10
Products, service and labelling				
417	Management approach disclosures – Products, service and labelling	Core	See 102–47	
417–1	Requirements for product and service information and labelling		Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available for the group's clients. Trained and accredited sales staff and relationship managers are responsible for explaining the characteristics, benefits and implications of products to the clients in accordance with the Financial Advisory and Intermediary Services Act. Product policies and procedures and product review processes are in place.	1, 2, 7–10
417–2	Incidents of non-compliance concerning product and service information and labelling	Core	A total of 28 incidents of non-compliance were identified internally concerning product and service information and labelling during 2020. All of these findings were remediated and did not attract fines or warnings from the regulators. 21 of these findings have been resolved and the remaining 7 are receiving management attention to remediate. All findings are tracked to resolution..	10
102–43	Approach to stakeholder engagement		Value for stakeholders Stakeholder Engagement Review	1–10
102–44	Key topics and concerns raised		Value for stakeholders Stakeholder Engagement Review	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Customer privacy				
418	Management approach disclosures – Customer privacy	Core	See 102–47	
418–1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Core	No complaints were received from the Information Regulator during 2020. Internally, there were 296 privacy-related incidents with only 2 being material and being reported to the Information Regulator. The first material breach occurred at a third party and impacted most of the South African banks. The second material breach occurred when an external financial advisor was buying lead-related data from Nedbank employees. The employees all underwent HR processes while the broker is being managed by his organisation for unethical behaviour.	1, 2, 10
Compliance (society, product and service)				
419	Management approach disclosures – Socioeconomic compliance	Core	See 102–47	
419–1	Non-compliance with laws and regulations in the social and economic area	Core	Ensuring sustainable banking with our regulators	1–10
Product portfolio				
FS6	Percentage of the portfolio for business lines by specific region, size (eg micro/SME/large) and by sector	Core	Overview of Nedbank Group Our value-creating business model Our organisational structure, products and services Ten-year Review	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Core	Applying the Equator Principles Sustainable Development Finance Transformation Review	1, 2, 7–10
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Core	Applying the Equator Principles Sustainable Development Finance	7–9
Active ownership				
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	Core	Managing social and environmental risk	1–10
FS11	Percentage of assets subject to positive and negative environmental or social screening	Core	Committed to responsible investment Ten-year Review	1–10
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	Core	Proxy voting guidelines Responsible investing guidelines	

Recognition and ratings

MEMBERSHIP BODIES AND ASSOCIATIONS

We are represented on, or are a signatory to, a range of industry bodies and are members of numerous sustainability platforms. This ensures that we are aware of global trends and best practices. It enables us to contribute to furthering the sustainable development agenda while building strong, resilient institutions – including our own and those of our clients.

Our sustainability efforts and governance and risk management approaches are informed by, among others, the following industry best practices and bodies:

- The UN SDGs.
- King IV.
- The UN Environment Programme Finance Initiative (Unep FI): Africa Network, National Capital Declaration, Positive Impact Initiative and TCFD Phase II Working Group.
- The Code for Responsible Investing in South Africa.
- The NDP.
- The Banking Association South Africa: Sustainable Finance Committee, Positive Impact Finance Task Group and Climate Risk Forum.
- United Nations Global Compact (UNGC): the CEO Water Mandate.
- The Association of Ethics Officers in Africa.
- The Organisation for Economic Cooperation and Development: Financial Sector Mapping Advisory Group.
- The National Business Initiative Advisory Committee on Climate Change.
- The Embedding Project: South Africa Peer-to-peer Network.
- The International Finance Corporation (IFC) Performance Standards.
- The Equator Principles.
- The UNGC Advisory Committee.

Contact details

Iram Hayath

Executive Head: Reputational Risk & Ethics
Group Compliance
iramh@nedbank.co.za

Kerri Savin

Senior Manager: Sustainability Strategy and Reporting
Group Strategy
kerris@nedbank.co.za

RECOGNITION AND RATINGS

The awards we received in the 2020 financial year included the following:

- 2020 Environmental Finance IMPACT Awards – Nedbank Green Renewable-energy Bond recognised as Impact Initiative of the Year.
- 2020 Sunday Times Top 100 Companies Awards – Nedbank CEO, Mike Brown, was awarded the 2020 Business Leader of the Year.
- 2020 EY Excellence in Integrated Reporting Awards – Nedbank achieved first place with honours at the 2019 EY Excellence in Integrated Reporting Awards (third year in a row).
- 2020 African Banker Awards – Nedbank's Green Renewable-energy Bond was awarded the Energy Deal of the Year.
- 2020 Euromoney Private Banking and Wealth Management Survey – Nedbank Private Wealth named Top Private Bank and Wealth Manager in SA for ESG/Social Impact Investing and Philanthropic Advice.
- 2020 Morningstar Awards – Nedgroup Investments won the award for Best Global Equity Fund.
- 2020 Raging Bull Awards – Nedgroup Investments named Offshore Management Company of the Year for the fifth year in a row.
- 2020 City of London Wealth Management Awards – Nedbank Private Wealth was recognised as Best Private Bank in the UK for the sixth year in a row.
- 2020 Brand Finance Review – Nedbank's brand ranking in the Brand Finance Review of SA's most valuable brands companies moved to eighth in 2020 (11th in 2019).
- 2020 Trialogue Perception Survey – Rated second by NPOs and third by other companies as a company that has a meaningful impact in communities through its CSI investments.

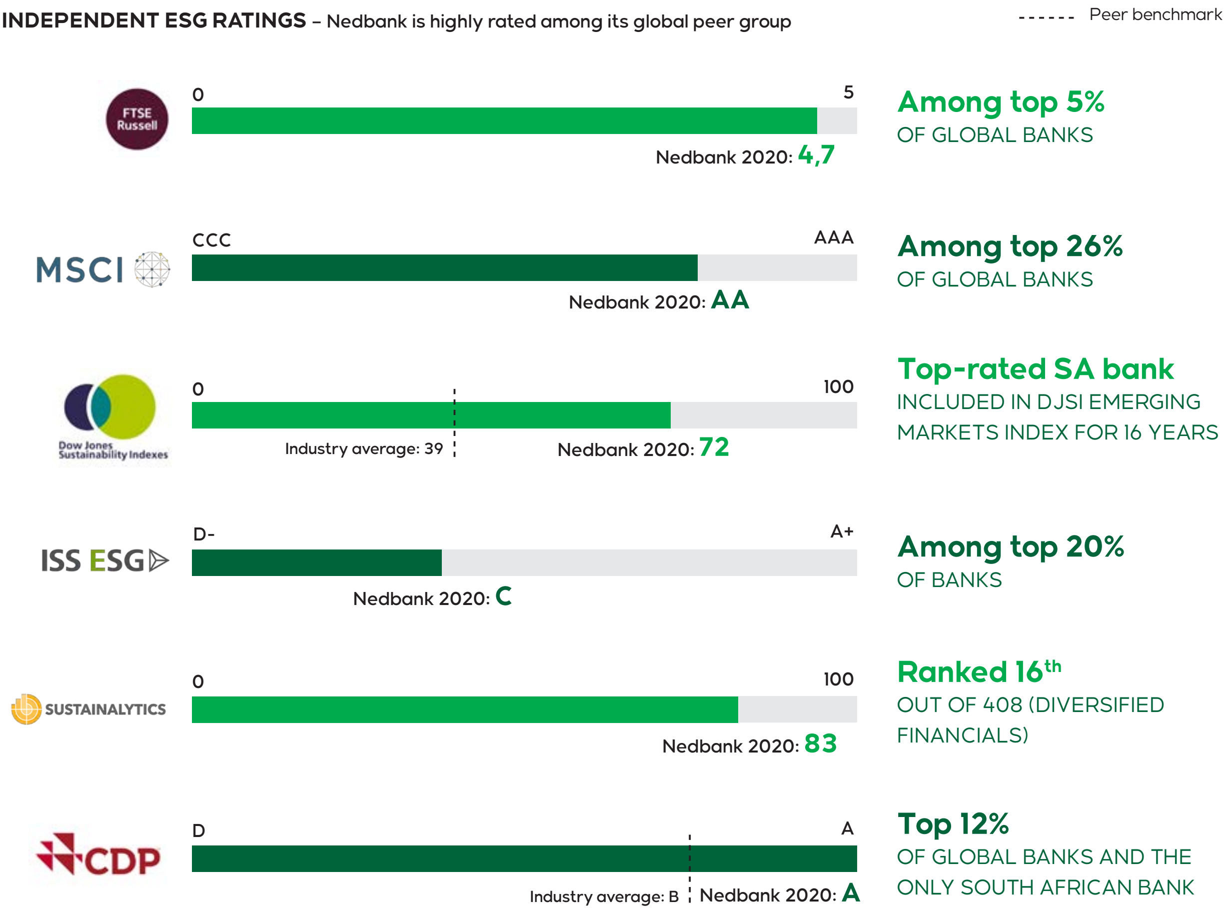
Our sustainability credentials include the following:

- **Carbon-neutral status** – Africa's first carbon-neutral financial organisation. Carbon-neutral since 2010.
- **FTSE4Good Index** – A global responsible-investment index for companies that demonstrate strong ESG practices. Included in 2020.
- **FTSE/JSE Responsible Investment Top 30 Index** – Constituent of the index.
- **Dow Jones Sustainability Emerging Markets Index 2020** – A global performance benchmark for companies in terms of corporate sustainability. Included since 2004. Inclusion helps attract investment to the company.
- **NASDAQ Sustainable Bond Network** – Nedbank is the first SA sustainable-bond issuer to be invited to join.
- **SA Carbon Disclosure Project Index 2020** – Scored an 'A' for performance. Score recognises our corporate environmental action on climate change.
- **WWF-SA Water Source Areas partnership (2019-2023)** – Invested R25m (R5m annually over five years) to safeguard critical water source areas, improve rural livelihoods and promote land stewardship.
- **Green building ratings** – 10 Green Star-rated buildings with 18 Green Star ratings.
- **Independent ESG ratings** – Nedbank rates well among its global peer group.

Nedbank ESG ratings

ESG scores and ratings help stakeholders to evaluate the positive and negative impacts of a business on society – and hence its true value. Our ESG scores, as rated by a number of key rating agencies, are disclosed below. These point to the fact that we perform well against our peers in terms of ESG considerations.

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



DISCLAIMER

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

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

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

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

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

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

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