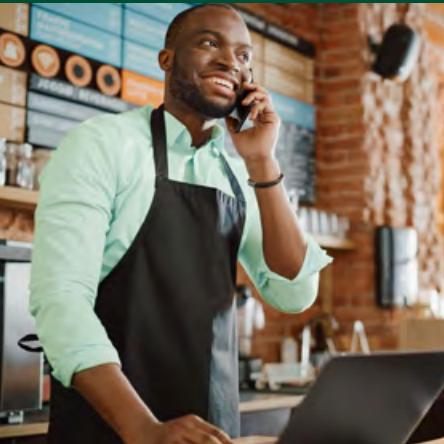




Be the difference that impacts our world



Integrated Report

for the year ended 31 December 2021



see money differently

NEDBANK
GROUP

Our reporting universe

As part of our comprehensive integrated and ESG reporting, this 2021 Integrated Report is supplemented by our various online publications and additional information available at nedbankgroup.co.za.

Forward-looking statements

This report contains certain forward-looking statements about Nedbank Group's financial position, results, strategy, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's joint auditors.

Forward-looking statements made by Nedbank Group on 9 March 2022 at the time of releasing our 2021 results were informed by the group's business plans and economic forecasts in February 2022.



nedbankgroup.co.za

Financial and risk management reporting



- **2021 Results Booklet and presentation**
- **2021 Nedbank Group Annual Financial Statements**
- **2021 Pillar 3 Risk and Capital Management Report**

These reports include information relating to the group's financial position and performance. They are primarily of interest to Nedbank's equity and debt investors, credit rating agencies, depositors, regulators and various other stakeholders. The information disclosed is used to assess the group's financial performance and strength, and includes risk and regulatory disclosures.

Climate reporting



- **Task Force on Climate-related Financial Disclosures (TCFD) Report**
- **Nedbank Energy Policy**
- **Nedbank climate change position statement**

These reports include information relating to the group's climate-related activities, policies, governance, strategy, disclosures and targets. They are primarily of interest to investors, non-governmental organisations (NGOs) and environmental, social and governance (ESG) ratings agencies as well as key stakeholders such as corporate clients and invested members of society who want to partner with values-aligned companies. The information disclosed is typically used to assess Nedbank's progress in minimising its negative impacts and optimising its positive impacts in addressing climate change.

Societal reporting



- **Sustainable Development Review**
 - **Human Capital Review**
 - **Transformation Review**
 - **Financial Inclusion Review**
 - **Stakeholder Engagement Review**
- Broad-based black economic empowerment (BBBEE) certificate*
Global Reporting Initiative Standards*

These reports include information relating to how the group uses its financial expertise to create positive economic, societal and environmental impacts. They are primarily of interest to investors, employees and those looking to join Nedbank, regulators, NGOs, existing and prospective clients, ESG ratings agencies and engaged members of society. The information disclosed demonstrates progress in how Nedbank is fulfilling its purpose.

Governance reporting



- **Governance Review**
 - **Ethics Review**
 - **Market Conduct Review (Treating Clients Fairly)**
 - **Financial Crime Review (AML, fraud and cybercrime)**
 - **Remuneration Review**
 - **Tax Review**
- Key policies*
Boardmember and group executive profiles*

These reports include information relating to governance-related aspects, including board matters, ethics, market conduct, financial crime, tax and remuneration. They are primarily of interest to investors, ESG rating agencies, clients, employees, regulators, suppliers and members of society. The information disclosed demonstrates how Nedbank does business according to sound governance practices, and the highest standards of ethics, integrity, transparency and accountability.

Shareholder information



- **Notice of 55th annual general meeting (AGM)**
 - **Form of proxy**
- Shareholding profile*

The Notice of AGM and form of proxy provide valuable information to shareholders who want to vote at the Nedbank Group's 55th AGM.

* Available separately at nedbankgroup.co.za.

Navigating our value creation journey

1 About our integrated report

We present our integrated report in four sections to enable our stakeholders to make an informed assessment of both our ongoing ability to create and sustainably preserve value. Our various supplementary reports are available at nedbankgroup.co.za to provide more in-depth information on ESG matters and the value created for our stakeholders.

- 1 Our reporting universe
- 2 Navigating our value creation journey
- 3 About our 2021 Integrated Report

5 Nedbank Group at a glance

Overview of the group, as well as of our businesses, market position, differentiators, our business model, the needs and expectations of our stakeholders, and how our purpose, vision, strategy and values position us for long-term value creation.

- 6 Overview of Nedbank Group
- 8 Nedbank Group in context
- 10 Our organisational structure, products and services
- 11 Our value-creating business model
- 14 Our stakeholders – their needs and expectations
- 16 Our purpose, vision, values and strategy
- 17 Delivering value by delivering on our purpose



With assets of R1,2tn, we are one of Africa's largest banks, differentiated by our purpose of using our financial expertise to do good.

18 Leading the way for value creation through good governance

Overview of how strong leadership and good governance support the creation and protection of value while minimising the erosion of value.

- 19 Reflections from our Chairperson
- 22 Governance at Nedbank
- 23 Key board focus areas
- 26 Key board discussions
- 27 Board of directors
- 29 Our board structure and mandates
- 31 Other key areas of responsibility and oversight
- 34 Board evaluations

Our guiding principles and considerations



King IV™*

* Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

A strong, diverse and independent board has ensured that Nedbank continues to rank high on ESG matters.

35 Creating value in a sustainable manner through our strategy

Overview of the context in which we operate, including our material matters, how we managed risks and our strategic response, including the trade-offs made to ensure ongoing value creation.

- 36 Reflections from our Chief Executive
- 40 Our Group Executive Committee
- 41 Our operating environment
- 52 Managing risk strategically
- 56 Our strategy
- 68 Our Human Capital Strategy
- 70 Making strategic trade-offs and assessing the impact on our capitals
- 72 Strategic value unlocks – key performance indicators

Our strategic 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

Through delivery of our strategy, we are on track to meet our 2023 targets in a difficult operating environment.

74 Delivering, measuring and rewarding value creation

Assessment of value creation, protection and erosion for stakeholders and how remuneration outcomes correlate with our performance.

- 75 Reflections from our Chief Financial Officer
- 81 Value for stakeholders
- 91 Stakeholder value creation – key performance indicators
- 93 Rewarding for value creation – remuneration outcomes

Our stakeholders

- Clients
- Employees
- Regulators
- Society
- Shareholders

We delivered a strong financial performance in 2021 as headline earnings increased by 115% and we delivered value for all our stakeholders (employees, clients, shareholders, regulators and society).

101 Supplementary information

Abbreviations and acronyms, independent assurance and company details

- 102 Abbreviations and acronyms
- 103 Independent Assurance Providers' Limited Assurance Report
- 105 Company details

About our 2021 Integrated Report

Our integrated report is the outcome of a groupwide reporting process. The process is governed by the board, led by the Group Executive Committee (Group Exco), assured through our Coordinated Assurance Model and delivered through groupwide collaboration. Our integrated-thinking approach to decision-making, management and reporting enables us to create and preserve value as we fulfil our purpose to use our financial expertise to do good for individuals, families, businesses and society.

01 Our purpose

Vision

Leading through
our purpose

Values

Board, Group Exco

How do we think about value creation, preservation and erosion?

Value creation, preservation and erosion are the consequences of how we apply and leverage our capitals as part of our strategy execution and are evident in how these capitals change over time, our financial performance and the outputs and outcomes for all stakeholders. Our value creation and preservation processes are embedded in our purpose ([page 16](#)), described as part of our business model on [pages 11 to 13](#), and are integrated into the way we think and make decisions. In our report, we use the icons below to denote value creation, preservation and erosion:

- ⊕ Value creation
- Value preservation
- ⊖ Value erosion

02 Integrated thinking

Risks

Determining our
material matters

Opportunities

Short-, medium- and long-term outlook

Developing our
strategy

Financial and
non-financial targets

Board and board
committees

Delivering on our
strategy

Exco and exco
committees

Board, Group Exco

Board, Group Exco

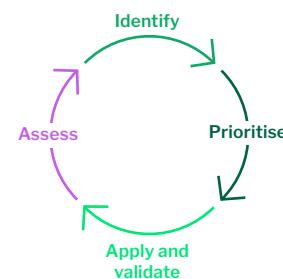
Board, Group Exco

How do we consider materiality and our material matters?

We apply the principle of materiality in assessing what information should be included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on our six capitals and the group's ability to be a sustainable business that consistently creates, protects and minimises the erosion of value for all stakeholders.

Identifying our material matters is a groupwide responsibility and requires input from all business units and divisions, an assessment of the risks and opportunities in our operating environment and input and feedback from all our stakeholders. Our material matters, as described on [pages 41 to 51](#), influence our group's strategy, inform the evolution of our business model, our long-term business strategies as well as our short-, medium- and long-term targets.

Our Group Exco and the Nedbank Group Board approve these material matters as part of our business planning. These material matters are assessed continuously to ensure that our strategy remains relevant in an evolving operating environment. The Covid-19 pandemic that emerged in SA during 2020 continues to impact all our material matters.



Identify issues that have the potential to impact our 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, our six capitals and targets.

Assess continually to ensure our strategy remains relevant.

03 Integrated reporting process

International <IR>
Framework

Compiling our
report

Reporting
standards

Board, Group Exco,
integrated reporting team

Coordinated Assurance
Model

Validating the
integrity of the report

Board and
exco review

Board, Group Exco,
internal audit, external auditors

Exco sign-off

Approving the
integrated report

Board approval

Board, Group Exco

Our 2021
Integrated Report

What process do we follow to complete our integrated report?

The 2021 Integrated Report is prepared from Group Exco and board discussions, minutes, decisions and approvals (reflecting the group's integrated thinking) as well as internal and external reporting information as required by the International <IR> Framework (2021). A cross-functional team, led by the Group Chief Financial Officer (CFO) and representing various clusters and subject matter experts across the group, produces the content that appears in the integrated report with oversight from Group Exco and the board. The executive and boardmembers also contribute to the content. All members of Group Exco and the board are involved in the various approval processes, which are also supported by the oversight provided by independent assurance providers. The board provides final approval of the report – the Group Integrated Report Approval Committee (which has delegated authority from the board) provides final sign-off for publication.

Which reporting frameworks do we adhere to?

Our integrated reporting is guided by the principles and requirements of the International <IR> Framework (2021), IFRS and the King Code of Governance Principles for South Africa (King IV), and is in accordance with the 'core' option of the Global Reporting Initiative (GRI) Standards. As a South African bank and a company listed on the JSE, we align with the JSE Listings Requirements, the South African Companies Act, 71 of 2008, and the Banks Act, 94 of 1990. More recently, we have adopted the disclosure recommendations of the TCFD.

How do we ensure the integrity of our report?

The board ensures the integrity of the integrated report through our integrated reporting process, the various approvals and sign-offs by Group Exco and the board, and relies on our Coordinated Assurance Model, overseen by the Group Audit Committee, that assesses and assures various aspects of our business operations and reporting. These assurances are provided by management and the board through rigorous internal reporting governed by the group's enterprise-wide risk management framework (ERMF), internal audit and independent external sources and service providers.

About our 2021 Integrated Report continued

04 Our 2021 Integrated Report

Reporting period

This report covers the year 1 January to 31 December 2021. Any material events after this date and up to the board approval date of 19 April 2022 have also been included.

Operating businesses

We report on the primary activities of the group, our business clusters, key support areas and subsidiaries in our African and international operations.

Financial and non-financial reporting

In line with the concept of double materiality, our integrated report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create and preserve value sustainably, while minimising value erosion.

Targets and strategy

We provide insight into the group's future strategy and financial and non-financial targets for the short, medium (two to three years) and long term (five years or more).

Coordinated assurance

Our Coordinated Assurance Model integrates and aligns risk, audit and compliance functions and assurance activities. This enables an effective internal control environment across the group with assurance focused on critical risk exposures supporting the integrity of information used in internal decision-making and reporting to external stakeholders.

Our 2021 annual financial statements were assured by our joint external auditors, Ernst & Young Inc (EY) and Deloitte & Touche (Deloitte), limited assurance on selected sustainability information was provided by Deloitte, and Mosela Rating Agency provided limited assurance on our application of the Amended Financial Sector Code (FSC) and the group's BBBEE status. We have indicated the level of assurance provided on [pages 72, 73, 91 and 92](#) and included the Independent Assurance Providers' Limited Assurance Report on Selected Sustainability Information on [pages 103 to 104](#).

Governance and risk management

We have integrated our governance and risk management principles, practices and outcomes throughout our integrated report. In addition, specific board committee reports are placed in the relevant sections given the integrated nature of governance.

Targeted readers

This report is intended to address the information requirements of long-term investors (our equity shareholders, bondholders, debt providers and prospective investors), but we also present information relevant to how we create, preserve and minimise the erosion of value for other key stakeholders, including our employees, clients, regulators and society.

SDGs and ESG reporting

We report on the sustainable-development actions and investments we have made in support of purpose-led business and our contribution to the United Nations (UN) Sustainable Development Goals (SDGs).



Approval by the board

The board acknowledges its responsibility of ensuring the integrity of this integrated report. In the board's opinion, this report addresses all the issues that are material to the group's ability to create value and fairly presents the integrated performance of Nedbank Group. The board is confident that the report was prepared in accordance with the International *<IR>* Framework (2021). This report was approved by the board of directors of Nedbank Group on 19 April 2022.

Mpho Makwana
(Chairperson)

Hubert Brody
(Lead Independent Director)

Mike Brown
(Chief Executive)

Brian Dames

Mike Davis
(Chief Financial Officer)

Neo Dongwana

Errol Kruger

Phumzile Langeni

Rob Leith

Linda Makalima

Prof Tshilidzi Marwala

Dr Mantsika Matooane

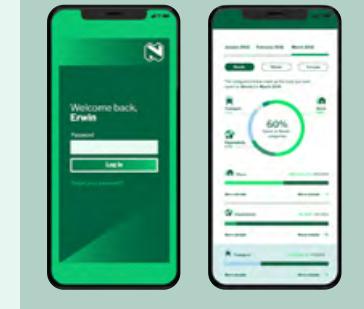
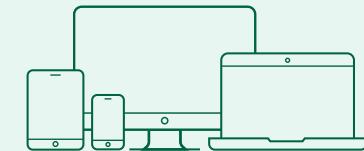
Mfundo Nkuhlu
(Chief Operating Officer)

Stanley Subramoney

A more digitally enabled report for a more digital world

Nedbank has been on a market-leading digital transformation journey over the past few years and in our report you can read about how this has been beneficial to our clients, employees and other stakeholders.

This integrated report has been designed for an enhanced digital experience and ease of use as our stakeholders increasingly engage with information in a more digital manner. The landscape layout supports readability on computer screens and tablets, while the digital navigation capability in the report will assist you, the reader, to easily move between different sections or topics in the report – this can be done using the navigation icons at the top of the page or pop-ups wherever you hover with your cursor. In addition, we have created links to videos and podcasts that provide additional insight and bring our integrated report to life.



Our digital navigation icons



Video



Podcast



Read more



Web



Nedbank Group at a glance

| | |
|---|----|
| Overview of Nedbank Group | 6 |
| Nedbank Group in context | 8 |
| Our organisational structure, products and services | 10 |
| Our value-creating business model | 11 |
| Our stakeholders – their needs and expectations | 14 |
| Our purpose, vision, values and strategy | 16 |
| Delivering value by delivering on our purpose | 17 |

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 R1,2tn in assets (16,7% market share in South Africa).

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 a representative office in Kenya. Outside Africa we have a presence in key global financial centres to provide international financial services for Africa-based multinational and high-net-worth clients in the Isle of Man, Jersey and London, and we have a representative office in Dubai.

| | | | | |
|---|--|---|---|---|
| Deposits R972bn 2020: R953bn 2019: R904bn | Gross banking advances R807bn 2020: R797bn 2019: R810bn | Assets under management R424bn 2020: R375bn 2019: R331bn | Headline earnings R11,7bn ▲ 115% 2020: R5,4bn 2019: R12,5bn | Return on equity 12,5% 2020: 6,2% 2019: 15,0% |
| Client savings entrusted to us | The credit we have provided to clients | The funds we manage for clients | The profits we make for shareholders | The return on capital that shareholders have invested into Nedbank |
| Common equity tier 1 capital ratio 12,8% 2020: 10,9% 2019: 11,5% | Market capitalisation R89bn 2020: R65bn 2019: R107bn | Employees 27 303 2020: 28 324 2019: 29 403 |  | Clients 7,2m 2020: 7,6m 2019: 7,7m |
| The strength of our balance sheet | The value of Nedbank Group as a company on the JSE | Our human capital | | The total number of clients we serve |
| BBBEE contributor Level 1 since 2018 |  | Operations Carbon-neutral since 2010 | ESG ratings MSCI AA since 2019 |  |
| Our transformation rating | | Our own impact on the natural environment | Independent assessment of Nedbank's ESG practices | |

What differentiates Nedbank?

Nedbank Group, one of the large universal banks and financial services companies based in SA, has many characteristics that set it apart from its peers. These include the following:

A purpose-led business focused on delivering positive societal and environmental impact.

Proud track record of **doing business in a manner that contributes positively to society**.

 Pages 65 to 67 and 87 to 90

Good governance and ESG leadership (top-tier ranking among local and global peers in most ESG ratings).

 Page 66



One of SA's most **experienced financial services management** teams (**> 230** years' combined experience).

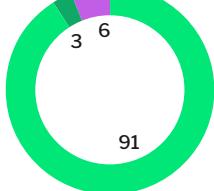
 Page 40

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.

 Page 10

A strong Corporate and Investment Banking (CIB) franchise, a very competitive Retail and Business Banking (RBB) business, a high-return Wealth business and a scalable Nedbank Africa Regions business, position us well to benefit from an increase in business and consumer confidence, as well as from a recovery in economic growth.

Assets by geographical area (%)



| Geographical Area | Percentage |
|-----------------------|------------|
| SA | 91 |
| Africa (excluding SA) | 6 |
| International | 3 |

World-class modern technology platform and market-leading digital innovations.

 Pages 57 to 59



Best digital bank in South Africa 2021: Nedbank



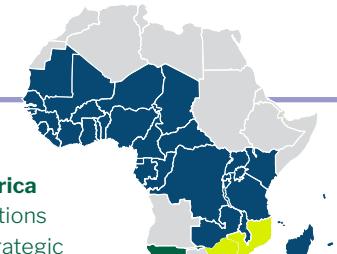
Best open banking APIs - South Africa 2021: Nedbank



Best mobile banking: Best internet banking: South Africa 2021 Nedbank

Top-tier client satisfaction metrics (NPS **47%** | 2020: 41% | 2019: 38% and #2 among South African banks).

 Page 57



Ecobank presence ■
Nedbank presence ■■
Ecobank and Nedbank presence ■■■

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

Excellent risk management track record – ECL coverage at multi-year high of 3,32%.

 Pages 52 to 55

Strong balance sheet – key ratios well above pre-crisis levels (CET112,8%, LCR 128%, NSFR 116%).

 Page 78

Attractive valuation metrics (price-to-book ratio: 0,9 times, forward dividend yield: 8,0% as at 31 December 2021).

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

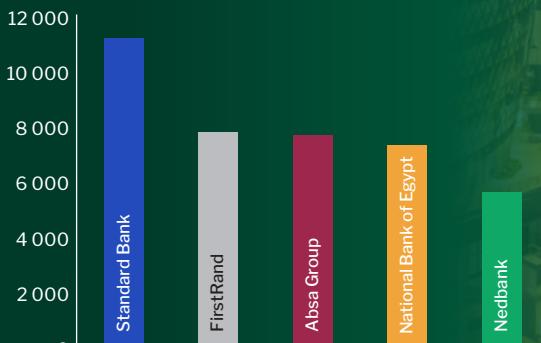
 Page 77

Nedbank Group in context

Banks on the African continent collectively represent around 1% of global bank capital but generate above-average returns on capital. In this context, Nedbank is the fifth-largest bank in Africa as measured by assets and capital.

The South African banking sector has approximately R4,4tn in advances, of which Nedbank has a 17,7% share. We also have a 17,9% share of the R4,9tn South African deposit market, an important indicator of franchise strength. With assets under management (AUM) totalling R424bn, Nedbank is the fifth-largest unit trust manager in SA, with a South African market share of 7,5% and an international market share¹ of 12%.

Largest banks in Africa by tier 1 capital
(US\$bn, 2021)

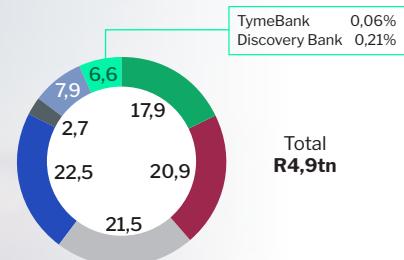


Source: The Banker magazine, July 2021

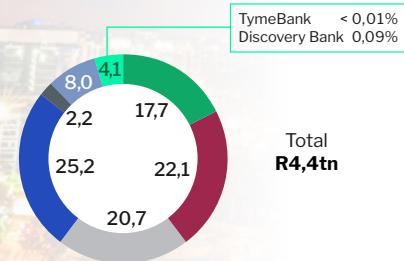
¹ Market share of FSCA-approved foreign collective investment schemes (offshore assets).



South African deposit market share (%)

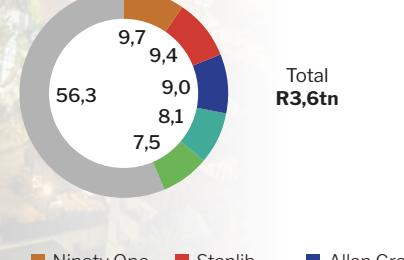


South African advances market share (%)



Source: SARB BA 900 at 31 December 2021
Nedbank Absa FirstRand Standard Bank Capitec Investec Other banks

South African AUM market share (%)



Source: ASISA Q4 2021

Nedbank Group in context continued

The large South African banks remained well capitalised and liquid through the Covid-19 crisis, with key ratios well above minimum regulatory levels, while profitability metrics improved substantially in 2021.

In 2021 South African bank earnings increased from the 2020 lows and, as a result, return on equity (ROE) metrics improved materially. Some SA banks have increased their ROE to above cost of equity (COE) of around 14% to 15%. While cost-to-income ratios are generally above 50%, they are expected to trend lower from current levels over time as South African banks optimise their cost bases in a more digital world and revenue growth recovers along with the economy. Credit extension has been prudent and credit loss ratios (CLRs) declined from the 2020 peaks.

Profit before income tax – South African banks (Rbn)



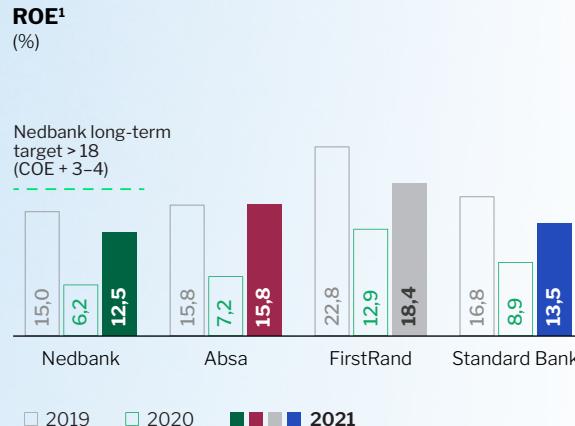
Source: SARB BA 120 at 31 December 2021



ROE¹

(%)

Nedbank long-term target > 18 (COE + 3-4)

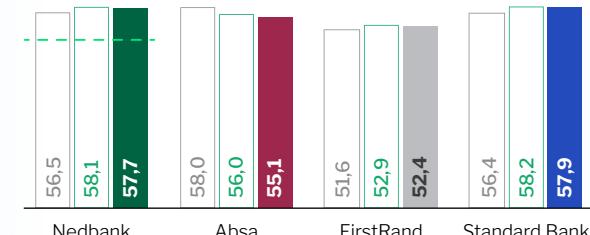


□ 2019 □ 2020 ■ 2021

Cost-to-income ratio²

(%)

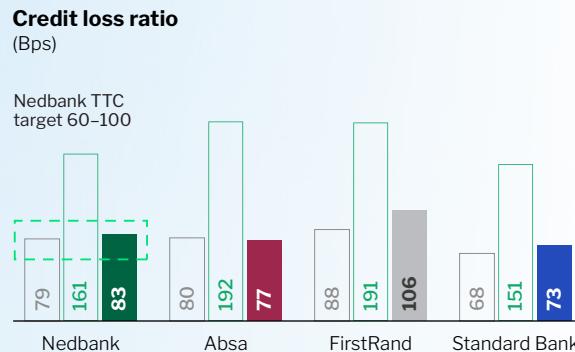
Nedbank long-term target < 50



Credit loss ratio

(Bps)

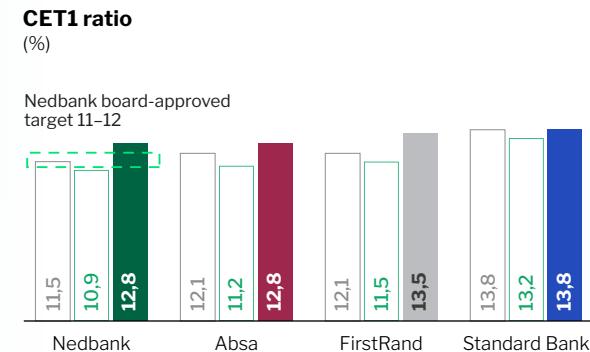
Nedbank TTC target 60-100



CET1 ratio

(%)

Nedbank board-approved target 11-12

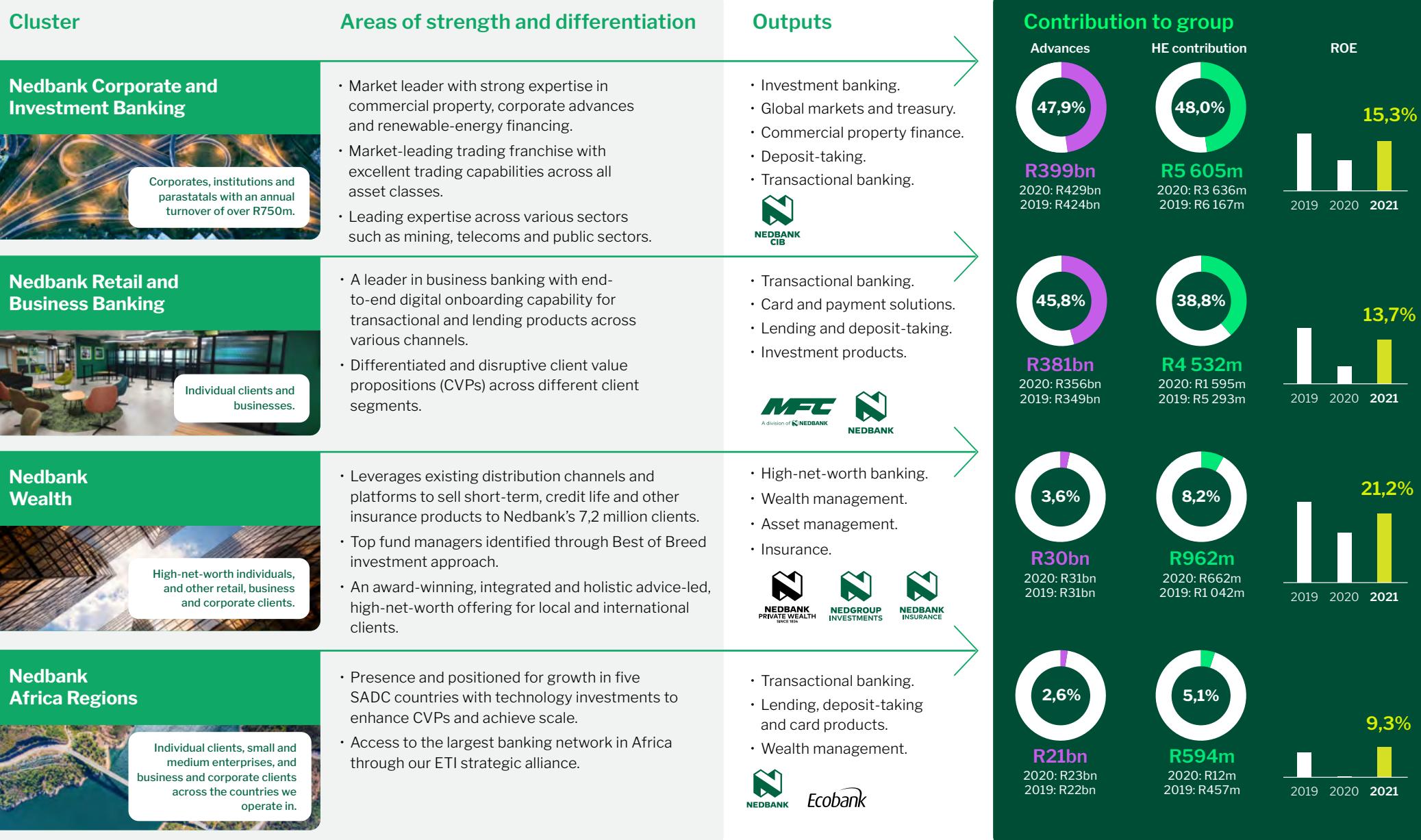


¹ Nedbank reports ROE on a headline earnings (HE) basis. Absa Group and FirstRand report ROE on a normalised basis.

² Nedbank and FirstRand include associate income in the calculation of the cost-to-income ratio, while Absa and Standard Bank exclude associate income. Nedbank's cost-to-income ratio, excluding associate income, is 58,5%.

Sources: Nedbank, Absa, Standard Bank December 2021 annual results. FirstRand June 2021 annual results.

Our organisational structure, products and services



Our value-creating business model

The availability and quality of our six capital inputs ...

Our material matters



Our top 10 risks affecting availability of capitals



enable us to deliver on our strategy ...

Financial capital

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

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 help us grow our business.

Human capital

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

Manufactured capital

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

Social and relationship capital

Stakeholder relationships, including the communities in which we operate, are central to the environment in which we operate and we recognise the role that we need to play in building a thriving society as well as a strong financial ecosystem.

Natural capital

The direct use and impact we have on natural resources through our own operations, including energy, water and climate, and our influence through our business activities.

- **Deposits: R972bn** (2020: R954bn).
- **Gross banking loans and advances: R807bn** (2020: R797bn).
- **Equity: R110bn** (2020: R100bn).

- **Brand ranking in SA: Eighth** (2020: eighth).
- World-class and market-leading **IT systems and capabilities**.
- **Market leadership 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.

- **A workforce of 27 303 employees** (2020: 28 324).
- **A differentiated culture** that is client- and people-centred, innovative and competitive, and strong in compliance and governance.
- We spent **R1,1bn on training and skills development** to support our strategy (2020: R0,9bn).

- **78 core IT systems** (2020: 90), which are being modernised as part of our technology journey, which is now 85% complete.
- **R13bn invested in our technology platform** since 2010 (2020: R11bn).
- **538 South African outlets** (covering more than 85% of the population in SA), 4 261 ATMs and 105 000 point-of-sale devices (2019: 549, 4 224 and 102 000 respectively).
- **Market-leading digital products, services and CVPs**.

- **7.2 million total** clients (2020: 7.6 million).
- **More than R100bn sustainable-development financing and funding** provided to meet the SDGs as well as responsible ESG practices as at 31 December 2021.
- One of SA's most transformed banks – **level 1 BBBEE**.
- **Good relationships** with our stakeholders.

We impact the natural environment directly in our operations and indirectly through the financing of client activities:

- **Leader in renewable-energy** financing and funding.
- 87% of our own buildings are **Green Star-rated**.
- 114 451 MWh **electricity** and 156 261 kℓ **water** usage.

The integration of banks in the economy

Failing to meet human development needs while overshooting ecological limits

Disruptive technologies and digital adoption

Increased competition and threat of new entrants

The evolving world of work

Demands on governance, regulation and risk management

Business risk
Credit risk
Funding risk
Capital risk

Strategic-execution risk
People risk
IT risk

Strategic-execution risk
People risk
Operational risk
ESG risk

Cyberrisk
Operational risk
IT risk

Business risk
ESG risk

ESG risk

Pages 41 to 51

Pages 52 to 55

Our value-creating business model continued

by enabling value-adding business activities ...

that produce purpose-led outputs (products and services) ...

Our purpose: To use our financial expertise to do good for individuals, families, businesses and society.

Our strategic value unlocks

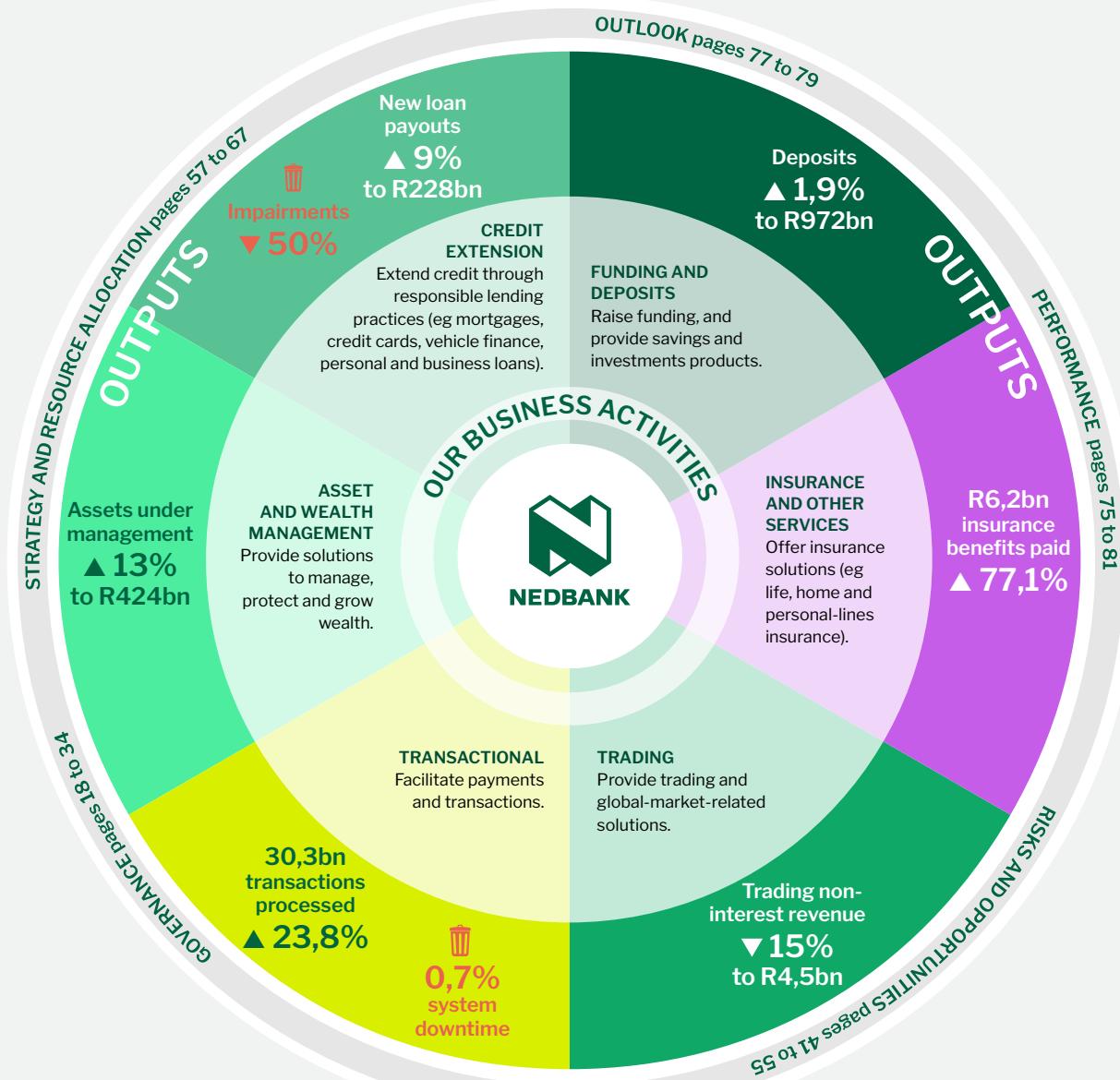
Pages 56 to 67



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 value-creating business model continued

and outcomes ...



for long-term value for our stakeholders

Financial capital

- + Net asset value (NAV) per share up by 11%
- + Strong balance sheet (CET1 ratio: 12,8%)
- + HE of R11,7bn, up 115%

- + ROE up to 12,5%, but still below COE
- + Share price up 35% at 31 December 2021

- + / ●
-
- + / ●
-
-

Intellectual capital

- + Market-leading end-to-end digital onboarding capability (Eclipse and Business Hub) and ecosystem solution (Avo) implemented
- IT modernisation programme (Managed Evolution): 85% complete

- Scarce skills retained in areas such as data analytics, IT, equities and advisory solutions
- Brand value decreased by 9% (remained eighth-ranked South African brand)

- + / ●
- + / ●
-
-
-

Human capital

- + R18,0bn paid in salaries and benefits
- + Percentage salary increase for unionised employees greater than management
- + Diversity metrics improved
- + Reinitiated YES participation, with 1 905 job opportunities

- Employee Net Promoter Score (NPS) up by 3 points to 19
- Employee attrition up from 7,1% to 9,3% (but still below industry average)
- 70 employees retrenched for business reasons

- + / ●
-
-
-
- + / ●

Manufactured capital

- + Digital product sales at 32% of total sales
- + Digitally active clients up by 11% to 2,3 million

- Uptime of application systems at 99,3% (2020: 99,6%)
- Branches reduced by 11 (without impacting client satisfaction levels)

-
- + / ●
-
-
-

Social and relationship capital

- + Client NPS increased to 47% (retained #2 South African bank ranking)
- + Largest increase in main-banked market share of all SA banks to 12,4% (Consulta)
- + 35 new primary client wins in CIB
- + R11,2bn direct and indirect tax contributions
- + R121m socioeconomic investment

- Level 1 BBBEE contributor status maintained
- MSCI ESG rating maintained at AA
- Received < R6m in notable fines
- Number of client complaints up by 3,9%
- Total clients declined to 7,2m (2020: 7,6m) as we closed dormant accounts

- + / ●
-
-
- + / ●
- + / ●

Natural capital

- + Raised R9,8bn in sustainable funding since 2019
- + R36,5bn in renewable-energy lending to date (4,3% of loans)

- Carbon-neutral operations and effectively net-zero operational water usage
- 0,3% of loans used for financing of thermal-coal businesses (with a policy in place to reduce financing)

-
- + / ●
-
-
- + / ●

Value creation Value preservation Value erosion

Our stakeholders – their needs and expectations

As a financial services provider, we are deeply connected to the environment we operate in and the societies we serve. Our ability to create and protect value is dependent on our relationships, our activities and the contributions we make to our stakeholders. By providing for their needs and meeting their expectations, we create and protect value for our stakeholders and for Nedbank, while looking to minimise value erosion.



Employees

Quality of relationship:

Falling short



Clients

Quality of relationship:

Falling short



The quality of the relationship with our employees was assessed in 2021 by taking into account, among other things, an improved employee NPS score of 19, the support we provided for our employees during Covid-19, ongoing investment in human capital development and training, solid progress on transformation metrics and a low attrition level of 9,3%, while 70 employees were regrettably retrenched (none related to Covid-19).

Their needs and expectations

- A safe and healthy work environment, supported by flexible work practices.
- Fair remuneration, effective performance management and recognition.
- Challenging work, with opportunities to make a difference.
- Career development and advancement opportunities.
- An empowering and enabling environment that embraces diversity and inclusivity.

Key objectives and metrics we track

- A culture that is people- and client-centred and innovative.
- Employee attrition.
- Employee satisfaction metrics.
- A diverse and inclusive employee profile.

Relevant material matters

- Evolving world of work.
- Disruptive technologies.
- Environmental constraints.
- The economy.

Capitals impacted



The quality of the relationship with our clients was assessed in 2021 by taking into account, among other things, the support provided to clients during the pandemic, higher levels of client satisfaction (independent Consulta survey ratings), market-leading innovations that have made a difference in our clients' lives and gains in main-banked market share.

Their needs and expectations

- Innovative banking and financial solutions and services, including lending, deposit-taking, transactional and advisory services, global markets, wealth management, asset management and insurance.
- Safe and convenient access (channel of choice), increasingly through digital channels.
- Excellence in client service.
- Value-for-money banking that is competitive and transparent in pricing.
- Responsible banking services and solutions, and a trusted financial partner.

Key objectives and metrics we track

- NPS and client satisfaction ratings.
- Client complaints.
- Wholesale league tables.
- Brand value among South African companies and banking peers.
- South African asset manager market share and rankings.
- Impactful solutions that make a difference (eg aligned with SDGs).

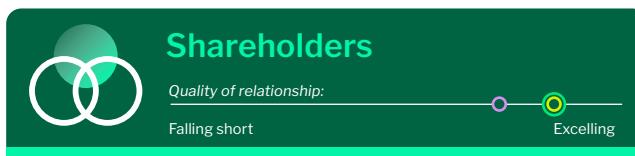
Relevant material matters

- The economy.
- Disruptive technologies.
- Increased competition.
- Environmental constraints.

Capitals impacted



Our stakeholders – their needs and expectations continued



The quality of the relationship with the investment community was assessed in 2021 by taking into account, among other things, the benefits to shareholders of a significantly improved financial performance and a balance sheet that is stronger than before the Covid-19 pandemic, relative share price outperformance versus the South African Bank Index, resuming dividend payments, independent reporting and financial communication awards and top-tier ESG ratings.

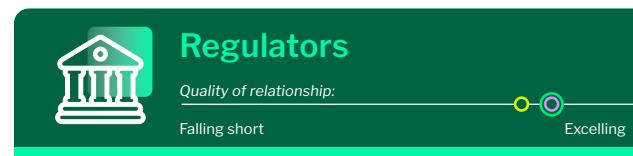
Their needs and expectations

- Share price appreciation and an attractive dividend stream.
 - Sustainable growth in earnings and NAV, financial returns, with ROE exceeding COE.
 - Attractive and sustainable growth strategy.
 - Sound balance sheet to protect against downside risk.
 - Strong and experienced management.
 - Transparent reporting and disclosure.
 - Sound ESG practices.

Key objectives and metrics we track

- NAV per share.
 - ROE and cost-to-income ratios.

Capitals impacted



The quality of the relationship with our regulators was assessed in 2021 taking into account, among other things, our alignment with regulatory requirements and remedial action where required, offset by fines that were paid.

Their needs and expectations

- Compliance with all legal and regulatory requirements.
 - Being a responsible taxpayer in the countries where we do business.
 - Active participation and contribution to industry and regulatory working groups.

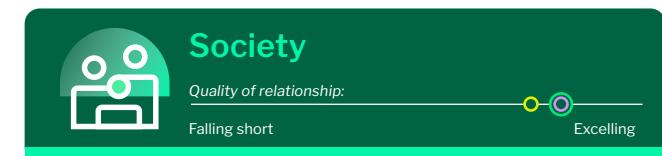
Key objectives and metrics we track

- Effective delivery of compliance with regulatory changes (meeting minimum regulatory requirements).
 - Basel III capital ratios, as well as liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) compliance [exceeding the minimum South African Reserve Bank (SARB) requirements with suitable buffers].
 - CLR [within our 60 bps to 100 bps through-the-cycle (TTC) target range].
 - Direct and indirect tax contributions.
 - BBBEE contributor status (Amended FSC).

Relevant material matters

- The economy.
 - Demands on governance

Capitals impacted



During 2021 we maintained strong relationships with the communities that we serve and key civil society organisations. The quality of our relationship is informed by, among other things, our contributions towards a thriving society and healthy environment, as well as independent metrics such as Salesforce Social Studio banking industry social-media sentiment, where Nedbank ranked as second in the industry.

Their needs and expectations

- Providing access to expert financial advice, products and solutions that help to create positive impacts for individuals, their families, their businesses and their communities.
 - Partnering on common social and environmental issues.
 - Using our resources to promote social and environmental issues as well as other common agendas to build a thriving society.
 - Embracing transformation through (among other things) delivery in line with BBBEE legislation

Key objectives and metrics we track

- Financing of sustainable development to meet the SDGs, thereby promoting socioeconomic transformation through enabling economic inclusion, job creation and poverty alleviation.
 - Our impact on the environment.

Relevant material matters

- The economy.
 - Environmental constraints.
 - Evolving world of work.
 - Disruptive technologies.
 - Demands on governance

Capitals impacted



* The quality of the relationship with our stakeholders are assessed based on the value we created, preserved or eroded, including the performance against specific key performance indicators shown on pages 81 to 92.

Our purpose, vision, values and strategy

Our purpose

The overarching reason why we exist

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

Our vision

What we want our future to look like

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

Our brand promise

see money differently

How we want to affect our clients

Our values

The principles that guide us

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

Our approach to purpose fulfilment

We have prioritised nine of the 17 SDGs where we believe we have the greatest ability to deliver meaningful impact through our core business.

The Nedbank Sustainable Development Framework



Our strategy

Medium-term targets (2023)

Diluted headline earnings per share

> 2 565 cents
(2019 levels)

ROE

> 15%
(2019 levels)

Cost-to-income ratio

< 54%

NPS

#1 bank
(from #2 in 2020)

Strategic growth drivers

Growth

Productivity

Risk and capital management

Strategic 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

Long-term targets

DHEPS growth

> GDP +
CPI + 5%

ROE

> 18%
(COE + 3% to 4%)

Cost-to-income ratio

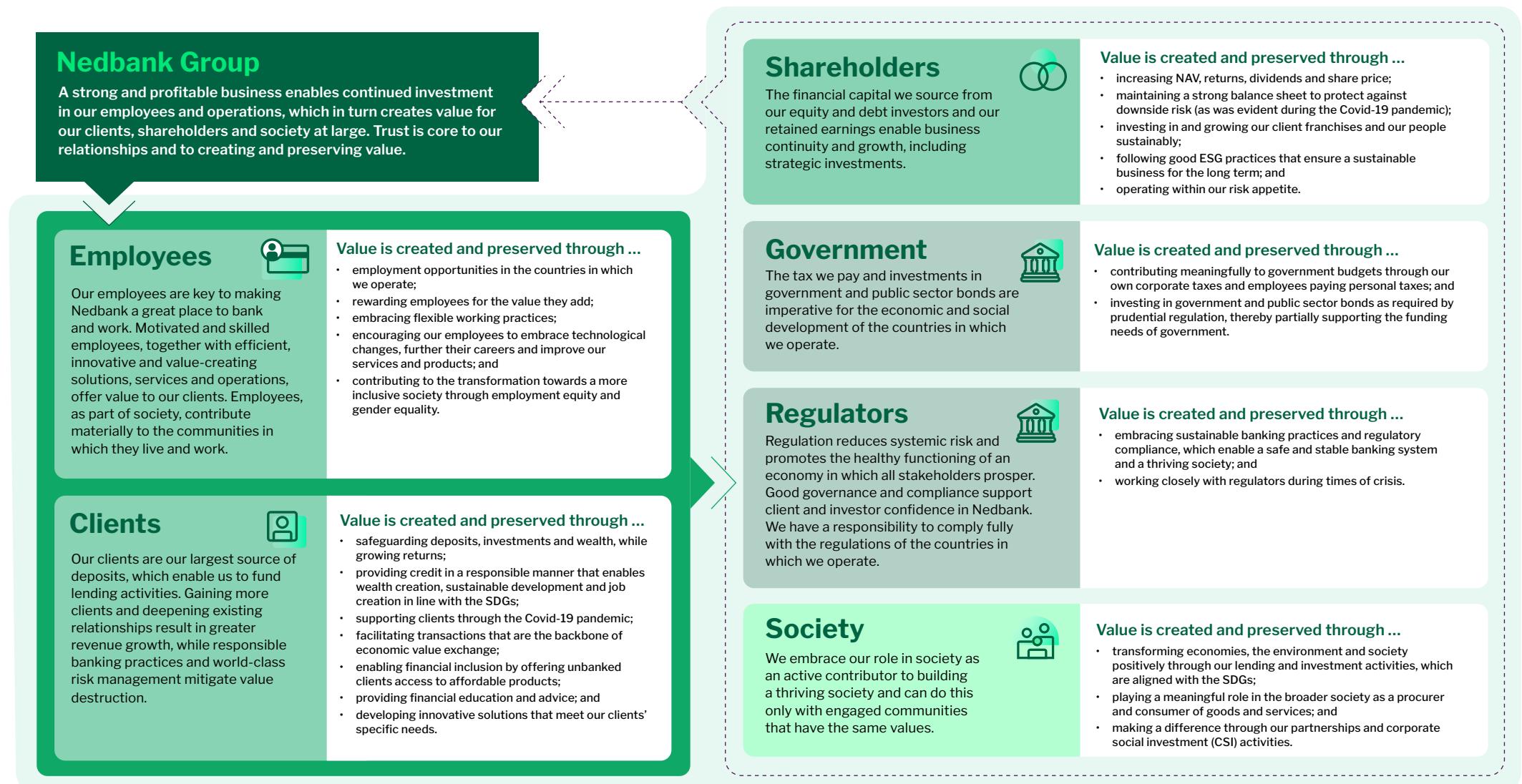
< 50%

NPS

#1 bank
(from #2 in 2020)

Delivering value by delivering on our purpose

Our success depends on the degree to which we deliver value to society and it is therefore important to understand our role in society and how society can be different and better 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.





Leading the way for value creation through good governance

A strong, diverse and independent board has ensured that Nedbank continues to rank high in ESG matters.

| | |
|---|----|
| Reflections from our Chairperson | 19 |
| Governance at Nedbank | 22 |
| Key board focus areas | 23 |
| Key board discussions | 26 |
| Board of directors | 27 |
| Our board structure and mandates | 29 |
| Other key areas of responsibility and oversight | 31 |
| Board evaluations | 34 |

Reflections from our Chairperson

Podcast



Over the past few years the world has experienced a level of disruption and business risk never seen before as the Covid-19 pandemic became central to everything we do. The pandemic forced a short-term focus on immediate operations and a focus (rightly so) on survival for both individuals and businesses.

The pandemic also highlighted the vulnerabilities and interconnectedness of the current global system as well as the vulnerabilities of many parts of our society. At the same time, this has encouraged new ways of operating and opened new markets and opportunities to respond to these issues in a strategic and more responsible manner.

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, Chairperson

SA, its people and its companies, proved remarkably resilient, managing to move the economy back to close to pre-pandemic levels by the end of 2021, despite absorbing multiple and repeated health, societal and economic shocks over the past two years. The economic recovery, which started in the second half of 2020 and continued throughout 2021, was underpinned by a strong global rebound driven by a surge in demand for goods, which fuelled a strong rally in international commodity prices. Although the positive external position and terms of trade provided a significant boost to the recovery, domestic demand also improved, albeit regularly disrupted by each successive wave of Covid-19 infections and related economic lockdowns. Consumer spending grew year on year, buoyed by low interest rates, but in stark contrast the unemployment rate continued to climb to an alarming height, reaching a record high of 34,9% in the third quarter and reminding us that the most vulnerable in society have been most impacted by the pandemic.

**South African GDP growth of
4,9%
in 2021**

Sub-Saharan African economies generally benefited from favourable commodity prices and firm global demand, while the relaxation of Covid-19 containment measures facilitated the recovery of activity. The global economy also demonstrated significant resilience through the pandemic, bouncing back faster than expected. Financial market conditions also improved in 2021 while equity markets rallied.

Although it may be too soon to tell what the impact of the recent Russian invasion of Ukraine would be, there will likely be lasting implications for geopolitics as well as commodities, energy policy and the energy transition into the future.

Economic stability

Sadly, July 2021 saw violent civil unrest in KwaZulu-Natal and parts of Gauteng in July, which had a devastating impact on South Africans and our economy as well as our attractiveness as an investment destination. Our primary focus during this time was to ensure the safety of our employees and clients. Gratefully, none of our employees were injured although we suffered some damage to our branch and ATM networks. Given the psychological and physical impact, as a responsible corporate citizen we increased our focus on providing counselling services to traumatised employees and families, and Nedbankers came together to source and deliver more than 106 tonnes of food parcels to our colleagues, their families and their communities in the affected areas.

Reflections from our Chairperson continued

Record high unemployment levels and poverty in SA combined with political contestation increases the risks of new waves of riots and looting. Business cannot abandon its role of providing constructive activism. Our role is to be a partner, not a bystander, in the success of the countries where we operate. The accelerated 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 the government in overcoming the obstacles that lie ahead of us.

Focus on environmental, social and governance imperatives

While ESG principles have come to dominate the global investment arena in recent years, there still seems to be a widespread misperception that these are three separate imperatives. In reality, it is not possible to separate the impact that humankind's actions are having on the environment from those felt by society, nor is it possible to practise good governance in isolation from the two other vital considerations.

Nedbank is often anecdotally known as SA's 'green bank', thanks to our established reputation for demonstrating a strong, integrated environmental- and social-sustainability commitment over the years. This integrated sustainability philosophy, which underpins the fulfilment of our purpose of using our financial expertise to do good for individuals, families, businesses and society, has informed our business strategies and our societal-upliftment and development commitments for a number of decades. The 'good' in our purpose represents the group's understanding of, and commitment to, the need for systemic solutions to the challenges facing society, with many of the most pressing of these challenges being created or exacerbated by climate change.

In April 2021 we announced the adoption of a market-leading Energy Policy designed to guide our redirecting of investment towards cleaner energy alternatives and outline our commitment, over time, to aligning our business strategy, policies, mandates and incentives with the Paris Agreement. As outlined in our Energy Policy, we will

Using our financial expertise to do good

scale up our market-leading commitment towards the fast-growing renewable-energy sector to support a just transition to cleaner energy.

We continued to focus on advancing our transformation agenda towards a more inclusive society. For the fourth consecutive year Nedbank achieved a level 1 BBBEE contributor status for 2021 under the Amended FSC. Pleasingly, female representation at board level improved to 28%.

Notwithstanding ongoing and proactive engagement with shareholders in the context of the difficult and unusual Covid-19 environment, we were disappointed with the 66% vote of support for the group's remuneration policy at the May 2021 AGM, this slightly below the 75% JSE threshold, while the remuneration implementation vote was at 80%. The Remuneration Committee has considered the feedback and made suitable changes to the 2022 policy, in particular shifting back to having 100% of executive long-term incentive awards subject to performance conditions as we emerge from the Covid-19 environment. With our increased focus on ESG, we have incorporated these factors into individual executive performance goal commitment contracts as well as introduced selected 'ES' deliverables into the performance conditions of the group's long-term incentives, with the 'G' covered by *malus* and clawback.

People-centred

Nedbank's people-centred culture was highlighted in its response and support of the workforce during the unprecedented context of the pandemic. Ongoing group executive engagements, surveys and other interactive communication channels provided information to ensure a timely response to various matters including mental health, grief and loss, as well as addressing Covid-19 and vaccination myths. Support was given with the implementation of enabling policies, while the resilience of our workforce was built through extensive well-being programmes and learning solutions.

Investing in technology

There is no doubt that there is a significant transition taking place in global banking with regard to digitisation. At Nedbank, we have

invested in developing key technological and operational capabilities that have enabled a sound platform for competitive advantage in the coming years. The technology investments that we have made drive improved client experiences as well as productivity improvements through digitised services and process efficiencies within our TOM programme and drive our SPT strategy for selected market share growth and easier cross-sell through digitised products and sales capabilities. The board is satisfied with the progress made on the 2023 strategic and financial targets and the progress the technological investments have yielded in delivering market-leading client experiences and improved efficiency measures.

BBBEE contributor: Level 1 since 2018

Zero tolerance for corruption

Kleptocracy is a global challenge. Given their role in the economy, banks and financial services institutions across the globe often find themselves entangled with offboarding clients and dealing with onerous reporting obligations as well as with past transactions that need to be reviewed, sometimes with regulatory and legal implications.

The board has taken careful note of the Zondo Commission's report and highlights that, based on our review of the report, no adverse findings have been made against Nedbank. Part 1 of the report recommended further investigation of certain transactions involving Nedbank where Regiments Capital acted as client advisors in the period 2009 to 2011. These investigations have been ongoing for some time and Nedbank has been cooperating fully with same. The Zondo Commission ran out of time before submitting Part 1 of the report to the Presidency, and as a result and as stated in the report itself, Nedbank has not yet had an opportunity to be heard on certain matters dealt with in the report. We remain firmly of the view that there has been no wrongdoing on the part of Nedbank. The board and management commissioned detailed legally privileged internal and independent external reviews of the transactions, which allowed the Nedbank Board to conclude that Nedbank acted as a reasonable banker and had at no time acted unlawfully.

We will continue to cooperate fully with any investigations undertaken by the appropriate authorities. We reiterate that we have zero tolerance for kleptocracy and corruption, and we expect all our stakeholders, including our clients, service providers and employees, to conduct themselves ethically and with integrity.

Reflections from our Chairperson continued

Appreciation

Raymond Albert Kroc built a globally successful business, McDonald's, based on the mantra 'None of us is as good as all of us'. Guided by our corporate purpose to use our financial expertise to do good for individuals, families, businesses and society, we have done well for the common good of our business and all our stakeholders. I am humbled and grateful for the 27 303 Nedbank employees who continue to serve our clients and do great things. Thank you to my fellow boardmembers and Chief Executive (CE), Mike Brown, for his leadership during this unprecedented time.

In line with the board's succession process, the search for a new chairperson will commence soon and we aim to conclude this process well in advance of my retirement from the board in May 2023. We welcome Phumzile Langeni to the boards and look forward to her valuable contribution, given her experience in the areas of commerce, financial services and mining and resources.

We continued to lose colleagues, loved ones and friends to Covid-19 in 2021. Our deepest sympathies to our employees, clients and stakeholders who lost loved ones in this period. Unfortunately, 2021 also saw the death of our former Chairperson Vassi Naidoo after a long battle with cancer. Vassi loved his time at Nedbank and we continue to miss him dearly. I know the prayers of the entire Nedbank family are with his wife, Sheila, and his family.

Kintsugi is the centuries-old Japanese art of fixing broken pottery with a special lacquer dusted with powdered gold, silver or platinum. Instead of discarding treasures when they become broken, they are repaired with jewel-like metal. While they may have once been broken or weakened by an event, they are now strengthened and more valuable because of their repair. This carries a message of resilience. History shows that in times of disruption, resilience depends on adaptability and decisiveness. The foundations of future growth are often laid as societies respond to the weaknesses that crises expose. As we turn our focus to an inclusive-growth agenda, I am confident that a resilient and growing Nedbank is well placed to lead as it adapts to this changing, uncertain future.

Mpho Makwana

Chairperson

A tribute to Vassi Naidoo

The life of Vassi Naidoo was a celebration of a uniquely South African success story. He was one of a kind and truly one of the very best.

Vassi rose from a challenging background in apartheid SA to qualify as a chartered accountant at Deloitte in 1979, before becoming the CEO of Deloitte Southern Africa in 1998, making him the first black CEO of a 'big four' accounting firm in SA. After serving for two terms, he became the deputy chair of Deloitte UK in London and retired in 2014 after 37 years with the firm.

He was appointed to the Nedbank Group and Nedbank Limited Boards in May 2015 as non-executive chairperson, a position he held until his passing at the age of 66. He had been a past non-executive director of Old Mutual Plc, Old Mutual Group Holdings and Old Mutual Limited.

Vassi was a chartered director, and a member of the Institute of Directors in South Africa, the South African Institute of Chartered Accountants (Saica) and the Institute of Chartered Accountants in England and Wales. In 2011 he was awarded honorary life membership of Saica for his contribution to the development of the accounting profession in SA. He was also a professor of practice in the department of accountancy at the University of Johannesburg.

He was a trailblazer and a true patriot, passionate about SA and the role its business leaders should play in contributing to its success. In this context he played a key role in the creation of the CEO Initiative as a vehicle to contribute to changing the fortunes of our country for the better.

At Nedbank he led the board with integrity and passion, and loved our Nedbank brand and what it stood for. Vassi drove the formalisation of Nedbank's purpose or 'north star' – that of using our financial expertise to do good for individuals, families, businesses and society. The YES initiative was close to his heart, and he always reminded recruits from a similar background of the importance of education, hard work and the opportunities that lay ahead.

His enduring legacy remains in all of us.



Video



Governance at Nedbank

Nedbank's governance is established by the tone set at the top through purpose-driven leadership by the board and management, and the values and behaviours expected from all employees in the organisation. Our top leadership continues to drive and enable new leadership mindsets and capabilities required to manage and thrive in an agile, digital, and disruptive environment.

The board and group executive strive to create maximum shared value by delivering on our purpose of using our financial expertise to do good and through our strategic growth drivers. We ensure relevance and sustainability of our business model by monitoring the macro environment, the availability and quality of capital inputs, and stakeholder needs, all of which inform the strategy of the group.



Board governance philosophy

Nedbank is committed to the highest standards of governance, ethics and integrity. We embrace world-class banking practices and robust institutional governance and risk frameworks to ensure our banking services are secure and stable. We review these practices and frameworks on an ongoing basis, being mindful of the dynamic landscape in which we operate, which is influenced by, among other factors, health and economic changes (such as the impact of the Covid-19 pandemic), cultural shifts in the workplace, digital trends such as artificial intelligence, geopolitics, enhanced data safety and security requirements, and climate change risks, to ensure that we act in the best interest of all our stakeholders.

In particular, we acknowledge the interdependent relationship between Nedbank and its stakeholders, and we adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders in the best interests of the organisation over time.

Banks are expected to adapt to regulatory changes quickly, which means we have to entrench good governance practices while retaining the flexibility to respond proactively to the fast-changing regulatory environment. However, governance within the Nedbank Group entails far more than legislative compliance and best-practice principles. We believe that good governance can contribute to living our values through enhanced accountability, strong risk and performance management, transparency and ethical and effective leadership.

The board's governance oversight is guided by its commitment to its responsibilities and governance objectives achieved through the application of the principles and practices as articulated in King IV.

 We provide detailed disclosure on the application status of the King IV principles in our Governance Review available online as part of the 2021 Governance Report at nedbankgroup.co.za.

Compliance

Nedbank is under a statutory duty in terms of the Companies Act, Banks Act, King IV and the JSE Listings Requirements to comply with regulation, and proactively monitor and assess regulatory developments to determine their applicability and impact on the group.

This proactive approach to regulatory developments demonstrates Nedbank's commitment to implementing appropriate controls to ensure compliance with the ever-expanding regulatory landscape, thereby gaining stakeholder confidence, trust and satisfaction and also ensuring actions are taken to mitigate exposure to reputational, financial and other regulatory risks. Regulatory developments and the state of compliance are reported on and monitored by the DAC, being one of the board committees established in terms of the Banks Act.



Key board focus areas

In line with external developments in the operating environment and the board priorities that we identified and communicated in our 2020 Integrated Report, the following five areas received heightened focus in 2021:

Key board focus areas in 2021

1 Our response to the Covid-19 pandemic – resilience and transition

2 Our reimagine strategy – ensuring value creation in a new normal

3 Succession planning

4 Reputational matters

5 Strengthening our response to climate change

1 Our response to the Covid-19 pandemic – resilience and transition

As the Covid-19 pandemic emerged in 2020, the board worked closely with management in pivoting the group's strategy to 'Resilience' (the immediate focus as we managed the crisis) followed by 'Transition' (as we enabled recovery and reintegration) and 'Reimagine' (strategising for value creation in a new normal). During times of crisis, the role of the board is important as it provides appropriate guidance and oversight, ensuring support to stakeholders (protecting value and minimising value erosion) while remaining aligned with shifts and pivots that are required in strategy (creating value).

After the board oversaw the group's strategic pivot and responses relating to the Covid-19 pandemic in 2020, including a focus on

business risk, people and operational risk, liquidity risk, credit risk and capital risk (top five risks), the focus shifted in 2021 to reflect the management of residual Covid-19-related risks and new emerging risks in a new normal.

In 2021, the board continued to receive updates on how clients and suppliers were managing through the pandemic, and monitored actions to ensure the health and safety of the group's employees and other stakeholders as further waves of Covid-19 emerged. Continued focus was placed on business risk (in particular the macroeconomic impact and recovery), credit risk (as clients managed their way through the ongoing impact of lockdowns) and capital risk.

Strategic execution and cyberrisk moved back

into the group's top five risks as digital usage and penetration accelerated.

Resource allocation shifts, that were initiated in 2020, resulted in a reduction in liquidity, capital and credit risks. At the end of 2021, not only did all the group's resilience metrics strengthen to levels higher than prior to the crisis (2019), today Nedbank is in a much stronger position to grow and expand off even stronger foundations. Shifts in capital allocation to technology and digital innovation continued. The focus for 2022 and beyond is on business, strategic execution, credit, cyber- and people risks.

Our top five risks

2020

- 1 Business (global and country) risk
- 2 People and operational risk
- 3 Liquidity risk
- 4 Credit risk
- 5 Capital risk

2021

- 1 Business (global and country) risk
- 2 Credit risk
- 3 Strategic-execution risk
- 4 Capital risk
- 5 Cyberrisk

2022

- 1 Business (global and country) risk 
- 2 Strategic-execution risk 
- 3 Credit risk 
- 4 Cyberrisk 
- 5 People risk 



Read more about our top 10 risks on pages 52 to 55.

Key board focus areas continued

2 Our reimagine strategy – ensuring value creation in a new normal

In 2021 the board continued its regular strategic discussions at board and committee meetings, as well as during its annual board and Group Exco strategy engagement in May 2021. The board debated and provided input into the group's reimagine strategy, before signing off the three-year business plan, financial targets and relevant risk appetites in November 2021, including decisions around resource allocation involving the group's various capitals.

The group's new strategy, communicated to investors for the first time in the 2020 Integrated Report, incorporates three value drivers (growth, productivity, and risk and capital management) that aim to create value as we seek to meet our medium-term targets (2023). These targets are aimed at increases in diluted headline earnings per share (DHEPS), ROE, the cost-to-income ratio and NPS as shown on page 16. Value creation is enabled by five strategic value unlocks: Delivering market-leading client solutions; disruptive market activities; focusing on areas that create value (SPT 2.0); driving efficient execution (TOM 2.0); and creating positive impacts. Read more about our strategy (value unlocks) on pages 56 and 67.

In 2021 the board specifically focused on:

- delivery of the group's Managed Evolution (ME) technology strategy (including external benchmarking of the progress and achievements to date);
- enterprise agility through our Target Operating Model (TOM) 2.0;
- growing the transactional banking franchise through strategic portfolio tilt (SPT) 2.0; and
- shifts in the group's Human Capital Strategy as we align with the more digital world and embrace flexible work practices.

Key approvals included resource allocation to technology initiatives and ongoing digital innovations (R2bn annual IT cash flow spend), ongoing expansion into beyond-banking activities such as Avo (which is a super app platform enabling clients to buy essential products and services online), optimisation of various capitals under TOM 2.0 as both the group's real estate (branches and own offices – manufactured capital) and number of employees are reduced in a more digital world, and increase in market share of selected asset classes (as we aim to grow our transactional banking franchise and deposit base under SPT 2.0).

CASE IN POINT

Integrated thinking in action

Integrated thinking and decision-making at Nedbank is best illustrated in the trade-offs made between the group's various capitals as discussed on [pages 70 and 71](#). Nedbank management and the board consider the creation, preservation and erosion of value for all stakeholders over the short, medium and long term. Key examples of integrated thinking in action include the following:

- Short-term profitability versus balance sheet strength during the Covid-19 crisis.
- Digital versus traditional banking.
- Transitioning towards the workforce of the future.
- Portfolio tilt in line with our purpose and the SDGs.

3 Succession planning

Succession planning for boardmembers is one of the most important responsibilities of the board as a whole, assisted by the Directors' Affairs Committee (DAC). The DAC continuously monitors the split between executive, non-executive and independent directors as well as the skills, experience and tenure of boardmembers as shown on [page 27](#).

One of the focus areas of the DAC is to ensure that, when directors are reaching tenure and retirement age, board continuity is ensured through active succession planning that takes into account any changes to the skills needed on the board in terms of the group's strategic focus areas.

The group's then-Chairperson, Vassi Naidoo, was granted medical leave of absence in January 2021 and Mpho Makwana stepped in as Acting Chairperson. On 28 September 2021, shareholders were advised of the passing of Vassi Naidoo, and Mpho Makwana was appointed as Non-executive Chairperson of the board on 2 December 2021. Although Mpho had been on the Nedbank Group Board for more than nine years, the board believed that continuity during this time was paramount and so his tenure was extended with his appointment as Non-executive Chairperson.

Good progress is being made on board succession planning, including for the role of Chairperson, with the aim to appoint a new Chairperson at the AGM in 2023.

4 Reputational matters

Our ethics philosophy requires a relationship of trust with our internal and external stakeholders, in which we demonstrably act with integrity. We continue to have zero tolerance for corruption, and we expect all of our stakeholders, including our clients, service providers and employees, to conduct themselves ethically and with integrity.

As indicated in our 2020 Integrated Report, we support, and will continue to support and cooperate with, the relevant authorities and commissions on reputational matters relating to our historic interactions with Regiments Capital. Deep dives and lessons-learnt exercises continue to be top of mind for the board.

The Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State chaired by the then-Deputy Chief Justice Raymond Zondo (Zondo Commission) was established in January 2018 by former President Jacob Zuma. Part 1 of the report was published on 4 January 2022. Part 2 was published on 1 February 2022. Part 3 was published on 1 March 2022. Subsequent to a further extension, granted by the High Court on 23 February 2022, it is anticipated that the final part of the report will be published on 30 April 2022. The President consequently has four months from the end of April 2022 to report to Parliament on his implementation plan.

Key board focus areas continued

Nedbank was mentioned in Part 1 and Part 2. Nedbank was not mentioned in Part 3. The transactions covered in Part 1 [Airports Company South Africa (Acsa)] and Part 2 (Transnet) are known to Nedbank and have been the subject of detailed internal and independent external legally privileged reviews. Based on these legally privileged reviews, which covered Nedbank's dealings with Regiments and its clients (the affected counterparties), the Nedbank Board concluded that Nedbank acted as a reasonable banker and had at no time acted unlawfully. At the time of these transactions Nedbank had no information indicating that the internal governance process of certain companies, or key role players had been compromised. This has subsequently become clear through investigative journalism and processes like the Zondo Commission.

While Part 1 made no findings against Nedbank, it did recommend further investigation of Nedbank's role in respect of certain Acsa transactions concluded in 2009–2011. Part 2 makes no such recommendations in respect of Nedbank. Notably, Part 1 states that the Zondo Commission had intended to hear evidence from Nedbank on the Acsa transactions but acknowledged that it ran out of time and therefore had not obtained evidence on Nedbank's version on these transactions. In respect of the Transnet transactions mentioned in Part 2, Nedbank made detailed submissions under oath to the Zondo Commission. Nedbank would welcome the full public disclosure of its submissions (subject to the further direction of the Zondo Commission).

We note and take very seriously the reputational risk to Nedbank as a consequence of being mentioned in the various reports. Nedbank will continue to cooperate fully with any further investigations undertaken by the appropriate authorities pursuant to the release of the final Zondo Commission Report.

5 Strengthening our response to climate change

Nedbank Group has an excellent track record and strong credentials in leading the change required to address climate change, and our leadership in this area has been endorsed by the board over the past 30 years. Our sustainability journey continues to grow and mature, from being the first African bank to sign the Equator Principles in 2005 and the first African bank to become carbon-neutral in 2010, to being the first commercial bank to launch a renewable-energy bond on the JSE in 2019 and the first bank in Africa to raise green AT1 funding in 2021. The board acknowledges that, in context of the Paris Agreement and the rising impact of climate change, more needs to be done.

In 2021 we established a Group Climate Resilience Committee (GCRC) – a board committee focused on climate change and providing independent oversight of the adequacy and effectiveness of the Climate Risk Management Framework and the Social and Environmental Risk Framework in line with the Enterprisewide Risk Management Framework (ERMF), which includes key risks, key performance indicators, branding, market positioning and opportunities and strategy in relation to social, environmental and climate-related risks and opportunities. We also established a Climate Risk Committee (as a subcommittee of Group Exco), which is chaired by the Chief Risk Officer, and a groupwide multidisciplinary Climate Task Team. Other key activities in the year included establishing a Climate Risk function within our Group Risk Cluster and initiatives aimed at upskilling the board, management, employees and clients on climate change matters. Other key decisions taken by the board in 2021 include approving Nedbank's Energy Policy and approving climate scenarios set out in the 2021 Internal Capital Adequacy Assessment Process (ICAAP).

As part of our journey as a purpose-led business, we are committed to playing a leading role in addressing climate change, and the risks and opportunities that it presents, in ways that are sensitive to the local socioeconomic context and climate vulnerability. Banks play a central role in driving sustainable socioeconomic development for the benefit of all stakeholders, by providing capital where it is needed most. Banks' financing choices can serve to enable the necessary transition to a low-carbon economy and contribute to building climate resilience through the financing of adaptation measures.

First African bank to sign
Equator Principles
in 2005

First African bank to become
carbon-neutral
in 2010

First African bank to launch
renewable-energy bond
in 2019

First African bank to raise
green AT1 funding
in 2021

Focus areas of the board in 2022

Many of the key focus areas of 2021 will continue to be a priority in 2022, particularly as our strategy execution accelerates.

Key focus areas for 2022 include the following:

- **Board and executive succession**
- **Delivery of the group's strategy and progress towards 2023 targets, including the following:**
 - » Increasing operating efficiencies through ME.
 - » Achieving enterprise agility through TOM 2.0.
 - » Growing the transactional banking franchise through SPT 2.0.
- **Reputational matters**

Key board discussions

Besides our regular agenda items, such as detailed feedback from the chairpersons of board committees on the deliberations of those committees, comprehensive presentations by the CEO on top-of-mind items (incorporating, among other things, discussions about the competitor landscape, key reputational risk matters, progress on significant programmes underway in the organisation, and the status of key strategic actions) and presentations by the CFO on our financial results and forecasts at regular intervals, the board also had the following important discussions in 2021.

In addition, focus was maintained on monitoring the effect of Covid-19 on the group's stakeholders, while brand, technology, liquidity and capital were also ongoing discussion points at board meetings in 2021. Board succession planning received heightened focus given the illness of the then-Chairperson, Vassi Naidoo, and his passing on 28 September 2021, as well as planning for the retirements of Brian Dames, Mpho Makwana and Dr Mantsika Matooane in May 2023.

| Jan/Feb | Mar/Apr | May/Jun | Jul/Aug | Sept/Oct | Nov/Dec |
|--|---|---|---|---|--|
| <ul style="list-style-type: none">• Annual board kick-off session where topics such as the A-Z of credit, climate change, an overview of the economic and political environment, and disruption amplified were covered.• Considered board succession planning, including approving medical leave of absence for Vassi Naidoo and appointing the then-Lead Independent Director as Acting Chairperson.  | <ul style="list-style-type: none">• Approved the 2020 annual financial results and resolved to not declare a final dividend for 2020 in line with the Prudential Authority's (PA's) guidance note G3/2021.• Approved the 2020 Integrated Report.• Approved the 2020 Pillar 3 Risk and Capital Management Report.• Approved the group's 2021-2023 forecasts post the 2020 year-end.• Approved Group Exco 2020 remuneration outcomes.• Considered and agreed on the directors to be put forward for re-election at the AGM.• Considered reputational risk matters, for which additional ad hoc meetings were convened. | <ul style="list-style-type: none">• Conducted a deep-dive analysis into Nedbank's TOM 2.0 programme (driving efficient execution).• Received training on competition law.• Attended the annual strategy planning session focusing on 'Resilience', 'Transition' and 'Reimagine'.• Considered how Nedbank remuneration linked to strategy and value creation.• Held the group's eighth annual ESG roadshow with shareholders.• Held the group's second virtual AGM. | <ul style="list-style-type: none">• Approved the group's strategic planning framework 2022-2024.• Approved the group's 2021 interim results.• Approved the 2021 ICAAP Report incorporating the 2021 Internal Liquidity Adequacy Assessment Process (ILAAP) Report.• Agreed to make an offer to all the holders of non-redeemable, non-cumulative, non-participating variable-rate preference shares to repurchase their preference shares, subject to, among other things, the relevant shareholder and regulatory approvals and appointed an independent board in terms of the takeover regulations for purposes of the scheme. | <ul style="list-style-type: none">• Held annual meeting with the PA and the FSCA to discuss the group's medium- and long-term strategies. A presentation was also done on the impact of new technologies on regulated financial institutions.• Signed the annual board ethics statement.• Approved the Nedbank Group ERMF.  | <ul style="list-style-type: none">• Interrogated and approved the Nedbank Group Business Plan for 2022-2024.  |
| | | | | | |

Board of directors

Non-executive
director and
Chairperson

Independent non-executive directors

Executive directors



Mpho Makwana ⁵¹
Chairperson:
Nedbank Group
and Nedbank
Limited
Years on board: 10

Hubert Brody ⁵⁷
Lead
Independent
Director
Chairperson:
DAC, Remco
Years on board: 4

Brian Dames ⁵⁶
Chairperson:
GCRC
Years on board: 7

Neo Dongwana ⁴⁹
Years on board: 4

Errol Kruger ⁶⁴
Chairperson:
GRCMC, GCC
Years on board: 5

Phumzile Langeni ⁴⁷
New appointee

Rob Leith ⁵⁹
Years on board: 5

Linda Makalima ⁵³
Chairperson:
GTSEC
Years on board: 4

Prof Tshilidzi Marwala ⁵⁰
Years on board: 2

Dr Mantsika Matooane ⁴⁶
Chairperson:
GITCO
Years on board: 7

Stanley Subramoney ⁶³
Chairperson: GAC
Years on board: 6

Mike Brown ⁵⁵
CE
Years on board: 17

Mfundzo Nkuhlu ⁵⁵
Chief Operating
Officer (COO)
Years on board: 7

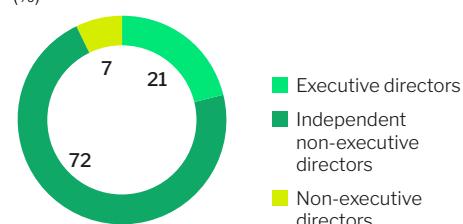
Mike Davis ⁵⁰
CFO
Years on board: 1

Our board profile

Independence – protecting the interests of all stakeholders

The majority of Nedbank's boardmembers are independent directors, which complies with King IV and global best-practice governance. The size of the Nedbank Board, at 14 members, is influenced by the demands of a large and complex banking industry. The size gives the board adequate membership for its 9 board committees, of which four are statutory, while maintaining adequate levels of independence.

Executive and non-executive directors (%)



More details on board skills and experience on page 28.

Board changes since 54th AGM

- Iain Williamson stepped down as a non-executive director in May 2021.
- Vassi Naidoo, our then-Chairperson, passed away in September 2021.
- Mpho Makwana (former Lead Independent Director and Acting Chairperson) was appointed as Non-executive Chairperson and Hubert Brody was appointed as Lead Independent Director of the companies' boards on 2 December 2021.
- With effect from 1 January 2022, Rob Leith was classified as an independent non-executive director of Nedbank Group and Nedbank.
- Phumzile Langeni was appointed to the board after the 2021 AGM and makes herself available for election by shareholders at the AGM to be held on 27 May 2022.

Board nominees for 55th AGM

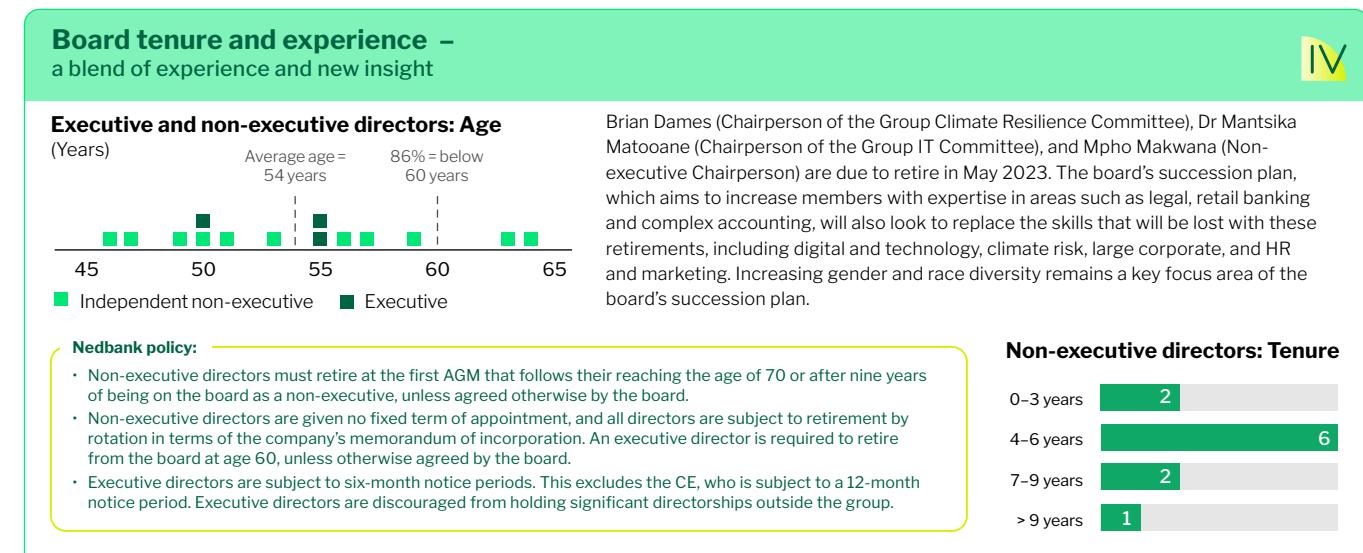
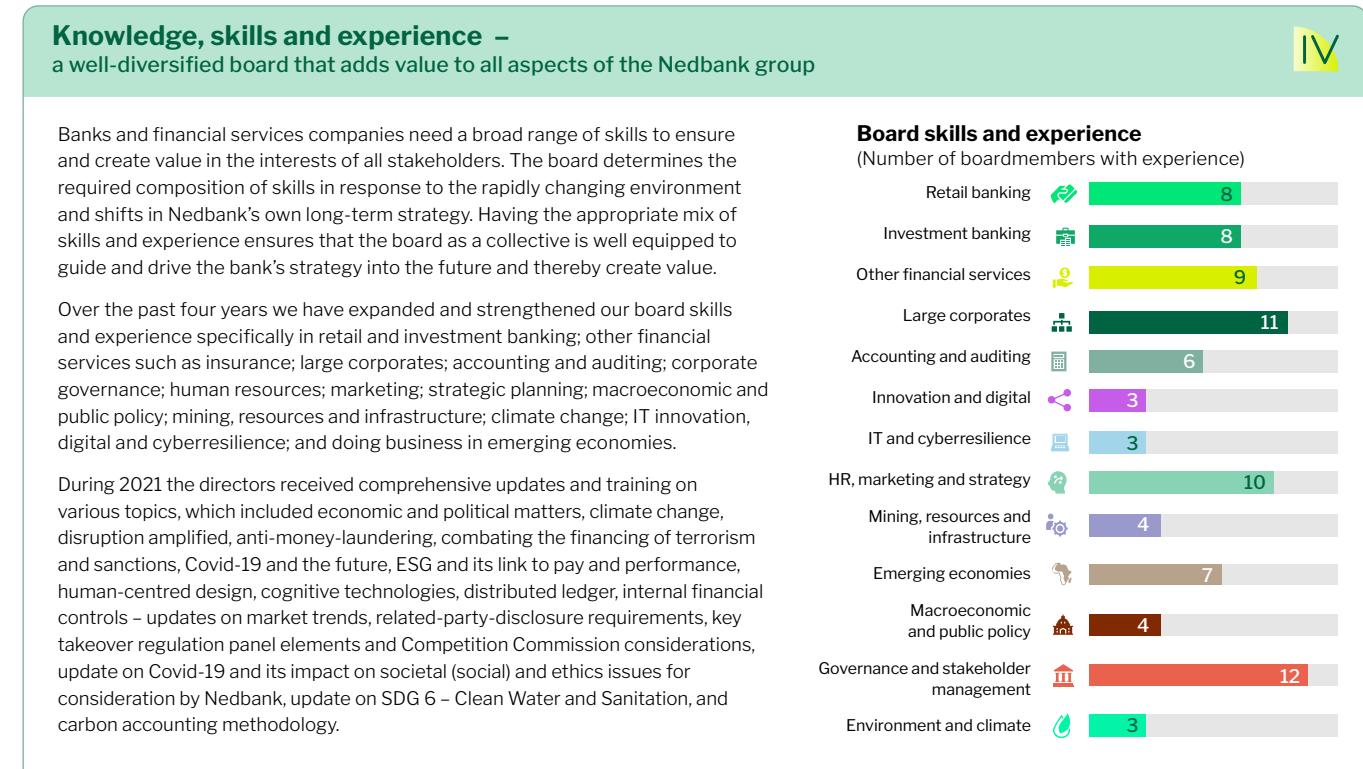
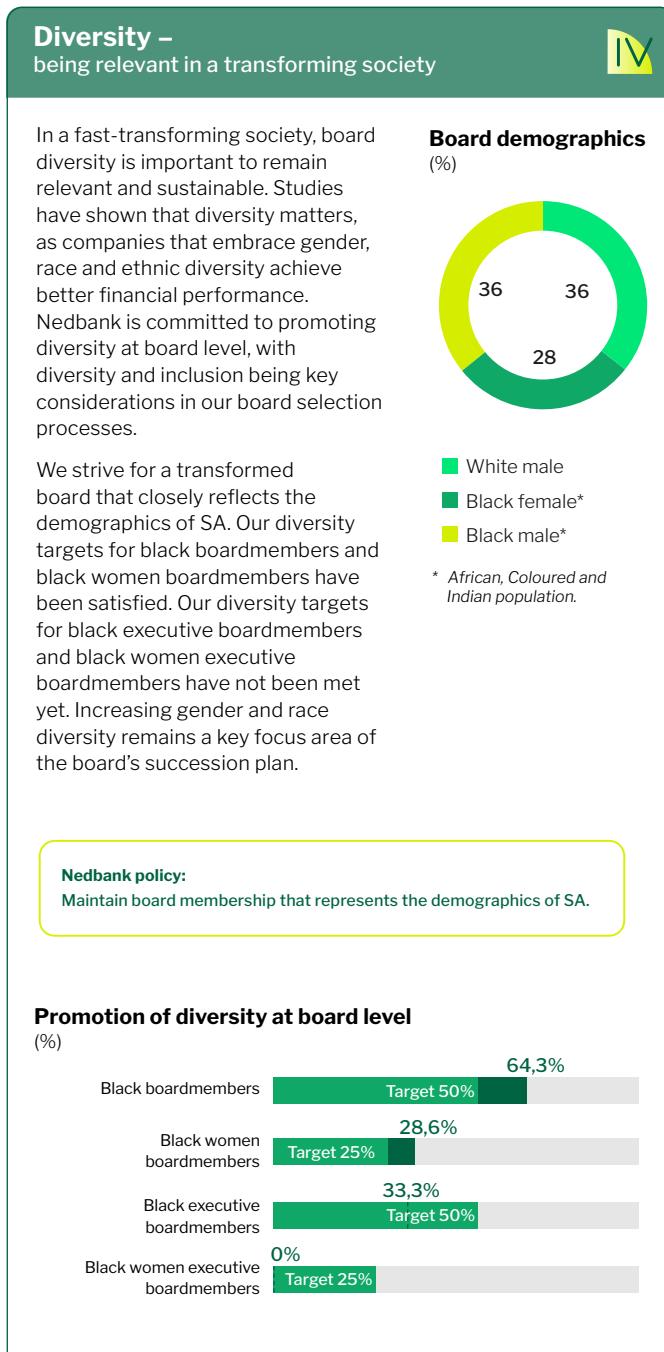
Election

- Phumzile Langeni

Re-elections

- Mike Brown
- Brian Dames
- Rob Leith
- Stanley Subramoney

Board of directors continued



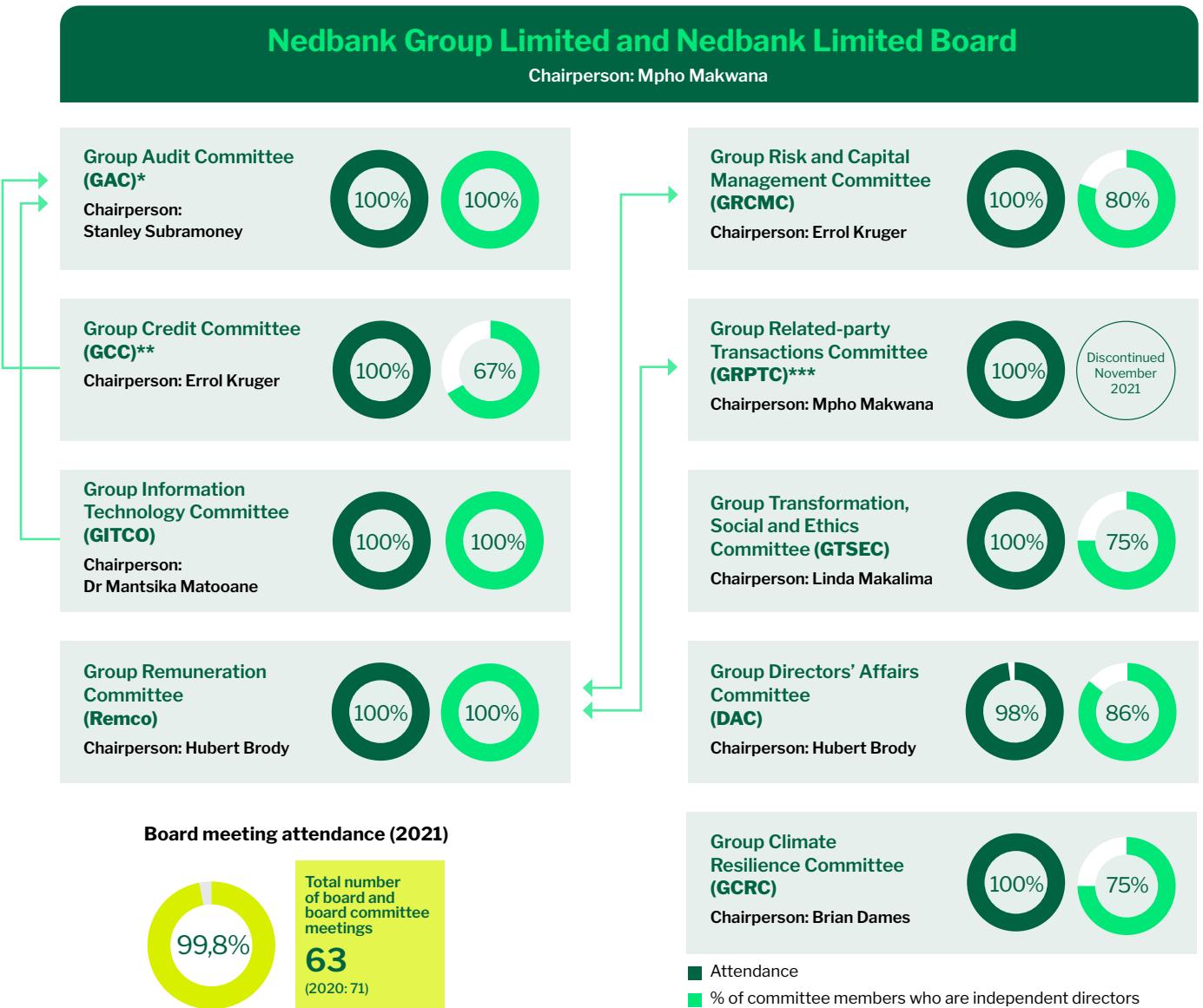
Our board structure and mandates

The board of directors provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls. This makes it possible to assess and manage risk to ensure long-term sustainable development and growth. The board has ultimate accountability and responsibility for the performance and affairs of the company and ensures that the group adheres to high standards of ethical behaviour.

The board committees assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed annually and effectively delegated in respect of certain of the board's responsibilities. These terms of reference are available at nedbankgroup.co.za. The board monitors these responsibilities to ensure effective coverage of and control over the operations of the group. Detailed reports from the chairs of the board and board committees are available in the group's 2021 Governance Report and can be accessed at nedbankgroup.co.za.

Interdependency of board committees →
 Following the constitution of the Group Climate Resilience Committee, the Nedbank Group Board has 9 formal board committees. Board committees report in detail on key discussions and activities at each Nedbank Group Board meeting, and the minutes of board committee meetings are also subsequently made available to all boardmembers. The Group Audit Committee receives regular feedback from the Group Information Technology Committee regarding the monitoring of the adequacy and effectiveness of the group's information technology (IT) controls as well as new/emerging IT risks associated with the bank's digital transformation journey, and from the Group Credit Committee regarding its oversight of the adequacy and effectiveness of the credit monitoring processes and systems. The Chairperson of the Group Risk and Capital Management Committee and the Group Remuneration Committee also meet separately to consider remuneration risks, and there is a formal process between the Group Remuneration Committee and the Group Transformation, Social and Ethics Committee in respect of the consideration of the ethics of remuneration.

The Group Related-party Transactions Committee (GRPTC) oversight was largely related to Nedbank's relationship with Old Mutual and ensuring that related-party transactions were fair and in Nedbank's best interests. Following Old Mutual's unbundling of the majority of its strategic shareholding in Nedbank in November 2021, the GRPTC's mandate has been fulfilled and the GRPTC was discontinued.

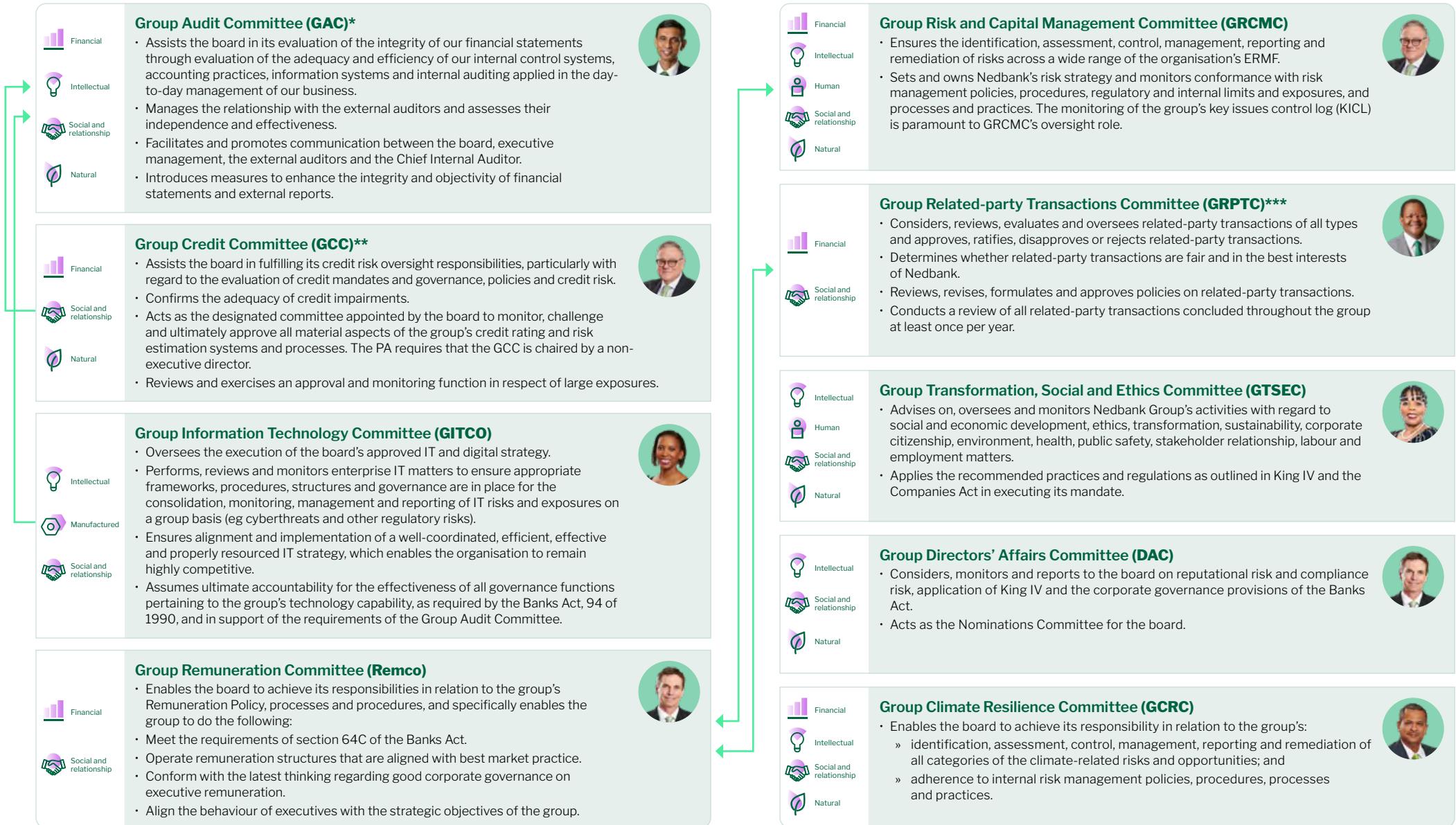


* In terms of the Companies Act, the GAC members are appointed by shareholders. However, the Banks Act views the GAC as a board committee subject to SARB oversight.

** Reviews and exercises an approval and monitoring function in respect of large exposures via the Large Exposure Approval Committee.

*** Following Old Mutual's unbundling of the majority of its strategic shareholding in Nedbank in November 2021, the GRPTC's mandate had been fulfilled and the GRPTC was discontinued.

Our board structure and mandates continued



* In terms of the Companies Act, the GAC members are appointed by shareholders. However, the Banks Act views the GAC as a board committee subject to SARB oversight.

** Reviews and exercises an approval and monitoring function in respect of large exposures via the Large Exposure Approval Committee.

*** Following Old Mutual's unbundling of the majority of its strategic shareholding in Nedbank in November 2021, the GRPTC's mandate had been fulfilled and the GRPTC was discontinued.

Other key areas of responsibility and oversight

IV

Ethics and human rights

As a purpose-led and values-driven organisation, we are committed to do business responsibly and ethically. Our ethics philosophy envisages a relationship of trust with our internal and external stakeholders, and the required trust and conduct that underpins our ethics philosophy is established by, among other things, having a collaborative approach to ethical leadership, a commonly accepted and lived set of values, effective governance, effective risk and compliance management, and transparent and timeous communication with all stakeholders, including regulators and investors.

Strong leadership commitment is essential in building and maintaining an ethical culture. The Nedbank Board and the Group Executive Committee sets the tone at the top and leads the group ethically, effectively and responsibly within acceptable risk parameters. This is aligned with the King IV principle that 'the governing body should lead ethically and effectively' and formally constitutes one of the 'board corporate governance objectives' against which the board is measured annually.

A continued enhancement of Nedbank's ethical culture and respect for human rights remain top of mind for our board and executive management, especially against the backdrop of state capture, the various commissions of inquiry, the release of the first three Zondo reports and ongoing reports of corporate failures across the world. In addition, due to material matters such as the Covid-19 pandemic expediting the move toward increasing digitisation and new ways of work, a challenging macroeconomic environment, social unrest, increasing emphasis on treating clients fairly, climate change and the fight

against corruption, there is a heightened focus on the effective management and implementation of ethics and human rights within the group. Our Employee Code of Ethics and Conduct provides Nedbank employees with practical guidelines on our rules and behaviour we expect in line with our values that should drive all our decisions and actions. The code also serves as our public commitment that we, as Nedbankers, will uphold the highest ethical standards.

The board assumes ultimate responsibility for the group's ethics performance and adherence to human rights principles. Nedbank has implemented a comprehensive governance structure which, among other things, gives effect to the responsibilities of the board in relation to ethics. This responsibility is delegated to executive management, which uses various tools and processes to drive ethical behaviour as part of maintaining a culture of ethics.

These include but are not limited to the following:

- Board ethics and human rights-related statements, and ad hoc declarations.
- A dedicated Ethics Office.
- A remuneration policy to ensure fair and responsible remuneration.
- Ethics and human rights codes, policies and frameworks.
- Biannual declarations by group, cluster and subsidiary executives on corporate governance and internal processes.

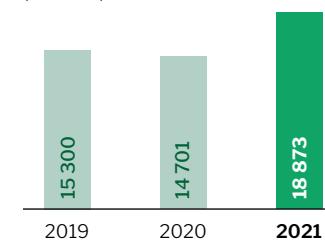
- Social and environmental management assessments and due diligence for clients.
- Supplier due diligences and the participation of the Ethics Office in high-risk/high-value tenders.
- Employee and supplier training and awareness-raising activities.
- Anonymous (external) and confidential internal channels for reporting unethical behaviour.
- Mechanisms to review and manage client and supplier relationships when necessary.
- Quarterly meetings between the Group Chief Compliance Officer and the Chairperson of the Board on the state of ethics and human rights.

Key actions and initiatives undertaken in 2021 included, but were not limited to, the following:

- Development and implementation of a comprehensive groupwide ethics strategy and management plan.
- Enhancements to our human rights portfolio, including several key improvements to human rights policies and processes, with a particular focus on enhancing due diligence.
- Ethics and human rights training to 5 416 employees (2020: 3 018).
- Employee acknowledgement of the Employee Code of Ethics and Conduct – totalled 77% (revised code launched in November 2021).

- Ethics Office participation as an independent observer in 10 high-risk/high-value tenders.
- Ethics, human rights and governance-related training provided to 108 suppliers.
- Employees dismissed on disciplinary matters relating to dishonesty and unethical conduct totalled 67 (2020: 148).
- Suspicious transactions reported to the Financial Intelligence Centre (FIC) totalled 18 873 (2020: 14 701).
- Number of clients offboarded due to reputational risk assessments totalled 112 (2020: 32).

Suspicious transactions reported to the FIC (Number)



In 2021 we participated in a human rights assessment conducted by BankTrack, which focuses on large banks in the African region and aims to measure the performance of banks against the UN Guiding Principles. Nedbank achieved the second-highest score overall and, notwithstanding this achievement, several key enhancements, such as a revised human rights in business statement and improvements to our human rights due diligence process for both clients and suppliers, have since been implemented as a result of our ongoing work and evolution in relation to our Human Rights Implementation Plan.



More details on our approach to human rights and ethics are disclosed in our supplementary 2021 Governance Report available at nedbankgroup.co.za.

Other key areas of responsibility and oversight continued

| Values and culture | IV | | | | | | | | |
|---|---------|---------|------|---|------|----|------|----|--|
| <p>Governance is supported by the tone at the top, the example the board and management set and the values and behaviours embraced by all employees in the organisation.</p> <p>The board has regular conversations about the group's culture and values, particularly in the context of our Reimagine strategy, the new ways of work and the digital transformation of financial services. Our top leadership is driving and enabling new leadership mindsets and capabilities required to manage and thrive in an agile, digital, fast-paced, client-centred and competitive environment. Our People Promise, as shown on page 68, shows that the Nedbank culture is fully endorsed by the board. Recent culture shifts are positive, as evident in outcomes of leadership in digital innovation, being resilient and agile, and ongoing improved levels of client satisfaction scores.</p> | | | | | | | | | |
| <p>'Great place to work' employee NPS (Ranking)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ranking</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>7</td> </tr> <tr> <td>2020</td> <td>17</td> </tr> <tr> <td>2021</td> <td>19</td> </tr> </tbody> </table> | Year | Ranking | 2019 | 7 | 2020 | 17 | 2021 | 19 | |
| Year | Ranking | | | | | | | | |
| 2019 | 7 | | | | | | | | |
| 2020 | 17 | | | | | | | | |
| 2021 | 19 | | | | | | | | |

| Fair and responsible remuneration | IV |
|--|----|
| <p>The board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders. Remuneration of executives and employees is linked to sustainable-value-creation objectives in line with the group's strategy and is based on clear performance targets that have adequate stretch and are aligned with market benchmarking, at the same time being mindful of the wealth gap in SA.</p> <p>In 2021 and 2022:</p> <ul style="list-style-type: none"> In 2021 management received increases of around 3% on average and bargaining-unit employees 4% on average. In 2022, management received increases of around 4% on average, and bargaining-unit employees 5,2% on average. After the STI pool decreased by 23% in 2019 and by a further 29,5% in 2020, it increased by 70,2% in 2021, reflecting the group's improved financial performance as discussed on page 94. In 2021 only 15% of the long-term incentives to Group Exco members awarded in 2018 vested as a result of the corporate performance targets being set prior to the onset of Covid-19. Similarly, only 16% of the 2019 awards vested in 2022 and 0% of the 2020 awards are expected to vest in 2023. The Group Remco was satisfied that the Equal Pay for Work of Equal Value analysis shows no systemic unfair pay differentials on race and gender. In addition to the inclusion of ESG considerations in individual executive performance goal commitment contracts (GCCs), the group introduced selected ES deliverables into the performance conditions of the group's long-term incentives. Notwithstanding ongoing and proactive engagement with shareholders, the board was disappointed with the 66% votes of support for the group's Remuneration Policy at the May 2021 AGM, this being below the 75% JSE threshold. The high-level outcomes for 2021 and changes to the group's Remuneration Policy are shown on page 96, with more details in our Remuneration Policy as part of the 2021 Governance Report available at nedbankgroup.co.za. | |

| Voting outcomes at the 54th AGM and important resolutions for the 55th AGM | | | |
|---|----------------------------------|---|--|
| Key resolutions at 54th AGM (2021) | 2021 votes in favour | Key resolutions for 55th AGM (2022) | |
| Ordinary resolution 3.1 and 3.2: | | Ordinary resolution 2.1 and 2.2: | |
| <ul style="list-style-type: none"> Reappointment of Deloitte Reappointment of Ernst & Young | 80,6% 100% | Shareholders will be asked to approve Deloitte and Ernst & Young as Nedbank's auditors for 2022. Nedbank is committed to mandatory audit firm rotation (MAFR), with a new firm to be announced in H2 2022, and effective for the 2024 year-end audit. | External auditors |
| Advisory endorsement on a non-binding basis, of the following: | | Advisory endorsement on a non-binding basis, of the following: | |
| <ul style="list-style-type: none"> Nedbank Group Remuneration Policy Nedbank Group Remuneration Implementation Report | 65,9% 80,0% | Our Remuneration Policy remains a focus and we continue to engage proactively with our shareholders to get their feedback and address issues where raised. | Remuneration policy and implementation |
| | | Ordinary resolution 5.1 and 5.2: | |
| | | Appointment of Mpho Makwana as Chairperson (until the 2023 AGM) and Hubert Brody as new Lead Independent Director. | Director elections |

Other key areas of responsibility and oversight continued



ESG matters – a sustainable Nedbank contributing to a sustainable environment and society

We continually engage with shareholders on ESG and strategic matters, enabling our board to exercise constructive influence, as and when appropriate, receive valuable feedback and protect the interests of our minority shareholders.

Nedbank Group's eighth ESG shareholder roadshow in Q2 2021 was hosted virtually by Mpho Makwana (Acting Chairperson at the time), Errol Kruger (Independent Director and chairperson of our two board risk committees) given the significantly heightened risk environment, Stanley Subramoney (Independent Director and chairperson of our GAC), as well as Hubert Brody (Lead Independent Director and chairperson of our Group Remco). As in prior years, the overall response from shareholders was that Nedbank Group is highly regarded for its ESG practices and disclosures, the proactive nature of engaging on ESG matters, and always considering shareholder input. In 2021 the following key topics were discussed, with a focus on governance matters, with climate change as well as transformation and diversity two key items covered under the environmental and social aspects of ESG respectively:

- **Succession planning and board and leadership profile** – Discussed the robustness of succession planning both at board and group executive level. Board skills and diversity were covered as disclosed in our 2020 Integrated Report as well as on [pages 27 and 28](#). Succession is regarded as well executed at Nedbank, with compliments given for the seamless transition of CFO, CIB and NAR executive appointments in 2020.
- **Remuneration** – Shareholders expressed appreciation for our not changing inflight schemes as a result of the impact of Covid-19 on financial performance and targets (building on Nedbank's good remuneration track record over time). However, there were divergent views on Nedbank's 2020 policy during the Covid-19 pandemic and the Group Remco addressed shareholder concerns in 2022 as discussed on [page 95](#).
- **Reputational matters** – In Q1 2021 management engaged with shareholders on reputational matters that emerged in an amaBhungane article, and in the ESG roadshow the board responded to specific shareholder questions. This gave shareholders comfort that Nedbank acted lawfully, although reputational risk remains.
- **Dividends and capital** – Discussions around the board's thoughts with regard to future dividends and what comfortable capital levels would be were a focus. The group's capital and dividend guidance and policy are discussed on [pages 77 and 78](#).
- **Auditing** – Nedbank's approach and commitment to MAFR plans were well received, with EY appointed in 2019 (having replaced KPMG). In line with this plan, Deloitte's rotation will be finalised for our 2024 financial year, with an announcement expected to be made during H2 2022.
- **Climate change** – Nedbank's Energy Policy and inaugural TCFD Report were well received, and regarded as market-leading.

- **Covid-19 crisis and risks** – No issues were raised regarding how Nedbank managed through the crisis and the board was complimented for sound risk management practices across the group's top 12 risks and the support provided to all key stakeholders during a difficult period.
- **Transformation** – Shareholders continue to drive for ongoing progress on African management representation (at executive and senior management levels), as well as female representation (at board level specifically). This remains a key focus of the board, with ongoing positive trends reported to date.

ESG ratings

| FTSE Russell | MSCI |
|--|--|
| 4,3 (out of 5) | AA since 2019 |
| Sustainalytics 17,3 (1 is low-risk, 100 is high-risk) | RobecoSam (DJSI) 68 (out of 100) |

Board evaluations

In 2021 The Board Practice, an international consulting company that specialises in board effectiveness evaluation, concluded an independent board effectiveness programme and presented the results of the evaluation to the board on 2 February 2022. Key observations included the following:

- **Nedbank Group has a professional board that functioned well in challenging circumstances.**
- From a board composition and operation perspective, **the board is described as effective, with independent behaviour, focused on the health and success of Nedbank.** The board fully discharges its duties and has a strong focus on and adherence to proper governance and ethics. The board is well balanced in terms of gender, culture and demographics. The board has been stress-tested through a series of challenges, including the Covid-19 pandemic, the medical leave of absence by the former Chairperson and the issues around state capture.
- **From a board leadership and structure perspective, the new Chairperson stepped quickly into the role.** He is highly respected and experienced and manages the board meetings well, displaying strong skills in extracting the necessary contributions from boardmembers. The Chairperson has brought the board together as a team, having achieved a highly collaborative board culture.
- **The Chief Executive is viewed as a good listener, warm, modest and well respected.** A strong relationship exists between the

new Chairperson and the Chief Executive, and the relationship between the board and Group Exco is effective and appropriate. The Chief Executive has built a culture of transparency and displays good leadership in executing on the strategy as agreed with the board.

- **The board is comfortable with the number of committees and composition of members appointed to these committees.** The committees are all effective and members display strong commitment to their roles. The committee reporting is at a high level with the right attention to detail for the board.
- **Although the board meeting packs are still voluminous, they have improved in analysis and presentation,** with an open and transparent approach adopted. Further improvements will assist the board in their preparation and understanding. The committee packs are still evolving and continuously improving.
- **The virtual meetings held have been effective** due to the high level of trust among boardmembers. All critical issues were dealt with effectively during the first two years of the Covid-19 pandemic; although there was a strong preference for physical meetings, the board was able to fully discharge its duties during this period.
- **The board has a well-balanced set of leadership skills available to conduct its work.** The board was clear that issues around succession, strategy shaping, and execution were top of mind.

Board oversight – ensuring and protecting value Group Directors' Affairs Committee (DAC)



'Our goal is to set the gold standard when it comes to compliance by utilising the expertise of our highly skilled employees, continuously striving to enhance our processes, and making the best use of technology.'

Hubert Brody, Chairperson

Ensuring and protecting value in 2021

- Ensured that the group is led in a manner that protects the group's reputation while building investor confidence.
- Managed board continuity, and considered top-of-mind matters and shareholders' input.
- Oversaw the activities of the compliance function and supported the use of technology for increased efficiencies.
- Approved adjustments to the compliance coverage plan, policies for compliance, board conflicts of interest and appointments and the Modern Slavery Act statement.
- Monitored anti-money-laundering (AML), combating-the-financing-of-terrorism (CFT) and sanctions compliance levels and outcomes of inspections.
- Guided the group's pandemic scenarios and received reports on Covid-19 matters.
- Oversaw regulatory and advocacy activities and interactions with regulators.
- Ensured fair treatment of clients.
- Received reports on privacy and coordinated assurance matters.
- Managed reputational risk, oversaw cooperation with the Zondo Commission and led reviews on matters under scrutiny of the commission and media.
- Oversaw enhancements to the Reputational Risk Management Framework and Reputational Risk Policy.
- Advised on the group's strategic risk framework and delivery risks.

Focus for 2022 and beyond

- Considering how to enhance the effectiveness of the board.
- Planning for succession.
- Tracking completion of compliance coverage plan.
- Receiving reports on advocacy and privacy matters, and advocacy activities.
- Supporting compliance to be entrepreneurial and agile within the confines of legal and supervisory requirements.
- Maintaining oversight of AML, CFT and sanctions compliance levels and outcomes of the inspections and of the regulatory reform necessitated by the FATF Mutual Evaluation Report.
- Retaining focus on the fair treatment of clients.
- Monitoring of regulatory developments, including those relating to climate and open finance.
- Continuing to receive updates on reputational-risk matters.
- Continuing to support proactive reputational-risk management.
- Maintaining oversight of regulator interactions.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 10 risks

- 1 Business risk
- 2 Strategic-execution risk
- 5 People risk
- 6 Operational risk
- 7 IT risk
- 8 ESG risk

A comprehensive DAC Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.



Creating value in a sustainable manner through our strategy

We are on track to meet our 2023 targets in a difficult operating environment, by delivering on our strategy.

| | |
|--|----|
| Reflections from our Chief Executive | 36 |
| Our Group Executive Committee | 40 |
| Our operating environment | 41 |
| Managing risk strategically | 52 |
| Our strategy | 56 |
| Our Human Capital Strategy | 68 |
| Making strategic trade-offs and assessing the impact on our capitals | 70 |
| Strategic value unlocks – key performance indicators | 72 |

Reflections from our Chief Executive

Podcast



As we continue to emerge from the very challenging 2020 period, I am immensely proud to report on what Nedbankers have achieved throughout the Covid-19 pandemic and that we have bounced back faster than we expected to. Over the past two years we have demonstrated our resilience, and the foundations of Nedbank and the South African banking system proved to be strong.

In my Chief Executive reflections last year, in the context of the Covid-19-induced challenges of 2020, I made an analogy between the resilience of the fynbos plant in its ability to withstand fire and grow back and Nedbank's strong foundations and ability to withstand severe conditions and then flourish once the environment has improved. ,

Mike Brown, Chief Executive

A more supportive operating environment

In 2021 the South African economy performed better than most forecasters expected on the back of a more supportive operating environment both for Nedbank and our clients. Off the low base in 2020 the economy rebounded to grow by 4,9%, due mainly to higher commodity prices, lower levels of lockdown restrictions and some positive developments on key reforms in SA. Retail credit demand benefited from low interest rates as well as the easing of lockdown levels, while corporate credit demand remained muted and excess cash, particularly in the commodity sector, was used largely to repay debt.

We are pleased, but not surprised, that after a volatile and difficult year for the South African banking sector in 2020, in 2021 South African banks continued to demonstrate strong levels of resilience, remaining well capitalised, liquid and profitable and, as a result, are able to play a strong role in supporting clients and the economy. We expect conditions in the South African banking industry to continue to improve into 2022, as growth in loans to households and companies is forecast to increase further, supported by the anticipated lower levels of Covid-19 restrictions resulting in an ongoing normalisation in economic activity and increased levels of investment activity, particularly in the energy and telecoms

sectors. The downstream impacts of higher commodity prices should also support economic growth. Recent developments in Ukraine and Russia pose downside risks to global growth, and we join many around the globe in denouncing the unnecessary violence and loss of life and in calling for a speedy resolution to the conflict.

A strong financial performance in 2021

We delivered a strong financial performance in 2021 reflecting a faster-than-expected rebound off a low 2020 base. Full-year HE increased by 115% to R11,7bn, a significant improvement on the decline of 57% in 2020 but still 7% below 2019 levels, and basic earnings were up 224%. HE for the year was driven by significantly lower impairments, a higher net interest margin, a recovery in non-interest revenue (NIR) growth, disciplined expense management and a stronger financial performance from our associate investment in ETI. Key drivers of shareholder value continued on an upward trajectory, with NAV per share increasing by 11% and the group's ROE improving to 12,5% as compared with the 6,2% reported in 2020, and we resumed dividend payments at 2,02 times cover for the full year,

Headline earnings

^115%

Reflections from our Chief Executive continued

with the final dividend being declared at 1,75 times cover, which was at the bottom end of our cover range, signalling confidence in our strong capital and liquidity positions to support ongoing client growth as well as growing dividend payments.

In addition to the strong growth in earnings, I think it's important to shine a spotlight on our key balance sheet metrics that have now strengthened to above pre-Covid-19 crisis levels as we concluded the Resilience phase of our post-Covid-19 strategy pivot. Capital and liquidity ratios increased as reflected in our tier 1 capital ratio of 14,3% (December 2020: 12,1%), common equity tier 1 (CET1) ratio of 12,8% (December 2020: 10,9%), LCR of 128% (December 2020: 126%) and NSFR of 116% (December 2020: 113%).

Excellent strategic and operational delivery

As Chief Executive, I am hugely grateful for the hard work of all 27 000 Nedbankers as we made excellent strategic and operational progress during a year when so many of our employees were still working from home as a result of Covid-19 rules. Central to our strategy has been the complete refresh of the Nedbank IT stack to build a modern, agile, modular and digital IT stack that is a vital underpinning of future competitiveness. Investors will know we refer to this as the Managed Evolution (ME) and in 2021 we reached 85% completion. These large IT programmes in banks are difficult to execute and deliver on time, on scope and on budget, and in 2021 we had an external benchmarking done on our ME by two global consulting firms with very pleasing outcomes. This has given us confidence in our ability to compete and win in digital financial services and has enabled us to confirm that the IT software asset on our balance sheet has peaked at around R9bn and the completion risk in respect of the balance of ME has decreased materially.

The revenue benefits of ME are evident in most of our digital metrics showing double-digit growth and the cost and productivity benefits are evident in TOM 2.0 benefits of R967m being realised ahead of schedule as we progress towards our

Managed Evolution
85%
complete

target of R2,5bn by the end of 2023. This is in addition to the TOM 1.0 benefits of R2bn already achieved in 2020 as we shifted our IT build methodology from waterfall to agile and rolled out our Digital Fast Lane innovation capability.

Building on the ME foundations, our Avo super app platform play has made excellent progress in scaling up the number of registered clients and surpassed the one million user mark at the end of February 2022, which is well ahead of the target we had set for end-2022. The Eclipse journey for onboarding new clients (individuals) is now materially complete and six retail products and over 170 services have been digitised. In 2021 we completed the build of juristic onboarding through the Nedbank Business Hub in our wholesale businesses, and client roll-out is well underway with good feedback.

Pleasingly during the year both our client satisfaction and NPS performance continued on an upward trajectory. In the independent 2021 Consulta survey Nedbank achieved the #2 ranking among South African banks on client satisfaction metrics, with our NPS increasing further to 47.

Progress on our SPT 2.0 was evident in market share gains in key product areas and main-banked client gains, as well as improved levels of cross-sell. Notably, Nedbank recorded the largest retail main-banked market share gain among the large South African banks in the Consulta survey, while our CIB gained 35 new primary clients. Our market share growth in retail transactional deposit accounts was disappointing and remains a key focus for the management team.

Looking forward, I strongly believe that our strategy remains appropriate, in particular our focus on technology as we finalise the last pieces of our ME journey, which is central to our future competitiveness in financial services. Client satisfaction metrics remain top of mind as we aim to be #1 among South African banks and I remain confident that the unlocking of benefits from TOM 2.0 should continue to accelerate. We will actively leverage our balance sheet to grow clients and transactional income and I am optimistic that through SPT 2.0 market share in retail transactional deposits should also improve, and we have seen some more positive trends in the fourth quarter of 2021.

Client satisfaction metrics continue to improve

Accelerated digital transformation

In a more digital world we are excited about the accelerated digital transformation of banks, spurred on by Covid-19, as client activity increasingly shifts from physical products, services and outlets to digital products, services and channels. At Nedbank, as client behaviour changes, we will continue to optimise our own physical channels, leveraging the increased shift to digital payments. Since 2019 there has been a surge in the use of Nedbank banking apps: a 96% increase in active app users, a 159% increase in app volumes and a 163% increase in app value transacted. In response to this we continue to optimise the shape of our physical infrastructure through TOM 2.0 and branch floor space has decreased by around 65 000 m² from 2014 levels, and we see further improvements from here.

As client digital adoption increases, employee numbers are also declining, largely through natural attrition.

Through our strategy of consolidating, standardising and optimising our own buildings to support new ways of working, our number of campus sites (offices) has decreased from 31 to 24 over the past four years, with a longer-term target of 19. In the next few years we will continue to optimise the portfolio by bedding down more dynamic ways of work as well as leveraging successful work-from-home (WFH) experiences as a result of Covid-19, while enabling further value creation and cost reduction opportunities as we strive to meet our 2023 cost-to-income ratio target of 54%.

Creating positive impacts

Living our purpose of using our financial expertise to do good and creating positive impacts in the societies in which we operate are a core part of our Nedbank DNA and a key strategic imperative for unlocking value for all our stakeholders. This is demonstrated through our ongoing delivery against the UN SDGs and continued focus on leading in ESG matters. With the increasing focus on these issues, the progress that we have made continues to be reflected in our scores across all ESG ratings being towards the top end of our local and international peer group.

Active app users
▲ 96%
since 2019

Reflections from our Chief Executive continued

The release of our market-leading Energy Policy and inaugural TCFD Report was a key highlight for me in 2021, as was the successful launch of Africa's first green AT1 instrument. At the end of 2021 our renewable-energy financing portfolio linked to the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) was R29bn, and we remain well positioned to support government's renewable-energy programme with an initial R50bn board limit in place to accommodate future client-lending support. I eagerly look forward to our participation in the upcoming round 6 of the programme and am encouraged by the strong embedded-energy generation pipeline we have in place following client responses to the increase to 100 MW self-generation capacity. A stable and efficient supply of electricity is vital to higher levels of economic growth and job creation in SA and we aim to be a market leader in this area.

Looking ahead, we see a big opportunity to participate and lead in new financing opportunities aligned with the UN SDGs, while leveraging our sustainable-finance solutioning expertise, arranging innovative green funding instruments and channelling the funding towards the further development of the green economy.

Our focus on driving the transformation agenda continues to be a priority, and this is evident in our increasingly diverse and inclusive workforce profile. Black representation of our total workforce now exceeds 79%, of which 50% is represented by black females.

The need for higher levels of inclusive economic growth

The Covid-19 pandemic and the July civil unrest have once again laid bare SA's socioeconomic challenges, specifically unacceptably high levels of unemployment, poverty and inequality. More inclusive economic growth is needed urgently to support job creation and address these challenges. Much work needs to be done; if we are going to realise higher levels of inclusive economic growth in our lifetime, we need urgent implementation of structural reforms.

Market-leading Energy Policy

I firmly believe genuine structural reform in SA remains too slow and, while there are some green shoots emerging that we welcome, reform like an increase to 100 MW in self-generation capacity and the recent spectrum auctions should have happened many years ago. When this is combined with the lack of reliable electricity supply from Eskom, it means that after the bounce-back in GDP in 2021, GDP growth in the next few years is likely to remain below 2%. Investors look for higher levels of growth to balance the higher levels of risk inherent in emerging markets, and unless we have these higher levels of growth, unfortunately we have only the higher levels of inherent risk and much-needed investment capital will shift elsewhere.

As a purpose-led organisation, we continue to play our role in driving the socioeconomic development of our country, partnering with government, labour and civil society. In 2021 we reactivated our commitment to the YES initiative, through which corporate SA aims to provide internship opportunities for more than one million South Africans. To date we have placed more than 5 000 previously unemployed youth internally and through sponsored placements, and we continue to encourage other South African corporates to follow our example.

2023 targets on track, with DHEPS target expected to be met a year sooner

Looking ahead we expect higher levels of revenue growth and continue to focus on costs to support a solid financial performance for full-year 2022. We should continue on our positive trajectory underpinned by our ongoing strategic and operational delivery, as we make progress towards the medium-term Covid-19 recovery targets we set for the end of 2023.

DHEPS target of
> 2 565 cents now targeted by end of 2022

ROE target of
> 15% by 2023

Cost-to-income target of
< 54% by 2023

We remain on track to meet these targets and, pleasingly, now expect to meet the DHEPS target (greater than the 2019 level of 2 565 cents per share) in 2022, a year ahead of our previous expectation. We continue to focus on achieving an ROE greater than the 2019 ROE level of 15%, reducing our cost-to-income ratio to below 54%, and ranking #1 on NPS among South African banks, all by the end of 2023, and these targets remain stretch targets. In the longer term we still aim to increase our ROE to above 18% (COE plus 3% to 4%) and cost-to-income ratio to below 50%.

The macroeconomic environment is expected to remain challenging over the next few years, and while interest rate increases are good for us from an endowment perspective as we earn approximately R1,6bn pre-tax for each 1% uplift in rates over 12 months, faster interest rate increases may start to impact client repayments and therefore bad debts.

The situation in Ukraine and Russia is worrying and we strongly oppose the violence and loss of lives we are seeing. Economically, this is likely to have negative impacts on global economic growth, inflation and interest rates. Nedbank has no direct exposure to Ukraine and Russia and any indirect exposures are immaterial. The impact on SA is likely to be indirect and less negative than on many other emerging markets as higher oil and food prices will likely lead to inflation breaching the top end of the SARB band in H1 2022, but this will be partially offset by the benefits from higher gold and other metal prices, with these commodities accounting for 50% of SA's exports.

Our people are at the centre of our business. The health and safety of our employees remain a priority for us as we learn to live with the pandemic, which has and will continue to impact how we work. As our hybrid work model approach gains momentum, we are working on bringing more employees back into the office in a Covid-19-safe manner as this is important for teamwork and our culture as well as innovation and growth. Our optimal workplace distribution mix is expected to settle at around 60% at Nedbank premises and 40% either following a hybrid model or permanently working from home.

As we look to 2022 and beyond, we will continue to focus on our Human Capital Strategy as a key enabler of delivering on the

Reflections from our Chief Executive continued

group's strategy and 2023 medium-term targets, while nurturing a culture of diversity, equity and inclusion (DEI) in the workplace. Executive succession planning remains top of mind for me ahead of the retirements in 2023 of our Chief Risk Officer, Trevor Adams, and Chief Information Officer, Fred Swanepoel. Through our robust executive succession planning process, suitable successors will be appointed ahead of time to enable seamless transitions.

Appreciation

The past two years have been unprecedented and extraordinarily difficult for our clients and employees. Throughout the Covid-19 crisis our dedicated 27 000 Nedbank employees have remained

resilient and inspiring. We thank you for continuing to diligently support our clients and the economies in which we operate. Together we have emerged stronger and delivered on our purpose of using our financial expertise to do good. We extend our heartfelt condolences to the families, friends and communities of employees and clients who have lost their loved ones during this time.

Thank you to the Chairperson, the board and my executive team for their continued support as we navigated uncharted waters with this, culminating in a stronger-than-expected financial rebound and successful closing out of the Resilience phase of our strategic response to the pandemic in 2021.

The passing of our former Chairperson Vassi Naidoo was felt by all at Nedbank who knew him. Vassi made an indelible mark on Nedbank, and his wealth of experience and wisdom will be sorely missed. I would also like to thank our Chief Compliance Officer, Anna Isaac, who will be leaving Nedbank at the end of April 2022 to take on a new compliance job in the UAE, for making a significant contribution to Nedbank during her tenure. We have concluded our interview and succession process and will announce Anna's replacement as soon as we obtain regulatory approval.

Mike Brown
Chief Executive

2021 timeline

| Jan/Feb | Mar/Apr | May/Jun | Jul/Aug | Sept/Oct | Nov/Dec |
|---|---|--|--|--|---|
| <ul style="list-style-type: none">Engagements with shareholders on Regiments Capital-related media reports.Launched our Reimagine Nedbank strategy to employees.  | <ul style="list-style-type: none">Announced 2020 annual results.Released the group's suite of integrated and ESG reporting.First SA bank to launch an Energy Policy.Banco Único rebranded to Nedbank Moçambique.First large bank to publish revised medium-term targets (2023).New brand campaign launched – 'A bank that takes your money seriously'. | <ul style="list-style-type: none">Public roll-out of vaccine started in SA.Covid-19 Delta wave emerges in SA.Released Q1 2021 voluntary trading update.  | <ul style="list-style-type: none">Social unrest in parts of SA.  | <ul style="list-style-type: none">Passing of Nedbank Chairperson Vassi Naidoo.Municipal government elections highlight loss of power for ANC.Ecosystems presentation voted best at UBS financial services conference.Launched Nedbank Business Hub. | <ul style="list-style-type: none">Old Mutual unbundling of 12% shareholding.Shareholder approval received to buy back Nedbank Limited preference shares.Board approved the Nedbank Group business plan for 2022–2024.Released voluntary pre-close investor update.Covid-19 Omicron wave emerges in SA.Announced as The Banker SA bank of the year. |
| | | | | | |

Our Group Executive Committee

The Nedbank Group Exco is a diverse and experienced management team that comprises the CE, COO, CFO and 10 other members of top management.



Our nine prioritised SDGs are allocated to Group Exco members who champion groupwide responses to the SDGs.



Refer to pages 87 to 90 for our progress on sustainable-development finance.

Executive directors



Frontline MEs



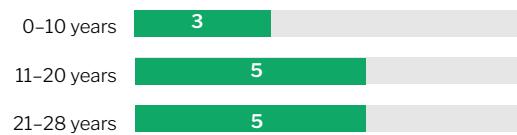
Shared-services Group Executives



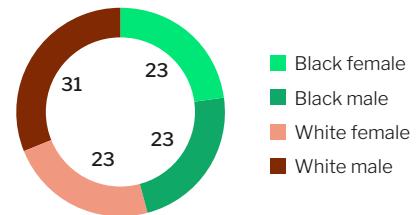
| | | | | | | | | | | | | |
|--|---|---|---|--|---|---|---|---|--|--|---|---|
| Mike Brown ⁵⁵ CE Exco member since: 17 June 2004 28 years' service at Nedbank | Mfundzo Nkuhlu ⁵⁵ COO Exco member since: 1 January 2009 17 years' service at Nedbank | Mike Davis ⁵⁰ CFO Exco member since: 1 January 2015 25 years' service at Nedbank | Anél Bosman ⁵⁵ Group Managing Executive: CIB Exco member since: 1 April 2020 20 years' service at Nedbank | Ciko Thomas ⁵³ Group Managing Executive: RBB Exco member since: 18 January 2010 11 years' service at Nedbank | Iolanda Ruggiero ⁵¹ Group Managing Executive: Wealth Exco member since: 1 May 2015 19 years' service at Nedbank | Dr Terence Sibiya ⁵² Group Managing Executive: NAR Exco member since: 1 April 2020 10 years' service at Nedbank | Trevor Adams ⁵⁹ Chief Risk Officer Exco member since: 5 August 2009 25 years' service at Nedbank | Deb Fuller ⁴⁹ Group Executive: Group HR Exco member since: 25 June 2018 3 years' service at Nedbank | Anna Isaac ⁵² Group Chief Compliance Officer Exco member since: 1 January 2019 24 years' service at Nedbank | Priya Naidoo ⁴⁸ Group Executive: Strategy Exco member since: 1 January 2015 20 years' service at Nedbank | Khensani Nobanda ⁴³ Group Executive: Group Marketing and Corporate Affairs Exco member since: 15 May 2018 4 years' service at Nedbank | Fred Swanepoel ⁵⁸ Chief Information Officer Exco member since: 1 November 2008 25 years' service at Nedbank |
|--|---|---|---|--|---|---|---|---|--|--|---|---|



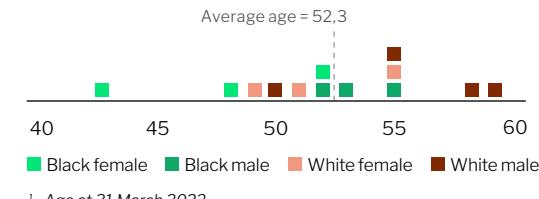
Group Exco tenure at Nedbank (Number of Exco members)



Group Exco demographics (%)



Group Exco age¹ (Years)



More than 230 years of combined service.

13 Exco members.

Nedbank policy: Group Exco members retire on reaching the age of 60 unless otherwise agreed by the board.

Group Exco changes during the year:

Anna Isaac resigned as Group Chief Compliance Officer with effect from 30 April 2022. The appointment of a successor for Anna will be announced once our succession process has been completed and regulatory approvals have been received.

Retirements in the next two years:

Trevor Adams is due to retire in January 2023, and Fred Swanepoel reaches normal retirement age in May 2023. Suitable successors will be identified in accordance with the group's executive succession plan.

Our operating environment

The environment for Nedbank and our stakeholders remains volatile, uncertain, complex and ambiguous, although significantly better than during the peak of the Covid-19 crisis in 2020.

While many things have changed in the past two years, the pandemic has reinforced the imperative of creating a more equitable and prosperous future for all, while operating within planetary boundaries. In this context we have identified and updated our material matters reflecting the issues that have the greatest likelihood of affecting our ability to create sustained value for our stakeholders, both internal and external. 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 remained consistent.

Our approach to the material matters follows the principle of materiality. This principle is essential in assessing what information should influence the group's strategy and our integrated thinking as we make decisions around the six capitals and inform the evolution of our business model as well as the development of our short-, medium- and long-term targets as discussed on page 16.



Colours of the top 10 risks above align with the colours of the associated material matters.

Our top 10 risks

- 1 Business risk
- 2 Strategic-execution risk
- 3 Credit risk
- 4 Cyberrisk
- 5 People risk
- 6 Operational risk
- 7 IT risk
- 8 ESG risk
- 9 Funding risk
- 10 Capital risk



The integration of banks in the economy

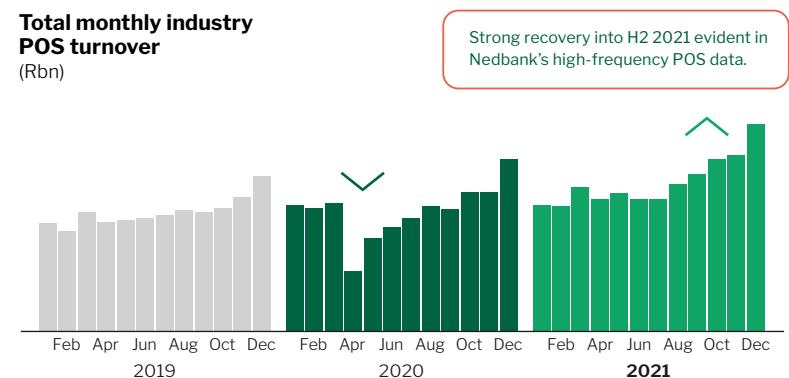
Material matter 1

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

The SA macroeconomic environment

In 2021 the SA economy bounced back from the depths of strict lockdown, supported by rapid adaptation by private companies, better targeted lockdown rules, substantial monetary stimulus and moderate fiscal support. Much of the lift came from rebounding consumer spending and strong export growth, supported by robust global demand for commodities. In contrast, fixed investment remained depressed and government spending was subdued. The recovery has also been uneven among sectors and income groups. The lockdowns hit low-income earners the hardest, with employment lagging far behind economic growth, exacerbating already high levels of unemployment, poverty and inequality.

High-frequency data from our own POS devices and card-related digital channels shows strong growth in total turnover into H2 2021. Overall turnover levels are back above pre-Covid-19 levels (March 2020), including in the telecoms, retail, restaurant, healthcare and entertainment sectors. However, sectors that were most impacted by the various levels of Covid-19-related lockdowns, such as hotels and airlines, recorded turnover levels that are still below 2019 levels.



Looking forward, SA's economic recovery is expected to moderate off the higher base of 2021 in the years ahead and the economy is expected to recover to 2019 levels on a sustainable basis only in 2023. Encouragingly, consumer spending is likely to increase steadily, underpinned by firmer income growth and relatively favourable interest rates. Fragile consumer confidence, hurt by a weak job market, will still limit the upside. Households have been de-levering since the global financial crisis, and along with the benefits of a low-interest-rate environment, we continue to see solid demand for retail credit.



The integration of banks in the economy continued

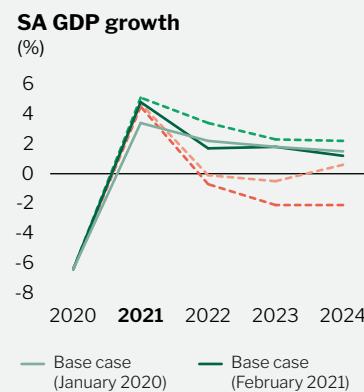
Scenarios for the short and medium term

In an uncertain environment, we continue to assess the macroeconomic outlook by considering various scenarios. Our base case scenario (completed in February 2022) represents the underlying assumptions used in our three-year business planning (2022–2024), which informs our short- and medium-term financial targets (shown on page 79 respectively), stress testing and communication to the investment community.

To illustrate the improvement in macroeconomic conditions during 2021, we include our Nedbank Group Economic Unit's forecasts at February 2021. GDP growth has recovered faster than expected, interest rates turned upward, credit growth slowed and inflation is marginally higher. 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.

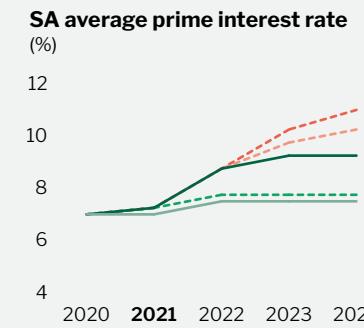
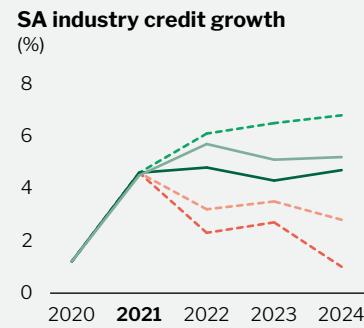
Base case – Normalising amid persistent uncertainty

Global economic growth continues but moderates as global monetary policies normalise and tighten. Commodity prices rise sharply and remain elevated throughout, initially driven up by tight supplies, worsened by geopolitical conflicts, and later supported by increased infrastructure spending and climate change mitigation in advanced countries. On the upside, the government makes some, albeit limited, progress with structural reforms. Electricity shortages ease but persist. SA GDP growth moderates to below 2%, constrained by fragile confidence and inadequate levels of fixed investment. Inflation initially rises but is eventually kept in check by considerable slack in the system. Interest rates increase in response to tighter global monetary policies and increasingly volatile capital flows. Credit stages a moderate recovery off a low base. The steady improvement in household loans continues, while corporate loans recover, supported by increased activity in renewable energy and communications.



Positive scenario – Rising to the challenge

The world economy manages to sustain above-trend growth as geopolitical tensions subside and the world learns to live with Covid-19 without imposing disruptive restrictions. The more synchronised global upswings help ease supply shortages and transport bottlenecks, bringing inflation under control faster. Global fiscal policies become more expansionary, with substantial investments in green energy and transport infrastructure, sustaining the commodity price upswing. Risk appetites improve, supporting capital flows to emerging markets. SA accelerates structural reforms and improves fiscal metrics by reducing wasteful spending, containing consumption expenditure while lifting infrastructure investment. GDP growth settles at around 3% per annum, supported by steady employment gains, higher fixed investment and strong exports. Inflation recedes to around the 4.5% midpoint of the SARB's inflation targeting range, keeping interest rates relatively steady.



High-stress scenario – Limping through the fog

Global growth loses momentum, hurt by persistent geopolitical tensions, moderate inflation pressures and tighter global monetary policies. Global oil prices surge, on the back of persistent geopolitical tensions and a messy transition to green energy. SA's terms of trade weaken as global oil prices remain elevated, while metal prices decline. International monetary policies tighten, while fiscal policies are slow to compensate. Emerging markets experience significant capital flight, hurting currencies and other financial assets. In SA, structural reforms are limited, undermined by powerful vested interests. The budget deficit remains sticky at around 7% of GDP, while debt burden climbs, pushing long bond yields sharply higher. GDP growth fades, slipping back into recession. Unemployment rises further, household incomes decline, confidence collapses, and the slump in fixed investment deepens. Credit growth stagnates at a nominal 2.5% per annum, while bad debts escalate among households and companies.

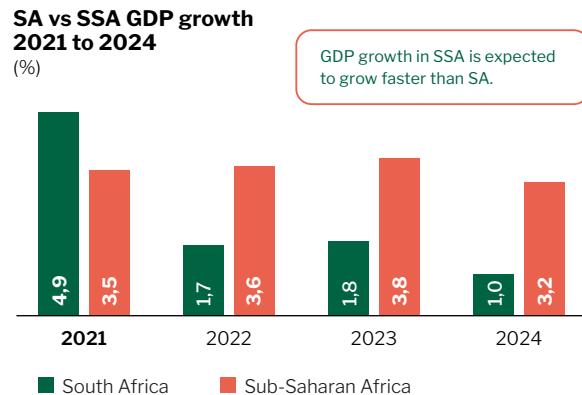
Severe-stress scenario – Succumbing to stagflation

World growth evaporates, hurt by escalating and prolonged geopolitical conflicts as is seen in the Ukraine–Russia conflict, sharply higher global oil prices, persistently high global inflation and much tighter monetary policies. In emerging and developing countries, limited fiscal space and increasingly difficult financing conditions drive more countries into default as debt burdens escalate and economic performance deteriorates. In SA, structural reforms stall amid an increasingly fractured political landscape. Government spending becomes increasingly ineffective, with social welfare, debt service costs, and SOE bailouts forcing sharp cutbacks in capital expenditure. Infrastructure constraints persist, intensifying in some critical infrastructure. The economy enters a prolonged recession, with sharp contractions in consumer spending and private sector fixed investment. Inflation accelerates, pushing up already high imported inflation, amplified by rand weakness. Credit growth slows to a weak 1% per annum, while bad debts escalate among both households and companies.

The integration of banks in the economy continued

Long-term growth opportunities in the rest of Africa

The recovery in sub-Saharan Africa (SSA) will continue, but downside risks have risen. The region's economy is projected to expand by 3.6% in 2022 and 3.8% in 2023 from 3.5% in 2021. However, downside risks remain significant. The boost provided by higher commodity prices is likely to fade to some extent, as prices of non-energy commodities are expected to ease off last year's peak and stabilise at lower levels. Given the region's low vaccination rates, resurgent Covid-19 infections and associated lockdowns continue to pose downside risks.



Sources: World Bank, Statistics South Africa, forecasts from 2021, Nedbank forecasts for SA.

Considering that Africa accounts for just 2% of global trade, and only 17% of African exports are intra-continental as compared with 59% for Asia and 68% for Europe, the potential for transformation across Africa is significant. The African Continental Free Trade Area (AfCFTA), which came into operation on 1 January 2022, will create the largest free-trade area globally measured by the number of countries participating, connecting 1.3 billion people across 55 countries with a combined GDP of about US\$3.4tn.

The agreement aims to reduce trade costs and enable African economies to boost trade among themselves, integrating the continent further into global supply chains. Eliminating tariffs on 90% of goods and services will create a single market. The trade pact can be good for Africa only when much of the world turns away from cooperation and free trade.

Changing relationship between business, government, labour and civil society



Since the announcement of the South African Economic Reconstruction and Recovery Plan (ERRP) in October 2020 – which aims to create more jobs, fight criminal activities and corruption, enhance the state's capacity, and revitalise the state of economy – progress has been slow.

The success of the ERRP is dependent on the support of business, labour and other social partners, and partnering with government, to promote economic recovery. Nedbank continues to support 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 higher levels of inclusive growth and a more transformed economy.

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 merger and acquisition 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 provide more certainty in support of our reaching our financial targets, as shown on [page 16](#).

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.

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 'severely adverse' scenario. Key risks include slower advances growth; particularly muted retail lending; corporates not investing; lower transactional volumes, which could impact revenue growth; and bad debts increasing as a result of quickly rising interest rates, job losses and corporate defaults. Optimising our cost base is an imperative, as we discuss on [page 64](#).

Failing to meet human development needs while overshooting ecological limits

Material matter 2

Countries across the globe are still struggling to recover from the immense social and economic impacts of the Covid-19 pandemic, while at the same time trying to come to terms with the very urgent need to deal with exacerbated poverty and inequality levels and the looming climate crisis.

As an African bank, we view the latest findings of the 2022 Global Risks Report of the World Economic Forum as cause for concern – as well as a call to action – with a litany of risks listed that threaten the livelihoods and futures of the continent's population. These range from ongoing economic stagnation, rapidly increasing levels of unemployment, and a general lack, or failure, of vital infrastructure, to growing poverty, a breakdown in social cohesion, and the potential for a divergent post-pandemic recovery to create even larger equity and inclusion gaps.

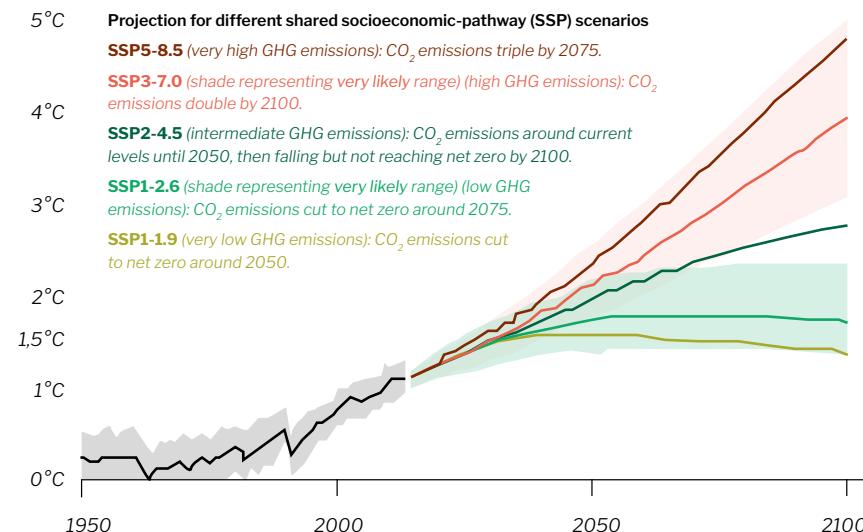
But of all the risks listed in the report, none is more pressing than the need to be collaborative to mitigate climate change risks in a way that protects fragile economies that are then able to create equal opportunities for people – a Just Transition.

As a significant carbon emitter, SA finds itself at the forefront of this Just Transition commitment. Ahead of COP26, the country's government revised its target emission range to align with the global goal of limiting temperature increases to 1,5 °C by the end of the century. Its largest carbon emitters also pledged to significantly reduce emissions and take bolder decarbonisation action. Large segments of corporate SA have also committed themselves to supporting government's carbon mitigation efforts, having signed up to public commitments such as the Alliance to Climate Action, Business for Nature and the National Business Institute's Just Transition initiatives.

Many of these public commitments call for ramped-up ambitions to protect the world's biodiversity and essential ecosystems alongside climate change commitments. The World Wide Fund for Nature Living Planet Report 2020 highlights that biodiversity is being lost at an alarming rate. The population sizes of mammals, birds, fish, amphibians and reptiles have seen an average drop of 68% since 1970. The impact of this loss on the well-being of mankind is steadily mounting.

The relationship between emissions pathways and changes in surface temperature (warming) versus preindustrial levels demonstrates that the extent of long-term climate change remains a choice, which is dependent on actions taken in the short term. However, in all plausible future scenarios, the global average surface temperature will continue to warm for the next 30 years at least, which means the physical impacts of climate change will continue to worsen for 30 years, irrespective of actions taken in the short and medium term.

Global warming projections



This graph shows various outcomes of global warming projections based on pledges and current global policies. In the risk time horizon (2020–2050) it is clear that action is required to reduce carbon emissions. The world is currently not on track to meet the target of 1,5 °C.

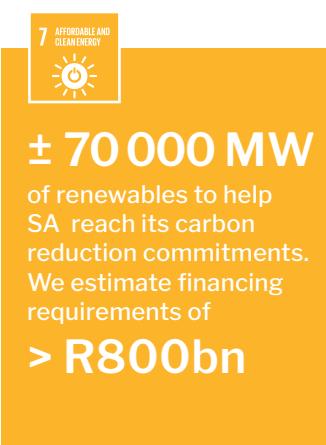
The importance of the finance sector in supporting and driving a Just Transition has been steadily increasing given that their capital allocation decisions determine the shape of future economies. Fulfilling this role responsibly will see the sector reducing investment in harmful industries while speeding up the transition to a sustainable economy through vehicles such as green bonds and sustainability-linked bonds. 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. Recognising this imperative, many financial services institutions have committed to net-zero journeys and pledged to deliver much-needed funding for not only climate mitigation and adaptation solutions, but also with sustainable-development imperatives as a whole.

Failing to meet human development needs while overshooting ecological limits continued

CASE IN POINT

The business case for sustainable-development finance in SA

The annual investment gap into SDGs in developing countries is estimated at US\$2.5tn. Closer to home, SDG-related opportunities on the African continent have been estimated at more than US\$1.1 trillion. Specific sustainable financing opportunities in SA relating to water, renewable energy and agriculture have also been identified, as illustrated in the picture below. In line with this opportunity, Nedbank will undertake to support commercially viable investments, while simultaneously solving social and environmental challenges. As at 31 December 2021, we have provided and/or raised over R100bn in SDG-related financing and funding relating to SDGs 4, 6, 7, 8, 9, 10, 11, 12 and 15, and we will continue to expand on our ambition in our next round of annual reporting. In line with this we commit to increasing the percentage of our lending, investment and funding towards sustainable-development finance in a manner commensurate with the needs of our clients, the size of the strategic opportunities offered and our desire to continue to leverage our competitive advantage in this area.



Source: World Business Council for Sustainable Development, GreenCape Market Intelligence and Nedbank CIB.

The impact on our business model

2021 saw a continued increase in the number of extreme weather events experienced globally, with floods, drought and other natural disasters impacting billions of people – 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 our financing decisions to support the delivery of the SDGs. In the long term we are committed to all our lending contributing to a net-zero economy by 2050, with our exiting from all fossil fuels by 2045. In the short and medium term we are planning for an orderly transition, very cognisant of the social impacts of our decisions. Our **Climate Change Position Statement*** and **Energy Policy**** set the principles that we will adopt to do this and set out initial plans to decarbonise our book.



Click to watch:
'A bank that walks sustainability'



Our opportunities

We have positioned supporting the SDGs through sustainable-development finance at the heart of our purpose and 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.

Our key risks

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.



Climate Change Position Statement



*



Energy Policy

**



Disruptive technologies and digital adoption

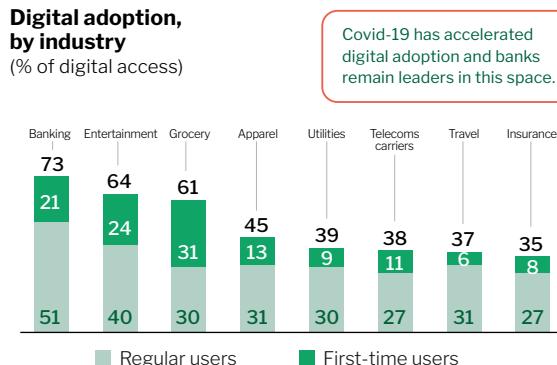
Material matter 3

The world continues to become increasingly digitised. Financial institutions have been leading this change as various aspects of banking progressed quickly 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 human capital and skills requirements, while enabling people to work remotely. The Covid-19 pandemic accelerated digital adoption to mitigate the impact of reduced mobility.

Acceleration of digitisation

As we have noted in our prior integrated 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 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 (and broader market participants), enabling faster delivery of new innovations. In addition, various trends have accelerated how businesses operate, how people interact with technology and how work-from-home enablement have played out. A few key trends include virtual video conferencing – the use of online platforms such as Zoom and MS Teams as well as digital workplace tools – and support for companies' mobile workforce through collaboration tools and video meeting capabilities.

Accelerating adoption of digital channels, a trend seen across global regions



Source: McKinsey Covid-19 US Digital Sentiment survey, 2020.

Increasing threat of cyberrisk

The global technology revolution also has a dark side, evident in the dramatic increase in financial crime as well as an 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 individuals or interrupting normal business processes. Banks, among others, 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.

Two specific industry trends stand out as we look towards the future:

- Remote workers will increasingly become a target for cybercriminals.
- As a result of increasing bandwidth brought about by 5G, connected devices will become more vulnerable to cyberattacks.

Consumer and employee behaviour is continuously evolving in a digital world with technology enabling access to multiple devices to ensure more seamless, convenient and secure connections. To respond to trends and evolving customer demand, we continue to invest in new products and capabilities that will further power an integrated model and deliver differentiated value, convenient banking and access to financial solutions.

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 2022 we will continue to expand and scale our beyond banking client propositions and build on foundations put in place and learnings from our existing ecosystem plays such as Avo and the API_Marketplace.

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 four of our current top 10 risks.

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 62% of our campus-based employees have been enabled to work from home (human capital) and many of our new work practices will continue after the pandemic. Read more about this on [page 68](#). A few examples of how our financial capital will be impacted include: Net interest income – digital channels allow Nedbank to acquire loans through new channels such as our API_Marketplace, which enables the externalising of services to third parties (resulting in a greater share of high-quality business written); non-interest revenue – enhanced ability to cross-sell, offer clients additional value-added services and provide services at a lower cost, but digital transactions come at a lower fee; and expenses – lower cost to serve and acquire clients, although higher costs in the short term as legacy systems are maintained until switched off.

Increased competition and threat of new entrants

Material matter 4

Competition in the banking sector remains fierce, and the landscape has evolved over time to include new entrants, fintechs and big-tech disruptors. These disruptors are revolutionising the banking experience for clients, although the Covid-19 pandemic has delayed the roll-out of new value propositions and in some cases new entrants have scaled back their ambitions. The large SA banks have all responded and competition for deposits, good-quality assets and transactional banking continues to remain elevated.

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, but 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 datasets, intellectual property and annuity cash flows 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 (telecoms) 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.

- **Capitec** – The roll-out of its revised business banking solution is expected soon, along with the rebranding of Mercantile Bank to Capitec towards the end of 2022.
- **TymeBank** – Has shown strong growth off a low base, reaching 4 million clients in 2021, although deposits market share remains very low. Customers can access self-service TymeBank kiosks at 14 000 tillpoints across the Pick n Pay and Boxer network and over 700 kiosks, as well as The Foschini Group (TFG) stores. The bank expects to break even in 2022.
- **Discovery Bank** – Continues to make steady progress as it targets the upper income segments, having gained over 400 000 clients and a deposit market share of 0,21%. The bank, which launched in 2019, is targeting break even by 2024.
- **Bank Zero** – After some delays the bank has had a cautious launch with a focus on free transactional banking. The bank plans to break even in 2022.
- **Telecoms providers** – The traditional telecoms operators such as MTN and Vodacom, as well as companies in other vertical sectors, are expanding their digital services.

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 client satisfaction metrics and main-banked market share statistics over the past few years as shown on [pages 57 to 59](#). Investment in expansion opportunities for the commercialisation of data, adjacent markets and beyond-banking solutions such as Avo and API_Marketplace have accelerated. More on this on [pages 60 and 61](#).

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 CVPs not remain competitive or should digital banking solutions become a commodity. We are responding to these risks through our growth strategies (as shown on [pages 62 and 63](#)) as well as through executing our cost optimisation initiatives through TOM 2.0, discussed in more detail on [page 64](#). While we have been able to price up for risk across most lending products, pressure on deposit pricing and the ability to pass on inflation-related fee increases have been reduced.

The impact on our business model

Our expansion beyond banking into areas such as ecosystems is a fundamental departure from the traditional banking model and is emerging as an attractive additional channel for selling existing Nedbank products. Although new, it does build on the strong foundations that are already in place, including technology and payments infrastructure, Nedbank's client base and intellectual capital and innovations.

The evolving world of work

Material matter 5

Macro shaping forces such as digital transformation; evolving health and pandemic dynamics; social, economic and political challenges; and skills shortages continue to challenge organisations to rethink their business models and people practices.

Macro forces shaping the world of work

| | | | |
|--|--|---|--|
| Consumer expectations, world of work and Covid-19 have accelerated the need for digital transformations . | Slow rate of vaccine delivery and uptake has impacted economic recovery. | Multiple Covid-19 variants and waves are likely to persist to 2024. |  |
| Digital race leads to ongoing emergence of new tech skills and technology talent shortage . |  | South African political and economic instability and civil unrest decrease investor confidence. | Disparity in race and gender representation in South African workforce persists. |
| Underperforming South African education system limits the supply of future skills. | Large social imbalances , income inequality, poverty and high youth unemployment persist in SA. | Changes to employment equity legislation are likely to require acceleration of workforce transformation. | Race relations at risk due to social and economic imbalances affecting majority groups. |



The impact on our business model

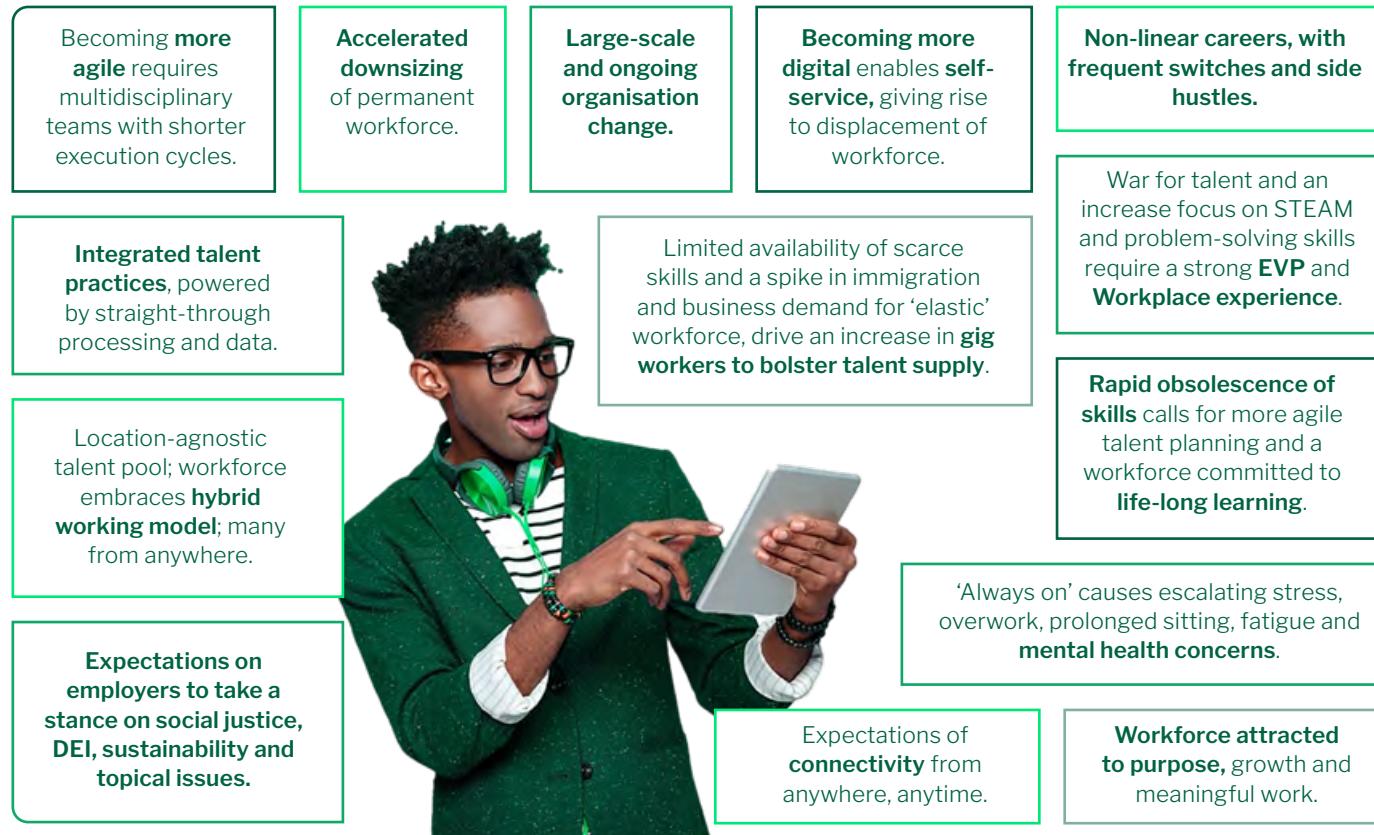
As more of our clients transact with Nedbank through digital channels, the nature of work and roles continue to evolve. A hybrid work model has also been adopted and we continue to review our people and organisational practices to support the evolving world of work and enhance engagement and productivity.

The evolving world of work continued

Workforce and workplace forces are shaping the transformation of the human capital agenda

The fundamental shift in how people have been working for the past two years has heightened the focus on the physical and mental well-being and safety of the workforce. Ongoing uncertainty and instability during unprecedented times continue to influence the human capital agenda of organisations, particularly within financial services. Global trends are shaping workplace and workforce demands and practices as we reimagine the future world of work.

Key workforce and workplace forces shaping the world of work



Our opportunities

Nedbank embraces the challenges of the evolving world of work and has made progress with the following opportunities:

- The launch of a digital learning platform and learning offerings to grow and mobilise talent internally, while ensuring a steady supply of scarce and critical skills when needed.
- Expansion of our well-being value proposition to cater for employee needs more holistically as well as an improved support experience.
- A refreshed leadership development approach to empower leaders to lead a more virtual, dispersed workforce with new leadership capabilities.
- Repurposing of our real estate towards the workplace of the future, together with a world-class digital workplace experience and offering of flexible working options for where and when work is performed.

Our key risks

- The demand for scarce and critical skills continues to escalate as digital transformation continues to transform talent and skills required for the future.
- 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.
- The pace of change in the workplace, coupled with social and economic distress in our society brought about by the Covid-19 pandemic, impacts employee well-being and safety. This poses a risk to employee engagement and productivity. Read more on how we supported our employees during these challenging times on [page 82](#).

Demands on governance, regulation and risk management

Material matter 6

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. With the crisis mostly behind us, the focus is shifting to regulatory matters aligned with the new normal, including digital transformation and cybersecurity, climate change, payments, diversity and inclusion, and financial-sector-related regulation.

Regulators are also adopting a more collaborative and consultative approach to regulation, by the establishment of intragovernmental working groups, coordinated information sharing sessions and engagement with industry bodies and stakeholders, in and outside the financial sector, to develop the regulatory landscape at the pace required by digital change.



- **Digital Transformation and Technological Innovation** – The Fourth Industrial Revolution, accelerated by Covid-19, has led to increased automation and AI compliance processes as businesses try to look for faster, more-efficient and less-resource-heavy processes. There is an increased focus on the National Data and Cloud Policy with the resultant effect of an increased focus on data protection, cybersecurity and cybercrime.
- **Data, cybersecurity, cybercrime** – The Protection of Personal Information Act (POPIA) 4 of 2013; General Data Protection Regulation (GDPR); and working from home will mean increased regulation and regulatory scrutiny around data management processes. There is a convergence of data management, data privacy, and data ethics standards for consumer protection.
- **Climate change and ESG** – ESG regulations will continue to evolve, as further focus on ESG factors emerges from the pandemic and the resultant economic strain. The economic recovery from the impact of the pandemic presents governments and regulators with an opportunity to reshape policies and frameworks, through integrating ESG factors.
- **Payments** – There will be increased focus on faster and more cost-effective payment mechanisms both domestically and internationally, which calls for the modernisation of payments, increased competition and regulation of broader participation (other than banks) to participate in the National Payment System. Such participation and, among other things, the rendering of payment services, clearing and settlement will be subject to regulation or enhanced regulation in future.
- **Resolution regime** – The Financial Sector Laws Amendment Bill, promulgated on 28 January 2022, designates SARB as the Resolution Authority with the mandate to implement South Africa's Resolution Framework. Encapsulated under the promulgation of the Financial Sector Laws Amendment Bill is the creation of the Deposit Insurance Scheme (DIS), which will collect deposit insurance levies and deposit insurance premiums. The costs associated with DIS may be incurred from as early as Q2 2022. In addition, first loss after capital (Flac) bail-inable debt instruments will be introduced, with minimum Flac requirements being implemented in a phased approach over a four-year period, with additional add-ons to be implemented after this period.
- **Basel III reforms** – Basel III reforms announced in December 2017, have a key objective of reducing excessive variability in RWA and restoring credibility in the calculation of RWA by enhancing robustness and risk sensitivity of the standardised approaches for credit and operational risk; constraining the use of internally modelled approaches; and complementing the risk-weighted capital ratio with a finalised leverage ratio and robust capital floor. The new capital floors' effective date is January 2023, but Nedbank will see the full impact only in 2026.
- **Transformation: Diversity and inclusion** – A growing number of laws and requirements are being enacted to support greater diversity and inclusion in the workplace. What to look out for: fostering authenticity and employee well-being programmes, enabling diverse work paths and embedding diversity and inclusion through initiatives like flexible work practices.

Managing risk strategically

The risk landscape for financial services continues to shift radically and rapidly. However, one thing that has not changed is that the business of banking remains fundamentally about the management of risk.

Despite the challenging risk landscape, Nedbank's approach to risk management has demonstrated great agility in managing the quickly evolving risks. Risks are becoming increasingly interconnected and emerging risks are cutting across and impacting multiple risk categories, including the traditional banking risks such as capital, credit and liquidity, calling for increased 'integration' of risks and risk management.

We are committed to creating sustainable value through a thorough understanding of the needs of all our stakeholders, understanding and managing material risks to which the group is exposed, as well as maximising value-adding opportunities that can be pursued while managing downside risk.

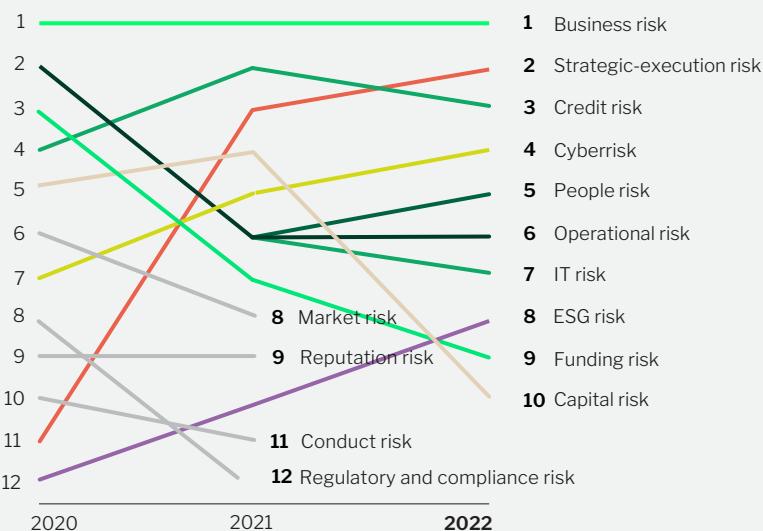
Our top 10 risks



For 2022, our top 10 risks are selected as top-of-mind risks rather than business-as-usual principal risks. Six core objectives underpin our risk management as we aim to remain at the forefront of best practice:

- Managing risk as a **threat** to ensure responsible growth and sustainability.
- Managing risk as **volatility** during highly uncertain times.
- Managing risk as an **opportunity** to take advantage of opportunities presented by upside risk to create or enable value for all our stakeholders.
- Managing risk as **velocity** to manoeuvre the speed of change in an agile and safe manner without degrading value already created.
- Managing risk as **predictor** using predictive and advanced analytics.
- Managing risk as **organisational resilience** to ensure sustainability.

Top 10 risks: Three-year overview



Our top risks have evolved, considering the internal and external environment in which we operate. In arriving at the current top 10, we have considered the following key developments:

- People risk is now a stand-alone risk as we have noted heightened levels of this risk across the group. The impact of the pandemic, coupled with a weak economy, adds to the fear and anxiety for employees in a fast-evolving world of work.
- IT, digital and data risk is also a stand-alone risk due to the pace of change and adaptation to the Fourth Industrial Revolution while taking advantage of opportunities it presents and effectively managing the risks.
- A new risk type has been introduced, namely ESG risks (especially climate risk) as these risks have become materially relevant for sustainability.

Managing risk strategically continued

Top 10 risks

#1 Business (including country/sovereign and geopolitical) risk

In 2021 we remained in a global and local economic, health and social crisis as a result of the Great Lockdown Crisis (GLC) or Covid-19 pandemic, which struck hard in 2020 and continued into 2021, although health conditions are improving as vaccinations are rolled out and many countries are now experiencing strong economic recovery.

While the economic and financial outlook is much improved, uncertainty remains high in SA within a climate of political and social unrest, slow rate of vaccination and low levels of GDP growth.

Our response

- Application of our risk management plan in line with our 2022–2024 business plan to ensure favourable risk outcomes.
- Monitoring the risk landscape and exploring emerging risks and their interconnectedness with both emerging and traditional risks.
- Creating value through targeted market share growth, cross-sell (SPT 2.0) and increased productivity (TOM 2.0) unlocked by our employees and digital transformation.

Risk link to six capitals



Intellectual



Social and relationship

#2 Strategic-execution risk

Execution against the group's strategy is taking place in the context of an extraordinarily complex and challenging operating environment, profoundly impacted by the effects of the Covid-19 pandemic.

- Managing TOM 2.0 to ensure continued effectiveness of risk management across the organisation, which will lead to efficiency of operations.
- Ongoing GIA reviews, especially on strategic programmes and programme management.
- Monitoring and tracking SPT 2.0 performance against approved targets in line with our business plan.



Financial



Intellectual

#3 Credit risk

Credit has become a top risk in the wake of the Covid-19 crisis and a challenging macroeconomic environment.

Credit governance and processes across the bank remained efficiently and effectively managed. Nedbank Group's impairment charge decreased by 50% to R6.5bn. The group's CLR decreased from 161 bps at year-end 2020 to 83 bps at year-end 2021, back within the TTC risk appetite target range of 60–100 bps. ECL coverage remains high at 3,32%.

Nedbank's wholesale business continued to experience subdued credit demand due to ongoing uncertainty and slow economic growth while retail experienced growth enabled by the low-interest-rate environment.

- Ensuring ongoing monitoring of the credit portfolio and reporting through the various credit risk governance structures.
- Managing the credit portfolio as well as monitoring the implementation of SPT 2.0.
- Ongoing review and enhancements to credit risk models across the bank, including stress and scenario testing.



Financial



Intellectual

#4 Cyberrisk

An increase in ransomware risk globally and locally has been noted. BitSight research indicates that based on the Nedbank score (800), specifically for certain risk vectors, there is a reduced likelihood to fall victim to a ransomware incident.

With the commencement of POPIA on 1 July 2021, focus on risks related to privacy of data has intensified. Third-party risk management (TPRM) and data loss prevention (DLP) remain key focus areas to mature with steady progress made.

Overall, cyberrisk management remains at a mature level and cyberdefences are operating effectively.

- Bolstering cyberresilience in the Fourth Industrial Revolution to respond with agility to cyberattacks.
- Embedding our Privacy Risk Management Framework as a tool for improving privacy through enterprise risk management.
- Continuing with the focus on third parties and suppliers and DLP to continue to identify key vulnerabilities and build cost-effective and efficient data protection strategies.



Intellectual

Managing risk strategically continued

Top 10 risks

#5 People risk

The group is facing heightened levels of human capital risk, as are most organisations. Health and well-being risks are increasing. These risks are attributed to the impact of Covid-19, the increased pace and volume of change and the adverse macroeconomic environment.

Employee well-being remains a key focus area as our Human Capital Strategy responds to the updated context and supports organisational performance.

Our response

- Supporting (including phased employee reintegration) a hybrid physical/digital workplace while focusing on the mental, financial and physical well-being of our employees.
- Human-centred leadership and culture that unlocks value.
- Continuous education and awareness to encourage employees to vaccinate.

Risk link to six capitals



Intellectual



Human

#6 Operational risk/Organisational resilience

Our exposure to operational risk is elevated and is increasing across the group, considering the South African external environment. Geopolitical risk includes unrest, intermittent electricity supply interruptions, low economic growth, record high levels of unemployment, and low investment coupled with the lingering macroeconomic impact of Covid-19 on business operations.

Nedbank's WFH strategy has been successful in reducing the spread of Covid-19, ensuring resilience of operations as well as supporting our clients to transact digitally.

- Ensuring effective operational resilience actions to adjust to future shocks and stresses.
- Managing TOM 2.0 to ensure continued effectiveness of risk management across the organisation, which will lead to efficiency of operations.
- Continuing to build a strong risk culture across the group while monitoring risk appetite at respective governance processes.



Manufactured



Intellectual



Natural

#7 Information technology, digital and data risks

Our IT systems remained stable and resilient.

Risk oversight regarding robotics process automation (RPA), as well as cloud computing, is managed through existing frameworks and policies of the bank. There were assurance reviews done by GIA and external audit with no adverse findings noted.

There is adequate governance and approval in place relating to the adoption of emerging or new technologies and the management of digital risks.

- Evolving risk management while ensuring agile but responsible, accountable, and effective risk management.
- Performing continuous internal control environment assessment and refresh.



Intellectual



Manufactured

#8 Environmental, social and governance risks (especially climate risk)

ESG risks include environmental, social and governance risks and the potential impact on the bank's reputational and financial performance.

ESG risks and opportunities are key matters for financial institutions to consider ensuring sustainability and value creation.

As a purpose-led bank, Nedbank remains committed to playing a leading role in addressing climate change in ways that are sensitive to the local socioeconomic context and climate vulnerability.

- Establishing and embedding our ESG Risk Management Framework across the group to manage the impact of ESG risks on financial and non-financial risks.
- Considered the implications of outcomes from COP26 in relation to our Energy Policy to phase down funding for coal power generation.
- Continuously monitoring our Climate Risk Plan through the various governance structures to ensure delivery of deliverables.



Natural



Social and relationship

Managing risk strategically continued

Top 10 risks

#9 Funding risk

Banks remain essential in providing financial services to individuals, governments and business entities. The inability of a bank to maintain the right balance of liquid assets for effective and efficient operations threatens its financial performance.

Nedbank continues to remain compliant with all key liquidity ratios and liquidity risk remains in good shape.

#10 Capital risk

Over the past 18 months resilience has become a defining characteristic of sustainability and success for banks globally. Financial and operational resilience was intensely tested; however, banks' long-term efforts to build greater and higher quality capital and liquidity put banks in a strong position going into the pandemic and ensured resilience.

Our response

- Monitoring and measuring the group's liquidity position on an ongoing basis to ensure alignment with the 2022 internal liquidity adequacy assessment process (ILAAP).
- Monitoring the execution of the SPT 2.0 strategy as approved by the board to ensure it translates into targeted and responsible market share growth in selected assets and transactional deposits while uplifting transactional banking generally.

Risk link to six capitals



Financial

Intellectual

Board oversight – ensuring and protecting value

Group Risk and Capital Management Committee (GRCMC)



'The Nedbank Group risk management outcomes and overall status have continued to be excellent. Nedbank has maintained a strong risk culture which is appropriate in promoting growth and returns. The GRCMC continues to strive in Risk Management to enable sustainable Organisational Resilience.'

Errol Kruger, Chairperson



Ensuring and protecting value in 2021

- Monitored the progress on Nedbank's strategic portfolio tilt (SPT 2.0) against set and approved targets aimed at market share growth and effective cross-sell.
- Ensured a sound risk culture was maintained with a robust Enterprisewide Risk Management Framework (ERMF).
- Reviewed the impact on people risk stemming from Covid-19, increased pace and volume of change, and macro-SA uncertainty.
- Reviewed and recommended to the board for approval the annual internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP), and associated stress and scenario testing.
- Continued to closely monitor cyberrisk to ensure Nedbank remained cyberresilient, while also overseeing financial crime risk management more broadly.

Focus for 2022 and beyond

- Monitor the impact of the ongoing unprecedented level of change, and reintegration of employees back into the workplace, on people risk and ensuring Nedbank changes safely and responsibly in the Fourth Industrial Revolution.
- In particular, closely monitor management of the group's top 10 risks, and implementation of the SPT 2.0 strategy within risk appetite per the approved group business plan 2022–2024.
- Oversee the management of emerging key risks, as well as strategic-execution risk and organisational resilience.



Financial

Intellectual

Stakeholders



Clients

Employees



Regulators

Shareholders

Top 10 risks

- Business risk
- Strategic-execution risk
- Credit risk
- Cyberrisk
- Operational risk
- IT risk
- ESG risk
- Funding risk
- Capital risk

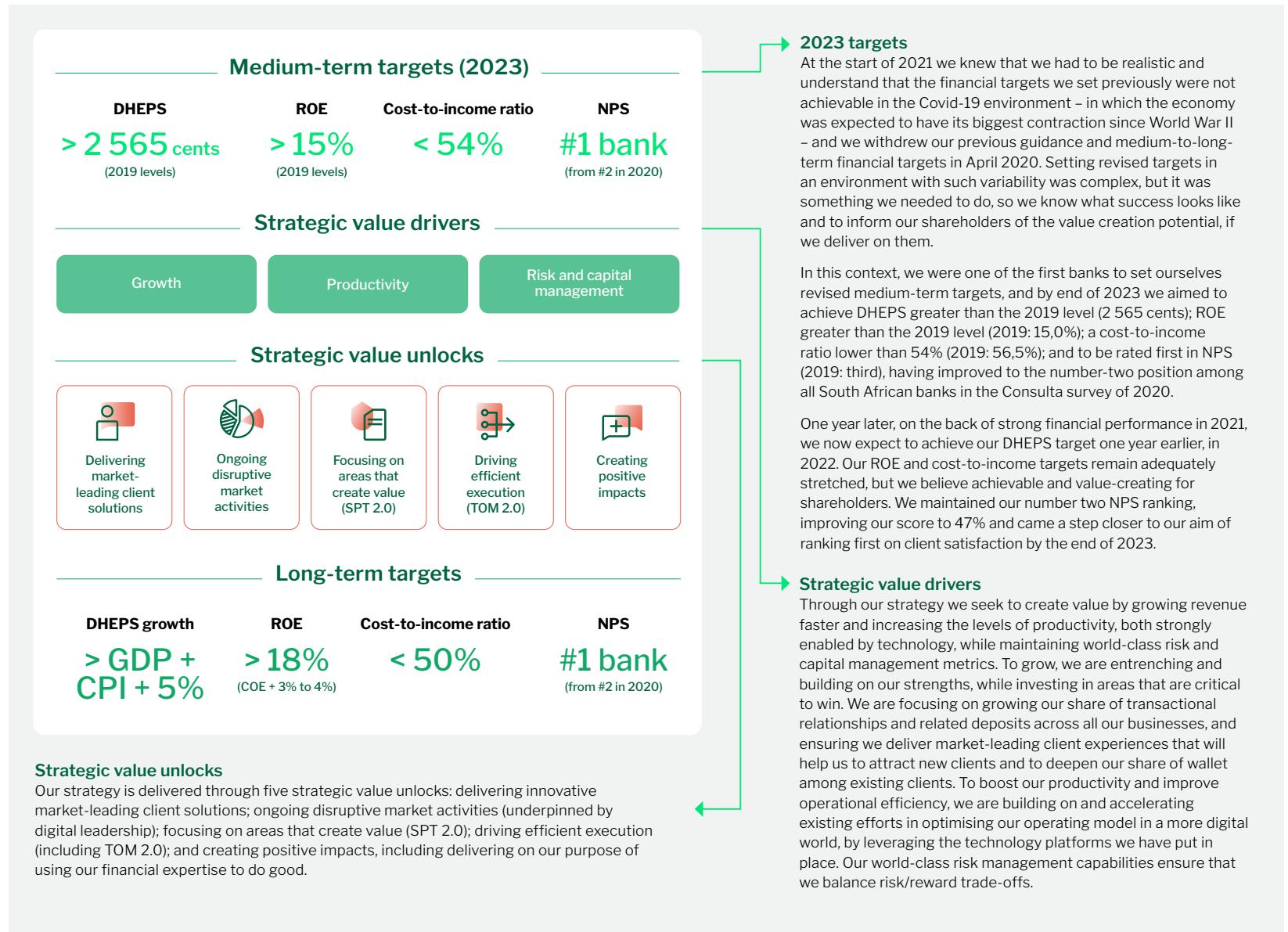
A comprehensive GRCMC Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.

Our strategy

The impact of the Covid-19 pandemic in 2020 resulted in a pivot in our strategy. 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.

Our vision, values and purpose, described on page 16, remain central to who we are and what we do to remain relevant. Our long-term targets remain in place, but the time frame 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% (COE + 3% to 4%) and reducing our cost-to-income ratio to below 50%.

Our strategy gives us a clear view on where we want to focus as a purpose-led organisation and what we strive to achieve.





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 (delight), see strong digital shifts from its clients (digitise) and as a result should gain a disproportionate share of client revenues.

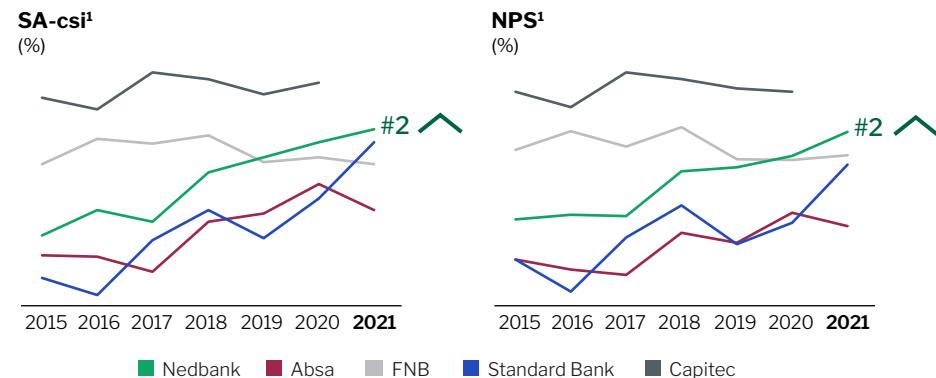
Delight – create great client experiences

Our aspiration is to be Africa's number one digital financial services provider, achieve a client NPS (client satisfaction) of at least 60% and rank number one among the top five South African banks, thereby enhancing our social capital.

- In the 2021 Consulta survey, Nedbank, mainly through **RBB**, was again rated the second-best bank on NPS. We increased our score to 47% (2020: 41%) and similarly recorded an increase in the South African Customer Satisfaction Index (SA-csi) score to 82% (2020: 81%). A consistent upward trend over the past five years positions us well to continue to differentiate ourselves in the market and reach our target of the 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 a strong performance in league table rankings. The following awards, won in 2021, highlight CIB's leadership and excellence in the South African corporate and investment banking market: Best Bank for Sustainable Finance in Africa by Euromoney for 2021, 2021 Investment Bank of the Year Award by Environmental Finance, and Infrastructure Deal of the Year in the 2021 African Banker Awards.
 - Nedbank **Wealth** continues to be differentiated across asset and wealth management and increasingly through recent innovations in Insurance. Nedbank Private Wealth (International) has won Best Boutique Private Bank for the third consecutive year and Best Private Bank, Overall
- Service at the 2021 WealthBriefing Middle East and North Africa (MENA) Awards. In the 2022 Euromoney Private Banking and Wealth Management Survey, Nedbank Private Wealth (SA) took top honours in SA in the Family Governance/Succession Planning category.
- In **NAR**, our Namibia and Mozambique businesses achieved the highest NPS scores in the respective markets, and top two positions for net sentiment in almost all markets and top loyalty scores in Eswatini, Namibia and Zimbabwe.
 - In 2021 Nedbank was ranked the eighth most valuable brand among Top 50 South African companies for the second year in a row. The value of the brand by Brand Finance is estimated around R15bn, down 14% from the R16,5bn in 2020, mainly as a result of a weaker rand. During the year we have seen a continuation of this trend through brand sentiment rankings, where Nedbank was consistently ranked as the number two bank in social-media brand sentiment as measured by Salesforce Social Studio. 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.



Five-year SA-csi and NPS for South African banks



¹ Annual Consulta survey. Capitec did not subscribe to the 2021 survey.

Delivering market-leading client solutions continued

Digitise – our products and services

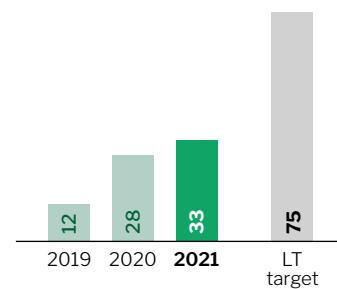
Our aspiration is to achieve 75% of our new sales through digital channels and assist 70% of our clients to be digitally active by digitising our products and services (enhancing our intellectual and manufactured capitals). These aspirations are informed by global benchmarks, derived from financial services providers that are regarded as leaders in digital transformation, such as DBS and ING.

- Eclipse** – Our simplified digital client onboarding platform for individual clients continued to mature and expand, allowing individual clients to open FICA-compliant accounts remotely through our employee-assisted and self-service digital channels, by providing a seamless omnichannel experience. All new client onboarding and product sales is in place across six of our top 10 products (transactional products, personal loans, investments, card issuing, overdrafts and home loans). Foreign exchange, the roll-out of student loans and selective Nedbank Insurance products, including MyCover Funeral and MyCover Life, will be available on the Eclipse platform during 2022.

- Nedbank Business Hub** – The Nedbank Business Hub is a single, secure digital interface that enables CIB and RBB business clients to apply for, maintain and transact on their accounts in a self-service manner, leveraging our new digital tokenless security and enabling a step change in client experience for businesses. The hub provides a convenient platform for clients from which they have a single view of relevant digital offerings and are able to transact and apply for products (transacting, lending and borrowing) or services, to name a few functionalities. While migration to this modernised platform remains a key priority, the convergence of the various juristic digital channels has gained momentum, with a first release targeting July 2022. From a digital servicing perspective, an additional 100+ juristic services are intended to be digitised by end-2023.

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% for the medium term. Excluding MobiMoney, digital sales increased to 33% (from 12% in 2019).

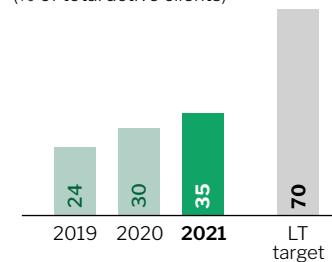
Digital sales
(% of new sales, excluding MobiMoney)



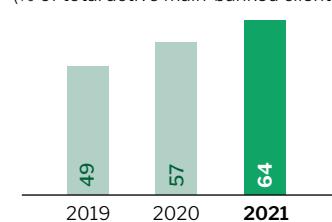
Digital activity – Our clients' access to banking improved, as digitally active retail users increased by 11% yoy to 2.3 million. This equated to 35% of total clients (from 24% in 2019, with a medium-to-long-term target of 70%) and 64% of digitally active main-banked clients (from 49% in 2019) respectively. Digitally active clients in our NAR businesses increased by 7%.

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 total active clients)



(% of total active main-banked clients)



Digital servicing – Additional self-service options for functions that were previously available only in branches or through employee-assisted 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 the retail business, along with the impact of the lockdown, has enabled us to increase digital service volumes by 28%. These include self-service options such as balance enquiries, transfers between accounts, beneficiary management, limit changes and card freezes.

Digital services
(Number)



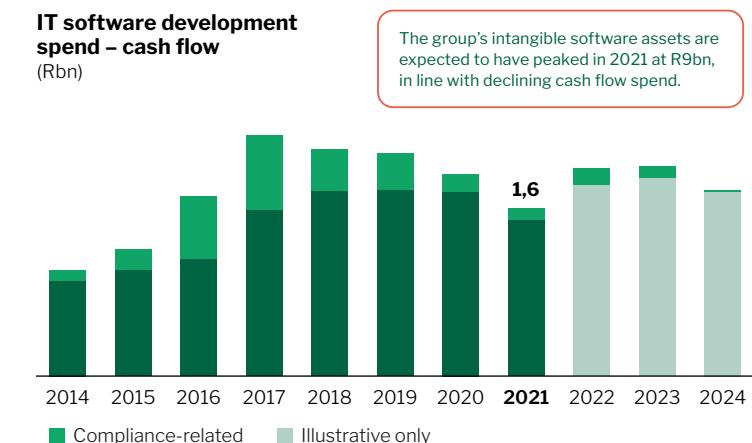
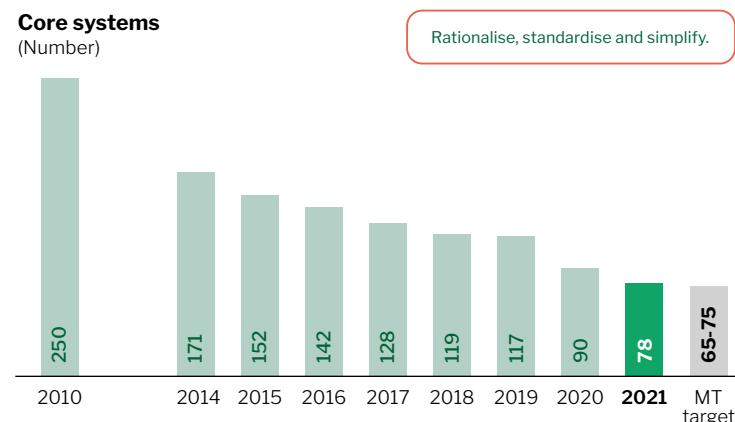
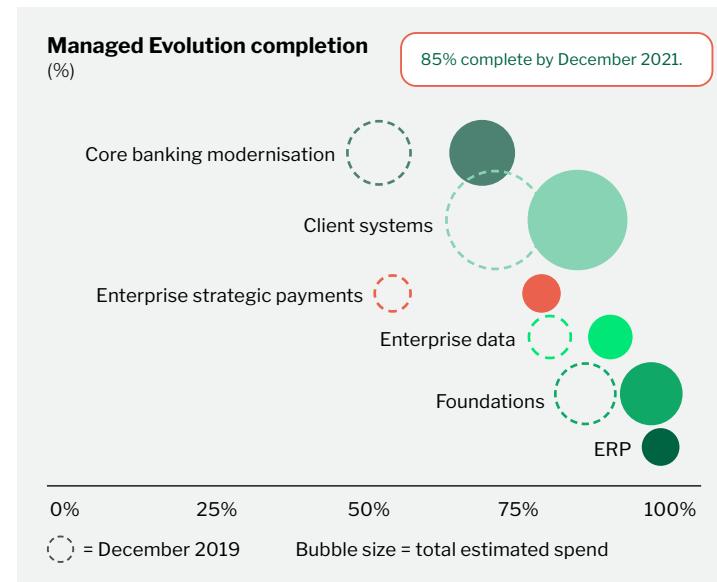
Delivering market-leading client solutions continued

Our Managed Evolution technology journey – we continue to make good progress in building a modern, modular and digital information technology stack

In underpinning our digital successes lies the significant progress we have made on our technology strategy: ME (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 has been 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 ME approach, as opposed to a big-bang or opportunistic patching, is the most cost-effective and efficient approach to core systems replacement.

Our ME strategy and technology transformation programme has reached 85% completion. Most foundational IT programmes are either complete or nearing completion, and the group's intangible software assets are expected to have peaked in 2021 at R8,9bn, in line with reducing levels of IT cash flow spend. The rationalisation, standardisation and simplification of our core banking systems, from 250 now down to 78 (target of 65 to 75), are enabling reduced infrastructure, support and maintenance costs; less complexity; and increased agility in adopting new innovations. The benefits of ME are evident in the digital progress we have made, as well as the realisation of benefits through TOM 1.0 and TOM 2.0.





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. Over the past few years we have introduced beyond-banking initiatives such Avo, our super app, APIs and value-added services on our digital channels (eg buying electricity, data, airtime and lottery tickets). In addition, the Karri app and various other digital solutions and platforms create delightful client experiences.

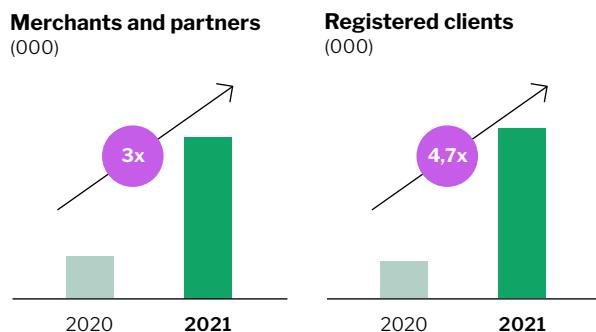
Our disruptive market activities place us in a strong position to compete with new entrants and existing banks in the market. We continue to invest in data-related activities and platform-related activities as we evolve our business model continually to underpin future growth.



Avo super app – Our market-leading digital ecosystem Avo is a one-stop super app enabling clients to buy essential products and services online and have them delivered to their home, with seamless payments and credit enabled by the Avo digital wallet and Nedbank lending. Since its launch in June 2020 to December 2021, Avo has signed up more than 675 000 customers (4,7 times growth yoy), along with over 20 250 businesses (3 times growth yoy) offering their products and services on this e-commerce platform. Product orders continue to grow exponentially, with 3 times yoy growth in gross merchandise value (GMV) achieved. We continue to enjoy favourable ratings across the Google and Apple app stores, with ratings of 3,9 and 4,3 achieved respectively. The launch of Avo Auto and the Avo B2B marketplace is expected to strongly support further scaling efforts of the platform. Our focus is to get the platform to scale, and the progress continues to exceed our expectations as our initial target of more than one million users in 2022 was achieved at the end of February 2022.

APIs – After having been the first bank in Africa to launch an API platform (API_Marketplace) that is aligned with the Open Banking Standard (PSD2), we made good progress in scaling the platform by allowing approved partners to leverage the bank's financial capabilities, by integrating into our standard, secure and scalable APIs. The number of third parties active on the API_Marketplace has increased to 45 (2020: 17). Third-party interest in the API_Marketplace continues to grow. The number of active APIs used increased from eight (December 2020) to nine. An example of a successful implementation is the enablement of personal-loans disbursals, which increased by 360% yoy, supporting our market share increase in this product. Our focus on expanding these channels continues into 2022 and beyond.

Karri app – The Karri payments app made a strong recovery as schools reopened in 2021. Notwithstanding the material impact of Covid-19 on traditional event and sport tour collections (the main driver of usage and value of collections pre-Covid-19), we managed to increase active users back to pre-Covid-19 levels by adding new functionality and increasing the value offered to schools, enabling the highest active usage from March to May 2021. Karri now has well over 800 organisations that are using the app, with a database of parents and children in excess of 1,2 million. The Karri app is now more relevant than ever with a database of well over one million potential users and one of the highest app store ratings (currently 4,5). As schools return to normality, we are expecting a return to exponential growth.



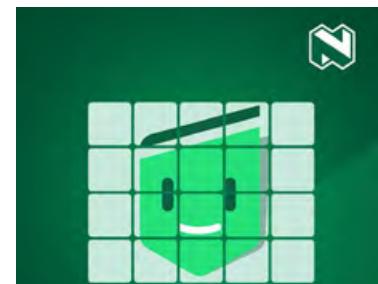
Ongoing disruptive market activities continued

- **New innovations** – In 2021, in addition to various app enhancements, we launched several new innovations, including the following:
 - » A new broad range of financial wellness tools, including credit score ratings with helpful tips for clients and enhanced Money Tracker functionality tools, allowing for spend categorisation and management.
 - » RBB and Nedbank Private Wealth launched Apple Pay, which enables clients to make cashless, contactless payments using an Apple device. Since its launch in March 2021 (as one of only three banks in SA), we have seen excellent uptake in client usage and payments continue to grow every month. This mobile payment capability follows our scan-to-pay capability as well as Samsung, Garmin and Fitbit Pay solutions launched in prior periods.



- » We launched Money Message, an innovative invoice and payment solution that enables small businesses to create and send invoices, and receive payments easily and securely on WhatsApp, which is the dominant messaging platform in SA. It also complements Nedbank's tap-on-phone solution, which enables businesses to accept payments by simply using an Android smartphone for contactless card payments.

- » In NAR, we continued to release new features, including digital wallets, self-enrolment and value-added services. The implementation of automated credit scoring enhanced our credit decision-making capability and provides integrated insights on managing credit risk and understanding our clients.
- » In Nedbank Insurance, we extended our insurance quoting, fulfilment and claims functionality on digital channels to 10 insurance product offerings. As part of building Nedbank Private Wealth in Namibia, we extended our stockbroking services and international wealth offerings to clients.
- **Data and AI** – our new AI-driven chatbot, Enbi, was launched to meet client expectations and is now answering over 100 000 client queries per month.



 Watch how to chat with Enbi on the Money app or Online Banking.



In recognition of our digital innovations, Nedbank was awarded the Best Digital Bank in Africa Award (for Avo and API_Marketplace) at the 2021 Euromoney Awards.

Board oversight – ensuring and protecting value Group Information Technology Committee (GITCO)



'Our journey to a digital-first Nedbank is underpinned by strong technology capabilities and digital DNA. GITCO provided keen oversight over the effectiveness of the group's IT strategy, execution and benefits realisation. The implementation of Nedbank's transformative enterprise IT strategy and the ongoing management of operational stability were key agenda items in 2021.'

Dr Mantsika Matooane, Chairperson

Ensuring and protecting value in 2021

- Commissioned a third-party benchmark of Managed Evolution (ME) against local and international peers, with favourable findings.
- Focused on benefits-tracking processes for IT projects to ensure optimal value.
- Placed more focus on outputs and outcomes of the three-year technology plan.
- Monitored and oversaw the progress and adequacy of:
 - » technology to support and enable clients and employees through Covid-19, while minimising business and client impacts;
 - » IT system integrity, stability and availability; and
 - » cyberresilience.
- Oversaw the group's IT spend and the integrity of IT assets on the balance sheet, with a focus on:
 - » the path to production and deployment practices;
 - » rationalisation and simplification of systems, applications and policies; and
 - » Nedbank's key IT programmes.

Focus for 2022 and beyond

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

- IT system stability and availability.
- Cyberresilience.
- Completion of ME, with specific focus on core banking modernisation.
- Delivery of business-case outcomes assessed during the ME benchmark.
- Scaling of operations by leveraging cloud and data.
- Awareness and incorporation of emerging technology into innovation strategy.
- Scaling digital platforms (Avo) as part of Nedbank's platform/ecosystem strategy.
- Leveraging technology for superior returns in Nedbank Africa Regions.
- Enhancing Nedbank's operating model and investment case enabled by technology.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 10 risks

- 1 Business risk
- 2 Strategic-execution risk
- 4 Cyberrisk
- 6 Operational risk
- 5 People risk
- 7 IT risk

A comprehensive GITCO Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.



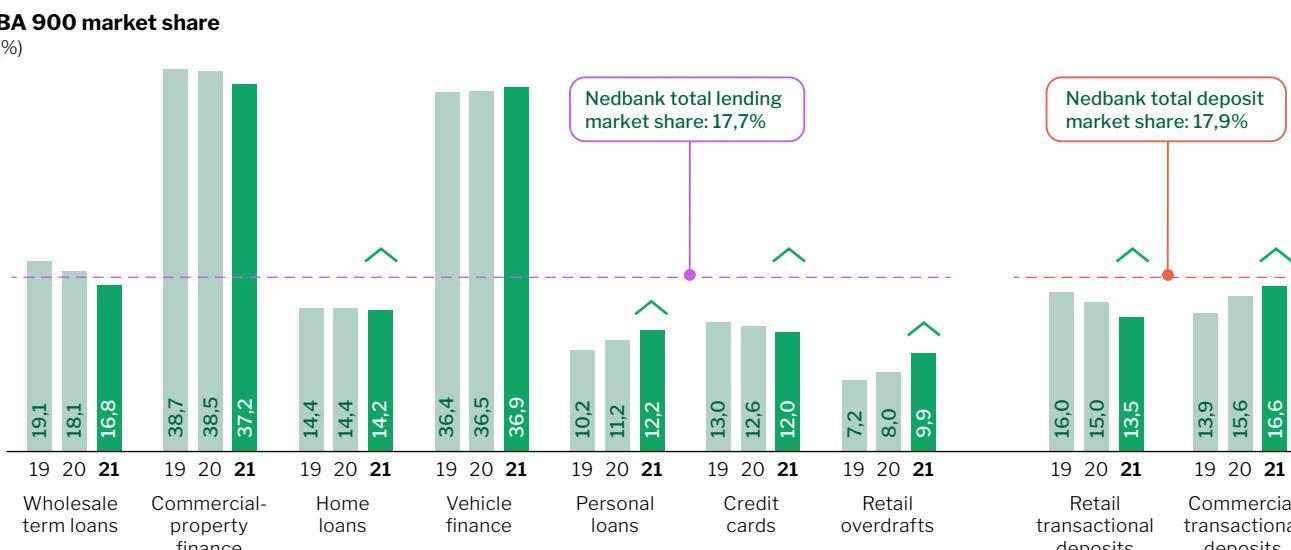
Focusing on areas that create value (SPT 2.0)

We have increased our focus on areas that create value, particularly through strategic portfolio tilt (SPT 2.0), which is a groupwide strategy focused on right-sizing certain advances market shares, growing our transactional banking franchise and cross-selling into transactional deposits through integrated client value propositions.

Over the past 12 months we increased market share in key advances categories as per the SARB BA 900 returns, including personal loans (12,2% market share, up by 1,0%) and household overdrafts (9,9% market share, up by 1,9%). We also increased our share in vehicle finance (36,9% market share, up by 0,4%), leveraging our market-leading position and unique business model that is skewed to financing used and lower-value vehicles. These gains were supported by increased levels of client take-up rates, enabled by digital channels, notwithstanding tightening of credit criteria. In home loans our market share of 14,2% declined marginally by 0,2%. In wholesale lending we were selective in granting loans as we continued to manage risk and focused on increasing net interest margins, resulting in a decline in

market share (commercial mortgages 37,2% market share and wholesale term-loan market share 16,8%, both down by 1,3%).

From a deposit perspective, we have seen an increase in commercial funding and a decrease in wholesale funding; and gained market share in both commercial transactional (16,6% market share, up by 1,0%) and non-transactional deposits (17,6%, market share, up by 0,8%). Our focus on household deposit market share continues, with ongoing management actions focused on arresting household deposit market share losses (14,5% market share), notwithstanding aggressive competition and pricing for retail deposits. Trends in Q4 2021 were pleasing, with an uptick recorded in term-related household deposit market share.



Focusing on areas that create value (SPT 2.0) continued

Main-banked client growth

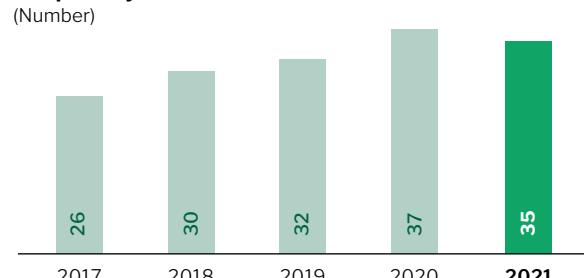
Main-banked clients in retail grew by 1% to 3,1 million and cross-sell on new sales was 1,86 (compared with 1,78 in 2020). In the independent 2021 Consulta survey, Nedbank recorded the largest increase in main-banked market share of all large South African banks, increasing by 1,1% to 12,4%. CIB gained 35 new primary clients in the period. In NAR total clients increased by 1% to 338 000, of which 141 000 are main-banked.

Consulta¹ main-banked market share

| | 2021 % | 2020 % | Market share % | |
|---------------|--------|--------|----------------|---|
| Nedbank | +1,1 | +0,0 | 12,4 | ▲ |
| Capitec | +0,9 | +4,0 | 40,1 | ▲ |
| Other banks | +0,6 | +0,0 | 1,8 | ▲ |
| Standard Bank | (0,4) | (0,6) | 13,6 | ▼ |
| FNB | (0,6) | (2,1) | 18,5 | ▼ |
| Absa | (1,6) | (1,3) | 13,6 | ▼ |

¹ Consulta surveys: 2020 and 2021 (released November 2021).

CIB primary client wins



Our focus for the future remains to target growth where we are underweight and to be selective in areas of strength, while growing the transactional banking franchise (main-banked client gains and higher cross-sell).



Board oversight – ensuring and protecting value

Group Credit Committee (GCC)



'GCC provided independent oversight of management's successful response to the heightened credit risk that arose from the Covid-19 crisis and credit risk management in general, as well as changes to credit policies, procedures, models, macroeconomic forecasts and watch list exposures to ensure that the group's credit portfolio remained sound and of good quality, while always being adequately and appropriately impaired.'

Errol Kruger, Chairperson

Ensuring and protecting value in 2021

- Approved the adequacy of impairments to ensure that the portfolio was always appropriately conservative.
- Approved the review and adjustments of credit models to ensure that they were fit for purpose for the prevailing environment.
- Approved changes to the credit loss ratio (CLR) through-the-cycle (TTC) target ranges for Retail and Business Banking, Home Loans, Nedbank Africa Regions, including subsidiaries, to ensure that they were aligned with the group's strategic objectives.
- Tracked and monitored the performance of the Prudential Authority (PA) Directive 3/2020 and Directive 7/2015 exposures, which have reduced to R3,2bn and R10bn, from R28bn and R13bn respectively, at December 2020.
- Oversaw effective credit risk mitigation strategies, including early identification of distressed portfolios and proactive management of watch list clients.

Focus for 2022 and beyond

- Oversee ongoing active credit risk management across all businesses to optimise the outcome of the cost of credit, the CLR and credit RWA.
- Oversee the management of credit risk from various aspects such as downside risk, volatility uncertainty, strategic opportunity, risk predictor analytics and organisational resilience.
- Monitor and consider the impact of possible changes to Directive 7/2015 on the credit portfolio.
- Monitor the embedment of the Target Operating Model (TOM) 2.0 credit risk automation objectives.

Stakeholders

| | | | |
|--|-----------|--|--------------|
| | Clients | | Regulators |
| | Employees | | Shareholders |

Top 10 risks

- Business risk
- Credit risk
- ESG risk

A comprehensive GCC Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.

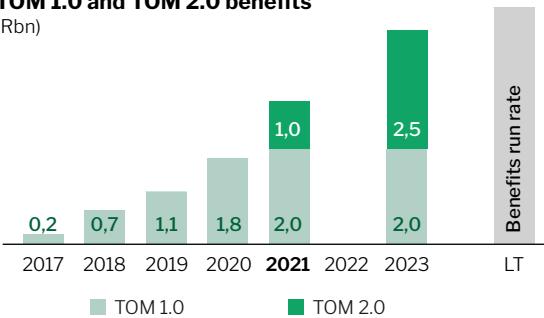


Driving efficient execution (TOM 2.0)

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.

After realising cumulative TOM 1.0 savings of R2,0bn in 2020 relating to the benefits from building a modernised technology platform (ME) and agile innovation methodologies, we launched TOM 2.0 in 2021. This strategic enabler is aimed at using the ME platform to deliver a more efficient operating model to drive down the group's cost-to-income ratio and mitigate risks of unanticipated economic headwinds. TOM 2.0 is focused on optimising the shape of our infrastructure (branches and corporate real estate), shifting our RBB structure so that it is more client-centred and optimising our shared-services functions across the group as a direct result of the digital benefits from ME. In 2021 we recorded savings of R967m on the way to our target to unlock cumulative revenue uplift and costs savings of R2,5bn by the end of 2023 (of which approximately 90% relates to cost savings). The business case of our technology investments, including ME, evident in the value unlocks through TOM 1.0 and TOM 2.0, remains intact as the group's annual amortisation charge (R1,7bn in 2021) remains below the cumulative benefit of these initiatives. In addition, annual IT cash flow spend has declined, after having peaked in 2017.

TOM 1.0 and TOM 2.0 benefits
(Rbn)



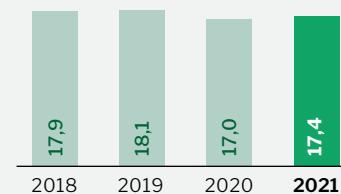
Transform technology

More uptime, with more partners integrated and greater use of data. In addition, more innovation for less spend, accelerated innovation delivery and a technology platform that allows Nedbank to offer solutions across multiple ecosystems.

Reset third-party spending

Optimising our supply chain and enhanced digitised procurement.

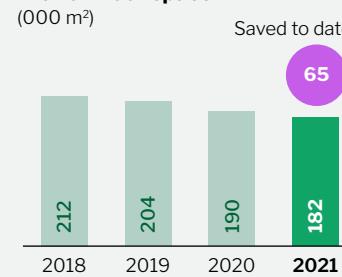
Total annual procurement spend
(Rbn)



Shift to digital payments – optimise physical channels

Less space for inefficiency and more space for digitally enabled relationship building, looking to reduce our distribution network further over time.

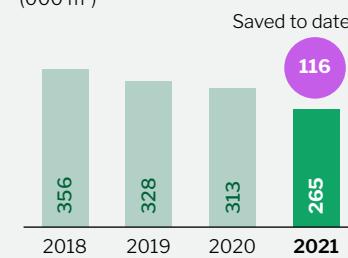
Branch floor space



Hybrid working practice – shrink own property

Less space to manage, with more opportunity to build our ability to collaborate unlocking > 140 000 m² space reduction by 2024 (from 116 000 m² saved cumulatively by 2021).

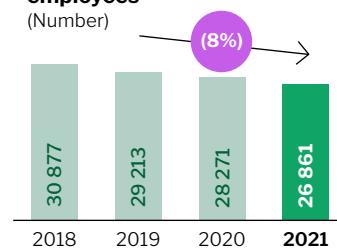
Corporate real estate floor space



Client-centred model enabling fast decision-making

A leaner, more client-centric and effective structure in the RBB cluster to drive better ways of work.

Nedbank Group permanent employees



Effective central functions

Efficient and effective centralised functions that are agile in their ways of work, from smarter spending and return in marketing, digitisation of processes and integrated controls in risk, to a digital workforce experience and a fit-for-purpose talent and people advisory in HR, we envision empowered and data-enabled leaders, using our enterprise resource planning systems optimally for maximum effectiveness.



Creating positive impacts

Banks play a central role in driving sustainable socioeconomic development for the benefit of all stakeholders and helping to create the desired future by providing capital for investment in the real economy. Banks' financing choices must help to enable 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 sustainability 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 system 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.

We prioritised nine of the 17 SDGs where 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 who are mandated to ensure that the percentage of our lending and investment towards sustainable-development finance grows in a manner commensurate with the needs of our clients, the size of the strategic opportunities offered and our desire to capture a competitive advantage in this area.

The increasing attention to, and prioritisation of, ESG factors by organisations and their investors is adding impetus to the realisation of the SDGs as economic activity starts to 'normalise' following two harrowing Covid-19 years. At Nedbank, we recognise that there can be no authentic response to ESG matters without genuine ambition to be an effective catalytic agent of positive change. Being effective is possible only with a clearly defined purpose that acts as an organisation's north star. For Nedbank that means using our financial expertise to do good for our stakeholders, using the SDGs as the guide for investing in new markets and meeting unmet client needs.



Together, the SDGs (as forward-looking strategic levers) and ESG (as a backward-looking measure of financing activities), keep us on track to fulfil our purpose. Through our sustainable-development finance commitments, we aim to become a model that other finance institutions emulate to address the world's environmental, social and governance challenges. We know that a relentless focus on sustainable-development finance rather than philanthropy is the most impactful lever we, and all other banks, have at our disposal to drive progress towards the achievement of these SDGs.

Creating positive impacts continued

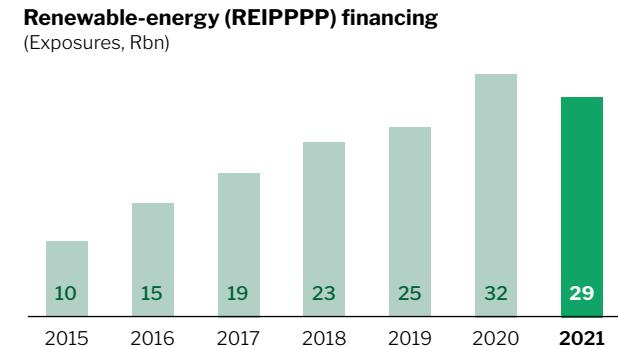
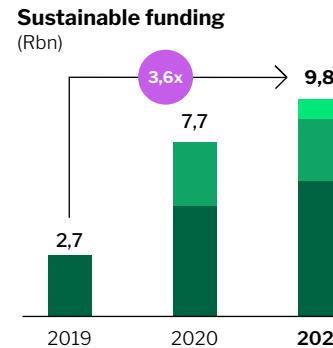


Nedbank Sustainable Development Framework: Sustainable-development finance focus

> R100bn
in SDG-related financing and funding as at 31 December 2021

Key progress in 2021 on creating positive impacts include the following:

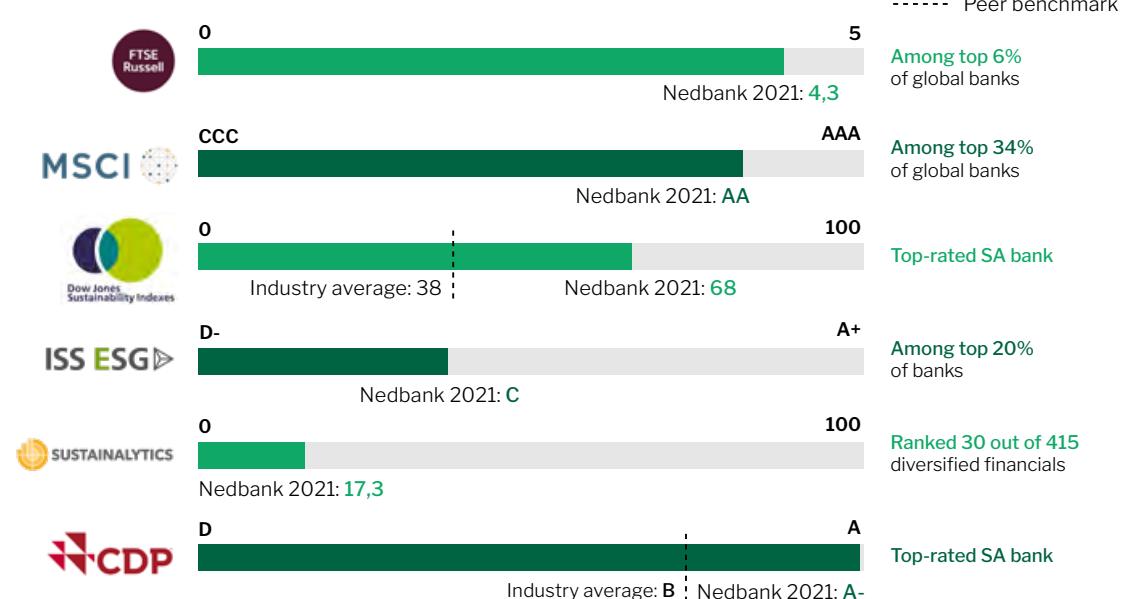
- We released our Energy Policy, which seeks to guide the transition away from fossil fuels, while accelerating efforts to finance non-fossil-energy solutions needed to support socioeconomic development and build resilience to climate change. The Energy Policy will ensure that Nedbank has zero exposure to fossil-fuel-related activities (thermal coal, upstream oil and gas, and power generation) by 2045, with 100% of lending and investment activity supporting a net-zero carbon economy by 2050, while accelerating funding to key sectors such as renewable and embedded energy.
- To date we have provided renewable-energy lending limits of R36,5bn and significant growth opportunities from embedded energy in the years to come.
- As at 31 December 2021, we have provided and/or raised over R100bn in SDG-related financing and funding relating to SDGs 4, 6, 7, 8, 9, 10, 11, 12 and 15.
- On the funding side we were the first bank in Africa's to bring a green AT1 instrument to market, raising R910m, with the equivalent amount to be directed to supporting the financing of new green infrastructure projects in SA. In addition, we structured and arranged a R1,1bn Green Residential Development Bond for Nedbank Limited, issued under its domestic medium-term note programme and listed on the Sustainability Segment of the JSE in December 2021. In total, R9,8bn of sustainable-development funding has been raised to date, a 3,6 times increase since 2019.
- Across both funding and financing we expect continued strong growth into the future as we embrace our purpose and embed the strategic enabler of creating positive impacts across more SDGs.



■ Green AT1 ■ IFC climate loan ■ Green bonds and tier 2 capital

The outcome of delivering our purpose of using our financial expertise to do good, a deliberate focus on progressing ESG matters, as well as transparent disclosures and open communication continue to be reflected in Nedbank's ESG ratings being globally within the top tier across all major ESG ratings agency scores.

Independent ESG ratings¹ – Nedbank is highly rated among its global peer group



¹ Ratings are as at 1 April 2022.

Creating positive impacts continued

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

2020

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

2021

Adopted and disclosed our market-leading **Energy Policy** and inaugural **TCFD Report**

2025

No provision of project financing for new thermal-coal mines

2030

Thermal-coal funding to be < 0,5% of gross loans and advances

2035

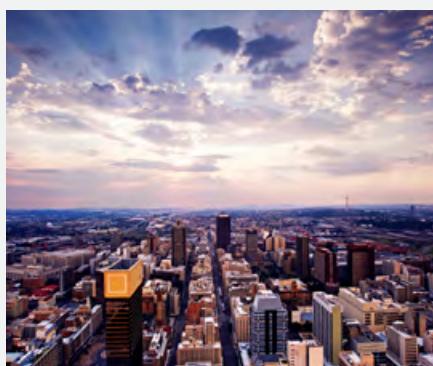
No new finance for oil production

2045

Zero exposure to fossil-fuel-related activities

2050

100% of lending and investing supporting a net-zero carbon economy



Board oversight – ensuring and protecting value Group Climate Resilience Committee (GCRC)



'Nedbank's climate resilience journey is rooted in our purpose - to use our financial expertise to do good in combating climate change and its impacts. The GCRC has taken great strides in ensuring that climate-related risks are addressed and that Nedbank's goal of supporting a net-zero economy by 2050 is well within reach.'

Brian Dames, Chairperson

Ensuring and protecting value in 2021

- The 2020 Taskforce on Climate-related Financial Disclosures (TCFD) Report was published on 22 April 2021.
- The GCRC approved the Energy Policy, which serves to guide our transition away from financing fossil fuels.
- The GCRC approved the establishment of the carbon accounting project.
- The development of the sectoral glidepaths in support of the Energy Policy was approved.
- Human resource capacity was assessed, supporting the execution and operationalisation of the Climate Risk Management Framework (CRMF).
- The Climate Data and Systems Working Group finalised its data approach and principles to ensure that additional climate-related data is collected to measure and manage climate-related risks and opportunities.

Focus for 2022 and beyond

- Ensure a comprehensive publication of our 2021 TCFD Report.
- Monitor the progress on operationalising the CRMF through the Climate Risk Project and the group's commitments.
- To continuously engage with internal and external stakeholders on how best to manage climate-related risks.
- Review compliance with climate risk appetite, limits and authority levels, and provide oversight to evolve climate risk appetite on sectors sensitive to climate-related impacts.
- Provide oversight to optimise our market positioning and brand equity as a leader in sustainability.
- Oversee management's facilitation of the implementation of systems for the capturing of climate-related risk data for business and risk management, scenario planning and reporting, including science-based sectoral glidepaths.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 10 risks

- Business risk
- Strategic-execution risk
- Credit risk
- ESG risk
- Capital risk

A comprehensive GCRC Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.

Our Human Capital Strategy



Our Human Capital Strategy leverages the evolving world of work and is a key enabler of the group's strategy. At its core is our people vision of positioning Nedbank as an employer of choice that develops, attracts, and retains critical talent and skills.



Read more about how we created and protected value for our employees on page 82, as well our Human Capital Review in our 2021 Society Report available at nedbankgroup.co.za.

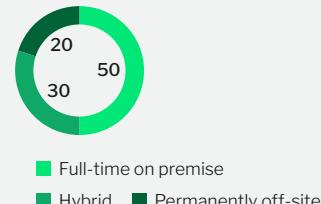
Our People Promise is delivered through four key strategic choices:

A fit-for-purpose TOM, organisation design and workforce composition

Digital transformation that is supported by a changed operating model, organisation design and workforce composition with the aim to drive efficiency, agility and competitiveness.

Nedbank adapted its work model to facilitate agility and efficiency. Our optimal workplace distribution mix is expected to settle at around 60% at Nedbank premises and 40% as a mix of hybrid and permanent work-from-home models to support an anticipated workforce distribution model of 50% full-time on premises, 30% hybrid and 20% permanently off-site.

Targeted workforce distribution model (%)



Human-centred leadership and a culture that unlocks value for our clients

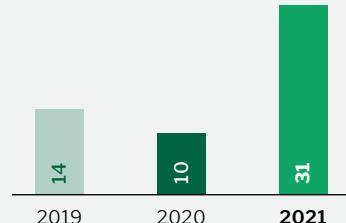
A culture shift that enables the evolving Nedbank operating model, leveraging human-centred leadership and inspiring our workforce. Our People Promise guides our employee experiences and is measured through regular pulse surveys.

Key human capital allocations and developments

Our human-centred leadership approach, introduced in January 2021, is the outcome of a collaborative exercise with our leaders and resulted in a future-fit leadership framework.

One example of its initial success is increasing levels of pride that employees have in our banking products and services, seen in our pulse survey NPS scores.

Employee 'great place to bank' NPS (%)



A transformed and skilled workforce

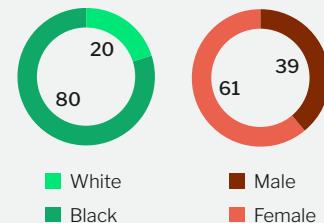
A highly skilled, diverse and transformed workforce, appropriately representative of society, is key to remaining competitive. We continue to focus on reskilling our workforce for a new reality and creating a sense of belonging for all.

Transformation initiatives such as LGBTQIA+, and our women's and disability forums are adding value to employees through various channels and activities.

In addition, we spent R1,1bn on learning and development in 2021.

We continue to make progress on our diversity profile and this supported the achievement of our level 1 BBBEE status.

Transformation (diversity) (%)



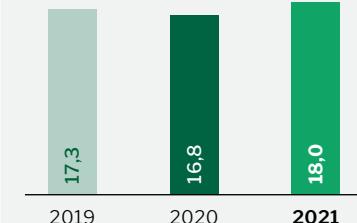
A high-performing and healthy workforce

The performance of our workforce can be sustained only through a focus on their holistic well-being and a range of competitive benefits that offers greater choice.

We continue to offer employees attractive salaries and benefits, including on average a 3,5% salary increase in 2021 and 4,0% in 2022.

Our bankwide virtual campaigns on mental well-being saw more than 4 000 employees book sessions on topics such as mental, physical and financial well-being

Employee salary and benefits (Rbn)



Our Human Capital Strategy continued

Our People Promise shapes how we want Nedbankers to experience working at Nedbank and strengthens what differentiates Nedbank's employee value proposition from those of our competitors.

Purpose-led



Our purpose is clear: To use our financial expertise to do good.

This is what drives us to be the difference that impacts our world every day. Integrity, good ethics and values-based behaviour are our way of life. We act with purpose in every step, spreading the Nedbank magic to bring about positive change, because managing money with purpose makes a real difference in people's lives and in our world.

Service excellence



We are one team and we deliver world-class service with purpose.

Our clients are our everything. Together, we show up for them in big and small ways, rewarding the trust they have placed in us. The extra mile? It is the new standard, because going the distance makes the difference.

High performance



It's in our nature to look at the world differently. Our purpose fuels us to make an impact and this drives us to perform better, work smarter and reach higher.

This strong results orientation is supported by our developmental approach to performance management. When we are good at what we do, our clients see money differently and live better lives as a result. That is the impact we are after.

Growth and development



Growth comes from striving to be a better version of ourselves each day.

We never stop developing ourselves, bringing our potential to life by making the most of every learning opportunity and facing challenges with courage. With our finger on the pulse and our eyes on tomorrow, we seize every opportunity to make an impact, with an unshakeable shared passion.

Diversity and inclusion



We strive to create a culture of inclusion and belonging.

Celebrating diversity, we welcome everyone and anyone who shares our passion for our purpose. We treat each colleague, stakeholder and client with care, respect and integrity – because that is who we are. When things go wrong, we communicate openly to learn from mistakes, reminding ourselves to be the difference that impacts our world.

Feedback from our employees ...

“ I love that I can make a difference, contribute towards excellent client service and that Nedbank values me as an employee. ”

“ The reason I love Nedbank is because it has given me meaning in what I do, a place to call home, as well as the opportunity to positively impact the world. ”

“ I like serving people and solving problems while adhering to targets and objectives. ”

“ Because I learn every day, I also see a lot of potential for growth. The opportunity to learn and grow is priceless. ”

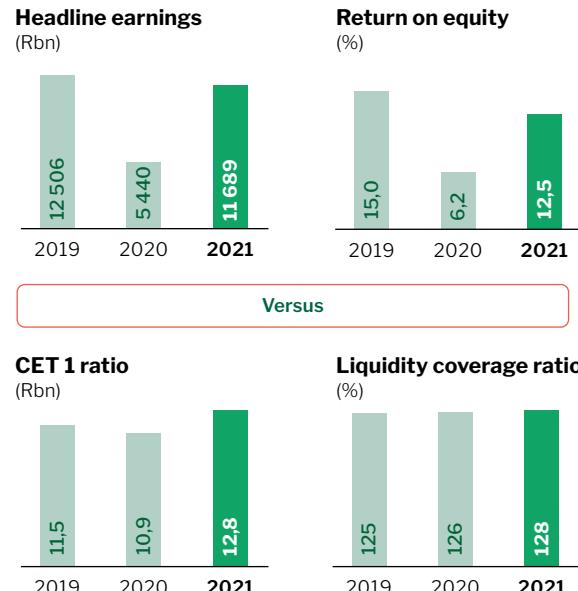
“ I love the diversity and the respect everyone has for each one's cultures, values and differences in opinions. ”

Making strategic trade-offs and assessing the impact on our capitals

Making strategic trade-offs is key to ensuring we are well positioned for the future. As part of our integrated thinking, the board and group executive continuously assess the availability and quality of capital inputs, balance the short and long term and make tough decisions to create long-term value. Below are four key trade-offs we made and the rationale behind our decisions.

The trade-off between short-term profitability versus balance sheet strength during a crisis

From a financial capital perspective, our focus at the height of the Covid-19 pandemic was on managing liquidity, capital, market, operational and credit risk, with less focus on profitability other than as an initial buffer against capital erosion (trade-off between long-term sustainability versus short-term profitability). In 2021 we delivered on the trade-off we made in 2020 as headline earnings increased by 115% (declined by 57% in 2020) and ROE improved to 12,5% (both still below 2019 levels), while capital and liquidity metrics are now stronger than they were ahead of the crisis (2019), well above regulatory minima and above internal board targets.



Capital outcomes in 2021

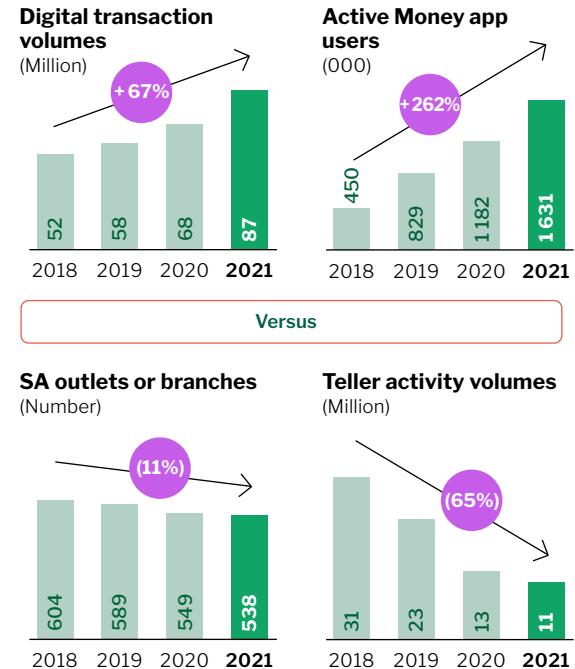
- + Financial capital

Key business model shift

Our strategy supports delivery of our long- and medium-term targets and aims to improve profitability over the next few years. We have a strong balance sheet to support growth and at the same time protect us against any unexpected downside risks.

The trade-off of digital versus traditional banking

As financial products and services (manufactured capital) are increasingly digitised, there is a trade-off between employees (human capital), physical outlets (manufactured capital) and digital products and services (manufactured and intellectual capital). Through automation and increased client adoption of digital solutions that drive improved client experiences (social and relationship capital), the need for direct human interaction is reduced.



Capital outcomes in 2021

- + Manufactured, intellectual, social and relationship, and financial capital
- Human, financial and manufactured capital

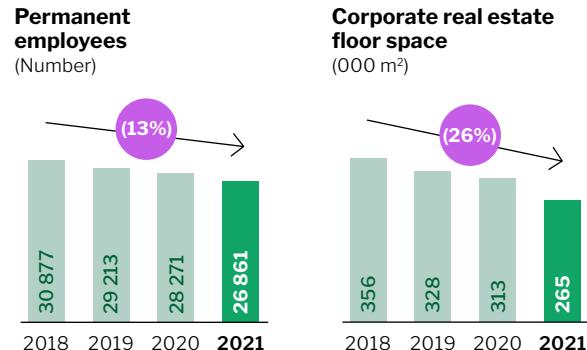
Key business model shift

Client activity shifting from physical products, services and outlets to digital products, services and channels.

Making strategic trade-offs and assessing the impact on our capitals continued

Trade-offs as we transition towards the workforce of the future

The number of employees (human capital) required for traditional and administrative roles is reducing as client behaviour changes and we digitise and automate processes, embrace digital innovations (manufactured and intellectual capital) and invest in skills required (human and intellectual capital) in the Fourth Industrial Revolution. Covid-19 has fast-tracked the adoption of working-from-home practices, underpinned by appropriate IT support to make this happen, as well as the way we operate through TOM 2.0, evident in new branch formats and an ongoing reduction in our own commercial real estate. We consider the implications of reduced headcount on employees and focus on primarily using natural attrition to reduce headcount and redeploy and reskill affected employees.



Capital outcomes in 2021

- + Human, manufactured, financial and intellectual capital
- Human and manufactured capital

Key business model shift

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

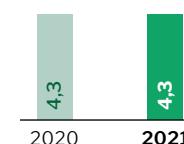
Portfolio tilt in line with our purpose and the SDGs

In the context of scarce capital and liquidity (financial capital), there is an ongoing and conscious trade-off between business and product opportunities that are highly capital- and liquidity-consuming with low economic profit, and those that are less consumptive with more economic profit.

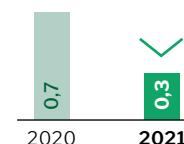
However, we are also tilting our portfolio to areas that create positive impact. For example, we are supporting the diversification of SA's electricity supply (natural capital) and reducing our impact on the environment (natural capital).

Over the long term this will be financially beneficial (financial capital) for all our stakeholders (social capital).

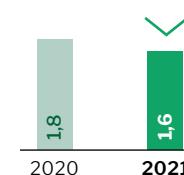
Total renewable-energy limits
(% of gross loans and advances)



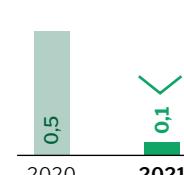
Thermal coal limits
(% of gross loans and advances)



Upstream oil limits
(% of gross loans and advances)



Upstream gas limits
(% of gross loans and advances)



Capital outcomes in 2021

- + Financial, social and relationship, and natural capital

Key business model shift

Tilting our lending and financing activities to align with our purpose and the SDGs, thereby making a tangible difference to the environment and society.

Strategic value unlocks – key performance indicators

| Value unlocks | Value drivers | Executive remuneration | Yoy change | 2021 | 2020 | 2019 | Benchmark ¹ | Target 2021 | Outlook | | | Assurance | |
|--|-----------------------------|------------------------|------------|---|------|---------------|----------------------------------|-----------------------|-------------------------------|--|------------------|---------------------------|------|
| | | | | | | | | | 2022 | Medium term | Long term | | |
| Delivering market-leading client solutions | | | | | | | | | | | | | |
| Digitally active clients (% of total active clients) | Growth/Productivity | GCC | ▲ | 35 | 30 | 24 | N/A | Increase | Increase | Increase | 70 | [MO] [LA] | |
| Digital sales (% of total sales) ² | Growth/Productivity | GCC | ▲ | 33 | 28 | 12 | > 35 | Increase | Increase | Increase | > 75 | [MO] [LA] | |
| Digitised services roll-out | Growth/Productivity | GCC | ▲ | Closed out for retail, expanding in wholesale | 171 | 91 | N/A | Increase in wholesale | Increase by >100 in wholesale | All remaining services migrated to Eclipse | | [MO] | |
| Managed Evolution completion (%) | Growth/Productivity | GCC | ▲ | | 85 | 78 | 70 | N/A | Materially complete | Materially complete | Complete | - | [MO] |
| Ongoing disruptive market activities | | | | | | | | | | | | | |
| Brand value ranking in SA (banking) | Growth | GCC | ⊖ | 4 | 4 | 4 | N/A | Improve | Improve | Top-2 bank brand | Top-2 bank brand | [IN – Raging Bull awards] | |
| Consumer NPS ranking | Growth/Productivity | CPT | ⊖ | 2 | 2 | 3 | N/A | Improve | Improve | No 1 | No 1 | [LA] [IN – Consulta] | |
| Avo super app – customers (000) | Growth | GCC | ▲ | 675 | 145 | Launched 2020 | First bank to launch a super app | Increase | >1 million | >1,8 million | Increase | [MO] | |
| Avo super app – merchants (000) | | GCC | ▲ | 20,5 | 5 | Launched 2020 | First bank to launch a super app | Increase | Increase | | | [MO] | |
| Focusing on areas that create value (SPT 2.0) | | | | | | | | | | | | | |
| Main-banked retail clients ('000) | Growth | CPT | ▲ | 3,1 | 2,9 | 3,0 | N/A | Increase | 3,3 | > 4 | Increase | [MO] [LA] | |
| Main-banked retail market share (%) | Growth | GCC | ▲ | 12,4 | 11,2 | 11,2 | 15,2 peer average | Increase | Increase | >14 | >15 | [MO] [LA] [IN] | |
| Retail cross-sell (times) | Growth | GCC | ▲ | 1,86 | 1,78 | 1,71 | >3,0 | Increase | Increase | | | [MO] | |
| Household deposit market share (%) | Growth | CPT | ▼ | 14,5 | 15,7 | 16,9 | 20,9 peer average | Increase | Increase | Increase | >18 | [IN – SARB BA900] | |
| Commercial transactional deposits market (%) | Growth | CPT | ▲ | 16,6 | 15,6 | 14,0 | 24,4 peer average | Increase | Increase | Increase | >18 | [IN – SARB BA900] | |
| CET1 (%) | Risk and capital management | GCC | ▲ | 12,8 | 10,9 | 11,5 | All peers above 12% (PA min 7,5) | Increase | Above board target | Above board target | 11-12 | [FS] | |
| CLR (bps) | Risk and capital management | GCC | ▲ | 83 | 161 | 79 | 85 | 110–130 | 80–100 | 60–100 | 60–100 | [FS] | |
| CIB NIR-to-advances ratio | Growth | GCC | ▲ | 2,0 | 1,7 | 2,1 | N/A | >2,0 | >2,0 | >2,0 | >2,0 | [MO] | |
| CIB primary client wins per annum | Growth | GCC | ⊖ | 35 | 37 | 32 | N/A | 25 | >25 | >25 | Increase | [MO] | |

¹ Peer average is the simple average for Absa, FirstRand and Standard Bank.

² 2019 based on applications, excluding MobiMoney. 2020 onwards measured on new funded sales – excluding MobiMoney. Digitally active clients and Money app users have been restated to align to the new client active definition, ie client has either a non-zero balance asset product or a non-zero balance investment product; or a positive funded balance transactional product (TP), or a negative TP balance with a transaction done within the past 12 months.

GCC – Considered as part of agreed goal commitment contracts, which impact short- and long-term incentive allocations for executives.

CPT – Corporate performance target impacts long-term incentive vesting percentage.

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 2021 Nedbank Group Limited Audited Annual Financial Statements.

Strategic value unlocks – key performance indicators continued

| Value unlocks | Value drivers | Executive remuneration | YoY change | 2021 | 2020 | 2019 | Benchmark | Target 2021 | Outlook | | | Assurance |
|---|---|------------------------|------------|-------|------------------|------|--------------------------|-------------|--|-------------|---------------------|-----------|
| | | | | | | | | | 2022 | Medium term | Long term | |
| Driving efficient execution (TOM 2.0) | | | | | | | | | | | | |
| Branch floor space (000 m ²) | Productivity | GCC | ▼ | 182 | 190 | 204 | N/A | Reduce | Reduce | Reduce | < 120 | [MO] |
| Corporate real estate floor space (000 m ²) | Productivity | GCC | ▼ | 265 | 313 | 328 | N/A | Reduce | Reduce | < 200 | Optimise | [MO] |
| Cost-to-income ratio (%) | Productivity | GCC | ▼ | 57,7 | 58,1 | 56,6 | 55,4 | Improve | Decrease | < 54 | ≤ 50 | [MO] [FS] |
| TOM 2.0 benefits (Rbn) | Productivity | GCC | ▲ | 0,98 | Launched in 2021 | N/A | | Increase | Increase | 2,5 | Run-rate benefits | [MO] |
| Core IT system optimisation (# of systems) | Productivity | GCC | ▼ | 78 | 90 | 117 | N/A | Reduce | Reduce | 65–75 | Complete | [MO] |
| ROE (%) | Growth/ Productivity/ Risk and capital management | CPT | ▲ | 12,5 | 6,2 | 15,0 | 15,9 | Increase | Increase | > 15 | > 18 (COE + 3 to 4) | [MO] [FS] |
| Creating positive impacts | | | | | | | | | | | | |
| Renewable-energy lending (Rbn) – exposure | Growth | GCC | ▼ | 29,6 | 32,3 | 26,1 | Nedbank: number one bank | Increase | R50bn currently committed to the REIPPPP, which can be revised upwards | | | [MO] [FS] |
| Renewable-energy lending (Rbn) – limits ¹ | | GCC | ▼ | 36,5 | 37,2 | 36,7 | | | Level 1 – subject to any FSC amendments | | | [MO] [FS] |
| Thermal-coal funding (% of total advances) | Risk and capital management | GCC | ▼ | 0,3 | 0,7 | 0,7 | N/A | < 1 | < 1 | < 1 | < 0,5 | [MO] [FS] |
| BBBEE contributor status | Growth | GCC | ⊖ | 1 | 1 | 1 | Level 1 | 1 | To be disclosed at next annual reporting period | | | [MO] [OV] |
| SDG-related funding and financing (Rbn) | Growth | CPT | ⊖ | > 100 | N/A | N/A | N/A | 1 | | | | [MO] |

¹ Limits include all committed facilities approved to the clients, in the respective portfolios, aligned with the Nedbank Energy Policy.
GCC – Considered as part of agreed goal commitment contracts, which impact short- and long-term incentive allocations for executives.
CPT – Corporate performance target impacts long-term incentive vesting percentage.

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 2021 Nedbank Group Limited Audited Annual Financial Statements.



Delivering, measuring and rewarding value creation

A strong financial performance in 2021 as headline earnings increased by 115%, delivering value for all stakeholders (employees, clients, shareholders, regulators and society).

| | |
|---|----|
| Reflections from our Chief Financial Officer | 75 |
| Value for stakeholders | 81 |
| Stakeholder value creation – key performance indicators | 91 |
| Rewarding for value creation – remuneration outcomes | 93 |

Reflections from our Chief Financial Officer

Podcast



A reflection on the operating environment

After a volatile and difficult year for the South African banking sector in 2020, 2021 saw client transactional activity rebound and market volatility return to more normalised levels, although corporate deal flow across various sectors remained weak. Impairments declined significantly, underpinned by the improving operating environment for clients, including the impact of lower interest rates and due to the normalisation of forward-looking IFRS 9 portfolio impairments. The banking sector continues to demonstrate strong levels of resilience, remaining well capitalised, liquid and profitable.

Multiple shocks disrupted SA's economic recovery in the third quarter of the year. A prolonged third wave of Covid-19 infections, tighter lockdown restrictions, the July civil

unrest in parts of the country and frequent power outages resulted in a sharp contraction in economic activity. Trading conditions improved in Q4, enabled by government's decision to leave the country at the most lenient lockdown level 1 despite the onset of the fourth Covid-19 wave triggered by the Omicron variant. We saw less negative impact from lockdowns in Q4, and this was beneficial to us and our clients.

Client turnover data from our point-of-sale devices and digital channels, shown on [page 11](#), illustrates how retail activity had a strong recovery in H2 2020 and into 2021.

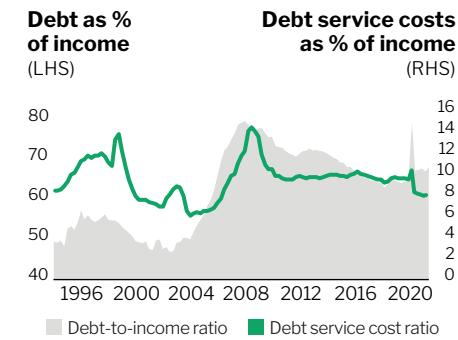
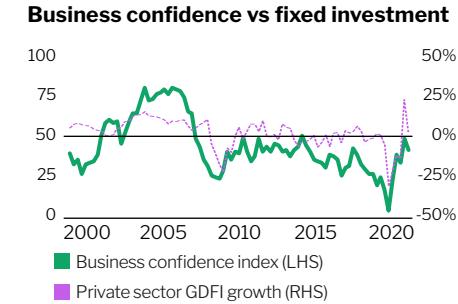
From a corporate banking perspective, activity remained constrained and business confidence levels were below 50. Fixed investment activity

has generally remained depressed, undermined by uncertain growth prospects, continued policy uncertainties and frequent power outages. Towards the end of 2021, growth in fixed investment started to gradually recover off a low base and, pleasingly, there are some green shoots emerging.

From a retail or household perspective, the operating environment continued to be supportive. Household debt moderated to 67% of disposable income and, along with a lower interest rate environment, was evident in solid demand for prime-linked credit products and also beneficial to clients as debt-servicing costs reduced. This improvement in cash flows for those who have remained employed, is evident in lower credit loss ratios across all our businesses.

In 2021 the South African economy bounced back faster than most forecasters expected from the low base of 2020 caused by the strict lockdowns. The local economy has subsequently benefited from a surge in global commodity prices and stronger global demand.

Mike Davis, Chief Financial Officer

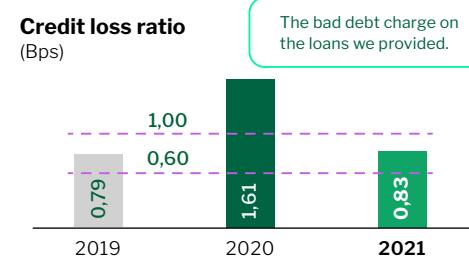
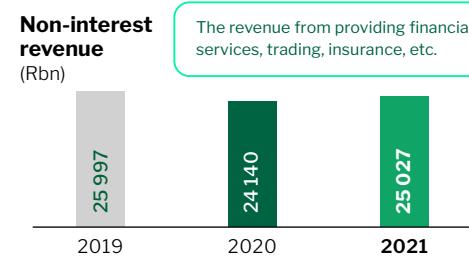
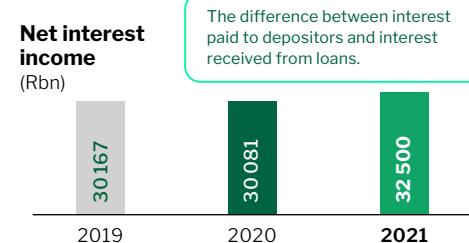
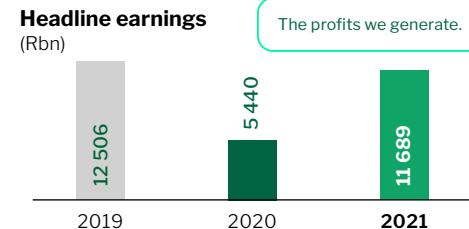


Reflections from our Chief Financial Officer continued

Strong financial performance off a low base and key resilience metrics above pre-crisis levels

Headline earnings increased by 115% to R11,7bn and is only 7% below 2019 pre-crisis levels of R12,5bn. Headline earnings was impacted by a significant decline in the impairment charge and strong revenue growth.

- Preprovisioning operating profit increased by 9%, driven primarily by the following:
 - Net interest income (NII) increased by 8%, driven largely by a 37 bps increase in the net interest margin.
 - Non-interest revenue (NIR) increased by 4% given a recovery in commission and fee income, as well as insurance and equity revaluations, partially offset by the impact of a high 2020 trading base and fair-value unwinds.
 - Associate income of R686m, relating to the group's 21% shareholding in Ecobank Transnational Incorporated for the period has been recognised (up more than 100% when compared to a loss of R178m in 2020).
 - Expenses remained well managed and grew 6% due to higher variable-pay incentives that are aligned to the improved profitability metrics and ongoing investment in technology.
- The 50% decline in the impairment charge with CLR down to 83 bps was driven by a significantly better collections experience as clients benefited from the rate cuts in 2020, macroeconomic benefits coming through in the IFRS 9 models as GDP growth forecasts improved during the period and the decline in Directive 7/2015 restructured loans.



During 2021 our balance sheet strengthened further while we closed the resilience phase of our strategic response to the Covid-19 pandemic.

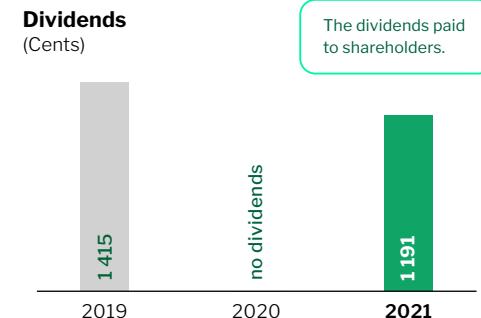
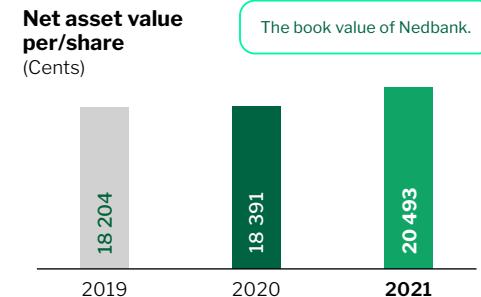
- CET1 and tier 1 capital ratios of 12,8% and 14,3% improved on 2020 and are now also well above the pre-Covid-19 levels of 11,5% and 12,8% respectively. These ratios are also well above the SARB minimum requirements and the group's board-approved target ranges.
- The average LCR for Q4 2021 of 128% was well above the regulatory minimum level of 80% under the PA's Directive 1/2020 (revised in 2020 from 100%) and an NSFR of 116% was well above the 100% regulatory minimum.

Drivers of shareholder value creation

I was particularly pleased with progress on the key drivers of shareholder value creation, including the following:

- NAV per share increased strongly by 11% to 20 493 cents.
- ROE for the period increased to 12,5%, well above 6,2% in 2020, although still below the 2019 level of 15%.
- The group resumed dividend payments in 2021 (payout ratio of 57%), with a total dividend of 1 191 cents at 2,02 times cover within the group's board-approved dividend target range of 1,75 times to 2,25 times.

The underlying financial performance is discussed in more detail on the following pages.



Reflections from our Chief Financial Officer continued

Headline earnings

| Rm | Change % | 2021 | 2020 (Restated) ¹ | 2019 (Restated) ¹ |
|--|----------|----------|---------------------------------|---------------------------------|
| Net interest income | 8 | 32 500 | 30 081 | 30 167 |
| Non-interest income and revenue | 4 | 25 027 | 24 140 | 25 997 |
| Share of gains/(losses) of associate companies | 77 | 799 | 452 | 793 |
| Total income | 7 | 58 326 | 54 673 | 56 957 |
| Impairments charge on financial instruments | (50) | (6 534) | (13 127) | (6 129) |
| Net income | 25 | 51 792 | 41 546 | 50 828 |
| Total operating expenses | (6) | (33 639) | (31 772) | (32 179) |
| Zimbabwe hyperinflation | 33 | (138) | (205) | (296) |
| Indirect taxation | 7 | (1 073) | (1 148) | (1 096) |
| Headline profit before direct taxation | 101 | 16 942 | 8 421 | 17 257 |
| Direct taxation | (106) | (4 104) | (1 994) | (3 942) |
| Non-controlling interest | (16) | (1 149) | (987) | (809) |
| Headline earnings | 115 | 11 689 | 5 440 | 12 506 |
| Diluted headline earnings per share (cents) | 112 | 2 362 | 1 113 | 2 565 |
| Dividend declared per share (cents) | | 1 191 | N/A | 1 415 |
| Dividend cover (times) | | 2,02 | N/A | 1,84 |

¹ During the year, the group reviewed its statement of comprehensive income presentation. As a result of the review, certain line descriptions have been updated, subtotals have been removed and the 'Non-interest revenue and income' line item has been disaggregated.

These changes represent reclassifications to the statement of comprehensive income presentation. It is the group's view that these changes provide more relevant disclosures on its financial performance. To provide comparability, the prior-year balances have been restated accordingly. These reclassifications had no impact on the group's statement of financial position, statement of changes in equity and statement of cash flows.

Net interest income

Key drivers: NII growth accelerated strongly from 2020, increasing by 8% in 2021. AIEBA declined by 3%, negatively impacted by the H1 reduction in CIB loans and advances as clients used excess liquidity to repay committed facilities and muted demand for new wholesale credit, offset by ongoing growth momentum in higher-yielding RBB loans. NIM increased by 37 bps to 3,73%. This increase was driven by higher levels of capital (endowment benefit), improved asset pricing and asset mix changes (retail advances grew faster than wholesale advances), an improved liability mix and active balance sheet management. Nedbank is positioned positively for a rise in interest rates, gaining an additional R1,6bn NII (pre-tax) for each 100 bps increase in interest rates over a 12-month period.

Impairments charge on loans and advances

Key drivers: Impairments decreased by 50%, driven by benefits of an improved macroeconomic environment, better-than-expected collection outcomes in a low-interest-rate environment, a reduction in stage 3 loans as clients cured, including the decline in Directive 7/2015 (restructured) loans and a release of some of the overlays that were raised during the crisis as risks did not emerge or are now captured in the new IFRS 9 models. The group's CLR decreased from 161 bps in December 2020 to 83 bps in December 2021, an outcome that is now back within the group's TTC target range of 60 bps to 100 bps. Judgemental and macroeconomic overlays reduced to R1,5bn from R3,9bn in 2020, as they remain either released into models, released through the income statement or remained in place.

Non-interest revenue

Key drivers: The 4% increase in NIR was driven by increased levels of client-related transactional activity, a normalisation of equity valuations off the 2020 base and higher levels of insurance income. This growth was offset partially by the unwind of a significant proportion of the group's fair-value gains recorded in 2020 and the impact of a high trading revenue base in the prior period.

Total operating expenses

Key drivers: Expenses increased by 6%, reflecting the impacts of higher variable-pay incentives off a low 2020 base and ongoing investment in technology and digital solutions, offset partially by ongoing optimisation benefits. Computer processing costs increased by 9% and, importantly, the rate of growth in the amortisation charge is slowing as our ME technology journey matures. Excluding variable-pay incentive costs, expenses increased by 2% as a result of good cost management, a focus on efficiencies and discretionary spend.

Dividends

Key drivers: On the back of our solid capital and liquidity position, the group paid a total dividend of 1191 cents per share at 2,02 times cover. We believe the return to paying dividends and an attractive dividend yield should be attractive to shareholders.

2022 outlook (at 9 March 2022)

NII growth to be around upper single digits. This growth will be driven by ongoing momentum in RBB lending, some recovery in CIB lending, the benefit from 125 bps expected increases in interest rates and as a result of a higher NIM.

CLR to be in the top half of our TTC target range of 60 bps to 100 bps, that is 80 bps to 100 bps.

NIR to be around high single digits as transactional activity continues to recover, strategic initiatives, including main-banked client gains, cross-sell and new revenue streams contribute to growth and the volatility relating to the group's fair-value hedge accounting solution is reduced and not expected to recur.

Expenses growth to be above mid-single digits, reflecting the impact of ongoing investment in our technology platform and digital solutions, the return of some discretionary spend such as sponsorships, and new regulatory costs such as deposit insurance and Twin Peaks, offset partially by cost-saving initiatives that support our achieving the 2023 cost-to-income target.

Dividend payments, supported by the group's robust balance sheet, are expected to be aligned with the group's board-approved dividend policy and target range of between 1,75 times to 2,25 times.

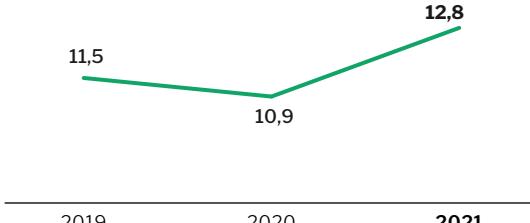
Reflections from our Chief Financial Officer continued

Financial position

| Rm | Change % | 2021 | 2020 | 2019 |
|--|----------|------------------|-----------|-----------|
| Cash and securities | 5,1 | 294 300 | 280 042 | 214 400 |
| Loans and advances | (1,4) | 831 735 | 843 303 | 824 786 |
| Other assets | (9,3) | 95 019 | 104 792 | 104 163 |
| Total assets | (0,6) | 1 221 054 | 1 228 137 | 1 143 349 |
| Total equity attributable to ordinary equity holders | 11,8 | 99 513 | 88 992 | 87 597 |
| Non-controlling interest | (12,7) | 9 998 | 11 452 | 10 852 |
| Amounts owed to depositors | 1,9 | 971 795 | 953 715 | 904 382 |
| Provisions and other liabilities | (28,6) | 81 589 | 114 208 | 80 805 |
| Long-term debt instruments | (2,7) | 58 159 | 59 770 | 59 713 |
| | (0,6) | 1 221 054 | 1 228 137 | 1 143 349 |
| Assets under management | 13,3 | 424 329 | 374 546 | 331 136 |
| Key ratios (%) | | | | |
| Return on equity | | 12,5 | 6,2 | 15,0 |
| Return on assets | | 0,98 | 0,45 | 1,13 |
| NIM | | 3,73 | 3,36 | 3,52 |
| CLR | | 0,83 | 1,61 | 0,79 |
| Cost-to-income ratio | | 57,7 | 58,1 | 56,5 |
| CET 1 ratio | | 12,8 | 10,9 | 11,5 |

CET1 capital ratio (%)

An indication of the strength of our balance sheet based on our own capital.



Banking loans and advances

Key drivers: Gross banking loans and advances increased by 1%, driven by ongoing momentum in RBB advances growth and turnaround growth in CIB banking advances in H2 2021 from a sharp decline in H1 2021 as our corporate clients used excess cash to reduce their facilities.

Amounts owed to depositors

Key drivers: Deposits grew by 2% with current and savings accounts, along with cash management deposits, increasing by 6%, driven by some clients holding cash short for short-term operational requirements and potential rate hikes in 2022. Call and term deposits increased by 8% and fixed deposits decreased by 5% as retail and commercial clients opted to keep their cash short or in notice deposits due to forecasted rate hikes. NCDs decreased by 18% as surplus cash was used to pay down expensive marginal deposits.

CET1 ratio

Key drivers: The group remains strongly capitalised. Our CET1 is above the top end of the group's board-approved target range, which was revised from 11% to 12% from 1 January 2022 and is well above pre-crisis levels of 11,5% and the SARB minimum requirement of 8,5%. The improvement in the CET1 ratio was driven by strong organic earnings growth and lower risk-weighted assets, including the benefits of deliberate optimisation initiatives, offset partially by the payment of our interim dividend.

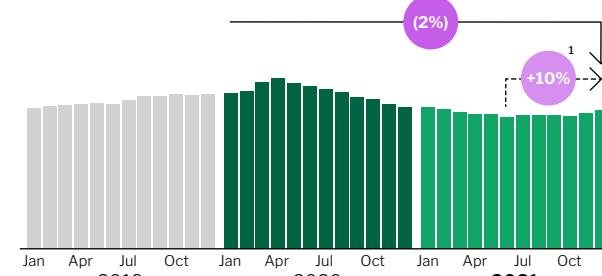
2022 outlook (at 9 March 2022)

Loan growth should be positive in 2022, supported by continued economic recovery and our SPT 2.0 Strategy. This growth will be driven by ongoing momentum in RBB lending with some recovery in CIB lending.

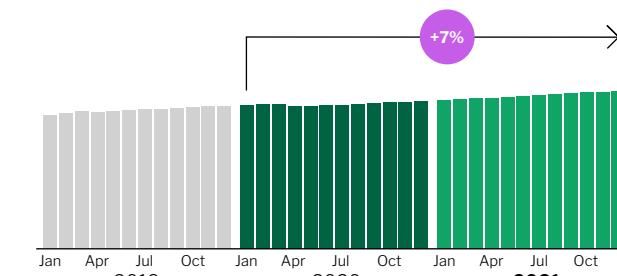
In line with our SPT 2.0 Strategy we expect deposit growth to remain ahead of loan growth, and market share gains in household and commercial transactional deposits over time, by ensuring we deliver market-leading client experiences that will help us attract new clients and a deepened share of wallet among existing clients.

Our CET1 capital ratio is expected to remain above the board-approved target range of 11% to 12%, with adequate buffers in place to support our clients and the economy.

CIB gross banking advances (Rbn)



RBB gross banking advances (Rbn)



Reflections from our Chief Financial Officer continued

Financial outlook over the short, medium and long term

2022

Our guidance on financial performance for the full year 2022, in a global and domestic macroeconomic environment with high forecast risk and uncertainty and based on our current economic forecasts, is that we will see a continued recovery in both NII and NIR, leading to positive revenue growth, a CLR that is expected to be within the top half of our TTC target range of 60 bps to 100 bps and expenses growth above mid-single digits. DHEPS is expected to exceed 2 565 cents per share. Dividends, subject to board deliberations, are likely to be declared within our target range of 1,75 to 2,25 times cover.

Medium term

We are on track to meet our medium-term targets set for the end of 2023. Pleasingly, we now expect to meet the DHEPS target (greater than 2 565 cents per share) in 2022 a year ahead of our previous expectation. We continue to focus on achieving an ROE greater than the 2019 ROE level of 15% and reducing our cost-to-income ratio to below 54%. Meeting these targets will be supported by our strategy that seeks to create value by growing revenue and increasing levels of productivity, both enabled strongly by technology, while maintaining world-class risk and capital management metrics.

Long term (5+ years)

In the longer term, we aim to increase our ROE to greater than 18% (or COE plus 3% to 4%) and reduce our cost-to-income ratio to below 50%. To achieve this, in the external environment, we would need SA GDP growth to be higher than the 1% to 2% forecast for the next few years, interest rates to be at least 200 bps higher from current levels (increasing gradually not to put clients under increased stress) and a stronger infrastructure investment drive that will be beneficial for our strong business and corporate banking franchises. Internally, we need to execute on our strategy by delivering on our SPT 2.0 and TOM 2.0 objectives, in part through leveraging our investments in technology and retaining our CLR within our TTC target range.

Shareholders are advised that all guidance is based on organic earnings and our latest macroeconomic outlook and has not been reviewed or reported on by the group's joint auditors.

Significant accounting matters

As a consequence of the adverse macroeconomic environment and the decrease in Covid-19- and macro-related judgemental post-model adjustments (overlays), the assessment of impairments continues to be a significant accounting matter. Overlays decreased to R1,5bn (December 2020: R3,9bn) as risks were now either accounted for in the refined IFRS 9 models (R1 698m – impairment neutral), released through the income statement (R675m – credit to impairments as these risks did not emerge) or retained (R1 518m – impairment neutral) and remain relevant for elevated risk in specific portfolios or new risks identified. Overall coverage increased from 3,25% of total loans and advances at 31 December 2020 to 3,32% at 31 December 2021, reflecting prudent credit risk management.

Fair-value adjustments related to the valuation of group treasury and trading instruments, including funding valuation adjustments, were assessed as being a significant accounting matter. The accounting volatility in the group's macro fair-value hedge accounting solution remained well within the accounting effectiveness thresholds, but model methodology enhancements, including a change in percentage of risk designated within the group's fixed-rate government bond portfolio that are expected to reduce accounting volatility going forward during periods of extreme market movements, were implemented during H2 2021.

Auditor independence

Following a comprehensive tender process, Ernst & Young was appointed as a new joint external auditor of Nedbank and Nedbank Group in 2019, alongside Deloitte. Deloitte's rotation will be finalised for our 2024 financial year with an announcement expected to be made during H2 2022. This is in line with the rule on mandatory audit firm rotation (MAFR) of the Independent Regulatory Board for Auditors, 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 commencing on or after 1 April 2023, the audit firm may not accept reappointment as auditor. Some shareholders early-adopt MAFR principles in their proxy voting. We continue to reiterate our commitment to implement MAFR fully. However, we are limited in the short term by regulatory requirements and the complexity and practicality of changing both auditors in a short period.

Reflections from our Chief Financial Officer continued

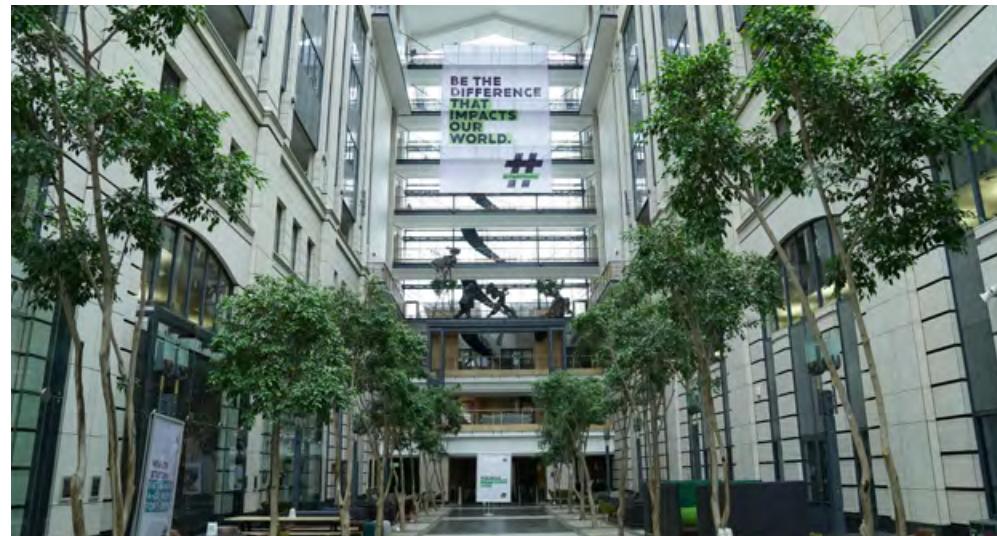
CE and CFO internal financial control responsibility

Nedbank continues to maintain a strong risk culture and has implemented adequate and effective internal financial controls (IFCs) to confirm the integrity and reliability of the financial statements. These IFCs safeguard, verify and maintain accountability of our assets, are based on established policies and procedures and implemented by trained and skilled employees whose duties are duly segregated. As a consequence, Mike Brown (CE) and I (Mike Davis) as CFO, were able to make the attestation required by the JSE.

Appreciation

To my colleagues on the board and the group executive team, thank you for your support and ongoing counsel during another challenging year. Thank you to the dedicated and hard-working finance, risk and balance sheet management teams across the group, who finalised our reporting while largely working from home, and for ensuring that we maintain our high standards and professionalism, which is evident in the various reporting awards that Nedbank received in 2021. I also thank all our shareholders and the broader investment community, both locally and internationally, for your continued investment and interest in Nedbank Group. I look forward to further engagements over the coming years.

Mike Davis
Chief Financial Officer



Board oversight – ensuring and protecting value

Group Audit Committee (GAC)



'The GAC provided oversight in the areas of internal and external audit, internal financial controls and financial reporting. The group has made significant progress with respect to its recovery from the Covid-19 pandemic, with transparent reporting and disclosure and timely communication provided to regulators and investors.'

Stanley Subramoney, Chairperson

Ensuring and protecting value in 2021

- Approved the required and voluntary trading updates provided to investors to ensure that Nedbank remained and continues to be a market leader in open and transparent disclosure.
- Approved the external auditors' 2021 annual plan and related scope of work, confirming suitable reliance on GIA and the appropriateness of key audit risks identified.
- Approved the plan to appoint a new external auditor for the 2024 audit, replacing Deloitte & Touche in terms of the IRBA's mandatory audit firm rotation (MAFR).
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved findings.
- Monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, resources, independence, skills, staffing, overall performance and standing within the organisation.
- Monitored and challenged appropriate actions taken by management regarding adverse internal-audit findings.

Focus for 2022 and beyond

- Oversee the group's second phase of the audit firm rotation plan. Tender process to be completed during Q4 2022.
- Review the disclosure of the impact of future changes to the IFRS and other regulations, most notably IFRS 17, which will replace the current limited guidance contained in IFRS 4: Insurance Contracts.
- Ensure that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.

Stakeholders



Regulators



Shareholders

Top 10 risks

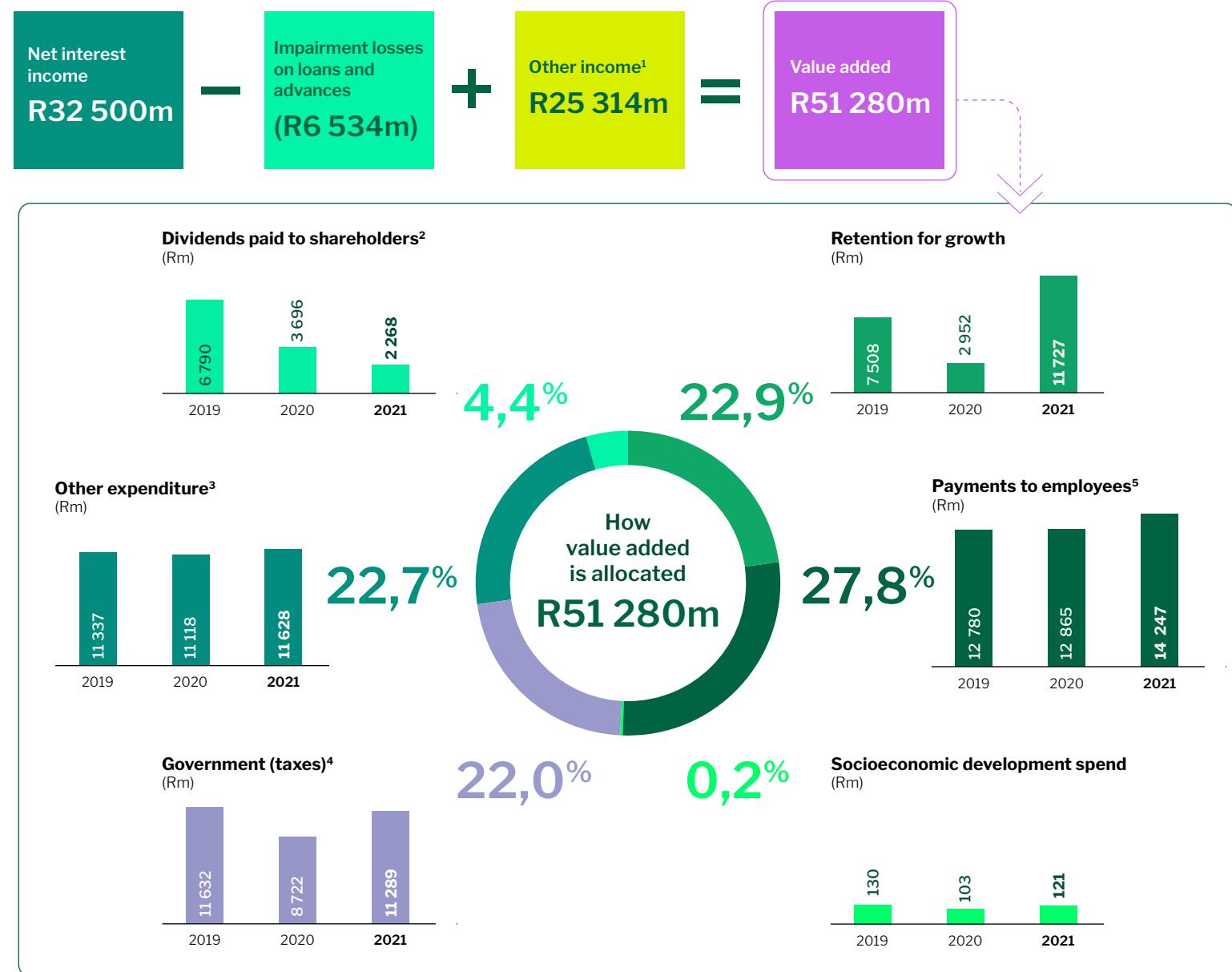
- Business risk
- Strategic-execution risk
- Credit risk
- ESG risk
- People risk
- Funding risk
- Capital risk

A comprehensive GAC Report is available online in our 2021 Governance Report 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 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.

We delivered a strong financial performance in 2021, which reflects a faster-than-expected rebound off a low 2020 base enabled by a more supportive environment, ongoing strategic delivery and good operational performance. This improved financial performance supported value creation for employees (eg remuneration to employees), clients (eg investments in the Nedbank franchise to enhance client experiences), shareholders (eg dividends), regulators (eg tax) and society (eg socioeconomic spend).



¹ Includes non-interest income, impairments charge on non-financial instruments and sundry gains or losses items, and share of profits of associate companies.

² Value is allocated to shareholders in respect of cash dividends (excluding the underlying value of capitalisation shares awarded) and income attributable to non-controlling shareholders.

³ Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations as well as fees and insurances.

⁴ Includes direct and indirect tax, payroll tax, dividends withholding tax and other taxes.

⁵ Payroll tax included in Government (taxes).



Employees – investing in our employees

Value creation, preservation and erosion in 2021

- + Despite the difficult operating environment, employee engagement levels remained high and our 'great place to work' NPS improved to 19 (from 17 in 2020 and 7 in 2019).
- + We paid our 26 861 employees' salaries and benefits of R18,0bn (2020: R16,8bn). We concluded annual salary increases with our bargaining-unit employees at 4%, ahead of non-bargaining-unit employees' increases of no more than 3% and the blended average employee salaries increasing by 3,5%.
- + Training spend increased to R1,1bn (2020: R924m). Our digital learning platform was launched in February 2021, with more than 18 000 learners completing more than 982 000 digital learning courses. The total number of learning hours (including compliance training) increased to 49 hours per person (2020: 31 per person) with 24 746 learning beneficiaries (2020: 24 391).
- + We enabled 62% of employees to work from home (excluding branch employees) as business continuity plans were invoked on the back of Covid-19-related lockdown levels and during the July civil unrest that broke out in parts of Gauteng and KwaZulu-Natal. Looking forward, we have implemented a 'hybrid work model' approach, which will see a portion of our workforce continue to work from a Nedbank office or branch, while a blended approach will be followed with employees working onsite or remotely.
- + We reactivated our commitment to the Youth Employment Service (YES), through which corporate SA aims to provide internship opportunities for more than one million South Africans. From our 2019 participation we have onboarded 239 YES participants into permanent Nedbank jobs and another 1 390 at Nedbank partners. We have placed more than 1 900 previously unemployed youth internally and through sponsored placements, and we continue to encourage other South African corporates to follow our example.

- We increased our focus on the physical, mental and financial well-being of our employees through various interventions, including a bankwide virtual campaign on mental well-being, together with a variety of webinars, which were attended by more than 22 400 employees during the year.
- No Nedbank employees were injured during the July unrest in KwaZulu-Natal and Gauteng. A total of 5 000 donated food parcels were delivered to our employees and communities in impacted areas. Two days' social responsibility leave were given to all Nedbank employees who volunteered in initiatives to make an impact in communities.
- Employee attrition increased to 9,3% from 7,1% in 2020 and remained below the industry benchmark of 11% to 13%, although total employees reduced by 1 021. 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.
- We continued to focus on diversity as a key imperative to ensuring Nedbank remains relevant in a transforming society. Black (ACI) representation is more than 79,9% (2020: 78,9%) and female representation 61,4% (2020: 61,2%).
- While our Agility Centre successfully redeployed 242 employees into alternative roles within Nedbank, 70 employees were regrettably retrenched as a result of changes in operational requirements.

Value creation

Value preservation

Value erosion

Quality of relationship:

Falling short

Excelling

CASE IN POINT

Nedbank partnership with UJ

In 2018, Nedbank and the University of Johannesburg (UJ) established a strategic partnership with the emphasis on introducing practical solutions that align the strategy and strengths of both organisations. The partnership has now been extended to develop AI-related competencies for our existing workforce, while developing a pipeline of talented students from this dynamic university. Through this collaboration, research, skills, technologies, data analytic sciences, financial algorithms, cybersecurity, and a host of other development opportunities are made available to our workforce.

The relationship is built on regular engagements between UJ and Nedbank employees on an ongoing basis. This ensures that the offerings and opportunities remain relevant and contributes to Nedbank's purpose of doing good for individuals, families, businesses and society. Nedbank and UJ co-create new content aimed at reskilling and upskilling individuals on science, technology, engineering, arts and mathematic (STEAM) skills, to benefit both organisations.

Masterclasses and webinars by UJ speakers create awareness among Nedbankers on a variety of topics, eg data analytics, machine learning, unsecured lending and risk management.

As we continue to optimise business operations, it is not always possible for us to absorb all employees who are impacted by restructures into alternative internal roles through redeployment. The UJ partnership offers an opportunity for some Nedbankers who choose to pursue their passions and proactively reinvent themselves in alternative careers outside of Nedbank, with the opportunity to do so while remaining economically active. Examples of available programmes include carpentry, boiler-making, household electrical installation and repairs, fitting and turning and solar installation.

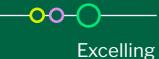
The symbiotic partnership between Nedbank and UJ continues to evolve, serving not only our common strategic needs, but contributing to the greater society.



Clients – delivering market-leading client experiences

Quality of relationship:

Falling short



Excelling

Value creation, preservation and erosion in 2021

- ⊕ Client satisfaction at high levels:
 - » On the back of the 2020 Consulta survey, where we achieved second position among South African banks on client satisfaction metrics, we maintained our second position in the 2021 survey and improved our scores further in both client satisfaction (SA-csi score of 82%, 2020: 81%) and NPS (score of 47%, 2020: 41%).
 - » Apple App Store and Google Play Store ratings for our apps remain high.
 - » Our ongoing focus on client satisfaction enabled Nedbank to consistently rank as the number two bank on social-media net brand sentiment, measured by Salesforce Social Studio.
 - » Nedbank's brand ranking among South African companies, which increased from 11th in 2019 to eighth in 2020, remained at eighth position in 2021 in Brand Finance's Most Valuable Brands in SA report. Brand Finance estimates Nedbank's brand value at around R15bn.
- ⊕ Client access to banking improved, as digitally active retail users increased by 11% to 2.3 million. This was supported by system uptime at high levels of 99,3%.
- ⊕ We continued with the roll-out 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, evident in digital sales increasing to 33% of total sales (from 12% in 2019).
- ⊕ In recognition of the value-add to our clients and our leadership position in key industries, segments and products, Nedbank won various awards,

including Global Finance's 2021 Best Investment Bank in SA, Global Banking & Finance's 2021 Best Corporate Bank in SA, African Banker's 2021 Infrastructure Deal of the Year, Global Business Review Magazine 2021 Best Retail Bank and City of London's 2021 Best Private Bank.

- ⊕ Our asset management business, Nedgroup Investments, increased client AUM by 13% to R424bn, supporting clients to grow and protect their wealth.
- ⊕ We made R228bn, up 9%, 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 ensured the health and safety of our clients by maintaining high standards of hygiene and social-distancing practices, and increased usage of our digital solutions.
- We safeguarded R972bn of deposits at competitive rates.
- The payment relief (payment holidays) we provided to clients under the PA's Directive 3/2020 has matured after assisting more than 400 000 clients on R121bn of loans since the Covid-19 crisis emerged.
- ⊖ We received 3,9% more complaints in 2021 at 82 255 (2020: 79 135). Just 1% of our total client base submitted complaints during 2021, with 91% resolved within service-level-agreement timelines, and only 1,5% was escalated to the Ombudsman.

+ Value creation

● Value preservation

- Value erosion

CASE IN POINT

Nedbank Business Hub



The Nedbank Business Hub (NBH) offers a single-point-of-entry juristic (business and corporate) client experience, with a rich set of features and functionality, as well as seamless access to primary transactional channels, underpinned by world-class security and digital mandates. The NBH is available to our clients in a self-service usage model, as well as via relationship managers and corporate or business bankers, thus ensuring a seamless and consistent client experience.

Looking forward, the convergence of all juristic channels to create an omnichannel, multiproduct platform offers market differentiation and an industry competitive client experience (CX). Enhancements to the CX, by shifting from product-specific journeys to client journeys will furthermore be incorporated in the channel convergence efforts. These efforts will lead to new domestic and cross-border payment digital journeys for clients. Features include the following:

- Simplified processes using generic terms and conditions (T&Cs) for all products, with T&Cs for specific products being applied for and authorised online.
- Online application and fulfilment for current accounts, investment accounts, as well as call and term accounts, with preapproved overdraft and revolving credit lines and vehicle asset finance (for Business Banking), card acquiring, corporate card issuing and cash online.
- Digital work queues for client self-service, end-to-end tracking and automated notifications.
- Self-service and employee-assisted automated capabilities for proof of account, IT3Bs, cross-border letters, amortisation schedules and settlement letters.

Value for stakeholders continued



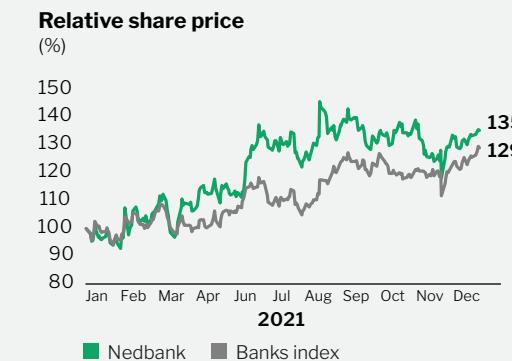
Shareholders – delivering consistently to our shareholders

2019 2020 2021



Value creation, preservation and erosion in 2021

- + The Nedbank share price increased by 35% in 2021 compared to the JSE South African banks index that increased by 29%, notwithstanding the risk of an overhang in shares as a result of the Old Mutual unbundling of 12,2% of their shareholding to their shareholders in November 2021. To create value for shareholders, from 1 April 2022, Nedbank will be trading on the A2X stock exchange, providing investors with options and the ability to trade the Nedbank share on a low-cost platform.



- + Our financial performance reflects a strong recovery off a low 2020 base as headline earnings increased by 115% to R11,7bn and an improvement across all KPIs that drive shareholder value creation (net asset value per share, ROE and sustainable earnings growth).
- + We resumed dividend payments after having declared no dividends relating to 2020 earnings.

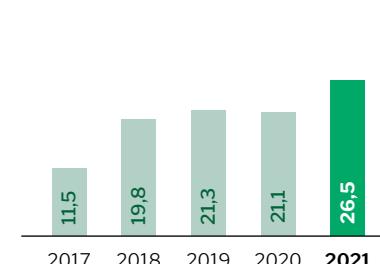
+ Value creation ● Value preservation - Value erosion

Key shareholding changes

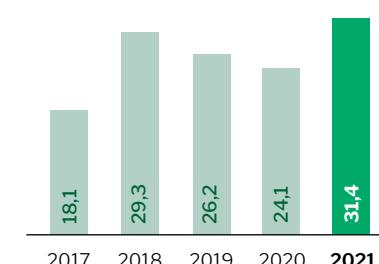
The unbundling by Old Mutual of a further 12,2% of their shareholding, among other things, resulted in a key shift in the make-up of the Nedbank Group shareholder register, with the PIC becoming Nedbank's largest shareholder, index funds increasing substantially as the group's free float improved further and, as a result, foreign shareholding also increasing to above 30% for the first time.

| Major shareholders/managers | % holding 2021 | % holding 2020 |
|--|----------------|----------------|
| Public Investment Corporation (SA) | 13,7 | 10,4 |
| Allan Gray Investment Council (SA) | 10,6 | 9,0 |
| Coronation Fund Managers (SA) | 7,0 | 8,6 |
| BlackRock Incorporated (international) | 4,6 | 4,2 |
| Old Mutual Life Assurance Company and Associates | 5,2 | 22,0 |
| Nedbank Group treasury shares | 4,6 | 3,6 |
| Lazard Asset Management (international) | 3,2 | 2,8 |
| The Vanguard Group Inc (international) | 3,1 | 2,5 |
| Sanlam Investment Management (SA) | 3,1 | 2,2 |
| GIC Asset Management (Pty) Ltd (international) | 3,0 | 1,7 |
| Ninety One (SA) | 2,9 | 0,3 |
| Index-classified shareholders | 26,5 | 21,1 |
| International shareholders | 31,4 | 24,1 |

Index-classified shareholding (December, %)



Foreign shareholding (December, %)



Source: JP Morgan Cazenove

Value for stakeholders continued

Key issues we engage on with the investment community

We proactively communicate our financial performance, strategy and progress on ESG matters to shareholders through an active and highly rated investor relations programme. To this end, Nedbank's IR activities were rated among the top three in Financial Services in EMEA in the 2021 Global Institutional Investor survey. Our management meets regularly with the investment community while our board, through our Chairperson, Lead Independent Director and other boardmembers, engages on ESG-related matters. The following were the key topics discussed during our more than 290 virtual engagements in 2021:

| Main topics of discussion | |
|--|--|
| Shift from downside risk to upside potential | The year 2021 saw a material shift in the nature of discussions with our investor base, moving from a focus on downside risk for Nedbank (such as capital levels, adequacy of provisioning and exposure to commercial property) to a focus on an upside potential, including lowering the group's dividend cover, the release of some of the R3,9bn judgemental overlays, as well as timing of the group getting its financial performance back to 2019 levels on DHEPS, ROE and cost-to-income ratios. Being one of the first banks to provide revised short- and medium-term guidance in March 2020, we always knew there were risks to our forecasts, mainly from the external economic environment. We now believe we can achieve our DHEPS target a year earlier (in 2022), while progress on SPT 2.0 and TOM 2.0 will support us achieving our stretch ROE and cost-to-income ratio targets of 15% and 54%, respectively by 2023. Consensus 2023 analyst forecasts are currently at 14,3% for ROE and 55,3% for cost-to-income ratio. |
| Digital progress and the move to beyond banking | The focus on technology readiness and digital adoption increased in 2021, driving both revenue growth as well as expenses optimisation. We enhanced our disclosures on digital metrics in our results presentations and shared our view on 'Ecosystems for a digital world' at the 24th UBS Annual Financial Services conference, which was voted best presentation on the day. |
| Increased competition and market share | Increased levels of competition remain an ongoing topic of interest as new entrants gain traction in the roll-out of products and gaining clients. We believe that our market-leading technology strategy, as well as strategic enablers position us well to be highly competitive, particularly as we continue to see an ongoing improvement in client satisfaction ratings (see page 57 for more detail). |
| Remuneration | Remuneration was a key focus across most corporates in 2021, and while we proactively engaged with shareholders, we were disappointed that voting at our 54th AGM saw our remuneration policy receiving less than 75% votes of support at 65,9%. This is discussed in more detail on page 96 . |
| Increased focus on ESG-related matters | The focus on ESG-related matters continues to become a topic that is high on the agenda during investor engagements. We enhanced our ESG disclosures through the release of three focused ESG reports, concluded our eighth annual ESG board roadshow with the key topics highlighted on page 33 , and participated at ESG-focused panels such as the Goldman Sachs' Financials Symposium (September 2021). In recognition of these efforts, we retained top rankings on most of the major ESG ratings (see page 66), were named the winner of Best Sustainability Reporting in Financials (Banking) and the overall winner, as well as Best Climate-related Reporting in ESG Investing's 2021 ESG Reporting Awards and in the Institutional Investor IR ratings, and placed third among EMEA financial services companies for ESG as ranked by fund managers. |
| Nedbank Limited preference share buy-back | In Q4 2021 we received 100% votes of approval from shareholders to buy back our Nedbank Limited preference shares at a 30% premium to the 30-day volume-weighted average prices, creating significant value for preference shareholders. |
| 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. Ongoing developments in this regard are discussed on pages 24 and 25 . |



Regulators – ensuring sustainable banking with our regulators

Quality of relationship:

Falling short

Excelling

Value creation, preservation and erosion in 2021

In 2020 Nedbank demonstrated resilience and agility through proactive engagements to assess and mitigate regulatory risk. Through a formalised 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. In 2021, we did the following:

- ⊕ We continued to work 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.
- ⊕ We paid R11,2bn in direct, indirect and employee taxes to support the governments and societies where we operate. This represents an increase of 29% on 2020.
- We achieved a strong capital position, with a group tier 1 capital ratio of 14,3% and CET1 ratio of 12,8% respectively, well above SARB regulatory minima and in line with our board-approved targets of greater than 11,25% and 10% to 12% respectively. Our forecast capital ratios are projected to operate well above regulatory minima in line with the board-approved targets (SARB).
- We continued to maintain a strong liquidity position, with Nedbank Group achieving an LCR of 128% in December 2021 (above the minimum regulatory LCR requirement of 90%, effective from 1 January 2022, which will be increased to 100%, effective from 1 April 2022, in line with SARB PA Directive 8 of 2021). The structural liquidity position of Nedbank remains resilient, with the group attaining an NSFR of 116%.

- We retained our level 1 BBBEE contributor status for the fourth year in a row.
- ⊖ We received fines to the value of less than R6m (2020: < R7m). These related to regulatory non-compliance in Nedbank Africa Regions (Eswatini, Lesotho and Namibia). Remedial actions are in place as we continue to enhance our control environment to manage our compliance risk and minimise regulatory fines.

Nedbank continues to work closely with the government, regulators, policy-makers, BASA and other associations by, among other things, ensuring active participation in regulatory consultation processes in relation to regulatory developments and mitigating risk posed to the economy by ensuring the safety and soundness of the South African banking system, which includes the combating of money laundering and terrorist financing. In this regard, banks, regulators and supervisory authorities are making inroads in targeting and disrupting financial crime through a partnership, called SAMLIT (South African Anti-money-laundering Integrated Task Force) by enhancing the effective, efficient and timeous sharing of information with a view to generating actionable reported information, such as ensuring that knowledge on the modus operandi of financial criminals is shared, that institutions increase their understanding on financial crime types and that the work of SAMLIT assists law enforcement authorities in taking necessary action. SAMLIT is comprised of 22 national and international banks, the Financial Intelligence Centre, the South African Reserve Bank's Prudential Authority and Financial Surveillance Department, as well as banking association representatives SABRIC (South African Banking Risk Information Centre) and BASA.

+ Value creation

● Value preservation

- Value erosion

CASE IN POINT

Transparency in tax disclosures

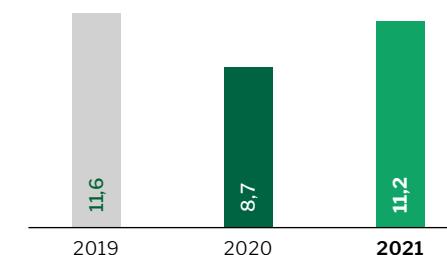
Tax is a key mechanism by which organisations contribute to the economies and communities of the countries in which they operate, with businesses expected to address concerns from all stakeholders on tax. Tax reporting is a voluntary compliance system founded on the basis of trust, and the total amount of tax that companies pay is increasingly seen as a proxy for trust.

In the PwC's latest annual transparency assessment of the top 100 companies listed on the JSE, conducted in conjunction with the University of Pretoria, the Nedbank 2020 Tax Report was ranked #1 in the financial service industry and #3 overall across all industries in the JSE top 100. Nedbank is commended for being consistent with its performance in tax reporting and it is mentioned that Nedbank continues its efforts to provide more disclosure in an easy-to-find, understandable and well-rounded report, demonstrating its commitment to stakeholder engagement and contribution to the development of effective and efficient tax systems, and succeeding in providing a clear link between tax and value creation.

In support of value creation, in 2021 cash taxes paid relating to direct, indirect, employee and other taxes increased by 29%, totalling R11,2bn.

Cash taxes paid

(Rbn)



Read the Nedbank Group 2021 Tax Review as part of our 2021 Governance Report at nedbankgroup.co.za.



Society

Value creation, preservation and erosion in 2021

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 injustice 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.



Quality of relationship:

Falling short

Excelling

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 for driving positive societal impact and progress towards on the SDGs. We have prioritised nine SDGs where we believe we can make the most impact through our lending. Our activity in this regard for 2021 is outlined below:



SDG 4

- Over the past five years we have provided around 5 977 students with student loans worth R364m. A total of R36m was disbursed to support 575 students in 2021.
- Our exposure to this sector amounts to approximately R6bn and has facilitated the delivery of 42 758 student beds since 2015. In 2021 we invested R169m, which delivered an additional 573 beds.



SDG 6

- Through our CIB and RBB businesses we offer financial solutions to the public sector as well as participants in the mining, commercial, industrial and agricultural sectors. These solutions enable clients and society to access safe and affordable potable water and adequate sanitation, and to enhance water use efficiency through water recycling, treatment, harvesting and reuse.
- During the 2021 financial year funding transactions totalling R800m were completed. The majority of these transactions saw Nedbank funding used by a range of municipalities to optimise water and sanitation delivery to their citizens as well as to the agricultural sector, where recipients used the money to replace ageing and inefficient irrigation systems with improved technology. There has also been a notable increase in interest in the funding solutions from commercial and industrial businesses that are becoming increasingly aware of the risks of water scarcity to their sustainability, and the importance of water recycling and purifying as well as rainwater harvesting. Given the possibility that these loans can be repaid from the often-significant savings on water utility bills, the offering minimises the impact on business cash flows.

Value for stakeholders continued



SDG 7

- Nedbank is a leading funder of renewable energy in SA. Through the REIPPPP we have arranged 42 renewable-energy transactions, underwriting a total of R35,3bn and exposures of R28,7bn to date. With an initial target of R2,0bn in embedded-energy financing by the end of 2022, this is a rapidly growing area of commitment for the bank. Deal flow in 2021 saw our CIB Investment Banking division completing three material transactions totalling over R420m, and our Business Banking division completed 40 transactions totalling R191m, with a healthy pipeline of future deals in place.
- Our embedded-energy business is also growing outside of SA, with clients increasingly looking for renewable-energy solutions. In 2021 we facilitated a range of investments across Namibia, Mozambique and Eswatini.



SDG 8

- MobiMoney enables easy access to banking services without the need for a formal bank account. Between 2019 and 2021 a total of 1,4 million MobiMoney wallets were opened.
- Advanced R4bn in finance to small-business clients.



SDG 9

Nedbank contributes towards the achievement of SDG 9 through funding infrastructure – including mass transit, roads and rail corridors, renewable energy, water treatment plants, and information and communication technologies – as well as affordable housing, schools and hospitals. In addition, Nedbank has developed a formal digital strategy to unlock resources and capacity to support and fund projects that have the potential to help eliminate Africa's digital divide by delivering equitable and inclusive digital access for all.

Examples of technology-related deals funded in 2021 include the following:

- Rain Holdings** – We participated in a R700m senior secured revolving credit facility valued at R2,5bn for Rain Holdings. The facility will be used to fund capital expenditure as Rain continues to roll out its 5G network footprint across SA.
- Seacom Limited** – We completed a US\$65m senior secured term loan facility to Seacom Limited, acting as the mandated lead arranger and sole funder. The facility will be used to fund capital expenditure as Seacom embarks on its business strategy to upgrade and expand its network footprint across the African continent.



SDG 10

- In 2021 we reached over 15,2 million people across SA through various initiatives and channels, including radio stations, personal workshops, digital platforms, and social and mass media. During the same period 18 179 clients were trained through our personal consumer financial literacy workshops, which focused on empowering people to make better, informed financial decisions.



SDG 11

We focus on investing in green and sustainable buildings that improve the quality of life for occupants and reduce carbon emissions and other negative impacts on the environment.

- We currently have R25bn of exposure linked to green-certified properties and those containing sustainable features. However, this number should increase as we get more sophisticated in how we track these kinds of investments, particularly within properties that are already on our books. In 2021 we also financed 17 EDGE-certified residential developments (1 755 units) worth a total of R1,5bn with an exposure of R520m.



SDG 12

We offer an innovative sustainable agriculture funding solution for farmers aimed at mitigating the risks and challenges associated with rising temperatures and lower rainfall. The intention is to support farmers directly or through a financing arrangement with their local cooperative, with sustainable farm interventions ranging from water storage maximisation solutions and soil health to cutting-edge irrigation equipment and shade netting to reduce evaporation.



SDG 15

The banking sector has a significant impact on biodiversity and natural capital through the financial support it provides to high-impact sectors such as forestry, mining, oil and gas, fisheries, water delivery and infrastructure, or sectors that are using genetic resources such as biotechnology, pharmaceuticals, agriculture or cosmetics. The bank can play an important role in protecting the natural-capital sector by selecting our clients and the projects that we finance critically and by creating mechanisms to encourage best practice and sustainable practices.

Through our Social and Environmental Management System (SEMS) we encourage our clients to identify, measure and value the biodiversity dependencies and impacts of their operations to establish biodiversity action plans, disclose their risks and performance and have a monitoring system in place. In addition to working with our clients, we partner with key stakeholders such as the WWF.

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



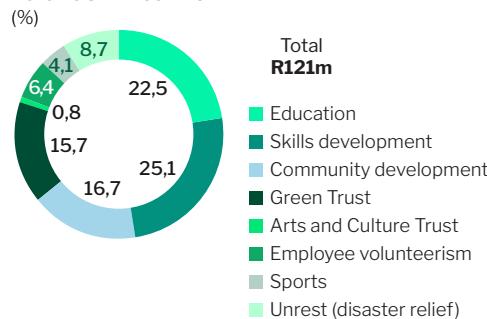
Value for stakeholders continued

Making an impact through corporate social investment

One of the biggest challenges for CSI in SA is the fact that demand for financial support of worthy causes and upliftment projects continues to outstrip supply massively. Responding appropriately and effectively to the growing need for social support led to a review of the Nedbank Foundation Strategy, with the green economy identified as a sustainable and meaningful anchor around which the group's entire CSI strategy has been redesigned.

In 2021 the total value of CSI support and investment delivered across our group was R121m.

Total CSI investment



Nedbank supports the green economy



Reducing our environmental impact

Resource usage reduction targets

We continue to set reduction targets to limit the impact of our operations on the environment.

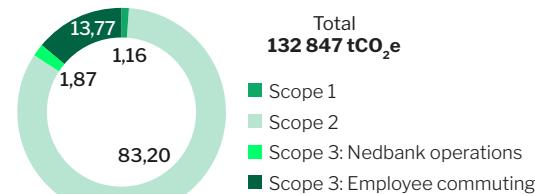
Carbon footprint reduction

In absolute terms our overall reported GHG emissions decreased by 3,41% from 2020 to 2021. Year on year, the carbon emissions per FTE remained stable at 4,71 tCO₂e, and emissions per square metre of office space also remained stable at 0,22 tCO₂e per square metre.

In 2021 our overall operational investment into environmental sustainability initiatives amounted to R69,9m (2020: R59,1m).

We also invested R9,6m (2020: R9,6m) in the purchase of carbon credits and related instruments to meet our operational carbon-neutral commitment. A total of 135 000 tCO₂e was retired for the 2021 period (2020: 145 000 tCO₂e).

Nedbank Group 2021 carbon footprint (%)



Resource consumption not reflected above includes water consumption of 156 261 kL (2020: 191 194 kL); 95 tonnes (2020: 116 tonnes) of waste sent to landfill and 313 tonnes (2020: 329 tonnes) of waste recycled.

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 2021 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.

CASE IN POINT

Innovative lending for rural community upliftment

The formalisation of rural agriculture ecosystems through innovative rural development models is key to creating sustainable jobs and livelihoods, thereby addressing the stubbornly prevalent issues of poverty and inequality experienced in many rural areas. Nedbank is financing a number of different rural development models in collaboration with partners like WIPHOLD, Brimstone, WWF and key clients in the agricultural sector.

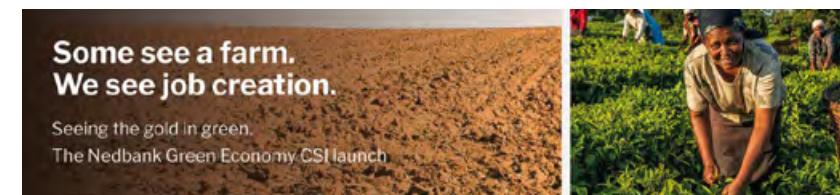
These innovative models use a combination of strong technical and business support and ensure access to market and, from a finance perspective, a unique stance on risk profiling and mitigation as well as favourable repayment periods and project-specific interest rates.

One such example is KwaDrabo Trust. Over 60% of SA's cattle stocks are in rural landscapes, with farmers having to travel long distances to markets where they can sell them at competitive rates. As a result, the inherent wealth in the cattle is either not realised and cattle are left on the land to over-graze and cause environmental damage, like soil erosion, or it is under-realised as farmers are forced to sell to 'bakkie-traders' at below-market rates. To address this, the trust has constructed a Cattle Holding Station (CHS) near Butterworth in the Eastern Cape. The CHS purchases, processes and conditions cattle bought from the local small-scale cattle farmers at market-related prices using a R10m rural livestock borrowing facility provided by Nedbank and Brimstone through the Nedbank BBP Legacy Programme. The animals are then sold to Beefmaster, a Nedbank client.

It is estimated that up to 10 000 small-scale farmers will ultimately benefit from the initiative, with between R30m to R50m in funds flowing into the local community through the sale of these cattle annually. In addition, the participating farmers will receive training on animal husbandry and other business matters. The model is highly replicable and scalable, and we aim to work with other commercial abattoirs and rural communities across the country to encourage the adoption of similar models based on the success of this investment.

Some see a farm.
We see job creation.

Seeing the gold in green.
The Nedbank Green Economy CSI launch



Value for stakeholders continued

- In 2021 a total of 703 (2020: 764) deals were assessed in CIB and 1 223 (2020: 1 043) deals in Property Finance.
- The SEMS process is used in Nedbank's RBB and Wealth clusters. Due to the number of clients in RBB, a risk-based approach is taken. This requires clients to disclose any negative environmental or social impact their activities might have in the necessary client documentation. Any disclosures are then assessed through the SEMS process and, if necessary, mitigating actions are taken.
- In our Business Banking operations, we have identified and defined high-impact industries. In 2021, 930 clients (2020: 948) involved in these sectors were assessed.
- In the Wealth cluster most of our exposure to social and environmental risk results from clients' acquisition of industrial and commercial properties that could present asbestos or land contamination concerns. The total number of clients assessed in 2021 was 188 (2020: 100).
- Our SEMS process has been adopted across other regions in Africa where we operate.



Our approach to responsible investment (RI)

Most of our group's investments and asset management activities take place through Nedgroup Investments and Nedbank Private Wealth. Nedgroup Investments acknowledges the far-reaching implications of how we invest. As such, environmental, social and governance factors are assessed across our range of investment products, with 100% of our assets subject to positive and negative environmental or social screening.

Nedgroup Investments believes that generating a perspective on sustainability provides important insight into existing or emerging ESG risks and opportunities. Consequently, we have an increased focus on climate in our investment process. The Nedgroup Investments RI Guidelines draw on the key elements of the UN-backed Principles of Responsible Investment (UN PRI); the requirements of Regulation 28 of the Pension Funds Act (Reg 28); the King Code; the Code for Responsible Investing in South Africa (Crisa); and the UK Stewardship code.

Board oversight – ensuring and protecting value Group Transformation, Social and Ethics Committee (GTSEC)



'Nedbank's purpose "to use our financial expertise to do good for individuals, families, business and society" reflects our long-standing commitment to do business sustainably and ethically. We have a responsibility to meaningfully contribute toward the creation of a just and equitable society, and that drives everything we do.'

Linda Makalima, Chairperson

Ensuring and protecting value in 2021

- Launched the Group CSI green economy strategy, with the focus on water, waste, energy and agriculture.
- Oversaw the development and implementation of our ethics management plan in response to the outcomes of the ethics risk assessment (ERA) conducted in 2019/2020.
- Monitored talent practices, including the retention of underrepresented (and specifically African) talent.
- Oversaw measurement against the amended FSC for the industry. Nedbank retained level 1 BBBEE contributor status.
- Oversaw well-being initiatives.
- Monitored feedback on workforce surveys and mitigating actions to enable the continued culture shift.
- Oversaw the ongoing enhancement of our sustainable-finance offering as the key lever for enabling fulfilment of our purpose.

Focus for 2022 and beyond

- Oversee the benchmarking of our ethics and human rights management in line with best practice.
- Guide the enhancement of the culture of ethics and ethical leadership.
- Monitor talent practices, including the attraction and retention of underrepresented (specifically African) talent.
- Oversee the YES initiative.
- Monitor employee well-being, with a focus on the health of the workforce and vaccine approach.
- Continue to oversee the enhancement of our sustainable-finance offering as the key lever for enabling fulfilment of our purpose.

Stakeholders

| | |
|--|--------------|
| | Clients |
| | Shareholders |
| | Employees |
| | Society |
| | Regulators |

Top 10 risks

- 1 Business risk
- 2 Strategic-execution risk
- 5 People risk
- 6 Operational risk
- 8 ESG risk

A comprehensive GTSEC Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.

Stakeholder value creation – key performance indicators

| Value unlocks | Value drivers | Executive remuneration | Yoy change | 2021 | 2020 | 2019 | Benchmark ¹ | Outlook | Assurance |
|--|---|------------------------|------------|-----------------|--------------|----------------------------|--------------------------------------|--|-----------------------------------|
|  Employees | | | | | | | | | |
| Salaries and benefits (Rbn) | Remuneration and benefits to employees | | ▲ | 18,0 | 16,8 | 17,3 | N/A | Maintain competitive remuneration | [MO] [FS] |
| Annual salary increase – unionised employees (%) | Salary increases for bargaining-unit employees | | ▼ | 4,0 | 6,3 | 6,3 | N/A | Above the increase for management | [MO] |
| Training spend (Rbn) | Investment in employee development | | ▲ | 1,1 | 0,92 | 0,76 | N/A | Continue to invest in employees | [LA] |
| Attrition (%) | Ability to retain and rotate skills | GCC | ▲ | 9,3 | 7,1 | 10,8 | 11 | Maintain | [MO] [LA] |
| 'Great place to work' NPS | Employee engagement drives higher levels of productivity | CPT | ▲ | 19 | 17 | 7 | N/A | Improve | [IN – Compass survey] |
| Employment equity – black employees (%) | Transformation of Nedbank employee profile broadly in line with demographics in society | GCC | ▲ | 79,9 | 78,9 | 78,5 | Not publicly available for all peers | Continue driving transformation | [LA] |
| Employment equity – female employees (%) | Progressing gender diversity | GCC | ▲ | 61,4 | 61,2 | 61,8 | | | [LA] |
|  Clients | | | | | | | | | |
| Loan payouts (Rbn) | New loan payouts to clients | | ▲ | 228 | 210 | 208 | N/A | Continue to extend credit responsibly | [MO] |
| System availability (%) | System uptime to enable uninterrupted financial processing | GCC | ▼ | 99,3 | 99,6 | 99,1 | N/A | > 99,1% | [LA] |
| Average annual price increase | Value-for-money banking | | – | Below inflation | At inflation | At inflation | N/A | Below inflationary increases | [MO] |
| Investment performance in asset management business | Quality of service to high-net-worth clients | GCC | – | | Fourth | Fourth | Fifth | Number one: Investec | Number one in the industry |
| Investment performance in asset management business | Investment performance for clients | GCC | – | Not ranked | Not ranked | Top offshore manager in SA | Number one: Ninety One | Rating among top three | [IN – Raging Bull awards] |
| Nedbank Money app average rating (out of five) | | GCC | – | 4,4 | 4,4 | 4,4 | | | [IN – iOS and Android app stores] |
| Nedbank Private Wealth app average rating (out of five) | Delivering market-leading client experiences | GCC | ▲ | 4,6 | 4,5 | 4,6 | Top tier app rating | Maintain top rating | [IN – iOS and Android app stores] |
| SA-csi (%) | Overall satisfaction with our products and services | GCC | ▲ | 81,9 | 81,1 | 80,2 | Number two SA bank | Continue strong performance in client satisfaction | [LA] [IN – Consulta] |
| Client complaints received (000) | | GCC | ▲ | 82,3 | 79,1 | 72,5 | Not publicly available | | [MO] |
| Banking Ombudsman cases in favour of Nedbank (%) | Quality of service experience through effective complaints handling | GCC | ▲ | 70,9 | 65,9 | 72,3 | 73% industry average | Committed to providing world-class service | [LA] [IN – Ombudsman] |

¹ Peer average is the simple average for Absa, FirstRand and Standard Bank.

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.

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 2021 Nedbank Group Limited Audited Annual Financial Statements.

Stakeholder value creation – key performance indicators continued

| Value unlocks | Value drivers | Executive remuneration | YoY change | 2021 | 2020 | 2019 | Benchmark ¹ | Outlook | Assurance |
|---|---|------------------------|------------|------------------------|----------------|---------------|--|---|-------------|
|  Shareholders | | | | | | | | | |
| Share price performance (%) | Share price appreciation | | ▲ | 35 | (40) | (22) | 29% (FINI 15) | Perform above peers | [IN – JSE] |
| Full-year dividend per share (cents) | Dividend for shareholders | | ▲ | 1 191 | N/A | 1 415 | N/A | Pay dividends in line with board policy of 1,75 to 2,25 times cover | [MO] [FS] |
| Full-year dividend per share cover (times) | Dividends for shareholders | | ▲ | 2,02 | N/A | 1,84 | N/A | | [MO] [FS] |
| Price-to-book ratio | Valuation indicator of the Nedbank share | | ▲ | 0,9 | 0,7 | 1,2 | 1,4 peer average | Number two bank | [IN – JSE] |
| MSCI ESG rating | ESG rating of most influential ratings agency | GCC | ⊖ | AA | AA | AA | Top 34% of global banks | Maintain ESG leader rating | [IN – MSCI] |
|  Regulators | | | | | | | | | |
| CET1 ratio – Basel III (%) | Strength of capital position | GCC | ▲ | 12,8 | 10,9 | 11,5 | 13,4 peer average (PA min: 7,5) | 11-12 | [MO] [OV] |
| LCR ratio – Basel III (%) | Strength of liquidity position | GCC | ▲ | 128,1 | 125,7 | 125,0 | PA min: 80 for 2020 and 2021 | > SARB minimum of 100 | [MO] [OV] |
| NSFR ratio – Basel III (%) | Strength of stable funding | GCC | ▲ | 116,1 | 112,8 | 113,0 | PA min: 100 for 2020 and 2021 | > SARB minimum of 100 | [MO] [OV] |
| Notable regulatory fines or penalties paid (Rm) | Indicator of adherence to regulatory requirements | GCC | ▼ | < 6 | < 7 | < 18 | N/A | Low, although risk of fines has increased | [MO] [OV] |
| Taxes – direct, indirect and employees (Rbn) | Contribution to the fiscus | GCC | ▲ | 11,2 | 8,7 | 11,6 | N/A | Responsible taxpayer | [OV] |
|  Society | | | | | | | | | |
| Consumer finance education – participants (000) | Value through education | | ▲ | 200,0 | 29,0 | 175,5 | N/A | Maximum alignment of impact with strategy | [MO] [LA] |
| Total socioeconomic spend (Rm) | Contribution to society | | ▲ | 121 | 103 | 130 | Top 3: Trialogue CSI Handbook | Spend > R100m | [MO] [LA] |
| Local procurement spend (% of total) | Supporting local suppliers | GCC | ⊖ | > 75 | > 75 | > 75 | According to Amended FSC | > 75% | [MO] [LA] |
| Carbon footprint offset to neutral (tCO ₂ e) | The impact of our business on the environment and society | GCC | ▼ | 132 847 | 137 540 | 188 443 | Nedbank market leader | Maintain carbon-neutrality | [LA] |
| SEMS deals reviewed | The impact of our business on the environment and society | | ▼ | 703 | 764 | 526 | Leader in disclosure | Enhance SEMS integration | [MO] [LA] |
| Finance assessed under Equator Principles (US\$m) | The impact of our business on the environment and society | | ▲ | 59,7 (one deal) | 45 (two deals) | 75 (one deal) | Leader in disclosure | Enhance Equator Principles integration | [MO] [LA] |
| Carbon footprint per full-time-equivalent employee (tCO ₂ e) | The impact of our business on the environment | GCC | ⊖ | 4,71 | 4,71 | 6,09 | Leader in performance on the Carbon Disclosure Project | Continue to reduce our impact through reduction targets | [MO] [LA] |

¹ Peer average is the simple average for Absa, FirstRand and Standard Bank.

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.

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 2021 Nedbank Group Limited Audited Annual Financial Statements.

Rewarding for value creation – remuneration outcomes

The Group Remco's top priorities in the year included ensuring variable remuneration is fit for purpose and linked to strategic and stretching value creating objectives, addressing shareholder feedback on our prior year remuneration policy, balancing shareholder and employee outcomes, and introducing ESG metrics into remuneration outcomes.

GP increases – April 2022

4,0% for Group Exco and non-bargaining-unit employees (3,0%: 2021), below inflation.
5,2% for bargaining-unit employees (4,0%: 2021). Minimum GP increased by **5,6%** from R180 000 to R190 000.

**STI pool
^ 70,2%**

**Group Exco
STI awards
^ 68,6%**

LTI

For Group Exco, **18%** of the 2019 award will vest in 2022. For cluster exco members, **58%** of the 2019 awards will vest and **50%** of the 2019 awards will vest for all other participants.

The financial performance was accompanied by ongoing strategic delivery. Our ME technology journey to create a modern, modular and digital IT stack is 85% complete. The benefits of this are evident in most of our digital metrics showing double-digit growth, as well as Target Operating Model 2.0 (TOM 2.0) benefits of R967m being realised, as we move forward towards our target of R2,5bn by the end of 2023. In the 2021 Consulta survey Nedbank achieved the number two ranking among the South African banks on client satisfaction metrics, with Net Promoter Score (NPS) increasing to 47. Progress on strategic portfolio tilt 2.0 (strategy) (SPT 2.0) was evident in market share gains in certain key product areas and main-banked clients, while it has proved difficult to gain ground in all key deposit and advances segments in a highly competitive environment. In the annual Consulta survey Nedbank recorded the largest retail main-banked market share gain among the large South African banks, while CIB gained 35 new primary clients. We continued to create positive impacts by delivering against the United Nations Sustainable Development Goals (SDGs) and increasing our focus on environmental, social and governance (ESG) matters. In 2021 we released our Energy Policy and inaugural Task Force on Climate-related Financial Disclosures (TCFD) Report and successfully concluded Africa's first green additional tier 1 capital instrument, while maintaining ESG ratings at the top-end of the local and international peer group.

Liquidity and capital levels have improved and are above regulatory minima and within or above board-approved target ranges. Credit and collections were managed effectively. IT system stability remained outstanding, allowing for continuity in client banking operations and for our employees to continue to work effectively from home.

The past two years have been unprecedented and extraordinarily difficult for our clients and employees. We have been fortunate in pursuing our strategic, operational and financial priorities with committed and resilient people, who have worked diligently to follow the Covid-19 health protocols and support our clients and the economy.

Fair and responsible remuneration

Each year, remuneration differentials are thoroughly tested using a model that considers a wide range of admissible factors. Variances are identified for remedial action. Based on this exercise, the Group Remco is satisfied that overall, pay differentials are warranted.

Executive GP increases are set by reference to, among other things, the increases of the broader workforce, which is represented by Sasbo, the finance union in SA. Employees have a right to freedom of association and unions representing their interests. On 31 December 2021 a total of 63% of our employees were covered under the collective bargaining agreement with Sasbo.

We accordingly continue to remunerate our employees in the bargaining unit appropriately relative to the industry and continue to seek measures to reduce any unjustified pay differentials.

In addition to monetary reward, Nedbank provides lower-income employees and their dependants additional benefits to improve their skills and capacity, which should in time translate to a higher-remuneration opportunity.

The context for remuneration in 2021

Nedbank Group's financial performance for 2021 reflects a strong rebound off a low 2020 base. HE in 2021 increased by 115% to R11,7bn, but remain 7% below 2019 levels. Key drivers of shareholder value were also more positive, with net asset value (NAV) per share increasing by 11%, the group's return on equity (ROE) improving to 12,5% (2020: 6,2%) and a full-year dividend of 1191 cents per share at 2,02 times cover declared. The group share price increased by 35% during 2021.

Rewarding for value creation – remuneration outcomes continued

Guaranteed package

Increases in 2021

Following negotiations with Sasbo, the total GP of employees in the bargaining unit was increased by 4% with effect from April 2021, compared with 3% for the non-bargaining-unit employees and 3% for executives at cluster and group level.

The minimum GP for permanent, full-time employees in SA was increased to R180 000 per annum in 2021, up from R170 000 in 2020 and is significantly higher than the minimum wage in SA.

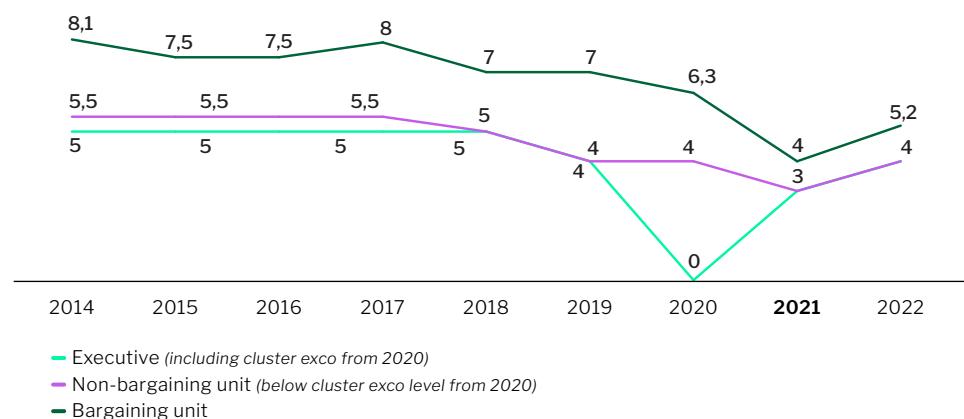
Increases in 2022

Employees at Group Exco level and non-bargaining-unit employees will receive an increase in their total GP averaging 4%. This compares with 5,2% for the bargaining unit. The minimum GP for permanent, full-time employees in SA was increased to R190 000 per annum in 2022, up from R180 000 in 2021, and remains significantly higher than the minimum wage in SA.

As shown in the graph, the GP increases of senior management remain lower than those of the bargaining unit. This has been a deliberate approach in an endeavour to reduce income inequality. This has the added effect of increasing the STI awards of the bargaining-unit members as variable pay is determined as a percentage of GP.

Guaranteed-package increases

(%)



Short-term incentives

A formulaic determination of the STI pool for the 2021 financial year based on actual performance as compared to targets for HE and EP would have created a pool of R2 969m. However, consistent with our Remuneration Policy, the final determination of the STI pool is not driven by a formula only, but is also subject to a qualitative approach where the Group Remco may make discretionary adjustments. The Group Remco consequently applied discretion, which was supported by management, to make a downward adjustment to the STI pool of R534m, equivalent to the upward discretionary adjustment that was applied in the previous year. This adjustment was driven mainly by a macro-environment being more favourable than expected and to achieve a fair balance between shareholder and employee outcomes.

The final STI pool of R2 435m is 70,2% above the 2020 pool of R1 435m, against an increase in HE of 115%. The 2020 pool of R1,435m was 29,5% lower than the 2019 pool of R2,028m, which in turn was 23% lower than the 2018 pool of R2 625m.

Annual % growth in HE and DHEPS vs % change in STI pool

(%)

120

90

60

30

0

-30

-60

2014 2015 2016 2017 2018 2019 2020 2021

■ HE growth ■ Change in total STI pool ■ DHEPS growth ■ Change in Group Exco STI awards

The 2021 STI pool represents 12,7% of HE (pre-bonus and pre-tax) as compared with 16,0% in 2020 and 10,2% in 2019. This pool of R2 435m also includes an upward realignment of R40m in CIB (R60m in 2020) to address base issues in the competitiveness of remuneration and retention risks, particularly in the Global Markets and Infrastructure divisions.

Consistent with our Remuneration Policy, 50% of any STI over R1m is deferred in shares over three years, and is subject to *malus* and clawback provisions.

Rewarding for value creation – remuneration outcomes continued

The long-term incentive scheme

Vesting of 2019 awards in 2022

Only 18% of the 2019 LTI awards to Group Exco members will vest in 2022. The impact of this is evident in the single-figure remuneration outcomes of EDs and POs. Furthermore, based on current forecasts, 0% of the 2020 awards to Group Exco members are estimated to vest in 2023, while an estimated 130% of the 2021 awards, subject to certain Group Remco discretion, will vest in 2024.

Changes affecting the 2022 awards

Consistent with the feedback from our shareholders and following the unique Covid-19 circumstances of 2020 and 2021, the 2022 LTI and MSS awards to Group Exco members will revert to being 100% subject to CPTs. In addition, the Group Remco increased the percentage of LTI and MSS awards to cluster exco members that is subject to CPTs from 60% to 75%.

The individual CPTs and their weightings for the 2022 awards were also reviewed. The efficiency ratio (cost to income) has been reintroduced alongside the ROE and DHEPS targets, which will be the three financial performance measures for the 2022 awards:

- Vesting against the ROE CPT will be tested in the final year of the three-year vesting period, 2024. Given the medium-term ROE target to end-2023 of a recovery to 2019 ROE levels of 15%, the 2024 target for 100% vesting of this measure of ROE = COE + 1,75% aligns with the trajectory towards our long-term goal of ROE + 3 to 4% (circa 18%). This also returns to the usual approach of setting an ROE target relative to COE.
- The DHEPS CPT will revert to a compound annual growth rate (CAGR) target over the three-year vesting period, similar to 2020 and 2019. The CAGR target for 100% vesting is CPI + gross domestic product (GDP) + 7%.
- The cost-to-income CPT will be calculated in the final year of vesting, 2024. The target for 100% vesting of 53% is more stretching than our medium-term targets of 54% for end-2023.

Important environmental and social commitments are introduced as CPTs. These prioritise our Energy Policy commitments, sustainable-development-financing targets, employee and client NPS rankings and our competitive broad-based black economic empowerment (BBBEE) status. Governance-related matters are appropriately covered through the existing *malus* and clawback provisions.

The Group Remco also felt it important to attach strategic CPTs to the 2022 LTI awards. In this regard, our ME technology strategy enables Nedbank to lead in digital innovation, deliver market-leading client solutions, drive faster revenue growth through SPT 2.0 and deliver a more efficient operating model through TOM 2.0.

Delivery on these environmental, social and strategic enablers will support Nedbank's continued focus on value creation for shareholders by delivering sustainable earnings growth, continued increase in ROE (long term greater than about 18% or COE + 3% to 4%) and a lower cost-to-income ratio (long term below 50%).

The following CPT weightings will apply for the 2022 LTI awards, which will be reviewed again in 2023 for future awards:

| CPT weightings | Group Exco % | Cluster exco % | All other % |
|---|--------------|----------------|-------------|
| • ROE vs COE | 30 | 25 | 15 |
| • DHEPS growth | 30 | 25 | 15 |
| • Efficiency ratio | 20 | 15 | 10 |
| • Environmental and social | 10 | 5 | 5 |
| • Strategic | 10 | 5 | 5 |
| Total | 100 | 75 | 50 |
| % of award with performance conditions | 100 | 75 | 50 |
| % of award without performance conditions | 0 | 25 | 50 |
| Total | 100 | 100 | 100 |

- The Group Remco believes these CPTs and weightings will promote shareholder value creation and have the desired effect of motivating and retaining executives and employees.
- The Group Exco members are compliant with minimum shareholding requirements.

Addressing shareholder concerns

From the inception of the shareholder advisory vote on remuneration in SA (on the policy in 2015 and on both the Remuneration Policy and Implementation Report in 2018), Nedbank has enjoyed high voting support in favour of our remuneration, consistently in the upper-90% range each year. However, the vote on our 2020 Remuneration Policy did not meet the 75% threshold at the 2021 AGM, in which we received a 65,9% vote in favour (2020: 97,7%). The Implementation Report was supported with an 80,0% vote in favour (2020: 98,4%).

We held constructive engagements with our shareholders before finalising our 2021 remuneration proposals. These engagements highlighted that there were differing views among shareholders on appropriate remuneration outcomes during a period of significant volatility as a result of the Covid-19 pandemic and its impact on Nedbank's strategic focus and performance. It was nevertheless clear that there was a level of dissatisfaction among some shareholders, in particular with respect to the corporate performance targets (CPTs) relating to the awards under the long-term incentive (LTI) scheme, including the Matched-share Scheme (MSS) (part of the Restricted-share Scheme), for 2021.

The date and nature of the shareholder engagements, the key feedback received, and the consequent remuneration changes we have now implemented (or our responses, where no change was warranted) are set out on [page 96](#).

Rewarding for value creation – remuneration outcomes continued

| Shareholder meetings | |
|---|--|
| Remuneration issues were discussed as part of our ESG Roadshow with shareholders in May 2021 and post our AGM in June 2021. | |
| Feedback received | Group Remco: Observation Change/response |
| There was criticism of the reintroduction of time-based vesting awards for Group Exco, at 20% weighting, without performance conditions. | <p>This measure, combined with the once-off additional LTI awards, partially addressed the materially increased retention risk resulting from the significant loss of value in the in-flight LTI awards. Group Exco LTI awards made in 2020 are currently expected to have 0% vesting.</p> <p>We have reverted to 100% performance conditions on the 2022 LTI awards to Group Exco members.</p> |
| Certain CPTs on the 2021 LTI award were regarded as 'soft', namely the capital and liquidity recovery metrics. | <p>The 2021 LTI awards contained four 'business recovery' metrics to emphasise the strategic importance of maintaining balance sheet resilience during the impact of Covid-19 and of navigating a recovery towards achievement of our targets over the medium term.</p> <p>The capital and liquidity metrics are strategically important and make up only two of the four metrics in this basket of CPTs, with a weighting of 10% for Group Exco and cluster exco members and maximum vesting on these metrics deliberately limited to 100%. The Group Remco will also need to be satisfied that there is 'substantial progress' over the three years on these board-approved metrics, after having received input from the relevant board committees, for the full vesting to be achieved. The SPT 2.0 and TOM 2.0 CPTs have been retained in the 2022 LTI awards.</p> <p>Feedback will be provided in the Remuneration Report in each year until vesting to enhance transparency on progress toward the achievement of these qualitative CPTs.</p> |
| Explicit ESG conditions should be linked to remuneration. | <p>Individual remuneration awards are informed by, among other things, individual performance outcomes in terms of goal commitment contract (GCCs). The individual GCCs do consider performance against specific ESG commitments, which is disclosed in detail in the Remuneration Report for the executive directors (EDs) and prescribed officers (POs).</p> <p>The March 2022 LTI awards now include environmental and social CPTs – an explicit approach. The governance component is addressed with the existing <i>malus</i> and clawback provisions set out in our Remuneration Policy.</p> <p>This is our first but important step to explicitly tying remuneration outcomes to the achievement of such targets.</p> |
| Shareholder meetings | |
| Remuneration issues were discussed as part of our ESG Roadshow with shareholders in May 2021 and post our AGM in June 2021. | |
| Feedback received | Group Remco: Observation Change/response |
| The Group Remco may use its discretion to amend the vesting outcome for the ROE and diluted headline earnings per share (DHEPS) CPTs on the 2021 LTI awards. | <p>Completely rigid projections of targets could not be responsibly set when economic forecasting risk was so high in the short to medium term during volatile Covid-19 conditions. In such an environment, fixed targets have the risk of being materially over- or underachieved, resulting in unjustified windfall incentive gains or losses. A number of our larger shareholders actively supported the inclusion of the Group Remco's discretion, provided it was responsibly and transparently applied with clear objectives.</p> <p>The 2022 LTI CPTs do not carry such Group Remco discretion.</p> |
| The reintroduction of time vesting in the MSS for Group Exco, at a 50% weighting, without performance conditions was questioned. | <p>The reversion to 50% of the MSS award contingent on a performance condition applied to 13 employees only (Group Exco) and would have a limited impact of a maximum of 13,75% on the individual's short-term incentive (STI).</p> <p>This was a temporary change to partially manage the material retention and motivation risk during Covid-19 conditions.</p> <p>We have reverted to 100% performance-based MSS vesting for Group Exco members. For cluster exco members, we have also increased the percentage of the MSS award subject to a matching condition ranging from 60% to 75%.</p> |
| The discretionary adjustment to the group STI pool for 2020 was questioned. | <p>Consistent with our Remuneration Policy, after careful consideration the Group Remco may make qualitative adjustments to the STI pool. The group's STI pool is deliberately not tied to a fixed formulaic approach as this can result in unintended outcomes. An overlay of the Group Remco's discretion is considered necessary to ensure appropriate adjustment is made for corrections and non-quantifiable and non-financial factors that contribute to shareholder value.</p> <p>For 2021 the Group Remco has applied downward discretion on the formulaically determined 2021 STI pool in an environment when the formulaic targets set in early 2021 were materially exceeded. This discretionary adjustment returns to shareholders the full 2020 upward discretion of R534m and was deemed appropriate given that the macroeconomic performance of the country was better than expected and the Nedbank earnings recovery was faster than expected. The Group Remco and management consider this a fair and responsible outcome for management and shareholders.</p> |



We provide additional disclosure on shareholder engagements in our Remuneration Review available online as part of the 2021 Governance Report at [nedbankgroup.co.za](http://nederlandgroup.co.za).

Rewarding for value creation – remuneration outcomes continued

Board oversight – ensuring and protecting value

Group Remuneration Committee (Remco)



'We have been fortunate in pursuing our strategic, operational and financial priorities, with committed and resilient people, who have worked diligently to follow the Covid-19 health protocols and support our clients and the economy. The Group Remco is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration Policy have been met, without material deviation.'

Hubert Brody, Chairperson

Ensuring and protecting value in 2021

- Reverted to 100% of the 2022 LTI awards to Group Exco, subject to performance conditions.
- Applied downward discretion of R534m on the 2021 STI pool. The final STI pool of R2 435m is 70.2% above the 2020 pool, against an increase in HE of 115%.
- Introduced environmental and social commitments as CPTs on 2022 LTI awards.
- Addressed shareholder concerns in terms of the 2020 Remuneration Policy.
- Worked with the GTSEC on the oversight of remuneration differentials.
- Introduced flexileave to provide paid time off on an uncapped basis.
- Introduced a choice of three open medical schemes, enhancing our value proposition to attract skills.

Focus for 2022 and beyond

- Maintain dialogue with shareholders to ensure the relevance and appropriateness of the Remuneration Policy.
- Review the group's STI pool build-up methodology, ensuring it remains fit for purpose.
- Review the competitiveness of the group's LTI pool, the LTI CPTs, vesting ranges, and weightings.
- Ensure that the requirements of the charter continue to be fulfilled.
- Ensure remuneration outcomes are fair and responsible.
- Stay abreast of remuneration best practices.
- Review the merits of 'issue versus share repurchase' to fulfil future LTI awards.

Stakeholders



Top 10 risks

- Business risk
- Strategic-execution risk
- People risk
- Operational risk

A comprehensive Remco Report is available online in our 2021 Governance Report on our group website at nedbankgroup.co.za.

¹ 2020 single-figure LTI is the value (both performance and time-vested) of the 2018 award, which was settled in March 2021, but for which the measurement of performance conditions concluded on 31 December 2020.

² Face value: Variance between face value of the LTI awards in 2018 and 2019.

³ CPT: Variance between the CPT performance of awards in 2018 and 2019. CPT performance is the variance of the number of awarded shares vs vested shares and is valued at the share price on award.

⁴ Share price: Variance between the share price performance of awards in 2018 vs 2019. Share price performance is the variance of the share price at award over the share price at vesting and is valued on the actual number of shares vested.

⁵ 2021 single-figure LTI is the value (both performance and time-vested) of the 2019 award, which will be settled in March 2022, but for which the measurement of performance conditions concluded on 31 December 2021.

Executive directors and prescribed officers

The managing executives of the four frontline, income-generating clusters are included in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers. The performance for 2021 of the CE and other EDs and POs is outlined below:

Mike Brown Chief Executive

Financial performance

- Increased HE by 115% to R11,7bn, which was well above targets set in early 2021 when the expectations of the country's macroeconomic performance and of Nedbank's earnings recovery were significantly more cautious.
- Increased balance sheet resilience metrics to above 2019 levels, with capital levels above the top end of board targets.
- Resumption of dividend payments at the upper end of the board-approved payout ratios.
- Material improvement in impairments, down 50% on 2020, with expenses well managed, up 2%, excluding incentives.

Strategy

- Delivered great client satisfaction rating outcomes (Number two SA bank on NPS and SA-csi).
- Improved main-banked client market share in RBB, up 1.2% to 12.4% (Consulta), and delivered 35 primary transactional account wins in CIB.
- Recorded market share gains in selected retail advances categories.
- Realised R967m of TOM 2.0 benefits and on track to unlock R2,5bn of value over the next two years.
- Achieved 85% completion of our ME technology strategy to build a modern, agile, modular and digital IT stack, enabling market-leading digital innovations such as the Nedbank Business Hub, and Avo super app, and accelerated digital uptake and usage as well as productivity gains.
- Made good strategic and financial progress on ETI turnaround.
- Retained Nedbank brand ranking at number eight in SA.

- Lost household transactional deposit market share.

Environmental, social and governance

- Increased 'great place to work' NPS from 17 to 19.
- Reinitiated the YES programme by providing first-time job opportunities to 1 905 youth.
- Continued to drive Nedbank's overall leadership in climate-change-related matters, with all climate policy targets achieved.
- Reduced headcount by 1 117, mostly through natural attrition, and limited retrenchments to only 70 employees.
- Achieved female employees as a percentage of total employees of 61% and black employees of more than 79%.
- Maintained level 1 BBBEE status and received the 2021 Top Empowered Business of the Year Award (Oliver Top Empowerment Awards).
- Worked with government, the banking industry, business and labour to find solutions to counter the negative impact of Covid-19 and improve levels of inclusive growth in SA.
- Implemented and maintained various actions to ensure the health and safety of our employees and clients.
- Maintained IT system uptime at world-class levels and ensured sound cybersecurity.
- Performed good management of ongoing reputational issues.

Guaranteed remuneration (R'000)



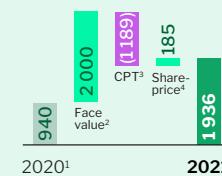
Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)



+ Value creation ● Value preservation - Value erosion

Rewarding for value creation – remuneration outcomes continued

+ Value creation

● Value preservation

- Value erosion

Mfundo Nkuhlu Chief Operating Officer

Financial performance

- Increased HE by 115% to R11,7bn, which was well above targets set in early 2021 when the expectations of the country's macroeconomic performance and of Nedbank's earnings recovery were significantly more cautious.
- Managed expenses well across all shared services clusters.
- Delivered a strong recovery in associate income from ETI of R686m and HE of R523m.

Strategy

- Achieved 85% completion of our ME technology strategy, enabling market-leading digital innovations such as the Nedbank Business Hub and Avo super app, and accelerated digital uptake and usage, as well as achieved positive outcomes from independent external benchmarking of the group's technology programme.
- Realised R967m of TOM 2.0 benefits and on track to unlock R2,5bn of value over the next two years.
- Managed the COO function well and continued to deliver improvements in operational excellence and collaboration.
- Ensured good strategic and financial progress on ETI turnaround. As an ETI boardmember, ensured improvement in ETI's profitability, risk, liquidity and capital levels.
- Retained Nedbank brand ranking at number eight in SA.

Environmental, social and governance

- Increased the 'great place to work' NPS from 17 to 19.
- Reinitiated the YES programme by providing first-time job opportunities to 1 905 youth.
- Maintained level 1 BBBEE in transformation under the Amended Financial Sector Codes.
- Implemented and maintained various actions to ensure the health and safety of our employees and clients.
- Provided leadership or oversight of market conduct in Nedbank to ensure appropriate client outcomes.
- Raised the sustainability agenda, with our climate change policy well received in the market.
- Maintained IT system uptime at world-class levels and sound cybersecurity.
- Continued participation and leadership on BASA forums as well as proactive industry or regulatory engagements.

Guaranteed remuneration (R'000)



Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)



Mike Davis Chief Financial Officer

Financial performance

- Increased HE by 115% to R11,7bn, which was well above targets set in early 2021 when the expectations of the country's macroeconomic performance and of Nedbank's earnings recovery were significantly more cautious.
- Ensured the achievement of sustainability efficiencies through a reduction in high-pollution electricity consumption, water consumption and, landfill-destined waste, as well as through meeting recycling targets.
- Resumption of dividend payments at the upper end of the board-approved payout ratios.
- Material improvement in impairments, down 50% on 2020, with expenses well managed, up 2%, excluding incentives.

Strategy

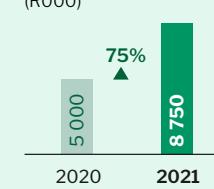
- Enhanced communication to investors and acknowledged for market-leading disclosures.
- Ensured good cost management in Group Finance, unlocking efficiencies and benefits from digitisation, headcount optimisation, improved office space utilisation and procurement.
- Executed liquidity risk and capital management strategies optimally, evident in metrics that are above pre-crisis levels (2019).
- Concluded the Nedbank Limited preference share buyback.
- Managed interest rate risk well, creating value through the liquid asset portfolio.
- Maintained good relationships with key stakeholders through regular and proactive engagements.

Guaranteed remuneration (R'000)

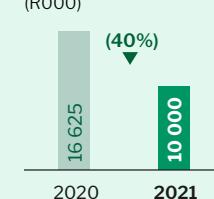


GP for 2020 from 1 October when appointed as an executive director.

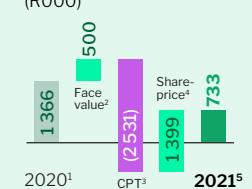
Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)



¹ 2020 single-figure LTI is the value (both performance and time-vested) of the 2018 award, which was settled in March 2021, but for which the measurement of performance conditions concluded on 31 December 2020.

² Face value: Variance between face value of the LTI awards in 2018 and 2019.

³ CPT: Variance between the CPT performance of awards in 2018 and 2019. CPT performance is the variance of number of awarded shares vs vested shares and is valued at the share price on award.

⁴ Share price: Variance between the share price performance of awards in 2018 vs 2019. Share price performance is the variance of the share price at award over the share price at vesting and is valued on actual number of shares vested.

⁵ 2021 single-figure LTI is the value (both performance and time-vested) of the 2019 award, which will be settled in March 2022, but for which the measurement of performance conditions concluded on 31 December 2021.

Rewarding for value creation – remuneration outcomes continued

+ Value creation

● Value preservation

- Value erosion

Anél Bosman Managing Executive: Nedbank CIB

Financial performance

- Increased HE in CIB by 54% to R5,6bn and delivered an ROE of 15,3%, above the group's cost of equity.

- Managed credit and collections very well – CIB CLR at 42 bps within its TTC range of 15 bps to 45 bps.

- Managed capital and NIMs well through portfolio optimisation.

Strategy

- Gained 35 primary clients while facing increased competition and maintained a healthy lending pipeline.

- Ensured good progress in juristic onboarding as part of the Nedbank Business Hub roll-out.

- Made steady progress in improving our Africa business model – growth of African balance sheet, recruitment, ongoing collaboration with NAR and ETI.

- Continued to deliver a market-leading efficiency ratio for CIB businesses of 44%.

- Made capital allocation decisions with data-driven portfolio, sector and client analysis as part of portfolio optimisation.

Environmental, social and governance

- Developed market-leading sustainable-development finance products including Africa's first R900m green AT1.

- Raised R1,1bn through the issuance of a Green Residential Development Bond for financing of EDGE-certified green residential housing developments in SA, with up to 75% of this to be in the affordable-housing segment.

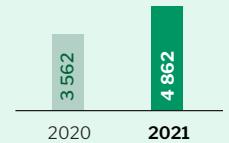
- Provided R36,5bn renewable-energy finance and contributed to adding more than 3 500 MW to the electricity grid. Recognised as a leading embedded-energy-generation business.

- Received multiple prestigious industry awards in recognition of our expertise and purpose-led approach.

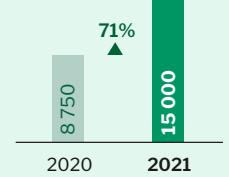
- Focused on accelerating our digital change agenda while ensuring that we build a culture of diversity, equity and inclusion.

- Maintained a strong governance and control environment.

Guaranteed remuneration (R'000)



Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)



* The negative CPT performance on the 2019 award is lower than the negative CPT performance on the 2018 award, resulting in a net positive CPT performance of R40 000. This can be attributed to: the overall vesting outcome on the 2019 award, at 58%, being higher than the overall vesting outcome on the 2018 award, at 55%, noting that both awards were made as a cluster exco member when only 60% of the award was subject to CPTs. Taking this into account, and that the face value of the 2018 award was only 5% higher than the 2019 award, the value of the negative CPT performance of the 2019 award was below the 2018 award.

Ciko Thomas Managing Executive: Nedbank RBB

Financial performance

- Increased HE in RBB by 184% to R4,5bn and ROE to 13,7%.

- Oversaw the RBB CLR decrease to 134 bps, within the cluster's TTC target range of 130 bps to 180 bps.

Strategy

- Achieved positive client satisfaction outcomes, with an ongoing upward trajectory and the bank now being rated the number-two SA bank (NPS and SA-csi).

- Increased main-banked market share by 1,2% to 12,4% – according to the 2021 Consulta survey and increased retail main-banked client numbers by 1% to 3,1 million.

- Realised market share gains in selected retail advances categories.

- Realised R967bn of TOM 2.0 benefits ytd, supported by strategic initiatives such as Project Imagine and Project Phoenix. Good progress made in optimising branch footprint and headcount to adapt to digital sales and services.

- Landed various market-leading client solutions, while Avo, our ecosystem play, continues to scale.

- Accelerated digital uptake and usage, and remained focused on new opportunities and growth vectors (APIs, township economy) and increasing the cross-sell ratio (from 1,8 to 1,9 products).

- Ensured good progress made in juristic onboarding as part of the Nedbank Business Hub roll-out to our Business Banking clients.

- Lost household deposit market share because of aggressive competitor pricing, with improving trends evident in Q4 2021.

Environmental, social and governance

- Provided significant support for entry-level clients and SMEs (eg USSD-based application process for onboarding informal traders; Small Business Services Startup Bundle; and R57bn in loans to SMEs, entrepreneurs and professionals).

- Enabled and educated our clients to increasingly bank through our mobile and web capabilities.

- More than 12 400 of employees completed Service Excellence Programme training to drive a client-centred culture.

- Reached over three million clients through education programmes delivered via a combination of radio, virtual and face-to-face interventions as part of our financial wellness programme.

- Provided extensive interventions to support employees affected by the RBB optimisation.

Guaranteed remuneration (R'000)



Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)



¹ 2020 single-figure LTI is the value (both performance and time-vested) of the 2018 award, which was settled in March 2021, but for which the measurement of performance conditions concluded on 31 December 2020.

² Face value: Variance between face value of the LTI awards in 2018 and 2019.

³ CPT: Variance between the CPT performance of awards in 2018 and 2019. CPT performance is the variance of number of awarded shares vs vested shares and is valued at the share price on award.

⁴ Share price: Variance between the share price performance of awards in 2018 vs 2019. Share price performance is the variance of the share price at award over the share price at vesting and is valued on actual number of shares vested.

⁵ 2021 single-figure LTI is the value (both performance and time-vested) of the 2019 award, which will be settled in March 2022, but for which the measurement of performance conditions concluded on 31 December 2021.

Rewarding for value creation – remuneration outcomes continued

+ Value creation

● Value preservation

- Value erosion

Iolanda Ruggiero Managing Executive: Nedbank Wealth

Financial performance

- Increased HE in Nedbank Wealth by 45% to R962m and improved ROE to 21.2%, well above the group's cost of equity.
- Managed risk well, with CLR down to 9 bps below the TTC target range of 20–40 bps.

Strategy

- Achieved a Nedbank Private Wealth app average rating of 4.6 out of five, with 41% more interactions yoy.
- Experienced strong digital growth across all Wealth businesses – with increases in usage, interaction, volume and value.
- Landed new Nedbank Insurance client solutions such as MyCover personal lines, MyCover Life and MyCover Funeral. Insurance benefited from implementation of enhanced ALM strategy and improved investment performance, offset by an increase in life claims.
- Increased AUM by 13% to R424bn – benefiting from positive net flows and market share growth and increased international market share to 12%.

- Oversaw continued optimisation of Wealth Management (SA) business structure and operations to enhance client experiences through improved segment-specific client value propositions, a single distribution channel and digitisation of key processes.

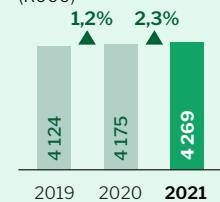
- Achieved Wealth Management International client experience benchmarking results of an NPS of 42% (above industry benchmark of 38%).

- Oversaw Wealth Management International's signing of an agreement to sell its Channel Islands trust businesses to focus on its core operations, subject to regulatory approval.
- Achieved recognition as the Best Private Bank in the UK (Nedbank Private Wealth) for the eighth consecutive year at the 2022 City of London Wealth Management Awards.

Environmental, social and governance

- Released second responsible investment research survey among asset managers to provide insight into ESG adoption and practices.
- Oversaw launch of Nedgroup Investments MyRetirement solution to RBB clients – an industry-first retirement solution designed to help with insufficient retirement savings in SA.
- Made good progress on risk and compliance initiatives aligned with a changing environment.

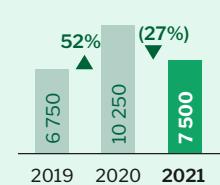
Guaranteed remuneration (R'000)



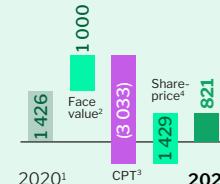
Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)



Dr Terence Sibiya Managing Executive: Nedbank Africa Regions

Financial performance

- Increased NAR HE by more than 100% to R594m and ROE improving to 9.3%.
- Recorded strong recovery in associate income from ETI, with related HE increasing to R523m (December 2020: R153m loss).

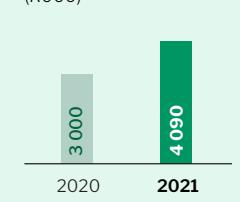
Strategy

- Accelerated digitisation and digital usage uptake – digitally active clients at 54%; volumes on Money app up 35%; and Online Banking at 90%; increased value-adding services (electricity, airtime, instant payments) volumes by 26%. SADC businesses overall number of clients are slightly up to 338 000 in 2021, below target due to closure of dormant accounts.
- Achieved market-leading client sentiment scores in Namibia, Lesotho, Mozambique and Zimbabwe.
- Received external recognition of the progress in digital space: Best Internet Banking Africa and Best Mobile Banking Africa for 2021; Most Innovative Retail Banking App in Eswatini for 2021; and Digital Banking Brand of the Year Mozambique in 2021.
- Successfully rebranded Banco Único to Nedbank Moçambique and continued integration into Nedbank.

¹ 2020 single-figure LTI is the value (both performance and time-vested) of the 2018 award, which was settled in March 2021, but for which the measurement of performance conditions concluded on 31 December 2020.

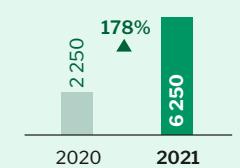
² Face value: Variance between face value of the LTI awards in 2018 and 2019.
³ CPT: Variance between the CPT performance of awards in 2018 and 2019. CPT performance is the variance of number of awarded shares vs vested shares and is valued at the share price on award.
⁴ Share price: Variance between the share price performance of awards in 2018 vs 2019. Share price performance is the variance of the share price at award over the share price at vesting and is valued on actual number of shares vested.
⁵ 2021 single-figure LTI is the value (both performance and time-vested) of the 2019 award, which will be settled in March 2022, but for which the measurement of performance conditions concluded on 31 December 2021.

Guaranteed remuneration (R'000)

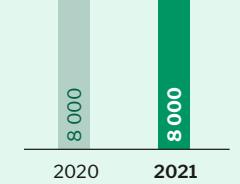


GP for 2020 from 1 April when appointed as a PO.

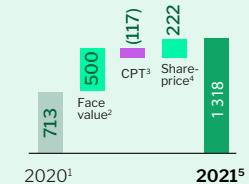
Total STI (R'000)



Total LTI at face value (R'000)



Single-figure LTI (R'000)





Supplementary information

| | |
|---|-----|
| Abbreviations and acronyms | 102 |
| Independent Assurance Providers' Limited Assurance Report | 103 |
| Company details | 105 |

Abbreviations and acronyms

ACI African, Coloured and Indian
AGM annual general meeting
AI artificial intelligence
AIEBA average interest-earning banking assets
AIRB Advanced Internal Ratings-based
AML anti-money-laundering
API application programme interface
AUM assets under management
BBBEE broad-based black economic empowerment
BEE black economic empowerment
bn billion
bps basis point(s)
CAGR compound annual growth rate
CAR capital adequacy ratio
CET1 common equity tier 1
CIB Corporate and Investment Banking
CLR credit loss ratio
COE cost of equity
CPI consumer price index
CPF commercial-property finance
CPT corporate performance targets
CRMF Climate Risk Management Framework
CSI corporate social investment
CVP client value proposition
DHEPS diluted headline earnings per share
ED executive director
EE employment equity
ELB entry-level banking
EP economic profit
EPS earnings per share
ESG environmental, social and governance
ETI Ecobank Transnational Incorporated
FCTR foreign currency translation reserve
FSC Financial Sector Code

FSCA Financial Sector Conduct Authority
FVOCI Fair value through other comprehensive income
FVTPL Fair value through profit or loss
GDP gross domestic product
GOI gross operating income
group Nedbank Group Limited
HE headline earnings
HEPS headline earnings per share
HQLA high-quality liquid asset(s)
IAS International Accounting Standard(s)
ICAAP Internal Capital Adequacy Assessment Process
IFRS International Financial Reporting Standard(s)
ILAAP Internal Liquidity Adequacy Assessment Process
IMF International Monetary Fund
JSE JSE Limited
LCR liquidity coverage ratio
LTI long-term incentive
m million
MAFR mandatory audit firm rotation
ME Managed Evolution
MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)
MW megawatt
MZN Mozambican Metical
NAR Nedbank Africa Regions
NII net interest income
NIM net interest margin
NIR non-interest revenue
NPS Net Promoter Score
NSFR net stable funding ratio
OM Old Mutual
PA Prudential Authority
PAYU Pay-as-you-use Account
PO prescribed officer

R rand
RBB Retail and Business Banking
Rbn South African rands expressed in billions
REIPPPP Renewable Energy Independent Power Producer Procurement Programme
Rm South African rands expressed in millions
ROA return on total assets
ROE return on equity
RRB Retail Relationship Banking
RWA risk-weighted assets
SA South Africa
SA-csi The South African Customer Satisfaction Index
SADC Southern African Development Community
SAICA South African Institute of Chartered Accountants
SARB South African Reserve Bank
SDGs Sustainable Development Goals
SEMS Social and environmental management system
SME Small and medium-sized enterprises
SMME Small, medium and macroenterprises
SPT strategic portfolio tilt
STI short-term incentive
TOM Target Operating Model
TTC through the cycle
UK United Kingdom
US United States
USSD unstructured supplementary service data
VAF vehicle and asset finance
VaR value at risk
VIU value in use
YES Youth Employment Service
yoY year on year
ytd year to date
ZAR South African rand (currency code)

Independent Assurance Providers' Limited Assurance Report

Independent Limited Assurance Report to the directors of Nedbank Limited

We have performed our limited assurance engagement in respect of the key performance indicators (denoted with "LA" per the Integrated Report and/or TCFD Report) for the year ended 31 December 2021.

The subject matter comprises the sustainability key performance indicators disclosed in accordance with management's basis of preparation, the Global Reporting Initiative (GRI) Standards and the alignment with AA1000APS (2018) principles (inclusivity, materiality and responsiveness), as prepared by the responsible party, during the year ended 31 December 2021.

The terms of management's basis of preparation comprise the criteria by which Nedbank Limited's compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

| Category | Selected sustainability information | Coverage/Reporting boundary |
|-------------------------------|--|--|
| Environmental | Number of Equator Principle Deals that had their first drawdown within the financial year | CIB (Investment Banking and Client Coverage) |
| | All CIB credit risk reviews and new applications included the screening of high risk clients and EP relevant deals via the Social and Environmental Management System (SEMS) | Nedbank CIB (Investment Banking and Client Coverage) |
| | Total carbon footprint (tCO ₂ e) | Scope 1: Campus buildings and Nedbank Limited (South African operations) Scope 2: Campus buildings; non-Campus buildings and non-South African bank offices and/or outlets Scope 3: Nedbank Limited (South African operations) |
| | Thermal coal funding | Nedbank Group |
| | Oil and gas funding | Nedbank Group |
| | Non-renewable power funding | Nedbank Group |
| | Renewable-energy funding | Nedbank Group |
| | Total water consumed (kL) | Nedbank Campus buildings |
| | Waste sent to landfill (tonnes) | Nedbank Campus buildings |
| | Waste recycled (tonnes) | Nedbank Campus buildings |
| Economic: Clients and banking | Net Promoter Score (NPS) | Client promotion of Nedbank for Retail and Business Banking, Wealth and CIB |
| | Number of main-banked clients | Retail |
| | Primary client wins | CIB |
| | Percentage of digitally active retail clients | Retail and Business Banking |
| | Digital sales (% of total sales) | Retail and Business Banking |
| IT | Nedbank Africa Regions number of clients | Rest of Africa |
| | Banking Ombudsman cases in favour of Nedbank | Nedbank Group |
| | System availability uptime score | Nedbank Group |
| Human resources | Employee attrition rate | South African Nedbank employee turnover percentage |

Independent Assurance Providers' Limited Assurance Report continued

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

- Ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;
- Confirming the measurement or evaluation of the underlying key performance indicators against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information; and
- Designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

Assurance practitioner's responsibility

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicators of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code), which is founded on fundamental principles of

integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Deloitte applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

We have performed our procedures on the key performance indicator transactions of Nedbank Limited, as prepared by management in accordance with management's basis of preparation for the year ended 31 December 2021.

Our evaluation included performing such procedures as we considered necessary which included:

- interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected key performance indicators;
- assessing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected key performance indicators for disclosure in the reports;
- inspecting supporting documentation and performing analytical review procedures; and
- evaluating whether the selected key performance indicator disclosures are consistent with our overall knowledge and experience of sustainability and non-financial processes.

Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.

Other matters

Our report includes the provision of limited assurance on the "Thermal coal funding", "Oil and gas funding", "Non-renewable funding" and "Renewable funding" for the year ended 31 December 2021. We were previously not required to provide assurance on these indicators.



Deloitte & Touche
Registered Auditors

Per Mark Victor
Partner
19 April 2022

5 Magwa Crescent
Waterfall City, Waterfall
Private Bag X6, Gallo Manor, 2052
South Africa

Company details

Nedbank Group Limited

Incorporated in the Republic of SA
Registration number 1966/010630/06

Registered office

Nedbank Group Limited, Nedbank 135 Rivonia Campus,
135 Rivonia Road, Sandown, Sandton, 2196
PO Box 1144, Johannesburg, 2000

Transfer secretaries in SA

JSE Investor Services Proprietary Limited,
19 Ameshoff Street, Braamfontein, Johannesburg, 2001, SA.
PO Box 4844, Marshalltown, 2000, SA.

Namibia

Transfer Secretaries (Proprietary) Limited
4 Robert Mugabe Avenue, Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

Instrument codes

Nedbank Group ordinary shares

| | |
|-----------------|--------------|
| JSE share code: | NED |
| NSX share code: | NBK |
| A2X share code: | NED |
| ISIN: | ZAE000004875 |
| JSE alpha code: | NEDI |
| ADR code: | NDBKY |
| ADR CUSIP: | 63975K104 |

For more information contact

Investor Relations

Email: NedGroupIR@Nedbank.co.za

Mike Davis

Chief Financial Officer
Email: MichaelDav@Nedbank.co.za

Alfred Visagie

Executive Head, Investor Relations
Email: AlfredV@Nedbank.co.za

This report is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial and risk management reporting
- Task Force on Climate-related Financial Disclosures (TCFD) reporting
- Society (social) reporting
- Governance reporting
- Shareholder information

For more information please contact Nedbank Group
Investor Relations at NedGroupIR@Nedbank.co.za.

Company Secretary:

J Katzin

Sponsors in SA:

Merrill Lynch SA Proprietary Limited
t/a BofA Securities
Nedbank CIB

Sponsor in Namibia

Old Mutual Investment Services (Namibia) (Proprietary) Limited

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.

nedbankgroup.co.za