MAKE THINGS HAPPEN

NEDBANK GROUP

NEDBANK GROUP

UNITED NATIONS GLOBAL COMPACT

COMMUNICATION OF PROGRESS

for the year ended 31 December 2015

A Member of the OLDMUTUAL Group

CONTENTS

Letter from our Chief Executive	page 1
Overview of our group	page 2
Reflections from our Chief Executive	page 4
Reflections from our Chairman	page 8
Five-year track record	page 12
Our long-term goals	page 14
Our purpose	page 15
Drivers guiding our strategy	page 16
Strategic focus areas	page 25
Engaging with our stakeholders	page 36
GRI Index	page 53

LETTER FROM OUR CHIEF EXECUTIVE

Attention: United Nations Global Compact Office

March 2016

Nedbank Group – continued commitment to the United Nations Global Compact

As Chief Executive of Nedbank Group, I reaffirm our commitment to the United Nations Global Compact and the 10 principles that underpin it.

In addition, as a Group, we remain a signatory to the Equator Principles and the CEO Water mandate and we continue to actively support the UNEP FI African Task Force. These commitments form an important part of our overall sustainability journey as we aspire to a better future for all.

We consider it a privilege to be a part of such a vital and valuable initiative.

Yours sincerely,

Mike Brown
Chief Executive: Nedbank Group

OVERVIEW OF OUR GROUP

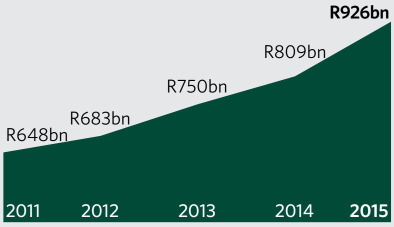
Nedbank Group is a diversified financial services provider offering a wide range of wholesale and retail banking services as well as insurance, asset management and wealth management solutions.

One of Africa's
largest
banking groups

Old Mutual Group
54,1%
shareholding in Nedbank Group

Nedbank Ltd – our
principal
banking subsidiary

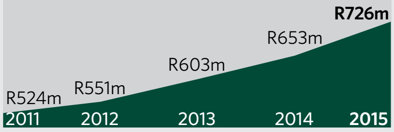
Assets
R926bn



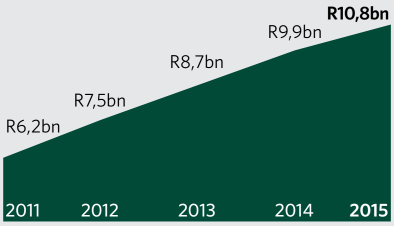
Ordinary shares listed on the JSE since
1969

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.

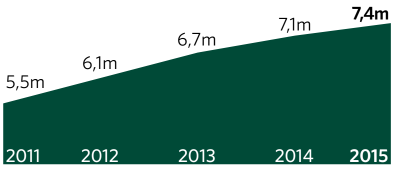
Nedbank Group's primary market is SA, however, we are continuing to expand into the rest of Africa. Outside SA we have a presence in six countries in the Southern African Development Community (SADC) and East Africa region, where we own subsidiaries and banks in Namibia, Swaziland, Malawi, Mozambique,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

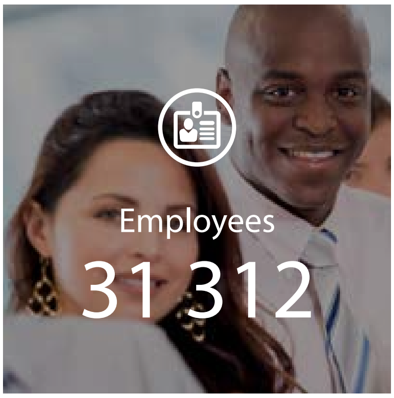
In West and Central Africa we have a partnership strategy and approximately 20% shareholding in Ecobank Transnational Incorporated (ETI), enabling a unique one-bank experience to our clients across more than 2 350 branches in 39 countries.

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





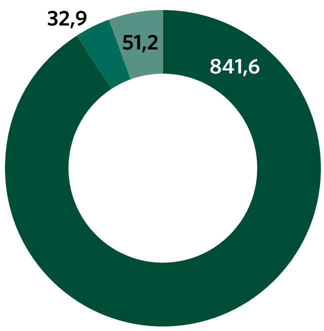
Staffed outlets

1 143

ATMs

3 840

ASSETS BY GEOGRAPHICAL AREA
(Rbn)

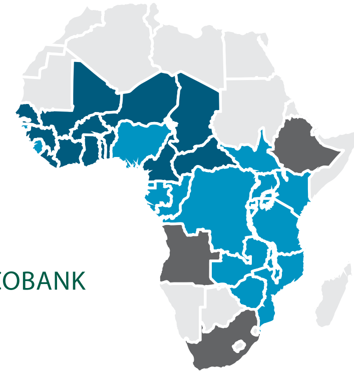


■ | SA ■ | Rest of Africa ■ | International

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

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

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

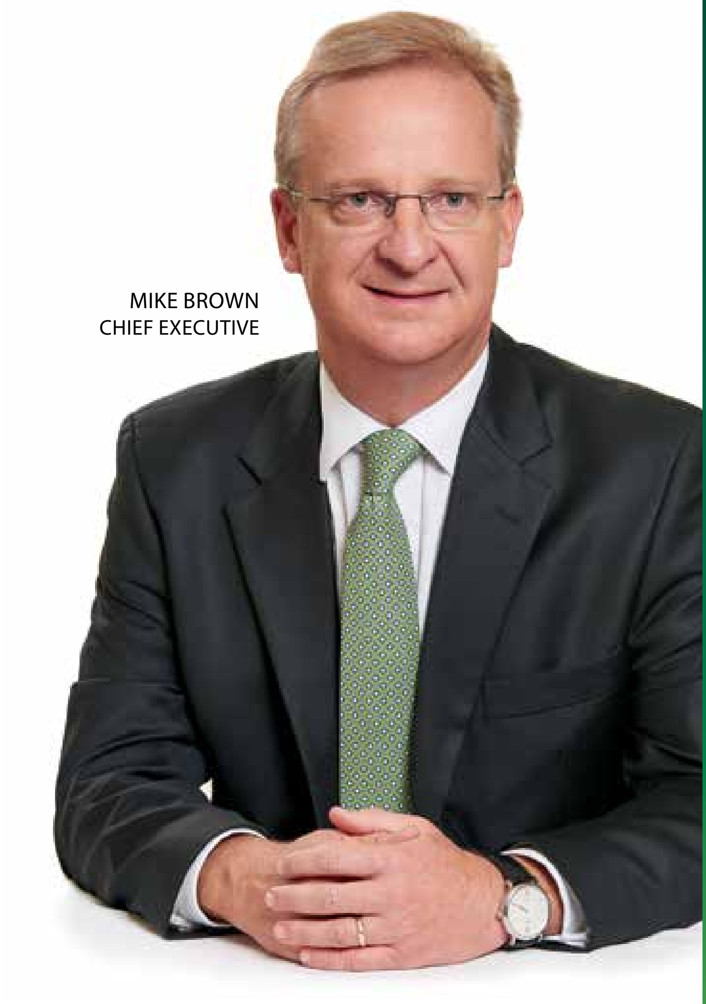
STAKEHOLDERS

- Staff
- Clients
- Shareholders
- Regulators
- Communities

You may be interested in

Material matters
19–26

REFLECTIONS FROM OUR CHIEF EXECUTIVE



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.

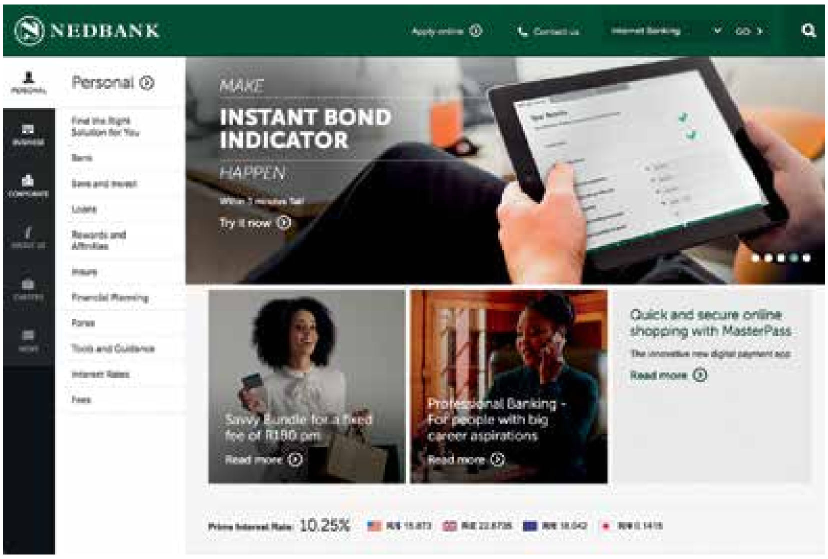
A large change programme supported our SAP enterprise resource planning (ERP) implementation for finance, procurement and human resources. This has been delivered successfully – within scope and within budget. The first phase of the rollout, which touched the finance and procurement functions, went live 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.

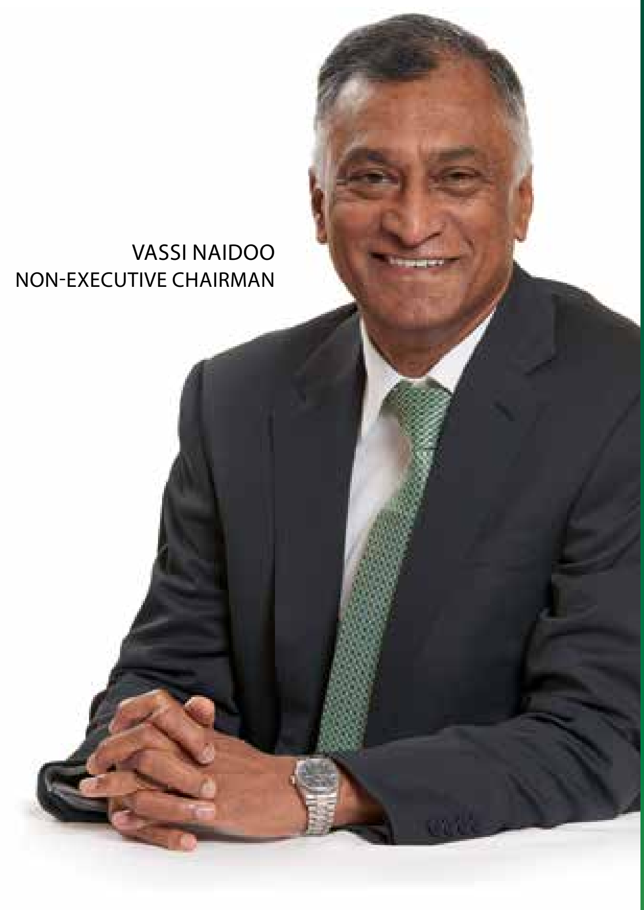
Mike Brown
Chief Executive

You may be interested in:

Reflections from our Chief Financial Officer
44–55

Reflections from our Chairman
72–75

REFLECTIONS FROM OUR CHAIRMAN



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.
- 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.

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

Furtherreading:

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

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

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

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.

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%202030/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.

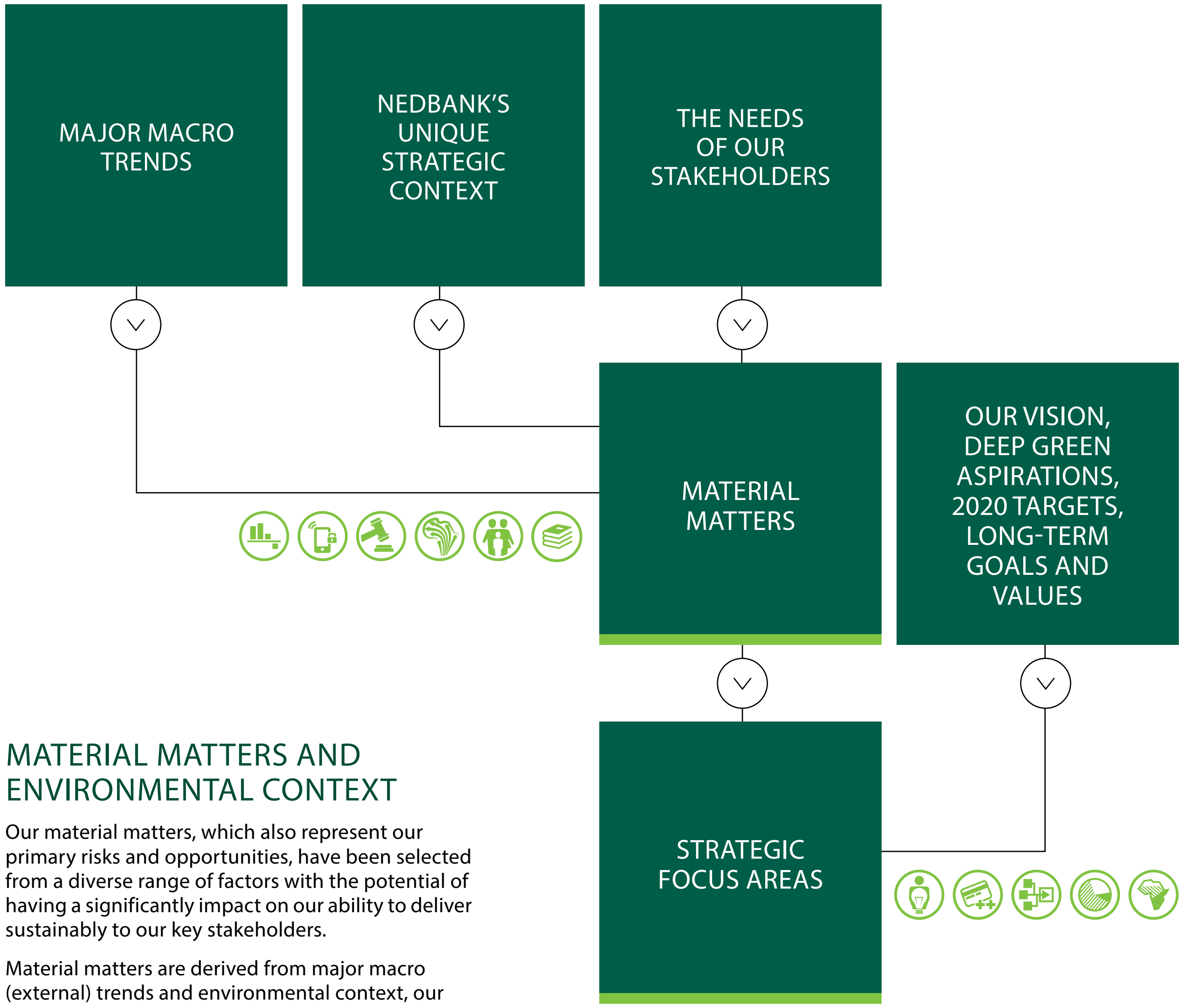
A strong and profitable business enables continued investment into our staff and operations, which in turn create value for our clients. Trust is core to our relationships with all our stakeholders and to creating value.

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).

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

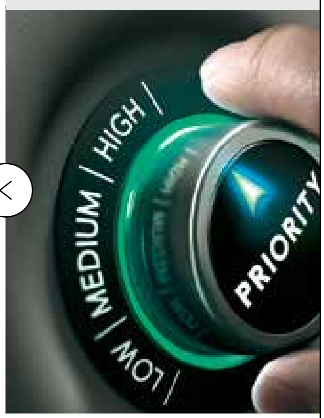
DETERMINING OUR MATERIAL MATTERS

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.



ASSESS

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

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.

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.

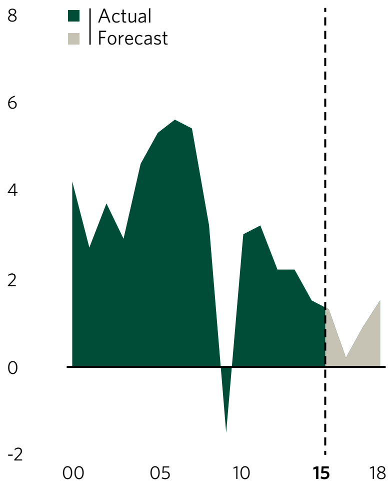
TOUGH ECONOMIC CONDITIONS WITH LIMITED FORWARD VISIBILITY

Macro trends

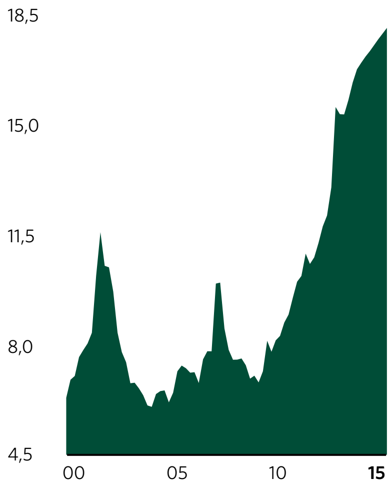
Globally and in SA economic conditions remain challenging. SA's GDP in 2015 was primarily impacted by energy constraints, lower resource prices and drought conditions (natural capital). Interest rates increased by 50 bps, contributing to SA's lowest GDP growth rate since the financial crisis. GDP growth 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.

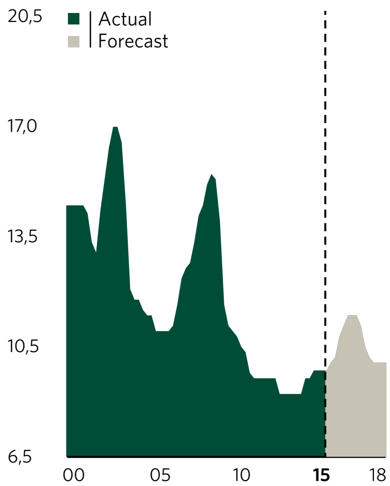
Risks

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.

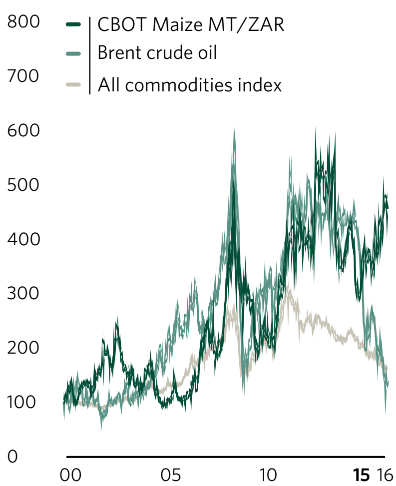
Opportunities

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

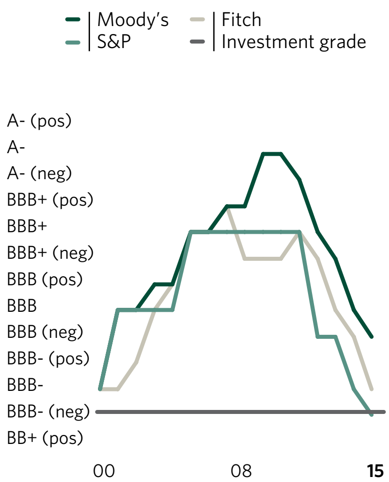
SA INTEREST RATES STILL RELATIVELY BENIGN
2000–2018
(%)



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

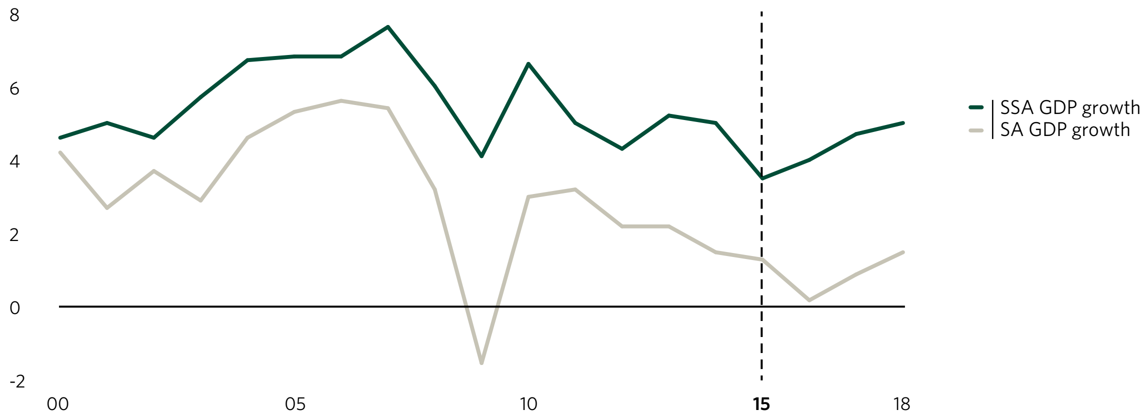
Currency volatility and the impact of lower commodity prices could continue to dampen the financial prospects of banks operating in Africa in the short to medium term.

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.

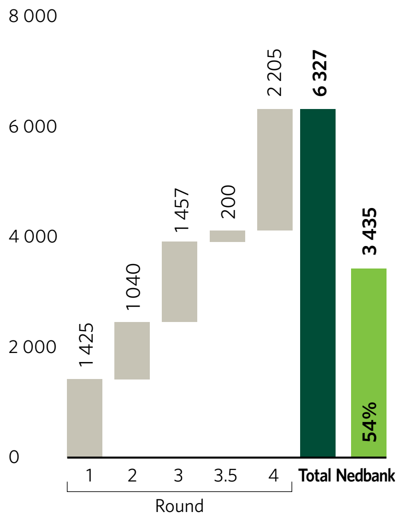
Strategic context

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.

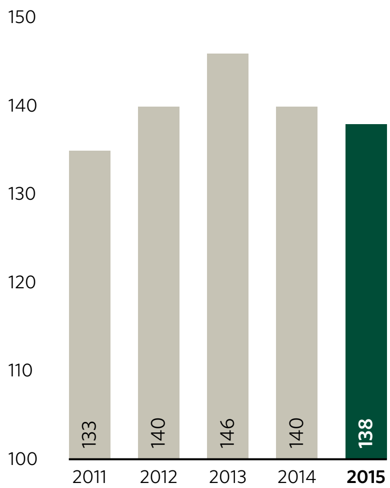
Strategic context

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.

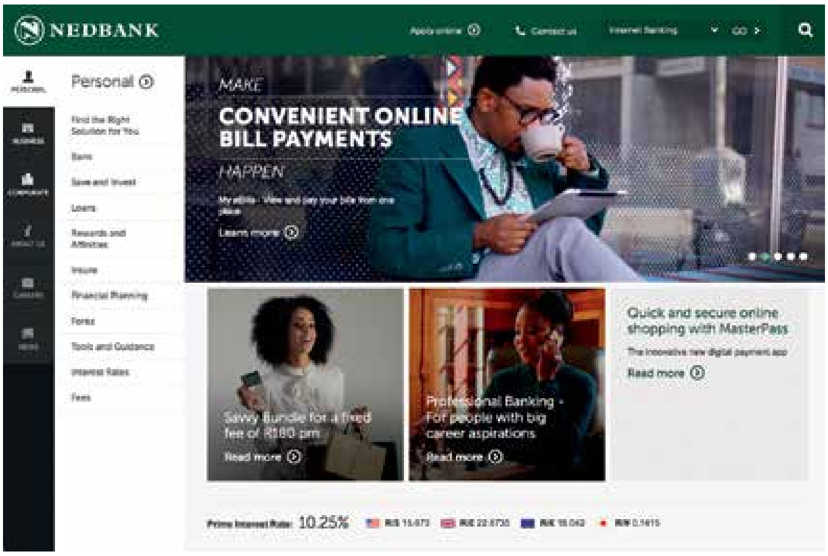
	STRATEGIC FOCUS				
MATERIAL MATTERS	Client-centred innovation	Grow our transactional banking franchise	Optimise and invest	Strategic portfolio tilt	Pan-African banking network
Tough economic conditions with limited forward visibility	>	^	^	^	^
Banking relevance amid consumerism and increased competition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

> 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

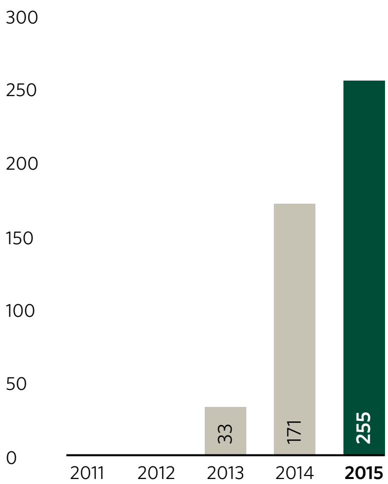
Our client-centred approach has resulted in Nedbank gaining a reputation as an innovative bank. We are increasingly being recognised for our market-leading digital innovations such as Market Edge™, Instant Bond Indicator™ as well as the new nedbank.co.za website, which is client-centred, leverages worldclass 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.	>	Continued strong growth in digital clients.
Innovative products	Various innovative market-leading products launched.	^	Continued focus.
'Branch of the future' outlets	255 outlets out of 708 converted to date (36%).	>	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).	>	New Nedbank brand launch planned for 2016.

^ Outperformed

> In line with expectations/targets

REFLECTING ON 2015 AND LOOKING AHEAD

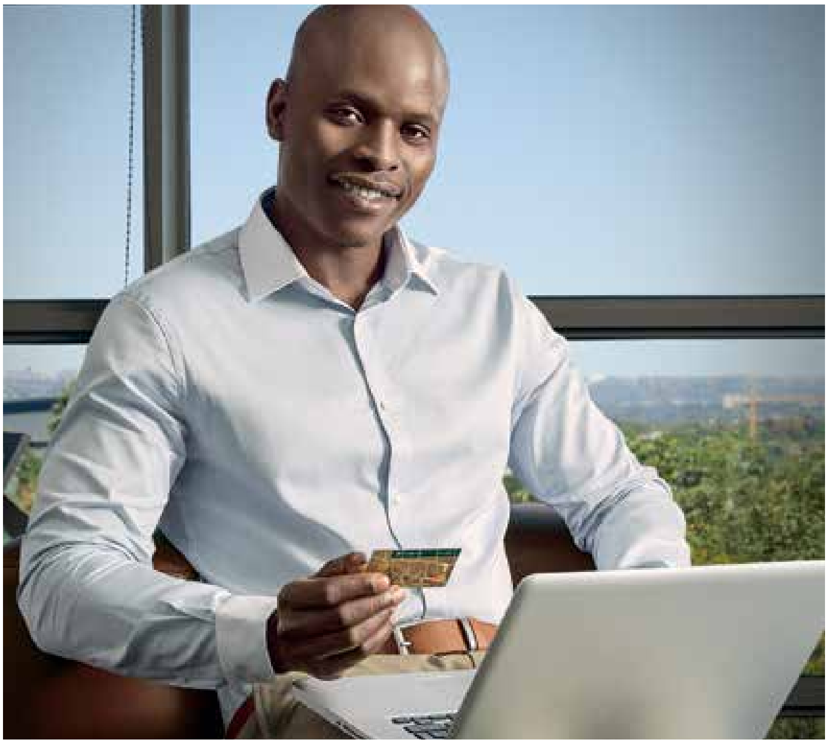
We have made good progress on all aspects of client-centred innovation, enabled by streamlined processes and a strong emerging culture of innovation. This is evident in the quantum of new clients that are digitally enabled and being one of SA most respected brands. Our focus on innovation will continue,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

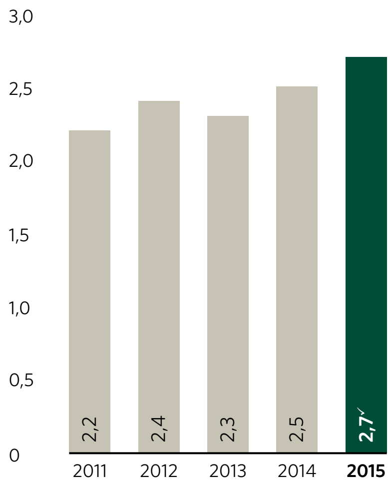
While we have consistently grown our share of main banked clients, we are growing off a low base and believe that there is still significant room to gain market share. We have increased our focus on the middle market and our historical focus of growing youth and entry-level clients will benefit us in 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.

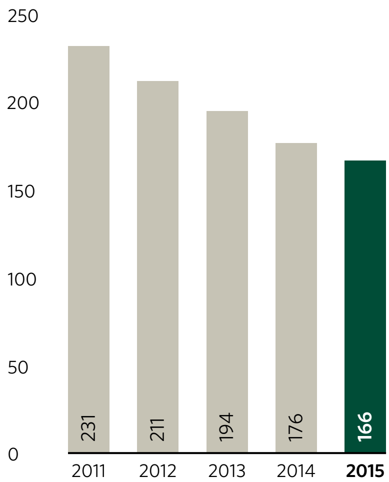
WHAT DOES IT MEAN FOR OUR STAKEHOLDERS

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-assessment	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.	∨	Grow the personal-loan book in line with the market.
Retail lending	6% book growth.	>	Grow wholesale advances ahead of retail.
Wholesale lending	13% book growth.	∧	
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.	>	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.

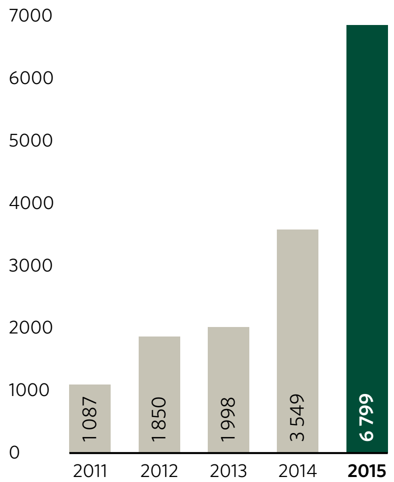
Our commitment to creating shareholder value through acquisitions that are ROE accretive underpins our capital-efficient and risk-mitigating strategies. From a capital-efficiency perspective, our approximately 20% shareholding in Ecobank was acquired at around one times price to book. At the same time 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

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.

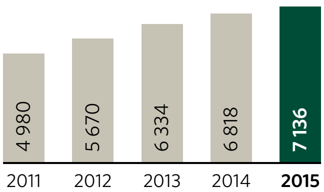
VALUE-ADDED STATEMENT

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

VALUE ALLOCATED

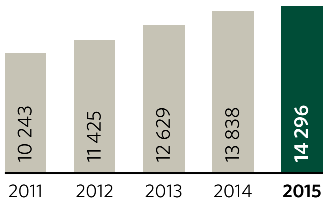
RETENTIONS FOR GROWTH
(Rm)

17,2%



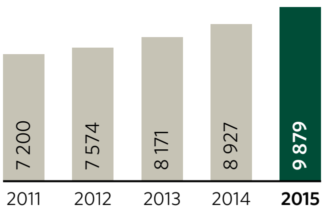
STAFF EXPENSES
(Rm)

34,4%



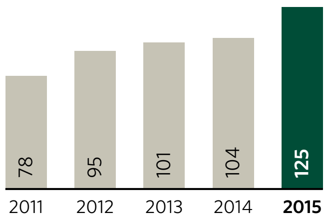
OTHER EXPENDITURE[1]
(Rm)

23,8%



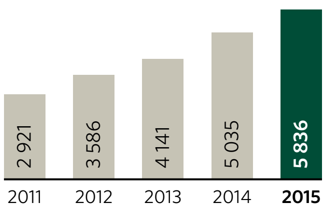
SOCIOECONOMIC DEVELOPMENT SPEND[4]
(Rm)

0,3%



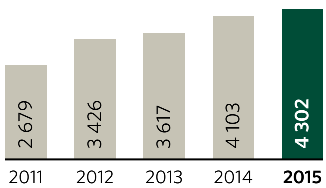
DIVIDENDS PAID TO SHAREHOLDERS[2]
(Rm)

14,0%



GOVERNMENT (TAXES)[3]
(Rm)

10,3%



You may be interested in:

Staff	Clients	Investors	Regulators	Communities
56–58	59–62	63–65	66–68	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.

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)	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.

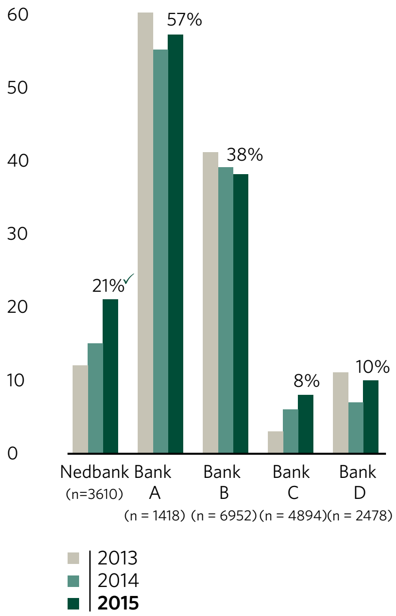
INNOVATING FOR OUR CLIENTS

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.	Commitments 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 Investments won both SA and offshore asset management company of the year in 2015 awards.	Top three domestic asset management 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)

HOW DID WE PERFORM? (OUTCOMES)	KPIs			Outlook for 2016
	Metric	2015	2014	
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.

Attractive valuation metrics.

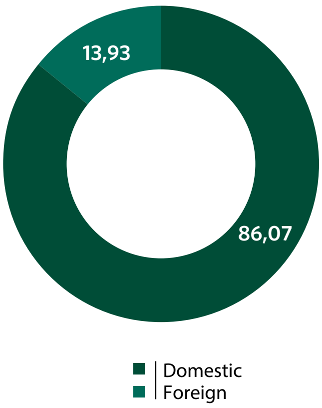
WHO ARE OUR SHAREHOLDERS AND THE INVESTMENT COMMUNITY?

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

(%)



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

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			Outlook for 2016
	Metric	2015	2014	
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

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.

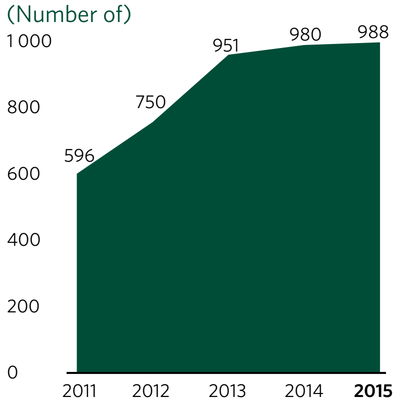
Other primary regulators include:

- 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)



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

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

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)

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

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:

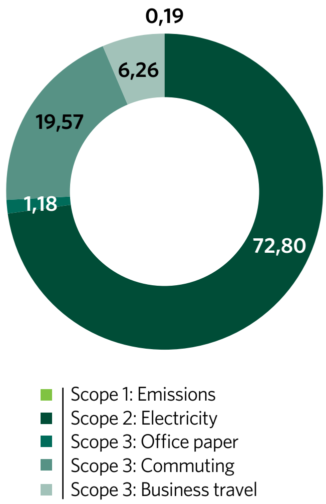
2015 Sustainability Review, available as a supplementary report at nedbankgroup.co.za.

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.

Furthercommunityengagement–Therewere 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

(%)



Resourcesconsumptionnotreflectedincludeswaterconsumptionof 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.

GLOBAL REPORTING INITIATIVE G4 INDEX

For the 2015 financial year we have used the Global Reporting Initiative (GRI) G4 guidelines. Our report is in accordance with the core requirements of GRI G4 and meets some of the requirements of the comprehensive level where we believe that this matter is material to Nedbank. We will continue to improve our reporting against the GRI G4 guidelines as our business matures on its integrated sustainability journey.

External assurance is the responsibility of a combined financial and non-financial team from Deloitte & Touche and KPMG Inc. Internal audit also forms part of our third line of defence, enhancing the credibility of our information. Financial information included in the integrated report has been extracted from the consolidated financial statements, over which the auditors expressed an unmodified opinion. Specific key performance indicators were included as part of the sustainability assurance engagement, details of which are included in the assurance opinion. These are available on nedbank.co.za/aboutus/integratedreport.

G4	Indicator		Description	UNGC Principles
	Strategy and analysis			
G4-1	Statement from the most senior decisionmaker of the organisation (such as chief executive officer, chair or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Core	Reflections of our Chief Executive Reflections of our Chairman	1–10
G4-2	Provide a description of key impacts, risks and opportunities		Determining our material matters Strategic focus areas Engaging with our stakeholders Sustainability governance process Managing social and environmental risk Pillar 3 Risk and Capital Management Disclosure Report	1–10 1–10 1-2,7–9
	Organisational profile			
G4-3	Name of the organisation	Core	Nedbank Group Ltd	
G4-4	Primary brands, products and/or services	Core	Overview of our group Our value-creating business model Delivering our strategy through our business clusters Enabling sustainability through products and services	7–9
G4-5	Location of organisation's headquarters	Core	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, Gauteng, SA	
G4-6	Number of countries of operation and most significant operations	Core	Overview of our group Company structure Reflections of our Chief Financial Officer	7–9
G4-7	Nature of ownership and legal form	Core	Overview of our group Company structure	
G4-8	Markets served (including geographical breakdown, sectors served, and types of customers and beneficiaries)	Core	Overview of our group Our value-creating business model Delivering our strategy through our business clusters	
G4-9	Scale of the organisation	Core	Overview of our group Our value-creating business model Delivering our strategy through our business clusters Reflections of our Chief Financial Officer Summarised five-year track record Enabling sustainability through our products and services Staff profile	3–6

G4	Indicator		Description	UNGC Principles
G4-10	(a) Total number of employees by employment contract and gender (b) Total number of permanent employees by employment type and gender (c) Total workforce by employees and supervised workers and by gender (d) Total workforce by region and gender (e) Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors (f) Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	Core	Staff profile Points (e) and (f) not applicable	1-2,3–6
G4-11	Percentage of total employees covered by collective-bargaining agreements	Core	Employee relations	3-6
G4-12	Nedbank Group's supply chain	Core	Adding value through a sustainable supply chain Governance and Ethics Review	 1-10
G4-13	Significant changes during the reporting period regarding Nedbank's size, structure, ownership or supply chain	Core	No significant changes during the reporting period	
G4-14	Precautionary approach or principle	Core	Managing social and environmental risk Governance and Ethics Review	7–9 1–10 1-6,10
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives, which Nedbank subscribes to or endorses	Core	Ratings and recognition Governance and Ethics Review	7–9 1-6,10
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations	Core	Sustainability governance Governance and Ethics Review	 1-10
	Identified material aspects and boundaries			
G4-17	■ Entities included in the organisation's consolidated financial statements or equivalent documents ■ Entities included in the organisation's consolidated financial statements or equivalent documents not covered by the report	Core	About our integrated report Company structure	7–9
G4-18	■ Process for defining the report content and the aspect boundaries	Core	About our integrated report	
G4-19	List all the material aspects identified in the process for defining report content	Core	Economic performance, compliance (environmental, social, product responsibility), employment, training and education, diversity and equal opportunity, human rights investment, non-discrimination, local communities, anti-corruption, product and service labelling, client privacy, product portfolio and active ownership.	
G4-20 -21	For each material aspect report the aspect boundary within and outside the organisation	Core	Aspect boundaries are as per the financial boundaries defined in the 2015 Nedbank Group Integrated Report. Determining our material matters About our integrated report	

G4	Indicator		Description	UNGC Principles
G4-22	Restatements of information	Core	No reclassifications and restatements were made to the group's statement of financial position and the statement of comprehensive income.	
G4-23	Significant changes from previous reporting	Core	None	
	Stakeholder engagement			
G4-24-27	List stakeholder groups engaged, the basis for selection of stakeholders with whom to engage, Nedbank's approach to stakeholder engagement and key topics and concerns raised through stakeholder engagement, as well as Nedbank's response	Core	Engaging with our stakeholders Stakeholder engagement Governance and Ethics Review	1-10 1-10
	Report profile			
G4-28	Reporting period	Core	About our integrated report	
G4-29	Date of most recent previous report (if any)	Core	About our integrated report	
G4-30	Reporting cycle	Core	About our integrated report	
G4-31	Contact point for questions regarding the report or its contents	Core	Contacts	
G4-32	GRI content index External assurance	Core	Our report is in accordance with the core requirements of G4. About our integrated report	
G4-33	Assurance Report	Core	About our integrated report Validating our sustainability journey Report from our independent auditors	1-10
	Governance			
G4-34	Nedbank's governance structure including committees responsible for decisionmaking on economic, environmental and social impacts	Core	Reflections of our Chairman Report from Group Transformation, Social and Ethics Committee Chairman Sustainability governance process Governance and Ethics Review	1, 2,7-10 1, 2,7-10 1-10
G4-35	Process for delegating authority for economic, environmental and social topics		Sustainability governance Governance and Ethics Review	
G4-36	Executive-level position responsible for economic, environmental and social topics		Sustainability governance Governance and Ethics Review	1-10
G4-37	Consultation between stakeholders, board and relevant governance committees on economic, environmental and social topics		Reflections of our Chairman Report from Group Transformation, Social and Ethics Committee Chair Sustainability governance structures Governance and Ethics Review	1-10
G4-38	Composition of the board and its committees		Board of directors Governance and Ethics Review	1-10
G4-39	Chair and executive officer positions		Governance and Ethics Review	1-10
G4-40	Nomination and selection processes for the board and its committees		Sustainability governance Governance and Ethics Review	1, 2,7-10 1-10
G4-41	Processes for the Nedbank board to ensure conflicts of interest are avoided and managed		Governance and Ethics Review	10
G4-42	The board's role in setting strategy, values, policies and goals related to economic, environmental and social impacts		Governance and Ethics Review	1-10
G4-43	Measures to develop and enhance the board's collective knowledge of economic, environmental and social topics		Report from Group Transformation, Social and Ethics Committee Chair Governance and Ethics Review	 1-10
G4-44-47	Process for evaluating the board's performance with respect to governance of economic, environmental and social topics and actions taken in response to the evaluation		Governance and Ethics Review	1-10

G4	Indicator		Description	UNGC Principles
G4-45-47	The board's role in: ▪ identifying and managing economic, environmental and social impacts, risks and opportunities ▪ using stakeholder consultation to support the identification and management of economic, environmental and social impacts, risks and opportunities ▪ reviewing the effectiveness of Nedbank's risk management processes for economic, environmental and social topics ▪ review of economic, environmental and social impacts, risks and opportunities		Reflections of our Chairman Report from Group Transformation, Social and Ethics Committee Chair Determining our material matters Sustainability governance process Stakeholder engagement Pillar 3 Risk and Capital Management Disclosure Report Governance and Ethics Review	7–9 7–9 1,2 3–6 1–10
G4-48	Committee that reviews and approves Nedbank's integrated report and supplementary sustainability information and ensures that all material aspects are covered		Group Transformation, Social and Ethics Committee	
G4-49	Process for communicating critical concerns to the board		Governance and Ethics Review	1–10
G4-50	Nature and number of critical concerns that were communicated to the board and the mechanism(s) used to address and resolve them		Pace of transformation; culture, employee wellbeing; procurement; ethics; environmental compliance; tax; audit: fees and findings; funding and liquidity; risk appetite; new products; regulatory change, succession planning, relationship with Old Mutual, expansion into Africa, deteriorating macro-economy, stress testing. Number of issues not disclosed	1–10
G4-51	▪ Remuneration policies for the board and senior executives ▪ Performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives		Reporting back on remuneration	1,2,3–6 3–6
G4-52	▪ Process for determining remuneration ▪ Report any other relationships which the remuneration consultants have with the organisation		Reporting back on remuneration We use consultants to advise our Group Remuneration Committee	3,6 3,6 3,6
G4-53	Stakeholders' views on remuneration, including the results of votes on remuneration policies and proposals		Reporting back on remuneration Report from Group Remuneration Committee Chair Notice of annual general meeting Form of proxy	3–6[1]
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees		Tracked and monitored internally, but not reported publicly Reporting back on remuneration	3,6
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees		Tracked and monitored internally, but not reported publicly Reporting back on remuneration	3,6
	Ethics and integrity			
G4-56	Nedbank's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics	Core	Our vision and values Governance and Ethics Review	3–6,1-10 1,2,1-10
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to Nedbank's integrity, such as escalation through line management, whistleblowing mechanisms or hotlines		Governance and Ethics Review Pillar 3 Risk and Capital Management Disclosure Report	1,2,10

G4	Indicator		Description	UNGC Principles
	Economic performance			
G4-EC1	Direct economic value generated and distributed		Our value-creating business model Reflections of our Chief Financial Officer Financial Review Our summarised five-year review Pillar 3 Risk and Capital Management Disclosure Report	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change		Determining our material matters Our approach to climate change	
G4-EC3	Coverage of the organisation's defined-benefit-plan obligations		Reporting back on remuneration	
G4-EC4	Financial assistance received from government		No financial assistance received from government	
G4-EC7	Development and impact of infrastructure investments and services supported		Enabling sustainability through our products and services 2015 Transformation Report	
G4-EC8	Significant indirect economic impacts		2015 Transformation Report Sustainability Review Committed to investing in people development	
G4-EC9	Proportion of spending on locally based suppliers		Procuring locally through value-adding suppliers	
	Energy			
G4-EN3	Energy consumption within the organisation		Carbon footprint measurement	
G4-EN5	Energy intensity		Carbon footprint measurement	
G4-EN6	Reduction of energy consumption		Carbon footprint measurement	
	Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		Carbon footprint measurement	
G4-EN16	Energy indirect GHG emissions (Scope 2)		Carbon footprint measurement	
G4-EN17	Other indirect GHG emissions (Scope 3)		Carbon footprint measurement	
G4-EN18	GHG emissions intensity		Carbon footprint measurement	
G4-EN19	Reduction of GHG emissions		Carbon footprint measurement	
G4-EN20	Emissions of ozone-depleting substances		Carbon footprint measurement	
	Compliance (environmental)			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		None for the period	
G4-FS1	Policies with specific environmental and social components applied to business lines	Core	Sustainability governance process Committed to responsible finance Managing social and environmental risk Approach to lending in our retail bank Governance and Ethics Review	3-9 1-10
G4-FS2	Procedures for assessing and screening environmental and social risks in business lines	Core	Sustainability governance process Committed to responsible finance Managing social and environmental risk Approach to lending in our retail bank Governance and Ethics Review	3-9 3-9 7-9 1-6,10
G4-FS3	Processes for monitoring clients' implementation of, and compliance with, environmental and social requirements included in agreements or transactions	Core	Sustainability governance process Committed to responsible finance Managing social and environmental risk Approach to lending in our retail bank	3-9 7-9 3-9

G4	Indicator		Description	UNGC Principles
G4-FS4	Processes for improving staff competence to implement the environmental and social policies and procedures as applied to business lines	Core	Entrenching sustainable thinking among our staff Reduction targets Pillar 3 Risk and Capital Management Disclosure Report Governance and Ethics Review	3-9 1,2,10
G4-FS5	Interactions with clients/investors/business partners regarding environmental and social risks and opportunities	Core	Engaging with our stakeholders Stakeholder engagement Leveraging carbon neutrality to maximum benefit Partnerships that help to drive our sustainability agenda	
G4-FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Core	Assurance statement online: nedbank.co.za/aboutus/integratedreport	
G4-FS15	Policies for the fair design and sale of financial products and services	Core	Innovating for our clients Pillar 3 Risk and Capital Management Disclosure Report	
	Employment			
G4-LA1	New employee hires and employee turnover		Staff profile	1,2,3-6
G4-LA2	Benefits provided to fulltime employees that are not provided to temporary or parttime employees		Reporting back on remuneration	1,2,3-6
	Training and education			
G4-LA9	Average hours of training per year per employee by gender and by employee category		Committed to investing in people development	1,2,3-6
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		Developing capable leadership Ensuring employee wellbeing	1,6
G4-LA11	Percentage of employees receiving regular performance and career development review		Rewarding for performance	1,6
	Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		Board of directors Staff profile Governance and Ethics Review	1,2,3-6
	Human rights investment			
G4-HR1	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		Applying the Equator Principles Governance and Ethics Review	1,2,3-6
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		Governance and Ethics Review	1,2,3-6
	Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken		Governance and Ethics Review	1,2,3-6
	Local communities			
G4-SO1	Operations with implemented local community engagement, impact assessments and development programmes		Applying the Equator Principles Leading through collaboration and partnership Stakeholder engagement 2015 Transformation Report	7-9
G4-FS13	Access points in low-populated or economically disadvantaged areas by type		Enterprise development Financial inclusion 2015 Transformation Report	7-9

G4	Indicator	Description	UNGC Principles
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	Products aimed at socioeconomic transformation Consumer financial education 2015 Transformation Report	1,2,3,6
	Anti-corruption		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Pillar 3 Risk and Capital Management Disclosure Report Governance and Ethics Review	10
G4-SO4	Communication and training on anti-corruption policies and procedures	Pillar 3 Risk and Capital Management Disclosure Report	10
G4-SO5	Confirmed incidents of corruption and actions taken	Pillar 3 Risk and Capital Management Disclosure Report None for the period	10
	Compliance (society)		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Pillar 3 Risk and Capital Management Disclosure Report R774 000 was paid in fines/penalties and settlements for non-compliance, largely due to tax penalties.	
	Product, service and labelling		
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant products and service categories subject to such information requirements	Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available for the group's clients. Relationship managers are also responsible for explaining the characteristics, benefits and implications of products to clients in accordance with the Financial Advisory and Intermediary Services (FAIS) Act. Product policies and procedures and product review committees are in place.	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Approximately 60 incidents of non-compliance, the majority of which relate to anti-money-laundering	
G4-PR5	Results of surveys measuring customer satisfaction	Innovating for our clients	
	Customer privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	We have not received any substantiated complaints regarding breaches of client privacy from any outside party or from our regulators. Where assets in the form of computers and cellphones were lost or stolen, the majority had been encrypted and there were therefore no breaches of client privacy to which we were alerted. We are proactively working on our privacy data breach management and response processes with a view to further refining and identifying losses of such data in order to ensure that we stay abreast of advancements and regulatory developments in this regard.	
	Compliance (product and service)		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No significant amounts paid for the period	

G4	Indicator	Description	UNGC Principles
	Product portfolio		
G4-FS6	Percentage of the portfolio for business lines by specific region, size (eg micro/SME/large) and by sector	Overview of our group Our value-creating business model Delivering our strategy through our business clusters Our summarised five-year track record	
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Applying the Equator Principles Enabling sustainability through our products and services 2015 Transformation Report	
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Applying the Equator Principles Enabling sustainability through our products and services	
	Active ownership		
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	During 2015 all new applications and credit risk reviews of high-risk clients in Nedbank Corporate and Investment Banking (CIB) were included in the SEMS assessment process. Where relevant, certain deals were also assessed using the Equator Principles. More than 512 clients and/or deals were assessed in 2015, compared with 450 in 2014.	
G4-FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	Nedgroup Investments voting policy – http://www.nedgroupinvestments.co.za/Content/Files/Documents/Nedgroup%20Investments%20Proxy%20Voting%20Guidelines.pdf	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	Implementing principles for responsible investment Our summarised five-year track record	

OUR CONTACTS DETAILS

Driekie Havenga

Nedbank Ethics Officer
Enterprise Governance and Compliance
+27 11 295 6944
driekieh@nedbank.co.za

Kerri Savin

Stakeholder Engagement Manager
Enterprise Governance and Compliance
+27 11 295 5672
kerris@nedbank.co.za