NEDBANK GROUP LIMITED PRELIMINARY AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2017

see money differently

NEDBANK

A Member of the OLDMUTUAL Group

A solid performance in a volatile and challenging domestic environment

Nedbank continued to create value for all our stakeholders in a challenging political and economic environment. Our headline earnings of R11,8bn, up 2,8%, reflect a good performance from our managed operations, with headline earnings growth of 7,8% and a ROE (excluding goodwill) of 18,1%. Slower revenue growth was offset by reduced impairments and good cost management, while our share of the loss from our associate ETI following its Q4 2016 results decreased in the second half of the year as the ETI business returned to profitability.

The achievements of the last few years have provided us with a solid base and we continue delivering on our strategies and building the capabilities that will enable us to meet the 2020 targets we have now set of an ROE (excluding goodwill) of greater than or equal to 18% and an efficiency ratio of less than or equal to 53%. We released exciting digital innovations such as the new Nedbank Money app, the Nedbank Private Wealth app and Karri app, chatbots and UNLOCKED. ME (an exclusive e-commerce marketplace for millennials) and continued to gain share of transactional banking clients in both our retail and wholesale businesses. We are actively optimising our cost base, as reflected in cost growth at 5,1%, and maintained a strong balance sheet as evident in a CET1 ratio of 12,6%, above the top end of our internal target range. Our strategic enablers are making a difference for our operations and for our clients as we create a more agile, competitive and digital Nedbank.

Looking forward, 2018 started with positive changes to SA's political and socioeconomic landscape and brought renewed prospects for higher levels of inclusive growth. Nedbank is acutely aware of the increased responsibility that we, and indeed all businesses, have to work alongside government, labour and civil society to play our part in improving the lives of all South Africans.

Reflecting on the impact on the group of the greater levels of business and consumer confidence evident in the early part of 2018, an improving economic outlook, ongoing delivery on our strategy and ETI's returning to sustained levels of profitability, our guidance for growth in diluted headline earnings per share for 2018 is to be in line with our medium-to-long-term target of greater than or equal to GDP plus CPI plus 5%.

Mike Brown
Chief Executive

Headline earnings
▲ 2,8%
R11 787m
(excl ETI ▲ 7,8%)
R12 762m

Revenue growth
▲ 3,5%

CLR
▼ 19 bps
49 bps

Expense growth
▲ 5,1%

DHEPS
▲ 2,4%
2 406 cents
(excl ETI ▲ 7,3%)

Dividend per share
▲ 7,1%
1 285 cents

ROE
(excl goodwill)
▼ 16,4%
(excl ETI ▬ 18,1%)

CET1 ratio
▲ 12,6%
(December 2016: 12,1%)

2017 results commentary

BANKING AND ECONOMIC ENVIRONMENT

Economic growth in developed markets improved, despite ongoing geopolitical tensions, supported by accommodative monetary policies and stronger manufacturing production, and reinforced by increased global trade. Emerging and developing economies also improved as a consequence of better-than-expected growth in China and higher global commodity prices. Emerging-market equity and bond markets benefited from increased capital inflows as global investors search for higher yields.

SA's slow economic recovery continued into the second half of the year, with 2017 GDP growth estimated at 0,9%, driven mainly by a recovery in agricultural production following good summer rainfall and some improvement in mining production in response to stronger global demand and firmer international commodity prices. A revival in consumer spending added further momentum in the second half of 2017 as households benefited from lower inflation and the marginal reduction in interest rates in July. Despite this recovery and reflective of weak business and consumer confidence, business volumes in 2017 were generally lower than in the prior year, as evident in client loan applications across multiple products and in slower client trading activity.

The pace of economic activity picked up moderately in sub-Saharan Africa, with agricultural and mining output recovering on the upturn in global demand and international commodity prices, and the prolonged El Niño-induced drought finally broke in many countries. According to the International Monetary Fund (IMF), sub-Saharan Africa is expected to record GDP growth of 2,6% in 2017.

Domestic inflation averaged 5,3% in 2017, significantly lower than the 6,4% recorded in 2016, brought about mainly by sharply lower food inflation given the strong summer harvest. Relatively moderate and selective consumer demand coupled with a resilient rand also helped contain price pressures during the course of the year. After a year of volatile trade the rand ended 2017 2,5% stronger against the trade-weighted basket of currencies. The largest gains occurred near year-end as sentiment surged following the election of Mr Cyril Ramaphosa as the new leader of the ruling ANC in mid-December on expectations of a change in the country's leadership, improved governance and structural reforms that are likely to support investment and higher levels of inclusive growth.

After cutting the repo rate by 25 bps to 6,75% in July, SARB's Monetary Policy Committee left interest rates unchanged at both the September and November 2017 policy meetings. The central bank's more cautious approach was driven by concerns over the upside risk that the rand posed to the inflation outlook at that time. Fears mounted that SA's rand-denominated sovereign debt ratings could be downgraded to subinvestment grade by all three major rating agencies, given the escalation in political uncertainty and the sharp deterioration in the country's fiscal position, as set out in the Medium Term Budget Policy Statement.

In November 2017 Fitch affirmed the country's BB+ rating with a stable outlook (one notch below investment grade). Moody's placed SA's Baa3 foreign and local currency ratings on review for downgrade, with the decision to follow the 2018 National Budget in February. However, S&P Global downgraded SA's local currency rating to BB+ (one notch below investment grade) and our foreign currency rating to BB (two notches below investment grade), while changing the rating outlook to stable. All three rating agencies highlighted similar concerns, including weaker-than-expected public finances, weak economic growth, ineffective government spending and policies as well as the paralysing impact of political infighting and poor governance.

REVIEW OF RESULTS

Nedbank produced a solid performance in a domestic macro and political environment that has proved volatile and challenging. Headline earnings, including losses in associate income from ETI of R744m, increased 2,8% to R11 787m. This translated into an increase in DHEPS of 2,4% to 2 406 cents and an increase in HEPS of 2,2% to 2 452 cents. As in prior periods, we highlight our results both including and excluding ETI (referred to as managed operations) to provide a better understanding of the operational performance of the business given the volatility in ETI's results in 2016 and 2017. However, we will revert to group-level reporting in 2019. Our managed operations produced headline earnings growth of 7,8% to R12 762m, with slower-than-expected revenue growth more than offset by reduced impairments and good cost management.

ROE (excluding goodwill) and ROE remained flat at 16,4% and 15,3% respectively. ROE (excluding goodwill) in managed operations also remained stable at 18,1%. ROA decreased 0,01% to 1,22% and, excluding ETI, ROA in managed operations improved from 1,29% to 1,33%. Return on RWA increased from 2,23% to 2,30%.

Our CET1 and tier 1 capital ratios of 12,6% and 13,4% respectively, average LCR for the fourth quarter of 116,2% and an NSFR of above 100%, are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in managed operations and a strong capital position, a final dividend of 675 cents was declared, an increase of 7,1%. The total dividend per share increased 7,1% to 1 285 cents.

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

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

For staff

We had 31 887 staffmembers in our employ, invested R355m in training and paid salaries and benefits of R16,5bn. As part of our People 2020 groupwide programme aimed at transforming and aligning our leadership culture and talent to our strategic objectives, we refreshed our executive management programmes to be more digitally focused. We brought together 500 of our leaders across the group at the Leadership Accelerator to ensure the adoption of new insights that will drive accelerated levels of change. We are implementing New Ways of Work practices to transform Nedbank into a more agile organisation, holistically rethinking the way we work, communicate and manage talent on our journey to creating a high-performing culture. Transformation remains a key imperative and we have continued to focus on this fundamental change across all levels at Nedbank, from our board of directors to all our staffmembers. Currently black representation at board level is 61%, at executive level 50% and 78% for our total staff. A total of 62% of our staff is female.

For clients

Our clients' access to banking improved through our network of 1 003 Intelligent Depositor devices and we increased the total number of digitally focused new-image branches to 336 or 55% of all outlets. Digitally active and enabled clients grew as we launched new market-leading digital innovations, with the new Nedbank Money app having been downloaded more than 300 000 times since its launch in November 2017. We supported our clients by advancing R153bn of new loans in 2017. Our Net Promoter Score is second-highest among full-service banks in SA. Nedgroup Investments has grown to be the fifth-largest unit trust manager and fourth-largest offshore unit trust manager in SA, with overall assets under management growing by 14% to R312bn. Nedgroup Investments has for the third consecutive year maintained its first position in the 2017 Annual Raging Bull Awards offshore category.

For shareholders

Nedbank's net asset value per share increased 7,3% to 16 990 cents, with our share price up 7,5% over the year. Our total dividend increased 7,1%, ahead of growth in HEPS. We engaged constructively with shareholders in over 400 meetings in the past 12 months, and at our 50th annual general meeting all resolutions were passed, with more than 90% of votes in favour. We ensure transparent, relevant and timeous reporting and disclosure to shareholders, as acknowledged by the Nedbank Group Integrated Report having been ranked in the top tier of JSE-listed companies. Nedbank's valuation metrics remain attractive with price/earnings and price-to-book ratios of 10,4 times and 1,5 times respectively and a dividend yield of 4,8% at 31 December 2017.

For regulators

We maintained Basel III requirements ahead of full compliance timelines. We improved the group's capital position, achieving a CET1 ratio of 12,6%, strengthened the average LCR ratio to 116,2% in the fourth quarter of 2017 and maintained an NSFR of above 100%, positioning us well for the compliance date of 1 January 2018. We have invested over R100bn in government and public sector bonds as part of our HQLA requirements and, in doing so, remain committed to making a meaningful contribution to the countries in which we operate, thereby appropriately supporting the funding needs of governments. Cash taxation contributions of R9,8bn were made relating to direct, indirect, pay-as-you-earn and other taxation, increasing from R8,9bn in 2016. We continued to work closely with all our regulators to ensure efficient delivery of the various regulatory programmes, and implemented IFRS 9 and IFRS 15 on 1 January 2018, with an estimated impact of less than 20 bps on our CET1 ratio at 1 January 2018.

For society

We understand that our long-term success is contingent on the degree to which we deliver value to society. We have defined our purpose as 'using our financial expertise to do good for individuals, families, businesses and society'. It follows then that it is through the considered development and delivery of products and services that satisfy societal needs that we can enable a thriving society, create long-term value, maintain trust and ensure the success of our brand. This is particularly important in the current context of SA.

In addition to the R66bn made available to retail clients in new loans and advances in 2017, evidence of how we have delivered on our purpose includes:

- A focus on sustainable-development finance that was evident in more than R1,1bn of new lending to support student accommodation, R1,3bn lent to construct green buildings, R18,4bn dispersed for renewable-energy deals and R863m to affordable-housing developments.
- Having maintained our level 2 broad-based black economic empowerment (BBBEE) contributor status for nine years, as well as in 2017 when the Amended Financial Sector Code (FSC), gazetted in terms of section 9(1) of the BBBEE Act, 53 of 2003, came into effect on 1 December 2017. We invested R168m in socioeconomic development, with more than 50% allocated to education and 75% of our procurement spend used to support local SA business. While Nedbank has achieved industry leadership based on the old FSC, we recognise that the Amended FSC, which comprises stricter weighting, higher targets and higher thresholds, will lead to an industry rebasing and as a result possibly lower BBBEE levels in future.
- Water efforts focused on support for drought-impacted clients and national relief efforts as well as our own internal reduction initiatives.
- Continuing to participate in the CEO Initiative, working with government, business and labour towards a more inclusive SA society. We committed R20m to the R1,5bn SME Fund and will become one of the first participants in the Youth Employment Scheme, in which we, as corporate SA, aim to provide internship opportunities for more than one million South Africans.

It was pleasing to have some of our efforts to build a thriving society recognised by external bodies. These included being recognised as the winner at the 2017 Independent Top Empowered Companies Awards (in conjunction with Business Report, Empowerdex and Intellidex), being included as a member of the Carbon Disclosure Project Climate A-list (recognition for efforts to address climate change) and being the only African company among the top 20 in the global 2017 Thomson Reuters Diversity and Inclusion Index, which is informed by environmental, social and governance outcomes.

CLUSTER FINANCIAL PERFORMANCE

Nedbank's managed operations generated headline earnings growth of 7,8% to R12 762m and delivered an ROE (excluding goodwill) of 18,1%. CIB and Wealth were impacted the most by the challenging operating environment, RBB made a strong earnings contribution and RoA subsidiaries delivered an improved performance off a low base.

	Change	Headline earnings		ROE (excluding goodwill)	
	(%)	(Rm)		(%)	
		2017	2016	2017	2016
CIB	5,0	**6 315**	6 014	**20,7**	21,1
RBB	6,9	**5 302**	4 960	**19,1**	18,9
Wealth	(10,4)	**1 068**	1 192	**27,5**	35,2
RoA subsidiaries	89,7	**165**	87	**3,3**	2,1
Centre	78,7	**(88)**	(414)		
Nedbank managed operations	7,8	**12 762**	11 839	**18,1**	18,0
ETI	(> 100)	**(975)**	(374)		
Group	2,8	**11 787**	11 465	**16,4**	16,5

CIB maintained an attractive ROE of above 20% and produced solid results, driven by lower credit losses and good expense management. Revenue lines were affected by slowing economic activity as clients postponed projects and borrowed and transacted less. Early repayments and managed settlements, together with slower drawdowns resulted in weaker advances growth, although the pipelines remained stable. Credit quality remained strong through proactive risk management as we continued to monitor stressed sectors of the economy, such as certain areas in retail and certain state-owned enterprises, closely.

RBB delivered an improved ROE and good headline earnings growth, underpinned by solid transactional NIR growth, lower impairments and expense growth, and achieved PPOP growth of 4,0%. NII was underpinned by solid growth in advances and strong growth in deposits, offset by a lower NIM due in part to the impact of prime–JIBAR squeeze. Lower expense growth reflects the initial impact of optimising processes and operations, including headcount reductions.

Nedbank Wealth maintained an attractive ROE, although headline earnings were impacted by subdued markets and negative investor sentiment, further compounded by entropic weather conditions and the strengthening rand, as well the once-off profit from the sale of our Visa share in the 2016 base.

RoA headline earnings were negatively impacted by the fourth-quarter 2016 ETI associate loss accounted for quarterly in arrear. The loss was reported on in our interim results and was followed by subsequent quarterly profits from ETI up to 30 September 2017. Our subsidiaries grew headline earnings off a low base, supported by the consolidation of Banco Único (included for three months in 2016), notwithstanding continued investment in infrastructure, systems and skills.

The improvement in the Centre was largely due to the R350m release from the central provision, of which R150m was in the first half of the year, and fair-value gains on certain hedging portfolios.

FINANCIAL PERFORMANCE

Net interest income

NII increased 4,5% to R27 624m, ahead of average interest-earning banking asset growth of 2,2% (adjusted for the removal of the liquid-asset portfolio).

NIM expansion of 8 bps to 3,62% (2016: 3,54% rebased) was largely driven by an endowment benefit of 5 bps and improved asset mix changes of 8 bps. Asset pricing pressure, in part due to the NCA interest rate caps, the narrowing of the prime–JIBAR spread and the increased cost associated with enhancing the funding profile each reduced NIM by 2 bps.

Impairments charge on loans and advances

Impairments decreased by 27,5% to R3 304m. The CLR declined by 0,19% to 0,49%, driven by lower specific impairments mostly from resolutions and settlements in CIB. The decrease in impairments reflects the quality of the portfolio across all our businesses and we have specific coverage ratios levels of 36,2%.

Impairments in CIB declined by 82,4% to R193m, driven by lower specific impairments relating largely to resolutions of historic client matters. Impairments are individually determined in CIB and 84% of impairments are concentrated in approximately 10 counters. RBB impairments declined by 1,2% to R3,2bn as a result of ongoing lower risk origination strategies and an improvement in collections. The decrease in unsecured lending and home loan CLRs reflects the benefits of historic selective origination improving the quality of the book over time and the release of additional impairment overlays previously raised for risks and events that did not materialise. Continued proactive collection and resolution strategies within CIB and RBB contributed to group writeoffs decreasing 6,0% to R4 675m and postwriteoff recoveries increasing 5,8% to R1 224m.

The group's central provision decreased to R150m (from R500m at 31 December 2016 and R350m in June 2017) as a result of risks that had previously been identified but had not materialised. The balance is retained for prudency in a volatile macroeconomic environment. Excluding the central provision release, the group CLR would have been 0,54%.

CLR (%)	Banking advances (%)	2017	2016	TTC target ranges
CIB	47,3	**0,06**	0,34	0,15–0,45
RBB	45,5	**1,06**	1,12	1,30–1,80
Wealth	4,3	**0,09**	0,08	0,20–0,40
RoA	2,9	**1,02**	0,98	0,65–1,00
Group	100,0	**0,49**	0,68	0,60–1,00

All business units successfully applied selective origination strategies that enabled an overall derisking of the advances portfolio, leading to defaulted advances remaining flat at R19,6bn. Lower defaulted advances in CIB resulting from positive client resolutions were offset by increased defaulted advances in RBB.

The decrease in specific coverage from 37,4% to 36,2% was primarily due to lower specific coverage in RBB as well as increased resolutions of various client issues in CIB resulting in lower specific impairments. The lower coverage reflects increased performing defaults in RBB and the recovery success in CIB. Nedbank considers the coverage ratios appropriate given the higher proportion of wholesale lending, compared with the mix of its peers, high recovery rates and the collateralised nature of the commercial-mortgages portfolio, with low loan-to-value ratios.

Portfolio coverage increased marginally from 0,69% to 0,70%, reflecting the offsetting effects of higher portfolio impairments due to stronger advances growth in RBB and the reduction of the central provision and RBB overlays.

Non-interest revenue

NIR growth of 2,4% to R24 063m reflects the impact of weak business and consumer confidence levels.

- Commission and fee income grew 4,0% to R17 355m. RBB reported good transactional NIR growth of 6,0%, notwithstanding an increasing number of clients who are transacting within fixed-rate bundles and spending less. CIB experienced lower corporate activity off a high base the previous year.
- Insurance income decreased 9,3% to R1 566m as a result of an abnormal number of significant weather-related claims, lower homeowner's cover and credit life volumes, and an increase in lapses.
- Trading income increased 3,7% to R3 900m, given muted activity levels among wholesale clients, particularly in the second half of the year, and avoidance of the potential negative impacts in markets around event risks such as political changes and credit rating downgrades.
- Private-equity income, including positive realisations in the Commercial Property Finance portfolio, decreased 23,7% to R708m, given the high base in the comparative period.

Expenses

Expense growth of 5,1% to R29 812m was below inflation and in line with the guidance we provided for the full 2017 year (being growth of mid-single digits), demonstrating disciplined and careful management of discretionary expenses in an environment of slower revenue growth. The underlying movements included:

- Staff-related costs increasing at a slower rate of 6,5%, following:
  - an average annual salary increase of 6,5% and a 859 reduction in staff numbers since December 2016; and
  - a 0,1% decrease in short-term incentives.
- Computer-processing costs increasing 3,8% to R4 201m off a higher base the previous year.
- Fees and insurance costs being 7,8% higher at R3 277m, due mostly to additional regulatory-related costs.

The group's growth in expenses exceeded total revenue growth (including associate loss) of 2,1% (3,2% in managed operations), resulting in a negative JAWS ratio of 3,0% and an efficiency ratio of 58,6%, compared with 56,9% in 2016. Excluding associate income, our efficiency ratio was 57,8%. Expense growth, excluding RoA where we continued to invest in distribution, technology and new-product rollouts, was 4,3%.

Earnings from associates

The loss of R838m in earnings from associates was attributed largely to ETI's loss of R1 203m in the fourth quarter of 2016 (announced on 18 April 2017), partly offset by the profit of R459m reported by ETI for the nine months to 30 September 2017, in line with our policy of accounting for ETI earnings a quarter in arrear. The total effect of ETI on the group's headline earnings was a loss of R975m, including the R321m impact of funding costs.

Accounting for this associate loss, together with Nedbank's share of ETI's other comprehensive income and movements in Nedbank's foreign currency translation reserves, resulted in the carrying value of the group's strategic investment in ETI declining from R4,0bn at 31 December 2016 to R3,3bn at 31 December 2017. Since the introduction of the new foreign exchange regime by the Central Bank of Nigeria on 21 April 2017, confidence has improved and the Nigerian banking index has increased by 73%. In line with this ETI's quoted share price – albeit illiquid – increased by 65% during 2017 which resulted in the market value of the group's investment in ETI increasing during the year to R3,6bn at 31 December 2017 and R4,1bn at 28 February 2018. While risks remain, the actions taken to improve ETI's financial position and governance, along with an improving macroeconomic environment, is expected to drive an improved financial performance from ETI in 2018.

As required by IFRS, the R1bn impairment provision recognised at 31 December 2016 was reviewed at 31 December 2017 and it was determined that currently no change to the provision was required.

A R96m associate loss was incurred due to operational losses in an associate, which is the cash-processing supplier to the four large banks.

STATEMENT OF FINANCIAL POSITION

Capital

The group continued to strengthen its capital position, with our CET1 ratio of 12,6% now above the top end of our internal target range of 10,5–12,5%, following organic capital generation through earnings growth, lower asset growth and some RWA optimisation.

In the current environment of slower advances growth, capital generation has been stronger following lower credit RWA growth and continued refinement of Basel models. This was partially offset by the impact of the rand strengthening at the back end of 2017, which adversely impacted foreign currency translation reserves and led to higher credit valuation adjustment RWA. Higher levels of equity exposure resulted in increased equity RWA. As a result overall RWA increased 3,7% to R528,2bn.

The group's tier 1 ratio improved to 13,4% and includes the issuance of R600m of new-style additional tier 1 capital instruments during the year, offsetting the progressive grandfathering of old-style perpetual preference shares as we transition towards end-state Basel III requirements. The group's total capital ratio has improved to 15,5% and includes the issuance of R2,5bn of new-style tier 2 capital instruments during the year, partially offsetting the redemption of R3,0bn in old-style tier 2 capital instruments.

Basel III (%)	2017	2016	Internal target range	Regulatory minimum[1]
CET1 ratio	**12,6**	12,1	10,5–12,5	7,25
Tier 1 ratio	**13,4**	13,0	> 12,0	8,75
Total capital ratio	**15,5**	15,3	> 14,0	10,75

(Ratios calculated include unappropriated profits.)

[1] *The Basel III regulatory requirements are being phased in between 2013 and 2019, and exclude any idiosyncratic or systemically important bank minimum requirements.*

Funding and liquidity

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

The group's three-month average long-term funding ratio was 27,0% for the fourth quarter of 2017, supported by growth in Nedbank Retail Savings Bonds of R5,7bn to R24,9bn and the successful capital market issuances of R3,5bn senior unsecured debt, R2,5bn new-style tier 2 debt and R1,0bn in securitisation notes.

The group's quarterly average LCR of 116,2% exceeded the minimum regulatory requirement of 80% in 2017 and 90% effective from 1 January 2018. The group maintains appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR.

Nedbank Group LCR	2017	2016
HQLA (Rm)	**138 180**	137 350
Net cash outflows (Rm)	**118 956**	125 692
Liquidity coverage ratio (%)[3]	**116,2**	109,3
Regulatory minimum (%)	**80,0**	70,0

[3] *Average for the quarter.*

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

Nedbank's portfolio of LCR-compliant HQLA increased by 0,6% to a quarterly average of R138,2bn. Notwithstanding the low growth in HQLA, the LCR still increased yoy as a result of a decrease in LCR net cash outflows attributable to a positive tilt in our deposit mix towards proportionally more Basel III-friendly deposits in the form of RBB and Wealth deposits together with market share gains in commercial deposits. The HQLA portfolio, taken together with our portfolio of other sources of quick-liquidity, resulted in total available sources of quick liquidity of R195,4bn, representing 19,9% of total assets.

Nedbank has maintained the NSFR at above 100% on a pro forma basis and is compliant with the minimum regulatory requirements that are effective from 1 January 2018.

Loans and advances

Loans and advances increased by 0,5% to R710,3bn, driven by solid growth in RBB offset by a decline in term and other loans in CIB.

Loans and advances by cluster are as follows:

Rm	Change (%)	2017	2016
CIB	(3,8)	**356 029**	370 199
Banking activities	(3,1)	**324 673**	335 113
Trading activities	(10,6)	**31 356**	35 086
RBB	5,3	**305 198**	289 882
Wealth	2,9	**29 413**	28 577
RoA	4,9	**20 541**	19 582
Centre[4]	26,7	**(852)**	(1 163)
Group	0,5	**710 329**	707 077

[4] *Intercompany eliminations.*

RBB loans and advances grew 5,3% to R305,2bn, with MFC (vehicle finance) increasing by 8,6% as new-business volumes improved despite the contracting vehicle sales market. RBB's growth was achieved across all asset classes by increasing the contribution from lower-risk clients in line with risk appetite and prudent origination strategies. We take comfort in the quality and overall performance of the unsecured-lending portfolio based on the conservative rules we apply to consolidation, restructuring and term strategies. Home loans grew at below-inflation levels, but market share was maintained.

CIB loans and advances decreased 3,8% to R356,0bn due to a combination of unexpected early repayments and managed selldowns, which allowed for the diversification of risk. Demand for new loans was weak as a result of muted client capital expenditure in a competitive market in the subdued economic climate. Commercial-mortgage loans and advances grew by 6,5% to R161,6bn, maintaining our leading share of the SA market. The portfolio contains good-quality collateralised assets with low LTVs, underpinned by a large secure asset pool and a strong client base, and is managed by a highly experienced property finance team.

Deposits

Deposits grew 1,3% to R771,6bn, with total funding-related liabilities increasing 1,2% to R823,2bn, while the loan-to-deposit ratio improved to 92,1%.

Through the active management of the RBB franchise, deposits grew 8,5% to R295,3bn, resulting in household deposits market share gains increasing yoy to 18,9% from 18,7%, supported by Nedbank's strong market share in household current account deposits of 19,1%. Through the growth in current accounts, savings and fixed deposits and other structured deposits Nedbank has successfully reduced the proportion of funding from negotiable certificates of deposit as well as more expensive foreign currency funding used in the general rand funding pool.

This positive tilt towards more Basel III-friendly deposits achieved across RBB, Nedbank Wealth and RoA and through market share gains in commercial deposits has resulted in lower HQLA and long-term funding requirements as well as a stronger LCR in terms of ensuring cost-effective regulatory compliance and a strong balance sheet position.

Group strategic focus

During 2017 we continued to focus on delivering on our five strategic focus areas designed to make Nedbank a more agile, competitive and digital bank, and underpin sustainable earnings growth and improving returns.

- **Delivering innovative market-leading client experiences.** We launched various market-leading innovations such as the new Nedbank Private Wealth mobile app. This was one of the first products delivered through our Digital Fast Lane capability. It ranked joint sixth in the global Mobile Apps for Wealth Management 2017 survey and was placed third among 600 apps in the Best Enterprise Solution category at the MTN Business App of the Year Awards. The new Nedbank Money app, which makes banking more convenient for our retail clients, was downloaded more than 300 000 times since November 2017. We launched UNLOCKED.ME, an exclusive e-commerce marketplace for millennials. Karri, our mobile payment app that enables users to make cash-free payments for school activities quickly, securely and hassle-free, has been rolled out to more than 100 schools across the country. In Nedbank Wealth we piloted geyser telemetry, an innovative smart home solution that reduces electricity consumption. As far as our integrated channels are concerned, we have converted 55% of our outlets to new-image branches to date, and our investment in distribution channels over the next three years (until 2020) will result in 73% of our retail clients being exposed to the new-image branch format and self-service offerings. The introduction of chatbots and robo-advisors will continue to enhance client experiences through our contact centre and web-servicing capabilities. We launched NZone, our digital self-service branch at the Sandton Gautrain station, as well as Africa's first solar-powered branch to enable banking in deep-rural communities.
The foundations put in place through Managed Evolution (our core systems and technology platform transformation), digital enhancements and New Ways of Work will lead to ongoing incremental digital benefits and enhanced client service. In 2018 Nedbank will bring further exciting digital innovations to market to enhance client experiences and drive efficiencies. Some of these include a refreshed internet banking experience in line with our mobile banking apps, the ability to sell an unsecured loan bundled with a transactional account, simplified client onboarding with convenient, FICA-compliant account opening from your couch, a new and exciting loyalty and rewards solution, and further rollout of chatbots, robo-advisors and software robots (robotic process automation).
- **Growing our transactional banking franchise faster than the market.** Nedbank's RBB franchise grew its total client base 1,6% to 7,5 million, with 6,0 million clients having a transactional account and 2,8 million main-banked clients supporting retail transactional NIR growth of 6,0%.

Our main-banked client numbers remained flat as slower transactional activity caused some of our existing clients to fall outside our main-banked definition, particularly in the youth segment, while the middle-market, professional and small business client segments continued to increase. The newly launched Consulta survey estimates Nedbank's share of main-banked clients at 12,7%, up from the 10,1% recorded through the 2015 AMPS survey (using a similar methodology) as we aim to reach a share of more than 15% by 2020. Our integrated model in CIB enabled deeper client penetration and increased cross-sell, resulting in 26 primary-bank client wins in 2017.

- **Being operationally excellent in all we do.** Cost discipline is an imperative in an environment of slower revenue growth. We have ongoing initiatives to ensure this, such as having reduced our core systems from 251 to 129 since inception of the Managed Evolution programme, with us being well on our way to reaching a target end state of less than 60 core systems by 2020; and the reduction of floor space in RBB by more than 30 000 m² by 2020; of which 24 485 m² has been achieved to date. We worked with our sister companies in the Old Mutual Group to deliver synergies of just in excess of R1bn, R393m of which accrued to Nedbank. Good progress was also made with our target operating model (TOM) initiatives, which aim at generating R1,0bn pretax benefits for Nedbank by 2019 (and R1,2bn by 2020) and are linked to our long-term incentive scheme. Most cost initiatives have been identified in RBB and we delivered savings of R621m in 2017, which includes TOM savings. During the year we reduced headcount by 859 (mostly through natural attrition), optimised our staffed points of presence by closing 32 inretailer and 53 personal-loan outlets (while maintaining our coverage of the bankable population at 84%). We achieved efficiencies through the recycling of cash through our increased footprint of Intelligent Depositor devices. Four client-servicing functions, previously only accessible through branches, as well as the new Nedbank Money app were launched during the fourth quarter of 2017, while another 33 are planned for deployment across our digital channels by March 2018. We implemented 50 software robots (robotic process automation) to enhance efficiencies and reduce processing errors in administrative-intense processes, with more than 200 planned for rollout in 2018.
- **Managing scarce resources to optimise economic outcomes.** We maintained our focus on growing activities that generate higher levels of EP, such as growing transactional deposits and increasing transactional banking revenues, with commission and fees in RBB up 5,3%, and achieved earnings growth of 6,9% in RBB and 5,0% in CIB. 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 0,49%, below the bottom end of our TTC target range. At the same time our balance sheet metrics remain strong and we continue to deliver dividend growth above the rate of HEPS growth.
- **Providing our clients with access to the best financial services network in Africa.**
  - In Central and West Africa ETI remains an important strategic investment for Nedbank, providing our clients with access to a pan-African transactional banking network across 39 countries and Nedbank with access to dealflow in Central and West Africa. We have made good progress in working with ETI's board and other institutional shareholders to strengthen its board and management. We have increased our board representation and our involvement in the group as Brian Kennedy joined Mfundo Nkuhlu on ETI's board. Mfundo was appointed Chair of the ETI Risk Committee and Brian was appointed to the Remuneration and Audit Committees. Risk management practices are being enhanced and the audit of ETI's 2017 interim results provides comfort that the risk of another fourth-quarter loss as in 2015 and 2016 has decreased. We are pleased that ETI reported a profit for the nine months to 30 September 2017. We remain supportive of ETI's endeavours to deliver an ROE in excess of its COE over time. While risk remains, economic conditions in Nigeria and other economies in West Africa are improving and ETI should provide a strong underpin to Nedbank Group's earnings growth in 2018.
  - In SADC we continue to build scale and optimise costs. Our core banking system, Flexcube, which was successfully rolled out in Namibia in 2016, was also implemented in Lesotho, Malawi and Swaziland in 2017 and we plan to roll it out in Zimbabwe during 2018. We also launched a number of new digital products and we continue to grow our distribution footprint. As a result, clients increased 14% and online digital activations were up 22%. The acquisition of a majority stake in Banco Único in 2016 continued to deliver value and positioned Nedbank well to leverage off higher levels of economic growth in Mozambique. In 2018 we will rebrand MBCA in Zimbabwe to Nedbank while completing the last of our core banking system implementations in our subsidiaries.

Old Mutual plc managed separation

On 1 November 2017 Old Mutual plc announced that the strategic minority shareholding to be retained in Nedbank Group by Old Mutual Limited (OML) to underpin the ongoing commercial relationship between the companies has been agreed at 19,9% of the total Nedbank Group ordinary shares in issue, as held by shareholder funds. This followed the 11 March 2016 announcement by Old Mutual plc about the Old Mutual managed separation, and the subsequent communication on 25 May 2017 in which Old Mutual plc stated that the new SA holding company, to be named OML, would retain a strategic minority shareholding in Nedbank Group after the implementation of the managed separation. The 19,9% shareholding will be held by OML, which will have a primary listing on JSE Limited and a secondary listing on the London Stock Exchange. OML will be listed at the earliest opportunity in 2018, following the publication of Old Mutual plc's 2017 full-year results.

The decrease in OML's shareholding in Nedbank Group will be achieved through the unbundling of Nedbank Group ordinary shares to OML's shareholders. This will result in OML, immediately after the implementation of unbundling, holding a 19,9% strategic minority shareholding in Nedbank Group. The unbundling will occur at an appropriate time and in an orderly manner, after the listing of OML and allowing suitable time for the transition of the OML shareholder register to an investor base with an SA and emerging-market focus and mandate. After the unbundling, Nedbank Group is likely to see an increase in the number of its shares held by emerging-market-mandated index funds, which will adjust according to the improved free float (from about 45% before unbundling to about 80% after unbundling) and a normalisation of SA institutional shareholding (some of which are currently underweight on a straight-market-capitalisation basis given some Nedbank Group holding through the Old Mutual plc shareholding). As part of this process Nedbank Group will continue to market itself as an attractive investment for local and international investors.

Nedbank Group will continue business as usual and the managed separation will have no impact on our strategy, our day-to-day management or operations, our staff and our clients. Our engagements have been at arm's length and overseen by independent board structures. Old Mutual operates predominantly in the investment, savings and insurance industry, which has little overlap with banking, even though we compete in the areas of wealth and asset management and personal loans. Our technology systems, brands and businesses have not been integrated.

As noted before, our collaboration with Old Mutual to unlock synergies by the end of 2017 was successful. Future synergies will continue to be underpinned by OML's strategic shareholding in Nedbank Group. We are fully committed to working with OML to deliver ongoing synergistic benefits at arm's length.

Economic and regulatory outlook

While structural challenges remain, 2018 has started with renewed optimism that these will be addressed and that improving business and consumer confidence should lead to a cyclical upturn off a low base. The SA economy is forecast to grow about 1,6% in 2018 as a resilient world economy and relatively firm international commodity prices are expected to provide further support to domestic production and exports. Business and consumer confidence should also improve from very weak levels in 2017, boosted by newly elected SA President Ramaphosa's promises to restore good governance, take immediate action against corruption and state capture, and make changes to many cabinet portfolios. Moderate growth in consumer spending and credit are forecast for 2018, while fixed investment, as well as government consumption and capital expenditure, is forecast to remain subdued.

The recovery in sub-Saharan Africa is expected to gather pace in 2018, underpinned by the ongoing global commodity price upswing as well as improved government finances and structural reforms in some African countries. The International Monetary Fund expects sub-Saharan Africa to grow faster at 3,4% this year.

Domestic inflation is forecast to recede moderately in the early part of 2018, before edging higher towards the end of the year, averaging about 5,1% over the year as a whole. Early in the year a stronger rand, coupled with easing food and fuel prices, should help contain inflation off the higher base that prevailed at the start of 2017. The rand remains the key risk to the inflation outlook. High expectations of political, policy and fiscal reforms have been built into the rand's recent rally. If the new ANC leadership fails to deliver, especially on the fiscal concerns, SA still runs the risk of being downgraded to universal subinvestment grade status, which could place the rand under pressure and alter the inflation outlook for the year. Given these uncertainties, the anticipated rise in US interest rates, the gradual tapering of quantitative easing programmes by other major central banks and the expected upturn in the domestic inflation cycle towards year-end, the SARB's Monetary Policy Committee is forecast to keep interest rates unchanged at current levels throughout 2018 and into 2019.

Fitch indicated that a failure to implement credible fiscal consolidation and any further economic deterioration could trigger another rating downgrade. S&P will act if both the economy and standards of public governance weaken further, while Moody's will downgrade the country if the measures to address the fiscal funding gap lack credibility or the chosen structural reforms fail to encourage investment and growth.

Overall economic conditions should improve off a low base and, despite the many challenges faced by the SA economy, the SA banking system remains sound, liquid and well capitalised.

Prospects

Our guidance on financial performance for the full year 2018 is currently as follows:

- Average interest-earning banking assets to grow in line with nominal GDP.
- NIM to be slightly above the 2017 level of 3,62%.
- CLR to increase into the bottom half of our target range of 60 to 100 bps (under IFRS 9).
- NIR to grow above mid-single digits.
- Associate income to be positive (ETI associate income reported quarterly in arrear).
- Expenses to increase by mid-single digits.

Given the loss in associate income from ETI in the 2017 base and continued delivery on the Nedbank strategy, our financial guidance is for growth in DHEPS for the full 2018 year to be in line with our medium-to-long-term target of greater than or equal to GDP + the consumer price index + 5%.

The outlook for our medium-to-long-term targets in 2018 is as follows, and we have now set ourselves specific 2020 targets of ROE (excluding goodwill) of greater than or equal to 18% and cost to income of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation.

Metric	2017 performance	Full-year 2018 outlook	Medium-to-long-term target
ROE (excluding goodwill)	**16,4%**	Improves, but remains below target	5% above COE[5] (≥ 18% by 2020)
Growth in DHEPS	**2,4%**	≥ consumer price index + GDP growth + 5%, supported by ETI recovery	≥ consumer price index + GDP growth + 5%
CLR	**0,49%**	Increases into the bottom half of our target range (under IFRS 9)	Between 0,6% and 1,0% of average banking advances
NIR-to-expenses ratio	**80,7%**	Improves, but remains below target	> 85%
Efficiency ratio (including associate income)	**58,6%**	Improves, but remains above target	50–53% (≤ 53% by 2020)
CET1 capital adequacy ratio (Basel III)	**12,6%**	Within or above target	10,5–12,5%
Economic capital		Internal Capital Adequacy Assessment Process (ICAAP): A debt rating, including 10% capital buffer	
Dividend cover	**1,91 times**	Within target range	1,75–2,25 times

[5] The COE is forecast at 13,2% in 2018.

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

Board and leadership changes during the period
Tom Boardman and David Adomakoh resigned from the board as independent non-executive directors with effect from the end of Nedbank Group's Annual General Meeting on Thursday, 18 May 2017.

Neo Dongwana and Linda Manzini were appointed as independent non-executive directors of the group with effect from 1 June 2017 and Hubert Brody with effect from 1 July 2017.

Thulani Sibeko, Group Executive of Group Marketing, Communications and Corporate Affairs, resigned with effect from 27 June 2017. In October 2017 Abe Thebyane, Group Executive of Human Resources, announced his early retirement, to be effective on the appointment of a suitable successor to ensure a seamless handover of responsibilities. These positions are expected to be filled in the first half of 2018.

Basis of preparation*
Nedbank Group Limited is a company domiciled in SA. The summary consolidated financial statements of the group at and for the year ended 31 December 2017 comprise the company and its subsidiaries ('group') and the group's interests in associates and joint arrangements.

The summary consolidated financial statements comprise the summary consolidated statement of financial position at 31 December 2017, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cashflows for the year ended 31 December 2017 and selected explanatory notes, which are indicated by the symbol*. The summary consolidated financial statements and the full set of consolidated financial statements have been prepared under the supervision of Raisibe Morathi CA(SA), the Chief Financial Officer.

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

IFRS 9 Financial instruments*
IFRS 9 is effective and will be implemented by the group from 1 January 2018. IFRS 9 replaces IAS 39 and sets out the updated requirements for the recognition and measurement of financial instruments. These requirements specifically deal with the classification and measurement of financial instruments, measurement of impairment losses based on an expected credit loss model, and closer alignment between hedge accounting and risk management practices.

As permitted by the transitional provisions of IFRS 9, the group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

The estimates below are based on accounting policies, assumptions, judgements and estimation techniques, which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2018.

Classification and measurement*
The group has implemented the following on adoption of IFRS 9:

- Revocation of the fair value through profit or loss designation for certain loans and advances, amounts owed to depositors and long-term debt instruments to facilitate the implementation of macro fair-value hedge accounting of interest rate risk and hedge accounting of inflation risk. It is anticipated that the aforementioned changes will reduce accounting volatility experienced with respect to fair value through profit or loss accounting.
- Reclassification of certain loans from amortised cost to fair value through other comprehensive income and fair value through profit or loss to align with the business-model-driven classifications of IFRS 9.
- Review of the effective interest rate calculation for certain loans based on the additional guidance provided in IFRS 9.

The implementation of the above IFRS 9 classification and measurement requirements decreased reserves at 1 January 2018 by approximately R200m.

Impairment*
The IFRS 9 impairment implementation progressed during 2017. The following were the main areas of focus for 2017:

- Finalisation of the IFRS 9 impairment model methodology.
- Implementation of an IT framework facilitating efficient model execution and management.
- Development, build and testing of IFRS 9 impairment models with respect to a substantial portion of the group's portfolios, leveraging off the aforementioned IT framework.
- Documentation and implementation of the relevant control environment and related governance processes.

The following areas will continue to receive the required attention as the implementation of IFRS 9 progresses during the 2018 financial reporting period:

- Further refinement of certain models.
- Finalisation of the interim and year-end reporting and disclosure frameworks.
- Observing local and international industry trends with respect to IFRS 9 adoption.

The implementation of the IFRS 9 expected credit loss model requires increases in balance sheet impairments at 1 January 2018 of approximately R3,2bn, with reserves decreasing by approximately R2,3bn on an after-tax basis.

IFRS 15 Revenue from contracts with customers*
IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective and will be implemented by the group from 1 January 2018.

The group has concluded that the loyalty points awarded to clients are accounted for as consideration payable to clients in terms of new IFRS 15 guidance. The standard requires revenue to be decreased by the amount of consideration expected to be paid to clients, with this amount recognised as a liability until payment is effected. The liability for the amount expected to be paid to clients under the loyalty programme increased by approximately R300m on 1 January 2018 due to the application

* *Refer to the second paragraph under Basis of preparation.*

of IFRS 15 requirements. Reserves at 1 January 2018 decreased by approximately R216m on an after-tax basis.

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

Audited summary consolidated financial statements – independent auditors' opinion
The summary consolidated financial statements for the year ended 31 December 2017 have been audited by KPMG Inc and Deloitte & Touche, who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual consolidated financial statements from which these summary consolidated financial statements were derived.

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

The auditors' report does not necessarily report on all of the information contained in this results announcement. Shareholders are therefore advised that, to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report, together with the accompanying consolidated financial statements, 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 political and economic conditions; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive, regulatory and legal factors. By consequence, all forward-looking statements have not been reviewed or reported on by the group's auditors.

Final dividend declaration
Notice is hereby given that a final dividend of 675 cents per ordinary share has been declared, payable to shareholders for the six months ended 31 December 2017. 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 135 cents per ordinary share, resulting in a net dividend of 540 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 498 108 914.

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

Event	Date
Last day to trade (cum dividend)	Tuesday, 3 April 2018
Shares commence trading (ex dividend)	Wednesday, 4 April 2018
Record date (date shareholders recorded in books)	Friday, 6 April 2018
Payment date	Monday, 9 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 April 2018, and Friday, 6 April 2018, both days inclusive.

On Monday, 9 April 2018, the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 9 April 2018.

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	**Mike Brown**
Chairman	*Chief Executive*

2 March 2018

Registered office
Nedbank Group Limited, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196.

PO Box 1144, Johannesburg, 2000.

Transfer secretaries in SA
Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank, Johannesburg, 2196, SA.

PO Box 61051, Marshalltown, 2107, SA.

Transfer secretaries in Namibia
Transfer Secretaries (Proprietary) Limited, Robert Mugabe Avenue No 4, Windhoek, Namibia.

PO Box 2401, Windhoek, Namibia.

Directors
V Naidoo (Chairman), MWT Brown** (Chief Executive), HR Brody, BA Dames, NP Dongwana, ID Gladman (British), JB Hemphill, EM Kruger, RAG Leith, PM Makwana, L Manzini, 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 number:	1966/010630/06
JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
Sponsors in SA:	Merrill Lynch SA Proprietary Limited Nedbank CIB
Sponsor in Namibia:	Old Mutual Investment Services (Namibia) (Proprietary) Limited

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

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

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

* *Refer to the second paragraph under Basis of preparation.*

Financial highlights

at

	Change (%)		31 December 2017 (Audited)	31 December 2016 (Audited)
Statistics				
Number of shares listed		m	**498,1**	495,9
Number of shares in issue, excluding shares held by group entities		m	**481,6**	478,4
Weighted-average number of shares		m	**480,8**	477,8
Diluted weighted-average number of shares		m	**490,0**	487,9
Preprovisioning operating profit	(3,2)	Rm	**19 358**	20 004
Economic profit[1]	8,3	Rm	**1 695**	1 565
Headline earnings per share	2,2	cents	**2 452**	2 400
Diluted headline earnings per share	2,4	cents	**2 406**	2 350
Ordinary dividends declared per share	7,1	cents	**1 285**	1 200
Interim	7,0	cents	**610**	570
Final	7,1	cents	**675**	630
Ordinary dividends paid per share	8,8	cents	**1 240**	1 140
Dividend cover		times	**1,91**	2,00
Net asset value per share	7,3	cents	**16 990**	15 830
Tangible net asset value per share	6,6	cents	**14 626**	13 723
Closing share price	7,5	cents	**25 610**	23 813
Price/earnings ratio		historical	**10,4**	9,9
Price to book ratio		historical	**1,5**	1,5
Market capitalisation	8,0	Rbn	**127,6**	118,1
Number of employees (permanent staff)[1]	(2,7)		**31 531**	32 401
Number of employees (permanent and temporary staff)[1]	(2,6)		**31 887**	32 746
Key ratios (%)				
Return on ordinary shareholders' equity (ROE)[1]			**15,3**	15,3
ROE, excluding goodwill[1]			**16,4**	16,5
Return on tangible equity[1]			**17,8**	17,6
Return on total assets (ROA)[1]			**1,22**	1,23
Return on average risk-weighted assets[1]			**2,28**	2,23
Net interest income to average interest-earning banking assets[1]			**3,62**	3,41
Credit loss ratio – banking advances[1]			**0,49**	0,68
Gross operating income growth rate less expense growth rate (jaws ratio)			**(3,0)**	(1,5)
Non-interest revenue to total operating expenses			**80,7**	82,9
Non-interest revenue to total income			**46,6**	47,1
Efficiency ratio			**58,6**	56,9
Effective taxation rate			**25,5**	24,9
Group capital adequacy ratios (including unappropriated profits):[1]				
– Common-equity tier 1			**12,6**	12,1
– Tier 1			**13,4**	13,0
– Total			**15,5**	15,3
Statement of financial position statistics (Rm)				
Total equity attributable to equity holders of the parent	8,0		**81 823**	75 733
Total equity	8,4		**88 539**	81 711
Amounts owed to depositors	1,3		**771 584**	761 542
Loans and advances	0,5		**710 329**	707 077
Gross	0,4		**722 330**	719 226
Impairment of loans and advances	1,2		**(12 001)**	(12 149)
Total assets administered by the group	4,5		**1 295 627**	1 239 349
Total assets	1,8		**983 314**	966 022
Assets under management	14,3		**312 313**	273 327
Life insurance embedded value[1]	0,2		**2 745**	2 740
Life insurance value of new business[1]	(12,5)		**349**	399

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

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Prepared under the supervision of the Nedbank Group CFO, Raisibe Morathi CA(SA).
Nedbank Group Limited Reg No 1966/010630/06.

Summary consolidated statement of comprehensive income

for the year ended

	Change (%)	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Interest and similar income	2,6	**75 299**	73 395
Interest expense and similar charges	1,5	**47 675**	46 969
Net interest income	4,5	**27 624**	26 426
Impairments charge on loans and advances	(27,4)	**3 304**	4 554
Income from lending activities	11,2	**24 320**	21 872
Non-interest revenue	2,4	**24 063**	23 503
Operating income	6,6	**48 383**	45 375
Total operating expenses	5,1	**29 812**	28 366
Indirect taxation	8,0	**1 001**	927
Profit from operations before non-trading and capital items	9,3	**17 570**	16 082
Non-trading and capital items	83,6	**(224)**	(1 363)
Profit from operations	17,8	**17 346**	14 719
Share of losses of associate companies and joint arrangements	<(100)	**(838)**	(105)
Profit before direct taxation	13,0	**16 508**	14 614
Total direct taxation	6,4	**4 209**	3 955
Direct taxation		**4 267**	3 985
Taxation on non-trading and capital items		**(58)**	(30)
Profit for the year	15,4	**12 299**	10 659
Other comprehensive income/(losses) net of taxation	>100	**31**	(3 941)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(1 046)**	(1 902)
Share of other comprehensive losses of investments accounted for using the equity method		**169**	(1 688)
Fair-value adjustments on available-for-sale assets		**22**	(73)
Items that may not subsequently be reclassified to profit or loss			
Gains on property revaluations		**190**	32
Remeasurements on long-term employee benefit assets		**387**	(297)
Share of other comprehensive income/(losses) of investments accounted for using the equity method		**309**	(13)
Total comprehensive income for the year	83,5	**12 330**	6 718
Profit attributable to:			
– Ordinary shareholders	14,7	**11 621**	10 132
– Holders of preference shares	(6,4)	**338**	361
– Non-controlling interest - holders of additional tier 1 capital instruments	>100	**252**	78
– Non-controlling interest – ordinary shareholders		**88**	88
Profit for the year	15,4	**12 299**	10 659
Total comprehensive income attributable to:			
– Ordinary shareholders	88,0	**11 625**	6 183
– Holders of preference shares	(6,4)	**338**	361
– Non-controlling interest - holders of additional tier 1 capital instruments	>100	**252**	78
– Non-controlling interest – ordinary shareholders	19,8	**115**	96
Total comprehensive income for the year	83,5	**12 330**	6 718
Basic earnings per share (cents)	14,0	**2 417**	2 121
Diluted earnings per share (cents)	14,2	**2 372**	2 077

Summary consolidated statement of financial position

at

	Change (%)	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Assets			
Cash and cash equivalents	(35,9)	**16 900**	26 384
Other short-term securities	9,6	**92 775**	84 679
Derivative financial instruments	69,6	**29 904**	17 633
Government and other securities	(3,5)	**49 241**	51 048
Loans and advances	0,5	**710 329**	707 077
Other assets	3,6	**14 589**	14 077
Current taxation assets	(63,2)	**211**	574
Investment securities	16,9	**16 634**	14 225
Non-current assets held for sale	35,2	**388**	287
Investments in private-equity associates, associate companies and joint arrangements	2,4	**6 722**	6 567
Deferred taxation assets	(61,7)	**189**	494
Investment property	(100,0)		22
Property and equipment	(0,7)	**8 902**	8 969
Long-term employee benefit assets	13,9	**5 924**	5 203
Mandatory reserve deposits with central banks	2,8	**19 222**	18 700
Intangible assets	12,9	**11 384**	10 083
Total assets	1,8	**983 314**	966 022
Equity and liabilities			
Ordinary share capital	0,8	**482**	478
Ordinary share premium	3,6	**18 688**	18 043
Reserves	9,5	**62 653**	57 212
Total equity attributable to equity holders of the parent	8,0	**81 823**	75 733
Holders of preference shares		**3 222**	3 222
Non-controlling interest attributable to holders of additional tier 1 capital instruments	31,8	**2 635**	2 000
Non-controlling interest attributable to ordinary shareholders	13,6	**859**	756
Total equity	8,4	**88 539**	81 711
Derivative financial instruments	75,7	**23 367**	13 296
Amounts owed to depositors	1,3	**771 584**	761 542
Provisions and other liabilities	(32,8)	**23 292**	34 667
Current taxation liabilities	21,0	**259**	214
Deferred taxation liabilities	(5,3)	**761**	804
Long-term employee benefit liabilities	2,2	**3 525**	3 448
Investment contract liabilities	18,2	**18 134**	15 342
Insurance contract liabilities	(22,1)	**2 277**	2 922
Long-term debt instruments	(1,0)	**51 576**	52 076
Total liabilities	1,2	**894 775**	884 311
Total equity and liabilities	1,8	**983 314**	966 022

Summary consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent Rm	Equity attributable to preference shareholders Rm	Non-controlling interest attributable to additional tier 1 capital instrument holders Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
Audited balance at 31 December 2015	74 754	3 561		436	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	361	78	96	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**	**3 222**	**2 000**	**756**	**81 711**
Additional tier 1 capital instruments issued			**600**		**600**
Dividend to shareholders	**(6 080)**			**(12)**	**(6 092)**
Additional tier 1 capital instruments interest paid			**(217)**		**(217)**
Preference share dividend		**(338)**			**(338)**
Issues of shares net of expenses	**687**				**687**
Shares (acquired)/no longer held by group entities and BEE trusts	**(71)**				**(71)**
Total comprehensive income for the year	**11 625**	**338**	**252**	**115**	**12 330**
Share-based payment reserve movement	**(65)**				**(65)**
Other movements	**(6)**				**(6)**
Audited balance at 31 December 2017	**81 823**	**3 222**	**2 635**	**859**	**88 539**

Summary consolidated statement of cashflows

for the year ended

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Cash generated by operations	**25 351**	24 827
Change in funds for operating activities	**(17 407)**	(15 473)
Net cash from operating activities before taxation	**7 944**	9 354
Taxation paid	**(4 730)**	(5 065)
Cashflows from operating activities	**3 214**	4 289
Cashflows utilised by investing activities	**(6 119)**	(3 004)
Cashflows (utilised by)/from financing activities	**(5 946)**	3 536
Effects of exchange rate changes on opening cash and cash equivalents	**(111)**	1 191
Net (decrease)/increase in cash and cash equivalents	**(8 962)**	6 012
Cash and cash equivalents at the beginning of the period[1]	**45 084**	39 072
Cash and cash equivalents at the end of the period[1]	**36 122**	45 084

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

Summary consolidated segmental reporting

for the year ended

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
	Total assets		Total liabilities		Revenue[1]		Headline earnings/ (losses)	
Nedbank Corporate and Investment Banking	**487 632**	491 480	**457 195**	463 018	**14 380**	14 744	**6 315**	6 014
Nedbank Retail and Business Banking	**326 225**	304 842	**298 413**	278 588	**30 102**	29 071	**5 302**	4 960
Nedbank Wealth	**66 832**	62 042	**62 947**	58 655	**4 393**	4 384	**1 068**	1 192
Rest of Africa	**37 487**	36 189	**31 042**	28 247	**2 471**	1 890	**(810)**	(287)
Centre	**65 138**	71 469	**45 178**	55 803	**341**	(160)	**(88)**	(414)
Total	**983 314**	966 022	**894 775**	884 311	**51 687**	49 929	**11 787**	11 465

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

Due to the group's strategic investment in ETI being in an associate company that the group does not control, the group's managed operations exclude ETI-related assets, funding, equity-accounted earnings and associated after-tax funding costs. The chief operating decisionmaker therefore separately reviews the performance of the group's managed operations and, on this basis, the total assets are R979 994m (2016: R962 044m), total liabilities are R892 919m (2016: R884 199m), revenue is R52 008m (2016: R50 275m) and headline earnings is R12 762m (2016: R11 839m). ETI forms part of the Rest of Africa segment, whose segmental information on a managed operations basis include total assets of R34 167m (2016: R32 211m), total liabilities of R29 186m (2016: R28 135m), revenue of R2 792m (2016: R2 236m) and headline earnings of R165m (2016: R87m).

Headline earnings reconciliation

for the year ended

	Change (%)	31 December 2017 (Audited) Rm Gross	31 December 2017 (Audited) Rm Net of taxation	31 December 2016 (Audited) Rm Gross	31 December 2016 (Audited) Rm Net of taxation
Profit attributable to equity holders of the parent	14,7		**11 621**		10 132
Non-trading and capital items	(87,5)	**224**	**166**	1 363	1 333
IFRS 3: Fair-value loss on remeasurement of previously held interest				15	15
IAS 16: Loss on disposal of property and equipment		**47**	**35**	44	44
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 38/IAS 39: Impairment of intangible and available-for-sale assets		**163**	**117**	141	99
IAS 39: Loss/(Profit) on disposal of available-for-sale financial assets		**14**	**14**	(63)	(51)
IAS 40: Loss on disposal of investment properties				6	6
Headline earnings	2,8		**11 787**		11 465

Contingent liabilities and commitments

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

at

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Guarantees on behalf of clients	**28 402**	16 316
Letters of credit and discounting transactions	**3 225**	3 432
Irrevocable unutilised facilities and other	**103 562**	103 163
	135 189	122 911

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

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

COMMITMENTS

Capital expenditure approved by directors

at

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Contracted	**463**	522
Not yet contracted	**2 433**	2 092
	2 896	2 614

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

at

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Listed associates[1]	**3 320**	3 978
Unlisted associates	**3 122**	2 467
Unlisted joint arrangements	**280**	122
	6 722	6 567

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

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Listed associates: ETI		
Carrying value	**3 320**	3 978
Fair value of investment	**3 597**	2 438

Cashflow information

for the year ended

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Acquisition of property and equipment, computer software and development costs and investment property	**(3 299)**	(3 846)
Issue of additional tier 1 capital instruments	**600**	2 000
Issue of long-term debt instruments	**7 540**	13 596
Redemption of long-term debt instruments	**(8 067)**	(6 510)
Dividends to ordinary shareholders	**(6 080)**	(5 587)
Preference share dividends paid	**(338)**	(361)
Additional tier 1 capital instruments interest paid	**(217)**	(78)

Fair-value hierarchy

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using valuation techniques. These valuation techniques include reference to the current fair value of another instrument that is substantially the same in nature, reference to the value of the assets of underlying business, earnings multiples, 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 IFRS fair-value hierarchy as follows:

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

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

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

All fair values disclosed below are recurring in nature.

FINANCIAL ASSETS

	Total financial assets		Total financial assets recognised at amortised cost		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm
Cash and cash equivalents	**36 122**	45 084	**36 122**	45 084						
Other short-term securities	**92 775**	84 679	**25 193**	33 184		488	**67 582**	51 007		
Derivative financial instruments	**29 904**	17 633				49	**29 903**	17 547	**1**	37
Government and other securities	**49 241**	51 048	**28 862**	22 393	**5 173**	15 881	**15 206**	12 774		
Loans and advances[1,2]	**710 329**	707 077	**632 156**	627 778	**78**	2 437	**78 062**	76 785	**33**	77
Other assets	**14 589**	14 077	**9 619**	9 533	**4 970**	4 544				
Investments in private-equity associates, associate companies and joint arrangements	**3 169**	2 357							**3 169**	2 357
Investment securities	**16 634**	14 225			**37**	35	**15 184**	13 098	**1 413**	1 092
	952 763	936 180	**731 952**	737 972	**10 258**	23 434	**205 937**	171 211	**4 616**	3 563

[1] *Loans and advances of R13 581m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading and financial assets at amortised cost categories have been restated to reflect the correct classification.*

[2] *Loans and advances of R3 339m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

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 2017 (Audited) Rm	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm	**31 December 2017 (Audited) Rm**	31 December 2016 (Audited) Rm
Derivative financial instruments	**23 367**	13 296				81	**23 367**	13 215		
Amounts owed to depositors[3]	**771 584**	761 542	**693 621**	694 840			**77 963**	66 702		
Provisions and other liabilities	**21 712**	33 267	**14 259**	11 738	**6 983**	20 810	**35**	389	**435**	330
Investment contract liabilities	**18 134**	15 342					**18 134**	15 342		
Long-term debt instruments	**51 576**	52 076	**51 124**	51 775			**452**	301		
	886 373	875 523	**759 004**	758 353	**6 983**	20 891	**119 951**	95 949	**435**	330

[3] *Amounts owed to depositors of R9 332m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification.*

LEVEL 3 RECONCILIATION

31 December 2017 (Audited)	Opening balance at 1 Jan Rm	Gains in non-interest revenue in profit for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Closing balance at 31 Dec Rm
FINANCIAL ASSETS					
Derivative financial instruments	**37**	**18**		**(54)**	**1**
Loans and advances	**77**	**45**		**(89)**	**33**
Investment securities	**1 092**	**79**	**269**	**(27)**	**1 413**
Investments in private-equity associates, associate companies and joint arrangements	**2 357**	**2**	**1 478**	**(668)**	**3 169**
	3 563	**144**	**1 747**	**(838)**	**4 616**
FINANCIAL LIABILITIES					
Provisions and other liabilities	**330**	**105**			**435**
	330	**105**	**–**	**–**	**435**

31 December 2016 (Audited)	Opening balance at 1 Jan Rm	Gains/ (Losses) in non-interest revenue in profit for the year Rm	Purchases and issues Rm	Sales and settlements Rm	Transfers in/ (out) Rm	Closing balance at 31 Dec Rm
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

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.

31 December 2017 (Audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Derivative financial instruments	**Discounted cashflows**	**Discount rates, earnings before interest, tax and depreciation and amortisation**	**Between (12,0) and 9,0**	**1**	[1]	[1]
Loans and advances	**Discounted cashflows**	**Credit spreads and discount rates**	**Between (12,0) and 9,0**	**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 (12,0) and 9,0**	**1 413**	**132**	**(166)**
Investments in private-equity associates, associate companies and joint arrangements	**Discounted cashflows, earnings multiples**	**Valuation multiples**	**Between (12,0) and 9,0**	**3 169**	**296**	**(372)**
Total financial assets classified as level 3				**4 616**	**432**	**(541)**
FINANCIAL LIABILITIES						
Provisions and other liabilities	**Discounted cashflows, earnings multiples**	**Discount rates, forecasts**	**Between (10,0) and 10,0**	**(435)**	**36**	**(43)**

[1] *Represents amounts less than R1m.*

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
FINANCIAL ASSETS						
Derivative financial instruments	Discounted cashflows	Discount rates, earnings before interest, tax, depreciation and amortisation	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

UNREALISED GAINS

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

	31 December 2017 (Audited) Rm	31 December 2016 (Audited) Rm
Private-equity gains	**144**	268

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

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

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

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

In terms of the group's policy, transfers of financial instruments between levels of the fair-value hierarchy are deemed to have occurred at the end of the reporting period.

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 transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale.

The fair values of these respective financial instruments at the reporting 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 2017 (Audited)					
Financial assets	**686 211**	**681 307**	**23 993**	**29 962**	**627 352**
Other short-term securities	**25 193**	**25 130**		**25 130**	
Government and other securities	**28 862**	**28 825**	**23 993**	**4 832**	
Loans and advances	**632 156**	**627 352**			**627 352**
Financial liabilities	**51 124**	**52 018**	**23 975**	**28 043**	**–**
Long-term debt instruments	**51 124**	**52 018**	**23 975**	**28 043**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2016 (Audited)					
Financial assets	683 355	673 820	21 828	33 128	618 864
Other short-term securities	33 184	33 128		33 128	
Government and other securities	22 393	21 828	21 828		
Loans and advances[1]	627 778	618 864			618 864
Financial liabilities	51 775	48 894	20 432	28 462	–
Long-term debt instruments	51 775	48 894	20 432	28 462	

[1] *Loans and advances of R13 581m were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Loans and advances of R3 339m were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading, designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.*

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

LOANS AND ADVANCES

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

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

For specifically impaired loans and advances the carrying value, as determined after consideration of the group's 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 2018 to 2020 (2016: for periods 2017 to 2019) 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.

ADDITIONAL INFORMATION

Liquidity coverage ratio

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
Total high-quality liquid assets		**138 180**
Cash outflows		
Retail deposits and deposits from small-business clients	174 627	17 291
Stable deposits	3 424	171
Less stable deposits	171 203	17 120
Unsecured wholesale funding	237 769	114 117
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	122 379	31 140
Non-operational deposits (all counterparties)	115 017	82 604
Unsecured debt	373	373
Secured wholesale funding	21 836	21
Additional requirements	101 394	15 245
Outflows related to derivative exposures and other collateral requirements	967	967
Outflows related to loss of funding on debt products	127	127
Credit and liquidity facilities	100 300	14 151
Other contractual funding obligations	4	4
Other contingent funding obligations	171 717	8 714
Total cash outflows	**707 347**	**155 392**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	9 137	22
Inflows from fully performing exposures	52 203	35 421
Other cash inflows	4 749	4 627
Total cash inflows	**66 089**	**40 070**

	Total adjusted value
Total HQLA	138 180
Total net cash outflows[3]	118 956
Liquidity coverage ratio (%)	**116,2**

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

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

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

The figures above reflect a simple average of daily observations over the quarter ending December 2017 for Nedbank Limited and the simple average of the month-end values at 31 October 2017, 30 November 2017 and 31 December 2017 for all non-SA banking entities, based on regulatory submissions to SARB. This section on the liquidity coverage ratio has not been audited or reviewed by the group's auditors.

Definitions

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

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

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

Credit loss ratio (CLR) – banking advances (%) Impairments charge on loans and advances in the consolidated statement of comprehensive income as a percentage of daily average gross loans and advances.

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

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

Defaulted loans and advances (non-performing defaulted advances) Any advance or group of loans and advances that has triggered the Basel III definition of default criteria and is in line with the revised SA banking regulations. For retail portfolios this is product-centred and a default would therefore be specific to a client or borrower account (a specific advance). For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction within a borrowing group default, all transactions within the borrowing group would be treated as having defaulted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Portfolio coverage (%) Portfolio impairments in the statement of financial position as a percentage of gross loans and advances, excluding defaulted advances.

Portfolio impairments (Rm) Impairment for latent losses inherent in groups of loans and advances that have not yet been specifically impaired.

The standard portfolio represents all the loans and advances that have not been impaired. These loans and advances have not yet individually evidenced a loss event, but there are loans and advances in the standard portfolio that may have an impairment without the bank being aware of it yet.

A period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident. This period is generally known as the emergence period. For each standard portfolio an emergence period is estimated as well as the probability of the loss trigger and the loss given events occurring. These estimates are applied to the total exposures of the standard portfolio to calculate the portfolio impairment.

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

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

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

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

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

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

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

Specific impairments (Rm) Impairment for loans and advances that have been classified as total defaults and specifically impaired, net of the present value of estimated recoveries.

Specific coverage (%) Specific impairments in the statement of financial position as a percentage of total defaulted advances.

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

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

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

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

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

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

Abbreviations and acronyms

AFR available financial resources

AIEBA average interest-earning banking assets

AIRB Advanced Internal Ratings-based

AUA assets under administration

AUM assets under management

BBBEE broad-based black economic empowerment

BEE black economic empowerment

bn billion

bps basis point(s)

CAGR compound annual growth rate

CAR capital adequacy ratio

CET1 common equity tier 1

CIB Corporate and Investment Banking

CLR credit loss ratio

COE cost of equity

CPI consumer price index

CPF commercial-property finance

CVP client value proposition

DHEPS diluted headline earnings per share

D-SIB domestic systematically important bank

ECL expected credit loss

EP economic profit

EPS earnings per share

EV embedded value

ETI Ecobank Transnational Incorporated

GDP gross domestic product

GOI gross operating income

group Nedbank Group Limited

HE headline earnings

HEPS headline earnings per share

HQLA high-quality liquid asset(s)

IAS International Accounting Standard(s)

ICAAP Internal Capital Adequacy Assessment Process

IFRS International Financial Reporting Standard(s)

ILAAP Internal Liquidity Adequacy Assessment Process

JIBAR Johannesburg Interbank Agreed Rate

JSE JSE Limited

LAP liquid-asset portfolio

LCR liquidity coverage ratio

LIBOR London Interbank Offered Rate

m million

MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)

MRC minimum required capital

NCA National Credit Act, 34 of 2005

NCOF net cash outflows

NGN Nigerian naira

NII net interest income

NIM net interest margin

NIR non-interest revenue

NPL non-performing loan(s)

NSFR net stable funding ratio

OM Old Mutual

plc public listed company

PPOP preprovisioning operating profit

R rand

RBB Retail and Business Banking

Rbn South African rands expressed in billions

Rm South African rands expressed in millions

RoA Rest of Africa (cluster name)

ROA return on total assets

ROE return on equity

RORWA return on risk-weighted assets

RRB Retail Relationship Banking

RWA risk-weighted assets

SA South Africa

SADC Southern African Development Community

SAICA South African Institute of Chartered Accountants

SARB South African Reserve Bank

SDGs Sustainability Development Goals

TTC through the cycle

UK United Kingdom

US United States

VAF vehicle and asset finance

VaR value at risk

VIU value in use

VNB value of new business

yoy year on year

ytd year to date

ZAR South African rand (currency code)


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