NEDBANK GROUP

CREATING VALUE BY USING OUR FINANCIAL EXPERTISE TO DO GOOD.

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

IR

see money differently

OUR PURPOSE

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

nedbankgroup.co.za

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.

Forward-looking statements made by Nedbank Group on 3 March 2020 at the time of releasing our 2019 results were informed by the group's business plans and economic forecasts in January 2020 before the outbreak of the Covid-19 pandemic in SA. Some of these forward-looking statements may not be achievable in the current environment and in addition the financial guidance provided on 3 March 2020 has subsequently been withdrawn in the Securities Exchange News Service (SENS) announcement published on 14 April 2020. We will update the market once we have more clarity.

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 at nedbankgroup.co.za.

INTEGRATED REPORT 2019

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FINANCIAL AND RISK MANAGEMENT REPORTING

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

SUSTAINABLE DEVELOPMENT REPORTING

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

GOVERNANCE REPORTING

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

SHAREHOLDER INFORMATION

- **Notice of 53rd AGM**
- **Form of proxy**
- **Shareholding profile**

INTRODUCTION

ABOUT OUR INTEGRATED REPORT

This report is prepared in accordance with the International <IR> 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

This report is produced and published annually. It 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 2019 to 31 December 2019. Any material events after this date and up to the board approval date of 14 April 2020 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.

Targets and strategy

The report covers the strategic progress made during 2019, and provides insight into the group's strategy and financial and non-financial targets for the short, medium (two to three years) and long term (five years or more). Given the impact of the Covid-19 pandemic the guidance for 2019 has subsequently been withdrawn and key targets are under review.

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 ESG reporting

To align with our governance and risk management approaches we have integrated these aspects throughout our integrated report. To highlight these we have introduced icons that illustrate a King IV outcome and where a specific risk ranks within the group's top 12 risks. More detailed environmental, social and governance (ESG) disclosures are available in our supplementary reports: Sustainable Development Review, People Report, Transformation Report, Governance and Ethics Review, Remuneration Report and Pillar 3 Risk and Capital Management Report, which can be accessed 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 16), described as part of our business model on pages 10 and 11, 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 35 to 44, influence our group's strategy and inform the content of this report. However, responding to the Covid-19 pandemic that emerged in SA during March 2020 (followed by Moody's and Fitch downgrades of SA's sovereign-credit rating) has become our primary focus and will significantly impact all our material matters. We discuss this on pages 32 to 34 and highlight our preliminary views of the impact of the Covid-19 pandemic on our material matters.

Identifying our potential material matters is a groupwide responsibility and requires input from all business units and divisions and an assessment of the risks and opportunities in our operating environment, 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. Our Group Executive Committee (Group Exco) approves the material matters before the Nedbank Group Board endorses them. The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

Identify issues that have the potential to impact our earnings sustainability and create value for our stakeholders

Rank those with greatest relevance in the current operating context

Apply and validate to inform our strategy and targets

Assess continual process to ensure our strategy remains relevant

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. The board has applied its collective mind to the preparation and presentation of this report and believes that it has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the board of directors of Nedbank Group on 14 April 2020.

Vassi Naidoo
(Chairman)

Mike Brown
(Chief Executive)

Mpho Makwana
(Lead Independent Director)

Tshilidzi Marwala

REPORTING FRAMEWORKS AND COMBINED ASSURANCE

Our integrated reporting process, as well as the contents of this report, is guided by the principles and requirements of the International <IR> 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 SA bank and a company listed on the JSE, we align with the JSE Listings Requirements, the 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: Ernst & Young 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 at nedbankgroup.co.za.

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 pages 60 and 61.

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

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

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

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

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
The direct use of natural capital in our operations and our influence through our business activities.

Our strategic focus areas

Delivering innovative, market-leading client experiences

Managing scarce resources to optimise economic outcomes

Growing our transactional-banking franchise faster than the market

Being operationally excellent in all we do

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

Our stakeholders

Staff

Clients

Shareholders

Regulators

Society

Other icons

IV **King IV**

Top 12 risk

COVID-19 **Covid-19**

This icon directs the reader to pages or supplementary reports with more information.

Hubert Brody

Brian Dames

Neo Dongwana

Errol Kruger

Rob Leith

Linda Makalima

Mantsika Matooane

Raisibe Morathi
(Chief Financial Officer)

Joel Netshitenzhe

Mfundo Nkuhlu
(Chief Operating Officer)

Stanley Subramoney

NEDBANK GROUP AT A GLANCE

OVERVIEW OF NEDBANK GROUP

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

Outside SA we operate in five countries in SADC, through subsidiaries and banks in Lesotho, Mozambique, Namibia, eSwatini (Swaziland) and Zimbabwe (during 2019 we sold our operations in Malawi). In Central and West Africa we have a strategic alliance with Ecobank Transnational Incorporated (ETI) and we have representative offices in Angola and Kenya.

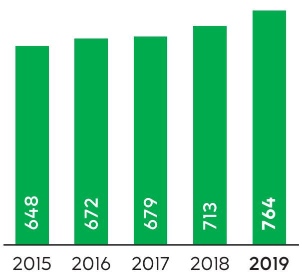
Outside Africa we have a presence in key global financial centres to provide international financial services for Africa-based multinational and high-net-worth clients, in Guernsey, Isle of Man, Jersey and London, and we have a representative office in Dubai.

TOTAL ASSETS
R1,1 trillion

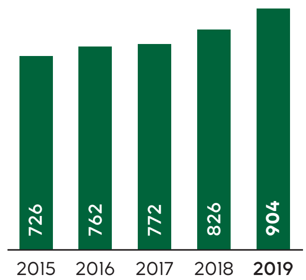
HEADLINE EARNINGS
R12,5bn

CET1 CAPITAL RATIO
11,5%

BANKING ADVANCES
(Rbn)

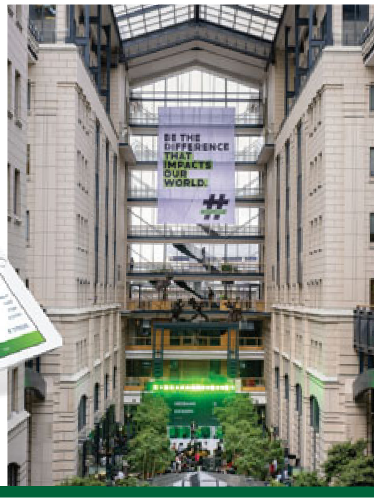


DEPOSITS
(Rbn)



WHAT DIFFERENTIATES NEDBANK?

- We are a **purpose-led business**, underpinned by a unique corporate culture and progress towards being more client-centred and innovative
16
- **Good governance and ESG** leadership
14 to 27
- **Experienced management teams**
27
- Selective origination and **sound risk management**
62 to 65
- **Leadership positions** in renewable-energy finance, corporate and commercial-property lending, small business services, retail vehicle finance, card acquiring, digital client value propositions, asset management and wealth management
8 and 9
- Prudent management of our expenses over time and continuing to lower our cost-to-income ratio through **cost optimisation initiatives**
53
- Strong position as a bank that is committed to doing business in a manner that **positively builds society** at large
16 and 17
82 to 85
- **Technology strategies and innovations** that position Nedbank to be more digital, agile and competitive
46 to 49
55
- **Top-tier ESG rankings** and practices
25
- Improving and, in many cases, **leading client satisfaction** metrics
76



MARKET CAPITALISATION
R107bn

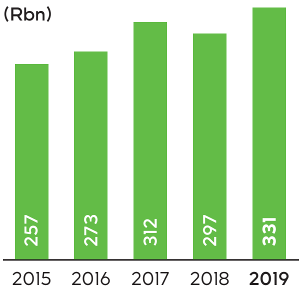
CLIENTS
7,8m

EMPLOYEES
29 403

TOP-TIER CLIENT SATISFACTION AND LEAGUE TABLE RANKINGS

MARKET-LEADING DIGITAL INNOVATIONS

ASSETS UNDER MANAGEMENT
(Rbn)



Level 1 BBBEE CONTRIBUTOR STATUS

MSCI ESG RATING: AA

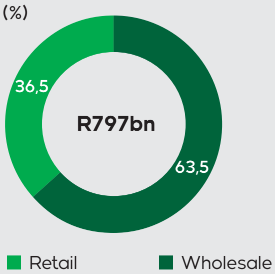
CARBON-NEUTRAL OPERATIONS AND EFFECTIVELY NET-ZERO OPERATIONAL WATER USAGE

DOW JONES SUSTAINABILITY EMERGING MARKETS INDEX INCLUSION SINCE 2004

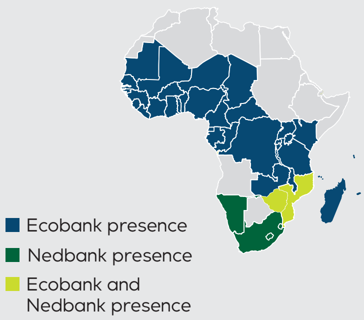
Information as at 31 December 2019

A **wholesale-biased** business model positions us well to benefit from an increase in business confidence and economic growth

WHOLESALE VERSUS RETAIL ADVANCES
(%)

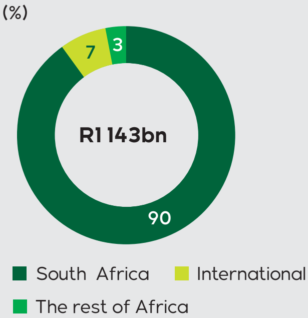


Access to the **largest banking network in Africa** through our own operations in SADC and our strategic alliance with ETI in 39 countries



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

ASSETS BY GEOGRAPHICAL AREA
(%)



NEDBANK GROUP IN CONTEXT

Nedbank Group is the fourth-largest bank in Africa as measured by assets and tier 1 capital.

The SA banking sector has approximately R4 trillion in advances, of which Nedbank has a 19% share. We also have a 19% share of the R5 trillion SA deposit market, an important indicator of franchise strength. We have R331bn total assets under management (AUM) and are the fifth-largest unit trust manager in SA.

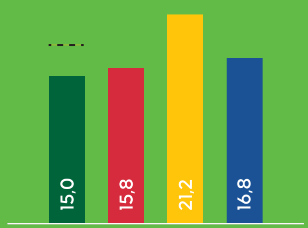
SA banks are well-capitalised and generate good returns (ROE) ahead of COE (around 14%). While cost-to-income ratios are generally above 50%, they are expected to trend lower over time. Credit extension has been prudent, as reflected in low, but cyclically increasing CLRs. Nedbank aims to improve our ROE and cost-to-income ratios by delivering on our strategy.

COVID-19

Targets are under review given the impact of the Covid-19 pandemic.

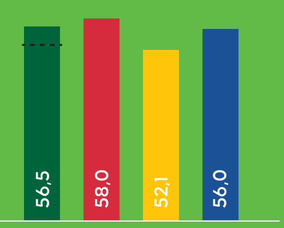
ROE[1]
(%)

Medium-term target > 17



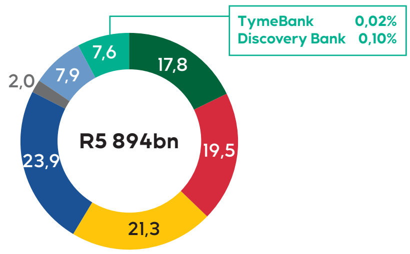
COST-TO-INCOME RATIO[2]
(%)

Medium-term target < 53

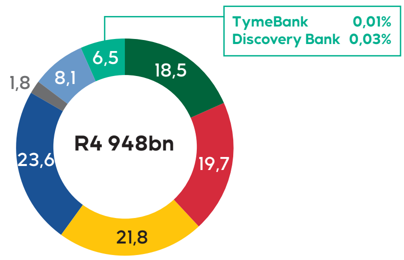


Nedbank | Absa | FirstRand | Standard Bank | Nedbank target

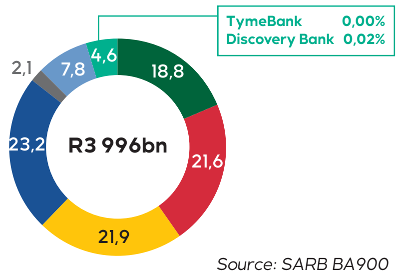
SA TOTAL ASSETS MARKET SHARE
(%)



SA DEPOSIT MARKET SHARE
(%)



SA ADVANCES MARKET SHARE
(%)

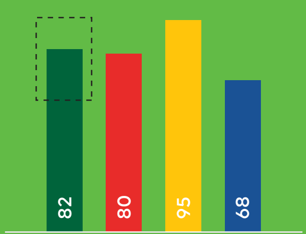


Nedbank Absa FirstRand Standard Bank Capitec Investec Other banks

Source: SARB BA900 at 31 December 2019

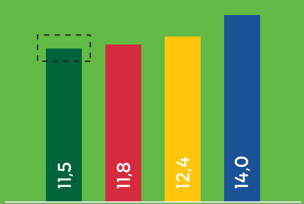
CREDIT LOSS RATIO
(Bps)

Medium-term target 60–100



CET1 RATIO[3]
(%)

Medium-term target 10,5–12,5



Nedbank Absa FirstRand Standard Bank Nedbank target

[1] *Nedbank reports ROE on a headline earnings basis. Absa Group and FirstRand report ROE on a normalised basis.*

[2] *Nedbank and FirstRand include associate income in the calculation of the cost-to-income ratio, whereas Absa and Standard Bank exclude associate income. Nedbank's cost-to-income ratio, excluding associate income, is 57,3%.*

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

Source: Nedbank, Absa, Standard Bank December 2019 annual results. FirstRand December 2019 interim results

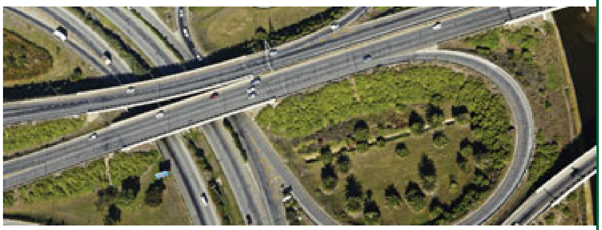
OUR ORGANISATIONAL STRUCTURE, PRODUCTS AND SERVICES

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

NEDBANK CORPORATE AND INVESTMENT BANKING

OUR CLIENTS

Corporates, institutions and parastatals with a **turnover of over R750m per annum**.



> 600 large corporate clients.

OUR PRODUCTS AND SERVICES

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

NEDBANK CIB

OUR AREAS OF STRENGTH AND DIFFERENTIATION

- Strong franchise providing good returns.
- Market leader with strong expertise in commercial property, corporate advances, advisory and renewable-energy financing.
- Leading industry expertise in public sector, mining and resources, infrastructure and telecoms.
- Solid advances pipeline (growth opportunities when business confidence improves).
- Integrated model delivering improved client service and better coverage/deeper client penetration.
- Ability to attract and retain high-quality intellectual capital.
- Efficient franchise (best cost-to-income ratio) and high-quality portfolio (low CLR).

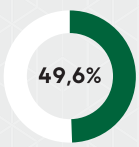
KEY METRICS

ASSETS
R544bn

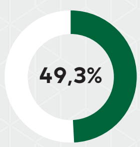
HE
R6 167m

ROE
17,7%

ADVANCES



HE CONTRIBUTION



NEDBANK RETAIL AND BUSINESS BANKING

OUR CLIENTS

Individual clients and **businesses**.

> 7,5 million clients including:

- **> 296 000 small and medium enterprises** (typically businesses with an annual turnover of less than R30m).
- **> 14 700 business-banking client groups with an annual turnover of between R30m and R750m per annum** (client groups with turnover < R30m previously managed under Business Banking were migrated to small and medium enterprises).

Of the total clients **2,95 million are retail main-banked**.

OUR PRODUCTS AND SERVICES

Full range of services on 'banking and beyond', including transactional-banking, card solutions, lending solutions, deposit-taking, risk management, investment products, card-acquiring services for businesses, ecosystems and platforms-based solutions.

NEDBANK

MFC A division of NEDBANK

OUR AREAS OF STRENGTH AND DIFFERENTIATION

- A leader in business banking, underpinned by an accountable, empowered, decentralised business service model.
- Differentiated and disruptive CVPs across our different client segments, including Unlocked.Me, MobiMoney, Home-buying Toolkit, Karri school payments app, SimplyBiz® and API_MARKETPLACE.
- Digital onboarding capability for transactional products across various channels.
- Awarded accolades for the 'best innovation in retail banking in SA', the 'best customer service provider in Africa', and 'most innovative Retail Bank South Africa' in 2019.
- Highly competitive relationship banking offering for our affluent (Professional Banking) and small-business clients.
- Continued and strong improvement in the annual Consulta SAcsi survey, NPS and social media sentiment.

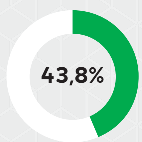
KEY METRICS

ASSETS
R378bn

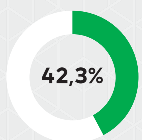
HE
R5 293m

ROE
17,3%

ADVANCES

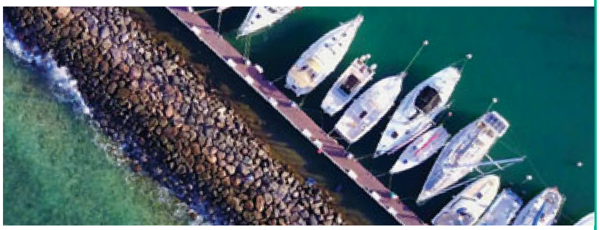


HE CONTRIBUTION



NEDBANK WEALTH

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



> 17 200 high-net-worth clients locally and internationally (United Kingdom, Guernsey, Jersey, Isle of Man and the United Arab Emirates (UAE)).

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

NEDBANK PRIVATE WEALTH SINCE 1834 · NEDGROUP INVESTMENTS · NEDBANK INSURANCE

Nedbank Insurance

- Access to Nedbank clients – opportunities for greater penetration and collaboration.
- Market-leading digital innovations.

Nedbank Private Wealth

- Locally, first place for ESG/social impact investing in SA and philanthropic advice.
- Internationally, Best Boutique Private Bank at the 2019 WealthBriefing MENA Region Awards.

Unique Best of Breed™ asset management model

- Nedgroup Investments has maintained its top three ranking in offshore asset management companies in SA for the fifth consecutive year.

AUM
R331bn

HE
R1 042m

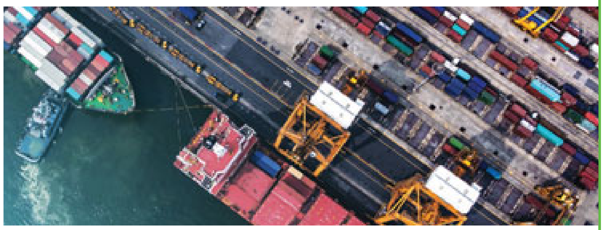
ROE
24,8%

ADVANCES
3,9%

HE CONTRIBUTION
8,3%

NEDBANK AFRICA REGIONS

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



> 336 000 clients.

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

Bancassurance offering in selected markets.

NEDBANK · ÚNICO · Ecobank

SADC (own, manage and control banks)

- Presence in five SADC countries – well positioned for growth with a standard approach to business customised to fit each market context.
- Technology investments to enhance CVPs and achieve scale (Banco Único winner of 'best internet bank' in Mozambique).
- Winner of the fastest growing bank in Mozambique (Banco Único) at the Global Banking & Finance Awards.

Central and West Africa (ETI alliance – 21,2% shareholding)

- 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.

ASSETS
R38,4bn

HE
R457m

ROE
7,7%

ADVANCES
2,7%

HE CONTRIBUTION
3,7%

OUR VALUE-CREATING BUSINESS MODEL

Key drivers of change in our business model

For a discussion of our material matters refer to pages 35 to 44.

THE MACROECONOMIC ENVIRONMENT
Managing through a difficult SA environment and investing in the rest of Africa for the long term

OUR CAPITALS ... ... ENABLE VALUE-ADDING

INPUTS

Financial

- Equity of R98bn (2018: R91bn)
- Strong CET1 capital ratio: 11,5%, well above minimum regulatory requirement of 7,5%
- Banking advances of R764bn (2018: R713bn)
- Deposits of R904bn (2018: R826bn)

Intellectual

- Tenth-most valuable SA brand (2018: ninth) and fourth-most valuable SA banking brand (2018: fifth)
- Market-leading IT capabilities (Managed Evolution and Digital Fast Lane)
- A leader in renewable-energy finance, corporate and commercial-property lending, small business services, retail vehicle finance, card acquiring, digital client value propositions, asset management and wealth management

Human

- A total of 29 403 employees (2018: 31 277), embracing a culture that is:
  - client-driven and people-centred;
  - increasingly innovative and competitive; and
  - strong in compliance and governance
- Reward structures linked to performance and value drivers
- R760m invested in employee training, including upskilling employees for digital transformation (2018: R468m)
- Experienced and diverse executive team and a strong board
- A transformed workforce

Manufactured

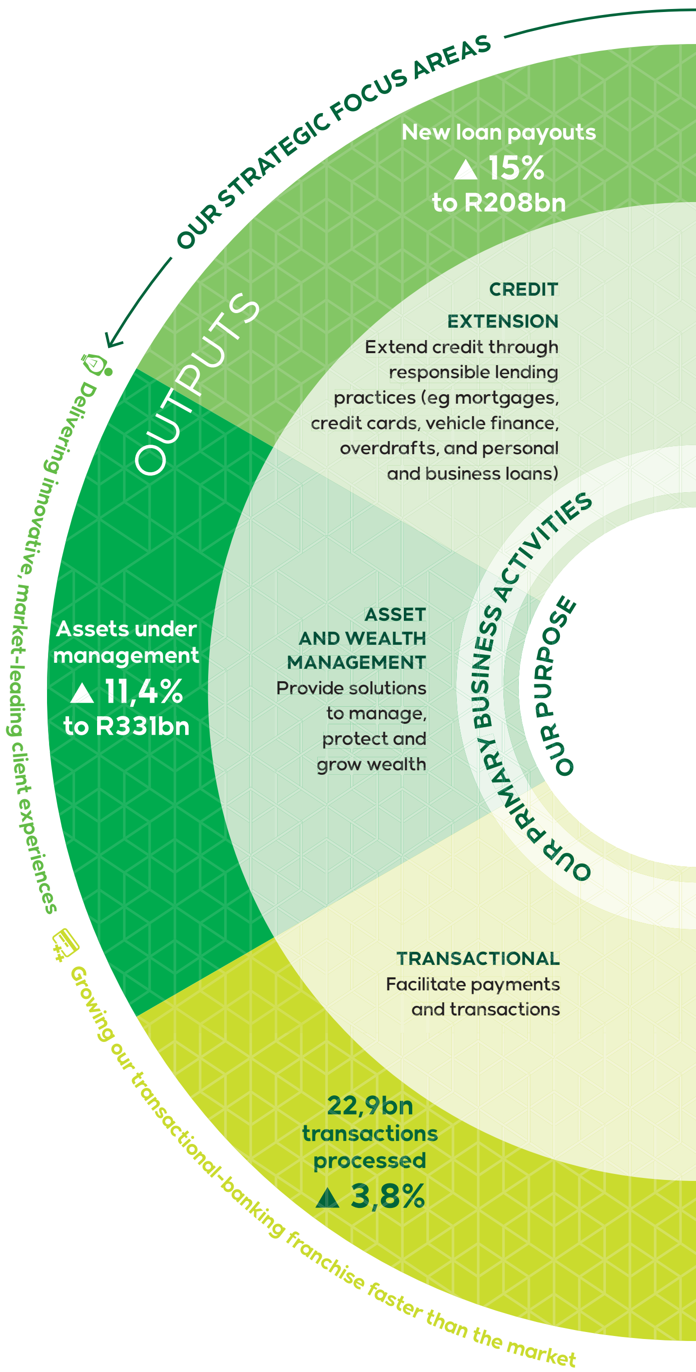
- 117 core IT systems (2018: 119), which are being modernised as part of our technology journey
- R9,6bn invested in our technology platform since 2010 (2018: R7,4bn)
- 692 outlets (covering more than 84% of the population in SA), 4 398 ATMs and 101 000 point-of-sale devices (2018: 800, 4 462 and 96 000 respectively)
- Market-leading digital products, services and client value propositions

Social and relationship

- 7,8 million total clients (2018: 7,9 million)
- Embracing sustainable development financing to meet the SDGs as well as responsible ESG practices
- One of SA's most transformed banks
- Solid relationships across all stakeholders

Natural

- We impact the natural environment directly in our operations and indirectly through the financing of client activities:
  - leader in renewable-energy financing; and
  - a total of nine Green Star-rated buildings



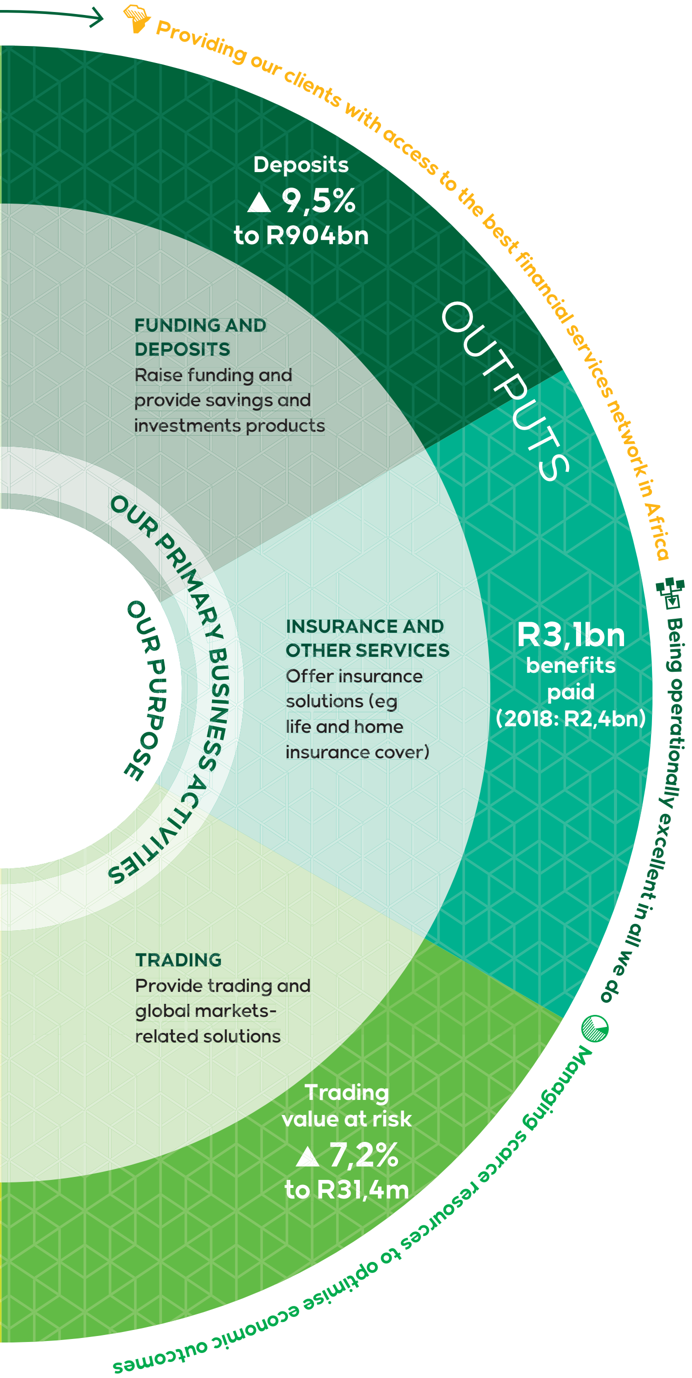
MAKING A PURPOSE-DRIVEN IMPACT. THAT'S OUR DIFFERENCE.

DIGITAL TRANSFORMATION
From physical products, services and channels to digital and client-centred

TRANSFORMATION OF SOCIETY WITHIN ENVIRONMENTAL CONSTRAINTS
Delivering on our purpose and the SDGs

SCARCE AND EVOLVING SKILLS
Transforming and enabling our workforce for the future

ACTIVITIES THAT CREATE ... ...VALUE FOR OUR STAKEHOLDERS.



OUTCOMES

STAKEHOLDERS IMPACTED

Financial

- Distributed R7,1bn in dividends
- Cost-to-income ratio improved from 57,2% to 56,5%
- NAV per share up by 3,7%
- ROE of 15,0%, down from 16,8%, however above cost of equity of 14,1%
- Share price down by 22,0%
- Headline earnings R12,5bn, down 7,2%

Intellectual

- IT modernisation programme (Managed Evolution): 70% complete
- Implemented a market-leading end-to-end retail digital onboarding capability (Eclipse)
- First SA bank to launch an open-banking application programming interface (API) platform
- Attracted market-leading skills in areas such as data analytics, IT, equities and advisory solutions
- Delay in juristic onboarding capability to 2020

Human

Maintained employee motivation, skills and diversity through:

- R17,3bn paid in salaries and benefits
- Percentage salary increase for unionised staff greater than management
- A more transformed workforce (79% black and 62% female representation)
- Staff attrition of 10,8% up from 10,1%, although still below industry benchmark of 11–13%

Improved staff satisfaction levels:

- 75% staff engagement, above the average industry level of 67%

Digitisation and automation of the workforce environment:

- Altogether 620 employees reskilled or redeployed
- 158 staffmembers retrenched

Manufactured

- Digital product sales up to 21% of total sales
- Digitally active clients up to 1,8m (+16%)
- Digitised 114 of targeted > 180 branch services
- Uptime of application systems at 99,1% (marginally down on 2018)
- SA branches reduced by 2,5%
- Data security issue at premises of third-party provider – no Nedbank systems or client accounts were compromised

Social and relationship

- The only large SA bank to increase Net Promoter Score in 2019
- Growth in main-banked clients in the middle and professional segments
- Number of client complaints down 26,5%
- R11,6bn direct and indirect tax contributions
- More than 3 300 YES recruits for 2019
- R130m socioeconomic spend
- Maintained level 1 BBBEE contributor status
- Responsible procurement practices (> 75% locally procured)
- MSCI ESG rating improved from A to AA
- Decline in main-banked clients in the entry-level and youth segments

Natural

- The first SA commercial bank to launch a green bond on the JSE
- Disbursed R27bn renewable-energy deals adding 3 517 MW to the national grid
- Carbon-neutral operations and effectively net-zero operational water usage
- Supporting the transformation of the energy system over time through interventions such as our new Thermal Coal Policy

Positive outcome
Negative outcome
Neutral outcome

OUR STAKEHOLDERS – THEIR NEEDS AND EXPECTATIONS

As a financial services provider we are deeply connected to the environment we operate in and the societies we serve. Our ability to 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

29 403
employees

63%
female

37%
male

90%
SA-based

10%
Africa and international

79%
black

21%
white

20%
under the age of 30

THEIR NEEDS AND EXPECTATIONS

- Fair 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.
- An empowering and enabling environment that embraces diversity and inclusivity.
- A safe and healthy work environment

KEY OBJECTIVES AND METRICS WE TRACK

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

Clients

7,8 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.

> 7,5 million
retail clients

> 17 200
wealth clients

> 14 700
business banking clients

> 600
corporate clients

> 296 000
SME clients

> 336 000
Nedbank Africa Regions clients

THEIR NEEDS AND EXPECTATIONS

- 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.

KEY OBJECTIVES AND METRICS WE TRACK

- Brand value among SA companies and banking peers.
- NPS and client satisfaction ratings.
- Client complaints.
- Wholesale league tables.
- SA asset manager rankings (Raging Bull Awards).
- Impactful solutions that make a difference (eg aligned to SDGs).

For more details on how we delivered for our stakeholders and on our targets refer to pages 74 to 87.

BE THE DIFFERENCE THAT IMPACTS OUR WORLD.

Shareholders and investors

Retail investors, asset management and retirement funds in SA and in international markets

Bondholders

Two credit ratings agencies: **Moody's and Standard & Poor's**

12 sell-side analysts

45 573 ordinary and **6 410** preference shareholders

THEIR NEEDS AND EXPECTATIONS

Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream, enabled by the following:

- Growth in NAV.
- 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 ESG practices.

KEY OBJECTIVES AND METRICS WE TRACK

- NAV per share growth.
- ROE and cost-to-income ratios.
- Price-to-book ratios.
- Dividends paid and dividend cover.
- AGM voting outcomes.
- ESG ratings.

Regulators

SARB Prudential Authority

Financial Sector Conduct Authority (FSCA)

National Credit Regulator (NCR)

South African Revenue Service (SARS)

Other*

THEIR NEEDS AND EXPECTATIONS

- 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.

KEY OBJECTIVES AND METRICS WE TRACK

- Effective delivery of compliance with regulatory change and meet minimum regulatory requirements.
- Basel III capital ratios, as well as LCR and NSFR compliance, exceed the minimum SARB requirements with suitable buffers.
- CLR within our 60 bps to 100 bps TTC target range.
- Direct and indirect tax contributions.
- BBBEE contributor status (Amended FSC).

* *Among others, 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 and non-governmental organisations

The environment on which those citizens depend for their wellbeing

Partners

Suppliers

THEIR NEEDS AND EXPECTATIONS

- Nedbank providing access to expert financial 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 and environmental issues as well as other common agendas to build a thriving society.
- Nedbank embracing transformation through (among other things) delivery in line with BBBEE legislation.

KEY OBJECTIVES AND METRICS WE TRACK

- Recognised as a leader in the financing of sustainable development to meet the SDGs, thereby promoting socioeconomic transformation through enabling economic inclusion, job creation and poverty alleviation.

BEING POSITIONED FOR VALUE CREATION

REFLECTIONS FROM OUR CHAIRMAN

"As a trusted brand with a growing footprint in Africa and innovative new products and services, Nedbank is well positioned to build on the positive and sustainable impact it has already made. The social and economic impact of Covid-19 is unlike anything we have seen before. Global markets and equities have come under pressure and in SA we have had the dual impact of the lockdown as well as the ratings downgrades. We are more focused than ever on remaining future fit in fulfilling our role to our clients, our staff, shareholders and broader society."

Vassi Naidoo, Chairman

In a difficult environment, the beginning of a new year always brings with it a sense of renewed hopefulness and optimism that things will be better in the year ahead. In 2018, Cyril Ramaphosa became President and expectations of a better year for South Africa in 2019 surged. We had great expectations that the right medication (no matter how bitter) would be administered to fix a nation reeling from the impacts of state capture. It was not to be in 2019.

The factors largely responsible for much of SA's economic woes are not new and have remained mostly unaddressed for more than a decade and as a result economic growth has continued to trend downwards.

This 'slow squeeze' in economic growth and sagging tax revenues, has in large part been attributed to the lack of progress on the much-needed structural reform, compounded by the rapid growth in the public sector wage bill, increased government spending commitments and the erosive impact of wasteful and corrupt spending over the past decade. More recently, the perilous financial and operational state of most major SOEs has compounded the strain on government's finances. The unreliable and increasingly expensive electricity supply has come at a huge economic cost.

Regulatory, legislative and policy uncertainties continued to weigh on business and investor confidence. While government has promised to bring clarity, progress has been frustratingly slow and patchy. Uncertainties persist and disputes continue around land reform, National Health Insurance, the mining charter, the new competition policy, further rounds of debt relief as well as proposed legislation on intellectual property rights.

The controversial and damaging visa regulations for adults travelling with children were finally scrapped. President Ramaphosa hosted the second annual SA Investment Conference, promising to cut red tape and reduce the cost of doing business. More investment commitments were made by private firms. The Minister of Energy finally released the long-awaited Integrated Resource Plan that envisions a greater role for renewable energy and independent power producers although traditional coal-fired power and Eskom are still expected to play a dominant role.

SA managed to stave off a sovereign-risk-rating downgrade by Moody's in 2019. However, SA was subsequently downgraded in March 2020 by both Moody's and Fitch, retaining a negative outlook given the ongoing risks, particularly in the light of the Covid-19 pandemic.

It comes as no surprise that company profits and household finances deteriorated during the year. In particular, the increase in impairments off a low base had a negative impact on Nedbank's headline earnings in 2019.

Given the challenging macroeconomic environment, we will, as always, continue to look for innovative ways to assist our clients to weather the storm and deliver great client experiences to ensure their loyalty and our continued license to operate.

50 YEARS ON THE JSE

Nedbank celebrated its 50th year as a listed company on the Johannesburg Stock Exchange in 2019. There is a certain amount of agility that has helped us navigate both the headwinds and tailwinds over the past 50 years and speaks to our sustainable business practices, and improved risk management and overall governance over the years.

Notwithstanding the challenges outlined above, the SA we operate in today is far removed and a much better place to do business than it was 50 years ago. The market is larger and more inclusive. I believe Nedbank has the potential to bring significant tangible value to SA's future through its experience and expertise and its strong desire to partner with government, labour and civil society in realising the vision and goals, set out in our country's Constitution and the National Development Plan.

A TRANSITIONING SKILLSET AND WORKFORCE

New technologies are impacting customer behaviours and how they consume banking services. A constantly learning workforce that is adaptable to these changes is a key competitive advantage and reskilling is therefore a strategic imperative for us to remain relevant. This has meant that many roles continue to be impacted by digitisation. As a result, 2019 required of us to step up our efforts of reskilling and redeployment, to ensure that redundancies and retrenchments were done responsibly and staying true to our commitment to only retrench as the last resort.

In 2018, the President called on business to play an active role in the fight against poverty, unemployment and inequality to help build an inclusive, growing and transforming economy for the benefit of all South Africans. Given the challenges facing SA, we know this requires collaboration from all sectors of society – and at scale; it cannot be business as usual.

The work being done by the YES initiative is very important and significant in creating sustainable work opportunities for unemployed youth.

We have embraced our role as change agents and active contributors to building a thriving society and are extremely proud to have welcomed 3 315 recruits to Nedbank and our implementation partners in May 2019. From being one of the first to sign the CEO initiative and making the biggest commitment to YES, we understand the need to partner with our social partners to accelerate economic growth.

LEADING WITH INTEGRITY AND EMPATHY

The risk and corporate governance landscape is changing rapidly. Corporate conduct continues to come under scrutiny. Evolving governance and controls for automation, big data and digitisation have introduced new questions to a board attempting to steer a ship in uncertain waters. The Nedbank board continues to adapt to this changing environment. What remains important, however, when presented with these new risks, from cyberrisk to contemplating regulatory change from emerging technologies, is that Nedbank remains guided by our values. Our responsibilities and our commitment to our purpose will not change.

In response to the recent dramatic changes in the macro environment and the impact of the Covid-19 pandemic, the board of directors has unanimously agreed to a zero percent increase in non-executive directors' fees for the period 1 July 2020 to 30 June 2021.

Ongoing vigilance is required to ensure that the public trust that has been established over our long history – through sound governance and good conduct – is secure.

DIGITAL DISRUPTION

Digital disruption is the new normal. The digital banking race has begun as a sprint, but it is going to be a marathon, and we continue with our investments in this area. I am mindful that the winners have not emerged yet, despite what many may infer.

The Fourth Industrial Revolution presents as many challenges as it does opportunities. Today we have digital capabilities that have the power to transform experiences; improve connectivity and knowledge sharing between humans; creating access; improving lives and indeed customer outcomes.

I would like to take this opportunity to welcome Professor Tshilidzi Marwala to the Nedbank board, who brings extensive knowledge and experience in these specific digital capabilities and insights.

The Nedbank board has spent a lot of time on Nedbank's strategic response to this changing environment from a culture, staff and client point of view. We recognise that the challenge of the digital talent gap is no longer just an organisational issue; it is a nationwide challenge. The result is that talent acquisition, training and upskilling will take on a whole new meaning particularly as the rate at which some jobs may become obsolete or irrelevant due to new technologies is rapidly increasing.

RESHAPING FINANCE

At the World Economic Forum in January 2020, BlackRock, the world's largest asset manager and one of our shareholders, noted that climate change would lead to a 'fundamental reshaping of finance'. Nedbank endorses the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) and of the Paris Agreement to prevent dangerous anthropogenic interference with the climate system by limiting the global average surface temperature rise to well below 2°C versus the long-term preindustrial level. As part of our journey as a purpose-led business, we are committed to playing a leading role in addressing climate change in ways that are sensitive to the local socioeconomic context and climate vulnerability.

Nedbank's climate change journey continues to mature through the development of our policy regarding the financing of thermal-coal mining and related activities. As part of this ongoing and maturing journey, we will continue to engage with clients, shareholders, governments, relevant non-government organisations and thought-leaders so as to ensure we continue to play an important role in leading the energy transition through innovative solutions and appropriate financial choices. Our governance has been further bolstered by the establishment of a new Climate Risk Leadership Group. This formal governance committee, under the chairmanship of the Nedbank Chief Risk Officer, guides Nedbank with regard to the process of measuring, assessing and disclosing its financial exposure to climate-related risks. This committee is also supported by a Climate Task Team that assists with the operationalisation of strategic climate-change-related decisions. In 2019 we signed up to be part of the UNEP FI Task Force for Climate-related Financial Disclosures working group, which will enable us to learn from others in the sector as well as participate in the development of tools to assess the physical and transitional risk that climate change poses for banks. We commit to report on Nedbank's approach to measuring, disclosing and assessing our exposure to climate-related risks.

I am pleased that Nedbank has once again achieved a level 1 BBBEE contributor status for the full year 2019 under the Amended Financial Sector Code in South Africa. We have always seen transformation as one of the key strategic focus areas for our business and this achievement demonstrates our ongoing commitment to sustainable transformation.

A NEW NORMAL

At the time of concluding this note, the Covid-19 pandemic had reached our shores and all indications point to a global human and economic catastrophe.

Economists and analysts worldwide are predicting a global recession for 2020. Central banks have already started introducing fiscal and monetary actions, and with the banking sector likely to be one of the most impacted, banking regulators have begun to introduce capital and liquidity relief measures.

For SA, this will be another blow to an already stagnant economy. There is no doubt that turbulent times lie ahead and we will all have to adjust to the new normal post the pandemic.

APPRECIATION

Thank you to our 29 403 employees who remain committed to living our purpose and serving our 7,8 million clients. Your work goes beyond our lending and transactional activities and I am proud to be associated with you. During the lockdown period, as a consequence of Covid-19, you have further shown your dedication and tenacity by enabling us to continue to serve our clients and the broader societies through a complex and difficult time – I am deeply grateful.

Thank you to our Chief Executive, Mike Brown, and the executive team for their leadership and skilfully steering the ship in stormy waters. The team quickly pivoted to manage the crisis brought on by Covid-19 and I am confident in the leadership team's ability to successfully navigate us through this extraordinary time.

Thank you to my fellow Nedbank boardmembers for their support and a special word of appreciation to Joel Netshitenzhe. His wisdom, guidance, intellect and experience will be missed during our board deliberations. In addition, thank you to Peter Moyo for his contribution and involvement with the group since his appointment in 2018 in terms of the relationship agreement between Old Mutual Limited and Nedbank Group.

In Charles Dickens' novel Great Expectations, the author was persuaded to write a happier ending to the book after the original ending was deemed too sad. Our country is at a turning point and skilful, economic leadership is needed. Implementing some of the good plans mentioned in the 2020 State of the Nation address combined with some conviction in getting the nation's finances in order could see a dramatic turn in investor confidence toward SA and hopefully we can write a new ending to this story.

From a Nedbank perspective we are preparing to be future-fit. As a trusted brand with a growing footprint in Africa and innovative new products and services, I believe Nedbank is well positioned to build on the positive and sustainable impact it has already made. We look forward to continuing delivering on our purpose to use our financial expertise to do good for individuals, families, businesses and society. In the challenging economic environment of 2020 we are committed to support and work alongside our clients and staff alike in what is likely to be a long road to recovery post the pandemic. I would also like to assure our shareholders, that while we won't escape the market impact that has plagued the sector, the board together with management, are working tirelessly to manage through this difficult period and continue to build a sustainable bank.

Vassi Naidoo

Chairman

OUR PURPOSE, VISION 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

"Our purpose guides our strategy, behaviours and actions towards delivery of long-term value. We are aware that operating a successful and sustainable business requires a thriving economy, a well-functioning society and a healthy environment. We also know that we have a responsibility and an opportunity to contribute to these.

As such, our response cannot be a secondary aspect of our business – it must be central to it, with a commitment to sustainable development as the only reasonable response. We believe that this approach is not only desirable but also achievable. For Nedbank, this is the future we want. And we are committed to doing our share to realise it."

Mike Brown, *Chief Executive*

OUR EMPLOYEE VALUE PROPOSITION:

BEING THE DIFFERENCE THAT IMPACTS OUR WORLD

Purpose-led	Service excellence	High performance	Growth and development	Diversity and inclusion

OUR VALUES

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

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.

STAFF

Our 29 403 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;
- encouraging our staff to embrace technological changes, further their careers and improve our services and products; and
- contributing to the transformation towards an inclusive society through employment equity and gender equality.

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.

CLIENTS

Our clients remain our largest source of deposits, which enable us to fund lending activities. Gaining more clients and deepening existing relationships result in greater revenue growth, while responsible banking practices and 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; and
- developing innovative solutions that meet our clients' specific needs.

SHAREHOLDERS

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

Value is created 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; and
- following good governance and sustainable business practices that ensure a sustainable business for the long term.

GOVERNMENT

The tax we pay and investments in bonds we make as part of our statutory liquid asset requirements 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; and
- 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 the healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client confidence in Nedbank and reduce the 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, which 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 do this only 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 and consumer of goods and services; and
- making a difference through our partnerships and CSI activities.

Read more about our value creation for our stakeholders on pages 74 to 87.

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.

OUR GOVERNANCE PHILOSOPHY

IV

Nedbank is committed to the highest standards of governance, ethics and integrity. We embrace worldclass banking practices and robust institutional governance and risk frameworks to ensure our banking services are secure and stable. We constantly review these practices and frameworks, being mindful of the dynamic landscape, influenced by, among other factors, cultural shifts in the workplace, digital trends such as artificial intelligence, geopolitics, enhanced data safety and security requirements, and climate change risks, to ensure that we act in the best interest of 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 OBJECTIVES – ROOTED IN KING IV PRINCIPLES

IV

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.

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, taxpayer, skills provider and facilitator of economic growth, to name a few. (Principles 1 to 3.)

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 other reports, this integrated report and the supplementary reports, available at nedbankgroup.co.za. (Principles 4 and 5.)

Governing structures and delegation

The board will 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 IT. (Principles 6 to 10.)

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.)

Stakeholder relationships

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

2019 KEY BOARD DISCUSSIONS

Over and above our regular agenda items, such as detailed feedback from the chairs of board committees on the deliberations of those committees, comprehensive presentations by the CE on top-of-mind items, presentations by the CFO on our financial results at regular intervals, the following important discussions were held by our board in 2019.

JAN/FEB

- Considered the market's assessment of Nedbank **post unbundling.**
- Considered reputational risks in the wake of the **Zondo Commission** of Inquiry.
- Considered the financial impact of **Eskom** on Nedbank and SA.
- Assessed **client exposures** given the stressed domestic macroeconomic environment.
- Enhanced oversight on **Nedbank Zimbabwe** given the Zimbabwe currency devaluation.
- Received **training,** among others, on **risk management** at digital banks, the **FIC Amendment Act, liquidity impacts** and managing **regulatory uncertainty**.

MAR/APR

- **Approved** the 2018 **annual financial results** and **final dividend**.
- Reviewed **key financial industry matters,** including trends, the new competitor landscape and Nedbank's strategic response.
- **Approved** the 2018 **Integrated Report**.
- **Approved** the 2018 **PIllar 3 Report.**
- **Approved** the group's **2019–2021 forecasts**.
- **Approved YES CEO pledge** for commencement in May.

MAY/JUN

- Provided oversight of the rollout of **Eclipse** (digital onboarding platform) and **FICAA** compliance.
- Considered the impact of **digitisation** on staffmembers and clients.
- Monitored progress on the nine **SDGs** adopted.
- **Approved** the annual **appointment** of the **Group Chairman**.
- Attended an **annual strategy planning** session, focusing on the **SA macroeconomic** environment, **client experiences** enabled by technology and people, **open banking, platforms** and ecosystems, **strategic portfolio tilt** opportunities, the refreshed **loyalty and rewards** solution, **bancassurance** products and scaling of the **SADC** businesses.
- **Approved** the appointment of the **Nedbank Africa Regions board subcommittee**.

COLLECTIVE RESPONSIBILITIES OF THE BOARD

IV

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.

ENGAGING WITH THE BUSINESS ON STRATEGIC MATTERS – ENSURING A DEEP UNDERSTANDING OF THE BUSINESS AND GUIDING STRATEGY

IV

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 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. Key focus areas include traction of client experiences enabled by technology and people; transactional and main-banked client growth; cost containment, particularly driven through digitisation; competitive pressures; heightened levels of risk; organisational change through people and brand; and technology acceleration, including a focus on ecosystems and payment platforms, strategic portfolio tilt and social compacting. The board conducts onsite visits to various bank operations and business units, 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, strategic progress, risk management and stakeholder performance. This report is aligned with the group's annual integrated report.
- There is increased interaction between the board and our stakeholders, and boardmembers are invited to selected client functions.

JUL/AUG

- **Approved** the 2019 **interim results** and **interim dividend.**
- Discussed and **approved** the group's **strategic planning framework** 2020–2022.
- **Enhanced oversight** of **stress on staffmembers** due to the volume of technological and operational change.
- **Conducted a deep dive** into the group's refreshed **loyalty and rewards** programme.
- **Approved** the 2019 **Internal Capital Adequacy Assessment Process** (ICAAP) report.
- **Approved** the **increase** of Nedbank's shareholding in **Banco Único** (Mozambique).

SEPT/OCT

- **Held annual meeting with the SARB Prudential Authority** (PA), discussing our strategy, financial forecasts for the next 18 months, risk management and the PA's 'flavour-of-the-year topic' – the creation and institutionalisation of a culture of ethics and awareness.
- **Monitored** the progress made on Nedbank's **digital engagement platform**.
- **Approved** the **Board Ethics Statement**.
- **Approved** the **Enterprisewide Risk Management Framework** (ERMF).
- Focused on **cyberrisk,** the **SA macroeconomic** environment and **watchlist** items.
- **Endorsed** management plans to **sell Nedbank Malawi**.

NOV/DEC

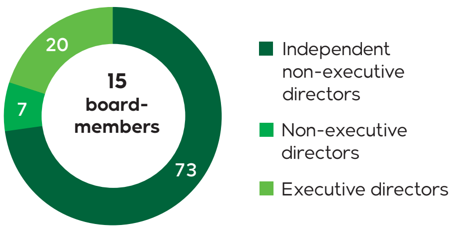
- Interrogated and **approved** the Nedbank Group **business plan** for 2020–2022.
- Received **training** on Nedbank's **recovery and resolution plan**.

INDEPENDENCE – PROTECTING THE INTERESTS OF ALL SHAREHOLDERS

IV

The majority of Nedbank's boardmembers are independent directors, which is in compliance with King IV and global best-practice governance. An independent board committee, the Group Related-party Transactions Committee, chaired by our Lead Independent Director, is in place to consider, review, evaluate and provide oversight of 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.

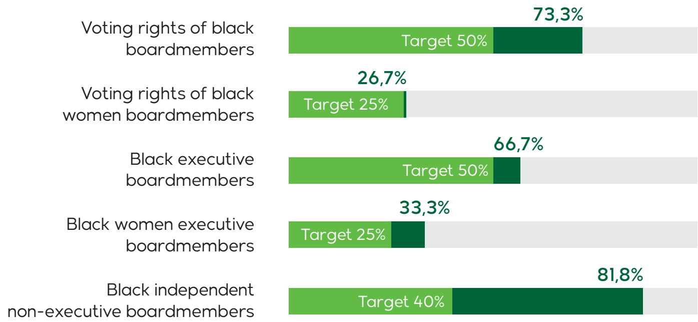
BOARD DIVERSITY – BEING RELEVANT IN A TRANSFORMING SOCIETY

IV

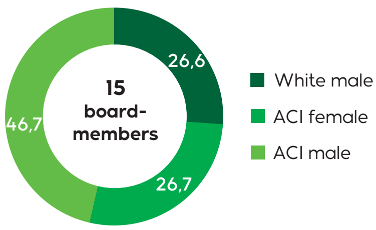
In a fast-transforming society, board diversity is important to remain relevant and sustainable. Studies have shown that diversity matters as companies that embrace gender, race and ethnic diversity achieve better financial performance. Nedbank is committed to promoting diversity at board level, with 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. In line with the new JSE Listings Requirements we will be updating our diversity policy in 2020.

The group's policy on the promotion of gender and race diversity at board level has been incorporated into the board continuity programme. The targets are informed by the Amended FSC. At 31 March 2020 our results exceeded the targets and were as listed below:

PROMOTION OF DIVERSITY AT BOARD LEVEL
(%)



BOARD DEMOGRAPHICS
(%)



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

BALANCE OF KNOWLEDGE, SKILLS, EXPERIENCE – WELL DIVERSIFIED TO ADD VALUE TO ALL ASPECTS OF NEDBANK GROUP

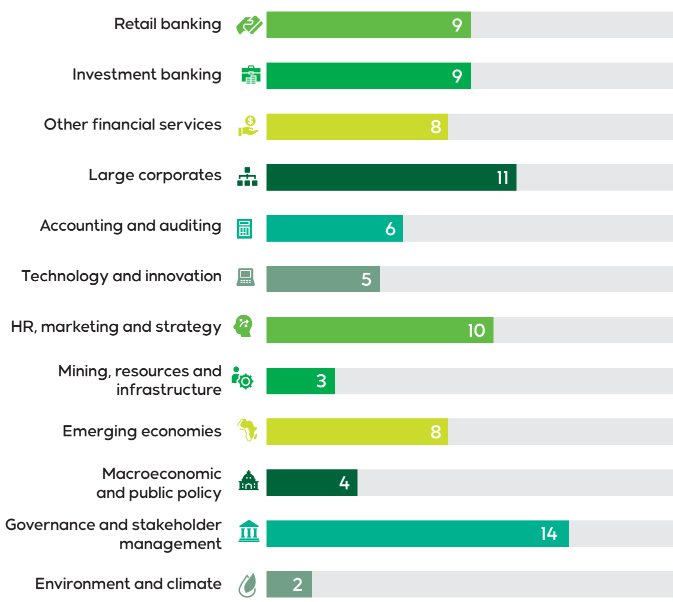
IV

Banks and financial services companies need a broad range of skills to ensure and create value in the interest 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 three years we have expanded and strengthened our board skills and experience specifically in retail and investment banking, other financial services such as insurance; large corporates; accounting and auditing; HR; strategic planning; mining, resources and infrastructure; IT innovation, digital and cyberresilience; and doing business in emerging economies.

Directors regularly attend courses, conferences and seminars to ensure that they keep up to date with changes and trends. In 2019 directors received updates and training, among others, on statutory and regulatory obligations (FIC Amendment Act, 1 of 2017), director obligations and responsibilities, Nedbank's ERMF; the group recovery plan; impacts of liquidity and credit, artificial intelligence, regtech and fintech, and remuneration best practices.

BOARD SKILLS AND EXPERIENCE
(Number of boardmembers with experience)

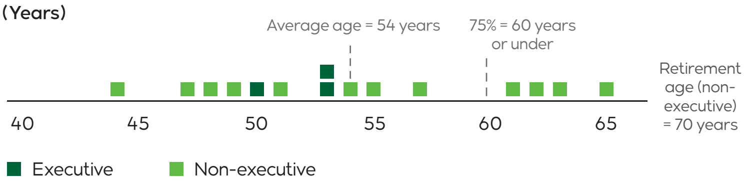


BOARD TENURE AND EXPERIENCE – A BLEND OF EXPERIENCE AND NEW INSIGHT

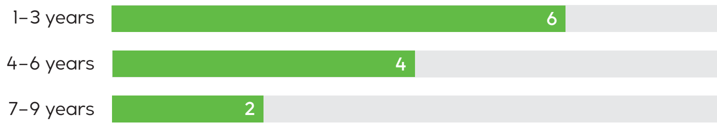
IV

EXECUTIVE AND NON-EXECUTIVE DIRECTORS: AGE

(Years)



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.*

Joel Netshitenzhe has been on the board for over nine years and retires at the conclusion of the Nedbank Group AGM on 22 May 2020, while Mpho Makwana is scheduled to retire in 2021.

Peter Moyo tendered his resignation as a non-executive of Nedbank Group and Nedbank with effect 19 March 2020. Peter was appointed in 2018 in terms of the relationship agreement between Old Mutual Limited (OML) and Nedbank Group that provides for OML to nominate one director for as long as OML's shareholding is equal to or greater than 15%.

BOARD OF DIRECTORS

IV

Independent non-executive


VASSI NAIDOO 65
Chairman: Nedbank Group and Nedbank Limited
4 years on the board


MPHO MAKWANA 49
Lead Independent Director
Chair: DAC, GRPTC, GTSEC
8 years on the board


HUBERT BRODY 55
Chair: Remco
2 years on the board


BRIAN DAMES 54
5 years on the board


NEO DONGWANA 47
2 years on the board


ERROL KRUGER 62
Chair: GRCMC, GCC
3 years on the board


LINDA MAKALIMA 51
2 years on the board


TSHILIDZI MARWALA 48
< 1 year on the board


MANTSIKA MATOOANE 44
Chair: GITCO
5 years on the board


JOEL NETSHITENZHE 63
9 years on the board


STANLEY SUBRAMONEY 61
Chair: GAC
4 years on the board

Non-executive


ROB LEITH 57
3 years on the board

Executive


MIKE BROWN 53
Chief Executive
15 years on the board


RAISIBE MORATHI 50
CFO
10 years on the board


MFUNDO NKUHLU 53
COO
5 years on the board

Non-executive directors are given no fixed term of appointment, and all directors are subject to retirement by rotation in terms of the company's memorandum of incorporation. An executive director is required to retire from the board at age 60 unless otherwise agreed by the board.

Executive directors are subject to six-month notice periods. This excludes the CE, who is subject to a 12-month notice period. Executive directors are discouraged from holding significant directorships outside the group.

Board changes since 52nd AGM

Additions Prof Tshilidzi Marwala
Retirement Malcolm Wyman (2019), **Resignation:** Peter Moyo (2020)

Board nominees for 53rd AGM on 22 May 2020

Election Prof Tshilidzi Marwala
Reelection Hubert Brody, Errol Kruger, Linda Makalima, Mpho Makwana, Mantsika Matooane

YOUR VOTE IS NEEDED ON
Director elections

Board representation as at 31 March 2020.

ENSURING AND PROTECTING VALUE
Group Directors' Affairs Committee (DAC)

IV

'The promotion of a culture of compliance throughout the group is of prime importance so that operationalising regulatory requirements becomes accepted behaviour and not merely a formal exercise.'

Mpho Makwana
(Chair)

Ensuring and protecting value in 2019

- Approved the refreshed Compliance Framework to transition to a principles-based, outcomes-focused framework.
- Reviewed compliance monitoring findings to assess and track the level of compliance risk.
- Oversaw the activities of the Group Reputational Risk Committee, including deliberations on issues of potential reputational risk by association.
- Oversaw continued cooperation with the Zondo Commission.
- Approved the four-tiered framework for escalation of material reputational risk matters (the fourth tier being to DAC).
- Tracked Nedbank's compliance with market conduct regulatory requirements.
- Maintained oversight of AML, CFT and sanctions compliance levels.
- 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.

Focus for 2020 and beyond

- Monitor the implementation of the Regulatory Advocacy Office.
- Receive quarterly updates on reputational risk matters.
- Review developments in law that may impact market conduct and reputational risk.
- Assess and monitor compliance findings relating to existing consumer legislation to avoid regulatory sanctions and ensure a solid foundation for requirements of the Conduct of Financial Institutions Act.
- Enhance reputational risk management.
- Refresh the Group Governance Framework and monitor the group's application of King IV.
- Review the Board Continuity Programme.

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

8 Regulatory, accounting and compliance risk
9 Reputational (and association) risk
10 Conduct risk
11 Strategic execution risk
12 Climate risks

A comprehensive DAC report is available online in our 2019 Governance and Ethics Review at nedbankgroup.co.za.

RISK MANAGEMENT – FUNDAMENTAL TO NEDBANK'S STRATEGY AND THE BUSINESS OF BANKING

IV

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 through the bank's 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, climate change 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 (Jan 2020):

1. Business (and country) risk
2. Strategic execution risk
3. Cyberrisk
4. Credit risk
5. Operational risk

COVID-19

Updated for impact of Covid-19 pandemic

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

Read more about our top 12 risks on pages 62 to 64 and in our 2019 Pillar 3 Risk and Capital Management Report, available at nedbankgroup.co.za.

OUR APPROACH TO COMPLIANCE – ADHERING TO ALL APPLICABLE LAWS AND REGULATIONS

IV

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 the Group Director Affairs' Committee (DAC), which is one of the board committees established in terms of the Banks Act, 94 of 1990.

In addition, we comply with various codes and regulatory requirements. As a member of BASA 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 Banks, and governance and compliance custodians are ensuring continuous compliance with this guideline.

ETHICS AND HUMAN RIGHTS – DOING BUSINESS RESPONSIBLY MEANS DOING BUSINESS ETHICALLY

IV

The board sets the tone at the top and leads the group ethically, effectively, and responsibly within acceptable risk parameters. This is aligned to the King IV principle that 'the governing body should lead ethically and effectively' and formally constitutes one of the 'Board Corporate Governance Objectives' against which the board is measured on an annual basis.

A continued enhancement of Nedbank's ethical culture remains top of mind (through relevant board committees) and executive management (through relevant group executive committees) especially against the backdrop of state capture, the various commissions of inquiry and recent corporate failures. In addition, due to material matters such as the impact of the Fourth Industrial Revolution, a challenging macroeconomic environment, increased emphasis on treating clients fairly, and the fight against corruption, there is a heightened focus on the institutionalisation of ethics and human rights at Nedbank.

The board assumes ultimate responsibility for the group'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, but not limited to:

Board Ethics Statement and ad hoc declarations	Code of Ethics and Conduct	Channels for reporting unethical behaviour
Remuneration Policy	Letter of Representation process	Participation of Nedbank's Ethics Office in high-risk/high-value tenders as an independent observer
Social and Environmental Management System (SEMS) assessments and due diligence for clients	Supplier due diligence and Supplier Code of Ethics and Conduct	Group Reputational Risk Committee

Key actions and initiatives undertaken in 2019 included, but were not limited to, the following:

- Nedbank commissioned The Ethics Institute to conduct an independent ethics risk and opportunity assessment of Nedbank's SA operations, which commenced towards the end of 2019 and the outcomes will be available in 2020. These assessments are conducted every three to four years and recommendations are incorporated into our ethics risk management processes. The assessment was conducted in our Nedbank Africa Regions subsidiaries in 2018.
- A total of 1 991 employees received face-to-face ethics awareness training (in addition to our electronic training and awareness campaigns).
- Through supplier training initiatives, we engaged with more than 220 suppliers and potential suppliers on the topics of ethics, human rights, governance, and ethical tender practices.
- Altogether 140 employees were dismissed in disciplinary enquiries held pursuant to investigations conducted by our forensics division and the Ethics Office.
- Over 15 300 suspicious transactions were reported to the Financial Intelligence Centre.
- The SARB's 'flavour-of-the-year' topic of discussion for banks to present on was 'The creation and institutionalisation of a culture of ethics and awareness'. This presentation to SARB was made by the Chair of the Group Transformation, Social and Ethics Committee with the Group Chief Compliance Officer as the lead executive.

More details on our approach to ethics and human rights are disclosed in our supplementary 2019 Governance and Ethics Review available at nedbankgroup.co.za.

CONFLICT OF INTEREST – MANAGING EFFECTIVELY

IV

A director may accept other board appointments, provided that any potential conflicts are considered and appropriately disclosed and managed, and the appointments do not conflict with the group and/or adversely affect the director's duties. The proposed board appointment must also be agreed with the Chairman prior to the director accepting such appointment.

A director or prescribed officer is prohibited from using their position or confidential and price-sensitive information to benefit themselves or any related third party, whether 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.

Peter Moyo, one of our then non-executive directors who was an Old Mutual Limited nominee director, was and remains involved in a litigation process with Old Mutual Limited, one of our shareholders. The litigation process impacted Peter's board attendance during the year, with his absence noted as an apology. Subsequent to year-end, Peter tendered his resignation as a non-executive of Nedbank Group and Nedbank with effect from 19 March 2020.

VALUES AND CULTURE – LEADING FROM THE TOP

IV

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 Barrett Culture Survey (conducted every two years) showed 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 have revisited our required culture in the context of our strategy, the new world of work and the digital transformation of financial services. 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.

Early signs of culture shifts are positive as evident in outcomes of leadership in digital innovation and improved levels of client satisfaction scores.

DRIVING INNOVATION – CREATING SUSTAINABLE VALUE

IV

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

Nedbank has seen an acceleration in the launch of digital innovations and CVPs, as well as exciting innovations that were launched in 2019. An increased focus on ecosystems and platforms was top of mind in 2019.

Read more about these innovations on pages 46 to 49.

ENGAGING WITH INVESTORS ON ESG MATTERS – A SUSTAINABLE NEDBANK IN A SUSTAINABLE ENVIRONMENT AND SOCIETY

IV

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 sixth ESG roadshow in April 2019 was hosted by Vassi Naidoo (Chairman), Malcolm Wyman (outgoing Lead Independent Director) and Mpho Makwana (incoming Lead Independent Director). As in prior years, the overall response from shareholders was that Nedbank Group is highly regarded for its ESG practices and disclosures, the proactive nature of engaging on ESG and for always considering shareholder inputs. In 2019 the following key topics were discussed: board and executive succession; mandatory audit firm rotation, strategic progress with a particular focus on the Nedbank digital journey; exposures and risk management practices in the context of a more difficult macroeconomic environment; the Old Mutual Limited relationship; as well as components of the Nedbank Remuneration Policy. In addition, Nedbank proactively engaged with stakeholders on climate change ahead of the 53rd AGM.

Read more about some of these discussions on pages 77 and 78.

YOUR VOTE IS NEEDED ON
Climate change resolutions

BOARD EFFECTIVENESS

IV

The size of the Nedbank board, at 15 members, is influenced by the demands of a vast and complex banking industry. The size gives the board adequate membership for its eight board committees, of which four are statutory, while maintaining adequate levels of independence. In addition, it ensures board and management capacity and time to guide the group's strategy.

In compliance with SARB directive 4/2018 relating to the maximum number and/or type of boards a non-executive director may serve on, a non-executive director should not hold more than five directorships of listed and/or significant unlisted operating boards, including the Nedbank boards. Regard is given to the size of the entities of which a director is a boardmember as well as the type of directorships they hold (ie non-executive chair; non-executive; executive; trustee; and/or board subcommittee positions). Time constraints and potential conflicts of interest are balanced against development opportunities relating to more board positions.

Our board and board committees are monitored annually for effectiveness and transparency. Decisions are reviewed for the value that they add to the bank and our clients. The internal evaluations of the board, board committees and those of the subsidiaries (local and international) for 2018/2019 were initiated during December 2019 and January 2020, however due to the Covid-19 pandemic the finalisation has been postponed to later in 2020.

FAIR AND RESPONSIBLE REMUNERATION – ALIGNED WITH VALUE CREATION AND MINDFUL OF THE WEALTH GAP IN SA

IV

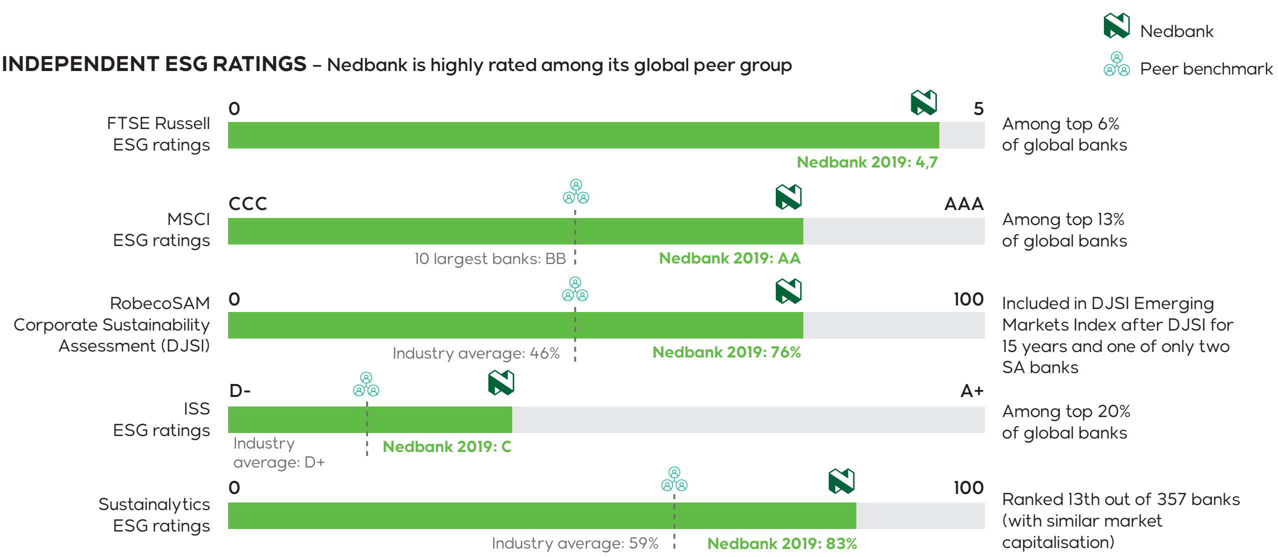
The board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders. Remuneration of executives and staffmembers is linked to sustainable value creation objectives in line with the group's strategy and is based on clear performance targets that have adequate stretch and market benchmarking, at the same time being mindful of the wealth gap in SA.

In 2019:

- management guaranteed pay increased on average by 4,0%, below the average bargaining unit increases of 7,0%. In 2020 executive and cluster management received 0% increases, general management a range between 2% and 4% and bargaining unit staff 6,3% (a blend of 4,5%);
- short-term incentives decreased by 24,2%, reflecting the group's financial underperformance compared to targets set at the beginning of the year; and
- vesting of long-term incentives declined by 22,2% over 2018 due to underperformance against corporate performance targets.

The high-level outcomes for 2019 are shown on pages 88 to 94, with more details in our Remuneration Policy available on our group website at nedbankgroup.co.za.

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

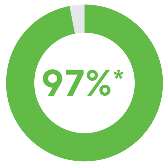


OUR BOARD AND BOARD COMMITTEES

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 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 at nedbankgroup.co.za.

BOARD MEETING ATTENDANCE (2019)



Total number of board and board committee meetings **47**

* *Excluding Peter Moyo*

Nedbank Group Limited and Nedbank Limited

Board of directors Chairman: Vassi Naidoo

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. SARB requires that the GCC is chaired by a non-executive director. The current membership includes five independent non-executive directors, one non-executive director and three executive directors.

Group Information Technology Committee (GITCO)
Chair: Mantsika Matooane

- Oversees the execution of the board's approved IT 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 Group Audit Committee.

Group Remuneration Committee (REMCO)
Chair: Hubert Brody

- 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.

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 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 Related-party Transactions Committee (GRPTC)
Chair: Mpho Makwana

- 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 Transformation, Social and Ethics Committee (GTSEC)
Chair: Mpho Makwana

- 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 Directors' Affairs Committee (DAC)
Chair: Mpho Makwana

- 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.

In terms of the Companies Act the GAC members are appointed by shareholders. However, the Banks Act views the GAC as a board committee subject to SARB oversight. Refer to the resolution for shareholders to vote on the appointment of the GAC members on page 79.

OUR GROUP EXECUTIVE COMMITTEE

The Nedbank Group Exco is a diverse and experienced management team that comprises the Chief Executive (CE), Chief Operating Officer (COO), Chief Financial Officer (CFO) and 11 other members of top management.

Get to know our new Group Exco members

MIKE BROWN [53]
CE
Exco member since:
17 June 2004
Appointed CE: March 2010
26 years' service at Nedbank

RAISIBE MORATHI [50]
CFO
Exco member since:
1 September 2009
10 years' service at Nedbank

MFUNDO NKUHLU [53]
COO
Exco member since:
1 December 2008
15 years' service at Nedbank

TERENCE SIBIYA [50]
Group Managing Executive: Nedbank Africa Regions
Exco member since:
1 April 2020
8 years' service at Nedbank
Qualifications:
- BSc (Information and Decision Systems) *Carnegie Mellon University*
- MEd and EdD in Instructional Systems Design and Information Technology *University of Pittsburgh*
- Advanced Management Programme *Duke University*

Recent roles:
Prior to starting his current role in 2018, Terence was the Managing Executive: Client Coverage in Nedbank CIB.

ANÉL BOSMAN [53]
Group Managing Executive: CIB
Exco member since:
1 April 2020
18 years' service at Nedbank
Qualifications:
- BCom (Econometrics) (Hons) (cum laude) *University of Johannesburg*
- MPhil (Economics) *University of Cambridge*

Recent roles:
In 2015, Anél was appointed as Managing Executive for Nedbank CIB Markets, with responsibility for all trading activities in Nedbank as well as wholesale funding.

BRIAN KENNEDY [60]
Group Managing Executive: CIB
Exco member since:
14 November 2003
23 years' service at Nedbank

CIKO THOMAS [51]
Group Managing Executive: RBB
Exco member since:
18 January 2010
9 years' service at Nedbank

IOLANDA RUGGIERO [49]
Group Managing Executive: Wealth
Exco member since:
1 May 2015
16 years' service at Nedbank

TREVOR ADAMS [57]
Chief Risk Officer
Exco member since:
5 August 2009
23 years' service at Nedbank

MIKE DAVIS [48]
Group Executive: Balance Sheet Management
Exco member since:
1 January 2015
23 years' service at Nedbank

DEB FULLER [47]
Group Executive: Group HR
Exco member since:
25 June 2018
1 year's service at Nedbank

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

Refer to pages 82 and 83 for our progress on sustainable development finance.

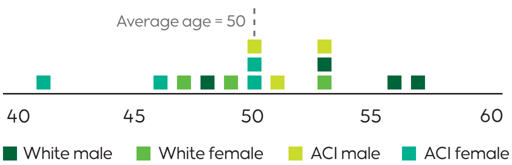
ANNA ISAAC [50]
Group Chief Compliance Officer
Exco member since:
1 January 2019
22 years' service at Nedbank

PRIYA NAIDOO [46]
Group Executive: Strategy
Exco member since:
1 January 2015
18 years' service at Nedbank

KHENSANI NOBANDA [41]
Group Executive: Group Marketing and Corporate Affairs
Exco member since:
15 May 2018
2 years' service at Nedbank

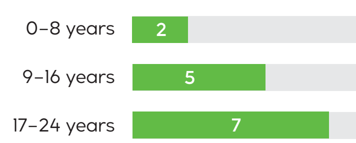
FRED SWANEPOEL [56]
Chief Information Officer
Exco member since:
1 November 2008
23 years' service at Nedbank

GROUP EXCO AGE[1,2]
(Years)



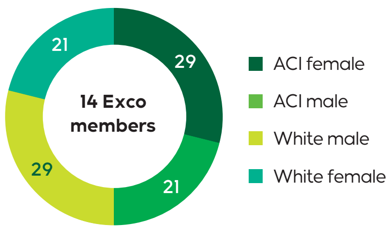
Nedbank policy: *Group Exco members must retire on reaching the age of 60.*

GROUP EXCO TENURE AT BANK[2]
(Number of Exco members)



More than 214 years of combined service.

GROUP EXCO DEMOGRAPHICS[2]
(%)



Group Exco changes:

Additions: Anna Isaac (January 2019), Anél Bosman (1 April 2020) and Terence Sibiya (1 April 2020)

Retirement: Brian Kennedy (end-March 2020)

[1] *Age as at 31 March 2020.*
[2] *Group Exco statistics exclude Brian Kennedy. Brian retired at the end of March 2020, however he will continue to serve as special advisor to CIB until September 2020 in the context of the current environment.*

CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

REFLECTIONS FROM OUR CHIEF EXECUTIVE

"In March 2020, just as we closed the chapter on our 2019 financial year, the rapid escalation of the Covid-19 pandemic and the Moody's and Fitch downgrades of the SA sovereign credit ratings combined to place unprecedented challenges on the SA economy. 2020 will require us to focus on keeping our staff safe and to support our clients in managing through this difficult period, while maintaining our responsibilities to all our other stakeholders and the economies where we operate. While it is not possible at this stage to predict accurately what the outcomes of these health and economic challenges may be for our country or our industry, Nedbank is well prepared to play our part."

Mike Brown, Chief Executive

A VERY DIFFICULT OPERATING ENVIRONMENT

In my 10 years as Chief Executive and six years as Chief Financial Officer before that, outside of the global financial crisis a decade ago, the operating environment in 2019 was the most difficult I have experienced in SA and in Africa. Given recent events, 2020 will be significantly more difficult.

Economic growth in SA during 2019 was much slower than expected as recessionary conditions prevailed and GDP growth ended the year at 0,2% compared to our expectations of 1,3% at the start of the year.

SA is now in the longest economic downswing since records began in 1945. This was mainly due to severe and frequent power outages, the unsustainable fiscal trajectory and ongoing policy uncertainty, combined with a deteriorating global outlook. Under these difficult domestic conditions, company profits and household finances deteriorated during the year, resulting in subdued credit demand, lower transactional volume growth, downward revaluations of equity portfolios and rising defaults across the SA banking industry.

2019 TIMELINE

MARCH
- Launched SA's first zero-monthly-fee account.
- Launched SA's first API platform.

APRIL
- Listed SA's first commercial green bond on the JSE.
- Nedbank signed the CEO Pledge.

MAY
- Launched Eclipse, our end-to-end digital onboarding solution for individual clients.
- Nedbank Group AGM.
- SA held national elections.

JUNE
- Board strategy day.

JULY
- Zimbabwe designated as hyperinflationary effective from 1 July 2019.

In our Nedbank Africa Regions' operations, hyperinflation eroded the value of the Zimbabwean dollar as the country transitioned from a dual-currency system to a monocurrency Zimbabwean dollar system, with the inflation index reaching 552% in December 2019. Elsewhere in SADC, conditions were similarly challenging given their dependency and integration with the SA economy. Further north, conditions in Nigeria remained difficult for our associate investment in Ecobank Transnational Incorporated (ETI), from both an economic and regulatory perspective.

OUR FINANCIAL PERFORMANCE IN 2019 WAS BELOW EXPECTATIONS

In this environment Nedbank Group's financial performance was below expectations as headline earnings declined 7,3% to R12,5bn and the group produced an ROE of 15,0%, above our cost of equity of 14,1%. In addition to the challenging environment, headline earnings were impacted by additional items in the second half of the year, including accounting for the effects of hyperinflation in Zimbabwe, the early exercise of an option that will increase our shareholding in Banco Único to 87,5% (subject to regulatory approval), the downward revaluation of a number of private-equity investments and the increase in impairments off a low base to just above the mid-point of our target range of 60 bps to 100 bps.

The underlying franchise performance was solid and we produced good balance sheet growth with banking advances up 7,2%, deposits up 9,5% and assets under management increased 11,4%. Good cost management, due to lower variable remuneration and the ongoing benefits from optimisation of processes and operations as part of our digital journey, resulted in our cost to-income ratio improving from 57,2% to 56,5%. Our IFRS 9 fully phased-in CET1 capital ratio of 11,5%, average LCR for the fourth quarter of 125% and an NSFR of 113% are all Basel III-compliant, well above regulatory minima and reflective of a strong balance sheet.

DELIVERING ON OUR PURPOSE

Our purpose remains core to what we do, irrespective of the environment around us. Our purpose gives us our social licence to operate and is well aligned with the theme of stakeholder capital emerging from Davos this year and the social compacting messages from the State of the Nation address in SA. I believe that any business that sees itself as separate to the society in which it operates will not be successful and sustainable over time. It is very difficult to operate a successful business in an unsuccessful society. Our purpose – to use our financial expertise to do good for individuals, families, businesses and society – is what we are about and what we do to help society prosper. It has kept us sustainable and successful over that time and celebrating our 50th year of being listed on the JSE in 2019 is testimony to this.

This year we have continued to bring our purpose to life and a few highlights stand out for me:

- In April 2019 we activated our commitment to the YES initiative, placing 3 315 previously unemployed youth both directly and through sponsored placements to give them their first job opportunity. It is unfortunate that in 2020 we will have to scale back on this.
- Nedbank became the first commercial bank to launch a green bond on the JSE and at our upcoming AGM we will be proactively putting two climate-change-related resolutions to the vote as we continue to strive to impact the environment positively. This builds on our leadership position in renewable-energy financing, our operations being carbon-neutral and offsetting our water usage through the removal of invasive alien plants.
- We brought our purpose to market through our brand essence of being money experts who do good and our payoff line of 'see money differently'. Our 'Money secrets' campaign got South Africans talking about money as a first step to making positive and sustainable money management changes. In addition, a total of 175 500 clients attended financial wellness workshops and a further 6,1 million individuals were reached through radio and television shows, reinforcing our message around money management, touching on topics such as budgeting, savings and debt management.
- Lastly, we retained our level 1 BBBEE contributor status.

GOOD STRATEGIC AND OPERATIONAL PROGRESS

We continued to make good strategic and operational progress throughout the year.

A key achievement in 2019 was the launch of our simplified digital onboarding capability for individual clients, coupled with the ability to apply digitally for a personal loan and transactional account. We also concluded pilots for cards, investment products and overdrafts. This is fundamentally changing how we do business, sell products and service our clients.

At the end of 2019 more than 70% of personal loans and transactional products were sold through this new platform and through our apps or the web. In 2020 we aim to roll out digital onboarding and sales to our wholesale clients (juristic) and have our top 10 products digitised. This is a key part of establishing Nedbank as a leader in digital innovation.

Services previously only available through our staff-assisted channels such as changing your PIN or freezing a card, are now available on our digital channels – an increase from 70 in 2018 to 114 in 2019, and we plan to have more than 180 self-service options available on our app and web channels by the end of 2020.

Implementation at scale is never easy, and we had to overcome some initial challenges on stability and response times. These were addressed by our IT and operational teams and by November, and in particular during Black Friday, we processed more than 30% higher volumes than the prior year and our new systems were stable.

AUGUST

- Nedbank celebrated 50 years of being listed on the JSE.

NOVEMBER

- Nedbank the only bank to improve its NPS in 2019.
- Option to increase shareholding in Banco Único to 87,5%.
- S&P and Moody's changed SA sovereign-credit-ratings outlook to 'negative'.
- Board signed off the 2020 to 2022 business plan.

MARCH 2020

- Moody's and Fitch downgraded SA's sovereign-credit rating to subinvestment grade and retained a negative outlook.
- Covid-19 pandemic emerged in SA.
- President Ramaphosa announced a nationwide lockdown effective from 26 March 2020.

When you manage money well, you can make a real difference in people's lives, and the launch of our refreshed loyalty and rewards programme in the second half of 2019 embraces our purpose of using our financial expertise to do good. The programme assists, incentivises and rewards the right money management behaviours while doing good for society. In 2020 we will expand this programme to offer more benefits to clients.

We are also innovating around ecosystems and will launch some exciting innovations to the market in the year ahead. To enable this, we have made investments in data, platforms and interfaces. Another example in 2019 was Nedbank becoming the first bank in Africa to launch an application programming interface (API) platform that is aligned with international Open Banking Standards, making it possible for approved African fintechs to develop innovative digital services. To date, over 100 fintechs and clients of Nedbank have received access and we have successfully launched integrated solutions in our personal loans business.

These innovations, along with many others, position us well to protect and grow our revenues and compete against existing competitors as well as new entrants.

Doing good for clients also means focusing on improvements in client satisfaction levels, leading to more clients doing more of their banking with us and, in turn, leading to a more sustainable and valuable Nedbank business. Our successes in 2019 have been acknowledged by our clients as well as independent surveys and league tables. A few highlights include:

- Nedbank being the only SA bank to improve its Net Promoter Score during the year and becoming the second-highest-rated bank in the Consulta customer satisfaction index.
- The Nedbank Money and Private Wealth apps continue to be rated at the top-end of the SA peer group.
- On wholesale league tables, CIB continued to lead industry league tables in various categories, coming first in dealflow for M&A advisors and third in deal value for M&A sponsors, as well as winning the Dealmakers M&A BEE deal of the year. The business was also ranked number one for debt capital market bond issuances in 2019.
- Nedgroup Investments was named Offshore Management Company of the Year for the fifth consecutive year at the Raging Bull Awards.

As a bank, while we cannot control the economic environment around us, we have to do all that we can to focus on those things that we can control, and in this regard expense management has been a big focus with overall expenses increasing only 1,7% during 2019 and the cost-to-income ratio reducing from 57,2% to 56,5%.

As we digitise services that were previously offered only inbranch, we are also benefiting from efficiencies as the cost to onboard and serve our clients decreases significantly – more and more transactions are performed seamlessly and from end to end without human intervention. Our Target Operating Model programme (TOM 1.0) recorded additional savings of R480m in 2019, with cumulative savings now amounting to R1,1bn at 31 December 2019, which is ahead of our R1,0bn target by 2019 and on track to exceed the R1,2bn target by 2020 (as disclosed in the corporate performance targets in our long-term incentive scheme).

We are currently strategising about a TOM 2.0, which will look at the shape of our branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure to be more client-centred, as well as shared services optimisation across the group. We anticipate targets for TOM 2.0 will be communicated to the market in early 2021.

FOCUSING ON OUR PEOPLE AS OUR BUSINESS TRANSITIONS

Rapid technological advancement and changing client behaviours have been the catalyst for many organisations in the financial services sector to reshape their business models in order to remain relevant and competitive, and Nedbank is no different. We are doing everything we can to make sure this transition is fair and just, and in line with our history and values to ensure that job losses are only as a very last resort.

Globally, administrative jobs are being replaced increasingly by digital solutions and during 2019 our overall headcount reduced by 1 874, mainly through natural attrition. Through our Agility Centre we placed 620 staffmembers in other internal jobs and limited retrenchments to 158. We continue to focus on training, developing and reskilling our people to be prepared for this ongoing digital transformation. In addition, our cultural transformation programme and new Ways of Work practices continue to transform Nedbank to become more client-focused, digital, competitive and agile.

STRATEGIC PROGRESS IN THE 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. The continent provides a compelling long-term growth opportunity for Nedbank as our SA clients expand in sub-Saharan Africa. 2019 was a difficult year for our operations in SADC, while our strategic partner in West Africa, ETI, experienced pressure in its operations in Nigeria.

In this context, we continue to optimise our portfolio in SADC to position us for the long term:

- Following a strategic review, we disposed of our 100% shareholding in Nedbank Malawi and the transaction concluded in the first quarter of 2020. Nedbank Malawi was a small bank in a small market and only contributed 0,1% to the assets and headline earnings of the group.
- Operating in Zimbabwe remains challenging as policy uncertainty, increased government expenditure and a lack of foreign direct investment have severely damaged the Zimbabwean economy, contributing to hyperinflationary conditions. This had a negative R142m headline earnings impact on the group compared to a positive R108m of headline earnings in 2018. In 2020 we will be focusing on the reconfiguration of the shape of our balance sheet and business operations in the country where we have R123m of capital invested alongside a loyal client base and staff contingent.
- We are increasing our shareholding in Banco Único in 2020 from 50% plus one share to approximately 87,5% and the transaction is expected to be concluded in the first half of 2020, subject to regulatory approval. This positions us well to benefit from the growth opportunities in Mozambique particularly around liquefied natural gas.

With regard to ETI, our focus will remain on the delivery of the ETI board-driven agenda, commercialisation of initiatives and the increase of business flows. The recent drop in the oil price is likely to add to the already difficult conditions in Nigeria and increases the risk of future impairment of our investment in ETI.

LOOKING AHEAD TO THE CHALLENGES OF 2020

In recent weeks we have seen the increasing impact of Covid-19 on individuals, families, businesses, societies and countries as infection rates escalate around the world and here in SA. In response to this, governments everywhere are implementing emergency lockdown measures to curb the spread of the virus and these in turn are having enormous impacts on economic activity. The duration and impact of these interventions are not possible to forecast accurately. I would like to assure stakeholders that we are working tirelessly to ensure that we are able to deal with this escalating challenge. While our number-one focus is on the health and safety of our staff as we continue to serve our clients given that banking is an essential service, we have pivoted our strategy to increase focus on managing liquidity, capital, market and credit risk alongside ongoing scenario modelling and stress testing.

In early March 2020 at the time we released our 2019 results, the Nedbank Economic Unit forecast SA's GDP growth prospects to remain subdued at 0,7% in 2020 and 1,1% in 2021, undermined by persistent energy constraints, weak government finances and slow progress in structural reforms. As highlighted in our results, our financial guidance that we released on 3 March 2020 for growth in DHEPS for the full year 2020 to be around nominal GDP growth was based on this macroeconomic outlook.

As a result of the rapid escalation in the impact of the Covid-19 pandemic since 3 March 2020 and the 35-day lockdown in SA, together with the Moody's downgrade and noting the high degree of forecast risk in this environment – on 14 April 2020 the Nedbank Group Economic Unit updated our macroeconomic outlook and we now expect a GDP decline of 7% in 2020. Growth in 2021 is expected at 2% off a low base. As a result of this change in our macroeconomic outlook, on 14 April 2020 we have withdrawn the financial guidance we issued as part of our 2019 financial results announcement on 3 March 2020. Revised guidance will be provided when economic outcomes and regulatory interventions become more certain.

The SA banks through the Banking Association of South Africa (BASA) are actively engaged with SARB and have agreed to do all in their power to play their role in supporting their clients and the economy in this period while at the same time preserving the safety and soundness of the financial system. We commend SARB on the proactive stance they have taken in amending certain prudential regulations and guidelines to enable banks to increase their support of clients and the economy in these difficult times.

Nedbank Group's capital position remains solid with large liquidity buffers, having reported a CET1 capital ratio of 11,5%, well above the regulatory minimum of 7,5% and strong liquidity metrics evidenced in a liquidity coverage ratio (LCR) of 125% and net stable funding ratio (NSFR) of 113% at 31 December 2019. At time of writing Nedbank Group remained in full compliance with all prudential regulatory requirements.

In 2019 as we celebrated 50 years of being listed on the Johannesburg Stock Exchange this year, I reflected on the resilience we have displayed and the ups and downs we have had over time. 2020 will be a challenging year, but this reflection filled me with optimism and confidence that no matter what challenges there are in the years to come, Nedbank is well equipped to adapt and thrive over the long term.

APPRECIATION

Our people are at the heart of what we do and the value we deliver. Thank you to all Nedbankers for the incredible work you do, particularly in the challenging time we are facing, and bringing our purpose to life. We thank our 7,8 million retail and wholesale clients for choosing to bank with Nedbank and we appreciate the support of shareholders as well as all other stakeholders who continue to work with us to create a better SA and an African continent for all its people.

I would like to thank the Chairman, the board and my executive team for their continued guidance and support. A special word of appreciation to Brian Kennedy, who retired at the end of March 2020 and was instrumental in building Nedbank CIB as one of SA's strongest corporate and investment banks. Congratulations to Anél Bosman on her appointment as Managing Executive: CIB to replace Brian and to Terence Sibiya, Managing Executive: Nedbank Africa Regions, on his appointment to the Group Exco. I am also grateful to Brian Kennedy for agreeing to remain as a special advisor to CIB for the next six months in the context of the current environment.

Mike Brown
Chief Executive

RESPONDING TO THE IMPACT OF COVID-19

While our material matters on the following pages set the agenda for our strategic actions over the coming years, from March 2020 we witnessed the impact of the Covid-19 pandemic on individuals, families, businesses, societies and countries as infection rates escalated around the world and in SA. In response to this, governments globally have implemented emergency measures to curb the spread of the virus. At Nedbank we have and continue to work tirelessly to ensure that all our stakeholders deal with this escalating challenge. Our primary focus is on the health and safety of our staff alongside the continuous and uninterrupted provision of worldclass banking and other financial services to our clients.

Financial markets dropped sharply and market movements are more volatile than during the global financial crisis as investors reduced their risk appetite and grappled with estimating the economic impacts of Covid-19 – with many economists predicting that some form of global recession is likely. In addition, global oil markets have also dropped sharply following disagreements between Russia and Saudi Arabia on levels of supply. Events like these are difficult to predict and referred to as 'black swan' events – meaning they are rare events that can have extreme consequences. On their own, the spread of Covid-19 or the oil price fall would be difficult for many parts of the world to deal with, but together they are exceptionally challenging.

Despite various scientific and forecasting models, the real long-term impact of these events on economic growth will only emerge over time – but in the short term economic activity in many places has dropped materially and financial markets are likely to continue to be volatile as more data on infection rates and economic activity emerges. This is likely to be particularly the case in SA as our economy was already under stress, so these events could not have come at a worse economic time for our country.

SA GOVERNMENT'S RESPONSE

President Ramaphosa announced a nationwide lockdown effective from midnight, 26 March 2020, resulting in non-essential services being closed for a period of 35 days. Banks have been declared an essential service during the 35-day lockdown. As a result, all Nedbank essential banking services will remain open during the lockdown to ensure clients can continue to access essential financial services while keeping our staff safe through the significant health and safety measures taken.

The banks through the Banking Association of South Africa (BASA) have agreed to do all in their power to play their role in supporting their clients in this period of enormous challenge for all South Africans while at the same time preserving the safety and soundness of the financial system.

Similar measures have been taken by governments in other African countries.

WHAT WE HAVE DONE IN RESPONSE

While the circumstances leading to this outbreak are largely out of our control, at Nedbank we manage the escalating spread by being proactive and responsible. We have implemented precautionary and preventative actions to help ensure the health and wellbeing of all our staff, clients and other stakeholders, and to ensure Nedbank's business continuity and continuous service to our valued clients.

We have established the Market Crisis 2020 and Covid-19 Exco Committee to oversee our actions and manage the unfolding risks. This committee is supported by the Pandemic Steering Committee, focusing on operational matters, including managing business continuity plans, the Liquidity Covid-19 Crisis Steering Committee focusing on maintaining a healthy liquidity position and the Credit Covid-19 Crisis Committee looking at and managing credit risks as they emerge and working with BASA on regulatory relief required to enable banks to continue supporting their clients through the crisis. In addition, our various clusters have specific working groups in place to manage through the crisis.

Below are some of the key actions we have implemented to date.

Staff

- We activated our business continuity plans, tailored for the Covid-19 pandemic and the 21-day lockdown.
- All staff who are able to work from home have been allowed to do so – 81% of our staff were equipped to work remotely because of our continued focus on technology enablement.
- Various critical functions that cannot function remotely continue to operate at Nedbank premises, and we split up teams between offices, different floors and resumption sites.
- A dedicated Nedbank Covid-19 portal was established to provide information on our policies, health precautions, ICAS support, FAQs and other staff updates regularly.
- All conferences, functions, training and other events were prohibited.
- The health and safety of our staff remain paramount and we have increased focus on sanitation and health practices.

Clients

- While there will be changes to how we operate, providing excellent service to all our clients and maintaining all Nedbank's business operations and services at the highest level possible continue as before.
- Although with reduced physical presence, we continue to enable and educate our clients around banking through our mobile and web capabilities. Clients are encouraged to use Nedbank's digital channels and other self-service options, so they stay safe by doing their banking at home with all the security they require. The implementation of our digital onboarding, sales and servicing capabilities has proven to be beneficial in this time and we continue to focus on further rollout during the year.
- Nedbank is committed to supporting clients during this time of uncertainty and have a number of solutions available to assist clients in good standing who are impacted by this pandemic. We are working alongside and support our clients with suitable individual solutions to manage cashflow challenges they may experience. This support includes deferring payments (or part thereof) for a suitable period, extending existing loan periods or extending additional credit to manage short-term cashflow shortfalls. In this context we expect impairments to increase.

Regulators

SARB and the Prudential Authority (PA) announced various measures to support the banking system in SA. These include:

- **Liquidity** – a number of changes were made to SARB's current liquidity management strategy to assist domestic banks in their role of supporting the domestic financial system, including individuals, SMEs, corporates and asset managers. Some of the changes include:
  - SARB will provide supplementary overnight repos, inject more liquidity into the system if required and give banks access to standing facilities as provided for in times of market stress. Domestic banks will use these facilities as and when required to assist with the orderly transmission of liquidity through the banking system.
  - To add liquidity to the financial system, SARB will buy government securities in the secondary market across the yield curve.
- **Guidance notes and directives** – the PA additionally announced various guidance notes and directives to support the SA banking system. These include:
  - Matters relating to the application of International Financial Reporting Standard (IFRS) 9 in response to the Covid-19 pandemic – Banks should carefully assess all reasonable and supportable information that is available to make a distinction between those accounts/portfolios whose credit risk has increased significantly (stage 2 or 3) and those whose credit risk has not increased significantly (stage 1). If accounts that are not expected to remain in good standing post the relief measures or despite the relief measures, still exhibit signs of distress, they should be modelled in a way that illustrates the increase in credit risk (stage 2 or 3). In addition, since these relief measures are intended to provide temporary relief, it is unlikely that these would result in substantial modifications resulting in derecognition of the financial assets.
  - Matters related to temporary capital relief to alleviate risks posed by the Covid-19 pandemic – The PA has implemented measures to reduce the specified minimum requirement of capital and reserve funds to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole and to individual banks. These measures are intended to provide relief to banks in response to the Covid-19 pandemic, thereby enabling banks to continue providing credit to the real economy during this period of financial stress.
  - Matters related to the treatment of restructured credit exposures due to the Covid-19 pandemic – The PA is supportive of Covid-19-related relief initiatives, such as payment holidays being offered by banks, in order to provide relief to certain borrowers who were up to date at 29 February 2020 in an effort to mitigate the impact of the pandemic. Consequently, the PA has implemented measures to ensure that these initiatives, such as holidays, do not result in unintended consequences such as inappropriate higher capital requirements. In response, the PA has provided temporary relief for qualifying loans from portions of Directive 7/2015 dealing with distressed restructures. Importantly, this relief covers retail, SME and corporate loans, including all specialist asset classes such as commercial property.
  - Temporary measures to aid compliance with the liquidity coverage ratio during the Covid-19 pandemic stress period – The PA has deemed it appropriate to amend the minimum LCR requirement temporarily to 80% effective from 1 April 2020.
  - Recommendations on the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in the light of the negative economic impact of the Covid-19 pandemic.

We continue to work closely with our regulators to manage emerging risks, ensure liquidity and support of the SA banking system.

Society

If ever there was a time to be the difference that impacts our world; if ever there was a time to be stronger together, the time is now. At Nedbank we will continue to use our financial expertise, in this difficult time, to do good.

- All Nedbankers are called upon to embrace our Nedbank Pledge - to be mindful and to set an example not only for other Nedbankers, but for our families, clients and communities in preventing the spread of Covid-19.
- We continue to pay our exempt microenterprises within seven days and qualifying SMEs within 30 days from invoice for services rendered.
- Our market-leading digital banking solutions support clients to do payments remotely and from home as we support efforts to 'flatten the curve'.
- Nedbank is one of the four leading banks that will administer the South African Future Trust scheme (established by Nicky and Jonathan Oppenheimer) to facilitate the distribution of loans to small businesses. This will be at no cost to the fund and we have also waived our normal credit fees for all loans approved under the scheme to maximise the funds available to recipients.
- We will be donating R12m towards Covid-19 relief efforts – of that R5m specifically for the Red Cross.
- For the duration of the current lockdown and to help those most vulnerable in our society, we have significantly reduced our charges for South African Social Security Agency (SASSA) grant beneficiaries and increased the number of pay points they can use to collect their grants, which will help maintain social distancing in queues at bank branches and retailers. This means SASSA beneficiaries will have more options for collecting their grants, including using ATMs at reduced costs.

SDGs IMPACTED:

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH | 17 PARTNERSHIPS FOR THE GOALS

Given the unfolding impact of the Covid-19 pandemic, our targets and guidance are at risk. On 14 April 2020 we have withdrawn our financial guidance until we have more clarity and certainty of the impact on our business.

WHAT WE HAVE DONE IN RESPONSE continued

Shareholders

Our focus in this uncertain period remains on credit, liquidity and capital. We are managing emerging risks, monitoring our exposures/positions given material market movements, managing liquidity and capital levels, as well as working with regulators to ensure a stable banking system (see key regulatory actions on the previous page).

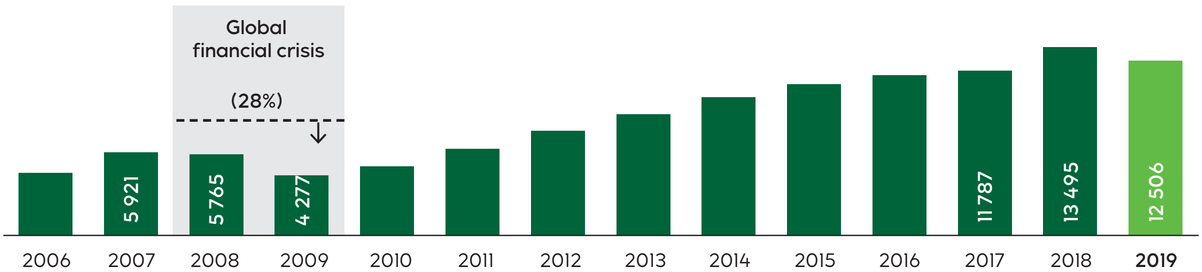
As at 14 April 2020, Nedbank has complied with all minimum regulatory requirements, including LCR, NSFR and capital ratios. Shareholder concerns around credit risk have increased. To this end, we have reviewed key risk portfolios and continue to manage emerging risks through the crisis:

- Oil and gas – a review of Nedbank exposures highlights no immediate issues at US$25–US$30/barrel and many clients have hedges in place for the next 6-18 months and/or their cost of production ensures profitability at these lower oil prices.
- Aircraft finance – general pressure is experienced, and we expect to support clients through this difficult period. Our exposure to SAA, which is the largest proportion of our exposure, is government guaranteed.
- Key sectors are being monitored, including hospitality, hotels, SMEs, retail shopping centres (and the broader commercial-property portfolio), exporters and mining companies. Consumers are likely to be under pressure, but will likely benefit from lower petrol prices and reduced interest rates. As noted, we will continue to work closely with our clients to assist them through this period.
- Single stock futures, contracts for difference and share-based lending deals show no material issues.
- From a trading perspective we remain profitable and have benefited from increased volatility and hedging activity into the lockdown. We expect client volumes to drop off as a result of both the lockdown and the slowdown in economic activity.
- ETI Nigeria is likely to be impacted by lower oil prices and there is now an increased risk of impairment on Nedbank's ETI investment.
- We continue to conduct stress testing and analysis to understand the potential impact on the bank and our clients.

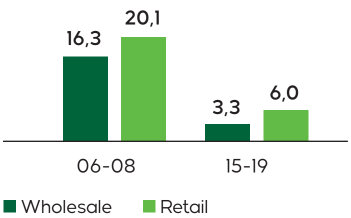
While confidence and client activity are likely to be negatively impacted, we are focusing on what we can control, in particular costs and progressing strategic initiatives that support revenue growth and efficiencies through the cycle.

AS WE ENTER THE COVID-19 CRISIS WE ARE IN A STRONGER POSITION THAN AT THE TIME OF THE GLOBAL FINANCIAL CRISIS

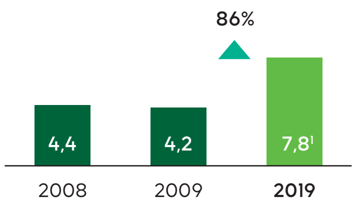
HEADLINE EARNINGS
(Rm)



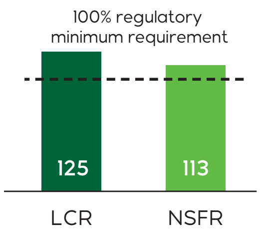
LOAN GROWTH
(CAGR%)



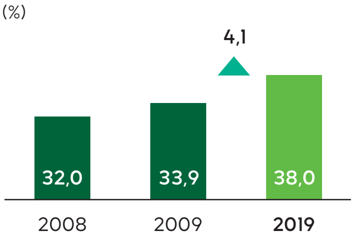
NUMBER OF CLIENTS
(m)



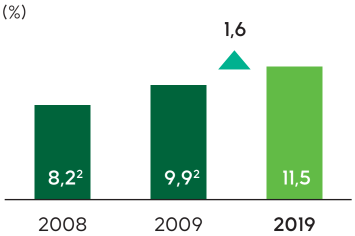
STRONG LIQUIDITY POSITION
(% as at 31 December 2019)



STAGE 3 OVERAGE
(%)

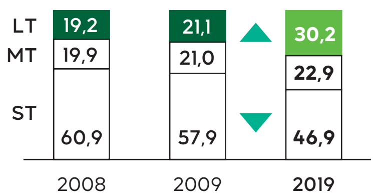


CET1 RATIO
(%)



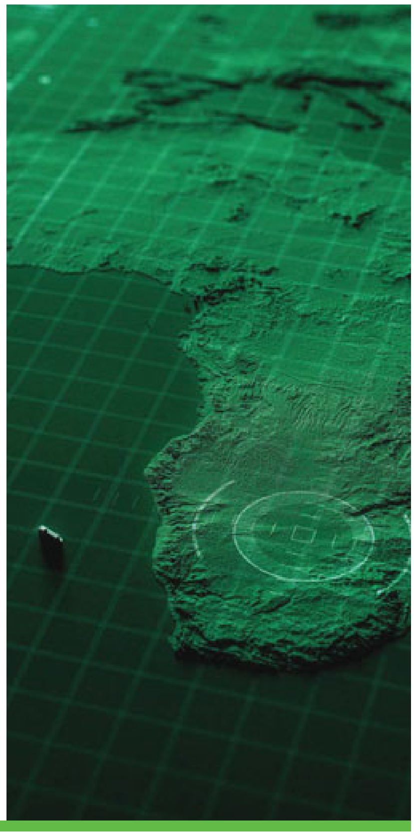
[1] Includes dormant account closures.
[2] Core equity tier 1.

FUNDING TENOR
(%)



RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

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 and influence our business model. While these issues change over time as new trends and developments shape the macro environment and our stakeholders' needs evolve, the broad themes have remained consistent over the past few years. Our material matters are: the SA macroeconomic environment; managing growth opportunities versus volatility in the rest of Africa; transformation of society within environmental constraints; changing relationships between business, government, labour and civil society; disruptive technologies and digital adoption; requirements for scarce and evolving skills; increased competition and the threat of new entrants; and demands on governance, regulation and risk management. These have been amended to reflect the impact of the Covid-19 pandemic where relevant.



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.

A key recurring topic during our discussions with the investment community over the past few years has been the subdued level of economic growth in SA and Nedbank's outlook for the macroeconomic environment. Rather than an instantaneous acceleration in economic growth, the turnaround story for SA is that we are in the early stages of an 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 such as electricity supply stability, policy certainty and the country's fiscal position. The endgame is higher levels of inclusive growth, which will support job creation and reduced levels of unemployment, poverty and inequality.

Progress on structural reforms and policy certainty – too slow.

Early stages of an institutional turnaround in SA.

Structural reforms and policy certainty.

Improved levels of business and consumer confidence.

Increased levels of local and foreign investment.

Increased levels of inclusive economic growth.

Job creation and reduced:

- unemployment;
- poverty; and
- inequality.

Scenarios for the short to medium term

In the context of challenging macroeconomic dynamics we have created scenarios that represent the underlying assumptions for our three-year planning (2020 to 2022), stress testing and communication to the investment community.

These scenarios were set in January 2020 and formed the base case of our 2020 financial guidance, which is no longer valid.

Given the developments in March 2020 around lower oil prices and the emerging and unknown impact of the Covid-19 pandemic on both global and local economic growth, we have updated our January 2020 base case scenario titled: 'More of the same' with a new base case scenario titled: 'Managing through the Covid-19 crisis' based on our revised April 2020 economic forecasts. We additionally introduced a severe stress scenario (should the crisis not be contained in a reasonable period, both globally and locally in SA and the rest of Africa).

January 2020 scenarios

'More of the same' scenario - January 2020

The January 2020 base case scenario formed the foundation of our initial financial planning. In this scenario the pace of structural reforms remains slow. The fight against corruption continues, but ideological and other divisions within the ruling ANC party persists, undermining policy clarity and decisive action on key regulation, legislation and infrastructure. While some concessions are made towards allowing greater private sector involvement in energy generation and other systemically important infrastructure markets, the status quo largely persists. Electricity constraints, coupled with weak government finances and persistent policy uncertainty, keep confidence fragile, fixed-investment activity contained and job creation limited. A Moody's downgrade of the SA sovereign-credit-risk rating to subinvestment grade was expected, and materialised in March 2020. Its impact was largely discounted as CDS spreads and bond yields already traded above countries with similar ratings. Its impact is largely discounted and investors seek higher yields. However, sentiment swings between risk-on and risk-off conditions, while a Chinese economic recovery is expected in H1 2020 post the Covid-19 impact. Economic growth in SA recovers only slowly but remains at generally weak levels of less than 1,5% per annum over the next three years, primarily given the shortage of electricity supply and loadshedding at stage 1 and 2 for the next 18 months. These subdued demand conditions assist to contain inflation, which is forecast to hover around the 4,5% mid-point of SARB's target range. While scope for further monetary easing exists, these are balanced by adverse consequences of heightened fiscal and ratings risks, keeping the rand vulnerable to sudden changes in foreign investor sentiment. Interest rates are assumed to remain steady at current lower levels throughout the forecast period (with some probability of further decreases), providing some relief to indebted consumers. (This scenario is no longer relevant given the impact of the Covid-19 crisis.)

'Seeing light' scenario - January 2020

In this January 2020 scenario government embraces the need for structural reforms and policy certainty. The state not only presents a pragmatic strategy for structural reform but starts implementation in a determined, systematic and pragmatic manner, with misplacement and other costs well managed and contained. Confidence improves and fixed-investment activity gradually picks up around the second half of 2021, resulting in some recovery in job creation. As the economy slowly gathers some pace, government finances strengthen moderately, and Moody's maintains the country's investment grade credit risk rating. The rand is supported by greater investor confidence and helps to keep inflation in check, creating some scope for lower and steady interest rates. Credit demand recovers as household and business confidence and finances improve, and defaults decrease. Globally, trade wars subside and commodity prices gain momentum, while we experience risk-on conditions and containment of Covid-19. (This scenario is no longer relevant given the impact of the Covid-19 crisis.)

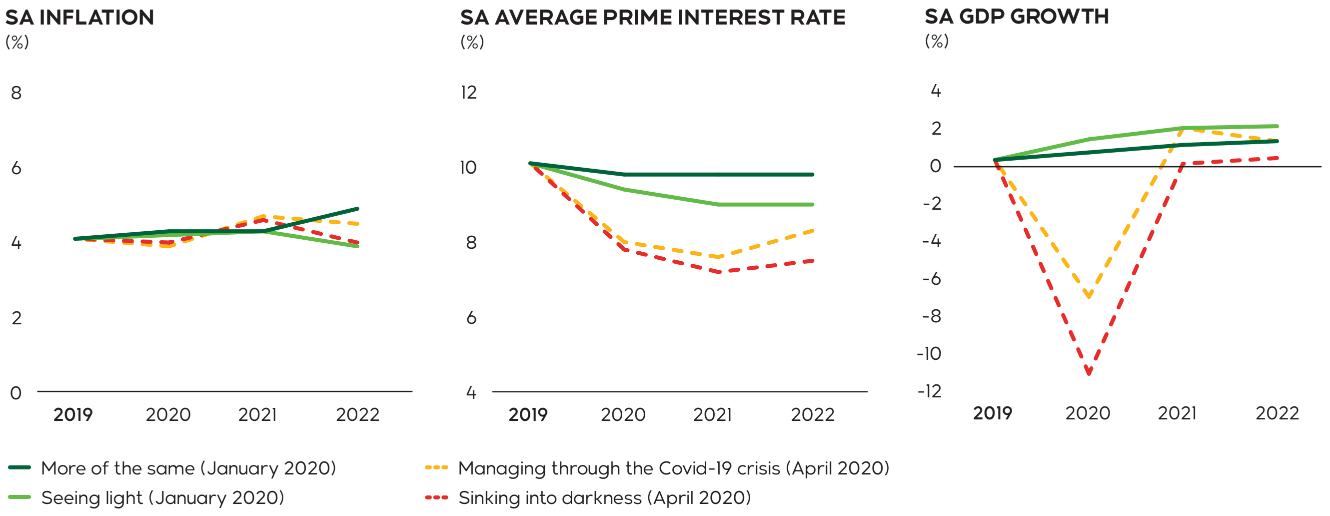
March 2020 scenarios

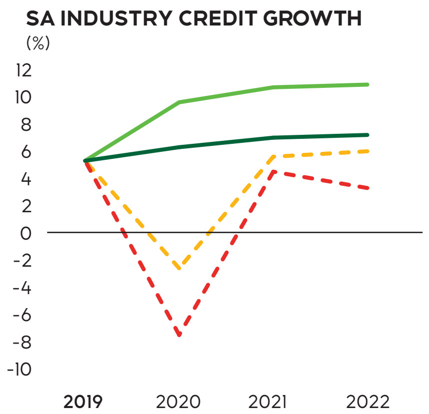
'Managing through the Covid-19 crisis' scenario - April 2020

The global economy enters recession in 2020 and growth recovers off a low base thereafter. Capital flows are erratic due to a risk-off environment. Deflationary pressures mount given the slump in oil prices. Major central banks keep interest rates low and continue to inject liquidity. Locally, we see temporary cohesion around Covid-19 containment but concerns around corruption and direction around economic policies return. The 'State of disaster' eases some pressure on Eskom. Later in the year power outages return. State reforms are limited and government finances deteriorate further. The lockdown is assumed to last 35 days and economic activity slowly builds up. Economic growth enters recession with GDP declining in 2020 by 7% before recovering off a low base. The Moody's sovereign-credit-rating downgrade is discounted by the market. Inflation declines to below the mid-point of the MPC's target range (3,9%) in 2020 and remains subdued thereafter. Interest rates in 2020 decline by 250 bps and moderate tightening is only expected from late 2021. Credit growth declines despite distressed borrowing and Covid-19 support measures. Corporates drawdown facilities and many industries experience stress, while households extend borrowing but banks remain cautious of higher levels of indebtedness during the crisis.

'Sinking into darkness' scenario - April 2020

In this high-risk and high disinflationary scenario the global impact of the Covid-19 pandemic extends into Q3 2020 but is eventually brought under control. Commodity prices rise briefly in H2 2020 before drifting lower. A risk-off environment remains despite monetary accommodation. Locally, poor service delivery, the land issue and SOE reforms lead to social discontent and unrest. Loadshedding continues and remains a problem. The fight against corruption loses momentum and attempts to resolve policy paralysis fail; public finances worsen, prompting further sovereign credit ratings downgrades. This scenario assumes the initial lockdown fails to contain the spread of the virus and is further extended to 42 days, with the bulk of the economy remaining in shutdown for an extended period. The economy contracts sharply in 2020 and at a lower level in 2021. Company failures rise and unemployment spikes. As a result consumer spending is negatively impacted and fixed investment remains weak, only recovering late in the period. Credit growth declines and recovery off a low base only starts in 2021. Arrears and bad debts worsen.





Given the impact of the Covid-19 pandemic on commercial property, some investors are concerned about Nedbank's exposure. As a market leader in commercial-property finance, Nedbank has a well-diversified commercial-property finance book managed by an experienced team. The portfolio contains good-quality collateralised assets with low average loan-to-value ratios (December 2019: 48%), underpinned by a large cash-producing asset pool and a strong client base, meaning that many clients can manage short-term cashflow disruptions with their own resources and Nedbank is well positioned to provide additional support on a case-by-case basis to clients in good standing, as contemplated in the PA's directive on the treatment of restructured credit exposures due to the Covid-19 pandemic – refer to page 33 for further details..

Our opportunities

Economic recovery – An improvement in socioeconomic conditions, under both 'More of the same' and 'Seeing light' scenarios, supports banks. Opportunities include improving sentiment and confidence driving higher levels of corporate and consumer spending and investment, growth in infrastructure, an increase in mergers and acquisitions activity, and potential alleviation of stress for consumers as interest rates remain flat or decrease further. 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. Given the impact of the Covid-19 pandemic this is only likely in 2021.

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 45 to 59.

Our key risks and mitigating actions

Economic recovery – For banks an ongoing uncertain economic environment would have a negative impact on earnings growth potential under both a 'Managing through the Covid-19 crisis' and a 'Sinking into darkness' scenario. Key risks include slow advances growth, particularly muted retail lending and corporates not investing, lower interest rates (endowment impact), slower transactional volumes that impact revenue growth and higher bad debts driven by job losses and corporate defaults. Managing costs wisely is an imperative, as we discuss on page 53.

The Covid-19 pandemic is likely to result in more challenging economic conditions with an increased focus on credit risk, liquidity management and capital preservation. The financial impact is still emerging and not fully quantifiable.

Exposure to SOEs – Nedbank's exposure to SOEs is limited and loans to Eskom and SAA are largely guaranteed by government. This risk is discussed further on page 51.

1 **Business (global and country) risk** **3** **Liquidity risk** **4** **Credit risk**
5 **Capital risk** **6** **Market risk** **9** **Reputational (and association) risk**

For more details on our top 12 risks refer to pages 62 to 64.

How does this material matter impact our business model?

In a difficult SA macroeconomic environment, we are accelerating delivery of digital innovations and the drive for greater levels of digital sales and service to improve client satisfaction, explore new revenue streams beyond banking and reduce costs. The focus on risk management, and credit risk, in particular, increases. The behavioural outcomes of the Covid-19 pandemic is likely to drive increased levels of digital adoption and promote greater levels of flexible work practices.

MANAGING GROWTH OPPORTUNITIES VERSUS VOLATILITY IN THE REST OF AFRICA

Against a muted SA economic outlook, sub-Saharan Africa (SSA) is considered to be an attractive long-term investment region, fuelled by its strong economic growth potential. Strong population growth, a long-term rise in the middle-class population, urbanisation trends, increasing technology usage and abundant natural resources are key drivers for investments in SSA. In the short term, the impact of the Covid-19 pandemic is likely to have an adverse effect on economies.

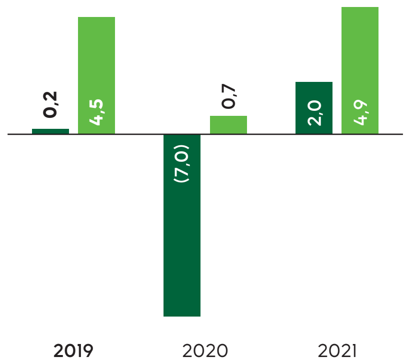
African governments are driving efforts to tackle infrastructure bottlenecks and improve the regulatory environment to attract foreign direct investment, along with additional opportunities brought about by the recent ratification of the African Continental Free Trade Area Agreement (AfCFTA). Continued implementation of the agreement should boost intra-Africa trade in the medium to long term.

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 SSA.

The International Monetary Fund (IMF) revised GDP growth for SSA (excluding SA and Nigeria) in 2020 to 0,7% and forecast sustained levels of growth above 4% thereafter, on a sustainable basis, much faster than SA. In SADC, where Nedbank operates, the economy of Zimbabwe will continue to be challenging given hyperinflationary conditions, while Mozambique has significant growth potential in the long term given gas exploration possibilities. Other SADC countries closer to SA are expected to recover in line with SA's economic prospects. Key markets in which ETI operates, such as Ghana and Côte d'Ivoire, should see some improvement, but operating conditions in Nigeria remain challenging from both an economic and regulatory perspective.

Similar to SA, governments across the rest of Africa have implemented various emergency measures to curb the spread of Covid-19. These measures will negatively impact in-country economic growth, along with the effects of a global recession, particularly for those economies dependent on the export of resources.

SA GDP VS SSA GDP (EXCLUDING SA AND NIGERIA) GROWTH – 2019 TO 2021
(%)



Source: Nedbank and IMF (April 2020)

Our opportunities

Expansion into the 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. Read more on page 54.

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 45 to 59.

Our key risks and mitigating actions

Zimbabwe – We are conscious of the challenging environment in Zimbabwe and its impact on our staff, clients and operations. Consequently, we have begun to reconfigure the business operations to respond to the new market realities. The balance sheet size of our Zimbabwean operations is less than 0,2% of the group.

ETI (sustainability of earnings) – Risks around our strategic partner, Ecobank, which is more directly exposed to Nigeria, remain top of mind. ETI has delivered good performances in its West African business and seen a recovery in Central, Eastern and Southern Africa, but this is offset by economic and regulatory challenges impacting its Nigerian business. As a 21% shareholder we continue to work with the ETI board to improve governance, risk practices and unlock growth opportunities.

COVID-19

The Covid-19 pandemic is likely to result in more challenging economic conditions with an increased focus on credit risk, liquidity management and capital preservation. The financial impact is still emerging and not fully quantifiable.

1 Business (global and country) risk
8 Regulatory, accounting and compliance risk
9 Reputational (and association) risk
11 Strategic execution risk

For more details on our top 12 risks refer to pages 62 to 64.

How does this material matter impact our business model?

Increasing our exposure to the rest of Africa requires investment for the future and this will be realised only in the medium to long term. To date we have replaced our core banking system in our subsidiaries, rolled out new products and are leveraging our SA digital innovations for deployment in these countries. We are increasing our shareholding in Banco Único (Mozambique) to 87,5% and have sold our operations in Malawi (where we had a 1% market share) to position the group for the future.

TRANSFORMATION OF SOCIETY WITHIN ENVIRONMENTAL CONSTRAINTS

The World Economic Forum (WEF) has highlighted geopolitical and geoeconomic tensions, along with domestic political strains in many countries, as key hurdles to addressing the most urgent global risks effectively. The lack of progress in addressing these risks is driving greater levels of sociopolitical tension.

Environmental risks remain among the top global risks identified by the WEF, both in terms of likelihood and potential impact. These include extreme weather, natural disasters, water crises and failure of climate change mitigation and adaptation. The interconnectedness of these risks with human wellbeing means that they pose increasing systemic challenges to communities, corporations and governments. In SA, the Western Cape's brush with Day Zero and the continued extreme water shortages being experienced in many other parts of the country emphasise how heavily we rely on the environment for economic prosperity and social stability, and how much a natural ecosystem failure puts the wellbeing of communities at risk.

Global inequality (between countries) may have decreased in recent years, but within many countries, including SA with its high and growing unemployment rate of 29%, it continued to rise. While the IMF forecasts the slowest growth in the global economy since 2008/09, the drive to address inequality, unemployment and poverty on the African continent cannot stall.

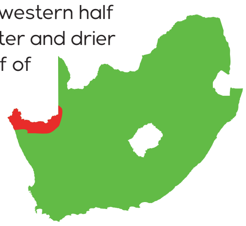
Unless this fundamental interdependence of human development and environmental wellbeing is properly appreciated, modern economies will remain under threat. More than 200 of the globe's largest companies have estimated that climate change could cost them (and their shareholders) nearly US$1 trillion if no action is taken. At the same time, they agree that there are significant economic opportunities if the right strategies are implemented. Climate-related losses will be experienced unequally, with the highest economic costs being felt by large economies, and the risk of exposure, death and non-economic costs being more severe in poorer economies.

Understanding the potential impact of climate change

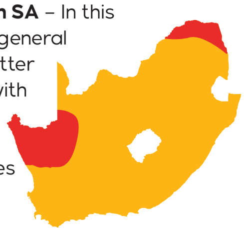
Southern Africa is particularly vulnerable to climate change because of its geographic positioning with local average temperature increases anticipated to be twice that of the global average. As such and according to the Paris Agreement it is essential then to limit the global average temperature increase to 1,5 °C above preindustrial levels. The consequences for not doing so will have serious economic, social, and environmental implications for the region and on, among other things, human discomfort/health, rainfall patterns and agriculture potential.

The NBI Climate mApp demonstrates the potential impacts on SA using a number of different climate change scenarios. We have used this data as input into scenario planning as it relates to prospects for our own business and those of our clients, as shown alongside. We plan to expand this type of analysis into the future as we deepen our insight into climate-change-related risks.

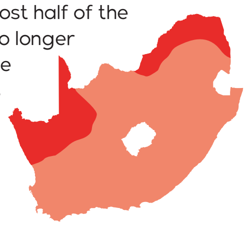
2 °C globally, 4 °C in SA – In this scenario the western half of SA becomes hotter and drier and the eastern half of SA experiences a potential increase in sporadic and severe storms.



3 °C globally, 6 °C in SA – In this scenario there is a general trend towards a hotter and drier climate, with greater water shortages and higher temperatures experienced.



4 °C globally, 8 °C in SA – In this scenario almost half of the Northern Cape is no longer commercially viable for agriculture as is much of the Western Cape, due to severe water shortages. Extremely high temperatures in northern Limpopo and the northern part of North West would require farmers to use expensive irrigation methods.



Our opportunities

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

Managing scarce resources to optimise economic outcomes

For more details on our strategic focus areas and strategic enablers refer to pages 45 to 59.

Our key risks and mitigating actions

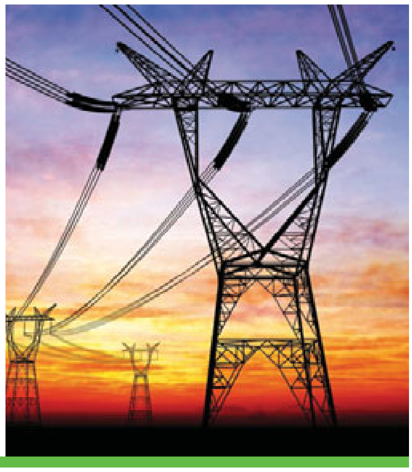
Climate change – The impacts of climate change include: more natural disasters and increased costs to rebuild (or retrofit) infrastructure where required; increased energy costs, water shortages and quality issues; and increased food prices and shortages. Extreme weather events impact clients, and ultimately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

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

For more details on our top 12 risks refer to pages 62 to 64.

How does this material matter impact our business model?

We are selectively tilting financing decisions to support the SDGs, providing an additional lens to growing certain products and market segments over time. Our Thermal Coal Policy and focus on renewable-energy solutions are key examples, as shown on pages 60 to 61.



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:

- Of the R1,5bn committed by the private sector for investment in small enterprises to drive job creation, the SME Fund has accumulated R1,2bn of investible capital to date.
- The YES initiative has registered 575 companies to date, with 32 360 committed work opportunities provided by business for youth interns.
- Considerable investment in the REIPPPP that has led to 3 517 MW of energy generation, and round 5 is expected to be concluded in 2020 or early 2021.
- 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. However, given the deterioration in the country's fiscus and risks such as Eskom, major credit rating agencies have downgraded the SA sovereign and retained a negative outlook.
- The launch of a US$100bn investment drive over the next five years, supported by an investment summit that received commitments of R300m in 2018 and R360m in 2019.

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 written submissions through various forums (including the Banking Association of South Africa, Business Leadership South Africa, Business Unity South Africa and Nedlac) to Parliament.
- We have also made written submissions through various forums to Parliament in relation to the National Health Insurance Bill and have sought to engage with a number of stakeholders, including the Office of the Minister of Health and the Board of Healthcare Funders, to discuss the pros and cons of introducing national health insurance as well as make proposals in relation to the practical approach to the rollout thereof.
- We are actively fighting financial crime, and as part of this, we continue to provide input into the Zondo Commission of Inquiry into State Capture. 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.

COVID 19

The Covid-19 pandemic could be a catalyst for closer working relationships between business, government, labour and civil society as we all work together towards a common goal of slowing the spread of the virus, and implement social and economic actions to manage through the crisis.

Our opportunities

Conscious capital– 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. At Nedbank, we will continue to contribute to important debates on key issues, work closely with government, labour to ensure positive outcomes for our citizens, and contribute our fair share through the SDGs and the SME Fund.

Managing scarce resources to optimise economic outcomes

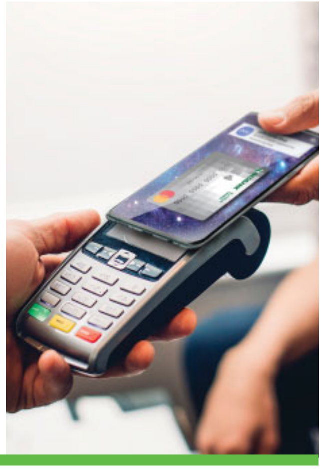
For more details on our strategic focus areas and strategic enablers refer to pages 45 to 59.

Our key risks and mitigating actions

Sovereign-credit-rating downgrade – Nedbank is well-positioned to deal with a higher-stress environment, such as the Moody's downgrade of SA's sovereign-credit rating on 27 March 2020, and therefore consequential bank credit ratings downgrades will have a limited direct impact. Our readiness to deal with any potential shocks compares favourably with our readiness during the 2007/08 global financial crisis (a prior high-risk event).

1 Business (global and country) risk **9 Reputational (and association) risk**

For more details on our top 12 risks refer to pages 62 to 64.



DISRUPTIVE TECHNOLOGIES AND DIGITAL ADOPTION

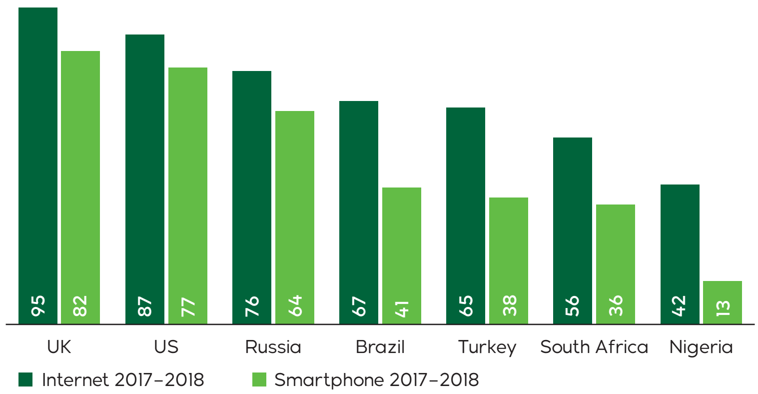
As the world becomes increasingly digitised, all industries are feeling the impact of the pervasiveness of technology. Financial institutions have seen leading indicators of this revolution as it changes all aspects of providing financial services and creates new opportunities – from digitisation of 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. Digital adoption is likely to accelerate to mitigate the impact of reduced mobility due to the Covid-19 pandemic.

New digital technologies are reshaping the value proposition of existing financial products and services and how these are delivered to and consumed by clients.

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 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.

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

SMARTPHONE AND INTERNET PENETRATION
(% of total population)



Source: Newzoo's Global Mobile Market Report, 2019; The World Bank, 2018

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. A survey conducted by the WEF has indicated that globally cyberattacks are among the top five risks, while our Internal Risk and Governance Framework similarly includes cyberrisk as a key priority.

Our opportunities

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. In 2020 Nedbank will be launching various innovations to expand beyond banking, building on foundations put in place such as APIs, and learnings from our existing ecosystem plays.

- **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 45 to 59.

Our key risks and mitigating actions

Cyberrisk – Since 2016, cyberrisk has been identified and listed as a Nedbank top 10 risk and it has become more important given the digitisation of products and services.

2 **People and operational risk** **7** **Cyberrisk** **11** **Strategic execution risk**

For more details on our top 12 risks refer to pages 62 to 64.

How does this material matter impact our business model?

Digital transformation is fundamentally changing the way we do business, from client onboarding and products sales to servicing. We are moving away from paper-intensive, predominantly staff-assisted channels to more effective and cost-efficient digital solutions that also drive improved levels of client satisfaction. Read more about this on pages 46 to 49.

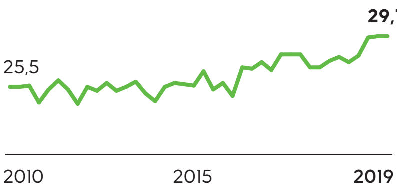
REQUIREMENTS FOR SCARCE AND EVOLVING SKILLS

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 a large 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 influence the roles and skill sets required for banks to grow our business. In addition, the increase of millennials in the workforce requires learning offerings that meet their needs to keep their skills relevant to meet the demands of the ever-changing operating environment.

Shortages and competition for critical skills are rising globally, and this is also true for SA and the African continent, particularly technology- and digital-related skills. Routine-based and semiskilled roles are expected to become increasingly redundant due to advances in new technologies, process automation and increased digital adoption.

SA UNEMPLOYMENT
(%)



Readying the workforce for the future

- The emergence of fintechs, cryptocurrencies, digital interaction, artificial intelligence and agile work environments prompts companies to shift their focus to understanding the key skills financial services will require in the future. In SA technology jobs were the most sought-after positions in 2019, 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.
- SA has approximately 1,6 million youth (15–24 years) who are unemployed. Nedbank is committed to our role in the broader SA society and is now one of many companies, as agreed between leading CEOs and the government, that are participating and carrying the costs of employment opportunities to previously unemployed youth as part of the YES initiative.

Reskilling and upskilling

- As skills retention and development are crucial to improving SA's global competitiveness, it is critical that we take an active role in supporting the existing workforce through reskilling and upskilling. Companies need to create enabling environments, and individuals need to adopt a proactive approach to their own learning.
- 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.

COVID-19

Covid-19 impact
Flexible work practices, health and safety and employee wellbeing have become increasingly important as companies respond to Covid-19 through alternative work practices and implementing business continuity plans.

Our opportunities

Creating a strong EVP – At Nedbank, we continue to evolve our leadership, people and support practices towards delivering a more positive employee experience as we aim to attract, develop and retain scarce skills. Read more on pages 57 and 75.

Managing scarce resources to optimise economic outcomes

For more details on our strategic focus areas and strategic enablers refer to pages 45 to 59.

How does this material matter impact our business model?
New Ways of Work, introduced into Nedbank during 2017, continues to change the way we work and organise ourselves. Read more about this on page 55.

Our key risks and mitigating actions

Skill shortages – We are taking an active role in supporting our staffmembers through reskilling and upskilling for new emerging roles, including learnership programmes, with digital learning platforms and 'life-long-learning principles' being introduced to enable a future-fit workforce. In addition, we are bringing young and skilled talent into the organisation to infuse creativity and innovation beyond what we have created so far. To address skill shortages we continuously invest in skills development.

Employee stress, health and safety – The intensifying pace of change in the workplace, coupled with political, social and economic distress in our society, means that employees are experiencing higher levels of stress and are looking to Nedbank for more support than ever before. Our Employee Wellbeing Programme offers confidential (outsourced) counselling services to staff facing stress at work and in their personal lives.

2 People and operational risk   **11** Strategic execution risk

For more details on our top 12 risks refer to pages 62 to 64.

INCREASED COMPETITION AND THREAT OF NEW 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, but many battle to scale and achieve financial sustainability.

While many fintech players have found it hard to scale and are increasingly partnering with traditional banks, big-tech disruptors such as Google, Amazon, Facebook, Apple 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. With the introduction of third-party wallets like Samsung Pay, Apple Pay, AliPay and Google Pay and equivalent business models, banks face the risk of brand dilution and need to reintermediate themselves into the client's day-to-day activities and lifestyle. Against this trend there is evidence of global banks increasingly partnering with these big-tech disruptors.

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

The past two years saw the launch of value propositions by various new entrants in the SA banking system. SARB has granted banking licences to Discovery Bank, TymeBank, PostBank and Bank Zero. Some of these new entrants focus primarily on transactional services and deposits and they are challenging existing banks with innovative digital solutions.

Discovery Bank – Its proposed differentiation is around behavioural banking, underpinned by 'Vitality Money', which aims to help clients improve their financial standing. Discovery Bank aims to integrate with other Discovery products clients may require, resulting in more affordable life insurance, faster growing investments, smarter insurance and convenient health payments.

Source: www.discovery.co.za/assets/discoverycoza/corporate/investor-relations/discovery-iar-2019.pdf

TymeBank – A digital bank founded on simplicity, transparency and affordability with no branches and its core banking system is hosted securely in the Cloud. TymeBank continues to expand its range of transactional solutions (money transfers, and current and savings accounts). It differentiates itself through its efficient client onboarding, low fees and higher interest rates on deposits. It is currently testing an unsecured lending offering.

Source: www.tymebank.co.za/about/

PostBank – Focuses primarily on financial inclusion, currently providing deposit and savings services to 11 million social grant beneficiaries, with plans to expand services to include credit facilities (specifically development funding to SMEs) and a full transactional offering.

Bank Zero – As a mutual bank, clients can become shareholders and include individuals and businesses. Focuses on app-based banking solutions, with transactional banking services set to commence through the launch of a debit card in H1 2020.

Capitec acquisition of Mercantile Bank – According to Capitec, the acquisition of Mercantile will fast-track Capitec's objective to expand its focus to a broader bank strategy. The acquisition was approved towards the end in October 2019.

Source: Fin 24 - Mboweni approves Capitec acquisition of Mercantile

Telecommunications providers are also expanding their services beyond their core business, as evident in MTN's mobile money service (MyMo), which was launched early 2020 in SA, allowing customers to send, receive, and save money, as well as pay for goods using their cellphones.

Our opportunities

Accelerating innovation in a client-centred manner – Competition continues to keep SA banks on their toes, challenging them to respond through new innovative solutions. Incumbent banks have the advantage of strong brands, an available client base and data, and strong balance sheets. Nedbank's leadership in digital innovation has supported the bank to improve its offerings to clients, and client satisfaction as shown on page 86. Investment into expansion opportunities into commercialisation of data, adjacent markets and beyond-banking solutions has accelerated and we plan to launch a revolutionary solution in 2020.

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 45 to 59.

Our key risks and mitigating actions

Pressure on revenues – Multiple options available to 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. We are responding to these risks by bringing various innovations to market (as shown on pages 46 to 49), as well as executing our cost optimisation initiatives on page 53.

2 People and operational risk **11 Strategic execution risk**

For more details on our top 12 risks refer to pages 62 to 64.

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, among others, increased cost of banking. We support the intention of increased global regulations to protect our stakeholders from potential bank failures, therefore regulatory compliance and alignment with emerging risk management practices are our key strategic imperatives.

Looking forward, the focus of SA regulations, in line with global trends and regulations, is to shift the culture and behaviours within the industry, to reinforce financial stability and to maintain the soundness of financial institutions while servicing and protecting clients. Below are a few top-of-mind items for the financial services industry:

- **Financial Sector Conduct Authority (FSCA)** – SA's FSCA has issued a number of draft regulatory instruments that seek to regulate the conduct of financial institutions in the SA market. These include the Conduct of Financial Institutions Bill (COFI) and the draft Conduct Standards for Banks (Conduct Standards), which are currently undergoing redrafting pursuant to extensive public consultation processes, which Nedbank provided substantive input into.
- **Resolution Regime** – The National Treasury and SARB have released the Financial Sector Laws Amendment Bill, which once promulgated will give effect to the Resolution Framework. In 2019 SARB released a discussion paper reconfirming that the Deposit Insurance Scheme (DIS) will be created with the establishment of the Corporation for Insurance Scheme (CODI), which will collect deposit insurance levies and deposit insurance premiums. In addition first-loss-after-capital (FLAC) debt instruments would be introduced in the future, but only after SARB has finalised its feasibility assessment relating to the introduction of bail-in debt instruments designed to recapitalise a bank in resolution. This is expected to be promulgated in H1 2020 and the assumed costs associated with DIS will be incurred from H2 2021.
- **National Credit Amendment Act (NCAA)** – Signed into law in 2019, the act aims to provide relief to over-indebted, low-income clients who have exhausted all other means of removing themselves from over-indebtedness. Once operational, the debt intervention provisions will impact consumers with gross monthly income less than or equal to R7 500, unsecured debt of less than or equal to R50 000, and who are considered 'critically indebted' by the NCR. An independent socioeconomic impact assessment study found that the impact of the act is net-negative for the SA economy and consequently an industry working group has been tasked with giving effect to the aims of the Amendment Act, ie debt relief for low-income, financially distressed individuals in a cost-effective and equitable manner. Nedbank, as a member of BASA, is actively participating in the operationalisation of this process.
- **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. The capital floors' effective date is 2022, but Nedbank will only see the full impact in 2026. As these Basel III reforms have yet to be converted into national law, there is still uncertainty regarding the interpretation of some of the rules, such that reliable impact estimates in SA are not yet available and are expected to be delayed in light of the Covid-19 crisis.
- **Mandatory Audit Firm Rotation** – The Independent Regulatory Board for Auditors' (IRBA's) Mandatory Audit Firm Rotation (MAFR) rules, are effective from 1 April 2023 requiring that if a firm has served as an appointed auditor for 10 or more consecutive financial years before the financial year commencing on or after 1 April 2023, then the audit firm may not accept reappointment as auditor.

For further information on our approach to MAFR refer to pages 69 and 79.

Our opportunities

Leverage strengths – A key opportunity for Nedbank is implementing regulatory requirements in a client-centred, integrated and synergistic manner. Our Case in Point on page 81 illustrates how we have leveraged technology to comply with regulation.

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 45 to 59.

Our 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 globe. Regulators are increasing pressure on the financial services industry to comply with various regulations and treat clients fairly and we have increased our focus to comply and implemented corrective actions where we fall short.

Impact of new regulation – The implementation of new regulations, such as the NCA, COFI, DIS and Basel III reforms, are manageable within existing time frames and we do not foresee any material negative financial impact on the group as a result thereof.

8 Regulatory, accounting and compliance risk **10 Conduct risk**

For more details on our top 12 risks refer to pages 62 to 64.

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 short-, medium- and long-term 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 and 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

FINANCIAL TARGETS[1]

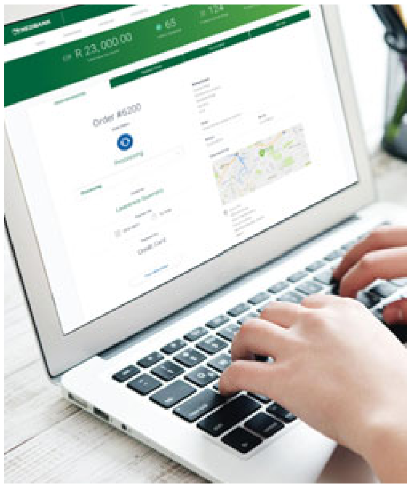
Medium term
ROE ≥ 17%
Cost-to-income ratio ≤ 53%

Long term
ROE COE + 4%
Cost-to-income ratio ≤ 50%

[1] *Financial targets were set on the base case macroeconomic assumptions in January 2020 shown on page 37. Given recent developments around the Covid-19 pandemic, we withdrew our financial guidance on 14 April 2020 and our medium- and long-term targets are under review.*

DELIVERING INNOVATIVE MARKET-LEADING CLIENT EXPERIENCES

Financial services providers that respond best to the digital challenge in a client-centred manner will continue to improve client satisfaction and as a result gain a disproportionate share of client revenues. Technological developments at the same time provide opportunities for improving efficiency, thereby bringing new digital offerings to the 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.

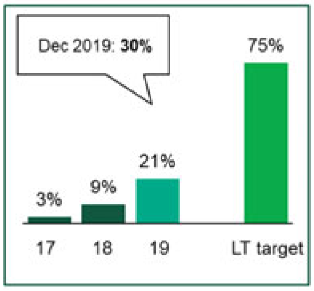


Our aspiration is to be Africa's number-one digital financial services provider, aiming to achieve 75% of our sales through digital channels, 70% of our clients being digitally active, an NPS (client satisfaction) of at least 60% and a reduction in our cost-to-income ratio to less than 53% over the medium term and less than 50% over the longer term. These aspirations are informed by global benchmarks, derived from financial services providers that are regarded as leaders in digital transformation, such as Sberbank, DBS and ING. Our strategy is underpinned by technology and people as key enablers (refer to pages 55 to 57), and three key outcomes, namely to digitise, to delight and to discover or disrupt.

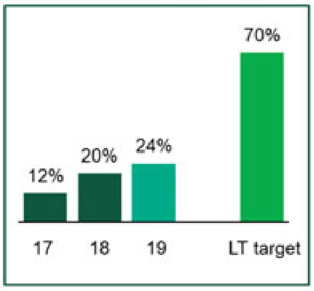
LONG-TERM ASPIRATIONS

To be Africa's number-one digital financial services player

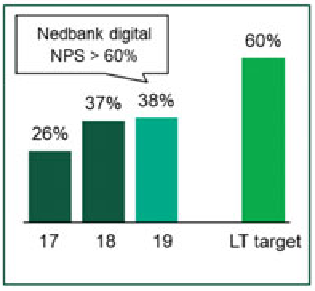
75%
digital sales[1]



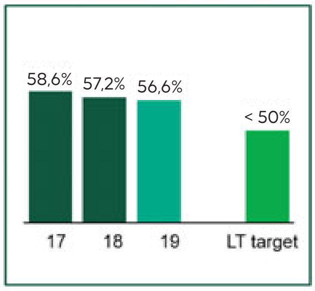
70%
digitally active clients[2]



60
NPS[3]



< 50%
Cost to income



DIGITISE

Market-leading, cost-efficient digital-platform clients can access core products and services digitally.

DELIGHT

Distinctive omnichannel client experience (simple, fast).

DISRUPT

Disruptive client growth through ecosystems and innovation.

[1] *Sales across digital channels as a percentage of total sales.*

[2] *Digitally active clients are clients who have actively used a digital channel over a 90-day period, as a percentage of total clients.*

[3] *NPS refers to consumer NPS, not digital NPS.*

Reflecting on 2019 and looking ahead

Our strategy is underpinned by technology and people as key enablers (refer to pages 55 to 57), and three key objectives to digitise, to delight and to discover or disrupt.

DIGITISE

In RBB we have proactively enabled 6,2 million clients to do their banking on our digital channels and are now focusing on increasing active usage, currently 1,8 million clients, up 16% yoy, as we enhance functionality and ease of use. To increase digital activity we plan on launching campaigns and initiatives such as smartphone partnerships to increase client access to smartphones; increasing Wi-Fi access in our branches to ease the data burden, supported by the introduction of Money App Lite for data-sensitive clients and lower-end devices; enabling of the push notification functionality to keep clients up to date with new features and security measures; and rolling out campaigns to drive client education around our digital channels, supported by inbranch education through deployment of digital specialists (digital genies).

From a digital-sales perspective we increased sales through our digital channels (% of total sales) from 12% in 2018 to 21% in 2019, accelerating as we target 45% in the medium term and 75% in the long term. Key strategic developments include:

- The launch of our end-to-end digital client onboarding capability for individuals (Eclipse), together with the ability to sell transactional accounts as well as personal loans, and pilots for investment products, credit cards and overdrafts. The staff-assisted channel was rolled out to more than 3 400 frontline users in RBB and onto web, app and self-service kiosk channels in the second half of the year.

  We also leveraged our USSD onboarding capability to digitise the Stokvel Account opening process for enhanced client experience. The key benefits since the launch in May 2019 include:

  » transactional sales through digital channels increasing from 37% in Q2 2019 to 76% in the fourth quarter, while personal-loans digital sales increased from 14% to 61% over the same period and sales through the Money app increased from 2% to 14% of total sales; and

  » the cross-sell of a transactional account linked to the sale of a personal loan is three times higher than on historic channels.

- In 2020 we will extend this digital onboarding capability to our juristic clients (businesses) and by the end of 2020 we aim to have digitised the remainder of our top 10 products in an omnichannel environment, including home loans, vehicle finance, stockbroking, forex and student loans.

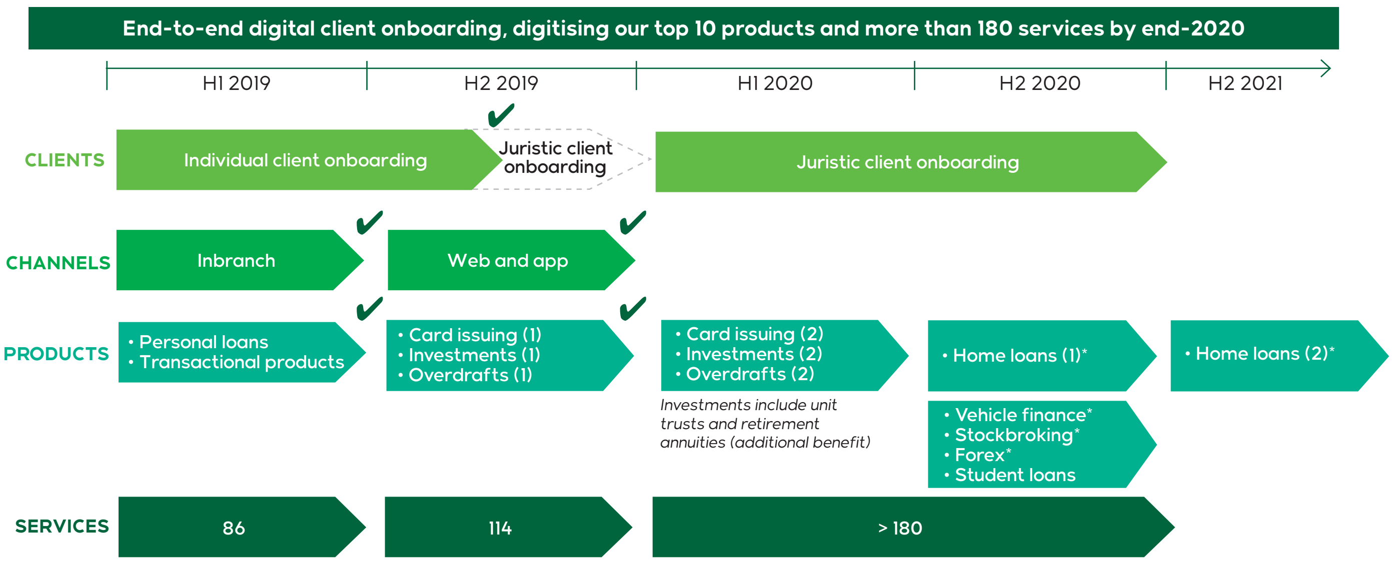
Additional self-service options for functions that were previously only in branches or through staffed channels were released on the Nedbank Money app and the new Nedbank Online Banking site, taking the total digital functions to 114 (compared with 70 in 2018). We aim to reach more than 180 services by the end of 2020.

We continue to invest in our banking app to enhance client experience, with key developments such as the following:

- To improve digital uptake the Money App Lite was launched in H2 2019, giving clients with limited data and device memory access to online banking.
- We introduced a market-first lifestyle capability, HeyNed, a digital concierge that gives clients a 24/7 personal assistant in their pockets and the ability to purchase funeral policies on the app.
- The Nedbank Private Wealth app, which had been ranked second-best globally by Cutter Associates International Research, increased app downloads by 58% yoy.
- In Nedbank Africa Regions we launched the Nedbank Money app in Namibia, eSwatini and Lesotho, leveraging off the Nedbank Money app platform in SA. The new app has an additional 60 new features when compared with its predecessor, the Nedbank App Suite, and has been well received by clients, registering a 94% increase in active app users.

  The Money app, which makes banking more convenient for our retail clients, has been downloaded 3,9 million times, with more than 832 000 clients using it actively, up 85% yoy.

- In Nedbank Wealth, our insurance business 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.

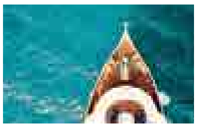
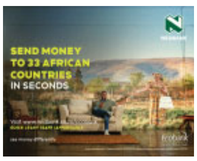


1 The number (1) refers to first minimal viable product launch on the new platform; (2) refers to additional enhancements.
** Delivery timelines remain under review given dependencies on other core Managed Evolution programmes.*

DELIGHT

Through our digital innovations we aim to deliver innovative market-leading client experiences. The outcomes of these are described in more detail on page 76. Key developments to support improved client experiences include the following:

- Launching the simplified end-to-end digital onboarding process, which allows our clients to open a FICA-compliant account faster through our staff-assisted service and self-assisted channels – web, app and self-service kiosk. As a key pain point for both banks and consumers, this capability is an obvious game changer. Client and product onboarding for individual clients now follows the full end-to-end process on the Eclipse platform and has resulted in the following benefits: client-centred onboarding (once for life); single onboarding foundation for most of our core products (transactional accounts, personal loans, card, selected investment products and overdrafts); reduced account opening times and disbursals (enabled by a seamless and consistent onboarding experience across our automated front-, middle- and backoffice processes); digital FICA, biometrics and signing of contracts (no paper); and lower cost of client onboarding.
- Our juristic onboarding, to be landed in 2020, will benefit our business and corporate clients by providing a single entry point into the Nedbank digital world for businesses. Clients will use a single set of login credentials to access initially the bank's primary digital transactional channels where they are able to take up a number of core banking products as well as access over 120 services, digitally. This solution is underpinned by worldclass security and, for the first time, we will be able to identify digitally the people who are mandated to take up products and perform other super-user-type functions on behalf of a juristic entity, enabled by the General Authorisation Extract of Minutes (GAEM) capability. Holistically, the new portal offers clients unprecedented convenience and flexibility, and significantly simplifies client experience when engaging with the bank.
- In H2 2019 we launched the first phase of our new and exciting money manager programme (loyalty and rewards solution). This builds on our existing Greenbacks programme, which has just been voted the third-best loyalty and rewards programme in SA and number-one banking loyalty and rewards programme in the 2019 *Sunday Times* Top Brand Survey. The new programme offers clients triple benefits: incentives for better money management, earning rewards, and more ways of doing good for society (in line with our purpose). Over the next year we will expand the programme by rolling out further packages as well as further enhancements to both the Greenbacks functionality on the Money app and the new Greenbacks app to continue enhancing client experience and to help clients manage their money better and be rewarded for it.

Recent innovations and client value propositions	Value for clients	Value for Nedbank	Progress in 2019
	**Stokvel Account** – 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 vouchers for discounts up to 10% for selected stores for each member.	Market penetration into segments where Nedbank did not have a strong presence.	Attracted over 4 300 stokvel groups, representing more than 149 000 members.
	Karri app – An integrated payment collection 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 children 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.	Active users up 240% and transactional value up 280%. Now used in more than 500 schools in SA. Mostly five-star ratings in the app stores.
	**MobiMoney** – A mobile-based account with zero monthly fees that anyone with a valid SA identity number can open anywhere in a few seconds.	Market penetration into segments where Nedbank did not have a strong presence.	More than 240 000 users, up 53% yoy.
	**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 as a new channel, a source of additional revenue.	More than 18 500 investors use this platform.
	Unlocked.Me – An ecosystem that addresses multiple aspects of consumers' lives – work, lifestyle and money, and includes access to career advice, job opportunities and general working life tips.	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.	Client registrations exceed 100 000.
	**Ecobank-Nedbank crossborder remittance solution** – Low-cost, fast and convenient solution allowing people living and working in SA to send money instantly 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, therefore saving them time.	New source of revenue in a market segment where Nedbank did not have a presence.	While uptake has been disappointing, going forward we will leverage partnerships to increase adoption.

DISRUPT

As traditional revenue streams come under pressure, banks are increasingly looking for revenue growth opportunities beyond banking. In the past few years we have introduced beyond-banking initiatives, such as value-added services on our digital channels (eg buying electricity, data, airtime and lottery tickets), Unlocked.me, the Karri app and digital solutions and platforms that create delightful client experiences that place Nedbank in a strong position to compete with new entrants and existing banks in the market. We continue to invest in data and platform-related activities as we evolve our business model continually to underpin future growth.

- Nedbank was the first bank in Africa to launch an API platform that is aligned with the Open Banking Standard. The Nedbank API_MARKETPLACE is an easy-to-use, secure offering that allows approved partners to create innovative and disruptive solutions that put client experience first. By using Nedbank API_MARKETPLACE, approved partners can leverage the bank's data and financial capabilities to integrate with our standard, secure and scalable APIs. The ongoing cost of this channel is materially lower than traditional channels.
- In our digitisation focus we are also improving on how we can leverage data for commercial value. Banks have large and rich databases, which can be used to personalise solutions to enable us to use information as a service and provide insight into optimising operations.
  - » In 2019 we delivered the data infrastructure, data pipelines, models and analytics that will generate data insights based on user events and activities. We have built an artificial intelligence and machine-learning infrastructure to support both ongoing data-driven insights and real-time delivery of insights into clients, merchants and tenants based on their behaviour on the platform, serving their needs in the moment with relevant recommendations and offers.
  - » Two solutions already on the market are Market Edge, which uses point-of-sale data to assist clients to make informed business and strategic decisions and in CIB we have a Client Intelligence Platform that gives us insight into client profitability and risk and opportunities for cross-selling.
  - » Our focus on the commercialisation of big data will accelerate in the next few periods as we use our rich data to personalise product offerings for our clients and enable data-driven cross-selling and client engagements. We are starting to use artificial intelligence and data to create interactions with clients that address their relevant needs, at a relevant time and in their relevant language and imagery across the most optimal platforms.

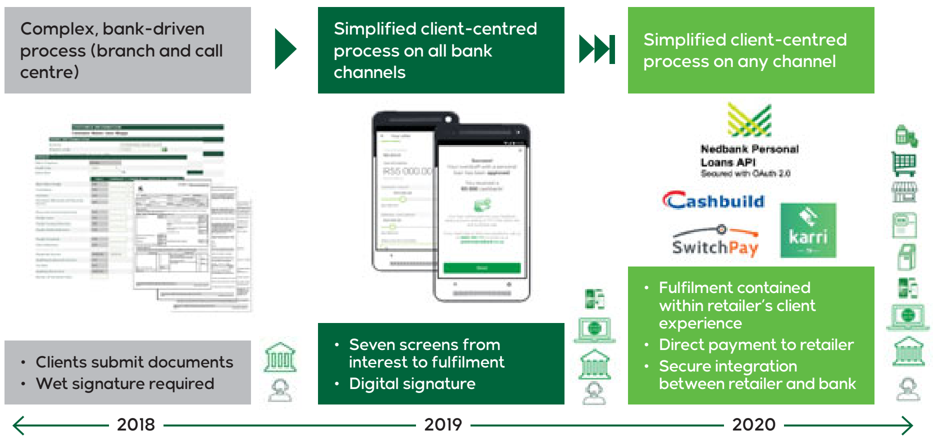
CASE IN POINT

Leveraging digital innovations to fundamentally change our personal-loan business

SDG IMPACTED: 10 REDUCED INEQUALITIES

We have been transforming personal loans in a short space of time from a product that was sold in branches and through the call centre (2018), involving lots of paper and handoffs, to an efficient, fully end-to-end digital solution on all our banking channels (2019). Our digital channels contribution now represents more than 32% of total volumes, driven primarily by the scaling of the personal loans on the Nedbank Money app. More than 20% of personal loans disbursed to Nedbank clients in Q4 2019 came through this channel, up from < 1% in the prior year. The same digital experience enabling existing clients to take up a loan in six clicks and in under three minutes was also launched across ATMs and kiosks.

In 2019 Nedbank became the first bank to introduce an API platform, which allows our partners and fintechs to use our APIs to integrate banking solutions into their channels to pay, access transactional accounts, obtain credit and source various pieces of information. This digital capability has now enabled us to build a personal-loan API that external partners can plug into their frontends to offer a Nedbank loan seamlessly and securely to drive sales on their websites. A few clients went live in 2019, including Cashbuild, SwitchPay and Karri, with many more to follow in 2020.



Key risks in implementing the strategy

Innovations fail to deliver market-leading client experiences – Client satisfaction measures indicate that Nedbank is highly rated and scores are improving. Our approach to adopt the international 'gold standard' (the best globally) and involve clients in the product development processes (design thinking) mitigates the risk and we are continuously adding new value-adding services to ensure that products and services evolve as clients' needs change.

Shortage of key skills globally – The shape and makeup of the workforce of the future are evolving. The development of a workforce with the right skills for today and tomorrow has become an increasing priority in our people agenda, with many key skills being scarce globally. The war for talent in critical segments continues to intensify, particularly in areas such as technology, data, user design and engineering disciplines. We have developed a Strategic Workforce Plan to address these skills gaps proactively, through developing, reskilling, retaining and hiring critical skills to achieve our strategic objectives.

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 solid 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 through cycles. Internally, this is referred to as portfolio tilt.

Financing activities that support the SDGs is a specific tilt that will receive increased focus in the years to come as we deliver on our purpose and contribute positively to society and the environment.

Reflecting on 2019 and looking ahead

- 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. We are also growing our vehicle finance market share, where we have a competitive advantage. Looking forward, we will continue to tilt our portfolio over the medium to long term to grow in home loans and the lower-risk segments of personal loans. In personal loans we are leveraging digital channels to reach a greater part of the market without changing our risk appetite.
- Corporate credit growth has accelerated up from 2018 levels and we were seeing some improvement in loan payouts before the impact of the Covid-19 pandemic. As business confidence improves in the medium-to-long term off a low base, we expect stronger growth in years to come. In commercial-property finance, where we have a market-leading position, we will continue to be selective, given the underlying stresses in the market, such as increased levels of vacancies.
- On the following pages we illustrate our primary focus on growing our transactional advances, deposits and revenues, through continuing our focus on growing our transactional franchise.
- The ability to grow our transactional-banking franchise and tilt our portfolio, as noted above, will be impacted this year by the Covid-19 pandemic as we shift our focus to supporting our existing clients through these challenges times.
- The ultimate measure of optimisation of economic outcomes is our ROE (excluding goodwill), which decreased to 16,0% as impairments increased off a low base and revenues were impacted by a difficult macroeconomic environment in SA. Given our focus on revenue growth drivers and cost optimisation initiatives, we expect to see continued ROE improvement in the medium and long term.
- Future details on how we pivot our strategy to be confirmed once we have more certainty around the medium-to-long-term impacts of the Covid-19 pandemic.

Market share %	Nedbank	Absa	FirstRand	Standard Bank	Other	Nedbank looking ahead (prior to Covid-19 pandemic – currently under review)
Home loans	▼ 14,4%	23,1%	21,0%	33,9%	7,6%	▲ Front book
Vehicle and asset finance	▲ 36,4%	19,7%	28,6%	13,7%	1,6%	▶ Maintain, with focus on cross-sell
Credit card	▼ 13,0%	25,1%	27,4%	25,1%	9,4%	▲ Grow faster than market and cross-sell with transactional account
Personal loans	▼ 10,2%	11,1%	23,6%	16,3%	38,8%	▲ Middle market, entry level ▼ < R5 000/month segment
Core corporate loans	▲ 21,2%	21,1%	21,5%	19,1%	17,1%	▶ Maintain market share
Commercial mortgage loans	▼ 38,7%	15,2%	7,0%	16,9%	22,2%	▶ Grow in line with market
Household deposits	▼ 16,9%	22,0%	21,9%	18,9%	20,3%	▲ Grow ahead of market
Non-financial corporate deposits	▼ 16,5%	17,0%	24,7%	27,3%	14,5%	▲ Grow with focus on transactional

Sustainable development financing

- In the second half of 2019 Nedbank engaged Steward Redqueen, an international strategy consultancy, to help us understand how the bank's lending portfolio may be impacting the sustainable development agenda positively and negatively. This was done to help inform our strategic portfolio tilt so that we continue to increase financial flows in support of activities that positively correlate to the SDGs, while mitigating the potential negative impacts of our funding.
- Drawing on an extensive body of academic research, the methodology used begins by identifying the positive and negative impact potential of almost 1 000 economic activities (as defined by standardised industry codes) against the 17 SDGs and 169 underlying targets and then maps these on to Nedbank's book to create an impact map. The impact map demonstrates the potential positive and negative impacts of the industries that we finance.
- This impact map provides us with new insights that will help to inform target-setting and business appetite. These insights will also allow us to engage proactively with clients to develop new products and services that will address the sustainable development agenda.

Key risks in implementing the strategy

Weaker macroeconomic environment leading to slower revenue growth and an increase in bad debts – In 2019 this key risk did play out in our business and will continue to be a risk particularly in light of the Covid-19 pandemic as described on pages 36 and 37.

Exposure to SOEs – Our exposure to SOEs remains at less than R18bn in 2019 (or less than 2% of advances), 40% of which has government guarantees. Through collaborative engagement across the industry we are supporting SOEs where good governance and clear strategies are in place, however Covid-19 has placed additional strain on these SOEs and government's ability to provide financial support.

ENSURING AND PROTECTING VALUE

Group Credit Committee (GCC)

IV

'The challenging macroeconomic and political environments in SA and globally, exacerbated by loadshedding, low economic growth and policy uncertainty, adversely affected Nedbank's credit portfolio by increasing consumer distress, therefore impairments, across all industries.

The GCC provides independent oversight of credit risk, to ensure a high-quality and adequately impaired credit portfolio. We continue to support our clients while managing the capital and impairment impact, particularly given the new challenges of Covid-19.'

Errol Kruger
(Chair)

Ensuring and protecting value in 2019

In the pursuit of credit risk resilience during 2019, the GCC:

- Monitored and oversaw the group's high-quality credit portfolio, despite prolonged, adverse macroeconomic environment resulting in a 66% yoy increase in impairments and increase in CLR to 82 bps:
  - CIB yoy increases were driven by five clients.
  - RBB had poor collections in MFC.
- Ensured high credit risk across all sectors was managed through early identification of distressed portfolios and the Watchlist process, which includes state-owned entities.
- Oversaw the technical delivery of the DebiCheck system.
- Approved IFRS 9 macroeconomic scenario forecasts.
- Approved the refreshed Credit Risk Appetite Framework.
- Monitored Nedbank Africa Regions, especially hyperinflation in Zimbabwe.
- Enhanced the Model Risk Management Framework (beyond credit models).

Focus for 2020 and beyond

- Oversee initiatives to support clients during the Covid-19 crisis, in conjunction with regulatory guidance.
- Assess the impact on IFRS 9 (impairments) and RWA (regulatory capital) in conjunction with regulatory guidance.
- Assess the impact of the Moody's sovereign-credit-rating downgrade of SA on the credit portfolio.
- Oversee the implementation of the revised Strategic Portfolio Tilt strategy (2020–2022).
- Review and refresh the group's CLR target range.
- Review policies and procedures for DebiCheck.
- Oversee the enhancement of climate risk policies.

Stakeholders

Staff
Clients
Shareholders
Regulators

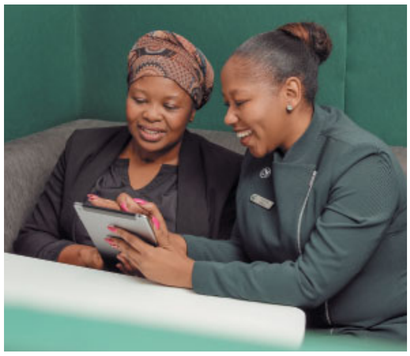
Top 12 risks

1 Business (global and country) risk
4 Credit risk
8 Regulatory, accounting and compliance risk
12 Climate risks

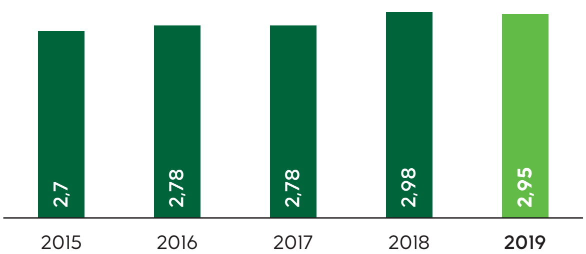
A comprehensive GCC report is available online in our 2019 Governance and Ethics Review at nedbankgroup.co.za.

GROWING OUR TRANSACTIONAL-BANKING FRANCHISE FASTER THAN THE MARKET

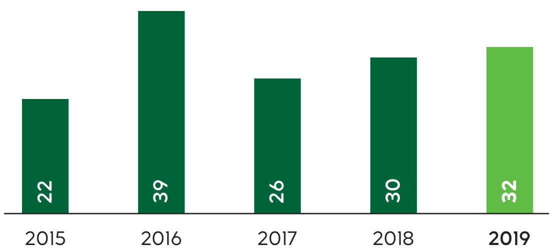
Our transactional-banking strategy starts by creating market-leading client experiences that will lead to growing and retaining our clients, and deepening our share of wallet as we convert new and existing clients into main-banked and transactional-banking clients. Growing our transactional-banking franchise faster than the market improves our ROE over time, 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.



RETAIL MAIN-BANKED CLIENTS
(m)



CIB PRIMARY CLIENT WINS



Reflecting on 2019 and looking ahead

Growing our transactional-banking franchise remains a major focus in RBB. We have grown our client base since 2015 despite increasing competition and new entrants. Of our 7,5 million retail clients in SA, 5,9 million have some form of transactional product with Nedbank. The current cross-sell ratio of 1,3 (number of products per customer) means there is still significant opportunity to provide holistic customer value propositions.

In 2019 our focus shifted towards increasing cross-selling and deepening our share of wallet. Despite survey data showing an overall loss of market share to 11,2%, retail transactional NIR growth of 6,3% in Retail remained solid, reflective of our existing clients doing more business with us.

- Under our strict definition of retail main-banked clients we have 2,95 million clients who regularly bank with us. Although overall slightly down on 2018, we grew strongly in the middle, professional and small-business-client segments, and lost some market share in entry-level and youth segments. Our focus to grow and win back market share includes initiatives such as Unlocked.Me for the youth, launched in January 2019. It delivers banking value through a zero-monthly-fee account and lifestyle value through great deals on tech and fashion and assisting clients to unlock their career potential with job search support including access to up to 500 jobs online.
- This growth, along with improved levels of client satisfaction, positions us well to compete against new entrants. As 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 the deepening of relationship through cross-selling.
- In Wealth we continue our drive to distribute our asset management and insurance solutions into the group's client base.

Business Banking's market share increased from 21,5% in 2018 to 22,0% – the highest market share gain across all banks as measured by the KPI Research Business Electronic Banking and Tracking Study 2019.

Disappointingly, notwithstanding strong retail advances growth of 6,9%, we lost market share of household deposits, from 18,0% in 2018 to 16,9% in 2019, due to aggressive competitor pricing.

In CIB we have won major transactional accounts during 2019, including major private sector and municipal transactional-banking accounts.

- We gained 32 primary clients in 2019 and have gained more than 20 every year since 2014, which provide valuable underpinning to ongoing NIR growth.
- We intend to grow our transactional-banking share by cross-selling 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 at 2,1% remained above our target of 2,0%.

Our SADC businesses client base declined by 1,0% to 336 000 due to the closure of dormant accounts. The newly launched products and digital innovations started delivering benefits, attracting new clients, but overall client numbers were offset by the cleanup of dormant accounts, and the revenue per client increased by 4,5%.

Key risks in implementing the strategy

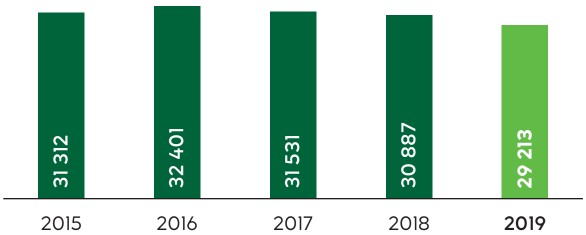
New entrants – New entrants are positioning themselves to capture a share of retail deposits and transactional-banking revenues. We welcome competition, as it drives us to focus even more on our clients, their needs and delivering innovative solutions. The new innovations we launched in 2019, as shown on pages 46 to 49, enable Nedbank to remain highly competitive.

BEING OPERATIONALLY EXCELLENT IN ALL WE DO

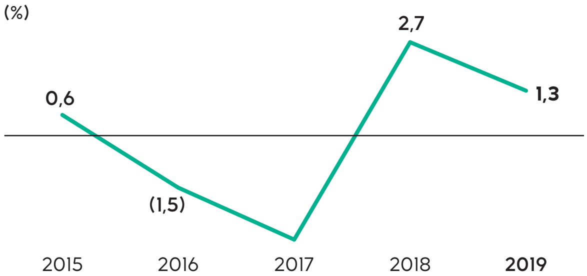
Our strategic approach to cost management is to invest sustainably in the franchise to unlock future growth potential, at the same time managing our expenses by delivering synergies and efficiencies to reduce our cost-to-income ratio over time. Over the past few years we have invested significantly in the franchise to support long-term growth, and by extracting efficiencies we have been able to maintain expenses growth at or below the levels of our peers.

Some of the investments we have made include completing key foundation projects as part of the technology journey and investing in digital and core systems as well as in regulatory compliance.

TOTAL EMPLOYEES
(Permanent staff)



GROSS OPERATING INCOME GROWTH RATE LESS EXPENSES GROWTH RATE (JAWS RATIO)
(%)



Reflecting on 2019 and looking ahead

We have identified key business areas for reducing our cost-to-income ratios to assist the group in meeting its ≤ 53% target in the medium term and ≤ 50% in the long term (these targets are under review given the economic impact of the Covid-19 pandemic). The key developments in 2019 include the following:

- Cost-efficiency programmes and adoption of digital solutions enabled us to reduce headcount by 1 874 (mainly through natural attrition) and optimised our staffed points of presence by closing 21 outlets, resulting in the net reduction of 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.
- Additional self-service options for functions that were available previously only in branches or through staffed channels were released on the Nedbank Money app and the new Nedbank Online Banking site, taking the total digital functions to 114 (from 70 in 2018).
- 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 73% from 61% in 2018.
- We deployed 27 net new self-service kiosks across our branch network, enabling clients to undertake a range of self-service transactions, including ATM limit changes and overseas travel notifications. Along with the increased services available on the app, these investments enabled us to reduce teller activity by 24,5%, while freeing up capacity in our branches and staffed channels.
- Branch floor space has been reduced by more than 41 500 m^2 to date and we plan to achieve more than 49 000 m^2 by 2020 (a revision of our 2020 target of 45 000 m^2), equating to approximately 23% of our branch floor space in 2014.
- Through space optimisation initiatives we have also managed to reduce our campus sites from 31 to 27, with a longer-term target of 23. In the next few years we will continue to optimise the portfolio by enhancing workstation utilisation to greater than 100% (from the current 90%), by enabling flexible office constructs to support more dynamic ways of work, while creating further value and cost-reduction opportunities. Since 2016 we have saved 53 000 m^2 (over and above the 41 500 m^2 saved in our branches).
- We have implemented more than 300 software robots to date (robotic process automation) to enhance efficiencies and reduce processing errors in administratively intense processes.
- Good progress was made with our Target Operating Model (TOM 1.0) initiatives, with cumulative savings of R1 147m achieved to December 2019, ahead of our R1,0bn pretax 2019 target, and we are on track to exceed the R1,2bn target by 2020. This model is linked to our long-term incentive scheme. Looking forward, we are strategising around further optimisation opportunities, in context of an increasingly digital world, with TOM 2.0. Read more about this on page 55.
- Our total procurement cashflow spend declined by 3%, reflecting good cost management and centralisation of purchasing. Over the past 12 months, we reduced paper consumption by 25%, mainly through reduced printing and digitisation of forms and statements.

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. Our annual IT cashflow spend peaked in 2019 and is expected to decline in the coming periods. Our technology strategy, described on page 55, mitigates excessive IT costs, particularly as the investments relating to our foundational programmes and the regulatory costs are mostly behind us.

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 long term, while providing geographic diversification benefits and enabling our clients to access the largest banking network in Africa.

Nedbank's African client base and SA clients who want to grow into 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.

Much of the SA skills base in infrastructure, telecommunications, resources, retail, construction, property finance 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.

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

- In SADC – which contains countries more integrated with the SA economy – we own, manage and control five banks (excluding Malawi, where we disposed of our operations).
- In Central and West Africa – which contain countries farther 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 2019 and looking ahead

- In SADC we continued to build scale and optimise costs. We have launched a number of new digital products and we continue to grow our distribution footprint. To drive digital and transactional business we launched the Nedbank Money app in Namibia, eSwatini and Lesotho, leveraging off the Nedbank Money app platform in SA. The new app has an additional 60 new features when compared with its predecessor, the Nedbank App Suite, and we will continue to expand functionality in the years ahead. It has been well received by clients, as we registered a 94% increase in active app users during the year.
- Following a strategic review we announced the disposal of our 100% shareholding in Nedbank Malawi, which was completed in Q1 2020. Nedbank Malawi was a small bank in a small market and contributed less than 0,1% to Nedbank Group's headline earnings and total assets, with its market share in Malawi approximately 1%.
- Operating in Zimbabwe remains challenging as policy uncertainty, increased government expenditure and a lack of foreign direct investments have severely damaged the Zimbabwean economy, contributing to hyperinflationary conditions. The country officially adopted hyperinflationary reporting effective 1 July 2019 and this resulted in Nedbank Group booking a net monetary loss of R296m in H2 2019, with a headline loss after tax and minorities amounting to R142m. We continue to monitor the developments related to the reintroduction of foreign currencies as a medium of exchange in response to the economic challenges heightened by Covid-19.
- We accounted for the acceleration of an option to increase our shareholding in Banco Único (Mozambique) from 50% plus one share to approximately 87,5%. The transaction is expected to be concluded in H1 2020.
- ETI has reported 11 consecutive quarters of profit to 30 September 2019 and is making good progress with its transactional-banking and digital strategy while optimising its cost base. Asset quality and credit risk management remain key priorities for the ETI board and executive, particularly in a challenging Nigerian environment where regulatory changes and economic challenges persist. For Q3 2019 ETI achieved a strong performance from core West African operations and an improved performance in the Central, Eastern and southern africa (CESA) business, while the economic environment and ETI's performance in Nigeria remained challenging.
- Through our board representation in ETI we work with like-minded shareholders who have a common purpose of strengthening the Ecobank franchise. Through our collaboration 118 Nedbank wholesale clients are banking with ETI across the continent in countries where Nedbank is not present. Our gross return on the original cost of our ETI investment improved to 10,7%.

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. 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. The impact of the Covid-19 pandemic and significantly lower oil prices are likely to have a significant negative impact on the economies of many African countries.

STRATEGIC ENABLERS

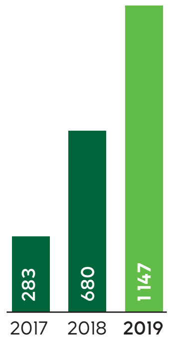
Our strategic enablers are enterprise initiatives that allow us to deliver on our strategic focus areas and targets by changing the way we operate. These enablers are closely related to the capitals defined by the IIRC.

Target Operating Model (manufactured and human capital)

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 new Ways of Work (nWoW), refining and embedding the approach in 2018 and 2019. To date, more than 3 000 staffmembers are working according to this new approach and we aim to increase this number incrementally to support an optimal agile scaling framework. nWoW uses a human-centred design to unlock innovative client solutions rapidly – 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 (10–12 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 have made progress by achieving R1,1bn in cumulative efficiencies towards meeting our long-term incentive scheme targets to unlock R1,0bn of savings by 2019 and R1,2bn by 2020. We are currently strategising about a TOM 2.0, which will look at the shape of our branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure to be more client-centred, as well as shared services optimisation across the group. We anticipate targets for TOM 2.0 will be communicated to the market in early 2021. This will support us reaching our cost-to-income targets of ≤ 53% in the medium term and ≤ 50% in the longer term.

TARGET OPERATING MODEL SAVINGS
(Rm)



Technology enablers (manufactured and intellectual capital)

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

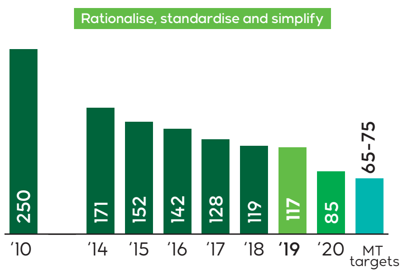
Our approach to innovation delivery through our aligned technology strategies adopts global gold standards and has enabled us to commercialise market-leading and innovative new products and enhancements at a higher delivery cadence than before, while improving client experiences.

Managed Evolution – modernisation of our core banking environment

As reported previously, in 2010 we embarked on what we termed a 'managed evolution' approach to transform and digitise our core IT systems over time. This is central to delivering innovative, market-leading client experiences, while ensuring we remain at the forefront of cyberresilience. We have studied many banks across the world and concluded that this is the most cost-effective and efficient approach to core systems replacement. This programme remains the bank's IT transformation enabler, providing the platforms to be leveraged for improved client experience and improved operational efficiency. 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 and the integration of the foundational capabilities was built into our onboarding and servicing programmes from 2010 to 2019 and has enabled the speedier launch of various market-leading innovations.
- Our Managed Evolution programme is now approximately 70% complete and we plan to be materially complete by end-2020.
- Importantly, the key foundations of our IT and regulatory infrastructure are now in place – this enables us to shift focus much more to the exciting aspects of CVPs and new innovations.
- We continue to rationalise, standardise and simplify our large core-to-banking systems and have reduced these from 250 in 2010 to 117 on our journey to have 85 by 2020 and 65 to 75 in the medium term. The ongoing rationalisation of the core-to-banking operating systems (in addition to the 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.

CORE SYSTEMS
(%)

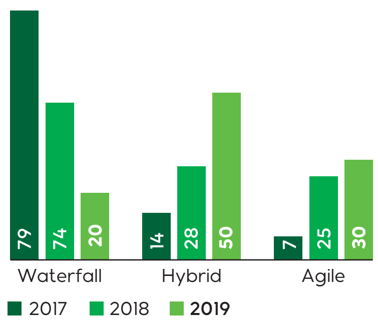


Digital Fast Lane – capability to accelerate the launch of new innovations

In 2017 we launched a capability to accelerate the launch of innovative CVPs – we call this our Digital Fast Lane. This capability has enabled the delivery of various new innovations in quick succession by leveraging agile development methodologies (including scrum, Scaled Agile Framework (SAFe) and Kanban), 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). Our IT foundations, along with this capability, are enabling us to bring new client-centred innovations to market much quicker.

Most of the innovations described on page 48 have been delivered through our Digital Fast Lane capability. In 2019 approximately 80% of all technology projects were delivered leveraging agile methodologies (either hybrid or the new agile methodology), compared with only 21% two years earlier.

IT PROJECT DELIVERY METHODOLOGY
(% of completed projects)



ENSURING AND PROTECTING VALUE
Group Information Technology Committee (GITCO)

IV

'GITCO ensures alignment and implementation of an effective and properly resourced IT strategy that enables the organisation to remain competitive, and monitors the effectiveness of all governance functions pertaining to the group's technology capability. The ability to enable staff to work remotely during the Covid-19 pandemic in a short period of time is evidence of Nedbank's technology leadership.'

Mantsika Matooane
(Chair)

Ensuring and protecting value in 2019

Digitise

- Monitored system availability and stability.
- Oversaw the implementation of Eclipse, Nedbank's new client and product onboarding system.
- Monitored the execution and successful implementation of digital programmes.
- Reviewed Nedbank's cybersecurity status and improvements.
- Monitored the first phase of Nedbank's cloud migration.

Delight

- Monitored IT resource and skills levels.
- Reviewed progress of maturation of the group's data capability.
- Monitored the effective implementation of Nedbank Africa Regions' IT strategy.

Disrupt

- Became the first bank in Africa to launch an application programming interface (API) platform which is aligned with international Open Banking standards.
- Oversaw good progress in embedding the Digital Way of Working.
- Ensure improved availability and stability for clients.
- Monitor the implementation of wholesale clients onboarding using Eclipse.

Focus for 2020 and beyond

Digitise

- Monitor the material completion of the Managed Evolution IT strategy.
- Monitor the group's IT Risk, Cybersecurity and Regulatory Change Portfolio.
- Ensure improved availability and stability for clients.
- Monitor the implementation of wholesale clients onboarding using Eclipse.

Delight

- Ensure alignment and prioritisation to advance the group's data capability.
- Monitor the acceleration of Nedbank Africa Regions' IT strategy.

Disrupt

- Oversee the successful deployment of the group's platform play.
- Ensure that appropriate frameworks and policies are in place to effectively monitor different models being explored to position banking in the Fourth Industrial Revolution.

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

2 People and operational risk
7 Cyberrisk
8 Regulatory, accounting and compliance risk
11 Strategic execution risk

A comprehensive GITCO report is available online in our 2019 Governance and Ethics Review at nedbankgroup.co.za.

Brand 2020 (intellectual capital)

Brand 2020 is aimed at entrenching Nedbank's new brand positioning of 'see money differently'. The new positioning has helped to differentiate the Nedbank brand through a marketing focus on brand value drivers and 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 all the segments we service.

Our 'Money Secrets' brand campaign has been positively received, getting South Africans to talk about money as a first step to making positive and sustainable money management changes.

Nedbank is the fourth most valuable banking brand in the country, according to Brand Finance's 2020 Global 500 Banking report.

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.

Doing good as a purpose-led brand

As a bank that is fully committed to doing good for society, we, at Nedbank, know that being a purpose-led organisation is the non-negotiable cornerstone of everything we do. As such a purpose-led brand, we actively seek out opportunities where we can apply our expertise to help society develop and grow, with the ultimate objective of enabling a better life for all.

And our delivery on this absolute commitment is fuelled by our Nedbank brand promise to help our clients, and indeed all South Africans, to see money differently. We know that money well managed can make a real and lasting difference in people's lives. We also know that every person, family, business and community is different – and so we take a highly focused approach to realising our purpose and brand promise uniquely through every area of our business.

For our individual clients delivering on this purpose and promise comes from a real understanding of people's hopes, needs, dreams and aspirations, and a proven ability to provide them with the banking, financial and investment solutions to maximise their chances of achieving those life goals.

At a business banking level we do good for our clients by always looking at the bigger picture, and carefully factoring in every requirement and facet of the business, its owners, staff and customers, to maximise positive outcomes for all.

Our corporate clients know they can depend on us to provide them with impactful solutions that enable them to achieve enduring success and maximise their own positive impact on the world.

Ours is a groupwide, integrated, purpose- led approach to banking that resonates deeply with our clients, as was evidenced by Nedbank's number-one ranking in the 2019 BrandsEye Banking Sentiment Index. Ultimately, our brand promise and our purpose are delivered through an understanding of our clients; insight into their money habits, challenges, and desires; and a total commitment to using our experience and financial expertise to help them transform their futures for good.

People 2020 (human and intellectual capital)

Our staff and corporate culture remain key competitive differentiators and we acknowledge the importance of positioning Nedbank as an employer of choice. 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 and supportive 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. Our integrated talent management practice (launched in 2018) has resulted in solid succession pipelines. In 2019 we completed a diagnostic exercise to understand the barriers to achieving representation of underrepresented race groups and the attrition of African talent at senior- and middle-management levels. Remediation plans were developed to address these root causes and will be a key focus going forward.
- **Leadership** – Our leadership development programmes are constantly evolving to align with the required organisational capabilities to execute the strategy. They are aimed at equipping leaders to lead in environments of ambiguity and exponential change. The Nedbank leadership, evolution, alignment and development (LEAD) journey is the vehicle through which we enable Nedbank leaders to create strategic alignment and build the necessary leadership capabilities. During 2019, 246 senior leaders participated in a variety of immersive learning experiences, including local and international development programmes.
- **Culture** – An important driver for retaining key talent is to ensure that the right-fit culture is translated into a positive lived experience for staffmembers. Our Compass survey, conducted in 2019 (introduced in 2017), indicated that Nedbank staffmembers had high levels of pride in the Nedbank brand and purpose. The high levels of change in the organisation and the turbulent context we find ourselves in, contribute to increased levels of stress, impacting our ability to manage change and innovation is an ongoing priority.
- **Employee value proposition (EVP)** - In 2019 we developed a compelling and differentiated EVP to attract talent with scarce skills, top graduates and young professionals. This EVP defines the essence of Nedbank – what makes us unique and what we stand for. It articulates why staffmembers are proud and motivated to work here, what Nedbank expects from them and what they can expect in return. The EVP promotes the concept that as a purpose-led organisation, our staffmembers can be the difference that impacts our world.

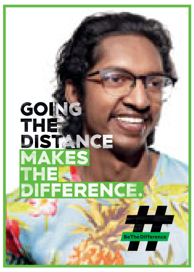
The launch of Nedbank's EVP aligns well with our required culture and includes the following five themes:

Purpose-led

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

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

Service excellence



We are one team and we deliver worldclass service with purpose.

Our clients are our everything. Together, we show up for them in big and small ways, rewarding the trust they have placed in us.

The extra mile? It is the new standard, because going the distance makes the difference.

High performance

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

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

Growth and development

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

We never stop developing ourselves, bringing our potential to life by making the most of every learning opportunity and facing challenges with courage.

With our finger on the pulse and our eyes on tomorrow, we seize every opportunity to make an impact, with an unshakeable shared passion.

Diversity and inclusion

We strive to create a culture of inclusion and belonging.

Celebrating diversity, we welcome everyone and anyone who shares our passion for our purpose.

We treat each colleague, stakeholder and client with care, respect and integrity – because that is who we are.

When things go wrong, we communicate openly to learn from mistakes, reminding ourselves to be the difference that impacts our world.

STRATEGIC FOCUS AREAS – KEY PERFORMANCE INDICATORS

Key performance indicators	How it links to: Value creation	Executive remuneration[1]	yoy change
Delivering innovative market-leading client experiences			
Digitally active clients (% of total clients)	Enabling more entrenched clients and more cost-efficient channels	GCC	▲
Digital sales (% of total sales)	Enabling more entrenched clients and more cost-efficient channels	GCC	▲
Managed Evolution completion (%)	Increase client satisfaction and market share by delivering innovative technology ecosystems	GCC	▲
Growing our transactional banking faster than the market			
Retail main-banked clients (m)	Driver of revenue growth	GCC	▶
Main-banked market share (%)	Driver of revenue growth	CPT	▼
Retail cross-sell ratio (%)	Number of products per client (holistic client value proposition)	GCC	▶
Household deposit market share (%)	Attractive source of funding in a Basel III world	CPT	▼
Commercial transactional-deposits market share (%)	Attractive source of funding in a Basel III world	CPT	▼
CIB NIR-to-advances ratio (%)	Leveraging our strong position in lending to grow NIR	GCC	▼
NIR-to-expenses ratio (%)	Extent to which NIR covers expenses	GCC	▼
Being operationally excellent in all we do			
Branch floor optimisation (m^2)	Cost savings through smaller, more efficient branches	GCC	▲
Self-service cash deposits (% of total)	Shift to convenient self-service channels and downsizing physical footprint	GCC	▲
Digitised services rollout	Shift from physical to cost-efficient digital channels	GCC	▲
Core IT system optimisation	Reducing complexity and enabling digitisation of IT systems in a risk-mitigated and cost-efficient manner	GCC	▼
Corporate real estate savings (m^2)	Space optimisation resulting in lower occupation and accommodation costs	GCC	▲
Targeted Operating Model savings (Rm)	Improved efficiencies	CPT	▲
Cost-to-income ratio	Key driver of ongoing sustainable profitability	CPT	▼
Managing scarce resources to optimise economic outcomes			
ROE (%)	Returns shareholders receive on their capital	CPT	▼
Economic profit	Profit generated after adjusting for the expected returns from investors (cost of capital)	STI	▼
We are increasingly tilting financing of SDGs. See pages 50 and 51 for more details.		GCC	▲
Providing our clients with access to the best financial services network in Africa			
Nedbank Africa Regions number of clients (000)	Client gains support revenue growth	GCC	▼
Financing deals with ETI	Financing opportunities with Ecobank involvement	GCC	▶
Clients doing transactional banking with Ecobank	Servicing and protecting our client relationships	GCC	▲

[1] *GCC – considered as part of agreed goal commitment contracts, which impact STI and LTI allocations for executives.*
CPT – Corporate Performance Target impacts LTI vesting percentage.
STI – considered in the build-up and distribution of the STI pool.

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

Given the unfolding impact of the Covid-19 pandemic, our targets and guidance are at risk. On 14 April 2020 we have withdrawn our financial guidance until we have more clarity and certainty of the impact on our business.

2019	2018	2017	Benchmark[2]	Outlook/Target 2020	Medium term	Long term	Assurance
24	20	18	N/A	Increase	Increase	> 70	[MO] [LA]
21	12	< 1	> 35	Increase	> 45	> 75	[MO] [LA]
70	60	52	N/A	80	Materially complete		[MO]
2,95	2,98	2,78	N/A	Increase	5,0	Increase	[MO] [LA]
11,2	13,1	12,7	17,4 peer average	> 15 (target)	Increase	Increase	[MO] [LA] [IN - Consulta]
1,33	1,33	1,32	> 3,0	Increase	> 1,5	> 2,0	[MO]
16,9	18,0	18,9	20,9 peer average	Increase	Increase	> 19	[IN – SARB BA900]
14,0	14,5	13,4	24,7 peer average	Increase	> 16,9	> 18	[IN – SARB BA900]
2,1	2,4	2,0	N/A	> 2,0	> 2,0	> 2,0	[MO]
80,8	82,1	80,7	76,2 peer average	Increase	> 85	> 85	[FS]
41 156	32 971	24 485	N/A	49 000	Increase	Increase	[MO]
73	61	60	N/A	Increase	Increase	Increase	[MO]
114	70	N/A	N/A	180	Complete		[MO]
117	119	128	N/A	85	65–75		[MO]
53 551	25 385	14 683	N/A	Increase	> 100 000	> 120 000	[MO]
1 147	680	283	N/A	R1,2bn	TOM 2.0 savings (to be disclosed early 2021)		[MO]
56,6	57,2	58,6	55,4	Improve	≤ 53	≤ 50	[MO] [FS]
15,0	16,8	15,3	N/A	Guidance withdrawn on 14 April 2020	> 17	> COE +4	[MO] [FS]
1 412	2 868	1 695	N/A	Guidance withdrawn on 14 April 2020			[MO]
				Metrics are in development			
336	353	336	N/A	Increase over time			[MO] [LA]
1	2	0	N/A	Increase over time			[MO]
118	110	85	N/A	Increase over time			[MO]

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, the FSCA and various financial sector ombudsman offices.
- FS – Financial information extracted from the 2019 Nedbank Group Limited Audited Annual Financial Statements.

MAKING TRADEOFFS AND THE IMPACT ON OUR CAPITALS

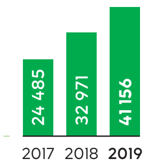
Key tradeoffs	Key strategic focus areas	How it is changing our business model
Digital banking versus traditional banking As financial products and services (manufactured capital) are increasingly digitised there is a tradeoff between staff (human capital), physical outlets (manufactured capital) and digital products and services (manufactured and intellectual capital). Through automation and increased client adoption of digital solutions that drive improved client experiences (social and relationship capital), the need for direct human interaction is reduced. A reduction in overall headcount and outlets (branch numbers and size) are offset by increased IT investment (financial capital).	Delivering innovative market-leading client experiences. Being operationally excellent in all we do.	Client activity shifting from physical products, services and outlets to digital products, services and channels.
Transition towards the workforce of the future The number of employees (human capital) required for traditional and administrative roles are reducing as we digitise and automate processes, embrace digital innovations (manufactured and intellectual capital) and invest in skills required (human and intellectual capital) in the Fourth Industrial Revolution. In this context we are conscious of our role in society, and to grow and protect jobs we invested approximately R134m (financial capital) in the YES initiative to assist SA in creating one million job opportunities for the youth (social and relationship capital).	Delivering innovative market-leading client experiences. Being operationally excellent in all we do.	New Ways of Work change the way we operate and deliver our digitisation strategy and evolving client needs.
Portfolio tilt in line with our purpose and the SDGs 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 over time. With regard to the SDGs, for example, we are supporting the diversification of SA's electricity supply (natural capital) and reducing our impact on the environment (natural capital).	Managing scarce resources to optimise economic outcomes.	Increasingly tilting our lending to align with our purpose and the SDGs.
Managing risks in the rest of Africa Operating in the rest of Africa remains volatile and challenging. While GDP growth in various Africa regions is higher than SA, operating in these markets remain volatile with the Covid-19 pandemic likely to put pressure on economic growth. In this context a diversified portfolio, built over time, remains a key focus. In SADC we have sold our business in Malawi (small market share player) and will be increasing our share in Banco Único (Mozambique) to 87,5% in 2020. Our operations in Zimbabwe were challenged by economic conditions and the hyperinflationary environment. ETI has a well-diversified business across 36 countries and is benefiting from strong growth in its operations in Francophone West Africa, Anglophone and Central, Eastern and Southern Africa, but this is offset by its Nigerian operating segment due to economic conditions.	Providing our clients with access to the best financial services network in Africa.	Building a diversified portfolio to leverage long-term growth opportunities outside of SA.

Making strategic tradeoffs is key to ensuring we are well positioned for the future. We assess the availability and quality of capital inputs, balance the short and long term and take tough decisions in order to create long-term value. Below are key tradeoffs we made and the rationale behind our decisions.

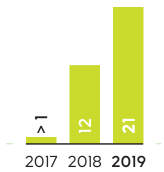
Tradeoffs in action

TELLER ACTIVITY (m)

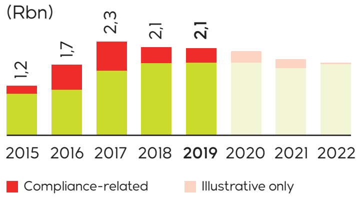
BRANCH FLOOR SPACE SAVED (m²)



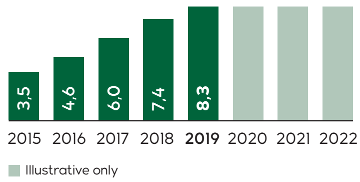
DIGITAL SALES (% of total sales)



IT SOFTWARE DEVELOPMENT SPEND (Rbn)



CAPITALISED IT COSTS (Rbn)



Capital outcomes in 2019

CAPITALS IMPACTED

- Positive: Improved client satisfaction levels.
- Positive: Reduction in physical infrastructure.
- Positive: Modernisation of IT systems and infrastructure.
- Positive: Operational cost savings.
- Positive: Responding to client needs and increasing competitor threats.
- Negative: Increased financial spend on technology investments.

TOTAL EMPLOYEES (Number)

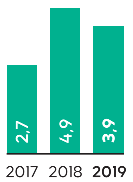
NUMBER OF EMPLOYEES WORKING IN NWOW (Number)

Key areas of investment include:

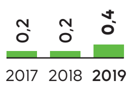
- Data science
- Artificial intelligence
- Coding
- Cybersecurity
- Design thinking

- Positive: Reskilling staff and investing in skills relevant for driving business change in the Fourth Industrial Revolution.
- Neutral: Reducing the number of total staff.
- Positive: In a responsible manner (mostly through natural attrition).

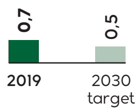
RENEWABLE ENERGY (% of group advances)



COAL ENERGY GENERATION (% of group advances)

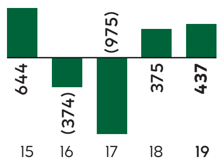


THERMAL COAL FUNDING (% of group advances)

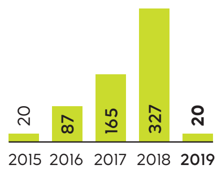


- Positive: Through our lending, we are actively reducing our impact on the environment and making a positive change to society.

ETI HEADLINE EARNINGS (Rm)



SADC HEADLINE EARNINGS (Rm)



- Positive: Financial performance of ETI up.
- Negative: Financial performance of SADC down, impacted by hyperinflation accounting in Zimbabwe.

Positive outcome | Negative outcome | Neutral outcome

MANAGING RISK STRATEGICALLY

Nedbank has updated the 2020–2022 Risk Management Plan to engrave the evolution of risk management, compliance, internal audit and regulation strategically across Nedbank, and ensure Nedbank remains 'fit-for-purpose' successfully.

The 2020 Risk Management Plan was approved by the board as part of the Nedbank Group 2020–2022 Business Plan. The group has a sound risk culture, an appropriate and enabling risk appetite, as well as a robust Enterprisewide Risk Management Framework (ERMF), which has served Nedbank well during the past volatile, uncertain, complex and ambiguous (VUCA) decade.

NEDBANK'S TOP 12 RISKS

Reflection on top 10 risks for 2019

The top 10 risks have been successfully managed in all material respects despite the difficult external macroeconomic and political environments, and radically increased risk and regulatory universes. The overall state of Nedbank's risk, internal control, regulatory and balance sheet profiles and environments, and risk management position across the enterprise has remained in good shape.

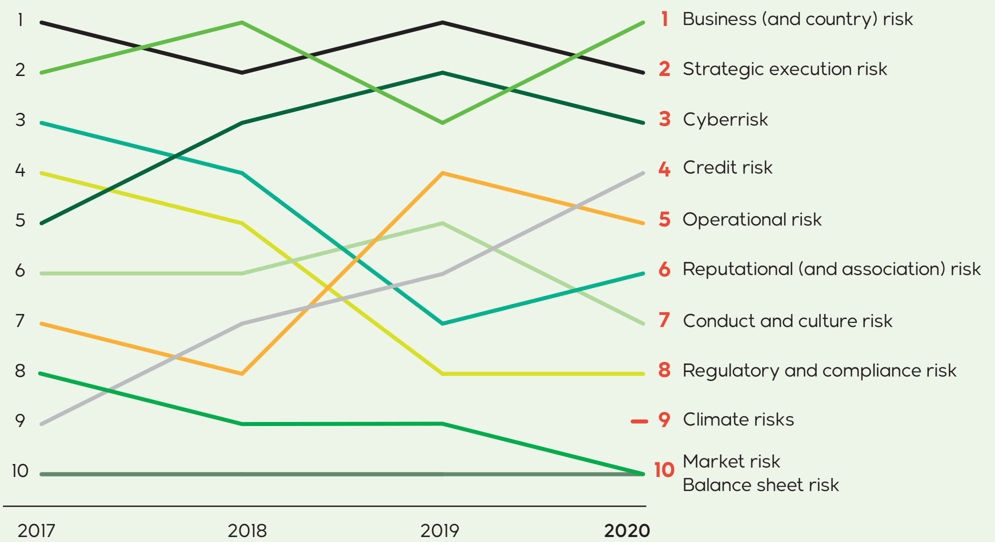
Top 12 risks for 2020

In this unprecedented environment, Nedbank Group has pivoted its strategy by increasing focus on key risks to concentrate efforts on the health and safety of staff and clients, and capital and liquidity focus to prevent systemic risk. In parallel, the group has been assessing the impact of the market crisis/Covid-19 on activities that are driving Nedbank's strategy. The outcome of the assessment is evident in Nedbank's 2020 top 12 risks as outlined in the table below. The top 12 risks are formulated to ensure Nedbank remains resilient during and after the market crisis/Covid-19.

As a purpose-led organisation Nedbank has done sound climate-related work over the past three decades. In recent times the focus on climate-related risks has been increasing globally and the exponential elevation of risks relating to climate change is why Nedbank adjusted the group's risk structures to incorporate climate risks in our top 12 risks. Climate risks are newly evolved (but less mature) C-suite risks.

Climate change is one of the most defining issues of this century, alongside poverty, requiring urgent and unprecedented action. Nedbank has taken a proactive approach as being a purpose-led bank to ensure that climate-related risk is managed enterprisewide and spans across several clusters and functions within Nedbank. Nedbank established the Climate Task Group and the Climate Risk Leadership Group (CRLG) with representation across the enterprise and is in the process of developing a Climate-related Risk Framework in alignment with best global practice, more specifically, Task Force on Climate-related Financial Disclosure (TCFD) recommendations..

TOP 10 RISKS: FOUR-YEAR OVERVIEW



Top 12 risks (updated for impact of Covid-19 crisis)

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

CASE IN POINT

Increasing focus on cyberrisk

For the past four years cyberrisk has been identified and listed as a Nedbank top 10 risk and it has become even more important given the digitisation of products and services. To offer protection cybersecurity capabilities are continually being enhanced, even though Nedbank is leading in cyberresilience statistics in the market. Our various assessments have identified the key 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.

In January 2020 Nedbank investigated a data security issue that occurred at the premises of a third-party service provider, Computer Facilities (Pty) Ltd. A subset of the potentially compromised data included personal information of some Nedbank clients. No Nedbank systems or client bank accounts have been compromised in any manner whatsoever or are at risk as a result of this data issue. We have moved swiftly to proactively secure and destroy all Nedbank client information held by the supplier. The safety and security of our clients' information is a top priority. We take our responsibility to protect our client information seriously and our immediate focus has been on securing all Nedbank client data at Computer Facilities (Pty) Ltd, which we have done. In addition to this, we have communicated directly with affected clients. We have also taken the necessary actions in close cooperation with the relevant regulators and authorities. Clients' bank accounts have not been compromised in any manner whatsoever and clients have not suffered any financial loss. Nedbank remains vigilant in its efforts to contain cybercrime.

TOP 12 RISKS

1 Business (global and country) risk

For 2020 business (global and country) risk has moved to number one, reflective of the pervasively adverse macroeconomic and political climate in SA and SADC generally. In the past 15 years, the only time we have seen Nedbank profits decline year on year was in 2009, in the middle of the global financial crisis. Fortunately, Nedbank remains solidly profitable with a strong balance sheet, and management is addressing business (global and country) risk actively.

Due to the Covid-19 pandemic the economic outlook deteriorated drastically with the introduction of lockdowns, and a global recession appears to be a certainty.

Management response

- The Nedbank Strategic Risk Framework, incorporating the key themes of the World Economic Forum, is consistently aligned with global trends.
- Robust stress testing is to be done to ensure resilience.
- Climate risk principles are being developed gradually as the climate journey evolves.
- Economic forecasts have been revised, reflecting a sharp deterioration in underlying conditions as a result of the Covid-19 pandemic.
- We remain resilient with capital buffers remaining above regulatory required levels.

2 People and operational risk

Exposure to operational risk continued to increase across Nedbank in 2019, and the (inherent) operational risk profile is high, mainly due to heightened geopolitical, global and local SA country risk, the unprecedented level of change in Nedbank, an abnormal regulatory agenda, and adverse macroeconomic environments and social shifts. Nevertheless, Nedbank's operational risk (residual) remained well managed and monitored overall across the group.

People risk remains heightened across Nedbank due to various causes and increased uncertainty created by the Covid-19 pandemic.

Management response

- We will embark on financial crime risk management automation and analytics/MI enhancements. This will be a key 2020 Digi-RACE focus.
- We continue to work towards achieving the desired impact of the board-approved People Strategy for 2020–2022.
- We remain committed to the safety, health and wellbeing of our staff as the utmost priority, and we will continue to take significant measures to achieve this during the Covid-19 pandemic.

3 Liquidity risk

Optimising our funding profile and maintaining a strong liquidity position remain a priority for the group, especially in the current environment. As a result of the Covid-19 pandemic the domestic banking industry has observed a shortening in the funding profile in a market where depositors have limited appetite for term maturities. Nedbank remains compliant with all key liquidity risk ratios.

Management response

- Given the current situation, a subcommittee of the Liquidity Steering Committee (LSC) is currently meeting biweekly to monitor the group's funding profile and liquidity position.
- We ensure continued compliance with all key liquidity risk ratios and all other regulatory and primary liquidity risk limits.

4 Credit risk

A key feature of the 2019 Nedbank results is the 62% increase in impairments year on year, and the Nedbank Group CLR increasing from 53 bps to 80 bps. Nedbank does not believe that the year-on-year increase in CLR is indicative of the overall quality of the group's credit portfolio, but rather as a result of the prolonged, adverse macroeconomic and political environment, causing all individual business portfolios to trend negatively.

For the year 2020, additional risks emanating from the Covid-19 pandemic will be identified, closely monitored and managed.

Management response

- Nedbank will coordinate and track the group's Strategic Portfolio Tilt objectives to take advantage of opportunities identified without compromising risk appetite.
- We have successfully adopted the Basel III reforms with the focus turning to the phasing-in of Basel IV.
- The group is embarking on a credit concentration risk refresh to align to Nedbank's strategic focus areas.
- A Credit Covid-19 Crisis Committee consisting of senior risk and business executives across the enterprise has been established and meets weekly to manage credit-related risks in the current uncertain environment.

5 Capital risk

The group remains well capitalised at levels significantly above the minimum regulatory requirements. The Covid-19 pandemic, combined with the oil price crash that occurred in Q1 2020, has resulted in severe volatility and market dislocation in both domestic and offshore financial markets.

Management response

- Careful management of our exposure to all market risks in this uncertain period is a top priority in the group's trading portfolio.
- Capital forecasts are being monitored actively through stress and scenario testing.

6 Market risk

Market risk and all its subrisk components, including strong governance, are well managed and monitored, with positive outcomes in 2019. There have been no adverse surprises in the market risk space during an ongoing year (2019) of volatility and uncertainty in the external markets, operating within the risk appetite and limits.

The Covid-19 global pandemic and the oil market crash in Q1 2020 have led to severe volatility and market dislocation in both domestic and offshore financial markets.

Management response

- The group is integrating market risk with conduct and reputational risk management.
- The group is implementing the Fundamental Review of the Trading Book (FRTB –Basel III) and refreshing the Counterparty Credit Risk Framework.
- The group's market risk governance structure and processes are sound and remain effective.
- We have established market risk management functions that assume responsibility for the measurement, analysis and reporting of market risk and that are independent of the group's trading operations.
- Nedbank is actively involved in ensuring deliverables on requirements, as stipulated by the BCBS and the Prudential Authority (PA).
- We have participated in initiatives to reform local interest rate benchmarks and have also participated in impact assessments of global benchmark reforms on the group.

7 Cyberrisk

Cyberrisk remains an inherently high and escalating risk due to accelerated advances in technology and digital landscapes (Fourth Industrial Revolution), and interconnectedness. Cyberrisk was number two on Nedbank's top 10 risks list for 2019 as the group faced a significant escalation in cyberattacks over the past year. However, to date all attacks targeting systems under Nedbank's control have been successfully defended without any known material impact to Nedbank or clients.

As a result of the Covid-19 pandemic many staffmembers are working remotely, increasing the risk of potential cyber-related threats. Controls and monitoring related to these potential threats are in place.

Management response

- We are actively maintaining the group's 'advanced' external security rating (tracked by BitSight) actively.
- Nedbank completed the Cyberresilience Programme initiated in 2016.
- The group analyses the most likely avenues for a successful cyberattack by way of threat modelling and resilience testing through attack-path-mapping and red-team testing.
- We apply a variety of strong technical controls, such as patching of systems against vulnerabilities, network security controls, perimeter controls, password management controls and software development controls.
- Staff awareness on potential cyber-related threats, as a result of the Covid-19 pandemic, is being enhanced continuously.

8 Regulatory, accounting and compliance risk

Generally, outcomes from engagements with all regulators have been favourable in 2019, however anti-money-laundering remains top of mind. The 2019 SARB FICAA inspection outcome is ongoing and scheduled for completion in 2020.

As a result of the Covid-19 pandemic regulators are looking to banks to provide relief to affected consumers and businesses. To enable this, there is an accelerated pace of regulatory change to, among others, release capital and liquidity pressure from the banks.

Management response

- Nedbank is continuing the good progress on the Regulatory Change Programme with the aim of completing it by the end of 2020, with the exception of AML FICAA, which is to be completed in 2021.
- AML, CFT and sanctions will be themes in Coordinated Assurance 2020.
- The group is preparing for a new wave of regulations, eg Open Banking.
- All major RCP programmes and other key programmes are reviewed by the group.

9 Reputational (and association) risk

Reputational risk is elevated mainly on the back of the Judicial Commission of Inquiry into Allegations of State Capture, but outcomes have generally been positive for 2019. Historical allegations against Nedbank, which the group has previously responded to, appeared in the media. A data incident that occurred at a third-party vendor was identified and all client information held by the third party was secured and destroyed proactively with no known losses to Nedbank clients.

Management response

- The group is ensuring effective reputational risk management and improved reporting by applying reputational risk to matters classified under other risk types.
- Reputational risk, though heightened, continues to be well managed through a robust governance process, and is the focus of senior management and the Nedbank Board.

10 Conduct risk

Conduct risk is also generally heightened due to the increased regulatory focus, the 'court of public opinion' and social media, investigative journalism, adverse SA macro/political environments, the Judicial Commission of Inquiry into Allegations of State Capture and general negative sentiments towards banks. Nevertheless, outcomes of conduct risk were generally positive to date.

In the context of the Covid-19 pandemic, conduct risk and treating our clients fairly remain a key primary focus area.

Management response

- Nedbank will be completing the Market Conduct and Culture Programme (MCCP) with all workstreams and implement outcomes as conduct risk management.
- Nedbank is enhancing governance structures as MCCP moves fully into business as usual.
- Nedbank has recognised the difficult circumstances South Africans find themselves in during the Covid-19 pandemic and has worked on various measures to ensure our clients are kept informed and their changing needs are met, where reasonably possible.

11 Strategic execution risk

Strategy execution risk remained naturally elevated in 2019 given the unprecedented level of change underway at Nedbank, critical in response to the Fourth Industrial Revolution, the abnormal regulatory change agenda, and delivery on 2020 strategic objectives, and beyond.

Key factors impacting 2020 strategic plans have continued to deteriorate in Q1 2020, primarily driven by the impact of Covid-19. The group is navigating through an unprecedented black swan environment and focusing on material matters and risks that have emerged and pivoted in strategy.

Management response

- Large-scale strategic transformational programmes are supported through the group's Internal Audit Plan.
- We have updated our Strategic Risk Framework following the World Economic Forum.
- We have pivoted the group's strategic focus in light of the current key risks in this unprecedented environment to focus on the health and safety of our staff and clients, capital and liquidity focus to prevent systemic risk, IT systems stability, supportive credit and collections processes and aggressive cost discipline.
- In parallel, we have been assessing the impact of the Covid-19 pandemic on strategic activities. This is still work in progress and will continue to be reviewed regularly.

12 Climate risks

One very significant, but often misunderstood, risk that financial institutions face today relates to climate change. Climate risks span the breadth of Nedbank's risk universe with potential physical, transition and/or liability risks requiring ongoing identification, assessment and management. Globally, the focus on climate-related risks is increasing, with several organisations and institutions requesting more action and disclosure around banks' climate-related risk management.

Management response

- We will approve and operationalise the Nedbank Climate Management Framework.
- Climate resilience will remain a key strategic priority with the client at the heart of everything we do.
- We will continue to adapt as climate-related client preference, legislation and regulation evolve.

Managing the Covid-19 pandemic risks

In response to the Covid-19 pandemic, Nedbank enacted its business continuity plans and established an Exco committee and three key steering committees that will manage the emerging risks:

- **Market Crisis 2020 and Covid-19 Exco Committee** - oversee the group's actions and manage the unfolding risks with support from the following committees:
  - **Pandemic Steering Committee** – manage operational risk, health and safety of staff, clients and other stakeholders. Through a coordinated approach involving local health authorities and medical experts on Covid-19, Nedbank is attempting to: prepare well – taking appropriate precautionary measures; prepare early – not waiting for the local statistics to deteriorate further before implementing extreme preventative measures, and addressing the fact that Covid-19 is highly infectious/contagious and the biggest driver of its rapid spread is travel (prior to the national lockdown Nedbank prohibited all business travel, and discouraged personal air travel); followed by gatherings/events/functions/groups/meetings/social interaction – which Nedbank limited through staff working from home, restrictions on physical meetings and splitting up of teams in order to promote social distancing.
  - **Liquidity Covid-19 Crisis Steering Committee** – manage liquidity and our interactions with BASA, National Treasury and the Prudential Authority. The Liquidity Covid-19 Crisis Steering Committee's primary responsibility is to ensure timely execution of Nedbank's liquidity risk management framework during the Covid-19 crisis, including the identification of possible liquidity issues, invoking the Liquidity Risk Contingency Plan, if required, and ongoing monitoring of compliance with applicable laws and liquidity regulations.
  - **Credit Covid-19 Crisis Committee** – look at credit decisions, regulatory implications of proposed interventions and collections. The Credit Covid-19 Crisis Committee has been established to address credit-related matters that arise as a result of the pandemic. The committee meets on a weekly basis and is chaired by the Group Chief Risk Officer and attended by various cluster and group executives. The mandate of the committee is to address credit-related impacts of the Covid-19 crisis together with existing governance processes within the bank to ensure agile decisionmaking. The committee focuses primarily on client support (in the form of payment holidays and other initiatives), impact on IFRS 9/RWA (and other reporting requirements), regulatory, macroeconomic and other changes (locally and globally), strategic impact and other material matters that may arise as a result of Covid-19.

ENSURING AND PROTECTING VALUE

Group Risk and Capital Management Committee (GRCMC)

IV

'The GRCMC remains focused on Nedbank's organisational resilience in this ever-expanding risk universe, with traditional risks such as credit, market, operational, capital and liquidity risks being impacted by externally driven trends. These trends include adverse geopolitical and macroeconomic risks as well as the new major C-Suite risks, ie cyber, conduct, crime/corruption, change, climate and Covid-19 risks. Nedbank is also faced with the Abnormal Regulatory Change Agenda, the Fourth Industrial Revolution and change risks linked to internal programmes.'

Errol Kruger
(Chair)

Ensuring and protecting value in 2019

- Monitored Nedbank's risk universe heatmap and risk trends, together with the key issues control log and the Chief Risk Officer's 'Top of Mind' reports.
- Ensured Nedbank's ERMF remained 'fit for purpose' including monitoring the evolution/maturity of the major C-Suite risks and other emerging risks.
- Monitored that the board-approved 2019 Risk Strategy and Risk Appetite, and top 10 risks were successfully managed in all material respects.
- Encouraged management's evolution of combined assurance.
- Reviewed Nedbank's balance sheet management risks.
- Oversaw the progress relating to the digitisation of risk, audit and compliance across the enterprise (Digi-RACE). The vision of Digi-RACE is to win and maintain clients' trust and improve operational excellence within risk, audit and compliance across the enterprise.

Focus for 2020 and beyond

- Oversee and manage the impact of the Market Crisis 2020/ Covid-19, with specific focus on how these events affect Nedbank's top 12 risks. This will include concentrated efforts on the health and safety of staff (and clients), operational resilience, people risks as well as capital and liquidity risks.
- Oversee the 2020 Internal Capital and Liquidity Adequacy Assessment Processes.
- Update thematics on AML, CFT and sanctions, cyber, climate, conduct risks, Covid-19 and change risks associated with the Fourth Industrial Revolution.
- Continue to watch closely the risk universe heatmap and changing risk trends and management's response.
- Monitor progress of Nedbank's current Regulatory Change Programme.

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

1 Business (global and country) risk
2 People and operational risk
3 Liquidity risk
4 Credit risk
5 Capital risk
6 Market risk
7 Cyberrisk
8 Regulatory, accounting and compliance risk
10 Conduct risk
11 Strategic execution risk
12 Climate risks

A comprehensive GRCMC report is available online in our 2019 Governance and Ethics Review on our group website at nedbankgroup.co.za.

DELIVERING AND REWARDING FOR VALUE CREATION

REFLECTIONS FROM OUR CHIEF FINANCIAL OFFICER

> Nedbank made good strategic and operational progress in 2019, but our financial performance was below expectations in a very difficult macroeconomic environment. Looking forward, the environment remains uncertain as the financial implications of the Covid-19 pandemic is still to evolve. We have withdrawn our financial guidance on 14 April 2020 and will update the market once we have more clarity.
>
> **Raisibe Morathi,** Chief Financial Officer

A VERY DIFFICULT MACROECONOMIC ENVIRONMENT

SA economic growth in 2019 was much slower than we expected as recessionary conditions prevailed. This was due mainly to severe and frequent power outages, the unsustainable fiscal trajectory and ongoing policy uncertainty, combined with a deteriorating global outlook. Under these difficult domestic conditions, company profits and household finances deteriorated during the year, resulting in subdued credit demand, lower transactional volume growth and rising defaults in the SA banking industry. When we started 2019, our forecast for SA GDP growth was to improve off the low 2018 base of 0,8% to around 1,3%. During the year we consistently revised our forecasts down as issues such as the impact of severe and frequent power outages and policy uncertainty impacted GDP, which ended the year at 0,2%. This is the longest economic downswing since recording began in 1945.

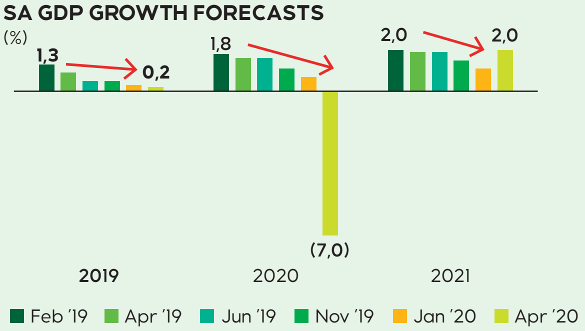
Business confidence reached seven-year lows as policy uncertainty increased. While some companies increased investment in new technologies, automation and improved processes, expansionary investment into new production capacity continued to decline, resulting in higher levels of unemployment and growing numbers of discouraged workers.

Growth in consumer spending slowed down significantly, impacted by rising unemployment, slower wage growth, higher taxes and slowing disposable income growth. Encouragingly, household balance sheets were little changed, as the ratio of household debt to disposable income was relatively steady at 72,7% throughout 2019.

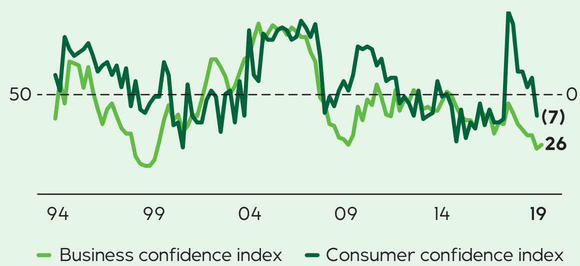
Inflation surprised on the downside in 2019, ending the year at a subdued 4,0%, contained mainly by weak domestic demand and low food prices, which offset the impact of a moderately weaker rand and volatile oil prices. In response to the benign inflation outcomes and improved inflation outlook, SARB's Monetary Policy Committee cut interest rates by 25 bps in July 2019, followed by another cut of 25 bps in January 2020 and two 100 bps cuts in March and April, with the possibility of further rate cuts in the remainder of 2020.

The overall conditions in the banking sector remained very challenging in 2019, with the weak economic environment resulting in subdued client demand for most categories of credit and a slowdown in transactional-banking activity and dealflow. Credit risks increased, given the ongoing pressures on household incomes and company profits.

SA GDP GROWTH FORECASTS



BUSINESS AND CONSUMER CONFIDENCE INDICES



2019 FINANCIAL PERFORMANCE REFLECTS IMPACT OF HIGHER IMPAIRMENTS

Our financial performance in 2019 reflects the impact of higher impairments and various large items. Headline earnings decreased by 7,3% and most of our key financial metrics were also softer due to the earnings pressure. As expected, our net interest margin decreased, while our CLR was higher than expected, around the midpoint of our TTC target range. However, preprovisioning operating profit growth of 3,0% reflects good cost management, which offset slower revenue growth, and our cost-to-income ratio improved to 56,5%. The impact of buying back and cancelling seven million shares as a result of the odd-lot offer in December 2018 (following the conclusion of the Old Mutual managed separation process) resulted in a DHEPS decline of 6,3%, which was slightly lower than the decline in headline earnings.

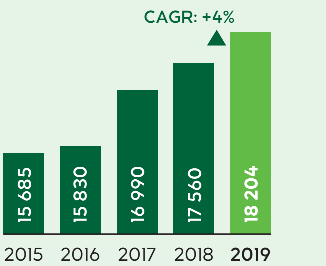
A few large items impacted growth

In addition to the challenging environment, headline earnings was impacted by additional items, including hyperinflation in Zimbabwe, the exercise of an option that will increase our shareholding in Banco Único from 50% plus one share to approximately 87,5% (subject to regulatory approval), the revaluing of a number of private-equity investments (as the underlying investee company's performance was weaker) and the increase in impairments just above the midpoint of our target range of 60 bps to 100 bps as a result of increased impairments raised on certain CIB watchlist items, poor collections in our vehicle finance business in December 2019, and an increase in the central impairment. Growth was also impacted by the high NIR base from the closure of round four renewable-energy deals in 2018 and the contribution towards YES in 2019.

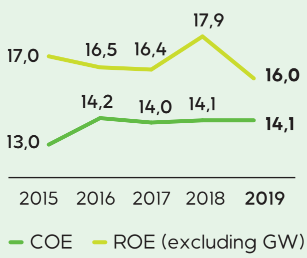
A focus on creating value for shareholders

Although 2019 was a challenging year, we are committed to delivering long-term value to our shareholders. NAV per share increased by 3,7%. ROE (excluding goodwill) declined to 16,0% on the back of the lower-than-expected financial results but remained above cost of equity, resulting in economic profit of R1,4bn. The strength of our balance sheet, evident in our IFRS 9 fully phased-in CET1 ratio of 11,5%, supported a full-year dividend for the year of 1 415 cents, similar to that of the prior year.

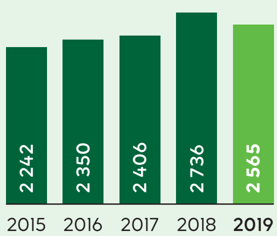
NET ASSET VALUE PER SHARE
(Cents)



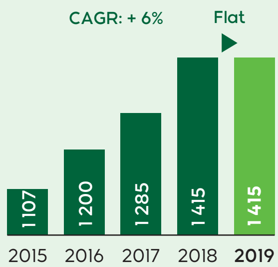
ROE AND COST OF EQUITY
(%)



DILUTED HEPS
(Cents)



DIVIDEND PER SHARE
(Cents)



Slow revenue growth, impacted by the macroeconomic environment

Slow revenue growth of 3,0%, including associate income, reflects a challenging macroeconomic environment:

- NII increased by 4,7% to R30,2bn, driven by average interest-earning banking asset growth of 8,6%, offset by a contracting NIM. In CIB NII growth of 2,0% was underpinned by solid growth in average banking advances as pipeline deals were converted, but NIM was under pressure as banks compete for high-quality deals. RBB advances recorded good growth in both advances and deposits, maintaining its momentum from the prior years.
- NIR was flat yoy impacted primarily by lower private-equity revaluations. In CIB NIR declined 4,1%, given subdued client activity, a decrease in private-equity income and base effects from round four renewable-energy deals concluded in H2 2018. NIR in RBB increased by 5,8% as main-banked clients in the middle and professional segments grew while main-banked clients in the entry-level and youth segments decreased. Insurance income was slightly down due to higher weather-related claims in H1 2019, while trading income increased by 2,1% despite low volatility and decreased volumes from a high base.

Impairments increased off a low 2018 base

Impairments increased by 66,2% driven by increases across stage 1, 2 and 3 impairments and we increased our central provision by R150m in the second half of the year to take account of risks that have been incurred but have not yet emerged. As a result, our credit loss ratio (CLR) increased off a low base to 82 bps, within the TTC target range of 60 bps to 100 bps.

Good expenses management

Expenses growth of 1,7% was below total revenue and associate income growth of 3,0%, resulting in a positive JAWS ratio of 1,3%. Cost lines were well managed, reflecting the benefits of implementing our Target Operating Model (TOM) initiative and reduction in incentives. The decrease in incentives was more than the decline in earnings. We continue to benefit from the digitisation of operations, procurement savings, reduced branch costs and a reduction in headcount, primarily through natural attrition.

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 2019 cash tax contribution was R11,6bn, comprising Nedbank's direct and indirect taxes, as well as taxes paid on behalf of our staff (eg PAYE) and shareholders (dividend withholding tax).

FINANCIAL OUTLOOK OVER THE SHORT, MEDIUM AND LONG TERM

2020 outlook

SA's economic growth prospects before the Covid-19 pandemic emerged were subdued, undermined by persistent energy constraints, weak government finances and slow progress on structural reforms. In this difficult SA macroeconomic environment, where in January 2020 we forecast GDP growth in 2020 to be 0,7%, and given our 2019 base, our guidance for growth in diluted headline earnings per share for 2020 was for DHEPS to be equal to or greater than nominal GDP. Post the emergence of the Covid-19 virus spreading across the globe we revised our GDP forecast in 2020 to -7,0% and we have subsequently withdrawn our guidance until such time we have more clarity around the financial impact.

Medium-to-long-term targets

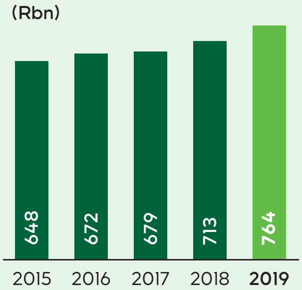
Our medium-to-long-term financial targets for ROE (excluding goodwill) and the cost-to-income ratio in 2020 were communicated to the market in early 2018, when GDP growth was forecast to be materially higher than what has transpired and, as a result, credit growth and interest rates (endowment impact) were also forecast to be higher than what took place.

To reflect the deterioration in these metrics since 2018 we have revised the timelines for the achievement of our medium-to-long-term financial targets to be more reflective of the weaker economic environment, which we expect to persist. These targets will be reviewed once we have more clarity around the impact of the Covid-19 pandemic.

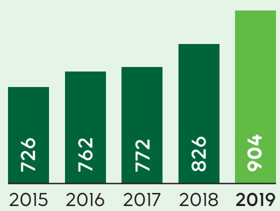
Targets are under review due to the Covid-19 pandemic

Metric	2019	Medium-term target (2–3 years)	Long-term target (5+ years)
ROE	**15,0%**	≥ 17%	≥ 4% above COE
Growth in DHEPS	**(6,3%)**	Around consumer price index + GDP growth	≥ consumer price index + GDP growth + 5%
Credit loss ratio	**0,82%**	Between 0,6% and 1,0% of average banking advances	Between 0,6% and 1,0% of average banking advances
NIR-to-expenses ratio	**80,8%**	> 85%	> 85%
Cost-to-income ratio (including associate income)	**56,5%**	≤ 53%	≤ 50%
CET1 capital adequacy ratio (Basel III)	**11,5%**	10,5–12,5%	10,5–12,5%
Dividend cover	**1,84 times**	1,75–2,25 times	1,75–2,25 times

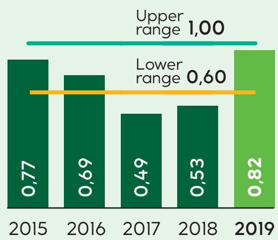
BANKING ADVANCES
(Rbn)



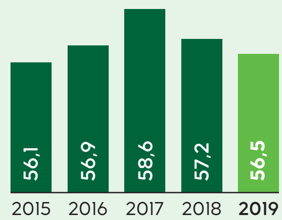
DEPOSITS
(Rm)



CREDIT LOSS RATIO
(%)



COST-TO-INCOME RATIO
(%)



ACCOUNTING CHANGES

IFRS 16, dealing with the accounting for leases, was implemented on 1 January 2019 and resulted in lower levels of equity and higher levels of assets and liabilities, as well as accounting changes between NII and expenses. The group recognised lease liabilities of R3,8bn and accompanying right-of-use assets of R2,7bn. An IAS 17 straight-lining balance of R126m and an accompanying deferred tax entry of R35m were reversed against retained earnings. The equity impact (net of tax) is R658m.

HYPERINFLATION ACCOUNTING IN ZIMBABWE

Included for the first time in these results is the impact of hyperinflation accounting for our operations in Zimbabwe. On 11 October 2019 the Zimbabwe Public Accountants and Auditors Board announced that Zimbabwe is in hyperinflation, effective from 1 July 2019, and Nedbank accordingly applied IAS 29 in accounting for our operations in Zimbabwe, where we hold 66% of the company's equity. The key drivers included: adjusting opening equity with the closing CPI at 6,21 times and similarly reducing the income statement by R246m, recording gains from the indexing of non-monetary assets (eg fixed assets) and indexing the income statement, resulting in an increase in certain lines and an equal and opposite charge in the monetary loss line in the income statement. The impact was a net monetary loss of R296m, recorded as a new line item on the income statement, similar to industry practice. The headline earnings impact of these adjustments is R142m after adjusting for minorities.

AUDITOR INDEPENDENCE

The 2019 financial year was significant in terms of external-auditor independence matters and the oversight of the external-audit process. Following a comprehensive tender process, Ernst & Young was appointed as Nedbank and Nedbank Group's new joint external auditor, alongside Deloitte.

Deloitte's rotation will be finalised by no later than December 2023. This is in line with the Independent Regulatory Board for Auditors' (IRBA's) mandatory audit firm rotation (MAFR) rules, effective from 1 April 2023, requiring that if a firm has served as an appointed auditor for 10 or more consecutive financial years before the financial year commencing on or after 1 April 2023, then the audit firm may not accept reappointment as auditor. Some shareholders early-adopt MAFR principles in their proxy voting. We continue to reiterate our commitment to fully implement MAFR for our 2024 financial year, however, we are limited in the short term by regulatory requirements, and the complexity and practicality of changing both auditors in a short period.

APPRECIATION

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 hardworking finance teams across the group for ensuring that we maintain our high standards and professionalism, which is evident in the various reporting awards that Nedbank received in 2019. 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

ENSURING AND PROTECTING VALUE

Group Audit Committee (GAC)

IV

'The fundamental role of the GAC is to assist the board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls and financial reporting. While formal meetings of the GAC are at the heart of the chair's work, our contact goes beyond the boardroom through engaging with various stakeholders, including meetings with the auditors (internal and external), working closely with other board subcommittees and achieving synergies across our coordinated assurance process.'

Stanley Subramoney
(Chair)

Ensuring and protecting value in 2019

- Monitored the transition and onboarding of the newly appointed audit firm Ernst & Young.
- Continued to monitor reputational risk concerns related to the external auditors and received regular updates from the external audit firms' senior leadership.
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters.
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings.
- Assessed compliance with all statutory requirements in terms of the Companies Act, 71 of 2008, 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 2020 and beyond

- Continue to focus on ensuring that the group's financial systems, processes and internal financial controls are operating effectively.
- Monitor the accounting implications arising from hyperinflation accounting in Nedbank Zimbabwe and accounting implications from the significant investment in ETI.
- Monitor the implementation of the amended JSE Listings Requirements, particularly the requirements regarding internal financial controls.
- Review the IFRS 9 accounting implications related to Covid-19, including the provision of payment holidays.

Stakeholders

Staff
Shareholders
Regulators

Top 12 risks

1 Business (global and country) risk
2 People and operational risk
3 Liquidity risk
4 Credit risk
7 Cyberrisk
8 Regulatory, accounting and compliance risk
9 Reputational (and association) risk

A comprehensive GAC report is available online in our 2019 Governance and Ethics Review at nedbankgroup.co.za.

Consolidated statement of comprehensive income

Rm	Change %	2019	2018	2017
Net interest income	4,7	**30 167**	28 819	27 624
Impairments charge on financial instruments	66,2	**(6 129)**	(3 688)	(3 304)
Income from lending activities	(4,3)	**24 038**	25 131	24 320
Non-interest revenue	0,1	**25 997**	25 976	24 063
Total operating expenses	1,7	**(32 179)**	(31 632)	(29 812)
Zimbabwean hyperinflation		**(296)**		
Indirect taxation	16,3	**(1 096)**	(942)	(1 001)
Share of income/(losses) of associate companies	50,2	**793**	528	(838)
Headline profit before direct taxation	(9,5)	**17 257**	19 061	16 732
Direct taxation	(18,0)	**(3 942)**	(4 807)	(4 267)
Non-controlling interest	6,7	**(809)**	(758)	(678)
Headline earnings	(7,3)	**12 506**	13 495	11 787
Diluted headline earnings per share (cents)	(6,3)	**2 565**	2 736	2 406
Dividend declared per share (cents)	0,0	**1 415**	1 415	1 285
Dividend cover (times)	(6,6)	**1,84**	1,97	1,91

Consolidated statement of financial position

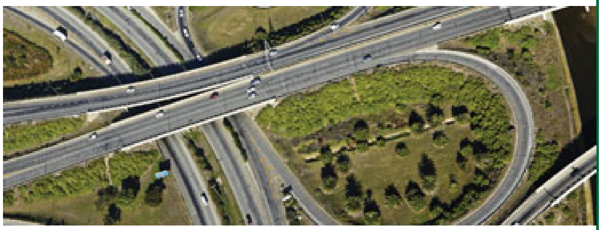
Rm	Change %	2019	2018	2017
Cash and securities	14,3	**242 353**	212 007	188 820
Loans and advances	8,2	**796 833**	736 305	710 329
Other assets	9,0	**104 163**	95 600	84 165
Total assets	9,5	**1 143 349**	1 043 912	983 314
Total equity attributable to equity holders of the parent	4,6	**87 597**	83 778	81 823
Non-controlling interest	44,8	**10 852**	7 493	6 716
Amounts owed to depositors	9,5	**904 382**	825 804	771 584
Provisions and other liabilities	13,4	**80 805**	71 250	71 615
Long-term debt instruments	7,4	**59 713**	55 587	51 576
Total equity and liabilities	9,5	**1 143 349**	1 043 912	983 314
Assets under management	11,4	**331 136**	297 338	312 313
Key ratios (%)				
ROE		**15,0**	16,8	15,3
ROE (excluding goodwill)		**16,0**	17,9	16,4
Return on assets		**1,13**	1,33	1,22
NIM		**3,52**	3,65	3,62
CLR		**0,82**	0,53	0,49
Cost-to-income ratio		**56,5**	57,2	58,6
JAWS ratio		**1,3**	2,7	(3,0)
CET1 ratio		**11,5**	11,7	12,6

We withdrew our financial guidance on 14 April 2020

	2020 outlook at 3 March 2020[1]	Key risks going forward
Net interest income **Key drivers:** NII increased by 4,7%, supported by AIEBA growth of 8,6%, which was driven by solid growth in advances and higher levels of HQLA held in the banking book. NIM decreased by 13 bps to 3,52% as a result of negative endowment impact due to lower net endowment balances, asset pricing pressure as a result of pressures in Personal Loans (NCA pricing caps) and competitive pricing on wholesale advances, as well as the implementation of IFRS 16 on 1 January 2019.	NIM to stay similar to the 2019 level of 3,52%	Risk of slower advances growth and net interest margin decline in response to lower interest rates (R1,3bn pretax impact for a 1% decline in interest rates)
Impairments charge on loans and advances **Key drivers:** Impairments increased off a low base by 66,2% and the CLR increased from 53 bps to 82 bps to slightly above the midpoint of our TTC range of 60 bps to 100 bps, impacted by cyclical increases in RBB, impairments from a few large CIB watchlist clients in Q4 and an increase in our central provision. We continue to pursue our selective origination strategies and portfolio tilt initiatives to strengthen and grow our portfolio in the challenging macroeconomic environment.	CLR to stay similar to the 2019 CLR of 82 bps (within our TTC target range of 60 bps to 100 bps)	Risk of increase given increasing pressure on our clients due to Covid-19
Non-interest revenue **Key drivers:** NIR was flat, with commission and fee income growth of 2,5%, supported by solid main-banked client growth in the more profitable middle, professional and SME client segments in RBB. However, it was adversely impacted by subdued client activity in CIB. Insurance income was slightly down due to higher weather-related claims in H1 2019 and lower life reserve releases, partly offset by improved investment returns and volume growth. Trading income increased by 2,1% despite low volatility and decreased volumes from a high base. Private-equity income declined, primarily due to the downward revaluation of unrealised investments as the subdued macroeconomic environment impacted the profitability of certain counters. Other NIR declined, mainly as a result of Nedbank accounting for the exercise of an option that will increase our shareholding in Banco Único from 50% plus one share to 87,5% (subject to regulatory approval).	NIR to grow at around mid-single-digit growth	Risk of lower growth as transactional volumes slow and markets decline
Total operating expenses **Key drivers:** Expenses grew by 1,7%, driven by reduced incentives which decreased faster than earnings growth. IT investments in the business continue to drive costs growth but were partially offset by ongoing efficiencies. In the first half of the year we finalised a final pretax credit of R354m with regard to PRMA obligations and benefits, in comparison with R250m in the prior year, while other costs also included Nedbank's first-time participation in the YES initiative to the value of R134m pretax.	Expenses to grow at below mid-single-digit growth	Continue to be well managed with focus on lower discretionary spend
Dividend declared per share (cents) **Key drivers:** On the back of our solid capital and liquidity position, a final dividend of 695 cents was declared, with the total dividend for the year of 1 415 cents being in line with the prior year. Our full-year dividend cover was 1,84 times, towards the bottom of our target range of 1,75–2,25 times.	Within target range of 1,75 to 2,25 times	The PA issued guidance recommending banks no longer make dividends distributions on ordinary shares in order to conserve capital, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory capital relief provided. The guidance will impact Nedbank and the industry going forward.
Loans and advances **Key drivers:** Total banking loans and advances increased by 7,2%, driven by continued solid growth in RBB and an increase in CIB banking advances growth. Term loans increased strongly yoy supported by growth in CIB as a result of ongoing drawdowns coupled with new transactions completed in 2019. Commercial property grew at 8%, slightly behind market, as we focused on selective origination at appropriate pricing. The growth momentum of retail advances continued as seen in strong growth in vehicle finance and personal loans, while growth in home loans is reflective of slow industry growth.	Average interest-earning banking assets (AIEBA) to grow at just above mid-single digits	Risk of lower growth as confidence levels reduce
CET1 ratio **Key drivers:** The group remains well capitalised, at levels significantly above the minimum regulatory requirements. The CET1 ratio of 11,5% was impacted by the implementation of IFRS 16 on 1 January 2019 (R658m reduction in equity and R3,4bn increase in RWA); the ongoing investment in software development costs as part of the group's Managed Evolution programme; the adverse impact of changes in foreign currency translation reserves, an increase in RWA due to migration in certain credit portfolios; credit model updates; and capital optimisation initiatives.	CET1 ratio to be within our target range of 10,5%–12,5%	Risk of higher RWA partially offset by the PA directives

[1] *2020 outlook is based on January 2020 economic forecasts. Given recent developments around the Covid-19 pandemic, we withdrew our financial guidance on 14 April 2020.*

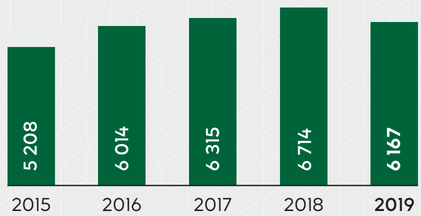
NEDBANK CORPORATE AND INVESTMENT BANKING



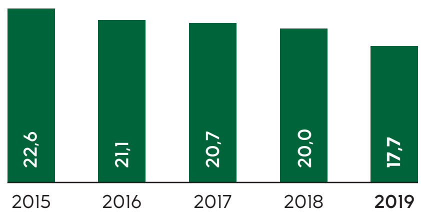
2019 PERFORMANCE

- CIB HE declined by 8,1% to R6,2bn while delivering an ROE of 17,7%.
- HE was primarily impacted by an increase in the CLR to 26 bps from 4 bps in the prior year, as well as lower private-equity revaluations. NII growth of 2,0% was underpinned by solid growth in banking advances (+6,8%) as pipeline deals were converted. NIR declined by 4,1%, impacted by subdued client activity, a decrease in private-equity income and base effects from the fourth round of renewable-energy deals concluded in H2 2018.
- Notwithstanding the increase in CLR to within CIB's TTC target range of 15 bps to 45 bps, credit quality remained sound in a difficult environment, supported by proactive risk management, and close monitoring and management of specific counters and exposures to stressed sectors of the economy, such as cement, construction, retail and selected SOEs.

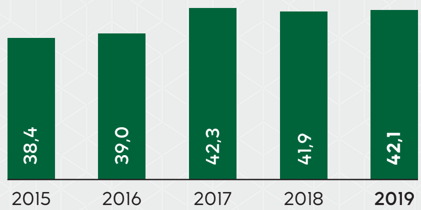
HEADLINE EARNINGS (Rm)



ROE (%)



COST-TO-INCOME RATIO (%)



FINANCIAL[1] TARGETS

ROE
Medium term: ≥ 18%
Long term: ≥ 20%

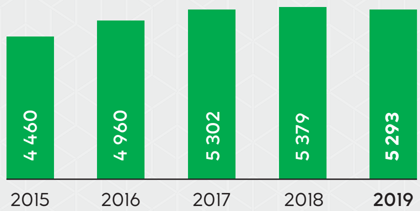
Cost-to-income ratio
Medium term: ≤ 42%
Long term: ≤ 40%

NEDBANK RETAIL AND BUSINESS BANKING

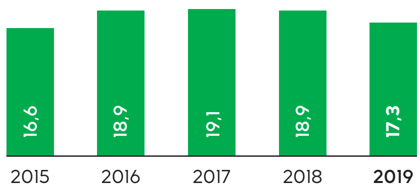
2019 PERFORMANCE

- Headlines earnings in RBB declined by 1,6% to R5,3bn and ROE was 17,3%.
- The lower headline earnings was mainly due to cyclically higher impairment charges. The CLR increased to 138 bps and is now within the lower half of the cluster's TTC target range of 130 bps to 180 bps. Revenue growth was solid as NII increased by 6,1%, while NIR increased by 5,8% as main-banked clients in the middle and professional segments grew, while main-banked clients in the entry-level and youth segments decreased. Low expenses growth was enabled by ongoing optimisations of processes and operations, including headcount reductions of 1 876, largely through natural attrition.
- RBB delivered a strong preprovisioning profit increase of 11,4%, reflecting continuing growth of the franchise.

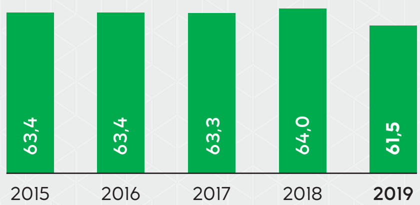
HEADLINE EARNINGS (Rm)



ROE (%)



COST-TO-INCOME RATIO (%)



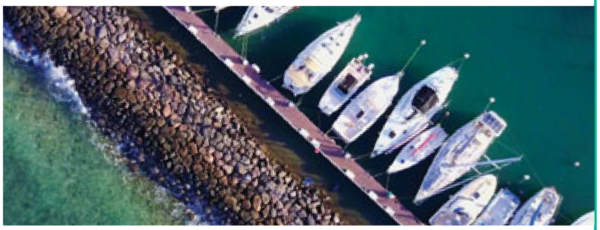
FINANCIAL[1] TARGETS

ROE
Medium term: ≥ 19%
Long term: ≥ 20%

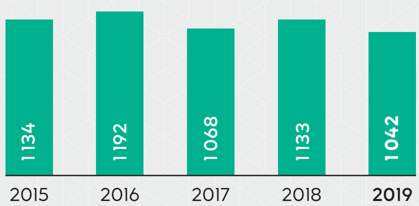
Cost-to-income ratio
Medium term: ≤ 59%
Long term: ≤ 57%

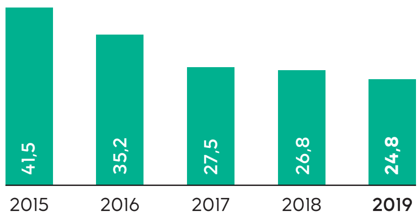
[1] *Based on January 2020 macroeconomic forecasts. Given recent developments around the Covid-19 pandemic, we withdrew our financial guidance on 14 April 2020 and our medium- and long-term targets are under review.*

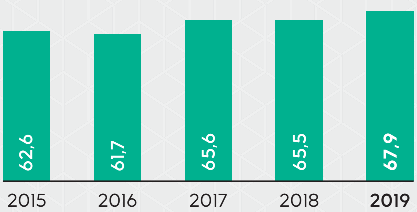
NEDBANK WEALTH



- Nedbank Wealth headline earnings was down by 8,0% to R1 042m, with ROE of 24,8% due to a 0,3% revenue decline in a challenging macroeconomic environment and poor market conditions.
- Negative investor confidence and lacklustre GDP growth in SA impacted revenue streams in the local wealth management businesses. The international wealth management business achieved good underlying growth despite being adversely impacted by declining interest rates. The Insurance business was negatively affected by an increase in weather-related claims in the first half of the year. Asset management was impacted by AUM outflows experienced in the latter part of 2018 as well as changing investor behaviour towards lower-margin and lower-risk asset classes.



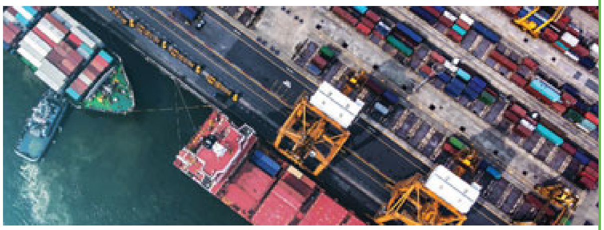




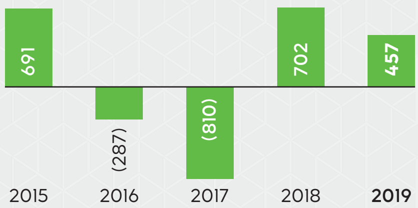
ROE
Medium term: ≥ 28%
Long term: ≥ 30%

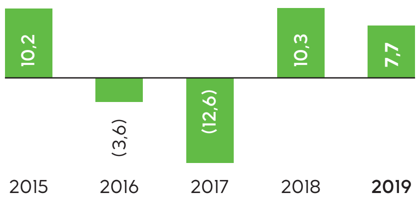
Cost-to-income ratio
Medium term: ≤ 65%
Long term: ≤ 65%

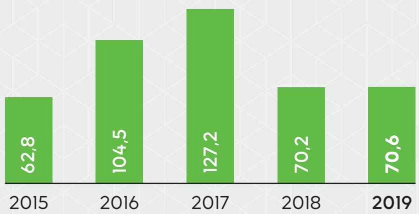
NEDBANK AFRICA REGIONS



- Nedbank Africa Regions' headline earnings decreased by 35,0% to R457m and ROE declined to 7,7% mainly due to hyperinflation accounting in Zimbabwe implemented from 1 July 2019, once-off adjustments, higher impairments and lower associate income in Q4 2019, as we accounted for ETI's Q3 2019 results.
- The SADC business performance was affected by continued macroeconomic pressures across the region, especially in Zimbabwe, where the application of hyperinflation accounting resulted in a net monetary loss of R296m and a headline earnings loss of R142m.







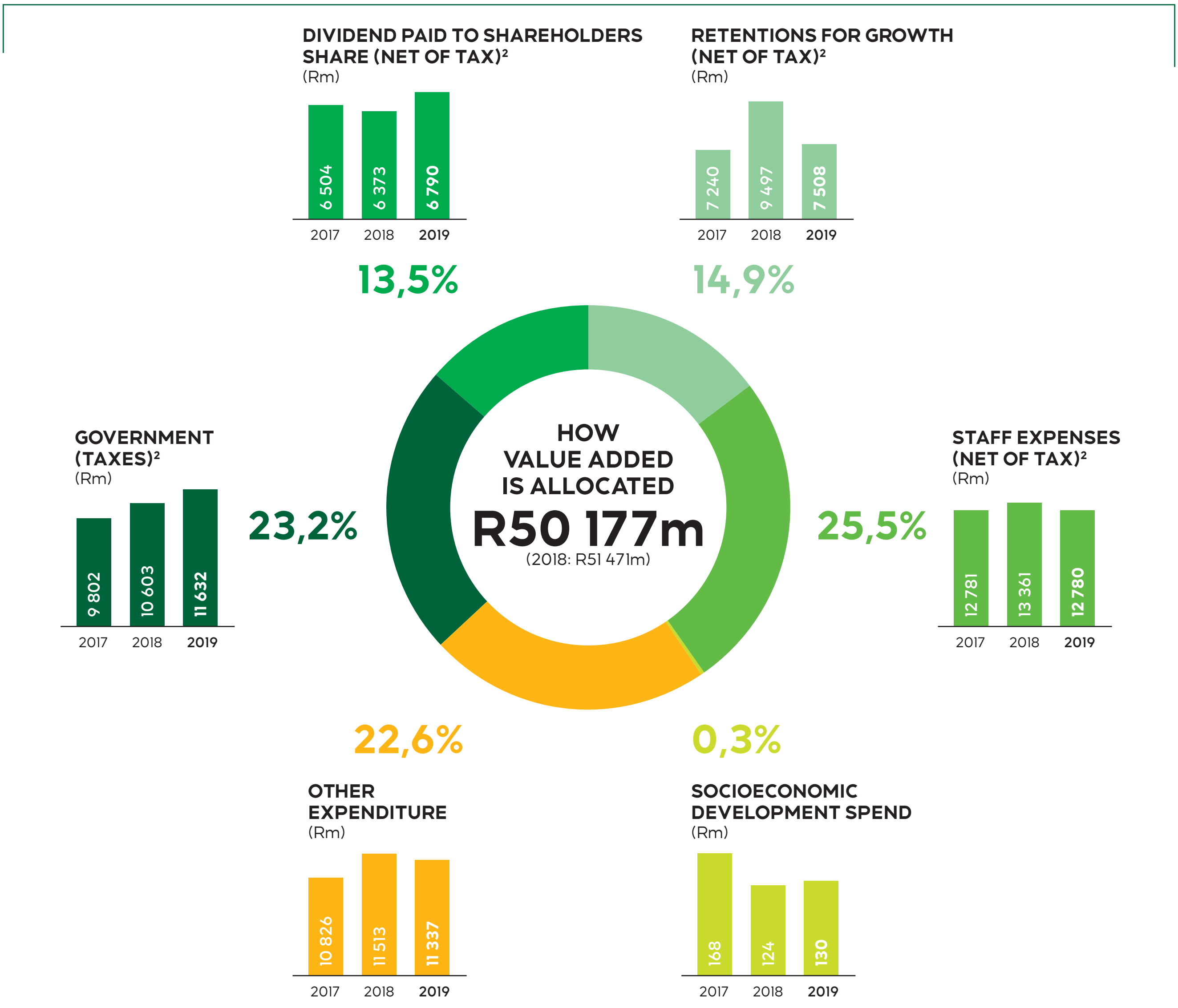
ROE
Medium term: ≥ 15%
Long term: ≥ 20%

Cost-to-income ratio
Medium term: ≤ 65%
Long term: ≤ 60%

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.

NET INTEREST INCOME		IMPAIRMENT LOSSES ON LOANS AND ADVANCES		OTHER BANKING INCOME[1]		VALUE ADDED
R30 167m	−	R6 129m	+	R26 139m	=	R50 177m



[1] *Other banking income includes non-interest revenue, non-trading and capital items, and share of profits of associate companies.*

[2] *Value for government (taxes) includes direct taxes, payroll tax, 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.*

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 2019 and of prospects for future value creation.

INVESTING IN OUR STAFF

Quality of relationship:

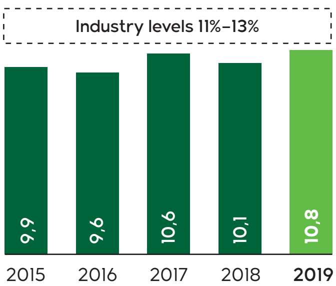
Falling short — Excelling

We assess the quality of the relationship with our staff through the value we created in 2019, including the performance against the specific key performance indicators discussed below. Our assessment is subjective but informed by our staff engagement score of 75%, ongoing investment in our people, progress on transformation metrics but offset by an attrition level of 10,8% and high levels of entropy (measured in 2018).

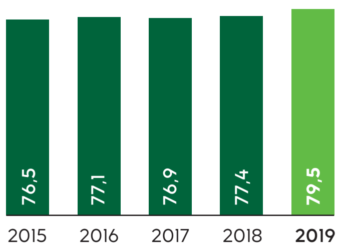
Delivering value to staff in 2019

- We paid R17,3bn in remuneration and benefits.
- There was an ongoing reduction in the wage gap between unionised staff (7,0% average increase) and management (average below 4,5% increase). In 2020, continuing this trend and indicative of the difficult environment, executive management will receive no increases.
- We refreshed our EVP by launching our exciting People Promise (shown on page 57).
- Staff engagement at 75% is positive and well above the industry average of 67%.
- We did ongoing development and training (R760m spend, up 62% yoy), with an increased focus on digital leadership and capabilities.
- Our new Ways of Work practices to transform Nedbank into a more agile organisation are evident in the formation of more than 150 squads and 1 550 staffmembers working according to this new approach.
- There are positive indicators of the Nedbank culture shifting to be more commercially focused, client-centred and innovative, (evident in the client satisfaction metrics on page 76 and new market-leading innovations on page 48).
- Transformation metrics continue to improve as we become a more diverse and inclusive employer. Female staff representation is at 62% and black staff at 79%.
- Reduced headcount as we increasingly digitise our operations, mostly through 10,8% natural attrition (below the industry benchmark of 11%-13%).
- Our redeployment programme, through our Agility Centre, reskilled and placed more than 620 staff.
- We regrettably retrenched 158 staffmembers (0,5% of total staff).
- Entropy scores (20%) as measured in our 2018 survey (conducted only every two years) were negatively impacted by the large-scale organisational change.

STAFF ATTRITION
(%)



TRANSFORMATION – ACI EMPLOYEES AS PERCENTAGE OF TOTAL
(%)



CASE IN POINT

The Nedbank Agility Centre

In line with our purpose we make every effort to mitigate against the adverse impact of the Fourth Industrial Revolution and, in particular, the digitisation of products and services and its effect on the nature of work and skills. Redeployment of impacted staffmembers takes precedence, with retrenchment being a last resort.

- During 2019 we improved our redeployment process and operationalised the Agility Centre to support staffmembers impacted by restructuring. As a result, we redeployed 620 staffmembers into alternative roles within Nedbank.
- Impacted staffmembers were also offered outplacement support, including group sessions on stress management, resilience-building and coping strategies; individual sessions on lifestyle choices, effective action plans and guidance on available options; introduction to recruitment and headhunting companies; workshops on CV-writing, personal branding, interview skills, social media networking and innovative ways to enter the market; and sessions on employee benefits and financial wellbeing.
- Reskilling and upskilling are provided and our learning strategy was redesigned to enable a lifelong learning culture, and create a workplace where staffmembers can realise their potential.
- Nedbank offers severance pay that is set above the legislated minimum of one week's pay per completed year of service.

SDG IMPACTED:

8 DECENT WORK AND ECONOMIC GROWTH

CREATING GREAT EXPERIENCES FOR CLIENTS

Quality of relationship:

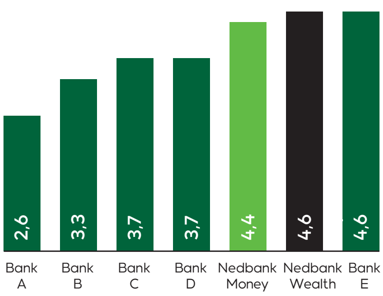
Falling short — Excelling

We assess the quality of the relationship with our clients through the value we created in 2019, including the performance against specific key performance indicators discussed below. Our assessment is subjective but informed by the improved levels of client satisfaction in retail, league table rankings in wholesale banking and the market-leading innovations that have made a difference in our clients' lives.

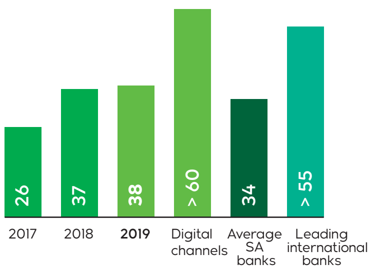
Delivering value to clients in 2019

- We made R208bn (up 15% yoy) in new loan payouts to enable clients to finance their homes, vehicles and education, and grow their businesses.
- Improved levels of client satisfaction as evidenced by Nedbank being the only large bank to have recorded an increase in Net Promoter Score and now ranks number one among the large SA banks in the SAcsi index.
- Nedbank's apps are rated at the top end of SA banks in both the Apple App and Google Play stores.
- We launched three zero-monthly-fee accounts and kept annual fee increases at inflation.
- We made banking more convenient with further enhancements to functionality across self-service and online channels.
- We launched various innovations, including end-to-end digital client onboarding of individuals, new loyalty and rewards programme, API_MARKETPLACE and many more.
- We improved the Nedbank brand value ranking among SA banks, moving from fifth to fourth position.
- In wholesale league tables continued to lead in various categories, including first by dealflow for merger-and-acquisition advisors, third by deal value for merger-and-acquisition sponsors, and won the Dealmakers M&A BEE Deal of the Year.
- Our asset management business Nedgroup Investments, was named Offshore Management Company of the Year for the fifth consecutive year at the Raging Bull Awards.
- Given the extent of new digital innovations, we have seen a slight decrease in system uptime, although it is still well above the 10-year average.
- A data incident at a third-party service provider in early 2020 exposed some of our clients' data. While the data included personal information of some clients, our clients' bank accounts have not been compromised in any manner whatsoever. Nedbank remains vigilant in its efforts to contain cybercrime.

CLIENT APP RATINGS
(%)



NET PROMOTER SCORES – SA BANKS
(%)



CASE IN POINT

Making Nedbank Greenbacks even more rewarding and inclusive

The past year saw us extensively revamping our loyalty and rewards programme – Greenbacks. The focus of Greenbacks has shifted from a pure points-based redemption programme to one that equips our clients with the tools, information, and incentives to enable them to become better money managers.

- Linked to a range of Nedbank products such as transactional, savings and loans accounts, the programme encourages and incentivises better banking behaviours, including the use of card payments as a safer, more easily trackable alternative to cash; greater use of digital banking channels, which are cheaper and more convenient; and the development of savings and investment habits. Greenbacks has no inbuilt limitations on rewards earnings based on programme tiers or levels. Instead, Greenbacks gives every programme member access to the full spectrum of partner deals from the outset.
- The charitable component of the Greenbacks programme has also been enhanced. Members are still able to donate their Greenbacks value to causes close to their hearts, but every member also has the opportunity to link their Greenbacks membership to one of the four Nedbank affinities (Green, Children's, Sport and Arts), which means that, as they use any of their Nedbank products, we make contributions on their behalf, but at no cost to them, to a vast range of social and environmental projects across the country.

SDGs IMPACTED:

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

Quality of relationship: Falling short — Excelling

We assess the quality of the relationship with our shareholders through the value we created in 2019, including the performance against specific key performance indicators discussed below. Our assessment is subjective but informed by our positive AGM outcomes, independent reporting and financial communication awards, top-tier ESG ratings and an attractive dividend yield, offset by a poor share price performance in 2019 (but leading in 2018) impacted by a weaker-than-expected financial performance.

Delivering value to shareholders in 2019

- (+) Good strategy and operational performance, supported by solid balance sheet growth, improved client satisfaction metrics (only bank to have increased NPS) and greater efficiencies (cost-to-income improved to 56,5%).
- (+) Dividend per share for the full year was flat on 2018, notwithstanding a 6,7% reduction in HEPS.
- (+) NAV per share up by 3,7%.
- (+) Transparent ESG disclosure and top-tier ESG ratings (see page 25 for more).
- (+) All resolutions passed at our 52nd AGM.
- (+) Good relationships with the investment community (overall winner at the 34th Investment Analysts Society of South Africa Awards – Best Reporting and Communication).
- (+) Market-leading disclosures and reporting (various reporting awards).
- (+) Valuation metrics that remain attractive – price to book: 1,2 times and dividend yield: 6,6%.
- (−) Financial performance below expectations in a difficult macroeconomic environment as reflected in a 6,3% decline in the DHEPS. The ROE of 15,0% remained above COE (14,1%).
- (−) The share price was down by 22,0%, reflecting investor concerns around Nedbank's relatively larger exposure to the SA economy, corporate SA (including commercial-property finance) and interest rates. This underperformance follows on from the Nedbank share being the best performing bank share in 2018, up by 7%.

CASE IN POINT

Key issues we engaged on

We proactively communicate our strategy and activities to shareholders through an active investor relations programme. Our management meets regularly with the investment community while our board, through our Chairman and Lead Independent Director, engages on ESG-related matters. The following were the key topics discussed during our more than 300 engagements in 2019:

MAIN 2019 TOPICS OF DISCUSSION	OUR RESPONSE AND ACTIONS
A difficult macroeconomic environment – The SA environment continues to remain challenging for our clients and Nedbank.	Banks are integrated into the economy and ecosystems they operate in and SA banks have noted a slowdown in earnings growth during 2019, particularly as impairments increased off a low base and revenue growth slowed. At Nedbank, expenses continue to be well managed (up 1,7%) as we respond to a slower revenue growth environment and diligent cost management, lower variable-costs reduction and optimisation initiatives.
Increased competition – The impact of new challenger banks in 2019 and some peers being more aggressive around their lending practices needs to be kept in mind.	We welcome competition as it drives continued focus on innovation, client satisfaction and competitive pricing. Nedbank is well positioned to compete for and gain share of clients' wallet, given our technology investments over the past few years and the launch of various digital innovations. Our simplified digital client onboarding solution, as well as our new loyalty and rewards programme, positions us well against new competitive threats. In addition, in 2019 we launched three zero-monthly-fee accounts, which enabled Nedbank to improve its affordability rating among SA banks to second best (Consulta).
Impairments increasing off a low base – Investors were concerned about increases in impairments and risks relating to the group's commercial property exposures and SOEs.	Although impairments increased strongly off a low prior-year base, and we saw stresses in both our retail and wholesale portfolios, the group's CLR at 82 bps remains within our TTC target range of 60 bps to 100 bps. RBB is operating within the lower end of its TTC target range of 130 bps to 180 bps, while the CIB CLR is within its 15 bps to 45 bps TTC target range. In response to investor concerns around industry challenges in commercial property, we hosted an investor day in August 2019 to demonstrate the benefits of our market-leading commercial-property finance business, prudent valuation processes and methodologies, low loan-to-values across the portfolio and that impairments are adequate. While we acknowledge that the CLR will increase in this business, we have confidence that our quality portfolio will stand us in good stead over time.
Nedbank Africa Regions – Ongoing ETI recovery is seen as positive, but a declining ETI share price prompted investors to raise questions about potential future impairments.	ETI has delivered 11 consecutive quarters of profits to 30 September 2019 but continues to be exposed to the economic and regulatory challenges in Nigeria and, more recently, the reduction in oil prices. Outside of Nigeria, ETI continues to deliver a robust performance in many of its businesses.

KEY ISSUES WE ENGAGED ON continued

MAIN 2019 TOPICS OF DISCUSSION	OUR RESPONSE AND ACTIONS	
Financial targets – Higher ROEs and a lower cost-to-income ratio are key to Nedbank being an attractive investment.	In 2017, based on our macroeconomic forecasts at that time, 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. The actual macroeconomic conditions have been materially worse than our 2018 forecast and the targets we set for 2020 will not be met. As a result we have revisited our guidance on these two measures and introduced targets for the medium (two to three years) and long term (five years and more). We have also revised our ROE target to include goodwill. Given the Covid-19 pandemic we have withdrawn our financial guidance on 14 April 2020 and our medium- and long-term targets are under review.	
Moody's sovereign-credit-rating downgrade – Concerns around the potential impact of a downgrade to subinvestment grade on Nedbank's capital and therefore dividend policy.	Our CET1 ratio at 11,5% remains well above regulatory requirements of 7,5%, and is within our board-approved target range of 10,5% to 12,5%. We estimate that the Moody's downgrade will result in an immaterial increase in RWA and have an immaterial impact on CET1. The PA has recommended that no distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers occur in 2020, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory capital relief provided by the PA. The guidance does not apply to the Nedbank Group 2019 final dividend declared on 3 March 2020 however the board is supportive of the guidance and the need to conserve capital in a challenging economic environment.	
Mandatory audit firm rotation (MAFR) – Some shareholders early-adopt MAFR principles in their proxy voting.	Following a tender process, Ernst & Young was appointed as Nedbank and Nedbank Group's new joint external auditor alongside Deloitte, effective 7 and 10 May 2019 respectively. Shareholders approved Deloitte and Ernst & Young as auditors for 2019 at Nedbank Group's 52nd AGM with 84,4% and 99,9% votes of approval, respectively. We continue to reiterate our commitment to fully implement MAFR for our 2024 financial year. However, we believe there are risks in concurrent change in external auditors given the size and complexity of a banking institution. S90(2) of the Companies Act is also an impediment to MAFR.	
Remuneration – There are ongoing enhancements to the Nedbank remuneration scheme.	Following engagements with shareholders and enhancements to our remuneration practices, we were pleased that resolutions relating to our Remuneration Policy and implementation report received more than 98% of votes of support at our 52nd AGM. We had further discussions with shareholders on enhancements to our CPTs for 2020 and concluded that there was broad shareholder support for the cost-to-income ratio to replace the existing strategic KPIs (transactional-banking market share and Target Operating Model), with a 20% weighting to align with our strategic intent and industry developments of improving cost-to-income ratios in the context of the digitisation of financial services.	
Climate-related disclosures – Nedbank's positioning relating to fossil-fuel financing and climate risks. **SDGs IMPACTED:**	Nedbank contributes 3,83% (2018: 4,86%) of our total group advances to renewable-energy generation projects. Our climate journey is evolving and our metrics will evolve and developed in line with our new Thermal Coal Policy. The Thermal Coal Policy translates into our total committed thermal coal facilities being 0,7% of total group advances. Our Thermal Coal Policy excludes lending to Eskom. Your vote is required – please refer to page 79 for further details.	

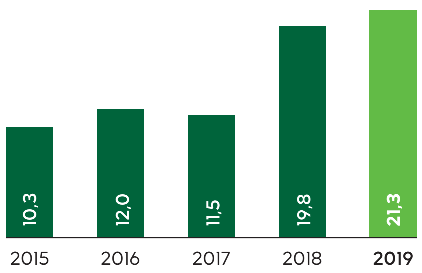
Key shareholding changes

In 2019 we noted a reduction in our international shareholding, primarily driven by reduced appetite by foreign investors for SA-related investments given the deteriorating SA macroeconomic environment and increased risk such as energy security and the risk of a Moody's sovereign-credit-rating downgrade.

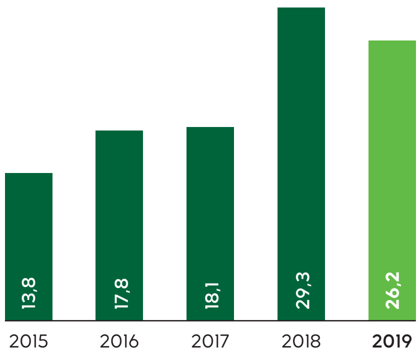
	% holding 2019	% holding 2018
Major shareholders/managers		
Old Mutual Life Assurance Company and Associates[1]	**24,1**	24,5
Public Investment Corporation (SA)	**10,8**	9,4
Coronation Fund Managers (SA)	**7,5**	7,3
Allan Gray Investment Council (SA)	**5,4**	5,1
BlackRock Incorporated (International)	**3,6**	3,7
Nedbank Group treasury shares	**3,2**	3,3
The Vanguard Group Inc (International)	**3,0**	2,9
Sanlam Investment Management (SA)	**2,4**	1,9
Dimensional Fund Advisors (US, UK and AU)	**2,1**	1,6
Lazard Asset Management (International)	**2,1**	3,0
GIC Asset Management (Pty) Ltd (International)	**2,1**	2,7
Index-classified shareholders	**21,3**	19,8
International shareholders	**26,2**	29,3

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

INDEX-CLASSIFIED SHAREHOLDING
(December, %)



FOREIGN SHAREHOLDING
(December, %)



2019 votes in favour %	Important resolutions for 53rd AGM (2020)	Note	
 84,4 99,9	**Ordinary resolution 3.1 and 3.2:** • Reappointment of Deloitte • Reappointment of Ernst & Young	Shareholders will be asked to approve Ernst & Young and Deloitte as Nedbank's auditors for 2020.	YOUR VOTE IS NEEDED ON Appointment of auditors
 98,5 99,1	Advisory endorsement on a non-binding basis of the following: • The Nedbank Group Remuneration Policy • The Nedbank Group Remuneration implementation report	Our Remuneration Policy remains a focus and we continue to engage proactively with our shareholders to get their feedback.	YOUR VOTE IS NEEDED ON Remuneration Policy
N/A, new in 2020	**Ordinary resolutions 4.1, 4.2, 4.3 and 4.4.** • Appointment of the Nedbank Group Audit Committee members	For the first time we put the members of our Group Audit Committee forward for appointment by shareholders.	YOUR VOTE IS NEEDED ON Appointment of GAC members
N/A, new in 2020 N/A, new in 2020	**Ordinary resolution 6.1 and 6.2** • Adoption and public disclosure of an energy policy • Authority to report on the company's approach to measuring, disclosing and assessing its exposure to climate-related risks.	Climate change is becoming increasingly important. The board endorses two resolutions for shareholders to vote on. The first relates to disclosing Nedbank's Thermal Coal Policy in April 2020 and an energy policy to be disclosed in April 2021 and the second relates to Nedbank's approach to measuring, disclosing and assessing the group's financial exposure to climate-related risks.	YOUR VOTE IS NEEDED ON Climate-change policies and risks

ENSURING AND PROTECTING VALUE
Group Related-party Transactions Committee (GRPTC)

IV

'2019 marked the first year for Nedbank without a controlling shareholder and a free float of approximately 80%. A special thanks to Mr Wyman, the former Chair of GRPTC, for his stewardship of the managed-separation (MS) process.'

Mpho Makwana
(Chair)

Ensuring and protecting value in 2019

- The GRPTC oversaw the Nedbank and Old Mutual commercial business transactions underpinned by Old Mutual's strategic shareholding in Nedbank.
- Post the successful implementation of the odd-lot offer in December 2018, the GRPTC ensured that it monitored and advised on unclaimed odd-lot offer fundholders.
- The GRPTC ensured the accurate disclosure of on-balance-sheet transactions in the annual financial report in terms of IAS24: Related-party Disclosures.

Focus for 2020 and beyond

- Continue to monitor and review of related-party transactions with Old Mutual Limited.
- Monitor and review all related-party transactions above R50m and those below R50m at the GRPTC's discretion, if required to do so.

Stakeholders

- Shareholders
- Regulators

Top 12 risks

8 Regulatory, accounting and compliance risk
9 Reputational (and association) risk
10 Conduct risk
11 Strategic execution risk

A comprehensive GRPTC report is available online in our 2019 Governance and Ethics Review at nedbankgroup.co.za.

ENSURING SUSTAINABLE BANKING WITH OUR REGULATORS

Quality of relationship: Falling short — Excelling

We assess the quality of the relationship with our regulators through delivering on our commitments in 2019, including the performance against specific key performance indicators discussed below. Our assessment is subjective but informed by the alignment with regulatory requirements and remedial action, where required, offset by fines paid in 2019.

Delivering on our regulatory commitments in 2019

Regulatory scrutiny

- In line with international and local trends we 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.
- Our strategic response to the high execution risk and regulatory-change agenda comprises a comprehensive regulatory-change programme under the leadership of the Group Technology Executive, facilitating the evolution from short-term to long-term sustainable solutions, with regulatory risks being managed through various steering committees, change programmes and Exco and board committees.
- As part of strengthening our approach to regulatory change, we have refreshed the Nedbank Regulatory Risk and Compliance Forum, which is chaired by the Group Chief Compliance Officer. This is a Group Executive Forum that is aimed at, among others, identifying upcoming regulatory changes across all jurisdictions in which the Nedbank Group operates and making decisions in relation to the establishment and tracking of regulatory programmes for the Nedbank Group in order to deal proactively with upcoming regulatory changes. In addition, we have established a Regulatory Advocacy Office that is aimed at directly lobbying with regulators, policy makers, Parliament and other stakeholders in relation to regulatory change matters that impact the bank, its clients and other stakeholders and also lobby on matters of national importance such as nation building. This has strengthened our ability to have constructive discussions with our regulators on matters of common interest.
- We continued to work closely with all our regulators to ensure delivery of the various regulatory programmes, with solid results achieved in 2019 across various regulatory requirements, including a focus on the Financial Intelligence Centre Amendment Act (FICAA), IFRS 9, risk data aggregation and risk reporting (RDARR), and legislation on anti-money-laundering (AML), combating the financing of terrorism (CFT) and sanctions.
- Market conduct regulations were implemented to promote fair, transparent and responsible treatment of financial services clients in SA. For us, meaningful market conduct goes beyond just treating clients fairly, it is about ensuring that clients receive the outcomes they want and deserve.

Regulatory fines

- Nedbank Africa Regions received fines to the total of R 17,5m (0,7% of total Nedbank Africa Regions expenses) in Namibia, Mozambique (Banco Único), Lesotho and Malawi relating to regulatory non-compliance and we have remedial actions in place. We maintain and continuously enhance our control environment to ensure that we have the appropriate controls in place to manage our compliance risk and minimise regulatory fines.

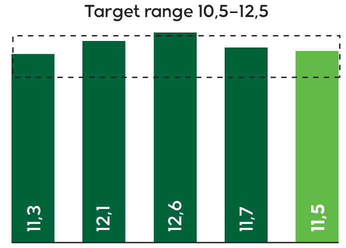
Regulatory compliance

- We complied with all key aspects of Basel III requirements, with a CET1 ratio of 11,5%, which is above the SARB requirement of 7,5% and within the midpoint of our target range of 10,5%–12,5%. With regard to the LCR we have achieved 125%, and NSFR at 113%, both above the 100% regulatory minimum requirement.
- We paid R11,6bn in direct, indirect and staff taxes to support the governments and societies in which we operate.

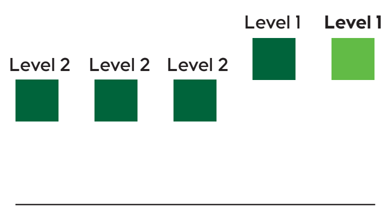
BBBEE

- We retained our level 1 BBBEE contributor status measured under the Amended FSC, for the second consecutive year in 2019.

CET1
(%)



BBBEE CONTRIBUTOR STATUS
(%)



CASE IN POINT

Regulatory compliance for competitive advantage

Digital clients demand fast, safe and easily accessible banking services. Our onboarding system, Eclipse, has embraced digital solutions to fulfil compliance requirements, thereby accelerating the adoption of digital innovation and avoiding a one-size-fits-all approach to compliance risk management and the design of controls.

- **Using our financial expertise** – The demands of digitisation necessitate that legal, compliance and operational risk controls are customisable and embedded in our client onboarding processes. Key to the design of compliance controls is the creation of excellent overall client experiences, developed with the imperatives of frictionless, hassle-free client service, while we comply with worldclass risk management practices, including robust controls to prevent money laundering. The controls we developed include the utilisation of biometrics, optical character recognition, third-party data verification sources such as the Department of Home Affairs and credit bureaus, machine-learning models and internal systematic controls that serve a dual fraud-prevention and client identification and verification purpose. Each control provides another layer of assurance, thereby enhancing the overall level of compliance with regulatory requirements.
- **Meeting regulatory requirements** – FICA client identification and verification on Eclipse comprise several controls, which, in combination, provide better overall assurance compared to traditional processes where identity documents were used as the primary means of identity verification. The combination of controls provides greater assurance to regulators that the bank is able to verify that prospective and existing clients are whom they purport to be, more especially when processing applications in a non-face-to-face environment.

SDG IMPACTED: 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

CONTRIBUTING TO A THRIVING SOCIETY

Quality of relationship:

Falling short | Excelling

We assess the quality of the relationship with society through the value we delivered in 2019 in line with our sustainable development framework. Our assessment is subjective and informed by our continued contribution towards a thriving society and a healthy environment.

Delivering value to society by delivering on our purpose

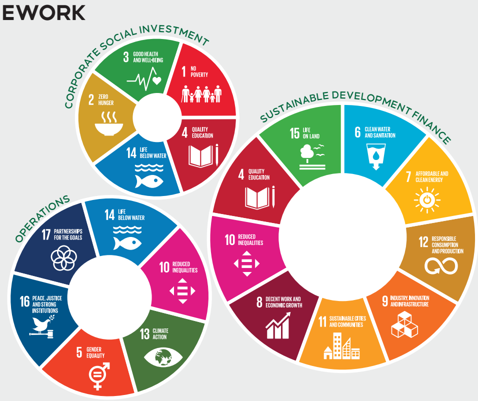
The SDGs represent a universal agreement on the economic, social and environmental priorities to be met by 2030. They offer a powerful lens through which to identify opportunities for business innovation and growth, and an objective mechanism through which Nedbank can assess and report delivery on our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

The Nedbank Sustainable Development Framework focuses management's attention and resources in areas where we believe we can deliver the most impact. Given that the greatest contribution that a bank will make is through its commercial offer, we give primacy to the Sustainable Development Finance lever, ie delivering products and services that generate revenue for Nedbank, value for clients and SDG solutions for society.

Of the 17 SDGs we have prioritised nine that we believe represent the most exciting opportunities for Nedbank to develop innovative banking products and services that will deliver on unmet client needs. In 2018 we allocated those nine goals to nine group executives, some of whom have begun demonstrating ownership and accountability for driving Nedbank's groupwide response to their respective SDG. Despite ownership of the SDGs at a group executive level, we have yet to set firm targets commensurate with the business opportunities embedded in the SDGs and our 2019 Sustainable Development Finance efforts still fall short of what is possible for a bank of our stature in the SA economy. As such we must continue to increase our efforts to close this gap in 2020 and follow the example set by other leading banks that are continuing to ratchet up their actions aligned to being responsible financial institutions.

Despite these shortcomings, important progress was made in enabling Nedbank to ramp up its ambition to become a purpose-led organisation in 2019. There was a pleasing increase in the lending into embedded generation for clients as well as the launch of our first green bond on the JSE and further innovations in the agriculture space. Some of these efforts are summarised below.

NEDBANK'S SUSTAINABLE DEVELOPMENT FRAMEWORK



For full details, please refer to the 2019 Nedbank Sustainable Development Review available at nedbankgroup.co.za.

Sustainable development finance progress

SDG 4: QUALITY EDUCATION

- Over the past five years, we have provided approximately 5 500 students with student loans to the value of R191m.
- We have provided almost R7bn in funding for over 23 000 student beds since 2015. In 2019 we invested a total of R1,8bn (2018: R446m), which delivered an additional 8 292 beds.

SDG 6: CLEAN WATER AND SANITATION

- Financing of R556m to the TCTA for three ongoing water projects that are of key importance to the country's water supply.
- Provision of a R550m general banking facility to Rand Water to help with the supply of bulk potable water.
- Financing of R160m towards the Stellenbosch municipality infrastructure upgrade, including water reticulation and water treatment plants as well as a new sewerage treatment plant at Plankenburg.
- Over the past five years more than R93m has been invested in 41 water and conservation projects through the WWF Nedbank Green Trust. With 11 of those projects at an investment of nearly R23m particularly focused on water (fresh and marine).

SDG 7: AFFORDABLE AND CLEAN ENERGY

- In all REIPPP projects to date we have arranged 42 transactions in renewable-energy projects, underwriting a total of R35,9bn and paying out R27bn.
- We concluded deals worth over R700m with leading developers in the embedded energy generation space as well as our commercial and agriculture clients, in the process establishing ourselves as a leading financier in this sector.
- We funded Africa's first commercial floating solar park on the dam of a fruit farm outside Franschhoek. It can produce up to 60 kW of power, effectively allowing the uninterrupted functioning of the farm and generating significant energy savings.
- In 2019 we were the first commercial bank in SA to launch a green bond on the JSE. The instrument was significantly oversubscribed, and raised R1,7bn in investment proceeds, all of which is being applied to deliver financial support to solar and wind-renewable-energy projects. Based on the success of the first green bond, we issued a second one that raised a further R1bn.

SDG 8: DECENT WORK AND ECONOMIC GROWTH

- Banking solutions for individuals and small groups included three zero-fee propositions for individuals, a stokvel product with unique funeral benefits and discounts on goods for stokvel members, and a concierge service called HeyNed that links clients to a range of suppliers (including small businesses and BEE suppliers).
- In 2019 we advanced R3,4bn (2018: R2,8bn) to small-business clients served in our Small Business Services division.
- To date the Nedbank and Old Mutual Black Business Partners' (BBP) Legacy Programme has disbursed R187,43m (2019: R26m) across the three investment streams of small-scale farming commercialisation, support for entrepreneurs and the development of township economies.

SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

- We provided R1,1bn for the development of affordable housing for lower-income households, bringing our five-year investment in this key sector to R4,2bn. Nedbank Home Loans also provided R1,034m worth of home loans to clients in the affordable-housing market.
- We provided funding of R790m for the construction of buildings that conform to green building standards, supplementing the R10bn lent over the past five years. Nedbank also occupies nine Green Star-rated buildings with 16 Green Star ratings across various rating certifications.
- We invested a minority equity interest in WhereIsMyTransport, a big data platform for sustainable mobility in urban transport systems.

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

- We participated in a syndicated loan facility, providing US$30m for the Ethiopian Railways Corporation (ERC) to help with the construction of a 404 km strategic railway corridor.
- We provided R400m in funding to aid the expansion of Community Investment Ventures Holdings (CIVH), an emerging Africa telecommunications powerhouse that is investing in new infrastructure on the continent to increase telecommunications access.
- We helped deliver a US$294m buyers' credit facility for the government of Zambia under UK Export Finance's Direct Lending scheme, which will be used to fund the design, construction and equipping of three district hospitals and 108 minihospitals throughout Zambia.

SDG 10: REDUCED INEQUALITIES

- Our crossborder remittance solution allows documented people living and working in SA to transfer money to friends and family members in 33 African countries. In 2019 approximately R1,1m was transferred by clients using this solution.
- We saw increasing numbers of clients transacting online, primarily through their mobile devices, with growth in digitally active clients of 16%. The number of digitally enabled retail clients has increased to over 6,1 million, with approximately 95% of our Business Banking clients digitally enabled.
- In the past five years we have reached just over 7,5 million people across SA through various financial education initiatives, including workshops and mass media.

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

- As part of our commitment to the promotion of recycling, we concluded a R700m term funding facility for Mpact Limited, the largest paper and plastic packaging and recycling business in southern Africa. In addition, a R126m facility to another recycling company will see approximately 2,5 million PET bottles being recycled daily.
- Nedbank developed an innovative funding solution designed to support farmers directly (or through a financing arrangement with their local cooperative) with sustainable farm interventions, ranging from water storage maximisation solutions and soil health interventions to cutting-edge irrigation equipment and shade-netting to reduce evaporation.

SDG 15: LIFE ON LAND

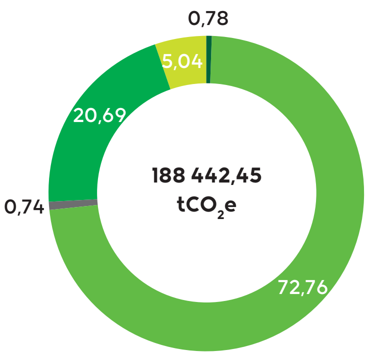
- In 2019 we took our partnership with WWF-SA to the next level by entering into a five-year, R25m water source area conservation partnership. The focus of this programme is on the protection and development of effective water ecosystems that balance the need to protect SA's essential water source areas, while at the same time supporting communities that rely on these areas for their livelihoods.
- We provided R320m in mining rehabilitation guarantees and invested R700 000 in a WWF Nedbank Green Trust Project called the Mining Incubator.

Operations

We have been carbon-neutral since 2010, and follow a 'reduce first, then offset' approach. As such, our own carbon reduction efforts prioritise raising internal awareness and driving behavioural change, after which we offset remaining carbon through carbon credits from African projects that demonstrate meaningful social and environmental impact.

With a total carbon footprint of 188 443 tCO_2e for the year, our overall reported GHG emissions decreased by 4,34% in absolute terms from 2018 to 2019. Pleasingly the overall carbon footprint came in at less than 200 000 tCO_2e for the second time under the comprehensive boundary as used since 2009. Year on year, the carbon emissions per FTE decreased by 3,37% to 6,09 tCO_2e and emissions per square metre of office space increased by 2,28%. In 2019 we generated approximately 687 MWh of our own energy which equates to 0,5% of our total electricity use.

NEDBANK GROUP 2019 CARBON FOOTPRINT*
(%)



- Scope 1: Diesel, refrigerant, etc
- Scope 2: Electricity
- Scope 3: Office paper
- Scope 4: Commuting
- Scope 5: Business travel

* *Resource consumption not reflected above includes water consumption of 254 801 kℓ (2018: 284 053 kℓ) 183 tonnes (2018: 195 tonnes) of waste sent to landfill and 616 tonnes (2018: 723 tonnes) of waste recycled.*

We continue to set reduction targets to limit the impact of our operations on the environment. These targets clearly specify the carbon emissions and resource usage levels to which we aspire as a group and that we use to guide behaviour at group, cluster, business unit, team and individual level.

For more information on our operational footprint and its scope and boundaries refer to the Sustainable Development Review at nedbankgroup.co.za.

Responsible finance

One of the 17 risk categories actively managed by Nedbank is social and environmental risk. Our primary exposure to such risks results from our lending and investment activities. We actively manage these risks using SEMS and by ensuring that we are aligned with industry best practice and environmental, social and human rights benchmarks.

We also take a partnership approach to all sensitive investments, working closely with our clients and relevant authorities to maximise benefits and minimise the negative impacts of these activities. In 2019 the most significant application of SEMS within our specific business units was as follows:

- In our Investment Banking and Client Coverage divisions all new applications and credit risk reviews of high-risk transactions were included in the SEMS assessment process and externally assured. In total 526 deals were assessed. This represents a decrease from the 688 assessments completed in 2018. The number of transactions assessed in Property Finance for 2019 was 1 012. These transactions were specifically screened for environmental risks ranging from contamination to water risk.
- In our Business Banking operations we have identified and defined high-impact industries. In 2019, 861 clients (2018: 1 125) involved in these sectors were assessed. The reduction in the number of reviews is due to a tightening of the scope and application of the Social and Environmental Risk Framework that ensures only high-impact transactions are included. Clients previously assessed, which then had no further lending requests or changes in their businesses or operations, were also excluded in 2019, to streamline the process.
- In 2019 our SEMS was also rolled out to Nedbank's Africa Regions, including Namibia, Lesotho, Zimbabwe and Malawi.

Responsible investment

With R331bn in assets under management, we acknowledge the far-reaching implications of how we invest. We embarked on an extensive responsible investment (RI) review of assets under management in 2019. The aim is to advance the RI standing across the full range of Nedgroup Investments' funds. The review saw R271bn of clients' assets being assessed against these RI pillars.

CASE IN POINT

Green bond a first for SA

'With this certified green bond, Nedbank is taking a leadership role on green finance in SA. Building climate-based and sustainable investment markets to help nations achieve their NDC targets requires financial institutions – banks, insurers and pension funds – to step up. Nedbank has done just that.'

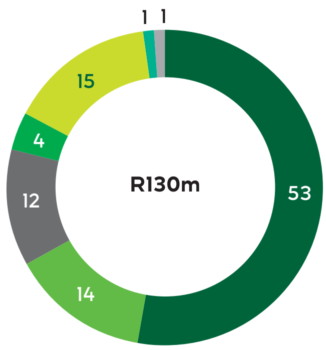
Sean Kidney
CEO of Climate Bonds Initiative

Corporate social investment

During 2019 we continued to refine our strategy of investing in fewer, high-impact, SDG-aligned projects. While the number of projects supported has consequently reduced by 70% over the past three years, the total number of beneficiaries has increased substantially, as has the positive impact of our investment on the lives of these beneficiaries. In 2019 the total value of CSI support and investment delivered across our group was R130m (2018: R124m).

In 2019 the Nedbank Affinity Programme was integrated into the current Nedbank Greenbacks programme. During the period, Nedbank Affinity donations totalled R33,5m (2018: R27,2m).

TOTAL CSI
(%)



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

Banks and other financiers have difficulty in finding investable ESG- or sustainability-focused investment opportunities that meet all the necessary regulatory and compliance requirements and have a clear potential to deliver solid returns for investors and have a positive impact on the environment. Social and environmental impact bonds (most often called 'social' 'green' or 'sustainable' bonds) are a proven way to mobilise the financial resources of capital markets and apply them directly in support of projects that address issues, such as climate change; energy; food and water security; social and economic inequality; and environmental degradation.

- **Use our financial expertise** – In 2019 Nedbank became the first commercial bank in SA to launch a green bond on the JSE. The bond, which was significantly oversubscribed, raised R1,7bn in investment proceeds, all of which is being applied to deliver financial support to a number of solar and wind-renewable-energy projects that we have identified as having the potential to deliver positive, long-term sustainable-energy outcomes for the country. Based on the success of the first green bond, we issued a second bond towards the end of 2019 that raised a further R1bn and will also be applied in support of renewable-energy projects. This bond capitalises on Nedbank's extensive experience in the sector, which includes the funding of 42 transactions, worth R40bn, across the first four rounds of the country's REIPPP.
- **To do good for society** – For Nedbank the debt capital markets present an ideal mechanism to bridge the gap between the desire by companies and investors to contribute to the achievement of the SDGs, and the specific investment actions that represent such a contribution. In addition, the bonds deliver the benefit of relative financial security for investors in a difficult SA macroeconomic environment with ongoing energy shortages – the proceeds adding momentum to the country's renewable-energy efforts. The Carbon Trust and Climate Bonds Initiative has confirmed that the projects referenced by the bond assist in limiting climate change in line with the Paris Agreement.

SDGs IMPACTED:

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

ENSURING AND PROTECTING VALUE

Group Transformation, Social and Ethics Committee (GTSEC)

IV

'At Nedbank we are financial experts who do good – we are committed to authentic organisational transformation by creating an empowering and ethical culture and delivering innovative, market-leading client experiences. We do business responsibly and ethically. Our ethics philosophy underpins a relationship of trust with our internal and external stakeholders and our actions demonstrate that we act in their best interests.'

Mpho Makwana
(Chair)

Ensuring and protecting value in 2019

- Conducted an indepth review of the governance and institutionalisation of ethics.
- Monitored progress on employment equity, focusing on underrepresentation and higher attrition rates of Africans in senior and middle management.
- Oversaw the YES initiative, providing first-employment opportunities for 3 315 youths.
- Oversaw measurement against the amended FSC for the industry. Nedbank retained level 1 BBBEE contributor status.
- Oversaw employee wellbeing initiatives.
- Reviewed shifts in Nedbank's culture agenda using the Compass Survey results to address areas of vulnerability.
- Oversaw delivery on the bank's purpose referencing the SDGs as measures of such delivery.
- Oversaw the bank's response to climate change from an operational perspective.
- Oversaw the incorporation of Treating Customers Fairly principles according to market conduct requirements.

Focus for 2020 and beyond

- Guide the enhancement of the culture of ethics and ethical leadership at Nedbank.
- Monitor African representation in middle and senior management and building a culture of inclusivity.
- Continue oversight of the YES initiative.
- Monitor employee wellbeing.
- Oversee implementation of the People Change Plan.
- Oversee the development of the bank's sustainable finance offering as part of delivering on the bank's purpose.
- Monitor the building of a client-focused organisational culture.
- Oversee the bank's approach to climate-related risks.

Stakeholders

Staff
Clients
Shareholders
Regulators
Society

Top 12 risks

2 People and operational risk
8 Regulatory, accounting and compliance risk
9 Reputational (and association) risk
10 Conduct risk
11 Strategic execution risk
12 Climate risks

A comprehensive GTSEC report is available online in our 2019 Governance and Ethics Review on our group website at nedbankgroup.co.za.

STAKEHOLDER VALUE CREATION – KEY PERFORMANCE INDICATORS

Key performance indicators	How it links to value	yoy change
Staff FS EX		
Staff costs and benefits (Rbn)	Remuneration and benefits to staff	▶
Annual salary increase – unionised staff (%)	Salary increases for bargaining unit staff	▼
Training spend (Rm)	Investment in staff development	▲
Staff attrition (%)	Ability to retain and rotate skills	▲
Staff engagement	Staff engagement drives higher levels of productivity	▶
Transformation – black staff	Transformation of Nedbank staff profile broadly in line with demographics of society	▲
Transformation – female staff	Progressing gender diversity	▶
Clients FS EX		
Loan payouts (Rbn)	New loan payouts to clients	▲
Consumer – Net Promoter Score (NPS)	Quality of service experience reflected in reputational NPS	▲
System availability	System uptime to enable uninterrupted financial processing	▼
Average annual price increase	Value-for-money banking	▶
Service high-net-worth ranking	Quality of service to high-net-worth individual clients	▼
Investment performance in asset management business	Investment performance for clients	▶
Brand value ranking in SA (banking)	Enhancing client awareness, association and loyalty	▲
Nedbank Money app average rating	Delivering market-leading client experiences	▶
Nedbank Private Wealth app average rating	Delivering market-leading client experiences	▶
SA Customer Satisfaction Index (SAcsi)	Overall satisfaction with our products and services	▲
Banking Ombudsman cases in favour of Nedbank (%)	Quality of service experience through effective complaints handling	▼
Shareholders FS EX		
Share price performance (%)	Share price appreciation	▼
Full-year dividend per share (cents)	Dividend for shareholders	▶
Full-year dividend per share cover (times)	Dividends for shareholders	▼
Price-to-book ratio	Valuation indicator of the Nedbank share	▼
MSCI ESG rating	ESG rating of most influential ratings agency	▲
Regulators FS EX		
CET1 ratio – Basel III (%)	Strength of capital position	▼
LCR ratio – Basel III (%)	Strength of liquidity position	▲
NSFR ratio – Basel III (%)	Strength of stable funding	▶
Regulatory fines or penalties (Rm)	Indicator of adherence to regulatory requirements	▲
Taxes – direct, indirect and staff (Rbn)	Contribution to the fiscus	▲
BBBEE contributor status	Reflection of corporate transformation	▶
Society FS EX		
Consumer finance education (participants)	Value through education	▲
Total socioeconomic spend (Rm)	Contribution to society	▲
Local procurement spend (% of total)	Supporting local suppliers	▶
Renewable-energy lending (Rbn)	Commitment to renewable-energy deals	▲
Carbon footprint offset to neutral (tCO_2e)	The impact of our business on the environment	▼
Social and environmental management system (SEMS) deals reviewed[1]	The impact of our business on the environment and society	▼
Finance assessed under Equator Principles (US$m)	The impact of our business on the environment and society	▼
Carbon footprint per fulltime-equivalent employee (tCO_2e)	The impact of our business on the environment	▼

Quality of relationship: **FS**: Falling short **EX**: Excelling

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

COVID 19

Given the unfolding impact of the Covid-19 pandemic, our targets and guidance are at risk. On 14 April 2020 we have withdrawn our financial guidance until we have more clarity and certainty of the impact on our business.

2019	2018	2017	Benchmark	Outlook/Target	Assurance
17,3	17,5	16,5	N/A	Maintain competitive remuneration	[MO] [FS]
6,3	7,0	8,0	N/A	Above the increase for management	[MO]
760	468	355	N/A	Continue to invest in staff	[LA]
10,8	10,1	10,6	11–13%	Maintain at or below industry levels	[MO] [LA]
75	Biennial survey	79	Global industry average at 67%	Improve	[IN – Compass survey]
78,5	77,4	76,9	Not publicly available for all peers	Continue driving transformation	[LA]
61,8	61,8	62,12	Not publicly available for all peers	Continue driving transformation	[LA]
208	181	153	N/A	Continue to extend credit responsibly	[MO]
38	37	26	34 industry average	Improve	[LA] [IN – Consulta]
99,1	99,2	99,3	N/A	> 99,1%	[LA]
At inflation	At inflation	Below inflation	N/A	Below inflationary increases	[MO]
5th	4th	3rd	No 1: Investec	No 1 in the industry	[MO]
Top offshore manager in SA	Top offshore manager in SA	Top offshore manager in SA	No 1: PSG No 2: Standard Bank No 3: FNB	Rating among top 3	[IN – Raging Bull awards]
4th	5th	5th	N/A	Top-2 bank brand	[IN – Raging Bull awards]
4,4	N/A	N/A	Best banking app ratings	Maintain top rating	[IN – iOS and Android app stores]
4,6	N/A	N/A	Best banking app ratings	Maintain top rating	[IN – iOS and Android app stores]
80,2	79,3	76,3	78,2 industry average	Continue strong performance in client satisfaction	[IN – Consulta] [LA]
72,3	75,5	77,8	68,7% peer average	Committed to providing worldclass service	[IN – [Ombudsman] [LA]
(22,0)	7,3	7,5	-8,4% (FINI 15)	Perform above peers	[IN – JSE]
1 415	1 415	1 285	N/A	Within our 1,75 times to 2,25 times target range	[MO] [FS]
1,84	1,97	1,91			
1,2	1,6	1,5	2,1 times peer average	No 2 bank by 2020	[IN – JSE]
AA	A	A	10 largest banks: BB	Maintain ESG leader rating	[IN -MSCI]
11,5	11,7	12,6	SARB: > 7,5	10,5–12,5%	[MO] [OV]
125,0	109,4	116,2	SARB: 100% for 2019	> SARB minimum of 100%	[MO] [OV]
113,0	114,0	Pro forma compliant	SARB: 100% for 2019	> SARB minimum of 100%	[MO] [OV]
17,5	8,7	1	N/A	Zero, although risk of fines has increased	[MO] [OV]
11,6	10,6	9,8	N/A	Responsible taxpayer	[OV]
1	1	2	Nedbank: no 1 bank	Top-tier bank, but dti level impacted by new codes	[MO] [OV]
175 500	175 000	200 000	N/A	Maximum alignment of impact with strategy	[MO] [LA]
130	124	168	Nedbank top Performer in Trialoge CSI Handbook	Spend greater than R100m	[MO] [LA]
> 75	> 75	> 75	According to FSC	> 75%	[MO] [LA]
27,0	22,8	18,4	Nedbank: no 1 bank	R40bn committed	[MO]
188 443	196 992	205 569	Nedbank market leader	Maintain carbon neutrality	[LA]
526	688	632	Leader in disclosure	Enhance SEMS integration	[MO] [LA]
75 (1 deal)	538 (15 deals)	75 (1 deal)	Leader in disclosure	Enhance Equator Principles integration	[MO] [LA]
6,09	6,30	6,37	Leader in performance on the Carbon Disclosure Project	Continue to reduce our impact through reduction targets	[MO] [LA]

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 2019 Nedbank Group Limited Audited Annual Financial Statements.

REMUNERATION OUTCOMES

The board, through the Group Remco, strives to ensure total remuneration is aligned with sustainable value-creating strategic objectives and the legitimate expectations of all stakeholders, while being mindful of the income gap in SA. The Group Remco also endeavours to ensure remuneration reporting is straightforward, yet comprehensive and transparent.

In this regard, our 2018 Remuneration Report won the South African Reward Association's award for the Best Remuneration Report, which is a pleasing testimony to these endeavours.

Read more about the remuneration outcomes in the 2019 Remuneration Report available at nedbankgroup.co.za.

NEDBANK'S REMUNERATION FRAMEWORK

Our Remuneration Framework is made up as follows:

PERFORMANCE MANAGEMENT

Short-term focus, day-to-day orientation

- **Guaranteed remuneration**

Short-to-medium-term focus, performance orientation

- **Short-term incentives** (including deferral and forfeiture)
- **Special-purpose short-term arrangements**

Long-term focus, ownership orientation

- **LTI plan** (including share matching)

Fair and responsible remuneration

The Group Exco holds management accountable for ensuring that total remuneration is distributed fairly. This year, remuneration differentials were tested using a multivariable model that considered a range of factors. This exercise demonstrated that while variances had been identified for remedial action, generally, pay differentials were justifiable and not attributable to gender or race bias.

Through the Remuneration Policy, the Group Remco is committed to ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration. Executive GP increases are set by reference to, among other things, the remuneration of the broader workforce, which is represented by Sasbo, the finance union. Staffmembers have a right to freedom of association and unions representing their interests. At 31 December 2019 a total of 67% of our employees were covered under the collective bargaining agreement with Sasbo.

In the face of the deteriorating economic environment and slower growth, staffmembers at Group and Cluster Exco level will not receive an increase in their GP in the 2020 annual pay review. Furthermore, it was resolved that the overall budget for GP spend for non-bargaining-unit staffmembers below Cluster Exco level will be no more than 4% in the 2020 annual pay review.

As evidenced in the graphic alongside, the GP increases of senior management have been consistently lower than those of the bargaining unit over the past seven years. This has been a deliberate approach in an endeavour to reduce income inequality. This has the added effect of increasing the STI awards of the bargaining-unit members as variable pay is determined as a percentage of GP. Furthermore, the Group Remco believes that the minimum wage, effective April 2020, of R170 000 is a decent living wage and significantly higher than the statutory minimum wage.

Guaranteed package increases in 2019

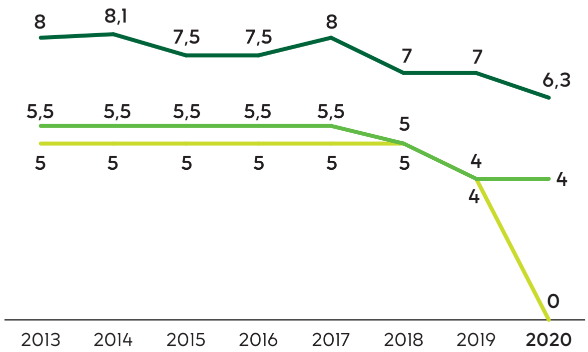
Following negotiations with Sasbo, the total GP of employees in the bargaining unit was increased by 7% effective from April 2019, compared with 4% for the non-bargaining-unit staffmembers and executives.

The minimum GP for permanent, fulltime employees in SA was increased to R160 000 per annum in 2019, up from R150 000 in 2018, and is significantly higher than the minimum wage in SA.

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 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.

GUARANTEED REMUNERATION INCREASES

(%)



- Executive *(including Cluster Exco from 2020)*
- Non-bargaining unit *(below Cluster Exco level from 2020)*
- Bargaining unit

Variable remuneration

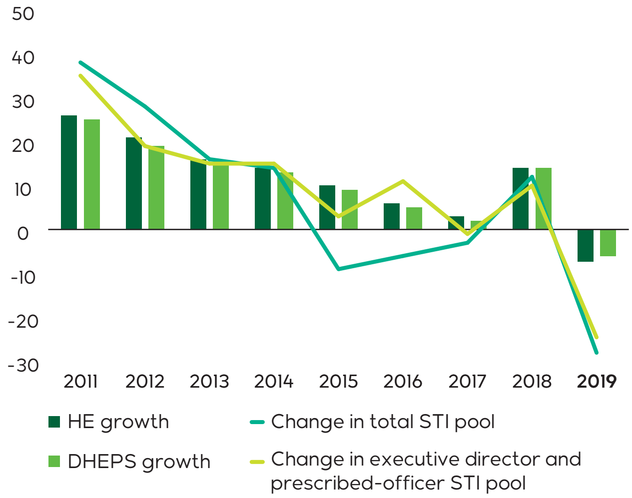
Short-term incentives

The total STIs approved by the Group Remco in respect of the 2019 financial year was R1 980m, compared with R2 625m in 2018. In accordance with its charter, the Group Remco also approved 14 individual STI payments in excess of 200% of GP, compared with 32 in 2018.

STI awards for 2019 were based on a combination of actual performance measured against preagreed targets in respect of the level of group and respective cluster economic profit and headline earnings performance and performance against their individual goal commitment contracts, incorporating financial and non-financial measures.

As we indicated last year, the Group Remco spent significant effort reviewing the short-term incentive (STI) scheme. While not seeking to change the design of the scheme or the primary metrics of headline earnings and economic profit, which we believe are well aligned with our strategic objectives and shareholder interests, we undertook this review to ensure that the funding of the on-target STI pool is appropriately variable and aligned with the achievement of stretch targets. Consequently, in light of the 7,3% decline in headline earnings over 2018 and the actual outcomes for both headline earnings and economic profit being below the targets set at the beginning of the year, the 2019 STI pool of R1 980m is 24,5% lower than the STI pool in 2018. This STI spend represents 10,2% of headline earnings, prebonus and pretax, compared with 12,6% in 2018.

ANNUAL % GROWTH IN HEADLINE EARNINGS AND DHEPS* VS % CHANGE IN STI POOLS



* *Diluted headline earnings per share.*

Special-purpose short-term variable remuneration

Scheme type	Number of awards
Signon bonus	36 awards (2018: 38), totalling R30,0m (2018: R19,6m). Included in this are awards made on appointment to key revenue-generating employees.
DSTI awards	32 awards (2018: 27) totalling R53,5m (2018: R18,5m). Included in this are awards made to key revenue-generating employees.

Scheme governance is set out in the Remuneration Policy.

ENSURING AND PROTECTING VALUE

Group Remuneration Committee (Remco)

IV

Our Group Remco is mandated by the board to oversee and govern all aspects of remuneration and operates according to an approved charter. The committee is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration Policy have been met, without material deviation.

Hubert Brody
Chair

Ensuring and protecting value in 2019

- Reviewed the corporate performance targets of the long-term incentive plan.
- Reviewed the findings of the external independent review of the Remuneration Policy and its implementation.
- Approved the wind-down of the Black Management and Executive Trusts, with the remaining unallocated shares to be used for the benefit of black people and funding of social and economic development initiatives.
- Ensured oversight of fair pay outcomes.
- Reviewed the annual reports of the Chief Risk Officer and Group Internal Audit, after approval at the Group Risk and Capital Management Committee.
- Approved the Remuneration Policy, ensuring it continued to meet changing requirements from legislation, regulation, and governance codes.
- Approved the overall remuneration spend for all staff, as well as remuneration proposals for the Chief Executive and Group Exco members.
- Approved the STI pool and STI awards of Group Exco members, and the LTI pool and LTI awards.

Focus for 2020 and beyond

- Continue dialogue with stakeholders, ensuring the relevance and appropriateness of the Remuneration Policy in achieving our strategic objectives.
- Ensure that the implementation of remuneration is in accordance with the Remuneration Policy.
- Continue fulfilment of the requirements of the Remuneration Committee charter.
- Reposition our employee benefit offering, ensuring alignment with the People Promise.
- Ensure the remuneration policy and remuneration outcomes support our strategic objectives and are appropriate in an environment of unprecedented health, safety and economic challenges that have arisen as a result of the Covid-19 challenges.
- Monitor emerging regulatory interventions as a result of the Covid-19 pandemic.

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

1 Business (global and country) risk
2 People and operational risk
11 Strategic execution risk

A comprehensive 2019 Remuneration Report is available at nedbankgroup.co.za.

Long-term incentives

A limit of 24 905 446 shares for purposes of the LTI plan, representing 5% of the issued ordinary share capital at 1 January 2018, was approved by shareholders at the 10 May 2018 AGM. As at 31 December 2019, 3 870 872 shares were used against this limit.

Share option scheme

No awards have been made since 2007 and there are no unvested awards in this scheme.

Restricted-share Plan

A key consideration regarding the appropriateness of our LTI scheme is the continued application of appropriate CPTs on a substantial portion of the award.

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 on a time-based vesting arrangement. For all Group Exco members who are not executive directors this percentage was increased from 60% to 100% in March 2019. From 2014 onwards 100% of awards to executive directors have been subject to performance conditions. This results in all Group Exco members being treated the same. For Cluster Exco members this percentage is 60%.

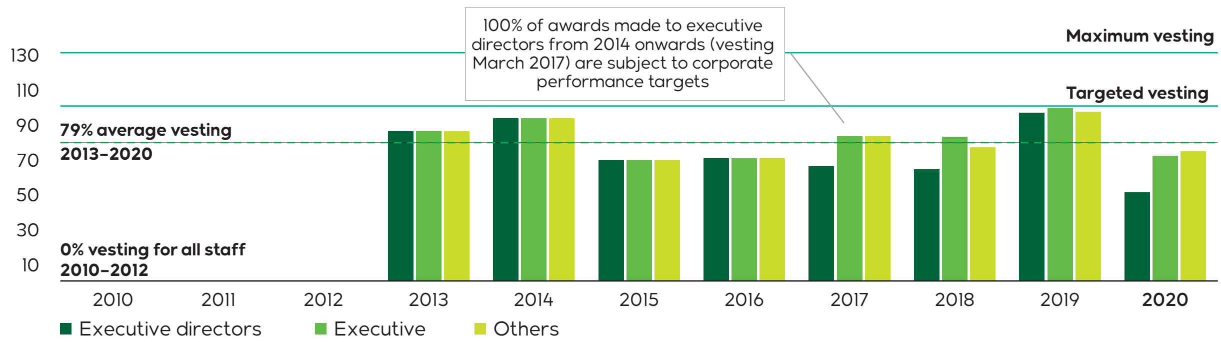
After the 2019 engagement with our large shareholders, the cost-to-income ratio will replace the strategic initiatives targets (namely the benefits from changes to the Target Operating Model and growing the transactional-banking franchise) for 2020 awards onwards as this improves alignment with the group's three-year, medium-to-long-term published targets. Furthermore, the ROE performance condition has been amended to include goodwill, to align with market practice and shareholder feedback. No changes have been made to the DHEPS performance condition. DHEPS growth, together with ROE performance above cost of equity (COE), delivers EP growth, which in turn enhances shareholder value.

The performance conditions and weightings for awards made in 2019

LTI performance condition	Group Exco members %	Cluster Exco members %	All other Nedbank LTI participants %
ROE (excluding goodwill) vs COE	40	20	25
DHEPS growth target	40	20	25
Strategic initiative: Benefits from the Target Operating Model	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

Vesting of share awards in 2020

The 2020 vesting of awards issued in March and August 2017 will take place as shown in the chart below, with the historical vesting over the period 2010 to 2019 included for comparison:



Where necessary, in the case of executive directors and the Company Secretary, the necessary SENS announcements were issued at the prescribed times.

The 2020 vesting percentages have declined over 2019. This can be attributed in the main to the drop in the share price against the FINI Index CPT, which delivered a vesting outcome of 42,5% in March 2020, compared with 130% in 2019. The ROE (excluding goodwill) vs COE CPT outcome has remained below target in both years, with a marginal decrease from 56,7% to 53,7% in 2020. The Target Operating Model benefits target was exceeded, with a vesting outcome of 122,1%.

Awards subject to CPTs may lapse in full or in part if the conditions are not met.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

The performance for 2019 of the Chief Executive and other executive directors and prescribed officers is outlined below:

Mike Brown Chief Executive

Financial performance

HE of R12,5bn down 7,3% and ROE (excluding goodwill) decreased to 16,0% but remained above our estimated cost of equity of 14,1%.

Environmental, social and governance (ESG)

Environmental – Continued to drive Nedbank's overall leadership in climate-change-related matters (SDG 7).

Social – Playing a leading role in the CEO Initiative and as chairman of BASA. Activated support for the YES initiative by providing first-time job opportunities for more than 3 300 youth (SDG 8). Groupwide headcount reduced mostly through natural attrition and retrenchments were limited to 158. Maintained level 1 BBBEE under FSC (SDG 10).

Governance, compliance and risk management practices – Group CLR increased off a low base to 82 bps, within the TTC target range of 60 bps to 100 bps. The overall state of risk, internal control, regulatory and balance sheet profiles remained strong and the unprecedented level of change internally at Nedbank well managed. Managed multiple engagements with stakeholders on the topic of state capture and provided inputs to the Zondo Commission. Exco succession effective, resulting in internal appointments of managing executives for CIB and Africa Regions.

Strategy

Deliver innovative market-leading client experiences – Progressed foundational technology (ME) programmes to 70% completion and launched various market-leading innovations. Ended the year as the only bank to have improved its NPS score and CIB's position on various wholesale league tables continued to improve, including various number-one positions.

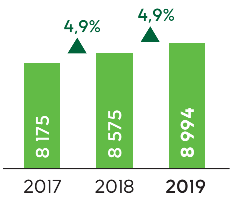
Grow transactional-banking franchise faster than the market – 32 primary transactional account wins in CIB. RBB main-banked clients were marginally down to 2,95 million. In the face of strong competition and aggressive pricing, Nedbank lost market share in household deposits.

Manage scarce resources to optimise economic outcomes – The bank's liquidity position and key balance sheet metrics remained strong, including capital ratios within board-approved target ranges and above regulatory minima.

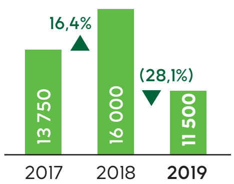
Being operationally excellent in all we do – Optimisation of processes and operations supported a reduction in the group's cost-to-income ratio to 56,5%.

Provide clients with access to the best financial services network in Africa – Good progress in optimising the Nedbbank Africa Regions portfolio reflected in approvals received to increase the bank's shareholding in Banco Único and dispose of Nedbank Malawi. Continued to deepen our relationship with ETI.

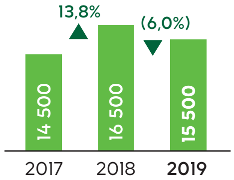
GUARANTEED REMUNERATION
(R000)



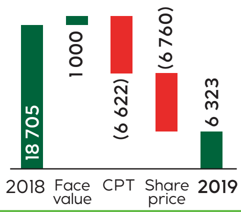
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Raisibe Morathi Chief Financial Officer

Financial performance

HE of R12,5bn down 7,3% and ROE (excluding goodwill) decreased to 16,0% but remained above our estimated cost of equity of 14,1%.

Environmental, social and governance (ESG)

Environmental – Enhanced climate-change-related disclosures and prepared two resolutions to be voted on at our 53rd AGM (SDG 7). Continued achieving sustainability efficiencies through 3% reduction in electricity consumption and 6% decrease in landfill. Water consumption increased, but within set target and recycling decreased by 15%. A total of 79% of all Nedbank buildings are Green Star-rated (SDG 11).

Social – Chartered accountants (SA) and Quants programmes continue to be a flagship program (100% pass rate and 90% retention rate of CAs) (SDG 4). In the management of procurement, 76% of the spend was used to support local SA business (SDG 12).

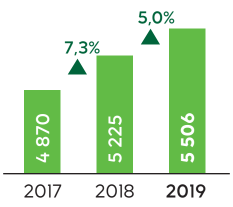
Governance, compliance, risk management practices and reporting – Completed transition of auditors from KPMG to Ernst & Young. Successfully implemented IFRS 16 accounting changes. Maintained robust and efficient tax compliance and incurred no penalties or interest charges. Received multiple prestigious industry awards in recognition of Nedbank's high standards of financial reporting and communication. Obtained good AGM outcomes and improved ESG ratings through proactive governance roadshows and disclosure.

Strategy

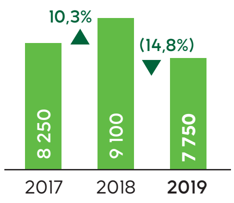
Manage scarce resources to optimise economic outcomes – The bank's liquidity position and key balance sheet metrics remained strong, including capital ratios within board-approved target ranges and above regulatory minima.

Being operationally excellent in all we do – Efficiencies enabled by shared services include office space utilisation and property energy efficiencies. Delivered increased levels of cumulative procurement savings. Concluded international benchmarking to deliver ongoing efficiencies in a digital world and optimise shared services. Total procurement cashflow spend declined by 3%, reflecting good cost management and centralisation of purchasing.

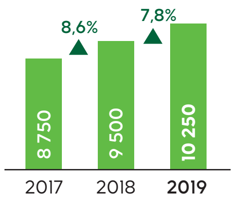
GUARANTEED REMUNERATION
(R000)



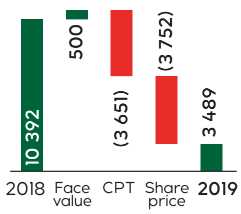
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Mfundo Nkuhlu Chief Operating Officer

Financial performance

In addition to Nedbank Group HE being down 7,3%, and ROE (excluding goodwill) decreasing to 16,0%, Nedbank Africa Regions' HE decreased by 35,0% to R457m and ROE declined to 7,7% with SADC adversely impacted by developments and hyperinflation accounting in Zimbabwe.

Environmental, social and governance (ESG)

Social – Continued participation, interaction and leadership on BLSA and BASA forums. In Africa Regions implemented digital solutions with a strong social impact: eg launched a new pay-as-you-go account with zero maintenance fees in Namibia (SDG 8). Nedbank Group maintained level 1 BBBEE under FSC (SDG 10). Activated support for the YES initiative by providing first-time job opportunities for more than 3 300 youth (SDG 8). Developed a refreshed employee value proposition (People Promise) to position Nedbank as an employer of choice.

Governance, compliance and risk management practices – Africa Regions CLR increased to 101 bps, marginally outside the top end of its 75 bps and 100 bps range, while subsidiaries improved their risk controls and governance environment. As Nedbank representative on the ETI Board, was an active participant as Chairman of the ETI risk committee.

Strategy

Deliver innovative market-leading client experiences – Oversaw key IT implementations in SA as we progressed our Managed Evolution programme to 70% completion. In Africa Regions successfully launched the Money app with 49 new additional features.

Grow transactional-banking franchise faster than the market – Our SADC businesses decreased their client base by 1,0% due mainly to new account closure rules but revenue per client increased 4,5%, reflecting the deepening of client relationships.

Be operationally excellent in all we do – COO function was well managed and continued improvements in operational excellence and collaboration were evident across the various clusters. Cumulative Target Operating Model savings of R1 147m were achieved. The increased complexity of IT changes resulted in systems downtime being greater than the prior year but improved by year-end.

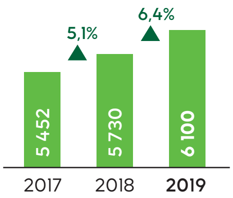
Provide clients with access to the best financial services network in Africa

Progress in optimising the portfolio reflected in approval to increase Nedbank's shareholding in Banco Único, from 50% plus one share to 87,5%, to tap into growth opportunities in Mozambique. The transaction is subject to regulatory approval and is expected to be completed in H1 2020.

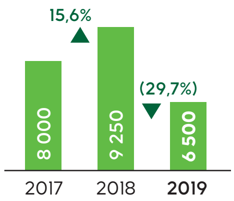
After the strategic review of Nedbank Malawi for strategic fit, executed a sale of the franchise. The transaction was concluded in 2020.

Focused on commercialising collaborative initiatives with ETI, such as the crossborder remittance transfer solution and increasing business flows.

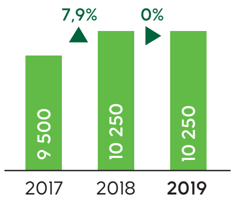
GUARANTEED REMUNERATION
(R000)



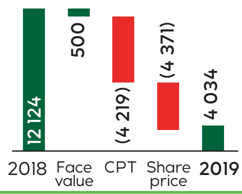
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Brian Kennedy Managing Executive, Nedbank Corporate and Investment Banking

Financial performance

HE for CIB declined 8,1% to R6,2bn, while delivering ROE of 17,7%. HE was primarily impacted by normalisation of impairments of a low prior-year base as well as lower private-equity valuations and realisations.

Environmental, social and governance (ESG)

Environmental – Became the first commercial bank in SA to issue a renewable-energy bond and has disbursed R27,0bn towards renewable-energy transactions (SDG 7).

Social – Disbursed R1,1bn to affordable housing, creating 2 476 new units in 2019 (SDG 11). Funded water and energy infrastructure, including a loan for the construction of a strategic railway corridor in Ethiopia (SDG 9).

Governance, compliance and risk management practices – CLR at 26 bps is within the CIB TTC target range of 15 bps to 45 bps and CIB maintained a strong governance and control environment, with compliance risk well managed.

Strategy

Deliver innovative market-leading client experiences – Continuous enhancements of client intelligence platforms provide good insights for cross-sell, improved client value propositions and stronger client relationships.

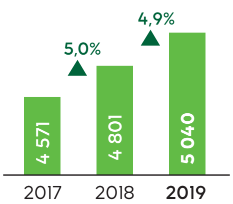
Grow transactional-banking franchise faster than the market – won 32 primary clients during 2019 while facing increased competition. Rated number one on various league tables, including Dealmakers M&A (volume), Spire awards (various) and DCM rankings.

Manage scarce resources to optimise economic outcomes – Maintained a healthy loan pipeline and grew advances 10,3%. Key talent hires in private equity and equity capital markets.

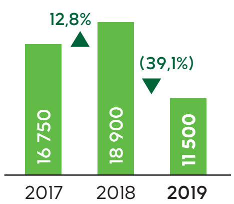
Be operationally excellent in all we do – Continued to deliver a market-leading efficiency ratio for CIB businesses of 42,1%.

Provide clients with access to the best financial services network in Africa – Played an active role on ETI Board and Remuneration Committee. Commercial Property Finance expanded business into Africa and established a strong deal pipeline.

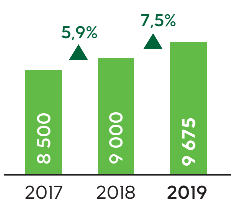
GUARANTEED REMUNERATION
(R000)



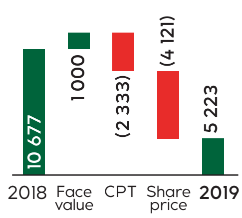
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Ciko Thomas Managing Executive, Nedbank Retail and Business Banking

Financial performance

RBB HE decreased by 1,6% to R5,3bn with strong revenue growth negatively impacted by the higher impairment charge, while ROE at 17,3% remained well above the group's cost of equity.

Environmental, social and governance (ESG)

Environment – Funding of R790m for construction of buildings conforming to green-building standards (SDG 11) and R59m funding for installation of photovoltaic energy devices (solar power). R13,7m disbursed to fund Africa's first commercial floating solar park in Franschhoek (SDG 7). R126m facility extended to recycling company. Five million polyethylene terephthalate (PET) bottles recycled daily (SDG 12). Eliminated paper through digital account opening enabled by eFica, eStatement, digital signatures and electronic communication Optimisation. Branch floor space reduced by 23% compared to 2014.

Social – Innovative first-to-market digital solutions with strong social impact: three zero-monthly-fee accounts (SDG 8), USSD onboarding for stokvel clients, MobiMoney cash-out in partnership with retailers (SDG 8). R1bn in home loans provided to affordable-housing market, up 10% over 2018 (SDG 11). Bond initiation fees waivers offered to this market segment, since 2017, saved clients over R50m. Student loans amounting to R45,3m provided to 758 students (SDG4). Rehabilitation of 5 113 clients (R4,22bn in loan value) through Nedbank-assisted Sales and restructured vehicle finance accounts for 19 400 clients (R3,2bn) to retain their vehicles (SDG 8). Relaunched SimplyBiz access to a network of like-minded entrepreneurs with 12 000 registered members.

Governance, compliance and risk management practices – CLR at 138 bps cyclically increased to just above the bottom end of the TTC target range of 130 bps to 180 bps. Accelerated delivery of Market Conduct and Culture Programme, achieving worldclass conduct practice of 20 milestone ideal states. Realised a clientricity score of 59%, an 11% increase.

Strategy

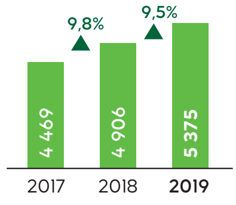
Deliver innovative market-leading client experiences – Digitised onboarding for top nine of top 10 journeys across branches, app, web, ATM and SSKs. Refreshed loyalty and rewards programme. Ended the year as the only bank to have improved its Net Promotor Score (NPS) score.

Grow transactional-banking franchise faster than the market – Retail main-banked client numbers at 2,95 million is 11,2%, down from 2018, driven by lower youth and ELB market share. Although we lost market share in household deposits, commission and fees grew 6% in the face of strong competition.

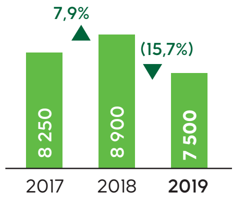
Manage scarce resources to optimise economic outcomes – Advances and deposits continued to reflect resilient growth over 2019 at 7,4% and 7,6% respectively.

Be operationally excellent in all we do – Expenses growth was constrained to 1,8% due to focused and active cost management. Drove efficiencies of R490m in 2019, and a total of R1 507m since 2017.

GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
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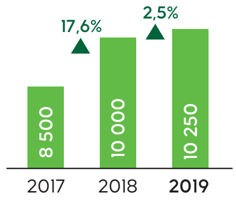

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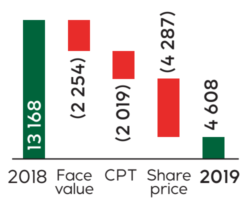
(R000)



Iolanda Ruggiero Managing Executive, Nedbank Wealth

Financial performance

HE declined 8,0% to R1,0bn with ROE at 24,8%, primarily due to the difficult macroeconomic environment and poor market conditions.

Environmental, social and governance (ESG)

Environmental – Commercialised Nedbank's Geyser Telemetry solution that benefits clients through electricity savings and reducing carbon emissions (SDG 7).

Social – Private Wealth SA won the ESG/Social Impact Investing category in the Euromoney Private Banking and Wealth Management Survey for the fourth consecutive year (SDG 10).

Governance, compliance and risk management practices – CLR of 18 bps maintained below the TTC target range of 20 bps to 40 bps.

Strategy

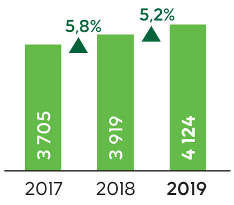
Deliver innovative market-leading client experiences – Enhancements to the Nedbank Private Wealth app enabled it to be ranked second globally. Launched a new stockbroking website and new single-client website for asset management. Recognised by Celent as the Model Insurer of the Year in the category Legacy and Ecosystem Transformation for Nedbank's single-policy administration system.

Grow transactional banking/AUM – AUM increased 11% to R331bn off a low base from the prior year, offset by the loss of a large client in the second half of the year. Nedgroup Investments was named Offshore Management Company of the Year for the fifth consecutive year at the Raging Bull Awards.

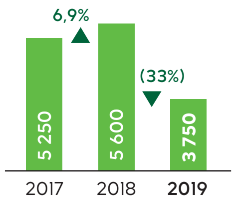
Manage scarce resources to optimise economic outcomes – Global asset management offering was expanded, and Nedbank Wealth achieved strong market growth in cash and passive solutions.

Be operationally excellent in all we do – Nedbank Insurance was the first-to-market insurer in SA to have chatbot functionality and delivered live-agent service functionality and funeral quoting capabilities.

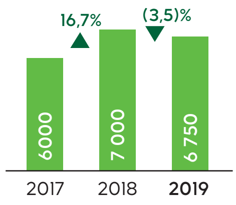
GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
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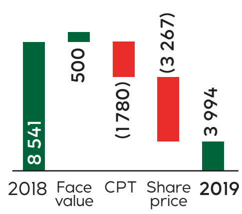

NON-EXECUTIVE DIRECTOR REMUNERATION

In the current environment of unprecedented economic challenges that have arisen as a result of the Covid-19 pandemic, no increases to the Chairman's fee, board fees and committee fees are proposed for 2020.

Non-executive director remuneration (excluding VAT) for the years ended 31 December 2019 and 31 December 2018 was as follows:

Non-executive director	Note	Nedbank and Nedbank Group board fees (R000)	Committee fees*	2019 (R000)	2018 (R000)
BA Dames		519	605	**1 125**	978
T Marwala	1	316	127	**443**	–
E Kruger	2	1 298	1 582	**2 880**	2 392
ID Gladman		–	–	**–**	712
JB Hemphill		–	–	**–**	321
PM Makwana	3	655	1 152	**1 807**	1 487
MA Matooane		519	442	**962**	902
NP Mnxasana		–	–	**–**	539
V Naidoo	4	5 871	–	**5 871**	5 528
JK Netshitenzhe		519	408	**927**	860
RAG Leith	5, 5a, 5b, 5c	519	561	**1 080**	712
SS Subramoney		519	1 277	**1 796**	1 677
MI Wyman	6	252	172	**424**	1 150
L Makalima		519	605	**1 125**	978
N Dongwana		519	719	**1 238**	1 085
H Brody	7	519	854	**1 374**	1 379
P Moyo	8	519	502	**1 021**	542
TA Boardman		–	–	**–**	176
Total		13 063	9 006	**22 073**	21 418

1 *Tshilidzi Marwala was appointed as a member of Nedbank Limited and Nedbank Group Limited boards, the Group Information Technology Committee and the Group Transformation, Social and Ethics Committee effective from 27 May 2019.*

2 *Errol Kruger's board fees are inclusive of the Nedbank Private Wealth (Isle of Man) Chairman fees of £42 400 (R779 024).*

3 *Mpho Makwana was appointed as chair of Group Directors' Affairs Committee and Group Related-party Transactions Committee, and as Lead Independent Director effective from 10 May 2019.*

4 *Vassi Naidoo was appointed as a member of the Group Related-party Transactions Committee effective from 1 March 2019.*

5 *RAG Leith was appointed on the Nedbank Limited and Nedbank Group Limited boards effective from 1 January 2019.*

5a *RAG Leith was appointed on the Group Credit Committee and the Group Risk and Capital Management Committee effective from 18 January 2019.*

5b *RAG Leith was appointed as member of Group Information Technology Committee effective from 1 March 2019.*

5c *Fees for RAG Leith in 2019 were paid to him in his personal capacity and in 2018 were paid to OM Plc*

6 *Malcolm Wyman retired from Group Remco, Group Related-party Transactions Committee, and Group Directors' Affairs Committee effective from 10 May 2019.*

7 *Hubert Brody stepped down from the Group Credit Committee effective from 18 January 2019.*

8 *Fees for Peter Moyo were paid to Old Mutual Emerging Markets Limited (a subsidiary of Old Mutual Limited).*

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

Read more about the underlying components for the elements of remuneration in the 2019 Remuneration Report available at nedbankgroup.co.za.

ABBREVIATIONS AND ACRONYMS

ACI African, Coloured and Indian
AFR available financial resources
AGM annual general meeting
AI artificial intelligence
AIEBA average interest-earning banking assets
AIRB Advanced Internal Ratings-based
AMA Advanced Measurement Approach
AML anti-money-laundering
API application programme interface
AUA assets under administration
AUM assets under management
BBBEE broad-based black economic empowerment
BEE black economic empowerment
bn billion
bps basis point(s)
CAGR compound annual growth rate
CAR capital adequacy ratio
CET1 common equity tier 1
CIB Corporate and Investment Banking
CIPC Companies and Intellectual Properties Commission
CLR credit loss ratio
COE cost of equity
CPI consumer price index
CPF commercial-property finance
CSI corporate social investment
CVP client value proposition
DHEPS diluted headline earnings per share
D-SIB domestic systemically important bank
ECL expected credit loss
EE employment equity
ELB entry-level banking
EP economic profit
EPS earnings per share
ESG environmental, societal and government
EV embedded value
ETI Ecobank Transnational Incorporated
FCTR foreign currency translation reserve
FSC Financial Sector Code
FSCA Financial Sector Conduct Authority
FVOCI Fair value through other comprehensive income
FVTPL Fair value through profit or loss
GDP gross domestic product
GLAA gross loans and advances
GOI gross operating income
group Nedbank Group Limited
HE headline earnings
HEPS headline earnings per share
HQLA high-quality liquid asset(s)
IAS International Accounting Standard(s)
ICAAP Internal Capital Adequacy Assessment Process
IFRS International Financial Reporting Standard(s)
ILAAP Internal Liquidity Adequacy Assessment Process
IMF International Monetary Fund
JIBAR Johannesburg Interbank Agreed Rate
JSE JSE Limited
LAA loans and advances
LAP liquid-asset portfolio
LCR liquidity coverage ratio
LIBOR London Interbank Offered Rate
LTI long-term incentive
m million
M&A mergers and acquisitions
MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)
MRC minimum required capital
MW megawatt
MZN Mozambican Metical
NAFEX The Nigerian Autonomous Foreign Exchange Rate Fixing Methodology
NAR Nedbank Africa Regions
NCA National Credit Act, 34 of 2005
NCD negotiable certificate of deposit
NCOF net cash outflows
NGN Nigerian naira
NII net interest income
NIM net interest margin
NIR non-interest revenue
NPL non-performing loan(s)
NPS Net Promoter Score
NSFR net stable funding ratio
nWoW New Ways of Work
OCI other comprehensive income
OM Old Mutual
PAT profit after tax
PAYU pay as you use account
plc public listed company
PPOP preprovisioning operating profit
PRMA post-retirement medical aid
R rand
RBB Retail and Business Banking
Rbn South African rands expressed in billions
REIPPP Renewable Energy Independent Power Producer Procurement Programme
REITS real estate investment trusts
Rm South African rands expressed in millions
ROA return on total assets
ROE return on equity
RORWA return on risk-weighted assets
RPA robotic process automation
RRB Retail Relationship Banking
RTGS real-time gross settlement
RWA risk-weighted assets
SA South Africa
SAcsi The South African Customer Satisfaction Index
SADC Southern African Development Community
SAICA South African Institute of Chartered Accountants
SARB South African Reserve Bank
SDGs Sustainable Development Goals
SEMS Social and environmental management system
SICR Significant increase in credit risk
SME small to mid-size enterprise
STI short-term incentive
TSA The Standardised Approach
TTC through the cycle
UK United Kingdom
US United States
USSD unstructured supplementary service data
VAF vehicle and asset finance
VaR value at risk
VIU value in use
VNB value of new business
YES Youth Employment Service
yoy year on year
ytd year to date
ZAR South African rand (currency code)

COMPANY DETAILS

NEDBANK GROUP LIMITED

Incorporated in the Republic of SA
Registration number 1966/010630/06

Registered office
Nedbank Group Limited, Nedbank 135 Rivonia Campus,
135 Rivonia Road, Sandown, Sandton, 2196
PO Box 1144, Johannesburg, 2000

Transfer secretaries in SA
Link Market Services South Africa Proprietary Limited,
19 Ameshoff Street, Braamfontein, Johannesburg, 2001, SA.

PO Box 4844, Marshalltown, 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

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This announcement is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

For further information please contact Nedbank Group Investor Relations at NedGroupIR@nedbank.co.za.

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.

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