AR Annual Results 2016

Preliminary audited results for the year ended 31 December 2016

NEDBANK

A Member of the OLDMUTUAL Group

Excellent performance from Nedbank Group's managed operations, offset by loss from ETI associate

'Nedbank delivered a solid performance in 2016, with excellent growth from our managed operations offsetting an attributable loss from our associate ETI. Excluding ETI, headline earnings from our managed operations grew 16,2% and ROE, excluding goodwill, was 18,1%, driven by strong revenue generation and good credit risk management.

CIB's earnings growth of 15,5% reflects the benefits to revenue generation from deeper client penetration as a result of the integrated business model. RBB's ROE increased from 16,6% to 18,9% and was supported by middle-market transactional client growth of 6,3% and market share gains in key advances and deposit categories, resulting in transactional revenues increasing 8,7%. Nedbank Wealth produced reasonable growth while maintaining a high ROE.

The performance of our approximately 20% investment in ETI was below our expectations, as it was impacted by weaker economic conditions in West Africa and currency volatilities, particularly in Nigeria. This led to the carrying value of our investment in ETI decreasing to R4,0bn at year-end, including an impairment provision of R1,0bn based on the value-in-use calculation performed in terms of International Financial Reporting Standards.

Conditions in the key markets in which ETI operates are currently expected to remain difficult in 2017, before improving in 2018 and beyond. Our performance guidance for the full year in 2017 is currently for growth in diluted headline earnings per share to be greater than the consumer price index plus GDP growth.'

Mike Brown
Chief Executive

Headline earnings
▲ **5,9%** to R11 465m
(excl ETI)
▲ **16,2%** to R11 839m

Diluted HEPS
▲ **4,8%** to 2 350

Tier 1 capital adequacy ratio
▲ **13,0%** (2015: 12,0%)

ROE (excl goodwill)
▼ **16,5%**

Credit loss ratio
▼ **68 bps** (2015: 77 bps)

Full-year dividend per share
▲ **8,4%** to **1 200** cents

2016 Annual results commentary

BANKING AND ECONOMIC ENVIRONMENT

Global political and economic risk increased sharply as 2016 progressed, intensified by the UK's unexpected decision to leave the European Union (Brexit), the election of Mr Donald Trump as US president and the general surge in antiglobalisation sentiment across many developed countries. These developments have fuelled uncertainty, triggered significant changes in global investment strategies and undermined capital flows to many emerging economies. Economic growth in a number of emerging countries was affected by political challenges, the prolonged downturn in global commodity prices or severe drought conditions. The International Monetary Fund estimates marginally slower global growth in 2016 of 3,1% (2015: 3,2%) due to advanced economies easing to 1,6% (2015: 2,0%) and emerging markets expanding to 4,1%, with growth in sub-Saharan Africa slowing sharply to 1,6% (2015: 3,4%).

Growth of SA gross domestic product (GDP) slowed to 0,4% for the first three quarters of 2016, relative to growth of 1,3% in 2015. Rand volatility reflected the decline in business and investor confidence in SA and the risk of the sovereign credit rating being downgraded to subinvestment-grade levels by at least one of the rating agencies. Inflation increased above the upper 6,0% target range of the South African Reserve Bank (SARB) to end the year at 6,8% and, as a result, the prime interest rate increased by 75 basis points (bps) to end the year at 10,50%.

Following the combined efforts of government, business and labour to avert a sovereign-ratings downgrade and promote higher levels of inclusive growth, all three major rating agencies, S&P Global Ratings, Moody's and Fitch, reaffirmed SA's investment-grade status in 2016. The risk of a downgrade remains in 2017, with two agencies ranking SA at only one notch above subinvestment grade and all three agencies placing the country on a negative outlook. A ratings downgrade will negatively impact all South Africans, and to avert this, the SA economy requires higher levels of inclusive growth. We will continue to work with business, government and labour to achieve this.

Tough macro conditions continued to place household finances and company profits under pressure. Credit demand has slowed down substantially, with weak levels of growth in loans to households and companies, and modest growth in total private sector credit extension of 4,6% in November 2016, compared with 10,2% at the end of 2015. The progress in 2016 on the ratings front, coupled with a moderate improvement in global commodity prices and expectations of stronger global growth in 2017, lifted the rand to end 2016 almost 19% stronger against its trade-weighted basket of currencies. The SARB has indicated that the interest rate cycle is close to its peak, as inflation is forecast to return to within the target range during 2017.

REVIEW OF RESULTS

Despite this challenging background, Nedbank Group's managed operations produced an excellent performance for the year ended 31 December 2016, driven by net interest income (NII) and non-interest revenue (NIR) growth, while historic loan origination practices and focused credit risk management enabled the credit loss ratio (CLR) to remain below the mid-point of our through-the-cycle (TTC) target range. Headline earnings grew 5,9% to R11 465m and, excluding the impact of Ecobank Transnational Incorporated (ETI), our managed operations grew headline earnings by 16,2% to R11 839m.

Diluted headline earnings per share (DHEPS) increased 4,8% to 2 350 cents (2015: 2 242 cents) and headline earnings per share (HEPS) grew 5,1% to 2 400 cents (2015: 2 284 cents). Excluding ETI, DHEPS was up 15,1%.

Return on average ordinary shareholders' equity (ROE), excluding goodwill, of 16,5% (2015: 17,0%) and ROE of 15,3% (2015: 15,7%) reflect a slightly lower return on assets (ROA) of 1,23% (2015: 1,25%) as a result of the loss in equity-accounted earnings from ETI. Excluding ETI, the ROA was 1,27% (2015: 1,18%). Economic profit (EP) decreased to R1 565m (2015: R2 525m) due to the impact of ETI and a higher cost of equity (COE) of 14,2% (2015: 13,0%).

Our tier 1 capital ratio of 13,0% (2015: 12,0%) and our average liquidity coverage ratio (LCR) for the fourth quarter of 109,3% (2015 quarterly average: 88,5%) are both well above regulatory requirements of 8,375% and 70,0% respectively. On a pro forma basis our net stable funding ratio (NSFR) is above 100%.

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS IN 2016

Banks play an important role in a nation's economy by providing a safe foundation for individuals and businesses to invest or deposit their money, which in turn enables banks to advance loans to individuals and businesses. The ability of society to borrow from banks helps individuals build homes for their families or have transport to travel to work, and businesses to grow and create jobs. Banks essentially facilitate economic growth and job creation, helping our nation to become stronger and better.

As a bank we are deeply committed to our purpose of using our financial expertise to do good for individuals, families, businesses and society. Through our role in SA's society and the economy as a whole we not only contribute directly to our staff, clients, shareholders, regulators and communities, but we also create long-term value for future generations of South Africans.

For staff

We created 1 089 new permanent-employment opportunities and invested R413m in staff training, with more than 19 600 staffmembers participating in learning interventions and 1 140 staffmembers being supported through bursaries for further development. We also assisted 2 379 staffmembers with their children's education commitments and 1 127 staffmembers with medical costs not covered by medical aid or gap cover. In continuing to support our country to reduce unemployment among the youth and address skills shortages, in the past five years we have successfully engaged 699 external bursars across 19 universities and 11 038 individuals through learning programmes and learnerships, including 449 candidates through several of our graduate programmes for chartered accountants, quantitative analysts and various other professionals. Cumulatively, over 84% of the youth given learnership and agraduate opportunities are black and 52% are women. Nedbank's leading position as a top empowerment company in the financial services sector and a leader of transformational change in SA was recognised at the 15th Annual Oliver Empowerment Awards, where we were honoured as Legend of Empowerment and Transformation.

For clients

We provided innovative offerings and improved client access by rolling out an additional 219 Intelligent Depositors, including 170 self-service devices, 6 025 new point-of-sale devices, and converting a further 45 branches to smaller and more digitally focused branches of the future since December 2015. Retail main-banked clients increased 3,0%, including middle-market clients by 6,3% and digitally enabled and active clients grew strongly, driving up the value of Nedbank App Suite™ transactions by 60,0% to R25,0bn. Information technology (IT) system stability was maintained at 99,89% and we processed over 15bn transactions, enabling our clients to pay for goods and services. We advanced R162bn (2015: R185bn) of new loans to clients, including R80,9bn to Retail and Business Banking (RBB) clients and R25,7bn to small and medium enterprises (SMEs) and Business Banking clients, as well as R3,9bn for affordable housing to Corporate and Investment Banking (CIB) clients. In addition, over R50bn of infrastructure finance was drawn and committed. Assets under management grew by 6,2% to R273,3bn (2016: R257,3bn), with Nedgroup Investments placed among the top three domestic management companies for the eighth consecutive year, in addition to winning in the Offshore Management Company of the Year category and achieving third place in the South African Management Company of the Year category at the 21st Annual Raging Bull Awards.

For shareholders

We increased net asset value per share to 15 830 cents (2015: 15 685 cents) and delivered EP of R1 565m and a total shareholder return of 32,3%, including increasing the dividend 8,4%. We also realised R8,2bn in value for over 500 0000 of our broad-based black economic empowerment (BBBEE) shareholders through our BBBEE schemes on maturity. We also engaged constructively with shareholders in over 350 meetings, and at our 49th annual general meeting all resolutions were passed with more than 90% votes of approval. We ensure transparent, relevant and timeous reporting and disclosure to shareholders, as acknowledged by Nedbank's Integrated Report being ranked in the top tier of JSE-listed companies by EY, Chartered Secretaries and Nkonki.

For regulators

We maintained full compliance with Basel III phase-in requirements, achieving an improved tier 1 ratio of 13,0%, an average long-term funding ratio of 29,6% and an average LCR ratio of 109,3% in the fourth quarter. We have invested over R100bn in government and public sector bonds as part of our high-quality liquid-asset (HQLA) requirements and, in doing so, remain committed to making a meaningful contribution to the SA economy, thereby supporting the funding needs of government. We also made cash taxation, contributions of R8,7bn relating to direct, indirect, pay-as-you-earn and other taxation, maintained transparent relationships and worked closely with all regulators to ensure efficient delivery of the various regulatory programmes and achieved anti-money-laundering remediation of high-risk clients by the planned due dates.

For communities

We supported local businesses and the SA economy, purchasing 75,0% of our procurement spend locally, with 22,9% from black economic empowerment (BEE) suppliers, 12,5% from black-women-owned organisations and 16,7% from SMEs. We won the Chartered Institute of Procurement and Supply (CIPS) award for the Best Supplier and Enterprise Development Project for the pan-African region in recognition of our support of local SMEs. Since 2012, we have contributed R634m to socioeconomic development, with R141m in 2016, of which more than 50% was allocated to education. In addition, we supported students in the Fees Must Fall campaign by contributing R11m towards bursaries, registration fees and student debt. The Mogale Empowerment Trust was established with an investment of R100m in the MTN Zakhele Futhi Scheme, and dividends earned on investments will be distributed to beneficiaries, targeting black student bursaries and enterprise development initiatives. Since its inception in 1990 our four affinities have contributed more than R350m to more than 1 200 projects across their social and environmental development focus areas. In recognition of our contribution to society in SA, Nedbank was ranked second by peers in the *Trialogue CSI Handbook* for 2016 for our developmental impact and corporate social investment, and rated first by non-governmental institutions. Our Fair Share 2030 strategy enabled more than R2,3bn of new lending to support student accommodation and embedded energy in the commercial and agricultural sectors. We have committed R35bn towards renewable-energy deals, of which R13,3bn has been disbursed to date. Our pipeline for the funding of green buildings continues to grow, with more than R5,2bn committed over the next two years. We have maintained our level 2 BBBEE contributor status for the eighth consecutive year.

CLUSTER FINANCIAL PERFORMANCE

Nedbank's managed operations generated headline earnings growth of 16,2% to R11 839m (2015: R10 187m) and delivered an ROE of 16,7%.

	% change	Headline earnings (Rm)[1]		ROE (%)	
		2016	2015	**2016**	2015
CIB	15,5	**6 014**	5 208	**21,1**	22,6
RBB	11,2	**4 960**	4 460	**18,9**	16,6
Wealth	5,1	**1 192**	1 134	**35,2**	41,5
Rest of Africa subsidiaries	85,1	**87**	47	**2,1**	1,4
Centre	37,5	**(414)**	(662)		
Nedbank managed operations	16,2	**11 839**	10 187	**16,7**	15,5
ETI	> (100,0)	**(374)**	644	**(9,7)**	18,1
Total	5,9	**11 465**	10 831	**15,3**	15,7

Nedbank CIB's excellent growth in headline earnings was driven by strong revenue generation while maintaining a strong ROE despite the increase in capital allocation. Growth in revenue was underpinned by transactional banking client gains and deeper client penetration through improved and coordinated client value management across all business units.

RBB continued to improve its ROE, with Retail achieving an ROE of 17,6%, well above the group's COE of 14,2%. RBB grew transactional revenue by 8,7%, driven by growth in transactional clients, particularly in the middle market, and market share gains in selected advances and deposit categories. In addition, collections were well managed and impairments remained below the TTC target range, with continued improvement in the personal-loan CLR.

Nedbank Wealth produced reasonable growth while maintaining a high ROE. This was supported by strong balance sheet growth and continued low levels of impairments in Wealth Management. Despite subdued markets, assets under management increased 6,2%, while Insurance earnings declined due to higher weather-related claims and lower investment income.

Rest of Africa's earnings were negatively impacted by earnings from our associate, ETI. The Southern African Development Community (SADC) subsidiaries grew headline earnings off a low base, supported by lower headoffice costs and improved impairments, while we continued to invest in staff, systems, distribution channels and regulatory compliance.

The decrease in losses in the Centre was largely due to the lower cost of basis risk retained in the Centre.

FINANCIAL PERFORMANCE

Net interest income

Strong NII growth of 10,6% to R26 426m (2015: R23 885m) was underpinned by growth in average interest-earning banking assets of 7,0% and net interest margin (NIM) expansion to 3,41% (2015: 3,30%).

The margin improved by 11 bps, benefiting from endowment income of 18 bps, following the 102 bps increase in average interest rates in 2016. This benefit was partially offset by among others:

- 3 bps of asset pricing and asset mix changes, although the negative mix effect has slowed down materially as our personal-loan advances book has started to grow; and
- 5 bps of cost of largely Basel III-related liquidity and funding initiatives.

To align with industry practice from November 2016 average balances of R6bn in the CIB liquid-asset portfolio were included in our trading book and removed from average interest-earning banking assets used as the denominator in the NIM calculation. This HQLA portfolio, together with the associated market risk, is managed as part of the trading book within the group's Market Risk Framework. The full-year 2016 NIM would have been 3,54% if the remaining R28bn of average balances had been removed at the beginning of the year. This change has no effect on NII.

Impairments charge on loans and advances

Impairments decreased by 4,9% to R4 554m (2015: R4 789m) and the CLR improved to 0,68% (2015: 0,77%) supported by lower impairments across all our clusters.

The CLR reflects improvements in CIB's impairments following the increase in oil and other commodity prices and the settlement or successful restructuring of certain counters during the year. RBB's CLR improved to below the lower end of its TTC target range. The improvement was underpinned by lower impairments in Personal Loans and Business Banking. Postwriteoff recoveries remained stable at R1 157m (2015: R1 137m), of which R398m (2015: R398m) was attributable to Personal Loans and R370m (2015: R280m) to MFC.

CLR (%)	% banking advances	Dec 2016	June 2016	Dec 2015	TTC target ranges
CIB	**48,9**	**0,34**	0,31	0,40	0,15 – 0,45
RBB	**43,9**	**1,12**	1,23	1,14	1,30 – 1,80
Wealth	**4,4**	**0,08**	0,16	0,15	0,20 – 0,40
Rest of Africa	**2,7**	**0,98**	0,76	1,25	0,65 – 1,00
Group		**0,68**	0,67	0,77	0,60 – 1,00

Total defaulted advances increased to R19 553m (2015: R17 559m), representing 2,72% of advances (2015: 2,53%). The increase was largely due to the implementation of the SARB-driven new curing definition, which resulted in cured defaulted accounts being kept in defaulted status for six months after curing. In addition, RBB's defaulted advances increased off a low base on the back of cyclical increases in the secured lending and card portfolios. The slight increase in CIB's defaulted advances reflects stress in new sectors following the settlement or successful restructuring of certain counters. Excluding the effect of the new curing definition, defaulted advances increased by 5,0% to R18 445m, which is a more accurate reflection of the underlying trend in the quality of the book.

The total coverage ratio of 62,2% (2015: 65,0%) includes specific coverage of 37,4% (2015: 38,0%) and portfolio coverage on the performing book of 0,69% (2015: 0,70%). The lower specific coverage was largely driven by the new curing definition, which led to RBB's ratio decreasing to 41,1% (2015: 45,6%). Excluding the effect of the new curing definition, specific coverage would have been 45,3%. CIB's specific coverage increased to 26,3% (2015: 17,1%) in line with the settlement and/or restructuring of certain counters during the year. Nedbank Group's advances portfolio has an approximate 60% weighting in wholesale advances where specific provisions are determined on a deal-by-deal basis. Most wholesale advances are secured by collateral, including deep security pools held against our commercial-property-finance portfolio. This creates a relatively lower loss given default and, as a function of this, lower specific coverage levels in CIB and consequently at group level.

The portfolio coverage ratio in CIB remained stable at 0,29% and, since June 2016, central portfolio provisions increased by R150m to R500m, remaining at the same level at year-end as in 2015. Additional overlays held in RBB decreased to R654m

(2015: R699m), mainly due to a reduction in overlays held for the unsecured-debt portfolio. These provisions take into account our assessment of the risks in some of the more stressed sectors of the economy and other risks that have been incurred but have not yet emerged.

Nedbank's International Financial Reporting Standard (IFRS) 9 implementation programme is on track and we are well positioned for a parallel run in 2017. While we expect a transitional increase in balance sheet provisions in line with the requirements of the standard, this is not anticipated to have a significant impact on our capital adequacy levels.

Non-interest revenue

NIR grew 8,1% to R23 503m (2015: R21 748m), primarily driven by:

- Commission and fee income growth of 6,8% to R16 686m (2015: R15 627m), following gains in quality retail clients along with improved client coverage in CIB as the integration continues to deliver revenue benefits.
- Insurance income decreasing 5,6% to R1 727m (2015: R1 830m) as a result of higher weather-related claims.
- Trading income increasing 18,8% to R3 761m (2015: R3 167m) from higher market volatility, good client flows and deeper client penetration in CIB.
- Private-equity income increasing to R929m (2015: R886m) due to positive revaluations in certain entities, partly offset by lower profits realised.

Expenses

Expenses continue to be managed within expectations and increased 8,6% to R28 366m (2015: R26 110m), mainly as a result of:

- Staff-related costs increasing 8,6%, consisting of –
  - 7,4% growth in remuneration and other staff costs, driven by a 6,3% average annual salary increase and additional staff hires, mainly for regulatory change programmes;
  - a 10,5% increase in short-term incentives in line with key performance metrics in managed operations, offset by the impact of ETI; and
  - a 33,0% increase in long-term incentives as we perform better against the group's corporate performance targets, thereby increasing expected vesting levels.
- Computer processing costs increasing 14,2% to R4 047m, including amortisation costs that increased 11,3% to R799m following the capitalisation of IT projects and branch reformatting costs.
- Fees and insurance costs being 8,5% higher at R3 040m following increased volumes of revenue-generating activities such as cash handling and card issuing and acquiring.

The group's growth in revenue of 9,4% exceeded growth in expenses. Excluding ETI, the JAWS ratio from managed operations was positive at 0,8% (2015: -0,7%). The efficiency ratio increased to 56,9% (2015: 56,2%), while this metric improved to 56,4% (2015: 56,8%) if ETI is excluded.

Earnings from associates*

The earnings in associates decreased to a loss of R105m (2015: R871m profit). This mainly comprised the equity-accounting of our 21,2% share of ETI's Q4 2015 loss of R676m, which was partly offset by our share of profits for the nine-month period ended 30 September 2016 of R551m, in line with our policy of accounting for ETI earnings a quarter in arrear. The total headline earnings impact of ETI for 2016 was a negative R374m, including the R249m impact of funding costs.

* *Refer to the first paragraph under Audited Summary Consolidated Financial Statements – Independent Auditor's Opinion on page 9.*

The carrying value of Nedbank Group's strategic investment in ETI decreased from R7,8bn to R4,0bn during the year, due to a combination of foreign currency translation losses arising from the naira devaluation and therefore ETI's balance sheet decreasing in US dollars, the rand strengthening against the US dollar, our share of losses incurred by ETI during the 12 months to 30 September 2016, as well as an impairment provision of R1,0bn.

The market value of the group's investment in ETI, based on its quoted share price, was R2,4bn on 31 December 2016 and R2,1bn on 24 February 2017. The ETI share trades in low volumes, given its low free float, while also being listed in an illiquid market. The difference between market value and carrying value is significant and prolonged, which has represented evidence of an impairment indicator at 31 December 2016.

Where there is an impairment indicator, IFRS determines that an impairment test be computed, which compares the value in use (VIU) and the carrying value of the investment. The computation of the VIU in accordance with IFRS is subject to significant judgement as it is based on, inter alia, economic estimates, macro assumptions and the discounting of future cashflow estimates. This is particularly complicated in the current economic environment in many of the jurisdictions in which ETI operates and with the limited public information available. As a result, management has computed the VIU based on a number of scenarios by taking into account publicly available information. Based on the results of this VIU calculation, management determined that an impairment provision of R1,0bn was appropriate. This has reduced the carrying value of the group's investment to R4,0bn at 31 December 2016.

This calculation is required to be revisited at each reporting period where the indicators of impairment would be reconsidered and the VIU calculation would be reassessed taking into account any future changes in estimates and assumptions. Any significant changes after this reporting period that require the VIU calculation or underlying carrying value of the ETI investment to be revisited could result in a further impairment or a release of the current R1,0bn impairment provision. The impairment was recorded within 'non-trading and capital' items and does not impact headline earnings. Regulatory capital was not impacted as the impairment amount was less than the full threshold deduction already taken against regulatory capital.

The group's strategic investment in ETI has been impaired in accordance with the IFRS accounting considerations and the main driver of this was the significant change in the economic estimates and macro assumptions from Nigeria. ETI remains an important long-term investment for Nedbank, providing our clients with a pan African transactional banking network across 39 countries and access to dealflow in Central and West Africa since its acquisition in 2014. We remain supportive of ETI's endeavours of delivering an ROE in excess of its COE in due course. Conditions in the key markets in which ETI operates are currently expected to remain difficult in 2017, before improving in 2018 and beyond.

STATEMENT OF FINANCIAL POSITION

Capital

The group continued to strengthen its capital position and we operated well within and/or above our internal capital adequacy targets. Our tier 1 ratio improved to 13,0% (2016: 12,0%) as a result of strong organic capital generation and the issue of R2,0bn of additional tier 1 capital. Initiatives for risk-weighted asset optimisation in certain retail portfolios provided further support.

The group's total capital ratio was further strengthened with the successful issuance of R2,0bn of tier 2 capital instruments.

Basel III	Dec 2016	Jun 2016	Dec 2015	Internal target range	Regulatory minimum[2]
CET1[1] ratio	**12,1**	11,6	11,3	10,5 – 12,5	6,875
Tier 1 ratio	**13,0**	12,5	12,0	> 12,0	8,375
Total capital ratio	**15,3**	14,5	14,1	> 14,0	10,375

(Ratios calculated include unappropriated profits.)
[1] *Common equity tier 1.*
[2] *The Basel III regulatory requirements are being phased in between 2013 and 2019, and exclude any idiosyncratic or systemically important bank minimum requirements.*

Our strong capital base supports our dividend cover of 2,00 times, which recognises our capacity to generate internal capital in the economic environment projected in our business plans and takes into account that our approximate 20% share of associate earnings or losses from ETI does not impact regulatory capital.

Funding and liquidity

Optimising our funding profile and maintaining a strong liquidity position remain priorities for the group in the current environment.

The group's three-month average long-term funding ratio improved to 29,6% for the fourth quarter of 2016 (December 2015: quarterly average of 28,7%), supported by growth in Nedbank Retail Savings Bonds of R4,7bn to R19,2bn and the successful issue of R10,8bn in senior unsecured debt. Our funding profile benefited from our market share in the medium-to-longer-term wholesale funding buckets, which reduced our LCR HQLA requirements and consequently, the all-in total cost of wholesale funding.

The group's quarterly average LCR of 109,3% (December 2015: 88,5%) exceeded the minimum regulatory requirement of 70% in 2016 and 80% from 1 January 2017. In addition, the group maintained appropriate operational buffers to absorb seasonal and cyclical volatility in this ratio. We will continue to do this as we proactively position our balance sheet during the phase-in period as the LCR regulatory requirement increases by 10% per annum to 100% by 1 January 2019.

Nedbank Group Limited LCR	Dec 2016	Jun 2016	Dec 2015
HQLA (Rm)	**137 350**	127 114	117 997
Net cash outflows (Rm)	**125 692**	136 469	133 272
Liquidity coverage ratio (%)[3]	**109,3**	93,1	88,5
Regulatory minimum (%)	**70,0**	70,0	60,0

[3] *Average for the quarter.*

Further details on the LCR are available in the table section of the Securities of Exchange News Service (SENS) announcement.

Nedbank's portfolio of LCR compliant HQLA increased to a quarterly average of R137,4bn (December 2015: quarterly average R118,0bn). Together with our portfolio of quick-liquidity sources, the total available quick liquidity amounted to R180,4bn (2015: R160,7bn), representing 18,7% of total assets.

SARB released a directive on 8 August 2016 confirming that the available stable funding factor applicable to wholesale deposits in the 0-to-6-month bucket will be increased from 0% to 35% to better reflect the actual stability of these deposits in the SA context. Taking cognisance of the finalised Basel Committee on Banking Supervision (BCBS) NSFR standard and the directive issued by SARB, Nedbank is already compliant with the minimum requirements that will become effective on 1 January 2018, as our NSFR on a pro forma basis, at 31 December 2016 was above 100%.

The remaining key focus areas relating to the NSFR are finalising a number of minor interpretational matters and ensuring that compliance is achieved within the context of balance sheet optimisation.

Loans and advances

Loans and advances increased 3,7% to R707,1bn (2015: R681,6bn). Advances growth continued to be led by wholesale banking, although the rate of growth slowed down while growth in retail advances has remained relatively stable.

Loans and advances by cluster are as follows:

Rm	% change	Dec 2016	Dec 2015
CIB	4,1	**370 199**	355 784
Banking activities	4,2	**335 113**	321 699
Trading activities	2,9	**35 086**	34 085
RBB	3,6	**289 882**	279 929
Wealth	1,3	**28 577**	28 206
Rest of Africa	18,6	**19 582**	16 515
Centre	> (100,0)	**(1 163)**	1 198
Group	3,7	**707 077**	681 632

CIB's advances growth was mostly from commercial-mortgage advances increasing by 12,1% and term loans by 10,5% on the back of a good deal pipeline. Our leading market share of 42% in commercial mortgages continued to be underpinned by a strong client base and a large, secure asset pool.

Advances growth in RBB was driven by MFC, Personal Loans and Card growing ahead of the industry, while Home Loans grew at market levels. MFC's growth of 7,7% and the increase in Personal Loans, Card and Home Loans of 7,7%, 5,9% and 2,4% respectively are evidence of the progress made with our strategy of increasing cross-sell activities and doing more business with our clients, while not relaxing credit criteria.

Advances growth in the Rest of Africa Cluster was driven by new-business flows and the consolidation of our acquisition of Banco Único from October 2016. Excluding Banco Único, growth was 4,7%.

Deposits

Deposits grew 4,9% to R761,5bn (2015: R725,9bn), while total liabilities increased 4,4% to R884,3bn (2015: R847,0bn). The loan-to-deposit ratio improved to 92,8% (December 2016: 93,9%).

The group continues to actively enhance its deposit and transactional banking franchise through innovative and competitive products. Our focus is on growing household and commercial deposits within the structure of the SA banking sector, which creates a large proportion of institutional funding in the system. Good progress was made against our funding strategy, with RBB deposits up 9,7% to R272,2bn (2015: R248,1bn) and our household deposit market share increasing to 18,7% in 2016 (2015: 18,4%), supported by market share gains in current accounts to 19,3% in 2016 (2015: 18,4%). Growth took place across most deposit categories, with our current accounts increasing 9,3%, call accounts and term deposits 6,0%, fixed deposits 7,0%, and cash management deposits by 9,7%. This growth, together with that of negotiable certificates of deposit and other structured deposits, reduced the proportion of more expensive foreign currency funding.

Group strategic focus

Our five strategic focus areas were refined in 2016 and strategic enablers introduced to ensure that we deliver on our financial targets of increasing our ROE, excluding goodwill, closer to our medium-to-long-term target of COE plus 5% (currently estimated around 19%) and reducing our cost-to-income ratio from 57,0% to within our medium-to-long-term target of 50 – 53%. Good progress continued to be made in these key areas.

- ***Delivering innovative market-leading client experiences.*** We launched the competitive Nedbank Pay-as-you-use Account; MyPocket™ – a savings pocket linked to transactional accounts with immediate access to cash; Nedbank GAP Access™ – a cash advance solution for merchants based on their transaction flows; Masterpass™ – a mobile payment platform in partnership with MasterCard®; standalone prepaid functionality for airtime, SMS bundles, data bundles and electricity; contactless cards – incorporating tap-and-go card acceptance and transactional banking; and 'Interactive Teller' – allowing transactions to be performed through a video channel that is linked to a teller located in our contact centre. In addition, a new client relationship management capability enhanced the contact centre experience, increasing volumes by 8% a year. Membership of our Greenbacks rewards programme increased 20%, with redemption values increasing 18%. Digitally enabled and active retail clients grew strongly, driving up the value of Nedbank App Suite™ transactions 60% to R25bn. To date 44% of our outlets have been converted to new-format branches and we plan to have 63% of all outlets converted by 2018. These outlets are smaller, with fewer staff, and are more digitally focused than traditional branches. Our Wealth Cluster launched the Nedgroup Investments Global Property Fund, expanding our Best of Breed™ product range. Our digital client value proposition was enhanced through the launch of contracts for difference (CFDs) on our online stockbroking platform; new digital self-service functionality; QuoteMe, offering funeral and personal-accident solutions as well as funeral policy servicing through video capability at all video-enabled Nedbank branches.
- ***Growing our transactional banking franchise faster than the market.*** Nedbank's retail franchise attracted 3,0% additional main-banked clients, within a total client base of 7,4m, translating into retail transactional NIR growth of 8,7%. Altogether 69,7% of our retail main-banked clients have more than two other products. Our transactional banking progress was reflected in market share gains in household and transactional deposits to 18,7% and 19,4% respectively. The CIB integrated model enabled deeper client penetration and increased cross-sell, generating 39 primary-bank client wins. CIB's leadership in key specialist areas supported NIR growth, which was acknowledged by CIB winning nine of the 32 Spire awards for excellence across the commodity derivatives, currency derivatives, fixed-income derivatives and bond markets.
- ***Being operationally excellent in all we do.*** Cost discipline remains an imperative, with ongoing initiatives such as our strategy to decrease the number of core systems from 250 to 60, of which 21 have been decommissioned in 2016, bringing the total decommissioned to 106; the elimination of duplicative processes, the reduction of the cost to serve and acquire clients, as well as the reduction of floor space in RBB by 30 000 m² by 2020, of which 18 743 m² has been achieved since 2014. Nedbank Wealth made good progress towards implementing a single policy administration system in Insurance, which will support operational excellence. We remain on track for delivery by the Old Mutual Group of the full target of R1bn of pretax run rate synergies in 2017, of which approximately 30% should accrue to Nedbank. To date this has amounted to over R250m for Nedbank, driven largely by procurement and technology services. In 2016 we realised R599m in cost-efficiencies.
- ***Managing scarce resources to optimise economic outcomes.*** We maintained our focus on growing activities that generate EP, such as growing transactional deposits, with current accounts up 9,3%; increasing transactional banking activity, with commission and fees up 6,8%; and achieving earnings growth of 15,5% in CIB and 11,2% in RBB. Our selective origination of personal loans, home loans and commercial-property finance has proactively limited downside risk in this challenging operating climate, enabling a CLR of 68 bps, below the mid-point of our TTC target range. At the same time our balance sheet metrics remain strong and we continue to deliver good dividend growth.
- ***Providing our clients with access to the best financial services network in Africa.*** The macroeconomic environment in the rest of Africa remains challenging due to slowing economic growth, foreign exchange and liquidity shortages, and increasing regulatory pressures across a number of jurisdictions.
  - In Central and West Africa, since the establishment of our alliance with Ecobank, 192 accounts have been opened in 25 countries for 82 of our wholesale clients that bank with Ecobank. We work closely with Ecobank on joint pipeline deals in the power and infrastructure sectors, and opportunities in trade and commodity finance.
  - In the SADC and East Africa we successfully implemented our Flexcube core banking system in Namibia, Swaziland and Lesotho, and we continued to launch new products and grow our distribution footprint. Our shareholding in Banco Único increased by 11% to 50% plus one share in October 2016 as a progression of the 2014 transaction at a cost of approximately R90m.

Despite challenging macroeconomic conditions, which are likely to remain for 2017, the long-term growth potential of financial services in the rest of Africa cannot be overlooked. We therefore remain committed to our strategy and investments in the rest of Africa and continue to support ETI as our partner in Central and West Africa. ETI provides our clients with a pan-African transactional banking network across 39 countries and is a strategic investment for the group. ETI is targeting an ROE in excess of its COE in the medium to long term, and our 21,2% shareholding offers our shareholders the opportunity to participate in this growth over time.

In 2016 we introduced a series of strategic enablers to facilitate delivery in respect of our strategic focus areas and the achievement of our targets by changing the way in which we operate. These include:

- People 2020 – aimed at transforming our leadership, culture and talent capability to enable delivery of our strategy through our people.
- Brand 2020 – building a distinctive and compelling brand that will cause disruption, give us greater personality and enhance the belief our stakeholders have in Nedbank.
- Managed Evolution and Digital Fast Lane – an innovative technology transformation creating an agile digital platform.
- Governance and regulatory change – leveraging risk management to be a strategic and competitive differentiator.
- Fair Share 2030 – guiding the creation of financial solutions that deliver on our purpose and making a real difference in society.
- Leading transformation – actively promoting a globally competitive financial sector while creating a more equitable society.

At the same time, to support strategic delivery further, we initiated an operating-model review in the latter part of 2016. The revised model, which we expect to begin implementing in 2017, will enable us to develop greater agility with a view to innovating quicker and responding to disruptive threats faster, optimally addressing new-client requirements and providing best-in-class client experiences, and creating an enterprise-wide capability with the client at the centre of all we do. In addition, we aim to organise ourselves, our data and data analytics and IT to enable differentiation in our clients' universe, to respond more effectively to regulatory change and to improve our ability to execute our strategy more effectively. Collectively these activities are currently expected to generate approximately R1,0bn of pretax benefits by 2019 and will support our ability to meet our medium-to-long-term targeted cost-to-income ratio of 50 – 53%.

Old Mutual plc managed separation

Following the Old Mutual plc (OM) and Nedbank Group SENS announcements released on 28 June 2016, the managed-separation process was presented at the OM Capital Markets event in London on 11 October 2016.

In summary, following the creation of a new SA holding company, OM intends to distribute, in an orderly manner, a significant proportion of the OM group's shareholding in Nedbank to the shareholders on the register of the new SA holding company at that time, leaving Old Mutual Emerging Markets (OMEM) as the principal business in the group. Through its ownership of Old Mutual Life Assurance Company SA the new SA group will retain an appropriate strategic minority stake in Nedbank, with the exact level still to be determined together with Nedbank, based on OMEM's commercial relationship with Nedbank and influenced by the implications of the incoming Twin Peaks regulation. The boards of directors and management teams of OM and Nedbank continue to work closely together on these matters. The announced target date for the material completion of the managed separation is the end of 2018.

For Nedbank it is business as usual and OM's decision will have no impact on the strategy, and the day-to-day management or operations, nor will there be an impact on the staff and clients of Nedbank. Our engagements have been at an arm's length, overseen by independent board structures. OM operates predominantly in the investment, savings and insurance industry, which has little overlap with banking. Our technology systems, brands and our businesses have not been integrated and we compete in the areas of wealth and asset management and personal Loans.

Our collaboration with OM to unlock R1,0bn of synergies from the OM businesses in SA will continue to be underpinned by OM's strategic shareholding of Nedbank Group. We are fully committed to working with Old Mutual South Africa to deliver benefits from the synergies.

Economic outlook

SA's economy is forecast to grow by around 1,1% in 2017 off a low base. The risk to growth remains on the downside. Inflation is expected to return to within SARB's inflation target range, resulting in our forecast of interest rates decreasing in the second half of the year.

The improvement in the economy is expected to be underpinned by a recovery in agriculture as the drought recedes, and in mining and manufacturing as global commodity prices drift higher. Corporate credit demand should benefit from the recovery in these sectors, although demand will remain contained by global growth, the uncertain domestic policy environment, the pace of the rollout of government's renewable-energy programme and generally difficult operating conditions.

Households will remain vulnerable, with job creation and wage growth unlikely to bounce back quickly. Household income and spending will therefore remain under pressure in the first half of the year. However, some relief is expected later in the year as inflation recedes and interest rates are expected to decline. This should lead to household credit demand improving moderately from low levels.

Government spending will be kept in check by the need to reduce the budget deficit and contain the rise in government debt to avoid a sovereign-rating downgrade.

Prospects

Our guidance on financial performance for the full year 2017 is as follows:

- Average interest-earning banking assets to increase slightly ahead of nominal GDP growth.
- NIM to be slightly above the 2016 rebased level of 3,54%.
- CLR to increase, but to remain below the mid-point of our target range of 60 – 100 bps.
- NIR, excluding fair-value adjustments, to grow at upper single digits.
- Associate income, including ETI's earnings likely to remain volatile and uncertain (reported quarterly in arrear).
- Expenses to increase by mid-to-upper single digits.

Our financial guidance is for growth in DHEPS for the full 2017 year to be greater than growth in nominal GDP (consumer price index plus GDP growth).

The outlook for our medium-to-long-term targets in 2017 is as follows:

Metric	2016 performance	2017 full-year outlook	Medium-to-long-term targets
ROE (excluding goodwill)	**16,5%**	Below target	5% above COE[4]
Growth in DHEPS	**4,8%**	Below target	≥ consumer price index + GDP growth + 5%
CLR	**0,68%**	Increases but remains below mid-point of target range	Between 0,6% and 1,0% of average banking advances
NIR-to-expense ratio	**82,9%**	Below target	> 85%
Efficiency ratio (including associate income)	**56,9%**	Above target	50,0-53,0%
Tier 1 capital adequacy ratio (Basel III)	**13,0%**	Within target	> 12,0%
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating, including 10% capital buffer		
Dividend cover	**2,00 times**	Within target range	1,75 – 2,25 times

[4] *The COE is forecast at 14,1% in 2017.*

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

Board and group executive changes during 2016

Following his retirement from Old Mutual plc, Paul Hanratty stepped down as a non-executive director of Nedbank Group and Nedbank ('companies') on 12 March 2016. With effect from 1 August 2016 Errol Kruger was appointed as an independent non-executive director of the companies and Rob Leith, the Director of Managed Separation at Old Mutual plc, was appointed as a non-executive director of the companies with effect from 13 October 2016.

As a result of increasing time constraints from their respective overseas and local business commitments, Tom Boardman and David Adomakoh have notified the boards of their intention to resign as independent non-executive directors with effect from the close of Nedbank Group's Annual General Meeting on Thursday, 18 May 2017.

Ciko Thomas was appointed Managing Executive of Nedbank RBB with effect from 1 April 2016 following the early retirement of Philip Wessels. Ciko has been a part of the RBB leadership team and a member of the Group Executive Committee for the past six years. Sandile Shabalala resigned as Managing Executive of Business Banking and as a member of our Group Executive Committee with effect from 2 September 2016.

Accounting policies*

Nedbank Group is a company domiciled in SA. The summary consolidated financial results of the group at and for the year ended 31 December 2016 comprise the company and its subsidiaries ('group') and the group's interests in associates and joint arrangements.

The summary consolidated financial statements contained in the SENS announcement have been extracted from the audited consolidated financial statements. The summary consolidated financial statements have been prepared in accordance with the provisions of the JSE Listings Requirements for preliminary reports and the Companies Act applicable to summary financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the disclosure required by International Accounting Standard 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies that were applied in the preparation of the previous consolidated financial statements.

The summary consolidated financial results have been prepared under the supervision of Raisibe Morathi CA(SA), the Chief Financial Officer. The directors take full responsibility for the preparation of the summary consolidated financial results and for correctly extracting the financial information from those underlying audited consolidated financial statements for inclusion in the 2016 year-end results booklet and SENS announcement.

EVENTS AFTER THE REPORTING PERIOD*

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

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – INDEPENDENT AUDITORS' OPINION

The summary consolidated financial statements comprise the summary consolidated statement of financial position at 31 December 2016, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cashflows for the year then ended and selected explanatory notes, which are indicated by the symbol*.

These summary consolidated financial statements for the year ended 31 December 2016 have been audited by KPMG Inc and Deloitte & Touche, who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived.

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

The auditors' report does not necessarily report on all of the information contained in the 2016 year-end results booklet and SENS announcement. Shareholders are therefore advised that, to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report, together with the accompanying financial statements, from Nedbank Group's registered office.

Forward-looking statements

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

* *Refer to the first paragraph under Audited Summary Consolidated Financial Statements – Independent Auditor's Opinion.*

Final-dividend declaration

Notice is hereby given that a final dividend of 630 cents per ordinary share has been declared, payable to shareholders for the year ended 31 December 2016. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA) or 126 cents per ordinary share, resulting in a net dividend of 504 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement. In 2015 and 2016, the dividend withholding tax rate was 15% and this increased to 20% on 22 February 2017.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 495 865 721.

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

Event	Date
Last day to trade (cum dividend)	Monday, 10 April 2017
Shares commence trading (ex dividend)	Tuesday, 11 April 2017
Record date (date shareholders recorded in books)	Thursday, 13 April 2017
Payment date	Tuesday, 18 April 2017

Share certificates may not be dematerialised or rematerialised between Tuesday, 11 April 2017, and Thursday, 13 April 2017, both days inclusive.

On Tuesday, 18 April 2017, the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Tuesday, 18 April 2017.

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

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

28 February 2017

Registered office

Nedbank Group Ltd, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196.

PO Box 1144, Johannesburg, 2000.

Transfer secretaries in SA

Computershare Investor Services (Pty) Ltd, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, SA.

PO Box 61051, Marshalltown, 2107, SA.

Transfer secretaries in Namibia

Transfer Secretaries (Pty) Ltd, Robert Mugabe Avenue No 4, Windhoek, Namibia.

PO Box 2401, Windhoek, Namibia.

Directors

V Naidoo (Chairman), MWT Brown* (Chief Executive), DKT Adomakoh (Ghanaian), TA Boardman, BA Dames, ID Gladman (British), JB Hemphill, EM Kruger, RAG Leith, PM Makwana, Dr MA Matooane, NP Mnxasana, RK Morathi* (Chief Financial Officer), JK Netshitenzhe, MC Nkuhlu* (Chief Operating Officer), S Subramoney, MI Wyman** (British).

** Executive ** Lead independent director*

Company Secretary:	TSB Jali
Reg no:	1966/010630/06
JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
Sponsors in SA:	Merrill Lynch SA (Pty) Ltd
	Nedbank CIB
Sponsor in Namibia:	Old Mutual Investment Services (Namibia) (Pty) Ltd

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

- Detailed financial information in PDF.
- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

For further information kindly contact Nedbank Group Investor Relations at nedbankgroupir@nedbank.co.za.

Financial highlights

at

	Change %		31 December 2016 (Audited)	31 December 2015 (Audited)
Statistics				
Number of shares listed	0,3	m	**495,9**	494,4
Number of shares in issue, excluding shares held by group entities	0,4	m	**478,4**	476,6
Weighted-average number of shares	0,8	m	**477,8**	474,2
Diluted weighted-average number of shares	1,0	m	**487,9**	483,1
Preprovisioning operating profit	4,4	Rm	**20 004**	19 170
Economic profit[2]	(38,0)	Rm	**1 565**	2 525
Headline earnings per share	5,1	cents	**2 400**	2 284
Diluted headline earnings per share	4,8	cents	**2 350**	2 242
Ordinary dividends declared per share	8,4	cents	**1 200**	1 107
Interim	6,1	cents	**570**	537
Final	10,5	cents	**630**	570
Ordinary dividends paid per share	3,2	cents	**1 140**	1 105
Dividend cover	(3,1)	times	**2,00**	2,06
Net asset value per share	0,9	cents	**15 830**	15 685
Tangible net asset value per share	(0,5)	cents	**13 723**	13 794
Closing share price	26,3	cents	**23 813**	18 861
Price/earnings ratio		historical	**9,9**	8,3
Market capitalisation	26,7	Rbn	**118,1**	93,2
Number of employees (permanent staff)[2]	3,5		**32 401**	31 312
Number of employees (permanent and temporary staff)[2]	3,3		**32 746**	31 689
Key ratios (%)				
Return on ordinary shareholders' equity (ROE)[2]			**15,3**	15,7
ROE, excluding goodwill[2]			**16,5**	17,0
Return on tangible equity[2]			**17,6**	18,1
Return on total assets (ROA)[2]			**1,23**	1,25
Return on average risk-weighted assets[2]			**2,23**	2,30
Net interest income to average interest-earning banking assets[2]			**3,41**	3,30
Credit loss ratio – banking advances[2]			**0,68**	0,77
Gross operating income growth rate less expense growth rate (JAWS ratio)			**(1,5)**	0,6
Non-interest revenue to total operating expenses			**82,9**	83,3
Non-interest revenue to total income			**47,1**	47,7
Efficiency ratio			**56,9**	56,1
Effective taxation rate			**24,9**	24,0
Group capital adequacy ratios (including unappropriated profits):[2]				
– Common equity tier 1			**12,1**	11,3
– Tier 1			**13,0**	12,0
– Total			**15,3**	14,1
Statement of financial position statistics (Rm)				
Total equity attributable to equity holders of the parent	1,3		**75 733**	74 754
Total equity	3,8		**81 711**	78 751
Amounts owed to depositors	4,9		**761 542**	725 851
Loans and advances	3,7		**707 077**	681 632
Gross	3,8		**719 226**	693 043
Impairment of loans and advances	6,5		**(12 149)**	(11 411)
Total assets administered by the group	4,8		**1 239 349**	1 183 021
Total assets	4,4		**966 022**	925 726
Assets under management	6,2		**273 327**	257 295
Life insurance embedded value[2]	3,1		**2 740**	2 657
Life insurance value of new business[2]	61,5		**399**	247

[2] *These metrics have not been audited by the group's auditors.*

Audited summary consolidated financial statements

for the year ended 31 December 2016

Summary consolidated statement of comprehensive income

	Change %	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Interest and similar income	21,7	**73 395**	60 289
Interest expense and similar charges	29,0	**46 969**	36 404
Net interest income	10,6	**26 426**	23 885
Impairments charge on loans and advances	(4,9)	**4 554**	4 789
Income from lending activities	14,5	**21 872**	19 096
Non-interest revenue	8,1	**23 503**	21 748
Operating income	11,1	**45 375**	40 844
Total operating expenses	8,6	**28 366**	26 110
Indirect taxation	18,4	**927**	783
Profit from operations before non-trading and capital items	15,3	**16 082**	13 951
Non-trading and capital items	> 100	**(1 363)**	(141)
Profit from operations	6,6	**14 719**	13 810
Share of (losses)/profits of associate companies and joint arrangements	< -100	**(105)**	871
Profit before direct taxation	(0,5)	**14 614**	14 681
Total direct taxation	12,4	**3 955**	3 519
Direct taxation		**3 985**	3 550
Taxation on non-headline earnings items		**(30)**	(31)
Profit for the year	(4,5)	**10 659**	11 162
Other comprehensive (losses)/income net of taxation	< -100	**(3 941)**	2 149
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(1 902)**	3 203
Share of other comprehensive losses of investments accounted for using the equity method		**(1 688)**	(1 572)
Fair-value adjustments on available-for-sale assets		**(73)**	(4)
Items that may not subsequently be reclassified to profit or loss			
Gains on property revaluations		**32**	167
Remeasurements on long-term employee benefit assets		**(297)**	298
Share of other comprehensive (losses)/income of investments accounted for using the equity method		**(13)**	57
Total comprehensive income for the year	(49,5)	**6 718**	13 311
Profit attributable to:			
– Equity holders of the parent	(5,5)	**10 132**	10 721
– Non-controlling interest – ordinary shareholders	25,7	**88**	70
– Non-controlling interest – preference shareholders	(2,7)	**361**	371
– Non-controlling interest – additional tier 1 capital instrument note holders		**78**	
Profit for the year	(4,5)	**10 659**	11 162
Total comprehensive income attributable to:			
– Equity holders of the parent	(51,8)	**6 183**	12 820
– Non-controlling interest – ordinary shareholders	(20,0)	**96**	120
– Non-controlling interest – preference shareholders	(2,7)	**361**	371
– Non-controlling interest – additional tier 1 capital instrument note holders		**78**	
Total comprehensive income for the year	(49,5)	**6 718**	13 311
Basic earnings per share (cents)	(6,2)	**2 121**	2 261
Diluted earnings per share (cents)	(6,4)	**2 077**	2 219

Headline earnings reconciliation

for the year ended

	Change %	31 December 2016 (Audited) Rm Gross	31 December 2016 (Audited) Rm Net of taxation	31 December 2015 (Audited) Rm Gross	31 December 2015 (Audited) Rm Net of taxation
Profit attributable to ordinary equity holders of the parent	**(5,5)**		**10 132**		10 721
Non-trading and capital items	**> 100**	**1 363**	**1 333**	141	110
IFRS 3 – Fair-value loss on remeasurement of previously held interest		**15**	**15**		
IAS 16 – Loss on disposal of property and equipment		**44**	**44**	35	35
IAS 21 – Recycled foreign currency translation loss – Banco Único, SA		**203**	**203**		
IAS 28 – Loss on dilution of shareholding in ETI		**17**	**17**		
IAS 28 – Impairment provision for ETI		**1 000**	**1 000**		
IAS 36 – Impairment of property and equipment				8	7
IAS 38/IAS 39 – Impairment of intangible and available-for-sale assets		**141**	**99**	110	80
IAS 39 – Profit on sale of available-for-sale financial assets		**(63)**	**(51)**	(12)	(12)
IAS 40 – Loss on disposal of investment properties		**6**	**6**		
Headline earnings	**5,9**		**11 465**		10 831

Summary consolidated statement of financial position

at

	Change %	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Assets			
Cash and cash equivalents	15,5	**26 384**	22 840
Other short-term securities	12,0	**84 679**	75 614
Derivative financial instruments	(42,2)	**17 633**	30 488
Government and other securities	18,6	**51 048**	43 060
Loans and advances	3,7	**707 077**	681 632
Other assets	56,7	**14 077**	8 984
Current taxation assets	(44,4)	**574**	1 032
Investment securities	8,1	**14 225**	13 155
Non-current assets held for sale	> 100	**287**	2
Investments in private-equity associates, associate companies and joint arrangements	(31,4)	**6 567**	9 579
Deferred taxation assets	> 100	**494**	227
Investment property	(31,3)	**22**	32
Property and equipment	2,1	**8 969**	8 784
Long-term employee benefit assets	2,9	**5 203**	5 055
Mandatory reserve deposits with central banks	15,2	**18 700**	16 232
Intangible assets	11,9	**10 083**	9 010
Total assets	4,4	**966 022**	925 726
Equity and liabilities			
Ordinary share capital	0,2	**478**	477
Ordinary share premium	2,7	**18 043**	17 569
Reserves	0,9	**57 212**	56 708
Total equity attributable to equity holders of the parent	1,3	**75 733**	74 754
Non-controlling interest attributable to:			
– Ordinary shareholders	73,4	**756**	436
– Preference shareholders	(9,5)	**3 222**	3 561
– Additional tier 1 capital instruments		**2 000**	
Total equity	3,8	**81 711**	78 751
Derivative financial instruments	(60,5)	**13 296**	33 628
Amounts owed to depositors	4,9	**761 542**	725 851
Provisions and other liabilities	49,2	**34 667**	23 240
Current taxation liabilities	(48,1)	**214**	412
Deferred taxation liabilities	(32,0)	**804**	1 182
Long-term employee benefit liabilities	12,2	**3 448**	3 074
Investment contract liabilities	39,6	**15 342**	10 988
Insurance contract liabilities	(19,2)	**2 922**	3 618
Long-term debt instruments	15,8	**52 076**	44 982
Total liabilities	4,4	**884 311**	846 975
Total equity and liabilities	4,4	**966 022**	925 726

Summary consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent Rm	Non-controlling interest attributable to ordinary shareholders Rm	Non-controlling interest attributable to preference shareholders Rm	Non-controlling interest attributable to additional tier 1 capital instruments Rm	Total equity Rm
Audited balance at 31 December 2014	67 024	326	3 561		70 911
Dividend to shareholders	(5 395)	(10)			(5 405)
Preference share dividend			(371)		(371)
Issues of shares net of expenses	1 023				1 023
Shares delisted in terms of BEE transaction	(336)				(336)
Shares (acquired)/no longer held by group entities and BEE trusts	(463)				(463)
Total comprehensive income for the year	12 820	120	371		13 311
Share-based payment reserve movement	82				82
Other movements	(1)				(1)
Audited balance at 31 December 2015	**74 754**	**436**	**3 561**	**-**	**78 751**
Additional tier 1 capital instruments issued				**2 000**	**2 000**
Dividend to shareholders	**(5 587)**	**(11)**			**(5 598)**
Additional tier 1 capital instruments interest paid				**(78)**	**(78)**
Preference share dividend			**(361)**		**(361)**
Issues of shares net of expenses	**276**				**276**
Shares (acquired)/no longer held by group entities and BEE trusts	**199**				**199**
Total comprehensive income for the year	**6 183**	**96**	**361**	**78**	**6 718**
Share-based payment reserve movement	**136**				**136**
Preference shares held by group entities			**(339)**		**(339)**
Acquisition of shareholding in subsidiary		**239**			**239**
Transactions with non-controlling shareholders	**(223)**				**(223)**
Buyout of non-controlling interests		**(6)**			**(6)**
Regulatory risk reserve provision	**(8)**	**2**			**(6)**
Other movements	**3**				**3**
Audited balance at 31 December 2016	**75 733**	**756**	**3 222**	**2 000**	**81 711**

Summary consolidated statement of cashflows

for the year ended

	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Cash generated by operations	**24 827**	22 455
Change in funds for operating activities	**(15 473)**	(13 602)
Net cash from operating activities before taxation	**9 354**	8 853
Taxation paid	**(5 065)**	(4 400)
Cashflows from operating activities	**4 289**	4 453
Cashflows (utilised by)/from investing activities	**(3 004)**	2 867
Cashflows from financing activities	**3 536**	3 802
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	**1 191**	(300)
Net increase in cash and cash equivalents	**6 012**	10 822
Cash and cash equivalents at the beginning of the year[3]	**39 072**	28 250
Cash and cash equivalents at the end of the year[3]	**45 084**	39 072

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

Summary segmental reporting

for the year ended

	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
	Total assets		Total liabilities		Operating income/ (losses)		Headline earnings/ (losses)	
Nedbank Corporate and Investment Banking	**491 480**	470 567	**463 018**	447 471	**13 649**	12 101	**6 014**	5 208
Nedbank Retail and Business Banking	**304 842**	292 560	**278 588**	265 636	**25 810**	23 715	**4 960**	4 460
Nedbank Wealth	**62 042**	61 322	**58 655**	58 588	**4 362**	4 320	**1 192**	1 134
Rest of Africa	**36 189**	32 941	**28 247**	26 142	**1 713**	1 358	**(287)**	691
Centre	**71 469**	68 336	**55 803**	49 138	**(159)**	(650)	**(414)**	(662)
Total	**966 022**	925 726	**884 311**	846 975	**45 375**	40 844	**11 465**	10 831

Contingent liabilities and commitments

for the year ended

Contingent liabilities and undrawn facilities

at	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Guarantees on behalf of clients	**16 316**	27 300
Letters of credit and discounting transactions	**3 432**	4 463
Irrevocable unutilised facilities and other	**103 163**	103 519
	122 911	135 282

The group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Group Ltd and its subsidiary companies, the outcome of which cannot at present be foreseen.

Commitments

CAPITAL EXPENDITURE APPROVED BY DIRECTORS

at	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Contracted	**522**	1 317
Not yet contracted	**2 092**	2 222
	2 614	3 539

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

Investments in private-equity associates, associate companies and joint arrangements

for the year ended

Investments in private-equity associates, associate companies and joint arrangements

at	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Listed associates[4]	**3 978**	7 808
Unlisted associates	**2 467**	1 320
Unlisted joint arrangements	**122**	451
	6 567	9 579

[4] *The group's investment in Ecobank Transnational Incorporated (ETI) is recorded under listed associates.*

Listed associates: ETI		
Carrying value	**3 978**	7 808
Fair value of investment	**2 438**	6 916

Acquisition of subsidiary company

for the year ended

On 3 October 2016 the group acquired a further 10,9% share in Banco Único, SA to reach a controlling 50% plus one share (2015: 38,3% share). The acquiree is a banking entity in Mozambique and the acquisition, in line with the group's strategy of expanding into the rest of Africa, was made by purchasing Banco Único, SA shares from a third party.

Acquisition-date fair value	31 December 2016 (Audited) Rm
Acquisition-date fair value of consideration held[5]	203
Cash	90
Share of non-controlling interests[6]	238
Capitalised derivative financial instrument	(36)
Acquisition-date fair value of consideration transferred	**495**

[5] *A R15m loss was recognised in non-trading and capital items as a result of remeasuring to fair value the equity interest in Banco Único, SA held by the group before the business combination.*

[6] *The group elected to measure non-controlling interests at the proportionate share of the fair value of net assets.*

Assets acquired and liabilities consumed as of the acquisition date	31 December 2016 (Audited) Rm
Cash and cash equivalents and mandatory reserve deposits with central banks	508
Other short-term securities	132
Loans and advances	3 181
Other assets	24
Deferred taxation assets	44
Property and equipment	100
Intangible assets	139
Total assets acquired	**4 128**
Amounts owed to depositors	3 494
Provisions and other liabilities	108
Deferred taxation liabilities	42
Long-term debt instruments	8
Total liabilities consumed	**3 652**
Guarantees on behalf of clients	789
Letters of credit and discounting transactions	5
Total contingent liabilities recognised	**794**

There were no contingent consideration arrangements and indemnification assets recognised on the acquisition.

Goodwill	31 December 2016 (Audited) Rm
Goodwill recognised on acquisition	19
Foreign currency translation movements	2
Balance at the end of the year	21

The goodwill recognised at acquisition is attributable to the delivery of cost and revenue synergies that could not be linked to identifiable intangible assets.

Acquired receivables	31 December 2016 (Audited) Rm
Gross contractual amount of loans and advances	3 293
Fair value of loans and advances	3 181
Best estimate of contractual cashflows not expected to be collected	112

Consolidated statement of comprehensive income	Revenue[1] 31 December 2016 (Audited) Rm	Profit for the year 31 December 2016 (Audited) Rm
Amounts of the acquiree included in the consolidated statement of comprehensive income since the acquisition date	115	44
Amounts of the combined entity in the consolidated statement of comprehensive income for the year as though the acquisition occurred on 1 January 2016	50 271	10 684

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

Fair-value hierarchy

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is an assumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volumes and frequencies to provide pricing information on an ongoing basis. These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy.

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

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

FAIR-VALUE HIERARCHY

The financial instruments recognised at fair value have been categorised into the three input levels of the International Financial Reporting Standards (IFRS) fair-value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques based on (directly or indirectly) market-observable inputs. Various factors influence the availability of observable inputs. These factors may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques based on significant inputs that are not observable. To the extent that a valuation is based on inputs that are not market-observable the determination of the fair value can be more subjective, depending on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

All fair values disclosed below are recurring in nature.

FINANCIAL ASSETS

	Total financial assets		Total financial assets recognised at amortised cost		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm
Cash and cash equivalents	**45 084**	39 072	**45 084**	39 072						
Other short-term securities	**84 679**	75 614	**33 184**	32 862	**488**	667	**51 007**	42 085		
Derivative financial instruments	**17 633**	30 488			**49**	99	**17 547**	30 371	**37**	18
Government and other securities	**51 048**	43 060	**22 393**	18 807	**15 881**	11 438	**12 774**	12 815		
Loans and advances	**707 077**	681 632	**610 858**	582 454	**5 890**	60	**90 252**	99 085	**77**	33
Other assets	**14 077**	8 984	**9 533**	4 832	**4 544**	4 152				
Investments in private-equity associates, associate companies and joint arrangements	**2 357**	1 162							**2 357**	1 162
Investment securities	**14 225**	13 155			**35**	448	**13 098**	12 016	**1 092**	691
	936 180	893 167	**721 052**	678 027	**26 887**	16 864	**184 678**	196 372	**3 563**	1 904

FINANCIAL LIABILITIES

	Total financial liabilities		Total financial liabilities recognised at amortised cost		Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm	**31 December 2016 (Audited) Rm**	31 December 2015 (Audited) Rm
Derivative financial instruments	**13 296**	33 628			**81**	126	**13 215**	33 416		86
Amounts owed to depositors[7]	**761 542**	725 851	**685 508**	648 588			**76 034**	77 263		
Provisions and other liabilities	**33 267**	21 942	**11 738**	7 988	**20 810**	13 724	**389**	230	**330**	
Investment contract liabilities	**15 342**	10 988					**15 342**	10 988		
Long-term debt instruments	**52 076**	44 982	**51 775**	44 581		156	**301**	245		
	875 523	837 391	**749 021**	701 157	**20 891**	14 006	**105 281**	122 142	**330**	86

[7] *Amounts owed to depositors of R93 080m were included in the prior year as held-for-trading liabilities, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the held-for-trading and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

LEVEL 3 RECONCILIATION

31 December 2016 (Audited)	Opening balance at 1 January Rm	Gains/ (Losses) in profit for the year Rm	Gains/ (Losses) in other comprehensive income for the year Rm	Purchases and issues	Sales and settlements	Transfers in/ (out)	Closing balance at 31 December
Financial assets							
Derivative financial instruments	**18**	**19**					**37**
Loans and advances	**33**	**4**				**40**	**77**
Investment securities	**691**	**(28)**		**53**	**(34)**	**410**	**1 092**
Investments in private-equity associates, associate companies and joint arrangements	**1 162**	**273**		**1 130**	**(208)**		**2 357**
	1 904	**268**	**–**	**1 183**	**(242)**	**450**	**3 563**
Financial liabilities							
Derivative financial instruments	**86**	**(8)**			**(78)**		**–**
Provisions and other liabilities		**32**		**298**			**330**
	86	**24**	**–**	**298**	**(78)**	**–**	**330**

31 December 2015 (Audited)	Opening balance at 1 January Rm	Gains/ (Losses) in profit for the year Rm	Gains/ (Losses) in other comprehensive income for the year Rm	Purchases and issues	Sales and settlements	Transfers in/ (out)	Closing balance at 31 December
Financial assets							
Derivative financial instruments		18					18
Loans and advances	33						33
Investment securities	800	(36)		2	(75)		691
Investments in private-equity associates, associate companies and joint arrangements	898	89		312	(137)		1 162
	1 731	71	–	314	(212)	–	1 904
Financial liabilities							
Derivative financial instruments	20	66					86
	20	66	–	–	–	–	86

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS TO REASONABLE POSSIBLE ALTERNATIVES

The fair-value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market-observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In performing the stress testing, appropriate levels for the unobservable-input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable-input parameters and which are classified as level 3 in the fair-value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

FINANCIAL ASSETS

31 December 2016 (Audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
Derivative financial instruments	**Discounted cashflows**	**Discount rates, EBITDA**	**Between (12) and 9**	**37**	**3**	**(4)**
Loans and advances	**Discounted cashflows**	**Credit spreads and discount rates**	**Between (12) and 9**	**77**	**7**	**(9)**
Investment securities	**Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields**	**Valuation multiples, correlations, volatilities and credit spreads**	**Between (12) and 9**	**1 092**	**103**	**(129)**
Investments in private-equity associates, associate companies and joint arrangements	**Discounted cashflows, earnings multiples**	**Valuation multiples**	**Between (12) and 9**	**2 357**	**222**	**(279)**
Total financial assets classified as level 3				**3 563**	**335**	**(421)**
Financial liabilities						
Provisions and other liabilities	**Discounted cash flow, earnings multiples**	**Discount rates, forecasts**	**Between (10) and 10**	**(330)**	**(33)**	**33**

Financial assets

31 December 2015 (Audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
Derivative financial instruments	Discounted-cashflow model, Black-Scholes model and multiple valuation techniques	Discount rates, risk-free rates, volatilities, credit spreads and valuation multiples	Between (13) and 10	18	2	(2)
Loans and advances	Discounted cashflows	Credit spreads and discount rates	Between (13) and 10	33	3	(4)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (13) and 10	691	62	(77)
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	Between (7) and 8	1 162	97	(109)
Total financial assets classified as level 3				1 904	164	(192)
Financial liabilities						
Derivative financial instruments	Discounted cashflows, earnings multiples	Growth rates, cost of equity and price to book	Between (10) and 10	(86)	37	(33)

UNREALISED GAINS OR LOSSES

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

	31 December 2016 (Audited) Rm	31 December 2015 (Audited) Rm
Private-equity gains	**268**	71
	268	71

Summary of principal valuation techniques – level 2 instruments

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 in the fair-value hierarchy:

Assets	Valuation technique	Key inputs
Other short-term securities	Discounted–cashflow model	Discount rates
Derivative financial instruments	Discounted–cashflow model	Discount rates
	Black-Scholes model	Risk-free rate and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted–cashflow model	Discount rates
Loans and advances	Discounted–cashflow model	Interest rate curves
Investment securities	Discounted–cashflow model	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market–traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted–cashflow model	Discount rates
	Black-Scholes model	Risk-free rate and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted–cashflow model	Discount rates
Provisions and other liabilities	Discounted–cashflow model	Discount rates
Investment contract liabilities	Adjusted net asset value	Underlying price of market–traded instruments
Long-term debt instruments	Discounted–cashflow model	Discount rates

Assets and liabilities not measured at fair value for which fair value is disclosed

Certain financial instruments of the group are not carried at fair value, including those categorised as held to maturity, loans and receivables and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates the group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities could be transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent the amount for which the group would be able to sell the asset or transfer the respective financial liability in an involuntary liquidation or distressed sale.

The fair values of these respective financial instruments at the reporting date detailed below are estimated only for the purpose of IFRS disclosure, as follows:

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2016 (Audited)					
Financial assets	**666 435**	**657 139**	**21 828**	**33 128**	**602 183**
Other short-term securities	**33 184**	**33 128**		**33 128**	
Government and other securities	**22 393**	**21 828**	**21 828**		
Loans and advances	**610 858**	**602 183**			**602 183**
Financial liabilities	**51 775**	**48 894**	**20 432**	**28 462**	**–**
Long-term debt instruments	**51 775**	**48 894**	**20 432**	**28 462**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2015 (Audited)					
Financial assets	634 123	628 792	17 415	32 709	578 668
Other short-term securities	32 862	32 709		32 709	
Government and other securities	18 807	17 415	17 415		
Loans and advances	582 454	578 668			578 668
Financial liabilities	44 581	42 933	24 269	18 664	–
Long-term debt instruments	44 581	42 933	24 269	18 664	

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

LOANS AND ADVANCES

Loans and advances that are not recognised at fair value principally comprise variable-rate financial assets. The interest rates on these variable rate-financial assets are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances the carrying value as determined after consideration of the group's IAS 39 credit impairments is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for periods 2017 to 2019 (2015: for periods 2016 to 2018) are based on the latest available internal data and is applied to the first three years' projected cashflows. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

GOVERNMENT AND OTHER SECURITIES

The fair value of government and other securities is determined based on available market prices (level 1) or discounted cashflow analysis (level 2), where an instrument is not quoted or the market is considered to be inactive.

OTHER SHORT-TERM SECURITIES

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

LONG-TERM DEBT INSTRUMENTS

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

AMOUNTS OWED TO DEPOSITORS

The amounts owed to depositors principally comprise of variable-rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature.

CASH AND CASH EQUIVALENTS, OTHER ASSETS, MANDATORY DEPOSITS WITH CENTRAL BANKS, AND PROVISIONS AND OTHER LIABILITIES

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals.

Liquidity coverage ratio

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
High-quality liquid assets (HQLA)		
Total high-quality liquid assets		137 348
Cash outflows		
Retail deposits and deposits from small-business clients, of which	182 935	18 148
Stable deposits	2 900	145
Less: stable deposits	180 035	18 003
Unsecured wholesale funding	247 302	121 278
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	131 570	37 826
Non-operational deposits (all counterparties)	115 732	83 452
Unsecured debt	–	–
Secured wholesale funding	21 396	42
Additional requirements	87 949	14 208
Outflows related to derivative exposures and other collateral requirements	1 240	1 240
Outflows related to loss of funding on debt products	699	699
Credit and liquidity facilities	86 010	12 269
Other contractual funding obligations	–	–
Other contingent funding obligations	196 827	8 789
Total cash outflows	736 409	162 465
Cash inflows		
Secured lending (eg reverse repurchase agreements)	14 370	716
Inflows from fully performing exposures	48 114	31 000
Other cash inflows	9 944	9 936
Total cash inflows	72 428	41 652

	Total adjusted value[3]
Total HQLA	**137 348**
Total net cash outflows[3]	**125 692**
Liquidity coverage ratio (%)	**109,3%**

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

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

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

The figures above reflect the simple average of the month-end values at 31 October 2016, 30 November 2016 and 31 December 2016 based on regulatory submissions to the South African Reserve Bank. This section on the liquidity coverage ratio has not been audited by the group's auditors.