



NEDBANK
GROUP

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



ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AR

see money differently

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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 Unico (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

CETI 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)

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ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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NOTES:



OVERVIEW

- Good strategic & operational progress
- Solid underlying growth in the franchise
- Financial performance below expectations

Mike Brown
Chief Executive



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NOTES:

Good strategic & operational progress, but financial performance below expectations



Good strategic & operational progress

- Technology implementation on track & delivering expected benefits.
- Improved client satisfaction outcomes – only bank to increase NPS in 2019.

Solid underlying growth in the franchise

- Solid balance sheet & AUM growth (advances +7%, deposits +9.5% & AUM +11%).
- Strong focus on cost management +2%, PPOP +3% & JAWS +1%.
- CET1 ratio at the mid-point of board-approved target range (10.5 to 12.5%) & full-year dividend maintained.

Overall financial performance below expectations – HE down 7%

- HE growth impacted by:
 - CLR up from 53 bps to 82 bps – moved from below the bottom end to middle of the TTC target range (60 to 100 bps).
 - Zimbabwe hyperinflation, private-equity revaluations & Banco Unico option.

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NOTES:

A reminder – stronger economic growth dependent on structural reforms, policy certainty, improved levels of confidence, investment & job creation



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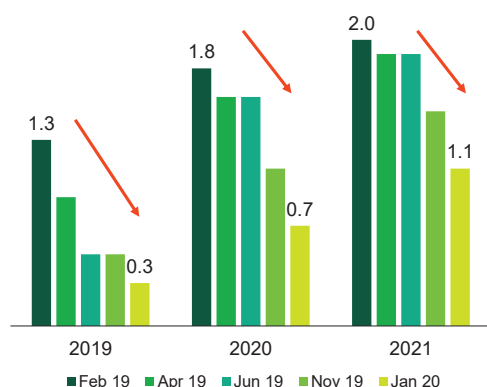
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NOTES:

SA economic growth in 2019 much slower than expected



SA GDP growth forecasts revised¹ (%)



¹ Nedbank Economic Unit forecasts at point in time.

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Key drivers in 2019

- Current SA economic downswing the longest since records began in 1945.
- Unsustainable financial & operational position of Eskom.
- Severe & frequent power outages in Q1 & Q4 19.
- Unsustainable SA fiscal position (debt to GDP 61%) & increasing probability of a Moody's sovereign credit ratings downgrade.
- Ongoing policy uncertainty (EWC, SARb, NHI, SWF, Mining Charter, prescribed assets, etc).
- Gap between policy pronouncements & underlying legislative enablement.
- Impact of climate change & severe droughts in parts of the country.

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NOTES:

Corporate & business clients – muted investment activity & profitability under pressure



Business confidence around 7-year lows¹



¹ Bureau of Economic Research, RMB

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Key drivers in 2019

- Company earnings & profits under pressure.
- Total fixed-investment activity stalled (-0.7% yoy: private sector +1.6%, public sector -5.7% & SOEs -3.4%).
 - Unreliable & expensive electricity supply.
 - Policy uncertainty.
 - High compliance costs & red tape.
 - Elevated cost structures (labour, infrastructure).
- Corporate debt levels remain relatively low by emerging-market standards – SA corporate debt to GDP: 74% (EM peer group range).
- Insolvencies rose 23% yoy.

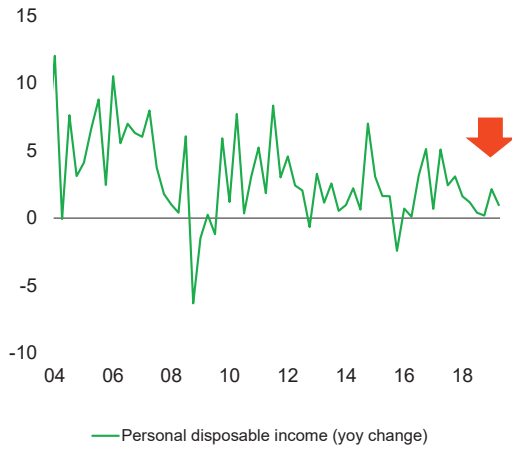
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NOTES:

Retail clients – disposable income growth slowed



Personal disposable income growth slowing¹ (%)



Key drivers in 2019

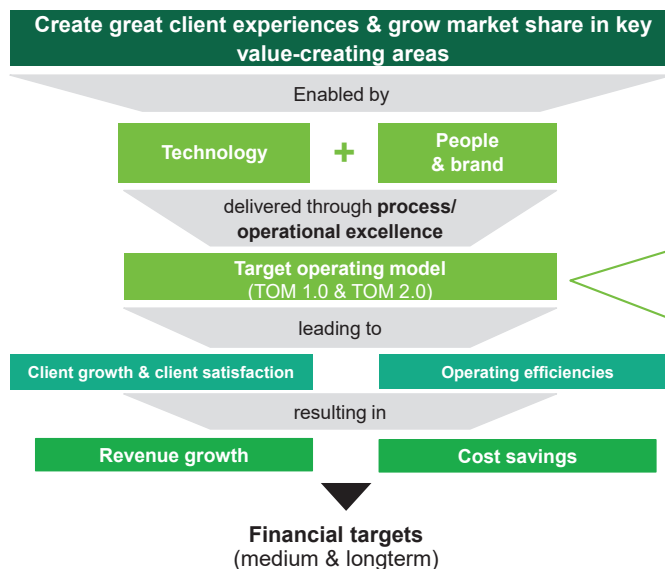
- Slowdown in nominal wage growth (+5.2%, the lowest pace since 2000).
- Higher direct & indirect taxes.
- Sluggish consumer spending (+1.1% yoy) resulting in muted transactional activity.
- Unemployment levels at 29.1% (highest since 2008).
- Elevated household debt burdens (Debt % to PDI: 72.6% – stable)
- Consumer confidence index² at -7 (lowest level since Q4 2017).
- Lower interest rates beneficial to indebted consumers, but too small to make any material difference to economic growth.

¹ Nedbank Economic Unit | ² Bureau of Economic Research, FNB.
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NOTES:

Spine of the Nedbank strategy



- **TOM 1.0** – new Ways of Work including front, middle & backoffice optimisation & digital (agile) delivery. Benefits delivery ahead of targets (up to 2020)
- **TOM 2.0** – In the context of an increasingly digital world, currently strategising around the shape of our branch infrastructure, a shift in our RBB structure to be more client-centered, as well as shared services optimisation across the group (targets will be communicated early 2021).

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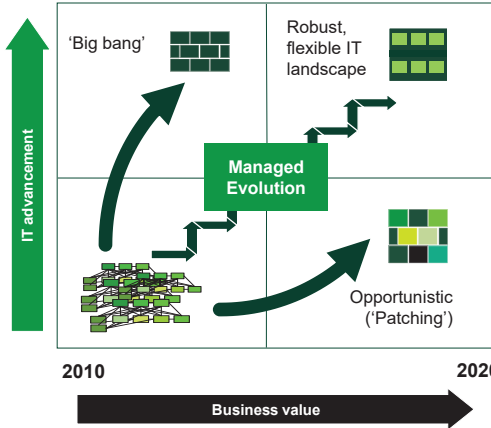
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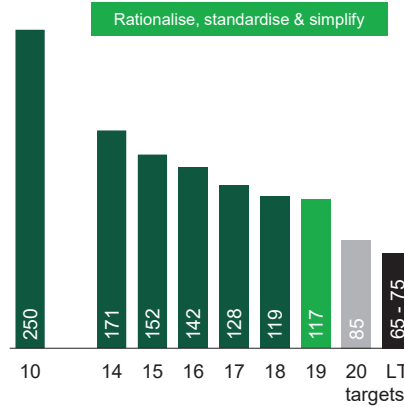
Managed Evolution strategy is enabling core banking system rationalisation, standardisation & simplification



Managed Evolution approach



Core systems¹ (#)



2020 outcomes



- 24/7, real-time systems
- Agile, flexible multilayered architecture
- Digitally fit & analytically strong organisation
- Platforms that are innovative & responsive to change
- Omnichannel client onboarding & servicing

¹ Historical numbers have been adjusted to align with the current definition of core to banking systems. The previously stated target of 60 by the end of 2020 has been revised upward due to our strategy to modernise, rather than rationalise, some systems & includes new systems such as Flexcube in our Africa Regions cluster.

NOTES:

The Managed Evolution programme ~70% complete¹ & forecast to be materially complete by end of 2020

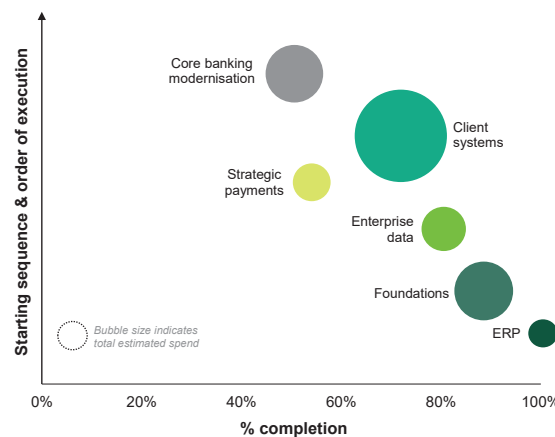


Completed to date

(Rbn spend)

ERP – implemented SAP	R0.6bn
Foundations – Client 360, SOA, ECM, BPM, Agile, Cybersecurity	R1.4bn
Data – IFRS 9, POPI, EDW (Data lake), RDARR	R0.8bn
Strategic payments – modernised payment engine, basic VAS (eg electricity), authenticated collections	R0.6bn
Client systems – 114 services digitised (from 51 in '18), branch-of-future technology, Eclipse – digital onboarding, PL & transactional sales, call centre modernisation, CRM, DXM (single frontend), AML, Loyalty & rewards, insurance platform	R3.5bn
Core banking modernisation – Flexcube (NAR subsidiaries), Loan IQ, Front Arena	R1.4bn
New technologies – client centric solutions built on target state systems	R1.3bn
	R9.6bn

IT investment profile



2020 outcomes

- Foundations** – mostly complete, ongoing investment in cybersecurity
- Data** – Advance machine learning, RPA, artificial intelligence, single data store
- Client systems** – >180 services digitised, digital onboarding & servicing – juristic + web & app, a further 5 products offered digitally, FATCA/ FICAA
- New technologies** – platforms & ecosystems

2020+ outcomes

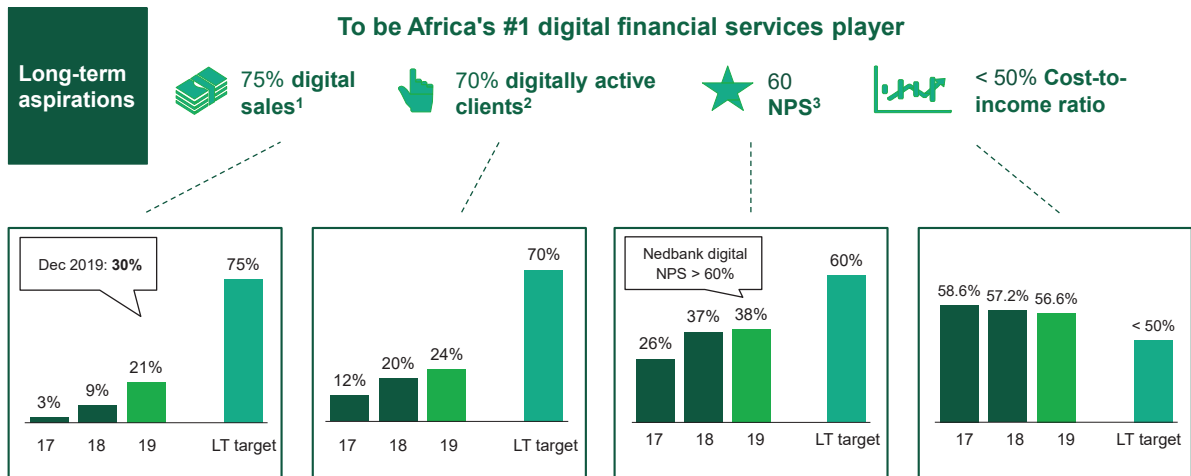
- Strategic payments** – full-service hub (incl VAS, FX)
- Core banking modernisation** – modernisation of lending & deposit systems, decommission legacy middleware

¹ As reported, ME programme was ~60% complete at December 2018. Materially complete by 2020 is ~80%, including Foundations at ~93%

NOTES:

Good progress on our digital strategy

BOOKLET SLIDE



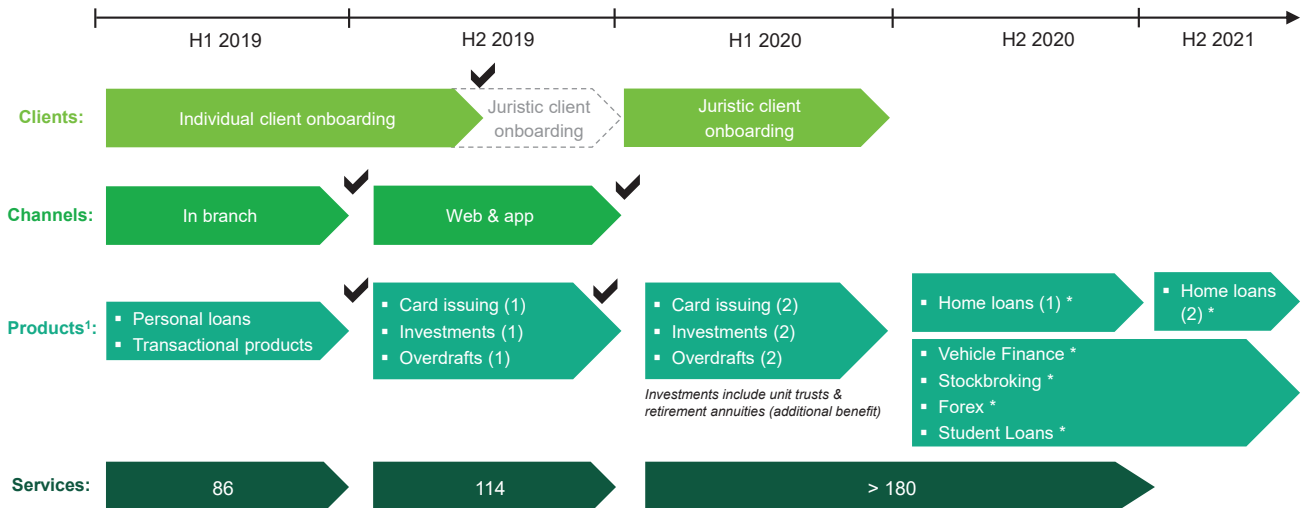
¹ Sales across digital channels as percentage of total sales. | ² Digitally active clients are those that have actively used a digital channel over a 90-day period as percentage of total clients. | ³ NPS refers to consumer NPS (not only digital channels).

NOTES:

Eclipse – simplified end-to-end digital client onboarding for individuals in 2019



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



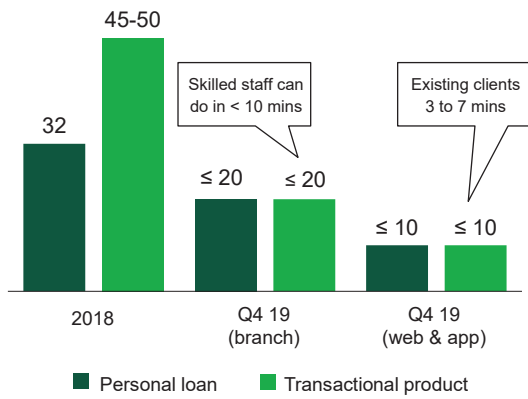
¹ The number (1) refers to first minimal viable product launch on the new platform; (2) refers to additional enhancements. * Delivery timelines remain under review given dependencies on other core Managed Evolution programmes.

NOTES:

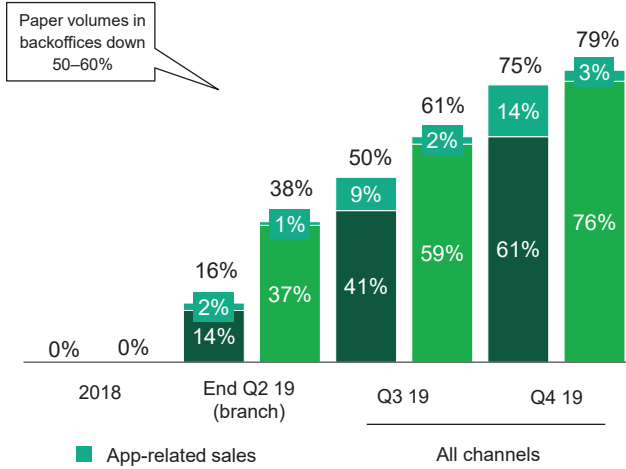
Eclipse & app – improved client experiences & unlocking efficiencies



Time to open a personal loan & transactional product (minutes, majority of transactions)



Sales through Eclipse & app (% of total)



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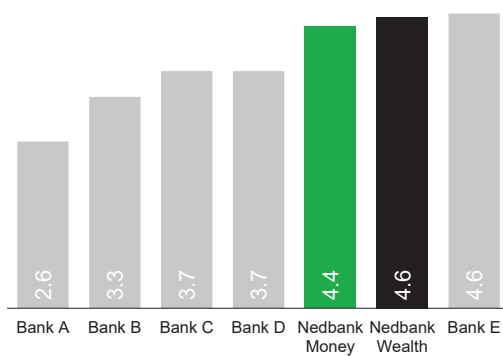
NOTES:

In addition, our various new innovations & digital enhancements delivered improved client experiences

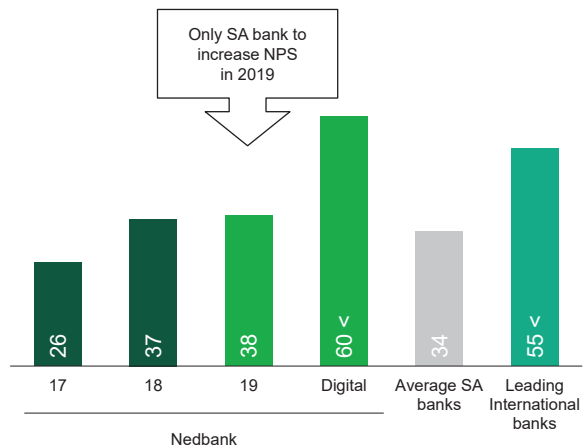
BOOKLET SLIDE



iOS & Android app store client ratings¹ (stars / 5)



Net promoter score² (%)



¹ As at Dec 2019 (simple average of iOS & Android app ratings). | ² Source: Consulta (SA-csi), research of various international banks that are leading in their digital journeys including Sberbank, CBA, Garanti, DBS, Moneta.

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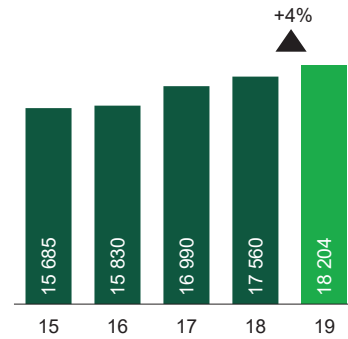
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NOTES:

Value to shareholders

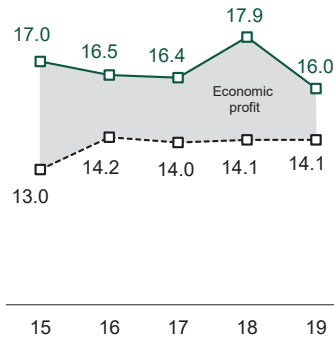


NAV per share (cents)



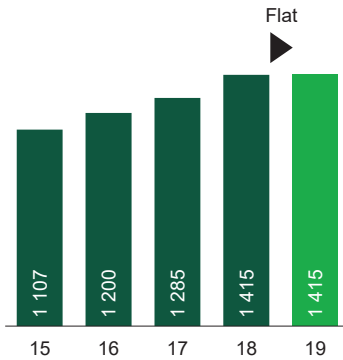
CAGR: +4%

ROE & cost of equity (%)



-□- COE □- ROE (excl GW)

Dividend per share (cents)



CAGR: +6%

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NOTES:

Our role in society



STAFF

- Paid **R17.3bn** in salaries & benefits.
- **Staff engagement score strong at 75%** – well above industry levels.
- Accelerated **leadership & culture change programmes**.
- **Transforming our workforce** towards SA demographics (79.5% black employees).



CLIENTS

- **R208bn** new-loan payouts, up by 15%.
- Safeguarded **R904bn** deposits at competitive interest rates.
- **Exciting innovations launched** – Eclipse, HeyNed (digital concierge), Loyalty & Rewards, & API Marketplace.
- First large SA bank to introduce a **zero-monthly-fee account**.
- **Only SA bank to increase NPS score**.

Our purpose – to use our financial expertise to do good

SHAREHOLDERS



- Celebrated **50 years on the JSE in 2019**.
- Paid **R7.1bn** dividends to shareholders.
- **Supportive outcomes at 52nd AGM**.
- Engaging on **ESG & climate change matters**.

REGULATORS



- Maintained a strong balance sheet to **support a safe & stable banking system**.
- Paid **R11bn** direct, indirect & other taxes.
- **R111bn** invested in government & public sector bonds.

SOCIETY



- Procured **76% of our goods & services locally**.
- **R130m SED spend** – more than 50% on education.
- **Ongoing delivery on the SDGs** – including SA's first & only commercial bank to list a green bond on the JSE.
- **YES initiative** – created 3 315 meaningful job opportunities for our youth in 2019.
- **Level 1 BBBEE** contributor (under the Amended FSC).

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NOTES:

Being a responsible corporate citizen & focus on ESG

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Delivering on our purpose
 of using our financial expertise to do good

 4 QUALITY EDUCATION	<p>>50% of SED spend on education</p>	 10 REDUCED INEQUALITIES	<p>Launched 3 zero-monthly-fee accounts</p>
 7 AFFORDABLE AND CLEAN ENERGY	<p>First SA bank to launch a green bond on the JSE</p>	 12 RESPONSIBLE CONSUMPTION	<p>76% procurement spend - support SA business</p>
 8 DECENT WORK AND ECONOMIC GROWTH	<p>YES – placed >3 300 previously unemployed youth</p>	 15 LIFE ON LAND	<p>Committed R25m safeguarding critical water source areas</p>

2nd among all SA companies

2nd among global banks (similar size)

REFINITIV Top 20 ESG among global banks & services companies

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NOTES:



FINANCIAL OVERVIEW

Financial performance reflects impact of higher impairments

Raisibe Morathi
CFO



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NOTES:

Key performance indicators



		2019	2018
Headline earnings (Rm)	(7%)	12 506	13 495
Economic profit (Rm)	(51%)	1 412	2 868
ROE		15.0%	16.8%
ROE (excl goodwill)		16.0%	17.9%
Diluted HEPS (cents)	(6%)	2 565	2 736
Preprovisioning operating profit (Rm)	+3%	22 577	21 990
Net interest margin		3.52%	3.65%
Credit loss ratio		0.82%	0.53%
Cost-to-income ratio		56.5%	57.2%
CET1 ratio		11.5%	11.7%

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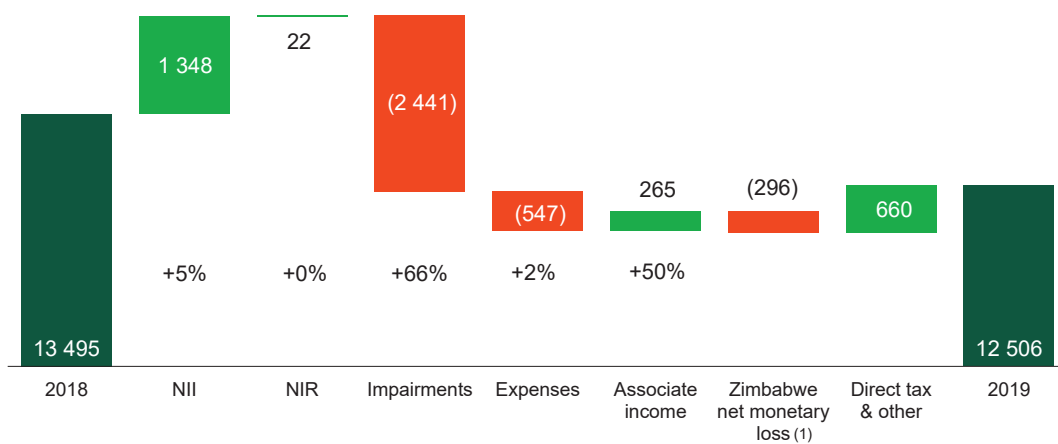
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NOTES:

Headline earnings down by 7% – impact of higher impairments



Headline earnings (Rm)



¹ Net monetary loss – hyperinflation accounting for operations in Zimbabwe (pre-minorities).

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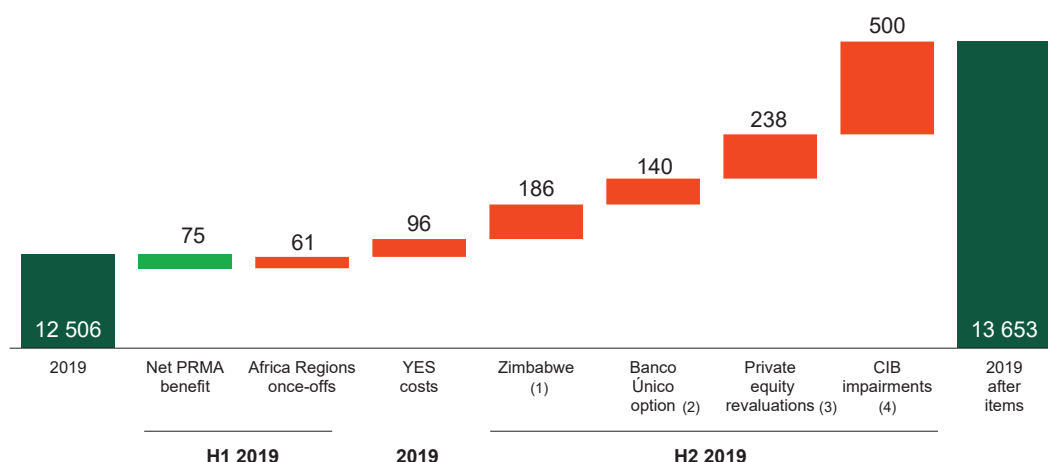
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NOTES:

Quality of earnings – illustrative impact of various items & higher impairments



Headline earnings (Rm)



1 Zimbabwe hyperinflation accounting (post minorities, R142m) & legacy debt impairment (R44m). | 2 Accounting for Banco Único option. | 3 Private-equity revaluations of two large CIB counters. | 4 CIB's three largest impairment charges.

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NOTES:

H1 vs H2 performance

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		H1 2019	H1 2018		H2 2019	H2 2018
NII	6%	14 819	14 006	4%	15 348	14 813
Impairments	(40%)	(2 543)	(1 815)	91%	(3 586)	(1 873)
NIR	5%	12 874	12 236	(5%)	13 123	13 740
Expenses	6%	(15 565)	(14 756)	(2%)	(16 614)	(16 876)
Net monetary loss – Zimbabwe				>100%	(296)	
Associate income	>100%	422	207	+16%	371	321
Direct tax	(6%)	(2 222)	(2 362)	(30%)	(1 720)	(2 445)
Headline earnings	3%	6 870	6 696	(17%)	5 636	6 799

Note: Only key lines of the income statement shown.

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Round 4 renewable energy deals in H2 2018 base, not repeated in 2019

Impairment increase from CIB watchlist clients in Q4, cyclical increase in RBB & central provision increase

Negative private-equity revaluations given more difficult macroeconomic environment & Banco Único option

Zimbabwe hyperinflation: gross up of income statement offset by R296m monetary loss: R142m HE impact

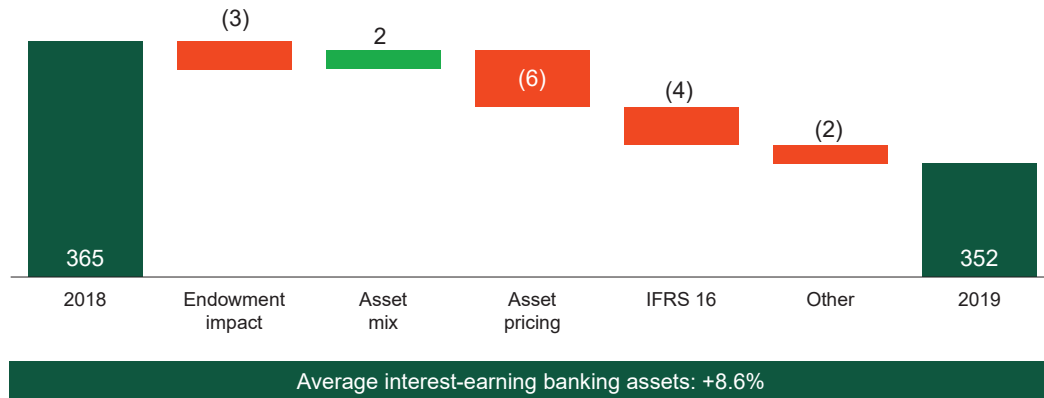
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NOTES:

Net interest income +5% – strong AIEBA growth offset by a decrease in NIM



Net interest margin (bps)



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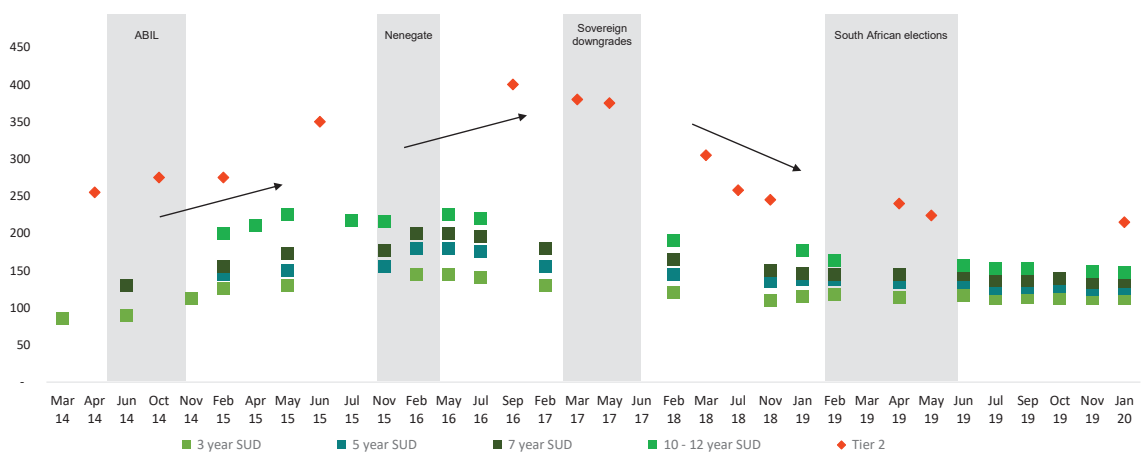
NOTES:

Net interest margin – evolution of Tier 2 & SUD pricing

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Pricing (bps above JIBAR)



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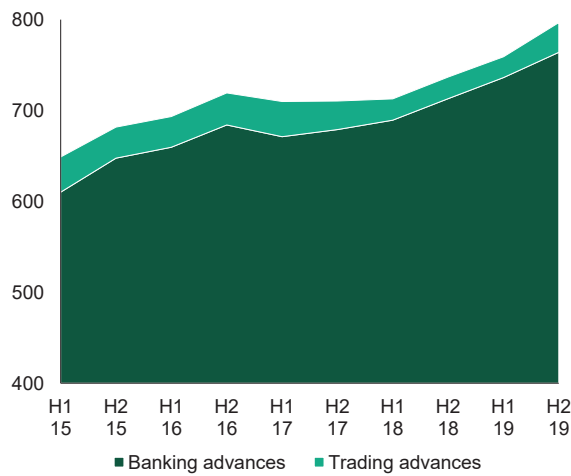
NOTES:

Net banking advances +7% – momentum in RBB & solid growth in CIB

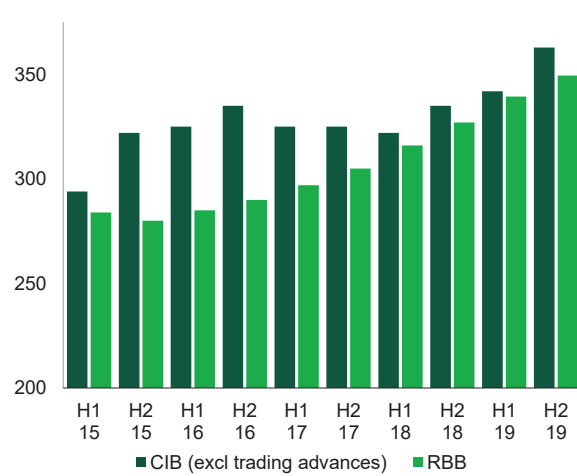
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Banking vs trading advances (Rbn)



CIB & RBB banking advances (Rbn)



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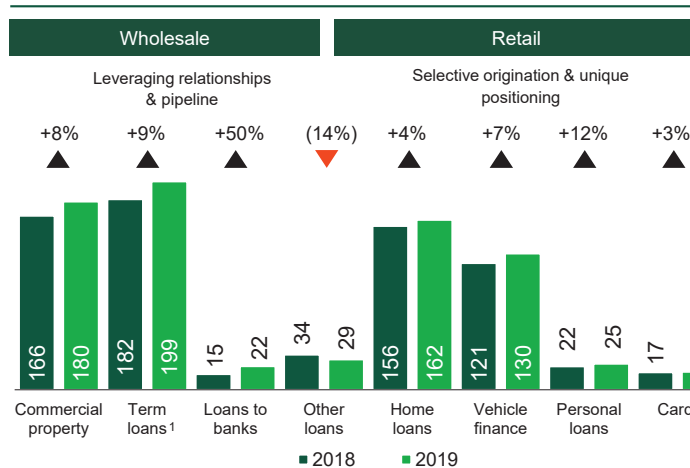
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NOTES:

Gross banking advances +7% – selective origination



Gross banking advances (Rbn)



BA900 market share² (%)

	Share	Yoy trend
Commercial property	38.7	(0.4) ▼
Core corporate ³	21.2	+0.6 ▲
Home loans	14.4	(0.1) ►
Vehicle finance ⁴	36.4	+0.6 ▲
Personal loans	10.2	(0.2) ▼
Card	13.0	(0.7) ▼

¹ Term loans include a reclassification of some investment banking loans from other loans. | ² BA900 at December 2019 (compared with December 2018).
³ Core corporate loans exclude volatile short-term lending. | ⁴ Vehicle finance per BA900 comprises total lease & instalment sales from a household perspective.

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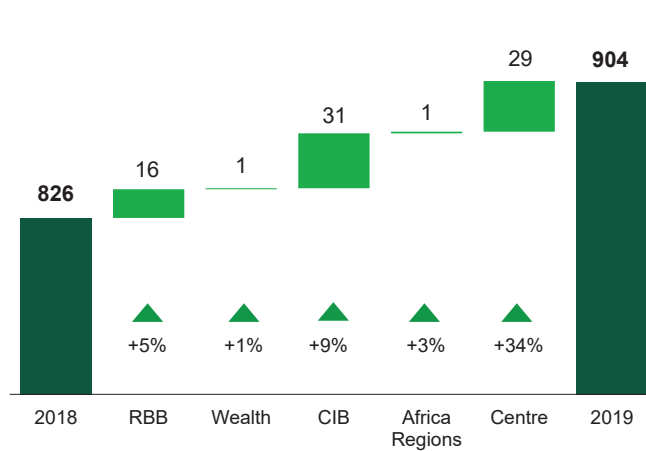
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NOTES:

Deposits +9.5% – committed to grow retail & commercial deposits, while managing the funding profile



Deposits (Rbn)



BA900 market share¹

	Share	Yoy trend
Wholesale	23.2	+1.6 ▲
Corporate (non-financial)	16.5	(0.1) ▼
Household	16.9	(1.1) ▼
Foreign currency	12.0	+1.6 ▲

LCR: 125% (min reg: 100%)

NSFR: 113% (min reg: 100%)

Loan-to-deposit ratio: 88% (2018: 89%)

Long-term funding ratio: 30% (2018: 26%)

¹ BA900 at Dec 2019.

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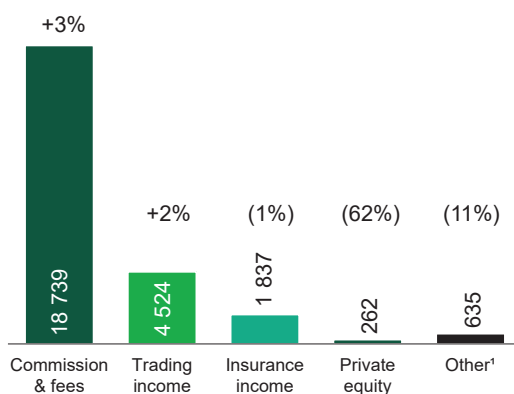
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NOTES:

NIR growth flat – solid underlying growth offset by private equity revaluations



NIR (Rm)



Key drivers

- Commission & fees**
 - Solid underlying Retail transactional NIR growth: +6% (deeper share of wallet & main-banked growth in upper client segments)
 - Subdued client activity
- Trading** – impacted by low volumes, low volatility & a firm 2018 base
- Insurance** – good sales volume increases offset by higher weather-related claims in H1 19
- Private equity** – reflective of impact of weak SA economy on revaluations of a few specific counters
- Other NIR** – includes cost of exercising an option to increase our shareholding in Banco Único (R140m)

¹ Represents sundry income, investment income & fair-value adjustments.

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NOTES:

Private equity – 2019 reduction driven by less dividends received & downward revaluations (unrealised income)

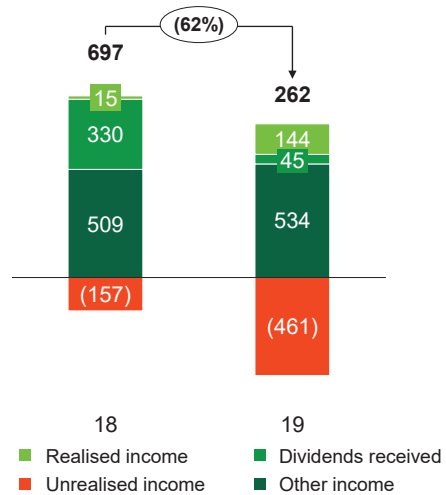
BOOKLET SLIDE



Private equity investments¹ (Rbn)



Key income statement drivers (Rm)



¹ Numbers have been restated to include historic investments previously disclosed in investment in associates & joint ventures to ensure comparability.

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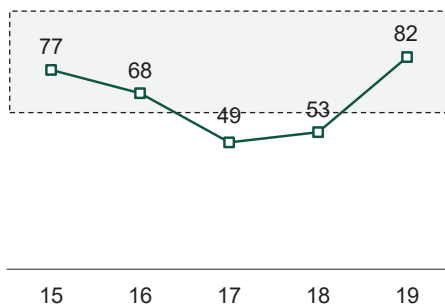
29

NOTES:

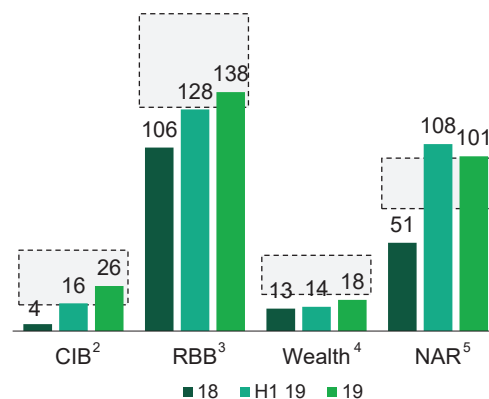
Credit loss ratio up to 82 bps – normalisation of credit losses off a low base & increased provisioning in H2 2019



Group CLR¹ (bps)



Cluster CLR (bps)



Ave banking advances

46.3%

46.5%

4.2%

3.0%

¹ Nedbank through-the-cycle target range: 60–100 bps.

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² CIB through-the-cycle target range: 15–45 bps. | ³ RBB through-the-cycle target range: 130–180 bps.

⁴ Wealth through-the-cycle target range: 20–40 bps. | ⁵ NAR through-the-cycle target range: 75–100 bps.

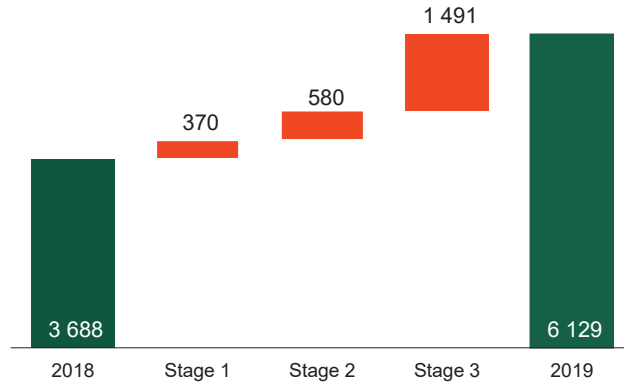
30

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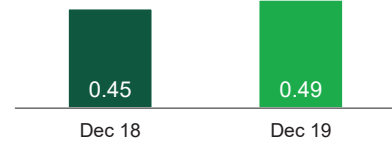
Impairments +66% – increases across stage 1, 2 & 3 impairments



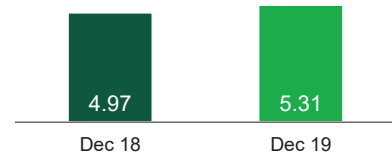
Impairment drivers (Rm)



Stage 1 coverage (%)



Stage 2 coverage (%)



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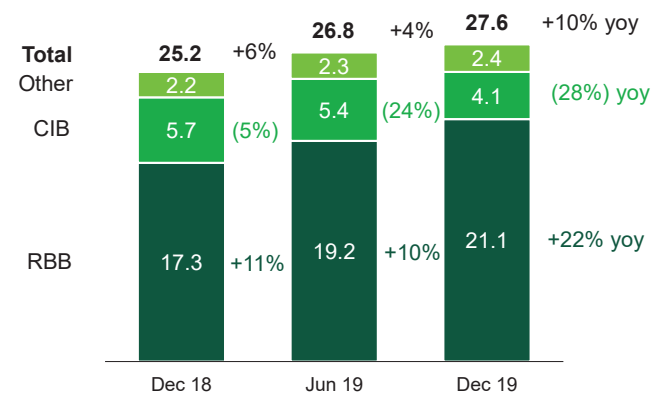
31

NOTES:

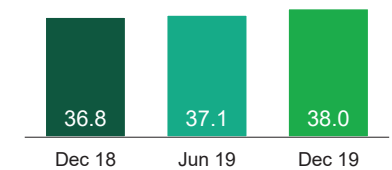
Stage 3 advances – increase in RBB defaults as the macroeconomic environment deteriorated, offset by successful restructures in CIB



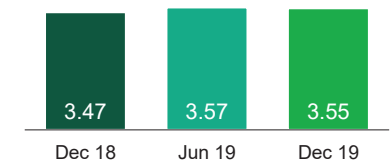
Stage 3 advances¹ (Rbn)



Stage 3 coverage (%)



Stage 3 advances/gross advances (%)



¹ Excludes FVOCI

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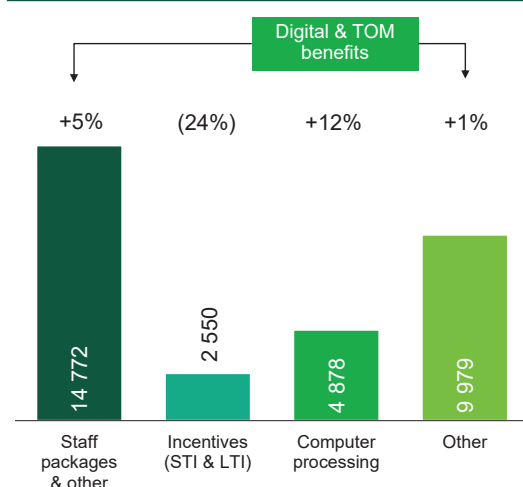
32

NOTES:

Expenses +2% – good cost management in response to slowing revenue growth & benefits from digitisation



Expenses (Rm)



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Key drivers

- **Staff packages**
 - Average salary increases of 5.4%
 - Reduction in headcount of 1 874
- **Incentives** – STI decline > earnings decline
- **Computer processing**
 - Software amortisation +22%
 - Strong volume growth
- **Other costs**
 - Benefits from TOM (R1.1bn cumulative)
 - R134m YES costs
 - Residual PRMA benefit: R354m

33

NOTES:

Expenses – progress on key cost optimisation initiatives

BOOKLET SLIDE



Central costs, property & procurement	Technology	Process optimisation	RBB & branch optimisation
<ul style="list-style-type: none"> ▪ Group shared services <ul style="list-style-type: none"> – Reduced number of staff ▪ Procurement savings <ul style="list-style-type: none"> – Paper consumption ▼ 25% (826 tons from 1 104 tons) – Procurement spend ▼ 3% (R18.1bn cashflow in '19) ▪ Central property savings <ul style="list-style-type: none"> – Campus sites: ▼ 4 (27 sites, LT target: 22) – Floor space saved ▲ 54k m² (since '16, LT target: > 100k m²) ▪ General costs – expense growth: <ul style="list-style-type: none"> ▪ Travel & comms: ► 0% ▪ Marketing: ▼ 5% 	<ul style="list-style-type: none"> ▪ Improved IT project delivery <ul style="list-style-type: none"> – IT projects using agile & hybrid methodologies ▲ 80% (from 21% two years ago) ▪ Cloud services <ul style="list-style-type: none"> – savings from migration to cloud over time ('19: Office 360 & staff email) ▪ IT systems¹ <ul style="list-style-type: none"> – Core systems ▼ to 117 (target of < 85 by '20) ▪ Data-driven intelligence 	<ul style="list-style-type: none"> ▪ Digital client onboarding & sales (onboarding & back office benefits) <ul style="list-style-type: none"> – PL & transactional sales ▲ >90% (Total digital sales: 21%, LT digital sales target: > 75%) ▪ Self-service & staff-assisted banking <ul style="list-style-type: none"> – New digital services on mobile, app & web: ▲ 114 (51 in 2018, target: > 180 by '20) – Self-service cash deposits: ▲ 73% of all cash (61% in '18) ▪ Robotics & automation <ul style="list-style-type: none"> – RPAs in use: ▲ > 300 (from 51 in 18, excl the VBS > 160 onboarding bots) 	<ul style="list-style-type: none"> ▪ Number of outlets – ongoing optimisation <ul style="list-style-type: none"> – Closed 21 points of presence (target dependent on digital uptake). ▪ Branch floor space <ul style="list-style-type: none"> – Saved ▲ 42k m² to date (from 33k m² in 18 & target > 49k m² by '20) ▪ Sales & service integration <ul style="list-style-type: none"> – new operating model, business reconfiguration & simplification (mostly complete by 2020) ▪ Backoffice & RBB support function optimisation
Overall headcount reduction ▼ 1 874 (with ongoing reduction planned into 2020/1)			

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NOTES:

IT spend reducing from 2020

BOOKLET SLIDE

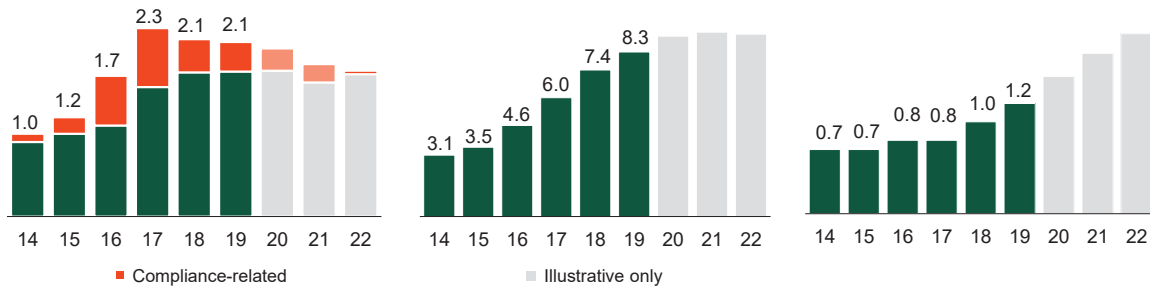


IT software development spend (Rbn)

Capitalised IT costs (Rbn)

Amortisation charge (Rbn)

Regulatory projects almost complete & development cost on new technologies decreasing



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NOTES:

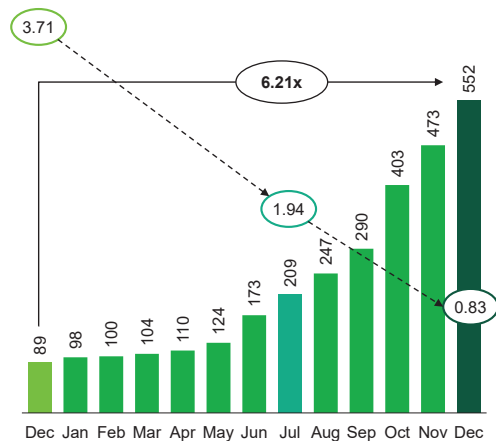
Zimbabwe – financial impacts of hyperinflation & impairment of legacy debt



CPI index

ZWL : ZAR exchange rate

Key drivers



Hyperinflationary accounting

Rebased Dec '18 equity	(R246m)
Gains from indexing of non-monetary assets ²	R30m
Income statement indexing ¹	(R80m)
Net monetary loss	(R296m)
Income statement indexing ¹	R80m
Less minorities	R74m
	(R142m)

Other changes – blocked funds

Impairment of legacy debt	(R44m)
	(R186m)

Size of Nedbank Zimbabwe in Nedbank

- 0.1% of total equity (R123m / R87.4bn)

¹ Indexing of IS lines of R80m has an equal & opposite charge in the IS.

² Nedbank / banks likely to be small in proportion to other companies, therefore not enough to offset impact of rebasing equity.

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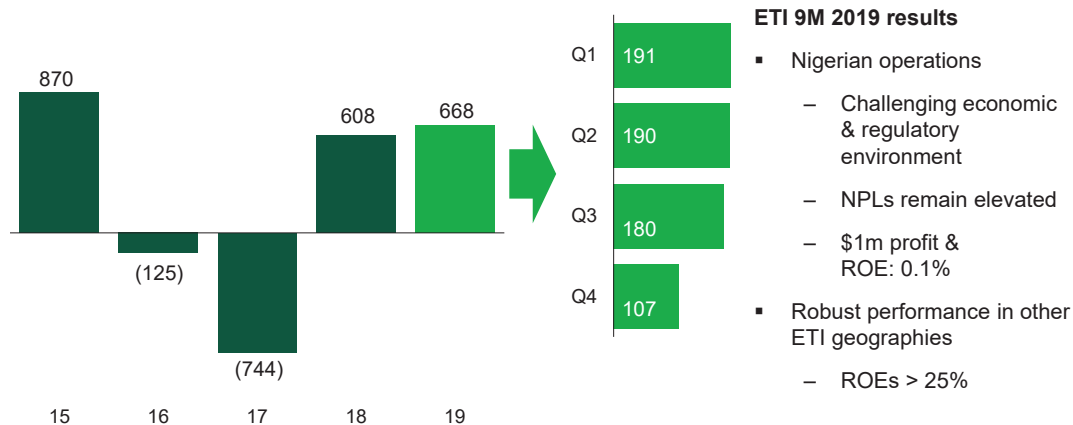
36

NOTES:

ETI associate income – reflects ETI progress, although environment in Nigeria remains challenging & growth has slowed



Associate income from ETI¹ (Rm)



¹ ETI accounted for one quarter in arrear.

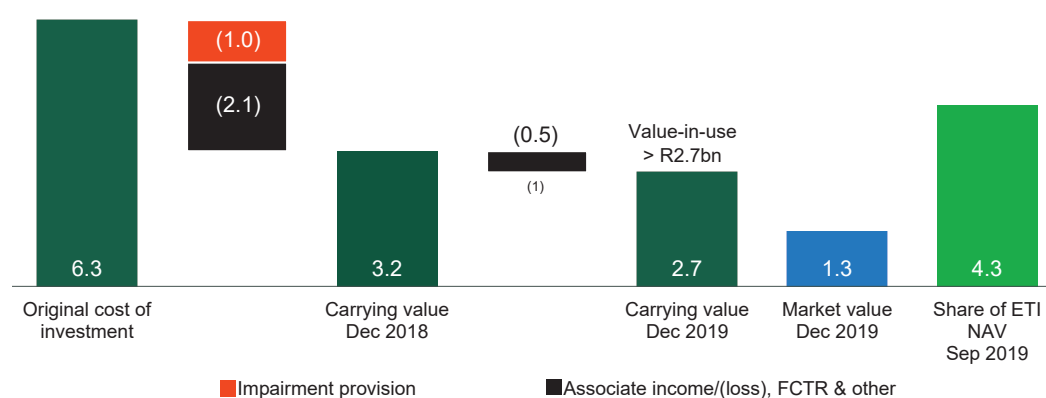
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NOTES:

ETI carrying value – Value-in-use slightly above carrying value



Carrying value drivers vs market value (Rbn)



¹ FCTR & other loss offset by R0,7bn of associate income.

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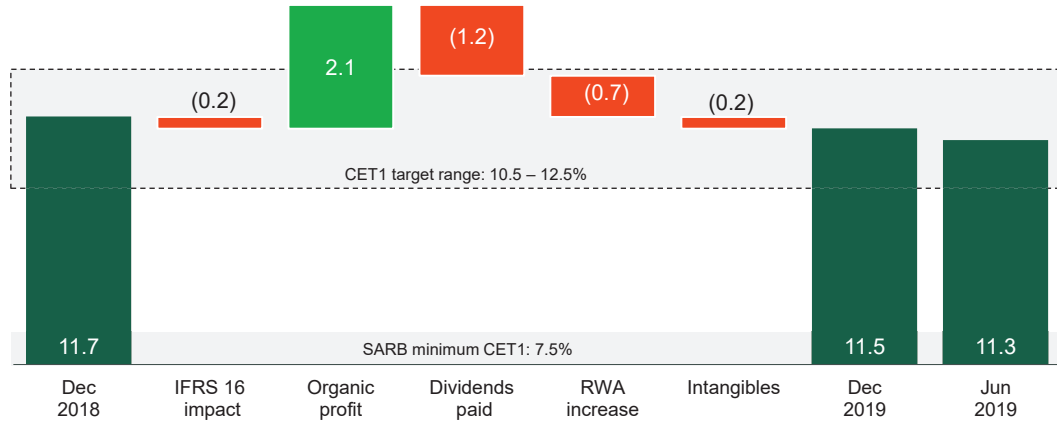
38

NOTES:

Capital – CET1 at the midpoint of our target range



CET1 capital ratio (%) – after full IFRS implementation



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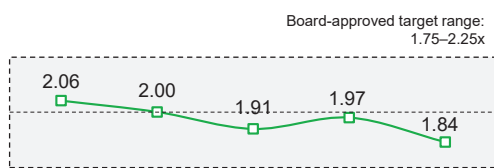
39

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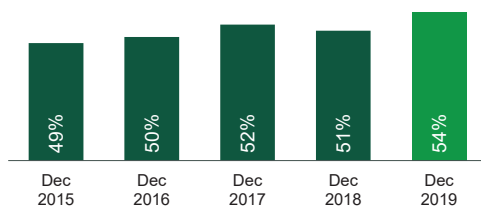
Dividend – within board-approved target range, supporting a dividend yield that is attractive for investors



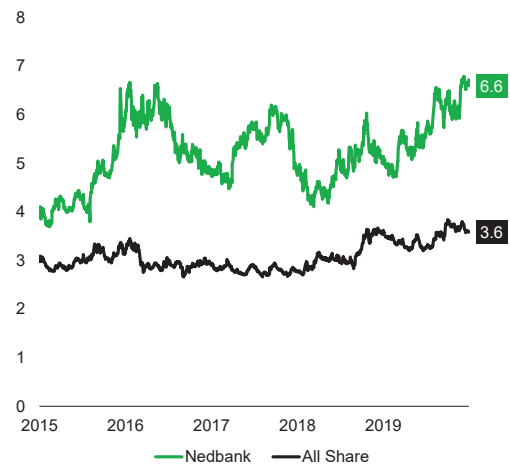
Dividend cover (times)



Payout ratio:



Dividend yield (%)



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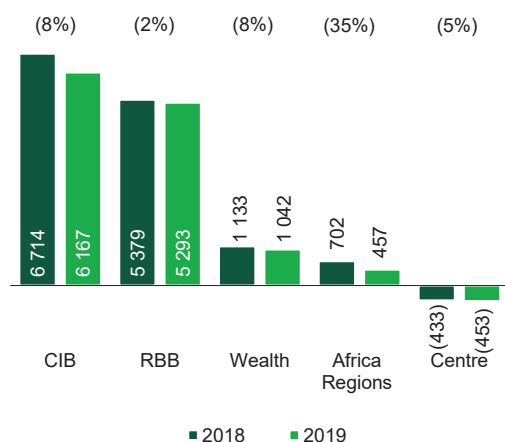
40

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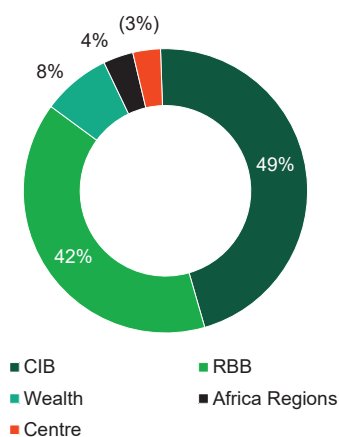
Headline earnings by cluster



Headline earnings (Rm)



Earnings contribution (Rm)



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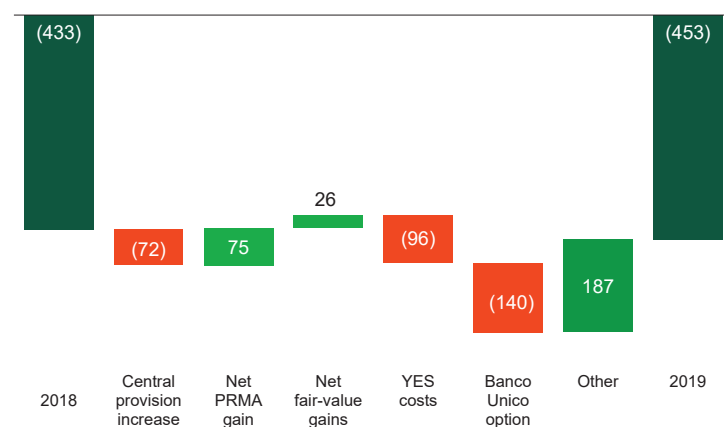
41

NOTES:

Centre – key drivers include once-offs



Headline earnings (Rm)



- Central provision increase (net R100m pretax). None in 2018.
- PRMA credit of R354m pretax in H1 19 vs H1 18: R250m pretax
- YES cost of R134m pretax (new in 2019)
- Banco Unico option cost of R140m in 2019

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

NEDBANK CIB

Stable revenues & impairment headwinds

Brian Kennedy
Group Managing Executive

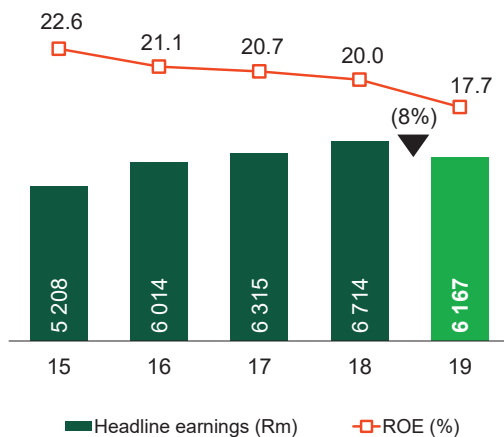


NOTES:

Stable revenues & impairment headwinds



Headline earnings, ROE



Key messages

- GOI flat: Maintained revenue in a difficult macroeconomic environment
- Advances +7%: Good advances growth but pressure on margins impacting NII
- NIR -4%: Impacted by negative private equity revaluations & a high 2018 base
- CLR at 26 bps (2018: 4 bps): Increased off a low base but still within target range
- Expenses < 1%: Well contained with continued investment in skills & technology

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NOTES:

Corporate & Investment Banking – financial highlights

BOOKLET SLIDE



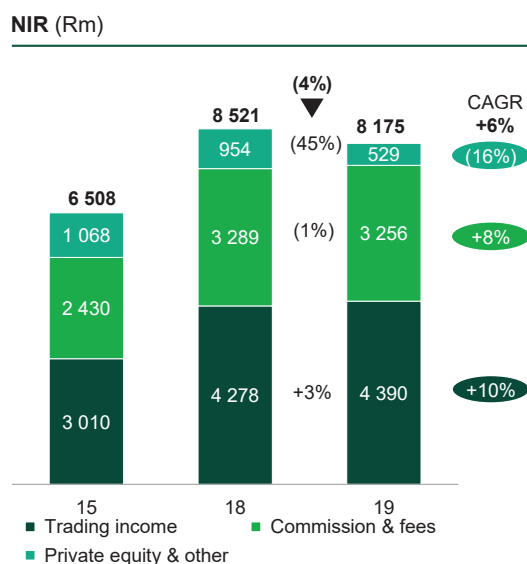
Year ended	% change	FY 2019	FY 2018	
Headline earnings (Rm)	(8)	6 167	6 714	<p>Advances</p>
Gross operating income (Rm)	0	15 686	15 684	
PPOP (Rm)	(1)	8 919	9 014	<p>Headline earnings</p>
Net interest margin (%)		1.99	2.12	
NIR-to-expense ratio (%)		123.8	129.7	
Cost-to-income ratio (%)		42.1	41.9	
Credit loss ratio (%)		0.26	0.04	
Average banking advances (Rm)	7	346 452	324 384	
Average deposits (Rm)	8	367 804	339 676	
Headline economic profit (Rm) ¹	(38)	1 234	1 976	
Average allocated capital (Rm)	4	34 885	33 555	
ROE (%)		17.7	20.0	

¹ Cost of equity 2018: 14.1% | 2019: 14.1%
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NOTES:

NIR down off a high base



Key drivers

- Trading income +3% despite low volatility & decreased volumes in the first half of 2019
- Continued investment in market-leading trading capabilities across the asset classes
- Commission & fees down slightly – subdued client activity offset continued primary-client wins
- Private-equity income impacted by negative revaluations due to the weaker performance of certain investments

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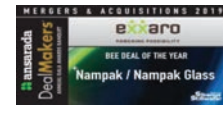
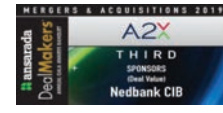
46

NOTES:

Continuous improvement across all major league tables



	2015	2018	2019	
CIB commercial property market share		Market leader >30%		▶
Renewable-energy financing		Market leader with R36bn committed		▲
DCM rankings	#3	#1	#1	▲
Dealmakers M&A advisors				
▪ Value	#22	#10	#4	▲
▪ Volume /Flow	#12	#2	#1	▲
Spire awards				
▪ Best team government bonds	#3	#1	#1	▲
▪ Best interest rate derivative house	NR	#4	#1	▲
▪ Best bond house	NR	#3	#1	▲
▪ Number of 1st place awards	1	2	6	▲
Primary-dealer rankings	#4	#1	#1	▲
Primary-client wins		>25 per annum		▶



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NR: Not ranked

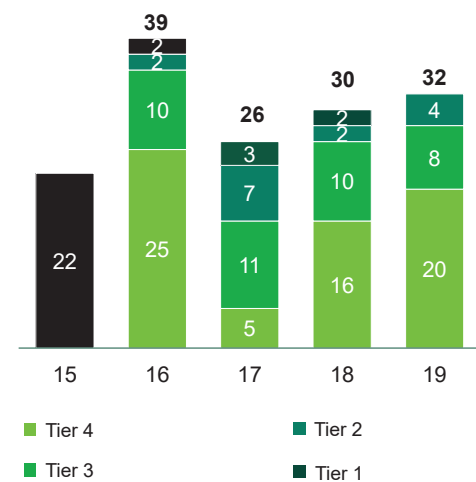
NOTES:

Ongoing primary-client wins position CIB for revenue uplift

BOOKLET SLIDE



Primary-client wins (#)



Selected primary-transactional-account wins



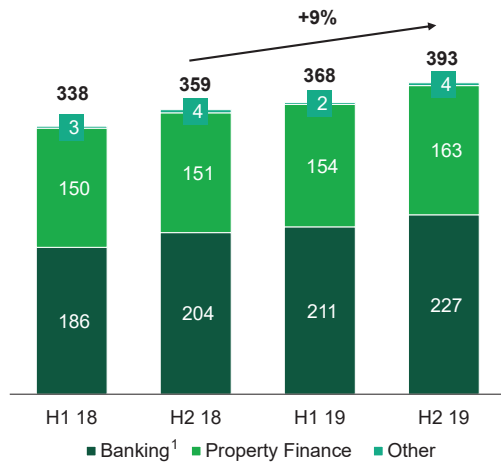
NEDBANK GROUP LIMITED – Annual Results 2019

NOTES:

Strong advances growth amid competition for high-quality assets



Banking advances, including corporate bonds (Rbn)



¹ Banking defined as Investment Banking & Working Capital combined.
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Key messages

- Conversion of significant deals in H2 2019
- Leveraging leadership in CPF & energy
 - Continued drawdowns of round 4 renewable-energy deals
 - Selective origination in Property Finance off leading market share position
- NII impacted by competitive pricing
- Awarded Sponsor of the Year in the Project Finance International (PFI) Awards (Enel Green Power) & Infrastructure & Project Finance Deal of the Year in The Banker Awards (Geita Gold Mine)

NOTES:

Client solutions leading to significant wins

BOOKLET SLIDE



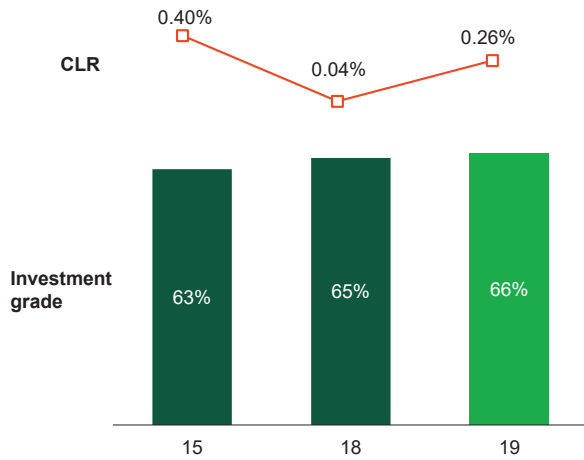
<p>2019</p> <p>Appointed sole mandated lead arranger, sole bookrunner, sole coordinator and sole hedge coordinator for R10bn debt refinance</p>	<p>2019</p> <p>Concluded a bespoke funding solution with Caterpillar Financial Services South Africa following their entrance into the South African market</p>	<p>2019</p> <p>CIB was mandated as arranger and funder to Barloworld's Kula Sizwe B-BBEE Share Scheme</p>	<p>2019</p> <p>Concluded a refinancing of Tsogo Sun Gaming's credit facility</p>
<p>2019</p> <p>Sole arranger and lender of R4bn credit facility</p>	<p>2019</p> <p>Joint global coordinator of R5.5bn credit facility</p>	<p>2019</p> <p>CIB concluded the inaugural bank issuance in Africa of green renewable energy bonds into the debt capital markets for R2.7bn</p>	<p>2019</p> <p>Successfully concluded a record US\$5bn international capital market raise for the Republic of South Africa in the international Eurobond market</p>
<p>2019</p> <p>Successfully concluded a credit facility positioning us as the largest funding partner to the group</p>	<p>2019</p> <p>Successfully concluded a credit funding in the capacity of sole funder</p>	<p>2019</p> <p>Successfully concluded a credit facility in the capacity of co-funder</p>	<p>2019</p> <p>Appointed as co-lead arranger on MBSA's Debt Capital Market auctions, successfully raising R3.6bn in listed bonds</p>

NOTES:

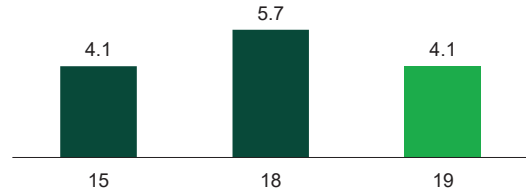
Coverage & impairments increased as the credit environment deteriorated in H2 – quality of book maintained



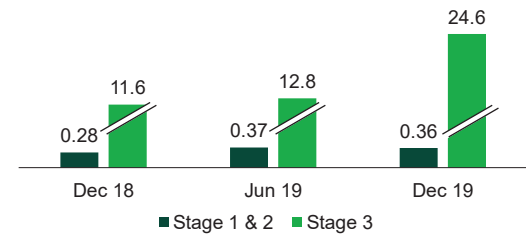
Quality of book & CLR (bps)



Stage 3 advances (Rbn)



Coverage ratios (%)



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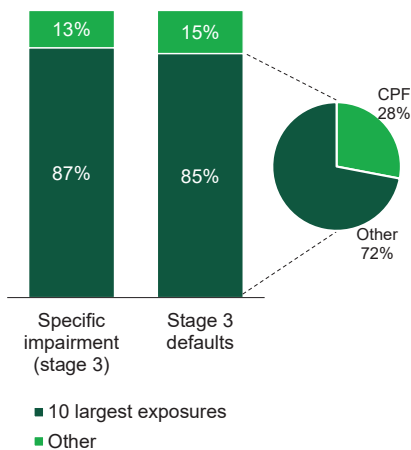
NOTES:

Coverage & impairments increased as the credit environment deteriorated in H2: Quality of book maintained

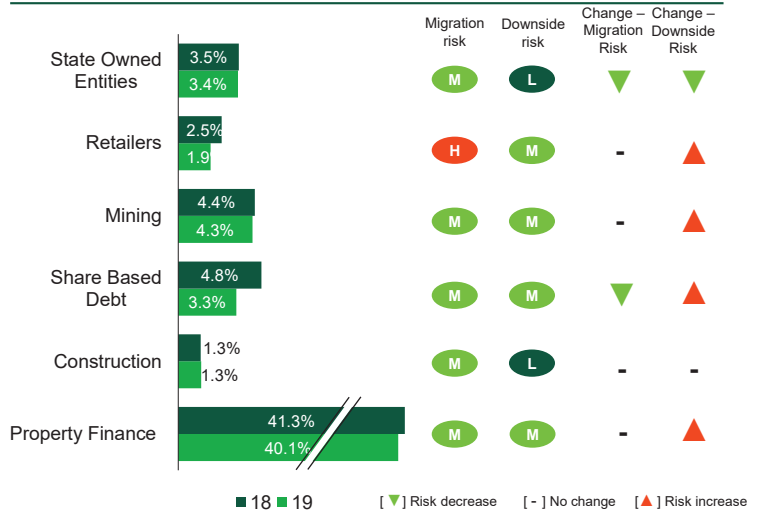
BOOKLET SLIDE



Top 10 client contribution (%)



CIB selected sector exposures (%)



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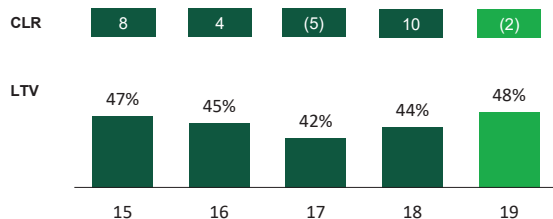
NOTES:

Quality commercial property book

BOOKLET SLIDE



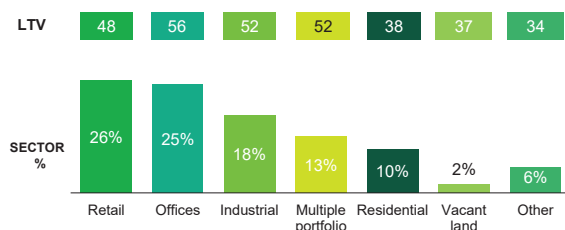
CLR (bps), LTVs (%)



Key drivers

- Strong client base supported by an experienced team
- Awarded Top African Real-Estate Bank (API Awards)
- Well-diversified portfolio & weighted to the correct segments in the market
- CLR below target range of 15 bps to 35 bps
- Low gearing - adequate collateralisation significantly reduces potential losses
- Primary lending operation supplemented by private-equity arm
- Valuations are updated on an ongoing basis, predominantly by our internal valuers, with a portion outsourced to external valuers
- Stage 2 & 3 clients valued every 6 months

Average LTV by sector (%) & property type (%)



Portfolio view

- 82% concentrated to the core segments of office, retail & industrial (including multiple portfolio)
- 10% relates to residential, including cashflow producing rental stock portfolio
- Vacant land < 2% of the portfolio
- LTVs > 90% amount to 1% of the portfolio & 83% of the book is below 70% LTV based on Nedbank's internal valuations
- Average LTVs reflect risk appetite across sectors – lower LTVs on higher-risk sectors

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NOTES:

Commercial property sector insights

BOOKLET SLIDE



Office space – oversupplied

- Office vacancies remain high but stable at 11.0% across the board
- Rentals remain under pressure with negative reversions common
- The C-grade segment had largest improvement in vacancies due to residential conversions
- Development activity is at a 13-year low. Developers opting for tenant-driven approach before committing capital
- 61% of new development concentrated in Sandton, Rosebank, Waterfall & Menlyn

Retail sector – largely oversupplied in metros

- Retail vacancies currently at 4.4%, above the long-term average of 2.9%
- Rentals remain under pressure with negative reversions common as landlords look to protect vacancies. Retailers' cost of occupancy on an upward trend
- Retail likely to remain under pressure due to difficult economic conditions & consumer spending constraints
- Vacancies in super regional centres (>100 000 sqm) at 4.7% compared to neighbourhood & small regionals at 5.5% and 4.9% respectively

Industrial sector – resilient

- Industrial vacancy currently at 3.4% across the board & is lower than retail & office sector vacancies
- Rental growth of 5.3% in H1 2019, but lower capital growth at 2.4%
- Industrial property fundamentals have benefitted from relatively constrained supply & stable capacity utilisation

Residential – cautious

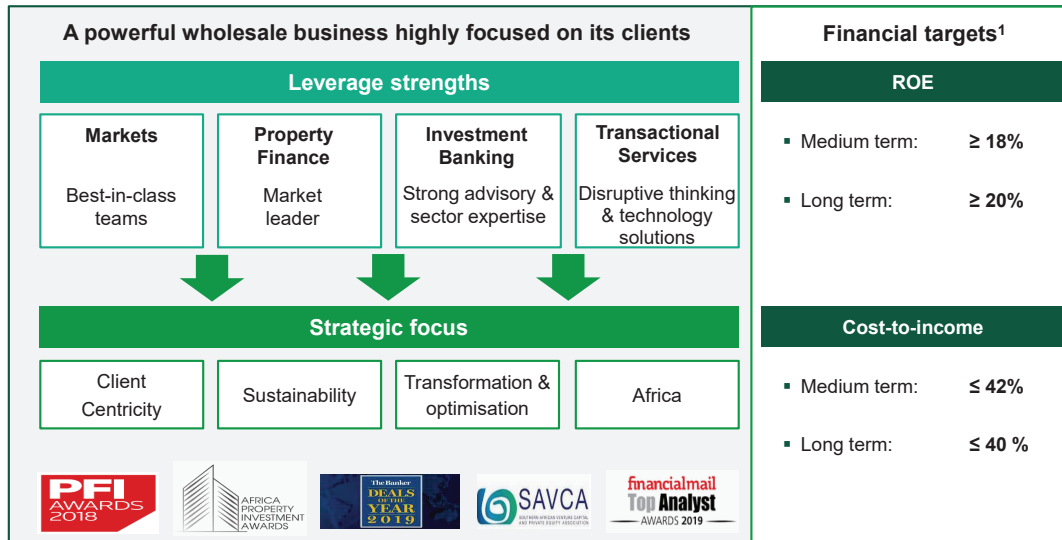
- Strong demand for residential product in lower price brackets – purchase price below R1m & monthly rental under R8 500
- Affordable rental stock market buoyant in the current market
- Developers in general are cautious in the current economic environment

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NOTES:

Prospects for CIB



¹ Medium-term defined as 2 to 3 years. Long-term defined as 5+ years.
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NOTES:



NEDBANK RBB

Strong growth in pre-provisioning operating profit offset by higher impairments

Ciko Thomas
Group Managing Executive



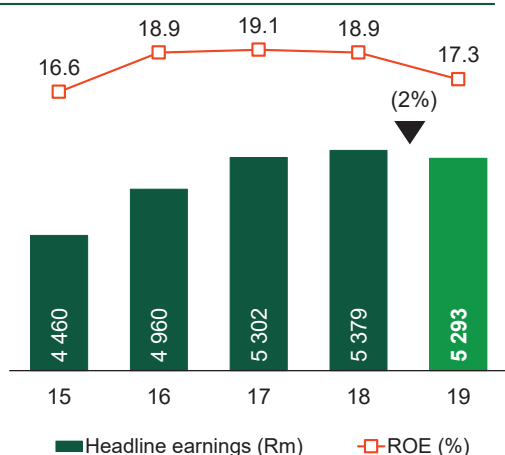
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NOTES:

Strong growth in pre-provisioning operating profit offset by higher impairments



Headline earnings, ROE



Key messages

- PPOP +11%
 - NII +6%: solid advances & deposit growth
 - NIR +6%: driven by inflationary pricing increases & volume-related growth
 - Expenses +2%: benefit from optimising processes & operations
- CLR at 138 bps (+32 bps): impairments increased cyclically off a low base with worsening macroenvironment in the fourth quarter

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NOTES:

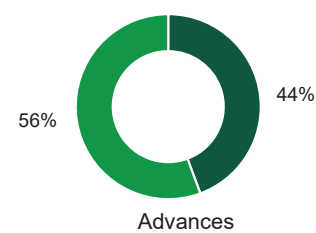
Retail & Business Banking – financial highlights

BOOKLET SLIDE



Year ended	% change	2019	2018
Headline earnings (Rm)	(2)	5 293	5 379
Gross operating income (Rm)	6	33 149	31 283
PPOP (Rm)	11	12 175	10 926
Net interest margin (%)		5.67	5.69
NIR-to-expense ratio (%)		65.3	62.9
Cost-to-income ratio (%)		61.5	64.0
Credit loss ratio (%)		1.38	1.06
Average banking advances (Rm)	7	335 101	312 119
Average deposits (Rm)	8	328 272	305 151
Headline economic profit (Rm) ¹	(29)	967	1 359
Average allocated capital (Rm)	7	30 573	28 471
ROE (%)		17.3	18.9

■ Nedbank RBB ■ Other clusters



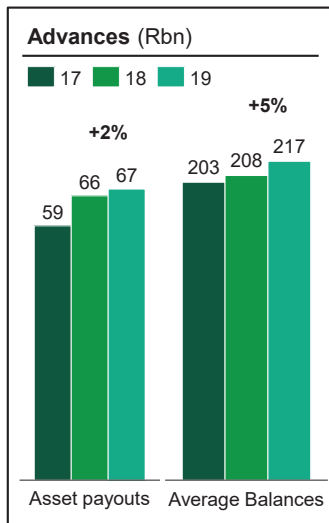
¹ Cost of equity 18: 14.1% | 19: 14.1%.

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NOTES:

Consumer Banking – HE down as impairments normalised, but well positioned for future growth



Income statement drivers

HE growth	▼	3.3%
PPOP growth	▲	12.8%
NIR growth	▲	4.7%

Financial ratios

ROE	▼	14.4%
CLR	▲	1.95%
NIR-to-expenses	▲	61.7%
Cost-to-income	▼	60.3%

Key messages

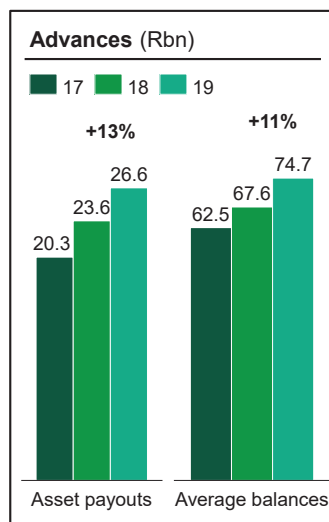
- **Quality business** well positioned for growth
- **Strong growth in PPOP** & an improvement in cost-to-income ratio
- **Growth in impairments off a low base** muted HE growth
- **Most improved** of SA's five retail banks on three different measures of **client experience**
- Focus is to be even more **client-centred**, & deliver even **better client experiences**.

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

Business Banking well positioned for growth



Income statement drivers

HE growth ¹	▲	0.4%
PPOP growth	▲	14.0%
Ave deposit balance	▲	9.0%
NIR growth	▲	8.8%

Financial ratios

ROE	▼	18.3%
CLR	▲	52 bps
NIR-to-expenses	▲	51.5%
Cost-to-income	▼	61.9%

Key messages

- **Quality business** well positioned for growth
- **Client groups increased** to 14 700
- **Favourable NPS score** of 45.1% (up 2.7% yoy)
- **Good momentum** evidenced across assets & liabilities
- Steadily **improving brand awareness & consideration** by the market

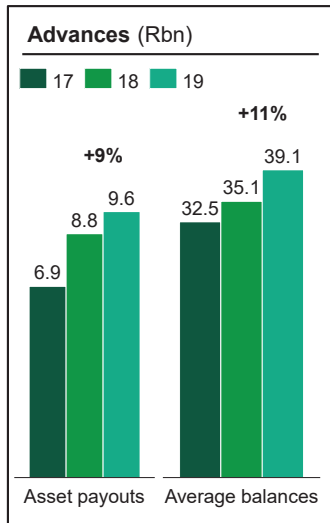
Excludes internal client migrations between divisions | 1 HE -5.4% including migrations.

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

Retail Relationship Banking consistently delivering a profitable performance



Income statement drivers

HE growth ¹	▲ 28.8%
PPOP growth	▲ 32.9%
NIR growth	▲ 9.5%

Financial ratios

ROE	▲ 31.7%
CLR	▲ 32 bps
NIR-to-expenses	▲ 57.4%
Cost-to-income	▼ 63.8%

Key messages

- **Quality business** in a resilient sector of the economy
- **Good momentum** evidenced across all lines – transactional, assets & liabilities
- Steadily improving **client metrics & market perception**

Excludes internal client migrations between divisions | 1 HE +40.2% including migrations.

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

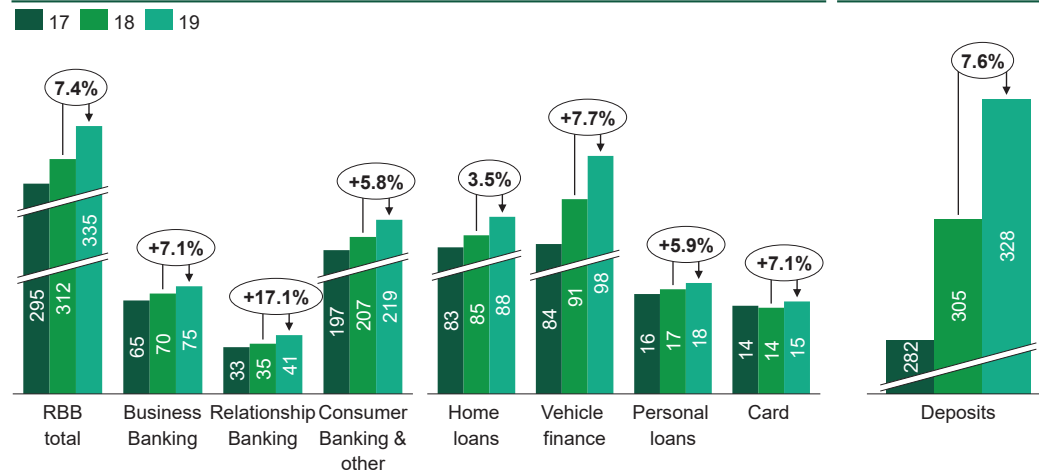
Good growth in advances & deposits

BOOKLET SLIDE



Average banking advances (Rbn)

Average deposits (Rbn)



Graphs not drawn to scale & do not include BB/ RRB restructure. Product lines exclude RRB & BB.

NEDBANK GROUP LIMITED – Annual Results 2019

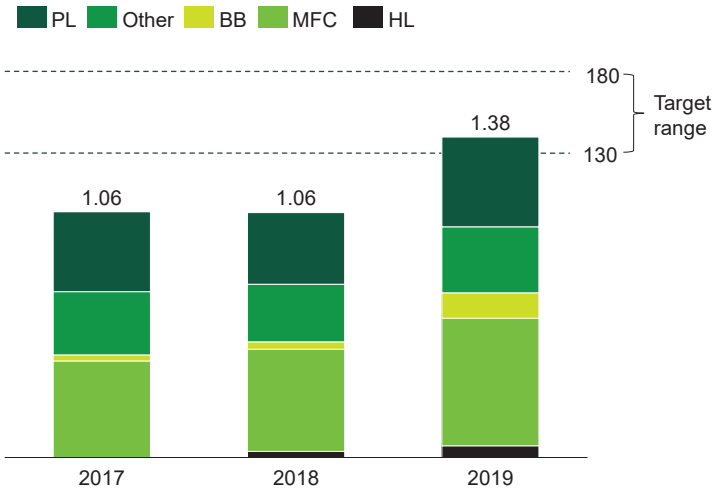
62

NOTES:

Impairments – higher given the impact of the macroeconomic environment



Credit loss ratio (bps)



Key messages

CLR increased by 32 bps:

- Within the 130 bps to 180 bps TTC target range
- Cyclical increase off a low base
- Risk normalised, driven largely by deteriorating macroeconomic environment
- MFC increase due to higher levels of repossessions & writeoffs
- BB increase given continued impact of low business confidence
- Regulatory impacts including setoff treatment

NEDBANK GROUP LIMITED – Annual Results 2019

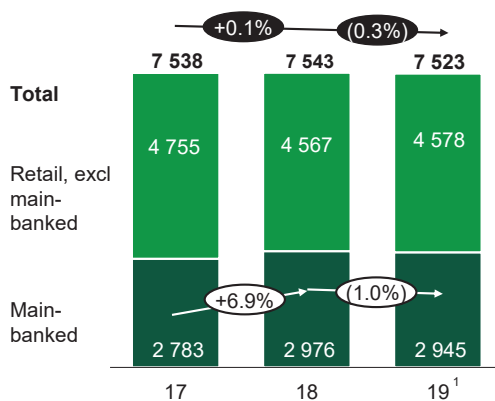
63

NOTES:

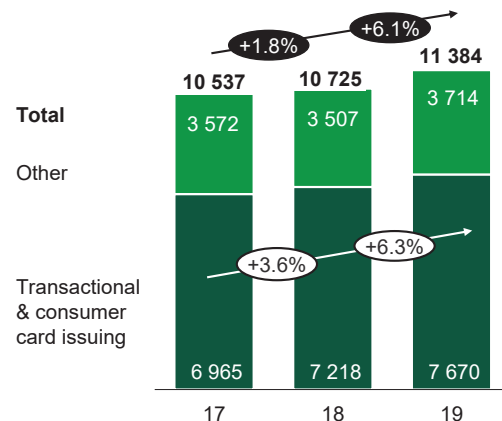
Retail transactional NIR growth ahead of client growth – deeper client penetration



Total retail client base (#000)



Retail NIR (Rm)



¹ Declines in acquisition were balanced out by improvements in attrition.

NEDBANK GROUP LIMITED – Annual Results 2019

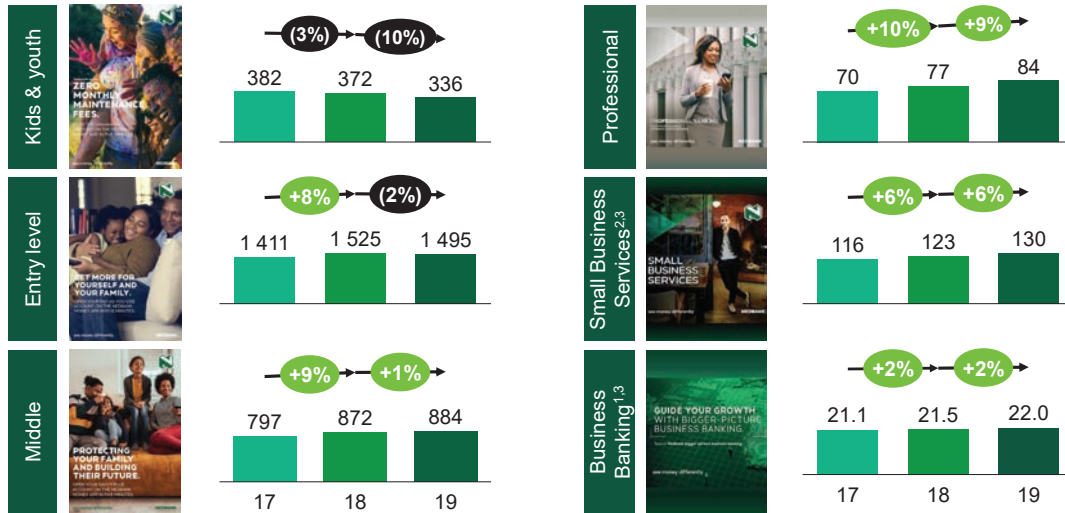
64

NOTES:

Client-centred strategy intact – strong growth across most segments



Main-banked, # 000



1 Client groups with gross operating income contributions in excess of R500 pm. | 2 2017 was rebased for migration of the Grey Portfolio from BB to SBS on 1 June 2018. 3. 2019 reflects a like-for-like comparison prior to move of 7k client groups from BB to RRB (resulting in 9k additional mainbanked). Post move actuals are 14.7k and 139k for BB & RRB respectively | Note: Non-resident, non-individual segment not shown.

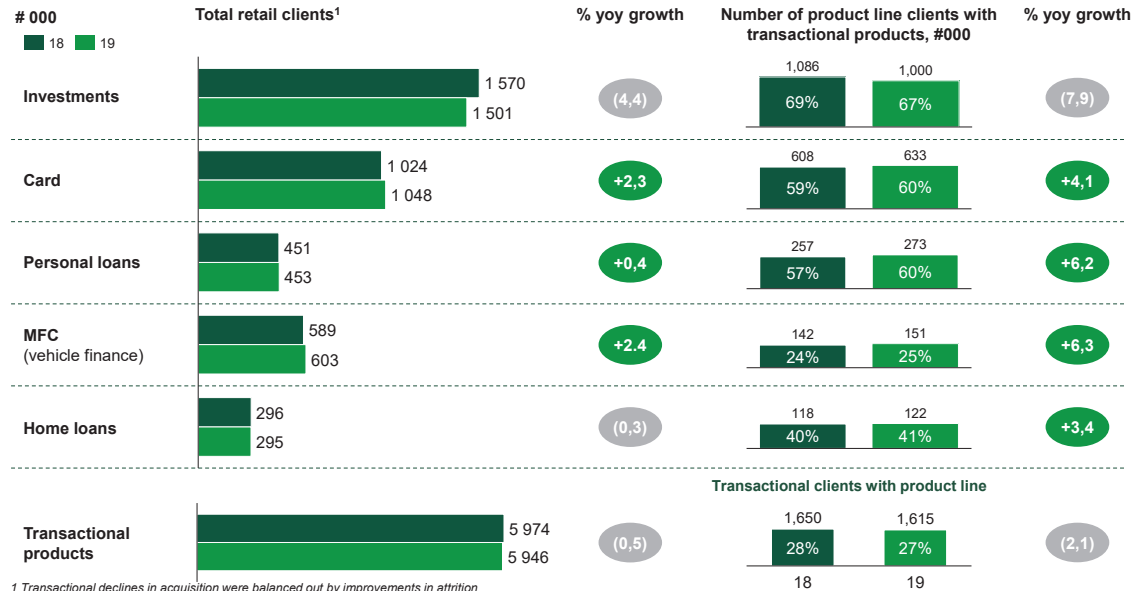
NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

Nedbank Retail & Business Banking – building more enduring client relationships through transactional product cross-sell

BOOKLET SLIDE



1 Transactional declines in acquisition were balanced out by improvements in attrition

NEDBANK GROUP LIMITED – Annual Results 2019

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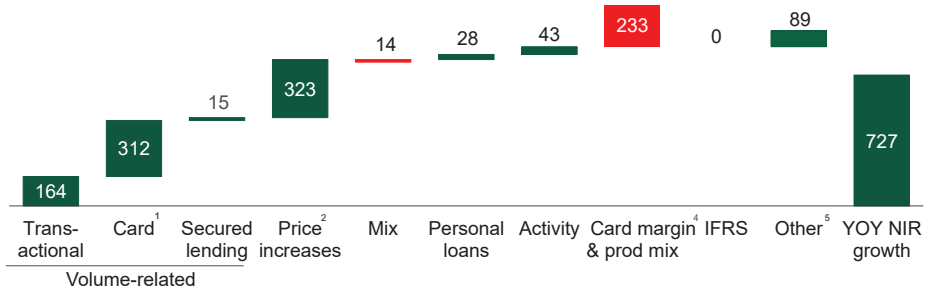
NOTES:

Nedbank Retail & Business Banking – NIR growth supported by good volume growth, but muted by strategic choices & other factors

BOOKLET SLIDE



NIR growth (Rm)



2018 NIR growth (Rm)

+160	+517	+73	+288 ³	(4)	+1	+111	(300)	(582)	+14	+278
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- 1 Growth predominantly driven by the acquisition and volume growth of key acceptance clients
- 2 Includes average price increase of 4.5% implemented on 1 January 2019.
- 3 Includes average price increase of 5.3% implemented on 1 January 2018.
- 4 Margin reduction driven by a changes in customer transacting behaviour as well as industry forces
- 5 Includes 2018 swap profits in MFC and timing difference on review fees in BB.

NEDBANK GROUP LIMITED – Annual Results 2019

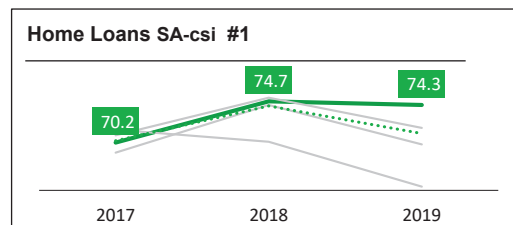
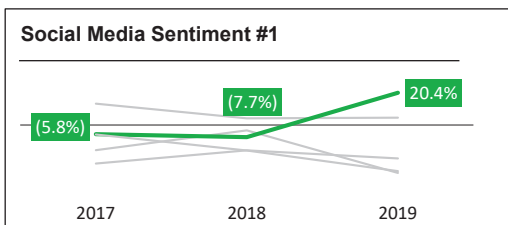
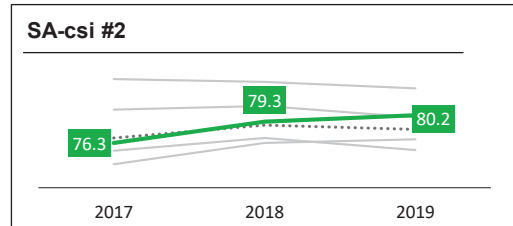
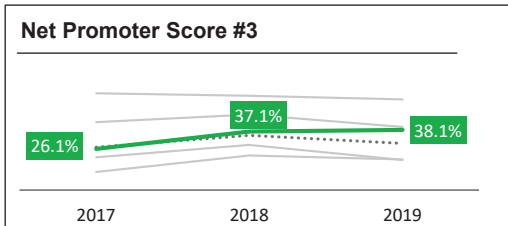
67

NOTES:

Strong results in the annual Consulta SA-csi results & Brandseye social media survey



... Industry — Nedbank — Competitors



SA-csi = South African Customer Satisfaction Index & NPS = Net Promoter Score
 Source: SA-csi and NPS are measured annually as part of Consulta's Banking Industry SA-csi survey which has been running since 2012. The 2019 sample size for Nedbank was 3 015, consisting on a combination of telephonic and web-based surveys. Sampling was done on a channel, product and segment level (the sample size for Home Loans was 334).
 Social Media Sentiment is measured by BrandsEye's. BrandsEye's 2019 Banking Sentiment Index, analysed 1.9 million social media posts about South Africa's largest banks and included an analysis of 68 500 posts about the new entrants, Bank Zero, Discovery Bank & Tyme.


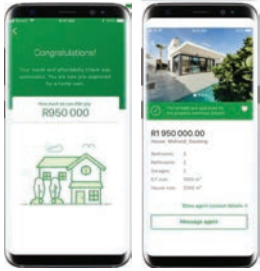
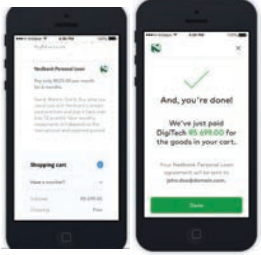

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

Highlights of client innovations in RBB



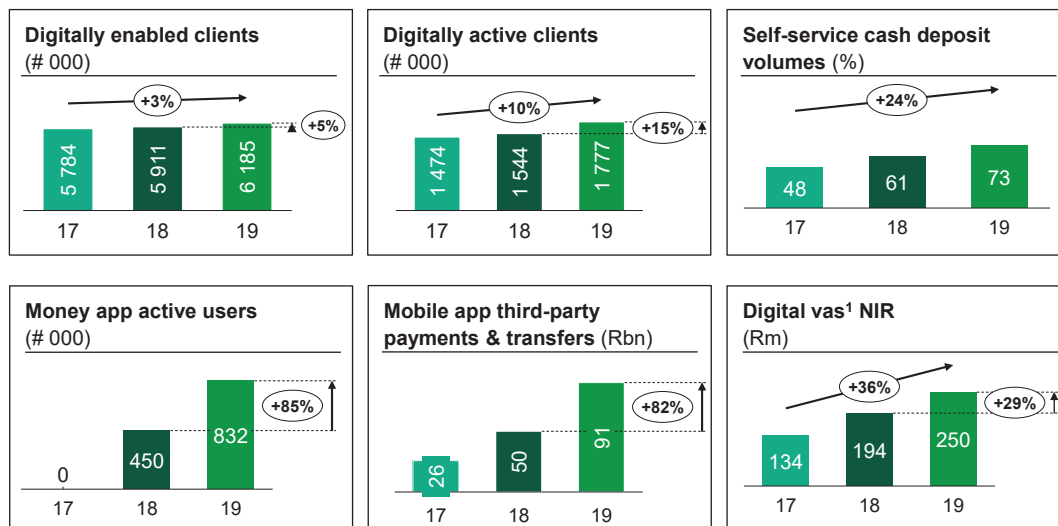
Digital onboarding	Homebuying journey	Lending API	Greenbacks programme
			
Seamless onboarding for clients	Digital homebuying experience	Disruptive & inclusive lending	Money management programme
<ul style="list-style-type: none"> Simple transactional account opening launched on the self-service kiosk Enabled small businesses to open a transactional account end-to-end on nedbank.co.za 	<ul style="list-style-type: none"> Access to property search, property reports and credit preapprovals on app Simplified, chat based home loan application – additional digital sales channel 	<ul style="list-style-type: none"> Access credit to finance transactions on merchants' sites in under 5 minutes 1st in Africa to align to Open Banking standards through API platform 	<ul style="list-style-type: none"> New Greenbacks money management programme launched Incentivising & rewarding desired behaviours, encouraged through prompts & nudges

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

Accelerated digitisation of technology & operations



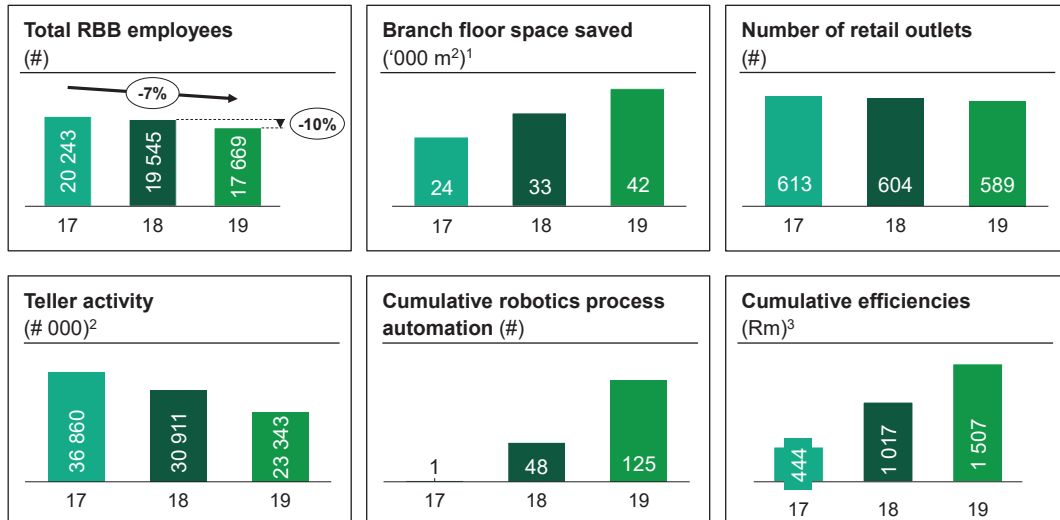
¹ Value-added services (electricity, data, airtime, instant payments, etc).

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NOTES:

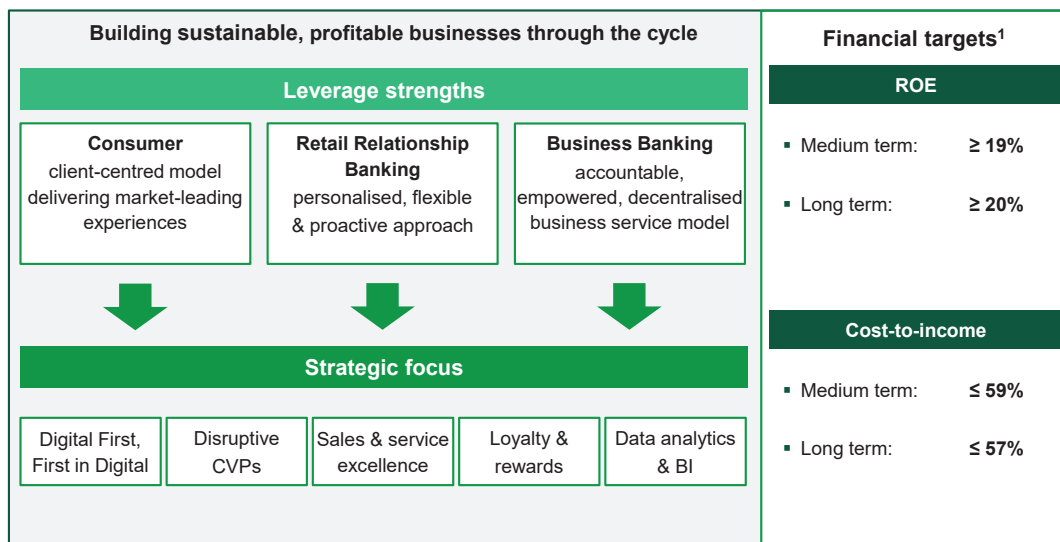
Optimisation of processes & operations



¹ Represents the total branch floor space we saved since 2014 with a target of > 49 000m² equating to approximately 23% of our branch floor space in 2014 when we started the journey. | ² Refers to the volumes of interactions. | ³ 2019 includes R1bn of TOM-related efficiencies.

NOTES:

Prospects for RBB



¹ Medium-term defined as 2 to 3 years. Long-term defined as 5+ years.

NOTES:



NEDBANK WEALTH

Earnings adversely impacted by revenue pressure

Iolanda Ruggiero
Group Managing Executive



NEDBANK GROUP LIMITED – Annual Results 2019

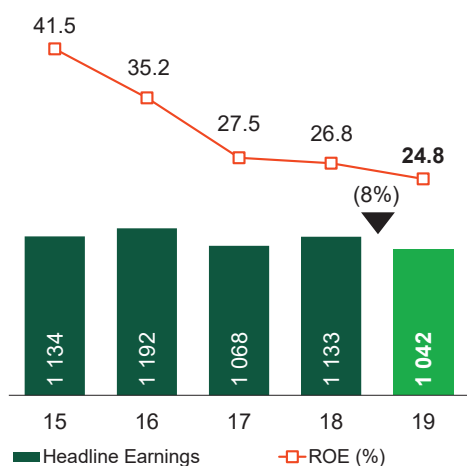
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NOTES:

Earnings adversely impacted by revenue pressure



Headline earnings, ROE¹



Key messages

- Headline earnings -8%
 - NII +3%: steady international deposit growth offset by a decline in US interest rates
 - NIR -1.4%: lower brokerage, portfolio & asset management fees & higher non-life claims ratio
 - Expenses +3%: below inflationary growth
 - CLR at 18 bps (+5 bps): increase in impairments off a low base with worsening macro environment in the fourth quarter

¹ During 2016, the group changed its capital allocation methodology. The ROE for 2015 would have been 36.7% using the updated methodology.

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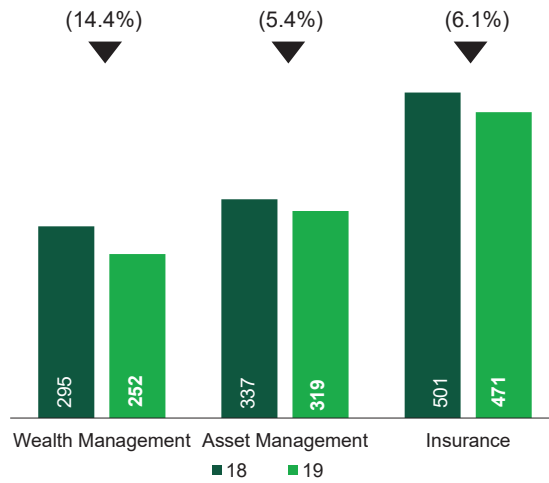
NOTES:

Earnings adversely impacted by revenue pressure

BOOKLET SLIDE



Headline earnings per division (Rm)



Key drivers

Wealth Management

- Poor local market conditions
- Steady international deposit & AUM
- Declining US interest rates

Asset Management

- Strong net inflows
- Shift to lower-margin fixed income & passive asset classes
- Continued pressure on margins

Insurance

- Growth in life VNB
- Higher non-life claims

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

Wealth – financial highlights

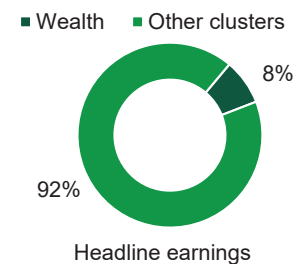
BOOKLET SLIDE



Year ended	% change	2019	2018
Headline earnings (Rm)	(8)	1 042	1 133
Gross operating income (Rm)	(0)	4 584	4 597
PPOP (Rm)	(8)	1 357	1 477
Net interest margin (%)		2.17	2.31
NIR-to-expense ratio (%)		110.4	115.7
Cost-to-income ratio (%)		67.9	65.5
CLR (%)		0.18	0.13
Assets under management (Rm)	11	331 361	297 338
Life embedded value (Rm)	14	3 188	2 786
Life value of new business (Rm)	11	421	380
Headline economic profit (Rm) ¹	(17)	447	536
Average allocated capital (Rm)		4 204	4 225
ROE (%)		24.8	26.8

¹ Cost of equity 18: 14.1% | 19: 14.1%

NEDBANK GROUP LIMITED – Annual Results 2019



- Net inflows **R15bn**
- Life APE **(1.2%)**
- Non-life GWP **0.5%**

NEDBANK GROUP LIMITED – Annual Results 2019

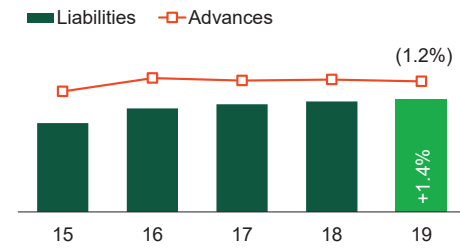
76

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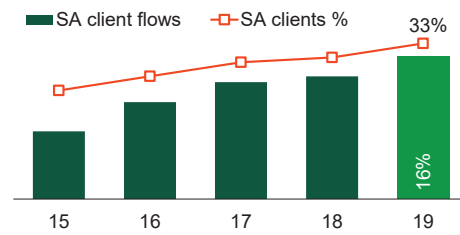
Wealth Management – strong international client flows



Liabilities & advances



Wealth Management International



NEDBANK GROUP LIMITED – Annual Results 2019

Key drivers

International

- Strong AUM growth
- Growth in lending balances negatively impacted by Brexit uncertainty & fierce competition from ring-fenced banks
- Steady growth in deposits

Local

- Negative investor confidence impacting brokerage & planner commissions
- Higher impairments off a low base



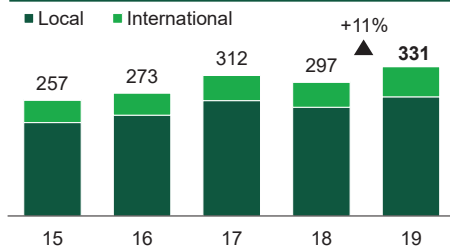
77

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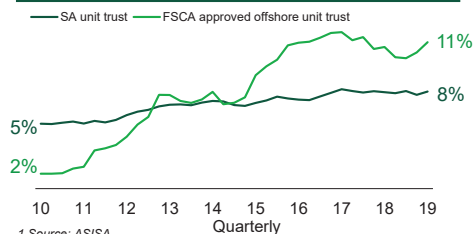
Asset Management – strong market share growth in cash & passive



Assets under management (Rbn)



Market share¹ (%)

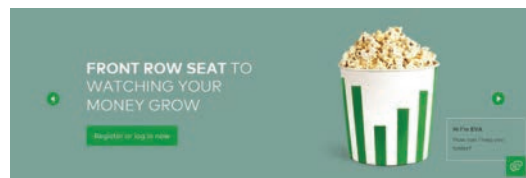


¹ Source: ASISA.

NEDBANK GROUP LIMITED – Annual Results 2019

Key drivers

- Strong net inflows & market share growth
- Change in mix as investors continue to shift to passive & fixed-income asset classes
- Global range expanded & well positioned
- Top offshore manager for 5 consecutive years



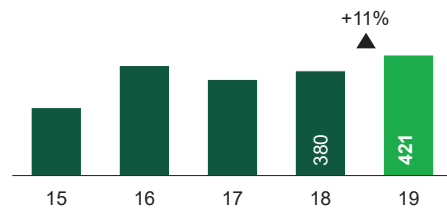
78

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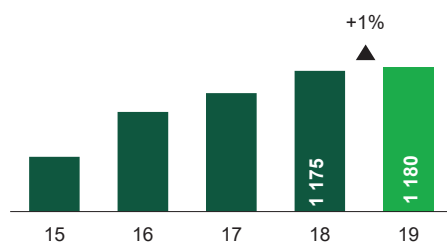
Insurance – increased claims negatively impacted revenue



Life value of new business (Rm)



Non-life gross written premiums (Rm)



NEDBANK GROUP LIMITED – Annual Results 2019

Key drivers

Life

- Higher credit life & funeral Gross Written Premiums
- Growth in VNB driven by increased sales & reduced acquisition costs

Non-life

- Higher claims from a low 2018 base
- Increased penetration into Nedbank VAF through vehicle value-added products



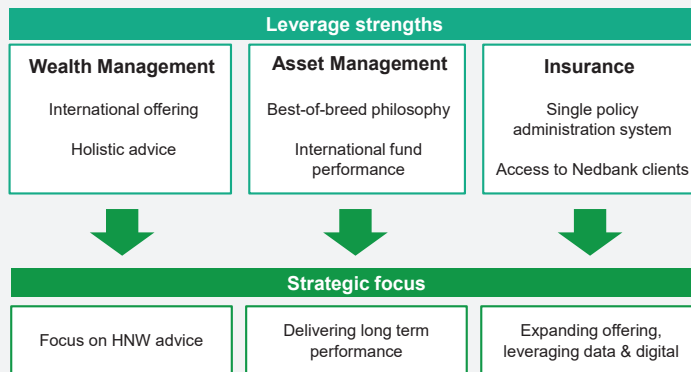
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NOTES:

Prospects for Nedbank Wealth



Creating value in a challenging environment



Financial targets¹

ROE	
Medium term:	≥ 28%
Long term:	≥ 30%
Cost-to-income	
Medium term:	≤ 65%
Long term:	≤ 65%

¹ Medium-term defined as 2 to 3 years. Long-term defined as 5+ years.

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:



NEDBANK AFRICA REGIONS

SADC – adversely impacted by Zimbabwe

ETI – earnings growth slowing

Mfundo Nkuhlu
COO



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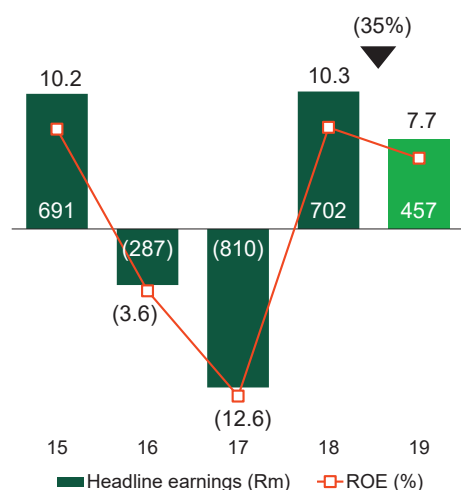
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NOTES:

Nedbank Africa Regions – SADC adversely impacted by Zimbabwe & ETI earnings growth slowing



Headline earnings, ROE



Key drivers

NAR – HE of R457m (-35%) & RoE of 7.7%

SADC

- HE of R20m (-94%)
- Hyperinflationary conditions (R142m) & impairment of legacy debt (R44m) in Zimbabwe
- Once-off tax adjustments & non-operational write-off (R61m) in H1 2019
- Gross operating income down (-2%)
- Cost growth managed below inflation

ETI (Ecobank Transnational Incorporated)

- Sustained recovery of profitability, with earnings growth slowing
- Associate income of R668m, up 10%, while HE was R437m, up 17%

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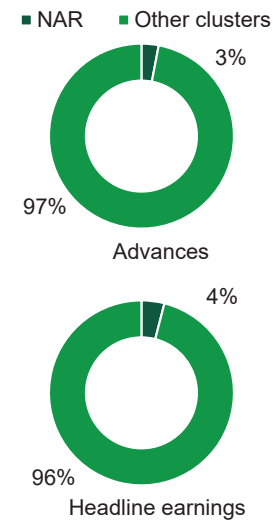
NOTES:

Nedbank Africa Regions – financial highlights

BOOKLET SLIDE



Year ended	% change	FY 2019	FY 2018
SADC			
Headline earnings (Rm)	(94)	20	327
Gross operating income (Rm)	(2)	3 088	3 157
Net monetary loss (Rm)		296	-
PPOP (Rm)	(50)	278	554
Net interest margin (%)		7.0	7.3
NIR-to-expense ratio (%)		50.3	49.9
Efficiency ratio (%)		78.5	76.5
Credit loss ratio (%)		1.01	0.51
Average gross banking advances (Rm)	0.3	22 748	22 670
Average deposits (Rm)	2	30 969	30 263
Headline economic profit (Rm)	(42)	(701)	(495)
Average allocated capital (Rm)	(12)	5 094	5 815
ROE (%)		0.4	5.6
ETI investment			
Headline earnings (Rm)	17	437	375
Total headline earnings (Rm)	(35)	457	702



NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:

SADC – strategic developments



Portfolio optimisation

Sale of Nedbank Malawi¹

- Reviewed strategic fit
- Less than 0.1% of group assets & earnings
- Transaction to be concluded in H1 2020

Increased shareholding in Banco Unico

- Allocating capital to tap into growth opportunities in Mozambique
- Increasing our shareholding from 50% +1 share to 87.5%, subject to regulatory approval
- Transaction to be concluded in H1 2020

Adapting to market changes

Zimbabwe hyperinflation

- Nedbank Zimbabwe: R108m HE loss (2018: R142m profit)
- Re-configuring the shape of the balance sheet and business operations

Client experience & digital enhancements

- Investment in innovative market leading client experiences:
 - Money App (Africa) enhancements, 49 additional services added in 2019
 - Launch of PAYU account with zero maintenance fees in Namibia
 - Launch of new corporate internet banking in Namibia & eSwatini

¹ Accounted for under IFRS 5 – Non-current Assets Held for Sale & Discontinued Operations.

NEDBANK GROUP LIMITED – Annual Results 2019

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NOTES:



Digital solutions

Improved value propositions

Launched Nedbank Money app in May 2019

Lesotho, Namibia, Malawi, eSwatini

Digital solutions

Improved value propositions

Mobile banking solution launched in November 2019

Zimbabwe

Client value

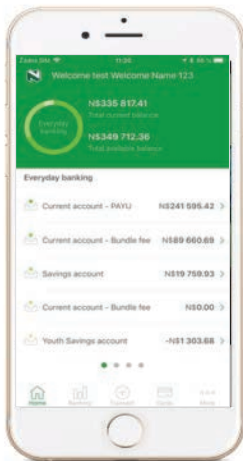
Improved value propositions

Launched PAYU account with zero maintenance fees

Namibia

NOTES:

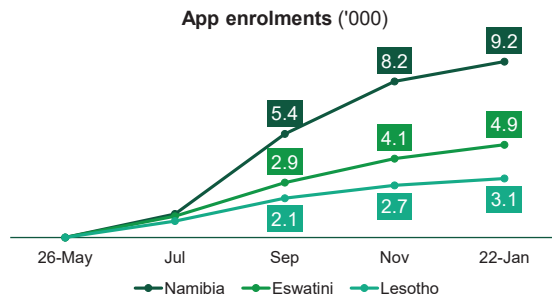
Nedbank Africa Regions app – additional 49 functional & digitised services launched by end of 2019



- Launched in May 2019, over 17,900 users by year end
- 19 additional features added over previous App suite at launch
- Great platform for future enhancements
- UI & UX aligned to SA Money app, achieving consistency
- 30 functional enhancements & digitised services added in Nov 19

Selected / unique features

- Single app store publication with multicountry selection
- Credit card ATM limit change
- Block & reorder cards
- International card usage notification request
- Share account info with third parties using WhatsApp, message or email
- Personal loan, vehicle finance & home loan instalment calculators
- 'Apply now' requests
- Dashboard view of consolidated balances
- Leave feedback' & 'Contact us' within app

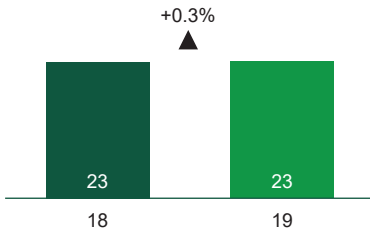


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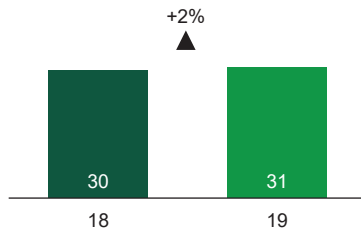
SADC – mixed financial performance impacted by Zimbabwe



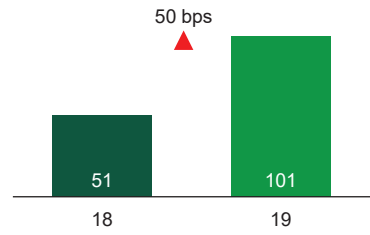
Average gross banking advances (Rbn)



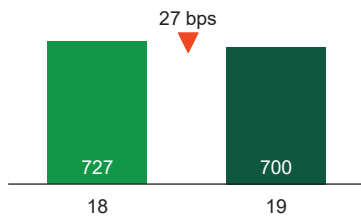
Average deposits (Rbn)



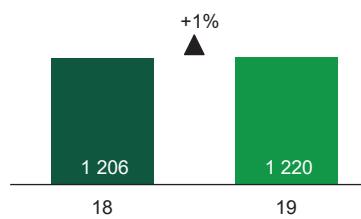
Credit loss ratio (bps)



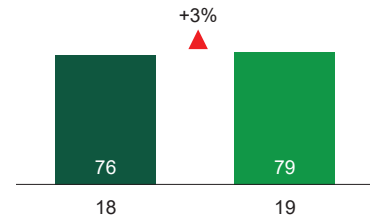
NIM (bps)



NIR (Rm)



Cost-to-income ratio (%)



NEDBANK GROUP LIMITED – Annual Results 2019

Note: Excluding Zimbabwe: average advances +3.6%, average deposits +11.1%, NIR +5.1%, NIM -40bps & cost-to-income 80.4%.

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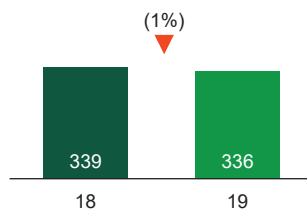
NOTES:

SADC – non-financial performance metrics show positive progress

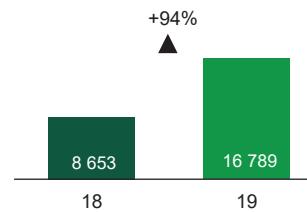


Revenue drivers

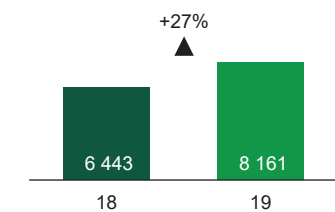
Clients (#000)¹



Active App users (#)²

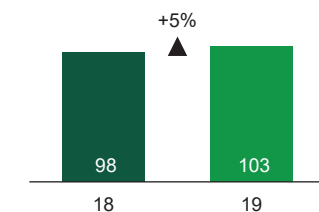


Point-of-sale devices (#)

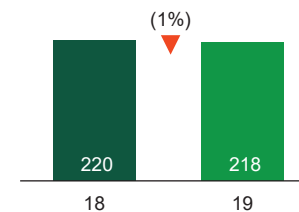


Cost drivers

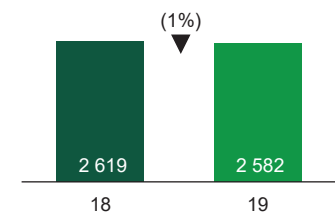
Branches (#)



ATMs (#)



Headcount (#)



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¹ Taking into account auto closure rules (2018 rebased to cater for this)

² Excluding Banco Unico (Mozambique) and Zimbabwe.

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NOTES:



CIB Transaction done in collaboration with CIB

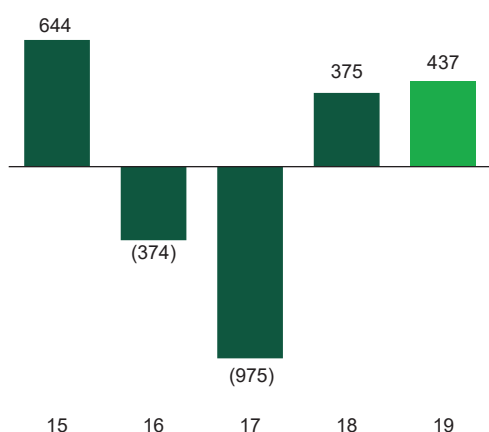
<p>Puma Namibia CIB</p> <p>Borrowing Base Facility/Facility agent (New Transactional account opened)</p> <p>US\$30m</p>	<p>Zuva Petroleum Zimbabwe</p> <p>Letter of credit facility (New POS devices rolled out)</p> <p>US\$13.5m</p>	<p>Consolidated Tobacco Processors Zimbabwe</p> <p>Tobacco trade finance facility</p> <p>US\$12m</p>	<p>Matekane Mining Lesotho</p> <p>Mining fleet Asset-based finance</p> <p>M109.8m</p>
<p>Debmarine Namibia CIB</p> <p>Debt and facility Agent</p> <p>US\$25M</p>	<p>Surface Wilmar Zimbabwe</p> <p>Letter of credit facility (New account opened)</p> <p>US\$5m</p>	<p>International Housing Solutions Namibia CIB</p> <p>Residential Property Development Loan</p> <p>N\$131m</p>	<p>Let'seng Diamonds Lesotho CIB</p> <p>Working capital facility</p> <p>M150m</p>
<p>Mimosa Mining Zimbabwe</p> <p>Medium Term Loan US\$10m & Working Capital ZWL\$12m</p>	<p>Hilton Hotel eSwatini</p> <p>Primary banking including POS and e-commerce solution</p>	<p>Royal Swaziland Sugar Corporation</p> <p>Medium term-loan</p> <p>E200m</p>	<p>eSwatini Sugar Association</p> <p>Sugar stock funding loan</p> <p>E750m</p>

NOTES:

ETI – recovery across three regions, while Nigerian challenges persist



Headline earnings (Rm)



Highlights

Sustained recovery from three regions, offset by poor performance from Nigerian franchise

- AWA & UEMOA delivered strong earnings growth, sustainably generating economic profits
- CESA's financial recovery continued, albeit at a slower rate
- Ecobank Nigeria's performance deteriorated further, due to:
 - persistently elevated NPLs
 - adverse regulatory intervention
 - ongoing economic headwinds

NOTES:

Prospects for Nedbank Africa Regions



Leveraging enterprise capabilities to unlock opportunities		Financial targets ¹	
Strengths		ROE	
<p>SADC – manage, own & control banks</p> <ul style="list-style-type: none"> Strong wholesale client service model Competitive digital platforms Strong credit risk management 	<p>West & Central Africa – ETI</p> <ul style="list-style-type: none"> Widest Pan African network LocalknowledgeAfrica™ 	<ul style="list-style-type: none"> Medium term: $\geq 15\%$ Long term: $\geq 20\%$ 	
Focus		Cost-to-income	
<ul style="list-style-type: none"> Digitisation & automation Risk management & cost control Zimbabwe business reconfiguration & Mozambique growth 	<ul style="list-style-type: none"> Support board-driven agenda Commercialise collaboration & increase deal flows 	<ul style="list-style-type: none"> Medium term: $\leq 65\%$ Long term: $\leq 60\%$ 	

¹ Medium-term defined as 2 to 3 years. Long-term defined as 5+ years
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NOTES:



OUTLOOK & 2020, MT & LT TARGETS

Well positioned to grow off 2019 base, but macroeconomic risks remain elevated

Mike Brown
Chief Executive



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NOTES:

Our environment – slow recovery, but macroeconomic risks remain elevated



Macroeconomic drivers¹ (%)

	2019	2020	2021	2022
GDP SA	0.3%	0.7%	1.1%	1.3%
GDP SSA (excl SA)	4.0%	4.1%	4.4%	4.6%
Inflation (CPI)	4.1%	4.3%	4.3%	4.9%
Industry credit growth	5.3%	6.3%	7.0%	7.2%
Ave prime interest rate	10.1%	9.8%	9.8%	9.8%

¹ All Nedbank Economic Unit forecasts at January 2020. | GDP SSA as per IMF (January 2020).

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Prospects

- **Balance sheet**
 - Stable wholesale & retail advances growth
 - Liquidity profile & capital levels to remain strong
- **Income statement**
 - Revenue growth dependent on SA economic recovery
 - Impairments to increase, but at more normalised levels
 - Expense management remains a key focus
- **Assets under management**
 - Weaker flows into higher-margin equity products
 - Solid flows into lower-margin cash & passive

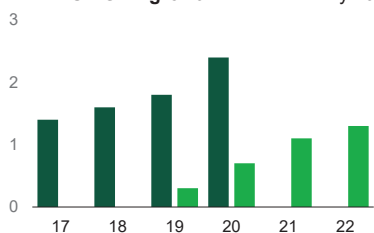
93

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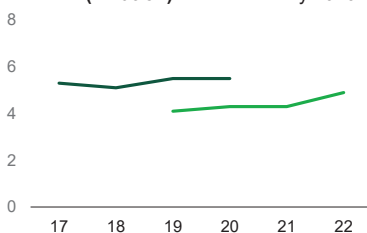
We have reviewed our targets in the context of the material downward revision of the macroeconomic environment since targets were set



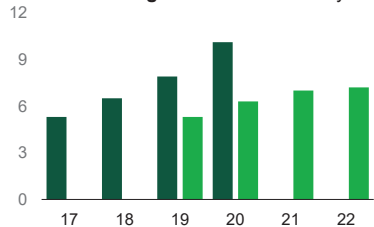
SA GDP growth – c2% lower by 2020



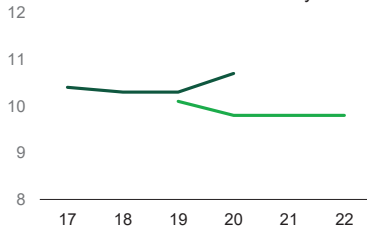
CPI (inflation) – c1% lower by 2020



SA credit growth – c3% lower by 2020



Interest rates – c1% lower by 2020



■ Forecasts at Feb 2018

■ Forecasts at Feb 2020

Financial targets¹

ROE

- Medium term: $\geq 17\%$
- Long term: $\geq \text{COE} + 4\%$
- Previous MLT: $\geq \text{COE} + 5\%$ (excl goodwill)
- Previous 2020: $\geq 18\%$ (excl goodwill)

Cost-to-income

- Medium term: $\leq 53\%$
- Long term: $\leq 50\%$
- Previous MLT: 50 to 53%
- Previous 2020: $\leq 53\%$

¹ Medium-term: 2-3 years, Long-term: 5+ years.

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NOTES:

2020 financial guidance¹ based on current macroeconomic forecasts



NII

- Average interest-earning banking asset growth just above mid-single digits.
- NIM similar to the 2019 level of 3.52%.

CLR

- Similar to the 2019 CLR of 82 bps (within our target range of 60–100 bps).

NIR

- Around mid-single-digit growth.

Expenses

- Below mid-single-digit growth.

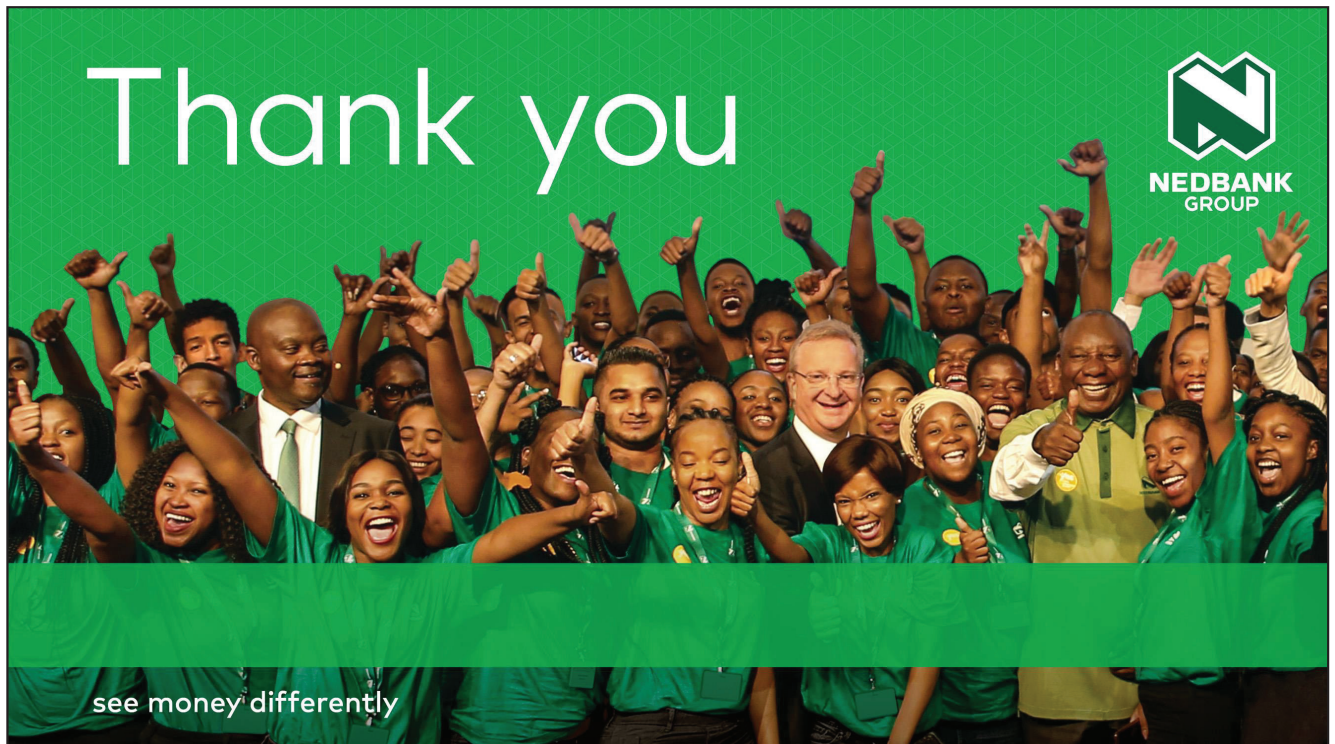
Growth in DHEPS for full-year 2020 around nominal GDP growth
[H1 2020 expected to be down on H1 2019 & stronger H2 2020 growth expected on H2 2019]

¹ Based on current economic forecasts. Nominal GDP forecast for 2020 at 5.2% (CPI: 4.5% + GDP: 0.7%) | ETI associate income based on ETI's own guidance.

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NOTES:



NOTES:

2020 & medium-to-long-term targets

BOOKLET SLIDE



Metric	2019	2020 outlook ¹	vs 2019	Medium-term target (2-3 years)	Long-term target (5+ years)
ROE	15.0%	Around 2019 levels	▶	≥ 17%	≥ COE + 4%
Diluted HEPS growth	(6.3%)	Around CPI + GDP growth	▲	Around CPI + GDP growth	≥ CPI + GDP growth + 5%
Credit loss ratio	82 bps	Similar to 2019	▶		60–100 bps
NIR-to-expenses ratio	80.8%	Increases, but remains below targets	▲		> 85%
Cost-to-income ratio	56.5%	Decreases slightly, but remains above MT target	▼	≤ 53%	≤ 50%
CET1 CAR	11.5%	Within target range	▶	Basel III basis:	
Tier 1 CAR	12.8%			10.5–12.5%	> 12%
Total CAR	15.0%			> 14%	
Dividend cover	1.84 x	Within target range	▶	1.75 to 2.25 times	

¹ 2020 outlook compared with FY 2019 based on current economic forecasts.

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Macroeconomic scenarios

BOOKLET SLIDE



	'More of the same' (base case)				'Seeing light' (positive scenario)				'Sinking into darkness' (high-stress scenario)			
	19	20	21	22	19	20	21	22	19	20	21	22
SA GDP growth	0.3%	0.7%	1.1%	1.3%	0.3%	1.4%	2.0%	2.1%	0.3%	0.3%	(0.2%)	(0.4%)
Ave prime interest rate	10.1%	9.8%	9.8%	9.8%	10.1%	9.4%	9.0%	9.0%	10.1%	10.3%	10.5%	10.3%
Inflation (CPI)	4.1%	4.3%	4.3%	4.9%	4.1%	4.2%	4.3%	3.9%	4.1%	5.2%	6.1%	6.1%
Credit growth	5.3%	6.3%	7.0%	7.2%	5.3%	9.6%	10.7%	10.9%	5.3%	5.3%	3.7%	3.8%
Probability ² (%)	50%				20%				10%			

¹ Nedbank forecasts & scenarios updated: January 2020 (Nedbank Group Economic Unit). | ² Excludes mild-stress scenario of 20%.

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NOTES:

Macroeconomic scenarios

BOOKLET SLIDE



	'More of the same' (base case)				'Seeing light' (positive scenario)				'Sinking into darkness' (high-stress scenario)			
	19	20	21	22	19	20	21	22	19	20	21	22
Domestic drivers:	Limited structural reform <ul style="list-style-type: none"> Fight against corruption continues Ongoing debate around land, NHI remains (no immediate resolution) Pace of structural reforms remains slow Moody's downgrade sometime in 2020, but discounted by the market & search for higher yields Eskom – deterioration in finance continues. Level 1 & 2 load-shedding for next 18 months, with some private sector energy generation over time 				Significant improvements <ul style="list-style-type: none"> Structural reform agenda implemented Found solutions for land reform without a negative impact on confidence More market & investment friendly policies Public finances improving SA averts a Moody's downgrade Accelerated Eskom turnaround 				Domestic reform stalls and global conditions deteriorate <ul style="list-style-type: none"> Land issue leads to rising tensions & social discontent Internal conflict increases and fight against corruption loses momentum Structural reforms fail Universal sovereign downgrades – rand under significant pressure Eskom loadshedding beyond level 1 & 2. Little progress on turnaround 			
Global drivers:	Global environment less favourable than before, but still supportive <ul style="list-style-type: none"> Sentiment swings between risk-on & risk-off conditions Chinese recovery post Q1 on corona-virus impact 				Highly favourable environment <ul style="list-style-type: none"> Synchronised growth, global trade wars subside & commodity prices gain momentum Risk-on global conditions & corona virus contained 				Adverse global conditions emerge <ul style="list-style-type: none"> Commodity price pressures, increased trade protection, adverse Brexit, heightened global tensions Risk-off global conditions given Corona-virus 			

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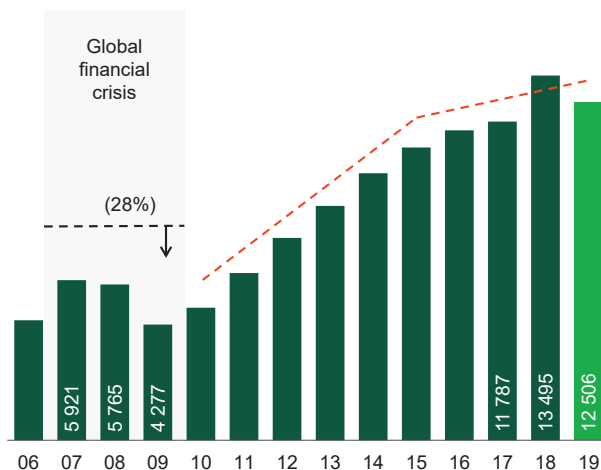
NOTES:

Nedbank Group in a strong position

BOOKLET SLIDE



Headline earnings (Rm)

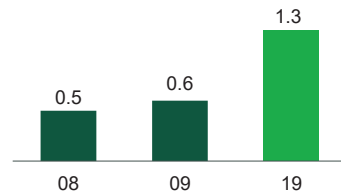


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Loan growth (CAGR %)



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



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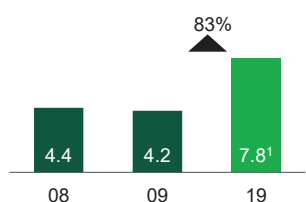
NOTES:

Nedbank Group in a strong position

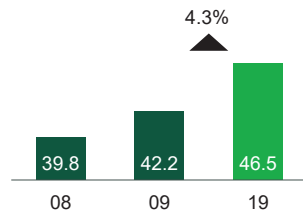
BOOKLET SLIDE



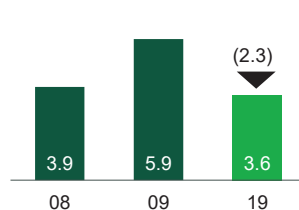
Number of clients (m)



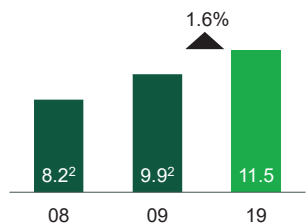
NIR income contribution (%)



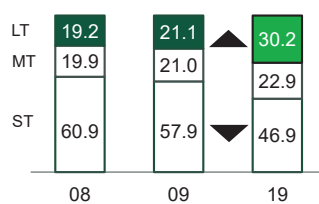
Defaulted advances (%)



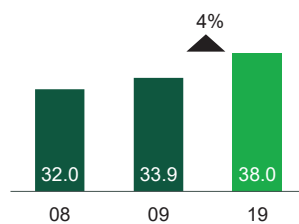
CET1 ratio (%)



Funding tenor (%)



Stage 3 coverage (%)



¹ Includes dormant account closures. | ² Core equity tier 1.

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Disclaimer



Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements are correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings or profits, or consequential loss or damage.

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NOTES:



2019 RESULTS COMMENTARY

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 Development 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 geysers
- 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 BBEE contributor status of level I 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 take-up 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 arrears. 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 disbursements), 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 m² to date, and we plan to achieve more than 49 000 m² 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 m² (over and above the 41 500 m² 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 Matookane, 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 RESULTS

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FINANCIAL HIGHLIGHTS

for the year ended 31 December

		Change (%)	2019	2018
Statistics				
Number of shares listed	m	0,8	497,1	493,2
Number of shares in issue, excluding shares held by group entities	m	0,9	481,2	477,1
Weighted-average number of shares	m	(0,7)	480,0	483,2
Diluted weighted-average number of shares	m	(1,2)	487,5	493,2
Headline earnings	Rm	(7,3)	12 506	13 495
Profit attributable to ordinary equity holders	Rm	(10,3)	12 001	13 376
Total comprehensive income	Rm	(14,9)	11 735	13 794
Preprovisioning operating profit	Rm	2,7	22 577	21 990
Economic profit	Rm	(50,8)	1 412	2 868
Headline earnings per share	cents	(6,7)	2 605	2 793
Diluted headline earnings per share	cents	(6,3)	2 565	2 736
Basic earnings per share	cents	(9,7)	2 500	2 768
Diluted basic earnings per share	cents	(9,2)	2 462	2 712
Ordinary dividends declared per share	cents		1 415	1 415
Interim		3,6	720	695
Final		(3,5)	695	720
Ordinary dividends paid per share	cents	5,1	1 440	1 370
Dividend cover	times	(6,6)	1,84	1,97
Total assets administered by the group	Rm	9,9	1 474 485	1 341 250
Total assets	Rm	9,5	1 143 349	1 043 912
Assets under management	Rm	11,4	331 136	297 338
Life insurance embedded value	Rm	14,4	3 188	2 786
Life insurance value of new business	Rm	10,8	421	380
Net asset value per share	cents	3,7	18 204	17 560
Tangible net asset value per share	cents	3,4	15 426	14 917
Closing share price	cents	(22,0)	21 430	27 472
Price/earnings ratio	historical		8,2	9,8
Price-to-book ratio	historical		1,2	1,6
Market capitalisation	Rbn	(21,4)	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 RWA			2,02	2,40
NII to average interest-earning banking assets			3,52	3,65
NIR to total income			46,3	47,4
NIR to total operating expenses			80,8	82,1
CLR – banking advances			0,82	0,53
Cost-to-income ratio			56,5	57,2
Gross operating income growth less expense growth rate (JAWS ratio)			1,3	2,7
Effective taxation rate			22,8	25,2
Group capital adequacy ratios (including unappropriated profits):				
– CET1			11,5	11,7
– Tier 1			12,8	12,5
– Total			15,0	14,8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

Rm	Note	% change	2019	2018
Interest and similar income		10,2	83 680	75 941
Interest expense and similar charges		13,6	53 513	47 122
Net interest income	1	4,7	30 167	28 819
Impairments charge on financial instruments	2	66,2	6 129	3 688
Income from lending activities		(4,3)	24 038	25 131
Non-interest revenue	3	0,1	25 997	25 976
Operating income		(2,1)	50 035	51 107
Total operating expenses	4	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	5	> 100	(651)	(164)
Profit from operations		(13,9)	15 813	18 369
Share of income of associate companies		50,2	793	528
Profit from operations before direct taxation		(12,1)	16 606	18 897
Total direct taxation	6	(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 income/(losses) 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 FVOCI – net change in fair value			(232)	(20)
Items that may not subsequently be reclassified to profit or loss				
Share of OCI of investments accounted for using the equity method			(145)	(16)
Remeasurements on long-term employee benefit assets			300	(345)
Gains/(Losses) on property valuations			186	(91)
Total comprehensive income for the year		(14,9)	11 735	13 794
Profit attributable to:				
– Ordinary equity holders		(10,3)	12 001	13 376
– Non-controlling interest – ordinary shareholders		(89,3)	18	169
– Holders of preference shares	7	(3,1)	313	323
– Holders of additional tier 1 capital instruments		79,0	478	267
Profit for the year		(9,4)	12 810	14 135
Total comprehensive income attributable to:				
– Ordinary equity holders		(16,4)	11 017	13 175
– Non-controlling interest – ordinary shareholders		> (100)	(73)	29
– Holders of preference shares	7	(3,1)	313	323
– Holders of additional tier 1 capital instruments		(79,0)	478	267
Total comprehensive income for the year		(14,9)	11 735	13 794
Headline earnings reconciliation				
Profit attributable to ordinary equity holders		(10,3)	12 001	13 376
Less: Non-headline earnings items		> 100	(505)	(119)
Non-trading and capital items			(651)	(164)
Taxation on non-trading and capital items			146	45
Headline earnings		(7,3)	12 506	13 495

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

Rm	Note	2019	2018
Assets			
Cash and cash equivalents		14 149	13 162
Other short-term securities		64 451	79 362
Derivative financial instruments		35 243	22 692
Government securities		97 286	70 974
Other dated securities		31 224	25 817
Loans and advances to clients	9	741 906	697 846
Trading loans and advances		32 678	23 637
Loans and advances to banks	9	22 249	14 822
Other assets		15 393	19 836
Current taxation assets		281	186
Investment securities	10	28 961	22 404
Non-current assets held for sale		735	305
Investments in associate companies	11	3 917	4 041
Deferred taxation assets		389	254
Investment property		56	
Property and equipment		11 977	9 371
Long-term employee benefit assets		5 602	4 966
Mandatory reserve deposits with central banks		23 486	21 629
Intangible assets	12	13 366	12 608
Total assets		1 143 349	1 043 912
Equity and liabilities			
Ordinary share capital		481	477
Ordinary share premium		18 096	17 315
Reserves		69 020	65 986
Total equity attributable to ordinary equity holders		87 597	83 778
Non-controlling interest attributable to ordinary shareholders		780	874
Holders of preference shares		3 222	3 222
Holders of additional tier 1 capital instruments		6 850	3 397
Total equity		98 449	91 271
Derivative financial instruments		27 991	20 003
Amounts owed to depositors	13	904 382	825 804
Provisions and other liabilities		23 297	25 602
Current taxation liabilities		161	363
Non-current liabilities held for sale		598	
Deferred taxation liabilities		939	669
Long-term employee benefit liabilities		2 533	2 749
Investment contract liabilities		24 571	20 035
Insurance contract liabilities		715	1 829
Long-term debt instruments		59 713	55 587
Total liabilities		1 044 900	952 641
Total equity and liabilities		1 143 349	1 043 912

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve ¹	Property reserve revaluation	Share-based payment reserve
Balance at 31 December 2017	481 568 888	482	18 688	(1 580)	1 944	1 334
Impact of adopting IFRS 9 and IFRS 15, net of taxation						
Balance at 1 January 2018	481 568 888	482	18 688	(1 580)	1 944	1 334
Shares issued in terms of employee incentive schemes	2 130 389	2	626			
Odd-lot repurchase of shares	(7 056 639)	(7)	(1 972)			
Additional tier 1 capital instruments issued						
Shares (acquired)/no longer held by group entities and BEE schemes	486 097		(27)			
Preference share dividend paid						
Dividends paid to shareholders						
Total comprehensive income for the year				191	(91)	-
Profit attributable to ordinary equity holders and non-controlling interest						
Exchange differences on translating foreign operations				589		
Movement in fair-value reserve						
Losses on property revaluations					(91)	
Remeasurements on long-term employee benefit assets						
Share of OCI of investments accounted for using the equity method				(398)		
Transfer to/(from) reserves					(128)	(4)
Share-based payment reserve movements						177
Additional tier 1 capital instruments interest paid						
Other movements						
Balance at 31 December 2018	477 128 735	477	17 315	(1 389)	1 725	1 507
Impact of adopting IFRS 16, net of taxation						
Balance at 1 January 2019	477 128 735	477	17 315	(1 389)	1 725	1 507
Shares issued in terms of employee incentive schemes	4 170 790	4	825			(632)
Additional tier 1 capital instruments issued						
Shares (acquired)/no longer held by group entities and BEE schemes	(125 146)		(44)			
Preference share dividend paid						
Dividends paid to shareholders						
Total comprehensive income for the year				(855)	186	-
Profit attributable to ordinary equity holders and non-controlling interest						
Exchange differences on translating foreign operations ⁵				(68)		
Movement in fair-value reserve						
Gains on property revaluations					186	
Remeasurements on long-term employee benefit assets						
Share of OCI of investments accounted for using the equity method				(787)		
Transfer to/(from) reserves					(72)	46
Share-based payment reserve movements						591
Additional tier 1 capital instruments interest paid						
Other movements						
Balance at 31 December 2019	481 174 379	481	18 096	(2 244)	1 839	1 512

¹ The initial application of IAS 29 resulted in an opening adjustment of R246m (non-controlling interest of R84m and R162m attributable to the parent). The effect of hyperinflation is further described in note 8.

² Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves to comply with various banking regulations of R168m (2018: R143m). This balance is offset by the difference between the at-acquisition fair value (net basis) and gross value of the Banco Único put option of R223m.

³ The available-for-sale reserve is no longer applicable from 1 January 2018 due to the implementation of IFRS 9.

⁴ Represents the accumulated profits after distributions to shareholders and appropriations of retained earnings to other non-distributable reserves.

⁵ Exchange differences of R159m disclosed in the statement of comprehensive income includes R70m for the conversion of ETI from USD to ZAR. The R68m decrease in the FCTR includes R70m relating to the conversion of ETI and a R2m increase related to foreign subsidiaries.

	Other non-distributable reserves ²	Fair-value reserves	Available-for-sale reserve ³	Other distributable reserves ⁴	Total equity attributable to ordinary equity holders	Non-controlling interest attributable to ordinary shareholders	Equity attributable to preference shareholders	Holders of additional tier 1 capital instruments	Total shareholders' equity
	25		384	60 546	81 823	859	3 222	2 635	88 539
		1 004	(384)	(3 838)	(3 218)	(14)			(3 232)
	25	1 004	-	56 708	78 605	845	3 222	2 635	85 307
					628				628
					(1 979)				(1 979)
					-			750	750
				(59)	(86)				(86)
				(6 744)	(6 744)		(323)		(323)
	-	60	-	13 015	13 175	29	323	267	13 794
				13 376	13 376	169	323	267	14 135
		(20)			589	(140)			449
					(20)				(20)
					(91)				(91)
				(345)	(345)				(345)
		80		(16)	(334)				(334)
	(105)			237	-				-
					177				177
					-			(255)	(255)
				2	2				2
	(80)	1 064	-	63 159	83 778	874	3 222	3 397	91 271
				(651)	(651)	(7)			(658)
	(80)	1 064	-	62 508	83 127	867	3 222	3 397	90 613
				(197)	-			3 500	3 500
					-				-
					(44)				(44)
					-		(313)		(313)
				(7 112)	(7 112)	(14)			(7 126)
	-	(470)	-	12 156	11 017	(73)	313	478	11 735
				12 001	12 001	18	313	478	12 810
					(68)	(91)			(159)
		(232)			(232)				(232)
					186				186
				300	300				300
		(238)		(145)	(1 170)				(1 170)
	25			1	-				-
					591				591
					-			(525)	(525)
				18	18				18
	(55)	594	-	67 374	87 597	780	3 222	6 850	98 449

RETURN ON EQUITY DRIVERS

for the year ended 31 December

Rm	2019	2018
NII	30 167	28 819
Impairments charge on financial instruments	(6 129)	(3 688)
NIR	25 997	25 976
Income from normal operations	50 035	51 107
Total operating expenses	(32 179)	(31 632)
Zimbabwe hyperinflation	(296)	
Share of profits of associate companies	793	528
Net profit before taxation	18 353	20 003
Indirect taxation	(1 096)	(942)
Direct taxation	(3 942)	(4 807)
Net profit after taxation	13 315	14 254
Non-controlling interest	(809)	(759)
Headline earnings	12 506	13 495
Daily average interest-earning banking assets	857 981	790 376
Daily average total assets	1 104 160	1 010 989
Daily average shareholders' funds	83 579	80 420
Daily average shareholders' funds, excluding goodwill	78 402	75 264

Note: Averages calculated on a 365-day basis.

	2019	2018
NII/average interest-earning banking assets	3,52%	3,65%
	less	less
Impairments/average interest-earning banking assets	0,71%	0,47%
	add	add
NIR/average interest-earning banking assets	3,03%	3,29%
	5,84%	6,47%
	less	less
Total expenses/average interest-earning banking assets	3,75%	4,0%
	less	less
Zimbabwe hyperinflation/average interest-earning banking assets	0,03%	
	add	add
Associate income/average interest-earning banking assets	0,09%	0,07%
	2,15%	2,54%
	multiply	multiply
100% – Effective direct and indirect taxation rate	0,73	0,71
	multiply	multiply
100% – Income attributable to minorities	0,94	0,95
Headline earnings	1,48%	1,71%
	multiply	multiply
Interest-earning banking assets/daily average total assets	77,7%	78,2%
	=	=
Return on total assets	1,13%	1,33%
	multiply	multiply
Leverage	13,21	12,57
	=	=
ROE	15,0%	16,8%
ROE, excluding goodwill	16,0%	17,9%

SEGMENTAL ANALYSIS

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OUR ORGANISATIONAL STRUCTURE, PRODUCTS AND SERVICES

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

OUR CLIENTS

NEDBANK CORPORATE AND INVESTMENT BANKING

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



> 600 large corporate clients.

NEDBANK RETAIL AND BUSINESS BANKING

Individual clients and businesses.



> 7,5 million clients including:

- > 296 000 small and medium enterprises (typically businesses with an annual turnover of less than R30m).
 - > 14 700 business-banking client groups with an annual turnover of between R30m and R750m per annum (client groups with turnover < R30m previously managed under Business Banking were migrated to small and medium enterprises).
- Of the total clients **2,95 million are retail main-banked.**

OUR PRODUCTS AND SERVICES

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



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



OUR AREAS OF STRENGTH AND DIFFERENTIATION

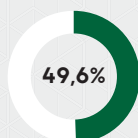
- Strong franchise providing good returns.
- Market leader with strong expertise in commercial property, corporate advances, advisory and renewable-energy financing.
- Leading industry expertise in public sector, mining and resources, infrastructure and telecoms.
- Solid advances pipeline (growth opportunities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

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

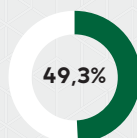
KEY METRICS

ASSETS
R544bn
HE
R6 167m
ROE
17,7%

ADVANCES

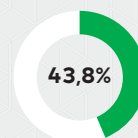


HE CONTRIBUTION

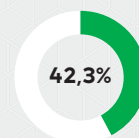


ASSETS
R378bn
HE
R5 293m
ROE
17,3%

ADVANCES

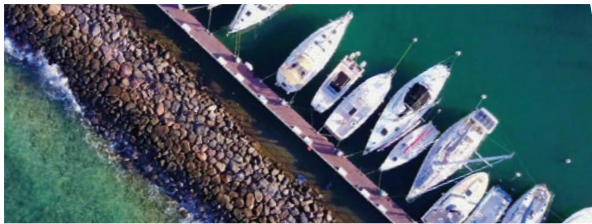


HE CONTRIBUTION



NEDBANK WEALTH

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



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

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



Nedbank Insurance

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

Nedbank Private Wealth

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

Unique Best of Breed™ asset management model

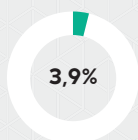
- Nedgroup Investments has maintained its top-three ranking in offshore asset management companies in SA for the fifth consecutive year.

AUM
R331bn

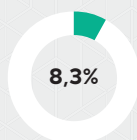
HE
R1 042m

ROE
24,8%

ADVANCES

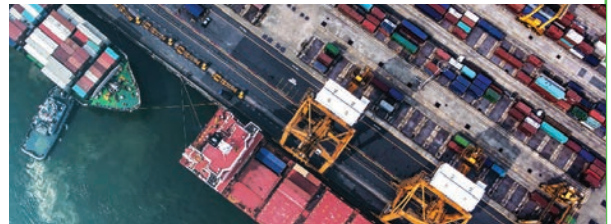


HE CONTRIBUTION



NEDBANK AFRICA REGIONS

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



> 336 000 clients.

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



Bancassurance offering in selected markets.

SADC (own, manage and control banks)

- Presence in five SADC countries – well positioned for growth on the back of a standardised model nuanced for market context.
- Technology investments to enhance CVPs and achieve scale (winner of 'best internet bank' in Mozambique).
- Winner of the fastest growing bank in Mozambique (Banco Unico) at the Global Banking & Finance Awards.

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

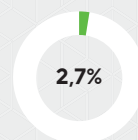
- The Ecobank–Nedbank Alliance: footprint across 39 countries, the largest in Africa.
- Increase dealflow by leveraging ETI's local presence and knowledge and Nedbank's structuring expertise.

ASSETS
R38,4bn

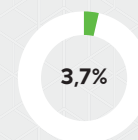
HE
R457m

ROE
7,7%

ADVANCES



HE CONTRIBUTION



OPERATIONAL SEGMENTAL REPORTING

for the year ended 31 December

Rm	Nedbank Group		Corporate and Investment Banking	
	2019	2018	2019	2018
Summary of consolidated statement of financial position (Rm)				
Assets				
Cash and cash equivalents	37 635	34 791	1 798	4 719
Other short-term securities	64 451	79 362	30 773	53 946
Derivative financial instruments	35 243	22 692	35 174	22 653
Government and other securities	128 510	96 791	63 270	51 131
Loans and advances	796 833	736 305	395 589	358 639
Other assets	80 677	73 971	17 122	16 719
Intragroup assets	-	-	-	-
Total assets	1 143 349	1 043 912	543 726	507 807
Equity and liabilities				
Total equity	98 449	91 271	34 885	33 555
Average allocated capital	85 111	81 620	34 885	33 555
Non-controlling interest	10 852	7 493	-	-
Other equity ¹	2 486	2 158	-	-
Derivative financial instruments	27 991	20 003	27 973	19 986
Amounts owed to depositors	904 382	825 804	379 656	348 310
Provisions and other liabilities	52 814	51 247	8 426	15 878
Long-term debt instruments	59 713	55 587	705	979
Intragroup liabilities	-	-	92 081	89 099
Total equity and liabilities	1 143 349	1 043 912	543 726	507 807
Summary of consolidated statement of comprehensive income (Rm)				
NII	30 167	28 819	7 390	7 246
Impairments charge on financial instruments	6 129	3 688	917	103
Income from lending activities	24 038	25 131	6 473	7 143
NIR	25 997	25 976	8 175	8 521
Operating income	50 035	51 107	14 648	15 664
Total operating expenses	32 179	31 632	6 604	6 572
Zimbabwe hyperinflation	296	-	-	-
Indirect taxation	1 096	942	181	86
Profit/(Loss) from operations	16 464	18 533	7 863	9 006
Share of income/(losses) of associate companies	793	528	121	(83)
Profit before direct taxation	17 257	19 061	7 984	8 923
Direct taxation	3 942	4 807	1 836	2 197
Profit after taxation	13 315	14 254	6 148	6 726
Profit attributable to:				
- Non-controlling interest - ordinary shareholders	18	169	(19)	12
- Holders of preference shares	313	323	-	-
- Holders of additional tier 1 capital instruments	478	267	-	-
Headline earnings	12 506	13 495	6 167	6 714
Selected ratios				
Average interest-earning banking assets (Rm)	857 981	790 376	371 862	341 863
Average risk-weighted assets (Rbn)	620 113	561 356	302 360	264 108
ROA (%)	1,13	1,33	1,15	1,36
RORWA (%)	2,02	2,40	2,04	2,54
ROE (%)	15,0	16,8	17,7	20,0
Interest margin (%) ²	3,52	3,65	1,99	2,12
NIR to total income (%)	46,3	47,4	52,5	54,0
NIR to total operating expenses (%)	80,8	82,1	123,8	129,7
CLR - banking advances (%)	0,82	0,53	0,26	0,04
Cost-to-income ratio, including associate income (%)	56,5	57,2	42,1	41,9
Effective taxation rate (%)	22,8	25,2	23,0	24,6
Contribution to group EP/(loss) (Rm)	1 412	2 868	1 234	1 976
Number of employees (permanent staff) ³	29 213	30 877	2 553	2 681

¹ Other equity includes the variance between average allocated capital, which is computed using the average-equity month-end balances and actual equity.

² Cluster margins include internal assets, which are not material to NIM.

³ During the year 325 staffmembers transferred from RBB to the Centre as part of an efficiency initiative. Excluding this transfer, at 31 December 2019, staffmembers in the Centre would have been 3 940.

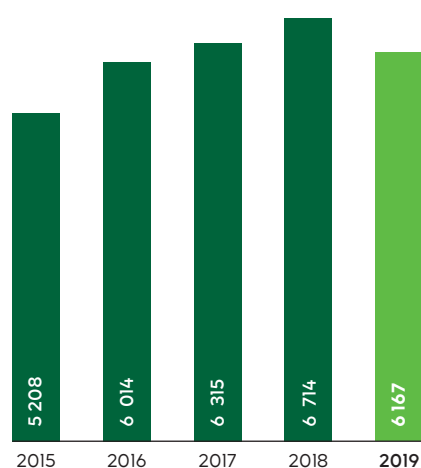
	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2019	2018	2019	2018	2019	2018	2019	2018
	6 168	3 105	1 746	1 562	6 341	5 615	21 582	19 790
			20 701	18 833	4 083	4 776	8 894	1 807
			7	6	38	10	24	23
	349 396	326 763	30 741	31 111	848	668	64 392	44 992
	10 610	10 762	24 238	19 630	21 678	21 037	(571)	(1 245)
	11 577	14 984			4 898	4 915	23 809	21 945
					499	497	(12 076)	(15 481)
	377 751	355 614	77 433	71 142	38 385	37 518	106 054	71 831
	30 573	28 471	4 204	4 225	5 943	6 812	22 844	18 208
	30 573	28 471	4 204	4 225	5 943	6 812	9 506	8 557
							10 852	7 493
							2 486	2 158
			6	5	11	12	1	
	338 901	322 520	40 060	39 495	30 223	29 472	115 542	86 007
	5 829	3 534	29 703	24 764	1 891	894	6 965	6 177
	2 448	1 089			317	328	56 243	53 191
			3 460	2 653			(95 541)	(91 752)
	377 751	355 614	77 433	71 142	38 385	37 518	106 054	71 831
	19 831	18 692	1 148	1 113	1 547	1 627	251	141
	4 823	3 433	57	39	233	113	99	
	15 008	15 259	1 091	1 074	1 314	1 514	152	141
	13 318	12 591	3 436	3 484	1 220	1 206	(152)	174
	28 326	27 850	4 527	4 558	2 534	2 720	-	315
	20 384	20 032	3 113	3 012	2 427	2 416	(349)	(400)
					296			
	548	275	113	108	58	37	196	436
	7 394	7 543	1 301	1 438	(247)	267	153	279
					672	611		
	7 394	7 543	1 301	1 438	425	878	153	279
	2 059	2 114	259	305	(64)	23	(148)	168
	5 335	5 429	1 042	1 133	489	855	301	111
	42	50			32	153	5	4
							271	273
							478	267
	5 293	5 379	1 042	1 133	457	702	(453)	(433)
	349 599	328 676	52 968	48 216	30 848	30 998	52 704	40 623
	203 383	186 876	26 468	24 823	48 938	49 064	38 964	36 485
	1,44	1,58	1,40	1,69	1,19	1,79		
	2,60	2,88	3,94	4,56	0,93	1,43		
	17,3	18,9	24,8	26,8	7,7	10,3		
	5,67	5,69	2,17	2,31	5,01	5,25		
	40,2	40,2	75,0	75,8	44,1	42,6		
	65,3	62,9	110,4	115,7	50,3	49,9		
	1,38	1,06	0,18	0,13	1,01	0,51		
	61,5	64,0	67,9	65,5	70,6	70,2		
	27,8	28,0	19,9	21,2	(15,0)	2,6		
	967	1 359	447	536	(384)	(259)	(852)	(744)
	17 607	19 430	2 207	2 173	2 581	2 617	4 265	3 976

NEDBANK CORPORATE AND INVESTMENT BANKING

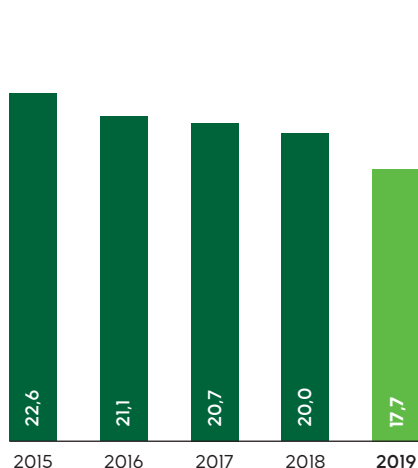
CIB's HE decreased by 8,1% to R6 167m as the economic environment worsened in the second half of the year, and impairments increased off a low base. GOI was maintained at R15 686m, while expenses were well contained with only a 0,5% increase despite continued investment in skills and technology.

Economic capital grew by 4,0% notwithstanding the higher level of advances growth as a result of capital optimisation and increased RWA efficiencies. ROE decreased to 17,7% due to the decline in HE and increase in economic capital.

HEADLINE EARNINGS (Rm)



RETURN ON EQUITY (%)



FINANCIAL HIGHLIGHTS

	Corporate and Investment Banking		Property Finance		Corporate and Investment Banking, excluding Property Finance	
	2019	2018	2019	2018	2019	2018
Headline earnings (Rm)	6 167	6 714	1 654	1 499	4 513	5 215
NII (Rm)	7 390	7 246	2 106	2 044	5 284	5 202
Impairments charge on financial instruments (Rm)	917	103	(32)	138	949	(35)
NIR (Rm)	8 175	8 521	1 207	1 202	6 968	7 319
Gross operating income (incl Associate income) (Rm)	15 686	15 684	3 313	3 246	12 373	12 438
Operating expenses (Rm)	6 604	6 572	1 051	1 029	5 553	5 543
ROE (%)	17,7	20,0	16,7	17,8		
ROA (%)	1,15	1,36	0,9	0,81		
CLR - banking advances (%)	0,26	0,04	(0,02)	0,10		
NIR to total operating expenses (%)	123,8	129,7	114,8	116,8		
Cost-to-income ratio (%)	42,1	41,9	31,7	31,7		
Interest margin (%)	1,99	2,12	1,12	1,14		
Total assets (Rm)	543 726	507 807	167 975	155 778	375 751	352 029
Average total assets (Rm)	538 064	494 972	159 412	152 578	378 652	342 394
Total advances (Rm)	395 589	358 639	148 473	140 169	247 116	218 470
Average total advances (Rm)	381 215	352 318	142 432	140 848	238 783	211 470
Total deposits (Rm)	379 656	348 310	268	875	379 388	347 435
Average total deposits (Rm)	367 804	339 676	503	781	367 301	338 895
Average allocated capital (Rm)	34 885	33 555	9 921	8 417	24 964	25 138

FINANCIAL HIGHLIGHTS

	Property Finance		Investment Banking		Markets		Working capital and transactional services	
	2019	2018	2019	2018	2019	2018	2019	2018
Gross operating income (incl Associate income) (Rm)	3 313	3 246	3 649	3 972	5 106	5 258	3 618	3 208
Average total advances (Rm)	142 432	140 848	174 179	154 488	38 724	32 154	25 880	24 828

NII increased by 2,0% to R7 390m, with good growth in AIEBA of 8,8% to R372bn. NIM decreased by 13 bps to 1,99% as asset margins came under pressure due to competition for high-quality assets. Average banking advances increased by 6,8% to R346bn, supported by ongoing drawdowns from previous deals, as well as a substantial number of new transactions that closed in 2019. Actual banking advances inclusive of corporate bonds increased by 9,4% to R393bn underpinned by good growth in the Investment Banking book following the conclusion of a number of significant deals. The pipeline for 2020 is healthy with continued drawdowns of current deals expected. Average deposits increased by 8,3% to R368bn from growth in call and term deposits.

The CLR at 0,26% is well within our TTC target range of 0,15% – 0,45%. Impairments increased to R917m (2018: R103m) as the credit environment deteriorated in the second half of the year with increased stress in certain industries. Due to early engagements and initiating restructures of clients in 2018, as well as no significant new defaulted clients in 2019, stage 3 advances decreased from R5,7bn to R4,1bn. However, the worsening environment resulted in increased impairments and a higher specific coverage ratio against these counters. The portfolio coverage ratio on the performing book increased from 0,28% to 0,36% as increased economic pressure resulted in the deterioration of risk ratings for counters in stressed industries. We continue to closely monitor stressed sectors of the economy, such as construction and cement, commercial property clients with large office/government exposures and parts of the retail sector. Focus on certain SOEs will continue given ongoing concerns about the constrained fiscus as well as delays in executing turnaround plans that continue to be impacted by liquidity and debt repayment concerns over the medium term. We have observed an improvement in the governance structure of the various boards and are encouraged by the appointment of new independent boards of directors.

NIR decreased by 4,1% to R8 175m largely due to revaluations in private-equity income as the challenging economic environment impacted the profitability of certain counters. This was offset by a good performance in trading income and resilient commission and fee income. Trading income grew by 2,6% despite low volatility and decreased volumes from a high base in 2018. Fee and commission income declined marginally to R3 256m, with subdued client activity offsetting continued primary-client wins. The NIR-to-expense ratio decreased to 123,8%.

Efficiencies allowed us to continue to spend on digital opportunities and upskilling our staff to ensure an ever-improving client experience. The cost-to-income ratio of 42,1% remains at the lower end of the SA peer group.

Property Finance

Conditions in the property sector were challenging in line with the economic environment in SA and the resultant challenges faced by tenants across all segments. Negative rental reversions were common across the office and retail segments as landlords looked to manage vacancies. While some new developments are taking place in specific nodes, general activity remains slow and we anticipate this to continue until a sustained improvement in economic conditions is observed. Gross operating income increased by 2,1%, driven mainly by NII growth of 3,0% due to good growth in advances. Actual banking advances, including bonds, increased by 7,8% to R163bn with an uptick in deals concluded in the latter part of the year. CLR decreased to -0,02% from 0,10% and remains below our TTC target range of 0,15% to 0,35%.

Importantly in this environment, our portfolio contains good-quality collateralised assets with low average loan-to-value ratios, underpinned by a large secure asset pool and a strong client base. The business sustained its strong history of cost containment, maintaining the cost-to-income ratio at 31,7%. Property Finance has maintained a leading market share over many years in SA and seeks to capitalise on this position by further expansion into the rest of Africa. The business was announced as the Top African Real Estate Bank of the Year at the Africa Property Investment Awards.

Investment Banking

Investment Banking was impacted by the deteriorating environment, with higher impairment charges and negative mark-to-market adjustments on certain equity exposures. Gross operating income decreased by 8,1% despite good advances growth. Actual banking advances, including corporate bonds, increased by 8,3% due to increased drawdowns and new client wins. Advances growth will be impacted in 2020 by low GDP growth, although this will be partially offset by payouts of deals concluded in the latter part of 2019. The pipeline is fairly robust across sectors, with an expected uplift as the market cycle turns. NII increased by 1,2% as a result of advances growth and the associated endowment income, but was impacted by margin pressure in a very competitive market for assets. NIR decreased by 26,6% and was impacted by negative revaluations in the private-equity portfolio as well as the performance of certain investments that were converted from debt into equity. Fees and commissions decreased by 1,9%, noting the 2018 base year contained fees from renewable-energy deals that were not repeated in the 2019 financial year. Defaulted exposures increased due to large counters in the telecommunication, sugar, construction, cement and retail sectors. The CLR increased to 0,45% as a result of increased impairments as the credit environment worsened, causing delays in implementing restructures as well as putting pressure on asset values. The business has leading industry expertise in mining and resources, infrastructure, oil and gas, telecoms and energy, and ranked number one for debt capital market bond issuances for 2019. In 2019 Investment Banking ranked first by deal flow for M&A advisors, third by deal value for M&A sponsors and won the M&A BEE Deal of the Year. The business won the Infrastructure and Project Finance Deal of the Year 2019 at The Banker Awards, Sponsor of the Year at the Project Finance International Awards and was placed first in the Venture Capital/Start-up category at the Southern African Venture Capital and Private Equity Association (SAVCA) 2019 Industry Awards.

Markets

GOI in Markets declined by 2,9% due to the decrease in NII from R1 039m in 2018 to R779m. This was due to decreased endowment after capital optimisation and declining volumes in interest-earning funding. Deliberate investment in the Markets sales and trading franchises is generating growth against a challenging backdrop characterised by persistently low volatility and volumes – particularly in the flow-sensitive asset classes of interest rates and equities. Foreign exchange flows broadly tracked the weak local economic picture and high precious-metal prices resulted in an increase in hedging activity in the commodities space. Market-focused investment over the past four years is bearing fruit, with trading debt securities, in particular, growing by 10,3%. There are promising signs appearing from our recent investment in cash equities, where the breadth and quality of client engagements, as well as activity, has increased significantly. The 4% decline in equities was largely driven by base effects of large once-off derivative transactions in 2018.

Transactional Services

GOI increased by 12,8% as a result of strong growth in deposits enabled by our competitive deposit offerings. Transactional income was flat, with subdued client activity offsetting the 32 primary-banked-client wins. The income from these new wins will be realised during 2020 once these new clients are onboarded with our specialist migration team. Notable wins include Airports Company South Africa, Supercare and Ekurhuleni Water Care Company. The transactional business has placed strategic focus on growing the short-term lending, trade finance and asset-based finance books through the formation of a specialised working capital sales team to facilitate additional deposit growth. The overall environment remains difficult with impairments increasing and a slowdown in domestic transactional income, but this has been offset by good growth in trade finance. Transactional Services continues to deliver on innovation in our product areas, as well as retain focus on efficiencies, robotics and API initiatives and solutions in conjunction with selected clients.

Looking forward

Growth prospects for SA are currently expected to improve slightly in 2020, but will remain sluggish as a result of slow structural reforms and low business confidence. We are intensifying our efforts to counteract this through highly focused client service, as well as providing innovative, valueadding solutions, coupled with strong relationships to ensure that CIB remains a strong contender in the market. We do, however, expect decreased client activity, but this will be offset by drawdowns in new transactional-client wins and advances payouts following the significant deals won.

We will focus on leveraging the strengths of our business units, with maintained momentum in Market's client acquisitions and technology drive over the next year. Transactional Banking will remain focused on client solutions and product innovation, allowing our clients to manage their various products and interactions with us in a more effective and digital-friendly manner. We also seek to capitalise on our leading property expertise as well as our deep sector knowledge in Investment Banking, with increased transactions across the continent. We will also continue to build on our advisory business, as it is a key enabler to growing NIR.

We are well positioned to use our financial expertise to play a part in achieving a sustainable future for the country. In 2019 we concluded the first issuance of a green renewable bond in SA and we plan to continue to lead in this space by providing first-to-market products.

Continued cost containment will be aided by creating efficiencies through optimisation, while still transforming the business by upskilling our talent and improving technologies to position us for the future. Developing leadership capability and building key teams, as well as attracting and retaining top talent, are significant levers in growing our businesses. Essential to our strategy is using our strategic partners to benefit clients on the continent and globally, and expanding our presence in Africa.

We also continue to emphasise proactive risk management and focus on resolutions in stressed sectors, while ensuring that we remain compliant with regulatory requirements.

Over the medium term we are committed to achieving ROE of $\geq 18\%$ and a cost-to-income ratio of $\leq 42\%$ with the long-term targets set at achieving ROE of $\geq 20\%$ and a cost-to-income ratio of $\leq 40\%$.

Favourable	Unfavourable
<ul style="list-style-type: none"> • Strong advances growth amidst competition for high-quality assets. • Expense growth contained to 0,5% despite continued investment in technology and talent. • Increase in trading income off a high 2018 base. • Improved rankings in the M&A league tables and good results at the annual JSE Spire Awards. 	<ul style="list-style-type: none"> • Impairments increased as the credit environment deteriorated. • NIM came under pressure due to competition for high-quality assets. • Worsening economic environment led to negative revaluations in private-equity income.

NEDBANK RETAIL AND BUSINESS BANKING

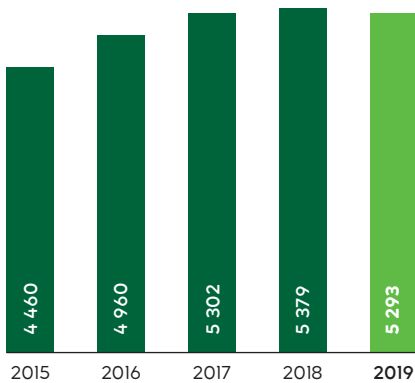
OVERVIEW

RBB HE decreased 1,6% to R5 293m, with quality earnings growth offset by a higher impairment charge. NII was underpinned by good growth in advances and strong growth in deposits, although the NIM decreased slightly. NIR growth was driven by inflation-related price increases and volume growth. Impairments increased as a result of risk normalisation off a low base and consumer stress driven by a worsening macroeconomic environment. Low expenses growth reflected the impact of optimising processes and operations as well as lower incentives driven from the lower profits. Economic capital increased in line with advances growth and this, coupled with the lower earnings, resulted in a lower ROE of 17,3%.

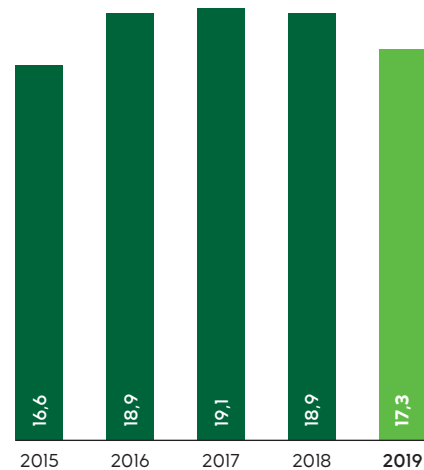
LOOKING AT OUR BUSINESS FROM OUR CLIENTS' POINT OF VIEW

At the centre of our strategy is our intent to deliver delightful client experiences. To delight clients we ensure that we are solving real client problems and pain points by integrating banking seamlessly into their daily lives. We have launched a client-centred design capability, combining human-centred design principles and digital innovations to deliver relevant, easy-to-use and market-leading solutions, and we are improving our products and services by leveraging the benefits of technology and increased digitisation.

HEADLINE EARNINGS (Rm)



RETURN ON EQUITY (%)



FINANCIAL HIGHLIGHTS

for the year ended 31 December

	Total Retail and Business Banking		Business Banking		Consumer Banking		Relationship Banking	
	2019	2018	2019	2018	2019	2018	2019	2018
Headline earnings (Rm)	5 293	5 379	1 383	1 462	2 789	2 884	969	691
NII (Rm)	19 831	18 692	4 129	4 123	13 238	12 583	2 556	2 215
Impairments charge on financial instruments (Rm)	4 823	3 433	382	117	4 238	3 239	131	74
NIR (Rm)	13 318	12 591	1 934	1 866	7 852	7 496	1 465	1 274
Operating expenses (Rm)	20 384	20 032	3 724	3 823	12 726	12 656	2 536	2 453
ROE (%)	17,3	18,9	19,0	22,2	14,4	15,6	32,5	27,4
ROA (%)	1,44	1,58	0,94	1,05	1,28	1,34	1,20	0,98
CLR – banking advances (%)	1,38	1,06	0,50	0,15	1,95	1,51	0,32	0,21
NIR to total operating expenses (%)	65,3	62,9	51,9	48,8	61,7	59,2	57,8	51,9
Cost-to-income ratio (%)	61,5	64,0	61,4	63,8	60,3	63,0	63,1	70,3
Interest margin (%)	5,67	5,69	2,83	2,99	3,72	3,89	3,17	3,14
Total advances (Rm)	349 396	326 763	77 658	74 287	225 689	216 179	44 779	37 246
Average total advances (Rm)	335 101	312 119	75 459	70 408	217 198	207 557	41 041	35 122
Total deposits (Rm)	338 901	322 520	139 603	139 354	118 872	114 052	80 627	68 400
Average total deposits (Rm)	328 272	305 151	139 301	131 800	116 022	108 738	72 548	64 285
Average allocated capital (Rm)	30 573	28 471	7 292	6 600	19 412	18 495	2 980	2 520

The total includes unallocated costs relating to Channel, Commercial Issuing and Acceptance, Clients and Shared Services, which are not reflected separately.

PRODUCT VIEWS, EXCLUDING BUSINESS BANKING

	Home Loans		VAF		Unsecured Lending		Transactional		Card and Payments		Forex and Investment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
NII (Rm)	2 408	2 257	4 315	3 940	3 456	3 206	2 631	2 640	1 454	1 446	1 549	1 327
Consumer banking and other	1 759	1 688	4 206	3 852	3 423	3 180	1 262	1 437	1 453	1 446	1 109	957
Relationship banking	649	569	109	88	33	26	1 369	1 203	1		440	370
Impairments charge on financial instruments (Rm)	157	86	1 910	1 446	1 372	1 021	41	42	923	766		
Consumer banking and other	61	44	1 899	1 429	1 349	1 007	41	42	923	766		
Relationship banking	96	42	11	17	23	14						
NIR (Rm)	249	240	712	667	707	677	5 198	4 885	4 254	4 077	240	193
Consumer banking and other	203	197	702	658	677	649	3 920	3 776	4 228	4 055	164	130
Relationship banking	46	43	10	9	30	28	1 278	1 109	26	22	76	63
Operating expenses (Rm)	1 537	1 489	1 434	1 379	1 624	1 522	7 228	7 418	3 441	3 280	1 430	1 320
Consumer banking and other	1 102	1 063	1 360	1 312	1 585	1 485	5 579	5 811	3 425	3 265	1 108	1 019
Relationship banking	435	426	74	67	39	37	1 649	1 607	16	15	322	301
Headline earnings (Rm)	680	651	1 083	1 168	832	948	395	48	936	1 076	254	142
Consumer banking and other	562	547	1 059	1 159	831	946	(324)	(459)	928	1 071	114	47
Relationship banking	118	104	24	9	1	2	719	507	8	5	140	95
ROE (%)	13,8	14,3	14,6	16,0	22,1	28,0	13,3	1,9	29,2	36,2	35,0	24,7
CLR – banking advances (%)	0,12	0,07	1,81	1,50	6,16	5,88	22,08	25,14	5,42	4,67		
Cost-to-income ratio (%)	57,9	59,6	28,5	29,9	39,0	39,2	92,3	98,6	60,3	59,4	79,9	86,9
Interest margin (%)	1,86	1,85	3,82	3,79	15,36	15,71	5,91	6,54	7,87	8,31	1,07	1,00
Average total advances (Rm)	124 366	116 823	101 218	93 443	19 546	17 902	117	100	14 658	14 121	2	1

Does not include unallocated costs relating to Channel, Clients and Shared Services, therefore the table does not cross-cast.

Investing in our people to enable them to make a difference in our clients' experiences remains key. Strong results in the annual Consultia SA Consumer Satisfaction Index (SAcsi) and BrandsEye social media sentiment survey showed:

- For the second year in a row Nedbank posted the largest improvement in its Net Promoter Score (NPS) among the top five retail banks and was the only bank to show positive movement, to 38%, in 2019.
- Nedbank was rated number one in respect of social media net sentiment, with a score of 20,4% – the first time the bank has attained the top position on this important measure.
- Nedbank's SAcsi improvement was the largest among the big five banks. In 2019 Nedbank rose to number two among the top five retail banks, posting the largest improvement. This improvement was driven mainly by key metrics such as perceived value and complaints handling.
- Nedbank Home Loans outperformed the industry, rising to number one in respect of client satisfaction. Nedbank Home Loans also had the best performance in respect of NPS, placing the bank in second place across the home loan industry.

Client numbers – Total client numbers remained at 7,5 million, as declines in acquisition were balanced by improved client attrition. Approximately 296 000 small-and-medium-enterprise clients and 14 700 Business Banking client groups are included in this total. Progress on quality-client acquisition is reflected in an 11,7% increase in clients who have been main-banked consistently for the past 12 months (main-banked clients total 2,95 million). Middle-market, affluent and small-business clients continued to increase strongly. Entry-level main-banked client growth has shown a decline (-2,0%); however, entry-level revenue (GOI) growth remains positive at 5,5%.

Digital innovation – We made significant progress in the past year, accelerating our digital transformation journey with core capabilities built to make it easier for our clients to engage with us. Examples include digital onboarding on the app, the web and through USSD; eFica; digital credit preapproval using data to personalise offers for clients; and Client 360 and a marketplace API, which allows other ecommerce platforms to use our lending APIs to offer loans. We enjoyed recognition for this by winning two awards from International Banker for the best innovation in retail banking in SA and the best client service provider in Africa for 2019. We were also voted the Most Innovative Retail Bank South Africa 2019 at the Global Banking & Finance Awards*.

The Nedbank Money app has been downloaded more than 3,9 million times and now offers over 70 client-servicing functions. Our total digitally active base is now 1,8 million, of which we have 832 000 digitally active clients using the Money app. Functionality developed through our client-centred design process includes the ability to: open savings pockets and create goals; chat directly to a banker using Live Chat; request overdraft and credit card limit increases; and manage Greenbacks effortlessly, including redeeming them to invest in unit trusts or buy forex. In line with our aim to delight our clients by providing them with worldclass digital experiences, we introduced HeyNed – a market-first digital concierge in clients' pockets to assist with any non-banking needs they may have, sourcing deals from over 350 000 suppliers and negotiating on clients' behalf.

The Nedbank Money app allows new clients to open transactional accounts without having to submit documents or visit the branch – a market-leading experience. In addition, existing app users can open investment accounts and meet their investment needs, and also access customised offers for personal loans, overdrafts and credit cards based on individual assessments driven by advanced analytics and artificial intelligence (AI). Clients also have the ability to switch their salary and debit orders to their Nedbank accounts as well as open accounts for their children. Our online banking platform has 73 digitised client services that empower our clients to bank using this self-service channel through their personal devices and include the capability to download stamped bank statements and tax certificates conveniently.

The small-business segment remains a key focus area and businesses are now able to register companies with the CIPC through nedbank.co.za as well as to open a business bank account online. They can also switch between their personal and business accounts while logged into the app or online banking for a seamless and consistent experience.

Commercialisation of data – Data is a critical asset in Nedbank and an enabler of Nedbank's strategic focus areas. While Nedbank is committed to protecting the privacy and confidentiality of its clients, employees and other associated parties, managing data effectively has become key to unlocking client insights, improved personalisation and significantly improved service levels. The need to understand our clients better and to retain them more effectively, while providing them with a range of value-added products, is essential to unlocking Nedbank's growth ambitions. We view data commercialisation as a source of competitive advantage and a necessary step change in the way we do business going forward.

We are developing a real-time marketing decisioning engine geared for tailored, relevant, channel-of-choice offers to optimise processes with improved response rates and cost savings. We continue to identify automation opportunities to increase productivity.

Since the inception of the RBB automation centre of excellence in 2018 we have made good progress in creating a worldclass robotics process automation (RPA) delivery function and now have a fully fledged internal delivery team. According to a recent KPMG independent maturity assessment of the delivery of automated services, we scored higher than our peers in SA, and only marginally lower than our international peer group. With our AI and machine-learning capabilities we have a deeper understanding of our clients, which helps us to personalise and customise offerings to meet their needs and serve them better. Our enhanced RPA enables us to automate manual processes,

improving our speed and accuracy. We have deployed a further 77 robotic solutions across RBB, increasing the total to 125.

Physical distribution – In response to shifts in client behaviour and preferences we continued to optimise our branch footprint. For the period under review we closed 21 points of presence and opened two new branches and four inretailer outlets, resulting in a net reduction of 15 physical points of presence. The reduction has not affected our coverage of the bankable population in SA. We also upgraded 19 branches to our new format, bringing the total completed upgrades to 379 branches (64% of total branches). Regarding branch space, we exceeded our 2020 targeted reduction of 30 000 m² by achieving an actual space reduction of 41 516 m² at 31 December 2019, with the total branch floor space decreasing by 23% of total branch space occupied in 2014. In response to the continued increase in transaction volumes through our self-service channels we revised our targeted reduction in branch space to more than 49 000 m² by the end of 2020.

We expanded our ATM footprint with a further 158 devices during 2019. These included 156 cash-accepting ATM devices. During this period cash dispensed increased by 8%, with 73% of all client cash at branches now being processed through cash-accepting ATM devices – an increase from 35% in 2016. Significant progress has been made in enhancing functionality across self-service and online channels, providing our clients with enhanced convenience. Our network of 438 self-service kiosks within our branches enable our clients to perform a range of self-service transactions, including ATM limit changes and overseas travel notifications. We have also launched a functionality that allows clients to open simple transactional accounts seamlessly using the self-service kiosk. Client service through branch-located video banking and contact centre access provides further convenient alternatives for clients. A further addition to our 24/7 zone in select branches is a locker to which clients can send their cards or any bank documents for collection. It also extends beyond banking and provides clients with a convenient collection point for items ordered on ecommerce sites such as Takealot or our Unlocked.Me platform. We plan to roll out more of these to stores across the country as well as selected Engen garages. We are pleased with our progress in making it easier and more convenient for clients to access our services – and at a lower cost.

Our physical footprint reflects both the increased drive towards client self-service and a diverse SA consumer base that still requires face-to-face assistance.

Our contact centre is available to clients 24 hours a day. Client experience and security have been improved through the deployment of voice biometrics as well as a new online live chat capability, enabling clients to access services and advice through text-based interaction with our agents. Non-voice contact centre interaction now represents 25% of all interactions following the deployment of multimedia access across our contact centre.

Value propositions – We launched several disruptive CVPs. These include Unlocked.Me for the youth, delivering banking value through a zero-monthly-fee account; lifestyle value through great deals on tech and fashion, such as 50% off laptops; and assistance to clients in unlocking their career potential with job search support, including access to up to 500 jobs online. We have noted good progress in brand awareness and consideration scores. We are also recording good levels of engagement and client registrations on the Unlocked.Me platform, with client registrations now exceeding 100 000. Following the early success

of the Unlocked.Me Account with students, we have opened the proposition to all young adults between the age of 16 and 26 years. These are strong foundations on which to grow clients in the youth segment going forward.

We continued to see sustained growth in our stokvel proposition, which offers members a market-leading investment account, funeral benefit, as well as grocery discount benefits. Since its launch in March 2018, 4 500 stokvels have been banked, with 155 000 members enjoying benefits. We also launched a first-in-market, USSD-based onboarding system, allowing stokvels to onboard themselves to the account anywhere. This benefit was aimed at ensuring a better client experience for stokvels, while recognising that the collective makes the decisions and that this benefit empowers them to do so, in their own spaces.

Our MobiMoney wallet, which allows for client onboarding within seconds, has seen client numbers grow to 249 000 since its launch in August 2018. A Youth Employment Service (YES) team of 120 people is fully in-field and has netted over 40 000 MobiMoney sales. The team has been given sales and client training, as well as etiquette and social media training. They have also written comprehensive product tests to ensure that they understand our products and can be true ambassadors for the Nedbank brand. To make MobiMoney more inclusive and to provide greater opportunities for access points consumers can now deposit money into their MobiMoney wallet at over 9 000 retail store points in addition to Nedbank ATM points of presence.

Early 2019 saw the launch of the Home-buying Toolkit, a digital tool that allows Nedbank clients to search for homes, access property research reports and apply for preapproved credit conveniently using their cellphones. In July 2019 further enhancements to the toolkit resulted in an additional digital sales channel for the business, allowing clients to apply for a home loan on the Nedbank Money app using a shorter, simplified chat-based application. This includes prepopulation of clients' contractual debt information directly from credit bureaus, enabling simpler and faster completion of the form.

In support of business owners as they start, run and grow their business, Nedbank relaunched its SimplyBiz® resource platform with enhanced functionality, including access to a network of like-minded entrepreneurs, business owners and specialists, business solutions and special offers; funding advice; and a marketplace. The platform has approximately 12 000 registered members.

The top-rated Karri payments app is an innovative solution that allows parents to make safe, quick and convenient payments to the school or other community organisation. It continued to achieve exponential growth in 2019 across all measures, with strong growth in both active users (up 240% yoy), transactional value (up 280% yoy) and volume (up 230% yoy). The school payment app is now used in more than 500 of the top schools in SA, with a highlight being the recent signup of AdvTech, one of the largest educational corporate groups in SA. The Karri app continues to achieve mostly five-star ratings in the app store.

Treating clients fairly and market conduct – Nedbank has been on a journey to develop a more client-centred culture for several years. We embrace good market conduct practices and seek to operationalise our brand promise with the view to consistently deliver fair client outcomes.

Our Market Conduct and Culture Programme is a systematic approach that applies a conduct lens to our review of our current practices. This is used to identify and implement operational

improvements in the full client journey across all products, channels and touch points. The programme will continue in 2020 as we incorporate the FSCA draft conduct standards, together with worldclass conduct practices, to deliver better client experience.

Marketing – We have aligned our marketing efforts with our brand purpose, which is to use our financial expertise to do good. We base our approach on a universal insight that money, when well managed, can make a real difference in people's lives, as well as the lives of their family, their business, their communities and society. Through the creation of a brand world construct, which came alive through the use of Sbu the cab driver, we have created better consistency not only in look and feel, but also in messaging and meaning, which allows us to build strong memory structures and recall for our brand. We continue to fast-track our data-led marketing, together with our digital-marketing capabilities, to be more relevant and connect better with our clients. This is being demonstrated through data-led, personalised, and highly targeted messaging at scale, backed by an increase in digital-marketing spend that is comparable to global industry norms.

Loyalty and rewards – We successfully launched our new Greenbacks programme in the second half of 2019. The new Greenbacks is not just a rewards programme but a money management programme that prompts, incentivises and rewards good money behaviours. It incorporates our long-standing Nedbank Affinity Programme and allows Greenbacks members to easily support an Affinity of their choice, at no cost to them. The new programme consists of packages linked to products. We launched the Card Swiper package (credit card) as well as the Money Manager package (transactional products) last year, with Responsible Borrower (lending products) to be launched in the second quarter of this year. To date we have around 600 000 clients on the new platform and new enrolments are steadily increasing. The ability for our clients to be rewarded across these product holdings with Nedbank and not just their card products, (as was the case with the old Greenbacks programme), enables improved client retention. In addition, the digital redemption mechanisms on the Money app (whereby clients can donate to an Affinity, redeem to invest in unit trusts, buy airtime, data, electricity or pay service fees) have seen a significant increase in usage, albeit off a low base.

KEY DRIVERS OF THE 2019 FINANCIAL PERFORMANCE

NII increased 6,1% to R19 831m and was underpinned by 6,4% growth in AIEBA and good growth in deposits, while NIM is marginally down due to mix and the personal-loans business impact of the NCA-driven reduction in the maximum interest rate.

Average total banking advances increased 7,7% to R348,4bn, with new-loan payouts increasing to R103,9bn, on the back of payouts in Consumer Banking, which increased 2,4% to R67,3bn; Relationship Banking, which increased 9,5% to R9,6bn; and Business Banking (post internal restructure), which increased 12,6% to R26,6bn.

Average deposits increased 7,6% to R328,2bn. Our market share of household deposits declined to 16,9% at December 2019 due to proactive pricing decisions to ensure an appropriate balance between margin and volume.

Defaulted advances increased to R21,2bn from R17,3bn in December 2018, increasing the defaulted book to 5,8% of the advances portfolio, up from 5,1% in December 2018.

Balance sheet impairments rose to 3,87% of total advances and the coverage on the performing book increased to 0,81%. Our strategy to grow selected categories of advances ahead of the market within acceptable risk categories remains.

The CLR, of 1,38%, increased from 1,06% in the previous year to just within our target range of 1,30% to 1,80%. The traditional seasonality improvements on impairments in the second half of the year were offset by the tough economic environment, particularly in vehicle finance.

NIR increased 5,8% to R13 318m, underpinned by growth in quality transactional income and revenue from client card issuing (with combined growth of 6,3% yoy, as well as average product price increases of 4,5% from 1 January 2019).

Expense growth of 1,8% to R20 384 includes investment in distribution of R60m and growth in revenue-related costs of R82m offset by the benefit from IFRS 16 of R104m and reduced STI and LTI. Additional cost savings of R490m have been delivered through ongoing, active cost management, with headcount decreasing by 1 876 to 17 699 since December 2018, achieved through natural attrition, with retrenchments limited to 145.

We have made significant progress in enhancing operational efficiencies, unlocking cost savings and improving client experience by leveraging technologies such as robotics, AI, machine learning and data analytics as outlined in our 'Commercialisation of data' section above.

Staff Developments

RBB is going through complex changes with regard to organisational restructure, systems and processes. To cater for these changes our employees are given face-to-face change management counselling and provided with change tools through our portals to access as and when required. Employees were further engaged through our People expos to manage the change anxiety and create excitement about working for Nedbank. This will be further enhanced by our group initiative People Promise, currently being rolled out across the business.

Our focus has been to prepare for the future skills requirements, ie digital skills, leadership skills/EQ and other scarce and critical skills. Training has taken place in classrooms (face to face) as well as on LinkedIn. As a result, Nedbank won the LinkedIn award for best digital learning. We have also partnered with various entities, including the University of Johannesburg, *Mail & Guardian*, YES and BANKSETA, to develop and grow pipeline talent, especially in scarce-skills areas such as data science, analytics, sciences, technology and the arts.

Our staff composition remains broadly representative of our society across gender, age and race – EE representation stands at 80%, women at 67% and millennials at 60% – which contributes to innovation and diverse thinking. We are focusing on service excellence as a deliberate training intervention, as we believe that this will be a lever of differentiation for us going forward. We are planning to introduce 15 000 to 17 000 employees to this initiative in 2020.

Looking forward

We remain committed to delivering on our client-centred growth strategy and boldly executing our plans to deliver delightful client experiences through digital transformation using the five strategic levers of Digital First, First in Digital; Disruptive CVPs; Data-led Sales and Service Excellence; Loyalty and Rewards; and Data Analytics and Insights.

We have revised our financial targets in context of a deteriorating macroeconomic environment and aim to achieve an ROE of $\geq 19\%$ over the medium term (two to three years); $\geq 20\%$ over the long term (five years or more) and a substantially lower cost-to-income ratio of less than or equal to 59% over the medium term and 57% over the long term.

Our focus remains on accelerating financial inclusivity of our banking propositions to meet evolving client needs by commercialising existing CVPs and developing new disruptive CVPs, delivering competitively priced products, actively reducing transacting costs for our clients through digital banking services, and tapping into platform-based propositions to offer beyond-banking solutions. Therefore, 2020 will see us also fast-track rollout of additional Greenbacks money management features such as Responsible Borrower.

In the first half of 2019 we rolled out our enterprise client-onboarding platform (Eclipse) to all frontline users. This platform provides our clients with a seamless onboarding experience, the ability to open a transactional account and apply for a personal loan through a single digital process (currently more than 95% of all new applications in the branch are processed through Eclipse) and an additional incentive to bank with us. This sets us on a great path to digitising our top 10 client journeys, adding more straight-through-processing and digitising client journeys such as making and receiving payments and making or opening an investment account using staff-assisted and self-service channels. We have digitised 114 services to date and are on track to digitise the remaining 70 services across web, app and self-service kiosk channels to end up with more than 180 digitised services by the end of 2020, as is our goal.

Future distribution investment is aimed at ensuring an optimal client channel footprint. This will provide more self-service device options for clients, a marginally reduced branch footprint, as well as a reformatted strategy aimed at unlocking more space efficiencies and equipping branches with self-service capabilities to provide convenient alternatives for our clients. There is also a focus on quality-client acquisition. We aim to achieve this through deepening the relationship with our clients by improving the client experience and ensuring we have value-adding, cost-effective products that will drive improvement in our key Net Promoter Score (NPS). We have launched our new staffed interface for account opening and servicing, which will further enhance growth in our transactional banking franchise by reducing the amount of staff-assisted time required to onboard new clients by facilitating better cross-selling and client experiences.

Continued focus will also be on equipping our staff to deliver delightful client experiences. This will be done by rolling out our People Promise, the Service Excellence programme and providing staff with data insights toolkits. There has been and will continue to be focus on building data analytics, RPA, digital marketing, client-centred design and commercial partnership capabilities as strategic assets for our business.

Our policies on credit granting have remained consistent and should ensure relative risk outperformance in the market through-the-cycle. HE growth should continue to be supported by various cost efficiency strategies, including the reduction of the cost to acquire and serve clients through our convenient and functionally rich mobile and digital channels.

NEDBANK RETAIL AND BUSINESS BANKING SEGMENTAL REVIEW

Business transfers

Following an in-depth review of industry practices and internal capabilities, the annual turnover threshold for Business Banking clients was lifted from R10m to R30m, motivated by a need for Business Banking to create capacity to focus on larger SMEs, coupled with a business model in Retail Relationship Banking that is well geared to serve small businesses with lower complexity.

As a result about 17 000 clients with a turnover of R10m to R30m were transferred from Business Banking to Retail Relationship Banking. This has resulted in the following movements for the period under review:

- R3,9bn in advances (average balance impact of R1,9bn)
- R7,2bn in deposits (average balance impact of R3,6bn)
- R78m in headline earnings for six months
- 7 297 client groups (equivalent to 17 000 client records)

Business Banking

Business Banking (BB) provides relationship-based banking services to corporates, institutions and parastatals with an annual turnover of less than R750m but more than R30m. This minimum limit was lifted from R10m with effect from 1 July 2019 and clients falling below this threshold have been migrated to Retail Relationship Banking. Comments below reflect the Core Business Banking results, restated to be exclusive of the client migration to enable a like-for-like comparison. Core Business Banking delivered strong preprovisioning operating profit growth of 14,0%, aided by savings of R50m achieved through the successful reduction in headcount as well as judicious cost management practices, also resulting in an ROE of 18,3%.

Despite the sluggish economic growth that has seen deteriorating levels of business confidence, with business owners taking a more cautionary approach to key investment decisions, average advances growth is up 10,6%, largely due to a 12,6% increase in new-loan payouts to R26,6bn, coupled with an increase in client drawdowns of existing facilities as well as new-client acquisitions. We remain a strong generator of funding, with average total deposits increasing by 9,0%, giving rise to the generation of R69,7bn in net surplus funds.

The CLR of 52 bps is at the bottom end of the TTC target range of 50 bps to 70 bps. However, it is up significantly from the 15 bps in 2018 and is the main driver of the flat core headline earnings growth of 0,4%, while preprovisioning operating profit grew by 14,0%. The CLR for 2018 benefitted from significant impairment releases of R147m following the improvement in the drought conditions, and when normalising for adjustment, CLR increased by 15 bps. Downside risk does, however, remain, as we continue to see the pressure in the operating environment of our clients, cashflow constraints in the public and private sectors, and general economic uncertainty driving cautious borrowing behaviour.

Our core CVP is based on the premise of being the trusted partner for our clients by offering bespoke solutions that enable their growth aspirations. Through our deep knowledge and insights about their business and their related industry, we are able to unlock future possibilities and options that allow clients to take their business to the next level. This ensures that our clients benefit from a structured approach combining relevant, cutting-edge and unique solutions customised to their business needs.

A full range of banking and financial services includes tailored CVPs designed especially for the agriculture and franchising sectors, as well as public sector institutions. Our offering also includes debtor factoring, fleet solutions, specialised finance and innovative deposit and transactional solutions for high-volume and high-value deposit and transactional requirements for medium and large businesses.

The strategic choice of collaborating with various external partners, including the public sector, has been enormously successful, resulting in the award of 18 banking tenders in the public sector over the past year.

Business Banking is well positioned to support the growth of SA and our people by enabling business growth through the delivery of key initiatives to the business sector that will add to the future sustainability of SA. This includes our investment in enterprise development, supplier development finance and creating easier access to finance mechanisms for black-owned SMEs. We will also continue to focus on delivering delightful client experiences through the consistent performance of our core banking propositions. To do so we will continue to leverage our capability in developing digital advances, which includes providing machine-learning tools to our frontline client service teams. These tools offer rich insights into our clients' banking behaviours that will help the teams deliver enhanced client value. A further focus will be developing propositions that will unlock new markets and new revenue streams, including high-end disruption through the delivery of ecosystem-led CVPs that are enabled by digital innovation.

Retail Relationship Banking

RRB provides relationship-based banking services to affluent individuals and their households (salaried and self-employed), to non-resident clients and embassies, and to SMEs with a turnover of less than R30m and their business owners.

The relationship banking CVP is designed for clients seeking a personalised, flexible and proactive approach and caters for the more complex financial needs typically associated with the abovementioned segments.

Notwithstanding the benefit from internal client moves mentioned earlier, the core business performed strongly, delivering on ROE of 31,7% and remains a significant contributor to the overall performance of the cluster. A 9,5% increase in loan payouts led to 11,4% growth in average assets. The average liabilities growth of 7,3% was slower than in previous years, but the business still remains a R35bn net funding contributor to the cluster and group. The CLR has increased from 21 bps to 32 bps; however, this risk outcome is still well below the TTC target range and once again confirms RRB's entrenched risk management capabilities and the high quality of the portfolio.

From a strategic perspective the professional-banking proposition for the affluent segment provides excellent value for money and access to exclusive benefits for clients (such as a dedicated banker for the entire family, unlimited domestic and 10 international airport lounge visits annually, preferential investment rates and tailored credit). We are making progress in building a client base for the future (19% CAGR in young professional clients over two years), which is compensating for the generally low switching rates in the established-professional segment. The Nedbank Money app has been well received in this market, with more than 70% of potential users having registered.

Nedbank remains well positioned in the small-business segment, with urban market share increasing to 22% as a result of positive perceptions of our ability to understand and serve the needs of this important sector. We continue to invest in both our banking offering and support services, including business registration with the CIPC, issuing of BEE certificates and providing support through our Simplybiz.co.za platform. From June 2019 business users (previously registered for Nedbank Internet Banking) can use the Nedbank Money app, online banking channels and associated self-service functionality for their business and, if applicable, toggle seamlessly between their personal and business profile.

A key focus across both segments is the automation and fine tuning of our credit assessment and pricing approach to maximise takeup as well as transactional cross-sell on the back of these assets. The broader efforts of the bank to create more self-service functionality, digitise the onboarding processes, expand the new Greenbacks money management programme and create a worldclass forex offering will greatly benefit this business area in coming years.

Consumer Banking

Consumer Banking serves approximately 7,1 million clients in three primary subsegments, namely youth, entry-level banking and the middle market. These consist mostly of individuals earning less than R750 000 per annum, but include some non-individual clients as well, primarily stokvels, clubs and societies.

Consumer Banking registered strong underlying growth in 2019. Strong growth in advances and deposits were complemented by judicious expense management. We saw particularly good advances growth in emerging-middle-market (13,4%) and upper-entry-level banking (27,5%). This resulted in preprovisioning operating profit increasing to 12,8% yoy and the cost-to-income ratio decreasing to 60,3%. Growth in impairments off a low base has, however, muted headline earnings growth.

Our focus in Consumer Banking is to be even more client centred and deliver even better client experiences. We were the most improved of SA's five retail banks in three measures of client experience: the Net Promoter Score (NPS), South Africa Consumer Satisfaction Index (SACSI) and Social Media Net Sentiment Score.

Digital has been a huge enabler in improving client experiences. For example, clients can now easily open an investment product on the Nedbank Money app and receive preapproved offers for personal loans, credit cards and overdrafts. We are seeing exponential growth in the number of clients enjoying these experiences on the app.

We have implemented a client-centred, opportunity-based cross-sell strategy to close the gap between us and our competitors. The strategy is focused on clients' core banking needs, and consists of four pillars, namely everyday banking, lending, savings and protection. Early pilot results were highly encouraging, and we will be expanding the impact of the programme across our branch network in 2020.

We have also developed a machine-learning tool to help with client engagement and cross-selling. This will empower our frontline sales staff to have more needs-based and more impactful conversations with clients. We are also putting added emphasis on switching our lending clients into transactional relationships, both through targeted client value propositions and better processes.

Transactional Banking

Transactional Banking provides fully inclusive access to banking by offering affordable and meaningful banking to clients across all income levels, enabling financial inclusion and effective money management through key innovations such as MobiMoney, Unlocked.Me and savings pockets.

Transactional Banking delivered 3,8% growth in NIR, despite client transactional volumes migrating to affordable electronic channels and the launch of zero-fee products. The NIR increase was driven by new acquisitions and strong growth in the number of consistently main-banked clients and value-added services. Lowering our banking fees, specifically in respect of our PAYU zero-fee product and Unlocked.Me Account, has saved clients banking fees while giving them significant access to value. Despite the decrease in transactional clients, we continue to acquire quality clients, as consistently main-banked clients increased 11,7%.

As part of our digital journey and providing delightful client experiences, we launched a simplified onboarding process that enables straight-through processing on most of the transactional products on the app and online banking. Additional services added to the app, such as MyPocket, have offered convenience and improved client experience. These digital solutions, as well as offerings such as Unlocked.Me and MobiMoney, continued to contribute towards growth in revenue and the number of consistently main-banked clients. These digital solutions and platforms also place Nedbank in a strong position to compete with new entrants and existing players in the market.

Card and Payments

Card and Payments provides card-issuing, acceptance and payment products and solutions across all client segments. Card and Payments offerings include key innovations such as POSplus, scan to pay, Market Edge™ and GAP Access™.

Card and Payments' headline earnings were driven by good NIR growth but was offset by increased impairments that have been negatively affected by the impact of macroeconomic conditions and other factors. NIR growth was driven by an increase in card-issuing volumes of 6% and acceptance of 21%. Competitive pressures intensified by the arrival of new entrants, changes in client behaviour and regulation continue to put pressure on NIR growth. Active cost management remains a focus area, with ongoing strategic investments being made into payment solutions and client experience.

Our innovation momentum continues in a landscape that is experiencing accelerated structural changes driven by regulation, innovation and disintermediation caused by the arrival of new entrants. Our innovation agenda is dominated by value-adding payments and transactions solutions that drive differentiated and competitive value propositions. New releases include virtual payments, which increase clients' control over spending as well as reduce fraud.

As part of our evolved channels, distribution strategy and commitment to creating great client experiences, we rolled out our first-in-market card delivery solution through Nedbank Lockers and at retailers. Nedbank Lockers enable our clients to collect their cards 24/7 from convenient locations. Our inretailer card collection solution is the result of a strategic partnership with retailers to facilitate more accessible and convenient card collection and banking for our clients. Card Acceptance launched an instore finance service that provides clients and merchants with alternative forms of payment and checkout. Additionally, Nedbank Card has become the joint market leader in the 2019 overall South African Customer Satisfaction Index.

Forex and investment products

Our purpose is to create investment and forex products that provide easy and quick client experiences.

Nedbank's market share of household investments contracted from 19,0% (December 2018) to 17,9% (December 2019), impacted by our proactive pricing decisions to ensure an appropriate balance between margin and volume. We are enhancing our analytics to identify the right prospects to optimise our marketing and campaigns' successes.

Following the launch of our online investment capabilities on the Nedbank Money app and Online Banking, 36% of new accounts were opened digitally for full-year 2019, compared with 6% in 2018. For 2019, 53% of notices of withdrawal were submitted digitally, compared with 35% in the prior year. Account opening is a fully straight-through process that is an easy experience for the client. This has resulted in capacity creation inbranch, which will lead to cost optimisation over time.

We are on the journey to further enhance our online investment platforms and continue to shift volumes from physical to digital. We have introduced maturing investments and have progressed well with the development of Nedgroup Investments products to be included in the investments product catalogue, which we plan to launch in the first quarter of 2020.

Several investment value propositions have been enhanced, including stokvels, tax-free savings accounts, onboarding on USSD, new tax-free fixed-deposit accounts, the Corporate Saver third-party funds administration platform and a deposit note programme at the top end of our commercial base.

With regard to Forex, our aim is to create new and improved trade and crossborder payment value propositions across all RBB segments. This includes travel cards, foreign banknotes, remittances and foreign currency accounts among the business-related services that enable clients to import and export with well-managed risks.

We have fully digitised the Travel Card capability on the app and online banking and continue to focus on digitising other services, including investing, saving for travel and transferring funds between Foreign Currency Accounts and the Travel Card. We have optimised the inward payments processes and will later in 2020 optimise the outward payments processes which represent a significant portion of the Forex turnover.

Unsecured Lending

Unsecured Lending provides all segments of Consumer Banking lending products, which include personal loans, overdrafts and student loans, but exclude credit cards.

The personal-loans portfolio of R22,7bn represents the majority (97%) of Unsecured Lending's total advances.

Unsecured Lending headline earnings were negatively impacted by a R53m decrease relating to the tail end of the impact of the reduced maximum NCA rate and a R110m decrease relating to increased impairments due to the negative macroeconomic forecast, negative collections impact of setoff regulatory change and risk normalisation to within the target range, in addition to digital-related expense growth, all of which are offset somewhat by portfolio growth driving increased revenues and effective non-digital-related cost management.

Personal Loans average advances increased 13,0%, while period-end advances were up 10,2% to R22,7bn. New-business market share in targeted lower-risk segments was 13%, marginally lower than in the previous year as competition for increased shares of primary-banked clients intensifies.

The shift to digital continues to gain momentum, as evidenced by the increased origination contribution from the direct channel (call centres and digital solution) to more than 32% of total volumes, driven primarily by the scaling of personal loans in the Nedbank Money app. More than 20% of personal loans disbursed to Nedbank clients in the fourth quarter of 2019 were applied for through this channel, up from < 1% in the prior year. Consumer Overdraft was introduced in the Money app in the fourth quarter of 2019, with the app becoming the biggest channel for new Nedbank overdrafts – three to four times greater than the branch channel. The same digital experience enabling existing clients to take up a loan in six clicks and in under three minutes was also launched across ATMs and kiosks. More offers and growth in Money app users and other digital channels will continue to provide material benefits from both a growth and expense perspective into 2020 and beyond. The number of personal loans paid into a Nedbank transactional account has increased from < 70% to about 80% after the scaling of our new client-centred onboarding system, which enables onboarding of clients for life through a single digital process, materially reducing turnaround time. Numerous other new digital products and processes for both Nedbank and non-Nedbank clients will be launched over the coming months and are expected to provide further impetus to digital growth and enhance the market share trajectory for both Personal Loans and Transactional Banking.

Furthermore, machine-learning techniques have been enhanced in credit-scoring models, which will, along with embedded risk and collections excellence, enable sustainable growth within the current risk appetite while improving client experiences and assisting in growing our main-banked transactional franchise.

Home Loans

Home loans make homeownership dreams a reality by providing secured-lending products to the consumer segment, with RRB and BB providing these products to their segments directly, leveraging off the Home Loans infrastructure for several of the administrative processes.

Continued financial pressure on households, coupled with low consumer confidence, resulted in a subdued housing market throughout 2019, with the national house price inflation index increasing by only 1,7%, compared to December 2018 (Lightstone).

Nedbank Home Loans grew new business by 6%, compared with industry growth of around 4%. Normalising for the migration of R1,8bn of mortgage balances from Business Banking to Retail Relationship Banking, HE grew 2,7%, driven by a 6% increase in NII off the back of book growth of 5,7%, partially offset by an increase in the CLR to 12 bps, which is below the target range. The stage 2 portfolio decreased to 10,4% as a result of amendments made to the SICR partial-arrear methodology. The stage 3 portfolio increased to 4,6% and has been impacted by changes in court processes and foreclosure delays. Impairment coverage on the stage 3 portfolio decreased to 20,03%.

The business continues to invest in initiatives to drive profitable growth. These include the following:

- The Home Loans digital channel, which delivered 24% growth in sales and represented 13% of total sales.
- The Home Loans online portfolio, which added an additional digital sales channel in July 2019. Clients are now able to apply on the Nedbank Money app for their home loan, using a shorter, simplified chat-based application. The app includes prepopulation of details of clients' contractual debt from credit bureaus which makes the form much quicker for clients to complete.
- The Home Loans digital channel 1% cashback initiative, which continued to reward clients for applying online. Clients are given 1% cash back (capped at R15 000), based on the value of the loan amount registered. The cashback amount is paid into a Nedbank salary-funded transactional account.

Continued investment in client experience, resulting in Nedbank Home Loans outperforming the industry, rising to number one in respect of client satisfaction. Nedbank Home Loans also had the best performance in NPS, placing the bank in second place across the home loan industry in the latest Consulta SAcsi NPS client satisfaction survey.

We remain committed to helping clients who face financial hardship and provide a website to educate them about their options should they fall behind on their home loan repayments. Since launching the programme in 2009, over 36 780 families have been able to retain their homes as a result of loan restructures, with the programme offering an effective rehabilitation process, and the redefault rate on these loans being only 18,12%. In addition, over 5 100 financially distressed

clients were given a fresh start through the Nedbank-assisted Sales programme since the start of this offering in 2009. This programme gives clients the option to sell their house on the private market through an estate agent appointed by Nedbank, thereby allowing them to avoid the repossession and distressed sale of the house through sheriff auction. Nedbank-assisted Sales is fast becoming the preferred choice for distressed clients, with 78% of them opting for this in 2019.

MFC

MFC's core business is providing vehicle finance to the consumer segment through motor dealerships. Used-car finance comprises 70% of the total loan book, which adds an economic buffer when new-car sales are under sustained pressure. In addition, motor dealer floor plans (wholesale finance of dealership stock) and key vehicle distributor joint ventures are housed in MFC.

The automotive industry has had a very challenging 2019 due largely to a declining economy. The vehicle market contracted by 1% in 2019, with a further decline of 3,5% anticipated in 2020.

Headline earnings were impacted by a higher impairment charge due to the negative economic climate. This has resulted in more repossessions and subsequent writeoffs yoy, as well as an increased number of clients requesting debt counselling.

MFC remains committed to providing a quality service to clients. The social media launch of the MFC brand in 2019 has seen MFC providing educational awareness on the car-buying process to both MFC and non-MFC clients. Strong alliance relationships and our striving to deliver worldclass digitally enhanced CVPs for our clients ensure a consistent and sustainable business.

Favourable	Unfavourable
<ul style="list-style-type: none"> • Landed digital onboarding capability for transactional products across various channels (enabled through Eclipse rollout). • Increased digital product origination. • Quality origination across all asset classes at appropriate risk-based pricing, driving asset mix benefit and selective market share gains. • First in Africa to launch Application Programming Interface (API) platform in line with international Open Banking standards. • Leveraged technologies like robotics, AI, machine learning and data analytics capability to enhance operational efficiencies and improve client experience. • Strong lending franchise to drive cross-sell investment into platform solutions. • Launched revised money management Loyalty & Rewards programme to drive desired client banking behaviours. • Continued, strong improvement in the annual Consulta SA Consumer Satisfaction Index (SAcsi) survey and NPS scores. • Received awards for the best innovation in retail banking in SA, the best customer service provider in Africa and most innovative retail bank South Africa. 	<ul style="list-style-type: none"> • Cost-to-income ratio and ROE ratio still below peers. • Aggressive competitor pricing driving lower household deposit market share. • Slowdown in client transacting activity. • Worsening macro environment driving increase in impairments. • Economic uncertainty influencing borrowing activity. • Loss of main-banked market share in the entry-level and youth segments.

RETAIL AND BUSINESS BANKING: KEY BUSINESS STATISTICS

		2019	2018
Business Banking			
New client acquisitions – groups ¹		1 087	1 465
Cross-sell product holding ¹		83 380	105 548
Home Loans			
Number of applications received	thousands	157	148
Average loan-to-value of new business registered	%	93	91
Average balance-to-original-value of portfolio	%	77	77
Proportion of new business written through own channels	%	67	59
Proportion of book written since 2009	%	79	74
Owned-properties book	Rm	28	45
MFC			
Number of applications received	thousands	1 664	1 524
Percentage of used vehicles financed	%	70,6	71,1
Personal Loans			
Number of applications received	thousands	1 380	1 295
Average loan size	R000s	52,8	52,7
Average term	months	41,8	40,2
Retail deposits			
Total value of deposits taken in	rand billions	81	84
Total value of deposit withdrawals	rand billions	80	80
Number of clients at period-end			
Retail main-banked clients ²	thousands	2 945	2 976
Business Banking groups ³		14 709	21 538
Small Business Services segment ⁴	thousands	296	268
Home Loans	thousands	295	296
MFC	thousands	603	589
Personal Loans	thousands	453	451
Card issuing	thousands	1 048	1 024
Investment products	thousands	1 501	1 570
Transactional products	thousands	5 946	5 974
Distribution			
Number of Business Banking locations		63	68
Number of retail outlets		589	604
Number of new-image branches ⁵		379	363
Number of ATMs ⁶		4 180	4 022
Number of ATMs with cash-accepting capabilities ⁷		1 232	1 076
Digitally enabled retail clients	thousands	6 185	5 911
Digitally active retail clients	thousands	1 777	1 544
POS devices	thousands	101	96

¹ Impacted by the client migration to RRB. Excluding this migration the prior-year new client acquisitions (group) and cross-sell product holdings would have been 1 176 and 79 766, respectively.

² 2019 retail main-banked client definition has been revised to include MobiMoney and Card.

³ 7 297 client groups migrated to RRB on 1 July 2019.

⁴ 17 000 CISs migrated from BB on 1 July 2019.

⁵ Included in the number of retail outlets – shown separately for additional disclosure.

⁶ Includes four corporate cash devices.

⁷ Cash-accepting devices and interactive teller machines included in total number of ATMs.

BALANCE SHEET AVERAGE ADVANCES AND IMPAIRMENTS

	Daily gross average advances Rm		Stage 1 %		Stage 2 %		Stage 3 %		% of total advances		Credit loss ratio %	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Home loans	126 054	118 338	85,0	83,7	10,4	12,0	4,6	4,4	35,9	35,9	0,14	0,07
VAF	105 384	96 152	79,5	80,7	15,1	15,0	5,4	4,3	31,1	30,7	1,82	1,48
Personal loans	21 143	19 228	71,3	73,2	11,9	12,4	16,8	14,5	6,1	5,9	6,39	5,21
Card	17 022	16 413	85,2	80,5	4,3	8,5	10,5	10,9	4,6	4,8	5,42	4,57
Other loans	2 150	1 865	79,6	75,7	9,5	12,0	10,9	12,3	0,6	0,5	3,27	2,92
Total Retail	271 753	251 996	81,7	81,4	12,0	13,0	6,2	5,6	78,3	77,8	1,63	1,32
Business Banking	76 659	71 577	87,7	88,7	8,0	4,0	4,3	3,4	21,7	22,2	0,50	0,15
Total RBB	348 412	323 573	83,0	83,1	11,1	11,8	5,8	5,1	100,0	100,0	1,38	1,06

BALANCE SHEET IMPAIRMENT AS A PERCENTAGE OF BOOK

	% of total		Stage 1 %		Stage 2 %		Performing stage 3 %		Non-performing stage 3 %		Total stage 3 %	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Home loans	1,47	1,56	0,20	0,17	3,72	4,05	15,65	14,36	21,30	23,65	20,03	21,23
VAF ¹	4,09	3,84	0,85	0,72	7,67	6,91	22,42	22,82	65,85	76,74	41,78	51,31
Personal loans	16,83	15,44	3,85	3,78	17,07	15,30	54,85	50,58	75,61	80,56	71,85	74,54
Card	13,18	14,37	4,27	3,20	44,22	35,33	14,08	10,13	77,45	85,34	72,81	80,25
Other loans	12,59	16,19	1,48	1,80	24,41	24,60	57,32	53,19	84,52	97,82	83,57	95,88
Total Retail	4,48	4,4	0,96	0,83	7,69	7,56	24,59	23,59	53,38	59,43	44,40	49,16
Business Banking	1,68	1,48	0,33	0,33	2,84	2,99			27,24	27,7	27,24	27,70
Total RBB	3,87	3,75	0,81	0,71	6,94	6,89	24,59	23,59	47,70	53,18	41,65	45,96

BALANCE SHEET ACTUAL ADVANCES

	Total advances Rm		Stage 1 Rm		Stage 2 Rm		Performing stage 3 Rm		Non-performing stage 3 Rm		Total stage 3 ¹ Rm	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Home loans	130 455	121 745	110 930	101 862	13 578	14 553	1 340	1 383	4 607	3 947	5 947	5 330
VAF	112 956	104 248	89 814	84 081	17 027	15 662	3 390	2 122	2 725	2 383	6 115	4 505
Personal loans	22 010	20 004	15 699	14 641	2 618	2 471	674	583	3 019	2 309	3 693	2 892
Card	16 817	16 341	14 332	13 160	720	1 395	129	121	1 636	1 665	1 765	1 786
Other loans	2 245	1 755	1 787	1 329	213	210	9	9	236	207	245	216
Total Retail	284 483	264 093	232 562	215 073	34 156	34 291	5 542	4 218	12 223	10 511	17 765	14 729
Business Banking	78 988	75 400	69 277	66 886	6 315	5 939			3 396	2 575	3 396	2 575
Total RBB	363 471	339 493	301 839	281 959	40 471	40 230	5 542	4 218	15 619	13 086	21 161	17 304

¹ During 2018 an LGD overlay created in lieu of anticipated modelling changes of R285m was allocated entirely to stage 3. In 2019 this LGD overlay was built into the model resulting in it being allocated across all stages. December 2018 was therefore inflated and a comparable total stage 3 coverage for VAF would be 47,0%.

BALANCE SHEET ACTUAL IMPAIRMENTS

	Total impairments Rm		Stage 1 Rm		Stage 2 Rm		Performing stage 3 Rm		Specific impairments Rm		Total specific impairments Rm	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Home loans	1 921	1 897	225	176	505	589	210	199	981	933	1 191	1 132
VAF	4 620	4 001	761	607	1 305	1 082	760	484	1 794	1 828	2 554	2 312
Personal loans	3 705	3 088	605	554	447	378	370	295	2 283	1 861	2 653	2 156
Card	2 216	2 347	612	421	319	493	18	12	1 267	1 421	1 285	1 433
Other loans	283	284	26	24	52	52	5	5	200	203	205	208
Total Retail	12 745	11 617	2 229	1 782	2 628	2 594	1 363	995	6 525	6 246	7 888	7 241
Business Banking	1 330	1 114	226	223	179	178			925	713	925	713
Total RBB	14 075	12 731	2 455	2 005	2 807	2 772	1 363	995	7 450	6 959	8 813	7 954

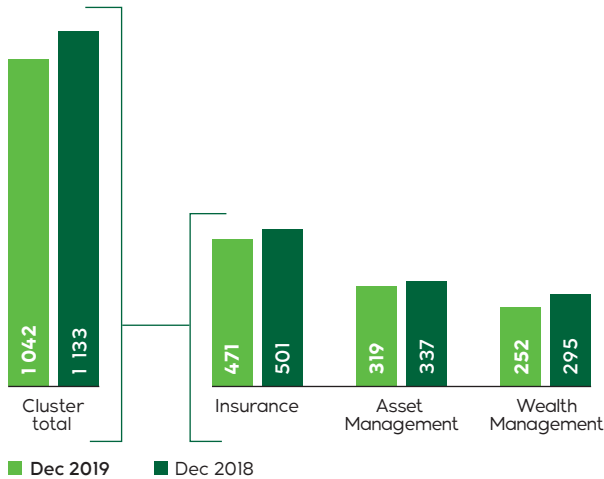
	Income statement impairment charge ^{1,2} Rm		Stage 1 Rm		Stage 2 Rm		Stage 3 Rm		Interest on impaired Rm		Postwriteoff recoveries Rm	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Home loans	178	86	64	(27)	(59)	(5)	294	241	(71)	(68)	(50)	(55)
VAF	1 919	1 427	154	(8)	251	272	1 963	1 556	14	(1)	(463)	(392)
Personal loans	1 351	1 001	52	52	76	67	2 095	1 550	(549)	(291)	(323)	(377)
Card	923	750	205	5	(178)	(9)	1 200	1 063	(21)	(19)	(283)	(290)
Other loans	70	55	3	(2)	1	4	121	101	(23)	(18)	(32)	(30)
Total Retail	4 441	3 319	478	20	91	329	5 673	4 511	(650)	(397)	(1 151)	(1 144)
Business Banking	382	105	13	(96)	3	16	400	202	11	23	(45)	(40)
Total RBB	4 823	3 424	491	(76)	94	345	6 073	4 713	(639)	(374)	(1 196)	(1 184)

¹ Impairment charge and resultant CLR include charges housed centrally within RBB.

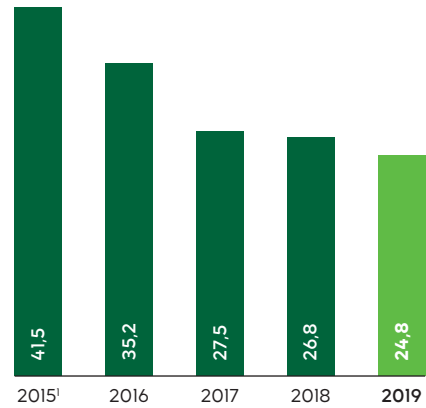
² December 2018 reflects charges associated with debit balances.

NEDBANK WEALTH

HEADLINE EARNINGS (Rm)



RETURN ON EQUITY (%)



¹ During 2016, the group changed its capital allocation methodology. The ROE for 2015 would have been 36,7% using the updated methodology.

FINANCIAL HIGHLIGHTS

for the year ended 31 December

	2019	2018
Headline earnings (Rm)	1 042	1 133
NII (Rm)	1 148	1 113
Impairments charge on financial instruments (Rm)	57	39
NIR (Rm)	3 436	3 484
Operating expenses (Rm)	3 113	3 012
ROE (%)	24,8	26,8
ROA (%)	1,40	1,69
CLR – banking advances (%)	0,18	0,13
NIR to total operating expenses (%)	110,4	115,7
Cost-to-income ratio (%)	67,9	65,5
Interest margin (%)	2,17	2,31
Assets under management (Rm)	331 136	297 338
Life assurance embedded value (Rm)	3 188	2 786
Life assurance value of new business (Rm)	421	380
Total assets (Rm)	77 433	71 142
Average total assets (Rm)	74 302	66 982
Total advances (Rm)	30 741	31 111
Average total advances (Rm)	31 141	28 908
Total deposits (Rm)	40 060	39 495
Average total deposits (Rm)	41 072	37 217
Average allocated capital (Rm)	4 204	4 225

Nedbank Wealth's HE declined 8,0% to R1 042m, with ROE at 24,8%, due primarily to the difficult macroeconomic environment and poor market conditions. Wealth Management experienced a challenging year, with local revenue significantly impacted by negative investor confidence and lacklustre GDP growth. The international Wealth Management business achieved good underlying growth despite being adversely impacted by declining interest rates. The Insurance business was negatively affected by lower life reserve releases and an increase in weather-related claims in the first half of the year. Asset Management's performance was predominantly impacted by AUM outflows experienced in the latter part of 2018 and a change in investor behaviour toward lower-margin and lower-risk asset classes.

NII increased 3,1% to R1 148m, with steady deposit growth in the international business, partially offset by the declining interest rate environment in the US, resulting in a decrease in NIM to 2,17%. The difficult local economic environment contributed to an increase in impairments off a low base, resulting in a slightly higher CLR of 0,18%.

Negative NIR growth of 1,4% to R3 436m was due to lower brokerage income and portfolio management fees in the local Wealth Management business, continued pressure on asset management fees and a higher non-life claims ratio. This was partly offset by robust growth in the international Wealth Management business on the back of increased client activity and strong growth in AUM.

The NIR-to-expenses ratio declined 5,3% as a result of pressure on revenue and higher frontline staff expenses. The increase in costs was due to the international Wealth Management business building bench strength for future growth, product expansion in Insurance and investment in innovation and digital initiatives. Despite this, the business managed to contain cost growth at 3,4%, which is below inflation.

Wealth Management

The local wealth management industry has experienced a challenging environment, with poor economic growth and negative investor confidence affecting general trading and business volumes. Internationally, private banks were impacted by a decline in US interest rates, prolonged Brexit uncertainty and competition from ringfenced banks.

Overall Wealth Management HE declined 14,4% to R252m. Poor local market activity negatively impacted brokerage fees, with portfolio management fees and commission income declining due to clients derisking portfolios to lower-margin products. The international Wealth Management business achieved good underlying growth in AUM despite difficult macroeconomic factors.

The local Nedbank Private Wealth business was named Top Private Bank and Wealth Manager in SA for ESG/Social Impact Investing and Philanthropic Advice in the 2020 Euromoney Private Banking and Wealth Management Survey. Nedbank Private Wealth International was named Best Boutique Private Bank at the 2019 WealthBriefing MENA Region Awards.

Asset Management

Muted equity performance across the local asset management industry over the past three to five years resulted in a change in the AUM mix to lower-margin and lower-risk products.

Asset Management's HE declined 5,4% to R319m due to continued pressure on margins and the full-year impact of a large institutional outflow in 2018. AUM increased 11,4% to R331bn, with net inflows of R14,9bn. The low-cost passive business remained the largest unit trust multiasset passive provider, while cash and fixed-income assets continued to grow with material net inflows. At the 2020 Raging Bull Awards, Nedgroup Investments was recognised as the Top Offshore Manager for the fifth consecutive year and won the award for the Best global Equity Fund at the 2020 Morningstar award.

Insurance

Insurance HE decreased 6,1% to R471m, driven by higher non-life claims and lower life reserve releases, partly offset by improved investment returns. The life portfolio was impacted by actuarial assumption changes relating to an improvement in mortality for credit life, worsening mortality for funeral and deteriorating lapse experience. In the first half of the year the non-life portfolio was affected by catastrophic weather events resulting in a higher non-life claims ratio relative to 2018.

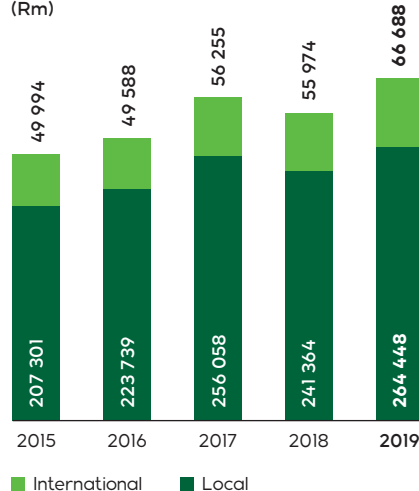
Looking forward

We anticipate continued economic headwinds locally, with negative investor confidence contributing to the derisking of portfolios to lower-margin products; decreased trading and general business volumes; and unpredictable weather patterns. Internationally, strong competition from UK ringfenced banks is set to further impact lending growth while interest rates are expected to decline.

Despite this, Nedbank Wealth is continuously exploring opportunities for growth and will focus on providing innovative, market-leading client experiences, commercialising digital capabilities and investing in our people. Given the pressure on traditional income lines, the business is committed to creating new revenue streams and managing growth in expenses through cost containment initiatives.

The local and international Wealth Management businesses will continue to work together and focus on the high-net-worth-client strategy, with the goal of moving from an affluent-banking-led business to a high-net-worth advice-led business. The businesses will leverage opportunities within the group, build the Nedbank Private Wealth brand and embed digital capabilities that enhance client experience.

ASSETS UNDER MANAGEMENT (Rm)



Robust growth in life EV of 14,4% to R3 188m was due to strong VNB and the reduction of acquisition costs, offset by deteriorating lapse experience. Life VNB increased 10,8% to R421m as a result of growth in credit life policy sales and higher average funeral premiums. Non-life gross written premiums remained flat at R1 180m due mainly to pressure on non-life volumes, offset by an increase in vehicle value-added product premiums.

Asset Management will focus efforts on delivering excellent long-term performance and leveraging its Best of Breed™ track record. Continued industry pressure is anticipated, but the business is well positioned with best-in-class offerings in the growing global, cash, multiasset and low-cost categories. Asset Management will continue to invest in digital properties, grow the international franchise and leverage Nedbank's brand and distribution footprint.

Insurance remains committed to enhancing client experience through expanding its innovative solutions while further improving data and digital capabilities. The business will continue to focus on penetrating the Nedbank client base in line with its bancassurance strategy.

We remain committed to achieving our ROE of greater than or equal to 28% in the medium term and 30% in the long term. We have revised our cost-to-income ratio to less than or equal to 65% in the medium and long term as a result of structural changes exerting pressure on revenue streams. To this end we will focus on creating internal efficiencies, delivering delightful client experiences and building new income streams.

Favourable

- Strong AUM growth and steady deposit growth internationally.
- Positive net AUM inflows in Asset Management.
- Growth in life VNB.
- Increased penetration into Nedbank VAF.

Unfavourable

- Higher non-life claims ratio.
- Negative investor confidence and reduced market activity.
- Shift in AUM mix towards lower-margin income and cash solutions.
- Declining USD interest rates.

ASSETS UNDER MANAGEMENT

Rm	2019	2018
Fair value of funds under management – by type		
Unit trusts	273 243	241 421
Third parties	946	839
Private clients	56 947	55 078
	331 136	297 338
Fair value of funds under management – by geography		
South Africa	264 448	241 364
Rest of the world	66 688	55 974
	331 136	297 338

Rm	Unit trusts	Third party	Private clients	Total
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2018	241 421	839	55 078	297 338
Inflows	550 540	14	10 178	560 732
Outflows	(536 004)	(24)	(9 876)	(545 904)
Mark-to-market value adjustment	18 497	110	1 527	20 134
Foreign currency translation differences	(1 211)	7	40	(1 164)
Closing balance – 31 December 2019	273 243	946	56 947	331 136

Rm	South Africa	Rest of the world	Total
Reconciliation of movement in funds under management – by geography			
Opening balance at 31 December 2018	241 364	55 974	297 338
Inflows	550 173	10 559	560 732
Outflows	(535 803)	(10 101)	(545 904)
Mark-to-market value adjustment	8 714	11 420	20 134
Foreign currency translation differences		(1 164)	(1 164)
Closing balance – 31 December 2019	264 448	66 688	331 136

NEDBANK AFRICA REGIONS

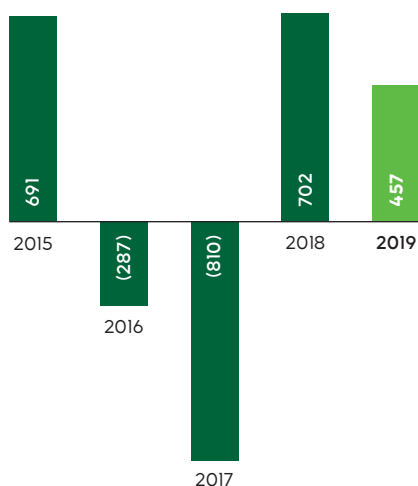
Although sub-Saharan Africa GDP growth was mixed in 2019, it continues to grow faster than that of SA and provide opportunities for diversifying earnings and returns over the longer term. GDP growth in most of the SADC countries in which we operate was more than 1,0%; Mozambique grew at 3,0%.

Our strategy remains to own, manage and control banking operations in SADC and East Africa, and to provide our clients with access to a banking network in West and Central Africa through our strategic investment in and alliance with the pan-African banking group ETI, which operates in 36 African countries.

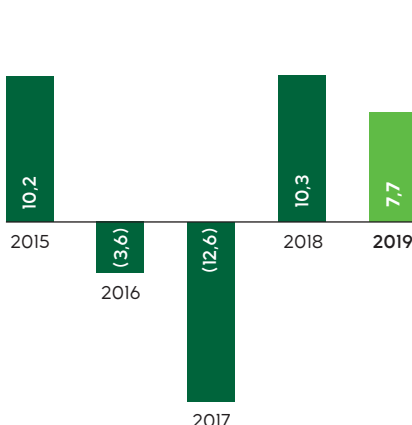
SADC SUBSIDIARIES

Our SADC subsidiaries' performance was impacted by several unusual items. Policy uncertainty, increased government expenditure and a lack of foreign direct investments have severely damaged the Zimbabwean economy, contributing to hyperinflationary conditions. By year-end the CPI inflation index reached 552. Zimbabwe officially adopted hyperinflationary accounting effective 1 July 2019 with an overall HE impact of R186m.

HEADLINE EARNINGS (Rm)



RETURN ON EQUITY (%)



FINANCIAL HIGHLIGHTS

	Total Africa Regions		SADC		ETI	
	2019	2018	2019	2018	2019	2018
Headline earnings (Rm)	457	702	20	327	437	375
NII (Rm)	1 547	1 627	1 868	1 951	(321)	(324)
Impairments charge on financial instruments (Rm)	233	113	233	113		
NIR (Rm)	1 220	1 206	1 220	1 206		
Operating expenses (Rm)	2 427	2 416	2 427	2 416		
Associate income	672	611	4	3	668	608
ROE (%) ¹	7,7	10,3	0,4	5,6	52,0	37,7
ROA (%)	1,19	1,79	0,06	1,03	6,20	5,19
Return on cost of ETI investment (%)	10,7	9,7			10,7	9,7
CLR – banking advances (%)	1,01	0,51	1,01	0,51		
NIR to total operating expenses (%)	50,3	49,9	50,3	49,9		
Cost-to-income ratio (%)	70,6	70,2	78,5	76,5		
Interest margin (%)	5,01	5,25	7,00	7,27		
Total assets (Rm)	38 385	37 518	35 711	34 273	2 674	3 245
Average total assets (Rm)	37 641	39 123	34 738	36 042	2 903	3 081
Total advances (Rm)	21 678	21 037	21 678	21 037		
Average total advances (Rm)	21 959	21 866	21 959	21 866		
Total deposits (Rm)	30 223	29 472	30 223	29 472		
Average total deposits (Rm)	30 780	30 263	30 780	30 263		
Average allocated capital (Rm)	5 943	6 812	5 094	5 815	849	997

¹ FY2019 ROE on subsidiary and associate in country statutory capital is 4,9% (2018: 8,9%), with Namibia 13,1% (2018:13,3%); Eswatini 14,6% (2018: 17,9%); Lesotho 10,7% (2018: 15,1%); Malawi -58,9% (2018: -7,2%); Zimbabwe -57,2% (2018: -27,8%) and Banco Único 13,5% (2018: 12,9%).

Once-off tax adjustments and non-operational writeoffs reported in H1 2019, reduced HE by R61m thereby contributing to the poor performance.

We continue to build a strong core business to deliver an improved performance into the future. The business had a marginal decline in client numbers, due mainly to new account closure rules introduced mid-2019. Notwithstanding this, revenue per client rose by 4,5% as we acquired quality clients and deepened client relationships. Client retention in retail improved as we improved our digital transactional and lending client value propositions.

In line with transforming our business for a digital age, we registered a 94% increase in our active app users and grew the number of point-of-sale (POS) devices by 27%, resulting in a 10% increase in merchant turnover to R9bn.

Headcount decreased by 1% to 2 582, while our branch footprint increased by 5% to 103 and the number of ATMs declined by 1%. In our markets our branch and ATM footprint is much lower than that of our key competitors and new investments are limited to high-growth micro markets and the minimum required presence by regulation. The decline in ATMs is due to optimisation of our footprint and driving our POS cash-back strategy.

We continued investing in our businesses to give our clients improved offers and client experiences. Some of the initiatives included the following:

- Rolling out the award-winning Nedbank Money app offering to our businesses in Lesotho, Namibia, Malawi and Eswatini. The new Money app (Africa) had an additional 49 new features compared to the old Nedbank App Suite (Africa); in Zimbabwe, we also enhanced our mobile solution.
- Launching a new pay-as-you-go account in Namibia, targeting the entry-level and middle-market client segments. This was part of making our solutions simpler and more convenient for our clients while understanding that these clients are interested in managing and controlling their overall banking costs.
- Automating the overall business to improve efficiency and client service.

These new products and services have been well received in their respective markets and we expect an improved performance going forward.

ETI (WEST AND CENTRAL AFRICA)

ETI's financial recovery continued albeit with earnings growth slowing. The performance is driven by sustained recovery from three regions, offset by ongoing poor performance from the Nigerian franchise. The performance for the nine months to 30 September 2019 has been driven by the following:

- Strong earnings growth and good returns were registered in the Anglophone West Africa and Francophone West Africa regions reflecting the quality of the franchise.
- The recovery in the financial performance in the Central, Eastern and Southern Africa (CESA) region continued.
- Nigeria's performance deteriorated further, due to persistently elevated NPLs, adverse regulatory intervention and ongoing economic headwinds.

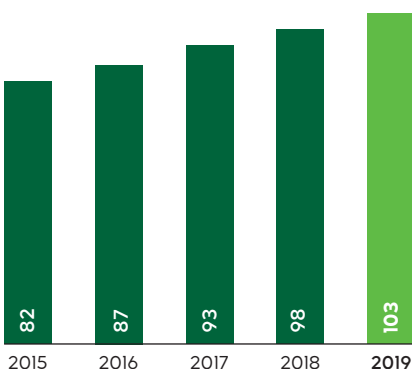
The collaboration between ETI and Nedbank continued during the year, with some business opportunities between the two groups yielding positive results. We continued to increase the number of Nedbank wholesale clients doing their transactional banking with ETI to 118 from 110 in 2018. More than 245 accounts have been opened at Ecobank businesses across the continent. We have also continued to grow treasury activities.

Financial highlights

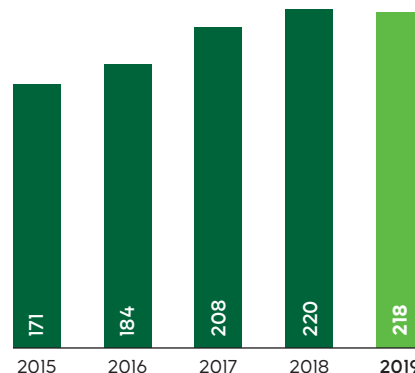
Africa Regions delivered HE of R457m, a 35% decrease from 2018, and produced an ROE of 7,7%. This performance was primarily impacted by the poor results from Zimbabwe.

In ETI, the financial recovery has continued with sustained profitability albeit at a slower growth rate. Associate income from ETI was R668m, growing by 10%, while HE grew by 17% to R437m.

BRANCHES



ATMS



This result reflects the sustained strong performance from ETI's core West African operations, including Côte d'Ivoire and Ghana; a recovery in Central, Eastern and Southern Africa's business performance; while the Nigerian business continued to underperform.

Our SADC banking subsidiaries had a mixed performance amid a challenging macroeconomic environment. HE declined by 94% to R20m, largely driven by losses in Nedbank Zimbabwe as a result of a hyperinflationary environment and once-offs. Excluding Nedbank Zimbabwe, the HE of our SADC operations grew by 0,6%.

Notwithstanding the challenging macroeconomic environment, average gross advances grew by 0,3% and, excluding Zimbabwe, by 3,6%. Average deposits grew by 2,0%, excluding Zimbabwe at 11,1%. NIM declined by 27 bps, reflecting the competitive conditions in the market. NIR increased by 1,2% in an environment of limited fee increases, reflecting our focus on acquiring primary-banked clients. Excluding Zimbabwe, NIR grew by 5,1%.

The CLR increased to 101 bps due to a significant increase in impairments from R113m to R232m, marginally breaching the upper limit of our CLR target of 100 bps. Excluding unusual recoveries in the prior year our CLR is in line with 2018.

Expenses have been well managed and only increased by 0,5% to R2 427m, underpinned mainly by the management of headcount growth and other costs. Our cost-to-income ratio increased by 2,7% to 78,5%; excluding Zimbabwe the cost-to-income ratio was 80,4%.

Looking forward

Sub-Saharan Africa GDP is expected to grow by 3,5% in 2020, which is a slight improvement on the 3,3% growth in 2019. Nedbank remains committed to long-term and profitable growth in our Africa Regions business and seeks to leverage these growth opportunities. Our ambition is to give our clients access to the best financial services network in Africa and we will deploy capital to optimise returns for the group. Despite a challenging macroeconomic environment, we expect Africa Regions to be a positive contributor to group earnings.

In SADC, for 2020, we expect earnings to improve off a low base, with continued difficult economic conditions in SA spilling over to growth in the southern Africa region. We will adapt our businesses to the new economic normal to drive stronger revenue growth through:

- investing in digitisation and automation to be more competitive;
- continuing to focus on credit risk management and a stronger control environment;
- tapping into Mozambican growth opportunities; and
- reconfiguring the shape of balance sheet and business operations in Zimbabwe.

Our focus will remain on the delivery of the ETI board-driven strategic agenda, commercialisation of collaboration initiatives and the increase of business flows.

Our financial outlook in the next two to three years is to deliver returns greater than 15% and cost-to-income of below 65%. Over the long term, greater than five years, we aim to deliver ROEs above 20% and cost-to-income less than 60%.

Favourable	Unfavourable
<ul style="list-style-type: none"> • ETI financial performance improved but growth slowing. • Revenue per client increased. • Cost grew by less than inflation. • Developed new CVPs enabling growth in transactional clients, assets and deposits. 	<ul style="list-style-type: none"> • Difficult economic conditions most of our markets. • Nedbank Zimbabwe negatively affected by hyperinflation resulting in a headline loss of R108m (2018: profit of R142m). • Once-off tax adjustments and non-operational writeoffs in H1. • CLR increased due to challenging economic environment. • Challenging environment for ETI in Nigeria.

GEOGRAPHICAL SEGMENTAL REPORTING

for the year ended 31 December

Rm	Nedbank Group		South Africa ¹		Rest of Africa ²		Rest of world	
	2019	2018	2019	2018	2019	2018	2019	2018
Summarised statement of financial position								
Assets								
Cash and cash equivalents	37 635	34 791	29 655	27 763	6 341	5 615	1 639	1 413
Other short-term securities	64 451	79 362	42 562	58 537	4 083	4 776	17 806	16 049
Derivative financial instruments	35 243	22 692	35 075	22 525	38	10	130	157
Government and other securities	128 510	96 791	126 171	94 329	848	668	1 491	1 794
Loans and advances	796 833	736 305	722 532	669 363	21 678	21 037	52 623	45 905
Other assets	80 677	73 971	70 739	64 398	4 898	4 915	5 040	4 658
Intragroup assets	-	-	(499)	(497)	499	497		
Total assets	1 143 349	1 043 912	1 026 235	936 418	38 385	37 518	78 729	69 976
Equity and liabilities								
Total equity	98 449	91 271	81 926	74 727	5 943	6 812	10 580	9 732
Derivative financial instruments	27 991	20 003	27 913	19 913	11	12	67	78
Amounts owed to depositors	904 382	825 804	812 008	747 532	30 223	29 472	62 151	48 800
Provisions and other liabilities	52 814	51 247	49 922	49 474	1 891	894	1 001	879
Long-term debt instruments	59 713	55 587	59 396	55 259	317	328		
Intragroup liabilities	-	-	(4 930)	(10 487)			4 930	10 487
Total equity and liabilities	1 143 349	1 043 912	1 026 235	936 418	38 385	37 518	78 729	69 976
Summarised statement of comprehensive income (Rm)								
NII	30 167	28 819	27 548	26 331	1 547	1 627	1 072	861
Impairments charge on financial instruments	6 129	3 688	5 824	3 642	233	113	72	(67)
Income from lending activities	24 038	25 131	21 724	22 689	1 314	1 514	1 000	928
NIR	25 997	25 976	23 598	23 829	1 220	1 206	1 179	941
Operating income	50 035	51 107	45 322	46 518	2 534	2 720	2 179	1 869
Total operating expenses	32 179	31 632	28 940	28 505	2 427	2 416	812	711
Zimbabwe hyperinflation	296	-			296			
Indirect taxation	1 096	942	1 014	894	58	37	24	11
Profit/(Loss) from operations	16 464	18 533	15 368	17 119	(247)	267	1 343	1 147
Share of income/(losses) of associate companies	793	528	121	(83)	672	611		
Profit before direct taxation	17 257	19 061	15 489	17 036	425	878	1 343	1 147
Direct taxation	3 942	4 807	3 885	4 649	(64)	23	121	135
Profit after taxation	13 315	14 254	11 604	12 387	489	855	1 222	1 012
Profit attributable to non-controlling interest	809	759	777	606	32	153		
Headline earnings	12 506	13 495	10 827	11 781	457	702	1 222	1 012

¹ Includes all group eliminations.

² The Rest of Africa geographical segmental income statement and balance sheet consist of the SADC banking subsidiaries and the investment in ETI. These statements do not include transactions concluded with clients resident in the rest of Africa by other group entities within CIB nor transactional banking revenues. For example, CIB has credit exposures to clients resident in the rest of Africa of R35,1bn (December 2018: R27,7bn).



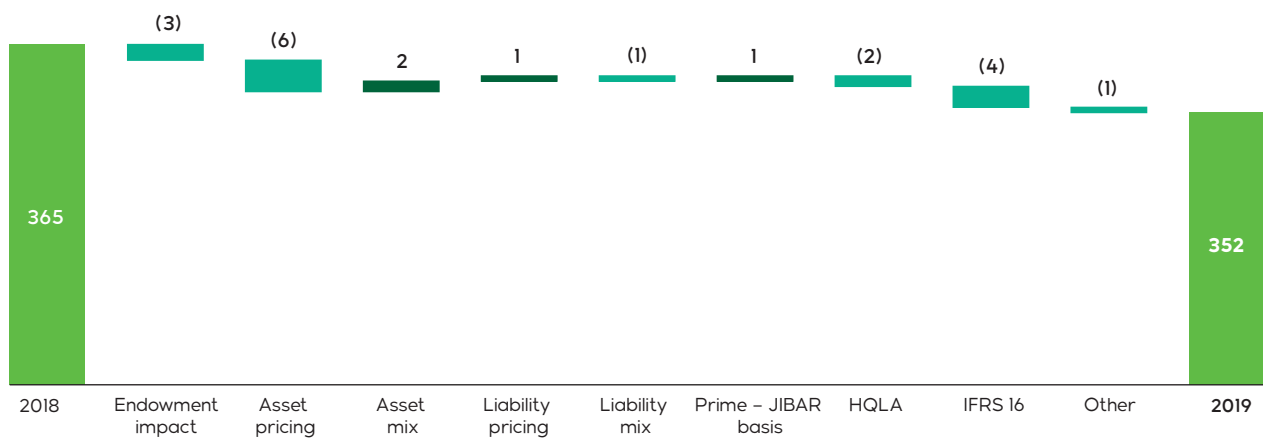
INCOME STATEMENT ANALYSIS

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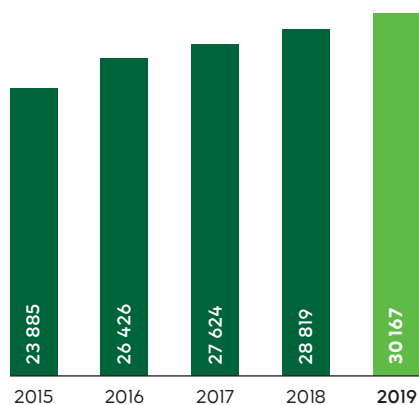
1 NET MARGIN ANALYSIS

Nedbank Group	2019		2018	
	Bps	Rm	Bps	Rm
Closing average interest-earning banking assets		857 981		790 376
Opening NIM/NII	365	28 819	362	27 624
Growth in banking assets		2 465		987
Endowment	(3)	(268)	(2)	(184)
Capital, net of working capital	(3)	(226)	(2)	(146)
Deposits		(42)		(38)
Asset margin pricing and mix	(4)	(357)	4	340
Impact due to pricing	(6)	(555)	3	224
Impact due to mix change	2	198	1	116
Liability margin pricing and mix		31	1	99
Deposits pricing and mix		62	(2)	(169)
Impact due to pricing	1	123	(2)	(159)
Impact due to mix change	(1)	(61)		(10)
Enhancing funding profile		(31)	3	268
Prime - JIBAR basis	1	77	(1)	(100)
HQLA	(2)	(204)	(1)	(49)
IFRS 9: Financial instruments				(21)
IFRS 16: Leases	(4)	(293)		
Other	(1)	(103)	2	123
Closing NIM/NII for the year	352	30 167	365	28 819

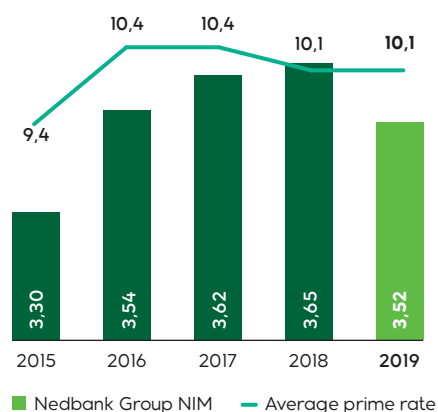
NET INTEREST MARGIN (YOY) (Bps)



NET INTEREST INCOME (Rm)



INTEREST MARGIN TRENDS VERSUS PRIME RATE (%)



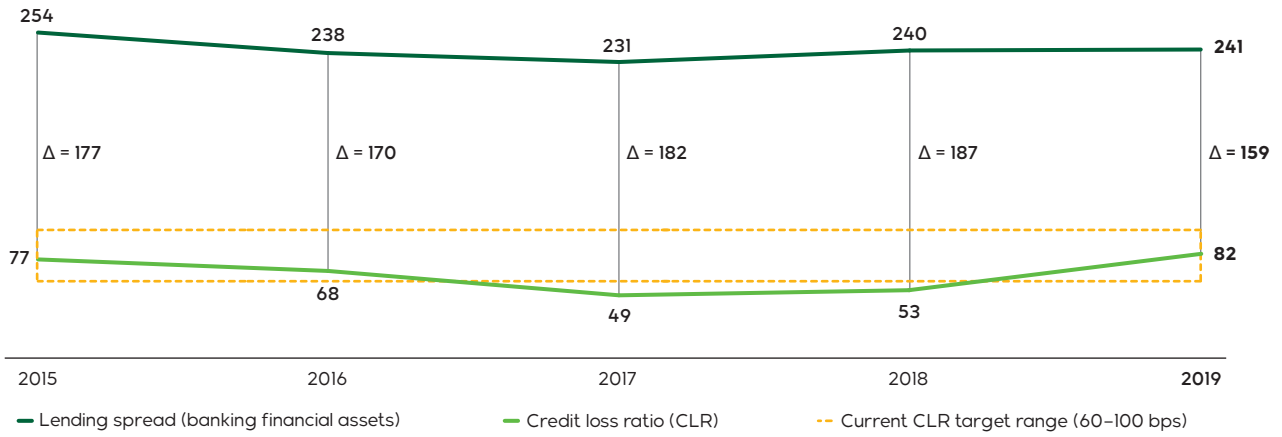
NET INTEREST INCOME

Favourable	Unfavourable
<ul style="list-style-type: none"> Positive mix changes due to stronger growth in RBB average advances with higher margins, compared with slower growth in CIB average advances with lower margins. Liability rate benefit as a result of improved pricing on fixed deposits. Widening of the prime – JIBAR spread in 2019 versus 2018. 	<ul style="list-style-type: none"> Negative endowment impact due to lower net endowment balances. A decline in the Personal Loans margin due to the treatment of interest on the stage 3 portfolio and the extended writeoff period as well as the impact of NCA pricing caps. Competitive pricing on wholesale advances. Negative liability mix due to stronger growth in wholesale sources of funding. The implementation of IFRS 16 resulted in an interest expense on the lease liability for operating leases being included in NII. Previously, operating lease expenses were included in total operating expenses. Higher levels of low-yielding HQLA held in the banking book.

NII SENSITIVITY ANALYSIS

- At December 2019 the NII sensitivity of the group's banking book for a 1% parallel reduction in interest rates, measured over 12 months, was 1.54% of total group ordinary shareholders' equity, which is below the board's approved risk limit of < 2.25%.
- This exposes the group to a decrease in NII of approximately R1 346m before tax, should interest rates decrease by 1% across the yield curve, measured over a 12-month period. Nedbank London and Wealth International NII sensitivities are, however, measured at a 0.5% instantaneous decrease in interest rates.
- The group's NII sensitivity exhibits very little convexity and will therefore also result in an increase in pretax NII of approximately similar amounts should interest rates increase by 1%.
- The group's NII sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity over the cycle.

LENDING SPREAD VERSUS CREDIT LOSS RATIO (INCLUDING TARGET RANGE) OF NEDBANK GROUP
(Bps)



- The group's lending spread increased by 1 bp in the current year to 241 bps. This was primarily due to positive advances mix changes, with RBB average advances growing faster than CIB average advances.
- The group's CLR increased by 29 bps yoy to 82 bps at 31 December 2019, which is within the group TTC target range of 60 bps to 100 bps.

AVERAGE BANKING STATEMENT OF FINANCIAL POSITION AND RELATED INTEREST

Rm	2019			2018		
	Average balance	Margin statement interest ¹		Average balance	Margin statement interest ¹	
	Assets	Received	%	Assets	Received	%
Average prime rate			10,14			10,09
Assets						
Loans and advances						
Home Loans (including properties in possession)	159 406	15 073	9,46	152 545	14 314	9,38
Commercial mortgages	170 087	16 369	9,62	161 473	15 581	9,65
Instalment debtors	121 231	14 277	11,78	112 521	13 099	11,64
Credit card balances	17 378	2 581	14,85	16 621	2 461	14,81
Overdrafts	22 954	2 373	10,34	20 052	2 081	10,38
Term loans and other ²	229 811	18 358	7,99	212 525	17 582	8,27
Personal loans	23 907	5 151	21,55	21 219	4 764	22,45
Impairment of loans and advances	(16 297)			(14 383)		
Government and public sector securities	84 501	7 162	8,48	53 134	4 388	8,26
Short-term funds and trading securities	45 003	2 336	5,19	54 669	3 271	5,98
Interest-earning banking assets	857 981	83 680	9,75	790 376	77 541	9,81
Other ³	106 974			96 537	(1 600)	
Total assets	964 955	83 680	8,67	886 913	75 941	8,56
	Liabilities	Paid	%	Liabilities	Paid	%
Equity and liabilities						
Deposit and loan accounts	456 578	30 628	6,71	427 747	28 469	6,66
Current and savings accounts	111 379	1 074	0,96	107 761	1 016	0,94
Negotiable certificates of deposit	117 088	9 259	7,91	104 236	8 236	7,90
Other interest-bearing liabilities ^{1,4}	85 887	7 214	8,40	66 586	5 885	8,84
Long-term debt instruments	57 306	5 338	9,31	53 810	5 116	9,51
Interest-bearing banking liabilities	828 238	53 513	6,46	760 140	48 722	6,41
Other ⁵	136 717			126 773	(1 600)	
Total shareholders' equity and liabilities	964 955	53 513	5,55	886 913	47 122	5,31
Interest margin on average interest-earning banking assets	857 981	30 167	3,52	790 376	28 819	3,65

¹ Yields are before incorporating the impact of hedging derivatives.

² Includes term loans, preference shares, factoring debtors, interest on derivatives and other lending-related instruments.

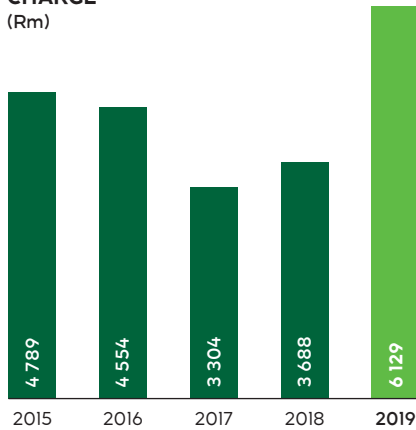
³ Includes cash and banknotes, derivative financial instruments, insurance assets, associates and investments, property and equipment, mandatory reserve deposits with central banks, intangible assets, other assets and elimination entries.

⁴ Net interdivisional assets – trading book, previously disclosed as a negative in the other non-interest-earning banking assets, now included in other interest-bearing liabilities.

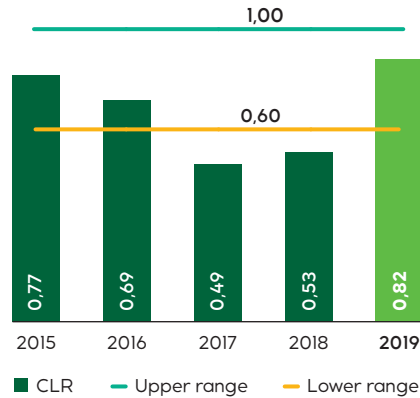
⁵ Includes derivative financial instruments, investment contract liabilities, other liabilities and elimination entries.

2 IMPAIRMENTS

NEDBANK GROUP IMPAIRMENTS CHARGE
(Rm)



NEDBANK GROUP CREDIT LOSS RATIO TRENDS
(%)



NEDBANK GROUP INCOME STATEMENT IMPAIRMENT CHARGE AND CREDIT LOSS RATIO

	Stage 1	Stage 2	Stage 3	Non-LAA	Off-balance-sheet	Impairment charge, net of recoveries	Mix of average banking advances	CLR	Target
December 2019 (Rm)	Rm	Rm	Rm	Rm	Rm	Rm	%	%	%
Corporate and Investment Banking (CIB)	(1)	254	616	2	46	917	46,3	0,26	0,15 - 0,45
CIB excluding Property Finance	30	179	693	1	46	949	27,2	0,45	
Property Finance	(31)	75	(77)	1		(32)	19,1	(0,02)	0,15 - 0,35
Retail and Business Banking (RBB)	476	102	4 241	-	4	4 823	46,5	1,38	1,30 - 1,80
Business Banking	13	7	369		(8)	382	10,2	0,50	0,50 - 0,70
Retail ¹	463	95	3 872		12	4 441	36,3	1,63	1,60 - 2,40
Wealth Africa Regions Centre	(1)	4	54			57	4,2	0,18	0,20 - 0,40
Africa Regions	71	23	129	4	6	233	3,0	1,01	0,75 - 1,00
Centre		99				99			
Nedbank Group	545	482	5 040	6	56	6 129	100,0	0,82	0,60 - 1,00

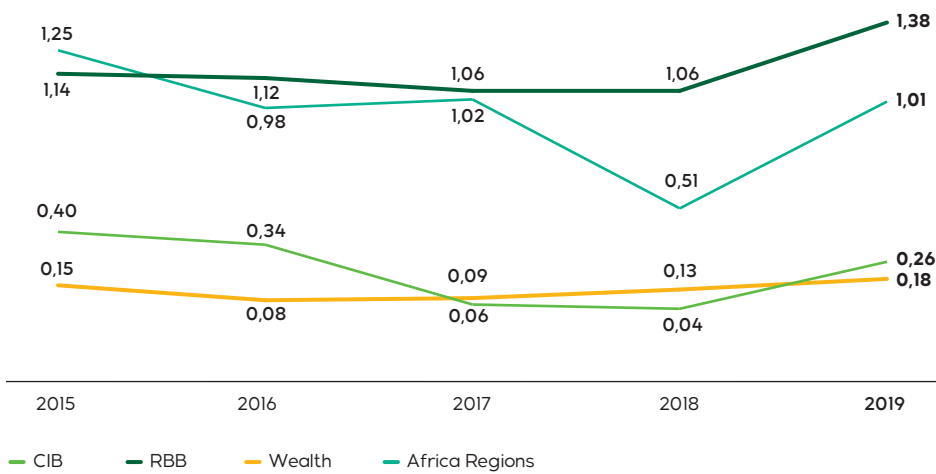
¹ For further disaggregation, refer to the RBB segmental report on page 92.

	Stage 1	Stage 2	Stage 3	Non-LAA	Off-balance-sheet	Impairment charge, net of recoveries	Mix of average banking advances	CLR	Target
December 2018 (Rm)	Rm	Rm	Rm	Rm	Rm	Rm	%	%	%
Corporate and Investment Banking (CIB)	142	(399)	386	5	(31)	103	46,5	0,04	0,15 - 0,45
CIB excluding Property Finance	96	(420)	315	5	(31)	(35)	26,2	0,01	
Property Finance	46	21	71			138	20,3	0,10	0,15 - 0,35
Retail and Business Banking (RBB)	(76)	344	3 155	-	10	3 433	46,3	1,06	1,30 - 1,80
Business Banking	(96)	16	185		12	117	10,2	0,15	0,50 - 0,70
Retail	20	328	2 970		(2)	3 316	36,1	1,32	1,60 - 2,40
Wealth Africa Regions		(5)	44			39	4,2	0,13	0,20 - 0,40
Africa Regions	108	(4)	15		(6)	113	3,2	0,51	0,65 - 1,00
Nedbank Group	174	(64)	3 600	5	(27)	3 688	100,0	0,53	0,60 - 1,00

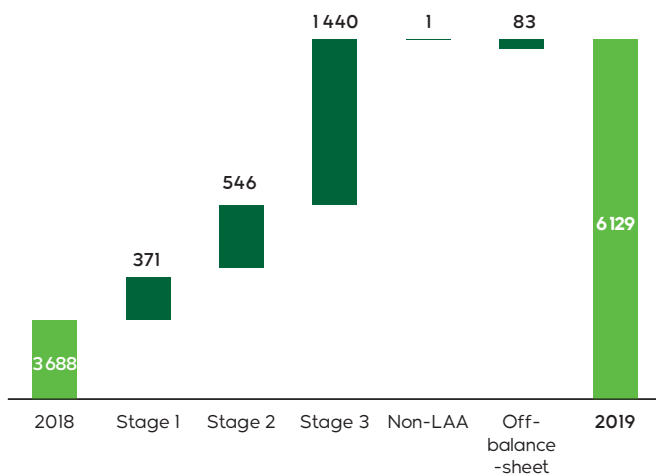
Favourable	Unfavourable
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- | | |
|--|--|
| <ul style="list-style-type: none"> While impairments have increased significantly off a low base, the CLR remains around the midpoint of our target range. The portfolios secured by mortgage bonds continue to perform well with CLR for Home Loans and Property Finance at 0,07% and negative 0,02%, respectively. | <ul style="list-style-type: none"> The adverse macroeconomic environment continued to place pressure on corporates and consumers. High delinquency levels increased impairments by 66,2% to R6 129m. The RBB portfolio deteriorated due to higher distressed restructures in MFC and poor collections in December 2019. |
|--|--|

NEDBANK GROUP CREDIT LOSS RATIO PER CLUSTER (%)



NEDBANK GROUP IMPAIRMENT DRIVERS (Rm)



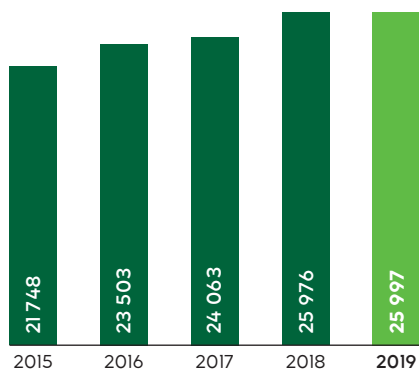
IMPAIRMENT CHARGE OF FINANCIAL INSTRUMENTS

	Nedbank Group	Corporate and Investment Banking	Retail and Business Banking	Wealth	Nedbank Africa Regions	Centre
December 2019 (Rm)						
ECL allowance – opening balance	15 845	1 866	12 796	187	816	180
Stage 1	2 889	601	2 042	25	220	1
Stage 2	3 587	548	2 791	22	78	148
Stage 3	9 369	717	7 963	140	518	31
Statement of comprehensive income charge net of recoveries	6 129	917	4 823	57	233	99
Stage 1	545	(1)	476	(1)	71	
Stage 2	482	254	102	4	23	99
Stage 3	5 040	616	4 241	54	129	
Non-loans and advances	6	2			4	
Off-balance-sheet allowance	56	46	4		6	
Adjusted for:	(3 795)	(37)	(3 475)	(15)	(269)	1
Recoveries	1 247	20	1 196		31	
Interest in suspense	723	83	640			
Amounts written off/Other transfers	(5 765)	(140)	(5 311)	(15)	(300)	1
ECL allowance – closing balance	18 179	2 746	14 144	229	780	280
Stage 1	3 455	659	2 507	24	249	16
Stage 2	3 932	768	2 819	25	72	248
Stage 3	10 792	1 319	8 818	180	459	16
Split by measurement category	18 179	2 746	14 144	229	780	280
Loans and advances	17 534	2 217	14 075	229	749	264
Loans and advances in FVOCI	340	340				
Non-loans and advances	34	8			9	17
Off-balance-sheet allowance	271	181	69		22	(1)

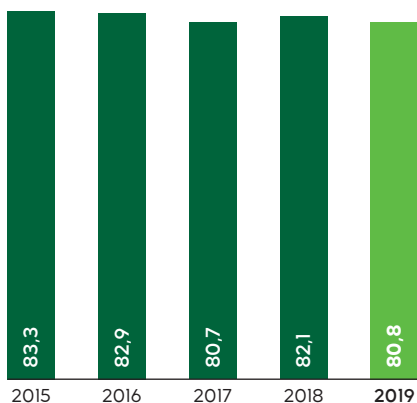
	Nedbank Group	Corporate and Investment Banking	Retail and Business Banking	Wealth	Nedbank Africa Regions	Centre
December 2018 (Rm)						
ECL allowance – opening balance	14 447	2 040	11 320	160	758	169
Stage 1	2 806	456	2 106	39	189	16
Stage 2	3 886	910	2 739	10	78	149
Stage 3	7 755	674	6 475	111	491	4
Statement of comprehensive income charge net of recoveries	3 688	103	3 433	39	113	-
Stage 1	174	142	(76)		108	
Stage 2	(64)	(399)	344	(5)	(4)	
Stage 3	3 600	386	3 155	44	15	
Non-loans and advances	5	5				
Off-balance-sheet allowance	(27)	(31)	10		(6)	
Adjusted for:	(2 290)	(277)	(1 957)	(12)	(55)	11
Recoveries	1 271	26	1 185		60	
Interest in suspense	434	40	394			
Amounts written off/Other transfers	(3 995)	(343)	(3 536)	(12)	(115)	11
ECL allowance – closing balance	15 845	1 866	12 796	187	816	180
Stage 1	2 889	601	2 042	25	220	1
Stage 2	3 587	548	2 791	22	78	148
Stage 3	9 369	717	7 963	140	518	31
Split by measurement category	15 845	1 866	12 796	187	816	180
Loans and advances	15 488	1 603	12 731	187	802	165
Loans and advances in FVOCI	122	122				
Non-loans and advances	25	6			3	16
Off-balance-sheet allowance	210	135	65		11	(1)

3 NON-INTEREST REVENUE

NON-INTEREST REVENUE
(Rm)



NON-INTEREST REVENUE TO TOTAL OPERATING EXPENSES
(%)



Rm	Nedbank Group		Corporate and Investment Banking	
	2019	2018	2019	2018
Commission and fees income	18 739	18 279	3 256	3 289
Administration fees	1 252	1 201	53	26
Card income	3 743	3 656		
Cash-handling fees	1 136	1 056	222	235
Exchange commission	652	554	198	175
Guarantees income	267	275	185	197
Insurance commission	516	544		
Other commission	4 391	3 986	1 508	1 198
Other fees	2 239	2 664	1 034	1 403
Service charges	4 543	4 343	56	55
Insurance income	1 837	1 859		
Fair-value adjustments	60	(2)	(13)	(8)
Fair-value adjustments	(49)	(30)	(23)	(20)
Hedge-accounted portfolios	109	28	10	12
Fair-value adjustments – own long-term debt	-	-		
Trading income	4 524	4 429	4 390	4 278
Commodities	99	42	99	42
Debt securities	2 708	2 482	2 708	2 482
Equities	426	445	426	445
Foreign exchange	1 291	1 460	1 157	1 309
Private-equity income	262	697	267	699
Realised gains, dividends, interest and other income	723	854	727	854
Unrealised losses ¹	(461)	(157)	(460)	(155)
Investment income	198	29	174	21
Sundry income ²	377	685	101	242
Total non-interest revenue	25 997	25 976	8 175	8 521

¹ Unrealised losses relate to equity investments in associates and joint ventures, which are estimated and converted to realised or dividends once earned.

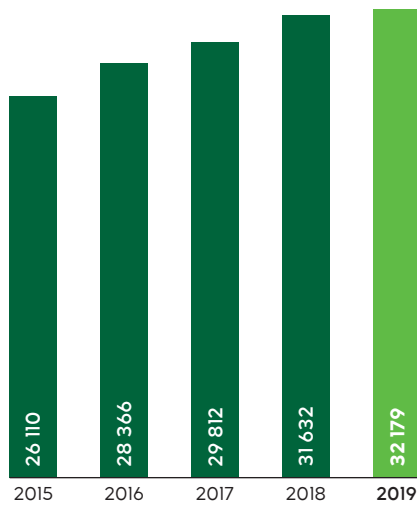
² Sundry income mainly comprises security dealings, rental income, fair value movements on non-trading investments and forex gains and losses.

	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2019	2018	2019	2018	2019	2018	2019	2018
	12 622	12 002	2 045	2 063	872	928	(56)	(3)
	522	509	588	567	70	82	19	17
	3 652	3 583			90	72	1	1
	880	788	3	2	31	31		
	259	249	88	71	102	57	5	2
	44	41		1	38	36		
	309	284	200	223	7	37		
	2 715	2 515	(65)	(27)	213	282	20	18
	96	89	1 188	1 188	22	25	(101)	(41)
	4 145	3 944	43	38	299	306		
	460	442	1 352	1 400	70	54	(45)	(37)
	41	15	-	-	4	(1)	28	(8)
	41	15			4	(1)	(30)	(9)
							58	1
	73	84	-	-	61	67	-	-
	73	84			61	67		
	-	-	(1)	(2)	-	-	(4)	-
			(1)	(2)			(4)	
	13	(3)	4	3	1	2	6	6
	109	51	36	20	212	156	(81)	216
	13 318	12 591	3 436	3 484	1 220	1 206	(152)	174

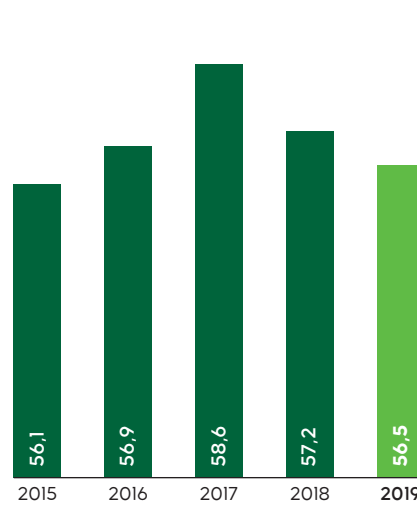
Favourable	Unfavourable
<ul style="list-style-type: none"> • Deeper share of wallet with clients. • Mainbanked client gains in middle, private, small-business and corporate segments. • Growth in commission and fees income in RBB of 5,2%. 	<ul style="list-style-type: none"> • Subdued client transactional activity. • Reduced off high 2018 base transactions. • High weather-related insurance claims in HI 2019. • Worsening economic environment led to negative revaluations in private-equity income. • Impact of Banco Único option to increase our shareholding.

4 EXPENSES

TOTAL OPERATING EXPENSES
(Rm)



COST-TO-INCOME RATIO
(%)



Rm	Nedbank Group		Corporate and Investment Banking	
	2019	2018	2019	2018
Staff costs	17 322	17 450	2 783	3 003
Salaries and wages	15 089	14 240		
Total incentives	2 550	3 358		
Short-term incentives	1 980	2 625		
Long-term incentives	570	733		
Other staff costs	(317)	(148)		
Computer processing	4 878	4 341	503	398
Depreciation of computer equipment	746	753		
Depreciation of right-of-use assets: computer equipment	79			
Amortisation of intangible assets	1 167	958		
Operating lease charges for computer processing	217	336		
Other computer processing expenses	2 669	2 294		
Fees and insurances ¹	4 152	3 989	667	1 208
Occupation and accommodation ^{2,3}	2 274	2 416	231	226
Marketing and public relations	1 455	1 532	89	93
Communication and travel	845	841	304	297
Other operating expenses ⁴	1 253	1 063	55	214
Activity-justified transfer pricing	-	-	1 972	1 133
Total operating expenses	32 179	31 632	6 604	6 572

Analysis of total information technology-related function spend included in total expenses	2019	2018
IT staff-related costs within group technology	2 110	2 027
Depreciation and amortisation of computer equipment, software and intangibles	1 993	1 818
Other IT costs (including licensing, development, maintenance and processing charges) ⁵	2 923	2 668
Total IT-related functional spend	7 026	6 513

¹ During the year the group's Cash Operating Division was transferred from CIB to RBB and the concurrent review of the activity-justified transfer pricing led to some costs shifting to CIB, reflected in the fees and insurance and activity-justified transfer pricing lines. This had no impact on the group's expenses or expense growth.

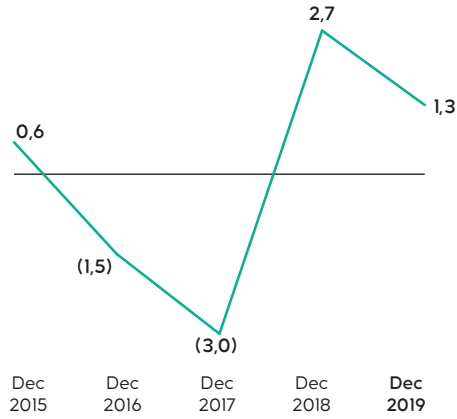
² Includes depreciation of right-of-use asset of R813m.

³ Includes building depreciation charges of R451m (December 2018: R423m).

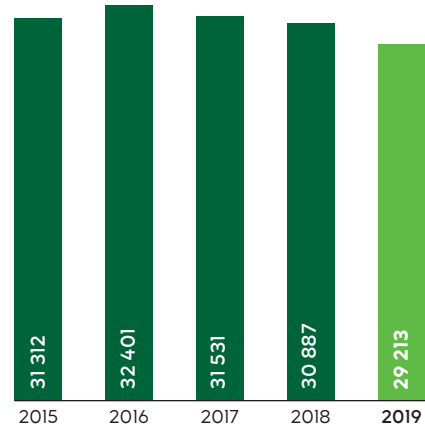
⁴ Includes furniture depreciation charges of R358m (December 2018: R328m), consumables and sundry expenses.

⁵ Includes consulting and professional fees, included in fees and insurances, communication and travel, and other IT-related spend, included in computer processing.

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



**TOTAL EMPLOYEES
(Permanent staff)**



	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2019	2018	2019	2018	2019	2018	2019	2018
	7 940	8 036	1 608	1 562	1 068	1 097	3 923	3 752
	1 771	870	321	220	83	48	2 200	2 805
	2 509	1 738	210	174	437	296	329	573
	1 954	1 947	149	145	180	213	(240)	(115)
	677	724	89	96	60	67	540	552
	327	329	52	61	68	60	94	94
	555	357	69	72	188	152	386	268
	4 651	6 031	615	682	343	483	(7 581)	(8 329)
	20 384	20 032	3 113	3 012	2 427	2 416	(349)	(400)

Favourable

- Headcount reduction of 1 874.
- STI and LTI decreases given the group's financial performance.
- Final PRMA credit of R354m.
- Optimisation initiatives delivering cost savings, including cumulative run-rate savings from our target operating model of R1 147m.

Unfavourable

- Increase in computer processing costs relating to software amortisation as we invest in technology and digital channels.
- Higher fees related to digital innovations.
- The R134m cost of creating more than 3 300 job opportunities through YES.

5 NON-TRADING AND CAPITAL ITEMS

Rm	2019		2018	
	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary equity holders		12 001		13 376
Non-trading and capital items	651	505	164	119
IAS 16 – loss on disposal of property and equipment	18	13	29	22
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	97
IAS 40 – profit on revaluation of investment properties	(2)	(2)		
Headline earnings		12 506		13 495

6 TAXATION CHARGE

	2019	2018
Direct taxation	3 942	4 807
Taxation rate reconciliation (excluding non-trading and capital items) (%)		
Standard rate of SA normal taxation	28,0	28,0
Reduction of taxation rate:		
– Non-taxable income	(1,8)	(1,4)
– Capital items	(0,2)	(0,1)
– Foreign income and section 9D attribution	(1,0)	(0,6)
– Share of profits of associate companies	(1,3)	(0,9)
– Additional tier 1 taxation on interest paid ¹	(0,8)	
– Non-deductible expenses	0,8	0,7
– Zimbabwe hyperinflation	0,3	
– Prior-year overprovision	(1,2)	(0,5)
Total taxation on income as percentage of profit before taxation	22,8	25,2
Effective tax rate excluding ETI associate income/(loss)	24,0	26,1

¹ With effect from 1 January 2019 the accounting treatment of additional tier 1 capital instruments changed in terms of IFRS. The taxation relief on interest paid on additional tier 1 capital instruments is now accounted for in comprehensive income (previously in equity). However, the underlying interest paid on additional tier 1 capital instruments is still accounted for in equity. Comparative information has not been restated as the amounts are not material.

7 PREFERENCE SHARES

Dividends declared	Number of shares	Cents per share	Amount Rm
2020			
Nedbank – Final (dividend number 34) declared for 2019 – payable April 2020	358 277 491	42,11186	150,9
2019			
Nedbank – Final (dividend no 32) declared for 2018 – paid March 2019	358 277 491	42,23172	151,3
Nedbank – Interim (dividend no 33) declared for 2019 – paid September 2019	358 277 491	42,35729	151,8
Total of dividends declared			303,1
Nedbank (MFC) – Participating preference shares ¹			41,7
Less: Dividends declared in respect of shares held by group entities			(31,6)
			313,2
2018			
Nedbank – Final (dividend no 30) declared for 2017 – paid March 2018	358 277 491	43,17350	154,7
Nedbank – Interim (dividend no 31) declared for 2018 – paid August 2018	358 277 491	41,82076	149,8
Total of dividends declared			304,5
Nedbank (MFC) – Participating preference shares ¹			50,0
Less: Dividends declared in respect of shares held by group entities			(31,7)
			322,8

¹ Share in economic profit calculated biannually.

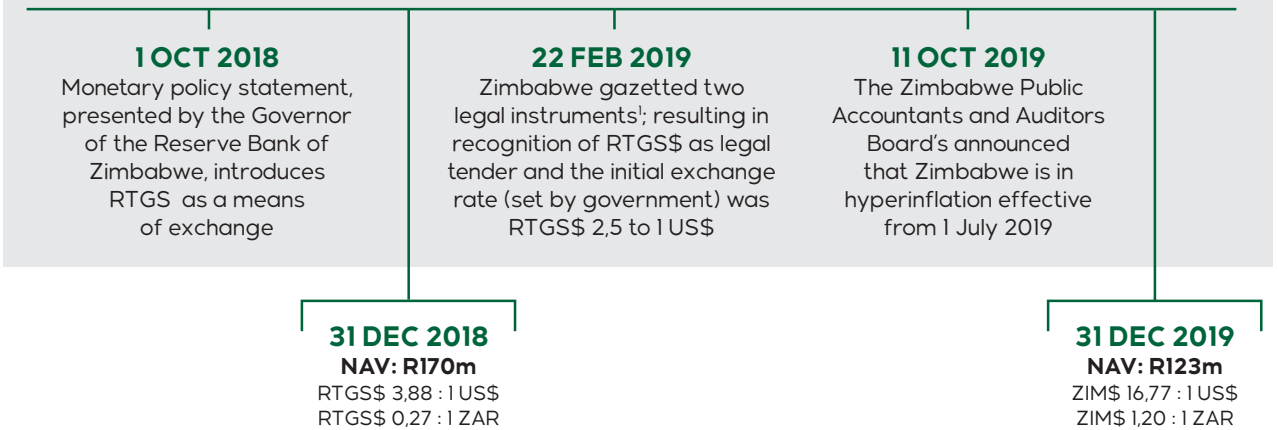
8 HYPERINFLATION

Headline earnings R'm	Zimbabwe 2019	Non- controlling interest 2019	Nedbank Group 2019	Nedbank Group 2018
Core earnings	135		78	142
Impairment of legacy debt ¹	(67)		(44)	
Hyperinflation of income statement items	80		53	
Hyperinflation adjustment – net monetary loss	(296)	(101)	(195)	
Rebase of Dec 2018 equity and gains from indexing non-monetary assets ²	(216)	(74)	(142)	
Hyperinflation of income statement items	(80)	(27)	(53)	
Headline earnings	(148)		(108)	142

¹ Included in Sundry income within NIR.

² Rebase of December 2018 equity, R246m, and gains from indexing non monetary assets, R30m.

ZIMBABWE TIMELINE



EFFECTS OF CHANGE IN EXCHANGE RATES

At 31 December 2018 a FCTR loss of R755m (R499m after non-controlling interests) was recognised by Nedbank Group for the application of an implied Old Mutual rate (RTGS\$3,88: US\$1) on the net assets of Nedbank Zimbabwe. At a statutory level Nedbank Zimbabwe was required by law to report its NAV using the official exchange rate RTGS\$:1US\$. During the period, due to the effects of weakening of the RTGS\$ and ultimately the Zimbabwe dollar (ZIM\$ 16,77: US\$ 1), there was an impairment of legacy assets (amounts due in foreign currency prior to 22 Feb 2019) of R89m (R67m post tax) due to uncertainty regarding the recovery thereof.

Key drivers of hyperinflation

IAS 29 requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period, using a general price index, to account for the effect of loss of purchasing power during the period. The group elected to use the Zimbabwe CPI index, provided by the Reserve Bank of Zimbabwe, as the general price index as this provides an observable published indicator of changes in the general purchasing power of the country.

At the beginning of the period of applying IAS 29, the components of equity are restated by applying a general price escalation factor from 1 January 2019 to 31 December 2019. The Zimbabwe CPI index increased 6,21 times during this period which resulted in a monetary loss of R246m by debiting current-year earnings against a credit in equity. Hyperinflation accounting will result in an equity rebase every period. The rebase is impacted by changes in the Zimbabwe CPI index, changes in the Zimbabwean dollar foreign exchange rate and underlying balance sheet growth.

All items recognised in the statement of comprehensive income are adjusted by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred to the end of the reporting period. This resulted in an increase in certain lines of the income statement, totalling R80m, and an equal but opposite loss included in the net monetary loss. The net headline earnings of the income statement indexing is nil.

The carrying amounts of non-monetary assets (ie fixed assets, debtor prepayments, etc) accounted at historical cost have been adjusted to reflect the change in the general price index from 1 January 2019 to 31 December 2019. This resulted in an increase in assets of R30m and the recognition of a monetary gain of R30m.



STATEMENT OF FINANCIAL POSITION ANALYSIS

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9 LOANS AND ADVANCES

SEGMENTAL BREAKDOWN

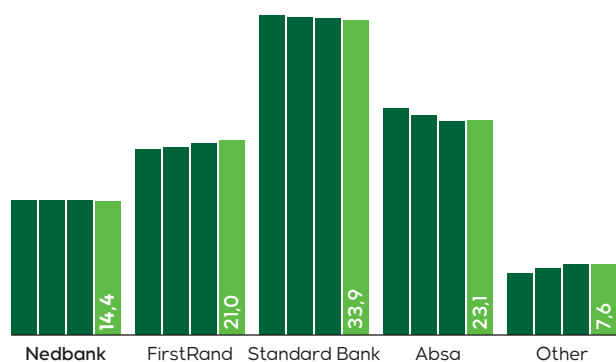
Rm	Nedbank Group		Corporate and Investment Banking	
	2019	2018	2019	2018
Home loans	162 238	156 414	10	11
Commercial mortgages	179 801	166 221	145 602	134 984
Properties in possession	150	152		2
Credit cards	17 089	16 608		
Overdrafts	26 747	22 587	5 557	3 594
Personal loans	24 829	22 219		
Term and other loans	199 040	181 907	180 446	163 340
Overnight loans	14 945	14 616	13 078	12 644
Foreign client lending	6 508	5 241	5 166	4 790
Instalment debtors	130 067	121 003	2 795	2 170
Preference shares and debentures	12 766	15 312	12 440	15 077
Factoring accounts	6 563	5 815		
Macro fair-value hedge-accounted portfolios	941	48	34	(7)
Other loans and advances	5	13		
Loans and advances before impairments	781 689	728 156	365 128	336 605
Impairment of advances	(17 534)	(15 488)	(2 217)	(1 603)
Total banking loans and advances	764 155	712 668	362 911	335 002
Comprises:				
- Loans and advances to clients	741 906	697 846	344 366	323 734
- Loans and advances to banks	22 249	14 822	18 545	11 268
Total loans and advances after impairments	764 155	712 668	362 911	335 002
Trading loans and advances	32 678	23 637	32 678	23 637

¹ Centre includes the group's centrally managed macro fair-value hedge-accounting adjustment, intercluster adjustments relating to deferred revenue recognised in loans and advances, a central impairment provision and an impairment on other assets.

Market share as per BA900

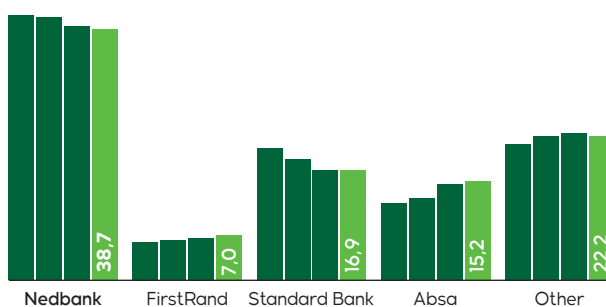
HOME LOANS (2016-2019)

(%)



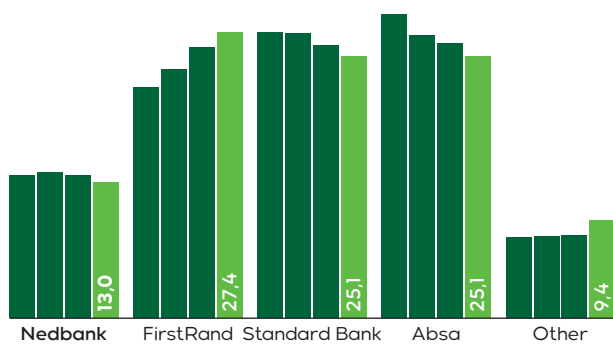
COMMERCIAL MORTGAGE LOANS (2016-2019)

(%)

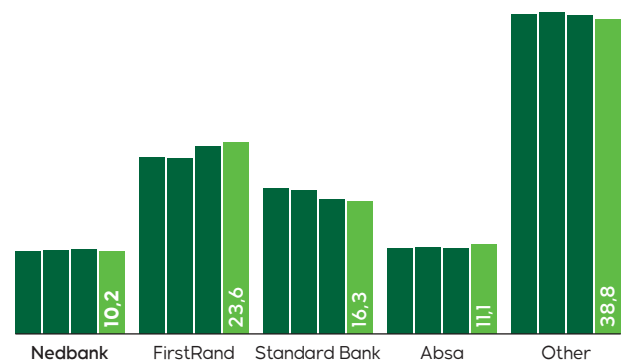


	Retail and Business Banking		Wealth		Africa Regions		Centre ¹	
	2019	2018	2019	2018	2019	2018	2019	2018
	138 811	133 163	16 988	17 068	6 941	6 672	(512)	(500)
	23 668	20 765	8 814	8 915	1721	1 523	(4)	34
	44	68	11	22	95	60		
	16 958	16 501			131	107		
	17 871	14 809	171	174	3 148	4 010		
	22 663	20 005			2 166	2 214		
	10 028	10 680	4 738	4 892	4 087	3 287	(259)	(292)
	1 270	1 220			597	752		
	170	163			1 172	288		
	125 285	116 229	62	68	2 364	2 914	(439)	(378)
	140	76	186	159				
	6 563	5 815					907	55
					5	12		1
	363 471	339 494	30 970	31 298	22 427	21 839	(307)	(1 080)
	(14 075)	(12 731)	(229)	(187)	(749)	(802)	(264)	(165)
	349 396	326 763	30 741	31 111	21 678	21 037	(571)	(1 245)
	349 394	326 770	28 393	27 909	20 324	20 689	(571)	(1 256)
	2	(7)	2 348	3 202	1 354	348		11
	349 396	326 763	30 741	31 111	21 678	21 037	(571)	(1 245)

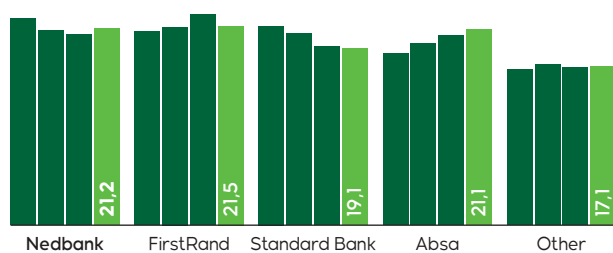
CREDIT CARDS (2016–2019)
(%)



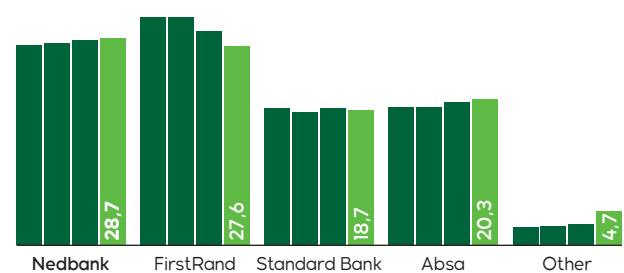
PERSONAL LOANS (2016–2019)
(%)



CORE CORPORATE LOANS (2016–2019)
(%)



INSTALMENT SALES AND LEASES (2016–2019)
(%)



SUMMARY OF LOANS AND ADVANCES AND COVERAGE RATIOS

GLAA, ECL and Coverage ratios, by Cluster, by Stage

	Stage 1			Stage 2			
	GLAA	ECL	Coverage	GLAA	ECL	Coverage	
	Rm	Rm	%	Rm	Rm	%	
December 2019							
Corporate and Investment Banking (CIB)	309 039	539	0,17	30 010	675	2,25	
CIB excluding Property Finance	183 602	365	0,20	13 136	366	2,79	
Property Finance	125 437	174	0,14	16 874	309	1,83	
Retail and Business Banking (RBB)	302 019	2 455	0,81	40 291	2 807	6,97	
Business Banking	69 457	228	0,33	6 135	182	2,97	
Retail	232 562	2 227	0,96	34 156	2 625	7,69	
Wealth	29 589	24	0,08	452	25	5,53	
Africa Regions	19 700	221	1,12	1 305	69	5,29	
Centre	(310)	-			248		
Gross loans and advances/ECL held at amortised cost	660 037	3 239	0,49	72 058	3 824	5,31	
GLAA/ECL for assets held at FVOCI	14 848	67		577	38		
GLAA held at FVTPL ¹	37 897						
GLAA for fair-value hedge-accounted portfolios	907						
other balances	6						
ECL held for non-LAA		34					
Off-balance-sheet ECL		115			70		
Total GLAA/ ECL²	713 695	3 455		72 635	3 932		
	Stage 1			Stage 2			
	GLAA	ECL	Coverage	GLAA	ECL	Coverage	
	Rm	Rm	%	Rm	Rm	%	
December 2018							
Corporate and Investment Banking (CIB)	285 122	526	0,18	27 237	414	1,52	
CIB excluding Property Finance	165 232	353	0,21	8 452	211	2,5	
Property Finance	119 890	173	0,14	18 785	203	1,08	
Retail and Business Banking (RBB)	281 960	2 005	0,71	40 230	2 772	6,89	
Business Banking	66 887	223	0,33	5 939	178	3,00	
Retail	215 073	1 782	0,83	34 291	2 594	7,56	
Wealth	29 944	25	0,08	542	22	4,06	
Africa Regions	19 314	205	1,06	1 112	76	6,83	
Centre	(1 080)	1			148		
Gross loans and advances/ECL held at amortised cost	615 260	2 762	0,45	69 121	3 432	4,97	
GLAA/ECL for held at FVOCI	14 913	24		3 513	98		
GLAA/ECL for held at FVTPL ¹	23 755						
ECL held for non-LAA		25					
Off-balance-sheet ECL		78			57		
Total GLAA/ECL	653 928	2 889		72 634	3 587		

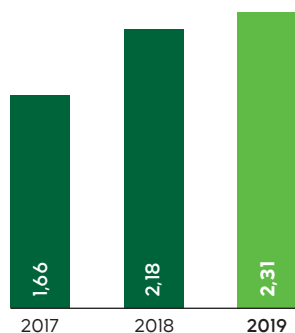
¹ Includes GLAA for fair-value hedge-accounted portfolios of R55m.

² Total GLAA includes trading loans and advances of R32 678m (2018: R23 637m).

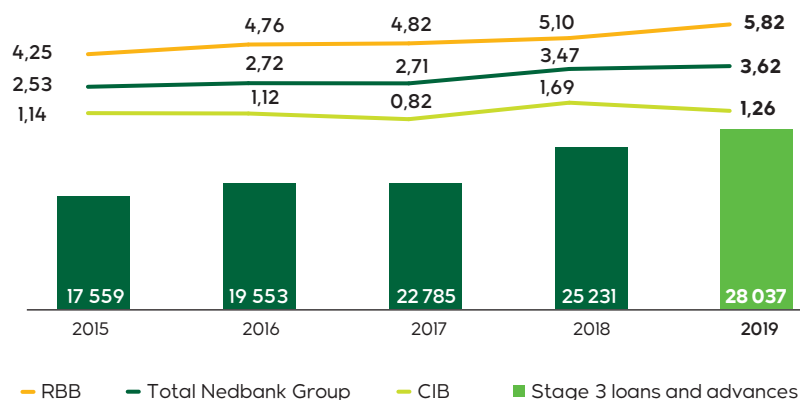
	Stage 3			TOTAL			On-B/S GLAA (including FVOCI)	Stage 3 GLAA as % of total GLAA
	GLAA	ECL	Coverage	GLAA	ECL	Coverage	Rm	%
	Rm	Rm	%	Rm	Rm	%	Rm	%
	4 074	1 003	24,6	343 123	2 217	0,65	358 996	1,26
	2 914	788	27,0	199 652	1 519	0,76	215 525	1,56
	1 160	215	18,5	143 471	698	0,49	143 471	0,81
	21 161	8 813	41,6	363 471	14 075	3,87	363 471	5,82
	3 396	925	27,2	78 988	1 335	1,69	78 988	4,30
	17 765	7 888	44,4	284 483	12 740	4,48	284 483	6,24
	929	180	19,4	30 970	229	0,74	30 783	3,02
	1 422	459	32,3	22 427	749	3,34	22 427	6,34
	3	16		(307)	264		(308)	
	27 589	10 471	38,0	759 684	17 534	2,31	775 557	3,62
	448	235		15 873	340			
				37 897				
				907				
				6				
		86			34			
					271			
	28 037	10 792		814 367	18 179			

	Stage 3			TOTAL			On-B/S GLAA (including FVOCI)	Stage 3 GLAA as % of total GLAA
	GLAA	ECL	Coverage	GLAA	ECL	Coverage	Rm	%
	Rm	Rm	%	Rm	Rm	%	Rm	%
	5 702	663	11,6	318 061	1 603	0,50	336 487	1,69
	3 555	386	10,9	177 239	950	0,54	177 239	2,01
	2 147	277	12,9	140 822	653	0,46	159 248	1,35
	17 304	7 954	45,9	339 494	12 731	3,75	339 494	5,10
	2 575	713	27,7	75 401	1 114	1,48	75 401	3,42
	14 729	7 241	49,2	264 093	11 617	4,40	264 093	5,58
	812	140	17,2	31 298	187	0,60	31 298	2,59
	1 413	521	36,9	21 839	802	3,67	21 839	6,47
		16		(1 080)	165		(1 080)	
	25 231	9 294	36,8	709 612	15 488	2,18	728 038	3,47
				18 426	122			
				23 755				
		75			25			
	25 231	9 369		751 793	15 845			

NEDBANK GROUP COVERAGE (%)



STAGE 3 ADVANCES AS A PERCENTAGE OF GROSS BANKING LOANS AND ADVANCES (Rm)



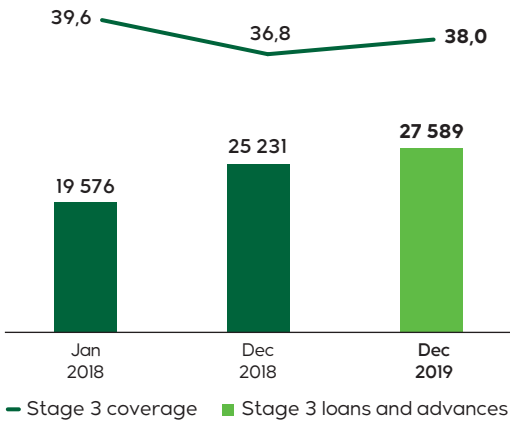
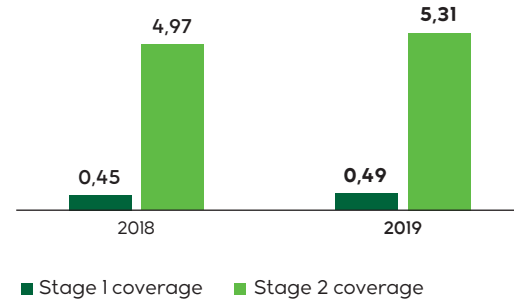
GLAA, ECL AND COVERAGE, BY PRODUCT

	Stage 1			Stage 2		
	GLAA	ECL	Coverage	GLAA	ECL	Coverage
December 2019	Rm	Rm	%	Rm	Rm	%
Residential mortgages	140 062	287	0,21	14 181	538	3,79
Commercial mortgages	152 930	219	0,14	18 701	336	1,80
Instalment debtors	105 416	802	0,76	18 043	1 321	7,32
Credit cards and overdrafts	29 216	860	2,95	5 209	524	10,06
Personal, term and other loans	210 385	1 103	0,52	12 733	1 023	8,03
Other ¹	22 028	(32)		3 191	82	
GLAA/ECL held at amortised cost	660 037	3 239	0,49	72 058	3 824	5,31

	Stage 1			Stage 2		
	GLAA	ECL	Coverage	GLAA	ECL	Coverage
December 2018	Rm	Rm	%	Rm	Rm	%
Residential mortgages	133 726	236	0,18	15 574	616	3,96
Commercial mortgages	138 998	300	0,22	19 856	238	1,20
Instalment debtors	84 686	631	0,75	12 924	1 013	7,84
Credit cards and overdrafts	25 380	619	2,44	4 874	686	14,07
Personal, term and other loans	192 370	909	0,47	14 728	866	5,88
Other ¹	40 100	67		1 165	13	
GLAA/ECL held at amortised cost	615 260	2 762	0,45	69 121	3 432	4,97

¹ Includes credit and zero balances.

Favourable	Unfavourable
<ul style="list-style-type: none"> The bank's credit portfolio remains resilient despite the continued weak macroeconomic environment. Banking book GLAA increased by 6,65% to R775,6bn. CIB experienced growth across the energy and mining sectors. RBB experienced growth across all asset classes. The stage 1 and stage 2 coverage ratios increased for the wholesale portfolios due to the recalibration of models. 	<ul style="list-style-type: none"> The increase in stage 3 GLAA was particularly prominent in the MFC and Unsecured Lending. RBB stage 3 coverage decreased as a result of lower loss expectations for stage 3 clients based on empirical data. CIB stage 3 GLAA increased for specific counters within the cement, retail and telecommunications sectors.

STAGE 3 ADVANCES AND COVERAGE RATIO
(Rm)**STAGE 1 AND STAGE 2 COVERAGE**
(%)

	Stage 3			TOTAL			On-B/S LAA (including FVOCI) Rm	Stage 3 GLAA as % of total GLAA %
	GLAA	ECL	Coverage	GLAA	ECL	Coverage		
	Rm	Rm	%	Rm	Rm	%		
	7 826	1 573	20,1	162 069	2 398	1,48	162 069	4,83
	2 488	505	20,3	174 119	1 060	0,61	174 119	1,43
	6 607	2 704	40,9	130 066	4 827	3,71	130 066	5,08
	3 081	1 912	62,0	37 506	3 296	8,79	37 506	8,22
	7 520	3 941	52,5	230 638	6 067	2,63	247 424	3,05
	67	(164)		25 286	(114)		24 373	
	27 589	10 471	38,0	759 684	17 534	2,31	775 557	3,62

	Stage 3			TOTAL			On-B/S LAA (including FVOCI) Rm	Stage 3 GLAA as % of total GLAA %
	GLAA	ECL	Coverage	GLAA	ECL	Coverage		
	Rm	Rm	%	Rm	Rm	%		
	6 965	1 430	20,5	156 265	2 282	1,46	156 265	4,46
	2 957	435	14,7	161 811	973	0,60	161 811	1,83
	4 967	2 532	51,0	102 577	4 176	4,07	102 577	4,84
	3 027	2 048	67,7	33 281	3 353	10,07	33 281	9,10
	6 710	2 758	41,1	213 808	4 533	2,12	232 234	2,89
	605	91		41 870	171		41 870	
	25 231	9 294	36,8	709 612	15 488	2,18	728 038	3,47

10 INVESTMENT SECURITIES

Rm	2019	2018 ¹
Private-equity investments	7 315	5 543
Private-equity associates – Property Partners	1 885	1 361
Private-equity associates – Investment Banking	898	1 070
Private-equity – Property Partners	1 559	1 551
Private-equity – Investment Banking	2 973	1 561
Listed investments	896	25
Unlisted investments	2 758	3 060
Taquanta asset managers portfolio	468	463
Strate Limited	143	143
Other	2 147	2 454
Total listed and unlisted investments	10 969	8 628
Listed policyholder investments at market value	13 253	10 048
Unlisted policyholder investments at directors' valuation	4 750	3 742
Net policyholder liabilities	(11)	(14)
Total policyholder investments	17 992	13 776
Total investment securities	28 961	22 404

EQUITY RISK IN THE BANKING BOOK

		2019	2018
Total equity portfolio	(Rm)	14 886	12 669
Disclosed at fair value	(Rm)	10 969	8 628
Equity-accounted, including investment in ETI	(Rm)	3 917	4 041
Percentage of total assets	(%)	1,3	1,2
Percentage of group minimum economic-capital requirement	(%)	4,8	4,7

- Equity investments in the banking book are primarily undertaken by CIB as part of its private-equity business. Any additional investments are undertaken as a result of operational or strategic requirements or as part of debt restructuring.
- The ETI strategic investment value has declined by R571m since 2018, resulting in an overall decrease in the portfolio that is equity-accounted.
- The Nedbank board sets the overall risk appetite and strategy of the group for equity risk, and business develops portfolio objectives and investment strategies for its investment activities. These address the types of investment, expected business returns, desired holding periods, diversification parameters and other elements of sound investment management oversight.
- The ETI strategic investment is accounted for under the equity method of accounting and is therefore not carried at fair value.

II INVESTMENTS IN ASSOCIATE COMPANIES

Name of company and nature of business	Equity-accounted earnings Rm		Carrying amount Rm		Net exposure to/(from) associates ³ Rm	
	2019	2018 ²	2019	2018 ²	2019	2018 ²
Associates						
Listed						
ETI ¹	668	608	2 674	3 245	856	333
Unlisted						
Private equity: Tracker Technology Holdings Proprietary Limited	49		549	506		
Private equity: Other investments	33		285	42		
Other strategic investments	43	(80)	409	248		
Total	793	528	3 917	4 041	69	333

¹ Ecobank Transnational Incorporated is a pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and Ivory Coast.

² Equity-accounted earnings included a R25m profit in December 2019 and a R96m loss in December 2018 related to SBV Services Proprietary Limited.

³ Includes on-balance-sheet and off-balance-sheet exposure.

The percentage holding in ETI at December 2019 was 21,2% (December 2018: 21,2%). The net exposure movement is due to loan repayment and the reduction of off-balance-sheet exposure.

ACCOUNTING RECOGNITION OF ETI

Rm	2019	2018
Opening carrying value – as previously reported	4 245	4 320
IFRS 9 transitional adjustment		(780)
Opening carrying value	4 245	3 540
Share of associate earnings/(losses) ^{1,2}	668	608
Share of other comprehensive (losses)/income ^{1,2}	(1 169)	(332)
Foreign currency translation ³	(70)	429
Closing carrying value (pre-impairment provision)	3 674	4 245
Impairment provision	(1 000)	(1 000)
Closing carrying value	2 674	3 245

¹ Applicable period: 1 October 2018–31 March 2019.

² Applicable average exchange rate: 1 January 2019–30 December 2019.

³ Applicable period: 1 January 2019–30 December 2019, i.e. the cumulative difference at each quarter of the earnings and other comprehensive income converted at an average USD/ZAR rate compared with the related US dollar balances converted at the quarter-end spot rate.

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 by 17,6% from R3,2bn at 31 December 2018 to R2,7bn at 31 December 2019. ETI's share price, which is thinly traded, decreased by 53,4% during the year, which resulted in the market value of the group's investment in ETI decreasing to R1,3bn (28 February 2020: R1,2bn). Due to the prolonged decline of ETI's listed share price below its carrying value, Nedbank performed a VIU test and reviewed its impairment provision at 31 December 2019. Since management's VIU analysis exceeds the current carrying value of our investment no adjustment to the R1,0bn impairment provision was required. The VIU calculation includes inputs from external sources and is a key area of judgement.

12 INTANGIBLE ASSETS

Rm	2019	2018
Computer software and capitalised development costs	8 254	7 251
Goodwill ¹	5 057	5 173
Client relationships, contractual rights and other ²	55	184
	13 366	12 608

¹ The group's annual impairment test indicated that the goodwill relating to the Nedgroup Trust subsidiary within Nedbank Wealth was impaired, hence R117m of goodwill has been written off. This impairment was recognised in non-trading and capital items (note 5).

² Client relationships, contractual rights and other for 2019 includes a R58m impairment recognised in non-trading and capital items during the year.

COMPUTER SOFTWARE AND CAPITALISED DEVELOPMENT COSTS – CARRYING AMOUNT

Rm	Amortisation periods	* 2 929	2018
Computer software¹	2–10 years	6 502	5 310
Core product and client systems		1 689	1 630
Support systems		2 435	2 053
Digital systems		1 721	935
Payment systems		657	692
Development costs not yet commissioned	none	1 752	1 941
Core product and client systems		447	454
Support systems		326	584
Digital systems		869	847
Payment systems		110	56
		8 254	7 251
Computer software			
Opening balance		5 310	3 592
Additions		378	393
Commissioned during the period		2 082	2 313
Disposals and retirements			(17)
Foreign exchange and other moves		(2)	3
Amortisation charge for the period		(1 167)	(958)
Impairments		(99)	(16)
Closing balance		6 502	5 310
Development costs not yet commissioned			
Opening balance		1 941	2 411
Additions		2 025	1 971
Commissioned during the period		(2 082)	(2 313)
Impairments		(132)	(128)
Closing balance		1 752	1 941

¹ The categories of computer software for December 2018 have been revised.

13 AMOUNTS OWED TO DEPOSITORS

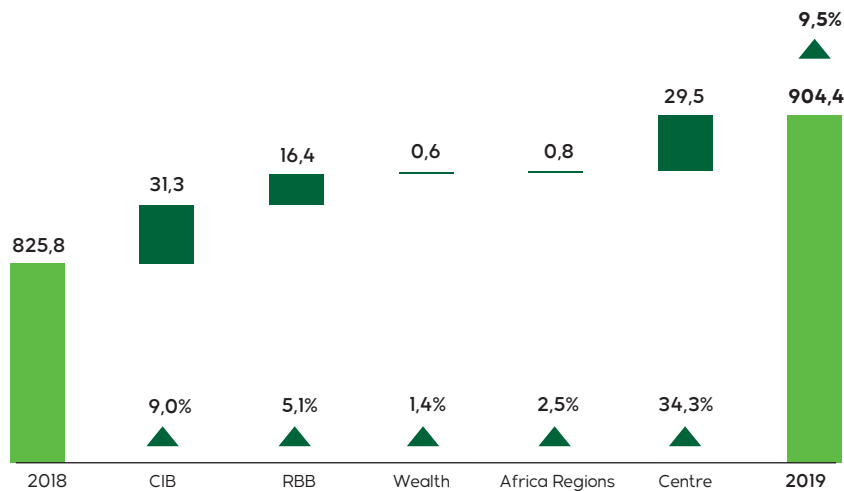
SEGMENTAL BREAKDOWN

Rm	Nedbank Group		Corporate and Investment Banking	
	2019	2018	2019	2018
Current accounts	86 199	85 267	6 628	8 385
Savings accounts	32 586	32 442	1	
Other deposits and loan accounts	614 909	573 103	328 434	300 549
Call and term deposits	325 730	305 251	114 658	109 848
Fixed deposits	66 735	66 314	13 680	11 837
Cash management deposits	75 748	73 659	61 782	60 016
Other deposits	146 696	127 879	138 314	118 848
Foreign currency liabilities	25 734	23 316	19 244	17 933
Negotiable certificates of deposit	118 984	89 919		
Macro fair-value hedge accounting adjustments	326	(120)		
Deposits received under repurchase agreements	25 644	21 877	25 349	21 443
Total amounts owed to depositors	904 382	825 804	379 656	348 310
Comprises:				
- Amounts owed to clients	846 625	765 516	324 888	292 884
- Amounts owed to banks	57 757	60 288	54 768	55 426
Total amounts owed to depositors	904 382	825 804	379 656	348 310

Nedbank Group remains committed to grow its retail and commercial deposits, while managing the funding profile

DEPOSITS BY CLUSTER

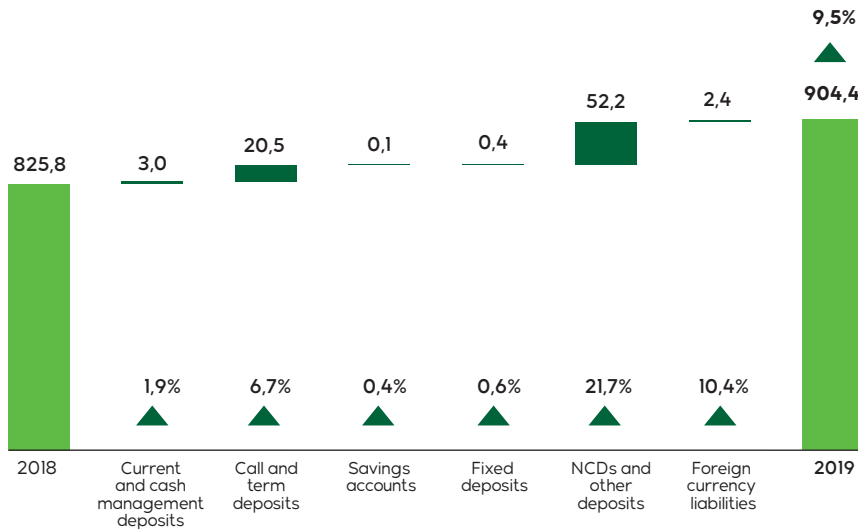
(Rbn)



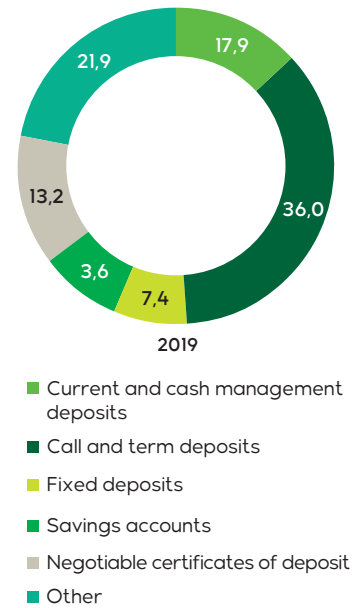
- Deposits grew by 9,5% to R904,4bn, with total funding-related liabilities increasing by 9,4% to R964,1bn.
 - » With 93,8% of all funding-related liabilities emanating from client deposits, Nedbank's loan-to-deposit ratio improved to 88,1% as growth in deposits outpaced growth in loans and advances.
 - » 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 Africa Regions by 2,5% as a result of softer markets in these jurisdictions. The Centre grew by 34,3%, largely driven by growth in NCDs on the back of increased appetite for duration, based on client interest rate expectations and slower economic growth.
 - » Transactional deposits increased by 1,9% while investment deposits increased by 8,0% as retail and commercial clients managed more liquidity into non-transactional term investments. RBB transactional deposits grew by 4,3% while it grew non-transactional investment deposits faster at 5,1%. CIB transactional deposits remained flat while non-transactional investment deposits grew by 10,9%. Slow economic growth and the search for higher yields in a weak economic environment were the primary drivers for commercial depositors rotating out of short-term working capital or transactional deposits into longer-term non-transactional investment deposits.

	Retail and Business Banking		Wealth		Nedbank Africa Regions		Centre	
	2019	2018	2019	2018	2019	2018	2019	2018
	69 996	67 200	1 838	1 777	7 645	7 846	92	59
	10 661	10 141	21 130	21 354	794	947		
	252 231	240 128	17 070	16 354	17 335	16 275	(161)	(203)
	187 061	172 663	12 964	11 662	11 044	11 075	3	3
	49 079	52 385	677	669	3 299	1 424		(1)
	10 979	10 497	1 384	1 939	1 524	1 136	79	71
	5 112	4 583	2 045	2 084	1 468	2 640	(243)	(276)
	6 013	5 051	22	10	455	322		
					3 699	3 648	115 285	86 271
					295	434	326	(120)
	338 901	322 520	40 060	39 495	30 223	29 472	115 542	86 007
	339 359	321 244	40 054	39 486	28 827	28 341	113 497	83 561
	(458)	1 276	6	9	1 396	1 131	2 045	2 446
	338 901	322 520	40 060	39 495	30 223	29 472	115 542	86 007

DEPOSITS BY PRODUCT (Rbn)



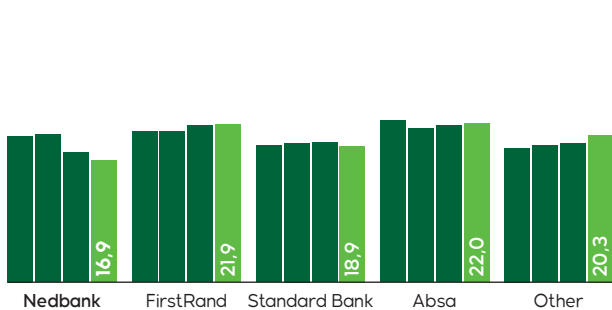
CONTRIBUTION (%)



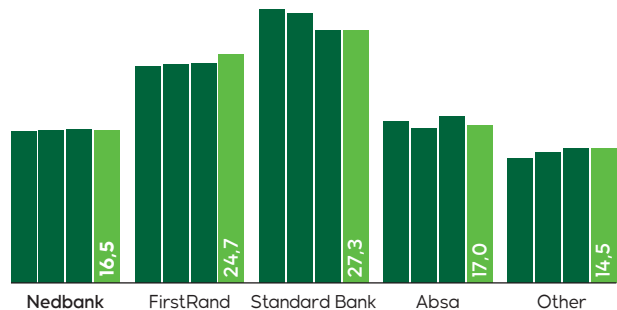
- » Call and term deposits grew by 6,7% while savings and fixed deposits grew marginally. NCDs and other deposits, which include structured deposits, grew by 21,7% as clients lengthened their deposit duration in an environment of slow growth where interest rate expectations have started to favour the downside.
- » Foreign currency liabilities, which represent only 2,8% of Nedbank's total deposits, increased by 10,4%. It should be noted that foreign currency liabilities are largely matched against foreign currency assets, resulting in an insignificant foreign currency mismatch when expressed as a percentage of the total balance sheet.
- » Nedbank has maintained a strong balance sheet position in 2019 as observed through the funding profile, liquidity buffers and key liquidity risk metrics.

Market share as per BA900

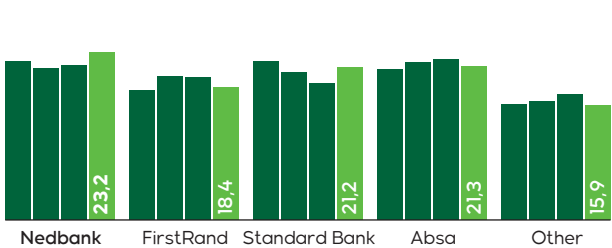
HOUSEHOLD DEPOSITS¹ (2016–2019)
(%)



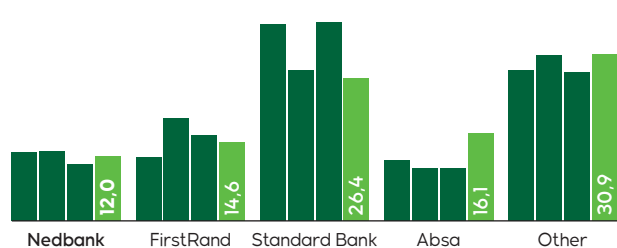
NON-FINANCIAL CORPORATE DEPOSITS² (2016–2019)
(%)



WHOLESALE DEPOSITS³ (2016–2019)
(%)



FOREIGN CURRENCY LIABILITIES⁴ (2016–2019)
(%)



¹ Includes 'households' as per the PA BA900 return.

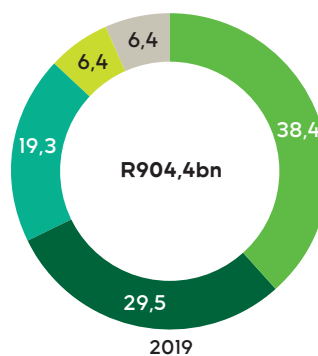
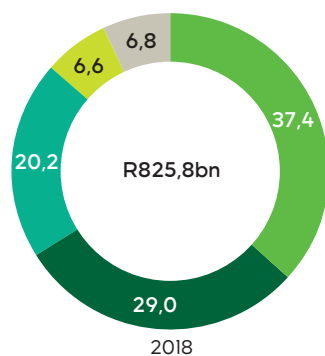
² Includes 'private non-financial corporate sector deposits', 'unincorporated businesses' and 'non-profit and charities' as per the PA BA900 return.

³ Includes 'insurers', 'pension funds', 'private financial corporate sector deposits', 'collateralised borrowings' and 'repurchase deposits' as per the PA BA900 return.

⁴ Includes 'foreign currency deposits' and 'foreign currency funding' as per the PA BA900 return.

- In 2019 Nedbank’s funding mix tilted towards increased funding from commercial and wholesale deposits. These depositors, through increased appetite for term products, contributed to a stronger contractual funding profile, where Nedbank’s quarterly average long-term funding ratio of 30,2% compared favourably with the industry average of approximately 26,5%. The increase in commercial and wholesale funding contributions, which supported a stronger funding and liquidity profile, was offset by a reduction in funding contributions from households, capital markets and foreign funding sources, where the latter sources of funding are typically more expensive.
- In 2020 Nedbank will continue to focus on growing retail and commercial deposits, with a focus on providing competitive and innovative transactional and investment products, as well as an ongoing emphasis on meeting client needs through product, pricing, innovation and digital client experiences.

NEDBANK GROUP'S DEPOSIT MIX
(%)



■ Wholesale ■ Commercial ■ Household ■ Capital markets ■ Foreign funding

LIQUIDITY RISK AND FUNDING

SUMMARY OF NEDBANK GROUP LIQUIDITY RISK AND FUNDING PROFILE

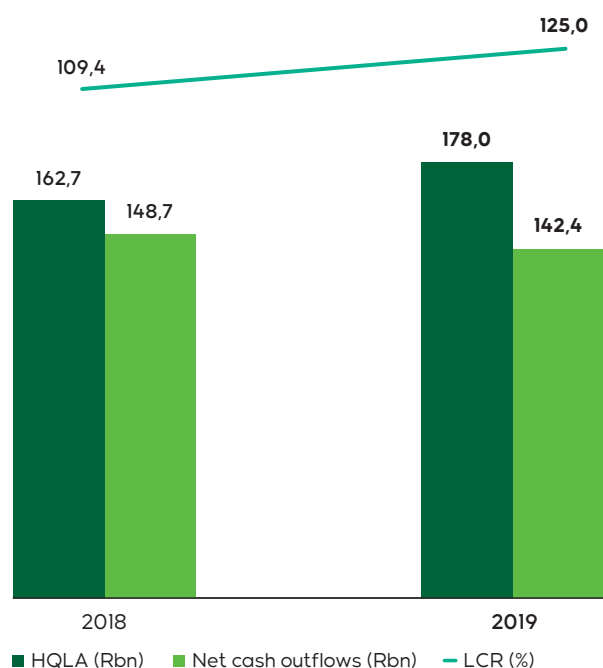
		2019	2018
Total sources of quick liquidity	(Rm)	227 713	213 255
Total HQLA	(Rm)	177 985	162 678
Other sources of quick liquidity	(Rm)	49 728	50 577
Total sources of quick liquidity (as a percentage of total assets)	(%)	19,9	20,4
Long-term funding ratio (three-month average)	(%)	30,2	26,5
Senior unsecured debt including green bonds	(Rm)	42 295	39 254
Green bonds	(Rm)	2 644	
Total capital market issuance (excluding additional tier 1 capital)	(Rm)	59 713	55 587
Reliance on negotiable certificates of deposit (as a percentage of total deposits)	(%)	13,2	10,9
Reliance on foreign funding currency deposits (as a percentage of total deposits)	(%)	2,8	2,8
Loan-to-deposit ratio	(%)	88,1	89,2
Basel III liquidity ratios			
LCR ¹	(%)	125,0	109,4
Minimum regulatory LCR requirement	(%)	100,0	90,0
NSFR ²	(%)	113,0	114,0
Minimum regulatory NSFR requirement	(%)	100	100

¹ Only banking and/or deposit-taking entities are included in the group LCR and the group ratio represents an aggregation of the relevant individual net cash outflows (NCOF) and the individual HQLA portfolios across all banking and/or deposit-taking entities, where surplus HQLA holdings in excess of the minimum requirement of 100% have been excluded from the aggregated HQLA number in the case of all non-SA banking entities. The above figures reflect the 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.

² Only banking and/or deposit-taking entities are included in the group NSFR and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance-sheet items.

- Nedbank Group remains well funded with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign currency funding.
- The group's quarterly average LCR exceeded the minimum regulatory requirement of 100% applicable in 2019, with the group maintaining appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR.
 - » The LCR, calculated using the 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, was 125,0%.
 - Nedbank's portfolio of LCR-compliant HQLA increased to a quarterly average of R178,0bn, up from 2018 when the portfolio totalled R162,7bn.
 - The increase in the LCR is attributable to growth in the HQLA portfolio as well as a decrease in net cash outflows. The increase in the long-term funding profile was the primary contributor to the decrease in LCR net cash outflows.
 - Nedbank will continue to procure additional HQLA to support balance sheet growth while maintaining appropriately sized surplus liquid-asset buffers.

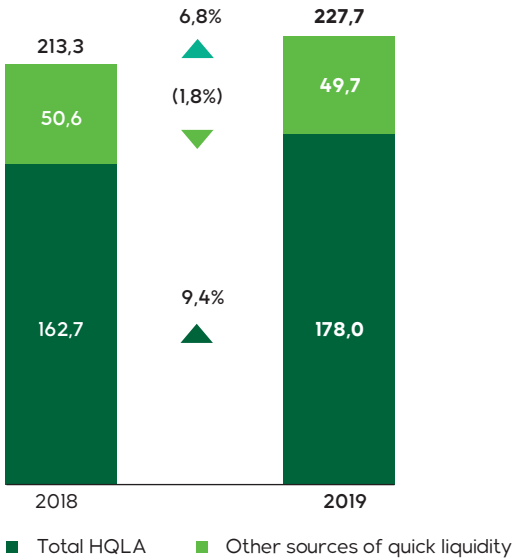
NEDBANK GROUP LCR EXCEEDS MINIMUM REGULATORY REQUIREMENTS



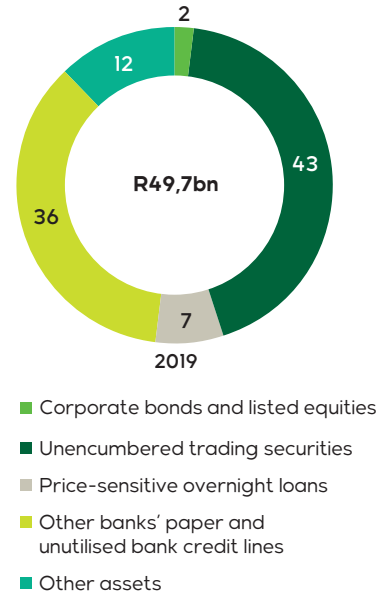
» In addition to the HQLA portfolio maintained for LCR purposes, Nedbank also identifies other sources of quick liquidity, which can be accessed in times of stress. Nedbank's combined portfolio of HQLA and other sources of quick liquidity collectively amounted to R227,7bn at December 2019 and represented 19,9% of total assets.

Nedbank Group has significant sources of quick liquidity

TOTAL SOURCES OF QUICK LIQUIDITY
(Rbn)

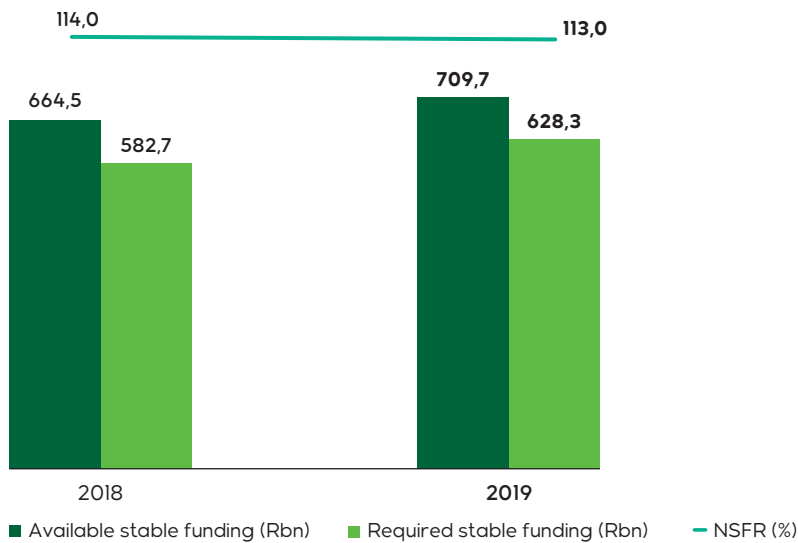


OTHER SOURCES OF QUICK LIQUIDITY CONTRIBUTION
(%)



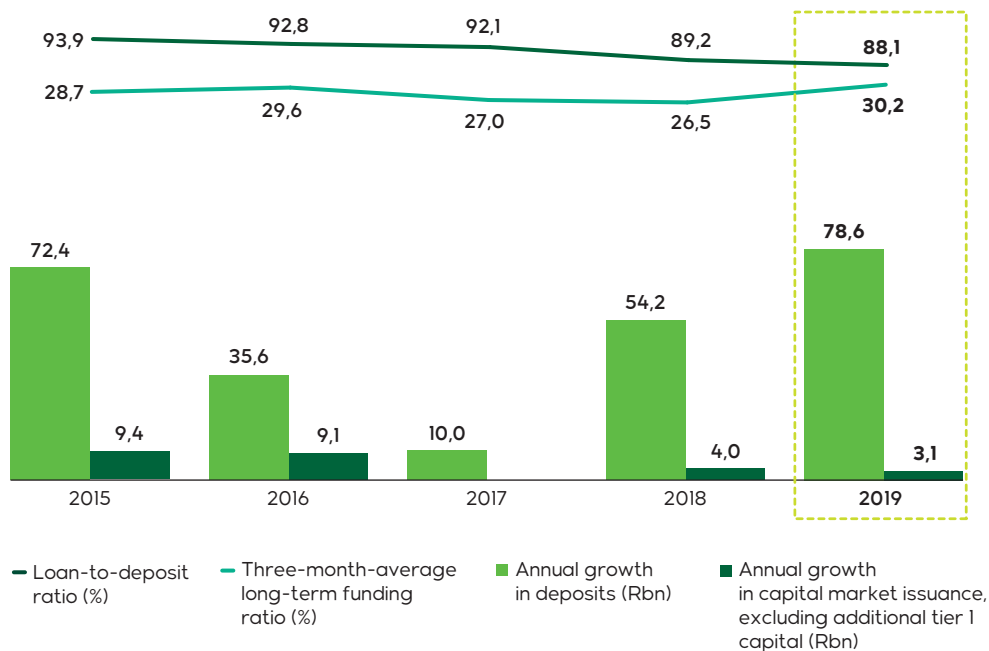
- Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018, with a December 2019 ratio of 113,0%. The slight decrease in the NSFR is largely attributable to business-as-usual mix changes across both assets and liabilities. The key focus in terms of the NSFR is to achieve ongoing compliance within the context of balance sheet optimisation.

NEDBANK GROUP NSFR EXCEEDS MINIMUM REGULATORY REQUIREMENTS



- » A strong funding profile was maintained in 2019, with Nedbank recording a three-month-average long-term funding ratio of 30,2% in the last quarter of the year. The focus on proactively managing Nedbank's long-term funding profile contributed to a strong balance sheet position and improved liquidity risk metrics. Nedbank has continued to run a more prudent long-term funding profile when compared with the industry average of approximately 26,5%.
 - Nedbank successfully issued R8,9bn in senior unsecured debt, while R5,8bn matured during the year.
 - Nedbank successfully issued R2,7bn at its green bond auctions in 2019, contributing to overall senior unsecured debt issuance.
 - Nedbank issued tier 2 capital instruments of R2,5bn and redeemed R2,5bn during the year, in line with the group's capital plan.
- » While foreign currency funding reliance remains small, at 2,8% of total deposits, Nedbank continues to focus on growing this funding source in support of funding base diversification where the proceeds can be applied to meet funding requirements for foreign advances growth at attractive interest rates.
- The group's 2019 ICAAP, ILAAP and Recovery Plan Reports were updated and approved by the board in accordance with annual business-as-usual processes and submitted to the Prudential Authority.

NEDBANK GROUP FUNDING AND LIQUIDITY PROFILE IS UNDERPINNED BY STRONG LIQUIDITY RISK METRICS



EQUITY ANALYSIS

ANALYSIS OF CHANGES IN NET ASSET VALUE

	Change (%)	2019	2018
Balance at the beginning of the year		91 271	88 539
Impact of adopting IFRS 9, IFRS 15 and IFRS 16, net of taxation		(658)	(3 232)
IFRS 9 and IFRS 15			(3 232)
IFRS 16		(658)	
Additional shareholder value		11 017	13 175
Profit attributable to ordinary equity holders		12 001	13 376
Currency translation movements		(855)	191
Exchange differences on translating foreign operations – foreign subsidiaries ¹		2	160
Exchange differences on translating foreign operations – ETI ¹		(70)	429
Share of other comprehensive income of investments accounted for using the equity method – ETI ²		(787)	(398)
Fair-value adjustments		(470)	60
Fair-value adjustments on debts instruments		(232)	(20)
Share of other comprehensive income of investments accounted for using the equity method ²		(238)	80
Defined-benefit fund adjustment		300	(345)
Share of other comprehensive income of investments accounted for using the equity method (included in other distributable reserves)		(145)	(16)
Other direct reserve movements		186	(91)
Transactions with ordinary shareholders		(6 565)	(8 004)
Dividends paid		(7 112)	(6 744)
Odd-lot repurchase			(1 979)
Equity-settled share-based payments		591	177
Net repurchase of share capital and premium and capitalisation of reserves		(44)	542
Transaction with non-controlling shareholders		(134)	41
Exchange differences on translating foreign operations ¹		(91)	(140)
Other transaction with non-controlling shareholders		(43)	181
Additional tier 1 capital instruments		3 500	750
Other movements		18	2
Balance at the end of the year		98 449	91 271

¹ Exchange differences on translating foreign operations disclosed in the statement of other comprehensive income of R159m (December 2018: R449m).

² Share of other comprehensive losses of investments accounted for using the equity method as disclosed in the statement of comprehensive income of R1 025m (December 2018: R318m).

MOVEMENTS IN GROUP FOREIGN CURRENCY TRANSLATION RESERVE

	Change (%)	2019	2018
Balance at the beginning of the year		(1 389)	(1 580)
Foreign currency translation reserve (FCTR)		(855)	191
ETI		(857)	31
Banco Único		(37)	7
Other subsidiaries		39	153
Balance at the end of the year		(2 244)	(1 389)

EXCHANGE RATES

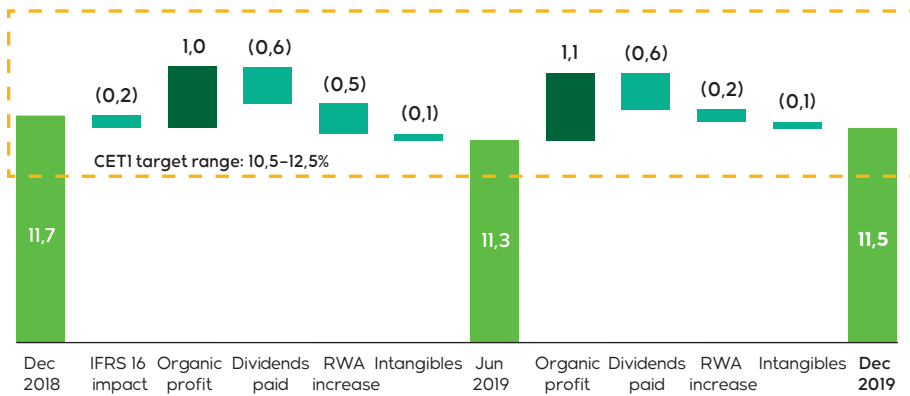
	Average			Closing		
	Change (%)	2019	2018	Change (%)	2019	2018
UK pound to rand	4,5	18,43	17,64	0,6	18,43	18,32
US dollar to rand	9,1	14,44	13,24	(2,6)	14,01	14,38
US dollar to naira		361,64	361,50	0,3	364,47	363,50
Rand to naira	(8,3)	25,05	27,31	3,9	26,05	25,08
US dollar to RTGS dollar (Zimbabwe) ¹		n/a	n/a	>100	16,77	3,88
RTGS dollar (Zimbabwe) to rand ¹		n/a	n/a	(77,4)	0,84	3,71

¹ In terms of hyperinflation accounting, the inflation-indexed income statement is translated at the year-end closing spot exchange rate.

CAPITAL MANAGEMENT

REGULATORY CAPITAL ADEQUACY AND LEVERAGE

CETI CAPITAL RATIO TREND ANALYSIS



- ✓ The group capital ratios are well above regulatory minima and have strengthened since June 2019.
- ✓ An optimal capital structure has been maintained through the issuance of additional tier 1 and tier 2 capital instruments at favourable pricing.

Nedbank manages capital levels incorporating its own internal assessment of the level of risk being taken, expectations of the rating agencies, the requirements of the regulators and the returns expected by shareholders. Nedbank also seeks to ensure that its capital structure makes use of the range of capital instruments and capital management activities available in optimising the financial efficiency and loss absorption capacity of its capital base.

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

The group remains well capitalised at levels significantly above the minimum regulatory requirements. The CETI ratio of 11,5% was impacted by the implementation of IFRS 16 on 1 January 2019 (R658m reduction in equity and R3,4bn increase in RWA), the ongoing investment in software development costs as part of the group's Managed Evolution programme, the adverse impact of changes in foreign currency translation reserves, an increase in RWA due to migration in certain credit portfolios, credit model updates and capital optimisation initiatives.

		SARB minimum ¹	Internal targets	2019	2018
Nedbank Group					
Including unappropriated profits					
Total CAR	(%)		> 14	15,0	14,8
Total tier 1	(%)		> 12	12,8	12,5
CETI	(%)		10,5-12,5	11,5	11,7
Surplus tier 1 capital	(Rm)			22 245	21 460
Leverage	(times)	< 25	< 20	15,0	14,7
Dividend cover	(times)		1,75-2,25	1,84	1,97
Cost of equity	(%)			14,1	14,1
Excluding unappropriated profits					
Total CAR	(%)	11,50		14,8	14,2
Total tier 1	(%)	9,25		12,6	11,9
CETI	(%)	7,50		11,4	11,1
Nedbank Limited					
Including unappropriated profits					
Total CAR	(%)		> 14	15,5	15,7
Total tier 1	(%)		> 12	12,8	12,7
CETI	(%)		10,5-12,5	11,2	11,6
Surplus tier 1 capital	(Rm)			18 202	18 185
Excluding unappropriated profits					
Total	(%)	11,50		15,1	15,2
Total tier 1	(%)	9,25		12,4	12,3
CETI	(%)	7,50		10,8	11,1

¹ SARB minimum requirements for 2019 reflect the phase-in of the conservation buffer at 2,5% and are disclosed excluding bank-specific Pillar 2b and D-SIB capital requirements.

OVERVIEW OF RISK-WEIGHTED ASSETS

Rm	Nedbank Group			Nedbank Limited ¹		
	2019		2018	2019		2018
	RWA	MRC ²	RWA	RWA	MRC ²	RWA
Credit risk	419 286	48 218	390 688	348 376	40 063	318 549
Standardised Approach (TSA)	35 052	4 031	38 598	133	15	150
Supervisory Slotting Approach	10 234	1 177	8 612	9 290	1 068	8 612
Advanced Internal Ratings-based Approach	374 000	43 010	343 478	338 953	38 980	309 787
Counterparty credit risk	9 713	1 117	5 072	9 456	1 087	4 855
Current Exposure Method	9 713	1 117	5 072	9 456	1 087	4 855
Credit valuation adjustment	16 476	1 895	10 378	15 668	1 802	9 683
Equity positions under Simple Risk-weight Approach	41 021	4 717	35 205	26 534	3 051	22 677
Securitisation exposures in banking book	589	68	504	589	68	504
Internal Ratings-based Approach	382	44	300	382	44	300
External Ratings-based Approach, including Internal Assessment Approach	207	24	204	207	24	204
Market risk	22 199	2 553	31 489	20 971	2 412	28 141
Standardised Approach	2 027	233	4 204	699	81	1 162
Internal Model Approach	20 172	2 320	27 285	20 272	2 331	26 979
Operational risk	74 139	8 526	71 083	62 795	7 221	60 720
Standardised Approach	7 208	829	6 599	1	<1	5
Advanced Measurement Approach (AMA)	63 539	7 307	60 838	60 059	6 907	57 594
Floor adjustment	3 392	390	3 646	2 735	314	3 121
Amounts below the thresholds for deduction (subject to 250% risk weighting)	15 228	1 751	14 942	1 633	188	2 167
Other assets (100% risk weighting)	30 074	3 458	27 265	24 867	2 860	23 835
Total	628 725	72 303	586 626	510 889	58 752	471 131

¹ Nedbank Limited refers to the SA reporting entity in terms of regulation 38 (BA700) of the regulations relating to banks, issued in terms of the Banks Act (Act No 94 of 1990).

² Total MRC is measured at 11,5%, in line with the transitional requirements, and excludes bank-specific Pillar 2b and D-SIB capital requirements.

- Credit RWA increased by R28,6bn, largely as a result of book growth, model updates and the rating migrations of certain counters within the CIB portfolio.
- Counterparty credit risk and credit valuation adjustment RWA increased by R4,6bn and R6,1bn respectively, driven by an increase in hedging activities and the performance of the rand against major currencies over the period.
- Equity RWA growth of R5,8bn, includes new investments and fair-value revaluations of existing equity exposures.
- Trading market RWA decrease of R9,3bn, driven primarily by lower exposures to foreign exchange, interest rates, inflation and credit spreads on the back of reduced trading activity during the period.
- Operational RWA growth of R3,1bn, mainly driven by the migration to the second-generation model, which resulted in an increase in the AMA capital as well as an increase in TSA capital, driven by movements in GOI.

SUMMARY OF REGULATORY QUALIFYING CAPITAL AND RESERVES¹

Rm	Nedbank Group		Nedbank Limited	
	2019	2018	2019	2018
Including unappropriated profits				
Total tier 1 capital	80 401	73 523	65 459	59 959
CET1	72 506	68 625	57 015	54 484
Share capital and premium	18 577	17 792	19 221	19 221
Reserves	68 534	65 493	50 521	47 375
Minority interest: Ordinary shareholders	848	1 038		
Deductions	(15 453)	(15 698)	(12 727)	(12 112)
Additional tier 1 capital	7 895	4 898	8 444	5 475
Preference share capital and premium	1 594	2 125	1 594	2 125
Perpetual subordinated debt instruments	6 850	3 350	6 850	3 350
Regulatory adjustments	(549)	(577)		
Tier 2 capital	13 840	13 428	13 812	13 799
Subordinated debt instruments	13 810	13 797	13 810	13 797
General allowance for credit impairment	300	289	2	2
Regulatory adjustments	(270)	(658)		
Total capital	94 241	86 951	79 271	73 758
Excluding unappropriated profits				
Tier 1 capital	79 315	70 068	63 532	57 730
CET1 capital	71 420	65 170	55 088	52 255
Total capital	93 155	83 496	77 344	71 529

¹ For comprehensive 'composition of capital' and 'capital instruments main features' disclosure please refer to nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/capital-and-risk-management-reports.html.

- Nedbank Group maintained a solid capital adequacy position, with the capital ratios having improved since 30 June 2019 after absorbing the adverse impact of IFRS 16 implemented in January 2019, adverse changes in foreign currency translation reserves, further investment in software development costs as part of the group's Managed Evolution programme, and an increase in RWA due to migration in certain credit portfolios and credit model updates. The CET1 capital was supported by reasonable earnings generation in a tough macroeconomic environment, an appropriate dividend policy and capital optimisation across the balance sheet. The group's sound capital structure is further supported by the following:
 - » A focus on issuing fully loss-absorbent capital, with Basel III fully compliant capital making up 98% of the group's total capital structure, having issued R19,3bn of new-style tier 2 capital and R6,9bn of new-style additional tier 1 capital since the implementation of Basel III in 2013.
 - » RWA density of 55% (RWA/total assets), which compares favourably with local and international peers.
- The group's tier 1 capital position was positively impacted by the issuance of new-style additional tier 1 instruments of R3,5bn in 2019, offset by the further grandfathering of preference shares in January 2019, in line with the Basel III transitional arrangements.
- The group's total capital position was further impacted by the redemption of new-style tier 2 capital instruments of R2,5bn and the issuance of new-style tier 2 capital instruments of R2,5bn in 2019, in line with the group's capital plan.
- Nedbank Group's gearing (including unappropriated profits) remains below the Regulatory Leverage Ratio Framework requirement of less than 25 times at 15,0 times.

REGULATED BANKING SUBSIDIARIES

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

	2019			2018	
	Total capital requirement (host country) %	RWA Rm	Total capital ratio %	RWA Rm	Total capital ratio %
Africa Regions					
Banco Único	11,0	3 863	16,7	3 901	15,8
Nedbank Namibia Limited	11,0	13 047	15,0	12 647	18,0
Nedbank (Swaziland) Limited	8,0	4 966	17,3	4 654	17,3
Nedbank (Lesotho) Limited	8,0	2 051	26,4	2 282	20,8
Nedbank (Malawi) Limited	15,0	349	22,1	364	28,7
Nedbank (Zimbabwe) Limited	12,0	1 042	21,3	3 521 ¹	29,9 ¹
Isle of Man					
Nedbank Private Wealth (IOM) Limited	11,0	7 627	15,7	7 607	14,9

¹ As reported in country in the December 2018 BA Regulatory Return, before any functional currency changes.

ECONOMIC CAPITAL ADEQUACY

NEDBANK GROUP ECONOMIC CAPITAL REQUIREMENT

	2019		2018	
	Rm	Mix %	Rm	Mix %
Credit risk	43 847	64	38 476	63
Market risk	8 088	12	8 094	13
Business risk	7 960	12	7 223	12
Operational risk	4 770	7	3 972	6
Insurance risk	472	<1	474	1
Other assets risk	3 166	5	2 958	5
Minimum economic capital requirement	68 303	100	61 197	100
Add: Stress-tested capital buffer (10%)	6 830		6 120	
Total economic capital requirement	75 133		67 317	
AFR	97 184	100	90 350	100
Tier A capital	74 977	77	71 125	79
Tier B capital	22 207	23	19 225	21
Total surplus AFR	22 051		23 033	
AFR:total economic capital requirement (%)	129		134	

- Nedbank Group's minimum economic capital requirement increased by R7,1bn during the year, primarily due to the following:
 - A R5,4bn increase in credit risk economic capital largely as a result of book growth and rating migrations of certain portfolios within ClB. Counterparty credit risk increased, as a result of an increase in hedging activities and the performance of the rand against major currencies over the period.
 - Respective increases of R737m and R798m in business risk economic capital and operational risk economic capital, which were driven mainly by annual model parameter updates, reflective of a higher risk environment.
- Nedbank Group's AFR increased R6,8bn in 2019, mainly as a result of the following:
 - Financial reserves increasing R3,0bn post dividend payments to shareholders of R7,2bn.
 - A R3,0bn increase in tier B AFR following the issuance of R3,5bn new-style additional tier 1 capital and the issuance of R2,5bn of new-style tier 2 capital instruments, which was offset by the grandfathering of old-style preference shares of R531m and the redemption of new-style tier 2 capital instruments of R2,5bn.

EXTERNAL CREDIT RATINGS

	Standard & Poor's		Moody's Investors Service	
	Nedbank Limited	Sovereign rating SA	Nedbank Limited	Sovereign rating SA
	Nov 2019	Nov 2019	Nov 2019	Nov 2019
Outlook	Negative	Negative	Negative	Negative
Foreign currency deposit ratings				
Long-term	BB	BB	Baa3	Baa3
Short-term	B	B	P-3	P-3
Local currency deposit ratings				
Long-term	BB	BB+	Baa3	Baa3
Short-term	B	B	P-3	P-3
National scale rating				
Long-term deposits	zaAA+	zaAA+	Aa1.za	
Short-term deposits	zaA-1+	zaA-1+	P-1.za	



SUPPLEMENTARY INFORMATION

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EARNINGS PER SHARE AND WEIGHTED-AVERAGE SHARES

Earnings per share	Basic	Diluted basic	Headline	Diluted headline
December 2019				
Earnings for the year	12 001	12 001	12 506	12 506
Weighted-average number of ordinary shares	479 960 027	487 478 442	479 960 027	487 478 442
Earnings per share (cents)	2 500	2 462	2 605	2 565
December 2018				
Earnings for the year	13 376	13 376	13 495	13 495
Weighted-average number of ordinary shares	483 240 926	493 159 191	483 240 926	493 159 191
Earnings per share (cents)	2 768	2 712	2 793	2 736

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue.

Fully diluted basic earnings and fully diluted headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

Number of weighted-average dilutive potential ordinary shares (000)	2019		2018
	Potential shares ¹	Weighted-average dilutive shares	Weighted-average dilutive shares
Traditional schemes	12 569	5 808	8 119
Nedbank Group Restricted-share Scheme (2005)	9 415	4 200	6 426
Nedbank Group Matched-share Scheme	3 154	1 608	1 693
Total BEE schemes	1 845	1 711	1 799
BEE schemes – South Africa	1 812	1 703	1 785
Community	1 690	1 690	1 690
Black executives	116	12	83
Black management	6	1	12
BEE schemes – Namibia	33	8	14
Total	14 414	7 519	9 918

¹ Potential shares are the total number of shares arising from historic grants, schemes or awards, available for distribution. Potential shares are the total number of shares arising from historic grants, schemes or awards, available for distribution.

Matched shares

Instrument expiry date	Number of shares
1 April 2020	672 956
1 April 2021	633 687
1 April 2022	928 799
Matched shares outstanding not exercised at 31 December 2019	2 235 442
Movements due to shares exercised/forfeited during the year	918 242
Total potential shares	3 153 684
Weighted-average dilutive shares applicable for the year	1 608 451

The obligation to deliver the matched shares issued under the voluntary and compulsory share scheme is subject to time and other performance criteria.

This obligation exists over 31 December 2019 and therefore has a dilutive effect.

Matched shares are not issued and are therefore not recognised as treasury shares. However, until they are issued, there remains a potential dilutive effect.

NEDBANK GROUP EMPLOYEE INCENTIVE SCHEMES

for the period ended

Nedbank Group employee incentive schemes	2019	2018
Summary by scheme		
Nedbank Group Restricted-share Scheme (2005)	9 067 832	9 369 675
Nedbank Group Matched-share Scheme (2005)	2 235 442	2 178 999
Instruments outstanding at the end of the year	11 303 274	11 548 674
Analysis		
Performance-based – restricted shares	5 094 706 ^P	5 168 775 ^P
Non-performance-based – restricted shares	3 973 126	4 200 900
Performance-based – matched shares (CBSS ¹)	1 544 042 ^P	1 493 277 ^P
Non-performance-based – matched shares (VBSS ²)	691 400	685 722
Instruments outstanding at the end of the year	11 303 274	11 548 674
Movements		
Instruments outstanding at the beginning of the year	11 548 674	11 646 502
Granted	4 421 294	3 699 952
Exercised	(4 265 176)	(3 234 541)
Surrendered	(401 518)	(563 239)
Instruments outstanding at the end of the year	11 303 274	11 548 674

¹ Compulsory Bonus Share Scheme.

² Voluntary Bonus Share Scheme.

^P Performance-based instruments.

NEDBANK GROUP (2005) RESTRICTED- AND MATCHED-SHARE SCHEMES

Restricted shares¹

Details of instruments granted and not exercised at 31 December 2019 and the resulting dilutive effect:

Instrument expiry date	Number of shares
16 March 2020	1 565 247 ^P
17 March 2020	1 267 795
11 August 2020	44 153 ^P
12 August 2020	39 423
16 March 2021	1 440 889 ^P
15 March 2021	1 167 063
17 August 2021	102 600 ^P
18 August 2021	85 954
15 March 2022	1 879 376 ^P
16 March 2022	1 350 470
16 August 2022	62 441 ^P
17 August 2022	62 421
Restricted shares not exercised at 31 December 2019	9 067 832
Unallocated shares	144 725
Treasury shares	9 212 557
Average shares exercised or forfeited during the year	202 527
Total potential shares	9 415 084
Weighted-average dilutive shares applicable for the year	4 200 040

¹ Restricted shares are issued at a market price for no consideration to participants, and are held by the scheme until the expiry date (subject to achievement of performance conditions). Participants have full rights and receive dividends.

^P Performance-based instruments.

LONG-TERM DEBT INSTRUMENTS

Instrument code	2019	2018
Subordinated debt	14 229	14 233
Callable notes (rand-denominated)	13 912	13 905
Long-term debenture (Namibian dollar-denominated)	317	316
Callable notes (MZN-denominated)		12
Securitised liabilities – callable notes (rand-denominated)	3 152	2 069
Senior unsecured debt – senior unsecured notes (rand-denominated)	39 651	39 254
Unsecured debentures (rand-denominated)	37	31
Green bonds (rand-denominated)	2 644	
Total long-term debt instruments in issue	59 713	55 587

Further information can be accessed on our group website:

nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/capital-and-risk-management-reports.html

nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/debt-investor/debt-investors-programme.html

HOLDERS OF ADDITIONAL TIER 1 CAPITAL INSTRUMENTS

The group issued new-style (Basel III-compliant) additional tier 1 capital instrument as follows:

Instrument code	Instrument terms	2019	2018
Subordinated			
Callable notes (rand-denominated)			
NEDT1A	3-month JIBAR + 7,00% per annum	1 500	1 517
NEDT1B	3-month JIBAR + 6,25% per annum	500	505
NGLT1A	3-month JIBAR + 5,65% per annum	600	613
NGLT1B	3-month JIBAR + 4,64% per annum	750	762
NGT103	3-month JIBAR + 4,40% per annum	671	
NGT104	3-month JIBAR + 4,50% per annum	1 829	
NGT105	3-month JIBAR + 4,25% per annum	1 000	
Total non-controlling interest attributable to additional tier 1 capital instruments		6 850	3 397

The additional tier 1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable, subject to regulatory approval, at the sole discretion of the issuer from the applicable call date and following a regulatory or tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, in certain conditions the regulator may prohibit Nedbank from making interest payments. Accordingly, for accounting purposes the instruments are classified as equity instruments and disclosed as part of the non-controlling interest.

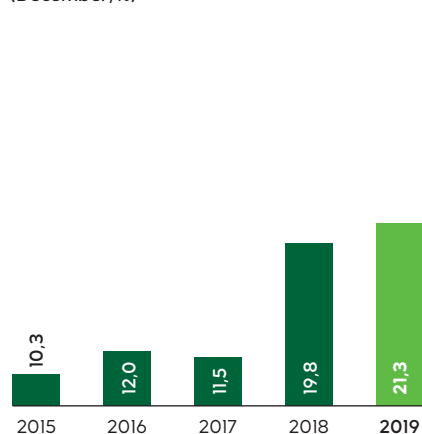
SHAREHOLDERS' ANALYSIS

Register date: 27 December 2019
 Authorised share capital: 600 000 000 shares
 Issued share capital: 497 053 536 shares

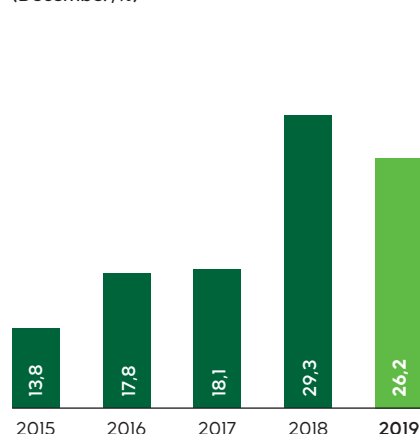
	Number of shares	2019 % holding	2018 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (SA) Limited and associates (includes funds managed on behalf of other beneficial owners) ¹	119 908 542	24,12	24,54
Nedbank Group treasury shares	15 879 157	3,19	3,26
BEE trusts	6 619 088	1,33	1,32
Eyethu scheme – Nedbank SA	6 466 786	1,30	1,29
Omufima scheme – Nedbank Namibia	152 302	0,03	0,03
Nedbank Group (2005) Restricted- and Matched-share Schemes	9 212 557	1,85	1,93
Nedbank Namibia Limited	47 512	0,01	0,01
Public Investment Corporation (SA)	53 464 674	10,76	9,38
Coronation Fund Managers (SA)	37 407 848	7,53	7,31
Allan Gray Investment Council (SA)	27 048 653	5,44	5,14
BlackRock Incorporated (International)	17 839 104	3,59	3,71
The Vanguard Group Incorporated (international)	14 888 988	3,00	2,91
Sanlam Investment Management Proprietary Limited (SA)	11 741 655	2,36	1,88
Dimensional Fund Advisors (US, UK and AU)	10 597 596	2,13	1,62
Lazard Asset Management (International)	10 590 138	2,13	2,96
GIC Asset Management Proprietary Limited (international)	10 437 041	2,10	2,65
Major beneficial shareholders			
Old Mutual Life Assurance Company (SA) Limited and associates (SA) ¹	119 764 615	24,09	24,51
Government Employees Pension Fund (SA)	54 095 899	10,88	9,66
GIC Asset Management Proprietary Limited (SG)	10 437 041	2,10	2,67
Geographical distribution of shareholders			
Domestic	366 809 012	73,79	70,69
South Africa	351 196 730	70,65	67,38
Namibia	9 095 314	1,83	1,47
Unclassified	6 516 968	1,31	1,84
Foreign	130 244 524	26,21	29,31
United States of America	65 892 178	13,26	14,89
Asia	22 306 373	4,49	5,06
Europe	22 173 199	4,46	4,78
United Kingdom and Ireland	10 181 196	2,05	2,96
Other countries	9 691 578	1,95	1,62
Total shares listed	497 053 536	100,00	100,00
Less: Treasury shares held	15 879 157		
Net shares reported	481 174 379		

¹ Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial owners and increased after the Old Mutual Managed Separation had been completed as a result of the subsequent odd-lot offer and due to movements in shares held on behalf of policyholders. The relationship agreement with Old Mutual Limited is available at <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/About%20Nedbank%20Group/Old%20Mutual/Nedbank%20Old%20Mutual%20Limited%20Relationship%20Agreement%202018.pdf>.

INDEX CLASSIFIED SHAREHOLDING (December, %)



FOREIGN SHAREHOLDING (December, %)



BASEL III BALANCE SHEET CREDIT EXPOSURE BY BUSINESS CLUSTER AND ASSET CLASS

	CIB, excluding Property Finance	Property Finance	RBB	Wealth	Nedbank African Regions	Centre
Advanced Internal Ratings-based Approach	265 339	162 280	358 726	22 721	7	74 097
Corporate	142 150	49 944	18 106	55		134
Specialised lending – HVCRE ⁴		8 090		55		
Specialised lending – IPRE ⁵		100 448	1 569	6 051		
Specialised lending – project finance	46 501			4		
SME – corporate	1 105	3 593	29 942	2 118		
Public sector entities	16 773		141	42		31
Local government and municipalities	10 906		966	279		
Sovereign	10 105		5	1 727		71 835
Banks	37 753	37			7	2 097
Retail mortgage			129 050	10 255		
Retail revolving credit			16 995	84		
Retail – other			129 540	189		
SME – retail	46		31 943	1 862		
Securitisation exposure		168	469			
The Standardised Approach⁶	-	-	160	18 475	42 066	-
Corporate					10 513	
SME – corporate			160	1 310		
Public sector entities					813	
Local government and municipalities					30	
Sovereign				7 413	7 467	
Banks				2 614	6 626	
Retail mortgage				5 807	7 118	
Retail revolving credit					731	
Retail – other				1 331	4 630	
SME – retail					4 138	
Properties in possession Non-regulated entities			44	11	95	
Total Basel III balance sheet exposure⁷	284 647	162 280	358 930	41 207	42 168	74 097
Downturn expected loss (AIRB Approach)						
Expected loss performing book						
BEEL on defaulted advances						
IFRS impairment on AIRB loans and advances						
Excess of downturn expected loss over eligible provisions						

¹ Risk weighting is shown as a percentage of exposure at default (EAD) for the AIRB Approach and as a percentage of total credit extended for The Standardised Approach (TSA).

² dEL is in relation to performing loans and advances.

³ Best estimate of expected loss (BEEL) is in relation to defaulted loans and advances.

⁴ High-volatility commercial real estate.

⁵ Income-producing real estate.

⁶ A portion of the legacy Imperial Bank book in Nedbank RBB, Nedbank Private Wealth (UK) and the non-SA banking entities in Africa are covered by TSA.

⁷ Balance sheet credit exposure includes on-balance-sheet, repurchase and resale agreements and derivative exposure.

	Nedbank Group Dec 2019						Nedbank Group Dec 2018			
	(Rm)	Mix (%)	Change (%)	Risk weighting ¹ (%)	Downturn expected loss (dEL) ² (Rm)	BEEL ³ (Rm)	(Rm)	Mix (%)	Downturn expected loss (dEL) ²	BEEL ³ (Rm)
	883 170	91,7	11,3	40,5	7 268	9 993	793 243	90,5	6 851	8 759
	210 389	21,8	12,8	44,9	1 108	867	186 575	21,3	959	496
	8 145	0,8	26,8	112,8	124	133	6 424	0,7	119	110
	108 068	11,2	6,4	32,1	316	88	101 610	11,6	220	154
	46 505	4,8	5,1	65,5	168		44 247	5,1	146	
	36 758	3,8	12,0	50,8	238	289	32 812	3,7	214	147
	16 987	1,8	(5,5)	71,6	118		17 967	2,1	52	
	12 151	1,3	32,2	29,2	5	15	9 193	1,0	6	
	83 672	8,7	13,6	10,1	19		73 653	8,4	17	
	39 894	4,1	134,3	52,0	66		17 026	1,9	89	
	139 305	14,5	4,9	25,1	706	1 348	132 751	15,2	624	1 287
	17 079	1,8	5,5	62,1	776	1 318	16 194	1,8	786	1 457
	129 729	13,5	9,0	49,1	3 130	5 182	119 014	13,6	3 122	4 470
	33 851	3,5	(4,1)	40,3	494	753	35 303	4,0	497	638
	637	0,1	34,4	92,5			474	0,5		
	60 701	6,3	3,4	50,0	-	-	58 693	6,8	-	-
	10 513	1,1	33,3	82,4			7 884	0,9		
	1 470	0,2	(15,3)	95,6			1 736	0,2		
	813	0,1	27,0	70,7			640	0,1		
	30		7,1	94,3			28			
	14 880	1,5	6,5	61,1			13 971	1,6		
	9 240	1,0	(32,4)	19,9			13 660	1,6		
	12 925	1,3	1,3	40,5			12 762	1,5		
	731	0,1	120,8	42,0			331			
	5 961	0,6	14,5	72,4			5 204	0,6		
	4 138	0,4	67,1	67,2			2 477	0,3		
	150		1,3				152			
	19 308	2,0	19,8				24 083	2,7		
	963 329	100,0	9,9		7 268	9 993	876 171	100	6 851	8 759
						17 261				15 610
						7 268				6 851
						9 993				8 759
						(17 358)				(14 860)
						(97)				750

NEDBANK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

Rm	2019	2018
Interest and similar income	79 240	72 739
Interest expense and similar charges	51 888	46 774
Net interest income	27 352	25 965
Impairments charge on financial instruments	5 953	3 547
Income from lending activities	21 399	22 418
Non-interest revenue	20 905	20 884
Operating income	42 304	43 302
Total operating expenses	27 891	27 616
Indirect taxation	961	804
Profit from operations before non-trading and capital items	13 452	14 882
Non-trading and capital items	(424)	(164)
Profit from operations	13 028	14 718
Share of income/(losses) of associate companies and joint arrangements	121	(83)
Profit before direct taxation	13 149	14 635
Total direct taxation	3 076	3 854
Direct taxation	3 205	3 899
Taxation on non-trading and capital items	(129)	(45)
Profit for the year	10 073	10 781
Other comprehensive income/(losses) net of taxation	144	(368)
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translating foreign operations	(37)	70
Debt investments at FVOCI - net change in fair value	(294)	7
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on long-term employee benefit assets	330	(345)
Gains/(Losses) on property revaluations	145	(100)
Total comprehensive income for the year	10 217	10 413
Profit attributable to:		
– Ordinary and preference equity holders	10 087	10 765
– Non-controlling interest – ordinary shareholders	(14)	16
Profit for the year	10 073	10 781
Total comprehensive income attributable to:		
– Ordinary and preference equity holders	10 231	10 397
– Non-controlling interest – ordinary shareholders	(14)	16
Total comprehensive income for the year	10 217	10 413
Headline earnings reconciliation		
Profit attributable to ordinary and preference equity holders	10 087	10 765
Less: Non-headline earnings items net of taxation	(295)	(119)
Non-trading and capital items	(424)	(164)
Taxation on non-trading and capital items	129	45
Headline earnings attributable to ordinary and preference equity holders	10 382	10 884

NEDBANK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

Rm	2019	2018
Assets		
Cash and cash equivalents	8 199	7 931
Other short-term securities	42 395	57 844
Derivative financial instruments	34 923	22 412
Government securities	96 536	70 330
Other dated securities	31 126	25 793
Loans and advances to clients	735 886	691 260
Trading loans and advances	32 678	23 637
Loans and advances to banks	18 546	10 895
Other assets	10 544	12 040
Current taxation assets	213	105
Investment securities	9 007	6 787
Non-current assets held for sale	90	305
Investments in associate companies	1 229	786
Deferred taxation assets	42	40
Investment property	56	
Property and equipment	10 403	8 367
Long-term employee benefit assets	5 505	4 764
Mandatory reserve deposits with central banks	21 424	19 789
Intangible assets	9 508	8 538
Total assets	1 068 310	971 623
Total equity and liabilities		
Ordinary share capital	28	28
Ordinary share premium	19 182	19 182
Reserves	53 582	49 636
Total equity attributable to ordinary equity holders	72 792	68 846
Preference share capital and premium	3 561	3 561
Additional tier 1 capital instruments	6 850	3 416
Non-controlling interest attributable to ordinary shareholders	9	23
Holders of preference shares	7	561
Total equity	83 219	76 407
Derivative financial instruments	27 621	19 761
Amounts owed to depositors	881 297	806 487
Other liabilities	13 473	10 414
Current taxation liabilities	42	272
Deferred taxation liabilities	645	224
Long-term employee benefit liabilities	2 401	2 648
Long-term debt instruments	59 612	55 410
Total liabilities	985 091	895 216
Total equity and liabilities	1 068 310	971 623

NEDBANK LIMITED

CONSOLIDATED FINANCIAL HIGHLIGHTS

for the year ended 31 December

	2019	2018
ROE (%)	15,1	16,6
ROA (%)	1,04	1,19
NII to average interest-earning banking assets (%)	3,45	3,57
CLR – banking advances (%)	0,83	0,54
Cost-to-income ratio	57,7	58,9

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

COMPANY DETAILS

NEDBANK GROUP LIMITED

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

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PO Box 4844, Marshalltown, 2000, SA.

Namibia

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Robert Mugabe Avenue No 4, Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

INSTRUMENT CODES

Nedbank Group ordinary shares

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

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code:	NBKP
ISIN:	ZAE000043667

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

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

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

DISCLAIMER

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Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

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Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.



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.



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