NEDBANK GROUP

CREATING VALUE BY USING OUR FINANCIAL EXPERTISE TO DO GOOD.

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

IR

see money differently

OUR PURPOSE

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

nedbankgroup.co.za

FORWARD-LOOKING STATEMENTS

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

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in the current environment and in addition the financial guidance provided on 3 March 2020 has subsequently been withdrawn in the Securities Exchange News Service (SENS) announcement published on 14 April 2020.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

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

INTEGRATED REPORT 2019

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FINANCIAL AND RISK MANAGEMENT REPORTING

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

SUSTAINABLE DEVELOPMENT REPORTING

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

GOVERNANCE REPORTING

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

SHAREHOLDER INFORMATION

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

INTRODUCTION

ABOUT OUR INTEGRATED REPORT

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

SCOPE AND BOUNDARY OF REPORTING

Reporting period

This report is produced and published annually. It provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance, covering the year 1 January 2019 to 31 December 2019. Any material events after this date and up to the board approval date of 14 April 2020 have also been included.

Operating businesses

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

Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create value.

Targets and strategy

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

Targeted readers

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

Risk and ESG reporting

To align with our governance and risk management approaches we have integrated these aspects throughout our integrated report. To highlight these we have introduced icons that illustrate a King IV outcome and where a specific risk ranks within the group's top 12 risks. More detailed environmental, social and governance (ESG) disclosures are available in our supplementary reports: Sustainable Development Review, People Report, Transformation Report, Governance and Ethics Review, Remuneration Report and Pillar 3 Risk and Capital Management Report, which can be accessed at nedbankgroup.co.za.

KEY CONCEPTS

Our value creation process

Value creation is the consequence of how we apply and leverage our capitals in delivering financial performance (outcomes) and optimising value (outcomes and outputs) for all stakeholders. Our value creation process is embedded in our purpose (page 16), described as part of our business model on pages 10 and 11, and integrated into the way we think and make decisions.

Materiality and material matters

We apply the principle of materiality in assessing what information should be included in our integrated report. This report therefore focuses particularly on those issues, opportunities and challenges that impact materially on Nedbank Group and its ability to be a sustainable business that consistently delivers value to shareholders and key stakeholders. Our material matters, as described on pages 35 to 44, influence our group's strategy and inform the content of this report. However, responding to the Covid-19 pandemic that emerged in SA during March 2020 (followed by Moody's and Fitch's downgrades of SA's sovereign-credit rating) has become our primary focus and will significantly impact all our material matters. We discuss this on pages 32 to 34 and highlight our preliminary views of the impact of the Covid-19 pandemic on our material matters.

Identifying our potential material matters is a groupwide responsibility and requires input from all business units and divisions and an assessment of the risks and opportunities in our operating environment, and input and feedback from all our stakeholders are considered. Our material matters inform our long-term business strategies, targets and short-to-medium-term business plans. Ranking the identified issues in order of relevance and potential impact is a collaborative effort. Our Group Executive Committee (Group Exco) approves the material matters before the Nedbank Group Board endorses them. The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

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

Rank those with greatest relevance in the current operating context

Apply and validate to inform our strategy and targets

Assess continuous process to ensure our strategy remains relevant

APPROVAL BY THE BOARD

The board acknowledges its responsibility of ensuring the integrity of this integrated report, which in the board's opinion addresses all the issues that are material to the group's ability to create value and fairly presents the integrated performance of Nedbank Group. The board has applied its collective mind to the preparation and presentation of this report and believes that it has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the board of directors of Nedbank Group on 14 April 2020.

Vassi Naidoo
(Chairman)

Mike Brown
(Chief Executive)

Mpho Makwana
(Lead Independent Director)

Tshilidzi Marwala

REPORTING FRAMEWORKS AND COMBINED ASSURANCE

Our integrated reporting process, as well as the contents of this report, is guided by the principles and requirements of the International <IR> Framework, IFRS and the King Code of Governance Principles for South Africa (King IV), and is in accordance with the 'core' option of the Global Reporting Initiative (GRI) standard. As a SA bank and a company listed on the JSE, we align with the JSE Listings Requirements, the Companies Act, 71 of 2008, and the Banks Act, 94 of 1990.

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

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

NAVIGATION ICONS

Our capitals

Our relevance as a bank today and in the future and our ability to create long-term value are interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value we deliver (outputs and outcomes). We also make tradeoffs between our capitals, as discussed on pages 60 and 61.

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

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

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

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

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

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

Our strategic focus areas

Delivering innovative, market-leading client experiences

Managing scarce resources to optimise economic outcomes

Growing our transactional-banking franchise faster than the market

Being operationally excellent in all we do

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

Our stakeholders

Staff

Clients

Shareholders

Regulators

Society

Other icons

King IV

Top 12 risk

Covid-19

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

Hubert Brody | Brian Dames | Neo Dongwana | Errol Kruger | Rob Leith | Linda Makalima

Mantsika Matooane | Raisibe Morathi (Chief Financial Officer) | Joel Netshitenzhe | Mfundo Nkuhlu (Chief Operating Officer) | Stanley Subramoney

NEDBANK GROUP AT A GLANCE

OVERVIEW OF NEDBANK GROUP

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

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

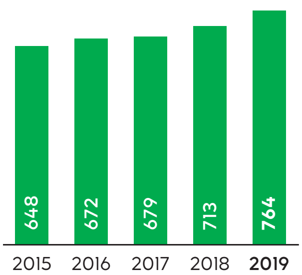
Outside Africa we have a presence in key global financial centres to provide international financial services for Africa-based multinational and high-net-worth clients, in Guernsey, Isle of Man, Jersey and London, and we have a representative office in Dubai.

TOTAL ASSETS
R1,1 trillion

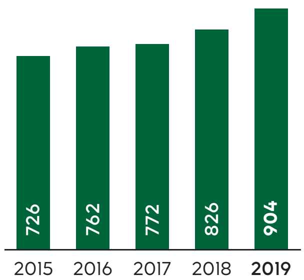
HEADLINE EARNINGS
R12,5bn

CET1 CAPITAL RATIO
11,5%

BANKING ADVANCES
(Rbn)



DEPOSITS
(Rbn)



WHAT DIFFERENTIATES NEDBANK?

- We are a **purpose-led business**, underpinned by a unique corporate culture and progress towards being more client-centred and innovative
16
- **Good governance and ESG** leadership
14 to 27
- **Experienced management teams**
27
- Selective origination and **sound risk management**
50
- **Leadership positions** in renewable-energy finance, corporate and commercial-property lending, small business services, retail vehicle finance, card acquiring, digital client value propositions, asset management and wealth management
8 and 9
- Prudent management of our expenses over time and continuing to lower our cost-to-income ratio through **cost optimisation initiatives**
53
- Strong position as a bank that is committed to doing business in a manner that **positively builds society** at large
16 and 17
82 to 85
- **Technology strategies and innovations** that position Nedbank to be more digital, agile and competitive
46 to 55
- **Top-tier ESG rankings** and practices
25
- Improving and, in many cases, **leading client satisfaction** metrics
76

MARKET CAPITALISATION
R107bn

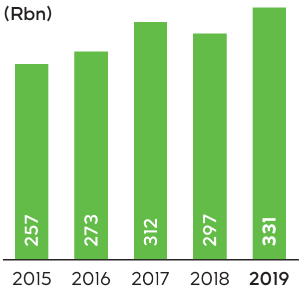
CLIENTS
7,8m

EMPLOYEES
29 403

TOP-TIER CLIENT SATISFACTION AND LEAGUE TABLE RANKINGS

MARKET-LEADING DIGITAL INNOVATIONS

ASSETS UNDER MANAGEMENT
(Rbn)



Level 1 BBBEE CONTRIBUTOR STATUS

MSCI ESG RATING: AA

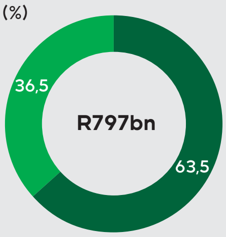
CARBON-NEUTRAL OPERATIONS AND EFFECTIVELY NET-ZERO OPERATIONAL WATER USAGE

DOW JONES SUSTAINABILITY EMERGING MARKETS INDEX INCLUSION SINCE 2004

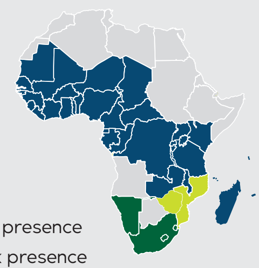
Information as at 31 December 2019

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

WHOLESALE VERSUS RETAIL ADVANCES
(%)

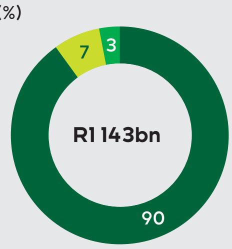


- Access to the **largest banking network in Africa** through our own operations in SADC and our strategic alliance with ETI in 39 countries



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

ASSETS BY GEOGRAPHICAL AREA
(%)



NEDBANK GROUP IN CONTEXT

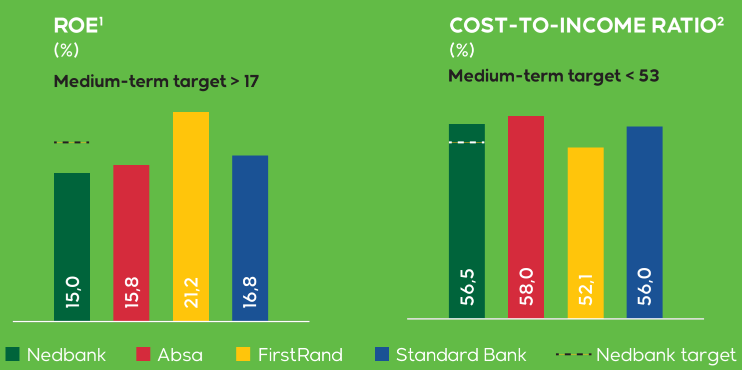
Nedbank Group is the fourth-largest bank in Africa as measured by assets and tier 1 capital.

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

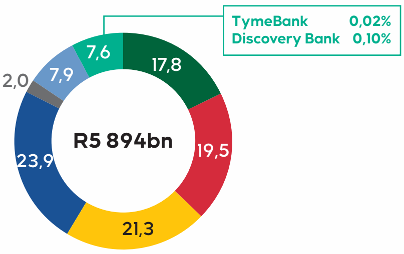
SA banks are well-capitalised and generate good returns (ROE) ahead of COE (around 14%). While cost-to-income ratios are generally above 50%, they are expected to trend lower over time. Credit extension has been prudent, as reflected in low, but cyclically increasing CLRs. Nedbank aims to improve our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

COVID-19

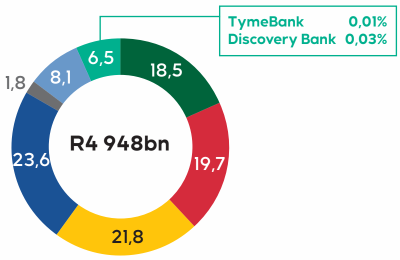
Targets are under review given the impact of the Covid-19 pandemic.



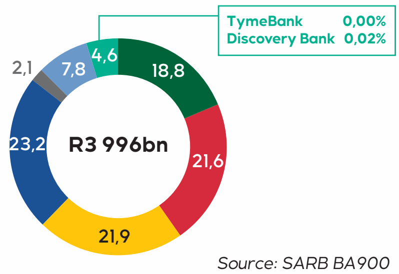
SA TOTAL ASSETS MARKET SHARE
(%)



SA DEPOSIT MARKET SHARE
(%)



SA ADVANCES MARKET SHARE
(%)

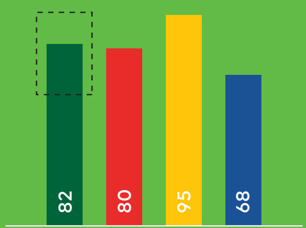


■ Nedbank ■ Absa ■ FirstRand ■ Standard Bank ■ Capitec ■ Investec ■ Other banks

Source: SARB BA900 at 31 December 2019

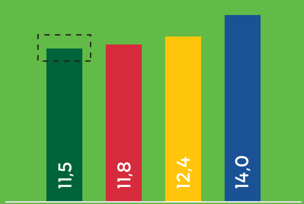
CREDIT LOSS RATIO
(Bps)

Medium-term target 60–100



CET1 RATIO[3]
(%)

Medium-term target 10,5–12,5



■ Nedbank ■ Absa ■ FirstRand ■ Standard Bank - - - Nedbank target

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

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

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

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

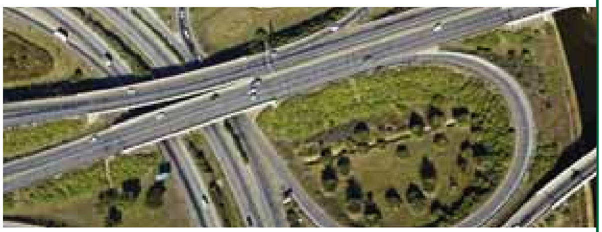
OUR ORGANISATIONAL STRUCTURE, PRODUCTS AND SERVICES

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

NEDBANK CORPORATE AND INVESTMENT BANKING

OUR CLIENTS

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



> 600 large corporate clients.

OUR PRODUCTS AND SERVICES

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

NEDBANK CIB

OUR AREAS OF STRENGTH AND DIFFERENTIATION

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

KEY METRICS

ASSETS
R544bn

HE
R6 167m

ROE
17,7%

ADVANCES
49,6%

HE CONTRIBUTION
49,3%

NEDBANK RETAIL AND BUSINESS BANKING

OUR CLIENTS

Individual clients and **businesses**.

> 7,5 million clients including:

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

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

OUR PRODUCTS AND SERVICES

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

NEDBANK

MFC A division of NEDBANK

OUR AREAS OF STRENGTH AND DIFFERENTIATION

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

KEY METRICS

ASSETS
R378bn

HE
R5 293m

ROE
17,3%

ADVANCES
43,8%

HE CONTRIBUTION
42,3%

NEDBANK WEALTH

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

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

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

Nedbank Insurance

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

Nedbank Private Wealth

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

Unique Best of Breed™ asset management model

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

AUM
R331bn

HE
R1 042m

ROE
24,8%

ADVANCES 3,9%

HE CONTRIBUTION 8,3%

NEDBANK AFRICA REGIONS

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

> 336 000 clients.

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

Bancassurance offering in selected markets.

SADC (own, manage and control banks)

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

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

- The Ecobank–Nedbank Alliance: footprint across 39 countries, the largest in Africa.
- Increase dealflow by leveraging ETI's local presence and knowledge and Nedbank's structuring expertise.

ASSETS
R38,4bn

HE
R457m

ROE
7,7%

ADVANCES 2,7%

HE CONTRIBUTION 3,7%

OUR VALUE-CREATING BUSINESS MODEL

Key drivers of change in our business model

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

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

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

INPUTS

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

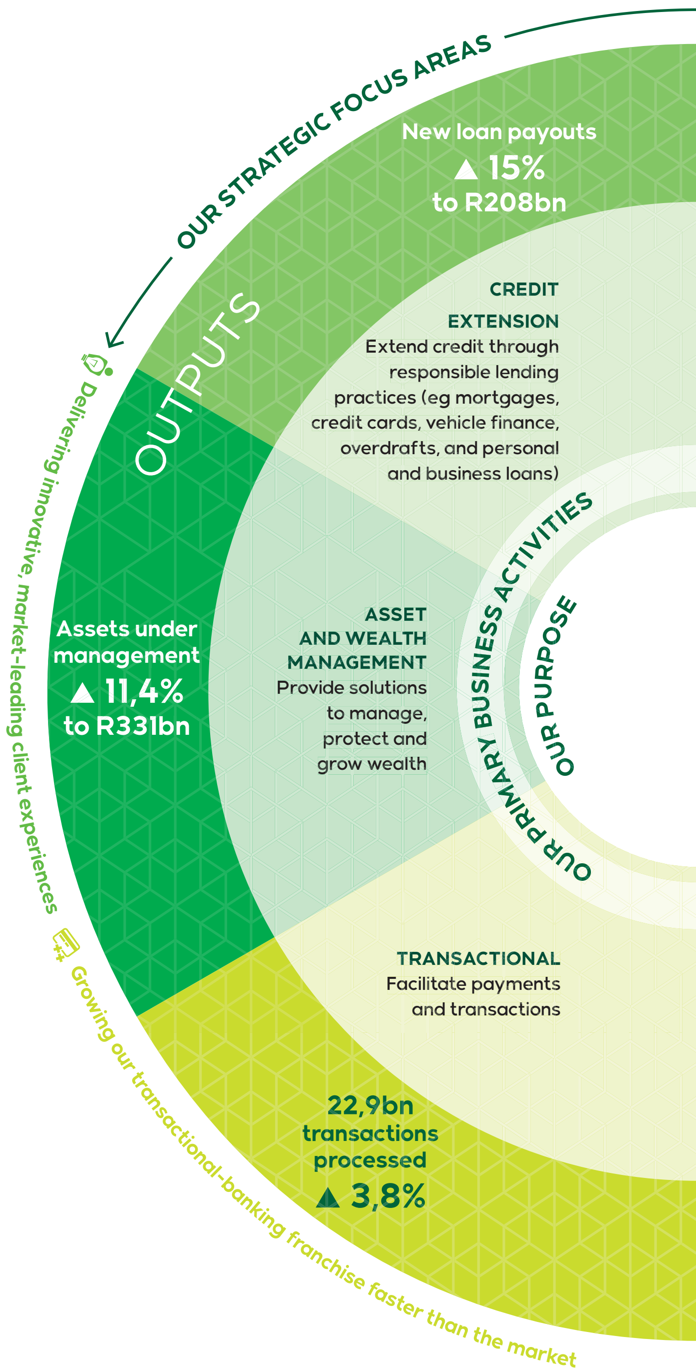
Intellectual
- Tenth-most valuable SA brand (2018: ninth) and fourth-most valuable SA banking brand (2018: fifth)
- Market-leading IT capabilities (Managed Evolution and Digital Fast Lane)
- A leader in renewable-energy finance, corporate and commercial-property lending, small business services, retail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

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

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

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

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



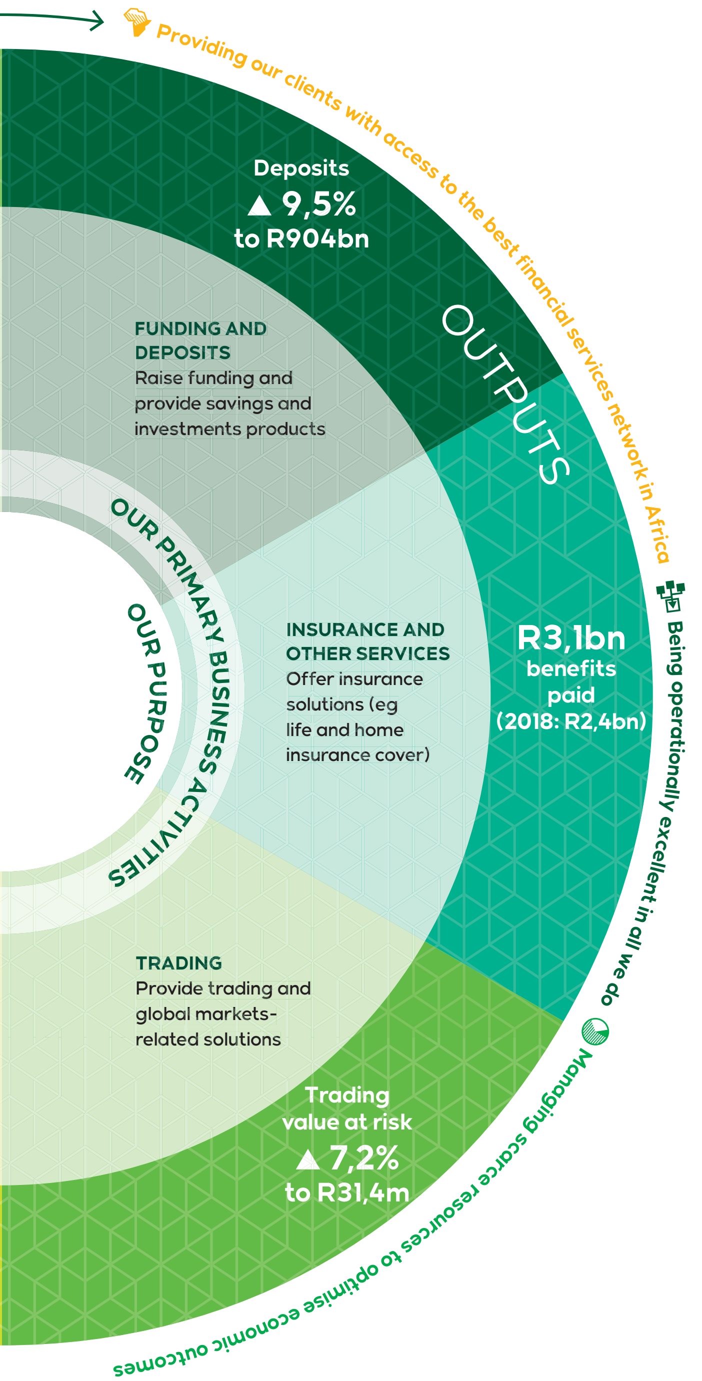
MAKING A PURPOSE-DRIVEN IMPACT. THAT'S OUR DIFFERENCE.

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

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

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

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



OUTCOMES

STAKEHOLDERS IMPACTED

Financial

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

Intellectual

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

Human

Maintained employee motivation, skills and diversity through:

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

Improved staff satisfaction levels:

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

Digitisation and automation of the workforce environment:

- Altogether 620 employees reskilled or redeployed
- 158 staffmembers retrenched

Manufactured

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

Social and relationship

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

Natural

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

Positive outcome
Negative outcome
Neutral outcome

OUR STAKEHOLDERS – THEIR NEEDS AND EXPECTATIONS

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

Staff

29 403 employees

63% female

37% male

90% SA-based

10% Africa and international

79% black

21% white

20% under the age of 30

THEIR NEEDS AND EXPECTATIONS

- Fair remuneration, effective performance management, and recognition.
- Challenging work, with opportunities to make a difference.
- Career development and advancement opportunities.
- Employment at a company with a strong brand.
- An empowering and enabling environment that embraces diversity and inclusivity.
- A safe and healthy work environment

KEY OBJECTIVES AND METRICS WE TRACK

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

Clients

7,8 million retail, wealth, SME, business banking and corporate clients:

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

> 7,5 million retail clients

> 17 200 wealth clients

> 14 700 BB clients

> 600 corporate clients

> 296 000 SME clients

> 336 000 Nedbank Africa Regions clients

THEIR NEEDS AND EXPECTATIONS

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

KEY OBJECTIVES AND METRICS WE TRACK

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

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

BE THE DIFFERENCE THAT IMPACTS OUR WORLD.

Shareholders and investors

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

Bondholders

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

12 sell-side analysts

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

THEIR NEEDS AND EXPECTATIONS

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

- Growth in NAV.
- Sustainable financial returns, with ROE exceeding COE.
- Attractive and sustainable growth strategy.
- Sound balance sheet to protect against downside risk.
- Strong and experienced management.
- Transparent reporting and disclosure.
- Sound ESG practices.

KEY OBJECTIVES AND METRICS WE TRACK

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

Regulators

SARB Prudential Authority

Financial Sector Conduct Authority (FSCA)

National Credit Regulator (NCR)

South African Revenue Service (SARS)

Other*

THEIR NEEDS AND EXPECTATIONS

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

KEY OBJECTIVES AND METRICS WE TRACK

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

* *Among others, foreign revenue authorities, various government departments and chapter 9 institutions, including the Department of Trade and Industry (the dti), the Department of Labour, the National Treasury, the Financial Intelligence Centre (FIC) and the JSE. We also comply with various regulatory bodies outside SA, including central banks and local financial services regulators of countries in which we have representation or operations.*

Society

Citizens of the countries in which we operate, comprising individual members of society and non-governmental organisations

The environment on which those citizens depend for their wellbeing

Partners

Suppliers

THEIR NEEDS AND EXPECTATIONS

- Nedbank providing access to expert financial advice, products and solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communities.
- Nedbank partnering on common social and environmental issues.
- Nedbank using its resources to promote social and environmental issues as well as other common agendas to build a thriving society.
- Nedbank embracing transformation through (among other things) delivery in line with BBBEE legislation.

KEY OBJECTIVES AND METRICS WE TRACK

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

BEING POSITIONED FOR VALUE CREATION

REFLECTIONS FROM OUR CHAIRMAN

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

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

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

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

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

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

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

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

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

50 YEARS ON THE JSE

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

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

A TRANSITIONING SKILLSET AND WORKFORCE

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

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

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

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

LEADING WITH INTEGRITY AND EMPATHY

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

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

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

DIGITAL DISRUPTION

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

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

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

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

RESHAPING FINANCE

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

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

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

A NEW NORMAL

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

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

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

APPRECIATION

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

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

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

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

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

Vassi Naidoo

Chairman

OUR PURPOSE, VISION AND VALUES

OUR PURPOSE

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

OUR VISION

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

OUR BRAND PROMISE

see money differently

NEDBANK SUSTAINABLE DEVELOPMENT FRAMEWORK

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

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

Mike Brown, *Chief Executive*

OUR EMPLOYEE VALUE PROPOSITION:

BEING THE DIFFERENCE THAT IMPACTS OUR WORLD

Purpose-led

Service excellence

High performance

Growth and development

Diversity and inclusion

OUR VALUES

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

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

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

STAFF

Our 29 403 staff are key to making Nedbank a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, offer value to our clients. Staff, as part of society, contribute materially to the communities in which they live and work.

Value is created through ...

- employing citizens in the jurisdictions in which we operate;
- rewarding staff for the value they add;
- creating job opportunities as we grow;
- encouraging our staff to embrace technological changes, further their careers and improve our services and products; and
- contributing to the transformation towards an inclusive society through employment equity and gender equality.

NEDBANK GROUP

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

CLIENTS

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

Value is created through ...

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

SHAREHOLDERS

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

Value is created through ...

- increasing net asset value, returns, dividends and share price;
- maintaining a strong balance sheet to protect against downside risk;
- sustainably investing in and growing our client franchises and our people; and
- following good governance and sustainable business practices that ensure a sustainable business for the long term.

GOVERNMENT

The tax we pay and investments in bonds we make as part of our statutory liquid asset requirements are imperative for the economic and social development of the countries in which we operate.

Value is created through ...

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

REGULATORS

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

Value is created through ...

- embracing sustainable banking practices and regulatory compliance, which enable a safe and stable banking system and a thriving society.

BROADER SOCIETY

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

Value is created through ...

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

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

LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

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

OUR GOVERNANCE PHILOSOPHY

IV

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

Banks are expected to adapt to regulatory changes quickly, which means we have to entrench good governance practices, while retaining the flexibility to respond proactively to the fast-changing regulatory environment. However, governance within Nedbank Group entails far more than legislative compliance and best-practice principles.

We believe that good governance can contribute to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

VALUES-DRIVEN OBJECTIVES – ROOTED IN KING IV PRINCIPLES

IV

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

Leadership, ethics and corporate citizenship

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

Strategy, performance and reporting

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

Governing structures and delegation

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

Governance of functional areas

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

Stakeholder relationships

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

2019 KEY BOARD DISCUSSIONS

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

JAN/FEB

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

MAR/APR

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

MAY/JUN

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

COLLECTIVE RESPONSIBILITIES OF THE BOARD

IV

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

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

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

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

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

IV

Although the board maintains its independence, it is important for it to have a deep understanding of the business by investigating, monitoring and engaging with management on multiple levels. In addition to the three executive boardmembers, the other Group Exco members, with the board, serve on various board committees and engage in strategy sessions and other specific matters such as results presentations.

Following the annual strategy session between the board and Group Exco, the board debates and approves the strategy framework, group business plan and relevant risk appetites. Key focus areas include traction of client experiences enabled by technology and people; transactional and main-banked client growth; cost containment, particularly driven through digitisation; competitive pressures; heightened levels of risk; organisational change through people and brand; and technology acceleration, including a focus on ecosystems and payment platforms, strategic portfolio tilt and social compacting. The board conducts onsite visits to various bank operations and business units, from time to time, while one-on-one meetings may be requested by individual directors.

- A monthly CEO Report provides the board with comprehensive feedback on the performance of the business across various disciplines, including finance, strategic progress, risk management and stakeholder performance. This report is aligned with the group's annual integrated report.
- There is increased interaction between the board and our stakeholders, and boardmembers are invited to selected client functions.

JUL/AUG

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

SEPT/OCT

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

NOV/DEC

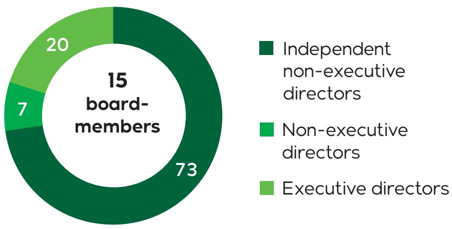
- Interrogated and **approved** the Nedbank Group **business plan** for 2020–2022.
- Received **training** on Nedbank's **recovery and resolution plan**.

INDEPENDENCE – PROTECTING THE INTERESTS OF ALL SHAREHOLDERS

IV

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

EXECUTIVE AND NON-EXECUTIVE DIRECTORS
(%)



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

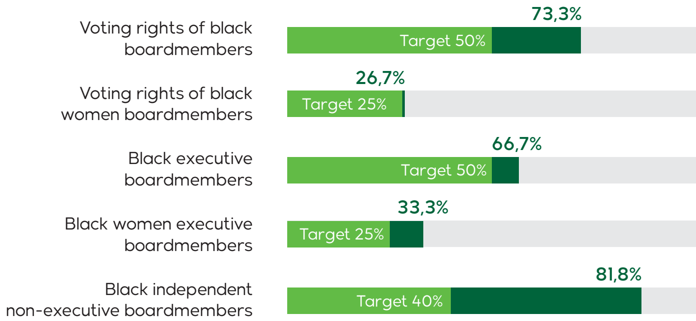
BOARD DIVERSITY – BEING RELEVANT IN A TRANSFORMING SOCIETY

IV

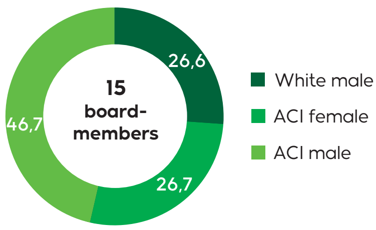
In a fast-transforming society, board diversity is important to remain relevant and sustainable. Studies have shown that diversity matters as companies that embrace gender, race and ethnic diversity achieve better financial performance. Nedbank is committed to promoting diversity at board level, with diversity and inclusion being key considerations in our board selection processes. We strive for a transformed board that closely reflects the demographics of SA as we continue to meet our diversity targets on black and female board representation. In line with the new JSE Listings Requirements we will be updating our diversity policy in 2020.

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

PROMOTION OF DIVERSITY AT BOARD LEVEL
(%)



BOARD DEMOGRAPHICS
(%)



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

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

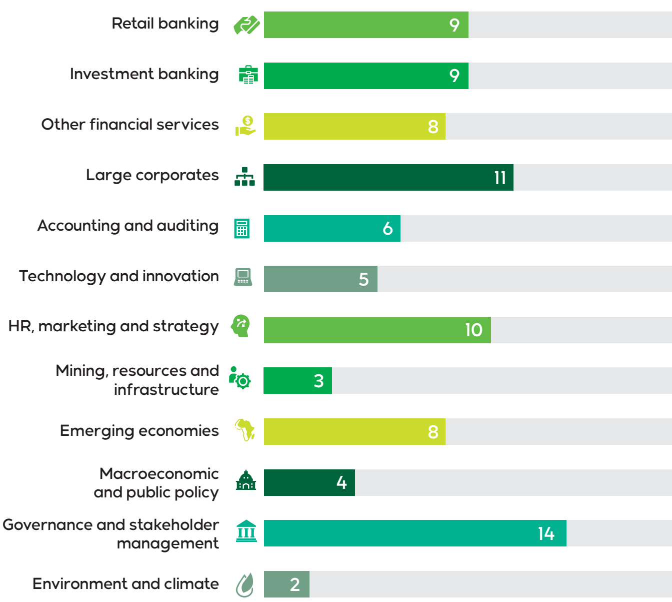
IV

Banks and financial services companies need a broad range of skills to ensure and create value in the interest of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in Nedbank's own long-term strategy. Having the appropriate mix of skills and experience ensures that the board as a collective is well equipped to guide and drive the bank's strategy into the future and thereby create value.

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

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

BOARD SKILLS AND EXPERIENCE
(Number of boardmembers with experience)

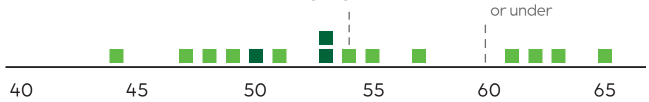


BOARD TENURE AND EXPERIENCE – A BLEND OF EXPERIENCE AND NEW INSIGHT

IV

EXECUTIVE AND NON-EXECUTIVE DIRECTORS: AGE*

(Years)



NON-EXECUTIVE DIRECTORS: TIME ON BOARD

1–3 years	6
4–6 years	4
7–9 years	2

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

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

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

BOARD OF DIRECTORS

IV

Independent non-executive

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

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

HUBERT BRODY 55
Chair: Remco
2 years on the board

BRIAN DAMES 54
5 years on the board

NEO DONGWANA 47
2 years on the board

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

LINDA MAKALIMA 51
2 years on the board

TSHILIDZI MARWALA 48
< 1 year on the board

MANTSIKA MATOOANE 44
Chair: GITCO
5 years on the board

JOEL NETSHITENZHE 63
9 years on the board

STANLEY SUBRAMONEY 61
Chair: GAC
4 years on the board

Non-executive

ROB LEITH 57
3 years on the board

Executive

MIKE BROWN 53
Chief Executive
15 years on the board

RAISIBE MORATHI 50
CFO
10 years on the board

MFUNDO NKUHLU 53
COO
5 years on the board

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

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

Board changes since 52nd AGM

Additions Prof Tshilidzi Marwala

Retirement Malcolm Wyman (2019), **Resignation:** Peter Moyo (2020)

Board nominees for 53rd AGM on 22 May 2020

Election Prof Tshilidzi Marwala

Reelection Hubert Brody, Errol Kruger, Linda Makalima, Mpho Makwana, Mantsika Matooane

Board representation as at 31 March 2020.

ENSURING AND PROTECTING VALUE

Group Directors' Affairs Committee (DAC)

IV

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

Mpho Makwana
(Chair)

Ensuring and protecting value in 2019

- Approved the refreshed Compliance Framework to transition to a principles-based, outcomes-focused framework.
- Reviewed compliance monitoring findings to assess and track the level of compliance risk.
- Oversaw the activities of the Group Reputational Risk Committee, including deliberations on issues of potential reputational risk by association.
- Oversaw continued cooperation with the Zondo Commission.
- Approved the four-tiered framework for escalation of material reputational risk matters (the fourth tier being to DAC).
- Tracked Nedbank's compliance with market conduct regulatory requirements.
- Maintained oversight of AML, CFT and sanctions compliance levels.
- Conducted board succession planning and provided input into the succession plans for executive directors and other senior executives.
- Provided a full review of the composition of the board and its board committees.

Focus for 2020 and beyond

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

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

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

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

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

IV

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

Our top five risks (Jan 2020):

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

COVID-19

Updated for impact of Covid-19 pandemic

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

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

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

IV

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

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

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

IV

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

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

The board assumes ultimate responsibility for the group's ethics performance and adherence to human rights principles. This responsibility is delegated to executive management, which uses various tools to fulfil its mandate, including, but not limited to:

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

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

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

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

CONFLICT OF INTEREST – MANAGING EFFECTIVELY

IV

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

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

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

VALUES AND CULTURE – LEADING FROM THE TOP

IV

Governance is supported by the tone at the top, the example the board and management set and the values and behaviours embraced by all employees in the organisation. Our Barrett Culture Survey (conducted every two years) showed that 'client-driven', 'accountability', 'brand reputation', 'cost consciousness', 'client satisfaction' and 'performance-driven' represent six of the values currently present in the organisation.

As part of our culture journey, we have revisited our required culture in the context of our strategy, the new world of work and the digital transformation of financial services. Group Exco is driving and enabling new leadership mindsets and capabilities required to manage and thrive in an agile, digital, fast-paced, client-centred and competitive environment.

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

DRIVING INNOVATION – CREATING SUSTAINABLE VALUE

IV

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

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

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

Read more about these innovations on pages 46 to 49.

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

IV

We continually engage with shareholders on ESG and strategic matters, thereby contributing to the multiple factors that inform our strategy and the way in which we manage the organisation. The engagement also enables our board to exercise constructive influence as and when appropriate, and to protect the interests of our minority shareholders.

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

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

YOUR VOTE IS NEEDED ON
Climate change resolutions

BOARD EFFECTIVENESS

IV

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

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

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

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

IV

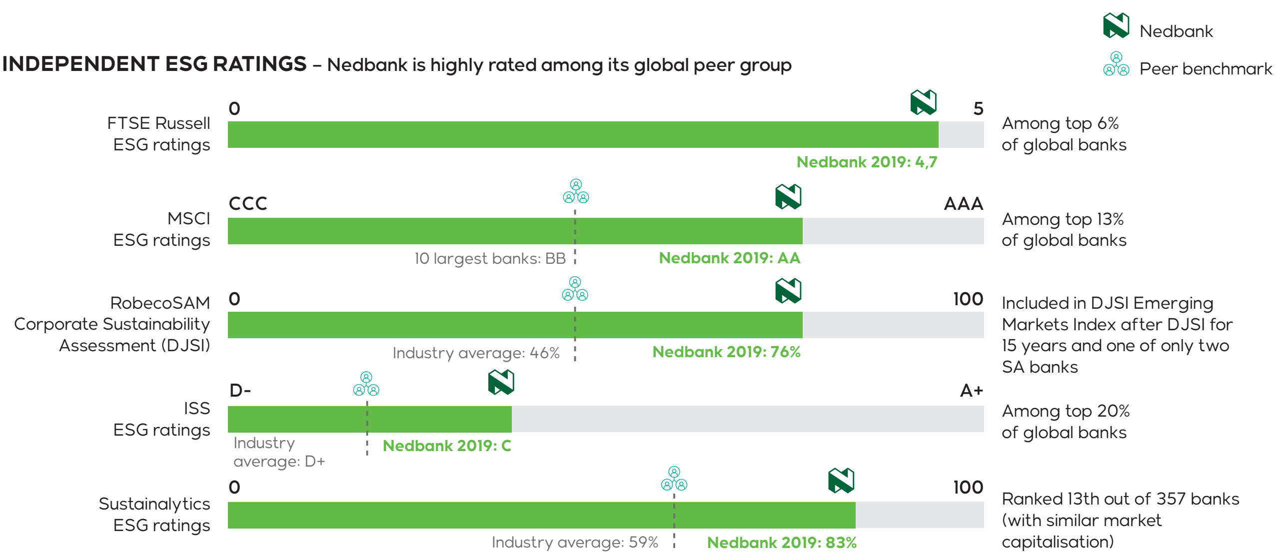
The board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders. Remuneration of executives and staffmembers is linked to sustainable value creation objectives in line with the group's strategy and is based on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

In 2019:

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

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

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

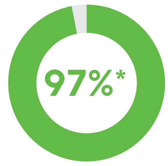


OUR BOARD AND BOARD COMMITTEES

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

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

BOARD MEETING ATTENDANCE (2019)



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

* *Excluding Peter Moyo*

Nedbank Group Limited and Nedbank Limited

Board of directors Chairman: Vassi Naidoo

Group Credit Committee (GCC)

Chair: Errol Kruger

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

Group Information Technology Committee (GITCO)

Chair: Mantsika Matooane

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

Group Remuneration Committee (REMCO)

Chair: Hubert Brody

- Enables the board to achieve its responsibilities in relation to the group's Remuneration Policy, processes and procedures, and specifically enables the group to:
  - » meet the requirements of section 64C of the Banks Act;
  - » operate remuneration structures that are aligned with best market practice;
  - » conform with the latest thinking regarding good corporate governance on executive remuneration; and
  - » align the behaviour of executives with the strategic objectives of the group.

Group Audit Committee (GAC)

Chair: Stanley Subramoney

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

Group Risk and Capital Management Committee (GRCMC)

Chair: Errol Kruger

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

Group Related-party Transactions Committee (GRPTC)

Chair: Mpho Makwana

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

Group Transformation, Social and Ethics Committee (GTSEC)

Chair: Mpho Makwana

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

Group Directors' Affairs Committee (DAC)

Chair: Mpho Makwana

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

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

OUR GROUP EXECUTIVE COMMITTEE

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

Get to know our new Group Exco members

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

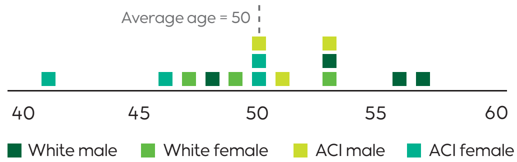
ANNA ISAAC 50
Group Chief Compliance Officer
Exco member since:
1 January 2019
22 years' service at Nedbank

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

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

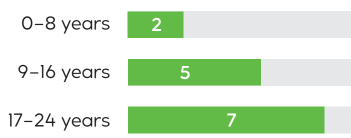
FRED SWANEPOEL 56
Chief Information Officer
Exco member since:
1 November 2008
23 years' service at Nedbank

GROUP EXCO AGE[1,2]
(Years)



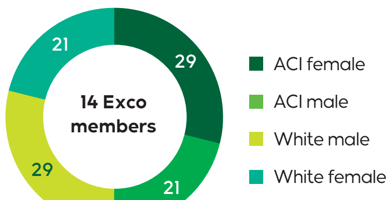
__Nedbank policy:__ Group Exco members must retire on reaching the age of 60.

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



More than 214 years of combined service.

GROUP EXCO DEMOGRAPHICS[2]
(%)



Group Exco changes:

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

Retirement: Brian Kennedy (end-March 2020)

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

CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

REFLECTIONS FROM OUR CHIEF EXECUTIVE

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

Mike Brown, Chief Executive

A VERY DIFFICULT OPERATING ENVIRONMENT

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

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

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

2019 TIMELINE

MARCH

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

APRIL

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

MAY

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

JUNE

- Board strategy day.

JULY

- Zimbabwe designated as hyperinflationary effective from 1 July 2019.

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

OUR FINANCIAL PERFORMANCE IN 2019 WAS BELOW EXPECTATIONS

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

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

DELIVERING ON OUR PURPOSE

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

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

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

GOOD STRATEGIC AND OPERATIONAL PROGRESS

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

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

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

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

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

AUGUST

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

NOVEMBER

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

MARCH 2020

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

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

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

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

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

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

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

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

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

FOCUSING ON OUR PEOPLE AS OUR BUSINESS TRANSITIONS

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

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

STRATEGIC PROGRESS IN THE REST OF AFRICA

Operating in the rest of Africa remains volatile and challenging, and our success in this area needs to be measured over the long term. The continent provides a compelling long-term growth opportunity for Nedbank as our SA clients expand in sub-Saharan Africa. 2019 was a difficult year for our operations in SADC, while our strategic partner in West Africa, ETI, experienced pressure in its operations in Nigeria.

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

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

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

LOOKING AHEAD TO THE CHALLENGES OF 2020

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

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

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

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

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

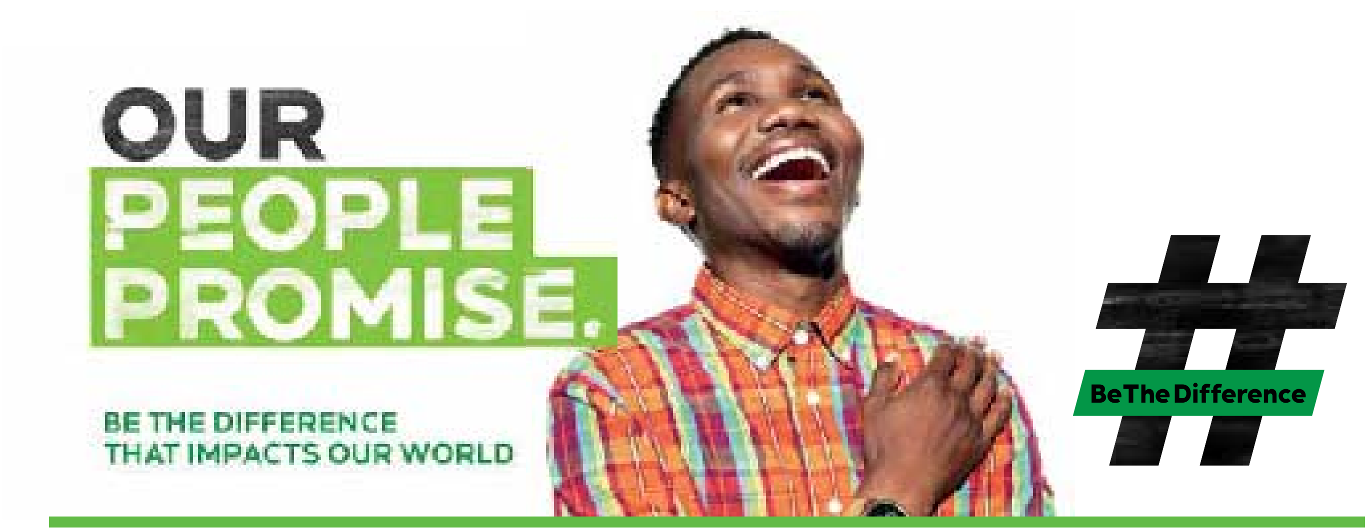
In 2019 as we celebrated 50 years of being listed on the Johannesburg Stock Exchange this year, I reflected on the resilience we have displayed and the ups and downs we have had over time. 2020 will be a challenging year, but this reflection filled me with optimism and confidence that no matter what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

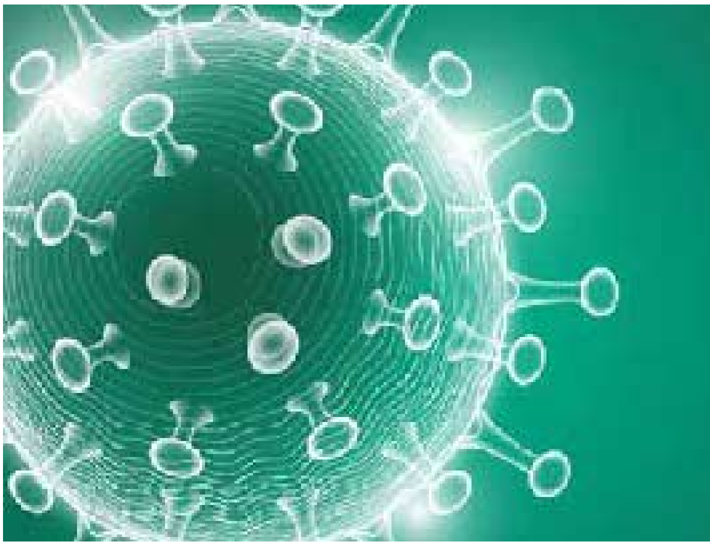
APPRECIATION

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

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

Mike Brown
Chief Executive





RESPONDING TO THE IMPACT OF COVID-19

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

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

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

SA GOVERNMENT'S RESPONSE

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

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

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

WHAT WE HAVE DONE IN RESPONSE

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

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

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

Staff

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

Clients

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

Regulators

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

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

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

Society

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

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

SDGs IMPACTED:

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

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

WHAT WE HAVE DONE IN RESPONSE continued

Shareholders

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

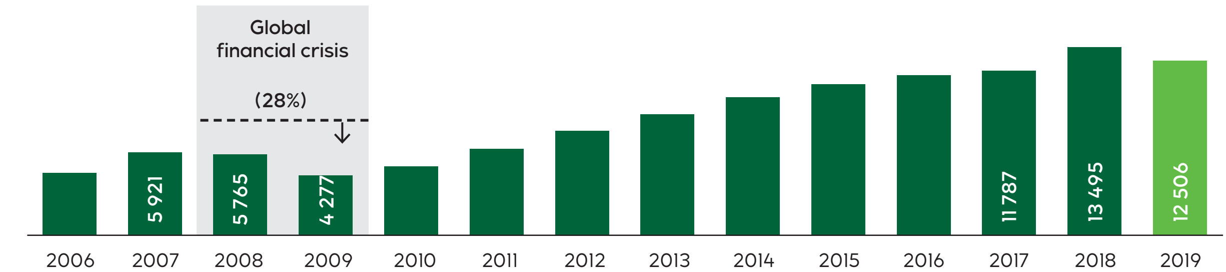
As at 14 April 2020, Nedbank has complied with all minimum regulatory requirements, including LCR, NSFR and capital ratios. Shareholder concerns around credit risk have increased. To this end, we have reviewed key risk portfolios and continue to manage emerging risks through the crisis:

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

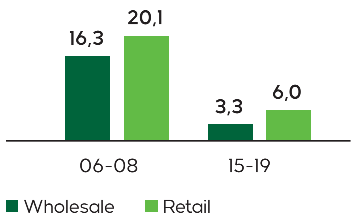
While confidence and client activity are likely to be negatively impacted, we are focusing on what we can control, in particular costs and progressing strategic initiatives that support revenue growth and efficiencies through the cycle.

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

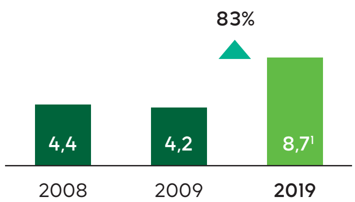
HEADLINE EARNINGS
(Rm)



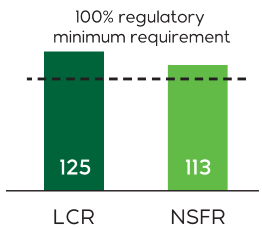
LOAN GROWTH
(CAGR%)



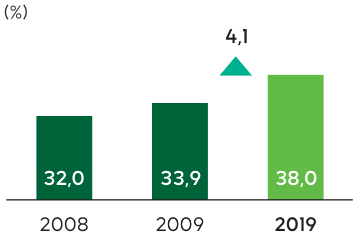
NUMBER OF CLIENTS
(m)



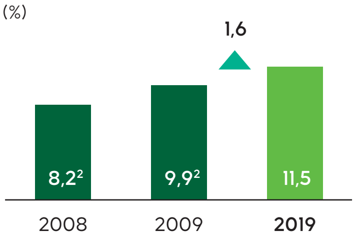
STRONG LIQUIDITY POSITION
(% as at 31 December 2019)



STAGE 3 OVERAGE
(%)

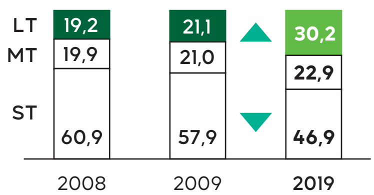


CET1 RATIO
(%)



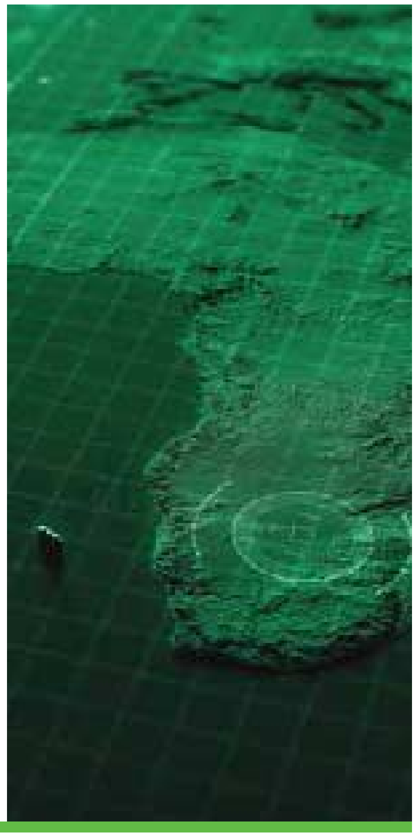
[1] *Includes dormant account closures.*
[2] *Core equity tier 1.*

FUNDING TENOR
(%)



RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

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



SA MACROECONOMIC ENVIRONMENT

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

A key recurring topic during our discussions with the investment community over the past few years has been the subdued level of economic growth in SA and Nedbank's outlook for the macroeconomic environment. Rather than an instantaneous acceleration in economic growth, the turnaround story for SA is that we are in the early stages of an institutional turnaround. To build both business and consumer confidence, and to attract local and foreign investment, which would support higher levels of inclusive growth, SA needs policy certainty and structural reforms to be implemented. These are dependent on the progress we make on the political and institutional turnaround that is currently underway and the extent to which we, as a country, manage various risks and uncertainties such as electricity supply stability, policy certainty and the country's fiscal position. The endgame is higher levels of inclusive growth, which will support job creation and reduced levels of unemployment, poverty and inequality.

Progress on structural reforms and policy certainty – too slow.

Early stages of an institutional turnaround in SA.	Structural reforms and policy certainty.	Improved levels of business and consumer confidence.	Increased levels of local and foreign investment.	Increased levels of inclusive economic growth.	Job creation and reduced: • unemployment; • poverty; and • inequality.

Scenarios for the short to medium term

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

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

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

January 2020 scenarios

'More of the same' scenario - January 2020

The January 2020 base case scenario formed the foundation of our initial financial planning. In this scenario the pace of structural reforms remains slow. The fight against corruption continues, but ideological and other divisions within the ruling ANC party persists, undermining policy clarity and decisive action on key regulation, legislation and infrastructure. While some concessions are made towards allowing greater private sector involvement in energy generation and other systemically important infrastructure markets, the status quo largely persists. Electricity constraints, coupled with weak government finances and persistent policy uncertainty, keep confidence fragile, fixed-investment activity contained and job creation limited. A Moody's downgrade of the SA sovereign-credit-risk rating to subinvestment grade was expected, and materialised in March 2020. Its impact was largely discounted as CDS spreads and bond yields already traded above countries with similar ratings. Its impact is largely discounted and investors seek higher yields. However, sentiment swings between risk-on and risk-off conditions, while a Chinese economic recovery is expected in H1 2020 post the Covid-19 impact. Economic growth in SA recovers only slowly but remains at generally weak levels of less than 1,5% per annum over the next three years, primarily given the shortage of electricity supply and loadshedding at stage 1 and 2 for the next 18 months. These subdued demand conditions assist to contain inflation, which is forecast to hover around the 4,5% mid-point of SARB's target range. While scope for further monetary easing exists, these are balanced by adverse consequences of heightened fiscal and ratings risks, keeping the rand vulnerable to sudden changes in foreign investor sentiment. Interest rates are assumed to remain steady at current lower levels throughout the forecast period (with some probability of further decreases), providing some relief to indebted consumers.

'Seeing light' scenario - January 2020

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

March 2020 scenarios

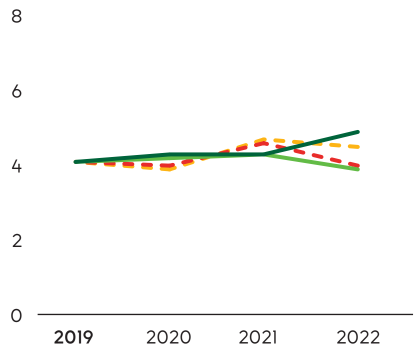
'Managing through the Covid-19 crisis' scenario - April 2020

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

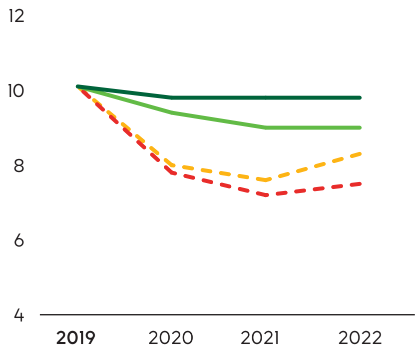
'Sinking into darkness' scenario - April 2020

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

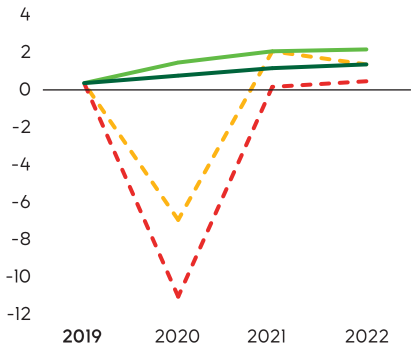
SA INFLATION
(%)



SA AVERAGE PRIME INTEREST RATE
(%)

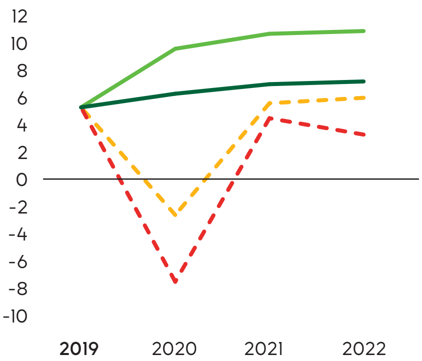


SA GDP GROWTH*
(%)



- More of the same (January 2020)
- Seeing light (January 2020)
- Managing through the Covid-19 crisis (April 2020)
- Sinking into darkness (April 2020)

SA INDUSTRY CREDIT GROWTH
(%)



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

Our opportunities

Economic recovery – An improvement in socioeconomic conditions, under both 'More of the same' and 'Seeing light' scenarios, supports banks. Opportunities include improving sentiment and confidence driving higher levels of corporate and consumer spending and investment, growth in infrastructure, an increase in mergers and acquisitions activity, and potential alleviation of stress for consumers as interest rates remain flat or decrease further. Given Nedbank's wholesale-banking bias, we are well positioned in CIB to grow strongly when business confidence returns, while RBB will gain from improved consumer confidence and Nedbank Wealth will benefit as equity markets recover. Given the impact of the Covid-19 pandemic this is only likely in 2021.

Growing our transactional-banking franchise faster than the market

Managing scarce resources to optimise economic outcomes

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

Our key risks and mitigating actions

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

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

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

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

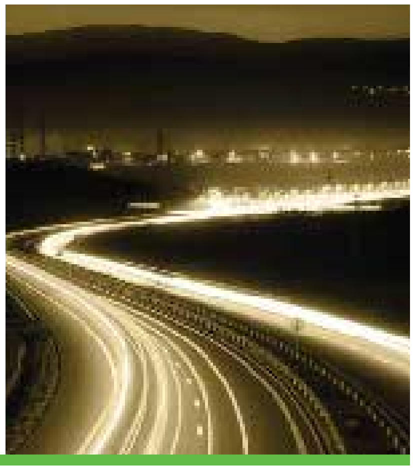
For more details on our top 12 risks refer to pages 62 to 64.

How does this material matter impact our business model?

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

MANAGING GROWTH OPPORTUNITIES VERSUS VOLATILITY IN THE REST OF AFRICA

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



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

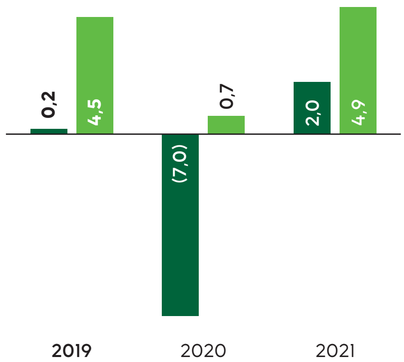
Banking penetration still remains relatively low in many African countries, creating an opportunity for established banks from well-developed financial markets to grow. Mobile and digital technologies, driven largely by fintech companies, are gradually boosting financial inclusion in SSA.

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

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

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

(%)



Source: Nedbank and IMF (April 2020)

Our opportunities

Expansion into the rest of Africa– The ongoing opportunity for us is to support our SA clients who continue to expand into faster-growing markets in the rest of Africa, leveraging SA's position as the gateway to Africa and using the unique expertise of our partners in operating in emerging markets. Read more on page 54.

Managing scarce resources to optimise economic outcomes

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

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

Our key risks and mitigating actions

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

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

COVID-19

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

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

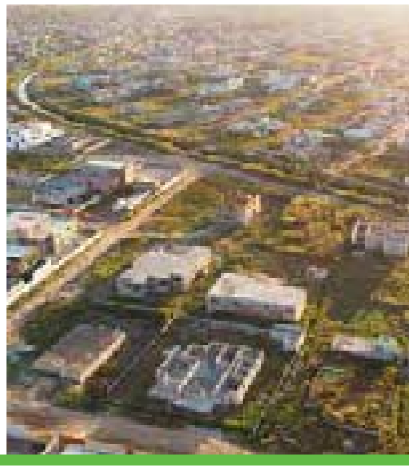
For more details on our top 12 risks refer to pages 62 to 64.

How does this material matter impact our business model?

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

TRANSFORMATION OF SOCIETY WITHIN ENVIRONMENTAL CONSTRAINTS

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



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

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

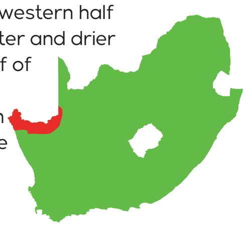
Unless this fundamental interdependence of human development and environmental wellbeing is properly appreciated, modern economies will remain under threat. More than 200 of the globe's largest companies have estimated that climate change could cost them (and their shareholders) nearly US$1 trillion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

Understanding the potential impact of climate change

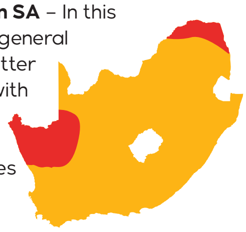
Southern Africa is particularly vulnerable to climate change because of its geographic positioning with local average temperature increases anticipated to be twice that of the global average. As such and according to the Paris Agreement it is essential then to limit the global average temperature increase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

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

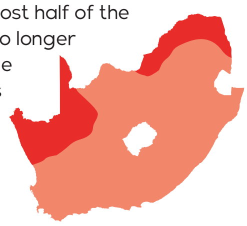
2 °C globally, 4 °C in SA – In this scenario the western half of SA becomes hotter and drier and the eastern half of SA experiences a potential increase in sporadic and severe storms.



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



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



Our opportunities

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

Managing scarce resources to optimise economic outcomes

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

Our key risks and mitigating actions

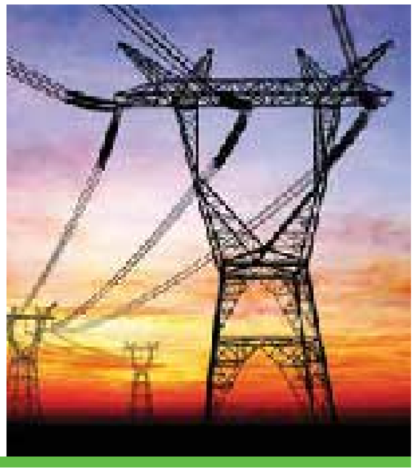
Climate change – The impacts of climate change include: more natural disasters and increased costs to rebuild (or retrofit) infrastructure where required; increased energy costs, water shortages and quality issues; and increased food prices and shortages. Extreme weather events impact clients, and ultimately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

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

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

How does this material matter impact our business model?

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



CHANGING RELATIONSHIPS BETWEEN BUSINESS, GOVERNMENT, LABOUR AND CIVIL SOCIETY

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

CEO Initiative and other areas of focus

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

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

Constructive national dialogue

- At Nedbank, we have deliberately taken a more active stance on some key issues facing our country. As a purpose-led organisation that uses 'our financial expertise to do good', we added our voice to the land reform debate by making written submissions through various forums (including the Banking Association of South Africa, Business Leadership South Africa, Business Unity South Africa and Nedlac) to Parliament.
- We have also made written submissions through various forums to Parliament in relation to the National Health Insurance Bill and have sought to engage with a number of stakeholders, including the Office of the Minister of Health and the Board of Healthcare Funders, to discuss the pros and cons of introducing national health insurance as well as make proposals in relation to the practical approach to the rollout thereof.
- We are actively fighting financial crime, and as part of this, we continue to provide input into the Zondo Commission of Inquiry into State Capture. We realise that business cannot afford to sit back and watch what happens on matters of national significance.
- As South Africans, we have a constitutional duty and obligation to recognise and redress the injustices and inequalities of the past, while working to build a society based on the rule of law that aims to improve the quality of life of all citizens.

COVID 19

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

Our opportunities

Conscious capital– Opportunities for Nedbank include initiatives that drive inclusive and sustainable economic growth. This should place SA in a stronger position over the medium to long term and create a supportive environment for banks to improve returns and growth. At Nedbank, we will continue to contribute to important debates on key issues, work closely with government, labour to ensure positive outcomes for our citizens, and contribute our fair share through the SDGs and the SME Fund.

Managing scarce resources to optimise economic outcomes

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

Our key risks and mitigating actions

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

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

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

DISRUPTIVE TECHNOLOGIES AND DIGITAL ADOPTION

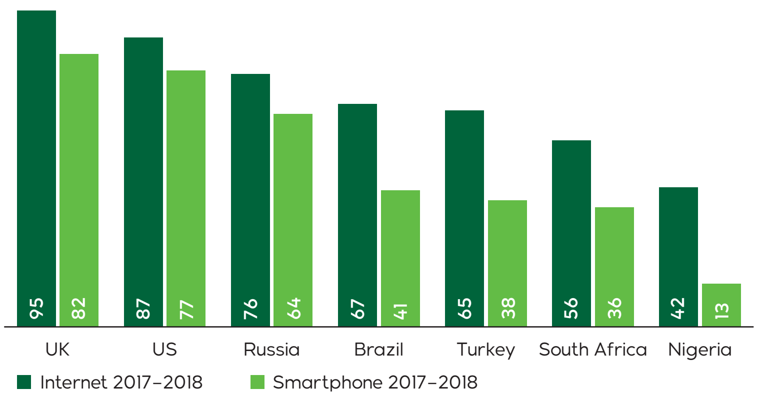
As the world becomes increasingly digitised, all industries are feeling the impact of the pervasiveness of technology. Financial institutions have seen leading indicators of this revolution as it changes all aspects of providing financial services and creates new opportunities – from digitisation of financial services, enhanced client experiences and new products and channels, to evolving organisational structures and internal processes, as well as new staffing and skills requirements. Digital adoption is likely to accelerate to mitigate the impact of reduced mobility due to the Covid-19 pandemic.

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

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

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

SMARTPHONE AND INTERNET PENETRATION
(% of total population)



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

The dark side of the global technology revolution is that financial crime has increased dramatically, evidenced by the increase in the number, intensity and sophistication of high-profile cyberattacks. These attacks are usually aimed at accessing, changing or destroying sensitive information, extorting money from users or interrupting normal business processes. Banks have become attractive targets for cyberattacks because of their key role in payment and settlement systems, the volume of sensitive client information they hold and the potential adverse impact of interfering with the smooth functioning of banking services. A survey conducted by the WEF has indicated that globally cyberattacks are among the top five risks, while our Internal Risk and Governance Framework similarly includes cyberrisk as a key priority.

Our opportunities

Revenue growth and cost optimisation – Opportunities for Nedbank include gaining client transactional volumes and revenue by continuing to respond to the digital challenge in an agile and client-centred manner, improving efficiency through technology (lower cost to serve) and bringing new digital offerings to market quicker. In 2020 Nedbank will be launching various innovations to expand beyond banking, building on foundations put in place such as APIs, and learnings from our existing ecosystem plays.

Delivering innovative market-leading client experiences

Growing our transactional-banking franchise faster than the market

Being operationally excellent in all we do

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

Our key risks and mitigating actions

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

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

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

How does this material matter impact our business model?

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

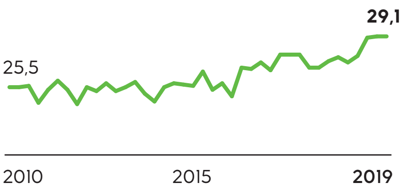
REQUIREMENTS FOR SCARCE AND EVOLVING SKILLS

The pace of change in banking is accelerating, and digitisation is at the forefront of the change in the industry, with strong competition to deliver superior client experiences and pressure to remain competitive. Global banking industry trends indicate a large impact on the workforce as a result of digitisation relating to skill sets and a reduction in organisation sizes.

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

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

SA UNEMPLOYMENT
(%)



Readying the workforce for the future

- The emergence of fintechs, cryptocurrencies, digital interaction, artificial intelligence and agile work environments prompts companies to shift their focus to understanding the key skills financial services will require in the future. In SA technology jobs were the most sought-after positions in 2019, with developer skills (Java, PHP, web, .Net, etc) in highest demand.
- The new world of work is rapidly becoming a reality and entails a difficult transition for thousands of workers and companies in SA and around the world. New roles are emerging and require capabilities and skills that are scarce and critical to the future success of businesses. Existing roles will change and therefore the need for proactive investment is required to develop new capabilities and skilled talent globally within organisations and at graduate levels.
- SA has approximately 1,6 million youth (15–24 years) who are unemployed. Nedbank is committed to our role in the broader SA society and is now one of many companies, as agreed between leading CEOs and the government, that are participating and carrying the costs of employment opportunities to previously unemployed youth as part of the YES initiative.

Reskilling and upskilling

- As skills retention and development are crucial to improving SA's global competitiveness, it is critical that we take an active role in supporting the existing workforce through reskilling and upskilling. Companies need to create enabling environments, and individuals need to adopt a proactive approach to their own learning.
- Innovative partnerships must be explored with non-financial-services sectors to absorb reskilled individuals in their respective sectors. External partnerships and funding opportunities with BANKSETA are some of the avenues banks are already leveraging to aid in the reskilling and outskilling of the workforce.
- Leaders need to be equipped to embrace and lead the change, despite constant ambiguity and uncertainty, to instil a culture of learning. Organisations should recognise the risk that skill shortages pose to delivery on their business strategies and need to continue to invest in the development of skills.

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

Our opportunities

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

Managing scarce resources to optimise economic outcomes

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

How does this material matter impact our business model?
New Ways of Work, introduced into Nedbank during 2017, continues to change the way we work and organise ourselves. Read more about this on page 5.

Our key risks and mitigating actions

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

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

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

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

INCREASED COMPETITION AND THREAT OF NEW ENTRANTS

Competitors in the banking sector have evolved to include new entrants, fintech disruptors and big-tech disruptors. These disruptors are revolutionising the banking experience for clients, but many battle to scale and achieve financial sustainability.

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

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

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

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

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

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

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

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

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

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

Source: Fin 24 - Mboweni approves Capitec acquisition of Mercantile

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

Our opportunities

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

Delivering innovative market-leading client experiences

Growing our transactional banking franchise faster than the market

Being operationally excellent in all we do

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

Our key risks and mitigating actions

Pressure on revenues – Multiple options available to clients, loss of market share and loss of revenue are key risks should our digital offerings not remain competitive, digital banking become a commodity and not a differentiator, or new competitors capture a significant share of revenues. We are responding to these risks by bringing various innovations to market (as shown on pages 46 to 49), as well as executing our cost optimisation initiatives on page 53.

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

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

DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

The financial services industry worldwide has seen an exponential increase in regulations since the global financial crisis. These regulations have placed new demands on banks, resulting in, among others, increased cost of banking. We support the intention of increased global regulations to protect our stakeholders from potential bank failures, therefore regulatory compliance and alignment with emerging risk management practices are our key strategic imperatives.

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

- **Financial Sector Conduct Authority (FSCA)** – SA's FSCA has issued a number of draft regulatory instruments that seek to regulate the conduct of financial institutions in the SA market. These include the Conduct of Financial Institutions Bill (COFI) and the draft Conduct Standards for Banks (Conduct Standards), which are currently undergoing redrafting pursuant to extensive public consultation processes, which Nedbank provided substantive input into.
- **Resolution Regime** – The National Treasury and SARB have released the Financial Sector Laws Amendment Bill, which once promulgated will give effect to the Resolution Framework. In 2019 SARB released a discussion paper reconfirming that the Deposit Insurance Scheme (DIS) will be created with the establishment of the Corporation for Insurance Scheme (CODI), which will collect deposit insurance levies and deposit insurance premiums. In addition first-loss-after-capital (FLAC) debt instruments would be introduced in the future, but only after SARB has finalised its feasibility assessment relating to the introduction of bail-in debt instruments designed to recapitalise a bank in resolution. This is expected to be promulgated in H1 2020 and the assumed costs associated with DIS will be incurred from H2 2021.
- **National Credit Amendment Act (NCAA)** – Signed into law in 2019, the act aims to provide relief to over-indebted, low-income clients who have exhausted all other means of removing themselves from over-indebtedness. Once operational, the debt intervention provisions will impact consumers with gross monthly income less than or equal to R7 500, unsecured debt of less than or equal to R50 000, and who are considered 'critically indebted' by the NCR. An independent socioeconomic impact assessment study found that the impact of the act is net-negative for the SA economy and consequently an industry working group has been tasked with giving effect to the aims of the Amendment Act, ie debt relief for low-income, financially distressed individuals in a cost-effective and equitable manner. Nedbank, as a member of BASA, is actively participating in the operationalisation of this process.
- **Basel III reforms** – Basel III reforms announced in December 2017 include:
  - » placing a floor on certain model inputs for portfolios subject to the AIRB approach; introducing new credit RWA calculation rules for portfolios subject to the standardised approach; using a new standardised approach for the calculation of credit valuation adjustment and operational RWAs; and setting a floor on the group RWAs equal to 72,5% of RWAs calculated on a revised standardised approach. The capital floors' effective date is 2022, but Nedbank will only see the full impact in 2026. As these Basel III reforms have yet to be converted into national law, there is still uncertainty regarding the interpretation of some of the rules, such that reliable impact estimates in SA are not yet available and are expected to be delayed in light of the Covid-19 crisis.
- **Mandatory Audit Firm Rotation** – The Independent Regulatory Board for Auditors' (IRBA's) Mandatory Audit Firm Rotation (MAFR) rules, are effective from 1 April 2023 requiring that if a firm has served as an appointed auditor for 10 or more consecutive financial years before the financial year commencing on or after 1 April 2023, then the audit firm may not accept reappointment as auditor.

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

Our opportunities

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

Managing scarce resources to optimise economic outcomes

Being operationally excellent in all we do

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

Our key risks and mitigating actions

Regulatory sanction and fines – Fines relating to market conduct and non-adherence to legislation have increased significantly as seen across the globe. Regulators are increasing pressure on the financial services industry to comply with various regulations and treat clients fairly and we have increased our focus to comply and implemented corrective actions where we fall short.

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

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

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

OUR STRATEGIC FOCUS AREAS AND ENABLERS

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

Delivering innovative market-leading client experiences

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

CREATE GREAT CLIENT EXPERIENCES AND GROW CLIENTS

ENABLED BY ...

Technology
Managed Evolution and Digital Fast Lane

\+

People and Brand

DELIVERED THROUGH ...

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

LEADING TO ...

Client growth and client satisfaction

Operating efficiencies

RESULTING IN ...

Revenue growth

Cost savings

FINANCIAL TARGETS[1]

Medium term	Long term
ROE ≥ 17%	ROE COE + 4%
Cost-to-income ratio ≤ 53%	Cost-to-income ratio ≤ 50%

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

DELIVERING INNOVATIVE MARKET-LEADING CLIENT EXPERIENCES

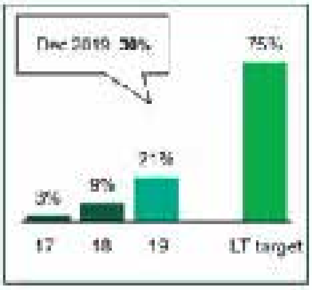
Financial services providers that respond best to the digital challenge in a client-centred manner will continue to improve client satisfaction and as a result gain a disproportionate share of client revenues. Technological developments at the same time provide opportunities for improving efficiency,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

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

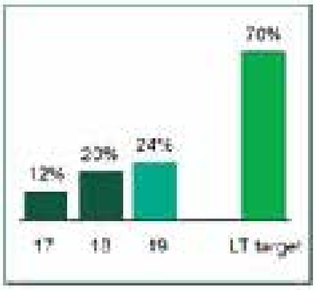
LONG-TERM ASPIRATIONS

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

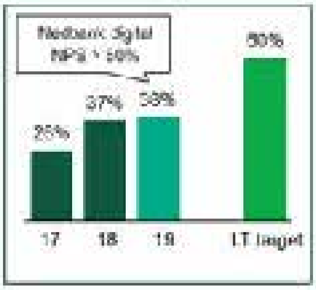
75%
digital sales[1]



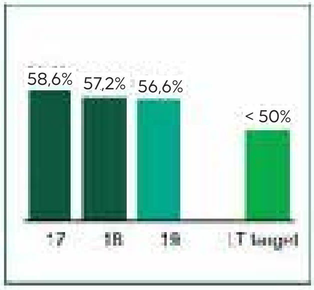
70%
digitally active clients[2]



60
NPS[3]



< 50%
Cost to income



DIGITISE

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

DELIGHT

Distinctive omnichannel client experience (simple, fast).

DISRUPT

Disruptive client growth through ecosystems and innovation.

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

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

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

Reflecting on 2019 and looking ahead

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

DIGITISE

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

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

- The launch of our end-to-end digital client onboarding capability for individuals (Eclipse), together with the ability to sell transactional accounts as well as personal loans, and pilots for investment products, credit cards and overdrafts. The staff-assisted channel was rolled out to more than 3 400 frontline users in RBB and onto web, app and self-service kiosk channels in the second half of the year. We also leveraged our USSD onboarding capability to digitise the Stokvel Account opening process for enhanced client experience. The key benefits since the launch in May 2019 include:
  - » transactional sales through digital channels increasing from 37% in Q2 2019 to 76% in the fourth quarter, while personal-loans digital sales increased from 14% to 61% over the same period and sales through the Money app increased from 2% to 14% of total sales; and
  - » the cross-sell of a transactional account linked to the sale of a personal loan is three times higher than on historic channels.
- In 2020 we will extend this digital onboarding capability to our juristic clients (businesses) and by the end of 2020 we aim to have digitised the remainder of our top 10 products in an omnichannel environment, including home loans, vehicle finance, stockbroking, forex and student loans.

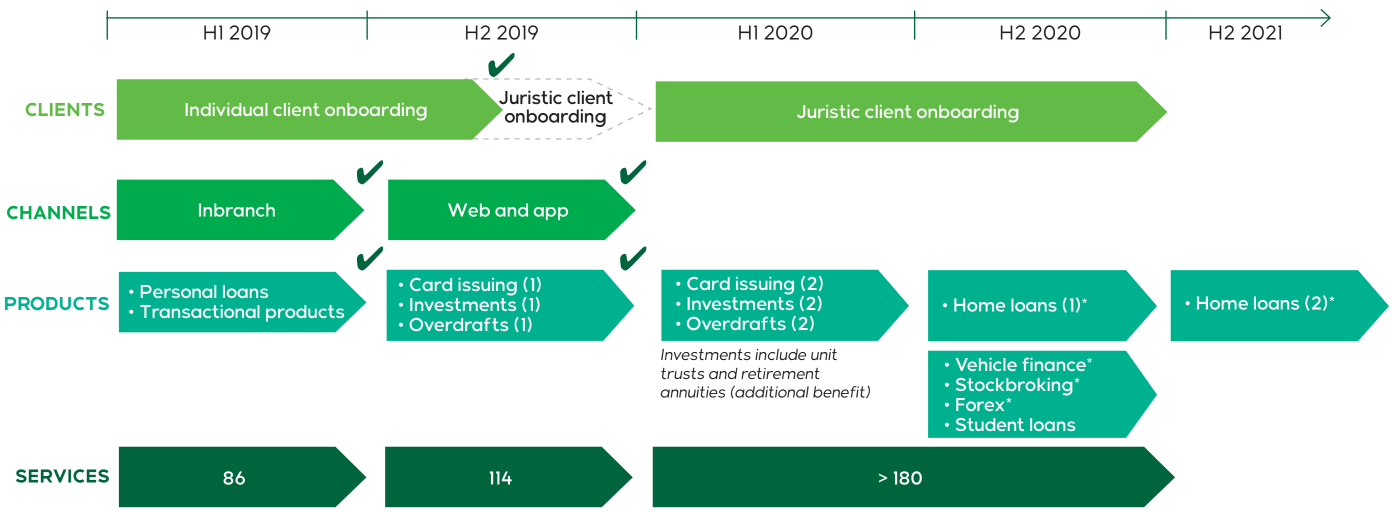
Additional self-service options for functions that were previously only in branches or through staffed channels were released on the Nedbank Money app and the new Nedbank Online Banking site, taking the total digital functions to 114 (compared with 70 in 2018). We aim to reach more than 180 services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

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

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

  The Money app, which makes banking more convenient for our retail clients, has been downloaded 3,9 million times, with more than 832 000 clients using it actively, up 85% yoy.
- In Nedbank Wealth, our insurance business was the first-to-market insurer in SA to have chatbot functionality and we have made significant strides in remaining ahead through delivering live-agent service functionality and funeral quoting capabilities.

End-to-end digital client onboarding, digitising our top 10 products and more than 180 services by end-2020

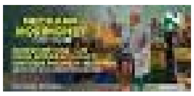
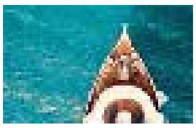
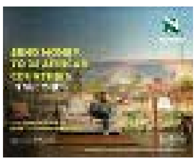


1 The number (1) refers to first minimal viable product launch on the new platform; (2) refers to additional enhancements.
** Delivery timelines remain under review given dependencies on other core Managed Evolution programmes.*

DELIGHT

Through our digital innovations we aim to deliver innovative market-leading client experiences. The outcomes of these are described in more detail on page 58. Key developments to support improved client experiences include the following:

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

Recent innovations and client value propositions	Value for clients	Value for Nedbank	Progress in 2019
	**Stokvel Account** – A safe, easy and effective solution with no transactional fees that allows groups of individuals to manage group savings better, with added benefits such as best-in-market burial cover and vouchers for discounts up to 10% for selected stores for each member.	Market penetration into segments where Nedbank did not have a strong presence.	Attracted over 4 300 stokvel groups, representing more than 149 000 members.
	Karri app – An integrated payment collection and reconciliation capability enabling parents to make school-related payments within seconds – at the same time relieving schools from the burden of cash payments and management, and eliminating the need for children to carry cash.	A good starting point to accelerate our ecosystem-based solution for schools, thereby solidifying our relationships with schools to expand our offering across the ecosystem.	Active users up 240% and transactional value up 280%. Now used in more than 500 schools in SA. Mostly five-star ratings in the app stores.
	**MobiMoney** – A mobile-based account with zero monthly fees that anyone with a valid SA identity number can open anywhere in a few seconds.	Market penetration into segments where Nedbank did not have a strong presence.	More than 240 000 users, up 53% yoy.
	**Extraordinary Life chatbot** – A faster investment process (end-to-end in as little as 10 minutes), no paperwork (100% digital) and tailored, personalised guidance suggesting the best combination of products to maximise an individual's savings.	Reduced account-opening costs and as a new channel, a source of additional revenue.	More than 18 500 investors use this platform.
	Unlocked.Me – An ecosystem that addresses multiple aspects of consumers' lives – work, lifestyle and money, and includes access to career advice, job opportunities and general working life tips.	Our first exploration into platforms, aimed at growing our youth market share, changing the perception about Nedbank and creating new revenue streams with beyond-banking offerings.	Client registrations exceed 100 000.
	**Ecobank–Nedbank crossborder remittance solution** – Low-cost, fast and convenient solution allowing people living and working in SA to send money instantly to friends and families in 33 countries across the continent at affordable rates. Nedbank clients do not have to go through the hassle of going into a branch to make transfers, therefore saving them time.	New source of revenue in a market segment where Nedbank did not have a presence.	While uptake has been disappointing, going forward we will leverage partnerships to increase adoption.

DISRUPT

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

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

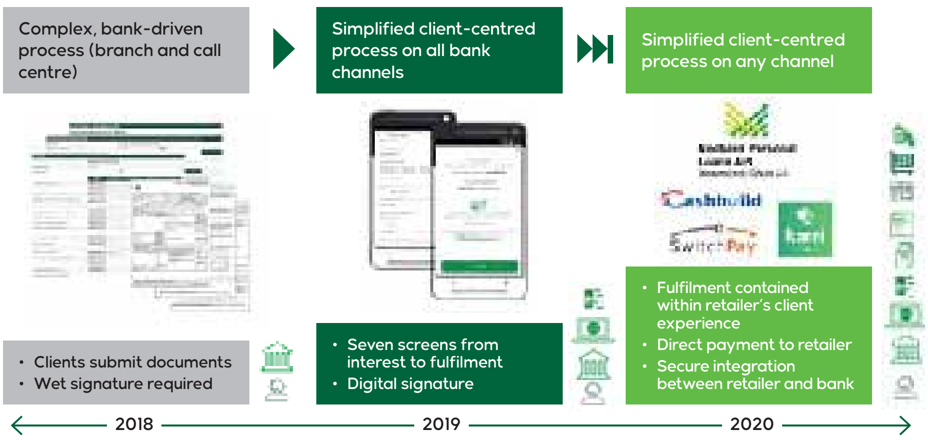
CASE IN POINT

Leveraging digital innovations to fundamentally change our personal-loan business

SDG IMPACTED: 10 REDUCED INEQUALITIES

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

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



Key risks in implementing the strategy

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

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

MANAGING SCARCE RESOURCES TO OPTIMISE ECONOMIC OUTCOMES

Through managing scarce resources to optimise economic outcomes, we leverage our areas of strength, while reducing downside risk in higher-risk products or businesses. Maintaining a solid balance sheet ensures that we remain resilient in tough times and are able to leverage new growth opportunities.

This strategic focus area centres on managing scarce resources such as capital, long-dated liquidity and costs to optimise economic outcomes and thereby increase our economic profit, being the excess of ROE above COE through cycles. Internally, this is referred to as portfolio tilt.

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

Reflecting on 2019 and looking ahead

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

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

Sustainable development financing

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

Key risks in implementing the strategy

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

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

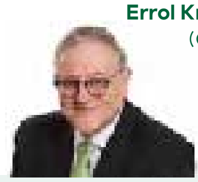
ENSURING AND PROTECTING VALUE
Group Credit Committee (GCC)

IV

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

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

Errol Kruger
(Chair)



Ensuring and protecting value in 2019

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

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

Focus for 2020 and beyond

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

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

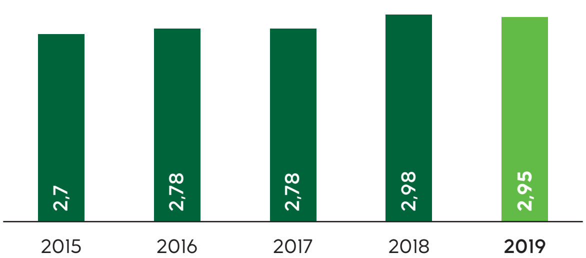
1 Business (global and country) risk
4 Credit risk
8 Regulatory, accounting and compliance risk
12 Climate risks

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

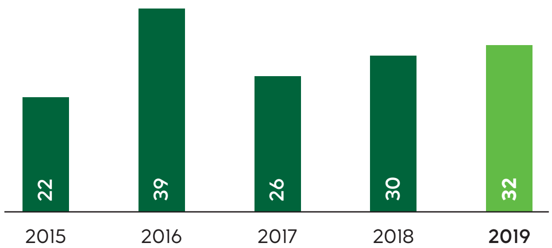
GROWING OUR TRANSACTIONAL-BANKING FRANCHISE FASTER THAN THE MARKET

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

RETAIL MAIN-BANKED CLIENTS
(m)



CIB PRIMARY CLIENT WINS
(m)



Reflecting on 2019 and looking ahead

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

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

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

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

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

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

- We gained 32 primary clients in 2019 and have gained more than 20 every year since 2014, which provide valuable underpinning to ongoing NIR growth.
- We intend to grow our transactional-banking share by cross-selling client coverage and achieving deeper client penetration.
- Our CIB NIR-to-advances ratio, a key indicator of cross-sell and the ability to leverage our strong balance sheet to grow NIR at 2,1% remained above our target of 2,0%.

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

Key risks in implementing the strategy

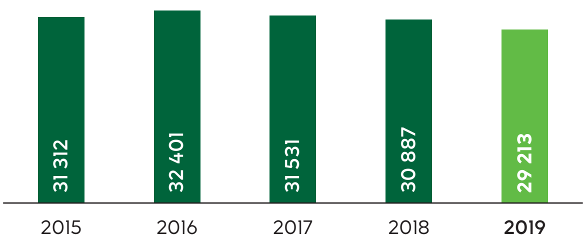
New entrants – New entrants are positioning themselves to capture a share of retail deposits and transactional-banking revenues. We welcome competition, as it drives us to focus even more on our clients, their needs and delivering innovative solutions. The new innovations we launched in 2019, as shown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

BEING OPERATIONALLY EXCELLENT IN ALL WE DO

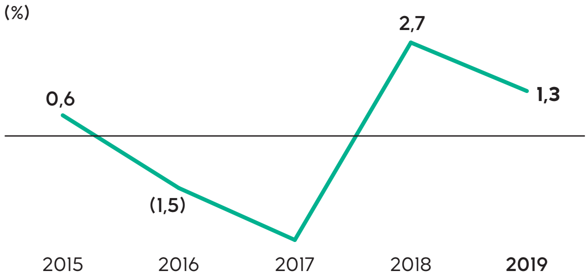
Our strategic approach to cost management is to invest sustainably in the franchise to unlock future growth potential, at the same time managing our expenses by delivering synergies and efficiencies to reduce our cost-to-income ratio over time. Over the past few years we have invested significantly in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

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

TOTAL EMPLOYEES
(Permanent staff)



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



Reflecting on 2019 and looking ahead

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

- Cost-efficiency programmes and adoption of digital solutions enabled us to reduce headcount by 1 874 (mainly through natural attrition) and optimised our staffed points of presence by closing 21 outlets, resulting in the net reduction of physical points of presence (while maintaining our coverage of the bankable population at 84%). We are evolving our physical distribution to become more digitally and technology focused, while optimising our footprint.
- Additional self-service options for functions that were available previously only in branches or through staffed channels were released on the Nedbank Money app and the new Nedbank Online Banking site, taking the total digital functions to 114 (from 70 in 2018).
- Benefits of increasing the number of self-service devices are illustrated in the increasing volumes of cash being handled by our Intelligent Depositor devices, now at 73% from 61% in 2018.
- We deployed 27 net new self-service kiosks across our branch network, enabling clients to undertake a range of self-service transactions, including ATM limit changes and overseas travel notifications. Along with the increased services available on the app, these investments enabled us to reduce teller activity by 24,5%, while freeing up capacity in our branches and staffed channels.
- Branch floor space has been reduced by more than 41 500 m^2 to date and we plan to achieve more than 49 000 m^2 by 2020 (a revision of our 2020 target of 45 000 m^2), equating to approximately 23% of our branch floor space in 2014.
- Through space optimisation initiatives we have also managed to reduce our campus sites from 31 to 27, with a longer-term target of 23. In the next few years we will continue to optimise the portfolio by enhancing workstation utilisation to greater than 100% (from the current 90%), by enabling flexible office constructs to support more dynamic ways of work, while creating further value and cost-reduction opportunities. Since 2016 we have saved 53 000 m^2 (over and above the 41 500 m^2 saved in our branches).
- We have implemented more than 300 software robots to date (robotic process automation) to enhance efficiencies and reduce processing errors in administratively intense processes.
- Good progress was made with our Target Operating Model (TOM 1.0) initiatives, with cumulative savings of R1 147m achieved to December 2019, ahead of our R1,0bn pretax 2019 target, and we are on track to exceed the R1,2bn target by 2020. This model is linked to our long-term incentive scheme. Looking forward, we are strategising around further optimisation opportunities, in context of an increasingly digital world, with TOM 2.0. Read more about this on page 55.
- Our total procurement cashflow spend declined by 3%, reflecting good cost management and centralisation of purchasing. Over the past 12 months, we reduced paper consumption by 25%, mainly through reduced printing and digitisation of forms and statements.

Key risks in implementing the strategy

IT investments do not deliver expected returns and/or cost more than planned – IT investments and product innovations could fall short of expected revenue growth and efficiencies, while increasing expenses growth (IT amortisation costs). Nedbank follows a rigorous process in the approval of business cases to ensure they are net-present-value (NPV) positive unless they are purely regulatory-related. Our annual IT cashflow spend peaked in 2019 and is expected to decline in the coming periods. Our technology strategy, described on page 55, mitigates excessive IT costs, particularly as the investments relating to our foundational programmes and the regulatory costs are mostly behind us.

PROVIDING OUR CLIENTS WITH ACCESS TO THE BEST FINANCIAL SERVICES NETWORK IN AFRICA

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

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

Much of the SA skills base in infrastructure, telecommunications, resources, retail, construction, property finance and renewable energy is transportable and can be applied to business opportunities in the rest of Africa. Our investment in our own businesses in SADC will continue to provide an opportunity for client gains and, as a result, new revenue growth opportunities, particularly those driven by digital solutions.

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

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

Reflecting on 2019 and looking ahead

- In SADC we continued to build scale and optimise costs. We have launched a number of new digital products and we continue to grow our distribution footprint. To drive digital and transactional business we launched the Nedbank Money app in Namibia, eSwatini and Lesotho, leveraging off the Nedbank Money app platform in SA. The new app has an additional 60 new features when compared with its predecessor, the Nedbank App Suite, and we will continue to expand functionality in the years ahead. It has been well received by clients, as we registered a 94% increase in active app users during the year.
- Following a strategic review we announced the disposal of our 100% shareholding in Nedbank Malawi, which was completed in Q1 2020. Nedbank Malawi was a small bank in a small market and contributed less than 0,1% to Nedbank Group's headline earnings and total assets, with its market share in Malawi approximately 1%.
- Operating in Zimbabwe remains challenging as policy uncertainty, increased government expenditure and a lack of foreign direct investments have severely damaged the Zimbabwean economy, contributing to hyperinflationary conditions. The country officially adopted hyperinflationary reporting effective 1 July 2019 and this resulted in Nedbank Group booking a net monetary loss of R296m in H2 2019, with a headline loss after tax and minorities amounting to R142m. We continue to monitor the developments related to the reintroduction of foreign currencies as a medium of exchange in response to the economic challenges heightened by Covid-19.
- We accounted for the acceleration of an option to increase our shareholding in Banco Único (Mozambique) from 50% plus one share to approximately 87,5%. The transaction is expected to be concluded in H1 2020.
- ETI has reported 11 consecutive quarters of profit to 30 September 2019 and is making good progress with its transactional-banking and digital strategy while optimising its cost base. Asset quality and credit risk management remain key priorities for the ETI board and executive, particularly in a challenging Nigerian environment where regulatory changes and economic challenges persist. For Q3 2019 ETI achieved a strong performance from core West African operations and an improved performance in the Central, Eastern and southern africa (CESA) business, while the economic environment and ETI's performance in Nigeria remained challenging.
- Through our board representation in ETI we work with like-minded shareholders who have a common purpose of strengthening the Ecobank franchise. Through our collaboration more than 110 Nedbank wholesale clients are banking with ETI across the continent in countries where Nedbank is not present. Our gross return on the original cost of our ETI investment improved to 10,7%.

Key risks in implementing the strategy

Volatility and uncertainty in African economies – While our Zimbabwean operations remain small in the group context, we are conscious of the challenging environment and its impact on our staff and clients. We continue to monitor developments in Zimbabwe brought about by currency shortages and pressure on the fiscus. The turnaround in ETI continues, but risks remain, especially in ETI's Nigerian portfolio. We closely monitor these risks on an ongoing basis as active members on the ETI board. The impact of the Covid-19 pandemic and significantly lower oil prices are likely to have a significant negative impact on the economies of many African countries.

STRATEGIC ENABLERS

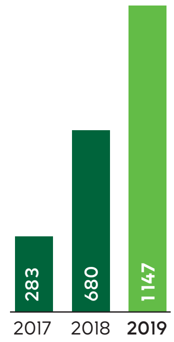
Our strategic enablers are enterprise initiatives that allow us to deliver on our strategic focus areas and targets by changing the way we operate. These enablers are closely related to the capitals defined by the IIRC.

Target Operating Model (manufactured and human capital)

We are creating a future-fit organisation by evolving our business model and capabilities to be more competitive, agile and digital. In 2017 we launched new Ways of Work (nWoW), refining and embedding the approach in 2018 and 2019. To date, more than 3 000 staffmembers are working according to this new approach and we aim to increase this number incrementally to support an optimal agile scaling framework. nWoW uses a human-centred design to unlock innovative client solutions rapidly – conceptualised, developed and landed in the hands of clients to meet their needs in an agile construct. We are using squads, tribes and chapters to deliver innovation successfully both internally to drive efficiency within Nedbank and externally to deliver client-centred solutions supporting our purpose of using our expertise to do good. A squad (10–12 people) is a crossfunctional team, combining resources with different areas of expertise to develop minimum viable products (MVPs) and solve client pain points within 12-week cycles, consisting of six two-week iterations called 'sprints'.

We have made progress by achieving R1,1bn in cumulative efficiencies towards meeting our long-term incentive scheme targets to unlock R1,0bn of savings by 2019 and R1,2bn by 2020. We are currently strategising about a TOM 2.0, which will look at the shape of our branch infrastructure in the context of an increasingly digital world, a shift in our RBB structure to be more client-centred, as well as shared services optimisation across the group. We anticipate targets for TOM 2.0 will be communicated to the market in early 2021. This will support us reaching our cost-to-income targets of ≤ 53% in the medium term and ≤ 50% in the longer term.

TARGET OPERATING MODEL SAVINGS
(Rm)



Technology enablers (manufactured and intellectual capital)

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

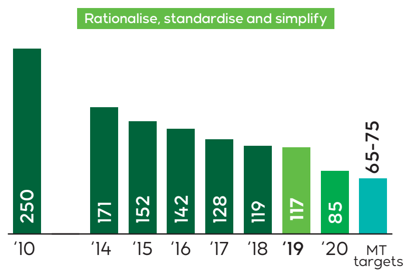
Our approach to innovation delivery through our aligned technology strategies adopts global gold standards and has enabled us to commercialise market-leading and innovative new products and enhancements at a higher delivery cadence than before, while improving client experiences.

Managed Evolution – modernisation of our core banking environment

As reported previously, in 2010 we embarked on what we termed a 'managed evolution' approach to transform and digitise our core IT systems over time. This is central to delivering innovative, market-leading client experiences, while ensuring we remain at the forefront of cyberresilience. We have studied many banks across the world and concluded that this is the most cost-effective and efficient approach to core systems replacement. This programme remains the bank's IT transformation enabler, providing the platforms to be leveraged for improved client experience and improved operational efficiency. The modernisation of our core banking environment, with the aim of addressing existing pain points as well as future-proofing Nedbank in the face of evolving regulation and competitive market changes, remains our priority. Similarly, this modernisation enables us to simplify our product and system landscape, while enabling our clients to access the requisite product and services digitally on the channel of their preference.

- The foundational programmes have now largely been completed and the integration of the foundational capabilities was built into our onboarding and servicing programmes from 2010 to 2019 and has enabled the speedier launch of various market-leading innovations.
- Our Managed Evolution programme is now approximately 70% complete and we plan to be materially complete by end-2020.
- Importantly, the key foundations of our IT and regulatory infrastructure are now in place – this enables us to shift focus much more to the exciting aspects of CVPs and new innovations.
- We continue to rationalise, standardise and simplify our large core-to-banking systems and have reduced these from 250 in 2010 to 117 on our journey to have 85 by 2020 and 65 to 75 in the medium term. The ongoing rationalisation of the core-to-banking operating systems (in addition to the ongoing rationalisation of other ancillary systems) continues to render intended benefits, including reduced infrastructure, support and maintenance costs, reduced complexity and increased agility in adopting new innovations.

CORE SYSTEMS
(%)

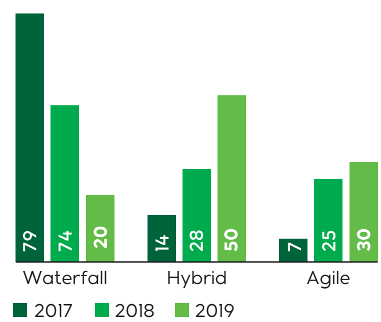


Digital Fast Lane – capability to accelerate the launch of new innovations

In 2017 we launched a capability to accelerate the launch of innovative CVPs – we call this our Digital Fast Lane. This capability has enabled the delivery of various new innovations in quick succession by leveraging agile development methodologies (including scrum, Scaled Agile Framework (SAFe) and Kanban), partnering with fintechs, integrating client feedback in the development process and adopting a 'gold standard' approach (building and innovating around worldclass standards and client experiences). Our IT foundations, along with this capability, are enabling us to bring new client-centred innovations to market much quicker.

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

IT PROJECT DELIVERY METHODOLOGY
(% of completed projects)



ENSURING AND PROTECTING VALUE
Group Information Technology Committee (GITCO)

IV

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

Mantsika Matooane
(Chair)

Ensuring and protecting value in 2019

Digitise

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

Delight

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

Disrupt

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

Focus for 2020 and beyond

Digitise

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

Delight

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

Disrupt

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

Stakeholders

- Staff
- Clients
- Shareholders
- Regulators

Top 12 risks

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

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

Brand 2020 (intellectual capital)

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

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

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

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

Doing good as a purpose-led brand

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

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

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

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

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

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

People 2020 (human and intellectual capital)

Our staff and corporate culture remain key competitive differentiators and we acknowledge the importance of positioning Nedbank as an employer of choice. Our employee experience and people practices are evolving as we are executing against our People 2020 strategy. In response to the changing context within which we operate, our people strategy was refreshed to ensure that our direction remains relevant and supportive of our strategy.

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

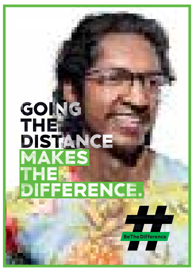
The launch of Nedbank's EVP aligns well with our required culture and includes the following five themes:

Purpose-led

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

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

Service excellence



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

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

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

High performance

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

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

Growth and development

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

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

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

Diversity and inclusion

We strive to create a culture of inclusion and belonging.

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

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

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

STRATEGIC FOCUS AREAS – KEY PERFORMANCE INDICATORS

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

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

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

COVID-19

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

2019	2018	2017	Benchmark[2]	Outlook/Target 2020	Outlook/Target Medium term	Outlook/Target Long term	Assurance
24	20	18	N/A	Increase	Increase	> 70	[MO] [LA]
21	12	< 1	> 35	Increase	> 45	> 75	[MO] [LA]
70	60	52	N/A	80	Materially complete		[MO]
2,95	2,98	2,78	N/A	Increase	5,0	Increase	[MO] [LA]
11,2	13,1	12,7	17,4 peer average	> 15 (target)	Increase	Increase	[MO] [LA] [IN - Consulta]
1,33	1,33	1,32	> 3,0	Increase	> 1,5	> 2,0	[MO]
16,9	18,0	18,9	20,9 peer average	Increase	Increase	> 19	[IN – SARB BA900]
14,0	14,5	13,4	24,7 peer average	Increase	> 16,9	> 18	[IN – SARB BA900]
2,1	2,4	2,0	N/A	> 2,0	> 2,0	> 2,0	[MO]
80,8	82,1	80,7	76,2 peer average	Increase	> 85	> 85	[FS]
41 156	32 971	24 485	N/A	47k	Increase	Increase	[MO]
73	61	60	N/A	Increase	Increase	Increase	[MO]
114	70	N/A	N/A	180	Complete		[MO]
117	119	128	N/A	85	65–75	N/A	[MO]
53 551	25 385	14 683	N/A	Increase	> 100	> 120k	[MO]
1 147	680	283	N/A	R1,2bn	TOM 2.0 savings (to be disclosed early 2021)		[MO]
56,6	57,2	58,6	55,4	Improve	≤ 53	≤ 50	[MO] [FS]
15,0	16,8	15,3	N/A	Guidance withdrawn on 14 April 2020	> 17	> COE +4	[MO] [FS]
1 412	2 868	1 695	N/A	Guidance withdrawn on 14 April 2020			[MO]
				Metrics are in development			
336	353	336	N/A	Increase over time			[MO] [LA]
1	2	0	N/A	Increase over time			[MO]
118	110	85	N/A	Increase over time			[MO]

Assurance indicators

- **LA** External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status. Related opinions are available at nedbankgroup.co.za.
- **MO** Management and board oversight through rigorous internal reporting governed by the group's ERMF.
- **IN** Information sourced from external sources, eg independent surveys.
- **OV** Independent oversight by regulatory bodies, including SARB, the FSCA and various financial sector ombudsman offices.
- **FS** Financial information extracted from the 2019 Nedbank Group Limited Audited Annual Financial Statements.

MAKING TRADEOFFS AND THE IMPACT ON OUR CAPITALS

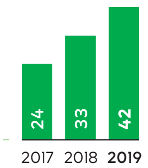
Key tradeoffs	Key strategic focus areas	How it is changing our business model
Digital banking versus traditional banking As financial products and services (manufactured capital) are increasingly digitised there is a tradeoff between staff (human capital), physical outlets (manufactured capital) and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

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

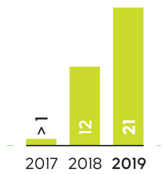
Tradeoffs in action | **Capital outcomes in 2019** | CAPITALS IMPACTED

TELLER ACTIVITY
(m)

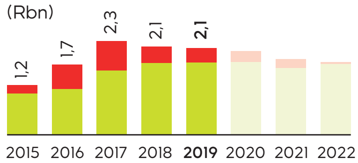
BRANCH FLOOR SPACE SAVED (m²)



DIGITAL SALES
(% of total sales)

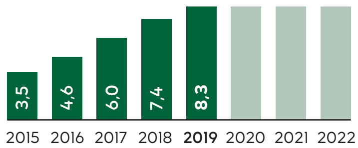


IT SOFTWARE DEVELOPMENT SPEND
(Rbn)



Compliance-related   Illustrative only

CAPITALISED IT COSTS
(Rbn)

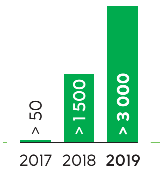


Illustrative only

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

TOTAL EMPLOYEES
(Number)

NUMBER OF EMPLOYEES WORKING IN NWOW
(Number)

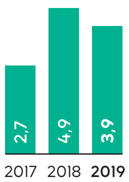


Key areas of investment include:

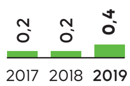
- Data science
- Artificial intelligence
- Coding
- Cybersecurity
- Design thinking

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

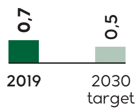
RENEWABLE ENERGY
(% of group advances)



COAL ENERGY GENERATION
(% of group advances)

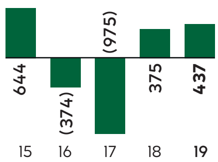


THERMAL COAL FUNDING
(% of group advances)

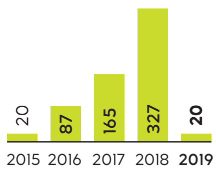


- Through our lending, we are actively reducing our impact on the environment and making a positive change to society.

ETI HEADLINE EARNINGS
(Rm)



SADC HEADLINE EARNINGS
(Rm)



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

Positive outcome   Negative outcome   Neutral outcome

MANAGING RISK STRATEGICALLY

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

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

NEDBANK'S TOP 12 RISKS

Reflection on top 10 risks for 2019

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

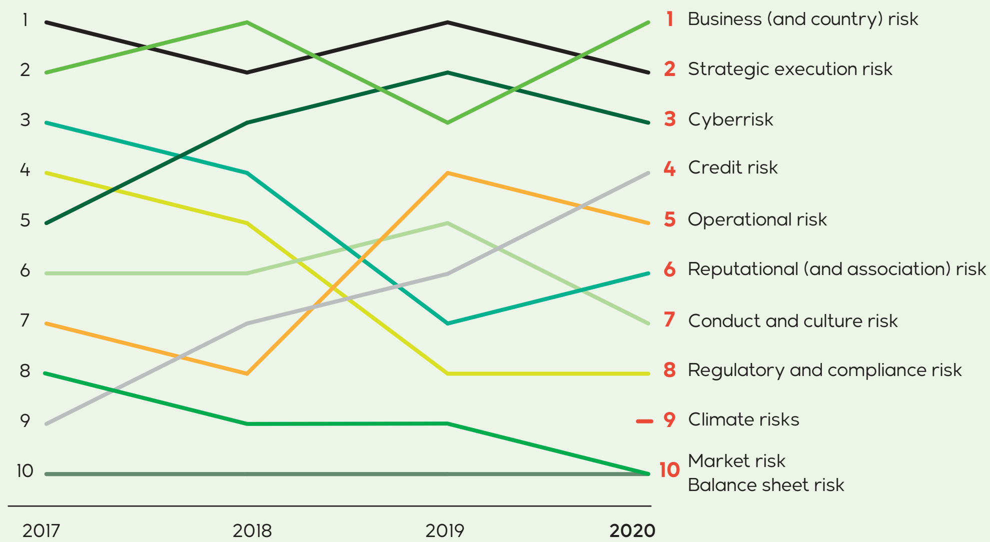
Top 12 risks for 2020

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

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

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

TOP 10 RISKS: FOUR-YEAR OVERVIEW



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

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

CASE IN POINT

Increasing focus on cyberrisk

For the past four years cyberrisk has been identified and listed as a Nedbank top 10 risk and it has become even more important given the digitisation of products and services. To offer protection cybersecurity capabilities are continually being enhanced, even though Nedbank is leading in cyberresilience statistics in the market. Our various assessments have identified the key cyberpriority areas. These have been included in our Cyberresilience Programme and are receiving accelerated focus to address gaps and mitigate risks. One of the most effective forms of preventing cyberattacks is through training and awareness. Nedbank has rolled out cyberrisk e-learning and all employees and contractors are required to complete this course. Our Nedbank Group Insurance Programme includes substantial standalone cyberinsurance cover in line with local and global trends.

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

TOP 12 RISKS

1 Business (global and country) risk

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

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

Management response

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

2 People and operational risk

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

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

Management response

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

3 Liquidity risk

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

Management response

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

4 Credit risk

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

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

Management response

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

5 Capital risk

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

Management response

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

6 Market risk

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

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

Management response

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

7 Cyberrisk

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

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

Management response

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

8 Regulatory, accounting and compliance risk

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

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

Management response

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

9 Reputational (and association) risk

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

Management response

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

10 Conduct risk

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

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

Management response

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

11 Strategic execution risk

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

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

Management response

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

12 Climate risks

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

Management response

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

COVID-19

Managing the Covid-19 pandemic risks

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

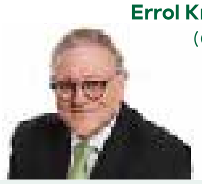
- **Market Crisis 2020 and Covid-19 Exco Committee** - oversee the group's actions and manage the unfolding risks with support from the following committees:
  - **Pandemic Steering Committee** – manage operational risk, health and safety of staff, clients and other stakeholders. Through a coordinated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

ENSURING AND PROTECTING VALUE
Group Risk and Capital Management Committee (GRCMC)

IV

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

Errol Kruger
(Chair)



Ensuring and protecting value in 2019

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

Focus for 2020 and beyond

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

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

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

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

DELIVERING AND REWARDING FOR VALUE CREATION

REFLECTIONS FROM OUR CHIEF FINANCIAL OFFICER

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

Raisibe Morathi, Chief Financial Officer

A VERY DIFFICULT MACROECONOMIC ENVIRONMENT

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

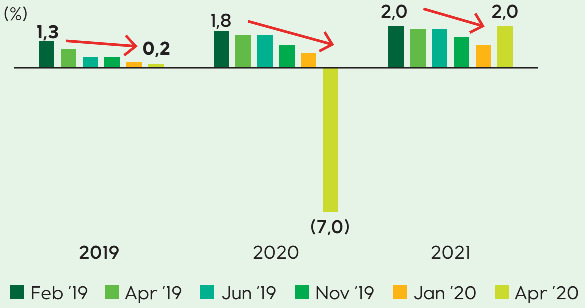
Business confidence reached seven-year lows as policy uncertainty increased. While some companies increased investment in new technologies, automation and improved processes, expansionary investment into new production capacity continued to decline, resulting in higher levels of unemployment and growing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

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

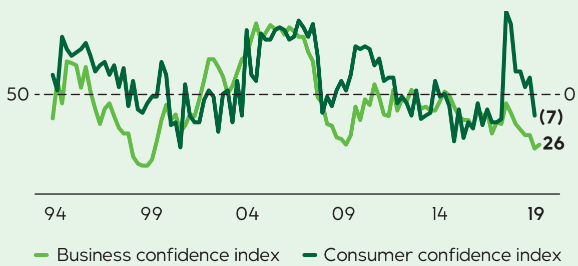
Inflation surprised on the downside in 2019, ending the year at a subdued 4,0%, contained mainly by weak domestic demand and low food prices, which offset the impact of a moderately weaker rand and volatile oil prices. In response to the benign inflation outcomes and improved inflation outlook, SARB's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

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

SA GDP GROWTH FORECASTS



BUSINESS AND CONSUMER CONFIDENCE INDICES



2019 FINANCIAL PERFORMANCE REFLECTS IMPACT OF HIGHER IMPAIRMENTS

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

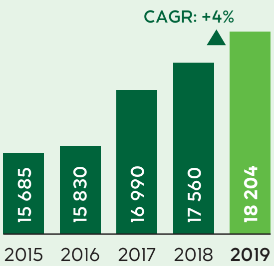
A few large items impacted growth

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

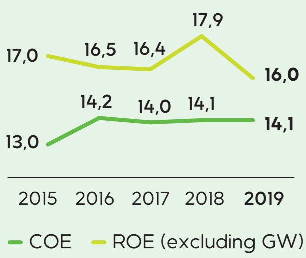
A focus on creating value for shareholders

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

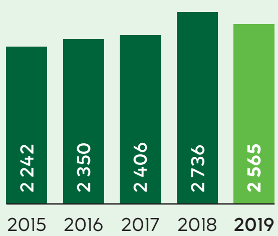
NET ASSET VALUE PER SHARE
(Cents)



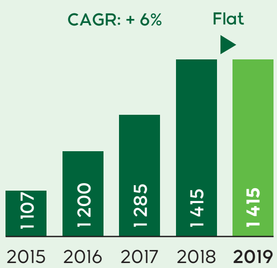
ROE AND COST OF EQUITY
(%)



DILUTED HEPS
(Cents)



DIVIDEND PER SHARE
(Cents)



Slow revenue growth, impacted by the macroeconomic environment

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

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

Impairments increased off a low 2018 base

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

Good expenses management

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

A responsible taxpayer

The tax we pay is important to the economic and social development of the countries we operate in, and we therefore have a responsibility to comply fully with local regulations. In line with this commitment our total 2019 cash tax contribution was R11,6bn, comprising Nedbank's direct and indirect taxes, as well as taxes paid on behalf of our staff (eg PAYE) and shareholders (dividend withholding tax).

FINANCIAL OUTLOOK OVER THE SHORT, MEDIUM AND LONG TERM

2020 outlook

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

Medium-to-long-term targets

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

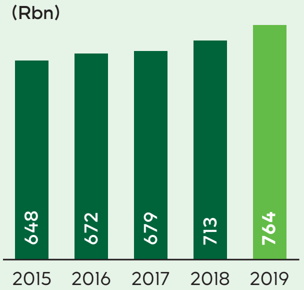
To reflect the deterioration in these metrics since 2018 we have revised the timelines for the achievement of our medium-to-long-term financial targets to be more reflective of the weaker economic environment, which we expect to persist. These targets will be reviewed once we have more clarity around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

Targets are under review due to the Covid-19 pandemic

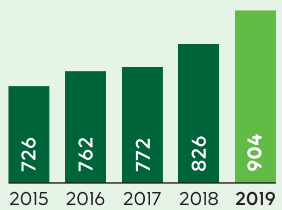
COVID-19

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

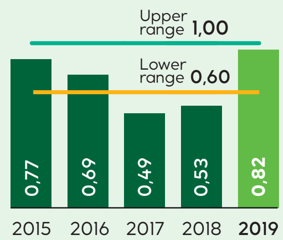
BANKING ADVANCES
(Rbn)



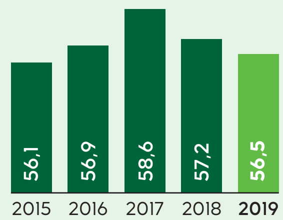
DEPOSITS
(Rm)



CREDIT LOSS RATIO
(%)



COST-TO-INCOME RATIO
(%)



ACCOUNTING CHANGES

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

HYPERINFLATION ACCOUNTING IN ZIMBABWE

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

AUDITOR INDEPENDENCE

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

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

APPRECIATION

To my colleagues on the board and the group executive team, thank you for your support and ongoing counsel during the year. Thank you to the dedicated and hardworking finance teams across the group for ensuring that we maintain our high standards and professionalism, which is evident in the various reporting awards that Nedbank received in 2019. I also thank all our shareholders and the broader investment community both locally and internationally for your continued investment and interest in Nedbank Group.

Raisibe Morathi
Chief Financial Officer

ENSURING AND PROTECTING VALUE
Group Audit Committee (GAC)

IV

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

Stanley Subramoney
(Chair)

Ensuring and protecting value in 2019

- Monitored the transition and onboarding of the newly appointed audit firm Ernst & Young.
- Continued to monitor reputational risk concerns related to the external auditors and received regular updates from the external audit firms' senior leadership.
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters.
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings.
- Assessed compliance with all statutory requirements in terms of the Companies Act, 71 of 2008, King IV, JSE Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.

Focus for 2020 and beyond

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

Stakeholders

Staff
Shareholders
Regulators

Top 12 risks

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

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

Consolidated statement of comprehensive income

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

Consolidated statement of financial position

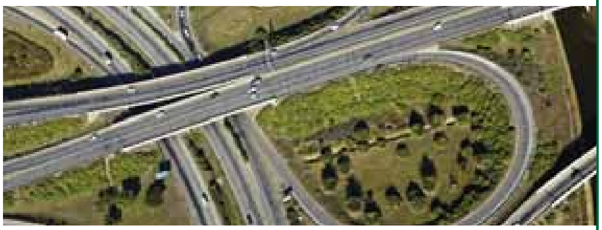
Rm	Change %	2019	2018	2017
Cash and securities	14,3	**242 353**	212 007	188 820
Loans and advances	8,2	**796 833**	736 305	710 329
Other assets	9,0	**104 163**	95 600	84 165
Total assets	9,5	**1 143 349**	1 043 912	983 314
Total equity attributable to equity holders of the parent	4,6	**87 597**	83 778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

We withdrew our financial guidance on 14 April 2020

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

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

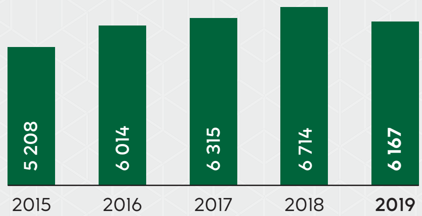
NEDBANK CORPORATE AND INVESTMENT BANKING



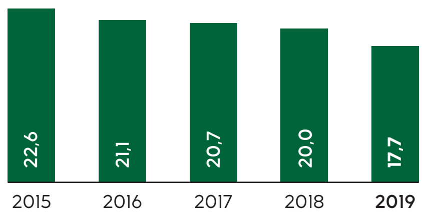
2019 PERFORMANCE

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

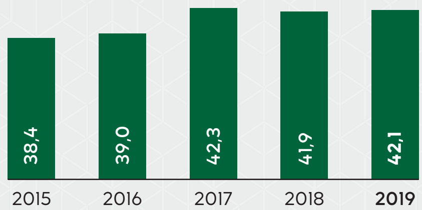
HEADLINE EARNINGS (Rm)



ROE (%)



COST-TO-INCOME RATIO (%)



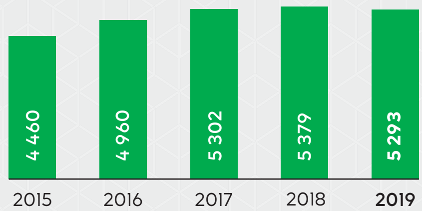
FINANCIAL[1] TARGETS

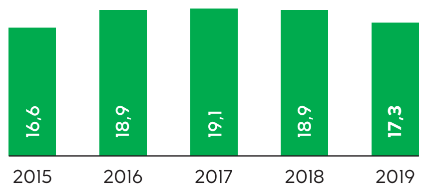
ROE
Medium term: ≥ 18%
Long term: ≥ 20%

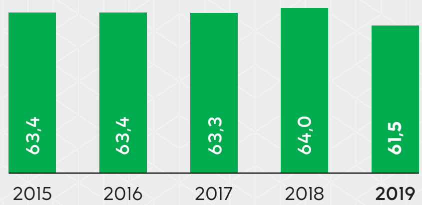
Cost-to-income ratio
Medium term: ≤ 42%
Long term: ≤ 40%

NEDBANK RETAIL AND BUSINESS BANKING

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







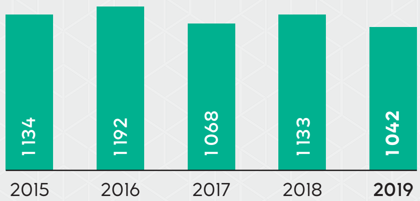
ROE
Medium term: ≥ 19%
Long term: ≥ 20%

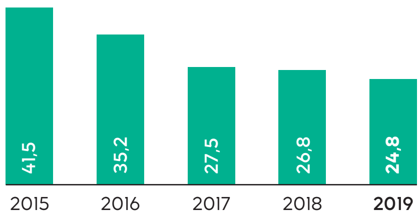
Cost-to-income ratio
Medium term: ≤ 59%
Long term: ≤ 57%

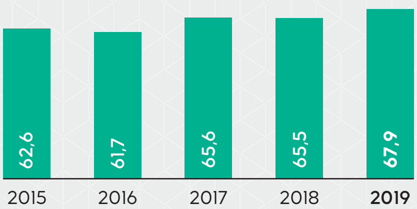
[1] *Based on January 2020 macroeconomic forecasts. Given recent developments around the Covid-19 pandemic, we withdrew our financial guidance on 14 April 2020 and our medium- and long-term targets are under review.*

NEDBANK WEALTH

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





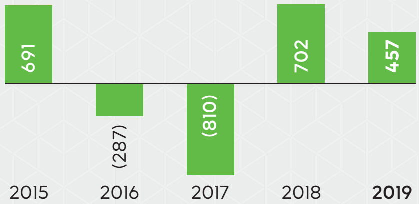


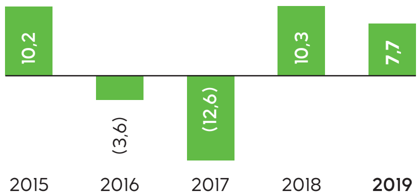
ROE
Medium term: ≥ 28%
Long term: ≥ 30%

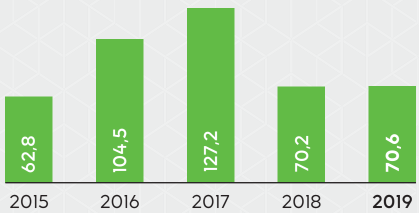
Cost-to-income ratio
Medium term: ≤ 65%
Long term: ≤ 65%

NEDBANK AFRICA REGIONS

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







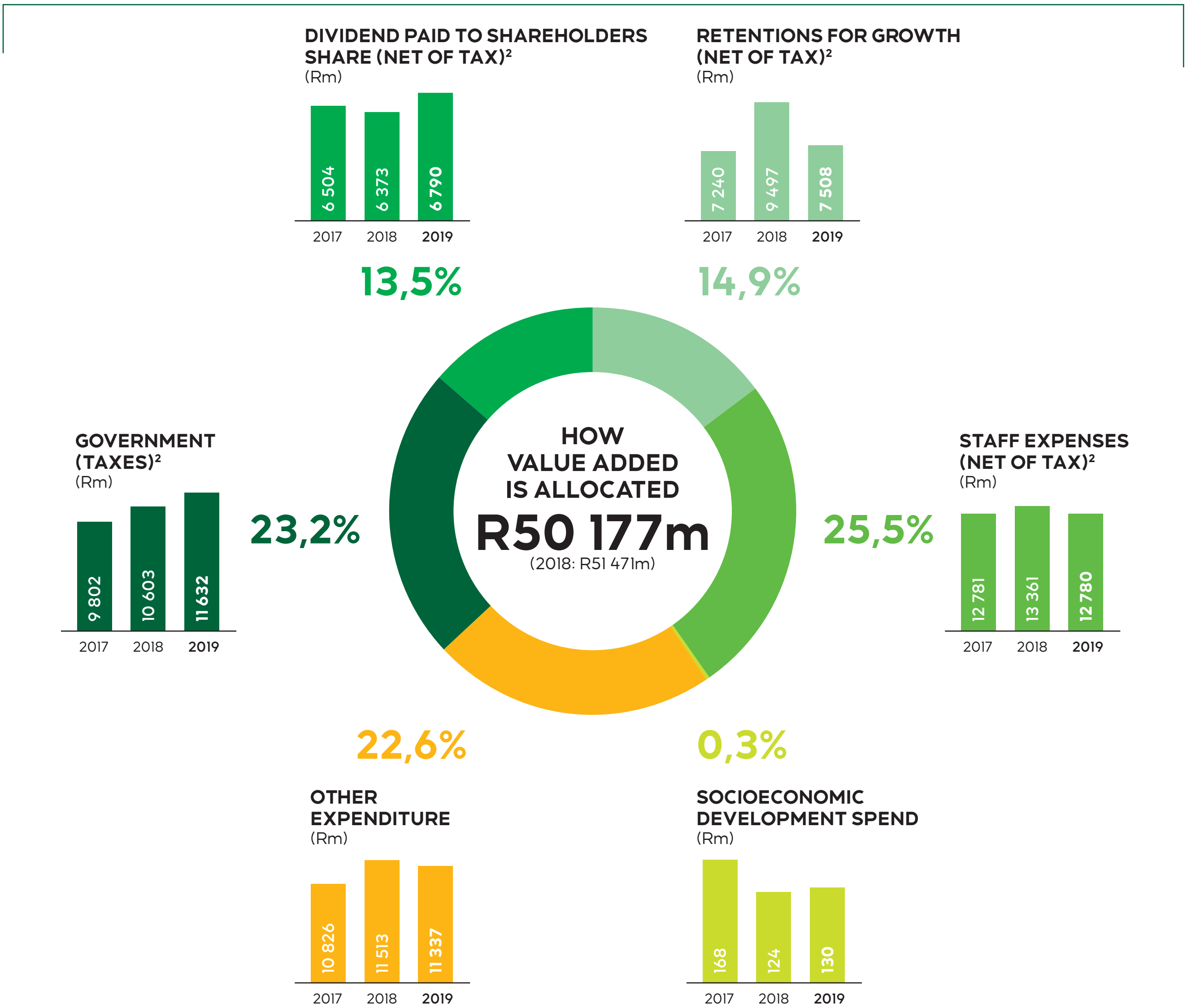
ROE
Medium term: ≥ 15%
Long term: ≥ 20%

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

VALUE FOR STAKEHOLDERS

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

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



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

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

OUR STAKEHOLDER ENGAGEMENT FRAMEWORK

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

The following pages provide an overview of how we delivered value to our stakeholders in 2019 and of prospects for future value creation.

INVESTING IN OUR STAFF

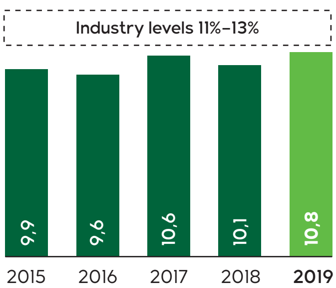
Quality of relationship: Falling short – Excelling

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

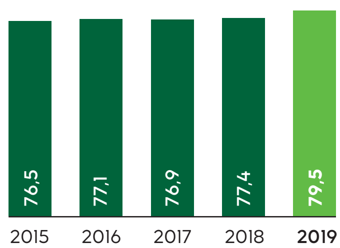
Delivering value to staff in 2019

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

STAFF ATTRITION
(%)



TRANSFORMATION – ACI EMPLOYEES AS PERCENTAGE OF TOTAL
(%)



CASE IN POINT

The Nedbank Agility Centre

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

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

SDG IMPACTED:

8 DECENT WORK AND ECONOMIC GROWTH

CREATING GREAT EXPERIENCES FOR CLIENTS

Quality of relationship:

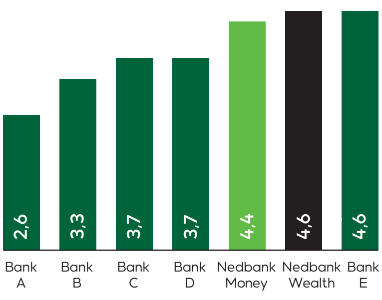
Falling short — Excelling

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

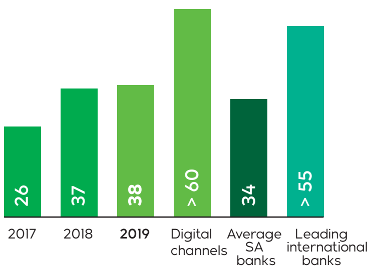
Delivering value to clients in 2019

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

CLIENT APP RATINGS
(%)



NET PROMOTER SCORES – SA BANKS
(%)



CASE IN POINT

Making Nedbank Greenbacks even more rewarding and inclusive

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

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

SDGs IMPACTED:

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

Quality of relationship: Falling short — Excelling

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

Delivering value to shareholders in 2019

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

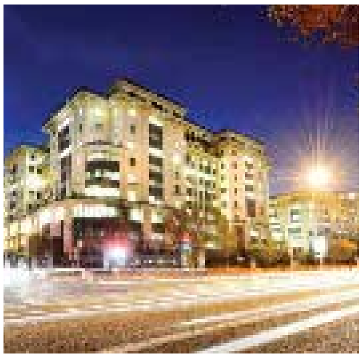
CASE IN POINT

Key issues we engaged on

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

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

KEY ISSUES WE ENGAGED ON continued

MAIN 2019 TOPICS OF DISCUSSION	OUR RESPONSE AND ACTIONS	
Financial targets – Higher ROEs and a lower cost-to-income ratio are key to Nedbank being an attractive investment.	In 2017, based on our macroeconomic forecasts at that time, we set ourselves specific 2020 targets of an ROE (excluding goodwill) of greater than or equal to 18% and a cost-to-income ratio of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation. The actual macroeconomic conditions have been materially worse than our 2018 forecast and the targets we set for 2020 will not be met. As a result we have revisited our guidance on these two measures and introduced targets for the medium (two to three years) and long term (five years and more). We have also revised our ROE target to include goodwill. Given the Covid-19 pandemic we have withdrawn our financial guidance on 14 April 2020 and our medium- and long-term targets are under review.	
Moody's sovereign-credit-rating downgrade – Concerns around the potential impact of a downgrade to subinvestment grade on Nedbank's capital and therefore dividend policy.	Our CET1 ratio at 11,5% remains well above regulatory requirements of 7,5%, and is within our board-approved target range of 10,5% to 12,5%. We estimate that the Moody's downgrade will result in an immaterial increase in RWA and have an immaterial impact on CET1. The PA has recommended that no distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers occur in 2020, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory capital relief provided by the PA. The guidance does not apply to the Nedbank Group 2019 final dividend declared on 3 March 2020 however the board is supportive of the guidance and the need to conserve capital in a challenging economic environment.	
Mandatory audit firm rotation (MAFR) – Some shareholders early-adopt MAFR principles in their proxy voting.	Following a tender process, Ernst & Young was appointed as Nedbank and Nedbank Group's new joint external auditor alongside Deloitte, effective 7 and 10 May 2019 respectively. Shareholders approved Deloitte and Ernst & Young as auditors for 2019 at Nedbank Group's 52nd AGM with 84,4% and 99,9% votes of approval, respectively. We continue to reiterate our commitment to fully implement MAFR for our 2024 financial year. However, we believe there are risks in concurrent change in external auditors given the size and complexity of a banking institution. S90(2) of the Companies Act is also an impediment to MAFR.	
Remuneration – There are ongoing enhancements to the Nedbank remuneration scheme.	Following engagements with shareholders and enhancements to our remuneration practices, we were pleased that resolutions relating to our Remuneration Policy and implementation report received more than 98% of votes of support at our 52nd AGM. We had further discussions with shareholders on enhancements to our CPTs for 2020 and concluded that there was broad shareholder support for the cost-to-income ratio to replace the existing strategic KPIs (transactional-banking market share and Target Operating Model), with a 20% weighting to align with our strategic intent and industry developments of improving cost-to-income ratios in the context of the digitisation of financial services.	
Climate-related disclosures – Nedbank's positioning relating to fossil-fuel financing and climate risks. **SDGs IMPACTED:** 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	Nedbank contributes 3,83% (2018: 4,86%) of our total group advances to renewable-energy generation projects. Our climate journey is evolving and our metrics will evolve and developed in line with our new Thermal Coal Policy. The Thermal Coal Policy translates into our total committed thermal coal facilities being 0,7% of total group advances. Our Thermal Coal Policy excludes lending to Eskom. Your vote is required – please refer to page 79 for further details.	

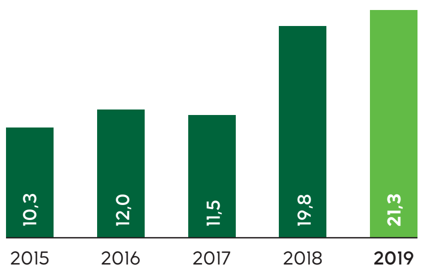
Key shareholding changes

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

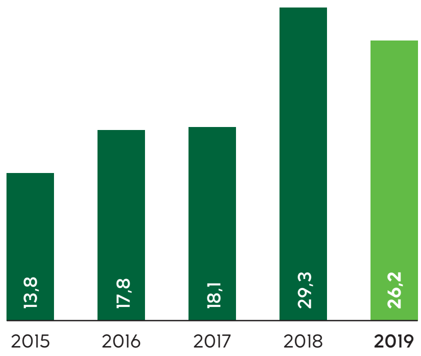
	% holding 2019	% holding 2018
Major shareholders/managers		
Old Mutual Life Assurance Company and Associates[1]	**24,1**	24,5
Public Investment Corporation (SA)	**10,8**	9,4
Coronation Fund Managers (SA)	**7,5**	7,3
Allan Gray Investment Council (SA)	**5,4**	5,1
BlackRock Incorporated (International)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

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

INDEX-CLASSIFIED SHAREHOLDING
(December, %)



FOREIGN SHAREHOLDING
(December, %)



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

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

IV

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

Mpho Makwana
(Chair)

Ensuring and protecting value in 2019

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

Focus for 2020 and beyond

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

Stakeholders

- Shareholders
- Regulators

Top 12 risks

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

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

ENSURING SUSTAINABLE BANKING WITH OUR REGULATORS

Quality of relationship:

Falling short Excelling

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

Delivering on our regulatory commitments in 2019

Regulatory scrutiny

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

Regulatory fines

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

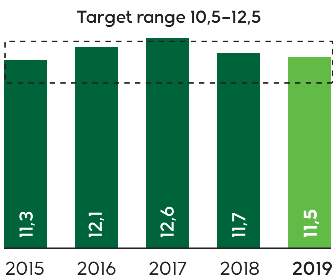
Regulatory compliance

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

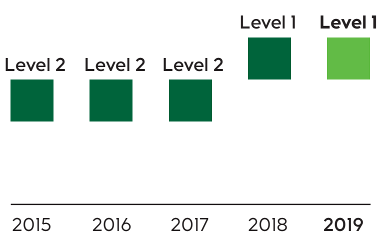
BBEEE

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

CET1
(%)



BBBEE CONTRIBUTOR STATUS
(%)



CASE IN POINT

Regulatory compliance for competitive advantage

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

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

SDG IMPACTED: 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

CONTRIBUTING TO A THRIVING SOCIETY

Quality of relationship:

Falling short Excelling

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

Delivering value to society by delivering on our purpose

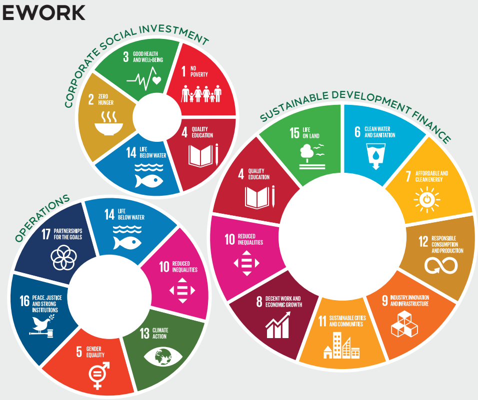
The SDGs represent a universal agreement on the economic, social and environmental priorities to be met by 2030. They offer a powerful lens through which to identify opportunities for business innovation and growth, and an objective mechanism through which Nedbank can assess and report delivery on our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

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

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

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

NEDBANK'S SUSTAINABLE DEVELOPMENT FRAMEWORK



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

Sustainable development finance progress

SDG 4: QUALITY EDUCATION

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

SDG 6: CLEAN WATER AND SANITATION

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

SDG 7: AFFORDABLE AND CLEAN ENERGY

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

SDG 8: DECENT WORK AND ECONOMIC GROWTH

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

SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

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




SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

SDG 10: REDUCED INEQUALITIES

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

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

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

SDG 15: LIFE ON LAND

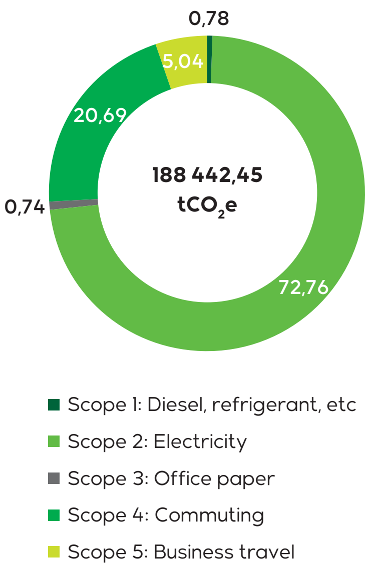
- In 2019 we took our partnership with WWF-SA to the next level by entering into a five-year, R25m water source area conservation partnership. The focus of this programme is on the protection and development of effective water ecosystems that balance the need to protect SA's essential water source areas,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


Operations

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

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

NEDBANK GROUP 2019 CARBON FOOTPRINT*
(%)



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

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

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

Responsible finance

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

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

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

Responsible investment

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

CASE IN POINT

Green bond a first for SA

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

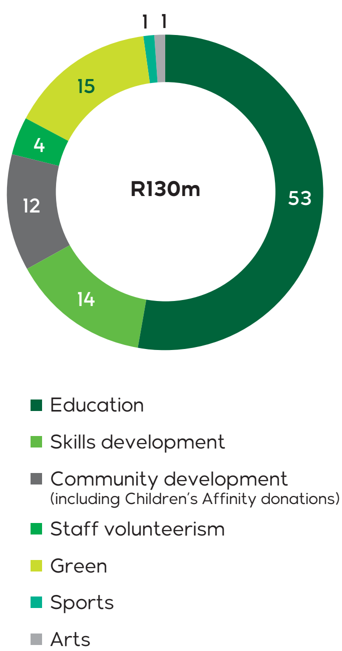
Sean Kidney
CEO of Climate Bonds Initiative

Corporate social investment

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

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

TOTAL CSI
(%)



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

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

SDGs IMPACTED:

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

ENSURING AND PROTECTING VALUE
Group Transformation, Social and Ethics Committee (GTSEC)

IV

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

Mpho Makwana
(Chair)

Ensuring and protecting value in 2019

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

Focus for 2020 and beyond

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

Stakeholders

Staff
Clients
Shareholders
Regulators
Society

Top 12 risks

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

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

STAKEHOLDER VALUE CREATION – KEY PERFORMANCE INDICATORS

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

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

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

COVID 19

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

2019	2018	2017	Benchmark	Outlook/Target	Assurance
17,3	17,5	16,5	N/A	Maintain competitive remuneration	[MO] [FS]
6,3	7,0	8,0	N/A	Above the increase for management	[MO]
760	468	355	N/A	Continue to invest in staff	[LA]
10,8	10,1	10,6	11–13%	Maintain at or below industry levels	[MO] [LA]
75	Biennial survey	79	Global industry average at 67%	Improve	[IN – Compass survey]
78,5	77,4	76,9	Not publicly available for all peers	Continue driving transformation	[LA]
61,8	61,8	62,12	Not publicly available for all peers	Continue driving transformation	[LA]
208	181	153	N/A	Continue to extend credit responsibly	[MO]
38	37	26	34 industry average	Improve	[LA] [IN – Consulta]
99,1	99,2	99,3	N/A	> 99,1%	[LA]
At inflation	At inflation	Below inflation	N/A	Below inflationary increases	[MO]
5th	4th	3rd	No 1: Investec	No 1 in the industry	[MO]
Top offshore manager in SA	Top offshore manager in SA	Top offshore manager in SA	No 1: PSG No 2: Standard Bank No 3: FNB	Rating among top 3	[IN – Raging Bull awards]
4th	5th	5th	N/A	Top-2 bank brand	[IN – Raging Bull awards]
4,4	N/A	N/A	Best banking app ratings	Maintain top rating	[IN – iOS and Android app stores]
4,6	N/A	N/A	Best banking app ratings	Maintain top rating	[IN – iOS and Android app stores]
80,2	79,3	76,3	78,2 industry average	Continue strong performance in client satisfaction	[IN – Consulta] [LA]
72,3	75,5	77,8	68,7% peer average	Committed to providing worldclass service	[IN – [Ombudsman] [LA]
(22,0)	7,3	7,5	-8,4% (FINI 15)	Perform above peers	[IN – JSE]
1 415	1 415	1 285	N/A	Within our 1,75 times to 2,25 times target range	[MO] [FS]
1,84	1,97	1,91			
1,2	1,6	1,5	2,1 times peer average	No 2 bank by 2020	[IN – JSE]
AA	A	A	10 largest banks : BB	Maintain ESG leader rating	[IN -MSCI]
11,5	11,7	12,6	SARB: > 7,5	10,5–12,5%	[MO] [OV]
125,0	109,4	116,2	SARB: 100% for 2019	> SARB minimum of 100%	[MO] [OV]
113,0	114,0	Pro forma compliant	SARB: 100% for 2019	> SARB minimum of 100%	[MO] [OV]
17,5	8,7	1	N/A	Zero, although risk of fines has increased	[MO] [OV]
11,6	10,6	9,8	N/A	Responsible taxpayer	[OV]
1	1	2	Nedbank: no 1 bank	Top-tier bank, but dti level impacted by new codes	[MO] [OV]
175 500	175 000	200 000	N/A	Maximum alignment of impact with strategy	[MO] [LA]
130	124	168	Nedbank top Performer in Trialoge CSI Handbook	Spend greater than R100m	[MO] [LA]
> 75	> 75	> 75	According to FSC	> 75%	[MO] [LA]
27,0	22,8	18,4	Nedbank: no 1 bank	R40bn committed	[MO]
188 441	196 992	205 569	Nedbank market leader	Maintain carbon neutrality	[LA]
526	688	632	Leader in disclosure	Enhance SEMS integration	[MO] [LA]
75 (1 deal)	538 (15 deals)	75 (1 deal)	Leader in disclosure	Enhance Equator Principles integration	[MO] [LA]
6,09	6,30	6,37	Leader in performance on the Carbon Disclosure Project	Continue to reduce our impact through reduction targets	[MO] [LA]

Assurance indicators

- **LA** External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status. Related opinions are available at nedbankgroup.co.za.
- **MO** Management and board oversight through rigorous internal reporting governed by the group's ERMF.
- **IN** Information sourced from external sources, eg independent surveys.
- **OV** Independent oversight by regulatory bodies, including SARB, FSCA and various financial-sector ombudsman offices.
- **FS** Financial information extracted from the 2019 Nedbank Group Limited Audited Annual Financial Statements.

REMUNERATION OUTCOMES

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

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

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

NEDBANK'S REMUNERATION FRAMEWORK

Our Remuneration Framework is made up as follows:

PERFORMANCE MANAGEMENT

Short-term focus, day-to-day orientation	**Short-to-medium-term focus,** performance orientation		**Long-term focus,** ownership orientation
Guaranteed remuneration	**Short-term incentives** (including deferral and forfeiture)	**Special-purpose short-term arrangements**	**LTI plan** (including share matching)

Fair and responsible remuneration

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

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

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

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

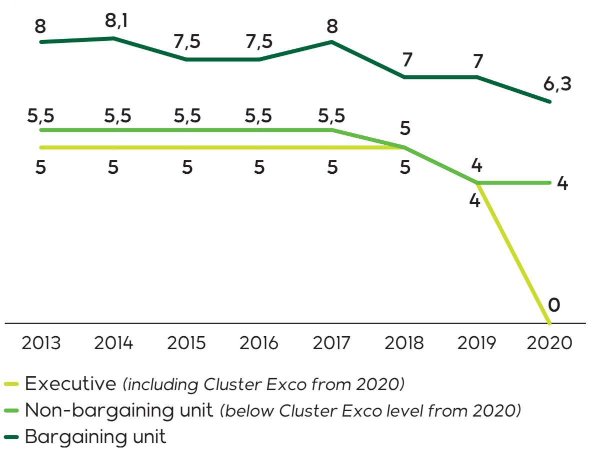
Guaranteed package increases in 2019

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

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

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

GUARANTEED REMUNERATION INCREASES
(%)



Variable remuneration

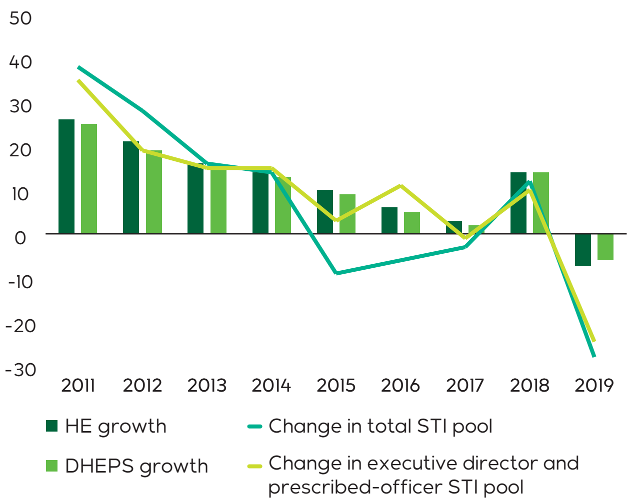
Short-term incentives

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

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

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

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



* *Diluted headline earnings per share.*

Special-purpose short-term variable remuneration

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

Scheme governance is set out in the Remuneration Policy.

ENSURING AND PROTECTING VALUE

Group Remuneration Committee (Remco) IV

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

Hubert Brody
Chair

Ensuring and protecting value in 2019

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

Focus for 2020 and beyond

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

Stakeholders

Staff
Clients
Shareholders
Regulators

Top 12 risks

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

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

Long-term incentives

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

Share option scheme

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

Restricted-share Plan

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

To avoid the consequences of inappropriate performance conditions, which include extended periods in which no LTI vesting takes place, awards made from 2010 onwards have been subject to at least 50% performance conditions and the balance on a time-based vesting arrangement. For all Group Exco members who are not executive directors this percentage was increased from 60% to 100% in March 2019. From 2014 onwards 100% of awards to executive directors have been subject to performance conditions. This results in all Group Exco members being treated the same. For Cluster Exco members this percentage is 60%.

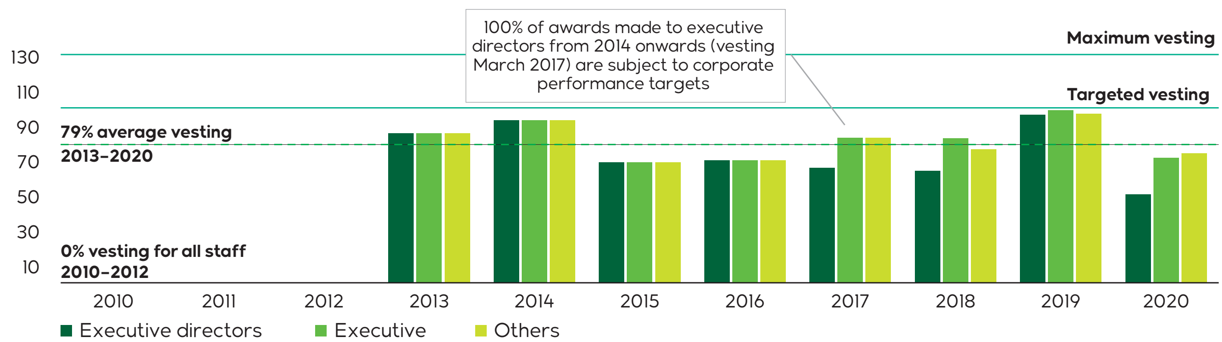
After the 2019 engagement with our large shareholders, the cost-to-income ratio will replace the strategic initiatives targets (namely the benefits from changes to the Target Operating Model and growing the transactional-banking franchise) for 2020 awards onwards as this improves alignment with the group's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

The performance conditions and weightings for awards made in 2019

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

Vesting of share awards in 2020

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



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

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

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

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

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

Mike Brown Chief Executive

Financial performance

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

Environmental, social and governance (ESG)

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

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

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

Strategy

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

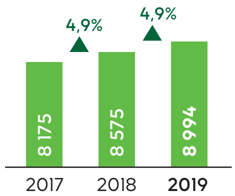
Grow transactional-banking franchise faster than the market – 32 primary transactional account wins in CIB. RBB main-banked clients were marginally down to 2,95 million. In the face of strong competition and aggressive pricing, Nedbank lost market share in household deposits.

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

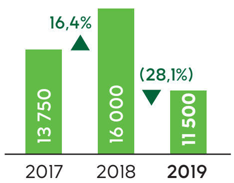
Being operationally excellent in all we do – Optimisation of processes and operations supported a reduction in the group's cost-to-income ratio to 56,5%.

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

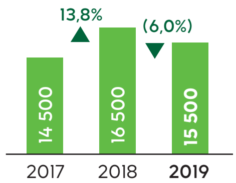
GUARANTEED REMUNERATION
(R000)



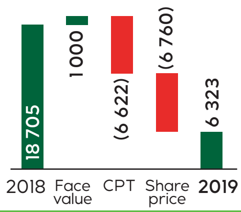
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Raisibe Morathi Chief Financial Officer

Financial performance

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

Environmental, social and governance (ESG)

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

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

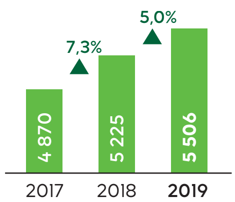
Governance, compliance, risk management practices and reporting – Completed transition of auditors from KPMG to Ernst & Young. Successfully implemented IFRS 16 accounting changes. Maintained robust and efficient tax compliance and incurred no penalties or interest charges. Received multiple prestigious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

Strategy

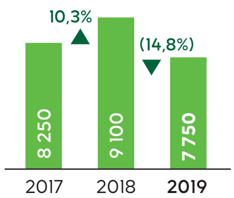
Manage scarce resources to optimise economic outcomes – The bank's liquidity position and key balance sheet metrics remained strong, including capital ratios within board-approved target ranges and above regulatory minima.

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

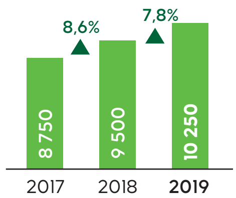
GUARANTEED REMUNERATION
(R000)



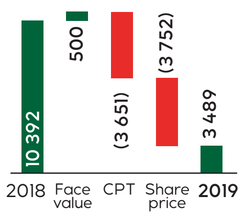
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Mfundo Nkuhlu Chief Operating Officer

Financial performance

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

Environmental, social and governance (ESG)

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

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

Strategy

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

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

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

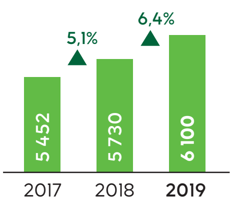
Provide clients with access to the best financial services network in Africa

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

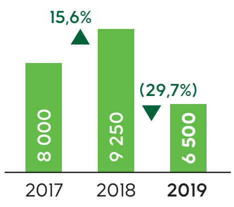
After the strategic review of Nedbank Malawi for strategic fit, executed a sale of the franchise. The transaction was concluded in 2020.

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

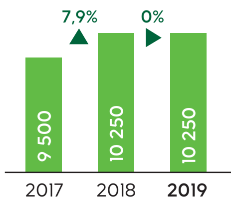
GUARANTEED REMUNERATION (R000)



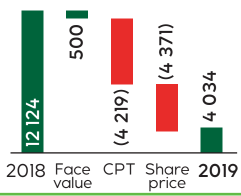
TOTAL STI (R000)



TOTAL LTI AT FACE VALUE (R000)



SINGLE FIGURE LTI (R000)



Brian Kennedy Managing Executive, Nedbank Corporate and Investment Banking

Financial performance

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

Environmental, social and governance (ESG)

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

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

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

Strategy

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

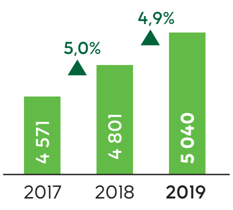
Grow transactional-banking franchise faster than the market – won 32 primary clients during 2019 while facing increased competition. Rated number one on various league tables, including Dealmakers M&A (volume), Spire awards (various) and DCM rankings.

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

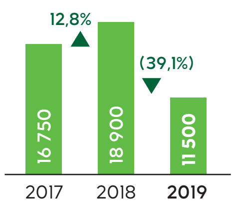
Be operationally excellent in all we do – Continued to deliver a market-leading efficiency ratio for CIB businesses of 42,1%.

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

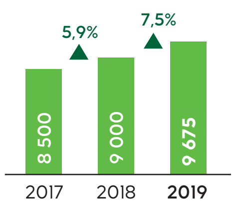
GUARANTEED REMUNERATION (R000)



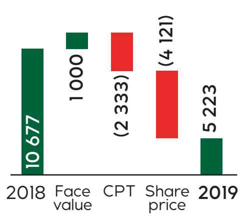
TOTAL STI (R000)



TOTAL LTI AT FACE VALUE (R000)



SINGLE FIGURE LTI (R000)



Ciko Thomas Managing Executive, Nedbank Retail and Business Banking

Financial performance

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

Environmental, social and governance (ESG)

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

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

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

Strategy

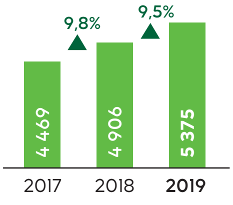
Deliver innovative market-leading client experiences – Digitised onboarding for top nine of top 10 journeys across branches, app, web, ATM and SSKs. Refreshed loyalty and rewards programme. Ended the year as the only bank to have improved its Net Promotor Score (NPS) score.

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

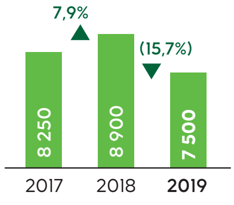
Manage scarce resources to optimise economic outcomes – Advances and deposits continued to reflect resilient growth over 2019 at 7,4% and 7,6% respectively.

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

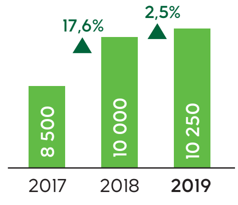
GUARANTEED REMUNERATION
(R000)



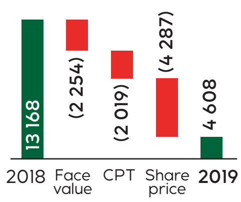
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



Iolanda Ruggiero Managing Executive, Nedbank Wealth

Financial performance

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

Environmental, social and governance (ESG)

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

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

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

Strategy

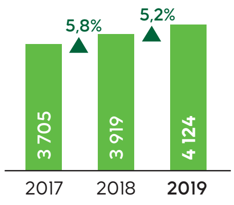
Deliver innovative market-leading client experiences – Enhancements to the Nedbank Private Wealth app enabled it to be ranked second globally. Launched a new stockbroking website and new single-client website for asset management. Recognised by Celent as the Model Insurer of the Year in the category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

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

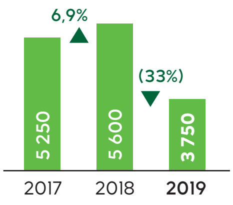
Manage scarce resources to optimise economic outcomes – Global asset management offering was expanded, and Nedbank Wealth achieved strong market growth in cash and passive solutions.

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

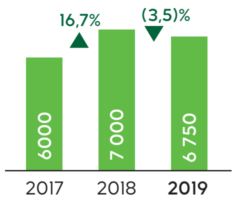
GUARANTEED REMUNERATION
(R000)



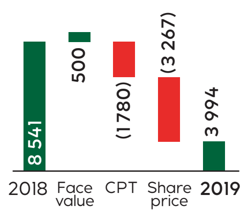
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE FIGURE LTI
(R000)



NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ABBREVIATIONS AND ACRONYMS

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

COMPANY DETAILS

NEDBANK GROUP LIMITED

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

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

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

PO Box 4844, Marshalltown, 2000, SA.

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

INSTRUMENT CODES

Nedbank Group ordinary shares

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

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code:	NBKP
ISIN:	ZAE000043667

FOR MORE INFORMATION CONTACT

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Email: NedGroupIR@nedbank.co.za

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

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

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

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

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

DISCLAIMER

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

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

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

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

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

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

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NEDBANK GROUP

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

NEDBANK GROUP – AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

AFS

FOR THE YEAR ENDED 31 DECEMBER 2019

see money differently

CONTENTS

ABOUT THIS REPORT

Our consolidated and separate annual financial statements provide a detailed analysis of our statutory accounting records. These financial statements are independently audited as indicated in the independent auditors' report and provide indepth disclosure and transparency on the financial performance of the group.

The notes to the consolidated annual financial statements are classified in the following sections:

Section A: Accounting policies
This section briefly outlines the basis of preparation and key accounting policy elections applied in the preparation of the group's consolidated and separate annual financial statements.

Section B: Segmental and performance-related information
Refer to this section for information on the group's financial performance. This section contains the group's operational segmental report and performance-related notes that provide an analysis of the group's consolidated statement of comprehensive income.

Section C: Core banking assets
This section provides information about the group's core banking assets, including loans and advances, and an analysis of the related impairments charge. Information is also provided on the group's investments in government and other securities, and other short-term securities. The group's cash and cash equivalents and derivative financial instruments are also analysed in this section.

Section D: Core banking liabilities
Information about the group's core banking liabilities, including long-term debt instruments, can be found in this section, together with an analysis of investment and insurance contract liabilities. A contractual maturity analysis of financial liabilities is also provided.

Section E: Asset management
Refer to this section for an analysis of the group's funds under management.

Section F: Investments
This section provides an analysis of the group's investments in investment securities, associate companies and subsidiaries. Related information, such as related-party disclosures, information on structured entities and securitisation vehicles can also be found here.

Section G: Generic assets
This section provides an analysis of non-core assets such as property and equipment, goodwill and other intangible assets.

Section H: Other assets
Refer to this section for disclosure on the group's long-term employee benefits, non-current assets and liabilities held for sale and other assets.

Section I: Financial instruments
Additional disclosure on the group's financial instruments can be found in this section. Refer to this section for the categorisation of financial assets and liabilities, the fair-value hierarchy and other fair-value-related disclosures. The group's disclosure on collateral and offsetting of financial assets and liabilities can also be found in this section.

Section J: Share-based payments
This section details the group's share-based payments schemes and their effect on the group's financial position.

Section K: Other liabilities
This section provides an analysis of the group's non-core liabilities, including provisions and other liabilities, contingent liabilities, undrawn facilities and commitments.

Section L: Risk and balance sheet management
Refer to this section for the group's liquidity gap disclosure and details on the historical value at risk and interest rate risk in the banking book.

Section M: Cashflow information
This section contains notes to the group's statement of cashflows.

Section N: Additional information
This section contains additional disclosure that may be relevant to understanding the group's consolidated annual financial statements, such as a foreign currency conversion guide and information on events after the reporting period and directors' emoluments.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Nedbank Group Limited Reg No 1966/010630/06.
Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA).
Audited in terms of the Companies Act, 71 of 2008.

RESPONSIBILITY OF OUR DIRECTORS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Limited (comprising the statements of financial position at 31 December 2019, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended) and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the Directors' Report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and there is no reason to believe that the businesses will not be going concerns in the year ahead.

The independent auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Limited Board of Directors on 2 March 2020 and are signed on its behalf by:

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown

2 March 2020

CERTIFICATION FROM OUR COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I certify that, to the best of my knowledge and belief, Nedbank Group Limited has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008, and that all such returns and notices are true, correct and up to date.

J Katzin
Company Secretary

Sandown

2 March 2020

REPORT FROM THE GROUP AUDIT COMMITTEE – 2019

The Nedbank Group Audit Committee (GAC) is pleased to present its report for the 2019 financial year. This report has been prepared based on the requirements of the Companies Act, 71 of 2008, as amended (Companies Act), the King Code of Governance for South Africa (King IV), the JSE Listings Requirements and other applicable regulatory requirements. The committee carried out its responsibilities, including those relating to the audit and financial reporting obligations of the group, as set out in its board-approved charter.

The GAC's main objective is to assist the board in fulfilling its oversight responsibilities, and in the evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the GAC assesses the effectiveness of the internal auditors, the independence and effectiveness of the external auditors, and considers and recommends the appointment of the external auditors.

This report aims to provide details on how the GAC satisfied its various statutory obligations during the period, as well as on some of the significant matters that arose and how the GAC addressed those to assist in ensuring the integrity of Nedbank's financial reporting.

Composition and governance

Members of the committee satisfy the requirements to serve as members of an audit committee, as provided in section 94 of the Companies Act, and have adequate knowledge and experience to carry out their duties. All members are independent non-executives. The composition of the committee and the attendance of meetings by its members for the 2019 financial year are set out below:

	Attendance	
Members	Formal	Ad hoc
S Subramoney (Chair)	6/6	2/2
EM Kruger	6/6	2/2
HR Brody	6/6	1/2*
NP Dongwana	6/6	2/2

* *Apologies received.*

The Chief Executive (CE), the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO), the Chief Internal Auditor (CIA), the Chief Compliance Officer (CCO) and representatives of the external auditors are invited to attend all GAC meetings. Other members of management are invited to attend certain meetings to provide the committee with greater insight into specific issues or areas in the group.

The GAC chair has regular contact with the management team to discuss relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management held during the year, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The GAC chair meets with the CIA and external auditors at all times considered necessary by either party. In addition, the GAC meeting agenda allows for a meeting solely with the members of the GAC.

Six formal GAC meetings – including the South African Reserve Bank (SARB) trilateral meeting – were held in respect of the 2019 financial year, aligned with the key reporting and regulatory timelines. There were two ad hoc meetings held to address reporting considerations for the group's former parent company (Old Mutual Limited) relating to the 2018 financial performance and to perform an annual review of the auditors' independence.

The key focus areas of the meetings were as follows:

9 May 2019	Review and approval of Nedbank Limited's audit report on Banks Act returns and discussion of the 2020 external audit strategy presentation and report from Group Internal Audit (GIA). Review of first-quarter performance.
12 June 2019	Annual trilateral meeting with representatives of SARB's Bank Supervision Department for discussion of, among other things, key external audit findings, internal audit matters and regulatory reporting responsibilities.
26 July 2019	Nedbank Audit Committee chair meeting: Discussion and review of subsidiaries' half-year performance and GIA feedback on subsidiaries.
31 July 2019	Review of the interim results for the six months to 30 June 2019, as well as press and SENS announcements. Review and approval of forecast.
30 October 2019	Review of the third-quarter performance, external audit strategy and GIA plan for 2020.
29 January 2020	Review of unaudited preliminary results and key financial and accounting judgements. Review of tax matters.
21 February 2020	Nedbank Audit Committee chair meeting: Discussion and review of subsidiaries' full-year performance and GIA feedback on subsidiaries.
26 February 2020	Discussion and review of year-end reports from GIA and the external auditors, feedback from subsidiary audit committees, the Group Credit Committee (GCC), Group Risk and Capital Management Committee (GRCMC), Group Information Technology Committee (GITCO) and other relevant committees. Review and approval of annual financial statements and related SENS and results announcements. Review and approval of 2020 budget.

REPORT FROM THE GROUP AUDIT COMMITTEE – 2019 continued

The GAC chair reports to the board on committee activities and the matters discussed at each meeting, highlighting any key items that the committee believes require action and providing recommendations for its resolution.

The performance of the GAC is reviewed as part of the effectiveness review of the board and all its committees. The latest review concluded that the GAC continued to operate effectively and successfully discharged its responsibilities and duties.

External auditors

The GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely Deloitte & Touche and Ernst & Young Inc. To ensure a smooth onboarding process, the GAC met with the auditors prior to the commencement of the 2019 audit to ensure that critical aspects of the engagements had been addressed.

During the period the GAC:

- monitored the transition and onboarding of the newly appointed audit firm Ernst & Young Inc, as well as the finalisation of the 2018 year-end with the previous joint-auditors KPMG Inc to ensure a continued high-quality audit;
- approved the external auditors' 2019 annual plan and related scope of work, confirming suitable reliance on the GIA and the appropriateness of key audit risks identified;
- approved the proposed audit fees for the year under review;
- continued to monitor reputational risk concerns related to the external auditors and received regular updates from the external auditors firm's senior leadership;
- monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan, with the annual review of the quality of the audit and the performance of the joint external auditors having been undertaken by means of presentations made by each firm;
- ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act and all other regulatory and legal requirements, which included receiving from the external auditors all decision letters and explanations issued by the Independent Regulatory Board for Auditors or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable), issued by the external auditors to confirm the suitability for appointment of the external auditors and designated individual partners;
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- considered and recommended to shareholders the appointment of Ernst & Young Inc and Deloitte & Touche for the 2020 financial year;
- considered reports from subsidiary audit committees and from management on the activities of subsidiary entities and formally engaged with the chairs of subsidiary audit committees; and
- reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters.

The GAC has a well-established policy on auditor independence and audit effectiveness. A firm approach was established in respect of the provision of non-audit services to the group by the external auditor, which further enhances their independence.

Group Internal Audit

GIA performs an independent assurance function and forms part of the third line of defence. The CIA has a functional reporting line to the GAC chair and an administrative reporting line to the CRO. GIA provides independent, objective assurance to the board of directors of Nedbank Group Limited and Nedbank Limited through the authority of the GAC that the governance processes, including professional ethics, management of risk and systems of internal control, are adequate and effective to mitigate, in line with GIA's methodology, the significant control risks, both current and emerging, that threaten the achievement of the group's objectives.

GIA exhibits the highest level of professional objectivity in gathering, evaluating and communicating information, as well as the highest level of professional ethics in conducting its work.

GIA's focus has been on fully implementing its digital transformation journey to align with the bank's digital strategy. The current skills mix, which includes data scientists, developers and cybersecurity specialists, will ensure we use technology platforms effectively to obtain efficient and increased coverage, including data analytics and continuous auditing techniques.

The GAC reviewed and approved the annual internal-audit charter, and evaluated the independence, effectiveness and performance of GIA in compliance with its charter as follows:

- Received reports from the CIA that highlighted significant issues related to the processes for controlling the activities of the group, including potential improvements to those processes.
- Assessed the effectiveness of the GIA function and reviewed and approved the annual GIA plan.
- Ensured that the CIA had a direct reporting line to the GAC chair and noted the administrative reporting line to the CRO.
- Satisfied itself as to the appropriateness of the expertise, experience and resources of the CIA and the internal audit function.
- Monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, resources, independence, skills, staffing, overall performance and standing within the organisation.
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings.
- Ensured that GIA complied with the reporting and independence requirements of its charter.
- Satisfied itself that GIA had conformed with the key principles of the International Institute of Internal Auditors' standards for professional practice of internal auditing. The rating in this regard was the highest attainable in terms of compliance with the standards.
- Reviewed the favourable findings from the external quality assurance results (EQAR) and noted the recommendations made for further improvements.

Significant matters

The GAC has considered the appropriateness of the key audit matters reported in the external audit opinion and considered the key judgements and estimates relating to the annual financial statements. These were addressed by the committee as follows:

Significant matter	How the GAC addressed the matter
Impairment of loans and advances	The GAC reviewed and discussed the reports from the Group Credit Committee regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances.
Valuation of financial instruments held at fair value	The GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments.
Nedbank Zimbabwe subsidiary	The GAC received regular reports from management regarding the financial performance and accounting implications as a result of hyperinflation and other economic factors in Nedbank Zimbabwe.
Associate investment in ETI	The GAC received regular reports from management in connection with the financial performance of Ecobank Transnational Incorporated (ETI) and the accounting considerations for Nedbank. The GAC noted ETI's financial performance during the 2019 reporting period and management's assessment that no additional adjustment of the impairment provision is required, based on the computed value-in-use (VIU) calculation. The GAC reviewed the group's disclosure of its investment in ETI and the assumptions related to its VIU calculation.
Key judgements	The GAC received regular feedback from the CFO in connection with the key judgements and estimates made by management in the preparation of the group's financial statements.
Control environment	The GAC received regular feedback from the CFO and GIA in connection with the overall control environment and the 'tone at the top'.

Financial legal, compliance and regulatory reporting requirements

- The GAC received regular reports from the CFO regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process. The GAC has evaluated and is satisfied with the appropriateness of the expertise and experience of the CFO in accordance with the JSE Listings Requirements and is satisfied with the resources, expertise, succession and experience of Nedbank's finance function. The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the financial regulatory reports by the external auditors.
- The GAC reviewed the favourable findings from the JSE Thematic Review on the application of IFRS 9 and IFRS 15.

Annual financial statements and integrated reporting process

- The GAC reviewed all formal announcements relating to Nedbank's financial performance and found the reporting process and controls that led to the compilation of the financial information to be effective and appropriate. The GAC also assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, considering management budgets and the capital and the liquidity profiles.
- The GAC reviewed and discussed the reporting process and governance and financial information that will be included in the Integrated Report when published after considering recommendations from the Group Transformation, Social and Ethics Committee, Group Remuneration Committee, GRCMC and the Group Directors' Affairs Committee.
- The GAC recommended to the board that the annual financial statements and the financial information included in the Integrated Report be approved. The board subsequently approved the annual financial statements and the Integrated Report, which will be open for discussion at the forthcoming annual general meeting (AGM).
- The GAC reviewed the solvency and liquidity tests and recommended interim – and final-dividend proposals for approval by the board.
- The GAC reviewed the investment in ETI and assessed the relevant impairment indicators.
- The GAC reviewed and approved the high-level project plan and progress updates on the implementation of IFRS 16: Leases.

Internal control, risk management and information technology

The GAC is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

REPORT FROM THE GROUP AUDIT COMMITTEE – 2019 continued

The GAC receives regular reports provided as part of the Enterprisewide Risk Management Framework (ERMF) to assist in evaluating the group's internal controls. The ERMF places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all Nedbank's key external stakeholders.

The GAC receives regular reports from the GITCO regarding the monitoring of the adequacy and effectiveness of the group's information system controls and from the GCC regarding its oversight of the adequacy and effectiveness of the credit monitoring processes and systems.

The GAC regularly receives reports on issues in the group's key issues control log from the CRO.

Having considered, analysed, reviewed and debated information provided by management, GIA and the external auditors, the GAC considered that the internal controls of the group had been effective in all material aspects throughout the year under review.

Coordinated assurance

The group's Three-lines-of-defence Model is in line with Basel recommendations and requirements of the Banks Act and banking regulations, and aligns with the principles and outcomes of King IV (especially standards listed in Principle 15). This model meets the requirements for Nedbank Group and Nedbank Limited to provide assurance through a coordinated approach (CA). The CA internal and CA external forums were established at the beginning of the reporting period and successfully provided a platform for much improved information exchange, collaboration and working towards the objectives of the CA. The forums were able to increase collaboration effectively across the three lines of defence and better utilise resources, which allowed for efforts to be better and more effectively directed to the risks that matter most and to enhance the control environment. Through this integrated approach, all stakeholders were provided with the opportunity to understand each other's views through collaboration and agree on the group's CA principles. The GAC is therefore of the view that the arrangements in place for the CA model are adequate and achieve the objective of a more effective, integrated approach across the disciplines of risk management, compliance and audit.

Future accounting developments

The International Accounting Standards Board (IASB) issued IFRS 17 in May 2017.

The new standard is effective for reporting periods beginning on or after 1 January 2021. The IASB issued an exposure draft on IFRS 17 during 2019, proposing amendments to the standard. One of the proposed amendments was to postpone the effective date of IFRS 17 to 1 January 2022.

The group has established a steering committee to promote, direct and oversee the successful implementation of IFRS 17 in the group. The steering committee is supported by several project workstreams. The impact of implementing IFRS 17 is currently being assessed and status updates on the implementation will be monitored by the GAC throughout 2020.

Key focus areas for 2020

- Continued focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.
- Through the Chair's Audit Committee College ensure that there is meaningful engagement between the GAC chair and the chairs of subsidiary audit committees.
- The monitoring of accounting implications arising from hyperinflation accounting in the Nedbank Zimbabwe subsidiary and accounting implications from the significant investment in ETI.
- Review and consideration of management's plans in respect of future changes to the International Financial Reporting Standards (IFRS) and other regulations, most notably: IFRS 17: Insurance Contracts, which replaces the current limited guidance contained in IFRS 4: Insurance Contracts.
- The monitoring of the implementation of the amended JSE Listings Requirements, including the effectiveness of internal financial controls.
- Continued monitoring of the requirements arising from mandatory audit firm rotation that will require Deloitte & Touche to rotate after the 2023 financial year-end.
- Continued monitoring of audit firm rotation at a subsidiary level.

Conclusion

The GAC is satisfied that it has complied with all statutory duties as well as other duties given to it by the board under its terms of reference.

The GAC reviewed the group annual financial statements for the year ended 31 December 2019 and recommended them for approval to the board on 28 February 2020.

On behalf of the GAC

Stanley Subramoney
Group Audit Committee Chair

2 March 2020

REPORT FROM OUR DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

Nature of business

Nedbank Group Limited (Nedbank Group, company or group) is a registered bank-controlling company that, through its subsidiaries, offers wholesale and retail banking services as well as insurance, asset management and wealth management. Nedbank Group maintains a primary listing under 'Banks' on the JSE Limited (the JSE), with a secondary listing on the Namibian Stock Exchange.

Annual financial statements

Details of the financial results are set out on pages 18 to 235 of the audited consolidated annual financial statements, which have been prepared under the supervision of Nedbank Group Chief Financial Officer Raisibe Morathi, and audited in compliance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements.

Integrated report

The board of directors acknowledges its responsibility to ensure the integrity of the Integrated Report. The board has accordingly applied its mind to the report and is of the opinion that it addresses all material issues and fairly presents the integrated performance of the organisation and its impacts.

Year under review

The year under review will be fully covered in the Reflections from our Chair, Reflections from our Chief Executive, and Reflections from our Chief Financial Officer of the 2019 Nedbank Group Limited Integrated Report, which will be available at nedbankgroup.co.za on 20 April 2020.

Share capital

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note B4 to the annual financial statements.

American depositary shares

At 31 December 2019 Nedbank Group had 3 810 143 (31 December 2018: 4 694 341) American depositary shares in issue through the Bank of New York Mellon as depositary and trading on over-the-counter (OTC) markets in the United States. Each American depositary share is equal to one ordinary share.

Ownership

The Old Mutual Limited (OML) group has retained (in its shareholder funds) a strategic minority shareholding in Nedbank Group of 19,9% to underpin the ongoing commercial relationship between Nedbank Group and OML. Further details of shareholders appear in note 13 to the separate annual financial statements.

Dividends

The following dividends were declared in respect of the year ended 31 December 2019:

- Interim ordinary dividend of 720 cents per share (2018: 720 cents per share).
- Final ordinary dividend of 695 cents per share (2018: 720 cents per share).

Borrowings

Nedbank Group's borrowing powers are unlimited pursuant to the company's memorandum of incorporation. The details of borrowings appear in note D2.

Directors

Biographical details of the current directors appear online at nedbankgroup.co.za. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to them are set out in N3 and will be in the 2019 Remuneration Report, also available at nedbankgroup.co.za.

Details of the members of the board who served during the year and at the reporting date (including changes in directorate that occurred during the period under review) are given below:

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
Hubert Brody	Independent non-executive director	1 July 2017	
Mike Brown	Chief executive	17 June 2004	
Brian Dames	Independent non-executive director	30 June 2014	
Neo Dongwana	Independent non-executive director	1 June 2017	
Errol Kruger	Independent non-executive director	1 August 2016	
Rob Leith	Non-executive director	13 October 2016, and 1 January 2019	
Mpho Makwana	Lead Independent Director	17 November 2011	
Linda Makalima	Independent non-executive director	1 June 2017	
Tshilidzi Marwala	Independent non-executive director	27 May 2019	
Mantsika Matooane	Independent non-executive director	15 May 2014	
Raisibe Morathi	Chief Financial Officer and executive director	1 September 2009	
Peter Moyo	Non-executive director	11 June 2018	
Vassi Naidoo	Independent Chair	1 May 2015	
Joel Netshitenzhe	Independent non-executive director	5 August 2010	To retire on 22 May 2020
Mfundo Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
Stanley Subramoney	Independent non-executive director	23 September 2015	
Malcolm Wyman	Previous Lead Independent Director	1 August 2009	10 May 2019

REPORT FROM OUR DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

In terms of Nedbank Group's memorandum of incorporation one-third of the directors are required to retire at each Nedbank Group annual general meeting (AGM) and may offer themselves for election or reelection. The directors so retiring are firstly those appointed since the last shareholders' meeting, and thereafter those longest in office since their last election.

Tshilidzi Marwala was appointed by the board of directors after the AGM held on 10 May 2019 and, in terms of the memorandum of incorporation, his appointment terminates at the close of the AGM to be held on 22 May 2020. He is available for election.

Hubert Brody, Errol Kruger, Linda Makalima, Mpho Makwana and Mantsika Matooane are also required to seek reelection at the AGM and make themselves available for reelection. Separate resolutions will be submitted for approval at the AGM.

In terms of Nedbank Group policy non-executive directors of Nedbank Group who have served on the board for longer than nine years are required to retire at the conclusion of the first AGM held after the nine-year term, unless agreed to otherwise by the board.

Joel Netshitenzhe was appointed to the Nedbank Group board on 5 August 2010 and, having reached his nine-year term, retires at the conclusion of the AGM on 22 May 2020.

Directors' interests

The directors' and prescribed officers' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Limited at 31 December 2019 (and any movements therein up to the reporting date) are set out in the annual financial statements. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Group Audit Committee and Group Transformation, Social and Ethics Committee Reports

The Group Audit Committee Report is contained in these annual financial statements. The Group Transformation, Social and Ethics Committee Report will be included in the Governance and Ethics Review, a supplementary report to the 2019 Nedbank Group Integrated Report which will be released on 20 April 2020.

Company secretary and registered office

As part of the annual board evaluation process, the board of directors has conducted an assessment of the company secretary. The board is satisfied that Jackie Katzin is suitably competent, qualified and experienced, and has adequately and effectively performed the role and duties of a Company Secretary and provided the board with independent guidance and support. Ms Katzin has direct access to, and ongoing communication with, the Chair of the board. The Chair and the Company Secretary meet regularly throughout the year. Jackie Katzin is not a director of the company.

The addresses of the Company Secretary and the registered office are as follows:

Business address	Registered address	Postal address
Nedbank 135 Rivonia Campus 135 Rivonia Road Sandown Sandton 2196 SA	135 Rivonia Road Sandown Sandton 2196 SA	Nedbank Group Limited PO Box 1144 Johannesburg 2000 SA

Property and equipment

There was no material change in the nature of the fixed assets of Nedbank Group or its subsidiaries or in the policy regarding their use during the year.

Political donations

Nedbank Group has an established policy of not making donations to any political party.

Contracts and matters in which directors and officers of the company have an interest

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

Directors' and prescribed officers' service contracts

There are no service contracts with the directors of the company, other than for the Chair and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank Group's memorandum of incorporation.

The key responsibilities relating to Vassi Naidoo's position as Chair of Nedbank Group are encapsulated in a contract.

Service contracts have been entered into for Mike Brown, Mfundo Nkuhlu and Raisibe Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mike Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the full online supplementary 2019 Remuneration Report, which will be available at nedbankgroup.co.za on 20 April 2020.

Subsidiary companies

Details of principal subsidiary companies are reflected in note F3 to the annual financial statements.

Acquisition of shares

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders.

Shareholders will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

Events after the reporting period

The directors are not aware of any material events that have occurred between the reporting date and 2 March 2020.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK GROUP LIMITED

Report on the audit of the Nedbank Group Limited consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Nedbank Group Limited (the group and company) set out on pages 18 to 227 which comprise the consolidated and separate statements of financial position at 31 December 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cashflows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limited at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

We have determined that there are no key audit matters to communicate in relation to our audit of the separate financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK GROUP LIMITED continued

Key audit matter	How the matter was addressed in the audit

Impairment of loans and advances

Refer to Note C2 of the consolidated financial statements for selected disclosures applicable to this matter.

Loans and advances, which represent 70% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements.

The determination of impairment provisions for expected losses requires significant judgement, and we have identified the audit of expected credit loss (ECL) impairment provisions to be a key audit matter.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the group's application of IFRS 9 are detailed below.

The ECL model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), lease receivables and certain loan commitments, as well as financial guarantee contracts.

Under IFRS 9 loss allowances are measured on either of the following basis:

- 12 month ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

The group is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. Indicators of SICR in the retail portfolio may include short-term forbearance, direct debit cancellation, extension to the terms granted and previous arrears within the past months. The current economic climate has resulted in an increase in impairments related to these factors. Our audit approach was required to respond to consider the impact of this within the portfolios resulting in increased audit effort on this area of judgement.

Indicators of a SICR in the wholesale portfolio may include any of the following: significant increase in the credit spread, significant adverse changes in business, financial and/or economic conditions in which the client operates, actual or expected forbearance or restructuring, significant change in collateral value or early signs of liquidity and cashflow problems.

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the group's best available forward-looking information. The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss is low. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the group expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.

Our response to the key audit matter included performing the following audit procedures:

- Identifying relevant controls that address the impairment risks identified and evaluating the design and implementation, and in some cases the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and governance processes over allowances for loan impairments and other credit risk allowances.
- As part of the assessment of the governance, we observed key management forums where the ECLs were reviewed and challenged and post model adjustments were approved.
- We performed additional tests on manual journal entries, specifically looking at unusual combinations that impact the valuations of ECL.
- To evaluate the accuracy of ECL models, with the assistance of our specialists, we:
  1. performed an assessment of changes to definitions and methodologies (at a parameter and ECL calculation level);
  2. reperformed the IFRS 9 model build at a parameter level as well as the assessment of its components, e.g. probability of default, loss-given default, exposure at default, significant increase in credit risk; and
  3. reperformed the ECL, SICR and stage migration calculations.
- We have assessed the appropriateness of incorporating future modification gains and losses for cured restructured accounts where the zero percentage loss-given cure assumption is overridden by the modification loss percentage in the models in terms of IFRS 9.
- We have challenged the collateral management monitoring and valuation process and reviewed the legal documentation in support of collateral valuation and collateral validity in determining the ECL impact.
- We tested supporting documentation and calculations for out of model adjustments and assessed the quantification and rationale for reasonableness.
- We involved our economics specialists to evaluate the forward-looking models and focused on reviewing the suitability of the macroeconomic scenario forecasts generated as well as any changes made to processes or governance. Together with our economic specialists, we tested how scenarios have performed against actual economic factors and how they compare based on our knowledge of the industry.
- We tested the completeness, accuracy and validity of qualitative adjustments made to model results. In-model adjustments are typically audited through our independent assessment of models. We compare our model output to the final ECL provision incorporating adjustments.

Key audit matter	How the matter was addressed in the audit
The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The group measures ECL using probability of default (PD), exposure at default (EAD) and loss-given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset. The assessment of SICR and the calculation of ECL both incorporate forward-looking information as it incorporates assumptions which are subjective as they are subject to both judgement and estimation by management requiring specific audit attention. The group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio which require the use of specialists. These economic variables and their associated impact of the PD, EAD and LGD vary by financial instrument increasing audit effort. The group's economics unit provides a forecast of economic variables and an overview of the economy quarterly or more often, if necessary.	• We have assessed the appropriateness of the group's SICR methodology and calibrations of the ECL models and we have tested the stage allocations including SICR for a sample of individual exposures and portfolios. • We also tested a sample of loans and advances in stages 1, 2 and 3 to assess that they were included in the appropriate stage based on the criteria established by the group. • We made an independent assessment of methodologies and assumptions used to estimate the ECL for the Business Banking portfolio, involving credit risk and accounting specialists to assist us in this assessment. This included assessing refinements in methodologies made during the year. We tested the design and operating effectiveness of key controls focusing on the completeness and accuracy of external and internal data inputs into the ECL calculations. We involved specialists to review the ECL model development and code to test whether these appropriately reflected the group's policies and methodologies. • With regard to wholesale portfolio exposures: 1. We selected a sample of performing loans and advances and performed a detailed independent assessment of the expected credit losses. This included benchmarking internal ratings of loans and advances against external ratings and the ratings produced by a challenger model. 2. For a sample of loans and advances that had been individually evaluated and impaired, we challenged the valuation of impairment losses by developing an independent expectation of the amount of the allowance. This involved challenging the collateral value and assessing the reasonableness of expected cashflows. 3. For a sample of the more complex loans and advances, we used our own valuation specialists to assist the audit team in assessing the key valuation assumptions. 4. When performing work on the valuation of allowances, we considered any collateral held. Where management used specialists to perform the valuations, we evaluated their competence, capabilities and objectivity in performing these valuations.

Key audit matter	How the matter was addressed in the audit
Valuation of financial instruments carried at fair value	
Refer to Note 12 of the consolidated financial statements for selected disclosures applicable to this matter. At 31 December 2019, financial assets at fair value through profit or loss (FVTPL) represented 15.5% of total assets and financial liabilities at FVTPL represented 9% of total liabilities. Of the financial instruments (both assets and liabilities) carried at fair value, 6% were classified as level 3 in the fair value hierarchy as prescribed by IFRS 13 Fair Value Measurement. Financial instruments that are classified as level 3 in the fair value hierarchy will have some element of estimation uncertainty inherent in their value, and the uncertainty is higher for level 3 financial instruments which, by their nature, are unobservable. These portfolios include unlisted equity investments, loans and advances, investment securities and certain derivative financial instruments which are difficult to price as a result of applying highly complex or non-standard valuation models or subjective inputs that are not readily available and, which require the use of valuation specialists and additional audit focus on supporting the inputs. This risk applies to both individual financial instruments and also to portfolio valuation adjustments which are applied to adjust portfolios for risks that are not included in the model valuation. These portfolio adjustments are subjective in nature and may rely on inputs that are unobservable. In addition, certain financial instrument valuation techniques are subject to ever developing market practices which may increase the estimation uncertainty and alter the audit effort in each period. As the determination of the fair value of certain financial instruments is a key source of estimation uncertainty, is subject to significant judgements and represents a material balance, this matter was considered to be a key audit matter in our audit of the consolidated financial statements.	Our response to the key audit matter included performing the following audit procedures: • As part of the audit, we identified relevant controls over valuation of financial instruments carried at fair value and evaluated the design and implementation, and where relevant the operating effectiveness of these controls. We focused on controls over model governance, independent price verification and the daily profit or loss attribution processes. • We evaluated the models used by management and rates applied at year-end and used valuation tools to reperform valuations across a range of financial instruments. • For portfolio valuation adjustments, we focused on the appropriateness of any changes made to the valuation methodology and inputs during the year. Additionally, these were benchmarked to current market best practices to assess the appropriateness of the methodologies applied. • For portfolios of loans held at fair value, we challenged the key valuation inputs, which included interest rate yield curves and adjustments for liquidity and credit risk. • We performed additional tests on manual journal entries, specifically looking at unusual combinations that impact the valuations of financial instruments. • For a sample of unlisted private equity investments and investment securities, we challenged the key inputs and assumptions driving the valuation, and evaluated the models used. We considered sensitivities to key factors by performing the following: 1. Evaluated the appropriateness of the pricing multiples available from comparable listed companies, adjusted for comparability differences, size and liquidity; 2. for a sample of the more complex unlisted investments together with our valuation specialists we assessed the appropriateness of the valuation methodology applied and the key valuation assumptions made; and 3. evaluated the reasonability of the cashflows and discount rates used by comparing them to similar financial instruments. • We evaluated the disclosures made relating to the valuation of financial instruments in relation to the fair value categorisation and hierarchy, to assess consistency with the requirements of the relevant accounting standards and with the methodologies applied by management. • Where new valuation methodologies have been applied, we evaluated whether the model valuation methodologies used for material valuation risks are appropriate, involving independent valuation experts as part of our team. We evaluated the appropriateness of key assumptions and observable input sources and, where proxies were used, evaluated the appropriateness of these proxies.

Key audit matter	How the matter was addressed in the audit
Information technology (IT) environment	
The group's key financial accounting and reporting processes are highly dependent on the automated controls over the group's information systems. The IT environment is complex and pervasive to operations due to the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. There is a risk that vulnerabilities in the IT control environment, around user access, developer access and change management controls, on key financial accounting and reporting system could result in the financial accounting and reporting records being materially misstated. The group has a technology strategy called Managed Evolution that includes rationalising, standardising and simplifying its IT systems. The strategy includes the replacement of financial applications with newer applications, migrating data between platforms and changes in financial processes in the responses to these changes. Appropriate IT controls are required to ensure that applications continue to process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors as a result of the introduction of new systems, interfaces between systems and changes to applications and data. The changing IT environment results in us having to extend or modify our audit approach to take into account the changes to systems brought through the Managed Evolution strategy. Additional effort is required to test migration of data and also to understand, document and test controls to mitigate the risks of misstatement as a result of these changes. Significant audit effort is therefore spent on the audit of these systems as part of the audit process, as they are critical for the control environment of the group and therefore raised as a key audit matter.	Our response to the key audit matter included performing the following audit procedures, which included the use of IT auditors: • We evaluated the design and tested the operating effectiveness of IT controls over the applications, operating systems and databases that are relevant to accounting and financial reporting. • We evaluated user access and segregation of duties and relevant application controls within business processes. This included testing the reliability and continuity of the IT systems, the integrity of system interfaces, the completeness and accuracy of data feeds, automated calculations and specific input controls. • We evaluated and reviewed system migrations and implementation of the related technology changes, including change management controls that were material to financial reporting. Where control deficiencies were identified, we tested remediation activities performed by management and compensating controls in place. • We evaluated the reliability and continuity of the IT systems, to the extent necessary within the scope of our audit. For that purpose we included IT-auditors in our audit team. For relevant IT dependent controls within the financial reporting process we identified supporting general IT controls and evaluated their design, implementation, and operating effectiveness.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK GROUP LIMITED continued

Other matter

The consolidated and separate financial statements of Nedbank Group Limited for the year ended 31 December 2018, were audited by joint auditors, one of whom is no longer the joint auditor in the current period. The joint auditors for the prior year expressed an unmodified opinion on those financial statements on 4 March 2019.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 235 page document titled 'Nedbank Group Limited audited consolidated and separate annual financial statements for the year ended 31 December 2019' which includes the report from the Group Audit Committee, the Certification from the company secretary and the Directors' Report as required by the Companies Act of South Africa, as well as the (additional information not covered by the independent auditors report) contained in the audited consolidated and separate financial statements report, which we obtained prior to the date of this report. The other information also comprises the Nedbank Group Integrated Report for the year ended 31 December 2019, which is expected to be made available to us after the date of this report. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Nedbank Group Integrated Report for the year ended 31 December 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

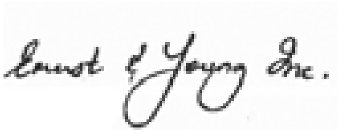
Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Group Limited for 46 years and Ernst Young Inc. has been the auditor of Nedbank Group Limited for 1 year.

Deloitte & Touche
Registered Auditor

Per: Lito Nunes
Chartered Accountant (SA)
Partner

2 March 2020



Ernst & Young Inc.
Registered Auditor

Per: Farouk Mohideen
Chartered Accountant (SA)
Director

2 March 2020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 Rm	2018 Rm
Interest received on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)	B6.1.1	**82 747**	75 536
Interest received on other financial instruments and similar income	B6.1.1	**933**	405
Interest and similar income		**83 680**	75 941
Interest expense and similar charges	B6.1.2	**53 513**	47 122
Net interest income		**30 167**	28 819
Impairments charge on financial instruments	C2.1	**6 129**	3 688
Income from lending activities		**24 038**	25 131
Non-interest revenue	B6.2	**25 997**	25 976
Operating income		**50 035**	51 107
Total operating expenses	B7	**32 179**	31 632
Zimbabwe hyperinflation	N1	**296**	
Indirect taxation	B8.1	**1 096**	942
Profit from operations before non-trading and capital items		**16 464**	18 533
Non-trading and capital items	B9	**(651)**	(164)
Profit from operations		**15 813**	18 369
Share of gains of associate companies	F2.1	**793**	528
Profit before direct taxation		**16 606**	18 897
Direct taxation	B8.2.1	**3 796**	4 762
Profit for the year		**12 810**	14 135
Other comprehensive (losses)/income (OCI) net of taxation	B8.2.3	**(1 075)**	(341)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations including the effect of hyperinflation		**(159)**	449
Share of OCI of investments accounted for using the equity method		**(1 025)**	(318)
Debt investments at FVOCI – net change in fair value		**(232)**	(20)
Items that may not subsequently be reclassified to profit or loss			
Gains/(losses) on property revaluations		**186**	(91)
Remeasurements on long-term employee benefit assets		**300**	(345)
Share of OCI of investments accounted for using the equity method		**(145)**	(16)
Total comprehensive income for the year		**11 735**	13 794
Profit attributable to:			
– Ordinary shareholders		**12 001**	13 376
– Holders of preference shares		**313**	323
– Holders of additional tier 1 capital instruments		**478**	267
– Non-controlling interest – ordinary shareholders		**18**	169
Profit for the year		**12 810**	14 135
Total comprehensive income attributable to:			
– Ordinary shareholders		**11 017**	13 175
– Holders of preference shares		**313**	323
– Holders of additional tier 1 capital instruments		**478**	267
– Non-controlling interest – ordinary shareholders		**(73)**	29
Total comprehensive income for the year		**11 735**	13 794
Basic earnings per share (cents)	B2	**2 500**	2 768
Diluted earnings per share (cents)	B2	**2 462**	2 712

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2019 Rm	2018 Rm
Assets			
Cash and cash equivalents	C6	**14 149**	13 162
Other short-term securities	C4	**64 451**	79 362
Derivative financial instruments	C7	**35 243**	22 692
Government and other securities	C3	**128 510**	96 791
Loans and advances	C1.1	**796 833**	736 305
Other assets	H3	**15 393**	19 836
Current taxation assets		**281**	186
Investment securities	F1	**28 961**	22 404
Non-current assets held for sale	H2	**735**	305
Investments in associate companies	F2	**3 917**	4 041
Deferred taxation assets	B8.3	**389**	254
Investment property		**56**	
Property and equipment[1]	G1	**11 977**	9 371
Long-term employee benefit assets	H1.1	**5 602**	4 966
Mandatory reserve deposits with central banks	C6	**23 486**	21 629
Intangible assets	G2	**13 366**	12 608
Total assets		**1 143 349**	1 043 912
Equity and liabilities			
Ordinary share capital	B4.1	**481**	477
Ordinary share premium		**18 096**	17 315
Reserves		**69 020**	65 986
Total equity attributable to ordinary equity holders		**87 597**	83 778
Holders of preference shares	B4.2	**3 222**	3 222
Holders of additional tier 1 capital instruments	B5	**6 850**	3 397
Non-controlling interest attributable to ordinary shareholders		**780**	874
Total equity		**98 449**	91 271
Derivative financial instruments	C7	**27 991**	20 003
Amounts owed to depositors	D1	**904 382**	825 804
Provisions and other liabilities[2]	K1.1	**23 297**	25 602
Current taxation liabilities		**161**	363
Non-current liabilities held for sale	H2	**598**	
Deferred taxation liabilities	B8.3	**939**	669
Long-term employee benefit liabilities	H1.1	**2 533**	2 749
Investment contract liabilities	D3	**24 571**	20 035
Insurance contract liabilities	D4	**715**	1 829
Long-term debt instruments	D2	**59 713**	55 587
Total liabilities		**1 044 900**	952 641
Total equity and liabilities		**1 143 349**	1 043 912

[1] *Includes right-of-use assets.*

[2] *Includes lease liabilities.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Reserves: Foreign currency translation reserve[1]	Reserves: Property revaluation reserve[2]
Balance at 1 January 2018	481 568 888	482	18 688	(1 580)	1 944
Shares issued in terms of employee incentive schemes	2 130 389	2	626		
Repurchase of odd-lot holdings	(7 056 639)	(7)	(1 972)		
Additional tier 1 capital instruments issued					
Shares (acquired)/no longer held by group entities and BEE schemes	486 097		(27)		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive income/(losses) for the year				191	(91)
Profit attributable to ordinary equity holders and non-controlling interest					
Exchange differences on translating foreign operations				589	
Movement in fair-value reserve					
Losses on property revaluations					(91)
Remeasurements on long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				(398)	
Transfer (from)/to reserves					(128)
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2018	**477 128 735**	**477**	**17 315**	**(1 389)**	**1 725**
Impact of adopting IFRS 16, net of taxation					
Balance at 1 January 2019	**477 128 735**	**477**	**17 315**	**(1 389)**	**1 725**
Shares issued in terms of employee incentive schemes	**4 170 790**	**4**	**825**		
Additional tier 1 capital instruments issued					
Shares (acquired)/no longer held by group entities and BEE schemes	**(125 146)**		**(44)**		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive (losses)/income for the year				**(855)**	**186**
Profit attributable to ordinary equity holders and non-controlling interest					
Exchange differences on translating foreign operations including the effect of hyperinflation[7]				**(68)**	
Movement in fair-value reserve					
Gains on property revaluations					**186**
Remeasurements on long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				**(787)**	
Transfer (from)/to reserves					**(72)**
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2019	**481 174 379**	**481**	**18 096**	**(2 244)**	**1 839**

[1] *This represents the cumulative foreign exchange differences that arise on the translation of an entity with a different functional currency than the presentation currency of the parent company. The cumulative reserve relating to a subsidiary or associate company or joint venture that is disposed of is included in the determination of profit/loss on disposal of the subsidiary, associate company or joint venture.*

[2] *This represents the cumulative amounts that have been recognised on the revaluation of group properties net of deferred taxation. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income.*

[3] *Equity-settled share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument, the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

	Reserves								
	Share-based payments reserve[3]	Other non-distributable reserves[4]	FVOCI reserve[5]	Other distributable reserves[6]	Total equity attributable to equity holders of the parent	Holders of preference shares	Holders of additional tier 1 capital instruments	Non-controlling interest attributable to ordinary shareholders	Total equity
	1 334	25	1 004	56 708	78 605	3 222	2 635	845	85 307
					628				628
					(1 979)				(1 979)
					–		750		750
				(59)	(86)				(86)
					–	(323)			(323)
					–		(255)		(255)
				(6 744)	(6 744)				(6 744)
	–	–	60	13 015	13 175	323	267	29	13 794
				13 376	13 376	323	267	169	14 135
					589			(140)	449
			(20)		(20)				(20)
					(91)				(91)
				(345)	(345)				(345)
			80	(16)	(334)				(334)
	(4)	(105)		237	–				–
	177				177				177
				2	2				2
	1 507	**(80)**	**1 064**	**63 159**	**83 778**	**3 222**	**3 397**	**874**	**91 271**
				(651)	**(651)**			**(7)**	**(658)**
	1 507	**(80)**	**1 064**	**62 508**	**83 127**	**3 222**	**3 397**	**867**	**90 613**
	(632)			**(197)**	**–**				**–**
					–		**3 500**		**3 500**
					(44)				**(44)**
					–	**(313)**			**(313)**
					–		**(525)**		**(525)**
				(7 112)	**(7 112)**			**(14)**	**(7 126)**
	–	**–**	**(470)**	**12 156**	**11 017**	**313**	**478**	**(73)**	**11 735**
				12 001	**12 001**	**313**	**478**	**18**	**12 810**
					(68)			**(91)**	**(159)**
			(232)		**(232)**				**(232)**
					186				**186**
				300	**300**				**300**
			(238)	**(145)**	**(1 170)**				**(1 170)**
	46	**25**		**1**	**–**				**–**
	591				**591**				**591**
				18	**18**				**18**
	1 512	**(55)**	**594**	**67 374**	**87 597**	**3 222**	**6 850**	**780**	**98 449**

4 *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves of R168m (2018: R143m) to comply with various banking regulations. This balance is offset by the Banco Único put option of R223m.*

5 *This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. The expected credit loss allowance relating to such debt instruments is also recognised in OCI and accumulated in this reserve. When the debt instrument is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. For investments in equity instruments the cumulative gain or loss is not recycled, but may be reclassified within equity on derecognition.*

6 *Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.*

7 *The initial application of IAS 29 resulted in an opening adjustment of R246m (non-controlling interest of R82m and R164m attributable to the parent). The effect of hyperinflation is further described in note N1.*

All movements are reflected net of taxation.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 Rm	2018 Rm
Cash generated by operations	M1	**29 357**	26 974
Cash received from clients	M2	**109 895**	101 558
Cash paid to clients, employees and suppliers	M3	**(82 006)**	(76 209)
Dividends received on investments	M4	**221**	354
Recoveries on loans previously written off		**1 247**	1 271
Change in funds for operating activities		**(9 853)**	(12 369)
Increase in operating assets	M5	**(93 763)**	(65 560)
Increase in operating liabilities	M6	**83 910**	53 191
Net cash from operating activities before taxation		**19 504**	14 605
Taxation paid	M7	**(4 726)**	(4 684)
Cashflows from operating activities		**14 778**	9 921
Cashflows utilised by investing activities		**(11 362)**	(6 848)
Acquisition of property and equipment, computer software and development costs and investment property		**(4 691)**	(4 250)
Disposal of property and equipment, computer software and development costs and investment property		**15**	16
Disposal of investment banking assets		**22**	5
Acquisition of associate companies		**(342)**	(548)
Acquisition of investment securities		**(10 770)**	(2 754)
Disposal of investment securities		**4 404**	683
Cashflows utilised by financing activities		**(630)**	(4 012)
Proceeds from issue of ordinary shares		**588**	542
Repurchase of odd-lot holdings			(1 979)
Issue of additional tier 1 capital instruments		**3 500**	750
Issue of long-term debt instruments	D2.1	**12 895**	9 504
Redemption of long-term debt instruments	D2.1	**(8 749)**	(5 495)
Capital repayments of lease liabilities		**(947)**	
Dividends paid to ordinary shareholders		**(7 126)**	(6 744)
Preference share dividends paid		**(313)**	(323)
Additional tier 1 capital instruments interest paid		**(478)**	(267)
Effects of exchange rate changes on opening cash and cash equivalents		**58**	(392)
Net increase/(decrease) in cash and cash equivalents[1]		**2 844**	(1 331)
Cash and cash equivalents at the beginning of the year[2]		**34 791**	36 122
Cash and cash equivalents at the end of the year[2]	C6	**37 635**	34 791

[1] *Includes the effect of hyperinflation. This is further described in Note N1.*

[2] *Including mandatory reserve deposits with central banks.*

SECTION A: ACCOUNTING POLICIES

A1 Principal accounting policies

The group's principal accounting policies in preparing the consolidated and separate financial statements of Nedbank Group Limited are disclosed in the individual sections of the financial statements. This section details the basis of preparation and key accounting policy elections.

A1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis. With the exception of the adoption of IFRS 16: Leases (effective on 1 January 2019) and IAS 29: Financial Reporting in Hyperinflationary Economies, these financial statements have been prepared on a basis consistent with the prior year. The new accounting standards and interpretations and amendments to existing accounting standards and interpretations effective in the current year that have a material impact on the group have been disclosed. The amendments to standards not yet effective at 31 December 2019 except IFRS 17: Insurance Contracts, are not expected to have a significant impact on implementation. During the year the group has complied with externally imposed capital requirements (refer to the Pillar 3 Risk and Capital Management Report available at nedbank.co.za for further information).

The consolidated and separate financial statements have been prepared in accordance with IFRS as issued by the IASB and IFRS IC, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, and the JSE Listings Requirements.

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Group Limited, together with its subsidiaries, including consolidated structured entities and associates, presented as a single entity (the group). The financial information presented in the separate financial statements comprises that of the parent company, Nedbank Group Limited (the company).

The financial statements of the group and company are presented in SA rand, the functional currency of the company, and are rounded to the nearest million rands.

A1.2 Accounting policy elections

The following accounting policy elections have been made by the group:

Asset/liability	Option	Election and implication	Note/section
Property and equipment	• International Accounting Standard (IAS) 16 permits the use of the cost or fair-value model for the subsequent measurement of property and equipment (choice per category).	• Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. • Revaluation surpluses are recognised in equity, through OCI. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income. • Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation and impairment. • Right-of-use assets in accordance with IFRS 16 are carried at cost less accumulated depreciation and impairment.	F1
Investment in venture capital divisions	• IAS 28 provides an exemption from applying the equity method of accounting if an investment in an associate is held by, or indirectly through, a venture capital organisation.	• Effective from 1 July 2018, the Investment Committee has elected to apply the equity method of accounting to Investment Banking's private-equity associates and joint-venture entities. As this election is made on an asset-by-asset basis on initial recognition, private-equity associates and joint-venture entities for which the fair value through profit or loss (FVTPL) election was made prior to 1 July 2018 remain at FVTPL. In addition, Property Partners' private-equity associates and joint-venture entities continue to be measured at FVTPL.	E2
Financial instruments	• IFRS 9 permits trade date or settlement date accounting for the regular-way purchase or sale of financial assets.	• Regular-way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	H
Investments in subsidiaries and associate companies in separate financial statements	• In terms of IAS 27, investments in subsidiaries and associate companies can be accounted for in the separate financial statements at cost, or in accordance with IFRS 9 or in terms of IAS 28.	• The group has elected to recognise investments in subsidiary companies at cost in the separate financial statements. • The group has elected to recognise investments in associate companies in the separate financial statements in terms of IAS 28, ie using the equity method of accounting.	Separate financial statements (available on request)

A2 Change in accounting policies: leases

The group as a lessee

IFRS 16: Leases (IFRS 16) was issued in January 2016 and replaces IAS 17: Leases (IAS 17) and its related interpretations for reporting periods that began on or after 1 January 2019.

Transitional approach

The group has elected to apply IFRS 16 retrospectively, using the modified approach. The modified approach allows for comparatives under the previously effective accounting requirements of IAS 17, IFRIC 4: Determining whether an arrangement contains a lease and SIC 27: Evaluating the substance of transactions in the legal form of a lease not to be restated. At 1 January 2019 corresponding transitional adjustments were made through opening retained earnings (including reversals of existing balances under the old lease accounting standards).

On adoption of IFRS 16 the group recognised a right-of-use asset and accompanying lease liability in relation to:

- enforceable leases at 31 December 2018; and
- those enforceable leases that had previously been classified as operating leases under the principles of IAS 17.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time on exchange for a consideration. Under IAS 17 the group assessed whether arrangements contained a lease based on establishing whether fulfilment of the arrangement was subject to the use of a specific asset and conveyed a right to use the asset. On transition the group elected not to reassess whether a contract is or contains, a lease. Instead, for contracts entered into before the date of initial application, the group relied on the process applied when those leases were still subject to the IAS 17 framework. The new lease definition under IFRS 16 has been applied only to contracts entered into on or after 1 January 2019.

In applying IFRS 16 for the first time, the group has applied the following practical expedients permitted by the standard:

- The group relied on previous assessments on whether leases are onerous when determining impairment of right-of-use assets on transition. There were no onerous leases on transition date.
- The group accounted for operating leases with a remaining lease term of less than 12 months at 1 January 2019 as short-term leases.
- The group did not include the initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The group applied the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- For Nedbank Africa Regions the group invoked the practical expedient election of adopting a single discount rate to a portfolio of homogenous leases with reasonably similar characteristics.
- The group has not applied the practical expedient to separate the non-lease components. The group does not account for the lease and non-lease components as a single-lease component.

The group as a lessor

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, the group continues to classify and account for leases as operating leases using substantially the same principles as under IAS 17.

Transitional impact: the group as a lessee

On transition lease liabilities were measured at the present value of unpaid lease payments from 1 January 2019 but discounted using the group's transition date incremental borrowing rate. The right-of-use assets were measured at the present value of unpaid lease payments from lease commencement but discounted using the group's transition date incremental borrowing rate. The discounted right-of-use assets calculated from commencement date were adjusted for the accumulated depreciation until transition date. The right-of-use assets were not adjusted by the amount of any prepaid or accrued lease payments relating to the IAS 17 balances recognised in the statement of financial position, as 31 December 2018 straight-lining balances were reversed against retained earnings.

The above policy election resulted in the group recognising lease liabilities of R3 751m and accompanying right-of-use assets of R2 711m. The recognition differential between the lease liabilities and right-of-use assets resulted in a temporary difference of R446m, giving rise to a deferred tax asset of R291m, which was recognised through retained earnings. An IAS 17 straight-lining liability balance of R126m and an accompanying deferred tax asset of R35m were reversed against retained earnings. The retained earnings impact (net of tax) resulting from the initial application of IFRS 16 combined with the reversal of IAS 17 balances, was R658m.

In determining the incremental borrowing rates (both on transition date of IFRS 16 and after transition), the group has made use of significant judgements, estimation techniques and assumptions surrounding inputs used in constructing the incremental borrowing rates (see accounting policy in note K1).

Refer to the accounting policies in respect of the initial and subsequent measurement of right-of-use assets (G1) and for the initial and subsequent measurement of lease liabilities (K1).

A2 Change in accounting policies: leases continued

Reconciliation of the IAS 17 operating lease note at 31 December 2018 to the IFRS 16 lease liabilities opening balance at 1 January 2019

	2019 Rm
31 December 2018 IAS 17 lease commitments (undiscounted)	**5 307**
Discounted operating lease commitments at 1 January 2019	**(1 418)**
Cashflows related to short-term leases	**(138)**
1 January 2019 lease liabilities	**3 751**

There were no material cashflows related to low-value leases, contracts reassessed to service arrangements and non-IFRS variable cashflows.

The weighted-average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8,0%.

	Balance at 31 December 2018 Rm	IFRS 16 transitional adjustments (post-tax) Rm	Adjusted balance at 1 January 2019 Rm
Ordinary share capital and share premium	17 792		**17 792**
Retained earnings	63 159	(651)	**62 508**
Other reserves	2 827		**2 827**
Total equity attributable to ordinary equity holders	83 778	(651)	**83 127**
Holders of preference shares	3 222		**3 222**
Holders of additional tier 1 capital instruments	3 397		**3 397**
Non-controlling interest attributable to ordinary shareholders	874	(7)	**867**
Total equity	91 271	(658)	**90 613**
Property and equipment (including right-of-use asset)	9 371	2 711	**12 082**
Total assets	9 371	2 711	**12 082**
Provisions and other liabilities (including lease liability)	25 602	3 751	**29 353**
Total liabilities	25 602	3 751	**29 353**

A3 Key assumptions concerning the future and key sources of estimation

The group's key accounting policy elections are set out in note A1.2 of the consolidated financial statements. Detailed accounting policies are disclosed in the notes to the consolidated financial statements. Certain policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial position since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. Further information on accounting policies, which include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used, are provided within the notes to the consolidated financial statements. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has agreed the accounting policies and critical accounting estimates with the board and Nedbank Group Audit Committee.

A2 Change in accounting policies: leases continued

A4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the group. The group's assessment of the impact of the new standards can be found in the following notes:

- IFRS 17: Insurance Contracts (refer to note D4).

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

SECTION B: SEGMENTAL AND PERFORMANCE-RELATED INFORMATION

B1 Segmental reporting

Accounting policy

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which components are regularly reviewed by the group's chief operating decisionmakers to make decisions about resources to be allocated and to assess its performance, and for which financial information is available.

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets.

The segments identified are complemented by the Centre, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to other performance measures is provided.

The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking and as reviewed by the chief operating decisionmaker, which in Nedbank Group Limited's case is the Group Executive Committee. The measure of segment profit is headline earnings.

Description of segments

Nedbank Corporate and Investment Banking

Nedbank CIB offers the full spectrum of transactional, corporate, investment banking and markets solutions, characterised by a highly integrated partnership approach. These solutions include lending products, advisory services, leverage fnancing, trading, broking, structuring, hedging and client coverage. The cluster has expertise in a broad spectrum of product and relationship-based solutions, including specialist corporate finance advice, innovative products and services, customised transactional banking and commercial property finance. Nedbank CIB's primary client-facing units are Markets, Investment Banking, Property Finance, Transactional Services and Client Coverage.

Nedbank Retail and Business Banking

Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth individuals serviced by Nedbank Wealth) and small businesses with a turnover of up to R30m to whom it offers a full spectrum of banking and assurance products and services. The retail product portfolio includes transactional accounts, home loans, vehicle and asset finance [including the Motor Finance Corporation (MFC)], card (both card-issuing and merchant-acquiring services), personal loans and investments. The business banking portfolio offers the full spectrum of commercial banking products and related services to entities with an annual turnover from R30m up to R750m.

Nedbank Wealth

Nedbank Wealth provides insurance, asset management and wealth management solutions to clients ranging from entry-level to high-net-worth individuals. Insurance provides life and non-life insurance solutions for individuals and businesses, including simple risk, funeral, vehicle, personal accident, credit life and investment solutions. Asset Management offers local and international unit trusts, cash management and multimanagement solutions. Wealth Management provides specialist services to meet the needs of high-net-worth clients locally and internationally, as well as trust and estate planning, stockbroking and financial planning for the broader Nedbank client base. Nedbank Wealth has operations in SA, London, Jersey, Guernsey, the United Arab Emirates and on the Isle of Man.

Nedbank Africa Regions

Nedbank Africa Regions is responsible for the group's banking operations and expansion activities in the rest of Africa and has client-facing subsidiaries (retail and wholesale banking) in Lesotho, Malawi, Namibia, Swaziland, Mozambique and Zimbabwe. The division also holds the 21,2% investment in ETI, manages the Ecobank–Nedbank Alliance and facilitates investments in other countries in Africa. Effective from 1 February 2020 the group disposed of its operations in Malawi (refer to note N2 for further details).

Centre

Centre is an aggregation of business operations that provide various support services to Nedbank Group Limited, and includes the following clusters: Group Finance; Group Technology; Group Strategic Planning and Economics; Group Human Resources; Enterprise Governance and Compliance; Group Risk; and Group Marketing, Communications and Corporate Affairs. Centre also includes Group Balance Sheet Management, which is responsible for capital management, funding and liquidity risk management, the management of banking book interest rate risk, margin management and strategic portfolio tilt.

B1 Segmental reporting continued

	Total		Nedbank Corporate and Investment Banking	
	2019	2018	**2019**	2018
Statement of financial position (Rm)				
Assets				
Cash and cash equivalents	**37 635**	34 791	**1 798**	4 719
Other short-term securities	**64 451**	79 362	**30 773**	53 946
Derivative financial instruments	**35 243**	22 692	**35 174**	22 653
Government and other securities	**128 510**	96 791	**63 270**	51 131
Loans and advances	**796 833**	736 305	**395 589**	358 639
Other assets	**80 677**	73 971	**17 122**	16 719
Intergroup assets	**–**	–		
Total assets	**1 143 349**	1 043 912	**543 726**	507 807
Equity and liabilities				
Total equity	**98 449**	91 271	**34 885**	33 555
Derivative financial instruments	**27 991**	20 003	**27 973**	19 986
Amounts owed to depositors	**904 382**	825 804	**379 656**	348 310
Provisions and other liabilities	**52 814**	51 247	**8 426**	15 878
Long-term debt instruments	**59 713**	55 587	**705**	979
Intergroup liabilities	**–**	–	**92 081**	89 099
Total equity and liabilities	**1 143 349**	1 043 912	**543 726**	507 807

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	6 168	3 105	**1 746**	1 562	**6 341**	5 615	**21 582**	19 790
			20 701	18 833	**4 083**	4 776	**8 894**	1 807
			7	6	**38**	10	**24**	23
					848	668	**64 392**	44 992
	349 396	326 763	**30 741**	31 111	**21 678**	21 037	**(571)**	(1 245)
	10 610	10 762	**24 238**	19 630	**4 898**	4 915	**23 809**	21 945
	11 577	14 984			**499**	497	**(12 076)**	(15 481)
	377 751	355 614	**77 433**	71 142	**38 385**	37 518	**106 054**	71 831
	30 573	28 471	**4 204**	4 225	**5 943**	6 812	**22 844**	18 208
			6	5	**11**	12	**1**	
	338 901	322 520	**40 060**	39 495	**30 223**	29 472	**115 542**	86 007
	5 829	3 534	**29 703**	24 764	**1 891**	894	**6 965**	6 177
	2 448	1 089			**317**	328	**56 243**	53 191
			3 460	2 653			**(95 541)**	(91 752)
	377 751	355 614	**77 433**	71 142	**38 385**	37 518	**106 054**	71 831

B1 Segmental reporting continued

	Total		Nedbank Corporate and Investment Banking	
	2019	2018	**2019**	2018
Statement of comprehensive income (Rm)				
Net interest income	**30 167**	28 819	**7 390**	7 246
Impairments charge on financial instruments	**6 129**	3 688	**917**	103
Income from lending activities	**24 038**	25 131	**6 473**	7 143
Non-interest revenue	**25 997**	25 976	**8 175**	8 521
Operating income	**50 035**	51 107	**14 648**	15 664
Total operating expenses	**32 179**	31 632	**6 604**	6 572
Zimbabwe hyperinflation	**296**	–		
Indirect taxation	**1 096**	942	**181**	86
Profit/(Loss) from operations[2]	**16 464**	18 533	**7 863**	9 006
Share of gains/(losses) of associate companies	**793**	528	**121**	(83)
Profit before direct taxation[2]	**17 257**	19 061	**7 984**	8 923
Direct taxation[2]	**3 942**	4 807	**1 836**	2 197
Profit after direct taxation[2]	**13 315**	14 254	**6 148**	6 726
Profit attributable to non-controlling interest:				
– Ordinary shareholders	**18**	169	**(19)**	12
– Preference shareholders	**313**	323		
– Additional tier 1 capital instrument noteholders	**478**	267		
Headline earnings/(loss)[4]	**12 506**	13 495	**6 167**	6 714
Selected ratios				
Non-interest revenue to total income (%)	**46,3**	47,4	**52,5**	54,0
Non-interest revenue to total operating expenses (%)	**80,8**	82,1	**123,8**	129,7
Cost-to-income ratio (%)	**56,5**	57,2	**42,1**	41,9
Effective taxation rate (%)	**22,8**	25,2	**23,0**	24,6
Revenue (Rm)[3]	**56 164**	54 795	**15 565**	15 767

[1] *Includes all group eliminations.*
[2] *These items are presented on a headline earnings basis and therefore exclude the impact of non-trading and capital items and tax thereon.*
[3] *Revenue is calculated as net interest income plus non-interest revenue.*
[4] *Includes the effect of hyperinflation. This is further described in note N1.*

Depreciation costs of R2 454m (2018: R1 512m) and amortisation costs of R1 232m (2018: R1 033m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

During the year management determined that the results of the group's investment in Ecobank Transnational Incorporated (ETI) should be reported solely as part of the Nedbank Africa Regions Cluster's performance, and the previous distinction between managed operations and ETI is therefore no longer required.

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	19 831	18 692	**1 148**	1 113	**1 547**	1 627	**251**	141
	4 823	3 433	**57**	39	**233**	113	**99**	
	15 008	15 259	**1 091**	1 074	**1 314**	1 514	**152**	141
	13 318	12 591	**3 436**	3 484	**1 220**	1 206	**(152)**	174
	28 326	27 850	**4 527**	4 558	**2 534**	2 720	**–**	315
	20 384	20 032	**3 113**	3 012	**2 427**	2 416	**(349)**	(400)
					296			
	548	275	**113**	108	**58**	37	**196**	436
	7 394	7 543	**1 301**	1 438	**(247)**	267	**153**	279
					672	611		
	7 394	7 543	**1 301**	1 438	**425**	878	**153**	279
	2 059	2 114	**259**	305	**(64)**	23	**(148)**	168
	5 335	5 429	**1 042**	1 133	**489**	855	**301**	111
					32	153	**5**	4
	42	50					**271**	273
							478	267
	5 293	5 379	**1 042**	1 133	**457**	702	**(453)**	(433)
	40,2	40,2	**75,0**	75,8	**44,1**	42,6		
	65,3	62,9	**110,4**	115,7	**50,3**	49,9		
	61,5	64,0	**67,9**	65,5	**70,6**	70,2		
	27,8	28,0	**19,9**	21,2	**(15,0)**	2,6		
	33 149	31 283	**4 584**	4 597	**2 767**	2 833	**99**	315

B2 Earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

	Basic		Headline	
	Basic	**Diluted**	**Basic**	**Diluted**
2019				
Profit attributable to ordinary equity holders (Rm)	**12 001**	**12 001**	**12 001**	**12 001**
Adjusted for:				
– Non-trading and capital items (note B9)			**651**	**651**
– Taxation on non-trading and capital items (note B8.2.1)			**(146)**	**(146)**
Adjusted profit attributable to ordinary equity holders (Rm)	**12 001**	**12 001**	**12 506**	**12 506**
Weighted-average number of ordinary shares	**479 960 027**	**479 960 027**	**479 960 027**	**479 960 027**
Adjusted for:				
– Share schemes that have a dilutive effect		**7 518 415**		**7 518 415**
Adjusted weighted-average number of ordinary shares	**479 960 027**	**487 478 442**	**479 960 027**	**487 478 442**
Earnings per share (cents)	**2 500**	**2 462**	**2 605**	**2 565**
2018				
Profit attributable to ordinary equity holders (Rm)	13 376	13 376	13 376	13 376
Adjusted for:				
– Non-trading and capital items (note B9)			164	164
– Taxation on non-trading and capital items (note B8.2.1)			(45)	(45)
Adjusted profit attributable to ordinary equity holders (Rm)	13 376	13 376	13 495	13 495
Weighted-average number of ordinary shares	483 240 926	483 240 926	483 240 926	483 240 926
Adjusted for:				
– Share schemes that have a dilutive effect		9 918 265		9 918 265
Adjusted weighted-average number of ordinary shares	483 240 926	493 159 191	483 240 926	493 159 191
Earnings per share (cents)	2 768	2 712	2 793	2 736

The diluted-earnings-per-share calculations are based on the group's daily average share price of 24 954 cents (2018: 27 017 cents).

B3 Dividends

B3.1 Ordinary shares

	Last day to trade (cum dividend)	Cents per share	Rm
2019			
Final declared for 2018 – paid 2019	**2 April 2019**	**720**	**3 541**
Interim declared for 2019	**10 September 2019**	**720[1]**	**3 585**
Ordinary dividends paid 2019		**1 440**	**7 126**
Final ordinary dividend declared for 2019		**695[1]**	

[1] *Total dividend declared for 2019 was 1 415 cents per share and the dividend cover ratio equalled 1,84 times.*

2018			
Final declared for 2017 – paid 2018	3 April 2018	675	3 347
Interim declared for 2018	4 September 2018	695[2]	3 397
Ordinary dividends paid 2018		1 370	6 744
Final ordinary dividend declared for 2018	2 April 2019	720[2]	

[2] *Total dividend declared for 2018 was 1 415 cents per share and the dividend cover ratio equalled 1,97 times.*

Dividend distributions include payments to participants in employee and BEE share schemes.

B3.2 Non-controlling interest – preference shareholders

Dividends declared	Number of shares	Cents per share	Amount Rm
2020			
Nedbank – Final (dividend no 34) declared for 2019 – payable April 2020	**358 277 491**	**42,11186**	**150,9**
2019			
Nedbank – Final (dividend no 32) declared for 2018 – paid March 2019	**358 277 491**	**42,23172**	**151,3**
Nedbank – Interim (dividend no 33) declared for 2019 – paid September 2019	**358 277 491**	**42,35729**	**151,8**
Total of dividends declared			**303,1**
Nedbank (MFC) – participating preference shares[1]			**41,7**
Less: Dividends declared in respect of shares held by group entities			**(31,6)**
			313,2
2018			
Nedbank – Final (dividend no 30) declared for 2017 – paid March 2018	358 277 491	43,17350	154,7
Nedbank – Interim (dividend no 31) declared for 2018 – paid August 2018	358 277 491	41,82076	149,8
Total of dividends declared			304,5
Nedbank (MFC) – participating preference shares[1]			50,0
Less: Dividends declared in respect of shares held by group entities			(31,7)
			322,8

[1] *Profit share calculated semi-annually.*

B4 Share capital

Accounting policy

Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the group after deducting all its liabilities.

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received, less incremental directly attributable issue costs, net of any related income tax benefits. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's equity instruments.

Distributions to holders of equity instruments are recognised as distributions in the statement of changes in equity in the period in which they are payable. Dividends for the year that are declared after the reporting date are disclosed in note B3 to the financial statements.

Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted-average number of shares and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

B4.1 Ordinary share capital

	2019 Rm	2018 Rm
Authorised		
600 000 000 (2018: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
497 053 536 (2018: 493 182 664) fully paid ordinary shares of R1 each	**497**	493
Treasury shares arising from share repurchases by subsidiaries of 15 879 157 (2018: 16 053 929) fully paid ordinary shares of R1 each	**(16)**	(16)
	481	477

Subject to the restrictions imposed by the Companies Act, 71 of 2008, and by shareholders in terms of the authority previously provided, the unissued shares are under the control of the directors until the forthcoming AGM.

The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (for both employees and third parties).

B4.2 Preference share capital and premium

	2019 Rm	2018 Rm
Authorised		
Nedbank Group Limited preference share capital and premium		
1 000 000 (2018: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	**10 000**	10 000
Nedbank Limited preference share capital and premium		
1 000 000 000 (2018: 1 000 000 000) non-redeemable non-cumulative, non-participating preference shares of R0,001 each	**1**	1
5 000 class A redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
5 000 class B redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
Issued		
Nedbank Limited preference share capital and premium		
358 277 491 (2018: 358 277 491) non-redeemable non-cumulative, non-participating preference shares of R0,001 each	[1]	[1]
100 class A redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
100 class B redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
Preference share premium	**3 222**	3 222
	3 222	3 222

[1] *Represents amounts less than R1m.*

The preference shares are classified as equity instruments. All redeemable preference shares are redeemable at the option of the group.

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83,33% of the prevailing prime rate on a deemed value of R10 and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates, respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the company, except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the company or to reduce its share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the company.

No shares in the capital of the company, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the memorandum of incorporation.

B5 Holders of additional tier 1 capital instruments

The group issued new style (Basel III compliant) additional tier 1 (AT 1) capital instrument as follows:

Instrument code	Date of issue	Call date	Instrument terms	2019 Rm	2018 Rm
Subordinated callable notes (rand-denominated)					
NEDT1A[1]	20 May 2016	21 May 2021	3-month JIBAR + 7,00% per annum	**1 500**	1 517
NEDT1B[1]	25 November 2016	26 November 2021	3-month JIBAR + 6,25% per annum	**500**	505
NGLT1A	30 June 2017	1 July 2022	3-month JIBAR + 5,65% per annum	**600**	613
NGLT1B	19 October 2018	20 October 2023	3-month JIBAR + 4,64% per annum	**750**	762
NGT103	22 March 2019	25 March 2024	3-month JIBAR + 4,40% per annum	**671**	
NGT104	24 June 2019	15 January 2025	3-month JIBAR + 4,50% per annum	**1 829**	
NGT105	22 November 2019	22 May 2025	3-month JIBAR + 4,25% per annum	**1 000**	
Total				**6 850**	3 397

[1] *These instruments were issued by a subsidiary of the group, Nedbank Limited, and are therefore classified as a non-controlling interest.*

The AT 1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Group Limited or Nedbank Limited, from the applicable call date and following a regulatory or tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. If certain conditions are reached, the regulator may prohibit Nedbank from making interest payments. Accordingly, the instruments are classified as equity instruments and disclosed as part of the non-controlling shareholders.

B6 Revenue

Accounting policy

Interest income and expense

In terms of IFRS 9 interest income and expense are recognised in profit or loss using the effective-interest method, taking into account the expected timing and amount of cashflows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

IFRS 15: Revenue from Contracts with Customers

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The group has concluded that the loyalty points awarded to clients are consideration payable to our clients' clients in terms of IFRS 15. IFRS 15 requires revenue to be decreased by the amount expected to be payable to clients, which is recognised as a liability until payment is effected.

B6 Revenue continued

Accounting policy continued

IFRS 15: Revenue from Contracts with Customers continued

- **Revenue**

  The group assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS 15. If so, the revenue will be recognised only when the group can:

  » identify the contract;

  » identify the performance obligation;

  » determine the transaction price;

  » allocate the transaction price to the performance obligations in the contract; and

  » recognise the revenue as and when the performance obligation is satisfied.

  The group is able to identify the contract when both the client and the group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The group recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

- **Commission and fees income**

  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

  - Income earned on the execution of a distinct performance obligation is recognised when the distinct performance obligation has been performed. Revenue is recognised at a point in time.
  - Income earned from the provision of services is recognised over time as the performance obligation is fulfilled.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income in terms of IFRS 9.
  - Fees charged for servicing a loan are recognised in revenue as the performance obligation is provided, which in most instances occurs monthly when the fees are levied.

- **Principal versus agent**

  When the group acts as a principal, it is deemed to be purchasing and selling financial instruments on its own behalf and therefore reports profits and losses as part of net trading income. When the group acts as an agent, the net commission or markup earned is reported as fee income and costs incurred on behalf of the principal are not reported in the statement of comprehensive income.

  Where costs are not directly reimbursed, or not included in the cost basis used for calculating a markup, it may be appropriate to gross up and separately report the costs within 'commission and fees expense'.

- **Directly attributable and incremental costs**

  The types of expenses that are presented as part of non-interest revenue are those incremental costs that are directly attributable to the revenue generated. The group defines incremental expenses as those that would not have been incurred had it not been for the acquisition of a contract that generated the revenue.

- **Commitment fees**

  The group typically earns commitment fees on lending facilities, such as credit facility fees and revolving-credit-facility fees. The fees are typically charged for making the facilities available to the client.

  The group recognises commitment fees as follows:

  - Commitment fees that arise from instruments that are not classified and measured at FVTPL, ie financial instruments that are classified and measured at amortised cost or FVOCI:

    » where drawdown is unlikely, ie remote or uncertain, the related commitment fees should be recognised as revenue in terms of IFRS 15 on a time-proportionate basis and over the period that the facility is provided; and

    » where drawdown is probable, the related commitment fee is recognised as part of the effective interest rate over the life of the facility.
  - Commitment fees that relate to a loan commitment that is measured and classified as FVTPL will be included in the cashflows used to determine the fair value of the loan commitment.

B6 Revenue continued

Accounting policy continued

IFRS 15: Revenue from Contracts with Customers continued

- **Non-refundable upfront fees**

  Non-refundable upfront fees normally relate to the issuing or administration of a loan facility. These fees will be recognised as revenue when the performance obligation is satisfied. This is applicable when the non-refundable performance obligation can be satisfied over time or at a point in time.

  To apply this principle the group first assesses if the contract is satisfied over time. Should this be the case, the revenue is spread over the period of the contract on a time-proportionate basis. If the performance obligation is not satisfied over time and instead satisfied at a point in time, the revenue is recognised when the service is complete and no further performance obligations are required according to the contract.

  The group recognises non-refundable upfront fees that are an integral part of a loan in net interest income through the unwinding of the effective interest rate.

- **Net insurance income**

  Net insurance income comprises premiums written on insurance contracts entered into during the year, with the earned portion of premiums received recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Premiums are disclosed gross of commission payable and reinsurance premiums. Claims incurred consist of claims and claims-handling expenses paid during the financial year for the movement in provision for outstanding claims. Outward reinsurance premiums are accounted for in the same accounting period as premiums for the related direct insurance.

- **Dividend income**

  Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income under non-interest revenue.

- **Net trading income**

  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

- **Revenue on investment management contracts**

  Fees charged for investment management services in conjunction with investment management contracts are recognised as revenue over time when the performance obligation is fulfilled. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided.

- **Other**

  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction can be measured reliably. It is probable that the economic benefits of the transaction will flow to the group and the costs associated with the transaction or service can be measured reliably.

  Fair-value gains or losses on financial instruments at FVTPL, including derivatives, are included in non-interest revenue. These fair-value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense. Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

B6.1 Net interest income

B6.1.1 Interest and similar income

	2019 Rm	2018 Rm
Home loans (including properties in possession)	**15 073**	14 314
Commercial mortgages	**16 369**	15 581
Instalment debtors	**14 277**	13 099
Credit cards	**2 581**	2 461
Overdrafts	**2 373**	2 081
Term and other loans	**18 358**	15 982
Personal loans	**5 151**	4 764
Government and other securities	**7 162**	4 388
Short-term funds and securities	**2 336**	3 271
	83 680	75 941
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments at amortised cost	**81 396**	75 031
– Interest and similar income from financial instruments at FVOCI	**1 351**	505
– Interest and similar income from financial instruments at FVTPL	**933**	405
	83 680	75 941

B6.1.2 Interest expense and similar charges

	2019 Rm	2018 Rm
Deposit and loan accounts	**30 628**	28 469
Current and savings accounts	**1 074**	1 016
Negotiable certificates of deposit[2]	**8 283**	7 344
Other interest-bearing liabilities[1,2]	**11 626**	10 244
Long-term debt instruments	**5 338**	5 116
Interest expense related to fair-value activities[2]	**(3 436)**	(5 067)
	53 513	47 122
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments at amortised cost	**52 718**	47 110
– Interest expense and similar charges from financial instruments at FVTPL	**795**	12
	53 513	47 122

[1] *Includes interest expense of R293m related to lease liabilities.*

[2] *During the year the group reviewed the presentation of interest expense and similar charges. As a result of this review, the interest expense and similar charges have been enhanced to reflect the gross interest expense and the related allocation of interest incurred at amortised cost liabilities used to fund the group's fair-value trading activities. Previously, the disclosure had been provided on a net basis. To provide comparability the prior-year balances have been restated to reflect the gross positions. However, the net interest expense and similar charges remained at R47 122m. Management is of the view that the additional information provides more relevant information for users to better understand the group's amortised-cost funding applied to the group's trading activities.*

Interest expense and similar charges includes the effect of hyperinflation. This is further described in note N1.

B6 Revenue continued

B6.2 Non-interest revenue

	2019 Rm	2018 Rm
Commission and fees income[2]	**22 503**	21 697
Administration fees	**1 255**	1 203
Card income	**6 101**	5 710
Cash-handling fees	**1 136**	1 056
Exchange commission	**652**	554
Guarantee income	**267**	275
Insurance commission	**752**	780
Other commission	**5 137**	4 673
Other fees	**2 651**	3 098
Service charges	**4 552**	4 348
Commission and fees expense	**(3 764)**	(3 418)
Administration fees	**(3)**	(2)
Card income	**(2 358)**	(2 054)
Insurance commission	**(236)**	(236)
Other commission	**(746)**	(687)
Other fees	**(412)**	(434)
Service charges	**(9)**	(5)
Net insurance income (note B6.2.2)	**1 837**	1 859
Fair-value adjustments (note B6.2.1)	**60**	(2)
Fair-value adjustments	**(49)**	(30)
Hedged-accounted portfolios	**109**	28
Net trading income[3]	**4 524**	4 429
Foreign exchange	**1 291**	1 460
Debt securities	**2 708**	2 482
Equities	**426**	445
Commodities	**99**	42
Private-equity income	**262**	697
Realised gains, interest and other income	**678**	524
Unrealised losses	**(461)**	(157)
Dividends received	**45**	330
Investment income	**198**	29
Dividends received on investments	**176**	24
Long-term-asset sales	**22**	5
Net sundry income	**377**	685
Rents received	**53**	50
Rental income from properties in possession	**[1]**	[1]
Other sundry income	**324**	635
	25 997	25 976

1 *Represents amounts less than R1m.*

2 *Commission and fees income includes R1 819m (2018: R1 990m) related to trust and fiduciary fees.*

3 *Trading income includes R3 436m (2018: R5 067m) of amortised-cost funding related to fair-value activities. Please refer note B6.1.2 for further details.*

Non-interest revenue includes the effect of hyperinflation. This is further described in note N1.

B6.2.1 Analysis of fair-value adjustments

	2019 Rm	2018 Rm
Fair-value adjustments can be analysed as follows:		
– Financial instruments designated as FVTPL	**1 825**	3
– Financial instruments mandatorily at fair value	**(1 765)**	(5)
	60	(2)

B6.2.2 Net insurance income

	2019 Rm	2018 Rm
Insurance contract income	**1 780**	1 768
Net insurance premium income	**3 246**	3 056
Gross premiums received	**3 437**	3 255
Reinsurance premiums	**(191)**	(199)
Net insurance claims and benefits	**(2 327)**	(1 661)
Gross claims and benefits paid	**(2 395)**	(1 756)
Reinsurance recoveries	**68**	95
Net commission and administration fees paid	**(232)**	(264)
Investment income	**140**	153
Changes in insurance contracts	**953**	484
Investment contract income	**57**	91
Investment income	**501**	318
Changes in investment contracts	**(444)**	(227)
	1 837	1 859

B7 Total operating expenses

	2019 Rm	2018 Rm
Staff costs	**17 322**	17 450
Remuneration and other staff costs	**15 282**	14 487
Short-term incentives	**1 980**	2 625
Long-term employee benefits (note H1.1)[1]	**(510)**	(400)
Share-based payments expense – employees	**570**	738
Computer processing	**4 878**	4 341
Depreciation of computer equipment	**746**	753
Depreciation of right-of-use assets: computer equipment	**79**	
Amortisation of computer software	**1 167**	958
Short-term lease charges for computer equipment	**217**	336
Development costs	**377**	187
Other computer-processing expenses	**2 292**	2 107
Communication and travel	**845**	841
Depreciation of vehicles	**7**	8
Other communication and travel expenses	**838**	833
Occupation and accommodation	**2 274**	2 416
Depreciation of owner-occupied land and buildings	**451**	423
Depreciation of right-of-use assets: land and buildings	**813**	
Short-term lease charges for land and buildings		914
Other occupation and accommodation expenses	**1 010**	1 079
Marketing and public relations	**1 455**	1 532
Fees and assurances	**4 152**	3 989
Auditors' remuneration	**171**	195
Statutory and regulatory audit	**167**	163
Non-audit services	**4**	32
Other fees and assurance costs	**3 981**	3 794
Furniture, office equipment and consumables	**683**	644
Depreciation of furniture and other equipment	**358**	328
Short-term lease charge for furniture and other equipment	**13**	14
Other office equipment and consumables	**312**	302
Other operating expenses	**570**	419
Amortisation of intangible assets	**65**	75
BBBEE share-based payments expenses		3
Other sundries	**505**	341
	32 179	31 632

[1] *Includes contributions to defined-benefit and pension funds and postretirement medical aid funding and any adjustments for defined-benefit obligations together with any fair-value adjustments of plan assets held. See note H1.*

Operating expenses includes the effect of hyperinflation. This is further described in note N1.

B8 Taxation

Accounting policy

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity and, to the extent that it relates to items recognised in other comprehensive income (OCI), in which case it is also recognised in OCI. The group recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the group originally recognised those past transactions or events.

Current taxation
Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

Deferred taxation
Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation basis. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they are reversed.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in OCI, or a business combination that is accounted for as an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity or OCI.

Deferred-taxation liabilities are recognised for all taxable temporary differences, and deferred-taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred-taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred-taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

B8.1 Indirect taxation

	2019 Rm	2018 Rm
Value-added taxation[1]	**860**	730
Transaction-based taxes	**236**	212
	1 096	942

[1] *Comprises the value-added taxation incurred that is irrecoverable in respect of the making of exempt supplies as defined in the Value-Added Tax Act, 89 of 1991.*

B8.2 Direct taxation

B8.2.1 Charge for the year

	2019 Rm	2018 Rm
SA normal taxation:		
– Current charge	**3 405**	4 353
– Capital gains taxation – deferred	**2**	41
– Deferred taxation	**406**	75
Foreign taxation	**358**	438
Current and deferred taxation on income	**4 171**	4 907
Prior-year overprovision	**(229)**	(100)
Total taxation on income	**3 942**	4 807
Taxation on non-trading and capital items	**(146)**	(45)
	3 796	4 762

B8 Taxation continued

B8.2 Direct taxation continued

B8.2.2 Taxation rate reconciliation

	2019 Rm	2018 Rm
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable income	**(1,8)**	(1,4)
Share of profits of associate companies	**(1,3)**	(0,9)
Capital items	**(0,2)**	(0,1)
Foreign income and section 9D attribution	**(1,0)**	(0,6)
Additional tier 1 capital instruments[1]	**(0,8)**	
Net monetary loss (note N1)	**0,3**	
Non-deductible expenses	**0,8**	0,7
Prior-year overprovision	**(1,2)**	(0,5)
Effective taxation rate	**22,8**	25,2

[1] *With effect from 1 January 2019, the accounting treatment of additional tier 1 capital instruments changed in terms of IFRS. The taxation relief on interest paid on additional tier 1 capital instruments is now accounted for in comprehensive income (previously in equity). However, the underlying interest paid on additional tier 1 capital instruments is still accounted for in equity. Comparative information has not been restated as the amounts are not material.*

B8.2.3 Income tax recognised in other comprehensive income

Rm	Gross	Taxation	Net of taxation
2019			
Exchange differences on translating foreign operations	**(159)**		**(159)**
Share of OCI of investments accounted for using the equity method	**(1 170)**		**(1 170)**
Debt investments at fair value through OCI (FVOCI) – net change in fair value	**(321)**	**89**	**(232)**
Remeasurements on long-term employee benefit assets	**417**	**(117)**	**300**
Gains on property revaluations	**255**	**(69)**	**186**
2018			
Exchange differences on translating foreign operations	449		449
Share of OCI of investments accounted for using the equity method	(334)		(334)
Debt investments at fair value through OCI (FVOCI) – net change in fair value	(26)	6	(20)
Remeasurements on long-term employee benefit assets	(480)	135	(345)
Gains on property revaluations	(112)	21	(91)

B8.2.4 Future taxation relief

The group has estimated taxation losses of R615m (2018: R410m) that can be set off against future taxable income, of which R128m (2018: R154m) has been applied to the deferred taxation balance.

	2019 Rm	2018 Rm
B8.3 Deferred taxation		
The analysis of deferred-tax assets and deferred-tax liabilities is as follows:		
Deferred-taxation assets		
– Deferred-taxation assets to be recovered after more than 12 months	**389**	254
	389	254
Deferred-taxation liabilities		
– Deferred-taxation liabilities to be recovered after more than 12 months	**(939)**	(669)
	(939)	(669)
Net deferred-taxation liabilities	**(550)**	(415)
The gross movement on the deferred-income taxation account is as follows:		
– Balance at the beginning of the year	**(415)**	(572)
– Statement of comprehensive income charge	**(316)**	(37)
– Tax charge/(credit) relating to components of other comprehensive income	**(97)**	162
– Tax (credit)/charge directly to equity	**284**	88
– Reclassification between taxation types and categories	**(6)**	(56)
Balance at the end of the year	**(550)**	(415)

The movement in deferred-taxation assets and liabilities during the year, without taking into consideration the offsetting of balances with the same tax jurisdiction is as follows:

Deferred-taxation assets	IFRS 16	Credit impairments	Deferred revenue	Medical aid	Provisions	Taxation losses	Total
Balance at 31 December 2017		1 548	198	214	722	93	2 775
Charged/(credited) to the income statement		(192)	19	(21)	723	(50)	479
Charged to other comprehensive income				100			100
Charged/(credited) directly to equity		178	186		(136)		228
Reclassification between taxation types and categories				(214)	(212)		(426)
Balance at 31 December 2018	**–**	**1 534**	**403**	**79**	**1 097**	**43**	**3 156**
Charged/(credited) to the income statement	**27**	**474**	**42**	**(10)**	**(268)**	**(8)**	**257**
Charged to other comprehensive income				**(101)**			**(101)**
Charged directly to equity	**253**				**59**		**312**
Reclassification between taxation types and categories				**32**	**(6)**		**26**
Balance at 31 December 2019	**280**	**2 008**	**445**	**–**	**882**	**35**	**3 650**

B8 Taxation continued

B8.3 Deferred taxation continued

Deferred-taxation liabilities	Accelerated asset allowances	Property revaluations	Deferred acquisition costs
Balance at 31 December 2017	(578)	(669)	(595)
(Credited)/charged to the income statement	(376)		(107)
(Credited)/charged to other comprehensive income		21	
Charged/(credited) directly to equity		42	
Reclassification between tax types and categories			
Balance at 31 December 2018	**(954)**	**(606)**	**(702)**
(Credited)/(charged) to the income statement	**(470)**		**(88)**
(Credited)/charged to other comprehensive income[1]		**(69)**	
Charged/(credited) directly to equity		**28**	
Reclassification between tax types and categories			
Balance at 31 December 2019	**(1 424)**	**(647)**	**(790)**

[1] *Includes the effect of hyperinflation. This is further described in note N1.*

B9 Non-trading and capital items

Accounting policy

Profit from operations before non-trading and capital items

Non-trading and capital items and fair-value adjustments of investment properties are separately disclosed on the face of the statement of comprehensive income, being remeasurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2019: Headline Earnings. The principal items that will be included under these measures are gains and losses on sale of property and equipment, impairment of property, equipment and intangible assets and fair-value adjustments of investment properties (other than those arising from the investment properties held by the group's life insurance subsidiaries).

	2019		2018	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary equity holders		**12 001**		13 376
Non-trading and capital items	**651**	**505**	164	119
IAS 16 loss on disposal of property and equipment	**18**	**13**	29	21
IAS 36 goodwill impairment	**117**	**117**		
IAS 36 impairment of property and equipment	**148**	**107**		
IFRS 5 impairment of non-current assets held for sale	**48**	**48**		
IFRS 16 impairment of right-of-use assets	**33**	**24**		
IAS 36 impairment of intangible assets	**289**	**198**	135	98
IAS 40 profit on revaluation of investment properties	**(2)**	**(2)**		
Headline earnings		**12 506**		13 495

Pension fund	Capital investments	Share-based payments	FVOCI	Acquired intangible assets	Total
(867)	(178)	(138)		(292)	(3 317)
(42)	(21)	11		19	(516)
35			6		62
		43	(255)		(170)
214				156	370
(660)	**(199)**	**(84)**	**(249)**	**(117)**	**(3 571)**
(153)	**70**	**30**		**38**	**(573)**
(16)			**89**		**4**
		(56)			**(28)**
(32)					**(32)**
(861)	**(129)**	**(110)**	**(160)**	**(79)**	**(4 200)**

SECTION C: CORE BANKING ASSETS

Accounting policy

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities.

C1 Loans and advances

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings.

C1.1 Categories of loans and advances

	2019 Rm	2018 Rm
Mortgage loans	**342 039**	322 635
Home loans	**162 238**	156 414
Commercial mortgages	**179 801**	166 221
Instalment debtors	**130 067**	121 003
Credit cards	**17 089**	16 608
Other loans and advances	**325 172**	291 547
Properties in possession	**150**	152
Overdrafts	**26 747**	22 587
Personal loans	**24 829**	22 219
Term and other loans	**206 899**	191 125
Overnight loans	**14 945**	14 616
Foreign-client lending	**13 163**	10 902
Preference shares and debentures	**12 766**	15 312
Factoring accounts	**6 563**	5 815
Deposits placed under reverse repurchase agreements	**18 164**	8 758
Trade, other bills and bankers' acceptances	**5**	13
Fair-value hedge-accounted portfolios	**941**	48
Gross loans and advances	**814 367**	751 793
Impairment of loans and advances (note C2)	**(17 534)**	(15 488)
	796 833	736 305
Gross loans and advances comprises:		
– Loans and advances to clients	**792 118**	736 971
– Loans and advances to banks	**22 249**	14 822
	814 367	751 793

See note C1.6 for a breakdown of loans and advances by operating segment.

	2019 Rm	2018 Rm
C1.2 Sectoral analysis		
Individuals	**298 464**	283 244
Financial services, insurance and real estate	**217 051**	210 590
Banks	**22 249**	14 822
Manufacturing	**69 722**	60 863
Building and property development	**8 934**	10 721
Transport, storage and communication	**34 912**	34 815
Retailers, catering and accommodation	**9 551**	7 848
Wholesale and trade	**31 297**	28 256
Mining and quarrying	**32 082**	34 934
Agriculture, forestry and fishing	**17 509**	8 111
Government and public sector	**21 906**	11 830
Other services	**50 690**	45 759
	814 367	751 793
C1.3 Geographical analysis		
SA	**712 332**	664 782
Rest of Africa	**48 429**	43 157
Europe	**36 438**	33 976
Asia	**8 248**	7 220
United States	**1 014**	668
Rest of world	**7 906**	1 990
	814 367	751 793

C1 Loans and advances continued

C1.4 Classification of loans and advances

The following table represents loans and advances at amortised cost and FVOCI (debt):

	Total	
Rm	**2019**	2018
Mortgage loans	**336 359**	318 225
Instalment debtors	**130 066**	121 003
Credit cards	**17 089**	16 608
Properties in possession	**150**	152
Overdrafts	**26 746**	22 587
Personal, term and other loans	**231 057**	213 808
Overnight loans	**14 946**	14 616
Preference shares and debentures	**12 579**	15 154
Factoring accounts	**6 560**	5 815
Trade, other bills and bankers' acceptances	**5**	13
Fair-value hedge-accounted portfolios	**907**	55
	776 464	728 036
Loans and advances at FVTPL	**37 897**	23 755
Other balances	**6**	2
Gross loans and advances (note C1.1)	**814 367**	751 793

	Subject to 12-month expected credit losses (stage 1)		Subject to lifetime expected credit losses (stage 2) – not credit-impaired		Subject to lifetime expected credit losses (stage 3) – credit-impaired	
	2019	2018	**2019**	2018	**2019**	2018
	293 150	272 858	**32 886**	35 434	**10 323**	9 933
	105 416	99 599	**18 043**	16 437	**6 607**	4 967
	14 555	13 384	**737**	1 419	**1 797**	1 805
	95				**55**	152
	20 939	17 864	**4 485**	3 463	**1 322**	1 260
	210 804	192 370	**12 733**	14 728	**7 520**	6 710
	11 498	13 759	**3 277**	857	**171**	
	12 307	14 658	**75**	142	**197**	354
	6 115	5 611	**400**	154	**45**	50
	5	13				
	907	55				
	675 791	630 171	**72 636**	72 634	**28 037**	25 231

C1 Loans and advances continued

C1.5 Credit quality of loans and advances

	Total		NGR 1–12	
Rm	**2019**	2018	**2019**	2018
Subject to 12-month expected credit losses (stage 1)	**675 791**	630 171	**275 662**	265 612
Mortgage loans	**293 150**	272 858	**111 053**	99 929
Instalment debtors	**105 416**	99 599	**4 350**	4 064
Credit cards	**14 555**	13 384	**1 155**	1 705
Properties in possession	**95**			
Overdrafts	**20 939**	17 864	**4 530**	4 304
Personal, term and other loans	**210 804**	192 370	**135 769**	133 723
Overnight loans	**11 498**	13 759	**9 873**	10 507
Preference shares and debentures	**12 307**	14 658	**8 799**	9 990
Factoring accounts	**6 115**	5 611	**133**	1 378
Trade, other bills and bankers' acceptances	**5**	13		12
Fair-value hedge-accounted portfolios	**907**	55		
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	**72 636**	72 634	**5 813**	8 851
Mortgage loans	**32 886**	35 434	**2 272**	2 942
Instalment debtors	**18 043**	16 437	**19**	49
Credit cards	**737**	1 419	**1**	1
Overdrafts	**4 485**	3 463	**266**	172
Personal, term and other loans	**12 733**	14 728	**2 588**	5 070
Overnight loans	**3 277**	857	**667**	538
Preference shares and debentures	**75**	142		79
Factoring accounts	**400**	154		
Subject to lifetime expected credit losses (stage 3) – credit-impaired	**28 037**	25 231	**–**	–
Mortgage loans	**10 323**	9 933		
Instalment debtors	**6 607**	4 967		
Credit cards	**1 797**	1 805		
Properties in possession	**55**	152		
Overdrafts	**1 322**	1 260		
Personal, term and other loans	**7 520**	6 710		
Overnight loans	**171**			
Preference shares	**197**	354		
Factoring accounts	**45**	50		
Total loans and advances	**776 464**	728 036	**281 475**	274 463
Provision for impairment of off-balance-sheet items[1]	**271**	210	**36**	26
Subject to 12-month expected credit losses (stage 1)	**118**	91	**21**	20
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	**67**	59	**15**	6
Subject to lifetime expected credit losses (stage 3) – credit-impaired	**86**	60		
Total credit quality	**776 735**	728 246	**281 511**	274 489

[1] *Provision for impairment of off-balance-sheet items includes the ECL allowance recognised with respect to financial guarantees and loan commitments of R220m (2018: R169m), credit balances and zero balances of the various loans and advances products.*

NGR 13–20		NGR 21–25		NP 1–3		Unrated	
2019	2018	2019	2018	2019	2018	2019	2018
356 701	327 443	23 643	22 428	–	–	19 785	14 688
167 102	160 307	7 454	6 067			7 541	6 555
98 215	88 961	991	4 537			1 860	2 037
9 802	8 567	3 483	3 022			115	90
						95	
14 021	11 887	645	191			1 743	1 482
56 462	45 812	11 054	8 534			7 519	4 301
1 625	3 082		3				167
3 508	4 668						
5 966	4 159	16	74				
						5	1
						907	55
37 931	26 486	28 286	36 732	–	–	606	565
10 352	12 331	19 946	19 968			316	193
17 198	5 438	755	10 866			71	84
104	132	628	1 282			4	4
3 046	2 378	1 124	851			49	62
6 244	5 905	3 735	3 614			166	139
690	196	1 920	40				83
75	63						
222	43	178	111				
–	–	–	–	26 772	23 977	1 265	1 254
				9 786	9 547	537	386
				6 518	4 854	89	113
				1 786	1 794	11	11
				55	91		61
				1 189	1 065	133	195
				7 025	6 222	495	488
				171			
				197	354		
				45	50		
394 632	353 929	51 929	59 160	26 772	23 977	21 656	16 507
97	87	35	26	86	66	17	5
67	49	13	13		6	17	3
30	38	22	13				2
				86	60		
394 729	354 016	51 964	59 186	26 858	24 043	21 673	16 512

C1 Loans and advances continued

C1.5 Credit quality of loans and advances continued

The group uses a master rating scale for the measurement of credit risk, which is the risk of the borrower defaulting excluding the effect of collateral or any loss mitigation (ie probability of default (PD) only). The Nedbank Group Rating (NGR) master scale is a comprehensive PD rating scale, mapped to default probabilities and external rating agency scales. This enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1–12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category typically includes the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13–20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category typically includes small and medium-sized businesses, medium-sized corporate clients and individuals.

NGR 21–25: Represents borrowers who are of higher risk. This category typically includes higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception, but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1–3: Represents borrowers who have defaulted. Refer to note C2.6 for the group's definition of 'default'.

Unrated: Represents borrowers who do not have a NGR rating and are not in default.

C1.6 Segmental analysis

	Total		Nedbank Corporate and Investment Banking	
Rm	**2019**	2018	**2019**	2018
Mortgage loans	**342 039**	322 635	**145 612**	134 995
Home loans	**162 238**	156 414	**10**	11
Commercial mortgages	**179 801**	166 221	**145 602**	134 984
Instalment debtors	**130 067**	121 003	**2 795**	2 170
Credit cards	**17 089**	16 608		
Other loans and advances	**325 172**	291 547	**249 399**	223 077
Properties in possession	**150**	152		2
Overdrafts	**26 747**	22 587	**5 557**	3 594
Personal loans	**24 829**	22 219		
Term and other loans	**206 899**	191 125	**188 305**	172 558
Overnight loans	**14 945**	14 616	**13 078**	12 644
Foreign client lending	**13 163**	10 902	**11 821**	10 451
Preference shares and debentures	**12 766**	15 312	**12 440**	15 077
Factoring accounts	**6 563**	5 815		
Deposits placed under reverse repurchase agreements	**18 164**	8 758	**18 164**	8 758
Trade, other bills and bankers' acceptances	**5**	13		
Macro fair-value hedge-accounted portfolios	**941**	48	**34**	(7)
Loans and advances before impairments	**814 367**	751 793	**397 806**	360 242
Impairment of advances	**(17 534)**	(15 488)	**(2 217)**	(1 603)
Total loans and advances	**796 833**	736 305	**395 589**	358 639
Comprises:				
– Loans and advances to clients	**741 906**	697 846	**344 366**	323 734
– Trading loans and advances	**32 678**	23 637	**32 678**	23 637
– Loans and advances to banks	**22 249**	14 822	**18 545**	11 268
Total loans and advances	**796 833**	736 305	**395 589**	358 639

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
162 479	153 928	**25 802**	25 983	**8 662**	8 195	**(516)**	(466)
138 811	133 163	**16 988**	17 068	**6 941**	6 672	**(512)**	(500)
23 668	20 765	**8 814**	8 915	**1 721**	1 523	**(4)**	34
125 285	116 229	**62**	68	**2 364**	2 914	**(439)**	(378)
16 958	16 501			**131**	107		
58 749	52 836	**5 106**	5 247	**11 270**	10 623	**648**	(236)
44	68	**11**	22	**95**	60		
17 871	14 809	**171**	174	**3 148**	4 010		
22 663	20 005			**2 166**	2 214		
10 028	10 680	**4 738**	4 892	**4 087**	3 287	**(259)**	(292)
1 270	1 220			**597**	752		
170	163			**1 172**	288		
140	76	**186**	159				
6 563	5 815						
				5	12		1
						907	55
363 471	339 494	**30 970**	31 298	**22 427**	21 839	**(307)**	(1 080)
(14 075)	(12 731)	**(229)**	(187)	**(749)**	(802)	**(264)**	(165)
349 396	326 763	**30 741**	31 111	**21 678**	21 037	**(571)**	(1 245)
349 394	326 770	**28 393**	27 909	**20 324**	20 689	**(571)**	(1 256)
2	(7)	**2 348**	3 202	**1 354**	348		11
349 396	326 763	**30 741**	31 111	**21 678**	21 037	**(571)**	(1 245)

C2 Impairments charge on financial instruments

Credit risk

Credit risk arises from lending and other financing activities that constitute the group's core business and is managed across the group in terms of its board-approved Group Credit Risk Management Framework (GCRMF). This framework covers the macrostructures for credit risk management and incorporates key excerpts from the group credit policy, credit approval mandates, credit risk monitoring and governance structures. It is a key component of the group's Enterprise Risk Management Framework (ERMF), Capital Management and RAF, and it is reviewed on a quarterly basis.

The GCRMF includes the two AIRB Approach technical forums (ie wholesale and retail) and the ad hoc Group Credit Ratings Committee, which reports into the Group Credit Committee (GCC). Also included is the Large-exposure Approval Committee (LEAC), whose function is the approval of credit applications in excess of the large-exposure threshold imposed by the Banks Act, 94 of 1990.

The GCC also acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's AIRB rating and risk estimation systems and processes. The current membership includes seven non-executive directors and three executive directors. The board and the GCC are required by the banking regulations to have a general understanding of the AIRB system and the related reports. The GCC also needs to ensure the independence of Group Credit Risk Monitoring (GCRM), which includes the Credit Model Validation Unit (CMVU) and Model Risk Management (MRM), from the business units originating the credit in the bank.

GCRM monitors the business units' credit portfolios, risk procedures, policies and credit standards, maintains the Group Credit Risk Framework and validates AIRB credit models. GCRM reports to executive management, cluster credit committees and ultimately the board's GCC on a regular basis. Additionally, GCRM ensures consistency in the rating processes and has ultimate responsibility for independent credit model validation through the CMVU, the group's independent risk control unit, as per the banking regulations. GCRM and Group Credit Portfolio Management (GCPM) champion the Basel III AIRB methodology across the group.

Key assumptions concerning the future and key sources of estimation

Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management's estimate of the credit losses expected in the loan portfolios at the reporting date.

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis (loss emergence). The impairment for performing loans is calculated on a portfolio basis, based on historical credit loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual credit loss ratios are applied to loan balances in the portfolio and scaled to the estimated-loss emergence period.

Within the Nedbank Retail and Business Banking and Nedbank Wealth portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use, as primary inputs, the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or client category.

Judgement and knowledge are needed in selecting the statistical methods to be used when the models are developed or revised. Overlays may be applied to model outputs to cater for additional factors and the valuation of these overlays can be subjective. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable.

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as stage 1 and has its credit continuously monitored by the group.
- Where a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to stage 2, but not yet deemed to be credit-impaired. In considering whether there has been an increase in credit risk, the group considers guarantees (and other credit enhancements) to the extent that it affects the likelihood of the borrower defaulting on the instrument, eg where the guarantee creates an economic incentive for the guarantor to continue to fund the borrower. Note C2.5 describes how the group determines when a significant increase in credit risk has occurred.

- Where the financial instrument is credit-impaired, the financial instrument is moved to stage 3. Note C2.6 describes how the group defines 'credit-impaired' and 'default'.
- Financial instruments in stage 1 have their ECLs measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments at stages 2 and 3 have their ECLs measured based on a lifetime basis. Refer to note C2.8 for a description of inputs, assumptions and estimation techniques used in measuring the ECLs.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that forward-looking information should be considered. Note C2.7 includes an explanation of how the group has incorporated this in the ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECLs are measured on a lifetime basis.

For individually significant loans with larger exposures, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account, for example, the business prospects for the client, the realisable value of collateral, the group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

C2.1 Movement in impairments charge on financial instruments

Rm	2019	2018
Balance at the beginning of the year	**15 845**	14 447
Stage 1 ECL allowance	**2 889**	2 806
Stage 2 ECL allowance	**3 587**	3 886
Stage 3 ECL allowance	**9 369**	7 755
Statement of comprehensive income charge net of recoveries	**6 129**	3 688
Stage 1 ECL allowance	**545**	174
Stage 2 ECL allowance	**482**	(64)
Stage 3 ECL allowance	**5 040**	3 600
Non-loans and advances	**6**	5
Off-balance-sheet allowance	**56**	(27)
Adjusted for:	**(3 795)**	(2 290)
– Recoveries	**1 247**	1 271
– Interest in suspense	**723**	434
– Amounts written off/other transfers	**(5 765)**	(3 995)
Balance at the end of the year	**18 179**	15 845
Stage 1 ECL allowance	**3 455**	2 889
Stage 2 ECL allowance	**3 932**	3 587
Stage 3 ECL allowance	**10 792**	9 369
Split by measurement category	**18 179**	15 845
Loans and advances	**17 534**	15 488
Loans and advances at FVOCI	**340**	122
Non-loans and advances	**34**	25
Off-balance-sheet allowance	**271**	210

C2 Impairments charge on financial instruments continued

C2.2 Impairments charge on loans and advances by classification

	Balance at the beginning of the year Rm	Impairments charge/ (release) Rm	Amounts written off against the impairment/ other transfers Rm	Balance at the end of the year Rm
Total impairment – 2019				
Home loans	**2 282**	**264**	**(148)**	**2 398**
Commercial mortgages	**973**	**110**	**(23)**	**1 060**
Properties in possession	**18**	**(7)**	**(3)**	**8**
Credit cards	**2 404**	**930**	**(1 045)**	**2 289**
Overdrafts	**949**	**268**	**(210)**	**1 007**
Instalment debtors	**4 298**	**1 998**	**(1 469)**	**4 827**
Preference shares and debentures	**132**	**(33)**		**99**
Personal, term and other loans	**4 533**	**2 435**	**(901)**	**6 067**
Overnight loans	**39**	**96**	**2**	**137**
Factoring accounts	**22**	**17**	**(6)**	**33**
Trade, other bills and banker's acceptances	**1**		**(1)**	**–**
Financial guarantees and loan commitments	**169**	**45**	**6**	**220**
	15 820	**6 123**	**(3 798)**	**18 145**
Total impairment – 2018				
Home loans	2 435	245	(398)	2 282
Commercial mortgages	844	91	38	973
Properties in possession	28	(8)	(2)	18
Credit cards	2 185	1 059	(840)	2 404
Overdrafts	884	217	(152)	949
Instalment debtors	3 109	1 907	(718)	4 298
Preference shares and debentures	79	50	3	132
Personal, term and other loans	4 543	1 821	(1 831)	4 533
Overnight loans	115	(80)	4	39
Factoring accounts	29	1	(8)	22
Trade, other bills and banker's acceptances	1			1
Financial guarantees and loan commitments	161	5	3	169
	14 413	5 308	(3 901)	15 820

The balance at the end of the year of R18 145m (2018: R15 820m) includes the ECL relating to loans and advances at amortised cost of R17 534m (2018: R15 488m), loans and advances at FVOCI of R340m (2018: R122m) and off-balance-sheet items of R271m (2018: R210m).

C2.3 Sectoral analysis

	Total impairment 2019	Total impairment 2018	Stage 1: 12-month ECL allowance 2019	Stage 1: 12-month ECL allowance 2018	Stage 2: Lifetime ECL allowance (not credit-impaired) 2019	Stage 2: Lifetime ECL allowance (not credit-impaired) 2018	Stage 3: Lifetime ECL allowance (credit-impaired) 2019	Stage 3: Lifetime ECL allowance (credit-impaired) 2018
Individuals	**12 900**	12 093	**2 347**	1 927	**2 614**	2 649	**7 939**	7 517
Financial services, insurance and real estate	**1 525**	1 410	**278**	351	**681**	507	**566**	552
Manufacturing	**848**	549	**208**	113	**233**	143	**407**	293
Building and property development	**232**	260	**30**	29	**59**	44	**143**	187
Transport, storage and communication	**504**	246	**45**	31	**23**	83	**436**	132
Retailers, catering and accommodation	**60**	48	**25**	19	**15**	13	**20**	16
Wholesale and trade	**618**	215	**111**	83	**83**	37	**424**	95
Mining and quarrying	**164**	106	**98**	79	**39**	15	**27**	12
Agriculture, forestry and fishing	**362**	235	**63**	46	**25**	20	**274**	169
Government and public sector	**130**	85	**32**	20	**32**	14	**66**	51
Other services	**802**	573	**186**	184	**128**	61	**488**	328
	18 145	15 820	**3 423**	2 882	**3 932**	3 586	**10 790**	9 352

C2.4 Geographical analysis

	Total impairment 2019	Total impairment 2018	Stage 1: 12-month ECL allowance 2019	Stage 1: 12-month ECL allowance 2018	Stage 2: Lifetime ECL allowance (not credit-impaired) 2019	Stage 2: Lifetime ECL allowance (not credit-impaired) 2018	Stage 3: Lifetime ECL allowance (credit-impaired) 2019	Stage 3: Lifetime ECL allowance (credit-impaired) 2018
SA	**16 794**	14 733	**3 008**	2 592	**3 804**	3 427	**9 982**	8 714
Other African countries	**752**	733	**278**	196	**117**	118	**357**	419
Europe	**397**	132	**29**	16	**1**	9	**367**	107
Asia	**5**	4	**5**	4				
United States	**4**	–	**4**					
Other	**193**	218	**99**	74	**10**	32	**84**	112
	18 145	15 820	**3 423**	2 882	**3 932**	3 586	**10 790**	9 352

C2 Impairments charge on financial instruments continued

C2.5 Assessment of significant increase in credit risk (SICR) (stage 2)

Stage 2 is comprised of all performing financial instruments that have experienced a significant increase in credit risk since initial recognition. The group recognises lifetime ECLs for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial, the group reverts to recognising 12 months of ECLs as the financial instrument has migrated back to stage 1. At each reporting date the group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the probability of default (PD), over the remaining expected life, at the reporting date with that on the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information, and the impact of forward-looking macroeconomic factors.

The assessment is performed monthly and the following factors are considered:

- Established thresholds for SICR are based on a percentage change in lifetime PD relative to initial recognition.
- A set of portfolio-specific qualitative criteria that are indicative of a significant increase in credit risk are used to supplement the lifetime PD comparison.
- Instruments that are more than 30 days past due are generally considered to have experienced a significant increase in credit risk. The group has not used the low-credit-risk exemption for any financial instruments in the year ended 31 December 2019.

C2.6 Definition of 'default'

For the purposes of determining ECLs under IFRS 9, defaulted loans and advances (DLAA) cover credit facilities that have triggered default as defined by SA banking regulations. For retail portfolios this is product-centred, and a default would be specific to a borrower account. This also applies to specialised lending exposures. For all other portfolios it is client – or borrower-centred, meaning that, should any transaction within a borrowing group default, all credit exposures to the borrower would be treated as having defaulted.

The group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due or one or more events have occurred after the date of initial recognition of the instrument that have a negative impact on the estimated future cashflows of the instrument. This includes, but is not limited to, events that indicate the borrower is experiencing financial difficulty, there is default or delinquency in interest or principal payments and/or there is a high probability of the borrower entering a business rescue except in instances where debtor substitution is allowable in terms of regulation or liquidation process.

'Default' and 'credit-impaired' are mutually inclusive and the same definition applies to both terms. When a financial asset has been identified as defaulted/credit-impaired, the stage 3 ECLs are measured as the difference between the asset's gross carrying amount and the present value of estimated future cashflows discounted at the instrument's original effective interest rate.

C2.7 Forward-looking information incorporated in the ECL models

To account for forward-looking information the ECL input parameters (PD, LGD and EAD) 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 and credit growth.

The incorporation of forward-looking information into the ECL models allows for a range of possible macroeconomic outcomes to capture any non-linearities. The parameter inputs used to estimate the ECL are modelled on four macroeconomic scenarios: base (expected), positive, mild stress and high stress. Scenarios are provided by 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 impacting macroeconomic forecasts. There is a robust internal governance process to review and approve the forecast macroeconomic factors, which include approval by a board committee.

The ECL under each macroeconomic scenario is the product of the PD, LGD and EAD for that specific scenario. The final estimate for the ECL at each future reporting date is calculated to reflect an unbiased and probability-weighted amount, with the scenario weights estimated based on the likelihood of occurrence. The probability-weighted PD, as applied in the calculation of ECL at reporting date, is also used in the assessment of SICR.

The ranges for macroeconomic variables are determined by using the annual average forecast over the three-year period per scenario.

	31 December 2019			31 December 2018		
Macroeconomic variable (%)	**2020**	**2021**	2022	2019	2020	2021
Prime interest rate	**10,0**	**10,0**	**10,0**	9,9 – 11,0	10,4 – 11,3	10,5 – 11,7
Gross domestic product	**(0,8) – 2,5**	**0,2 – 1,8**	**0,6 – 2,1**	(0,6) – 2,7	0,7 – 2,6	1,0 – 2,4
Consumer price inflation	**4,7 – 5,3**	**4,7 – 4,8**	**4,8 – 4,9**	3,3 – 5,9	4,1 – 6,4	4,5 – 6,3
Household debt to income	**72,4 – 72,6**	**72,4 – 73,5**	**73,5 – 73,7**	70,4 – 74,1	72,4 – 76,3	74,1 – 78,1

The macroeconomic factors beyond the forecast three-year period equate to a long-run average expectation.

C2.8 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The impairment calculations under IFRS 9 require the recognition of credit losses based on forward-looking ECL. Dependent on whether the financial instrument has shown an SICR since initial recognition, either a 12-month (stage 1) or lifetime (stage 2) ECL is recognised. A stage 1 ECL results from a default event that is possible within 12 months, whereas a stage 2 ECL includes a lifetime ECL that results from a possible default event over the remaining life of the financial instrument. The ECL is calculated as the product of the core model components: PD, LGD, and EAD.

For portfolios with adequate historical information, the modelling parameters are calculated on a segment level and forward-looking information is incorporated. The ECL is estimated for each individual account. Out-of-model adjustments can be made to account for any additional client or portfolio information not captured in the model, which are typically temporary in nature. For portfolios where the abovementioned approach is not possible due to a lack of sufficient data, a simplified approach is followed to estimate ECL.

The ECL is discounted back from the point of default using the effective interest rate (EIR), or a reasonable estimate thereof, to arrive at the ECL at reporting date.

C2.9 Scenario analysis

The most significant macroeconomic variables for the group have been weighted and stressed against the final weighted ECL. The different scenarios are a weighting of the different macroeconomic scenarios (for example unemployment, interest rate and gross domestic product). These are determined by Nedbank Group Economic Unit and reviewed quarterly to incorporate any changes in the macroeconomic environment. When product lines do not have any sensitivity to macroeconomic weightings, the group will use the weighted ECL for all the scenarios.

	Total ECL allowance	**Difference to weighted economic scenario**	**Percentage difference to weighted economic scenario**
2019 – Rm			
Weighted economics	**18 145**		
Base	**18 066**	**(79)**	**(0,4%)**
Mild	**18 650**	**505**	**2,8%**
High	**19 355**	**1 210**	**6,7%**
Positive	**17 345**	**(800)**	**(4,4%)**

	Total ECL allowance	Difference to weighted economic scenario	Percentage difference to weighted economic scenario
2018 – Rm			
Weighted economics	15 820		
Base	15 688	(132)	(0,8%)
Mild	15 851	31	0,2%
High	16 430	610	3,9%
Positive	15 336	(484)	(3,1%)

C2 Impairments charge on financial instruments continued

C2.10 Segmental analysis of impairments charge on financial instruments

Rm	Total	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Africa Regions	Centre
2019						
ECL allowance at the beginning of the year	**15 845**	**1 866**	**12 796**	**187**	**816**	**180**
Stage 1	**2 889**	**601**	**2 042**	**25**	**220**	**1**
Stage 2	**3 587**	**548**	**2 791**	**22**	**78**	**148**
Stage 3	**9 369**	**717**	**7 963**	**140**	**518**	**31**
Statement of comprehensive income charge net of recoveries	**6 129**	**917**	**4 823**	**57**	**233**	**99**
Stage 1	**545**	**(1)**	**476**	**(1)**	**71**	
Stage 2	**482**	**254**	**102**	**4**	**23**	**99**
Stage 3	**5 040**	**616**	**4 241**	**54**	**129**	
Non-loans and advances	**6**	**2**			**4**	
Off-balance-sheet allowance	**56**	**46**	**4**		**6**	
Recoveries	**1 247**	**20**	**1 196**		**31**	
Interest in suspense	**723**	**83**	**640**			
Amounts written off against the impairment/other transfers	**(5 765)**	**(140)**	**(5 311)**	**(15)**	**(300)**	**1**
ECL allowance at the end of the year	**18 179**	**2 746**	**14 144**	**229**	**780**	**280**
Stage 1	**3 455**	**659**	**2 507**	**24**	**249**	**16**
Stage 2	**3 932**	**768**	**2 819**	**25**	**72**	**248**
Stage 3	**10 792**	**1 319**	**8 818**	**180**	**459**	**16**
Split by measurement category	**18 179**	**2 746**	**14 144**	**229**	**780**	**280**
Loans and advances	**17 534**	**2 217**	**14 075**	**229**	**749**	**264**
Loans and advances at FVOCI	**340**	**340**				
Non-loans and advances	**34**	**8**			**9**	**17**
Off-balance sheet allowance	**271**	**181**	**69**		**22**	**(1)**

Rm	Total	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Africa Regions	Centre
2018						
ECL allowance at the beginning of the year	14 447	2 040	11 320	160	758	169
Stage 1	2 806	456	2 106	39	189	16
Stage 2	3 886	910	2 739	10	78	149
Stage 3	7 755	674	6 475	111	491	4
Statement of comprehensive income charge net of recoveries	3 688	103	3 433	39	113	–
Stage 1	174	142	(76)		108	
Stage 2	(64)	(399)	344	(5)	(4)	
Stage 3	3 600	386	3 155	44	15	
Non-loans and advances	5	5				
Off-balance-sheet allowance	(27)	(31)	10		(6)	
Recoveries	1 271	26	1 185		60	
Interest in suspense	434	40	394			
Amounts written off against the impairment/other transfers	(3 995)	(343)	(3 536)	(12)	(115)	11
ECL allowance at the end of the year	15 845	1 866	12 796	187	816	180
Stage 1	2 889	601	2 042	25	220	1
Stage 2	3 587	548	2 791	22	78	148
Stage 3	9 369	717	7 963	140	518	31
Split by measurement category	15 845	1 866	12 796	187	816	180
Loans and advances	15 488	1 603	12 731	187	802	165
Loans and advances at FVOCI	122	122				
Non-loans and advances	25	6			3	16
Off-balance sheet allowance	210	135	65		11	(1)

C2 Impairments charge on financial instruments continued

C2.11 Credit risk exposure

Maximum exposure to credit risk – Financial instruments not subject to impairment

Rm	Maximum exposure to credit risk[1] 2019	2018
Other short-term securities	**35 627**	37 332
Derivative financial instruments	**35 243**	22 692
Government and other securities	**35 912**	28 735
Loans and advances	**37 897**	23 755
Other assets	**3 632**	6 195
Investment securities	**28 809**	22 404
	177 120	141 113

[1] *This amount excludes the impact of any collateral held or credit enhancements.*

Credit-impaired financial assets and related collateral held to mitigate potential losses are disclosed below:

Collateral held as security and other credit enhancements relating to credit-impaired financial assets

Rm	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
2019				
Home loans	**7 835**	**1 572**	**6 263**	**7 832**
Commercial mortgages	**2 488**	**505**	**1 983**	**2 360**
Properties in possession	**55**	**7**	**48**	**19**
Credit cards and overdrafts	**3 119**	**1 911**	**1 208**	**4 170**
Personal, term and other loans	**7 520**	**3 941**	**3 579**	**4 624**
Instalment debtors	**6 607**	**2 704**	**3 903**	**6 665**
Preference shares and debentures	**197**	**33**	**164**	**237**
Overnight loans	**171**	**11**	**160**	**720**
Factoring accounts	**45**	**15**	**30**	**51**
	28 037	**10 699**	**17 338**	**26 678**

Collateral held as security and other credit enhancements relating to credit-impaired financial assets

Rm	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
2018				
Home loans	6 976	1 430	5 546	10 045
Commercial mortgages	2 957	435	2 522	2 830
Properties in possession	152	18	134	106
Credit cards and overdrafts	3 065	2 048	1 017	398
Personal, term and other loans	6 710	2 758	3 952	758
Instalment debtors	4 967	2 532	2 435	3 856
Preference shares and debentures	354	62	292	375
Factoring accounts	50	8	42	51
	25 231	9 291	15 940	18 419

C2 Impairments charge on financial instruments continued

C2.11 Credit risk exposure continued

The following tables disclose the distribution of loan-to-value (LTV) ratios of credit-impaired financial assets:

Loans and advances

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession
2019			
Lower than 50%	**1 112**	**352**	
50% to 75%	**1 633**	**215**	
75% to 100%	**2 992**	**977**	**19**
Higher than 100%	**2 098**	**944**	**36**
Total	**7 835**	**2 488**	**55**

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession
2018			
Lower than 50%	814	222	1
50% to 75%	1 317	1 205	
75% to 100%	3 717	1 423	88
Higher than 100%	1 128	107	63
Total	6 976	2 957	152

Gross carrying amount of credit-impaired financial assets

Credit cards and overdrafts	Term loans	Other loans to clients	Instalment debtors	Preference shares and debentures	Factoring accounts
392	**620**	**48**	**203**	**8**	**4**
14	**82**	**22**	**370**		**11**
163	**392**	**60**	**1 129**		**7**
2 550	**6 129**	**338**	**4 905**	**189**	**23**
3 119	**7 223**	**468**	**6 607**	**197**	**45**

Gross carrying amount of credit-impaired financial assets

Credit cards and overdrafts	Term loans	Other loans to clients	Instalment debtors	Preference shares and debentures	Factoring accounts
2 156	5 703	12	205		
720	15	147	208		
91	483	60	935		50
98	263	24	3 629	354	
3 065	6 464	243	4 977	354	50

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance

Reconciliation of loss allowance relating to financial assets subsequently measured at amortised cost

The following tables present a reconciliation from the opening balance to the closing balance of the loss allowance, and how significant changes in the gross carrying amount of financial instruments contributed to changes in the loss allowance:

	Not credit-impaired		
	Subject to 12-month ECL		
Loans and advances Rm	**Gross carrying amount**	**Allowance for ECL**	**Amortised cost**
2019			
Balance at the beginning of the year	624 114	2 881	621 233
New financial assets originated or purchased	227 743	2 505	225 238
Financial assets written off			–
Repayments and other movements	(150 109)	3 002	(153 111)
Transfers to 12-month ECL	23 245	747	22 498
Transfers to lifetime ECL (not credit-impaired)	(46 431)	(2 309)	(44 122)
Transfers to lifetime ECL (credit-impaired)	(11 992)	(3 399)	(8 593)
Foreign exchange movements	1 460	(6)	1 466
Net balances (refer note C2.2)	668 030	3 421	664 609
Total credit and zero balances[1]	6 855	(43)	6 898
Balance at the end of the year	674 885	3 378	671 507
Loans and advances at FVTPL			
Impairment of loans and advances at FVOCI impairment allowance			
Off-balance sheet impairment allowance			
Fair-value hedge-accounted portfolios			
ECL credit and other balances			
Loans and advances			

[1] *Total credit and zero balances throughout this note refer to the loss allowance on balances that became liabilities to the group during the financial year. The group, however, still has credit risk exposure on these facilities.*

	Not credit-impaired		Credit-impaired	
Changes in model and macroeconomic factors[1]	**Subject to 12-month ECL**	**Subject to lifetime ECL**	**Subject to lifetime ECL – excluding purchased/ originated credit-impaired**	**Subject to lifetime ECL – purchased/ originated credit-impaired**
Change in macroeconomic factors	(7)	(44)	(18)	
Model reground	63			

[1] *Represents the change in the allowance related to changes in risk, including changes to macroeconomic factors, level risk, associated parameters, and models as reflected in the closing balance.*

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	72 622	3 587	69 035	25 182	9 352	15 830	721 918	15 820	706 098
			–				227 743	2 505	225 238
			–	(5 452)	(3 183)	(2 269)	(5 452)	(3 183)	(2 269)
	(20 731)	829	(21 560)	(5 754)	(811)	(4 943)	(176 594)	3 020	(179 614)
	(21 236)	(587)	(20 649)	(2 009)	(160)	(1 849)			
	50 645	2 612	48 033	(4 214)	(303)	(3 911)			
	(8 285)	(2 507)	(5 778)	20 277	5 906	14 371			
	(397)	1	(398)	18	(12)	30	1 081	(17)	1 098
	72 618	3 935	68 683	28 048	10 789	17 259	768 696	18 145	750 551
	17	(4)	21	(11)	(2)	(9)	6 861	(49)	6 910
	72 635	3 931	68 704	28 037	10 787	17 250	775 557	18 096	757 461
									37 897
									340
									271
									907
									(43)
									796 833

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

	Not credit-impaired		
	Subject to 12-month ECL		
Home loans Rm	**Gross carrying amount**	**Allowance for ECL**	**Amortised cost**
Balance at the beginning of the year	133 726	236	133 490
New financial assets originated or purchased	11 709	62	11 647
Financial assets written off			–
Repayments and other movements	(4 073)	466	(4 539)
Transfers to 12-month ECL	5 614	6	5 608
Transfers to lifetime ECL (not credit-impaired)	(5 473)	(205)	(5 268)
Transfers to lifetime ECL (credit-impaired)	(1 828)	(293)	(1 535)
Foreign exchange movements	387	15	372
Net balances	140 062	287	139 775
Total credit and zero balances	158	(1)	159
Balance at the end of the year	**140 220**	**286**	**139 934**

	Not credit-impaired		
	Subject to 12-month ECL		
Commercial mortgages Rm	**Gross carrying amount**	**Allowance for ECL**	**Amortised cost**
Balance at the beginning of the year	138 998	300	138 698
New financial assets originated or purchased	46 282	174	46 108
Financial assets written off			–
Repayments and other movements	(30 389)	(121)	(30 268)
Transfers to 12-month ECL	7 582	59	7 523
Transfers to lifetime ECL (not credit-impaired)	(7 535)	(37)	(7 498)
Transfers to lifetime ECL (credit-impaired)	(1 456)	(140)	(1 316)
Foreign exchange movements	(552)	(16)	(536)
Net balances	152 930	219	152 711
Total credit and zero balances			–
Balance at the end of the year	**152 930**	**219**	**152 711**

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
15 574	616	14 958	6 965	1 430	5 535	156 265	2 282	153 983
		–			–	11 709	62	11 647
		–	(243)	(179)	(64)	(243)	(179)	(64)
(991)	(52)	(939)	(985)	(200)	(785)	(6 049)	214	(6 263)
(5 085)	(16)	(5 069)	(529)	10	(539)	–	–	–
6 675	274	6 401	(1 202)	(69)	(1 133)	–	–	–
(1 992)	(288)	(1 704)	3 820	581	3 239	–	–	–
	4	(4)			–	387	19	368
14 181	538	13 643	7 826	1 573	6 253	162 069	2 398	159 671
4		4	9	(1)	10	171	(2)	173
14 185	538	13 647	7 835	1 572	6 263	162 240	2 396	159 844

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
19 856	238	19 618	2 957	435	2 522	161 811	973	160 838
		–			–	46 282	174	46 108
		–	(13)	(12)	(1)	(13)	(12)	(1)
(3 167)	51	(3 218)	(344)	14	(358)	(33 900)	(56)	(33 844)
(6 991)	(54)	(6 937)	(591)	(5)	(586)	–	–	–
9 248	152	9 096	(1 713)	(115)	(1 598)	–	–	–
(734)	(48)	(686)	2 190	188	2 002	–	–	–
489	(3)	492	2		2	(61)	(19)	(42)
18 701	336	18 365	2 488	505	1 983	174 119	1 060	173 059
		–			–	–	–	–
18 701	336	18 365	2 488	505	1 983	174 119	1 060	173 059

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Properties in possession Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year			–
New financial assets originated or purchased	38		38
Financial assets written off			–
Repayments and other movements	59		59
Foreign exchange movements	(2)		(2)
Net balances	95	–	95
Total credit and zero balances			–
Balance at the end of the year	**95**	**–**	**95**

Credit cards and overdrafts Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	25 380	619	24 761
New financial assets originated or purchased	7 746	303	7 443
Financial assets written off			–
Repayments and other movements	678	937	(259)
Transfers to 12-month ECL	2 187	120	2 067
Transfers to lifetime ECL (not credit-impaired)	(5 294)	(336)	(4 958)
Transfers to lifetime ECL (credit-impaired)	(1 459)	(785)	(674)
Foreign exchange movements	(22)	2	(24)
Net balances	29 216	860	28 356
Total credit and zero balances	6 278	(42)	6 320
Balance at the end of the year	**35 494**	**818**	**34 676**

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
			–	152	18	134	152	18	134
			–			–	38	–	38
			–	(4)	(4)	–	(4)	(4)	–
		1	(1)	(33)	(7)	(26)	26	(6)	32
			–	(2)		(2)	(4)		(4)
	–	1	(1)	113	7	106	208	8	200
			–	(58)		(58)	(58)	–	(58)
	–	1	(1)	55	7	48	150	8	142

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	4 874	686	4 188	3 027	2 048	979	33 281	3 353	29 928
			–			–	7 746	303	7 443
			–	(1 632)	(918)	(714)	(1 632)	(918)	(714)
	(1 985)	9	(1 994)	(478)	(388)	(90)	(1 785)	558	(2 343)
	(2 085)	(97)	(1 988)	(102)	(23)	(79)	–	–	–
	5 331	347	4 984	(37)	(11)	(26)	–	–	–
	(855)	(423)	(432)	2 314	1 208	1 106	–	–	–
	(71)	2	(73)	(11)	(4)	(7)	(104)	–	(104)
	5 209	524	4 685	3 081	1 912	1 169	37 506	3 296	34 210
	13	(4)	17	38	(1)	39	6 329	(47)	6 376
	5 222	520	4 702	3 119	1 911	1 208	43 835	3 249	40 586

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Personal, term and other loans Rm	Not credit-impaired – Subject to 12-month ECL – Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	192 370	909	191 461
New financial assets originated or purchased	105 769	1 012	104 757
Financial assets written off			–
Repayments and other movements	(76 825)	1 144	(77 969)
Transfers to 12-month ECL	2 722	65	2 657
Transfers to lifetime ECL (not credit-impaired)	(11 862)	(655)	(11 207)
Transfers to lifetime ECL (credit-impaired)	(2 710)	(1 371)	(1 339)
Foreign exchange movements	921	(1)	922
Net balances	210 385	1 103	209 282
Total credit and zero balances	419		419
Balance at the end of the year	**210 804**	**1 103**	**209 701**

Instalment debtors Rm	Not credit-impaired – Subject to 12-month ECL – Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	99 599	655	98 944
New financial assets originated or purchased	51 707	586	51 121
Financial assets written off			–
Repayments and other movements	(34 299)	1 092	(35 391)
Transfers to 12-month ECL	2 992	50	2 942
Transfers to lifetime ECL (not credit-impaired)	(10 566)	(833)	(9 733)
Transfers to lifetime ECL (credit-impaired)	(4 007)	(748)	(3 259)
Foreign exchange movements	(10)		(10)
Net balances	105 416	802	104 614
Total credit and zero balances			–
Balance at the end of the year	**105 416**	**802**	**104 614**

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
14 728	**866**	**13 862**	**6 710**	**2 758**	**3 952**	**213 808**	**4 533**	**209 275**
		–			–	105 769	1 012	104 757
		–	(1 637)	(1 227)	(410)	(1 637)	(1 227)	(410)
(10 337)	470	(10 807)	(980)	151	(1 131)	(88 142)	1 765	(89 907)
(2 300)	(11)	(2 289)	(422)	(54)	(368)	–	–	–
12 331	706	11 625	(469)	(51)	(418)	–	–	–
(1 582)	(1 005)	(577)	4 292	2 376	1 916	–	–	–
(107)	(3)	(104)	26	(12)	38	840	(16)	856
12 733	**1 023**	**11 710**	**7 520**	**3 941**	**3 579**	**230 638**	**6 067**	**224 571**
		–			–	419	–	419
12 733	**1 023**	**11 710**	**7 520**	**3 941**	**3 579**	**231 057**	**6 067**	**224 990**

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
16 437	**1 111**	**15 326**	**4 967**	**2 532**	**2 435**	**121 003**	**4 298**	**116 705**
		–			–	51 707	586	51 121
		–	(1 917)	(839)	(1 078)	(1 917)	(839)	(1 078)
(3 865)	104	(3 969)	(2 552)	(414)	(2 138)	(40 716)	782	(41 498)
(2 772)	(45)	(2 727)	(220)	(5)	(215)	–	–	–
11 365	892	10 473	(799)	(59)	(740)	–	–	–
(3 122)	(741)	(2 381)	7 129	1 489	5 640	–	–	–
		–	(1)		(1)	(11)	–	(11)
18 043	**1 321**	**16 722**	**6 607**	**2 704**	**3 903**	**130 066**	**4 827**	**125 239**
		–			–	–	–	–
18 043	**1 321**	**16 722**	**6 607**	**2 704**	**3 903**	**130 066**	**4 827**	**125 239**

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Preference shares and debentures Rm	Not credit-impaired — Subject to 12-month ECL		
	Gross carrying amount	**Allowance for ECL**	**Amortised cost**
Balance at the beginning of the year	14 658	68	14 590
New financial assets originated or purchased	2 373	17	2 356
Repayments and other movements	(4 578)	(14)	(4 564)
Transfers to 12-month ECL	71		71
Transfers to lifetime ECL (not credit-impaired)	(217)	(9)	(208)
Net balances	12 307	62	12 245
Total credit and zero balances			–
Balance at the end of the year	12 307	62	12 245

Overnight loans Rm	Not credit-impaired — Subject to 12-month ECL		
	Gross carrying amount	**Allowance for ECL**	**Amortised cost**
Balance at the beginning of the year	13 759	23	13 736
New financial assets originated or purchased	1 486	182	1 304
Repayments and other movements	(862)	(345)	(517)
Transfers to 12-month ECL	2 035	339	1 696
Transfers to lifetime ECL (not credit-impaired)	(5 146)	(166)	(4 980)
Transfers to lifetime ECL (credit-impaired)	(512)	(17)	(495)
Foreign exchange movements	739	(3)	742
Net balances	11 499	13	11 486
Total credit and zero balances			–
Balance at the end of the year	11 499	13	11 486

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	142	2	140	354	62	292	15 154	132	15 022
			–			–	2 373	17	2 356
	(205)	(2)	(203)	(165)	(34)	(131)	(4 948)	(50)	(4 898)
	(71)		(71)			–	–	–	–
	209	4	205	8	5	3	–	–	–
	75	4	71	197	33	164	12 579	99	12 480
			–			–	–	–	–
	75	4	71	197	33	164	12 579	99	12 480

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	857	16	841			–	14 616	39	14 577
			–			–	1 486	182	1 304
	(125)	237	(362)	(204)	25	(229)	(1 191)	(83)	(1 108)
	(1 896)	(305)	(1 591)	(139)	(34)	(105)	–	–	–
	5 148	166	4 982	(2)		(2)	–	–	–
			–	512	17	495	–	–	–
	(708)	(1)	(707)	4	3	1	35	(1)	36
	3 276	113	3 163	171	11	160	14 946	137	14 809
			–			–	–	–	–
	3 276	113	3 163	171	11	160	14 946	137	14 809

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Factoring accounts Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	5 611	10	5 601
New financial assets originated or purchased	633	2	631
Financial assets written off			–
Repayments and other movements	187	8	179
Transfers to 12-month ECL	42		42
Transfers to lifetime ECL (not credit-impaired)	(338)	(5)	(333)
Transfers to lifetime ECL (credit-impaired)	(20)	(5)	(15)
Net balances	6 115	10	6 105
Total credit and zero balances			–
Balance at the end of the year	**6 115**	**10**	**6 105**

Trade, other bills and banker's acceptances Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	13	1	12
Repayments and other movements	(7)		(7)
Foreign exchange movements	(1)	(1)	–
Net balances	5		5
Total credit and zero balances			–
Balance at the end of the year	**5**	**–**	**5**

Financial guarantees and loan commitments Rm
Balance at the beginning of the year
New financial assets originated or purchased
Repayments and other movements
Transfers to 12-month ECL
Transfers to lifetime ECL (not credit-impaired)
Transfers to lifetime ECL (credit-impaired)
Foreign exchange movements
Net balances
Total credit and zero balances
Balance at the end of the year

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	154	4	150	50	8	42	5 815	22	5 793
			–			–	633	2	631
			–	(6)	(4)	(2)	(6)	(4)	(2)
	(56)	(1)	(55)	(13)	6	(19)	118	13	105
	(36)		(36)	(6)		(6)	–	–	–
	338	5	333			–	–	–	–
			–	20	5	15	–	–	–
	400	8	392	45	15	30	6 560	33	6 527
			–			–	–	–	–
	400	8	392	45	15	30	6 560	33	6 527

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
			–			–	13	1	12
			–			–	(7)	–	(7)
			–			–	(1)	(1)	–
			–			–	5	–	5
			–			–	–	–	–
	–	–	–	–	–	–	5	–	5

	Not credit-impaired		Credit-impaired	Total
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (excluding purchased/originated)	
	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
	60	48	61	169
	167			167
	(165)	12	36	(117)
	108	(59)	(49)	–
	(63)	66	(3)	–
	(40)	(2)	42	–
	(2)	2	1	1
	65	67	88	220
				–
	65	67	88	220

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

2018

Loans and advances Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	 Allowance for ECL	 Amortised cost
Balance at the beginning of the year	604 150	2 775	601 375
New financial assets originated or purchased	167 656	2 280	165 376
Financial assets written off			–
Repayments and other movements	(115 776)	2 394	(118 170)
Transfers to 12-month ECL	23 600	242	23 358
Transfers to lifetime ECL (not credit-impaired)	(43 694)	(1 882)	(41 812)
Transfers to lifetime ECL (credit-impaired)	(10 029)	(2 967)	(7 062)
Foreign exchange movements	(1 793)	39	(1 832)
Net balances (refer to note C2.2)	624 114	2 881	621 233
Total credit and zero balances	6 002	(28)	6 030
Balance at the end of the year	630 116	2 853	627 263
Loans and advances at FVTPL			
Impairment of Loans and advances at FVOCI impairment allowance			
Off-balance sheet impairment allowance			
Fair-value hedge-accounted portfolios			
ECL credit and other balances			
Loans and advances			

Changes in model and macroeconomic factors[1] Rm
Change in macroeconomic factors
Model reground

[1] *Represents the change in the allowance related to changes in risk, including changes to macroeconomic factors, level risk, associated parameters, and models as reflected in the closing balance.*

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
75 886	3 884	72 002	19 859	7 754	12 105	699 895	14 413	685 482
		–			–	167 656	2 280	165 376
		–	(3 310)	(3 340)	30	(3 310)	(3 340)	30
(20 404)	(401)	(20 003)	(4 438)	402	(4 840)	(140 618)	2 395	(143 013)
(22 110)	(190)	(21 920)	(1 491)	(51)	(1 440)	(1)	1	(2)
46 840	2 186	44 654	(3 147)	(304)	(2 843)	(1)	–	(1)
(7 491)	(1 899)	(5 592)	17 518	4 867	12 651	(2)	1	(3)
(99)	7	(106)	191	24	167	(1 701)	70	(1 771)
72 622	3 587	69 035	25 182	9 352	15 830	721 918	15 820	706 098
12	(8)	20	49	(1)	50	6 063	(37)	6 100
72 634	3 579	69 055	25 231	9 351	15 880	727 981	15 783	712 198
								23 755
								122
								210
								55
								(35)
								736 305

Not credit-impaired		Credit-impaired	
Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL – purchased/ originated credit-impaired	Subject to lifetime ECL – purchased/ originated credit-impaired
Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
(12)	18	2	
161			

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Home loans Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	128 870	281	128 589
New financial assets originated or purchased	10 819	94	10 725
Financial assets written off			–
Repayments and other movements	(2 848)	327	(3 175)
Transfers to 12-month ECL	5 793	16	5 777
Transfers to lifetime ECL (not credit-impaired)	(7 124)	(212)	(6 912)
Transfers to lifetime ECL (credit-impaired)	(1 791)	(269)	(1 522)
Foreign exchange movements	7	(1)	8
Net balances	133 726	236	133 490
Total credit and zero balances	134	(1)	135
Balance at the end of the year	133 860	235	133 625

Commercial mortgages Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	146 223	314	145 909
New financial assets originated or purchased	38 443	171	38 272
Financial assets written off			–
Repayments and other movements	(32 689)	(117)	(32 572)
Transfers to 12-month ECL	7 787	104	7 683
Transfers to lifetime ECL (not credit-impaired)	(19 606)	(62)	(19 544)
Transfers to lifetime ECL (credit-impaired)	(873)	(107)	(766)
Foreign exchange movements	(287)	(3)	(284)
Net balances	138 998	300	138 698
Total credit and zero balances			–
Balance at the end of the year	138 998	300	138 698

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	14 721	640	14 081	6 858	1 514	5 344	150 449	2 435	148 014
			–			–	10 819	94	10 725
			–	(279)	(270)	(9)	(279)	(270)	(9)
	(865)	(51)	(814)	(1 025)	(250)	(775)	(4 738)	26	(4 764)
	(5 128)	(13)	(5 115)	(665)	(3)	(662)	–	–	–
	8 664	315	8 349	(1 540)	(103)	(1 437)	–	–	–
	(1 817)	(276)	(1 541)	3 608	545	3 063	–	–	–
	(1)	1	(2)	8	(3)	11	14	(3)	17
	15 574	616	14 958	6 965	1 430	5 535	156 265	2 282	153 983
	4		4	11		11	149	(1)	150
	15 578	616	14 962	6 976	1 430	5 546	156 414	2 281	154 133

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	11 811	210	11 601	1 849	320	1 529	159 883	844	159 039
			–			–	38 443	171	38 272
			–	(15)	(34)	19	(15)	(34)	19
	(2 784)	176	(2 960)	(738)	(59)	(679)	(36 211)	–	(36 211)
	(7 390)	(89)	(7 301)	(398)	(15)	(383)	(1)	–	(1)
	19 848	64	19 784	(242)	(2)	(240)	–	–	–
	(1 629)	(123)	(1 506)	2 501	230	2 271	(1)	–	(1)
			–		(5)	5	(287)	(8)	(279)
	19 856	238	19 618	2 957	435	2 522	161 811	973	160 838
			–			–	–	–	–
	19 856	238	19 618	2 957	435	2 522	161 811	973	160 838

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Properties in possession Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year		2	(2)
New financial assets originated or purchased	1		1
Financial assets written off			–
Repayments and other movements		(2)	2
Transfers to lifetime ECL (credit-impaired)	(1)		(1)
Net balances	–	–	–
Total credit and zero balances			–
Balance at the end of the year	–	–	–

Credit cards and overdrafts Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	21 525	566	20 959
New financial assets originated or purchased	5 515	161	5 354
Financial assets written off			–
Repayments and other movements	1 940	1 090	850
Transfers to 12-month ECL	1 009	38	971
Transfers to lifetime ECL (not credit-impaired)	(3 139)	(473)	(2 666)
Transfers to lifetime ECL (credit-impaired)	(1 410)	(762)	(648)
Foreign exchange movements	(60)	(1)	(59)
Net balances	25 380	619	24 761
Total credit and zero balances	5 868	(27)	5 895
Balance at the end of the year	31 248	592	30 656

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
		1	(1)	162	25	137	162	28	134
			–			–	1	–	1
			–	1		1	1	–	1
		(1)	1	(12)	(7)	(5)	(12)	(10)	(2)
			–	1		1	–	–	–
	–	–	–	152	18	134	152	18	134
			–			–	–	–	–
	–	–	–	152	18	134	152	18	134

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	4 110	654	3 456	2 283	1 849	434	27 918	3 069	24 849
			–			–	5 515	161	5 354
			–	(952)	(879)	(73)	(952)	(879)	(73)
	(793)	(6)	(787)	(296)	(86)	(210)	851	998	(147)
	(937)	(34)	(903)	(72)	(4)	(68)	–	–	–
	3 193	486	2 707	(54)	(13)	(41)	–	–	–
	(741)	(415)	(326)	2 151	1 177	974	–	–	–
	42	1	41	(33)	4	(37)	(51)	4	(55)
	4 874	686	4 188	3 027	2 048	979	33 281	3 353	29 928
	8	(8)	16	38	(1)	39	5 914	(36)	5 950
	4 882	678	4 204	3 065	2 047	1 018	39 195	3 317	35 878

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Personal, term and other loans Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	175 410	809	174 601
New financial assets originated or purchased	54 666	1 092	53 574
Financial assets written off			–
Repayments and other movements	(34 894)	449	(35 343)
Transfers to 12-month ECL	5 361	43	5 318
Transfers to lifetime ECL (not credit-impaired)	(4 318)	(384)	(3 934)
Transfers to lifetime ECL (credit-impaired)	(2 399)	(1 104)	(1 295)
Foreign exchange movements	(1 456)	4	(1 460)
Net balances	192 370	909	191 461
Total credit and zero balances			–
Balance at the end of the year	192 370	909	191 461

Instalment debtors Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	94 304	680	93 624
New financial assets originated or purchased	47 921	645	47 276
Financial assets written off			–
Repayments and other movements	(32 640)	680	(33 320)
Transfers to 12-month ECL	2 732	38	2 694
Transfers to lifetime ECL (not credit-impaired)	(9 379)	(729)	(8 650)
Transfers to lifetime ECL (credit-impaired)	(3 342)	(657)	(2 685)
Foreign exchange movements	3	(2)	5
Net balances	99 599	655	98 944
Total credit and zero balances			–
Balance at the end of the year	99 599	655	98 944

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
24 073	1 308	22 765	4 893	2 426	2 467	204 376	4 543	199 833
		–			–	54 666	1 092	53 574
		–	(1 304)	(1 187)	(117)	(1 304)	(1 187)	(117)
(7 364)	(335)	(7 029)	(51)	(65)	14	(42 309)	49	(42 358)
(5 308)	(19)	(5 289)	(53)	(24)	(29)	–	–	–
4 706	507	4 199	(388)	(123)	(265)	–	–	–
(1 240)	(597)	(643)	3 638	1 702	1 936	(1)	1	(2)
(139)	2	(141)	(25)	29	(54)	(1 620)	35	(1 655)
14 728	866	13 862	6 710	2 758	3 952	213 808	4 533	209 275
		–			–	–	–	–
14 728	866	13 862	6 710	2 758	3 952	213 808	4 533	209 275

Not credit-impaired			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
13 917	855	13 062	3 769	1 574	2 195	111 990	3 109	108 881
		–			–	47 921	645	47 276
		–	(753)	(969)	216	(753)	(969)	216
(3 457)	(53)	(3 404)	(2 300)	886	(3 186)	(38 397)	1 513	(39 910)
(2 432)	(32)	(2 400)	(300)	(5)	(295)	–	1	(1)
10 301	792	9 509	(923)	(63)	(860)	(1)	–	(1)
(1 891)	(453)	(1 438)	5 233	1 110	4 123	–	–	–
(1)	2	(3)	241	(1)	242	243	(1)	244
16 437	1 111	15 326	4 967	2 532	2 435	121 003	4 298	116 705
		–			–	–	–	–
16 437	1 111	15 326	4 967	2 532	2 435	121 003	4 298	116 705

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Preference shares and debentures Rm	Not credit-impaired – Subject to 12-month ECL – Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	13 475	26	13 449
New financial assets originated or purchased	7 181	36	7 145
Repayments and other movements	(6 136)		(6 136)
Transfers to 12-month ECL	320	1	319
Transfers to lifetime ECL (not credit-impaired)	(4)		(4)
Transfers to lifetime ECL (credit-impaired)	(178)	(37)	(141)
Foreign exchange movements		42	(42)
Net balances	14 658	68	14 590
Total credit and zero balances			–
Balance at the end of the year	14 658	68	14 590

Overnight loans Rm	Not credit-impaired – Subject to 12-month ECL – Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	18 957	24	18 933
New financial assets originated or purchased	2 472	9	2 463
Repayments and other movements	(8 067)	(8)	(8 059)
Transfers to 12-month ECL	425	1	424
Transfers to lifetime ECL (not credit-impaired)	(28)	(3)	(25)
Net balances	13 759	23	13 736
Total credit and zero balances			–
Balance at the end of the year	13 759	23	13 736

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	4 799	53	4 746			–	18 274	79	18 195
			–			–	7 181	36	7 145
	(4 168)	(26)	(4 142)	3		3	(10 301)	(26)	(10 275)
	(320)	(1)	(319)			–	–	–	–
	4		4			–	–	–	–
	(173)	(25)	(148)	351	62	289	–	–	–
		1	(1)			–	–	43	(43)
	142	2	140	354	62	292	15 154	132	15 022
			–			–	–	–	–
	142	2	140	354	62	292	15 154	132	15 022

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	2 051	91	1 960			–	21 008	115	20 893
			–			–	2 472	9	2 463
	(797)	(77)	(720)			–	(8 864)	(85)	(8 779)
	(425)	(1)	(424)			–	–	–	–
	28	3	25			–	–	–	–
	857	16	841	–	–	–	14 616	39	14 577
			–			–	–	–	–
	857	16	841	–	–	–	14 616	39	14 577

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Factoring accounts Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	 Allowance for ECL	 Amortised cost
Balance at the beginning of the year	5 385	11	5 374
New financial assets originated or purchased	626	1	625
Financial assets written off			–
Repayments and other movements	(442)	5	(447)
Transfers to 12-month ECL	173	1	172
Transfers to lifetime ECL (not credit-impaired)	(96)	(2)	(94)
Transfers to lifetime ECL (credit-impaired)	(35)	(6)	(29)
Net balances	5 611	10	5 601
Total credit and zero balances			–
Balance at the end of the year	5 611	10	5 601

Trade, other bills and banker's acceptances Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	 Allowance for ECL	 Amortised cost
Balance at the beginning of the year	1	1	–
New financial assets originated or purchased	12		12
Net balances	13	1	12
Total credit and zero balances			–
Balance at the end of the year	13	1	12

Financial guarantees and loan commitments Rm
Balance at the beginning of the year
New financial assets originated or purchased
Financial assets written off
Repayments and other movements
Transfers to lifetime ECL (not credit-impaired)
Transfers to lifetime ECL (credit-impaired)
Net balances
Total credit and zero balances
Balance at the end of the year

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	404	11	393	45	7	38	5 834	29	5 805
			–			–	626	1	625
			–	(8)		(8)	(8)	–	(8)
	(176)	(8)	(168)	(19)	(5)	(14)	(637)	(8)	(629)
	(170)	(1)	(169)	(3)		(3)	–	–	–
	96	2	94			–	–	–	–
			–	35	6	29	–	–	–
	154	4	150	50	8	42	5 815	22	5 793
			–			–	–	–	–
	154	4	150	50	8	42	5 815	22	5 793

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
			–			–	1	1	–
			–			–	12	–	12
	–	–	–	–	–	–	13	1	12
			–			–	–	–	–
	–	–	–	–	–	–	13	1	12

	Not credit-impaired		Credit-impaired	Total
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (excluding purchased/originated)	
	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
	61	61	39	161
	71			71
			(1)	(1)
	(30)	(20)	(12)	(62)
	(17)	17		–
	(25)	(10)	35	–
	60	48	61	169
				–
	60	48	61	169

C2.13 Financial assets written off

Key assumptions concerning the future and key sources of estimation

Writeoff and postwriteoff recoveries

A loan or advance is written off when the group has no reasonable expectations of recovering the asset partially or in its entirety. This assessment is judgemental and includes both qualitative and quantitative information, including trends based on historical recoveries. Card will write off after a client has had four months with no payment at legal stage, which translates into approximately 12 months in default; Personal Loans will write off after a client has missed the last 12 payments; and MFC will write off after approximately 11 months in default.

Other products are generally considered for writeoff only once the underlying security has been fully realised. The group writes off financial assets, in whole or in part, when practical recovery efforts have been exhausted and the group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- where enforcement activity is ceased; and
- where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The group may write off financial assets that are still subject to enforcement activity when there is no reasonable expectation of recovery.

The following contractual amounts outstanding on financial assets were written off during the period, and are still subject to enforcement activity:

Rm	2019	2018
Contractual amount outstanding	**5 149**	3 215

C2.14 Modification of financial assets

The group modifies the terms of loans provided to clients due to commercial renegotiations or in cases of distressed loans, with the aim of maximising recovery. Such restructuring activities include extended payment terms, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition when the modification is not substantial and does not result in derecognition of the original assets. The group monitors the subsequent performance of the assets. The group may determine that the credit risk has significantly improved after restructuring and the assets are then moved from lifetime ECL (stage 2 and stage 3) to 12-month ECL (stage 1). This is the case for assets that have performed in accordance with the new terms for six or more consecutive months.

The group continues to monitor whether there is a subsequent SICR in relation to such assets. The following table includes a summary of financial assets with lifetime ECLs of which the cashflows were modified during the year as part of the group's restructuring activities and their respective effects on the group's financial performance.

Rm	2019	2018
Modification during the year for which the loss allowance reflects lifetime ECL		
Amortised cost before modification	**2 306**	1 884
Net modification loss	**389**	151
Modification since initial recognition of the financial asset for which the loss allowance has changed during the year to reflect 12-month ECL		
Gross carrying amount at the end of the year	**122**	102
Impact of modification on the ECL allowances associated with these assets	**1**	2

Rm	2019	2018

C3 Government and other securities

C3.1 Analysis

Government and government-guaranteed securities	**95 652**	70 981
Other dated securities[1]	**31 224**	25 817
Macro fair-value hedge-accounted portfolios	**1 645**	
Impairment of government and other securities	**(11)**	(7)
	128 510	96 791

C3.2 Sectoral analysis

Financial services, insurance and real estate	**16 585**	11 701
Banks	**987**	1 301
Manufacturing, wholesale and trade	**9 107**	8 585
Transport, storage and communication	**1 227**	1 012
Government and public sector	**100 428**	72 894
Other sectors	**176**	1 298
	128 510	96 791

[1] *Includes securitised assets. See note F5.*

C4 Other short-term securities

C4.1 Analysis

Negotiable certificates of deposit	**18 709**	21 881
Treasury bills and other bonds	**45 749**	57 483
Impairment of other short-term securities	**(7)**	(2)
	64 451	79 362

C4.2 Sectoral analysis

Banks	**16 767**	21 638
Government and public sector	**45 295**	57 449
Other sectors	**2 389**	275
	64 451	79 362

C5 Credit analysis of other short-term securities, and government and other securities

	Investment grade		Subinvestment grade		Not rated		Total	
Credit ratings	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Other short-term securities	**60 009**	75 437	**1 893**	898	**2 549**	3 027	**64 451**	79 362
Negotiable certificates of deposit	**18 372**	21 881	**337**				**18 709**	21 881
Treasury bills and other	**41 637**	53 556	**1 556**	898	**2 556**	3 029	**45 749**	57 483
Impairment of other short-term securities					**(7)**	(2)	**(7)**	(2)
Government and other securities	**126 775**	94 539	**1 591**	957	**144**	1 295	**128 510**	96 791
Government and government-guaranteed securities	**95 291**	70 173	**292**	612	**69**	196	**95 652**	70 981
Other dated securities	**29 849**	24 372	**1 299**	345	**76**	1 100	**31 224**	25 817
Macro fair-value hedge-accounted portfolios	**1 645**						**1 645**	–
Impairment of government and other securities	**(10)**	(6)			**(1)**	(1)	**(11)**	(7)
	186 784	169 976	**3 484**	1 855	**2 693**	4 322	**192 961**	176 153

Debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that investments be rated on the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy on the rating of investments. The NGR scale has been mapped to the credit-rating scales of external credit-rating agencies. According to the NGR scale, investment grade can be equated to a Standard & Poor's and Fitch rating of at least BB+ and a Moody's rating of at least Ba1. The group's Investment grade includes credit ratings from NGR01 to NGR12 and subinvestment grade includes credit ratings from NGR13 to NGR25.

C6 Cash and cash equivalents

Rm	2019	2018
Coins and banknotes	**6 651**	7 945
Money at call and short notice	**6 948**	4 913
Balances with central banks – other than mandatory reserve deposits	**550**	304
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**14 149**	13 162
Mandatory reserve deposits with central banks	**23 486**	21 629
	37 635	34 791

Money at call and short notice constitute amounts withdrawable in 32 days or fewer.

C7 Derivative financial instruments

Accounting policy

Derivative financial instruments and hedge accounting

Derivatives are classified as financial assets when their fair value is positive or as financial liabilities when their fair value is negative, subject to the offsetting principles as described under 'Offsetting financial assets and financial liabilities'. The method of recognising fair-value gains and losses depends on whether derivatives are designated as hedging instruments and the nature of the risks being hedged.

- Derivatives that qualify for hedge accounting

  The group applies hedge accounting when transactions meet the criteria set out in IAS 39. The group's hedging strategy makes use of fair-value hedges, which are hedges of the change in fair value of recognised assets or liabilities or firm commitments. The group manages its interest rate risk exposure by entering into interest rate swaps. The interest rate risk exposure is frequently updated due to new loans being originated, contractual repayments, and early prepayment made by clients in each period. As a result, the group adopted a macro fair-value hedge strategy to hedge the designated risk profile by designating new swap agreements into the macro fair-value hedge-accounting solution at each month-end. The group uses the macro fair-value hedge to recognise fair-value changes related to the interest rate risk to reduce the profit or loss volatility that would otherwise arise from changes in fair value of the interest swaps alone.

- Fair-value hedges

  Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. 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.

  If the derivative expires, is sold, terminated or exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The fair-value adjustment to the hedged item is amortised to profit or loss over the life of the designated relationship in line with accounting standards. The unamortised fair-value adjustment of the hedged items is immediately recognised in profit or loss in the event that the hedged item is repaid or sold.

- Derivatives that do not qualify for hedge accounting

  All gains and losses from changes in the fair value of derivatives that are not designated as being subject to hedge accounting are recognised immediately in non-interest revenue.

Embedded derivatives

Derivatives in a host contract that is a financial or non-financial instrument, such as an equity conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IFRS 9, if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract, but it is not possible to measure the fair value of the embedded derivative separately, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at FVTPL and measured at fair value.

Principal types of derivatives

These transactions have been entered into in the normal course of business and are carried at fair value. The principal types of derivative contracts into which the group enters are swaps, options, futures and forwards.

Collateral

The group may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets, entitling the group to make a claim for current and future liabilities.

C7 Derivative financial instruments continued

C7.1 Total carrying amount of derivative financial instruments

Rm	2019	2018
Gross carrying amount of assets	**35 243**	22 692
Gross carrying amount of liabilities	**(27 991)**	(20 003)
Net carrying amount	**7 252**	2 689

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes C7.2 – C7.3.

C7.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities or commodity prices or financial and other indices.

	2019			2018		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Equity derivatives	**45 984**	**21 139**	**24 845**	41 318	25 007	16 311
Options written	**11 217**		**11 217**	8 733		8 733
Options purchased	**12 382**	**12 382**		11 250	11 250	
Futures[2]	**22 385**	**8 757**	**13 628**	21 335	13 757	7 578
Commodity derivatives	**4 283**	**1 750**	**2 533**	2 693	2 518	175
Options written	**2 533**		**2 533**	171		171
Options purchased	**1 503**	**1 503**		104	104	
Swaps	[1]	[1]	[1]	8	4	4
Futures	**247**	**247**	[1]	2 410	2 410	[1]
Exchange rate derivatives	**565 617**	**268 080**	**297 537**	431 572	214 767	216 805
Forwards	**396 758**	**210 268**	**186 490**	279 289	139 367	139 922
Futures	**2 278**	**1 218**	**1 060**	2 366	[1]	2 365
Currency swaps	**81 769**	**14 440**	**67 329**	122 971	62 341	60 630
Options purchased	**42 154**	**42 154**		13 058	13 058	
Options written	**42 658**		**42 658**	13 888		13 888
Interest rate derivatives	**5 081 477**	**3 496 773**	**1 584 704**	5 472 217	2 750 743	2 721 474
Interest rate swaps	**2 806 066**	**2 331 904**	**474 162**	2 681 528	1 321 222	1 360 306
Forward rate agreements	**2 244 600**	**1 149 600**	**1 095 000**	2 744 365	1 412 580	1 331 785
Futures	**284**	**210**	**74**	11 048	128	10 920
Caps	**11 560**	**4 905**	**6 655**	12 210	4 840	7 370
Floors	**5 194**	**2 872**	**2 322**	5 116	3 433	1 683
Credit default swaps	**3 581**	**3 246**	**335**	14 475	8 325	6 150
Total return swaps	**10 192**	**4 036**	**6 156**	3 475	215	3 260
Total notional principal	**5 697 361**	**3 787 742**	**1 909 619**	5 947 800	2 993 035	2 954 765

[1] *Represents amounts less than R1m.*

[2] *Includes contracts for difference with positive notionals of R880m (2018: R758m) and negative notionals of R247m (2018: R157m). The equity forward agreement has positive notionals of R7 877m (2018: R12 999m) and negative notionals of R13 381m (2018: R7 421m).*

C7.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the fair value of all derivative instruments held at year-end. The fair value of a derivative financial instrument is the amount at which it could be exchanged in an orderly transaction between market participants at the measurement date, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted-cashflow models and market-accepted option-pricing models.

	2019			2018		
Rm	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	**(128)**	**1 060**	**1 188**	(230)	803	1 033
Options written	**(974)**		**974**	(937)		937
Options purchased	**791**	**791**		505	505	
Futures[1]	**55**	**269**	**214**	202	298	96
Commodity derivatives	**423**	**713**	**290**	100	601	501
Options written	**(135)**		**135**	(403)		403
Options purchased	**172**	**172**		440	440	
Swaps	**52**	**109**	**57**	19	27	8
Futures	**334**	**432**	**98**	44	134	90
Exchange rate derivatives	**3 869**	**17 552**	**13 683**	1 092	7 741	6 649
Forwards	**2 360**	**10 512**	**8 152**	732	4 036	3 304
Futures	**(44)**	**29**	**73**	39	102	63
Currency swaps	**1 331**	**5 848**	**4 517**	284	3 106	2 822
Options purchased	**1 163**	**1 163**		497	497	
Options written	**(941)**		**941**	(460)		460
Interest rate derivatives	**3 088**	**15 918**	**12 830**	1 727	13 547	11 820
Interest rate swaps	**2 650**	**14 428**	**11 778**	1 663	12 585	10 922
Forward rate agreements	**216**	**848**	**632**	141	690	549
Futures	**28**	**28**		(6)		6
Caps	**(24)**	**26**	**50**	(8)	42	50
Floors	**15**	**32**	**17**	2	7	5
Credit default swaps	**24**	**145**	**121**	(6)	206	212
Total return swaps	**179**	**411**	**232**	(59)	17	76
Total carrying amount	**7 252**	**35 243**	**27 991**	2 689	22 692	20 003

[1] *Includes contracts for difference and an equity forward agreement. The fair value of the contracts for difference is zero as the variation margin is settled at the end of every day.*

C7 Derivative financial instruments continued

C7.4 Analysis of derivative financial instruments

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2019					
Maturity analysis					
Under one year	**728**	**695**	**12 139**	**1 393**	**14 955**
One to five years	**332**	**18**	**2 980**	**3 817**	**7 147**
Over five years			**2 433**	**10 708**	**13 141**
	1 060	**713**	**17 552**	**15 918**	**35 243**
2018					
Maturity analysis					
Under one year	511	511	4 883	1 226	7 131
One to five years	292	90	1 369	3 505	5 256
Over five years			1 489	8 816	10 305
	803	601	7 741	13 547	22 692
Derivative liabilities					
2019					
Maturity analysis					
Under one year	**951**	**283**	**9 867**	**1 040**	**12 141**
One to five years	**232**	**7**	**2 424**	**2 976**	**5 639**
Over five years	**5**		**1 392**	**8 814**	**10 211**
	1 188	**290**	**13 683**	**12 830**	**27 991**
2018					
Maturity analysis					
Under one year	580	426	3 936	1 101	6 043
One to five years	453	75	1 863	3 244	5 635
Over five years			850	7 475	8 325
	1 033	501	6 649	11 820	20 003
Notional principal of derivatives					
2019					
Maturity analysis					
Under one year	**38 711**	**4 283**	**494 653**	**2 998 223**	**3 535 870**
One to five years	**6 067**		**54 118**	**1 500 801**	**1 560 986**
Over five years	**1 206**		**16 846**	**582 453**	**600 505**
	45 984	**4 283**	**565 617**	**5 081 477**	**5 697 361**
2018					
Maturity analysis					
Under one year	34 997	2 644	323 042	3 477 826	3 838 509
One to five years	5 406	49	73 489	1 377 878	1 456 822
Over five years	915		35 040	616 513	652 468
	41 318	2 693	431 571	5 472 217	5 947 799

The maturity analysis in this note is prepared based on contractual maturities.

C7.5 Derivatives designated as fair-value hedges in terms of the group's fair-value hedge accounting solution

As part of the group's hedging activities it enters into transactions that are designated as fair-value hedge transactions.

Fair-value hedges are used by the group to mitigate the risk of changes in the fair value of financial instruments due to movements in market interest rates. Derivatives that are designated by the group to form part of these fair-value hedge transactions principally consist of interest rate swaps. The corresponding hedged items forming part of these fair-value hedges, designated into the fair-value hedge accounting solution, primarily consist of fixed-rate government bonds, loans, deposits and capital market issuances.

For qualifying fair-value hedges all changes in the fair value of the derivative and in the fair value of the hedged item, in relation to the risk being hedged, are recognised in profit or loss on a monthly basis if the hedge-accounting criteria are met.

IAS 39 does not specify a single method for assessing hedge effectiveness. The method an entity adopts for assessing hedge effectiveness depends on its risk management strategy. The group considers the linear regression method as the appropriate hedge effectiveness test to be used for prospective and retrospective hedge effectiveness testing. Linear regression is a statistical method that investigates the strength of the statistical relationship between the hedged item and the hedging instrument.

Linear-regression analysis involves determining a 'line of best fit' (slope) and then assessing the 'goodness of fit' (R-square) of this line. It provides a means of expressing, in a systematic fashion, the extent to which one variable, 'the dependent', will vary with changes in another variable, 'the independent'. In the context of assessing hedge effectiveness it establishes whether changes in the hedged item and hedging instrument are highly correlated.

The total day-to-day movement of the hedged item (due to the hedged risk) is regressed against the total day-to-day movement of the designated external swaps to calculate the hedge effectiveness, ie the degree of offset between the movements in the external swap and the hedged item (due to hedged risk).

Given the respective methodologies applied to perform retrospective and prospective hedge effectiveness testing, the number of data points considered for linear regression will not be consistent between retrospective and prospective testing and will not remain constant for all retrospective tests performed. This is in line with the requirements of IAS39 as it proves hedge effectiveness retrospectively throughout the reporting periods for which the hedge was designated (IAS39.99 paragraphs 89 to 102) and prospectively up to the next possible rebalancing date as documented as part of the risk management strategy for this particular hedging relationship (IAS39.99 paragraphs 89 to 102).

During 2019 the South African Reserve Bank (SARB) established the Market Practitioners Group. This is a joint public and private sector body whose primary purpose is to facilitate decisions on the choice of interest rate benchmarks to be used as reference interest rates for financial and derivative contracts, as well as provide input to the SARB and the Financial Sector Conduct Authority (FSCA) on the operationalisation of the interest rate benchmark proposals. Five workstreams have been established in this regard; Governance, Risk-free Reference Interest Rate, Transition, Unsecured Reference Interest Rate and the Data Collection and Infrastructure. Nedbank continues to stay abreast of the latest developments and will assess impacts when more certainty on the change is obtained.

The following table contains details of the hedged banking book exposures covered by the group's macro fair-value hedge accounting:

	2019			
	Notional amount of hedged items		Accumulated amount of fair-value adjustments on the hedged item	
Rm	Assets	Liabilities	Assets	Liabilities
Retail assets	45 333		337	
Wholesale assets and government bonds	72 277		2 248	
Retail deposits		42 677		(196)
Wholesale deposits and capital market issuances		95 753		(130)
Total	**117 610**	**138 430**	**2 585**	**(326)**

C7 Derivative financial instruments continued

C7.5 Derivatives designated as fair-value hedges in terms of the group's fair-value hedge accounting solution continued

	2018			
	Notional amount of hedged items		Accumulated amount of fair-value adjustments on the hedged item	
Rm	Assets	Liabilities	Assets	Liabilities
Retail assets	42 330		(75)	
Wholesale assets and government bonds	56 584		124	
Retail deposits		45 089		91
Wholesale deposits and capital market issuances		75 465		26
Total	98 914	120 554	49	117

Effectiveness testing was performed on a monthly basis with a prospective effectiveness R-square range of 98% to 100% and retrospective effective range of 84% to 100%. The table below contains the fair-value change of the hedged item and hedging instrument per month for the various hedge accounting solutions.

Rm	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019
Change in the fair value of hedged items	**678**	**(125)**	**83**	**(83)**	**588**	**743**	**(349)**	**906**	**(418)**	**(530)**	**(112)**	**714**
Change in the fair value of the hedging instruments	**(601)**	**112**	**(81)**	**80**	**(589)**	**(722)**	**334**	**(881)**	**401**	**515**	**113**	**(692)**
Net fair-value change	**77**	**(13)**	**2**	**(3)**	**(1)**	**21**	**(15)**	**25**	**(17)**	**(15)**	**1**	**22**

Rm	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018
Change in the fair value of hedged items	(106)	333	100	(107)	(316)	(444)	377	(723)	73	(257)	883	353
Change in the fair value of the hedging instruments	107	(332)	(91)	120	321	457	(362)	724	(37)	276	(834)	(285)
Net fair-value change	1	1	9	13	5	13	15	1	36	19	49	68

The following table contains the impact on profit or loss:

Rm	2019	2018
Profit on hedged items	**2 095**	166
Profit on hedging instruments	**(2 011)**	64
Movement in fair value that was recognised in profit or loss	**84**	230

SECTION D: CORE BANKING LIABILITIES

D1 Amounts owed to depositors

Accounting policy

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities.

D1.1 Classifications

	2019 Rm	2018 Rm
Current accounts	**86 199**	85 267
Savings deposits	**32 586**	32 442
Other deposits and loan accounts	**614 909**	573 103
Call and term deposits	**325 730**	305 251
Fixed deposits	**66 735**	66 314
Cash management deposits	**75 748**	73 659
Other deposits and loan accounts	**146 696**	127 879
Foreign currency liabilities	**25 734**	23 316
Negotiable certificates of deposit	**118 984**	89 919
Deposits received under repurchase agreements[1]	**25 644**	21 877
Macro fair-value hedge-accounted portfolios	**326**	(120)
	904 382	825 804
Comprises:		
– Amounts owed to depositors	**846 625**	765 516
– Amounts owed to banks	**57 757**	60 288
	904 382	825 804

[1] *The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R27 001m (2018: R24 079m) as collateral for deposits received under repurchase agreements, of which R12 611m (2018: 9 600m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9. The associated liabilities of R25 644m (2018: R21 877m), of which R12 734m (2018: R9 241m) relates to sell-/buybacks, are disclosed in note D1.*

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

See note D1.4 for a breakdown of amounts owed to depositors by operating segment.

	2019 Rm	2018 Rm
D1.2 Sectoral analysis		
Banks	**57 757**	60 288
Government and public sector	**80 714**	74 837
Individuals	**250 592**	236 463
Business sector	**515 319**	454 216
	904 382	825 804
D1.3 Geographical analysis		
SA	**803 982**	732 173
The rest of Africa	**37 845**	35 728
Europe	**52 176**	37 177
Asia	**8 433**	10 394
United States	**1 946**	10 332
	904 382	825 804

D1 Amounts owed to depositors continued

D1.4 Segmental analysis

Rm	Total 2019	Total 2018	Nedbank Corporate and Investment Banking 2019	Nedbank Corporate and Investment Banking 2018
Current accounts	86 199	85 267	6 628	8 385
Savings deposits	32 586	32 442	1	
Other deposits and loan accounts	614 909	573 103	328 434	300 549
Call and term deposits	325 730	305 251	114 658	109 848
Fixed deposits	66 735	66 314	13 680	11 837
Cash management deposits	75 748	73 659	61 782	60 016
Other deposits and loan accounts	146 696	127 879	138 314	118 848
Foreign currency liabilities	25 734	23 316	19 244	17 933
Negotiable certificates of deposit	118 984	89 919		
Deposits received under repurchase agreements	25 644	21 877	25 349	21 443
Macro fair-value hedge-accounted portfolios	326	(120)		
Amounts owed to depositors	904 382	825 804	379 656	348 310
Comprises:				
– Amounts owed to clients	752 215	765 516	344 497	292 884
– Amounts owed to banks	152 167	60 288	35 159	55 426
Total amounts owed to depositors	904 382	825 804	379 656	348 310

D2 Long-term debt instruments

Instrument type	Maturity dates	Interest rates	2019 Rm	2018 Rm
Subordinated debt[1]				
Callable notes (rand-denominated – floating)	16 January 2020 to 1 July 2020	JIBAR plus 2,75% to 3,50%	**1 895**	3 989
Callable notes (rand-denominated – fixed)	28 November 2020 to 19 November 2027	8,92% to 11,29%	**430**	891
Long-term debenture	2 August 2027 to 15 September 2030	Zero coupon, JIBAR plus 3,00% to 10,82%	**317**	316
Basel III subordinated debt[2]				
Callable notes (rand-denominated – floating)	15 March 2022 to 1 December 2028	JIBAR plus 3,75% to 4,00%	**11 587**	9 037
Securitised liabilities[3]				
Callable notes (rand-denominated – floating)	27 January 2028 to 25 February 2053	JIBAR plus 1,02% to 10,0%	**3 152**	2 069
Senior unsecured debt[4]				
Senior unsecured notes – fixed	28 November 2020 to 19 November 2027	8,79% to 11,39%	**17 512**	18 833
Senior unsecured notes – floating	19 April 2020 to 1 August 2020	JIBAR plus 0,85% to 2,25%	**22 139**	20 421
Senior unsecured green bonds	29 April 2022 to 30 April 2026	JIBAR plus 1,10% to 1,41%	**2 644**	
Unsecured debentures	30 November 2029	Zero coupon	**37**	31
Total long-term debt instruments in issue			**59 713**	55 587

[1] *During 2019 three subordinated debt instruments were repaid and no subordinated debt instruments were issued.*

[2] *During 2019 one Basel III subordinated debt instruments was issued. R2,5bn was issued at JIBAR plus 2,40% and is redeemable on or before 9 April 2024.*

[3] *During 2019 six securitised liabilities were issued and five were repaid.*

[4] *During 2019 five senior unsecured debt instruments were repaid and 13 senior unsecured debt instruments were issued. R8,4bn was issued at variable interest rates ranging between JIBAR plus 1,16% and JIBAR plus 1,67%, repayable between 1 August 2022 to 21 February 2029.*

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	69 996	67 200	1 838	1 777	7 645	7 846	92	59
	10 661	10 141	21 130	21 354	794	947		
	252 231	240 128	17 070	16 354	17 335	16 275	(161)	(203)
	187 061	172 663	12 964	11 662	11 044	11 075	3	3
	49 079	52 385	677	669	3 299	1 424		(1)
	10 979	10 497	1 384	1 939	1 524	1 136	79	71
	5 112	4 583	2 045	2 084	1 468	2 640	(243)	(276)
	6 013	5 051	22	10	455	322		
					3 699	3 648	115 285	86 271
					295	434		
							326	(120)
	338 901	322 520	40 060	39 495	30 223	29 472	115 542	86 007
	339 359	321 244	40 112	39 486	(65 641)	28 341	93 888	83 561
	(458)	1 276	(52)	9	95 864	1 131	21 654	2 446
	338 901	322 520	40 060	39 495	30 223	29 472	115 542	86 007

D2 Long-term debt instruments continued

D2.1 Movement in carrying amount

	2019 Rm	2018 Rm
Balance at the beginning of the year	**55 587**	51 576
Changes arising from cash movements	**(1 157)**	(1 082)
Issue of long-term debt instruments	**12 895**	9 504
Redemption of long-term debt instruments	**(8 749)**	(5 495)
Interest paid	**(5 303)**	(5 091)
Acquisition of own long-term debt	**(63)**	(24)
Changes arising from non-cash movements	**5 346**	5 117
Accrued interest and unwinding of premiums/discount	**5 346**	5 150
Fair-value adjustments		(33)
Balance at the end of the year	**59 713**	55 587

Investment contract liabilities and insurance contract liabilities

Contracts under which the group accepts insurance risk from another party by agreeing to compensate such party or other beneficiaries if a specified uncertain future event adversely affects the party or other beneficiaries, are classified as insurance contract liabilities. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

D3 Investment contract liabilities

Accounting policy

Linked products

Linked products are investment-related products where the policyholder bears the investment risk on the assets held in these investment products. The policy benefits are directly linked to the value of the assets in the fund. Linked products are designated and measured at FVTPL at each reporting date. Linked products are revalued using valuation techniques such as discounted cashflow methods, index values and closing market values. The valuations are also adjusted for the effects of changes in foreign exchange rates.

	2019 Rm	2018 Rm
Balance at the beginning of the year	**20 035**	18 134
Premium income	**6 739**	5 882
Investment income	**1 587**	757
Annuities	**(319)**	(300)
Death and disability benefits	**(477)**	(409)
Withdrawals/Surrenders	**(3 361)**	(4 163)
Other movements	**367**	134
Balance at the end of the year	**24 571**	20 035

Policies held within investment contracts are recorded at market-related values.

D4 Insurance contract liabilities

Accounting policy

Policy liabilities

The policy liabilities under unmatured policies, including unintimated claims, are calculated in accordance with the Standard of Actuarial Practice Note (SAP) 104 as issued by the Actuarial Society of SA. Claims intimated, but not paid, are provided for. The actuarial statement of financial position is included as a separate item in the group's annual financial statements. The group performs a liability adequacy test on its liabilities in line with IFRS 4: Insurance Contracts.

New standards and interpretations not yet adopted

IFRS 17: Insurance contracts

IFRS 17 is a comprehensive new standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4: Insurance Contracts. The group has established a steering committee to promote, direct and oversee the successful implementation of IFRS 17 in the group. The committee is supported by several project workstreams. The impact of implementing IFRS 17 is currently being assessed.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative information required. The IASB issued an exposure draft on IFRS 17 during 2019. The exposure draft included proposed amendments to the standard. One of the proposed amendments was to postpone the effective date of IFRS 17 to 1 January 2022. Feedback has been received on the exposure draft and the IASB is currently deliberating. The final amendments to the standard are expected to be issued in mid-2020. The group's steering committee is closely monitoring the IASB and related industry information.

	2019 Rm	2018 Rm
Balance at the beginning of the year	**1 829**	2 277
Net premiums	**2 069**	1 918
Individual – recurring premiums	**2 172**	2 006
Net reinsurance premiums	**(103)**	(88)
Investment income	**725**	534
Dividends	**14**	14
Interest	**539**	791
Realised and unrealised gains/losses on investments	**172**	(271)
Policyholders' benefits paid	**(1 758)**	(1 160)
Annuities	**(27)**	(73)
Death and disability benefits	**(601)**	(569)
Maturities	**(1 093)**	(450)
Gross surrenders and withdrawals	**(37)**	(68)
Total expenses	**(566)**	(743)
Administration expenses	**(369)**	(369)
Commission	**(144)**	(295)
Indirect taxation	**(53)**	(79)
Transfer to operating profit	**(1 584)**	(997)
Balance at the end of the year	**715**	1 829

D5 Contractual maturity analysis for financial liabilities

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year
2019				
Long-term debt instruments	**59 713**	**1 839**	**1 614**	**6 840**
Investment contract liabilities	**24 571**	**24 571**		
Insurance contract liabilities	**715**			
Amounts owed to depositors	**904 382**	**618 817**	**82 565**	**117 036**
Current accounts	**86 199**	**86 250**		
Savings deposits	**32 586**	**32 242**	**290**	**1**
Other deposits and loan accounts	**614 909**	**440 193**	**51 210**	**63 678**
Foreign currency liabilities	**25 734**	**16 999**	**3 388**	**4 293**
Negotiable certificates of deposit	**118 984**	**17 459**	**27 677**	**49 064**
Deposits received under repurchase agreements	**25 644**	**25 674**		
Macro fair-value hedge-accounted portfolios	**326**			
Derivative financial instruments – liabilities	**27 991**	**6 983**	**2 121**	**3 037**
Lease liabilities	**3 379**	**310**	**282**	**513**
Provisions and other liabilities	**24 149**	**12**		**161**
	1 044 900	**652 532**	**86 582**	**127 587**
Contingent liabilities and undrawn facilities				
Guarantees on behalf of clients		**25 018**		
Letters of credit and discounting transactions		**7 148**		
Irrevocable unutilised facilities and other		**148 099**		
	–	**180 265**	**–**	**–**
2018				
Long-term debt instruments	55 587	2 293	6 172	4 555
Investment contract liabilities	20 035	20 035		
Insurance contract liabilities	1 829			
Amounts owed to depositors	825 804	596 989	75 965	87 220
Current accounts	85 267	85 269		
Savings deposits	32 442	32 442		
Other deposits and loan accounts	573 103	420 772	48 921	54 459
Foreign currency liabilities	23 316	16 971	1 444	866
Negotiable certificates of deposit	89 919	19 653	25 600	31 895
Deposits received under repurchase agreements	21 877	21 882		
Macro fair-value hedge-accounted portfolios	(120)			
Derivative financial instruments – liabilities	20 003	2 779	1 570	1 694
Provisions and other liabilities	29 383			363
	952 641	622 096	83 707	93 832
Contingent liabilities and undrawn facilities				
Guarantees on behalf of clients		29 802		
Letters of credit and discounting transactions		9 654		
Irrevocable unutilised facilities and other		136 381		
	–	175 837	–	–

Provisions and other liabilities are included in this table to provide a reconciliation with the statement of financial position and also include current and deferred taxation liabilities, long-term employee benefit liabilities and non-current liabilities held for sale. Derivatives are not profiled on an undiscounted basis.

>1 year < 5 years	>5 years	Non-determinable maturity	Total
43 816	**26 816**		**80 925**
			24 571
		715	**715**
96 519	**10 786**	**–**	**925 723**
			86 250
47			**32 580**
60 470	**10 786**		**626 337**
1 265			**25 945**
34 411			**128 611**
			25 674
326			**326**
5 639	**10 211**		**27 991**
2 128	**1 168**		**4 401**
	19 101	**4 875**	**24 149**
148 102	**68 082**	**5 590**	**1 088 475**
			25 018
			7 148
			148 099
–	**–**	**–**	**180 265**
40 051	23 500		76 571
			20 035
		1 829	1 829
73 403	10 174	–	843 751
			85 269
			32 442
50 521	10 294		584 967
4 039			23 320
18 843			95 991
			21 882
	(120)		(120)
5 635	8 325		20 003
		29 020	29 383
119 089	41 999	30 849	991 572
			29 802
			9 654
			136 381
–	–	–	175 837

SECTION E: ASSET MANAGEMENT

E1 Managed funds

Accounting policy

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue. The funds under management described below includes funds of funds, however, are not included in the group's consolidated statement of financial position.

	2019 Rm	2018 Rm
E1.1 Fair value of funds under management – by type		
Unit trusts	**273 243**	241 421
Third party	**946**	839
Private clients	**56 947**	55 078
	331 136	297 338
E1.2 Fair value of funds under management – by geography		
SA	**264 448**	241 364
Rest of world	**66 688**	55 974
	331 136	297 338

E1.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2017	251 088	449	60 776	312 313
Inflows	483 512	390	10 066	493 968
Outflows	(494 266)	(69)	(10 377)	(504 712)
Mark-to-market value adjustment	(7 480)	(32)	(5 793)	(13 305)
Foreign currency translation differences	8 567	101	406	9 074
Balance at 31 December 2018	**241 421**	**839**	**55 078**	**297 338**
Inflows	**550 540**	**14**	**10 178**	**560 732**
Outflows	**(536 004)**	**(24)**	**(9 876)**	**(545 904)**
Mark-to-market value adjustment	**18 497**	**110**	**1 527**	**20 134**
Foreign currency translation differences	**(1 211)**	**7**	**40**	**(1 164)**
Balance at 31 December 2019	**273 243**	**946**	**56 947**	**331 136**

E1.4 Reconciliation of movement in funds under management – by geography

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2017	256 058	56 255	312 313
Inflows	483 089	10 879	493 968
Outflows	(488 308)	(16 404)	(504 712)
Mark-to-market value adjustment	(9 475)	(3 830)	(13 305)
Foreign currency translation differences		9 074	9 074
Balance at 31 December 2018	**241 364**	**55 974**	**297 338**
Inflows	**550 173**	**10 559**	**560 732**
Outflows	**(535 803)**	**(10 101)**	**(545 904)**
Mark-to-market value adjustment	**8 714**	**11 420**	**20 134**
Foreign currency translation differences		**(1 164)**	**(1 164)**
Balance at 31 December 2019	**264 448**	**66 688**	**331 136**

SECTION F: INVESTMENTS

F1 Investment securities

Accounting policy

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities and Section F.2 for the group's accounting policies on investments in associate companies.

	Carrying amount		Dividends received		Cumulative gains/(losses)	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Private-equity investments	**7 315**	5 543	**378**	140	**(434)**	99
Private-equity associates – Property Partners	**1 885**	1 361	**10**	30	**6**	58
Private-equity associates – Investment Banking	**898**	1 070	**7**	24	**(145)**	(12)
Private-equity (unlisted) – Property Partners	**1 559**	1 551	**10**	65	**37**	8
Private-equity (unlisted) – Investment Banking	**2 973**	1 561	**351**	21	**(332)**	45
Listed investments	**896**	25	**1**	6	**(5)**	
Unlisted investments	**2 758**	3 060	**41**	14	**143**	55
Taquanta Asset Managers portfolio	**468**	463	**5**	5	**137**	28
Strate Limited	**143**	143	**8**	6		
Other	**2 147**	2 454	**28**	3	**6**	27
Total listed and unlisted investments	**10 969**	8 628	**420**	160	**(296)**	154
Listed policyholder investments at market value	**13 253**	10 048				
Unlisted policyholder investments at directors' valuation	**4 750**	3 742				
Net policyholder liabilities	**(11)**	(14)				
Total policyholder investments	**17 992**	13 776				
Total investment securities	**28 961**	22 404				

Refer to note 12.2.1 for the classification of investment securities in terms of the fair-value hierarchy.

The group has designated 11 (2018: 10) investments at FVOCI as these investments are held with strategic intent. The fair value of these investments was R965m at 31 December 2019 (31 December 2018: R942m). R7m (2018: R8m) was recognised as dividend income that related to these investments. No equity investments designated at FVOCI have been derecognised in the current year.

F2 Investments in associate companies

Accounting policy

Associates

An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights. The group accounts for its investments in associate companies (other than investments in associate companies designated at FVTPL) using the equity accounting method, ie cost plus the group's share of postacquisition changes in net asset value.

The group's share of postacquisition profit or loss and postacquisition movements in OCI are recognised in the income statement and OCI, respectively. The group applies the equity method of accounting from the date on which significant influence commences until the date on which significant influence ceases (or the associate is classified as held for sale), ie when the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate.

In applying the equity method the investor should use the financial statements of the associate as of the same date as the financial statements of the investor unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the ends of accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

Where an entity in the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the associate, but only to the extent that there is no evidence of impairment.

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the associate investment may not be recovered. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in note G.

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in H2.

Common control transactions

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and where that control is not transitory, are referred to as common control transactions. The group's accounting policy for the acquiring entity is to account for the transaction at book values as reflected in the consolidated financial statements of the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

Associate companies and joint ventures held by venture capital divisions

Where the group has an investment in an associate or joint-venture company held by a venture capital division, whose primary business is to purchase and dispose of minority stakes in entities, the investment is classified as designated as FVTPL, as the divisions are managed on a fair-value basis. Changes in the fair value of these investments are recognised in non-interest revenue in profit or loss in the period in which they occur.

From 1 July 2018, the Investment Committee has elected to apply the equity method of accounting to Investment Banking's private-equity associates and joint-venture entities. As this election is made on an asset-by-asset basis on initial recognition, private-equity associates and joint-venture entities for which the FVTPL election was made prior to 1 July 2018 remain at FVTPL. In addition, Property Partners' private-equity associates and joint-venture entities continue to be measured at FVTPL.

Key assumptions concerning the future and key sources of estimation

Investment in Ecobank Transnational Incorporated (ETI)

As in previous financial years, one of the group's associate investments, ETI, will report results for the year ended 31 December 2019 subsequent to the release of the group's audited consolidated financial statements. Therefore, as allowed by IAS 28, the group uses the most recent public information of ETI (at 30 September 2019, ie a quarter in arrear) to determine its share of ETI's earnings and OCI. In addition, as required by IAS 28, the group considers whether adjustments for significant transactions or events between 30 September 2019 and 31 December 2019, are required, based on publicly available information. The resulting equity-accounted earnings is translated from US dollar to rand at the average exchange rate applicable for the quarter in which the group accounts for the earnings and OCI. The group's share of the net assets of ETI is translated from US dollar to rand at the closing exchange rate.

The carrying value of Nedbank Group's strategic investment in ETI decreased from R3,2bn to R2,7bn during the year. The market value of the group's investment in ETI, based on its quoted share price on 31 December 2019, was R1,3bn. On 28 February 2020 the market value of the group's investment in ETI was R1,2bn. Based on the group's 2016 VIU calculation, management determined that an impairment provision of R1,0bn was appropriate. This calculation must be revisited at each reporting period where the indicators of impairment are reconsidered and VIU calculation reassessed taking into account any future changes in estimates and assumptions.

The difference between market value and carrying value is significant and prolonged, which represented evidence of an impairment indicator at 31 December 2019. Where there is an impairment indicator, IFRS determines that an impairment test be computed, which compares the VIU and the carrying value of the investment. The computation of the VIU in accordance with IFRS is subject to significant judgement as it is based on, among other things, economic estimates, macroeconomic assumptions and the discounting of future cashflow estimates. Based on this VIU calculation, management determined that the recoverable amount was greater than the carrying value. The R1,0bn impairment recognised in 2016 has therefore neither been increased nor reversed in the current reporting period. An increase in the discount rate applied during the VIU computation of 0,1%, or a reduction in the estimated future cashflows of 0,2%, would have resulted in the recoverable amount being equal to the carrying value at 31 December 2019.

ETI has been an important long-term investment for the group, providing our clients with a pan-African transactional banking network and access to dealflow in Central and West Africa since its acquisition in 2014. The group remains supportive of ETI's endeavours of delivering a return on equity in excess of its cost of equity in due course.

F2.1 Movement in carrying amount

	2019 Rm	2018 Rm
Carrying amount at the beginning of the year	**4 041**	3 553
Impact of adopting new accounting standards, net of taxation		(780)
Share of associate companies' profit after taxation for the year	**793**	528
Share of associate companies' OCI for the year	**(1 170)**	(333)
Dividends received from equity-accounted associate companies	**(20)**	
Acquisition of investments in associate companies	**342**	548
Foreign currency translation and other movements	**(69)**	525
Carrying amount at the end of the year	**3 917**	4 041

F2.2 Analysis of carrying amount

	2019 Rm	2018 Rm
Associate investments – on acquisition: net asset value	**7 377**	7 035
Impact of adopting new accounting standards, net of taxation	**(780)**	(780)
Share of retained earnings since acquisition	**1 439**	646
Share of OCI since acquisition	**(3 994)**	(2 824)
Dividends received from equity-accounted associate companies	**(179)**	(159)
Impairment provision for investments in associate companies	**(1 000)**	(1 000)
Foreign currency translation and other movements[1]	**1 054**	1 123
	3 917	4 041

[1] *Of this amount, R17m (2018: R45m) relates to foreign currency movements on the R1,0bn impairment recorded in 2016.*

F2 Investments in associate companies continued

F2.3 Analysis of investments in associate companies

	Nature of activities	Percentage holding 2019 %	Percentage holding 2018 %
Associate companies			
Listed			
Ecobank Transnational Incorporated (Togo)[2]	Banking	**21,2**	21,2
Unlisted			
Private equity: Tracker Technology Holdings Proprietary Limited	Vehicle tracking	**17,7**	17,7
Private equity: other investments	Various		
Other strategic investments	Various		

[1] *Includes on-balance-sheet and off-balance-sheet exposure.*

[2] *ETI is a pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and Côte d'Ivoire.*

Unless otherwise stated above, all entities are domiciled and incorporated in SA. The group has the same proportion of voting rights as its proportion of ownership interest, unless stated otherwise, and has not incurred any contingent liabilities with regard to the associates listed above.

F2.4 Additional disclosure relating to material associate company

	Ecobank Transnational Incorporated[1] 2019 Rm	Ecobank Transnational Incorporated[1] 2018 Rm
Fair value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange		
Based on the NAFEX NGN/USD and prevailing ZAR/USD exchange rates	**1 311**	2 908
Statement of comprehensive income		
Revenue	**16 880**	18 098
Profit from continuing operations	**3 093**	3 264
Post-tax profit from discontinued operations	**56**	9
Other comprehensive (losses)/income	**(2 710)**	(1 070)
Total comprehensive income	**439**	2 203
Statement of financial position[2]		
Current assets	**191 360**	189 903
Non-current assets	**124 872**	124 635
Current liabilities	**248 354**	245 123
Non-current liabilities	**42 332**	40 329

[1] *The information provided for ETI has been based on the latest available financial information, being the financial results available at 30 September 2019.*

[2] *Comparative information for 2018 has been restated to better reflect the latest split between current and non-current assets and liabilities as reflected in ETI's latest annual report.*

			Group			
			Carrying amount		Net exposure to/(from) associates[1]	
Measurement method	Acquisition date	Year-end	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Equity-accounted	October 2014	December	**2 674**	3 245	**69**	333
Equity-accounted	November 2018	June	**549**	506		
Equity-accounted			**285**	42		
Equity-accounted			**409**	248		
			3 917	4 041	**69**	333

F2 Investments in associate companies continued

F2.4 Additional disclosure relating to material associate company continued

ETI's VIU at 31 December 2019 has been determined using the following assumptions:

	2019
Adjusted risk-free rate (%)	8,9
Equity risk premium (%)	5,2
Beta	1,2
Terminal growth rate (%)	1,7
Cashflow projection (years)	5
Discount rate (%)	20,2

F3 Investments in subsidiary companies and related disclosure

Accounting policy

Subsidiary undertakings and consolidated structured entities

Subsidiary undertakings are those entities, including unincorporated entities such as trusts and partnerships, that are controlled by the group. The group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The group is exposed or has rights to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance. The group considers all facts and circumstances relevant to its involvement with an entity to evaluate whether control exists. The group assesses any changes to the facts and circumstances relevant to the entity and reassesses the consolidation requirements on a continuous basis.

The consolidated financial statements include the assets, liabilities and results of the company plus subsidiaries, including consolidated structured entities from the date control is established until the date that control ceases.

Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the consolidated financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

Subsidiaries include structured entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the group has power over such investees, in which it has an interest, the group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee.

Sponsored entities

Where the group does not have an interest in an unconsolidated structured entity, the group will assess whether it sponsors the specific structured entity. The group will sponsor such an entity by assessing whether the group led the formation of the entity, the name of the group is associated with the name of the entity or it provides certain implicit guarantees to the entity in question.

Company

Investments in group companies are accounted for at cost less impairment losses in the separate financial statements. The carrying amounts of these investments are reviewed annually and impaired, when necessary, by applying the impairment methodology described in note G.

Acquisitions and disposals of stakes in group companies

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, that asset or liability is measured at the acquisition date fair value. Subsequent changes in such fair values are accounted for either in profit or loss or OCI. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair value at the date of acquisition, except for:

- deferred taxation assets or liabilities, which are recognised and measured in accordance with IAS 12: Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19: Employee Benefits;
- liabilities or equity instruments that relate to the replacement, by the group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2: Share-based Payments; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and discontinued operations, which are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Where provisional amounts were reported, these are adjusted during the measurement period (see below). Additional assets or liabilities are recognised to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition, which, if known, would have affected the amounts recognised on that date.

The measurement period is the period from the date of acquisition to the date the group receives complete information about the facts and circumstances that existed at the acquisition date. This measurement period is subject to a maximum of one year after the acquisition date.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date on the date the group attains control, and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree before the acquisition date, which previously have been recognised in OCI, are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to the acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

The difference between the proceeds from the disposal of a subsidiary, the fair value of any retained investment and its carrying amount at the date of disposal, including the cumulative amount of any exchange differences recognised in the statement of changes in equity that relate to the subsidiary, is recognised as a gain or loss on the disposal of the subsidiary in the group profit or loss for the period.

All changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interests are increased or decreased and the fair value of the consideration paid or received is recognised directly in equity and attributed to the group.

Investments in foreign operations

Nedbank Group Limited's presentation currency is SA rand. The assets and liabilities, including goodwill and fair-value adjustments, of group entities (including equity-accounted associates) that have functional currencies other than that of the company (SA rand) are translated at the closing exchange rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation of these entities are recognised in other comprehensive income in the statement of comprehensive income. The cumulative exchange differences are recognised as a separate component of equity and are represented by the balance in the foreign currency translation reserve.

On disposal of a foreign operation the cumulative amount in the foreign currency translation reserve related to that operation is transferred to profit or loss for the period when the gain or loss on the disposal of the foreign operation is recognised.

The primary and major determinants for non-rand functional currencies are the economic factors that determine the sales price for goods and services as well as costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

F3 Investments in subsidiary companies and related disclosure continued

F3.1 Analysis of investments in subsidiary companies

	Group			
	Issued capital		Effective holding	
	2019 Rm	2018 Rm	**2019 %**	2018 %
Banking[2]				
Nedbank Limited	**27**	27	**100**	100
Nedbank Namibia Limited	**17**	17	**100**	100
Nedbank (Malawi) Limited	**32**	32	**100**	100
Nedbank (Lesotho) Limited	**20**	20	**100**	100
Nedbank (Swaziland) Limited	**12**	12	**65,08**	65,08
Nedbank Private Wealth Limited (Isle of Man)	**186**	186	**100**	100
Banco Único, SA (Mozambique)	**563**	563	**50% plus one share**	50% plus one share
Nedbank Zimbabwe Limited (Previously MBCA Bank Limited)	**1**	1	**66,02**	66,02
Trust and securities entities[3]				
Nedgroup Private Wealth Stockbrokers Proprietary Limited	**1**	1	**100**	100
Nedgroup Trust Limited (Jersey)	**1**	1	**100**	100
Nedgroup Collective Investments (RF) Proprietary Limited[5]	**6**	6	**100**	100
Syfrets Securities Limited	**1**	1	**100**	100
Other companies[3]				
Nedgroup Private Wealth Proprietary Limited	**1**	1	**100**	100
Depfin Investments Proprietary Limited	**1**	1	**100**	100
Dr Holsboer Benefit Fund[4]	**1**	1	**100**	100
Nedgroup Investments Africa (Mauritius)	**1**	1	**100**	100
Nedbank Group Insurance Company Limited	**11**	11	**100**	100
Nedcapital Investment Holdings Proprietary Limited (Namibia)	**1**	1	**100**	100
Ned Settle Services Proprietary Limited	**1**	1	**100**	100
Nedcor Trade Services Limited (Mauritius)	**4**	4	**100**	100
NedEurope Limited (Isle of Man)	**6 167**	6 167	**100**	100
Nedgroup Insurance Company Limited[5]	**5**	5	**100**	100
Nedgroup International Holdings Limited (Isle of Man)	**1**	1	**100**	100
Nedbank Group Insurance Holdings Limited	**17**	17	**100**	100
Nedgroup Life Assurance Company Limited	**15**	15	**100**	100
Nedgroup Securities Proprietary Limited	**10**	10	**100**	100
Nedgroup Structured Life Limited	**1**	1	**100**	100
NedNamibia Holdings Limited (Namibia)	**18**	18	**100**	100
Visigro Investments (Proprietary) Limited	**1**	1	**100**	100
Other companies				
Impairment of subsidiaries				

Note: the small "1" entries in the capital columns are the footnote marker 1 (amounts less than R1m).

1 *Represents amounts less than R1m.*

2 *The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.*

3 *These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.*

4 *The entity is governed by the terms of a trust deed. Restrictions are in place with regard to access or the use of the entity's assets.*

5 *In terms of a dispensation received from the Financial Sector Conduct Authority these companies are not allowed to declare any distributions to its holding company.*

The composition of the group is illustrated in note F3.1. Unless otherwise stated:

- all entities are domiciled in SA;
- the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period as those of the consolidated financial statements; and
- there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

Company			
Book value of investments		Net indebtedness	
2019 Rm	2018 Rm	**2019 %**	2018 %
27 559	24 059	**6 223**	2 685
17	17		
19	19		
285	285	**12**	11
353	353		
566	566		
	222		
11	11		
25	25		
		71	71
1 612	1 612		
196	196	**260**	260
34	34		
429	429		
155	155		
5	5	**(4)**	18
31 266	27 988	**6 562**	3 045

F3 Investments in subsidiary companies and related disclosure continued

F3.1 Analysis of investments in subsidiary companies continued

	2019 Rm	2018 Rm
Headline earnings from subsidiaries (after eliminating intercompany transactions)		
Aggregate headline earnings attributable to equity holders	**12 829**	13 608
Aggregate headline losses attributable to equity holders	**(323)**	(113)
Total headline earnings	**12 506**	13 495

General information required in terms of the Companies Act, 71 of 2008, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

Nedbank Group Limited will ensure that, except in the case of political risk and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries and its principal non-banking subsidiaries are able to meet their contractual liabilities.

F3.2 MAJOR SUBSIDIARY COMPANIES

Nedbank Group Limited

- **Nedbank Limited 100%**
  - **Local subsidiaries**
    - Depfin Investments Proprietary Limited
    - Peoples Mortgage Limited
    - BoE Private Equity Investments Proprietary Limited
- **Foreign Nedbank Group subsidiaries**
  - NedEurope Limited (Isle of Man)
  - N.B.S.A. Limited
  - Nedgroup Investments Limited (Isle of Man)
  - Nedbank Zimbabwe Limited 66,02%
  - Nedbank Namibia Limited
  - Nednamibia Life Assurance Company Limited
  - Nedgroup International Holdings Limited (Isle of Man)
  - Nedgroup Trust Limited (Guernsey)
  - Nedbank Private Wealth Limited (Isle of Man)
  - Banco Único, SA (Mozambique) 50% plus one share
  - Nedbank (Lesotho) Limited
  - Nedbank (Swaziland) Limited 65,08%
- **Trusts, securities and other entities**
  - Syfrets Securities Limited
  - Nedgroup Private Wealth Stockbrokers Proprietary Limited
  - Nedgroup Collective Investments (RF) Proprietary Limited
  - Nedgroup Securities Proprietary Limited
  - Nedgroup Private Wealth Proprietary Limited
- **Nedbank Group Insurance Holdings Limited 100%**
  - Nedgroup Insurance Company Limited
  - Nedgroup Structured Life Limited
  - Nedgroup Life Assurance Company Limited
- **Other insurance**
  - Nedbank Group Insurance Company Limited

All subsidiaries are wholly owned, unless stated otherwise.

F3.3 MATERIAL NON-CONTROLLING INTERESTS

The table below provides details of non-wholly owned subsidiaries of the group that have material non-controlling interests:

	Banco Único, SA (Mozambique)		Nedbank (Swaziland) Limited		Nedbank Zimbabwe Limited	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Financial position						
Total assets	**5 986**	5 704	**5 291**	5 322	**2 193**	1 604[1]
Total liabilities	**5 868**	5 587	**4 424**	4 539	**2 007**	1 347[1]
Accumulated non-controlling interests at the end of the year	**416**	409	**279**	299	**63**	88[2]
Comprehensive income						
Income from lending activities	**291**	260	**266**	266	**105**	279
Non-interest revenue	**193**	200	**173**	166	**346**	375
Zimbabwe hyperinflation					**(296)**	–
Profit from continuing operations	**69**	75	**121**	128	**(160)**	214
Total comprehensive income	**69**	75	**121**	126	**(160)**	214
Profit allocated to non-controlling interests during the reporting period	**44**	36	**42**	45	**(54)**	71
Cashflows						
Cashflows from/(utilised by) operating activities	**79**	(338)	**(228)**	509	**1 050**	(303)[3]
Cashflows utilised by investing activities	**(58)**	(45)	**(9)**	(11)	**(14)**	(26)[3]
Cashflows utilised by financing activities			**(34)**	(33)		
Net increase/(decrease) in cash and cash equivalents	**21**	(383)	**(271)**	465	**1 036**	(329)[3]
Dividends paid to non-controlling interests			**12**	22		

1 *Comparative information has been restated for Nedbank Zimbabwe Limited for 2018. Nedbank Group estimated the RTGS dollar: USD exchange rate using a combination of the Old Mutual share price implied rate and the fuel price implied rate.*

The conversion of Nedbank Zimbabwe's functional currency took place in terms of IAS 21, with differential recognised as a foreign currency translation reserve (FCTR) (through OCI). The amount recognised in FCTR was derived from total assets and total liabilities, however, the adjustment was incorrectly excluded on these line items.

2 *Due to the above impact the correct allocation to non-controlling interest has been updated.*

3 *Comparative information with regard to the cashflow statement: In accordance with the above, the conversion of Nedbank Zimbabwe's functional currency took place in terms of IAS 21. The USD–ZAR rate was erroneously applied as opposed to the implied rate mentioned above.*

F4 Interests in structured consolidated and unconsolidated structured entities

F4.1 Consolidated structured entities

The group holds certain interests in consolidated structured entities to ring-fence certain risks and/or achieve specific objectives. Structured entities are entities that have been designed so that voting rights are not the predominant factor in deciding who controls the entity.

The group has identified the following consolidated structured entities:

- Old Mutual Alternative Risk Transfer Fund (OMART) (refer to note H1).
- Employee Benefit Trust Schemes (refer to note J3).
- Community Trust (refer to note J1).
- Dr Holsboer Benefit Fund.
- Securitisation vehicles (refer to note F5):
  - » Greenhouse Funding III (RF) Limited;
  - » Greenhouse 5 Funding (RF) Limited; and
  - » Precinct Funding 2 (RF) Limited.

F4 Interests in structured consolidated and unconsolidated structured entities continued

F4.1 Consolidated structured entities continued

The following judgements have been applied in determining that the group has control over the following structured entities:

Securitisation

The group originated and sponsors certain securitisation vehicles and acts in various capacities with regard to these structures. The group controls these entities and has consolidated these structures since its inception. These securitisation structures include the following:

- Securitisation vehicles consist of the residential mortgage-backed securitisation programmes Greenhouse Funding 5 (RF) Limited and Greenhouse Funding III (RF) Limited and the commercial mortgage-backed securitisation programmes Precinct Funding 2 (RF) Limited. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at its inception. The group does, however, exercise some discretion in its decisionmaking, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge and credit enhancement, Nedbank Limited has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

The group has set up securitisation vehicles that acquire the rights, title, interest and related security of commercial and residential mortgage bonds from Nedbank Limited. The creation of these vehicles facilitated the group having appropriately collateralised instruments that can be pledged against the group's committed liquidity facility provided by SARB, if required. The group has concluded that it controls these entities.

Refer to note F5 for further information on the securitisation activities of the group.

Employee share schemes

The group has established employee share schemes for the benefit of its employees in return for their employment services rendered. Funding is provided by the group or its subsidiaries to acquire shares that are held on behalf of employees. The trustees have limited rights and act within narrowly defined parameters in terms of the trust deed. The trustees receive limited remuneration, if any, for their services rendered in terms of the trust. The group has concluded that the trustees act merely as agents and that the group has control over the trust.

Dr Holsboer Benefit Fund

Nedbank is the founder of the trust. The fund was established in terms of a trust deed for the benefit of employees of the group. The beneficiaries of the trust include employees, contractors and pensioners, as nominated by the trustees in their sole discretion. The trustees have the right to vest or distribute net income of the trust at their discretion. The founder, Nedbank Group Limited, reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services unless the founder and all the trustees unanimously agree. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Community Trust

The trust was formed with the specific purpose of providing previously disadvantaged communities with the opportunity to receive certain benefits. The group consolidates this trust because of the specific purpose for which the trust was formed and the group's involvement in the key decisionmaking processes relating to the operation of the trust.

F4.2 Unconsolidated structured entities

The following judgements were used in determining that the group does not have control over the following structured entities:

Investment funds

The group acts as fund manager to a number of investment funds. The group holds seed capital in certain investment funds where the group assists in starting the investment fund and the group is required by ASISA rules to hold a minimum interest in the investment fund. In determining whether the group controls such an investment, focus is usually on the assessment of decisionmaking rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the group in the fund in the form of interest held and management fees.

In most instances the group's decisionmaking authority, in its capacity as fund manager, with regard to these investment funds is regarded to be well defined. Discretion is, however, exercised when decisions regarding the relevant activities of these funds are being made.

Fees earned by the group in its capacity as fund manager are considered to be market-related, commensurate with the services provided and include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's-length basis.

As a result, the group has concluded that it acts as agent on behalf of the investors in all instances. Therefore, the group does not control these funds and has not consolidated these investment funds.

Analysis of the group's interests in unconsolidated structured entities

The following table summarises the carrying values recognised in the statement of financial position of the group's interests in unconsolidated structured entities:

	Rm
2019	
Carrying amount of the group's interest	**8**
Fees earned	**847**
Total assets under management	**213 316**
2018	
Carrying amount of the group's interest	5
Fees earned	930
Total assets under management	190 567

Investment funds

The group's maximum exposure to losses from its interests in unconsolidated structured entities is limited to the group's interests in the investment funds. The group does not provide any financial support to these investment funds.

Sponsored entities

In addition to the above unconsolidated structured entities, the group has sponsored certain BEE schemes in which it does not have an interest. The group does not earn any fees or income from these entities, nor has the group transferred any assets to these sponsored entities.

F5 Securitisations

The group securitises various consumer and commercial financial assets, generally resulting in the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches or other residual interests (retained interests).

Active securitisation transactions

Nedbank Group Limited uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The group currently has three active traditional securitisation transactions:

- Greenhouse Funding III (RF) Limited (Greenhouse III), a residential-mortgage-backed securitisation programme.
- Greenhouse Funding 5 (RF) Limited (Greenhouse 5), a residential-mortgage-backed securitisation programme.
- Precinct Funding 2 (RF) Limited (Precinct Funding 2), a commercial-mortgage-backed securitisation programme.

Greenhouse Funding III (RF) Limited (Greenhouse III)

Greenhouse III is a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series medium-term-note programme.

Greenhouse III is a residential-mortgage-backed securitisation programme implemented during 2014. Greenhouse III securitised R2bn worth of home loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Greenhouse III are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse III continue to be recognised as financial assets held by Nedbank Limited.

Greenhouse III makes use of an internal risk management policy, and uses the Nedbank Group credit-risk-monitoring process to govern lending activities to external parties.

Nedbank Limited provided Greenhouse III with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse III structure, Nedbank holds the class D note, amounting to R100m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

F5 Securitisations continued

Greenhouse Funding 5 (RF) Limited (Greenhouse 5)

Greenhouse 5 is a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series medium-term-note programme.

Greenhouse 5 is a residential-mortgage-backed securitisation programme implemented during 2019. Greenhouse 5 securitised R1bn worth of home loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Greenhouse 5 are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse 5 continue to be recognised as financial assets held by Nedbank Limited.

Greenhouse 5 makes use of an internal risk management policy, and uses the Nedbank Group credit-risk-monitoring process to govern lending activities to external parties.

Nedbank Limited provided Greenhouse 5 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse 5 structure, Nedbank holds the class B and class C note, amounting to R150m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

Precinct Funding 2 (RF) Limited (Precinct Funding 2)

Precinct Funding 2 is a commercial-mortgage-backed securitisation (CMBS) programme. The originator, seller and servicer of the commercial-property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial-property finance in SA.

The Precinct Funding 2 CMBS programme was implemented during 2017. Precinct Funding 2 securitised R1bn worth of commercial-property mortgage loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 2 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited. The commercial-property mortgage loans transferred to Precinct Funding 2 continue to be recognised as financial assets held by Nedbank Limited.

The Precinct Funding 2 structure allows for more flexibility to replace loans. However, loan replacements are subject to certain portfolio covenants and eligibility criteria.

Precinct Funding 2 makes use of an internal risk management policy and uses the Nedbank Group Limited credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio ageing and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank Limited provided Precinct Funding 2 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the class C and class D notes of Precinct Funding 2 amounting to R80m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement, where appropriate, together with the associated liabilities, for each category of asset in the statement of financial position:

	2019		2018	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients:				
– Residential mortgage loans	**2 129**	**2 448**	1 264	1 089
Less: Impairments	**(7)**		(6)	
– Commercial mortgage loans	**784**	**705**	979	979
Less: Impairments	**(1)**		(1)	
Total	**2 905**	**3 153**	2 236	2 068

This table presents the gross balances within the securitisation schemes and does not reflect any eliminations of intercompany and cash balances held by the various securitisation vehicles.

F6 Related parties

F6.1 Relationship with significant investors

Following Old Mutual plc's managed-separation process, the group no longer has a parent (controlling shareholder) as Old Mutual Limited unbundled its direct shareholding in the group to approximately 19,9% on 15 October 2018. At 31 December 2019 Old Mutual Limited held 24,09% (31 December 2018: 24,51%) of Nedbank Group Limited's ordinary shares. The above shareholding is inclusive of funds held on behalf of other beneficial owners. Old Mutual Limited remains a related party of the group due to its significant shareholding in the group.

Material subsidiaries of the group are identified in note F3.1 and associate companies of the group are identified in note F2.3.

F6.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors.

Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2019			
Directors' fees	**22**		**22**
Remuneration – paid by subsidiaries	**91**	**185**	**276**
Short-term employee benefits	**46**	**98**	**144**
Gain on exercise of share instruments	**45**	**87**	**132**
	113	**185**	**298**
2018			
Directors' fees	21		21
Remuneration – paid by subsidiaries	99	213	312
Short-term employee benefits	54	119	173
Gain on exercise of share instruments	45	94	139
	120	213	333

F6 Related parties continued

F6.2 Key management personnel compensation continued

	Directors	Key management personnel	Total
Number of share instruments			
2019			
Outstanding at the beginning of the year	**504 485**	**879 454**	**1 383 939**
Granted	**171 625**	**321 096**	**492 721**
Forfeited		**(8 536)**	**(8 536)**
Exercised	**(205 927)**	**(314 454)**	**(520 381)**
Transferred[1]		**(46 404)**	**(46 404)**
Outstanding at the end of the year	**470 183**	**831 156**	**1 301 339**
2018			
Outstanding at the beginning of the year	527 433	950 914	1 478 347
Granted	137 574	235 704	373 278
Forfeited		(6 868)	(6 868)
Exercised	(160 522)	(292 073)	(452 595)
Transferred[1]		(8 223)	(8 223)
Outstanding at the end of the year	504 485	879 454	1 383 939

[1] *Represents the net movement in share instruments of members appointed to and resigning from Group Exco.*

F6.3 Related-party transactions

Transactions between Nedbank Group Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Group Limited and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

	Due from/(Owing to)	
Outstanding balances (Rm)	**2019**	**2018**
Old Mutual group		
Bonds, derivatives and other financial instruments (owing to)/due from Old Mutual group	**(2 031)**	604
Loan due from Old Mutual group	**622**	457
Deposits owing to Old Mutual group	**(16 897)**	(7 310)
Bank balances owing to Old Mutual group	**(7 810)**	(10 932)
Associate companies		
Loans due from associate companies	**2 059**	2 167
Deposits owing to associate companies	**(209)**	(220)
Bank balances owing to associate companies	**(52)**	31
Key management personnel		
Mortgage bonds due from key management personnel	**17**	17
Deposits owing to key management personnel	**(18)**	(13)
Bank balances due from key management personnel	**3**	3
Bank balances owing to key management personnel	**(4)**	(7)
Key management personnel – directors	**(39)**	(51)
Key management personnel – other	**(83)**	(93)
Share-based payments reserve	**(122)**	(144)

Outstanding balances (Rm)	Due from/(Owing to) 2019	2018
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(4)**	(10)
Bank balances owing to Nedgroup Pension Fund	**(26)**	(32)
Bank balances and deposits owing to other funds	**(1 095)**	(1 358)

Transactions (Rm)	Income/(Expense) 2019	2018
Old Mutual group		
Dividend paid to the Old Mutual group	**(1 748)**	(3 610)
Interest income from Old Mutual group	**486**	76
Interest expense to Old Mutual group	**(2 031)**	(1 162)
Insurance premiums to Old Mutual Insure Ltd	**(157)**	(154)
Claims recovered from Old Mutual Insure Ltd	**73**	88
Commission income from Old Mutual Insure Ltd	**28**	27
Management fee income from Old Mutual group	**107**	116
Management fee expense to Old Mutual group	**(7)**	(19)
Fees received for provision of information technology services from Old Mutual group	**273**	277
Rent paid to Old Mutual group	**(18)**	(17)
Associate companies		
Interest income from associate companies	**5**	3
Interest expense to associate companies	**(17)**	(16)
Key management personnel		
Interest income from key management personnel	**3**	2
Interest expense to key management personnel	**(3)**	(2)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
– Key management personnel – other		1
Share-based payments expense (included in BEE transaction expenses)	**–**	1
Key management personnel – directors	**(8)**	(31)
Key management personnel – other	**7**	(54)
Share-based payments expense (included in staff costs)	**(1)**	(85)

F6 Related parties continued

F6.3 Related-party transaction continued

	Income/(Expense) 2019	2018
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(2)**	(8)
Interest expense to Nedgroup Medical Aid Fund		(1)
Interest expense to other funds	**(66)**	(115)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with Old Mutual Life Assurance Company (SA) Limited in respect of its pension plan obligations. Nedbank Limited has an insurance policy (Symmetry policy) with Old Mutual Life Assurance Company (SA) Proprietary Limited in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
– Optiplus policy reimbursement right	**753**	760
– Symmetry policy reimbursement right	**1 139**	1 148
– OMART policy reimbursement right (note H1.1)	**729**	665
Included in long-term employee benefit assets	**2 621**	2 573
Optiplus policy obligation	**(753)**	(760)
Postretirement medical aid obligation	**(1 023)**	(1 430)
Disability obligation	**(632)**	(463)
Included in long-term employee benefit liabilities	**(2 408)**	(2 653)

SECTION G: GENERIC ASSETS

Accounting policy

Impairment (all assets other than financial assets, deferred taxation assets and investment property)

The group assesses all assets (other than financial assets, deferred taxation assets and investment property) for indications of impairment or the reversal of a previously recognised impairment at each reporting date. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are recognised in profit or loss for the period. Intangible assets not yet available for use are tested, at least annually, for impairment.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its VIU. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing VIU, the expected future pretax cashflows from the asset are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset, the cashflows of which are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are complete.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs capitalised are disclosed in the notes by asset category and are calculated at the group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred, less any investment income on the temporary investment of those borrowings, are capitalised.

G1 Property and equipment

Accounting policy

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. All other expenses are recognised in profit or loss as an expense when incurred.

Subsequent to initial recognition, computer equipment, vehicles and furniture and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to other comprehensive income and presented in equity under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment properties.

Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held for sale in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations are not depreciated. The depreciable amounts of property and equipment are recognised in profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment, unless they are included in the carrying amount of another asset. The useful lives, residual values and depreciation methods for property and equipment are assessed and adjusted (where required) on an annual basis.

On revaluation, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount and residual values.

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred, net of any related deferred taxation, between the revaluation reserve and retained earnings as the property is utilised. Land is not depreciated.

The maximum initial estimated useful lives are as follows:

Computer equipment	five years
Motor vehicles	six years
Fixtures and furniture	10 years
Leasehold property	20 years
Significant leasehold property components	10 years
Freehold property	50 years
Significant freehold property components	five years

Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the statement of changes in equity.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

G1 Property and equipment continued

Accounting policy continued

Leases

The group as lessee

Refer to note A2 for initial implementation (transition date) accounting policies and elections.

The group is party to the following type of lease contracts:

- ATMs.
- Branches.
- Campus sites.
- Office space.
- Computer and office equipment.

Contract assessment and allocation of consideration

At the inception of a new contract the group assesses whether the contract is or contains a lease. In assessing whether a contract conveys the right to control the use of an identified asset, the group considers whether:

- the contract involves the use of an asset explicitly or implicitly identified in the contract. This asset must be physically distinct or represents substantially all the capacity of the asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- the group has the right to direct the use of the asset, ie to direct how and for what purpose the asset is used.

At inception or on reassessment of a modified contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices and the aggregate standalone price of the non-lease components. Non-lease components are recognised as an expense in profit or loss in the period in which they arise.

Lease term

The group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option.

In assessing whether the group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the group considers all relevant facts and circumstances that create an economic incentive for the group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Lease terms are on average three years for ATMs, five years for branches and 13 years for office blocks.

Right-of-use asset (initial and subsequent measurement)

The right-of-use asset is initially measured at cost, which comprises:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date;
- less any lease incentives received;
- plus, any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Impairment losses are determined in accordance with IAS 36: Impairment of Assets. If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that it is reasonably certain that the group will exercise a purchase option, the group depreciates the right-of-use asset over the useful life. Otherwise, the group depreciates the right-of-use asset over the shorter of the useful life and the lease term. The group's principles governing estimating useful lives of the right-of-use assets are determined using the same principles as those ascribed for property and equipment.

Onerous leases (impairment assessment)

Onerous leases are dealt with in IAS 36: Impairment of Assets, except for short-term leases, low-value leases and leases that became onerous before commencement date of the lease, which are dealt with in IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The group assesses for impairment indicators in the right-of-use asset, considering a combination of the following factors:

- when a significant decline in expected economic benefits from the full operational effects of the lease contract has occurred.
- when the leased asset is underutilised, renounced, relinquished or abandoned.
- combined with an array of factors to conclude on the presences of an onerous lease.

Each case is assessed and weighed based on its prevailing merits, facts and circumstances.

Impairment losses reduce the right-of-use asset and are recognised in profit and loss. In most cases a onerous lease does not discharge or extinguish the existing lease liability at time of occurrence of the impairment event. Any additional penalties to cancel the lease are present-valued and included as part of the lease liability in accordance with IFRS 16.

Disclosure for lease liabilities are done in note K1.

The group as lessor

The group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease the group assesses whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. In this case the lease is classified as a finance lease, otherwise it is classified as an operating lease. If the arrangement contains lease and non-lease components, the group allocates the consideration in the contract to each component on the basis of their relative standalone prices.

Operating leases

Assets leased out under operating leases are included under property and equipment in the statement of financial position. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

G1.1 Property and equipment

	2019 Rm	2018 Rm
Property and equipment (owned) (note G1.2)	**9 599**	9 371
Right-of-use assets (leased) (note G1.3)	**2 378**	
Property and equipment	**11 977**	9 371

G1 Property and equipment continued

G1.2 Property and equipment (owned)

	Land		Buildings	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Gross carrying amount				
Balance at 1 January	**962**	851	**7 083**	6 783
Acquisitions	**45**	124	**393**	652
Increases/(decreases) arising from revaluations[1]	**32**	(15)	**77**	30
Transfers from non-current assets held for sale[2]	**7**		**45**	
Disposals	**(1)**		**(258)**	(97)
Impairments			**(148)**	
Writeoff of accumulated depreciation on revaluations				(9)
Transfers between assets			**229**	(216)
Transfers to intangible assets (note G2)				9
Effect of movements in foreign exchange rates and other movements[3]	**(70)**	2	**47**	(69)
Balance at 31 December	**975**	962	**7 468**	7 083
Accumulated depreciation and impairment losses				
Balance at 1 January			**1 970**	1 737
Depreciation charge for the year			**451**	423
Writeoff of accumulated depreciation on revaluations				(9)
Disposals			**(129)**	(76)
Transfers between assets				(86)
Effect of movements in foreign exchange rates and other movements[3]			**(184)**	(19)
Balance at 31 December	**–**	–	**2 108**	1 970
Carrying amount				
At 1 January	**962**	851	**5 113**	5 046
At 31 December	**975**	962	**5 360**	5 113

[1] *Gains on property revaluations are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss.*

[2] *Land and buildings transferred from non-current assets held for sale to property and equipment, as the sale was no longer highly probable.*

[3] *Includes the effect of hyperinflation. This is further described in Note N1.*

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Land and buildings are recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance with the group's accounting policy. The valuers are members or associates of the Institute of Valuers (SA) or a local equivalent in the case of foreign subsidiaries. An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property. In determining the fair value of properties the following factors are considered:

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
	5 984	5 375	**3 724**	3 119	**72**	70	**17 825**	16 198
	906	630	**470**	527	**5**	5	**1 819**	1 938
							109	15
							52	–
	(295)	(149)	**(153)**	(133)	**(4)**	(7)	**(711)**	(386)
							(148)	–
							–	(9)
	4	(30)	**(235)**	246	**2**		**–**	–
		142					**–**	151
	(8)	16	**(62)**	(35)	**(16)**	4	**(109)**	(82)
	6 591	5 984	**3 744**	3 724	**59**	72	**18 837**	17 825
	4 184	3 561	**2 250**	1 955	**50**	43	**8 454**	7 296
	746	753	**358**	328	**7**	8	**1 562**	1 512
							–	(9)
	(286)	(140)	**(138)**	(113)	**(2)**	(4)	**(555)**	(333)
	(1)		**1**	86			**–**	–
	(28)	10	**(1)**	(6)	**(10)**	3	**(223)**	(12)
	4 615	4 184	**2 470**	2 250	**45**	50	**9 238**	8 454
	1 800	1 814	**1 474**	1 164	**22**	27	**9 371**	8 902
	1 976	1 800	**1 274**	1 474	**14**	22	**9 599**	9 371

G1 Property and equipment continued

G1.2 Property and equipment (owned) continued

Type of property	Valuation method	Significant inputs	Parameters	Land 2019 Rm	Land 2018 Rm	Buildings 2019 Rm	Buildings 2018 Rm
Commercial property	Market-comparable approach and discounted cashflow	Income capitalisation rates	8,0–12,0% (2018: 8,0–13,0%)	**970**	957	**5 350**	5 103
Residential property	Market-comparable approach and replacement value	Price per square metre		**5**	5	**10**	10
Total land and buildings				**975**	962	**5 360**	5 113

In accordance with IFRS 13: Fair Value Measurement the measurement of the group's properties is considered to be recurring. Recurring fair-value measurements are those that IFRS requires or permits to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the group classifies its properties measured at fair value into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

In respect of certain properties there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment have been pledged as security for liabilities.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R3 550m (2018: R3 028m).

G1.3 Right-of-use assets (leased)

Right-of-use assets reconciliation

	2019 Rm
Balance at the beginning of the year	**2 711**
Depreciation charge for the year	**(892)**
Additions	**215**
Lease modifications[1]	**401**
Impairment losses	**(33)**
Derecognition	**(21)**
Effect of movements in foreign exchange rates and other movements[2]	**(3)**
Balance at the end of the year	**2 378**

[1] *Relates to amendments to new and existing lease contracts subsequent to 1 January 2019. Included in lease modifications are reinstatement costs of R19m.*

[2] *Right-of-use assets includes the effect of hyperinflation. This is further described in note N1.*

Depreciation charge by class of right-of-use assets

	2019 Rm
Property (ATMs, branches, offices and campus sites)	**813**
Office equipment	**79**
	892

Closing balances by class of right-of-use assets

	2019 Rm
Property (ATMs, branches, offices and campus sites)	**2 220**
Office equipment	**158**
	2 378

G2 Intangible assets

Accounting policy

Goodwill

Goodwill arises on the acquisition of subsidiaries and is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the goodwill attributable to the subsidiary is included in the determination of the profit or loss on disposal.

Goodwill and goodwill impairment

Goodwill arises on the acquisition of subsidiaries and associates. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is tested annually for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less costs to sell, its VIU and zero.

Impairment testing procedures

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its VIU. The fair value less cost to sell is determined by ascertaining the current market value of an asset (or the CGU) and deducting any costs related to the realisation of the asset.

In assessing VIU, the expected future cashflows from the CGU are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the particular CGU.

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in capital and non-trading items for the period.

Computer software and development costs (not yet commissioned)

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are recognised as an expense in profit or loss for the period.

If costs can be measured reliably and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has intention and sufficient resources to complete development. The expenditure capitalised includes the cost of materials and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses.

G2 Intangible assets continued

Accounting policy continued

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed 10 years and are reviewed annually. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset, in its current condition, to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. The profit or loss on the disposal of computer software is recognised in non-trading and capital items (in profit or loss). The profit or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

The amortisation methods and residual values of these intangible assets are reviewed annually.

Contractual client relationships

Contractual client relationships, including the present value of inforce business in insurance businesses, acquired in a business combination, are recognised at fair value at the date of acquisition. The contractual client relationships have a finite useful life and are carried at cost less accumulated amortisation. The useful lives and residual values of these client relationships are reviewed on an annual basis. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

Key assumptions concerning the future and key sources of estimation

Goodwill impairment

Management considers at least annually whether the current carrying value of goodwill is to be impaired. The first step of the impairment review process requires the identification of independent CGUs by segmenting the group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared with its fair value or VIU to determine whether any impairment exists. If the recoverable amount of a unit is less than its carrying value, goodwill will be impaired.

Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

The group's annual impairment test indicated that the goodwill relating to a cash-generating unit within Nedbank Wealth was impaired, hence R117m of goodwill has been written off. This impairment was recognised in non-trading and capital items (note B9).

The most significant amount of the remaining goodwill relates to Nedbank Limited. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Limited's goodwill would not result in impairment.

Intangible assets other than goodwill

An internally generated intangible asset, specifically internally developed software generated during the development phase, is recognised as an asset if certain conditions are met. These conditions include technical feasibility, intention to complete the development, ability to use the asset under development and demonstration of how the asset will generate probable future economic benefits.

The cost of a recognised internally generated intangible asset comprises all costs directly attributable to making the asset capable of being used as intended by management. Conversely, all expenditure arising during the research phase is expensed as incurred.

The decision to recognise internally generated intangible assets requires significant judgement, particularly in the following areas:

- Evaluation of whether or not activities should be considered research activities or development activities.
- Assumptions about future market conditions, client demand and other developments.
- Assessment of whether completing an asset is technically feasible. The term 'technical feasibility' is not defined in the accounting standards, and therefore requires a group-specific and necessarily judgemental approach.
- Evaluation of the future ability to use or sell the intangible asset arising from the development and the assessment of probability of future benefits from sale or use.
- Evaluation of whether or not a cost is directly or indirectly attributable to an intangible asset and whether or not a cost is necessary for completing a development.

All intangible assets of the group have finite useful lives. Consequently, the depreciable amount of the intangible assets is allocated on a systematic basis over their useful lives. Judgement is applied to the following:

- Determining the useful life of an intangible asset, based on estimates regarding the period over which the intangible asset is expected to produce economic benefits to the group.
- Determining the appropriate amortisation method. Accounting standards require that the straight-line method be used, unless management can reliably determine the pattern in which the future economic benefits of the asset are expected to be consumed by the group.

Both the amortisation period and the amortisation method have an impact on the amortisation expenses recorded in each period.

In making impairment assessments for the group's intangible assets, management uses certain complex assumptions and estimates about future cashflows, which require significant judgement and assumptions about future developments. These assumptions are affected by various factors, including changes in the group's business strategy, internal forecasts and estimation of the group's weighted-average cost of capital. Due to these factors, actual cashflows and values could vary significantly from the forecast future cashflows and related values derived using the discounted-cashflow method.

G2.1 Movement in carrying amount

Rm	Goodwill	Software	Development costs (not yet commissioned)	Client relationships, contractual rights and other	Total
2019					
Cost					
Balance at the beginning of the year	**6 650**	**13 674**	**1 951**	**757**	**23 032**
Acquisitions		**378**	**2 029**	**1**	**2 408**
Development costs commissioned to software		**2 082**	**(2 082)**		
Impairment losses[1]	**(117)**	**(99)**	**(132)**	**(58)**	**(406)**
Disposals and retirements		**(596)**			**(596)**
Foreign currency translation and other movements	**1**	**(21)**	**(3)**	**(18)**	**(41)**
Balance at the end of the year	**6 534**	**15 418**	**1 763**	**682**	**24 397**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	**1 477**	**8 364**	**10**	**573**	**10 424**
Amortisation charge		**1 167**		**65**	**1 232**
Disposals and retirements		**(596)**			**(596)**
Foreign currency translation and other movements		**(19)**	**1**	**(11)**	**(29)**
Balance at the end of the year	**1 477**	**8 916**	**11**	**627**	**11 031**
Carrying amount					
At the beginning of the year	**5 173**	**5 310**	**1 941**	**184**	**12 608**
At the end of the year	**5 057**	**6 502**	**1 752**	**55**	**13 366**

G2 Intangible assets continued

G2.1 Movement in carrying amount continued

Rm	Goodwill	Software	Development costs (not yet commissioned)	Client relationships, contractual rights and other	Total
2018					
Cost					
Balance at the beginning of the year	6 608	11 020	2 415	810	20 853
Acquisitions		393	2 129	141	2 663
Development costs commissioned to software		2 313	(2 313)		–
Impairment losses[1]		(16)	(128)		(144)
Disposals and retirements		(32)	(1)	(194)	(227)
Transfers from property and equipment (note G1)			(151)		(151)
Foreign currency translation and other movements	42	(4)			38
Balance at the end of the year	6 650	13 674	1 951	757	23 032
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 477	7 427	4	561	9 469
Amortisation charge		958		75	1 033
Disposals and retirements		(17)		(53)	(70)
Foreign currency translation and other movements[2]		(4)	6	(10)	(8)
Balance at the end of the year	1 477	8 364	10	573	10 424
Carrying amount					
At the beginning of the year	5 131	3 593	2 411	249	11 384
At the end of the year	5 173	5 310	1 941	184	12 608

[1] *Impaired intangible assets consist of projects mainly within the Nedbank Retail and Business Banking Cluster. The main indicators of the impairment of a project are the decommissioning of the project and/or the project not reaching full functionality. When one of these indicators is present, the project is tested for impairment by comparing its recoverable amount with its carrying amount. Where the recoverable amount of a project is lower than its carrying value, the project is impaired.*

[2] *Includes the effect of hyperinflation. This is further described in Note N1.*

G2.2 Analysis of goodwill by segment

	2019 Rm	2018 Rm
Nedbank Corporate and Investment Banking	**2 023**	2 023
Nedbank Retail and Business Banking	**1 449**	1 449
Nedbank Wealth	**1 427**	1 542
Nedbank Africa Regions	**158**	159
	5 057	5 173

Goodwill is allocated to individual CGUs based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs with the estimated VIU. The VIU is determined by discounting estimated future cashflows of each CGU. The discounted-cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. Impairment testing has resulted in the impairment of goodwill in the Nedbank Wealth segment during the year. Management regards the useful lives of all CGUs to be indefinite.

The VIU of the various CGUs was based on the following assumptions:

	2019	2018
Risk-free rate range (%)	**0,77–9,93**	1,25–8,77
Beta range	**0,45–0,98**	0,56–1,06
Equity risk premium (%)	**5,50–6,50**	5,50–6,50
Terminal growth rate range (%)	**0,00–6,20**	0,00–5,50
Cashflow projection (years)	**3–5**	3–5
Discount rate range (%)	**5,97–27,81**	7,45–25,54

Geographical split of goodwill is based on the area in which the CGU operates:

	2019 Rm	2018 Rm
– SA	**4 481**	4 596
– The rest of Africa	**158**	159
– Rest of world	**418**	418
	5 057	5 173
The recoverable amount is estimated as follows:		
– SA	**114 942**	172 897
– The rest of Africa	**2 949**	3 591
– Rest of world	**5 385**	4 719
	123 276	181 207

SECTION H: OTHER ASSETS

H1 Long-term employee benefits

Accounting policy

The group operates a number of postemployment defined-benefit and defined-contribution plans for eligible employees. The assets of these plans are generally held in separate trustee-administered funds. These benefits are accounted for in accordance with IAS 19: Employee Benefits.

Defined-benefit plans

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets.

The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using yields for government bonds that have maturity dates approximating the terms of the group's obligations.

Gains or losses resulting from remeasurements are recognised immediately in OCI. Remeasurements include actuarial gains and losses, return on plan assets, excluding amounts included in net interest, and the asset ceiling, excluding amounts included in net interest.

Current service costs and net interest on the defined-benefit liability are recognised immediately as an expense in profit or loss. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date the group recognises related restructuring costs.

Plan assets are offset against plan liabilities only where they are assets held by long-term employee benefit funds or qualifying insurance policies. Qualifying insurance policies exclude any policies held by the group's holding or subsidiary companies.

Defined-contribution plans

Contributions to defined-contribution plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

SECTION H: OTHER ASSETS continued

H1 Long-term employee benefits continued

Accounting policy continued

Postemployment benefit plans

The group provides postretirement medical benefits and disability cover for eligible employees. The non-pension postemployment benefits are accounted for, in accordance with their nature, as either a defined-contribution plan or a defined-benefit plan. Similarly, the expected costs associated with such benefits are accounted for in a manner consistent with their classification.

Short-term employee benefits

Short term employee benefits include salaries, accumulated leave payments, bonuses and non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount to be paid under short-term cash bonus plans or accumulated leave if the group has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Key assumptions concerning the future and key sources of estimation

The group provides pension plans for employees. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs.

For defined-benefit schemes, including postretirement medical aid schemes, actuarial valuation of each of the scheme's obligations using the projected-unit credit method and the fair valuation of each of the scheme's assets are performed annually in accordance with the requirements of IAS 19: Employee Benefits.

The actuarial valuation is dependent on a series of assumptions (note H1.1.2), the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the group's own experience. The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations.

The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

Postemployment and other long-term employee benefits

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All SA retirement plans are governed by the Pension Funds Act, 24 of 1956. The defined-benefit funds are actuarially valued using the projected-unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pension Funds Act. The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2019.

Postemployment benefits

Defined-benefit pension funds

Nedgroup Pension Fund (including the Optiplus policy).

Nedbank UK Pension Fund.

Other funds, consisting of Nedbank (Swaziland) Limited Pension Fund and Nedbank Lesotho Pension Fund.

Nedbank Private Wealth Pension Scheme.

Defined-contribution pension funds

Nedbank Private Wealth Pension Scheme.

Defined-benefit medical aid schemes

Nedgroup Medical Aid Scheme for Nedbank employees and pensioners [including the Old Mutual Post-retirement Medical Aid (PRMA) annuity policy].

Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Nedbank Namibia Medical Aid Fund.

Other long-term employee benefits

Disability fund

Nedbank Group Disability Fund (including the OMART policy).

Insurance policies held with related parties

Optiplus (Nedgroup Pension Fund), OMART (Nedbank Group Disability Fund) and PRMA (Symmetry) annuity policies are insurance policies, the proceeds of which can be used only to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19: Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

H1.1 Analysis of long-term employee benefit assets and liabilities

Rm	Notes	Assets	Liabilities
2019			
Postemployment benefits[1]	H1.1.1	**4 873**	**(1 901)**
Other long-term employee benefits – disability fund		**729**	**(632)**
		5 602	**(2 533)**
2018			
Postemployment benefits	H1.1.1	4 301	(2 286)
Other long-term employee benefits – disability fund		665	(463)
		4 966	(2 749)

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is a structured entity controlled by the group and was established to fund this defined-benefit obligation of R632m (2018: R463m). The value of the OMART asset held by the group is R729m (2018: R665m).

[1] *In terms of IAS 19 the postemployment benefits asset refers to the sum of pension and provident funds with a net positive fund value of R2 174m (2018: R1 625m), non-qualifying insurance policies taken on the funds of R748m (2018: R760m), the medical aid fund net asset refers to non-qualifying insurance policies taken on the fund of R1 140m (2018: R1 149m) and the contribution asset R811m (2018: R774m).*

H1 Long-term employee benefits continued

H1.1 Analysis of long-term employee benefit assets and liabilities continued

H1.1.1 Net asset/(liability) recognised (Rm)

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
2019				
Present value of defined-benefit obligation	**(4 053)**	**(1 031)**		**(5 084)**
Fair value of plan assets	**6 265**	**1 140**	**811**	**8 216**
Funded status[1]	**2 212**	**109**	**811**	**3 132**
Unrecognised due to paragraph 65 limit	**(160)**			**(160)**
	2 052	**109**	**811**	**2 972**
2018				
Present value of defined-benefit obligation	(4 476)	(1 441)		(5 917)
Fair value of plan assets	6 111	1 149	774	7 260
Funded status	1 635	(292)	774	1 343
Unrecognised due to paragraph 65 limit	(102)			(102)
	1 533	(292)	774	1 241

[1] *In terms of IAS 19: Employee Benefits insurance policies issued by related parties of the reporting entity are excluded from the definition of qualifying insurance policies. The fair value of plan assets includes non-qualifying insurance policies for pension funds to the value of R753m (2018: R760m) and for medical aid to the value of R1 139m (2018: R1 149m).*

H1.1.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 65 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2019					
Pension funds	**4 053**	**6 265**	**2 212**	**(160)**	**2 052**
Nedgroup Fund	**3 180**	**5 354**	**2 174**		**2 174**
Nedbank UK Fund	**398**	**517**	**119**	**(119)**	**–**
Nedbank Private Wealth Funds	**259**	**137**	**(122)**		**(122)**
Other funds	**216**	**257**	**41**	**(41)**	**–**
Medical aid funds	**1 031**	**1 140**	**109**	**–**	**109**
Nedgroup scheme for Nedbank employees	**956**	**1 064**	**108**		**108**
Nedgroup scheme for BoE employees	**67**	**76**	**9**		**9**
Nedbank Namibia scheme (unfunded)	**8**		**(8)**		**(8)**
Contribution asset		**811**	**811**		**811**
Total	**5 084**	**8 216**	**3 132**	**(160)**	**2 972**

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 65 limit	Net asset/ (liability)
2018					
Pension funds	4 476	6 111	1 635	(102)	1 533
Nedgroup Fund	3 697	5 322	1 625		1 625
Nedbank UK Fund	376	446	70	(70)	–
Fairbairn Funds	204	112	(92)		(92)
Other funds	199	231	32	(32)	–
Medical aid funds	1 441	1 149	(292)	–	(292)
Nedgroup scheme for Nedbank employees	1 358	1 071	(287)		(287)
Nedgroup scheme for BoE employees	73	78	5		5
Nedbank Namibia scheme (unfunded)	10		(10)		(10)
Contribution asset		774	774		774
Total	5 917	8 034	2 117	(102)	2 015

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Present value of defined-benefit obligation				
2019				
Balance at the beginning of the year	**4 476**	**1 441**		**5 917**
Current service cost	**27**			**27**
Past service cost	**2**			**2**
Interest cost	**364**	**(255)**		**109**
Contributions by plan participants	**11**			**11**
Actuarial losses[1]	**(371)**	**(67)**		**(438)**
Benefits paid	**(468)**	**(88)**		**(556)**
Impact of foreign currency exchange rate changes	**12**			**12**
Balance at the end of the year	**4 053**	**1 031**	**–**	**5 084**
2018				
Balance at the beginning of the year	5 036	2 213		7 249
Current service cost	22	42		64
Past service cost	7			7
Interest cost	390	150		540
Contributions by plan participants	11			11
Actuarial losses[1]	(567)	139		(428)
Benefits paid	(465)	(80)		(545)
Impact of foreign currency exchange rate changes	14			14
Settlement of active members	28	(1 023)		(995)
Balance at the end of the year	4 476	1 441	–	5 917

H1 Long-term employee benefits continued

H1.1 Analysis of long-term employee benefit assets and liabilities continued

H1.1.2 Postemployment benefits

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Fair value of plan assets				
2019				
Balance at the beginning of the year	**6 111**	**1 149**	**774**	**8 034**
Expected return on plan assets	**517**	**106**	**37**	**660**
Actuarial gains/(losses)[1]	**55**	**(29)**		**26**
Contributions by the employer	**40**			**40**
Contributions by plan participants	**11**			**11**
Benefits paid	**(468)**	**(86)**		**(554)**
Scheme-settled administration costs	**(7)**			**(7)**
Impact of foreign currency exchange rate changes	**6**			**6**
Balance at the end of the year	**6 265**	**1 140**	**811**	**8 216**
2018				
Balance at the beginning of the year	8 119	1 441		9 560
Expected return on plan assets	593	133	(39)	687
Actuarial gains/(losses)[1]	(663)	(216)		(879)
Contributions by the employer	32		813	845
Settlement	(1 551)			(1 551)
Contributions by plan participants	11	25		36
Refund of contributions		(154)		(154)
Benefits paid	(465)	(80)		(545)
Scheme-settled administration costs	(11)			(11)
Impact of foreign currency exchange rate changes	46			46
Balance at the end of the year	6 111	1 149	774	8 034

[1] *The R426m (2018: R480m) recognised in OCI is the sum of the actuarial loss on the plan liabilities and the actuarial gain/loss on plan assets less taxation, before the IAS 19 paragraph 65 limit.*

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Net (income)/expense recognised				
2019				
Current service cost	**27**			**27**
Interest (received)/cost	**(153)**	**(361)**	**(37)**	**(551)**
Scheme-settled plan administration costs	**7**			**7**
Past service cost-vested benefit	**2**			**2**
Effect of application of asset ceiling	**5**			**5**
	(112)	**(361)**	**(37)**	**(510)**
2018				
Current service cost	22	42		64
Interest (received)/cost	(203)	17	(39)	(225)
Scheme-settled plan administration costs	11			11
Past service cost-vested benefit	7			7
Effect of application of asset ceiling		(257)		(257)
	(163)	(198)	–	(400)

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Movements in net asset/(liability) recognised				
2019				
Balance at the beginning of the year	**1 533**	**(292)**	**774**	**2 015**
Net income recognised in the statement of comprehensive income	**112**	**361**	**37**	**510**
Net remeasurements-debit for the year	**378**	**39**		**417**
Refund of contributions		**1**		**1**
Contributions paid by the employer	**40**			**40**
Impact of foreign currency exchange rate changes	**4**			**4**
Asset ceiling	**(15)**			**(15)**
Balance at the end of the year	**2 052**	**109**	**811**	**2 972**
2018				
Balance at the beginning of the year	3 006	(772)		2 234
Net income/(expense) recognised in the statement of comprehensive income	163	198	(39)	322
Net remeasurements-debit for the year	(125)	(355)		(480)
Refund of contributions		(154)		(154)
Contributions paid by the employer	32	25	813	870
Impact of foreign currency exchange rate changes	36			36
Settlement	(28)			(28)
Settlement of active members	(1 551)	766		(785)
Balance at the end of the year	1 533	(292)	774	2 015

H1 Long-term employee benefits continued

H1.1 Analysis of long-term employee benefit assets and liabilities continued

H1.1.2 Postemployment benefits continued

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Distribution of plan assets (%)				
2019				
Equity instruments	**24,69**	**49,00**		**30,72**
Debt instruments	**32,72**	**19,00**		**32,39**
Property	**6,71**	**5,00**		**7,18**
Cash	**0,30**	**18,00**		**7,55**
International		**6,00**		**21,84**
Other	**35,58**	**3,00**		**0,32**
	100,00	**100,00**	**–**	**100,00**
2018				
Equity instruments	29,48	48,00		32,40
Debt instruments	32,79	20,00		30,77
Property	4,44	6,00		4,69
Cash	6,64	18,00		8,44
International	26,65	6,00		23,39
Other		2,00		0,31
	100,00	100,00	–	100,00
Actual return on plan assets				
2019	**572**	**78**	**39**	**689**
2018	(70)	(83)	(39)	(153)

Principal actuarial assumptions (%)	Pension and provident funds	Medical aid funds
2019		
Discount rates	**1,90–9,50**	**9,60–9,70**
Expected rates of return on plan assets	**1,90–9,50**	**9,60–9,60**
Inflation rate	**2,00–5,90**	**4,80–5,20**
Expected rates of salary increases	**5,90–5,90**	**5,20–5,20**
Pension increase allowance	**0,00–5,90**	
Annual increase to medical aid subsidy		**0,06–7,20**
Average expected retirement age (years)	**60–65**	
2018		
Discount rates	2,75–9,40	9,70–9,80
Expected rates of return on plan assets	2,75–9,40	9,80–9,80
Inflation rate	2,30–5,60	5,80–6,40
Expected rates of salary increases	6,60–6,60	5,80–5,80
Pension increase allowance	0,56–5,60	
Annual increase to medical aid subsidy		7,80–7,90
Average expected retirement age (years)	60–65	60 and 63

Sensitivity analysis

Defined-benefit obligation

The defined-benefit obligation has been recalculated to show the effect of the discount rate and inflation rate assumptions on the defined-benefit obligation by adding and subtracting one percent to each assumption. This sensitivity analysis is for the Nedgroup Pension Fund, Nedbank (Swaziland) Limited Pension Fund and Nedbank Lesotho Pension Fund.

Rm	Main result	Discount rate plus one percent	Dicount rate minus one percent	Inflation rate plus one percent	Inflation rate minus one percent
2019					
Defined-benefit obligation	**3 402**	**3 373**	**3 433**	**3 693**	**3 156**
Change (%)		**(0,9)**	**0,9**	**8,6**	**(7,2)**
2018					
Defined-benefit obligation	3 702	3 496	3 927	3 943	3 479
Change (%)		(5,6)	6,1	6,5	(6,0)

Medical aid accrued liability

The sensitivity analysis provided below shows the impact of changes to these assumptions on the accrued liability value at 31 December 2019.

Rm	Main result	Medical subsidy rate plus one percent	Medical subsidy rate minus one percent	Discount rate plus half a percent	Discount rate minus half a percent
Medical aid accrued liability	**1 030**	**1 110**	**927**	**964**	**1 063**
Change(%)		**7,8**	**(10,0)**	**(6,4)**	**3,2**

The sensitivity analysis provided below shows the impact of changes to these assumptions on the accrued liability value at 31 December 2018.

Rm	Main result	Medical subsidy rate plus one percent	Medical subsidy rate minus one percent	Discount rate plus half a percent	Discount rate minus half a percent
Medical aid accrued liability	1 430	1 529	1 344	1 383	1 481
Change (%)		6,9	(6,0)	(3,3)	3,6

Pension funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, the asset splits at the latest available date were used and adjustments were made to reflect the effect of expenses.

Weighted-average assumptions (%)	**2019**	2018
– Discount rate	**8,66**	8,80
– Expected return on plan assets	**8,66**	8,80
– Future salary increases	**5,53**	5,75
– Future pension increases	**4,33**	5,10

H1 Long-term employee benefits continued

H1.1 Analysis of long-term employee benefit assets and liabilities continued

H1.1.2 Postemployment benefits continued

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,4%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Experience adjustments on present value of defined-benefit obligations for the past five years				
2019	**(84)**	**67**		**(17)**
2018	(337)	(139)		(476)
2017	(35)	162		127
2016	(51)	(98)		(149)
2015	(94)	112		18
Experience adjustments on fair value of plan assets for the past five years				
2019		**28**		**28**
2018		(216)		(24)
2017		(24)		(40)
2016		(40)		(14)
2015		(14)		(24)
Estimate of future contributions				
Contributions expected for ensuing year	**41**			**41**

Fund surplus/(deficit) for the past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2019	**4 053**	**6 265**	**2 212**
2018	4 476	6 111	1 635
2017	5 036	8 119	3 083
2016	5 167	7 586	2 419
2015	5 240	7 694	2 454
Medical aid funds			
2019	**1 030**	**1 139**	**109**
2018	1 441	1 149	(292)
2017	2 213	1 441	(772)
2016	2 143	1 343	(800)
2015	1 841	1 254	(587)
2014	1 780	1 170	(610)

H2 Non-current assets and liabilities held for sale

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use.

Immediately before classification as held for sale all assets and liabilities are remeasured in accordance with the group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of the carrying amount and fair value less incremental, directly attributable, cost to sell (excluding taxation and finance charges) and are not depreciated.

Properties sold not yet transferred

Commitments for the sale of properties have commenced and are anticipated to be concluded within the following 12 months. Transfer of the properties is expected to take place during the following year.

Nedbank (Malawi) Limited

During 2019 the group announced its intention to sell its investment in its Nedbank (Malawi) Limited subsidiary and therefore classified it as a disposal group held for sale. The group considered Nedbank (Malawi) Limited to meet the criteria to be classified as held for sale at 31 December 2019 for the following reasons:

- The group had obtained the required internal approvals for the sale.
- Nedbank (Malawi) Limited was available for immediate sale and could be sold to the buyer in its current condition.
- A potential buyer had been identified.
- The actions to complete the sale were initiated in 2019 and are expected to be completed within one year.

An impairment loss of R51m has been recognised in non-trading and capital items in respect of the disposal group held for sale.

At 31 December 2019 the disposal group was measured at fair value less costs to sell. Non-current assets held for sale comprises properties sold but not yet transferred and the disposal group in relation to Nedbank (Malawi) Limited.

	2019 Rm	2018 Rm
Non-current assets held for sale		
Properties sold but not yet transferred and previously included in property and equipment	**90**	305
Nedbank (Malawi) Limited, previously included in:	**645**	–
Cash and cash equivalents	**31**	
Other short-term securities	**396**	
Loans and advances	**206**	
Other assets	**5**	
Investment securities	**1**	
Deferred taxation assets	**5**	
Mandatory reserve deposits with central banks	**1**	
	735	305
Non-current liabilities held for sale		
Nedbank (Malawi) Limited, previously included in:	**598**	–
Amounts owed to depositors	**570**	
Provisions and other liabilities	**28**	
	598	–

H3 Other assets

	2019 Rm	2018 Rm
Sundry debtors and other accounts[1]	**11 776**	13 659
Trading securities and spot positions	**3 632**	6 195
Impairment of other assets	**(15)**	(18)
	15 393	19 836

[1] *The year 2019 includes the impact of hyperinflation, which was less than R1m.*

SECTION I: FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments recognised in the statement of financial position include all financial assets and financial liabilities, including derivative instruments, but excluding investments in subsidiaries, associate companies and joint arrangements (other than investments held by venture capital divisions), employee benefit assets and liabilities, and leases. Financial instruments are accounted for under IAS 32: Financial Instruments – Presentation, IAS 39: Financial Instruments – Recognition and Measurement (Hedging), IFRS 9: Financial Instruments, IFRS 7: Financial Instruments – Disclosures and IFRS 13: Fair Value Measurement.

Financial assets and financial liabilities

Measurement basis of financial instruments

There are two bases of measurement, namely amortised cost and fair value.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument. Regular-way purchase and sales of financial assets are recognised on trade date, the date on which the group commits to purchase or sell the asset.

At initial recognition the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition an ECL, is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Amortised cost and effective interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest-rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (ie its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets (assets that are credit-impaired at initial recognition) the group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cashflows.

When the group revises the estimates of future cashflows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and
- financial assets that are not purchased or originated credit-impaired, but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (ie net of the ECL allowance).

Fair value

The fair value of a financial instrument is the amount that would be received on selling the asset or paid on transferring a liability in an orderly transaction between market participants at the measurement date.

The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

For a detailed discussion of the fair value of financial instruments refer to note 12.

Financial assets

(i) Classification and measurement

The group applies IFRS 9 and classifies its financial assets in the following measurement categories:

- FVTPL.
- FVOCI.
- Amortised cost.

The classification requirements of investments in debt and equity instruments are described below:

Debt instruments

The classification of investments in debt instruments depends on:

- the business model within which the financial assets are held and managed; and
- the contractual cashflow characteristics of the financial assets, ie whether the cashflows represent 'solely payments of principal and interest'.

Financial assets are measured at amortised cost if they are held within a business model of which the objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (ie 'hold to collect' business model).

Financial assets are measured at FVOCI if they are held within a business model of which the objective is achieved by both collecting contractual cashflows and selling financial assets and those contractual cashflows comprise solely payments of principal and interest (ie 'hold to collect and sell' business model). Movements in the carrying amount of these financial assets are taken through OCI, except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss.

Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities which are classified as mandatorily at fair value and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cashflows are solely payments of principal and interest.

The group reclassifies debt investments when, and only when, its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Investments in equity instruments

For equity investments that are held neither for trading nor for contingent consideration the group may irrevocably elect to present subsequent changes in the fair value of these equity investments in OCI. Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified in equity.

Alternatively, where the group does not make the abovementioned election, fair-value changes are recognised in profit or loss. This election is made on an investment-by-investment basis. On initial recognition the group may irrevocably designate a financial asset otherwise meeting the requirements for measurement at amortised cost or FVOCI, or as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Impairments

Impairments in terms of IFRS 9 are determined based on an ECL model.

The ECL model applies to financial assets measured at amortised cost and debt instruments at FVOCI, lease receivables and certain loan commitments, as well as financial guarantee contracts.

Under IFRS 9 loss allowances are measured on either bases:

- Twelve-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The group is required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. Indicators of an SICR in the retail portfolio may include any of the following:

- Short-term forbearance.
- Direct debit cancellation.
- Extension to the terms granted.
- Previous arrears within the past months.

SECTION I: FINANCIAL INSTRUMENTS continued

Accounting policy continued

Indicators of an SICR in the wholesale portfolio may include any of the following:

- Significant increase in the credit spread.
- Significant adverse changes in business, financial and/or economic conditions in which the client operates.
- Actual or expected forbearance or restructuring.
- Significant change in collateral value.
- Early signs of liquidity and cashflow problems, such as a delay in the servicing of trade creditors/loans.

Measurement of ECLs

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The assessment of the ECL of a financial asset or portfolio of financial assets entails estimations of the likelihood of defaults occurring and of default correlations between counterparties. The group measures ECL using probability of default (PD), exposure at default (EAD) and loss-given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The Nedbank Group Economic Unit provides a forecast of economic variables and an overview of the economy quarterly or more often if necessary. Significant judgement and estimates are applied in this process of incorporating forward-looking information into the SICR assessment and ECL calculation.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. The group's definition of credit-impaired is aligned to its internal definition of default.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and the amortised cost is presented on the face of the statement of financial position.

For debt securities at FVOCI the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset. For off-balance-sheet exposures, such as financial guarantee contracts, the loss allowance is presented in 'Provisions and other liabilities' on the face of the statement of financial position.

(iii) Modification of loans

The group may renegotiate or otherwise modify the contractual cashflows of loans to clients. When this happens, the group assesses whether the new terms are substantially different to the original terms. In the normal course of business restructures, a combination of qualitative and quantitative factors needs to be considered to establish whether the change to the contractual cashflows is substantial. However, in a distressed restructure the group needs to determine whether it is merely attempting to recover the original cashflows in the most optimal manner – and as such the original cashflows have not expired – or whether the risks and rewards associated with the cashflows have been altered fundamentally enough for the original instrument to be derecognised.

The group is of the view that the abovementioned principle can be applied by type of modification for retail exposures, as we assume there is a homogenous business process and objective underlying each type of modification. The application to wholesale exposures should be dealt with on a case-by-case basis through consultation by the business unit with the group's IFRS Advisory Division, as it may be necessary to take into account whether the modification is considered substantial based on the unique facts and circumstances.

Should the terms be substantially different, the group derecognises the original financial asset and recognises a 'new' financial asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and for determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Should the terms not be substantially different, the renegotiation or modification does not result in derecognition, and the group recalculates the gross carrying amount based on the revised cashflows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cashflows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Revolving products

A revolving credit facility (RCF) may be seen as financial instrument that is either:

- one continuous instrument, with one origination date that could be many years in the past; or
- a series of one-year instruments, each of which would have a different origination date.

With respect to revolving credit facilities, the key consideration of whether the issuing of a new card, change in credit limit, or conducting a credit review results in derecognition of the loan or facility is the robustness of the process followed and the resulting impact on credit risk management. Where the process is not considered to be sufficiently robust, ie it is purely procedural in nature, the original RCF will not be derecognised and the date of origination will remain the date at which the facility was first contractually extended (or was subject to a robust process that resulted in derecognition). If the process is considered to be robust, the date of origination would be the date of derecognition of the previous facility or loan.

The group considers the following factors to determine whether a review (annual or otherwise) is robust, ie would result in derecognition:

- The effectiveness of the review in mitigating or managing credit risk until the next scheduled review.
- Evidence that specific action is taken as a result of the outcome of the review, for example:
  - changes in facility limits;
  - repricing of the facility;
  - changes in required collateral or security;
  - changes to the terms and conditions of the facility; or
  - withdrawal of the facility.
- The review is performed at a facility or client level (or client group.
- The review is done holistically, taking into account the income derived from the facility and the other income generated from the client in comparison to the risk taken.
- Increased monitoring or scrutiny of the facility, for example additional controls and/or approvals, are put in place until the next review.

(iv) Derecognition other than a modification

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when, and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- the group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- the group transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

The group enters into transactions where it retains the contractual rights to receive cashflows from assets but assumes a contractual obligation to pay those cashflows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition when the group;

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the group retains a subordinated residual interest.

SECTION I: FINANCIAL INSTRUMENTS continued

Accounting policy continued

Financial liabilities

(i) Classification and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).
- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expenses incurred on the financial liability.
- Financial guarantee contracts and loan commitments.

(ii) Derecognition

A financial liability (or part of a financial liability) is derecognised when, and only when, the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements, as the group retains all risks and rewards of ownership of the securities. The securities are recorded as trading or investment securities and the counterparty liability is included in amounts owed to depositors, deposits from banks, or other money market deposits. Securities purchased under agreements to resell are recorded as loans and advances to banks or clients. The difference between the sale and repurchase price is treated as interest and recognised over the duration of the agreements using the effective-interest-rate method.

Securities lent to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective-interest-rate method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in non-interest revenue. The obligation to return them is recorded at fair value as a trading liability.

Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are recorded as liabilities within amounts owed to depositors, with the corresponding asset recorded in the statement of financial position within loans and advances.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and demand deposits and cash equivalents that are short-term (ie with a maturity of less than 90 days from acquisition), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents therefore include cash and balances with central banks that can be withdrawn on demand (except where a specific minimum balance at the end of the day is required to be maintained), other eligible bills and amounts due from banks.

Investment contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts, the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative rand reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Contribution income relating to investment contracts

Contribution income includes lump sums received in respect of linked businesses with retirement funds and are accounted for when due. The contribution income is set off directly against the liability under investment contracts.

Benefits relating to investment contracts

Policyholder benefits are accounted for when claims are intimated directly against the liability under investment contracts.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantee contracts are recognised as insurance contracts and are measured at the best estimate of the expenditure required to settle any financial obligation at the reporting date. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient. Any increase in the liability relating to guarantees is recognised in profit or loss.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment, and where the group cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

Key assumptions concerning the future and key sources of estimation

Fair value of financial instruments

Certain of the group's financial instruments are carried at FVTPL, such as those designated by management under the fair-value option.

Other non-derivative financial assets may be designated as FVOCI. FVOCI financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of OCI and presented in equity.

The fair value of a financial instrument is the amount that would be received on selling the asset or paid on transferring the liability in an orderly transaction at the measurement date between knowledgeable and willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 12. In particular, the areas that involve the greatest amount of judgement and complexity include the following:

- Assessing whether instruments are trading with sufficient frequency and volume that they can be considered liquid.
- The inclusion of a measure of the counterparties non-performance risk in the fair value measurement of loans and advances, which involves the modelling of dynamic credit spreads.
- The inclusion of credit valuation adjustment (CVA) and funding valuation adjustments (FVA) in the fair-value measurement of derivative instruments.
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

These concepts are continuously developing and evolving within the context of the SA market and therefore changes in these assumptions will arise as the market develops.

Securitisations

The group sponsors the formation of structured entities primarily for the purpose of securitising financial assets for funding diversification purposes and to add flexibility in mitigating structural liquidity risk. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements in terms of IFRS about whether it has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of its returns. In arriving at judgement, these factors are considered both jointly and separately.

SECTION I: FINANCIAL INSTRUMENTS

I Financial Instruments

I1 Consolidated statement of financial position – categories of financial instruments

	Notes	Total Rm	At FVTPL: Manditorily at fair value Rm	At FVTPL: Designated[1] Rm
2019				
Assets				
Cash and cash equivalents	C6	**14 149**		
Other short-term securities	C4	**64 451**	**35 627**	
Derivative financial instruments	C7	**35 243**	**35 243**	
Government and other securities	C3	**128 510**	**35 463**	**449**
Loans and advances	C1.1	**796 833**	**28 574**	**9 323**
Other assets	H3	**15 393**	**3 632**	
Current taxation assets		**281**		
Investment securities	F1	**28 961**	**27 968**	
Non-current assets held for sale	H2	**735**		
Investments in associate companies	F2	**3 917**		
Deferred taxation assets	B8.3	**389**		
Investment property	O	**56**		
Property and equipment	G1	**11 977**		
Long-term employee benefit assets	H1.1	**5 602**		
Mandatory reserve deposits with central banks	C6	**23 486**		
Intangible assets	G2	**13 366**		
Total assets		**1 143 349**	**166 507**	**9 772**
Equity and liabilities				
Ordinary share capital	B4.1	**481**		
Ordinary share premium		**18 096**		
Reserves		**69 020**		
Total equity attributable to ordinary equity holders		**87 597**	**–**	**–**
Holders of preference shares	B4.2	**3 222**		
Holders of additional tier 1 capital instruments	B5	**6 850**		
Non-controlling interest attributable to ordinary shareholders		**780**		
Total equity		**98 449**	**–**	**–**
Derivative financial instruments	C7	**27 991**	**27 991**	
Amounts owed to depositors	D1	**904 382**	**32 470**	**212**
Provisions and other liabilities	K1.1	**23 297**	**4 521**	
Current taxation liabilities		**161**		
Non-current liabilities held for sale	H2	**598**		
Deferred taxation liabilities	B8.3	**939**		
Long-term employee benefit liabilities	H1.1	**2 533**		
Investment contract liabilities	D3	**24 571**		**24 571**
Insurance contract liabilities	D4	**715**		
Long-term debt instruments	D2	**59 713**		
Total liabilities		**1 044 900**	**64 982**	**24 783**
Total equity and liabilities		**1 143 349**	**64 982**	**24 783**

[1] *Refer to note I4 in respect of financial instruments designated as FVTPL.*

FVOCI			
Debt instruments Rm	Equity instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		14 149	
19 046		9 778	
254		92 344	
15 872		743 064	
		10 457	1 304
			281
124	841		28
			735
			3 917
			389
			56
			11 977
			5 602
		23 486	
			13 366
35 296	841	893 278	37 655
			481
			18 096
355	226		68 439
355	226	–	87 016
			3 222
			6 850
			780
355	226	–	97 868
		871 700	
		5 277	13 499
			161
			598
			939
			2 533
			715
		59 713	
–	–	936 690	18 445
355	226	936 690	116 313

I Financial Instruments continued

I1 Consolidated statement of financial position – categories of financial instruments continued

	Notes	Total Rm	At FVTPL: Manditorily at fair value Rm	At FVTPL: Designated[1] Rm
2018				
Assets				
Cash and cash equivalents	C6	13 162		
Other short-term securities	C4	79 362	37 332	
Derivative financial instruments	C7	22 692	22 692	
Government and other securities	C3	96 791	28 495	240
Loans and advances	C1.1	736 305	18 288	5 467
Other assets	H3	19 836	6 195	
Current taxation assets		186		
Investment securities	F1	22 404	21 462	
Non-current assets held for sale	H2	305		
Investments in associate companies	F2	4 041		
Deferred taxation assets	B8.3	254		
Property and equipment	G1	9 371		
Long-term employee benefit assets	H1.1	4 966		
Mandatory reserve deposits with central banks	C6	21 629		
Intangible assets	G2	12 608		
Total assets		1 043 912	134 464	5 707
Equity and liabilities				
Ordinary share capital	B4.1	477		
Ordinary share premium		17 315		
Reserves		65 986		
Total equity attributable to ordinary equity holders		83 778	–	–
Holders of preference shares	B4.2	3 222		
Holders of additional tier 1 capital instruments	B5	3 397		
Non-controlling interest attributable to ordinary shareholders		874		
Total equity		91 271	–	–
Derivative financial instruments	C7	20 003	20 003	
Amounts owed to depositors	D1	825 804	21 579	79
Provisions and other liabilities	K1.1	25 602	11 863	
Current taxation liabilities		363		
Deferred taxation liabilities	B8.3	669		
Long-term employee benefit liabilities	H1.1	2 749		
Investment contract liabilities	D3	20 035		20 035
Insurance contract liabilities	D4	1 829		
Long-term debt instruments	D2	55 587		
Total liabilities		952 641	53 445	20 114
Total equity and liabilities		1 043 912	53 445	20 114

[1] *Refer to note I4 in respect of financial instruments designated as FVTPL.*

FVOCI			
Debt Instruments Rm	Equity Instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		13 162	
17 748		24 282	
232		67 824	
18 426		694 124	
		12 312	1 329
			186
	942		
			305
			4 041
			254
			9 371
			4 966
		21 629	
			12 608
36 406	942	833 333	33 060
			477
			17 315
			65 986
–	–	–	83 778
			3 222
			3 397
			874
–	–	–	91 271
		804 146	
		6 614	7 125
			363
			669
			2 749
			1 829
		55 587	
–	–	866 347	12 735
–	–	866 347	104 006

12 Fair-value measurement – financial instruments

12.1 Valuation of financial instruments

Background

Information obtained from the valuation of financial instruments is used by the group to assess the performance of the business and, in particular, provide assurance that the risk and return measures that the business has taken are accurate and complete. It is important that the valuation of financial instruments accurately represent the financial position of the group while complying with the requirements of the applicable accounting standards.

The fair value of a financial instrument is the amount that would be received on selling the asset or paid on transferring a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

Control environment

Validation and approval

The business unit entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are normalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. These include, but are not limited to:

- daily controls over the profit or loss recorded by trading and treasury frontoffice traders;
- specific controls to ensure consistent pricing policies and procedures are adhered to;
- independent valuation of structures, products and trades; and
- periodic review of all elements of the modelling process.

The validation of pricing and valuation methodologies is verified by a specialist team that is part of the group's risk management function and that is independent of all the business units. A specific area of focus is the marking-to-model of illiquid and/or complex financial instruments.

The review of the modelling process includes approval of model revisions, vetting of model inputs, review of model results and more specifically the verification of risk calculations. All valuation techniques are validated and reviewed by qualified senior staff and are calibrated and backtested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

If the fair-value calculation deviates from the quoted market value due to inaccurate observed market data, these deviations in the valuation are documented and presented at a review committee, which is independent of both the business unit and the specialist team, for approval. The committee will need to consider both the regulatory and accounting requirements in arriving at an opinion on whether the deviation is acceptable.

The group refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While the group believes its valuation techniques are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions may result in different estimates of fair value at the different reporting dates.

Stress testing and sensitivity measures

Comprehensive stress testing is conducted by the group, in which the following, at a minimum, are considered:

- Anticipated future projected trading positions.
- Historical events.
- Scenario testing to evaluate plausible future events.
- Specific testing to supplement the value-at-risk (VaR) methodology (ie one-day holding period and 99% confidence interval).

For further discussion in respect of stress testing and sensitivity measures refer to note 12.7.

Valuation methodologies

The objective of a fair-value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair-value measurement includes, but is not limited to, consideration of the following:

- The particular asset or liability that is being measured (consistently with its unit of account).
- The principal (or most advantageous) market for the asset or liability.
- The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair-value hierarchy within which the inputs are categorised.

Quoted price

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

The objective of determining fair value is to arrive at the transaction price of an instrument on the measurement date (ie without modifying or repackaging the instrument) in the principal (or most advantageous) active market to which the business has immediate access.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, when they exist, they are used without adjustment to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy prescribed by IFRS 13: Fair Value Measurement.

Valuation techniques

If the market for a financial instrument is not active, the group establishes fair value by using various valuation techniques. These valuation techniques may include using:

- recent arm's-length market transactions between knowledgeable, willing parties;
- the current fair value of another instrument that is substantially the same in nature;
- the value of the net asset of the underlying business;
- earnings multiples;
- discounted-cashflow analysis; and
- various option pricing models.

If there is a valuation technique that is commonly used by market participants to price the financial instrument and that technique has been demonstrated to provide reasonable estimates of prices obtained in actual market transactions, the group will use that technique. In applying valuation techniques, and to the extent possible, the group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's-length exchange and motivated by normal business considerations. In applying valuation techniques the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

- it reasonably reflects how the market could be expected to price the instrument; and
- the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique:

- will incorporate all relevant factors that market participants would consider in determining a price; and
- is consistent with accepted economic methodologies for pricing financial instruments.

If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the various component parts.

If a rate (rather than a price) is quoted in an active market, the group uses that market-quoted rate as an input into a valuation technique to determine fair value. If the market-quoted rate does not include credit risk or other factors that market participants would include in valuing the instrument, the group adjusts for these factors.

Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy prescribed by IFRS 13: Fair Value Measurement. The determination of whether an instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument.

12 Fair-value measurement – financial instruments continued

12.1 Valuation of financial instruments continued

Observable markets

Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the group's belief that 'observable market data' comprises, in the following hierarchical order:

- Prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity.
- Proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued.
- Other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be observable if the data is:

- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be market-based if the data is:

- reliable;
- based on consensus within reasonably narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based on the strength and quality of the available evidence.

Inputs to valuation techniques

An appropriate valuation technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. Inputs are selected on a basis that is consistent with the characteristics of the instrument that market participants would take into account in a transaction for that instrument. Principal inputs to valuation techniques applied by the group include, but are not limited to, the following:

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Limited or any other recognised international exchange. Present-value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/loss-given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.

- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day 1 gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

Valuation adjustments

To estimate a reliable fair value, where appropriate, the group applies certain valuation adjustments to the pricing information derived from the above sources. In making appropriate adjustments, the group considers certain adjustments to the modelled price that market participants would make when pricing that instrument. Factors that would be considered include, but are not limited to, the following:

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated as FVTPL is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit or loss in the consolidated statement of comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Valuation techniques by instrument

Other short-term securities and government and other securities

The fair value of these instruments is based on quoted market prices from an exchange dealer, broker, industry group or pricing service, when available. When they are unavailable, the fair value is determined by reference to quoted market prices for similar instruments, adjusted, as appropriate, for the specific circumstances of the instruments.

Where these instruments include corporate bonds, the bonds are valued using observable active quoted prices or recently executed transactions, except where observable price quotations are not available. Where price quotations are not available, the fair value is determined based on cashflow models, where significant inputs may include yield curves and bond or single-name credit default swap spreads.

Derivative financial instruments

Derivative contracts can be traded either through an exchange or over the counter (OTC) and are valued using market-standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices through model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

Loans and advances

Loans and advances include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collaterised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cashflows by using an at-inception credit-adjusted zero-coupon curve. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance.

Investment securities

Investment securities include private-equity investments, listed investments and unlisted investments.

The fair value of listed investments is determined with reference to quoted bid prices at the close of business on the relevant securities exchange.

Where private-equity investments are involved, the exercise of judgement is required due to uncertainties inherent in estimating the fair value. The fair value of private equity is determined using appropriate valuation methodologies that, depending on the nature of the investment, may include an analysis of the investee's financial position and results, risk profiles and prospects, discounted-cashflow analysis, enterprise value comparisons with similar companies, price/earnings comparisons and earnings multiples. For each investment the relevant methodology is applied consistently over time and may be adjusted for changes in market conditions relative to that instrument.

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted-cashflow analysis, net-asset-value calculations and directors' valuations.

12 Fair-value measurement – financial instruments continued

12.1 Valuation of financial instruments continued

Other assets

Short positions or long positions in equities arise in trading activities where equity shares not owned by the group are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Investments in instruments that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured, as well as derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at fair value, using models considered to be appropriate by management.

Amounts owed to depositors

Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits. These instruments incorporate all market risk factors, including a measure of the group's credit risk relevant for that financial liability when designated as FVTPL.

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Group Limited-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of a financial liability cannot be reliably determined, the liability is recorded at the amount due. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair-value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Investment contract liabilities

The fair value of investment contract liabilities is determined by reference to the fair value of the underlying assets.

Long-term debt instruments

The fair value of long-term debt instruments is determined by reference to published market values on the relevant exchange, when they are:

- available; and
- considered to be trading with sufficient volume and frequency.

When the above conditions are not met, the fair value is determined using models considered to be appropriate by management. As far as possible, inputs to these models will leverage observable inputs for similar instruments with similar coupons and maturities.

Complex instruments

These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less active markets data is obtained from less frequent market transactions and broker quotes, and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are continually reviewed and assessed to ensure that the best available data is being used in the determination of fair value.

Other liabilities

Short positions or long positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Where the group has assets and liabilities with offsetting market risks, it may use middle-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate.

Summary of principal valuation techniques – level 2 instruments

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 in the fair-value hierarchy:

Assets	Valuation technique	Key Inputs
Other short-term securities	Discounted-cashflow model	Discount rates
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted-cashflow model	Discount rates
Loans and advances	Discounted-cashflow model	Interest rate curves
Investment securities	Discounted-cashflow models	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted-cashflow model	Discount rates
Provisions and other liabilities	Discounted-cashflow model	Discount rates
Investment contract liabilities	Adjusted net asset value	Underlying price of market-traded instruments
Long-term debt instruments	Discounted-cashflow model	Discount rates

Summary of principal valuation techniques – level 3 instruments

The summary of the valuation techniques applicable to those financial assets and financial liabilities classified as level 3 in the fair-value hierarchy is set out in note 12.7.

12 Fair-value measurement – financial instruments continued

12.2 Fair-value hierarchy

12.2.1 Financial assets

Rm	Notes	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	At FVTPL Mandatorily at fair value Level 1	Level 2	Level 3
2019		**1 105 694**	**893 278**	**212 416**	**37 295**	**121 658**	**7 554**
Cash and cash equivalents	C6	**37 635**	**37 635**	**–**			
Other short-term securities	C4	**64 451**	**9 778**	**54 673**		**35 627**	
Derivative financial instruments	C7	**35 243**		**35 243**	**61**	**35 182**	
Government and other securities	C3	**128 510**	**92 344**	**36 166**	**32 745**	**2 718**	
Loans and advances	C1.1	**796 833**	**743 064**	**53 769**	**186**	**28 388**	
Other assets	H3	**14 089**	**10 457**	**3 632**	**3 632**		
Investment securities	F1	**28 933**		**28 933**	**671**	**19 743**	**7 554**

Rm	Notes	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	At FVTPL Mandatorily at fair value Level 1	Level 2	Level 3
2018		1 010 852	833 333	177 519	31 913	96 573	5 978
Cash and cash equivalents	C6	34 791	34 791	–			
Other short-term securities	C4	79 362	24 282	55 080		37 332	
Derivative financial instruments	C7	22 692		22 692	38	22 654	
Government and other securities	C3	96 791	67 824	28 967	25 505	2 990	
Loans and advances	C1.1	736 305	694 124	42 181	159	18 129	
Other assets	H3	18 507	12 312	6 195	6 195		
Investment securities	F1	22 404		22 404	16	15 468	5 978

	At FVTPL			At FVOCI					
	Designated			Debt instruments			Equity instruments		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	–	**9 772**	**–**	**–**	**35 296**	**–**	**20**	**346**	**475**
					19 046				
		449			**254**				
		9 323			**15 872**				
					124		**20**	**346**	**475**

	At FVTPL			At FVOCI					
	Designated			Debt instruments			Equity instruments		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	–	5 707	–	–	36 406	–	2	462	478
					17 748				
		240			232				
		5 467			18 426				
							2	462	478

12 Fair-value measurement – financial instruments continued

12.2 Fair-value hierarchy continued

12.2.1 Financial assets continued

Summary of fair-value hierarchies	Total financial assets recognised at fair value		Total financial assets classified as level 1	
Rm	2019	2018	2019	2018
Other short-term securities	54 673	55 080		
Derivative financial instruments	35 243	22 692	61	38
Government and other securities	36 166	28 967	32 745	25 505
Loans and advances	53 769	42 181	186	159
Other assets	3 632	6 195	3 632	6 195
Investment securities	28 933	22 404	691	18
	212 416	177 519	37 315	31 915

Reconciliation to categorised statement of financial position	Mandatorily at fair value		Designated as FVTPL	
Rm	2019	2018	2019	2018
Level 1	37 295	31 913		
Level 2	121 658	96 573	9 772	5 707
Level 3	7 554	5 978		
	166 507	134 464	9 772	5 707

Reconciliation to statement of financial position

Rm	Notes	2019	2018
Total financial assets	11	1 105 694	1 010 852
Total non-financial assets	11	37 655	33 060
Total assets		1 143 349	1 043 912

12.2.2 Financial liabilities

Rm	Notes	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2019		1 026 455	936 690	89 765
Derivative financial instruments	C7	27 991		27 991
Amounts owed to depositors	D1	904 382	871 700	32 682
Provisions and other liabilities	K1.1	9 798	5 277	4 521
Investment contract liabilities	D3/D4	24 571		24 571
Long-term debt instruments	D2	59 713	59 713	–

	Total financial assets classified as level 2		Total financial assets classified as level 3	
	2019	2018	2019	2018
	54 673	55 080		
	35 182	22 654		
	3 421	3 462		
	53 583	42 022		
	20 213	15 930	8 029	6 456
	167 072	139 148	8 029	6 456

	FVOCI: Debt instruments		FVOCI: Equity instruments	
	2019	2018	2019	2018
			20	2
	35 296	36 406	346	462
			475	478
	35 296	36 406	841	942

	At FVTPL					
	Mandatorily at fair value			Designated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	3 966	60 445	571	–	24 783	–
	16	27 975				
		32 470			212	
	3 950		571			
					24 571	

12 Fair-value measurement – financial instruments continued

12.2 Fair-value hierarchy continued

12.2.2 Financial liabilities continued

Rm	Notes	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2018		939 906	866 347	73 559
Derivative financial instruments	C7	20 003		20 003
Amounts owed to depositors	D1	825 804	804 146	21 658
Provisions and other liabilities	K1.1	18 477	6 614	11 863
Investment contract liabilities	D3/D4	20 035		20 035
Long-term debt instruments	D2	55 587	55 587	–

Summary of fair-value hierarchies

Rm	Total financial liabilities recognised at fair value 2019	Total financial liabilities recognised at fair value 2018	Total financial liabilities classified as level 1 2019	Total financial liabilities classified as level 1 2018
Derivative financial instruments	**27 991**	20 003	**16**	8
Amounts owed to depositors	**32 682**	21 658		
Provisions and other liabilities	**4 521**	11 863	**3 950**	11 432
Investment contract liabilities	**24 571**	20 035		
	89 765	73 559	**3 966**	11 440

Reconciliation to categorised statement of financial position

Rm	Mandatorily at fair value 2019	Mandatorily at fair value 2018	Designated as FVTPL 2019	Designated as FVTPL 2018
Level 1	**3 966**	11 440		
Level 2	**60 445**	41 574	**24 783**	20 114
Level 3	**571**	431		
	64 982	53 445	**24 783**	20 114

Reconciliation to statement of financial position

Rm	Note	2019	2018
Total financial liabilities	11	**1 026 455**	939 906
Total equity and non-financial liabilities	11	**116 894**	104 006
Total equity and liabilities		**1 143 349**	1 043 912

The tables presented above analyse the financial assets and financial liabilities that are measured at fair value by level of fair-value hierarchy as required by IFRS 13: Fair Value Measurement. The levels of the hierarchy are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques using market data that is either directly or indirectly observable. Various factors influence the availability of observable data and these may vary from product to product and change over time. Factors include, for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques that include significant inputs that are unobservable. To the extent that a valuation is based on inputs that are not market-observable the determination of the fair value can be more subjective, dependent on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined based on the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

At FVTPL					
Mandatorily at fair value			Designated		
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
11 440	41 574	431	–	20 114	–
8	19 995				
	21 579			79	
11 432		431			
				20 035	

Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
2019	2018	**2019**	2018
27 975	19 995		
32 682	21 658		
		571	431
24 571	20 035		
85 228	61 688	**571**	431

12 Fair-value measurement – financial instruments continued

12.3 Details of changes in valuation techniques

There have been no significant changes to valuation techniques.

12.4 Transfers between levels of the fair-value hierarchy

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during 2019.

In terms of the group's policy, transfers of financial instruments between levels of the fair-value hierarchy are deemed to have occurred at the end of the reporting period.

12.5 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Losses in non-interest revenue in profit for the year
2019		
At FVTPL – Mandatorily at fair value	**5 978**	**(9)**
Investment securities	**5 978**	**(9)**
At FVOCI – Equity instruments	**478**	**(12)**
Investment securities	**478**	**(12)**
Total financial assets classified as level 3	**6 456**	**(21)**

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2018		
At FVTPL – Mandatorily at fair value	4 607	240
Investment securities	4 607	240
At FVOCI – Equity instruments	410	–
Investment securities	410	
Total financial assets classified as level 3	5 017	240

Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
–	**2 799**	**1 976**	**(915)**	**(2 275)**	**–**	**7 554**
	2 799	**1 976**	**(915)**	**(2 275)**		**7 554**
9	**–**	**–**	**–**	**–**	**–**	**475**
9						**475**
9	**2 799**	**1 976**	**(915)**	**(2 275)**	**–**	**8 029**

Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
–	–	2 086	(114)	(841)	–	5 978
		2 086	(114)	(841)		5 978
15	–	–	–	–	53	478
15					53	478
15	–	2 086	(114)	(841)	53	6 456

12 Fair-value measurement – financial instruments continued

12.5 Level 3 reconciliation continued

Liabilities

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2019		
Mandatorily at fair value	**431**	**140**
Provisions and other liabilities	**431**	**140**
Total financial liabilities classified as level 3	**431**	**140**

Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses and trading gains or losses.

Rm	Opening balance at 1 January	Losses in non-interest revenue in profit for the year	Closing balance at 31 December
2018			
Mandatorily at fair value	435	(4)	431
Provisions and other liabilities	435	(4)	431
Total financial liabilities classified as level 3	435	(4)	431

Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses and trading gains or losses.

12.6 Unrealised gains

The unrealised gains arising on instruments classified as level 3 include the following:

	2019 Rm	2018 Rm
Private-equity gains	**(21)**	240
	(21)	240

Gains/(Losses) relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
–	–	–	–	–	–	571
						571
–	–	–	–	–	–	571

12 Fair-value measurement – financial instruments continued

12.7 Effect of changes in significant unobservable assumptions

The fair value of financial instruments is, in certain circumstances, measured using valuation techniques that include assumptions that are not market-observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. When performing the stress testing, appropriate levels for the unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters and which are classified as level 3 in the fair-value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the effect on the fair value of changes in unobservable input parameters to reasonable possible alternative assumptions:

2019	Valuation technique	Significant unobservable input
Assets		
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Total financial assets classified as level 3		
Liabilities		
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts
Total financial liabilities classified as level 3		

2018	Valuation technique	Significant unobservable input
Assets		
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Total financial assets classified as level 3		
Liabilities		
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts
Total financial liabilities classified as level 3		

	Variance in fair value	Amounts recognised in the statement of financial position	Favourable change in fair value	Unfavourable change in fair value
	%	**Rm**	**Rm**	**Rm**
	Between (17) and 21	**8 029**	**1 688**	**(1 336)**
		8 029	**1 688**	**(1 336)**
	Between (10) and 10	**571**	**57**	**(57)**
		571	**57**	**(57)**

	Variance in fair value	Amounts recognised in the statement of financial position	Favourable change in fair value	Unfavourable change in fair value
	%	Rm	Rm	Rm
	Between (10) and 13	6 456	851	(670)
		6 456	851	(670)
	Between (10) and 10	431	43	(43)
		431	43	(43)

13 Assets and liabilities not measured at fair value for which fair value is disclosed

Certain financial instruments of the group are not carried at fair value and are measured at amortised cost. The calculation of the fair value of the financial instruments incorporates the group's best estimate of the value at which the financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale.

The fair values of these respective financial instruments at the reporting dates detailed below are estimated only for the purpose of IFRS disclosure:

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2019					
Financial assets	**845 186**	**820 754**	**63 219**	**27 366**	**730 169**
Other short-term securities	**9 778**	**9 770**		**9 770**	
Government and other securities	**92 344**	**90 990**	**63 219**	**17 596**	**10 175**
Loans and advances	**743 064**	**719 994**			**719 994**
Financial liabilities	**59 713**	**62 216**	**37 957**	**24 259**	**–**
Long-term debt instruments	**59 713**	**62 216**	**37 957**	**24 259**	
2018					
Financial assets	786 230	773 670	44 554	24 241	704 875
Other short-term securities	24 282	24 241		24 241	
Government and other securities	67 824	67 036	44 554		22 482
Loans and advances	694 124	682 393			682 393
Financial liabilities	55 587	56 404	27 944	28 460	–
Long-term debt instruments	55 587	56 404	27 944	28 460	

Loans and advances

Loans and advances, recognised in note C1.1, that are not recognised at fair value principally comprise variable-rate financial assets. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposal of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances, the carrying value as determined after consideration of the group's IFRS 9 ECLs is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss-given defaults (LGDs) for the periods 2020 to 2022 (2018: for periods 2019 to 2021) are based on the latest available internal data and are applied to the projected cashflows of the first three years. Thereafter PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions used in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

Government and other securities

The fair value of high-quality SA government bonds listed in an active market is based on the available market prices (level 1). The fair value of corporate bonds not quoted or traded in an active market is based on the discounted-cashflow methodology (level 2) and those that use significant unobservable inputs (level 3). The discounted-cashflow methodology principles (level 3) are the same as those used to determine the fair value of loans and advances. See note C3 for further detail.

Other short-term securities

The fair value of other short-term securities is determined using a discounted-cashflow analysis (level 2). See note C4 for further detail.

Long-term debt instruments

The fair value of long-term debt instruments not quoted or where the market is considered to be inactive is based on the available market prices (level 1) or the discounted-cashflow analysis (level 2).

Amounts owed to depositors

The amounts owed to depositors principally comprise variable-rate liabilities and hedge-accounted fixed-rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature.

Cash and cash equivalents, other assets, mandatory deposits with central banks, and provisions and other liabilities

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals.

14 Financial instruments designated as fair value through profit or loss

The group has satisfied the criteria for designation of financial instruments as FVTPL in terms of the accounting policies.

Various fixed-rate advances and liabilities are entered into by the group. The overall interest-rate risk of the group is economically hedged by way of interest rate swaps and managed by the Group Asset and Liability Committee (ALCO). The interest rate risk is then traded to the market through the central trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are measured at fair value in terms of IFRS 9. Fixed-rate advances and liabilities, however, do not meet this definition. Therefore, to avoid any accounting mismatch of holding the advances at amortised cost and the hedging instruments at fair value, the advances and liabilities are designated as FVTPL and are held at fair value.

Various instruments are designated as FVTPL, which is consistent with the group's documented risk management or investment strategy. The fair value of the instruments is managed and reviewed on a regular basis by the risk/investment functions of the group. The risk of the portfolio is measured and monitored on a fair-value basis.

14.1 Financial assets designated as FVTPL

	Maximum exposure to credit risk	
Rm	**2019**	2018
Government guaranteed	**427**	217
Other dated securities	**22**	23
Mortgage loans	**3 785**	2 188
Loans and advances (secured and unsecured)	**5 535**	3 278
Other loans	**3**	1
	9 772	5 707

Nedbank Group has estimated the change in credit risk as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans or receivables that have been designated as FVTPL are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate the client is charged. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as FVTPL.

A breakdown of the financial assets that are designated as FVTPL can be found in note 11. A detailed explanation of how each financial asset is valued can be found in note 12.1.

14 Financial instruments designated as fair value through profit or loss continued

14.2 Financial liabilities designated as FVTPL

Financial liabilities required to present the effects of change in credit risk in OCI:

2019

Rm	Fair value	Contractually payable at maturity	Financial liabilities where change in credit risk is recognised in OCI[2] Current period	Cumulative	Amount of cumulative gains/(losses) transferred within equity
Promissory notes and other liabilities	**212**	**212**	[1]	[1]	[1]
Investment contract liabilities[3]	**24 571**				
	24 783	**212**	**–**	**–**	**–**

2018

Rm	Fair value	Contractually payable at maturity	Financial liabilities where change in credit risk is recognised in OC[2] Current period	Cumulative	Amount of cumulative gains/(losses) transferred within equity
Promissory notes and other liabilities	79	79	[1]	[1]	[1]
Investment contract liabilities[3]	20 035				
	20 114	79	[1]	[1]	[1]

[1] *Represents amounts less than R1m.*

[2] *Positive amounts represent losses.*

[3] *The value of investment contract liabilities changes according to changes in the value of the unit-linked assets. Unit-linking asset features contain specific asset performance risk rather than credit risk.*

15 Offsetting financial assets and financial liabilities

Accounting policy

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when the group has a legally enforceable right to set off the financial asset and financial liability and the group has an intention of settling the asset and liability on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

In accordance with the requirements of IFRS 7: Financial Instruments: Disclosures, the table below sets out the impact of:
- recognised financial instruments that are set off in the statement of financial position in accordance with the requirements of IAS 32: Financial Instruments: Presentation; and
- financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions that did not qualify for presentation on a net basis.

The group reports financial assets and financial liabilities on a net basis in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:
- these agreements create a right of setoff that is enforceable only following an event of default, insolvency or bankruptcy; and
- the group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Master netting arrangements and similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

2019

Rm	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position			
	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[2]	Amounts that may be netted off on the occurrence of a future event	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[3]	Total amounts recognised in the statement of financial position
Financial assets							
Derivative financial assets	**34 162**	**(1 445)**	**32 717**	**(21 631)**	**11 086**	**2 526**	**35 243**
Loans and advances	**71 418**	**(60 475)**	**10 943**		**10 943**	**785 890**	**796 833**
Cash and cash equivalents	**3 347**	**(1 650)**	**1 697**		**1 697**	**12 452**	**14 149**
Total financial assets	**108 927**	**(63 570)**	**45 357**	**(21 631)**	**23 726**	**800 868**	**846 225**
Financial liabilities							
Derivative financial liabilities	**(34 081)**	**6 816**	**(27 265)**	**21 631**	**(5 634)**	**(726)**	**(27 991)**
Amounts owed to depositors	**(95 699)**	**56 754**	**(38 945)**		**(38 945)**	**(865 437)**	**(904 382)**
Total financial liabilities	**(129 780)**	**63 570**	**(66 210)**	**21 631**	**(44 579)**	**(866 163)**	**(932 373)**

2018

Rm	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position			
	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32[1]	Net amounts included in the statement of financial position[2]	Amounts that may be netted off on the occurrence of a future event	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[3]	Total amounts recognised in the statement of financial position
Financial assets							
Derivative financial assets	22 744	(1 123)	21 621	(16 049)	5 572	1 071	22 692
Loans and advances	52 532	(42 285)	10 247		10 247	726 058	736 305
Cash and cash equivalents	1 914	(1 553)	361		361	12 801	13 162
Total financial assets	77 190	(44 961)	32 229	(16 049)	16 180	739 930	772 159
Financial liabilities							
Derivative financial liabilities	(23 236)	4 311	(18 925)	16 049	(2 876)	(1 078)	(20 003)
Amounts owed to depositors	(99 019)	40 650	(58 369)		(58 369)	(767 435)	(825 804)
Total financial liabilities	(122 255)	44 961	(77 294)	16 049	(61 245)	(768 513)	(845 807)

1 *During the year, the group reviewed and refined its processes for identification of financial instruments subject to offsetting. As a result, the comparative information has been restated.*

2 *Includes the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to master netting agreements, but where no offsetting has been applied. Excludes financial instruments that are neither subject to setoff nor master netting agreements.*

3 *Includes financial instruments that are neither subject to setoff nor master netting agreements.*

16 COLLATERAL

Accounting policy

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

16.1 Collateral pledged

The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R27 001m (2018: R24 079m) as collateral for deposits received under repurchase agreements, of which R12 611m (2018: R9 600m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9. The associated liabilities of R25 644m (2018: R21 877m), of which R12 734m (2018: R9 241m) relates to sell-/buybacks, are disclosed in note D1.

These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

16.2 Collateral held to mitigate credit risk

Credit risk mitigation refers to the actions that can be taken by the group to manage its exposure with credit risk so as to align such exposure to its risk appetite. This action can be proactive or reactive and the level of mitigation that a bank desires may be influenced by external factors such as the economic cycle or internal factors such as a change in risk appetite.

References to credit risk mitigation normally focus on the taking of collateral as well as the management of such collateral. While collateral is an essential component of credit risk mitigation, there are a number of other methods used for mitigating credit risk. The group's credit risk policy acknowledges the role to be played by credit risk mitigation in the management of credit risk, but emphasises that collateral on its own is not necessarily a justification for lending. The primary consideration for any lending opportunity should rather be the borrower's financial position and ability to repay the facility from its own resources and cashflow.

The group generally segregates collateral received into the following two classes:

- **Financial collateral**

The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

- **Non-financial collateral**

In secured financial transactions the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories, trade debtors and financial securities that have a tradable market, such as shares and other securities) and guarantees from parties other than the borrower.

Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

The group monitors the concentration levels of collateral to ensure that it is adequately diversified. In particular, the following collateral types are common in the marketplace:

- **Retail portfolio**
- Mortgage lending that are secured by mortgage bonds over residential property.
- Instalment credit transactions that are secured by the assets financed.
- Overdrafts that are either unsecured or secured by guarantees, suretyships or pledged securities.

- **Wholesale portfolio**
- Commercial properties that are supported by the property financed and a cession of the leases.
- Instalment credit type of transactions that are secured by the assets financed.
- Working capital facilities when secured, usually by either a claim on specific assets (fixed assets, inventories or trade debtors) or other collateral, such as guarantees.
- Term and structured lending, which usually relies on guarantees or credit derivatives (where only internationally recognised and enforceable agreements are used).
- Credit exposure to other banks, where the risk is commonly mitigated through the use of financial control and netting agreements.

The valuation and management of collateral across all business units of the group are governed by the Group Credit Policy.

Management considers collateral held in the retail portfolio to be homogeneous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles, and physical inspection is performed for other types of collateral. Furthermore, physical valuations are performed six-monthly on the defaulted book. At 31 December 2019 management considered R302 075m (2018: R275 910m) to be a reasonable estimate of the gross collateral held in the retail portfolio. The 2018 gross collateral held in the retail portfolio has been restated by R1 176m due to a change in methodology for determining the gross value of collateral.

Management considers collateral held in the wholesale portfolio to be non-homogeneous and often exhibiting illiquid characteristics and therefore valuing collateral of this nature requires a significant level of judgement. Collateral of this nature is valued at the inception of a transaction and at least annually during the life of the transaction, usually as part of the facility review, which includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2019 management considered R238 082m (2018: R249 459m) to be a reasonable estimate of the gross collateral held in the wholesale portfolio.

A further consideration with regard to the valuation and management of collateral is that when credit intervention is required, or in the case of default, all items of collateral relating to that particular client portfolio are immediately revalued. In such instances physical inspection by an expert valuer is required. This process also ensures that an appropriate impairment is evaluated timeously.

As part of the reverse repurchase agreements, the group has received securities as collateral that are allowed to be sold or repledged in the absence of default. The fair value of these securities at the reporting date amounts to R18 734m (2018: R9 513m), of which R12m (2018: R7m) have been sold or repledged.

16.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note C1.1) is an amount of R58m (2018: R91m) related to retail assets and an amount of R84m (2018: R47m) related to wholesale assets the group has acquired during the year by taking possession of collateral held as security.

SECTION J: SHARE-BASED PAYMENTS

Accounting policy

Equity-settled share-based payment transactions with employees

The group receives services from employees as consideration for equity instruments of the group. The fair value of the employee services is measured at the grant date, by reference to the fair value of the equity instruments.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting period. The services are accounted for in profit or loss in the statement of comprehensive income as they are rendered during the vesting period, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes, the Nedbank Wealth Management International schemes and the Nedbank Africa scheme, all of which are cash-settled.

Cash-settled share-based payment transactions with employees

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the statements of comprehensive income as staff costs.

Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at the measurement date using standard-option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

Share-based payment transactions with persons or entities other than employees

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in SA for less than fair value are accounted for as share-based payments. Where the group has issued such instruments and expects to receive services in return for equity instruments, the share-based payments charge is spread over the related vesting (ie service) period. In instances where such services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

As the group cannot reliably estimate the fair value of services received nor the value of additional benefits received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures its fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date using the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

J1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Traditional employee schemes				
Nedbank Group (2005) Share Option and Restricted-share Scheme	**Nedbank Group (2005) Share Scheme Trust**	Restricted shares, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees . Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. All LTIs are discretionary and motivated by the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Three years' service and achievement of performance targets based on average return on equity, as well as the Nedbank Group Limited share price performance against the financial index (2017 tranche). In addition, the grants include a strategic initiative component in connection with benefits from the target operating model and a strategic initiative component in connection with growing the transactional banking franchise applicable to group and cluster executives only. Where the performance targets are not met in full a minimum of 50% will vest, where applicable, for staff other than group and cluster executives, provided that the three years' service has been reached. The performance condition against the financial index was replaced with diluted headline earnings per share compound annual growth rate in 2018.	**3 years**
Nedbank Group (2005) Matched-share Scheme	**Nedbank Group (2005) Share Scheme Trust**	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Limited performance target. Where this performance target is not met, 50% will vest provided that the three years' service has been reached.	**3 years**
Nedbank UK Long-term Incentive Plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that they are granted at a predetermined exercise price vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**3 years**

J1 Description of arrangements continued

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank UK Matched Scheme	n/a	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**3 years**
Nedbank Wealth Management International Long-term Incentive Plan (LTIP)	n/a	Restricted shares, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees . Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**3 years**
Nedbank Wealth Management International Matched Scheme	n/a	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**3 years**

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank Africa Restricted-share Scheme	n/a	Restricted shares, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees . Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**3 years**
Nedbank Africa Matched-share Scheme	n/a	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	"Three years' service and achievement of corporate performance targets. Where these performance targets are not met, 50% will vest provided that the three years' service has been reached.	**3 years**
Nedbank Eyethu BEE schemes - Clients and business partners				
Community trust	**Nedbank Eyethu Community Trust**	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years, the net assets of the trust will be allocated to participants as determined by the trustees.	**10 years subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030, so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.**

J2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Traditional employee schemes	**570**	**738**	**1 430**	**1 421**
Nedbank Group (2005) Share Option and Restricted-share Scheme	**421**	**608**	**1 137**	**1 123**
Nedbank Group (2005) Matched-share Scheme	**156**	**123**	**251**	**253**
Nedbank UK Long-term Incentive Plan[1]	**(11)**	**(3)**	**7**	**13**
Nedbank UK Matched-share Scheme[1]	**1**	**2**	**2**	**2**
Nedbank Wealth Management International Long-term Incentive Plan[1]	**(5)**	**4**	**11**	**14**
Nedbank Wealth Management International Matched-share Scheme[1]	**1**	**1**	**3**	**2**
Nedbank Africa Restricted-share Scheme and Matched-share Scheme[1]	**7**	**3**	**19**	**14**
Nedbank Eyethu BEE schemes	**–**	**3**	**124**	**131**
Community Scheme			**124**	**124**
Black Executive Scheme[2]		**2**		**7**
Black Management Scheme[2]		**1**		
	570	**741**	**1 554**	**1 552**

[1] *This scheme is cash-settled and therefore creates a liability.*

[2] *On 31 March 2019 the Black Executive and Black Management shares have fully vested. However, the schemes will wind down in March 2020.*

J3 Movements in number of instruments

	2019		2018	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option and Restricted-share Scheme				
Outstanding at the beginning of the year	**9 369 675**		9 401 279	
Granted	**3 446 610**		2 983 119	
Transfers			5 472	
Forfeited	**(271 571)**		(415 109)	
Exercised	**(3 476 881)**		(2 605 086)	
Outstanding at the end of the year	**9 067 833**		9 369 675	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**256,48**		299,11
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**2 178 999**		2 245 223	
Granted	**974 666**		711 361	
Forfeited	**(129 947)**		(148 130)	
Exercised	**(788 276)**		(629 455)	
Outstanding at the end of the year	**2 235 442**		2 178 999	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**261,32**		285,00
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**81 720**		94 132	
Granted	**33 095**		18 179	
Prior year adjustment				
Forfeited	**(20 265)**		(2 957)	
Exercised	**(19 942)**		(27 634)	
Outstanding at the end of the year	**74 608**		81 720	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank UK Matched-share Scheme				
Outstanding at the beginning of the year	**12 833**		16 779	
Granted	**3 982**		3 294	
Exercised	**(4 198)**		(7 240)	
Outstanding at the end of the year	**12 617**		12 833	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

J3 Movements in number of instruments continued

	2019		2018	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	**101 331**		76 267	
Granted	**59 079**		50 826	
Forfeited			(4 602)	
Transfers	**985**			
Exercised	**(31 060)**		(21 160)	
Outstanding at the end of the year	**130 335**		101 331	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Wealth Management International Matched-share Scheme				
Outstanding at the beginning of the year	**15 961**		13 059	
Granted	**12 681**		7 024	
Forfeited	**(151)**			
Exercised	**(4 146)**		(4 122)	
Outstanding at the end of the year	**24 345**		15 961	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Africa Restricted-share Scheme				
Outstanding at the beginning of the year	**100 734**		107 264	
Granted	**45 727**		35 764	
Transfers			(5 472)	
Forfeited	**(11 898)**		(20 406)	
Exercised	**(29 184)**		(16 416)	
Outstanding at the end of the year	**105 379**		100 734	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Africa Matched-share Scheme				
Outstanding at the beginning of the year	**3 982**		2 840	
Granted	**3 028**		1 142	
Exercised	**(2 109)**			
Outstanding at the end of the year	**4 901**		3 982	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

J3 Movements in number of instruments continued

	2019		2018	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Black Executive Scheme				
Outstanding at the beginning of the year	**115 852**		287 101	
Exercised	**(115 852)**		(171 249)	
Outstanding at the end of the year	**–**		115 852	
Exercisable at the end of the year	**–**	**–**	70 807	171,83
Weighted-average share price for share instruments exercised (R)		**255,90**		285,25
Black Management Scheme				
Outstanding at the beginning of the year	**5 944**		83 248	
Forfeited			(2 125)	
Exercised	**(5 944)**		(47 490)	
Expired			(27 689)	
Outstanding at the end of the year	**–**		5 944	
Exercisable at the end of the year	**–**	**–**	5 944	161,88
Weighted-average share price for share instruments exercised (R)		**251,24**		279,76
Community scheme				
Outstanding at the beginning of the year	**1 689 648**		1 689 648	
Outstanding at the end of the year	**1 689 648**		1 689 648	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

J4 Instruments outstanding at the end of the year by exercise price

	2019		2018	
	Number of instruments	**Weighted-average remaining contractual life (years)**	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option and Restricted-share Scheme				
0,00	**9 067 833**	**1,3**	9 369 675	1,2
	9 067 833	**1,3**	9 369 675	1,2
Nedbank Group (2005) Matched-share Scheme				
0,00	**2 235 442**	**1,4**	2 178 999	1,2
	2 235 442	**1,4**	2 178 999	1,2
Nedbank UK Long-term Incentive Plan				
0,00	**74 608**	**1,4**	81 720	1,2
	74 608	**1,4**	81 720	1,2
Nedbank UK Matched-share Scheme				
0,00	**12 617**	**1,1**	12 833	1,2
	12 617	**1,1**	12 833	1,2

J4 Instruments outstanding at the end of the year by exercise price continued

	2019		2018	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**130 335**	**1,5**	101 331	1,3
	130 335	**1,5**	101 331	1,3
Nedbank Wealth Management International Matched-share Scheme				
0,00	**24 345**	**1,7**	15 961	1,4
	24 345	**1,7**	15 961	1,4
Black Executive Scheme				
0,00			14 622	0,2
161,88			39 574	0,2
182,98			24 690	0,6
189,90			36 966	1,2
	–		115 852	0,6
Black Management Scheme				
161,88			5 944	0,2
	–	**–**	5 944	0,2
Nedbank Africa Restricted-share Scheme				
0,00	**105 379**	**1,4**	100 734	1,0
	105 379	**1,4**	100 734	1,0
Nedbank Africa Matched-share Scheme				
0,00	**4 901**	**1,1**	3 982	1,6
	4 901	**1,1**	3 982	1,6
Community scheme				
0,00	**1 689 648**	**11,0**	1 689 648	12,0
	1 689 648	**11,0**	1 689 648	12,0

J5 Instruments granted during the year

	Nedbank Group (2005) Share Option and Restricted-share Scheme[1]	Nedbank Group (2005) Matched-share Scheme[2]
2019		
Number of instruments granted	**3 446 610**	**974 666**
Weighted-average fair value per instrument granted (R)	**256,20**	**213,12**
Weighted-average share price (R)	**256,20**	**251,24**
Weighted-average life (years)	**3**	**3**
Number of participants	**1 493**	**2 245**
Weighted-average vesting period (years)	**3**	**3**
2018		
Number of instruments granted	2 983 119	711 361
Weighted-average fair value per instrument granted (R)[3]	293,21	198,87
Weighted-average share price (R)	293,21	285,54
Weighted-average life (years)	3	3
Number of participants	1 464	2 047
Weighted-average vesting period (years)	3	3

[1] *The weighted-average fair value of instruments granted during the year has been calculated using the closing price of Nedbank Group Limited quoted on JSE Limited.*

[2] *The weighted-average fair value of instruments granted during the year has been calculated using the closing price of Nedbank Group Limited quoted on JSE Limited of R251,24 (2018: R285,54) less the present value of dividends anticipated over the vesting period.*

[3] *Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the financial index.*

	Nedbank UK Long-term Incentive Plan[1]	Nedbank UK Matched Scheme[1]	Nedbank Wealth Management International Long-term Incentive Plan[1]	Nedbank Wealth Management International Matched Scheme[1]	Nedbank Africa Restricted-share Scheme[1]	Nedbank Africa Matched-share Scheme[1]
	33 095	**3 982**	**59 079**	**12 681**	**45 727**	**3 028**
	245,62	**251,24**	**258,03**	**251,24**	**254,05**	**251,24**
	245,62	**251,24**	**258,03**	**251,24**	**254,05**	**251,24**
	3	**3**	**3**	**3**	**3**	**3**
	11	**6**	**19**	**28**	**8**	**1**
	3	**3**	**3**	**3**	**3**	**3**
	18 179	3 294	50 826	7 024	35 764	1 142
	295,80	285,00	292,56	285,00	295,79	285,00
	295,80	285,00	292,56	285,00	295,79	285,00
	3	3	3	3	3	3
	10	4	17	20	55	2
	3	3	3	3	3	3

SECTION K: OTHER LIABILITIES

K1 Provisions and other liabilities

Accounting policy

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from an executory contract are lower than the unavoidable cost of meeting the obligations under the contract. Future operating costs or losses are not provided for.

Client loyalty

When a cardholder makes a purchase that is regarded as eligible spend, the person or entity is granted points that can be redeemed at a later date for goods or services. Points do not expire, unless a client is delinquent or their account is dormant, in which case the points accrued are forfeited as stated in the terms and conditions. Client loyalty programmes are accounted for in accordance with IFRS 15 and a contract liability is recognised. The revenue normally earned by the group when clients transact on their Nedbank cards is reduced by the expected amount payable arising from the issue of points.

If the expectation regarding the amount to be paid changes, this is recognised in revenue. When the group settles the liability, there will be no additional revenue recognised and the costs will be offset against the liability.

Lease liabilities

Refer to note A2 for initial implementation (transition date) accounting policies and elections.

Initial and subsequent measurement

The lease liability is initially measured at a present value of unpaid lease payments on the commencement date (the date the underlying asset is available for use). The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group uses the incremental borrowing rate being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the group under residual value guarantees;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the group is reasonably certain to exercise that option.

The lease liability is subsequently measured under IFRS 9 at amortised cost using the effective-interest method. Interest expense is recognised in profit and loss and capitalised to the lease liability.

Reassessment of lease liability

After the commencement date the group remeasures the lease liability to reflect changes to the lease payments. The carrying amount of the lease liability is remeasured by discounting the revised lease payments using a revised discount rate if:

- there is a change in the lease term; or
- the group changes its assessment of whether it will exercise an option to purchase the underlying asset.

The carrying amount of the lease liability is remeasured by discounting the revised lease payments using the original discount rate if there is a change in:

- the amounts expected to be payable under a residual value guarantee; or
- future lease payments resulting from a change in an index or a rate used to determine those payments.

If the change in lease payments results from a change in floating rates, the group uses a revised discount rate that reflects changes in the interest rate.

The group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. When corresponding adjustments to the right-of-use asset reduces the carrying amount to zero, the group recognises any remaining amount of the remeasurement in profit or loss.

Lease modifications

The group accounts for modifications as a separate lease using a new discount rate if the modification is a material economic alteration of the initial contract. This would occur if the modification in question:

- increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that does not meet the criteria to be recognised as a separate lease at the effective date of the lease modification, the group accounts for the lease by:

- allocating the consideration in the modified contract between lease and non-lease components;
- determining the lease term of the modified lease; and
- remeasuring the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Additionally, for a lease modification that is not accounted for as a separate lease, the group accounts for the remeasurement of the lease liability by doing the following:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Variable lease expense

The group recognises variable lease expenses not contingent or dependent on an index or a rate as an expense in profit or loss in the period in which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office furniture. Leases with values of less than R20 000 are considered as low-values leases. The group does not recognise right-of-use assets and lease liabilities for short-term and low-value leases.

The group considers a short-term lease to be a new lease if:

- there is a lease modification; or
- there is any change in the lease term (for example, the group exercises an option not previously included in its determination of the lease term).

K1 Provisions and other liabilities continued

Derecognition

Termination of a lease, partial or fully, results in derecognition of the right-of-use asset and the corresponding lease liability. The group recognises any profit and loss in the period in which the termination occurs.

Critical judgements and assumptions

Discount rates

The group's incremental borrowing rate is lease-specific and is determined using an array of assumptions and judgements surrounding the characteristics of the contract. The group considers:
- the credit risk of the group (swap yield curves are also used as anchors for most leases);
- the tenor of the lease; and
- the economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

Refer to note G1 for accounting policies applied for right-of-use assets.

K1.1 Analysis of carrying amount

	2019 Rm	2018 Rm
Creditors and other accounts[1]	**12 144**	9 675
Client loyalty programmes liability	**347**	462
Insurance contracts provision	**296**	307
Short-trading securities and spot positions	**3 950**	11 432
Provision for the impairment of off-balance-sheet items	**271**	210
Provision for bonuses (note K1.2)	**1 967**	2 609
Leave pay accrual (note K1.3)	**943**	907
Lease liabilities (note K1.5)	**3 379**	
	23 297	25 602

[1] *Includes the effect of hyperinflation, which was less than R1m.*

	2019 Rm	2018 Rm
K1.2 Provision for bonuses		
Balance at the beginning of the year	**2 609**	2 338
Recognised in profit or loss	**1 980**	2 625
Utilised during the year	**(2 611)**	(2 362)
Foreign currency translation and other movements	**(11)**	8
Balance at the end of the year	**1 967**	2 609
K1.3 Leave pay accrual		
Balance at the beginning of the year	**907**	885
Recognised in profit or loss	**385**	576
Utilised during the year	**(349)**	(554)
Balance at the end of the year	**943**	907

K1.4 Day one gains and losses

The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market-observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market-observable inputs, or realised when the financial instrument is derecognised.

The group's day one gains are attributable to loans and advances.

	2019 Rm	2018 Rm
Gains recognised in the statement of comprehensive income	**395**	427

K1.5 Lease liabilities

	2019 Rm	2018 Rm
Lease liabilities reconciliation		
Balance at the beginning of the year	**3 751**	
Interest expense	**293**	
Additions	**215**	
Lease modifications	**383**	
Lease payments	**(1 241)**	
Derecognition[1]	**(20)**	
Effect of movements in foreign exchange rates and other movements	**(2)**	
Balance at the end of the year	**3 379**	

[1] *Included in derecognition are lease liabilities of R15m attributable to Nedbank Malawi reclassified to IFRS 5: Held for Sale.*

Current and non-current lease liabilities

	2019 Rm
Current lease liabilities	**1 105**
Non-current lease liabilities	**2 274**
Total lease liabilities	**3 379**

K2 Contingent liabilities and undrawn facilities

	2019 Rm	2018 Rm
Guarantees on behalf of clients	**25 018**	29 802
Letters of credit and discounting transactions	**7 148**	9 654
Irrevocable unutilised facilities and other	**148 099**	136 381
	180 265	175 837

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise (refer to note K1). Possible obligations and known liabilities, where no reliable estimate can be made or it is considered improbable that an outflow would result, are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot currently be foreseen. None of these matters are material in nature.

K3 Commitments

K3.1 Capital expenditure approved by directors

	2019 Rm	2018 Rm
Contracted	**615**	530
Not yet contracted	**1 838**	2 811
	2 453	3 341

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

K3.2 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business (note C7).

SECTION L: RISK AND BALANCE SHEET MANAGEMENT

L1 Financial risk management

The group's risk management procedures include, but are not limited to, credit risk, liquidity risk, interest rate risk in the banking book and market risk. Additional information relating to the group's risk management policies and procedures are disclosed in the unaudited Risk and Capital Management Report, available at nedbank.co.za.

L2 Capital management

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement across the group and contributes significantly to the ERMF.

The board-approved Solvency and Capital Management Policy requires the group to be capitalised at the greater of Basel III regulatory capital and economic capital.

The Group Capital Management Division is housed in the Balance Sheet Management Cluster that reports to the Chief Financial Officer and is mandated with the implementation of the Capital Management Framework and the Internal Capital Adequacy Assessment Process (ICAAP) across the group. The capital management (incorporating ICAAP responsibilities of the board and management are incorporated in their respective terms of reference as contained in the ERMF and are assisted by the board's Group Risk and Capital Management Committee, Group ALCO and the Executive Risk Committee respectively.

Capital, reserves and long-term debt instruments

The group's Capital Management Framework, policies and processes cover the group's capital and reserves in accordance with the consolidated statement of changes in equity, as well as the long-term debt instruments detailed in note D2.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Pillar 3: Basel III Public Disclosure Report, which is unaudited unless stated otherwise.

L3 Liquidity gap

Banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks. Through the robust Liquidity Risk Management Framework the 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 Liquidity Risk Management Framework 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: funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the 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.

Liquidity risk management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus for the group.

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk and Capital Management Committee (GRCMC) (a board committee), the board has delegated its responsibility for the management of liquidity risk to Group ALCO.

The group's Liquidity Risk Management Framework 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 Liquidity Risk Management Framework is reviewed annually by Group ALCO and approved by the GRCMC.

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-deter – mined	Total
2019							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	**37 056**	**360**	**33**		**186**		**37 635**
Other short-term securities	**29 126**	**15 313**	**12 809**	**6 644**	**559**		**64 451**
Derivative financial instruments	**8 561**	**2 811**	**3 583**	**7 147**	**13 141**		**35 243**
Government and other securities	**5 917**	**717**	**865**	**47 278**	**73 733**		**128 510**
Loans and advances	**151 712**	**33 665**	**65 661**	**326 967**	**204 979**	**13 849**	**796 833**
Other assets			**281**			**80 396**	**80 677**
	232 372	**52 866**	**83 232**	**388 036**	**292 598**	**94 245**	**1 143 349**
Total equity						**98 449**	**98 449**
Derivative financial instruments	**6 983**	**2 121**	**3 037**	**5 639**	**10 211**		**27 991**
Amounts owed to depositors	**612 919**	**79 112**	**112 344**	**89 221**	**10 786**		**904 382**
Provisions and other liabilities	**24 892**	**264**	**645**	**1 971**	**351**	**24 691**	**52 814**
Long-term debt instruments	**1 021**	**463**	**4 511**	**31 125**	**22 593**		**59 713**
	645 815	**81 960**	**120 537**	**127 956**	**43 941**	**123 140**	**1 143 349**
Net liquidity gap	**(413 443)**	**(29 094)**	**(37 305)**	**260 080**	**248 657**	**(28 895)**	**–**
2018							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	34 236	282	54	50	169		34 791
Other short-term securities	30 393	17 602	22 958	8 308	101		79 362
Derivative financial instruments	3 218	1 920	1 993	5 256	10 305		22 692
Government and other securities	792	587	1 305	42 984	51 123		96 791
Loans and advances	116 856	41 698	61 812	313 401	202 538		736 305
Other assets						73 971	73 971
	185 495	62 089	88 122	369 999	264 236	73 971	1 043 912
Total equity						91 271	91 271
Derivative financial instruments	2 779	1 570	1 694	5 635	8 325		20 003
Amounts owed to depositors	592 462	72 911	83 973	66 356	10 102		825 804
Provisions and other liabilities	20 035		363			30 849	51 247
Long-term debt instruments	1 468	5 070	2 293	27 531	19 225		55 587
	616 744	79 551	88 323	99 522	37 652	122 120	1 043 912
Net liquidity gap	(431 249)	(17 462)	(201)	270 477	226 584	(48 149)	–

This note has been prepared on a contractual maturity basis.

The group has high-quality liquid assets and other sources of quick liquidity. Other sources of quick liquid assets include corporate bonds and listed equities, unencumbered trading securities, price-sensitive overnight loans, other banks' paper and unutilised bank credit lines.

L4 Interest rate risk in the banking book

	2019 Rm	2018 Rm
Net interest income sensitivity		
One percent instantaneous decline in interest rates[1]	**(1 346)**	(1 466)

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

Management of interest rate risk in the banking book

The group employs various analytical techniques to measure interest rate sensitivity monthly in the banking book on both an earnings and economic-value basis (where appropriate) for balance sheets with material exposure to interest rate risk. Assets, liabilities and derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing, Group ALCO approves the use of prepayment models for the hedging of fixed-rate advances and behavioural repricing assumptions for the modelling and reporting of ambiguous repricing deposits, where appropriate.

Sensitivity analysis

At the reporting date, the net interest income sensitivity of the banking book for a 1% parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately R1 346m before tax (2018: R1 466m), which is within the board's approved risk limit. The group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pretax net interest income of similar amounts should interest rates increase by one percent. Net interest income 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.

L5 Historical value at risk (99%, one-day) by risk type

Value at risk (VaR) is the potential loss in pretax profit due to adverse market movements over a defined holding period with 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 the group reflects, at a 99% confidence level, that 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.

The group uses one year of historical data to estimate VaR. Some of the considerations taken into account when reviewing the VaR numbers are the following:

- That assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- That historical VaR assumes the past is a good representation of the future, which may not always be the case.
- That 99% confidence level does not indicate the potential loss beyond this interval.
- That 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.

All market risk models are subject to periodic independent validation in terms of the Group Market Risk Management 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 prior to implementation.

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

Rm	2019 Average	2019 Minimum	2019 Maximum	2019 Year-end	2018 Average	2018 Minimum	2018 Maximum	2018 Year-end
Foreign exchange	**4,3**	**0,9**	**11,6**	**2,6**	3,2	0,6	11,5	3,5
Interest rate	**34,7**	**20,1**	**45,8**	**35,4**	30,7	16,0	45,8	31,3
Equity	**3,9**	**1,0**	**13,4**	**4,6**	3,9	0,8	17,2	1,9
Credit	**7,7**	**4,0**	**9,7**	**4,7**	9,2	6,9	12,3	8,2
Commodity	**0,1**	**<0.1**	**0,7**	**0,1**	0,1	<0.1	2,1	0,2
Diversification	**(15,8)**			**(16,0)**	(17,7)			(15,8)
Total VAR exposure	**34,9**	**19,0**	**49,2**	**31,4**	29,4	14,6	49,2	29,3

SECTION M: CASHFLOW INFORMATION

M1 Reconciliation of profit from operations to cash generated by operations

	2019 Rm	2018 Rm
Profit from operations	**15 813**	18 369
Adjusted for:		
– Depreciation (note B7)	**1 562**	1 512
– Depreciation of right-of-use assets (note B7)	**892**	
– Amortisation: computer software and intangible assets (note B7)	**1 167**	958
– Amortisation: other intangible assets (note B7)	**65**	75
– Zimbabwe hyperinflation (note N1)	**296**	
– Movement in impairments on financial instruments	**7 376**	4 959
– Long-term-asset sales (note B6.2)	**(22)**	(5)
– Unrealised losses (note B6.2)[1]	**461**	
– Non-trading and capital items (note B9)	**651**	164
– Indirect taxation (note B8.1)	**1 096**	942
Cash generated by operations	**29 357**	26 974

[1] *During 2019 management enhanced the group's cashflow disclosure by including unrealised losses on private-equity investments in the reconciliation of profit from operations to cash generated by operations. Comparative information has not been restated as the amounts are not material.*

M2 Cash received from clients

	2019 Rm	2018 Rm
Interest and similar income (note B6.1.1)	**83 680**	75 941
Commission and fees income (note B6.2)	**18 739**	18 279
Net trading income (note B6.2)	**4 524**	4 429
Net insurance income (note B6.2.2)	**1 837**	1 859
Private-equity income	**217**	367
Other non-interest income	**898**	683
	109 895	101 558

M3 Cash paid to clients, employees and suppliers

	2019 Rm	2018 Rm
Interest expense and similar charges (note B6.1.2)	**(53 513)**	(47 122)
Staff costs (note B7)	**(17 322)**	(17 450)
Computer processing	**(2 886)**	(2 630)
Communication and travel (note B8)	**(838)**	(833)
Occupation and accommodation	**(1 010)**	(1 993)
Marketing and public relations (note B7)	**(1 455)**	(1 532)
Fees and assurances (note B7)	**(4 152)**	(3 989)
Furniture, office equipment and consumables	**(325)**	(316)
Other operating expenses	**(505)**	(344)
	(82 006)	(76 209)

M4 Dividends received

	2019 Rm	2018 Rm
Dividends received on investments	**221**	354
	221	354

M5 Increase in operating assets

	2019 Rm	2018 Rm
Other short-term securities	**14 515**	13 413
Government and other securities	**(31 719)**	(47 550)
Loans and advances and other operating assets	**(76 559)**	(31 423)
	(93 763)	(65 560)

M6 Increase in operating liabilities

	2019 Rm	2018 Rm
Current and savings accounts	**1 076**	6 211
Other deposits, loan accounts and foreign currency liabilities	**44 224**	38 663
Negotiable certificates of deposit	**29 065**	12 394
Deposits received under repurchase agreements	**3 767**	(2 928)
Creditors and other liabilities	**5 778**	(1 149)
	83 910	53 191

M7 Taxation paid

	2019 Rm	2018 Rm
Amounts receivable at the beginning of the year	**(177)**	(48)
Statement of comprehensive income charge (excluding deferred taxation)	**(3 480)**	(4 726)
Current taxation recognised in equity	**147**	855
Amounts receivable at the end of the year	**(120)**	177
	(3 630)	(3 742)
Total indirect taxation (note B8.1)	**(1 096)**	(942)
Taxation paid	**(4 726)**	(4 684)

SECTION N: ADDITIONAL INFORMATION

N1 Foreign currency conversion

Accounting policy

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. Transactions in foreign currencies are translated into the functional currency of the individual entities at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts. The consolidated financial statements are presented in SA rand, which is the group's presentation currency.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective entities of the group at the spot exchange rate ruling at the reporting date.

Exchange differences that arise on the settlement or translation of monetary items at rates that are different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period that they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not retranslated subsequently.

Exchange differences on non-monetary items are recognised consistently, with the gains and losses that arise on such items, ie exchange differences relating to an item for which gains and losses are recognised directly in equity, generally recognised in equity. Similarly, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss are recognised in profit or loss in the period in which they arise.

Hyperinflation accounting

During the second half of the year the group classified Zimbabwe as a hyperinflationary economy. The assessment as to when an economy is hyperinflationary is based on the guidelines of IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29), which considers qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%. The group's conclusion is based on Zimbabwe's inflation rate increasing significantly throughout the year.

The group's conclusion is consistent with the assessment by the Public Accountants and Auditors Board of Zimbabwe, which classified the Zimbabwean economy as hyperinflationary as of 1 July 2019. Consequently, the results of the group's activities in Nedbank Zimbabwe Limited have been prepared in accordance with IAS 29 (this is prior to the translation of those results to the group's presentation currency). The group has applied IAS 29 from 1 October 2018 as this is the date on which the Reserve Bank of Zimbabwe directed Zimbabwean banks to create NOSTRO accounts for foreign currency transactions, which are to be maintained separately from existing bank accounts, limited to real-time gross settlement (RTGS). This effectively de-dollarised the economy. The date 1 October 2018 is also the one on which the group concluded that the functional currency of Nedbank Zimbabwe Limited changed from the USD to RTGS (which subsequently became the new Zimbabwean dollar).

General price index

IAS 29 requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period, using a general price index, to account for the effect of loss of purchasing power during the period. The group has elected to use the Zimbabwe CPI, provided by the Zimbabwe Reserve Bank, as the general price index as this provides an observable published indicator of changes in the general purchasing power of the country.

The group applied a general price escalation factor of 6,2 based on the CPI index for December 2019 of 551,6 and the CPI index for December 2018 of 88,8.

Impact on the statement of financial position

The group has not restated the comparative amounts relating to Nedbank Zimbabwe for changes in price levels in the current year as the functional currency of the group is that of a non-hyperinflationary economy. At the beginning of the first period of applying IAS 29, the components of equity, excluding retained earnings, are restated by applying a general price escalation factor from 1 October 2018 to the end of the reporting period. Differences are recognised directly in equity (foreign currency translation reserve). Any revaluation surplus arising in previous periods is eliminated against retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position.

N1 Foreign currency conversion continued

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been adjusted to reflect the change in the general price index from 1 October 2018 (or from recognition date if acquired or assumed later) to the end of the reporting period. Where non-monetary items are restated above their recoverable amount, an impairment loss is recognised directly in profit and loss. Non-monetary items that are held at fair value, net realisable value or using a revaluation model are not restated as these assets are recognised based on current price levels. Monetary items are already expressed in the measurement unit current as the end of the reporting period and do not require an adjustment for the general price index.

In addition, under hyperinflation, assets, liabilities and the income statement are translated from the functional currency of Nedbank Zimbabwe to the functional currency of the group at the spot exchange rate at the reporting date rather than the spot exchange rate ruling at the transaction date.

Impact on the statement of comprehensive income

All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred to the end of the reporting period. The gains and losses on the net monetary position is included in profit and loss.

Impact on the statement of cashflows

All items in the statement of cashflows are expressed in terms of the general price index at the end of the reporting period. The resultant statement of cashflows is prepared to reflect cashflows during the year measured at the current purchasing power at the end of the reporting period and as such is not reflecting actual cashflows during the year.

Deferred taxation

At the end of the reporting period, following the indexation of non-monetary items under hyperinflation accounting, deferred tax is accounted for using IAS 12 principles. The deferred taxation relating to opening statement of financial position has been determined using a two-step approach of:

1) remeasuring the deferred taxation items in accordance IAS 12 after restating the nominal carrying amounts of its non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date; and

2) thereafter, the deferred taxation items remeasured in step 1 have been restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of the reporting period.

Exchange rate used at 31 December 2019

The results, cashflows and financial position of Nedbank Zimbabwe, which is accounted for as an entity operating in hyperinflationary economy and has a functional currency different from the presentation currency of the group, have translated into the presentation currency of the group, at the spot rate of exchange ruling at the reporting date. For 31 December 2018 reporting period the group estimated the RTGS dollar to USD exchange rate using a combination of the Old Mutual share price implied rate and the fuel price implied rate. On 22 February 2019 the Zimbabwean Reserve Bank announced the Zimbabwe dollar as the official currency in Zimbabwe. The group has elected to translate the results of Nedbank Zimbabwe Limited at the interbank exchange rate as this rate is publicly available. This change does not alter the assessment of the functional currency of Zimbabwe as the Zimbabwe dollar had the same exchange rate as the RTGS on inception.

Impact of hyperinflation on group's results

The most material inflation-accounting adjustments to the group's recognition and measurement criteria are as follows (except for headlines earnings, the impact below is pre-non-controlling interest):

Financial statement item	Amount Rm	Description
Opening equity		
Opening equity (foreign currency translation reserve)	246	On the initial application of IAS 29 an indexation to all items in the opening statement of financial position is recognised directly in equity (foreign currency translation reserve). This is achieved by applying the general CPI escalation factor calculated from 1 October 2018 to 31 December 2019. This results in the starting point of all prior-year balances being reflected as if they had preserved purchasing power. Any subsequent loss in purchasing power on the opening net monetary items is reflected in profit and loss as part of the net monetary loss.
Statement of financial position		
Non-monetary assets	30	Property, equipment and intangible assets were restated by applying the change in general price indices from acquisition date to 31 December 2019. Depreciation and amortisation relating to the property, equipment and intangible assets are based on the restated carrying amounts after adjusting for the effects of hyperinflation. The increase reflects purchasing power preservation of non-monetary items during hyperinflationary periods. The majority of property and equipment items were revalued during the year, therefore negating the need for impairment recognition.
Statement of comprehensive income		
Zimbabwe hyperinflation	(296)	The impact of applying IAS 29 in the current year resulted in a net monetary loss relating to profit and loss items of R80m and statement of financial position items of R216m. The net monetary loss of R296m altered the initial unindexed in-country profit after tax (before IAS 29) of R118m to a loss after tax (after IAS 29) of R97m.
Net interest income	58	Net interest income increased as it was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2019.
Non-interest revenue	181	Non-interest revenue increased as it was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2019.
Total operating expenses	(173)	The restatement of property and equipment items (including on right-of-use assets) and intangible assets from historical cost to the hyperinflationary currency at 31 December 2019 resulted in an increase (or a recalculated adjustment surge) in depreciation and amortisation recorded for the year. Operating expenses increased following a restatement for changes in the general price indices from transaction recognition dates to 31 December 2019 (this includes recalculated depreciation and amortisation based on hyperinflation adjusted balances).
Deferred taxation	14	Deferred taxation decreased due to changes in temporary differences arising between the restated closing carrying amounts of non-monetary assets and liabilities, and their respective tax basis.
All balance-sheet items	(216)	This relates to the opening net monetary position that was indexed as part of the current-year opening balances and that would have lost purchasing power during the current year, and the restatement of non-monetary assets using the change general price indices from the acquisition date of transactions to 31 December 2019.
Key business indicators		
Headline earnings (after tax)	(142)	Headline earnings decreased due to the recognition of a net monetary loss recognised in profit and loss reflecting the loss of purchasing power on income and expenses and statement of financial position items.
Statement of cashflows		
Statement of cashflows	(350)	The inflation effect on net cash movements for the year has been derived as the difference between the closing balances of cash and cash equivalents less the sum of restated opening balance plus unindexed movements in cash and cash equivalents.

N1 Foreign currency conversion continued

Exchange rates

	Average		Closing	
	2019	2018	**2019**	2018
UK pound to rand	**18,43**	17,64	**18,43**	18,32
US dollar to rand	**14,44**	13,24	**14,01**	14,38
US dollar to naira	**361,64**	361,50	**364,47**	363,50
Rand to naira	**25,05**	27,31	**26,05**	25,08
US dollar to Zimbabwean dollar (RTGS dollar)			**16,77**	3,88
Zimbabwean dollar (RTGS dollar) to rand			**0,84**	3,71

Geographic analyses

The geographic analyses within various notes are based on the geographic location of the clients or transactions and not the domicile of the group entity.

N2 Events after the reporting period

On 14 February 2020 Nedbank Group disposed of its 100% interest in Nedbank Malawi Limited for R37.8m when the suspensive conditions on the sale agreement were met. Nedbank Group and Nedgroup Investments Africa have agreed to dispose of, and MyBucks Banking Corporation Limited has agreed to acquire, in one composite, indivisible transaction, 100% of the issued shares of Nedbank Malawi Limited and the cession and delegation of a term loan from Nedbank Limited to Nedbank Malawi Limited. The disposal follows a strategic review by Nedbank Group.

N3 Directors' emoluments

The following disclosures are those required by the Companies Act, 71 of 2008, in respect of remuneration of directors and prescribed officers:

N3.1 Total remuneration of executive directors and prescribed officers

	Mike Brown		Mfundo Nkuhlu		Raisibe Morathi	
R'000	**2 019**	**2 018**	**2019**	**2018**	**2019**	**2018**
Cash portion of package	**7 669**	7 352	**5 176**	4 869	**4 736**	4 536
Other benefits	**223**	173	**177**	159	**173**	122
Defined-contribution retirement fund	**1 102**	1 050	**747**	702	**597**	567
Guaranteed remuneration	**8 994**	8 575	**6 100**	5 730	**5 506**	5 225
Cash performance incentive	**6 250**	8 500	**3 750**	5 125	**4 375**	5 050
Cash performance incentive (delivered in shares)	**5 250**	7 500	**2 750**	4 125	**3 375**	4 050
Total short-term incentive (STI)[1]	**11 500**	16 000	**6 500**	9 250	**7 750**	9 100
Total remuneration[2]	**20 494**	24 575	**12 600**	14 980	**13 256**	14 325
Value of share-based awards (face value at award)[3]	**15 500**	16 500	**10 250**	10 250	**10 250**	9 500
Total direct remuneration	**35 994**	41 075	**22 850**	25 230	**23 506**	23 825

	Iolanda Ruggiero		Ciko Thomas		Brian Kennedy	
R'000	**2 019**	**2 018**	**2019**	**2018**	**2019**	**2018**
Cash portion of package	**3 514**	3 343	**4 507**	4 117	**4 444**	4 222
Other benefits	**105**	96	**134**	120	**243**	243
Defined-contribution retirement fund	**505**	480	**734**	669	**353**	336
Guaranteed remuneration	**4 124**	3 919	**5 375**	4 906	**5 040**	4 801
Cash performance incentive	**2 375**	3 300	**4 250**	4 950	**6 250**	9 950
Cash performance incentive (delivered in shares)	**1 375**	2 300	**3 250**	3 950	**5 250**	8 950
Total short-term incentive (STI)[1]	**3 750**	5 600	**7 500**	8 900	**11 500**	18 900
Total remuneration[2]	**7 874**	9 519	**12 875**	13 806	**16 540**	23 701
Value of share-based awards (face value at award)[3]	**6 750**	7 000	**10 250**	10 000	**9 675**	9 000
Total direct remuneration	**14 624**	16 519	**23 125**	23 806	**26 215**	32 701

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

[2] *Total remuneration is the sum of guaranteed remuneration and total STI.*

[3] *This is the value of the share-based awards made in the following financial year.*

N3 Directors' emoluments continued

N3.2 Non-executive directors' remuneration

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

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

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

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

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

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

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

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

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

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

Where applicable, board fees include travel reimbursements for business mileage.

N3 Directors' emoluments continued

N3.2 Non-executive directors' remuneration continued

Number of shares	Beneficial direct 2019	Beneficial direct 2018	Beneficial indirect 2019	Beneficial direct 2018
Directors				
Hubert Brody	**2 556**	2 556		
Mike Brown[3]	**412 897**	311 408	**214 611**	259 775
Brian Dames	**64**	64		
Mantsika Matooane	**2 261**	2 261		
Nomavuso Mnxasana[2]				7 420
Raisibe Morathi[3,4]	**31 045**	172 384	**266 856**	120 862
Peter Moyo			**51 128**	75 556
Vassi Naidoo			**49 254**	49 254
Mfundo Nkuhlu[3]	**90 818**	61 085	**133 361**	144 484
Malcolm Wyman[1]			**321**	321
Stanley Subramoney			**2 300**	2 300
Prescribed officers				
Brian Kennedy	**26 000**	26 096	**151 129**	161 890
Ciko Thomas	**24 277**	17 500	**103 510**	113 872
Iolanda Ruggiero	**48 351**	19 793	**89 755**	98 562
Total ordinary shares	**638 269**	613 147	**1 062 225**	1 034 296

[1] *Retired 10 May 2019.*

[2] *Retired 10 May 2018.*

[3] *In addition to share trades that took place during 2019, which were announced on SENS as required in terms of the JSE Listing Requirements, adjustments between beneficial direct and beneficial indirect holdings have been made to ensure the JSE's definitions are being correctly applied and to ensure all shares held in the Nedbank Group (2005) Share Option, Matched-share Scheme and Restricted-share Scheme are consistently deemed to be held on a beneficial indirect basis.*

[4] *Holdings have been restated for 20 400 Black Executive Trust options, which were exercised in May 2016.*

No change in the above interests occured between 31 December 2019 and 2 March 2020.

N3 Directors' emoluments continued

N3.3 Share-based payments to executive directors and prescribed officers

	Opening balance at 1 January 2019				Awards made during 2019			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
MWT Brown								
Nedbank restricted shares								
	70 851	17 March 2016	190,54	18 March 2019				
	58 197	15 March 2017	249,15	16 March 2020				
	48 376	14 March 2018	299,73	15 March 2021				
					61 122	14 March 2019	269,95	15 March 2022
Compulsory Bonus Share Scheme[1]								
	22 563	31 March 2016	189,58	1 April 2019				
	14 371	31 March 2017	258,33	1 April 2020				
	12 034	31 March 2018	291,36	1 April 2021				
					16 307	31 March 2019	252,95	1 April 2022
Voluntary Bonus Share Scheme[4]								
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	8 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 April 2021				
					1 087	31 March 2019	252,95	1 April 2022
Total value of dividends								
Total	**230 140**				**78 516**			
MC Nkuhlu								
Nedbank restricted shares								
	45 922	17 March 2016	190,54	18 March 2019				
	37 126	15 March 2017	249,15	16 March 2020				
	31 695	14 March 2018	299,73	15 March 2021				
					37 969	14 March 2019	269,95	15 March 2022
Compulsory Bonus Share Scheme[1]								
	11 670	31 March 2016	189,58	1 April 2019				
	7 717	31 March 2017	258,33	1 April 2020				
	6 606	31 March 2018	291,36	1 October 2021				
					8 969	31 March 2019	252,95	1 April 2022
Voluntary Bonus Share Scheme[4]								
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	8 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 October 2021				
					1 087	31 March 2019	252,95	1 April 2022
Total value of dividends								
Total	**144 484**				**48 025**			

Awards vesting/lapsing during 2019					Dividends	Closing balance at 31 December 2019		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
68 088	2 763	261,85	17 828 843	(723 492)				
						58 197	31 December 2019	16 March 2020
						48 376	31 December 2020	15 March 2021
						61 122	31 December 2021	15 March 2022
45 126[3]		251,24	11 337 456					
						14 371	31 December 2019	1 April 2020
						12 034	31 December 2020	1 April 2021
						16 307	31 December 2021	1 April 2022
3 112[3]		251,24	781 859					
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
					3 520 094			
116 326	2 763		29 948 158	(723 492)	3 520 094	213 686		
44 132	1 790	261,85	11 555 964	(468 712)				
						37 126	31 December 2019	16 March 2020
						31 695	31 December 2020	15 March 2021
						37 969	31 December 2021	15 March 2022
23 340[3]		251,24	5 863 942					
						7 717	31 December 2019	1 April 2020
						6 606	31 December 2020	1 April 2021
						8 969	31 December 2021	1 April 2022
3 112[3]		251,24	781 859					
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
					2 190 931			
70 584	1 790		18 201 765	(468 712)	2 190 931	133 361		

N3 Directors' emoluments continued

N3.3 Share-based payments to executive directors and prescribed officers continued

	Opening balance at 1 January 2019				Awards made during 2019			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
RK Morathi								
Nedbank restricted shares								
	39 361	17 March 2016	190,54	18 March 2019				
	32 109	15 March 2017	249,15	16 March 2020				
	29 192	14 March 2018	299,73	15 March 2021				
					35 191	14 March 2019	269,95	15 March 2022
Compulsory Bonus Share Scheme[1]								
	10 892	31 March 2016	189,58	1 April 2019				
	7 717	31 March 2017	258,33	1 April 2020				
	6 842	31 March 2018	291,36	1 October 2019				
					8 806	31 March 2019	252,95	1 April 2022
Voluntary Bonus Share Scheme[4]								
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	8 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 April 2021				
					1 087	31 March 2019	252,95	1 April 2022
Total value of dividends								
Total	129 861				45 084			

Awards vesting/lapsing during 2019					Dividends	Closing balance at 31 December 2019		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
37 826	1535	261,85	9 904 738	(401 940)				
						32 109	31 December 2019	16 March 2020
						29 192	31 December 2020	15 March 2021
						35 191	31 December 2021	15 March 2022
21 792[3]		251,24	5 475 022					
						7 717	31 December 2019	1 April 2020
						6 842	31 December 2020	1 April 2021
						8 806	31 December 2021	1 April 2022
3 112[3]		251,24	781 859					
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
					1 998 288			
62 730	1 535		16 161 619	(401 940)	1 998 288	123 136		

N3 Directors' emoluments continued

N3.3 Share-based payments to executive directors and prescribed officers continued

	Opening balance at 1 January 2019				Awards made during 2019			
Prescribed officers	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
B Kennedy								
Nedbank restricted shares								
	15 744	18 March 2016	190,54	19 March 2019				
	23 617	17 March 2016	190,54	18 March 2019				
	13 646	16 March 2017	249,15	17 March 2020				
	20 469	15 March 2017	249,15	16 March 2020				
	11 343	15 March 2018	299,73	16 March 2021				
	17 015	14 March 2018	299,73	15 March 2021				
					33 339	14 March 2019	269,95	15 March 2022
Compulsory Bonus Share Scheme1								
	23 730	31 March 2016	189,58	1 April 2019				
	17 713	31 March 2017	258,33	1 April 2020				
	14 865	31 March 2018	291,36	1 April 2021				
					19 460	31 March 2019	252,95	1 April 2022
Voluntary Bonus Share Scheme[4]								
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	31 March 2017	220,17	1 April 2020				
	943	31 March 2018	291,36	1 April 2021				
					1 087	31 March 2019	252,95	1 April 2022
Total value of dividends								
Total	161 890				53 886			
C Thomas								
Nedbank restricted shares								
	14 957	17 March 2016	190,54	18 March 2019				
	9 971	18 March 2016	190,54	19 March 2019				
	9 447	12 August 2016	211,87	12 August 2019				
	14 169	11 August 2016	211,87	12 August 2019				
	12 040	16 March 2017	249,15	17 March 2020				
	18 061	15 March 2017	249,15	16 March 2020				
	11 343	15 March 2018	299,73	16 March 2021				
	17 015	14 March 2018	299,73	15 March 2021				
					37 043	14 March 2019	269,95	15 March 2022
Compulsory Bonus Share Scheme[1]								
	2 307	31 March 2017	258,33	1 April 2020				
	4 562	31 March 2018	291,36	1 April 2021				
					8 588	31 March 2019	252,95	1 April 2022
Voluntary Bonus Share Scheme[4]								
					1 087	31 March 2019	252,95	1 April 2022
Total value of dividends								
Total	113 872				46 718			

Awards vesting/lapsing during 2019					Dividends	Closing balance at 31 December 2019		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
15 744[2]		261,29	4 113 750					
23 122	495	261,85	6 054 496	(129 616)				
						13 646	31 December 2019	17 March 2020
						20 469	31 December 2019	16 March 2020
						11 343	31 December 2020	16 March 2021
						17 015	31 December 2020	15 March 2021
						33 339	31 December 2021	15 March 2022
47 460[3]		251,24	11 923 850					
						17 713	31 December 2019	1 April 2020
						14 865	31 December 2020	1 April 2021
						19 460	31 December 2021	1 April 2022
3 112[3]		251,24	781 859					
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
					2 408 875			
89 438	495		22 873 955	(129 616)	2 408 875	151 129		
14 643	314	261,85	3 834 270	(82 221)				
9 971[2]		261,29	2 605 323					
9 447[2]		219,84	2 076 828					
13 872	297	219	3 037 968	(65 043)				
						12 040	31 December 2019	17 March 2020
						18 061	31 December 2019	16 March 2020
						11 343	31 December 2020	16 March 2021
						17 015	31 December 2020	15 March 2021
						37 043	31 December 2021	15 March 2022
2 307		219,85	507 194			2 282	31 December 2020	1 April 2021
2280		235,99	538 057			5 726	31 December 2021	1 April 2022
2 862		235,99	675 403					
1 087		219,85	238 977					
					2 122 962			
56 469	611		13 514 020	(147 264)	2 122 962	103 510		

N3 Directors' emoluments continued

N3.3 Share-based payments to executive directors and prescribed officers continued

Prescribed officers	Opening balance at 1 January 2019				Awards made during 2019			
	Number of restricted shares/ options	Date of issue/ inception	Issue price	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
I Ruggiero								
Nedbank restricted shares								
	12 595	**18 March 2016**	**190,54**	**19 March 2019**				
	18 893	**17 March 2016**	**190,54**	**18 March 2019**				
	10 435	**16 March 2017**	**249,15**	**17 March 2020**				
	15 653	**15 March 2017**	**249,15**	**16 March 2020**				
	8 007	**15 March 2018**	**299,73**	**16 March 2021**				
	12 011	**14 March 2018**	**299,73**	**15 March 2021**				
					25 930	**14 March 2019**	**269,95**	**15 March 2022**
Compulsory Bonus Share Scheme[1]								
	7 780	**31 March 2016**	**189,58**	**1 April 2019**				
	5 429	**31 March 2017**	**258,33**	**1 April 2020**				
	4 011	**31 March 2018**	**291,36**	**1 April 2021**				
					5 000	**31 March 2019**	**252,95**	**1 April 2022**
Voluntary Bonus Share Scheme[4]								
	1 556	**31 March 2016**	**189,58**	**1 April 2019**				
	1 249	**8 May 2017**	**220,17**	**9 May 2020**				
	943	**31 March 2018**	**291,36**	**1 April 2021**				
Total value of dividends					**1 087**	**31 March 2019**	**252,95**	**1 April 2022**
Total	**98 562**				**32 017**			

[1] *Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme at the vesting date. If corporate performance targets (CPTs) are met, 100% matching occurs.*

[2] *Restricted-share awards with time-based vesting only.*

[3] *Match occurred at one share for each share in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme at the vesting date.*

[4] *For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares in the scheme. After three years, if the CPTs are met, a 100% matching occurs.*

[5] *Value determined based on the number of shares lapsing, multiplied by the market share price on the scheduled vesting date.*

[6] *Plans exclude the Voluntary Bonus Share Scheme, which consists of own shares.*

Awards vesting/lapsing during 2019					Dividends	Closing balance at 31 December 2019		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
12 595[2]		261,29	3 290 948					
18 497	396	261,85	4 843 439	(103 693)				
						10 435	31 December 2019	17 March 2020
						15 653	31 December 2019	16 March 2020
						8 007	31 December 2020	16 March 2021
						12 011	31 December 2020	15 March 2021
						25 930	31 December 2021	15 March 2022
15 560[3]		251,24	3 909 294					
						5 429	31 December 2019	1 April 2020
						4 011	31 December 2020	1 April 2021
						5 000	31 December 2021	1 April 2022
3 112[3]		251,24	781 859					
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
					1 469 117			
49 764	396		12 825 540	(103 693)	1 469 117	89 755		

AUDITED SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 Rm	2018 Rm
Dividends from subsidiary companies		**6 602**	7 436
Interest and similar income[1]		**1 323**	726
Interest expense and similar charges		**(1 103)**	(721)
Preference dividend from subsidiary company		**32**	32
Non-interest revenue		**2**	
Fair-value adjustments		**(119)**	(130)
Operating income		**6 737**	7 343
Total operating expenses	1	**27**	3
Profit from operations		**6 710**	7 340
Impairment of subsidiaries		**462**	
Share of gains from associate company		**668**	609
Profit before direct taxation		**6 916**	7 949
Direct taxation	2	**25**	23
Profit for the year		**6 891**	7 926
OCI net of taxation		**(1 240)**	96
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(70)**	429
Share of other comprehensive losses of investments accounted for using the equity method		**(1 025)**	(318)
Items that may not subsequently be reclassified to profit or loss			
Share of other comprehensive losses of investments accounted for using the equity method		**(145)**	(15)
Total comprehensive income for the year		**5 651**	8 022

[1] *Includes notional discounting of interest-free loans of R219m.*

SEPARATE STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 Rm	2018 Rm
Assets			
Government and other securities		**11 615**	9 065
Current taxation assets			3
Investment securities		**12**	9
Investments in associate companies	3	**2 673**	3 245
Investments in subsidiary companies		**32 531**	29 458
Investment in ordinary shares		**26 416**	26 638
Investment in preference shares		**346**	899
Investment in additional tier 1 capital instruments		**4 850**	1 350
Owing by subsidiaries		**919**	571
Deferred taxation assets			10
Total assets		**46 831**	41 790
Equity and liabilities			
Ordinary share capital	4	**497**	493
Ordinary share premium		**21 974**	20 947
Holders of additional tier 1 capital instruments		**4 850**	1 386
Reserves		**1 357**	3 103
Equity attributable to ordinary equity holders		**28 678**	25 929
Long-term debt instruments	5	**11 615**	9 065
Other liabilities	6	**566**	205
Amounts owing to subsidiaries		**5 972**	6 591
Total liabilities		**18 153**	15 861
Total equity and liabilities		**46 831**	41 790

SEPARATE STATEMENT OF CHANGES IN EQUITY continued

FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Holders of additional tier 1 capital instruments
Balance at 1 January 2018	498 108 914	498	22 293	600
Shares issued in terms of employee incentive schemes	2 130 389	2	626	
Shares delisted	(7 056 639)	(7)	(1 972)	
Additional tier 1 capital instruments issued				786
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2018	**493 182 664**	**493**	**20 947**	**1 386**
Shares issued in terms of employee incentive schemes	**3 870 872**	**4**	**1 027**	
Additional tier 1 capital instruments issued				**3 464**
Total comprehensive (losses)/income for the year	**–**	**–**	**–**	**–**
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2019	**497 053 536**	**497**	**21 974**	**4 850**

1 *This represents the cumulative foreign exchange differences that arise on the translation of an entity with a different functional currency compared with the presentation currency of the parent company. The cumulative reserve relating to a subsidiary, associate company or joint venture that is disposed of is included in the determination of profit/loss on disposal of the subsidiary, associate company or joint venture.*

2 *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

3 *Represents other non distributable revaluation surplus on capital items.*

4 *This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. The expected credit loss allowance relating to such debt instruments is also recognised in OCI and accumulated in this reserve. When the debt instrument is derecognised the cumulative gain or loss is reclassified from equity to profit or loss. For investments in equity instruments the cumulative gain or loss is not recycled, but may be reclassified within equity on derecognition.*

5 *Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.*

Foreign currency translation reserve[1] Rm	Share-based payments reserve[2] Rm	Other non-distributable reserves[3] Rm	FVOCI reserve[4] Rm	Distributable reserves[5] Rm	Total ordinary shareholders' equity Rm
(2 521)	125	41	254	4 117	25 407
					628
					(1 979)
					786
31	–	–	80	7 911	8 022
				7 926	7 926
429					429
(398)			80	(15)	(333)
				(6 854)	(6 854)
				(81)	(81)
(2 490)	**125**	**41**	**334**	**5 093**	**25 929**
					1 031
					3 464
(857)	**–**	**–**	**(238)**	**6 746**	**5 651**
				6 891	**6 891**
(70)					**(70)**
(787)			**(238)**	**(145)**	**(1 170)**
				(7 157)	**(7 157)**
				(240)	**(240)**
(3 347)	**125**	**41**	**96**	**4 442**	**28 678**

SEPARATE STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2019 Rm	2018 Rm
Cash generated by operations	7	**6 609**	7 470
Cash received (paid to)/from clients, employees and suppliers		**(25)**	2
Dividends received on investments		**6 634**	7 468
Change in funds for operating activities		**(748)**	851
(Increase)/Decrease in operating assets		**(348)**	848
(Decrease)/Increase in operating liabilities		**(400)**	3
Net cash from operating activities before taxation		**5 861**	8 321
Taxation received/(paid)	8	**22**	(8)
Cashflows from operating activities		**5 839**	8 329
Cashflows utilised by investing activities		**(5 496)**	(5 345)
Investments in additional tier 1 capital and long-term debt instruments		**(6 050)**	(5 295)
Disposal/(Acquisition) of investments in subsidiaries and associate companies		**554**	(50)
Cashflows utilised by financing activities		**(343)**	(2 984)
Proceeds from issue of ordinary shares		**1 030**	628
Shares delisted			(1 979)
Long-term debt instruments issued		**6 014**	5 333
Dividends paid to ordinary shareholders		**(7 157)**	(6 854)
Additional tier 1 capital instruments interest paid		**(230)**	(112)
Net increase/(decrease) in cash and cash equivalents for the year		**–**	–
Cash and cash equivalents at the beginning of year			
Cash and cash equivalents at the end of the year		**–**	–

		2019 Rm	2018 Rm
1	**Operating expenses**		
	Audit fees	**16**	(3)
	Directors' fees	**2**	2
	Other	**9**	4
		27	3
2	**Direct taxation**		
2.1	**Charge for the year**		
	Statement of comprehensive income charge – SA normal taxation		19
	Dividend withholding tax paid	**25**	4
		25	23

2.2 Taxation rate reconciliation

	2019 %	2018 %
Standard rate of SA normal taxation	**28**	28
Non-taxable income	**(28)**	(28)
Effective taxation rate	**–**	–

3 Investment in associate company

		2019 Rm	2018 Rm
3.1	**Movement in carrying amount**		
	Carrying amount at the beginning of the year	**3 245**	3 320
	Impact of adopting IFRS 9, net of taxation		(780)
	Share of associate companies' profit after taxation for the year	**668**	609
	Share of associate companies' OCI for the year	**(1 170)**	(333)
	Foreign currency translation and other movements	**(70)**	429
	Carrying amount at the end of the year	**2 673**	3 245
3.2	**Analysis of carrying amount**		
	Associate investments – on acquisition: net asset value	**6 265**	6 265
	Impact of adopting IFRS 9, net of taxation	**(780)**	(780)
	Share of retained earnings since acquisition	**1 423**	755
	Share of OCI since acquisition	**(4 244)**	(3 074)
	Dividends received from equity-accounted associate companies	**(159)**	(159)
	Impairment provision for investments in associate companies	**(1 000)**	(1 000)
	Foreign currency translation and other movements[1]	**1 168**	1 238
		2 673	3 245

[1] *Of this amount R17m (2018: R45m) relates to foreign currency movements on the R1,0bn impairment recorded in 2016.*

4 Share capital

4.1 Ordinary share capital

	2019 Rm	2018 Rm
Authorised		
600 000 000 (2018: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
497 053 536 (2018 : 493 182 664) fully paid ordinary shares of R1 each	**497**	493

Subject to the restrictions imposed by the Companies Act, 71 of 2008, the unissued shares are under the control of the directors until the forthcoming AGM.

4.2 Preference share capital and premium

	2019 Rm	2018 Rm
Authorised		
1 000 000 (2018: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	**10 000**	10 000

5 Long-term debt instruments

Instrument type	Maturity date	Interest rate	2019 Rm	2018 Rm
Subordinated debt				
Callable notes (rand-denominated – floating)	22 September 2026	JIBAR + 4,0%	**2 005**	2 004
Callable notes (rand-denominated – floating)	15 March 2027	JIBAR + 3,80%	**2 008**	2 008
Callable notes (rand-denominated – floating)	26 May 2027	JIBAR + 3,75%	**505**	505
Callable notes (rand-denominated – floating)	20 March 2028	JIBAR + 3,05%	**2 006**	2 006
Callable notes (rand-denominated – floating)	26 July 2028	JIBAR + 2,58%	**1 532**	1 533
Callable notes (rand-denominated – floating)	1 December 2028	JIBAR + 2,45%	**1 007**	1 009
Callable notes (rand-denominated – floating)	9 April 2029	JIBAR + 2,4%	**2 552**	
			11 615	9 065

6 Other liabilities

	2019 Rm	2018 Rm
Derivative liability	**297**	176
Creditors and other accounts	**269**	29
	566	205

7 Cash generated by operations

	2019 Rm	2018 Rm
Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation	**6 491**	7 340
Adjusted for:		
– Foreign exchange gains	**(1)**	
– Fair-value adjustments	**119**	130
Cash generated by operations	**6 609**	7 470

8 Taxation paid

	2019 Rm	2018 Rm
Amounts payable at the beginning of the year	**(3)**	(12)
Statement of comprehensive income charge – SA normal taxation		(3)
Statement of comprehensive income charge – dividend withholding tax	**25**	4
Amounts payable at the end of the year		3
	22	(8)

9 Share-based payments

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payment expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot reliably estimate the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date using the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, as well as the dividends over the vesting period to which the participant has a right.

9.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Community trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years, the net assets of the trust will be allocated to participants as determined by the trustees.	**10 years subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030, so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.**

9.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Community scheme			**124**	124
	–	–	**124**	124

9.3 Movements in number of instruments

	2019		2018	
	Number of instruments	**Weighted-average remaining contractual life (years)**	Number of instruments	Weighted-average remaining contractual life (years)
Community scheme				
Outstanding at the beginning of the year	**1 689 648**	**12,00**	1 689 648	13,00
Outstanding at the end of the year	**1 689 648**	**11,00**	1 689 648	12,00
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

10 Related parties

10.1 Relationship with significant investors

Following Old Mutual plc's managed-separation process, the group no longer has a parent (controlling shareholder) as Old Mutual Limited unbundled its direct shareholding in the group to approximately 19,9% on 15 October 2018. At 31 December 2019 Old Mutual Limited held 24,09% (31 December 2018: 24,51%) of Nedbank Group Limited's ordinary shares. The above shareholding is inclusive of funds held on behalf other beneficial owners. Old Mutual Limited remains a related party of the group due to its significant shareholding in the group.

Material subsidiaries of the company are identified in note F3.1 and associate companies of the company are identified in note F2.3.

10.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors of the company and its parent, as well as members of the executive committee who are not directors, as well as close members of the family of any of these individuals.

Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2019			
Directors' fees	**22**		**22**
Remuneration – paid by subsidiaries	**91**	**185**	**276**
Short-term employee benefits	**46**	**98**	**144**
Gain on exercise of share instruments	**45**	**87**	**132**
	113	**185**	**298**
2018			
Directors' fees	21		21
Remuneration – paid by subsidiaries	99	213	312
Short-term employee benefits	54	119	173
Gain on exercise of share instruments	45	94	139
	120	213	333
Number of share instruments			
2019			
Outstanding at the beginning of the year	**504 485**	**879 454**	**1 383 939**
Granted	**171 625**	**321 096**	**492 721**
Forfeited		**(8 536)**	**(8 536)**
Exercised	**(205 927)**	**(314 454)**	**(520 381)**
Transferred[1]		**(46 404)**	**(46 404)**
Outstanding at the end of the year	**470 183**	**831 156**	**1 301 339**
2018			
Outstanding at the beginning of the year	527 433	950 914	1 478 347
Granted	137 574	235 704	373 278
Forfeited		(6 868)	(6 868)
Exercised	(160 522)	(292 073)	(452 595)
Transferred[1]		(8 223)	(8 223)
Outstanding at the end of the year	504 485	879 454	1 383 939

[1] *Represents the net movement in share instruments of members appointed to and resigning from Group Exco.*

10.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Limited and the following related parties. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(owing to) 2019	2018
Subsidiaries		
Loan from Nedbank Nominees Proprietary Limited – interest-free	**(4)**	(4)
Advance to Ned Settle Services Proprietary Limited – interest-free	**71**	71
Advance to the Board of Executors 1838		22
Advance to Nedbank Group Insurance Holdings Limited	**260**	260
Bank account with Nedbank Limited – interest-free	**576**	207
Loan from Nedbank Limited – interest-free	**(5 968)**	(6 587)
Tier 2 long-term debt – Nedbank Limited (NED01U)	**11 615**	9 065
Advance to Banco Único, SA – interest-free	**12**	11
Key management personnel		
– Community trust – share-based payments reserve	**(125)**	(125)

Transactions (Rm)	Income/(expense) 2019	2018
Interest income from subsidiaries		
Nedbank Limited — interest received	**1 323**	726
Nedbank Limited — interest paid	**1 103**	721
Dividends from subsidiaries		
Nedbank Limited	**5 049**	6 158
Nedeurope Limited	**303**	338
Nedbank Swaziland Limited	**22**	22
Nedbank Lesotho Limited	**25**	
NedNamibia Holdings Proprietary Limited	**400**	
Nedbank Group Insurance Holdings Limited	**650**	650
Nedgroup Investments Proprietary Limited	**185**	230
Nedcapital investment Holdings Proprietary Limited		35
NIB Blue Capital Proprietary Limited		35
Dividends declared by subsidiaries	**6 634**	7 468

11 Liquidity, credit risk and market risk information

Assets and liabilities consist primarily of non-financial assets and liabilities. These are not subject to liquidity, credit and market risk for disclosure purposes.

12 Offsetting financial assets and financial liabilities

Assets and liabilities consist primarily of non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7.

13 Shareholder analysis

Register date: 27 December 2019
Authorised share capital: 600 000 000 shares
Issued share capital: 497 053 536 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1–1 000 shares	40 625	89,14	7 411 352	1,49
1 001–10 000 shares	3 531	7,75	9 580 219	1,93
10 001–100 000 shares	1 020	2,24	35 432 887	7,13
100 001–1 000 000 shares	335	0,73	96 675 045	19,45
1 000 001 shares and over	62	0,14	347 954 033	70,00
Total	**45 573**	**100,00**	**497 053 536**	**100,00**

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	388	0,85	133 974 525	26,95
Close corporations	175	0,39	180 685	0,04
Empowerment	30	0,07	6 651 928	1,34
Endowment funds	137	0,30	2 108 768	0,42
Government	8	0,02	285 812	0,06
Individuals	39 163	85,93	14 653 292	2,95
Insurance companies	116	0,25	123 126 370	24,77
Investment companies	8	0,02	4 021 540	0,81
Medical aid schemes	51	0,11	1 308 847	0,26
Mutual funds	638	1,40	85 619 176	17,22
Other corporations	179	0,39	184 419	0,04
Private companies	637	1,40	1 982 906	0,40
Public companies	15	0,03	52 653	0,01
Retirement funds	604	1,33	95 544 814	19,22
Share trusts[1]	14	0,03	12 668 176	2,55
Sovereign wealth funds	9	0,02	7 057 894	1,42
Trusts	3 345	7,34	3 708 787	0,75
UK nominee accounts	56	0,12	3 922 944	0,79
Total	**45 573**	**100,00**	**497 053 536**	**100,00**

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	122	0,26	142 187 802	28,61
Directors and associates of the company[2]	9	0,02	1 257 151	0,25
Old Mutual Life Assurance Company (SA) Limited and associates	58	0,13	119 908 542	24,12
Nedbank/Nedbank Group pension funds	5	0,01	135 725	0,03
Nedbank Group Limited and associates (share trusts and foundation)[1]	10	0,02	11 135 674	2,25
Nedbank Group and Associates (foundation)	1		1 200	
Nedbank Group Limited and associates (mutual funds)	15	0,03	2 721 712	0,55
Nedbank Group BEE trusts – SA[1]	5	0,01	6 662 509	1,34
Nedbank Group BEE trusts – Namibia	19	0,04	365 289	0,07
Public shareholders	45 451	99,74	354 865 734	71,39
Total	**45 573**	**100,00**	**497 053 536**	**100,00**

[1] *Excludes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*
[2] *Includes shares held by directors in share trusts (executive directors only) and Eyethu schemes.*

Subsequent to the publication of the group's consolidated and separate financial statements on 3 March 2020, management became aware of classification-related errors in a report supplied by an external service provider that was used to compile the public/non-public shareholders table. The table above has been updated with the appropriate classification.

Major shareholders/managers	Number of shares	2019 holding %	2018 holding %
Old Mutual Life Assurance Company (SA) Limited and associates[1]	**119 908 542**	**24,12**	24,54
Nedbank Group treasury shares	**15 879 157**	**3,19**	3,26
BEE trusts:	**6 619 088**	**1,33**	1,32
– Eyethu scheme – Nedbank SA	**6 466 786**	**1,30**	1,29
– Omufima scheme – Nedbank Namibia	**152 302**	**0,03**	0,03
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme	**9 212 557**	**1,85**	1,93
Nedbank Namibia Limited	**47 512**	**0,01**	0,01
Public Investment Corporation (SA)	**53 464 674**	**10,76**	9,38
Coronation Fund Managers (SA)	**37 407 848**	**7,53**	7,31
Allan Gray Investment Council (SA)	**27 048 653**	**5,44**	5,14
BlackRock Incorporated (International)	**17 839 104**	**3,59**	3,71
The Vanguard Group Incorporated (international)	**14 888 988**	**3,00**	2,91
Sanlam Investment Management Proprietary Limited (SA)	**11 741 655**	**2,36**	1,88
Dimensional Fund Advisors (US, UK and AU)	**10 597 596**	**2,13**	1,62
Lazard Asset Management (International)	**10 590 138**	**2,13**	2,96
GIC Asset Management Proprietary Limited (international)	**10 437 041**	**2,10**	2,65

[1] *Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf other beneficial owners.*

Beneficial shareholders holding of 5% or more	Number of shares	2019 holding %	2018 holding %
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	**119 764 615**	**24,09**	24,51
Government Employees Pension Fund (SA)	**54 095 899**	**10,88**	9,66
	173 860 514	**34,97**	34,17

Geographical distribution of shareholders	Number of shares	2019 holding %	2018 holding %
Domestic	**366 809 012**	**73,79**	70,69
SA	**351 196 730**	**70,65**	67,38
Namibia	**9 095 314**	**1,83**	1,47
Unclassified	**6 516 968**	**1,31**	1,84
Foreign	**130 244 524**	**26,21**	29,31
United States	**65 892 178**	**13,26**	14,89
Asia	**22 306 373**	**4,49**	5,06
Europe	**22 173 199**	**4,46**	4,78
United Kingdom and Ireland	**10 181 196**	**2,05**	2,96
Other countries	**9 691 578**	**1,95**	1,62
	497 053 536	**100,00**	100,00

COMPLIANCE WITH IFRS – FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
A1	Principal accounting policies	IAS 1
A2	Change in accounting policies: Leases	IAS 1, IAS 8 and IFRS 16
A3	Key assumptions concerning the future and key sources of estimation	IAS 1
A4	New standards and interpretations not yet adopted	IAS 8
B1	Segmental reporting	IFRS 8
B2	Earnings per share	IAS 33
B3	Dividends	IAS 1, IAS 10 and IAS 32
B4	Share capital	IAS 1 and IAS 32
B5	Holders of additional tier 1 capital instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
B6.1	Net interest income	IAS 32, IFRS 7, IFRS 9, IFRS 13 and IFRS 15
B6.2	Non-interest revenue	IAS 20, IAS 32, IFRS 4, IFRS 7, IFRS 8, IFRS 9, IFRS 13 and IFRS 15
B7	Total operating expenses	IAS 1, IAS 19, IFRS 2 and IFRS 8
B8.1	Indirect taxation	IAS 1
B8.2	Direct taxation	IAS 12
B8.3	Deferred taxation	IAS 12
B9	Non-trading and capital items	IAS 1, IAS 16 and IAS 36
C1	Loans and advances	IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C2	Impairments charge on financial instruments	IFRS 7, IFRS 8 and IFRS 9
C3	Government and other securities	IAS 1, IAS 32, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C4	Other short-term securities	IAS 1, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C5	Credit analysis of other short-term securities, and government and other securities	IFRS 7
C6	Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
C7	Derivative financial instruments	IAS 32, IAS 39, IFRS 7, IFRS 9 and IFRS 13
D1	Amounts owed to depositors	IAS 1, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
D2	Long-term debt instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
D3	Investment contract liabilities	IAS 1, IFRS 4, IFRS 7, IFRS 9 and IFRS 13
D4	Insurance contract liabilities	IAS 1 and IFRS 4
D5	Contractual maturity analysis for financial liabilities	IFRS 7
E1	Managed funds	IAS 1, IFRS 7 and IFRS 13
F1	Investment securities	IAS 32, IFRS 7, IFRS 9 and IFRS 13
F2	Investments in associate companies	IAS 28, IFRS 11, IFRS 12 and IFRS 13
F3	Investments in subsidiary companies and related disclosure	IAS 27, IFRS 10 and IFRS 12
F4	Interests in structured consolidated and unconsolidated structured entities	IFRS 12
F5	Securitisations	IFRS 7, IFRS 9, IFRS 12 and IFRS 13
F6	Related parties	IAS 24
G1	Property and equipment	IAS 16, IAS 36, IFRS 13 and IFRS 16
G2	Intangible assets	IAS 38 and IAS 36
H1	Long-term employee benefits	IAS 19 and IFRIC 14
H2	Non-current assets and liabilities held for sale	IFRS 5 and IFRS 13
H3	Other assets	IAS 1, IFRS 7, IFRS 9 and IFRS 13

Note number	Note description	IFRS required
I1	Consolidated statement of financial position – categories of financial instruments	IFRS 7 and IFRS 9
I2	Fair-value measurement – financial instruments	IFRS 7, IFRS 9 and IFRS 13
I3	Assets and liabilities not measured at fair value for which fair value is disclosed	IFRS 7, IFRS 9 and IFRS 13
I4	Financial instruments designated as fair value through profit or loss	IAS 32, IFRS 7, IFRS 9 and IFRS 13
I5	Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32
I6	Collateral	IFRS 7
J	Share-based payments	IFRS 2
K1	Provisions and other liabilities	IAS 37, IAS 32, IFRS 7, IFRS 9, IFRS 13 and IFRS 16
K2	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
K3	Commitments	IAS 10 and IFRS 7
L1	Financial risk management	IAS 1
L2	Capital management	IAS 1
L3	Liquidity gap	IFRS 7
L4	Interest rate risk in the banking book	IFRS 7
L5	Historical value at risk (99%, one-day) by risk type	IFRS 7
M	Cashflow information	IAS 7
N1	Foreign currency conversion	IAS 21 and IAS 29
N2	Events after the reporting period	IAS 10

EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LIMITED (NEDGROUP LIFE)

Scope of the embedded-value report

This report deals with the embedded value of Nedgroup Life (the company) and the value of new business written during the financial year.

Embedded value

The embedded value (EV) and value of new business of the covered business at 31 December are:

	change %	2019 Rm	2018 Rm
Adjusted net worth		**1 345**	1 112
Required capital		**823**	754
Free surplus		**522**	358
Value of inforce business		**1 843**	1 674
Present value of future profits		**2 042**	1 858
Frictional costs		**(78)**	(75)
Cost of non-hedgeable risk		**(121)**	(109)
Total EV	14,4	**3 188**	2 786
Present value of future profits		**467**	416
Frictional cost of capital		**(18)**	(17)
Cost of non-hedgeable risk		**(28)**	(19)
Total value of new business	10,8	**421**	380
New business sales (APE[1])	0,5	**1 088**	1 083
APE[1] margin		**38,7%**	35,1%
PVNBP[2]	(9,7)	**2 342**	2 593
PVNBP[2] margin		**18,0%**	14,7%
Analysis of EV earnings:			
EV at the beginning of the year		**2 786**	2 745
Total EV earnings		**952**	691
Operating EV earnings		**855**	604
Value of new business		**421**	380
Expected return		**140**	128
Experience variances and once-off modelling changes		**187**	169
Extraordinary changes		**313**	
Non-economic assumption changes		**(206)**	(73)
Economic variances and assumption changes		**10**	25
Return on adjusted net worth		**87**	62
Adjustment: dividends paid		**(550)**	(650)
EV at the end of the year	14,4	**3 188**	2 786
Operating earnings return on opening EV (%)		**30,7%**	22,0%

[1] *Annualised premium equivalent.*

[2] *Present value of new-business premiums.*

Nedgroup Life paid dividends totalling R550m (2018: R650m) during the year.

Methodology

Covered business refers to all long-term life insurance business underwritten by the company.

Embedded value

The EV of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business inforce at the valuation date, plus the adjusted net worth.

Adjusted net worth (ANW) represents the excess of the market value of assets over liabilities. The actuarial liabilities are determined in accordance with IFRS and the Actuarial Society of South Africa Standard of Actuarial Practice (SAP) 104.

Required capital

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, the distribution of which to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- Economic capital
- Regulatory capital

For the company the required capital has been set equal to the economic capital.

Economic capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

Free surplus

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that are available for distribution to shareholders.

Value of in-force business

The value of in-force business consists of:

- present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

Present value of future profits

Present value of future profits (PVFP) is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business, less internal charges to the group. Cashflows are determined on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates. PVFP excludes future new business.

Frictional costs

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders since this capital is locked in the company. Frictional cost is the cost in respect of the taxation on the investment return and investment costs on the assets backing the required capital.

Cost of non-hedgeable risk

Non-hedgeable risks are those risks that cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. Cost of non-hedgeable risk is calculated using a cost of capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted-average cost of capital rate of 2,0% has been applied to residual symmetric and asymmetric non-hedgeable capital.

Value of new business

Value of new business (VNB) is a measure of the value added to a company as a result of writing new business in the current reporting period. VNB is calculated as the discounted value, at the point of sale, of projected after-tax shareholder profit from covered new business commenced during the reporting period net of frictional costs and the CNHR associated with writing new business, using assumptions at the end of the reporting period.

APE and PVNBP margins

APE is the annual premium for regular premium sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premium and is calculated using the same assumptions as those used to calculate the after-tax shareholder profits on new business, and is consistent with the calculation of VNB where both are net of reinsurance. The PVNBP margin is defined as the ratio of VNB to PVNBP.

Assumptions

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, morbidity, persistency rates and expenses. These best estimate assumptions are determined using past, current and expected future experience.

Economic assumptions

Economic assumptions for best-estimate cashflows are determined such that projected cashflows are valued in line with the prices of similar cashflows traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

Risk-free yields	2019 %	2018 %
Term (years)		
One	**6,8**	7,4
Five	**7,2**	8,9
10	**8,1**	9,8

Expense inflation	2019 %	2018 %
Term (years)		
One	**4,3**	5,1
Five	**4,5**	6,0
10	**5,2**	6,4

The liabilities were discounted based on the BEASSA yield curve.

Sensitivities

The table below shows the sensitivities of VNB, PVFP and EV at 31 December to changes in key assumptions where both the reserving and EV assumptions were changed.

2019

Rm	PVFP	EV	VNB
Central assumptions	**1 843**	**3 188**	**421**
Economic assumptions increase by 1%	**1 794**	**3 214**	**407**
Economic assumptions decrease by 1%	**1 893**	**3 164**	**433**
Equity and property market value decrease by 10%	**1 842**	**3 156**	**421**
Voluntary discontinuance rates decrease by 10%	**1 981**	**3 295**	**466**
Mortality and morbidity rates decrease by 5%	**1 887**	**3 256**	**431**
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	**1 870**	**3 256**	**435**
Acquisition expenses decrease by 10%	**1 843**	**3 188**	**434**

2018

Rm	PVFP	EV	VNB
Central assumptions	1 674	2 786	380
Economic assumptions increase by 1%	1 615	2 748	381
Economic assumptions decrease by 1%	1 670	2 758	399
Equity and property market value decrease by 10%	1 674	2 760	390
Voluntary discontinuance rates decrease by 10%	1 790	2 879	429
Mortality and morbidity rates decrease by 5%	1 724	2 854	402
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 704	2 846	423
Acquisition expenses decrease by 10%	1 674	2 786	390

Review by independent actuaries

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB at 31 December 2019. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles. Disclosure requirements follow Advisory Practice Note APN107 (version 8) – Embedded Value Reporting, except that the analysis of EV earnings is not split between ANW, PVFP and FC and CNHR. Disclosure of the above would provide more insight into the results.

NEDBANK SAYS 'YES' TO YES

The Youth Employment Service (YES) was launched by President Cyril Ramaphosa in 2018 as an initiative between government, business, labour and civil society to tackle a national plan to build economic pathways for the youth with the aim of reducing the youth unemployment rate in SA through the creation of one million work opportunities over three years. At Nedbank we are committed to our role in the broader SA society and to delivering on our purpose of using our financial expertise to do good. On 26 April 2019 Nedbank signed the YES CEO Pledge, committing to go beyond business as usual by creating meaningful job opportunities for our youth, thereby becoming the biggest corporate contributor to the YES initiative to date. Of the more than 3 300 YES recruits for 2019, Nedbank has onboarded 250 into the organisation and the balance was placed with our sponsored implementation partners.

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