NEDBANK GROUP

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

PROVISIONAL AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

pr

see money differently

GOOD STRATEGIC AND OPERATIONAL PROGRESS AND SOLID FRANCHISE FUNDAMENTALS, BUT FINANCIAL PERFORMANCE BELOW EXPECTATIONS

In 2019 SA economic growth was much slower than expected as recessionary-like conditions prevailed. 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 and rising defaults in the SA banking industry.

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 (excluding goodwill) of 16,0%. In addition to the challenging environment, headline earnings were impacted by additional items in the second half of the year, including hyperinflation in Zimbabwe (R142m headline earnings impact) and the raising of impairments against recoverability of recognised intercompany legacy debt (R44m), the exercise of an option that will increase our shareholding in Banco Único (R140m) 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 performance was weaker and public market multiples declined (R238m), and the increase in impairments to 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 and an increase in the central impairment. This was partially offset by good cost management due to the ongoing benefits from optimisation of processes and operations as part of our digital journey, and as a result our cost-to-income ratio improved from 57,2% to 56,5%.

We continued to make good strategic and operational progress throughout the year and produced solid balance sheet growth with advances up 7% and deposits growing 9,5%. A key focus was the operational rollout of our digital onboarding capability for individuals visiting branches and using the Money app and online banking, alongside our ability to sell current accounts and personal loans digitally, as well as pilots for cards, investment products and overdrafts. In addition, we launched our refreshed loyalty and rewards programme together with various market-leading digital innovations. As our clients began to experience the value from our digital journey and improved service levels, Nedbank ended the year as the only SA bank to have improved its Net Promoter Score (NPS) and on client satisfaction metrics became the second highest-rated bank in SA.

SA's economic growth prospects remain subdued, undermined by persistent energy constraints, weak government finances and slow progress on structural reforms combined with a weaker outlook for global growth. In this difficult SA macroeconomic environment, where we currently forecast GDP growth in 2020 to be only 0,7%, and given our 2019 base, our guidance for growth in diluted headline earnings per share for 2020 is to be around nominal GDP growth. 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 achievement of these medium-to-long-term financial targets to be more reflective of the current weaker economic environment, which we expect to persist. For ROE (now including goodwill), our medium-term target (two to three years) is now greater than 17% and our long-term target (five or more years) is greater than cost of equity plus 4%. For the cost-to-income ratio we are now targeting less than 53% in the medium term and less than 50% in the long term as our digital journey matures and enables ongoing efficiencies.

Mike Brown
Chief Executive

OVERVIEW OF OUR ANNUAL RESULTS

HEADLINE EARNINGS	▼ 7,3%	R12 506m
DHEPS	▼ 6,3%	2 565 cents
ROE (excluding goodwill)	▼ 16,0%	(2018: 17,9%)
DIVIDEND PER SHARE	▶ 1 415 cents	(2018: 1 415 cents)
LOANS AND ADVANCES	▲ 7,2%	R764bn
AMOUNTS OWED TO DEPOSITORS	▲ 9,5%	R904bn
AUM	▲ 11,4%	R331bn
CET1 RATIO	▼ 11,5%	(2018: 11,7%)
GROSS OPERATING INCOME (including associate income)	▲ 3,0%	
EXPENSES	▲ 1,7%	
CLR	▲ 82 bps	(2018: 53 bps)
BBBEE	▶ Level 1	(2018: Level 1)

2019 RESULTS COMMENTARY

BANKING AND ECONOMIC ENVIRONMENT

The global landscape deteriorated and financial market volatility increased and persisted for much of 2019. International investors became more risk-averse on growing fears of a global recession as the evidence of slower growth in many countries accumulated, triggered by an escalation in the trade war between the US and China, although monetary conditions and trade tensions eased somewhat towards the end of the year. While US growth remained robust, most other developed countries experienced a significant loss of momentum. Emerging markets were hard hit by the rise in protectionism and the decline in global trade. Growth in China moderated to its slowest pace since 1992 and the emerging impact of the corona virus is expected to reduce growth even further. Country-specific political and structural factors, together with the disruptive impact of climate change, compounded the challenges of most other emerging markets, including those in sub-Saharan Africa. Hyperinflation eroded the value of the Zimbabwean dollar as the country transitioned from a dual-currency system to a mono-currency Zimbabwean dollar system, with the inflation index reaching 552% in December 2019.

In SA power outages continued to disrupt production and spending in the economy. Financial and operational challenges at many state-owned enterprises (SOEs) and Eskom in particular resulted in further bailouts by government, placing more pressure on an already strained fiscus. Government's debt metrics deteriorated further and SA's last remaining investment-grade sovereign risk rating remains at risk. The process of restoring good governance and rebuilding institutional capacity has started, but there has been little visible progress in bringing those who were complicit in state capture and corruption to book and reforms at the critically important SOEs have been too slow. Business confidence reached seven-year lows as policy uncertainty increased. While some companies increased investment in new technologies, automation and improved processes, expansionary investment in new production capacity continued to decline, resulting in higher levels of unemployment and growing numbers of discouraged workers. The economy contracted over two quarters and is estimated to grow by only 0,3% in 2019, which will be down from an already modest 0,8% in 2018.

Growth in consumer spending slowed down significantly, impacted by rising unemployment and slower wage 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.

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 deal flow. Credit risks increased given the ongoing pressures on household incomes and company profits.

REVIEW OF RESULTS

Nedbank Group's financial performance in 2019 was below our expectations in a very difficult macroeconomic environment as HE declined 7,3% to R12,5bn and the group produced an ROE (excluding goodwill) of 16,0%. In addition to the challenging environment, HE was impacted by additional items in the second half of the year, including hyperinflation in Zimbabwe (R142m HE impact) and the raising of impairments against recoverability on recognised intercompany legacy debt (R44m), the exercise of an option that will increase our shareholding in Banco Único (R140m) 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 performance was weaker and public market multiples declined (R238m), and the increase in impairments to 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 and an increase in the central impairment. Growth was also impacted by the high NIR base from the closure of round 4 renewable-energy deals in 2018 and the onset of Youth Employment Service costs (YES) (R96m) in 2019. Preprovisioning operating profit growth of 2,7% reflects good cost management offsetting slower revenue growth. 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 HE.

IFRS 16, dealing with the accounting for leases, was implemented on 1 January 2019. This resulted in lower levels of equity, higher levels of assets and liabilities, as well as accounting changes between NII and expenses. These changes were prospective, with no restatements of the 2018 comparatives.

ROE (excluding goodwill) and ROE were lower than December 2019 at 16,0% and 15,0% respectively. ROA decreased 20 bps to 1,13% and the return on RWA decreased from 2,40% to 2,02%.

NAV per share of 18 204 cents increased 3,7%. The benefit to NAV from earnings was partially offset by the day 1 impact of IFRS 16 (R0,7bn).

Our IFRS 9 fully phased-in CET1 and tier 1 capital ratios of 11,5% and 12,8% respectively, average LCR for the fourth quarter of 125% and an NSFR of 113% are all Basel III-compliant and reflective of a strong balance sheet. 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.

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

Nedbank continues to play an important role in society and in the economy, and we remain committed to delivering on our purpose of using our financial expertise to do good. We contribute to the wellbeing and growth of the societies in which we operate by delivering value to our staff, clients, shareholders, regulators and society.

For staff

We currently employ 29 403 staffmembers and paid salaries and benefits of R17,3bn over the period under review. Our bargaining-unit staff received annual salary increases of 7,0% in 2019, ahead of inflation, and with management and executives receiving increases below 4,5%, the blended average staff salaries increased by 5,4%. We have refreshed our Employee Value Proposition by launching our People Promise, which is anchored in Nedbank being a purpose-led organisation, while actively working towards positioning the bank as an employer of choice for top talent. As part of our groupwide People 2020 programme aimed at transforming and aligning our culture and talent with our strategic objectives, our executive management programmes have evolved to be more digitally focused while equipping leaders to lead in environments of ambiguity and exponential change. During the year we invested over R337m in external training. Our new Ways of Work (nWoW) practices to transform Nedbank into a more agile organisation, holistically rethinking the way we work, communicate and manage talent on our journey to creating a more high-performing culture, are evident in the formation of more than 150 squads (involving 3 000 staffmembers) working according to this new approach. Through the Agility Centre we have enhanced our redeployment solutions to provide better support for staff displaced as a result of optimisation efforts and organisational changes. Consequently, 620 staffmembers were successfully redeployed during 2019 and retrenchments were limited to 158. Our staff engagement score was strong at 75% and is 8% above industry levels. Transformation remains a key imperative to ensuring Nedbank remains relevant in a transforming society and we have continued to focus on this across all levels at Nedbank, from our board of directors to all our staffmembers. Currently, black representation at board level is 69%, at executive level it is 46% and for our total staff it is just more than 79%. Female representation at board level is 25%, at executive level is 46% and for total staff is 62%.

For clients

We supported our clients by advancing R208bn (2018: R181bn) in new loans to enable them to finance their homes, vehicles and education, as well as to grow their businesses, while safeguarding R904bn of deposits at competitive rates. Our clients' access to banking improved as digitally active retail users increased by 16% to 1,8 million. Rooted in deep client insights, we launched new market-leading digital innovations, such as end-to-end digital client onboarding of individuals (paperless, quicker and fully FICA-enabled), together with the ability to sell transactional accounts as well as personal loans, and pilots for investment products, credit cards and overdrafts. The Nedbank Money app has been downloaded 3,9 million times since its launch; the app and the Nedbank Private Wealth app, remained two of the highest-rated SA banking apps on the Apple and Google app stores. By the end of 2019 we had launched three zero-monthly-fee accounts: pay-as-you-use (PAYU), Unlocked.Me and MobiMoney. 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. In terms of client experience, Nedbank was the only bank to improve its Net Promoter Score (NPS) in 2019, showing a positive move from 37% in 2018 to 38%, and on the SAcsi client satisfaction index we became the highest-rated large SA bank. CIB continued to lead industry league tables in various categories, coming first in deal flow for M&A advisors and third in deal value for M&A sponsors, as well as winning the BEE deal of the year. The business was also ranked number one for debt capital market bond issuances in 2019.

Our asset management business, Nedgroup Investments, was named Offshore Management Company of the Year for the fifth consecutive year at the Raging Bull Awards.

For shareholders

On 20 August 2019 Nedbank celebrated its 50th year of being listed on the JSE, illustrating the group's strong foundations and sustainable business model. We were disappointed that, following a strong performance in 2018, when our share price increased 7% (Banks index down 5% and FINI 15 down 8%), the Nedbank share price was down 22% in 2019 compared with the Banks index and the FINI 15, which were down 5% and 4% respectively. At our 52nd annual general meeting (AGM) all resolutions were passed and, following engagements with shareholders and enhancements to our remuneration practices, we were pleased that our remuneration policy and disclosure resolutions received more than 98% of votes in favour. We continued to ensure transparent, relevant and timeous reporting and disclosure to shareholders, and consequently Nedbank became the first SA company to be named the overall winner across three prestigious reporting and communication awards in the same year: overall winner among JSE-listed companies at the Investment Analyst Society Awards, the EY Excellence in Integrated Reporting Awards and the CSSA/JSE Integrated Reporting Awards. Additionally, our Remuneration Report was recognised at the 2019 South African Reward Association Awards for the outstanding contribution that Nedbank has made in reporting on remuneration issues in a trustworthy and transparent manner. In the context of greater shareholder focus on environment, social and governance (ESG) matters, we are proactively engaging with shareholders on climate change resolutions, discussing both our thermal coal lending policy and process for assessment of climate risk, and these will be tabled at our AGM in May 2020. Nedbank's valuation metrics remain attractive, with price/earnings and price-to-book ratios of 8,2 times and 1,2 times respectively and a dividend yield of 6,6% at 31 December 2019.

For regulators

We achieved compliance with Basel III requirements ahead of the full compliance timelines, including having a strong capital position and achieving a CET1 ratio of 11,5% after the fully phased-in day 1 impact of IFRS 9 (9 bps impact in 2019), an average LCR of 125% in the fourth quarter of 2019 and an NSFR of 113% at December 2019. We have invested over R111bn in government and public sector bonds as part of our high-quality liquid asset (HQLA) requirements and, in doing so, remain committed to making a meaningful contribution to the countries in which we operate, thereby appropriately supporting the funding needs of governments. Cash taxation payments across the group of R11,5bn were made relating to direct, indirect and employee taxes, as well as other taxation. We continued to engage and work with all our relevant regulators to ensure effective delivery of the various regulatory programmes, with positive outcomes achieved in 2019 across various regulatory requirements, including a focus on the Financial Intelligence Centre Amendment Act (FICAA), IFRS 9 and Risk Data Aggregation and Risk Reporting (RDARR). Our compliance model ensures that appropriate controls are in place to enable compliance with applicable regulatory requirements and remediation where we fall short, and we continue to leverage compliance as a strategic differentiator.

For society

Our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of products and services that satisfy societal needs and through our own operations, we play our part to enable a thriving society, create long-term value and maintain trust to ensure the success of our brand. This is particularly important in the current context of SA as well as the broader African continent.

We have adopted the United Nations Sustainable Developments Goals (SDGs) as a framework for measuring delivery on our purpose. We continued to make progress in driving groupwide adoption, awareness and delivery of the targeted nine SDGs goals in order to bring our purpose truly to life. Key highlights include the following:

- **Quality education (SDG 4)** – Over the past five years Nedbank has provided approximately 5 500 students with student loans to the value of R191m. A total of R45,3m of this was disbursed to support almost 758 students in 2019. The provision of affordable accommodation close to tertiary institutions was a key focus for the year, with an investment of R1,8bn to clients that delivered an additional 8 292 beds. More than 50% of our R130m of CSI spend was directed to a mix of early-childhood development, primary, secondary and tertiary education initiatives. Included in this is support of programmes such as the Ikusasa Student Financial Aid Programme (ISFAP) and provision of bursaries for scarce skills to nearly 240 students. We also provided education support through bursaries to 860 Nedbank staffmembers and once-off education grants to 2 150 of our staffmembers' children – the value of this combined investment was almost R18m for 2019. Our sponsorship of the Thuthuka Education Upliftment Fund supports 45 students a year and since inception we have contributed more than R26m and funded the qualification of 49 new black chartered accountants in SA.
- **Clean water and sanitation (SDG 6)** – We provided a R550m general banking facility for Rand Water to assist in the provision of bulk potable water in SA, as well as the provision of R556m to the Trans-Caledon Tunnel Authority for three water projects that are of key importance to the country's water supply. In terms of our own operations, as a result of strict water restriction measures and floorspace consolidation, our own total water consumption across all Nedbank campus sites decreased by 10,3% in 2019. In addition, through the WWF Nedbank Green Trust we have invested more than R93m in 41 water and conservation projects over the past five years. Altogether 11 of those projects and an investment of nearly R23m focused on water (fresh and marine) in particular.
- **Affordable and clean energy (SDG 7)** – In 2019 we became the first SA commercial bank to launch a green bond on the JSE, raising R1,7bn in the first issuance and a further R1,0bn in the second issuance to fund solar and wind renewable-energy projects. To date we have arranged 42 renewable-energy projects in South Africa's Renewable Energy Independent Power Producing Procurement (REIPPP) programme, with 2019 seeing us advancing significant capital into the construction of the fourth round of projects, which will start coming on stream in 2020. Through the deployment of pioneering financing solutions, we also concluded transactions worth over R700m with leading developers in the embedded-generation space as well as our commercial and agriculture clients. In addition, R800m of our property lending over the past financial year went towards funding the installation of solar power facilities. Nedbank also hosted bi-monthly Energy Dialogues in partnership with EE Publishers, bringing together over 1 000 energy sector stakeholders looking for solutions to SA's energy challenges. In our insurance business we commercialised our geyser telemetry product, Senseable, benefitting clients through electricity savings and consequently reducing carbon emissions.
- **Decent work and economic growth (SDG 8)** – The Nedbank Stokvel Account, which was launched in 2018 to provide safe, easy and effective ways for groups of individuals to pool their savings and grow their money, has attracted over 4 500 stokvel groups with more than 155 000 members. We continued to participate in the CEO Initiative and the projects it initiated, working with government, business and labour towards a more inclusive SA society. In April 2019 we activated our commitment to the YES initiative, through corporate SA aims to provide internship opportunities for more than one million South Africans. This is estimated to translate into an annual investment of approximately 1,5% of net profit after tax (SA business) and in 2019 cost us R134m pretax. We placed 3 315 previously unemployed youth both directly and through sponsored placements.
- **Industry, innovation and infrastructure (SDG 9)** – In addition to funding water and energy infrastructure, we participated in the loan facility for Ethiopian Railways to assist with the construction of a 404 km strategic railway corridor linking passengers and freight in the northern, central and eastern regions of Ethiopia. We also provided R400m for the expansion of telecommunications across the continent and provided dollar-based funding for the provision of hospitals in support of the Zambian government.
- **Reduced inequalities (SDG 10)** – In 2019 we reached a total of 141 000 clients through financial wellness workshops. 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. We have also provided financial training to almost 400 000 youths and more than 1 200 entrepreneurs. From 1 April 2019 fees for the PAYU Account were reduced from R5,50 monthly to zero and during the year we opened more than 400 000 accounts. In our own operations, we retained our BBBEE contributor status of level 1 as measured under the Amended Financial Sector Code (FSC) and 76% of our procurement spend was used to support local SA business.
- **Sustainable cities and communities (SDG 11)** – 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. We also provided funding of R277m for the construction of buildings that conform to green-building standards.
- **Responsible consumption and production (SDG 12)** – Over the period we invested nearly R800m in the recycling sector through the provision of funding that will create jobs in the sector and develop new facilities to reuse plastic, thereby stopping it from ending up in landfill. We also applied our investment expertise to the agriculture sector to contribute to its transformation, its farming practices as well as secondary agriculture industries. Particular interventions include the positive uptake of R100m for our shade-netting offering, building on the positive takeup of water efficiency interventions in 2018.
- **Life on land (SDG 15)** – Nedbank provided mining rehabilitation guarantees of R320m in 2019 as well as a R700 000 investment in a WWF Nedbank Green Trust Project – the Mining Incubator, which is encouraging more sustainable practices in the mining sector. In addition, through our water source partnership with the WWF-SA we are focused on safeguarding critical water source areas, biodiversity hotspots and rural livelihoods. This partnership sees R5m invested annually to coordinate efforts by a range of stakeholders in chosen water source areas. Activities include alien invasive tree removal, the rehabilitation of springs, implementation of grazing programmes and piloting of new rural development models.

CLUSTER FINANCIAL PERFORMANCE

Nedbank Group's HE declined 7,3% to R12 506m and an ROE (excluding goodwill) of 16,0% remains above our estimated cost of equity of 14,1%. ROEs were lower across all our frontline clusters as HE declined given the difficult environment.

	Change (%)	HE (Rm)		ROE (excluding goodwill) (%)	
		2019	2018	2019	2018
CIB	(8,1)	**6 167**	6 714	**17,7**	20,0
RBB	(1,6)	**5 293**	5 379	**17,3**	18,9
Wealth	(8,0)	**1 042**	1 133	**24,8**	26,8
Nedbank Africa Regions	(35,0)	**457**	702	**7,7**	10,3
Centre	(4,6)	**(453)**	(433)		
Group	(7,3)	**12 506**	13 495	**16,0**	17,9

CIB HE declined 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. Preprovisioning operating profit (PPOP) growth was down 1,1%.

HE in RBB declined 1,6% to R5,3bn and ROE was 17,3%. The lower HE 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 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 expense growth was enabled by ongoing optimisations of processes and operations, including headcount reductions of 1 876, largely through natural attrition. RBB delivered a strong PPOP increase of 11,4%, reflecting continuing growth of the franchise.

Nedbank Wealth HE was down by 8,0% to R1 042m, with ROE of 24,8% due to 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.

As of January 2020, the Rest of Africa business rebranded and changed its name to Nedbank Africa Regions. Africa Regions' HE 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 HE loss of R142m.

The performance in the Centre reflects the increase in the central impairment in the second half of the year of R250m to account for risks that have been incurred but not yet emerged and a final postretirement medical-aid (PRMA) credit amounting to R255m (after tax) booked on the ongoing policy uncertainty in the first half of the year following finalisation of outstanding tax matters, compared with a R180m (after tax) credit in 2018. These were offset by YES costs of R96m (after tax) and R140m (after tax) relating to 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).

FINANCIAL PERFORMANCE

Net interest income

NII increased 4,7% to R30 167m, supported by AIEBA growth of 8,6%. The AIEBA growth 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% from 3,65% in December 2018. A negative endowment impact due to lower net endowment balances, partially offset by the slightly higher average prime rate in 2019 of 10,14% compared with 10,09% in 2018, decreased NIM by 3 bps. Asset pricing contributed a 6 bps decline, with pressure most evident in Personal Loans (NCA pricing caps) and competitive pricing on wholesale advances. The implementation of IFRS 16 on 1 January 2019 decreased NIM by 4 bps.

Impairments charge on loans and advances

Impairments increased strongly off the low prior-year base, impacted by the deteriorating SA macroeconomic environment. The impairment charge increased 66,2% to R6 129m and CLR was up from 53 bps to 82 bps and as a result moved from below the bottom end to around the midpoint of the group's TTC target range of 60 bps to 100 bps.

Impairments in CIB increased off a low base, with its CLR at 26 bps, now within the lower half of its TTC target range of 15 bps to 45 bps. Stage 2 impairments increased as a result of favourable movements from stage 3 advances, and this is evident in the CLR for Commercial Property Finance improving to -2 bps, underpinned by proactive restructuring and resolution of defaulted counters. Stage 3 impairments increased in specific counters, particularly those operating in the construction and cement, retail and telecommunication sectors. Stage 3 impairments are individually determined in CIB and are dependent on the value of the collateral we hold for each exposure.

RBB's CLR, at 138 bps, increased cyclically to just above the bottom end of its TTC target range of 130 bps to 180 bps as a result of risk normalisation off a low base and increased levels of consumer stress driven by a deteriorating macroeconomic environment. The CLR for MFC increased to 182 bps due to higher levels of repossessions and writeoffs as well as increased inflow into debt counselling. Business Banking has seen an increase in CLR to 50 bps, with risk becoming increasingly evident in the portfolio as clients experience the continued impact of the low business confidence and constrained economy intensified by rising costs, low demand and intermittent load-shedding. The CLR increase for Unsecured Lending to 639 bps is marginally higher than expectations, driven primarily by the deteriorating macroeconomic environment as well as the negative collections impact of a change to regulation around setoff. Home Loans credit losses, at 14 bps, continue to reflect a high-quality book.

The group's central provision decreased in the first half of the year by R50m to R100m as the underlying risks for which these central provisions had been raised emerged in the clusters. In the second half we increased the provision by R150m to R250m to account for risks that have been incurred but have not yet emerged.

CLR (%)	Banking advances (%)	2019	2018	TTC target ranges
CIB	**46,3**	**0,26**	0,04	0,15–0,45
RBB	**46,5**	**1,38**	1,06	1,30–1,80
Wealth	**4,2**	**0,18**	0,13	0,20–0,40
Nedbank Africa Regions	**3,0**	**1,01**	0,51	0,75–1,00
Group	**100,0**	**0,82**	0,53	0,60–1,00

Stage 3 (defaulted) advances increased 9,5% to R27,6bn, driven by a 22,5% increase in RBB as the weaker economic environment placed additional stress on consumers, which in turn led to increased levels of defaults, particularly in MFC (vehicle finance), Business Banking and Unsecured Lending. This was partially offset by a 28,1% reduction in CIB stage 3 advances, primarily as a result of the successful restructuring, curing and rerating of clients. Approximately 85% of CIB stage 3 advances are concentrated in 10 counters.

The stage 1 coverage ratio increased to 0,49% (December 2018: 0,45%), and the stage 2 coverage ratio increased to 5,31% (December 2018: 4,97%) as portfolio provisioning levels increased largely in line with advances growth. The stage 3 coverage ratio increased to 38,0% (December 2018: 36,8%) given the mix impact from the higher contribution of RBB stage 3 advances. RBB stage 3 coverage decreased from 46,0% to 41,6%, mainly as a result of lower loss expectations for stage 3 clients, an increase in distressed restructures and a revision of point of writeoff in Card. Stage 3 coverage for CIB increased to 24,6% from 11,6% as a result of the change of composition in defaults.

Non-interest revenue

NIR was flat at R25 997m, primarily impacted by lower private-equity revaluations and a high base from renewable-energy deals in 2018.

- Commission and fee income grew 2,5% to R18 739m as RBB reported solid underlying retail transactional NIR growth of 6,3%, supported by solid main-banked client growth in the more profitable middle, professional and SME client segments, while youth and entry-level client segments decreased. Commission and fee income in CIB fell 1,0% and was adversely impacted by subdued client activity and a high 2018 base.
- Insurance income was slightly down at R1 837m due to higher weather-related claims in the first half of 2019 and lower life reserve releases, partly offset by improved investment returns and volume growth.
- Trading income increased 2,1% to R4 524m despite low volatility and decreased volumes from a high base in 2018.
- Private-equity income declined, primarily due to 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).

Expenses

Expenses grew 1,7% to R32 179m. Higher levels of amortisation from the ongoing investment in technology as part of our Managed Evolution IT strategy were offset by ongoing optimisation initiatives.

- Staff-related costs decreased by 0,7%, following:
  - » average annual salary increases of 5,4% and a reduction in staff numbers of 1 874 in 2019 largely through natural attrition;
  - » a 24,6% decrease in STIs impacted by the group's financial performance and a 22,2% decrease in LTIs as expected vesting ratios have reduced due to underperformance against corporate performance targets; and
  - » finalisation in the first half of the settlement with our staff with regard to PRMA obligations and benefits, resulting in a final pretax credit of R354m in respect of a reversal of actuarially estimated liabilities previously expensed. In the first half of 2018 an initial pretax credit of R250m was raised.
- Computer-processing costs increased 12,4% to R4 878m, driven by the expected increase in the amortisation charge of 21,8% and higher processing volumes, offset by reduced network-related costs as a result of efficiency savings.
- Fees and insurance increased by 4,1% as a result of association fees and fees related to digital innovations.
- Other cost lines are being well managed, with increases below inflation. In addition, we unlocked cumulative benefits of R1 147m (2018: R680m) from process enhancements and implementing our Target Operating Model (TOM). Other costs also include Nedbank's first-time participation in the YES initiative to the value of R134m pretax (2018: nil).

The group's growth in expenses of 1,7% was below total revenue and associate income growth of 3,0%, resulting in a positive jaws ratio of 1,3% and a cost-to-income ratio of 56,5%, compared with 57,2% in December 2018. The JAWS ratio, excluding associate income, was 0,8%.

Hyperinflation accounting in Zimbabwe

On 11 October 2019 the Zimbabwe Public Accountants and Auditors Board's announced that Zimbabwe is in hyperinflation. Consequently, Nedbank applied IAS 29 in accounting for our operations in Zimbabwe, where we hold 66% of the company's equity. The key drivers included: a) adjusting opening equity with the closing CPI index at 6,21 times and similarly reducing the income statement by R246m (this adjustment had no impact on NAV), b) recording gains from the indexing of non-monetary assets (eg fixed assets) of R30m and c) 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 of R80m. The HE impact of these adjustments is R142m after adjusting for minorities. The NAV of Nedbank Zimbabwe at 31 December 2019 was R123m. The HE loss is driven by inflation as well as the weaker Zimbabwean dollar versus the rand.

Earnings from associates

Associate income includes R668m (2018: R608m) relating to ETI as a result of ETI reporting an attributable profit in the fourth quarter of 2018 and the first three quarters of 2019, in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear. The total effect of ETI on the group's HE was a profit of R437m (2018: R375m), including the R231m of funding costs.

Accounting for associate income, together with Nedbank's share of ETI's other comprehensive income and movements in Nedbank's FCTR, resulted in the carrying value of the group's strategic investment in ETI decreasing from R3,2bn at 31 December 2018 to R2,7bn at 31 December 2019. ETI's listed share price on the Nigerian Stock Exchange decreased 53,6% during 2019, which resulted in the market value of the group's investment in ETI (at the Nafex rate) decreasing to R1,3bn at 31 December 2019.

Due to the prolonged decline of ETI's listed share price below its carrying value, Nedbank reviewed its impairment provision at 31 December 2019. Management's value-in-use analysis supports the current carrying value of our investment. Our position will be reassessed again at 30 June 2020 and at year-end.

STATEMENT OF FINANCIAL POSITION

Capital

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, increase in RWA due to migration in certain credit portfolios, credit model updates and capital optimisation initiatives.

The total tier 1 CAR was positively impacted by the issuance of additional tier 1 instruments totalling R3,5bn. This was offset by the further grandfathering of old-style preference shares (R531m) in January 2019 in line with the Basel III transitional arrangements. The total CAR was further impacted by the redemption of R2,5bn tier 2 capital instruments (NED 15 and NED 16) and the issuance of new-style tier 2 capital of R2,5bn in line with the group's capital plan.

Basel III capital ratios (%)	2019	2018	Internal target range	Regulatory minimum[1]
CET1	**11,5**	11,7	10,5–12,5	7,5
Tier 1	**12,8**	12,5	> 12,0	9,25
Total CAR	**15,0**	14,8	> 14,0	11,5

(Ratios calculated with full IFRS 9 phase-in and include unappropriated profits.)

[1] *The Basel III regulatory requirements exclude any idiosyncratic or systemically important bank minimum requirements.*

Funding and liquidity

Optimising our funding profile and maintaining a strong liquidity position remain a priority for the group.

The group's three-month average long-term funding ratio was 30,2% for the fourth quarter supported by the group's successful capital market issuances.

The group's December 2019 quarterly average LCR of 125% exceeded the minimum regulatory requirement of 100% effective from 1 January 2019 and represents the end of the Basel III LCR phase-in period. To ensure ongoing compliance Nedbank maintains appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR.

Nedbank Group LCR	2019	2018
HQLA (Rm)	**177 985**	162 678
Net cash outflows (Rm)	**142 421**	148 694
Liquidity coverage ratio (%)[2]	**125,0**	109,4
Regulatory minimum (%)	**100,0**	90,0

[2] *Average for the quarter.*

Further details on the LCR are available in the 'Additional information' section of the condensed consolidated financial results.

Nedbank's portfolio of LCR-compliant HQLA increased by 9,4% to a December 2019 quarterly average of R178,0bn. Looking forward, growth in the HQLA portfolio will be more aligned with balance sheet growth, without the incremental HQLA growth requirements that have emanated from the increasing LCR phase-in of minimum regulatory requirements since 2015. The HQLA portfolio, together with Nedbank's portfolio of other sources of quick liquidity, equates to total available sources of quick liquidity of R227,7bn, representing 19,9% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a December 2019 ratio of 113,0%, compared with the December 2018 ratio of 114,0%. The focus going forward will be on achieving continued NSFR compliance within the context of balance sheet optimisation.

Banking loans and advances

Total banking loans and advances increased by 7,2% to R764,2bn, driven by continued solid growth in RBB and an increase in CIB banking advances growth.

Banking loans and advances growth by cluster was as follows:

Rm	Change (%)	2019	2018
CIB	8,3	**362 911**	335 002
RBB	6,9	**349 396**	326 762
Wealth	(1,2)	**30 741**	31 111
Nedbank Africa Regions	3,0	**21 678**	21 037
Centre[3]	54,1	**(571)**	(1 244)
Impairment of advances	13,2	**(17 534)**	(15 488)
Group	7,2%	**764 155**	712 668

[3] *Intercompany eliminations.*

CIB banking loans and advances grew 8,3% to R362,9bn, driven by strong pipeline conversion and momentum from the second half of 2018 across energy, mining and public sector segments. Property Finance loans and advances in CIB increased 7,9% to R145,6bn as quality clients refinanced, and we grew in the rest of Africa off a low base. The CPF portfolio contains good-quality collateralised assets with low loan-to-value ratios and is managed by a highly experienced property finance team.

RBB loans and advances grew 6,9% to R349,4bn, supported by growth across all asset classes in line with our risk appetite and selective origination strategies. Business Banking grew advances by 4,5% (the core growth of 9,3% is exclusive of the client migrations to RRB) due to an increase in new-loan payouts, client drawdowns of existing facilities as well as new-client acquisitions. MFC (vehicle finance) advances increased by 7,4% due to a combination of increases in average payout per deal as well as a slowdown in rundown/attrition. Unsecured Lending grew by 7,9% as a result of product and process enhancements, mostly through digital channels, driving increased takeup. Card advances increased by 4,6% in line with our transactional banking strategy. Consumer segment residential-mortgage loans grew by 3,0%, broadly in line with the industry.

Deposits

Deposits grew by 9,5% to R904,4bn, with total funding-related liabilities increasing by 9,4% to R964,1bn, while the loan-to-deposit ratio declined to 88,1%.

RBB and CIB grew deposits faster than nominal GDP of 4,4%, with growth rates of 5,1% and 9,0% respectively. Wealth grew deposits by 1,4% and Nedbank Africa Regions by 2,5% as a result of softer markets in these jurisdictions.

Transactional deposits increased by 1,9% while investment deposits increased by 8,0% as both retail and commercial clients managed liquidity into term investments. RBB transactional deposits grew by 4,3% while non-transactional deposits grew faster, at 5,1%. CIB transactional deposits remained flat while non-transactional investment deposits grew by 10,9% as clients managed liquidity into investments instead of working capital mainly due to the uncertain economic environment and the low expected GDP growth. From a group perspective call and term deposits grew by 6,7% while savings and fixed deposits grew marginally. NCDs and other deposits, which include structured deposits, grew by 21,7% and contributed positively to managing Nedbank's contractual longer-term funding ratio.

Group strategic focus

During 2019 we continued to focus on delivering on our strategic focus areas, which are designed to create market-leading client experiences and support growth in selected value-creating areas. We made good progress in delivering market-leading CVPs and digital innovations. This focus enabled us to grow new revenue streams and unlock operating efficiencies. Our strategic enablers – which include technology investments (with our Managed Evolution IT strategy and Digital Fast Lane (DFL) as key components), our people and our brand – are delivered through process and operational excellence, our target operating model and by embracing nWoW. This is enabling us to create a more client-focused, agile, competitive and digital Nedbank.

- **Delivering innovative, market-leading client experiences**
  - » A key highlight for 2019 was the operationalisation of Eclipse, our new platform that enables simplified digital client onboarding for individual clients by allowing them to open a FICA-compliant account through our staff-assisted and self-service channels. The staff-assisted channel was rolled out to more than 3 400 frontline users in RBB and onto web and app channels in the second half of the year. Client and transactional product onboarding for individual clients are now following the full end-to-end process on this platform and resulted in the following benefits: client-centred onboarding (once for life), single onboarding foundation for most of our core products (transactional account, personal loans, selected investment products, card and overdrafts), automated front-, middle- and backoffice processes

(reduced account opening times and disbursals), digital FICA, biometrics and signing of contracts (no paper) and lower cost of client onboarding. Initial highlights include more than 90% of transactional products and personal loan sales inbranch done through Eclipse. Transactional sales through Eclipse increased from 37% in Q2 2019 to 76% in Q4 2019, while personal-loan sales increased from 14% to 61% over the same period. In addition, personal-loan sales through the Money app increased from 2% to 14%. The cross-selling of transactional accounts linked to the sales of personal loans was three times higher than before. Account- and product-opening times reduced significantly and reduction in paper volumes of more than 50% contributed to significantly improved client satisfaction levels. Juristic client onboarding is currently in pilot in RBB and planned to be rolled out in 2020.

» 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. The Money App Lite was launched in the second half of 2019, giving clients with limited data and device memory access to online banking. Building on our capability of rolling out new functionality on our apps, 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. MobiMoney, our mobile-based account with zero monthly fees and which anyone with a valid SA identity number can open anywhere in seconds, attracted almost 240 000 users, up by 53% yoy.

» Our Stokvel Account, which offers members of stokvels a discount up to 10% at our retail partners, a burial benefit of R10 000 per member for only R20 a month, zero transaction fees and good interest rates, has attracted over 4 500 stokvel groups, representing more than 155 000 members since its launch in March 2018. We have enhanced our digital onboarding process to enable account-opening on any USSD-enabled phone, catering for all cellphone users.

» MyPocket, a free budgeting and savings pocket linked to any Nedbank transactional account, was launched during the period and reached balances of R161m. It offers clients up to 10 savings pockets, with each dedicated to a specific saving goal such as daily expenses and emergencies. Clients earn more interest than with a normal savings account and have instant access to their money – no notice period is required to access funds.

» The Karri app continued to achieve exponential growth in 2019 across all measures, with strong growth in active users of almost 74 000, compared with 31 000 in 2018. The school payment app is now used in more than 500 of the top schools in SA, with a highlight being the signup of AdvTech, one of the largest educational corporate groups in SA, towards the end of 2019. The Karri app continues to achieve mostly five-star ratings in the app store.

» As far as our integrated channels are concerned, we have converted 64% of our outlets to new-image digital branches to date. Significant progress has been made in enhancing functionality across self-service and online channels, which provide our clients with significantly enhanced convenience. Our self-service kiosks within our branches enable our clients to perform a range of self-service, including making ATM limit changes, submitting overseas travel notifications and opening transactional accounts seamlessly.

» Nedbank was the first bank in Africa to launch an application programming interface (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 the Nedbank API Marketplace, approved partners can leverage the bank's data and financial capabilities to integrate with our standard, secure and scalable APIs.

- In the second half of 2019 we launched our new, enhanced loyalty and rewards solution – a money management programme offering triple benefits (incentives for better money management and doing good for society and towards earning rewards).
- **Growing our transactional banking franchise faster than the market**
  - » Our SA retail main-banked client numbers declined slightly to 2,95 million, reflecting a disappointing reduction in the entry-level and youth segment but strong increases in the more profitable middle-market, professional and small-business segments. These increases, along with deepening our share of wallet, supported solid underlying retail transactional NIR growth of 6,3%. The 2019 Consulta Survey estimated Nedbank's share of main-banked clients at 11,2%, down from 13,1% in 2018 (market share in ELB and youth was down by 1,7% and by 4,3% respectively, but increased by 1,9% in the middle-market segments). Value-added services sold through our digital channels increased by 29% to R250m.
  - » Our SADC business client base declined by 1,0% to 336 000. Newly launched products and digital innovations started delivering benefits, attracting new clients, but the overall number of client numbers decreased given the closure of dormant accounts.
  - » Our integrated model in CIB enabled deeper client penetration and increased cross-sell. Competitive transactional product and capabilities and leveraging our strong balance sheet supported 32 primary-bank client wins during the year.
- **Being operationally excellent in all we do**
  - » Cost discipline remains an imperative as we balance investment with growth. We have ongoing initiatives to optimise our cost base. These include the reduction of our core systems from 250 to 117 since the inception of the Managed Evolution programme, and we are on our way to reaching our target of fewer than 85 core systems by 2020. (During 2019 we revisited the definition of core systems as part of our modernisation journey and are building new systems not initially planned for. As a result our target of 60 by 2020 has been revised). The rationalisation, standardisation and simplification of core banking operating systems enable reduced infrastructure, support and maintenance costs, as well as reduced complexity and increased agility in adopting new innovations. The time and cost of bringing new products and services to market have been reduced significantly as many of the foundational capabilities are built into our onboarding and servicing programmes. Overall, investments in various foundational IT programmes are either complete or nearing completion and we expect IT cashflow spend to decline from 2019 levels.
  - » During 2019 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 (compared with 70 in 2018). We deployed 27 new self-service kiosks across our branch network, up by 6,6% yoy to 438, enabling clients to undertake a range of self-service transactions, including ATM limit changes and overseas travel notifications. This digitisation of services in RBB has enabled us to reduce branch teller volumes by 24,5% and branch floor space by 41 500 m^2 to date, and we plan to achieve more than 49 000 m^2 of optimisation by 2020 (equating to approximately 23% of our branch floor space in 2014 when we started the journey). Over the past 12 months we reduced total group headcount by 1 874 (mainly through natural attrition) and optimised our staffed points of presence by closing 21 points of presence. Through our Intelligent Depositor devices we now process more than 1,8 million deposits and more than 375 000 requests for bank statements monthly – transactions and services that previously could be done only over the counter in a branch. Self-service cash deposit volumes increased to 73%, up from 61% in 2018.

- » We implemented more than 300 software robots to date (robotic process automation), up from 51 in 2018, to enhance efficiencies and reduce processing errors in administratively intense processes.
- Through our strategy of consolidating and standardising corporate real estate, our number of campus sites (offices) decreased from 31 to 27 over the year, with a longer-term target of 23. Since 2016 we have saved 53 000 m^2 (over and above the 41 500 m^2 saved in our branches). 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.
- Our TOM 1.0 recorded savings of R480m in 2019, cumulative savings of R1 147m to December 2019, which is ahead of our R1,0bn pretax 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. The 2019 savings include R322m relating to our front-, middle- and backoffice optimisation initiatives mainly in RBB and R121m related to our digital (agile delivery) strategy. As we progress our Managed Evolution journey, 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.
  - » 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.
- **Managing scarce resources to optimise economic outcomes**
  - » We maintained our focus on growing activities that generate higher levels of EP, such as transactional deposits and transactional-banking revenues. Our market share in household deposits declined in 2019 due to proactive pricing decisions to ensure an appropriate balance between margin and volume.
  - » Our selective origination of personal loans, home loans and commercial-property finance has proactively limited downside credit risk in this challenging operating climate.
  - » During 2019 we embedded our commitment to the United Nations SDGs. This will see lending flowing into targeted areas that contribute to a better society. A key example is our renewable-energy funding solutions, where R27,0bn has been drawn as part of a R40bn commitment to the SA Department of Energy's renewable-energy independent power producer procurement programme, while in response to further rounds of renewable energy our board has increased our risk limits to R50bn. In 2019 we became SA's first commercial bank to launch a green bond on the JSE, raising a total of R2,7bn, having placed R1,7bn in April and a further R1,0bn in October.
- **Providing our clients with access to the best financial services network in Africa**
  - » In Central and West Africa, where we have adopted a partnership approach, ETI remains an important strategic investment for us by providing us with access to deal flow in Central and West Africa and our clients with access to a pan-African transactional banking network across 36 countries. 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 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 the third quarter of 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 collaboration 118 Nedbank wholesale clients are banking with ETI across the continent in countries where Nedbank is not present. Our gross return on the original cost of our ETI investment improved to 10,7%.
  - » In SADC where we currently own, manage and control five banks (excluding Nedbank Malawi), we continue to build scale and optimise costs.
  - » To drive digital and transactional business we launched the Nedbank Money app in Namibia, Eswatini, Malawi and Lesotho, leveraging off the Nedbank Money app platform in SA. The new app has an additional 60 new features when compared to its predecessor, the Nedbank App Suite. It has been well received by clients as we registered a 94% increase in active app users during the year. In Namibia we launched a new pay-as-you-use (PAYU) account targeting the entry-level and middle segments.
  - » In December 2019 following a strategic review we announced the disposal of our 100% shareholding in Nedbank Malawi to MyBucks, a wholly owned subsidiary of a Frankfurt-listed fintech. All conditions precedent for the sale have been fulfilled and the transaction is on course for completion during Q1 2020. Nedbank Malawi is a small bank in a small market and contributed less than 0,1% to Nedbank Group's HE and total assets, with its market share in Malawi approximately 1%. Nedbank Malawi has been accounted for under IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations.
  - » 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. Annual inflation rates exceeded 500% in 2019, and hyperinflation eroded the value of the Zimbabwean dollar. 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 the resultant headline loss after tax and minorities amounting to R142m.
  - » We accounted for the exercise of an option, that will 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 and is subject to regulatory approval.

Economic outlook

The outlook for the global economy remains uncertain with risks increasing. The conclusion of a first-round US–China trade deal and the 75 bps reduction in US interest rates since August 2019 have been overshadowed by the outbreak of the highly contagious corona virus in early 2020. These developments have fuelled renewed risk aversion and re-awakened concerns over global growth prospects. The situation in China is currently expected to stabilise, whereafter the world economy is forecast to regain some momentum. The International Monetary Fund expects moderately faster growth of 3,3% in 2020 and 3,4% in 2021 from a disappointing 2,9% in 2019. Growth in advanced countries are forecast to hold up relatively well, while softer, improving conditions are projected for emerging and developing countries. Growth in sub-Saharan Africa has also been revised down to 3,5% for both 2020 and 2021, which is an improvement on the 3,3% recorded in 2019.

SA's growth prospects remain subdued, undermined by persistent energy constraints, weak government finances and slow progress in structural reforms. Eskom announced that load-shedding will be implemented on a consistent basis over the next 18 months to allow for better maintenance at both old and new power stations. To compensate for the disruption the mining industry will be allowed to generate electricity for internal consumption, although this regulation is not yet in place. Government has also promised to allow for greater private sector participation in the energy market, but legislation has not yet been changed. Added to these pressures, the public sector's finances are too weak to increase either consumption or capital expenditure. The possibility of a Moody's downgrade to subinvestment grade has increased due to government's weak fiscal position and the impact of taxpayer-funded bailouts of many struggling SOEs (particularly Eskom and South African Airways). Fixed investment is forecast to remain weak given unreliable and limited electricity supply, sluggish demand, considerable spare capacity and elevated cost structures. Consumer spending is expected to grow moderately, supported by slightly lower interest rates. However, the upside will be contained by limited job creation, effects of fading wealth and relatively high debt burdens. Real GDP is currently forecast to grow around 0,7% in 2020, before gradually moving higher from 2021 onwards.

Inflation is expected to rise off a low base in early 2020 before moderating to just below the 4,5% midpoint of the Reserve Bank's inflation targeting range. Cost-push shocks are likely to be kept in check by the absence of any demand pressure on prices. Given the benign inflation outlook, the Monetary Policy Committee cut interest rates by another 25 basis points in January 2020. There may be some scope for further monetary policy easing in 2020, although our forecast is for flat interest rates over the next two years.

Despite the difficult operating environment in which to generate growth, the SA banking system remains sound, liquid and well capitalised. The relatively favourable inflation and interest rate outlook is likely to support a modest improvement in credit demand, but the underlying environment will remain difficult throughout 2020. Household demand for credit will be contained by job insecurity, high unemployment, slow income growth and relatively high existing debt burdens. Corporate demand is likely to remain volatile and weak, constrained by low business confidence coupled with weak growth prospects and tough operating conditions. The gradual rollout of the latest renewable-energy projects may provide some support to corporate loans.

Prospects

Our guidance on financial performance for the full year 2020, in a global and domestic macroeconomic environment with increased forecast risk, is currently as follows:

- Average interest-earning banking assets to grow slightly above mid-single digits.
- NIM to be similar to the 2019 level of 3,52%.
- CLR to be similar to the 2019 CLR of 82 bps (around the midpoint of our target range of 60 bps to 100 bps).
- NIR to grow around mid-single digits.
- Expenses to increase below the mid-single digits.

Given the expectations of a slowly improving SA economy, the weaker base in 2019 and ongoing delivery on our strategy, our current guidance for growth in DHEPS for the full 2020 year is to be around nominal GDP growth. Given the 2019 base effects, we anticipate DHEPS growth to be negative in the first half of the year and up more strongly in the second half of the year.

In 2018 we set ourselves specific 2020 targets of 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 forecasts and the targets we set for 2020 are unlikely to 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.

The current outlook for our revised targets is as follows:

Metric	2019 performance[4]	Full-year 2020 outlook	Medium-term target	Long-term target
ROE	15,0%	Similar to 2019	≥ 17%	≥ 4% above COE
Growth in DHEPS	(6,3%)	≥ consumer price index + GDP growth	Around consumer price index + GDP growth	≥ consumer price index + GDP growth + 5%
CLR	0,82%	Similar to 2019	Between 0,6% and 1,0% of average banking advances	Between 0,6% and 1,0% of average banking advances
NIR-to-expense ratio	80,8%	Increases	> 85%	> 85%
Efficiency ratio (including associate income)	56,5%	Decreases	≤ 53%	≤ 50%
CET1 capital adequacy ratio (Basel III)	11,5%	Within target range	10,5–12,5%	10,5–12,5%
Dividend cover	1,84 times	Within target range	1,75–2,25 times	1,75–2,25 times

[4] *The COE is currently forecast at 14,2% in 2020.*

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

Board and leadership changes during the period

Rob Leith, who stepped down from the Nedbank Group Limited Board on 15 October 2018 following Old Mutual Limited's unbundling of its controlling interest in Nedbank Group Limited, was reappointed as a non-executive director with effect from 1 January 2019. Malcolm Wyman retired as Lead Independent Director with effect from the close of Nedbank Group's AGM on 10 May 2019. Mpho Makwana was appointed in the role of Lead Independent Director effective from the same date. Professor Tshilidzi Marwala was appointed as independent non-executive director on 27 May 2019.

Anna Isaac was appointed as Group Chief Compliance Officer and a member of the Group Executive Committee with effect from 1 January 2019 following the retirement of Thabani Jali. In addition, Jackie Katzin was appointed Group Company Secretary, effective from the same date. On 31 March 2020 Brian Kennedy, Group Managing Executive: Nedbank CIB, will reach the group's mandatory retirement age of 60. Following an extensive internal and external process, Anél Bosman has been appointed to succeed Brian as the Group Managing Executive: Nedbank CIB and as a member of the Group Executive Committee with effect from 1 April 2020. Given Nedbank's ongoing focus on growth in the rest of Africa, Dr Terence Sibiya, Managing Executive: Nedbank Africa Regions, has been appointed as a member of the Group Executive Committee with effect from 1 April 2020 (subject to regulatory approval).

Basis of preparation*

Nedbank Group Limited is a company domiciled in SA. The summary consolidated financial statements of the group at and for the year ended 31 December 2019 comprise the company and its subsidiaries (group) and the group's interests in associates and joint arrangements.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. In terms of the Listings Requirements, provisional reports have to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those used for the previous annual financial statements, except for changes arising from the adoption of IFRS 16, as set out in the notes to the consolidated financial statements.

Events after the reporting period*

There are no material events after the reporting period to report on.

Audited summary consolidated financial statements – independent auditors' opinion

The summary consolidated financial statements for the year ended 31 December 2019 have been audited by Ernst & Young and Deloitte & Touche, who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual consolidated financial statements from which these summary consolidated financial statements were derived.

Copies of the auditors' report on the summary consolidated financial statements and of the auditors' report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditors' reports.

The auditors' report does not necessarily report on all of the information contained in this results announcement. Shareholders are therefore advised that, to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report, together with the accompanying consolidated financial statements.

Forward-looking statements

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include global, national and regional political and economic conditions; sovereign credit ratings; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive, regulatory and legal factors. By consequence, all forward-looking statements have not been reviewed or reported on by the group's auditors.

Final dividend declaration

Notice is hereby given that a final dividend of 695 cents per ordinary share has been declared, payable to shareholders for the six months ended 31 December 2019. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA) or 139 cents per ordinary share, resulting in a net dividend of 556 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 497 053 536.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade (cum dividend)	Tuesday, 14 April 2020
Shares commence trading (ex dividend)	Wednesday, 15 April 2020
Record date (date shareholders recorded in books)	Friday, 17 April 2020
Payment date	Monday, 20 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 April 2020, and Friday, 17 April 2020, both days inclusive.

On Monday, 20 April 2020, the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 20 April 2020.

The above dates are subject to change. Any changes will be published on the JSE SENS and in the press.

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

3 March 2020

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.

Transfer secretaries in Namibia

Transfer Secretaries Proprietary Limited, Robert Mugabe Avenue No 4, Windhoek, Namibia.

PO Box 2401, Windhoek, Namibia.

Directors

V Naidoo (Chairman), MWT Brown** (Chief Executive), HR Brody, BA Dames, NP Dongwana, EM Kruger, RAG Leith, L Makalima, PM Makwana***, Prof T Marwala, Dr MA Matooane, RK Morathi** (Chief Financial Officer), MP Moyo, JK Netshitenzhe, MC Nkuhlu** (Chief Operating Officer), S Subramoney.

** Executive *** Lead Independent Director

Group Company Secretary:	J Katzin
Reg number:	1966/010630/06
JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
Sponsors in SA:	Merrill Lynch SA Proprietary Limited
	Nedbank CIB
Sponsor in Namibia:	Old Mutual Investment Services (Namibia) Proprietary Limited

Nedbank Group Limited: JSE alpha code: NEDI

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

- Detailed financial information
- Financial results presentation
- Link to a webcast of the presentation

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

FINANCIAL HIGHLIGHTS

at

	Change (%)		31 December 2019	31 December 2018
Statistics				
Number of shares listed		m	**497,1**	493,2
Number of shares in issue, excluding shares held by group entities		m	**481,2**	477,1
Weighted-average number of shares		m	**480,0**	483,2
Diluted weighted-average number of shares		m	**487,5**	493,2
Preprovisioning operating profit	2,7	Rm	**22 577**	21 990
Economic profit	(50,8)	Rm	**1 412**	2 868
Headline earnings per share	(6,7)	cents	**2 605**	2 793
Diluted headline earnings per share	(6,3)	cents	**2 565**	2 736
Ordinary dividends declared per share		cents	**1 415**	1 415
Interim	3,6	cents	**720**	695
Final	(3,5)	cents	**695**	720
Ordinary dividends paid per share	5,1	cents	**1 440**	1 370
Dividend cover	(6,6)	times	**1,84**	1,97
Net asset value per share	3,7	cents	**18 204**	17 560
Tangible net asset value per share	3,4	cents	**15 426**	14 917
Closing share price	(22,0)	cents	**21 430**	27 472
Price/earnings ratio		historical	**8,2**	9,8
Price-to-book ratio		historical	**1,2**	1,6
Market capitalisation	(21,4)	Rbn	**106,5**	135,5
Number of employees (permanent staff)	(5,4)		**29 213**	30 877
Number of employees (permanent and temporary staff)	(6,0)		**29 403**	31 277
Key ratios (%)				
ROE			**15,0**	16,8
ROE, excluding goodwill			**16,0**	17,9
Return on tangible equity			**17,8**	19,8
ROA			**1,13**	1,33
Return on average RWA			**2,02**	2,40
NII to average interest-earning banking assets			**3,52**	3,65
CLR – banking advances			**0,82**	0,53
Gross operating income growth rate less expense growth rate (JAWS ratio)			**1,3**	2,7
NIR to total operating expenses			**80,8**	82,1
NIR to total income			**46,3**	47,4
Cost-to-income ratio			**56,5**	57,2
Effective taxation rate			**22,8**	25,2
Group capital adequacy ratios (including unappropriated profits):				
– CET 1			**11,5**	11,7
– Tier 1			**12,8**	12,5
– Total			**15,0**	14,8
Statement of financial position statistics (Rm)				
Total equity attributable to ordinary equity holders	4,6		**87 597**	83 778
Total equity	7,9		**98 449**	91 271
Amounts owed to depositors	9,5		**904 382**	825 804
Loans and advances	8,2		**796 833**	736 305
Gross	8,3		**814 365**	751 793
Impairment of loans and advances	(13,2)		**(17 532)**	(15 488)
Total assets administered by the group	9,9		**1 474 485**	1 341 250
Total assets	9,5		**1 143 349**	1 043 912
Assets under management	11,4		**331 136**	297 338
Life insurance embedded value	14,4		**3 188**	2 786
Life insurance value of new business	10,8		**421**	380

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Nedbank Group Limited Reg No 1966/010630/06.
Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA).
A copy of the Nedbank Group Limited audited consolidated annual financial statements can be obtained by contacting Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Change (%)	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
Interest and similar income	10,2	**83 680**	75 941
Interest expense and similar charges	13,6	**53 513**	47 122
Net interest income	4,7	**30 167**	28 819
Impairments charge on financial instruments	66,2	**6 129**	3 688
Income from lending activities	(4,3)	**24 038**	25 131
Non-interest revenue	0,1	**25 997**	25 976
Operating income	(2,1)	**50 035**	51 107
Total operating expenses	1,7	**32 179**	31 632
Zimbabwe hyperinflation		**296**	
Indirect taxation	16,3	**1 096**	942
Profit from operations before non-trading and capital items	(11,2)	**16 464**	18 533
Non-trading and capital items	<(100)	**(651)**	(164)
Profit from operations	(13,9)	**15 813**	18 369
Share of gains of associate companies	50,2	**793**	528
Profit before direct taxation	(12,1)	**16 606**	18 897
Total direct taxation	(20,3)	**3 796**	4 762
Direct taxation		**3 942**	4 807
Taxation on non-trading and capital items		**(146)**	(45)
Profit for the year	(9,4)	**12 810**	14 135
Other comprehensive (losses)/income (OCI) net of taxation	<(100)	**(1 075)**	(341)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(159)**	449
Share of OCI of investments accounted for using the equity method		**(1 025)**	(318)
Debt investments at fair value through OCI (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	(14,9)	**11 735**	13 794
Profit attributable to:			
– Ordinary shareholders	(10,3)	**12 001**	13 376
– Holders of preference shares	(3,1)	**313**	323
– Holders of additional tier 1 capital instruments	79,0	**478**	267
– Non-controlling interest – ordinary shareholders	(89,3)	**18**	169
Profit for the year	(9,4)	**12 810**	14 135
Total comprehensive income attributable to:			
– Ordinary shareholders	(16,4)	**11 017**	13 175
– Holders of preference shares	(3,1)	**313**	323
– Holders of additional tier 1 capital instruments	79,0	**478**	267
– Non-controlling interest – ordinary shareholders	>(100)	**(73)**	29
Total comprehensive income for the year	(14,9)	**11 735**	13 794
Basic earnings per share (cents)	(9,7)	**2 500**	2 768
Diluted earnings per share (cents)	(9,2)	**2 462**	2 712

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at

	Change (%)	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
Assets			
Cash and cash equivalents	7,5	**14 149**	13 162
Other short-term securities	(18,8)	**64 451**	79 362
Derivative financial instruments	55,3	**35 243**	22 692
Government and other securities	32,8	**128 510**	96 791
Loans and advances	8,2	**796 833**	736 305
Other assets	(22,4)	**15 393**	19 836
Current taxation assets	51,1	**281**	186
Investment securities	29,3	**28 961**	22 404
Non-current assets held for sale	>100	**735**	305
Investments in associate companies and joint arrangements	(3,1)	**3 917**	4 041
Deferred taxation assets	53,1	**389**	254
Investment property		**56**	
Property and equipment	27,8	**11 977**	9 371
Long-term employee benefit assets	12,8	**5 602**	4 966
Mandatory reserve deposits with central banks	8,6	**23 486**	21 629
Intangible assets	6,0	**13 366**	12 608
Total assets	9,5	**1 143 349**	1 043 912
Equity and liabilities			
Ordinary share capital	0,8	**481**	477
Ordinary share premium	4,5	**18 096**	17 315
Reserves	4,6	**69 020**	65 986
Total equity attributable to ordinary equity holders	4,6	**87 597**	83 778
Holders of preference shares		**3 222**	3 222
Holders of additional tier 1 capital instruments	>100	**6 850**	3 397
Non-controlling interest attributable to ordinary shareholders	(10,8)	**780**	874
Total equity	7,9	**98 449**	91 271
Derivative financial instruments	39,9	**27 991**	20 003
Amounts owed to depositors	9,5	**904 382**	825 804
Provisions and other liabilities	(9,0)	**23 297**	25 602
Current taxation liabilities	(55,6)	**161**	363
Non-current liabilities held for sale		**598**	
Deferred taxation liabilities	40,4	**939**	669
Long-term employee benefit liabilities	(7,9)	**2 533**	2 749
Investment contract liabilities	22,6	**24 571**	20 035
Insurance contract liabilities	(60,9)	**715**	1 829
Long-term debt instruments	7,4	**59 713**	55 587
Total liabilities	9,7	**1 044 900**	952 641
Total equity and liabilities	9,5	**1 143 349**	1 043 912

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity attributable to ordinary equity holders Rm	Holders of preference shares Rm	Holders of additional tier 1 capital instruments Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
Audited balance at 1 January 2018	78 605	3 222	2 635	845	85 307
Additional tier 1 capital instruments issued			750		750
Dividend to shareholders	(6 744)				(6 744)
Additional tier 1 capital instruments interest paid			(255)		(255)
Preference share dividend		(323)			(323)
Issues of shares net of expenses	628				628
Repurchase of odd-lot holdings	(1 979)				(1 979)
Shares (acquired)/no longer held by group entities and BEE trusts	(86)				(86)
Total comprehensive income for the year	13 175	323	267	29	13 794
Share-based payment reserve movement	177				177
Other movements	2				2
Audited balance at 31 December 2018	**83 778**	**3 222**	**3 397**	**874**	**91 271**
Impact of adopting IFRS 16, net of taxation	**(651)**			**(7)**	**(658)**
Audited balance at 1 January 2019	**83 127**	**3 222**	**3 397**	**867**	**90 613**
Additional tier 1 capital instruments issued			**3 500**		**3 500**
Dividend to shareholders	**(7 112)**			**(14)**	**(7 126)**
Additional tier 1 capital instruments interest paid			**(525)**		**(525)**
Preference share dividend		**(313)**			**(313)**
Shares (acquired)/no longer held by group entities and BEE trusts	**(44)**				**(44)**
Total comprehensive income for the year	**11 017**	**313**	**478**	**(73)**	**11 735**
Share-based payment reserve movement	**591**				**591**
Other movements	**18**				**18**
Audited balance at 31 December 2019	**87 597**	**3 222**	**6 850**	**780**	**98 449**

SUMMARY CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
Cash generated by operations	**29 357**	26 974
Change in funds for operating activities	**(9 853)**	(12 369)
Net cash from operating activities before taxation	**19 504**	14 605
Taxation paid	**(4 726)**	(4 684)
Cashflows from operating activities	**14 778**	9 921
Cashflows utilised by investing activities	**(11 362)**	(6 848)
Cashflows utilised by financing activities	**(630)**	(4 012)
Effects of exchange rate changes on opening cash and cash equivalents	**58**	(392)
Net increase/(decrease) in cash and cash equivalents	**2 844**	(1 331)
Cash and cash equivalents at the beginning of the year[1]	**34 791**	36 122
Cash and cash equivalents at the end of the year[1]	**37 635**	34 791

[1] *Including mandatory reserve deposits with central banks.*

NOTES TO THE AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019*

SUMMARY CONSOLIDATED SEGMENTAL REPORTING

for the year ended

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
	Total assets		Total liabilities		Revenue[1]		Headline earnings/(losses)	
Nedbank Corporate and Investment Banking	**543 726**	507 807	**508 841**	474 252	**15 565**	15 767	**6 167**	6 714
Nedbank Retail and Business Banking	**377 751**	355 614	**347 178**	327 143	**33 149**	31 283	**5 293**	5 379
Nedbank Wealth	**77 433**	71 142	**73 229**	66 917	**4 584**	4 597	**1 042**	1 133
Nedbank Africa Regions	**38 385**	37 518	**32 442**	30 706	**2 767**	2 833	**457**	702
Centre	**106 054**	71 831	**83 210**	53 623	**99**	315	**(453)**	(433)
Total	**1 143 349**	1 043 912	**1 044 900**	952 641	**56 164**	54 795	**12 506**	13 495

[1] *Revenue is calculated as net interest income plus non-interest revenue.*

HEADLINE EARNINGS RECONCILIATION

for the year ended

	Change (%)	31 December 2019 (Audited) Rm Gross	31 December 2019 (Audited) Rm Net of taxation	31 December 2018 (Audited) Rm Gross	31 December 2018 (Audited) Rm Net of taxation
Profit attributable to ordinary equity holders	(10,3)		**12 001**		13 376
Non-trading and capital items	>100	**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)**		
	(7,3)		**12 506**		13 495

CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

at

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) 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 it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. 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 outcomes of which cannot currently be foreseen. None of these matters are material in nature.

COMMITMENTS

Capital expenditure approved by directors

at

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) 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.

INVESTMENTS IN ASSOCIATE COMPANIES

at

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
Listed associates[1]	**2 674**	3 245
Unlisted associates[2]	**1 243**	796
	3 917	4 041

[1] *The group's investment in ETI is recorded under listed associates.*

Listed associates: ETI		
Carrying value	**2 674**	3 245
Fair value of investment	**1 311**	2 908

CASHFLOW INFORMATION

for the year ended

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
Acquisition of property and equipment, computer software and development costs and investment property	**(4 691)**	(4 250)
Issue of additional tier 1 capital instruments	**3 500**	750
Issue of long-term debt instruments	**12 895**	9 504
Redemption of long-term debt instruments	**(8 749)**	(5 495)
Capital repayments of lease liabilities	**(947)**	
Dividends to ordinary shareholders	**(7 126)**	(6 744)
Preference share dividends paid	**(313)**	(323)
Additional tier 1 capital instruments interest paid	**(478)**	(267)

LOSS ALLOWANCE

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance, and indicates how significant changes in the gross carrying amount of financial instruments contributed to changes in the loss allowance:

Loans and advances	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL			Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited balance at 1 January 2018	604 150	2 775	601 375	75 886	3 884	72 002	19 859	7 754	12 105	699 895	14 413	685 482
New financial assets originated or purchased	167 656	2 280	165 376			–			–	167 656	2 280	165 376
Financial assets written off			–			–	(3 310)	(3 340)	30	(3 310)	(3 340)	30
Repayments net of readvances, capitalised interest and fees	(115 776)	2 394	(118 170)	(20 404)	(401)	(20 003)	(4 438)	402	(4 840)	(140 618)	2 395	(143 013)
Transfers to 12-month ECL	23 600	242	23 358	(22 110)	(190)	(21 920)	(1 491)	(51)	(1 440)	(1)	1	(2)
Transfers to lifetime ECL (not credit-impaired)	(43 694)	(1 882)	(41 812)	46 840	2 186	44 654	(3 147)	(304)	(2 843)	(1)	–	(1)
Transfers to lifetime ECL (credit-impaired)	(10 029)	(2 967)	(7 062)	(7 491)	(1 899)	(5 592)	17 518	4 867	12 651	(2)	1	(3)
Foreign exchange and other movements	(1 793)	39	(1 832)	(99)	7	(106)	191	24	167	(1 701)	70	(1 771)
Audited net balances at 31 December 2018	**624 114**	**2 881**	**621 233**	**72 622**	**3 587**	**69 035**	**25 182**	**9 352**	**15 830**	**721 918**	**15 820**	**706 098**
New financial assets originated or purchased	**227 743**	**2 505**	**225 238**			**–**			**–**	**227 743**	**2 505**	**225 238**
Financial assets written off			**–**			**–**	**(5 452)**	**(3 183)**	**(2 269)**	**(5 452)**	**(3 183)**	**(2 269)**
Repayments net of readvances, capitalised interest and fees	**(150 109)**	**3 002**	**(153 111)**	**(20 731)**	**829**	**(21 560)**	**(5 754)**	**(811)**	**(4 943)**	**(176 594)**	**3 020**	**(179 614)**
Transfers to 12-month ECL	**23 245**	**747**	**22 498**	**(21 236)**	**(587)**	**(20 649)**	**(2 009)**	**(160)**	**(1 849)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(46 431)**	**(2 309)**	**(44 122)**	**50 645**	**2 612**	**48 033**	**(4 214)**	**(303)**	**(3 911)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(11 992)**	**(3 399)**	**(8 593)**	**(8 285)**	**(2 507)**	**(5 778)**	**20 277**	**5 906**	**14 371**	**–**	**–**	**–**
Foreign exchange and other movements	**1 460**	**(6)**	**1 466**	**(397)**	**1**	**(398)**	**18**	**(12)**	**30**	**1 081**	**(17)**	**1 098**
Net balances	**668 030**	**3 421**	**664 609**	**72 618**	**3 935**	**68 683**	**28 048**	**10 789**	**17 259**	**768 696**	**18 145**	**750 551**
Total credit and zero balances	**6 855**	**(43)**	**6 898**	**17**	**(4)**	**21**	**(11)**	**(2)**	**(9)**	**6 861**	**(49)**	**6 910**
Audited balance at 31 December 2019	**674 885**	**3 378**	**671 507**	**72 635**	**3 931**	**68 704**	**28 037**	**10 787**	**17 250**	**775 557**	**18 096**	**757 461**
Loans and advances at fair value through profit or loss												**37 897**
Loans and advances at FVOCI impairment allowance												**340**
Off-balance-sheet impairment allowance												**271**
Fair-value hedge-accounted portfolios												**907**
ECL credit and other balances												**(43)**
Audited loans and advances at 31 December 2019												**796 833**

FAIR-VALUE HIERARCHY

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is an assumption 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.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volumes and frequencies 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.

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using valuation techniques. These valuation techniques include reference to the current fair value of another instrument that is substantially the same in nature, reference to the value of the assets of underlying business, earnings multiples, a discounted-cashflow analysis and various option pricing models. Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy. 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. Inputs typically used in valuation techniques include discount rates, appropriate swap rates, volatility, servicing costs, equity prices, commodity prices, counterparty credit risk and the group's own credit on financial liabilities.

The group has an established control framework to measure fair value, which includes formalised review protocols for the independent review and validation of fair values separate from those of the business unit entering into the transaction. The valuation methodologies, techniques and inputs applied to the fair-value measurement of the financial instruments have been applied in a manner consistent with that of the previous financial year.

FAIR-VALUE HIERARCHY

The financial instruments recognised at fair value have been categorised into the three input levels of the IFRS fair-value hierarchy 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 based (directly or indirectly) on market-observable inputs. Various factors influence the availability of observable inputs. These factors may vary from product to product and change over time. Factors include 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 based on significant inputs that are not observable. 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, depending on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

All fair values disclosed below are recurring in nature.

FINANCIAL ASSETS

	Total financial assets		Total financial assets recognised at amortised cost		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	31 Dec 2019 (Audited) Rm	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm
Cash and cash equivalents	**37 635**	34 791	**37 635**	34 791						
Other short-term securities	**64 451**	79 362	**9 778**	24 282			**54 673**	55 080		
Derivative financial instruments	**35 243**	22 692			**61**	38	**35 182**	22 654		
Government and other securities	**128 510**	96 791	**92 344**	67 824	**32 745**	25 505	**3 421**	3 462		
Loans and advances	**796 833**	736 305	**743 064**	694 124	**186**	159	**53 583**	42 022		
Other assets	**14 089**	18 507	**10 457**	12 312	**3 632**	6 195				
Investment securities	**28 933**	22 404			**691**	18	**20 213**	15 930	**8 029**	6 456
	1 105 694	1 010 852	**893 278**	833 333	**37 315**	31 915	**167 072**	139 148	**8 029**	6 456

FINANCIAL LIABILITIES

	Total financial liabilities		Total financial liabilities recognised at amortised cost		Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	31 Dec 2019 (Audited) Rm	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm	**31 Dec 2019 (Audited) Rm**	31 Dec 2018 (Audited) Rm
Derivative financial instruments	**27 991**	20 003			**16**	8	**27 975**	19 995		
Amounts owed to depositors	**904 382**	825 804	**871 700**	804 146			**32 682**	21 658		
Provisions and other liabilities	**9 798**	18 477	**5 277**	6 614	**3 950**	11 432			**571**	431
Investment contract liabilities	**24 571**	20 035					**24 571**	20 035		
Long-term debt instruments	**59 713**	55 587	**59 713**	55 587						
	1 026 455	939 906	**936 690**	866 347	**3 966**	11 440	**85 228**	61 688	**571**	431

LEVEL 3 RECONCILIATION

31 December 2019 (Audited)	Opening balance at 1 January Rm	Losses in non-interest revenue in profit for the year Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Closing balance at 31 December Rm
FINANCIAL ASSETS						
Investment securities	6 456	(21)	9	4 775	(3 190)	8 029
	6 456	(21)	9	4 775	(3 190)	8 029
FINANCIAL LIABILITIES						
Provisions and other liabilities	431	140				571
	431	140	–	–	–	571

31 December 2018 (Audited)	Opening balance at 1 January Rm	Gains/(Losses) in non-interest revenue in profit for the year Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Transfers in/(out) Rm	Closing balance at 31 December Rm
FINANCIAL ASSETS							
Investment securities	5 017	240	15	2 086	(955)	53	6 456
	5 017	240	15	2 086	(955)	53	6 456
FINANCIAL LIABILITIES							
Provisions and other liabilities	435	(4)					431
	435	(4)	–	–	–	–	431

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS – LEVEL 3 INSTRUMENTS

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.

31 December 2019 (Audited)	**Valuation technique**	**Significant unobservable input**	**Variance in fair value (%)**	**Value per statement of financial position Rm**	**Favourable change in fair value Rm**	**Unfavourable change in fair value Rm**
FINANCIAL ASSETS						
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (17) and 21	**8 029**	**1 688**	**(1 336)**
Total financial assets classified as level 3				**8 029**	**1 688**	**(1 336)**
FINANCIAL LIABILITIES						
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts	Between (10) and 10	**(571)**	**57**	**(57)**

31 December 2018 (Audited)	Valuation technique	**Significant unobservable input**	Variance in fair value (%)	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (10) and 13	6 456	851	(670)
Total financial assets classified as level 3				6 456	851	(670)
FINANCIAL LIABILITIES						
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts	Between (10) and 10	(431)	(43)	43

UNREALISED GAINS

The unrealised gains arising on instruments classified as level 3 include the following:

	31 December 2019 (Audited) Rm	31 December 2018 (Audited) Rm
Private-equity gains	**(21)**	240

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS (AUDITED)

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 model	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

TRANSFERS BETWEEN LEVELS OF THE FAIR-VALUE HIERARCHY (AUDITED)

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 year.

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
31 December 2019 (Audited)					
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**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2018 (Audited)					
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	

There have been no significant changes in the methodology used to estimate the fair value of the above instruments during the year.

LOANS AND ADVANCES

Loans and advances 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 expected credit losses, 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 (PD) 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 utilised 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 government and other securities is determined based on available market prices (level 1) or discounted-cashflow analysis (level 3), where an instrument is not quoted or the market is considered to be inactive.

OTHER SHORT-TERM SECURITIES

The fair value of other short-term securities is determined using a discounted-cashflow analysis (level 2).

LONG-TERM DEBT INSTRUMENTS

The fair value of long-term debt instruments is determined based on available market prices (level 1) or discounted-cashflow analysis (level 2), where an instrument is not quoted or the market is considered to be inactive.

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 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.

ADDITIONAL INFORMATION (UNAUDITED)

LIQUIDITY COVERAGE RATIO

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
Total high-quality liquid assets		**177 985**
Cash outflows		
Retail deposits and deposits from small-business clients	206 695	20 481
Stable deposits	3 767	188
Less stable deposits	202 928	20 293
Unsecured wholesale funding	265 727	131 626
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	128 363	32 091
Non-operational deposits (all counterparties)	137 351	99 522
Unsecured debt	13	13
Secured wholesale funding	24 703	
Additional requirements	143 611	20 744
Outflows related to derivative exposures and other collateral requirements	1 583	1 583
Credit and liquidity facilities	142 028	19 161
Other contingent funding obligations	186 835	9 381
Total cash outflows	**827 571**	**182 232**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	9 993	1
Inflows from fully performing exposures	56 578	40 177
Other cash inflows	4 615	4 537
Total cash inflows	**71 186**	**44 715**

	Total adjusted value
Total HQLA	177 985
Total net cash outflows[3]	142 421
Liquidity coverage ratio (%)	**125,0**

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

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

[3] *Note that total cash outflows less total cash inflows may not be equal to total net cash outflows to the extent that regulatory caps have been applied to cash inflows as specified by the regulations.*

The figures above reflect a simple average of daily observations over the quarter ending December 2019 for Nedbank Limited and the simple average of the month-end values at 31 October 2019, 30 November 2019 and 31 December 2019 for all non-SA banking entities, based on regulatory submissions to SARB. This section on the liquidity coverage ratio has not been audited or reviewed by the group's auditors.

NET STABLE FUNDING RATIO

Rm	Unweighted value by residual maturity: No maturity	Six months or less	Between six months and one year	More than one year	Weighted value
Available stable funding (ASF)					
Capital	100 049	–	–	–	100 049
Regulatory capital	95 959				95 959
Other capital instruments	4 090				4 090
Retail deposits and deposits from small-business clients	53 747	185 818	13 355	21 905	249 701
Stable deposits		3 392	1		3 223
Less stable deposits	53 747	182 426	13 354	21 905	246 478
Wholesale funding	89 031	373 438	104 561	127 832	356 735
Operational deposits	84 915	58 818			71 867
Other wholesale funding	4 116	314 620	104 561	127 832	284 868
Other liabilities	2 799	2 548	418	14 039	3 209
Net stable funding ratio (NSFR) derivative liabilities				11 038	
All other liabilities and equity not included in the above categories	2 799	2 548	418	3 001	3 209
Total ASF					709 694
Required stable funding					
Total NSFR high-quality liquid assets (HQLA)					16 499
Performing loans and securities	–	181 802	72 014	561 307	556 938
Performing loans to financial institutions secured by level 1 HQLA		18 068			1 807
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		45 530	7 066	26 505	36 867
Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks and public sector enterprises, of which		107 055	60 959	391 469	413 741
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				15 069	9 795
Performing residential mortgages, of which		3 569	2 598	136 873	94 547
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3 569	2 598	124 394	83 940
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		7 580	1 391	6 460	9 976
Other assets	29 929	22	–	35 218	44 137
Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		22			19
NSFR derivative assets				12 455	1 417
NSFR derivative liabilities before deduction of variation margin posted				11 077	1 108
All other assets not included in the above categories	29 929			11 686	41 593
Off-balance-sheet items				325 664	10 729
Total required stable funding					628 303
NSFR (%)					113,0

The figures above reflect the quarter ending December 2019 , based on regulatory submissions to SARB, where applicable. This section on the net stable funding ratio has not been audited or reviewed by the group's auditors.

DEFINITIONS

12-month ECL This ECL represents an ECL that results from a default event on financial instruments occurring within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12-months), weighted by the probability of that default occurring.

Assets under administration (AUA) (Rm) Market value of assets held in custody on behalf of clients.

Assets under management (AUM) (Rm) Market value of assets managed on behalf of clients.

Common-equity tier 1 (CET1) capital adequacy ratio (%) CET1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Cost-to-income ratio (%) Total operating expenses as a percentage of total income, being net interest income, non-interest revenue and share of profits or losses from associates and joint arrangements.

Coverage (%) On-balance-sheet ECLs divided by gross banking loans and advances. Coverage excludes ECLs on off-balance-sheet amounts, ECL and gross banking loans and advances on the fair value through other comprehensive income (FVOCI) portfolio and loans and advances measured at fair value through profit or loss (FVTPL).

Credit loss ratio (CLR) – (% or bps) ECL charge on banking loans and advances as a percentage of daily average gross banking loans and advances. Includes the ECL recognised in respect of the off-balance-sheet portion of loans and advances.

Default Default occurs in respect of a particular client in the following instances:

- When the bank considers that the client is unlikely to pay its credit obligations to the bank in full without the bank having recourse to actions such as realising security (if held).
- When the client is past due for more than 90 days on any material credit obligation to the bank. Overdrafts will be considered as being past due if the client has breached an advised limit or has been advised of a limit smaller than the current outstanding amount.
- In terms of Nedbank's Group Credit Policy, when the client is placed under business rescue in accordance with the Companies Act, 71 of 2008, and when the client requests a restructure of his facilities as a result of financial distress, except where debtor substitution is allowable in terms of the regulations.

At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A specific impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

Diluted headline earnings per share (DHEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares, adjusted for potential dilutive ordinary shares.

Dividend cover (times) Headline earnings per share divided by dividend per share.

Economic profit (EP) (Rm) Headline earnings less the cost of equity (total equity attributable to equity holders of the parent, less goodwill, multiplied by the group's cost-of-equity percentage).

Effective taxation rate (%) Direct taxation as a percentage of profit before direct taxation, excluding non-trading and capital items.

Earnings per share (EPS) (cents) Earnings attributable to ordinary shareholders, divided by the weighted-average number of ordinary shares in issue.

Forward-looking economic expectations The impact of forecast macroeconomic expectations in determining significant increase in credit risk (SICR) and the measurement of ECL.

Gross operating income growth rate less expenses growth rate (JAWS ratio) (%) Measure of the extent to which the total income growth rate exceeds the total operating expenses growth rate.

Headline earnings (Rm) The profit attributable to equity holders of the parent, excluding specific separately identifiable remeasurements, net of related tax and non-controlling interests.

Headline earnings per share (HEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares in issue.

Lifetime ECL An ECL on any default event between the reporting date and the end of the lifetime of the financial asset.

Life insurance embedded value (Rm) The embedded value (EV) of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth.

Life insurance value of new business (Rm) A measure of the value added to a company as a result of writing new business. Value of new business (VNB) is calculated as the discounted value, at the valuation date, of projected after-tax shareholder profit from covered new business that commenced during the reporting period, net of frictional costs and the cost of non-hedgeable risk associated with writing new business, using economic assumptions at the start of the reporting period.

Net asset value (NAV) (Rm) Total equity attributable to equity holders of the parent.

Net asset value (NAV) per share (cents) NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Net interest income (NII) to average interest-earning banking assets (AIEBA) (%) NII as a percentage of daily average total assets, excluding trading assets. Also called net interest margin (NIM).

Net monetary gain/(loss) (Rm) Represents the gain or loss in purchasing power of the net monetary position (monetary assets less monetary liabilities) of an entity operating in a hyperinflation environment.

Non-interest revenue (NIR) to total income (%) NIR as a percentage of operating income, excluding the impairments charge on loans and advances.

Number of shares listed (number) Number of ordinary shares in issue, as listed on the JSE.

Off-balance-sheet exposure Undrawn loan commitments, guarantees and similar arrangements that expose the group to credit risk.

Ordinary dividends declared per share (cents) Total dividends to ordinary shareholders declared in respect of the current period.

Performing stage 3 loans and advances (Rm) Loans that would otherwise not be in default, but are classified as defaulted due to regulatory requirements, ie directive 7 and the new curing definition.

Preprovisioning operating profit (PPOP) (Rm) Headline earnings plus direct taxation plus an impairments charge on loans and advances.

Profit attributable to equity holders of the parent (Rm) Profit for the period less non-controlling interests pertaining to ordinary shareholders, preference shareholders and additional tier 1 capital instrument noteholders.

Profit for the period (Rm) Income statement profit attributable to ordinary shareholders of the parent, before non-controlling interests.

Return on equity (ROE) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity.

Return on equity (ROE) (excluding goodwill) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity less goodwill.

Return on tangible equity (%) Headline earnings as a percentage of daily average ordinary shareholders' equity less intangible assets.

Risk-weighted assets (RWA) (Rm) On-balance-sheet and off-balance-sheet exposures after applying prescribed risk weightings according to the relative risk of the counterparty.

Stage 1 Financial assets for which the credit risk (risk of default) at the reporting date has not significantly increased since initial recognition.

Stage 2 Financial assets for which the credit risk (risk of default) at the reporting date has significantly increased since initial recognition.

Stage 3 (Defaulted loans and advances, non-performing defaulted advances) Any advance or group of loans and advances that has triggered the Basel III definition of default criteria and is in line with the revised SA banking regulations. For retail portfolios this is product-centred and a default would therefore be specific to a client or borrower account (a specific advance). For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction within a borrowing group default, all transactions within the borrowing group would be treated as having defaulted. At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A specific impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

Stage 3 ECL (Rm) ECL for banking loans and advances that have been classified as stage 3 advances and specifically impaired, net of the present value of estimated recoveries.

Tangible net asset value (Rm) Equity attributable to equity holders of the parent, excluding intangible assets.

Tangible net asset value per share (cents) Tangible net asset value (NAV) divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Tier 1 capital adequacy ratio (CAR) (%) Tier 1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Total capital adequacy ratio (CAR) (%) Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Value in use (VIU) (Rm) The present value of the future cashflows expected to be derived from an asset or cash-generating unit.

Weighted-average number of shares (number) The weighted-average number of ordinary shares in issue during the period listed on the JSE.

ABBREVIATIONS AND ACRONYMS

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
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
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
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)

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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 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.