Creating **value** by using our **financial expertise** to do **good**

Integrated Report

for the year ended 31 December 2018

see money differently

NEDBANK GROUP

Our purpose

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

About our cover

Nedbank has partnered with Aerobotics (Pty) Ltd, a disruptive technology company that builds advanced analytics on top of aerial drone and satellite imagery to deliver precision farming tools for agricultural clients. As Nedbank we are creating value by delivering on our purpose:

Using our financial expertise – Aerobotics is a pioneering equity deal for CIB's Venture Capital team, putting Nedbank at the forefront of investing in the technology industry and introducing clients to disruptive innovation. We partnered with this company to experiment with and distribute these innovative solutions and also unlock efficiencies for our agricultural clients. Our experimentation methodology allows us to leverage the speed to market of a fintech while testing the value and suitability of the technology in the banking environment.

To do good for clients – Aerobotics uses satellites and drones to capture multispectral images of crops and orchards to help farmers optimise yields and manage costs. It processes the aerial data through analytics, making use of machine learning to assess crop health and control pests and diseases. The technology is currently in use across 63 000 hectares of arable land – equivalent to around 660 farms in SA, Australia, France, Spain and the USA.

Forward-looking statements

This report contains certain forward-looking statements with respect to Nedbank Group's financial position, results, 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 auditors.

nedbankgroup.co.za

CONTENTS

We present our report in four sections to enable our stakeholders to make an informed assessment of our ongoing ability to create sustainable value.

Overview of the group, as well as of our businesses, market position, differentiators and our business model.

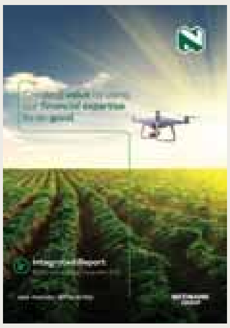
Overview of how our purpose, values, strong leadership and good governance position us for long-term value creation.

Overview of the needs and expectations of our stakeholders, the context in which we operate and how it is likely to change over the next few years, all of which inform our strategy and the tradeoffs necessary to ensure ongoing value creation and management of risks.

Assessment of how value was created through our financial performance for shareholders and also for all our stakeholders; the provision of an outlook for 2019 as well as for the medium to long term; and an indication of how remuneration outcomes correlate with our performance.

Our integrated report is supplemented by our full suite of online publications, which caters for the diverse needs of our broad stakeholder base as part of our comprehensive integrated reporting. These can be accessed on our group website at nedbankgroup.co.za.

ir 2018 Integrated Report



fs Financial and risk management reporting

- Results booklet and presentation
- Nedbank Group Annual Financial Statements
- Pillar 3 Risk and Capital Management Report
- Approach to tax
- Ten-year Review

gv Governance reporting

- Governance and Ethics Review
- Director and executive profiles
- Remuneration Report
- Key policies

sd Sustainable development reporting

- Sustainable Development Review
- Stakeholder Engagement Report*
- People Report*
- Transformation Report and BBBEE certificate
- Global Reporting Initiative Standards

si Shareholder information

- Notice of 52nd AGM
- Form of proxy
- Shareholding profile

* *Issued for the first time in 2018.*

ABOUT OUR INTEGRATED REPORT

This report is prepared in accordance with the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and provides our stakeholders with a concise and transparent assessment of our ability to use our financial expertise to do good and create sustainable value.

Scope and boundary of reporting

Reporting period

The Nedbank Group Integrated Report is produced and published annually. This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance, covering the year 1 January 2018 to 31 December 2018. Any material events after this date and up to the board approval date of 19 March 2019 have also been included.

Operating businesses

The report covers 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

The 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 value.

Targeted readers

This report is primarily intended to address the information requirements of long-term investors (our equity and preference shareholders, bondholders and prospective investors). We also present information relevant to the way we create value for other key stakeholders, including our staff, clients, regulators and society.

Risk and governance reporting

To align with our governance and risk management approaches we have integrated these aspects throughout this year's integrated report and have done away with standalone governance and risk sections. To highlight these we have introduced icons that illustrate a King IV™ outcome and where a specific risk ranks within the group's top 10 risks. Detailed disclosures on these aspects are available in our supplementary reports, Governance and Ethics Review and Pillar 3 Risk and Capital Management Report, which can be accessed on our group website at nedbankgroup.co.za.

Key concepts

Our value creation process

Value creation is the consequence of how we apply and leverage our capitals in delivering financial performance (outcomes) and optimising value (outcomes and outputs) for all stakeholders. Our value creation process is embedded in our purpose (page 14), described as part of our business model on pages 12 and 13, and integrated into the way we think and make decisions.

Materiality and material matters

We apply the principle of materiality in assessing what information should be included in our integrated report. This report therefore focuses particularly on those issues, opportunities and challenges that impact materially on Nedbank Group and its ability to be a sustainable business that consistently delivers value to shareholders and key stakeholders. Our material matters, as described on pages 32 to 40, influence our group's strategy and inform the content of this report.

Identifying our potential material matters is a groupwide responsibility and requires input from all business units and divisions, and input and feedback from all our stakeholders are considered. Our material matters inform our long-term business strategies, targets and short-to-medium-term business plans. Ranking the identified issues in order of relevance and potential impact is a collaborative effort, however, our Group Executive Committee assumes responsibility for approval of the material matters before their endorsement by the Group Transformation, Social and Ethics Committee and, finally, the Nedbank Group Board. The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

Reporting frameworks and combined assurance

Our integrated reporting process, as well as the content of this report, is guided by the principles and requirements of the International Integrated Reporting Framework, 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 SA Companies Act, 71 of 2008, and the Banks Act, 94 of 1990.

We employ a coordinated assurance model to assess and assure various aspects of the business operations, including elements of external reporting. These assurances are provided by management and the board, internal audit and independent external service providers, including KPMG and Deloitte & Touche (Deloitte), our external auditors and providers of limited assurance on selected sustainability information, and Mosela and SizweNtsalubaGobodo Rating Agency, providers of limited assurance on our application of the Amended FSC and the group's BBBEE status.

For further information on the scope of the services performed by our external assurance providers refer to the Nedbank Group Annual Financial Statements, the Nedbank Limited Annual Financial Statements, the Nedbank Group and subsidiaries BBBEE certificate, and the Independent Assurance Providers' Limited Assurance Report on Selected Sustainability Information, which are available on our group website at nedbankgroup.co.za.

We present our report in four sections to enable our stakeholders to make an informed assessment of our ongoing ability to create sustainable value.

Navigation icons

Our capitals

Our relevance as a bank today and in the future and our ability to create long-term value are interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value we deliver (outputs and outcomes). We also make tradeoffs between our capitals as discussed on page 54 and 55.

Financial

Our shareholders' equity and funding from investors and clients that are used to support our business and operational activities, including credit extension.

Human

Our culture and our people, investing in their development and our collective knowledge, skills and experience to enable innovative and competitive solutions for our clients.

Manufactured

Our business structure and operational processes, including our physical and digital infrastructure, our products, as well as our information technology that provides the framework and mechanics of how we do business and create value.

Intellectual

Our brand and franchise value, research and development, innovation capacity, reputation and strategic partnerships.

Social and relationships

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

Natural

Our impact on natural resources through our operations and business activities.

Strategic focus areas

- Delivering innovative market-leading client experiences
- Growing our transactional banking franchise faster than the market
- Being operationally excellent in all we do
- Managing scarce resources to optimise economic outcomes
- Providing our clients with access to the best financial services network in Africa

Stakeholders

- Staff
- Clients
- Shareholders
- Regulators
- Society

King IV™

Top 10 risk

This icon directs the reader to a page(s) or a supplementary report(s) with more information.

Approval by the board

The board acknowledges its responsibility of ensuring the integrity of this integrated report, which in the board's opinion addresses all the issues that are material to the group's ability to create value and fairly presents the integrated performance of Nedbank Group. We believe that this report has been prepared in accordance with the IIRC <IR> framework. This report was approved by the board of directors of Nedbank Group on 19 March 2019.

Vassi Naidoo
(Chairman)

Mike Brown
(Chief Executive)

Hubert Brody

Brian Dames

Neo Dongwana

Peter Moyo

Errol Kruger

Rob Leith

Mpho Makwana

Linda Makalima

Mantsika Matooane

Joel Netshitenzhe

Raisibe Morathi

Mfundo Nkuhlu

Stanley Subramoney

Malcolm Wyman
(Lead Independent Director)

REFLECTIONS FROM OUR CHAIRMAN

> As a purpose-led and values-driven bank, we play a critical role in society to safeguard depositors' money and transform the country's savings into investment opportunities and productive consumption, thereby facilitating economic growth and jobs and wealth creation. This is a key responsibility and one we do not take lightly.

It was an eventful start to 2018 with former President Jacob Zuma's exit and Cyril Ramaphosa being ushered in as the new President of South Africa. With this change came big expectations for President Ramaphosa and his Cabinet to address nine years of slow decline in economic growth, rebuild trust in a nation reeling from 'state capture', restore confidence in our public institutions, root out corruption, reverse the systemic erosion of state-owned enterprises, improve the country's fiscal position and create jobs.

The global political and macroeconomic environment is complex and volatile, with risks to growth rising and pressure on emerging markets. In SA we are operating in a mild-stress economic environment, and the sense of confidence the country experienced in the first half of 2018 has faded as policy uncertainty and recessionary-type conditions prevail.

In 2018 we saw an increase in VAT in SA, recurrent fuel hikes, land expropriation debates, and a low-growth economy. The announcement of the Stimulus Plan in September, the successful Investment Conference and Jobs Summit in October, along with the Medium Term Budget Policy Statement and 2019 Budget, saw a shift in tone from government on how it intends rebuilding the economy. But much still needs to be done to convince ratings agencies that the execution and investment plans will lead to a sustained increase in GDP growth.

The reality is we are still at the early stages of a political and institutional turnaround – the Nugent, Zondo and other commissions are a difficult but necessary part of this to restore trust and the rule of law that is a foundation for any progress. There is still a lot of much harder work ahead to resolve strategic, operational and funding challenges at SOEs, particularly at Eskom, which in the context of the South African economy is a monopoly that is too big to fail.

Growth on the African continent has shown a positive trajectory, but it remains a challenging environment to navigate. The continued instability in Zimbabwe, for example, takes place against a backdrop of worsening economic hardship for that country and indeed the region. We remain hopeful about a recovery in Zimbabwe.

As much as the forecasts speak to higher growth in Africa and a recovery in commodity prices adds to macroeconomic stability on the continent, they are insufficient to deal with the structural issues that exist. Strengthening governance and institutional frameworks will go a long way in addressing the crisis of confidence we currently face.

Purpose-led business

The lack of confidence in governance in SA has undermined the investment case for the country. The correlation between investment and sound governance is clear – you cannot have one without the other. Furthermore, without substantial new investment in our economy, we will not achieve the inclusive economic growth needed to address the country's three most important challenges: unemployment, poverty and inequality.

As a purpose-led and values-driven bank, we play a critical role in society to safeguard depositors' money and transform the country's savings into investment opportunities and productive consumption, thereby facilitating economic growth as well as job and wealth creation. This is a key responsibility and one we do not take lightly. If we falter, we lose our social licence to operate. We could lose our banking licence, but more importantly, we could lose the trust and confidence of our stakeholders, including that of depositholders.

To be sustainable over the long term we need a clear reason for our existence, and we have articulated this in our purpose statement – to use our financial expertise to do good for individuals, families, businesses and society.

The Sustainable Development Goals (SDGs) represent a common set of measurement criteria for 'doing good' or improving the state of society and the world, and were chosen to measure the delivery of 'doing good' as set out in our purpose statement.

I do believe that we need more 'purpose-led' organisations. We need boards to think about how they can make their organisations and related governance structures more responsive to the broader societal and environmental context.

The 'do good' is not defined in the narrow form of philanthropy, but rather in the philosophy of doing business responsibly, which means doing business ethically based on a trust relationship with stakeholders. Trust is created by having a sound strategy and business offering, promoted through ethical leadership and a commonly accepted and lived set of values, demonstrated through behaviour that in turn leads to effective and enabling governance, risk and compliance.

Having the appropriate governance mechanisms and pillars that support ethical behaviour are foremost in our business. Nedbank has played and continues to play a leading role in the proactive engagement between government, labour and the private sector. We were one of the founding members of the CEO Initiative in SA, which supports government with several interventions to address the most urgent problems in our economy.

We realise that businesses must participate in matters of national significance, and in this regard Nedbank was the only bank to make its own submission to the Constitutional Review Committee in Parliament looking into land expropriation without compensation.

I am also proud that Nedbank supported the legacy of Madiba by sponsoring the Global Citizen Festival: Mandela 100. I strongly believe that businesses that understand that they are truly part of helping to improve society and not merely part of some separate financial universe, will increasingly be differentiated in the eyes of staff, clients and stakeholders and, as a result, will grow faster than their peers.

If we are to continue building a truly sustainable business, we must do good for our clients. This means we must use our skills and expertise to ensure great client experiences every time they engage with us. The power has shifted; we need to listen to our clients and respond to their needs and expectations perhaps before they even know how to articulate them.

I am pleased that Nedbank has for the first time achieved a level 1 BBBEE contributor status for the full year 2018 under the Amended Financial Sector Code. This is a result of our ongoing commitment to sustainable transformation.

Digital world without boundaries

As the Fourth Industrial Revolution dawns on us, bringing innovation and disruption, we have initiated projects through our Managed Evolution (ME) and Digital Fast Lane (DFL) capabilities that will improve our response to digitisation and position us in the growing online environment.

The emergence of new players in the financial services industry has created a new digital world that can almost be described as one with no boundaries. Non-traditional players are increasingly exploring new opportunities, enabling them to challenge incumbents and continually change the state of financial services in SA. For traditional banks this changing landscape presents challenging, but exciting, opportunities that must be matched with accelerated interventions for grooming leaders who will lead through innovation and technology to disrupt the market.

The digitisation of an organisation does not happen overnight – the intricate interdependencies between people, processes, technology and data must be considered carefully. The scale, scope, and complexity of the technological revolution are going to change the way we live, learn and work, as well as how these relate to each other. To facilitate this transition we know that to remain relevant we cannot approach the shift in isolation. Our response must be integrated and comprehensive, involving all our stakeholders.

Two independently managed companies

We officially completed the managed-separation process with Old Mutual in 2018, a momentous occasion in Nedbank's history. The process, as predicted, did not affect staff, clients, the group's strategy or the daily operations at Nedbank.

The managed separation will allow the two independently governed and managed companies – Nedbank and Old Mutual Limited – to focus on their respective strategic goals and operate more effectively to the benefit of shareholders, staff, clients and society. We are excited about Nedbank's journey ahead as a truly independent company. The unbundling has led to a far more diverse emerging-market shareholding profile for Nedbank and a much larger free float including higher levels of shares available to trade. These bode well for both existing and new shareholders.

Culture of transparency and accountability

Governance within Nedbank Group implies far more than compliance with relevant legislation and best-practice principles. Rather, it involves a deep-rooted culture of accountability, transparency, respect, efficiency, ethical thought and action, and a values-driven approach to everything we do. The board continues to fulfil the primary governing roles and responsibilities encapsulated in King IV™.

As the Chairman of a 'purpose-led' organisation, the board and I try to ensure that our governance structures are more responsive to the broader environmental context, as this is important if we are to truly deliver on our purpose of 'doing good' for our staff, clients, shareholders, regulators and society.

State capture may have broken the trust between social partners in SA and undermined our confidence in one another. But now we must find a way to work together, because the challenges before us are too great for business, government or labour to deal with on its own. To work together productively, difficult decisions will have to be made, and success is going to require that all of us deliver on our promises – big and small – to build trust and confidence.

Appreciation

We are the sum of our parts and our strength lies in our diversity. Without the 31 277 employees who are committed to our 7,9 million clients, the bank does not exist. Thank you to our Chief Executive, Mike Brown, and the executive team for their ongoing support and commitment to delivering on our purpose.

Thank you to my fellow boardmembers for your support, and a special word of appreciation to Nomavuso Mnxasana, Bruce Hemphill and Ian Gladman who stepped off the board last year. We welcome Peter Moyo from Old Mutual Limited to the board, and I am looking forward to working with him.

In accordance with the Mandatory Audit Firm Rotation, KPMG will rotate off the Nedbank Group on conclusion of its audit responsibilities for the year ended 31 December 2018. On behalf of the board, we thank KPMG and their staff for their valuable contribution to Nedbank as they served as our external auditors for many years. We look forward to working with Ernst & Young (EY).

This year we will also have our general elections, and we will look to the newly elected government to provide leadership and much-needed clarity on policy, including a clear plan to address sustainable land reform, defend the independence of SARB and address crippling state-owned entities. It may seem to be a long road ahead, but I am positive that we can attract new investment to ensure inclusive growth to address unemployment, poverty and inequality.

Vassi Naidoo
Chairman

OVERVIEW OF NEDBANK GROUP

Nedbank Group is one of the largest financial services groups in Africa, offering wholesale and retail banking services as well as insurance, asset management and wealth management. In SA we have a strong franchise evidenced by a 19% deposit and 18% advances market share.

Outside SA we operate in six countries in SADC, through subsidiaries and banks in Lesotho, Malawi, Mozambique, Namibia, Eswatini (Swaziland) and Zimbabwe. In Central and West Africa we have a strategic alliance with ETI in the region and we have representative offices in Angola and Kenya.

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

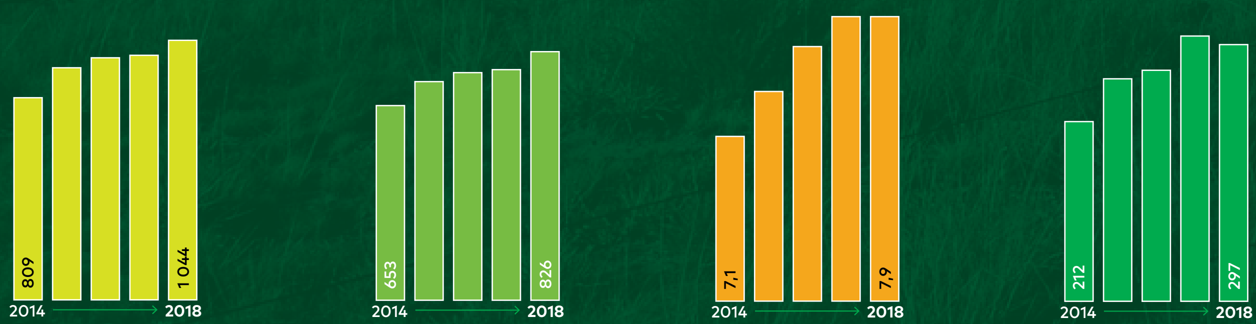
- Total assets above **R1 trillion** for the first time, in 2018
- Headline earnings **R13,5bn**
- Strong capital ratios: **CET1 capital ratio 11,7%**
- Market capitalisation **R136bn** at 31 December 2018
- Old Mutual strategic ownership **19,9%** (after unbundling of Nedbank Group ordinary shares to OML's shareholders on 15 October 2018)
- Employees **31 277**
- One of SA's most transformed banks – **level 1 BBBEE contributor status** (Amended FSC)
- Included in the **Dow Jones Sustainability Emerging Markets Index** since 2004

Assets
(Rbn)

Deposits
(Rbn)

Total retail clients
(million)

Assets under management
(Rbn)

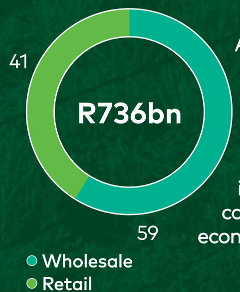


Overview of the group, as well as of our businesses, market position, differentiators and our business model.

What differentiates Nedbank?

	For more detail refer to
We are a purpose-led business. **Our unique corporate culture** and progress towards being more client-centred and innovative	51
Good governance	18 to 25
Experienced management teams	26
Leadership positions in renewable-energy finance, corporate and commercial property lending, retail vehicle finance, card acquiring, digital product ratings, asset management and wealth management	11
Managed Evolution and Digital Fast Lane (our IT strategies) position Nedbank to be **more digital, agile and competitive**	42 and 50
Strong and sustainable growth of main-banked client market share representing an ongoing opportunity for revenue growth	45 and 55
Selective origination and good risk management enabling the delivery of a **CLR that is the lowest in the industry**	47
Prudent management of our expenses over time and an opportunity to continue to lower our efficiency ratio	46
Strong position as a bank that is committed to **doing business in a manner that positively builds society at large**	14 to 16 and 78 to 81

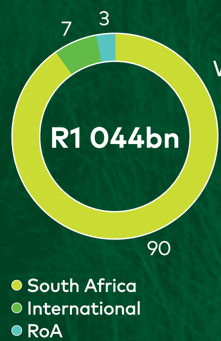
Retail vs wholesale advances
(%)



A wholesale-biased business model compared with those of peer banks positions us well to benefit from an increase in business confidence and economic growth.

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

Assets by geographical area
(%)



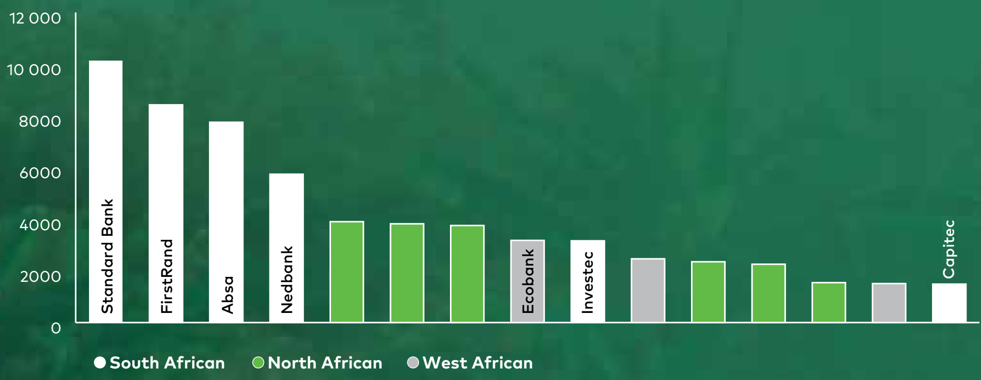
Well positioned to benefit from a recovery in SA economic growth.

NEDBANK GROUP IN CONTEXT

The four large SA banks are the largest banks in Africa as measured by assets and tier 1 capital.

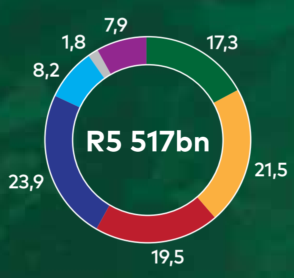
The SA banking sector has approximately R3 790bn in advances of which Nedbank has an 18% share. We also have a 19% share of the R3 924bn SA deposit market, an important indicator of franchise strength. The asset management market in SA is approximately R2,2 trillion. We have R297bn total AUM and are the fifth-largest unit trust manager in SA.

Largest banks in Africa[1] by tier 1 capital
(USDbn, 2018)

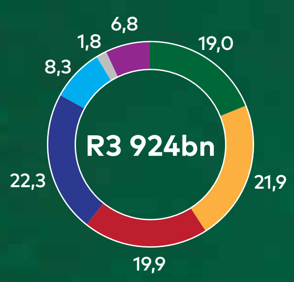


[1] *Source:* The Banker *magazine (July 2018).*

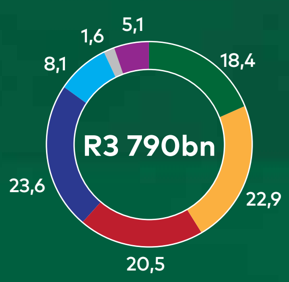
SA total assets market share
(%)



SA deposit market share
(%)



SA advances market share
(%)

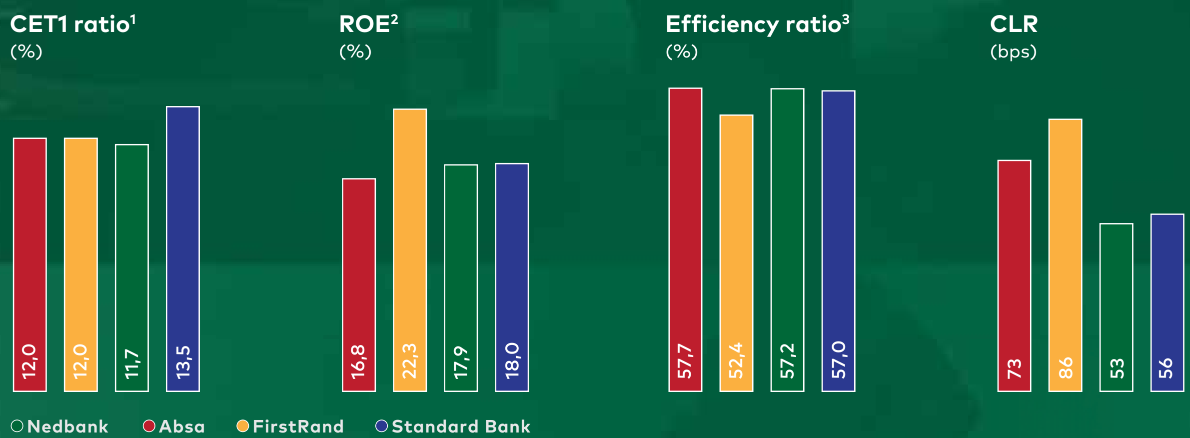


Nedbank Absa FirstRand Standard Bank Investec Capitec Other

Source: SARB BA900 at 31 December 2018.

SA banks are well capitalised and generate good returns (ROE) ahead of COE (around 14%), notwithstanding efficiency ratios above 50%, which are expected to trend lower over time. Credit extension has been prudent, as reflected in low CLRs. Nedbank benchmarks in line with industry averages and we aim to improve our ROE (excluding goodwill) and efficiency ratios by delivering on our strategy.

Refer to our 2020 targets on pages 41 and 69.



[1] *Nedbank fully phased in the IFRS 9 day 1 impact, while peers will be phasing in the impact over a three-year period.*

[2] *Nedbank reports ROE on a HE basis, excluding goodwill. Absa Group and FirstRand report ROE on a normalised basis. Absa Group normalises for the consequences of its separation from Barclays plc, in particular, the R12,1bn contribution received from Barclays plc. FirstRand normalises certain IFRS remeasurement.*

[3] *Nedbank and FirstRand include associate income in the calculation of the efficiency ratio, whereas Absa and Standard Bank exclude associate income. Had Absa and Standard Bank included associate income, the efficiency ratio would have been 57,5% and 56,8% respectively.*

OUR ORGANISATIONAL STRUCTURE, PRODUCTS AND SERVICES

We deliver our products and services through four main business clusters.

Our clusters and their clients

NEDBANK CORPORATE AND INVESTMENT BANKING

Corporates, institutions and parastatals with an annual turnover of over R750m.

- 600 large corporate clients.

NEDBANK RETAIL AND BUSINESS BANKING

Individual clients, as well as businesses.

- 7,5 million clients, including approximately 270 000 small- and medium-enterprise client (typically businesses with an annual turnover of less than R10m), of which three million are main-banked clients.
- 21 500 business-banking client groups with an annual turnover of less than R750m.

NEDBANK WEALTH

High-net-worth individuals as well as other retail, business and corporate clients.

- 18 200 high-net-worth clients locally and internationally (United Kingdom, Guernsey, Jersey, Isle of Man and the UAE).

NEDBANK REST OF AFRICA

Retail, small and medium enterprises, and business and corporate clients across the countries we operate in.

- 353 000 clients.

Our products and services

Our areas of strength and differentiation

NEDBANK CORPORATE AND INVESTMENT BANKING

Full suite of wholesale banking solutions, including investment banking and lending, global markets and treasury, commercial-property finance, deposit-taking, and transactional banking.

- Strong franchise providing good returns.
- Market leader with strong expertise and relationships in commercial property, corporate advances and renewable-energy financing.
- Leading industry expertise in mining and resources, infrastructure, oil and gas and telecoms.
- Solid advances pipeline (growth opportunities when business confidence improves).
- Integrated model delivering improved client service and better coverage/ deeper client penetration and attracting and retaining high-quality intellectual capital.
- Efficient franchise (best efficiency ratio among peers) and high-quality portfolio (low CLR).

NEDBANK RETAIL AND BUSINESS BANKING

Full range of services, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card-acquiring services for business.

- A leader in business banking, underpinned by an accountable, empowered, decentralised business service model.
- Leader in Corporate Saver deposits and debtor management.
- Increasing our share of lending in home loans, vehicle finance, personal loans and credit cards.
- Enhanced digital offerings – first in the market to launch some of these client-centred innovations.
- Highly competitive relationship banking offering to our Professional Banking clients.

NEDBANK WEALTH

Wide range of financial services, including high-net-worth banking and wealth management solutions, as well as asset management and insurance offerings.

- Integrated local and international high-net-worth franchise:
  - Rich heritage and strong client base.
  - Market-leading digital innovations.
- A top SA asset manager:
  - Ranked top offshore asset manager in SA.
  - Solid long-term performance.
  - R297bn AUM – fifth-largest unit trust manager in SA and third-largest offshore unit trust manager in SA.
- Growing insurance business:
  - Opportunities for greater penetration and collaboration within Nedbank.
  - Innovative digital solutions.

REST OF AFRICA

Full range of banking services, including transactional, lending, deposit-taking and card products, as well as selected wealth management offerings.

- SADC (own operations):
  - Foundation to fast-track technology and digital enhancements has been completed (Flexcube core banking in five countries).
  - Start of the rollout of key focus enablers (Nedbank Money app™ and Corporate Internet Banking).
- Central and West Africa (ETI alliance):
  - The Ecobank–Nedbank Alliance – footprint across 39 countries, the largest in Africa.
  - Increase dealflow by leveraging ETI's local presence and knowledge and Nedbank's structuring expertise and balance sheet.
  - Transactional banking to > 105 Nedbank wholesale clients.

OUR VALUE-CREATING BUSINESS MODEL

USING OUR FINANCIAL EXPERTISE ...

Risks and opportunities in our operating environment

- SA macroeconomic environment
- Disruptive technologies and increased competition
- Demands on governance, regulation and risk management
- Transformation of society within environmental constraints

IV STRONG GOVERNANCE OVERSIGHT

- Nedbank is committed to the **highest standards of governance, ethics and integrity**.
- We embrace **worldclass banking practices and robust institutional frameworks** to ensure our banking services are secure and stable.
- Our board is **diverse in demographics, skills and experience** and **69% of the directors are independent** non-executive directors.

- Managing growth opportunities vs volatility in the rest of Africa
- Requirements for scarce and evolving skills
- Changing relationships between business, government, labour and civil society

Read more about these material matters on pages 32 to 40.

OUR CAPITALS ...

Inputs

Financial

- **R91bn** equity
- **R826bn** deposits

Intellectual

- **Ninth** most valuable SA brand
- **A leader** in wholesale banking, commercial-property finance, vehicle finance, banking apps, and asset and wealth management
- **Managed Evolution** and **Digital Fast Lane IT** capabilities
- **Strategic partnerships** with Old Mutual Limited, ETI, Bank of China and Deutsche Bank

Human

- **31 277** employees
- **Client- and people-centred** culture
- Strong **compliance and governance** culture

Manufactured

- **114** core IT systems
- **363** digitally focused outlets
- **4 242** ATMs and **702** outlets
- Market-leading **digital services and CVPs**

Social and relationships

- **7,9 million** clients
- One of SA's most **transformed banks**
- Leader in **sustainability**
- Leader in **social responsibility**

Natural

- **19 Green Star** ratings across 10 buildings
- **Carbon-neutral** operations and effectively net-zero operational water usage
- Leader in **renewable-energy** financing
- **2 800** deals/clients through our **Social and Environmental Management System**

Strategic focus areas

- Delivering innovative market-leading client experiences
- Growing our transactional banking franchise faster than the market
- Being operationally excellent in all we do
- Managing scarce resources to optimise economic outcomes
- Providing our clients with access to the best financial services network in Africa

Read more about our strategic focus areas on pages 41 to 55.

Delivering financial outcomes for Nedbank in 2018

NII ▲ **4,3%** to **R28,8bn** − **Credit impairments charges** ▲ **11,6%** to **R3,7bn** + **NIR** ▲ **7,9%** to **R26bn** + **Associate income** ▲ > **100%** to **R528m**

... TO DO GOOD FOR INDIVIDUALS, FAMILIES, BUSINESSES AND SOCIETY

ENABLE VALUE-ADDING ACTIVITIES THAT ...

Outputs

- Provide savings and investment products
- Extend credit to our clients through responsible lending practices
- Provide lending that is aligned to the SDGs
- Generate deposit yields and interest income earned on amounts advanced
- Facilitate payments and transactions
- Provide advice-based services
- Manage, protect and grow wealth through insurance, asset and wealth management solutions
- Offer global market-related services
- Generate returns on our strategic investment in ETI
- Reward performance and invest in attracting, developing and retaining our people
- Maintain, optimise and invest in our operations, including technology, marketing and infrastructure
- Pay taxes in the jurisdictions in which we operate

WHILE MANAGING KEY RISKS

Credit risk

CLR below 60–100 bps target range: 53 bps

Market risk

R1,5bn NII sensitivity for a 100 bps change in interest rates over a 12-month period

Trading value at risk R29,3m

Balance sheet risk

LCR > 2018 minimum of 90%: 109% (Q4 2018 average)

NSFR > 100% SARB requirement: 114%

CET1 within target range 10,5–12,5%: 11,7%

C-suite of risks

Increased focus on client, competitor, change, cyber-, cryptocurrency, conduct, culture, crime and compliance risks

Our top three risks

1. Strategic and execution risks
2. Cyberrisk
3. Business risk

Read more about our risks on pages 58 and 59.

CREATE VALUE FOR OUR STAKEHOLDERS

Outcomes

Staff

- R13,4bn in salaries and benefits ▲ 4,7%
- R468m invested in training ▲ 31,8%
- 77,4% black staff
- 61,8% female representation

Clients

- R181bn new loans advanced ▲ 18,3%
- 22,1bn transactions processed ▲ 15,7%
- Convenience – application systems uptime at 99,2%
- Exciting new digital innovations
- Top-tier asset management performance

Shareholders

- Share price ▲ 7,3%, total shareholder return of 12,6%
- Full-year dividend ▲ 10,1% to 1 415 cps
- > 91% voting outcome for all resolutions at 51st AGM

Regulators

- Compliance with all regulatory requirements
- Smooth IFRS 9 implementation
- R10,3bn direct and indirect tax contributions

Society

- R124m socioeconomic spend
- Disbursed R22,8bn (2017: R18,4bn) renewable-energy deals adding a further 3 517 MW to the national grid once plants are constructed
- 175 000 adults and learners benefited from consumer education programmes
- Contribution to water security
- Positive impact through our lending and operations
- Level 1 BBBEE contributor status (Amended FSC)

− **Expenses ▲ 6,1% to R31,6bn** − **Taxes ▲ 9,6% to R5,8bn** − **Other equity holders ▲ 11,9% to R759m** = **HE ▲ 14,5% to R13,5bn, ROE excl goodwill ▲ 17,9%, Cost-to-income ratio ▼ 57,2%**

OUR PURPOSE, VISION, BRAND AND VALUES

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

Our vision To be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society.

Our brand promise – see money differently

Nedbank Sustainable Development Framework

'For Nedbank to be sustainable over the long term we need to have a clear reason for our existence – a "North Star" that demonstrates what we do to help society to develop and grow, thereby helping enable better lives for all. This is our purpose – it is why we have been building and growing Nedbank since its origins in 1834.

'Doing good is easy to say but harder to measure, and what gets measured gets done. The SDGs represent a single common set of measurement criteria for "doing good" or improving the state of our economy and society. This power of common measurement and aggregation is why we chose the SDGs to measure the delivery of "doing good" as set out in our purpose statement.'

Mike Brown
Chief Executive

Our values

Integrity
Being honest, trustworthy, consistent and transparent in all our actions and decisions.

Respect
Recognising the inherent worth of every individual and treating everyone with dignity.

Accountability
Being prepared to take ownership of and be held accountable for our commitments and actions.

People-centred
Investing in our people and creating an environment that empowers our people to perform distinctively and to excel.

Client-driven
Creating value and delightful experiences for our clients that exceed their expectations.

Overview of how our purpose, values, strong leadership and good governance position us for long-term value creation.

I am responsible for Nedbank's delivery of ...

SDG 4: Quality Education

'Education is one of the most important investments a country can make in its future and its people. It removes barriers in the economy by allowing for greater equality of opportunity, thereby opening up access to a better life for all. Nedbank's role in contributing to this includes the professional development of our staff, the provision of learnership and graduate programmes and our education-focused CSI investments. In addition, we will continue to explore new financing solutions to complement our existing student loan offerings and investments in student accommodation.'

Anna Isaac

SDG 6: Clean Water and Sanitation

'We recognise the human right to clean water and sanitation, yet millions of people across the African continent still do not have access to these. Without sufficient clean water, economies cannot function. SA and many of the countries in which we operate are not only water-scarce countries, but have poor water infrastructure too. The role of the bank is therefore to play a meaningful role in addressing water and sanitation issues primarily through funding solutions.'

Raisibe Morathi

SDG 7: Affordable and Clean Energy

'We have an obligation and the will to play our role in growing the economy in a manner that reduces levels of poverty and inequality while driving sustainable development and job creation. The efficient use of affordable, reliable and sustainable energy is paramount to achieving these objectives. Therefore Nedbank is committed to developing integrated, sustainable energy solutions that span from utility scale to household level.'

Mike Davis

SDG 8: Decent Work and Economic Growth

'Nedbank cannot be successful if the societies in which it operates are not successful. Poverty and inequality continue to be key challenges to overcome across the continent. We must focus on creating new jobs in labour-intensive sectors that will stimulate the economy to grow in a sustainable and inclusive manner.'

Priya Naidoo

Delivering on our purpose will require the considered development and delivery of products and services that satisfy unmet societal needs, enabling a thriving society, creating long-term value, maintaining trust and ensuring the success of our brand.

The UN SDGs provide for a universal agreement on the economic, social and environmental priorities to be met by 2030. They represent a powerful lens to identify opportunities for business innovation and growth, and an objective mechanism through which Nedbank can assess and report delivery on our purpose. Thus, we focus on the most material goals and targets through our three main points of leverage: Products and Services: Sustainable Development Finance; Operations; and CSI.

Following a robust proprietary materiality exercise of the 17 SDGs, we have prioritised nine goals that we believe represent a combination of the biggest impact for society, delivery on client needs and exciting opportunities for Nedbank to develop innovative banking products and services. These nine goals are reflected in the Nedbank Sustainable Development Framework under Sustainable Development Finance. In 2018 we allocated those nine goals to nine group executives, who will own and drive Nedbank's groupwide response to their respective SDG. By doing so, the profile of sustainable development is elevated to the right level in the organisation. This will improve the alignment of purpose with culture, strategy, and brand, and drive the innovation effort that will be required to capture winning positions in new markets highlighted by the SDGs.

Our Sustainable Development Review details 2018 activities within the nine priority SDGs as well as where our operations and CSI activities help to support some of the other SDGs.

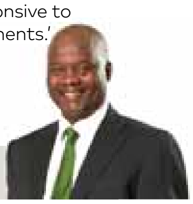
SDG 9: Industry, Innovation and Infrastructure

'Investing in infrastructure, industrialisation and innovation can be a strong catalyst of sustainable economic growth and development. As such, Nedbank is committed to unlocking new funding solutions for infrastructure opportunities such as mass transit, road and rail corridors, water treatment plants, information and communication technologies, as well as affordable housing, schools and hospitals.'

Brian Kennedy

SDG 15: Life on Land

'Land is both the origin and sustenance of life. It provides habitats for millions of people and animal species, is the source of our food supply, clean air and water, and is crucial for combating climate change. Given our history of division and strife, land, and its use, is an emotive subject in SA and in many other places on the African continent. Nedbank is therefore committed to using finance, where possible, to address the imperatives of SDG 15 in a manner that is relevant and responsive to domestic requirements.'



Mfundo Nkhulu

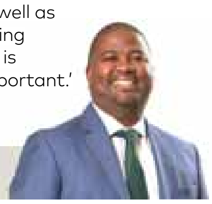
SDG 12: Responsible Consumption and Production

'As individuals and consumers we have the gift of being able to make choices, and this gift gives us great responsibility. We know that as a bank, Nedbank is not directly involved in the production of physical goods but many of our clients are. As such, we can be a powerful catalyst for positive change and transformation, by using finance to support and enable more responsible and sustainable ways of producing and consuming goods.'

Khensani Nobanda

SDG 11: Sustainable Cities and Communities

'Cities are melting pots in which the interplay between physical constraints and human needs works itself out daily. With 3,5 billion people already living in cities worldwide, the success of our future economies will depend on sustainable development solutions being found within the built environment. Banks can play a vital role in this. While lending in the residential sector underpins powerful change, investment in safe and sustainable transport solutions, as well as resilient building technologies, is equally as important.'



Ciko Thomas

SDG 10: Reduced Inequalities

'Inequality undermines trust, which is a precondition for long-term economic success. Reducing inequality is especially important in the African context because of the long history of disparity on much of our continent. Therefore we need to practice what we preach by promoting fairness and equality, not only in the day-to-day running of our business, but also through the products we design and market. In so doing, we will begin to reverse the growing divide.'

Iolanda Ruggiero

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

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

NEDBANK GROUP

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

Staff

Our 31 277 staff are key to making Nedbank a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, offer value to our clients. Staff, as part of society, contribute materially to the communities in which they live and work.

Value is created through ...

- Employing citizens in the jurisdictions in which we operate.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to embrace technological changes, further their careers and improve our services and products.
- Transforming to an inclusive society through employment equity and gender equality.

Clients

Clients remain our largest source of deposits, which enable us to fund lending activities. Gaining more clients results in greater revenue growth, while sustainable banking practices and worldclass risk management mitigate bad debts.

Value is created through ...

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, sustainable development and job creation in line with the SDGs.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing the previously unbanked with access to affordable products.
- Providing financial education and advice.
- Developing innovative solutions that meet our clients' specific needs.

Shareholders

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

Value is created through ...

- Increasing net asset value, returns, dividends and share price.
- Maintaining a strong balance sheet to protect against downside risk.
- Sustainably investing in and growing our client franchises and our people.

Government

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

Value is created through ...

- Contributing meaningfully to government budgets through our own corporate taxes and staff paying personal taxes.
- Investing in government and public sector bonds as required by prudential regulation, thereby supporting the funding needs of government.

Regulators

Regulation ensures a sound and stable banking system, which reduces systemic risk and promotes healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client confidence in Nedbank and reduce potential for reputational risk. We have a responsibility to comply fully with the regulations of the countries in which we operate.

Value is created through ...

- Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system and a thriving society.

Broader society

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

Value is created through ...

- Transforming economies and society positively through our lending and transactional activities, which are increasingly aligned with the SDGs.
- Playing a meaningful role in the broader society as a procurer of goods and services.
- Making a difference through our partnerships and CSI activities, including our commitment to the YES initiative.

Read more about our value creation for our stakeholders on pages 71 to 83.

CASE IN POINT – Nedbank sponsorship of #VaxTheNation and Global Citizen

Nedbank supports the UN Sustainable Development Goal 3 — ensuring healthy lives and the wellbeing of all people. In line with SDG 3, Nedbank launched #VaxTheNation, a campaign that aims to shine a light on the importance of immunisation and providing life-saving vaccines from the time a child is born, and funds the work of community healthcare workers.

In a continued drive to encourage and build a better society, in 2018 Nedbank entered into a partnership as a major partner with international advocacy organisation Global Citizen to bring the concert-style Global Citizen Festival to the African continent for the first time. The concert was aptly named Global Citizen Festival: Mandela 100 in celebration of the centenary year of Nelson Mandela. Global Citizen has grown into one of the largest activist platforms for people around the world to call on world leaders to honour their responsibilities in achieving the UN's Sustainable Development Goals and ending extreme poverty by 2030.

LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

The board and group executive strive to create maximum shared value by delivering on our purpose and ensuring relevance and sustainability of the business model by monitoring the macro environment, the availability and quantity of capital inputs, and stakeholder needs, all of which inform the strategy of the group. This strategy, through our strategic focus areas, enables the group to maintain focus in conducting operations underpinned by good governance, and at the same time delivering our financial targets.

Nedbank is committed to the highest standards of governance, ethics and integrity.

IV Our governance philosophy

Nedbank is committed to the highest standards of governance, ethics and integrity. We embrace worldclass banking practices and robust institutional frameworks, such as risk management policies and procedures, to ensure our banking services are secure and stable, and we are constantly reviewing these practices to ensure that we act in the best interests of our stakeholders.

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 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 effective leadership.

Values-driven objective of our board rooted in King IV™ principles

The board's governance oversight is guided by its commitment to its responsibilities and governance objectives. The objectives provide a mechanism to measure and evaluate performance in applying the King IV™ principles and outcomes.

IV Leadership, ethics and corporate citizenship

The board will set the tone and lead the group ethically, effectively and responsibly. This means that, in decisionmaking, individual boardmembers act with independence, inclusivity, competence, diligence and courage, and with the necessary awareness, insight and information. The board will ensure that the group plays a key role in society as a major employer, tax payer, skills provider and facilitator of economic growth, to name a few. *(Principles 1 to 3.)*

IV Strategy, performance and reporting

The board will take accountability for the performance of the group. In so doing the board will support the group in setting its purpose and achieving its strategic objectives. Information related to required disclosures will be contained in, among others, this integrated report and the supplementary reports available at nedbankgroup.co.za. *(Principles 4 and 5.)*

IV Governing structures and delegation

The board continues to provide guidance and oversight to the group on the management of compliance risk, remuneration governance, as well as the enterprisewide risk management function, which fully support good governance practices. Strategies are in place for technology enhancements through both Managed Evolution execution and Digital Fast Lane, ensuring separate governance structures for information technology. *(Principles 6 to 10.)*

IV Governance of functional areas

The board will provide leadership and vision to the group. This ensures sustainable growth and delivery on our purpose for the benefit of all stakeholders of the group. *(Principles 11 to 15.)*

IV Stakeholder relationships

The board will ensure a stakeholder inclusive approach. *(Principles 16 and 17.)*

More details about the implementation of King IV™ and its application in Nedbank is disclosed in our supplementary Governance and Ethics Review available on our group website at nedbankgroup.co.za.

IV Engaging with the business on strategic matters

Although the board maintains its independence, it is important for it to have a deep understanding of the business by investigating, monitoring and engaging with management on multiple levels:

- In addition to the three executive boardmembers, the other 10 Group Exco members, with the board, serve on various board committees and engage in strategy sessions and other specific matters such as results presentations.
- Following the annual strategy session between the board and Group Exco, the board debates and approves the strategy framework, group business plan and relevant risk appetites. In 2018 key focus areas were traction in client experiences enabled by technology and people; transactional and main-banked client growth; cost containment, particularly driven through digitisation; competitive pressures; organisational change through people and brand; and technology acceleration, strategic portfolio tilt and social compacting.
- The board conducts onsite visits to various bank operations and business units, and attends operational meetings from time to time, while one-on-one meetings may be requested by individual directors.
- A monthly CEO Report provides the board with comprehensive feedback on the performance of the business across various disciplines, including finance, client activities, risk management and staff performance.
- There is increased interaction between the board and our stakeholders and boardmembers are invited to selected client functions, eg the Chairman and the Lead Independent Director hold an annual governance roadshow.

IV Collective responsibilities of the board

The board works to fulfil the primary governing roles and responsibilities recommended in the King IV™ Report, namely to:

- set and steer strategic direction;
- approve policy and planning;
- provide oversight and monitoring; and
- ensure accountability.

In doing so the board has committed to fulfilling the following responsibilities:

- Delegate management of the group to a competent executive management team.
- Ensure that a robust strategy process is defined and executed by management.
- Oversee the management of technology and information as two separate elements.
- Ensure compliance with appropriate legislation (including regulations), supervisory codes and appropriate best practices.
- Govern disclosures so that stakeholders can effectively assess the performance of the group.
- Protect the interests of the group's stakeholders and ensure fair, responsible and transparent people practices.
- Oversee the risk management function and ensure that it informs management's development and implementation of the strategy.

IV Risk management

Risk management is fundamental to Nedbank's strategy and the business of banking. The pervasiveness of risk in financial services means that the board considers risk management as an integral part of our strategy. The board, through the Group Risk and Capital Management Committee, governs risks across the bank's Enterprisewide Risk Management Framework (ERMF), which includes the risk strategy, policies, procedures, limits and exposures, among others. Our risk strategy focuses on the new era of risk and the opportunities and threats in a radically changing landscape of banking. Consequently, the risk universe covered by Nedbank has grown exponentially over the past few years and now includes the new C-suite of risks: client/competitor risk, change risk, cyberrisk, conduct and culture risk and criminality risk, in addition to the ever-important traditional risks such as credit risk, operational risk, market risk, liquidity risk and capital risk.

Our top five risks:

- Strategic and execution risks
- Cyberrisk
- Business risk
- Operational risk
- Conduct and culture risks

Read more about our top 10 risks on pages 58 and 59 and in our Pillar 3 Risk and Capital Management Report available on our group website at nedbankgroup.co.za.

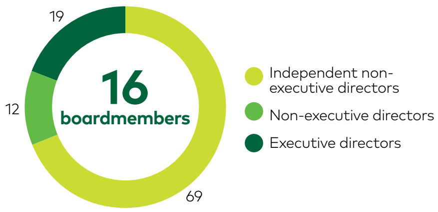
The Nedbank Group Board is diverse in demographics, skills and experience and 69% of the directors are independent non-executive directors.

IV Independence

Protecting the interests of all shareholders

The majority of Nedbank's boardmembers are independent directors, which is in line with King IV™ requirements. We strengthened board independence from 61% independent directors to 69%. An independent board committee, the Group Related-party Transactions Committee, chaired by our Lead Independent Director (LID), is in place to consider, review, evaluate and provide oversight over related-party transactions to ensure transactions are fair and in the best interests of Nedbank.

Executive and non-executive directors
(%)



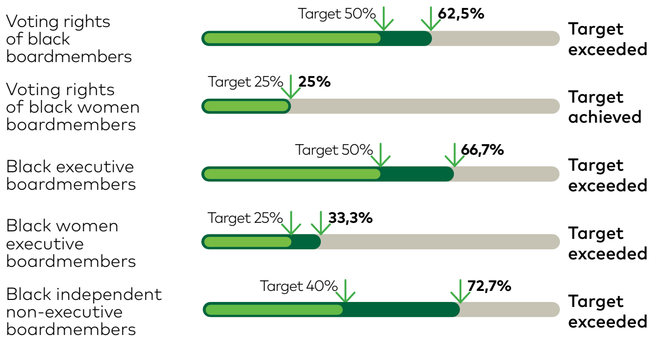
Nedbank policy: Maintain board structure comprising a majority of non-executive directors, of whom a majority should be independent non-executive directors.

IV Board diversity

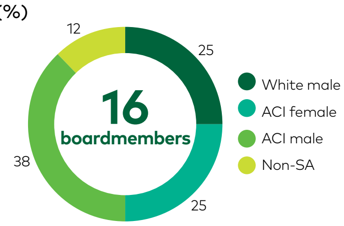
Relevant in a transforming society

In a fast-transforming society board diversity is important to remain relevant and sustainable. Studies have shown that diversity matters as companies that embrace gender, race and ethnic diversity achieve better financial performance. Nedbank is committed to promoting diversity at board level, with diversity and inclusion being key considerations in our board selection processes. We strive for a transformed board that closely reflects the demographics of SA as we continue to meet our diversity targets on black and female board representation.

Promotion of diversity at board level
(%)



Board demographics
(%)



ACI: African black, Coloured and Indian.

Nedbank policy: Maintain board membership that represents the demographics of SA.

IV Board skills

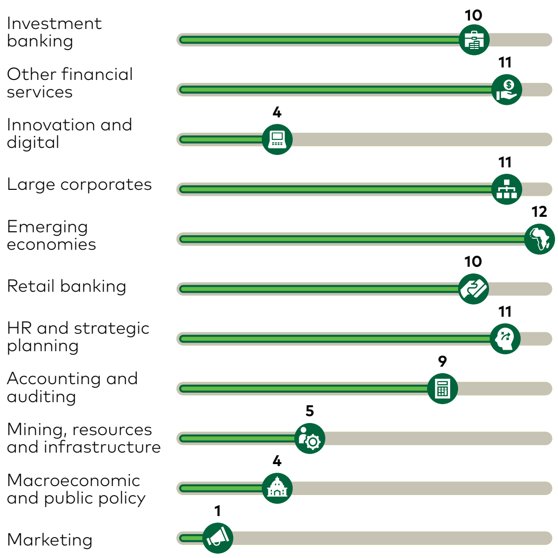
Banks and financial services companies need a broad range of skills to ensure and create value in the interests of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in Nedbank's own long-term strategy.

Having the appropriate mix of skills and experience ensures that the board as a collective is well equipped to guide and drive the bank's strategy into the future and thereby create value.

Over the past two years we have expanded and strengthened our board skills and experience specifically in retail and investment banking, other financial services insurance, large corporates, accounting and auditing, HR, strategic planning, mining, resources and infrastructure, innovation and digital, IT and doing business in emerging economies.

Well diversified to add value to all aspects of Nedbank Group

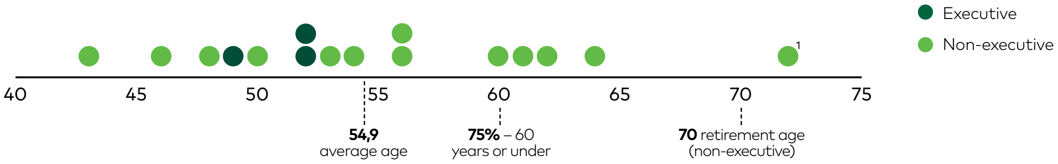
Skills and experience (number of boardmembers)



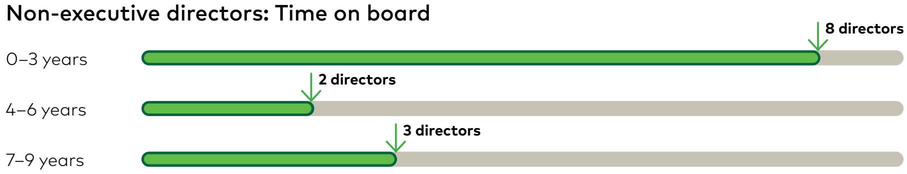
(IV) Board tenure and experience

A blend of experience and new insight

Executive and non-executive directors: Age



Non-executive directors: Time on board



Nedbank policy: Non-executive directors must retire at the first AGM that follows their reaching the age of 70 or after nine years of being on the board as a non-executive, unless agreed otherwise by the board.

[1] *Malcolm Wyman is scheduled to retire at the May 2019 AGM, having remained on the board beyond non-executive retirement age in order to see through the now completed managed separation. Mpho Makwana replaces Malcolm Wyman with effect from 10 May 2019 as the Lead Independent Director.*

Board of directors

Independent non-executive directors

Vassi Naidoo 64
Chairman: Nedbank Group and Nedbank Limited
3 years on the board

Malcolm Wyman 72
Lead Independent Director
Chair: DAC, GRPTC
9 years on the board

Hubert Brody 54
Chair: Remco
1 year on the board

Mpho Makwana 48
Chair: GTSEC
7 years on the board

Linda Makalima 50
1 year on the board

Brian Dames 53
4 years on the board

Neo Dongwana 46
1 year on the board

Errol Kruger 61
Chair: GRCMC, GCC
2 years on the board

Joel Netshitenzhe 62
8 years on the board

Stanley Subramoney 60
Chair: GAC
3 years on the board

Mantsika Matooane 43
Chair: GITCO
4 years on the board

Executive directors

Mike Brown 52
Chief Executive
14 years on the board

Raisibe Morathi 49
CFO
9 years on the board

Mfundo Nkhulu 52
COO
3 years on the board

Non-executive directors

Rob Leith 56
2 years on the board

Peter Moyo 56
0,5 years on the board

Board changes since 51st AGM

Additions
Peter Moyo
Rob Leith

Retirement
Bruce Hemphill
Ian Gladman
Rob Leith
Nomavuso Mnxasana

(Rob Leith resigned on 15 October 2018 and was reappointed on 1 January 2019.)

Board nominees for 52nd AGM

Election
Peter Moyo
Rob Leith

Reelection
Mike Brown
Brian Dames
Vassi Naidoo
Stanley Subramoney

Your vote is needed on director elections

Ensuring and protecting value – Group Directors' Affairs Committee (DAC)

Malcolm Wyman
(Chair)

'Overseeing the status of Nedbank's regulatory compliance through having a detailed view of compliance findings and trends remains a key focus area of the Group Directors' Affairs Committee.'

Ensuring and protecting value in 2018

- Ensured that the bank maintained an effective and independent compliance function. Reviewed compliance monitoring finding and related trends to assess and track the level of compliance risk. Challenged, where appropriate, action taken by management with regard to remediation of adverse findings.
- Provided oversight in respect of AML, combating the financing of terrorism and sanctions compliance levels and the successful remediation of the SARB findings and the implementation and closure of the Privacy Programme, which gives effect to the Protection of Personal Information Act, 4 of 2013.
- Facilitated the commissioning of investigations into the group's reputational risk exposure in respect of clients and suppliers implicated in allegations of state capture and corruption.
- Engaged EY to review the alignment of Nedbank's documented practices and supporting evidence with King IV™ principles (Nedbank's compliance status in terms of King IV™ is set out in the Governance and Ethics Review).
- Conducted board succession planning and provided input into the succession plans for executive directors and other senior executives.
- Provided a full review of the composition of the board and its board committees at every DAC meeting, covering the status of the independent directors, extent of diversity, experience, industry knowledge and retirement ages.

Focus for 2019 and beyond

- Continuing to review compliance findings and related trends.
- Ensuring the enhancement of reputational risk management and the implementation of 'lessons learnt' and measures to prevent and mitigate reputational risk in a commercially sound and efficient manner.
- Refreshing the Group Governance Framework and continuing to monitor the application of King IV™ by Nedbank Group.
- Reviewing the Nedbank Board Continuity Programme to ensure alignment with SARB's directive on the promotion of sound corporate governance.

Stakeholders

Shareholders
Staff
Regulators
Clients

Top 10 risks

1 Strategic and execution risks
7 Reputational risk
5 Conduct and culture risks
8 Regulatory and compliance risks

A comprehensive DAC report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

IV Our approach to compliance

Our board-approved Nedbank Risk Appetite Policy commits us to act as a model citizen and to adhere to all laws and regulations applicable to our businesses. We monitor and report on such compliance through Group DAC, which is the board committee established in terms of the Banks Act, 94 of 1990.

In addition, we comply with various codes and regulatory requirements. As a member of the Banking Association South Africa, we subscribe to the Code of Banking Practice, which is a voluntary code that governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and we work with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously. The Basel Committee on Banking Supervision published a guideline in July 2015, Corporate Governance Principles for Bank, and governance and compliance custodians are ensuring continuous compliance with this guideline.

IV Values and culture

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. Our 2018 Barrett Culture Survey shows that 'client-driven', 'accountability', 'brand reputation', 'cost consciousness', 'client satisfaction' and 'performance-driven' represent six of the values currently present in the organisation.

As part of our culture journey, we are revisiting our required culture in the context of our strategy, the new world of work and the digital transformation of financial services. The Group Executive Committee (Group Exco) 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.

IV Conflict of interest

A director may accept other board appointments, provided the appointments do not conflict with the group and/or adversely affect the director's duties.

A director or prescribed officer is prohibited from using his or her position or confidential and price-sensitive information to benefit himself or herself or any related third party, financially or otherwise. Directors and officers are also required to inform the board timeously of conflicts, or potential conflicts, of interest that they may have in relation to particular items of business or other directorships. At the start of each board meeting, at the request of the chair, all boardmembers must declare any actual and/or potential conflict of interest with matters to be considered at that meeting. Comprehensive registers of individual directors' interests in and outside the company are maintained and updated and signed by the directors, with details noted by the board at each board meeting.

In compliance with SARB directive 4/2018 relating to the maximum number and/or type of boards a non-executive director may serve on, the board has resolved that a non-executive director should not hold more than five directorships of large entities including Nedbank. Regard must be had to the size of the entities of which the director is a boardmember as well as the type of directorships he/she holds (ie whether non-executive chair; non-executive; executive; trustee; as well as board subcommittee positions). Time constraints and potential conflicts of interest should be balanced against development opportunities related to more board positions.

IV Fair and responsible remuneration

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 staffmembers 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 market benchmarking, at the same time being mindful of the wealth gap in SA.

The high-level outcomes for 2018 are shown on pages 84 to 92, with more details in our Remuneration Policy available on our group website at nedbankgroup.co.za.

IV Driving innovation

The digitisation of banks means that innovation, disruption and cybersecurity remain top of mind in banking. Digital innovations present both significant risks and opportunities for the banking industry. To remain relevant and competitive in this digital age the board needs to be proactive and enable innovation from the top as one of its governance responsibilities. Innovation governance, a term that describes the holistic approach to steering, promoting, enabling and sustaining innovation, has become a new management imperative of Nedbank. Our board is aware of its growing role in innovation governance and the strategic importance of innovation to create sustainable value.

Over the past two years the board has promoted and enabled innovation by actively participating in a Board Tech Day to stay abreast of local and global trends, attended various presentations on cyberrisk management, disruptive fintech strategies and risk management in digitally enabled banks engaged in platform strategy discussions and appointed a subcommittee to act as a sounding board to management on digital platforms.

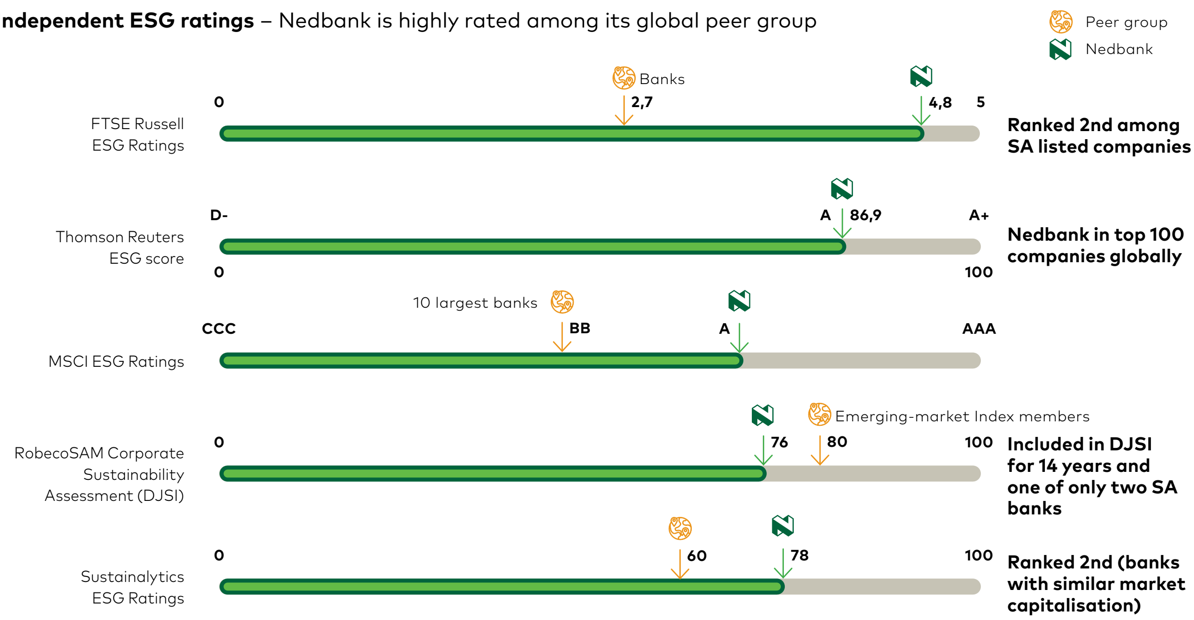
Nedbank has seen an acceleration in the launch of digital innovations and CVPs, as well as exciting innovations to be launched in 2019.

Read more about these innovations on pages 43 and 44.

IV Engaging with investors on environmental, social and governance (ESG) matters

We continually engage with shareholders on ESG and strategic matters, thereby contributing to the multiple factors that inform our strategy and the way in which we manage the organisation. The engagement also enables our board to exercise constructive influence as and when appropriate, and to protect the interests of our minority shareholders. Nedbank Group's fifth ESG roadshow in April 2018 was hosted by Vassi Naidoo (Chairman) and Malcolm Wyman (LID). The overall response from shareholders was that Nedbank Group is highly regarded for its approach to governance. In 2018 the following key topics were discussed: the Old Mutual managed separation; mandatory audit firm rotation, board changes; progress on transformation; industry exposures and risks; as well as components of the Nedbank Remuneration Policy. Read more about these discussions on pages 74 to 75.

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



IV Ethics and human rights

As emphasised in King IV™, an organisation must fundamentally add value for stakeholders by adopting a responsible business philosophy. At Nedbank we believe in doing business responsibly, which means doing business ethically, remembering that legal business is not always ethical business. Responsible or ethical business is based on a trust relationship with stakeholders. While banking is all about trust, it is created by having a sound strategy and business offering, ethical leadership, and a commonly accepted set of values staffmembers live by, which in turn lead to effective governance and risk and compliance management. All of this assists in building our reputation, brand and shareholder value.

Corruption has emerged as a key issue in SA, with individuals and organisations in both the public and private sectors implicated. Commissions of inquiry such as the Zondo Commission (state capture) and Nugent Commission (SARS) have shown the extent of corruption. In addition, corporate developments at companies such as Steinhoff have raised serious questions around governance and ethics. The test of character and good corporate citizenship lies in whether an organisation behaves ethically during good as well as trying times. When organisations operate in a tough economic, political and social environment that is not conducive to creating an ethical culture, they may falter, but what is important is how those organisations then deal with those faults.

The board assumes ultimate responsibility for Nedbank's ethics performance and adherence to human rights principles. This responsibility is delegated to executive management, which uses various tools to fulfil its mandate, including:

Board ethics statement – Boardmembers, and those of our subsidiaries, are required to acknowledge and sign this statement.

Code of Ethics and Conduct – All employees (including contractors and temporary employees) must adhere to this code.

Independent assurance of high-risk/high-value tenders – This cost-effective, high-quality process continues to assist business in maintaining the highest governance and ethics standards during tenders.

Ethics Risk Management Framework – Our key focus is to develop a unique and innovative culture with ethical behaviour at its core.

Ethics programme in African subsidiaries – We implemented the full Nedbank Group ethics programme in our African subsidiaries. Business ethics officers have completed the Ethics Officer Accreditation Programme through The Ethics Institute (TEI).

Human rights – Developed a human rights in business policy, conflict mineral statement, children's rights pledge, employee tool kits and supplier risk management requirements.

Supplier Code of Ethics and Conduct – This code supports the protection of human rights across our supply chain and addresses increased risk management requirements. It applies to all our suppliers, consultants and contractors, and ensures that Nedbank adheres to the UK Bribery Act and other extraterritorial legislation.

Ethics panel – This panel deals with material tipoffs regarding unethical conduct and continues its efforts to ensure that independent, objective and fair courses of action are taken.

Our aim is the application of higher standards of ethical decisionmaking, taking stakeholder requirements into consideration to ensure value creation. In this context, during 2018 the following actions were taken:

- Provided ethical awareness training to more than 1 900 staffmembers and 98% of employees have acknowledged the Code of Ethics and Conduct.
- Performed independent assurance on 10 high-risk/high-value tenders, assessed more individual suppliers on ethics management, corporate governance and human rights in business, and provided awareness training to more than 100 prospective suppliers.
- Our robust risk assessment of suppliers has been stepped up and appropriate actions were taken where our risk thresholds were breached.
- Over 4 000 client accounts were closed and over 13 000 suspicious transactions were reported to the Financial Intelligence Centre.
- On the employee side, four employees were dismissed for sexual harassment, one employee for racism and one employee for unethical behaviour.

More details on our approach to ethics and human rights is disclosed in our supplementary Governance and Ethics Review available on our group website at nedbankgroup.co.za.

OUR BOARD AND BOARD COMMITTEES

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 on our group website 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 can be accessed on our group website at nedbankgroup.co.za.

Nedbank Group Limited and Nedbank Limited

Board of directors Chairman: Vassi Naidoo

Group Audit Committee (GAC)

Chair: **Stanley Subramoney**

- Assists the board in its evaluation of the integrity of our financial statements through evaluation of the adequacy and efficiency of our internal control systems, accounting practices, information systems and internal auditing applied in the day-to-day management of our business.
- Manages the relationship with the external auditors and assesses their independence and effectiveness.
- Facilitates and promotes communication between the board, executive management, the external auditors and the Chief Internal Auditor.
- Introduces measures to enhance the credibility and objectivity of financial statements and reports.
- Recommends the appointment of the external auditors to shareholders.

Group Credit Committee (GCC)

Chair: **Errol Kruger**

- Assists the board in fulfilling its credit risk oversight responsibilities, particularly with regard to the evaluation of credit mandates and governance, policies and credit risk.
- Confirms the adequacy and efficiency of credit impairments.
- Continually monitors the overall credit portfolio, including the implementation and approval of the transition to IFRS 9 in 2018.
- Acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's credit rating and risk estimation systems and processes. The SARB requires that the GCC is chaired by a non-executive director. The current membership includes five independent non-executive directors, two non-executive directors and three executive directors.

Group Information Technology Committee (GITCO)

Chair: **Mantsika Matooane**

- Oversees the execution of the board's approved information technology and digital strategy.
- Performs reviews and monitors to ensure appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a group basis (eg cyberthreats and other regulatory risks).
- Ensures alignment and implementation of a well-coordinated, efficient, effective and properly resourced IT strategy, which enables the organisation to remain highly competitive.
- Assumes ultimate accountability for the effectiveness of all governance functions pertaining to the group's technology capability, as required by the Banks Act, 94 of 1990, and in support of the requirements of the GAC.

Group Directors' Affairs Committee (DAC)

Chair: **Malcolm Wyman**

- Considers, monitors and reports to the board on reputational risk and compliance risk, application of King IV™ and the corporate governance provisions of the Banks Act, 94 of 1990.
- Acts as the Nominations Committee for the board.

Malcolm Wyman will retire at the 2019 AGM and be replaced by Mpho Makwana.

Group Transformation, Social and Ethics Committee (GTSEC)

Chair: **Mpho Makwana**[1]

- Advises on, oversees and monitors Nedbank Group's activities with regard to social and economic development, ethics, transformation, sustainability, corporate citizenship, environment, health, public-safety, stakeholder relationship, labour and employment matters.
- Applies the recommended practices and regulation as outlined in King IV™ and the Companies Act in executing its mandate.

Group Related-party Transactions Committee (GRPTC)

Chair: **Malcolm Wyman**

- Considers, reviews, evaluates and oversees related-party transactions of all types and approves, ratifies, disapproves or rejects related-party transactions.
- Determines whether related-party transactions are fair and in the best interests of Nedbank.
- Reviews, revises, formulates and approves policies on related-party transactions.
- At least once a year conducts a review of all related-party transactions concluded throughout the group.

Group Risk and Capital Management Committee (GRCMC)

Chair: **Errol Kruger**

- Ensures the identification, assessment, control, management, reporting and remediation of risks across a wide range of the organisation's ERMF.
- Sets and owns Nedbank's risk strategy and monitors conformance with risk management policies, procedures, regulatory and internal limits and exposures, and processes and practices. The monitoring of the group's key issues control log (KICL) is paramount to GRCMC's oversight role.

Group Remuneration Committee (REMCO)

Chair: **Hubert Brody**[1]

Enables the board to achieve its responsibilities in relation to the group's Remuneration Policy, processes and procedures, and specifically enables the group to:

- meet the requirements of section 64C of the Banks Act;
- operate remuneration structures that are aligned with best market practice;
- conform with the latest thinking regarding good corporate governance on executive remuneration; and
- align the behaviour of executives with the strategic objectives of the group.

97% **Board meeting attendance**

72 **Total number of board and board committee meetings**

[1] *Appointed chair with effect from 10 May 2018.*

OUR GROUP EXECUTIVE COMMITTEE

The Nedbank Group Executive Committee is a diverse and experienced management team that comprises the Chief Executive (CE), Chief Operating Officer (COO), Chief Financial Officer (CFO) and 10 other members of top management.

Experienced with a strong track record

Mike Brown [52]
CE
Exco member since
17 June 2004 – appointed CE March 2010
24 years' service at Nedbank

Raisibe Morathi [49]
CFO
Exco member since
1 September 2009
9 years' service at Nedbank

Mfundo Nkuhlu [52]
COO
Exco member since
1 December 2008
14 years' service at Nedbank

Brian Kennedy [58]
Group Managing Executive: CIB
Exco member since
14 November 2003
23 years' service at Nedbank

Iolanda Ruggiero [48]
Group Managing Executive: Wealth
Exco member since
1 May 2015
16 years' service at Nedbank

Ciko Thomas [50]
Group Managing Executive: RBB
Exco member since
18 January 2010
9 years' service at Nedbank

Trevor Adams [56]
Chief Risk Officer
Exco member since
5 August 2009
22 years' service at Nedbank

Mike Davis [47]
Group Executive: Balance Sheet Management
Exco member since
1 January 2015
22 years' service at Nedbank

Deb Fuller [46]
Group Executive: Group HR
Exco member since
25 June 2018
0,5 year's service at Nedbank

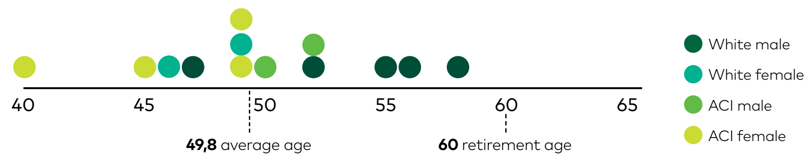
Anna Isaac [49]
Group Chief Compliance Officer
Exco member since
1 January 2019
21 years' service at Nedbank

Priya Naidoo [45]
Group Executive: Strategy
Exco member since
1 January 2015
18 years' service at Nedbank

Khensani Nobanda [40]
Group Executive: Group Marketing and Corporate Affairs
Exco member since
15 May 2018
1 year's service at Nedbank

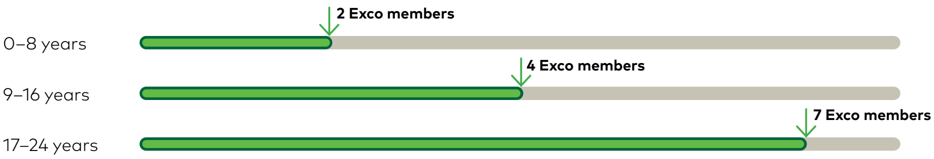
Fred Swanepoel [55]
Chief Information Officer
Exco member since
1 November 2008
22 years' service at Nedbank

Group Exco: Age



Nedbank policy:
Group Exco members must retire on reaching the age of 60.

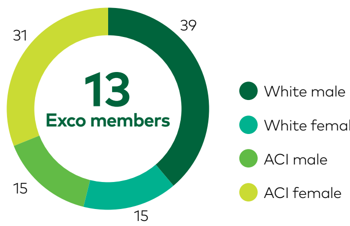
Group Exco: Tenure at Nedbank



More than 200 years of combined service

Transforming from the top

Group Exco demographics (%)



Group Exco changes during the year

Additions	Retired
Deb Fuller	Abe Thebyane
Khensani Nobanda	Thabani Jali
Anna Isaac	

Overview of the needs and expectations of our stakeholders, the context in which we operate and how it is likely to change over the next few years, all of which inform our strategy and the tradeoffs necessary to ensure ongoing value creation and management of risks.

REFLECTIONS FROM OUR CHIEF EXECUTIVE

2018 was year of achievement across a broad front. I am pleased to report to our shareholders and stakeholders that, in addition to the seamless conclusion of the managed-separation process from Old Mutual, Nedbank Group delivered a resilient financial performance in 2018, boosted by the ongoing turnaround in our associate income from ETI.

HE increased 14,5% to R13,5bn and ROE (excluding goodwill) improved from 16,4% to 17,9% – well ahead of our COE of 14,1%. This performance assisted Nedbank to end the year as the best-performing SA bank share on the JSE in 2018, with its share price up 7,3%, and the fourth-best-performing company in the JSE Top 40. Our dividend of 1 415 cents increased 10,1%, providing shareholders with a TSR of 12,6% during 2018.

After accounting for the full IFRS day 1 impact and the cost of the odd-lot offer, we ended the year with a strong capital position, reflected in our fully phased-in CET1 capital ratio of 11,7%. This is above the midpoint of our target range and well above the SARB minimum requirement. In 2018 we reached a key milestone, as total assets for the group exceeded R1 trillion for the first time.

2018 – another difficult year for SA banks

For banks in SA and in Africa 2018 was not an easy year. Although conditions were slightly better than in 2017, we had to navigate a recession in SA in the first half of the year; strategic, operational and funding challenges at key SOEs; ongoing policy uncertainty, particularly around land expropriation; and a VAT increase, all of which resulted in clients remaining under financial pressure, being risk averse, transacting less, borrowing less and investing in cash rather than equities.

The year started on a positive note with the change in our political leadership when Cyril Ramaphosa was elected as the new President of SA. This was followed by a significant improvement in investor sentiment. Business and consumer confidence soon evaporated as the domestic challenges faced by SA became more apparent through the revelations of various commissions of inquiry highlighting the extent of state capture, a VAT hike in April and key economic indicators worsening at a time when the external backdrop was less positive for emerging-market assets.

Economic conditions improved slightly off a low base in the second half of the year, with GDP growth finishing the year at 0,8%. In our business we have seen steady growth in application volumes and loan payouts in RBB and, after a slow first half, loan volumes picked up in CIB in the second half. Our NIR continues to grow strongly, underpinned by a good performance in global markets and growth in main-banked clients across all our businesses. Our credit quality remains excellent as evidenced by a CLR of 53 bps, and we continue to manage costs wisely and extract operational efficiencies as we aim to reduce our cost-to-income ratio over time.

Delivering on our purpose

I firmly believe that any business that sees itself as separate to the society in which it operates will not be successful and sustainable over time. Simply put, it is very difficult to operate a successful business in an unsuccessful society. In this context we developed our purpose statement in 2017 and embedded it throughout Nedbank in 2018. Our purpose – to use our financial expertise to do good for individuals, families, businesses and society – is what Nedbank is all about and what we do to help society prosper. It is in our DNA and what we have been doing successfully since 1834, and it has kept us sustainable and successful over that time.

I am proud of the commitments we have made to bring our purpose truly to life. We have embraced the SDGs, a set of goals by the United Nations to create a better world and society. For the first time the world has a set of common goals to guide our company in what we need to do to contribute to the world and to SA. We will use the SDGs to guide us and to measure the progress we are making in delivering on our purpose. Leading from the top, nine of the SDGs have been individually adopted by our executive team, who will drive groupwide adoption, awareness and delivery.

We have also made a commitment to the YES initiative to address youth unemployment. From the first quarter in 2019 we will be investing approximately 1,5% of the three-year average SA net profit after tax per annum to give employment opportunities to about 3 000 youth, either through placements internally or sponsored placements with implementation partners. This follows the R20m we are investing in the CEO Initiative R1,5bn SME Fund.

Our purpose is also fundamentally linked to our clients. Doing good for clients means satisfaction levels should improve, leading to more clients doing more of their banking with us and in turn leading to a more sustainable and valuable Nedbank business. We bring our purpose to market through our brand essence of being money experts who do good and our payoff line of 'see money differently'. When you manage money well, you can make a real difference in people's lives.

As a responsible corporate citizen, we also continue to play an active role in constructively using our voice on challenges facing society. This year we were the only bank to present to Parliament our position on the land reform debate, where we argued against any changes to section 25 of the Constitution, and in September I appeared before the Zondo Commission of Inquiry into State Capture on our closure of the Gupta accounts.

To remain relevant in a transforming society it is vital that Nedbank continues to be transformed. I am particularly pleased that in 2018 we were able to achieve level 1 BBBEE contributor status under the new Amended Financial Sector Code.

An obsession with client experiences

Sustainable and successful banks are those that can consistently deliver great client experiences by leveraging technology and digital innovation alongside human interactions. Those banks that do not consistently invest and refresh their IT platforms, products and culture will find it hard to compete against incumbents, big tech, new entrants, emerging platforms and fintechs.

In 2010 we embarked on a journey to rationalise, simplify and standardise (RSS) our core systems from 250 to 60 by 2020, with 136 core systems rationalised by end of 2018. Our best-of-breed Managed Evolution journey, which started in 2014, has enabled us to digitise our IT landscape further and to become more agile. Our research on core banking replacements, which has included visiting and learning from banks across the world, has convinced us that our Managed Evolution approach will enable us to achieve a worldclass technology platform in a cost-efficient and risk-mitigated manner without a full core banking replacement. As part of the Managed Evolution, we have invested in and largely completed a number of key foundational IT programs that enable us to launch products and services to market at a much faster pace and lower cost than before. I am excited about the products and services we plan to launch off this platform in 2019 and 2020, and believe they will have a significant positive impact on client satisfaction levels.

In addition, we introduced Digital Fast Lane capability, using agile development methodologies and new Ways of Work (nWoW), and adopting the global gold standard in user experience wherever possible. We launched various market-leading innovations such as the Stokvel Account (a safe and cost-effective savings solution for the stokvel community), the Karri app (a convenient mobile payment app that allows parents to make instant online school-related payments), MobiMoney (a mobile-based account that anyone with a valid SA identity number can open anywhere in seconds), various new services on the Nedbank Money and Private Wealth apps, a crossborder remittance product, robo-advisors and chatbots.

Our successes in 2018 have been acknowledged by our clients as well as independent surveys. The Nedbank Money app™ recorded the highest client ratings among SA peers on the iOS platform, our Nedbank Private Wealth app was rated second best globally by Cutter Associate International Research and our retail Net Promoter Score increased the most among that of all SA banks. Digitally active retail clients grew to 1,5 million and 1,4 million digital-service requests have been performed by transactional clients on the Nedbank Money app™. We also won the *International Banker* award for Best Innovation in Retail Banking SA 2018 as well as *the Banker Africa*'s awards for Best Corporate Bank in SA and best Fintech Partnership for our satellite and drone imagery analytics experimentation. CIB was also placed first in the Bloomberg fixed-income league table rankings: SA bonds and number one in the primary dealer rankings as measured by SARB. Nedgroup Investments was named Offshore Management Company of the Year for the fourth consecutive year at the Raging Bull Awards.

Momentum is building and I am particularly excited about innovations we will bring to market in 2019, after piloting some of these in 2018. These innovations, which will further enhance client experience, include simplified digital client onboarding capability (no paper and no need to visit a branch, and quick), enhanced value propositions such as end-to-end digital applications for personal loans and transactional accounts, as well as a worldclass loyalty and rewards programme that will embrace our purpose of using our financial expertise to do good. In the past two years we have firmly established ourselves as a leader in delivering innovative market-leading client experiences, while ensuring that we remain at the forefront of cyberresilience. By 2020 we aim to have our top 10 products and 180 services available digitally. These innovations, along with many others, will position us well to grow our revenues and compete against existing competitors as well as new entrants coming to the market in 2019.

As we digitise services that were previously offered only inbranch, we should benefit from efficiencies as the cost to onboard and serve our clients will decrease significantly, as more and more transactions will be performed seamlessly and from end to end without human intervention.

Sustainable banks also deliver great client experiences through their people, and at Nedbank we focus specifically on leadership, culture and values. The world of work is changing and we embraced nWoW to ready us for the Fourth Industrial Revolution. nWoW continues to teach us about how we need to change and work in teams, as well as the skills and capabilities needed to be more innovative, digital, agile and competitive.

Making progress in Rest of Africa

Operating in the rest of Africa remains volatile and challenging, and our success in this area needs to be measured over the long term. We believe our Nedbank franchise has a competitive advantage in SADC and East Africa, and we have a strategic alliance with ETI in Central and West Africa. The continent provides a compelling long-term growth opportunity for Nedbank as our SA clients expand and gives our shareholders access to the faster GDP growth rate economies in sub-Saharan Africa.

In 2018 we saw strong growth off a low base from our subsidiaries in the rest of Africa and our associate income as ETI returned to profitability. The ongoing turnaround in ETI continues, but risks still remain, especially in Nigeria. We monitor these risks continuously as active participants on the ETI board. Collaboration efforts with ETI are increasing, as seen in more than 105 of our corporate clients using ETI for banking in countries where Nedbank is not present, the recent launch of a digital crossborder remittance solution together with ETI as part of the Nedbank Money app™, ongoing efforts to build the Nedbank Private Wealth subbrand and offering in the rest of Africa, and leveraging off ETI's ground presence in more than 30 countries to provide rich insight. In addition, we concluded two financing deals with ETI on the back of our investment banking expertise and balance sheet.

Successful completion of managed separation and subsequent odd-lot offer

Nedbank Group started 2018 as a subsidiary of Old Mutual plc and ended with Old Mutual Limited as a strategic 19,9% shareholder. The managed separation was successfully completed on 15 October 2018 and was the largest corporate transaction that Nedbank has ever been involved in – R43bn of Nedbank shares were distributed to OML shareholders. The outcome is positive for Nedbank shareholders as our free float improved from 45% to 80% and we broadened our emerging-market shareholder base. Despite some concerns around a potential overhang of Nedbank shares, the Nedbank share, as mentioned before, was the best-performing SA bank share on the JSE in 2018. For Nedbank and OML it is business as usual, and we continue our arm's-length collaboration, now underpinned by a new relationship agreement.

Looking ahead

SA is in the early stages of a political and economic turnaround. While we have seen positive changes after the ANC elective conference in December 2017, we are still faced with uncertainty as we head towards a general election that will see President Ramaphosa seeking to cement his leadership position in the ANC in order to secure a stronger mandate for making the changes required to drive stronger economic growth and to root out state capture.

Our forecast is for economic growth in 2019 to improve off a low base to around 1,3%. While this is lower than we previously expected, we call this 'Ramareality', and you can read more about it and other scenarios in the detail of the report. In the first part of the year we expect many investors to focus on the outcome of the May 2019 general elections, after which it is hoped more policy certainty will emerge. It will be vital to restructure Eskom to secure a dependable supply of affordable electricity, and the need to find clearly understood solutions to expropriation without compensation that do not impact on economic growth or food security are front of mind. In this slowly improving economic and policy environment our guidance for DHEPS growth in 2019 is to be equal to or greater than our current forecast of nominal GDP growth of approximately 6,0%. If we have a more positive economic outcome, Nedbank is well positioned for faster growth, given our strong CIB franchise and wholesale bias, as we expect that any accelerated recovery is likely to be more wholesale-led considering the pressures faced by SA consumers and the SA fiscus.

Looking towards the medium term, we reiterate our commitment to our 2020 targets of an ROE (excluding goodwill) of greater than or equal to 18% and a cost-to-income ratio of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation. Given resilient earnings growth and the impact of IFRS changes and the odd-lot offer, which reduced equity in 2018, we are currently more confident that we will meet our 2020 ROE (excluding goodwill) target on a sustainable basis. While we remain committed to our 2020 cost-to-income ratio target, it has become more challenging to achieve. This is the result of a combination of weaker-than-anticipated economic growth, primarily resulting in slower wholesale advance growth and slower retail transactional activity as well as lower-than-expected interest rates; IFRS changes impacting the shape of the income statement and negatively impacting the cost-to-income ratio; new costs relating to the Youth Employment Service, deposit insurance and Twin Peaks (not previously known); as well as a decision to increase our investments in platform-related activities in RBB as we continually evolve our business model to underpin future growth.

Appreciation

This year we celebrate the 25th anniversary of our freedom as a country. Despite our challenges, we have a good story to tell, and 2018 has marked the start of a turnaround in governance at many key institutions. We can be proud that we, as Nedbank, have made a significant contribution to society in fulfilment of our purpose – to use our financial expertise to do good. Looking ahead, I am filled with renewed hope about the future as we have entered 2019 with slightly stronger economic prospects, strengthening democratic institutions and increased transparency. At Nedbank we embrace these positive changes as we focus on accelerating our client-centred and digital journey.

Our achievements are only made possible by our people. I would like to thank the Chairman, the board and my fellow executive team for their continued guidance and support, and particularly Thabani Jali, now on his retirement. Thank you also to all the dedicated Nedbankers for your commitment and hard work in tough conditions – we appreciate the value you deliver to our clients at every touchpoint as you help to transform our bank into a more agile, innovative, digital, client-focused and competitive Nedbank. We thank our more than 7,9 million retail and wholesale clients for choosing to bank with Nedbank every single day. We appreciate the support of our existing and new shareholders after the managed separation as well as all other stakeholders. As Nedbank we will continue to play our role in society as we recognise that our success depends on the degree to which we deliver value to society.

Mike Brown
Chief Executive

THE NEEDS AND EXPECTATIONS OF OUR STAKEHOLDERS

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

Staff

- **31 277** employees.
- **28 399** employees in SA businesses.
- **2 878** employees in non-SA businesses.
- **61,8%** female, **38,2%** male.
- **77,4%** black, **22,6%** white.
- Staff attrition **10,1%**.

Clients

7,9 million retail, wealth, SME, business banking and corporate clients.

- Individuals from **children** to **seniors** and from **entry-level** clients to **high-net-worth** individuals.
- Various **legal entities** such as trusts, non-governmental entities and associations, small businesses, **large corporates** and the **public sector**.

Shareholders

- **50 240 ordinary and 6 565 preference shareholders**, bondholders and prospective investors.
- **Retail investors** and **asset management and retirement funds** in SA and increasingly in international markets.
- Two credit ratings agencies: **Moody's** and **Standard & Poor's**.
- **13 sellside** analysts.

Regulators

- **Prodential Authority**: responsible for banking regulation and supervision in SA.
- **FSCA**: in charge of regulating all market-conduct-related matters in respect of financial institutions.
- **NCR**: responsible for the regulation of the SA credit industry.
- **SARS**: SA's tax collecting authority.
- **Other**: foreign revenue authorities, various government departments and chapter 9-institutions, including the Department of Trade and Industry (the dti), the Department of Labour, the National Treasury, the Financial Intelligence Centre (FIC) and the JSE.
- **We also comply with various regulatory bodies outside SA**, including central banks and local financial services regulators of countries in which we have representation or operations.

Society

- **Citizens of the countries in which we operate**, comprising individual members of society, non-governmental organisations and suppliers.
- **The environment** on which those citizens depend for their wellbeing.

More details on how we delivered to our stakeholders' needs and our on targets refer to pages 71 to 83.

Their needs and expectations	Our targets to get there
› Competitive remuneration, effective performance management and recognition. › Challenging work with opportunities to make a difference. › Career development and advancement opportunities. › Employment at a company with a strong brand that is recognised as a good employer. › An empowering, diverse and enabling environment that embraces diversity and inclusivity.	› A culture that is **commercially focused**, **client-centred** and innovative. › A **diverse** and **inclusive** staff profile.
› Innovative solutions and services, including lending, deposit-taking, transactional and advisory services, global markets, wealth management, asset management and insurance. › Convenient access to banking (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.	**Top 2 brand value** among SA banking peers. **RBB** **> 15% main-banked** retail client market share (by 2020). **Top 2** Net Promoter Score. **CIB** **Top 2** in wholesale league tables. **Wealth** **Top 3 SA** asset manager (annual Raging Bull Awards). **RoA** **Increased dealflow** from ETI network and appropriate returns on capital invested.
Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream, enabled by: › Growth in net asset value. › Sustainable 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 governance.	› ROE (excluding goodwill): **≥ 18%** by 2020. › Efficiency ratio: **≤ 53%** by 2020. › **Top 2** price-to-book ratio among SA peers.
› Compliance with all legal and regulatory requirements. › Being a responsible taxpayer in all jurisdictions where we conduct business. › Active participation and contribution to industry and regulatory working groups.	› Effectively deliver **compliance** with regulatory change and meet **minimum regulatory requirements**. › CET1 ratio between **10,5–12,5%**. › **LCR and NSFR compliance** in line with SARB requirements. › CLR within our **60–100 bps** TTC target range.
› Nedbank providing access to expert advice, products and solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communities. › Nedbank partnering on common social and environmental issues. › Nedbank using its resources to promote social, environmental and other common agendas to build a thriving society. › Nedbank embracing transformation through (among other things) delivery in line with BBBEE legislation.	› Recognised as a **leader in the financing of the SDGs**, thereby promoting socioeconomic transformation through enabling economic inclusion, job creation and poverty alleviation.

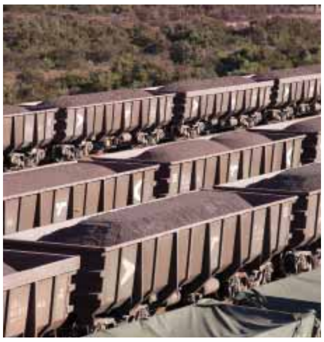
RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT (MATERIAL MATTERS)

Our material matters are reflected in our key risks and opportunities and represent the issues that have the most impact on our ability to create sustainable value for our stakeholders. While these issues change over time as new trends and developments shape the macro environment and our stakeholders' needs evolve, the broad themes remain consistent. Our material matters are: the SA macroeconomic environment; disruptive technologies and increased competition; demands on governance, regulation and risk management; transformation of society within environmental constraints; managing growth opportunities vs volatility in the rest of Africa; requirements for scarce and evolving skills; and changing relationships between business, government, labour and civil society.

SA macroeconomic environment

As a financial services provider, we are highly connected to and interdependent on the macroeconomic environment, especially in SA where we currently generate more than 90% of our earnings. Our ability to create value is dependent on key economic drivers, our response to them and their impact on our stakeholders.

During our engagements with investors in 2018 a key recurring topic was the subdued level of economic growth in SA and Nedbank's outlook for the macroeconomic environment given the political developments from December 2017. Rather than an instantaneous acceleration in economic growth, the turnaround story for SA is that we are in the early stages of a political and institutional turnaround. To build both business and consumer confidence, and to attract local and foreign investment, which would support higher levels of inclusive growth, SA needs policy certainty and structural reforms to be implemented. These are dependent on the progress we make on the political and institutional turnaround that is currently underway and the extent to which we, as a country, manage various risks and uncertainties. The endgame is higher levels of inclusive growth, which will support job creation and reduced levels of unemployment, poverty and inequality.



- **Early stages of political and institutional turnaround in SA** – In December 2017 Cyril Ramaphosa was elected as the new leader of the ruling African National Congress (ANC) following a narrow win and subsequently became President of the Republic of SA after the resignation of President Jacob Zuma in February 2018. At his maiden State of the Nation Address (SONA), he promised that a new dawn was upon us as he injected a new confidence in SA, evidenced by a strengthening of the rand and our averting a Moody's sovereign-credit-rating downgrade in March 2018. With the new dawn came big expectations that the new ANC leadership would root out corruption, deal with state capture at SOEs, restore fiscal sustainability and bring about meaningful improvements in the political, policy and economic environment. Progress has been slow but effective, as evidenced by the final report from the Nugent Commission into SARS and submissions made to the Zondo Commission into state capture. Ahead of the 2019 general elections, investors will be focused on whether President Ramaphosa can consolidate his power within the ANC in order to appoint the right people and fully implement the proposed stimulus and investment programmes that will bring about meaningful recovery in the SA economy.
- **Structural reforms and policy certainty** – In 2018 SA has made some progress on structural reforms, as we have seen in governance and leadership changes at SOEs and revisions to the mining charter. However, the business models and funding challenges at SOEs still need to be resolved. Eskom, in particular, remains the biggest risk to the SA economy, both from a funding and operational perspective. President Ramaphosa's announcement that Eskom will be unbundled into three entities, ie generation, transmission and distribution, is a welcome first step. The new mining charter is a vast improvement on the previous one and has helped bring about change in mining companies' attitudes towards investing in SA. A key outstanding policy issue is land reform and explicit clarification on expropriation without compensation (EWC), as it creates uncertainty and thereby hampers investor sentiment.
- **Business and consumer confidence** – A surge in both the RMB/BER Business Confidence Index (BCI) and the FNB/BER Consumer Confidence Index (CCI) in the first quarter of 2018 was short-lived, with the reality of still subdued economic activity, a VAT hike, rising fuel prices, a technical recession in the first half of the year, a substantial drop in share prices on the JSE and the ongoing land expropriation debate having weighed down on confidence levels as the year progressed. Many corporates remain reluctant to invest in SA as they await clarity on land reform, Eskom's challenges to be resolved and the outcome of the 2019 general elections.
- **Local and foreign investment** – In April 2018 President Ramaphosa announced a USD100bn investment drive over the next five years, supported by an Investment Summit where both local and foreign companies made investment pledges worth R290bn to the SA economy. Most of the investments announced during the conference originated from SA corporates and multinationals based in the country, signalling renewed investor confidence in and commitment to SA. The drive also attracted investments from China, the United Arab Emirates, the United Kingdom and Saudi Arabia. These investments help promote SA as an investment destination and have the potential to create new job opportunities.
- **Inclusive growth and job creation** – In the fourth quarter of 2018 the SA unemployment rate edged up to 27,1%. Job prospects remain limited as economic activity remains lacklustre. SA needs increased levels of inclusive economic growth to tackle high unemployment, persistent inequality and poverty. This can only happen with increased levels of investment.

Three scenarios for the short to medium term

In context of an uncertain political and difficult macroeconomic environment we have created three scenarios that represent the underlying assumptions for our three-year planning, stress testing and communication to the investment community. These scenarios embody our base case (Ramareality), a positive scenario (Ramaphoria) and a downside scenario (Ramaphobia).

Ramareality

Reflects our base case scenario and the key assumptions around our financial guidance for 2019 and our 2020 targets. Under this scenario the ruling ANC party secures an improved outcome in the 2019 general elections. As a result, President Ramaphosa secures an improved mandate to improve political leadership and to make decisive policy changes needed for a stronger economic turnaround. GDP growth improves off a low 2018 base, but remains muted over the next three years. We forecast a moderate increase in credit growth to upper-single-digit levels by 2021 as confidence improves slightly. Interest rate increases are benign given inflation levels that remain well controlled within the SARB target range of 3–6%, which should be positive for indebted consumers and bank credit loss ratios. We believe the likelihood of this scenario playing out is around 70%.

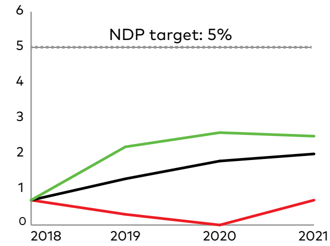
Ramaphoria

Under a Ramaphoria scenario we assume that the ANC obtains an improved majority in the 2019 general elections, giving President Ramaphosa a strong mandate and the ability to capitalise on his political support to push through faster on the reforms SA needs to improve confidence. As a result, economic growth improves to around 2,5% from 2021, although still well below the 5% targeted in the NDP. Under this scenario we are likely to see close to double-digit credit growth. We believe the likelihood of this scenario playing out is around 20%.

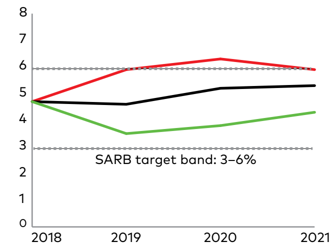
Ramaphobia

Represents a downside scenario where the ANC either does not achieve an outright majority during the 2019 general elections or achieves a weaker than expected performance resulting in President Ramaphosa losing internal support within his party. As a result, the key reforms needed to drive economic growth are delayed or not implemented as populist policies regain favour. A coalition government could compel the ANC to cooperate with other political parties in various structures (SA coalitions at local government level have proven relatively difficult to manage given the divergent policy positions between political parties). This scenario is likely to impact confidence levels negatively, with credit growth slowing to low single digits, potential further sovereign-credit-rating downgrades are almost certain and an increase in interest rates is likely. We believe the likelihood of this scenario is around 10%.

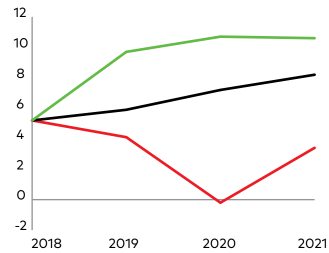
GDP SA (%)



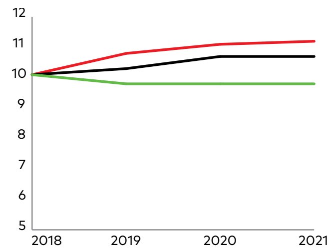
Inflation (CPI, %)



Industry credit growth (%)



Average prime interest rate (%)



* *Forecasts at 22 February 2019.*

Ramareality Ramaphoria Ramaphobia

The opportunity, given Nedbank's differentiation

Economic recovery – The anticipated improvement in socioeconomic conditions, under both Ramareality and Ramaphoria scenarios, supports banks. Opportunities include sentiment and confidence driving corporate and consumer spending and investment, pockets of growth in infrastructure and the rest of Africa, an increase in mergers and acquisitions activity, and potentially less stress for consumers as interest rates rise slowly or even plateau. Given Nedbank's wholesale banking bias, we are well positioned in CIB to grow strongly when business confidence returns, while RBB will gain from improved consumer confidence and Nedbank Wealth will benefit as equity markets recover.

Growing our transactional banking franchise faster than the market

Managing scarce resources to optimise economic outcomes

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

Economic recovery – For banks an ongoing uncertain economic environment has a negative impact on earnings growth potential, particularly in a Ramaphobia scenario and the likely sovereign downgrade that would ensue. Key risks are ongoing weak advances growth, particularly muted retail lending and corporates not investing, slower transactional volumes that impact revenue growth and higher bad debts driven by job losses or large corporate defaults. Managing costs wisely is an imperative as we discuss on page 46.

Land expropriation without compensation – EWC has created significant uncertainty. In 2018 we presented our position in Parliament, noting that, while land reform is necessary, it does not require section 25 of the Constitution to be amended. We maintain that a sensible outcome will prevail, with areas of risk such as vacant land being less than 0,5% of our advances portfolio. A positive outcome of EWC could result in more South Africans receiving title deeds to their property, which should drive greater levels of financial inclusion and credit growth.

Exposure to SOEs – Our exposure to SOEs is limited and largely guaranteed by government. This risk is discussed in more detail on page 47.

3 Business risk

9 Market risk

7 Reputational risk

For more details on our top 10 risks refer to pages 58 and 59.

Disruptive technologies and increased competition

As the world becomes increasingly digitised, all industries are feeling the impact of the pervasiveness of technology. Financial institutions have seen leading indicators of this revolution as it changes all aspects of providing financial services and creates new opportunities – from digitisation of financial services, enhanced client experiences and new products and channels, to evolving organisational structures and internal processes, as well as new staffing and skills requirements. New digital technologies are reshaping the value proposition of existing financial products and services and how these are delivered to and consumed by clients.

Digital and disruptive technologies – The digitisation of banks includes embracing and leveraging mobile technology, fintech partnerships, cloud computing, big data, advanced analytics, machine learning, blockchain technology, artificial intelligence, robotics and biometrics in the optimisation of legacy IT infrastructure as well as in the pursuit of new revenue channels and opportunities. Banks (which have both the scale and position of trust with clients) are increasingly partnering with fintechs, enabling faster delivery to market of new innovations. The adoption and application of modern tooling enable more rapid software engineering development and scaling of delivery, which allow for faster innovation and digitisation.

New banking entrants – Competitors in the banking sector have evolved to include new entrants, fintech disruptors and big tech disruptors. These disruptors are revolutionising the banking experience for clients. 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 and Microsoft (GAFAM), Alibaba and Tencent have the financial muscle as well as the ability to scale and are therefore arguably a greater threat to traditional banks. While these are global trends, they are likely to transform the SA banking landscape in the future.

2019 will see the launch of value propositions by various new entrants in the SA banking system. SARB has granted banking licences to Discovery, Tyme Digital, Post Bank and Bank Zero. These new entrants are likely to focus on transactional services and deposits and they will challenge existing banks with innovative digital solutions.

The opportunity, given Nedbank's differentiation

Revenue growth and cost optimisation – Opportunities for Nedbank include gaining client transactional volumes and revenue by continuing to respond to the digital challenge in an agile and client-centred manner, improving efficiency through technology (lower cost to serve) and bringing new digital offerings to market quicker. Our approach to innovation delivery through our aligned ME and DFL strategies (discussed in more detail on page 50) adopts global gold standards and has enabled us to commercialise swiftly market-leading and innovative new products and enhancements, as shown on pages 43 and 44.

- Delivering innovative market-leading client experiences
- Growing our transactional banking franchise faster than the market
- Being operationally excellent in all we do

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Cyberrisks – The dark side of the global technology revolution is that financial crime has increased dramatically, evidenced by the increase in the number, intensity and sophistication of high-profile cyberattacks. These attacks are usually aimed at accessing, changing or destroying sensitive information, extorting money from users or interrupting normal business processes. Banks have become attractive targets for cyberattacks because of their key role in payment and settlement systems, the volume of sensitive client information they hold and the potential adverse impact of interfering with the smooth functioning of banking services. In 2018 a large SA financial services company became the victim of a cyberattack, with an external party claiming to have seized data and demanding payment. A survey conducted by the World Economic Forum (WEF) has recently indicated that, globally, cyberattacks are among the top five risks expected to increase in 2019, while our Internal Risk and Governance Framework similarly includes cyberrisk as one of our top three risks.

Key risks and mitigating actions

Pressure on revenues and costs – Loss of relevance with clients, loss of market share and loss of revenue are key risks should our digital offerings not remain competitive, digital banking become a commodity and not a differentiator, or new competitors capture a significant share of revenues. In addition, if we are not able to offset the higher-expense burden of investing in IT and digital innovation with efficiencies and cost optimisation initiatives, we risk not meeting our 2020 cost-to-income ratio target. We are responding to these risks by bringing various new innovations to market, as shown on pages 43 and 44, as well as our cost optimisation initiatives on page 46.

Cyberrisk – Cyberrisk has been identified and listed as a Nedbank top 10 risk. To offer protection cybersecurity capabilities are continually being enhanced, even though Nedbank is currently leading in cyberresilience statistics in the market (eg lowest in industry with regard to cyberlosses and successful phishing attacks). Our various assessments have identified the top 11 cyberpriority areas. These have been included in our Cyberresilience Programme and are receiving accelerated focus to address gaps and mitigate risks. One of the most effective forms of preventing cyberattacks is through training and awareness. Nedbank has rolled out cyberrisk e-learning and all employees and contractors are required to complete this course. Our Nedbank Group Insurance Programme includes substantial standalone cyberinsurance cover in line with local and global trends.

1 Strategic and execution risks
4 Operational risk
2 Cyberrisk

For more details on our top 10 risks refer to pages 58 and 59.

Demands on governance, regulation and risk management

The financial services industry worldwide has seen an exponential increase in regulations since the global financial crisis. These regulations have placed new demands on banks, resulting in increased cost of banking. We support the intention of increased global regulations to protect our stakeholders by preventing a similar financial crisis from reoccuring in the future, hence regulatory compliance and alignment to emerging risk management practices are our key strategic imperatives.

Looking forward, the focus of SA regulations is to shift the culture and behaviours within the industry, to reinforce financial stability and to maintain the soundness of financial institutions while protecting clients. The Financial Sector Regulation Act was signed into law in August 2017 and became effective from 1 April 2018. This piece of legislation brings about a major transformation of the SA financial services regulatory and risk management framework, including the move to a Twin Peaks approach to regulation.

Twin Peaks – The Twin Peaks Regulatory Framework, through the passing into law of the Financial Sector Regulation Act, has introduced two new regulatory bodies for the supervision of financial institutions. The Prudential Authority (contained within SARB) is now responsible for ensuring the stability of the financial system and the Financial Sector Conduct Authority is in charge of regulating all market-conduct-related matters in respect of financial institutions.

Deposit Insurance Scheme – In September 2018 the National Treasury and SARB released an updated version of the Financial Sector Laws Amendment Bill. This bill, once promulgated, will effectively give rise to the Resolution Framework, of which a key component is the Deposit Insurance Scheme (DIS). In anticipation of the DIS, an implementation project team has been established, with a primary responsibility to work towards the full operationalisation of the DIS by the end of 2019. Based on this timeline, it is possible that banks may have to pay deposit insurance premiums and levies on qualifying 'covered deposits' from 2020 onwards. The definition of 'covered deposits' has not changed from that in the original draft Resolution Framework and the coverage limit of R100 000 on retail deposits remains the same. We await further clarification in terms of the timelines during 2019.

Basel III reforms – Basel III reforms announced in December 2017 include: placing a floor on certain model inputs for portfolios subject to the AIRB Approach; introducing new credit RWA calculation rules for portfolios subject to The Standardised Approach; using a new standardised approach for the calculation of credit valuation adjustment and operational RWAs; and setting a floor on the group RWAs equal to 72,5% of RWAs calculated on a revised standardised approach. All changes will be effective 1 January 2022, with a five-year phasing-in of the 72,5% floor, beginning at 50% in 2022. As these Basel III reforms have yet to be converted into national law, there is still uncertainty regarding the interpretation of some of the rules, such that reliable impact estimates in SA are not yet available.

Amended FSC – The release of the Amended FSC, which sets higher thresholds and targets when compared with the previous FSC, symbolises a new beginning in the reorientation of the transformation policy to address the issue of fronting, with a bigger focus on productive BBBEE. The Amended FSC commits its participants to promoting a transformed, vibrant and globally competitive financial sector that reflects the demographics of SA, and continuing to contribute to the establishment of an equitable society by effectively providing accessible financial services to black people and directing investment into targeted sectors of the economy.

The opportunity, given Nedbank's differentiation

Leverage strengths – A key opportunity for Nedbank is implementing regulatory requirements, such as AML, in a client-centred, integrated and synergistic manner in our new client signoff (onboarding) processes. By having strong bank balance sheets we are well positioned to weather an economic downturn, but also well positioned for growth as the economy improves.

Managing scarce resources to optimise economic outcomes

Being operationally excellent in all we do

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

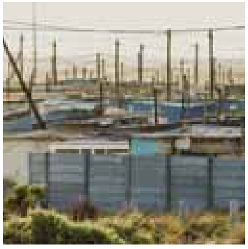
Regulatory sanction and fines – Fines relating to market conduct and non-adherence to legislation have increased significantly as seen across the USA, Europe and Australia, where a fine of AUS $700m to Commonwealth Bank of Australia illustrates that regulators are increasing pressure on banks to comply with various regulations and treat clients fairly. While Nedbank has made good progress with regard to AML, combating the financing of terrorism and sanctions requirements, a fine was received in Mozambique. Corrective remedial actions in mitigating identified risks have been initiated to ensure upliftment to the AML, combating the financing of terrorism and sanctions control environment.

5 **Conduct and culture risks**

8 **Regulatory and compliance risks**

For more details on our top 10 risks refer to pages 58 and 59.

Transformation of society within environmental constraints



The massive economic, social and environmental challenges we are facing globally continued to intensify in 2018 as the collective desire to address these challenges seemed to wane in an increasingly polarised world. The latest WEF Global Risks Report singles out the geopolitical and geoeconomic tensions, along with domestic political strains in many countries, as key hurdles to collaboratively address the most urgent global risks. In many cases it is the lack of progress in addressing these risks that exacerbates them and drives sociopolitical tensions.

The environment – Environmental risks continued to dominate the WEF Global Risks Report, accounting for three of the top five risks by likelihood and four by impact. These included extreme weather, natural disasters, water crises and failure of climate-change mitigation and adaption. It is, of course, the deep interconnectedness of these risks with human wellbeing that sees them posing systemic challenges to citizens, corporations and governments alike. The recent drought in the Western Cape drove home how heavily we rely on the environment, as losses were felt across all sectors of the economy and societal strata.

Unless the fundamental interdependence of human development and environmental wellbeing is properly appreciated, our modern economies will remain under threat. According to the latest WWF Living Planet Report the results of climate in action and global change are becoming increasingly apparent, with an abundance of species down 60% since 1970. This loss of biodiversity has had an impact on human health and wellbeing. Other, less obvious, impacts of climate change relate to the impact of atmospheric carbon dioxide (CO_2) on nutrition. Recent research by the Harvard TH Chan School of Public Health suggests that by 2050 billions of people will experience zinc, protein and iron deficiencies due to the impact of CO_2 on nutritional staple crops.

Inequality and transformation – Global inequality may have reduced over recent years, but in many countries, including SA with its stubbornly high unemployment rate of 27%, it has continued to rise. So, while the latest International Monetary Fund (IMF) forecasts point to a gradual slowdown in the global economy, the drive to address inequality, unemployment and poverty on the African continent, which is Nedbank's primary market, cannot slow down. The transformation imperative and continued progress to a more equitable representation of the SA economy and workforce remain top of the agenda. To date transformation has led to a broader and growing middle-market segment and increasing uptake of financial products and services.

Sustainable Development Goals (SDGs) – The SDGs, African Union's Agenda 2063 and SA's National Development Plan (NDP) offer complementary road maps for the transformation of society and highlight investment opportunities that will meaningfully address these challenges. However, this will require courageous leadership with a focus on long-term value creation and cooperation rather than a narrow pursuit of short-term private gain and competitiveness.

The opportunity, given Nedbank's differentiation

SDGs – The use of innovative financial solutions to meet clients' needs as they relate to meeting the SDGs represents a significant opportunity. Globally it is estimated that delivery on the SDGs will offer new revenue streams and cost savings in excess of USD12 trillion annually by 2030. This level of redirected investment will have a profound impact on the structure of the global economy and result in significant job creation and poverty reduction. As such, we are positioning delivery on the SDGs at the heart of our strategy, using this to create an enduring competitive advantage.

Managing scarce resources to optimise economic outcomes

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

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

3 Business risk

7 Reputational risk

For more details on our top 10 risks refer to pages 58 and 59.

Managing growth opportunities vs volatility in the rest of Africa

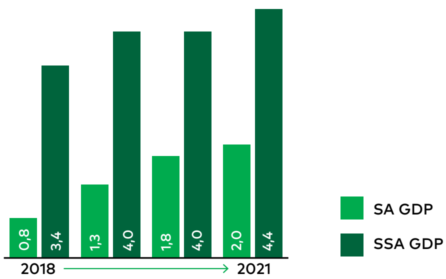
Sub-Saharan Africa (SSA) is considered to be an attractive long-term investment region fuelled by its strong economic growth potential, estimated to grow on a sustainable basis between two to four times faster than SA. The UN estimates that Africa will see the largest relative increase in population over the coming years leading to 2030. The strong population growth, rise in middle-class population, urbanisation trends, increasing technology usage and abundant natural resources are key drivers for investments in SSA. African governments are driving efforts to tackle infrastructure bottlenecks and improve the regulatory environment to attract foreign direct investment.

As a result, deal activity in the region has been rising due to the improving business environment and the potential of investment returns. Banking penetration still remains relatively low in many African countries, creating an opportunity for established banks from well-developed financial markets to grow. Mobile and digital technologies driven largely by fintech companies are gradually boosting financial inclusion in sub-Saharan Africa.

Our growing African client base and our SA clients entering the rest of Africa seek to benefit from one-stop financial services solutions. Shareholders seek exposure to this higher-growth region through investment in well-managed SA banks that follow a risk-mitigated, capital-efficient approach. With Nedbank having strong, specialised skills and our complementary strategic partnerships through Ecobank, QNB, Bank of China and Old Mutual Limited, we are in a strong position to play a key role in funding and structuring infrastructure and capital-intensive projects, as well as leveraging incountry and crossborder banking opportunities.

However, we have to participate cautiously, as the environment remains uncertain in the short to medium term and is likely to be volatile over time. Economic growth in Africa should continue to improve, particularly in the key markets in which ETI operates, such as Nigeria, Ghana and Côte d'Ivoire. In SADC the economies of Zimbabwe, Malawi and Mozambique remain challenged. During 2019 elections will be held across 17 countries on the African continent – this could create additional volatility and policy change that may lead to either positive or negative economic outcomes.

SA GDP vs SSA GDP growth (excl SA)
(%)



Source: Nedbank and International Monetary Fund.
** Forecast at 22 February 2019.*

The opportunity, given Nedbank's differentiation

Expansion into rest of Africa – The ongoing opportunity for us is to support our SA clients who continue to expand into faster-growing markets in the rest of Africa, leveraging SA's position as the gateway to Africa and using the unique expertise of our partners in operating in emerging markets.

- Much of the SA skills base in infrastructure, telecommunications, resources, retail, construction and renewable energy is transportable and can be applied to business opportunities in the rest of Africa.
- Our investment in our own businesses in SADC will continue to provide an opportunity for client gains and, as a result, new revenue growth opportunities particularly those driven by digital solutions. One example out of RBB is our integrated crossborder money transfer solution launched in conjunction with Ecobank towards the end of 2018 (read more about this on page 49).

Managing scarce resources to optimise economic outcomes
Providing our clients with access to the best financial services network in Africa

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

Zimbabwe – While our Zimbabwean operations remain small in group context, we are conscious of the challenging environment and its impact on our staff, clients and operations. The difficult environment in Zimbabwe resulted in a negative FCTR adjustment to the group's capital of R0,8bn before minorities (R0,5bn after minorities). We continue to monitor developments in Zimbabwe brought about by currency shortages and pressure on the fiscus.

ETI (sustainability of earnings) – Risks around our strategic partner, Ecobank, which is more directly exposed to Nigeria, remain top of mind, although the outlook has improved and ETI has delivered seven consecutive quarters of profit. In December 2018 the ETI board resolved to adopt the NAFEX exchange rate as the rate to be used for the translation of the operations in Nigeria. Accounting for associate income, together with Nedbank's share of ETI's other comprehensive income and movements in Nedbank's FCTR and our share of ETI's own IFRS 9 transitional adjustment, resulted in the carrying value of the group's strategic investment in ETI decreasing from R3,3bn at 31 December 2017 to R3,2bn at 31 December 2018. This amount includes a R361m credit adjustment to account for the anticipated impact of ETI changing from the official Central Bank of Nigeria (CBN) exchange rate to the NAFEX exchange rate.

1 **Strategic and execution risks**
7 **Reputational risk**
3 **Business risk**

For more details on our top 10 risks refer to pages 58 and 59.

Requirements for scarce and evolving skills

The pace of change in banking is accelerating, and digitisation is at the forefront of the change in the industry, with strong competition to deliver superior client experiences and pressure to remain competitive. Global banking industry trends indicate an impact on the workforce as a result of digitisation relating to skill sets and a reduction in organisation sizes. Consumer behaviours and uptake of the digital offerings will influence roles and skill sets required for banks to grow their businesses. As a responsible employer in a competitive environment, the financial services industry needs to identify impacted roles and skills proactively and set plans in motion to upskill employees for new roles and capabilities.

Readying the workforce for the future – The emergence of fintechs, cryptocurrencies, digital interaction, artificial intelligence and agile work environments prompted a shift in focus to understanding the key skills financial services will require in the future. In SA technology jobs were the most sought-after positions in 2018, with developer skills (Java, PHP, web, .Net, etc) in highest demand. The new world of work is rapidly becoming a reality and entails a difficult transition for thousands of workers and companies in SA and around the world. New roles are emerging and require capabilities and skills that are scarce and critical to the future success of businesses. Existing roles will change and therefore the need for proactive investment is required to develop new capabilities and skilled talent globally within organisations and at graduate levels. The reality is that SA has approximately 3,3 million youth (15–24 years) that are unemployed or in education or training. Nedbank is committed to its role in the broader SA society and is now one of many companies, as agreed between leading CEOs and the government, that is participating and carrying the costs of employment opportunities to previously unemployed youth as part of the Youth Employment Service (YES) initiative.

Reskilling and upskilling – As skills retention and development are crucial to improving our global competitiveness, it is critical that we take an active role in supporting the existing workforce through reskilling and upskilling. Although Nedbank provides an enabling environment, individuals need to adopt a proactive approach to their own learning. In addition, innovative partnerships must be explored with non-financial-services sectors to absorb reskilled individuals in their respective sectors. External partnerships and funding opportunities with BANKSETA are some of the avenues banks are already leveraging to aid in the reskilling and outskilling of the workforce. Leaders need to be equipped to embrace and lead the change, despite constant ambiguity and uncertainty, to instil a culture of learning. Organisations should recognise the risk that skill shortages pose to delivery on their business strategies and need to continue to invest in the development of skills. Nedbank is cognisant of the societal impact of reskilling and upskilling the existing workforce. Together with the development of scarce and evolving skills, wellbeing programmes aim to build resilience and provide holistic support to employees.

The opportunity, given Nedbank's differentiation

Investing to retain, develop and attract the best skills – At Nedbank we continue to focus our attention on the attraction of the best skills, providing proactive training and development of staff and skills to cater for a changing world and future skills. We are exploring partnerships with non-financial-services industry players to build skills for the greater good of the country. We will continue to support business and government initiatives, such as the SME Fund, and educational programmes, such as Partners for Possibility and the YES initiative, and in so doing help build Nedbank's brand, communities and our country.

Managing scarce resources to optimise economic outcomes

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

Skill shortages – Shortages and competition for critical skills are rising globally, and this is also true for SA and the African continent. Our workforce, coupled with our digitisation journey, is at the centre of a changing and uncertain world. There are many organisational changes that employees have to navigate. The macro environment, with challenges of higher levels of unemployment, growing social inequality, political instability and rising costs of living, increases the pressure on our employees. These challenges are presenting high levels of stress among the workforce and can place the execution of our business strategy at risk. In line with our people-centred commitment, at Nedbank our Employee Wellbeing Programme offers confidential (outsourced) counselling services to staff facing stress at work and in their personal lives. We are upskilling the organisation to enable our digital strategy and we are bringing in young and skilled talent to infuse creativity and innovation beyond what we have created thus far. To address skill shortages we continuously invest in skills development and learnership programmes, with digital learning platforms being introduced to reskill and upskill our staff and enable a future-fit workforce.

1 Strategic and execution risks 4 Operational risk

For more details on our top 10 risks refer to pages 58 and 59.

Changing relationships between business, government, labour and civil society

Government, business, labour and civil society all understand the imperative to address weak economic conditions and high levels of unemployment, avert further sovereign-credit-rating downgrades and increase levels of inclusive growth to ensure a better life for all. Working together towards a common goal will assist the SA economy in reaching its full potential and reducing inequality and poverty.

CEO Initiative and other areas of focus

The value-adding outcomes to date include, among others:

- R1,5bn committed by the private sector for investment in small enterprises to drive job creation.
- Companies to offer employment opportunities to one million young work-seekers over the next three years (YES initiative) and support commitments made at the Jobs Summit.
- Considerable investment in the REIPPPP that has led to 3 517 MW of energy generation.
- Improvement of governance in some SOEs and working on a resolution to address operational and funding challenges at Eskom.
- Regular meetings to update credit rating agencies on the progress made to avert further sovereign-credit-rating downgrades. To this end all major credit rating agencies currently have their outlook on SA as 'stable' (revised from negative).
- The launch of a USD100bn investment drive over the next five years, supported by an investment summit.

In the spirit of nation building, Nedbank was mandated by SARB to facilitate payment to more than 17 000 small retail clients of VBS Mutual Bank, which was put into curatorship.

Constructive national dialogue

- At Nedbank we have deliberately taken a more active stance on some key issues facing our country. As a purpose-led organisation that uses 'our financial expertise to do good', we added our voice to the land reform debate by making an oral and written submission to Parliament's Constitutional Review Committee, arguing why section 25 of the Constitution, as it relates to expropriation without compensation (EWC), should not be amended as it already allows for EWC. This follows our presentation to Parliament in 2017 on transformation, for which Nedbank received acknowledgement for the progress it had made on this matter.
- We are actively fighting financial crime, and as part of this, our Chief Executive, Mike Brown, appeared before the Zondo Commission of inquiry into state capture on the closure of the Gupta accounts. We realise that business cannot afford to sit back and watch what happens on matters of national significance. As South Africans, we have a constitutional duty and obligation to recognise and redress the injustices and inequalities of the past, while working to build a society based on the rule of law that aims to improve the quality of life of all citizens.

State capture and corruption – the need for ethical behaviour

State capture and corruption, as apparent in the evidence brought before the Zondo and Nugent commissions of inquiry, as well as corporate scandals have broken the trust between social partners in SA and undermined our confidence in each other. Government and private sector companies, through their boards, executive management, staff and stakeholders, need to ensure that the focus on good governance, integrity and ethics increases.

The opportunity, given Nedbank's differentiation

Playing a leading role in society – Opportunities for Nedbank include initiatives that drive inclusive and sustainable economic growth. This should place SA in a stronger position over the medium to long term and create a supportive environment for banks to improve returns and growth. We will continue to contribute to important debates on key issues, work closely with government and labour to ensure positive outcomes for our citizens and contribute our fair share through the SDGs and other initiatives such as YES and the SME Fund. To this end Nedbank contributed R20m to the SA SME Fund and will participate in YES at a cost of approximately 1,5% of the three-year average SA net profit after tax per annum from 2019.

Managing scarce resources to optimise economic outcomes

For more details on our strategic focus areas and strategic enablers refer to pages 41 to 55.

Key risks and mitigating actions

Sovereign-credit-rating downgrade – Nedbank is well positioned to deal with a higher-stress environment, such as any Moody's downgrade of SA's sovereign and therefore bank credit ratings having a limited direct impact. Our improved readiness to deal with any potential shocks, compared with our readiness during the 2007/08 global financial crisis (a prior high-risk event), is shown on page 70.

Reputational risk – Nedbank Group's Reputational Risk Committee continues to manage and mitigate efficiently reputational risk exposure arising from association risk related to allegations around state capture and corruption in the broader context.

3 **Business risk** 7 **Reputational risk**

For more details on our top 10 risks refer to pages 58 and 59.

OUR STRATEGIC FOCUS AREAS AND ENABLERS

In response to the rapidly changing operating environment and needs and expectations of our stakeholders, we developed five strategic focus areas that drive the activities in our value-creating business model. These strategic focus areas are underpinned by strategic enablers, which are catalysts for delivering our strategy and achieving our 2020 targets.

Delivering innovative market-leading client experiences

- Growing our transactional banking franchise faster than the market
- Being operationally excellent in all we do
- Managing scarce resources to optimise economic outcomes
- Providing our clients with access to the best financial services network in Africa

Create great client experiences and grow clients

Enabled by ...

Technology
Managed Evolution and Digital Fast Lane

+

People/Talent
Culture/Brand

Delivered through ...

Target Operating Model (TOM)
Largely by new Ways of Work

Leading to ...

Client growth and client satisfaction

Operating efficiencies

Resulting in ...

Revenue growth

Cost savings

2020 financial targets

ROE (excluding goodwill) ≥ 18%
Cost-to-income ratio ≤ 53%

Delivering innovative market-leading client experiences

Financial services providers that respond best to the digital challenge in a client-centred manner will continue to gain a disproportionate share of client revenues. In addition, technological developments provide opportunities for improving efficiency, thereby bringing new digital offerings to market quicker, and lowering the cost to serve as well as optimising the overall cost base through the reduction of branch sizes and ancillary costs.

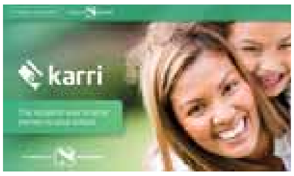
Reflecting on 2018 and looking ahead

- Through our ME and DFL technology strategies, described on page 50, we have launched various market-leading solutions during the year such as the new Stokvel Account, Karri app (integrated digital payment solution for the school ecosystem), Unlocked.Me (a new CVP for the youth segment), MobiMoney (allows clients to receive and send money, buy airtime and electricity from a cellphone and withdraw money, all without a formal bank account) and a crossborder remittance product.
- We increased the number of new self-service functions (previously only available inbranch or through staffed channels) on the Nedbank Money app™ and the new Nedbank online banking site, taking the total services to 70. As a result, app transaction volumes through the Nedbank Money app™ increased 82% during the year. By 2020 we aim to have 180 services available to clients. Similarly, we added various new services to the Nedbank Private Wealth app. The benefits are evident in higher levels of client satisfaction, increased digital penetration and various independent industry awards (these benefits for clients are discussed in more detail on page 73).
- In RBB we have proactively enabled 5,9 million clients to do their banking on our digital channels and are now focusing on increasing active usage (currently 1,5 million clients) as we enhance functionality and ease of use.
- As far as our integrated channels are concerned, we have to date converted 60% of our outlets to new-image digital branches, and our investment in distribution channels over the next three years (until 2021) will result in 79% of our retail clients being exposed to the new digitally focused branch formats and self-service offerings. Benefits of increasing the number of self-service devices are illustrated in the increasing volumes of cash being handled by our Intelligent Depositor devices, now at 61% from 20% in 2015. We increased our Intelligent Depositor devices by 7%, video bankers by 8% and self-service kiosks by 4%. Along with the increased services available on the app, these investments enabled us to reduce teller activity by 16%.
- In Nedbank Wealth, our market-recognised digital advice innovation has seen encouraging uptake, as evident in 77% of investors using the Extraordinary Life™ platform, which is new to Nedgroup Investments. Nedbank Insurance was the first-to-market insurer in SA to have chatbot functionality and we have made significant strides in remaining ahead through delivering live-agent service functionality and funeral-quoting capabilities.
- CIB won *The Banker* magazine's 2018 fintech partnership award for our partnership with Aerobotics (Pty) Ltd.
- In 2019 we will bring further exciting digital innovations to market to enhance client experiences and drive efficiencies. We piloted simplified client onboarding with a convenient, FICA-compliant account-opening process and the fully digital account-opening process for two of our products, personal loans and transactional accounts, in 10 branches in 2018. These will be launched to our clients in the first half of 2019. By 2020 we aim to have digitised the sales journeys of our top 10 retail products.
- Other innovations in the pipeline include a refreshed internet banking experience in line with our mobile banking apps, a new and exciting loyalty and rewards solution, and further rollout of chatbots, robo-advisors and software robots (robotic process automation).
- Investment into platform related activities as we continually evolve our business model to underpin future growth.

Key risks in implementing the strategy

Innovations do not deliver market-leading client experiences – Client satisfaction measures, such as the Net Promoter Score and app ratings in 2018, indicate that recent product releases are highly rated. Nedbank's approach to adopt international gold standards (the best globally) and involve clients in the product development processes (design thinking) mitigates the risk to some extent. We are continuously adding new value-adding services to ensure that products and services evolve as clients' needs change.

Innovations delivered in 2018

Innovations and CVPs	Value for our clients	Value for Nedbank
	**Stokvel** – A safe, easy and effective solution with no transactional fees that allows groups of individuals to manage group savings better, with added benefits such as best-in-market burial cover and up to 15% discount vouchers for selected stores for each member.	Market penetration into segments where Nedbank did not have a strong presence.
	**Karri app** – An integrated payment collections and reconciliation capability enabling parents to make school-related payments within seconds, at the same time relieving schools from the burden of cash payments and management and eliminating the need for kids to carry cash.	A good starting point to accelerate our ecosystem-based solution for schools, thereby solidifying our relationships with schools to expand our offering across the ecosystem.
	**Nedbank Money app™** – An easy, simplified, convenient and cost-effective way of banking for clients. Digitisation of key services saves clients time and enables them to manage their money and financial life remotely, removing the need to go to a physical branch. This includes innovative capabilities such as QR code-based payments through scan to pay, changing limits and freezing cards.	Reduced traffic through Nedbank's physical channels enabling cost savings, and introduction of new revenue streams through value-added services such as electricity payments.
	**Extraordinary Life chatbot** – A faster investment process (end to end in as little as 10 minutes), no paperwork (100% digital) and tailored, personalised guidance suggesting the best combination of products to maximise an individual's savings.	Reduced account-opening costs and a new channel as a source of additional revenue.
	**Unlocked.Me** – Clients can digitally onboard themselves on our first-in-market banking account with zero monthly fee charges and value-added benefits relevant to them. We provide them with tangible opportunities such as equipping them for the job market and addressing youth unemployment. The curated lifestyle pillar hosts exclusive offers and discounts for clients.	Our first exploration into platforms, aimed at growing our youth market share, changing the perception about Nedbank and creating new revenue streams with beyond-banking offerings.
	**Ecobank–Nedbank crossborder remittance solution** – Low-cost, fast and convenient solution to 2,7 million African migrants, allowing them to send money to friends and families in 33 countries across the continent at affordable rates. Nedbank clients do not have to go through the hassle of going into a branch to make transfers, saving them time.	New source of revenue in a market segment where Nedbank did not have a presence.

CASE IN POINT
Stokvel

8 DECENT WORK AND ECONOMIC GROWTH

It is estimated that 800 000 stokvels in SA are regularly used as a trusted, social-savings mechanism by approximately 76% of black households. Despite SA being seen as a low-savings country, more than R50bn is saved within both the banked and unbanked stokvels market. Our Stokvel Account provides a safe, easy and effective way for groups of individuals to pool their savings and grow their money collectively. In line with our purpose of using our financial expertise to do good, we embarked on a journey to create a market-leading stokvel proposition.

- ***Use our financial expertise*** – Using our DFL capability, we established a crossfunctional stokvel squad, comprising staff from different areas within the bank. We created a holistic single-account solution, offering insurance, rewards and discounts for school supplies.
- ***Do good for clients*** – Our Stokvel Account offers competitive returns, no monthly maintenance fees, dedicated support and financial education to members, as well as a best-in-market burial benefit of R10 000 for just R15 per member per month. This ensures stokvels do not need to pay out of their banked capital to bury their members with dignity. Stokvels are also rewarded for reaching their savings goals through tangible rewards from partners they trust. We have negotiated discounts with various retail partners such that members receive up to 10% discount on bulk groceries and school supplies, as well as discount vouchers of up to 15% per member from the Edcon Group. Stokvels with a balance of more than R10 000 by year-end are also eligible for discount vouchers of up to 10% per member from selected partners. New functionality to be introduced in 2019 should further enhance the client experience.

Innovations and CVPs to be launched in 2019

	Key dates/Targets
Simplified client onboarding – convenient FICA-compliant account opening digitally from your couch, and branch rollout.	H1 2019
Ability **for clients to obtain an unsecured loan, bundled with a transactional account, on the web**.	H1 2019
Digitising the sales journeys of our top 10 products end to end.	Top 10 by 2020
New loyalty and **rewards programme.**	H2 2019
Digitising more services on app, web and self-service kiosks, making it easy, convenient and cheaper for clients.	> 180 services by 2020
Further rollout of **software robots, artificial intelligence, robo-advisors, chatbots and data analytics capabilities.**	Ongoing

Ensuring and protecting value – Group Information Technology Committee (GITCO)

Mantsika Matooane
(Chair)

'Through 2018 we continued to leverage our credible IT capabilities and core foundational platforms, optimise IT operating costs and embrace modern technologies and, most of all, we have pivoted to put our clients at the heart of everything that we do.'

Ensuring and protecting value in 2018

- Significant focus on operational stability and security continued to yield improvements in service availability for our clients and limit business impact of any downtime.
- Monitored execution of Managed Evolution strategy, which remains the bank's digital transformation enabler. The foundational programmes within Managed Evolution have now largely been completed.
- Oversaw the introduction of several innovative services in 2018, including: Pay Me (Nedbank clients send request for payment), balance peek (for ease of checking balances) and scan to pay.

Focus for 2019 and beyond

- Maintaining industry-leading levels of system availability and stability as a core foundation of strength.
- Staying ahead of the curve on cybersecurity matters.
- Delivering the Managed Evolution IT strategy in a way that creates competitive advantage.
- Continuing with first-to-market innovative digital products, increasing the use of digital channels and increasing sales.
- Disrupting and commercialising digital assets (reuse or new) at scale by shifting the perspective beyond SA to unlock our digital vision; and solving clients' needs and scaling value propositions across Africa at pace.

Stakeholders

- Staff
- Clients
- Shareholders
- Regulators

Top 10 risks

1 **Strategic and execution risks**
2 **Cyberrisk**
8 **Regulatory and compliance risks**

A comprehensive GITCO report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

Growing our transactional-banking franchise faster than the market

Our transactional-banking strategy starts by creating market-leading client experiences that will lead to growing and retaining our clients, and deepening our share of wallet as we convert new and existing clients into main-banked and transactional-banking clients. Growing our transactional-banking franchise faster than the market improves our ROE, as deposits and transactional revenue consume less capital and add to our funding pool. At the same time, earnings volatility is reduced as more stable sources of income are increased and our brand value grows.

Reflecting on 2018 and looking ahead

- Growing our transactional-banking franchise remains a major focus in RBB. Over the past five years we have succeeded in consistently growing our client base despite increasing competition and new entrants. Looking forward, market research suggests that the number of banked consumers in SA will grow to 28 million by 2020, and we expect to increase our share of this.
- Of our 7,5 million retail clients in SA, 5,9 million have some form of transactional product with Nedbank. Only 28% have another product – this means there is still significant opportunity for cross-sell.
  - Under our strict definition of retail main-banked clients we have 2,98 million clients who regularly bank with us, increasing 6,9% in 2018. This increase was largely underpinned by growth in the entry-level, middle-market, professional and small-business-client segments, which supported retail transactional NIR growth of 8,1% (excluding IFRS adjustments). While we remain a bank for all, we will continue to focus on the youth and ELB, leveraging digital while ensuring effective migration to a rising middle market, where we focus on retention and on deepening our relationship through cross-sell. The rising middle market has the highest economic potential, greater propensity to switch and the highest growth rate among the retail segments. Our market-leading client innovations supported growth in client numbers and the exciting innovations in the pipeline should support ongoing client growth.
  - The Consulta survey, measuring main-banked market share, recorded Nedbank's share in 2018 at 13,1% – this is up from 12,7% in 2017 and 9,6% in 2014 (under the discontinued AMPS survey). We are targeting to increase our main-banked market share to more than 15% by 2020 – more in line with our retail advances market share. This should continue to support NIR growth.
  - Business Banking's market share increased from 19% in 2017 to 22% in 2018 – the highest market share gain across all banks as measured by the KPI Research Business Electronic Banking and Tracking Study 2018.
  - Disappointingly, notwithstanding strong retail advances growth of 7,1%, we lost market share of household deposits from 18,9% in 2017 to 18,0% in 2018 due to aggressive competitor pricing.
- In CIB we have won major transactional accounts during 2018, including major private sector and municipal transactional-banking accounts. We gained 30 primary clients in 2018 and more than 20 every year since 2014, which provide a valuable underpin to ongoing NIR growth.
  - We intend to grow our transactional banking share by improving client coverage and achieving deeper client penetration.
  - Our CIB NIR-to-advances ratio, a key indicator of cross-sell and the ability to leverage our strong balance sheet to grow NIR, increased to 2,4%, with a sustainable target of > 2,0% given a forecast of stronger wholesale growth if economic growth improves over the next few years.
  - Along with Business Banking, CIB contributed to corporate (non-transactional) deposit market share increasing to 17,3% on the back of 30 primary client wins.

Key risks in implementing the strategy

New entrants – New entrants are likely to position themselves to capture a share of transactional-banking revenues. We welcome competition as it drives us to focus even more on our clients, their needs and delivering innovative solutions. The new innovations we will be launching in 2019, as shown on pages 43 and 44, should ensure that Nedbank remains highly competitive.

Being operationally excellent in all we do

Our strategic approach to cost management is to invest sustainably in the franchise to unlock future growth potential, at the same time managing our expenses by delivering synergies and efficiencies to reduce our cost-to-income ratio over time. Over the past few years we have invested significantly in the franchise to support long-term growth, and by extracting efficiencies we have been able to maintain expenses growth in line with that of our peers. Some of the investments we have made include completing key foundation projects as part of the Managed Evolution and investing in digital and core systems as well as in regulatory compliance.

Reflecting on 2018 and looking ahead

- We have identified key business areas for reducing our cost-to-income ratios, namely RBB and Rest of Africa, to assist the group in meeting its ≤ 53% target by 2020. In RBB and Nedbank Wealth it has become more difficult to achieve our cluster targets as shown on page 57, given economic pressures, accounting charges and additional costs.
- We reduced headcount by 610 (mainly through natural attrition) and optimised our staffed points of presence by closing 18 points of presence and opening four new branches and five inretailer outlets, resulting in the net reduction of nine physical points of presence (while maintaining our coverage of the bankable population at 84%). We are evolving our physical distribution to become more digitally and technology-focused, while optimising our footprint. Our number of physical points are declining as digital adoption increases, and we have reduced overlap in some geographic areas and where previously standalone outlets have been integrated into our branch network, such as personal-loans branches.
- The new self-servicing functions released on our apps have enabled us to reduce related call centre volumes by 15 000 interactions a month, while freeing up capacity in our branches and staffed channels.
- Branch floor space has been reduced by more than 32 971 m² to date and we plan to achieve more than 45 000 m² by 2020 (a revision of our initial 2020 target of 30 000 m²).
- We implemented 51 software robots to date (robotic process automation) to enhance efficiencies and reduce processing errors in administratively intense processes. These exclude the temporary software robots that were used to onboard the more than 17 000 VBS clients.
- Good progress was made with our Target Operating Model initiatives, which aim at generating R1,2bn pretax benefits for Nedbank by 2020 and are linked to our long-term incentive scheme. Most cost initiatives in 2018 have been identified in RBB, and to date we have delivered cumulative savings of R680m.

Key risks in implementing the strategy

IT investments do not deliver expected returns and/or cost more than planned – IT investments and product innovations could fall short of expected revenue growth and efficiencies, while increasing expenses growth (IT amortisation costs). Nedbank follows a rigorous process in the approval of business cases to ensure they are net present value (NPV) positive unless they are purely regulatory-related. We anticipate that annual IT cashflow spend will peak in 2019 at levels similar to those in 2017 and 2018, before declining thereafter. Our ME and DFL approaches mitigate excessive IT costs, particularly as the investments relating to our foundational programmes and the regulatory costs are mostly behind us.

Managing scarce resources to optimise economic outcomes

Through managing scarce resources to optimise economic outcomes we leverage our areas of strength, while reducing downside risk in higher-risk products or businesses. Maintaining a strong balance sheet ensures that we remain resilient in tough times and are able to leverage new growth opportunities. This strategic focus area centres on managing scarce resources, such as capital, long-dated liquidity and costs, to optimise economic outcomes and thereby increase our economic profit, being the excess of ROE above COE. Internally this is referred to as portfolio tilt.

Reflecting on 2018 and looking ahead

- On the previous pages we illustrated our primary focus on growing our transactional revenues and how this has supported market share gains in transactional banking. We expect this growth to continue.
- We have tilted our portfolio to grow selectively in key advances categories. After having derisked our home loan and personal-loan books in previous years, we are now growing in line with the market in home loans and ahead of the market in personal loans. We are also growing our vehicle finance market share, where we have a competitive advantage, and our card market share, which is closely linked to transactional-client growth. Looking forward, we will continue to tilt our portfolio to grow in lower-risk segments of home loans and personal loans, while leveraging our unique positioning in vehicle finance where we lead in the secondhand and lower-value vehicle segments.
- Corporate credit growth has slowed, particularly driven by unscheduled early repayments in the first half of 2018, although pipelines remained solid. In the second half of 2018 we have seen some improvement in loan payouts. As business confidence improves, we should see stronger growth in years to come. Our levels of exposure to stressed industries such as SOEs, cement, construction and retail remain limited and we are currently adequately provided for. In 2018 Nedbank reported the lowest credit loss ratio among peers at 53 bps.
- The adoption of the SDGs provides opportunities to grow and contribute to a greater purpose. The progress we have made in 2018 is discussed in more detail in our Sustainable Development Review at nedbankgroup.co.za.
- The ultimate measure of optimisation of economic outcomes is our ROE (excluding goodwill), which increased to 17,9% as ETI returned to profitability (accounted for a quarter in arrear). Given our focus on revenue growth drivers and cost optimisation initiatives, we expect to see continued ROE improvement towards 2020.

Key risks in implementing the strategy

- **Weaker macroeconomic environment leading to slower revenue growth and an increase in bad debts** – A key mitigant in a challenging macroeconomic environment is Nedbank's high-quality portfolio (as evident in a low CLR), prudent provisioning (coverage levels have increased after the adoption of IFRS 9), selective origination in portfolios (such as home loans, personal loans and high-stressed sectors) and building a strong transactional-banking and deposit franchise to enable a more sustainable revenue stream in difficult times.
- **Exposure to SOEs** – Our exposure to SOEs is less than R18bn, or less than 2% of advances, most of which have a government underpin. Through collaborative engagement across the industry we are supporting SOEs where good governance, and clear strategies are in place.

Market share of key lending and deposit-taking activities in SA

(%, yoy trend)

Market share %	Nedbank	FirstRand	Standard Bank	Absa	Other
Home loans	— 14,5	20,7	34,2	23,0	7,6
Vehicle and asset finance – household	↑ 35,7	30,4	12,7	19,6	1,6
Credit cards	↓ 13,7	26,0	26,1	26,3	7,9
Personal loans	↑ 10,4	23,1	16,6	10,6	39,3
Core corporate loans[1]	↓ 20,6	22,7	19,3	20,5	17,0
Commercial-mortgage loans	↓ 39,1	6,5	17,0	14,8	22,6
Household deposits	↓ 18,0	21,7	19,4	21,7	19,2
Non-financial corporate deposits[2]	↑ 16,9	23,6	27,2	17,9	14,4

Source: SARB BA900 at 31 December 2018.

[1] *Core corporate loans comprise commercial mortgages, corporate overdrafts, corporate credit cards, corporate instalment credit, foreign sector loans, public sector loans, preference shares, factoring accounts and other corporate loans.*

[2] *Includes 'private non-financial corporate sector deposits', 'unincorporated businesses' and 'non-profit and charities' as per the SARB BA900 return.*

↑ Increase in market share ↓ Decrease in market share — Flat

Portfolio tilt strategy - looking ahead

Advances	
Retail	
Home loans	
Backbook	▼
Frontbook	▲
Vehicle finance	—
Personal loans	
< R5 000/month segment	▼
Entry-level banking segment	▲
Middle market	▲
Wholesale	
Property finance	
Domestic lending	—
Property partners	—
Rest of Africa	—
Investment banking	—
Client coverage	▲
Global markets	▲
Wealth	—
NIR-related	
Wholesale and retail transactional/ primary clients	▲
Global markets (trading)	▲
Insurance	▲
Private-equity-related	—
Deposits	
Household	—
Non-financial corporate	▲
Capital market	—
Short-term wholesale funding	▼
Foreign currency liabilities	▲

▼ Slower than market growth

▲ Faster than market growth

— In line with market

Ensuring and protecting value – Group Credit Committee (GCC)

Errol Kruger
(Chair)

'An inherent part of credit risk takes into account geopolitical as well as reputational risks. The committee has incorporated these risk components and enhanced current policies to incorporate these aspects to ensure an agile credit risk governance framework. Implementation deadlines for IFRS 9 were met, with independent analysis of impairments and credit model validation being effective for 2018. The committee prioritised the assistance of clients who had been identified as being in distress, which aligned with Nedbank's purpose statement that focuses on a client-centred outlook.'

Key focus areas in 2018 to ensure and protect value

- Tracked and monitored progress with the implementation of IFRS 9.
- Undertook concentration risk deep dives into, among others, the commercial-property portfolio, the renewable-energy portfolio, the MFC portfolio, key watchlist clients and state-owned enterprises exposure, satisfying ourselves that the concentration risk was well managed and aligned with risk appetite.
- Continuously managed distressed portfolios, key watchlist clients and industry-specific concentration risks.
- Satisfied ourselves with the independent and effective validation of regulatory capital models.

Focus for 2019 and beyond

- Focusing more on strategic credit risks ('Strategic Portfolio Tilt'), ensuring as far as possible than an optimal balance of credit risk versus return/reward is attained.
- Continuing to focus on the alignment and combined effectiveness of Risk, Audit and Compliance.
- Continuing to monitor the bank's policies to ensure they evolve with the amendments in legislation and current trends regarding the use of scenarios on climate change in risk assessments and the sustainable finance of state-owned enterprises.
- Proactive risk management of distressed portfolios, key watchlist clients and industry-specific concentration risks.
- Continuing to monitor the bank's position and readiness to deal with a potential Moody's downgrade of SA's sovereign credit rating.

Stakeholders

Clients
Regulators
Shareholders

Top 10 risks

3 **Business risk**
8 **Regulatory and compliance risks**
6 **Credit risk**

A comprehensive GCC report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

Providing our clients with access to the best financial services network in Africa

This strategic focus area aims to drive a greater earnings contribution from faster growth in the economies of the rest of Africa over the longer term, while providing geographic diversification benefits and enabling our clients to access the largest banking network in Africa.

Nedbank has a three-pronged strategy for growth in the rest of Africa

- In SADC and East Africa – which contain countries more integrated with the SA economy – we want to own, manage and control banks. We now have a physical presence in six countries, including Lesotho, Malawi, Mozambique, Namibia, Eswatini (Swaziland) and Zimbabwe.
- In Central and West Africa – which contain countries further away from SA and where Nedbank does not have a competitive advantage – we have an alliance with Ecobank that provides our clients with access to markets in which we do not have a presence. Ecobank has a top-three position in 14 countries. Our alliance is underpinned by a commercial relationship in terms of which we are actively working to unlock crossborder transactions and build a deal pipeline by leveraging our individual strengths.
- Through our CIB franchise we leverage our industry sector expertise and actively participate in deals on the continent.

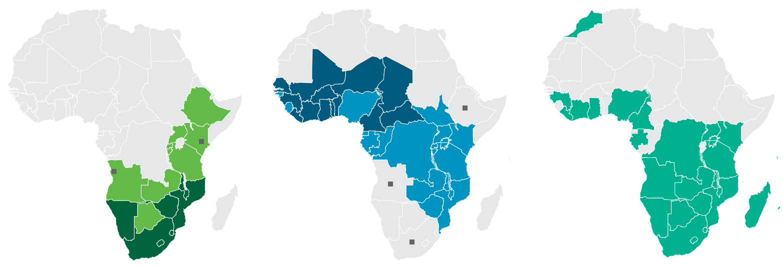
Reflecting on 2018 and looking ahead

- In SADC we continued to build scale and optimise costs. The implementation of our core banking system, Flexcube, was finalised with the successful implementation thereof in Zimbabwe during 2018. We have launched a number of new digital products and we continue to grow our distribution footprint. As a result, clients increased 4,8% to 352 921.
- Ecobank has been through a challenging period over the past two years following depressed oil prices, the naira

devaluation and recession in Nigeria. In December 2018 ETI announced that it would move to using the new NAFEX exchange rate instead of the official CBN rate in its Nigerian operations. We are working very closely with ETI's management and board to improve returns in order to meet their medium-to-long-term return on tangible equity (ROTE) target of cost of equity + 5% (cost of equity estimated at 17%).

- Through our board representation in ETI we work with like-minded shareholders who have a common purpose of strengthening the Ecobank franchise. Mfundo Nkuhlu, our Chief Operating Officer, is Chair of the Risk Committee and Brian Kennedy, Managing Executive for CIB, has joined the Audit and Remuneration Committees. In addition, Anel Bosman, Managing Executive for CIB Markets, has joined the board of Ecobank Nigeria to ensure risk oversight and drive increased levels of collaboration.
- Collaboration with ETI is increasing and during 2018 we:
  - integrated our payment solutions into Ecobank's market-leading remittance product that has been launched in over 30 countries, which enables us to provide a low-cost, fast and convenient solution to 2,7 million African migrants and capture a share of the R25bn remittance market;
  - increased the number of our clients doing their transactional banking with ETI by more than 100; and
  - concluded two deals as regular meetings with Ecobank and QNB resulted in an increase in our deal pipeline.

Nedbank, ETI and CIB presence



NEDBANK
- Nedbank existing presence
- Expansion opportunities
- Nedbank representative offices

ECOBANK
- Ecobank top three in country
- Ecobank other
- Ecobank representative offices

NEDBANK CIB
- Investment banking deals

Key risks in implementing the strategy

Volatility and uncertainty in African economies – While our Zimbabwean operations remain small in the group context, we are conscious of the challenging environment and its impact on our staff and clients. The difficult environment in Zimbabwe resulted in a negative FCTR adjustment to the group's capital of R0,8bn before minorities (R0,5bn after minorities). We continue to monitor developments in Zimbabwe brought about by currency shortages and pressure on the fiscus. The turnaround in ETI continues, but risks remain – especially in ETI's Nigerian portfolio. We closely monitor these risks on an ongoing basis as active members on the ETI board.

CASE IN POINT
Crossborder remittance platform

Every year people living within the borders of SA transfer an estimated R25bn to families and friends living in the rest of Africa. The remittance market is growing fast, fuelled by the diaspora, and it is increasingly going digital with a quarter of remittance transfers taking place over digital channels. Current solutions in the market are expensive. Nedbank offers a crossborder remittance platform that supports financial inclusion and provides the most affordable, lowest cost, most convenient and instant crossborder payment service on both the Nedbank Money app™ and secure website. As Nedbank we are creating value by delivering on our purpose of using our financial expertise to do good through our crossborder remittance platform.

- ***Use our financial expertise*** – The CVP we developed is disruptive and innovative, and has taken Nedbank from having no crossborder transfer capability to creating a solution that facilitates low-value account-to-account payments. Through our DFL capability we developed the solution within six weeks, followed by extensive SARB testing, and officially launched it to market in November 2018. We have also leveraged our internal treasury function and associated real-time systems that contribute to our market-leading pricing proposition for clients.
- ***Do good for clients*** – Nedbank enables accountholders to send money cost-effectively, conveniently, safely and instantly to 33 countries in Africa, leveraging Ecobank's on-the-ground presence, while remaining compliant with regulatory requirements. Once an individual has become a client, no further documentation is required to send money and there is also no need to visit a branch, retailer or kiosk in order to initiate or complete a payment. Further to this, no data costs are incurred for the sender given the Money app's zero-rated status.

OUR STRATEGIC ENABLERS

Our strategic enablers are enterprise initiatives that allow us to deliver on our strategic focus areas and targets by changing the way we operate. Many of these are closely related to the capitals defined by the International Integrated Reporting Council. The following enterprise initiatives have become catalysts in achieving our stretch targets and assist us to deliver market-leading client experiences and grow clients. During 2018 the following progress was made:

The IT foundations, along with DFL are now enabling us to bring new client-centred innovations much quicker to market.

Technology enablers

Our strategy is to become a more client-focused, digital, competitive and agile bank and through our ME and DFL technology strategies we are now able to launch new digital innovations and CVPs at a significantly faster rate than in the past.

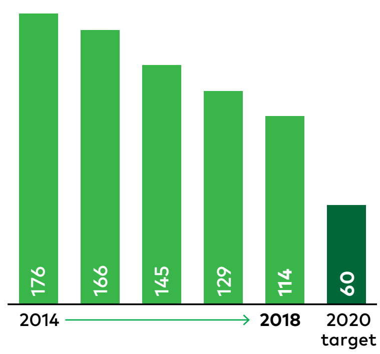
- **Managed Evolution** – In 2010 we embarked on what we termed an ME approach to transform and digitise our core IT systems over time. This is core to delivering innovative, market-leading client experiences, while ensuring we remain at the forefront of cyberresilience. We have studied many banks across the world and concluded that this is the most cost-effective and efficient approach to core systems replacement. This programme remains the bank's IT transformation enabler, giving us platforms to leverage for improved client experience and improved operational efficiency. The modernisation of our core banking environment, with the aim of addressing existing pain points as well as future-proofing Nedbank in the face of evolving regulation and competitive market changes, remains our priority. Similarly, this modernisation enables us to simplify our product and system landscape, while enabling our clients to access the requisite product and services digitally on the channel of their preference. The foundational programmes have now largely been completed. The integration of the foundational capabilities was built into our onboarding and servicing programmes from 2010 to 2018 and has enabled the speedier launch of various market-leading innovations.

  Through ME we continue to rationalise, standardise and simplify our large core-to-banking systems and have reduced these from 250 in 2010 to 114 on our journey to have 60 by 2020. The ongoing rationalisation of the core-to-banking operating systems (in addition to ongoing rationalisation of other ancillary systems) continues to render intended benefits, including reduced infrastructure, support and maintenance costs, reduced complexity and increased agility in adopting new innovations.

- **Digital Fast Lane** – In addition to the foundations of ME, we have launched a DFL capability to accelerate the launch of innovative CVPs. This capability has enabled the delivery of various new innovations in quick succession by leveraging agile development (using squads and tribes), partnering with fintechs, integrating client feedback in the development process and adopting a 'gold standard' approach (building and innovating around worldclass standards and client experiences).

Core IT systems

(number)



People 2020

We recognise that our staff and corporate culture remain key competitive differentiators. Similarly, we acknowledge the importance of positioning Nedbank as an employer of choice. This is a key enabler of our transformation and digitisation aspirations. Our employee experience and people practices are evolving as we are executing against our People 2020 strategy.

In response to the changing context within which we operate, our people strategy was refreshed to ensure that our direction remains relevant for our SA and international (including Rest of Africa) businesses. Nedbank's employer brand together with talent, leadership and culture are core pillars of our strategy.

- **Talent** – We recognise that proactivity is required to ensure a steady supply of right-fit talent, especially when new roles are introduced with scarce-skill requirements. Consequently, we have launched a new integrated talent management practice in 2018, with the aim of moving beyond tactical succession plans, towards more strategic tools and processes for managing our talent.
- **Leadership** – The Nedbank leadership, evolution, alignment and development (LEAD) journey is the vehicle through which we reach Nedbank leaders to create strategic alignment and build the necessary leadership capabilities. The LEAD journey was launched in April 2017 and continued this year, with a key focus on executive development in 2018. The Executive Business Transformation Programme was designed and developed in partnership with Duke Corporate Education and in 2018 30 (2017: 42) Nedbank executives participated and completed the programme.

Our staff and corporate culture remain key competitive differentiators

- **Culture** – An important driver for retaining key talent is to ensure that the right-fit culture is translated into a lived staffmember experience. The Barrett Values Survey is run every two years and is one of the tools Nedbank uses to gain a better understanding of culture. Our 2018 Barrett Culture Survey shows that 'client-driven', 'accountability','brand reputation', 'cost consciousness', 'client satisfaction' and 'performance-driven' represent six of the values currently present in the organisation. As part of our culture journey, we are revisiting our required culture in the context of our strategy, the new world of work and the digital transformation of financial services. The Group Executive Committee (Group Exco) 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. The 2018 results indicated a strong focus on Nedbank being competitive and sustainable as a business; however, it also reflected an increase in entropy at 20% (2016: 12%), which is indicative of an organisation in transition and reflects the challenges our staffmembers face in the macro environment (work and personal lives, social economic pressures, etc). We have taken note of the feedback from staff and are responding at both an enterprise and cluster level.
- **Employer brand** – Emerging and non-traditional competitors are competing for the same talent that is needed for executing on Nedbank's strategy. Nedbank requires a compelling and differentiated employer value proposition (EVP) to attract scarce-skill talent, top graduates and young professionals, and will execute against a targeted strategy to differentiate its employer brand.

Our brand positioning is seen as differentiating us from traditional banks.

Brand 2020

2020 is aimed at entrenching Nedbank's new brand positioning of 'see money differently'. Since its relaunch in March 2017, the new positioning has helped to differentiate the Nedbank brand through a marketing focus on brand value drivers. The repositioning further assisted in entrenching our brand essence of 'money experts who do good', driving up the bank's being considered as a bank of choice. The outcomes are also evident in Nedbank's ranking in SA, having moved from fifth to fourth place in the local competitor set according to the Brand Finance 2019 brand evaluation study. 'See money differently' is relevant and transcends across all the segments we service;

- Entry-level banking – the difference between surviving and living with dignity.
- Youth – the difference between the life you live and the life you dream of.
- Professional banking – the difference between starting out and stepping up to the next level.
- Families – the difference between my family living and living well.
- Private Wealth – the difference between living well and leaving a legacy.
- Small businesses – the difference between an idea, and its realisation.
- Business banking – the difference between standing still and expansion.
- CIB – the difference between a profitable business and a sustainable one.

Looking forward, we will continue to build on the positive momentum gained and further leverage the Nedbank brand and purpose as powerful enablers of our vision to be the most admired financial services provider in Africa.

Target Operating Model

We are creating a future-fit organisation by evolving our business model and capabilities to be more competitive, agile and digital.

- In 2017 we launched nWoW and refined and embedded the approach in 2018. More than 1 500 staffmembers are working according to this new approach and we aim to increase this number incrementally to support an optimal agile scaling framework over the 2019 period. nWoW uses human-centred design to speedily unlock innovative client solutions – conceptualised, developed and landed in the hands of clients to meet their needs in an agile construct. We are using squads, tribes and chapters to deliver innovation successfully both internally to drive efficiency within Nedbank and externally to deliver client-centred solutions supporting our purpose of using our expertise to do good. A squad (10 to 12 people) is a crossfunctional team, combining resources with different areas of expertise to develop minimum viable products (MVPs) and solve client pain points within 12-week cycles, consisting of six two-week iterations called 'sprints'.
- We also made progress by achieving R680m of cumulative efficiencies towards meeting our target to unlock R1,2bn of savings by 2020.

STRATEGIC FOCUS AREAS – KEY PERFORMANCE INDICATORS

Key performance indicators	How does it link to value creation?	Year-on-year change
Delivering innovative market-leading client experiences		
Digitally enabled retail clients (million)	Giving clients access to convenient digital channels and products.	▲
Digitally active retail clients (000)[1]	Enabling more entrenched clients and more cost-efficient channels.	▲
Core IT systems (number)	Reducing complexity and enabling digitisation of IT systems in a risk-mitigated and cost-efficient manner.	▼
New-format outlets (branches) (% of total)	Greater efficiency of innovative, technology-enabled outlets.	▲
Brand value ranking in SA	Enhancing client awareness, association and loyalty.	▼
Growing our transactional banking franchise faster than the market		
Retail main-banked clients (million)	Driver of revenue growth.	▲
Market share (%)	Driver of revenue growth.	▲
Household deposit market share (%)	An attractive source of funding in a Basel III world.	▼
Commercial transactional deposit market share (%)	An attractive source of funding in a Basel III world.	▲
CIB NIR-to-advances ratio (%)	Leveraging our strong position in lending to grow NIR.	▲
NIR-to-expenses ratio (%)	Extent to which NIR covers expenses.	▲
Being operationally excellent in what we do		
Branch floor space optimisation (m^2)	Cost savings through smaller, more efficient branches.	▲
Target Operating Model (Rm)	Improved efficiencies.	▲
Efficiency ratio (%)	Key driver of ongoing sustainable profitability.	▼
Managing scarce resources to optimise economic outcomes		
Economic profit (Rm)	Profit generated after adjusting for the expected returns from investors (cost of capital).	▲
ROE, excluding goodwill (%)	Returns shareholders receive on their capital (adjusted for goodwill for comparability with peers who wrote off goodwill prior to IFRS changes).	▲
Providing clients with access to best financial services network in Africa		
SADC and East Africa[2]		
Number of clients (000)	Client gains support revenue growth.	▲
Country presence (subsidiaries, representative offices and through ETI)	Client access to jurisdictions across Africa.	►
Central and West Africa		
Corporate and Business Banking clients doing their transactional banking with Ecobank	Servicing and protecting our client relationships.	▲
Financing deals with ETI	Financing opportunities with Ecobank involvement.	▲

[1] *Digitally active clients have been restated to include a revised segment definition.*

[2] *SADC and East Africa refers to our own operations in the rest of Africa, ie excluding South Africa.*

Assurance indicators

- **LA** External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status. 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 2018 Nedbank Group Limited Audited Annual Financial Statements.

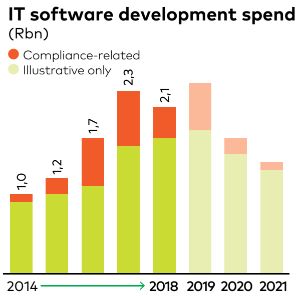
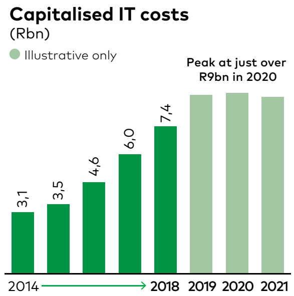
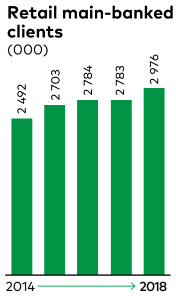
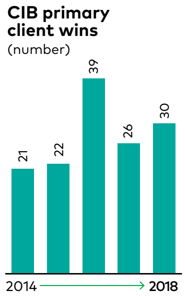
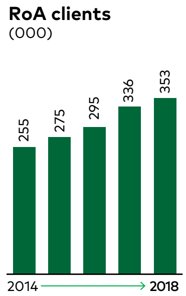
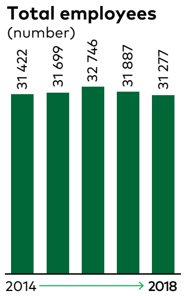
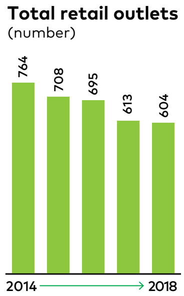
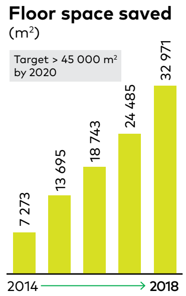
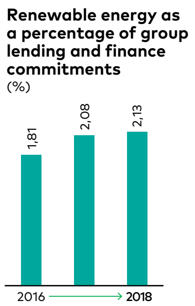
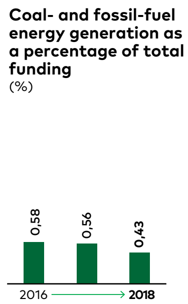
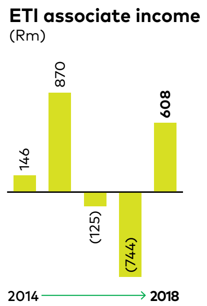
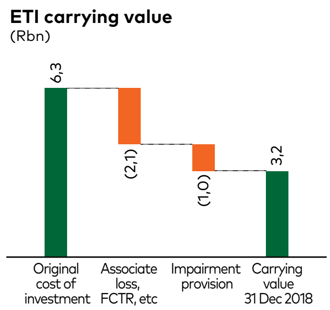
2018	2017	2016	Benchmark/Peer average[3]	Outlook/Target	Assurance
5,91	5,78	5,34	N/A	Continue to increase digital enablement actively	MO LA
1 544	1 474[1]	1 368[1]	N/A	Continued strong growth as digitally enabled clients start using new innovative digital products	MO LA
114	129	145	N/A	Reduce to 60 by 2020	MO
60%	55%	44%	N/A	74% of total outlets converted by 2020	MO
9th (5th bank)	10th (5th bank)	8th (4th bank)	3rd to 9th overall	Top 2 bank brand	IN (Source: Brand Finance)
2,98	2,78	2,78	N/A	Increase in line with our market share	MO LA
13,1%	12,7%	AMPS not done in 2016	18,1% (peer average)	> 15% by 2020	MO LA IN (Source: AMPS 2015 replaced by Consulta in 2017)
18,0%	18,9%	18,7%	20,9% (peer average)	> 19% by 2020	IN (Source: SARB BA900)
14,5%	13,4%	14,3%	24,6% (peer average)	> 16,5% by 2020	IN (Source: SARB BA900)
2,4%	2,0%	2,1%	N/A	> 2% in the medium to long term	MO
82,1%	80,7%	82,9%	75,3% (peer average)	> 85% in the medium to long term	FS
32 971	24 485	18 743	N/A	Reduction of > 45 000 m^2 by 2020 (revised from > 30 000 m^2)	MO
R680m	R238m	N/A	N/A	R1,0bn by 2019 and R1,2bn by 2020	MO
57,2%	58,6%	56,9%	55,7% (peer average)	≤ 53% by 2020	MO FS
2 868	1 695	1 565	N/A	Positive economic profit growth	MO
17,9%	16,4%	16,5%	19,0% (peer average)	≥ 18% by 2020	MO FS
353	336	295	N/A	Increase over time	MO
8 (39 across Africa through ETI)	8 (39 across Africa through ETI)	8	12 across Africa (peer average)	Increase over time to 10	MO
105	85	82	N/A	Increase over time	MO
2	0	0	N/A	Increase over time	MO

[3] *Peer average consists of the simple average of Absa, FirstRand and Standard Bank.*

MAKING TRADEOFFS AND THE IMPACT ON OUR CAPITALS

We continue to allocate our capital and resources efficiently through our strategic enablers to our five strategic focus areas to create long-term value for shareholders. This requires making tradeoffs, assessing the availability and quality of capital inputs, balancing the short and the long term, and taking tough decisions. Below are the primary tradeoffs we made and the rationale behind our decisions.

Strategic focus area	Tradeoffs, quality of and impact on capitals
Delivering innovative market-leading client experiences	**Allocating IT spend** We trade off the allocation of our IT cashflow spend (financial capital) to innovations relating to digital client experiences against spend in terms of regulatory requirements. The good progress made on meeting regulatory requirements over the past three years means that increased levels of spend can be allocated to client innovations and improving our cyberresillence. Through ME and the creation of a DFL capability (intellectual capital) we have fast-tracked innovations (manufactured capital), but we have also increased our IT cashflow spend (financial capital), which is significantly more than any new entrant into the market. This is expected to peak in 2019 at levels similar to those in 2017 and 2018.
Growing our transactional-banking franchise faster than the market	**Growing across all client segments** We continue to grow across all client segments (social and relationship capital), including entry-level and youth segments (up 4,1% and 0,8% respectively over the past five years), which have lower levels of profitability. We decided to include and build strong enduring relationships in these segments as, over time, they will migrate to the middle-market segment, which is more profitable (better-quality earnings), as is evident in growth in this segment of 5,6% during 2018. In CIB we continue to win transactional clients, while RoA is seeing the benefit of technology investments.
Being operationally excellent in all we do	**Digital banking versus traditional banking** As services and products (manufactured capital) are increasingly digitised there is a tradeoff between staff (human capital), physical outlets (manufactured capital) and digital innovations (manufactured and intellectual capital). Through automation and client adoption of digital solutions that drive better client experiences (social and relationship capital), the need for direct human interaction is reduced. On the one hand this is leading to a reduction in overall headcount and outlets (branch numbers and size) and on the other hand IT investments are increasing (financial capital). In this context we are also conscious of our role in society, and to grow and protect jobs we will be investing approximately 1,5% of the three-year average SA net profit after tax per annum in the YES initiative to assist SA in creating one million job opportunities for the youth (social and relationship capital) while reskilling our staff.
Managing scarce resources to optimise economic outcomes	**Portfolio tilt** Strategic portfolio tilt, in the context of scarce capital and liquidity (financial capital), is an ongoing and conscious tradeoff between business and product opportunities that are highly capital and liquidity consuming with low economic profit and those that are less consumptive and more economic profit generative. We are tilting our portfolio in areas that will optimise risk-adjusted returns, as illustrated on page 47. An example is our strategy of supporting the diversification of SA's electricity supply (natural capital). Currently 2,13% of our total group lending and finance commitments relate to renewable-energy generation, compared with the 0,43% of total funding of coal- and fossil-fuel-based energy generation (including our direct facilities to Eskom).
Providing our clients with access to the best financial services network in Africa	**Minority shareholding in ETI vs control** Our approximate 20% shareholding in ETI has been a conscious decision by the board given the onerous capital and other implications of having a controlling stake (financial capital). A minority shareholding offers a beneficial capital-efficient structure as the capital and regulatory burden increases dramatically when banks in the rest of Africa migrate towards Basel III from Basel I and II and are consolidated into the SA reporting regime. Similarly, AML requirements become stricter under a controlling interest. Through our strategic partnership (intellectual capital) we continue to extract benefits by leveraging ETI's on-the-ground presence across 36 countries to source deals, leveraging our innovations (eg crossborder remittance products) and more than 105 of our clients doing their transactional banking with Ecobank. As can be seen in the graphs on the right, operating in the rest of Africa can be volatile, although the long-term prospects remain attractive.

Capitals	Tradeoffs in action
Financial Manufactured Intellectual	 
Social and relationships	  
Human Manufactured Social and relationships Financial Intellectual	   Given good progress, target has been revised from >30 000 m²
Financial Natural	  Committed to zero financing towards the development of new coal-fired power plants going forward, regardless of country or technology
Financial Intellectual	 

DELIVERING OUR STRATEGY THROUGH OUR BUSINESS CLUSTERS

Key strategies aligned to group strategic focus areas

NEDBANK CORPORATE AND INVESTMENT BANKING

› A powerful wholesale business focused on its clients:

NEDBANK RETAIL AND BUSINESS BANKING

› Continued focus on growing transactional clients faster than the market through focus on acquisition, retention and cross-sell, enabled by:

NEDBANK WEALTH

› Creating value in a challenging environment:

NEDBANK REST OF AFRICA

› Growing HE and achieving ROE > COE by driving scale in the business through:

- **Serve our clients** better through strengthening relationships and client insights.
- **Well positioned** to start the year with **a stronger advances pipeline**.
- Property finance growth in SA is expected to be muted due to economic uncertainty.
- Continued focus on our **African expansion** in key sectors, including property finance.
- **Driving NIR growth** through transactional banking, trading, advisory and private equity.

2020 TARGETS

ROE ≥ 20% – Maintaining strong returns.

Efficiency ratio ≤ 40% – Using technology to improve efficiencies.

- **Digital First, First in Digital** – accelerate digitising key client journeys and services to make it simple and easy for clients to transact with us.
- **Disruptive CVPs** – commercialisation of disruptive CVPs launched in 2018, continued solutioning for financial inclusivity, with key focus on tapping into ecosystem-based platform propositions.
- **Sales and service excellence** – continue reformatting of branches for digital migration and to empower staff with digital tools to serve clients.
- **Loyalty and rewards** – new differentiated loyalty and rewards programme in H2 2019.
- **Data analytics and business intelligence** – leverage enhanced data analytics capabilities to gain a deeper understanding of our clients in order to create value.

2020 TARGETS

ROE ≥ 20% – Underpinned by lower cost-to-income ratio and relative CLR outperformance TTC.

Efficiency ratio ≤ 58% – Remains our target, but has become more difficult to achieve.

- **Grow market share** in a profitable and sustainable manner.
- Further **investment** in systems, **digital and data capabilities**.
- Deliver innovative **market-leading client experiences**.
- Continue to focus on **improving client penetration**.
- Strengthen **collaboration across all clusters**.

2020 TARGETS

ROE ≥ 30% – Benefiting from high-economic-profit businesses.

Efficiency ratio ≤ 60% – Remains our target, but has become more difficult to achieve.

SADC – own, manage and control banks

Grow HE and achieve ROE > COE by driving scale in the business through:

- **Focusing on client experience** and optimal client solutions to increase share of wallet.
- Delivery of the digital and data analytics initiatives for **effective client value management**.
- **Strengthening governance** and risk control environment.

ETI – strategic investment

- **Delivery of** board-driven **strategic agenda and support management** on key focus areas.
- Leveraging the **investment** through **collaboration to identify** business **growth opportunities**.

2020 TARGETS

ROE ≥ COE (COE approximately 16%).

Efficiency ratio ≤ 60% – Creating scale from investments and cost optimisation.

MANAGING RISK STRATEGICALLY

Risk management is fundamental to our strategy and the business of banking. Nedbank undergoes a comprehensive and robust three-year strategy planning process on an annual basis. The risk strategy is integrated into this process, with risk informing and influencing the formulation, implementation and execution thereof. Nedbank's top 10 risks (and the responsive changes thereto), as well as our risk appetite, are integral to the strategy and planning process. In response to a fast-changing risk environment, the bank now adopts a much broader approach to the management of risk, going well beyond the terms of reference prescribed by regulation, as reflected by our inclusion of the new C-suite of risks as part of the risk management strategy.

Nedbank's top 10 risks

The overall state of Nedbank's risk, internal control, regulatory and balance sheet profile, as well as risk outcomes across the enterprise, remained sound and strong throughout 2018, despite the challenging external macro and political environments, increasing risks, an abnormal regulatory change agenda and the unprecedented level of change.

2018	2017	Risk category	Yoy change
1	2	Strategic and execution risks	▲
2	3	Cyberrisk	▲
3	1	Business risk	▼
4	7	Operational risk	▲
5	6	Conduct and culture risks	▲
6	8	Credit risk	▲
7	4	Reputational (and association) risk	▼
8	5	Regulatory and compliance risks	▼
9	9	Market risk	–
10	10	Balance sheet risk	–

▲ increasing ▼ decreasing – stable

In addition to managing the broader risk universe, we actively manage our top 10 risks. These are identified for emphasis and for prioritising focus and resources. The top three risks the organisation will face in 2019 have been identified as:

1	**Strategic and execution risks** – Risks associated with the unprecedented level of change in the organisation.	In response to the rapidly changing environment and the needs and expectations of our stakeholders, our strategy has evolved with an increased focus on digital innovations and technology change. Key actions in place to mitigate the risks include: • Increasing focus on risk management, with this risk placed as the number one risk across the organisation. • Our Group Technology Division working closely alongside our business clusters to deliver on our technology journey, including ME and DFL. • Supporting the scale innovation by nWoW as we transform the way we work and deliver new innovations. • Embedding the core objectives of managing the high execution risk in our TOM and People 2020 programme (covering leadership, culture and talent). • Ensuring executive and board oversight, including increased focus on IT and digital discussions at board level and dedicated oversight by the GITCO board subcommittee. • Strengthening our second-line-of-defence oversight on IT risk and performing group internal audits as a third line of defence.
2	**Cyberrisk** – Risks and threats heightened by the digital revolution in line with global trends, and Nedbank's strategy.	Escalating cyberrisk exposure on the back of the Fourth Industrial Revolution and accelerated advances in technology and digital landscapes, as well as interconnectedness, has prompted a radically elevated focus from Nedbank with regard to cyberrisk management, led by the CRO and the CIO as we fast-track Nedbank from cybersecurity to cyberresilience. Key actions include: • Performing targeted attack simulations that provide a better understanding of the risks posed to key systems within Nedbank. • Implementing a cybersecurity management information system and enhancing it on an ongoing basis. This provides metrics for the management, measurement and monitoring of key cyberrisks. • Enhancing third-party cyberrisk management processes. • Improving reporting to the board to keep them updated on cyberefforts. • Continuing interaction with industry structures regarding cybermatters. • Continuing to mature the preventative capabilities such as cyberawareness among staff to reduce the risk of social-engineering attacks.

3	**Business risk** – SA country/ state capture/ SA policy uncertainty, politics and macroeconomic environments, and global geopolitical risks.	In volatile, uncertain, complex and ambiguous political and macroeconomic environments, locally and globally, and with SA currently in a mild-stress scenario, with some downside risk, we have the following key actions in place: • Being well prepared for this environment, having managed the bank in a prudent and conservative manner since the global financial crisis in 2008. • Focusing on cost containment, implementing strategic portfolio tilt (selective origination) and further strengthening credit risk management to protect against downside risk. • Preparing for a SA sovereign-rating downgrade(s) since 2015, which enabled us to weather recent and potential future downgrades. • Maturing our business planning processes and advancing them to respond to the adverse environment. Our recent 2019–2021 plans include a heightened focus on scenario planning and stress testing. • Having experienced executive and management teams in place to deal with stress scenarios.

More detail on Nedbank's risks and mitigating actions are disclosed in the Pillar 3 Capital and Risk Management Report that is available on our group website at nedbankgroup.co.za.

Ensuring and protecting value – Group Risk and Capital Management Committee (GRCMC)

Errol Kruger
(Chair)

'The GRCMC continues to adapt its terms of reference, incorporating the quantitative and qualitative impact of each risk facet, in an ever more challenging geopolitical climate both locally and internationally. The Fourth Industrial Revolution is creating a state of flux, driving rapid change across all industries and creating new opportunities. Therefore, the committee is encouraged by an increased drive within Nedbank to expedite cross-discipline collaboration to improve risk governance agility by actively pursuing new ways of managing the C-suite of risks (cyber-, conduct, crime, change and client risk). The GRCMC undertakes to reinforce the three lines of defence, pivoting from the conventional focus on risk oversight to evolving into an active, forward-thinking risk business partner and seizing opportunities.'

Ensuring and protecting value in 2018

- Reviewed Nedbank's risk strategy and risk appetite (including enhanced cyberrisk appetite) in an environment of unprecedented levels of change.
- Monitored developments relating to the group's top 10 risks in 2018, as well as emerging risk in line with local and international trends.
- Monitored progress and delivery of the regulatory change programmes to meet tight regulatory timelines, including the Market Conduct and Culture Programme, AML-related projects and Risk Data Aggregation and Risk Reporting requirements.
- Heightened the focus on operational and IT risk in the current operating environment and the significant changes brought about by, among others, Managed Evolution (ME) and digital innovation.
- Elevated the focus of Nedbank's cyberrisk management in view of rapidly changing technological, digital and cyberlandscapes with heightened cyberrisk exposure.
- Continued focus on assessing, monitoring and overseeing RoA businesses.
- Enhanced and maintained governance structures with the formation of the GRCMC AML, Combating Financing of Terrorism and Sanctions Subcommittee, and in ensuring all components of the AML, Combating Financing of Terrorism and Sanctions Programme are tabled and discussed at board committee level, specifically focusing on key items with heightened execution risk and high-pressure regulator commitments and timelines.

Focus for 2019 and beyond

- Continuing to update, review and monitor the group's top 10 risks and related emerging risks as the Fourth Industrial Revolution unfolds.
- Reinforcing the three lines of defense, pivoting from the conventional focus on risk oversight to evolving into an active, forward-thinking risk business partner.
- Integrating quantitative-focused traditional risks (models and validation) and qualitative risks (conduct, culture, people, reputational) to obtain governance alignment and business/commercial alignment; and continuing to focus on digitisation and optimisation of risk and compliance processes, with a direct positive impact on client experience.

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 10 risks

1 **Strategic and execution risks**
2 **Cyberrisk**
3 **Business risk**
4 **Operational risk**
5 **Conduct and culture risks**
8 **Regulatory and compliance risks**
9 **Market risk**
10 **Balance sheet risk**

A comprehensive GRCMC report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

REFLECTIONS FROM OUR CHIEF FINANCIAL OFFICER

> Despite the challenging and complex operating environment, Nedbank continued to create value for all our stakeholders. HE increased 14,5% to R13,5bn, boosted by our share of associate income from ETI as it returned to profitability, while our managed operations delivered positive earnings growth.

A difficult and complex domestic macroeconomic environment

Following major political changes at the end of 2017 and the start of 2018, business and consumer confidence levels increased sharply with growing optimism about the SA economy. As the year progressed, reality set in as adverse effects from the VAT hike, fuel price increases, policy uncertainty and rising global risks led to the SA economy entering a technical recession. This impacted our business as it resulted in increased risk aversion reflected in lower levels of client activity, muted credit growth and strong demand for lower-margin passive and cash products in our wealth and asset management businesses. Consequently, our revenue growth slowed in the first half of the year. However, in the second half of the year growth increased on the back of improved market conditions and as the economy recovered, posting GDP growth of 0,8% for the year. We managed our businesses well in a difficult and complex environment, delivering a resilient performance in 2018.

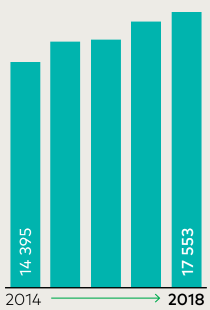
Resilient performance boosted by ongoing turnaround at ETI

Despite the challenging and complex operating environment, Nedbank continued to create value for all our stakeholders. HE increased 14,5% to R13,5bn, boosted by our share of associate income from ETI as it returned to profitability, while our managed operations delivered positive earnings growth. This translated into an increase in DHEPS of 13,7% to 2 736 cents and an increase in HEPS of 13,9% to 2 793 cents. As in previous periods, we highlight our results both including and excluding ETI (referred to as managed operations) to provide a better understanding of the operational performance of the business given the historic volatility in ETI's results. Our managed operations produced HE growth of 2,8% to R13 119m, with slow NII growth, although improving in the second half, and higher impairment losses offset by solid NIR growth and good cost management.

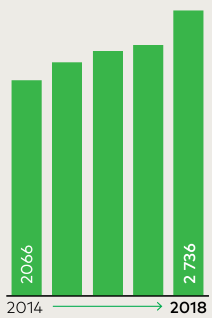
Consistently creating value for shareholders

We are committed to delivering long-term value to our shareholders as reflected in our solid financial

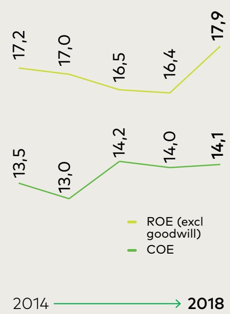
Net asset value per share
(cents)



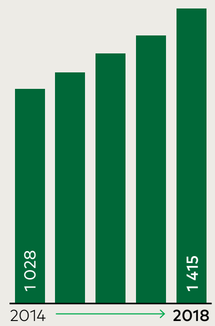
Diluted HEPS
(cents)



ROE and cost of equity
(%)



Dividend per share
(cents)



Assessment of how value was created through our financial performance for shareholders and also for all our stakeholders; the provision of an outlook for 2019 as well as for the medium to long term; and an indication of how remuneration outcomes correlate with our performance.

Dividend ▲ **10,1%** at **1,97** times cover

Strong NIR growth ▲ **7,9%** (**10,4%** excl IFRS impacts)

ROE (excl goodwill) ▲ to **17,9%**

Total assets exceeded **R1 trillion** for the first time

CLR of **53 bps** reflecting excellent risk management and high-quality book

Strong capital levels CET1 ratio **11,7%**

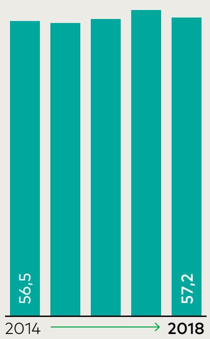
performance. Over the past five years we have increased our net asset value per share at a CAGR of 5,1%. In 2018 the benefits from strong growth in earnings were offset by the day 1 impact of IFRS 9 and IFRS 15 (R3,2bn), the odd-lot offer (R2,0bn), accounting for the anticipated impact of ETI changing to the NAFEX exchange rate (R361m), and the Zimbabwe currency devaluation (R499m). Excluding these impacts, NAV per share would have increased 9,2%. ROE (excluding goodwill) increased strongly from 16,4% to 17,9%, while we maintained the strength of our balance sheet as evident in our IFRS 9 fully phased-in CET1 ratio of 11,7%. Our growth in HE enabled us to increase the full-year dividend 10,1%.

Slow revenue growth, impacted by the macroeconomic environment

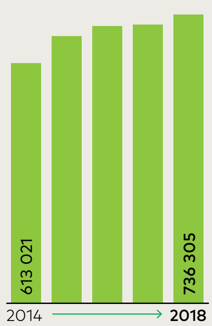
Revenue growth of 8,8%, including associate income, reflects the progress we have made in delivering our strategy.

- NII growth of 4,3% to R28,8bn, ahead of average interest-earning banking asset growth of 3,6%, was supported by an expanding NIM. CIB advances grew faster in the second half as pipelines started to convert. In RBB we grew market share in vehicle finance and personal loans, while maintaining share across home loans in line with our strategy of managing scarce resources to optimise economic outcomes. As confidence levels improve, we expect to see advances growth improving in 2019.
- NIR growth of 7,9% to R26,0bn reflects solid gains in main-banked clients across our retail and wholesale businesses in SA and the rest of Africa in line with our strategy to grow transactional banking faster than the market. In addition, NIR growth benefited from a strong performance in Global Markets and the finalisation of the round 4 renewable-energy transactions after several years of delay. This was partially offset by the negative impact of IFRS 9 and IFRS 15, as well as weaker business and consumer confidence, lower equity markets and ongoing subdued levels of client transactional activity.

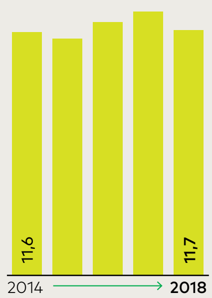
Efficiency ratio
(%)



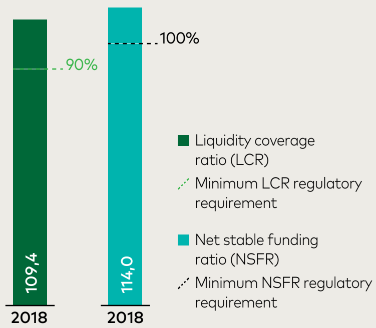
Advances growth
(Rm)



CET1 ratio
(%)



Nedbank Group LCR and NSFR
(%)



Excellent risk management and quality portfolio

Our historic selective originations, along with a quality portfolio across all businesses, has proactively limited downside risk in this challenging operating climate, enabling a CLR of 0,53%, below the bottom end of our TTC target range. This is evidence of consistent delivery on our strategy of managing scarce resources to optimise economic outcomes. Prudent coverage levels were maintained against defaulted advances. While impairments should increase from here, we expect the CLR to increase to within the bottom end of our target range of 60 to 100 bps.

Good expense management

Expenses growth of 6,1% to R31,6bn was below total revenue growth (including associate income) of 8,8%, resulting in a positive JAWS ratio of 2,7% and an improved efficiency ratio of 57,2%. Cost lines were well managed, reflecting the benefits of implementing our Target Operating Model (TOM) initiative. The adoption of automation and robotics has resulted in efficiency gains as we transform our business processes in the Fourth Industrial Revolution. We continue to benefit from procurement savings; reduced network-related costs, resulting in efficiency savings; and a reduction in headcount, primarily through natural attrition.

A strong balance sheet enabled an attractive dividend payment

Our CET1 and tier 1 capital ratios of 11,7% and 12,5% respectively, average LCR for the fourth quarter of 109% and an NSFR of 114%, are all Basel III-compliant and are a reflection of a strong balance sheet. The CET1 ratio was impacted by the IFRS changes on day 1, as well as the odd-lot offer implemented in December 2018, which had a combined negative impact of 60 bps on CET1. On the back of strong earnings growth and our capital position a full-year dividend of 1 415 cents was declared, an increase of 10,1%. Our full-year dividend cover was 1,97 times, below the midpoint of our board-approved target range of 1,75 to 2,25 times.

A responsible taxpayer

The tax we pay is important to the economic and social development of the countries we operate in, and we therefore have a responsibility to comply fully with local regulations. In line with this commitment our total 2018 cash tax contribution was R10,3bn, comprising Nedbank's direct and indirect taxes, as well as taxes paid on behalf of our staff (eg PAYE) and shareholders (dividend withholding tax).

Consolidated statement of comprehensive income

Rm	Change %	2018	2017	2016
Net interest income	4,3	**28 819**	27 624	26 426
Impairments charge on financial instruments	11,6	**(3 688)**	(3 304)	(4 554)
Income from lending activities	3,3	**25 131**	24 320	21 872
Non-interest revenue	7,9	**25 976**	24 063	23 503
Total operating expenses	6,1	**(31 632)**	(29 812)	(28 366)
Indirect taxation	(5,9)	**(942)**	(1 001)	(927)
Share of income/(losses) of associate companies	> 100	**528**	(838)	(105)
Headline profit before direct taxation	13,9	**19 061**	16 732	15 977
Direct taxation	12,7	**(4 807)**	(4 267)	(3 985)
Non-controlling interest	11,8	**(758)**	(678)	(527)
Headline earnings	14,5	**13 495**	11 787	11 465
Diluted headline earnings per share (cents)	13,7%	**2 736**	2 406	2 350
Dividend declared per share (cents)	10,1%	**1 415**	1 285	1 200
Dividend cover (times)	3,14%	**1,97**	1,91	2,00

Net interest income

Key drivers: NII increased 4,3% ahead of AIEBA growth of 3,6%. NIM expanded 3 bps to 3,65%, driven primarily by a 4 bps improvement in asset pricing, as well as asset mix benefits as retail advances grew faster than wholesale advances, offset by a 2 bps negative endowment impact as the average prime interest rate declined from 10,4% in 2017 to 10,1% in 2018.

2019 outlook

AIEBA to grow at upper-single-digit levels

NIM to decline from the 2018 level of 3,65%

Impairments charge on loans and advances

Key drivers: Impairments increased 11,6% and the CLR increased 4 bps to 0,53% as RBB advances – which attract a higher CLR – grew faster than CIB advances. The CLR benefited from recoveries of accounts previously provided for in CIB and RoA. The implementation of IFRS 9 also impacted the treatment of suspended interest and resulted in the extension of the point of writeoff. The low CLR continues to be a reflection of Nedbank's strategy of selective advances growth and the high quality of the portfolio across all our businesses.

CLR to increase to within the bottom end of our target range of 60–100 bps

Non-interest revenue

Key drivers: NIR growth of 7,9% was supported by commission and fee income growth of 6,5%, with RBB reporting good underlying transactional NIR growth, supported by solid main-banked client growth across entry-level, middle-market, professional and small-business client segments, while CIB delivered strong growth, benefiting from the closure of round 4 of the renewable-energy transactions in the second half of 2018 and increased levels of investment banking activity. Insurance income increased 6,2% from a lower-claims experience in homeowner's cover due to the absence of catastrophic weather events in relation to the previous year. Trading income grew strongly by 13,6%, supported by growth in equities and debt trading and the finalisation of the round 4 renewable-energy deals, including hedging activities.

NIR to grow at mid-to-upper single digits

Total operating expenses

Key drivers: During the year the most material increase in costs included staff-related costs increasing at 5,6%, including incentive increases in line with the group's financial performance, computer processing costs driven by software amortisation and incremental software licence costs in line with our technology strategy. In the first half of the year we reported a settlement with our staff with regard to PRMA obligations and benefits, resulting in a R250m credit.

Expenses to grow slightly above mid-single digits

Share of income/(losses) of associate companies

Key drivers: The ongoing turnaround in ETI has resulted in seven consecutive quarters of profit being reported from Q1 2017 to Q3 2018. In 2018 associate income of R608m from ETI boosted the group's financial performance, given an associate loss of R744m in 2017. Accounting for associate income, together with our share of ETI's other comprehensive income, movements in Nedbank's FCTR and our share of ETI's own IFRS 9 transitional adjustment, resulted in the carrying value of our strategic investment in ETI decreasing from R3,3bn at 31 December 2017 to R3,2bn at 31 December 2018. This amount includes a R361m credit adjustment to account for the anticipated impact of ETI changing from the official Central Bank of Nigeria (CBN) exchange rate to the NAFEX exchange rate in translating the Nigerian operations as announced by ETI in December 2018. While we have observed an improvement in ETI's recent financial performance, it is not yet considered to be a sufficient indicator to release the full R1bn impairment provision or part thereof. We will reassess our position at 30 June 2019 and at year-end.

Will be based on ETI's guidance to the market once their 2018 results are released

Headline earnings

Key drivers: HE was boosted by our share of associate income from ETI as it returned to profitability, while our managed operations delivered positive earnings growth. Managed operations generated HE growth of 2,8% to R13 119m.

Dividend declared per share (cents)

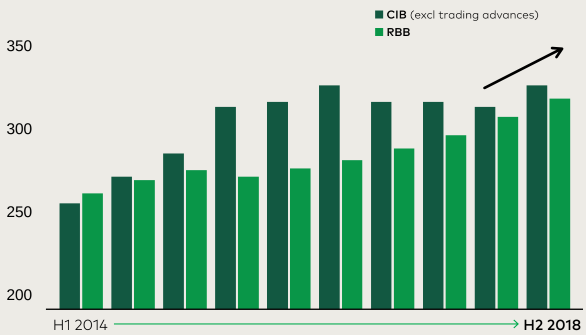
Key drivers: On the back of strong earnings growth and our capital position a full-year dividend of 1 415 cents was declared, an increase of 10,1%. Our full-year dividend cover was 1,97 times below the midpoint of our board-approved target range of 1,75 to 2,25 times.

Maintain cover between 1,75 and 2,25 times

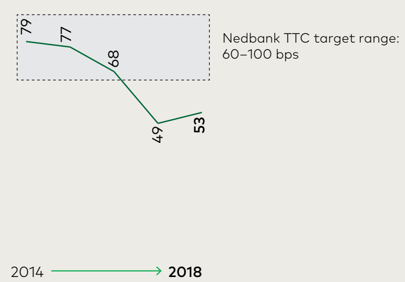
Consolidated statement of financial position

Rm	Change %	2018	2017	2016
Cash and securities	12,3	**212 007**	188 820	179 733
Loans and advances	3,7	**736 305**	710 329	707 077
Other assets	13,6	**95 600**	84 165	79 201
Total assets	6,2	**1 043 912**	983 314	966 022
Total equity attributable to equity holders of the parent	2,4	**83 778**	81 823	75 733
Non-controlling interest	11,6	**7 493**	6 716	5 978
Amounts owed to depositors	7,0	**825 804**	771 584	761 542
Provisions and other liabilities	(0,5)	**71 250**	71 615	70 693
Long-term debt instruments	7,8	**55 587**	51 576	52 076
Total equity and liabilities	6,2	**1 043 912**	983 314	966 022
Assets under management	(4,8)	**297 338**	312 313	273 327
Key ratios (%)				
ROE		**16,8**	15,3	15,3
ROE (excl goodwill)		**17,9**	16,4	16,5
Return on assets		**1,33**	1,22	1,23
NIM		**3,65**	3,62	3,41
CLR		**0,53**	0,49	0,68
Efficiency ratio		**57,2**	58,6	56,9
JAWS ratio		**2,7**	(3,0)	(1,5)
CET1 ratio		**11,7**	12,6	12,1

CIB and RBB banking advances
(Rbn)



CLR
(bps)



Loans and advances

Key drivers: Loans and advances increased by 3,7%, driven by solid growth in RBB and an increase in CIB banking advances during the second half of the year. This was partially offset by a decline in trading advances and short-dated lending in CIB as well as the IFRS day 1 impact of R3,2bn. Banking advances grew 5,6%, excluding the increase in impairments due to implementation of IFRS 9.

2019 outlook: AIEBA to grow at upper-single-digit levels

Amounts owed to depositors

Key drivers: Deposits grew 7,0% and the loan-to-deposit ratio improved to 89,2%. In line with our objective of tilting towards a greater proportion of Basel III-friendly deposits, RBB, through the active management of its franchise, has grown retail and commercial deposits 9,2%. CIB grew deposits 2,8%, as we shifted away from more-expensive structured-note issuances towards lower-cost NCD funding, housed in the Centre where deposits grew 15,8%.

Assets under management

Key drivers: AUM decreased 4,8% to R297bn, with net outflows of R10,7bn. The low-cost passive business, which is the dominant player in the unitised passive market, and the cash businesses grew AUM.

Return on equity (excluding goodwill)

Key drivers: ROE (excluding goodwill) improved to 17,9%, benefiting from strong HE growth and the reduction in equity of R3,2bn following the day 1 transitional adjustments in respect of IFRS 9 and IFRS 15. The implementation of these IFRS adjustments had an estimated impact of 0,4% on ROE (excluding goodwill). As ROE is computed on daily average equity, the odd-lot offer completed in December 2018 would have had almost no impact on our 2018 ROE, with the positive impact of this on ROE being more apparent in 2019.

2019 outlook: Improves, in line with our 2020 target of ≥ COE + 5% (≥ 18% by 2020)

CET1 ratio

Key drivers: The group remains well capitalised at levels significantly above the minimum regulatory requirements. The CET1 ratio of 11,7% is a reflection of organic capital generation, offset by the payment of cash dividends to shareholders, 11,1% growth in RWA, ongoing investment in software development as part of the group's Managed Evolution programme, accounting for the full impact of the implementation of IFRS 9 and IFRS 15 on 1 January 2018 (R1,2bn), the impact of the odd-lot offer concluded in December 2018 (R2,0bn) and the impact of the ETI NAFEX revaluation.

2019 outlook: Within our target range of 10,5–12,5%

Financial performance of our business clusters and outlook

2018 performance

NEDBANK CORPORATE AND INVESTMENT BANKING

- CIB grew HE by 6,3% to R6,7bn, while delivering an attractive ROE of 20,0%.
- HE growth was underpinned by very strong 18,9% growth in NIR. Growth in banking advances was slow, but increased in the latter part of the year.
- Credit quality remained excellent through proactive risk management, including close monitoring and management of exposures to stressed sectors of the economy, such as construction and cement, as well as certain SOEs.

NEDBANK RETAIL AND BUSINESS BANKING

- RBB increased HE 1,5% to R5,4bn; negatively impacted by IFRS changes. The ROE at 18,9% was well above the group's COE.
- Retail advances growth momentum has been maintained and the CLR was flat, reflecting a high-quality portfolio, and remains below the TTC target range.
- Excluding the impact of IFRS 9 and IFRS 15, retail transactional NIR growth was strong and was supported by the 6,9% growth in main-banked client numbers.
- Low expenses growth reflects the ongoing benefit of optimising processes and operations, including headcount reductions of 698, largely through natural attrition.

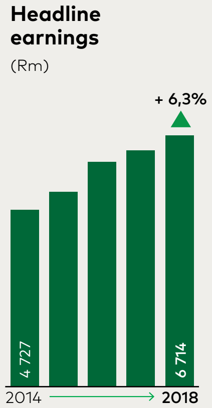
NEDBANK WEALTH

- Nedbank Wealth grew HE 6,1% to R1,1bn and maintained an attractive ROE of 26,8%.
- The results were attributable to solid performances in Insurance and the international Wealth Management Division, muted growth in Asset Management and a decline in earnings in the local Wealth Management Division.

NEDBANK REST OF AFRICA

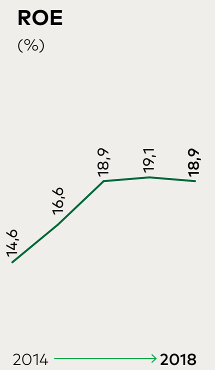
- RoA's HE was positively impacted by ETI's turnaround to profit, supported by improving economic conditions in West Africa. ETI has delivered seven quarters of profitability up to 30 September 2018.
- Our SADC subsidiaries doubled HE off a low base, enabled by continued investment in technology and skills.

2020 targets



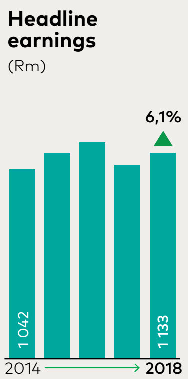
ROE ≥ 20% – maintaining strong returns.

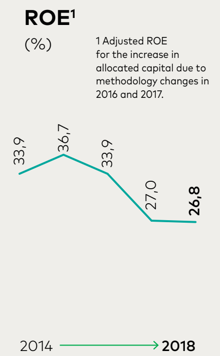
Efficiency ratio ≤ 40% – using technology to improve efficiencies.



ROE ≥ 20% – underpinned by lower cost-to-income ratio and relative CLR outperformance TTC.

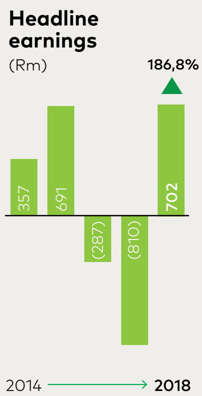
Efficiency ratio ≤ 58% – remains our target, but has become more difficult to achieve.

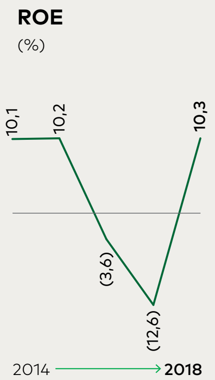




ROE ≥ 30% – benefiting from high-economic-profit businesses.

Efficiency ratio ≤ 60% – remains our target, but has become more difficult to achieve.





ROE ≥ COE (COE approximately 16%).

Efficiency ratio ≤ 60% – creating scale from investments and cost optimisation.

Accounting changes

The group adopted IFRS 9 and IFRS 15 from 1 January 2018 without any restatement of the 2017 comparative numbers. The impact on the group related primarily to the implementation of the IFRS 9 ECL model, which increased balance sheet impairments at 1 January 2018 by R3,2bn, with reserves decreasing by approximately R2,3bn on an after-tax basis. IFRS 15 replaced all existing revenue recognition requirements in IFRS and applied to all revenue arising from contracts with clients, unless the contracts were in the scope of the standards on leases, insurance contracts and financial instruments. As a result of the implementation of IFRS 15, reserves at 1 January 2018 decreased approximately R200m on an after-tax basis. The impact of implementing IFRS 9 and IFRS 15 on the group's CET1 ratio at 1 January 2018 was 25 bps, 10 bps from Nedbank's operations and 15 bps from accounting for our share of ETI's IFRS adjustments. Given the relatively small impact, we have chosen a more prudent approach than the industry and did not phase these in over three years.

IFRS 16 deals with the accounting for leases and replaces IAS 17 for reporting periods beginning on or after 1 January 2019. The group has elected to apply IFRS 16 retrospectively using the Modified Approach. The group will therefore not restate comparative periods, which will continue to be presented in terms of IAS 17, with a transitional adjustment made at 1 January 2019. The implementation of IFRS 16 results in the recognition of lease liabilities of R4,2bn and right-of-use assets of R3,2bn, with equity decreasing by approximately R700m on an after-tax basis. The IAS 17 straight-lining liability of R125m and the associated deferred tax of R35m will be reversed against equity. Total equity decreases approximately R610m on the adoption of IFRS 16.

Auditor independence

The 2018 financial year was significant in terms of external-auditor independence matters and the oversight of the external-audit process. Nedbank was informed of the suspension and subsequent resignation of the KPMG lead partner. KPMG undertook a review of the audits signed off by the lead partner in 2016 and 2017, and reported to GAC that it was satisfied that the quality of the Nedbank audit remained robust.

External auditor tender

Mandatory audit firm rotation is a rule issued by the Independent Regulatory Board for Auditors (IRBA) to address auditor independence and will become effective for financial years on or after 1 April 2023. This means that, for Nedbank, it will be effective from 1 January 2024. The rule states that an audit firm may not serve as an auditor of a public-interest entity (such as Nedbank) for 10 or more consecutive years.

During the current year GAC formally implemented the mandatory audit firm rotation requirements, including that Nedbank has to have joint auditors under the Banks Act and SARB regulations. A comprehensive closed-tender process with several audit firm participants was undertaken, involving key business stakeholders, Exco members and non-executive directors. The process was overseen by GAC and led by the CFO. Based on the tender process outcome, GAC will make a recommendation to shareholders for the appointment of Deloitte and EY as the external auditors for Nedbank Limited and Nedbank Group Limited in 2019. Nedbank will continue to monitor the mandatory audit firm rotation requirements as Deloitte also has to retire by rotation from the Nedbank audit no later than 2023, after having served as the external auditors for 45 years.

Financial outlook over the medium to long term

Over the medium to long term, sustained higher levels of growth in SA will depend on the new leadership in government addressing difficult structural impediments as described in our material matter: A challenging SA macroeconomic environment. Our guidance on financial performance for the full year 2019 is currently as follows:

- AIEBA to grow at upper single digits.
- NIM to be below the 2018 level of 3,65%.
- CLR to increase to within the bottom end of our target range of 60 to 100 bps (under IFRS 9).
- NIR to grow mid-to-upper single digits.
- Expenses to increase slightly above mid-single digits.

Given the expectations of a slowly improving SA economy and ongoing delivery on our strategy, our current guidance for growth in DHEPS for the full year 2019 is to be at or above nominal GDP growth.

At the start of 2018 we set ourselves specific 2020 targets of an ROE (excluding goodwill) of greater than or equal to 18% and a cost-to-income ratio of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation. Given resilient earnings growth and the impact of IFRS changes and the odd-lot offer, which reduced equity in 2018, we are currently more confident that we will meet our ROE (excluding goodwill) target on a sustainable basis. While we remain committed to our cost-to-income ratio target, it has become more challenging to achieve. This is the result of a combination of weaker-than-anticipated economic growth, primarily resulting in slower growth in wholesale advances and retail transactional activity; lower-than-expected interest rates; IFRS changes impacting the shape of the income statement and negatively impacting the cost-to-income ratio; new costs relating to the YES initiative, deposit insurance and Twin Peaks; and a decision to increase our investments in platform-related activities in RBB as we continually evolve our business model to underpin future growth.

Appreciation

This year marks the seamless conclusion of the managed separation from Old Mutual. We created value as our HE and ROE (excluding goodwill) improved in a difficult and complex environment. We delivered value to our shareholders as the top-performing bank share, up 7,3%.

To my colleagues on the board and the group executive team, thank you for your support and ongoing counsel during the year. Thank you to the dedicated and hard-working finance teams across the group for ensuring that we maintain our high standards and professionalism. I also thank all our shareholders and the broader investment community both locally and internationally for your continued investment and interest in Nedbank Group.

Raisibe Morathi
Chief Financial Officer

Our medium-to-long-term targets have not changed from what we published in 2018. The current outlook for these targets in 2019 is as follows:

Metric	2018 performance	Full-year 2019 outlook	Medium-to-long-term targets
ROE (excluding goodwill)	**17,9%**	In line with target	5% above COE* (≥ 18% by 2020)
Growth in DHEPS	**13,7%**	≥ consumer price index + GDP growth	≥ consumer price index + GDP growth + 5%
CLR	**0,53%**	Increases to within the bottom end of our target range (under IFRS 9)	Between 0,6% and 1,0% of average banking advances
NIR-to-expenses ratio	**82,1%**	Increases, but remains below target	> 85%
Efficiency ratio (including associate income)	**57,2%**	Decreases, but remains above target	50–53% (≤ 53% by 2020)
CET1 capital adequacy ratio (Basel III)	**11,7%**	Within target range	10,5–12,5%
Dividend cover	**1,97 times**	Within target range	1,75–2,25 times

* *The COE is forecast at 14,1% in 2019.*

Stakeholders are advised that these forecasts are based on organic earnings and our latest macroeconomic outlook, and have not been reviewed or reported on by the group's auditors.

Ensuring and protecting value – Group Audit Committee (GAC)

Stanley Subramoney
(Chair)

'The executive and the board take ultimate responsibility for all financial information produced at Nedbank. Auditors provide an important level of independent assurance to our stakeholders and capital markets. Auditor independence remains an important pillar of assurance to the Group Audit Committee and the board. The independence of the external auditors is a critical component related to the functioning of global capital markets and ensures trust can be placed on financial reporting by companies. Therefore, Nedbank takes its responsibility to ensure auditor independence and auditor quality very seriously.'

Ensuring and protecting value in 2018

- Reviewed and approved the external auditors' 2018 annual plan and related scope of work, monitored the effectiveness of the external auditors in terms of their audit quality, and considered the key audit matters reported in the external audit report.
- Managed the reputational risk issues in the audit industry and the continued focus on independence. Enhancements were made to strengthen auditor independence monitoring and assessments. Most notably, Nedbank will prohibit the provision of non-audit services by the joint auditors, except where those services are related to the auditors' role as external auditors.
- Implemented the requirements for mandatory audit firm rotation, through an external audit tender process.
- Considered, analysed, reviewed and debated information, key judgements and significant matters raised by management, Internal Audit and external auditors to ensure the appropriateness of the 2018 year-end results, the evaluation of ETI's performance, the implementation of IFRS 9 and IFRS 15 and the conclusion accounting matters relating to managed separation.
- Reviewed and discussed information from management, Internal Audit and external auditors and considered the effectiveness of the internal controls of the group in all material respects throughout the year under review.
- Reviewed the 2018 AFS and related disclosures and recommended the AFS to the board for approval.
- Ensured that Group Internal Audit performed an independent assurance function and monitored the effectiveness of the internal audit function.
- Assessed compliance with all other statutory requirements in terms of the Companies Act, King IV™, JSE Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.

Focus for 2019 and beyond

- Continuing focus on ensuring that the group's financial systems, processes and controls are operating effectively.
- Overseeing the Old Mutual managed-separation developments and outcomes, including all transitioning accounting and future reporting obligations.
- Overseeing the transition and onboarding of EY as the 2019 appointed joint external auditor.
- Monitoring of accounting implications arising from the reported issues in the Nedbank Zimbabwe subsidiary.
- Monitoring of the implementation of IFRS 17: Insurance Contracts, which replaces the current limited guidance contained in IFRS 4: Insurance Contracts. IFRS 17 will come into effect for Nedbank on 1 January 2022.
- Continued evolution of the ETI's performance.

Stakeholders

Clients
Shareholders
Regulators
Staff

Top 10 risks

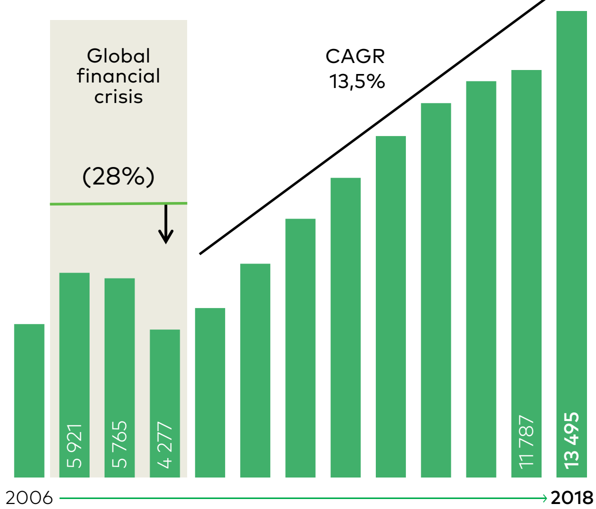
2 **Cyberrisk**
3 **Business risk**
4 **Operational risk**
8 **Regulatory and compliance risks**
10 **Balance sheet risk**

A comprehensive GAC report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

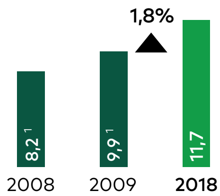
Nedbank in a strong position

Nedbank Group is in a strong position to manage any stress events (Ramaphobia scenario) and, more importantly, has a solid platform for growth under both Ramareality and Ramaphoria scenarios.

Headline earnings
(Rm)



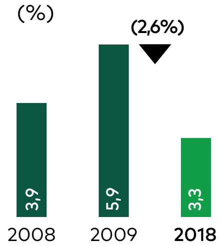
CET1 ratio
(%)



[1] Core equity tier 1.

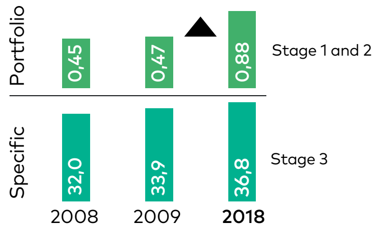
Strong capital position after full IFRS implementation

Defaulted advances
(%)



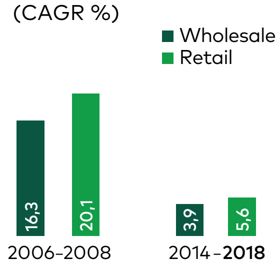
Reflecting a quality portfolio

Coverage
(%)



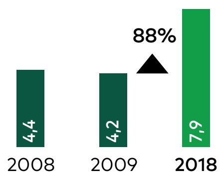
Coverage levels are significantly higher

Loan growth
(CAGR %)



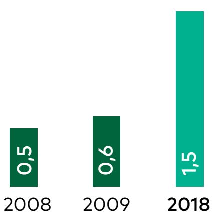
More prudent and selective credit extension

Number of clients
(million)



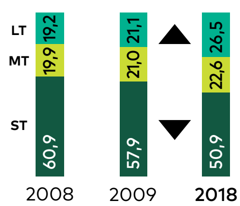
More clients doing more of their banking with Nedbank

NII sensitivity for a 1% change in interest rates
(Rbn)



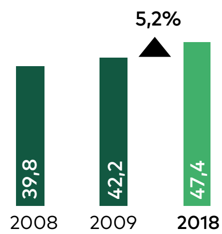
Greater endowment benefit when interest rates increase

Funding tenor
(%)



Longer funding tenor ensures strong liquidity profile

NIR income contribution
(%)



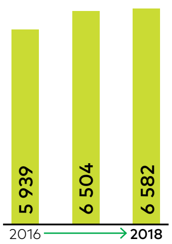
Greater contribution from stable income source

VALUE FOR STAKEHOLDERS

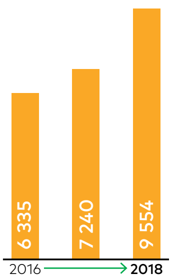
Nedbank is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all other stakeholders. We appreciate the role played by all of our stakeholders and are committed to nurturing impactful relationships that deliver mutual benefits.

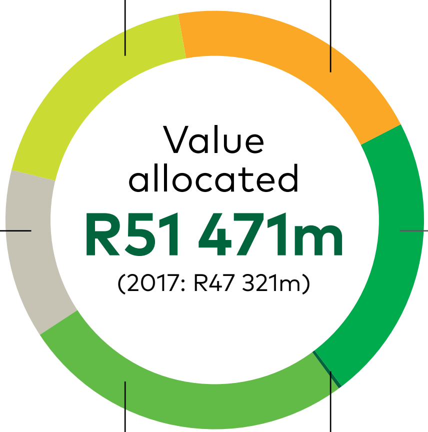
NII	−	Impairment losses on loans and advances	+	Other banking income	=	Value added
R28 819m		**R3 688m**		**R26 340m**		**R51 471m**

Dividend paid to shareholders share[1] (Rm) — **12,8%**

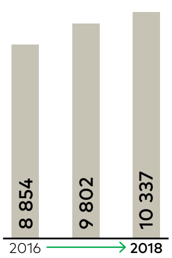


Retentions for growth[1] (Rm) — **18,5%**

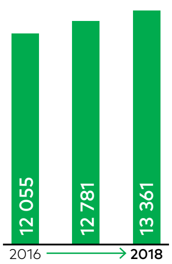




Government (taxes)[1] (Rm) — **20,1%**

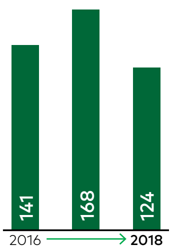


Staff expenses[1] (Rm) — **26,0%**



Other expenditure (Rm) — **22,4%**

Socioeconomic development spend (Rm) — **0,2%**



Our stakeholder engagement framework

While the Group Exco has ultimate responsibility for our group's stakeholder engagement efforts, the process of engaging with stakeholders is decentralised to form part of the operations of our various clusters and business areas. Cluster-based stakeholder engagement is governed by a comprehensive group stakeholder engagement framework and policy, which include our corporate identity and communication guidelines. Each business area is required to report regularly on its stakeholder engagements through the Group Exco.

The following pages provide an overview of how we delivered value to our stakeholders in 2018 and prospects for future value creation.

[1] *Value for government (taxes) includes direct taxes, dividend withholding tax and cash payments made to SARS in respect of value-added tax. As a result, the amounts for the dividend paid to shareholders, staff expenses and retentions for growth may not agree with the amounts disclosed for the group's annual financial statements.*

Staff: Investing in our staff

CASE IN POINT
Digital learning

Digital learning is a digital platform solution that allows for self-directed learning. As the need for ongoing reskilling of staffmembers increases exponentially, digital learning gives staff the opportunity to determine the pace of their own learning and, if required, learn in small modules. As Nedbank we are creating value by delivering on our purpose:

- **Use our financial expertise** – Between October 2017 and September 2018 Nedbank collaborated with various digital partners and ran digital learning pilots in key environments. LinkedIn Learning was piloted in Retail and Business Banking and Group Technology. A total of 3 218 licences were issued in 2018 and 32 316 hours were spent on learning content that covered a wide variety of subjects. The 95% uptake of this offering lead to Nedbank receiving an international award from LinkedIn Learning for the 'Best learning culture in SA'. We have now invested in 30 000 licences to enable the entire organisation to participate in this learning experience and more focus will be placed on innovative ways of learning to acquire the skills of the future.
- **Do good for staff** – Digital learning is core to enabling a future-fit workforce, as it gives staff easier access to training. Staffmembers are now using digital learning to reskill for the future, as they learn where and when it suits them, in a focused way and with less time in the classroom. Since the digital learning platforms have been made available to our staffmembers, we have seen the average hours of classroom learning drop and more people being trained through a blended learning approach.

Delivering value to our staff in 2018

- As a large employer we paid R13,4bn in remuneration and benefits, net of taxes, to our 31 277 employees. To reduce the wealth gap we deliberately provided for average salary increases at 7,0% for our unionised staff, higher than the 5,0% for management.
- Training spend increased 32% in 2018 (2017: 38,2%) to R468m as we aligned our training programmes with our strategic intent. We refreshed our executive management programmes to be more digitally focused, with more than 70 senior leaders having participated in immersive learning experiences (the Executive Business Transformation Programme) over the past two years, with exposure to Silicon Cape, Silicon Savannah (Kenya) and Silicon Valley.
- Staff attrition declined slightly to 10,1% (2017: 10,6%), while staff numbers decreased by 610. The attrition rate remains below the industry benchmark of 11–13%. We have not implemented any material retrenchment programmes over the past several years, as we have honoured our staff practice of limiting redundancies wherever possible for the greater benefit of SA, by actively using a redeployment pool.
- Given the large-scale change in the organisation as we implement nWoW and embrace the Fourth Industrial Revolution, our cultural entropy increased to 20% (2016: 12%). This is an indication of an organisation in transition and reflects the challenges our staffmembers face in the macro environment (work and personal lives, social economic pressures, etc). We have taken note of the feedback from staff and are responding at both an enterprise and cluster level.
- We implemented nWoW practices with more than 1 500 staffmembers working according to this new approach. We aim to increase this number incrementally to support an optimal agile scaling framework over the 2019 period.
- A refreshed performance management approach was implemented focusing on goal commitments. This new approach enables the organisation to have more frequent and robust conversations around running and changing the business, in alignment with us becoming more agile, client-focused, digital and competitive. Our executive goal commitment contracts on pages 88 to 90 embraced this new approach.
- Transformation remains a key focus for the group as we continued to increase our workforce with ACI groups now at 77,4%, to more closely reflect the demographics of society. Similarly, on gender diversity, female representation is now at 61,8% of the Nedbank permanent workforce.

Looking ahead

- In 2019 we will continue to build capabilities around client-centredness and design thinking while adding several additional leadership capabilities.
- Our new operating model will continue to revitalise the organisation of work and how we work together to deliver on our strategic focus areas. Given the significant impact of digitisation in financial services, our challenge in anticipating the required future skills of the workforce and readying our people for the future will receive significant focus.
- We continue to focus on our cultural journey by deploying levers such as the Leadership, Values and Culture assessment tool as well as other levers to embed the required change.
- We will continue our efforts to lead in transformation while focusing on a right-fit culture and leadership to align with Nedbank's strategic intent.

Long-term targets

- A culture that is commercially focused, client-centred and innovative.
- A diverse and inclusive staff profile.

Clients: Creating great client experiences

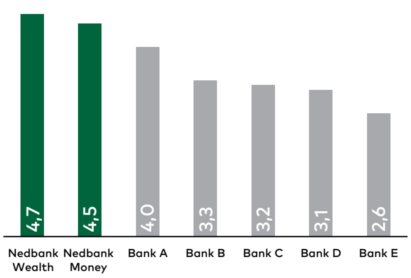
CASE IN POINT
Extraordinary Life

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

'Extraordinary Life' is a digital, automated savings platform that delivers a cutting-edge user experience by using a chatbot to collect data, automated application program interface(API)-driven advice, chatbot access to investment expertise and a fully digitised purchasing experience. Nedbank won *The Banker* magazine's 2018 (Artificial Intelligence and Robotics) global award for this innovation. At Nedbank we are creating value by delivering on our purpose:

- **Use our financial expertise** – We brought together four different expert teams across four different countries (England, India, the Czech Republic and SA) with the aim of building the best robo-advice platform in SA. For Nedbank the platform helps attain market leadership in the field of automated investment platforms through a collective intimacy strategy, leveraging the algorithms built to develop a unique digital relationship with our clients. The platform has integrated new onboarding services and reduced the associated investment account opening cost by almost 90%, increasing the profitability of the new channel. The project also introduced the use of new technologies into Nedbank by integrating artificial intelligence, chatbot, investment algorithms, web and API development, thereby exponentially increasing our skill and expertise in these areas.
- **Do good for clients** – Extraordinary Life provides expert online advice and relieves four major client pain points when it comes to investing:
  - **Time:** Extraordinary Life reduces a five-to-ten-day paper process to just 10 minutes.
  - **Hassle:** Extraordinary Life is completely digital. No paperwork, no telephone calls.
  - **Complexity:** Based on the client's answers, Extraordinary Life recommends the best investment and combination of products to maximise the client's savings and tax.
  - **Transparency:** Costs and relevant details are always available throughout the platform journey so that clients know what we are doing and why it is best for them.

Client app rating – iOS app store



Delivering value to our clients in 2018

- We made new-loan payouts of R181bn to enable clients to finance their homes, vehicles and education, and grow their businesses. This increased 18% on the previous year.
- We launched various innovative solutions to make banking more convenient and meet the needs of our clients. Below are a few examples:
  - The Nedbank Private Wealth app was further enhanced through our DFL capability and was ranked second best globally by Cutter Associates International Research, an improvement from seventh in 2017.
  - The Nedbank Money app™, our retail app that makes banking more convenient for our clients, has seen more than 1,6 million downloads and is rated well above peer banks on the iOS platform. With new market-leading innovative services that underpin these ratings clients can scan to pay (first in market), freeze and unfreeze cards (first in market) and stop unauthorised debit orders.
  - We launched Unlocked.Me, our first platform play solution to enhance our youth and middle-market propositions, offering banking and lifestyle solutions and delivering curated experiences.
  - Karri, our mobile payment app that allows users to make cash-free payments for school activities quickly, safely and hassle-free, has been rolled out to more than 200 schools across the country.
  - As far as our integrated channels are concerned, we have to date converted 60% of our outlets to new image digital branches, and our investment in distribution channels over the next three years (until 2021) will result in 79% of our retail clients being exposed to the new digitally focused branch formats and self-service offerings.
  - We extended the use of chatbots and robo-advisors to enhance client experiences through our contact centre and web-servicing capabilities and will continue to do so. In 2018 Nedgroup Investments won The Financial Times' *The Banker* magazine Technology Project award in the global Artificial Intelligence and Robotics category for our robo-advice solution.
  - For our wholesale clients we partnered with Aerobotics, a fintech, that uses satellites and drones to capture multispectral images of orchards to help farmers optimise yields and manage costs. This innovative solution received *The Banker*'s global award for a fintech partnership.
  - In the rest of Africa we continue to launch various new products and CVPs on the back of our core banking implementation.
- System uptime continues to be above our acceptable level of tolerance (> 99,1%), notwithstanding significant changes to IT systems and new digital applications.
- We recorded a significant improvement in our NPS score from 26% to 37%, the largest increase among all banks in 2018. Similarly, we have seen our brand value increase, moving us up one position higher to ninth in SA, and from fifth to fourth among SA banking peers.
- CIB received *The Banker Africa's* award for Best Corporate Bank in SA, was placed first in the Bloomberg Fixed Income league table rankings: SA bonds and was number one in the primary dealer rankings as measured by SARB.
- Nedgroup Investments was named offshore management company of the year for the fourth consecutive year at the Raging Bull Awards.

Looking ahead

- The foundations put in place through ME (our core systems and technology platform transformation), digital enhancements through DFL and nWoW are enabling incremental digital benefits and enhanced client service. In 2019 we plan to launch exciting innovative solutions as shown on pages 43 and 44 and we expect to continue to see improvements in our client satisfaction scores and, as a result, growth in client numbers.

2020 targets

Top 2 brand value among SA banking peers

RBB
Top 2 Net Promoter Score

CIB
Top 2 in wholesale league tables

Wealth
Top 3 SA asset manager (annual Raging Bull Awards)

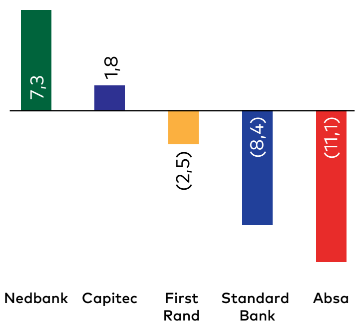
RoA
Grow profitability ahead of market in the subsidiary countries and increased dealflow from ETI network

Shareholders: Delivering consistently to our shareholders

Delivering value to our shareholders in 2018

- Solid business and financial performance in a difficult environment.
- Share price up 7,3% (best-performing large SA bank share).
- Successful conclusion of odd-lot offer, creating value for odd-lot holders, with offer price 5% above VWAP to 3 December 2018.
- Total dividend per share up 10,1%.
- Valuation metrics remain attractive – price to book: 1,6 times.
- Improved free float after Old Mutual Limited unbundling (from 45% to 80%), with number of shares traded per day increasing from 1,1 million to 2,0 million.
- Sound corporate governance and good relationships with the investment community, underpinned by regular engagements and transparent reporting, acknowledged through a number of industry awards.
- 2018 AGM resolutions passed – approvals all above 91%.
- Various engagements with shareholders on ESG matters.
- Invested in our investor relations capabilities (people, technology, etc) to ensure worldclass service to the investment community in a post-MIFID world.

2018 share performance
(%)



Key shareholding changes

As a result of managed separation, Old Mutual Limited's shareholding in Nedbank Group decreased to 19,9% (excluding funds managed by Old Mutual Limited on behalf of other beneficial owners). Many shareholders that were underweight received Nedbank Group shares as part of the unbundling on 15 October 2018. A greater free float resulted in index holdings increasing from 11,4% to 19,4%. Nedbank Group has also become a more attractive investment for international funds who increased their holdings from 18,1% to 29,3%.

Key issues we engaged on

Topical discussions with the investment community

Our management meets regularly with the investment community. In addition, we provide shareholders with the opportunity to engage with our Chairman and Lead Independent Director on governance matters during our governance roadshow and other engagements. The following were the main topics discussed during more than 400 investor meetings in 2018:

Main topic	Our response and action
Old Mutual managed separation – guidance on the impact, progress and timelines for the managed separation and addressing concerns around a potential share overhang.	Managed separation had no impact on Nedbank's operations, staff, clients or strategy. We continue to collaborate with Old Mutual Limited in line with the relationship agreement signed in 2018. Managed separation was successfully concluded with limited impact as the Nedbank share ended the year as the best-performing bank share, up 7,3%. Index classified shareholding increased meaningfully as Nedbank's weighting in the MSCI Emerging Market and JSE Satrix indices increased significantly. A key benefit for shareholders is improved free float, increasing the daily number of shares traded from 1,1 million prior to unbundling to almost 2 million. Subsequent to the managed separation, Nedbank concluded an odd-lot offer to reduce the cost burden of managing a large shareholder base. This enjoyed strong shareholder support and resulted in qualifying shareholders receiving cash at a 5% premium to the 10-day VWAP and the benefit of no trading fees.
The impact of political and economic changes – excitement around a SA political and economic turnaround in Q1 2018 were short-lived as the realities of state capture prompted investors to question the impact and timing of better economic outcomes.	The political and economic scenarios for SA provide for more optimistic outcomes (Ramareality and Ramaphoria), with Nedbank well positioned to weather a negative Ramaphobia scenario as discussed on page 34. An economic recovery will see Nedbank benefit from our wholesale-banking strength and bias (> 60% wholesale advances), while RBB continues to gain clients and focus on initiatives to lower its cost-to-income ratio.
New and increased competition – the impact of new banks being launched in 2019 and some peers being more aggressive around their lending practices.	We welcome competition as it drives continued focus on innovation, client satisfaction and competitive pricing. Nedbank is well positioned to compete, given the significant progress made in IT investments and the launch of various new innovations (see pages 43 and 44 for more detail).
Sustainability of ETI turnaround – while investors increasingly acknowledge that ETI has turned the corner, there is still ongoing concerns around sustainability of profit growth and exposure to difficult economies such as Nigeria.	ETI has delivered seven consecutive quarters of profits to 30 September 2018, underpinned by improved governance, delivering on its transactional-banking strategy and an improvement in credit quality.

Key issues we engaged on

Main topic	Our response and action
Nedbank's long-term financial outlook – drivers of higher ROEs and lower cost-to-income ratios for SA banks and Nedbank are key to an attractive investment.	We reiterate our commitment to our 2020 target of ROE (excluding goodwill) of ≥ 18% and cost-to-income ratio of ≤ 53%. This will be driven by ongoing economic recovery, gaining share of revenues and reducing our cost-to-serve and cost optimisation initiatives. Our financial guidance is shown on page 69 and includes a discussion on external challenges in meeting these.
Mandatory audit firm rotation – concerns around the appointment of KPMG for the 2018 audit.	KPMG, Nedbank and Old Mutual Limited's common auditor, was retained along with Deloitte to complete the 2018 audit. Shareholders approved KPMG as auditors for 2018 at Nedbank's 51st AGM, with a 98,4% vote of approval. Following a comprehensive tender process, Deloitte and EY have been recommended to be appointed as Nedbank's and Nedbank Group's new joint external auditors effective 7 and 10 May 2019 respectively. These appointments are subject to shareholder approval at the companies' AGMs and will commence from the financial year ending 31 December 2019.
Remuneration – ongoing enhancements to the Nedbank remuneration scheme	On the back of continued engagements with our shareholders, both at our January 2018 remuneration roadshow and April 2017/2018 governance roadshows, we made numerous enhancements to our Remuneration Policy, which received 99,3% approval at the 51st Nedbank Group AGM. The enhancements are noted on page 85.

Ensuring and protecting value – Group Related-Party Transactions Committee (GRPTC)

Malcolm Wyman
(Chair)

'Managed separation saw Nedbank move from having a controlling shareholder to becoming an independent company, with its free float increasing from approximately 40% to approximately 80%. The GRPTC oversaw the arrangements and agreements between Old Mutual and Nedbank to implement this transaction in the interest of minority shareholders. This was the key focus for the GRPTC in 2018.'

- The GRPTC oversaw the execution of the Old Mutual plc MS strategy as it impacted Nedbank, in particular ensuring an orderly distribution of Nedbank shares and monitoring the progress of the transaction for completion in 2018.
- Together with an independent board committee, the GRPTC oversaw the effective implementation of an odd-lot offer that saw approximately 430 000 shareholders unlock value in their odd-lot Nedbank holdings, at a premium and with no cost, by buying back approximately 7 million shares at a total value of about R2bn, which created annual savings for Nedbank.
- The GRPTC monitored the conclusion of the collaboration programme between Nedbank and Old Mutual Group, which had delivered R1bn in synergies by the end of 2017, and reviewed the ongoing sustainable synergies for the 2018 year.
- The board ensured accurate disclosure of on-balance-sheet transactions in the annual financial report in terms of IAS 24: Related-party Disclosures.
- Monitoring and reviewing all related-party transactions, including transactions with the 19,9% shareholder, Old Mutual Limited.
- Monitoring and reviewing the Relationship Oversight Committee, which governs the commercial relationship between Nedbank and Old Mutual Limited.

Stakeholders

- Shareholders
- Regulators

Top 10 risks

1. **Strategic and execution risks**
5. **Conduct and culture risks**
7. **Reputational risk**
8. **Regulatory and compliance risks**

A comprehensive GRPTC report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

Key shareholding changes

As a result of managed separation, Old Mutual Limited's shareholding in Nedbank Group decreased to 19,9% (excluding funds managed by Old Mutual Limited on behalf of other beneficial owners). Many shareholders that were underweight received Nedbank Group shares as part of the unbundling on 15 October 2018. A greater free float resulted in index holdings increasing from 11,4% to 19,4%. Nedbank Group has also become a more attractive investment for international funds that increased their holdings from 18,1% to 29,3%.

Major shareholders/Managers	% holding 2018	% holding 2017
Old Mutual Life Assurance Company and Associates[1]	**24,5**	53,4
Public Investment Corporation	**9,4**	6,2
Coronation Fund Managers (SA)	**7,3**	5,7
Allan Gray Investment Council	**5,1**	2,4
BlackRock Inc (International)	**3,7**	1,8
Lazard Asset Management (International)	**3,0**	3,2
The Vanguard Group Inc	**2,9**	1,6
GIC Asset Management (Pty) Ltd	**2,7**	1,7
Nedbank Group	**3,3**	3,3
Sanlam Investment Management	**1,9**	0,9
Index classified shareholders	**19,4**	11,4
International shareholders	**29,3**	18,1

[1] *Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf other beneficial owners.*

Voting outcomes of the 51st AGM and general meeting to approve the odd-lot offer

All the resolutions at the AGM were passed with more than 91% approval and the odd-lot offer received 98,6% approval at the general meeting of Nedbank Group held on Thursday, 22 November 2018.

The following resolutions with respect to the election and reelection of directors were passed:

2018 resolutions

Ordinary resolutions 1.1, 1.2 and 1.3: Election as a director of Mr HR Brody, Ms NP Dongwana and Ms L Manzini, who were appointed as directors since the previous and general meeting of shareholders.
Ordinary resolution 2.1, 2.2 and 2.3: Reelection of Mr PM Makwana, Mrs RK Morathi and Mr MC Nkuhlu, who were retiring by rotation, as directors.

Other noteworthy resolutions included the following:

2018 resolutions	For %	Important considerations for 52nd AGM	
Ordinary resolutions 3.1 and 3.2: Reappointment of Deloitte and KPMG as external auditors.	98,4%	Shareholders will be asked to approve EY and Deloitte as Nedbank's auditors for 2019.	**Your vote is needed on appointment of auditors**
Ordinary resolution 4: Placing the authorised but unissued ordinary shares under the control of the directors.	91,6%	Shares granted under this authority are limited to 2,5% of the shares in issue and restricted to existing contractual obligations to issue the shares.	**Your vote is needed on unissued shares**
Advisory endorsement on a non-binding basis, of the Nedbank Group Remuneration Policy and the Nedbank Group Remuneration Implementation Report.	99,3%	Our remuneration policy remains a focus and we will continue to engage proactively with our shareholders.	**Your vote is needed on the remuneration policy**

General meeting to approve the odd-lot offer:

Odd-lot offer resolutions	For %
Special resolution 1: Specific authority to repurchase Nedbank Group ordinary shares from the odd-lot holders.	**98,6%**
Ordinary resolution 1: Authority to make and implement the odd-lot offer.	**98,6%**

Looking ahead

- Given our strong capital position, we will continue to pay dividends around the midpoint of our board-approved target range of 1,75 to 2,25 times cover or 50% payout ratio.
- Our financial guidance on pages 63, 65 and 69 and delivery on our targets point to improved financial performance.

2020 targets

Top 2 price-to-book ratio among SA peers

ROE (excluding goodwill): **≥ 18%** by 2020

Efficiency ratio: **≤ 53%** by 2020

Regulators: Ensuring sustainable banking with our regulators

Delivering on our regulatory commitments in 2018

In line with international and local trends Nedbank observed an increase in regulatory scrutiny and inspections. Regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.

The pervasive and abnormal regulatory-change agenda continues unabated, with banks subject to additional scrutiny by regulators and a plethora of new and amended regulations dominating time and resources. Nedbank's strategic response to the high execution risk and regulatory-change agenda comprises a comprehensive Regulatory Change Programme (RCP) under the leadership of the Chief Risk Officer (CRO). The RCP is facilitating the evolution from short-term to long-term sustainable solutions, with regulatory risks being managed through various steering committees, RCPs, excos and board committees. Regular engagements take place and regulators are apprised continually, particularly where action plans are in place to meet agreed timelines, as in the case of AML.

- We complied with all key aspects of Basel III requirements, with a CET1 ratio of 11,7%, which is above the SARB requirements of 7,375% and above the midpoint of our target range of 10,5–12,5%.
- With regard to the LCR we have achieved 109%, above the 2017 SARB minimum target requirement of 90%, and maintained the NSFR at 114% above the 100% minimum requirement.
- The complex IFRS 9 programme successfully met the 'go live' deadline, within scope and budget.
- We paid R10,3bn in direct, indirect and staff taxes to support the governments and societies in which we operate. We are committed to maintaining our integrity with regard to all our tax obligations and strive to be a responsible corporate citizen by ensuring that we pay and/or collect the appropriate amount of tax in all the jurisdictions in which we operate.
- We continued to work closely with all our regulators to ensure delivery of the various regulatory programmes, including completion of POPI/privacy requirements and finalisation of the SA remediation and thematic sanctions review within AML, combating the financing of terrorism and sanctions legislation.
- We increased our BBBEE contributor status to level 1, measured under the Amended FSC as gazetted in terms of section 9(1) of the BBBEE Act, 53 of 2003 with us now having maintained level 2 or higher for 10 consecutive years.
- Banco Único paid an AML fine of R6,4m (October 2017), which is currently on appeal, as well as a second fine of R8,7m (August 2018). However, we continue to strive for zero regulatory fines or penalties through enhanced and robust controls to mitigate the related risk.

Looking ahead

- The Basel III reforms announced in December 2017 include the placing of a floor on certain model inputs for portfolios subject to the AIR approach, introducing credit risk RWA calculation rules for portfolios subject to The Standardised Approach, the use of a new standardised approach for the calculation of credit valuation adjustment and operational RWA, the implementation of the Fundamental Review of the Trading Book and setting a floor on the group RWA equal to 72,5% of RWA calculated according to a revised standardised approach. All changes will be effective 1 January 2022, with a five-year gradual phasing-in of the 72,5% floor, beginning at 50% in 2022. As Basel III still needs to be converted into national law, there is uncertainty regarding the interpretation of some of the rules, which means that reliable impact estimates are not yet available.
- We continue to work on our client onboarding solutions scheduled for release in H1 2019 as the foundation for compliance with the FIC Amendment Act due in Q2 2019.
- A draft SARB resolution was released in January 2018, which includes the establishment of a deposit insurance scheme in SA. No details were provided and we await further clarification in 2019.
- We will maintain our status as a responsible taxpayer in all the jurisdictions in which we operate.
- There will be a continued focus on the implementation of regulatory programmes, eg risk data aggregation and risk reporting principles.

2020 targets

Effective delivery on the **Regulatory Change Programme**.

Society: Contributing to a thriving society

The greatest contribution a bank can make to the sustainable development of society is through its commercial offering. We strive to do this by creating innovative finance and investment solutions that enable our clients to achieve the lifestyle and business outcomes they desire and that see us starting to deliver against the UN SDGs. In 2018 we continued with the process of aligning our lending with the SDGs as per our Sustainable Development Framework (see page 14). A summary of these efforts is structured below in line with our three key areas of leverage: products and services: sustainable development finance, operations and CSI.

For full details, please refer to the Sustainable Development Review available on our group website at nedbankgroup.co.za.

1 PRODUCTS AND SERVICES: SUSTAINABLE DEVELOPMENT FINANCE

We desire that, over time, the percentage of our lending that delivers a deliberate positive impact will increase and our lending will not undermine the achievement of the SDGs. This year saw an encouraging level of activity in utility-scale renewable energy, several lending innovations in the rural development and agriculture space, as well as digital innovations that enhanced financial access and dropped the cost of a range of transactions.

SDG 4: Quality Education

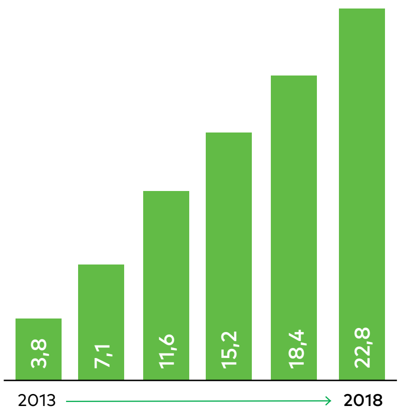
- We provided student accommodation funding of R446m towards an additional 3 750 student beds (2017: 5 700). The decline in lending in 2018 was due primarily to delays in land being made available for development in some provinces.
- Over three years we have provided approximately 3 000 students with student loans worth R149m, of which R44m was dispersed in 2018.
- We continue our involvement with the Ikusasa Student Financial Aid Programme (ISFAP), which is working to mobilise a range of funding sources.

SDG 6: Clean Water and Sanitation

- We continue to provide assistance, advisory services and finance to address the water challenges in the country.
- We co-invested with the Multiply Group to form Wellspring Group Proprietary Limited, which acquired a 67,2% shareholding in a supplier of water storage tanks.

CASE IN POINT – Nedbank's SDG initiatives

Renewable-energy disbursements
(Rbn)



SDG 7: Affordable and Clean Energy

- We closed a further 12 renewable-energy project deals, worth R13bn, under round 4 of the Department of Energy's REIPPPP. In all REIPPPP rounds completed to date Nedbank has arranged and funded a total of 42 transactions, with a total of R40bn underwritten and R22,8bn disbursed for renewable-energy deals.
- In 2018 almost R1bn of our property finance lending incorporated the installation of solar power.
- More than R31,3bn has been invested in the Nedbank Retail Green Savings Bond at 31 December 2018, with net inflows of R5,3bn received during 2018.

SDG 8: Decent Work and Economic Growth

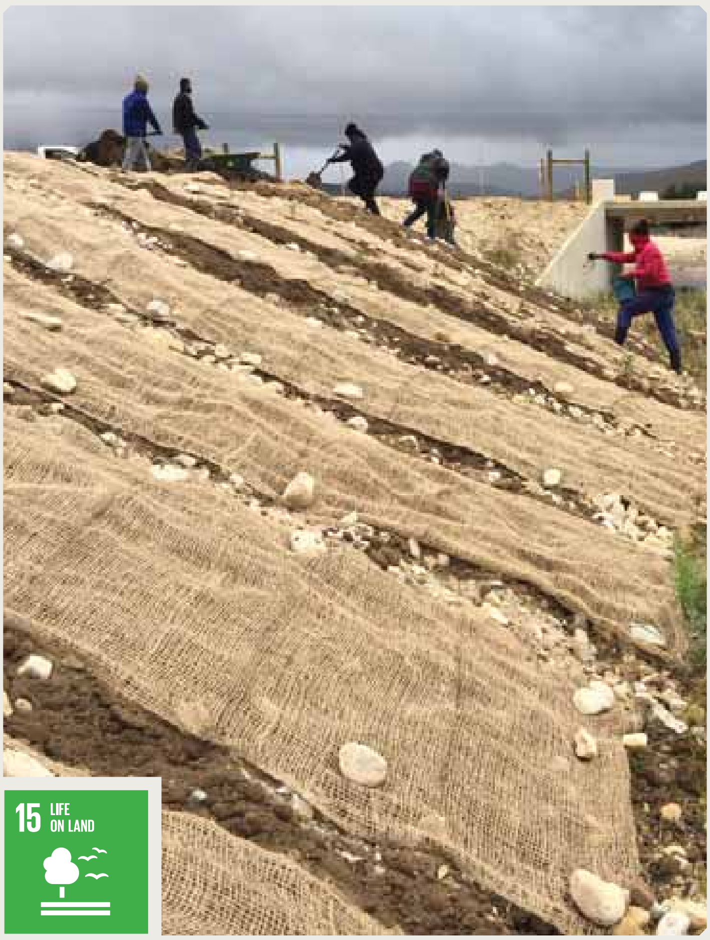
- We continued to develop inclusive banking solutions, including a new digital wallet-based solution, Nedbank MobiMoney, and our Nedbank Stokvel Account.
- We took proactive steps to assist our clients with R345m of debt rehabilitation.
- Our enterprise development programmes offer flexible financial, mentorship and training programmes. In 2018 we were actively involved in 24 Extended Public Works Programme projects, supporting 554 learner contractors and providing R2,7m in mentorship funding.

SDG 9: Industry, Innovation and Infrastructure

- Projects that respond to this SDG included the construction and rehabilitation of a 900 km railway line in Mozambique and Malawi, and a new export terminal located at Nacala on the east coast of Mozambique (USD50m in debt funding).

SDG 10: Reduced Inequalities

- In partnership with Ecobank we introduced a crossborder remittance solution that allows instant transfer of money to people in 33 countries across Africa.
- In the past five years we have reached over one million individuals through our consumer financial education programme (2018: 175 000).



SDG 11: Sustainable Cities and Communities

- We disbursed R1,2bn towards 2 860 new affordable-housing units (2017: 2 100 units) and provided capital for more than 2 700 social-housing units.
- We provided R943m in home loans to clients in the affordable-housing market, a 7% increase from 2017.
- Funding of R4,8bn (2017: R1,3bn) was provided for the construction of buildings that conform to green building standards.

SDG 12: Responsible Consumption and Production

- We provided an R800m facility to the Humansdorp Cooperative, part of which will promote sustainable farming practices.
- We provided a R15m rural livestock borrowing base facility to the KwaDrabo Trust (KDT) to support the development of the Centane community in the Eastern Cape.

SDG 15: Life on Land

- We have provided support for the WWF-SA Water Balance and WWF-SA Sustainable Agriculture programmes over the past eight and six years respectively. Highlights include the clearing of invasive alien vegetation from over 450 ha of densely infested land, keeping one billion litres of water annually in vital water catchments, as well as the creation of industrywide best-practice standards in five priority agriculture sectors: fruit, wine, dairy, beef and sugar farming.

2 OPERATIONS

We have been carbon-neutral since 2010, following a 'reduce first, then offset' approach. With a total carbon footprint of 196 992 tCO_2e for the year, our overall reported greenhouse gas emissions decreased by 4,17% in absolute terms from 2017 to 2018. We continue to set reduction targets to limit the impact of our operations on the environment.

For more information on our operational footprint and its scope and boundaries, refer to page 21 of the Sustainable Development Review on our group website at nedbankgroup.co.za.

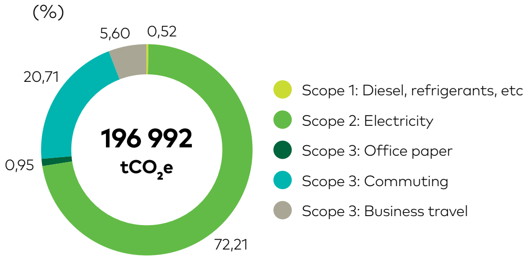
- **Responsible lending**
  - We manage the impact of our lending through a stringent governance process and a social and environmental management system (SEMS).
  - In the Investment Banking and Client Coverage Divisions all new applications and credit risk reviews of high-risk transactions were included in the SEMS assessment process and externally assured.
  - In total 688 deals were assessed. This represents an increase from the 632 assessments completed in 2017. A further 1 125 business banking clients involved in high-impact industries were assessed.
  - A total of 15 Equator Principles deals equating to approximately USD538m had their first drawdown in 2018.

3 CORPORATE SOCIAL INVESTMENT

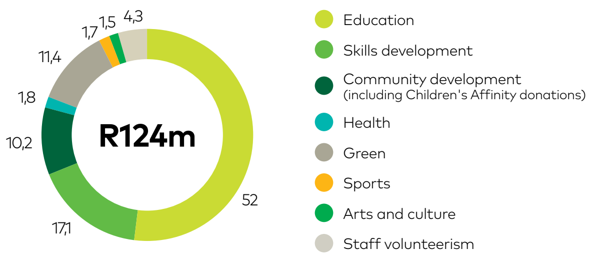
Our CSI programme is facilitated primarily by the Nedbank Foundation and extends beyond the financial contribution made to deserving causes – it is designed to deliver maximum positive social impact through long-term targeted investment in flagship projects that align with our Sustainable Development Framework.

In 2018 the total value of CSI delivered across our group was R124m (2017: R168m), split predominantly across education and skills development, as well as ongoing investment in staff volunteerism, health, community development, environmental development and the highly effective giving partnerships we have with our clients through our four Nedbank affinities. The decline in contributions year on year relates to a once-off donation of R20m made through our Eyethu Community Trust to support various university professorships in 2017, as well as a change in contributions to the WWF Nedbank Green Trust.

Nedbank Group 2018 carbon footprint*
(%)



Total CSI
(%)



* *Resource consumption not reflected above includes water consumption of 284 053kℓ (2017: 317 580kℓ) 195 tonnes (2017: 220 tonnes) of waste sent to landfill and 723 tonnes (2017: 689 tonnes) of waste recycled.*

CASE IN POINT – Nedbank says 'Yes' to YES

The Youth Employment Service (YES) was launched by President Cyril Ramaphosa as a joint initiative between government, business, labour and civil society in March 2018. It aims to reduce the youth unemployment rate in the country through the creation of one million work opportunities for youth over three years.

From the first quarter in 2019 we will be investing approximately 1,5% of the three-year average SA net profit after tax per annum based on Gazette 41866 from the Department of Trade and Industry. This will provide employment opportunities for over 3 000 youth either through placements internally or sponsored placements with implementation partners. In addition to this investment, in 2018 Nedbank invested R5,9m in the Green Engine YES hub at Tembisa, which is set to deliver massive community benefits and create employment opportunities for young people.

The hubs are new high-tech urban aquaponics farming facilities. At full capacity, each will deliver about 43 000 fresh lettuce heads and 1 200 kg of fish per year. They have been designed to catalyse local urban farmers and youth to prepare them to work in, or start their own, aquaponics and hydroponics businesses that can deliver quality vegetable and fish produce, supplementing the nutritional needs of their local communities.

'Nedbank has a critical role to play in building a nation that is inclusive and thriving – meaningful job opportunities and reducing youth unemployment are vital to this. As such, we are proud to support YES and equip young people with the skills they need to be successful entrepreneurs and contributing citizens.' *Mfundo Nkuhlu, Nedbank Group Chief Operating Officer.*

Key issues we engaged on

Main topic	Our response and action
Fighting climate change	The most significant action taken by the bank in 2018 was its undertaking not to provide project financing or other forms of asset-specific financing where the proceeds will be used to develop a new coal-fired power plant, regardless of country or technology. This commitment now includes round 1 of SA's coal baseload procurement programme.
Water security	In addition to our participation in the WWF Water Balance Programme and our support through lending and advisory outlined above, we implemented water-saving technology such as air flush toilets similar to those used in aeroplanes in our offices and encouraged changes in staff water usage behaviours achieving average water savings of 16,5% per fulltime employee across our operations.

Ensuring and protecting value – Group Transformation, Social and Ethics Committee (GTSEC)

Mpho Makwana
*(Chair)**

'At Nedbank we are financial experts who do good – we are committed to authentic organisational transformation by creating an empowering culture, delivering innovative, market-leading client experiences. Our aspiration is to contribute our fair share towards sustainable economic outcomes that create wealth and meaningful opportunities for all South Africans, especially Black African South Africans.'

Ensuring and protecting value in 2018

- Monitored progress of Employment Equity Plans and oversaw a diagnostic exercise that highlighted barriers to progress toward achieving greater African representation in the workplace.
- Provided oversight on the development of a wellbeing strategy, emphasising the holistic wellbeing of our people.
- Continued to provide critical challenge in respect of the bank's progress in delivering value through its purpose, namely 'to use our financial expertise to do good for individuals, families, businesses and society'.
- Provided guidance and monitored progress in terms of delivering on the SDGs as measures of delivery on the bank's purpose. To this end the bank has prioritised nine material SDGs and 33 related targets and has allocated them to nine group executives, who will own and drive Nedbank's groupwide response to their respective SDG.
- Monitored relevant regulatory developments, including the impact of the Amended FSC, and specifically improved skills development and enterprise and supplier development, thereby achieving a level 1 BBBEE contributor status.
- Reviewed BBBEE scorecard, ethics and sustainability reporting.

Focus for 2019 and beyond

- Overseeing progress towards improving African representation at middle and senior management levels as a critical focus towards building a culture of inclusivity.
- Overseeing the implementation and monitoring of plans in support of the wellbeing of our people, with an emphasis on preventative health management and resilience and stress management.
- Continuing to provide oversight and guidance of progress made on the bank's Sustainable Development Finance offer in line with the nine priority SDGs and 33 related targets identified as material to delivering on our purpose.
- Managing the impact of the Amended FSC with specific focus on executing against new targets that will be set by BASA for access to financial services and empowerment financing, possibly impacting relative competitor positioning.
- Focusing on implementing the Youth Employment Service (YES) initiative, which will support the employment of 3 345 young South Africans through either placements in the measured entity or sponsored placements.
- Increasing our focus on working with key stakeholders and industry bodies to deliver better outcomes for society and inform the industry view through events such as the Nedlac summit.

Stakeholders

Staff
Clients
Shareholders
Regulators
Society

Top 10 risks

1 **Strategic and execution risks**
5 **Conduct and culture risks**
7 **Reputational risk**
8 **Regulatory and compliance risks**

* *Appointed chair with effect from 10 May 2018.*

A comprehensive GTSEC report is available online in our 2018 Governance and Ethics Reviewon our group website at nedbankgroup.co.za.

Looking ahead

- We will set lending targets in 2019 to ensure more deliberate focus on our delivery in meeting the SDGs.
- 2019 will see the establishment of a new R25m conservation partnership with WWF-SA supporting water security, reducing land degradation and improving local economic opportunities for rural communities.
- In 2019 Nedbank will pilot the United Nations Environment Programme Finance Initiative (UNEP FI) recommendations and methodologies for how banks should report climate change risks as per the Taskforce on Climate-related Financial Disclosures.

2020 targets

Recognised as a leader in the financing of the SDGs, thereby promoting socioeconomic transformation through enabling economic inclusion.

STAKEHOLDER VALUE CREATION – KEY PERFORMANCE INDICATORS

Key performance indicators	How does it link to value creation?	Year-on-year change
Staff costs	Remuneration and benefits to staff	▲
Annual unionised salary increase	Salary increases for bargaining unit	▼
Training spend	Investment in staff development	▲
Staff attrition	Ability to retain and rotate skills	▼
Staff engagement/morale (entropy score)	Reduction in entropy driving levels of staff morale higher	▲
Transformation – black staff[2]	Transformation of Nedbank staff profile in line with demographics of society	▲
Transformation – female staff[2]	Progressing female diversity	▼
Loan payouts	New loan payouts to clients	▲
Consumer – Net Promoter Score (NPS)	Quality of service experience reflected in reputational NPS	▲
Value of digital transactions	Convenient access to banking and enhanced client experiences	▲
Service – Nedbank system availability[2]	System uptime to enable uninterrupted financial processing	▼
Pricing – average annual price increase	Value-for-money banking	►
Convenience – new-style staffed outlets (% converted)	Technology-enabled outlets providing an improved client experience	▲
Service – high-net-worth ranking	Quality of service to high-net-worth individual clients based on Intellidex Survey ranking in the industry	▲
Investment performance in asset management business	Raging Bull awards illustrative of investment performance for clients	►
Share price performance	Share price appreciation	▲
Full-year dividend per share (cents) and cover (times)	Dividends for shareholders	▲
Price-to-book ratio	Valuation indicator of the Nedbank share	▲
Basel III compliance – CET1 ratio	Strength of capital position (after full IFRS day 1 impact and odd-lot offer)	▼
Basel III compliance – LCR ratio	Strength of liquidity position	▼
Basel III compliance – NSFR ratio	Strength of stable funding	▲
Regulatory fines or penalties	Indicator of adherence to regulatory requirements	▲
Direct, indirect and staff taxes	Contribution to government coffers	▲
dti levels as per the FSC scorecard	Reflection of corporate transformation	▼
Consumer finance education (number of participants)	Value through education	▼
Total socioeconomic spend	Contribution to society	▼
Local procurement spend as percentage of total	Supporting local suppliers	►
Renewable-energy lending	Commitment to renewable-energy deals	▲
Carbon footprint (tCO_2e) offset to neutral	The impact of our business on the environment	▼
Social and environmental management system (SEMS) (number of CIB deals reviewed)	The impact of our business on the environment and society	▲
Finance assessed under Equator Principles (USDm)	The impact of our business on the environment and society	▲
Carbon footprint per FTE	The impact of our business on the environment	▼

[1] *Peer average consists of the simple average of Absa, FirstRand and Standard Bank.*
[2] *Restated due to change in methodology.*

Assurance indicators

- LA — External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status. 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 2018 Nedbank Group Limited Audited Annual Financial Statements.

2018	2017	2016	Benchmark/Peer average[1]	Outlook/Target	Assurance
R17,5bn	R16,5bn	R15,5bn	N/A	Maintain competitive remuneration	MO FS
7,0%	8,0%	8,0%	N/A	Above the increase for management	MO
R468m	R355m	R413m	N/A	Continue to invest in staff	LA
10,1%	10,6%	9,6%	11–13% (*industry benchmark*)	Maintain despite organisational change	MO LA
20%	12% (survey conducted every two years)		10% (*worldclass levels*)	Improve	IN (Source: Barrett Survey)
77,4%	76,9%[2]	77,1%[2]	*Not publicly available for all peers*	Continue driving transformation	LA
61,8%	62,1%[2]	62,2%[2]	*Not publicly available for all peers*	Continue driving transformation	LA
R181bn	R153bn	R162bn	N/A	Continue to extend credit responsibly	MO
37%	26%	26%	27 (*industry average*)	Improve	IN LA (Source: Consulta)
R543,6bn	R495,7bn	Not disclosed	N/A	Increase as we further digitise our service offerings	LA
99,2%	99,3%[2]	99,3%[2]	N/A	> 99,1% (designated acceptable level of tolerance)	LA
At inflation	Below inflation	Below inflation	N/A	Below inflationary increases	MO
60%	55%	44%	N/A	74% of total outlets by 2020	MO
4th	3rd	3rd	No 1: Standard Bank Private Banking	No 1 in the industry	IN (Source: Intellindex's Top Private Banks and Wealth Managers Survey)
Top offshore manager in SA	Top offshore manager in SA	Top 3	No 1: Allan Gray No 2: PSG No 3: Mi-Plan	Rating among top 3	IN (Source: Raging Bull awards)
7,3%	7,5%	26,3%	-8,4% (FINI 15)	Perform above peers	IN (Source: the JSE)
1 415c	1 285c	1 200c	N/A	Within our 1,75 times to 2,25 times target range	MO FS
1,97 times	1,91 times	2,0 times			
1,6 times	1,5 times	1,5 times	2,1 times (*peer average*)	No 2 bank by 2020	IN (Source: the JSE)
11,7%	12,6%	12,1%	SARB: > 7,375%	10,5–12,5%	MO OV
109,4%	116,2%	109,3%	SARB: > 90% for 2018	Continue to phase in to > 100% by 2019	MO OV
114,0%	Pro forma compliant	Pro forma compliant	SARB: 100% for 2018	> SARB minimum of 100%	MO OV
R8,7m	R1m	R1m	N/A	Zero, although risk of fines has increased	MO OV
R10,3bn	R9,8bn	R8,7bn	N/A	Responsible taxpayer	OV
1	2	2	Nedbank: No 1 bank	Top-tier bank, but dti level impacted by new codes	MO OV
175 000	200 000	180 000	N/A	Maximum aligned impact with strategy	MO LA
R124m	R168m	R141m	Nedbank top performer in Trialogue CSI handbook	Spend greater than R100m	MO LA
> 75%	> 75%	> 75%	As per FSC	> 75%	MO LA
R22,8bn	R18,4bn	R15,2bn	Nedbank: No 1 bank	R40bn committed	MO
196 992	205 569	207 975	Nedbank a leader, only carbon-neutral bank in Africa	Maintain carbon-neutrality	LA [3]
688	632	435	Leader in disclosure	Enhance SEMS integration	MO LA [4]
538 (15 deals)	75 (one deal)	306 (four deals)	Leader in disclosure	Enhance Equator Principles integration	MO LA [5]
6,30 tCO_2e	6,37 tCO_2e	6,54 tCO_2e	Leader in performance on the Carbon Disclosure Project	Continue to reduce our impact through reduction targets	MO LA [6]

[3] *External limited assurance provided on the Total Carbon Footprint (tCO_2e).*

[4] *External limited assurance provided on the following statement: 'All Investment Banking and Client Coverage credit risk reviews and new applications included the screening of high risk transactions and EP relevant deals via the Social and Environmental Management System (SEMS)'.*

[5] *External limited assurance provided on the number of Equator Principle deals that had their first draw down within the financial year.*

[6] *External limited assurance provided on the Total Carbon Footprint (tCO_2e).*

REMUNERATION OUTCOMES

The board, through the Group Remco, strives to ensure that total remuneration is aligned with sustainable value-creating strategic objectives and the legitimate expectations of all stakeholders, while being mindful of the wealth gap in SA. The Group Remco also endeavours to ensure remuneration reporting is straightforward, yet comprehensive and transparent. The high-level outcomes for 2018 are shown on pages 88 to 91 and more details are reflected in our Remuneration Report available at nedbankgroup.co.za.

Elements of remuneration

Nedbank's fixed and variable remuneration is aimed at enabling the bank to remain competitive, which encompasses market relativity, sustainability and commercial sensibility in the allocation and delivery of remuneration awards. Our remuneration framework is made up as follows:

	Guaranteed remuneration	Short-term incentive	Long-term incentive
Description	This represents the fixed cost of employment and, depending on local market practice, comprises a combination of the following: • Cash salary • Retirement benefits • Medical benefits • Death and disability benefits • Motor vehicle benefits	Short-term incentives (STIs) are delivered through our discretionary STI arrangements. As a general rule, all STI plans are funded from our overall STI pool. In accordance with global financial services governance and prudent risk management principles we have an arrangement of compulsory deferral into shares of STI awards paid in excess of a threshold approved by Group Remco from time to time, which has been effective since 2010.	Shareholders have approved the implementation of a restricted-share plan (RSP), through which long-term incentive (LTI) awards are made. A key consideration regarding our LTI scheme is the continued application of appropriate corporate performance conditions to a substantial portion of the total award.
Eligibility	All employees	STI participation is discretionary and therefore there is no right to a performance incentive award in any given year. Employees must be in service on the date of payment.	All LTI awards are discretionary and motivated by the Group Exco and approved by Group Remco. LTI awards are based on the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership.
Strategic intent	Guaranteed remuneration is to remunerate for individual skills and reflects the prevailing 'rate for the role'.	To drive the achievement of sustainable results in line with our strategy and within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and aligned with the best interests of our stakeholders.	LTIs are awarded with the joint aim of aligning with the interests of stakeholders and of retaining key employees.

Changes implemented in 2018

In January 2018, our Group Chairman, Remco Chair and Lead Independent Director engaged with a broad base of our shareholders specifically on proposals to enhance our LTI scheme. These proposals aimed to improve the alignment of remuneration with our strategic value-creating objectives, also taking into account the shareholder views expressed in the 2017 annual governance roadshow. Informed by this engagement, the following changes were implemented for March 2018 LTI awards onwards:

- Replaced the three-year FINI 15 corporate performance target with a three-year average DHEPS growth metric aligned with the group's medium-to-long-term target (DHEPS growth > CPI + GDP growth + 5%).
- Amended ROE (excl goodwill) vs COE corporate performance target to exclude goodwill only up to 31 December 2017; hence any new goodwill arising from any acquisitions after 31 December 2017 will not be excluded from the corporate performance target and suitable adjustments to this corporate performance target would be made.
- Amended the DHEPS growth corporate performance target so that the GDP and CPI targets will be reviewed annually to take account appropriately of the GDP and CPI of other countries in the event that material acquisitions take place outside SA.
- Extended the performance condition of the Matched-share Scheme (MSS) to 100% (currently 50%) for all members of the Group Exco. This was approved by shareholders at the May 2018 AGM.
- Amended the share scheme rules to reduce the number of shares available for use in the schemes from 10% to 5%. This amendment was approved by shareholders at the May 2018 AGM.
- Adopted a flexible approach to the share buyback or share issuance decision for LTI awards each year, taking into account a number of factors such as the tradeoff between the dilutionary impact on shareholders, the consumption of CET1 and the potential impact on growth and dividends.

Changes introduced for 2019

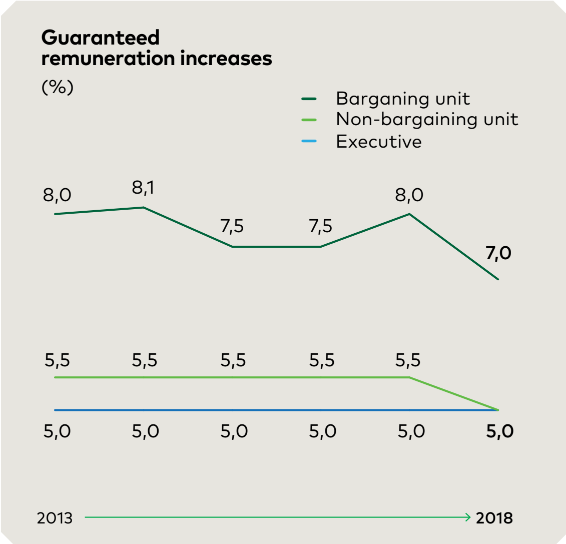
- For all Group Exco members who are not executive directors, LTI awards have been increased from 60% to 100% as from March 2019, subject to performance conditions. From 2014, 100% of awards to executive directors have been subject to performance conditions. This results in all Group Exco members being treated the same.

Group performance outcomes

Guaranteed package increases

Following negotiations with SASBO, the total guaranteed package (GP) of employees in the bargaining unit was increased by 7,0% effective in April 2018, compared with 5,0% for the non-bargaining unit and executives. The minimum GP for permanent, fulltime employees in SA was increased to R150 000 per annum in 2018 up from R142 000 in 2017, which is significantly higher than the minimum wage in SA.

As evidenced by the graphic below, the bargaining unit GP increases have been consistently higher than those of executive management over the past six years. This has been a deliberate approach in an endeavour to reduce income inequality and to improve the living standards of our employees in the lower income groups. This has the added effect of increasing the short-term incentive awards of the bargaining unit members given that variable pay is determined as a percentage of GPs.

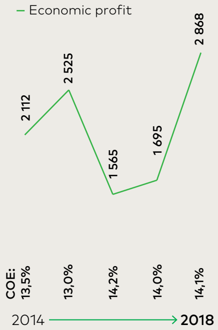


There are also collective bargaining arrangements in our subsidiaries in Lesotho, Namibia, Eswatini and Zimbabwe. Care is taken to ensure that salary increase settlements are appropriate within the context of the local market and economic conditions. We accordingly continue to remunerate our employees in the bargaining unit appropriately relative to the industry and continue to seek measures to reduce any unjustified pay differentials.

Short-term incentive outcomes

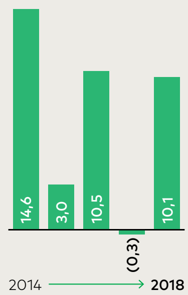
Nedbank's HE growth of 14,5% in 2018 funded STI of R2 625m, which is a 10,1% increase from 2017. This STI spend represents 12,6% of HE, prebonus and pretax, compared with 13% in 2017. During 2017 the group's results, and as a result the STI pool, were negatively impacted by the underperformance of ETI, resulting in the STIs pool decreasing 0,3% from 2016, while HE from managed operations (excluding ETI) grew 7,8%. In 2018 ETI returned to profitability and was a large contributor to HE growth of 14,5%, with managed operations growing at 2,8%. Consistent with previous years, the STI pool is funded at a higher sharing ratio by the performance of the managed operations, which was in line with targets set for the year, and a lower sharing ratio in respect of ETI's performance resulting in the STI pool growing at a slower rate than overall HE growth.

Economic profit
(Rm)

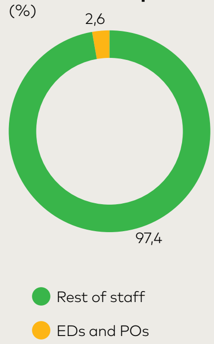


Headline earnings growth
(%)

Change in STI pool
(%)



Share of STI pool
(%)



Pool allocation process

The total Group STI pool is approved by Remco relative to benchmarks. It includes targeted group pools for delivery of target headline earnings and economic profit. The allocation of the Group Remco-approved group pool to each cluster is done by the CE with input from the Group Exco. The cluster pools are determined as follows:

- 50% of the cluster pools are based on year-end EP performance relative to target.
- 50% of the cluster pools are based on year-end HE performance relative to target.
- There is a 10% limit set for the bottomup cluster pools relative to the overall group pool.

Financially determined pools are adjusted by a maximum of 15% based on the non-financial elements of a Group Exco member's goal commitment contract. These include risk metrics that are aligned with the group's three-year plan and risk frameworks.

The CE makes discretionary adjustments to quantitatively determined cluster pools based on judgment and non-quantifiable metrics. The Remco makes discretionary adjustments to the group pool to effect any required corrections based on non-quantifiable metrics, including risk assessment.

The following table represents the way in which STI awards have been determined, based on the assessment of the group and cluster HE and EP performance versus targets, as well as the performance of the executive director and prescribed officer against his or her agreed individual goal commitment contract in 2018:

	Ontarget STI % of GP A	Maximum target STI % of GP	% of GP achieved for group and cluster financial measures B	% of GP achieved for individual performance and discretion C	Final STI as % of GP D = B + C	Final STI as % of ontarget STI E = D/A
Executive directors						
Mike Brown	150	250	146	38	184	123
Mfundo Nkuhlu	150	250	156	3	159	106
Raisibe Morathi	150	250	146	26	172	115
Prescribed officers						
Brian Kennedy	250	400	255	134	389	156
Ciko Thomas	150	250	139	39	178	119
Iolanda Ruggiero	150	250	147	(6)*	141	94

* *Group Remco exercised a discretionary adjustment taking into account an assessment of the quality and sustainability of earnings and brought the STI increase more in line with the overall HE growth of 6,3% of the Wealth business, resulting in a 6,7% growth in the STI compared with that in 2017.*

Long-term incentive outcomes

To avoid the consequences of inappropriate performance conditions, which include extended periods in which no LTI vesting takes place, awards made from 2010 onwards have been subject to at least 50% performance conditions and the balance to a time-based vesting arrangement. For all Group Exco members who are not executive directors, this percentage has been increased from 60% to 100% as from March 2019. For cluster exco members this percentage is 60%.

The weighting of the respective performance conditions for the 2019 awards is set out below:

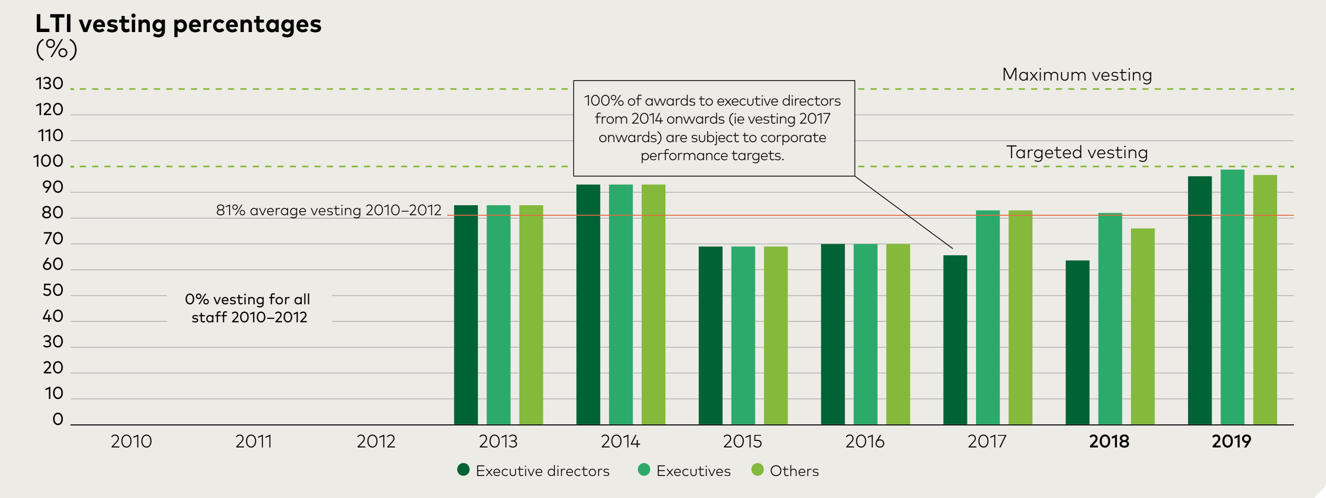
LTI performance condition	Group Exco members[1] %	Cluster exco members[2] %	All other Nedbank LTI participants %
ROE (excl goodwill) vs COE	**40**	**20**	**25**
DHEPS growth target	**40**	**20**	**25**
Strategic initiative: Benefits from the Target Operating Model (TOM)	**10**	**10**	**–**
Strategic initiative: Growing the transactional banking franchise	**10**	**10**	**–**
Total	**100**	**60**	**50**
% of award issued with performance conditions	**100**	**60**	**50**
% of award issued without performance conditions	**–**	**40**	**50**
Total	**100**	**100**	**100**

[1] *Applicable only to executive directors (all of whom are members of Group Exco), in respect of 2018 awards (no change).*

[2] *Also applicable to other Group Exco members, ie excluding executive directors, in respect of 2018 awards.*

Vesting of share awards in 2019

The 2019 vesting of awards issued in March and August 2016 will take place as shown in the chart below, with the historical vesting over the period 2010 to 2018 included for comparison.



The 2019 vesting percentages show an improved outcome over 2018. This can be attributed in the main to the growth in the Nedbank share price vs the FINI Index, which delivered a vesting outcome of 130% in March 2019, vs 47,4% in 2018. The ROE (excluding goodwill) vs COE corporate performance target over the vesting period was below target in both the 2018 and 2019 vesting years, delivering a vesting outcome of 56,7% in 2019 vs 57,9% in 2018. The Africa collaboration target was exceeded, with a vesting outcome of 107,1%.

Goal commitment contracts

The rollout of a refreshed approach to performance management commenced in 2017 at senior levels, and a phased rollout approach for the remaining levels started in 2018. All staffmembers will be on the new approach from 2019. The priorities of the refreshed approach are to:

- ensure the transactional, transformational and values-based goals, as documented in the goal commitment contracts, are focused and aligned with our strategic objectives;
- adopt shorter feedback cycles with open and informal performance conversations that build on strengths, instead of only more formal reviews that merely measure and assign a rating for past performance; and
- develop our managers so that they become performance coaches able to hold forward-looking quality conversations that are integrated with learning and development opportunities and talent management objectives.

The performance for 2018 of the Chief Executive, executive directors and prescribed officers is outlined below:

Mike Brown

Chief Executive

Financial performance – Resilient performance in a difficult macroeconomic environment boosted by ETI turnaround – HE of R13,5bn up 14,5% and ROE (excluding goodwill) improved to 17,9%.

Governance, compliance and risk management practices – Strong stakeholder engagement. Improvement in Nedbank's gender and diversity profile (ESG). Solid progress with regard to regulatory change including completion of SA AML remediation. Market, operational and credit risks very well managed. Level 1 under Amended FSC codes.

Deliver innovative market-leading client experiences – Foundational ME programmes largely completed enabling the launch of exciting new digital innovations. The Nedbank Money app™ rated top of SA banking apps in the iOS store. Simplified client onboarding in pilot.

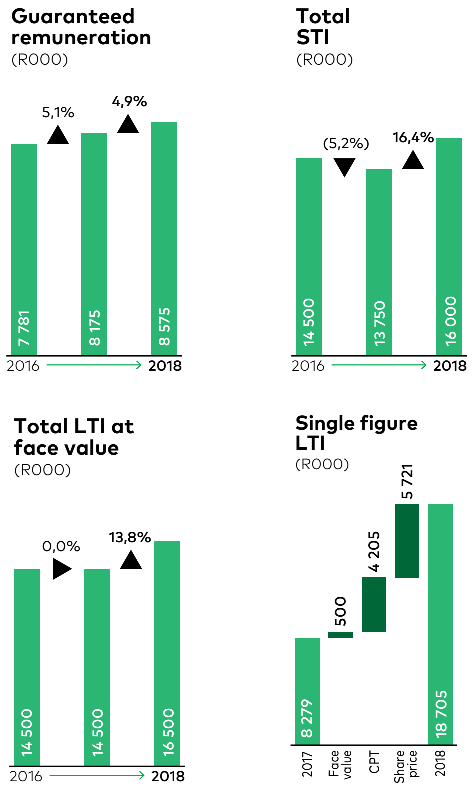
Grow transactional banking franchise faster than the market – 30 primary transactional account wins in CIB exceeding full-year target and continued increase in RBB main-banked market share to 13,1%.

Manage scarce resources to optimise economic outcomes – Liquidity position and key balance sheet metrics remained strong. Capital ratios within target levels and well above regulatory minima after IFRS 9 and odd-lot offer.

Provide clients with access to the best financial services network in Africa – SADC subsidiaries showed significant improvement in financial performance and grew client numbers. ETI reported a strong recovery and returned to profitability, supported by increased levels of cooperation and an increase in SA clients using ETI for banking where Nedbank does not have a presence.

Old Mutual managed separation – Successfully completed the managed separation and odd-lot offer, ending the year as the best performing SA bank share, up 7,3%. Executed with no impact on Nedbank strategy, staff, clients or operations.

Work with government, business and labour to create inclusive growth in SA, and a sustainably transformed Nedbank and banking sector (ESG-related) – Continued to play a leading role in the CEO Initiative and as chairman of BASA. Presented Nedbank's position on land reform in Parliament and provided key inputs into Zondo Commission.



Raisibe Morathi

Chief Financial Officer

Financial performance, planning, management and reporting – Resilient performance in a difficult macroeconomic environment boosted by ETI turnaround – HE of R13,5bn up 14,5% and ROE (excluding goodwill) improved to 17,9%. Received three prestigious industry awards in recognition of high standards in financial reporting.

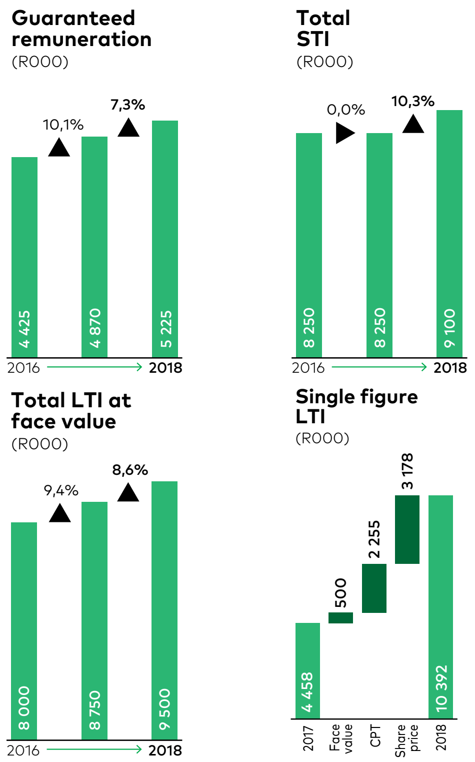
Governance, compliance and risk management practices – Successfully concluded external audit tender as part of manadatory audit firm rotation and acknowledged by audit firms as one of the best run processes in the country (ESG related). Successfully implemented IFRS 9 and IFRS 15 accounting changes.

Worldclass investor engagements in the year of Old Mutual managed separation – Successfully completed the managed separation and odd-lot offer, ending the year as the best-performing SA bank share, up 7,3%. Actively participated in increased marketing activity in existing and new geographies and to new shareholder targets.

ERP frontier of excellence – Improved NPS scores reflect continuous improvement since implementation of the SAP enterprise resource planning (ERP).

Efficiencies enabled by shared services – Space utilisation and property energy efficiencies progressed well. Delivered increased levels of cumulative procurement savings.

Manage key stakeholder relationships – Good relationships maintained through regular and proactive engagements.



Mfundo Nkuhlu

Chief Operating Officer

Financial performance – In addition to Nedbank Group HE being up 14,5%, and ROE (excluding goodwill) improving to 17,9%, SADC subsidiaries and ETI reported strong HE growth. RoA total HE increased by 186,8% and ROE improved to 10,3%.

Governance, compliance and risk management practices (ESG) – Improvement in the governance and risk environment at ETI and active participation as Chairman of the ETI risk committee. RoA subsidiaries improved their risk controls and governance environment (ESG-related). Level 1 under Amended FSC codes.

Deliver innovative market-leading client experiences – Completed the implementation of the core banking system (Flexcube) and rolled out mobile banking in all SADC subsidiaries. Oversaw key IT developments in SA as we progressed our Managed Evolution programme as well as our People programmes. Entrenched our brand positioning, the outcomes are evident in Nedbank's increasing brand value and improved ranking from fifth to fourth place in the local competitor set according to the global Brand Finance 2019 brand evaluation study.

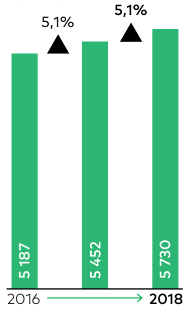
Grow transactional banking franchise faster than the market – Good RoA client growth of 5%, notwithstanding the closure of dormant accounts in 2018.

Be operationally excellent in all we do – Centre functions well managed and costs contained, enabling an enterprise approach. Successfully managed the interdependencies between the target operating model review and many of the groupwide programmes.

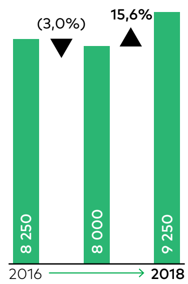
Provide clients with access to the best financial services network in Africa – Leveraged ETI investment through ongoing collaboration with SA clusters across ETI's network, collaborated on a wealth offering and the launch of a digital crossborder remittance solution together as part of the Nedbank Money app™.

Implement people practices to become more agile, innovative, competitive and digital – TOM achieving good traction, especially nWoW. Strong relationship between RBB and GT enabling delivery of innovative digital innovations.

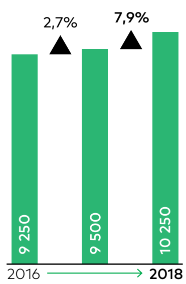
Guaranteed remuneration
(R000)



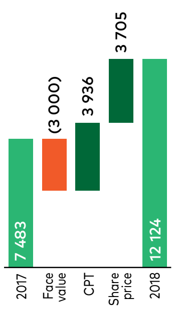
Total STI
(R000)



Total LTI at face value
(R000)



Single figure LTI
(R000)



Brian Kennedy

Managing Executive: Nedbank Corporate and Investment Banking

Financial performance – HE for CIB increased by 6,3% driven by strong NIR growth (in both global markets and investment banking) and an improvement in CLR. Loans payouts increased in the second half of the year. CIB's ROE remains attractive at 20,0%.

Governance, compliance and risk management practices (ESG) – Proactive risk management practices and high-quality portfolio resulted in a lower CLR although defaulted advances did increase. CIB maintained a strong governance and control environment, with compliance risk well managed.

Deliver innovative market-leading client experiences (ESG) – Continuous enhancements of client intelligence platforms provide good insights for cross-sell and improving CIB's client value proposition. Partnerships with fintechs to deliver unique client value propositions (eg Aerobotics).

Grow transactional banking franchise faster than the market – Won 30 primary clients during 2018 while facing increased competition from other banks.

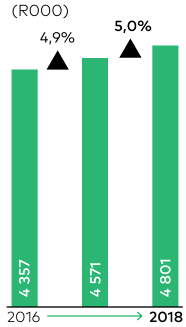
Manage scarce resources to optimise economic outcomes – Concluded R13bn of renewable-energy deals and committed to no longer financing new coal-based power plants (ESG-related). Maintained a strong pipeline with increased drawdowns recorded in H2 2018.

Be operationally excellent in all we do – CIB continued to deliver a market-leading efficiency ratio. Active engagements held with various stakeholders to build and test disruptive technologies that will create competitive intelligence for the CIB Innovation hub.

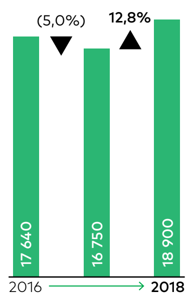
Provide clients with access to the best financial services network in Africa – Key role on ETI Board and Remuneration Committee. Joint deal pipeline with subsidiaries and ETI continues to grow due to regular engagements. Numerous deals concluded, and additional support provided to existing clients doing transactions in SADC countries.

Implement people practices to become more agile, innovative, competitive and digital – Significant investment made in leadership development programmes and recruiting new revenue generating skills to strengthen the franchise.

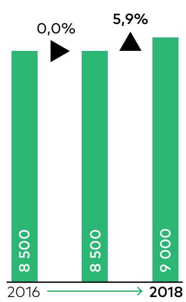
Gauranteed remuneration
(R000)



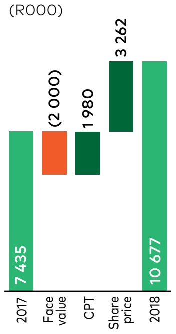
Total STI
(R000)



Total LTI at face value
(R000)



Single figure LTI
(R000)



Ciko Thomas

Managing Executive: Nedbank Retail and Business Banking

Financial performance – HE increased by 1,5%, negatively impacted by IFRS changes, while RBB's ROE at 18,9% remained well above the group's cost of equity.

Governance, compliance and risk management practices (ESG) – SA AML remediation now complete. Credit risk well managed with the CLR remaining below RBB's target range underpinned by a quality book and selective origination.

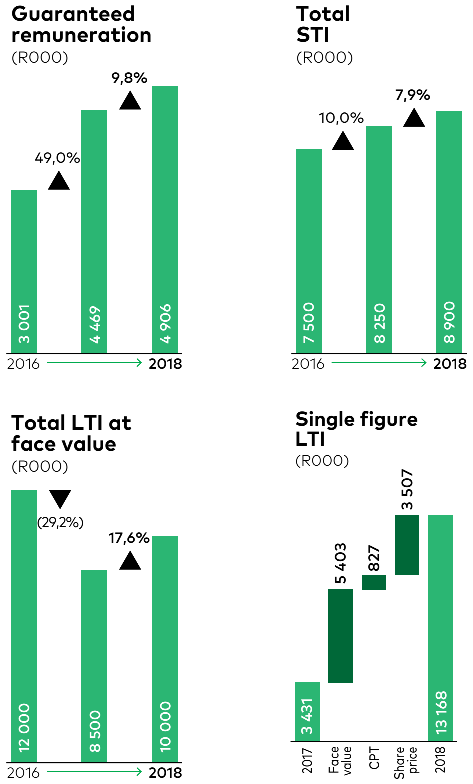
Deliver innovative market-leading client experiences – Implemented numerous innovative first-to-market digital solutions (with strong social impact – ESG-related) and piloted key innovations to be launched in 2019. Recorded the highest year-on-year growth in NPS score in the banking industry showing significant improvement in client experience. Increased the use of convenient self-service channels reflecting positive change in client dynamics. Worked alongside SARB and the curator of VBS to open more than 17 000 Nedbank accounts over five days for qualifying VBS retail clients giving them access to their funds.

Grow transactional banking franchise faster than the market – Focus on quality-client acquisition and improved client retention reflected in 6,1% increase in main-banked client numbers and market share to 13,1% (from 12,7%).

Manage scarce resources to optimise economic outcomes – Solid advances and deposits growth.

Be operationally excellent in all we do – Below inflationary expenses growth reflect the initial impact of optimising processes and operations. Good progress made in rationalising branch footprint and headcount to adapt to digital sales and services.

Implement people practices to become more agile, innovative, competitive and digital – Good progress made to entrench a culture of change through change capability workshops, adoption of nWoW and skills-development programmes to upskill staff for future skills.



Iolanda Ruggiero

Managing Executive: Nedbank Wealth

Financial performance – HE growth of 6,1% reflects challenging growth in the local Wealth Management and Asset Management businesses, offset by a solid performance in Insurance and strong growth in International Wealth. ROE remained attractive at 26,8%.

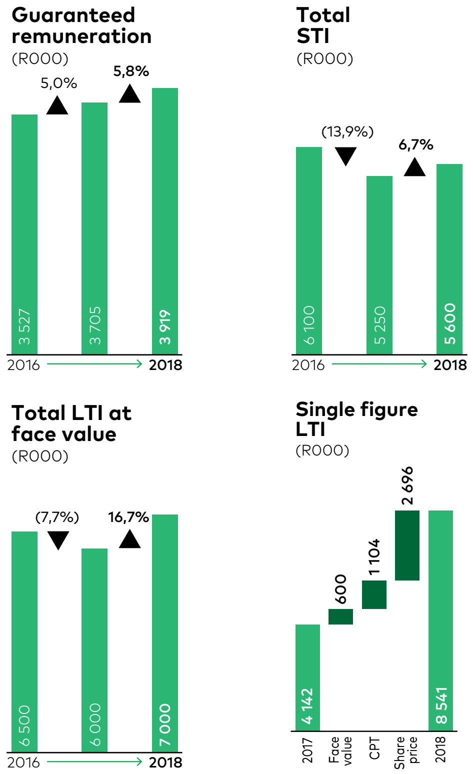
Governance, compliance and risk management practices – Performed well against targets set for regulatory compliance and risk management, including SA AML remediation and full compliance to the Foreign Account Tax Compliance Act and the Common Reporting Standard.

Deliver innovative market-leading client experiences – Enhancements to the Nedbank Private Wealth app enabled it to be ranked second globally. New innovations included an innovative online investment platform, Extraordinary Life and an AI-enabled insurance chatbot making it easier for clients to engage with Nedbank Insurance. The asset management business was recognised as the international management company of the year at the Raging Bull Awards. Recognised as Top Private Bank and Wealth Manager in SA for ESG/ Social Impact Investing (ESG-related).

Grow transactional banking/AUM – Strong growth in passive and cash investment solutions in Asset Management. Solid client growth internationally and a good performance across the international fund range. Overall AUM down 4,8% on prior year.

Manage scarce resources to optimise economic outcomes – Resilient advances and deposits growth.

Be operationally excellent in all we do – Robotics implemented across the business to enable efficiencies.



Total remuneration outcomes for the executive directors and prescribed officers for 2018

The GP increases were informed by multiple remuneration benchmarking exercises, including data from Mercer SA, PwC's RemChannel and, specifically, the competitor banking group in SA. Adjustments to GP, over and above normal inflationary increases, were made where significant gaps to the peer group had been identified based on these benchmarks.

The total awarded remuneration contains the LTI award made at face value in March 2019 in respect of the 2018 financial year. The total single-figure remuneration contains the LTI at vested value. This is the value of the award made in March 2016 that will be settled in March 2019, but for which measurement of performance conditions was concluded on 31 December 2018. This amount is valued at the year-end share price of R274,72.

The LTI value at award to the CE was R13,5m in 2016, compared with R13m in 2015 – a 3,8% increase. However, the 2016 value at award translated into a value vested at the end of 2018 of R18,705m. This is 125,9% higher than the 2015 award, which translated into a value vested at the end of 2017 of R8,279m. This increase was due to the Nedbank share price increase and the vesting performance over the three-year period ending 31 December 2018, both being substantially better than in the previous performance period ended 31 December 2017.

The tables below disclose total awarded remuneration for the financial year as well as the total single figure remuneration.

Total awarded remuneration and single figure remuneration

	Mike Brown			Mfundo Nkuhlu			Raisibe Morathi		
R'000	2018	2017	%	2018	2017	%	2018	2017	%
Guaranteed package (GP)	**8 575**	8 175	4,9	**5 730**	5 452	5,1	**5 225**	4 870	7,3
Cash performance incentive	**8 500**	7 875		**5 125**	4 500		**5 050**	4 625	
Cash performance incentive (delivered in shares)	**7 500**	5 875		**4 125**	3 500		**4 050**	3 625	
Total short-term incentive (STI)[1]	**16 000**	13 750	16,4	**9 250**	8 000	15,6	**9 100**	8 250	10,3
LTI award at face value[2]	**16 500**	14 500	13,8	**10 250**	9 500	7,9	**9 500**	8 750	8,56
Total awarded remuneration[3]	**41 075**	36 425	12,8	**25 230**	22 952	9,9	**23 825**	21 870	8,9
Total awarded remuneration	**41 075**	36 425		**25 230**	22 952		**23 825**	21 870	
Less: LTI award at face value	**(16 500)**	(14 500)		**(10 250)**	(9 500)		**(9 500)**	(8 750)	
Add: Single figure LTI[4]	**18 705**	8 279	125,9	**12 124**	7 483	62,0	**10 392**	4 458	133,1
Face value at award[5]	**13 500**	13 000	3,8	**8 750**	11 750	(25,5)	**7 500**	7 000	7,1
CPT performance[6]	**(526)**	(4 732)		**(341)**	(4 277)		**(292)**	(2 548)	
Share price performance[7]	**5 732**	11		**3 715**	10		**3 184**	6	
Add: Single figure match[8]	**6 626**	4 509	46,9	**3 633**	2 480	46,5	**3 420**	2 330	46,8
Performance and time vested match[9]	**4 572**	4 425	3,3	**2 507**	2 433	3,0	**2 360**	2 286	3,2
Share price performance[10]	**2 054**	84		**1 126**	47		**1 060**	44	
Add: Dividends[11]	**3 102**	2 892	7,3	**2 125**	1 945	9,3	**1 845**	1 555	18,7
Total single figure remuneration[12]	**53 008**	37 605	41,0	**32 862**	25 360	29,6	**29 981**	21 462	39,7

1 *In terms of the rules of the Matched-share Scheme (MSS), the total STI has the potential to increase by up to 27,5% (before share price movement), in the event that the deferred amount is invested in the MSS for 36 months, and the performance condition in the MSS is met.*

2 *LTI award at face value is the share-based award made in March 2019 in respect of the 2018 financial year – 'face value at award', which is the share price at award multiplied by the number of shares.*

3 *Total awarded remuneration is the sum of GP, Total STI, and LTI awards at face value in respect of the financial year.*

4 *Single figure LTI is the value (both performance and time vested) which will be settled in March 2019 but for which the measurement of performance conditions concluded on 31 December 2018. This is valued at the year-end share price of R274,72 (2017: R256,10).*

5 *Face value of shares awarded in March/August 2016 at award price of R190,54/R211,87 respectively (2017: awarded in March/August 2015 at award price of R255,77/R263,84 respectively).*

6 *The CPT performance is the variance of number of shares at award over the number of shares at vesting and is valued at the share price on award.*

7 *The 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.*

8 *The match is the value of matched shares which will be settled in April 2019 but for which the measurement of the performance condition concluded on 31 December 2018. This is valued at the year-end share price of R274,72 (2017: R256,10).*

9 *The matching shares which will be settled in April 2019 valued at original award price.*

10 *The share price performance is the variance of the share price over the three-year deferral period, and is valued on the actual number of shares to be matched.*

11 *Dividends represent the total value of dividends received during the financial year on unvested share-based awards.*

12 *Total single figure remuneration is the sum of GP, Total STI, Single figure LTI, Single figure match and dividends.*

Read more about the underlying components for the elements of remuneration in the 2018 Remuneration Report available on our group website at nedbankgroup.co.za.

Total awarded remuneration and single figure remuneration (continued)

	Brian Kennedy			Iolanda Ruggiero			Ciko Thomas		
R'000	**2018**	2017	%	**2018**	2017	%	**2018**	2017	%
Guaranteed package (GP)	**4 801**	4 571	5,0	**3 919**	3 705	5,8	**4 906**	4 469	9,8
Cash performance incentive	**9 950**	8 875		**3 300**	3 125		**4 950**	4 625	
Cash performance incentive (delivered in shares)	**8 950**	7 875		**2 300**	2 125		**3 950**	3 625	
Total short-term incentive (STI)[1]	**18 900**	16 750	12,8	**5 600**	5 250	6,7	**8 900**	8 250	7,9
LTI award at face value[2]	**9 000**	8 500	5,9	**7 000**	6 000	16,7	**10 000**	8 500	17,6
Total awarded remuneration[3]	**32 701**	29 821	9,7	**16 519**	14 955	10,5	**23 806**	21 219	12,2
Total awarded remuneration	**32 701**	29 821		**16 519**	14 955		**23 806**	21 219	
Less: LTI award at face value	**(9 000)**	(8 500)		**(7 000)**	(6 000)		**(10 000)**	(8 500)	
Add: Single figure LTI[4]	**10 677**	7 435	43,6	**8 541**	4 142	106,2	**13 168**	3 431	283,8
Face value at award[5]	**7 500**	9 500	(21,1)	**6 000**	5 400	11,1	**9 753**	4 350	124,2
CPT performance[6]	**(94)**	(2 075)		**(76)**	(1 179)		**(123)**	(950)	
Share price performance[7]	**3 272**	10		**2 617**	(78)		**3 538**	31	
Add: Single figure match[8]	**6 947**	4 953	40,2	**2 565**	1 097	133,8	**–**	381	(100,0)
Performance and time vested match[9]	**4 794**	4 860	(1,4)	**1 770**	1 076	64,4	**–**	374	(100,0)
Share price performance[10]	**2 153**	93		**795**	21		**–**	7	
Add: Dividends[11]	**2 167**	2 010	7,8	**1 506**	1 173	28,4	**1 749**	1 347	29,8
Total single figure remuneration[12, 13]	**43 491**	35 719	21,8	**22 131**	15 367	44,0	**28 723**	17 877	60,7

[1] *In terms of the rules of the Matched-share Scheme (MSS), the total STI has the potential to increase by up to 27,5% (before share price movement), in the event that the deferred amount is invested in the MSS for 36 months, and the performance condition in the MSS is met.*

[2] *LTI award at face value is the share-based award made in March 2019 in respect of the 2018 financial year – 'face value at award', which is the share price at award multiplied by the number of shares.*

[3] *Total awarded remuneration is the sum of GP, Total STI, and LTI awards at face value in respect of the financial year.*

[4] *Single figure LTI is the value (both performance and time vested) which will be settled in March 2019 but for which the measurement of performance conditions concluded on 31 December 2018. This is valued at the year-end share price of R274,72 (2017: R256,10).*

[5] *Face value of shares awarded in March/August 2016 at award price of R190,54/R211,87 respectively (2017: awarded in March/August 2015 at award price of R255,77/R263,84 respectively).*

[6] *The CPT performance is the variance of number of shares at award over the number of shares at vesting and is valued at the share price on award.*

[7] *The 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.*

[8] *The match is the value of matched shares which will be settled in April 2019 but for which the measurement of the performance condition concluded on 31 December 2018. This is valued at the year-end share price of R274,72 (2017: R256,10).*

[9] *The matching shares which will be settled in April 2019 valued at original award price.*

[10] *The share price performance is the variance of the share price over the three-year deferral period, and is valued on the actual number of shares to be matched.*

[11] *Dividends represent the total value of dividends received during the financial year on unvested share-based awards.*

[12] *Total single figure remuneration is the sum of GP, Total STI, Single figure LTI, Single figure match and dividends.*

[13] *2017 Single Figure LTI for Iolanda Ruggiero rectified to include the August 2015 on-appointment LTI award, valued at R2 655. The 2017 remuneration report disclosed R1 487 which erroneously excluded this on-appointment award.*

Read more about the underlying components for the elements of remuneration in the 2018 Remuneration Report available on our group website at nedbankgroup.co.za.

Ensuring and protecting value – Group Remuneration Committee (Remco)

Hubert Brody
*(Chair)**

'The board strives to ensure remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders. Remuneration of the executives and staffmembers 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, while at the same time being mindful of the wealth gap in SA.'

Ensuring and protecting value in 2018

- Conducted extensive shareholder engagement with a broad base of our shareholders on proposals for our long-term incentive (LTI) scheme. These proposals were aimed at improving the alignment of remuneration with our strategic value-creating objectives, and were implemented in time for the March 2018 awards.
- Reviewed the robustness of the buildup methodology and the variability of the annual on-target group STI pool.
- Together with the Group Audit Committee, provided oversight of the project responsible for closing the postretirement medical aid (PRMA) liability, which resulted in a fair and equitable outcome for our employees and for the bank.
- Reviewed the corporate performance targets and their weightings relating to the LTIs and matched shares. As a result of this review, from March 2019, 100% of the LTI awards to all Group Exco members will be subject to corporate performance targets.
- Reviewed the findings of the EY independent review of the Remuneration Policy and its implementation. The results were positive, providing assurance that our remuneration practices were aligned with the policy and applicable legislation and regulation.
- Approved the Remuneration Policy, ensuring it continued to meet changing legislative and regulatory requirements, including those under King IV™ and the amended JSE Listings Requirements.
- Approved the overall remuneration increases for all staff, as well as remuneration proposals for the Chief Executive and Group Exco members.
- Approved the STI pool and STIs of executives, as well as the LTI allocation percentages and awards.

Focus for 2019 and beyond

- Ensuring the continued relevance of the Remuneration Policy.
- Ensuring that remuneration is implemented in accordance with the Remuneration Policy.
- Contributing to fulfil the requirements of the Remco charter.
- Continuing to engage with shareholders, including reviewing the corporate performance targets on the LTIs and their respective weightings.
- Appointing a new service provider to conduct the external evaluation of the committee and the independent remuneration review in place of EY, which has been appointed joint auditor.

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 10 risks

1 **Strategic and execution risks**
4 **Operational risk**
3 **Business risk**

* *Appointed Chair with effect from 10 May 2018.*

A comprehensive Remco report is available online in our 2018 Governance and Ethics Review on our group website at nedbankgroup.co.za.

Non-executive directors' remuneration (excluding VAT) for the years ended 31 December 2017 and 31 December 2018

Name	Note	Nedbank and Nedbank Group Board fees (R000)	Committee fees (R000)	2018 (R000)	2017 (R000)
DKT Adomakoh		–	–	**–**	222
TA Boardman	1	176	–	**176**	1 341
HR Brody	2, 2a	490	889	**1 379**	562
BA Dames	3	490	488	**978**	782
NP Dongwana	4	490	595	**1 085**	526
ID Gladman	5	382	330	**712**	854
JB Hemphill	6	212	109	**321**	694
EM Kruger	7, 7a	1 043	1 349	**2 392**	1 277
RAG Leith	8, 8a	382	330	**712**	854
PM Makwana	9, 9a, 9b	490	997	**1 487**	1 443
L Makalima	10	490	488	**978**	469
MA Matooane		490	412	**902**	826
NP Mnxasana	11, 11a	171	368	**539**	1 428
MP Moyo	12	277	265	**542**	–
V Naidoo		5 528	–	**5 528**	5 178
JK Netshitenzhe		490	370	**860**	791
S Subramoney		490	1 187	**1 677**	1 374
MI Wyman		685	465	**1 150**	1 396
Total		12 776	8 642	**21 418**	20 017

[1] *Tom Boardman's fees are the Nedbank Private Wealth (Isle of Man) fees of £9 999. He resigned on 20 March 2018.*

[2] *Hubert Brody was appointed as Chair of the Group Remuneration Committee on 10 May 2018.*

[2a] *Hubert Brody was appointed as a member of the Group Directors' Affairs Committee on 10 May 2018.*

[3] *Brian Dames was appointed as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[4] *Neo Dongwana was appointed as a member of the Group Credit Committee on 10 May 2018.*

[5] *Ian Gladman resigned as a member of the Group Credit Committee, Group Risk and Capital Management Committee and as a director of Nedbank Limited and Nedbank Group Limited on 15 October 2018.*

[6] *Bruce Hemphill resigned as a member of the Group Remuneration Committee and Group Directors Affairs' Committee and as a director of Nedbank Limited and Nedbank Group Limited on 11 June 2018.*

[7] *Errol Kruger was appointed as a member of the Group Audit Committee on 10 May 2018.*

[7a] *Errol Kruger's board fees are inclusive of the Nedbank Private Wealth (Isle of Man) Chair fees of £31 385, he was appointed on 22 March 2018.*

[8] *Rob Leith resigned as a member of the Group Credit Committee and Group Risk and Capital Management Committee on 15 October 2018 but was subsequently reappointed on 1 January 2019.*

[8a] *Rob Leith resigned as a director of Nedbank Limited and Nedbank Group Limited on 15 October 2018 but was subsequently reappointed on 1 January 2019.*

[9] *Mpho Makwana was appointed as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[9a] *Mpho Makwana stepped down as Chair of the Group Remuneration Committee on 10 May 2018 but remained a member.*

[9b] *Mpho Makwana resigned as a member of the Group Audit Committee on 10 May 2018.*

[10] *Linda Makalima was appointed as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[11] *Nomavuso Mnxasana retired as Chair of the Group Transformation, Social and Ethics Committee on 10 May 2018.*

[11a] *Nomavuso Mnxasana retired as a member of the Group Risk and Capital Management Committee, Group Remuneration Committee, Group Audit Committee, Group Directors' Affairs Committee and as a director of Nedbank Limited and Nedbank Group Limited on 10 May 2018.*

[12] *Peter Moyo was appointed as a director of Nedbank Limited and Nedbank Group and as a member of the Group Risk and Capital Management Committee, Group Remuneration Committee and Group Directors' Affairs Committee on 11 June 2018.*

Where applicable, board committee fees include travel reimbursements for business mileage.

ABBREVIATIONS AND ACRONYMS

ACI African, Coloured and Indian

AFS annual financial statements

AGM annual general meeting

AIEBA average interest-earning banking assets

AIR(B) Advanced Internal Ratings(-based)

AML anti-money-laundering

AUM assets under management

BASA The Banking Association South Africa

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

CO_2e carbon dioxide emissions

COE cost of equity

CPI consumer price index

CPT corporate performance target

CSI corporate social investment

CVP client value proposition

DFL Digital Fast Lane

DHEPS diluted headline earnings per share

ECL expected credit loss

ELB entry-level banking

EP economic profit

EPS earnings per share

EV embedded value

ETI Ecobank Transnational Incorporated

EY Ernst & Young

FCTR foreign currency translation reserve

FSC Financial Sector Codes

GDP gross domestic product

GOI gross operating income

GRI Global Reporting Initiative

group Nedbank Group Limited

HE headline earnings

HEPS headline earnings per share

IAS International Accounting Standard(s)

IIRC International Integrated Reporting Council

IFRS International Financial Reporting Standard(s)

JSE JSE Limited

King IV™ King Code of Governance Principles for South Africa

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

NAFEX Nigerian Autonomous Foreign Exchange

NAV net asset value

NCD negotiable certificate of deposit

NDP National Development Plan

NII net interest income

NIM net interest margin

NIR non-interest revenue

NSFR net stable funding ratio

nWoW new Ways of Work

OM Old Mutual

PAYE pay-as-you-earn tax

plc public listed company

POPI protection of personal information

PRMA postretirement medical aid

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 Rest of Africa (cluster name)

ROA return on total assets

ROE return on equity

RRB Retail Relationship Banking

RWA risk-weighted assets

SA South Africa

SADC Southern African Development Community

SARB South African Reserve Bank

SDGs Sustainability Development Goals

SOE state-owned enterprises

STI short-term incentive

TSR total shareholder return

TTC through the cycle

UAE United Arab Emirates

UK United Kingdom

UN United Nations

UNEP FI United Nations Environment Programme Finance Initiative

US United States

VAF vehicle and asset finance

VaR value at risk

VWAP volume-weighted average price

YES Youth Employment Service

yoy year on year

ytd year to date

ZAR South African rand (currency code)

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
Shareholders are reminded that, with effect from 1 June 2018, Nedbank Group's transfer secretaries in SA have changed from Computershare to Link Market Services.

Link Market Services South Africa Proprietary Limited, 19 Ameshoff Street, Braamfontein,
Johannesburg, 2001, SA.
PO Box 10462, Johannesburg, 2000, SA.

Namibia
Transfer Secretaries (Proprietary) Limited
Robert Mugabe Avenue No 4, Windhoek, Namibia.
PO Box 2401, Windhoek, Namibia.

INSTRUMENT CODES

Nedbank Group ordinary shares

JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
ADR code:	NDBKY
ADR CUSIP:	63975K104

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code:	NBKP
ISIN:	ZAE000043667

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 United States 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.

FOR MORE INFORMATION CONTACT

INVESTOR RELATIONS
Email: NedGroupIR@nedbank.co.za

RAISIBE MORATHI
Chief Financial Officer
Tel: +27 (0)11 295 9693

ALFRED VISAGIE
Executive Head, Investor Relations
Tel: +27 (0)11 295 6249
Email: alfredv@nedbank.co.za

To view a short video that provides an overview of the 2018 Nedbank Group Integrated Report and access to our full suite of integrated reporting documents scan the QR code or click through to the Integrated Reporting section of our website.

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Fintech partnership of the year

Aerobotics

Nedbank is proud to have won *The Banker* magazine's 2018 fintech partnership award for our 'Satellite and drone imagery analytics experimentation'. Together with Aerobotics (Pty) Ltd, a disruptive technology company that builds advanced analytics on top of aerial drone and satellite imagery, we deliver precision farming tools for our agricultural clients.

The Banker TECH PROJECTS AWARDS 2018

Winner

Fintech partnership