MAKE THINGS HAPPEN

NEDBANK GROUP

TO BE AFRICA'S **MOST ADMIRED BANK**

INTEGRATED REPORT
for the year ended 31 December 2015

A Member of the OLDMUTUAL Group

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ABOUT NEDBANK GROUP

HOW WE CREATE VALUE SUSTAINABLY

DELIVERING VALUE TO OUR STAKEHOLDERS

HIGHLIGHTS OF 2015

Headline earnings R10,8bn up 9,6%

Return on equity excluding goodwill: 17,0%

Net asset value per share up 9,0%

2015 Bank of the year for Africa and SA by *Financial Times's The Banker* magazine

Main banked retail clients up 8,5%

36% of outlets in 'branch of the future' format

Integration of CIB

SAP ERP implemented

Bedded down acquisition of approximately 20% in ETI and 38% in Banco Único

Landed new core banking system in Namibia

Smooth leadership transition

Created 714 new permanent jobs

Market-leading innovations such as Market Edge™

Nedgroup Investments ranked best SA and offshore asset management company of 2015

Dividend up 7,7% ahead of HEPS growth at 7,4%

Unlocked R8bn of value for BBBEE shareholders

Strong balance sheet: CET1: 11,3% and LCR 88,5%

Paid R8,2bn in direct, indirect and employee-related tax

Carbon neutral for six years

Level 2✓ BBBEE rating for seventh consecutive year

Most transformed bank

Committed R35bn to finance renewable-energy projects

Dow Jones Sustainability Index inclusion: 10th year in a row

R1,8bn Fair Share 2030 lending

75% procurement sourced locally

Appointed new chairman

Broadened board skills profile in financial services, Rest of Africa and auditing

Attained majority independent boardmembers: 56% (44% in 2014)

Diversified board: Three female (19%) and nine black (56%)

Refined the group's Enterprisewide Risk Management Framework

Nedbank Group prides itself on supplying stakeholders with up-to-date information on a regular basis. This information can be found at nedbankgroup.co.za.

ADDITIONAL INFORMATION FOR OUR STAKEHOLDERS

The Nedbank Group Integrated Report is supplemented by the following information, which is available online at nedbankgroup.co.za as part of our comprehensive integrated reporting that caters for the diverse needs of our broad stakeholder base.

Financial reporting

- 2015 Results Booklet
- 2015 Results Presentation
- 2015 Nedbank Group Consolidated Annual Financial Statements
- 2015 Nedbank Ltd Annual Report

Risk management reporting

- 2015 Pillar 3 Risk and Capital Management Report

Annual general meeting

- Notice of the 49th annual general meeting
- Form of proxy
- Shareholder register

Governance reporting

- 2015 Governance and Ethics Review
- 2015 register of directors' attendance
- Director and executive profiles
- 2015 King III Principles
- 2015 Remuneration Report

Sustainability reporting

- 2015 Transformation Report
- 2015 Sustainability Review
- Global Reporting Initiative G4

ABOUT OUR INTEGRATED REPORT

Nedbank Group is committed to the principles of integrated reporting as it aligns to our thinking and approach to long-term value creation and the role we play as a bank in society. Integrated reporting allows our group to tell a clear and comprehensive story about our commitment to create value for all our stakeholders and provide details of our successes and challenges in realising value, as well as our strategies and targets going forward.

SCOPE AND BOUNDARY OF REPORTING

Reporting period

The Nedbank Group Integrated Report is produced and published annually. The 2015 report covers the period 1 January to 31 December 2015. Any material events after this date and up to approval by the group's board of directors on 11 March 2016 have also been included. This report builds on our previous integrated report for the period 1 January to 31 December 2014.

The report also contains Nedbank Group's outlook, targets and objectives for the short (2016) and medium to long term (2017 to 2020 and beyond).

Operating businesses

The scope of this report includes the group's business clusters and key support areas in SA, the rest of Africa and internationally. It excludes detailed information on investments in which the group holds a minority stake.

Financial and non-financial reporting

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

Targeted readers

The report is our primary report to stakeholders and is intended to address the information requirements of long-term investors (our shareholders). We also present information relevant to other key stakeholders, including our staff, clients, regulators and communities.

Regulatory reporting requirements

The content of this report is aligned with the requirements of the International Integrated Reporting Framework and the King Code of Governance Principles for SA (King III Code), and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4. As an SA bank and company listed on JSE Ltd ('the JSE'), we align to the JSE Listings Requirements, the South African Companies Act, 71 of 2008 (as amended), and the Banks Act, 94 of 1990.

KEY CONCEPTS

The Six Capitals

Our relevance as a bank today and in the future, and our ability to create long-term value is interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value they deliver (outputs and outcomes), as shown on pages 12 and 13. In this report we link the Six Capitals model identified by the International Integrated Reporting Council to our stakeholders and how we create long-term value.

Materiality and material matters

We apply the principle of materiality in assessing what information is included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on Nedbank Group and its ability to be a sustainable business that consistently delivers value to all its stakeholders. Our material matters as described on pages 19 to 26 influence our group's strategy and inform the direction taken in this report.

Defining value

Value created is the consequence of how we apply and leverage our six capitals in delivering financial performance (outputs) and outcomes for all stakeholders while making tradeoffs. Our value creation process is described on pages 12 and 13. Through 'case in point' illustrations we also provide examples of how value is created.

You may be interested in

Material matters
19–26

Our value-creating business model
12 and 13

HOW TO READ THIS REPORT

This report tells the story of how Nedbank Group creates, delivers and ensures value creation for its stakeholders.

- **About Nedbank Group** provides the reader with a succinct overview of the group, our positioning in the market, our broad, important role as a bank and our business model.
- Each of the following main sections focus on a specific element of value as described below:
  - **How we create value sustainably** describes the context in which we operate, the drivers that add or detract value (material matters) and our strategic response (strategic focus areas). We also evaluate how we performed and the short-, medium- and long-term strategic outlook.
  - **Delivering value to our stakeholders** describes how value was created during 2015, primarily for our investors, through our financial performance, but also for all our stakeholders.
  - **Ensuring sustainable value creation** reflects on how the group is governed to protect value, including the key deliberations of our board and board committees, but also how we manage risk and remunerate our people. This culminates in the investment case for Nedbank Group.

ASSURANCE AND INDEPENDENT ASSESSMENT

The group makes use of various independent service providers to assess and assure various aspects of the business operations including elements of external reporting. External assurance is the responsibility of a combined financial and non-financial assurance team. Assurance statements are available online.

This integrated report conforms with the requirements of the South African Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements. While the group's annual integrated report is not audited, it includes information from various sources on which assurance has been provided, such as:

- the consolidated annual financial statements for the year ended 31 December 2015, which have been audited by Deloitte & Touche and KPMG Inc and on which an unmodified opinion for the year ended 31 December 2015 has been expressed; and
- Financial Sector Code (FSC) and Broad-based Black Economic Empowerment (BBBEE) information, which has been verified and signed off by SizweNtsalubaGobodo Inc.

Certain information has been extracted from the Sustainability Review, which we believe is in accordance with the 'core' level of the GRI G4 and aligns with AccountAbility's AA1000APS (2008) principles of materiality, completeness and responsiveness. The sustainability review includes key performance-specific indicators over which our auditors have provided limited assurance. These are marked throughout the report with a (✓).

RESPONSIBILITY OF THE BOARD

Our 2015 Nedbank Group Integrated Report was approved by the board of directors of Nedbank Group on 11 March 2016.

Statement of the board of directors of Nedbank Group

The board acknowledges its responsibility to ensure the integrity of this integrated report, which in the board's opinion addresses all material issues and presents fairly the group's integrated performance.

This integrated report has been prepared in line with the key regulatory reporting requirements as detailed on the left.

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

11 March 2016

NAVIGATION ICONS

✓ Limited assurance

CAPITALS

- Financial
- Human
- Manufactured
- Intellectual
- Social and relationship
- Natural

MATERIAL MATTERS

- Tough economic conditions with limited forward visibility
- Banking relevance amid consumerism and increased competition
- Increased demands on governance, regulation and risk management
- Growth opportunities in the rest of Africa
- Transformation of society within planetary boundaries
- Scarce skills

STRATEGIC FOCUS AREAS

- Client-centred innovation
- Growing our transactional banking franchise
- Optimise and invest
- Strategic portfolio tilt
- Pan-African banking network

STAKEHOLDERS

- Staff
- Clients
- Shareholders
- Regulators
- Communities

You may be interested in

Material matters
19–26

2

ABOUT
NEDBANK GROUP

'About Nedbank Group' provides a succinct overview of the group, our positioning in the market, our broad, but important role as a bank and our business model.

OVERVIEW OF OUR GROUP

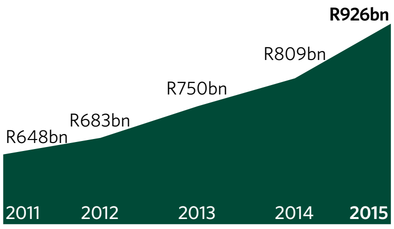
Nedbank Group is a diversified financial services provider offering a wide range of wholesale and retail banking services as well as insurance, asset management and wealth management solutions.

One of Africa's
largest
banking groups

Old Mutual Group
54,1%
shareholding in Nedbank Group

Nedbank Ltd – our
principal
banking subsidiary

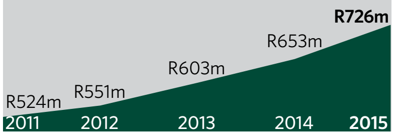
Assets
R926bn



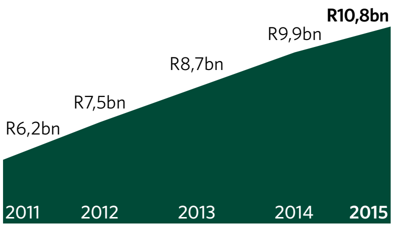
Ordinary shares listed on the JSE since
1969

Market capitalisation
R93bn
(at 31 December 2015)

Deposits
R726bn



Headline earnings
R10,8bn



Providing our clients access to financial services in 39 countries across Africa.

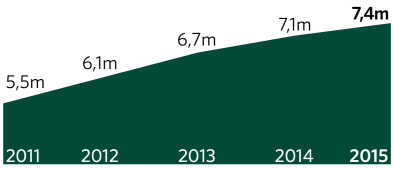
Nedbank Group's primary market is SA, however, we are continuing to expand into the rest of Africa. Outside SA we have a presence in six countries in the Southern African Development Community (SADC) and East Africa region, where we own subsidiaries and banks in Namibia, Swaziland, Malawi, Mozambique, Lesotho, Zimbabwe, and also have representative offices in Angola and Kenya.

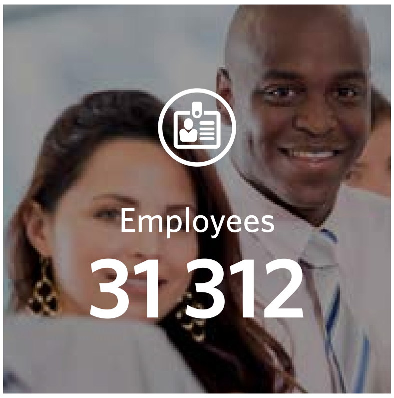
In West and Central Africa we have a partnership strategy and approximately 20% shareholding in Ecobank Transnational Incorporated (ETI), enabling a unique one-bank experience to our clients across more than 2 350 branches in 39 countries.

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

Clients

7,4m





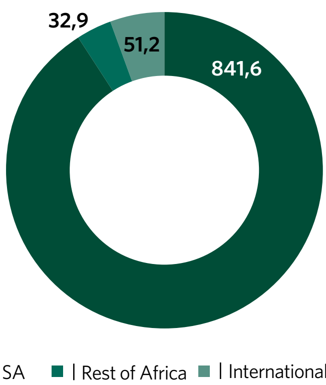
Staffed outlets

1 143

ATMs

3 840

ASSETS BY GEOGRAPHICAL AREA (Rbn)



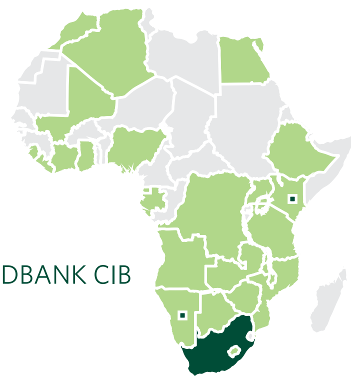
NEDBANK

- Nedbank existing presence
- Expansion opportunities

ECOBANK

- Ecobank top three in country
- Ecobank other
- Ecobank representative offices

NEDBANK CIB



- Investment banking deals
- Nedbank representative offices

OUR ORGANISATIONAL STRUCTURE

Nedbank operates under a federal operating model, delivering our products and services through four main business clusters.

OLD MUTUAL PLC

NEDBANK GROUP LIMITED

NEDBANK LIMITED

Client-facing clusters

	OUR CLIENTS
NEDBANK CORPORATE AND INVESTMENT BANKING (CIB)	SA corporates, institutions and parastatals with a turnover of over R700m per annum. > 600 large corporate clients
NEDBANK RETAIL AND BUSINESS BANKING (RBB)	Individual clients, as well as businesses with an annual turnover of less than R700m per annum. > 7m retail and small-business clients > 22 000 business banking client groups
NEDBANK WEALTH	High-net-worth individuals as well as other retail, business and corporate clients. > 14 500 high-net-worth clients locally and internationally
REST OF AFRICA	Retail, small and medium enterprises (SMEs), and business and corporate clients across the countries we operate in. > 275 000 retail clients

Our frontline clusters are enabled by well-managed and efficient shared-services clusters.

Shared services clusters (Exco member)

Group Finance	Group Risk	Enterprise Governance and Compliance	COO and Shared Services
(Raisibe Morathi) 854 staffmembers	**(Trevor Adams)** 532 staffmembers	**(Thabani Jali)** 99 staffmembers	**(Mfundo Nkuhlu)**

OUR PRODUCTS AND SERVICES	OUR AREAS OF STRENGTH AND DIFFERENTIATION	KEY METRICS, AND LEADERS
Nedbank Corporate and Investment Banking Full suite of wholesale banking solutions, including investment banking and lending; global markets and treasury; commercial property finance; deposit-taking; and transactional banking.	■ Leading industry expertise in infrastructure, mining and resources, oil and gas, telecoms and energy. ■ Market leadership in commercial property finance and renewable-energy financing. ■ Strong corporate banking relationships.	**Assets** R470,6bn **HE** R5 208m **ROE** 22,6% **Brian Kennedy** 2 728 staffmembers
Nedbank Retail and Business Banking Full range of services, including transactional banking; card solutions; lending solutions; deposit-taking; risk management; investment products; and card-acquiring services for business.	■ A leader in Business Banking, underpinned by an accountable, empowered, decentralised business service model. ■ Leader in Corporate Saver deposits and debtor management. ■ Strong positioning in household motor finance, household deposits and card acquiring. ■ Nedbank Contact Centre: Best Contact Centre in SA – Contact Centre Management Group Awards. ■ Nedbank's innovative Home Loan online application solution was awarded Technology Project of the Year by *The Banker* magazine.	**Assets** R292,6bn **HE** R4 460m **ROE** 16,6% **Philip Wessels** **Sandile Shabalala and Ciko Thomas** 20 921 staffmembers
Nedbank Wealth Wide range of financial services, including high-net-worth banking and wealth management solutions, as well as asset management and insurance offerings.	■ Integrated International high-net-worth proposition. ■ Nedbank Private Wealth won numerous awards, including being voted the best UK private bank, best international banking service, as well as ranked first in the entrepreneur category of the 2015 Intellidex Top Private Banks and Wealth Managers Survey. At the annual Euromoney Private Banking and Wealth Management Survey the business won first place for philanthropic advice. ■ Unique Best of Breed™ asset management model. ■ Nedgroup Investments won both the SA and offshore Asset Management Company of the Year awards for 2015 – Annual Raging Bull Awards.	**AUM** R257,3bn **HE** R1 134m **ROE** 41,5% **Iolanda Ruggiero** 2 107 staffmembers
Rest of Africa Full range of banking services, including transactional, lending, deposit-taking and card products.	■ The Ecobank–Nedbank Alliance: Footprint across 39 countries; the largest in Africa. ■ Representative offices in Angola and Kenya. ■ Banco Único: Fastest Growing Retail Bank and Best Internet Bank Mozambique 2015 – Global Banking and Finance Review Awards. ■ Nedbank Namibia: Best Customer Service bank in Namibia – Customer Service Management Africa Awards. ■ Nedbank Malawi: Best Customer Service Bank in Malawi in 2015, as well as the Best Internet Bank in Malawi – Global Banking and Finance Review Awards.	**Assets** R32,9 bn **HE** R691m **ROE** 10,2% **Mfundo Nkuhlu** 1 812 staffmembers

HE: heading earnings
ROE: return on equity
AUM: assets under management

Group Human Resources	Group Marketing, Communications and Corporate Affairs	Group Technology	Balance Sheet Management	Strategic Planning and Economics
(Abe Thebyane) 146 staffmembers	**(Thulani Sibeko)** 69 staffmembers	**(Fred Swanepoel)** 1 903 staffmembers	**(Mike Davis)** 69 staffmembers	**(Priya Naidoo)** 15 staffmembers

NEDBANK GROUP IN CONTEXT

Nedbank ranks as a top-five bank on the continent and Ecobank within the top 10.

Ecobank-Nedbank Alliance offers clients access to the largest banking network in Africa.

SA's banking system rated top 10 most sound globally

(World Economic Forum Global Competitiveness Survey).

Banks in Africa collectively hold more than $870bn in assets and $68bn in tier 1 capital on their balance sheets (2014) – the four largest SA banks constitute more than 40% of these totals.

TOP 10 BANKS IN AFRICA

Region rank	BANK	Country	Tier 1 capital ($m)
1	Standard Bank	SA	10 187
2	FirstRand	SA	7 983
	Barclays Africa Group	SA	
3	**Nedbank Group**	**SA**	**4 760**
4	Attijariwafa Bank	Morocco	3 699
5	Groupe Banques Populaire	Morocco	3 446
6	Zenith Bank	Nigeria	3 162
7	**Ecobank Transnational Incorporated**	**Togo**	**3 030**
8	Investec	SA	2 518
9	National Bank of Egypt	Egypt	2 502
10	First Bank of Nigeria	Nigeria	2 327

Source: *The Banker* magazine, July 2015. Barclays Africa Group is excluded from the main rankings as it is a subsidiary of Barclays, but would have come in at number three, with a tier 1 capital base of $6,1bn.

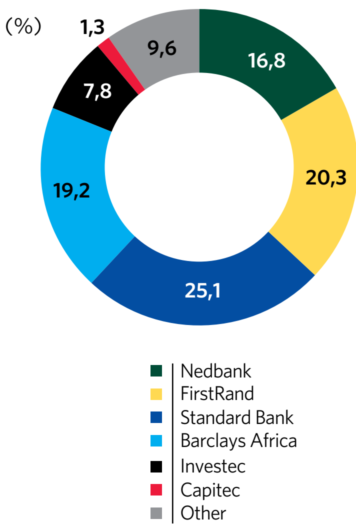
WHO WE COMPETE AGAINST

We compete primarily against Barclays Africa Group, FirstRand and Standard Bank, the three largest banks in SA and on the rest of the continent. In specific market segments and territories we also compete against international banks with a local presence, niche banks that offer more limited product offerings such as Investec and Capitec, as well as other regional players and non-banks such as telecommunications providers and retailers.

From a wealth management, asset management and insurance perspective in SA, we compete against a broader range of financial services companies, including Outsurance, Sanlam, Allan Gray, Coronation, PSG, Investec and RMB.

SA ASSETS MARKET SHARE

Nedbank has a 17% assets market share in SA, which currently represents 93,1% of our total assets.



OUR VISION AND VALUES

We have a vision-led, values-driven philosophy to leading and managing our business, because how we achieve our vision is as important to us as what we achieve.

OUR VISION

To be Africa's most admired bank by all our stakeholders – our staff, clients, shareholders, regulators and the communities that we live in.

- We will continue to build our franchise in SA, while expanding into the rest of Africa.
- We want to be most admired by all our stakeholders.
  - Passionate and motivated staff help us attract and retain clients who are key to the delivery of sustainable profits.
  - We operate in a highly regulated environment and we aim to be admired by our regulators.
  - As 'the green and caring bank', we are a strong advocate and influencer on social and environmental matters.

OUR VALUES

- **Accountability**
  Be prepared to make commitments and be judged against our commitments, deliver on those commitments and be responsible for our actions.
- **Integrity**
  Be honest, trustworthy, truthful, consistent and open in all our conduct and decisions.
- **Respect**
  Recognise the inherent worth of every human being and treat all people accordingly.
- **Pushing beyond boundaries**
  Recognise our obligation to our stakeholders to push beyond the limits of what is best for us individually, or as a group or unit, and strive to break new ground, fuelled by passion and commitment.
- **People-centred**
  Invest in people and create empowering environments through development, support, mentoring, coaching, valuing diversity, recognition and reward.

You may be interested in: Investing in our staff 56–58

DEEP GREEN ASPIRATIONS AND 2020 TARGETS

With a view to being most admired by our stakeholders, our Deep Green aspirations and targets strongly influence our planning up to 2020 and for the long term.

In addition to these targets and aspirations we are guided by our medium-to-long-term financial targets as presented on pages 46 and 47.

	STAFF	CLIENTS
2020 TARGETS	Engaged, energised, transformed and innovative staff working collaboratively together.	■ > 15% share in retail transactional banking. ■ Top two in wholesale league tables. ■ Integrated wealth manager of choice and most trusted investment business in SA. ■ Preferred provider of simple bancassurance solutions. ■ ETI's partner of choice and an established Nedbank presence in East Africa.
DEEP GREEN ASPIRATIONS	**Great place to work** Pan-African bank with an inclusive culture, relevant in the societies in which we operate.	**Great place to bank** Pan-African banking network with highest brand value among peers in Africa.
You may be interested in:	Investing in our staff 56–58	Innovating for our clients 59–62

SHAREHOLDERS

Top-two price-to-book ratio among SA banking JSE peers.

Great place to invest

Highest price-to-book ratio among peers in Africa.

Delivering consistently to our shareholders
63–65

REGULATORS

Effectively delivered compliance with the regulatory requirements.

Worldclass at managing risk

Competitive advantage through worldclass risk management.

Engaging with our regulators
66–68

COMMUNITIES

Recognised as the green and caring bank through sustainability and empowerment initiatives.

Green and caring bank

Regarded as the enabler of positive futures – communities see us as a partner in creating a sustainable future for them and society at large across Africa.

Delivering value through a commitment to our communities and the environment
69–71

OUR LONG-TERM GOALS[1]

To remain successful in banking over the long term the socioeconomic context in which we operate, matters enormously.

We understand that our future business prospects are greatly improved if society is flourishing. However, human needs must be served within the biophysical constraints imposed by our finite planet.

Even after many decades of growth and rising per capita incomes a series of stubborn social, environmental and economic challenges remain, such as poverty, inequality, resource constraints and climate change. In sub-Saharan Africa particularly, many of these issues are growing in both urgency and consequence.

Our recognition of the systematic interdependencies between economic success, societal wellbeing and environmental health led us to develop a set of eight Long-term Goals for SA to achieve by 2030. Together they describe a prosperous future for our country – the 'future we want' – and serve as a potent framework to inform our strategic decisions. We selected eight Long-term Goals on the basis of materiality for SA, coupled with our ability to contribute through being a successful bank.

[1] *The Long-term Goals align well with 17 Global Goals. To read more on this please visit https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/About%20Nedbank%20Group/Group%20Strategy/Fairshare%20 2030/long_term_goals/Nedbank_aligns_with_New_Global_Goals.pdf*

FAIR SHARE 2030

Fair Share 2030 is our strategic response to these Long-term Goals. It is a carefully calculated flow of money, allocated each year to invest in future-proofing the environment, society and our business. Fair Share 2030 forms part of our strategic portfolio tilt described on page 34, a mechanism through which to shift away from areas that contribute to societal risks and towards areas that build resilience and wellbeing.

The Long-term Goals define the areas where we can best grow our bank, as well as areas where we have to tilt away from in order to contribute to a thriving society. These are predominantly about how we deploy our financial capital.

Atmospheric greenhouse gases are stabilised at a level that gives a more-than-50% probability of avoiding a 2 °C temperature rise above the long-term preindustrial average.

Water resources are not being extracted beyond sustainable levels.

The **labour force** is employed at percentages comparable with those of other prosperous nations.

All citizens have affordable access to **energy services** essential for development and prosperity.

All citizens have affordable access to **clean water** and sanitation services.

Levels of **saving and investment** are sufficient to support national economic development objectives.

Good **health** outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

Good **educational** outcomes are consistently being achieved for citizens at a cost that is comparable with that of other nations.

Further reading:

Our 2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

OUR PURPOSE

As a diversified financial service provider, our social purpose is to facilitate the movement of capital and flow of money from where it is to where it is required for the benefit of our clients, other stakeholders and society at large. It is through the meeting of their needs that we enable a thriving society and create long-term value and ensure confidence in the banking system.

You may be interested in:

Value-added statement 54

Stakeholder sections 56–71

Our staff are the bedrock of creating a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, create value for our clients. Staff, as part of society, are significant contributors in the regions in which they live and work.

STAFF
Great place to work

Value is created through ...

- Employing citizens in the jurisdictions where we operate.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products.
- Transforming to an inclusive society by progressing on employment equity.
- Motivating and energising our work force.

Clients remain our largest source of deposits that enables us to fund lending activities. Gaining more clients and deepening our share of wallet drives greater revenue growth, while sustainable banking practices and worldclass risk management mitigates against bad debts.

OUR CLIENTS
Great place to bank

Value is created through ...

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to affordable products to the previously unbanked.
- Providing financial education and advice.
- Developing innovative solutions that meet our clients' specific needs.

NEDBANK GROUP

Value is created through ...

- Generating sustainable financial returns, enabled by growing revenues, managing risks within acceptable risk appetite and managing our expenses wisely.
- Maintaining a strong balance sheet contributes to a safe and stable banking system that instils confidence and protects against downside risk.

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

SUSTAINABLE FINANCIAL RETURNS AND A STRONG BALANCE SHEET ENABLE US TO:

- Deliver value to our shareholders by increasing net asset value, dividends and share price (Our shareholders – great place to invest).
- Contribute meaningfully to government budgets through our own corporate taxes and staff paying personal taxes.
- Embrace sustainable banking practices and regulatory compliance that enable a safe and stable banking system (Our regulators – worldclass at managing risk).
- Play a meaningful part in the broader society as a procurer of goods and services, our corporate social investment activities and positively transform society through our activities and our lending (Our communities – green and caring bank).

OUR VALUE-CREATING BUSINESS MODEL

VALUE ADDED BY NEDBANK

OUR CAPITALS (INPUTS)

FINANCIAL CAPITAL relates to our capital and funding from investors and clients that are used to support our business and operational activities.

R78,8bn capital

R725,9bn deposits

HUMAN CAPITAL is represented by our people; our investment in management and leadership development; and the knowledge, skills and experience they collectively bring to enable innovative, convenient and competitive solutions for our clients.

31 312 talented employees

Unique client-centred culture

MANUFACTURED CAPITAL embraces our business structure and operational processes, including our physical and digital infrastructure, as well as information technology that provides the framework and mechanics of how we do business and make money.

166 core IT systems

1 143 staffed outlets

3 840 ATMs

Market-leading digital channels and products

INTELLECTUAL CAPITAL refers to our intellectual assets, such as our brand and franchise value, research and development, innovation capacity, our reputation and well as strategic partnerships.

Nedbank brand the seventh most valuable in SA.

Market leadership in wholesale banking, commercial property finance, vehicle finance and asset management.

Strategic partnerships with Old Mutual, Ecobank, Bank of China and Canadian Imperial Bank of Commerce (CIBC).

SOCIAL AND RELATIONSHIP CAPITAL reflect our citizenship and the strong relationships we have with all our stakeholders, including the communities we live in, as we recognise the important role that banks play in building a strong and thriving nation.

SA's most transformed bank.

Leader in sustainability.

Leader in social responsibility.

NATURAL CAPITAL refers to naturally occurring biological, physical, biophysical, chemical and mineral assets, as well as their interplay through healthy functioning ecosystems, on which all life depends. Within the financial sector, the impact, both positive and negative, of our operations and business activity on natural resources are considered.

Tilt of our lending in line with carbon emissions and water extraction limits.

Operations that are carbon neutral.

… ENABLE OUR VALUE-ADDING ACTIVITIES

We lend to our clients, in line with their risk profile, our risk appetite and capital availability, while providing for bad debts.

We source deposits that generate a yield for our clients and other funders.

We facilitate payments and transactions.

We provide advice-based services.

We manage, protect and grow our clients' wealth by offering insurance, asset and wealth management solutions.

We offer global market-related services.

We generate associate income.

We reward and invest in developing and retaining our people.

We maintain and invest in our operations, including technology, marketing and infrastructure.

We pay direct and indirect taxes in various jurisdictions where we operate.

Read more about:

How our strategy creates value 14–43

VALUE TO ALL STAKEHOLDERS

... DELIVERING FINANCIAL PERFORMANCE (OUTPUTS)

Advances: R682bn

Deposits: R726bn

produces

Net interest income: R23 885m

less

Credit impairments charges: R4 789m

equals

Income from lending activities: R19 096m

Non-interest revenue: R21 748m

including

Commission and fees: R15 627m

Insurance income: R1 830m

Trading income: R3 167m

Associate income: R871m

Expenses: R26 110m

Taxes

Direct tax: R3 519m

Indirect tax: R783m

... WHILE MANAGING KEY RISKS ...

Credit risk
Credit loss ratio within our 2016 revised target range of 60–100 bps: 77 bps

Interest rate risk
R1,2bn endowment benefit for 100 bps change in interest rates over 12-month period

Liquidity and funding risk
Liquidity coverage ratio above 2015 minimum of 60%: 88,5%

Capital risk
Common equity tier 1 within target range of 10,5–12,5%: 11,3%

Market risk
Trading value at risk R13,6m

Insurance risk

Across all:

Operational and legal risk

Regulatory and compliance risk

Strategic, business and financial risk

Execution risk

... TO CREATE VALUE FOR OUR STAKEHOLDERS (OUTCOMES) IN 2015 FOR ...

STAFF
Created 714 new permanent job opportunities
Increased average unionised-employee salaries by 7,5%
Incurred training and development spend of R370m
Ensured smooth succession planning
Career advancement and ability to reach individual potential

CLIENTS
Extended R185bn in new loans
Launched various innovative solutions that address the needs of our clients
Rolled out more efficient channels: 84 new 'branch of the future' outlets and 110 new ATMs
Maintained competitive pricing
Top tier investment performance in asset management

SHAREHOLDERS
Increased full-year dividend by 7,7% and net asset value per share by 9%
Maintained a strong balance sheet to protect against unforeseen risks
Created more than R8bn in value for our BBBEE shareholders at the maturity of the BBBEE schemes (January 2015)

REGULATORS
Comply with regulation to mitigate against systemic risk
Adhere to sustainable banking practices to protect our clients
Support government through R8,2bn tax contribution (direct, indirect, PAYE and other)

COMMUNITIES
Socioeconomic spend: R136m
Transformation: Level 2✓ BBBEE rating
Carbon-neutral operations
Committed R35bn to renewable-energy funding
R1,8bn Fair Share 2030 lending
75% local procurement

bps: basis points

BBBEE: broad-based black economic empowerment

PAYE: pay as you earn

Our financial performance 44–54

How we manage our risks 106–123

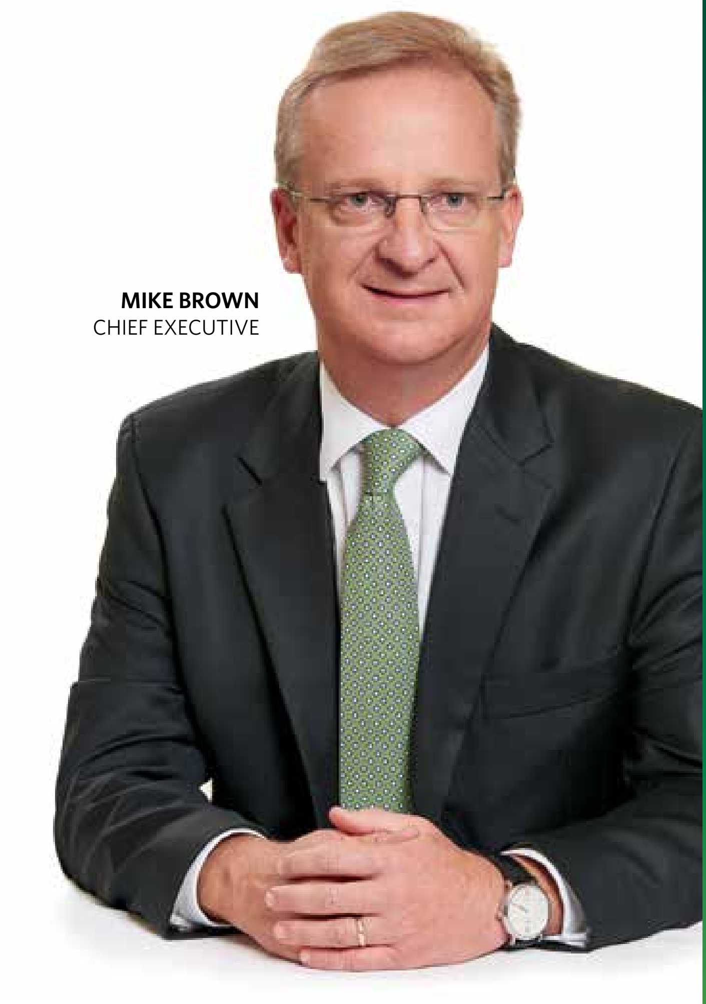
Value created for our stakeholders 54–71

14

HOW WE **CREATE VALUE SUSTAINABLY**

‘How we create value sustainably’ describes the context in which we operate, the drivers that add or detract value (material matters) and our strategic response (strategic focus areas). We also evaluate how we performed, and the short-, medium- and long-term strategic outlook.

OUR VALUE-ENHANCING STRATEGY



MIKE BROWN
CHIEF EXECUTIVE

'In reflecting on the events over the past financial year, 2015 will be remembered as a year of volatility and change around the world and in SA.'

In reflecting on the events over the past financial year, 2015 will be remembered as a year of volatility and change around the world and in SA. The speed and force of these changes impact on our clients, our staff and our operating environment, and bring both risks and opportunities. It is in times like these that a vision-led and values-driven organisation such as Nedbank can differentiate itself.

OPERATING IN A MUCH TOUGHER ENVIRONMENT

Globally, economic conditions remain fragile with growth rates generally disappointing, particularly in emerging markets. Unforeseen and unexpected events are becoming increasingly commonplace, making forecasting difficult and corporate agility more important. In SA, where most of our business is, the impact of the electricity shortages in the first half of the year, followed by the worst drought in decades in the second half, have added to the weak commodity prices, negatively impacting growth. The policy uncertainty that was created by the surprise changes in the Finance Ministry in December contributed to a 25% depreciation in the rand against the US dollar and overall 2015 gross domestic product (GDP) growth of only around 1,3%. Consumer and business confidence are at low levels and social pressures are escalating with household debt and unemployment expected to increase. The interest rate cycle has started with an upward trajectory and the extent of interest rate increases from here will be closely monitored. Of concern to us is that our GDP growth forecast for SA in 2016 is only 0,2%. In this environment of low growth and rising inflation there is a heightened risk of a recession and the ratings agencies will be monitoring both growth and expenditure levels closely as business and government work together to avoid the possibility of an SA sovereign ratings downgrade to below investment grade.

Conditions for emerging-market economies are expected to remain challenging in 2016, with depressed oil and commodity prices on the back of a slowdown in Chinese demand, difficult financing conditions and continued weakness in developed-market partners impacting growth outcomes. While we remain confident in the long-term growth prospects of our businesses in the rest of Africa, including our strategic investment in Ecobank Transnational Incorporated (ETI), we expect a challenging and volatile period in the short-to-medium term as depressed resource prices take their toll on many of these economies.

Globally there is no tolerance for regulatory non-compliance, but many of the regulatory deadlines are challenging, hence the cost of regulatory compliance is likely to continue to increase significantly. As this regulatory pressure from the global landscape rapidly evolves into SA, we see costs increase, pressure on margins and changes in the shape of bank balance sheets as less money is available for client lending and more money is invested in high-quality liquid assets. The benefit will be improved market conduct and an even safer banking system. This will, however, be more expensive for clients, with less lending into the real economy and growth strategies that will have to be adapted and chosen more carefully.

A positive development on the level of international 'rules' was the adoption of the Paris Agreement in December 2015. This universal, binding climate change agreement sets the framework for a transition to a low-carbon economy over the next few decades. As a consequence, we can expect a bevy of new national and international regulations to curb greenhouse gas emissions and support clean technologies. Nedbank is fully supportive of this development and is ready to play a leading role in financing this transition.

Looking back on our financial performance in 2015, we delivered a resilient performance to achieve a record level of headline earnings for Nedbank Group at R10,8bn, up 9,6% on 2014. We had a strong start to the year, with headline earnings to June 2015 up 15,7%. In the outlook statement that accompanied our interim results we shared our expectation of slower growth in the second half, with revenue growth expected to slow and impairments expected to rise as the weak economy increasingly impacted our clients.

> Nedbank is well positioned to continue to grow and generate value for all of our stakeholders as we work towards our 2020 targets.

We have prepared well for the more challenging environment we expect in 2016. Our lending strategies over the past few years have been conservative and loan growth has averaged 7,4% since 2010. Our provisioning levels are conservative, our liquidity ratios are very strong and our capital levels are well within target ranges. In addition, our brand has continued to attract new clients, with retail main banked clients up 8,5%, and our Nedbank Corporate and Investment Banking (CIB) model has improved cross-sell into the wholesale client base. Our ongoing investment in technology will also deliver a number of exciting digital propositions for clients in the year ahead.

2015 – A YEAR OF INTERNAL CHANGE AT NEDBANK

Responding to these macro challenges, as described in further detail under material matters (page 19 to 26), we have made a number of structural and system changes in 2015, which have led us to become a more efficient and less complex organisation.

The most significant change has been the establishment of Nedbank CIB to service our wholesale clients better from one place in Nedbank and to enable more efficient backoffice processes. We also continued our backoffice optimisation and rationalisation within Retail and Business Banking (RBB). These important business clusters represent 89% of our headline earnings. At Nedbank Wealth we reorganised the Insurance Division in response to lower credit life volumes as a consequence of slower personal-loan growth as well as our strategic intent to become more client-centred.

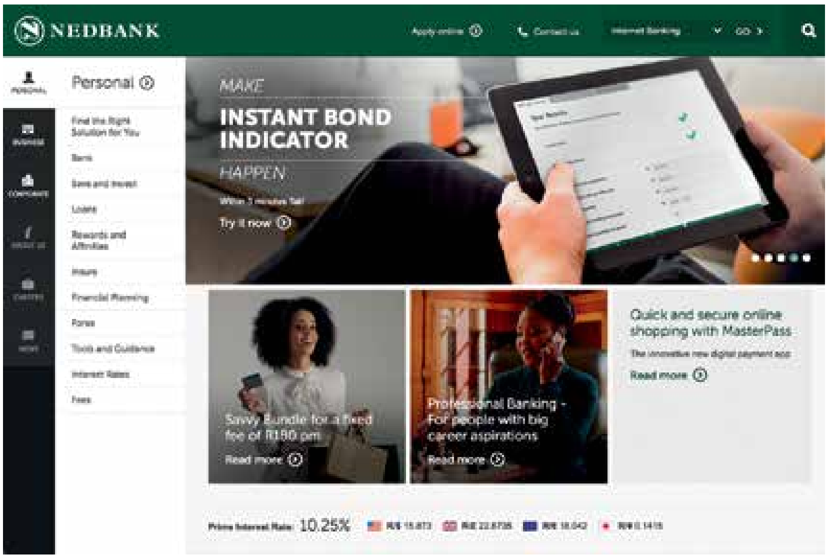
A large change programme supported our SAP enterprise resource planning (ERP) implementation for finance, procurement and human resources. This has been delivered successfully – within scope and within budget. The first phase of the rollout, which touched the finance and procurement functions, went live at the beginning of the year and in November we implemented the second phase, the human capital management system, which impacts all staff across the bank. The final phase entails moving our consolidation processes to the SAP system, which will happen late in 2016/early in 2017.

Compliance is a non-negotiable at Nedbank and to ensure that we leverage our investment appropriately to create a competitive advantage and to extract efficiencies where possible, we have set up a Regulatory Change Programme with direct oversight from our Chief Risk Officer (CRO).

STRATEGIC FOCUS AREAS THAT CREATE VALUE

Our five strategic focus areas remain appropriate for the current environment. Our continued focus on these five areas resulted in net asset value (NAV) per share increasing 9,0%, our return on equity (ROE) (excluding goodwill) at 17,0% remaining ahead of our 2015 cost of equity (COE) at 13,0% (and ahead of our 2016 estimated COE of 15%) and the full-year dividend increasing 7,7%. Our financial performance is reviewed in more detail on pages 44 to 54 of this report.

Competition for clients is increasing in the world of mobile and digital client engagement and the role of the physical branch channel is changing. I am pleased that, through our focus on client-centred innovation, we continue to launch market-leading products such as Market Edge™ and initiatives to improve



client service and drive new revenue streams, particularly as far as deposit are concerned, while managing our costs more optimally. As part of our digital experience management programme we launched the new nedbank.co.za website, which leverages worldclass technology to enhance the client experience and integrate product applications to enable seamless delivery across all mobile devices. Our Managed Evolution information technology (IT) strategy continues to form the basis of many of these initiatives and supports a shift in agility in innovation and faster time to market.

Significant focus and investment continue to be made in building our retail franchise over the long term, with a focus on growing our share of transactional banking clients, particularly in the middle market. In 2015 our retail main banked clients grew 8,5% and growth in the main banked middle market was 7,1%. We have identified five key areas that we believe will support ongoing growth in retail transactional banking – loyalty and rewards, digital innovation, process, distribution and winning client value propositions (CVPs). We have a strong wholesale franchise, and the integration of Nedbank Corporate and Nedbank Capital offers further revenue growth potential. For me, growing our transactional banking franchise remains our primary focus area as we seek to differentiate the client experience that we offer and build the Nedbank brand.

We continue to invest through cycles as we 'optimise and invest', but the tough macro conditions require us to become even more efficient. The integration that led to the creation of CIB and RBB has unlocked operational and process efficiencies across both clusters. On the technology front, the implementation of our SAP ERP system and the consolidation of key regional offices in 2015 will reduce the cost of running multiple IT licences and systems. Our collaboration with Old Mutual has also started delivering on the planned synergies as we work more closely together and leverage our various strengths within the wider group. Importantly, all these synergies are contracted at arm's length between the parties. The unlocking of cost-efficiencies across multiple programmes continues to fund investments in our integrated distribution channels, expansion into the rest of Africa and compliance with an escalating regulatory agenda.

In 'portfolio tilt', we continue to see wholesale advances, supported by infrastructure projects, growing faster than retail advances and this trend is set to continue. The risk profile of our retail books improved during 2015, with improved asset quality and pricing in both the home loan and personal-loan businesses, which stands us in good stead in a tougher macro environment.

We see opportunity to grow the retail books selectively without increasing their risk profile by improving our loan-processing efficiency and product innovation. On the other side of the balance sheet we retained our focus on growing Basel III-friendly deposits and have made progress in attracting current account, savings and term deposits.

Through our Fair Share 2030 strategy we innovated in collaboration with our clients and provided R1,8bn of funding during the year in support of meeting specific socioeconomic and environmental goals. This is in addition to our market-leading renewable-energy position, with R11bn in financing to date and a pipeline of up to R35bn to be drawn.

Our strategy for the rest of Africa gained momentum. In Central and West Africa we have chosen a partnership approach with ETI as our chosen partner. In 2014 we deepened this partnership by investing R6bn of capital to acquire a strategic interest of 20% in ETI. Our strategic interest in ETI provides the group and our clients with local knowledge on the continent – in particular Central and West Africa – and has improved our access to deal flow in these regions, positioning us well to leverage the growth opportunities in the rest of Africa. In the Southern African Development Community (SADC) and East Africa we are looking to build the Nedbank brand. In 2015 we landed our new Flexcube core banking system in Namibia, added new branches and ATMs, and provided supporting risk management and oversight functions. We will continue the Flexcube rollout to more countries in 2016.

DELIVERING VALUE TO OUR STAKEHOLDERS

Our focus on delivering value for all our stakeholders remains top of mind. A key highlight of 2015 was winning the Financial Times's *The Banker* magazine Bank of the Year award in both SA and for the whole of Africa.

In our stakeholder section of this report on pages 56 to 71 we provide detailed feedback and I am pleased that we continued our journey to make Nedbank a great place to work for our staff and a great place to bank for our clients.

I was disappointed with a Nedbank total shareholders' return of -20% in 2015. This negative trend in share prices was pervasive across all the large SA banks in 2015 (banking index down 16%). Markets in the short term are reflective of sentiment, but over the longer term the performance of banks is closely aligned with the macroeconomic environment in which they operate. In the second half of 2015 the outlook for key macroeconomic facts in SA deteriorated. In bank valuation methodologies there are two key drivers at play, and I reflect these through the lens of the Gordon growth model on bank valuation being:

Price to book =
(ROE – growth)/(COE – growth).

Firstly, the weaker SA GDP growth environment as well as rising interest rates and regulatory costs would point to lower bank ROEs, given the impact of lower GDP growth on credit extension, impairments and transactional activity. Secondly, the 1,5% increase in long-bond yields during 2015 is driving higher COE expectations of around 1,5%. All other things being equal, a 1,5% increase in the COE translates into an approximately 16% decrease in SA bank share prices.

LOOKING FORWARD

The broader environment will continue to change at an increasing pace on multiple fronts, creating a high degree of complexity and uncertainty. GDP growth in 2016 is expected to be weak and markets will be volatile, particularly if SA does not maintain its investment grade sovereign rating. In my various roles at Nedbank, including that of Chief Financial Officer (CFO) and Chief Executive (CE), I have experienced a number of downturns and much volatility, including the global financial crisis of 2008/9 and the emerging-market crisis of 1997/8. Despite the difficult macroeconomic environment, intense regulation and strong competition, we do believe that Nedbank is well positioned to continue to grow and generate value for all of our stakeholders as we work towards our 2020 targets, defined on pages 8 and 9, in 2016.

In the current environment, forecast risk remains elevated and as a result our guidance for performance in the year ahead is harder to formulate. In this context, we currently forecast that growth in diluted headline earnings per share (DHEPS) for 2016 will be lower than the growth we achieved in 2015 and below our medium-to-long-term target. Given the increased forecast risk, we will update this with our June 2016 results.

Stakeholders can expect that investment in growth opportunities and innovation will continue to ensure we remain relevant and compliant. The ultimate measure of our success will be to adapt our businesses to the economic and regulatory environment in a way that delivers value to all our stakeholders. Profitable growth in transactional clients will be the essential underpin in all businesses and markets. Our focus on expense control and synergies will intensify.

As we look ahead, it is interesting to contrast the strong position Nedbank is in today compared with the position we were in during the global financial crisis – an event that Nedbank emerged from in good shape, with overall earnings falling from a high of R5,9bn in 2007 to a low of R4,3bn in 2009. The table below sets out some key metrics to illustrate this:

	2009	2015
Clients	4,2m	**7,4m**
Retail main banked clients	1,7m	**2,7m**
Non-interest revenue as percentage of income	42%	**48%**
Non-performing loans percentage	5,9%	**2,5%**
Common-equity tier 1 ratio	9,9%[1]	**11,3%**
Long-term funding	21%	**29%**
Specific coverage on defaulted loans	34%	**38%**
Portfolio coverage on performing loans	0,45%	**0,70%**

[1] *Core tier 1.*

In January 2016 Nedbank hosted a meeting with the Minister of Finance, Pravin Gordhan, the Head of Business Unity SA (BUSA), Jabu Mabuza, and more than 50 SA corporate CEs. The meeting focused on a number of the short-term issues facing our country and, in particular, the importance of retaining our country's investment grade credit ratings, inclusive growth and the need to build confidence and work together to change the negative sentiment that currently prevails in many areas. We specifically stressed the importance of government and business working together to increase the level of investment in our economy, and participants committed to ongoing dialogue around this. This was followed by a meeting of over 100 CEs with the President, Deputy President and Ministers of Finance, Trade and Industry, and Economic Development.

Government, business and labour are working together to use the challenging economic environment as a catalyst for increased collaboration to accelerate the rate of economic growth and job creation and to strengthen public finances. The group has been and will continue to be an active participant in these discussions.

The road ahead will not be easy, but I left the meetings feeling that the President, the Ministers and their teams have a good understanding of the issues facing our country and are determined to work with business, labour and fellow South Africans to resolve them.

The year 2016 promises to be one that will require an extraordinary effort from all our people as we continue to work towards our goal of Winning in 2020 as a stepping stone to achieving our vision of being Africa's most admired bank. While it is easy to get carried away with all the challenges in our current environment – an environment that is the same for all our competitors – I strongly believe that a difficult environment also provides us with an opportunity to outperform our peers.

APPRECIATION

During the year we welcomed the appointment of our new Chairman, Vassi Naidoo, who has a wealth of experience in financial services across a number of jurisdictions. This will assist us in this environment of regulatory change and in our expansion into the rest of Africa. My appreciation also goes to our board for its guidance and ongoing support. I look forward to a collaborative and successful delivery of stakeholder value in the future.

The board and I thank Dr Reuel Khoza for the invaluable contribution he has made to the group during his tenure, and we wish him every success in his future endeavours.

I would also like to thank Old Mutual plc CEO Julian Roberts who retired in 2015 for his support and guidance over many years, and welcome Bruce Hemphill to the Nedbank board.

Graham Dempster and John Bestbier retired in 2015 after long and distinguished careers at Nedbank. The board and executive team join me in expressing our appreciation for their expertise and commitment to the group, and delivery of our long-term vision. Dave Macready has taken up the exciting opportunity to further his career as CE of Old Mutual SA and I thank him for his role in creating and developing Nedbank Wealth's profile and market position.

Philip Wessels , Group Managing Executive of Nedbank RBB, has requested to take early retirement from Nedbank for personal reasons, which request has been supported by me and the board. This will be effective from 31 March 2016, some two years ahead of his normal retirement age of 60. Philip has had a long and successful career at Nedbank, spanning more than 20 years across various businesses in the group. We truly value his leadership, particularly in his role as CRO and more recently in heading up RBB. As CRO, Philip was instrumental in developing and building the strong risk management culture we have at Nedbank. Under his leadership, RBB has made great strides in delivering on its strategic objectives, building the franchise and integrating RBB's backoffices. The board and Group Executive Committee (Group Exco) thank Philip for his contribution to the group over these many years and wish him well in his retirement.

In line with our succession planning, I am pleased to announce the appointment of Ciko Thomas to succeed Philip with effect from 1 April 2016, subject to regulatory approval. Ciko is currently Managing Executive of Consumer Banking and has been a part of the RBB leadership team and the Group Exco for six years. He has wide-ranging banking and leadership experience across the group. Ciko's appointment ensures continuity in RBB's leadership and strategy, and he inherits a strong RBB Cluster, with an experienced management team. Ciko completed the Harvard AMP in 2015, and holds BSc and MBA degrees.

To my fellow executive teammembers, thank you for your support and for helping to shape the group as we set out to achieve our 2020 targets on our journey to realising our vision of being Africa's most admired bank. I would also like to express my gratitude to everyone in Nedbank for their hard work, commitment and dedication in driving our performance this year. Your efforts and drive are the foundation of our success.

In closing, a big thank you to our 7,4m clients who choose to bank with Nedbank, and to our shareholders and other stakeholders for their support in 2015.

Mike Brown
Chief Executive

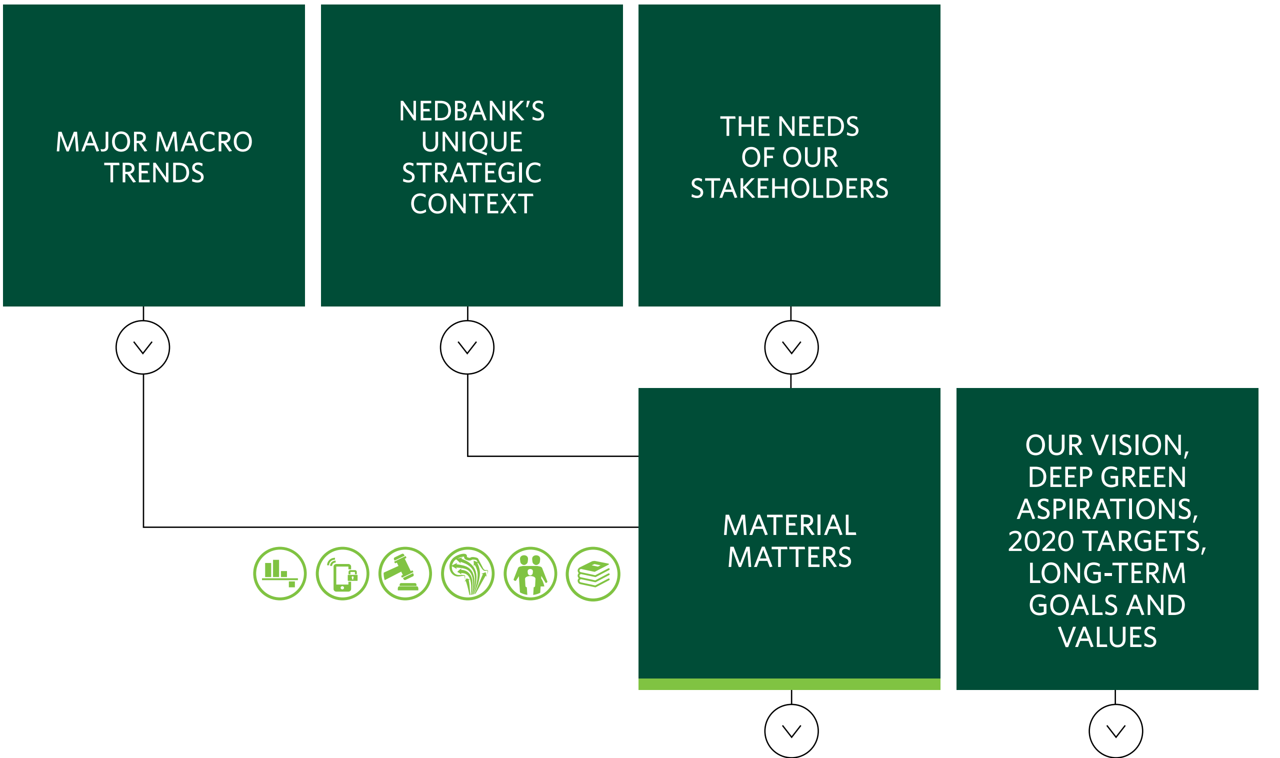
You may be interested in:

Reflections from our Chief Financial Officer 44–55

Reflections from our Chairman 72–75

DRIVERS GUIDING OUR STRATEGY

Our five strategic focus areas are determined by our vision, our Deep Green aspirations, our 2020 targets, our Long-term Goals, our values and material matters.



MATERIAL MATTERS AND ENVIRONMENTAL CONTEXT

Our material matters, which also represent our primary risks and opportunities, have been selected from a diverse range of factors with the potential of having a significantly impact on our ability to deliver sustainably to our key stakeholders.

Material matters are derived from major macro (external) trends and environmental context, our unique strategic context, including business risks and opportunities, and most importantly the needs of our key stakeholders and the environment in which we operate.

Identifying and determining matters that are material to the group and our stakeholders is an ongoing process as new developments shape the macro environment and the needs of our stakeholders change.

You may be interested in:

Material matters 19–26

Strategic focus areas 27–37

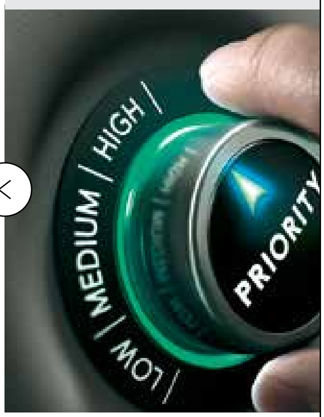
DETERMINING OUR MATERIAL MATTERS

We identify all issues that have the potential to impact our earnings sustainability and the ability to create value for our stakeholders. The process of identifying potential material matters is a groupwide responsibility, requiring input from all business units and divisions, and taking into account input and feedback from all our stakeholders. Areas of potential impact that are assessed include financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including policy matters), as well as our stakeholders.

INVESTIGATE

RANK

The issues identified are prioritised according to greatest relevance and highest potential to impact significantly on the viability of our business and relationships with stakeholders. While this is a collaborative effort, the responsibility of prioritising material matters ultimately rests with the executive management team and board of directors.



INTEGRATE

The material matters that have been identified and prioritised inform our long-term business strategies and targets as well as short-to-medium-term business plans.

ASSESS

Material matters are continuously assessed to ensure that our strategic focus areas remain relevant to our stakeholder needs and the environment.

DETERMINING OUR MATERIAL MATTERS (continued)

The Nedbank Group Executive Committee assumes responsibility for approval of the material matters prior to their endorsement by the Group Transformation, Social and Ethics Committee, a committee of the board, and finally the Nedbank Group board. Through this process we prioritised six material matters in 2013 and refined them in 2014, and we believe these remain relevant for the foreseeable future. Our material matters are interrelated and together they shape our strategic focus areas and actions. As a financial services organisation, our impact on the economy, society and the environment through the finance we provide is material and is included within the boundaries of our reporting.

While our six material matters have remained fairly constant, the underlying drivers and their relative materiality to the group continue to evolve. In 2015 there has been a marked increase in the risks and challenges associated with our material matters. These developments are explained on the following pages.

A TOUGHER OPERATING ENVIRONMENT

MATERIAL MATTER	RISK: Short term	RISK: Medium to long term	OPPORTUNITY: Short term	OPPORTUNITY: Medium to long term
Tough economic conditions with limited forward visibility	↑	↑	↓	→
Banking relevance amid consumerism and increased competition	→	↑	→	→
Increased demands on governance, regulation and risk management	↑	↑	→	→
Growth opportunities in the rest of Africa	↑	→	↓	→
Transformation of society within planetary boundaries	↑	↑	↑	↑
Scarce skills	↑	↑	→	→

↓ *Risk/ Opportunity has decreased*

→ *Risk/ Opportunity has stayed fairly constant*

↑ *Risk/ Opportunity has increased*

You may be interested in:

Material matters 19–26

As a universal bank we are deeply connected and interdependent on the macroeconomic environment.

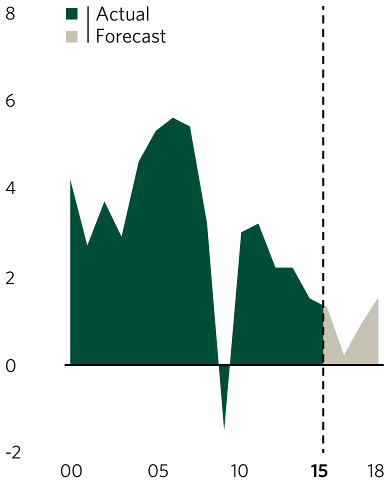
TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

Macro trends

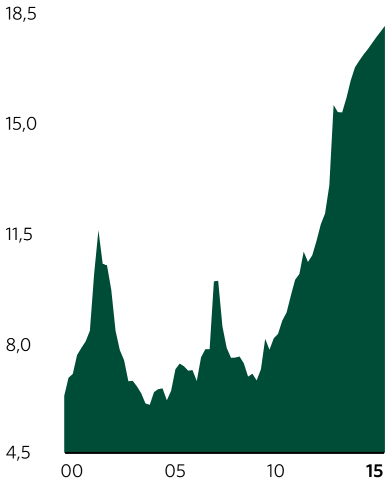
Globally and in SA economic conditions remain challenging. SA's GDP in 2015 was primarily impacted by energy constraints, lower resource prices and drought conditions (natural capital). Interest rates increased by 50 bps, contributing to SA's lowest GDP growth rate since the financial crisis. GDP growth is forecast at a mere 0,2% for 2016, down from the 2,5% we forecast a year ago, well below our country's potential, and is likely to remain low for the next few years. The risk of a technical recession in 2016 has increased. Prospects for sub-Saharan Africa, covered in the material matter 'Growth opportunities in the rest of Africa', was also muted, given depressed oil and commodity prices, but GDP growth remains higher than in SA.

The poor economic outlook and growing government budget deficit resulted in the downgrade of the SA sovereign credit rating or outlook by all the major ratings agencies in 2015. The dramatic weakening of the rand continued in December 2015, when the SA Finance Minister was replaced. A downgrade of the SA sovereign credit rating to below investment grade is now an increased possibility in 2016. In addition, interest rates are expected to increase by a cumulative 125 bps for 2016, having already increased by 50 bps in January 2016, to curb resulting inflationary pressures and to protect the local currency as the US embarks upon the normalisation of interest rates.

SA GDP GROWTH WELL BELOW OUR COUNTRY'S POTENTIAL 2000–2018 (%)



EXCHANGE RATE AT HISTORICAL HIGHS 2000–2015 (R/$)



What is the likely impact of a SA sovereign credit rating downgrade?

A credit rating downgrade is in itself unlikely to have a sudden major impact on banks as it would generally have been anticipated by markets before the actual event. The impact on the economy and bank profitability are, however, likely to emerge thereafter.

Currently, both Fitch and Standard & Poor's ratings of the SA sovereign are one notch above non-investment grade, with a stable and negative outlook respectively (any move to the downside by Fitch is likely to start with the outlook moving to negative and a drop below investment grade would be a second move, while a downgrade by Standard and Poor's will see the SA sovereign move to non-investment grade). Moody's are two notches above investment grade with a negative outlook, indicating that its next review could be downwards, but a one notch move would still remain above investment grade. While there may be some movements on the day, the effect of any anticipated downgrade would largely be priced into markets over time before the actual event. Notwithstanding market anticipation of any such event, a downgrade to below investment grade would be a significant event, with significantly adverse implications for SA and the cost and ability to raise SA's debt, particularly in offshore markets.

The more important factors to consider are the causes of any downgrade. These are likely to include low economic (GDP) growth; low business and consumer confidence; rising inflation; higher interest rates, and the trajectory of SA's current account and budget deficits. Bank earnings are cyclical and closely linked to the macro environment – so a weaker macro means slower loan growth, less transactional activity and rising impairments, offset to some degree by rising endowment from higher interest rates.

Strategic context

The tough economic environment places financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity – this is particularly prominent in the retail and small-business segments of the market. In our wholesale business, stresses in the resources, steel and construction sectors continue to impact growth. For banks this has a negative effect on earnings growth potential, while increasing the risk of higher levels of bad debts.

Business is working closely with government and labour to restore fiscal credibility and avoid a sovereign downgrade.

Stakeholder needs

Our wholesale clients are impacted by delays in infrastructure investment, lower resource prices and electricity constraints. As a result clients are assigned higher credit risk ratings, while the longer-term investment appetite in SA remains muted. Pockets of growth in infrastructure, rest of Africa and mergers and acquisitions activity are potential opportunities.

Retail clients have remained highly indebted since the financial crisis of 2008, compounded by the recent increase in interest rates, higher inflation and administrative costs as well as high unemployment levels. Lower oil prices, feeding into lower inflation, proved beneficial to consumers in 2015, but the outlook is more muted looking forward.

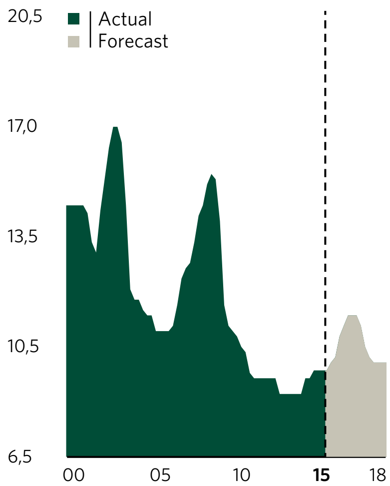
Risks

Risks in the short-to-medium term have increased across a broad range of macroeconomic drivers, resulting in lower-than-anticipated advances growth, while revenue growth opportunities could be further suppressed and bad debts increase more than anticipated.

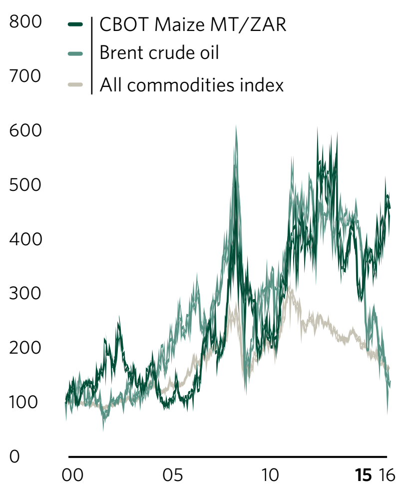
Opportunities

Opportunities such as financing infrastructure development remain strong, although few and far between.

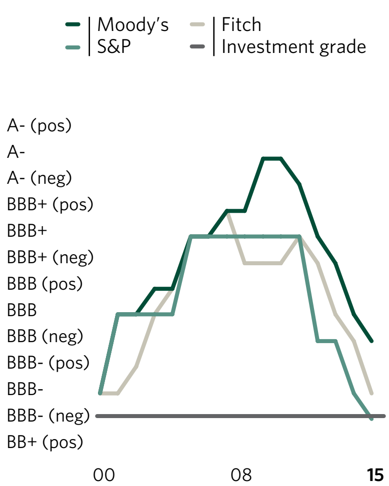
SA INTEREST RATES STILL RELATIVELY BENIGN 2000–2018 (%)



COMMODITY PRESSURES 2000–2015



SA SOVEREIGN CREDIT RATINGS JUST ABOVE INVESTMENT GRADE 2000–2015 (Rating)



In a tougher macro environment clients are looking more closely at the value they receive from their financial services providers.

BANKING RELEVANCE AMID CONSUMERISM AND INCREASED COMPETITION

Macro trends
Competition continues to intensify among financial services providers as both established and new entrants target the same client base. Technological advances have enabled the entry of non-traditional players as they aim to cross-sell financial services to their existing client bases. New entrants include online banks, microloan providers and virtual-payment and mobile-telephony providers, all offering an increasing array of financial products and services to the consumer.

Strategic context
Increased competition for transactional clients and share of wallet has meant that banks must invest more to defend their competitive advantages while providing 24/7 client service, innovating more rapidly and pricing more competitively – this is relevant across retail and wholesale clients.

Stakeholder needs
Consumer behaviour has changed, accentuated by the tough economic environment. Clients are often multibanked and technologically skilled, with increased awareness of the various bank offerings, quality of service and pricing, leading to higher expectations of banks.

The emergence of big data has become one of the biggest game-changers for businesses today yet, without an easy way to access this information, business owners are simply unable to reap the benefits and risk being left behind by their competitors.

2015 also saw intensifying civil society pressure on banks and the broader financial services industry to provide access to funding and broader financial services. Unemployment, inequality and poverty are at the highest levels of almost any country in the world. Government, business and labour all understand the imperative to reduce these to ensure a better life for all.

Risks
The risk is revenue pressure from competition and a higher expense burden of investing in the franchise.

Opportunities
Financial services providers who respond best to the challenge in a client-centred manner will continue to gain a disproportionate share of client revenue.

The wave of regulatory change is expected to continue to escalate into the medium term.

INCREASED DEMANDS ON GOVERNANCE, REGULATION AND RISK MANAGEMENT

Macro trends
The global financial crisis brought the onset of increased regulation to ensure the soundness of banks and protect consumers, the most prominent of which are the Basel III regulations on capital adequacy, liquidity and risk data aggregation, anti-money-laundering (AML) regulations, the Retail Distribution Review (RDR), the National Credit Act and International Financial Reporting Standard 9: Financial Instruments.

Strategic context
Given trends in international financial markets, the risk of potential penalties and fines due to non-compliance has increased in SA and elsewhere in Africa as seen in recent announcements relating to multiple SA corporates.

SA's implementation of the Twin Peaks regulatory framework and increased focus on consumer protection will continue to place new demands on financial services organisations.

Proposed caps on credit life pricing, lower caps on lending rates, the limiting of interchange fees on card transactions, the introduction of the liquidity coverage ratio, evolving capital requirements and net stable funding ratios are examples of regulatory changes being adopted.

Increased regulation has created greater complexity and higher compliance costs for financial services providers. The cost of funding has increased, impacting banks' capacity to lend to clients, non-interest revenue (NIR) decreased, while spending on staff and IT capability to implement and manage the regulatory requirements has also increased as has the time to deliver innovative and competitive products.

Stakeholder needs
Our regulators are one of our five key stakeholders. We continue to support governance and regulatory frameworks that have made it possible for SA's banking sector to be rated top 10 globally in the latest World Economic Forum Global Competitiveness Survey. Our governance and compliance track record is sound and reasonable and we fully support sustainable banking practices.

Risks
The risks due to increased regulation have increased substantially over the past few years, impacting revenues and costs, as well as the shape of bank balance sheets. Clients will also be impacted by additional compliance requirements and charges as banks attempt to recover some of the costs of increased regulation.

Opportunities
Implementing the myriad of regulatory requirements in a client-centred, integrated and synergistic manner can be an important differentiator in the financial services industry.

Although we expect challenging and volatile operating conditions in the rest of Africa to persist, the long-term opportunities remain attractive.

GROWTH OPPORTUNITIES IN THE REST OF AFRICA

Macro trends

Despite the impact of lower oil and commodity prices, economic growth in the rest of Africa is still surpassing that of many countries, including SA. The International Monetary Fund GDP growth forecast for 2016 for sub-Saharan Africa is ahead of the Nedbank forecast of 0,2% for SA. The rest of Africa is estimated to grow on a sustainable basis between three to five times that of SA. This faster economic growth is partly resource-driven, supported by improvements in the political environment and governance, trade liberalisation and the extension of trade corridors. Altogether these factors contribute to the increased need for improved infrastructure that will allow banks to play a key role, given their capability in the funding of capital-intensive projects. In the short term, however, we expect continued volatility in frontier markets, particularly those that are less diversified and overreliant on oil and resource-linked revenues.

Strategic context

The rest of Africa presents growth opportunities for Nedbank, albeit at a higher cost of capital and cost of risk, and requiring upfront investment. With Nedbank having strong, specialised skills and our complementary strategic partnerships through Ecobank, Bank of China, Canadian Imperial Bank of Commerce and Old Mutual, we are in a strong position to play a key role in funding and structuring infrastructure and capital-intensive projects, as well as leverage incountry and crossborder banking opportunities.

Stakeholder needs

Our growing African client base and our SA clients entering the rest of Africa seek to benefit from one-stop financial services solutions. Shareholders, on the other hand, seek exposure to this higher-growth region through investment in well-managed SA banks that follow a risk-mitigated approach.

Risks

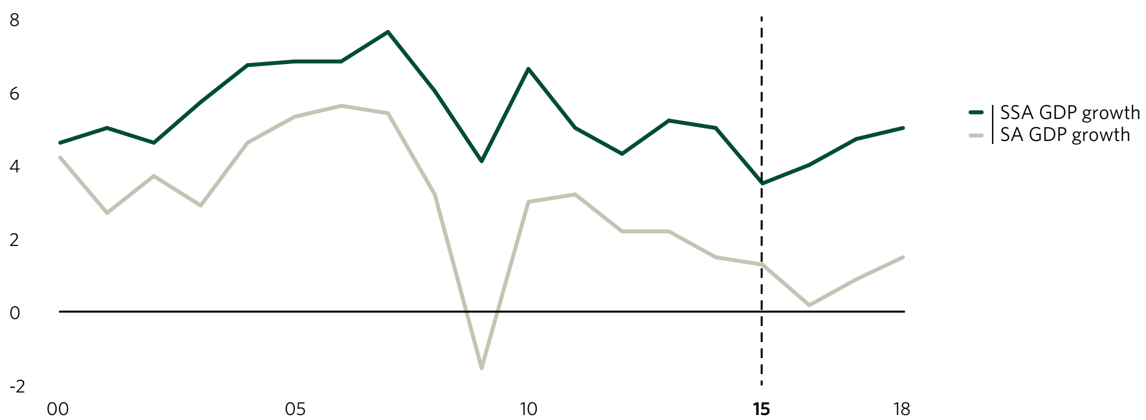
Currency volatility and the impact of lower commodity prices could continue to dampen the financial prospects of banks operating in Africa in the short to medium term.

In addition, regulation has proven a challenge for many SA corporates that operate in the rest of Africa, and fines and penalties have increased.

Opportunities

SA companies continue to expand into faster growing markets in the rest of Africa, leveraging SA's position as the gateway to Africa and using their unique expertise in operating in emerging markets. Much of the skills base in SA in infrastructure, telecommunications, resources, retail, construction and renewable energy is transportable and can be applied to business opportunities in rest of Africa.

SUB-SAHARAN AFRICA ECONOMIC GROWTH AHEAD OF SA 2000–2018 (%)



SSA: sub-Saharan Africa

The Paris Agreement signals a hitherto unprecedented international resolve to reconfigure the global economic system to address human development needs without breaching crucial biophysical limits.

TRANSFORMATION OF SOCIETY WITHIN PLANETARY BOUNDARIES

Macro trends

The past two centuries have seen rapid population growth, but even faster economic growth, with an increase in average per capita income by a factor of more than 10. Higher living standards have also been coupled with improvements in life expectancy for billions of people. This progress has come at a significant environmental cost and there is mounting evidence that current patterns of human consumption are exceeding the planet's supply limits, and the progress is therefore unsustainable.

Furthermore, high levels of poverty and inequality remain in many regions, including sub-Saharan Africa. Millions of citizens lack access to formal employment opportunities, sufficient food, clean water and sanitation, safe and affordable transportation, suitable housing, modern healthcare, education and financial services.

The year 2015 saw some of the warmest winters and summers worldwide causing devastating floods in some places and record-breaking droughts in others. This, along with energy constraints and collapsing resource prices, impeded economic growth and further hampered the ability of many governments to deliver on the needs of the constituents, resulting in increasing social unrest.

In September 2015, against this challenging backdrop, leaders from almost 200 countries around the world committed to 17 Global Goals. Over the next 15 years, the goals aim to end extreme poverty, fight inequality and injustice, and address climate change. Bolstered by the Paris Agreement on climate change, there is now unprecedented international resolve to reconfigure the global economic system and the energy system that drives it – to address urgent human development needs without breaching crucial biophysical limits. Pleasingly, our Long-term Goals align well with the 17 Global Goals.

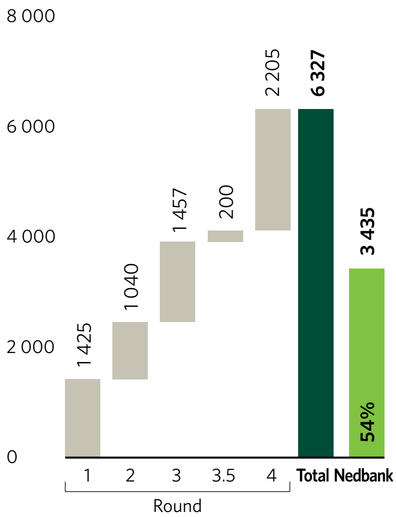
Strategic context

Environmental, societal and economic sustainability are all inextricably connected. As a bank for all, Nedbank's business success is linked to the sustainability of the environment that we operate in.

We understand that our future business prospects are greatly improved if society is flourishing. However, human needs must be served within the biophysical constraints imposed by our finite planet. We are committed to good corporate citizenship and contributing to the building of a strong and thriving nation in SA, entrenching a culture of diversity and transformation, and leading as a green bank.

SA RENEWABLE-ENERGY PROGRAMME

(Megawatt by renewable-deals bid window)



Stakeholder needs

The impact of the continued use of unsustainable resources on the economy and communities is high. Economically, commodity prices would be increasingly volatile and there would be a higher risk of natural disasters. In an attempt to respond to these threats, stricter regulatory standards and prices on externalities could be implemented, which would lead to higher prices for electricity, transport and water, among others. This would discourage wastage but also increase administered costs and financial pressure for clients.

Risks

Acceleration of the environmental impact could lead to a higher cost for governments as they rebuild cities after natural disasters, and an increase in cost of basic amenities that would intensify social inequalities, as well as political instability, erosion of social capital and weaker economic prospects.

Opportunities

Through technology and innovation new alternative energy sources such as renewable energy are being produced, which reduce the environmental impact while creating jobs in new fields of industry, thus improving social conditions.

The #FeesMustFall campaign has once again highlighted the challenges we face in education and inequality.

SCARCE SKILLS

Macro trends

Skills shortages in SA, attributable to the poor outcomes of the country's educational system, are a serious risk to economic growth for the country. In the higher education and training pillar of the 2015–2016 World Economic Forum Competitiveness Report, SA was again ranked last of 140 countries in 'Quality of math and science education' and 138th in 'Quality of the educational system'. These educational challenges place a greater emphasis on skills retention and development in order to improve our global competitiveness. The transformation imperative and continued progress to a more equitable representation of the SA workforce remain top of the agenda for all stakeholders. The #FeesMustFall campaign is a reflection of the financial pressure placed on students to finance their education. Many students lack financial support and cannot afford to continue with tertiary education, resulting in the large number of low-skilled workers in SA. As a result, SA continues to have high levels of unemployment and social inequality.

Further reading:

Student accommodation, bursaries and learnerships in our 2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

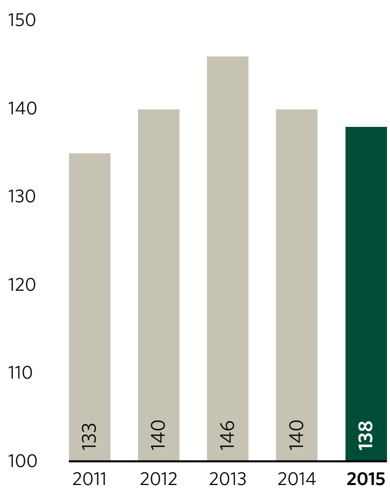
Strategic context

Banks are large employers in the financial services sector and we require highly skilled employees to service our clients. We are therefore investing in attracting, retaining and developing the skills we need to grow our businesses, because the right people with the right skills are essential for the delivery of our strategy. However, increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled staff. Nedbank leaders are among the most highly skilled in the industry and we have succession plans in place for all key positions.

Playing our role in providing affordable financing, bursaries and education support through our foundation remains top of mind for Nedbank.

WEF 'QUALITY OF THE EDUCATION SYSTEM' RANKINGS FOR PAST FIVE YEARS

(Ranking)



Stakeholder needs

Nedbank has taken a leadership position in transformation and we continue to place this high on our agenda, given our goal to stay at the forefront of transformation.

Our staff and corporate culture are a key competitive advantage and differentiator in attracting and retaining staff. We measure staff entropy to understand the level of engagement within the group, while seeking to create a closer fit between the existing and ideal culture.

Risks

The risk is increasing disparity between levels of skills available and that required for employment in financial services, along with higher levels of unemployment and growing social inequality.

Opportunities

Employers of choice will continue to attract the best skills.

STRATEGIC FOCUS AREAS

Our strategy is primarily aimed at creating value for our shareholders (long-term capital providers) and is defined by our five key strategic focus areas of client-centred innovation, growing our transactional banking franchise, 'optimise and invest', strategic portfolio tilt and building a pan-African banking network.

The strategic focus areas are guided by our vision and informed by our material matters. The table below highlights the areas and levels of correlation between material matters and our strategic responses. The material matter 'Tough economic conditions' has the highest correlation to almost all the strategic responses, as a bank's performance is strongly linked to the environment in which it operates.

STRATEGIC FOCUS

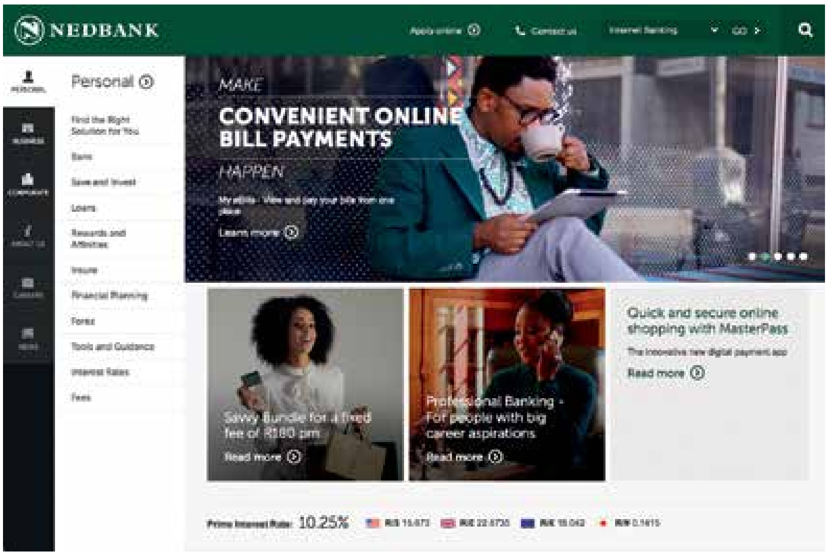
MATERIAL MATTERS	Client-centred innovation	Grow our transactional banking franchise	Optimise and invest	Strategic portfolio tilt	Pan-African banking network
Tough economic conditions with limited forward visibility	Medium	High	High	High	High
Banking relevance amid consumerism and increased competition	High	High	Medium	High	Medium
Increased demands on governance, regulation and risk management	High	High	High	High	High
Growth opportunities in the rest of Africa	Medium	Medium	High	High	High
Transformation of society within planetary boundaries	High	Medium	High	High	Medium
Scarce skills	High	Medium	Medium	Medium	Medium

Medium correlation *High correlation*

CLIENT-CENTRED INNOVATION

Client-centred innovation is about developing solutions (products, services and processes) to address specific client needs, create value for our clients and enable a better overall client experience.

This is a strategic focus area primarily in response to the, material matter 'Banking relevance amid consumerism and increased competition'. It is central to all our other strategic focus areas, because innovation, whether technology-driven or not, is key to our success.



OUR DIFFERENTIATION

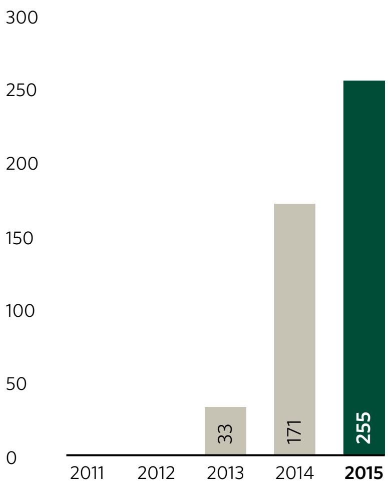
Our client-centred approach has resulted in Nedbank gaining a reputation as an innovative bank. We are increasingly being recognised for our market-leading digital innovations such as Market Edge™, Instant Bond Indicator™ as well as the new nedbank.co.za website, which is client-centred, leverages worldclass technology and can be used across all mobile devices. Internally, innovation has increased the efficiency and cost-effectiveness of our structures, systems and processes, which ultimately benefit our clients.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

Innovation is driven by our people and culture (human capital) to enhance our CVPs (manufactured capital) and increases our differentiation and competitiveness (intellectual capital) in the market. It is funded by the capital provided by our shareholders and the earnings we generate (financial capital).

We also innovate around the demands placed on us by our regulators and making a difference in our communities (social and relationship capital). We believe that by focusing on the main needs that have not been met in society we can create value through innovation, benefiting our clients and thereby increasing shareholder value.

NUMBER OF 'BRANCH OF THE FUTURE' OUTLETS



CASE IN POINT

CLIENT-CENTRED INNOVATION

How Market Edge™ creates value:

- *For Nedbank* – Create new and protect existing revenue streams in our wholesale banking segments.
- *For our clients* – Through deeper insights into the behaviour of their clients, Market Edge™ allows them to make informed decisions using the big data that is aggregated and presented in an easy-to-use format.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	Outlook
Cost-efficient digital products	Digitally enabled clients increased 40% to 3,1m.	In line with expectations/targets	Continued strong growth in digital clients.
Innovative products	Various innovative market-leading products launched.	Outperformed	Continued focus.
'Branch of the future' outlets	255 outlets out of 708 converted to date (36%).	In line with expectations/targets	Aim to convert 77% of our outlets to the 'branch of the future' format by 2018.
Nedbank brand that resonates	Nedbank brand value ranked seventh in SA (sixth in 2014: Brand Finance).	In line with expectations/targets	New Nedbank brand launch planned for 2016.

Outperformed

In line with expectations/targets

REFLECTING ON 2015 AND LOOKING AHEAD

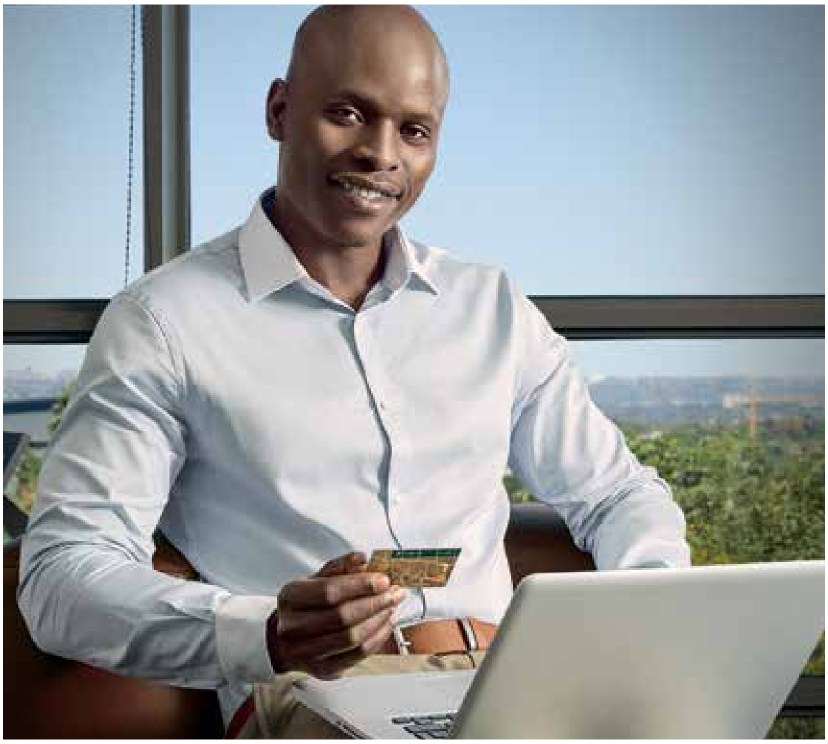
We have made good progress on all aspects of client-centred innovation, enabled by streamlined processes and a strong emerging culture of innovation. This is evident in the quantum of new clients that are digitally enabled and being one of SA most respected brands. Our focus on innovation will continue, supported by more efficient processes to bring new value propositions to market quicker.

GROW OUR TRANSACTIONAL BANKING FRANCHISE

To mitigate the material effects of the economic cycle in the form of interest rate and credit risk it is important to build a sustainable buffer by increasing the contribution from NIR, which is low-capital-consuming and liquidity-rich.

Quality NIR is largely driven by gaining transactional banking (main banked) clients, growing transactional volumes and increasing cross-sell. Gaining main banked clients in turn supports growth in attractive household and commercial deposit categories, which are becoming increasingly more important in a Basel III world. We aim to grow across all segments of the markets that we serve (wholesale and retail) and increase our share of wallet through compelling CVPs, through our integrated channel strategy.

Growing our transactional banking franchise is a priority for us, as our main banked market share in retail and wholesale banking is estimated at only 10% to 12%, well below our share of advances and deposits at 16% to 19%.



OUR DIFFERENTIATION

Nedbank has built a proven track record of delivering on this strategic focus area, growing NIR at or above the SA industry average over an extended period. The exception was in 2014 when we deliberately kept our bank fees at 2013 levels and reduced fees for SME and Business Banking clients.

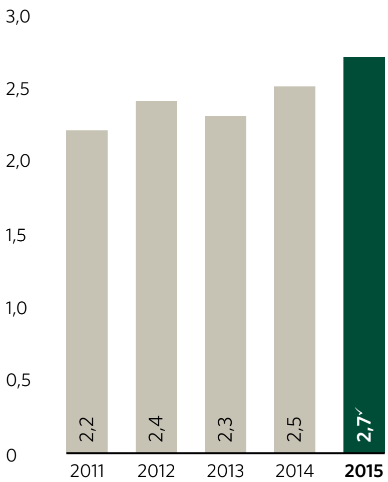
While we have consistently grown our share of main banked clients, we are growing off a low base and believe that there is still significant room to gain market share. We have increased our focus on the middle market and our historical focus of growing youth and entry-level clients will benefit us in the future as they migrate into the middle-market segment. In the wholesale bank, the integration of Nedbank Corporate and Nedbank Capital into CIB enables better client coverage and increased opportunities for cross-sell.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

This strategic focus area is closely linked to client-centred innovation, as providing innovative solutions will help to attract transactional clients and build our franchise. Growing our main banked client base is directly related to meeting and exceeding client needs and expectations with the services and products we offer. Innovation and client service is dependent on the knowledge and capabilities of our staff (human capital) and the takeup of our banking CVPs (manufactured capital) by clients (social and relationship capital) as a result of the strength of our intellectual capital, which ultimately benefits our shareholders.

NUMBER OF MAIN BANKED RETAIL CLIENTS

(m)



Decline in 2013 mainly as a result of SASSA grant recipients (approximately -221 000 net effect for 2013).

CASE IN POINT

GROW OUR TRANSACTIONAL BANKING FRANCHISE

eThekwini and Ekurhuleni metropolitan municipalities

During 2015 Nedbank was successful in winning the banking services of two major metropolitan municipalities, eThekwini for a five-year period commencing 1 October 2015 and Ekurhuleni Metropolitan Municipality for a three-year period commencing 1 December 2015. These awards mark a significant achievement for the bank in the Public Sector space as we have not banked a large metro before.

The award for eThekwini, with a population of 3,44m in 2011, includes the city's entities, Moses Mabhida Stadium, International Convention Centre, Durban Marine Theme Park (uShaka) and Durban Pension Fund.

The Ekurhuleni Metropolitan Municipality covers an extensive area in Gauteng, from Germiston in the west to Springs and Nigel in the east. It accounts for nearly a quarter of Gauteng's economy, with many factories producing goods and commodities, and is home to OR Tambo International Airport.

These appointments involved the rollout of a comprehensive suite of banking services and solutions, which include all traditional channels such as the physical branch network, internet and host-to-host payments and collections, card and cash-based solutions and devices, as well as new platforms such as digital, self-service and mobile banking.

With tight deadlines to implement the services and solutions, a thorough process was followed both internally and with the clients to ensure successful delivery. This involved detailed project planning and collaboration across numerous divisions within the bank, and extensive engagements and planning with the metros. This ensured our meeting the targeted 'go-live' dates.

The CIB team is pleased to have had the opportunity to demonstrate our capability to provide the banking requirements to clients of this size and importance.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	Outlook
Primary client gains across all segments	Main banked retail clients increased 8,5% to 2,7m✓ (7,1%, in the middle market). Internal estimations indicate that Nedbank's share of main banked clients is around 10–11%. Business Banking increased its nett primary client base by 819✓ clients. CIB gained 22✓ new transactional clients including winning the transactional accounts for the Ekurhuleni and eThekwini metropolitan municipalities. Nedbank Private Wealth main banked client base increased by more than 500 clients.	>	Continue to increase main banked clients across all segments to greater than 15% by 2020.
Grow household and commercial deposits	Household deposit market share: 18,4% (2014: 18,7%).	∨	Grow our market share.
	Commercial deposit market share: 16,6% (2014: 16,9%).	∨	
Deepen share of wallet in wholesale businesses	CIB NIR:advances ratio: 1,8% (2014: 1,8%).	∧	Increase the ratio over time.
NIR-to-expenses ratio	NIR-to-expenses ratio increased to 83,3% (2014: 82,8%).	>	2016: Below our medium-to-long-term NIR:expenses target: > 85%).

NIR: non-interest revenue

∧ *Ahead of expectations/targets*

> *In line with expectations/targets*

∨ *Slightly below expectations/targets*

REFLECTING ON 2015 AND LOOKING AHEAD

Delivery on transactional banking targets was in line with expectations in 2015, although retail main banked client growth of 8,5% and winning two major metropolitan municipalities are significant for the group. Deposit growth at 11,1%, although strong, remains a key focus area as performance against stretch targets were slightly below expectations. Growing our transactional banking franchise will remain the group's primary focus going forward, and despite a tougher macro environment, we believe we are in a good position to gain share of main banked clients and deposits.

OPTIMISE AND INVEST

The strategic focus area 'optimise and invest' aims to fund ongoing investment in the franchise through optimisation, simplification and rationalisation.

We believe in investing through economic cycles as the impact of cutting costs too aggressively on staff morale, client service and future growth opportunities, can negatively impact the franchise.

This year we optimised and extracted efficiencies from the integration of our retail and wholesale clusters, as well as the reorganisation of our insurance businesses. The group introduced a plan to reduce from 250 core IT systems in 2010 to 80 in 2020 and to date 84 have been reduced through our Managed Evolution IT strategy. Our SAP ERP project, incorporating Finance, Procurement and Human Resources will contribute to the overall reduction of systems in 2016 and 2017.

The consolidation of regional offices into our Newtown, LakeView, Kingsmead and Menlyn Maine campuses were concluded in 2015. These cost savings contributed to the funding of our investment in outlets and ATMs, digital channels, new value propositions and technology, as well as scaling up in our rest of Africa businesses and investing in regulatory compliance initiatives. Flexibility and the ability to 'optimise and invest' will be a differentiating factor, particularly in tough times, as described in the material matter 'Tough economic environment conditions with limited forward visibility'.

OUR DIFFERENTIATION

Nedbank has been investing consistently in our franchise over the past five years, unlocking new growth opportunities.

Our ability to manage our cost base through the years has been an outstanding feature and is acknowledged by the investment community.

Our Managed Evolution IT strategy reduces the risk relating to large-scale system implementation, while enabling better control over our expenses.

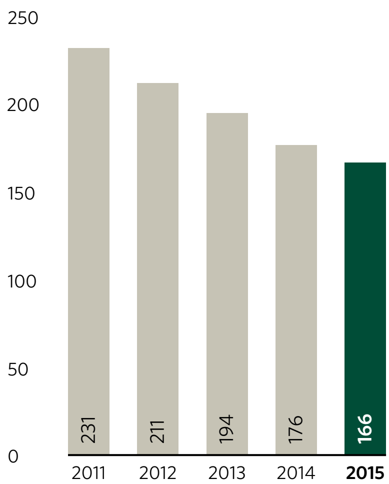
WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

Our staff are critical in identifying and implementing initiatives that simplify our processes and make our business more cost-efficient. This ensures that we can continue investing in our manufactured capital (eg physical and digital infrastructure and IT systems), which will contribute to growth in the future.

Our clients or social and relationship capital benefit from enhanced client experiences due to greater access to Nedbank channels and simplified processes.

Shareholders benefit to the extent that cost savings are realised for reinvestment in areas of sustainable future growth and simplified processes and structures enables better, more efficient compliance with regulations.

NUMBER OF CORE IT SYSTEMS



CASE IN POINT

OPTIMISE AND INVEST

How our SAP ERP implementation creates value

- *For Nedbank* – Cost savings through reduction of IT software licenses, greater control, efficiency and seamless processing, as well redeploying staff to value-adding activities.
- *For investors* – Contribution towards the lowering of the cost of the operating model over time.
- *For our staff* – Learning of new skills based on a worldclass system to enable more efficient procurement, finance and human resource processes.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	**Outlook**
Managed Evolution strategy: Core IT system replacement	Reduced core IT systems by ten in 2015 and 84 to date.	>	Reduce our core IT systems to 60 over time.
Cost optimisation initiatives	R0,9bn savings realised.	>	Monitor run rate benefits and continue to explore new optimisation opportunities.
Old Mutual collaboration	R112m synergies realised by Nedbank.	>	Nedbank to benefit from just less than 30% of the combined Old Mutual target of R1bn by 2017.
Integration of CIB and RBB back-office, as well as reorganisation of our insurance business	Successfully completed the integrations.	^	Completed.

^ *Ahead of expectations/targets*

> *In line with expectations/targets*

REFLECTING ON 2015 AND LOOKING AHEAD

The group has done well to unlock synergies in an environment of revenue pressure. The outcome, evident in slower expense growth of 6,4% in 2015, has been in line with our expectations and continues to be a focus for the years ahead.

STRATEGIC PORTFOLIO TILT

Strategic portfolio tilt focuses on proactively changing our business and product portfolio to improve our risk-and-return profile and to seek out financial services opportunities so that we can maximise economic profit (EP) growth and maintain a strong balance sheet with a focus on capital, cash and prudent provisioning.

This is particularly relevant in a tough economic environment with limited forward visibility. This focus area also seeks to respond to the material matters of increased demands on governance, regulation and risk management as well as transforming within planetary boundaries. The Basel III regulatory requirements for capital, funding and liquidity continue to drive lower returns. As client deposits become increasingly attractive, competition among banks increase.

OUR DIFFERENTIATION

Nedbank is widely acknowledged for taking early action in anticipation of industry challenges – this was particularly evident in home loans and personal loans, which we grew selectively, improving asset quality and pricing. We believe we have significantly reduced the risk in these books and expect that growth in the future will be within our accepted risk profile and will be driven by increased processing efficiency and innovation.

The group's business model bias towards the wholesale market (62% of advances) positions us well ahead of the tough consumer environment. Our expertise in key sectors have enabled us to grow strongly in renewable-energy and infrastructure projects, commercial property, vehicle finance, particularly in secondhand and lower-value vehicle markets, and the rest of Africa.

Our Fair Share 2030 strategy entails a carefully calculated flow of money, allocated each year to invest in future-proofing the environment and society. We will allocate our Fair Share every year to make sure money is flowing to activities that contribute to meeting the Long-term Goals. We will rigorously measure the performance of Fair Share 2030 funds and, in future years, report on indicators and progress towards reaching our targets.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

Our staff, clients, shareholders, regulators and the relevant capitals – human and intellectual, manufactured and financial, natural, social and capital – are all impacted by strategic portfolio tilt. Staff are educated to understand and adapt to the change in the risk-and-return profile of products or even redeployed to business areas that we seek to grow more rapidly. Staff roles and processes change according to increased regulatory reporting and risk management requirements.

The change in the risk-and-return profile of various products has resulted in Nedbank adopting selective deposit and advances growth as well as risk-adjusted pricing strategies, which impact our clients.

The bank's social and relationship capital in relation to regulators is more important than ever, as systemic risk remains high on the agenda.

Shareholder returns are impacted by increased cost of funding, which reduce net interest margins, and increased capital requirements. This results in lower ROE for the banking industry, though banks have become safer as a result.

The building or depleting of social and natural capitals is fundamental to our long-term decisionmaking processes and is guided by our Long-term Goals.

REFLECTING ON 2015 AND LOOKING AHEAD

Strategic portfolio tilt, a focus of the group for a number of years, has delivered excellent results, particularly in the wholesale portfolios where Nedbank has gained share of market in funding initiatives such as renewable energy and in the vehicle finance, where Nedbank through MFC has a unique positioning in secondhand lower value vehicles. Derisking the home loan and personal-loan portfolios has been successful, although growth has been below expectation mainly as our aim was not to relax credit criteria. These actions place the group in a strong relative position as we head into a more challenging environment.

CASE IN POINT

STRATEGIC PORTFOLIO TILT

How derisking our personal-loan book created value

- *For clients* – Protected vulnerable clients against overextension by tightening credit criteria.
- *For investors* – Reduced the risk profile relating to this product in a tougher macro environment.
- *For Nedbank* – Delivered sustainable financial results.

How funding renewable-energy projects creates value

- *For investors* – Supports Nedbank's income growth at a time when wholesale clients are not investing significantly.
- *For communities* – Contributes to renewable-energy sources that reduce localised pollution of air and water, and contribute to SA's energy security.
- *For Nedbank* – Committed funding of R35bn towards renewable-energy deals, of which R11bn has been drawn by 2015.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assessment	Outlook
Personal loans	-3% book growth.	Slightly below	Grow the personal-loan book in line with the market.
Retail lending	6% book growth.	In line	Grow wholesale advances ahead of retail.
Wholesale lending	13% book growth.	Ahead	
Transactional banking and deposits	As discussed under 'Grow our transactional banking franchise'.		
Fair Share 2030 lending	R1,8bn lending in 2015, excluding R11bn of renewable-energy financing drawn by 2015.	In line	Drawdown on strong renewable-energy pipeline and explore new Fair Share lending.

Ahead of expectations/targets

In line with expectations/targets

Slightly below expectations/targets

PAN-AFRICAN BANKING NETWORK

Our pan-African banking network strategy represents a client-focused, risk-mitigated, capital-efficient growth lever for the medium to long term and primarily addresses the material matter of growth opportunities in the rest of Africa.

We have a strategy that is tailored for each region:

- **SADC and East Africa –** In the SADC and East Africa we want to own, manage and control banks. Our network presence in the SADC and East Africa now comprises six countries and two representative offices in Kenya and Angola.
- **Central and West Africa –** In this region we follow a partnership approach with Ecobank, in which we acquired a shareholding of approximately 20% in 2014. Ecobank is the number one bank in Ghana, a systemically important bank in Nigeria and ranked as a top-three bank by assets in 14 countries in Africa – this gives our clients access to Africa's largest banking network and ensures diversification of country-specific risk while giving our shareholders access to the faster economic growth rates in the rest of Africa.
- **Investment banking deals –** We are leveraging our strategic relationships, expertise, skills and resources to build a rich deal pipeline in countries across the rest of Africa.

OUR DIFFERENTIATION

Our strategy for the rest of Africa is anchored by Nedbank's vision to build Africa's most admired bank through strong organic growth, prudent acquisitions and an alliance underpinned by a one-bank model across the continent. Our clients benefit from a bank with the largest banking network in sub-Saharan Africa, which is intended to provide our clients with a seamless banking experience.

In addition, our clients are able to leverage off Ecobank's deep incountry knowledge. We have approached our expansion in a risk-mitigated manner by spreading risk across various countries as evidenced in the portfolio.

Our commitment to creating shareholder value through acquisitions that are ROE accretive underpins our capital-efficient and risk-mitigating strategies. From a capital-efficiency perspective, our approximately 20% shareholding in Ecobank was acquired at around one times price to book. At the same time we are in a position to provide technical support to Ecobank on capital management and optimisation based on the knowledge we gained in our transition to Basel III in SA.

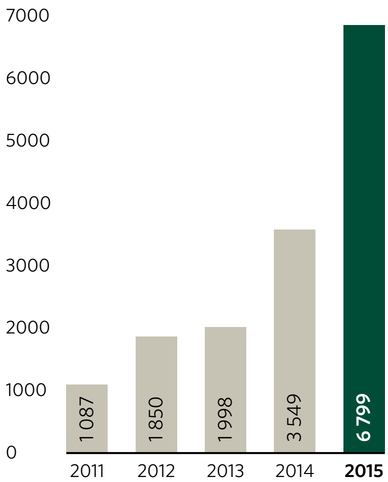
In the context of a changing global regulatory landscape with more stringent regulatory requirements, banks in Africa are expected to comply with Basel III and AML requirements, among others. Nedbank Group's partnership approach with a minority shareholding in ETI mitigates risk from a regulatory compliance perspective. A 20% shareholding also mitigates to some degree against the impact of a challenging macro environment given lower commodity prices and exchange rate volatility.

WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

By increasing our footprint in Africa and creating a pan-African banking network we are able to provide our clients with a broad range of financial services solutions and banking services in the growing economies of Africa. In addition, expanding into the rest of Africa provides our shareholders with the opportunity to share in the faster growth-earning potential of the African economies. Our pan-African network also enables our staff to gain pan-African exposure and share skills, knowledge and experience across the different regions.

CAPITAL DEPLOYED TO REST OF AFRICA

(Rm)



CASE IN POINT

PAN-AFRICAN BANKING NETWORK

How Ecobank creates value

- *For our clients* – Seamless banking across the largest banking network in Africa, supported by deep local knowledge.
- *For Nedbank* – Ecobank provides exposure and access to economies with higher growth rates in Central and West Africa, where we do not have significant experience.
- *For our investors* – Opportunity for Nedbank to access the relatively higher GDP growth rates in the rest of Africa through a longer-term, capital-efficient and risk-mitigated approach.

REFLECTING ON 2015 AND LOOKING AHEAD

Although it is still early in our journey, investing in the rest of Africa met our expectations and contributed significantly to earnings uplift off a low base. We will continue to invest in people, processes and systems. Risks in the environment, driven by lower commodity prices, remain a key focus and the group's performance will only be fairly assessed over the long term. 2016 is likely to be a difficult year with many African countries facing headwinds.

OUTCOMES AND OUTLOOK

Value driver	2015 OUTCOMES	Self-assesment	**Outlook**
SADC and East Africa presence	Made significant investments in our subsidiaries: ■ Bedded down 38% investment in Banco Único. ■ Core banking system, Flexcube, implemented in Namibia. ■ Finalised 11 new and refurbished branches and 20 new ATMs. ■ New products launched such as Cash Online, debit and credit cards, PocketPOS™ and entry level transactional accounts with embedded funeral cover.	>	Continue with the roll out of Flexcube as an appropriate core banking system to our subsidiaries. Expand from six to 10 countries over time.
Central and West Africa presence	Generated R870m in associate income from our approximately 20% investment in ETI in line with our quarter-in-arrears accounting methodology. ■ Concluded three joint financing deals. ■ Altogether 74 wholesale clients now bank with Ecobank. ■ Ecobank Johannesburg team moved into the Nedbank offices.	^ >	Deepen Ecobank Alliance and increase deal flow. Manage through a tough macroeconomic environment and lower commodity prices.
Investment banking activities	Contributed to strong advances growth in CIB of 16,6%.	>	Continue to leverage our partnership and convert a rich deal pipeline.

^ *Ahead of expectations/targets*   > *In line with expectations/targets*

MAKING TRADEOFFS

In a world where various forms of capital are scarce, principally skilled human capital and financial capital, tradeoffs have been made in delivering on our strategic focus areas.

The primary tradeoffs and the rationale for making the tradeoffs are explained below.

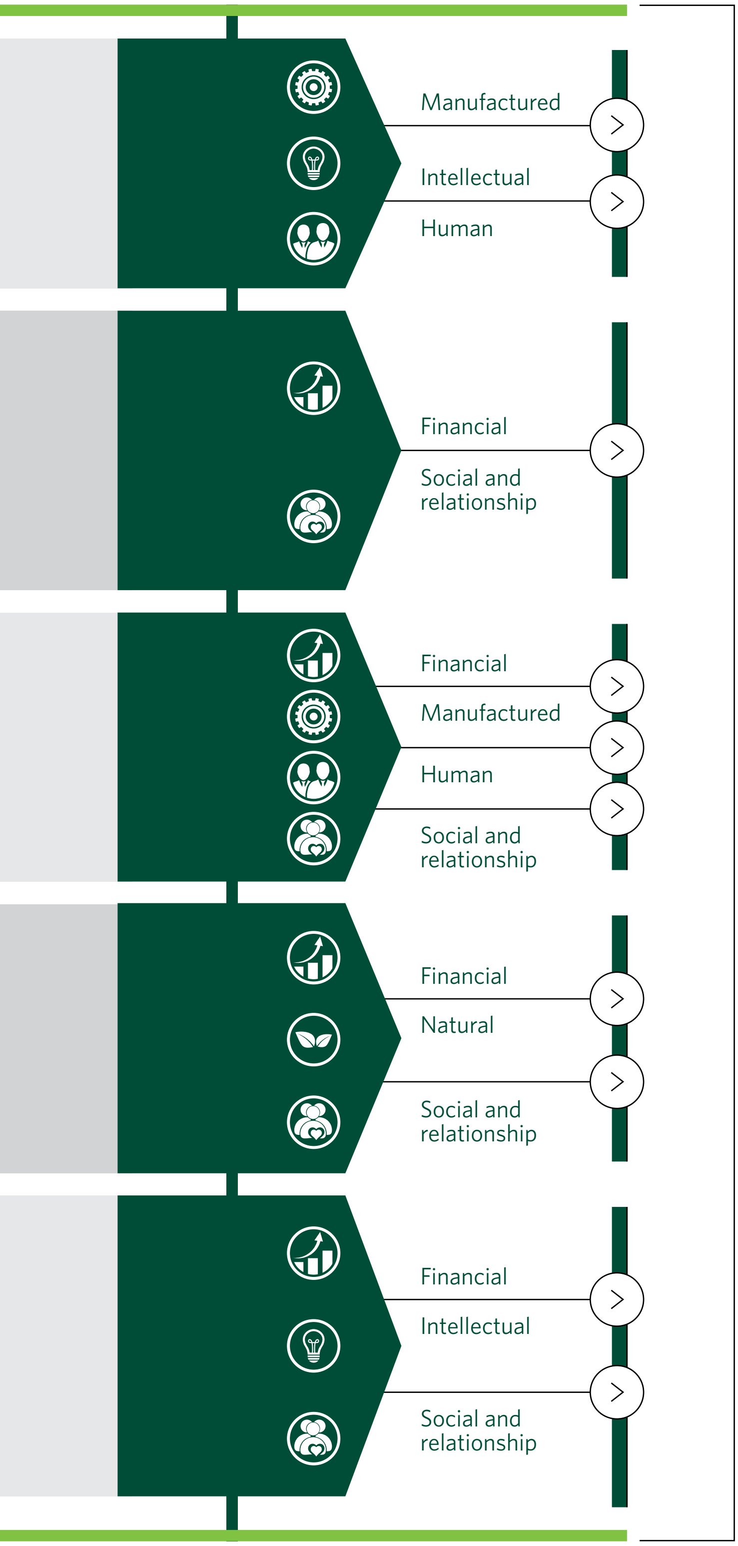
STRATEGIC FOCUS	TRADEOFF
Client-centred innovation	**Tradeoff between investing in client-centred innovation and regulatory compliance** The tsunami of regulatory demands has led to an ever-increasing portion of our innovation budgets being redirected towards regulatory compliance. At the same time we are investing in our manufactured capital, including core IT systems, through our managed-evolution strategy, our integrated-banking channels, simplified client onboarding and many other initiatives that contribute to our intellectual capital, such as brand franchise and intellectual property. Tradeoffs are made in the allocation of our IT innovation cashflow spend against the strategic objective of improving client experience. A similar tradeoff is made with regard to our intellectual and human capital, which is allocated on the same basis.
Grow our transactional banking franchise	**Tradeoff between growing in profitable and less-profitable client segments** In our retail business we continued to grow across all client segments, including entry-level banking and the youth, which have lower levels of profitability. We decided to include and build strong enduring relationships in these segments as over time they will migrate to the middle market. Similarly, we cut transactional fees in Business Banking and this has provided the opportunity to improve cross-sell and gain new clients. Financial capital, impacted by growing in less profitable segments, is offset against social and relationship capital and financial capital in the longer term.
Optimise and invest	**Tradeoff between short- and long-term profitability** 'Optimise and invest' represents the tradeoff between short-term profit growth (financial capital) and investing for the longer term to ensure a sustainable franchise (manufactured capital). This tradeoff is mitigated to some extent by extracting cost optimisation opportunities in the short-to-medium term (human capital and manufactured capital).
Strategic portfolio tilt	**Tradeoff between various business and product opportunities** Strategic portfolio tilt, in the context of scarce capital and liquidity (financial capital), is a conscious trade-off between business and product opportunities that are high-capital and liquidity consuming with low EP and those that are less consumptive and more EP generative. Nedbank is continuing with its strategy of supporting the diversification of Africa's electricity supply. Currently 0,66% of total group commitments relate to the funding of coal- and fossil-fuel-based energy generation (including Nedbank's direct facilities to Eskom) while 2,25% relate to renewable-energy generation. We will be guided by our Long-term Goals in this regard as we tilt over time to reduce the carbon intensity of our lending. Overall, we have grown wholesale advances ahead of retail advances by growing strongly in renewable energy (natural capital benefit) and reducing our exposure to personal loans by supporting responsible lending practices (social and relationship capital). This has negatively impacted our net interest margins, but it is beneficial from a credit loss ratio perspective, resulting in a change of shape in the income statement. Economic returns in the wholesale banking sector remain attractive with a potentially lower risk profile.
Pan-African banking network	**Tradeoff between minority shareholding and control** Our approximate 20% shareholding in ETI in contrast to a controlling interest (> 50%) has been a conscious decision of the board within the context of Ecobank being a proudly independent bank. Through Nedbank's board representation in ETI we work with like-minded shareholders who have a common purpose of strengthening the Ecobank franchise. Through our seven-year strategic and technical banking alliance (social and relationship capital) we have built a strong, deep and influential relationship with Ecobank. A minority shareholding offers a beneficial capital efficient structure as the capital and regulatory burden increases dramatically when banks in the rest of Africa migrate towards Basel III from Basel I and are consolidated into the SA reporting regime. Similarly, AML requirements become stricter under a controlling interest. A 20% shareholding also mitigates, to some degree, the impact of a challenging macro environment given lower commodity prices and exchange rate volatility.

You may be interested in:

Our value-creating business model
12 and 13

Strategic focus areas
27–37

CAPITALS



THE INFLUENCE OF OUR STRATEGIC FOCUS AREAS ON OUR BUSINESS MODEL

Through **client-centred innovation** we develop new innovative income streams and protect existing ones, while growing and retaining clients.

By growing our **transactional banking franchise** we increase our ROE, as deposits and transactional revenue consume less capital. At the same time our earnings volatility is reduced as the contribution from more stable sources of income is increased and our brand value increases.

'Optimise and invest' ensures that we invest sustainably in the franchise (manufactured capital) to unlock future growth opportunities while managing our cost base by unlocking synergies and efficiencies.

Through **strategic portfolio tilt** we aim to leverage our strong wholesale banking position, while reducing downside risk in higher-risk products or businesses. We aim to maintain a strong balance sheet in tough and uncertain times to provide protection against unforeseen events.

Our **pan-African banking network** strategy aims to drive greater earnings contribution from faster growth in the economies of the rest of Africa over the longer term while providing geographic diversification benefits and enabling our clients to access the largest banking network in Africa.

KEY RISKS IN DELIVERING OUR STRATEGY

Read more about:

Our risks and how we manage them 106–123

MATERIAL MATTERS

- *Tough economic conditions with limited forward visibility.*
- *Banking relevance amid consumerism and increased competition.*
- *Increased demands on governance, regulation and risk management.*
- *Growth opportunities in the rest of Africa.*
- *Transformation of society within planetary boundaries.*
- *Scarce skills*

RELEVANT MATERIAL MATTERS AND KEY RISKS

CLIENT-CENTRED INNOVATION

Ongoing investment required over the next few years in an environment where the economy remains weak and competition is increasing.

Failure to innovate in areas that are critical to the client experience at a pace that is on par or ahead of competitors, which will over time limit our ability to gain and retain clients.

Risk categories: Strategic, Operational, Conduct

GROWING OUR TRANSACTIONAL BANKING FRANCHISE

A weak economy resulting in muted transactional volume growth.

Increased competition for the same pool of clients, particularly from new entrants to the banking industry.

The impact of regulation such as Interchange and the National Credit Act on volumes, fees and pricing, and costs.

Continued investment in marketing and distribution required to keep Nedbank top of mind and accessible in an environment that requires a greater focus on cost control.

Risk categories: Strategic, Business, Regulatory

RISK CATEGORIES

	CLIENT-CENTRED INNOVATION	GROWING OUR TRANSACTIONAL BANKING FRANCHISE
	Strategic Operational Conduct	Strategic Business Regulatory

OPTIMISE AND INVEST

Delays in project implementation and not extracting the expected benefits from our optimisation projects.

Inflation and exchange rates at levels higher than planned creating the risk of project cost overruns.

Increased cost of regulatory compliance.

Longer-than-planned investment horizon, requiring more time to generate a return as trading conditions deteriorate.

Inability to achieve economies of scale and reduce costs accordingly.

Operational Investment Market People	Strategic and execution Regulatory

STRATEGIC PORTFOLIO TILT

Unemployment and an increase in consumer indebtedness increasing the risk of lending to the retail market and pushing the cost of risk higher than anticipated.

Stresses in the wholesale market from lower commodity prices and industries affected by an economic downturn leading to greater levels of impairments than anticipated.

Consumer indebtedness and new regulatory pricing limits leading to a tilt away from certain client segments, with clients unable to qualify for bank loans being at risk of resorting to loans from unregulated organisations.

Increased capital and liquidity requirements impacting the profitability and viability of providing certain banking products and services.

Our Fair Share 2030 strategy being impacted by limited risk appetite for new, untested business opportunities that may require a comparatively greater time investment.

Credit Business Capital Transformation, social and environmental	Liquidity and funding Strategic and execution Concentration

PAN-AFRICAN BANKING NETWORK

Higher associated risks of investing in the rest of Africa, given less political, social and economic stability, with has a bearing on capital, investment and operational risk.

Risk of inconsistent client experiences across a broad African franchise aligned to our brand promise.

Lower oil prices and volatile foreign exchange rates negatively impacting the prospects of oil-exporting countries such as Nigeria, Angola and Ghana.

Risk of foreign exchange volatility, particularly in oil dependent economies and in markets where exchange rates are pegged.

Know Your Client (KYC) regulation being more complex in the rest of Africa, thereby exposing banks to risks of money laundering and fraud.

Skills shortages in the rest of Africa, as in SA, adding to the risk of our strategy not being delivered on, targets being missed, IT systems and other risk-related operational activities, which could result in impairments of investments.

Rest of Africa Credit Business Regulatory	Compliance Strategic and execution People Operational

DELIVERING OUR STRATEGY THROUGH OUR BUSINESS CLUSTERS

BUSINESS CLUSTERS

STRATEGIC FOCUS AREAS

NEDBANK CORPORATE AND INVESTMENT BANKING

- The Integration of the two wholesale clusters is designed to improve client relationship solutions, increase cross-sell, and facilitate increased market share of transactional accounts and increase trading flow opportunities. This should lift earnings growth rates while maintaining a strong ROE.
- Value-management processes will continue to be expanded to target and unlock uplift opportunities.
- We will focus on strategic growth in the rest of Africa and leveraging off our subsidiaries and alliance partners Ecobank, Bank of China and Canadian Imperial Bank of Commerce. ETI have now moved its Johannesburg office into our premises.
- Trading initiatives will increase trading capabilities across all asset classes.
- We will take advantage of scale and efficiency opportunities.

NEDBANK RETAIL AND BUSINESS BANKING

- We will grow the transactional franchise profitably by targeting primary client growth to attract transactional deposits and increase NIR. We aim to lift our main banked market share from between 10% and 11% to more than 15%, with particular emphasis on share in the middle market. This is key to improving the ROE in RBB and is underpinned by five critical enablers:
  - *Loyalty and rewards* – Evolve Greenbacks to client-centred programme across all products.
  - *Digital innovation* – Go mobile in everything we do, focus on a single-client portal, and take ideas to market effectively, including new features on the Nedbank App Suite™.
  - *Process* – Simplify client onboarding and be more consistent, client-friendly and cost-effective across all products.
  - *Distribution* – Create an optimised footprint that leverages sales-focused, cost-effective and fit-for-purpose channels of distribution.
  - *Winning CVPs* – Provide simple, client-centred products such as Ke Yona, Nedbank 4Me, Dezign, Savvy, Optimum, Professional, as well as Small Business Services and Business Banking offerings.

Our five strategic focus areas are delivered primarily through our four business clusters and supported by our central clusters in areas such as finance, IT, marketing, human resources, risk, compliance and balance sheet management.

STRATEGIC FOCUS AREAS

Client-centred innovation · *Growing our transactional banking franchise* · *Optimise and invest* · *Strategic portfolio tilt* · *Pan-African banking network*

BUSINESS CLUSTERS		STRATEGIC FOCUS AREAS
NEDBANK WEALTH	■ Unlock value through collaboration and broadening non-banking financial services contribution while maintaining high ROEs.	
	■ Wealth Management intends establishing itself as 'wealth manager of choice by 2020'. This requires ongoing investment in brand, mobile and digital capabilities and attracting the right skills. The business will enhance client-acquisition and servicing processes while ensuring regulatory requirements are met.	
	■ Asset Management will focus on maintaining its outstanding long-term performance track record. The business will continue leveraging its unique Best of Breed™ proposition while driving growth across its expanded offering.	
	■ The reorganisation of the Insurance division, concentrating on simple bancassurance products, has been completed and the business will now focus on implementing a single administration platform while insourcing operational elements of its core product set.	

BUSINESS CLUSTERS		STRATEGIC FOCUS AREAS
REST OF AFRICA	■ Build a pan-African banking network by utilising our tiered approach for expansion into the rest of Africa.	
	■ In the SADC and East Africa we will increase scale and improve compliance and efficiency in our current subsidiaries through a 'one bank' model for the rest of Africa, integrated with SA, to deliver higher growth, efficiency and profitability that is well underway.	
	■ Expand the Nedbank franchise in selected markets.	
	■ In central and West Africa we will leverage our investment in ETI to supplement our equity-accounted returns. We aim to deepen our partnership to capture opportunities across the continent from both Nedbank and ETI's client bases and ensure participation in our fair share of deal flow on the continent working with our fellow shareholders Qatar National Bank (QNB), the Public Investment Corporation (PIC) and International Finance Corporation (IFC).	

You may be interested in: Strategic focus areas 27–37

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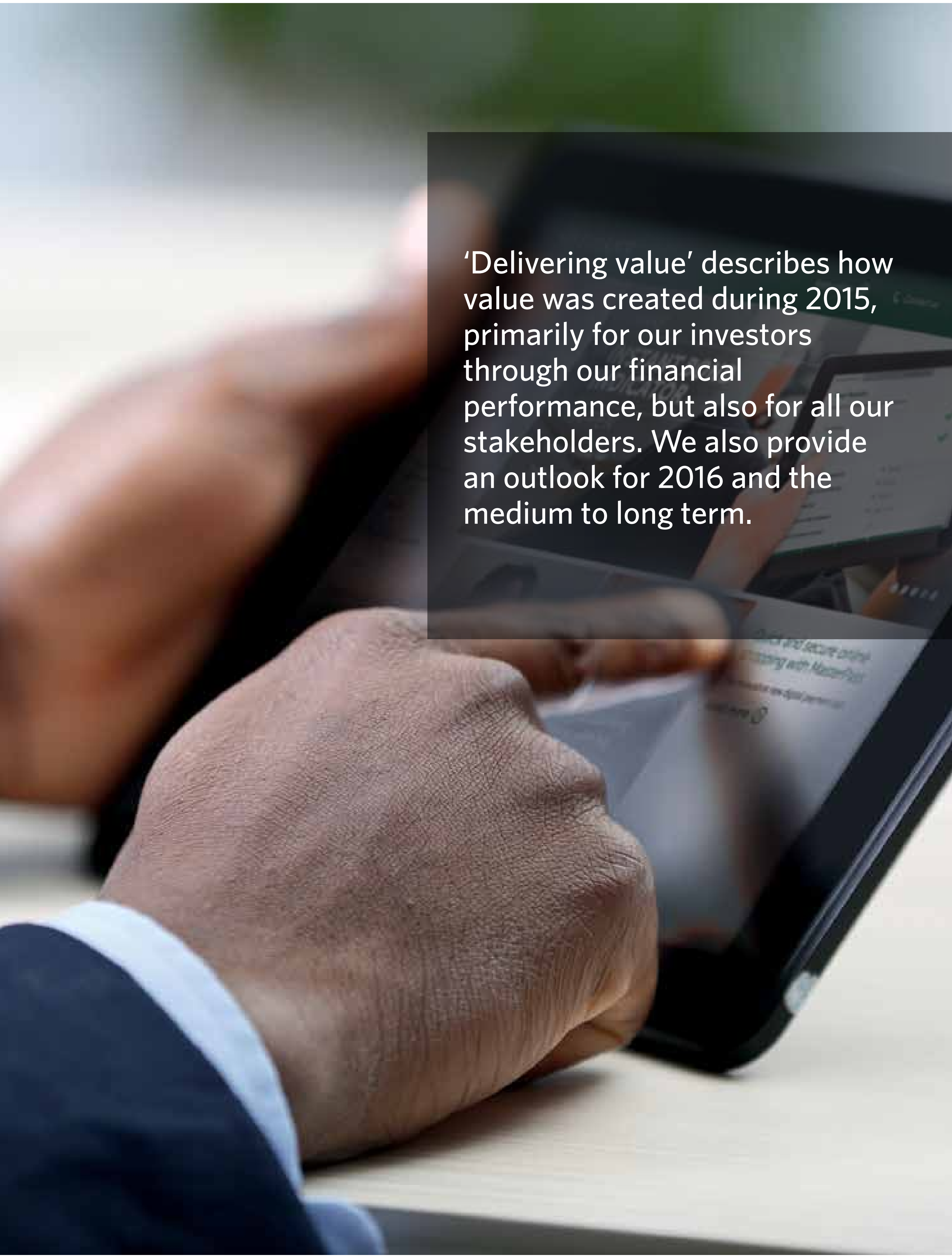
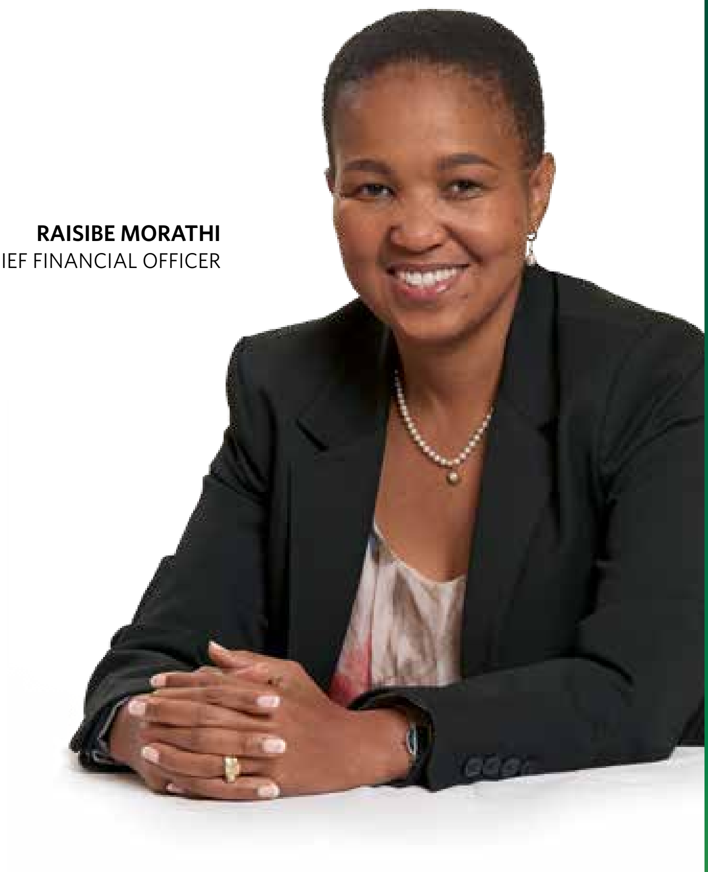
DELIVERING VALUE TO OUR STAKEHOLDERS



‘Delivering value’ describes how value was created during 2015, primarily for our investors through our financial performance, but also for all our stakeholders. We also provide an outlook for 2016 and the medium to long term.

DEMONSTRATING VALUE CREATION



RAISIBE MORATHI
CHIEF FINANCIAL OFFICER

'Delivering value to shareholders through strong cost discipline and risk management.'

OVERVIEW OF 2015

Banks are highly correlated to the economic environment in which they operate. The 2015 gross domestic product (GDP) growth of 1,3% for SA was considerably lower than the 2,5% we had forecast in February 2015, with corresponding levels of low credit demand and slower transactional volume growth. The 50 bps increase in interest rates in 2015 has placed further pressure on consumer disposable income and lower commodity prices have increased industry stress.

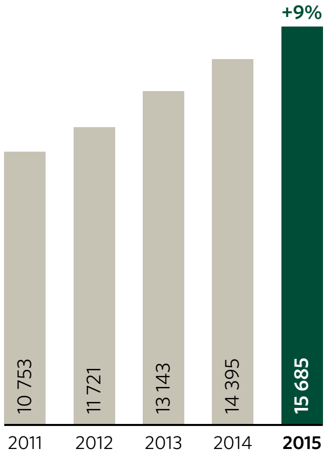
Against this context we continued to create value for our shareholders as demonstrated by:

- headline earnings (HE) growth of 9,6% to R10 831m, supported by preprovisioning operating profit (PPOP) increasing 7,3%;
- return on average ordinary shareholders' equity (ROE) excluding goodwill and ROE of 17,0% and 15,7% respectively, underpinned by return on assets (ROA) of 1,25%;
- economic profit (EP) increasing 19,6% to R2 525m on cost of equity of 13,0%. Had the cost of equity incorporated the movements in long-bond rates in December 2015 as estimated for 2016 to be closer to 15,0%, EP would have decreased 41,0%;
- net asset value per share (NAV) continued to increase, up 9,0% to 15 685 cents per share; and
- full-year dividend of 1 107 cents per share, growing 7,7% ahead of headline earnings per share (HEPS) growth of 7,4%.

Diluted headline earnings per share (DHEPS) grew 8,5% to 2 242 cents, ahead of our 2015 guidance of above nominal GDP growth of around 5,9%. Excluding associate income from our shareholding in ETI and the related funding costs, the group's DHEPS increased 4,8%.

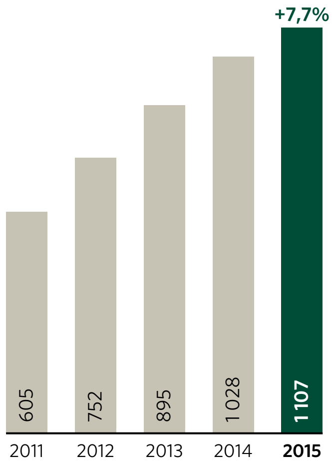
Our balance sheet remained strong at a Basel III common-equity tier 1 (CET1) ratio of 11,3%, well within our 2019

NET ASSET VALUE PER SHARE
(cents)



RETURN ON EQUITY
(EXCL GOODWILL) AND
COST OF EQUITY
(%)

FULL-YEAR DIVIDEND
PER SHARE
(cents)



internal target range of 10,5% to 12,5%. The liquidity coverage ratio (LCR) increased to 88,5%, above the Basel III requirement of 60% in 2015 and 70% in 2016. The group's combined portfolio of LCR-compliant high-quality liquid assets (HQLA) of R118,0bn and other sources of liquidity amounted to R160,7bn, representing 17,4% of total assets.

Solid revenue performance in difficult environment.

KEY HIGHLIGHTS IN OUR RESULTS

Resilient cluster performance

Resilient performance was evidenced in HE growth across our clusters. The increased ROEs in Nedbank Retail and Business Banking (RBB), Wealth was pleasing.

Lower credit loss ratio (CLR) reflective of good risk management.

Strong cost discipline.

Return on assets in Nedbank Corporate and Investment Banking (CIB) reflected a significantly higher capital allocation as we optimised our capital utilisation and responded to regulatory changes.

All our clusters contributed to the group's non-interest revenue (NIR) growth of 7,1%, higher than 2014's growth of 4,9%, which was impacted by our strategic choices. Revenue growth was boosted by RBB's main banked clients, with acquisition of continued investment in our distribution channels, marketing and client-centred innovation. Strong performance from CIB's investment banking and trading divisions, underpinned by improved cross-sell, contributed further to revenue growth.

Our strategic investment of approximately 20% in Ecobank Transnational Incorporated (ETI) has progressed well. Our strategic alliances have gained traction, which resulted in three joint financing deals in 2015 and 74 of our wholesale clients banking with Ecobank.

Core components of SAP enterprisewide resource planning (ERP) successfully implemented.

Improved efficiency and cost savings

Simplifying our business structure from five to four clusters through the integration of Nedbank RBB and CIB as well as the restructuring of our Insurance businesses, has improved efficiencies and delivered cost-savings. The integration of the clusters places the group in a more resilient position relative to the material matters of a tough economic environment, increased competition and regulatory demands.

A key differentiator for banks will be how technology is leveraged to optimise systems and increase efficiency. Through our Managed Evolution strategy we aim to reduce complexity by rationalising our core systems from 250 to 60, of which eight were decommissioned in 2015 and 84 to date.

Creating value for our black shareholders through the Eyethu scheme

Nedbank's 2005 SA broad-based black economic empowerment (BBBEE) transaction facilitated broad-based black ownership equating to 11,5% of the then value of the group's SA businesses. The Eyethu BBBEE scheme benefited our black business partners, qualifying non-executive directors, staff across all levels from junior to management, and clients and community interest groups affiliated with the group. With various components maturing in stages starting from 2010, the last significant component of black business partners matured in January 2015. Overall the scheme benefited over 500 000 direct and indirect beneficiaries and created value in excess of R8,2bn.

KEY DRIVERS OF OUR PERFORMANCE

Our performance is strongly influenced by the macroeconomic, competitive and regulatory environments and other material matters identified on pages 19 to 26. However, our outcomes are also shaped by how we respond through our strategic actions, our people and our ability to deliver. To mitigate the potential risks emanating from the material matters and unlock opportunities, our five strategic focus areas, as described on pages 27 to 37, support delivery of our medium-to-long-term targets.

We highlight below the correlation, at a high level, between our key performance indicators (KPIs), medium-to-long-term targets, material matters and strategic focus areas. Together with our six capitals, these factors contributed substantively to the group's results. Our 2015 KPIs can be viewed in relation to the previous year's performance, our medium-to-long term targets and our outlook for 2016.

KPIs	MATERIAL MATTERS	STRATEGIC FOCUS AREAS
Advances growth		
Deposit growth		
LCR		
Net interest margin		
CLR		
NIR (excluding fair-value adjustments) growth		
Operating expenses growth		

MEDIUM-TO-LONG-TERM TARGETS		
ROE (excluding goodwill)		
DHEPS growth		
Efficiency ratio		
CET1 ratio		
Dividend cover		

MATERIAL MATTERS

- *Tough economic conditions with limited forward visibility*
- *Banking relevance amid consumerism and increased competition*
- *Increased demands on governance, regulation and risk management*
- *Growth opportunities in the rest of Africa*
- *Transformation of society within planetary boundaries*
- *Scarce skills*

STRATEGIC FOCUS AREAS

- *Client-centred innovation*
- *Growing our transactional banking franchise*
- *Optimise and invest*
- *Strategic portfolio tilt*
- *Pan-African banking network*

KPIs 2014	KPIs 2015	Performance against 2015 guidance	Medium-to-long-term targets	Outlook for 2016
5,8%	**11,2%**	✓	No guidance	Mid- to upper-single-digit growth
8,4%	**11,1%**	No guidance	No guidance	No guidance
66,4%	**88,5%**	No guidance	> 100% by January 2019	Above the 70% regulatory requirement
352 bps	**330 bps**	✓	No guidance	In line with the 2015 level of 3,30%
79 bps	**77 bps**	✓	Between 60 and 100 bps of average banking advances	Within target range
4,9%	**7,1%**	✓	NIR-to-expense ratio: > 85%	Above mid-single-digit growth (excluding fair-value adjustments and prior to the first-time consolidation of Banco Único)
9,4%	**6,4%**	✓	NIR-to-expense ratio: > 85%	Mid- to upper-single-digit growth (prior to the first-time consolidation of Banco Único)

KPIs 2014	KPIs 2015	Performance against 2015 guidance	Medium-to-long-term targets	Outlook for 2016
17,2%	**17,0%**	✓	5% above cost of ordinary shareholders' equity (to be reviewed during 2016)	Below target
13,0%	**8,5%**	✓	≥ consumer price index + GDP growth + 5%	Below 2015 growth and below target
56,5%	**56,1%**	✓	50,0% to 53,0%	Above target
11,6%	**11,3%**	✓	10,5% to 12,5%	Within target range
2,07 times	**2,06 times**	✓	1,75 to 2,25 times	Within target range

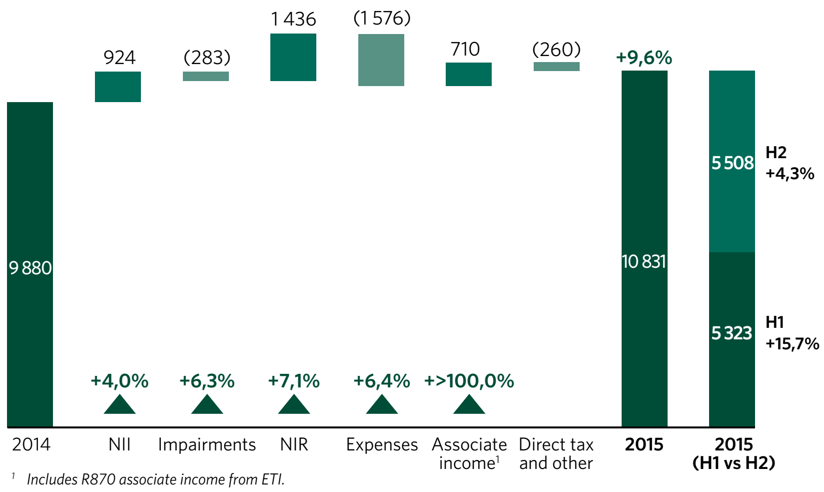
ANALYSIS OF FINANCIAL PERFORMANCE

The following analysis of the group's financial performance should be read in conjunction with the strategic focus areas covered on pages 27 to 37 of this report. A more detailed analysis is available in the group's 2015 Results Booklet and Annual Financial Statements, on the group's website at nedbankgroup.co.za.

Delivering headline earnings growth through our strategic focus areas

2015 was a year of two halves for the group, with earnings growth stronger in the first half of the year, boosted by first inclusion of ETI, robust trading revenues and a weaker base in H1 2014. Growth slowed in the second half, as NIR was impacted by reduced levels of interchange and higher levels of impairments arose in CIB.

HEADLINE EARNINGS
(Rm)



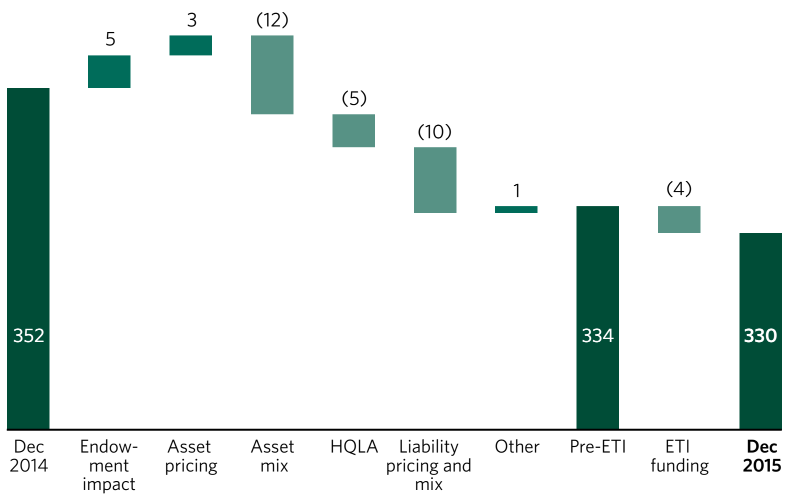
[1] *Includes R870 associate income from ETI.*

Net interest income

Making tradeoffs as we build a platform for sustainable growth

Net interest income (NII) grew 4,0% to R23 885m supported by growth in average interest-earning banking assets of 11,0%. The net interest margin (NIM) narrowed to 3,30% as endowment income and repricing benefits were offset by asset and liability margin compression.

NET INTEREST MARGIN
(bps)



Asset margins continued to be impacted by asset mix changes due to a higher proportion of low-margin wholesale advances relative to higher-margin retail advances. HQLA, with a negative carry, also increased as we build our LCR. Liability margin compression resulted from the higher cost of wholesale funding, improving our liquidity profile, the impact of prime Johannesburg Interbank Agreed Rate (JIBAR) basis risk and competition for Basel III-friendly deposits.

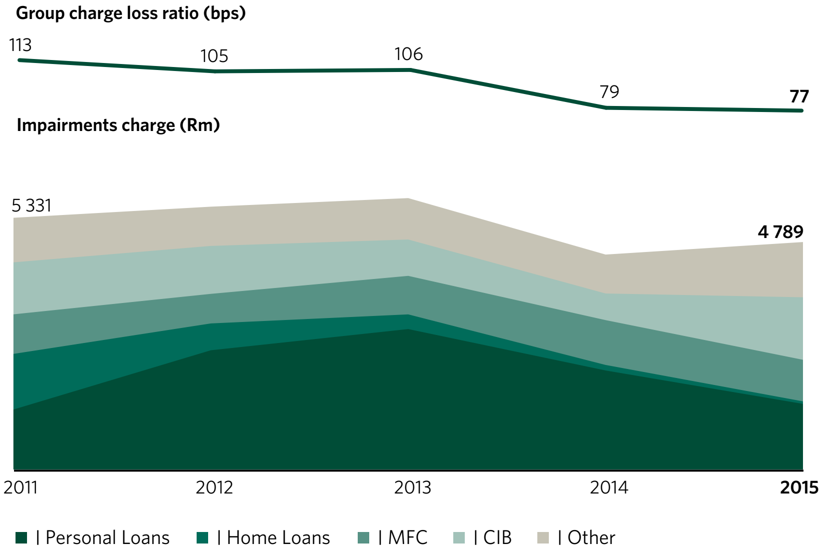
Impairments charge on loans and advances

Mitigating effects of economic headwinds

Impairments increased 6,3% to R4 789m and the CLR improved slightly to 0,77% as continued improvements in retail impairments were offset by increased impairments in the wholesale clusters.

The group's through-the-cycle range for the CLR changed to between 0,6% and 1,0%, from 0,8% and 1,2% of banking advances from 2016 onwards. The change reflects the reduction in the proportion of the total book represented by personal loans from 4,2% in 2010 when the previous CLR target range was set to 2,7% in 2015.

CREDIT LOSS RATIO – REFLECTIVE OF QUALITY PORTFOLIO



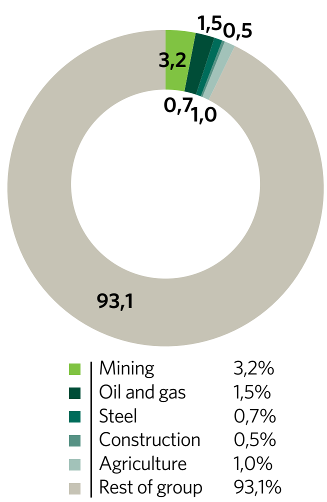
Other includes the rest of RBB, Wealth, Rest of Africa and Centre.

Defaulted advances increased 10,8% to R17 559m while the group's total coverage ratio and specific coverage ratio declined to 65,0% and 38,0% respectively, in line with improvements in retail impairments and the change in mix of retail and wholesale defaulted advances. Our strong collections focus led to postwriteoff recoveries increasing 20,8% to R1 137m, including recoveries in Retail of R1 015m, indicative of ongoing conservative provisioning levels.

Stress testing performed confirmed that exposures to stressed industries are diversified and well within their respective risk limits. RBB's impairment overlay increased to R699m (2014: R404m) which takes into consideration, inter alia, an estimate of the impairment impact that has been incurred in our agricultural book as a result of the drought and in our personal loans book due to job losses in the mining sector but are not yet evident. The central provision was further strengthened to R500m to take into account risks, particularly in commodities and in the Rest of Africa, that have been incurred but are only expected to emerge in 2016.

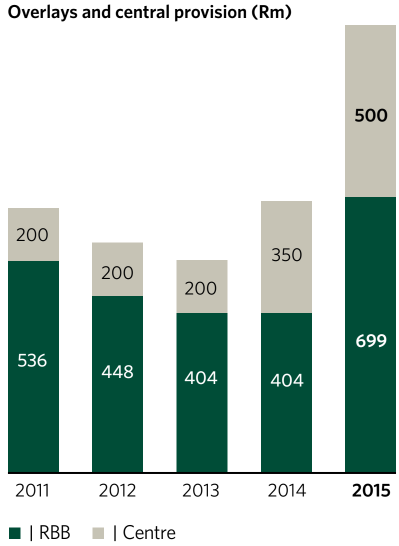
MANAGING OUR RISKS AND EXPOSURES – BOLSTERING PORTFOLIO PROVISIONING AND OVERLAYS

Industry exposures (%)



On-balance-sheet exposures: R762bn.

Overlays and central provision (Rm)



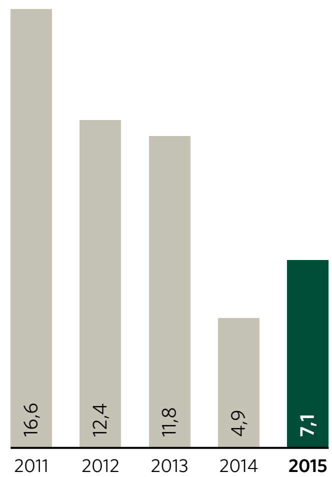
Non-interest revenue

Resilient NIR growth from transactional banking activities

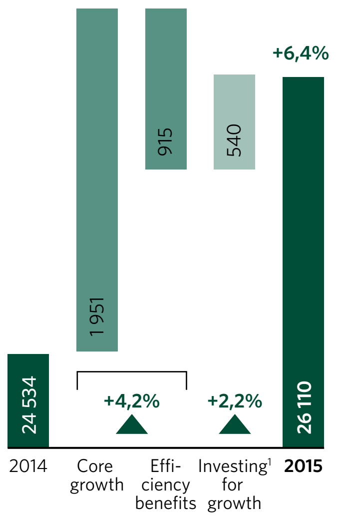
NIR increased 7,1% to R21 748m, driven by:

- Commission and fee income growth of 7,3% to R15 627m, supported by continued client acquisitions, cross-sell and annual inflation-related fee increases. Growth was achieved despite lower card interchange rates amounting to R261m, the continued slowdown in personal loans and the run rate effect of pricing reductions in the second half of 2014.
- Trading income growth of 19,6% to R3 167m following improved cross-sell and a strong performance from our client-led Markets business.
- Insurance income reduced 7,9% owing to the historic slowdown in retail unsecured lending volumes, partially offset by a good weather-related claims experience.
- Private-equity income, being of a less predictable nature, increasing 16,3% to R886m mostly from equity realisations.

NON-INTEREST REVENUE GROWTH (%)



EXPENSES
(Rm)



[1] *Investing for growth includes: branch of future: R194m; strategic IT costs: R180m; compliance cost: R88m and Rest of Africa: R77m.*

Expenses

Disciplined expense management while continuing to invest for growth

Expenses were well managed and grew at 6,4% to R26 110m, notwithstanding continued investment in our RBB and Rest of Africa Clusters and the ongoing cost of compliance given increasing regulatory demands. Excluding the Rest of Africa Cluster, expenses grew at 5,6%.

The main drivers were:

- Staff-related costs rising 3,3%, reflecting an increase in salary costs of 6,7%, additional staff employed in regulatory compliance support functions, and 2,4% lower variable performance-related incentives. More details on our incentive schemes are available on page 118 of the detailed 2015 Remuneration Report, available at nedbankgroup.co.za.
- Computer processing costs growing 14,4% to R3 543m, including depreciation costs of R718m, up 9,6%, relating to our Managed Evolution systems implementation.
- Fees and insurance costs increasing 23,9% to R2 801m due to increased costs associated with cash handling, compliance and higher volumes of card issuing and acquiring.

Our strong cost discipline and focus on efficiencies through our 'optimise and invest' strategy led to cost efficiencies of R915m. Revenue growth ahead of expense growth, compared with prior periods, resulted in an improved efficiency ratio of 56,1% and contributed to a positive jaws ratio of 0,6%.

Associate income

Generating long-term value from our strategic investments

Associate income, largely from our share of approximately 20% of ETI's attributable income, increased to R871m. Associate income is equity-accounted one quarter in arrear using ETI's publicly disclosed results. The related funding costs of R370m are included in NII.

At 31 December 2015 the carrying value of our investment in ETI was R7,8bn. Given ETI's exposure of approximately 40% to Nigeria and oil-based economies, its market value of R6,9bn was 13% below the carrying value.

A value-in-use test was performed on our investment in ETI, which positively supports the carrying value as this takes into account that ETI is a strategic investment offering long-term value, despite headwinds in oil-dependent economies.

Maintained balance sheet strength to support our growth strategy

Capital

Managing capital efficiently

The group maintained a well-capitalised balance sheet with our CET1 ratio of 11,3%, well within our Basel III 2019 internal target range.

Basel III[1]	Dec 2015	Jun 2015	Dec 2014	Internal target range	Regulatory minimum[1]
CET1 ratio	11,3%	11,4%	11,6%	10,5–12,5%	6,5%
Tier 1 ratio	12,0%	12,1%	12,5%	11,5–13,0%	8,0%
Total capital ratio	14,1%	14,5%	14,6%	14,0–15,0%	10,0%

Ratios calculated include unappropriated profits.

[1] *The Basel III regulatory requirements (excluding unappropriated profits) are being phased in between 2013 and 2019 and exclude the Pillar 2b addon.*

The CET1 ratio was impacted by risk-weighted assets (RWA) growing 13,7% to R501,2bn (2014: R440,7bn) as a result of:

- ratings migration across certain wholesale portfolios in line with the deteriorating economic environment;
- an industrywide credit valuation adjustment (CVA) capital charge by the South African Reserve Bank (SARB) for over-the-counter ZAR derivatives and derivatives with local counterparties not cleared through a centralised clearing system, which increased RWA by R6,5bn; and
- growth in loans and advances.

Tier 1 and total capital ratios continued to be affected by the Basel III transitional requirements. Consequently, the tier 1 ratio decreased following the redemption of R1,8bn of old-style hybrid debt, and the total capital ratio decreased with the redemption of NED11, representing R1bn of old-style tier 2 subordinated-debt, on its call date in September 2015. This was partially offset by the issuance of R2,3bn of new-style Basel III-compliant tier 2 subordinated-debt instruments.

Funding and liquidity

Building and diversifying our funding profile

Our funding profile and liquidity position remains strong and well diversified as reflected by the group's fourth-quarter average long-term funding ratio increasing from 25,4% to 28,7%, above the peer average of 22,1%, while short-term funding decreased from around 56% to 53%. Total funding-related liabilities grew 11,9% to R770,8bn, including R15,5bn of long-term debt capital market funding issued as part of our strategy to lengthen the funding profile.

The group's average LCR for the fourth quarter increased to 88,5% from 66,4%, exceeding the minimum regulatory requirement, which increased from 60% in 2015 to 70% from 1 January 2016. Our portfolio of LCR-compliant HQLA increased to a fourth-quarter average of R118,0bn (2014: fourth-quarter average R91,4bn). In addition to LCR-qualifying HQLA, Nedbank also holds other sources of stress liquidity, including corporate bonds, listed equities and other marketable securities that can be accessed in times of stress. Nedbank's combined portfolio of LCR-compliant HQLA and other sources of quick liquidity amounted to R160,7bn at December 2015, representing 17,4% of total assets.

Loans and advances

Lending responsibly and sustainably through choosing value over volume

Loans and advances grew 11,2% to R681,6bn and, excluding lower-yielding trading advances, banking advances increased 10,5% following gross new payouts of R184,7bn.

Banking advances growth was primarily driven by CIB advances as a result of drawdowns in credit extended to clients in the renewable-energy and commercial property sectors, as well as stronger growth in Rest of Africa and Wealth.

Growth in RBB's advances of 4,1%, was driven by home loans, vehicle finance and cards, while Personal Loans decreased at a slower rate of 4,5% versus 16,4% in the comparative period. The mix in advances reflects increased pressure in the consumer market, resulting in RBB's proportion of the mix reducing from 48,6% in 2011 to 41,1% in 2015.

Deposits

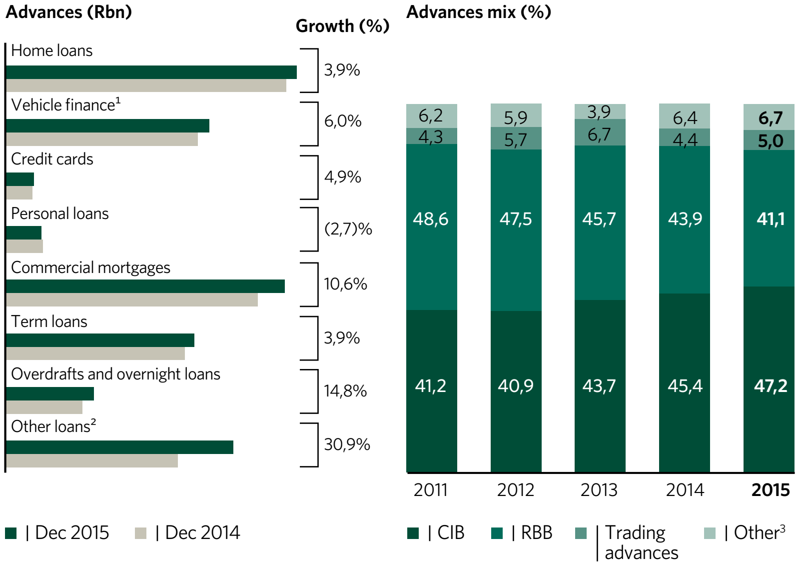
Quality growth and improved funding profile

The group's strategy of building its deposit franchise through innovative products and competitive pricing led to deposit growth of 11,1% to R725,9bn, resulting in a loan-to-deposit ratio of 93,9%.

Current accounts increased 8,6%, in line with the 8,5% growth in main banked clients. Our savings accounts grew 20,3%, with good takeup of our tax-free savings product, GoalSave, and foreign currency savings deposits in Nedbank Wealth, reflecting higher values as a result of a weaker rand. Growth in fixed deposits of 14,0% and in negotiable certificates of deposit (NCDs) of 16,7% was driven by demand for longer-term deposits on the back of increased interest rate expectations. Call and term deposits increased 7,2%. Nedbank also successfully increased foreign currency funding by 50,8% to support foreign denominated lending and to diversify the funding base.

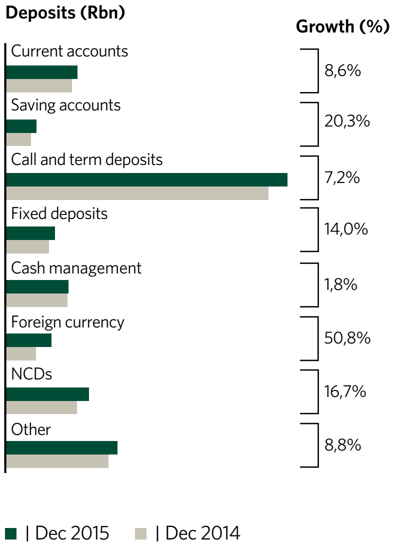
We continued to focus on growing Basel III–friendly deposits, emphasising retail and commercial deposits and reducing reliance on wholesale funding.

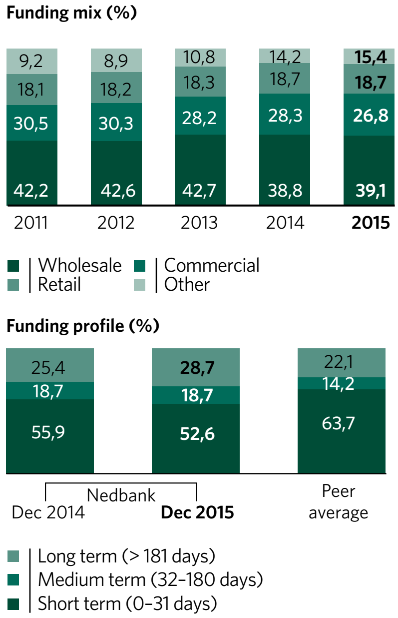
ADVANCES UP 11,2% – WHOLESALE GROWTH STILL AHEAD OF RETAIL GROWTH



[1] Leases and instalment debtors.
[2] Other loans include properties in possession, remittances, factoring accounts, trade bills and other loans in CIB.
[3] Other includes Nedbank Wealth, Rest of Africa and Centre.

DEPOSITS UP 11,1% – QUALITY GROWTH AND IMPROVED FUNDING PROFILE





Other deposits include other deposits, positive balances on loan accounts and deposits placed under repurchase agreements.
Nedbank funding profile Q4 2015 average.
Peers at December 2015 per BA 900.

KEY ACCOUNTING CONCEPTS

Nedbank Group's principal accounting policies have been prepared in terms of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and have been applied consistently over the current and prior financial year. The following accounting policies have been highlighted as a result of significant events occurring during the current period affecting the group's use thereof:

- *Basis of consolidation* – The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group considers all facts and circumstances relevant to its involvement with an entity to evaluate whether control exists. The group assesses any changes to the facts and circumstances relevant to the entity and reassesses the consolidation requirements on a continuous basis.
- *Associates* – As in previous financial years, one of the group's associate investments, ETI, will report results for the year ended 31 December 2015 subsequent to the release of the group's audited consolidated financial statements. Therefore, as allowed by International Accounting Standard (IAS) 28, the group uses the most recent public information of ETI at 30 September 2015 (ie a quarter in arrear) to determine its share of ETI's earnings. In addition, as required by IAS 28, the group considers whether adjustments for significant transactions or events between 30 September 2015 and 31 December 2015 are required based on publicly available information. The resulting equity-accounted earnings are translated from US dollar to rand at the average exchange rate applicable for the quarter in which the group accounts for the earnings. The group's share of the net assets of ETI is translated from US dollar to rand at the closing exchange rate.

The five-year track record is an extract of the consolidated financial statements of Nedbank Group Ltd and does not contain full or complete information. Any investment decision should be based on the consolidated financial statements of Nedbank Group Ltd. These consolidated financial statements, including a comprehensive list of the group's accounting policies is available at nedbankgroup.co.za.

ENGAGING OUR AUDIT COMMITTEE

We remain accountable to the Audit Committee concerning the adequacy of processes and controls, the quality of financial results and significant judgements and accounting issues.

LOOKING AHEAD

In the current environment the forecast risk remains elevated and, as a result, our guidance for performance in the year ahead is harder to formulate. In this context we currently forecast that growth in DHEPS for 2016 will be lower than our performance in 2015 and below our medium-to-long-term target. Given the increased forecast risk, we will update this guidance at the time of our interim 2016 results.

Our medium-to-long-term targets, included in the table on pages 46 and 47, remain unchanged, with the exception of the CLR through-the-cycle target range, which changed to between 0,6% and 1,0% from between 0,8% and 1,2% of banking advances. This change reflects the reduction in the proportion of the total book represented by personal loans, from 4,2% – when the previous target range was set – to 2,7%. The group's cost of equity (COE) for 2016 has been increased from 13,0% to 15,0% to capture the higher cost of capital imputed by the increase in the SA long-bond yield during 2015. During 2016, we will consider the appropriateness of our current medium-to-long-term target for ROE (excluding goodwill), which is COE plus 5%, given the significant revision of our 2016 COE to 15%.

The year ahead will also entail further preparation for IFRS 9. Industry working groups together with SARB and audit firms have been established to ensure broad consistency of modelling and disclosure approaches across SA banks. The primary challenge of implementing IFRS 9 will be the inclusion of macroeconomic forecasts, particularly under current volatile and uncertain macroeconomic conditions where forecast risk is high.

For IFRS 15: Revenue Recognition (effective from 1 January 2018) management will continue to treat this as an area of emphasis during for the upcoming year.

To date the group has made good progress on the IFRS 9 programme. We developed a number of pilot models in 2015 and anticipate that the balance of the models will be completed in 2016. As IFRS 9 goes live in 2018, much of the work must be completed by the end of 2016 to enable a smooth parallel run in 2017.

APPRECIATION

I would like to thank our stakeholders for their support during 2015 and, most of all, our finance teams across the group for their hard work and ongoing commitment in producing outstanding financial reporting.

Raisibe Morathi
Chief Financial Officer

FIVE-YEAR TRACK RECORD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	Four-year CAGR %	2015	2014	2013	2012	2011
NII	7,3	**23 885**	22 961	21 220	19 680	18 034
Impairments charge on loans and advances	(2,6)	**(4 789)**	(4 506)	(5 565)	(5 199)	(5 331)
Income from lending activities	10,7	**19 096**	18 455	15 655	14 481	12 703
NIR	9,0	**21 748**	20 312	19 361	17 324	15 412
Total operating expenses	8,4	**(26 110)**	(24 534)	(22 419)	(20 563)	(18 919)
Indirect taxation	11,6	**(783)**	(635)	(601)	(561)	(505)
Share of profits from associate companies and joint arrangements		**871**	161	27	1	0
Headline profit before direct taxation	14,3	**14 822**	13 759	12 023	10 682	8 691
Direct taxation	12,8	**(3 550)**	(3 487)	(3 033)	(2 861)	(2 194)
Non-controlling interest	8,9	**(441)**	(392)	(320)	(338)	(313)
HE	15,0	**10 831**	9 880	8 670	7 483	6 184
EP	28,57	**2 525**	2 112	2 114	1 521	924
Share statistics						
Earnings per share:						
■ Headline (cents)	13,7	**2 284**	2 127	1 884	1 640	1 365
■ Diluted headline (cents)	13,7	**2 242**	2 066	1 829	1 590	1 340
Dividends/Distributions:						
■ Declared per share (cents)	16,3	**1 107**	1 028	895	752	605
■ Dividend cover (times)		**2,06**	2,07	2,11	2,18	2,26

CAGR: compound annual growth rate

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	Four-year CAGR %	2015	2014	2013	2012	2011
Cash and securities	16,8	**172 002**	123 323	108 774	98 467	92 459
Loans and advances	8,1	**681 632**	613 021	579 372	527 166	499 023
Other assets	6,2	**72 092**	72 969	61 448	57 325	56 645
Total assets	9,3	**925 726**	809 313	749 594	682 958	648 127
Total equity attributable to equity holders of the parent	11,2	**74 754**	67 024	60 617	53 601	48 946
Non-controlling interest	1,7	**3 997**	3 887	3 719	3 774	3 739
Amounts owed to depositors	8,5	**725 851**	653 450	602 952	550 878	524 130
Provisions and other liabilities	16,1	**76 142**	49 314	49 083	44 407	41 870
Long-term debt instruments	11,2	**44 982**	35 638	33 268	30 298	29 442
Total equity and liabilities	9,3	**925 726**	809 313	749 594	682 958	648 127
Assets:						
■ Assets under management	23,0	**257 295**	212 013	190 341	150 495	112 231
■ Total assets administered by the group	11,7	**1 183 021**	1 021 326	939 935	833 453	760 358
NAV per share (cents)	9,9	**15 685**	14 395	13 143	11 721	10 753
Tangible NAV per share (cents)	11,1	**13 794**	12 553	11 346	9 989	9 044
Key ratios						
ROE (%)		**15,7**	15,8	15,6	14,8	13,6
ROE (excluding goodwill) (%)		**17,0**	17,2	17,2	16,4	15,3
Return on total assets (%)		**1,25**	1,27	1,23	1,13	0,99
NII to interest-earning banking assets (%)		**3,30**	3,52	3,57	3,53	3,48
CLR – banking advances (%)		**0,77**	0,79	1,06	1,05	1,13
Non-interest revenue to total operating expenses (%)		**83,3**	82,8	86,4	84,2	81,5
Efficiency ratio (including associate income)		**56,1**	56,5	55,2	22,6	56,6
Effective taxation rate		**24,0**	25,3	25,2	26,8	25,2

CAGR: compound annual growth rate

ENGAGING WITH OUR STAKEHOLDERS

We recognise that our business is but one of the stakeholders in the socioeconomic and environmental system and as such we are dependent on robust relationships with all other stakeholders. We appreciate the role of our stakeholders and are committed to nurturing impactful relationships that deliver mutual benefits.

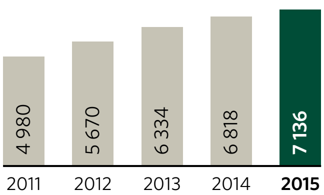
VALUE-ADDED STATEMENT

NET INTEREST INCOME **R23 885m** + IMPAIRMENT LOSSES ON LOANS AND ADVANCES **(R4 789m)** + OTHER BANKING INCOME **R22 478m** = VALUE ADDED **R41 574m**✓

VALUE ALLOCATED

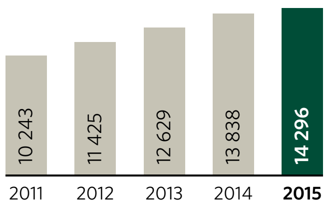
RETENTIONS FOR GROWTH
(Rm)

17,2%



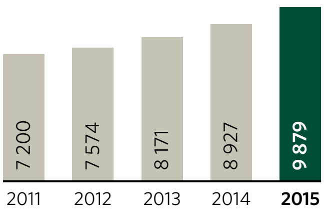
STAFF EXPENSES
(Rm)

34,4%



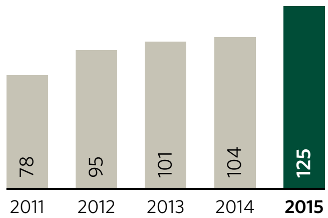
OTHER EXPENDITURE[1]
(Rm)

23,8%



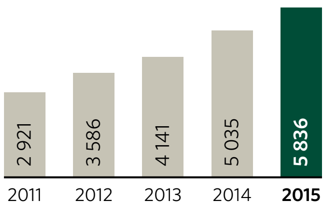
SOCIOECONOMIC DEVELOPMENT SPEND[4]
(Rm)

0,3%



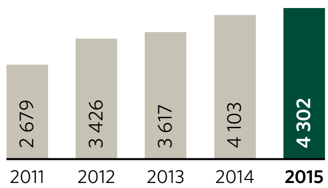
DIVIDENDS PAID TO SHAREHOLDERS[2]
(Rm)

14,0%



GOVERNMENT (TAXES)[3]
(Rm)

10,3%



You may be interested in:

Staff 56–58 | Clients 59–62 | Investors 63–65 | Regulators 66–68 | Communities 69–71

OUR STAKEHOLDER ENGAGEMENT FRAMEWORK

While the Nedbank Group Executive Committee (Group Exco) has ultimate responsibility for our group's stakeholder engagement efforts, the process of engaging with stakeholders is decentralised to form part of the operations of our various clusters and business areas.

Cluster-based stakeholder engagement is governed by a comprehensive group stakeholder engagement framework and policy, which includes our corporate identity and communication guidelines and aligns with the recommendations of King III. Each business area is required to report regularly on its stakeholder engagements through the Group Exco.

The following pages provide an overview of how we delivered value to our stakeholders in 2015:

1 Includes expenses relating to computer processing, communication and travel, occupation and accommodation, marketing and public relations as well as fees and insurance.

2 Value is allocated to shareholders in respect of cash dividends (but does not include the underlying value of capitalisation shares awarded).

3 Includes direct and indirect taxation.

4 Financial Services Code qualifying spend.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

	Yoy change	2015	2014	2013	2012	2011
Staff						
Total permanent staff	▲	**31 312**	30 499	29 513	28 748	28 494
Staff attrition (%)	▲	**9,9✓**	8,9	8,7	8,2	7,6
Lost-time injury frequency rate (LTIFR)	▲	**0,16**	0,17	0,14	0,22	0,06
Women as % of total staff complement (%)	▼	**62,2**	62,7	62,7	63,0	62,1
Black women in leadership (Group Exco) (%)	▲	**13,3✓**	6,7	12,5	12,5	11,8
Training investment (Rm)	▼	**370**	491	396	352	301
Clients						
Total clients (millions)	▲	**7,4**	7,1	6,7	6,1	5,5
Main banked clients (millions)	▲	**2,70✓**	2,49	2,33	2,41	2,24
Total digitally enabled clients (millions)	▲	**3,11**	2,22	1,49	1,17	0,89
Number of staffed outlets	▼	**1 143**	1 185	1 185	1 199	1 145
Number of ATMs	▲	**3 840**	3 711	3 499	3 146	2 663
Shareholders						
Total shareholder return (TSR) (%)	▼	**(19,8)**	23,2	16,0	34,3	15,3
Share price performance (%)	▼	**(24,3)**	18,6	11,7	29,7	11,2
Full-year dividend per share (cents)	▲	**1 107**	1 028	895	752	605
Price-to-book ratio (%)	▼	**1,20**	1,73	1,60	1,59	1,37
Dividend yield (%)	▲	**5,9**	4,1	4,3	4,0	4,2
Regulators						
Industry working groups and forums participated in[1]	▲	**16**	12	12	4	4
Adverse findings by industry ombudsmen and adjudicators[2]	►	**None**	None	None	None	None
Number of regulatory fines and penalties[3]	▼	**0**	1	0	0	0
Communities						
Environment						
■ Green Star-rated buildings	▲	**7**	6	3	3	2
■ Carbon footprint per fulltime employee (tCO_2e)	▼	**6,97**	7,08	7,61	7,89	7,74
■ Offset through carbon emission reduction projects (tCO_2e)	▼	**220 000**	225 000	230 000	240 000	240 000
■ Carbon status	►	**Neutral**	Neutral	Neutral	Neutral	Neutral
■ Finance assessed under the Equator Principles (US$m)	▲	**589**	319	965	938	172
Social						
■ Total socioeconomic spend (group) (Rm)	▲	**136**	112	111	116	89
■ Total socioeconomic spend (as % of net profit after tax) (%)	▲	**1,42**	1,34	1,54	1,94	1,99
■ Consumer financial education (participants)	▲	**260 000[4]**	400 000	54 000	25 000	22 000
Procurement						
■ Total procurement spend (Rbn)	▲	**10,7**	10,6	9,6	9,4	8,3
■ Local procurement spend (Rbn)	▼	**8,0**	8,5	6,9	6,9	6,4
■ Local procurement spend as % of total spend (%)	▼	**75**	80	74	74	77

1 *Excludes Aruna attendance to legal committee.*
2 *No determinations made against Nedbank, but there were settlements.*
3 *Excludes other immaterial penalties paid, such as those for late payments for the JSE Ltd ('the JSE') and tax.*
4 *The decrease in 2015 is largely due to an increased focus on broader education initiatives through other channels such as community radio broadcasts rather than face-to-face initiatives. Including these media initiatives, we have reached an estimated 3,67m consumers.*

INVESTING IN OUR STAFF

While client focus is a key component of our strategy, we recognise that the responsibility to deliver exceptional client experiences rests primarily with our staffmembers.

714
new permanent staff

31 312
permanent staff

WHO ARE OUR STAFF?

- 62,2% female staffmembers, 37,8% male staffmembers.
- 76,6% of our staff are black
- 10,4% of our staff are younger than 26 years and 14,8% over 55 years.
- 28,1% of our staff have a tenure of more than 10 years.
- 3,5% of our staff have disabilities.

WHAT DO THEY EXPECT OF US?

- Career development opportunities across all levels.
- Optimised organisational structure
- Effective performance management and recognition.
- Progress on the transformation of the Nedbank staff profile, promoting and enabling diversity and inclusivity.
- Effective employee relations.
- A safe, positive and inspiring work environment.

ENGAGING WITH OUR STAFF

We engage with our staff on an ongoing basis at all levels. Feedback and input from our staff assists us in understanding and responding to their needs and concerns and improving their working environment experience, ultimately improving the performance of the bank. Regular communication also takes place to provide staff with strategic direction and keep them informed about group activities.

In addition to the regular, direct communication between managers, teams and individuals, specific employee engagements in 2015 included the following:

- Group Exco communication sessions.
- The Barrett Culture Survey and the Nedbank Staff Survey (NSS).
- Nedbank results presentations.
- Chief Executive and cluster head roadshows across SA and the Southern African Development Community (SADC) offices.
- Regular electronic and printed newsletters.
- Cluster and group recognition functions, culminating in an international trip for top achievers.
- The annual Employment Equity Summit.

Staff attrition level
9,9%✓

Related material matters

You may be interested in:

Optimise and invest
32 and 33

2015 Remuneration Report
124–133

HOW WE DELIVERED VALUE TO OUR STAFF

HOW DID WE PERFORM? (OUTCOMES)

HOW DID WE PERFORM? (OUTCOMES)	KPIs Metric	2015	2014	Outlook for 2016
New jobs and career development				
New permanent job opportunities were created in 2015 as Nedbank continued to expand its accessibility, particularly in the rest of Africa, and to comply with regulatory requirements.	New permanent employees	**714**	380	We will continue to manage headcount judiciously in an environment of revenue pressure.
Continued establishing a pipeline of young leaders through the Nedbank Graduate Programme.	Retention of graduates appointed	**43,3% of 44**	69,4% of 39	Nedbank will continue to establish a talent pipeline and strive to fill scarce-skills roles within the organisation.
Cocreated the Old Mutual Rotation Programme pilot, an intercompany talent management programme aimed at high-potential middle management talent.	Mobility of talent across the Old Mutual group of companies and broadening of skills, and cultural and commercial experience.			The programme is expected to continue running through 2016.
Nedbank Leadership Academy prepares leaders for broader and more complex roles.	Full performance of leaders.			Leadership Lekgotla in March 2016 to discuss and decide on leadership footprint for a winning strategy.
Optimised organisational structure				
Successfully integrated Nedbank Corporate and Nedbank Capital into Nedbank CIB, and the backoffice operations of Retail and Business Banking into Nedbank RBB. We reorganised our insurance businesses resulting in the merger of our previously separate businesses under Nedbank Insurance.				No further major structural changes anticipated.
Transformation				
Ranked in the top five for the Department of Labour's inaugural Employment Equity Awards and presented with a certificate of recognition.				
Continued progress in delivering our transformation strategy. While our persons-with-disabilities representation decreased slightly, it remained well above the 1,6% average for SA government entities.	Female staff Black staff Staff with disabilities	**62,2%** **76,9%** **3,5%**	62,7% 75,9% 3,8%	Driving effective and sustainable organisational transformation remains a key pillar of Nedbank Group's overall people strategy.
Our Batho Pele programme was halted in order to shift focus towards piloting our Inclusion Project in June 2015. This initiative focuses primarily on raising our levels of inclusion as a means of further entrenching diversity, innovation and collaboration across our group.				Development of transformation-led initiatives based on learnings from the pilot.
Employee relations				
We terminated the 1999 Recognition Agreement between Nedbank and the two recognised unions (SASBO and IBSA) and entered into a new recognition agreement with SASBO only (IBSA's representation of members did not meet the minimum threshold).	Average unionised salary increase negotiated	**7,5%**	8,2%	The new recognition agreement will not only strengthen our relationship with trade unions, but also enhance the collective bargaining process.
A significant drop in the number of reported incidents of misconduct.	Incidents reported	**14 242**	18 437	We will concentrate on understanding the new legislation and incorporating it into management practices. We will embark on building capacity for line management to manage the employment relationship effectively, fairly and in line with best practice and legislative guidelines.
A relatively low number of CCMA referrals, compared with the total number of misconduct incidents, illustrates the effectiveness of our employee relations management processes.	CCMA referrals	**139**	98	
Employee wellbeing and work environment				
The slight decrease in employee survey outcomes is likely as a result of structural changes across the organisation and the difficult economic environment. The engagement score remains in the high-performance range of employers, which is above 66%.	Entropy NSS Hewitt Engagement score	**13%** **75%** **70%**	12% 76,4% 72%	We expect an improvement in our staff survey results after the organisational change, but this will be tempered by the challenging environment.

SASBO: South African Society of Banking Officials.
IBSA: Insurance and Banking Staff Association.
CCMA: Commission for Conciliation, Mediation and Arbitration.

REFLECTING ON 2015 AND LOOKING AHEAD

2015 was a year of great change in Nedbank and despite the occasional difficulty, saw the successful implementation of organisational structure changes and several other projects that affect our staff.

The project to reprofile all jobs in line with the SAP implementation, reduced job profiles from over 3 000 to 1 038. The new profiles are role-specific, use a common competency approach and ensure that employees doing the same job are linked to the same profile.

Ensuring that our job profiles are updated and standardised not only enhances fairness and consistency when recruiting, assessing and developing employees, but also creates a consistent, common understanding of job requirements, among both employees and line managers, regardless of the cluster or department that the job appears in. This also improves options for employee career mobility as the expectations of the job content in different areas of our bank are similar.

The year also saw the creation of a resource planning policy, which sets out how resource planning is to be managed in the group. It covers strategic workforce planning, scarce skills, headcount planning, organisation design, job profiling and competency management and is supported by detailed operating procedures and practices.

KEY RISKS AND OPPORTUNITIES

In 2015 the main risks and opportunities in terms of our ability to deliver value to our employees and equip and enable them to realise their full potential, were identified as follows:

Systems that drive the right behaviours
In November 2015 the SAP Human Capital Management (HCM) technology platform was implemented across Nedbank. It replaced a plethora of old, non-integrated HR systems as a single, integrated, state-of-the-art solution that opens the door for us to implement world best HR systems practices that drive consistent, rationalised, standardised and simplified processes across our group. SAP HCM has effectively transformed HR in Nedbank through the introduction of a new operating model that delivers improved efficiencies and effectiveness.

The acquisition and retention of staff in a skills constrained environment

- Career mobility is a challenge at certain employee and manager levels due to low attrition rates. Career development and succession processes were implemented in order for us to achieve our strategic objectives by ensuring that we have the right skills, in the right place, to succeed. It ensures that our people risk is mitigated, that business continuity is enabled, and that we retain our valuable institutional knowledge.
- In 2015 we cocreated the Old Mutual Rotation Programme pilot, which is an intercompany talent management programme aimed at broadening the commercial and cultural experience of mid-career high-potential employees who can drive Nedbank and the Old Mutual Group. It is intended to encourage greater mobility of talent across the Old Mutual group of companies.
- A centralised recruitment team was also created in order to enhance efficiencies and bolster the effectiveness of our recruitment processes. It is anticipated that this will result in an improved and more consistent candidate experience and increased overall recruitment efficiencies.

Potential disruption and employee insecurity caused by organisational restructuring
The Capital and Corporate business unit merge began in 2014 and was concluded during 2015. Effective change management ensured a seamless and effective process with minimal impact on the business and our employees. We do not anticipate large numbers of retrenchments as internal redeployment remains the first course of action. All restructuring initiatives are undertaken with a focus on transparency, employee engagement and ongoing change management.

CASE IN POINT

PEOPLE 2020

Moving towards the future of people management

People 2020 is the name assigned to our HR transformation journey. It is a journey that involves the integration and enablement of business, people, technology and process through carefully designed and executed strategic and innovative people management practices, policies and procedures.

At the heart of Nedbank's Winning in 2020 strategy is a workforce that is empowered, engaged, motivated, energised and enabled to make a real contribution to our bank's culture, performance and bottomline. Management recognises that it has the responsibility to make sure that we not only have the right people, in the right positions, across our organisation, but also that we adopt technologically advanced HR systems to empower Nedbank employees to take greater control of their own needs, personal growth and career advancement.

Further reading:

2015 Transformation Report, available as a supplementary report at nedbankgroup.co.za.

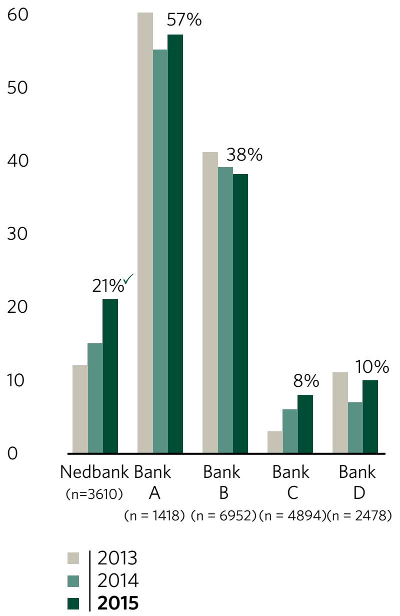
INNOVATING FOR OUR CLIENTS

At Nedbank, we are aware that if we understand our clients' needs and provide value-for-money, secure, convenient services and solutions, we will flourish.

WHO ARE OUR CLIENTS?

- We are a bank for all individuals in SA, the SADC and East Africa – from children to seniors and from entry-level to high-net-worth individuals.
- Various legal entities such as trusts, non-governmental entities and associations, small businesses, large corporates and the public sector.
- Main banked clients or those that engage with us on single product classes such as insurance, asset management, investment or finance solutions.

REPUTATIONAL NET PROMOTOR SCORE (%)



Retail main banked clients up 8,5% to 2,7m✓ and transactional banking gains across all clusters.

WHAT DO THEY EXPECT OF US?

- Responsible banking.
- Worldclass innovative solutions and services.
- Professional client service.
- Convenient access to banking, less complexity and improved flexibility (channel of choice).
- Value banking that is competitive and transparent in pricing.
- Fair treatment and trusted financial partner.

ENGAGING OUR CLIENTS

In the fast-changing and competitive environment that we operate in, truly understanding our clients' needs and expectations, and delivering value to them are central to all that we do. We are committed to delivering great client experiences with simpler, convenient, efficient service, innovative products, and competitively priced products through our client-centred innovation strategies.

To continuously understand what is important to our clients we engage with them through various mechanisms, including client forums and events, face-to-face personal interviews for Nedbank Brand Tracker and other client surveys. We also utilise the Net Promoter Score (NPS)® to measure our service levels and review client feedback from our bankers and financial advisors, service resolution teams, social media centre and website.

Our insurance business completed an important reorganisation, which is the first step in our client-centred journey and enabling the business for future growth.

Appointed the primary transactional banker for the eThekwini and Ekurhuleni metropolitan municipalities.

Related material matters

You may be interested in:

Worldclass risk management 106–123

Key regulatory reporting requirements (i)

HOW WE DELIVERED VALUE TO OUR CLIENTS

HOW DID WE PERFORM? (OUTCOMES)	KPIs Metric	2015	2014	Outlook for 2016
Responsible banking				
Experienced strong advances growth of 11,2%, with wholesale growing faster than retail.	New loan payouts	**R185bn**	R167bn	Continue to extend credit responsibly.
Played a leadership role in renewable-energy financing.	Commit-ments towards renewable-energy plants	**R11bn**	R3,5bn	R35bn committed, with drawdowns over next few years.
Judicious credit extension resulted in lower-than-market growth in mortgage and personal loans, but protected vulnerable clients against overindebtedness.	RBB CLR	**114 bps**	139 bps	RBB CLR to remain within its target range of 1,30% to 1,80%.
There was a material rise in Ombudsman for Banking Services (OBS) cases, which can be ascribed to the industrywide increase in ATM-related fraud.	Number of OBS cases	**910**	635	2016 likely to continue to be challenging for the consumer, which may support elevated client complaints, including collections.
Significant process and client-experience enhancements in key compliance programmes: Treating Clients Fairly (TCF), Know Your Client (KYC), Anti-money-laundering (AML), and Financial Advisory and Intermediary Services Act (FAIS Act) and Financial Intelligence Centre Act (FICA). Nedbank was the first bank to run a media campaign to inform our clients of the need to FICA themselves as part of SARB requirements.				
Appropriate social and environmental risk management. * *All credit risk review and new applications in Nedbank CIB, included the screening of high risk clients and EP relevant deals via the social and environmental management system (SEMS) during the 2015 financial year✓.*	Equator Principle deals *Clients/ deals submitted for screening	**7✓** **512**	6 450	Continue to use our social and environmental management system to help us and clients align with environmental and social best practice and standards.
Offering worldclass innovative solutions and services				
During the year we launched numerous innovative solutions. We highlight a few: ■ Tax-free savings account, GoalSave, and 32Day Notice Account to help clients save and generate Basel III-friendly deposits for Nedbank and attractive savings and investment products for our clients. ■ Instant Bond Indicator, an easy-to-use home loan application process providing our clients with a real-time credit and affordability indication before completing a full online application ■ The Nedbank Shop Card, which provides a convenient way to redeem Greenback loyalty points and (over 100 000 clients took up the product). ■ Easy to do Credit, streamlining and automating credit processes to enable a hassle-free and convenient banking experience. ■ Business Registration Online, allowing clients to register their new business as well as open a business current account online. ■ Online transaction capabilities introduced by Nedgroup Investments and 'Invest With Us' functionality, which educates and assists clients through their first-time unit trust purchase. A new app from Nedbank Insurance that logs and tracks policyholders' claims, enabling self-service, as well as extended QuoteMe functionality on mobile devices that includes funeral products.				
Delivered market-leading performance in our asset management business.	2015 Raging Bull Awards	**Nedgroup Invest-ments won both SA and offshore asset manage-ment company of the year in 2015 awards.**	Top three domes-tic asset manage-ment companies for the seventh year in a row.	Maintain performance.
Reputable industry standings across key investment banking portfolios (eg resources, infrastructure and energy): ■ Won *The Banker* magazine 2015 Africa Infrastructure and Project Finance Deal of the Year award. ■ Best Research Team – Technical Analysis in the JSE Spire Awards 2015. ■ Ranked second in Bloomberg Underwriter rankings in SA. ■ Won EMEA Finance Best Rand Bond award. ■ Best subcustodian bank in SA, as rated by Global Finance 2015.				

HOW DID WE PERFORM? (OUTCOMES)

	KPIs			
	Metric	**2015**	2014	**Outlook for 2016**
Client service				
Industry and market leadership in complaints resolution.	Hellopeter complaint conversions (relative to other SA banks)	**First place**	Second place	Continue to lead against peers.
Nedbank's escalated-complaints resolution benchmark is 10 days, while the industry benchmark is 21 days.	Number of days to resolve	**8 days**✓	7 days	While it is comfortably within the benchmark, we will strive to continue to improve this turnaround time.
Worldclass contact centre performance – Nedbank Contact Centre (NCC) awarded Best Contact Centre in SA across all industries in SA at the Contact Centre Management Group (CCMG) Industry Awards.				Remain SA's leading contact centre.
Maintained our operational NPS improved performance in reputational NPS on which Nedbank saw the biggest improvement in its peer group.	NPS	**Operational: 75%** **Reputational: 21%**✓	Operational: 75% Reputational: 15%	Continue to improve our NPS.
Improved South African Customer Satisfaction Index (SAcsi) results for Nedbank Retail.	SAcsi results	**74,3**	73,3	Drive continued improvements.
Nedbank's IT systems availability leading the peer group in 2015.	Systems uptime	**99,94%**✓	99,95%	Maintain market leadership.
Convenient access to banking, less complexity and improved flexibility (channel of choice)				
Optimised our staffed outlets in SA with coverage ratio of 86% of bankable population within a 30 km radius, and increased in our rest of Africa (RoA) subsidiaries.	SA outlets RoA outlets SA ATMs RoA ATMS	**708** **66** **3 695** **145**	764 61 3 585 126	Focus on converting outlets to 'branch of the future' format. Continue to roll out our ATMs to make banking more convenient.
'Branch of the future': 36% of SA branches reformatted and rolling out to RoA subsidiaries (six new 'branch of the future' formats in the rest of Africa).	Outlets converted Point-of-sale devices	**36%** **78k**	24% 69k	
Nedbank App Suite™ users have increased 43% and digitally enabled clients by 40%.	Digitally enabled clients	**3,1m**	2,2m	Continue to actively increase the number of digitally active clients.
Integration of CIB.	Provided a platform that enhanced our ability to serve clients.			
Providing value banking that is competitive and transparent in pricing				
Below-inflation-fee increases in RBB comprised reduced digital banking fees and inflation-related fees for traditional banking channels and cash handling.	Retail and business banking fee increases	**At or below inflationary increases**	Kept fees flat and reduced in business banking and small business services.	Continue to provide competitively priced solutions. Fee increases at or below inflation.

Home loan online application solution named 2015 Technology Project of the Year by *The Banker* magazine.

KEY RISKS

- A more pronounced downturn in the economy, including rising interest rates and lower demand, may impact clients and businesses more than anticipated.
- Regulatory and compliance demands are increasing, resulting in a greater compliance burden and higher financing costs over time relating to Basel III.
- Increases in cyberattacks and sophisticated fraud networks impact our clients and may result in systems downtime and financial losses.

You may be interested in:

Delivering our strategy through our business clusters 42 and 43

REFLECTING ON 2015 AND LOOKING AHEAD

We continue to make good progress across all value gains in drivers for our clients, as is evident in the gains in primary clients illustrated on page 30.

Our performance across responsible banking practices, client service, value-adding innovations, client service, convenient access and competitive pricing continues to differentiate Nedbank in the minds of many clients. We will continue to enhance these propositions into the future and improve our perception in the market, as competition will only be increasing.

KEY OPPORTUNITIES

- We are integrating our response to compliance, with the aim of limiting the impact on clients. This could differentiate us from our peers.
- New innovations continue to deliver value to us and our clients, resulting in a greater revenue uplift.
- CIB integration delivers incremental value to clients through scale and efficiency, including fully utilising the combined balance sheet, higher-quality service levels through single-client contact and new innovative solutions. This will improve cross-sell and revenue generation for us.
- As a leader in IT security, we continue to attract clients as trust and security become more important for clients.
- Our value-for-money banking continues to be attractive for our clients, especially through altering incorrect media perceptions.

CASE IN POINT

FAIR SHARE – INNOVATION IN LENDING

FAIR SHARE 2030

Getting money working for a better future: 'We know not everything that needs to be done can or should be done by a bank – so we identified 8 Long-term Goals that we can contribute to as a bank.' *Mike Brown, Nedbank Group Chief Executive.*

Our Fair Share 2030 strategy is one of the ways that we are responding to the Long-term Goals we set for a successful SA. It is Nedbank's strategic commitment to get money working for the future we want for all South Africans. It provides an annual flow of funding, channelled through products, services and lending into projects that have a clear potential to deliver sustainable socioeconomic and environmental outcomes. For the first year of full-scale implementation of the Fair Share 2030 strategy, investments amounted to R1,8bn.

Fair Share 2030 in action in 2015

Just some of the projects funded in 2015 included:

- Loans of more than R1,3bn granted for provision of much-needed student accommodation across SA.
- Financial solutions for farmers wanting to implement renewable- energy solutions that deliver greater energy security for their operations.
- Joint funding of R120m with the Development Bank of South Africa for the development of 400 'green' affordable houses that will deliver sustainable running-cost savings for households.

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

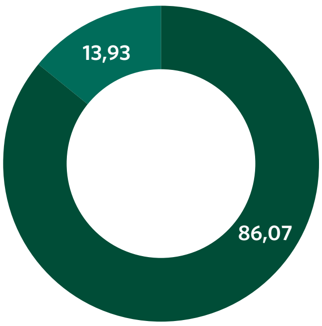
Consistent delivery to our shareholders, underpinned by transparent reporting.

WHO ARE OUR SHAREHOLDERS AND THE INVESTMENT COMMUNITY?

Shareholders are a primary stakeholder as they provide the financial capital to start and sustain the business. The financial capital we source from our equity and debt investors and our retained earnings are key in running our businesses and making strategic investments. The extent to which we can efficiently leverage our financial strength, or are able to raise the necessary capital at the best possible rates, and produce a sustainable ROE creates the value we deliver to our shareholders.

- 22 638 shareholders
  - Investment and retirement funds
  - Retail investors
- 16 sell-side analysts
- Two credit-rating agencies
  - Moody's
  - Standard & Poor's
- Financial media

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS (%)



■ Domestic
■ Foreign

Nedbank regarded highly by investors for transparent reporting.

WHAT DO THEY EXPECT OF US?

Connecting with the investment community is critical to identify their needs and appropriately manage their expectations. We prioritise these through a materiality assessment process, determining the issues that are of greatest importance to both shareholders and Nedbank Group.

These include creating shareholder value through sustainable earnings, NAV and dividend growth, underpinned by a strong balance sheet, experienced leadership, differentiated strategies that positions the group favourably against peers, sound governance and transparent reporting.

Related material matters

Attractive valuation metrics.

ENGAGING WITH THE INVESTMENT COMMUNITY

- Four times a year at the reporting of our annual and interim results, and first- and third-quarter trading updates.
- More than 290 meetings with investment analysts, investors and the media during non-closed periods.
- Five broker-hosted conferences and non-deal roadshows.
- Nedbank-initiated investor days and governance roadshow.
- Nedbank annual general meeting (AGM) to be held annually in May.
- On an ad hoc basis with financial media.
- Biannually with our credit-rating agencies.
- Through relevant information on our website at nedbankgroup.co.za.

We also regularly engage with Old Mutual plc to align our financial reporting and communications, ensuring that we have a holistic group message and that arms length collaboration opportunities are maximised.

You may be interested in:

The Nedbank investment case
134 and 135

OUR TOP SHAREHOLDERS	Number of shares	% holding 2015	% holding 2014
Old Mutual Life Assurance Company (SA) Ltd and associates (includes funds managed on behalf of other beneficial owners)	**267 531 866**	**54,11**	54,57
Nedbank Group Treasury shares	**17 856 169**	**3,61**	6,74
Coronation Fund Managers (SA)	**37 432 178**	**7,57**	6,62
Public Investment Corporation (SA)	**30 875 907**	**6,24**	6,56
Lazard Asset management (US and UK)	**13 053 114**	**2,64**	2,70
Dimensional Fund Advisors (US, UK and AU)	**7 857 545**	**1,59**	1,58
BlackRock Inc (US and UK)	**7 690 629**	**1,56**	1,58
Sanlam Investment Management (SA)	**4 674 435**	**0,95**	1,53

HOW WE DELIVERED VALUE TO OUR SHAREHOLDERS

HOW DID WE PERFORM? (OUTCOMES)	KPIs			
	Metric	**2015**	2014	**Outlook for 2016**
Shareholder value creation				
Met our 2015 guidance of organic growth in DHEPS > nominal GDP (+ 5,8%).	DHEPS growth	**8,5%**	13,0%	In the current environment forecast risk remains high and guidance harder to formulate. In this context we forecast DHEPS to grow less than 2015 growth and less than consumer price index + GDP growth + 5%.
Bank shares saw significant declines in 2015. The Nedbank share underperformed the FINI 15 (a corporate performance benchmark for LTI schemes).	TSR FINI 15	**-19,8%** **-2,6%**	23,2% 22,7%	Nedbank does not guide on share price performance.
Continued to reduce our dividend cover to 2,06 times, close to the middle of our range of 1,75 to 2,25 times.	DPS growth	**7,7%**	14,9%	Within our target range of 1,75 to 2,25 times.
Net asset value (NAV) per share increased 9,0%.	NAV per share	**R156,85**	R143,95	
Valuation metrics at current levels are attractive, after deteriorating in line with the share price. Nedbank price to book was third highest among peers.	Price-to-book ratio	**1,20**	1,73	2020 target: Top two among JSE peers.
Our black business partner (BBP) BBBEE schemes unlocked a cumulative value of approximately R8,2bn at the time of these schemes vesting.				Nedbank, Old Mutual and strategic BBP continue to collaborate on the R300m commitment aligned to Fair Share 2030 to sustain the legacy of the group's BBBEE transaction.
Consistent financial performance	Economic profit (EP)	**R2,5bn**	R2,1bn	EP will be negatively influenced by a higher cost of capital for 2016 at 15,0%, given the increase in long-bond yields.
Sustained our ROE (excluding goodwill) above our 2015 COE of 13,0%.	ROE (excluding goodwill)	**17,0%**	17,2%	Below our target of 5% above cost of ordinary shareholder's equity (under review in 2016 given higher COE estimates).
Strong and experienced management				
Smooth leadership transitions, including appointment of new Nedbank Chairman and two boardmembers and internal appointment of the new Managing Executive of Nedbank Wealth. Continue to have one of the most experienced management teams in the SA banking industry.				Maintain the diversity and depth of skills on our board and Group Exco.
Attractive and sustainable growth strategy				
Delivery across all our strategic focus areas.	For detailed assessment of our performance and outlook on each of our strategic focus areas, refer to pages 27 to 37.			
Transparent reporting				
Maintained a leadership position in all our reporting, consistently ranked in the top quartile reporting awards on the JSE.				Continue to provide investors with transparent and relevant information to determine fair value.

REFLECTING ON 2015 AND LOOKING AHEAD

Business and financial performance was resilient in 2015 in a difficult macroeconomic environment, although SA bank share price performances reflect anticipated higher cost of capital and the impact of a tougher macroeconomic environment. This is likely to be driven by slower advances and transactional revenue growth as well as higher impairments. We maintained good relationships with the investment community, underpinned by transparent reporting.

KEY RISKS

- A deteriorating macro environment:
  - Low GDP growth reflected in reduced credit demand and slower transactional volume growth.
  - Rising interest rate cycle and continued commodity price pressures increasing defaults and impairments.
  - A sovereign ratings downgrade resulting in higher funding costs.
- Client losses from aggressive competitor actions.
- The increase in regulatory demands such as AML, TCF and KYC placing greater pressure on staff and increasing the cost of compliance (systems change, additional staff required, client education).
- Scarce skills representing challenges for new appointments and potential loss of key staff to peers.
- Continued pressure in the rest of Africa from currency volatility and depressed commodity prices.
- Continued weak SA bank share performance due to macro economy, emerging-market pressures and concerns around a credit ratings downgrade below investment grade.

KEY OPPORTUNITIES

- Nedbank is positively positioned for a rising interest rate cycle. Our sensitivity to a 1% increase in interest rates over a 12-month period is a R1,2bn positive endowment impact in NII.
- Prudent credit granting in recent years and strong provisioning positions the bank well for headwinds.
- We continue to gain share of transactional banking clients and as a result in NIR.
- Strong risk management culture provides a solid foundation for the increase in regulatory demands.
- Unique culture and competitive positioning in the market continue to attract top talent.
- New regulatory requirements offer an opportunity to engage with clients and understand their banking and investment needs while increasing the security on client information and banking activity .
- Nedbank shares, attractively priced, offer good investment value, underpinned by a sound investment case.
- Our active participation with government and labour.

Further reading:

2015 Consolidated Annual Financial Statements, available as a supplementary report at nedbankgroup.co.za.

CASE IN POINT

ADDING VALUE THROUGH ENGAGEMENT WITH THE INVESTMENT COMMUNITY

At Nedbank we engage proactively on issues of importance to the investment community.

In 2015 we covered the following key topics:

- **Potential spiralling IT costs from core systems replacement:** Attended an IT Investor day where we explained that our IT Managed Evolution strategy ensures that costs are well managed as we progress towards core systems replacement.
- **Governance matters ahead of our AGM:** During our annual governance roadshow we provide shareholders with the opportunity to engage with our chairman and lead independent director on governance matters. On page 80 we provide feedback on the key topics of discussion.
- **Uncertainty around rest-of-Africa developments:** Attended the 17th UBS Financial Services conference titled 'Beyond SA', where we shared our rest-of-Africa strategy in more detail, highlighting our client-centred, capital efficient, risk mitigated and long-term strategy.
- **Uncertainty around the implications of new banking regulations:** Nedbank hosted a Basel III and IFRS 9 investor day, sharing our insights into the technical and practical implications of these regulations, educating investors as we progress towards implementation in coming years.

Presentations on the abovementioned topics are all available at nedbankgroup.co.za.

ENGAGING WITH OUR REGULATORS

Nedbank reports under the advanced Basel III approaches for credit, operational and market risk.

Nedbank is on track with our preparations for the new regulatory regime of Twin Peaks.

Nedbank Insurance remains well capitalised and implementation of solvency assessment and management (SAM) is on track.

WHO ARE OUR REGULATORS?

The South African Reserve Bank is responsible for banking regulation and supervision in SA. The purpose is to achieve a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. This function is performed by issuing banking licences to banking institutions, and monitoring their activities in terms of the Banks Act and regulations.

Other primary regulators include:

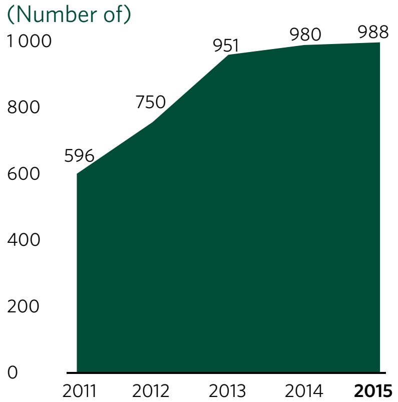
- SARS
- Financial Services Board (FSB)
- National Credit Regulator (NCR)
- Various government departments and Chapter 9-institutions including the Department of Trade and Industry (dti), Department of Labour and National Treasury
- Financial Intelligence Centre (FIC)
- The JSE

We must also comply with various regulatory bodies outside SA, including:

- Central banks and local financial services regulators of countries in which we have representation or operations
- Prudential Regulatory Authority (PRA) in London
- Financial Conduct Authority (FCA)

NEW REGULATIONS IMPACTING BANKS

(Number of)



WHAT DO THEY EXPECT OF US?

Due to the reliance of local and global economies on financial services, regulatory bodies have been established to ensure the compliance of these institutions with risk-mitigating standardised practices. Our regulators also ensure that we take suitable measures to control our direct and indirect impact on our stakeholders and on the environment.

It is therefore imperative for us to:

- maintain good, regular and transparent relationships with all regulators; and
- ensure compliance with all legal and regulatory requirements.

Related material matters

You may be interested in:

Worldclass at management risk
106–123

Key regulatory reporting requirements
(i)

ENGAGING WITH OUR REGULATORS

In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections. Regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.

- With regard to new legislative developments, Nedbank has been involved in engaging with regulators through various industry associations.
- The group maintains a close and transparent working relationship with the FIC and the Bank Supervision Department of SARB. It attends quarterly meetings with the Regulator and Supervisor to ensure compliance with their requirements and to obtain clarification where necessary.
- We participated in industry meetings on the Regulatory Consistency Assessment Programme undertaken by the Bank for International Settlements in Basel.
- We attended a trilateral meeting in London between SARB, the Financial Services Authority and the PRA.
- We participated in a Regulatory Supervisory College held at SARB, where we presented to the majority of regulators in the rest of Africa where we have a presence and we were commended by the regulators.
- We maintained resilient business continuity management processes and successfully conducted a liquidity simulation test with SARB in attendance.
- During 2015 Nedbank provided comment on various regulatory proposals and discussion papers, including:
  - The Reinsurance Regulatory Review and the Insurance Laws Bill, 2015, supporting the objective of implementing insurance regulation.
  - The Retail Distribution Review (RDR), which seeks to ensure insurance distribution models align with TCF outcomes.
  - Cybercrimes and Security Bill, 2015.

HOW WE DELIVERED VALUE TO OUR REGULATORS

HOW DID WE PERFORM? (OUTCOMES)	KPIs Metric	2015	2014	Outlook for 2016
Capital, liquidity and credit metrics				
Following industry concerns of regulators about SA banks' exposure to unsecured lending, we continued to implement our policy of responsible lending and reduced our market share proactively.	Credit loss ratio	**0,77%**	0,79%	Within our revised target range of 0,60% to 1,00%.
Implementation of SARB directive 7/2015 increased defaulted advances.	Defaulted advances	**2,5%**	2,5%	
Maintained strong capital adequacy levels supported by internal stress-testing results, with CET1 above SARB regulatory minimum of 6,5%.	CET1 ratio	**11,3%**	11,6%	Although Basel III went live in 2013, the transitional capital and liquidity requirements/ratios are still significant for Nedbank out to 2019 and 2022, and these receive management focus.
	No issues were raised on our Internal Capital Adequacy Assessment Process (ICAAP) by SARB.			
Maintained a strong liquidity profile, with the LCR ahead of 2015 SARB minimum of 60%.	LCR	**88,5%**	66,4%	Continue to phase in LCR towards 100% coverage by 2019 through a change in portfolio tilt.
Made good progress preparing for net stable funding ratio (NSFR) implementation in 2018.	SARB has approached the Basel Committee on Banking Supervision (BCBS) on calibrating SA's minimum requirement.			Continue preparations for NSFR implementation.
Nedbank's IFRS 9 programme is well underway with phase 1 successfully delivered in 2015 and overall is on track.				We are currently aligning to IFRS 9, as the standard becomes mandatory from 1 January 2018.
Conduct and consumer protection				
Embarked on a TCF and Conduct Risk programme to ensure that industry guidelines and best practice are embedded within our business and have already achieved certain milestones.	An independent assessment of Nedbank Group's state of readiness for TCF and conduct risk management revealed no material issues with the implementation programme.			Focus will be on the Twin Peaks system of regulation, which places emphasis on a more harmonised system of licensing, supervision, enforcement, client complaints (including ombuds), the appeal mechanism (tribunal), client advice and education as well as ensuring that clients are treated fairly. Nedbank will also be embracing a forward-looking approach to conduct risk and embracing client-centredness.
To mitigate against conduct risk, we are taking steps to embed conduct considerations in our strategies, governance structures and fundamental workings of our business models. This includes the way we sell our products and provide client service to avoid poor outcomes for clients and therefore TCF is also enveloped within the concept of conduct risk. In this way we aim to identify and mitigate against risk before clients suffer adverse outcomes.				
Much attention will be given to the RDR in terms of how financial products are distributed to consumers in SA.				
NCR – We invested time in managing our client and any potential reputational risk associated with the Satinsky R699 scheme.				
Anti-money-laundering and countering the financing of terrorism				
Sound progress on AML remediation after the industry fines in 2014. We have invested significantly in IT, processes, procedures and resourcing in an ongoing effort to remedy administrative deficiencies noted by SARB during its anti-money-laundering and sanction regulatory reviews conducted of SA's big banks.				Further investment to complete the Nedbank remedial plan as agreed with SARB and to ensure sustainable compliance.
Government and law enforcement				
Contributed to government revenues, through direct, indirect and staff taxes.	Tax paid	**R8,2bn**	R8,0bn	Continue paying all taxes as required.
Remained compliant with the Labour Relations Act and no issues were raised.				Maintain compliance.
Close cooperation with the South African Police Service (SAPS) and other law enforcement agencies continued. In 2015 the investigation of cash shortages was added to our responsibilities. It was previously investigated in the business line responsible for managing cash.	Fraud cases	**6 013**✓	4 890	
In 2015 100%✓ of our operations underwent corruption screening without any material concerns/issues being raised.				Continued robust actions against corruption.

REFLECTING ON 2015 AND LOOKING AHEAD

In 2015 Nedbank commenced a refresh of the Enterprisewide Risk Management Framework (ERMF) incorporating the current internal and external environment, ensuring full alignment with the significant regulatory changes and developments, and in response to evolving and emerging risk trends and the changing business environment.

Our resolution and recovery plan (RRP) was maintained and the early-warning indicators of the RRP were tracked in order to determine its invocation.

Nedbank embarked on a Treating Customers Fairly and Conduct Risk programme and are well placed to comply with protection of personal information (POPI) requirements.

Sound implementation and ongoing enhancement of the Advance Measurement Approach (AMA) for operational risk management were maintained and similarly the Internal Model Approach (IMA) for market risk continued to meet the regulators' requirements.

Nedbank's economic capital and ICAAP methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III from 1 January 2013. Nedbank Insurance's implementation of SAM is on track, with the impact on the group's existing solvency or capital levels expected to be immaterial.

We successfully implemented the reporting requirements for the Foreign Account Tax Compliance Act (FATCA) (US legislation) during 2015 and continue to comply with the FATCA requirements.

We were one of the banks reviewed as part of the Securities Trading Review conducted by SARB, and the outcome was positive for us.

Nedbank first implemented the Enhanced Disclosure Task Force (EDTF) recommendations in 2013, where appropriate, and in 2015 continued to enhance and drive improvement in the quality, clarity, consistency and comparability of risk disclosures, thereby allowing stakeholders to draw increased value, understanding and insight from the reports. The refinement of our Pillar 3 report is an ongoing process to keep up with changing regulation and leading practice.

Overall, the group maintained good, regular and transparent relationships with all regulators and complied with all legal and regulatory requirements.

KEY OPPORTUNITIES

- We will continue our integrated approach to governance, compliance, risk management, capital management, liquidity and financial control.
- The group has embarked on a programme to ensure that industry guidelines and best practice are embedded within its business.
- We believe that the continued focus on clients through TCF enhancements will enrich our client value proposition and further create value to our entire stakeholder group.
- There is a continued commitment to the development of legislation through regulatory advocacy and interaction with regulators and industry stakeholders to ensure a sound regulatory framework that adds economic and sustainable value to our clients, shareholders and stakeholders.
- The implementation of the conditions of the Protection Of Personal Information Act (POPIA) will allow for increased client confidence in how financial services and corporate SA use personal information and it will also contribute towards international investor confidence
- The continued publication of environmental laws with extensive new requirements dealing with waste, water, air, dangerous substances and land rehabilitation may lead to increased Fair Share 2030 lending opportunities.

KEY RISKS

- International and local regulatory reform (in particular Basel III and Twin Peaks) has materially increased capital levels and liquidity costs, and is changing business models internationally. Regulatory risk remains high, but there is now less uncertainty because Basel III is substantially finalised by the Bank for International Settlements and SARB.
- Litigation activity in the US and Europe and fines on major banking institutions are likely to increase cautious lending practices and encourage shadow banking activity even further. Indications in SA are that regulators will take their lead from offshore regulators and the risk of large fines for non-compliance, particularly in the conduct space, has escalated considerably.

CASE IN POINT

DEDICATED TO COMPLIANCE

A dedicated implementation office for new legislation was set up during 2015

The purpose of the programme office is to ensure efficiencies during the process of implementation of legislation and to identify synergies between the different pieces of legislation.

The newly established Regulatory Change Programme Office now project manages AML and some significant cross-cluster regulatory change programmes.

In 2015 these included the AML, CFT and Sanctions, EDP and IFRS 9 programmes, and the scope of coverage will be extended in 2016 across the entire R3bn five-year regulatory change programme.

Further reading:

2015 Pillar 3 Risk and Capital Management Report, available as a supplementary report at nedbankgroup.co.za.

DELIVERING VALUE THROUGH A COMMITMENT TO OUR COMMUNITIES AND THE ENVIRONMENT

Nedbank's business success is inextricably linked to the sustainability of the society and environment in which we operate. We appreciate that our future business prospects are greatly improved if communities flourish and we are thus committed to contributing to building a strong and thriving African society, while respecting its environmental limits. We do not underestimate the complexity of this task and acknowledge that required delivery in this regard is not easily achieved.

WHO ARE THE COMMUNITIES WE SERVE?

- Members of SA and African society.
- The environment.

WHAT THEY EXPECT FROM US

- To get advice and guidance and products to that help to achieve desired outcomes for themselves, their families, their businesses and their communities.
- To partner on common social and environmental issues.
- To collaborate in a way that furthers social, environmental and other common agendas for the greater good.

Related material matters

ENGAGING WITH THE COMMUNITY

In line with our integrated sustainability strategy and approach, we strive to create value for the communities we serve, for our business and for other stakeholders through a three-pronged sustainability approach. This approach includes our offering (products and services), our partnerships and the way we do things (our operational impact).

Creating value through our offering

We strive to create value through products and service offerings that are intended to enable communities to achieve their desired outcomes while respecting environmental limits and broader societal needs.

Our business development strategy, Fair Share 2030, aims to direct an annual flow of lending to new products and services that deliver positive financial, socioeconomic and environmental impacts. In 2015 and amount of R1,8bn was invested in projects aligned to Fair Share 2030 and the Long-term Goals. Projects included embedded energy services, green affordable housing and the provision of student accommodation.

CASE IN POINT

R100m LEGACY FUND

Nedbank, Old Mutual and our three BBEE partners, WIPHOLD, Brimstone and Izingwe, have agreed to contribute to a legacy fund in order to progress our relationship and continue to support initiatives consistent with the Financial Sector Code and National Development Plan. This fund will leave a lasting and beneficial legacy from our original BBBEE objectives.

To achieve this it was agreed that three sustainable funds of R100m each over three years would be created with equal contributions from each of the parties. Nedbank's contribution to this partnership is R100m (R33m per year), split between the legacy workstreams for WIPHOLD, Brimstone and Izingwe. During the past year the fund has been established and a number of potential beneficiaries are being assessed by each of the workstreams.

The first disbursement of R11m has been made available to the WIPHOLD-sponsored Centane Agricultural Development project in the Eastern Cape. This WIPHOLD-led, groundbreaking initiative, focuses on creating sustainable, self-funding commercial farms from primarily communally owned land. The project intends to effect large-scale social change through rural employment, income generation and food security.

You may be interested in:

How we deliver value to our staff and clients 56–62

Further reading:

2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

Other examples of products with deliberate social and environmental outcomes include Nedbank's Green Savings Bond, the Nedbank Affinity accounts and the Nedbank Insurance Green Property Plan. Further details are contained in the Sustainability Review at nedbankgroup.co.za.

Creating value through partnerships

We know that our positive impact in communities can be more impactful through partnerships with others who share our vision and commitment. In 2015 our partnerships with education, health and welfare NGOs saw the distribution of more than R136m to various communities. Of this, R66m was used to support basic and tertiary education support.

We entered into a new venture with our BBBEE partners to create a legacy fund so as to continue to support initiatives, consistent with the Financial Sector Code and National Development Plan.

We continued to share knowledge with stakeholders on socioeconomic and environmental concerns through the free distribution of the Carbon Footprinting Guide and the Green Living Guide.

We contributed R3m to the National Education Collaboration Trust to help improve education outcomes in SA.

Our partnerships with entities such as Wildlands and the Branson Foundation and others resulted in the creation of new jobs and support for new businesses, in addition to the support we provide through our lending.

Our partnership with the WWF-SA established in 1990 remains a flagship partnership as we use our core business to help generate support for them, making their efforts sustainable year on year. Our involvement in their Water Balance Programme and their Sustainable Agriculture Programme supports our strategic direction in these areas by responding meaningfully to some of the countries larger challenges – water and food security. We have invested R9m to date in the Water Balance Programme to enable the clearing of alien vegetation at key water catchment areas. Over the past five years this has released over 900 00kℓ of water back into the ecosystem and created more than 24 000 employment days.

To date we have also invested R18,3m in the Sustainable Agriculture Programme, which promotes innovative solutions to the resource challenges facing agriculture. This investment has seen the creation of best-practice production guidelines for sugar, beef, dairy, fruit and wine.

In addition, given the drought crisis, we donated R1m to the drought-relief efforts, and our Hippo Roller project saw Nedbank donating 200 water rollers in 2015 to rural communities to ease the burden they typically encounter daily in accessing water.

Creating value through the way we do things

A central component of the achievement of our vision to be Africa's most admired bank is ensuring we consistently deliver on own sustainability objectives and commitments across our organisation.

Responding to climate change – In the light of the strong agreement at the 2015 United Nations Climit Change Conference of the Parties (COP21) on the need to reduce emissions and the realities of the SA economy's comparatively high carbon intensity, it can be assumed that internal and external pressure on SA to reduce emissions further will increase. Our Fair Share 2030 strategy places a priority on investment that helps address climate change.

We continue our commitment to minimise and then offset the carbon footprint of our operations and plan to reduce, then eliminate, scope 1 and 2 emissions. In 2015 our carbon footprint was 214 967 tCO_2e✓ (2014: 213 133 tCO_2e).

We have consistently met, and often significantly exceeded, our reduction targets in terms of water, energy, paper, waste and carbon emissions.

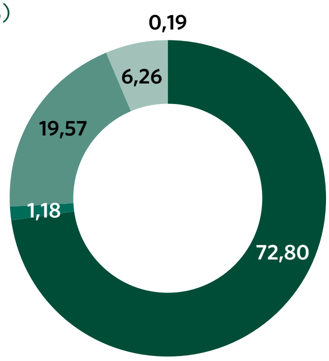
Further reading:

2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

Responsible lending and investment – To ensure our approach to this remains robust, we are constantly benchmarking and updating our processes. During 2015 the issue of captive breeding of mammalian species for hunting purposes was addressed. Following our research into the issue we have taken an in-principle decision to not finance any activity constituting captive breeding for hunting or the exotic pet trade. This decision will form part of total policy and book review in 2016 so as to better manage the biodiversity impact of our lending decisions.

Further community engagement – There were also a number of engagements related to trust in the finance sector, the divestment campaign, student fee activisim and access to corporate social investment (CSI) funding.

NEDBANK GROUP
2015 CARBON FOOTPRINT
(%)



- Scope 1: Emissions
- Scope 2: Electricity
- Scope 3: Office paper
- Scope 3: Commuting
- Scope 3: Business travel

Resources consumption not reflected includes water consumption of 319 801kℓ✓ (2014: 294 873 kℓ), 317 tonnes✓ (2014: 324 tonnes) of waste sent to landfill and 581 tonnes✓ (2014: 574 tonnes) of waste recycled.

SUSTAINABILITY RISK	SUSTAINABILITY OPPORTUNITY
Climate change and the Fossil Divestment Campaign	Lending opportunities in power generation and embedded energy to lower dependence on fossil fuels and decarbonise the SA economy. We will be guided by our Long-term Goals in this regard as we tilt to reduce the carbon intensity of our lending.
Food security	Delivery of solutions to support SA farmers in the reduction of energy and other required input costs, thereby enhancing the farmer's long-term resilience.
Water security	Delivery of innovative lending solutions to government, municipalities and business to enable better water efficiency and stewardship.
Education, training and management of scarce skills	Investment into education (internal and external) and training, as well as development programmes aimed at closing SA's skills gaps, thereby contributing to a more skilled workforce, which will enhance economic growth prospects and bolster social cohesion.

HOW WE DELIVERED VALUE TO OUR COMMUNITIES

TARGET	Achievement 2015	Achievement 2014	Outlook
Lending with deliberate positive social and environmental impacts			
Annual Fair Share 2030 lending of R6bn.	**R1,8bn**	R450m (2014 was a proof-of-concept year)	2015 was the first year of full-scale implementation of Fair Share 2030. To deliver on this ambitious annual lending target of R6bn we will address our internal processes and resource allocations in 2016 and beyond.
Corporate social investment			
1,0% of net profit after tax.	**R136m**	R151m	Our socioeconomic development contribution is above the compliance requirement of 1% net profit after tax (2015: 1,42%). This reflects our response to the immense need for funding.
Enabling transformation of SA society through directed lending			
Empowerment financing.	**R5,9bn**	R8,5bn	The evolving landscape of BBBEE means that the number of empowerment transactions available to finance continues to decline. We will continue to use our influence as well as financial and non-financial resources to work with government, business and communities to provide innovative funding solutions with a view to bringing about real and lasting economic transformation.
Targeted investments (comprising transformational infrastructure, affordable housing, black small and medium enterprises, agriculture).	**R3,2bn**	R4.0bn	
BBBEE transaction financing.	**R2,7bn**	R4,5bn	
Investment in education			
50% of our CSI investment.	**R66m**	R75m	We will continue to focus our investments on basic and tertiary education, as well as bursary programmes, graduates programmes and learnerships to further our positive impact on learners and students.
Reduce our operational carbon and water impact			
Carbon emission levels per fulltime employee (FTE): 7,08 tCO_2e/FTE by end 2020.	**6,97 tCO_2e/FTE**	7,08 tCO_2e/FTE	While we strive to reduce our impact constantly until we are carbon neutral. We offset our annual emissions through the purchase of carbon credits from projects with a strong social and environmental agenda.
Energy consumption: 10% reduction by end 2020 or 4,694 kWh/FTE.	**5 129 kWh/FTE**	5 215 kWh/FTE	We remain on track to meet our 2020 target.
Water consumption: 6% reduction by 2016 at our campus site or 15,01 kℓ per employee.	**16,31 kℓ/FTE**	14,78 kℓ/FTE	Water increased as a result of new campus sites being introduced. We aim to manage water usage over the year to meet the 2016 targets.

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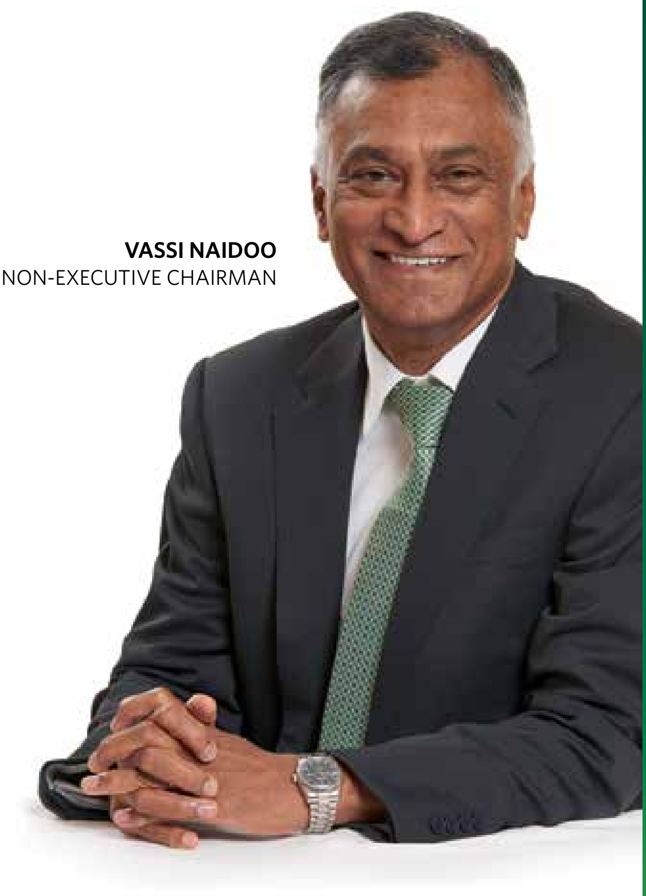
ENSURING SUSTAINABLE VALUE CREATION

'Ensuring sustainable value creation' reflects on how the group is governed to protect value, including the key deliberations of our board and board committees, and also how we manage the associated risk, and reward our staff appropriately. This culminates in the investment case for Nedbank Group.

VALUE THROUGH GOOD GOVERNANCE



VASSI NAIDOO
NON-EXECUTIVE CHAIRMAN

'I have found a group that is people-centred, deeply client-driven and socially relevant, so I have thoroughly enjoyed my immersion into this great company.'

I took over as Chairman in May 2015 and have been fortunate to be surrounded and supported by the calibre of people that characterise Nedbank. My early impressions are of a group that is well managed by a skilled, responsible and diverse leadership team guided by a strong and appropriately skilled board.

I have found a group that is people-centred, deeply client-driven and socially relevant, so I have thoroughly enjoyed my immersion into this great company. With my background in the audit profession, I am encouraged by the intense focus on risk management and compliance to ensure a safer client experience. We are building on sound foundations and we have seen another year of resilient growth in a tougher-than-expected macro environment.

On behalf of the Nedbank board of directors it is, therefore, my privilege to reflect on our journey to be Africa's most admired bank.

OUR PURPOSE – NOW MORE IMPORTANT THAN EVER

Banks play a crucial role in the financial and economic ecosystem of nations and the world. Their activities also play an important role in building stakeholder trust across society. Forming part of their essential duties to broaden financial inclusion and facilitate access to financial services, banks must ensure that clients can keep their money safe, assist them in making payments, help them save, and make it possible for individuals and institutions to borrow money affordably when they need to invest in assets such as education, housing or renewable energy.

In SA there is much work to be done to overcome the challenges of inequality, poverty, unemployment and education, which are at the heart of our socioeconomic challenges. While we have made some progress, it is clear from the broad national conversation that we need to accelerate the next wave of economic and social transformation more deliberately and constructively. Banks have a core role to play, working together to take SA forward and to build trust and confidence among all stakeholders, including foreign investors. In this regard I am encouraged by the renewed level of engagement with business, government and labour over the past few weeks.

Core to this is the concept of 'social licence to operate', being the level of acceptance or approval granted to an organisation by its stakeholders. When a company has a social licence, there will be little conflict between the organisation and stakeholders, because it is seen to be holding social and economic benefits for all, including the broader community.

As Nedbank, we have been working closely with government and the industry in shaping and contributing to the transformation of the financial services sector. We are focused on building on the good work that has been done in the previous two decades and ensuring that the broad-based nature of our impact continues. This is receiving even greater focus in 2016 as business, government and labour work together to improve the country's growth prospects and create jobs.

Our commitment to transformation and development is very clear in our approach to providing employment, training opportunities and growth for our staff, and forms a core part of how we operate as a responsible business.

Engaging all sectors, including the youth and the marginalised, remains a core imperative with respect to access to banking, education, skills, employment and transformation. Only then will we see the change we all envisioned and a rebalancing of the economy to a more equitable sociopolitical landscape. Nedbank is deeply committed to a prosperous and united SA.

In this context I am encouraged that our democracy continues to mature as we make space for more voices to be heard in our country. The past few months in SA have seen an increase in social and political tensions, and the banking industry has certainly not been spared. Issues around racism, inequality, education, access to financial services and the economy have been at the centre of these sometimes volatile discussions. Increasingly, companies are being called to account for their position on these issues.

> 'My early impressions are of a group that is well managed by a skilled, responsible and diverse leadership team guided by a strong and appropriately skilled board.'

When confronted, we will always reflect on our values and what we stand for as a bank and as SA citizens.

While we know not everything that needs to be done can or should be done by a bank, our Long-term Goals will guide the group's strategy to ensure that we fulfil our social purpose. The goals, described in more detail on page 10 of this report, address socioeconomic and environmental issues, and their interplay. Achieving them will also enable other desirable outcomes, including improved food security, greater resource efficiency and less divided communities.

To be a sustainable business we also need to operate within the confines of environmental limits while meeting social needs. While this means that there are things we need to do less of, it presents the opportunity to develop new solutions that can benefit the broader environment, our clients and the bank. While this paradigm shift towards sustainability has been at the core of our brand for some time, the establishment, in 2013, of our Long-term Goals for SA and our accompanying Fair Share 2030 strategy represent our concerted and committed response to doing what needs to be done.

Our commitment to a prosperous society and a thriving banking sector also extends beyond the borders of SA. Our vision is not only to build a thriving bank that is admired on the African continent, but to be a force for good and social and economic cohesion. The volatility of exchange rates and commodity prices and the impact of a challenging global macro environment have significant implications for companies seeking to expand on the continent. I am, therefore, heartened by the strength of the relationships and strategic alliances we have with our partners across the continent. We share a common commitment to building a socially relevant and strong business presence in all the countries in which we operate.

Fintech is currently every banker's buzzword and I am pleased that the progress that Nedbank has made in technology-driven innovation and our managed-evolution strategy puts us in a good position for the future. The speed of the current technology revolution is unprecedented in taking computing capabilities to an unimaginable level. This could create endless possibilities for our developing nation and economy. However, to unlock these opportunities there needs to be insightful thinking and collective leadership to enable us to change the way we learn, the way we work and the way we live in future. Nedbank itself needs to ensure it remains relevant for our clients in the digital economy.

BOARD FOCUS AREAS IN 2015

The role of the boards of directors of companies has never been more important in the current environment where the economy is not growing fast enough to create the jobs our country needs, and the social and political environment is volatile. I have been encouraged by the transparency and robust discussion of issues at board level, which creates an environment of deep trust and collaboration, and sets the tone at the top.

This, in my opinion, transcends the executive management team and ultimately to all the people in the group. The engagement between the Nedbank

You may be interested in:

Reflections from our Chief Executive
14–17

Reflections from our Chief Financial Officer
44–55

board and the group's leadership is robust and designed to deliver value through strategic guidance, oversight and accountability.

Board focus areas during the year included strategy development, risk management and regulatory change; board skills, succession planning and management changes; our investments in the rest of Africa; the successful conclusion of a number of SA broad-based black economic empowerment (BBBEE) schemes; the evolving relationship with our parent company Old Mutual plc and collaboration with our sister companies Old Mutual Emerging Markets and Mutual & Federal:

- *Strategy development:* Through regular strategic engagements between the board and executive management, progress on delivering the group's strategy was monitored and existing strategies challenged and refined to adjust to a changing environment. Long-term targets up to 2020 were set, providing guidance and stretched targets. We are confident that the path chosen by Nedbank is appropriate, yet aspirational, to ensure we progress towards our vision of being Africa's most admired bank.
- *Risk management and regulatory changes:* In 2015 the group completed a comprehensive refresh of the Enterprisewide Risk Management Framework to respond to new and emerging risks and ensure best practice and alignment with the extensive regulatory developments. Delivery of Nedbank's anti-money-laundering (AML) remedial programme and monitoring of risks emerging from a slowdown in the economy and commodity price pressures were top of mind and received considerable board attention.
- *Board and management changes:* During 2014 and into 2015, Nedbank Group implemented various changes to its board and management teams, all supported by well-thought-through succession planning and recruitment processes. Uncertainty around the extent and potential impact of changes was raised by some shareholders during our governance roadshow in April 2015. On reflection, our succession planning and handovers were seamless and injected new insight and energy into our businesses.

  I believe the Nedbank board has a strong level of independence and sufficient professional and industry knowledge, strengthened during the year by adding skills in respect of financial services, the rest of Africa and auditing, through the appointment of Bruce Hemphill, Stanley Subramoney and me. Our board now has a majority of independent non-executive directors (56%; 2014: 44%) and consists of 16 members comprising nine independent non-executive directors, four non-executive directors and three executive directors. Importantly, Malcolm Wyman, our senior independent director, has also assumed the chairmanship of the Directors' Affairs and the Related-Party Transactions Committees.

Further reading:

2015 Governance and Ethics Review, available as a supplementary report at nedbankgroup.co.za.

'Banks play a crucial role in the financial and economic ecosystem of nations and the world.'

- *Progress in the rest of Africa:* The group made significant strides in expanding into the rest of Africa in 2014 and 2015. This brings new risks, but also new opportunities. In September 2015 we held our board meeting in Accra, Ghana, where we toured the operations of key clients, visited the branches and operations of Ecobank and had good engagements with our Ecobank counterparts. We are fortunate that the Nedbank board has increased its skills and experience across the African continent to help navigate this environment. There is strong alignment between the board and the broader leadership collective; we are building a strong and competitive presence on the African continent – in partnership with Ecobank Transnational Incorporated (ETI) in Central and West Africa and under the Nedbank brand in the SADC and East Africa. I took note of some shareholders' concerns around Nedbank's lack of control in ETI where we have a 20% investment, however, we believe our approach to be capital-efficient and risk-mitigated, especially in an uncertain environment characterised by depressed commodity prices, currency volatility and a regulatory landscape that is still evolving. We have a good working relationship with the Chairman and new Chief Executive (CE) of ETI and continue to make a meaningful contribution through our seat on the board.
- *BBBEE schemes:* During 2015 the Nedbank Eyethu Share Scheme, our BBBEE transaction, matured. The overall transaction created value in excess of R8bn for all of Nedbank Group's SA BBBEE stakeholders, driven by Nedbank's strong financial performance over the past 10 years. The more than 500 000 beneficiaries included black business partners, employees, non-executive directors, clients and community interest groups affiliated to Nedbank.

  While the transaction has matured, the relationships with our partners continue. The parties have agreed to make a R100m financial contribution and to commit resources to regional empowerment and development objectives that are aligned with the National Development Plan.
- *Old Mutual relationship:* Nedbank has over recent years been a key contributor to the financial performance of our parent company, Old Mutual plc. Working closer together across the group continues to be a key focus of the various boards and management teams. As a board, we are in full support of value that can be unlocked for shareholders while ensuring that it makes commercial sense for Nedbank and that minority shareholder rights are protected – an issue raised consistently during our governance roadshows. Our Related-party Transactions Committee has oversight of these collaboration activities and consists only of independent non-executive directors. The appointment of Bruce Hemphill as CE of Old Mutual plc is welcomed for his experience and expertise in banking, insurance and asset management.

A SOUND INVESTMENT

The share performance of Nedbank in 2015 reflected a decline of 24% in 2015, compared with the banking index that declined by 16%. This has been disappointing, but is also reflective of the higher cost of equity (COE) expectations and the expected impact of a tougher macroeconomic environment on return on capital. I believe Nedbank is in its strongest position ever to weather current macroeconomic and regulatory challenges.

The investment case for Nedbank Group remains attractive. The group's price-to-book ratio of 1,2 times is now close to the low levels achieved during the global financial crisis and the dividend yield is attractive. The underlying fundamentals remain attractive for long-term investors. This is discussed in more detail on pages 134 and 135, but I highlight a few:

- Nedbank Group embraces worldclass governance principles and practices that are underpinned by an independent and diverse board striving to ensure value creation in a sustainable manner for all stakeholders.
- We have a wholesale-biased business model that differentiates Nedbank Group from its peer banks, and positions us well in a tougher macro environment for consumers.
- We will continue to leverage our market-leading wholesale and wealth businesses, while continuing to invest in growing our retail franchise and to participate sensibly in the long-term growth opportunities in the rest of Africa.
- Our key strategic focus areas are appropriate for the expected environment and should continue to drive sustainable growth. These include client-centred innovation, growing the transactional banking franchise, strategic portfolio tilt, optimise and invest, and building a pan-African banking network.
- The group is operating within a clearly defined and prudent risk appetite, underpinned by a strong balance sheet. Our common-equity tier 1 (CET1) ratio at 11,3% is well above regulatory minima and our liquidity position is strong.
- Nedbank is widely known for its unique culture and focus on its people – a key factor that enables better outcomes for clients and ultimately value for shareholders.
- Lastly, I believe we have one of the best management teams in banking on the continent, ably led by Mike Brown, and we are encouraged that many of our shareholders share this view.

LOOKING FORWARD

There can be no denying that the SA economy is bracing itself for a somewhat stormy time ahead and international ratings agencies will be scrutinising developments closely. But we are not alone. All indicators point towards slow and fragile global economic growth, which certainly won't be eased for emerging markets by the anticipated gradual tightening interest rate cycle in the USA and the slower and changing nature of growth in China. Conditions for emerging markets, particularly those that are commodity exporters and those reliant on foreign portfolio flows, are likely to remain difficult for longer.

SA's financial industry is still firmly within the top global rankings thanks to its robust and secure banking system. This is not something we should take for granted and we must continue to work tirelessly to maintain this global confidence in our financial services systems and structures. It was encouraging to hear the President comment on this in his recent State of the Nation Address.

Nedbank is well positioned to weather the current economic storms and help our clients, stakeholders, and country to do the same. Making this positive difference is where, I believe, we need to be focusing much of our attention in the coming years.

We must leverage our position of strength in the SA banking industry to help bring about the positive economic and social change that our country and continent needs. To achieve this we need to engage with like-minded stakeholders in both the private and public sectors, to drive economic transformation and inclusive growth for the benefit of all, and to move towards a more balanced economy as we embrace the fourth industrial revolution.

On 11 March 2016, Old Mutual announced its new strategy which seeks to realise long term value for its shareholders and other stakeholders by separating its four businesses – Old Mutual Emerging Markets, Nedbank Group, Old Mutual Wealth and Old Mutual Asset Management. This strategy is referred to by Old Mutual as the Old Mutual Managed Separation. This is expected to entail, inter alia, Old Mutual over time reducing its approximate 54% interest in Nedbank Group to an appropriate strategic minority position to underpin the continuing commercial relationship between OMEM and Nedbank Group. Old Mutual currently envisages reducing its shareholding in Nedbank Group primarily by way of a distribution of Nedbank Group shares to the shareholders of Old Mutual in an orderly manner, at an appropriate time and does not intend to sell any part of its shareholding to a new strategic investor. For Nedbank it's business as usual and Old Mutual's decision will have no impact on the strategy, day to day management or operations of Nedbank.

We are working closely together to determine the most effective method and appropriate timing to effect the Old Mutual Managed Separation, in a way that safeguards the stability and integrity of both Nedbank Group and the South African financial services sector. Old Mutual expects that the process will be materially completed by the end of 2018. Nedbank Group shareholders and stakeholders will – on a regular basis – be kept appropriately informed of further developments in this regard.

APPRECIATION

It has been a year of good progress – strategically, operationally and financially.

There is, however, no room for complacency and in such rapidly changing markets we continue to focus our energies on navigating the risk and regulatory environment to ensure a secure banking ecosystem for our clients. We will also continue to focus on growing our transactional banking franchise in SA and on the rest of the African continent, and being uncompromising about adding value for all our stakeholders.

We can only do this successfully with excellent people and, on behalf of the board, I would like to thank all our employees, our CE, Mike Brown, and the Group Executive Committee (Group Exco) and all our partners for their considerable efforts in the past year.

Graham Dempster (executive director) reached the retirement age of 60 during 2015. Graham has been a Nedbank stalwart over many years and made a huge difference to the group, firstly managing Nedbank Corporate and later as Chief Operating Officer, developing our alliance with Ecobank. We wish him all the best going forward.

Julian Roberts stepped down as a non-executive director following his retirement from Old Mutual plc. We appreciate his independent thinking and knowledge of the key strategic drivers of the global financial services industry, and wish him a healthy and fulfilled retirement.

Paul Hanratty, Chief Operating Officer of Old Mutual plc, has also stepped down as a non-executive director on 12 March 2016. Paul's unique understanding of both the group's business and the industry will be missed and we wish him well in all of his future endeavours.

Dr Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe reached the end of their nine-year terms as non-executive directors, and stepped down from the board in May 2015, in line with the board policy and principles of good governance. I would like to convey my appreciation to these boardmembers.

I would like to express sincere gratitude to our previous Chairman, Dr Reuel Khoza, for handing over an incredibly stable ship with exciting growth potential. His ethical leadership legacy holds many lessons for my role as Chairman and the vision we have for Nedbank, the financial services industry and our continent.

I will conclude with a recent quotation from Nedbank Group's ex-Chairman, Dr Reuel Khoza: 'In Africa we say a person is a person because of other people, and nowhere is this more apt than in the relationship between leader and followers. Mutual dependence is the ethic of African humanism, or ubuntu. In its strongest formulation it asserts that my very being derives from yours, and yours from all of ours. This is expressed in the Zulu proverb: *umuntu ngumuntu ngabantu* (I am because you are; you are because we are).

In fulfilling our vision of being Africa's most admired bank, this is the Nedbank we want to build and I am looking forward to the journey.

Vassi Naidoo
Chairman

COMMITTED TO GOOD GOVERNANCE

For Nedbank, corporate governance means more than a set of frameworks, principles, policies and rules. It means abiding by principles and structures that enable us to facilitate and foster good relationships between the board, shareholders, stakeholders and employees. We facilitate collaboration between our clients and their business partners. Good corporate governance is our vehicle to business integrity, successful business relationships and value for our stakeholders.

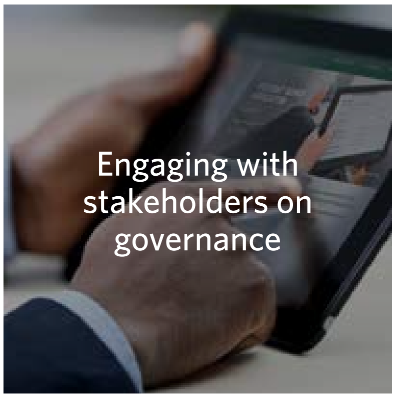
GOVERNANCE PHILOSOPHY

The application of best banking practices enables us to act in our clients' best interest and in our country's welfare. Our robust institutional frameworks also allow us to provide secure and stable banking services in countries where we operate across the African continent. We inspire trust and confidence when we implement processes that prohibit syndicates from laundering money through our clients' accounts.

Governance within Nedbank Group implies far more than compliance with relevant legislation and best practice principles. Rather, it involves a deep-rooted culture of accountability, transparency, respect, efficiency, ethical thought and action, and a values-driven approach to everything we do.

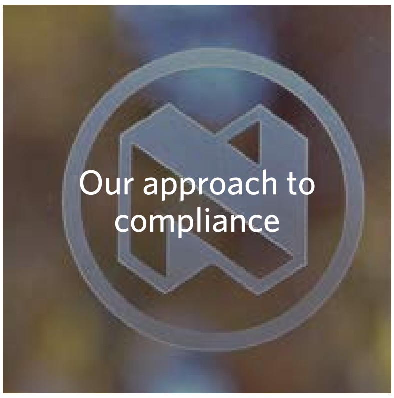
As banking laws become more rigorous and onerous, banks are expected to be able to adapt to regulatory changes in a very short space of time. This means that good governance practices in Nedbank need to be deeply entrenched providing us with the flexibility to proactively respond to this regulatory tsunami. Governance in Nedbank Group incorporates a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability long after a law and its iterations have been implemented. We are constantly reviewing our practices to ensure that we apply what is fair and right for our regulators, stakeholders and clients.

There are various mechanisms in place which enable us to adhere to the high standards of good governance:



The board and board committees

Ongoing evaluation



Leadership through ethics and human rights

THE BOARD AND BOARD COMMITTEES

The Nedbank Group board provides entrepreneurial leadership and vision to the group to enhance shareholder value creation can take place within a framework of prudent and effective controls, which enables risk to be assessed and managed to ensure long-term sustainable development and growth. The board has ultimate accountability and responsibility for the performance and affairs of the company and is responsible for ensuring the group adheres to high standards of ethical behaviour.

The role of committees

Board committees are tasked with providing oversight and guidance. Refer to page 4 of our 2015 Governance and Ethics Review, available as a supplementray report at nedbankgroup.co.za, for details regarding the board committees.

Board continuity programme

The group's board continuity programme addresses the skills, experience and other qualities required for the effective functioning of the Nedbank Group board. It also sets out the processes relevant to the selection and appointment of directors, the induction and ongoing training of directors, the evaluation of directors' performance, and directors' succession planning.

Board focus areas in 2015

- Strategic oversight of the Group in a deteriorating macroeconomic environment with an escalating regulatory agenda.
- Growing the transactional banking franchise and associated transactional deposit base.
- Expansion into the Rest of Africa, and in particular the strategic alliance and 20% investment in ETI.
- Board and Group Exco succession planning.
- Relationships and collaboration with the Old Mutual plc Group.
- AML Remediation Programme following the fine received in 2014.
- Stress testing.

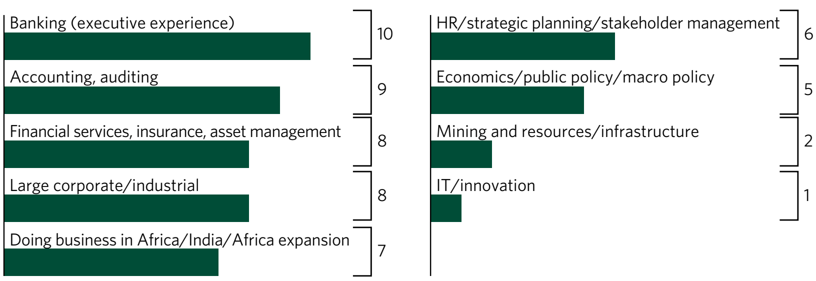
Independent non-executive directors

56%

BOARD ATTENDANCE

	2015		2014	
Number of meetings	**No**	**%**	**No**	**%**
David Adomakoh	**8**	**100**	8	100
Tom Boardman	**8**	**100**	10	100
Mike Brown	**8**	**100**	9	90
Brian Dames	**8**	**100**	4	80
Graham Dempster	**2**	**100**	9	90
Mustaq Enus-Brey	**2**	**100**	9	90
Ian Gladman	**8**	**100**	10	100
Paul Hanratty	**7**	**88**	4	100
Bruce Hemphill	**1**	**100**		
Reuel Khoza	**2**	**100**	10	100
Mpho Makwana	**7**	**88**	8	80
Mantsika Matooane	**8**	**100**	6	100
Nomavuso Mnxasana	**8**	**100**	10	100
Raisibe Morathi	**8**	**100**	10	100
Vassi Naidoo	**6**	**100**		
Joel Netshitenzhe	**8**	**100**	8	80
Mfundo Nkuhlu	**8**	**100**		
Julian Roberts	**7**	**100**	9	90
Gloria Serobe	**2**	**100**	8	80
Stanley Subramoney	**2**	**100**		
Malcolm Wyman	**8**	**100**	9	90

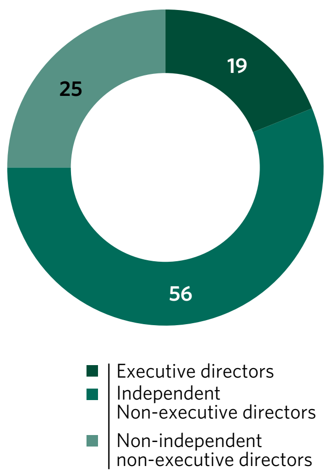
BOARD OF DIRECTORS - SKILLS AND EXPERTISE



Board composition

At 31 December 2015 the Nedbank Group board comprised as follows:

BOARD COMPOSITION
(%)



NEDBANK OVERALL BOARD EFFECTIVENESS DASHBOARD ASSESSMENT RESULTS FOR 2015
(%)

ONGOING EVALUATION

Nedbank Group board and board committee evaluations

The Group Directors' Affairs Committee is responsible for this function. In 2015 its board evaluation methodology was reviewed to align to Old Mutual plc and best survey techniques, with emphasis placed on areas previously identified for improvement in prior self-evaluations. This resulted in a new board questionnaire that is concise and streamlined, allowing for quantification and tracking of key measures, while providing richness to the qualitative feedback.

The 2015 survey measured the effectiveness of the Nedbank Group board and its board committees during November and December 2015. Responses were based on a five-point Likert agreement scale, reported as a percentage agreement. Feedback was received on the following four key areas:

Key areas of feedback

Relationships and interactions between the board, the Group Exco and other key stakeholders.

Board committee responsibilities and their role in enhancing overall board effectiveness, as well as short evaluations per committee.

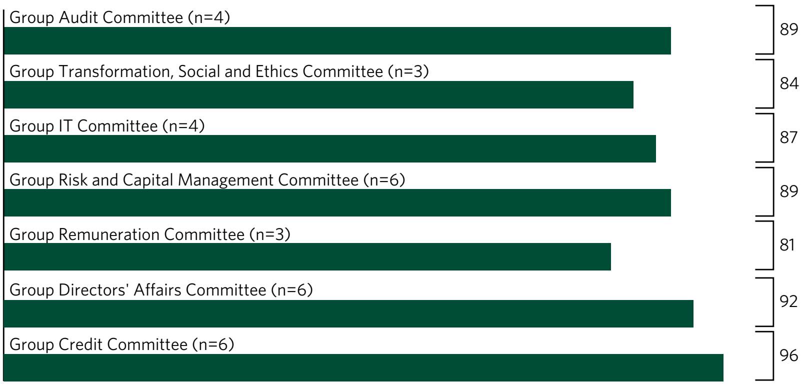
Board role and the responsibilities of directors in terms of composition, monitoring, governance and compliance, including evaluation of the chair.

Efficient and adequate meeting administration to enable decisionmaking.

The board and its committees are operating effectively. The boardmembers are in agreement that there are areas of development, such as:

- A greater understanding of new banking regulations in Africa, banking in Africa and associated risk, future of technology in banking and the bank's role in economic transformation in the country. This will be addressed in 2016 in various board and committee sessions.
- Ongoing recruitment of members with banking experience.

NEDBANK BOARD COMMITTEES EFFECTIVENESS ASSESSMENT RESULTS FOR 2015 (%)



Themes arising from 2015 evaluations

Shareholder relationships

Skills and expertise

Visible corporate governance

Subsidiary board evaluations

Nedbank Group conducts the annual board evaluation for each of the five subsidiaries. For 2015 it was concluded that all the boards are performing effectively.

The results of the evaluations were considered when identifying new talent for the boards during the process of standardising the subsidiaries in terms of composition and size.

ENGAGING WITH SHAREHOLDERS ON GOVERNANCE

Through our engagement we gain a deeper understanding of investor needs and expectations relating to governance and strategic matters, which contributes to the multiple factors that inform our strategy and how we manage the bank.

Nedbank Group's second governance roadshow in April 2015 was hosted by Dr Reuel Khoza (our past Chairman), Malcolm Wyman (Lead Independent Director) and Vassi Naidoo (Chairman) and provided an opportunity to introduce Vassi. Our governance road show provides a forum for the group's board to engage with minority shareholders and strengthen key relationships. The overall response from shareholders was that Nedbank Group is highly regarded for its approach to governance.

The following key issues were consistently raised at all meetings and accounted for the majority of discussion time: Leadership changes, Old Mutual relationship, Ecobank influence and the targets in the Nedbank long-term incentive (LTI) share scheme.

The feedback from our minority shareholders is extremely valuable to us and we discuss this extensively in our board deliberations. We will continue to build on our previous engagements with minority shareholders and look forward to good conversations again at our 2016 governance road show.

More information on:

Long-term incentive schemes 127 and 128

TOPICS OF DISCUSSION

	KEY ISSUES RAISED	Our response and action
Leadership changes	Shareholders were concerned about the loss of key members of our executive team in 2014 and 2015. Specifically the movements to Old Mutual were raised and whether this was a trend and what the potential impact of this would be on Nedbank's business.	Nedbank's smooth succession process and depth of leadership, as all appointments since the roadshow were internal, addressed these concerns. The new executives have engaged with investors on numerous occasions and feedback has been positive. The handover of the various portfolios have been seamless and we have continued to see good progress made on our strategy, with the added benefit of a fresh pair of eyes making positive enhancements to both strategy and the execution thereof. Appointments were in accordance with our existing succession plans and bench strength.
Old Mutual relationship and minority shareholder protection	The appointment of a new Old Mutual Chief Executive Officer raised questions in the minds of investors around the potential implications for Nedbank, particularly if there would be a change in working relationship, strategy and structure. Minority shareholders are concerned about the potential impact on them.	The Nedbank board is confident of the processes put in place to protect minority shareholders, the use of an independent board committee to resolve issues of conflict and the role of the lead independent director to ensure independent decisionmaking and minority shareholder protection.
Ecobank influence	Questions were asked about Nedbank's ability to exercise strategic influence in Ecobank and manage risks in the absence of a controlling shareholder interest (> 50% ownership), along with the potential implications of Qatar National Bank as a large shareholder in ETI with deep pockets.	The board is satisfied that Nedbank Group's 20% ownership in ETI is adequate given macroeconomic and regulatory risks and costs in Africa. In addition, Nedbank continues to build a strong relationship with our strategic partner through our board representation, strategic and technical banking alliance and joint working group on deal origination in the rest of Africa.
Long-term incentive scheme	The relevance of the FINI 15 index as an appropriate measure for our LTI scheme has been questioned. The concern is that the constituents of the FINI 15, in addition to banks, also represent insurance, property and investment holding companies, which may perform vastly different than the banks, resulting in the LTI not accurately reflecting the bank's relative performance.	The matter continues to receive attention from the Remuneration Committee (Group Remco). The existing structure will apply for the awards made in 2016, following a review and decision in this regard by the Remco. Should any changes be contemplated in the future, the appropriate engagement process with shareholders will be followed.

OUR APPROACH TO COMPLIANCE

Our board-approved Nedbank risk appetite policy is founded on a zero-tolerance approach to compliance risk. This policy mandates compliance with all regulatory requirements and monitors and measures such compliance through the Group Directors' Affairs Committee (DAC), a board committee established in terms of the Banks Act, 94 of 1990.

Compliance with King III

We endeavour at all times to apply the principles of King III in such a way that all requirements are met. During the period under review, the board indicated that it was satisfied with the way in which the group applied the recommendations of King III, or put alternative measures in place where necessary.

There are 75 governance principles within King III that apply to our business. To assess compliance we use the Governance Assessment Instrument (GAI) as developed by the Institute of Directors (IOD). This tool has provided us with guidance to implement the governance principles and recommendations as required by King III.

African subsidiary compliance

King III is applied in all the group operations, which include our African subsidiaries such as Lesotho, Swaziland, Namibia, Malawi and Zimbabwe. All five subsidiaries performed a self-assessment on their corporate governance processes using the GAI. The self-assessment was conducted by the Company Secretary in four of the subsidiaries, and by the Head of Governance and Compliance in MBCA.

NEDBANK SUBSIDIARY	Area of future focus
Nedbank Lesotho	The principles not applied relate mainly to integrated reporting disclosures, which they were implemented yet.
Nedbank Malawi	Greater focus needs to be placed on integrated reporting disclosure, including the governing of stakeholder relationships.
Nedbank Namibia	The principles relating to integrated reporting disclosure and stakeholder engagement were not fully applied.
MBCA (Zimbabwe)	Greater focus needs to be placed on integrated reporting disclosure.
Nedbank Swaziland	An integrated report is not prepared, and the processes around stakeholder relationship with management needs refinement.

Instance of non-compliance with King III identified during 2015	Remediation
The Nedbank Group Chairman, Vassi Naidoo, is not independent as defined by the governance codes as he serves on the board of the group's parent company, Old Mutual plc.	The position of Lead Independent Director (LID) was created in 2007 and is currently held by Malcolm Wyman.
Non-executive directors are paid a fixed retainer fee per year, rather than a fee for attendance at meetings.	Non-executive directors are accountable for decisions made regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. The Nedbank Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Internal audit

Group Internal Audit forms part of the ERMF as a third line of defence. Its purpose is to provide independent and objective assurance to the board that the following were adequate and effective in mitigating the most significant risks that threaten the achievement of the group's objective:

- Governance processes
- Management of risk
- Systems of internal control

Further reading:

2015 King III Principles, available as a supplementary report at nedbankgroup.co.za.

LEADERSHIP THROUGH ETHICS AND HUMAN RIGHTS

'It is unwise to be too sure of one's own wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err.' – *Mahatma Gandhi*

As corporate governance scandals continued to emerge globally during 2015, the lack of ethical leadership was identified in all instances as a contributing factor in business failure. Therefore, we decided that we need a new focus on ethical leadership to continue with our good governance and responsible business drive.

Governance of ethics

The board assumes ultimate responsibility for the company's ethic's performance, but delegates this function to executive management, who utilises the following frameworks to fulfil this mandate:

- Ethics and Corporate Accountability Framework
- The Ethics Panel
- Board Ethics Statement
- Code of Ethics
- Code of Conduct
- Suppliers Code of Conduct
- Independent assurance of high risk/ value tenders
- Nedbank Group Ethics Progamme in African subsidiaries

African subsidiary implementation

Because expansion into the rest of Africa is a key component of our strategy and vision, our Ethics Office has implemented the full Nedbank Group ethics programme within our African subsidiaries. Business ethics officers have been appointed in all subsidiaries and they are in the process of finalising the Ethics Officer Accreditation Programme through EthicsSA as well as the Nedbank Ethics Officer Internship.

We believe that we cannot be a successful business operating in a failing environment, and as a corporate citizen we have a responsibility to uplift business in SA. This thinking is also in line with being a member of the United Nations Global Compact (UNGC) and the principle of sharing information and best practice with other businesses and stakeholders.

Nedbank Group is a member of, or a signatory to:

- The UNGC
- The Ethics Institute of South Africa
- The Organisation for Economic Cooperation and Development (OECD)

Appointment of ethics officers in all business clusters

By the end of the year, the majority of established ethics officers completed the first half of the Ethics Officer Internship supported by EthicsSA.

Ethical awareness is driven in terms of the following dimensions of our corporate culture:

Enabling stakeholder engagement

Promoting ethics among:

Our staff

Our suppliers

Our clients

You may be interested in:

Reflections from our Chairman 72–75

Delivering value through a commitment to our communities and the environment 69–71

MEASUREMENT OF ETHICS

Ethics Risk Assessment (ERA) Nedbank Ethics Indicator (NEI)	The ethics risks identified by the ERA are included in the annual Nedbank Staff Survey to monitor improvement, or lack thereof, in terms of the ethics dimensions.

We use a variety of indicators, surveys and tools to ensure that ethical conduct across our group and its subsidiaries remains at the highest possible standard.

Stakeholder engagement on ethics

Ethical culture is enhanced by the ability of stakeholders to engage with us regarding their ethical concerns. We have implemented a variety of internal and external mechanisms for reporting actual or suspected unethical or unlawful behaviour and matters related to organisational integrity:

- the anonymous tipoff hotline;
- the 'Talk to the Ethics Office' email facility;
- the Nedbank Group Risk Reporting Line; and
- direct reporting to the Ethics Office.

Promoting ethics among our staff

Mechanisms used:

- *Awareness training* – As part of its ongoing efforts to raise awareness of the importance of human rights and the need for ethical behaviour the Ethics Office provided awareness training to more than 2 600 staffmembers (translating into 5 200 training hours) across our group in 2015. There has been a notable increase in queries and reports to the Ethics Office by staff as a direct result of this awareness training.
- *Acknowledgement of policies* – Staff are required to acknowledge all ethics-related policies and pledges. These include Code of Conduct, Code of Ethics, declaration of secrecy and outside interests. Acknowledgements for these policies are all above 90%. Our electronic ethics, governance and compliance (EGC) management system is integral to our ethics awareness and education efforts among staffmembers. These declarations and acknowledgements are monitored by business ethics officers.

In alignment with the Global Reporting Initiative (GRI) requirements we have undertaken a series of ethics and human rights awareness and protection initiatives.

Promoting ethics among our suppliers

Nedbank employs the Ethics Responsibility Index (ERI) as a tool to continually assess ethics and governance and human rights aspects of our vendors and suppliers. In 2015 the ERI was enhanced with a number of ethics and human rights questions.

Achievements in 2015:

- Identification of three high-risk tender processes arising from assessments done on more than 45 vendors.
- Introductory training provided to SME clients.
- Significant ethics awareness creation at our Vendor Indaba sessions, particularly around issues regarding giving and receiving of gifts, human rights in business, conflicts of interests and the reporting of unethical behaviour.

Promoting ethics among our clients

Offering our business clients, particularly those operating SME's, relevant support is vital to the sustainability of our supply chain and the creation of a robust and sustainable SA economy.

In 2015 the Ethics Office continued with a series of training and governance products as part of our client value proposition within our Retail Relationship Banking (RRB) and Business Banking areas.

COMMITTED TO UPHOLDING HUMAN RIGHTS

Nedbank embraces and upholds the protection of human rights as enshrined in the SA Constitution and the Bill of Rights. We also adhere to the 10 principles of the UNGC and have shown significant progress in implementing the requirements of the John Ruggie Report, which was commissioned by the UNGC.

Within the organisation human rights are tackled at these levels:

- governance of human rights in business;
- human rights screening; and
- investing in human rights.

In 2015 there were 77 (2014: 102) incidents of misconduct relating to human rights. In 2016 we will be externally assuring this number to ensure alignment between the ethics office and human resources (HR) and system-related statistics.

5 200

hours of training to staff on ethics and human rights

2014: 4 500 hours

Average completion of policies in 2015

93,7%

2014: 94,5%

Further reading:

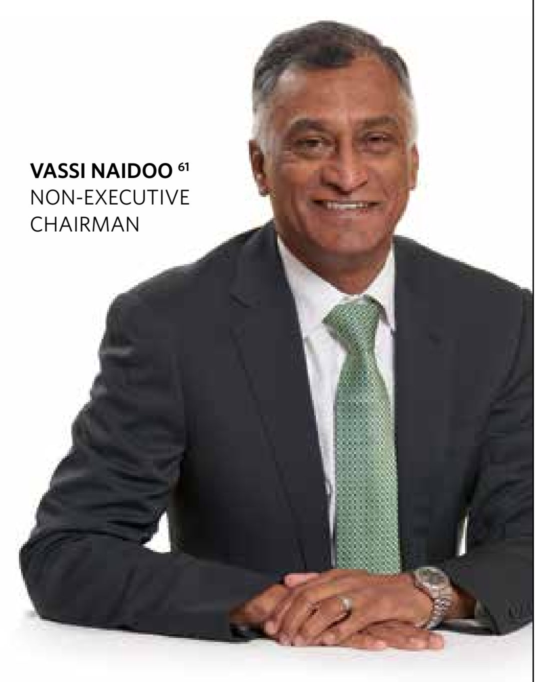
2015 Pillar 3 Risk and Capital Management Report, available as a supplementary report at nedbankgroup.co.za.

2015 Governance and Ethics Review, available as a supplementary report at nedbankgroup.co.za.

ESTABLISHED AND ADMIRED LEADERSHIP TEAMS

BOARD OF DIRECTORS

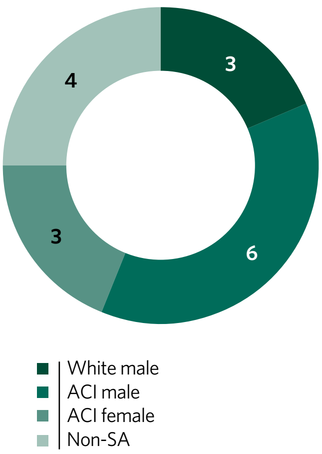
The Nedbank Group board of directors is comprised of three executive directors and 13 non-executive directors, nine of whom are independent.



VASSI NAIDOO 61
NON-EXECUTIVE CHAIRMAN

South African
CA(SA), ACA and PMD (Harvard)
Expertise in auditing and financial services.
Experience in doing business in Africa and India, and large corporate experience.

BOARD DEMOGRAPHICS



ACI refers to African, Coloured and Indian in a SA context.

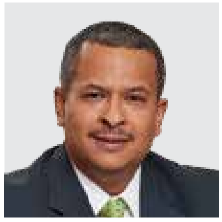
MIKE BROWN 49
Chief Executive
South African
BCom, DipAcc, CA(SA), CD(SA), AMP (Harvard)
Expertise in banking and financial services.

DAVID ADOMAKOH 50
Independent Non-executive Director
Ghanaian
BSc (Econs)(Hons) (London School of Economics), Diplôme de Langue et de Civilisation (La Sorbonne, Université de Paris)
Expertise in investment banking.
Experience in doing business in Africa, banking and economics.

56%
Independent directors
(9 members)

TOM BOARDMAN 66
Independent Non-executive Director
South African
BCom, CA(SA)
Expertise in banking and auditing.
Large-corporate experience.

19%
Executive directors
(3 members)



BRIAN DAMES 50
Independent Non-executive Director
South African
BSc(Hons), MBA
Expertise in energy and resources.
Large-corporate and industrial experience, doing business in Africa.

IAN GLADMAN 51
Non-executive Director
British
BA(Hons) History (Christ's College, Cambridge)
Expertise in banking and financial services.
Experience in strategy development and corporate finance.

PAUL HANRATTY 54

Non-executive Director

Irish

BBusSci(Hons), Fellow of the Institute of Actuaries

Expertise in insurance and accounting.

Financial services experience.

Resigned as a non-executive director on 12 March 2016.

81%

Non-executive directors

(13 members)

BRUCE HEMPHILL 52

NON-EXECUTIVE DIRECTOR

South African

BA, CPE

Expertise in insurance and investment banking. Financial services experience.

MPHO MAKWANA 45

Independent Non-executive Director

South African

BAdmin(Hons)

Expertise in HR marketing, communications and strategic planning,

Banking, resources and large corporate and industrial experience.

MANTSIKA MATOANE 40

Independent Non-executive Director

South African

MBA (Henley Business School, UK), PhD in Computer Science (University of Cambridge, UK)

Expertise in IT and innovation.

Banking experience.

NOMAVUSO MNXASANA 59

Independent Non-executive Director

South African

BCompt(Hons), CA(SA)

Expertise in accounting and auditing.

Banking experience.

RAISIBE MORATHI 46

Chief Financial Officer

South African

BCompt(Hons), CA(SA), HDip Tax, AMP (INSEAD)

Expertise in banking and accounting.

Insurance and large-corporate experience.

JOEL NETSHITENZHE 59

Independent Non-executive Director

South African

MSc in Financial Economics (University of London – SOAS, UK)

Expertise in economics, public policy, communications and strategic planning.

Public sector, strategic research and large corporate experience.

MFUNDO NKUHLU 49

Chief Operating Officer

South African

BA(Hons), Strategic Management in Banking (INSEAD), AMP (Harvard)

Expertise in banking, accounting, strategic planning and economics.

Expansion into Africa experience.

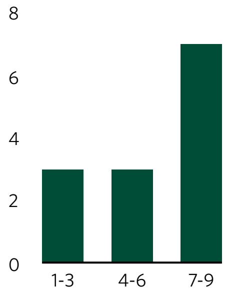
44%

Non-independent directors

(7 members)

NON-EXECUTIVE DIRECTORS' TENURE REMAINING

(Yrs)



STANLEY SUBRAMONEY 57

Independent Non-executive Director

South African

BCompt(Hons), CA(SA)

Expertise in accounting, auditing and expansion into Africa.

Economic and social development and large-corporate experience.

MALCOLM WYMAN 69

Senior Independent Non-executive Director

British

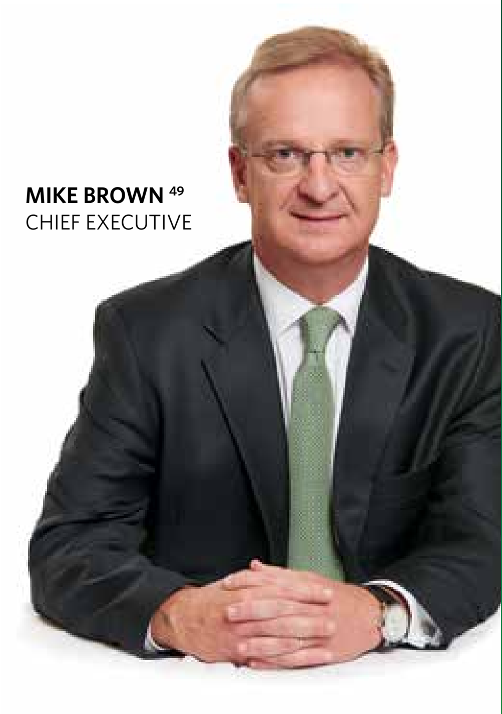
CA(SA), AMP (Harvard)

Expertise in accounting, financial services and strategic planning.

Large-corporate and expansion into Africa experience.

GROUP EXECUTIVE COMMITTEE

The Nedbank Group Executive Committee is comprised of the Chief Executive, Chief Operating Officer, Chief Financial Officer and 12 other members of senior management.



MIKE BROWN [49]
CHIEF EXECUTIVE

CLIENT-FACING CLUSTERS

BRIAN KENNEDY [55]
Managing Executive: Nedbank Corporate and Investment Banking

13,3%✓
Black female

PHILIP WESSELS [57*]
Managing Executive: Retail and Business Banking

IOLANDA RUGGIERO [45]
Managing Executive: Nedbank Wealth

CIKO THOMAS [46**]
Managing Executive: Consumer Banking

SANDILE SHABALALA [49]
Managing Executive: Business Banking

* *Retired, effective 31 March 2016.*
** *Appointed Managing Executive: Retail and Business Banking, effective 1 April 2016.*

CENTRAL CLUSTERS

TREVOR ADAMS 53
Chief Risk Officer

MFUNDO NKUHLU 49
Chief Operating Officer

RAISIBE MORATHI 46
Chief Financial Officer

THABANI JALI 57
Group Executive: Enterprise Governance and Compliance; Group Company Secretary

FRED SWANEPOEL 52
Chief Information Officer

MIKE DAVIS 44
Group Executive: Balance Sheet Management

Average tenure
13,8
years

53,3%✓
Black

ABE THEBYANE 55
Group Executive: Group Human Resources

THULANI SIBEKO 44
Group Executive: Group Marketing, Communications and Corporate Affairs

PRIYA NAIDOO 42
Group Executive: Strategy and Economics

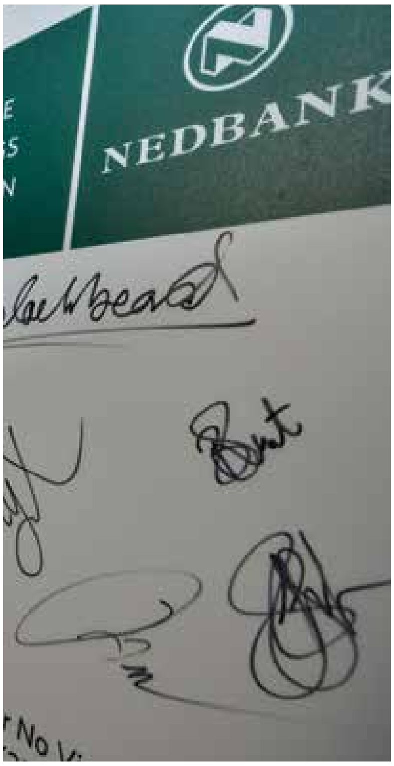
Combined
165
years' service

Black management membership of the Group Exco increased from 46,67% in 2014 to 53,33%✓ in 2015, and female membership increased from 6,67% in 2014 to 20% in 2015.

REPORTS FROM OUR DIRECTORS, COMPANY SECRETARY AND AUDITORS

DIRECTORS' REPORT

for the year ended 31 December 2015



NATURE OF BUSINESS

Nedbank Group Ltd ('Nedbank Group' or 'the company') is a registered bank-controlling company that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank Group maintains a primary listing under 'Banks' on JSE Ltd ('the JSE'), with a secondary listing on the Namibian Stock Exchange.

ANNUAL FINANCIAL STATEMENTS

Details of the financial results are set out in our five year track record on page 53, which have been prepared under the supervision of the Nedbank Group Chief Financial Officer (CFO), Raisibe Morathi, and audited in compliance with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

INTEGRATED REPORT

The board of directors acknowledges its responsibility to ensure the integrity of this integrated report. The board has accordingly applied its mind to this integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

YEAR UNDER REVIEW

The year under review is fully covered in Reflections from our Chairman on pages 72 to 75, Reflections from our Chief Executive on pages 14 to 17, the Grow our Transactional Franchise section on pages 30 and 31, and Reflections from our Chief Financial Officer on pages 44 to 55.

SHARE CAPITAL

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 29 to the annual financial statements available at nedbankgroup.co.za.

AMERICAN DEPOSITARY SHARES

At 31 December 2015 Nedbank Group had 2 738 658 (31 December 2014: 2 710 700) American depositary shares in issue, through the Bank of New York Mellon as depositary, and trading on the over-the-counter (OTC) markets in the US. Each American depositary share is equal to one ordinary share.

OWNERSHIP

The holding company of Nedbank Group is Old Mutual Life Assurance Company (SA) Ltd and associates, which holds 54,11% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear on pages 145 and 146 of the annual financial statements available at nedbankgroup.co.za.

DIVIDENDS

The following dividends were declared in respect of the year ended 31 December 2015:

- Interim ordinary dividend of 537 cents per share (2014: 460 cents per share)
- Final ordinary dividend of 570 cents per share (2014: 568 cents per share)

BORROWINGS

Nedbank Group's borrowing powers are unlimited pursuant to the company's memorandum of incorporation. The details of borrowings appear in note 34 to the annual financial statements available at nedbankgroup.co.za.

DIRECTORS

Biographical details of the current directors appear on pages 84 and 85. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to directors and prescribed officers appear on pages 22 to 27 of the 2015 Remuneration Report, available at nedbankgroup.co.za.

During the period under review, and also subsequent to year-end, the following changes occurred to the Nedbank Group Ltd Board:

- Mfundo Nkuhlu was appointed as an executive director and Chief Operating Officer on 1 January 2015;
- Vassi Naidoo was appointed as non-executive director on 1 May 2015 and Chairman on 11 May 2015;
- Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe retired as non-executive directors on 11 May 2015, having been on the board for nine years in a non-executive capacity;
- Graham Dempster retired as an executive director on 11 May 2015, having reached retirement age;
- Stanley Subramoney was appointed as an independent non-executive director on 23 September 2015;
- Julian Roberts stepped down as a non-executive director on 31 October 2015;
- Bruce Hemphill was appointed as a non-executive director on 25 November 2015; and
- Paul Hanratty resigned as a non-executive director on 12 March 2016.

In terms of Nedbank Group's memorandum of incorporation, one-third of the directors are required to retire at each Nedbank Group annual general meeting (AGM) and may offer themselves for election or reelection. The rotating directors are firstly those directors appointed since the last shareholders' meeting, and thereafter those longest in office since their last election.

Stanley Subramoney and Bruce Hemphill were appointed by the board of directors subsequent to the AGM held on 11 May 2015 and in terms of the memorandum of incorporation their appointments terminate at the close of the AGM to be held on 5 May 2016. They are available for election.

David Adomakoh, Ian Gladman and Malcolm Wyman are also required to seek reelection at the AGM. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the AGM to be held on 5 May 2016.

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors of Nedbank Group who have served on the board for a period longer than nine years are required to retire from the board. None of the current non-executive directors and independent non-executive directors of Nedbank Group have served on the board in that capacity for more than nine years.

DIRECTORS (continued)

Details of the members of the board who served during the year and at the reporting date are given below:

Name	POSITION AS DIRECTOR	Date appointed as director	Date resigned/retired as director (where applicable)
DKT Adomakoh (Ghanaian)	Independent non-executive director	21 February 2014	
TA Boardman	Independent non-executive director	1 November 2002 (1 March 2010 as non-executive, 1 January 2014 as independent non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Independent non-executive director	30 June 2014	
GW Dempster	Executive director	5 August 2009	11 May 2015
MA Enus-Brey	Non-executive director	16 August 2005	11 May 2015
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty (Irish)	Non-executive director	8 August 2014	12 March 2016
JB Hemphill	Non-executive director	25 November 2015	
RJ Khoza	Chairman and non-executive director	16 August 2005	11 May 2015
PM Makwana	Independent non-executive director	17 November 2011	
MA Matooane	Independent non-executive director	15 May 2014	
NP Mnxasana	Independent non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe	Independent non-executive director	5 August 2010	
MC Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
V Naidoo	Chairman and non-executive director	1 May 2015	
JVF Roberts (British)	Non-executive director	1 December 2009	31 October 2015
GT Serobe	Non-executive director	16 August 2005	11 May 2015
S Subramoney	Independent non-executive director	23 September 2015	
MI Wyman (British)	Senior independent director	1 August 2009	

DIRECTORS' INTERESTS

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Ltd at 31 December 2015 (and any movements therein up to the reporting date) are set out online in the full supplementary 2015 Remuneration Report. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

GROUP AUDIT COMMITTEE AND GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORTS

The Group Audit Committee Report appears on pages 96 to 98 and the Group Transformation, Social and Ethics Committee Report appears on pages 94 and 95.

COMPANY SECRETARY AND REGISTERED OFFICE

As part of the annual board evaluation process, the board of directors has conducted an assessment of the Company Secretary. The results were discussed by the board of directors on 26 February 2016 and the board is satisfied that Mr Jali is suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary. Mr Jali has direct access to, and ongoing communication with, the Chairman of the board and the Chairman and the Company Secretary meet regularly through the year. Mr Jali is not a director of the company and the board is satisfied that, as far as is reasonably possible, an arm's length relationship between the Company Secretary and the board is intact.

Details of Mr Jali's qualifications and experience are set out online in the Notice of the Annual General Meeting and Summarised Financial Statements.

The addresses of the Company Secretary and the registered office are as follows:

Business address

- Nedbank Group Ltd
  Nedbank 135 Rivonia Campus,
  135 Rivonia Road,
  Sandown, Sandton, 2196, SA

Registered address

- 135 Rivonia Road, Sandown
  Sandton, 2196, SA

Postal address

- Nedbank Group Ltd
  PO Box 1144, Johannesburg
  2000, SA

PROPERTY AND EQUIPMENT

There was no material change in the nature of the fixed assets of Nedbank Group or its subsidiaries or in the policy regarding their use during the year.

POLITICAL DONATIONS

Nedbank Group has an established policy of not making donations to any political party.

CONTRACTS AND MATTERS IN WHICH DIRECTORS AND OFFICERS OF THE COMPANY HAVE AN INTEREST

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

Joel Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (Mistra). In 2014 Mistra received a grant of R1m (2013: R2m) from the Nedbank Eyethu Community Trust (formed in 2005 as part of Nedbank Group's BBBEE transaction). The Nedbank Eyethu Community Trust provides funding to charitable or non-profit organisations that qualify. The grant to Mistra was evaluated against the normal criteria for funding by the trust. No grant was received by Mistra in 2015.

DIRECTORS' AND PRESCRIBED OFFICERS' SERVICE CONTRACTS

There are no service contracts with the directors of the company, other than for the chairman and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank Group's memorandum of incorporation.

The key responsibilities relating to Vassi Naidoo's position as Chairman of Nedbank Group are encapsulated in a contract.

Service contracts have been entered into for Mike Brown, Mfundo Nkuhlu and Raisibe Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mr Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the full online supplementary 2015 Remuneration Report.

INSURANCE

The group has placed cover in the London insurance market for up to R3,5bn for losses in excess of R50m. Our group captive insurer provides cover for total losses below the R50m-level engagement point, retaining R100m, in any one year. Selected insurance covers are placed with the Old Mutual Group.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies are reflected on pages 133 to 135 of the annual financial statements at nedbankgroup.co.za.

ACQUISITION OF SHARES

As part of the process of terminating components of Nedbank Group's SA BBBEE transaction introduced in 2005, on 2 March 2015 Nedbank Group repurchased 8 916 159 shares from the Brimstone-Mtha Financial Services Trust, the WIPHOLD Financial Services Number Two Trust, the Nedbank Custodial Retail Trust (formerly the Nedbank Eyethu Retail Trust) and the Nedbank Eyethu Community Trust at an average price of R0,92 per share. The Specific Repurchase represented 1,79% of shares then in issue and the shares were subsequently delisted and reinstated as authorised, but unissued shares. In terms of the JSE Ltd ('the JSE') Listings Requirements and section 48 of the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), the Specific Repurchase was approved by shareholders at the general meetings of Nedbank Group held on 22 July 2005 and 13 May 2008 respectively and ratified on 3 May 2013. Full details are set out in the SENS announcement dated 23 February 2015.

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders. Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

SPECIFIC ISSUE OF SHARES FOR CASH

As part of the process of terminating components of Nedbank Group's SA BBBEE transaction introduced in 2015, a Nedbank issued 738 207 Nedbank Group shares for cash to the Nedbank Eyethu Community Trust at a price of R239,77 per share, amounting to a value of R176 999 892,39.

EVENTS AFTER THE REPORTING PERIOD

In line with the subscription agreement, Nedbank will subscribe for shares in African Bank Holdings Ltd for R10,2m on 11 March 2016 and for an additional R399,8m on 30 March 2016, representing a 4,1% holding in African Bank Holdings Ltd. This aligns with Nedbank's commitment under the provisions of this agreement.

On 11 March 2016, Old Mutual announced its new strategy which seeks to realise long term value for its shareholders and other stakeholders by separating its four businesses – Old Mutual Emerging Markets, Nedbank Group, Old Mutual Wealth and Old Mutual Asset Management – from each other. This strategy is referred to as the Old Mutual Managed Separation.

The Old Mutual Managed Separation, is expected to result in Old Mutual over time reducing its approximately 54% interest in Nedbank Group to an appropriate strategic minority position to underpin the continuing commercial relationship between OMEM and Nedbank Group. Old Mutual currently envisages reducing its shareholding in Nedbank Group primarily by way of a distribution of Nedbank Group shares to the shareholders of Old Mutual in an orderly manner and at an appropriate time in the context of the Old Mutual Managed Separation and does not intend to sell any part of its shareholding in Nedbank Group to a new strategic investor.

The boards of directors and management teams of Old Mutual and Nedbank Group are working closely together to determine the most effective method and appropriate timing to effect the Old Mutual Managed Separation, in a way that safeguards the stability and integrity of both Nedbank Group and the South African financial services sector. Old Mutual expects that the Old Mutual Managed Separation will be materially completed by the end of 2018. Nedbank Group shareholders and stakeholders will – on a regular basis – be kept appropriately informed of further developments in this regard.

The directors are not aware of any other material events that have occurred between the reporting date and 11 March 2016.

RESPONSIBILITY OF OUR DIRECTORS

The directors are responsible for the preparation and fair presentation of the summarised annual financial statements on page 53, which are derived from the Nedbank Group Ltd consolidated annual financial statements for the year ended 31 December 2015.

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Ltd (comprising the statements of financial position at 31 December 2015, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as going concerns and there is no reason to believe that the group and company will not be going concerns in the year ahead.

The Independent auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS.

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements of Nedbank Group Ltd, as identified in the first paragraph, were approved by the Nedbank Group Ltd Board of Directors on 1 March 2016 and are signed on its behalf by:

V Naidoo
Chairman

MWT Brown
Chief Executive

Sandown

1 March 2016

CERTIFICATION FROM OUR COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Group Ltd has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008 (as amended), and that all such returns and notices are true, correct and up to date.

TSB Jali
Company Secretary

Sandown

1 March 2016

REVIEW AND APPROVAL FROM THE GROUP AUDIT COMMITTEE

The Group Audit Committee (GAC) reviewed and discussed the audited annual financial statements with the Chief Financial Officer, the Chief Executive, the Chief Risk Officer, Internal Audit and the external auditors. The GAC assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements as well as the presentation and disclosure in the annual financial statements with regard to the approved accounting policies, International Financial Reporting Standards and the requirements for fair presentation of the Companies Act, 71 of 2008 (as amended).

The GAC reviewed and discussed the integrated report's reporting process, governance and financial information included in the integrated report after considering recommendations received from the Group Transformation, Social and Ethics Committee, the Group Remuneration Committee, the Group Risk and Capital Management Committee and the Group Directors' Affairs Committee.

The GAC recommended to the board that the annual financial statements and the financial information included in the integrated report be approved. The board subsequently approved the annual financial statements and the integrated report, which will be open for discussion at the forthcoming annual general meeting.

Malcolm Wyman
Group Audit Committee Chair

1 March 2016

REPORT FROM OUR INDEPENDENT AUDITORS

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche and KPMG Inc, Nedbank Group Ltd's independent auditors, have audited the consolidated financial statements and specified sections of the 2015 Remuneration Report of Nedbank Group Ltd from which management prepared the summarised consolidated financial results. The auditors have not expressed an opinion on the 5-year track record on page 53. The auditors have expressed an unmodified audit opinion on the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008 (as amended). The consolidated financial statements and the auditors' report thereon are available for inspection at the registered office of Nedbank Group Ltd.

REPORTS FROM GROUP BOARD COMMITTEE CHAIRS

REPORT FROM GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE CHAIR

Composition and attendance

DKT Adomakoh	3/3
PB Hanratty	2/4
PM Makwana	4/4
NP Mnxasana (Chair)	3/3
GT Serobe[1]	1/2

[1] *Resigned from the committee on 11 May 2015.*

COMPOSITION AND PURPOSE

In support of the material matters of scarce skills and transformation of society within planetary boundaries, we have been mandated to advise, oversee and monitor Nedbank Group's activities with regard to social and economic development, ethics, transformation, sustainability, corporate citizenship, environmental, health and public safety, stakeholder relationships, labour and employment matters. The committee endeavours to comply with recommended practices as outlined in King III in executing its mandate. This is facilitated by way of quarterly meetings followed by a submission of a report to the board of directors after each meeting.

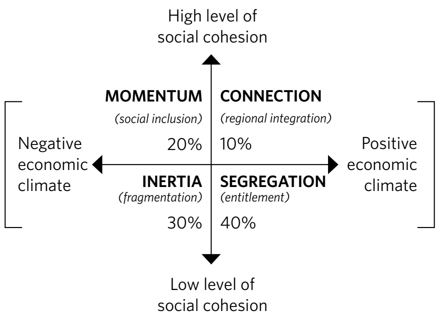
The composition of the Group Transformation, Social and Ethics Committee (GTSEC) complies with the requirements the Companies Act, 71 of 2008 (as amended). The committee comprises four non-executive directors. Other attendees of meetings include subject matter experts on each of the disciplines or areas falling within the mandate of the committee specified in regulation 43(5) of the Companies Act.

NOMAVUSO MNXASANA
CHAIR

Related material matters

PERTINENT MATTERS ADDRESSED IN 2015

During 2015 the committee considered a 5-to-10-year view of transformation within the context of the socioeconomic landscape overlaid by the group's strategic positioning. The following four possible scenarios were developed based on the level of social cohesion (considering social capital, social inclusion and social mobility) and the economic climate [considering gross domestic product (GDP), prime rate and consumer price index (CPI) inflation)]:



- INERTIA
(characterised by negative economic climate and low level of social cohesion)
- SEGREGATION
(characterised by positive economic climate and low level of social cohesion)
- MOMENTUM
(characterised by negative economic climate and high level of social cohesion)
- CONNECTION
(characterised by positive economic climate and high level of social cohesion)

Some key considerations to arrive at the four scenarios, included:

1 The more stringent BBBEE legislative environment.
2 Requirements of the National Development Plan, for example 90% financial inclusion by 2030.
3 The triple challenge of poverty, unemployment and inequality.
4 The national skills shortage.
5 Low GDP growth and high inflation.

On 10 February business leaders presented President Jacob Zuma with an eight-point plan that they believe will help prevent SA from a damaging sovereign ratings downgrade to junk status and long-term decline. The plan was drawn up by the country's top CEOs under the leadership of Old Mutual CEO in charge of emerging markets, Ralph Mupita, and Nedbank Group CE Mike Brown. It includes concrete measures such as overdelivery on fiscal consolidation; more effective management of state-owned enterprises by appointing, for example, private sector professionals to their boards; accelerated public–private partnerships; a review of legislative implementation to ensure consistency and certainty; ensuring that labour legislation contributes to inclusive growth, especially of the youth; and the appointment of a standing anticorruption committee to combat graft in both the public and private sectors.

The plan includes a commitment by business to support government in the tough actions needed to tackle its fiscal challenges and unite behind a cohesive narrative and plan, thereby enabling us to move from inertia to connection and mitigating against segregation. We will continue to monitor key flags, including the SA GDP growth rate, prime rate, inflation rate, level of social unrest, level of skills, unemployment rate and the outcome of the next election to mention a few, while deepening our engagement with government and labour as we acknowledge that the current challenges we face require meeting of the minds and greater collaboration by all.

Although Nedbank has achieved industry leadership according to the BBBEE codes, we are also aware that stricter legislation will lead to an industry rebasing, with lower BBBEE levels projected going forward. We remain committed to doing our share, not only to address this socioeconomic imbalance directly through our own transformation efforts by focusing on the priority elements and our culture of inclusion, but also by using our influence and financial and non-financial resources to work with government, business and communities to bring about real and lasting economic transformation to create a better life for all South Africans.

The committee also continued monitoring achievement of its transformation strategy, focusing on regulatory developments pertinent to its functions:

- Reviewed the transformation strategy and monitored achievement against identified targets to deliver on our transformation commitments and the committee is satisfied with the level of transformation achieved within the group, its target-setting methodology and the fact that the demographic composition of the Nedbank Group Exco was regarded as best in class, relative to peer banks.
- Monitored regulatory developments relating to the BBBEE Act and Financial Sector Codes (FSCs). At 31 December 2015 the group achieved a level 2 score (97,34).
- Reviewed developments in the area of ethics management within the group and recommended the introduction of a global benchmark standard, which called for the incorporation of ethics into the performance and remuneration processes at all staff levels and an increased focus on awareness and training.
- Monitored progress against the integrated sustainability strategy and the group's efforts to maintain carbon neutrality.
- Monitored progress of the scaleup of Fair Share 2030, the bank's strategic business response to Nedbank's Long-term Goals for a thriving SA. (See page 10 for more detail in this regard.)
- Monitored activities relating to socioeconomic development (including external skills development), access to finance, lending to enable healthcare, housing and education, enterprise development, community upliftment, economic empowerment and preferential procurement.
- Sustained the transformation legacy and maintained strategic partnerships with our black business partners beyond our BEE deal, with reference to monitoring of agreed legacy projects. The committee commissioned the compilation of a business school case study detailing the legacy of the Nedbank BBBEE transaction, which took into account the lessons learnt, and the views and opinions of all parties involved in the transaction.

Challenges

- The more stringent BBBEE legislative environment.
- Requirements of the National Development Plans, for example 90% financial inclusion by 2030.
- The triple challenge of poverty, unemployment and inequality.
- The national skills shortage.
- Low GDP growth and high inflation.
- Low level of social cohesion.

FOCUS FOR 2016 AND BEYOND

The committee will:

- monitor developments in the implementation of Fair Share 2030 and Nedbank's strategic response to its Long-term Goals for a thriving SA;
- focus on the group's transformation agenda, including the impact of and building a culture of inclusion;
- focus on the impact of the realigned FSC, with the emphasis on the priority elements of ownership, skills development and supplier development;
- continuously evolve its monitoring activities where necessary to enable effective fulfilment of its mandate;
- continue to exercise board oversight of the implementation of the Treating Customers Fairly (TCF) programme across all SA subsidiaries of Nedbank Group;
- monitor how best practice regarding ethics management is implemented in the group, resulting from ongoing research on international standards and collaboration with relevant stakeholders, such as EthicsSA;
- monitor the further implementation of the UNGC Guiding Principles regarding human rights in business and due diligence on products/services, and advise on reporting according to the GRI principles; and
- monitor the development of an ethics key performance area for performance appraisal and remuneration purposes.

Risks/Opportunities

- The Ethics Office has advised that the development of an ethics key performance area and inclusion thereof for performance appraisals and remuneration purposes will be problematic and, as such, alternative solutions will be investigated.
- With stricter BEE codes, there are opportunities to emerge as industry leaders at the forefront of transformation, while noting the risk of not achieving the same level of status as enjoyed under the old regime.

NP Mnxasana
Group Transformation, Social and Ethics Committee Chair

REPORT FROM GROUP AUDIT COMMITTEE CHAIR

'The audit committee has an essential role to play in ensuring the integrity and transparency of corporate reporting and provides key links between management, the board and external audit. The committee is able to focus on the key issues facing the organisation and oversee management's financial reporting controls and processes' through the review of significant accounting and reporting issues and recent professional and regulatory pronouncement.'

COMPOSITION AND PURPOSE

The GAC assists the board in fulfiling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition the GAC assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

The committee is chaired by Malcolm Wyman and has five members, all of whom are independent non-executive directors. On 25 November 2015 Stanley Subramoney joined the committee as a fifth member and underwent a detailed induction programme, which included briefings on matters relevant to the responsibilities of the committee and meetings with the Chief Financial Officer. The committee met six times during the year, including the annual meeting with the Bank Supervision Department of the South African Reserve Bank (SARB).

MALCOLM WYMAN
CHAIR

Related material matters

Composition and attendance

TA Boardman	6/6
PM Makwana	6/6
NP Mnxasana	6/6
MI Wyman (Chair)	6/6

PERTINENT MATTERS ADDRESSED IN 2015

Internal control

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The GAC receives regular reports provided as part the ERMF to assist in evaluating the group's internal controls. The ERMF places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all Nedbank's key external stakeholders. Significant areas of focus within the reports include the following:

- identifying and managing material risks within the group and changes to these risk profiles during the year;
- creating and maintaining an effective internal control environment throughout the group;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

The GAC receives regular reports from the Group Information Technology Committee regarding the monitoring of the adequacy and effectiveness of the group's information system controls and from the Group Credit Committee (GCC) regarding its oversight of the adequacy and effectiveness of the credit monitoring processes and systems.

The GAC receives regular reports on issues in the group's key issues control log from the Chief Risk Officer (CRO) and regular reports regarding governance and compliance matters (including the Companies Act and Banks Act) from the Chief Governance and Compliance Officer.

Having considered, analysed, reviewed and debated information provided by management and Internal Audit and the external auditors, the GAC considered that the internal controls of the group had been effective in all material aspects throughout the year under review.

Financial reporting process

The GAC received regular reports from the CFO regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process.

The GAC reviewed and approved the accounting policies of the group as reported in the annual financial statements, monitoring the consistency of application and compliance with accounting standards. The GAC also reviewed and approved the related group policies (Finance and Accounting Risk Policy, Taxation Policy and Regulatory Reporting Policy). The GAC further assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, taking into account management budgets and the capital and the liquidity profiles.

The GAC also:

- received a summary of the key technical accounting matters from the CFO for consideration as well as a summary of critical accounting judgements and estimates made during the financial reporting process;
- received input where there have been substantive discussions between management and the external auditors; and
- discussed all key areas of judgement with management and the external auditors.

The GAC satisfied itself as to the expertise, resources and experience of the finance function, as well as the appropriateness of the expertise and experience of the CFO in terms of the JSE Listings Requirements.

The GAC considered the following significant issues and key areas of management judgement applied in the preparation of the financial statements in the current year:

- *Fair value of financial instruments* – The GAC reviewed and discussed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments.
- *Credit risk provisions* – The GAC reviewed and challenged reports from the GCC regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances, and satisfied itself as to the level of impairments.
- *Taxation-related matters* – The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, the judgements made in determining tax accrual and the deferred tax balance.
- *Impairment considerations for goodwill, intangible assets and associate investments* – The GAC reviewed reports from the CFO regarding the annual goodwill impairment assessment, the consideration of impairment applied to certain intangible assets, and related assumptions and judgements as well as the consideration of the indicators of impairment for associate investments.
- *Investments in associates* – In 2015 Nedbank held the ETI investment for the full financial year and reported its related associate earnings estimate. The GAC considered management's accounting treatment for the estimate of the earnings from ETI, the assessment of impairment indicators and the resulting impairment assessment.

The external auditors are preparing for the changes in requirements to auditors' reporting of key audit matters in their report and have actively engaged with the GAC. The report aims to provide information that allows users of the financial statements to understand how the external auditors have considered and evaluated the significant matters identified during the course of their audit. This will be implemented in the auditors' report on the 2016 financial statements.

Update on key focus areas in 2015

The new SAP enterprise resource planning (ERP) system went live early in 2015, impacting the entire financial accounting control environment. The GAC monitored the implementation of the project and received regular updates from the CFO on its progress. The project was delivered within the timetable and with all material controls operating effectively.

International Financial Reporting Standard (IFRS 9) received much attention this year as the planning and pilot phases of the project were launched. The project is being managed jointly between Group Finance and Group Risk, and the GAC satisified itself that significant progress is being made, with the next stage of collaboration and development being the focus for 2016.

Regulatory reporting process

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of SA, which includes evaluation of the quality of reporting, the adequacy of systems and processes, and consideration of any findings regarding regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of SARB where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed.

Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line of defence as set out in the ERMF in the integrated report. The Chief Internal Auditor (CIA) has a functional reporting line to the committee chair and an operational reporting line to the CE.

The GAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from the CIA, assesses the effectiveness of the group internal audit function and reviews and approves the annual Group Internal Audit plan. In particular the GAC:

- ensured that the CIA has a direct reporting line to the chair of the GAC;
- reviewed and recommended the Internal Audit Charter for approval by the board of directors;
- monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation; and
- monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings.

External auditors

The GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely Deloitte & Touche and KPMG Inc. The GAC has a well-established policy on auditor independence and audit effectiveness. During the period the GAC:

- recommended to the board the selection of the external auditors and the approval of their audit fees for the year under review;
- approved the external auditors' annual plan and related scope of work, confirming suitable reliance on Group Internal Audit and the appropriateness of key audit risks identified; and
- monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan.

A further annual review of the quality of the audit and the performance of the joint external auditors was undertaken in 2015 through, among others, questionnaires completed by key finance staff, Group Internal Audit members central to the assessment process and members of the GAC.

The GAC is of the view that the group continues to receive an efficient, effective and independent audit service and recommended to the board the reappointment of the external auditors for 2016.

As part of the assessment of the external auditors' independence, the committee reviewed and approved the Non-audit Services Policy, which governs the types of service that can be performed by the auditors, as well as the value and scope of the non-audit services provided by the auditors. Only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the period.

During the 2015 financial year it was identified that non-audit service assignments would result in significantly higher non-audit fees compared with the previous year. This was duly assessed by the GAC taking into account the auditors' involvement in the assignment, the auditors' expertise and that the programme is not part of the scope of the statutory or regulatory audits. The GAC having considered the impact on the auditors' independence approved the assignment.

Annual financial statements and integrated reporting process

The GAC reviewed and discussed the audited annual financial statements with the CFO, the CE, the CRO, Internal Audit and the external auditors. The GAC assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements as well as the presentation and disclosure in the annual financial statements with regard to the approved accounting policies, IFRS and the requirements of the Companies Act for fair presentation.

The GAC reviewed and discussed the integrated report, reporting process and governance and financial information included in the integrated report after considering recommendations from the GTSEC, Group Remco, The Group Risk and Capital Management Committee (GRCMC) and the Directors' Affairs Committee.

The GAC recommended to the board that the annual financial statements and the financial information included in the integrated report be approved. The board subsequently approved the annual financial statements and the integrated report.

FOCUS FOR 2016 AND BEYOND

Key areas of focus for the committee for 2016 include:

- Review and consideration of management's plans in respect of future changes to IFRS, most notably:
  - IFRS 9: Financial Instruments – significant progress was made during 2015, with the focus for 2016 on impairments and the development of models.
  - IFRS 15: Revenue Recognition – the effective date was postponed to 1 January 2018; this continues to be an area of emphasis for the coming year.
- Continued focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.

MI Wyman
Group Audit Committee Chair

REPORT FROM GROUP INFORMATION TECHNOLOGY COMMITTEE CHAIR

COMPOSITION AND PURPOSE

The primary focus of the committee is to review and approve Nedbank's information technology (IT) strategy and to ensure that there is good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the group's information systems from a strategic alignment and risk perspective, as required by the Bank's Act and in support of the requirements of the GAC.

I am delighted with the progress made in the bank's Managed Evolution IT strategy in 2015. The committee oversaw renewed commitment and focus on delivery. The year started with significant achievement in delivery of the new SAP finance and procurement system that created a new platform for growth for the bank. The HR modules were rolled out successfully in November 2015. This initiative consolidated 43 systems into one ERP system for the bank. In support of growth in the rest of Africa, another key highlight has been the implementation of a new core banking platform in Namibia. After some stabilisation, the rollout for the other southern African countries is now planned for 2016.

PERTINENT MATTERS ADDRESSED IN 2015

Cybersecurity was a huge consideration in 2015 and protecting our clients and stakeholders remains a key priority. This is evidenced by elevation of cybersecurity in the bank's risk framework. Addressing threats from phishing, denial of service and other cyberthreats received significant investment and plenty of focus.

Advanced analytics was a key theme for 2015 and led to new data programs. The successful launch of MarketEdge™ shows Nedbank's market leadership in analytics for the benefit of clients.

Leveraging technology to win in financial services disintermediation led the committee to consider the emerging Financial Technology (Fintech) innovations and the potential impact on the bank. The Managed Evolution strategy will enable Nedbank to partner with Fintech innovators locally and internationally, and explorations in this regard are in progress.

Digitising banking for transactional success was the fourth theme for the year. The Managed Evolution strategy successfully balances transforming core banking and developing digital platforms responsive to client needs. Nedbank has received several awards for our mobile banking app suite and other digital platforms. Our focus in 2015 was to support the efforts of the executive team in transforming the client digital experience and processes.

In addition to these technology themes, a key consideration for the committee in 2015 was the response to a regulatory tsunami and ensuring our data platforms will meet the highest standards for compliance within tight timeframes. An investment plan for regulatory response was approved.

M Matooane
Group Information Technology Chair

Related material matters

Composition and attendance

TA Boardman	1/1
BA Dames	3/4
PM Makwana	4/4
M Matooane (Chair)	4/4
JK Netshitenzhe	4/4

FOCUS FOR 2016 AND BEYOND

During 2016 the committee will continue to execute its mandate and be focusing on the following topics:

- Mobile and digital technology for workforce productivity and enhanced client experience by showcasing how and why the digital workplace contributes to increased employee productivity as well as enhances the client experience. There will also be a focus on best-practice approaches to be leveraged on Nedbank's journey to creating a great place to work for all Nedbankers, given its specific circumstances.
- Investigating Fintechs' How will Banks Successfully Counter Disintermediation and Business Model Disruption. What will be explored is the manner in which Blockchain technology is likely to transform banking radically, if society is ready for a radical change in what is offered to clients, how it is offered and who offers it from a financial services perspective.
- Big data and advanced analytics, which are key to winning with enhanced client experiences by showcasing how banks can proactively utilise big data and advanced analytics to enhance the client experience. Also important is to look at banks across the world that have applied proactive big data and advanced analytics, and whose best-practice approaches could be leveraged, given Nedbank's specific circumstances.

Leveraging technology to increase access to banking and financial services across Africa by showcasing why banks should penetrate, the African financial services market , and how banks, if any, have successfully done so. Attention will also be given to which best-practice approaches could be leveraged in Nedbank's specific circumstances.

REPORT FROM GROUP CREDIT COMMITTEE CHAIR

'The quality of the bank's credit portfolio is sound and the level of impairments are adequate and conservatively determined considering the challenging macroeconomic conditions. All clients are closely monitored through strong credit risk management to cater for the impact of the volatile and deteriorated macroeconomic environment on distressed industries.'

COMPOSITION AND PURPOSE

The GCC assists the board in fulfilling its credit risk oversight responsibilities, in particular with regard to evaluation of credit mandates and governance, policies and credit risk appetite. It is responsible for confirming the adequacy of credit provisions and ongoing monitoring of the overall credit portfolio.

The GCC also acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's Advanced Internal Ratings-based credit risk system and processes. SARB requires that the GCC is chaired by a non-executive director. The current membership includes four non-executive directors and three executive directors.

PERTINENT MATTERS ADDRESSED IN 2015

- The adequacy of impairments to reflect the challenging macroeconomic environment, especially pressure on commodities and resources and related industry concentration risk.
- IFRS 9 strategic blueprint and positioning for the forthcoming IFRS 9 implementation, effective 1 January 2018.
- In line with the group's ERMF refresh, a comprehensive review of the Group Credit Risk Management Framework was completed.
- Refresh of the credit risk governance framework relating to the credit policy, approval and monitoring, to support the new Corporate and Investment Banking and Retail and Business Banking structures.
- Concentration risk deep dives into, among others, the commercial real estate, resources (including oil, gas and commodities) and agricultural portfolios and continuous monitoring of concentration risk in our portfolios.
- Implementation of additional regulatory requirements:
  - The National Credit Act Amendment affordability assessment criteria.
  - The Department of Trade and Industry's review of fees and interest rate limits on unsecured loans and the impact on the retail lending book.
  - SARB directive 7/2015 dealing with distressed restructures. Accounts are now classified as in default for six months after restructure.

Challenges

The volatile, uncertain, complex and ambiguous (VUCA) macroeconomic environment manifested in increased pressure on our clients, in particular in the commodities, agriculture, construction and resources industries. The complex environment required additional deep dives and stress testing on our credit portfolios to confirm the adequacy of impairment levels across the group portfolio.

TA Boardman
Group Credit Committee Chair

Related material matters

Composition and attendance

DKT Adomakoh	2/2
TA Boardman (Chair)	7/7
MWT Brown	7/7
BA Dames	7/7
GW Dempster[1]	1/3
MA Enus-Brey[1]	3/3
ID Gladman	7/7
PB Hanratty	3/4
RK Morathi	7/7
MC Nkuhlu	5/7
GT Serobe[1]	0/3
S Subramoney	2/2

[1] *Retired in 2015.*

FOCUS FOR 2016 AND BEYOND

During 2016 the committee will continue to execute its mandate and focus on the following key aspects:

- Risk management of distressed portfolios, key watchlist clients and industry-specific concentration risk.
- Monitoring of movements in impairments in the volatile macroeconomic environment, to ensure their adequacy.
- Prevalent regulatory change in context of the increase in regulation globally and the impact thereof on the Nedbank credit risk profile.
- Continuous dynamic monitoring and determining of credit risk appetite and the impact thereof on origination strategies.
- Preparations for implementation of IFRS 9.

IFRS 9 (Impairments)

A key focus for 2016 is the implementation of IFRS 9 on 1 January 2018. The group is aiming to run in parallel from 1 January 2017 to ensure the accuracy of models and assessment of impact on the group's impairments and strategy. During 2016 the strategic portfolio tilt impacts of the implementation will be assessed and included in the business plans going forward.

While compliance with IFRS 9 is key, the group's approach is to leverage the implementation to fundamentally enhance its credit risk measurement and management framework.

Incorporating our Long-term Goals to develop our bank to contribute to a flourishing society requires a mind-set shift in lending practises. Incorporating Fair Share 2030 principles in our strategic portfolio tilt strategy we are able to contribute positively to the environment and the communities we operate in, and provide a sustainable business model that will allow this organisation to thrive.

REPORT FROM GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE CHAIR

'In 2015 we, under the new CRO, embarked on a new journey for risk at Nedbank, to elevate risk management to become a 'competitive differentiator' and we have made good progress. We started this journey from a solid base and risk culture and with a risk universe across Nedbank that has remained remarkably sound, albeit amid an ever-deteriorating, volatile, uncertain, complex and ambiguous macroeconomic environment.'

COMPOSITION AND PURPOSE

The GRCMC has a monitoring and decisionmaking responsibility and is considered the board's expert monitors of the risk universe as listed and defined in Nedbank Group's ERMF. A formalised charter defines the minimum requirements for the committee to give effect to its risk oversight responsibilities.

Risks excluded from the committee's scope include accounting and taxation, IT, credit, compliance, corporate governance, people, transformation, social and environmental risks, which are covered by other board committees.

The committee is involved in various key risk and capital management activities, which include:

- Overseeing the development and implementation of a risk strategy and the Group Risk Plan to ensure that the group and banking entities manage risks in an optimal manner;
- Approval of the Group's risk appetite;
- Approving, reviewing and evaluating the adequacy and efficiency of the risk policies, procedures, practices and controls applied in the day-to-day management of business;
- Ensuring the bank establishes and maintains an Internal Capital Adequacy and Assessment Process (ICAAP);
- Monitoring the adequacy of the asset and liability management processes in the group, market trading risks, derivatives and investments;
- Maintaining a best-practice ERMF;
- Oversight of the group's remediation and holistic programme addressing AML, combating the financing of terrorism (CFT) and Sanctions; and
- Oversight of the approximately R3bn Regulatory Change Programme.

PERTINENT MATTERS ADDRESSED IN 2015

The top 10 risks (as described on pages 118 to 123) flowing from Nedbank's three-year business plan influenced the pertinent topics addressed by the committee throughout 2015.

A key component of the Group Risk Plan was to complete a comprehensive refresh of the ERMF in 2015 to respond to new and emerging risks and ensure best practice and alignment with the extensive regulatory change developments.

The ERMF refresh took into account stakeholder needs and experiences; significant regulatory change and developments (eg Basel III, BCBS 239, RDAR&R/Enterprise Data Programme (EDP), pending new Twin Peaks regulatory structure for SA, Bank of International Settlements (BIS) paper on 'Corporate Governance Principles for Banks' etc); as well as the evolving/emerging risk trends and external dynamics [eg financial crime, cybercrime, AML, CFT and sanctions, conduct risk and TCF, etc]. The underlying theme of the refresh is alignment to Nedbank's overarching strategic theme of simplification. The revised risk universe is illustrated on pages 116 and 117 of the integrated report.

Since the global financial crisis regulation continues to fundamentally change the shape of banking and financial services. Regulatory risk and conduct risk have emerged for the foreseeable future as a key focus. Basel III is being phased in over several years up to 2019 and the group is proactively managing and responding to regulation as a key strategy.

Strategic/Business alignment with the AML, CFT and Sanctions programme, and other regulatory programmes were top of mind throughout the year.

A conduct risk project was initiated in 2015 and a conduct risk framework is being formalised to underpin TCF principles and ensure full integration into business processes.

There has been a significant amount of progress made with our new Regulatory Change Programme Office (RCPO), with work continuing on a number of longer-term programmes such as AML, CFT and Sanctions, IFRS9 and the EDP. In response to the BCBS 239 (RDAR&R) EDP will meet both regulatory requirements while creating improved business intelligence for enhanced client centric data analytics. Each of these initiatives has a strong strategic element, as well as elements that should result in simplification of our systems and processes. The progress made was strongly influenced by a significant amount of collaboration between the RCPO and stakeholders across all client-facing and support clusters.

Challenges

Since the global financial crisis, the significant regulatory change agenda and developments remain a core challenge, but also serve as an opportunity for Nedbank to elevate strategic risk management to best practice.

FOCUS FOR 2016 AND BEYOND

In response to the current volatile macroeconomic environment, management actions for the top 10 risks have been clearly defined as the cornerstone of Nedbank's 2016–2018 Risk Plan, which has been prepared on this basis of transforming risk management strategically across Nedbank and differentiate it from its competitors.

During 2016 the committee will continue to execute its mandate by focusing on the following topics:

The regulatory landscape will remain top of mind for the banking industry and will continue to influence overall bank strategy, balance sheet positioning, and capital and liquidity planning decisions. Regulation will have a substantial impact on bank strategy and profitability mainly due to:

- Regulatory change programme of approximately R3bn.
- Transitional liquidity coverage ratio (LCR) compliance with effect from 1 January 2015 to 1 January 2019, which will dilute banks margins and adversely impact the return on equity (ROE), unless frontbook pricing is adjusted upwards.
- Required net stable funding ratio (NSFR) compliance of 100% from January 2018, which will reduce the ability of the bank to transform short-dated liquidity into long-dated lending and therefore dilute bank margins and adversely impact ROE, unless frontbook pricing is adjusted upwards.
- An increase in the group's capital levels, including an operating CET1 norm with a trajectory towards 12% in line with international peer comparatives transitional regulatory minimum capital requirements. This includes a phasing in of the capital conservation and countercyclical buffers, as well as bank-specific domestic systemically important banks (D-SIBs) requirements.
- Total loss-absorbing capacity (TLAC) requirements, which will lead to an even higher Basel III requirement of TLAC of 16% to 20%, if these principles are adopted, which we believe is likely for the SA D-SiBs.
- Capital floors and standardised approaches, which are being considered and will adversely impact risk-weighted assets (RWA) levels.
- Significant expected changes regarding the quantification of RWA, with finalisation expected in December 2016. A conceptual framework setting out primary and secondary indicators for identifying unconsolidated entities where there are significant 'step-in risk' for banks has been proposed and is to be finalised in December 2016.

Capacity and adequacy of resourcing to successfully execute the Group's strategy and the many large-scale programmes, including those related to regulatory change, will heighten the focus on execution risk as critical to deliver on Nedbank's strategy to win in 2020.

While there are no specific concerns in Nedbank, we have increased our focus on financial crime risk management due to elevated financial crime given the deterioration of the macroeconomic environment. We will also continue our holistic approach to the management of this risk with the formulation of a cybercrime risk management programme, an integrated financial crime risk framework and frameworks on cyber-resilience, information security and AML, CFT and sanctions.

A TCF market conduct programme aligned to the Twin Peaks and market conduct regulatory developments is well underway within Nedbank. A work stream model for each of the six TCF outcomes are tasked to formalise conduct frameworks, principles and management information to demonstrate TCF outcomes.

In line with the ERMF refresh, Group Risk commenced with a refresh of Nedbank's Risk Appetite Framework (RAF) in 2015, continuing into 2016. In support of the ERMF refresh, risk frameworks, policies and committees will be refined and embedded as a key deliverable.

Following the investments into ETI and Banco Único in 2014, (currently with a shareholding of 38,3% and a pathway to control in 2016 with an increase in our investment) and with the strong emphasis on Rest of Africa as one of the group's five key strategic focus areas, there is a need to upgrade risk appetite for Nedbank's operations outside SA.

Opportunities/Risks

- Acknowledging the compliance imperative, it remains crucial to deliver a sustainable and effective compliant regulatory operating model, which is underpinned by a direct link to the strategic benefits of establishing a winning regulatory environment.
- Fundamentally, the business of banking is about managing risk. For Nedbank to achieve our 2020 aspirations and targets on a sustainable basis, given the regulatory, VUCA and highly competitive environment, along with technological advancement and innovation, risk management must become a competitive differentiator for Nedbank.

TA Boardman
Group Risk and Capital Management Committee Chair

Composition and attendance

	Prescheduled	Ad hoc
TA Boardman (Chair)	4/4	1/1
MWT Brown	5/5	1/1
MA Enus-Brey	2/2	0/0
ID Gladman	5/5	0/1
NP Mnxasana	5/5	1/1
JK Netshitenzhe	5/5	1/1
MI Wyman	5/5	1/1

'The significant regulatory change agenda and developments remain a core challenge, but also serve as a strategic opportunity to leverage for Nedbank.'

TOM BOARDMAN
CHAIR

Related material matters

REPORT FROM GROUP REMUNERATION COMMITTEE CHAIR

Executive remuneration and the governance of remuneration in large corporations remained a feature of the corporate governance landscape in 2015. In addition, the issue of income differentials and the steps necessary to address these continued to enjoy prominence in the local and international discourse.

Income differentials are an important topic and Nedbank remains committed to ensuring that, where differentials exist, these are fair and defensible, based on objective criteria. We will continue to monitor and address this critical issue.

Nedbank remains compliant with the relevant remuneration-related legislative and regulatory requirements that apply in its operating jurisdictions, and with those set by the International Financial Stability Board. It is clear that these requirements will continue to evolve and we will remain focused on ensuring that our remuneration practices adapt to remain compliant. Similarly, we will continue enhancing the overall governance of our remuneration arrangements so that we remain appropriately aligned to international best practice.

A key feature of our Remuneration Policy is pay for performance. In the context of Nedbank's overall performance in 2015, and specifically the growth in headline earnings (HE) and economic profit (EP), which are detailed elsewhere in this integrated report, we have increased our short-term incentive (STI) pool by approximately 3% and have kept our LTI pool flat. The restricted shares issued under our LTI arrangements in 2013 vest in 2016 and the operation of corporate performance targets (CPTs) has resulted in 69,8% of the total of these awards vesting, with the remainder being forfeited.

Based on feedback received from our shareholders, we have reviewed our LTI arrangements and several changes to our scheme rules are proposed for implementation in 2016. These relate to our ability to, where circumstances necessitate this, forfeit or claw back awards made, including those already vested. Details of these arrangements are set out online in our full 2015 Remuneration Report, and are also contained in our Notice of AGM for shareholder consideration and voting.

In line with the above, we have also made changes to our Remuneration Policy so that we are able to forfeit or claw back deferred remuneration where this is deemed necessary. This is aligned with emerging international best practice in the management of deferred remuneration. The policy is set out in the detailed 2015 Remuneration Report, and is presented for a non-binding advisory vote at the 2016 AGM.

We recommend that these changes, and the changes to the Nedbank 2005 Employee Share Incentive Scheme rules set out in the Notice of AGM, are approved by shareholders.

Stakeholders will also notice that we have changed the structure of our 2015 Remuneration Report, following feedback that we have received. Included in this integrated report is a summarised Remuneration Report covering the key aspects of our Remuneration Policy and its implementation. We also include key disclosures in the summary. This is supplemented, for those requiring more detail, by a full online 2015 Remuneration Report, which can be accessed at nedbankgroup.co.za.

MPHO MAKWANA
CHAIR

Composition and attendance

	Prescheduled	Ad hoc
PM Makwana (Chair)	5/5	2/2
NP Mnxasana	4/5	2/2
JVR Roberts	4/4	2/2
MI Wyman	5/5	2/2

FOCUS AREAS	Actions taken in 2015
Launching an updated approach to performance management	This work was dependent on the SAP Human Capital Management system, which was launched in Nedbank on 1 November 2015. As part of this a new performance management system was configured and is being launched for the 2016 performance management process.
Reviewing variable pay arrangements	The appropriateness of the CPTs applicable to the Nedbank LTI arrangements was reviewed. This resulted in the Group Remco approving the retention of the current suite of performance conditions for awards to be made in 2016. We will, however, continue to engage with shareholders regarding the performance conditions, with a view to possible amendments for 2017. We have also reviewed our LTI Scheme rules and have proposed amendments thereto for implementation in 2016. These relate to our ability to, where circumstances necessitate this, forfeit or claw back awards made, including those already vested. This will improve our alignment with international best practice.
Focusing on fitness for purpose of our employee benefits	Our defined-contribution pension and provident schemes were migrated from standalone arrangements to the Old Mutual SuperFund arrangements. The SuperFund is an umbrella retirement fund within which pension and provident subfunds have been established for Nedbank. The management committee remains in control of key functions (notably investment strategy and investment choice oversight); however, greater economies of scale were achieved in respect of administration, improving the value for money for members. The move to the SuperFund arrangements, which took place following a full tender process, is also aligned with the trend in the retirement funding environment of greater consolidation to reduce administration costs and optimise the amount of total contributions going directly to retirement savings. Our defined-benefit pension arrangement remains a standalone scheme, given certain challenges in an umbrella fund pertaining to defined-benefit schemes, within which the sponsoring employer retains ultimate accountability for the provision of pensions to members if fund resources cannot meet the obligation. We also reviewed the appropriateness of continuing to offer the standalone Nedgroup Medical Aid Scheme. Our review showed that the scheme remains viable on its current basis and continues to offer members appropriate value for money.

FOCUS FOR 2016 AND BEYOND

During 2016 the Group Remco will focus on:

1. the implementation of changes to the LTI arrangements related to *malus* and clawback;
2. a review of our approach to the remuneration of control function employees, notably those in risk, compliance, audit, finance and actuarial functions;
3. the continuation of our refresh of performance management within Nedbank in support of the bank's Winning in 2020 objectives, and our revised culture initiatives outlined on pages 8 to 9 of this integrated report;
4. the appropriateness and fitness for the purpose of our employee benefit arrangements, with special focus on our defined-benefit employee arrangements; and
5. possible revisions to certain CPTs in 2017 following shareholder consultation.

The Group Remco continues to operate effectively in the execution of its mandate, and I remain grateful to the members of the Group Remco for their contribution as we continue to engage on these important matters.

PM Makwana
Group Remuneration Committee Chair

Related material matters

WORLDCLASS RISK MANAGEMENT

STRIVING TO BE WORLDCLASS AT MANAGING RISK ACROSS NEDBANK

Deeply embedded in the DNA of Nedbank is the understanding that the business of banking is fundamentally about managing risk. The origins of risk within Nedbank evolve from the entities the group is comprised of, and the nature of the business/activities and related processes/outcomes flowing from these, as depicted below ...

Origins of risk

Lend = Credit risk	We lend out money, which gives rise to credit risk.
Fund = Liquidity and funding risks	We also take in deposits to fund our lending ...
Mismatch = Interest rate risk in banking book (IRBB)	... and that results in asset and liability mismatches, and so interest rate risk.
Trade = Market risks	We trade and invest in financial markets that drive other market risks ...
Operate = Operational and legal risks	... and all these business activities are prone to operational, legal, reputational and other risks.
Solvency = Capital risk	We must remain solvent and so balance sheet positioning and capital and liquidity planning are critical given the associated capital risks.
Regulated = Regulatory and compliance risks	Banks are highly regulated with a tsunami of regulatory change following the global financial crisis, and so the regulatory landscape for banks will remain top of mind.
Compete = Strategic, business and financial risks	Banks are fiercely competitive as businesses are subject to many competitive forces, as well as to changing technological and macro-environmental landscapes that continue to influence overall bank strategy.

Risk management in Nedbank is underpinned by our ERMF.

Collectively there are 17 key risks that make up the risk universe in the ERMF.

ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK REFRESH IN 2015

Since 2003 the ERMF has served Nedbank well and has been resilient through economic cycles. The organisation has placed a strong reliance on this risk governance framework and the three-lines-of-defence model, which are fundamental to Nedbank's aspiration to be worldclass at managing risk.

In response to evolving, emerging risk trends, a changing business environment and the significant regulatory change and developments, a refresh of the ERMF commenced in 2015, incorporating the current internal and external environment. Key considerations of the ERMF refresh included:

- Significant regulatory change and developments (eg AML, IFRS 9, BCBS 239 (RDAR&R), Retail Distribution Review, Solvency II/SAM, Protection of Personal Information (POPI), Basel III, the pending new Twin Peaks regulatory structure for SA, and the BIS paper on Corporate Governance Principles for Banks).
- Evolving/Emerging risk trends and external dynamics (eg financial crime, conduct risk and TCF, and regulatory risk).
- Stakeholder needs and experiences and what is good for Nedbank in the current environment, particularly in support of the drive for simplification.
- A revisit of the key risks comprising Nedbank's risk universe.

The refresh elevates Nedbank's position to achieve its long-term strategic aspiration of being worldclass at managing risk.

RISK STRATEGY AND VISION

Following the refresh of the ERMF, and arising out of the most challenging risk environment – given the persistent VUCA macroeconomic and geopolitical environments – exacerbated risk both locally and globally, as well as fierce competition from traditional and non-traditional competitors, we have crystallised Nedbank's top 10 risks that form the cornerstone of the Group Risk Plan. These are:

- Strategic and execution risks
- Regulatory risk (regulatory tsunami)
- Balance sheet risks – structure and growth (in view of Basel III)
- Concentration risk – (traditionally what hurts banks most)
- Business risk – (VUCA environment)
- Credit risk – (given the VUCA macroeconomic environment)
- Operational risks – AML/CFT and sanctions, data and IT risks, information security and cybercrime
- Rest of Africa risks
- Conduct risk
- Compliance risk

At Nedbank we approach risk management across three integrated core objectives:

- **Managing risk as threat**

  To minimise and protect against downside risk and against material unforeseen losses.
- **Managing risk as uncertainty**

  To eliminate excessive earnings volatility and minimise material negative surprises.
- **Managing risk as strategic (opportunity)**

  To maximise financial performance through the application of superior risk and business intelligence, risk-based performance measurement, managing for value, strategic portfolio management and client value management.

Risk is as much strategic and an opportunity as it is a threat, and the Group Risk Plan embodies that, designed in conjunction with Nedbank's business plans and five key strategic focus areas.

A critical success factor for Nedbank to win in 2020, and on a sustainable basis, is that our risk management must become a clearly distinctive competitive differentiator.

Accordingly, the risk vision adopted is:

'To be admired as Africa's leading bank in risk management by both our internal and external stakeholders, a core strategic and competitive differentiator that enables Nedbank to win in a sustainable manner.'

Differentiating by strategically leveraging regulatory change

The 2016–2018/2020 Group Risk Plan has been prepared on this basis to transform risk management strategically across Nedbank and differentiate it from that of our competitors. We are doing this in a collaborative, teamwork, integrated, value-adding, strategic and partnership-based approach.

The most fundamental aspect of the Group Risk Plan is strategically leveraging and differentiating the regulatory environment, and building towards a winning regulatory environment in 2020.

- We will strategically leverage our approximately R3bn regulatory change programme to achieve this.

Nedbank aims to build a regulatory environment, which will enable the business with a robust regulatory framework, to achieve the following objectives:

- Introduce a business-led regulatory change programme that creates a competitive advantage, as seen and experienced by endusers/roleplayers, through the introduction of new systems, processes and practices, as well as mindset and behavioural changes.
- Embed and integrate regulatory requirements into role/job-specific processes, systems and practices to ensure seamless and simple integration.
- Create excitement and buy-in by linking what Nedbank needs to do, why it needs to do it and how it needs to do it.

To achieve this risk vision Nedbank will 'differentiate through change' the change being the client at the heart of the regulatory change.

To be admired as Africa's leading bank in risk management by both our internal and external stakeholders, a core strategic and competitive differentiator that enables Nedbank to win in a sustainable manner.

- Enable the change closest to the enduser, with the line manager as change agent, led by senior leaders across Nedbank Group.

There remains an ongoing imperative to enhance risk management continuously across Nedbank, and the building blocks have been put in place to build that over 2016–2018. During 2016 we will execute the Group Risk Plan, including:

- embedding the benefits of the ERMF Refresh;
- optimising the Combined Assurance model comprising Risk, Compliance, Internal Audit and external audit;
- remaining focused on our business-as-usual, day-to-day risk environments and core risk foundations, and on any material emerging risks (being proactive and forward-looking, not backward-looking);
- strongly focusing on risk as a strategic driver, working in close collaboration with internal stakeholders to add maximum value and build on Nedbank's risk intelligence; and
- clarifying and addressing resourcing, roles, responsibilities and structures (and therefore accountability) around the implementation of regulatory change and risk management, looking at:
  - Operations versus risk and compliance
  - First, second and third lines of defence in our ERMF
  - The Rest of Africa subsidiaries

RISK CULTURE

Nedbank Group has a strong risk culture. This is achieved through following best-practice enterprisewide risk management, a strong 'tone from the top' from the CE, top management and the board, and ongoing risk leadership by the CRO.

Our approach aligns strategy, policies, people, processes, technology and business intelligence to measure, evaluate, manage and optimise the opportunities, threats and uncertainties that we face every day as a major financial institution. In this way the group is able to maximise sustainable shareholder value within the group's clearly defined risk appetite.

Nedbank embraces risk management as a core competency that allows the business to optimise risktaking and is objective and transparent. This ensures that the business prices for risk appropriately, linking risk to return.

In 2015 Nedbank began the journey to elevate risk to become a competitive differentiator and good progress has been made, including the following:

- Establishing a RCPO focused on ensuring efficient delivery against the various regulatory programmes, including the AML, TCF, POPI, IFRS 9, BCBS 239 (RDAR&R), Twin Peaks and Market Conduct programmes.
- Maintaining transparent relationships and working closely with all regulators.
- Maintaining full compliance with Basel III phase-in requirements.
- Ensuring we have a comprehensive recovery plan.
- Ensuring that Nedbank is equipped to remain resilient through a significant stress event.
- Revising Nedbank's risk universe.
- Managing Nedbank's credit portfolio soundly by keeping it as well as the overall credit loss ratio (CLR) in good shape.
- Maintaining a stable operational risk environment despite an increased inherent operational risk profile.
- Placing a strong emphasis on the basics of operational risk management, with a focus on both qualitative and quantitative measures.
- Heightening the focus on financial crime, with new risk management frameworks drafted, in particular for key subrisk components thereof (ie AML, CFT and sanctions, as well as cyber-resilience).
- Crystallising, as indicated above, Nedbank's top 10 risks, and including these with comprehensive management actions in the Group Risk Plan.

At the heart of the group's business and management processes are integrated worldclass risk and balance sheet management frameworks

- ERMF
  - Subframeworks (examples)
    - Group Credit Risk Management Framework
    - Group Market Risk Management Framework
    - Group Operational Risk Management Framework (ORMF)
    - Group Compliance Framework
    - Group Financial Crime Risk Management Framework (WIP)
      - AML, CFT and Sanctions Framework
      - Cyber-resilience Framework
    - Group Liquidity Risk Management Framework

- Capital Management Framework
  - Solvency and Capital Management Policy
  - Economic Capital Framework

- Stress and Scenario Testing Framework

- Risk Appetite Framework

- Risk-adjusted Performance Measurement Framework

- Internal Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)

Recovery Plan (Basel III-compliant)

OUR APPROACH TO RISK AND BALANCE SHEET MANAGEMENT

We approach our strategy development, business activities, risk appetite, risk and balance sheet management in a fully integrated manner.

The backbone of the group's strong risk management culture and risk governance has been and continues to be the group's ERMF. The risk management function, as embedded across the group, is fully described therein. It sets out the group's risk universe and major risk classifications, and assigns board and executive responsibility thereto. The CRO leads the implementation of the ERMF across the group.

There are risk management frameworks that cover all material risks and governance aspects of the organisation. These encompass structures that are linked with risk-based performance management, ensuring business units focus on key risk areas. Compliance is constantly reviewed by our boards and their committees, and any identified risks or breakdowns of internal controls are reported on, and then actively managed and monitored.

Policies, processes and procedures relating to governance, effective risk management, capital adequacy and sound internal control have board and senior management oversight and are governed by the three lines of defence.

Credit risk is managed across the group in terms of its Group Credit Risk Framework, which incorporates the group credit policy, mandate limits and governance structures, and is reviewed on a quarterly basis.

The Group Market Risk Management Framework is in place to achieve effective independent monitoring and management of market risk.

In recognition of the increasing growth, diversity of activities and volatile macroeconomic environment in which our businesses operate, the group continued to refine the ORMF to ensure that it is adaptive to the environment, is responsive to regulatory requirements, is in line with emerging leading practices and supports forward-looking and proactive risk identification and agility in response.

Comprehensive Capital Management and Liquidity Risk Management Frameworks are maintained, under the leadership of the Group Executive of Balance Sheet Management. These are monitored to ensure adequate levels of capital adequacy and liquidity.

The Capital Management Framework is designed to meet our key external stakeholders' needs, both those focused more on the adequacy of the group's capital in relation to its risk profile (or risk versus solvency) and those focused more on the return or profitability of the group relative to the risk assumed (or risk versus return). The challenge for management and the board is to achieve an optimal balance between these two important dimensions.

All Nedbank's quantifiable risks across the 17 key risks of the ERMF are also captured in our Economic-capital Framework.

Economic capital is a sophisticated, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. Nedbank assesses the internal requirements for capital using its proprietary economic-capital methodology.

All of these quantifiable risks, as measured by economic capital, are then allocated back in the form of a capital allocation to businesses where the assets or risk positions reside or originate.

Nedbank's economic capital and ICAAP methodologies are constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III and Solvency 2/SAM.

Economic capital not only facilitates a like for like measurement and comparison of risk across businesses but, by incorporating it into performance measurement, the performance of each business can be measured and compared on an absolute basis using EP and a relative percentage return basis, namely return on risk-adjusted capital (RORAC).

ICAAP in Nedbank is embedded across the organisation and has been for several years.

Some material changes were implemented for capital allocation purposes and ICAAP during 2015, and these include:

- A revised business risk methodology.
- Enhancements to the calculation and allocation of credit economic capital.
- A new economic capital charge for credit valuation adjustment (CVA), which was implemented to holistically cover counterparty credit risk, which consists of default risk (ie losses in the event of default), as well as market value losses due to a deterioration in the counterparty's creditworthiness.
- Implementation of a revised interrisk diversification methodology.
- Not capitalising for foreign-currency translation risk (FCTR) following the inclusion of foreign-currency translation reserves as qualifying regulatory capital and reserves under Basel III since 1 January 2013.
- A revised residual capital allocation based on 11% of minimum economic capital for the client-facing banking business units.

In view of the significance of liquidity risk in banking, Nedbank also produces an ILAAP. The ILAAP involves an ongoing and rigorous assessment of Nedbank Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking cognisance of the board-approved risk appetite.

The ILAAP also involves an ongoing review and assessment of all components that collectively make up and/or support the Liquidity Risk Management Framework.

The annual ICAAP and ILAAP were signed off by the board through the GRCMC in July 2015, and no material issues raised by SARB during the 2015 onsite review.

Risk-adjusted performance measurement, management and reward

Economic capital and EP are comprehensively in use across the group, embedded within businesses on a day-to-day basis, and in performance measurement and reward schemes. This risk-adjusted performance measurement has been applied across the group for many years now and helps ensure that excessive risktaking is mitigated and managed appropriately within the group.

Nedbank Group continues to monitor the evolving governance environment to ensure appropriate compliance of the group's risk-adjusted remuneration practices with the relevant regulatory and/or statutory requirements.

Nedbank's recovery plan and stress testing

In the event of a stress scenario Nedbank has a detailed recovery plan and liquidity risk contingency plan, both of which were extensively tested during Nedbank's liquidity simulation in March 2015.

The recovery plan sets out the circumstances under which the group may need to activate recovery actions and options available for addressing extreme stress scenarios caused by either idiosyncratic events or systemwide market failures. A possible ratings downgrade to junk status is one such event that may mobilise the plan.

The plan sets a framework for the bank to act quickly and decisively (eg selling of businesses and significant assets) during a severe crisis to ensure that the bank is able to recover. It describes the integration with existing contingency planning and the possible recovery options, including a detailed assessment of their likely effectiveness and the defined points at which they would be invoked. The plan addresses stresses invoked by shortfalls in liquidity and capital, as well as significant operational failures that may jeopardise Nedbank's ability to continue business operations. It also covers the various options considered by senior management to mitigate stresses encountered by Nedbank.

Also in place is a broad Stress and Scenario Testing Framework.

The framework recognises and estimates the potential volatility of the capital requirements and base case (expected) three-year business plan projections, including the key assumptions and sensitivities contained therein, which themselves are subject to fluctuation.

Stress and scenario testing is performed and reported quarterly, or more regularly if called upon. Macroeconomic scenarios of different severities are considered, ranging from mild-stress to severe-inflation-stress and severe-deflation-stress scenarios. In addition to the quarterly stress-testing process, a wide-ranging set of relevant scenarios is evaluated and presented during the annual ICAAP.

The possibility of a further SA credit ratings downgrade has increased materially since the events of December 2015, being exacerbated by the local drought, slowing growth in China, prolonged weak commodity prices, and currency weakness among other adverse factors.

Nedbank has defined key trigger events that may move SA closer to a ratings downgrade prior to Standard & Poor's and Fitch announcing their rating reviews in June 2016. Moody's does not perform rating reviews on fixed future dates. As part of our proactive contingency planning, we have considered a response to such an event to mitigate the potential adverse consequences – our ratings are capped at the sovereign ceiling and therefore any downgrade of the sovereign would lead to a down grade of Nedbank and all SA banks.

A possible one-notch downgrade to subinvestment grade may precipitate (or be indicative of) a high-stress event, and may lead further to (or be indicative of) a severe-inflation stress scenario. Therefore, a further SA ratings downgrade can be seen as being inbetween a high-stress and a severe-inflation-stress scenario. The level of stress along this continuum is likely to be determined by the level of stress in the macroeconomic environment.

- Nedbank Group has performed comprehensive stress testing on the possibility of a further SA ratings downgrade, with the conclusion that the capital levels and capital buffers remain appropriate and that Nedbank Group is strongly capitalised relative to its business activities, strategy, risk appetite, risk profile and the external environment in which the group operates.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by the Group Exco and ultimately the board, and integrated into our strategy, business, risk and capital plans.

Nedbank has had a formal RAF since 2006, with key metrics, governance and reporting, and has been cascaded down effectively into business units.

Nedbank's risk appetite is prudent and appropriately conservative, and has been enabling for our businesses, promoting competitive but appropriate growth and returns.

There were no material changes made to Nedbank's risk appetite in the 2016–2018/2020 Nedbank group business plan and the Group Risk Plan, with the exception of:

- the introduction of a comprehensive risk appetite statement for rest of Africa (RoA) exposure including an increase in capital allocated; and
- decrease in the group's CLR target range from 80–120 bps to 60–100 bps, due to strategic portfolio tilt and wholesale asset growth outstripping retail.

In line with the ERMF refresh, Group Risk is undertaking a refresh of Nedbank's RAF and will ensure, among others, that it remains constantly relevant, that core risk appetite metrics are aligned with current financial targets, and that new key qualitative risks (eg AML, conduct risk/TCF and reputational risk) are covered.

Risk appetite is considered in detail in the Nedbank Group Ltd Annual Results Booklet and the detailed 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

CURRENT KEY RISK AND BALANCE SHEET MANAGEMENT POSITIONS AT YEAR-END 2015

Nedbank's favourable financial results for the year ended 31 December 2015 is underpinned by a strong balance sheet across all the core dimensions of capital adequacy, liquidity and funding, credit asset quality aided by the strategic portfolio tilt strategy and appropriately conservative provisioning, excellence in risk and balance sheet management, an enabling but prudent risk appetite framework, and a seamless implementation of Basel III.

Further information is available in the Nedbank Group Ltd Annual Results Booklet in the Risk and Balance Sheet Management Review section and will be available in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Credit risk

The tough economic environment placed financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity.

- This was particularly prominent in the retail and small-business segments of the market.
- In our wholesale business stresses in the resources, steel and construction sectors continued to impact growth.

Strategic portfolio tilt has delivered excellent results since it was implemented in 2009, resulting in the improvement of the quality of the book's credit profile, which is evident in the group and RBB CLR remaining at the bottom-end of their target ranges.

- While there was some pressure on impairments, particularly in the Nedbank Capital portfolio with CLR increasing to 0,83% (2014:0,14%), driven by lower oil and commodity prices and resulting in high specific impairments, the total CIB CLR remained within their new through-the-cycle target range.

Nedbank has gained market share in the wholesale portfolios through funding initiatives such as renewable-energy and infrastructure projects and commercial-property lending.

- Gross loans and advances grew by 11,0% to R693 043m (2014: R624 116m), with banking and trading advances increasing by 10,4% and 26,2% respectively.
- Derisking and selective origination in the home loan and personal-loan portfolios have been successful, improving asset quality and pricing, as well as growth in vehicle finance, particularly of secondhand and lower-value vehicles.
- These actions have placed the group in a strong position for the tougher macroeconomic environment and contributed to the change in the group CLR target range from 0,80–1,20% to 0,60–1,00% in 2016.

Impairments increased by 6,3% to R4 789m (2014: R4 506m) and the CLR improved slightly to 0,77% (2014: 0,79%). Continued improvements in retail impairments were offset by increased impairments in the wholesale clusters.

- Additional overlays were raised in RBB to R699m (2014: R404m) as deteriorating economic conditions prompted further strengthening of provisioning levels in the second half of 2015.
- The central portfolio provision was further strengthened to R500m to take into account additional risks, particularly in commodities and in the Rest of Africa, that have been incurred but are only expected to emerge in 2016.

Portfolio coverage remained stable at 0,70% (2014: 0,70%).

A key change in the regulatory environment was the implementation of SARB directive 7/2015, which aims to standardise the treatment of distressed restructures across the industry, by adjusting the monitoring period in which an account is held in default to a minimum of six months. The implementation of this change increased defaulted advances and reduced specific coverage.

While defaulted advances increased to R17 559m (2014: R15 846m) as the stress in the resources and mining sectors impacted the wholesale portfolio, the increase was offset by reductions in both the home loan and personal-loans portfolios. The largest impact was the implementation of SARB directive 7/2015, which shifted an additional R1 881m into defaulted advances.

The specific coverage ratio declined to 38,0% (2014: 43,1%), driven mainly by the implementation of SARB directive 7/2015. Restructures tend to have lower coverage as they are expected to cure.

The remainder of the coverage changes relate to improved impairments in RBB and the change in mix of retail and wholesale defaulted advances.

Unmanaged risk concentrations are potentially a cause of major risk in banks. Concentration risk is therefore considered separately as part of Nedbank's Risk Appetite Framework.

Nedbank Group has adopted a selective origination, client-centred growth emphasis as a core part of its strategic portfolio tilt strategy. Nedbank's approach to managing its mortgages (or property portfolio) is to take a holistic approach across both residential and commercial mortgages, preferring a leading market share in commercial mortgages given the better risk-based economics and returns.

- Commercial-mortgage lending has increased since 2011 from 18,2% to 19,7% of gross loans and advances, and consequently Nedbank Group has maintained its leading local market share position, currently at 40,4%. This potentially high concentration is mitigated by good-quality assets, high levels of collateral, a low average loan-to-value ratio (approximately 50%), the underpinning of corporate leases, and a highly experienced management team considered to be the leader in property finance in SA.
- While Nedbank Group has the smallest residential-mortgage portfolio among the local peer group at 14,5% of market share, the contribution of these advances as a percentage of total gross loans and advances was still substantial at 20,6% in December 2015 (2014: 22,0%). However, this level of contribution to the balance sheet is lower than that of its peers.
- The focus in Home Loans since 2009 has been on lending through our own channels, including branch, own sales force and more recently Nedbank's new online home loan

Postwriteoff recoveries
R1 137m
(Dec 14: R941m)
continued focus on recoveries

Portfolio coverage
0,70%
(Dec 14: 0,70%)
remained stable

Specific coverage
38,0%
(Dec 14: 43,1%)
SARB directive 7/2015 impact

Defaulted advances as a % of gross advances
2,53%
(Dec 14: 2,54%)
remained stable

Loan-to-deposit-ratio
93,9%
(Dec 14: 93,8%)
remained stable

application and, to a far lesser degree compared with the industry, through mortgage originators. This enables a better quality risk profile, more appropriate risk-based pricing and therefore more appropriate returns, with a client-centred approach.
- When including residential mortgages, Nedbank's total mortgage market share is in line with that of its peers at 21,5%.

Total retail motor vehicle finance exposure within Nedbank Group has increased slightly since 2011 to 11,1% in 2015 (2011: 11,0%) of gross loans and advances, while current market share is approximately 31,0%, which is second of the big four banks in SA. Sound risk management principles are consistently applied by an experienced management team, with CLR decreasing year on year.

Personal-loan advances have decreased and are now at 2,6% of gross loans and advances, from its peak of 4,3% in 2012.

Market risks

In summary, other than interest rate risk in the banking book (IRRBB), Nedbank does not have a significant risk appetite for, or exposure to, market risk:

- Nedbank's IRRBB is positioned for an upward interest rate cycle and is predominantly managed in line with impairment sensitivity for similar rate change expectations.
  - Current exposures are within the board-approved limits and risk appetite.
- The focus of the trading businesses is to continue to develop the flow model, by leveraging the dealflow from clients.
  - Trading market risk is low in relation to the total bank operations, with only 0,5% of the total economic capital of the group consumed.
  - Risk levels are monitored within board-approved limits and risk appetite.
  - Focus areas in 2015 were the major regulatory proposals, including the fundamental review of the trading book and CVA governance and system implementation.
  - In 2016 the overall strategic focus of CIB will remain largely unaltered and focused on client-centredness. Trading capabilities within current board-approved limit structures will selectively be increased by retaining and managing risks rather than hedging back-to-back in the market.
- Equity risk in the banking book is low relative to the rest of the balance sheet. The key strategic investments (ETI and Banco Único) are accounted for under the equity method of accounting. The total equity portfolio that is fair-valued is R4 719m (2014: R4 761m).
- FCTR remains relatively low, even after the acquisition of equity stakes in ETI and Banco Único in 2014, as a result of the inclusion of FCTR in qualifying capital and reserves since 1 January 2013. Accordingly, FCTR does not have a material impact on the group's total regulatory capital adequacy ratio.

Trading book

low risk

IRRBB % ordinary shareholders' equity

1,61%

(Dec 14: 1,52%)

well positioned

Nedbank Group's Pillar 3 document for the year ended 31 December 2015 provides detailed insights into the management of all components of market risk.

Operational risk

Nedbank maintained a stable operational risk environment despite an increased inherent operational risk profile. Strong emphasis was placed on the basics of operational risk management, with a focus on both qualitative and quantitative measures.

The top and emerging operational risk themes for 2015 were information/cybersecurity, the intense regulatory environment, IT risk, conduct risk, outsourcing/third-party risk, financial crime and business continuity planning (national power crisis).

The restrained macroeconomic environment, as illustrated by slow economic growth, combined with pressure on cost reduction, exchange rate fluctuations, low commodity prices and pressure to meet targets, will likely increase the exposure to operational risk in 2016.

There are significant developments that may have an impact on the current state of the risk-based approaches to measure operational risk for regulatory purposes. Nedbank continues to work closely with industry bodies and regulators to ensure the group remains abreast of reforms.

The development of a second-generation operational risk model with enhanced capabilities (eg to estimate economic capital and to evaluate our internal capital adequacy), including a review of methodology and technology, continues to receive focus.

Nedbank Group's net losses, earnings at risk and operational risk capital to gross income ratio metrics remained within prescribed limits. All single material-loss events of more than R5m are reported to the Group Operational Risk Committee (GORC) and the GRCMC, where emphasis is placed on identifying root causes and enhancing mitigating actions.

Events relating to external fraud and execution, delivery and process management (EDPM) remained the primary reasons for internal losses in terms of frequency and severity. The EDPM event-type category's contribution to the operational risk loss profile increased to 49% in 2015 (2014: 40%), while external fraud decreased to 35% in 2015 (2014: 49%).

A detailed account of the management of operational risk management is included in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Capital adequacy

Nedbank Group's capital ratios are strong across all classes of capital, are above regulatory minimum requirements and are within internal target ranges. Similarly Nedbank Group economic capital adequacy is strong and ICAAP has been maintained.

Nedbank's ICAAP confirms that we are well capitalised above the current 'A' or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology.

The group maintained a well-capitalised balance sheet. Our CET1 ratio of 11,3% (2014: 11,6%) remains around the mid-point of our Basel III 2019 internal target range.

The CET1 ratio was impacted by risk-weighted assets (RWA) growing 13,7% to R501,2bn (2014: R440,7bn), largely as a result of an increase in credit RWA due to:

- ratings migration across certain wholesale portfolios in line with the deteriorating economic environment;
- an industrywide CVA capital charge by SARB for OTC ZAR derivatives and OTC derivatives with local counterparties not cleared through a central counterparty, which increased RWA by R6,5bn; and
- growth in loans and advances.

Overall capital adequacy was further impacted by investments in the rest of Africa, resulting in a higher capital impairment.

Further information is available in the Nedbank Group Ltd Annual Results Booklet under the Risk and Balance Sheet Management Review section and will be available in the 2015 Pillar 3 Risk and Capital Management Report available at nedbankgroup.co.za.

Leverage

The leverage ratio is intended by the Basel Committee on Banking Supervision (Basel Committee) to serve as a simple, transparent, non-risk-based leverage ratio to supplement the Basel III risk-based capital requirements, to help avoid the buildup of excessive leverage and to capture both on- and off-balance-sheet exposure.

Nedbank Group's gearing (including unappropriated profits) under the revised Basel III Leverage Ratio Framework and disclosure requirements (which came into effect on 1 January 2015) is 16,3 times (or 6,1%) at 31 December 2015 (2014 pro forma: 15,1 times or 6,6%). The increase in the leverage position is largely as a result of the increase in exposure measure, which was primarily driven by organic on-balance-sheet growth as well as an increase in total derivative exposure.

Liquidity and funding risk

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.

From a Basel III perspective Nedbank has successfully implemented the LCR, exceeding the minimum regulatory requirement of 60%, which came into effect on 1 January 2015 and the 70% requirement from 1 January 2016. Having embedded this ratio into BaU processes, Nedbank is well positioned to exceed the minimum requirement throughout the phase-in period, as the LCR requirement increases by 10% per annum to 100% by 1 January 2019.

The Basel Committee released its final version of the NSFR in October 2014. On 18 November 2015 SARB released a proposed directive relating to the NSFR, where it proposed that the available stable funding (ASF) factor applicable to wholesale deposits in the 0 to 6 months bucket be increased from 0% to 35% in order to better reflect the stability of these deposits within the South African context. Taking cognisance of the finalised Basel Committee NSFR standard and the proposed directive issued by SARB, all SA Banks are better positioned to achieve compliance from the effective date of 1 January 2018. The key focus going forward, will be on achieving compliance within the context of balance sheet optimisation.

Nedbank's strong funding and liquidity position is illustrated in the Nedbank Group Ltd Results Booklet and 2015 Pillar 3 Report available at nedbankgroup.co.za.

Common-equity tier 1

11,3%

(Dec 14: 11,6%)

well capitalised

Liquidity coverage ratio

88,5%

(Dec 14: 66,4%)

LCR=> 60% regulatory requirement

Total capital adequacy ratio

14,1%

(Dec 14: 14,6%)

in a strong position

Long-term funding ratio

28,7%

(Dec 14: 25,4%)

strong and well diversified

Total tier 1

12,0%

(Dec 14: 12,5%)

within target range

Available financial resources:economic capital

120%

(Dec 14: 140%;
Dec 14 pro forma: 123%)

strong and above target range

RISK UNIVERSE

The 17 key risks that comprise Nedbank Group's ERMF and their materiality are reassessed, reviewed and challenged regularly by the board, management and our primary regulator, the South African Reserve Bank.

Nedbank's Enterprisewide Risk Management Framework (ERMF)

Risk universe	Accounting, financial and taxation risk	Credit risk	Operational risk	Financial crime risk	Liquidity and funding risk	Capital risk	Insurance risk (including non-banking risks)	Market risk: Trading book	Market risk: Banking book

Key features of the ERMF

1 The board of directors is ultimately responsible for all risks in the group, approval and oversight of the risk measurement and management system, and the setting of risk appetite.

2 The ERMF provides the foundation and underpins the entire risk management structure and system of Nedbank Group (implementation, monitoring, reporting and remediation).

- a Strong emphasis in the ERMF is placed on individual accountability and not on undue reliance on committees.
- b Risk management frameworks (for all major risk types), and risk officers, are in place across all businesses and Group Technology.
- c Provides a set of subrisks where relevant, to each main risk category.
- d Shows the statutory board committees (as required by the Banks and Companies Act) and their role as the final oversight and monitoring functions for the group.

FIRST LINE OF DEFENCE

Board of directors

Board committees			
	Group Audit Committee	Group Credit Committee; Large-exposure Approval Committee	Group Risk and Capital Management Committee

Group Exco committees

Group Executive Committee

Group Operational Committtee

Committees			Group Operational Risk Committee	Financial Crime Committee	Group Asset and Liability Committee and Executive Risk Management Committee			
Forums	Finance Forum; Taxation Forum	Cluster credit committees (CCCs)			Transactional Deposits Forum			

Business Clusters' risk governance

NEDBANK RETAIL AND BUSINESS BANKING, NEDBANK CORPORATE AND INVESTMENT BANK, NEDBANK WEALTH AND REST OF AFRICA

- Cluster and business unit excos, CCCs, Trade Risk Committee (TRC), Investment Committee and enterprise risk committees (ercos) and other specialist committees, with the relevant independent group functions.

Finance Forum	CCC; Credit approval meetings (CRAMs)	Erco	Balance Sheet Management Committee (BSMC)	TRC; BSMC; Investment Committee	Separate Wealth Cluster ERMF	Erco	

Central functions: Group Finance | Group Strategic Planning | Balance Sheet Management

2ND LINE OF DEFENCE

Group Risk

Chief Risk Officer

Independent group risk and compliance						
Group Credit Risk Monitoring	Group Credit Portfolio Management	Group Operational Risk and Data Management	Group Financial Crime and Forensics	Group AML, CFT and Sanctions	Finance and Operations	

THIRD LINE OF DEFENCE

Internal and external audit

Independent assurance: Group Internal Audit | External audit

The ERMF specifically allocates the 17 key risks (which individually also include various subrisks) at each of three levels to board committees; executive management committees (at Group Exco level and those within business clusters); and individual functions, roles and responsibilities (at group level and across all business clusters, as relevant).

Concentration risk	Conduct risk	Regulatory risk	Information technology risk	Business and strategic (execution) risk	Reputational risk	Governance and compliance risk	Transformation, social and environmental risk	People risk

- e Shows the structure of the executive management committees and their roles/responsibilities for the proper, efficient and effective functioning of the group's business.
- f Reporting philosophy: provides a reporting structure from business units through to the board.

3 Three-lines-of-defence model: sets out and positions the three-lines-of-defence model across the group and the role and responsibility of each within the overall framework.

- a Primary responsibility and accountability for the risks originating in the businesses are clearly assigned to the respective business cluster leaders and executives.

4 The CRO reports to the CE, who has ultimate individual accountability for risk.

Group Information Technology Committee

Directors' Affairs Committee

Related Party Transactions Committee

Transformation, Social and Ethics Committee

Group Remuneration Committee

Brand, Client and Conduct Committee

Executive Information Technology Committee

Reputational Risk Committee

Transformation Human Resources Committee

Regulatory Risk and Compliance Forum

Mergers and Acquisitions Forum

Regulatory Risk and Compliance Forum

Nedbank Employee Equity Forum

Group Transformation Forum

- Heads of risk and risk functions, independent of business origination, report directly to business cluster managing executives.

BSMC

Brand, Client and Conduct Committee

Erco

Enterprisewide Human Resources Forum

Group Technology

Group Human Resources

Group Marketing, Communications and Corporate Affairs

Group Enterprise Governance and Compliance

Chief Governance and Compliance Officer

Group Legal

Group Insurance

Group Market Risk Monitoring

Regulatory Change Programme Office

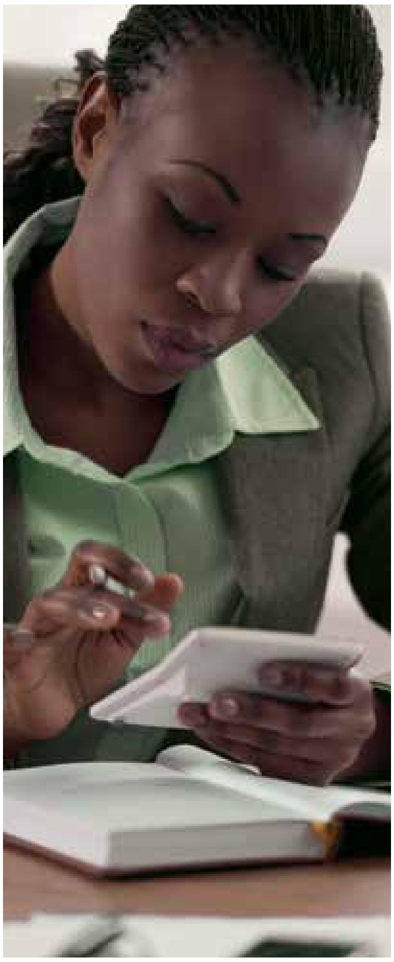
Enterprise Risk Management

Includes:

- Group Money-laundering Reporting Office
- Compliance services and oversight
- Governance and ethics
- Banks Act and regulatory compliance
- Company secretariat

Independent actuaries

NEDBANKS RISK UNIVERSE



TOP 10 RISKS

Nedbank's risk universe comprises of 17 key risks. Aligned to this, through the risk strategy and planning process, the top 10 risks are agreed as key risk focus areas for the year ahead. Management actions for the top 10 risks have been formally documented in the Group Risk Plan and are monitored and tracked in the Operational Committee, Group Exco and GRCMC. We provide an insight on pages 118 to 123, into what transpired in 2015 regarding each of the top 10 risks, the shaping forces that informed these risks and what the outlook is for 2016.

RISK TYPE	Definition
Credit risk	The risk of borrowers and counterparties failing to meet their repayment commitments, including risks arising from impaired assets and related impairments, provisions or reserves and risk arising from exposure to related persons.
Concentration risk	In terms of market risk and credit risk, the risk of an excessive concentration of exposure to a single client or group of related clients. In terms of liquidity risk, the risk of overreliance on funding or liquidity from a single depositor or small group of depositors.
Market risk	In terms of market risk in the trading book, the risk of loss as a result of unfavourable changes in market prices, such as foreign exchange rates, interest rates, equity prices, credit spreads and commodity prices. In terms of market risk in the banking book, the risk of loss in the banking book as a result of unfavourable changes in foreign exchange rates and interest rates.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.
Financial crime risk	The risk of any kind of criminal conduct in terms of common law or any current statutory law and any other conduct (whether an act or omission which Nedbank deems to be dishonest, regardless of whether the bank is the victim or perpetrator) that relates to money or financial services, goods or products resulting in economic or financial loss.
Regulatory risk	The risk of Nedbank failing to comply with applicable regulatory requirements or codes. Regulatory risk centres around changes in regulations that may have a negative effect on the business.
Conduct risk	The risk associated with Nedbank's pattern of behaviour in executing its pricing and promotion strategy as well as in respect of the public, markets, laws, best practices, client expectations, regulators and ethical standards.
Reputational risk	The risk of impairment of Nedbank's image in the community or of the long-term trust placed in the group by its stakeholders as a result of a variety of negative factors that may result in loss of business and/or legal action.
Governance and compliance risk	In terms of governance risk, the risk of systems and controls failing to enable adequate oversight on a sustainable basis. In terms of compliance risk, the risk of legal or regulatory sanctions, material financial loss or loss of reputation as a result of Nedbank failing to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct.

RISK TYPE	Definition
Information technology risk	The risk of inadequate systems or inappropriate IT investment, development, implementation, support or capacity, with an associated negative impact on the achievement of strategic objectives.
Accounting, financial and taxation risk	In terms of accounting risk, the risk of inappropriate accounting information causing suboptimal decisions to be made. In terms of financial risk, the risk of financial targets and key performance indicators not being met. In terms of taxation risk, the risk that effective tax planning, co-ordination and strategy, compliance with tax laws and regulations, proactive identification and management of tax risks are not enforced or a poor relationship with revenue authorities exits, resulting in loss and/or missed opportunities.
People risk	The risk of inadequacies in human capital management and the management of human resource policies and processes resulting in the inability to attract, manage, motivate, develop and retain competent resources or the failure of employees to adhere to the group's policies and processes.
Transformation, social and environmental risk	In terms of transformation risk, the risk of Nedbank failing to respond to and address transformation issues adequately, proactively and positively. In terms of social risk, the risk of not adequately contributing to the development of a sustainable and robust social structure. In terms of environmental risk, the risk of a Nedbank activity or process degrading, devaluing or destabilising the environment in such a way that it damages the environment.
Business, strategic (incl execution) risk	In terms of business risk, the risk of potential changes in general business conditions, such as our competitive market environment, client behaviour and disruptive technological innovation. In terms of strategic risk, the risk of an adverse impact on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes. In terms of execution risk, the risk of Nedbank's business plans not being successful when implemented or full implementation not being achieved.
Insurance risk (including non-banking risks)	In terms of underwriting risk, the risk of a client being placed in the incorrect risk pool. In terms of pricing risk, the risk of the level of risk associated with a pool being mispriced. In terms of non-independence risk, the risk of a single event resulting in claims from multiple clients.
Capital risk	The risk of Nedbank becoming unable to absorb losses, maintain public confidence and support the competitive growth of the business.
Liquidity and funding risk	The risk of Nedbank failing to meet its payment obligations when they fall due, replace funds when withdrawn or fund commitments to lend at an acceptable price, at the right time and place, and in the right currency.

The ERMF is designed around the three-lines-of-defence model, placing strong emphasis on accountability and responsibility of business management, all supported by appropriate internal control, risk management and governance structures.

Three-lines-of-defence model

First line

The board and management of Nedbank Group are ultimately responsible for the implementation and management of risk.

Second line

Comprises:
Independent risk oversight and monitoring by the Group Risk and Enterprise Governance and Compliance Clusters.

The CRO, who reports directly to the CE, provides:

- strategic risk management leadership
- group independent risk oversight
- key support to various risk committees
- management of the RCPO
- is responsible for championing effective enterprisewide risk management and control
- independent model validation
- some first line functions, eg forensics and physical security

The Group Chief Governance and Compliance Officer, who reports directly to the CE, provides:

- continuous strategic compliance risk management leadership,
- independent compliance risk monitoring (of compliance monitoring in the first line),
- sets the group governance and compliance framework and
- works closely with the cluster governance and compliance functions on compliance and governance matters.

Third line

Group Internal Audit, external auditors and independent actuaries provide additional assurance on the effectiveness of risk management across the organisation.

2015

STRATEGIC AND STRATEGY EXECUTION RISKS

(strategy is underpinned by sound strategic and strategy execution risk management)

1

- Strategic and strategy execution risks have been highlighted in the ERMF and in the Group Risk Plan among the top 10 risks facing Nedbank, with a heightened focus on execution across the bank to support Nedbank's roadmap to Winning in 2020.
- Nedbank believes that key in today's climate is the ability to mitigate the adverse impact on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment.
  - Strategic and execution risks are closely allied in any successful risk management programme and the one cannot be realised without the other being put into effect.
- Nedbank is strategically leveraging the 'regulatory tsunami'.
  - Approximately R3bn has been allocated to regulatory change programmes to ensure worldclass implementation of regulatory requirements.

REGULATORY RISK

(regulatory tsunami)

2

- Compliance and regulatory risk have become increasingly significant given the heightened regulatory environment in which Nedbank operates.
  - Extensive focus and initiatives are documented in strategy, business and risk plans.
- Given the extent of the significant regulatory change agenda ('regulatory tsunami'), a RCPO was established in 2015, under the CRO to ensure that the impact of new or pending regulatory changes are proactively identified and appropriately managed.
- The RCPO is responsible for ensuring coordinated, comprehensive and timely identification and impact assessment of regulatory changes, and drives the integration of and alignment between regulatory change programmes.
- Nedbank's business and risk strategies ensure these programmes are effectively delivered in an efficient, integrated and strategic manner to maximise our success for full regulatory compliance on a sustainable basis.

BALANCE SHEET RISKS

(structure and growth)

3

- Basel III regulatory requirements continued to be phased in through to 2019 with:
  - ongoing transitional minimum capital requirements increasing in line with regulation;
  - the phasing-in of the minimum LCR requirements that came into effect in 2015 starting at 60%; and
  - the group continuing to position itself strategically for NSFR compliance by January 2018.
- Nedbank continued to shape its capital position in line with these evolving requirements, which included:
  - redemption of certain old-style capital instruments and the issue of further new-style Basel III-compliant instruments during the period.
- An appropriate level of leverage during 2015 continued, with the level of balance sheet gearing being maintained, well above Basel III and the more conservative SA regulatory minimum requirements.
  - Nedbank also operated well within its own internal targeted levels.
- With the phase-in of the LCR requirements this year, Nedbank was well positioned to meet the transitional 2015 minimum LCR requirements through its proactive liquidity risk management and strategies.
- The group has updated its recovery plan in 2015, which also included an extension of its integrated solvency, liquidity and disaster recovery planning to its London branch and to Nedbank Private Wealth.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ Fundamental shift in financial services' landscape and technology. ■ Fierce competition, mobile and digital transformation – essential to innovate, differentiate and simplify. ■ A need for sound execution of regulatory programmes. ■ Capacity and resources to execute delivery of strategic focus areas and regulatory imperatives separate from business as usual.	■ Capacity and adequacy of resourcing will be a key priority for the successful execution of the group's strategy and the many large-scale regulatory programmes. ■ Execution trumps strategy ('grow transactional banking franchise' is most critical). □ Ensure operational and programme management excellence. □ Execute on Nedbank RBB's five key focus areas to deliver on the transactional banking strategy. ■ Mobile and digital transformation is essential to innovate, differentiate and simplify. ■ Enhanced project management discipline must support roadmaps to 2020 targets. ■ A journey will be undertaken to redefine a culture for Nedbank to win in 2020 and beyond.
■ The recent significant changes in the regulatory landscape have focused on two key themes, namely: □ the stability and sustainability of the financial services industry; and □ client-focused market-conduct-driven regulation. ■ The extent of regulatory change across the industry and its impact on our businesses and clients remain pervasive. ■ As these requirements become more onerous, they are likely to change the shape of bank balance sheets, increase the costs of regulatory compliance, adversely impact the price of credit extension and, as a result, will cause banks to revise their strategies.	■ In acknowledging the compliance imperative, it remains crucial to deliver a sustainable and effective compliant operating model, underpinned by a direct link to the strategic benefits, with a view to establishing a winning regulatory environment in 2020. ■ The impact of regulatory change on people, process, systems and data remains a key focus for the year ahead to evolve the operating model for implementing regulatory change in an integrated, cost-effective and sustainable manner. ■ Although the group is well positioned to respond to the regulatory changes, these changes are likely to put pressure on levels of return across the financial services industry as a result of, among others, the increased cost of compliance, increased quality and size of capital buffers, increased liquid-asset portfolios and decreased levels of liquidity transformation. □ These should in turn lead to lower levels of risk.
■ Increasing capital and liquidity requirements will continue to impact the group's balance sheet and put pressure on bank margins and ROEs, for which frontbook pricing will need to be adjusted. ■ The higher minimum capital requirements and likely introduction of TLAC requirements will drive upwards the group's capital ratios and overall loss-absorbing capacity. ■ LCR compliance is being phased in over several years, with a 60% requirement in 2015 to full compliance by 2019. □ These requirements will result in larger liquid asset buffers, with higher levels of bank funding being deployed into these portfolios. ■ The requirements of full NSFR compliance by 2018 will result in a continued lengthening of the group's contractual and behavioural funding profile in order to increase the levels of available stable funding to support lending activities.	■ The FSB has finalised its minimum requirements for TLAC. □ Nedbank expects that these requirements, in a revised form, are likely to be adopted for SA D-SIBS. ■ Significant changes are expected with the quantification of RWA, with finalisation expected in December 2016. ■ A conceptual framework setting out primary and secondary indicators for identifying unconsolidated entities where significant step-in risk exists for banks has been proposed and is to be finalised in December 2016. ■ Nedbank has embraced the requirements of Basel III and is continuously looking at how best to respond strategically in order to create a competitive advantage rather than simply complying: □ These requirements have been embedded within our strategic portfolio tilt focus and continue to shape the group's balance sheet and impact frontbook pricing.

2015

CONCENTRATION RISK

(traditionally what hurts banks most)

4

- Nedbank Group does not have material single-name credit concentration risk.
  - Of the total group credit economic capital 7,5% is attributable to the top 20 largest exposures, excluding banks and government.
    - 2,3% is attributable to the top 20 largest bank exposures.
- Commercial property finance (> 40% market share).
- Nedbank continued to grow wholesale advances much faster than retail, while transactional deposits were slower.

BUSINESS RISK

(VUCA environment)

5

- The risk environment and risk management across the group remained in good shape despite the VUCA and very challenging regulatory macroenvironment in 2015, with an even more adverse forecast for 2016.
- Despite the challenging environment our CLR's remain low.
- In recognition of these facts, coupled with the ever-present and ever-growing threat posed by financial crime to the financial services industry:
  - focus on financial crime risk management was increased;
  - the risk of financial crime was elevated to a key risk in the ERMF; and
  - risk management frameworks have been formulated for
    - AML, CFT and sanctions and
    - Cyber-resilience.

CREDIT RISK

(given VUCA macroeconomic environment)

6

- The tough economic environment placed financial pressure on our clients, leading to lower levels of credit demand and transactional banking activity.
  - This was particularly prominent in the retail and small-business segments of the market.
  - In our wholesale business stresses in the resources, steel and construction sectors continued to impact growth.
- Strategic portfolio tilt has delivered excellent results since it was implemented in 2009, resulting in the improvement of the quality of the book's credit profile, which is evident in the group and RBB CLR remaining at the bottom-end of their target ranges.
  - While there was some pressure on impairments, particularly in the Nedbank Capital portfolio with CLR increasing to 0,83% (2014:0,14%), driven by lower oil and commodity prices and resulting in high specific impairments, the total CIB CLR remained within their new through-the-cycle target range.

OPERATIONAL RISKS

(AML, CFT and sanctions, data and IT risks, information security and cybercrime)

7

- Maintained a stable operational risk environment despite an increased inherent operational risk profile.
- Strong emphasis was placed on the basics of operational risk management, with a focus on both qualitative and quantitative measures.
- There was an enhanced focus on framework testing and assurance during the year.
- A fundamental review of Nedbank's cyber-resilience and financial crime risk frameworks was initiated and remain a key focus.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ VUCA macroeconomic environment and pressure on resource and commodities prices.	■ Concentration risk is now one of the key risks in Nedbank's refreshed ERMF. ■ Stress testing and deep dives show low concentration and downside risk to most key sectors. ■ Continued focus on strategic portfolio tilt, with a preference for strong market share in commercial mortgages, given its comparatively better risk-based economics and returns.
■ The performance of banks is closely aligned with the macroeconomic environment in which they operate. ■ In the second half of 2015 the outlook for key macroeconomic facts in SA deteriorated: ◻ SA macro political events; ◻ declining for 2016 GDP expectations to 0,2%; ◻ high risk of recession. ■ Further deterioration is possible as is the risk of SA being downgraded to non-investment grade. ◻ This potentially creates a severe-stress scenario. ■ Elevated financial crime is being experienced. ■ Intense competitive pressure is experienced from banks, non-banks and shadow banking.	■ Despite the difficult macroeconomic environment, intense regulation and strong competition, Nedbank is well positioned to continue to grow and generate value. ◻ Competitive differentiating in 2016–2018/2020 in group business and risk plans: — grow transactional banking; and — differentiate by strategically leveraging regulatory change. ■ Nedbank's comprehensive stress testing enables us to be proactive in managing extreme events and difficult environments. ■ The growing threat of financial crime necessitates a risk-based, proactive and integrated approach to financial crime risk management to achieve a competitive advantage and to win in 2020. ◻ Underpinning this effort will be the integrated Financial Crime Risk Management Framework, together with detailed frameworks being developed to support management of various types of financial crime.
■ Growth in wholesale banking will continue to be limited by infrastructure constraints in SA, poor global demand and low international oil and commodity prices. ■ Rising interest rates will increase borrowing costs and dampen consumer credit demand. ■ Deep dives and stress testing done in higher-risk portfolios.	■ Continued focus on prudent risk management and excellence in collections. ■ Strategic portfolio tilt – proactive risk management and selective origination. ■ Leverage relatively faster growth in Africa in our wholesale portfolios. ■ IFRS 9 (Impairments) programme – strategic implications of change to IFRS 9.
■ Top and emerging operational risk themes are: ◻ Information/Cybersecurity ◻ Intense regulatory environment ◻ IT risk ◻ Conduct risk ◻ Outsourcing/Third party risk ◻ Financial crime ◻ Business continuity planning (national power crisis) ◻ Technological change (eg digital age) follows regulatory change in changing the shape of banking ◻ Big data + risk data = EDP as a critical success factor to Winning in 2020.	Factors likely to increase the operational risk exposure, include: ■ Inherent risk of information security, cybercrime and elevated financial crime ◻ restrained macroeconomic growth ◻ slow economic growth ◻ pressure on cost reduction ◻ exchange rate fluctuations ◻ low commodity prices ◻ pressure to meet targets ■ Significant developments may have an impact on current state of risk-based approaches to measure operational risk for regulatory purposes. ■ Importance of delivering on the EDP/RDAR&R (BCBS 239).

2015

REST OF AFRICA RISKS

8

- Our strategy remains as follows:
  - Own and manage banking and operations in the Southern African Development Community (SADC) and East Africa.
  - Provide access to a banking network in West and Central Africa through our investment and alliance with Ecobank.
- In SADC and East Africa we made good progress with our one-bank-model rollout.
- The foundation was laid for the integration of Banco Único on attaining control in 2016, with a focus on enhancing the control environment.
  - We continue to support ETI in technical areas such as balance sheet management, risk and IT, where teams contribute through information sharing and technical skills support.
- Integration of our African business into the RCPO scope.
- A new core banking system, Flexcube, was successfully implemented in Namibia in 2015, improving efficiency of operations.

CONDUCT RISK

9

- A TCF market conduct programme aligned with the Twin Peaks model and market conduct regulatory developments is well underway within Nedbank.
- Conduct risk has been incorporated as a new risk category within the ERMF as part of the ERMF refresh.
  - A conduct risk framework is being formalised to underpin TCF principles, ensuring full integration into business processes.
- Accountability for the oversight of TCF was allocated to senior management and committees in the ERMF, having regard to their lens over client-related matters:
  - The Brand and Client Conduct Committee.
  - The Transformation, Social and Ethics Committee.

COMPLIANCE RISK

10

- Nedbank regards proper compliance risk management as an enabler and source of competitive advantage.
  - The Compliance Risk Management Framework and methodology were reviewed during 2015 to ensure continued alignment with industry best practice and efficiency.
  - Roles and responsibilities across operations and compliance were clarified.
- A good and transparent relationship with regulators is of prime importance and was maintained in 2015.
  - A policy and process were implemented to ensure that the group delivers on all its commitments to regulators and an open and clear dialogue is maintained with all our regulators.

EMERGING/SHAPING FORCES	OUTLOOK FOR 2016
■ The strategy of increasing our exposure in the rest of Africa will increase the risk profile of the organisation in markets that are more volatile and have less governance at this stage of their development. ■ Significant new regulations are expected for the financial industry, including regulations relating to AML, CFT and sanctions, conduct risk, TCF, IFRS 9, FATCA and risk data aggregation. A diverse operating and regulatory environment was experienced. □ Subsidiaries are separate legal entities based in different countries, with their own boards, regulators and legislators.	■ We continue to see growth opportunities despite economic headwinds and will continue to grow our existing businesses. ■ A focus remains on improving the control environment and governance, and strengthening of leadership. ■ The integration of Banco Único will commence after attaining control in 2016. ■ Increasing regulatory requirements continue and the monitoring and support thereof are integrated into the overall Nedbank Group regulatory programmes. ■ Our new core banking system will continue to be rolled out to other subsidiaries in 2016/17.
■ Regulatory changes are expected: □ Financial Sector Regulatory Bill (FSRB) – Twin Peaks. □ Although TCF is not yet a legislative requirement, Nedbank is proactively ensuring that the TCF outcomes, as well as the recommendations contained in two independent reviews conducted by Deloitte UK, are implemented.	■ A workstream will be implemented for each of the six TCF outcomes, namely: □ culture, product and services, communications, post-sales, conduct risk framework and management information and reporting are planned for delivery by December 2016. Key focus areas include: ■ setting the right tone at the top to ensure the market conduct principles are cascaded throughout Nedbank Group; ■ management of conduct risk throughout the product life cycle; ■ product innovation, design, pricing and strategy; ■ complaints handling, claims and analysis; and ■ empowering clients and keeping them well informed and educated on financial products.
■ Changing/Evolving role of compliance: □ regulation changing from rules-based to principles-based; □ judgement-based compliance becoming more prominent; and □ enabling competitive compliance is required. ■ Increasing digitisation of the business environment. ■ Conduct risk developments. ■ Extent of fines and penalties imposed by regulators globally for non-compliance.	■ Embedding the revised Compliance Framework and supporting policies will continue in 2016. ■ Our integrated compliance approach will keep evolving to address the demands of the changing regulatory environment. ■ An increased focus will be placed on enhancing accountability for compliance for all roleplayers, supported by appropriate awareness. ■ A focus will remain on resource capabilities: □ war for compliance talent; □ high compliance staff turnover; and □ new skills/capabilities required.

REPORTING BACK ON REMUNERATION

OUR REMUNERATION REPORT

This abridged Remuneration Report summarises the issues addressed in our full online 2015 Remuneration Report, which is available online at nedbankgroup.co.za. Provided herein are the governing principles in respect of our approach to remuneration as well as an overview of the manner in which they were implemented during 2015.

Our Remuneration Policy as well as its implementation is independently reviewed on an annual basis to ensure consistent application of the policy, and legislative and regulatory compliance.

HOW WE GOVERN OUR REMUNERATION

We have a Remuneration Policy that provides a framework for the management of total remuneration within the group, and which also supports the Nedbank employee value proposition (EVP). Set out below is a summary of the main aims of our Remuneration Policy, together with our approach to remuneration governance.

Remuneration Policy principles

The following aims of our Remuneration Policy are the guiding principles for our approach to remuneration:

To enable the attraction, motivation and retention of high-calibre people, with the right mix of experience, skills and knowledge to deliver on the strategy.

To support and reinforce our desired culture and encourage behaviour consistent with our values, thereby stimulating employee engagement.

To create an appropriate balance and alignment between the needs, expectations and risk exposure of our stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of them.

To incentivise employees to deliver sustained high levels of performance and excellent execution of our strategic priorities, while being cognisant of the impact this delivery has on our risk profile and exposure.

To enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks.

To align with the principles of good corporate and remuneration governance, ensuring an appropriate share value for the relevant stakeholders in our business.

Our full 2015 Remuneration Policy is set out on pages 1 to 5 of the full online Remuneration Report, and includes proposed changes to make provision for the implementation of *malus* and clawback arrangements in our LTI arrangements, as outlined in the Group Remco Chair's statement.

Governance

Remuneration Committee

Our Group Remco is responsible for remuneration governance with its groupwide responsibilities fully defined in its board-approved charter, available online at nedbankgroup.co.za.

The Group Remco applies the guiding principles enunciated in the Remuneration Policy as far as it is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. As has been the case for the past several years, there were no requirements for such deviation in 2015.

The Group Remco ensures that it remains knowledgeable about the changing remuneration regulatory environment, both locally and globally. This is supported by regular updates from the Group Reward and Performance team and its external advisors. The 2015 training dealt with global changes in executive remuneration.

In addition to the above, the Group Remco has full access to independent executive remuneration consultants, and has utilised Vasdex Associates (Pty) Ltd and PwC during 2015. Group Remco is also provided with market-related remuneration information through the group reward and performance function.

The Group Remco met seven times during 2015, details of which are set out on page 104 of this integrated report. The Group Chairman, CE, Chief Operating Officer (COO) and Group Executive at HR are permanent invitees to the meetings, and they are not present in discussions regarding their own remuneration. The meetings are also attended by the executive responsible for the reward and performance function in the group as well as any external advisors deemed necessary by the Group Remco from time to time.

All members of the Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The annual trustee meeting for this scheme was held on 24 November 2015.

There were no material issues identified in the Group Remco's self-assessment in 2015, which was conducted to evaluate its effectiveness against the objectives of its charter.

Composition of Group Remco

The Group Remco consists of four members, including an independent chair. The majority of the members are independent non-executive directors.

Name	Directorship status	Current membership
Bruce Hemphill[1]	Non-executive Director	Current member
Mpho Makwana	Independent Non-executive Director	Current member and Chair of Group Remco
Nomavuso Mnxasana	Independent Non-executive Director	Current member
Malcolm Wyman	Senior Independent Non-executive Director	Current member
Julian Roberts[2]	Non-executive Director	Past member

[1] *Bruce Hemphill was appointed to the Group Remco with effect from 25 November 2015.*

[2] *Julian Roberts resigned from the Group Remco with effect from 23 October 2015.*

REMUNERATION ELEMENTS

Our total remuneration mix (as shown in the diagram below), together with the manner in which it is governed, is set out in the Remuneration Policy on pages 2 to 6 of the full online 2015 Remuneration Report, which also expands on the group's approach to such elements during 2015.

PERFORMANCE MANAGEMENT

Short-term focus, day-to-day orientation	Short-to-medium-term focus, performance orientation		Long-term focus, ownership orientation	
Guaranteed package	Short-term incentives (including deferral and forfeiture)	Special-purpose short-term arrange-ments	Long-term incentives	Employee ownership plan

Variable remuneration

Short-term incentive

The aim of STIs is to drive the achievement of sustainable results within an agreed risk appetite framework, and to encourage behaviours that are consistent with our values and are aligned with the best interests of our stakeholders. Our STI schemes are structured to support collaborative work across different clusters. The Group Remco has agreed on a set of principles and all group and cluster incentive schemes are designed according to those principles, which are set out on page 12 of the full online Remuneration Report.

The total STI pool approved for distribution by the Group Remco in respect of the 2015 financial year was R2 162,5m (2014: R2 100m). In accordance with its charter, the Group Remco also approved 24 individual STI payments (2014: 26) in excess of 200% of guaranteed package (GP), outside of those approved in respect of the Group Exco, which are all subject to individual approval by the Group Remco and the board.

DEFERRAL OF STIs

Compulsory STI deferral		Voluntary Bonus Share Scheme
R0 to R1m	> R1m	
No deferral	Fifty percent of any amount in excess of R1m is deferred over a period of 30 months, with releases from forfeiture occurring in three equal tranches at 6, 18 and 30 months from the date of the award. Deferral is on a posttax basis.	Employees may select to defer a portion of their posttax STI voluntarily into the Matched-share Scheme, subject to the total deferral (including compulsory deferral) not exceeding 50% of the total posttax STI award.

In the above instances where deferral applies, the individual must retain the shares in the scheme for a period of 36 months to be eligible for a match in accordance with our Matched-share Scheme, details of which are fully set out on page 9 of the full online 2015 Remuneration Report.

For employees with earnings falling within the highest taxation bracket the total STI has the potential to increase by 30% (before share price movement) in the event that the conditions in the Matched-share Scheme are met at the end of the deferral period.

Subject to shareholder approval at our AGM, deferred STIs will, from February 2016, be subject both to a *malus* (release from forfeiture) decision (already a feature of the scheme) and the possibility of clawback, for a combined period of three years from the date on which the award was made.

Special-purpose short-term variable remuneration

We make use of preapproved special-purpose short-term variable remuneration arrangements only in exceptional circumstances, which is typically in the context of hiring senior and key employees. The group does not, as a matter of course, award guaranteed bonuses, and thus none have been awarded during 2015.

SCHEME TYPE	Scheme description	Number of awards
Signon bonus	Cash awards made to prospective employees on joining the group are typically awarded to compensate them for loss of certain accrued benefits or to make them whole in terms of their existing contractual obligations.	20 awards (2014: 12) totalling R19,7m (2014: R6,23m). Included in this are awards made on appointment to key revenue-generating staffmembers.
Deferred Short-term Incentive (DSTI) awards	DSTI awards are cash-based awards, comprising an upfront payment (typically 40% of the award), with a deferred component (the remaining 60%) payable subject to minimum time-based and individual performance conditions. Executive directors and prescribed officers are not eligible for DSTIs in the normal course.	20 awards (2014: 19) totalling R15,7m (2014: R16,4m). The awards approved are in relation to a number of senior and specialist appointments made in 2015, and the need to implement specific retention initiatives in certain scarce-skills environments.

Scheme governance is set out in the Remuneration Policy.

Long-term incentives

LTI awards are awarded with the joint aims of aligning participants' interests with the interests of stakeholders and of retaining key employees. Key considerations for LTI awards are set out on page 4 in our 2015 Remuneration Policy in the full online Remuneration Report. The criteria and quantum of allocations are benchmarked to the market annually. The allocation of LTIs is discretionary and is based on the key eligibility criteria as set out in the Remuneration Policy on page 4 in the full online Remuneration Report.

All LTI allocations are motivated by the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific individual approval is also required for all LTI awards greater than 100% of GP.

Set out below are our various LTI schemes. The operation of the international LTIP has been aligned with the Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme (Nedbank Group (2005) Share Incentive Scheme), but operates on a phantom basis.

Overview of long-term incentive arrangements under the Nedbank Group (2005) Share Incentive Scheme

The Option Scheme

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

Restricted-share Scheme: annual allocations

The Group Remco awards restricted shares (including on-appointment allocations, referred to below) with a three-year vesting period to eligible participants, which vest on the basis set out to the right.

Further details of the actual CPTs are set out on page 13 of the full online 2015 Remuneration Report. For 2016 the CPTs will remain unchanged from those which applied in 2015.

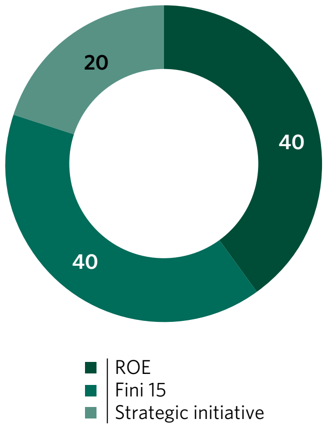
On-appointment allocations

On-appointment, restricted-share allocations are offered at the discretion of the Group Remco to new senior managers and also on an exceptional basis to existing employees who have been appointed to more senior positions and have been recommended for an allocation by the Group Exco.

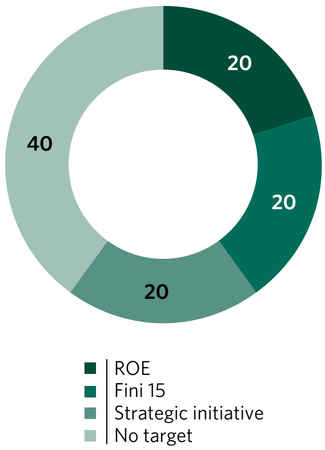
Frequency of awards

On-appointment allocations may take place biannually (and by exception on the date of appointment, with specific approval), with awards based on the volume-weighted average share price using the three trading days after the announcement of the annual or interim financial results (as applicable).

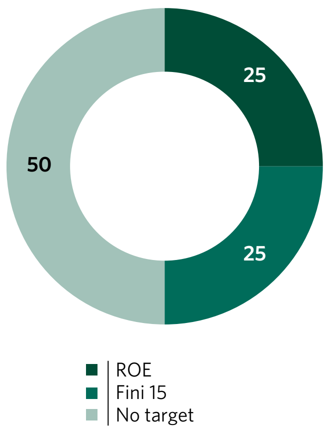
EXECUTIVE DIRECTORS
(%)



GROUP EXCO/CLUSTER EXCO
(%)



OTHER LTIP PARTICIPANTS
(%)



Matched-share Scheme

This scheme provides a vehicle for the compulsory deferral of STI awards, and for employees to participate in the scheme by voluntary investment, subject to the fulfilment of specified conditions as set out in the table below. Details applicable to deferral and potential matching of deferred awards are set out on pages 7 and 9 of the full online 2015 Remuneration Report.

	STI PAYMENT	Conditions for matching	Match
Compulsory deferral	> R1m, where deferral takes place in respect of 50% of any amount exceeding R1m, applied on a posttax basis	In service on vesting date: three years after the allocation date	50%
		Average ROE excluding goodwill ≥ COE + 2% over the period	50%
Voluntary Bonus Share Scheme	≤ 50% of total posttax STI (inclusive of any compulsory deferral)	In service on vesting date: three years after the allocation date	50%
		Average ROE excluding goodwill ≥ COE + 2% over the period	50%

For employees with earnings falling within the highest taxation bracket, the total STI has the potential to increase by 30% (before share price movement) in the event that the conditions in the Matched-share Scheme are met at the end of the deferral period.

Changes to scheme rules

Amendments to the rules of the Nedbank Group 2005 Share Incentive Scheme (and which will apply to deferred STIs, the Matched-share Scheme arrangements and the Restricted-share Scheme) have been proposed for the purposes of the inclusion of *malus* and clawback provisions on all awards made from February 2016. The amendments are set out in the Notice of AGM, and are proposed for approval at the AGM to be held during May 2016.

Other long-term incentive scheme in operation

Phantom Cash-settled Restricted-share Plan

For our international and Rest of Africa operations, LTIs are made on a phantom basis, of which the schemes mirror the Nedbank Group (2005) Share Incentive Scheme in design and structure. These schemes will also be subject to the *malus* and clawback provisions proposed for the Nedbank 2005 scheme.

Full details of all these schemes are set out in the full 2015 Remuneration Report, available at nedbankgroup.co.za.

Nedbank Eyethu employee schemes

No new awards were made during 2015 in any of the Nedbank Eyethu employee schemes.

Other employee ownership/empowerment schemes

We also have empowerment or 'indigenisation' schemes currently approved in several of our Rest of Africa operations.

Set out on the following page are the employee ownership/empowerment schemes approved in our international and African operations:

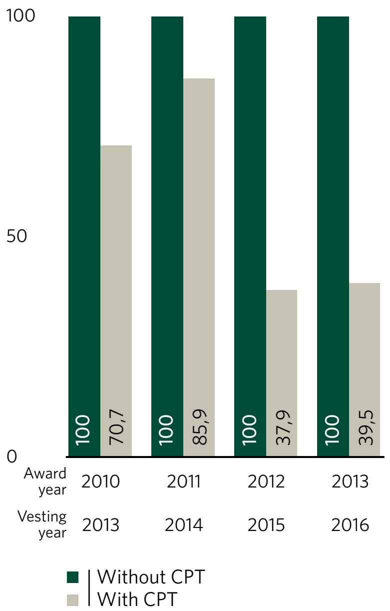
NEDBANK OPERATION	Ownership/Empowerment scheme	Scheme details
Namibia	Ofifiya Black Management Scheme	The purpose of the scheme is to enable the group to facilitate black economic empowerment in terms of the framework established by the financial sector in Namibia. It facilitates ownership of the group's shares by senior and middle management employees within Nedbank Namibia and its subsidiaries and aims to attract, retain and incentivise such individuals. **Vesting period:** Four years
Swaziland	Sinakekelwe Employee Share Scheme	The purpose of the scheme is to provide LTIs to beneficiaries, to encourage wealth creation by way of employee share ownership, to align the interests of Nedbank and the beneficiaries, and to attract, retain and reward a skilled high-performing workforce. **Vesting period:** Five years
Malawi	Phantom empowerment scheme, using Nedbank Group shares as a reference point	The purpose of the scheme is to build appropriate local employee ownership or similar financial interest, in Nedbank Malawi. It is aimed at facilitating share ownership by local employees by granting phantom shares to participants, which are linked to the Nedbank share price. **Vesting period:** Three years
Zimbabwe	Nedbank MBCA Employee Share Ownership Scheme	This scheme is currently in the inception phase and further details will be available once this has been completed.
Lesotho	Phantom empowerment scheme, using Nedbank Group shares as a reference point	The purpose of this scheme is to build appropriate local employee ownership or similar financial interest in Nedbank Lesotho. It is aimed at facilitating share ownership by local employees in the subsidiary by the granting of phantom shares to participants, which are linked to the Nedbank share price. **Vesting period:** Three years

Vesting of share awards in 2016

Nedbank Group issued restricted shares in March and August 2013, with vesting thereof linked in equal proportions to a combination of time and the group's meeting of certain performance conditions. Vesting will take place during 2016 as set out in the chart to the right. The vesting that took place in 2013 to 2015 is included for comparison.

Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Consolidated Annual Financial Statements, available at nedbankgroup.co.za.

VESTING OUTCOMES
(%)



Where necessary, in the case of executive directors and the Company Secretary, the necessary Securities Exchange News Service (SENS) announcements were issued at the prescribed times in this regard.

RISK AND REMUNERATION

The board has ensured that there is cooperation between the Group Remco and the GRCMC to enable appropriate consideration of the overall risk environment when making remuneration decisions. This is implemented through formal discussion by the Group Remco Chair with the GRCMC Chair on the risk aspects of remuneration. This reflects our commitment to achieving a balance between the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives. Set out briefly below is the manner in which risk is taken into account in the remuneration process.

Taking account of future and current risks in the remuneration process

We are involved in retail, wholesale and investment banking operations, as well as wealth management and other financial services, predominantly in SA and the rest of Africa. We utilise a three-year budgeting, forecasting and planning process, which is integrated with our strategic objective, risk appetite and capital planning, enabling us to have a forward-looking view of the strategic, financial and risk outcomes of remuneration policies. The mandatory deferral of STIs for up to 30 months and the three-year vesting of LTI share allocations (with at least half of the awards subject to CPTs) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral and enables *malus* or, where appropriate, clawback to be applied.

We operate a comprehensive internal capital adequacy assessment process blueprint that addresses the nature and types of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecard assessments, which in turn inform the distribution of STIs from the derived business STI pools. The STI pools incorporate *ex ante* or 'before the fact' risk adjustments, which is incorporated into the pool allocation process set out in detail on page 12 of the full online 2015 Remuneration Report.

The STI scheme has been designed to incentivise a combination of profitable returns, appropriate risktaking and growth. It is driven from an EP and a HE basis versus targets, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review available online.

The board has absolute discretion as to the quantum and nature of any forfeiture, *malus,* (and from 2016) clawback triggers related to the compulsory deferral of STI awards. In this regard the deferred amount will be forfeited should the employee resign or be dismissed for cause before the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities, risk failures or misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual or a group of individuals who may have transgressed. The deferral policy is reviewed annually.

Application of corporate performance targets and mitigating the effect of inappropriate performance metrics

To avoid the consequences of inappropriate performance metrics, which include extended periods in which no LTI vesting takes place, awards made from 2010 are subject to 50% performance conditions and 50% time-based vesting. For Group Exco and cluster exco members this was changed in 2015 to 60% of the total award being subject to performance conditions and 40% to time-based vesting. All LTI awards made to executive directors from 2014 are subject to performance conditions on 100% of the award.

It is a key principle in our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not be prejudiced as a result of remuneration design issues, we are cognisant that remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

We have also been unequivocal about our adherence to other aspects of good corporate governance in relation to share plans. In this regard, share awards in either the Restricted-share Plan or the Matched-share Scheme are not, under any circumstances, backdated. Further, no retrospective adjustments are made to performance conditions to mitigate the impact of weak performance. Therefore, we are of the view that our remuneration practices, and the levels at which these occur, are appropriate in terms of remuneration governance while also being competitive relative to those of our peer group.

Further details of our approach to risk and remuneration are available on pages 11 to 14 of our full online 2015 Remuneration Report.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the three frontline, income-generating clusters are included as prescribed officers in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers.

Executive directors
Mike Brown
Mfundo Nkuhlu
Raisibe Morathi
Prescribed officers
Brian Kennedy
Philip Wessels
Iolanda Ruggiero[1]

[1] *Appointed as a prescribed officer effective 1 May 2015.*

Disclosures are also made for executive directors or prescribed officers whose services terminated in 2015. These are:

- Graham Dempster (executive director until 11 May 2015) and
- Dave Macready (prescribed officer until 30 April 2015).

Details of share awards to executive directors and prescribed officers are included from page 22 of our full online 2015 Remuneration Report.

Details of the service conditions for executive directors and prescribed officers are set out on pages 14 to 17 of the full online 2015 Remuneration Report. There were no material changes to these during 2015. Executive directors and prescribed officers will be subject to the proposed *malus* and clawback arrangements from 2016.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

Executive directors R000	Mike Brown			Mfundo Nkuhlu			Raisibe Morathi			Graham Dempster[7,8]		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%	**2015**	2014	%
Cash portion of package	**6 374**	6 056		**4 258**	3 124		**3 405**	3 177		**1 743**	3 862	
Other benefits	**141**	130		**130**	112		**100**	91		**63**	141	
Defined-contribution Retirement Fund	**910**	864		**613**	452		**621**	550		**320**	855	
Guaranteed remuneration	**7 425**	7 050	5,3	**5 000**	3 687	35,6	**4 125**	3 818	8,0	**2 125**	4 859	
Cash performance incentive	**8 250**	8 000		**4 750**	4 625		**4 500**	4 375			5 750	
Cash performance incentive (delivered in shares)	**7 250**	7 000		**3 750**	3 625		**3 500**	3 375			4 750	
Total STI[1]	**15 500**	15 000	3,3	**8 500**	8 250	3,0	**8 000**	7 750	3,2		10 500	
Total remuneration[2]	**22 925**	22 050	4,0	**13 500**	11 937	13,1	**12 125**	11 568	4,8	**2 125**	15 359	
Value of share-based awards (face value at award)	**13 500**	13 000		**8 750**	11 750[9]		**7 500**	7 000			8 750	
Total direct remuneration[3]	**36 425**	35 050	3,9	**22 250**	23 687	(6,1)	**19 625**	18 568	5,7	**2 125**	24 109	
Other payments[4]										**1 323**		

Prescribed officers R000	Brian Kennedy			Philip Wessels[7,10]			Dave Macready[5,7]			Iolanda Ruggiero[6,7]		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%	**2015**	2014	%
Cash portion of package	**3 620**	3 346		**4 146**	1 775		**1 018**	2 926		**1 934**		
Other benefits	**239**	323		**113**	55		**57**	164		**54**		
Defined-contribution Retirement Fund	**291**	276		**391**	144		**191**	547		**262**		
Guaranteed remuneration	**4 150**	3 945	5,2	**4 650**	1 974		**1 266**	3 637		**2 250**		
Cash performance incentive	**8 625**	8 500		**4 875**	4 500		**2 040**	4 250		**3 500**		
Cash performance incentive (delivered in shares)	**7 625**	7 500		**3 875**	3 500		**1 360**	3 250		**2 500**		
Total STI[1]	**16 250**	16 000	1,6	**8 750**	8 000		**3 400**	7 500		**6 000**		
Total remuneration[2]	**20 400**	19 945	2,3	**13 400**	9 974		**4 666**	11 137		**8 250**		
Value of share-based awards (face value at award)	**7 500**	9 500[9]		**8 000**	10 500[9]			6 500		**6 000**		
Total direct remuneration[3]	**27 900**	29 445	(5,2)	**21 400**	20 474		**4 666**	17 637		**14 250**		
Other payments[4]												

1 *In terms of the rules of the Matched-share Scheme, this amount may increase by up to 30% (before share price movement), subject to fulfilment of the CPTs, and the amount remaining invested in the scheme for 36 months.*

2 *Total remuneration is the sum of Guaranteed Remuneration and Total STI.*

3 *Total Direct Remuneration is the sum of Total Remuneration and the value of share-based awards made in the following financial year.*

4 *Other payments are typically non-recurring payments and include leave pay, special payments but excludes gains from vesting share awards, which are set out from page 22 of the full online 2015 Remuneration Report.*

5 *Dave Macready joined Old Mutual SA on 1 May 2015. Payments reflect part-year service.*

6 *Iolanda Ruggiero became a prescribed officer on 1 May 2015. Guaranteed remuneration payments are pro-rated to reflect this. Variable remuneration (STI and LTI) is reported on a full-year basis.*

7 *Comparative year-on-year % not given for items that reflect part-year service.*

8 *Graham Dempster availed himself of two first-class airtickets granted as an approved incentive, and also received leave pay pursuant to his retirement from the bank. These amounts are reflected in Other Payments.*

9 *Awards include on appointment awards made in respect of appointment to more senior roles.*

10 *Philip Wessels was appointed as a prescribed officer on 1 August 2014.*

ADDITIONAL REGULATION 43/ PILLAR 3 DISCLOSURES

The disclosures required in respect of Regulation 43 of the Banks Act are set out on pages 17 to 19 of the full online 2015 Remuneration Report.

Specific disclosures relating to senior managers and material risktakers, the quantum of the remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are included.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors as well as the Group Chairman are fully set out on page 89 of the integrated report.

Remuneration

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single fee for his role. Non-executive directors are paid a fixed fee for board membership and receive additional fees for their participation in the board committees.

Neither the Group Chairman nor the boardmembers receive any performance-related remuneration or any employee benefits.

Non-executive directors are accountable for decisions made regardless of attendance at meetings. They are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Non-executive directors' remuneration paid for the years ended 31 December 2015 and 31 December 2014 was as follows:

Non-executive directors' remuneration (audited)

	Note	Board fees (R000)	Committee fees (R000)	**2015 (R000)**	2014 (R000)
David Adomakoh	1	393	121	**514**	360
Tom Boardman	2, 2a	1 143	1090	**2 233**	1 766
Brian Dames		393	270	**663**	301
Mustaq Enus-Brey	3	137	136	**273**	910
Ian Gladman	16	393	339	**732**	682
Paul Hanratty	4, 16	393	207	**600**	168
Bruce Hemphill	5, 16	40	19	**59**	
Reuel Khoza	6	1 623		**1 623**	4 350
Mpho Makwana	7	393	747	**1 140**	1 006
Mantsika Matooane	8	393	230	**623**	286
Nomavuso Mnxasana	9	393	685	**1 078**	784
Vassi Naidoo	10, 10a	3 038	5	**3 043**	
Joel Netshitenzhe	11	393	235	**628**	561
Julian Roberts	12, 16	325	151	**476**	519
Gloria Serobe	13	137	98	**235**	746
Stanley Subramoney	14	110	95	**205**	
Malcolm Wyman	15	550	931	**1 481**	1 276
Total		10 247	5 359	**15 606**	13 715

1 *David Adomakoh was appointed as a member of the Group Related Party Transactions Committee (GRPTC) on 11 May 2015. He resigned as a member of the GTSEC on 1 September 2015. He was appointed as a member of the GCC and the Large-exposure Approval Committee (LEAC) on 1 September 2015.*

2 *Tom Boardman was appointed as Chair of the GRCMC and resigned as Chair and member of the GITCO on 20 February 2015. He was appointed as a member of the GRPTC on 11 May 2015.*

2a *Tom Boardman sits on the board of Nedbank Private Wealth (Isle of Man) Ltd. His board fees are therefore inclusive of the Nedbank Private Wealth (Isle of Man) Ltd fees of £38,000.*

3 *Mustaq Enus-Brey resigned as a member of the Group Finance and Oversight Committee (GFOC) and as Chair (but remained a member) of the GRCMC on 20 February 2015. He resigned as a member of the GCC, LEAC and GRCMC and retired as a non-executive director on 11 May 2015.*

4 *Paul Hanratty was appointed as a member of the GCC and LEAC on 11 May 2015.*

5 *Bruce Hemphill was appointed as a non-executive director and a member of the Group Remco and the Group DAC on 25 November 2015.*

6 *Reuel Khoza resigned as Chair of the DAC and retired as Chairman and non-executive director of Nedbank Group on 11 May 2015.*

7 *Mpho Makwana was appointed as a member of the GRPTC on 11 May 2015.*

8 *Mantsika Matooane was appointed as a member of DAC and GFOC and as Chair of the GITCO on 20 February 2015.*

9 *Nomavuso Mnxasana was appointed as member of the DAC and Chair of the GTSEC on 20 February 2015.*

10 *Vassi Naidoo was appointed as a non-executive director on 1 May 2015 and as Chairman of Nedbank Group on 11 May 2015. The remuneration disclosed above includes a consultancy fee payment to Mr Naidoo for the period 13 April 2015 to 30 April 2015, as Mr Naidoo had dedicated this time to Nedbank affairs in preparation for his appointment as a boardmember. He was appointed as a member of the DAC on 1 May 2015.*

10a *IT and security expenditure was approved for Vassi Naidoo as a consequence of his appointment as Chairman of Nedbank Group. These enhancements are all necessary for the completion of his duties as Chairman, and to ensure his security.*

11 *Joel Netshitenzhe was appointed as member of the GRPTC on 11 May 2015.*

12 *Julian Roberts resigned as a member of the Group Remco and DAC on 23 October 2015 and as a non-executive director on 31 October 2015.*

13 *Gloria Serobe resigned as Chair (but remained a member) of the GTSEC on 20 February 2015. She resigned as a member of the GCC, LEAC and GTSEC and as a non-executive director of Nedbank Group on 11 May 2015.*

14 *Stanley Subramoney was appointed as an independent non-executive director on 23 September 2015. He was appointed as a member of the GTSEC, GCC, LEAC and the GAC on 23 October 2015.*

15 *Malcolm Wyman was appointed Chair of the DAC and GRPTC on 11 May 2015.*

16 *Fees for Julian Roberts, Paul Hanratty, Ian Gladman and Bruce Hemphill were paid to Old Mutual (SA) Ltd.*

The proposed non-executive director fees as set out below were evaluated by a boad committee consisting of Mike Brown and Bruce Hemphill with advice from independent experts. Such evaluation was conducted from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases.

Increases to the Chairman's fee, board fees and several committees have been proposed at between 5,3% and 16,1%. We have also aligned all committee chair premiums to 2,5 times the member fee. The proposed fees for 2016 are also set out in our notice of AGM, for voting by our shareholders. The proposed increases to board fees represent a total increase in the cost of operating the board of 10,6%.

	2016 (R) Proposed	2015 (R)	%
Boards			
Chairman of the board	5 000 000	**4 750 000**	5,3
Lead Independent Director premium	40% of board fee	**40% of board fee**	
Nedbank Group Ltd	245 000	**220 555**	11,1
Nedbank Ltd	205 000	**184 525**	11,1
Committees			
Group Audit Committee			
Chair	650 000	**562 500**	15,6
Member	260 000	**225 000**	15,6
Group Finance and Oversight Committee[1]			
Chair	–	**55 000**	
Member	–	**27 500**	
Group Remuneration Committee			
Chair	350 000	**312 500**	12,0
Member	140 000	**125 000**	12,0
Group Risk and Capital Management Committee			
Chair	450 000	**387 500**	16,1
Member	180 000	**155 000**	16,1
Group Credit Committee			
Chair	500 000	**475 500**	5,3
Member	200 000	**190 000**	5,3
Group Directors' Affairs Committee[3]			
Chair	196 250	**140 000**	40,2
Member	78 500	**70 000**	12,1
Group IT Committee[3]			
Chair	250 000	**180 000**	38,9
Member	100 000	**90 000**	11,1
Group Transformation, Social and Ethics Committee[3]			
Chair	250 000	**180 000**	38,9
Member	100 000	**90 000**	11,1
Group Related Party Transactions Committee[2, 3]			
Chair	75 000	**55 000**	36,4
Member	30 000	**27 500**	9,1

Details of the individual shareholdings of the non-executive directors are included on page 21 of the full online 2015 Remuneration Report.

1 *The Group Finance and Oversight Committee was discontinued during 2015.*

2 *Fees for the Group Related Party Transactions Committee set at same level as previous Group Finance and Oversight Committee, increased by 9,1%, with adjustments to chair premium at 2,5 times.*

3 *Large increases for the chairs of these committees are as a result of the adjustments of the chair's premium to 2,5 times the member's fee, aligning to the chair's premium paid for other committees.*

THE INVESTMENT CASE FOR NEDBANK GROUP

Our objective of building an organisation that optimises returns for all stakeholders and creates a sustainable future is enabled by an integrated approach to the economics of the business, environmental preservation, involvement in society and organisational culture.

Incorporating this approach, despite a volatile and uncertain environment, the group continues to offer qualities that we believe are attractive to investors.

These include:

- Worldclass governance underpinned by an independent and diverse board striving to ensure value creation in a sustainable manner for all stakeholders.
- A wholesale-biased business model that differentiates Nedbank Group from peer banks and positions us well in a tough macro environment for consumers. We will continue to leverage our market-leading wholesale and wealth businesses, while continuing to invest in growing our retail franchise and to participate sensibly in the long-term growth opportunities in the rest of Africa.
- Key strategic growth drivers, appropriate for the expected environment that will continue to drive sustainable growth: client-centred innovation; growing the transactional banking franchise; strategic portfolio tilt; optimise and invest; a pan-African banking network.
- A strong balance sheet and defensive investment characteristics, given the well-regulated banking sector in SA.
- An experienced and well-respected management team.
- A differentiated, values-based culture and high levels of staff morale.
- Valuation metrics at levels similar to those during the global financial crisis (price to book) and attractive dividend yield.

You may be interested in:

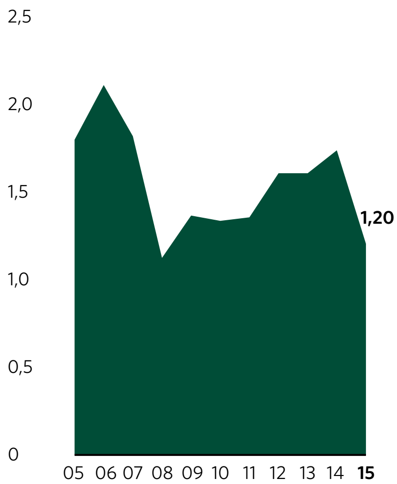
Delivering our strategy through our business clusters
42 and 43

Delivering consistently to our shareholders
63–65

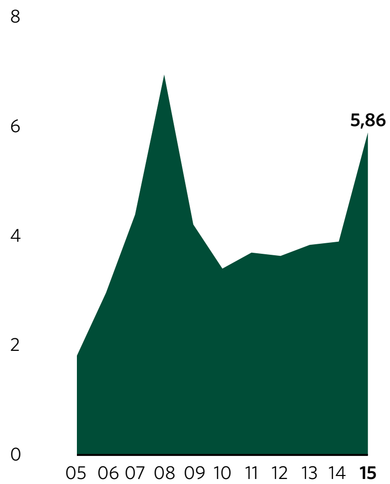
NEDBANK CORPORATE AND INVESTMENT BANKING

- Attractive returns [return on equity (ROE) > 20%] with a sound risk profile.
- Market leader with strong expertise and relationships in commercial property finance and corporate banking.
- Strong investment banking growth prospects based on specialist skills and leadership in various segments that leverage SA infrastructure (eg R35bn renewables pipeline) and development opportunities in the rest of Africa.
- Recently integrated cluster to deliver improved client service, better business-coverage model to unlock further revenue (including transactional banking) growth opportunities and fully utilise the scale of the integrated balance sheet.

PRICE TO BOOK RATIO
(Times)



NEDBANK DIVIDEND YIELD
(%)



NEDBANK RETAIL AND BUSINESS BANKING

- A differentiated and decentralised business bank that responds quickly to new opportunities and emerging risks.
- A continuously increasing ROE in Retail, (2015: 15,3%) now above the group's COE.
- Significant investment since 2009 in retail outlets (+ 30%), ATMs (+ 99%), new client value propositions, mobile and digital banking; and market-leading innovations, which enabled sustained growth into the future.
- Strong market share in the used-vehicle finance sector – positively correlated to tough economic cycles.
- Continued strong main banked client gains (7,6% compound annual growth rate since 2009), driving transactional revenue growth.
- Prudent credit extension over the past few years, particularly in home loans and personal loans, mitigating the downside risk in a tougher macroeconomic environment.

NEDBANK REST OF AFRICA

- A client-centred, risk-mitigated, capital-efficient strategy.
- Client access to the largest pan-African geographical footprint.
- Strategic partnership with Ecobank, providing access to West and Central Africa. Our 20% shareholding mitigates risk through diversification.
- Significant investment in the Southern African Development Community region – acquired 38% of Banco Único in Mozambique, with pathway to control. Investing in subsidiaries to create scale and grow the client base – increased outlets and ATMs, expanded product offering and implementing a new core banking system. Targets ROEs well above COE in the long term (2015: 10,2%).

NEDBANK WEALTH

- High growth potential, high-ROE business (ROE > 40%), contributing significantly to group EP.
- Top-tier, high-net-worth bank and wealth provider with strong track record, enviable client base and repositioned brand.
- Unique Best-of-Breed™ offering and consistent ranking among top three in independent asset management rankings for seven consecutive years.
- Insurance business with significant scope for increasing new-product penetration and further cross-sell into the Nedbank client base of 7,4m.

COMPANY DETAILS

NEDBANK GROUP LIMITED

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

Registered address

Nedbank 135 Rivonia Campus, 135 Rivonia Road
Sandown, Sandton, 2196, SA
PO Box 1144, Johannesburg, 2000, SA

Transfer secretaries in SA

Computershare Investor Services (Pty) Ltd
70 Marshall Street,
Johannesburg, 2001, SA
PO Box 61051, Marshalltown, 2107, SA

Namibia

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue
Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

INSTRUMENT CODES

Nedbank Group ordinary shares

Company Secretary:	TSB Jali
Reg no:	1966/010630/06
JSE share code	NED
NSX share code	NBK
ISIN	ZAE000004875
Sponsors in SA:	Merrill Lynch SA (Pty) Ltd Nedbank Corporate and Investment Banking
Sponsor in Namibia: Investment	Old Mutual Services (Namibia) (Pty) Ltd

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code	NBKP
ISIN	ZAE000043667

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 nedbankgroupir@nedbank.co.za.

Disclaimer

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

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

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

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

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to International Financial Reporting Standards 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 to 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 whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

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