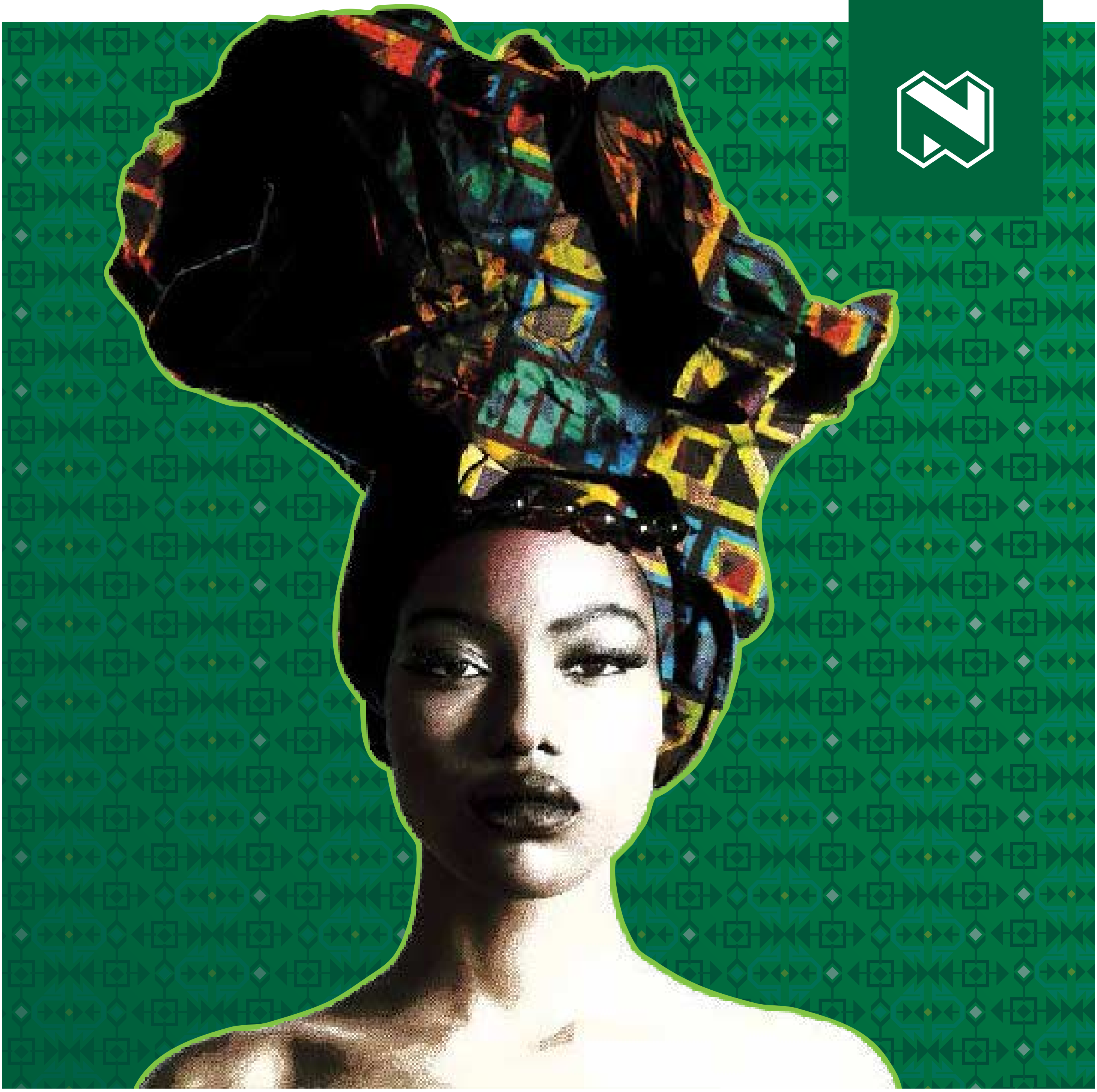

Nedbank Group Limited

Condensed consolidated interim financial results

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Using our financial
expertise to do good

see money differently

NEDBANK

A Member of the OLDMUTUAL Group

Nedbank Group continues to create value for all our stakeholders in a challenging political and economic environment

Nedbank Group continues to create value for all our stakeholders in a challenging political and economic environment and increased our interim dividend by 7,0% to 610 cents per share. Our headline earnings of R5,3bn, being 2,9% down on our 2016 first-half performance, is best understood through two lenses:

- Our managed operations produced a solid result, with headline earnings growth of 6,7% and an improved ROE (excluding goodwill) of 18,9%, as slower revenue growth was offset by reduced impairments and good cost management.
- The group's performance was negatively impacted by our share of the loss from our associate ETI (as announced on 18 April 2017), which decreased the 6,7% growth in headline earnings in managed operations to an overall 2,9% reduction in headline earnings. While risks remain, the outlook for ETI is improving.

The strategies implemented over the past few years in preparation for a tougher economic environment have positioned the group well for the recessionary conditions and the sovereign-credit-ratings downgrade that followed President Zuma's cabinet reshuffle. Capital generation and liquidity levels are strong and we have a banking franchise underpinned by 7,9m clients, 2,7m of whom are main-banked clients. Our advances book is of a high quality and we have built excellent collection capabilities. In addition, in an environment of slower revenue growth, and as we accelerate the delivery of our digital products, we are intensifying our focus on cost-efficiencies to create investment capacity and to improve efficiency ratios. We aim to create a more agile, competitive and digital Nedbank.

In the context of a challenging political and economic environment, our guidance for growth in diluted headline earnings per share for 2017 is for this measure to be positive, but less than or equal to growth in nominal GDP.

Mike Brown
Chief Executive

Headline earnings
▼ 2,9%
R5 271m
(excl ETI ▲ 6,7%)

Revenue growth
▲ 3,7%

CLR
▼ 47 bps
(H1 2016: 67 bps)

Expense growth
▲ 5,0%

DHEPS
▼ 3,7%
1 078 cents
(excl ETI ▲ 5,9%)

Interim dividend per share
▲ 7,0%
610 cents

ROE
(excl goodwill)
▼ 15,1%
(excl ETI ▲ 18,9%)

CET 1 ratio
▲ 12,3%
(H1 2016: 11,6%)

2017 interim results commentary

BANKING AND ECONOMIC ENVIRONMENT

Despite ongoing geopolitical tensions, economic growth in developed markets improved, supported by accommodative monetary policies as well as manufacturing and trade activity gaining momentum. Emerging and developing economies also improved as a consequence of growth in China, a recovery in global commodity prices and increased capital inflows as global investors search for higher yields.

Against previous expectations of an improved economic environment in 2017, SA entered a technical economic recession, with GDP contracting by 0,3% in the fourth quarter of 2016 and by 0,7% in the first quarter of 2017. The weakness in the economy was widespread, with the manufacturing, utilities and domestic trade sectors all declining sharply. Consumers were placed under increased financial pressure as unemployment rates rose to a historic high of 27,7%. This, combined with the contraction in real disposable income and household consumption expenditure, led to a slowdown in household credit demand as households reduced debt levels, reflected in the debt-to-disposable income shrinking to 73,2%. In addition, credit demand was impacted as government fiscal policy focused on stabilising the budget deficit.

Confidence levels declined to new lows following President Zuma's cabinet reshuffle on 31 March 2017, which triggered a sovereign-ratings downgrade by three international rating agencies. Standard & Poor's Global Ratings downgraded SA's foreign currency debt to subinvestment grade, but retained the local currency rating at investment grade. Fitch downgraded the country's foreign and local currency rating to subinvestment grade. Moody's also downgraded SA's sovereign risk ratings to one notch above subinvestment grade. Both Standard & Poor's and Moody's placed the country on a negative ratings outlook.

While the current levels of political and economic uncertainty persist, there is heightened risk of further sovereign downgrades of the local currency debt to below investment grade and the resultant exclusion from the Citibank World Government Bond Index would have negative consequences for the SA economy.

REVIEW OF RESULTS

Nedbank produced a resilient performance in a macro environment that has proved to be more challenging than expected. Our managed operations produced headline earnings growth of 6,7% to R6 433m (June 2016: R6 030m), driven by slower revenue growth, reduced impairments and good cost management.

Headline earnings, including our share of the loss from ETI of R1 162m (June 2016: R603m loss), decreased by 2,9% to R5 271m (June 2016: R5 427m).

This translated into a decrease in DHEPS of 3,7% to 1 078 cents (June 2016: 1 119 cents) and a decrease in HEPS of 3,3% to 1 098 cents (June 2016: 1 135 cents). Excluding ETI, DHEPS increased by 5,9% to 1 316 cents (June 2016: 1 243 cents).

ROE (excluding goodwill) and ROE decreased to 15,1% (June 2016: 15,7%) and 14,0% (June 2016: 14,6%) respectively. ROE (excluding goodwill and ETI) improved from 18,4% to 18,9%. The ROA decreased to 1,10% (June 2016: 1,19%). Excluding ETI, ROA improved from 1,32% to 1,35%.

Our CET1 capital ratio of 12,3% (June 2016: 11,6%), average LCR for the second quarter of 104,6% (June 2016: 93,1%) and an NSFR of above 100% on a pro forma basis, are all Basel III-compliant and are a reflection of a strong balance sheet.

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS

Nedbank plays an important role in the economy and we remain committed to contributing to the societies in which we operate by delivering value to our staff, clients, shareholders, regulators and communities.

For staff

We employ 32 349 staffmembers, invested R137m in training and paid salaries and benefits of R7,8bn. Successful engagements were held 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 programme to be more digitally focused and 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. Transformation remains key to human capital development and we 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 61,1%, at executive level 50,0% and our total staff at 77,1%. In addition, 62,4% of our total staff are female.

For clients

Our clients' access to banking was improved through our network of 843 Intelligent Depositors and we increased the total number of digitally focused new-image branches to 303. Digitally active and enabled clients grew strongly, increasing the value of Nedbank App Suite™ transactions by 68,0% to R18,6bn. Nedbank Contact Centre client service will shortly be enhanced by voice biometrics and multimedia functionality that have been successfully piloted. We increased our total RBB client numbers to 7,5m with main-banked clients decreasing 0,3%, driven by the youth client segment that declined by 6,4% as slower transactional activity caused existing clients to fall out of our main-banked definition, while middle-market main-banked clients increased slightly by 0,5% and Retail Relationship Banking clients increased by 5,1%. We supported our clients by advancing R76,0bn (June 2016: R74,8bn) of new loans in the first six months of the year, including R39,1bn to RBB clients and R12,4bn to small and medium enterprises and Business Banking clients, as well as R719m of funding for affordable-housing projects to CIB clients. 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 15,2% to R295,3bn (June 2016: R256,3bn). It has maintained its top-three ranking among asset management companies over the past nine years, together with first position in the offshore category for the second consecutive year in the recent quarterly PlexCrown Unit Trust survey, as well as winning in the Offshore Management Company of the Year category for the third consecutive year, while Nedbank Private Wealth was ranked third overall in the Intellidex Top Private Banks and Wealth Managers survey.

For shareholders

Nedbank's net asset value per share increased to 16 200 cents (June 2016: 15 826 cents), with our share price up by 12,0% since June 2016. Our interim dividend is largely based on the performance of our managed operations and increased by 7,0%, ahead of growth in HEPS. We engaged constructively with shareholders in over 388 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 Nedbank's Integrated Report having been ranked in the top tier of JSE-listed companies.

For regulators

We maintained Basel III requirements ahead of full compliance timelines, achieving a CET1 ratio of 12,3%, an average long-term funding ratio of 33,1% and an average LCR ratio of 104,6% in the second quarter of 2017. 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 supporting the funding needs of government. Cash taxation contributions of R5,5bn were made relating to direct, indirect, pay-as-you-earn and other taxation. We continued to work closely with all regulators to ensure efficient delivery of the various regulatory programmes, including our IFRS 9 parallel run, which is progressing well.

For communities

Nedbank contributes to society in multiple ways. We continued to participate in the CEO Initiative, working with government, business and labour towards a more inclusive SA society. At the parliamentary presentation on transformation in March 2017 Nedbank was recognised as a leader in transformation within the financial services industry. This was affirmed by the group maintaining our level 2 BBBEE contributor status for the eighth consecutive year. Since 2012 we have contributed over R700m to socioeconomic development, with more than 50% allocated to education. We supported local businesses and the SA economy by sourcing 75% of our procurement locally. Our Fair Share 2030 strategy has enabled more than R745m of new lending to support student accommodation and we have disbursed R14,9bn for renewable-energy deals to date. In line with our new brand payoff line 'see money differently' and our purpose to use our financial expertise to do good for individuals, families, businesses and society, we have supported consumer financial education for 135 815 individuals. This year we also proudly celebrated the 10th year as title sponsor of the Nedbank Cup, which is the only cup competition in SA that addresses football development through the inclusion of professional and amateur teams.

CLUSTER FINANCIAL PERFORMANCE

Nedbank's managed operations generated headline earnings growth of 6,7% to R6 433m (June 2016: R6 030m) and delivered an ROE of 17,6% with good earnings contributions from CIB and RBB.

	Change (%)	Headline earnings (Rm)		ROE (excluding goodwill) (%)	
		Jun 2017	Jun 2016	Jun 2017	Jun 2016
CIB	6,9	**3 211**	3 004	**20,8**	21,3
RBB	7,3	**2 544**	2 371	**18,7**	18,3
Wealth	(15,5)	**519**	614	**27,8**	35,9
RoA subsidiaries	32,1	**70**	53	**3,0**	2,7
Centre	> 100,0	**89**	(12)		
Nedbank managed operations	6,7	**6 433**	6 030	**18,9**	18,4
ETI	(92,7)	**(1 162)**	(603)		
Nedbank Group[1]	(2,9)	**5 271**	5 427	**15,1**	15,7

[1] *ROE (including goodwill) 14,0% (June 2016: 14,6%).*

CIB maintained an attractive ROE of above 20% and produced solid results, underpinned by improved credit losses. Although both revenue lines were affected by slowing economic activity, NIR growth was also impacted by a high base. Early repayments, coupled with slower drawdowns, resulted in weaker advances growth although the pipeline remained stable.

RBB delivered an improved ROE and good headline earnings growth, underpinned by solid NIR growth and lower impairments and expense growth. As a result PPOP was up 3,1%, which is indicative of a growing franchise. NII benefited from improved volumes and mix changes in both advances and deposits, offset by margin compression largely due to the impact of the prime - JIBAR squeeze. NIR growth was supported by quality transactional income and card revenue.

Nedbank Wealth's decrease in headline earnings reflects a difficult first half, with good performances in Wealth Management and Asset Management, which were offset by a weaker performance in Insurance due to the impact of higher weather-related claims, an increase in lapses, as well as lower volumes. Nedbank Wealth's offshore businesses were also impacted by the strengthening of the rand.

RoA's earnings were negatively impacted by the loss from our associate ETI as a result of its fourth-quarter 2016 loss (previously announced on 18 April 2017) and its first-quarter 2017 profit (previously announced on 27 April 2017), in line with our policy of accounting for ETI earnings a quarter in arrear. The RoA subsidiaries grew headline earnings off a low base, benefiting from the first-time consolidation of Banco Único, while continued investment in the franchise and technology systems has led to strong client gains.

The increase in the Centre was largely due to fair-value gains on the underlying hedging portfolios.

FINANCIAL PERFORMANCE

Net interest income

NII increased by 4,0% to R13 548m (June 2016: R13 028m), ahead of average interest-earning banking asset growth of 2,4%.

NIM expansion of 6 bps to 3,58% (June 2016: 3,52% rebased) was largely driven by an endowment benefit of 9 bps and improved asset mix change of 6 bps, offset by asset pricing pressure of 5 bps and the narrowing of the prime-JIBAR spread costing 4 bps.

Impairments charge on loans and advances

Impairments decreased by 27,9% to R1 594m (June 2016: R2 211m), underpinned by a quality portfolio across all clusters. The lower CLR of 0,47% (June 2016: 0,67%) largely relates to the improvement in CIB's CLR.

In CIB impairments are individually determined and 86% of impairments are concentrated in approximately 10 counters. During the period the positive resolution and rerating of some counters led to the release of specific and portfolio impairments. Overall the improvement in CIB's CLR was driven by recoveries from Commercial Property Finance and improved commodity prices. RBB's lower CLR represents the underlying mix effect of personal loans and home loans continuing to improve, and MFC and Card increasing in line with expectations. Furthermore, in RBB some of the additional overlays that were previously raised for event risks, such as drought in certain geographies and a possible deterioration in secured lending to higher-risk clients who also have a personal loan, were released as these risks have not materialised and the related portfolio provisions can no longer be justified. Continued prudence in provisioning and a proactive collections strategy contributed to higher levels of postwriteoff recoveries at R578m (June 2016: R564m).

CLR (%)	Banking advances (%)	Jun 2017	Jun 2016	Dec 2016	TTC target ranges
CIB	48,7	**(0,03)**	0,31	0,34	0,15–0,45
RBB	44,2	**1,14**	1,23	1,12	1,30–1,80
Wealth	4,3	**0,09**	0,16	0,08	0,20–0,40
RoA	3,0	**0,80**	0,76	0,98	0,65–1,00
Nedbank Group		**0,47**	0,67	0,68	0,60–1,00

Total defaulted advances increased by 9,5% to R20 190m (June 2015: R18 437m), mostly driven by MFC and Card in RBB, partly offset by the improvement in CIB as well as the effect of SARB directive 7 and new curing definition, reported at 31 December 2016, resulting in loans previously shown as performing being reclassified as defaulted. Defaulted advances, excluding these 'performing defaulted advances' increased by 0,3% to R16 608m (June 2016: R16 556m).

The specific coverage ratio of 37,2% (June 2016: 36,2%) reflects the changing mix across all our portfolios and includes the increase in CIB's specific coverage to 24,6% (June 2016: 14,8%) along with RBB's lower specific coverage of 41,1% (June 2016: 44,6%). RBB's coverage ratio is in line with the 41,1% level reported at December 2016 and, excluding performing defaulted advances, RBB's specific coverage was maintained at 49,6% (June 2016: 49,7%).

The reduction in the portfolio coverage ratio to 0,65% (June 2016: 0,71%) mostly relates to RBB's additional overlays decreasing to R409m (June 2016: R701m). The central portfolio provision decreased from R500m at 31 December 2016 to R350m (June 2016: R350m). This provision is being maintained for, inter alia, the effect of the potential ratings downgrade of the local currency and stressed sectors such as resources, cement, construction and retailers remaining under pressure. We continue to monitor asset quality closely for any material evidence of the effect of the sovereign downgrades and the recession.

Non-interest revenue

NIR growth of 3,3% to R11 730m (June 2016: R11 357m) reflects a resilient performance. The underlying movements relate to:

- Commission and fee income growth of 3,1% to R8 436m (June 2016: R8 185m), as weak business and consumer confidence levels negatively affected transactional activity in CIB and led to lower volumes in RBB where an increasing number of clients also transacted within fixed-rate bundles.
- Insurance income decreasing 15,7% to R776m (June 2016: R921m) as a result of significant weather-related claims, lower homeowner's cover and credit life volumes, and an increase in lapses.
- Trading income increasing 13,3% to R2 006m (June 2016: R1 771m) from good performance in the markets business as volatility levels remain elevated.
- Private-equity income reducing to R203m (June 2016: R432m) relative to the high base in the comparative period, which included positive realisations in the Commercial Property Finance portfolio.

Expenses

Expense growth of 5,0% to R14 369m (June 2016: R13 686m) was below inflation and below the guidance we provided for the full 2017 year (being growth of mid-to-upper single digits), demonstrating disciplined and careful management of discretionary expenses in an environment of slowing revenue growth. Overall, growth was largely driven by our investments for transactional banking strategies of R265m and the consolidation of Banco Único of R147m, partly offset by efficiencies of R342m. The underlying movements included:

- Staff-related costs increasing at a slower rate of 3,6%, following-
  - 8,4% growth in remuneration and other staff costs, including an average annual salary increase of 6,5% and a reduction in staff numbers since December 2016; and
  - a 7,6% decrease in short- and long-term incentives.
- Computer-processing costs increasing 6,9% to R2 121m off a higher base in the prior year.
- Fees and insurance costs being 12,7% higher at R1 557m, due mostly to additional regulatory-related costs.

The group's growth in expenses exceeded total revenue growth of 3,7%, resulting in a negative jaws ratio of 1,7% (June 2016: 1,7% positive) and an efficiency ratio of 56,5% (June 2016: 55,6%) for managed operations. Expense growth, excluding the RoA, was 3,4%.

Earnings from associates

The loss of R1 053m (June 2016: R431m loss) 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 R142m reported by ETI for the first quarter of 2017 (announced on 27 April 2017), in line with our policy of accounting for ETI earnings a quarter in arrear. The effect of ETI's loss on the group's headline earnings was R1 162m, including the R101m impact of funding costs.

Accounting for this associate loss, together with Nedbank's share of ETI's other comprehensive income and Nedbank's foreign currency translation reserve, reduced the carrying value of the group's strategic investment in ETI from R4,0bn on 31 December 2016 to R3,1bn at 30 June 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 equity market has increased by 31%. In line with this the market value of the group's investment in ETI, based on its quoted share price - albeit in illiquid markets, increased to R3,0bn on 30 June 2017 and R3,7bn on 28 July 2017. While risks remain, we believe the outlook for ETI is improving.

As required by IFRS, the R1bn impairment provision recognised at 31 December 2016 was reviewed at 30 June 2017 and it was determined that no change to the provision is required. A similar review will be performed at our 2017 financial year-end.

ETI remains a strategic investment for Nedbank, providing our clients with a pan-African transactional banking network across 39 countries and access to dealflow in Central and West Africa. We have made good progress in working with ETI's board and other institutional shareholders to strengthen their board and management. Institutional shareholder representation on ETI's board has increased and Nedbank has two appointees. Subject to regulatory approval, Brian Kennedy will join Mfundo Nkuhlu on ETI's board. Mfundo has recently been nominated to become Chair of the ETI Risk Committee. We remain supportive of ETI's endeavours of delivering an ROE in excess of its COE in due course.

STATEMENT OF FINANCIAL POSITION

Capital

The group continued to strengthen its capital position, with our CET1 ratio at 12,3% (June 2016: 11,6%) now close to the top end of our internal target range, following organic capital generation through earnings.

In the current environment of slower advances growth, capital generation has been stronger following low credit RWA growth, a decrease in trading market RWA due to foreign exchange movements and the decline in the threshold deduction given the decrease in the carrying value of ETI.

In addition to lower RWA growth, we continue to identify RWA optimisation initiatives that will support the industry implementation of the new Standardised Approach for counterparty credit risk that becomes effective later this year.

The group's tier 1 ratio improved to 13,2% (June 2016: 12,5%) and includes the issuance of R1,1bn of new-style additional tier 1 capital instruments during the last 12 months, offsetting the progressive grandfathering of perpetual preference shares as we transition towards end-state Basel III requirements. The group's total capital ratio improved to 15,7% (June 2016: 14,5%) and includes the issuance of R4,5bn of new-style tier 2 capital instruments that more than offsets the redemption of US$100m in old-style tier 2 capital instruments during the last 12 months.

Basel III (%)	Jun 2017	Dec 2016	Jun 2016	Internal target range	Regulatory minimum[2]
CET1 ratio	**12,3**	12,1	11,6	10,5–12,5	7,25
Tier 1 ratio	**13,2**	13,0	12,5	> 12,0	8,75
Total capital ratio	**15,7**	15,3	14,5	> 14,0	10,75

(Ratios calculated include unappropriated profits.)

[2] *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 priorities for the group in the current environment.

The group's three-month average long-term funding ratio improved to 33,1% for the second quarter of 2017 (June 2016: 30,9%), supported by growth in Nedbank Retail Savings Bonds of R3,1bn to R22,3bn and the successful capital markets issuance of R3,5bn of senior unsecured debt, R2,5bn of tier 2 debt and R1,0bn of securitisation. Our funding profile benefited from our above-average market share in the medium-to-longer-term wholesale funding buckets, which reduced our LCR HQLA requirements, positively impacting the all-in cost of wholesale funding.

The group's quarterly average LCR of 104,6% (June 2016: 93,1%) exceeded the minimum regulatory requirement of 80% in 2017 and 90% from 1 January 2018. To absorb the seasonal and cyclical volatility in the LCR the group maintains appropriate operational buffers.

Nedbank Group LCR	Jun2017	Dec2016	Jun2016
HQLA (Rm)	**144 568**	137 350	127 114
Net cash outflows (Rm)	**138 260**	125 692	136 469
Liquidity coverage ratio (%)[3]	**104,6**	109,3	93,1
Regulatory minimum (%)	**80,0**	70,0	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 to a quarterly average of R144,6bn (June 2016: R127,1bn). Together with our portfolio of other quick-liquidity sources, the total available sources of quick liquidity amounted to R190,0bn (June 2016: R167,7bn), representing 19,7% of total assets.

Nedbank has maintained the NSFR at above 100% on a pro forma basis and is already compliant with the minimum regulatory requirements that will be effective on 1 January 2018. The remaining key focus areas relating to the NSFR are finalising a number of minor interpretational matters and ensuring that compliance is achieved in the context of balance sheet optimisation.

Loans and advances

Loans and advances increased 2,4% to R709,9bn (June 2016: R693,3bn), driven by improved growth across the retail banking portfolios.

Loans and advances by cluster are as follows:

Rm	Change (%)	Jun 2017	Jun 2016
CIB	1,3	**363 873**	359 041
Banking activities	0,0	**325 266**	325 258
Trading activities	14,3	**38 607**	33 783
RBB	4,3	**296 945**	284 617
Wealth	(0,7)	**29 464**	29 677
RoA	12,0	**20 382**	18 199
Centre	< (100,0)	**(800)**	1 798
Group[4]	2,4	**709 864**	693 332

[4] *Intercompany eliminations*

Advances growth in CIB was flat, with commercial-mortgage advances increasing 8,3%. Our leading market share in commercial mortgages continued to be underpinned by a strong client base and a large, secure asset pool. In contrast, term loans decreased 5,8% due to weak business confidence levels resulting in drawdowns being delayed, as well as early repayments of loans. Excluding the impact of the stronger USD/ZAR exchange rate on the foreign lending book, total CIB advances growth was 2,6%.

RBB grew advances across all key categories with MFC and Card increasing 6,6% and 6,7%, respectively, while Home Loans and Personal Loans grew at below-inflation levels. Business Banking advances growth remained flat, owing to slower drawdowns as many clients continue to manage their cashflows more carefully and delay investment decisions.

Growth in advances in the RoA Cluster was largely due to the inclusion of Banco Único, which contributed R2,5bn to the advances portfolio. On a like-for-like basis advances growth was flat due to muted economic growth in the rest of the SADC countries.

Deposits

Deposits grew 2,8% to R762,7bn (June 2016: R741,7bn), with total liabilities increasing 2,1% to R881,2bn (June 2016: R863,3bn). The loan-to-deposit ratio improved to 93,1% (June 2016: 93,5%).

Active management of our deposit and transactional banking franchise resulted in RBB deposits growing strongly by 8,8% to R279,3bn (June 2016: R256,7bn), contributing to market share gains in household deposits to 19,1% (June 2016: 18,6%) and current accounts to 19,4% (June 2016: 19,1%). Growth in current accounts of 8,3% and fixed deposits of 9,2% was driven by the success of investment products such as our Tax-free Savings Account, Green Savings Bond and 12-month Fixed Deposits, as part of our strategy to grow Basel III-friendly deposits.

Good growth was recorded in other key deposit categories, including call accounts and term deposits of 6,3% and cash management of 5,4%, while foreign currency liabilities decreased by 17,9%. This was predominantly driven by a reduction in expensive foreign currency funding used in the general rand funding pool. The balance of foreign funding is closely matched to foreign currency assets and the mismatch is negligible.

Group strategic focus

The group continued to focus on delivering on our five strategic focus areas designed to make Nedbank a more agile, competitive and digital bank.

- **Delivering innovative market-leading client experiences.** Our personal loans digital sales application was rolled out during the period and we plan to launch our refreshed retail and wealth banking apps, and new Travel Card and Investments Online products, among others, in the second half of 2017. Digitally enabled and active retail clients grew strongly, driving up the value of Nedbank App Suite™ transactions 68% to R18,6bn. To date 48% of our outlets have been converted to new-image branches and our investment in distribution channels over the next four years (2017 to 2020) will result in 82% of our retail clients being exposed to the new-image branch format and self-service offerings. Nedbank's retail integrated channels won the Best Smart Branch Project in Africa award at *The Asian Banker* Technology Innovation Awards ceremony. Nedbank Private Wealth's mobile app has been rated Gold Standard in a McKinsey review that compared the client experience of SA bank's mobile applications for both visual presentation and functionality.

- **Growing our transactional banking franchise faster than the market.** Nedbank's RBB franchise maintained a total client base of 7,5m, with 2,7m main-banked clients translating into retail transactional NIR growth of 5,2%. Our main-banked clients decreased by 0,3%, with the youth client segment declining by 6,4% as slower transactional activity caused existing clients to fall out of our main-banked definition, while the middle-market and Retail Relationship Banking client segments increased by 0,5% and 5,1%, respectively. Transactional banking progress was also reflected in market share gains in household and current-account deposit market share gains to 19,1% and 19,4% respectively. The CIB integrated model enabled deeper client penetration and increased cross-sell, generating 12 primary-bank client wins year to date and increased dealflow into the markets business, supporting 13,3% growth in trading income.
- **Being operationally excellent in all we do.** Cost discipline in an environment of slower revenue growth remains an imperative, with ongoing initiatives such as reducing our core systems by 113 to 138 from 251 since inception and we are well on our way to reaching 60; and the reduction of floor space in RBB by 30 000 m² by 2020, of which 24 819 m² has been achieved since 2014. We continued to remain on track for the delivery of Old Mutual Group's target of R1,0bn pretax run rate synergies, of which approximately 30% should accrue to Nedbank by the end of 2017. Good progress was also made with our target operating model initiatives, which aims to generate R1,0bn pretax benefits for Nedbank by 2019. The majority of the cost initiatives have been identified in RBB, which will contribute approximately 40% of the benefits. RBB has established a transformation office to track and monitor the delivery of 221 initiatives across the five broad areas of credit, distribution, operational excellence, simplification and procurement. Approximately 30% of the synergies will be from cost optimisation in Shared Services through the removal of duplicative service functions, cost-efficiencies from marketing and improving the RoA operating model. The remaining 30% will be achieved through revenue opportunities from data-driven intelligence, new digital technologies and innovation integration that is being accelerated through our Digital Fast Lane initiative.
- **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, with current accounts up 8,3%; increasing transactional banking activity, with commission and fees in RBB up 5,2%; and achieving earnings growth of 7,3% in RBB and 6,9% 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 47 bps, 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 a strategic investment. Working together, Nedbank and ETI assisted a number of SA-based corporates with currency solutions in a challenging Nigerian market. We have strengthened our board representation and have increased our involvement in the group. In April 2017 ETI proposed a convertible-bond issue of up to US$400m at a conversion price of US$0,06, with an interest rate of 6,46% above LIBOR. US$200m of this issue was used to establish a resolution vehicle for the more effective management of capital and ringfencing of its legacy loans in Nigeria to improve transparency of the NPLs and turnaround the Nigerian business. The remaining US$200m was for the debt restructure of the maturity profile of the ETI holding company balance sheet. Nedbank did not participate in the issue as it did not meet our internal hurdle rates. However, the convertible bond is anticipated to be fully subscribed and underwritten. We are pleased that ETI reported a profit for the first quarter of 2017 and that the market value of Nedbank's investment in ETI at 30 June 2017, based on its quoted share price - albeit in illiquid markets, had increased by 24,9% since 31 December 2016 to R3,0bn, in line with our carrying value of R3,1bn. While risk remains, economic conditions in Nigeria and the outlook for ETI are improving.
  - In SADC and East Africa we are building scale and optimising costs. Our core banking system, Flexcube, has now been successfully rolled out in four countries, we launched a number of new digital products and we continue to grow our distribution footprint.

Old Mutual plc managed separation

OM plc announced on 25 May 2017 that it intends to list a new SA holding company on the JSE with a secondary listing on the LSE, which will be named Old Mutual Limited and will initially comprise Old Mutual Emerging Markets, the group's Nedbank shareholding, as well as OM plc, which will become a subsidiary of Old Mutual Limited. The managed separation is expected to be materially complete by the end of 2018 and the listing of Old Mutual Limited is anticipated to take place at the earliest opportunity in 2018, following OM plc's 2017 full-year results announcement.

The subsequent distribution of a significant proportion of the shareholding in Nedbank from Old Mutual Limited will follow in due course at an appropriate time, and in an orderly manner, as previously announced. Old Mutual Limited will retain an appropriate strategic minority shareholding in Nedbank to underpin the ongoing commercial relationship.

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

Our collaboration with OM plc to unlock R1,0bn of synergies by the end of 2017 from the OM plc businesses in SA, remains on track and will continue to be underpinned by Old Mutual Limited's strategic shareholding of Nedbank Group. We are fully committed to working with Old Mutual Limited to deliver ongoing synergistic benefits on an arm's length basis.

Economic outlook

The International Monetary Fund currently expects global economic growth to improve to 3,5% in 2017, with advanced countries growing at 2,0% and emerging and developing economies by 4,5%. Growth in sub-Saharan Africa is expected to accelerate to 2,1% in 2017 from 1,4% in 2016.

Given SA's weaker-than-expected growth in the first half, Nedbank Group's current forecast for growth in 2017 is 0,6%, with risk to growth on the downside. Inflation is expected to be contained within SARB's inflation target range and, as a result, interest rates could decline by a further 25 bps in September, following the 25 bps rate cut in July 2017.

Much depends on how the political and policy landscapes unfold in the period to December 2017, and the implications thereof for the country's sovereign risk ratings. With sovereign risk ratings remaining unchanged, the end of the drought, a stronger world economy and marginally firmer commodity prices should support cyclical recoveries in export-orientated industries, particularly agriculture, mining and manufacturing. Corporate credit demand should benefit from recoveries in these sectors, but the risk remains that long-term investments could be delayed by continued political and policy uncertainty, low confidence and challenging operating conditions.

Households will remain vulnerable, with job losses more prevalent and lower prospects of wage growth. Household credit demand is anticipated to remain subdued as consumers postpone buying new homes and vehicles, and instead save and/or reduce debt levels.

Government spending should be kept in check by the need to reduce the budget deficit and contain the rise in government debt to avoid a further sovereign-ratings downgrade. In this regard improved management of state-owned enterprises is necessary.

Despite the many challenges faced by the SA economy, the SA banking system remains sound, liquid and well capitalised. This strength was once again acknowledged by the World Economic Forum, which ranked SA banks at second highest for soundness of banks, and by Standard & Poor's, which stated in its report published on 19 July 2017 that there are good governance and transparency across the SA financial system, that regulation is in line with international best practices, and that SA banks have top-tier banking stability and risk management. This creates low credit losses and strong profitability with low levels of external banking sector debt. The risk of short-term concentrated funding is mitigated by the closed SA rand system.

Prospects

In light of the weak economic outlook in SA we have revised our guidance on financial performance for the full year 2017 as follows:

- Average interest-earning banking assets to grow below nominal GDP growth.
- NIM to be slightly above the 2016 rebased level of 3,54%.
- CLR to increase from the level of 47 bps in the first half of 2017 towards the bottom end of our target range of 60 to 100 bps.
- NIR, excluding fair-value adjustments, to grow at mid-single digits.
- Associate loss to be lower than the loss reported in the first half of 2017 (ETI associate income reported quarterly in arrear).
- Expenses to increase by mid-single digit levels.

Our financial guidance is for growth in DHEPS for the full 2017 year to be positive, but less than or equal to growth in nominal GDP (consumer price index plus GDP growth). This has been revised from the guidance we provided at 28 February 2017 of growth in DHEPS for the full 2017 year to be greater than growth in nominal GDP.

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

Metric	June 2017 performance	Full-year 2017outlook	Medium-to-long-term targets
ROE (excluding goodwill)	**15,1%**	Below target	5% above COE[5]
Growth in DHEPS	**(3,7%)**	Below target	≥ consumer price index + GDP growth + 5%
CLR	**0,47%**	Increases towards the bottom end of target range	Between 0,6% and 1,0% of average banking advances
NIR-to-expense ratio	**81,6%**	Below target	> 85%
Efficiency ratio (including associate income)	**59,3%**	Above target	50,0–53,0%
CET1 capital adequacy ratio (Basel III)	**12,3%**	Within target	10,5–12,5%
Economic capital		Internal Capital Adequacy Assessment Process (ICAAP): A debt rating, including 10% capital buffer	
Dividend cover	**1,80 times**	Within target range	1,75–2,25 times

[5] *The COE is forecast at 13,8% in 2017.*

INTERIM RESULTS COMMENTARY

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. We have a deep pool of talent in Nedbank and the process to identify Thulani's replacement is well underway.

Basis of preparation*
Nedbank Group Limited is a company domiciled in SA. The reviewed condensed consolidated interim financial results of the group at and for the period ended 30 June 2017 comprise the company and its subsidiaries (the 'group') and the group's interests in associates and joint arrangements.

The condensed consolidated interim financial statements comprise the condensed consolidated statement of financial position at 30 June 2017, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cashflows for the six months ended 30 June 2017 and selected explanatory notes, which are indicated by the symbol*. The condensed consolidated interim financial statements have been prepared under the supervision of Raisibe Morathi CA (SA), the Chief Financial Officer.

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act (Act No 71 of 2008) of South Africa. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those of the previous annual financial statements.

IFRS 9 Financial Instruments
The group is required to adopt IFRS 9 from 1 January 2018. IFRS 9 replaces IAS 39, addressing the classification and measurement of financial assets and financial liabilities, the measurement of impairment provisions for amortised cost and fair value through other comprehensive income financial assets and introduces more of a risk-management focus to the hedge-accounting model.

IFRS 9 is expected to impact the group's balance sheet provisions and classification of certain of the group's financial assets. The group does not expect the classification and measurement requirements to have a significant impact on the group's financial position; however, this is subject to the business models in existence at 1 January 2018. From 1 January 2018 the group will recognise fair-value gains or losses due to changes in the group's own credit risk for financial liabilities it designates as at fair value through profit or loss to be presented in other comprehensive income. However, the group does not expect to change the manner in which it calculates these fair-value gains or losses due to changes in the group's own credit risk, which it has previously disclosed in its financial statements.

The group's IFRS 9 parallel run is progressing well and we continue to expect that the transitional increase in balance sheet provisions on 1 January 2018 will not have a significant impact on our capital adequacy levels, because the increase in balance sheet provisions will be partially offset by a decrease in the excess of downturn expected loss over IAS 39 provisions regulatory deduction from CET1 capital. The group's excess of downturn expected loss over IAS 39 provisions regulatory deduction at 30 June 2017 was R1,9bn (December 2016: R1,5bn).

The group is considering its accounting policy choice as to whether to continue IAS 39 hedge accounting or to move to the new IFRS 9 hedge-accounting model. This accounting policy choice is not expected to have a significant impact on the group's existing fair-value hedges; however, the group may replace its current accounting practice to designate financial assets and financial liabilities as at fair value through profit or loss because of the accounting mismatch that arises from its economic hedging activities with IAS 39 or IFRS 9 hedge accounting.

In line with the requirements of IFRS 9, the group plans not to restate its comparative financial statements. Accordingly, the transitional increase in balance sheet provisions and classification and measurement changes will be recognised, net of related taxation, in equity at 1 January 2018.

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

Reviewed condensed consolidated interim financial statements – independent auditors' conclusion
The condensed consolidated interim financial statements for the period ended 30 June 2017 have been reviewed by KPMG Inc and Deloitte & Touche, who expressed an unmodified review conclusion thereon.

The auditors' review report does not necessarily report on all of the information contained in this interim results announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report, together with the accompanying financial information, 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

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

well as competitive and regulatory factors. By consequence, all forward-looking statements have not been reviewed or reported on by the group's auditors.

Interim dividend declaration
Notice is hereby given that an interim dividend of 610 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 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 122 cents per ordinary share, resulting in a net dividend of 488 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. The dividend withholding tax rate increased from 15% to 20% on 22 February 2017.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 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, 5 September 2017
Shares commence trading (ex dividend)	Wednesday, 6 September 2017
Record date (date shareholders recorded in books)	Friday, 8 September 2017
Payment date	Monday, 11 September 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 September 2017, and Friday, 8 September 2017, both days inclusive.

On Monday, 11 September 2017, the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 11 September 2017.

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

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

2 August 2017

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 no:	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 in PDF.
- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

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

Financial highlights
at

	Change (%)		30 Jun 2017 (Reviewed)	30 Jun 2016 (Reviewed)	31 Dec 2016 (Audited)
Statistics					
Number of shares listed		m	**498,1**	495,9	495,9
Number of shares in issue, excluding shares held by group entities		m	**481,5**	478,3	478,4
Weighted-average number of shares		m	**479,9**	478,0	477,8
Diluted weighted-average number of shares		m	**488,9**	485,0	487,9
Preprovisioning operating profit	(5,7)	Rm	**9 047**	9 593	20 004
Economic profit[1]	(3,7)	Rm	**393**	408	1 565
Headline earnings per share	(3,3)	cents	**1 098**	1 135	2 400
Diluted headline earnings per share	(3,7)	cents	**1 078**	1 119	2 350
Ordinary dividends declared per share	7,0	cents	**610**	570	1 200
Interim	7,0	cents	**610**	570	570
Final		cents			630
Ordinary dividends paid per share	10,5	cents	**630**	570	1 140
Dividend cover		times	**1,80**	1,99	2,00
Net asset value per share	2,4	cents	**16 200**	15 826	15 830
Tangible net asset value per share	1,1	cents	**14 007**	13 853	13 723
Closing share price	12,0	cents	**20 879**	18 640	23 813
Price/earnings ratio		historical	**9,4**	8,2	9,9
Market capitalisation	12,6	Rbn	**104,0**	92,4	118,1
Number of employees (permanent staff)[1]	1,4		**32 349**	31 915	32 401
Number of employees (permanent and temporary staff)[1]	0,4		**32 645**	32 522	32 746
Key ratios (%)					
ROE[1]			**14,0**	14,6	15,3
ROE, excluding goodwill[1]			**15,1**	15,7	16,5
Return on tangible equity[1]			**16,2**	16,8	17,6
ROA[1]			**1,10**	1,19	1,23
Return on average risk-weighted assets[1]			**2,07**	2,12	2,23
Net interest income to average interest-earning banking assets[1]			**3,58**	3,37	3,41
Credit loss ratio – banking advances[1]			**0,47**	0,67	0,68
Gross operating income growth rate less expense growth rate (jaws ratio)			**(3,9)**	(2,6)	(1,5)
Non-interest revenue to total operating expenses			**81,6**	83,0	82,9
Non-interest revenue to total income			**46,4**	46,6	47,1
Efficiency ratio			**59,3**	57,1	56,9
Effective taxation rate			**28,0**	25,8	24,9
Group capital adequacy ratios (including unappropriated profits):[1]					
- Common-equity tier 1			**12,3**	11,6	12,1
- Tier 1			**13,2**	12,5	13,0
- Total			**15,7**	14,5	15,3
Statement of financial position statistics (Rm)					
Total equity attributable to equity holders of the parent	3,0		**78 004**	75 697	75 733
Total equity	4,7		**84 659**	80 886	81 711
Amounts owed to depositors	2,8		**762 712**	741 712	761 542
Loans and advances	2,4		**709 864**	693 332	707 077
Gross	2,4		**721 910**	704 871	719 226
Impairment of loans and advances	4,4		**(12 046)**	(11 539)	(12 149)
Total assets administered by the group	5,1		**1 261 153**	1 200 513	1 239 349
Total assets	2,3		**965 830**	944 188	966 022
Assets under management	15,2		**295 323**	256 325	273 327
Life insurance embedded value[1]	(9,8)		**2 805**	3 110	2 740
Life insurance value of new business[1]	(14,0)		**148**	172	399

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

Condensed consolidated statement of comprehensive income

for the period ended

	Change (%)	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Interest and similar income	12,5	**37 364**	33 212	73 395
Interest expense and similar charges	18,0	**23 816**	20 184	46 969
Net interest income	4,0	**13 548**	13 028	26 426
Impairments charge on loans and advances	(27,9)	**1 594**	2 211	4 554
Income from lending activities	10,5	**11 954**	10 817	21 872
Non-interest revenue	3,3	**11 730**	11 357	23 503
Operating income	6,8	**23 684**	22 174	45 375
Total operating expenses	5,0	**14 369**	13 686	28 366
Indirect taxation	1,7	**474**	466	927
Profit from operations before non-trading and capital items	10,2	**8 841**	8 022	16 082
Non-trading and capital items	<-100	**(31)**	4	(1 363)
Profit from operations	9,8	**8 810**	8 026	14 719
Share of losses of associate companies and joint arrangements	>100	**(1 053)**	(431)	(105)
Profit before direct taxation	2,1	**7 757**	7 595	14 614
Total direct taxation	12,0	**2 178**	1 944	3 955
Direct taxation		**2 182**	1 955	3 985
Taxation on non-trading and capital items		**(4)**	(11)	(30)
Profit for the period	(1,3)	**5 579**	5 651	10 659
Other comprehensive losses net of taxation	(95,8)	**(83)**	(1 956)	(3 941)
Items that may subsequently be reclassified to profit or loss				
Exchange differences on translating foreign operations		**(566)**	(1 221)	(1 902)
Share of other comprehensive losses of investments accounted for using the equity method		**64**	(745)	(1 688)
Fair-value adjustments on available-for-sale assets		**1**	(38)	(73)
Items that may not subsequently be reclassified to profit or loss				
Gains on property revaluations		**3**	3	32
Remeasurements on long-term employee benefit assets		**138**	58	(297)
Share of other comprehensive (losses)/income of investments accounted for using the equity method		**277**	(13)	(13)
Total comprehensive income for the period	48,7	**5 496**	3 695	6 718
Profit attributable to:				
– Equity holders of the parent	(3,6)	**5 244**	5 442	10 132
– Non-controlling interest – ordinary shareholders	15,6	**37**	32	88
– Non-controlling interest – preference shareholders	(1,1)	**175**	177	361
– Non-controlling interest - additional tier 1 capital instrument noteholders		**123**		78
Profit for the period	(1,3)	**5 579**	5 651	10 659
Total comprehensive income attributable to:				
– Equity holders of the parent	46,6	**5 131**	3 500	6 183
– Non-controlling interest – ordinary shareholders	>100	**67**	18	96
– Non-controlling interest – preference shareholders	(1,1)	**175**	177	361
– Non-controlling interest - additional tier 1 capital instrument noteholders		**123**		78
Total comprehensive income for the period	48,7	**5 496**	3 695	6 718
Basic earnings per share (cents)	(4,0)	**1 093**	1 138	2 121
Diluted earnings per share (cents)	(4,4)	**1 073**	1 122	2 077

Condensed consolidated statement of financial position

at

	Change (%)	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Assets				
Cash and cash equivalents	(13,1)	**19 314**	22 232	26 384
Other short-term securities	10,6	**90 741**	82 033	84 679
Derivative financial instruments	(5,5)	**18 727**	19 819	17 633
Government and other securities	(5,2)	**49 306**	51 996	51 048
Loans and advances	2,4	**709 864**	693 332	707 077
Other assets	(7,1)	**10 691**	11 505	14 077
Current taxation assets	(87,3)	**159**	1 253	574
Investment securities	20,6	**15 980**	13 254	14 225
Non-current assets held for sale	>100	**592**	3	287
Investments in private-equity associates, associate companies and joint arrangements	(25,1)	**5 965**	7 968	6 567
Deferred taxation assets	(57,1)	**145**	338	494
Investment property	(32,3)	**21**	31	22
Property and equipment	(3,0)	**8 644**	8 908	8 969
Long-term employee benefit assets	4,6	**5 563**	5 317	5 203
Mandatory reserve deposits with central banks	16,7	**19 556**	16 759	18 700
Intangible assets	11,9	**10 562**	9 440	10 083
Total assets	2,3	**965 830**	944 188	966 022
Equity and liabilities				
Ordinary share capital	0,8	**482**	478	478
Ordinary share premium	3,5	**18 698**	18 062	18 043
Reserves	2,9	**58 824**	57 157	57 212
Total equity attributable to equity holders of the parent	3,0	**78 004**	75 697	75 733
Non-controlling interest attributable to:				
– Ordinary shareholders	83,1	**811**	443	756
– Preference shareholders		**3 222**	3 222	3 222
– Additional tier 1 capital instrument noteholders	72,0	**2 622**	1 524	2 000
Total equity	4,7	**84 659**	80 886	81 711
Derivative financial instruments	(33,6)	**13 011**	19 587	13 296
Amounts owed to depositors	2,8	**762 712**	741 712	761 542
Provisions and other liabilities	(12,3)	**24 728**	28 208	34 667
Current taxation liabilities	(53,0)	**174**	370	214
Deferred taxation liabilities	(33,8)	**1 089**	1 646	804
Long-term employee benefit liabilities	12,1	**3 561**	3 177	3 448
Investment contract liabilities	31,4	**17 405**	13 245	15 342
Insurance contract liabilities	(28,1)	**2 553**	3 552	2 922
Long-term debt instruments	8,0	**55 938**	51 805	52 076
Total liabilities	2,1	**881 171**	863 302	884 311
Total equity and liabilities	2,3	**965 830**	944 188	966 022

Condensed consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent Rm	Non-controlling interest attributable to ordinary shareholders Rm	Non-controlling interest attributable to preference shareholders Rm	Non-controlling interest attributable to additional tier 1 capital instrument noteholders Rm	Total equity Rm
Audited balance at 31 December 2015	74 754	436	3 561		78 751
Additional tier 1 capital instruments issued				1 524	1 524
Dividend to shareholders	(2 806)	(11)			(2 817)
Preference share dividend			(177)		(177)
Issues of shares net of expenses	276				276
Shares (acquired)/no longer held by group entities and BEE trusts	218		(339)		(121)
Total comprehensive income for the year	3 500	18	177		3 695
Share-based payment reserve movement	(245)				(245)
Reviewed balance at 30 June 2016	75 697	443	3 222	1 524	80 886
Additional tier 1 capital instruments issued				476	476
Dividend to shareholders	(2 781)				(2 781)
Additional tier 1 capital instruments interest paid				(78)	(78)
Preference share dividend			(184)		(184)
Shares (acquired)/no longer held by group entities and BEE trusts	(19)				(19)
Total comprehensive income for the year	2 683	78	184	78	3 023
Share-based payment reserve movement	381				381
Acquisition of shareholding in subsidiary		239			239
Transactions with non-controlling shareholders	(223)				(223)
Buyout of non-controlling interests		(6)			(6)
Regulatory risk reserve provision	(8)	2			(6)
Other movements	3				3
Audited balance at 31 December 2016	**75 733**	**756**	**3 222**	**2 000**	**81 711**
Additional tier 1 capital instruments issued				**600**	**600**
Dividend to shareholders	**(3 109)**	**(12)**			**(3 121)**
Additional tier 1 capital instruments interest paid				**(101)**	**(101)**
Preference share dividend			**(175)**		**(175)**
Issues of shares net of expenses	**687**				**687**
Shares (acquired)/no longer held by group entities and BEE trusts	**(61)**				**(61)**
Total comprehensive income for the year	**5 131**	**67**	**175**	**123**	**5 496**
Share-based payment reserve movement	**(391)**				**(391)**
Other movements	**14**				**14**
Reviewed balance at 30 June 2017	**78 004**	**811**	**3 222**	**2 622**	**84 659**

Condensed consolidated statement of cashflows

for the period ended

	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Cash generated by operations	**12 565**	12 271	24 827
Change in funds for operating activities	**(14 248)**	(15 902)	(15 473)
Net cash (utilised by)/from operating activities before taxation	**(1 683)**	(3 631)	9 354
Taxation paid	**(1 851)**	(2 692)	(5 065)
Cashflows (utilised by)/from operating activities	**(3 534)**	(6 323)	4 289
Cashflows utilised by investing activities	**(3 543)**	(288)	(3 004)
Cashflows from financing activities	**1 081**	5 859	3 536
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)	**(218)**	671	1 191
Net (decrease)/increase in cash and cash equivalents	**(6 214)**	(81)	6 012
Cash and cash equivalents at the beginning of the period[1]	**45 084**	39 072	39 072
Cash and cash equivalents at the end of the period[1]	**38 870**	38 991	45 084

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

Condensed consolidated segmental reporting

for the period ended

	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
	Total assets			**Total liabilities**			**Revenue[1]**			**Headline earnings/(losses)**		
Nedbank Corporate and Investment Banking	**479 359**	476 225	491 480	**448 288**	447 896	463 018	**6 997**	7 190	14 744	**3 211**	3 004	6 014
Nedbank Retail and Business Banking	**311 490**	296 492	304 842	**284 075**	270 452	278 588	**14 780**	14 250	29 071	**2 544**	2 371	4 960
Nedbank Wealth	**66 621**	62 668	62 042	**62 857**	59 223	58 655	**2 150**	2 271	4 384	**519**	614	1 192
Rest of Africa	**35 623**	32 734	36 189	**28 835**	25 447	28 247	**1 201**	776	1 890	**(1 092)**	(550)	(287)
Centre	**72 737**	76 069	71 469	**57 116**	60 284	55 803	**150**	(102)	(160)	**89**	(12)	(414)
Total	**965 830**	944 188	966 022	**881 171**	863 302	884 311	**25 278**	24 385	49 929	**5 271**	5 427	11 465

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

Headline earnings reconciliation

for the period ended

	Change (%)	30 Jun 2017 (Reviewed) Rm Gross	30 Jun 2017 (Reviewed) Rm Net of taxation	30 Jun 2016 (Reviewed) Rm Gross	30 Jun 2016 (Reviewed) Rm Net of taxation	31 Dec 2016 (Audited) Rm Gross	31 Dec 2016 (Audited) Rm Net of taxation
Profit attributable to equity holders of the parent	(3,6)		**5 244**		5 442		10 132
Non-trading and capital items	<-100	**31**	**27**	(4)	(15)	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		**16**	**12**	3	2	44	44
IAS 21: Recycled foreign currency translation loss - Banco Unico, 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				35	25	141	99
IAS 39: Loss/(Profit) on sale of available-for-sale financial assets		**15**	**15**	(48)	(48)	(63)	(51)
IAS 40: Loss on disposal of investment properties				6	6	6	6
Headline earnings	(2,9)		**5 271**		5 427		11 465

Contingent liabilities and commitments

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

at

	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Guarantees on behalf of clients	**20 839**	38 768	16 316
Letters of credit and discounting transactions	**3 545**	2 907	3 432
Irrevocable unutilised facilities and other	**95 273**	96 041	103 163
	119 657	137 716	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

	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Contracted	**402**	818	522
Not yet contracted	**2 320**	1 850	2 092
	2 722	2 668	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

	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Listed associates[1]	**3 083**	6 014	3 978
Unlisted associates	**2 675**	1 588	2 467
Unlisted joint arrangements	**207**	366	122
	5 965	7 968	6 567

[1] *The group's investment in ETI is recorded under listed associates.*

Listed associates: ETI			
Carrying value	**3 083**	6 014	3 978
Fair value of investment	**3 045**	4 350	2 438

FINANCIAL RESULTS

Fair-value hierarchy

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

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

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

FAIR-VALUE HIERARCHY

The financial instruments recognised at fair value have been categorised into the three input levels of the 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		
	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Cash and cash equivalents	**38 870**	38 991	45 084	**38 870**	38 991	45 084									
Other short-term securities	**90 741**	82 033	84 679	**27 811**	35 754	33 184	**33**	754	488	**62 897**	45 525	51 007			
Derivative financial instruments	**18 727**	19 819	17 633				**103**	450	49	**18 596**	19 350	17 547	**28**	19	37
Government and other securities	**49 306**	51 996	51 048	**29 046**	20 369	22 393	**8 918**	21 193	15 881	**11 342**	10 434	12 774			
Loans and advances[1 2]	**709 864**	693 332	707 077	**625 987**	608 456	627 541	**2 550**	42	2 436	**81 205**	84 801	77 023	**122**	33	77
Other assets	**10 691**	11 505	14 077	**6 887**	6 016	9 533	**3 804**	5 489	4 544						
Investments in private-equity associates, associate companies and joint arrangements	**2 641**	1 440	2 357										**2 641**	1 440	2 357
Investment securities	**15 980**	13 254	14 225				**31**	54	35	**14 766**	12 540	13 098	**1 183**	660	1 092
	936 820	912 370	936 180	**728 601**	709 586	737 735	**15 439**	27 982	23 433	**188 806**	172 650	171 449	**3 974**	2 152	3 563

[1] *Loans and advances of R13 580m (June 2016: R9 431m) 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 103m (June 2016: R4 687m) 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		
	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Derivative financial instruments	**13 011**	19 587	13 296				**53**	197	81	**12 958**	19 262	13 215		128	
Amounts owed to depositors[3]	**762 712**	741 712	761 542	**689 397**	582 258	694 837				**73 315**	159 454	66 705			
Provisions and other liabilities	**23 191**	28 208	33 267	**11 533**	10 237	11 738	**11 264**	17 748	20 810		223	389	**394**		330
Investment contract liabilities	**17 405**	13 245	15 342							**17 405**	13 245	15 342			
Long-term debt instruments	**55 938**	51 805	52 076	**55 649**	51 372	51 775		168		**289**	265	301			
	872 257	854 557	875 523	**756 579**	643 867	758 350	**11 317**	18 113	20 891	**103 967**	192 449	95 952	**394**	128	330

[3] *Amounts owed to depositors of R9 329m (June 2016: R9 818m) 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

30 June 2017 (Reviewed)	Opening balance at 1 Jan Rm	Gains/ (Losses) in profit for the period Rm	Gains/ (Losses) in other comprehensive income for the period Rm	Purchases and issues Rm	Sales and settlements Rm	Transfers in/ (out) Rm	Closing balance at 31 Dec Rm
Financial assets							
Derivative financial instruments	**37**	**9**			**(18)**		**28**
Loans and advances	**77**	**45**					**122**
Investment securities	**1 092**	**(6)**	**2**	**83**	**(3)**	**15**	**1 183**
Investments in private-equity associates, associate companies and joint arrangements	**2 357**	**(46)**		**439**	**(109)**		**2 641**
	3 563	**2**	**2**	**522**	**(130)**	**15**	**3 974**
Financial liabilities							
Provisions and other liabilities	**330**	**64**					**394**
	330	**64**	**–**	**–**	**–**	**–**	**394**

30 June 2016 (Reviewed)	Opening balance at 1 Jan Rm	Gains/ (Losses) in profit for the period Rm	Gains/ (Losses) in other comprehensive income for the period Rm	Purchases and issues Rm	Sales and settlements Rm	Transfers in/ (out) Rm	Closing balance at 30 Jun Rm
Financial assets							
Derivative financial instruments	18	1					19
Loans and advances	33						33
Investment securities	691	(36)	25	(20)			660
Investments in private-equity associates, associate companies and joint arrangements	1 162	188	144	(54)			1 440
	1 904	153	169	(74)	–	–	2 152
Financial liabilities							
Derivative financial instruments	86	42					128
	86	42	–	–	–	–	128

31 December 2016 (Audited)	Opening balance at 1 Jan Rm	Gains/ (Losses) in profit for the year Rm	Gains/ (Losses) in other compre-hensive income 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.

30 June 2017 (Reviewed)	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 (11,5) and 9,0	28	3	(3)
Loans and advances	Discounted cashflows	Credit spreads and discount rates	Between (11,5) and 9,0	122	11	(14)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (11,5) and 9,0	1 183	108	(136)
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	Between (11,5) and 9,0	2 641	240	(303)
Total financial assets classified as level 3				3 974	362	(456)
Financial liabilities						
Provisions and other liabilities	Discounted cash flow, earnings multiples	Discount rates, forecasts	Between (10,0) and 10,0	(394)	39	(39)

30 June 2016 (Reviewed)	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-cashflow model, Black-Scholes model and multiple valuation techniques	Discount rates, risk-free rates, volatilities, credit spreads and valuation multiples	Between (12) and 10	19	2	(2)
Loans and advances	Discounted-cashflow model	Credit spreads	Between (12) and 10	33	3	(4)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (12) and 10	660	64	(81)
Investments in associate companies and joint ventures	Discounted cashflows, earnings multiples	Valuation multiples	Between (7) and 7	1 440	117	(132)
Total financial assets classified as level 3				2 152	186	(219)
Financial liabilities						
Derivative financial instruments	Discounted cashflows, earnings multiples	Growth rates, cost of equity and price to book	Between (10) and 10	(128)	21	(28)

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	Un-favourable change in fair value Rm
Financial assets						
Derivative financial instruments	Discounted cashflows	Discount rates, earnings before interest, tax, and 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 OR LOSSES

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

	30 Jun 2017 (Reviewed) Rm	30 Jun 2016 (Reviewed) Rm	31 Dec 2016 (Audited) Rm
Private-equity gains	**2**	153	268

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS

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

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

TRANSFERS BETWEEN LEVELS OF THE FAIR-VALUE HIERARCHY

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, 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
30 June 2017 (Reviewed)					
Financial assets	**682 844**	**674 976**	**23 914**	**32 648**	**618 414**
Other short-term securities	**27 810**	**27 812**		**27 812**	
Government and other securities	**29 046**	**28 750**	**23 914**	**4 836**	
Loans and advances	**625 988**	**618 414**			**618 414**
Financial liabilities	**55 649**	**56 107**	**23 240**	**32 867**	**–**
Long-term debt instruments	**55 649**	**56 107**	**23 240**	**32 867**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
30 June 2016 (Reviewed)					
Financial assets	650 462	638 246	19 850	35 707	582 689
Other short-term securities	35 754	35 707		35 707	
Government and other securities	20 369	19 850	19 850		
Loans and Advances	594 339	582 689			582 689
Financial liabilities	51 372	51 077	25 774	25 303	–
Long-term debt instruments	51 372	51 077	25 774	25 303	

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

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 disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

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

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for periods 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		144 568
Cash outflows		
Retail deposits and deposits from small-business clients	180 732	17 911
Stable deposits	3 227	161
Less stable deposits	177 505	17 750
Unsecured wholesale funding	246 302	128 187
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	118 850	34 169
Non-operational deposits (all counterparties)	127 148	93 714
Unsecured debt	304	304
Secured wholesale funding	25 583	32
Additional requirements	86 456	12 278
Outflows related to derivative exposures and other collateral requirements	795	795
Outflows related to loss of funding on debt products	64	64
Credit and liquidity facilities	85 597	11 419
Other contingent funding obligations	188 258	9 468
Total cash outflows	**727 331**	**167 876**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	9 731	125
Inflows from fully performing exposures	40 419	26 397
Other cash inflows	7 625	7 571
Other cash inflows	**57 775**	**34 093**

	Total adjusted value
Total HQLA	144 568
Total net cash outflows[3]	138 260
Liquidity coverage ratio (%)	104,6%

[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 June 2017 for Nedbank Limited and the simple average of the month-end values at 30 April 2017, 31 May 2017 and 30 June 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 (Act No 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) Calculated as 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 JSE Limited.

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
CPF commercial-property finance
DHEPS diluted headline earnings per share
D-SIB domestic systematically important bank
EP economic profit
EPS earnings per share
EV embedded value
ETI Ecobank Transnational Incorporated
GDP gross domestic product
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 (Act No 34 of 2005)
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
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
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)