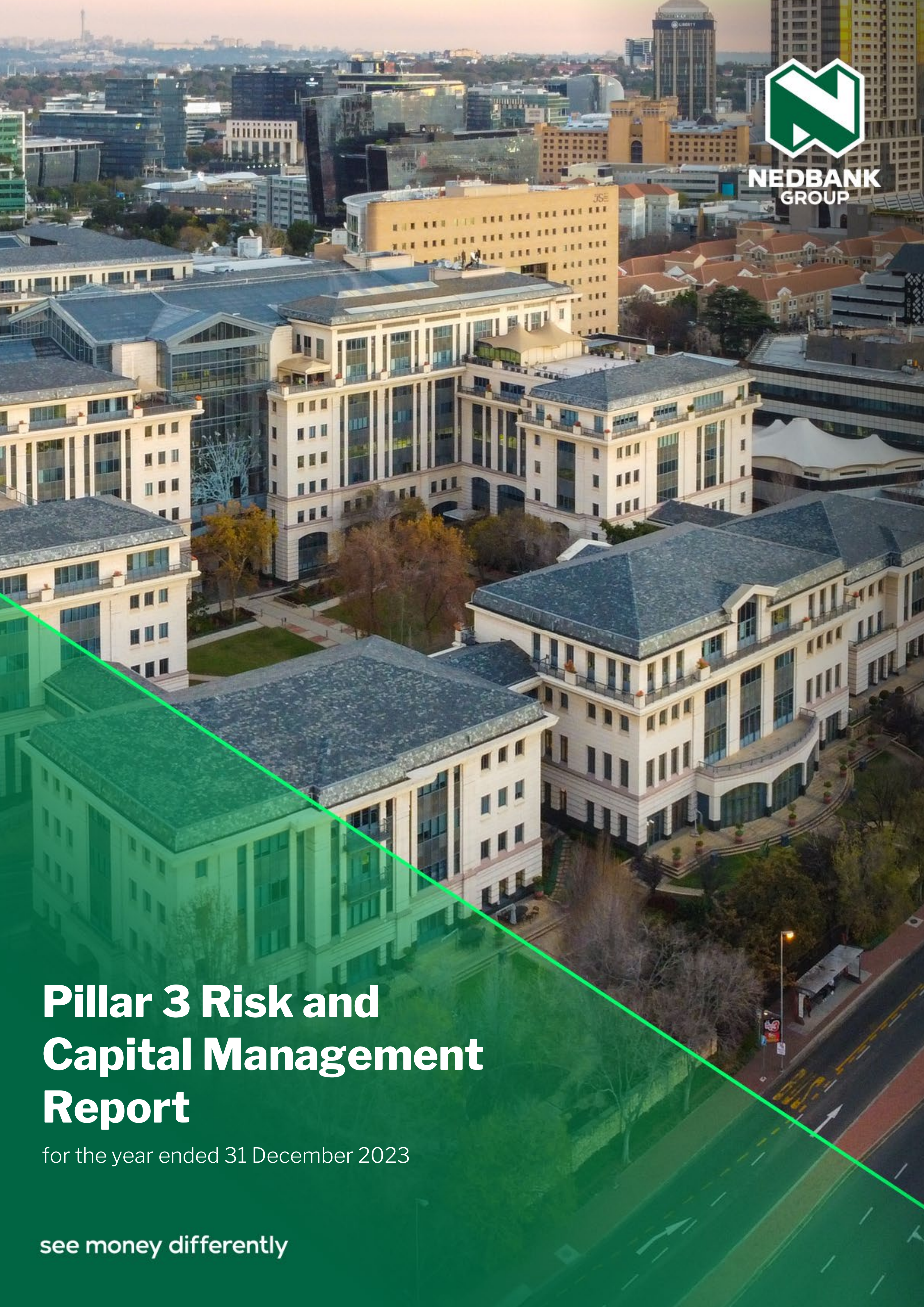


NEDBANK GROUP

Pillar 3 Risk and Capital Management Report

for the year ended 31 December 2023

see money differently

Highlights

In 2023 the operating environment for South African banks was more challenging than initially forecast. In addition to a weaker global economy, domestic economic activity was impacted by record levels of load-shedding (electricity shortages), logistical constraints, higher-than-expected levels of inflation and, as a result, higher-than-expected increases in interest rates. Collectively, these conditions have put increasing pressure on consumers' finances and led to reductions in business confidence and investment in most sectors other than energy. Progress, albeit slow, is being made in the partnership between government and business to help address the key issues of energy security, transport and logistics, and crime and corruption that are collectively resulting in very low levels of economic growth in South Africa (SA) and a weakening fiscal position.

Despite this difficult and volatile operating environment, which has impacted our employees and our clients, Nedbank Group remained profitable and resilient, with a robust balance sheet showing solid capital, liquidity and funding positions aided by an enabling but prudent risk appetite and excellence in risk management.

A highlight of the year was achieving all the group's post-Covid-19 targets for 2023 announced in March 2021. Two of these targets were already achieved in 2022 – i.e. exceeding the 2019 diluted headline earnings per share (DHEPS) of 2 565 cents and ranking #1 on Net Promoter Score (NPS). In 2023 we further increased DHEPS to 3 199 cents, up by 14% yoy, and we maintained our #1 NPS ranking among South African banks. Pleasingly, at the end of 2023, we also met the remaining 2 targets, by reporting an ROE of 15,1% ahead of the target level of 15,0% and a cost-to-income ratio of 53,9%, which is lower than our target of 54,0%. These targets were achieved as a result of ongoing progress on delivery of our strategy, with a focus on growth, productivity, as well as risk and capital management.

Growth trends across average interest-earning banking assets (AIEBA) (+7%), net interest income (NII) (+14%), non-interest revenue (NIR) (+6%) and associate income (+64%) remained robust. Levels of productivity improved, evident in our cost-to-income ratio declining to 53,9% from 55,8% in 2022. Capital and liquidity ratios remained strong, with a common-equity tier 1 (CET1) ratio of 13,5%, an average fourth-quarter liquidity coverage ratio (LCR) of 135% and a net stable funding ratio (NSFR) of 117%, all well above board targets and regulatory minimums. The group's total expected credit loss (ECL) coverage increased to an annual high of 3,62% (Dec 2022: 3,37%) and we remain conservatively provided in a difficult macroeconomic environment.

NPS **Ranked #1** **Target maintaied**	**DHEPS** **3 199 cents up 14%** **Surpassed target in 2022 and grew by a further 14% in 2023**	**ROE** **15,1%** **Achieved 2023 target of >15,0%**	**Cost to income** **53,9%** **Achieved 2023 target of <54,0%**
AIEBA **7% ▲**	**NII** **14% ▲**	**NIR** **6% ▲**	**Associate income** **64% ▲**
CET1 **13,5%** **(2022: 14,0%)**	**LCR** **135%** **(2022: 160%)**	**NSFR** **117%** **(2022: 119%)**	**ECL coverage** **3,62%** **(2022: 3,37%)**

This report complies with Regulation 43 of the Regulations Relating to Banks issued in terms of the Banks Act, 94 of 1990, and the Basel Committee on Banking Supervision's (BCBS's) revised Pillar 3 disclosure requirements.

The Nedbank Group Chief Financial Officer (CFO), Mike Davis, on behalf of the board, is satisfied that the information provided in this report has been prepared in accordance with board-approved internal control processes and in accordance with the Nedbank Group Public Disclosure Policy, which can be accessed at **www.nedbank.co.za**.

The key risk and financial metrics for the period ending December 2023 are summarised below:

Metric	Dec 2023	Dec 2022
Credit loss ratio (CLR)	109 bps	89 bps
Post-write-off recoveries	R1,4bn	R1,6bn
Stage 3 advances as a % of gross advances	6,73%	6,14%
Stage 3 coverage ratio	34,2%	34,3%
Stage 2 coverage ratio	6,8%	7,0%
Total capital adequacy ratio (CAR)	16,9%	18,1%
Total tier 1 ratio	15,0%	15,5%
Common-equity tier 1 ratio (CET1)	13,5%	14,0%
Available financial resources (AFR): Economic capital	167%	170%
Interest rate risk in the banking book (IRRBB) economic value of equity (EVE) sensitivity[1]	R601m	R84m
IRRBB net interest income (NII) sensitivity % ordinary shareholders' equity[2]	1,34%	1,51%
Long-term funding ratio[3]	28,4%	28,4%
Net stable funding ratio (NSFR)	117,3%	119,1%
Liquidity coverage ratio (LCR)	134,6%	160,5%
Trading book [10-day value at risk (VaR)]	R122,6m	R218,0m

Key drivers/Commentry	2024 outlook
CLR The group's impairment charge increased by 30% to R9 605m, largely because of the impact of a more difficult macroeconomic environment on consumers. The group's CLR of 109 bps (2022: 89 bps) improved from the 121 bps reported at H1 2023, however, it remained above the group's TTC target range of 60 bps to 100 bps, in line with the guidance provided. **Key drivers:** The yoy increase in CLR reflects the impacts of higher-than-expected interest rates, higher levels of inflation (mainly in food and energy), and higher levels of load-shedding, all of which had an adverse impact on our clients, particularly in the consumer segment in Retail and Business Banking (RBB).	CLR to be in the top half of our TTC target range of 60 bps to 100 bps, this being 80 bps to 100 bps.
Stages 2 and 3 coverage ratios The stage 2 coverage ratio declined slightly to 6,8% (December 2022: 7,0%) and remained well above the pre-Covid-19 levels of 5,3% (December 2019). The stage 3 coverage ratio remained steady at 34,2% (December 2022: 34,3%) as RBB loans, with higher coverage, migrated from stage 2 to stage 3 (RBB stage 3 loans up by 20%) and stage 3 loans in Corporate and Investment Banking (CIB), with lower coverage, declined by 3% as some counters cured.	
CET1 ratio **Key drivers:** The group remains strongly capitalised, with capital ratios significantly above the minimum regulatory requirements and board-approved target ranges, with a CET1 ratio of 13,5% (December 2022: 14,0%). The decrease in the CET1 ratio reflects the successful execution of the R5bn capital optimisation initiative, offset by strong organic earnings generation.	Our CET1 capital ratio is expected to remain above the top end of the board-approved target range of 11% to 12%.
NII **Key drivers:** At 31 December 2023, the NII sensitivity of the group's banking book for a 1% parallel decrease in interest rates, measured over 12 months was 1,34% of total group ordinary shareholders' equity, which is below the board's approved risk limit of 2,25%. The group's NII sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity over the cycle.	NII growth of above mid-single digits. The group's NIM is expected to reduce slightly from the 2023 level of 4,21%, while average banking loans and advances growth is likely to see stronger growth in H2 2024 when compared with H1 2024, as lower interest rates and inflation start benefiting retail credit growth and as wholesale clients start drawing down on renewable energy deals.
NSFR Nedbank exceeded the minimum regulatory NSFR requirement of 100% with the December 2023 ratio of 117,3%. The structural liquidity position of the group continued to be strong because of the effective management of balance sheet growth.	The NSFR is expected to continue operating in a range aligned with the NSFR at December 2022 and December 2023.
LCR The decrease in the LCR to 134,6% (Dec 2022: 160,5%) was primarily attributable to an increase in net cash outflows. The net cash outflows increased in line with the bank's balance sheet growth, which was effectively managed through the increase in HQLA liquidity buffers.	The LCR is expected to continue operating in a range aligned with the LCR at December 2022 and December 2023.

[1] *Nedbank Limited's EVE sensitivity is low, representing 0,76% of ordinary shareholders' equity for a 1% decrease in interest rates.*
[2] *The NII sensitivity exposes the group to a decrease of approximately R1 449m before tax should interest rates decrease by 1% across the yield curve when measured over a 12-month period.*
[3] *Three-month average.*

Content

Letter from the Chairperson of the GCC and GRCMC

Errol Kruger

'The overall state of Nedbank's risk management, balance sheet management, internal control environment, compliance, governance and risk culture has been effective in 2023 and remains sound and robust in a challenging operating environment. Risk management continues to evolve to withstand the ongoing changing geopolitical and macroeconomic environment.'

The year 2023 was marked by the navigation of a complex and challenging operating environment, externally driven by simmering geopolitical tensions and a confluence of socioeconomic risk. The global challenges compounded the local challenges such as heightened load-shedding, high unemployment and deteriorating public infrastructure driving the low-growth environment.

Nedbank Group's risk management outcomes continued to be excellent, with a stable risk management status, despite the heightened risk in the external environment. The Enterprisewide Risk Management Framework (ERMF) ensured that our overall governance, internal controls and risk management culture continued to be sound.

The Group Credit Committee (GCC) and Group Risk and Capital Management Committee (GRCMC) remain committed to maintaining a high standard of credit risk management and overall risk and governance oversight, enhancing Nedbank's resilience and growth. We remain confident that our robust and agile risk management framework enables the creation and preservation of value for all our stakeholders. Nedbank, through its well-tested and robust ERMF, has a sound risk culture and an appropriate and enabling risk appetite.

As we look ahead to 2024 and beyond, we are confident that we are well positioned to seize the opportunities and to overcome the challenges that lie ahead. Nedbank will continue to monitor and manage the risks that we face in pursuit of our vision 'to be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society'.

Below are the 2024 key focus areas for the GCC and GRCMC's:

GCC focus for 2024

- Continue to focus on credit origination policies, early-identification strategies regarding distressed portfolios, industry-specific concentration risks and the proactive management of key watch list clients.
- Monitor developments emanating from the South African Reserve Bank's proposed amendments to Directive 7/2015 relating to the treatment and classification of distressed restructures on the credit portfolio.
- Oversee ongoing active credit risk management across all portfolios to optimise the outcome of the cost of credit and credit risk weighted assets.
- Monitor and consider the impact of the implementation of Basel III reforms on the credit portfolio.
- Monitor the implementation of solutions to automate, digitise and advance credit processes and analytics emanating from business clusters' credit risk initiatives.

GRCMC focus for 2024

Monitor heightened Business risk due to the complex and challenging operating environment, externally driven by megatrends such as technological disruption, demographic shifts, a fracturing world order and social instability.

Ensure there is increased focus on financial crime risk management in light of the weak macro-economic outlook and the 'digital storm' in the operating environment, to ensure a safe and sound banking experience and digital trust.

Continue to monitor the risk management plan implementation, risk appetite, top 10 risks, risk universe heatmap and the Group Key Issues Control Log to maintain Nedbank's resilience in the challenging environment.

Review, approve and recommend to the Nedbank Group Board the approval of the 2024 Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

Monitor the agility and effectiveness of our ERMF while ensuring it aligns to industry leading practice for creation and preservation of shareholder value.

Continue to monitor the exploration and safe adoption of new emerging technologies [eg generative artificial intelligence (GenAI), crypto assets] while remaining competitive.

Errol Kruger
Chairperson of the GCC and the GRCMC

Letter from the Group Chief Risk Officer

David Crewe-Brown

'We find ourselves operating in an ever-changing and uncertain environment where multiple crises occur simultaneously or in quick succession, creating a complex and interconnected web of crises for governments, organisations and societies. Our strong risk management processes and culture continued to protect the group, enabling a strong financial performance.'

In the past year, Nedbank has continued to strive to make sense of the world, identifying opportunities to allow us to remain relevant while creating and preserving value for all our stakeholders. The top risk faced by our group remains business risk, which includes geopolitical and country risk.

Business Risk is driven by various global and continent specific circumstances. These include the war in Russia/Ukraine, Israel-Hamas conflict which continues to escalate and polarise, the Global Energy Crisis, Climate Change, Global Inflation, Higher Interest Rates, the Supply Chain Crisis, China's turbulence, Natural Disasters (earthquakes and floods), infrastructure linked local events and generally heightened Geo-political risks also playing out in Southern Africa.

In September 2023 the Basel Committee on Banking Supervision noted that the banking turmoil, from an international perspective, of March to May 2023 was the most significant systemwide banking stress since the Global Financial Crisis in terms of scale and scope. Fortunately, the South African banking industry did not experience the same level of global banking turmoil, but the South African operating environment was not immune to these stresses and had to deal with its own challenges.

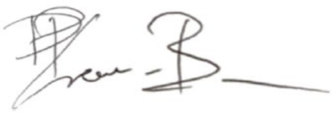
In South Africa, business and society have experienced power cuts, elevated interest rates, hikes in the price of electricity, foreign exchange volatility, high unemployment rates, crime, corruption and the eroding confidence of foreign investors. Compounded together, these factors have created what is arguably one of the most difficult business environments in which to operate.

As we look ahead to 2024, heightened business risk (including geopolitical and country or sovereign risks) continues to amplify the group's risk exposure. The risk of 'major successful cyberattacks' also remains elevated, with the latest EY/IIF Global Bank Risk Management Survey report citing cybersecurity as the top-priority risk for chief risk officers over the next 12 months. However, the value of risk management is well understood and underwritten in the group through the implementation of our group Enterprisewide Risk Management Framework. We will keep striving to capture the full value of our activities in achieving Nedbank's strategic goals and financial targets while creating and preserving value for our stakeholders.

Our risk management strategy and plan feature 5 major risk components: 1) traditional major risks; 2) new emerged or emerging risks; 3) emerging technologies, digital transformation, and data risks; 4) strategic execution risks; and 5) risk innovation and transformation, which incorporates a robust organisational resilience plan.

Nedbank continues to remain vigilant and cautious of the potential impacts that new emerged or emerging risks my impose on our business. However, we are also aware that new technologies like GenAI could produce significant opportunities for the organisation in terms of, among other things, possible process optimisation, enhanced fraud detection and increased customer services.

I have confidence that the group's risk management plan and its ongoing execution will ensure that Nedbank Group remains resilient in the complex environment in which we operate. Our balance sheet continues to be strong, and our risk management practices remain sound.



David Crewe-Brown

Group Chief Risk Officer

RISK MANAGEMENT

Executive summary

In its 2024 Global Risk Report published on 10 January 2024, the World Economic Forum (WEF) highlighted misinformation and disinformation as the top-ranked risk globally in terms of impact over the next 2 years. The WEF report also highlighted the energy supply shortage as a top risk for South Africa (SA). A major concern for Africa and the biggest risk for lenders on the continent is the sovereign debt crisis in many African countries, triggered by rising global interest rates and slow local growth, and the prospect of more losses from restructuring. The EY/IIF global bank risk management survey published in February 2024 highlighted cybersecurity as a top concern for organisations, with regulatory, financial and operational concerns close behind. Climate and geopolitical risks are growing in urgency and complexity. The high-velocity, high-impact risks (such as increases in extreme weather events, heightened geopolitical risk and the potential for unrest and social instability leading up to the 2024 national elections) are a top focus for our risk management teams and are being adequately managed.

The structural changes to the financial services sector are driven by geopolitics, climate, and technological innovation and are shaping the global business landscape and operating environment. The group's risk management plan includes measures to address these risks, such as emphasis on the importance of operational resilience due to increased reliance on third parties and the ever-present cyber- and fraud threats.

Despite the highly unfavourable external environment, the overall Internal Control Environment (ICE) and risk assessments across the enterprise provide comfort that the control environment promotes a high level of safety and soundness and remained positive, including the state of Nedbank's corporate governance, risk management, internal controls, conduct and culture, and regulatory and balance sheet profiles.

Risk governance, in accordance with the Nedbank Enterprisewide Risk Management Framework (ERMF), is well entrenched in Nedbank and all significant risks and key issues have been communicated appropriately through the Group Risk and Capital Management Committee (GRCMC), Group Credit Committee (GCC), audit and finance (Group Audit Committee), information technology (Group Information Technology Committee) and compliance (Directors' Affairs Committee) governance processes.

Nedbank's risk management overview

We find ourselves in an ever-changing and uncertain environment where multiple crises occur simultaneously or in quick succession, creating a complex and interconnected web of crises for governments, organisations, and societies. These crises may be social, economic, political, environmental, technological, or health-related and they can occur at different levels – locally, regionally, and globally. This is referred to as 'polycrisis' and is difficult to manage as it can create feedback loops, exacerbating existing problems and creating new ones.

The world, Africa, SA and therefore Nedbank continue to be negatively weighed down by various global and Africa-specific circumstances. These include the Russia–Ukraine war, the Israel–Hamas conflict, the global energy crisis, climate change, global inflation, persistent higher interest rates, the supply chain crisis, China's turbulence, natural disasters, infrastructure-linked local events and generally heightened geopolitical risks playing out in regions in which Nedbank operates. Growth therefore remains muted given the structural negative impacts of higher interest rates, climate change, a very high unemployment rate in South Africa, supply chain disruptions and social instability stemming from lack of service delivery and the upcoming elections in South Africa and many other countries.

Business risk remains amplified at #1 on Nedbank's top 10 risks and impacts the group's exposure to other risks, potentially manifesting in, among other things, higher credit loss ratios (CLR), market volatility and operational disruptions, impacting future profitability and often leading to increased regulatory changes and tougher monetary policy both locally and globally.

Managing risk in such an unprecedented risk landscape is about minimising the elevated downside risk and optimising potential upside risk and opportunities that arise. Nedbank Group assessed both the external and internal environments and ascertained that action plans are in place to mitigate the impact of these risks as well as take advantage of these opportunities.

At Nedbank, we understand that risk management and resilience are a journey and not a destination. The overall status, outcomes and effectiveness of Nedbank's risk management have remained favourable and have been duly stress-tested by the various ongoing crises. The ongoing external shock events and challenges continued to have an adverse impact on the world, Africa, SA, and Nedbank's inherent risk profile. However, there were no significant adverse impacts to risk management, corporate governance, compliance, and the internal control environment (ICE), and known risks across the business were identified, assessed, documented, managed, reported, and reviewed during 2023 in all material respects in accordance with the Nedbank ERMF and related governance processes.

The group is a diversified financial services provider committed to its corporate purpose, which is 'to use its financial expertise to do good for individuals, families, businesses and society'. The business of banking remains fundamentally about the management of risk, and we always strive to be 'world-class at managing risk', with a strong risk culture, sound corporate governance and robust ERMF. We acknowledge that financial performance over time is closely correlated with the macroeconomic environment in which we operate. We strive for agile but responsible, accountable, and effective corporate governance and risk management while creating and protecting value for all our stakeholders.

Despite the highly unfavourable external environment described above, the value of risk management is well understood and underwritten within the group. We will continue striving to capture the full value of our activities in supporting clients and achieving our strategic goals and embedded financial targets.

Risk culture

The ERM risk culture principles deal with the thinking, norms of behaviour and actions around risk management that shape the ability to identify, understand, openly discuss, escalate, and act on Nedbank's current and future challenges and risks. This creates an awareness, recognition and understanding of the value of risk and its identification, measurement, management, monitoring and reporting as part of daily business activities. It is embedded in people's thoughts, beliefs, and values, which in turn influences their behaviours and actions.

The Nedbank ICE assessment, as prescribed by Regulation 39 of the Banks Act, 94 of 1990, is a good measure of risk culture among other elements and is performed biannually. The overall result of the ICE assessment at 31 December 2023 provided comfort that the ICE promoted a high level of safety and soundness in all material aspects. Overall, the assessment showed a 'satisfactory' control environment outcome.

Nedbank's risk culture guideline communicates and expands on the key components of Nedbank's risk culture. These key components include the following:

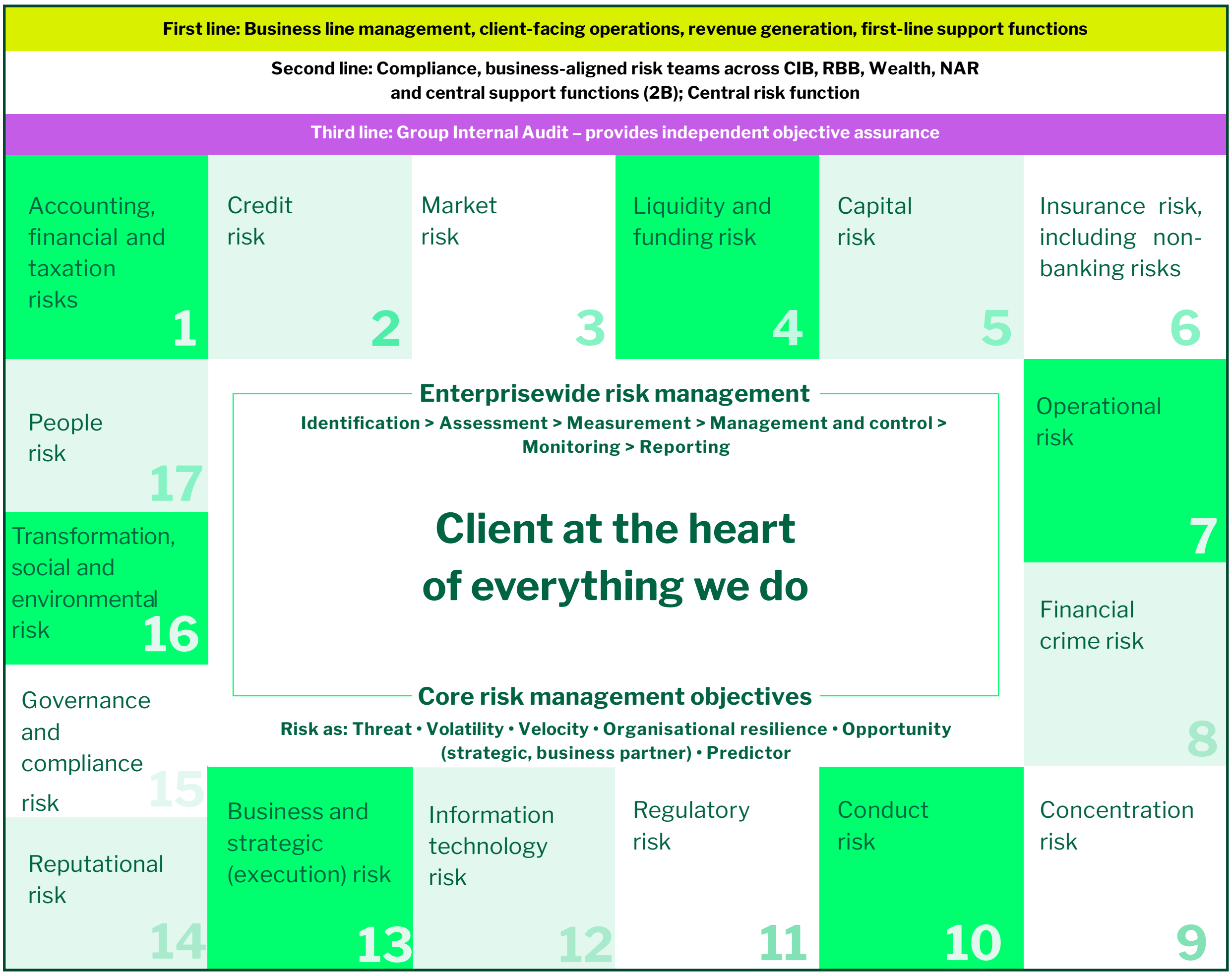
- Drivers – the context, structure and mechanism that influence mindsets and behaviours. Nedbank board-approved policies and the Nedbank Code of Ethics and Conduct help to promote a sound risk culture.
- Mindsets – the deeply held beliefs, thoughts, values, and attitudes within Nedbank that inform decisions around risk-taking.
- Behaviours – actions that are visible to others and reflect how people use their time, communicate and interact with others and make informed decisions and trade-offs about risk.
- Outcomes – the results of a sound and strong risk culture that are evidenced across Nedbank through sound risk taking, risk-based judgements and appropriate behaviours.

Risk governance

The board of directors are ultimately responsible for the group's business strategy, financial soundness, corporate governance, risk management and compliance. The board of directors have delegated this responsibility to the Group Risk Cluster and the GRCMC. The Group Risk Cluster and the GRCMC provide independent oversight of the adequacy and effectiveness of the group's ERMF, including the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, and sound and effective capital management.

The group's sound corporate governance and risk management are underpinned by the Three-lines-of-defence (3LoD) Model, based on function rather than location in the organisation.

Risk governance overview



Three lines of defence

The 3LoD Model is an effective governance operating model for enabling the board and management to discharge, demonstrate and monitor the affairs of the group in fulfilment of its obligations to depositors, regulators and shareholders for sustainable value creation and value protection.

The 3LoD Model forms an important part of the ERMF, which provides the structure in which the group operates. The roles and responsibilities involved in the 3LoD Model provide a structure for considering risk and control to ensure that they are appropriate and managed effectively to enable the effective management of risk and control, allowing the group to achieve its strategic objectives.

Nedbank's 3LoD Model incorporates the following principles:

- **First LoD** – Risk-taking and risk ownership:

- Business line management, client-facing operations, or revenue-generating activities (business clusters).
- Some central functions that provide first-line support to generate revenue and manage risk and compliance.

- **Second LoD** – Independent risk and compliance oversight, monitoring and advisory:
  - Risk is delineated into the following:
    - 2A – Risk functions in business and shared-services clusters and in other regulated or statutory entities or offshore operations.
    - 2B – Group Risk.
  - Some central functions (eg Group Finance's Balance Sheet Management) that perform a second LoD oversight, monitoring and advisory role in addition to their first LoD support roles.
  - Group Compliance as a second LoD across all group and cluster functions. It does not differentiate between lines 2A and 2B.
- **Third LoD** – Group Internal Audit, providing independent assurance.

Enterprisewide Risk Management Framework

The ERMF enables the group to identify, measure, manage, price and control our risks and risk appetite, and to relate these to capital requirements to assist in ensuring our capital adequacy and sustainability. The ERMF promotes sound business behaviour by linking capital adequacy and sustainability with performance measurement and remuneration practices. The fully embedded ERMF covers the group's risk universe and major risk classifications, with board and executive responsibility assigned to each. The risk universe has been allocated to the respective board committees. On the next page is an overview of Nedbank's ERMF:

Risk universe	Accounting, financial & taxation risks	Credit risk	Operational risk	Financial Crime risk	Liquidity & finding risk	Capital risk	Insurance risk including non-banking risks	Market risk: Trading book	Market risk: Banking book	Concentration risk	Conduct risk	Regulatory risk	Information Technology risk	Business and Strategic (execution) risk	Reputational risk	Governance and Compliance risk	Transformation, social and environmental risk	People risk

Strategy, Performance and Risk Management and Risk Appetite

Focused and informed involvement by the Board and Group Exco, accountability and responsibility of business management and Group Finance, all supported by appropriate internal control, risk management and governance structures and processes.

Board committees – **Nedbank Board of Directors**

- Group Audit Committee (GAC)
- Group Credit Committee (GCC) Large-exposures Approval Committee (LEAC)
- Group Risk and Capital Management Committee (GRCMC) Including adhoc GRCMC AML
- Group Information Technology Committee (GITCO)
- Directors' Affairs Committee (DAC)
- Group Remuneration Committee (REMCO)
- Group Climate Resilience Committee (GCRC)
- Group Transformation, Social and Ethics Committee (GTSEC)

Chief Executive (CE)

Group executive committees – **Nedbank Group Executive Committee (Exco)**

- Group Alco and Executive Risk Management Committee (Group ALCO)
- Group Operational Risk Committee (GORC)
- Executive Information Technology Committee (EITCO)
- Brand, Client and Conduct Committee (BCCC)
- Financial Crime Committee (FCC)
- Transformation Human Resources Committee (TRAHRCO)
- Group Reputational Risk Committee (GRRC)
- Mergers and Acquisitions Committee (MAC)
- Climate Risk Committee (CRC)
- Executive Credit Committee (ECC)

Group executive committees & forums – **Group Operational Committee (Opcom)**

- Cluster Credit Committees
- Coordinated Assurance Forum
- Capital and Risk Weighted Assets Management and Optimisation Forum
- Group Conduct Risk Committee
- Model Risk Committee
- Group Transformation Forum
- Nedbank Diversity, Equity and Inclusion Forum
- Regulatory Risk and Compliance Forum
- Transactional Balance Sheet Forum
- Finance Forum

Enterprisewide Risk Committees (ERCOs)

Shared services

Chief Operating Officer (COO)

- Group Marketing and Corporate Affairs (GMCA)
- Ecobank Transnational Incorporated (ETI): Associate Investment
- Group Strategy
- Group Human Resources (GHR)
- Group Technology (GT)

Chief Financial Officer (CFO)

- Group Finance
- Balance Sheet Management (BSM)
- Group Business Services (GBS)
- Group Taxation
- Group Secretariat

First line of defence (1st LOD)

Client-facing clusters	Nedbank Corporate and Investment Banking (CIB)	Nedbank Retail and Business Banking (RBB)	Nedbank Wealth	Nedbank Africa Regions (NAR)
First line functions	Business line managers		Some central functions (Group Risk/BSM), eg Forensics, Legal, Security Services, etc.	

Second line of defence (2nd LOD: 2A and 2B)

Risk oversight, monitoring and advisory

2A Client-facing clusters

Nedbank Corporate and Investment Banking (CIB)	Nedbank Retail and Business Banking (RBB)	Nedbank Wealth	Nedbank Africa Regions (NAR)
Cluster Executive Head: Risk		Cluster Executive Head: Governance and Compliance	
Business Unit Risk Officers		Business Unit Compliance Officers	
Other statutory-/regulatory-appointed officers			

2B Group risk and compliance functions

Group Risk

The Chief Risk Officer, who reports directly to the Chief Executive, provides:
- strategic risk management leadership
- group independent risk oversight
- key support to various risk committees
- interacts closely with the business units
- is responsible for championing effective ERMF
- independent model validation
- some first line functions, eg forensics and physical security

Group Chief Risk Officer (GCRO)

- Group Credit Risk (GCR)
- Group Risk Analytics (GRA)
- Group Market Risk (GMR)
- Group Operational Risk (GOR)
- Group Strategic Risk (GSR)
- Group Financial Crime, Forensics and Security (GFCFS)
- Group AML, CFT and Sanctions Office (GAML) and Exchange Control
- Group Conduct Risk
- Group Legal Corporate Insurance

Group Compliance

The Group Chief Compliance Officer, who reports directly to the Chief Executive, provides continuous strategic compliance risk management leadership, independent compliance risk monitoring (of compliance monitoring in the first line), sets the group compliance framework and works closely with the cluster compliance functions on compliance matters.

Group Chief Compliance Officer (GCCO)

- Monitoring
- Compliance Services and Oversight
- Advocacy, Policy and New Regulatory Requirements
- Nedbank Editorial and Language Services
- Regulatory Reporting and Strategic Reporting
- Reputational Risk and Ethics

Third line of defence (3rd LOD)

Independent assurance

3rd line of defence – **Group Internal Audit**

BOARD COMMITTEES

The board provides leadership and vision to the group that should enhance shareholder value. Its entrepreneurial leadership to the group, within a framework of prudent and effective controls, enables risk to be assessed and managed, to ensure long-term sustainable development and growth. The board has established the following committees to oversee the management of the group:

Board committees	Responsibilities	Allocated key risks
Group Audit Committee (GAC)	• Assisting the board in its evaluation of the integrity of our financial statements through evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business. • Managing the relationship with the external auditors, assessing their independence and effectiveness, and recommending the appointment of external auditors. • Facilitating and promoting communication between the board, executive management, the external auditors, and the Chief Internal Auditor, who has a direct reporting line to the committee. • Monitoring the effectiveness of the internal audit function in terms of its scope, plans, coverage, independence, skills, employees, overall performance, and position within the organisation. • Overseeing the processes to enhance the credibility, objectivity and integrity of financial statements and reports prepared with reference to the affairs of the group.	• Accounting, financial and taxation risks.
Group Credit Committee (GCC) and Large-exposures Approval Committee (LEAC)	The GCC is a board subcommittee with the primary mandate of approving the following: • Level 1 group credit-risk-related policies, charters, mandates, philosophy and limits [including the level 1 group advanced internal ratings-based (AIRB) system, framework and policies and the Level 1 IFRS 9 Expected Credit Loss (ECL) Policy. • The group AIRB credit risk framework and policies. • The setting of credit limits and guidelines for cluster credit committees as reflected in the Group Credit Risk Management Framework. • The appropriateness of the credit risk appetite metrics. • Changes to the credit risk appetite, including the articulation of and tolerance for credit risk across the group. • The Credit Risk Governance Framework in Nedbank Africa Regions (NAR). • New models and material changes to the AIRB system. • The adequacy of impairments (including overlays) on a biannual basis and the group International Financial Reporting Standard 9 ECL figures, together with the macroeconomic forecasts used to calculate them. • The year-end (December) credit risk-weighted assets (RWA). [The half-year (June) credit RWA is noted by the GCC, after having been approved by the Executive Credit Committee]. Monitoring and promoting sound credit practice in areas across the group to ensure: • the establishment and maintenance of an appropriate credit risk management environment; • the establishment of best risk practices, standards, and adequate controls for the effective and efficient management of credit risk; • proper assessment of asset quality and the adequacy of impairments and reserves; • adequate disclosure of credit risk, including appropriate reporting systems and processes; • proper analysis of current and future capital requirements in relation to strategic lending goals; • that the principles of coordinated assurance (CA) are embedded, that planned assurance activities across all lines of defence cover the significant credit risk matters of the group, and that the CA plans are adequately challenged and approved to ensure sufficient coverage. The LEAC is a board subcommittee with the primary mandate of approving advances in excess of the large-exposure threshold of 10% of Nedbank's tier 1 qualifying capital and reserves, as imposed by the Banks Act.	• Credit risk. • Credit concentration risk.

Board committees	Responsibilities	Allocated key risks
Group Climate Resilience Committee (GCRC)*	Focusing on climate resilience, including climate opportunities and how the group can be positioned as the industry leaders in sustainable development finance (SDF). Through physical, transitional and liability risk events, climate risk may give rise to several risks contained in the group's risk universe. The GCRC: • engages with other board subcommittees to ensure, thorough oversight monitoring, that they holistically integrate climate risk and climate opportunities; and • monitor the implementation and ongoing maintenance of the Climate Risk Management Framework (CRMF) and the adoption of global best practice, including, among other things, the Taskforce on Climate-related Financial Disclosures (TCFD) practice and climate-related risk management, to ensure that risks and opportunities are continuously identified, measured, managed, and monitored and reported on an ongoing basis. Regarding the identification, assessment and management of risks and opportunities, the GCRC monitor in-scope risks as described in the CRMF as follows: • Evaluating appropriate strategy (climate risk and opportunities, linking into the branding and marketing positioning and strategic and financial plans). • Ensuring independent oversight to unlock these opportunities, which requires an understanding of our clients' and suppliers' exposures, geographical distribution, and accompanying climate-related risks and/or challenges within these areas. Availability of information and data quality in relation to sectoral exposures will have an impact on assessing our exposure to climate-related risk in identified high-risk sectors. • Ensuring that these identified climate opportunities are integrated into the strategy and the group business plan. • Identifying climate-related risks and opportunities as well as metrics and targets. • Monitoring and managing climate-related risks and opportunities and the governance of these. • Risk management and the integration of climate-related risks into our risk universe so that climate-related risk management of physical risk, transition risk and liability risk is effective. • Aligning with the Social and Environmental Policy as well as the Social and Environmental Management System (SEMS) guide to assess all high-impact industry transactions against compliance requirements and internal targets. • Monitoring liability risk: potential for damages sought by those most impacted by climate change against those held accountable for contributing to carbon emissions. • Identifying any buildup and concentration of the various risks, including emerging risks, to which the group, banking, insurance, and asset management entities are actually or potentially exposed. ** A proposal to broaden the mandate of the GCRC to include environmental & social risks and opportunities in addition to and including climate related resilience considerations was tabled and approved at the February meeting of the committee and is to come into effect from Q2/2024. To reflect this broader mandate, the committee will going forward be named the Group Sustainability and Climate Resilience Committee (GSCRC).*	• Climate risk.
Group Risk and Capital Management Committee (GRCMC)	• Identifying, assessing, controlling, management, reporting, and remediating all categories of the allocated risks. • Adhering to internal risk management policies, procedures, processes, and practices. • Independently overseeing the adequacy and effectiveness of the ERMF. • Monitoring the implementation and ongoing maintenance of the group's ERMF, including effective consolidated supervision across the group, and the adoption of best practice in risk management to ensure that risk is properly identified, evaluated, measured, managed, and monitored on an ongoing basis. • Identifying any buildup and concentration of the various risks, including emerging risks, to which the group and banking entities are actually or potentially exposed. • Developing a risk mitigation strategy to ensure that the group and banking entities manage risks in an optimal manner. • Ensuring that a formal risk assessment is undertaken at least annually and conducting monitoring to ensure that the enterprisewide risk management and operational risk assessment methodologies are implemented, maintained, and reported effectively throughout the group. • Identifying and regularly monitoring all key risks to ensure that its decision-making capabilities and accuracy of its reporting are maintained at a high level. • Arranging the training of members of the board in the different risk areas to which the group and banking entities are exposed. • Reviewing and approving group-level risk policies and methodologies.	• Financial crime risks – including regarding anti-money-laundering (AML), combating-the-financing-of-terrorism (CFT), counter-proliferation-financing (CPF) and sanctions risk (as well as regarding fraud, corruption, and violent crime and cyber). • Operational risks. • Legal risks. • Liquidity and funding risks. • Capital risk. • Market risks. • Regulatory risk. • Conduct risk. • Insurance risk.

Board committees	Responsibilities	Allocated key risks
	• Introducing measures that, in the committee's opinion, serve to enhance the adequacy, efficiency and effectiveness of the risk management policies, procedures, practices, and controls applied within the group. • Facilitating and promoting communication of risk-related matters between the board and executive management of the group. • Ensuring that the group and bank establish and maintain the Internal Capital Adequacy Assessment Process (ICAAP), whereby: ○ policies and procedures exist to ensure that the bank and controlling company identify, measure, and report all material risks; and ○ a comprehensive process is in place that: 1 relates capital to risks; 2 approves actual year-end risk-weighted assets in line with the recommendation or approval of the responsible risk committees and notes the forecast RWA; 3 sets capital adequacy goals with respect to risk, considering the bank's strategic focus and business plans; 4 ensures that the group's insurance entities establish and maintain an own-risk-based and solvency assessment , as contained in the Prudential Standards promulgated under the Insurance Act, 18 of 2017; 5 ensures that the bank maintains the Internal Liquidity Adequacy Assessment Process (ILAAP); 6 monitors the adequacy of the asset and liability management and capital management processes in the group; 7 ensures that the group effectively manages and understands the nature and level of banking and trading book market risks; 8 reviews and recommends group-level risk appetite, limits, and authority levels to the board; and 9 ensures that the bank establishes and maintains a recovery plan in support of resolution planning. • Conducting monitoring to ensure that adequate and reliable risk management information is furnished, which enables the committee to: ○ ensure that a strong risk culture is maintained in the bank and that the risk management function is independent; ○ understand all the risks as listed in the risk universe, including compliance with risk appetite, limits and authority levels, and the strategy to deal with abnormal events or issues; ○ effectively manage risk in the group to formulate an opinion on it and to adequately understand the issues involved; ○ review and make recommendations to the board and other committees on all risk-related matters; ○ review the adequacy of the regulatory reporting process and consider the content of any related regulatory reports and adequacy of management actions to resolve issues identified; ○ consider corrective steps taken by management to address risk issues and the implementation of risk management enhancements; ○ review the relevant items in the group's Key Issues Control Log and ensure that effective and timely action is taken by management; and ○ coordinate the monitoring of groupwide risk management.	• Other (than credit) concentration risks.
Group Information Technology Committee (GITCO)	• Ensuring alignment, prioritisation and quantum of IT development spend. • Aligning overall group strategic direction and reporting to the board. • Overseeing the ongoing maintenance of adequate IT systems. • Monitoring, reviewing and proactively managing the maturity and development of digital talent across the group. • Monitoring the implementation of the board's approved IT strategy and achievement of key IT objectives. • Reviewing and performing monitoring to ensure that appropriate frameworks, procedures, structures, and governance are in place for the consolidation, monitoring, management, and reporting of groupwide IT risks and exposures. • Reviewing and approving strategic IT programmes and projects. • Reviewing strategic IT programmes, projects, and programme elements that may have deviated from their approved cost, scope, anticipated benefits and agreed timing.	• Information technology risk.

Board committees	Responsibilities	Allocated key risks
Directors' Affairs Committee (DAC)	• Monitoring progress of the implementation and achievement of the board's corporate governance objectives, such as the principles and practices articulated in King IV, as well as determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group. • Assessing the conduct and competence of directors and board committees regularly and helping the board in determining whether the services of any director should be terminated. • Assisting the board in ensuring that the group always complies with all applicable laws, regulations, codes of conduct and practices. • Making recommendations on the appointment of new directors and board composition in general, including on the diversity of the board. • Managing the succession plans for the positions of Chairperson of the board, Lead Independent Director, the Chief Executive, and executive directors. • Ensuring that the group maintains an independent and effective compliance function as part of its risk management framework and compliance management framework. • Overseeing the activities of the Group Reputational Risk Committee. • Overseeing the adoption of best practice in compliance risk management to ensure that compliance risk is properly identified, evaluated or measured, managed, and monitored on an ongoing basis.	• Business (including country) and strategic execution risks. • Governance risk. • Compliance risk. • Reputational risk.

Group Remuneration Committee (Remco)	• Overseeing the remuneration system's design and operation.
	• Ensuring that performance measures included in the remuneration incentives are based principally on the achievement of the board-approved objectives of the group.
	• Ensuring that the group's remuneration policy, processes and procedures comply with:
	  ○ the relevant requirements of regulations;
	  ○ any further requirements set by the Prudential Authority; and
	  ○ any corporate governance principles to which the group subscribes.
	• Recommending to the board for approval all elements of remuneration on an individual basis for the Chief Executive, executive directors, prescribed officers, and other members of the Group Executive Committee (Group Exco).
	• Appointing an independent committee to consider and make a recommendation on the Chairperson's and non-executive directors' fees to the Nedbank Group Board for approval by shareholders at the annual general meeting.
	• Reviewing and evaluating practices through which remuneration for potential future revenues, in respect of which the timing and likelihood of realisation remain uncertain, is paid.
	• Ensuring that the group remunerates employees in a manner that is fair, responsible, and transparent.
	• Working closely with the GRCMC in the evaluation of the remuneration system and whether the group's remuneration practices have stayed within the risk appetite of the group.
	• Ensuring that the remuneration of employees in the risk, compliance, internal audit, and finance functions is determined independently of relevant business areas and is appropriate for attracting qualified and experienced employees.
		• People risk.

Group Transformation, Social and Ethics Committee (GTSEC)	• Monitoring the matters set out in Regulation 43(5) of the Companies Act, 71 of 2008, as well as overseeing and advising on the role of the bank in its pursuit to fulfil its purpose 'to use our financial expertise to do good for individuals, families, businesses and society', including sustainable development finance opportunities as guided by the Nedbank Sustainable Development Framework. • Taking responsibility for the group's activities in the field of transformation through monitoring progress in terms of the transformation agenda for the group, human capital development, enhancing the culture of ethics and ethical leadership in the group (including ethical remuneration), human rights in business, stakeholder engagement according to King IV, sustainable development (including the management of non-financial issues), and climate resilience as listed and defined in the group's ERMF and Corporate Social Investment Policy. • Recognising that the attraction, retention, and growth of talent; the building of an organisational culture that supports the group's business strategy; and the development of the skills that are aligned with business requirements are key focus areas for the organisation.	• Transformation, social, ethics and environmental risks. • People risk.

Coordinated assurance

Coordinated assurance (CA) incorporates, integrates, and optimises the risk, audit and compliance functions and assurance activities. This enables an effective ICE across the group, with assurance focused on critical risk exposures, supporting the integrity of information used in internal decision-making (to governance forums) and reporting to external stakeholders.

The CA Forum is where CA plans are shared, discussed, and challenged, and it provides a platform for enhanced assurance planning, information exchange and collaboration, ensuring an optimal level of governance and oversight of the organisation's risk and ICE.

During these times of uncertainty and volatility, CA remains an important tool to help coordinate, align, and integrate assurance activities as well as ensure adequate independent assurance coverage of the expansive risk universe.

A CA plan for 2024 was developed, challenged during Q4 2023 and finalised in January 2024. The group maintains a strong system of internal control by performing a regular assessment of the CA plan to ensure that the evolving risk environment is considered.

Coordinated-assurance overview

CA initiatives

1. Enhanced information and reporting
2. Enhanced reliance and coordination
3. Automation of monitoring
4. Streamlining of CA thematics

Key CA themes for 2024

Existing themes (retained)

- Credit risk
- Cyberresilience
- People risk
- Emerging technologies (IT), digital transformation
- Data risks
- Climate risk
- Anti-money-laundering

New themes

- Digital banking and internal fraud
- Organisational resilience including third-party management

NEW EMERGED AND EMERGING RISKS

In addition to the major traditional risks associated with banking such as credit, market, operational, liquidity and capital risks, various new emerged and emerging risks have arisen and continue to grow in importance. Emerged and emerging risks are 2 distinct but interrelated types of risks that affect an organisation. Some risks may evolve from one category to another over time. Emerging risks are those that are not yet fully understood or quantified but have the potential to cause significant negative consequences or disruptions in the future. These are characterised by high uncertainty and complexity. Emerged risks are those that have already materialised but their impact has not yet significantly materialised.

These risks include, but are not limited to, environmental, social and governance risks, with a strong focus on climate risk, organisational resilience and new digital risks [including crypto assets and generative artificial intelligence (GenAI)].

At Nedbank, we remain vigilant when it comes to new emerged and emerging risks and their potential impacts, and we constantly scan the global and local environments for root causes that could negatively impact value creation. We adopt an agile and holistic approach in identifying, assessing and managing these risks to enhance our resilience and to take up any opportunities that these risks may present.

MANAGING RISK STRATEGICALLY

The operating environment is expected to remain volatile and difficult, where risks are elevated and multiple crises could occur at the same time or in quick succession, creating a complex and interconnected set of challenges for governments, organisations, and societies.

Despite unfavourable conditions, Nedbank has consistently demonstrated world-class risk management practices over many years. While the risk landscape is not just about minimising the 'downside risk' – it is as much about, if not more, optimising 'upside risk' and the opportunities that arise. As such, we continue to strike a balance between managing risk and supporting stakeholders in a difficult operating environment, while also unlocking opportunities. By responsibly allocating our resources to opportunities that offer sustainable, risk-adjusted growth and returns, we aim to create and protect value.

Banking is all about the management of risk

The business of banking and financial services is fundamentally about the management of risk, and we always strive to be world-class, with a strong risk culture, sound governance and a robust enterprisewide risk management framework in place.

Our extensive risk landscape can be designated into 5 risk categories:

- Traditional major risks, such as credit, liquidity, and capital risk.
- New emerged or emerging risks, such as ESG.
- Emerging technologies, digital transformation, and data risks, such a generative AI.
- Strategic-execution risk.
- Risk innovation and transformation.

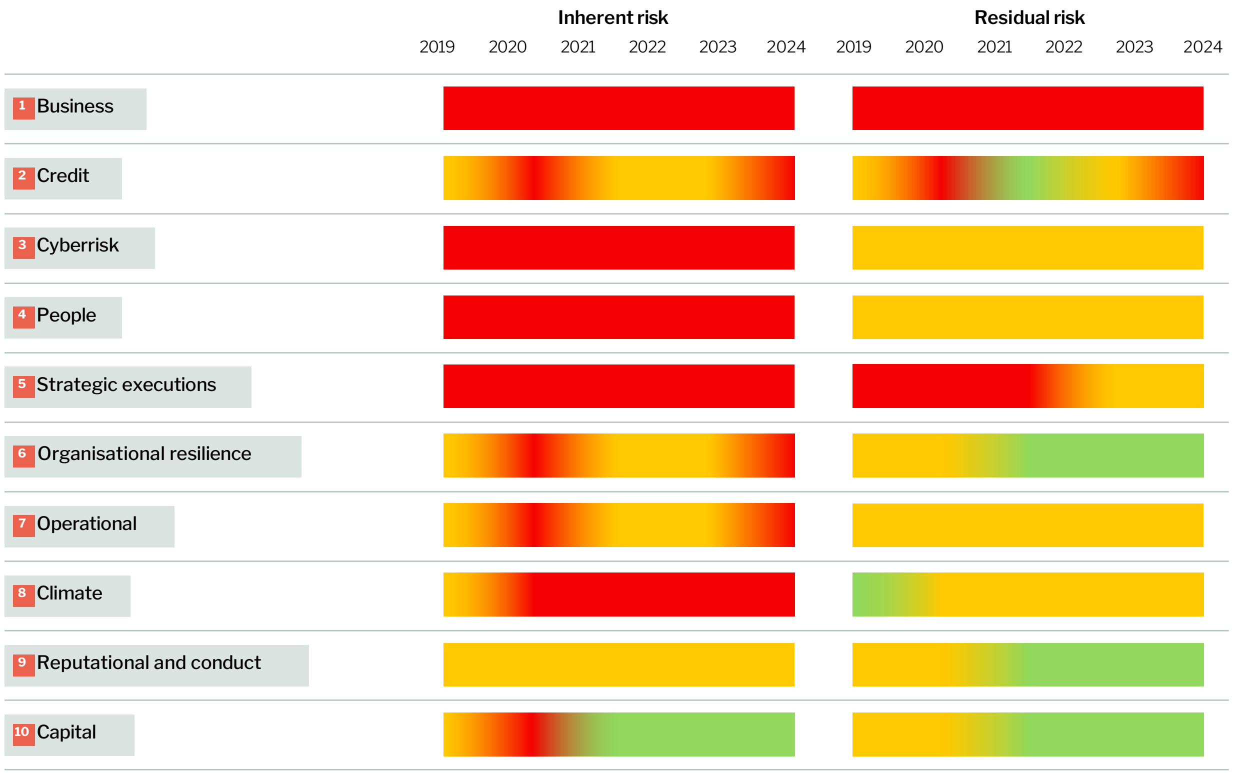
New emerged or emerging risks

In addition to the major traditional risks that are associated with banking various new emerged and emerging risks have and continue to grow in importance and evolve. These include those whose impacts have not yet significantly materialised such as ESG, with a strong focus on climate, and new digital risks relating to crypto assets and generative AI. We remain vigilant of their potential impacts, and we constantly scan global and local environments for root causes which could potentially impact value creation.

Inherent vs residual risk

The overall status, outcomes and effectiveness of our risk management have remained favourable and duly stress tested by the various ongoing crises and shock events. To illustrate this, we look at our risks from an inherent and residual perspective. Inherent risk is the 'gross risk' and a gauge of the temperature before we take any actions.

It considers the external environment and internal risk factors, and it allows subjective judgement. Residual risk is the 'net risk' and outcomes remaining once risk management activities (mitigation and controls) have been implemented. Our residual risk outcomes at the end of 2023, as seen in the figure below, were favourable even though our external business environment was volatile and difficult.



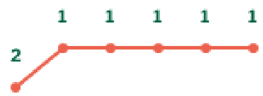
Top 10 risks for 2024

Six-year trend graph (2019-2024)

Not in top 10 risks

The top 10 risks identified for 2024 remain the primary risks informing our risk management priorities.

1 Business



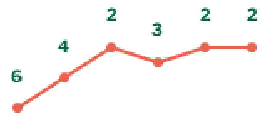
Awareness of emerging risk factors in both local and global markets can impact how business is conducted, while political instability can additionally cause heightened levels of uncertainty with deep social and economic impacts.

Continuous power outages (Eskom, the state-owned monopoly), logistical challenges in port and rail (Transnet) high interest rates, low GDP growth and sticky levels of inflation in SA are impacting our clients.

Our response

- Updated our risk appetite framework to ensure it remains fit for purpose in the operating environment.
- Embedded our business recovery and continuity plans.
- Updated South African country risk scenarios in our business plans and stress-testing scenarios.
- Identified opportunities in infrastructure and renewable energy finance and planned for an improvement in key macroeconomic outcomes such as lower interest rates.

2 Credit



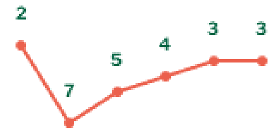
Credit risk management remains a core competency of any bank.

The impacts of steep interest rate increases, and high levels of inflation added pressure on consumers' finances, and along with the resolution of problematic loans in CIB, the group's CLR increased to 109 bps, above the group's through-the-cycle (TTC) risk appetite target range of 60–100 bps.

Our response

- Focused management interventions, including improved collection and loan origination processes, which resulted in the improvement of RBB's CLRs in H2 2023.
- Resolved material risks relating to CIB's clients in business rescue.
- Enhanced oversight, monitoring and reporting on the credit life cycle with the group's CLR forecast in 2024 to return to the top half of our TTC target range.

3 Cyberrisk



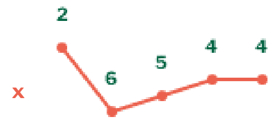
Cyberrisk requires ongoing focus considering its relevance to our digital strategy and the increase in the threat landscape enabled by a difficult macroeconomic environment.

Our cyberrisk management remains mature, and we continue our cyberresilience journey.

Our response

- Maintained our #1 BitSight rating among South African banks and a top Cyber Resilience Benchmark average maturity score.
- Continued to monitor the evolution of 3rd-party risk management and data loss prevention trends.
- Monitored key cyberrisk metrics and continued to invest in skills, systems, training, and awareness.

4 People



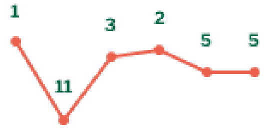
People risk remains elevated and exacerbated by external socioeconomic challenges, resource constraints and competition for in-demand scarce skills, as well as internal operating model changes.

The world of work impacts our overall employee risk profile, considering the impact of evolving skills requirements, skills shortages, emigration, new ways of work, and diversity, equity, and inclusion (DEI).

Our response

- Reviewed succession plans and continued developing our people to ensure they are future fit.
- Embedded DEI in our operating environments.
- Ensured fair and non-discriminatory practices and enabled our people to look after their wellness.

5 Strategic execution



Successfully and safely navigating organisational change requires the ongoing delivery risk, associated with ensuring that the strategic objectives are pursued in a sustainable manner that preserves or enhances organisational value.

The risk management focus on the emerging and expanding impacts of the amount of organisational change across the group has been broadened to allow Nedbank to respond fully and appropriately to changes. Focusing on achievement of ESG/sustainable development finance goals and the realisation of climate-related opportunities.

Our response

- Reviewed our plan to complete Managed Evolution in 2024, which will enable us to commercialise and build on our strategic technology foundations that deliver market-leading client experiences and unlock revenue opportunities through flexible and resilient client solutions.
- Monitored strategic portfolio tilt, and operating model progress against targets.

6 Organisational resilience

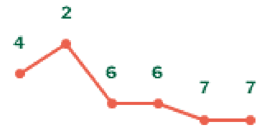
Organisational resilience is the ability to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions to enable it to deliver its objectives, survive and prosper. These may include water crises, load-shedding, electricity blackouts or social unrest.

We view organisational resilience as a coordinated and integrated approach to increase our adaptive capability and ability to manage change.

Our response

- Facilitated the enhancement and embedment of operational resilience components.
- Conducted ongoing blackout scenario impacts and alignment with the industry.
- Managed emerging risks.
- Applied sound strategic plans to increase our ability to adapt and respond to change.

7 Operational



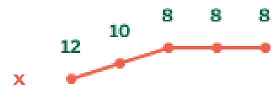
Necessary actions are being driven by various committees across the group to manage the operational risk impact on people, processes, technology, and external events.

The optimal synergy of people, process, and technology results in a resilient, high-performing Nedbank with increased productivity, improved quality, enhanced collaboration, greater agility, better decision-making, and increased satisfaction among both employees and clients.

Our response

- Built a strong risk culture across the group and monitored risk appetite at respective governance processes.
- Monitored and provided assurance of the payments landscape and payments risks.
- Ensured effective management and prompt resolution of audit issues.

8 Climate



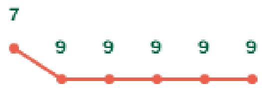
Climate risk continues to be top of mind for the board and Group Exco, as well for countries and businesses.

As a purpose-led business we are acutely aware of our central role, alongside other financial industry companies and governments, in driving sustainable socioeconomic development for the benefit of all stakeholders.

Our response

- Facilitated the integration of climate-related risk management into traditional risks, which included embedment of our Climate Risk Management Framework across the group.
- Enhanced the reporting of climate risk to align with new disclosure requirements.
- Conducted climate-related stress testing and scenario driving sustainable analysis.
- Used our expertise to develop and offer innovative client solutions and facilitate the transition to net zero.

9 Reputational and conduct



Nedbank's reputational risk is informed by public perception.

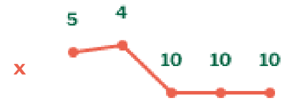
We have a zero tolerance for corruption, and we expect all our stakeholders, including our clients, service providers and employees, to conduct themselves ethically and with integrity.

The conduct risk control environment remained stable with ongoing oversight on open issues and no material concerns relating to the internal control environments.

Our response

- Managed our reputational risk through our proactive Reputational Risk Management Strategy and strong governance.
- Benchmarked to international trends and developments for conduct risk management.
- Analysed and monitored the potential impacts of the unprecedented level of change on conduct and culture.

10 Capital



We have a fortress balance sheet in place, supported by strong capital and liquidity ratios.

Resilience has become a defining characteristic of sustainability and success for banks locally and globally.

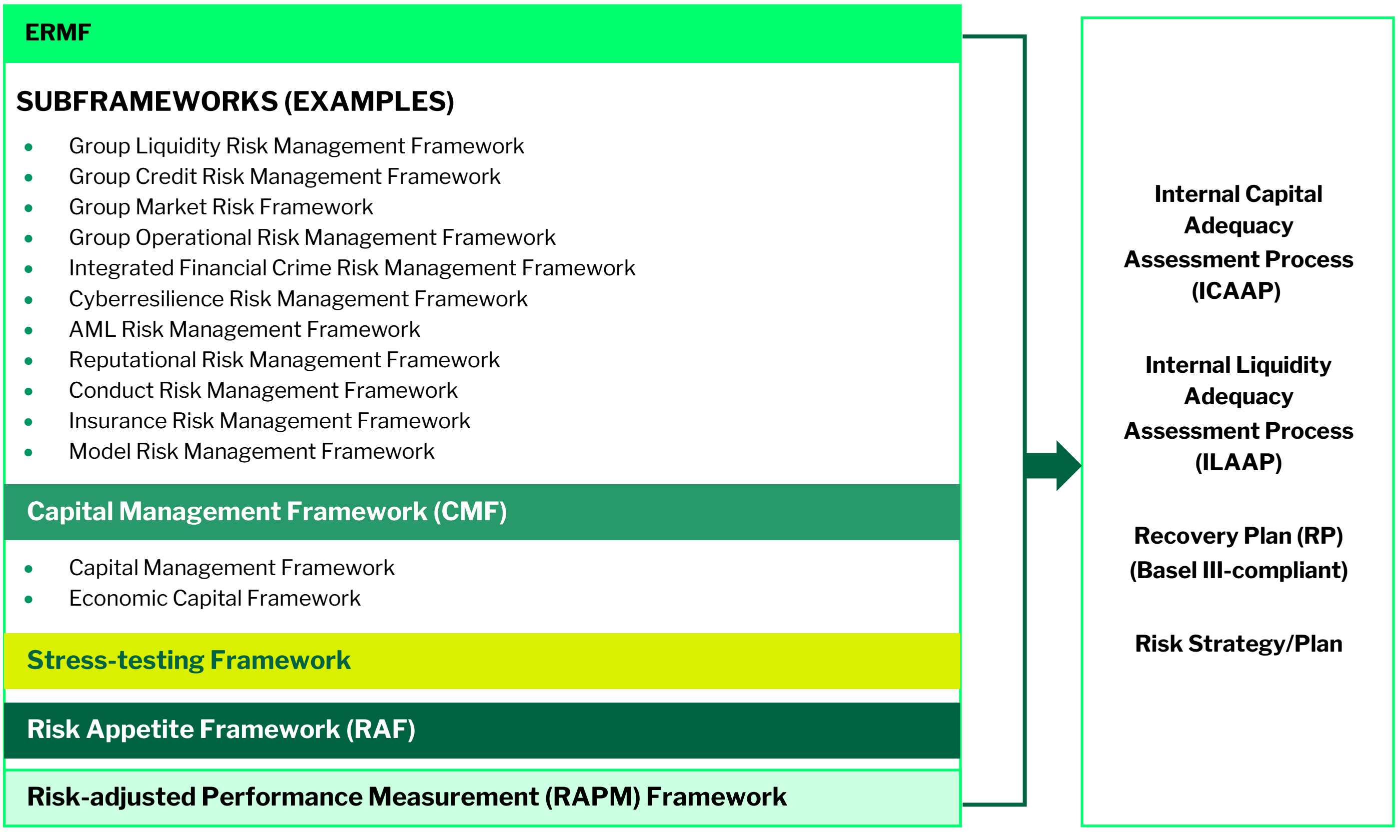
Our response

- Reviewed the group's dividend cover and payout ratio.
- Focused on risk-weighted assets (RWA) optimisation and forecasting quality.
- Refined our capital plan and the execution thereof.
- Leveraged our strong balance sheet position to pursue growth opportunities.

Approach to risk and balance sheet management

The group has a sound risk culture and an appropriate and enabling risk appetite. Nedbank's comprehensive Risk Appetite Framework is an integral component of the group's ERMF and is embedded in the group's strategy and business plans. The ERMF provides guidance in terms of risk management principles, processes, governance and accountabilities. In addition, the ERMF enables the group to define risk appetite and manage risks, relating these to capital requirements to ensure capital adequacy and sustainability. The ERMF promotes sound business behaviour by linking capital adequacy and sustainability with performance measurement and remuneration practices. To enable business to continue creating and protecting value in this challenging macro environment, our strategy continues to focus on digital, with an emphasis on employee and client experience. Our risk management plans align through focus on both traditional and new emerging and emerged risks. Our 3-year strategic planning cycle provides us with the opportunity to realign ourselves to take advantage of opportunities in this complex macro environment. Our balance sheet continues to be strong and our risk management practices are sound as evidenced by a stable and satisfactory ICE assessment.

Nedbank Group's risk and balance sheet management frameworks



Integrated risk and capital management culture

Enterprisewide risk management

Nedbank's ERMF provides a solid and well-established, tried and tested framework for governance and the management of risk and compliance throughout the group. In addition to providing a foundation, the ERMF demonstrates a simple, yet effective, system covering all lines of defence to ensure that governance, risk and compliance matters are properly dealt with at all levels and that significant matters are timeously and effectively escalated to the appropriate levels of authority.

Balance Sheet Management

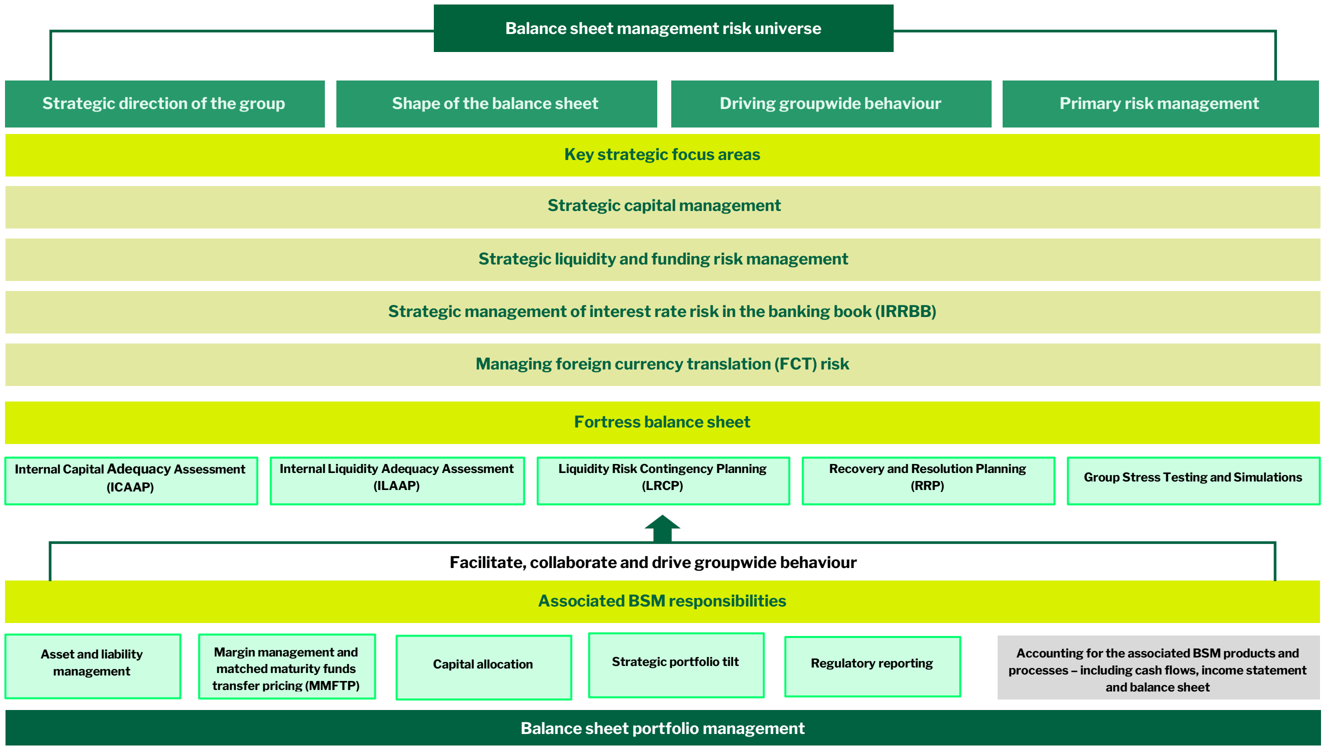
The BSM Division strives to make a tangible difference and contribution to the overall strategy and financial performance of the group, while maintaining a strong balance sheet position aligned with board risk appetite, regulatory, rating agency, investor, analyst and other key stakeholder requirements.

BSM seeks to achieve this directly through the management of its 3 distinct enterprisewide risk types, being liquidity risk, capital risk and interest rate risk in the banking book, and indirectly through collaboration and partnering with client-facing clusters to ensure that they remain competitively positioned to sustainably compete and grow market share across key loans and advances and transactional and non-transactional deposits, all in support of growing the overall transactional banking franchise.

BSM is focused on managing and optimising risk on an integrated basis through the proactive management of all material balance sheet components, including having the primary responsibility for key risk-adjusted performance measurement processes, which are collectively aimed at supporting the group in attaining strategic portfolio tilt and an optimal balance sheet shape and mix, and which are designed to maximise shareholder value-add, within an acceptable risk appetite, while contributing to net interest margin, headline earnings, ROE and economic profit (EP).

BSM is also responsible for the strategic leadership and coordination of Nedbank's ICAAP, ILAAP, and Recovery and Resolution Plans, supported by its group stress-testing responsibilities, while championing and positioning for the impacts of Basel III final reforms across the organisation, and ultimately into Group ALCO at an executive management level, and the GRCMC at a board level.

BSM's core functions and responsibilities



Champion maintenance of Nedbank Group Limited and Nedbank Limited's fortress balance sheet.

Champion strategic portfolio tilt, incorporating economic profit pools, step change in deposits mix and leveraging the balance sheet.

Champion an optimal balance sheet structure and mix.

Continue to enhance a groupwide effective balance sheet versus income statement outcomes.

RISK APPETITE

Risk appetite is an articulation and allocation of the risk tolerance or quantum of risk the group is prepared to accept in pursuit of its strategy. Risk appetite is integrated into the group's strategic and business planning process and is approved by the board and monitored by varying levels of senior management, with ongoing oversight and coordination by Group Risk. Risk appetite is guided by the group's Risk Appetite Framework (RAF), which sets the principles for decision-making and risk-taking that are aligned with our strategic focus areas.

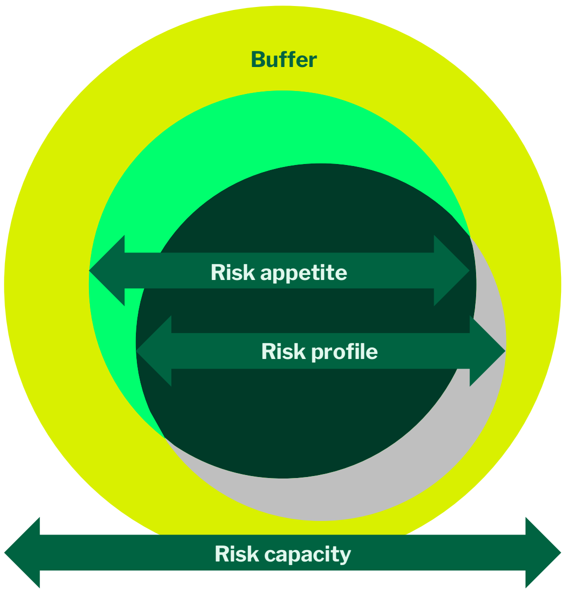
The RAF establishes the overall approach through which the group practises commercial and controlled risk-taking throughout the group. It outlines and guides the process of developing risk appetite statements (RASs), including cascading, governance, monitoring, and reporting of RASs across the group. The RAF continues to support the group, ensuring that the risk profile is known and assessed against established risk appetite targets and limits.

The following definitions are adopted and used across the group:

- Risk capacity is the maximum level of risk that the group can assume, given its current level of resources, before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (eg technical infrastructure, risk management capabilities and expertise) and obligations, including from a conduct perspective, to depositors, policyholders, shareholders, investors, as well as other clients and stakeholders.
- Risk appetite is the aggregate level and type of risk the group is prepared to assume within its risk capacity to achieve its strategic objectives and business plan, expressed quantitatively as risk measures and qualitatively in terms of policies, controls and management actions.
- Risk profile is the point-in-time assessment of the group's gross and as appropriate, net risk exposures (after mitigants have been considered) as aggregated within and across each relevant risk category based on forward-looking assumptions.

The graphic below depicts the group's schematic view of the relationship between risk capacity, risk appetite, and the assessed risk profile. There is a buffer between risk capacity and risk appetite to allow for management actions where there is a change in risk profile. The grey area (portion of the risk profile that is beyond or outside the risk appetite) represents a point-in-time/through-the-cycle (TTC) breach in risk appetite.

Relationship between risk capacity, risk appetite and assessed risk profile



Nedbank Group's risk appetite outcomes for 2023 were characterised by the ongoing impact of unprecedented level of change; heightened business (including country) risks; and increased focus on credit risk, cyberrisks, reputational risk and environmental, social and governance (ESG) risks. On the back of a challenging operating environment in 2023, the group's credit loss ratio (CLR) was marginally above the TTC target range, albeit on an improving trend from H1 2023. CLR is expected to return to within the top half of the TTC target range in 2024. Cyberrisk management remains a key focus area, with inherent cyberexposure increasing due to the global surge in digital activity, technological innovation and the geopolitical environment. Cyberresilience, which is the ability to respond effectively to cyberincidents, was demonstrated successfully in 2023.

Key risk appetite achievements in 2023 include the following:

- Both financial and non-financial RASs were operating within targets or limits. In all material aspects, this was a favourable outcome considering a tougher operating environment in 2023.
- CLR improved at FY 2023 when compared with H1 2023 due to key management focus on the management of credit risk across the group. This will remain a key focus area to ensure CLR returns within the board approved TTC target range.
- The RAF is continuously being reviewed and enhanced, to ensure the adequacy of risk appetite to support the group's strategic initiatives.
- Enhancements were made to the conduct and cyber-RASs.
- Despite a global resurgence in ransomware and extortion losses in 2023, the group was able to navigate FY 2023 without any major successful breach in its cyberdefences and thus remain within board approved risk appetite target for all material cyberrisk metrics.

- The group continued to develop and embed its ESG RASs, which were first introduced in 2023.
- The group demonstrated its commitment to addressing climate change through its operations, investments, and lending practices. The group introduced climate RASs in 2020 and has been monitoring them continuously since then. In 2023, the group remained within the approved risk appetite thresholds for climate risk.
- In 2023 the group continued to assess the impact of changes in the business environment risk appetite, to ensure that the risk appetite remains appropriate and relevant.

Governance

The group has cultivated a strong risk culture and embedded a prudent and appropriate risk appetite focused on core activities of banking and associated financial services. The risk appetite is enabling for our businesses, promoting competitive but appropriate growth and returns. The group also expresses risk appetite qualitatively in terms of policies, processes, procedures, statements and controls meant to manage risks that may or may not be quantifiable.

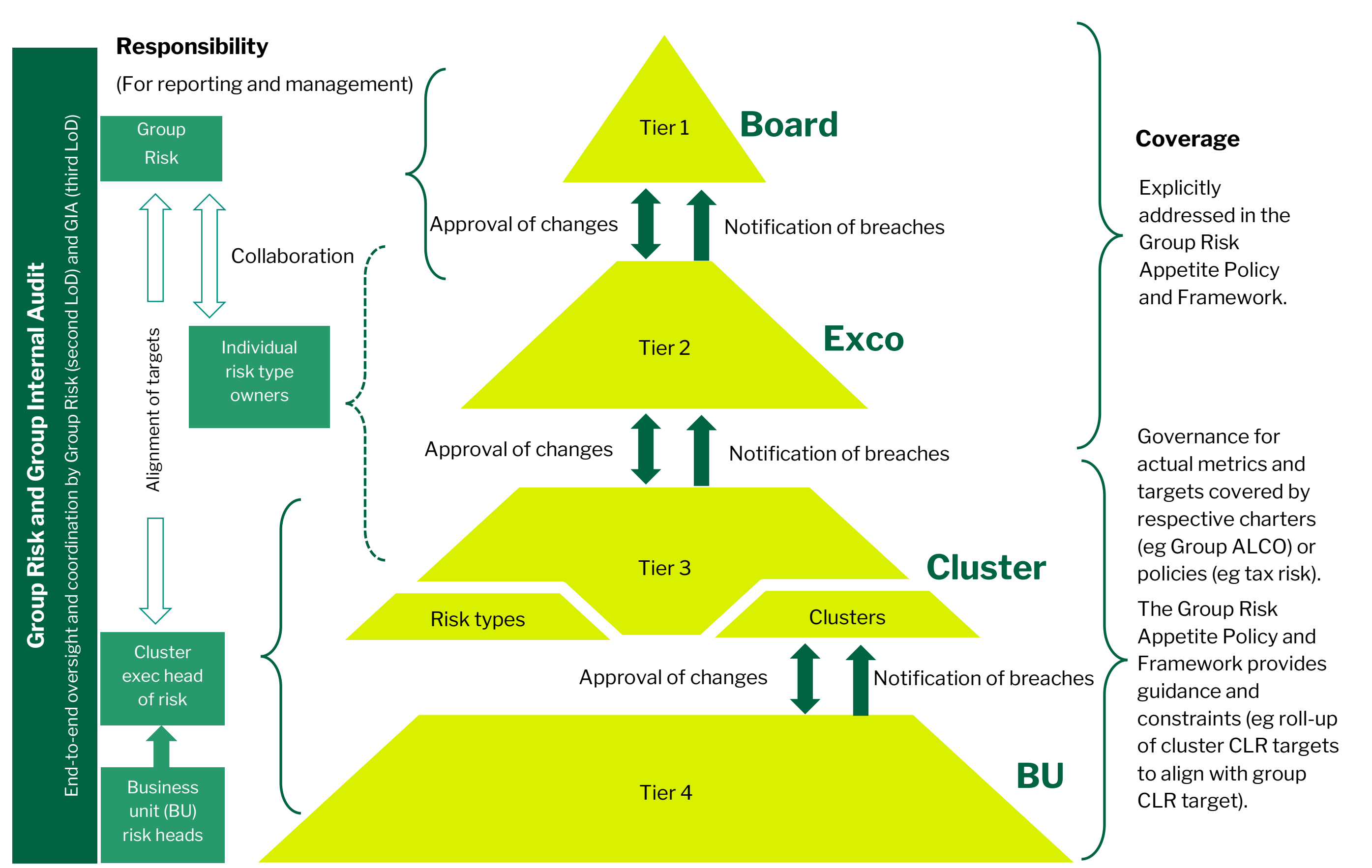
Policies, processes, and procedures relating to governance, effective risk management and adequate capital and internal controls have board and senior management oversight and are governed by the group's Three-lines-of-defence (3LoD) Model. The board has ultimate responsibility for the group’s business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, as well as risk management, including risk appetite.

The group's risk appetite governance is segmented into a tiered structure according to ownership and oversight:

- The tiered approach sets an appropriate core Risk Appetite Statement (RAS) to be approved and reviewed by the board, while allocating oversight of other key RASs to the varying levels of senior management in the group.
- The balance of the RASs are monitored, managed and approved at senior management level.
- The tiered approach enables the board and senior management to discharge their responsibilities and facilitates effective decision-making and appropriate governance by focusing on key and material risk items.

The tiered approach enables appropriate governance and escalation of risk appetite breaches to the tier above for management action, where required (eg a breach in risk appetite at tier 2 level will be reported at both tier 1 and tier 2 levels).

Nedbank’s tiered approach to risk appetite



Risk Appetite Statement

The RAS is defined as the articulation in written form of the aggregate level and types of risk that the group is willing to assume, or to avoid, in order to achieve its business objectives. It includes qualitative statements and quantitative measures expressed relative to earnings, capital, risk measures, liquidity, and other appropriate measures. The RAS is developed in collaboration with senior management and approved by the board, ensuring that it remains consistent with, among others, the group's strategy, risk capacity as well as the remuneration strategy.

The group's overarching RAS provides guiding principles for decision-making and risk-taking that are aligned with the key strategic focus areas, providing autonomy within agreed boundaries. The risk appetite, risk profile and risk exposures are reported regularly to the board and senior management through various governance committees and reviewed annually as part of the 3-year group business plan.

In addition to the core risk appetite metrics, a large variety of risk appetite metrics are managed within the board-approved risk appetite targets. The full suite of risk appetite metrics and qualitative statements are defined at each level of tiered governance for different risk types and monitored regularly by relevant oversight risk committees and the board, if appropriate.

All (tier 1) core risk appetite metrics are being tracked within the board-approved risk appetite targets at 31 December 2023 with the exception of the CLR and one cyberrisk metric out of 23 cyberrisk metrics – management actions are in place to manage the risk accordingly.

The group continues to monitor its risk appetite in this current operating environment to ensure it remains appropriate and enabling for the achievement of the group's strategic objectives. The group will continue to invest in maturing the current risk management processes, including the risk appetite programme, for all key emerging risks.

Nedbank Group core financial risk appetite metrics

Group core metrics	Nedbank Group core financial risk appetite metrics	Group target/limit	Within risk appetite at 31 December 2023
Credit risk			
CLR	Level of actual credit losses in Nedbank Group's credit portfolios.	60–100 bps	✘
Capital and earnings risk			
Earnings at risk (EaR)	Percentage pretax earnings potentially lost over a one-year period.	< 80%	✔
Chance of a loss (1 in x chance in the next year) (years)	Event in which Nedbank Group experiences an annual loss.	>15	✔
Economic capital adequacy	Nedbank Group adequately capitalised on an economic basis to its current international foreign currency target debt rating.	> 130%	✔
Common-equity tier 1 (CET1) ratio	Nedbank Group adequately capitalised from a regulatory perspective.	11–12%	✔
Total risk-weighted assets (RWA) to total assets	The average risk profile (risk weight) of Nedbank Group's assets.	50–59%	✔
Basel III leverage ratio	The extent to which Nedbank Group is leveraged in terms of assets, including off-balance-sheet assets, per unit of qualifying tier 1 regulatory capital.	Less than 20 times	✔
Liquidity risk			
Liquidity coverage ratio (LCR)	The extent to which high-quality liquid assets (HQLA) cover total net cash outflows (NCOF) over a 30-day period.	> 102%	✔
Net stable funding ratio (NSFR)	Assessment of whether there is sufficient stable funding (equity, deposits, long-term wholesale) for the bank's lending profile (higher requirements for long-term assets).	> 102%	✔
Liquidity stress event — regulatory	Survival period in a stressed liquidity event based on regulatory assumptions.	> 30 days	✔
Tax risk			
Effective accounting tax rate[1]	Tax that the group incurs and must pay to revenue services.	21–25%	✔
Interest rate risk			
Net-interest-income (NII) sensitivity	Sensitivity of Nedbank Group's net interest income due to changes in market interest rates.	< 2,25%	✔
Behavioural Supervisory outlier test (%) (Bank Solo)	Maximum EVE loss as a % of total qualifying Tier 1 Capital based on the six prescribed Basel scenarios.	< 15%	✔
Market risk			
Trading value at risk (VaR)	Potential market value losses in the trading book over a 3-day period (only to be exceeded once every 100 days).	< R260m	✔
Stress trigger	Potential trading book loss during periods of extreme volatility.	< R2 500m	✔
Equity investment risk profile	Measures the group's investment exposure.	< 28 470m	✔
Insurance risk			
Capital at risk	Regulatory view of capital adequacy.	> 1,5	✔
Operational risk profile			
Gross operational risk losses to gross operating income (GOI)	Level of actual gross financial losses due to operational risk events (eg fraud) in relation to the GOI.	< 1,75%	✔
Net operational risk losses to GOI	Level of actual net financial losses due to operational risk events (eg fraud) in relation to the GOI.	< 0,60%	✔

[1] *The effective tax rate (ETR) was restated to 22,9% to align with IFRS, which excludes prior year adjustments and the associate income.*

Nedbank Group core non-financial risk appetite metrics

Risk type	Group core metrics	Within risk appetite at 31 December 2023
Cyberrisk appetite	No material breach of risk appetite. One out of 23 metrics is outside of approved target, however it was still within the risk appetite, which management actions are in place to manage the risk accordingly.	✔
Fraud, corruption and violent crime risk appetite	No material breach of risk appetite.	✔
Anti-money-laundering (AML), combating-the-financing-of-terrorism (CFT) and sanctions metrics	No material breach of risk appetite.	✔
Climate risk appetite	No material breach of risk appetite.	✔
Conduct risk appetite	No material breach of risk appetite.	✔
Reputational risk appetite	No material breach of risk appetite.	✔
IT risk appetite	No material breach of risk appetite.	✔

STRESS AND SCENARIO TESTING

Stress testing is a component that strongly supports Nedbank's aspiration to be 'world-class at managing risk', which is an evolving process, incorporating best-practice methodologies and standards.

Nedbank Group Stress Testing Framework

Nedbank Group's stress testing objectives have been defined as follows:

Main objectives of the Nedbank Group's Stress Testing Framework

Projections capability

Provide and maintain a robust, credible, and readily accessible projections capability, which is leveraged with confidence across the group to support enhanced:

- strategic business planning;
- risk appetite setting and monitoring;
- risk management practices;
- pricing, portfolio tilt decisions, risk-adjusted performance measurement (RAPM);
- capital planning; and
- liquidity and funding risk assessment and planning.

Projection processes

Embed streamlined projection processes that minimise the burden of execution and allow for enhanced focus on the analysis and use of the results.

Best practice

Align with best practice as informed by international regulatory expectations to ensure that Nedbank remains at the forefront of best-practice stress testing and world-class risk management.

Possible unexpected events

Assess the effect of possible unexpected events on Nedbank's base case projections (stress testing), including:

- balance sheet changes such as growth and portfolio mix;
- earnings growth, specifically top-line revenue growth (volumes, fees, margins) and impairments, which constitute the cost of risk;
- capital requirements, capital resources and adequacy of capital buffers for both regulatory and economic capital as part of the ICAAP; and
- liquidity requirements, liquidity resources and adequacy of liquidity buffers for board-approved risk appetite and the ILAAP.

Internal Capital Adequacy Assessment Process (ICAAP) decision on capital levels and buffers based on overall assessment, including probability of the scenario, strategic measures, etc.

Internal Liquidity Adequacy Assessment Process (ILAAP) decision on liquidity levels and buffers

Decision on risk appetite targets and measures

Decision on strategic business planning

Consideration of strategic management actions

Implementation of contingency plans

Decision on risk management practices

Implications for recovery and resolution planning

Key features of the framework are as follows:

- A holistic view of Nedbank Group Limited and Nedbank Limited is considered.
- The Pillar 2 top-down stress testing model, Macroeconomic Factor Model (MEFM), allows for quick turnaround times, what-if analysis, and analysis of the impact of management actions.
- Event-type or risk-type stress tests are further designed to probe for portfolio-specific weaknesses, incorporating all risk factors affecting a specific portfolio, including obligor-specific, industry and macroeconomic factors.
- Senior management has active knowledge of, and where appropriate, involvement in the design of stress testing scenarios and in drawing up contingency plans for remedial action. This participation helps to ensure that any remedial actions based on contingency plans drawn up in response to approved stress tests will be implemented.
- Market risk stress testing is performed daily and uses a full portfolio revaluation technique.
- Extensive liquidity stress testing is performed, at both a bank and industry level, to appropriately determine the bank's liquidity profile, including the sizing of the liquidity buffer portfolio in the most optimal manner for seasonal, cyclical and/or stress events.
- Pillar 1 stress testing is performed by each business unit (BU) and is approved by the respective BU credit committee (BUCC) or cluster credit committee (CCC).

As part of Nedbank's evolving stress testing process and in response to prevailing macroeconomic conditions, enhancements are occasionally made to the stress testing methodologies to stay abreast of these changes. These enhancements to Nedbank's modelling and risk management tools allow the bank to stay ahead and respond to a crisis appropriately. More specifically, they enable the bank to make informed strategic decisions in these unprecedented times through:

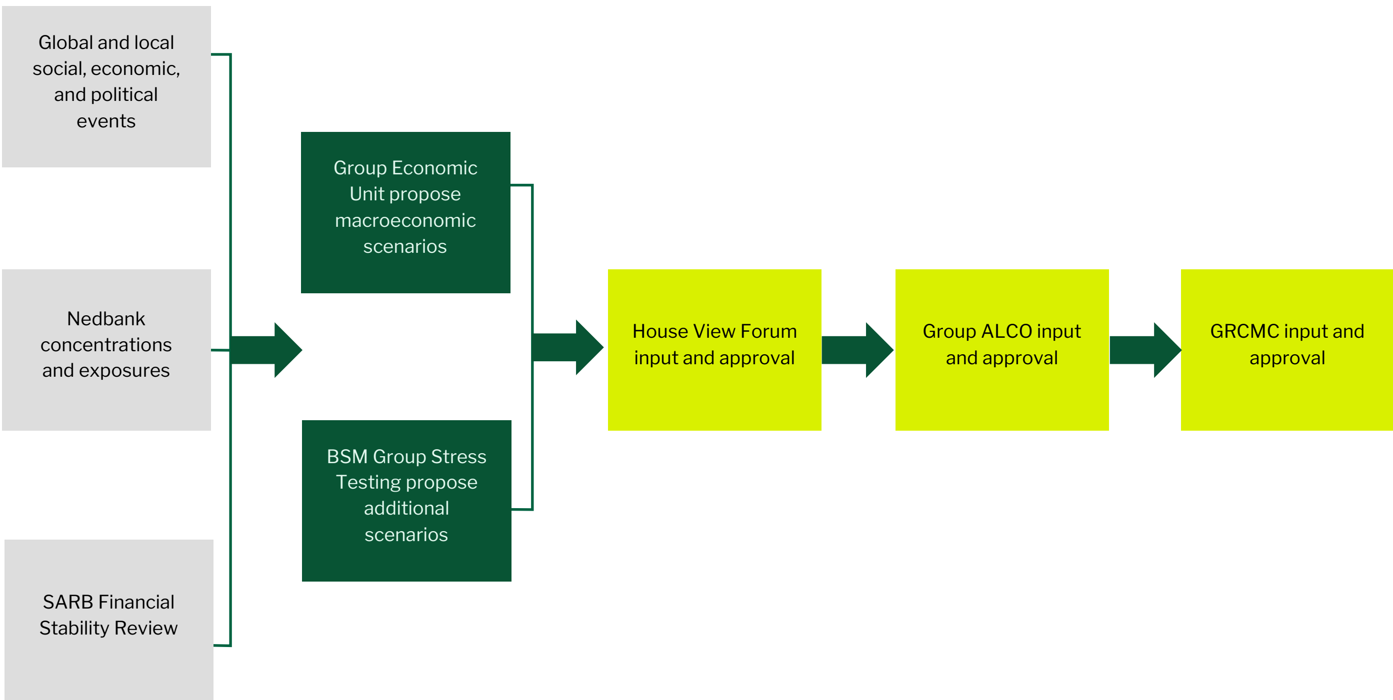
- delivering analysis and insights to enable well-informed decision-making;
- enabling us to update stress-testing models in a tightly controlled manner to ensure they are reflective of the new reality;
- enabling us to upgrade forecasting tools and management information to facilitate management response; and
- facilitating production of future information so that outcomes are as accurate as possible and without undue procyclicality.

Scenario generation process and governance

The overall Pillar 2 stress test results and effects on earnings, regulatory capital, economic capital, available capital resources and capital adequacy ratios (CARs) are reported regularly to the Group Asset and Liability Management and Executive Risk Committee (Group ALCO) and the board subcommittee Group Risk and Capital Management Committee (GRCMC) (at least every quarter). The forward-looking capability of the stress-testing model ensures that management action can be taken in advance, if necessary.

In addition to the quarterly stress testing process, a comprehensive set of relevant and plausible scenarios are also considered and presented during the annual Internal Capital Adequacy Assessment Process (ICAAP).

Scenario generation process and approval



The stressed macroeconomic scenarios, together with all such other scenarios considered relevant as part of the annual ICAAP update, are extensively discussed and debated by executive management at Nedbank's House View Forum (HVF) and Group ALCO, before being submitted to GRCMC for non-executive-management-level approval.

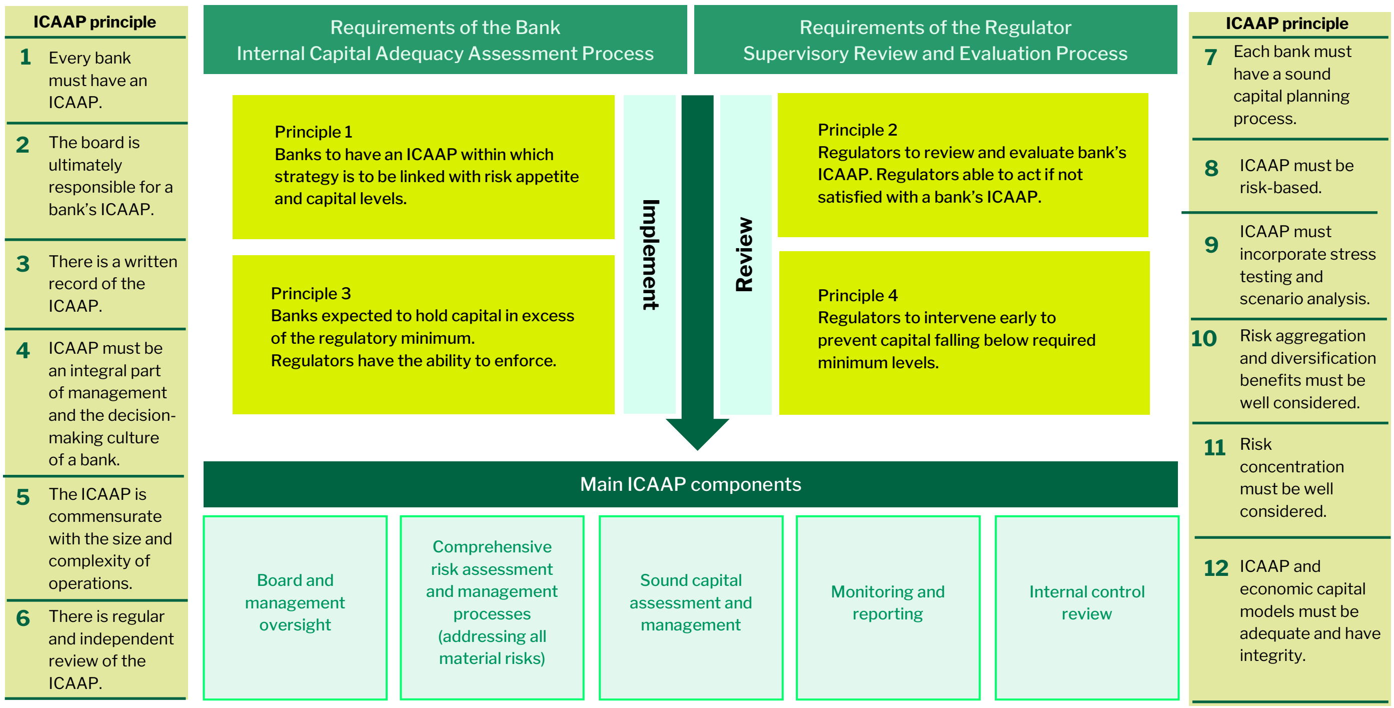
The following types of scenarios were considered for the 2023 ICAAP:

- Base or expected scenario.
- Stress scenarios covering a severe stagnation scenario and a severe stagflation scenario.
- Blackout scenario, encompassing a collapse of the national power grid.
- Reverse stress testing (a break-the-bank scenario).
- A specific-event-type scenario, such as a sudden operational-risk loss event in the form of a cyberattack.
- Reputational risk.
- Climate-related scenario analysis and the impact of the event on specific climate-sensitive portfolios.
- Regulatory stress scenarios, namely the 2023 South African Reserve Bank Common Scenario Stress Test scenarios.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS OVERVIEW

A summary of the 4 key principles contained in Pillar 2 of Basel III; Regulation 39 of the Regulations Relating to Banks issued in terms of the Banks Act, 94 of 1994 [including guidance provided by the South African Reserve Bank Prudential Authority (SARB PA) in Guidance Note 4/2015)]; the Internal Capital Adequacy Assessment Process (ICAAP) requirements of banks; and related Supervisory Review and Evaluation Process (SREP) requirements of the PA are depicted below.

Summary of the ICAAP and SREP requirements



The ICAAP is concerned primarily with Nedbank's comprehensive approach, measurement and management of risk and capital from an internal perspective – over and above the minimum regulatory rules and requirements of Basel III. To this end it is important to highlight that Nedbank Group has several levels of capital and other components, as depicted below, that must be measured and managed simultaneously.

Summary of the different capital levels that must be managed

MEASURES OF THE GROUP'S RISK PROFILE (Capital requirements)		ACTUAL BOOK CAPITAL (Capital resources)
Regulatory capital	**Economic capital**	**Available book capital (statutory)**
• It is the amount of capital required to protect the bank against **regulatory insolvency** over a 1-year period. • It is determined based on regulatory rules, ie the Basel Accord and the Banks Act, 94 of 1990. • It is designed mainly to protect depositors and creditors. • Pillar 1 is rules-based and sets the minimum capital requirement, which triggers action by the regulators as necessary under Pillar2. • Pillar 2 then creates the bank-specific, internal link to the ICAAP and regulator's Supervisory Review and Evaluation Process (SREP).	• Amount of capital required to protect the group against **economic insolvency** over a 1-year period. • Based on a desired level of confidence and target debt rating set internally (currently 99,93%). • A comprehensive internal capital assessment that aligns more closely with rating agency requirements. • Designed to provide a level of confidence regarding the bank's economic solvency to depositors, creditors, debtholders and shareholders. • Used as a basis for various purposes, such as risk-based capital allocation, risk-based pricing, client value management and the bank's ICAAP.	• Net asset value that is adjusted to be consistent with the 2 measures of required capital (regulatory and economic) for arriving at the available financial resources (AFRs) for economic capital and 'qualifying capital and reserves' for regulatory capital. • Book capital is evaluated against the regulatory capital and economic capital requirement to ensure solvency in each case. • Book capital is strongly influenced using accounting methods (accrual or book value, market or fair value) and the impact of International Financial Reporting Standards (IFRS) rules. • Book capital is the highest of the two other types of capital, as it incorporates the need for a predetermined capital buffer.
Minimum capital you are told to hold by regulators	**Internal capital assessment of total capital you need**	**Capital you actually have** Qualifying capital (regulatory capital) | Available financial resources (economic capital)

A separate ICAAP is required for each material banking legal entity and for the consolidated Nedbank Group. Size and materiality play a major role in the extent of each bank's ICAAP.

Nedbank Group's ICAAP is embedded within the group's Capital Management Framework (CMF), and its blueprint (see the diagram on the next page) sets out the ICAAP building blocks and overall process, and the various frameworks underpinning this. This process is repeated regularly, which facilitates the continuous assessment, management and monitoring of Nedbank Group's capital adequacy in relation to its risk profile.

Nedbank's ICAAP blueprint, incorporating the ILAAP blueprint

Quantitative risk and capital measurements and assessment

Pillar 1 risks
- Credit risk
- Market risk
- Operational risk
- Equity risk
- Counterparty credit risk (including CVA)
- Securitisation risks
- Other asset risks

Pillar 2 risks
- Concentration risks
- Interest rate risks
- Model risk
- Liquidity risks
- Business risks
- Insurance risks

External factors
- Stress tests and analysis
- Macroeconomic risks
- ICAAP AND ILAAP
- Risk appetite (tolerance)
- Capital planning (long run) and capital buffer management

Risk management frameworks
- Group Credit Risk Management Framework
- Stress-testing Framework
- Group Credit Portfolio Management
- Risk Appetite Framework
- Group Market Risk Framework
- Macroeconomic Factor Model (stress testing)
- Group Operational Risk Management Framework
- Capital Adequacy Projection Model
- ALM Framework
- Liquidity Risk Management Framework
- Economic Capital Framework
- Capital Management Framework
- Data Governance Framework
- Model Risk Management framework

Integration of risk and capital management into strategy, business plans and reward

Strategic capital planning

Group strategic planning process (3-year business plans)

Risk-based capital allocation and RAPM based on economic profit and headline earnings

Short-term incentive scheme

Risk-adjusted Performance Measurement Framework

Economic Capital Framework and ICAAP

Strategic Capital Plan

Group's strategy

Group's business plans

Group Risk Strategy

Governance, qualitative overlay and supporting infrastructure

Clearly defined roles and responsibilities for:

- Balance Sheet Management (BSM);
- Business clusters;
- Group Finance;
- Group Strategy;
- Investor Relations;
- Group Risk;
- Group Internal Audit;
- Group Asset and Liabilities Management and Executive Risk Committee (Group ALCO);
- Group Executive Committee (Group Exco);
- Group Risk and Capital Management Committee (GRCMC); and
- Board of directors.

Involving:

- identification of risk (risk governance and risk universe);
- control, management and monitoring of risk;
- setting and management of risk appetite;
- optimisation of risk and capital return;
- key involvement in business planning and strategy;
- risk reporting, communication and disclosure;
- risk management infrastructure; and
- championing of enterprisewide risk management.

Enterprisewide Risk Management Framework

Enterprisewide Governance and Compliance Framework

ICAAP and ILAAP reports

Nedbank Group's (including relevant branches and subsidiaries) Recovery Plan

The foundations of Nedbank Group's ICAAP, incorporating the Internal Liquidity Adequacy Assessment Process (ILAAP), CMF and Enterprisewide Risk Management Framework (ERMF), are strong and include rigorous governance structures and processes, as discussed earlier. The ERMF is actively maintained, updated and regularly reported on up to board level, and is coordinated by the Group Strategic Risk Division in Group Risk. The same governance process is followed for Nedbank Group and the ICAAP of each banking legal entity, and involves key participants from the business, finance, risk, capital management and internal audit areas, as well as the relevant executive committees, board committees and the board.

Further details relating to group capital management are covered from page 48.

The ultimate responsibility for the ICAAP, incorporating the ILAAP, rests with the Nedbank Group Board. The risk and capital management responsibilities of the board and the Nedbank Group Exco are incorporated in their respective terms of reference (charters) as contained in the ERMF. They are assisted in this regard and in overseeing the group's capital risk (defined in the ERMF) by the board's Group Risk and Capital Management Committee and the Group ALCO respectively. Group ALCO, in turn, is assisted by the Balance Sheet Management Division in Group Finance.

RECOVERY AND RESOLUTION PLANNING OVERVIEW

Introduction

In response to the Global Financial Crisis (GFC) in 2008/2009, which saw significant government bailout of financial institutions using taxpayer funds, the Financial Stability Board (FSB) first released its 'Key Attributes of Effective Resolution Regimes for Financial Institutions' in November 2011, setting the international standard for resolution planning.

The main objectives of an effective resolution regime were to resolve financial institutions in an orderly manner without taxpayer exposure to loss from solvency support, while maintaining continuity of vital critical functions and services to the real economy, thereby protecting financial stability.

A key element of an effective resolution regime includes recovery and resolution plans (RRPs) designed to:

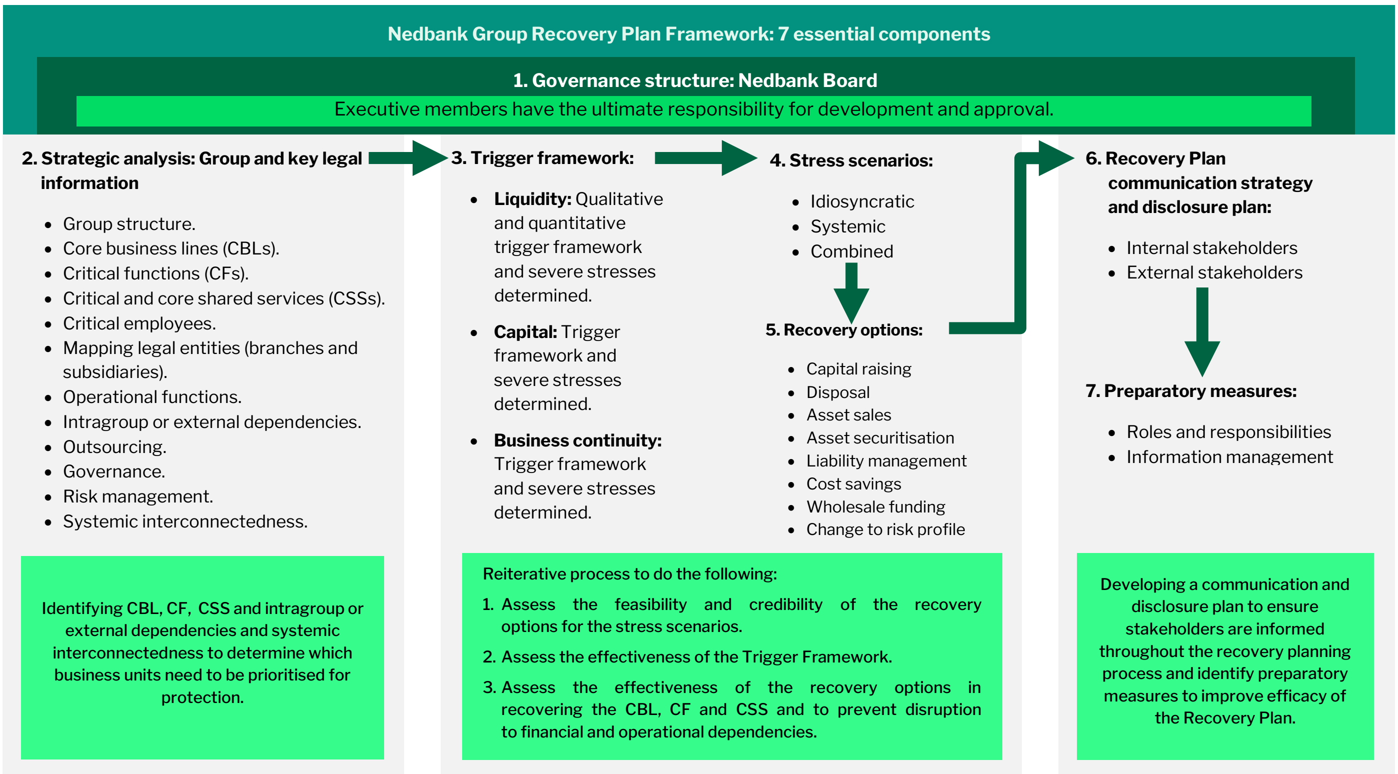
- reduce the risk of banks failing (through recovery plans);
- reduce the impact of failure and maintain financial market stability (through resolution plans); and
- ring-fence the state or taxpayers from any implicit support to the banking sector (ie mitigate against resolution by bailout).

Recovery planning

The recovery plan element of the RRP aims to set a clear framework for Nedbank to take the most severe actions (such as sale of a business and significant asset sales) during a crisis to ensure that the bank can recover and act quickly and decisively. Nedbank's Recovery Plan sets out the circumstances under which the group may need to activate recovery actions, as well as options available for addressing extreme stress scenarios caused by either idiosyncratic events or systemwide market failures. The Recovery Plan also describes the integration with existing contingency planning and the possible recovery options, including a detailed assessment of their likely effectiveness and the defined points at which they would be invoked.

The Recovery Plan addresses stresses invoked by severe shortfalls in liquidity and capital, as well as significant operational failures that may jeopardise Nedbank's ability to continue business operations. It also addresses the various options considered by senior management to mitigate stresses encountered by Nedbank. The Recovery Plan applies to all subsidiaries, divisions and branches in the group and in all the geographic locations where they operate. The subsidiary and branch recovery plans have all been developed using the group Recovery Plan blueprint to ensure consistency and alignment across all entities.

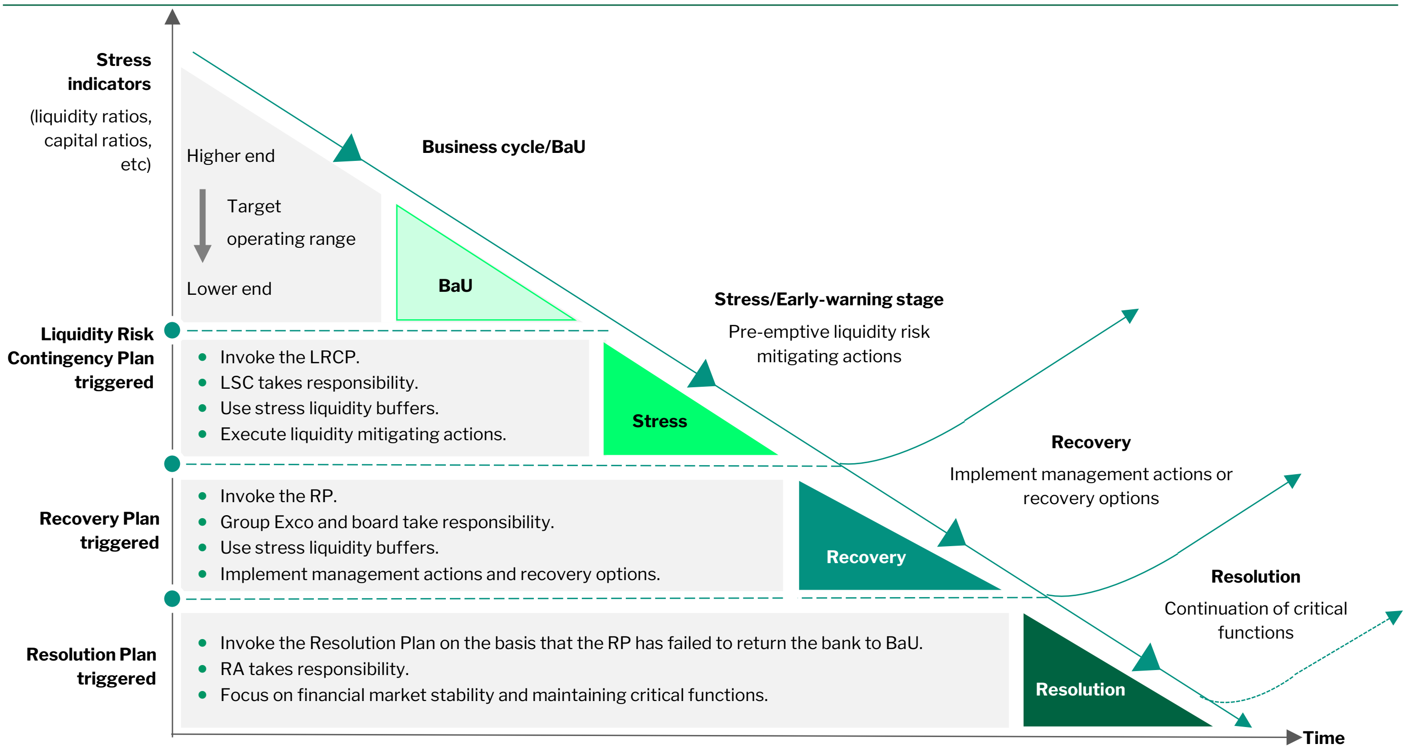
Nedbank Group's Recovery Plan blueprint



The Recovery Plan includes levels of 'low to severe stress', where 'recovery' and 'resolution' levels represent escalating degrees of stress that the group may encounter. As levels progress, management actions will become more severe and far-reaching in nature, with the aim of restoring the financial viability of the group under recovery and thereby avoiding resolution. Under this plan, early-warning indicators (EWIs) that would be initiated at a low-to-moderate stress event have been identified, while the Recovery Plan would be initiated when there is a material or immediate risk to the viability of the firm. The Resolution Plan will be initiated if recovery options are unsuccessful in returning the bank to business as usual (BaU). These ordered levels of stress and EWIs are designed to increase Nedbank's ability to manage any potential crisis effectively and prepare itself for recovery, in line with the Nedbank ERMF. These crisis levels allow Nedbank to assess the levels of stress appropriately and implement necessary responses. Nedbank's response to a crisis will include the identification and execution of appropriate recovery options, proper escalation and communication within the organisation, and appropriate communication to external stakeholders (eg regulators, investors, rating agencies and the media).

As depicted graphically below, bank recovery plans are required to seamlessly dovetail into and support resolution planning. While the formulation and development of recovery plans are at an advanced stage, the operationalisation of the Financial Sector Laws Amendment Act (FSLAA), 23 of 2021, and consequently the resolution regime remains the key focus in terms of increasing the potential resolvability of banks in resolution. To this end, Nedbank will continue to work closely with both the Resolution Authority (RA) and the Prudential Authority (PA) in the formulation of best-practice resolution plans that are both feasible and credible in terms of optimally prepositioning Nedbank for maximum resolvability, while positively contributing to financial market stability in South Africa (SA).

Theoretical path from BaU, to recovery, to resolution



The Recovery Plan fits into Nedbank Group's ERMF and is updated annually. Balance Sheet Management, as the primary owner accountable for the group's recovery and resolution planning, maintains and updates the Recovery Plan with input from numerous stakeholders across the group. The Recovery Plan is further informed by business continuity plans (BCPs) and is approved by the Group Asset and Liabilities Management and Executive Risk Committee (Group ALCO) and the board. The Recovery Plan complements the existing capital, liquidity and stress-testing policies and procedures of the group. The 2023 Group Recovery Plan was approved by the board of directors and submitted to the PA in accordance with regulatory guidelines.

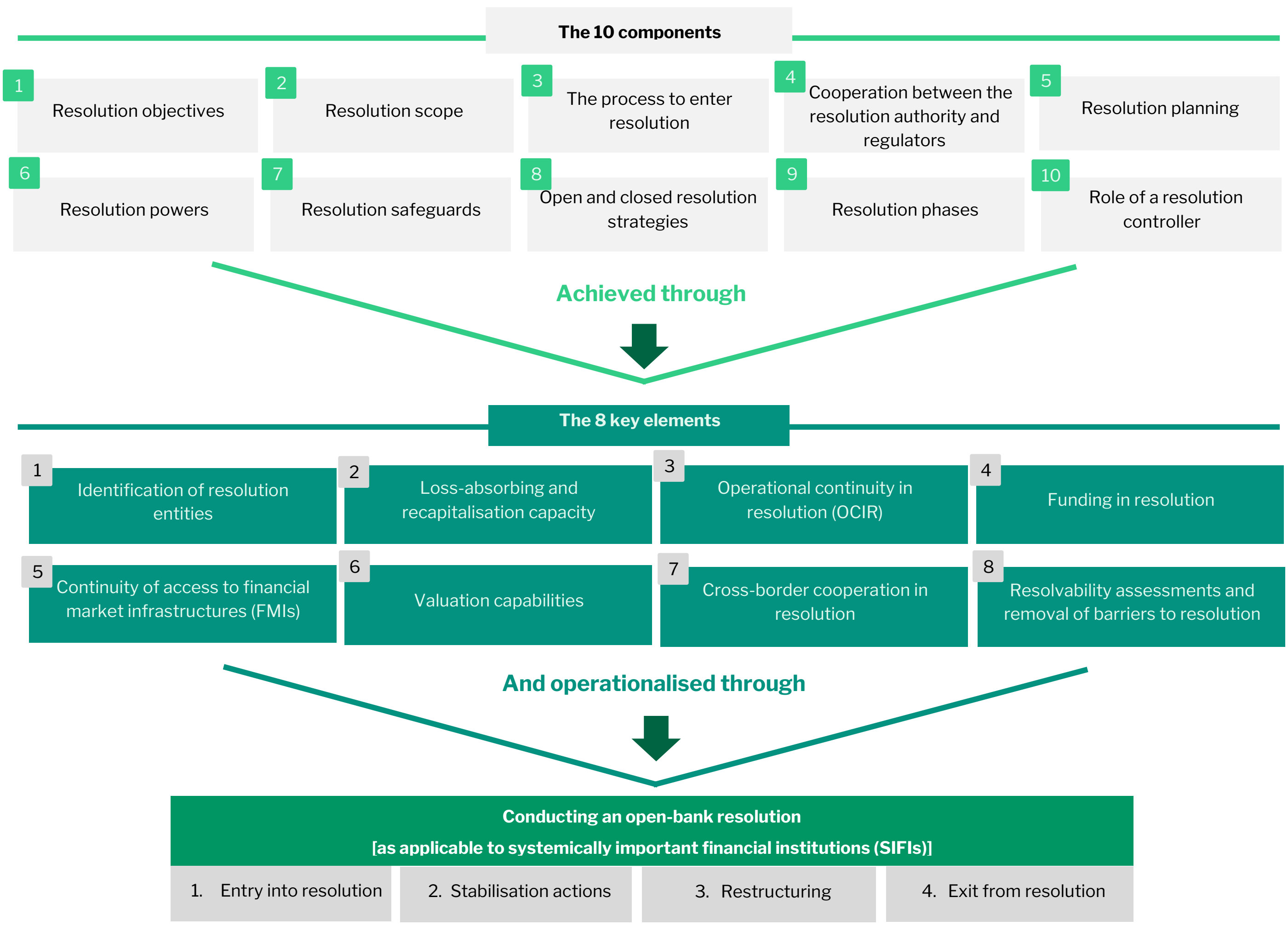
Resolution planning

At a high level the RRP initiative is sponsored by the G20 and the Financial Stability Board (FSB), with national regulators required to develop resolution plans. As a member of the G20, SA has committed to developing robust and credible RRPs in line with Basel III. National Treasury, together with the PA, released a resolution white paper entitled 'Strengthening SA's Resolution Framework for Financial Institutions' in August 2015. During 2018 and 2019 National Treasury and the SARB drafted the Financial Sector Laws Amendment Bill and on 28 January 2022 the bill was promulgated by President Ramaphosa, giving rise to the FSLAA. This act is part of the Twin Peaks reform of the financial regulatory system applicable to the financial sector, which establishes the resolution regime and includes the introduction of deposit insurance and bail-inable, non-regulatory debt instruments, referred to as Flac. The Resolution Framework contained in the Financial Sector Regulation Act (FSRA), 9 of 2017 became operational on 1 June 2023 and subsequently the PA published, for the first time, secondary legislation to facilitate the execution of the RA's resolution powers as outlined below:

- **Final Prudential Standard RA01 – Stays on early-termination rights and resolution moratoria on contracts of designated institutions in resolution:** This standard provides powers for SARB, as the RA, to impose stays and resolution moratoria in relation to specified contracts. The objective of the standard is to stipulate requirements on stays and resolution moratoria, in line with international standards and principles, for the orderly resolution of designated institutions.
- **Final Prudential Standard RA02 – Transfer of assets and liabilities of a designated institution in resolution:** This standard provides SARB with powers to transfer some or all the assets and liabilities of a designated institution in resolution to a new acquiring institution, a bridge institution or an asset management company. This would be despite any law or agreement that would otherwise restrict or prevent it from doing so, including a law or agreement that requires consent or approval by any specified person.
- **Draft Prudential Standard RA03 – Flac Instrument Requirements for Designated Institutions:** This standard sets out the principles and requirements for loss absorption and recapitalisation capacity that are applicable to designated systematically important financial institutions (SIFIs) and their respective holding companies. Salient deviations contained in the standard, when compared to the discussion paper published in May 2021, include the calibration of the Minimum Flac Requirement (MFR) where the draft standard allows for an increase in the amount of excess regulatory capital that can contribute towards meeting the MFR and the deferral of the idiosyncratic portion of MFR that will be phased in once a Resolvability Assessment Process has been concluded by SARB. The relevant designated institutions must comply with 60% of the base MFR component on 1 January 2028 and reach 100% of the base MFR by 1 January 2031.

As part of establishing SA's resolution framework, which sets out how both the RA and the Corporation for Deposit Insurance (CODI) will operationalise the key elements of the framework, the SARB Financial Stability Department released a discussion document entitled 'Ending too big to fail – SA's intended approach to bank resolution' in July 2019. This discussion paper outlines the key components required to formulate credible resolution plans, including the ability to recapitalise a bank at short notice while ensuring access to funding and liquidity, maintaining critical functions and services, and mitigating financial market instability. The discussion paper provides details about the RA's approach to resolution, covering various components and elements of the resolution framework, as indicated in the diagram below.

Ending 'too big to fail' – SA's intended approach to bank resolution



While the industry continues to engage the RA regarding the practicalities of implementing some of the proposals contained in the discussion documents and standards, the FSLAA makes provision for the following key features pertaining to South Africa's resolution framework:

- SARB has been established as the RA and has resolution powers over designated institutions (banks, SIFIs and holding companies of banks).
- The RA itself cannot put a designated institution into resolution but may recommend to the Minister of Finance that they put the institution into resolution. Should an institution be put into resolution, the RA will, in terms of the resolution framework, be able to recover all resolution costs reasonably incurred in terms of performing its resolution function.
- A deposit insurance scheme (DIS) has been created through the establishment of CODI, which will collect deposit insurance levies and deposit insurance premiums and be mandated to manage the Deposit Insurance Fund.
- The concept of bail-in will be applied where bail-in is defined as a resolution action taken by SARB, in terms sections 166S and 166T of the FSRA, that results in the reduction in the value of instruments and/or claims held by shareholders and creditors of the designated institution and/or the cancellation of instruments held by shareholders (without value). For closed resolution strategies (ie banks that have not been designated as SIFIs), regulatory bail-in may still play a useful role in recovery.
- The 'no creditor worse-off than in liquidation' (NCWOL) rule has been established as a safeguard that aims to ensure that no creditor is worse off in resolution than it would be in normal liquidation. To adhere to the NCWOL rule, the sequence in which creditors are bailed in should be respected and be in line with the hierarchy of creditor claims in liquidation.
- The principle of total loss absorption capacity (TLAC) has been introduced and the regulatory framework requires the relevant designated institutions to hold sufficient loss-absorbing instruments such as regulatory capital, as well as Flac, which collectively constitute TLAC.

The diagram below summarises the evolution of the resolution regime in SA to date, with the first 3 sets of resolution prudential standards having been published by December 2023.

South Africa's recovery and resolution journey

2008

Global financial crisis (GFC).

G20 — **G20 Introduced key regulatory reforms to end TBTF[1] and required regulators to introduce regulatory requirements on SIFIs[2] to reduce probability of failure.**

FSB — Tasked to develop a set of **international standards** to make it possible for countries to resolve SIFIs in a way that:

a) maintains financial stability;
b) minimises real economic impact; and
c) ends reliance on government and bail-out with taxpayer money.

2011

FSB — Published ***Key attributes for Effective Resolution Regimes***. Formally adopted by G20 in 2015 (International Standard).

2015

NT & SARB — Published discussion paper ***Strengthening South Africa's Resolution Framework for Financial Institutions***.

(August 2015)

2017

CODI — Published discussion paper ***Designing a Deposit Insurance Scheme for South Africa***.

(May 2017)

2018

NT & SARB — Proposals from *Strengthening South Africa's Resolution Framework for Financial Institutions* incorporated into the Financial Sector Laws Amendment Bill **(FSLAB)** in 2018, for comment.

FSLAB contains proposed amendments to the Financial Sector Regulation Act (FSRA), 9 of 2017, on:

a) **provisions for orderly resolution of designated institutions;**
b) **deposit insurance scheme; and**
c) **amendment to other acts required for effective resolution framework.**

FSLAB provides the resolution authority (RA) with the necessary powers to fulfil its role and responsibility for planning and managing an orderly resolution.

2019

NT & SARB — Published consultation paper ***Ending Too Big To Fail: SA's Approach to Bank Resolution*** (July 2019) to provide an overview of:

a) **how SARB intents to perform its functions as RA;**
b) **requirements that may be imposed on designated institutions after promulgation of FSLAB; and**
c) **required strategies and pre-emptive measures to make the legal provisions in FSLAB effective and feasible.**

CODI — Published discussion paper ***Deposit Insurance Survey v1*** (July 2019)

2020

CODI — Published discussion paper ***Coverage and Reporting Rules for Deposit Insurance in South Africa***

(April 2020)

2020

CODI — Published discussion paper ***The Deposit Insurance Funding Model and the Implications for Banks*** (September 2020)

SARB — Published discussion paper ***Group Structure Reporting Requirements***

(November 2020)

CODI — Published discussion paper: ***Data Definition and reporting Requirements for Deposit Insurance in South Africa*** (February 2021)

2021

SARB — Published discussion paper: ***Funding in Resolution*** (April 2021)

SARB — Published discussion paper: ***Proposed Principles and Requirements for Flac Instruments*** (May 2021)

SARB — Published discussion paper: ***Proposed Valuation Requirements for Resolution Planning Purposes*** (May 2021)

CODI — Published discussion paper: ***Using the Deposit Insurance Fund to Reimburse Covered Depositors*** (May 2021)

CODI — Published discussion paper: ***Deposit Insurance Survey v2*** (September 2021)

2021

SARB — Published discussion paper: ***Stays on Early-Termination Rights and Resolution Moratoria on Contracts of Designated Institutions in Resolution*** (November 2021)

SARB — Published discussion paper: ***Proposed arrangements to support operational continuity in resolution*** (December 2021)

2022

28-Jan-22 FSLAB Promulgation

CODI — Published discussion paper: ***An Approach to Deposit Insurance Public Awareness and Communication*** (May 2022)

SARB — Published position paper: ***Overview of the South African Reserve Bank's Policy Framework for the Provision of Emergency Liquidity Assistance to Banks*** (July 2022)

2022

SARB — Published **draft** resolution prudential standard **RA01 (Stays on Early-Termination Rights and Resolution Moratoria on Contracts of Designated Institutions in Resolution)** (September 2022).

SARB — Published **draft** resolution prudential standard **RA02 (Transfer of Assets and Liabilities of Designated institutions in resolution)**. (November 2022).

2023

SARB — **December 2022 Promulgation of the Financial Sector and Deposit Insurance Levies (administration) and Deposit Insurance Premiums Act, 12 of 2022.**

CODI — **24 March 2023 CODI established as a legal entity.**

SARB — **1 June 2023 Resolution Framework becomes operational in line with FSRA.**

In line with the FSLAA commencement schedule published on 24 March 2023.

SARB — Published **final** resolution prudential standard **RA01 (Stays on Early-Termination rights and resolution moratoria on Contracts of Designated Institutions in Resolution)** (June 2023).

SARB — Published **final** resolution prudential standard **RA02 (Transfer of Assets and Liabilities of Designated Institutions in Resolution)** (June 2023).

SARB — Published **draft** resolution prudential standard **RA03 (Flac Instrument Requirements for Designated Institutions)** (Dec 2023).

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[1] *TBTF = Too big to fail*

Overall, Nedbank Group believes it can identify, trigger and manage a recovery state caused typically by a solvency or liquidity event, but needs to evolve continuously and test this plan with strategic responses for various scenarios. Furthermore, closing the gap between the bank's Recovery Plan and the regulator's resolution plan is required as part of strengthening SA's resolution regime based on the finalisation of the Resolution Framework, considering the discussion document 'Ending Too Big To Fail – SA's Intended Approach to Bank Resolution'.

BASIS OF PILLAR 3 DISCLOSURE

The group's comprehensive Pillar 3 public disclosure complies with Regulation 43 of the Regulations Relating to Banks issued in terms of the Banks Act, 94 of 1990, and the Basel Committee on Banking Supervision's (BCBS's) revised Pillar 3 disclosure requirements. Consistent with the principle of proportionality (or materiality) contained in the regulations, this Pillar 3 Report covers Nedbank Group Limited and Nedbank Limited. The other banking subsidiaries are not in themselves material enough to warrant individual Pillar 3 reporting.

Insurance risk is managed in terms of the Enterprisewide Risk Management Framework (ERMF), details of which can be found on page 11 of this report. However, the insurance businesses are outside the scope of Pillar 3 consolidation, and investments in insurance entities are included only in the calculation of the group's capital adequacy ratio (CAR) through the application of the threshold deduction method, as explained below.

Consolidated supervision

There are some differences in the basis of consolidation for accounting and regulatory purposes. Accounting consolidation is based on International Financial Reporting Standards (IFRS), while the Regulations Relating To Banks issued in terms of the Banks Act prescribe regulatory consolidation and list specific exclusions. These differences include the treatment of accounting reserves (eg the profits not formally appropriated by the board of directors by way of resolution to constitute retained earnings for the bank or the controlling company), as well as the investments in insurance entities, which are included only in the calculation of the group's CAR through the application of the threshold deduction method. Refer to the table 'Summary of regulatory qualifying capital and reserves' on page 52 for differences in the basis of consolidation for accounting and regulatory purposes. The definition of 'capital' includes foreign currency translation reserves (FCTR), share-based payment (SBP) reserves, property revaluation reserves, fair-value reserves and other non-distributable reserves as common-equity tier 1 (CET1) capital under Basel III.

Summary of the treatment followed for Basel III consolidation

	Percentage holding					
	Minority interest		Controlling/Majority interest			
		20% and ≤ 50%	20% and ≤ 50%			
Type of entity	≤ 20%	Other significant shareholder.	No other significant shareholder.	Aggregate of investment ≤ 10% of the bank's or controlling company's CET1.	Aggregate of investment > 10% of the bank's or controlling company's CET1.	> 50%
Banking, securities and other financial entities[1,2]	300%/400% risk weight [internal ratings-based (IRB), market-based – simple risk-weighted approach (SRWA)].	Proportionately consolidated.	Apply deduction method.	Risk weight at the appropriate risk weighting based on nature of holding of instrument and measurement approach.	Risk weight at the appropriate risk weighting based on nature of holding of instrument and measurement approach up to 10% of the bank's or controlling company's CET1. Deduct the amount in excess of 10% of CET1 against the corresponding component of capital.	Full consolidation or apply the deduction method for financial entities with specific limitations.
Insurance entities	As above.	Risk weight at 250% up to 10% of the bank's or controlling company's CET1 capital. Deduct the amount in excess of 10% of CET1 against the corresponding component of capital.				
Commercial entities	300%/400% risk weight (IRB market-based – SRWA).		**The standardised approach**		**Advanced approach**	
			Individual investment up to 15% of CET1. Additional tier 1 and tier 2 must be risk-weighted at no less than 100%.		Individual investment up to 15% of CET1. Additional tier 1 and tier 2 must be risk-weighted in accordance with one of the available equity risk approaches [Market SRWA or Internal Model, or probability-of-default (PD)/loss-given-default (LGD) approach].	
			Individual investment in excess of 15% of CET1. Additional tier 1 and tier 2 must be risk-weighted at 1 250%.			
			Aggregate of investment in excess of 60% of CET1. Additional tier 1 and tier 2 exceeding 60% must be risk-weighted at 1 250%.		Individual investment in excess of 15% of CET1. Additional tier 1 and tier 2 must be risk-weighted at 1 250% or the risk-weighted assets (RWA) equivalent.	

[1] *Includes regulated and unregulated entities.*

[2] *Types of activity that financial entities may be involved in include financial leasing, issuing of credit cards, portfolio management, investment advisory, custodial and safekeeping services, and other similar activities that are ancillary to the business of banking.*

Basel III RWA calculation approaches

The following approaches have been adopted by Nedbank Group for the calculation of risk-weighted assets (RWA).

Nedbank Group Limited

Risk type	Nedbank Limited			Foreign subsidiaries	Trusts and securities entities	Other insurance entities[2]
	Nedbank Limited (Solo)PP[1]	Local subsidiaries	Foreign subsidiaries			
Credit risk	AIRB/TSA[3]	AIRB	AIRB	TSA	TSA	N/A
Counterparty credit risk (CCR)						
Exposure approach[4]	SA CCR	N/A	SA CCR	SA CCR	N/A	N/A
Credit risk	AIRB	N/A	AIRB	TSA	N/A	N/A
Credit valuation adjustment (CVA)	TSA	N/A	TSA	TSA	N/A	N/A
Securitisation risk	SEC IRBA	N/A	N/A	N/A	N/A	N/A
Market risk[5]	IMA	TSA	TSA	TSA	TSA	N/A
Equity risk	SRWA	SRWA	SRWA	SRWA	SRWA	N/A
Equity investment in funds	LTA/FBA	LTA/FBA	LTA/FBA	LTA/FBA	LTA/FBA	N/A
Operational risk[6]	AMA/TSA	AMA	TSA	TSA	AMA	N/A
Other assets	AIRB	AIRB	TSA	TSA	TSA	N/A

[1] Approaches followed by Nedbank Limited (Solo) also apply to Nedbank London Branch. Nedbank Limited (Solo) is in line with the regulatory specifications for the bank entity.

[2] In terms of Regulations 36(7)(a)(iii) and 36(10)(c)(ii) of the regulations relating to banks issued in terms of the Banks Act, 94 of 1990, investments in insurance entities are included only in the calculation of the group's capital adequacy ratios (CARs) through the application of the threshold deduction method and are risk-weighted at 250%.

[3] The remaining portion of the legacy Imperial Bank book [ie in Retail and Business Banking (RBB)] remains on the standard approach (TSA) and makes up 0,03% of total Nedbank Limited (Solo) gross loans and advances (GLAA).

[4] The standardised approach for counterparty credit risk (SA-CCR) is applicable to London as well as Eswatini and Namibia.

[5] The internal-model approach (IMA) portion is 82% and TSA portion is 18% in Nedbank Limited (Solo).

[6] The advanced measurement approach (AMA) coverage is 90% and TSA is 10%.

Linkages between financial statements and regulatory exposures

LIA: Explanations of differences between accounting and regulatory exposure amounts:

- **Credit risk** - Trading book advances are included under the market risk scope, and balances relating to securitisation vehicles are excluded from the Credit Risk Framework. GLAA adjustments due to the IFRS 9 modification loss are included in the Credit Risk Framework.
- **Counterparty credit risk** - Exposure at default (EAD) accounts for off-balance-sheet securities lending exposure, application of netting on securities financing transactions (SFTs), inclusion of potential future exposure add-on as well as collateral for over-the-counter (OTC) derivatives.
- **Securitisation** - Cash and balances with the central bank, short-term negotiable securities, loans and advances as well as derivative financial instruments are excluded from the Securitisation Framework. Included in the scope are RWA and capital that are measured from the note's exposures to the group.
- **Market risk** - Items held to maturity in the banking book are excluded from the Market Risk Framework. Derivative financial instruments, commodity instruments, items held for trading and designated fair-value instruments are included in the market risk regulatory exposure amounts.
- **Equity risk** - This risk originates from exposure to investment risk arising from listed and unlisted equity positions, investments in funds and other relevant investments and instruments held in the banking book.
- **Deductions from capital** - These include goodwill, intangible assets other than goodwill, defined-benefit pension fund assets, and deferred-tax assets (excluding temporary differences), as well as other prescribed regulatory adjustments.

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Rm	Statement of financial position	Regulatory consolidation scope[1]	Carrying values of items subject to[1]:						Not subject to capital requirements or subject to deduction from capital
			Credit Risk Framework	Counterparty Credit Risk Framework	Securitisation Framework	Market Risk Framework	Equity risk in the banking book	Other assets[1]	
December 2023									
Assets									
Cash and cash equivalents	52 082	51 776	5 720					46 056	
Other short-term securities	87 769	86 201	33 429			54 261			
Derivative financial instruments	13 812	13 812		13 812		13 719			
Government and other securities	170 717	170 504	86 024		172	78 140			
Loans and advances	891 619	885 843	855 444	17 759		36 174			
Other assets	35 575	35 538				24 652		10 886	
Current taxation assets	156	143	143						
Insurance contract assets	378								
Investment securities	27 287	8 779					8 472	307	
Non-current assets held for sale	493	340						340	
Investments in associate companies	2 489	2 489					770	1 719	
Deferred taxation assets	921	926						910	16
Investment property	371	371						371	
Property and equipment	10 913	10 911						10 911	
Long-term employee benefit assets	4 849	4 849						1 450	3 399
Intangible assets	11 977	11 575							11 575
Total assets	1 311 408	1 284 057	980 760	31 571	172	206 946	9 242	72 950	14 990
Liabilities									
Derivative financial instruments	14 141	14 141		14 141		13 793			
Amounts owed to depositors	1 087 645	1 083 728							1 083 728
Provisions and other liabilities	22 715	22 404				13			22 404
Current taxation liabilities	313	294							294
Deferred taxation liabilities	507	342							342
Long-term employee benefit liabilities	43	43							43
Investment contract liabilities	17 512	–							
Insurance contract liabilities	1 544	–							
Long-term debt instruments	47 777	47 777							47 777
Total liabilities	1 192 197	1 168 729	–	14 141	–	13 806	–	–	1 154 588
Total equity	119 211	115 328							

[1] *The regulatory consolidation scope excludes the carrying values of the group's insurance entities as encapsulated in the capital adequacy calculations (BA600 and BA700).*

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Items subject to:					
Rm	**Total**	**Credit Risk Framework**	**Counter-party Credit Risk Framework**	**Securiti-sation Framework**	**Market Risk Framework**	**Equity risk in the banking book**	**Other assets[1]**
December 2023							
Asset carrying value amount under scope of regulatory consolidation (per table LI1)	**1 284 057**	**980 760**	**31 571**	**172**	**206 946**	**9 242**	**72 950**
Liabilities carrying value amount under regulatory scope of consolidation (per table LI1)	**1 168 729**		**14 141**		**13 806**		
Total net amount under regulatory scope of consolidation	**115 328**	**980 760**	**17 430**	**172**	**193 140**	**9 242**	**72 950**
Off-balance-sheet amounts	**299 242**	**288 106**	**11 136**				
Differences in valuations	**(164 726)**	**(195 836)**	**31 110**				
Differences due to different netting rule other than those already included in row 2	**(43 093)**	**(4 244)**	**(38 849)**				
Differences due to consideration of provisions	**29 856**	**29 856**					
Differences due to prudential filters							
Exposure amounts considered for regulatory purposes	**236 608**	**1 098 643**	**20 827**	**172**	**193 140**	**9 242**	**72 950**

[1] *Subject to other assets or risks not risk-weighted elsewhere.*

RISK MANAGEMENT

Nedbank Group's Enterprisewide Risk Management Framework (ERMF) enables the group to identify, measure, manage, price and control its risks and risk appetite, and relate these to capital requirements to help ensure capital adequacy and enterprise sustainability, thereby promoting sound business behaviour by linking these aspects with performance measurement and remuneration practice.

Risk universe

Nedbank Group's risk universe is defined, actively managed and monitored in terms of the ERMF, in conjunction with the Capital Management Framework and its subframeworks, including the Economic Capital Framework. A summary table of the key risk types impacting the group is provided below and highlights the mapping of the 17 key ERMF risk types to the 12 quantitative risk types of the Economic Capital [and Internal Capital Adequacy Assessment Process ICAAP)] Framework. An overview of the key risks impacting Nedbank Group then follows. Refer to page 11 for details on Nedbank Group's ERMF.

Risk universe			Economic capital
1	Accounting, financial and taxation risks	Accounting Financial Taxation	N/A N/A Operational risk (9)
2	Credit risk		Credit risk (1), counterparty credit risk (including CVA) (3) and securitisation risk (4)
3	Market risk	Trading book Equity risk in the banking book (ERBB) Interest rate risk in the banking book (IRRBB) Property risk	Trading risk (5) Equity (investment) risk (7) IRRBB (6) Property risk (8)
4	Liquidity and funding risks	Liquidity risk Funding risk	Liquidity risk is mitigated through the Internal Liquidity Adequacy Assessment Process (ILAAP), liquidity profile target and limits, and the holding of surplus liquidity buffers as opposed to holding economic capital.
5	Capital risk		The aggregation of all risk types = economic capital.
6	Insurance risk including non-banking risk		Insurance underwriting risk (10)
7	Operational risk	Operational risk excluding information technology (IT) risk and people risk Legal risk	Operational risk Operational risk
8	Financial crime risks	Cybercrime Anti-money-laundering (AML), combating the financing of terrorism (CFT) and sanctions Exchange control Fraud and corruption Privacy breaches Violent crime	Operational risk Operational risk N/A Operational risk Operational risk Operational risk
9	Concentration risk	Credit concentration Other risk concentrations	Credit concentration risk (2) N/A
10	Conduct risk		N/A
11	Regulatory risk	AML, CFT and sanctions Other [Basel III, International Financial Reporting Standard (IFRS) 9, etc]	N/A N/A
12	Information technology risk		Operational risk
13	Business (including country), strategy and strategic execution risks	Business (including country) Strategy Strategic execution	Business risk (excluding strategy and strategic execution risk) (11)
14	Reputational risk		N/A
15	Governance and compliance risks	Governance Compliance (excluding AML/CFT)	N/A N/A
16	Transformation, social and environmental risks	Transformation Social risk: internal factors Social risk: external factors Environmental (including climate risk)	N/A N/A N/A Incorporated into credit risk (2), market risk (3), and operational risk (7).
17	People risk		Operational risk
			Other assets[1] (12)

[1] *The 12th quantitative economic capital risk type relates to other assets, which include other assets not specifically mentioned above.*

The following tables provide an overview of prudential regulatory metrics for Nedbank Group Limited and Nedbank Limited.

KM1: Nedbank Group Key Metrics

			Nedbank Group				
			Dec 2023	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Available capital[1]							
1	Common equity tier 1 (CET1)	Rm	**82 024**	81 491	81 854	79 978	79 297
2	Tier 1	Rm	**92 493**	92 710	93 073	90 197	89 516
3	Total capital	Rm	**106 185**	106 212	107 900	104 822	106 272
Risk-weighted assets (RWA)							
4	Total RWA	Rm	**695 240**	691 027	680 325	668 628	648 207
Risk-based capital ratios as a percentage of RWA[1]							
5	CET1 ratio	%	**11,8**	11,8	12,0	12,0	12,2
6	Tier 1 ratio	%	**13,3**	13,4	13,7	13,5	13,8
7	Total capital ratio	%	**15,3**	15,4	15,9	15,7	16,4
Additional CET1 buffer requirements as a percentage of RWA							
8	Capital conservation buffer requirement	%	**2,5**	2,5	2,5	2,5	2,5
9	Countercyclical buffer (CCyB) requirement[2]	%	**0,04**	0,04	0,03	0,03	
10	Domestic-systematically-important-bank (D-SIB) additional requirement	%	**1,0**	1,0	1,0	1,0	1,0
11	Total of bank CET1 specific buffer requirements	%	**3,5**	3,5	3,5	3,5	3,5
12	CET1 available after meeting the bank's minimum capital	%	**3,3**	3,3	3,5	3,5	3,7
Basel III leverage ratio							
13	Total Basel III leverage ratio exposure measure	Rm	**1 400 901**	1 360 680	1 363 236	1 335 024	1 321 263
14	Basel III leverage ratio[1]	%	**6,6**	6,8	6,8	6,8	6,8
Liquidity coverage ratio (LCR)							
15	Total high-quality liquid assets (HQLA)	Rm	**238 182**	229 090	236 950	243 677	224 963
16	Total net cash outflows (NCOF)	Rm	**177 000**	159 809	165 344	156 452	140 138
17	LCR	%	**134,6**	143,4	143,3	155,8	160,5
Net stable funding ratio (NSFR)							
18	Total available stable funding (ASF)	Rm	**833 529**	805 437	823 324	806 449	806 734
19	Total required stable funding (RSF)	Rm	**710 636**	699 592	692 614	688 128	677 570
20	NSFR	%	**117,3**	115,1	118,9	117,2	119,1

[1] *Excluding unappropriated profits.*

[2] *The South African Reserve Bank Prudential Authority has confirmed the South African countercyclical buffer (CCyB) at 0%. The group reflects the proportional CCyB add-on for exposures in jurisdictions that have implemented a CCyB requirement greater than 0%. The PA proposes an increase in the CCyB from 0% to 1% effective from 1 January 2026. The proposed, if implemented, will increase the regulatory minimum capital requirement, and consequently impact the group's surplus capital position.*

KM1: Nedbank Limited Key Metrics

			Nedbank Limited				
			Dec 2023	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Available capital[1]							
1	Common-equity tier 1 (CET1)	Rm	**61 578**	61 538	61 114	60 281	60 633
2	Tier 1	Rm	**72 047**	72 757	72 333	70 500	70 852
3	Total capital	Rm	**85 511**	85 922	86 774	84 737	87 240
Risk-weighted assets (RWA)							
4	Total RWA	Rm	**558 754**	551 430	533 804	529 632	522 815
Risk-based capital ratios as a percentage of RWA[1]							
5	CET1 ratio	%	**11,0**	11,2	11,4	11,4	11,6
6	Tier 1 ratio	%	**12,9**	13,2	13,6	13,3	13,6
7	Total capital ratio	%	**15,3**	15,6	16,3	16,0	16,7
Additional CET1 buffer requirements as a percentage of RWA							
8	Capital conservation buffer requirement	%	**2,5**	2,5	2,5	2,5	2,5
9	Countercyclical buffer (CCyB) requirement[2]	%					
10	D-SIB additional requirement	%	**1,0**	1,0	1,0	1,0	1,0
11	Total of bank CET1 specific buffer requirements	%	**3,5**	3,5	3,5	3,5	3,5
12	CET1 available after meeting the bank's minimum capital	%	**2,5**	2,7	2,9	2,9	3,1
Basel III leverage ratio							
13	Total Basel III leverage ratio exposure measure	Rm	**1 282 891**	1 233 119	1 231 994	1 210 412	1 211 500
14	Basel III leverage ratio[1]	%	**5,6**	5,9	5,9	5,8	5,8
Liquidity coverage ratio (LCR)							
15	Total high-quality liquid assets (HQLA)	Rm	**229 787**	220 469	228 517	235 789	218 029
16	Total net cash outflows (NCOF)	Rm	**171 222**	159 032	160 230	158 175	140 875
17	LCR	%	**134,2**	138,6	142,6	149,1	154,8
Net stable funding ratio (NSFR)							
18	Total available stable funding (ASF)	Rm	**762 458**	728 025	743 731	732 471	734 074
19	Total required stable funding (RSF)	Rm	**660 004**	649 346	638 320	636 914	628 531
20	NSFR	%	**115,5**	112,1	116,5	115,0	116,8

[1] *Excluding unappropriated profits.*

[2] *The PA has confirmed the South African CCyB at 0%. The PA proposes an increase in the CCyB from 0% to 1% effective from 1 January 2026. The proposed, if implemented, will increase the regulatory minimum capital requirement, and consequently impact the group's surplus capital position.*

MODEL RISK

Year under review

- The year 2023 can be summarised as a year of automation and optimisation in the execution of the group's enhanced Model Risk Management (MRM) Framework. The digital solution for managing model risk was streamlined to ensure stable end-to-end model governance processes, while implementing automated dashboards to enable users to interact timeously and seamlessly with the cloud-based platform.
- The model risk assessment processes were integrated into the business, which enabled enhanced model risk monitoring and a risk-based model risk economic capital quantification and allocation approach.
- As part of enhancements to its operating model, which commenced in 2021, Nedbank conducted a strategic review of its model inventory to identify opportunities and areas where the number of models as well as key modelling processes can be refined. Nedbank is adopting a phased-in approach to optimising its model landscape, with the necessary investment to and operationalisation of key enablers continuing in 2024.
- No losses from model-risk-related events were experienced by the group in 2023.

Focus for 2024

- In line with strategic portfolio tilt initiatives, Nedbank will leverage digital technologies such as machine learning (ML) and advanced analytics to drive operational efficiencies, improve the client and employee experience, and enable market share growth in key portfolios while remaining within risk parameters.
- Nedbank is strategically coordinating its artificial intelligence (AI) and ML initiatives to more effectively manage model risk associated with these technologies, ensuring responsible use and unlocking business and client value. At Nedbank, we are financial experts who do good and continue to ensure that our models are aligned with best practice, as well as develop mitigating measures to guard against potential reputational and regulatory risks stemming from bias in model inputs or outcomes.
- While Nedbank is satisfied that the overall processes related to model governance are effective, there are areas where processes will be optimised to consider evolving, emerging-risk trends and the changing business environment.
- Nedbank's digital solution for managing model risk will continue to be enhanced and expanded to enable a better understanding of the group's model ecosystem across all risk types and business units, through extracting insights from the automated dashboards.
- Regulatory changes as they relate to model redevelopments and refinements – such as the impact of the Basel III finalised regulatory reforms, due to be implemented in 2025, and the upcoming updates to Directive 7 of 2015 from the South African Reserve Bank Prudential Authority (SARB PA) – have been assessed and are incorporated into the group's planning processes.
- Nedbank will continue to enhance its MRM Framework and implement best-practice standards across the group, such as improved model documentation and coding standards.

A key component of Nedbank Group's strategy is being recognised as world-class at managing risk. The development, implementation, and validation of models for material activities assist in enabling our strategy. A model is a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. A model also covers quantitative approaches, where inputs are partially or wholly qualitative or based on expert judgement, provided that the output is quantitative in nature. Model risk is the risk where adverse consequences can arise from the decisions made using models that are deficient, misunderstood, or misused.

Nedbank recognises the need for improved MRM given the changes in regulatory and financial reporting requirements, advances in methodology and computing technology, as well as an increase in model usage in non-traditional areas such as fraud, AML, cyberrisk and climate risk.

Nedbank is using MRM in a strategic and fundamental role considering the lessons learnt from Covid-19. The number and complexity of models are continuously adjusted and the increasing regulatory scrutiny requires Nedbank to ensure that risk management practices continue to be aligned with local and international best practice.

Model risk is managed through a well-embedded risk framework. The framework is principle-based, supported by our Model Risk Policy, and places emphasis on creating a sustainable and systemic MRM infrastructure, where the risks associated with models throughout its life cycle are managed effectively.

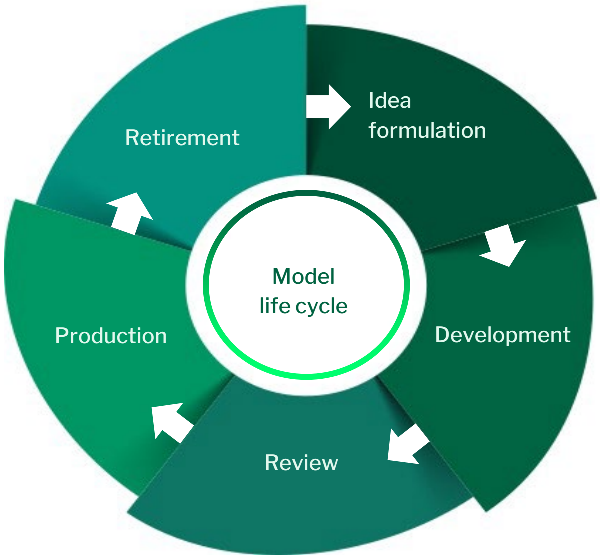
The policy prescribes groupwide, end-to-end requirements for the identification, measurement and management of model risk, covering clear and consistent definitions; model inventory management; model life cycle management; model risk scoring; model materiality; model governance; model validation; model risk appetite; and model documentation.

Key principles and activities for managing model risk

Model risk is managed through a well-embedded risk framework

- Well-developed definitions and methodologies
- Comprehensive model inventory
- Effective challenge and testing procedures
- Risk-based governance
- Periodic model risk assessment
- Clear model documentation and reporting

Key controls and principles have been established for each phase of the model life cycle to effectively manage model risk.



Nedbank enhances its MRM continuously and the implementation of best-practice standards is a central objective of the group.

As displayed in the graphic below, the group has embedded risk management principles to manage model risk, with key controls and activities coordinated across the group's Three-lines-of-defence (3LoD) Model over each phase of its life cycle.

Model Risk Management Framework coordinated-assurance activities

A Model life cycle management

1 Formulates model idea.
2 Applies model definition.
3 Develops model.
4 Reviews or validates model.
5 Implements model.
6 Retires model.

B Control environment

7 Captures model metadata.
8 Logs model into inventory.
9 Submits model through governance process.

C Effective challenge

10 Critically reviews model methodology, assumptions, and parameters.
11 Assesses model impact.

D Model risk assessment

12 Determines model health.
13 Establishes materiality of model to determine importance.
14 Quantifies model risk economic capital requirement.
15 Allocates model risk economic capital to business units.

E Monitoring and reporting

16 Monitors model risk appetite metrics.
17 Reports on model risk to key stakeholders.
18 Provides independent assurance.

Board subcommittees

Group Credit Committee	Group Risk and Capital Management Committee
Approves new models and material model changes	Reviews model approvals and key findings

Group executive committees

Asset and Liability Committee	Trading Risk Committee	Group Operational Risk Committee	Actuarial Control Committee	Model Risk Committee
Reviews model validation results for approval	Reviews model validation results for approval	Reviews model validation results and approves model changes	Assesses compliance with actuarial standards	Drives and approves model risk-related strategy across Nedbank Group

Client-facing clusters

Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Africa Regions

Provide business insights and review potential impact of methodology and parameterisation choices (iterative process during model development)

First LoD (#1 to #9, #12, #13)

Business unit value analytics/ Modelling teams	Central group functions (Balance Sheet Management, Group Economic Unit, Group Risk, Group Finance)

Second LoD (#4, #10 to #17)

- Model risk management
- Independent model validation units | Model technical forums
- Group control and compliance functions | Balance Sheet Management

Third LoD

Group Internal Audit (#18)

Organisational structure and governance

Risks around the use of models are managed through coordinated assurance (CA) from the 3LoD Model over each phase of the model life cycle. The group's Model Risk Policy sets out the roles and responsibilities pertaining to MRM across each LoD. Model risk is given the necessary attention and managed in a manner similar to that for the other risk types. A guiding principle for managing model risk is 'effective challenge' of models, including critical analysis by independent and informed parties who identify model errors, limitations and inefficiencies and produce appropriate resolutions.

The Model Risk Policy is further supported by a dedicated MRM function that manages model risk through the following key activities:

- Maintaining the group model inventory, which is a comprehensive set of information for models implemented for use, models currently under development, and models recently retired from use.
- Ensuring that roles and responsibilities are clearly defined across the model life cycle.
- Ensuring that models are subject to effective challenge and robust risk-based governance, commensurate with the materiality of the model.
- Validating models in accordance with a risk-based approach linked to model materiality.
- Aligning model development and validation activities with global standards and best practice.

The Model Risk Committee, chaired by the Group Chief Risk Officer, represents another important step towards increasing the visibility and understanding of the impact of model risk across the group, and an opportunity to further enhance and embed the MRM Framework in line with international best practice.

Model risk assessment and measurement

Model risk is assessed through a combination of model risk score and model materiality. The group has developed a scoring methodology that considers the likelihood of model risk at each stage of the model life cycle. A balanced scoring approach is followed wherein model risk scores are solicited from the model owner, model validator and the MRM unit. Model materiality is defined as the model's relevance and importance in relation to other models within the group's model landscape. Nedbank has developed a comprehensive framework for determining a model's materiality based on holistic factors related to the model's importance within the bank's ecosystem.

The group's approach to quantifying model risk economic capital has been approved within the group's internal governance structures. Model risk economic capital has been quantified at a group level and has been fully integrated into the group's capital management and planning process since January 2022, with allocation of model risk economic capital done at a business unit level. The quantification of model risk is based on a top-down approach and considers model risk at an aggregate level.

Model risk appetite is defined as the amount of model risk that the group is willing to accept by using models in the pursuit of its objectives. The enhanced Model Risk Appetite Framework was developed in 2019. The framework considers quantitative and qualitative drivers and assists in managing the level of model risk within the group. The Model Risk Appetite Framework is also linked to the group's model risk economic capital quantification approach.

Nedbank model landscape

The group has an inventory of, as far as possible, all models across the various business units and risk types. The objectives of the model inventory are to facilitate model risk governance and management, as well as to keep a record of all uses, changes, and approval status of each model.

The model inventory at a high-level enables:

- greater transparency and better understanding of the model landscape within the group;
- the identification of material models;
- the identification of redundant and out-of-date models;
- cross-pollination of model inputs and methodologies across business units and model types;
- greater internal dialogue between business units to optimise the number of models by leveraging off other models developed within the group, leading to greater alignment and consistency in modelling approaches; and
- streamlined model development and avoidance of duplication.

As part of ongoing enhancements to its operating model during 2021, Nedbank conducted a strategic review of its model inventory to identify opportunities and areas where the number of models as well as key modelling processes can be refined. Nedbank is adopting a phased-in approach to optimising its model landscape, with the necessary investment to and operationalisation of key enablers continuing in 2024.

The group has designed and configured a digital solution to consolidate all model-related information into a single robust enterprisewide platform. The solution provides a platform in which model governance and validations can be managed through an automated workflow system. The solution further enables the group model inventory to be maintained and managed centrally. This allows for innovative and improved model designs and methodologies, which can be used throughout the group. Dependencies between models can be more easily identified, which promotes a better understanding of the model ecosystem across all risk types and business units. The group model inventory has been managed via this cloud-based digital MRM platform since April 2021. The digital solution is also used to manage model governance processes for all material credit risk models. A phased-in roll-out of the solution to manage model governance processes for all other risk types is ongoing. The solution will continue to be enhanced and expanded to enable a better understanding of the group's model ecosystem across all risk types and business units, through extracting insights from the automated dashboards.

Nedbank has made progress in enhancing operational efficiencies, unlocking cost savings, and improving client experience by leveraging technologies such as robotics, AI, ML and data analytics. We have a responsibility to all stakeholders to ensure that decisions made using models are mitigated for bias, in line with Nedbank's ethical standards, and can be explained across the model's value chain. As model experts who do good, we will continue to place importance on understanding new technologies and the risks associated with its adoption. In embracing new technologies and new modelling approaches, there will be a continued focus on 'Are we changing fast enough?' and 'Are we changing safely?'

CAPITAL MANAGEMENT

Year under review

- Nedbank Group maintained a strong capital adequacy position, with the capital ratios absorbing the capital optimisation initiative of R5bn, the payment of the 2023 interim and the 2022 final dividend, an increase in total RWA driven mainly by an increase in credit risk driven mostly by growth in banking book advances and increase in risk weights, increase in market risk due to continued market volatility that was driven by interest rate hikes, depreciation of the rand and higher growth in credit trading and rates businesses and an increase in operational risk due to the review of the group's operational risk scenarios and the update of the internal-loss data used, including the AMA floor which is driven by movements in GOI.
- The group's tier 1 CAR was impacted by the issuance of additional tier 1 (AT1) instruments of R1bn, partly offset by redemptions of R750m. The group's total CAR was further impacted by the issuance of tier 2 capital instruments of R2,1bn and redemptions amounting to R4,5bn, in line with the group's capital plan.

Focus for 2024

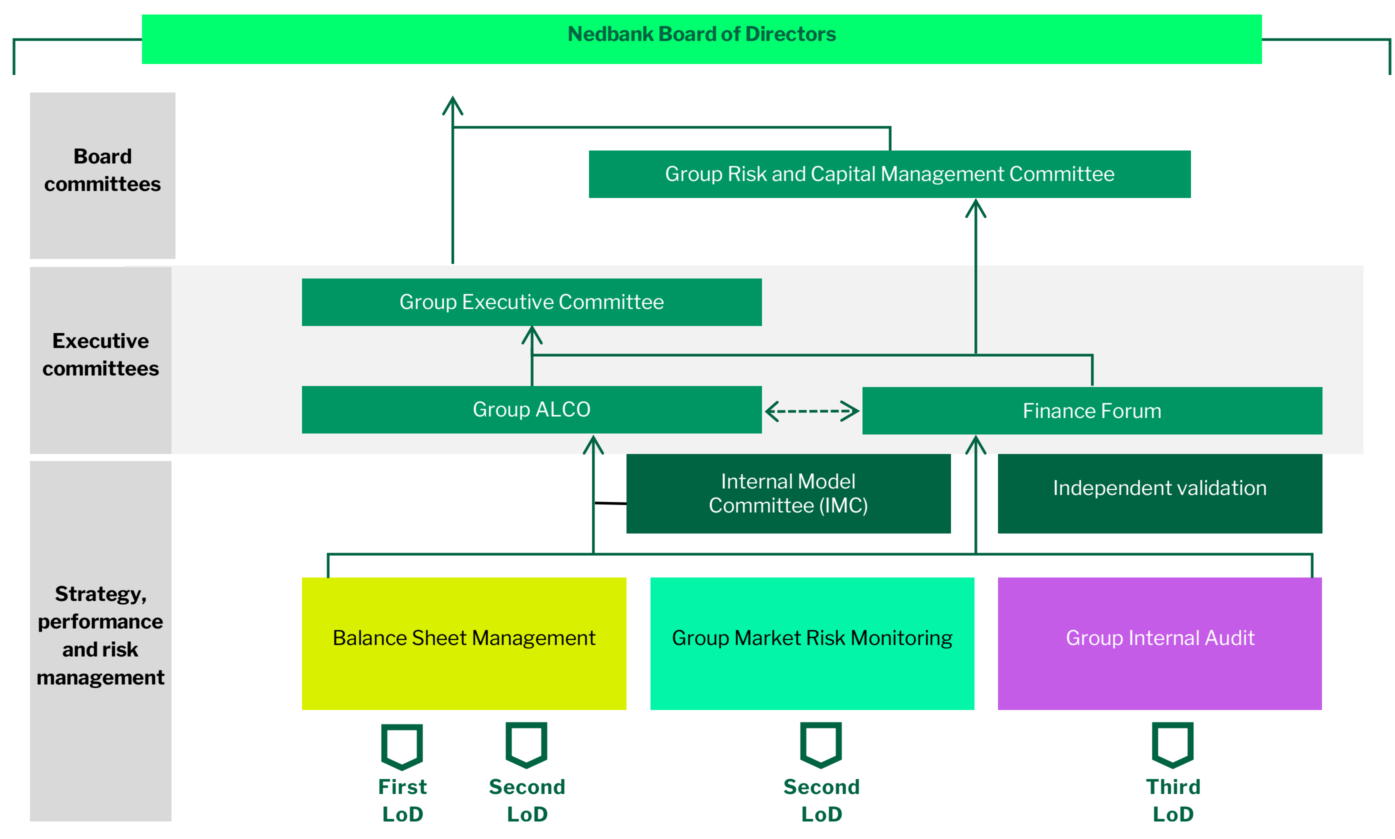
- Manage the group's and subsidiaries capital position within board-approved targets.
- Ensure the group's capital structure remains optimal through the generation of organic earnings, supported by the continued issuance of high-quality Basel III compliant AT1 and tier 2 instruments that support the group's business plan.
- Monitor and ensure the group's readiness to implement and comply with the Basel III post-crisis reforms and any other regulatory developments that may affect the capital position of the group.
- Ensure that the group's capital plan remains dynamic in order to deal with future economic stresses.

Governance

The group subscribes to a defence model that has various layers in respect of managing capital risk. Balance Sheet Management (BSM) acts as the first LoD, Group Risk as the second and Group Internal Audit (GIA) as the third. The group relies on a set of policies and overarching framework, in conjunction with the ERMF, to manage and govern capital risk.

The capital risk policies and frameworks outline a minimum set of standards and processes that must be maintained, including continuous assessment of the capital plans, the setting and reviewing of board targets, stress testing and recovery planning. The group has a governance structure that supports the execution of the capital mandate through BSM on behalf of the Group Asset and Liabilities Management and Executive Risk Commmittee (Group ALCO), which reports to the Group Risk and Capital Management Committee (GRCMC), a subcommittee of the Nedbank Group Board.

Capital Management Governance Structure

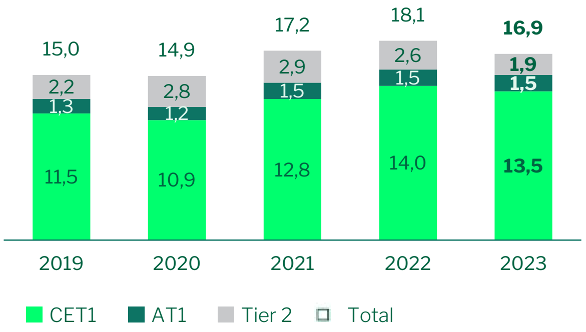


Regulatory Capital Adequacy and Leverage

Capital ratios (including unappropriated profit)

(%)

Nedbank Group



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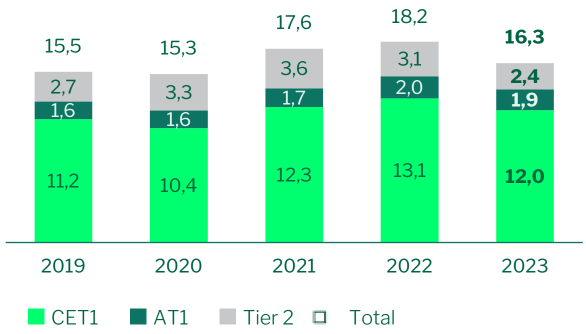


Summary of capital ratios

		PA minimum	Internal targets	Dec 2023	Dec 2022
Nedbank Group					
Including unappropriated profits					
CET1	%		11,0–12,0	**13,5**	14,0
Total tier 1	%		> 12,0	**15,0**	15,5
Total CAR	%		> 14,5	**16,9**	18,1
Surplus tier 1 capital[1]	Rm			**32 828**	34 221
Dividend cover	times		1,75–2,25	**1,75**	1,75
Cost of equity	%			**14,8**	14,9
Excluding unappropriated profits					
CET1	%	8,5		**11,8**	12,2
Total tier 1	%	10,25		**13,3**	13,8
Total CAR	%	12,5		**15,3**	16,4
Leverage	times	<25	<20	**15,1**	14,8
Nedbank Limited					
Including unappropriated profits					
CET1	%		11,0–12,0	**12,0**	13,1
Total tier 1	%		> 12,0	**13,9**	15,0
Total CAR	%		> 14,5	**16,3**	18,2
Surplus tier 1 capital[1]	Rm			**20 287**	25 079
Excluding unappropriated profits					
CET1	%	8,5		**11,0**	11,6
Total tier 1	%	10,25		**12,9**	13,6
Total CAR	%	12,5		**15,3**	16,7

[1] *The surplus tier 1 capital is the difference between the qualifying total tier 1 capital and the total tier 1 capital requirement at the PA minimum of 10,25%.*

Nedbank Group maintained a strong capital adequacy position, with ratios well above the minimum regulatory requirements and group's internal targets.

Nedbank Group manages its capital levels based on the board-approved risk appetite, taking cognisance of rating agency and shareholder expectations, in line with regulatory requirements. The group further seeks to ensure that its capital structure uses the full range of capital instruments and capital management activities available to optimise the financial efficiency and loss absorption capacity of its capital base.

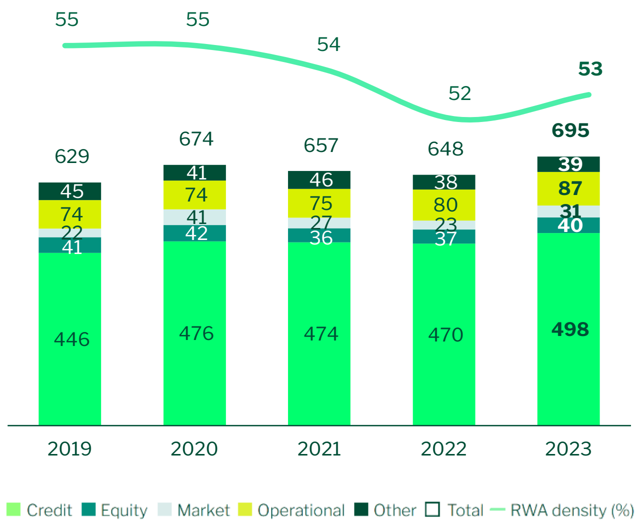
During 2023 the Group finalised a capital optimisation programme that included a share repurchase of 23,4 million shares totalling R5bn. The share repurchase programme included an odd lot offer of 2,7 million shares valued at R638m. The repurchased shares were cancelled and delisted, resulting in a 70 bps dilution of the group's CET1 ratio.

Nedbank performs extensive and comprehensive stress testing to ensure that the group remains well capitalised relative to its business activities, the board's strategic plans, risk appetite, risk profile and the external environment in which the group operates.

Risk-weighted assets

(Rbn)

Nebank Group



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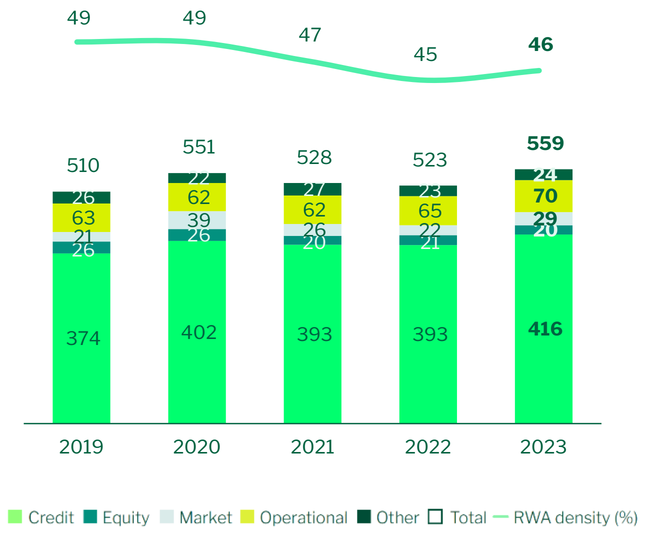


OV1: Nedbank Group overview of risk-weighted assets

	Dec 2023		Dec 2022
	RWA	MRC[1]	RWA
Credit risk (excluding counterparty credit risk)	**477 949**	**59 744**	449 736
Standardised approach (TSA)	**40 413**	**5 052**	36 363
Supervisory slotting approach	**5 661**	**708**	5 062
Advanced internal ratings-based approach (AIRB)	**431 875**	**53 984**	408 311
Counterparty credit risk	**13 441**	**1 680**	14 450
Standardised approach (SA-CCR)	**13 441**	**1 680**	14 450
Credit valuation adjustment	**6 104**	**763**	5 858
Equity risk	**40 407**	**5 051**	37 119
Equity positions under the simple risk-weight approach	**34 539**	**4 317**	32 174
Equity investments in funds – look-through approach	**5 295**	**662**	4 531
Equity investments in funds – fallback approach	**573**	**72**	414
Securitisation exposures in banking book	**245**	**31**	246
Securitisation internal ratings-based approach (SEC-IRBA)	**245**	**31**	
Securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach			246
Market risk	**30 862**	**3 858**	23 037
Standardised approach	**5 918**	**740**	3 138
Internal model approach (IMA)	**24 944**	**3 118**	19 899
Operational risk	**86 834**	**10 853**	79 853
Standardised approach	**11 274**	**1 409**	8 542
Advanced measurement approach (AMA)	**71 401**	**8 924**	68 592
Floor adjustment	**4 159**	**520**	2 719
Amounts below the thresholds for deduction (subject to 250% risk weighting)	**17 124**	**2 141**	16 910
Other assets (100% risk weighting)	**22 274**	**2 784**	20 998
Total	**695 240**	**86 905**	648 207

[1] *Total minimum required capital (MRC) is measured at 12,5% and excludes bank-specific Pillar 2b add-on.*

OV1: Nedbank Limited overview of risk-weighted Assets

	Dec 2023		Dec 2022
	RWA	MRC[1]	RWA
Credit risk (excluding counterparty credit risk)	**399 814**	**49 976**	376 529
Standardised approach (TSA)	**347**	**43**	178
Supervisory slotting approach	**4 501**	**562**	4 187
Advanced internal ratings-based approach (AIRB)	**394 966**	**49 371**	372 164
Counterparty credit risk	**9 583**	**1 198**	9 960
Standardised approach (SA-CCR)	**9 583**	**1 198**	9 960
Credit valuation adjustment	**6 060**	**758**	5 798
Equity risk	**20 230**	**2 529**	21 389
Equity positions under the simple risk-weight approach	**19 436**	**2 429**	20 466
Equity investments in funds – look-through approach	**559**	**70**	512
Equity investments in funds – fall-back approach	**235**	**29**	411
Securitisation exposures in banking book	**245**	**31**	246
Securitisation internal ratings-based approach (SEC-IRBA)	**245**	**31**	
Securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach			246
Market risk	**29 079**	**3 635**	21 727
Standardised approach	**4 684**	**586**	2 121
Internal model approach (IMA)	**24 395**	**3 049**	19 606
Operational risk	**69 920**	**8 740**	64 576
Standardised approach	**309**	**39**	293
Advanced measurement approach (AMA)	**66 318**	**8 289**	63 808
Floor adjustment	**3 293**	**412**	475
Amounts below the thresholds for deduction (subject to 250% risk weighting)	**8 399**	**1 050**	7 109
Other assets (100% risk weighting)	**15 424**	**1 928**	15 481
Total	**558 754**	**69 845**	522 815

[1] *Total minimum required capital (MRC) is measured at 12,5% and excludes bank-specific Pillar 2b add-on.*

- The group's total RWA/total assets density was 53,0% at December 2023 (51,6% at December 2022), driven by an increase of 7,3% in total RWA versus growth in total assets of 4,7%.
- The increase in total RWA is attributable mainly to the following:
  - The increase in credit risk RWA is driven mostly by growth in banking book advances in RBB, and increased risk weights in RBB and CIB.
  - Equity risk RWA increased as a result of movements in equity exposures.
  - Market risk RWA increased due to continued market volatility that was driven by interest rate hikes, the depreciation of the rand, and higher growth in the credit trading and rates businesses.
  - Operational risk RWA increased due to the review of the group's operational risk scenarios and the update of the internal loss data used, including the AMA floor, which is driven by movements in GOI.
  - The other asset RWA increase was mainly due to business-as-usual movements.

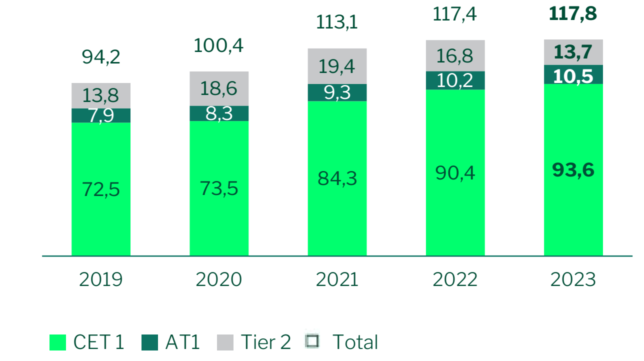
Nedbank Group return on risk-weighted assets at 31 December 2023

%	Dec 2023	Dec 2022
Group	**2,31**	2,18
CIB	**2,30**	2,21
RBB	**2,17**	2,12
Wealth	**3,50**	3,53
NAR	**3,79**	2,12

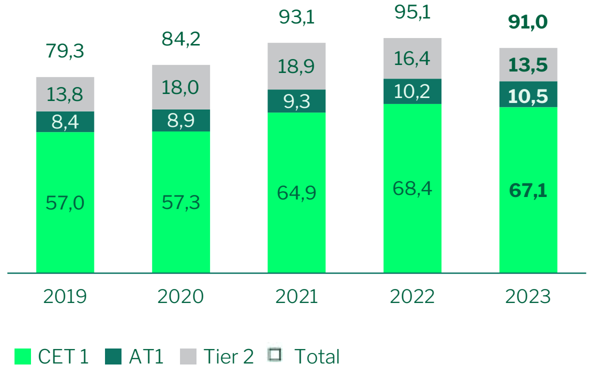
Qualifying capital and reserves (including unappropriated profits)

(Rbn)

Nedbank Group



Nedbank Limited



Summary of regulatory qualifying capital and reserves[1]

Rm	Nedbank Group Dec 2023	Nedbank Group Dec 2022	Nedbank Limited Dec 2023	Nedbank Limited Dec 2022
Including unappropriated profits				
Total tier 1 capital	**104 090**	**100 662**	77 559	78 668
CET1	**93 621**	**90 443**	67 090	68 449
Share capital and premium	**14 797**	**19 695**	20 111	20 111
Reserves	**92 952**	**85 233**	58 719	60 160
Minority interest: Ordinary shareholders	**809**	**670**	–	–
Deductions	**(14 937)**	**(15 155)**	(11 739)	(11 822)
Additional tier 1 capital	**10 469**	**10 219**	10 469	10 219
Perpetual subordinated debt instruments	**10 469**	**10 219**	10 469	10 219
Tier 2 capital	**13 691**	**16 757**	13 464	16 387
Subordinated debt instruments	**12 998**	**15 431**	12 998	15 431
Excess of downturn expected loss over eligible provisions	**438**	**966**	462	954
General allowance for credit impairment	**255**	**360**	4	2
Total capital	**117 781**	**117 419**	91 023	95 055
Excluding unappropriated profits				
CET1 capital	**82 024**	**79 297**	61 578	60 633
Tier 1 capital	**92 493**	**89 516**	72 047	70 852
Total capital	**106 185**	**106 272**	85 511	87 240

[1] *For comprehensive 'composition of capital' and 'capital instruments main features' disclosure, please refer to https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/capital-and-risk-management-reports.html.*

- The group's CET 1 capital was impacted by the capital optimisation initiative of R5bn and final 2022 and interim 2023 dividends of R8,6bn, partly offset by organic earnings growth.
- The group's total tier 1 capital position was further impacted by the issuance of additional tier 1 instruments of R1bn, partly offset by redemptions of R750m.
- The group's total capital was further impacted by the issuance of tier 2 capital instruments of R2,1bn and redemptions amounting to R4,5bn, in line with the group's capital plan.
- These form part of the group's capital management strategy to optimise the group's capital structure.

Regulated banking subsidiaries

Nedbank Group banking subsidiaries are well capitalised for the environments in which they operate, with capital adequacy ratios (CARs) well in excess of respective host regulators' minimum requirements.

	2023			2022	
	Total capital requirement (host country) %	RWA Rm	Total capital ratio %	RWA Rm	Total capital ratio %
Africa Regions					
Nedbank Mozambique	**12,0**	**5 369**	**22,3**	4 406	21,4
Nedbank Namibia Limited	**14,0**	**12 339**	**18,1**	13 195	16,1
Nedbank Eswatini Limited	**8,0**	**5 488**	**18,3**	5 268	18,0
Nedbank Lesotho Limited[1]	**8,0**	**2 484**	**26,9**	1 831	34,2
Nedbank Zimbabwe Limited[2]	**12,0**	**3 532**	**28,4**	1 954	33,9
Isle of Man					
Nedbank Private Wealth (IOM) Limited[3]	**13,0**	**9 719**	**26,2**	9 415	18,0

[1] The decrease was mainly due to an increase in credit risk RWA, which is driven by higher placements with financial entities (at a higher risk weighted factor).
[2] The decrease was due to an increase in credit risk RWA, which was driven by higher customer loans and the depreciation of the local currency.
[3] The increase was due to additional earnings generated in 2023 and a decline in balance sheet lending.

The following table provides an overview of the geographical distribution of private sector credit exposures relevant to the calculation of the countercyclical buffer (CCyB). In 2018 the PA confirmed the South African CCyB at 0%. South African banks are, however, expected to calculate the required CCyB by allocating exposures to the relevant jurisdictions, based on materiality thresholds. When the bank's RWA relating to private sector credit exposures to a foreign jurisdiction that has implemented a non-zero CCyB amounts to 2% or more of the total RWA relating to private sector credit exposures of the bank, those exposures are treated as foreign exposures and are allocated to that specific foreign jurisdiction when the bank calculates its CCyB.

The materiality threshold is also applicable when the aggregate amount of all RWA on private sector credit exposures to foreign jurisdictions, individually amounting to less than 2% of total RWA relating to private sector credit exposures, is 10% or more of the total RWA relating to private sector credit exposures of the bank. Private sector exposures to foreign jurisdictions that are individually less than 2% and in aggregate less than 10% are considered insignificant and allocated to the home jurisdiction.

The PA issued a proposed directive in November 2023 pertaining to the implementation of a positive cycle-neutral countercyclical capital buffer (PCN CCyB). The PA proposes an increase in the countercyclical buffer rate from 0% to 1% effective from 1 January 2026. The proposed PCN CCyB will increase the regulatory minimum capital requirement and consequently impact the group's surplus capital position, if implemented.

CCyB1: Nedbank Group geographical distribution of credit exposures used in the countercyclical capital buffer

Geographical breakdown	Countercyclical capital buffer rate (%)	Exposure values and/or RWA used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate (%)	Countercyclical buffer amount (Rm)
		Exposure Rm	RWA Rm		
December 2023					
United Kingdom	**2,00**	**15 394**	**9 071**	**0,042**	**289**
Luxembourg	**0,50**	**1 623**	**360**		
Norway	**2,50**	**1 607**	**673**		
Sweden	**2,00**	**1**			
Hong Kong	**1,00**	**5**			
Australia	**1,00**	**875**	**372**		
Germany	**0,75**	**13**	**3**		
Netherlands	**1,00**	**2 667**	**1 790**		
Sum		**22 188**	**12 270**	**0,042**	**289**
Total		**1 007 222**	**436 447**		

Economic capital adequacy

Economic capital is the group's comprehensive internal measurement of risk and related capital requirements and forms the basis of the group's ICAAP. Nedbank's ICAAP confirms that both Nedbank Group and Nedbank Limited are well capitalised above their current 'A' or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology.

Nedbank Group's and Nedbank Limited's ICAAPs reflect surplus available financial resources (AFR) of R49,7bn and R40,5bn respectively after a stress test capital buffer has been added. The R5,2bn stress test capital buffer is 10% of the sum of credit risk, market risk, business risk, operational risk, insurance risk and other asset risk, multiplied by 10%, less the portion recognised separately for model risk. This is determined in accordance with the group's comprehensive Stress and Scenario Testing Framework.

Nedbank Group economic capital requirement versus available financial resources

	Dec 2023		Dec 2022	
	Rm	Mix %	Rm	Mix %
Credit risk	**47 609**	**69**	47 266	70
Market risk	**9 590**	**14**	8 836	13
Business risk	**3 722**	**5**	3 568	5
Operational risk	**4 912**	**7**	4 612	7
Insurance risk	**331**	**1**	277	< 1
Other assets risk	**1 284**	**2**	1 184	2
Model risk[1]	**1 471**	**2**	1 701	3
Minimum economic capital requirement	**68 919**	**100**	67 444	100
Add: Stress-tested capital buffer (10%)[1]	**5 274**		4 873	
Total economic capital requirement	**74 193**		72 317	
AFR	**123 896**	**100**	123 264	100
Tier A capital	**100 429**	**81**	97 614	79
Tier B capital	**23 467**	**19**	25 650	21
Total surplus AFR	**49 703**		50 947	
AFR: Total economic capital requirement (%)	**167**		170	

[1] The stress-tested capital buffer is calculated as: (the sum of credit risk, market risk, business risk, operational risk, insurance risk and other asset risk, multiplied by 10%) less the portion recognised separately for model risk.

Nedbank Group's minimum economic capital requirement increased by R1,5bn during the FY 2023, driven primarily by the following:

- An increase of R343m in credit risk, driven primarily by a combination of growth in the CIB portfolio as well as deterioration of risk profiles in CIB and RBB.
- An increase of R754m in market risk, driven primarily by an increase in investment exposure and interest rate risk in the banking book (IRRBB) due to higher stochastic results and changes in the yield curves, resulting from higher interest rates.
- An increase of R300m in operational risk due to the review of the risk scenarios and the update of internal loss data used, including the advanced-measurement-approach (AMA) floor, which is driven by movements in gross operating income (GOI).
- An increase of R100m in other assets due to balance sheet movements.
- An increase of R154m in business risk due to annual model parameter updates, reflective of the higher risk environment.
- A decrease in model risk due to an enhancement of the allocation approach for model risk to clusters, which is based on multipliers of total minimum economic capital linked to model materiality.

Nedbank Group's AFR increased by R632m in FY 2023, mainly as a result of the following:

- A R2,8bn increase in tier A capital, which was driven by organic capital generation over the period, offset with dividends and the execution of the capital optimisation initiative of R5,0bn including an odd-lot offer.
- A R2,2bn decrease in tier B capital following the redemption of R5,3bn of tier 1 and tier 2 debt instruments, which were offset by the issuance of tier 1 and tier 2 instruments amounting to R3,1bn.

Nedbank Limited economic capital requirement versus available financial resources

	Dec 2023		Dec 2022	
	Rm	**Mix %**	**Rm**	**Mix %**
Credit risk	**40 104**	**74**	40 377	74
Market risk	**5 686**	**10**	5 758	10
Business risk	**2 443**	**4**	2 510	5
Operational risk	**3 582**	**7**	3 458	6
Insurance risk				
Other assets risk	**1 134**	**2**	1 228	2
Model risk	**1 349**	**2**	1 526	3
Minimum economic capital requirement	**54 298**	**100**	54 857	100
Add: Stress-tested capital buffer (10%)[1]	**3 946**		3 807	
Total economic capital requirement	**58 244**		58 664	
AFR	**98 789**	**100**	102 021	100
Tier A capital	**75 322**	**76**	76 371	75
Tier B capital	**23 467**	**24**	25 650	25
Total surplus AFR	**40 545**		43 357	
AFR: Total economic capital requirement (%)	**170**		174	

[1] The stress-tested capital buffer is calculated as: (the sum of credit risk, market risk, business risk, operational risk, insurance risk and other asset risk, multiplied by 10%) less the portion recognised separately for model risk.

Nedbank Limited's minimum economic capital requirement decreased by R559m during the FY 2023, driven primarily by the following:

- A decrease of R273m in credit risk economic capital driven primarily by a lower credit exposure in the CIB book.
- A decrease of R177m in model risk economic capital due to an enhancement of the allocation approach for model risk to clusters.
- An increase of R124m in operational risk economic capital due to similar reasons mentioned for group.

Nedbank Limited's total AFR decreased by R3,2bn during FY 2023, mainly as a result of the following:

- A R1,0bn decrease in tier A capital, which was driven by the final 2022 and 2023 interim dividends post the capital optimisation initiative of R5,0bn including an odd-lot offer. This decrease was diluted by an increase in organic earnings during 2023 and an increase in share-based payments.
- A R2,2bn decrease in tier B capital driven by the same reasons outlined for the group tier B capital.

CREDIT RISK

YEAR UNDER REVIEW

Credit risk management and governance remained resilient despite a weak local economy hampered by high interest rates, higher inflation, load-shedding, infrastructure challenges, a weaker global economy, and a deteriorating geopolitical environment. The GCC continued to provide independent oversight, ensuring a quality credit portfolio that remains adequately impaired.

To ensure and protect value, during 2023 the GCC performed the following:

- Approved the adequacy of impairments biannually to ensure that the expected credit loss (ECL) held against gross loans and advances (GLAA) was appropriate.
- Approved the adequacy of credit risk-weighted assets (RWA).
- Tracked and monitored initiatives to improve the origination and collection processes and their impact on the 2023 credit loss ratio (CLR).
- Oversaw deep dives into the possible impact of a blackout scenario on the economy, impact of elevated interest rates on the credit portfolio as well as the impact of infrastructure decay on Nedbank's portfolio.

FOCUS FOR 2024

As we look ahead to 2024 and beyond, Nedbank is well positioned to seize the opportunities and to overcome the challenges that lie ahead. Nedbank will continue to monitor and manage the risks that we face in pursuit of our vision 'to be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society'.

For 2024, the GCC will focus on the following:

- Oversee ongoing credit risk management across all portfolios to optimise the outcome of the cost of credit and credit RWA.
- Monitor and consider the impact of the implementation of Basel III reforms on the credit portfolio.
- Monitor developments emanating from SARB's proposed amendments to Directive 7/2015 relating to the treatment and classification of distressed restructures on the credit portfolio.
- Continue to focus on early-identification strategies regarding distressed portfolios, industry-specific concentration risks and the proactive management of key watch list clients.

Credit strategy overview

A long-term credit strategy supports the overall business strategy of the group and provides a framework to maintain the necessary balance between preserving and optimising capital through the following:

- Identifying target markets in line with the business strategy [Strategic Portfolio Tilt (SPT) 2.0].
- Identifying products appropriate to those markets.
- Setting the group's credit risk appetite and credit portfolio limits within targeted sectors and at a consolidated level.
- Determining credit portfolio limits at group and business unit (BU) levels.
- Planning and executing on the required credit infrastructure (people, processes, and systems) to achieve goals.
- Communicating strategy, goals, and objectives to appropriate governance structures.
- Establishing credit policy, guidelines, standards, and ratings methodologies.
- Measuring credit risk consistently and accurately.
- Building independent monitoring capabilities.
- Ensuring that lending opportunities relating to climate change are discovered and maximised.

Credit risk is defined as a risk arising from an obligor's failure to meet the terms of any agreement. Credit and counterparty credit risk (CCR) arise when funds are extended, committed or the group is otherwise exposed through contractual agreements, whether reflected on or off the balance sheet. Credit risk is identified within the ERMF as a principal risk assumed as part of achieving the bank's business objectives. It accounted for 69,1% of the bank's economic capital and 74,4% of the bank's regulatory capital requirements at 31 December 2023. The aim of credit risk management is to deliver an earnings profile that will perform within acceptable levels of earnings volatility, determined by the bank's overall credit risk appetite, while maximising the bank's economic profit.

Governance structures

Credit risk, including CCR and credit concentration risk, is managed across the group in terms of the board-approved Group Credit Risk Management Framework (GCRMF) and Group Credit policy (GCP). The GCRMF incorporates the requirements from the banking regulations and outlines the credit risk governance process, including credit risk appetite and the authorisation and delegation of credit risk mandates and activities. The GCRMF prescribes the governance framework for monitoring exposures, calculating impairments and managing material high-risk exposures. The GCRMF establishes the credit approval mandates for the various credit sanctioning authorities within the BUs. Where a request for credit facilities exceeds the mandate, the credit request is submitted to a higher mandated authority. The final authority for the approval of credit applications where the requested group limits exceed the large-exposure threshold of 10% of Nedbank's tier 1 qualifying capital and reserves imposed by the Banks Act, 94 of 1990, is the Large-exposures Approval Committee (LEAC), a subcommittee of the Nedbank Board. The GCP augments the GCRMF and contains the detailed control objectives that are to be met.

The management of credit risk is executed in accordance with the group's 3LoD Model. The first LoD is represented by business line management, client-facing operations or revenue-generating activites (business clusters) – risk-taking and risk ownership. The second LoD consists of 2ALoD, which provides in-cluster oversight of credit risk and compliance monitoring functions. The 2B LoD provides independent groupwide risk and compliance oversight, monitoring and advisory functions. The credit risk functions embedded in the BUs are responsible for providing oversight over the risk-taking activities of business areas. The Group Credit Risk (GCR) function within Group Risk provides independent oversight of credit risk across the bank and reports to the Group Chief Risk Officer (GCRO). The third LoD is represented by GIA, which provides an independent assurance function. The credit governance structure is illustrated in the diagram on the following page.

Governance structure of Nedbank's IRB credit system

Nedbank Board of Directors

Recognises all material risks to which the group is exposed and ensures that the requisite risk management culture, practices, policies and systems are in place and functioning effectively.

Group Credit Committee (GCC)

The GCC is a subcommittee of the board that monitors credit risk and compliance with the relevant legislation as well as ensures sound risk management and appropriate corporate governance. The GCC reviews the adequacy of impairments and approves material changes to the internal ratings-based (IRB) credit models.

Large-exposures Approval Committee (LEAC)

The LEAC is a board subcommittee with the primary mandate of approving advances in excess of the large-exposure threshold imposed by the Banks Act.

First LoD

Business

Executive Credit Committee (ECC) • Cluster credit committees • Segment credit committees (SCCs) • Credit risk management committee (CRAM)
Executive Oversight/Group Executive Committee

2A LoD

Business cluster chief risk officers

Model and process validation • New-model development • Credit approval and mandates • Adequacy of impairments
Model refinement, improvement and backtesting • Oversight of the rating process • Monitoring and reporting of credit portfolios • Ongoing credit management

Executive heads: Business risk and compliance

Independent risk and compliance monitoring from business activities taking the risk

Cluster risk labs

Independent model development and peer review

2B LoD

Wholesale Technical Forum | **Retail and Business Banking Technical Forum** | **Ad hoc Rating Committee**

Group Risk

Group Credit Risk (GCR)

- Performing independent risk oversight of credit risk management, impairment adequacy, credit risk-weighted assets and the Group Credit Policy.
- Overseeing strategic and active portfolio management as well as the determination of the credit and concentration risk appetite.
- Ensuring the implementation of the GCRMF across the group.
- Overseeing the consolidated group credit risk reporting.
- Ensuring the independent validation of the credit risk IRB models and risk-based approach for International Financial Reporting Standard 9 (IFRS 9) models.
- Overseeing the calculation, consolidation, and analysis of credit regulatory capital, as well as the completion of the credit regulatory returns.
- Participating in model technical forums or committees, including ensuring consistency in the rating methodologies across the group, alongside GRA.
- Reviewing non-regulatory-capital credit models.
- Analysing IFRS 9 impairments, including macroeconomic factors.
- Producing credit-risk-related BA returns to the SARB PA.

Group Risk Analytics

- IFRS 9 expected credit loss (ECL) calculations, data provisioning and operational processes.
- IFRS 9 impairment (including macroeconomic) analytics.
- Loss forecasting (IFRS 9 ECL), including stressed ECL and RWA.
- Advises on impairments and capital methodology.
- Calculation of group credit economic capital.
- Active credit portfolio management.
- Development, enhancement, and implementation of the Groupwide Model Risk Management (MRM) Policy and Framework.
- Assessing and managing the level of aggregate model risk in the group.
- Evaluating model standards across the group through methodology enhancements, standardise definitions and documentation requirements.
- Participation/Chairpersonship in model technical forums and committees.
- Ensures consistency in the rating methodologies across the group.
- Impairments and capital methodology advisory.
- Group credit risk data management in compliance with Risk Data Aggregation and Risk Reporting (RDARR) principles.

Group Compliance (GC)

- Performing independent compliance monitoring.

Third LoD

Group Internal Audit

The Nedbank Board has executive and non-executive involvement and oversight to monitor and manage credit risk, including CCR. Regular training is provided to the board to ensure they remain informed about the latest developments regarding regulatory changes and industry trends. The board sets the bank's credit risk appetite, which is cascaded to the clusters and BUs. The credit risk appetite targets include several quantitative measures relating to the bank's desired credit risk profile, which allows for the continuous monitoring of exposures to avoid undue concentrations.

The GCC is a subcommittee of the board designated to oversee material aspects of credit risk. Membership includes both non-executive and executive directors, who have a general understanding of the IRB credit system and related regulatory requirements. The GCC provides independent oversight of the credit risk policies, procedures, processes and practices, to ensure the credit portfolio remains adequately impaired and maintained in line with IFRS 9 requirements. The GCC challenges and ultimately approves all material aspects of the bank's IRB systems and processes.

The Executive Credit Committee (ECC) is a subcommittee of the Group Executive Committee (Group Exco) and provides strategic support and direction at an executive level regarding credit risk. The ECC membership includes the Group Chief Executive, GCRO (chairperson), Group Chief Credit Officer (GCCO) (alternate chairperson), Group Chief Financial Officer (GCFO), Group Chief Operating Officer, Group Chief Compliance Officer, the client-facing-cluster managing executives, the business cluster executive heads of risk and heads of credit.

The GCC and ECC delegate the duty to monitor credit risk within the business to the CIB, RBB, Wealth and NAR cluster credit committees (CCCs). The CCCs are responsible for implementing cluster-level credit policy and credit mandates, as well as reviewing cluster-level credit portfolios, compliance with credit policies, credit risk appetite parameters, IFRS 9 macroeconomic forecasts and adequacy of impairments, expected loss (EL) and credit RWA levels. CCC chairpersons are provided by the GCR function in Group Risk and are independent of the business, to provide independent oversight of the credit monitoring process, as well as to ensure the consistency of the credit-rating processes across the bank. The CCC reports to the ECC and ultimately the GCC quarterly and on an ad hoc basis (if the need arises) to provide an overview of the credit portfolio, highlight key concerns identified and discuss remedial actions.

GCR independently monitors the bank's credit portfolio at cluster and BU level against established credit risk appetite limits. GCR also maintains the credit risk policies and procedures, credit committee charters, as well as the GCRMF. The following areas reside within GCR:

- GCR has independent credit executives that function as independent chairpersons and members of the credit approval committees, watch list committees and CCCs.
- The Credit Model Validation Unit (CMVU), which is the bank's independent risk control unit required by the banking regulations. It validates all the bank's regulatory credit capital models as well as the origination, pricing and IFRS 9 impairment models using a risk-based approach.
- The Credit Risk Assurance Team, which is responsible for producing monthly regulatory returns for credit and the biannual adequacy-of-credit-risk-weighted-assets report, as well as for credit risk appetite monitoring and portfolio management.
- The Credit Strategy and Reporting Team, which is responsible for monitoring credit risk and providing consolidated reporting on the group's credit risk (including the biannual adequacy of impairments report).
- Participate as independent chairpersons and members for the model forums/committees, for impairment, regulatory capital, origination and pricing models.

Group Risk Analytics (GRA) resides within Group Risk and is responsible for the following:

- IFRS 9 ECL calculations, data provisioning and operational processes.
- IFRS 9 impairment (including macroeconomic) analytics.
- Loss forecasting (IFRS 9 ECL), including stressed ECL and RWA.
- Impairments and capital methodology advisory.
- Calculation of group credit economic capital.
- Active credit portfolio management.
- Development, enhancement, and implementation of the Groupwide Model Risk Management (MRM) Policy and Framework.
- Assessment and management of the level of aggregate model risk in the group.
- Evaluation of model standards across the group through methodology enhancements, standard definitions, and documentation requirements.
- Participate as independent chairpersons and members for the model forums/committees, for impairment, regulatory capital, origination, and pricing models.
- Group credit risk data management in compliance with risk data aggregation and risk reporting (RDARR) principles.

Members of GRA participate or act as independent chairpersons and members for the model forums and committees with responsibilities related to impairment, regulatory capital, origination and pricing models.

Credit risk approaches across Nedbank

Credit rating systems are in place for both the AIRB and the standard approach (TSA) to calculate credit RWA under Basel III, together with sound governance processes, to ensure that credit ratings are applied consistently across the bank.

Nedbank's IRB credit rating system governance processes are well established across the bank. Nedbank, including Nedbank London Branch, accounted for 89,96% (at 31 December 2023) of the total credit extended, excluding counterparty credit risk (CCR), by the bank and is on the IRB approach. The risk estimates generated from Nedbank's internal models are used across the credit process in running the business.

TSA is applied for Private Wealth International and the Nedbank Africa Regions (NAR) subsidiaries credit portfolios. Conservative IRB credit benchmarks are used to estimate internal economic capital for portfolios on TSA. The bank does not use ratings from external credit assessment institutions (ECAIs) or export credit agencies (ECAs).

The group's credit risk economic capital [or credit value at risk (VaR)] is more sophisticated than the AIRB approach and is calculated using credit portfolio modelling based on the volatility of unexpected losses (UL). This estimated UL is measured from the key AIRB approach credit risk parameters, which include the probabily of default (PD), exposure-at-default (EAD) and loss-given-default (LGD) parameters, as well as taking LGD volatility, PD/LGD correlation, portfolio concentrations and intrarisk diversification into account.

Key credit risk appetite metrics

Credit risk appetite targets are set for the group and are cascaded to the cluster or BU level. Group-level risk appetite targets applicable to credit risk include various quantitative measures relating to the credit risk profile and CCR profile, and entail the continuous monitoring of correlations and concentrations. All credit risk appetite metrics are stress-tested at group, BU and cluster level. Stress testing is performed and reported on quarterly. The most prominent key credit risk appetite metric is the credit loss ratio (CLR), which is disclosed by cluster in the Nedbank Group Results Booklet.

Credit risk assessment

The bank undergoes a bankwide risk assessment that identifies the material risks faced by the bank for the annual ICAAP with a focus on determining the internal capital requirement. This process evaluates the risks and determines the pervasiveness of the risk across multiple business lines, the significance of the risk to a specific business line, the likelihood and potential impact of the risk and whether the risk may cause unexpected losses in income, which may need to be mitigated by internal capital. The process also reviews other evolving and emerging risks and includes qualitative considerations, such as strategic, economic, and environmental risk factors. The identified risks are ascribed a rating indicating how probable and impactful they may be and are used as an important input in the ICAAP for the determination of internal capital requirements.

Nedbank's credit risk measurement and methodology

The bank's AIRB credit methodology is fully implemented across all major credit portfolios. Under this methodology, credit risk is essentially measured by several components:

- PD, which measures the likelihood of a client defaulting on credit obligations within 12 months, determined using through-the-cycle (TTC) data.
- LGD, which is the economic loss the bank expects to incur on a facility should the client default. Basel III requires that banks use downturn LGD (dLGD) estimates in regulatory capital calculations, as PD and LGD may be correlated. Due to empirical evidence indicating correlation between PD and LGD, downturn loss given default (dLGD) measures the losses expected during economic downturn conditions.
- EAD, which quantifies the expected exposure on a facility at the time of default. EAD models consider the likelihood of a client drawing down against available facilities in the period leading up to default. Similar to the LGD, Basel III requires downturn estimates, though in practice the impact is lower on EAD when compared with LGD.
- The regulatory credit risk models for PD, EAD and LGD form the cornerstone of Nedbank's internal rating and economic capital systems and are subject to the established model governance structure and processes. The PD, EAD and LGD form part of the key inputs in the minimum regulatory capital requirements calculation for credit risk differentiated between EL and RWA. The EL is compared with the accounting impairments to determine if additional capital is required. Furthermore, the RWA is an unexpected loss calculated with the credit risk parameters and the relevant Basel III capital requirement formulas per asset class and the effective maturity calculation, where required.

Retail models are developed using a statistical scorecard-based methodology, while the wholesale models use a combination of statistical scorecard-based, expert judgement and structural cash flow simulation methodologies. PD and LGD models are calibrated to long-term default and loss rates, ensuring that capital estimates meet regulatory requirements. Where suitably robust default or loss rates are not available, for example in the case of low-default portfolios, external data sources are included to ensure appropriate calibration.

Nedbank applies regulatory floors, where relevant, such as the 0,03% regulatory PD floor, the 10% LGD floor for residential mortgages, and floors the EAD at the current exposure. Additionally, Nedbank has incorporated the 0,05% Basel III PD floor, which became effective from 1 January 2023, into its large corporate PD estimation.

The table below provides an overview of the rating approaches adopted across the various portfolios:

Portfolios	Number of models	Model type	Modelling approaches adopted
Corporate portfolios	6	PD	• Scorecard-based models incorporate internal data, market-related information and expert judgement and a structural cash flow simulation PD model for the leveraged buyout portfolio.
		LGD	• LGDs are estimated by considering the losses incurred on defaulted exposures in combination with the amount recovered on collateral. • Recovery rates are determined using internal historical data and expert judgement.
		EAD	• EADs are estimated by considering the loan's current outstanding amount, interest that may be accrued prior to default, and future drawdowns of available credit measured through a credit conversion factor (CCF).
Specialised lending	7	PD	• Structural cash flow simulation PD models have been developed for the project finance and income-producing real estate (IPRE) portfolios.
		LGD	• LGDs are estimated by considering the losses incurred on defaulted exposures in combination with the amount recovered on collateral. • Recovery rates are determined using internal historical data, expert judgement and regulatory guidelines.

Portfolios	Number of models	Model type	Modelling approaches adopted
		EAD	• EADs are estimated by considering the loan's current outstanding amount, interest that may be accrued prior to default, and future drawdowns of available credit measured through a CCF.
Banks and sovereign	9	PD	• Scorecard-based models incorporate internal and external data, expert judgement and external rating agency ratings.
		LGD	• LGDs are estimated based on expert judgement and compared to benchmarks. • External data and expert judgement are used to determine model inputs.
		EAD	• EAD estimates are derived for each product by considering the loan's current outstanding amount, interest that may be accrued prior to default, and future drawdowns of available credit measured through a CCF.
SMEs (Corporate and Retail)	5	PD	**SME Corporate** • Scorecard-based models are used and incorporate financial statement information, as well as other counterparty-specific characteristics and risk drivers. • PD models are calibrated to long-term average default rates. **SME Retail** • Statistical scoring models are developed for each product or portfolio. The models consider counterparty-specific information such as borrower, transactional and delinquency characteristics as inputs, and produce estimated account-specific risk scores as outputs. • PD models are calibrated to long-term average default rates.
		LGD	• LGDs are estimated by considering the losses incurred on defaulted exposures in combination with the amount recovered on collateral. • Recovery rates are determined using internal historical data.
		EAD	• EADs are estimated by considering the loan's current outstanding amount, interest that may be accrued prior to default, and future drawdowns of available credit measured through a CCF. CCFs are estimated for each product using internal historical data.
Retail mortgages	6	PD	• Statistical scoring models are developed for homogeneous risk pools. The models consider information such as borrower, transactional and delinquency characteristics as inputs and produce account-specific risk scores as outputs. • PD models are calibrated to long-term average default rates for each homogeneous risk pool.
		LGD	• LGDs are estimated by discounting the recovered cash flows, including costs. The loss is then measured as a percentage of the EAD.
		EAD	• EADs are estimated by considering the loan's current outstanding amount, interest that may be accrued prior to default, and future drawdowns of available credit measured through a CCF. • The estimation of EAD is based on long-term historical data and segmented appropriately.
Retail revolving credit	8	PD	• Statistical scoring models are developed for homogeneous risk pools. The models consider account-specific information such as borrower, transactional and delinquency characteristics as inputs and produce account-specific risk scores as outputs. • PD models are calibrated to long-term average default rates for each homogeneous risk pool.
		LGD	• LGDs are estimated by discounting the recovered cash flows, including costs. The loss is then measured as a percentage of the EAD.
		EAD	• EADs are estimated using a combination of the amount currently drawn and an estimate of the loan's CCF, ie future drawdowns of available but used credit. • The estimation of CCFs is based on long-term historical data and segmented appropriately.
Retail other	6	PD	• Statistical scoring models are developed for homogeneous risk pools. The models consider account-specific information such as borrower, transactional and delinquency characteristics as inputs and produce account-specific risk scores as outputs. • PD models are calibrated to long-term average default rates for each homogeneous risk pool.

Portfolios	Number of models	Model type	Modelling approaches adopted
		LGD	• LGDs are estimated by discounting the recovered cash flows, including costs. The loss is then measured as a percentage of the EAD.
		EAD	• EADs are estimated with the consideration of the loans amortisation and interest that may be accrued prior to default. • The estimation of EAD is based on long-term historical data and segmented appropriately.

IFRS 9 methodology

Impairments are raised for credit exposures in accordance with IFRS 9 and require the recognition of credit losses based on forward-looking ECL: either 12-month or lifetime ECL, dependent on whether the financial instrument has shown a significant increase in credit risk (SICR), since initial recognition. When measuring ECL, the bank considers the maximum contractual period over which it is exposed to credit risk. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the bank is exposed to credit risk and how the credit losses are mitigated by management actions.

The IFRS 9 standard outlines three stages of ECL, based on changes in credit quality since initial recognition:

- Stage 1: Credit exposures for which a SICR has not occurred since initial recognition and for which the ECL is calculated as the 12-month ECL, except for exposures with a remaining lifetime of less than 12 months.
- Stage 2: Credit exposures for which a SICR has occurred since initial recognition but are not classified as 'credit-impaired' or 'in default' and for which the ECL is calculated as the lifetime ECL.
- Stage 3: Lifetime ECL for credit exposures that have defaulted.

Nedbank's IFRS 9 methodology leverages off the regulatory capital models as far as possible with appropriate adjustments to ensure compliance to the IFRS 9 standard.

Default definition

Loans and advances are deemed to have defaulted when the South African banking regulations definition of default criteria is triggered, which is in line with the Basel III requirements. For retail and specialised lending portfolios, this is product-centred and a default would therefore be specific to a borrower account (a specific advance). The remaining portfolios are client- or borrower-centred, meaning that should any transaction within a borrowing group default, all transactions within the borrowing group would be treated as having defaulted. Defaulted loans and advances are classified as stage 3 and an appropriate ECL is measured as the difference between the asset's gross carrying amount and the present value of the probability-weighted future cash flows discounted at the asset's original effective interest rate. Default occurs in respect of a client in the following instances:

Quantitative criteria

- The client has exceeded their advised credit limit or is past due for more than 90 days on any material credit obligation to the group.

Qualitative criteria

- The group considers that the client is unlikely to meet their credit obligations to the group in full without the group having recourse to actions such as realising security (if held).
- The group has consented to a distressed restructuring of the credit obligation, in accordance with PA Directive 7/2015, which is likely to result in a reduced financial obligation.
- The group has applied for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation.
- The client is placed under business rescue in terms of the Companies Act, 71 of 2008, and when the client requests a restructure of their facilities due to financial distress.

Restructures

The bank distinguishes between restructures that take place in the normal course of business and those that take place as a result of financial distress on the part of the borrower. A normal course of business restructure is an agreement concluded where an advance has not shown any financial distress, but the client wishes to renegotiate the terms of the loan. Borrowers who occasionally request increased or amended facilities from the bank as part of a prudent approach to their cash flow management, such as an increase in working capital to meet seasonal demands or to cater for anticipated growth in their business, are not treated as distressed restructures.

Distressed restructured credit exposures (Directive 7/2015) include any loan, advance or facility in respect of which the bank has granted a concession to the obligor owing to a deterioration in its financial condition, which results or is likely to result in:

- the obligor no longer able to meet the terms or conditions originally agreed;
- restructuring the agreement, which may include a modification of terms or conditions such as:
  - a reduction in the interest rate from the one originally agreed;
  - a reduction in the relevant interest amount due;
  - a reduction in the relevant principal amount due;
  - any amendment to the originally agreed contractual maturity or payment frequency;
  - any forgiveness, deferral or postponement of a principal amount, interest amount or fees due;
  - any subsequent increase in the relevant level of working capital or revolving facility;

- restructuring the agreement with the inclusion of the transfer from the obligor to the bank of real estate, receivables from third parties, other assets, or an equity interest in the obligor in full or partial satisfaction of the loan, advance or facility; or
- restructuring the agreement with the substitution or addition of a new debtor for the original obligor.

Forward-looking information incorporated in the ECL models

To account for forward-looking information (FLI), the ECL input parameters [PD, LGD, EAD and significant increase in credit risk (SICR)] are modelled on a segment level, considering macroeconomic drivers. Most portfolios are linked to macroeconomic drivers such as the prime rate, GDP growth, household debt-to-income, consumer price inflation and credit growth. Judgemental adjustments are applied where the modelling inadequately captures the risks within the portfolio.

The incorporation of FLI into the ECL models allows for a range of macroeconomic outcomes to capture the non-linear impact on the ECL. The parameter inputs used to estimate the ECL are modelled on four macroeconomic scenarios: base (expected), positive, mild and high stress. Scenarios are provided by the Nedbank Group Economic Unit and incorporate historical trends, statistical models, and expert judgement. The macroeconomic scenarios are updated quarterly, with the option of an out-of-cycle update based on significant macroeconomic events. There is a robust internal governance process to review and approve the forecasted macroeconomic factors, which include approval by a board subcommittee for the half-year and year-end periods.

The ECL under each macroeconomic scenario is the sum of the discounted products of the PD, LGD and EAD for that specific scenario. The ECL is calculated to reflect an unbiased and probability-weighted amount, with the scenario weights estimated based on the likelihood of occurrence. The scenario set utilised and their associated weights are reviewed and approved by an executive-level subcommittee annually.

Nedbank's master credit rating scale

The table below shows the relationship of Nedbank's internal master rating scale as compared with external ratings, as well as the prescribed Pillar 3 disclosure bands.

PD MASTER RATING (NGR) SCALE — INTERNATIONAL SCALE

			PD band (%)		
Rating category	Rating grade	Geometric mean (%)	Lower bound (PD >)	Upper bound (PD ≤)	Mapping to
Performing	NGR01	0,010	0,000	0,012	0,00 to < 0,15
	NGR02	0,014	0,012	0,017	
	NGR03	0,020	0,017	0,024	
	NGR04	0,028	0,024	0,034	
	NGR05	0,040	0,034	0,048	
	NGR06	0,057	0,048	0,067	
	NGR07	0,080	0,067	0,095	
	NGR08	0,113	0,095	0,135	
	NGR09	0,160	0,135	0,190	0,15 to < 0,25
	NGR10	0,226	0,190	0,269	
	NGR11	0,320	0,269	0,381	0,25 to < 0,50
	NGR12	0,453	0,381	0,538	
	NGR13	0,640	0,538	0,761	0,50 to < 0,75
	NGR14	0,905	0,761	1,076	
	NGR15	1,280	1,076	1,522	0,75 to < 2,50
	NGR16	1,810	1,522	2,153	
	NGR17	2,560	2,153	3,044	2,50 to < 10,00
	NGR18	3,620	3,044	4,305	
	NGR19	5,120	4,305	6,089	
	NGR20	7,241	6,089	8,611	
	NGR21	10,240	8,611	12,177	10,00 to < 100,00
	NGR22	14,482	12,177	17,222	
	NGR23	20,480	17,222	24,355	
	NGR24	28,963	24,355	34,443	
	NGR25	40,960	34,443	99,999	

Rating category	Rating grade	Geometric mean (%)	PD band (%) Lower bound (PD >)	PD band (%) Upper bound (PD ≤)	Mapping to
Non-performing (defaulted)	NP1	100	100	100	100,00 (default)
	NP2	100			
	NP3	100			

The comprehensive PD rating scale, which is mapped to default probabilities, enables the bank to rate all borrowers on a single scale, whether they are lower-risk corporate or higher-risk retail borrowers. The principle benefit thereof is that comparisons can be made between the riskiness of borrowers making up various portfolios. Nedbank's master rating scale was adopted for regulatory reporting in the BA200 series.

NEDBANK GROUP COVERAGE RATIO BY BUSINESS CLUSTER[1]

%	Dec 2023	Dec 2022
Group	**3,62**	3,37
CIB	**1,14**	1,29
CIB, excluding Property Finance	**1,56**	1,41
Property Finance	**0,81**	1,19
RBB	**5,35**	4,92
Commercial Banking	**2,28**	1,83
Retail	**6,13**	5,73
Home Loans	**2,29**	1,72
VAF	**5,16**	5,11
Personal Loans	**27,09**	24,08
Card	**16,32**	15,95
Other	**21,28**	16,54
Wealth	**1,29**	1,33
NAR	**5,71**	5,19

[1] *Coverage (%) is calculated as on-balance-sheet ECL divided by gross banking book loans and advances. Coverage excludes ECLs on off-balance-sheet amounts, as well as ECL and gross banking loans and advances associated with products held at fair value through other comprehensive income (FVOCI).*

NEDBANK GROUP ON-BALANCE-SHEET ECL IMPAIRMENTS BY BUSINESS CLUSTER[2]

Rm	Dec 2023	Dec 2022
Group	**29 602**	27 209
CIB	**3 573**	4 213
CIB, excluding Property Finance	**2 140**	2 199
Property Finance	**1 433**	2 014
RBB	**24 254**	21 134
Commercial Banking	**2 102**	1 641
Retail	**22 152**	19 493
Wealth	**348**	370
NAR	**1 267**	1 188
Centre	**160**	304

[2] *ECL relating to loans and advances only*

CR1: Credit quality of assets

	Rm	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Allowances/ Impairments[1]	Of which ECL accounting provisions for credit losses on SA exposures: Allocated in regulatory category of Specific	Of which ECL accounting provisions for credit losses on SA exposures: Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values
December 2023								
1	Loans	**58 181**	**826 866**	**29 602**	**1 040**	**279**	**28 283**	**855 445**
2	Debt securities		**116 773**	**29**			**29**	**116 744**
3	Off-balance sheet exposures		**298 264**	**254**		**18**	**237**	**298 009**
4	**Total**	**58 181**	**1 241 903**	**29 885**	**1 040**	**297**	**28 549**	**1 270 198**
December 2022								
1	Loans	51 675	720 694	27 209	889	361	25 959	745 160
2	Debt securities[2]		109 523	9			9	109 514
3	Off-balance sheet exposures		228 308	337		28	309	227 971
4	**Total**	51 675	1 058 525	27 555	889	389	26 277	1 082 645

[1] Impairments on row 1 relate to total expected loss impairments on gross loans and advances (GLAA) while on row 3 the impairments relate to off-balance-sheet exposures reported in the liabilities section of the balance sheet.
[2] Debt securities restated to include impairments values for Dec 2022

Off-balance-sheet exposure is monitored through the inclusion of the metric Exposure at Default: Exposure in the suite of credit risk appetite metrics. The quantification of credit RWA using EAD ensures capital requirements include off-balance-sheet exposure. Requests from clients to draw down on revocable long-term facilities are considered individually via a process that includes input from business, Legal and Credit before any release of funding. A breakdown of off-balance-sheet exposures, together with a breakdown of the contribution of each cluster, is disclosed below.

The increase in off-balance sheet exposure in Retail relates to the inclusion of VAPS (value added products) facilities granted to clients in MFC and home loan pipeline deals where attorney instructions have been issued but the deals have not yet registered.. The increase in CIB was mainly driven by new facilities granted to clients.

Nedbank group off-balance-sheet exposure per business cluster

Rm	CIB	CIB, excluding Property Finance	Property Finance	Total RBB	Commercial Banking	Retail	Wealth	NAR	Group
December 2023									
Guarantees on behalf of clients	**24 000**	**23 853**	**147**	**4 368**	**2 938**	**1 430**	**112**	**1 733**	**30 213**
Letters of credit	**4 183**	**4 183**		**328**	**317**	**11**		**528**	**5 039**
Undrawn facilities, of which:	**146 603**	**137 187**	**9 416**	**106 299**	**28 311**	**77 988**	**6 780**	**3 331**	**263 013**
Irrevocable commitments	**124 156**	**114 740**	**9 416**	**62 896**	**28 311**	**34 585**	**6 498**	**2 084**	**195 634**
revocable[1]	**22 447**	**22 447**		**43 403**		**43 403**	**282**	**1 247**	**67 379**
Credit-derivative instruments	**5 623**	**5 623**							**5 623**
Total off-balance sheet activities	**180 409**	**170 846**	**9 563**	**110 995**	**31 566**	**79 429**	**6 892**	**5 592**	**303 888**
December 2022									
Guarantees on behalf of clients	28 186	28 097	89	4 177	3 183	994	113	1 985	34 461
Letters of credit	8 306	8 306		442	441	1		290	9 038
Undrawn facilities, of which:	108 528	102 164	6 364	68 349	26 435	41 914	4 930	3 002	184 809
Irrevocable commitments	99 592	93 228	6 364	47 366	26 435	20 931	4 660	1 955	153 573
revocable[1]	8 936	8 936		20 983		20 983	270	1 047	31 236
Credit-derivative instruments	9 977	9 977							9 977
Total off-balance sheet activities	154 997	148 544	6 453	72 968	30 059	42 909	5 043	5 277	238 285

[1] Includes other contingent liabilities.

CR2: Changes in stock of defaulted loans and debt securities

Rm		Dec 2023	Dec 2022
1	Defaulted loans and debt securities at the end of the previous reporting period	**51 675**	39 335
2	Loans and debt securities defaulted since the last reporting period	**34 529**	38 295
3	Returned to non-defaulted status	**(18 151)**	(17 891)
4	Amounts written off	**(10 215)**	(8 757)
5	Other changes	**343**	693
6	**Defaulted loans and debt securities at end of the reporting period**	**58 181**	51 675

The increase in defaulted loans and debt securities in 2023 is driven mainly by a deteriorating macroeconomic environment and elevated interest rates affecting the RBB portfolio as well as downgrades of some significant exposures in the CIB portfolio.

Basel III AIRB on-balance-sheet exposure by residual contractual maturity

Rm	Less than 1 year	1 to 5 years	Greater than 5 years	Total
December 2023				
Corporate[1]	**101 208**	**242 419**	**80 417**	**424 044**
PSEs	**1 570**	**724**	**2 288**	**4 582**
Local governments and municipalities	**9**	**1 636**	**7 776**	**9 421**
Sovereign	**2 438**	**28 092**	**64 786**	**95 316**
Banks	**6 272**	**4 229**	**592**	**11 093**
Retail exposure	**6 614**	**140 836**	**245 568**	**393 018**
Retail mortgage	**279**	**5 196**	**173 343**	**178 818**
Retail revolving credit		**18 071**		**18 071**
SME – retail	**1 214**	**17 963**	**15 745**	**34 922**
Retail – other	**5 121**	**99 606**	**56 480**	**161 207**
Securitisation exposure		**172**		**172**
Total	**118 111**	**418 108**	**401 427**	**937 646**
December 2022				
Corporate[1]	103 537	232 361	76 018	411 916
PSEs	5 681	412	3 048	9 141
Local governments and municipalities	1 011	1 759	7 415	10 185
Sovereign	8 992	26 523	53 682	89 197
Banks	16 695	4 232	436	21 363
Retail exposure	6 002	135 057	234 993	376 052
Retail mortgage	265	4 642	163 312	168 219
Retail revolving credit		17 686		17 686
SME – retail	1 207	18 004	15 736	34 947
Retail – other	4 530	94 725	55 945	155 200
Securitisation exposure		172		172
Total	141 918	400 516	375 592	918 026

[1] *Includes corporate and SME – corporate and specialised lending asset classes.*

Basel III TSA on-balance-sheet exposure by residual contractual maturity

Rm	Less than 1 year	1 to 5 years	Greater than 5 years	Total
December 2023				
Corporate[1]	**1 468**	**4 824**	**1 010**	**7 302**
PSEs	**2**	**133**	**402**	**537**
Local governments and municipalities	**1**	**18**		**19**
Sovereign	**2 417**	**16 201**	**296**	**18 914**
Multilateral development banks	**6 075**			**6 075**
Banks	**1 618**	**15 649**	**69**	**17 336**
Retail exposure	**811**	**11 580**	**7 848**	**20 239**
Retail mortgage	**24**	**6 372**	**6 858**	**13 254**
Retail revolving credit	**21**	**255**	**5**	**281**
SME – retail	**187**	**2 687**	**461**	**3 335**
Retail – other	**579**	**2 266**	**524**	**3 369**
Total	**12 392**	**48 405**	**9 625**	**70 422**
December 2022				
Corporate[1]	1 250	5 308	573	7 131
PSEs	2	155	283	440
Local governments and municipalities	2	27	15	44
Sovereign	3 402	12 021	194	15 617
Multilateral development banks	4 422			4 422
Banks[2]	5 689	14 960	19	20 668
Retail exposure	791	11 124	7 955	19 870
Retail mortgage	17	5 921	7 018	12 956
Retail revolving credit	21	272	7	300
SME – retail	540	2 170	577	3 287
Retail – other	213	2 761	353	3 327
Total	15 558	43 595	9 039	68 192

[1] *Includes corporate and SME – corporate and specialised-lending asset classes.*

[2] *Banks asset class restated for Dec 2022 to exclude an intragroup exposure.*

Credit risk mitigation techniques

Credit risk mitigation (CRM) refers to the actions taken by a bank to manage its exposure to credit risk and to align exposure with its risk appetite. Actions can be proactive or reactive and the level of mitigation may be influenced by external factors, such as the economic cycle, or internal factors, such as a change in risk appetite. CRM normally focuses on the collection and management of collateral, but there are other methods used to mitigate credit risk.

The Nedbank Group Credit Policy acknowledges the role of CRM to manage credit risk but emphasises that collateral on its own is not a justification for lending. The primary consideration for any lending opportunity should be the borrower's financial position and ability to repay the facility from their own resources and cash flow.

The AIRB approach allows banks to use the collateral value in their estimates of LGD, which directly influences the level of RWA. TSA for credit risk allows the use of certain categories of collateral to reduce exposures before the risk-weighting thereof, subject to suitable haircuts. The bank monitors the concentration risk that may arise from collateral to ensure that it is adequately diversified, irrespective of whether exposures are on the AIRB approach or TSA.

Collateral, credit derivatives, netting agreements, put and call options, hedging and guarantees are all commonly used to mitigate risk. The amount and type of CRM is dependent on the client, product and/or portfolio. Credit derivatives are transacted with margined counterparties or through the issue of credit-linked notes.

The following collateral types are common in the marketplace:

- Retail portfolio
  - Mortgage lending secured by mortgage bonds over residential property.
  - Instalment credit transactions secured by the assets financed.
  - Overdrafts secured by guarantees, suretyships or pledged assets.
- Wholesale portfolio
  - Commercial properties supported by the property financed and a cession of the leases.
  - Instalment credit-type transactions secured by the assets financed.
  - Working capital facilities secured by either a claim on specific assets (fixed assets, inventory, and debtors) or other collateral such as guarantees.
  - Term and structured lending secured by guarantees or credit derivatives (where only internationally recognised and enforceable agreements are used).
  - Credit exposure to other banks using netting agreements and financial collateral.

Collateral valuation and management

The valuation and management of collateral across all business units of the bank are governed by the Group Credit Policy. In the performing retail portfolio, collateral valuations are performed for mortgages using statistical indexing models and for vehicles using data published by service providers. Physical valuations were performed on approximately 30% of new home loan applications in 2023, while the remainder were valued using desktop valuations that are regularly back-tested against physical valuations. For home loans in the Retail portfolio that default, collateral is revalued immediately via a physical inspection, and thereafter physical valuation takes place at least once a year should the loan remain in default.

In the wholesale portfolio, collateral is valued at the inception of a transaction and reviewed at least annually during the life of the transaction. The review is performed to ensure that the security structure, established covenants and title deeds ceded to the bank are appropriate for relying on the collateral should it become necessary to execute on the CRM. Physical valuations occur where appropriate.

For all new commercial property transactions, physical inspections and valuations are performed at inception. Valuations of property collateral are updated on an ongoing basis, with physical inspections conducted as required. For transactions rated as non-performing (NP), inspections are performed every 6 months and valuations are updated accordingly.

In the corporate sector, reliance is often placed on a third-party guarantor, which may be a parent company or a party related to the borrower, a major shareholder or another bank. Further, credit derivative transactions are sometimes used to hedge specific parts of any single-name risk in the wholesale portfolio. For these transactions, updated collateral values are available from the issuer banks, non-bank financial institutions, large corporates and/or governments.

CR3: AIRB AND TSA CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

	Rm	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
December 2023								
1	Loans	**271 799**	**583 646**	**563 186**	**8 613**	**6 228**		
2	Debt securities	**108 460**	**8 284**	**6 228**				
3	**Total**	**380 259**	**591 930**	**569 414**	**8 613**	**6 228**	**–**	**–**
4	of which defaulted	**19 298**	**38 883**	**37 939**	**350**	**349**		
December 2022								
1	Loans	195 508	549 652	530 922	11 197	9 432		
2	Debt securities[1]	102 003	7 511	9 432				
3	**Total**	297 511	557 163	540 354	11 197	9 432	–	–
4	of which defaulted	18 532	33 143	31 694	70	35		

[1] *Debt securities restated to include impairments values for Dec 2022.*

Debt counselling

The portfolio balance increased by 24,3% to R18 918m (December 2022: R15 215m) and the number of accounts in debt counselling increased by 11,8% to 155 716 (December 2021: 139 298). Mortgages and vehicle and asset finance products show the most growth in exposures undergoing debt counselling, in line with the credit risk strain seen in those portfolios.

The tables below shows the debt-counselling portfolio, including new applications and portfolio balance.

Nedbank retail summary of the debt-counselling portfolio

	New applications			
	Dec 2023		Dec 2022	
Product	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Mortgages	**4 071**	**3 015**	3 006	1 991
Vehicle and asset finance	**19 176**	**3 989**	14 404	2 823
Unsecured lending	**25 431**	**1 904**	24 166	1 751
Card	**35 187**	**550**	33 453	483
Overdrafts	**15 651**	**101**	12 080	58
Total	**99 516**	**9 559**	87 109	7 106

	Portfolio balance			
	Dec 2023		Dec 2022	
Product	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Mortgages	**9 651**	**5 711**	7 972	4 115
Vehicle and asset finance	**54 746**	**9 294**	49 790	7 699
Unsecured lending	**44 106**	**2 972**	41 019	2 588
Card	**36 360**	**845**	33 585	759
Overdrafts	**10 853**	**96**	6 932	54
Total	**155 716**	**18 918**	139 298	15 215

Exposure following the standardised approach

CR4: Standardised approach — credit risk exposure and credit risk mitigation effects

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA[1] and RWA density	
	Asset classes	On-balance-sheet amount Rm	Off-balance-sheet amount Rm	On-balance-sheet amount Rm	Off-balance-sheet amount Rm	RWA Rm	RWA density[2] %
December 2023							
1	Sovereigns and their central banks	**18 913**	**401**	**18 913**	**1**	**15 357**	**81,19**
2	Non-central government PSEs	**557**	**150**	**557**	**75**	**611**	*** 96,68**
3	Multilateral development banks	**6 075**		**6 075**			
4	Banks	**17 337**	**411**	**17 337**	**11**	**5 901**	**34,02**
5	Securities firms						
6	Corporates	**6 831**	**1 245**	**6 811**	**484**	**8 074**	**110,68**
7	Regulatory retail portfolios	**6 360**	**1 118**	**6 935**	**418**	**5 615**	**76,36**
8	Secured by residential property	**12 304**	**485**	**12 188**	**304**	**4 080**	**32,66**
9	Secured by commercial real estate						
10	Equity						
11	Past-due loans	**2 046**	**11**	**1 188**	**3**	**775**	**65,07**
12	Higher-risk categories						
13	Other assets	**3 410**		**3 410**		**1 727**	**50,65**
14	**Total**	**73 833**	**3 821**	**73 414**	**1 296**	**42 140**	**56,40**
December 2022							
1	Sovereigns and their central banks	15 617	446	15 617	6	12 155	77,80
2	Non-central government PSEs	484	138	491	69	559	99,82
3	Multilateral development banks	4 422		4 422			
4	Banks[3]	20 668	3 392	20 628	46	5 171	25,01
5	Securities firms						
6	Corporates	6 495	2 748	4 258	1 790	7 533	124,55
7	Regulatory retail portfolios	6 141	2 264	5 503	689	5 191	83,83
8	Secured by residential property	12 102	339	11 594	193	4 805	40,77
9	Secured by commercial real estate						
10	Equity						
11	Past-due loans	2 262	47	1 195	10	948	78,67
12	Higher-risk categories						
13	Other assets[4]	2 668		2 668		1 370	51,35
14	**Total**	70 859	9 374	66 376	2 803	37 732	54,54

[1] *Total RWA excludes counterparty credit risk (CCR) RWA.*
[2] *RWA density is total RWA to exposure at default (EAD) post-CRM and post-credit conversion factor (CCF).*
[3] *Banks asset class restated for Dec 2022 to exclude intragroup exposure.*
[4] *Other Assets restated for Dec 2022 to correctly disclose some exposures at 20% risk weight.*

CR5: Standardised approach – exposures by asset class and risk weights

Asset classes Rm		RISK-WEIGHT 0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post-CCF and post-CRM)
December 2023											
1	Sovereigns and their central banks	7 142						5 311	6 462		18 915
2	Non-central government PSEs							629	3		632
3	Multilateral development banks	6 075									6 075
4	Banks	1 783	236	10 189		3 000		1 956	184		17 348
5	Securities firms										
6	Corporates				1 266			3 421	2 607		7 294
7	Regulatory retail portfolios				418		4 176	2 758	1		7 353
8	Secured by residential property				12 460			32			12 492
9	Secured by commercial real estate										
10	Equity										
11	Past-due loans				217	625	6	264	79		1 191
12	Higher-risk categories										
13	Other assets	957		906				1 546			3 409
14	**Total**	**15 957**	**236**	**11 095**	**14 361**	**3 625**	**4 182**	**15 917**	**9 336**	**–**	**74 709**
December 2022											
1	Sovereigns and their central banks	5 291						6 685	3 647		15 623
2	Non-central government PSEs							560			560
3	Multilateral development banks	4 422									4 422
4	Banks[1]	267		19 110		36		1 122	139		20 674
5	Securities firms										
6	Corporate							3 078	2 970		6 048
7	Regulatory retail portfolios						4 011	2 178	3		6 192
8	Secured by residential property				10 113		1 635	39			11 787
9	Secured by commercial real estate										
10	Equity										
11	Past-due loans				45	643	17	304	196		1 205
12	Higher-risk categories										
13	Other assets[2]	846		565				1 257			2 668
14	**Total**	10 826	–	19 675	10 158	679	5 663	15 223	6 955	–	69 179

[1] Banks asset class restated for Dec 2022 to exclude intragroup exposure.

[2] Other Assets restated for Dec 2022 to correctly disclose some exposures at 20% risk weight.

Exposure following the IRB approach

CR6: AIRB — Credit risk exposure by portfolio and PD range

A total of 93,8% of the total credit extended, excluding CCR, by Nedbank Group is subject to the AIRB approach. Private Wealth International and the non-South African subsidiaries credit portfolios and some of the legacy Imperial Bank portfolio in RBB remain on TSA.

The increase in off-balance sheet exposure in Retail relates to the inclusion of value-added products (VAPs) facilities granted to clients in MFC and home loan pipeline deals where attorney instructions have been issued but the deals have not yet registered. The increase in CIB was mainly driven by new facilities granted to clients.

December 2023	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
Corporate												
0,00 to < 0,15	47 701	48 487	52,79	73 296	0,10	69	28,84	1,97	12 336	16,83	19	
0,15 to < 0,25	56 406	42 807	57,22	80 899	0,19	147	29,02	1,74	19 344	23,91	44	
0,25 to < 0,50	30 912	20 861	53,96	42 168	0,37	481	33,88	1,74	18 088	42,90	52	
0,50 to < 0,75	15 112	4 428	77,95	18 564	0,64	253	41,23	1,53	12 255	66,01	49	
0,75 to < 2,50	17 264	11 734	59,03	24 190	1,31	566	33,11	2,60	18 516	76,54	106	
2,50 to < 10,00	19 573	7 834	65,78	24 726	4,52	7 870	31,75	1,83	25 867	104,61	348	
10,00 to < 100,00	5 489	585	43,26	5 742	17,69	52	25,45	1,10	7 148	124,49	300	
100,00 (default)	11 574	401	47,77	11 765	100,00	52	19,52	0,56	8 389	71,30	1 779	
	204 031	137 137	56,38	281 350	5,23	9 490	30,63	1,81	121 943	43,34	2 697	1 855
SME – corporate												
0,00 to < 0,15	56	96	104,28	156	0,13	27	28,53	0,74	27	17,31		
0,15 to < 0,25	2 758	1 705	86,49	4 232	0,20	449	24,81	2,23	800	18,90	2	
0,25 to < 0,50	7 169	2 734	87,42	9 559	0,38	704	25,52	2,79	2 891	30,24	10	
0,50 to < 0,75	5 046	2 936	62,72	6 887	0,64	612	27,83	2,57	2 782	40,39	12	
0,75 to < 2,50	18 816	4 767	83,89	22 815	1,32	1 495	26,55	3,26	11 320	49,62	78	
2,50 to < 10,00	8 860	1 006	89,26	9 759	3,90	452	29,30	5,18	7 467	76,51	110	
10,00 to < 100,00	1 049	108	70,41	1 125	22,18	60	25,41	3,27	1 288	114,49	64	
100,00 (default)	5 016	119	7,02	5 025	100,00	374	26,01	4,54	5 071	100,92	1 120	
	48 770	13 471	80,08	59 558	10,15	4 173	26,80	3,45	31 646	53,13	1 396	1 125
Specialised lending												
0,00 to < 0,15	3 723	191	213,92	4 131	0,06	198	16,79	4,55	743	17,99	15	
0,15 to < 0,25	21 933	2 386	64,73	23 477	0,23	176	18,05	3,99	5 215	22,21	10	
0,25 to < 0,50	52 657	8 324	46,40	56 519	0,39	437	16,80	3,69	15 779	27,92	40	
0,50 to < 0,75	30 079	1 261	93,39	31 151	0,64	320	16,65	5,95	10 430	33,48	38	
0,75 to < 2,50	38 825	5 818	29,88	40 564	1,14	739	17,38	4,33	17 353	42,78	81	
2,50 to < 10,00	11 231	303	115,27	11 580	4,10	1 029	15,62	2,19	6 133	52,96	89	
10,00 to < 100,00	3 573	375	49,63	3 759	17,44	51	22,71	5,01	4 702	125,09	148	
100,00 (default)	3 514			3 514	100,00	66	19,22	1,29	4 499	128,03	501	
	165 535	18 658	49,67	174 695	3,18	3 016	17,17	4,19	64 854	37,12	922	592

December 2023	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
Public sector entities												
0,00 to < 0,15	645	1 774	70,54	1 896	0,06	10	26,21	1,09	287	15,14		
0,15 to < 0,25		24	56,59	13	0,21	3	27,15	0,77	3	23,08		
0,25 to < 0,50	9	2 027	0,50	1 024	0,32	4	35,32	0,03	346	33,79	1	
0,50 to < 0,75	10	677	52,66	366	0,64	2	24,62	0,48	131	35,79	1	
0,75 to < 2,50	3			3	1,81	2	24,33	0,85	2	66,67		
2,50 to < 10,00	3 274	913	66,23	3 880	6,89	21	24,56	2,59	3 782	97,50	65	
10,00 to < 100,00	31	166	34,15	87	16,93	9	26,58	1,22	105	120,69	4	
100,00 (default)	610	1	90,59	611	100,00	4	27,15	0,03	204	33,39	201	
	4 582	5 582	59,11	7 880	11,42	55	26,58	1,58	4 860	61,67	272	201
Local governments and municipalities												
0,00 to < 0,15	370	83	123,35	472	0,10	4	24,89	4,51	120	25,42		
0,15 to < 0,25	560			582	0,23	2	27,07	12,57	262	45,02		
0,25 to < 0,50	2 993	236	169,25	3 392	0,44	7	21,57	7,63	1 516	44,72	3	
0,50 to < 0,75	69	4	249,22	80	0,64	5	26,43	7,08	49	61,25		
0,75 to < 2,50	2 869	30	467,94	3 010	1,08	18	17,98	8,13	1 561	51,86	6	
2,50 to < 10,00	742	3	156,87	746	3,75	12	18,97	5,48	527	70,64	5	
10,00 to < 100,00	1 818			1 928	14,48	2	17,6	3,19	1 801	93,41	49	
100,00 (default)					100,00	3	35,26	1,00				
	9 421	356	221,76	10 210	3,50	53	20,08	6,92	5 836	57,16	63	–
Sovereign												
0,00 to < 0,15	92 259	20	1207,23	92 502	0,03	20	18,71	6,22	9 120	9,86	6	
0,15 to < 0,25	520	2	1275,99	545	0,16	2	65,17	1,55	257	47,16	1	
0,25 to < 0,50		1	2,11		0,39	1	35,26	1,00				
0,50 to < 0,75	147			150	0,64	2	60,9	1,41	128	85,33	1	
0,75 to < 2,50	1 103			1 169	1,27	2	73,12	1,12	1 584	135,50	10	
2,50 to < 10,00	1 191	75	104,93	1 270	2,96	7	50,45	2,83	1 947	153,31	19	
10,00 to < 100,00			2,16		43,51	2	35,26	1,00				
100,00 (default)	96	41		96	100,00	2	90,8	0,36	520	541,67	48	
	95 316	139	297,91	95 732	0,19	38	20,2	6,08	13 556	14,16	85	48

December 2023	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
Banks												
0,00 to < 0,15	7 604	3 200	59,59	9 511	0,07	67	26,03	0,76	1 285	13,51	2	
0,15 to < 0,25	805	1 159	100,36	1 968	0,16	15	22,76	2,70	743	37,75	1	
0,25 to < 0,50	33	869	81,94	745	0,45	22	27,86	0,46	312	41,88	1	
0,50 to < 0,75	3	12	3,06	3	0,51	14	35,26	1,00	1	33,33		
0,75 to < 2,50	6	105	10,03	17	1,64	11	38,34	0,40	14	82,35		
2,50 to < 10,00	917	937	97,72	1 833	6,65	51	45,32	0,46	2 854	155,7	56	
10,00 to < 100,00	1 724	1 118	99,82	2 840	10,69	20	55,81	0,69	6 713	236,37	171	
100,00 (default)	1	8	2,11	1	100,00	7	69,44	0,18	8	800,00		
	11 093	7 408	78,63	16 918	2,60	207	32,84	0,93	11 930	70,51	231	–
Retail – mortgages												
0,00 to < 0,15	7 859	8 894	93,96	16 216	0,10	32 153	11,58	13,99	511	3,17	2	
0,15 to < 0,25	3 934	1 834	82,72	5 451	0,21	11 217	12,05	15,02	347	6,71	1	
0,25 to < 0,50	14 249	5 751	96,12	19 777	0,36	20 584	12,27	16,22	1 645	8,48	9	
0,50 to < 0,75	16 118	4 990	99,54	21 085	0,61	24 505	11,67	15,50	2 463	12,16	14	
0,75 to < 2,50	60 422	5 840	109,64	66 825	1,37	79 818	12,9	17,02	14 114	21,49	135	
2,50 to < 10,00	42 722	5 802	90,35	47 964	4,89	58 785	14,63	18,11	22 999	51,37	324	
10,00 to < 100,00	19 675	2 136	94,57	21 695	21,77	28 017	14,98	18,83	17 647	87,06	655	
100,00 (default)	13 839	319	2,82	13 848	100,00	17 845	16,45	17,73	925	6,68	3 102	
	178 818	35 566	95,72	212 861	18,67	272 924	26,68	16,97	60 651	29,51	4 242	4 124
Retail – revolving credit												
0,00 to < 0,15												
0,15 to < 0,25	6	116	230,48	273	0,17	2 451	31,92	1,00	8	2,93		
0,25 to < 0,50	563	2 815	23,52	1 225	0,43	75 175	51,41	1,00	133	10,86	3	
0,50 to < 0,75	495	2 379	32,66	1 272	0,60	83 611	55,48	1,00	194	15,25	4	
0,75 to < 2,50	4 582	5 329	28,03	6 076	1,57	257 688	52,34	1,00	1 786	29,39	50	
2,50 to < 10,00	5 405	3 628	56,43	7 454	5,56	622 040	53,10	1,00	5 334	71,56	219	
10,00 to < 100,00	4 223	799	90,13	4 944	24,84	532 878	55,36	1,00	7 241	146,48	676	
100,00 (default)	2 797			2 797	100,00	1 503 445	55,78	1,00	268	9,58	1 869	
	18 071	15 066	39,61	24 041	27,24	3 077 288	66,76	1,00	14 964	62,25	2 821	3 285

December 2023	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
SME – retail												
0,00 to < 0,15	123	125	105,27	255	0,09	780	12,41	6,45	8	3,14		
0,15 to < 0,25	163	325	90,71	458	0,20	2 149	24,00	5,27	46	10,04		
0,25 to < 0,50	1 004	2 285	58,40	2 338	0,38	19 104	24,49	4,40	368	15,74	2	
0,50 to < 0,75	893	2 628	45,64	2 092	0,62	15 334	26,87	4,68	484	23,14	4	
0,75 to < 2,50	9 960	3 917	95,32	13 694	1,54	29 198	26,20	5,19	4 447	32,47	55	
2,50 to < 10,00	19 074	3 400	89,47	22 116	5,36	161 640	33,32	5,18	11 652	52,69	423	
10,00 to < 100,00	1 357	386	42,25	1 520	20,25	66 051	28,62	4,89	990	65,13	90	
100,00 (default)	2 348	268	6,58	2 365	100,00	42 459	31,37	4,48	1 716	72,56	841	
	34 922	13 334	74,37	44 838	9,13	336 715	29,91	5,08	19 711	43,96	1 415	1 042
Retail – other												
0,00 to < 0,15	3	25	92,00	26	0,07	383	32,41	5,75	2	7,69		
0,15 to < 0,25	1	21	195,24	42	0,17	159	31,51	1,86	5	11,9		
0,25 to < 0,50	32	41	78,05	64	0,38	1 210	37,16	1,38	16	25,00		
0,50 to < 0,75	2 574	554	8,66	2 622	0,71	23 675	25,79	2,82	619	23,61	5	
0,75 to < 2,50	26 143	3 367	2,79	26 237	1,80	166 732	27,68	3,89	9 526	36,31	131	
2,50 to < 10,00	83 814	14 225	4,47	84 451	5,38	486 335	31,76	4,53	42 283	50,07	1 476	
10,00 to < 100,00	33 917	6 508	2,26	34 064	21,77	264 192	36,89	4,39	28 157	82,66	2 738	
100,00 (default)	14 723	1 467		14 723	100,00	518 572	44,60	3,79	1 316	8,94	9 074	
	161 207	26 208	3,90	162 229	25,17	1 461 258	46,55	4,30	81 924	50,50	13 424	14 412
Group												
0,00 to < 0,15	160 343	62 895	60,61	198 461	0,06	33 711	22,27	4,93	24 439	12,32	44	
0,15 to < 0,25	87 086	50 379	61,25	117 940	0,20	16 770	25,97	2,87	27 030	22,97	59	
0,25 to < 0,50	109 621	45 944	59,18	136 811	0,38	117 729	22,81	4,85	41 094	30,12	121	
0,50 to < 0,75	70 546	19 869	69,08	84 272	0,63	148 333	23,03	6,76	29 536	35,40	128	
0,75 to < 2,50	179 993	40 907	60,15	204 600	1,38	536 269	22,13	8,04	80 223	39,43	652	
2,50 to < 10,00	196 803	38 126	49,76	215 779	5,06	1 338 242	28,12	6,85	130 845	61,55	3 134	
10,00 to < 100,00	72 856	12 181	39,81	77 704	20,82	891 334	30,58	7,61	75 792	99,36	4 895	
100,00 (default)	54 518	2 624	8,65	54 745	100,00	2 082 829	28,80	6,35	22 916	41,86	18 535	
Total group	931 766	272 925	58,09	1 090 312	7,95	5 165 217	24,84	6,06	431 875	39,88	27 568	26 684
Slotting exposure	5 708	216		5 903					5 661		416	346
Total including slotting	937 474	273 141		1 096 215					437 536		27 984	27 030

[1] *RWA excludes specialised lending – HVCRE, which is included under the slotting approach.*

[2] *Average maturity refers to the EAD-weighted effective maturity applied in the credit risk RWA calculation.*

December 2022	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
Corporate												
0,00 to < 0,15	40 777	34 967	55,54	60 198	0,09	64	29,36	2,05	9 657	16,04	16	
0,15 to < 0,25	57 173	57 173	66,20	91 425	0,19	150	30,21	1,63	23 328	25,82	54	
0,25 to < 0,50	29 797	17 090	57,02	39 541	0,38	270	31,78	1,72	16 238	41,07	49	
0,50 to < 0,75	16 359	9 043	57,99	21 603	0,64	165	34,17	1,90	12 842	59,44	47	
0,75 to < 2,50	20 524	8 702	60,13	25 756	1,20	341	33,73	1,41	17 926	69,60	99	
2,50 to < 10,00	17 616	6 157	51,87	20 810	4,17	3 599	34,53	2,25	22 620	108,70	293	
10,00 to < 100,00	6 114	1 561	70,92	7 221	16,44	55	28,87	0,86	10 452	144,74	357	
100,00 (default)	12 093	193	101,58	12 289	100,00	37	19,14	0,64	4 854	39,50	2 253	
	200 453	134 886	60,55	278 843	5,44	4 681	30,68	1,72	117 917	42,39	3 168	2 329
SME – corporate												
0,00 to < 0,15	59	105	93,49	157	0,13	39	35,15	1,34	32	20,32		
0,15 to < 0,25	1 297	1 581	89,02	2704	0,19	414	29,44	2,27	586	21,67	1	
0,25 to < 0,50	7 159	2 756	81,58	9407	0,40	684	25,77	2,62	2 907	30,90	10	
0,50 to < 0,75	5 673	3 184	85,88	8408	0,62	631	27,69	2,08	3 244	38,59	14	
0,75 to < 2,50	20 289	4 743	83,07	24229	1,36	1 541	27,11	3,21	12 659	52,25	88	
2,50 to < 10,00	7 431	786	90,10	8139	3,79	312	29,41	5,38	7 200	88,46	91	
10,00 to < 100,00	2 248	111	86,34	2345	20,13	97	25,04	4,45	2 843	121,25	129	
100,00 (default)	2 805	96	26,96	2831	100,00	338	27,91	4,39	2 526	89,23	733	
	46 961	13 362	84,25	58220	6,93	4 056	27,39	3,31	31 997	54,96	1 066	743
Specialised lending												
0,00 to < 0,15	5 962	402	149,4	6 563	0,07	230	15,95	3,83	672	10,25	1	
0,15 to < 0,25	23 963	5 017	57,40	26 843	0,23	187	18,53	5,68	6 845	25,50	12	
0,25 to < 0,50	48 809	4 941	65,77	52 059	0,40	403	16,44	3,40	13 037	25,35	34	
0,50 to < 0,75	31 061	1 099	76,58	31 903	0,64	293	17,85	6,30	12 230	38,33	36	
0,75 to < 2,50	30 446	1 707	112,48	32 366	1,15	716	16,57	3,39	12 970	40,07	62	
2,50 to < 10,00	12 963	370	104,26	13 349	3,94	895	16,96	3,17	7 524	56,36	94	
10,00 to < 100,00	2 425	45	173,55	2 503	20,27	35	24,61	6,72	3 593	143,54	119	
100,00 (default)	3 622	97	18,08	3 639	100,00	62	18,87	1,43	3 578	98,31	651	
	159 251	13 678	72,92	169 225	3,26	2 821	17,26	4,31	60 449	35,81	1 009	733

December 2022	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
Public sector entities												
0,00 to < 0,15	2 412	712	46,26	2 742	0,03	7	24,67	1,84	159	5,80		
0,15 to < 0,25	19	23	56,59	32	0,23	3	27,15	0,41	7	20,78		
0,25 to < 0,50	1 021		221,35	1 064	0,32	3	27,15	0,51	275	25,81	1	
0,50 to < 0,75												
0,75 to < 2,50	4 625	1 779	58,89	5 673	1,31	4	24,33	1,81	3 202	56,42	18	
2,50 to < 10,00	253			294	2,56	1	27,15	4,84	286	97,37	2	
10,00 to < 100,00	33	217	3,13	40	25,49	2	25,73	0,94	50	127,23	3	
100,00 (default)	778	1	90,59	780	100,00	2	28,58	0,19	185	23,79	243	
	9 141	2 732	54,27	10 625	8,24	22	25,11	1,64	4 164	39,19	267	–
Local governments and municipalities												
0,00 to < 0,15	435	54	211,70	549	0,11	3	19,12	1,72	68	12,31		
0,15 to < 0,25	2 675	190	139,48	2 940	0,16	3	18,24	8,47	714	24,30	1	
0,25 to < 0,50	604	8	99,05	612	0,37	8	26,78	10,72	330	53,89	1	
0,50 to < 0,75	1 216	2	2005,39	1 259	0,64	4	17,81	9,32	545	43,26	1	
0,75 to < 2,50	2 530	12	1377,93	2 698	0,91	11	17,93	8,24	1 230	45,58	4	
2,50 to < 10,00	2 725	34	262,92	2 815	6,37	12	18,73	4,28	2 180	77,45	34	
10,00 to < 100,00												
100,00 (default)												
	10 185	300	229,02	10 873	2,02	41	18,77	7,21	5 067	46,59	41	–
Sovereign												
0,00 to < 0,15	87 014	98	121,47	87 133	0,03	19	17,97	6,27	8 170	9,38	5	
0,15 to < 0,25	1 126	60	106,86	1 190	0,16	4	56,38	1,43	492	41,32	1	
0,25 to < 0,50	206	4	206,10	215	0,45	1	65,50	1,39	179	83,07	1	
0,50 to < 0,75												
0,75 to < 2,50	545			559	0,95	3	84,07	3,32	1 116	199,65	4	
2,50 to < 10,00	256	76	10,90	264	3,72	5	52,51	1,57	416	157,35	5	
10,00 to < 100,00	38	6	49,78	40	10,24	1	65,50	1,77	116	287,53	3	
100,00 (default)	12	20		12	100,00	4	78,82	0,95	9	74,16	39	
	89 197	264	82,00	89 413	0,07	37	19,14	6,16	10 498	11,74	58	–

December 2022	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
Banks												
0,00 to < 0,15	16 052	978	101,23	17 041	0,06	83	28,23	0,08	1 947	11,42	3	
0,15 to < 0,25	2 586	24	298,57	2 657	0,16	14	31,22	0,02	685	25,76	1	
0,25 to < 0,50	76	450	100,18	526	0,45	9	26,51	1,10	228	43,37	1	
0,50 to < 0,75	1 005	324	103,20	1 339	0,64	3	17,15	1,86	1 011	75,52	4	
0,75 to < 2,50	2	471	90,10	427	1,81	6	36,20	0,22	303	70,86	3	
2,50 to < 10,00	1 075	1 436	100,02	2 511	6,48	31	43,05	0,43	3 672	146,23	72	
10,00 to < 100,00	14	178	100,01	192	14,13	9	56,92	0,64	358	186,07	11	
100,00 (default)	552	47	100,00	599	100,00	2	59,10	0,43	4 080	680,88	20	
	21 362	3 908	100,61	25 292	3,25	157	29,86	0,24	12 284	48,56	115	–
Retail – mortgages												
0,00 to < 0,15	7 714	8 834	92,61	15 896	0,10	32 317	11,52	13,88	481	3,02	7	
0,15 to < 0,25	3 996	1 465	86,29	5 259	0,21	11 153	12,20	15,22	283	5,39	7	
0,25 to < 0,50	14 379	5 189	97,07	19 416	0,36	20 757	12,06	16,31	1 592	8,20	12	
0,50 to < 0,75	16 443	3 871	106,07	20 549	0,61	26 116	11,71	15,60	2 292	11,16	15	
0,75 to < 2,50	60 019	4 228	122,60	65 202	1,38	83 161	12,49	17,01	13 717	21,04	124	
2,50 to < 10,00	41 052	1 738	112,40	43 006	4,79	59 879	14,08	18,22	20 878	48,59	304	
10,00 to < 100,00	15 360	188	248,27	15 828	21,45	23 764	13,97	18,58	13 040	82,39	489	
100,00 (default)	9 255	371	4,16	9 271	100,00	13 594	15,15	16,79	1 137	12,27	2 025	
	168 218	25 884	101,25	194 427	8,15	270 741	12,85	16,87	53 420	27,49	2 983	2 876
Retail – revolving credit												
0,00 to < 0,15		116	15,00	17	0,09	4 368	51,14	1,00	1	2,99		
0,15 to < 0,25	5	121	230,41	283	0,17	2 510	31,92	1,00	9	3,10		
0,25 to < 0,50	540	2 746	23,61	1 188	0,42	76 943	51,38	1,00	127	10,70	3	
0,50 to < 0,75	412	2 195	35,06	1 182	0,59	89 940	56,45	1,00	179	15,15	4	
0,75 to < 2,50	4 129	4 885	28,80	5 536	1,52	273 897	52,44	1,00	1 596	28,83	44	
2,50 to < 10,00	5 868	4 511	52,22	8 225	5,53	975 081	54,32	1,00	6 007	73,03	248	
10,00 to < 100,00	4 203	891	92,81	5 030	23,00	686 415	55,89	1,00	7 424	147,59	650	
100,00 (default)	2 529			2 529	100,00	1 453 940	53,79	1,00	320	12,67	1 765	
	17 686	15 465	40,76	23 990	17,66	3 563 094	53,79	1,00	15 663	65,29	2 714	3 019

December 2022	Original on-balance-sheet gross exposure Rm	Off-balance-sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years [2]	RWA [1] Rm	RWA density %	EL Rm	Provisions Rm
Basel asset class												
SME – retail												
0,00 to < 0,15	160	137	125,77	333	0,10	802	12,60	6,38	11	3,34		
0,15 to < 0,25	216	524	58,00	520	0,20	4 190	23,64	5,93	51	9,87		
0,25 to < 0,50	865	1 877	76,86	2 308	0,37	14 027	24,04	4,56	349	15,14	2	
0,50 to < 0,75	1 026	1 624	73,08	2 213	0,63	9 503	25,07	5,16	479	21,67	4	
0,75 to < 2,50	11 669	4 837	82,24	15 647	1,55	41 433	25,81	5,27	5 009	32,00	63	
2,50 to < 10,00	17 348	3 299	90,63	20 339	5,32	200 245	33,62	5,39	10 835	53,27	387	
10,00 to < 100,00	1 488	515	31,03	1 648	21,59	66 701	27,99	4,78	1 059	64,27	100	
100,00 (default)	2 175	227	4,58	2 185	100,00	23 936	31,11	4,57	1 053	48,17	881	
	34 947	13 040	78,56	45 193	8,60	360 837	29,41	5,25	18 846	41,70	1 437	1 052
Retail – other												
0,00 to < 0,15	2	41	87,13	38	0,08	443	30,45	4,81	2	6,05		
0,15 to < 0,25	110	44	129,82	167	0,17	275	46,54	1,41	43	25,95		
0,25 to < 0,50	34	39	75,03	63	0,42	1 031	32,87	2,12	15	23,89		
0,50 to < 0,75	2 355	78	68,48	2 409	0,71	22 026	24,61	2,76	516	21,42	4	
0,75 to < 2,50	23 928	167	95,26	24 087	1,79	162 444	27,21	3,76	8 685	36,06	118	
2,50 to < 10,00	83 424	92	374,99	83 770	5,46	506 145	31,28	4,54	41 250	49,67	1 461	
10,00 to < 100,00	31 740	8	1894,26	31 890	22,49	277 799	36,72	4,33	26 519	83,16	2 594	
100,00 (default)	13 606		204,18	13 606	100,00	425 258	43,16	3,84	976	7,17	7 938	
	155 199	469	177,24	156 030	16,54	1 395 421	32,71	4,29	78 006	50,23	12 115	13 407
Group												
0,00 to < 0,15	160 587	46 444	64,76	190 667	0,06	38 375	22,02	4,85	21 200	11,12	32	
0,15 to < 0,25	93 166	66 222	67,21	134 020	0,20	18 903	27,15	3,12	33 043	24,86	77	
0,25 to < 0,50	103 490	35 100	65,27	126 399	0,39	114 136	22,07	4,79	35 277	28,03	114	
0,50 to < 0,75	75 550	21 420	71,49	90 865	0,63	148 681	22,48	6,75	33 338	36,69	129	
0,75 to < 2,50	178 706	31 531	74,44	202 180	1,37	563 557	22,28	7,65	78 413	38,78	627	
2,50 to < 10,00	190 011	18 499	73,02	203 522	5,03	1 746 205	28,23	7,02	122 868	60,56	2 991	
10,00 to < 100,00	63 663	3 720	82,62	66 737	21,41	1 054 878	31,04	7,18	65 454	98,08	4 455	
100,00 (default)	47 427	1 052	29,84	47 741	100,00	1 917 173	28,85	5,16	18 718	39,21	16 548	
Total group	912 600	223 988	68,41	1 062 131	7,20	5 601 908	24,83	5,90	408 311	38,52	24 973	24 159
Slotting exposure	5 251	94		5 345					5 062		305	276
Total including slotting	917 851	224 082		1 067 476					413 373		25 278	24 435

[1] *RWA excludes specialised lending – HVCRE, which is included under the slotting approach.*

[2] *Average maturity refers to the EAD-weighted effective maturity applied in the credit risk RWA calculation.*

CR7: AIRB – Effect on RWA of credit risk derivatives used as CRM techniques[1]

Rm		Dec 2023 Pre-credit derivatives RWA[2]	Dec 2023 Actual RWA[2]	Dec 2022 Pre-credit derivatives RWA[2]	Dec 2022 Actual RWA[2]
1	Sovereign — Foundation Internal Ratings-based (FIRB)				
2	Sovereign — AIRB	**13 556**	**13 556**	10 497	10 497
3	Banks — FIRB				
4	Banks — AIRB	**11 930**	**11 930**	12 283	12 283
5	Corporate — FIRB				
6	Corporate — AIRB	**121 943**	**121 943**	117 917	117 917
7	Specialised lending — FIRB				
8	Specialised lending — AIRB	**64 854**	**64 854**	60 450	60 450
9	Retail — qualifying revolving	**14 964**	**14 964**	15 663	15 663
10	Retail — residential-mortgage exposures	**60 651**	**60 651**	53 422	53 422
11	Retail —SME	**19 711**	**19 711**	18 846	18 846
12	Other retail exposures	**81 924**	**81 924**	78 006	78 006
13	Equity — FIRB				
14	SME Corporate AIRB	**31 646**	**31 646**	31 997	31 997
15	Purchased receivables — FIRB				
16	Purchased receivables — AIRB				
	PSEs — AIRB	**4 860**	**4 860**	4 164	4 164
	Local government and municipalities — AIRB	**5 836**	**5 836**	5 066	5 066
17	**Total**	**431 875**	**431 875**	408 311	408 311
	Slotting exposure	**5 661**	**5 661**	5 062	5 062
	Total including slotting exposure	**437 536**	**437 536**	413 373	413 373

[1] *No credit derivatives were applied as credit risk mitigation (CRM) during the year.*

[2] *RWA excludes specialised lending — high-volatility commercial real estate (HVCRE), which is included under the slotting approach.*

CR8: RWA flow statements of credit risk exposures under IRB

The RWA flow statement below outlines the major drivers of changes in credit risk RWA between each reporting period. This statement excludes changes applicable to counterparty credit risk (CCR).

Rm		Dec 2023 RWA[1]	Dec 2022 RWA[1]
1	**RWA at the end of the previous reporting period**	**413 373**	399 033
2	Asset size	**10 825**	18 414
3	Asset quality	**9 856**	(7 510)
4	Model updates	**1 734**	(1 694)
5	Methodology and policy		
6	Acquisitions and disposals		
7	Foreign exchange movements	**1 748**	5 130
8	Other		
9	**RWA at the end of the reporting period**	**437 536**	413 373

[1] *RWA includes specialised lending – HVCRE.*

Backtesting of PD per portfolio

Nedbank applies the AIRB approach for most of its credit portfolios. The corresponding probaility-of-default (PD) parameters are long-run averages and associated models are subject to annual validation, which includes a backtesting exercise to compare the estimates to the actual outcomes over time. The PA regulations require banks to compare the regulatory AIRB PD parameters to the actual observed average historical annual default rates. The regulations prescribe that a breakdown of key statistics by PD range be tabulated for each major AIRB asset class. These key statistics include the following:

- Weighted-average PD – this has been calculated on an EAD-weighted basis.
- Arithmetic average PD by obligors – a simple average of PDs among obligors within the PD range.
- Number of obligors – the number of obligors within the PD range at the beginning and end of the observation period.
- Defaulted obligors in the year – the total number of obligors in default at any point within the observation period.
- New obligors defaulted in the year – the number of obligors that were new during the observation period and went into default within the observation period.
- Average historical annual default rate – an average of the previous 5 years' annual default rates.

CR9: AIRB — Backtesting of PD per portfolio – 2023 wholesale asset classes

Portfolio	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors: End of prior year	Number of obligors: End of the year	Defaulted obligors in the year	Of which: new obligors defaulted in the year	Average historical annual default rate
Corporate								
0,00 to < 0,15	AAA, AA, A	0,10	0,08	184	214			0,10
0,15 to < 0,25	A-, BBB+	0,19	0,19	322	466	1		0,19
0,25 to < 0,50	BBB	0,37	0,38	430	672			0,38
0,50 to < 0,75	BB	0,64	0,63	237	327	3	2	0,64
0,75 to < 2,50	BB-	1,30	1,26	463	735			1,26
2,50 to < 10,00	B+, B	4,46	6,51	4 091	8 490	9	6	4,96
10,00 to < 100,00	B- and below	19,16	24,33	69	60	10	4	25,11
100,00 (Default)	Defaulted	100,00	100,00	66	84	15	15	
Total		1,19	3,60	5 862	11 048	38	27	2,09
SME — corporate								
0,00 to < 0,15	AAA, AA, A	0,13	0,13	39	27			0,11
0,15 to < 0,25	A-, BBB+	0,19	0,19	493	527			0,20
0,25 to < 0,50	BBB	0,39	0,39	863	846	1		0,41
0,50 to < 0,75	BB	0,63	0,62	746	735	7	2	0,63
0,75 to < 2,50	BB-	1,31	1,25	1 905	1 856	52	3	1,32
2,50 to < 10,00	B+, B	3,94	4,03	337	508	25	1	3,69
10,00 to < 100,00	B- and below	24,09	20,95	113	71	48	7	18,11
100,00 (Default)	Defaulted	100,00	100,00	368	412	13	13	
Total		2,15	1,46	4 864	4 982	146	26	1,86
Corporate — specialised lending project finance								
0,00 to < 0,15	AAA, AA, A	0,03	0,02	10	5			0,06
0,15 to < 0,25	A-, BBB+	0,24	0,23	27	18			0,22
0,25 to < 0,50	BBB	0,40	0,40	21	24			0,39
0,50 to < 0,75	BB	0,64	0,64	13	13			0,64
0,75 to < 2,50	BB-	1,00	1,06	9	21	1		1,31
2,50 to < 10,00	B+, B	5,09	7,20	11	11			5,14
10,00 to < 100,00	B- and below	16,79	18,83	4	6			15,19
100,00 (Default)	Defaulted	100,00	100,00	3	3	1	1	
Total		1,27	5,15	98	101	2	1	1,09
Corporate — specialised lending IPRE								
0,00 to < 0,15	AAA, AA, A	0,11	0,08	229	187			0,09
0,15 to < 0,25	A-, BBB+	0,21	0,21	195	165	1		0,21
0,25 to < 0,50	BBB	0,40	0,40	500	451	1		0,39
0,50 to < 0,75	BB	0,64	0,64	343	336	1		0,64
0,75 to < 2,50	BB-	1,17	1,30	789	746	2		1,23
2,50 to < 10,00	B+, B	3,97	5,96	1 035	1 052	5		4,07
10,00 to < 100,00	B- and below	24,32	20,24	30	45	15		20,00
100,00 (Default)	Defaulted	100,00	100,00	69	64			
Total		1,09	2,62	3 190	3 046	25		1,10
Sovereign								
0,00 to < 0,15	AAA, AA, A	0,03	0,03	21	24			
0,15 to < 0,25	A-, BBB+	0,16	0,19	4	2			
0,25 to < 0,50	BBB	0,45	0,45	1	1			
0,50 to < 0,75	BB	0,64	0,64		2			
0,75 to < 2,50	BB-	1,34	1,46	3	2			
2,50 to < 10,00	B+, B	3,34	6,46	6	8			
10,00 to < 100,00	B- and below	10,24	10,65	1	2			
100,00 (Default)	Defaulted			4	2			
Total		0,07	0,35	40	43			
Banks								
0,00 to < 0,15	AAA, AA, A	0,10	0,11	98	89			
0,15 to < 0,25	A-, BBB+	0,19	0,20	14	16			
0,25 to < 0,50	BBB	0,33	0,33	16	38			
0,50 to < 0,75	BB	0,64	0,64	10	23			
0,75 to < 2,50	BB-	1,68	1,14	6	11			
2,50 to < 10,00	B+, B	6,48	6,36	40	70	1	1	
10,00 to < 100,00	B- and below	11,70	13,43	10	23			
100,00 (Default)	Defaulted			3	8	1	1	
Total		0,48	0,26	197	278	2	2	

CR9: AIRB — Backtesting of PD per portfolio – 2022 wholesale asset classes

				Number of obligors				
Portfolio	**External rating equivalent**	**Weighted average PD**	**Arithmetic average PD by obligors**	**End of prior year**	**End of the year**	**Defaulted obligors in the year**	**Of which: new obligors defaulted in the year**	**Average historical annual default rate**
Corporate								
0,00 to < 0,15	AAA, AA, A	0,10	0,08	83	184	1		0,25
0,15 to < 0,25	A-, BBB+	0,19	0,20	481	322	1		0,15
0,25 to < 0,50	BBB	0,39	0,37	448	430	3	1	0,34
0,50 to < 0,75	BB	0,64	0,63	201	237	1		0,51
0,75 to < 2,50	BB-	1,25	1,14	505	463	6	1	1,01
2,50 to < 10,00	B+, B	4,39	6,55	4 896	4 091	12	3	4,85
10,00 to < 100,00	B- and below	29,15	22,68	60	69	11	1	28,13
100,00 (Default)	Defaulted	100,00	100,00	83	66	22	22	
Total		1,86	3,50	6 757	5 862	57	28	2,15
SME — corporate								
0,00 to < 0,15	AAA, AA, A	0,13	0,13	13	39			0,08
0,15 to < 0,25	A-, BBB+	0,20	0,19	587	493	1		0,20
0,25 to < 0,50	BBB	0,40	0,39	899	863	8	3	0,33
0,50 to < 0,75	BB	0,62	0,62	669	746	8		0,52
0,75 to < 2,50	BB-	1,36	1,25	1 853	1 905	44	5	1,20
2,50 to < 10,00	B+, B	3,93	3,98	410	337	21	4	3,12
10,00 to < 100,00	B- and below	18,24	19,13	108	113	39	6	15,43
100,00 (Default)	Defaulted	100,00	100,00	339	368	14	14	
Total		1,93	1,52	4 878	4 864	135	32	1,79
Corporate — specialised lending project finance								
0,00 to < 0,15	AAA, AA, A	0,03	0,03	7	10			0,05
0,15 to < 0,25	A-, BBB+	0,23	0,22	32	27			0,17
0,25 to < 0,50	BBB	0,38	0,35	20	21			0,31
0,50 to < 0,75	BB	0,64	0,64	5	13			0,51
0,75 to < 2,50	BB-	1,17	1,29	10	9			1,11
2,50 to < 10,00	B+, B	4,74	7,12	10	11			4,12
10,00 to < 100,00	B- and below	15,37	17,23	2	4	1		12,48
100,00 (Default)	Defaulted	100,00	100,00	3	3			
Total		1,05	4,82	89	98	1		0,86
Corporate — specialised lending IPRE								
0,00 to < 0,15	AAA, AA, A	0,10	0,07	280	229	2		0,08
0,15 to < 0,25	A-, BBB+	0,21	0,21	242	195	1	1	0,16
0,25 to < 0,50	BBB	0,40	0,40	484	500	3		0,39
0,50 to < 0,75	BB	0,64	0,64	400	343	3		0,62
0,75 to < 2,50	BB-	1,16	1,27	838	789	13		1,01
2,50 to < 10,00	B+, B	4,29	6,03	1 014	1 035	11		3,59
10,00 to < 100,00	B- and below	15,20	16,93	28	30	13		24,89
100,00 (Default)	Defaulted	100,00	100,00	77	69	3	3	
Total		1,20	2,42	3 363	3 190	49	4	1,24
Sovereign								
0,00 to < 0,15	AAA, AA, A	0,03	0,04	26	21			
0,15 to < 0,25	A-, BBB+	0,17	0,21	1	4	1		
0,25 to < 0,50	BBB	0,40	0,34	2	1			
0,50 to < 0,75	BB	0,64	0,64	2				
0,75 to < 2,50	BB-	1,00	1,19	1	3			
2,50 to < 10,00	B+, B	3,97	6,61	12	6			
10,00 to < 100,00	B- and below	11,81	11,69	1	1	1		
100,00 (Default)	Defaulted			3	4	1	1	
Total		0,07	0,51	48	40	3	1	
Banks								
0,00 to < 0,15	AAA, AA, A	0,10	0,10	68	98	1	1	
0,15 to < 0,25	A-, BBB+	0,22	0,22	67	14			
0,25 to < 0,50	BBB	0,42	0,36	29	16			
0,50 to < 0,75	BB	0,64	0,64	4	10			
0,75 to < 2,50	BB-	1,73	1,17	13	6			
2,50 to < 10,00	B+, B	6,44	6,98	46	40			
10,00 to < 100,00	B- and below	11,68	12,46	5	10	2	1	
100,00 (Default)	Defaulted			2	3			
Total		0,51	0,62	234	197	3	2	

CR9: AIRB — Backtesting of PD per portfolio – 2023 retail asset classes

	Number of obligors							
Portfolio	**External rating equivalent**	**Weighted average PD**	**Arithmetic average PD by obligors**	**End of prior year**	**End of the year**	**Defaulted obligors in the year**	**Of which: new obligors defaulted in the year**	**Average historical annual default rate**
Retail - mortgages								
0,00 to < 0,15	AAA, AA, A	0,10	0,08	30 086	29 841	11		0,09
0,15 to < 0,25	A-, BBB+	0,21	0,18	10 719	10 744	11		0,20
0,25 to < 0,50	BBB	0,36	0,34	19 227	18 760	36	1	0,39
0,50 to < 0,75	BB	0,61	0,59	24 781	22 905	54		0,63
0,75 to < 2,50	BB-	1,37	1,36	77 741	72 549	493	7	1,32
2,50 to < 10,00	B+, B	4,84	4,95	54 968	51 073	1 114	28	4,24
10,00 to < 100,00	B- and below	21,38	21,42	22 169	24 334	10 256	176	20,59
100,00 (Default)	Defaulted	100,00	100,00	13 001	16 663	34	32	
Total		3,88	3,92	252 692	246 869	12 009	244	3,42
Qualifying revolving retail								
0,00 to < 0,15	AAA, AA, A	0,09	0,09	4 169		3		0,09
0,15 to < 0,25	A-, BBB+	0,17	0,17	2 472	2 422	8	4	0,20
0,25 to < 0,50	BBB	0,43	0,43	69 614	67 545	287	7	0,41
0,50 to < 0,75	BB	0,59	0,60	86 779	80 209	1 562	906	0,62
0,75 to < 2,50	BB-	1,54	1,57	252 903	235 118	4 007	1 602	1,50
2,50 to < 10,00	B+, B	5,57	6,17	894 973	554 793	81 934	17 654	5,33
10,00 to < 100,00	B- and below	24,09	22,25	651 908	489 957	164 636	27 814	22,22
100,00 (Default)	Defaulted	100,00	100,00	1 322 475	1 365 909	129 277	104 792	
Total		8,38	10,65	3 285 293	2 795 953	381 714	152 779	7,67
Other-retail								
0,00 to < 0,15	AAA, AA, A	0,08	0,07	433	378	5		0,07
0,15 to < 0,25	A-, BBB+	0,18	0,17	271	155			0,20
0,25 to < 0,50	BBB	0,40	0,42	989	1 157	3		0,41
0,50 to < 0,75	BB	0,71	0,71	21 789	23 379	134	2	0,66
0,75 to < 2,50	BB-	1,79	1,76	157 760	161 771	1 712	51	1,73
2,50 to < 10,00	B+, B	5,38	5,45	462 732	443 819	12 225	932	4,76
10,00 to < 100,00	B- and below	21,83	21,96	256 163	244 209	123 754	7 050	22,39
100,00 (Default)	Defaulted	100,00	100,00	388 766	465 307	318 682	254 166	
Total		8,36	9,33	1 288 903	1 340 175	456 515	262 201	8,05
SME - retail								
0,00 to < 0,15	AAA, AA, A	0,10	0,07	728	715	2		0,09
0,15 to < 0,25	A-, BBB+	0,19	0,19	3 265	1 717	6		0,20
0,25 to < 0,50	BBB	0,37	0,36	10 744	14 836	13	1	0,40
0,50 to < 0,75	BB	0,62	0,60	6 669	11 975	53	28	0,63
0,75 to < 2,50	BB-	1,54	1,38	24 393	15 425	650	240	1,52
2,50 to < 10,00	B+, B	5,32	6,66	176 575	137 734	14 727	6 318	4,79
10,00 to < 100,00	B- and below	21,27	23,44	65 278	64 932	17 588	7 650	21,60
100,00 (Default)	Defaulted	100,00	100,00	18 459	36 473	11 134	10 448	
Total		3,94	9,79	306 111	283 807	44 173	24 685	4,79

CR9: AIRB — Backtesting of PD per portfolio – 2022 retail asset classes

	Number of obligors							
Portfolio	**External rating equivalent**	**Weighted average PD**	**Arithmetic average PD by obligors**	**End of prior year**	**End of the year**	**Defaulted obligors in the year**	**Of which: new obligors defaulted in the year**	**Average historical annual default rate**
Retail - mortgages								
0,00 to < 0,15	AAA, AA, A	0,10	0,08	27 308	30 086	16		0,08
0,15 to < 0,25	A-, BBB+	0,21	0,18	11 156	10 719	6		0,17
0,25 to < 0,50	BBB	0,37	0,34	19 326	19 227	37	1	0,35
0,50 to < 0,75	BB	0,61	0,59	26 486	24 781	58	1	0,58
0,75 to < 2,50	BB-	1,38	1,37	80 653	77 741	422	9	1,18
2,50 to < 10,00	B+, B	4,71	4,87	59 124	54 968	943	49	3,69
10,00 to < 100,00	B- and below	22,11	21,90	20 238	22 169	6 947	183	18,52
100,00 (Default)	Defaulted	100,00	100,00	12 666	13 001	159	135	
Total		3,46	3,61	256 957	252 692	8 588	378	3,31
Qualifying revolving retail								
0,00 to < 0,15	AAA, AA, A	0,12	0,12	18 248	4 169	11		0,08
0,15 to < 0,25	A-, BBB+	0,20	0,23	36 648	2 472	77		0,20
0,25 to < 0,50	BBB	0,42	0,42	16 002	69 614	167	3	0,42
0,50 to < 0,75	BB	0,59	0,60	100 706	86 779	741	401	0,64
0,75 to < 2,50	BB-	1,55	1,56	269 031	252 903	2 617	658	1,55
2,50 to < 10,00	B+, B	5,65	6,32	957 335	894 973	48 587	11 958	5,02
10,00 to < 100,00	B- and below	23,12	21,67	534 154	651 908	122 667	19 082	20,04
100,00 (Default)	Defaulted	100,00	100,00	1 369 383	1 322 475	172 896	142 632	
Total		7,65	9,96	3 301 507	3 285 293	347 763	174 734	7,52
Other -retail								
0,00 to < 0,15	AAA, AA, A	0,07	0,07	414	433	6		0,16
0,15 to < 0,25	A-, BBB+	0,19	0,17	154	271			0,16
0,25 to < 0,50	BBB	0,41	0,46	58	989	1		0,34
0,50 to < 0,75	BB	0,71	0,71	5 079	21 789	127	1	0,55
0,75 to < 2,50	BB-	1,81	1,79	202 798	157 760	1 732	61	1,50
2,50 to < 10,00	B+, B	5,44	5,51	444 931	462 732	12 083	1 161	4,13
10,00 to < 100,00	B- and below	22,37	22,87	255 749	256 163	113 473	6 524	20,2
100,00 (Default)	Defaulted	100,00	100,00	306 479	388 766	282 781	232 099	
Total		8,45	9,64	1 215 662	1 288 903	410 203	239 846	7,53
SME - retail								
0,00 to < 0,15	AAA, AA, A	0,10	0,07	601	728			0,07
0,15 to < 0,25	A-, BBB+	0,20	0,20	4 323	3 265	9	1	0,16
0,25 to < 0,50	BBB	0,38	0,36	10 293	10 744	41	3	0,41
0,50 to < 0,75	BB	0,62	0,63	12 542	6 669	37	7	0,69
0,75 to < 2,50	BB-	1,53	1,37	19 489	24 393	466	35	1,49
2,50 to < 10,00	B+, B	5,28	6,65	91 561	176 575	3 981	2 008	4,16
10,00 to < 100,00	B- and below	21,31	23,53	5 604	65 278	4 548	2 165	20,29
100,00 (Default)	Defaulted	100,00	100,00	16 945	18 459	10 555	9 466	
Total		3,84	7,36	161 358	306 111	19 637	13 685	4,92

CR10: AIRB specialised-lending subject to slotting approach

The majority of Nedbank Group's specialised-lending exposure on the slotting approach relates to the HVCRE asset class (84,9%), with a small portion of the IPRE portfolio subject to the slotting approach. The remaining specialised-lending exposure is subject to the PD/LGD approach.

		Specialised lending other than HVCRE						
					Exposure Amount			
Regulatory categories Rm	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	RW %	IPRE	Total	RWA	Expected losses
December 2023								
Strong	Less than 2,5 years			**50**				
	Equal to or more than 2,5			**70**				
Good	Less than 2,5 years			**70**				
	Equal to or more than 2,5			**90**				
Satisfactory		**744**	**148**	**115**	**870**	**870**	**1 061**	**39**
Weak				**250**				
Default								
Total		**744**	**148**		**870**	**870**	**1 061**	**39**
December 2022								
Strong	Less than 2,5 years			50				
	Equal to or more than 2,5			70				
Good	Less than 2,5 years			70				
	Equal to or more than 2,5			90				
Satisfactory[1]		432	115	115	510	510	620	19
Weak				250				
Default								
		432	115		510	510	620	19

[1] *December 2022 was restated to include slotting deals which were incorrectly disclosed as part of the IRB approach.*

		Specialised lending – HVCRE					
Regulatory categories Rm	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	RW %	Exposure amount	RWA	Expected losses
December 2023							
Strong	Less than 2,5 years			**70**			
	Equal to or more than 2,5			**95**			
Good	Less than 2,5 years	**3 444**	**58**	**95**	**3 502**	**3 526**	**22**
	Equal to or more than 2,5	**270**	**1**	**120**	**271**	**344**	**2**
Satisfactory		**444**	**10**	**140**	**454**	**674**	**20**
Weak		**21**		**250**	**21**	**56**	**3**
Default		**764**			**764**		**161**
Total		**4 943**	**69**		**5 012**	**4 600**	**208**
December 2022							
Strong	Less than 2,5 years			70			
	Equal to or more than 2,5			95			
Good	Less than 2,5 years	3 700	42	95	3 742	3 769	20
	Equal to or more than 2,5	273	7	120	280	356	2
Satisfactory		414	29	140	443	657	17
Weak		46		250	46	121	5
Default		704			704		137
Total		5 137	78		5 215	4 903	181

Credit concentration risk

Credit concentrations, by their nature, are based on common or correlated risk factors that in times of stress negatively affect the creditworthiness of the individual counterparties that form part of the concentration. Credit concentration risk is proactively measured and monitored through Nedbank's credit governance structures and relevant sanctioning authorities.

Nedbank Group's holistic groupwide concentration risk measurement is a key feature of its Risk Appetite Policy and Risk Appetite Framework (RAF). All risk types are analysed by appropriate segmentation for possible concentrations. Segmentations considered are single-name, industry, geographic, product (particularly vehicle and property finance), collateral and business unit concentrations.

Credit risk is the most material risk type, as can be seen in its 69,1% contribution to the group's total economic capital.

Credit concentration risk is actively managed, measured and ultimately capitalised through the group's economic capital and ICAAP. Unmanaged risk concentrations are potentially a cause of major risk in banks and are therefore considered separately as part of Nedbank's RAF.

Single-name credit concentration risk

The group's credit concentration risk measurement incorporates the asset size of obligors or borrowers into its calculation of credit economic capital. Single-name credit concentration, including the applicable regulatory and economic capital per exposure, is monitored at all credit committees within the group's ERMF.

The table below illustrates that Nedbank Group does not have excessive single-name concentration, as credit economic capital attributable to the top 20 largest exposures remains relatively low as a percentage of total economic capital, at 6,53% (December 2022: 7,16%).

Top 20 Nedbank group exposure

	Excluding banks and government exposure		
Number	**Internal NGR[1](PD) rating**	**Exposure (Rm)**	**Percentage of total group credit economic capital**
Dec 2023			
1	NGR13	7 967	0,47
2	NGR08	6 898	0,31
3	NP	6 822	0,60
4	NGR09	6 675	0,27
5	NGR09	5 220	0,28
6	NGR11	5 136	0,60
7	NGR11	4 282	0,32
8	NGR14	4 091	0,36
9	NGR20	3 982	1,09
10	NGR06	3 956	0,10
11	NGR09	3 939	0,29
12	NGR08	3 861	0,08
13	NGR08	3 698	0,16
14	NGR09	3 686	0,25
15	NGR11	3 595	0,19
16	NGR13	3 438	0,64
17	NGR08	3 374	0,16
18	NGR10	3 237	0,14
19	NGR09	3 051	0,10
20	NGR12	3 021	0,12
Total of top 20 exposures		**89 929**	**6,53**
Total group[2]		**1 064 720**	

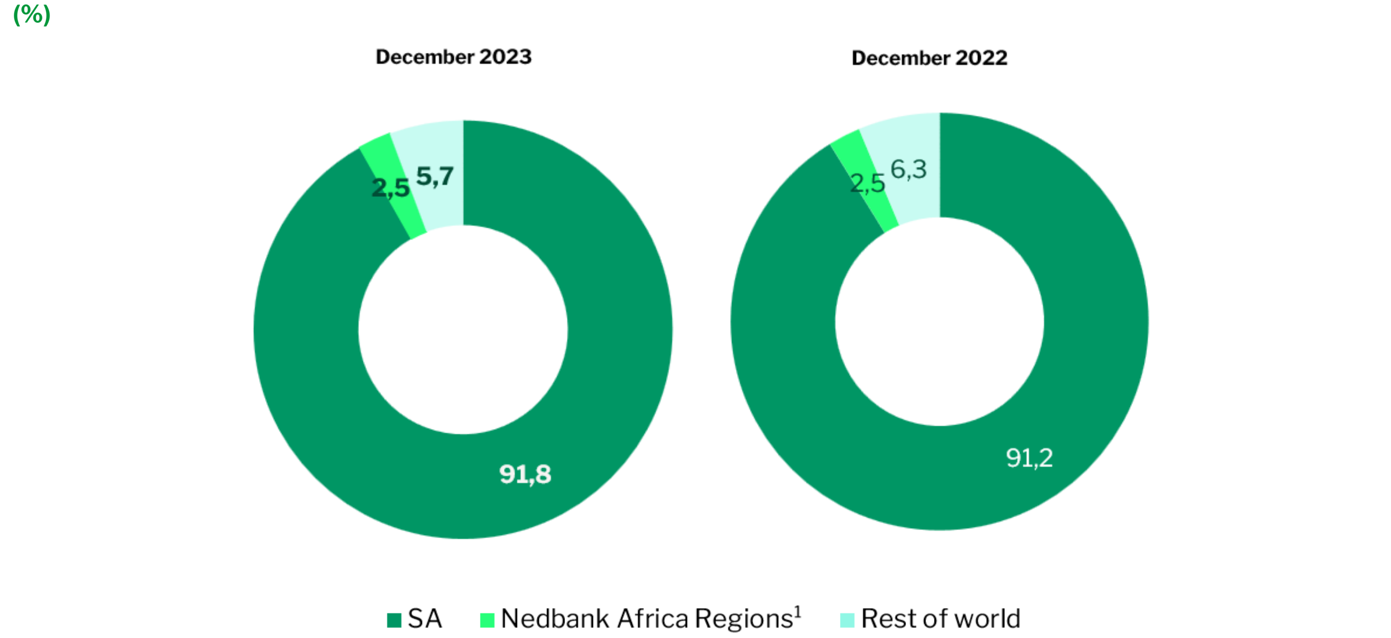
1 Nedbank Group Rating.

2 Total group exposure includes all Nedbank Group subsidiaries.

Geographic concentration risk

Geographic concentration risk in South Africa has increased to 91,8% (December 2022: 91,2%). This high concentration in SA is a direct consequence of Nedbank's strong footprint in the domestic banking market. As Nedbank has strong retail and wholesale operations in SA, in line with its universal-bank business model, there is no undue concentration risk from a geographic perspective.

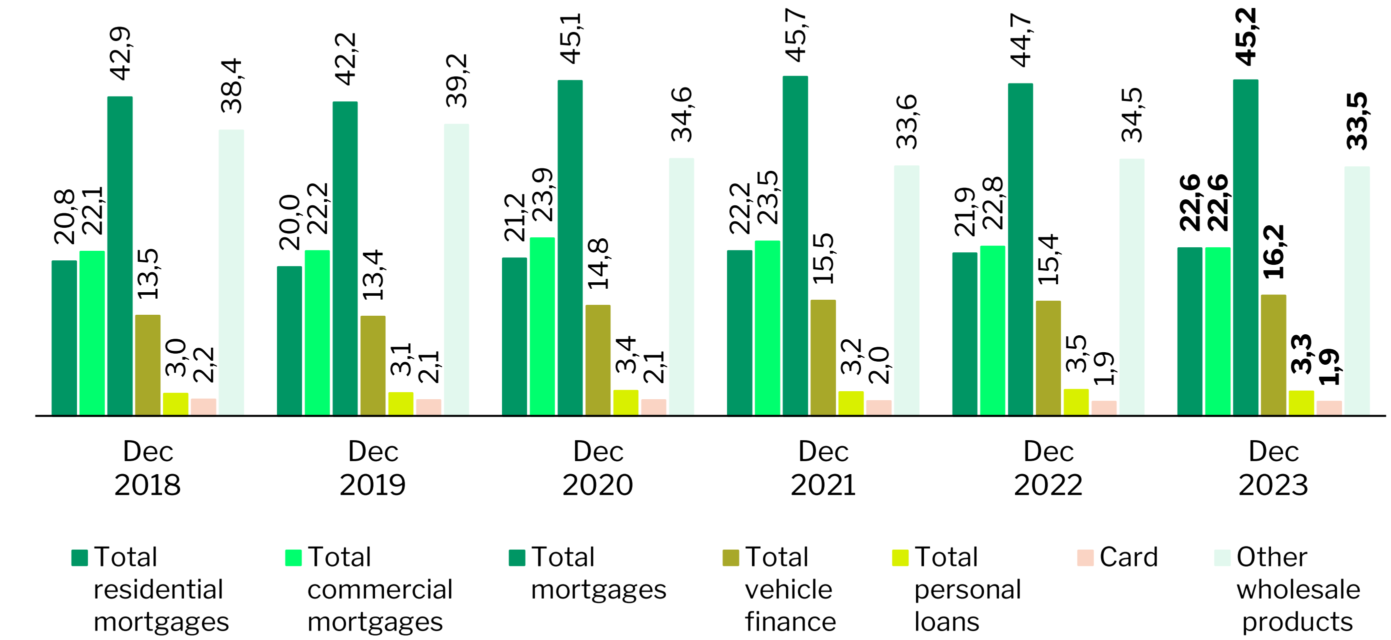
Geographic concentration risk



[1]The Nedbank Africa Regions geographical segment consists of the Southern African Development Community (SADC) banking subsidiaries. It does not include transactions concluded with clients who are resident in those regions by other group entities within CIB.

Product concentration risk

Percentage of total gross loans and advances by major credit portfolio



Nedbank's approach to managing its mortgages (or property portfolio) is to take a holistic approach across both residential and commercial mortgages, preferring a leading market share in commercial mortgages given the better economics and risk-based returns.

- Commercial mortgage lending has increased since 2018 from 22,1% to 22,6% (Dec 2022: 22,8%) of gross loans and advances (GLAA), and consequently Nedbank Group has maintained its leading market share position, currently at 36,0%. This potentially high concentration is mitigated by good-quality assets, high levels of collateral, a low average loan-to-value (LTV) ratio (approximately 52,0%), corporate leases and a highly experienced management team considered to be the leader in property finance in SA.
- While Nedbank Group has the smallest residential-mortgage portfolio among the local peer group at 14,4% market share, the contribution of these advances as a percentage of total GLAA is still substantial, at 22,6% in December 2023 (December 2022: 22,8%).

- Home Loans origination takes a balanced approach of lending through our own channels (including branch and digital) and mortgage originators. This is designed to avoid adverse selection and improve market share and profitability, while allowing clients their choice of channel.
- When commercial and residential mortgages are included, Nedbank's total mortgage market share is 20,7% – higher than FirstRand's at 16,3%, albeit lower than Standard Bank's at 29,1% and Absa's at 21,7%.
- Total vehicle finance exposure in Nedbank Group increased to 16,2% (December 2022: 15,4%) of GLAA. Current market share is approximately 28,1%, which is the largest among the banks in SA. Note that market share measured against other banks as reported in the BA900 is not a true reflection due to the strong presence of non-bank financiers who are not reported in the BA900.
- Personal loan advances have decreased since 2022 to 3,3% of GLAA.
- As a percentage of total GLAA, Card loans and advances have decreased further from 2,2% in 2018 to 1,9% in December 2023 (December 2022: 1,9%).

Industry concentration risk

In recent years the agriculture, construction, and transport industries have experienced stresses due to challenges in the macroeconomic environment. All impacted portfolios are closely monitored by Nedbank to ensure that the levels of credit impairments on these portfolios are adequate.

Nedbank Group industry exposure[1]

%	Dec 2023	Dec 2022
Agriculture, hunting, forestry and fishing	**2**	2
Community, social and personal services	**3**	2
Construction	**1**	1
Electricity, gas and water supply	**4**	3
Financial intermediation and insurance	**16**	18
Business services	**3**	3
Real estate	**16**	16
Manufacturing	**4**	5
Mining and quarrying	**6**	7
Private households	**34**	32
Transport, storage and communication	**4**	3
Wholesale and retail trade, repair of specified items, and hotels and restaurants	**6**	6
Other	**1**	2
	100	100

[1] *Nedbank Group's credit exposure, which includes all credit exposure except unused committed facilities.*

The group concludes that credit concentration risk is measured, managed, controlled and ultimately capitalised adequately. There is no undue single-name concentration and any sector concentrations that do exist are well managed, as indicated above. While there is a concentration of Nedbank Group GLAA in SA, this is a function of its domestic footprint and universal-bank business model.

Counterparty credit risk

CCR is the risk that a counterparty to a derivative, long-settlement transaction or securities financing transaction could default before final settlement. An economic loss would occur if a transaction or portfolio of transactions with a given counterparty has a positive economic value at the time of default. Unlike an exposure to a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss. In other words the market value of a transaction can be positive or negative for either counterparty to the transaction. Counterparty credit limits are set at individual counterparty level and approved within the Group Credit Risk Management Faramework. CCR exposures are reported and monitored at both business unit and group level. There is continued emphasis on the use of CRM strategies, such as netting and collateralisation of exposures.

Nedbank Group and its large bank counterparties have International Swaps and Derivatives Association (ISDA), International Securities Market Association, and International Securities Lending Association (ISLA) master agreements as well as credit support annex (CSA) collateral in place to support netting and the bilateral margining of exposures. Netting is applied to underlying exposures only if supportive legal opinion has been obtained about the enforceability of the relevant netting agreement in the particular jurisdiction. Nedbank Group applies the CCR-SA to measure the credit RWA due to CCR. The results are also used as input into economic capital calculations to determine credit economic capital. The Basel III regulatory standards for CCR provide for a stand-alone credit value adjustment (CVA) capital charge for potential loss due to deterioration in the credit quality of derivative counterparties.

The fluctuations in replacement cost observed for OTC derivatives were driven primarily by fluctuations in the relative value of the rand, impacting client hedge products.

CCR1: Analysis of counterparty credit risk exposure by approach

Rm		Replacement cost	Potential future exposure	EAD post CRM	RWA[1]
December 2023					
1	SA-CCR (for derivatives)	**5 563**	**9 189**	**20 576**	**11 177**
4	Comprehensive Approach for CRM (for SFT)			**3 784**	**1 957**
6	**Total**	**5 563**	**9 189**	**24 360**	**13 134**
December 2022					
1	SA-CCR (for derivatives)	4 432	10 418	19 079	11 398
4	Comprehensive Approach for CRM (for SFT)			4 785	2 583
6	**Total**	4 432	10 418	23 864	13 981

[1] CCR RWA, excluding CVA capital charge (refer to CCR2) and central-clearing-counterparty (CCP)-related RWA (refer to CCR8).

Nedbank continues with the management of earnings volatility due to its revaluation risk of CVA exposure from its trading activities to ensure that this class of risk is managed within the bank's defined risk appetite. The CVA RWA increased from R5,8bn in December 2022 to R6,1bn in December 2023, driven by market movements.

CCR2: Credit valuation adjustment capital charge[1]

Rm		Dec 2023		Dec 2022	
		EAD post-CRM	RWA	EAD post-CRM	RWA
3	All portfolios subject to the Standardised CVA capital charge	**20 576**	**6 104**	19 079	5 858
4	**Total subject to the CVA capital charge**	**20 576**	**6 104**	19 079	5 858

[1]Rows 1 and 2 are excluded from the CCR2 disclosure as the group does not apply the advanced approach for the CVA charge.

Derivative hedges executed in Nedbank non-South African banking entities in Africa and Nedbank Private Wealth International operations are covered by the standardised approach (TSA).

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

Regulatory portfolio Rm	RISK-WEIGHTS 0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
December 2023									
Sovereigns							**732**		**732**
Banks	**96**								**96**
Corporates						**3 534**			**3 534**
Regulatory retail portfolios									**–**
Total	**96**	**–**	**–**	**–**	**–**	**3 534**	**732**	**–**	**4 361**
December 2022									
Sovereign									
Banks	31					6			37
Corporates						3 323			3 323
Regulatory retail portfolios						2			2
Total	31	–	–	–	–	3 331	–	–	3 362

There were no exposures in the 10%, 20%, 50% and 75% risk-weighted buckets at 31 December 2023 and no exposures to non-central government PSEs, multilateral development banks, securities firms and other assets at 31 December 2023.

The tables that follow include a breakdown of the group's OTC derivative CCR exposure by entity type (corporate, sovereign and banks).

CCR4: AIRB – CCR exposures by portfolio and PD scale

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
December 2023							
Corporate							
0,00 to < 0,15	4 533	0,10	29	33,12	1,54	823	18,16
0,15 to < 0,25	1 638	0,20	111	30,55	2,18	431	26,32
0,25 to < 0,50	1 654	0,39	111	37,48	1,51	702	42,43
0,50 to < 0,75	833	0,64	72	25,84	5,48	409	49,07
0,75 to < 2,50	2 122	1,19	142	31,59	2,44	1 409	66,39
2,50 to < 10,00	2 145	5,99	106	37,49	0,31	2 636	122,91
10,00 to < 100,0	20	24,32	4	33,22	6,33	36	180,53
100,0 (default)	9	100,00	2	23,49	0,32	28	311,22
	12 954	1,44	577	33,35	1,82	6 474	49,98
Sovereign[1]							
0,00 to < 0,15	75	0,03	1	16,74	0,14	2	2,83
0,15 to < 0,25		0,16		28,70	0,01		
0,25 to < 0,50							
0,50 to < 0,75							
0,75 to < 2,50	348	0,91	1	24,33	2,48	169	48,69
2,50 to < 10,00	552	7,24	2	24,34	6,92	616	111,79
10,00 to < 100,0	345	11,76	3	22,25	3,23	326	94,30
100,0 (default)	3	100,00	1	27,15	1,20	12	359,61
	1 323	6,57	8	23,37	4,39	1 125	85,00
Banks							
0,00 to < 0,15	3 966	0,07	28	25,81	1,24	504	12,70
0,15 to < 0,25	1 174	0,20	3	26,03	1,40	357	30,40
0,25 to < 0,50	520	0,33	3	41,80	1,78	340	65,33
0,50 to < 0,75							
0,75 to < 2,50	524	0,92	5	31,84	1,10	379	72,34
2,50 to < 10,00	2	3,10	3	47,05	2,17	3	138,43
10,00 to < 100,0							
100,0 (default)							
	6 186	0,19	42	27,72	1,31	1 583	25,58
Group							
0,00 to < 0,15	8 574	0,08	58	29,67	1,45	1 329	15,50
0,15 to < 0,25	2 812	0,20	114	28,66	1,85	788	28,02
0,25 to < 0,50	2 174	0,38	114	38,55	1,57	1 042	47,91
0,50 to < 0,75	833	0,64	72	25,87	5,47	409	49,07
0,75 to < 2,50	2 994	1,11	148	30,84	2,20	1 957	65,38
2,50 to < 10,00	2 699	6,24	111	34,84	1,66	3 255	120,65
10,00 to < 100,0	365	12,45	7	22,88	3,39	362	98,97
100,0 (default)	12	100,00	3	24,48	0,56	40	324,14
	20 463	1,37	627	31,03	1,85	9 182	44,87

[1] *Sovereign entities include PSEs and local governments and municipalities asset classes.*

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
December 2022							
Corporate							
0,00 to < 0,15	414	0,11	20	23,62	1,02	52	12,49
0,15 to < 0,25	4 237	0,18	103	33,97	2,64	1 367	32,27
0,25 to < 0,50	2 236	0,36	115	31,59	1,61	799	35,71
0,50 to < 0,75	2 600	0,64	80	33,68	2,14	1 340	51,53
0,75 to < 2,50	1 083	1,30	157	35,51	1,05	767	70,82
2,50 to < 10,00	1 946	5,69	96	36,86	0,74	2 348	120,67
10,00 to < 100,0	27	18,84	7	37,10	4,86	54	199,49
100,0 (default)	23	100,00	4	34,13	0,44	96	413,23
	12 566	1,48	582	33,73	1,87	6 823	54,29
Sovereign[1]							
0,00 to < 0,15	153	0,03	2	16,74	0,34	4	2,83
0,15 to < 0,25							
0,25 to < 0,50							
0,50 to < 0,75							
0,75 to < 2,50	901	1,16	3	24,33	5,61	583	64,69
2,50 to < 10,00	125	7,24	1	17,60	4,74	102	81,83
10,00 to < 100,0	311	10,55	2	24,36	2,18	342	110,01
100,0 (default)	2	100,00	1	27,15	1,60	8	359,67
	1 492	3,67	9	23,00	4,28	1 039	69,71
Banks							
0,00 to < 0,15	4 580	0,07	32	26,67	1,34	605	13,22
0,15 to < 0,25	487	0,23	1	31,54	2,38	166	34,01
0,25 to < 0,50	196	0,35	3	40,56	2,08	132	67,10
0,50 to < 0,75	11	0,64	1	44,65	0,33	9	81,08
0,75 to < 2,50	766	0,91	5	31,89	1,30	532	69,47
2,50 to < 10,00	6	4,68	5	46,46	1,05	9	145,86
10,00 to < 100,0		20,48	1	67,8	0,01		406,05
100,0 (default)							
	6 046	0,20	48	28,23	1,44	1 453	24,03
Group							
0,00 to < 0,15	5 147	0,07	54	26,13	1,28	661	12,85
0,15 to < 0,25	4 724	0,18	104	33,56	2,66	1 533	33,32
0,25 to < 0,50	2 432	0,36	118	32,33	1,65	931	38,22
0,50 to < 0,75	2 611	0,64	81	33,73	2,13	1 349	51,65
0,75 to < 2,50	2 750	1,15	165	31,06	2,58	1 882	68,24
2,50 to < 10,00	2 077	5,77	102	35,79	0,98	2 459	118,22
10,00 to < 100,0	338	11,22	10	25,40	2,39	396	117,29
100,0 (default)	25	100,00	5	33,58	0,55	104	406,47
	20 104	1,24	639	31,33	1,94	9 315	46,33

[1] *Sovereign entities include PSEs and local governments and municipalities asset classes.*

Wrong-way risk is identified and monitored in line with internal risk processes. Wrong-way risk exposure is not excessive within Nedbank Group and is monitored through stress testing, which is conducted on both the portfolio and counterparty levels. Wrong-way risk is currently mitigated through the following mechanisms:

- The predominant use of cash collateralisation to mitigate CCR.
- The low- or zero-margin thresholds with counterparties.

Potential collateral calls or postings are monitored against a range of market movements and stress scenarios to provide senior management with a forward-looking view of future collateral requirements that may be incurred or imply liquidity risk for the bank.

CCR5: Composition of collateral for CCR exposure

Rm	Collateral used in derivative transactions				Collateral used in SFT	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Un-segregated	Segregated	Un-segregated	Fair value of collateral received	Fair value of posted collateral
December 2023						
Cash — domestic currency		**2 803**		**7 266**	**6 469**	**2 549**
Domestic sovereign debt		**56**			**22 422**	
Government agency debt					**17**	
Equity securities					**5 492**	
Total	**–**	**2 859**	**–**	**7 266**	**34 400**	**2 549**
December 2022						
Cash — domestic currency		2 925		5 270	2 699	419
Domestic sovereign debt		23			37 474	
Government agency debt					6	
Equity securities					6 379	
Total	–	2 948	–	5 270	46 558	419

The notional values for single-name credit default swaps are made up of credit default swaps embedded in credit-linked notes, through which protection of R758m is bought and R17m is sold. The remainder of the notional values for single-name credit default swaps relates to trading positions in respect of third-party transactions through the purchase (R2 326m) and sale (R3 878m) of credit protection.

CCR6: Credit derivatives exposure

Rm	Dec 2023		Dec 2022	
	Protection bought	Protection sold	Protection bought	Protection sold
Notional				
Single-name credit default swaps	**3 084**	**3 895**	5 844	5 710
Embedded derivatives	**758**	**17**	800	25
Third-party	**2 326**	**3 878**	5 044	5 685
Index credit default swaps	**1 770**	**2 493**	1 233	548
Total notional	**4 854**	**6 388**	7 077	6 258
Fair values				
Positive fair value (asset)	**140**	**355**	285	21
Negative fair value (liability)	**(248)**	**(204)**	(47)	(336)

Nedbank Group exposure to qualifying CCPs relates to exchange-traded derivatives.

CCR8: Exposures to central counterparties

Rm		Dec 2023 EAD post-CRM	Dec 2023 RWA	Dec 2022 EAD post-CRM	Dec 2022 RWA
1	**Exposures to qualifying CCPs**	**12 316**	**307**	20 752	469
2	Exposures for trades at qualifying CCPs (excluding initial margin and default fund contributions), of which:	**2 550**	**51**	11 935	239
3	(i) OTC derivatives	**2 550**	**51**	11 935	239
4	(ii) Exchange-traded derivatives				
5	(iii) SFT				
6	(iv) Netting sets where crossproduct netting has been approved				
7	Segregated initial margin	**9 689**		8 746	
8	Non-segregated initial margin				
9	Prefunded default fund contributions	**77**	**256**	71	230
10	Unfunded default fund contributions				

Rows 11 to 20 are excluded from the CCR8 disclosure, as there are no exposures to non-qualifying CCPs for the year.

In December 2017 the Basel Committee on Banking Supervision (BCBS) published the paper 'Basel III: Finalising post-crisis reforms', which, among other changes, introduced the following in the determination of RWA for CCR:

- The basic approach and the new standardised approach for the measurement of CVA RWA.
- The application of the foundation IRB approach for financial institution and large corporate counters.
- The PD and LGD parameter floors for AIRB approach.

Nedbank participates in the semiannual Basel Quantitative Impact Studies issued by the BCBS. These include items for monitoring the impact of the reforms.

LIQUIDITY RISK AND FUNDING

Year under review

- Maintaining a strong liquidity position remained a priority for the group during the year. The group remains well funded with a strong liquidity position, underpinned by a sufficient quantum of long-term funding, a carefully calibrated surplus liquid-asset buffer, a strong loan-to-deposit ratio consistently below 100%. Additionally, our stability is bolstered by the group's low reliance on interbank and foreign currency funding, further solidifying resilience in our liquidity position.
- The strong liquidity and funding position can be evidenced by the group's LCR of 134,6%, the NSFR of 117,3%, a three-month average long-term funding ratio of 28,4%, and a loan-to-deposit ratio of 82,0%.
- From a foreign currency mismatch perspective, Nedbank's cumulative foreign currency mismatch is small given the highly matched asset and liability profile.

Focus for 2024

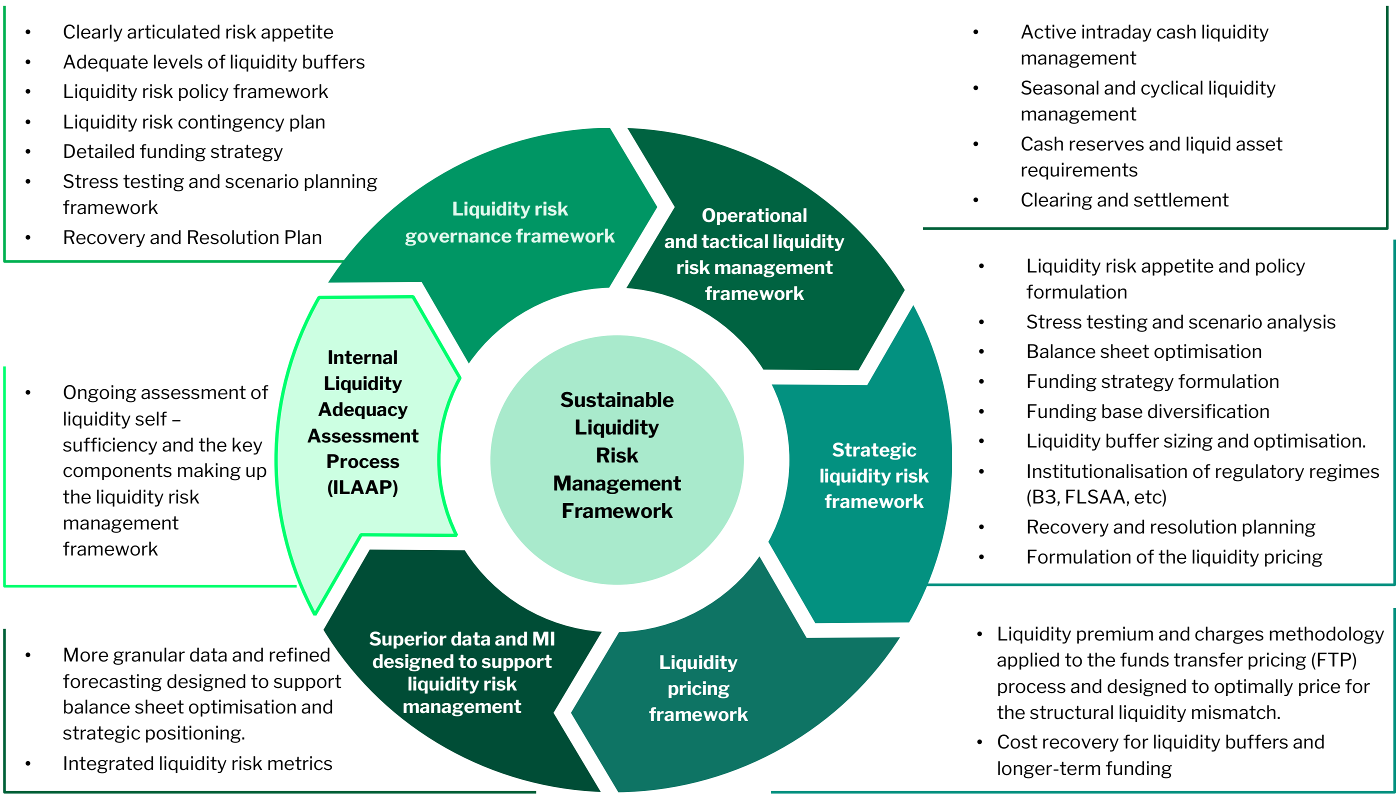
- Nedbank will continue to manage the HQLA portfolio within the Board risk appetite, taking balance sheet growth into account while maintaining appropriately sized surplus liquid-asset buffers based on cyclical, seasonal and systemic market conditions.
- The key focus in terms of Nedbank's structural liquidity position is the optimisation of the balance sheet within the Board risk appetitie and regulatory compliance.

The primary role of a bank in terms of financial intermediation is the maturity transformation of short-term deposits into longer-term loans and advances. By fulfilling this role, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks. Through the robust Liquidity Risk Management Framework (LRMF), Nedbank Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the LRMF include maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory liquidity requirements.

In terms of measuring, managing and mitigating liquidity mismatches, Nedbank focuses on two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Nedbank Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals or the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the group will be unable to sell assets, without incurring an unacceptable loss, to generate the cash required to meet payment obligations under a stress liquidity event.

Liquidity risk management plays a pivotal role in all entities within the group across all jurisdictions and currencies. It stands as a central focus for Nedbank Group, which is underpinned by Nedbank's LRMF that encompasses key components outlined below:

Liquidity Risk Management Framework – key components



Liquidity risk governance and policy

The Nedbank Board of Directors retains ultimate responsibility for the effective management of liquidity risk.

Through the Group Risk and Capital Management Committee (GRCMC) (a board subcommittee), the board has delegated its responsibility for the management of liquidity risk to the Group Assets and Liabilities Management Committee (Group ALCO).

The Nedbank Group's LRMF articulates the board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The LRMF is reviewed annually by Group ALCO and approved by the GRCMC.

Within Nedbank Group Finance, Balance Sheet Management (BSM), a dedicated funding and liquidity function, is responsible for the strategic management of funding and liquidity across the group. The group's daily liquidity requirements are managed by the experienced Central Funding Desk (CFD) within Group Treasury, which resides within the Corporate and Investment Banking (CIB) Cluster. In the context of the board-approved LRMF, BSM and the CFD are responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

Key areas of focus

Operational and tactical liquidity (intraday and daily)	**CFD focus: Operational and tactical**	• Projected daily liquidity requirements • Intraday liquidity risk management • Daily clearing and settlement • Liquid assets and cash reserve requirements • Optimally manage the money market surplus and interbank reliance • Operate within approved liquidity risk limits and guidelines • Managing and maintaining market access
Strategic and tactical liquidity (daily, weekly, monthly, quarterly and annually)	**BSM focus: Strategic and tactical**	• Tactically managing seasonal and cyclical liquidity requirements • Liquidity risk appetite and strategy • Balance sheet optimisation • Funding strategy formulation • Funding base diversification • Liquidity buffers and internal assessment of liquidity self-sufficiency for stress scenarios • Pricing for liquidity risk through the FTP process • Enhancing structural liquidity • Best international practice

In terms of the overall liquidity risk management process, independent oversight and assurance are provided by Group Market Risk (GMR) and Group Internal Audit (GIA), which conduct independent reviews.

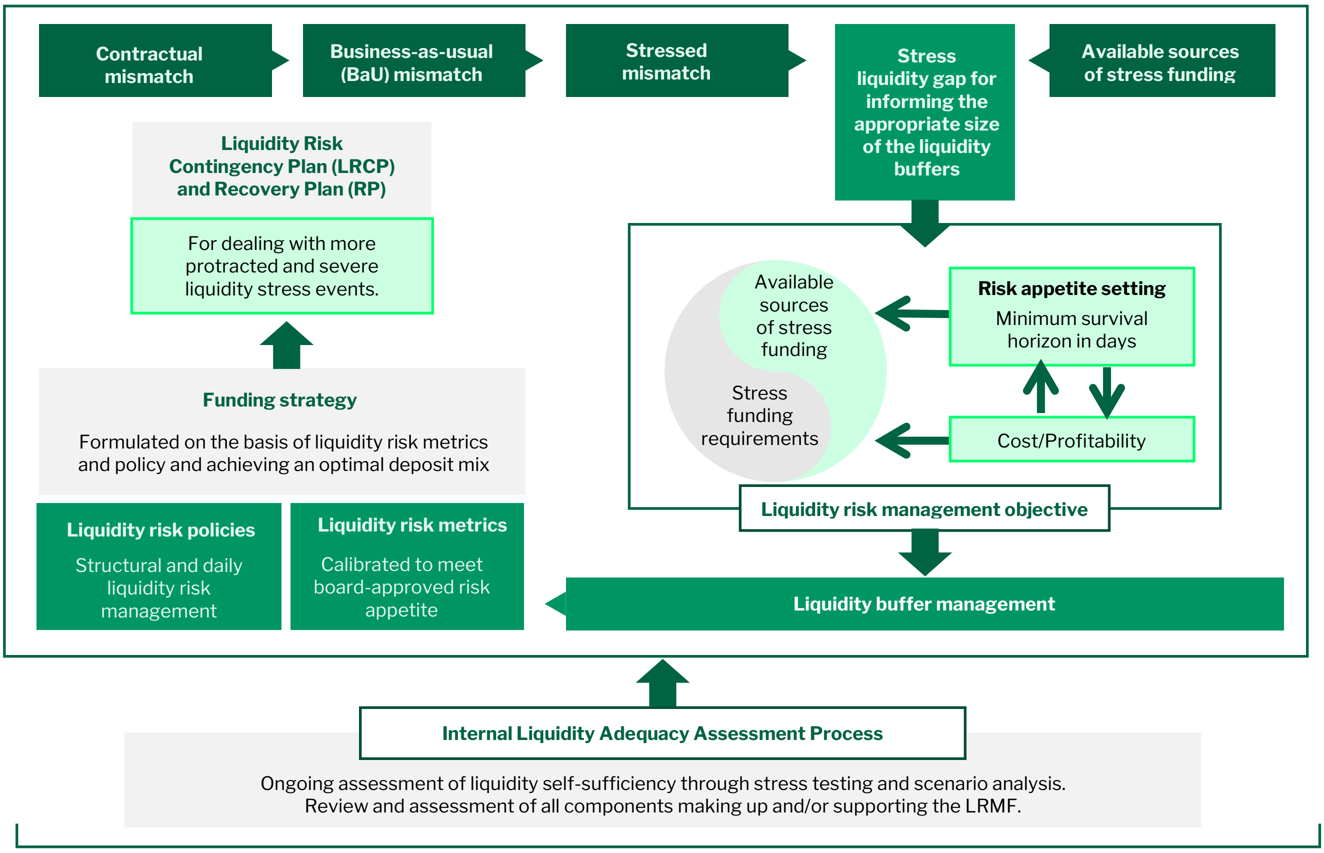
Liquidity risk is managed on a consistent basis across all foreign entities within the group. This management is facilitated through individual ALCOs, ensuring compliance with both South African Reserve Bank (SARB) and local central banks regulatory requirements. These foreign entities are required to establish robust governance structures, rigorous processes and best practices designed to identify, measure, manage, and mitigate liquidity risk in accordance with the group's LRMF. These foreign entities are required to report their liquidity position into every Group ALCO meeting, fostering transparency and collective risk oversight.

Liquidity Risk Management Framework and management processes

Based on the Basel Committee on Banking Supervision (BCBS) principles for sound liquidity risk management and other best-practice principles, Nedbank Group's LRMF takes into account all sources and uses of liquidity and seeks to optimise the balance sheet by balancing the trade-off between liquidity risk on the one hand and cost or profitability on the other. This optimisation process (as depicted on the next page) is managed by taking cognisance of the following:

- Nedbank Group's contractual maturity mismatch between assets and liabilities.
- The business-as-usual (BaU) mismatch arising from normal market conditions.
- The stress mismatch or stress funding requirement likely to arise from a continuum of plausible stress liquidity scenarios.
- The quantum of stress funding sources available to meet a scenario-specific stress funding requirement.
- Compliance with regulatory requirements.

Nedbank's Liquidity Risk Management Framework – management processes



Embedded in the LRMF is Nedbank Group's ILAAP. Through the ILAAP, BSM seeks to maintain appropriate liquidity buffers while continually reviewing the appropriateness of the liquidity risk metrics, the liquidity policy, the funding strategy and the contingency funding and liquidity plan. These individual components of the LRMF should always support the board-approved risk appetite, which is to ensure that available sources of stress funding are sufficient to meet stress funding requirements for a given time horizon.

The ILAAP has therefore been formulated on the basis of ensuring that the framework remains sound in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best-practice and regulatory developments.

Based on the most recent internal review process, it was concluded that Nedbank Group is compliant with both the Basel Principles for Sound Liquidity Risk Management and the principles embedded in the Basel III liquidity standards, which have in turn been encapsulated in the LRMF and ILAAP.

Nedbank Group's internal review and assessment process, which is designed to ensure that all components making up the LRMF remain robust, is depicted in the table below.

Nedbank's internal review and assessment process of the Liquidity Risk Management Framework

Annually

Key areas of focus:

- Liquidity risk policies.
- Liquidity Risk Contingency Plan (LRCP) and Recovery Plan (RP).
- Liquidity risk appetite, limits, guidelines, and buffers.
- Liquidity model assumptions, principles, and methodologies.
- Principles and methodologies applied to pricing assets and liabilities for liquidity risk.
- Annual funding strategy (designed to support liquidity objectives and balance sheet optimisation).
- Independent review of liquidity risk management in subsidiaries and foreign branches.

Semi-annually/Quarterly

Key areas of focus:

- Liquidity risk premium and charges applied through the Funds Transfer Pricing Framework.
- Appropriateness of the continuum of liquidity stress-testing scenarios.
- Off-balance-sheet liquidity risk (loan covenants, securitisation vehicles, derivative positions, revocable and irrevocable commitments, etc).
- Liquidity early-warning indicators.

Best-practice and regulatory developments

Monthly/Daily

Monthly funding and liquidity review
(as reported to Group ALCO)
Key areas of focus:

- Compliance with limits, guidelines, and buffers.
- Prevailing market conditions from a funding and market liquidity risk perspective.
- Actual asset/liability growth versus funding plan – impact on liquidity risk management objectives.
- Liquidity adequacy based on stress testing and scenario analysis.
- Depositor concentration risk.
- Roll-out of liquidity risk-mitigating strategies.
- Liquidity risk within subsidiaries and foreign branches.

Daily funding and liquidity review

Tactical management
Key areas of focus:

- Projected liquidity requirements.
- Compliance with limits, guidelines, and buffers.
- Cash reserves and liquid assets.
- Settlement and clearing.
- Access to market.

Strategic management
Key areas of focus:

- Compliance with limits, guidelines, and buffers.
- Compliance with regulatory requirements.
- Liquidity coverage ratio trends and forecasts taking deposit roll-down risk into account.
- Funding ratios and deposit client type trends.
- Mismatch limits.
- Depositor concentration risk.
- Alternative funding sources.
- Liquidity early-warning indicators and liquidity triggers.

As presented above, the LRMF is supported by a number of management processes designed to manage and mitigate liquidity risk under normal and stressed market conditions. The key management processes and activities are summarised below:

- **Intraday liquidity risk management**

  The need to manage and control intraday liquidity in real time is recognised by the group as a critical process. The CFD is responsible for ensuring that the bank always has sufficient intraday liquidity to meet any obligations it may have in the clearing and settlement systems. In addition, net daily funding requirements are forecast by estimating daily rollovers and withdrawals and managing the funding pipeline of new deals. The CFD is responsible for maintaining close interaction with the bank's larger depositors to manage their cashflow requirements and the consequential impact on the bank's intraday liquidity position.

- **Liquidity buffer portfolio management**

  A portfolio of marketable and highly liquid assets, which could be liquidated to meet unforeseen or unexpected funding requirements, is maintained. The market liquidity by asset type (and for a continuum of plausible stress scenarios) is considered as part of the internal stress testing and scenario analysis process. While BSM is responsible for the strategic and tactical management of seasonal and cyclical HQLA requirements, CFD is responsible for the operational execution of BSM and Group ALCO strategy.

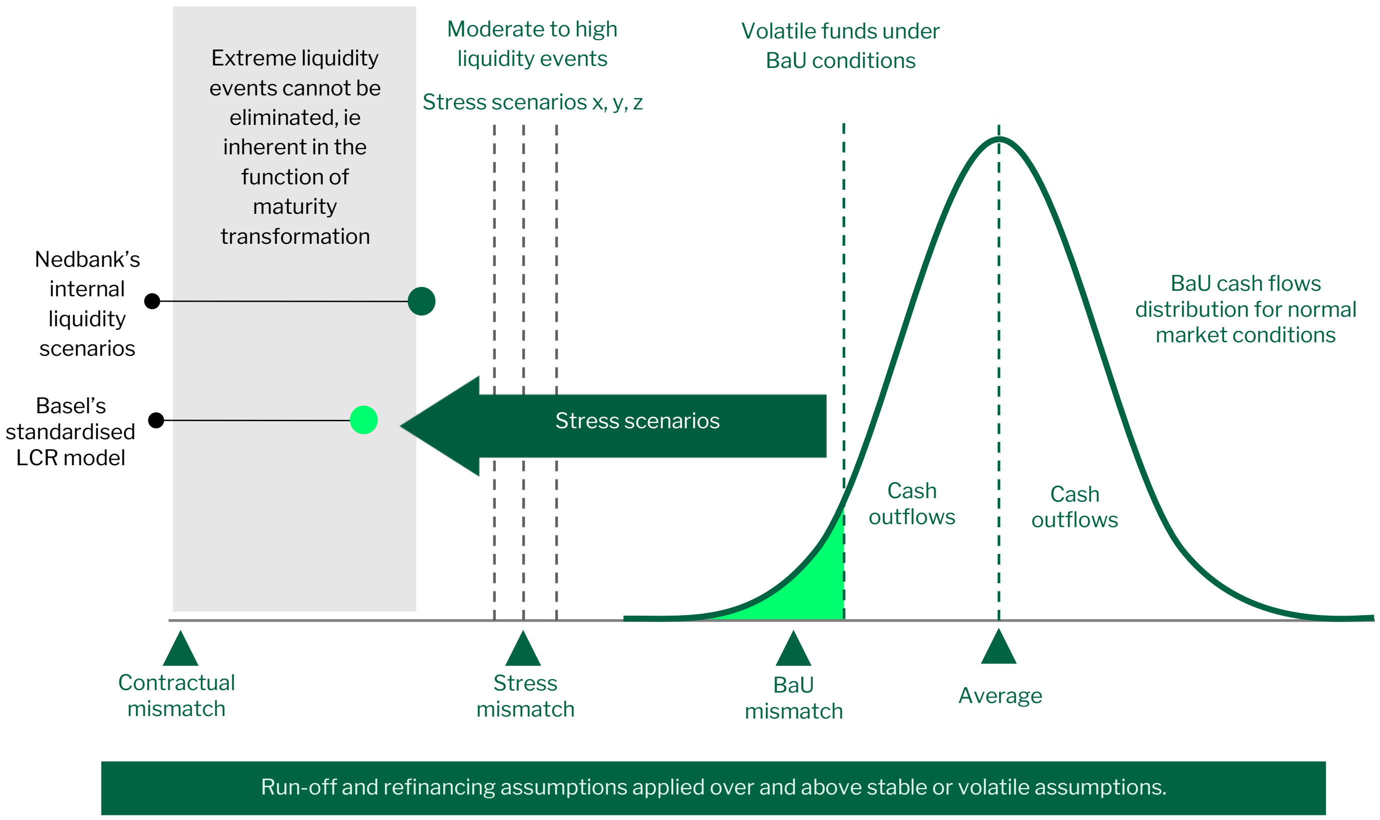
- **Liquidity stress testing and scenario analysis**

  To ensure regulatory compliance and the ability to meet future liquidity requirements, BSM performs extensive stress testing and scenario analysis, at both a bank and industry level, to appropriately size the liquidity buffer portfolio in the most optimal manner for seasonal, cyclical and/or stress events. Stress testing and scenario analysis focus on estimating if, and when, the liquidity buffer could be significantly eroded beyond some tolerable level to pre-emptively facilitate the formulation of mitigating actions designed to ensure that the size of the liquidity buffer will always remain appropriate for future forecast liquidity requirements. Based on the scenario analysis and stress testing described above, which also include periodic liquidity simulations, BSM can do the following:

  - Evaluate the impact of various scenarios on the group's liquidity.
  - Set limits and guidelines designed to position the group better for a stress liquidity event.
  - Formulate appropriate actions designed to reduce the severity of a liquidity crisis.
  - Determine appropriate funding strategies and initiatives designed to support liquidity risk mitigation.
  - Right-size the surplus liquidity buffer portfolio to meet stress funding requirements.

The objective of scenario analysis and stress testing is to identify potential weaknesses or vulnerabilities, thereby enabling the group to formulate appropriate strategies designed to mitigate potential weaknesses. Nedbank Group's approach to estimating the stress maturity mismatch in relation to the BaU and contractual maturity mismatch is depicted graphically below.

Contractual versus BaU versus stress maturity mismatch



In terms of assessing the bank's liquidity risk through stress testing and scenario analysis, Nedbank uses both its own internally based liquidity risk models and the outputs of the Basel III LCR. In 2023 Nedbank exceeded the minimum regulatory requirement of 100%, with the group maintaining appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR. While the Basel III LCR liquidity scenario assumes more extreme levels of stress, Nedbank recognises, in terms of the internally based liquidity risk models, that various structurally favourable factors contributing positively towards liquidity risk mitigation in SA are not taken into account in the LCR approach. These include, for example, the closed nature of SA's rand system, which is a result of exchange controls and the mechanics of the domestic settlement and clearing system, and Nedbank's low foreign currency funding reliance and hence low refinancing risk associated with external markets.

Stress testing and scenario analysis are key risk management processes that complement sound liquidity risk management and contingency planning.

- **Funding strategy formulation and execution**

  In terms of achieving the board-approved liquidity risk appetite, BSM formulates a detailed funding strategy annually that is approved by Group ALCO. The execution of the annual funding plan is then monitored monthly through the Transactional Balance Sheet Forum and Group ALCO. In accordance with the current funding strategy, the key objectives can be summarised as follows:

  - Positioning portfolio tilt towards an optimal mix of wholesale, commercial and household deposits, with a specific focus on growing transactional-deposits market share.
  - Targeting a funding profile designed to achieve a contractual and BaU maturity mismatch aligned with the board-approved liquidity risk appetite.
  - Diversifying the funding base through capital market issuance using medium-term notes and securitisation programmes, bilateral and syndicated loans and structured note offerings, taking into account domestic and international investor demand and pricing spreads.
  - Achieving the lowest weighted-average cost of funding within the context of the targeted liquidity risk profile.

- **Contingency funding and liquidity planning**

  Nedbank Group's Liquidity Risk Contingency Plan (LRCP), as set out in the LRMF, is designed to protect depositors, creditors, and shareholders under adverse liquidity situations. Nedbank's liquidity risk policies and LRCP are reviewed annually in accordance with the annual review process.

  The LRCP has been formulated in the belief that early detection, advance preparations and prompt responses can contribute to liquidity crisis avoidance or minimisation, and that accurate, timely and coordinated communication, both internally and externally, is essential for managing a crisis situation. The LRCP establishes guidelines for managing a liquidity crisis, identifying early-warning signs of a possible liquidity event, and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure.

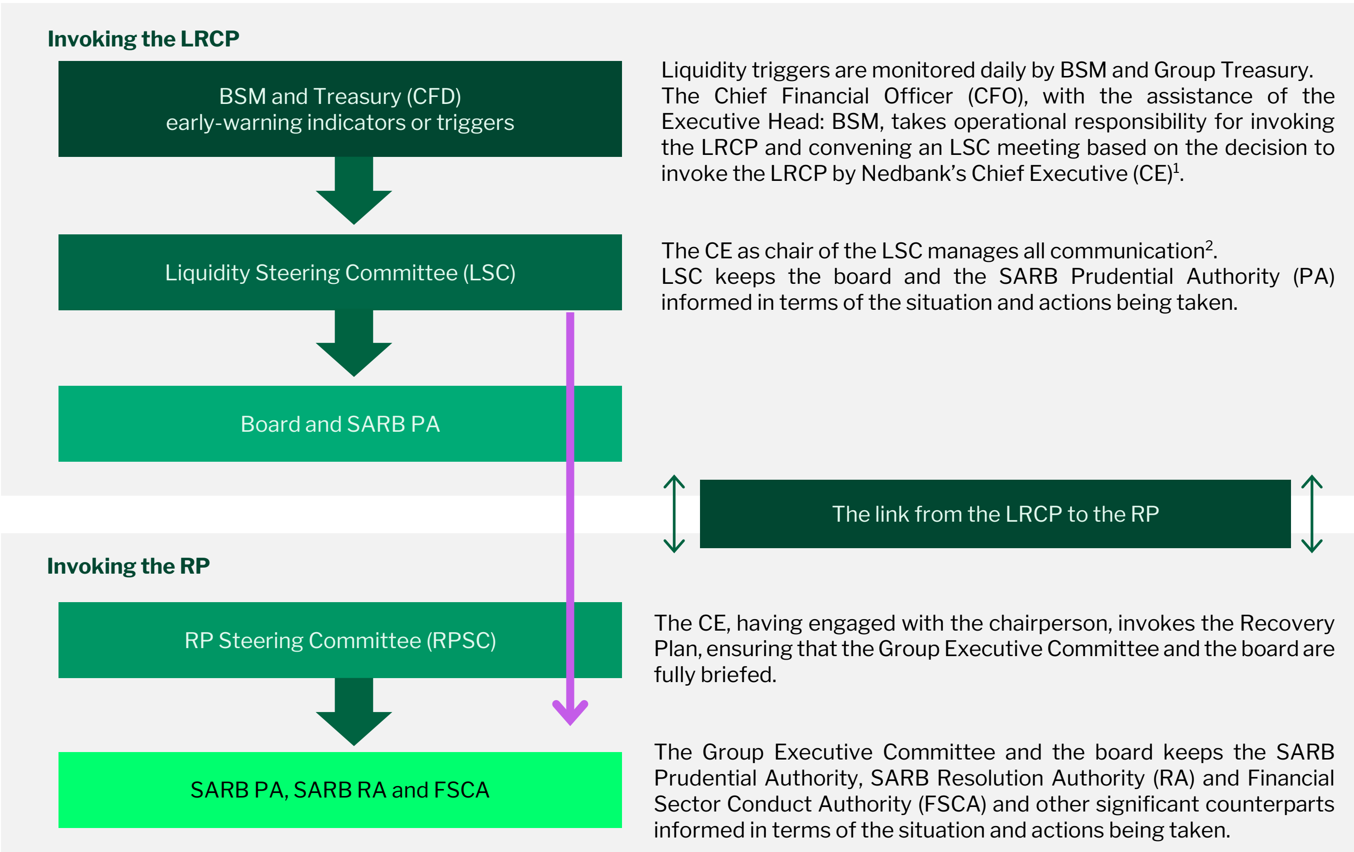
  In addition, the LRCP identifies the individuals responsible for formulating and executing Nedbank Group's response to a liquidity event through the Liquidity Steering Committee (LSC).

Nedbank has also developed detailed Recovery Plans (RP) that establish Nedbank's framework for dealing with crises emanating from a capital, liquidity and business continuity or operational event. These plans were approved by the board on 27 October 2023 and incorporate the NAR, Nedbank London Branch and Nedbank Private Wealth (International) RPs.

In terms of Nedbank's LRMF, it is a requirement that the LRCP and the RP be tested periodically to ensure their effectiveness and operational feasibility. The LRCP and RP were rigorously tested in July 2022 through an externally facilitated liquidity stress simulation that involved all relevant internal and external participants. The liquidity stress simulation was facilitated by PwC and forms part of the group's overall approach to stress testing. The group performed well during this liquidity risk simulation and areas for improvement identified in the final PwC simulation report have beed addressed, with no material areas for improvement identified. As per directive 4 of 2021, banks are required to conduct externally facilitated liquidity stress simulations at least every four years. Having conducted a liquidity stress simulation in July 2022, we have scheduled the next simulation to take place before July 2026.

The process for invoking the LRCP, and potentially the RP, is depicted graphically below.

Liquidity Risk Contingency Plan and Recovery Plan



[1]If Nedbank's CE is unavailable in terms of the decision to invoke the LRCP, the decision would be taken by Nedbank's CFO, Chief Risk Officer (CRO) or Chief Operational Officer (COO).

[2]If the CE is unavailable to chair the LSC and handle the communication, the responsibility will fall onto the CFO, CRO, COO and Executive Head: BSM (in that order).

Nedbank has developed an early-warning indicator or trigger report that is produced daily to identify any signs that a liquidity event may be prevailing or is about to occur, as evidenced by internal and/or external events. Any member of Group ALCO can escalate trigger breaches to the CE, CFO, CRO or COO as part of the LRCP invocation process presented in the graphic above.

Liquidity risk portfolio review

Summary of Nedbank Group liquidity risk and funding profile

		2023	2022
Total sources of quick liquidity	Rm	**285 251**	285 688
Total HQLA[1]	Rm	**238 182**	224 963
Other sources of quick liquidity	Rm	**47 069**	60 725
Total sources of quick liquidity (as a percentage of total assets)	%	**21,8**	22,8
Long-term funding ratio (three-month average)	%	**28,4**	28,4
Senior unsecured debt, including green bonds	Rm	**32 815**	34 561
Green bonds	Rm	**2 702**	2 697
Total capital market issuance (excluding additional tier 1 capital)	Rm	**47 777**	51 903
Reliance on NCDs (as a percentage of total deposits)	%	**11,7**	11,4
Reliance on foreign currency deposits (as a percentage of total deposits)	%	**2,7**	2,8
Loan-to-deposit ratio	%	**82,0**	84,9
Basel III liquidity ratios			
LCR[2]	%	**134,6**	160,5
Minimum regulatory LCR requirement	%	**100,0**	100,0
NSFR[3]	%	**117,3**	119,1
Minimum regulatory NSFR requirement	%	**100,0**	100,0

[1]Total HQLA includes government securities fair-valued in the trading portfolio or fair-valued for interest-rate risk purposes in the macro fair-value hedge-accounting solution.

[2]Only banking and/or deposit-taking entities are included in the group LCR, and the group ratio represents a consolidation of the relevant individual net cash outflows (NCOF) and the individual HQLA portfolios across all banking and/or deposit-taking entities, where surplus HQLA holdings in excess of the minimum requirement of 100% have been excluded from the consolidated HQLA number in the case of all non-South African banking entities. The above values reflect the simple average of daily observations over the quarter ending 31 December 2023 for Nedbank and simple average of the month-end values at 31 October 2023, 30 November 2023 and 31 December 2023 for all non-South African banking entities.

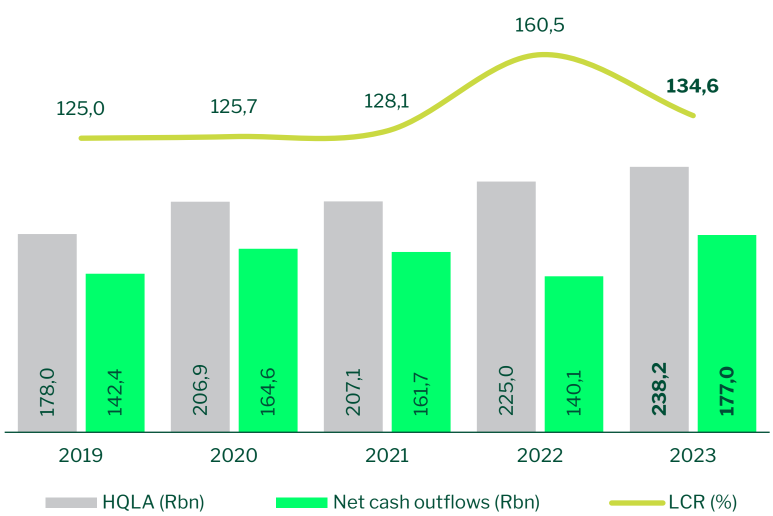
[3]Only banking and/or deposit-taking entities are included in the group NSFR, and the group data represents a consolidation of the relevant individual assets, liabilities, and off-balance-sheet items.

Nedbank Group remains well funded, with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer, a strong loan-to-deposit ratio that is well below 100% and a low reliance on interbank and foreign currency funding.

The group's LCR exceeded the minimum regulatory requirement of 100%, with the group maintaining appropriate operational liquidity buffers designed to absorb seasonal, cyclical and systemic volatility.

- The consolidated group LCR of 134,6% was calculated using the simple average of daily observations over the quarter ending 31 December 2023 for Nedbank Limited and the simple average of the month-end values at 31 October 2023, 30 November 2023 and 31 December 2023 for all non-South African banking entities.
- Nedbank's portfolio of LCR-compliant HQLA measured at fair value (comprising mainly government bonds and treasury bills) increased to a quarterly average of R238,2bn, up from December 2022, when the portfolio amounted to R225,0bn.
- The decrease in the LCR to 134,6% (December 2022: 160,5%) was primarily attributable to an increase in net cash outflows. The net cash outflows increased in line with the bank's balance sheet growth, which was effectively managed through the increase in HQLA liquidity buffers.
- Nedbank will continue to manage the HQLA portfolio, taking into account balance sheet growth, while maintaining appropriately sized surplus liquid-asset buffers based on cyclical, seasonal and systemic market conditions.

Nedbank Group LCR exceeds minimum regulatory requirements

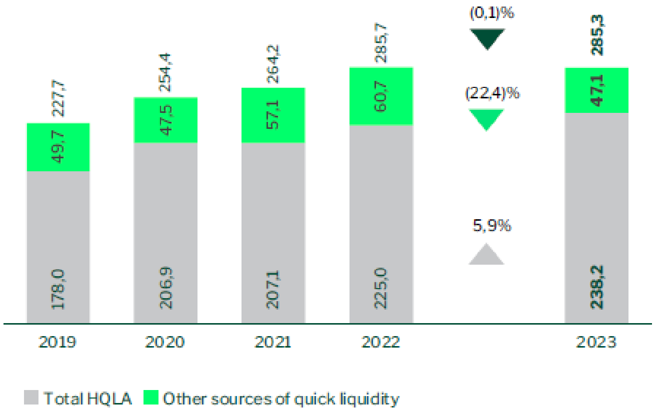


In addition to the HQLA portfolio maintained for LCR purposes, Nedbank identifies other sources of quick liquidity that can be accessed in times of stress. Nedbank Group has significant sources of quick liquidity, as is evident in the combined portfolio of HQLA and other sources of quick liquidity, collectively amounting to R285,3bn at December 2023 and representing 21,8% of total assets.

Nedbank Group has significant sources of quick liquidity

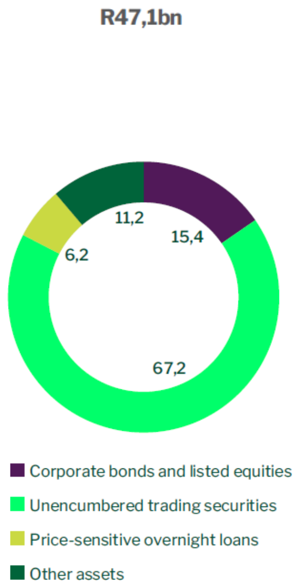
Total sources of quick liquidity

(Rbn)



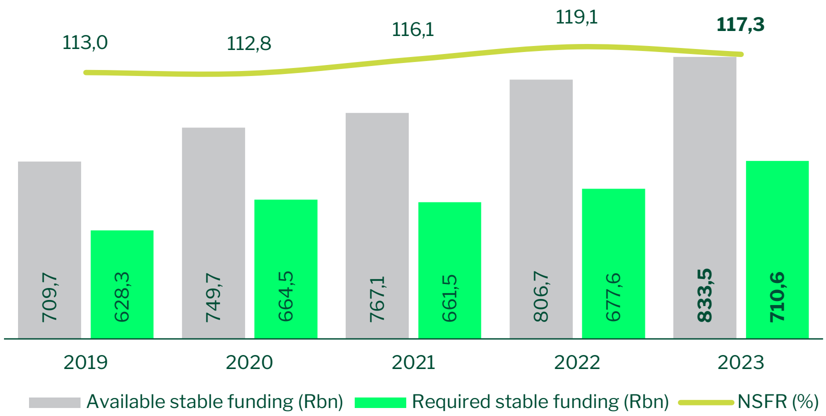
Other sources of quick liquidity contribution

(%)



Nedbank exceeded the minimum regulatory NSFR requirement of 100%, with a December 2023 ratio of 117,3% (December 2022: 119,1%). The structural liquidity position of the group remained strong. Nedbank's primary focus is the optimisation of the balance sheet within the board risk appetite and Regulatory compliance.

Nedbank Group NSFR exceeds minimum regulatory requirements

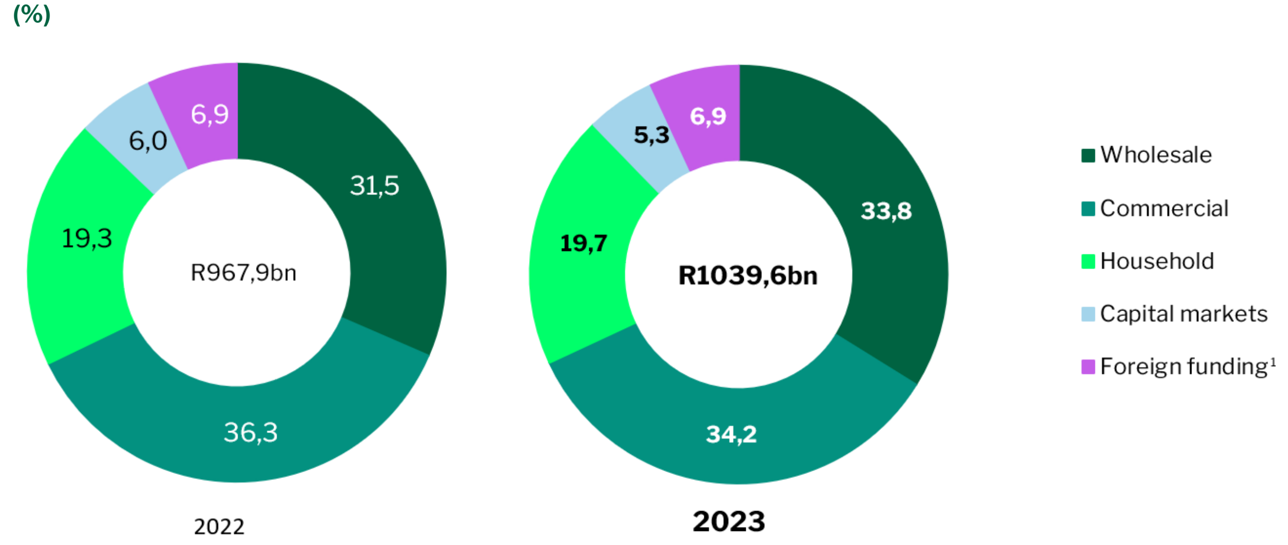


In 2023 Nedbank's funding contributions from commercial deposits and capital markets funding decreased, and funding contributions from household deposits, wholesale and foreign funding (where foreign funding comprises deposits denominated in foreign currency, foreign currency funding and the foreign sector) increased. Nedbank's quarterly average long-term funding ratio of 28,4% compared favourably with the industry average of 23,2%, as a result of proactive management of Nedbank's long-term funding profile.

Nedbank currently sources 33,8% of total funding from wholesale deposits, and this has increased by 2,3% when compared to December 2022. The overall objective is to reduce wholesale-funding reliance through increases in retail and commercial deposits, it being noted that wholesale deposits are typically a source of long-term funding, playing an important part in managing the overall term funding profile and reducing reliance on short-term contractual funding.

Nedbank remains focused on growing retail and commercial deposits, with a focus on providing competitive and innovative transactional and investment products, as well as an ongoing emphasis on meeting client needs through product, pricing, innovation and digital client experiences.

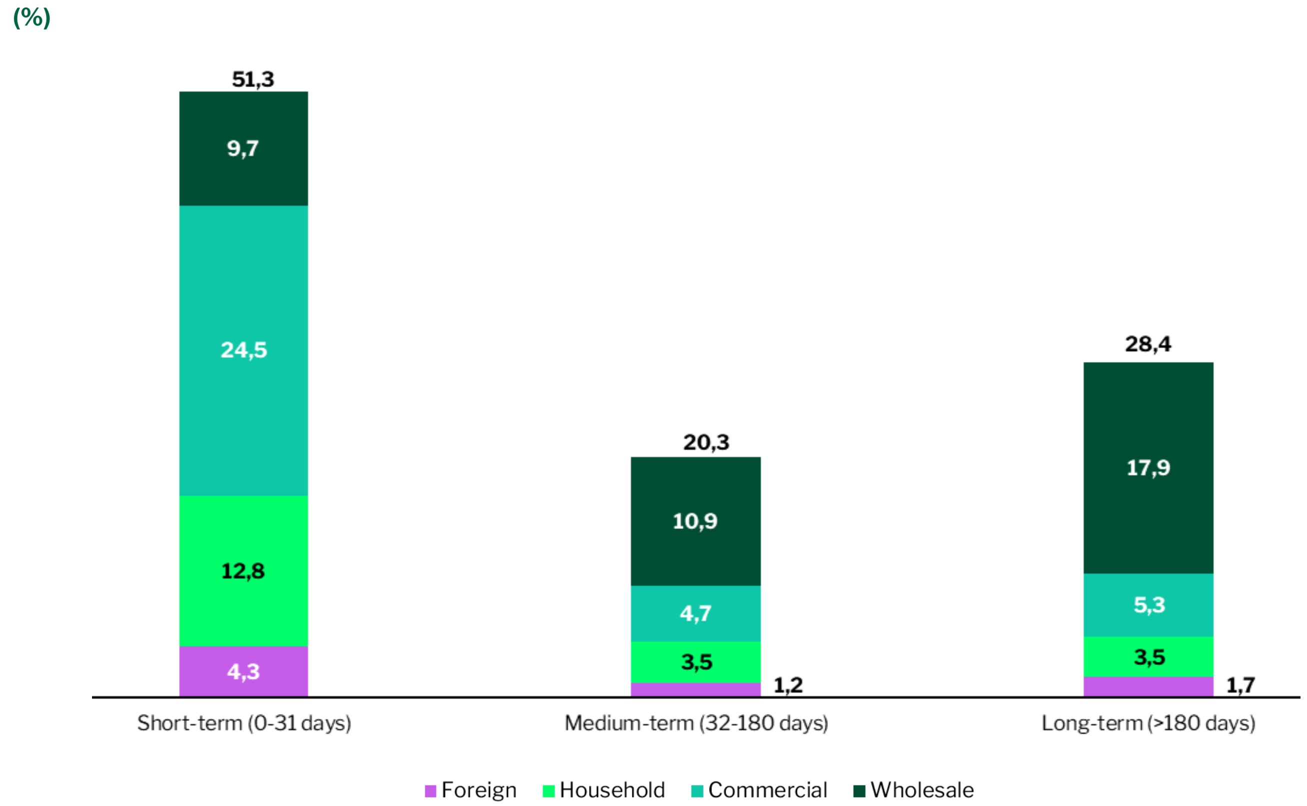
Nedbank Group's positively tilting funding mix



[1]Foreign funding comprises deposits denominated in foreign currency, foreign currency funding and the foreign sector.

As presented below, wholesale funding contributes positively to managing the contractual funding profile, given that wholesale depositors have the greatest appetite for longer-term funding, which is Basel III-positive.

Nedbank Limited funding profile by client type (three-month average)

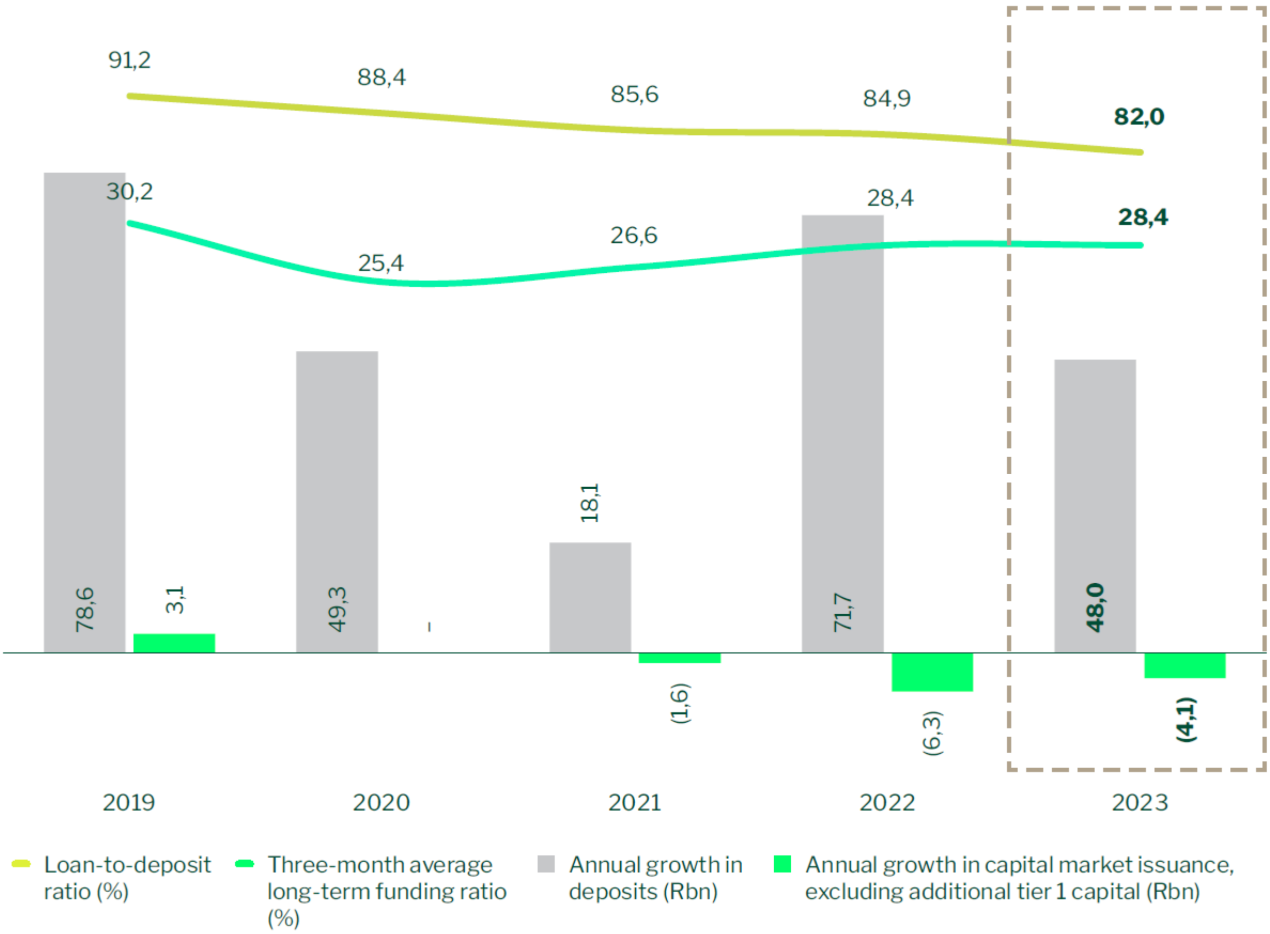


A strong funding profile was maintained in 2023, with Nedbank recording a 3-month average long-term funding ratio of 28,4% in the fourth quarter of the year. The focus on proactively managing Nedbank's long-term funding profile contributed to a strong balance sheet position and sound liquidity risk metrics. Nedbank has continued to run a more prudent long-term funding profile when compared with the industry average of 23,2%.

- Nedbank opportunistically issued R2,8bn of long-term debt via its alternative funding book at a lower cost than senior unsecured debt in 2023, while R4,6bn matured during the year.
- Nedbank issued tier 1 capital instruments of R1,0bn during 2023, while it redeemed R750m. The bank also issued tier 2 capital instruments of R2,1bn, while R4,5bn was redeemed in line with the group's capital plan.

While foreign currency funding reliance remains small, at 2,7% of total deposits, Nedbank continues to focus on growing this funding source in support of funding base diversification, and to meet funding requirements for foreign advances growth.

Nedbank Group's funding and liquidity profile is underpinned by strong liquidity risk metrics



Supplementary liquidity risk information

In accordance with the provisions of section 6(6) of the Banks Act, banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6 of 2014 and Directive 11 of 2022.

The following table sets out Nedbank's LCR at a consolidated group and bank solo level. The consolidated LCR consists of only banking and/or deposit-taking entities and represents a consolidation of the relevant individual net cash outflows (NCOF) and the individual HQLA portfolios, with surplus HQLA holdings in excess of the minimum requirement of 100% excluded from the HQLA number in the case of all non-South African banking entities. The disclosure reflects the simple average of daily observations over the quarter ending 31 December 2023 for Nedbank and the simple average of the month-end values at 31 October 2023, 30 November 2023 and 31 December 2023 for all non-South African banking entities.

LIQ1: Liquidity coverage ratio

		Nedbank Group Limited		Nedbank Limited	
Rm		**Total unweighted[1] value (average)**	**Total weighted[2] value (average)**	**Total unweighted[1] value (average)**	**Total weighted[2] value (average)**
December 2023					
1	**Total HQLA**		**238 182**		**229 787**
Cash outflows					
2	**Retail deposits and deposits from small-business clients of which:**	**330 744**	**27 868**	**299 998**	**25 499**
3	stable deposits				
4	less stable deposits	**330 744**	**27 868**	**299 998**	**25 499**
5	**Unsecured wholesale funding of which:**	**342 754**	**151 328**	**320 445**	**150 502**
6	operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	**185 428**	**46 357**	**166 571**	**41 643**
7	non-operational deposits (all counterparties)	**156 520**	**104 165**	**153 068**	**108 053**
8	unsecured debt	**806**	**806**	**806**	**806**
9	**Secured wholesale funding**	**16 536**	**7**	**16 369**	**7**
10	**Additional requirements of which:**	**167 994**	**32 232**	**147 635**	**23 151**
11	outflows related to derivative exposures and other collateral requirements	**2 945**	**2 945**	**2 910**	**2 910**
12	outflows related to loss of funding on debt products				
13	credit and liquidity facilities	**165 049**	**29 287**	**144 725**	**20 241**
14	**Other contractual funding obligations**				
15	**Other contingent funding obligations**	**198 425**	**9 584**	**182 884**	**8 817**
16	**Total cash outflows**	**1 056 453**	**221 019**	**967 331**	**207 976**
Cash inflows					
17	**Secured lending**	**13 467**	**1 404**	**13 467**	**1 404**
18	**Inflows from fully performing exposures**	**53 381**	**39 908**	**47 472**	**34 691**
19	**Other cash inflows**	**3 613**	**2 707**	**659**	**659**
20	**Total cash inflows**	**70 461**	**44 019**	**61 598**	**36 754**
21	**Total HQLA**		**238 182**		**229 787**
22	**Total NCOF**		**177 000**		**171 222**
23	**LCR (%)**		**134,6**		**134,2**

[1] Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
[2] Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

Rm		Nedbank Group		Nedbank Limited	
		Total unweighted[1] value (average)	Total weighted[2] value (average)	Total unweighted[1] value (average)	Total weighted[2] value (average)
September 2023					
1	**Total HQLA**		**229 090**		**220 469**
Cash outflows					
2	**Retail deposits and deposits from small-business clients of which:**	**325 433**	**27 375**	**293 467**	**24 944**
3	stable deposits				
4	less stable deposits	**325 433**	**27 375**	**293 467**	**24 944**
5	**Unsecured wholesale funding of which:**	**343 553**	**149 768**	**319 905**	**149 182**
6	operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	**191 787**	**47 947**	**171 688**	**42 922**
7	non-operational deposits (all counterparties)	**151 228**	**101 283**	**147 684**	**105 727**
8	unsecured debt	**538**	**538**	**533**	**533**
9	**Secured wholesale funding**	**17 282**		**17 282**	
10	**Additional requirements of which:**	**164 347**	**26 356**	**146 284**	**23 468**
11	outflows related to derivative exposures and other collateral	**3 289**	**3 289**	**3 232**	**3 232**
12	outflows related to loss of funding on debt products				
13	credit and liquidity facilities	**161 058**	**23 067**	**143 052**	**20 236**
14	**Other contractual funding obligations**				
15	**Other contingent funding obligations**	**199 912**	**9 764**	**186 134**	**9 082**
16	**Total cash outflows**	**1 050 527**	**213 263**	**963 072**	**206 676**
Cash inflows					
17	**Secured lending**	**22 216**	**3 238**	**22 216**	**3 238**
18	**Inflows from fully performing exposures**	**62 855**	**48 257**	**57 315**	**43 651**
19	**Other cash inflows**	**5 517**	**1 959**	**755**	**755**
20	**Total cash inflows**	**90 588**	**53 454**	**80 286**	**47 644**
21	**Total HQLA**		**229 090**		**220 469**
22	**Total NCOF**		**159 809**		**159 032**
23	**LCR (%)**		**143,4**		**138,6**

[1]Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

[2]Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

[3]Total HQLA includes government securities that are fair-valued to the extent that they are risk managed in the trading portfolio or fair-valued for interest-rate risk purposes in the macro fair-value hedge-accounting solution.

In line with Basel Pillar 3 disclosure requirements, Nedbank's NSFR for the consolidated banking and/or deposit-taking entities, as well as at a bank solo level, are reflected in the respective tables below.

LIQ2: Nedbank Group net stable funding ratio

		Unweighted value by residual maturity				
Rm		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
December 2023						
Available stable funding item (ASF)						
1	Capital	105 178			9 489	114 667
2	Regulatory capital	104 642			9 201	113 843
3	Other capital instruments	536			288	824
4	Retail deposits and deposits from small-business clients	75 725	217 162	14 644	25 934	302 938
5	Stable deposits		4 544			4 317
6	Less stable deposits	75 725	212 618	14 644	25 934	298 621
7	Wholesale funding	106 820	446 890	144 970	126 195	414 220
8	Operational deposits	97 194	98 275			97 735
9	Other wholesale funding	9 626	348 615	144 970	126 195	316 485
10	Liabilities with matching interdependent assets					
11	Other liabilities	12 868	4 629	342	17 349	1 704
12	Net stable funding ratio (NSFR) derivative liabilities				15 816	
13	All other liabilities and equity not included in the above categories	12 868	4 629	342	1 533	1 704
14	**Total ASF**					**833 529**
Required stable funding item (RSF)						
15	Total NSFR high-quality liquid assets (HQLA)					20 459
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities		220 510	73 356	623 223	610 338
18	Performing loans to financial institutions secured by level 1 HQLA		15 126			1 513
19	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		85 126	6 074	20 595	36 401
20	Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks, and public sector enterprises, of which:		110 993	63 159	416 983	439 096
21	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk				12 077	7 850
22	Performing residential mortgages, of which:		3 090	3 089	176 764	122 174
23	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		3 090	3 089	155 817	104 371
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		6 175	1 034	8 881	11 154
25	Assets with matching interdependent liabilities					
26	Other assets	21 587	288		72 894	64 425
27	Physical traded commodities, including gold	16				13
28	Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		42			36
29	NSFR derivative assets				16 594	778
30	NSFR derivative liabilities before deduction of variation margin posted				15 858	1 586
31	All other assets not included in the above categories	21 571	246		40 442	62 012
32	Off-balance-sheet items				430 566	15 414
33	**Total RSF**					**710 636**
34	**Net stable funding ratio (NSFR) (%)**					**117,3**

Rm		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
September 2023						
ASF						
1	Capital	102 066			9 952	112 018
2	Regulatory capital	101 586			7 637	109 223
3	Other capital instruments	480			2 315	2 795
4	Retail deposits and deposits from small-business clients	76 383	214 761	14 819	25 290	300 877
5	Stable deposits		4 424			4 203
6	Less stable deposits	76 383	210 337	14 819	25 290	296 674
7	Wholesale funding	101 668	435 976	147 169	108 465	390 005
8	Operational deposits	93 226	102 932			98 079
9	Other wholesale funding	8 442	333 044	147 169	108 465	291 926
10	Liabilities with matching interdependent assets					
11	Other liabilities	14 676	2 970	31	24 708	2 537
12	Net stable funding ratio (NSFR) derivative liabilities				22 186	
13	All other liabilities and equity not included in the above categories	14 676	2 970	31	2 522	2 537
14	**Total ASF**					805 437
RSF						
15	Total NSFR high-quality liquid assets (HQLA)					18 126
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities		233 010	73 658	609 929	602 380
18	Performing loans to financial institutions secured by level 1 HQLA		14 256			1 426
19	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		90 814	9 333	21 864	40 153
20	Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks, and public sector enterprises, of which:		117 583	59 262	404 514	429 788
21	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk				12 360	8 034
22	Performing residential mortgages, of which:		3 121	3 092	176 699	120 585
23	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		3 121	3 092	163 574	109 430
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		7 236	1 971	6 852	10 428
25	Assets with matching interdependent liabilities					
26	Other assets	24 181	214		85 210	67 233
27	Physical traded commodities, including gold	17				14
28	Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		42			36
29	NSFR derivative assets				22 324	139
30	NSFR derivative liabilities before deduction of variation margin posted				22 228	2 223
31	All other assets not included in the above categories	24 164	172		40 658	64 821
32	Off-balance-sheet items				348 379	11 853
33	**Total RSF**					699 592
34	**NSFR (%)**					115,1

LIQ2: Nedbank Limited net stable funding ratio

		Unweighted value by residual maturity				
	Rm	**No maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted value**
December 2023						
ASF						
1	Capital	89 404			9 490	98 894
2	Regulatory capital	89 298			9 201	98 499
3	Other capital instruments	106			289	395
4	Retail deposits and deposits from small-business clients	75 725	189 634	13 236	25 861	276 597
5	Stable deposits					
6	Less stable deposits	75 725	189 634	13 236	25 861	276 597
7	Wholesale funding	106 820	414 111	138 643	118 960	386 197
8	Operational deposits	97 194	77 461			87 328
9	Other wholesale funding	9 626	336 650	138 643	118 960	298 869
10	Liabilities with matching interdependent assets					
11	Other liabilities	12 868	2 400	302	16 141	770
12	Net stable funding ratio (NSFR) derivative liabilities				15 644	
13	All other liabilities and equity not included in the above categories	12 868	2 400	302	497	770
14	**Total ASF**					**762 458**
RSF						
15	Total NSFR high-quality liquid assets (HQLA)					19 250
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities		201 162	69 319	582 526	566 714
18	Performing loans to financial institutions secured by level 1 HQLA		15 126			1 513
19	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		84 666	5 881	22 877	38 517
20	Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks, and public sector enterprises, of which:		92 701	59 805	384 162	400 504
21	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk				11 431	7 430
22	Performing residential mortgages, of which:		2 580	2 599	166 620	115 082
23	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2 580	2 599	145 674	97 278
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		6 089	1 034	8 867	11 098
25	Assets with matching interdependent liabilities					
26	Other assets	21 571	15 598	1 558	51 882	60 594
27	Physical traded commodities, including gold					
28	Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		42			36
29	NSFR derivative assets				16 431	787
30	NSFR derivative liabilities before deduction of variation margin posted				15 686	1 569
31	All other assets not included in the above categories	21 571	15 556	1 558	19 765	58 202
32	Off-balance-sheet items				386 367	13 446
33	**Total RSF**					**660 004**
34	**NSFR (%)**					**115,5**

Rm		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
September 2023						
ASF						
1	Capital	87 118			9 952	97 070
2	Regulatory capital	87 067			7 637	94 704
3	Other capital instruments	51			2 315	2 366
4	Retail deposits and deposits from small-business clients	76 383	186 591	13 688	25 183	274 178
5	Stable deposits					
6	Less stable deposits	76 383	186 591	13 688	25 183	274 178
7	Wholesale funding	101 668	405 653	144 715	94 140	355 098
8	Operational deposits	93 226	82 168			87 697
9	Other wholesale funding	8 442	323 485	144 715	94 140	267 401
10	Liabilities with matching interdependent assets					
11	Other liabilities	14 676	1 188		23 361	1 679
12	Net stable funding ratio (NSFR) derivative liabilities				21 991	–
13	All other liabilities and equity not included in the above categories	14 676	1 188		1 370	1 679
14	**Total ASF**					728 025
RSF						
15	Total NSFR high-quality liquid assets (HQLA)					16 950
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities		213 653	70 735	568 033	558 801
18	Performing loans to financial institutions secured by level 1 HQLA		14 256			1 426
19	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		88 518	10 439	21 341	39 838
20	Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks, and public sector enterprises, of which:		101 205	55 805	374 700	394 667
21	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk				11 666	7 583
22	Performing residential mortgages, of which:		2 469	2 581	165 153	112 500
23	with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2 469	2 581	152 030	101 345
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		7 205	1 910	6 839	10 370
25	Assets with matching interdependent liabilities					
26	Other assets	24 164	15 046	2 048	63 970	63 228
27	Physical traded commodities, including gold					
28	Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		42			36
29	NSFR derivative assets				22 010	19
30	NSFR derivative liabilities before deduction of variation margin posted				22 033	2 203
31	All other assets not included in the above categories	24 164	15 004	2 048	19 927	60 970
32	Off-balance-sheet items				318 666	10 367
33	**Total RSF**					649 346
34	**NSFR (%)**					112,1

The contractual and BaU liquidity mismatches of Nedbank Group are presented below.

Nedbank Group Contractual Liquidity Gap

Rm	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	> 12 months	Total
December 2023									
Cash and cash equivalents	48 093	2 822	27	48	212	198	507	175	52 082
Other short-term securities	–	2 223	24 550	7 724	6 271	18 700	20 493	7 808	87 769
Derivative financial instruments	30	180	719	869	928	753	1 825	8 508	13 812
Government and other	15	9	2 723	–	71	262	341	167 296	170 717
Loans and advances	70 627	11 497	29 865	13 570	20 059	35 893	68 157	641 951	891 619
Other assets	2 612	–	141	–	–	150	–	92 506	95 409
Total assets	121 377	16 731	58 025	22 211	27 541	55 956	91 323	918 244	1 311 408
Total equity								119 211	119 211
Derivative financial instruments	35	210	841	1 016	1 087	746	1 996	8 210	14 141
Amounts owed to depositors	504 718	36 985	53 935	96 057	41 973	85 983	158 910	109 084	1 087 645
Provision and other liabilities	17 873	–	527	75	4 148	290	489	19 232	42 634
Long-term debt instruments	144	–	2	3 358	400	1 603	2 094	40 176	47 777
Total equity and liabilities	522 770	37 195	55 305	100 506	47 608	88 622	163 489	295 913	1 311 408
Net liquidity gap — Dec 2023	(401 393)	(20 464)	2 720	(78 295)	(20 067)	(32 666)	(72 166)	622 331	
Off-balance-sheet — Dec 2023	(230 650)								(230 650)
Net liquidity gap — Dec 2022[1]	(452 276)	(5 518)	5 606	(39 318)	(9 325)	(31 702)	(29 189)	561 722	–
Off-balance-sheet — Dec 2022[1]	(214 047)								(214 047)

[1] *For comparability, the net liquidity gap and off-balance-sheet at 31 December 2022 have been restated. Refer to note A4 restatements and K2.1 Contingent liabilities and undrawn facilities of the 2023 Nedbank Group Annual Financial Statements.*

The BaU liquidity gap of Nedbank Group is presented below. The table shows the expected liquidity mismatch under normal market conditions after the behavioural attributes of stable deposits, savings and investment products and rollover assumptions associated with term deals, but excluding BaU management actions, have been considered. Based on client behavioural attributes, it is estimated that 93% (December 2022: 93%) of the amounts owed to depositors are stable.

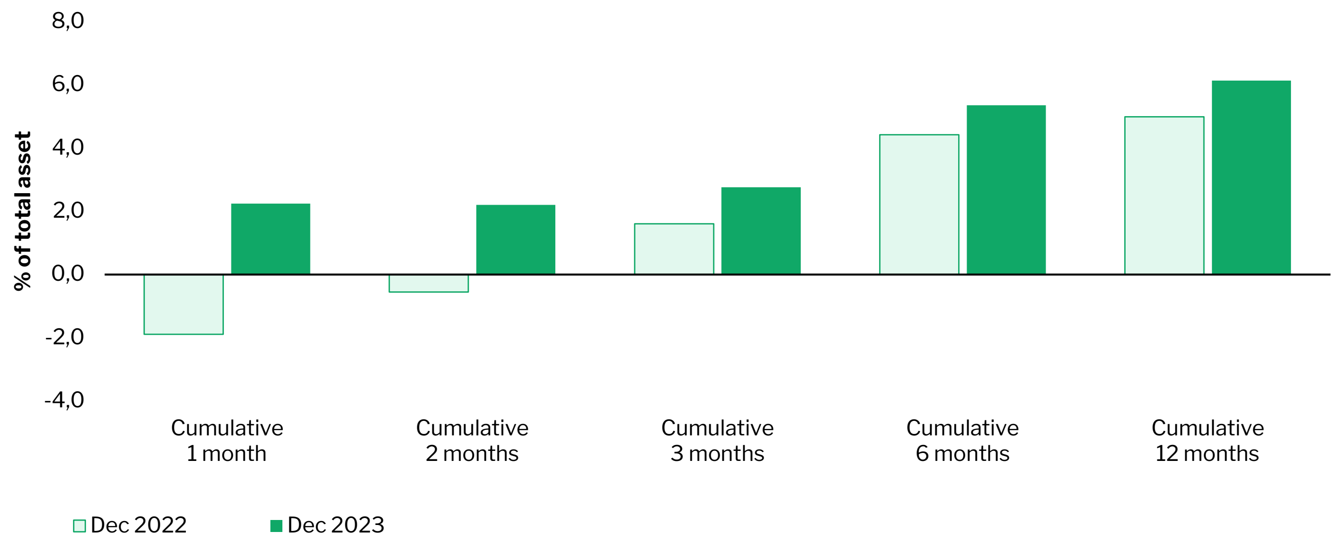
Nedbank Group BaU Liquidity Gap

Rm	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	> 12 months	Total
December 2023									
Cash and cash equivalents								52082	52 082
Other short-term securities	–	681	10 732	2 196	2 618	4 415	5 423	61 704	87 769
Derivative financial instruments	30	180	719	869	928	753	1 825	8 508	13 812
Government and other	–	–	–	–	–	–	–	170 717	170 717
Loans and advances	824	13 665	18 540	23 967	23 970	70 415	137 641	602 597	891 619
Other assets	–	–	–	–	–	150	–	95 259	95 409
Total assets	854	14 526	29 991	27 032	27 516	75 733	144 889	990 867	1 311 408
Total equity								119 211	119 211
Derivative financial instruments	35	210	841	1 016	1 087	746	1 996	8 210	14 141
Amounts owed to depositors	2 225	8 067	34 785	31 746	17 248	37 036	121 581	834 957	1 087 645
Provision and other liabilities	361	–	527	75	4 147	290	489	36 745	42 634
Long-term debt instruments	144	–	2	3 358	400	1 603	2 094	40 176	47 777
Total equity and liabilities	2 765	8 277	36 155	36 195	22 882	39 675	126 160	1 039 299	1 311 408
Net liquidity gap — Dec 2023	(1 911)	6 249	(6 164)	(9 163)	4 634	36 058	18 729	(48 432)	–
Off-balance-sheet — Dec 2023	(67)	(402)	(1 607)	(2 076)					(4 152)
Net liquidity gap — Dec 2022[1]	(15 348)	12 731	(21 223)	4 235	15 532	34 396	17 321	(47 644)	–
Off-balance-sheet — Dec 2022[1]	(64)	(386)	(1 546)	(1 933)					(3 929)

[1] *For comparability, the net liquidity gap and off-balance-sheet at 31 December 2022 have been restated. Refer to note A4 restatements and K2.1 Contingent liabilities and undrawn facilities of the 2023 Nedbank Group Annual Financial Statements.*

As illustrated below, Nedbank Group's 2023 cumulative inflows exceeded outflows from the 1 month time bucket onwards, highlighting the strength of Nedbank's retail and commercial deposits franchise and the effective management of the funding profile and asset–liability composition from a behavioural perspective.

Nedbank Group Behavioural Liquidity Mismatch[1]



[1] *Expressed as a percentage of total assets based on maturity assumptions before rollovers and risk management.*

The tables below depict the contractual and BaU liquidity mismatches in respect of Nedbank, while also highlighting the split of total deposits into 'stable' and 'more volatile'. The liquidity profile attributable to foreign operations is relatively small, with approximately 90% of Nedbank Group's balance sheet emanating from Nedbank.

Nedbank Contractual Liquidity Gap

Rm	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	> 12 months	Total
December 2023									
Contractual maturity of assets	**150 582**	**17 999**	**45 658**	**21 600**	**23 809**	**50 073**	**80 585**	**823 289**	**1 213 595**
Loans and advances	**55 119**	**4 394**	**19 787**	**13 633**	**19 031**	**34 123**	**62 418**	**598 976**	**807 481**
Trading, hedging and other investment instruments	**54 863**	**13 605**	**25 871**	**7 967**	**4 778**	**15 872**	**18 167**	**181 874**	**322 997**
Other assets	**40 600**					**78**		**42 439**	**83 117**
Contractual maturity of	**474 120**	**46 137**	**50 946**	**95 558**	**41 439**	**85 261**	**158 117**	**262 017**	**1 213 595**
Stable deposits	**437 386**	**36 994**	**37 953**	**76 086**	**33 325**	**68 306**	**126 491**	**113 765**	**930 306**
Volatile deposits	**31 265**	**1 427**	**3 957**	**12 778**	**2 679**	**6 801**	**12 705**	**3 508**	**75 120**
Trading and hedging	**4 394**	**7 716**	**9 036**	**6 634**	**2 636**	**9 769**	**18 619**	**41 722**	**100 526**
Other liabilities	**1 075**			**60**	**2 799**	**385**	**302**	**103 022**	**107 643**
Net liquidity gap — Dec 2023	**(323 538)**	**(28 138)**	**(5 288)**	**(73 958)**	**(17 630)**	**(35 188)**	**(77 532)**	**561 272**	
Off-balance-sheet — Dec 2023	**(218 973)**								**(218 973)**
Net liquidity gap — Dec 2022	(373 461)	(22 702)	(156)	(37 549)	(3 498)	(33 096)	(37 926)	508 388	
Off-balance-sheet — Dec 2022	(188 642)								(188 642)

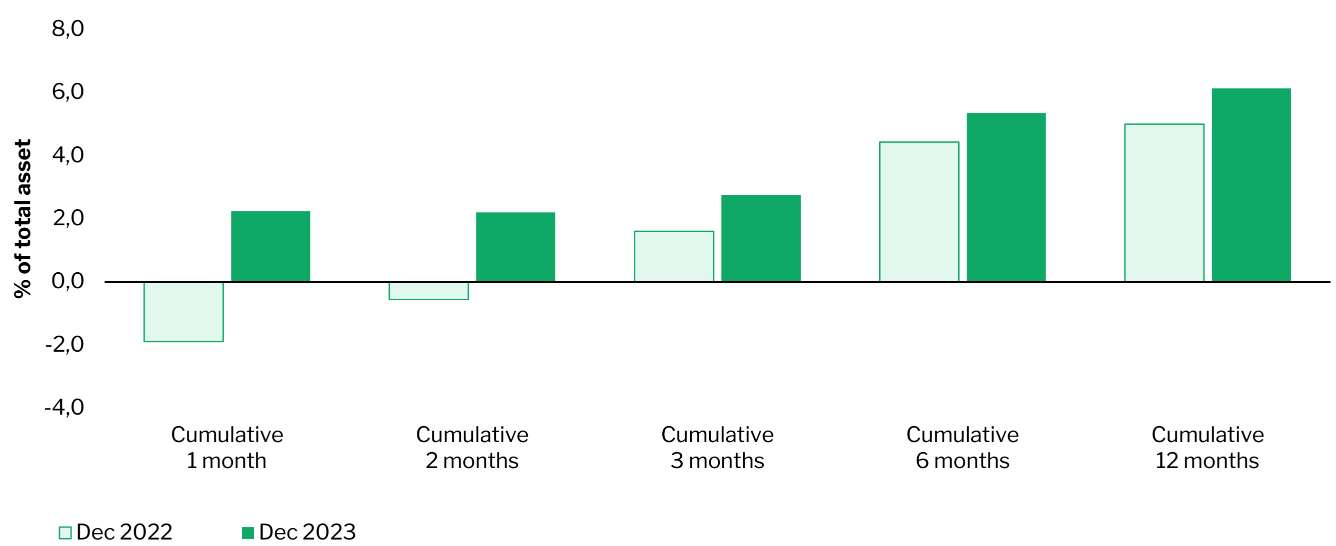
The BaU liquidity gap of Nedbank is presented below. The table shows the expected liquidity mismatch under normal market conditions after the behavioural attributes of stable deposits, savings and investment products and rollover assumptions associated with term deals, but excluding BaU management actions, have been considered. Based on client behavioural attributes, it is estimated that 93% (December 2022: 93%) of the amounts owed to depositors are stable.

Nedbank BaU Liquidity Gap

Rm	Next day	2 to 7 days	8 days to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	> 12 months	Total
December 2023									
BaU maturity of assets	**46 106**	**20 860**	**25 086**	**32 934**	**26 518**	**67 799**	**127 791**	**866 501**	**1 213 595**
Loans and advances	7 898	14 632	17 243	22 352	20 953	62 009	122 234	540 160	807 481
Trading, hedging and other investment instruments	38 208	6 228	7 843	10 582	5 565	5 712	5 557	243 302	322 997
Other assets						78		83 039	83 117
BaU maturity of liabilities	**21 985**	**7 305**	**35 549**	**33 396**	**19 756**	**36 285**	**118 374**	**940 945**	**1 213 595**
Stable deposits	8 980	1 740	6 834	11 312	8 420	25 656	92 160	775 204	930 306
Volatile deposits	9 606	4 876	23 071	11 907	2 669	6 786	12 704	3 501	75 120
Trading and hedging	3 318	689	5 644	10 117	4 874	3 458	13 208	59 218	100 526
Other liabilities	81			60	3 793	385	302	103 022	107 643
Net liquidity gap — Dec 2023	**24 121**	**13 555**	**(10 463)**	**(462)**	**6 762**	**31 514**	**9 417**	**(74 444)**	
Off-balance-sheet — Dec 2023	**(64)**	**(381)**	**(1 526)**	**(1 970)**					**(3 941)**
Net liquidity gap — Dec 2022	1 886	(1 404)	(22 425)	15 532	24 999	32 743	6 580	(57 911)	
Off-balance-sheet — Dec 2022	(57)	(340)	(1 362)	(1 703)					(3 462)

As illustrated below, Nedbank's net cumulative liquidity mismatch is positive from the 1 month time bucket onwards, highlighting the strength of Nedbank's retail and commercial deposits franchise and the effective management of the funding profile and asset–liability composition from a behavioural perspective.

Nedbank Limited behavioural liquidity mismatch[1]



[1] Expressed as a percentage of total assets based on maturity assumptions before rollovers and risk management.

SECURITISATION RISK

Year under review

- No new securitisations were concluded in 2023.

Focus for 2024

- Nedbank has the capacity to raise funding through the use of existing securitisation programmes should market appetite and pricing support such a strategy.

Nedbank Group uses securitisation as a funding diversification tool, which also supports the management of its structural liquidity risk profile. The group currently has one active traditional securitisation transaction:

- Greenhouse Funding 5 (RF) Limited (Greenhouse 5) is a securitisation of a portfolio of home loans originated by Retail. The senior notes issued were placed with SA capital market investors as part of Nedbank Group's funding strategy, while the junior notes were retained by the bank. The notes issued by Greenhouse 5 have been assigned credit ratings by Moody's Investors Service (Moody's) and are listed on the Johannesburg Stock Exchange (JSE).

Assets securitised and retained securitisation exposure

					Assets securitised[1]		Assets outstanding		Amount retained / purchased		Risk-weighted assets[2]	
Rm	Year initiated	Rating agency	Transaction type	Asset type	Dec 2023	Dec 2022	Dec 2023	Dec 2022	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Greenhouse 5	2019	Moody's	Traditional securitisation	Home loans	**1 618**	1 618	**1 206**	1 212	**172**	172	**245**	246

[1]This includes all assets identified for securitisation at the transaction close.

[2]The regulatory capital held against these securitisation exposures is capped at the IRB approach capital that the bank would have held against the underlying assets had they not been securitised.

The various roles fulfilled by Nedbank Group in securitisation transactions are indicated in the table below.

Transaction	Originator	Sponsor	Investor	Servicer	Liquidity facility provider	Credit enhancement provider	Swap counterparty
Greenhouse 5	✓		✓	✓		✓	✓

All securitisation transactions entered, thus far, were in terms of the sale of the underlying assets to these securitisation vehicles. Nedbank has not originated or participated in synthetic securitisations.

Nedbank Group complies with IFRS in terms of recognising and accounting for securitisation transactions:

- In particular, the assets transferred to the Greenhouse 5 securitisation vehicle continue to be recognised on the balance sheet of the bank and the securitisation vehicle is consolidated under Nedbank Group for financial reporting purposes.
- Securitisations are treated as sale transactions (rather than financing transactions). The assets are sold to the special-purpose vehicles at carrying value and no gains or losses are recognised.

Proposed securitisation initiatives undertaken by Nedbank Group follow a rigorous internal approval process and are reviewed for approval by Group ALCO, GRCMC and the board. Retained securitisation exposures are reviewed and monitored by the relevant credit committees in the group, and changes to retained securitisation exposures (ratings, redemptions and losses) are reflected in the monthly return concerning securitisation schemes (BA500) submitted to the PA. Nedbank Group does not employ CRM techniques to hedge credit risk on retained securitisation exposures or resecuritisation exposures.

The table below details Nedbank Group's securitisation exposures in the banking book. Nedbank Group has no securitisation exposure in the trading book

SEC1: Securitisation exposures in the banking book

		Traditional securitisation			
Rm		**Group acts as originator**	**Group acts as sponsor**	**Group acts as investor**	**Total**
December 2023					
1	**Retail (total), of which**	**172**	**–**	**–**	**172**
2	Residential mortgage	**172**	**–**	**–**	**172**
6	**Wholesale (total), of which**	**–**	**–**	**–**	**–**
8	Commercial mortgage				**–**
Total		**172**	**–**	**–**	**172**
December 2022					
1	**Retail (total), of which**	172	–	–	172
2	Residential mortgage	172			172
6	**Wholesale (total), of which**	–	–	–	–
8	Commercial mortgage				–
Total		172	–	–	172

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or sponsor [1]

		Exposure values by risk-weight bands				Exposure values by regulatory approach		RWA by regulatory approach		Capital charge after cap	
		≤20%	**>20% to 50%**	**>50% to 100%**	**>100% to <1 250% RW**	**IRB RBA**	**IRB SFA**	**IRB RBA**	**IRB SFA**	**IRB RBA**	**IRB SFA**
December 2023											
1	**Total exposures**	**–**	**–**	**–**	**172**	**172**	**–**	**245**	**–**	**31**	**–**
2	**Traditional securitisation**	**–**	**–**	**–**	**172**	**172**	**–**	**245**	**–**	**31**	**–**
3	**Securitisation, of which:**	**–**	**–**	**–**	**172**	**172**	**–**	**245**	**–**	**31**	**–**
4	Retail underlying				**172**	**172**	**–**	**245**	**–**	**31**	**–**
5	STC										
6	Wholesale				**–**	**–**	**–**	**–**	**–**	**–**	**–**
December 2022											
1	**Total exposures**	–	–	–	172	81	91	246	–	31	–
2	**Traditional securitisation**	–	–	–	172	81	91	246	–	31	–
3	**Securitisation, of which:**	–	–	–	172	81	91	246	–	31	–
4	Retail underlying				172	81	91	246	–	31	–
5	STC										
6	Wholesale										

[1]*There were no synthetic securitisations (rows 7 to 15) and no exposures in the < 50% risk-weighted bands at 31 December 2022.*

SEC4: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as investor

Nedbank has no exposure in this regard as the last remaining investment where Nedbank acted as an investor matured in May 2018.

MARKET RISKS

Market risk is the risk of loss arising from movements in market variables such as foreign exchange rates, interest rates, equity prices, commodity prices, property prices, credit spreads and implied volatilities. Market risk arises in both the trading book and banking. Trading book positions are financial instruments (primary and derivative instruments) typically held with the intention of short-term trading or market-making or to hedge other positions in the trading book and are free of trade restrictions. Any instrument not held for trading purposes is assigned to the banking book.

Market risk comprises the following:

- **Trading market risk** (or position risk) in the trading book, which arises predominantly in CIB.
- **IRRBB**, which arises from repricing and/or maturity mismatches of on- and off-balance-sheet components across the group.
- **Foreign exchange risk in the banking book**, which is the risk to earnings or capital arising from the translation of the group's non-trading-related offshore assets, liabilities, commitments, or earnings from foreign currency to local or functional currency.
- **Equity risk in the banking book**, which arises in the private-equity and investment property portfolios of CIB. Additional investments are undertaken in liquid funds for investment purposes and for operational requirements.
- **Property market risk**, which arises from business premises, property required for future expansion and repossessed properties.

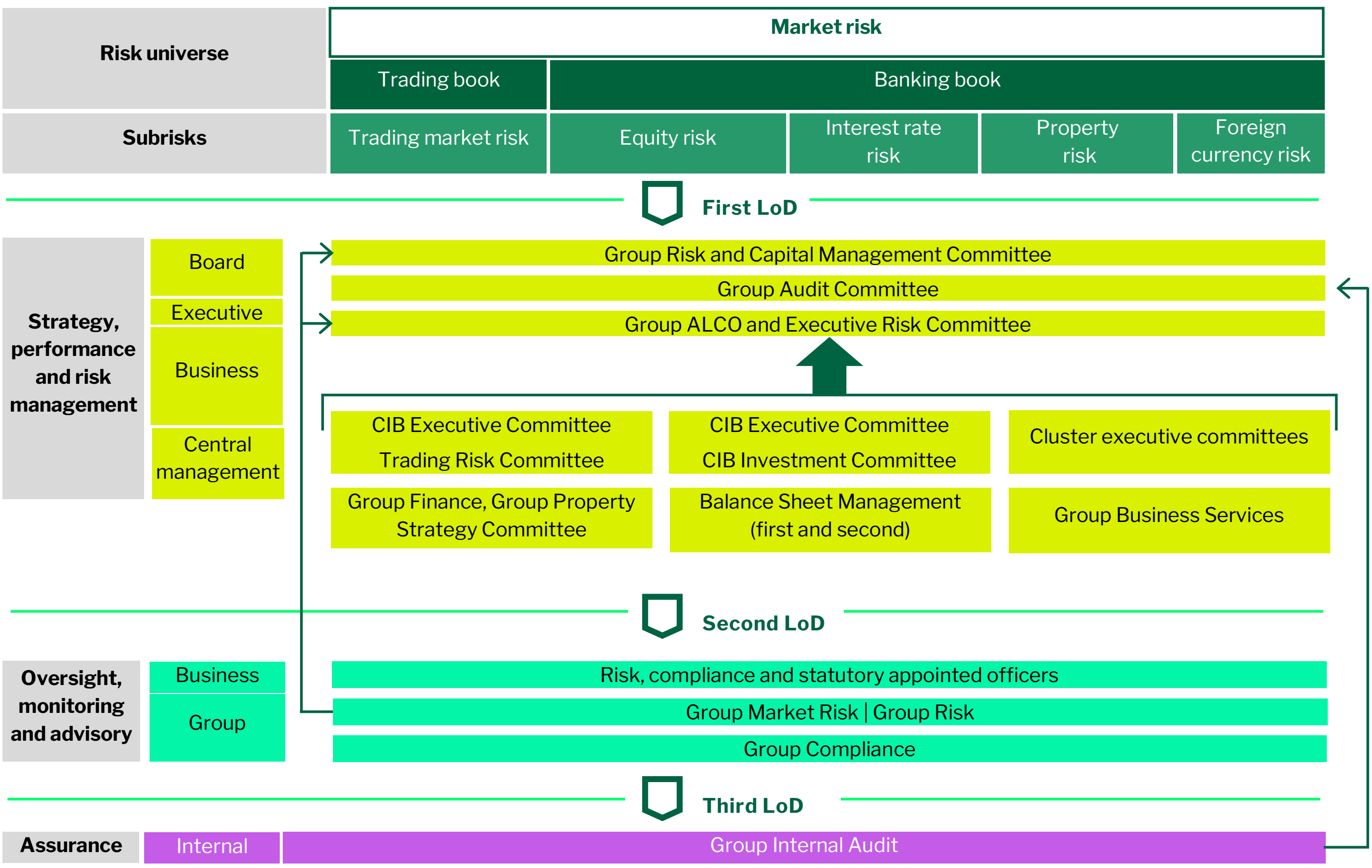
Other than IRRBB, Nedbank does not have a significant risk appetite for, or exposure to, market risk.

Market risk strategy, governance, and policy

The Group Market Risk Framework recognises the importance of sound market risk management and its framework is designed to identify, assess, control and manage market risk. The framework is approved by the board and supported by the following:

- The board's GRCMC, which is accountable for the independent oversight of the adequacy and effectiveness of the Market Risk Management Framework. This framework includes key risks and key performance indicators as well as strategic, business and operational risks. The board ultimately approves the market risk appetite and related limits for both the trading and banking books.
- Group ALCO, which is responsible for ensuring that market risks are effectively managed and reported on, throughout Nedbank Group, and that all relevant policies, risk limits and market risk issues are reported to the GRCMC.
- Group Market Risk (GMR), which is a specialist independent function, situated within the Group Risk Cluster, and which provides independent oversight of market risk across Nedbank Group as well as of the validation of risk measurement, policy coordination and reporting thereof. This function also ensures that market risk limits are compatible with a level of risk acceptable to the board, as no market risk is permitted outside these board-approved limits. GMR reports on the market risk portfolio to Group ALCO and the GRCMC.
- Risk control units in business, which have the primary responsibility for day-to-day risk management.
- GIA, which provides independent and objective assurance on the overall adequacy and effectiveness of internal controls.

Market risk governance structure



Trading market risk

Year under review

- FY 2023 was characterised by continued market volatility across most asset classes with local and offshore interest rate increases easing as inflation expectations decreased relative to 2022, while the local currency weakened over the course of the year to recent highs.
- Internationally, the artificial intelligence (AI) revolution pushed several major equity indices, particularly those linked to technology, to all-time highs on the back of the impact of this key technology breakthrough.
- In the political arena, the war in Ukraine continued while violence flared up in the middle east impacting commodity prices and the sector.
- Local economic growth in South Africa remained subdued, with the impact of continued load-shedding being the focus of discussion.
- South African GDP growth remained largely flat to slightly positive.

Focus for 2024

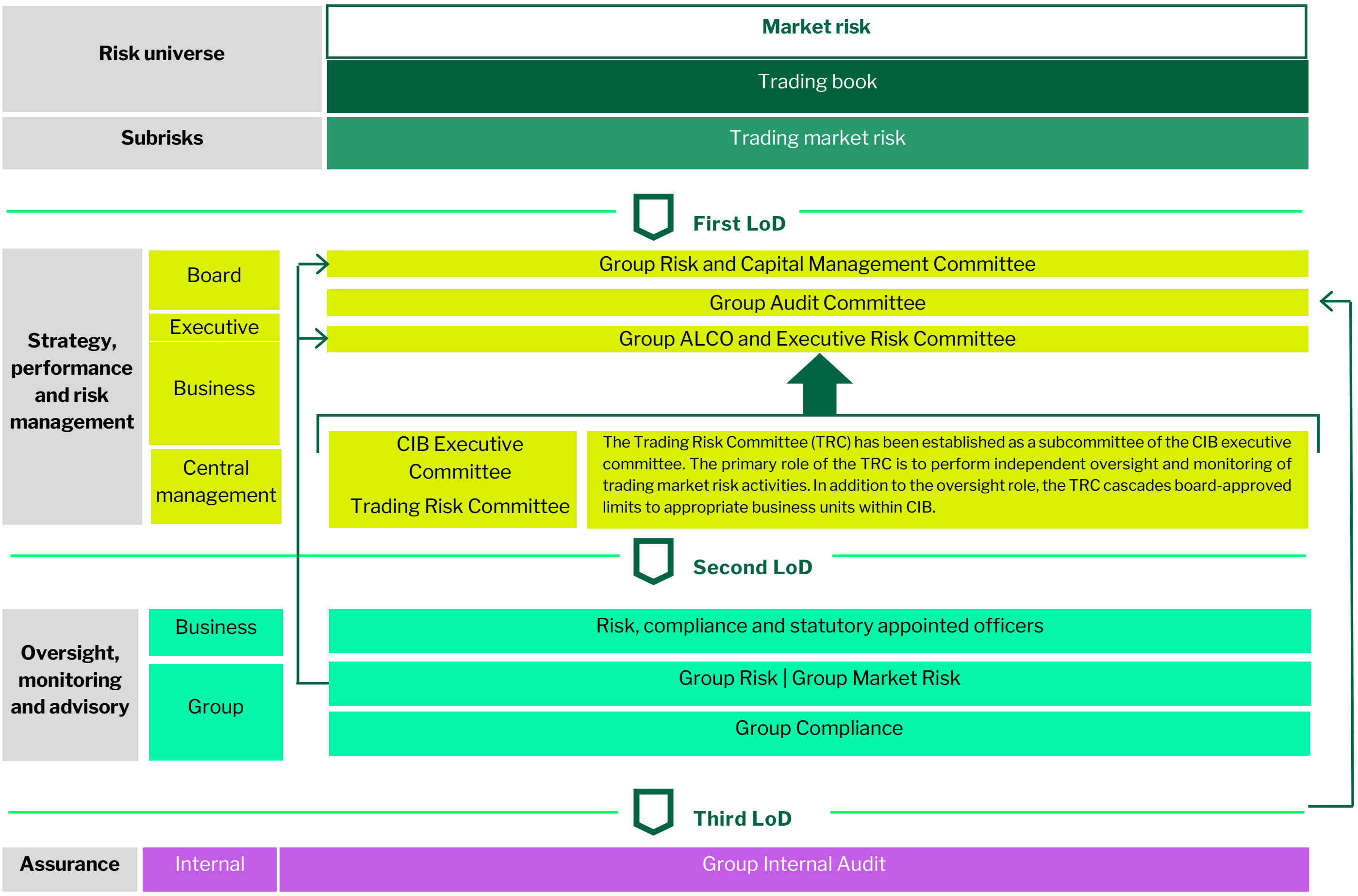
- A key focus for FY 2024 will be a number of elections on the local as well as international front driving economic policies and market direction, with uncertainty being a key theme for the year in this regard.
- Expectations are for the start of a rate decline cycle globally during FY 2024, with most major markets at recent highs on their respective interest rates.
- Expectations are also for local South African interest rates to potentially decline by about 75 bps during the year based off Nedbank economic forecasting models.
- Benchmark index reform in South Africa with the migration of the legacy Johannesburg Interbank Average Rate (JIBAR) key interest rate benchmark to the newer ZAR Overnight Index Average (ZARONIA) interest rate benchmark rate is expected to take shape in line with the regulatory programme.
- The local implementation of the Fundamental Review of the Trading Book (FRTB), representing a major overhaul of market risk capitalisation and regulatory standards, is expected to go live during FY 2024.

Trading market risk is the risk of loss as a result of unfavourable changes in the market value of the trading book because of changes in market risk factors, such as foreign exchange rates, interest rates, equity prices, commodity prices, credit and implied volatilities. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance-sheet instruments, that are held with trading intent or used to hedge other elements of the trading book.

Categories of trading market risk include exposure to interest rates, equity prices, commodity prices, foreign exchange rates and credit spreads. The market risk factor categories are as follows:

- Interest rate risk, which primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates.
- Equity price risk, which results from exposure to changes in the price and volatility of individual equities and equity indices.
- Commodity price risk, which results from exposure to changes in spot prices, forward prices, and volatilities of commodity products such as energy, agricultural products, and precious and base metals.
- Foreign exchange rate risk, which results from exposure to changes in spot prices, forward prices, and volatility of currencies.
- Credit spread risk, which results from exposure to changes in the interest rate that reflects the spread that investors receive for bearing credit risk.

Trading market risk governance structure



The trading market risk governance structure is aligned with the group's ERMF and Group Market Risk Framework and is managed within the 3LoD Model.

The **first LoD** comprises focused and informed involvement by the board and Group Exco, which retains ultimate responsibility for the effective management of trading market risk. Group ALCO proactively manages trading market risk undertaken by the group and ensures that risks impacting the achievement of the strategic objectives of business are identified, assessed, measured, managed, monitored and reported effectively within defined risk appetites and risk strategies. Business clusters take ownership of risks arising within their areas of responsibility. CIB is the only cluster in the group that may incur trading market risk, but this is restricted to the formally approved securities and derivative products. The Trading Risk Committee (TRC) is responsible for the oversight and monitoring of trading market risk activities within CIB. The TRC approves appropriate trading risk limits for the individual business units within the trading area. Committee meetings are held every second month and are independently chaired by the Executive Head of GMR. Members include the CRO, risk managers from the cluster, the cluster's managing executive and executive head of risk, as well as representatives from GMR.

The **second LoD** comprises business cluster risk functions established primarily to monitor the identification, assessment, management and reporting of risk arising within the business unit. Independent oversight is provided to the board by GMR. Included in the second LoD are specialist functions such as Group Legal and Group Compliance.

The **third LoD** provides independent objective assurance on the effectiveness of the management of risk across the group.

Managing trading market risk

Trading market risk is governed by board-approved policies that cover management, identification, measurement and monitoring.

Market risk limits, including VaR and stress trigger limits, are approved at board level and reviewed periodically, but at least annually. These limits are then allocated to the trading units through a tiered limit approach by the TRC. Market risk reports are available at a variety of levels and in varying degrees of detail, ranging from individual trader level to a group level view of market risk. Market risk exposures are measured and reported to management and bank executives daily. Documented policies and procedures are in place to ensure that exceptions are resolved timeously.

In addition to applying business judgement, management uses a number of quantitative measures to manage the exposure to trading market risk. These measures include the following:

- Risk limits based on a portfolio measure of market risk exposures referred to as VaR, including extreme tail loss (ETL).
- Scenario analysis, stress testing and other analytical tools that measure the potential effects on trading revenue in the event of various unexpected market events.

The material risks identified by these measures are summarised in daily reports that are circulated to, and discussed with, senior management.

VaR is the potential loss in pretax profit due to adverse market movements over a defined holding period within a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities, as well as risk diversification, by recognising offsetting positions and correlations between products and markets. It facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The 99% one-day VaR number used by Nedbank Group indicates that, at a 99% confidence level, the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days.

Nedbank Group uses 1 year of historical data to estimate VaR. Some of the considerations taken into account when reviewing the VaR numbers are the following:

- The assumed 1-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within 1 day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99% confidence level does not indicate the potential loss beyond this interval.
- If a product or listing is new in the market, limited historical data would be available. In such cases, a proxy is chosen to act as an estimate for the historical rates of the relevant risk factor. Depending on the amount of (limited) historical rates available, regression analysis is used on the chosen proxy to refine the link between the proxy and the actual rates.

Additional risk measures are used to monitor the individual trading desks, including performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints. CIB also makes use of the ETL measure to overcome some of the VaR shortcomings. ETL seeks to quantify losses encountered in the tail beyond the VaR level.

All market risk models are subject to periodic independent validation in terms of the Group Market Risk Framework. A formal review of all existing valuation models is conducted at least annually. Should the review process indicate that models need to be updated, a formal independent review will take place. All new risk models developed are independently validated before implementation.

Nedbank Group's current trading activities are focused on liquid markets, which is in line with the current regulatory liquidity horizon assumption of a 10-day holding period, in line with Basel III.

Nedbank Group's approach towards the hedging of market risk is to clearly define a set of appropriate market risk exposure limits to individual risk sensitivities, stress scenarios and risk-factor-specific VaR measures for each trading desk and business line. These limits are carefully calibrated to support the underlying objectives of the specific trading unit as defined by measures such as products offered, budgetary targets, market liquidity and complexity among other considerations.

Through adherence to these limits daily, monitored and reported on by independent risk functions, business is incentivised to hedge risk exposures and maintain an overall portfolio of risk that is effectively constrained through upper bounds designed specifically for the business. Business is expected to hedge itself through the execution of securities or derivatives, within the trading desk mandate, that provide legally offsetting exposure to designated market risk factors to reduce the overall exposure to a specific risk factor.

These upper bounds or limits are critical in their definition, as traders are typically free to operate within these metrics without preapproval or notification from senior management. Careful consideration of risk limits, to promote hedging of excessive risk exposure regularly, is required as the business continues to grow and evolve as well as adapt to underlying market evolution.

Trading market risk stress testing

While VaR captures Nedbank Group's exposure under normal market conditions, sensitivity and stress scenario analyses are used to provide insight into the possible outcomes under abnormal market conditions.

- CIB uses several stress scenarios to measure the impact of extreme moves in markets on portfolio values, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.
- Stress testing results are reported to senior management daily and are also tabled at the TRC and Group ALCO. Stress scenarios are reviewed periodically and at least annually for relevance in ever-changing market environments.

Trading market risk backtesting

The performance of the VaR Model is regularly assessed through backtesting. This is done by comparing daily trading revenue against VaR exposure based on a 99% confidence level and a one-day holding period. Nedbank performs backtesting using actual (reported) profit and loss as well as hypothetical profit and loss (calculated income attributed to market moves and stripped of fee or flow income). This is conducted at various levels as well as against risk factors daily.

Trading market risk profile

Most of Nedbank Group's trading activity is managed in CIB and is focused primarily on client activities and flow trading. This includes market-making and the facilitation of client business in the foreign exchange, interest rate, equity, credit, and commodity markets.

The RWA flow statement of market risk exposures under the IMA for the period is presented below. There were no incremental and comprehensive risk capital charges. RWA under TSA is less than 6% of the group RWA, and therefore the MR1 table has not been included in this report as it would neither be meaningful to nor add value for the user.

MR2: Risk-weighted assets flow statement of market risk exposures under IMA[1]

Rm		VaR	Stressed VaR	Total RWA
1	**RWA at September 2023**	**9 187**	**14 126**	**23 313**
2	Movement in risk levels	1 069	697	1 766
3	Model updates/changes	–	–	–
4	Methodology and policy	–	–	–
5	Acquisitions and disposals	–	–	–
6	Foreign exchange movements	(135)	1	(134)
7	Other	–	–	–
8	**RWA at December 2023**	**10 121**	**14 824**	**24 945**

[1] Incremental risk charge (IRC), comprehensive risk measure (CRM) and 'Other' are not applicable to Nedbank under the internal model approach, in line with the Pillar 3 disclosure for market risk, under MR2 (MR2: Risk-weighted assets flow statement of market risk exposures under IMA), where exposures emanating from the trading activities of the bank are measured through the VaR Model.

The movements in RWA were primarily driven by increased trading activity, growth in the credit trading business and interest rate volatility in the market.

Lines 3, 4, 5 and 7 have not been applicable thus far but will be applicable should there be any fundamental changes to the VaR Model.

MR3: Nedbank Limited IMA values for trading portfolios[1]

Rm		Foreign exchange	Interest rate	Credit	Commodity	Diversification[2]	Total VaR
December 2023							
VaR (10-day 99%)[3]							
1	Maximum value[4]	**76,5**	**307,9**	**48,2**	**2,3**		**314,1**
2	Average value	**17,0**	**235,7**	**34,4**	**1,0**	**-60,2**	**227,9**
3	Minimum value[4]	**6,1**	**175,5**	**15,4**	**0,1**		**172,4**
4	Period-end	**9,5**	**261,7**	**47,6**	**1,8**	**-81,9**	**238,7**
Stressed VaR (10-day 99%)[3]							
5	Maximum value[4]	**187,3**	**368,5**	**105,0**	**1,9**		**409,7**
6	Average value	**35,8**	**271,8**	**70,9**	**1,0**	**-70,1**	**309,4**
7	Minimum value[4]	**11,6**	**209,6**	**14,0**	**0,1**		**221,3**
8	Period-end	**13,9**	**318,0**	**105,0**	**1,8**	**-72,0**	**366,7**
December 2022							
VaR (10-day 99%)[3]							
1	Maximum value[4]	89,1	244,5	47,8	6,9		250,3
2	Average value	12,7	169,8	25,4	0,5	-41,1	167,3
3	Minimum value[4]	3,8	110,6	13,9	0,1		108,9
4	Period-end	10,6	208,9	36,0	0,2	-37,7	218,0
Stressed VaR (10-day 99%)[3]							
5	Maximum value[4]	201,4	547,0	100,9	16,7		591,2
6	Average value	39,8	307,1	60,8	0,7	-91,3	317,1
7	Minimum value[4]	13,4	174,9	31,3	0,0		209,1
8	Period-end	35,6	220,3	78,9	0,2	-87,5	247,5

[1] Equities are out of scope for Nedbank Limited IMA purposes and are covered under Nedbank Group.

[2] Diversification benefit is the difference between the aggregate VaR and the sum of VaRs for the four risk types. This benefit arises because the simulated 99% 1-day loss for each of the four primary market risk types occurs on different days.

[3] A summary of the 10-day 99% stressed VaR. Stressed VaR is calculated weekly and is included in the daily return concerning the selected risk exposure (BA325) and the monthly return concerning market risk (BA320) that are submitted to the PA. It is calculated using a 99% confidence interval for a 1-day holding period and then scaled to a 10-day holding period.

[4] The minimum and maximum VaR values reported for each of the different risk factors do not necessarily occur on the same day. As a result, a diversification number for the minimum and maximum values has been omitted from the table.

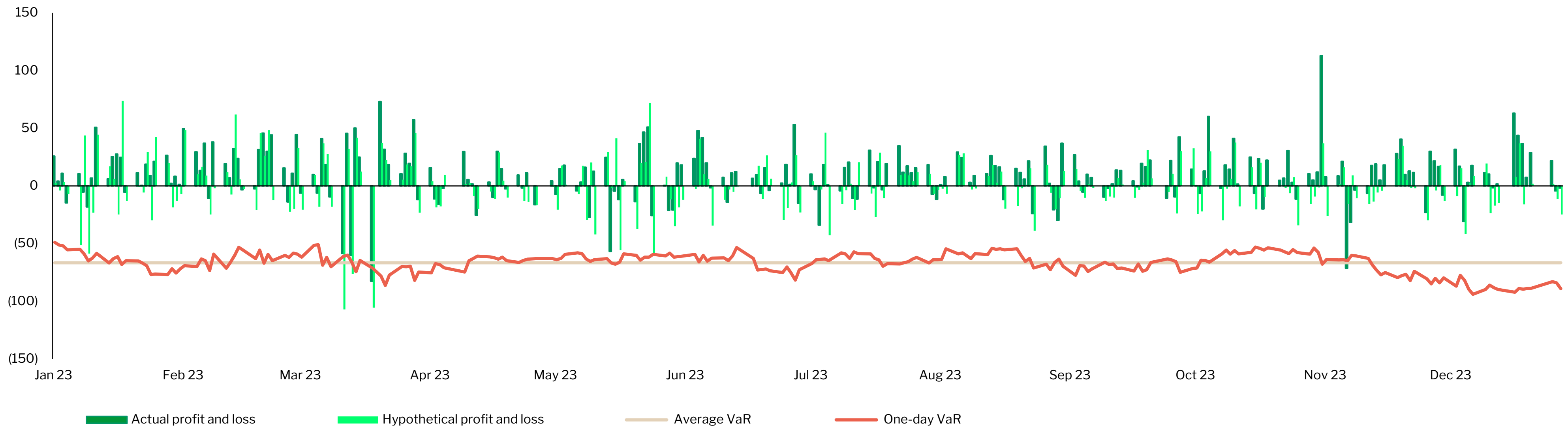
Nedbank Group employs a range of best-practice risk management strategies that includes profit and loss as well as risk attribution, stress testing, risk sensitivity exposures and what-if analysis among others, daily. These inform the bank's approach and decision-making in the active management of all market risk exposures incurred through the trading portfolio. These risks are not only from the bank's various trading desks that support the client business flow model, but also more recently from the active management strategy of Nedbank's exposure to xVA (a generic term collectively referring to various valuation adjustments) risk through fair-valuation volatility.

The above-mentioned risk management approach is strongly coupled with predefined market risk limits established at all levels of the bank's trading portfolio from a single desk through to entire business units and ultimately Nedbank Limited and Nedbank Group Limited. This approach ensures that the effective measurement of the active risk management strategy is performed in line with the defined risk appetite for trading risk as part of Nedbank's overall ERMF and portfolio composition towards classes of risk.

Backtesting – Daily trading revenue and VaR

MR4: Nedbank Group comparison of VaR estimates with gains or losses

(Rm)



The graph above illustrates the daily normal VaR for the 12-month period ended December 2023.

On average, VaR increased during 2023 and was approximately 40% higher than in 2022.

Nedbank Group has remained within the approved risk appetite and VaR limits allocated by the board, which remain low, with trading market risk consuming only 1,5% and 4,1% of group economic capital and regulatory capital respectively.

VaR is an important measurement tool and the performance of the model is regularly assessed through backtesting. This is done by reviewing the daily VaR over a 1-year period (on average 250 trading days) and comparing the actual and hypothetical daily trading revenue [including net interest income (NII) but excluding commissions and primary revenue] with the VaR estimate and counting the number of times the trading loss exceeds the VaR estimate.

Nedbank Group had 2 actual and 3 hypothetical backtesting exceptions during 2023. The reasons for the backtesting exceptions are the following:

- Actual backtesting exception:
  - 20 March 2023: Mainly due to a decline in interest rates as well as market volatility post the SVB banking crisis in the United States (US).
  - 8 November 2023: Mainly due to widening asset swap spreads as well declining interest rates.
- Hypothetical backtesting exceptions:
  - 13 and 20 March 2023: Mainly due to a decline in interest rates as well as market volatility post the SVB banking crisis in the US.
  - 15 March 2023: Mainly due to a decline in interest rates as well as market volatility from news around Credit Suisse and its challenges.

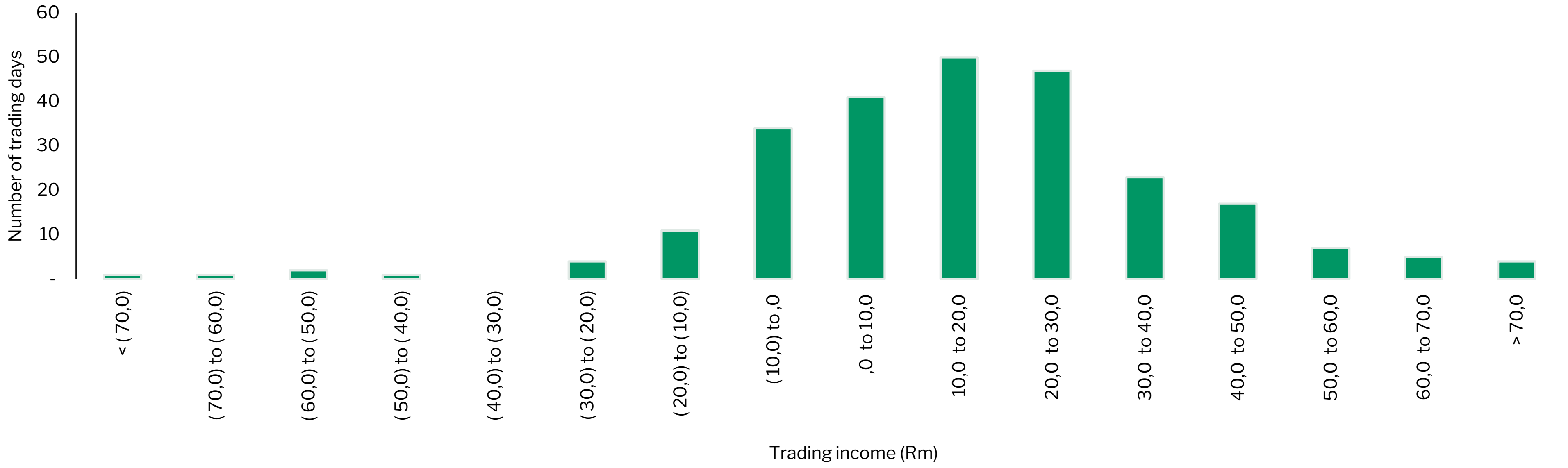
Analysis of trading revenue

The year was characterised by a positive contribution from most business lines.

Nedbank Group's trading businesses (including NII, commissions and primary revenue credited to Nedbank Group's trading businesses) produced a daily revenue distribution that is skewed to the profit side, with trading revenue realised on 194 days out of a total of 248 days in the period.

The average daily trading revenue generated for the period, excluding revenue related to investment banking, was R16,4m (2022: R16,4 m).

Nedbank Group analysis of trading revenue for the 12 months ended December 2023



Stress-testing results

The table below summarises the daily stress-testing results for December 2023, which represent a set of extreme market movements as applied to the trading activities.

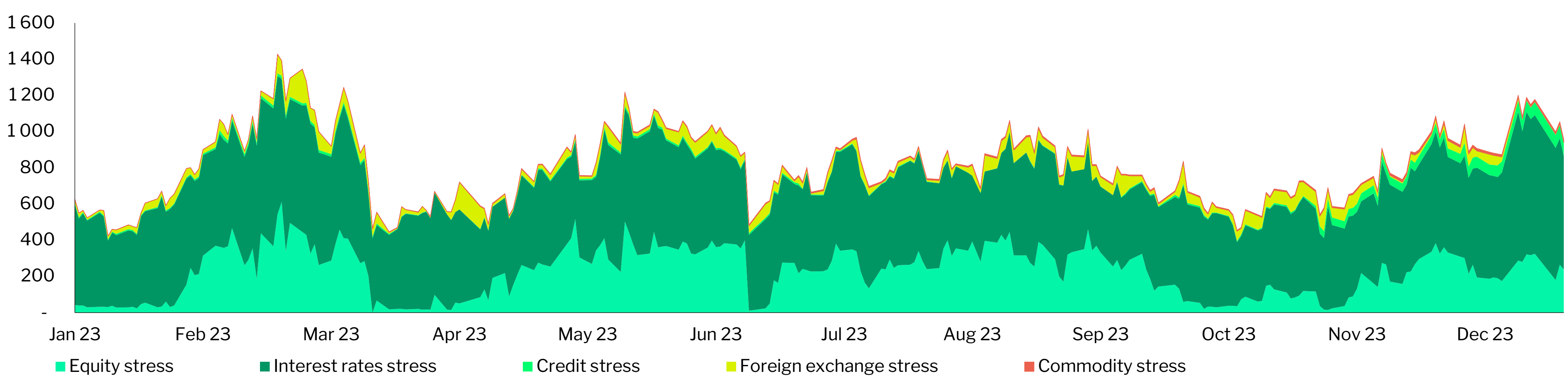
Nedbank Group Risk Exposures Per Risk Factor

Rm	Average	High[1]	Low[1]	End of period
December 2023				
Foreign exchange stress	**45**	**189**	**4**	**6**
Interest rate stress	**519**	**821**	**352**	**625**
Equity stress	**231**	**611**	**0**	**238**
Credit spread stress	**14**	**72**	**0**	**71**
Commodity stress	**6**	**15**	**0**	**15**
Overall	**815**	**1 428**	**423**	**955**
December 2022				
Foreign exchange stress	36	173	4	40
Interest rate stress	583	943	318	530
Equity stress	100	369	5	58
Credit spread stress	4	43	-2	6
Commodity stress	2	5	0	1
Overall	725	1 137	365	635

[1] *The high- and low-stress values reported for each of the different risk factors do not necessarily occur on the same day. As a result, the high- and low-risk-factor stress exposures are not additive.*

Nedbank Group risk exposures for the 12 months ended December 2023

(Rm)



Nedbank Group trading book stressed VaR

As part of the Basel II.5 update to the Banks Act regulations, stressed VaR is calculated using market data taken over a period in which the relevant market factors were experiencing stress. Nedbank Group uses historical data for 1 July 2008 to 30 June 2009, as that period still represents the period of the most financial loss, and therefore a recalibration of the stress VaR period to the Covid-19 period is not required. The stressed VaR period is calibrated based on the total exposure and, as such, this may not represent the period of maximum loss for some of the individual risk factors.

The information in the table below is the comparison of the VaR using 3 different calculations at 30 December 2023. The 3 different calculations are historical VaR, stressed VaR and ETL. ETL measures the extreme loss in the tail of the distribution, and stressed VaR uses a volatile historical data period. A 99% confidence level and 1-day holding period apply to all the calculations.

Nedbank Group comparison of trading VAR

Rm	Historical VaR 99% (one-day VaR)	Stressed VaR 99% (one-day VaR)	Extreme tail loss
December 2023			
Foreign exchange	**6,1**	**8,9**	**6,5**
Interest rates	**85,8**	**86,2**	**98,6**
Equities	**2,2**	**1,4**	**4,6**
Credit	**14,7**	**30,2**	**16,1**
Commodities	**0,6**	**0,6**	**0,7**
Diversification	**-30,6**	**-35,6**	**-38,6**
Total VaR exposure	**78,8**	**91,7**	**87,8**
December 2022			
Foreign exchange	7,3	22,0	7,7
Interest rates	57,4	57,0	64,1
Equities	13,2	16,8	14,5
Credit	4,0	3,1	4,7
Commodities	0,1	0,1	0,1
Diversification	-33,1	-33,1	-31,7
Total VaR exposure	48,9	65,8	59,4

PV1: Nedbank Group prudent valuation adjustment (PVA)

Rm		Equity	Interest rates	Foreign exchange	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
2023									
1	Closeout uncertainty, of which:	**–**	**(64)**	**–**	**(44)**	**–**	**(108)**	**(27)**	**(81)**
2	Mid-market value						**–**		
3	Closeout cost		**(64)**		**(44)**		**(108)**	**(27)**	**(81)**
4	Concentration						**–**		
5	Early termination[1]						**–**		
6	Model risk		**(6)**				**(6)**	**(6)**	
7	Operational risk[2]						**–**		
8	Investing and funding costs[3]						**–**		
9	Unearned credit spreads[4]						**–**		
10	Future administrative costs[5]						**–**		
11	Other[6]						**(25)**		**(25)**
12	**Total adjustment[7]**	**–**	**(70)**	**–**	**(44)**	**–**	**(139)**	**(33)**	**(106)**
2022									
1	Closeout uncertainty, of which:	–	(48)	–	(18)	–	(66)	(24)	(42)
2	Mid-market value						–		
3	Closeout cost		(48)		(18)		(66)	(24)	(42)
4	Concentration						–		
5	Early termination						–		
6	Model risk						–		
7	Operational risk						–		
8	Investing and funding costs						–		
9	Unearned credit spreads						–		
10	Future administrative costs						–		
11	Other						(27)		(27)
12	**Total adjustment**	–	(51)	–	(18)	–	(96)	(27)	(69)

[1] This PVA is estimated to be 0.
[2] Since the bank has a defined independent price verification (IPV) process that is formally audited on at least an annual basis internally and externally, the operational-risk PVA = 0.
[3] Funding valuation adjustment covers funding cost uncertainty. Therefore, PVA = 0.
[4] Credit valuation adjustment covers unearned credit spread uncertainty. Therefore, PVA=0.
[5] If market price uncertainty and closeout cost is calculated, then this PVA = 0.
[6] The simplified approach has been applied for Private Wealth and NAR subsidiaries as the subsidiaries make up less than 5% of the group's gross assets and liabilities.
[7] The highest amounts of PVA are observed for interest rate products and closeout uncertainty.

Interest rate risk in the banking book

Year under review

- NII and EVE sensitivities remain well within the board-approved risk appetite and interest rate risk hedging strategies remain highly effective, where fixed rate loans and advances, deposits and HQLA portfolios are hedged with interest rate swaps. Through Nedbank's macro fair-value hedge accounting (MFVHA) solution, the fair-value gains or losses on these on-balance-sheet assets and liabilities are hedged through fair value losses or gains on the off-balance-sheet interest rate swaps.
- Nedbank successfully concluded its formal IBOR programme after having completed the migration of its LIBOR exposures to the relevant interest rate benchmarks.

Focus for 2024

- Nedbank will align with the guidance provided by the PA for the June 2024 reporting period as per the recent publication of Directive 1 of 2024 on Pillar 3 disclosure requirements related to IRRBB.
- The transition from JIBAR to ZARONIA is currently being managed through a dedicated Johannesburg Interbank Average Rate (JIBAR)) reform programme, consisting of several workstreams constituted by relevant stakeholders across the bank inclusive of business, risk, legal, accounting, and operational areas.

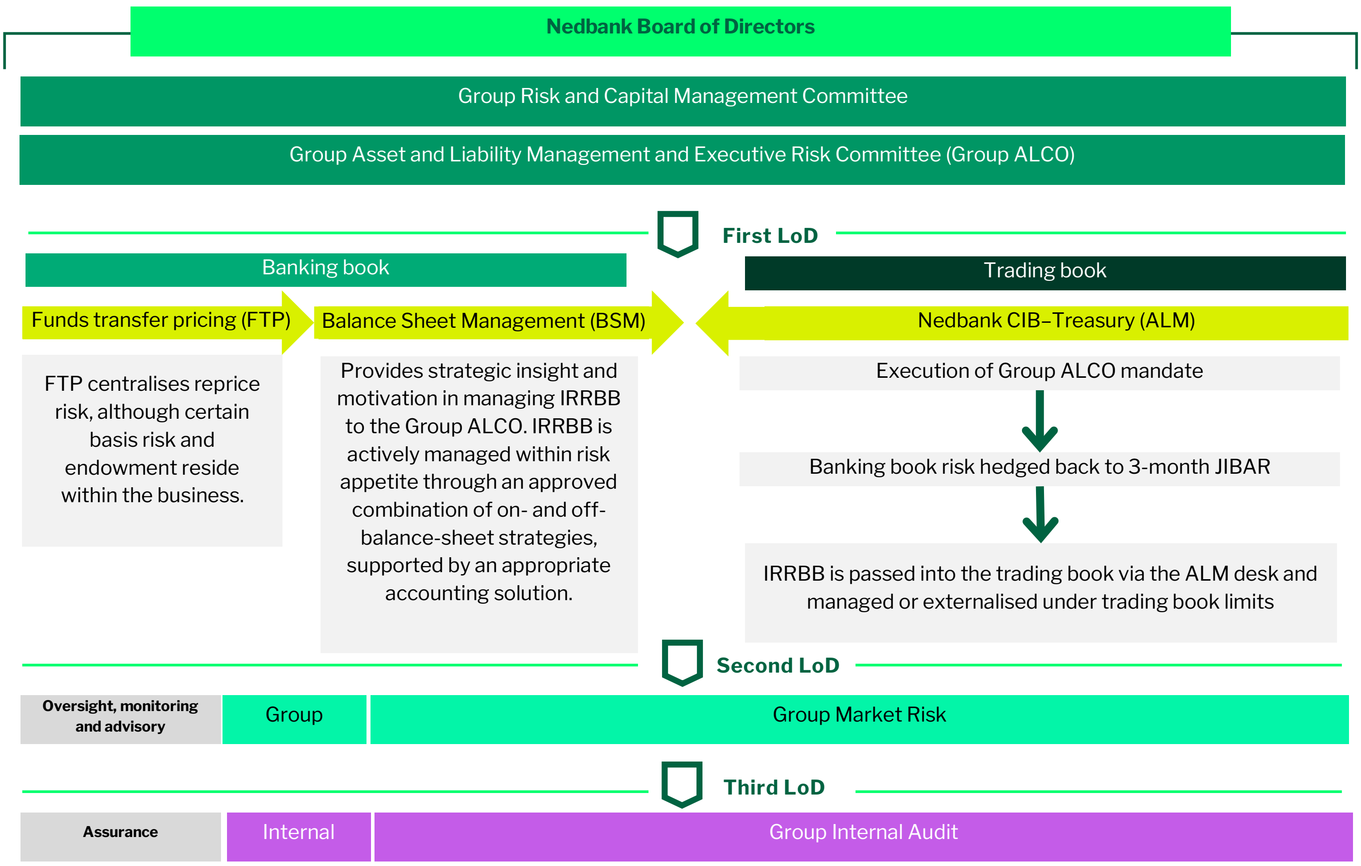
Nedbank Group is exposed to IRRBB primarily due to the following:

- The bank writes a large quantity of prime-linked advances.
- To lengthen the funding profile, term funding is raised across the curve at fixed-term deposit rates that are repriced only on maturity.
- Three-month repricing swaps and forward-rate agreements are typically used in the risk management of term deposits and fixed-rate advances.
- Short-term demand funding products are repriced to different short-end base rates.
- Certain non-repricing transactional deposit accounts are non-rate-sensitive.
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that are not repriced for interest rate changes.

The following applies to IRRBB:

- Repricing risk (mismatch risk) – Timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities, and off-balance-sheet positions.
- Endowment risk – The net mismatch between non-rate-sensitive assets, liabilities, capital, and non-repricing transactional deposit accounts effectively invested in rate-sensitive assets.
- Reset or basis risk – Imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – Changes in the shape and slope of the yield curve.
- Embedded optionality – The risk related to interest-related options embedded in bank products.

IRRBB strategy, governance, policy and processes
Overview of the Interest Rate Risk in the Banking Book Framework



IRRBB is managed within Nedbank Group's ERMF under market risk. The board retains ultimate responsibility for the effective management of IRRBB. Through the GRCMC, the board has delegated its responsibility for the management of IRRBB to Group ALCO. Group ALCO proactively manages IRRBB. BSM provides strategic insight and motivation in managing IRRBB to Group ALCO, through appropriate risk reporting and analytics and by providing strategic input based on the committee's interest rate views, impairment sensitivity and defined risk appetite. The board assumes ultimate responsibility for IRRBB and has defined the group's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for both earnings and EVE, within which this risk must be managed. Compliance with these limits is measured and reported to Group ALCO and the board.

IRRBB is actively managed through a combination of on- and off-balance-sheet strategies, including hedging activities. Hedging is typically transacted on a portfolio basis for deposits and retail advances, although larger, longer-dated deposits along with wholesale fixed-rate advances are typically individually hedged. The principal interest-rate-related contracts used include interest rate swaps and forward-rate agreements. Basis products, caps, floors and swaptions may be used to a lesser extent. The principal on-balance-sheet components used in changing the repricing profile of the balance sheet include the liquid-asset portfolio, term deposits and fixed-rate advances. IRRBB strategies are evaluated regularly for alignment with interest rate views, impairment sensitivity and defined risk appetite.

Group ALCO continues to analyse and manage IRRBB, incorporating the likely change in impairments for similar interest rate changes. This relationship between interest rate sensitivity and impairment sensitivity, which is seen as a natural net income hedge, is a key focus of Group ALCO in managing IRRBB. This analysis includes an assessment of the lag in impairment changes and the increasing change in impairment charges for consecutive interest rate changes. IFRS 9 introduces a forward-looking ECL model that is directly linked to macroeconomic forecasts. This results in credit losses being accounted for much earlier, such that the aforementioned lag (ie endowment benefit realised before impairments increase in an upward-trending interest rate cycle) is likely to disappear or even change to a lead effect, with impairment impacts being realised earlier than the (partially) offsetting endowment impact. Due to the complexity in determining the extent of this natural net income hedge, particularly during interest rate peaks and troughs and periods of stress, the modelling of this relationship and associated risk management strategies is challenging and continues to be refined and improved.

On-balance-sheet strategies are executed through any one of the business units (BUs), depending on the chosen strategy. Changes to the structural interest rate risk profile of the banking book are achieved primarily through the use of the derivative instruments mentioned above and/or new on-balance-sheet products. Hedges are transacted through Group Treasury through the ALM Desk, whereby unwanted IRRBB is passed through a market-making desk into market risk limits or into the external market.

The group applies macro fair-value hedge accounting when fixed-rate transactions and associated interest rate hedges meet the criteria set out in International Accounting Standard (IAS) 39. The proprietary macro fair-value hedge accounting solution is used to recognise fair-value changes related to interest rate risk on underlying hedged positions (hedged item), thereby reducing the profit or loss volatility that would otherwise arise from changes in the fair value of the hedging interest rate swaps (hedging instrument) alone. At the inception of a hedging relationship, the group designates and documents the relationship between the hedging instrument and the hedged item, as well as the group's risk management objective and strategy for undertaking the hedging transactions and the nature of the risk being hedged. The group also documents its assessment of whether the hedging instrument is effective in offsetting changes in fair value or cash flow of the hedged item attributable to the hedged risk. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Each hedging relationship must be expected to be highly effective (prospective effectiveness) and demonstrate actual effectiveness (retrospective effectiveness) monthly. Fair-value gains and losses arising on the measurement of both the hedging instrument and the hedged item are recognised in profit and loss, for so long as the hedging relationship is effective at each testing date. Any hedge ineffectiveness is recognised in profit or loss.

Hedged positions and hedging instruments are regularly measured and stress-tested for effectiveness and reported to Group ALCO monthly. These hedged positions and hedging instruments are fair-valued in line with the appropriate accounting standards and designation. Group ALCO typically has a strategic appetite out to one year and, largely as a matter of policy, eliminates reprice risk longer than 1 year, unless it elects to lengthen the investment profile of its equity and/or the non-repricing transactional deposit accounts, to improve the alignment of interest rate sensitivity with impairment sensitivity, or improve the balance sheet position for expected interest rate changes.

Such strategic decisions must, however, maintain NII sensitivity and EVE sensitivity within board-approved limits. Strategies regarding the reprice risk are measured and monitored separately, having been motivated by BSM and approved by Group ALCO.

IRRBB cannot be taken by BUs and is accordingly extracted from these units through an established matched maturity funds transfer pricing (MMFTP) solution. This solution removes repricing risk from the BUs, while leaving credit and funding spread in the businesses on which they are measured. However, basis risk and the endowment on free funds and non-repricing transactional deposits reside within these businesses for basis risk to be managed through pricing and for the endowment on these balances to naturally hedge impairment sensitivity for similar interest rate changes.

SARB, after extensive consultation with the MPG and its various workstreams, released a draft statement of methodology and the policies governing SARB-administered interest rate benchmarks in June 2020. This Technical Specification Paper (TSP) entailed five interest rate benchmarks:

- South African Rand Interbank Overnight Rate (ZARIBOR).
- South African Secured Overnight Financing Rate (ZASFR).
- South African Rand Overnight Index Average (ZARONIA).
- Term Wholesale Financial Corporate Fixed Deposit Benchmark Rate.
- Term Wholesale Non-Financial Corporate Fixed Deposit Benchmark Rate.

Four of these benchmarks are new, with ZARONIA serving as a replacement for the current JIBAR.

SARB has articulated that the number of proposed interest rate benchmarks is not definitive and the ultimate outcome of reform will likely feature the coexistence of several interest rate benchmarks to fulfil different market and policy purposes. During the fourth quarter of 2022 SARB began daily publication of the key ZARONIA rate in an observation-only status (ie no active trading). Subsequently, as at November 2023, the observation period for ZARONIA has ended and market participants are now free to use the benchmark in financial contracts.

Through the work of the MPG's Transition workstream, 3 new workstreams have been created to facilitate the transition agenda:

- Derivatives
- Legal
- Accounting and tax

Nedbank continues to stay abreast of the changes and will assess impacts once the changes have been finalised.

IRRBB measurement

The group employs various analytical techniques to measure interest rate sensitivity monthly within the banking book on both an earnings and economic-value basis. This includes a repricing profile analysis, simulated modelling of the bank's NII and EVE for a standard interest rate shock, and stress testing of NII and EVE for multiple stressed-interest-rate scenarios. The analysis includes the application of both parallel and non-parallel interest rate shocks and rate ramps.

Assets, liabilities, and derivative instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing and early withdrawals, Group ALCO approves the use of behavioural models for the hedging, modelling and reporting of these advances and deposits.

Sensitivity analysis

At December 2023 the NII sensitivity of the group's banking book for a 1% parallel decrease in interest rates, measured over 12 months, was 1,34% of total group ordinary shareholders' equity, which is below the board's approved risk limit of < 2,25%.

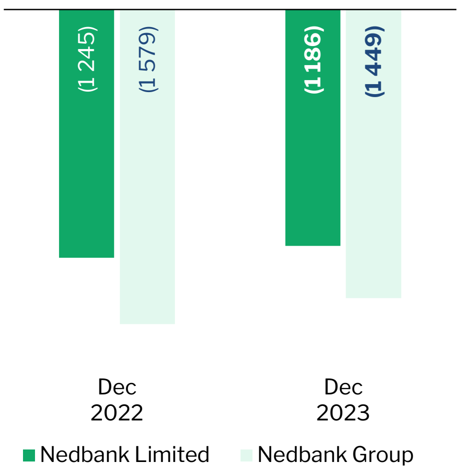
This exposes the group to a decrease in NII of approximately R1 449m before tax should interest rates decrease by 1% across the yield curve when measured over a 12-month period. Nedbank London Branch and Wealth (International) NII sensitivities are, however, measured at a 0,5% instantaneous decrease in interest rates and Nedbank Zimbabwe (in local currency) measured at a 30% instantaneous decrease in interest rates. The group's NII sensitivity exhibits very little convexity and will, therefore, also result in an increase in pretax NII of approximately similar amounts should interest rates increase by 1%.

The group's NII sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity over the cycle.

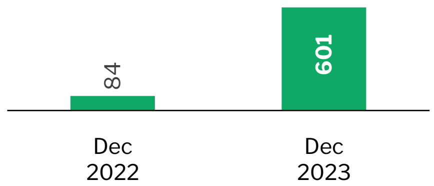
Nedbank Limited's EVE, measured for a 1% parallel decrease in interest rates, remains at a low level of 0,76% (R601m) of total group ordinary shareholders' equity at December 2023, which is below the board's approved risk limit of 1,25% (-R1 565m of total ordinary shareholders equity for a 1% increase in interest rates). The low EVE risk is as a result of the group's risk management strategies, through which assets and liabilities are typically positioned to reprice in the less-than three-months repricing bucket, and net working capital largely offsets the non-rate-sensitive transactional balances from an interest rate sensitivity perspective, thereby positioning ordinary shareholders' equity to be repriced as interest rates change, resulting in the value of equity remaining intact.

Exposure to interest rate risk

NII sensitivity
1% instantaneous decline in interest rates [1,2]
(Rm)



Nedbank Limited EVE sensitivity
1% instantaneous decline in interest rates [3]
(Rm)



[1] Nedbank London and Nedbank Private Wealth: 0,5% instantaneous decline in interest rates.

[2] Nedbank Zimbabwe: 30% instantaneous decline in interest rates.

[3] Excludes Nedbank London Branch.

Liquid-asset portfolios risk management

Nedbank's management of IRRBB comprehensively covers the interest rate risk associated with its prudential and buffer liquid-asset portfolios, including reprice risk and basis risk.

These liquid asset portfolios held at amortised cost are hedged in one of 2 ways:

- Off-balance-sheet with interest rate derivatives, where the fair-value gains or losses on the liquid assets portfolio are offset with fair-value losses or gains on the interest rate derivatives.
- On-balance-sheet with opposing liabilities (such as capital market debt), where the unrealised fair-value gains or losses of the liquid asset portfolio are offset with the unrealised fair-value losses or gains on the opposing debt instrument.

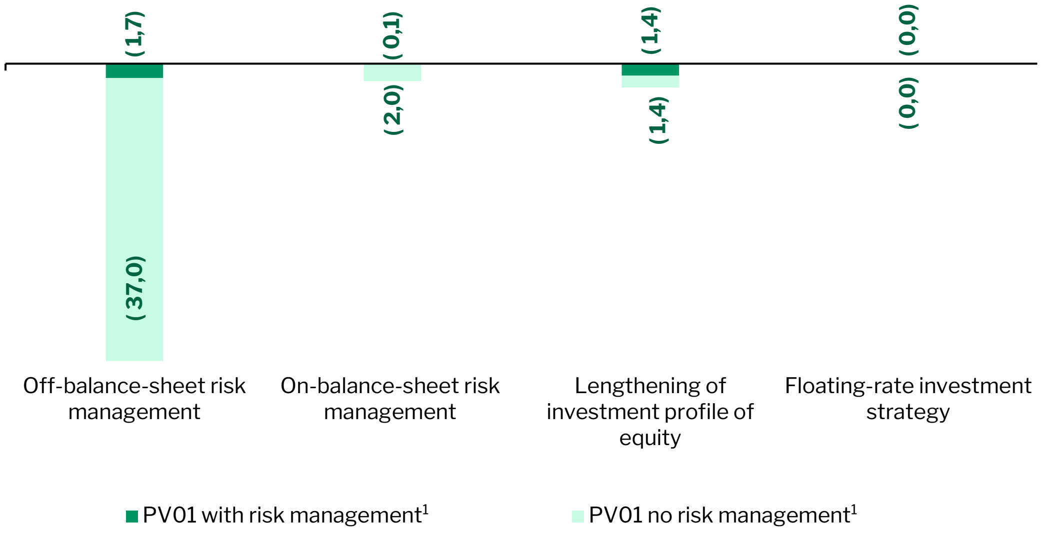
More than 85% of the liquid asset portfolio is hedged off-balance-sheet with interest rate swaps, with only 9% being on-balance-sheet. The remainder of the liquid asset portfolio comprises Nedbank's floating rate instruments and liquid assets purchased to lengthen the investment profile of equity. The unrealised profit associated with the liquid assets purchased to lengthen the investment profile of equity and those hedged on-balance sheet amounted to approximately 0,1% of total regulatory capital including unappropriated profits at 31 December 2023. Liquid-asset portfolios that are risk-managed with derivative positions in the banking book are designated into a macro fair-value hedge accounting solution.

Alternatively, where liquid-asset portfolios are not risk-managed in the banking book, the risk is transferred through market risk limits into the trading book.

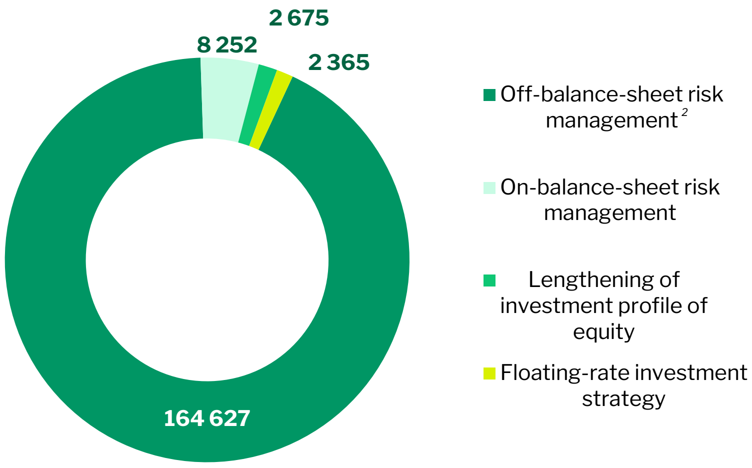
Sound risk management of the liquid-asset portfolios is a clear example of Nedbank's embedded interest rate risk management approach to managing risks within a clearly defined risk appetite.

Effectiveness of liquid-asset portfolio risk management and strategies

Effectiveness of risk management strategies (Rm)



Size of risk-managed liquid asset portfolio (Rm)



[1] *The change in the price of an instrument if the yield curve changes by 1 bp.*

[2] *The off-balance-sheet risk-managed liquid-asset portfolio includes government securities that are fair-valued to the extent that they are risk-managed in the trading portfolio or fair-valued for interest rate risk purposes in the macro fair-value hedge-accounting solution.*

The interest rate risk sensitivity is significantly reduced through on- and off-balance-sheet risk management strategies.

Interest rate risk in the banking book – reset/basis risk and endowment sensitivity

Nedbank, like its local peer group, has a large quantum of assets linked to the prime rate. This portfolio is typically funded through deposits linked to short- and long-term deposit rates that are risk-managed back to the 3-month repricing JIBAR. This creates short-end reprice risk that exposes the balance sheet to prime/JIBAR and prime/short-term deposit rate reprice mismatches.

Nedbank's balance sheet is also funded through a large amount of non-rate-sensitive funding raised through equity and/or transactional deposits partially offset with net working capital. These deposit balances and equity are not rate-sensitive as they bear no interest and accordingly earn a higher return when interest rates are high and a lower return when interest rates are low, given that they have been deployed into variable-rate-linked assets. This exposes the bank to endowment sensitivity, which is the main reason for exposure to IRRBB in the balance sheet.

Equity risk in the banking book

Year under review

- Equity investment risk remained well managed and within the board-approved risk appetite. The private equity and commercial property investments remained resilient despite the challenging macroeconomic conditions.
- The equity investment portfolio value increased from R12,4bn (2022) to R13bn.
- Ecobank Transnational Incorporated (ETI) is the single largest investment exposure. The ETI carrying value decreased from R1 286m to R1 248m between 2022 and 2023, largely due to our share of associate gains being offset by foreign currency translation losses.

Focus for 2024

- Ongoing management of existing investments.
- Monitoring and managing of the listed portfolio to ensure compliance to the FRTB regulations.
- Ongoing refinements of the regulatory capital treatment of equity investment in funds that are held on the fallback approach.

Equity investment risk is the risk of a decline in the value of investments arising from adverse movements in market prices or factors specific to the investment itself (eg reputation and quality of management). Equity exposures in the banking book include:

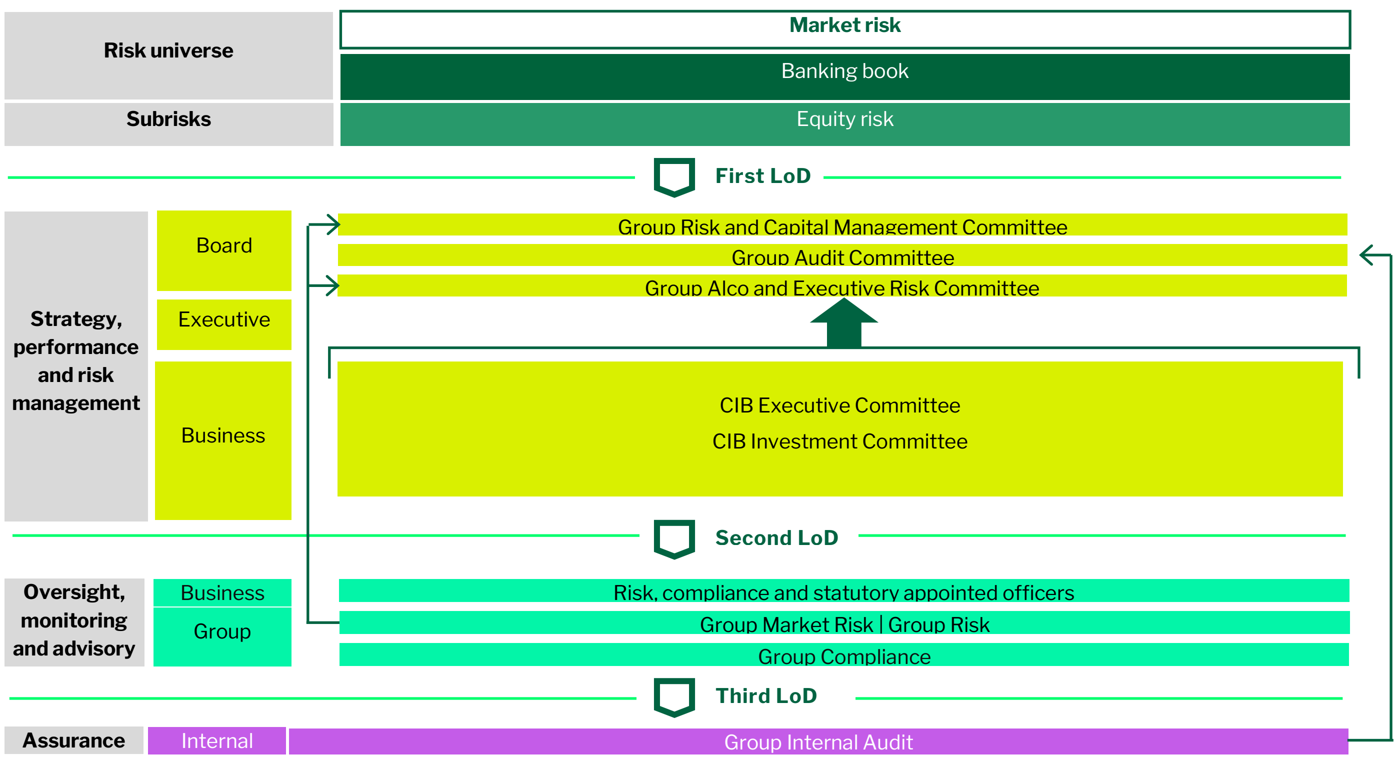
- investment in funds;
- investment in securities (listed and unlisted equity holdings, whether direct or indirect, including private equity); and
- investment in associate companies and joint ventures.

Governance

Equity investment risk is managed within the group's ERMF and Group Market Risk Framework and incorporates the 3LoD Model. The board retains ultimate responsibility for the effective management of equity investment risk. Group ALCO, a subcommittee of the Group Exco, proactively manages equity investment risk undertaken by the group. The board approves the overall risk appetite and strategy of the group for equity risk. Business compiles portfolio objectives and investment strategies for its investment activities that address the types of investments, expected business returns, desired holding periods, diversification parameters and other elements of sound investment management.

Equity investments are undertaken by CIB primarily as part of its private-equity and investment property portfolios. The property strategy is mainly to leverage opportunities and synergies arising from clients on lending deals and partnering with tried and tested developers. Additional investments are undertaken in liquid funds for investment purposes and for operational requirements. Specialist investment risk committee meetings are convened, as required, to approve acquisitions and disposals, review investment valuations, and monitor investment risk activities.

Equity investment risk governance structure



Assessment and measurement

Risk appetite is expressed quantitatively as risk measures, such as economic capital and risk limits, and qualitatively in terms of policies and controls. The risk appetite targets are reviewed annually during the 3-year business planning process and changes to the group's risk appetite targets are ultimately approved by the GRCMC.

		2023	2022
Total equity portfolio	Rm	13 046	12 385
Disclosed at fair value	Rm	10 556	9 889
Equity-accounted, including investment in ETI	Rm	2 489	2 496
Percentage of total assets	%	1,0	1,0
Percentage of group minimum economic capital requirement	%	6,8	7,3

- The equity portfolio that is held at fair value increased by R631m year on year, due largely to positive revaluations and new investments.
- The ETI investment is accounted for under the equity method of accounting and has remained relatively stable. The ETI board continues to gain traction on the key strategic focus areas.

Regulatory framework

The simple risk weight method is used to calculate regulatory requirements for listed and unlisted investments, and the threshold deduction method applies to significant investments in banking, financial and insurance entities subject to the threshold rules. The capital requirements for the bank's equity investments in funds are based on the look-through approach and fallback approach.

CLIMATE RISK

Year under review

- Developed fossil fuels and power generation decarbonisation glidepaths.
- Performed the Climate Risk Materiality Assessment.
- Expanded the risk appetite statement to protect biodiversity.
- Developed a data roadmap to track and report additional ESG metrics and targets.
- Disclosed the financed emissions for our MFC, Homeloans and Power Generation portfolios.

Focus for 2024

- Perform the 2024 Climate Risk Stress Test (CRST) planned by the SARB Financial Stability Department.
- Continue to assist clients with their own transition journeys.
- Develop a methodology for decarbonisation glidepaths for additional sectors.
- Expand the 2023 Climate Risk Materiality Assessment.

Nedbank's purpose is to use our financial expertise to do good for individuals, families, businesses and society. We are committed to achieving the goal of the Paris Agreement, which is to limit global warming to well below 2°C above preindustrial levels by 2050 by pursuing efforts to limit the temperature increase to 1,5°C. As Nedbank, we aim to align 100% of our lending and investment activity with a net-zero carbon economy by 2050.

As one of the domestic systemically important financial institutions with a significant market share of South African assets, Nedbank will be impacted by climate change, which will translate into climate-related risks. Climate-related risks include physical, transition, and liability risk:

- Physical risk is the impact of severe and chronic weather events such as flooding, wildfires and droughts that may disrupt business operations and economic activity.
- Transition risk is the potential for loss resulting from a shift towards a lower-carbon economy as policy, regulatory frameworks, consumer preferences and technological innovations impact the value of certain assets and liabilities.
- Liability risk is the potential for damages to be sought by those impacted most by climate change against those held accountable for contributing to carbon emissions.

The average global temperature for 2023 was higher than the preindustrial (1850–1900) average by 1,35°C, making 2023 the hottest year on record for land and ocean areas across the Northern and Southern hemispheres, according to the National Oceanic and Atmospheric Administration. September 2023 withstood record breaking floods around the globe, such as Storm Daniel in the Mediterranean region, typhoons Saola and Haikui in the Asia Pacific region, an extratropical cyclone in Brazil, and storms across the US.

South Africa experienced disastrous weather events during 2023 such as the floods in KwaZulu-Natal and Western Cape as well as an extraordinary wildfire season in the North West, Northern Cape and Western Cape. In February 2023, Cyclone Freddy travelled through the entire Indian Ocean towards southern Africa over 5 weeks, making it the longest-lasting tropical system recorded worldwide. Cyclone Freddy generated the highest all-time accumulated energy and rapid intensification, resulting in floods and heavy winds in our neighbouring countries, especially Malawi, Mozambique and Zimbabwe. These physical risk events resulted in devastation to livelihoods, infrastructure, land and biodiversity.

Globally, the demand for renewable energy for electricity generation increased in 2023 by almost 50% (compared to 2022) driven by government policies to fast-track decarbonisation of economies, according to the International Energy Agency. Similarly, in South Africa the Eskom power crisis has driven unprecedented levels of voluntary migration to renewable energy sources and storage systems, such as uninterruptable power supply batteries or inverters, as business and society seek a solution to continued load-shedding. The crisis has created the ideal conditions for the market of renewable solutions to thrive and accelerate the country's transition out of fossil fuel power generation. The South African Revenue Service has noted a significant increase in tax collections from wind farms in the Western Cape during the 2023 tax year and the top 10 solar panel importers paid about R3,8bn in taxes. Despite the improvement in renewable technology, workforce limitations in this field remain a bottleneck, hampering efforts to meet the net-zero commitment both locally and globally.

Our robust risk management processes continue to evolve to comprehensively capture transition risk, taking into account the unintended consequences of a transition to alternative energy sources that mainly focuses on resolving an energy supply crisis, such as the increase in the demand for diesel and petrol generators, which increase emissions. We will continuously develop our capabilities and expertise on climate-related financial risks, ensuring we have the appropriate resources and risk management tools for managing these complex risks.

Regulators globally are putting measures in place to tackle the challenges and inherent complexity of addressing climate change, such as those relating to time horizons, data limitations and disclosures. In June 2023, the International Sustainability Standards Board (ISSB) issued its inaugural standards – International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures – which will require corporates to disclose significant sustainability and climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance, or cost of capital over the short, medium, or long term. The ISSB will take over the monitoring of climate-related reporting from the FSB TCFD. In August 2023, the SARB PA proposed regulatory guidance for banks and insurers on how climate risk should be integrated into the existing risk management frameworks, to support and supplement the recommendations of the ISSB. The SARB PA identified climate-related risks as a Flavour of the Year Topic in 2023 in alignment with the heightened focus on actions undertaken or planned to address climate-related risks. The BCBS released a consultative document in November 2023 on the introduction of climate-related disclosure in the Pillar 3 framework to promote comparability of banks' risk profiles and enable market participants to access key information relating to a bank's climate-related financial risks. The BCBS proposal for bank-specific Pillar 3 disclosure requirements intends to complement the ISSB framework and provide a common disclosure baseline for banks.

We have demonstrated our active involvement, investment and commitment to climate-related change in our 2023 Climate Report. Given the complexity of the problem, we have increased engagements with our clients in climate sensitive sectors regarding their transition plans and continue to strengthen our resources to collect data and intellectual capacity to address risks as they arise in the future.

Governance

The sustainability of Nedbank's operations is ensured through sound corporate governance practices. We follow our ERMF, which aligns our risk strategy, policies, charters, people, processes, technology, and knowledge to enable us to effectively identify, evaluate, manage, monitor and report on the threats and opportunities that we face in our ongoing efforts to create and protect shareholder value. Nedbank has been proactive in the South African context in considering ESG risks, with a strong emphasis on climate risk. As the landscape of ESG risks evolves, these risks could potentially impact our profitability, purpose and reputation. Therefore, we continue to adapt our ESG Risk Management Framework where required to harmonise our processes to manage and disclose risks relating to climate change and the environment (including biodiversity loss and ecosystem degradation).

Nedbank has a robust climate-related governance structure as depicted below comprising the board and its several board subcommittees that support it, including the Group Climate Resilience Committee (GCRC). The GCRC focuses solely on the oversight of climate-related risks and opportunities, and the Group Exco provides regular feedback to the board and the respective board subcommittees in this regard.

A proposal to broaden the mandate of the GCRC to include environmental & social risks and opportunities in addition to and including climate related resilience considerations was tabled and approved at the February 2024 meeting of the committee and is to come into effect from Q2/2024. To reflect this broader mandate, the committee will going forward be named the Group Sustainability and Climate Resilience Committee (GSCRC).

Governance at a board level

Nedbank Group Board of Directors

Monitors, approves, provides oversight of, and reviews the defined climate-related risks and opportunities. This translates into governance, strategy and finance, risk management, as well as metrics and targets.

Group Climate Resilience Committee (GCRC)
The GCRC focuses on sustainability and climate-related risks and opportunities (ie monitoring progress against goals and targets).

Group Risk and Capital Management Committee (GRCMC)
Supports the board in achieving its goals and objectives in relation to the group's identification, assessment, control, management, reporting, and remediation of relevant risks.

Group Credit Committee (GCC)
Approves Nedbank's credit philosophy and policies, sets credit limits and guidelines, considers risk appetite and concentration risk limits, approves the adequacy of interim and year-end impairment provisions, and monitors credit risk and disclosure.

Group Transformation, Social, and Ethics Committee (GTSEC)
Oversees and monitors Nedbank's activities regarding social and economic development, ethics, transformation, sustainability, corporate citizenship, the environment, health, public safety, stakeholder relations, as well as labour and employment matters.

Group Remuneration Committee (Group Remco)
Oversees and approves the Remuneration Policy and reward arrangements. Monitors any explicit links between remuneration and ESG targets.

Nedbank Group Executive Committee (Group Exco)

Strategic planning and decision-making according to our mission, vision, and values.

Climate Risk Committee (CRC)
Under the chairpersonship of the Chief Risk Officer, the CRC provides guidance in identifying, assessing, measuring, managing, and disclosing our sustainability and climate-related risks and opportunities.

The Asset and Liability Committee (ALCO)
Monitors the adequacy of the asset and liability management, and capital management processes in the group, as well as trading market risks, derivatives, and investments.

Group Operational Risk Committee (GORC)
Ensures senior management oversight and the monitoring of operational risk management for the group.

Executive Credit Committee (ECC)
Ensures senior management oversight and the monitoring of credit risk management for the group. Monitors the climate impact on the lending book, in line with the CRMF.

Group Purpose Working Group*
This working group, under the chairpersonship of the COO, ensures that the group fulfils its purpose, with a focus on addressing climate-related matters by ensuring proper mandates and resources throughout the group.

ESG Technology Steering Committee*
Chaired by the Chief Information Officer (CIO), this committee supports the ESG partnership between Nedbank and Microsoft, with the objective to extend Nedbank's green aspirations by delivering a 'Green-as-a-Service' Platform which will leverage Microsoft's various enterprise solutions to unlock monetisation, value chain engagement, and ESG reporting opportunities.

Sustainability and climate-related structures

Supporting the board and Group Exco governance structures.

Incorporation of the Climate Data and Systems Working Group into Group Technology
The Climate Data and Systems Working Group was formed in 2021 to provide a platform for learning, sharing, and the standardisation of climate risk data matters, including system developments and cross-cluster data and reporting requirements. In 2023 the working group was dissolved and incorporated into Nedbank's ESG Technology Steering Committee (Tech Steerco). The ESG Tech Steerco has an enterprise-wide mandate to ensure a uniform collection of identified data requirements and to build and enhance impacted systems in a consistent manner without duplication of processes. The implementation of data and systems relating to sustainability and climate is tracked by this steering committee.

Environmental, Social, Governance Data Foundation/Environmental, Social, Governance Data platform
The ESG platform development sits in Group Technology and is a dedicated team of resources that was established in 2023 to drive an enterprise-wide approach to ESG data. This involves a holistic view of ESG data and developing the necessary architecture and focused solutions to manage ESG data. Recently the team has been focused on identifying, defining, and prioritising the various ESG use cases across the bank as well as assisting with identifying system requirements for calculating and reporting scope 1 and 2 emissions based on the banks activities.

Incorporation of the Task Force on Climate-related Financial Disclosures Working Group into Group Finance
The Task Force on Climate-related Financial Disclosures (TCFD) Working Group was established in 2022 to coordinate the annual reporting activities and track the enhancement and progress of the group's alignment to TCFD recommendations as well as the underlying recommended disclosures and guidance to support progressive year-on-year disclosures. In 2023 the working group was incorporated into Nedbank's Group Finance cluster to streamline sustainability and climate-related disclosures with our annual financial and integrated reports.

These climate focused committees will be named the Group Sustainability and Climate Resilience Committee (GSCRC).
** Newly established committee and working groups.*

In line with the principles of CA, there is a cross-disciplinary approach to monitoring the efficiency and effectiveness of our internal control environment (including policies and procedures) in managing climate-related risks across the 3 lines of defence (3LoD). Various metrics of our Energy Policy are subject to validation by Group Credit Risk as a second line of defence (2nd LoD) function, and independent verification is conducted by Group Internal Audit (GIA) (3rd LoD). For the year-end (YE) 2023 assurance review of the Climate Report we followed a coordinated approach including the business clusters, the Group Strategy Sustainability Division and Group Risk functions, GIA and external auditors (Deloitte).

Strategy

Nedbank's overall strategy is driven through its goal to create and optimise positive impacts on society. Climate-related risks and opportunities are integrated into our strategic planning and depicted through 5 key strategic focus areas per below. More detail about these can be found in our YE 2023 Climate Report.

Being the impact	Managing our operations	Supporting our clients' transition	Tilting our book	Managing climate risks
Embedding the climate imperative into our culture and decision-making.	Minimising negative impacts and optimising positive operational impacts.	Providing advisory services and SDF offerings aligned with the SDGs.	Leading the transition by reducing our fossil fuel exposure.	Integrating climate-related risks into our risk management frameworks.

Visible and impactful contributions were made to the 6 United Nations Sustainable Development Goals that respond directly to addressing climate change. We use our 'deep green' Nedbank brand to offer innovative client solutions and facilitate the transition to a greener economy. Financial impacts of climate-related activities are reported in the YE 2023 Climate Report. Climate scenario results were used to inform business and potential lending book limits and business development opportunities.

Climate scenario analysis

Nedbank has continued to evolve its process of incorporating climate risk scenario analysis into the bankwide stress-testing and scenario framework in 2023 as part of the ongoing ICAAP. Climate-related scenario analysis is used as one of the tools to assess the potential business implications of climate change, and to inform how we need to strategically transform our current lending book. The climate scenario analyses conducted by Nedbank includes assessments of both transition risk and physical risk. In 2023, we improved our climate scenario toolbox by deploying a physical risk tool to identify geospatial physical climate risks on some of our portfolios. Our physical risk tool has been used to proactively manage the relationships with clients that may have been affected by climate-related events, such as the flooding in the Western Cape in September 2023 and KwaZulu-Natal over December 2023 and January 2024. We will continue to grow our capacity in climate-related scenario analysis to assess possible climate-related outcomes that are highly uncertain and potentially disruptive over time.

Sectoral glidepaths

The development of a glidepath is a complex process that needs to consider business strategy, our clients' transition plans and a view of the climate-related opportunities going forward.

We implemented our fossil fuels and power generation decarbonisation glidepath methodology during 2023, and integrated glidepath management into our business, credit, and risk processes. The fossil fuels and power generation decarbonisation glidepaths are disclosed in our 2023 Results Booklet and will be further expanded on in our 2023 Climate Report which is expected to be published around 19 April 2024. Additional sectoral glidepaths will be developed for other sectors, with priority given to the most carbon-intensive sectors.

Risk management

Environmental risk (including climate risk) forms part of Nedbank's risk universe, with climate risk considered as a systemic risk impacting the other traditional risk types. Nedbank continues to enhance and fast-track its maturity in climate risk management. The 3LoD Model and CA are practised actively.

We are guided by our Climate Risk Management Framework in anticipating risk through developing scenarios, time horizons, monitoring and managing the impact of climate risk on our operations, business activities, activities conducted by our clients and the communities in which we operate. At a practical level, risk managers are integrating and developing the appropriate techniques to identify, assess, monitor and manage these risks.

Our Social and Environmental Risk Management Framework assesses the impact of our operations on the environment and communities we serve, as well as the impact of the changing environment and societal challenges on our operations. Our Social and Environmental Policy and Social and Environmental Management System guide our financing and lending to high-impact industries as well as the management of the risk and opportunities associated with responsible lending and positive-impact finance.

Nedbank recognises that climate-related risk management requires close collaboration between business, finance, sustainability and risk functions across the group. Climate resilience is considered a key strategic priority and one of the key client-driven trends as client and consumer preferences shift.

We continue to integrate climate risk into other risk types (for example credit, market, operational and funding risks) and in the ICAAP. Climate risk appetite targets and limits were set in 2020 and are reviewed annually. We monitor and report on our risk appetite targets and limits to our governance committees, and performance has been consistently within the board-approved appetite limits. The transition to a net-zero carbon economy will need to be managed well to ensure that emerging climate risks are identified and opportunities are optimised.

During 2023, we concluded the first Climate Risk Materiality Assessment (CRMA), which is a significant leap forward in improving the quality and reliability of our climate risk process for both physical and transition risks. This comprehensive and robust assessment quantified and assessed the potential impact of climate change on our lending portfolio under different climate scenarios and time horizons. The CRMA provides a more scientific basis for the identification and assessment of climate risks from Nedbank's operating context, thereby advancing our risk management capabilities.

We continue to monitor climate-related requirements and potential emerging regulations for consideration.

Metrics And targets

Information on metrics and targets will be reported in our 2023 Climate Report, which is expected to be published around 19 April 2024. Nedbank is committed to tracking and managing its own operational, lending and investment impact. One of the common challenges faced by the financial industry, both globally and locally, in addressing risks of climate change is the time and investment required for data collection and developing the intellectual capacity (including data modelling). The intricate economics of climate change – contagion effects, non-linearities and uncertainty – mean that substantial qualitative and quantitative resources are required to design and monitor climate metrics and targets. In response to this, among other things, Nedbank established the Group Technology ESG Steering Committee in 2023, which was taken over by the Purpose Programme of Work Steerco, with an enterprisewide mandate to assess data requirements relating to the high-greenhouse-gas-emission sectors, collect climate-related data, as well as build and enhance impacted systems. Nedbank has identified additional metrics and targets to adopt over time to ensure alignment with the objectives of the Paris Agreement, taking into account the latest scientific research, imminent reporting standards and other relevant factors.

We aim to have zero exposure to all fossil-fuel-related activities, in accordance with our Energy Policy, by 2045. We will continue to fund the transition to renewable, embedded-energy solutions and other technologies as they develop over time. We have developed a roadmap to set additional ESG metrics and targets to ensure enhanced reporting and monitoring by different key stakeholders aligned with leading banks as well as existing and emerging best practice standards, including IFRS and Johannesburg Stock Exchange's Sustainability Disclosure Guidance.

We continue to expand reduction targets to minimise the impact of our own operations on the environment and in doing so, contribute to the reduction of physical risks arising from climate change. Our targets for own operations [eg paper, water, electricity (renewable and non-renewable) usage], clearly specify our desired levels of carbon emissions and resource usage. We use these targets to guide our use of natural resources at group, cluster, business unit, team and individual level. Our targets for own operations are included in relevant performance agreements, and are communicated frequently to ensure our employees are mindful of the significant role they play in helping reduce the carbon footprint of our own operations.

We are progressing well with the diversification of our sources of electricity and reduction of pollution associated with electricity use. We are proud to have further diversified our electricity sourcing and reduced our environmental impact with the use of renewable energy, as well as through the purchase of renewable energy certificates.

We constantly innovate and employ internal awareness initiatives and behavioural change to lower our own carbon emissions. We leverage our 'green' brand to pursue opportunities, partnerships, and collaborations with organisations that share our vision, and to improve our client offerings. These efforts are based on our approach of 'reduce first, then offset'.

OPERATIONAL RISK

Year under review

- Nedbank managed to achieve its operational risk objectives in all material respects, including maintaining a strong internal control environment in a rapidly changing environment.
- Operational risk continued to be well managed and within all major board-approved gross and net operational risk appetite limits.
- We complied with the new and rapidly changing regulations, including reporting to internal and external stakeholders.
- IT capability remained stable and resilient in the restoration of IT services from a system outage or disruption with minimal impact to clients and business operations.
- We heightened our IT risk management programme with enhanced focus on new IT or digital risks, outsourcing and critical third parties, vendor concentration, IT risk appetite, as well as cloud computing and offshoring of data.
- Cyberrisk remains well managed, with no breaches to Nedbank's defences despite the heightened level of the risk.
- Despite heightened risks we continuously improved and updated our prevention, detection, investigation and risk management of fraud and corruption (including the associated controls).
- We embarked on a journey to upgrade the operational risk management system, for improved functionality, including integrating the newer C-suite non-financial risks and reporting capabilities.

Focus for 2024

- Evolving the existing approach to organisational resilience and improving the group's ability to respond to incidents, as well as continuing to deliver key services to our clients. Nedbank is to implement the proposed organisational-resilience operating model to ensure alignment of the different resilience components, frameworks and governance structures that will align with regulation.
- Reimagining operational risk management for the new digital era (emerging IT, data and digital risks).
- Preparing for the imminent regulatory wave on the back of the Fourth Industrial Revolution and digital transformation in banking and risks attached to digitally enabled banks.
- Further enhancing governance and continuous monitoring of the group's payments and settlement risks.
- Continuing to invest in management of process, as well as the improvement of the control environment, including using automation to mitigate risks related to manual processes and human error.
- Introducing advanced analytics and modelling to build quantitative methods for risk appetite and provide more insights for operational risk profiles.
- Establishing an integrated end-to-end Third-Party Risk Management (TPRM) Framework, in response to the expanding supplier landscape, inherent risks associated with third-parties, as well as heightened regulatory focus.
- Continuing to build on the strong CA foundations that have already been established.
- Making continuous improvements to the bank's Operational Risk Management Framework (ORMF) so that it is fit for purpose, to align with best practice and meet regulatory requirements. In line with the proposed regulations, Nedbank will be transitioning from the current Pillar 1 Operational Risk (OR) regulatory capital calculation approach, which employs the advanced measurement approach (AMA), to the new standardised approach (NSA), a single risk-sensitive non-model-based approach with effect from 1 July 2025.
- Continuing cyberresilience efforts to quickly adapt and respond to changing threats and challenges in the digital landscape, and to minimise the impact of any potential cyberincidents on Nedbank's operations, reputation and stakeholders.
- Continuing to focus on our top and emerging operational risks.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or technology, or from an external event. Operational risk is generated in all frontline business and support areas and is inherent in all products, activities, processes and technology.

Nedbank adopted the 7 Basel event types as part of its taxonomy. The array of risks in business language that fall under the scope of operational risk encompasses: Internal and external fraud risk, financial crime risk, third-party risk, legal risk, execution, delivery process management risk, people risk, information technology risk, data and information risk, business resilience risks, cyberrisk. While conduct, financial crime, climate, sustainability and resilience (including technology, physical security, projects change, business continuity, data management, information security and change) risks are managed individually by specialist functions, they are eventually incorporated into operational risk for capital requirement measurement

Operational risk is managed through existing frameworks and processes that are evaluated and enhanced to ensure that the risks associated with the group's activities are managed appropriately and are in line with regulatory developments and emerging best practice. The group is committed to adopting sound management practices, and identifying and managing operational risk within acceptable levels to protect and promote a sustainable business.

Top and emerging operational risk themes

Emerging risks are those that have the potential to add to or increase a bank's current key risks in the next 18 to 36 months. Our emerging risks remained largely aligned with our top risks, although with a different focus or lens. Due to the very nature of these risks, the emerging of risks makes it difficult to assess and quantify consequences that have not yet materialised. However, we continue to ensure that these risks are identified and form part of our overall operational risk profile. Nedbank remains focused on the top operational risks identified, both within the group and internationally. The top 10 operational risk themes below are informed by the group's top 10 risks and the response to them, as well as global, regional and local trends. Emphasis is placed on actively managing these risks and enhancing the control environment. Nedbank's top operational risks and losses on a gross and net basis remained within the approved risk appetite limits.

Top 10 operational risk themes

Cyberrisk

- The risk of loss or theft of information, data and money, or loss of accessibility of service.

People and talent risk

- The risks associated with inadequacies in human capital and the management of human resources, policies and processes, resulting in an inability to attract, manage, motivate, develop or retain competent resources, with an associated negative impact on the achievement of group strategic objectives.

Strategic execution risk

- The risk that the strategic objectives, set when formulating a strategy, will not be executed as intended, with this adversely affecting planned or expected outcomes. It is also the risk of the overall execution process through the application of people, processes and systems, or components of these, failing. This definition includes BaU execution risk, which forms part of the day-to-day business and risk management practices, as well as risks identified through the management of programmes.

Organisational resilience risk

- The ability of Nedbank to deliver critical operations through disruption. This ability enables Nedbank to anticipate and prepare, respond and adapt to, as well as recover and learn from disruptive events to minimise their impact on the delivery of critical operations with the objective of avoiding or limiting client, financial and systemic harm.

Third-party or vendor risk

- The risks arising from the use of third-party service providers through outsourcing or third-party arrangements for the purposes of performing a business activity, service, function or process that could be undertaken by the bank or, in the case of third parties, be dependent on a service provider.

IT or digital risk

- IT risk is defined as risks associated with the use of information technology systems, processes, and infrastructure that might negatively impact business operations (ie system failure/outages). Digital risk is the risk that arises from digital transformation (digital enablement) and the adoption of new technologies that may disrupt the achievement of business objectives.

Regulatory risk

- The risk arising from regulatory change due to a failure to timeously implement appropriate controls to comply with regulatory changes as a result of the dynamic nature, varied interpretation and manner of implementation of regulations that could potentially cause financial losses and, if not responded to with a strategic intention, will fail to deliver what potentially can be a competitive advantage.

Financial crime risk

- The risk of a wide range of illegal activities and regulatory contraventions that may result in fines and/or prosecutions, including the following:
- Cybercrime, money laundering, terrorist financing and sanctions contravention, fraud, corruption, violent crime, exchange control violations, privacy breaches, market abuse and tax evasion.

Market conduct risk

- A risk, including financial or reputational loss, arising from the inappropriate behaviour or culture or poor judgement of Nedbank Group or its employees in carrying out business activities or strategy, in a way that results in poor or unfair outcomes for or detriment (harm) to clients, stakeholders and/or the markets.

Model risk

- The risk that adverse consequences can arise from the decisions made based on deficient, misunderstood or misused models.

Operational risk governance

Effective operational risk management is a multi-faceted process that requires consistent application of safeguards at various levels across the organization. The 3LOD model is firmly integrated into the daily operations and has been strengthened by the implementation of the Group Operating Manual. This manual has been endorsed by the Nedbank Group Board of Directors and embraced by various businesses/functions, subsidiaries, branches, and legal entities.

The operational risk governance structure remains stable and is supported by the 3LoD Model and continues to form an integral part of the ORMF. The group applies the 3LoD model in support of the combined assurance model to govern operational risks across all businesses and functions, all employees are responsible for ensuring the group operates within its operational risk appetite. No matter their function or role, all teams that oversee processes within the group are accountable for designing, executing, rectifying, observing, and verifying the controls of those processes.

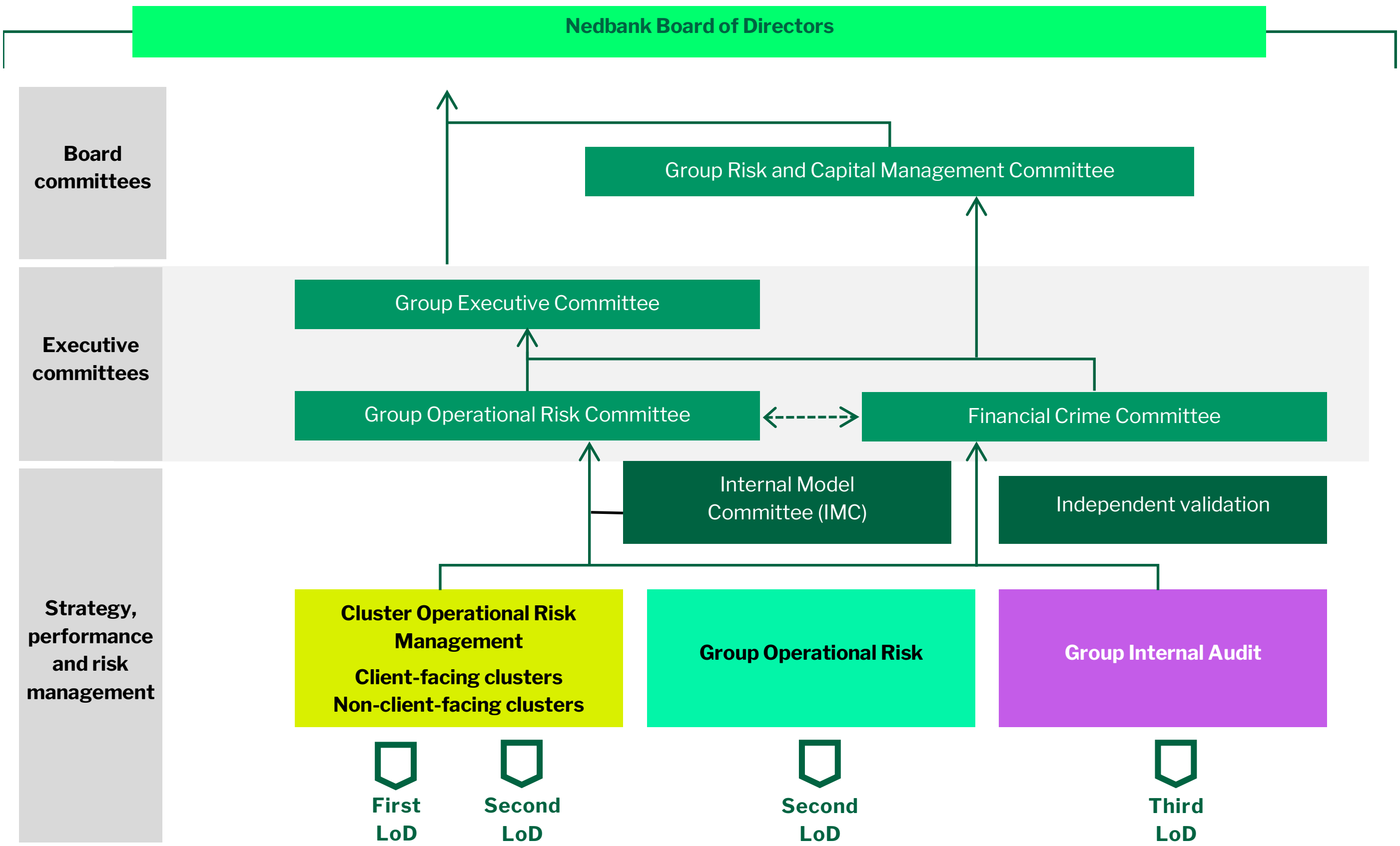
These responsibilities are defined in terms of the employees role in the three lines of defence.

	Three Lines of Defence		
Line	**First line of defence**	**Second line of defence**	**Third line of defence**
Function	**Business and group functions**	**Risk and compliance functions**	**Internal Audit**
Scope of duties	Risk ownership and management of risks	Independent risk oversight, challenge and advisory	Independent Assurance
	Each of the three defensive lines contributes to a coordinated, effective, and efficient comprehensive assurance		

Group Operational Risk (GOR) is the central operational risk function for Nedbank, it is independent of business line management and forms part of the second LoD, which reports directly into the Chief Risk Officer (CRO). The primary executive and board-level committees overseeing operational risk are the Group Operational Risk Committee (GORC) and GRCMC respectively.

Managing operational risk is key to all of Nedbank's activities and is implemented using tools embedded in the bank's ORMF. The ORMF supports the risk management process (identification, assessment, measurement, management, monitoring and reporting) of material operational risks. We continue to manage, **implement,** and enhance the ORMF, its subpolicies and frameworks. The annual review of the ORMF ensures that all policies, processes, **methodologies,** and standards are aligned with current local and international best practice and are fit for purpose. Amendments to the ORMF are approved by the GORC and are ratified by the board's GRCMC in alignment with the Group Policy on Policies.

Operational risk governance structure



Operational risk measurement, processes, and reporting systems

The management of operational risk (including conduct and climate-related risks) includes conducting proactive regular risk assessments, including:

- using the risk control self-assessment (RCSA), scenario analysis methodologies, the business impact assessment, Risk and Governance Requirements for Products Policy assessments, fraud and corruption risk assessments, conduct risk assessment, etc;
- monitoring the business environment and internal control factors (BEICF);
- developing appropriate metrics to provide insight into risk exposure trends and building in escalation triggers to alert and prompt action via indicators [key risk indicators (KRIs), key control indicators (KCIs), and key performance indicators (KPIs)];
- recording operational risk losses to qualify and quantify the bank's exposures through internal-loss data (ILD) management;
- embracing a lesson-learnt culture that involves focused root cause analysis of major risk events that the group has encountered and integrating the loss experiences and plausible risk scenarios of external parties by using both credible external-loss data (ELD) and external scenario library content to enrich our risk profiles proactively;
- facilitating a robust issues-and-action-plan management process to swiftly address issues as they arise; and
- facilitating material outsourcing and critical third-party arrangement risk management.

The outputs of the above processes inform the operational risk measurement process and are used in the final AMA capital calculation.

Operational risk tools

Nedbank uses an integrated operational risk management (ORM) and measurement system that enables the assessment and management of operational risk and provides a holistic view of the group's operational risk profile.

	KRIs	RCSAs	BEICFs
Qualitative	• KRIs are metrics used across the group in all business to monitor the operational risk profile and provide insight into key operational risk exposure. They highlight changing trend exposures to specific key operational risks, including measurable thresholds that reflect the risk appetite of the business and is designed to monitor risk, control and business factors that influence the operational risk profile.	• The main objective of the RCSA process is to enable business and risk managers to proactively identify, assess, monitor and manage key risks within defined risk tolerance and appetite levels. • Assessment of operational risks and controls is executed against multiple dimensions (ie the bank's strategic goals and objectives; design, development and maintenance of new initiatives; outsourcing and third-party arrangements; projects; material processes) and within the execution of business process management. The assessments may utilise business process mappings to identify key steps in business processes, activities, and organisational functions, as well as the associated risks and areas of control weakness.	The group considers BEICFs as part of the RCSA process. Consideration of BEICFs enables the group to regard any changes in the external and internal business environment, determine inherent risks as a result of any changes in the business environment, and design appropriate controls. **Risk strategies** The reduction of residual risks (that is, risks remaining after having taken into account existing controls), based on their frequency and severity impact, is accomplished through one or a combination of the following strategies: • Risk acceptance: Maintain the control environment. • Risk mitigation: Implement actions and strategies to reduce the residual risk level to an acceptable levels. • Risk avoidance: Do not take the risk and stop the related activity. Risk transfer: This involves a third party sharing some part of the risk or taking over all the risk. This could be in the form of insurance, partnerships, outsourcing or joint ventures.
	ILD	**ELD**	**Scenario analysis**
Quantitative	• Recording ILD is an established practice within the group. • The reporting and analysis of internal loss data takes place at all levels, with emphasis on identifying root causes, analysing processes, and taking corrective action. • The analysis of risk events assists the group in identifying control deficiencies to prevent future losses. • In addition, it aids monitoring of a changing risk, and informs the benchmarking of its annual loss tolerance thresholds and OR appetite metrics.	• ELD of losses from other organisations are utilised sp that we can learn from their experiences and this serve as a resource for the risk scenario process. • The impacts of ELD are indirectly integrated into the operational risk capital computation model via the scenario analysis process. • ELD is utilised to integrate pertinent and potentially severe operational risk exposures into the measurement model. • The group's primary source of external data is through membership of the Operational Riskdata Exchange Association (ORX), a non-profit association of international banks formed to share anonymous loss data information and the Statistics Analysis System (SAS) global database.	• Scenario analysis of operational risk serves as the main input for estimating operational risk loss exposure and is one of the data sources for operational risk modeling and measurement. • This analysis leverages expert opinions to estimate the group's operational risk exposure, with a focus on operational risks that could affect the bank's solvency. • Nedbank utilises a collection of anonymous operational risk scenarios from ORX to spot trends and compare with international counterparts.

Capital modelling and capital allocation

Nedbank calculates its operational risk regulatory capital requirements using partial and hybrid AMA, with diversification having been in effect since 2010. Most of the group (93%) applies the AMA and the remainder [including operations in Nedbank Africa Regions (NAR)] applies TSA.

Under the AMA, Nedbank has approval to use an internal model to determine risk-based operational risk capital requirements for all business units using AMA. ILD and operational risk scenarios represent the main direct input into the model. The outputs of the other data elements, namely ELD and BEICFs, inform the scenarios. EL and insurance offsets must not be used to reduce the regulatory operational risk capital.

The model generates a regulatory capital requirement, which is determined at a 99,9% confidence level. The final capital is then calculated by including updates for TSA entities and meeting the PA minimum requirements relating to the prescribed AMA capital floor, currently at 75%.

Operational risk capital is allocated on a risk-sensitive basis to clusters in the form of economic capital charges, providing an incentive to improve controls and to manage these risks within established operational risk appetite levels.

The second-generation AMA model was reviewed by the regulator, who granted permission for its implementation in 2017. This enhanced model was first implemented across the group in 2018 and continues to be the official model version to date.

The model and outputs undergo a robust annual validation exercise by an independent model validation unit. Any issues identified are reported, tracked and addressed in accordance with Nedbank's risk governance processes.

To manage the volatility of the capital, management discretion is applied in the selection of the modelling distributions. This process allows for the second-best-fitting distribution to be chosen if the following conditions are met:

- The relative change in the scenario capital between the previous and the current calculations is greater than 30%.
- The weighted-least squares (selection criteria) increase by at most 15% between the best and the second-best distribution.

Operational risk capital, calculated at 31 December 2023 at 99,9%, increased by 4,1% from 31 December 2022. The scenario quantification process involves an extensive use of business data to obtain an objective conclusion. The overall capital increase is largely attributable to the current broadening economic activities resulting in higher transactional volumes across the board, worsening trends on the macroeconomic factors due to the recurrent electricity supply interruptions and the elevated blackout risk, as well as exposure to vulnerabilities of newer technologies to remain susceptible to cybercrime and external fraud.

The AMA floor capital is still derived from the 75% of TSA capital in the group's AMA operations. However, the capital add-on increased from approximately R217m to R333m due to an increase in the AMA portion of the TSA capital and an increase in Pillar 1 (AMA plus TSA capital of TSA entities) capital. Continued usage of the AMA model continues to result in lower capital holding as the AMA capital is approximately R3,0bn lower than the TSA capital for AMA entities as at 31 December 2023.

Nedbank is comfortable with the level of the operational risk capital, as the estimated exposure to operational risk is subject to a robust process and rigorous governance review criteria and tests.

Nedbank maintained the additional synthetic risk categories (cyberrisk and AML) to ensure that certain specific risks are adequately accounted for in the group's operational risk profile. The contribution of operational risk to the group's total RWA was around 12,5% at 31 December 2023.

Operational risk appetite

Nedbank has a board-approved operational risk appetite statement (RAS) that is aligned with the group's risk appetite framework. The operational risk appetite combines both quantitative metrics and qualitative judgement to encapsulate financial and non-financial aspects of operational risk. The operational RAS makes explicit reference to key operational risks. The operational risk appetite is set at a group and business cluster level, enabling the group and clusters to measure and monitor operational risk profiles against approved risk appetite limits.

Nedbank Group acknowledges that operational risk is assumed as a consequence of being in business, and is inherent to all products, activities, processes and systems and is generated in all areas of the business. Operational risks exist in the normal course of business and are sometimes heightened when significant changes are implemented within our business. Nedbank accepts that it is not possible to eliminate all risks inherent in its activities, and acceptance of some residual risks is necessary to ensure continued operations with reduced friction points to create efficiencies within the business.

Nedbank's operational risk management and control systems are designed to help ensure that the risks associated with the group's activities, including but not limited to those arising from process error, failed execution, fraud, cyberattacks, breaches of information security, systems failures, and physical security failures, are managed appropriately.

Insurance obtained to mitigate the bank's exposure to operational risk

Nedbank's insurance programmes are structured to drive a high standard of risk management within the group. The group's insurable operational risk is not simply transferred to third-party insurers, but a significant interest in the financial impact of losses for certain classes of insurance is retained in the group captive insurance company (self-insured retention), namely Nedbank Group Insurance Company Limited (NGICL). As a result of the group's comprehensive self-insurance strategy, the group is always cognisant of the fact that it must mitigate insurance risk as far as possible to protect the reserves of NGICL. The group structures the insurance programmes in conjunction with underwriters, who ultimately bear the responsibility of resolving claims resulting from catastrophic, unpredictable or large events. The group manages the predictable, higher-frequency, lower-severity losses through NGICL.

The NGICL self-insured retention structure has been instrumental in controlling pay-away premiums and has assisted the group in adverse insurance market conditions, where insurance rates hardened.

The group renewed its insurance policies with effect from 1 June 2023 as its terms expired, retaining the same self-insured retention structure, according to expiry through NGICL, notwithstanding extremely difficult and challenging insurance market conditions. Renewal preparations are underway for renewal of the group's insurance policies for 1 June 2024.

Managing subcomponents of operational risk

Specialist functions, policies, processes and standards have been established and integrated into the main ORMF and governance processes as described under the following sections.

Cyberrisk

Cyberrisk is managed actively through the board-approved Cyberresilience Risk Management Framework (CRRMF) and supporting programme. Specific cyber-related focus areas are identified and agreed on annually. The bank performs cyberrisk assessments periodically and has adopted the Federal Financial Institutions Examination Council (FFIEC) Cybermaturity Framework for this purpose. This self-assessment is augmented through various independent assessments, including red-team testing, attack path mappings and external benchmarks. Any known or newly identified gaps are incorporated and prioritised in the Cyberresilience Programme.

Nedbank has established the internal Computer Security Incident Response Team and Cybercrisis Management Team to respond to cyberincidents and cybercrime effectively. To ensure the security of Nedbank's internet footprint, the bank has subscribed to an external, independant security rating vendor in 2017 that performs continuous scans of the bank's external attack surface. Nedbank is in the vendor's Advanced category, and aims to maintain this rating. Nedbank has a well-established cyberLoD operating model, including a strong first-LoD cybersecurity capability supported by dedicated second-LoD cyberrisk practitioners. GIA, External Audit and independent assurance providers provide ongoing assurance over cyberrisk.

Board-approved qualitative statements and quantitative metrics for cyberrisk appetite are in place and reported on regularly to cyberrisk governance structures.

Nedbank has a cyber- and privacy due-diligence process in place for third parties that includes a risk assessment, integrity checks, contracts containing the required cyber- and privacy clauses, as well as assurance that the cybercontrols are implemented on a risk-based approach. Nedbank uses a defence-in-depth cybersecurity strategy that covers both a technology component and people, enabled by processes and associated monitoring. A cyberscenario is in place for Pillar I regulatory capital calculations purposes.

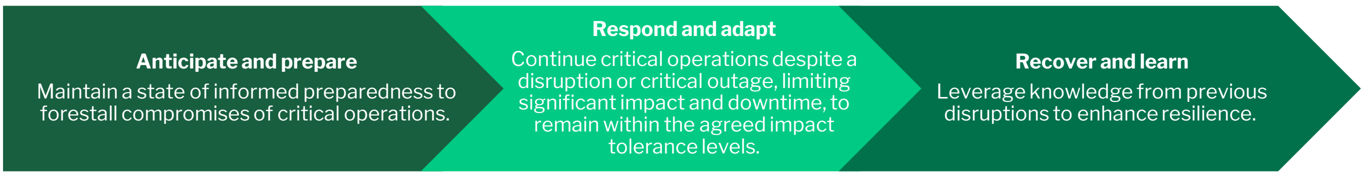
Ongoing cyberawareness initiatives and testing are a cornerstone of the Cyberresilience Programme, and it includes activities such as phishing simulations, online webinars and face-to-face presentations hosted by dedicated employees and external subject matter experts.

As a final line of defence, Nedbank maintains dedicated cyberinsurance cover through international insurance providers.

Organisational resilience

Nedbank's approach to operational resilience accepts that disruptions are inevitable and, in response, ensures that established and matured processes exist across the environment to monitor, plan, respond and adapt accordingly. Nedbank views operational resilience as a capability that benefits from the effective management of operational risk. An effective operational risk management system and a robust level of operational resilience work together to reduce the frequency and the impact of operational risk events. Nedbank has defined the following 3 pillars in its operational resilience policy and framework to support an integrated approach to the management of operational resilience and related risks.

Operational resilience pillars

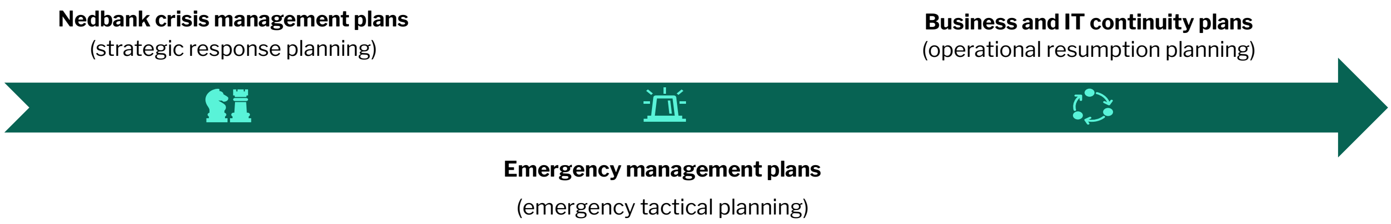


These 3 pillars underpin Nedbank's approach in developing and maintaining a resilient organisation. This approach enables a culture of proactiveness, learning from lessons so that Nedbank is better prepared for potential future operational disruptions such as, but not limited to, pandemics, cyberincidents, technology failures, infrastructure failures, and natural disasters.

Nedbank has a comprehensive, board-approved and leadership-led business continuity and resilience programme (the programme) that is managed as an integral part of the ERMF in the group to ensure effective implementation of business continuity and operational resilience planning in the group. The programme, where applicable, complies with all relevant regulations and legislation, and specifically with the regulations stipulated in the group's operational-resilience policy and framework.

As part of the programme, Nedbank has implemented different levels of plans to enable an effective response based on the nature and complexity of the disruption to manage any risk event or emerging situation that threatens the group. The plans have a generalised approach to allow for flexibility to respond and adapt to any changing situation.

Operational resilience response plans



Nedbank has primary and secondary disaster recovery sites and dedicated alternate work area sites in 3 of the major provinces (Gauteng, Western Cape, and KwaZulu-Natal) as well as a hybrid working model with employees working from home or the office to ensure the continuation of operations through disruption.

Legal risk

The group conducts its activities in conformity with the business, contractual and regulatory requirements applicable in each of the jurisdictions in which the group conducts its business. Failure to meet these requirements may result in unenforceable contracts, litigation, fines, penalties or claims for damages or other adverse consequences.

Group Legal has a major role in the group supporting banking, corporate, dispute resolution, and other activities to ensure compliance with laws and contractual arrangements. The role of Group Legal is highlighted in the Group's Legal Risk Policy, which sets out the types of legal risks that apply to the group as well as processes and procedures for managing these legal risks. The key legal risks addressed in the Group Legal Risk Policy include the risk that the group does not comply with applicable laws and regulation, the risk that contractual arrangements of the group are not enforceable as intended, the risk that the group does not manage its litigation and external and internal legal resources effectively as well as the risk that the group does not manage its relationship with competition authorities appropriately. While reputational risk is not specifically addressed as a legal risk in the Legal Risk Policy, Group Legal is a contributor to the management of the reputational risk for the group due to the fact that failure to manage legal risk effectively would have a negative impact on the group's reputation.

Nedbank has a decentralised legal risk management model with central coordination. The group's legal function is made up of Group Legal as well as the cluster and subsidiary legal advisers. Group Legal performs the legal work for all central functions (including NAR), supports the cluster and subsidiary legal advisers (to the extent necessary), and deals with all the group's corporate actions, employment matters, competition law issues, intellectual property groupwide, and litigation against the group and group entities. The cluster legal advisers perform largely transactional legal work for the cluster or business that they support while the subsidiary legal advisers handle all legal matters arising in the subsidiaries.

Outsourcing and third-party risk

Nedbank is committed to managing risks arising from external dependencies (third parties) to enhance the ability to operate on an ongoing basis and limit losses in the event of severe business disruption. Outsourcing and third-party risks arise from the use of a third-party service provider to perform a business activity, service, function, or process that could be undertaken by the bank. The group manages risks related to outsourced and third-party service providers in accordance with the Material Outsourcing and Critical Third-party Risk Policy, while also leveraging its Supply Chain Risk Management Framework and following a risk-based approach to managing third parties. Policies and frameworks are developed and updated annually by leveraging principles as provided by the BCBS as well as requirements as prescribed by directives and guidance from the PA and considering other globally relevant best practice standards. Risk and governance forums and committees in place, such as the Supplier High Risk Committee and the enterprisewide risk committees across various businesses, provide oversight of the implementation of the principles contained in the policies and frameworks.

Commercial and violent crime risk management

Nedbank follows a centralised approach to commercial- and violent-crime risk management. Since Nedbank adheres to the principles of the Basel regulatory framework, commercial and violent crimes are classified as operational risks, particularly as fraud risk (corruption as internal fraud and violent crime as external fraud). Losses related to these risks are also reflected as operational losses, with fraud related to credit products included in these losses, however, flagged as boundary events for risk measurement purposes.

Financial crime is seen as a key risk in the Nedbank risk universe, governed at an executive level by the Financial Crime Committee (FCC) and at a board level by the GRCMC. The FCC has the responsibility of approving the Integrated Financial Crime Risk Management Framework (IFCRMF) (and subframeworks) and related policies before they are noted at the GRCMC. The FCC also performs oversight of the implementation of the IFCRMF, ensures senior management oversight of financial crime risk and determines Nedbank's risk appetite for financial crime (and the different financial crime types, including commercial and violent crime). The Commercial and Violent Crime Risk Committee (CVRC) is a subcommittee of the FCC and is responsible for the governance of commercial and violent crime risk management in the group. At a cluster level, enterprisewide risk committees are responsible for the governance of internal and external fraud risk management.

Nedbank manages and mitigates commercial and violent crime risks through a strong culture of corporate governance, with the 3LoD Model embedded in the institution. The 3LoD Model is used as the primary means of demonstrating and structuring accountabilities, roles and responsibilities for control, decision-making and risk to achieve effective risk management and assurance.

Internal fraud and most of the external fraud risk types are investigated by Nedbank's Group Financial Crime, Forensics and Security (GFCFS), a division of Group Risk. External fraud relating to unsecured lending are investigated by separate teams in RBB. Furthermore, RBB has risk practitioners that form part of both the first (in the different divisions) and second LoD (at cluster level).

As the first LoD, GFCFS also has the responsibility to ensure that employees have sufficient knowledge and understanding of both the risks related to commercial and violent crime and the group's related policies and procedures. GFCFS is also responsible for various prevention measures, such as performing pre-employment screening, awareness and training programmes for both employees and clients, and listings of employees that have been found guilty of dishonesty on the Register of Employees Dismissed for Dishonesty (RED). In addition, GFCFS are responsible for the detection, prevention, investigation and escalation of commercial and violent crime risk to the relevant governance structures, reporting matters to law enforcement, where necessary, and tracking implementation by business of recommendations regarding disciplinary measures and actions to mitigate commercial and violent crime risk. All areas responsible for prevention and detection of fraud across the organisation have the additional responsibility in terms of the Prevention and Combating of Corrupt Activities Act, 12 of 2004, to report any suspected theft, fraud, extortion, forgery or uttering of a forged document involving an amount of R100 000.

Nedbank recognises fraud detection as an important component of its first LoD to counter fraud perpetrated against it and its clients.

RBB houses several credit application verification teams that provide proactive verification services, focusing on the veracity of information contained in the applications and authenticity of documents supplied in support of the various applications in an endeavour to detect and prevent fraud. The 2 primary areas from which automated fraud detection is managed are the Card, Payment and Transactional Fraud area within RBB and the GFCFS Division within Group Risk.

As part of the second LoD, GFCFS owns the Fraud and Corrupt Activities Policy, Physical-security Policy suite and Whistleblowing Policy. It also has the responsibility of conducting fraud, security and corruption risk assessments (deep dives) on processes, products and systems, with the view to identify control weaknesses that can be exploited to commit fraud (including violent crime) and corruption and to make recommendations to enhance controls.

GOR is the second LoD, responsible for the independent assessment and oversight of operational risk management within the group, including internal and external fraud. GOR's monitoring and oversight activities include providing oversight via the GORC of the operational risk specialist functions (including GFCFS) in measuring, monitoring, and managing operational risk via the submission of high-level summaries on fraud risk by cluster and executive committee (exco) governance forums.

As the third LoD, GIA determines whether the group's systems of internal control, risk management and governance, as designed and operated by management, are adequate and effective.

Regulatory risk

Nedbank demonstrates resilience and agility through its proactive engagements to assess and mitigate regulatory risk. Through its formalised New Regulatory Affairs process, regulatory developments are analysed to determine the applicability and impact to the business.

This process ensures that Nedbank addresses any impact proactively and participates effectively in the regulatory consultation processes, including through industry associations or directly with government, regulators and policymakers.

As part of its regulatory risk management, the group is a member of various industry associations, including among others the Payments Association of South Africa (PASA), the South African Insurance Association (SAIA), Association for Savings and Investment South Africa (ASISA), South African Banking Risk Information Centre (Sabric), and the Banking Association South Africa (BASA). BASA is mandated to represent the banking sector and addresses issues through lobbying, advocacy and policy influence. Group Compliance also provides the group with a central point of engagement, representation, and coordination in respect of relevant regulatory and public-policy-related matters at a strategic level.

Group Compliance supports the group's directors and executives to identify and discuss proactively emerging policy and regulatory issues that may require attention and risk mitigation from a group perspective. Group Compliance achieves its objectives by, among other things, establishing and maintaining relationships with regulatory stakeholders in SA and other countries in which the group has a footprint.

To meet the demands of the complex regulatory landscape, while remaining flexible enough to keep pace with the rapidly changing regulatory environment, Nedbank developed robust regulatory and stakeholder management capabilities to ensure that regulatory change is top of mind and that regulatory change is implemented proactively as opposed to reactively. Nedbank is leveraging the new regulatory reforms to change the way it does business and achieve a competitive advantage, where possible.

Recent regulatory themes and key regulatory developments in SA

Nedbank is under a statutory duty in terms of the Companies Act, 71 of 2008; the Banks Act; and King IV Report on Corporate Governance for South Africa (King IV) to keep abreast of regulatory developments. Accordingly, Nedbank proactively monitors and assesses regulatory developments to determine applicability and impact to the group. This proactive approach to regulatory developments demonstrates Nedbank's commitment to implementing appropriate controls to ensure compliance with the ever-expanding regulatory landscape, thereby gaining stakeholder confidence, trust and satisfaction and ensuring actions are taken to mitigate exposure to reputational, financial and other regulatory risks. Regulatory developments and the state of compliance are reported to and monitored by the Group Directors' Affairs Committee (DAC), being one of the board committees established in terms of the Banks Act. Set out below are some of the key regulatory focus areas for Nedbank for the period under review.

Regulatory risk theme	Description	Mitigating actions
Market conduct	The FSCA, established in terms of the Financial Sector Regulation Act, 9 of 2017, is mandated to promote fair customer treatment by financial institutions, including enhancing and supporting the efficiency and integrity of the financial markets.	Nedbank is committed to ensuring the fair treatment of its clients, which is achieved through its existing control environments. Group Compliance closely monitors and continuously assesses new and amended legislation to determine its impact on Nedbank per the process as set out in its Compliance Framework, which contains the detailed procedure to manage regulatory change. Further to which, Group Market Conduct Risk sets out the key principles from the Conduct Standards for Banks in Nedbank's Groupwide Market Conduct policy and the related risk management strategies in the Conduct Risk Management Framework.
AML, CFT, counter-proliferation-financing (CPF) and sanctions risk management	The group has a framework in which AML, CFT, CPF and sanctions risks are managed through adequate policies, principles, methodologies, processes, systems, and training to ensure that statutory duties and regulatory obligations or, in their absence, agreed standards are met.	AML, CFT, CPF and sanctions resourcing continues to be maintained across the group in ensuring the adequacy, effectiveness, and oversight of the control environment. This includes support across the ERMF and specific focus at board level. CA across the 3LoD continues to be enhanced, with AML, CFT, CPF and sanctions being a main theme, and management actions continue to be implemented, including mitigants to close identified gaps, if relevant. To facilitate compliance with the Financial Intelligence Centre Act (FICA or FIC Act), 38 of 2001, Nedbank continues to use a combination of interim or tactical and sustainable solutions while the remaining sustainable system solutions are in progress. While the majority of interim and tactical solutions have been replaced with sustainable solutions, delivery of the remaining sustainable system solutions, taking into account resolution of tactical solutions, was reprioritised in May 2021 and will continue to be delivered into 2024. Progress on the delivery of the remaining sustainable system solutions is governed by the Client Journey Steering Committee, and Enterprise Information Technology Committee and Group Information Technology Committee. SA has been placed on the Financial Action Task Force (FATF) global financial greylist (announced on 24 February 2023). SA made a high-level political commitment to work with the FATF and Eastern and Southern Africa Anti-money-laundering Group (ESAAMLG) to strengthen the effectiveness of its AML/CFT regime by January 2025. Since the adoption of its Mutual Evaluation Report (MER) in June 2021, SA has made significant progress on many of the MER's recommended actions to improve its system, including by developing national AML/CFT policies to address higher risks and newly amending the legal framework for terrorist financing (TF) and targeted financial sanctions (TFS), among others. SA will work to implement its FATF action plan. Although no recommendations were aimed directly at the banking or financial sector, Nedbank remains committed to supporting government and other stakeholders to ensure SA is removed from the FATF greylist as quickly as possible. On 28 November 2023, the FATF published a follow-up report detailing SA's progress in addressing the technical compliance deficiencies identified in the 2021 MER. SA has made significant progress in improving technical compliance with most of the ratings having moved to

Regulatory risk theme	Description	Mitigating actions
		largely compliant. SA has 5 recommendations on which it has been rated Compliant and 29 rated Largely Compliant, and on 5 recommendations it has remained Partially Compliant. The follow-up report does not address what progress SA has made to improve its effectiveness. South Africa will remain proactive in following-up and will report back to the FATF on progress achieved in improving the implementation of its AML/ CFT measures in October 2024. As we have outlined before, the greylisting may cause reputational damage to SA's financial system and hamper investment and international financial transactions in the country. However, clients in good standing and banks will not be shut out of international markets. Nedbank itself has a comprehensive risk management and compliance programme in place, which is in line with international standards and in which we continue to invest to combat money laundering, terrorist financing, proliferation financing and sanctions risk.
Basel III final reforms	In December 2017 the BCBS published Basel III: Finalising post-crisis reforms. This sets out the committee's finalisation of the Basel III framework, which is the central element to the committee's response to the 2008 global financial crisis. The key objective of the finalised reforms is to reduce excessive variability in RWA and restore credibility in the calculation of RWA by: • enhancing robustness and risk sensitivity of TSAs for credit and operational risk; • constraining the use of internally modelled approaches; and • complementing the risk-weighted capital ratio with a finalised leverage ratio and robust capital floor. In July 2023 the PA issued Guidance Note 3/2023, which proposes that the implementation date for the bulk of the finalised reforms be 1 July 2025.	Nedbank continues to embrace the transition to NSA as an opportunity in advancing basic risk management practices and maturing the bank's internal loss data management process to ensure compliance, to optimise its regulatory capital holding and to support the bank's strategic value drivers and value unlocks. Nedbank will leverage existing IFRS 9 and Basel III implementations to further improve risk measurement and management. In response to the Basel III Final Reforms, management continues to position and prepare the group optimally for these regulatory changes.
Occupational Health and Safety (OHS) Act, 85 of 1993; the Compensation for Occupational Injuries and Diseases (COID) Act, 130 of 1993	The OHS Act and its associated regulations provide for the health and safety of all persons in the workplace. The COID Act provides for compensation to employees in case of disablement or death caused by occupational injuries and diseases contracted by employees during their employment. The Act further provides for matters pertaining to the rehabilitation, reintegration and return to work of occupationally injured and diseased employees.	Nedbank complies with the OHS Act and its regulations as well as the COID Act to ensure a safe and healthy environment for all employees and stakeholders by implementing and monitoring related control measures. The Nedbank compliance risk management process is followed to identify, measure, manage, monitor and report on health- and safety-related compliance risk. Nedbank renewed its agreement with the trade union South African Society of Bank Officials (Sasbo) to give effect to General Administrative Regulations promulgated under the OHS Act, which requires that there should be an agreement in place for dealing with health and safety matters. In addition, OHS awareness is created through compulsory OHS training for all employees, annual acknowledgement of the Nedbank Group OHS Policy by employees and ongoing OHS awareness campaigns, including through posters, leaflets, awareness events, presentations to committees and quarterly newsletters. Group OHS continuously assesses the impact of new health and safety-related legislation on Nedbank and provides guidance to business accordingly.

Regulatory risk theme	Description	Mitigating actions
RDARR	BCBS 239: Principles for Effective Risk Data Aggregation and Risk Reporting was issued in January 2013. The principles aim to strengthen banks' risk management practices by improving their RDARR practices. Complying with the principles will improve the ability of banks to provide timely, accurate and comprehensive risk data and reporting. This will ultimately enhance banks' decision-making processes and improve their resolvability. This has been incorporated into local bank regulations through Directive 2/2015, which require domestic systematically important banks (D-SIBs) to comply with the principles from 1 January 2017.	Nedbank met the RDARR compliance requirements for the Group's key risk types in December 2022 and maintained full compliance in 2023. Through business-as-usual, the bank has advanced its compliance with the RDARR principles and continues to improve data governance, data quality, and IT infrastructure towards enhancing its overall data management capabilities. This includes a Data Risk function (second line of defence) that provides assurance across the data management lifecycle, including supporting ongoing RDARR compliance. Self-assessment activities are conducted on an ongoing basis to monitor the level of compliance for applicable risk types. Nedbank continues to view data as an asset instrumental in enabling the bank's strategy.
Foreign Account Tax Compliance Act (FATCA) and the Organisation for Economic Cooperation and Development's Common Reporting Standards (CRS)	FATCA and CRS require financial institutions to file annually both demographic and financial account information of all United States persons (in terms of FATCA) and any other person that has foreign tax obligations or residencies (in terms of CRS). For purposes of these requirements, Nedbank must perform reasonable due-diligence procedures on the self-certification provided by its clients at onboarding and when there is a change in circumstances. FATCA and CRS have been effective since July 2014 and March 2016, respectively.	The FATCA and CRS programmes continue to make progress and receive focus. The implementation of the compliance requirements is managed by the Client Journey Programme Office and is governed by a project steering committee. Compliance risk is mitigated through the rules that have been built into Nedbank's main onboarding system (Eclipse) and are further complemented by manual processes and compensating controls that have been implemented in the business units and that will continue to be used to deliver compliance with regulatory reporting requirements. In addition to the above, employee training and awareness efforts have been rolled out and will continue to be delivered across the group. Furthermore, a FATCA and CRS user manual and specific guidance documents to guide frontline employees are also available. The amended CRS regulations were published in October 2020 and brought into law the suspension or closure of financial accounts for failure to provide self-certification by accountholders or controlling persons with effect from 1 June 2021. The CRS regulations also brought into law the Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures. Reporting of these arrangements or structures must start from 1 March 2024. There is currently no groupwide restrictions system. Therefore, to give effect to these restrictions, the project team has had to implement tactical solutions across the group and integrate them into the current AML restrictions processes. Regarding the Mandatory Disclosure Rules (MDR) reporting requirements; business units have performed product risk assessments and confirmed that there are no products or structures that meet the reporting requirements.

Set out below are some of the regulatory developments that Nedbank is actively tracking and that may have an impact on the bank's capital, due to, among others, its failure to timeously comply with the law; reputational risk; impact on liquidity; the ability to continue rendering services and/or the consequential impacts of various regulatory developments on other risk types such as operational risk and credit risk.

Regulatory development	Description	Current status
Cybersecurity and cyberresilience in terms of requirements under the Joint Standard: Cybersecurity and Cyber Resilience (Standard) **Draft Directive 2/2023 Cybersecurity and cyber resilience within the national payment system (Directive)**	The standard prescribes minimum requirements relating to governance, cybersecurity strategy and framework, cybersecurity and cyberresilience fundamentals, cybersecurity hygiene practices, as well as notification and regulatory reporting to the FSCA or the PA, as applicable. The directive imposes cybersecurity and cyberresilience requirements on payment institutions and operators within the National Payment System to mitigate the cybersecurity and cyberresilience risks that could occur in the payments environment.	The standard was tabled in Parliament on 30 November 2023 after a robust public consultation period. The final publication of the standard is anticipated this year. The directive was shared for public consultation on 4 October 2023 and the banking sector shared concerns via BASA, requesting the integration of such cybersecurity and cyberresilience requirements into existing legislation to avoid duplication of technical and reporting obligations.
COFI Bill	The bill aims to significantly streamline the conduct of the financial services sector, including through implementation of Treating Customers Fairly principles, and aims to establish a consolidated, comprehensive, and consistent regulatory framework that will: • protect financial clients; • promote the fair treatment of financial clients; • support fair and efficient financial markets; • promote innovation, development of and investment in innovative technologies, processes and practices; • promote competition; • promote financial inclusion; and • promote transformation of the financial services sector.	The bill aims to significantly streamline the legal landscape for conduct regulation in the financial sector and to give legislative effect to the market conduct policy approach. Due to the broad scope of the bill, including its intention to consolidate current consumer protection legislation and develop conduct standards across the various financial services and financial products, financial institutions will have to be authorised and licensed to continue to provide such financial products and render financial services and ensure that they are able to consistently deliver on fair-market-conduct principles to their clients across all financial products and services offered. Based on the FSCA's 2023 phased Regulation Plan: • Phase 1: contemplates the initial high-level design of the new regulatory framework, which has been finalised. However, it will evolve and be refined over time. • Phase 2: involves harmonisation of themed frameworks, which will be issued as conduct standards and overlapping requirements are to be repealed. • Phase 3: focuses on continuing the transition of existing sectoral laws to the bill throughout 2023 with the intention of having initial formal proposals ready in the first half of 2024. The transition work will also consider how to incorporate current policy projects and draft regulatory instruments into the new framework. The above phases may be implemented on a staggered basis over the course of several years.
Land reform in terms of the: Expropriation Bill (Bill); and Upgrading of Land Tenure Rights Amendment Act (LTR Act), 112 of 1991	The bill seeks to repeal the existing Expropriation Act, 63 of 1975, and establish a uniform framework for the expropriation of property across the 3 spheres of government without interfering with the existing expropriation legislative competence of expropriating authorities. The uniform expropriation procedures prescribed in the bill will ensure certainty to all affected persons and institutions. It allows for post-constitutional determination of expropriation of property for a public purpose or in the public interest and in certain instances without compensation. The LTR Act aims to secure and officially recognise land rights held by those living on customary and informal land, and to transfer power over those rights to the land rights holders.	The bill establishes a mandatory uniform expropriation process that allows for the court to make the final determination in relation to compensation, including no compensation. The bill was accepted by the National Assembly in 2022 and is now with the National Council of Provinces, which called for comments on the bill. The current version of the bill includes provisions to protect bondholders in so far as it relates to the expropriation process but the concern around unused land (where the owner does not want to develop or generate income) that can be expropriated at nil compensation remains. It is uncertain whether the bill will be promulgated during 2024, as it was initially expected in 2023. The LTR Act may create new lending opportunities in respect of home loans and the agricultural sector because of changes of tenure rights. Proposed land reform legislation, such as the Expropriation Bill and the LTR Act (not yet commenced), will impact Nedbank as a financial institution that relies on land and rights over land as security for loans.

Regulatory development	Description	Current status
Employment Equity Amendment Act (EEAA), 4 of 2022, and **Draft Regulations issued in terms of EEAA containing draft sectoral numerical targets (draft targets)**	The EEAA seeks to strengthen affirmative action compliance mechanisms and allows the Minister of Employment and Labour to set employment equity sector-specific numerical targets. Designated employers like Nedbank must include these targets in its employment equity plan. According to the existing Employment Equity Act, 55 of 1998, as amended by the EEAA, the Minister may issue a compliance certificate only if: • the employer complies with the sectoral numerical targets; or • has demonstrated reasonable grounds for non-compliance. 'Reasonable grounds' were proposed by draft regulations issued in 2018 but have not yet been finalised; following the recent settlement agreement between the Minister and Solidarity, an employer can now rely on these grounds for non-compliance.	The EEAA was signed into law by President Ramaphosa on 6 April 2023 and published in the Government gazette on 14 April 2023 and was anticipated to come into operation on 1 September 2023. However, no further developments are noted. The impact of the EEAA on Nedbank will be better known once the sectoral targets envisaged in section 15A of the EEAA have been finalised. Industry awaits publication of new sectoral targets following wide procedural and substantive criticism of the Draft Targets published in May 2023. Non-compliance, once the EEAA has come into effect, may result in a designated employer, like Nedbank, not qualifying to provide services to an organ of state and potentially being fined.
Climate Change Bill (Bill): PA – Proposed guidance on climate-related disclosures and risk-related practices	The bill is intended to deliver a coordinated and integrated response to climate change, enhance the nations' adaptive capacity, strengthen resilience, reduce vulnerability to climate change and contribute to the global efforts to stabilise greenhouse gas (GHG) concentrations in the atmosphere to levels that enable the world to avoid dangerous anthropogenic interference with the climate system. The PA released 2 draft guidance notes for banks and insurers to clarify their requirements pertaining to climate-related disclosures and risk-related practices, including governance and strategy setting.	The bill was formally introduced in Parliament on 18 February 2022 and is currently being considered by the National Council of Provinces and is likely to be passed in 2024. The bill to provide a framework for establishing governance in relation to climate change at national, provincial, and local level. It will set a GHG threshold to determine, which companies would be allocated a carbon budget. Nedbank is aware that it would impact high-emission industries, such as fossil fuels, and is therefore monitoring the exposure in compliance with our Energy Policy as well as measuring and reporting the related financed carbon emissions. Internal sector policies will be developed in line with the Bill (once promulgated), to enable our clients to (i) respond to carbon budgets, when allocated and (ii) develop GHG mitigation plans. The PA guidance notes have been assessed internally and determined to be aligned with the Taskforce on Climate-Related Financial Disclosures, which Nedbank has adopted and implemented across the group. Any gaps identified have been proactively raised for consideration and implementation. We await further developments in this regard.
2023 Draft Revenue Laws Amendment Bill and 2023 Draft Revenue Administration and Pension Laws Amendment Bill (Bills) ('2-pot' retirement system)	The bills seek to address (i) the lack of preservation of retirement funds, (ii) preretirement, and (iii) the issue of households being in financial distress when they have assets within their retirement funds that are not accessible during emergencies or times of financial hardship.	With a contemplated implementation date of 1 September 2024, the bills propose that all contributions to retirement funds from 1 March 2024 be divided into '2 pots': • Savings pot: One-third of the future contributions will go into this pot and members will be able to make one taxable withdrawal (minimum amount of R2 000) a year. From 1 March 2024 this pot would be empty. However, allowance will be made to transfer 10% of the value of the contributions at 29 February 2024 (seed capital), to a maximum of R25 000, from the vested pot. • Retirement pot: Two-thirds of future contributions will go into this pot. These funds are accessible only at retirement and will have to be transferred to an annuity or a new employer's 'retirement pot' should a member resign from their employer, as it may not be taken in cash. At retirement these funds must be invested in a pension plan or annuity to pay a monthly pension to the member. This will impact Nedbank's registered retirement funds as fundamental changes are required in terms of fund rules, systems, and processes to align with the proposed fund structure in so far as employees are members of a retirement fund.

Regulatory development	Description	Current status
		Nedbank will continue to monitor developments and participate in consultative processes to ensure concerns are raised and addressed appropriately.
Corporation for Deposit Insurance (CODI)	Once CODI has become fully functional, it will collect financial contributions from banks, which contributions will be used to provide payouts to depositors in the event of their bank failing and to cover CODI's operational expenses. The proposed protection afforded to qualifying depositors will be up to a coverage limit of R100 000 per depositor per bank. The board of directors responsible for overseeing CODI's operations is now in place, along with an investment committee that will be responsible for investing the premiums and liquidity contributions received from the banks.	Nedbank has established a project to plan for and implement the regulatory requirements covering the payment of financial contributions and the fund liquidity tier and the submission of required information to CODI within the required timelines (Phase 1 to be concluded by April 2024) while participating in various initiatives by the SARB to facilitate consumer education and consultation on other technical requirements. Legislation outlining the specific requirements for banks on public awareness has been released for consultation with Nedbank due to provide a response to CODI by 2 February 2024. It is anticipated that the industry will be allowed a transitional period to comply, with full implementation in 2025 anticipated.
Omni Conduct of Business Return (Omni-CBR)	The Omni-CBR is intended to facilitate streamlined cross-sectoral reporting and sets out the types of conduct indicators that will need to be reported on in future by financial institutions. In addition, the Omni-CBR is to enable the FSCA to conduct off-site monitoring to access meaningful, reliable, measurable, and comparable information to assess the delivery of fair client outcomes across the financial sector. The Omni-CBR will undergo a multi-year consultation and implementation process aimed at reaching a steady state of full and complete conduct of business reporting on a quarterly basis across the financial sector by June 2026. The roll-out and implementation of the Omni-CBR will consist of 4 phases over a 4-year period (June 2022–June 2026): • 2022: Phase 1 – Consultation on terminology and data requirements. • 2024: Phase 2 – Assessment of systems and operational impact. • 2024–2026: Phase 3 – Two-year transitional reporting. • 2026: Phase 4 – Steady state post Conduct of Financial Institutions (COFI) Bill final implementation.	In respect of Phase 1, the FSCA published the Omni Roadmap for the Roll-out and Implementation of the Cross-sectoral Conduct of Business Return (Omni-CBR) for commentary in 2022. Subsequently, Nedbank participated in the engagement sessions with the FSCA for banks in July 2022 and in August 2022 and submitted written commentary through BASA for submission to FSCA. Feedback is awaited from the FSCA. Nedbank is currently focused on the implementation of a project intended to prepare the bank for transitional reporting by 2024 and steady state of reporting by 2026.
Judicial Matters Amendment Bill – proposed S34A to the Prevention and Combating of Corrupt Activities Act 12 of 2004	The bill was passed by the NCOP on 6 December 2023 and presidential assent is awaited. One of the amendments proposes a new section 34A, making failure by private sector or incorporated state-owned entities to prevent corrupt activities an offence. The wording of the provision is closely aligned with the wording contained in the state capture report and draws inspiration from the UK Bribery Act.	Nedbank assessed the amendment against the controls implemented for the UK Bribery Act and confirmed that the group is well prepared to comply with the proposed amendment and has embedded the UK's guidance on 'adequate procedures', which is a complete defence to the offence. The bill is being monitored for any developments.

INSURANCE RISK

Year under review

- Nedbank Insurance remained focused on growing penetration of the Nedbank client base, through various channels, with its MyCover suite of products achieving good growth in gross premiums earned, albeit while under significant new business strain.
- The non-life claims ratio was stable (improved Homeowner's Cover (HOC) and unfavourable MyCover Personal Lines). Digital remained a key focus area for the business, with 17 digital products going live (2022: 10) across 7 distribution channels, as well as the Insurance widget and 'Offers for you' feature on the Money app being launched, driving additional traffic and sales to the Nedbank Insurance website.
- Prudent credit granting negatively impacted credit life volumes.

Focus for 2024

- Nedbank Insurance will continue to prioritise growth efforts with Retail and Business Banking by including insurance in all client journeys.
- The ongoing focus on strategic initiatives (ie the MyCover suite and building digital capability) will realise the growth opportunity that Insurance represents for the group.
- The business remains committed to increasing penetration of the Nedbank client base through brand awareness, data-driven targeted campaigns, and collaboration across the group.

Insurance is based on the principle of pooling homogeneous risks caused by low-probability events that cover, among other things, death, disablement, retrenchment, and damage to property and vehicles. Insurance risk incorporates 3 principal risk components, namely:

- **underwriting risk**, where the client is placed into the incorrect risk pool;
- **pricing risk**, where the level of risk associated with a pool is mispriced; and
- **non-independence**, where a single event results in claims from multiple clients. When many clients are affected simultaneously, this is known as a catastrophe event.

Insurance risk also includes new-business risk that may arise.

Actuarial and statistical methodologies are used to price insurance risk (for example morbidity, mortality and retrenchment). Underwriters align clients with this pricing basis and respond to any anti-selection by placing clients in substandard-risk pools, pricing this risk with an additional risk premium, excluding certain claim events or causes, or excluding clients from entering risk pools at all.

Reinsurance is used to reduce the financial impact of claims arising from insured events, reduce the variability of claims and protect against catastrophe events. The level of reinsurance used is determined by considering the risk appetite as mandated by the board.

Insurance risk predominantly arises in Nedbank Insurance, which is part of the Nedbank Wealth Cluster.

The group's insurance businesses are as follows:

- Nedgroup Life Assurance Company Limited (Nedgroup Life), which offers credit life, risk, and savings solutions.
- Nedgroup Insurance Company Limited (NedIC), which is a non-life insurer offering personal-lines cover (building, motor, and contents), legal-expenses, personal accident, hospital cashback and vehicle-related value-added products for the retail market.
- Nedgroup Structured Life (NSL), which offers fund, life, and sinking-fund life policies.
- Nedbank Namibia Life Assurance (NNLA), a life assurance company operating in Namibia that offers credit, life, and funeral policies. NNLA is part of the NAR Cluster.

Insurance risk strategy, governance and policy

Insurance risk is included in the ERMF, which consists of a formal risk policy and effective governance structures. These structures include management oversight to achieve independent monitoring. The insurance risk policy, for Nedbank Group, adopts industrywide principles and standards, while formalising and articulating the approach to managing insurance risk.

Nedbank Insurance is responsible and accountable for managing all risks that emanate from insurance activities as well as the management of underwriting risk included in the ERMF and that feeds into various other governance structures through its link into the Insurance Risk Management Framework. The framework seeks to ensure that risk characteristics are properly understood, incorporated and managed where insurance activities are undertaken. Internal and external actuaries play an oversight role with respect to insurance activities, including reporting and monitoring procedures in respect of product design, pricing, valuation, reinsurance, asset–liability monitoring, solvency and capital assessment, as well as regulatory reporting.

The approach taken by the businesses is to ensure strategic alignment with Solvency Assessment and Management (SAM) by using a risk management decision-making framework and business planning processes through the Own Risk and Solvency Assessment (ORSA) process. Amendments made to the ORSA, following the annual review, will be embedded in the existing reporting structures.

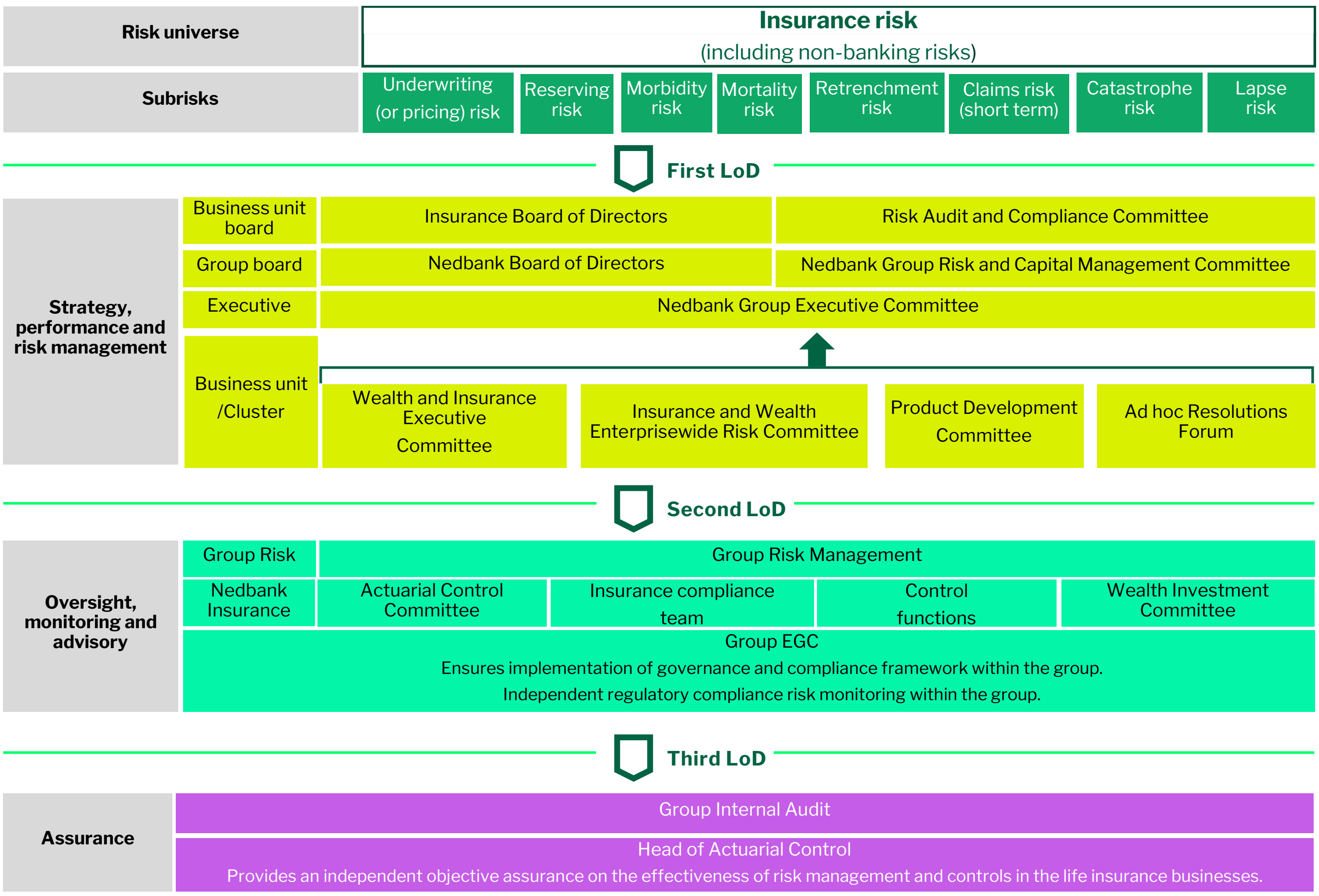
Risks associated with new or amended products in the insurance business fall under the group's formal product approval policy, which covers pricing and risk reviews by the respective heads of actuarial functions and approval at cluster executive and group executive level (where required). The risks are subsequently managed through the risk management framework outlined in the following page.

The Nedbank Insurance Board acknowledges responsibility for risk management within its business and mandate. Management is accountable to the board and the group for designing, implementing and integrating an appropriate risk management process. This allows for optimised risk-taking that is objective and transparent, risk which is appropriately priced, linking it to return and adequately addressing and embedding insurance underwriting risks in its day-to-day activities.

Insurance risk is managed throughout the insurance management process in the following manner:

- Monitoring the concentration of exposures and changes in the environment.
- Performing profile analysis as it relates to the risk characteristics of the insured.
- Monitoring key ratios to ensure that they are in line with expectations and to identify any potential areas of concern or any changes in claims patterns.
- Monitoring policy movements regularly, to identify possible changes to the pricing basis for lapses and withdrawals.
- Reviewing premiums regularly, considering both past and expected claims experience.
- Monitoring the concentration of insurance risk, which includes the assessment of geographical spreads, the impact of catastrophe reinsurance, maximum losses per event and mitigations that include sufficient reassurance and reviewable pricing and exclusions.
- Assessing procedures (including forensic intervention, where required) rigorously to ensure that only valid claims are paid.
- Monitoring the effectiveness of reinsurance programmes by the board, various risk forums and external actuaries.
- Monitoring key process and risk indicators in the Actuarial Control Committee.
- Following and applying modelling methodologies that are prescribed by the Actuarial Society of South Africa or, in the absence of such guidance, world-class risk management principles and best practice.

Insurance Risk Management Framework



Solvency II and SAM

The PA introduced the Solvency Assessment and Management (SAM) regime in 2018 to ensure that regulation of the South African insurance sector remains in line with international best practice. SAM formalises the use of risk management in the business decision-making framework and business planning processes through the performance of the ORSA. Nedbank Insurance continues to invest in SAM processes to ensure they are appropriately streamlined and automated by optimising various governance committees and policies. SAM is also an integral component of the insurance companies' strategy, business planning and day-to-day business operations and decisions.

Insurance risk in Nedbank

Nedbank Insurance holds and calculates capital on the more prudent of the solvency capital requirements using the standard formula or the economic capital calculation. Nedbank Insurance calculates solvency capital requirements using the standard formula, which is calibrated at a 1-year 99,5% confidence level, and has not applied an internal model. The economic capital calculation, which is calibrated at a 1-year 99,93% confidence level, is used as the capital measure under the ORSA.

As indicated above, insurance risk is assumed by Nedgroup Life, NSL, NNLA and NedIC.

Nedbank Insurance consumes only 1,8% (December 2022: 1,7%) of the group's allocated capital requirement.

The solvency ratios are reflected in the table below. Figures shown reflect the SAM regulatory regime, except for NNLA, which is still based on the CAR calculation.

Solvency ratios

Entity	Regulatory minimum	Management target[1]	Dec 2023	Dec 2022
Long-term insurance (Nedgroup Life)	1,0	> 1,5	**3,1**	3,8
Long-term insurance (NSL)	1,0	> 1,5	**2,3**	2,4
Non-life insurance (NedIC)	1,0	> 1,5	**2,8**	3,1
Long-term insurance (NNLA)	N/A	> 1,5	**4,8**	4,0

[1] *Management target is based on the greater of regulatory and economic capital.*

The following points explain the movements in the solvency ratios from 31 December 2022 to 31 December 2023 for each entity:

- The Nedgroup Life solvency ratio decreased from 3,8 to 3,1, driven mainly by the increase in dividends paid in 2023 when compared to 2022. In addition, there was an increase in the solvency capital requirement (SCR) from R928m (December 2022) to R948m (December 2023).
- The NSL solvency ratio has decreased from 2,4 to 2,3 due to the relative increase in the SCR from R44m (December 2022) to R50m (December 2023) being larger than the increase in Own Funds from R104m (December 2022) to R114m (December 2023). The NedIC solvency ratio has decreased from 3,1 to 2,8 due to the relative increase in the SCR from R391m (December 2022) to R459m (December 2023) being larger than the increase in Own Funds from R1 211m (December 2022) to R1 289m (December 2023). The NNLA solvency ratio increased from 4,0 to 4,8, mainly due to the reduction in Capital Adequacy Requirements as a result of the decrease in the enforce book. Nedgroup Life paid a total dividend of R1 550m during 2023.

Separate disclosures and annexures

Table of contents for separate disclosures and annexures

CC1: Nedbank Group – Composition of capital disclosure for the period ended 31 December 2023

Rm		Dec 2023	Ref[1]
CET1 capital: Instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	14 797	a
2	Retained earnings	79 204	b
3	Accumulated other comprehensive income (and other reserves)	2 151	b
4	Directly issued capital subject to phase-out from common equity tier 1 (CET1) (only applicable to non-joint stock		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	809	c
6	**CET1 capital before regulatory adjustments**	**96 961**	
CET1 capital: Regulatory adjustments			
7	Prudential valuation adjustments	186	o
8	Goodwill (net of related tax liability)	4 014	e
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	7 901	f
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	16	g
11	Cash flow hedge reserve	(190)	
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair-valued liabilities	172	n
15	Defined-benefit pension fund net assets	2 488	k
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		
17	Reciprocal cross holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments	350	c
27	Regulatory adjustments applied to CET1 due to insufficient additional tier 1 and tier 2 to cover deductions		
28	**Total regulatory adjustments to CET1**	**14 937**	
29	**CET1 capital**	**82 024**	
Additional tier 1 (AT1) capital: Instruments			
30	Directly issued qualifying additional tier 1 instruments plus related stock surplus	10 469	
31	of which: classified as equity under applicable accounting standards	10 469	d
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase-out from additional tier 1		
34	Additional tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase-out		
36	**AT1 capital before regulatory adjustments**	**10 469**	
AT1 capital: Regulatory adjustments			
37	Investments in own additional tier 1 instruments		
38	Reciprocal crossholdings in additional tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions		
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	
44	**AT1 capital**	**10 469**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**92 493**	
Tier 2 capital: Instruments and provisions			
46	Directly issued qualifying tier 2 instruments plus related stock surplus	12 998	l
47	Directly issued capital instruments subject to phase-out from tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group tier 2)		
49	of which: instruments issued by subsidiaries subject to phase-out		

Rm		Dec 2023	Ref[1]
50	Provisions	693	m
51	**Tier 2 capital before regulatory adjustments**	**13 691**	
Tier 2 capital: Regulatory adjustments			
52	Investments in own tier 2 instruments		
53	Reciprocal crossholdings in tier 2 instruments		
54	Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments: Surplus capital relating to instruments not subject to transitional arrangements		
	Regulatory adjustments applied to common equity tier 2 in respect of amounts subject to pre-Basel III treatment		
	of which: Surplus capital relating to instruments subject to transitional arrangements		
57	**Total regulatory adjustments to tier 2 capital**	**–**	
58	**Tier 2 capital (T2)**	**13 691**	
59	**Total regulatory capital (TC = T1 + T2)**	**106 185**	
60	**Total RWA**	**695 240**	
Capital ratios and buffers			
61	CET1 [as a percentage of risk-weighted assets (RWA)]	11,8	
62	Tier 1 (as a percentage of RWA)	13,3	
63	Total capital (as a percentage of RWA)	15,3	
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus global-systematically-important-bank (G-SIB) buffer requirement expressed as a percentage of RWA)	8,5	
65	of which: capital conservation buffer requirement	2,5	
66	of which: bank-specific countercyclical buffer requirement		
67	of which: domestic-systematically-important-bank (D-SIB) buffer requirement	1,0	
68	CET1 available to meet buffers (as a percentage of RWA)	3,3	
National minima (if different from Basel III)			
69	National CET1 minimum ratio (if different from Basel III minimum)	8,5	
70	National tier 1 minimum ratio (if different from Basel III minimum)	10,3	
71	National total capital minimum ratio (if different from Basel III minimum)	12,5	
Amounts below the threshold for deductions (before risk weighting)			
72	Non-significant investments in the capital and other total-loss-absorbing-capacity (TLAC) liabilities of other financial entities	3 585	
73	Significant investments in the common stock of financial entities	5 595	
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1 255	h
Applicable caps on the inclusion of provisions in tier 2			
76	Provisions eligible for inclusion in tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	255	
77	Cap on inclusion of provisions in tier 2 under standardised approach	554	
78	Provisions eligible for inclusion in tier 2 in respect of exposures subject to IRB approach (prior to application of cap)	438	
79	Cap for inclusion of provisions in tier 2 under IRB approach	2 720	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase-out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

[1] *For note references refer to CC2: Nedbank Group – Reconciliation of IFRS financial statements to regulatory capital and reserves.*

CC1: Nedbank Limited – Composition of capital disclosure for the period ended 31 December 2023

Rm		Dec 23	Ref[1]
CET1 capital: Instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	20 111	a
2	Retained earnings	52 329	b
3	Accumulated other comprehensive income (and other reserves)	877	b
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**CET1 capital before regulatory adjustments**	**73 317**	
CET1 capital: Regulatory adjustments			
7	Prudential valuation adjustments	94	o
8	Goodwill (net of related tax liability)	1 385	e
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	7 816	f
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve	(190)	
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair-valued liabilities	172	n
15	Defined-benefit pension fund net assets	2 462	k
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		
17	Reciprocal cross holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
27	Regulatory adjustments applied to CET1 due to insufficient additional tier 1 and tier 2 to cover deductions		
28	**Total regulatory adjustments to CET1**	**11 739**	
29	**CET1 capital**	**61 578**	
Additional tier 1 capital: Instruments			
30	Directly issued qualifying additional tier 1 instruments plus related stock surplus	10 469	
31	of which: classified as equity under applicable accounting standards	10 469	d
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase-out from additional tier 1		
34	Additional tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase-out		
36	**Additional tier 1 capital before regulatory adjustments**	**10 469**	
Additional tier 1 capital: Regulatory adjustments			
37	Investments in own additional tier 1 instruments		
38	Reciprocal crossholdings in additional tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions		
43	**Total regulatory adjustments to additional tier 1 capital**		
44	**Additional tier 1 capital (AT1)**	**10 469**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**72 047**	
Tier 2 capital: Instruments and provisions			
46	Directly issued qualifying tier 2 instruments plus related stock surplus	12 998	l
47	Directly issued capital instruments subject to phase-out from tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group tier 2)		

Rm		Dec 23	Ref[1]
49	of which: instruments issued by subsidiaries subject to phase-out		
50	Provisions	466	m
51	**Tier 2 capital before regulatory adjustments**	**13 464**	
Tier 2 capital: Regulatory adjustments			
52	Investments in own tier 2 instruments		
53	Reciprocal crossholdings in tier 2 instruments		
54	Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments: Surplus capital relating to instruments not subject to transitional		
	Regulatory adjustments applied to common equity tier 2 in respect of amounts subject to pre-Basel III		
	of which: Surplus capital relating to instruments subject to transitional arrangements		
57	Total regulatory adjustments to tier 2 capital		
58	**Tier 2 capital (T2)**	**13 464**	
59	**Total regulatory capital (TC = T1 + T2)**	**85 511**	
60	**Total RWA**	**558 753**	
Capital ratios and buffers			
61	CET1 (as a percentage of RWA)	11,0	
62	Tier 1 (as a percentage of RWA)	12,9	
63	Total capital (as a percentage of RWA)	15,3	
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of RWA)	8,5	
65	of which: capital conservation buffer requirement	2,5	
66	of which: bank-specific countercyclical buffer requirement		
67	of which: D-SIB buffer requirement	1,0	
68	CET1 available to meet buffers (as a percentage of RWA)	2,5	
National minima (if different from Basel III)			
69	National CET1 minimum ratio (if different from Basel III minimum)	8,5	
70	National tier 1 minimum ratio (if different from Basel III minimum)	10,3	
71	National total capital minimum ratio (if different from Basel III minimum)	12,5	
Amounts below the threshold for deductions (before risk weighting)			
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	841	
73	Significant investments in the common stock of financial entities	1 802	
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1 558	h
Applicable caps on the inclusion of provisions in tier 2			
76	Provisions eligible for inclusion in tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6	
77	Cap on inclusion of provisions in tier 2 under standardised approach	4	
78	Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal rating-based (IRB) approach (prior to application of cap)	462	
79	Cap for inclusion of provisions in tier 2 under IRB approach	2 492	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase-out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

[1] *For note references refer to CC2: Nedbank Limited – Reconciliation of IFRS financial statements to regulatory capital and reserves.*

CC2: Nedbank Group – Reconciliation of IFRS financial statements to regulatory capital and reserves

Rm	Group Dec 2023	Pillar 3 Dec 2023	Basel III capital components	Ref[1]
Assets				
Cash and cash equivalents	52 082	51 776		
Other short-term securities	87 769	86 201		
Derivative financial instruments	13 812	13 812		
Government and other securities	170 717	170 504		
Loans and advances	891 619	885 843		
Total expected loss			27 991	i
Other assets	35 575	35 538		
Current taxation assets	156	143		
Insurance contract assets	378			
Investment securities	27 287	8 779		
Non-current assets held for sale	493	340		
Investments in private-equity associates, associate companies and joint	2 489	2 489		
Investments in financial entities above the 10% CET1 threshold				
Investments in own shares				
Deferred taxation assets	921	926		
of which: amounts arising from carry forwards of unused tax losses, unused tax credits and all other relevant amounts, net of the pro rata share of any deferred tax liabilities			16	g
of which: amounts arising from temporary differences, net of the pro rata share of any deferred tax liabilities			1255	h
Investment property	371	371		
Property and equipment	10 913	10 911		
Long-term employee benefit assets	4 849	4 849		
For every separate defined benefit pension scheme which gives rise to net asset on the balance sheet			3 399	k
Intangible assets	11 977	11 575		
Total gross value of goodwill			4 014	e
Total gross value of all relevant intangible assets			7 966	f
Total assets	1 311 408	1 284 057		
Equity and liabilities				
Ordinary share capital	465	465		
Ordinary share premium	14 332	14 332		
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus			14 797	a
Reserves	92 952	89 070		
Prudential valuation adjustments			186	o
Retained earnings			79 205	b
Accumulated other comprehensive income (and other reserves)			2 151	b
Total equity attributable to equity holders of the parent	107 749	103 867		
Non-controlling interest attributable to:				
Ordinary shareholders	887	887		
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			809	c
National specific regulatory adjustments (minority interest CET1 adjustment)			350	c
preference shareholders	106	106		
Additional tier 1 instruments of which:				
– preference shareholders				
– classified as equity in terms of financial reporting standards International	10 469	10 469	10 469	d
Surplus attributable to minority interest				
Total equity	119 211	115 329		
Liabilities				
Derivative financial instruments	14 141	14 141		
Gains and losses due to changes in own credit risk on fair-valued liabilities			172	n
Amounts owed to depositors	1 087 645	1 083 728		
Provisions and other liabilities	22 715	22 404		
Gross amount of eligible provisions			28 430	l
General allowance for credit Impairments			255	m
Current taxation liabilities	313	294		
Other liabilities held for sale				
Deferred taxation liabilities	507	342		
Associated deferred tax liability that would be extinguished if the relevant defined-benefit pension fund becomes impaired			910	k

Rm	Group Dec 2023	Pillar 3 Dec 2023	Basel III capital components	Ref[1]
Associated deferred tax liability that would be extinguished if the relevant intangible assets become impaired or derecognised in terms of relevant Financial Reporting Standards			66	f
Long-term employee benefit liabilities	43	43		
For every separate defined-benefit pension scheme that gives rise to a net asset on the balance sheet				
Investment contract liabilities	17 512			
Insurance contract liabilities	1544			
Long-term debt instruments	47 777	47 777		
Additional tier 1 instruments of which: classified as liabilities in terms of financial reporting standards				
Long-term debt instruments subject to phase-out				
Long-term debt instruments Basel III			12 998	l
Long-term debt instruments not subject to Basel III minority interest adjustment – directly issued qualifying tier 2 instruments				
Surplus attributable to minority interest				
Grandfathering				
Total liabilities	**1 192 197**	**1 168 729**		
Total equity and liabilities	**1 311 408**	**1 284 058**		

[1] *For note references refer to CC1: Nedbank Group –Composition of capital disclosure for the period ended 31 December 2023.*

CC2: Nedbank Limited – Reconciliation of IFRS financial statements to regulatory capital and reserves

Rm	Bank[1] Dec 2022	Basel III capital components	Ref[3]
Assets			
Cash and cash equivalents	40 602		
Other short-term securities	59 011		
Derivative financial instruments	13 504		
Government and other securities	168 696		
Loans and advances	795 700		
Total expected loss		27 713	i
Other assets	6 979		
Current taxation assets	48		
Investment securities	5 285		
Non-current assets held for sale	315		
Investments in private-equity associates associate companies and joint arrangements	471		
Qualifying instruments held in banks or other regulated institutions			
Investment in group companies			
Deferred taxation assets	541		
Investment property			
Property and equipment	9 101		
Long-term employee benefit assets	4 690		
For every separate defined benefit pension scheme that gives rise to a net asset on the		3 372	k
Intangible assets	9 201		
Total gross value of goodwill		1 385	e
Associated deferred tax liability that would be extinguished if the goodwill becomes			
Total gross value of all relevant intangible assets		7 816	f
Amounts invested in group companies	99 550		
Total assets	**1 213 694**		
Equity and liabilities			
Ordinary share capital	28		
Ordinary share premium	20 083		
Directly issued qualifying common share capital (and equivalent for non-joint stock		20 111	a
Reserves	58 693		
Prudential valuation adjustments		94	o
Retained earnings		52 329	b
Accumulated other comprehensive income (and other reserves)		877	b
Capital requirement in respect of foreign branches			
Accumulated losses			
Total equity attributable to equity holders of the parent	78 804		
Non-controlling interest attributable to:			
– Preference share capital and premium	106		
– Non-controlling interest attributable to ordinary shareholders			
Holders of preference shares			
Additional tier 1 instruments of which: classified as equity in terms of financial reporting standards	10 469	10 469	d
Total equity	**89 379**		
Liabilities			
Derivative financial instruments	13 781		
Gains and losses due to changes in own credit risk on fair-valued liabilities		172	n
Amounts owed to depositors	980 264		
Provisions and other liabilities	15 836		
Gross amount of eligible provisions		28 175	l
General allowance for credit Impairments		4	m
Current taxation liabilities	–		
Other liabilities held for sale			
Deferred taxation liabilities			
Associated deferred tax liability that would be extinguished if the goodwill becomes impaired or derecognised in terms of relevant financial reporting standards			
Associated deferred tax liability that would be extinguished if the relevant defined pension fund becomes impaired		910	k
Associated deferred tax liability that would be extinguished if the relevant intangible assets become impaired or derecognised in terms of relevant financial reporting standards			
Long-term employee benefit liabilities	37		
For every separate defined benefit pension scheme that gives rise to a net asset on the balance sheet			

Rm	Bank[1] Dec 2022	Basel III capital components	Ref[3]
Amounts due to group companies	70 098		
Investment contract liabilities	44 299		
Insurance contract liabilities			
Amounts due from group companies			
Long-term debt instruments			
Long-term debt instruments Basel III		12 998	I
Long-term debt instruments subject to phase out			
Grandfathering			
Total liabilities	**1 124 315**		
Total equity and liabilities	**1 213 694**		

[1] *Total SA operations, excluding foreign branches.*
[2] *For note references refer to CC1: Nedbank Limited – composition of capital disclosure for the period ended 31 December 2023.*

Leverage ratio

The leverage ratio is a measure supplementary to risk-based capital requirements. The leverage ratio for the group and bank are well above the minimum regulatory requirements.

LR1: Nedbank Group summary comparison of accounting assets versus leverage ratio exposure measure[1]

Item Rm		Dec 2023
1	Total consolidated assets as per published financial statements	**1 311 408**
4	Adjustments for derivative financial instruments	**30 443**
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	**(13 409)**
6	Adjustment for off-balance-sheet items (ie conversion to credit equivalent amounts of off-balance-sheet exposures)	**86 586**
7	Other adjustments	**(14 127)**
8	**Leverage ratio exposure measure**	**1 400 901**

[1] *Lines 2 and 3 are not applicable.*

LR2: Nedbank Group leverage ratio common disclosure template

Item Rm		Dec 2023	Sep 2023
On-balance-sheet exposures			
1	On-balance-sheet items (excluding derivatives and SFTs, but including collateral)	**1 279 715**	1 245 209
2	Asset amounts deducted in determining Basel III tier 1 capital	**(15 145)**	(15 349)
3	**Total on-balance-sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1 264 570**	1 229 860
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	**18 679**	26 151
5	Add-on amounts for potential future exposures (PFE) associated with all derivatives transactions	**31 037**	30 899
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**(848)**	(4 552)
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(42)**	(42)
8	Exempted central-clearing-counterparty (CCP) leg of client-cleared trade exposures	**(5 317)**	(9 928)
9	Adjusted effective notional amount of written credit derivatives	**5 770**	10 110
10	Credit derivatives (protection bought) (same reference name with equal to or greater remaining maturity)	**(3 885)**	(9 139)
11	**Total derivative exposures (sum of lines 4 to 10)**	**45 394**	43 499
Securities financing transaction exposures			
12	Gross securities financing transactions (SFT) assets (with no recognition of netting), after having adjusted for sale accounting transactions	**17 527**	22 233
13	Netted amounts of cash payables and cash receivables of gross SFT assets	**(15 764)**	(12 802)
14	Counterparty credit risk (CCR) exposure for SFT assets	**1 762**	9 431
15	Agent transaction exposures	**826**	782
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**4 351**	19 644
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross notional amount	**294 044**	234 887
18	Adjustments for conversion to credit equivalent amounts	**(207 458)**	(167 210)
19	**Off-balance-sheet items (sum of lines 17 and 18)**	**86 586**	67 677
Capital and total exposures			
20	**Tier 1 capital[1]**	**92 493**	92 710
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 400 901**	1 360 680
Leverage ratio[2]			
22	**Basel III leverage ratio (%)**	**6,6**	6,8

[1] *Excluding unappropriated profits.*
[2] *Basis of preparation for the leverage ratio is as at quarter-end.*

LR1: Nedbank Limited summary comparison of accounting assets versus leverage ratio exposure measure

Item[1] Rm		Dec 2023
1	Total consolidated assets according to published financial statements	**1 193 215**
4	Adjustments for derivative financial instruments	**17 773**
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	**(13 176)**
6	Adjustment for off-balance-sheet items (ie conversion to credit equivalent amounts of off-balance-sheet exposures)	**78 674**
7	Other adjustments	**6 405**
8	**Leverage ratio exposure measure**	**1 282 891**

[1]Lines 2 and 3 are not applicable.

LR2: Nedbank Limited leverage ratio common disclosure template

Item Rm		Dec 2023	Sep 2023
On-balance-sheet exposures			
1	On-balance-sheet items (excluding derivatives and SFTs, but including collateral)	**1 179 638**	1 140 075
2	Asset amounts deducted in determining Basel III tier 1 capital	**(11 946)**	(11 978)
3	**Total on-balance-sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1 167 691**	1 128 097
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	**15 717**	22 048
5	Add-on amounts for PFE associated with all derivatives transactions	**20 780**	18 365
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**(848)**	(4 552)
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(42)**	(42)
8	Exempted CCP leg of client-cleared trade exposures	**(5 317)**	(9 928)
9	Adjusted effective notional amount of written credit derivatives	**5 770**	10 110
10	Credit derivatives (protection bought) (same reference name with equal to or greater remaining maturity)	**(3 885)**	(9 139)
11	**Total derivative exposures (sum of lines 4 to 10)**	**32 175**	26 862
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after having adjusted for sale accounting transactions	**17 527**	22 233
13	Netted amounts of cash payables and cash receivables of gross SFT assets	**(15 764)**	(12 802)
14	CCR exposure for SFT assets	**1 762**	9 431
15	Agent transaction exposures	**826**	782
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**4 351**	19 644
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross notional amount	**272 734**	211 234
18	Adjustments for conversion to credit equivalent amounts	**(194 060)**	(152 718)
19	**Off-balance-sheet items (sum of lines 17 and 18)**	**78 674**	58 516
Capital and total exposures			
20	**Tier 1 capital[1]**	**72 047**	72 757
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 282 891**	1 233 119
Leverage ratio[2]			
22	**Basel III leverage ratio (%)**	**5,6**	5,9

[1] Excluding unappropriated profits.

[2] Basis of preparation for the leverage ratio is as at quarter-end.

Annexure A: Definitions

Term	Definitions/Explanation
Credit risk	
Credit loss ratio (CLR)	The income statement impairment charge on banking loans and advances as a percentage of daily average gross banking loans and advances. Includes the ECL recognised in respect of the off-balance-sheet portion of loans and advances.
Capital and earnings risk	
Earnings at risk (EaR)	Percentage pretax earnings potentially lost over a 1-year period.
Chance-of-a-loss (1 in x chance in the next year or (years)	Event in which Nedbank Group experiences an annual loss.
Economic capital adequacy	Nedbank Group being adequately capitalised on an economic basis to its current international foreign currency target debt rating.
Capital adequacy ratio	A measure of our available capital, shown as a percentage of our risk-weighted assets (RWA).
Capital ratio	A measure of our equity capital (funds paid to us by investors) and capital reserves when compared with our total assets. The higher the number, the better the bank's financial strength.
Common-equity tier 1 (CET1) ratio	CET1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.
Countercyclical buffer (CCyB)	CCyB is a capital buffer requirement that aims to protect the banking sector through increased capital requirements in periods when credit growth consistently exceeds economic growth.
Total RWA to total assets	The ratio of RWA to total asset exposure, which provides a measure of riskiness of the bank's assets. The ratio is also known as RWA density and its variance from year to year indicates change in the risk profile of asset portfolio of the bank.
Basel III leverage ratio	A capital adequacy tool that measures level of debt in relation to its Tier 1 capital., expressed as a percentage per unit of qualifying tier 1 regulatory capital, where a low leverage ratio indicates that a bank has a high level of debt in relation to its Tier 1 capital.
Liquidity and funding risk	
Liquidity coverage ratio (LCR)	The extent to which high-quality liquid assets (HQLA) cover total net cash outflows (NCOF) over a 30-day period.
Net stable funding ratio (NSFR)	Assessment of whether there is sufficient stable funding (equity, deposits, long-term wholesale) for the bank's lending profile (higher requirements for long-term assets).
Liquidity stress event — regulatory	Survival period in a stressed liquidity event based on regulatory assumptions.
Tax risk	
Effective accounting tax rate	Tax that the group incurs and must pay to the revenue service.
Interest rate risk	
Net-interest-income (NII) sensitivity	Sensitivity of Nedbank Group's NII due to changes in market interest rates.
Economic Value of Equity (EVE)	The economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows.
Market risk	

Term	Definitions/Explanation
Trading value at risk (VaR)	Potential market value losses in the trading book over a 3-day period (only to be exceeded once every 100 days).
Stress trigger	Potential trading book loss during periods of extreme volatility.
Equity investment risk profile	Measures the group's investment exposure.
Insurance risk	
Capital at risk	Regulatory view of capital adequacy.
Operational-risk profile	
Gross operational-risk losses to gross operating income (GOI)	Level of actual gross financial losses due to operational risk events (eg fraud) in relation to the gross operating income.
Net operational risk losses to GOI	Level of actual net financial losses due to operational risk events (eg fraud) in relation to the gross operating income.
Impact tolerance	The maximum tolerable level of disruption to an important business service, including the maximum tolerable duration of a disruption.
Other financial terms	
Advance	Finance facilities that Nedbank provides to business clients for a specified purpose. Unlike loans, they must be repaid in a short time – usually no longer than a year.
Deposit	The money placed into our various banking products by our clients, for safekeeping or management.
Diluted headline earnings per share	This is a measure of our profitability as a bank. It shows the amount of income each share will get if all the securities we have (like stock options, rights to purchase, bonds and preferred stocks) are converted.
Dividend	An amount paid out to our shareholders every year as a way of sharing our annual profits with them. Usually paid as a percentage of the share value or price at the time they are worked out.
FLAC instrument	A new tranche of loss-absorbing, non-regulatory debt instruments that will be subordinated to other unsecured liabilities and be clearly intended for bail-in resolution.
Gross domestic product (GDP)	The total of the value created in an economy through the production and provision of goods and services. It is a good measure of the health of a country's economy over a specific period (usually every quarter, ie every 3 months).
Headline earnings (HE)	The amount of income we earn purely from our operations, trading, and investments. Excludes profits or losses made from selling assets, ending operations, or writing off amounts.
Impairment	The permanent decline in the value of an asset. An impairment exists if the real value of an asset is less than the value stated on the balance sheet.
Impairment charge	When an asset's value falls below its stated carrying value, the carrying value is reduced and the amount the carrying value was reduced by is shown as an expense against profit.
Return on equity (ROE)	A measure of the financial performance of a business, calculated by dividing its net income by its total shareholder equity. It reveals how much profit a company earns with the money shareholders have invested.
Cyber	
Cyberevent	An occurrence in an information system or network that has, or may result in, unauthorised access, processing, corruption, modification, transfer, or disclosure of data and/or confidential information, or a violation of an explicit or implemented company security policy.

Term	Definitions/Explanation
Cyberthreat	Any circumstance or event with the potential to adversely impact organisational operations, organisational assets, individuals, other organisations, or the nation through a system via unauthorised access, destruction, disclosure, modification of information, and/or denial of service.
Ransomware double extortion	A type of cyberattack in which threat actors exfiltrate a victim's sensitive data in addition to encrypting it, giving the criminal additional leverage to collect ransom payments. A typical ransomware attack will only encrypt a victim's data.
Attack path mapping	A risk assessment that a security departments uses to establish whether the cybercriminals are gaining shadow access to their target's network via alternative infrastructure.
Red-team testing	The practice of testing the security of an organisation's systems by emulating a malicious actor and hacking into secure systems or data
Strategic terms	
Managed Evolution	Nedbank's comprehensive information technology transformation programme.
New Ways of Work (nWoW)	Breaking down the traditional barriers between work and life. That includes management styles, workplace design, communication, and collaboration.
Fourth Industrial Revolution	Current and developing environment in which disruptive technologies and trends such as the Internet of Things (IoT), robotics, virtual reality (VR) and artificial intelligence (AI) are changing the way modern people live and work.
Climate terms	
Chronic risk	Risk that is related to longer-term shifts in climate patterns (such as sustained higher temperatures and changing rainfall patterns) that may cause a rise in sea level or chronic heat waves.
Climate change	A change in the statistical distribution of weather patterns when that change lasts for an extended period (ie decades to millions of years). Climate change may also refer to a change in average weather conditions or in the time variation of weather around longer-term average conditions. Natural climate change is caused by factors such as biotic processes, variations in solar radiation received by Earth, plate tectonics, and volcanic eruptions. However, the term 'climate change' is more often used to refer specifically to anthropogenic climate change (also known as global warming). Anthropogenic climate change is caused by human activity, as opposed to changes in climate that result from Earth's natural processes.
Climate-related risk	A potential negative impact of climate change on an organisation. Physical risks arising from climate change can be event-driven (acute), such as increased severity of extreme weather events (eg cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (eg sea level rise). Climate-related risks can also be linked with the transition (transition risk) to a lower-carbon global economy, and the most common of these risks relate to policy and legal actions, technology changes, market responses, and reputational considerations.
Climate resilience	The ability of an entity to absorb stresses caused by climate change and maintain operations, as well as to adapt in an agile manner and evolve in ways that ensure it is better prepared for future climate change impacts.
Glidepath	A tool that visually plots the organisation's decarbonisation actions and demonstrates how those actions align with the organisation's current emissions and future targets as required by the climate science.
Paris Agreement	An international treaty on climate change, adopted in 2015, covering climate change mitigation, adaptation, and finance.
Physical risk	Risks resulting from climate change can be event-driven (acute, ie weather-related events) or longer-term shifts (chronic, ie permanent changes in underlying climate drivers). Physical risks are divided into acute risks and chronic risks. Physical risks may have financial implications for organisations (direct and indirect). Nedbank's financial performance may be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes. This can affect an organisation's premises, operations supply chain, transport needs and employee safety, which impacts the organisation directly or because of business practices.

Annexure B: Abbreviations and acronyms

Abbreviation	Definition
AFR	Available financial resources
AGM	Annual general meeting
AIRB	Advanced internal ratings-based
AJTP	Activity-justified transfer pricing
ALCO	Assets and Liabilities Management and Executive Risk Committee
ALM	Asset and liability management
AMA	Advanced measurement approach
AML	Anti-money-laundering
ARC	Ad hoc Rating Committee
ASF	Available stable funding
ATM	Automatic teller machine
AVA	Additional valuation adjustments
BANI	Brittle, anxious, non-linear, incomprehensible
BASA	Banking Association South Africa
BaU	Business as usual
BCBS	Basel Committee on Banking Supervision
BCCC	Brand, Client and Conduct Committee
BCM	Business continuity management
BCP	Business Continuity Plan
BEICF	Business environment and internal control factor
BEL	Best estimate liability
BSM	Balance Sheet Management
BU	Business unit
BUCC	Business unit credit committee
CA	Coordinated assurance
CAR	Capital adequacy ratio
CBL	Central Bank Lesotho
CCC	Cluster credit committee
CCF	Credit conversion factor
CCMT	Cybercrisis Management Team
CCO	Chief Compliance Officer
CCP	Central clearing counterparty
CCR	Counterparty credit risk
CEM	Current exposure method
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFD	Centralised Funding Desk
CFO	Chief Financial Officer
CFT	Combating the financing of terrorism
CIA	Chief Internal Auditor
CIB	Corporate and Investment Banking
CIO	Chief Information Officer
CLR	Credit loss ratio
CMF	Capital Management Framework
CMVU	Credit Model Validation Unit

Abbreviation	Definition
CODI	Corporation for Deposit Insurance
COE	Cost of equity
COFI	Conduct of Financial Institutions Bill
COID	Compensation for Occupational Injuries and Diseases
COO	Chief Operating Officer
CPM	Credit portfolio model
CRC	Climate Risk Committee
CREIF	Capital requirements for equity investments in funds
CRLG	Climate Task Group and the Climate Risk Leadership Group
CRM	Credit risk mitigation
CRMF	Compliance Risk Management Framework
CRO	Chief Risk Officer
CRRMF	Cyberresilience Risk Management Framework
CRS	Common Reporting Standard
CSIRT	Computer Security Incident Response Team
CVA	Credit valuation adjustment
DAC	Directors' Affairs Committee
dEL	Downturn expected loss
DFL	Digital Fast Lane
DHEPS	Diluted headline earnings per share
DigiRACE	Digitisation of risk, audit and compliance across the enterprise
DIS	Deposit Insurance Scheme
dLGD	Downturn loss given default
DLP	Data loss protection
DMO	Data management organisation
D-SIB	Domestic systemically important bank
DVA	Debt valuation adjustments
EAD	Exposure at default
EaR	Earnings at risk
ECA	Export credit agencies
ECAI	External credit assessment institution
ECC	Executive Credit Committee
ECL	Expected credit loss(es)
EDP	Enterprise Data Programme
EEA	Employment Equity Act, 55 of 1998
EITCO	Executive Information Technology Committee

Abbreviation	Definition
EL	Expected loss(es)
ELB	Entry-level banking
ELD	External loss data
EP	Economic profit
ERBB	Equity risk in the banking book
Erco	Enterprisewide risk committee
ERMF	Enterprisewide Risk Management Framework
ETI	Ecobank Transnational Incorporated
ETL	Extreme tail loss
EVE	Economic value of equity
EVP	Employee value proposition
EWI	Early-warning indicators
FATCA	Foreign Account Tax Compliance Act
FCC	Financial Crime Committee
FCTR	Foreign currency translation reserves
FICAA	Financial Intelligence Centre Amendment Act, 1 of 2017
FIRB	Foundation internal ratings-based
FLAC	First loss after capital
FLI	Forward-looking information
FRTB	Fundament Review of the Trading Book
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
FSLAB	Financial Sector Laws Amendment Bill
FSRA	Financial Sector Regulation Act, 9 of 2017
FTP	Funds transfer pricing
FVA	Funding valuation adjustment
FVOCI	Fair value through other comprehensive income
G20	Group of Twenty
GAC	Group Audit Committee
GBP	Great British pound
GC	Group Compliance
GCC	Group Credit Committee
GCCO	Group Chief Compliance Officer
GCFO	Group Chief Financial Officer
GCR	Group Credit Risk
GCRC	Group Climate Resilience Committee
GCRMF	Group Credit Risk Management Framework

Abbreviation	Definition
GCRO	Group Chief Risk Officer
GDP	Gross domestic product
GFC	Global Financial Crisis
GFCFS	Group Financial Crime, Forensics and Security
GIA	Group Internal Audit
GITCO	Group Information Technology Committee
GLAA	Gross loans and advances
GLC	Great lockdown crisis
GMR	Group Market Risk
GOI	Gross operating income
GOR	Group Operational Risk
GORC	Group Operational Risk Committee
GRA	Group Risk Analytics
GRCMC	Group Risk and Capital Management Committee
Greenhouse I	Greenhouse Funding (RF) Limited
Greenhouse III	Greenhouse Funding III (RF) Limited
Group Exco	Group Executive Committee
GRRC	Group Reputational Risk Committee
G-SIB	Global systemically important bank
GSR	Group Strategic Risk
GT	Group Technology
GTSEC	Group Transformation, Social and Ethics Committee
HQLA	High-quality liquid assets
HRC	High-risk committee
HVCRE	High-volatility commercial real estate
IAS	International Accounting Standards
IBOR	Interbank lending rate
ICAAP	Internal Capital Adequacy Assessment Process
ICE	Internal control environment
IFC	Internal financial controls
IFCRM	Integrated Financial Crime Risk Management
IFCRMF	Integrated Financial Crime Risk Management Framework
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ILAAP	Internal Liquidity Adequacy Assessment Process
ILD	Internal-loss data
IMA	Internal model approach

Abbreviation	Definition
IMF	International Monetary Fund
IMM	Internal model method
IOM	Isle of Man (Nedbank Private Wealth)
IPO	Information Privacy Office
IPRE	Income-producing real estate
IPV	Independent price verification
IRB	Internal ratings-based
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange Limited
KICL	Key Issues Control Log Report
KRI	Key risk indicator
KYC	Know your client
LAA	Loans and advances
LAC	Loss-absorbing capital
LCR	Liquidity coverage ratio
LEAC	Large-exposures Approval Committee
LGD	Loss given default
LoD	Line(s) of defence
LRC	Liquidty coverage ratio
LRCP	Liquidity Risk Contingency Plan
LSC	Liquidity Steering Committee
LTV	Loan-to-value ratio
LVC	Leadership, Values and Culture
MCCP	Market Conduct and Culture Programme
MCRTF	Market Conduct Risk Technical Forum
ME	Managed Evolution
MEFM	Macroeconomic Factor Model
MFC	Motor Finance Corporation
MLTFC	Money-laundering and Terrorist Financing Control
MMFTP	Matched maturity funds transfer pricing
MMS	Money market shortage
MPC	Monetary Policy Committee
MPG	Market Practitioners Group
MRC	Minimum required capital
MRM	Model Risk Management

Abbreviation	Definition
NAR	Nedbank Africa Regions
NCA	National Credit Act, 34 of 2005
NCOF	Net cash outflows
NCWO	No creditor worse off
Nedgroup Life	Nedgroup Life Assurance Company Limited
NedIC	Nedgroup Insurance Company Limited
NGICL	Nedbank Group Insurance Company Limited
NGR	Nedbank Group Rating
NGRRL	Nedbank Group Risk Reporting Line
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NNLA	Nedbank Namibia Life Assurance Limited
NPS	Net Promoter Score
NSFR	Net stable funding ratio
NSL	Nedgroup Structured Life
nWoW	New Ways of Work
OCI	Other comprehensive income
ODP	Over-the-counter derivative provider
OF	Own funds
OHS	Occupational health and safety
Opcom	Group Operational Committee
ORM	Operational Risk Management
ORMF	Operational Risk Management Framework
ORSA	Own-risk and Solvency Assessment
ORX	Operational Riskdata Exchange Association
OSE	Ordinary shareholders' equity
OTC	Over the counter
PA	Prudential Authority
PD	Probability of default
POPI	Protection of Personal Information Act, 4 of 2013
Precinct	Precinct Funding 1 (RF) Limited
Precinct 2	Precinct Funding 2 (RF) Limited
PSEs	Public sector entities
PVA	Prudent valuation adjustment
RA	Resolution authority
RACE	Risk, Audit and Compliance across the Enterprise
RAF	Risk Appetite Framework

Abbreviation	Definition
RAPM	Risk-adjusted performance measurement
RAS	Risk appetite statement
RBB	Nedbank Retail and Business Banking
RBIA	Risk-based internal audit
RCSA	Risk and control self-assessment
RDARR	Risk data aggregation and risk reporting
RDR	Retail Distribution Review
REMCO	Group Remuneration Committee
ROA	Return on assets
ROE	Return on equity
ROI	Return on investment
RP	Recovery Plan
RPTC	Related-party Transactions Committee
RRP	Recovery and Resolution Plan
RSF	Required stable funding
RUPT	Rapid, unpredictable, paradoxical and tangled
RWA	Risk-weighted assets
SA	South Africa
SA-CCR	Standardised approach for counterparty credit risk
SADC	Southern African Development Community
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SAS	Statistics Analysis System
SBP	Share-based payment
SCR	Solvency capital requirement
SEMS	Social and Environmental Management System

Abbreviation	Definition
SFA	Supervisory formula approach
SFT	Securities financing transaction
SICR	Significant increase in credit risk
SME	Small and medium enterprise
SOE	State-owned enterprise
SPPIA	Standards for the Professional Practice of Internal Auditing
SPT	Strategic portfolio tilt
SREP	Supervisory Review and Evaluation Process
SRWA	Simple risk-weighted approach
SSA	Sub-Saharan Africa
STI	Short-term incentive
STC	Simple, transparent and comparable
TCF	Treating Clients Fairly
TCFD	Taskforce on Climate-related Financial Disclosures
TLAC	Total loss-absorbing capacity
TOM	Target operating model
TRAHRCO	Transformation and Human Resources Committee
TRC	Trading Risk Committee
TSA	The standardised approach
TTC	Through the cycle
UL	Unexpected loss(es)
USD	United States dollar
VAF	Vehicle and asset finance
VaR	Value at risk
VUCA	Volatile, uncertain, complex and ambiguous
WFH	Work from home
ZAR	South African rand
ZARIBOR	South African Rand Interbank Overnight Rate

COMPANY DETAILS

Nedbank Group Limited

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

Registered office

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

Transfer secretaries in SA

JSE Investor Services Proprietary Limited,
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Namibia

Transfer Secretaries Proprietary Limited
4 Robert Mugabe Avenue, Windhoek, Namibia PO Box 2401, Windhoek, Namibia

Instrument codes

Nedbank Group ordinary shares

JSE share code:	NED
NSX share code:	NBK
A2X share code:	NED
ISIN:	ZAE000004875
JSE alpha code:	NEDI
ADR code:	NDBKY
ADR CUSIP:	63975K104

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J Katzin

Sponsors in SA:

Merrill Lynch SA Proprietary Limited t/a BofA Securities

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Sponsor in Namibia:

Old Mutual Investment Services (Namibia) Proprietary Limited

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

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