AR Annual Results 2016

Results booklet for the year ended 31 December 2016

NEDBANK

A Member of the OLDMUTUAL Group

Nedbank Limited Reg No 1951/000009/06. Authorised financial services and registered credit provider (NCRCP16).

Contents

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

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

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

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

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

Mike Brown
Chief Executive

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

Diluted HEPS
▲ **4,8%** to 2 350

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

ROE (excl goodwill)
▼ **16,5%**

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

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

AR Annual Results '16

for the year ended 31 December 2016

Using our financial expertise to do good

NOTES:

MIKE BROWN

OVERVIEW

Excellent operational performance offset by loss from ETI associate

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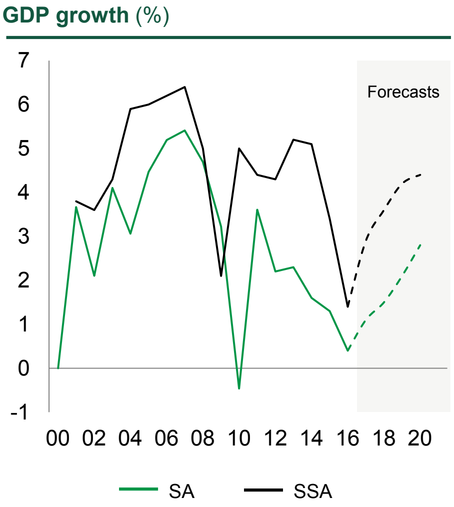
NOTES:

Slow growth with improving outlook



Key developments & outlook

- Rising antiglobalisation & policy uncertainty in developed countries
- Ongoing currency & market volatility
- Commodity prices off their lows
- In SA:
  - inflation elevated, but forecast to decrease
  - interest rates at or close to their peak
  - credit growth slow, with wholesale ahead of retail
  - regulatory focus shifting to market conduct
  - government, business & labour working together

Note: Sub Sahara Africa forecasts from WEF | SA forecasts from Nedbank Economic Unit

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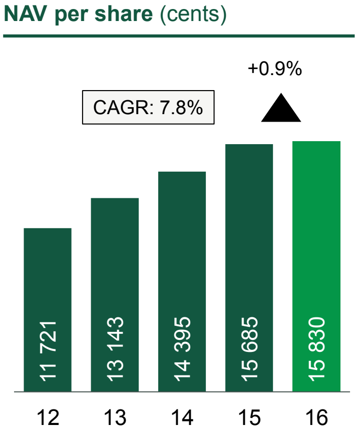
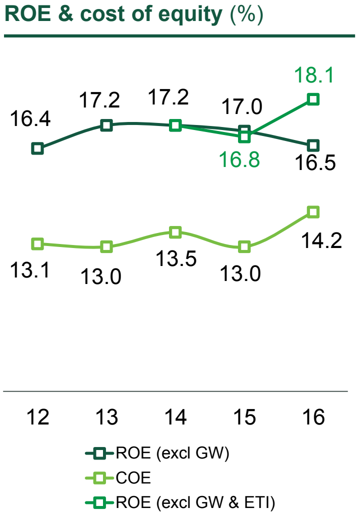
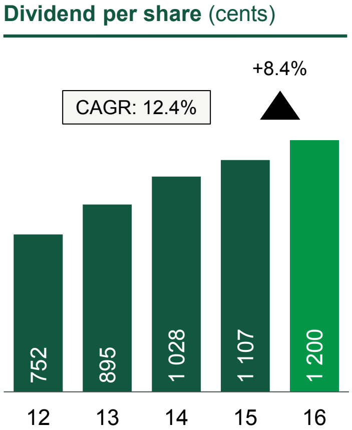
NOTES:

Delivering value to shareholders

NAV	ROE > COE	Dividends







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NOTES:

RESULTS PRESENTATION

Our role in society – contributing by delivering value to all our stakeholders

STAFF

- Paid **R15.5bn in salaries & benefits** to support our 32 401 staffmembers & their families
- Facilitated transfer of **R3.5bn payroll taxes** on behalf of staff to government
- Created almost **4 000 new jobs** since 2010
- **Transforming our workforce** towards SA demographics (> 78% black employees)
- **Leadership in transformation** acknowledged at 15th Oliver Empowerment Awards

CLIENTS

- **R162bn loan payouts** to enable clients to finance their homes, vehicles, education & grow their business, including **R26bn loan payouts to SME & BB clients & R3.6bn for affordable housing**
- Infrastructure financing – over **R50bn drawn & committed**
- Safeguarded **R762bn deposits** at competitive interest rates
- Processed over **15bn transactions** to enable clients to pay for their goods & services
- **Top 3 SA asset manager** for eight consecutive years – managing our clients' investments

TO BE THE MOST ADMIRED FINANCIAL SERVICES PROVIDER IN AFRICA BY OUR STAKEHOLDERS

SHAREHOLDERS

- Achieved a **32.3% total shareholder return**
- Paid **R5.6bn dividends**

... to shareholders who represent pension funds & investments of all South Africans (incl GEPF, a 6.0% shareholder in Nedbank)

- **Unlocked R8.2bn in value** for our more than 500 000 BBBEE shareholders[1]

REGULATORS

- Maintained a strong balance sheet to **support a safe & stable banking system**
- Paid **R5.2bn direct & indirect taxes**
- Invested **more than R100bn in government & public sector bonds** to support the funding needs of government

COMMUNITIES

- Provided **consumer finance education to 180 000 people**
- Procured **75% of our goods & services locally**
- Education & black student support:
  - Nedbank Mogale Empowerment Trust – **R100m investment**
  - **R11m contribution** to issues around Fees Must Fall
  - **R141m to socioeconomic development** (50% spent on education)
- Invested **R20m in the government SME Fund**
- **Maintained level 2 BBBEE status** for eight consecutive years

1 As reported in February 2016 based on our BBBEE schemes that matured in 2015.

NOTES:

FINANCIAL OVERVIEW

Excellent performance from our managed operations

RAISIBE MORATHI

NOTES:

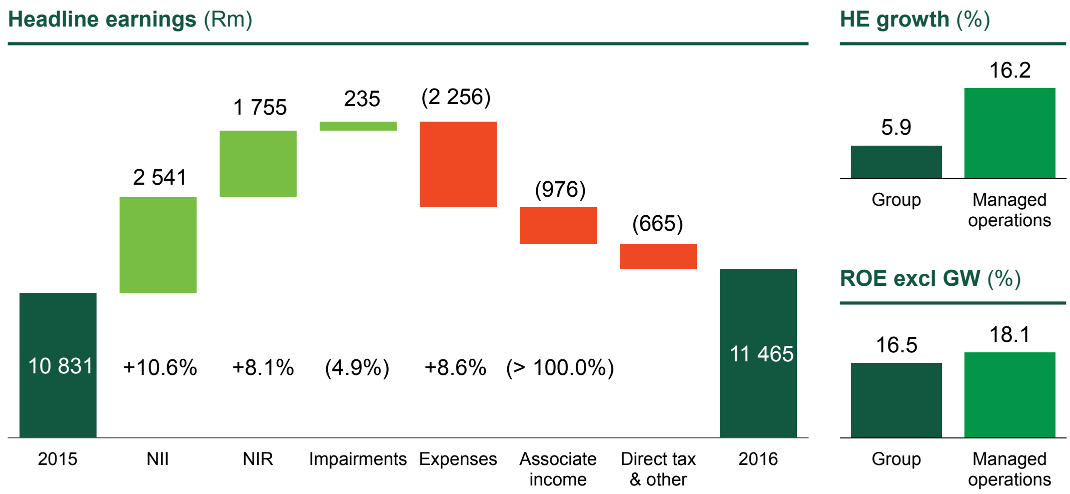
Key performance indicators

					Managed operations	
		2016	**2015**		**2016**[1]	**2015**[1]
Headline earnings (Rm)	5.9%	**11 465**	10 831	16.2%	**11 839**	10 187
ROE (excl goodwill)		**16.5%**	17.0%		**18.1%**	16.8%
Diluted HEPS growth		**4.8%**	8.5%		**15.1%**	2.8%
Preprovisioning operating profit growth		**4.4%**	7.3%		**10.0%**	4.1%
Net interest margin		**3.41%**	3.30%			
Credit loss ratio		**0.68%**	0.77%			
NIR-to-expenses ratio		**82.9%**	83.3%			
Tier 1 CAR		**13.0%**	12.0%			
Assets under management (Rbn)	6.2%	**273**	257			
Dividend per share (cents)	8.4%	**1 200**	1 107			

1 Excluding associate income/losses, as well as funding costs.

NOTES:

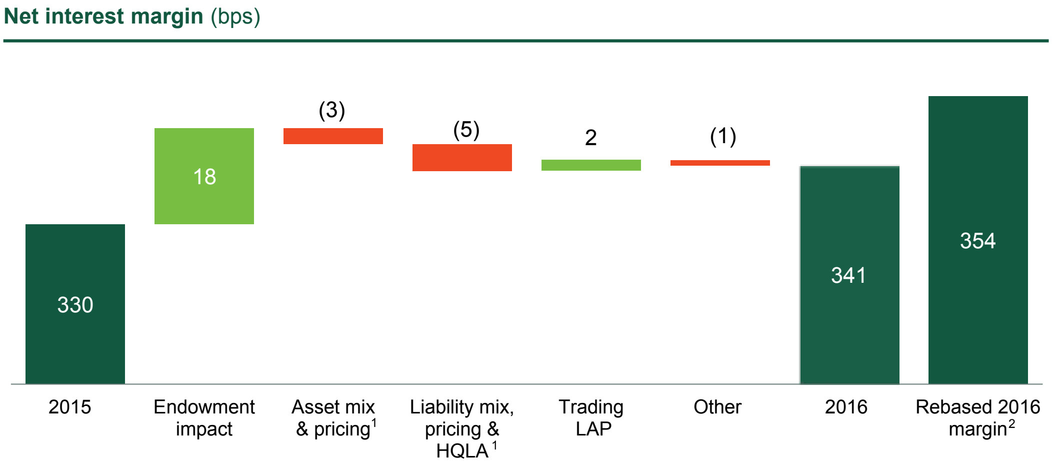
Solid headline earnings growth supported by strong revenue growth from our managed operations



NOTES:

RESULTS PRESENTATION

Net interest margin – driven by endowment, asset mix & Basel III funding costs



Average interest-earning banking assets +7.0%

1 Asset mix -4 & pricing +1 | Liability mix & pricing -3 & HQLA -2
2 Rebased NIM for full year ended 31 December 2016 would have been 354 bps, had HQLA of R34bn been removed from the banking book & included in the trading book from 1 January 2016.

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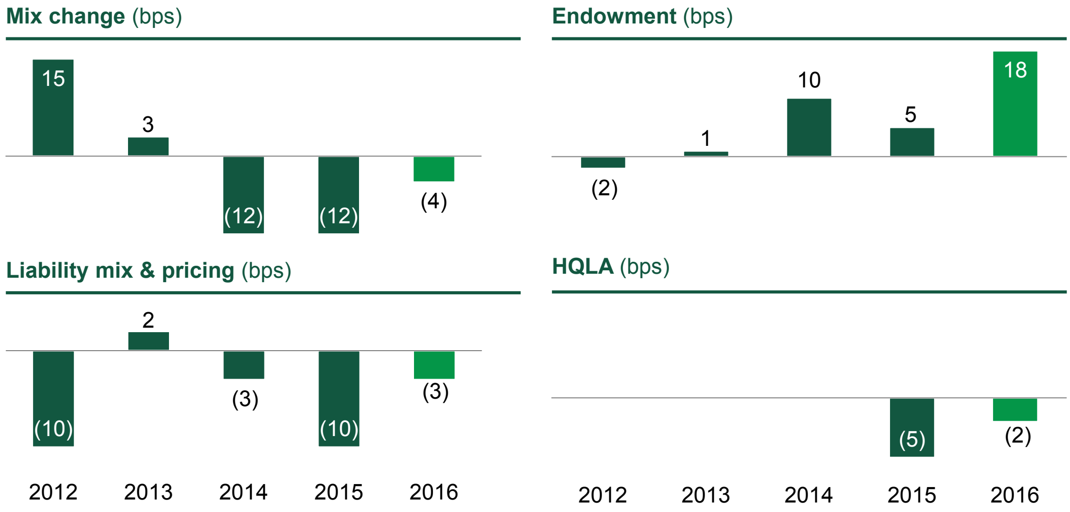
NOTES:

Net interest margin – driven by endowment, reducing mix impact & Basel III funding costs

BOOKLET SLIDE



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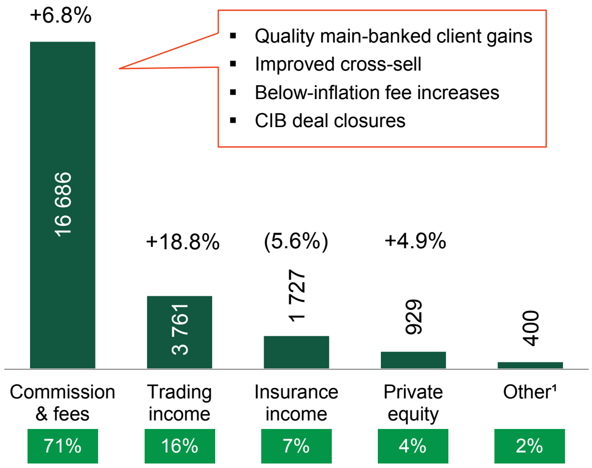
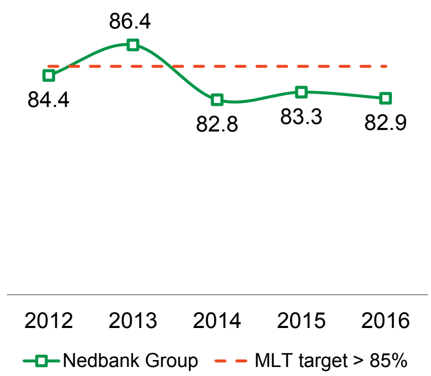
NOTES:

Non-interest revenue up 8.1% – solid commission & fee income growth & strong trading performance

Non-interest revenue (Rm)



NIR-to-expenses ratio (%)

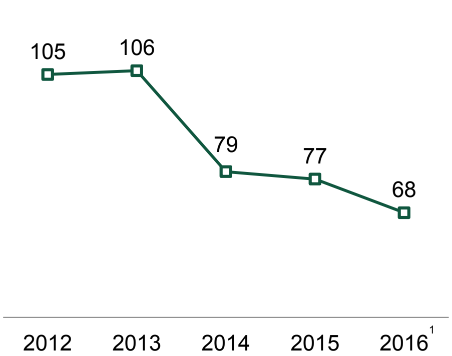


1 Represents sundry income, investment income & fair-value adjustments.

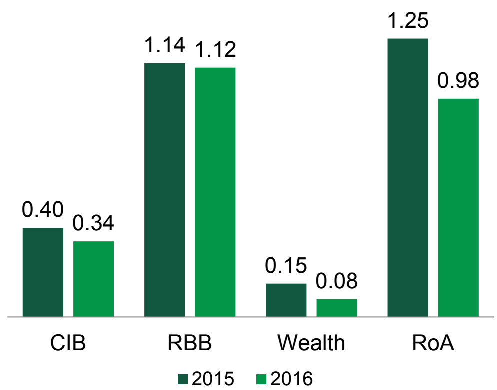
NOTES:

Credit loss ratio – improvement underpinned by quality portfolio

Credit loss ratio (CLR) (bps)



Cluster credit loss ratio (CLR) (bps)



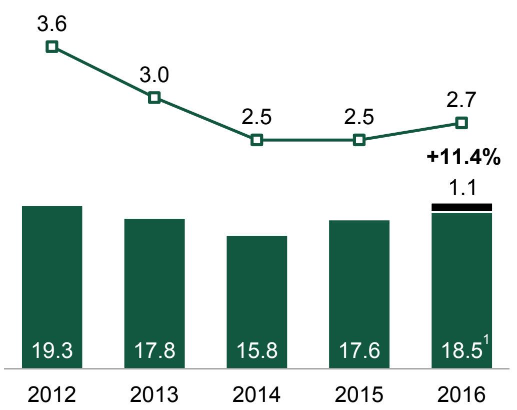
Banking advances	CIB	RBB	Wealth	RoA
	48.9%	43.9%	4.4%	2.7%

1 Nedbank through-the-cycle target range: 60 – 100 bps

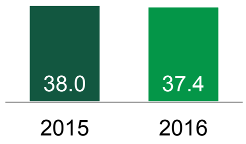
NOTES:

Defaulted advances – maintained healthy coverage levels & overlays

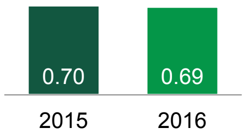
Defaulted advances (Rbn, %)



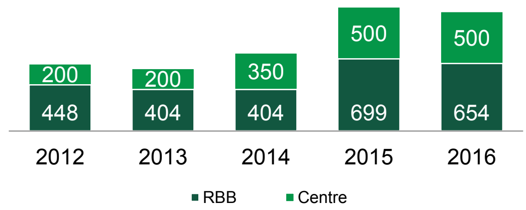
Specific coverage (%)



Portfolio coverage (%)



Overlays & central provision (Rm)



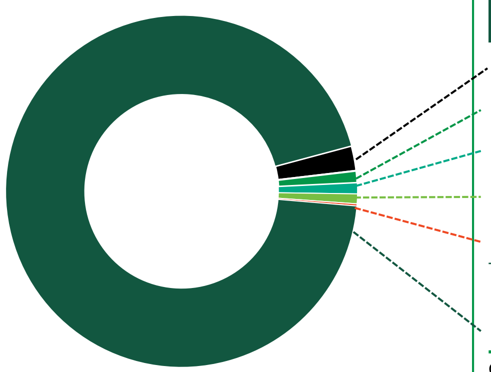
1 Excluding the new curing definition changes (SARB driven), like-for-like defaulted advances increased 5.0% .

NOTES:

Managing our risks & exposures – improvement in key stressed sectors

BOOKLET SLIDE

Industry exposures (%)

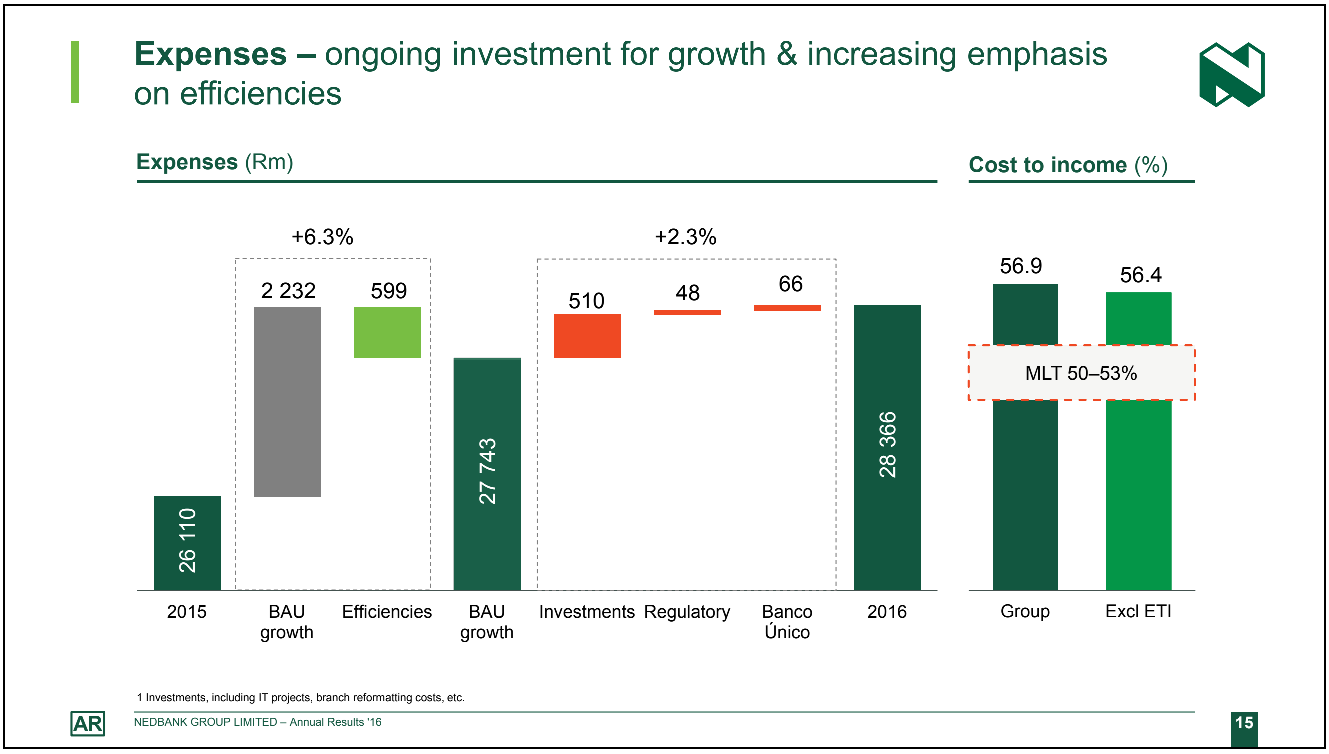


Changes in stressed sectors

Sectors	Trends	2016	2015
Mining	▼	2.3%	2.7%
Retailers (new)	▼	0.8%	1.2%
Oil & gas	▼	1.0%	1.2%
Agriculture	▼	0.9%	1.0%
Steel	▼	0.2%	0.7%
		5.2%	6.8%
Rest of group		94.8%	93.2%

Change on prior period:
[▼] Risk decrease [▲] Risk increase

NOTES:


Expenses – ongoing investment for growth & increasing emphasis on efficiencies
Expenses (Rm)
Cost to income (%)
+6.3%
+2.3%
2 232
599
510
48
66
26 110
27 743
28 366
2015
BAU growth
Efficiencies
BAU growth
Investments
Regulatory
Banco Único
2016
56.9
56.4
MLT 50–53%
Group
Excl ETI
1 Investments, including IT projects, branch reformatting costs, etc.
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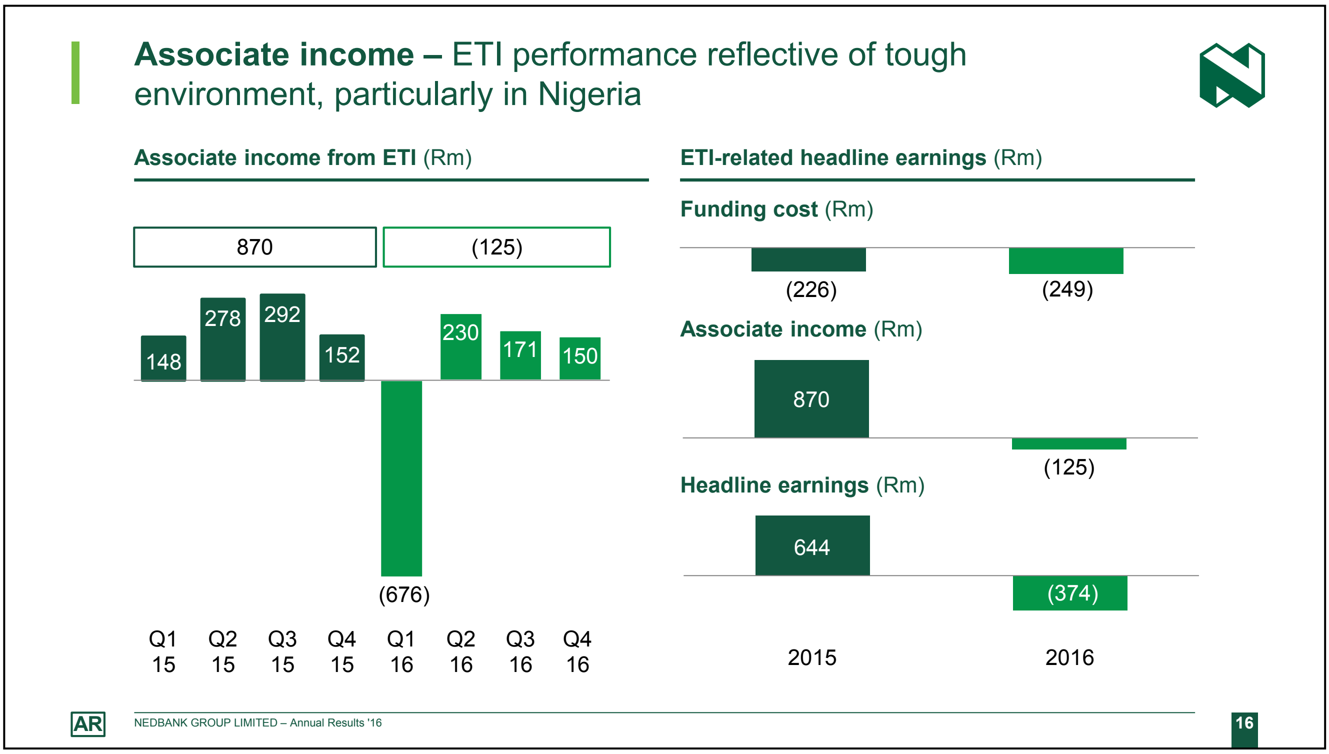
NOTES:


Associate income – ETI performance reflective of tough environment, particularly in Nigeria
Associate income from ETI (Rm)
870
(125)
148
278
292
152
(676)
230
171
150
Q1 15
Q2 15
Q3 15
Q4 15
Q1 16
Q2 16
Q3 16
Q4 16
ETI-related headline earnings (Rm)
Funding cost (Rm)
(226)
(249)
Associate income (Rm)
870
(125)
Headline earnings (Rm)
644
(374)
2015
2016
AR
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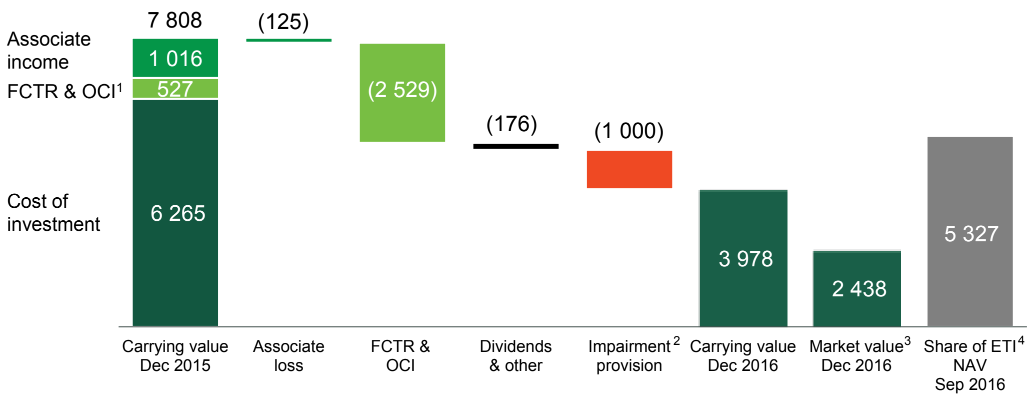
NOTES:

ETI an important investment for the long term – impacted by weaker economic conditions

Carrying value & market value (Rm)



1 Cumulative FCTR & OCI made up of FCTR: R2 042m & OCI R1 515m loss
2 Value-in-use calculation is performed in terms of IFRS & based on a number of scenarios by taking into account publically available information. Management determined that an impairment provision of R1bn was appropriate. Headline earnings, regulatory capital & dividend not impacted
3 The ETI share trades in low volumes, given its low free float, while also being listed in an illiquid market
4 Calculated as Nedbank's 21.2% share of ETI's NAV at 30 September 2016 & exchange rate of Rand / US$: 13.77 at 31 December 2016

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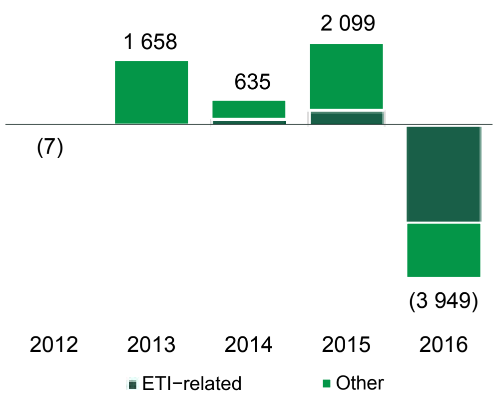
NOTES:

Other comprehensive income – NAV growth of 0.9% largely impacted by FCTR

BOOKLET SLIDE

Other comprehensive income (Rbn)



Key drivers (2016 vs 2015)

- Associate income & related currency impact (ave naira devaluation 31.8%)
- ETI book value & related currency impact (Naira at year–end devalued 58.3%)

- Non–SA operations & related currency impact (year–end GBP devaluation 26.8%)
- Other OCI

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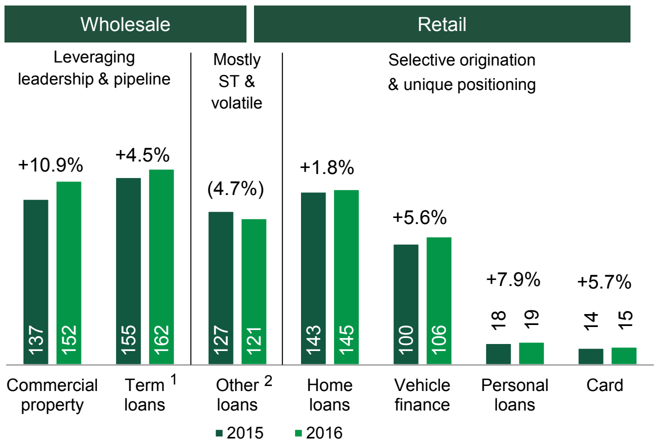
NOTES:

Advances up 3.8% – solid growth & market share gains across key categories (AIEBA +7.0%)

Gross advances (Rbn)



BA900 market share

	Share[3]	Trend
Commercial property	40.8	▲
Core corporate[4]	22.3	▲
Home loans	14.4	►
Vehicle finance	27.7	▲
Personal loans	10.9	►
Card	13.7	▲

1 Terms loans & other longer dated loans in CIB
2 Other loans include overdrafts, overnight loans, preference shares, deposits placed under reverse repurchase agreements & other smaller corporate loans.
3 BA900 – December 2016.
4 Core corporate loans comprise commercial mortgages, corporate overdrafts, corporate credit cards, corporate instalment credit, foreign sector loans, public sector loans, preference shares, factoring accounts & other corporate loans (other loans and advances excluding household personal loans).

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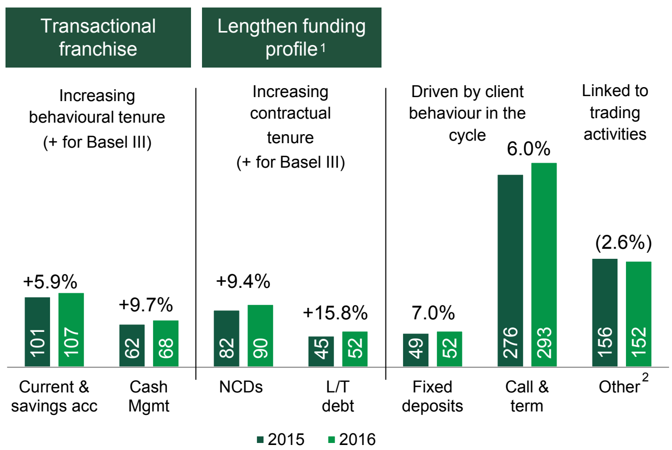
NOTES:

Deposits up 4.9% – good transactional & Basel III deposit growth

Deposits (Rbn)



BA900 market share

	Share[3]	Trend
Wholesale	22.3	▲
Commercial	17.4	▲
Household	18.7	▲
Foreign currency	12.6	▼

1 Nedbank's market share of medium & long term wholesale funding is 31% and 26% respectively. The favourable Basel III treatment of longer-term funding reduces the need to hold HQLA thereby reducing the all-in marginal cost of longer-term wholesale funding vs short-term wholesale funds. Including NCDs with tenure of > 30 days.
2 Includes foreign client liabilities, deposits received under repurchase agreements & other.
3 BA900 – December 2016

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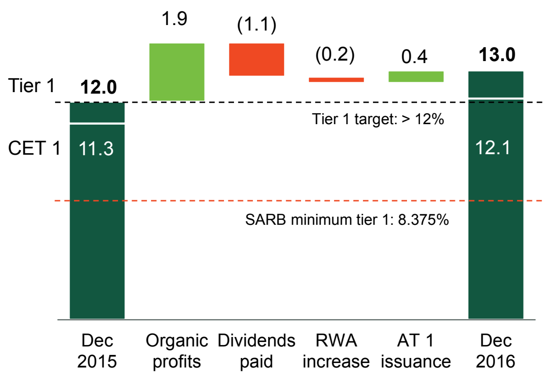
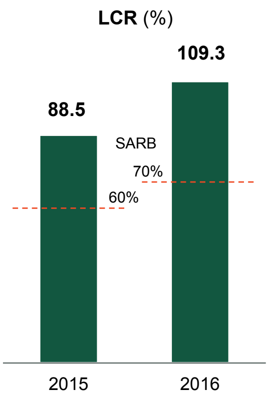
NOTES:

Capital – well positioned for Basel III regulatory environment

Tier 1 capital ratio (%)



Liquidity coverage ratio & net stable funding ratio



NSFR

On a pro forma basis NSFR was above 100% at 31 December 2016

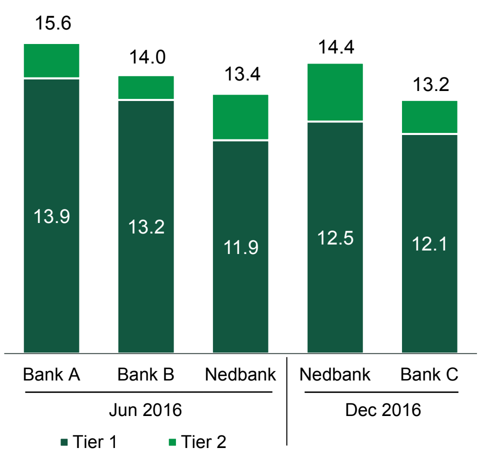
Note: Capital adequacy ratios are underpinned by ongoing organic profit generation & RWA optimisation opportunities. The IFRS 9 standard is not anticipated to have a significant impact on capital adequacy.

NOTES:

Capital – fully loss absorbent capital adequacy

BOOKLET SLIDE

Fully loss-absorbent capital adequacy ratios[1] (%)

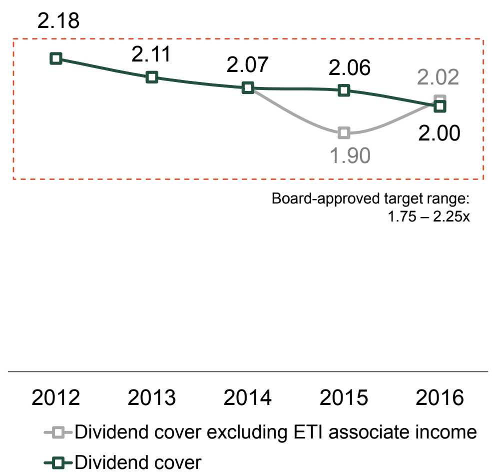


1 Nedbank analysis based on peer disclosures. Fully-loss absorbent capital excludes old-style capital instruments & therefore represents fully loss-absorbent capacity before gone concern.

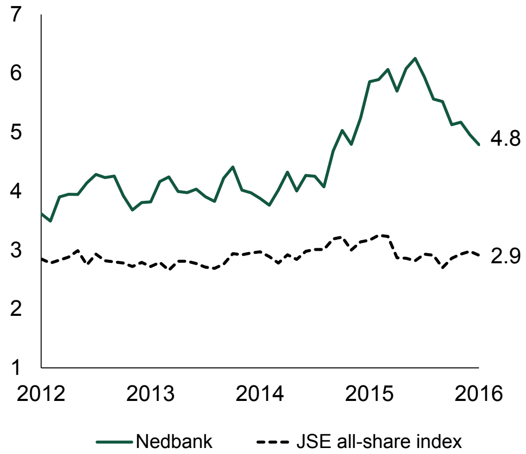
NOTES:

Dividend cover at mid-point of our target range – supporting an attractive dividend yield

Full-year dividend cover (x times)



Dividend yield (%)



Note: The cash dividend will be subject to a dividend withholding tax rate of 20%, which recently increased from 15%

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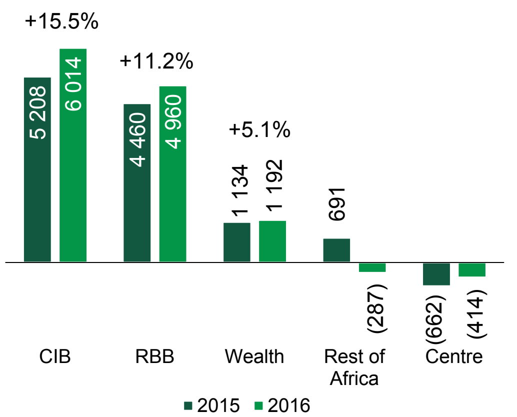
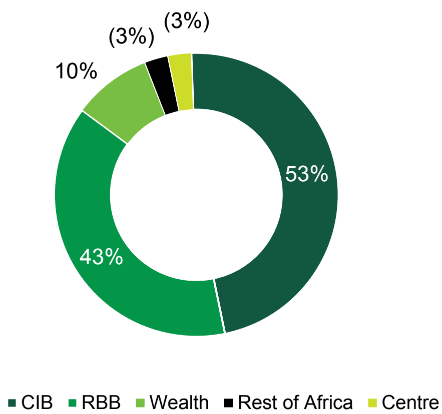
NOTES:

Excellent performance from our managed operations – headline earnings up 16.2%

Headline earnings (Rm)



Earnings contribution (Rm)



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NOTES:

NEDBANK CORPORATE & INVESTMENT BANKING

Serving our clients holistically

BRIAN KENNEDY

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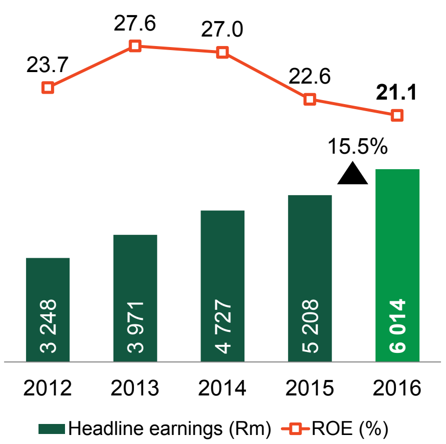
NOTES:

Excellent growth derived from improved client service

Headline earnings, ROE



Key drivers

- Deeper client penetration
- Strong performance from all business units
- Sustained industry-leading efficiency ratio
- Healthy ROE impacted by increased allocated capital
- Continuing proactive risk management

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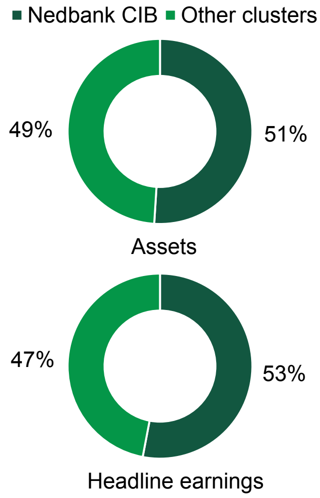
NOTES:

Corporate & Investment Banking – financial highlights

BOOKLET SLIDE

Year ended	% change	2016	2015
Headline earnings (Rm)	15.5	**6 014**	5 208
Operating income (Rm)	12.8	**13 649**	12 101
PPOP (Rm)	9.6	**8 878**	8 098
Net interest margin (%)		**1.97**	1.98
NIR-to-expense ratio (%)		**129.6**	127.5
Efficiency ratio (%)		**39.0**	38.4
Credit loss ratio (%)		**0.34**	0.40
Average banking advances (Rm)	10.0	**325 428**	295 903
Average deposits (Rm)	2.1	**336 878**	329 881
Headline economic profit (Rm) [1]	(10.7)	**1 970**	2 205
Allocated capital (Rm)	23.2	**28 462**	23 096
ROE (%)		**21.1**	22.6



1 Cost of equity 2015: 13.0% | 2016: 14.2%

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NOTES:

Advances growth driven by pipeline conversion in strategic sectors

Average loans & advances (Rbn)

Key drivers

- Investment Banking converting strong pipeline in strategic sectors
- Margins maintained despite competition for high-quality assets & additional regulatory costs
- Quality of investment-grade book improved (to 73% of book from 68% in 2015)
- Active risk management across distressed sectors

1 Total banking defined as Investment banking & client coverage combined.

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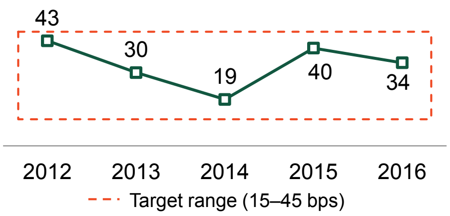
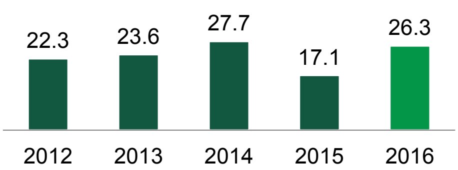
NOTES:

CIB portfolio concentration

Credit loss ratio (bps)



Specific coverage (%)



CIB portfolio

Selected portfolios			
Portfolio	Concen-tration risk	Migration risk	Downside risk
Oil & gas *(2.1%)*	L	L ▼	M
Mining *(4.0%)*	L	M	M
Steel *(0.5%)*	L	L ▼	M
Agriculture *(1.4%)*	L	L	L
Equity-based transactions *(3.5%)*	L	H	L
CPF *(32.5%)*	H	M ▲	L
Retailers *(1.3%)*	L	H	M

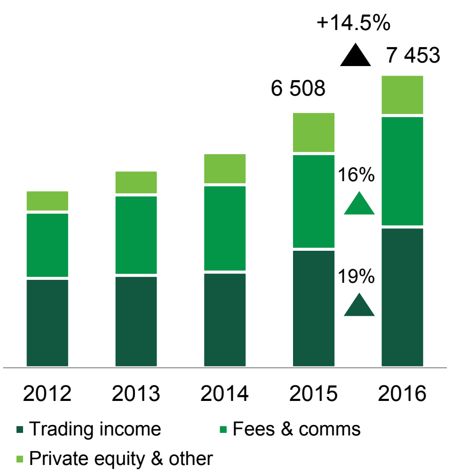
Change on prior period:

[▼] Risk decrease [blank] No change [▲] Risk increase

NOTES:

NIR growth of 14.5% underpinned by the flows of an integrated model

NIR (Rm)



Key drivers

- Integrated business enabling:
  - stronger client relationships
  - deeper client penetration
  - transactional banking client gains
- Trading-income growth from increased trading activity driven by increased market volatility & dealflow
- Successful primary transactional account wins of top-tier clients contributes to excellent fee & commission growth

NOTES:

Prospects for Corporate & Investment Banking

A powerful wholesale business focused on its clients

- Pipeline remains robust
- Continued focus on deeper client penetration
- Embedding client intelligence platforms to enhance our value proposition
- Growing our transactional banking & deposits remains essential
- Continued commitment to expanding our Africa presence
- Proactively acquiring & retaining top talent at all levels

NEDBANK CORPORATE AND INVESTMENT BANKING
SHINES AT THE 2016 JSE SPIRE AWARDS

Ranked #1: Interest Rate Derivatives House, Market Making Team – Government Bonds, Sales Team – Bonds, Sales Team – Interest Rate Derivatives, Research Team – Technical Analysis (FX, IRD, Bonds)

AR NEDBANK GROUP LIMITED – Annual Results '16 31

NOTES:

NEDBANK RETAIL & BUSINESS BANKING

Improving ROE, while continuing to grow the franchise

CIKO THOMAS

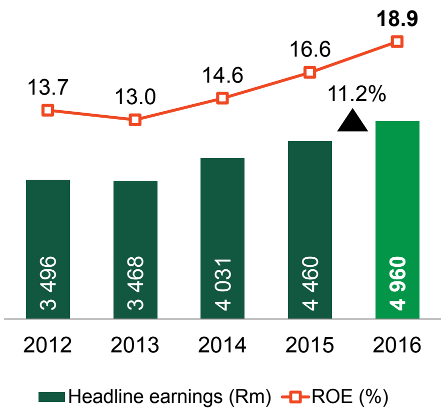
AR NEDBANK GROUP LIMITED – Annual Results '16 32

NOTES:

RESULTS PRESENTATION

Good performance in a challenging environment

Headline earnings, ROE



Key drivers

- NIM improvements due to endowment benefits & rigour in asset & deposit pricing
- CLR benefiting from improvements in personal-loan book & Business Banking
- NIR increase driven mainly by growth in middle-market main-banked clients
- Ongoing active cost management, balancing investments in digital & distribution
- RWA reductions now reflective of lower risk & contributing to steadily improving ROE

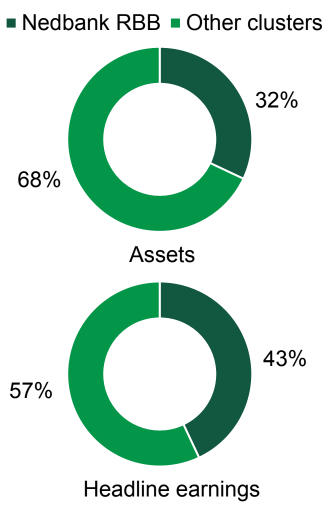
AR NEDBANK GROUP LIMITED – Annual Results '16 33

NOTES:

Retail & Business Banking – financial highlights

BOOKLET SLIDE

Year ended	% change	2016	2015
Headline earnings (Rm)	11.2	**4 960**	4 460
Operating income (Rm)	8.8	**25 810**	23 715
PPOP (Rm)	7.9	**10 199**	9 453
Net interest margin (%)		**6.08**	5.82
NIR-to-expense ratio (%)		**63.6**	64.3
Efficiency ratio (%)		**63.4**	63.4
Credit loss ratio (%)		**1.12**	1.14
Average banking advances (Rm)	3.5	**282 992**	273 517
Average deposits (Rm)	10.2	**257 968**	234 162
Headline economic profit (Rm) [1]	28.1	**1 230**	960
Allocated capital (Rm)	(2.5)	**26 254**	26 924
ROE (%)		**18.9**	16.6



1 Cost of equity 2015: 13.0% | 2016: 14.2%

AR NEDBANK GROUP LIMITED – Annual Results '16 34

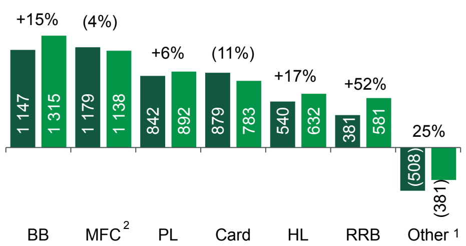
NOTES:

Retail & Business Banking – underlying business showed improved performance given market dynamics

BOOKLET SLIDE

Performance by business

Headline earnings (Rbn)



ROE (%)

	BB	MFC	PL	Card	HL	RRB	Other
Dec 2015	21.6	17.0	28.0	28.2	14.0	16.4	n/a
Dec 2016	23.8	18.3	29.4	24.0	18.4	23.6	n/a

Dec 2015 Dec 2016

1 Other includes Client Engagement improvement in HE loss of 28% to R236m.
2 MFC represents Nedbank's vehicle finance operations.

Key drivers

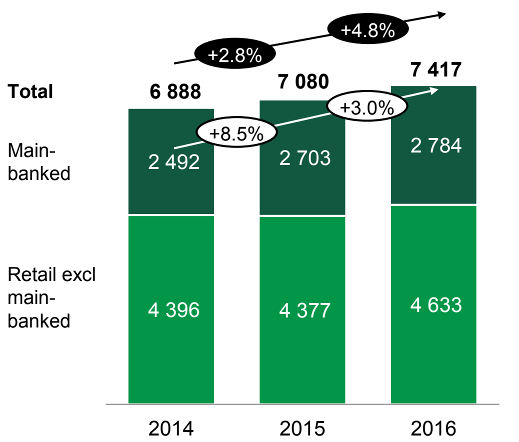
- **BB:** consistent performer, benefiting from higher endowment
- **MFC:** new–business volume growth resulting in increased market share gains
- **Personal Loans:** advances growth with benefits from lower impairments as book risk profile continues to improve
- **Card:** good underlying NIR growth offset by residual interchange impact & investment in payment platforms
- **Home Loans:** improved new–business pricing & runoff of lower margin book. CLR still below target range
- **RRB:** strong growth in earnings across all lines & higher endowment revenue
- **Other:** includes endowment offset by distribution

AR NEDBANK GROUP LIMITED – Annual Results '16 35

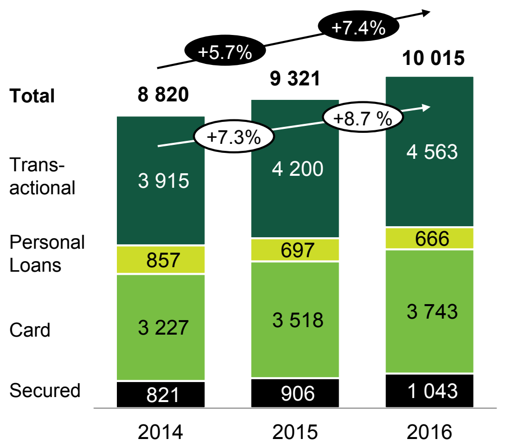
NOTES:

Retail transactional NIR growth ahead of client growth

Total retail client base (#000)



Retail NIR (Rm)



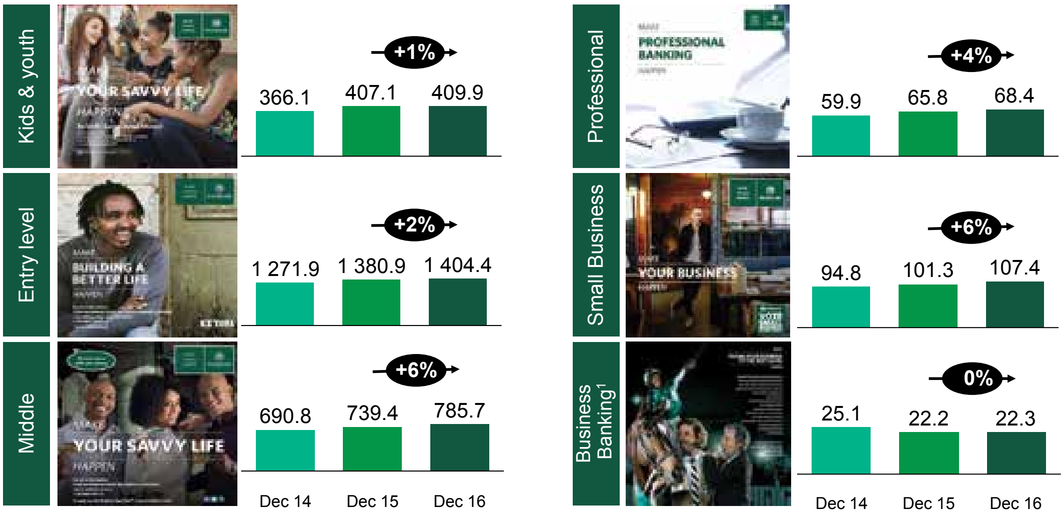
AR NEDBANK GROUP LIMITED – Annual Results '16 36

NOTES:

RESULTS PRESENTATION

Client-centred strategy driving growth across all segments

Main-banked, # 000



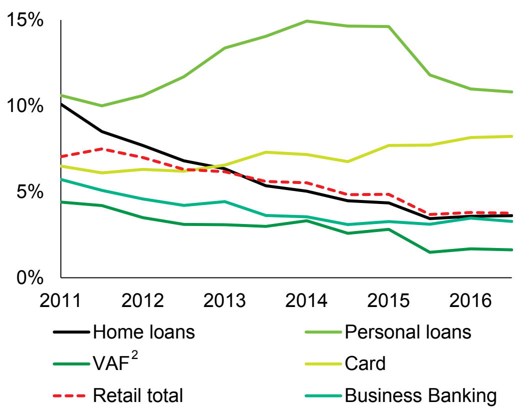
1 Client groups with gross operating income contributions in excess of R500 pm.
Note: Non-resident, non-individual segment not shown.

AR NEDBANK GROUP LIMITED – Annual Results '16 37

NOTES:

Non-performing defaulted advances & specific coverage maintained

Default % of total advances[1]



Specific coverage[1] (%)

Products	Dec 2016	Jun 2016	Dec 2015
Home loans	**25.7**	25.5	28.3
Vehicle asset finance[2]	**61.4**	63.4	65.1
Personal loans	**72.4**	70.5	71.3
Card	**95.6**	94.6	95.6
Other loans	**96.2**	95.9	95.8
Total Retail	**52.9**	52.7	54.5
Business Banking	**37.6**	38.7	40.4
Total RBB	**49.9**	49.7	51.6

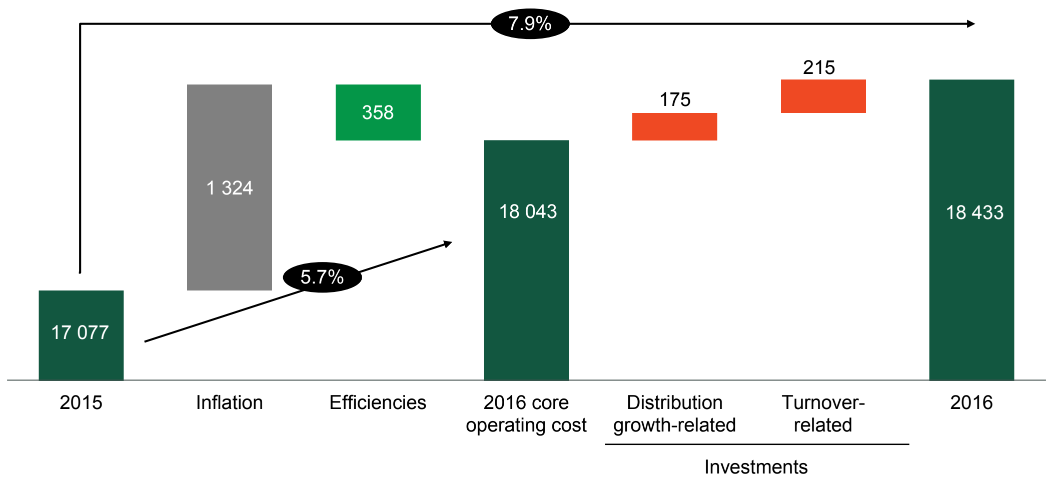
1 Relates to non-performing defaulted advances
2 Vehicle asset finance includes MFC & vehicle loans in RRB.

AR NEDBANK GROUP LIMITED – Annual Results '16 38

NOTES:

Organic costs well managed

Operating expenses (Rm)



NOTES:

Prospects for Retail & Business Banking

Building sustainable, profitable businesses through the cycle

- Grow transactional clients faster than the market through focus on acquisition, retention & cross-sell, enabled by:
  - Digital First, First in Digital
  - Disruptive CVPs
  - Sales & service excellence
  - Loyalty & rewards
- Continued selective origination to drive relative CLR outperformance through the cycle
- Ongoing focus on expenses with optimisation initiatives
- Acceleration of the digital journey to drive operational efficiency

NOTES:

NEDBANK WEALTH

Strong ROE in a challenging environment

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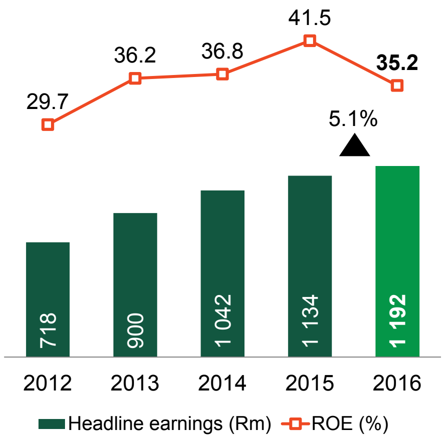
AR NEDBANK GROUP LIMITED – Annual Results '16 41

NOTES:

Strong return on equity in a challenging environment

Headline earnings, ROE



Key drivers

- NII performance supported by strong balance sheet growth & improved margin
- Declining impairments driving lower CLR
- NIR declined as a result of higher weather-related insurance claims, market uncertainty & subdued investor sentiment
- Expense growth well contained
- Significant increase in allocated capital as a result of strong balance sheet growth & increased group allocations

AR NEDBANK GROUP LIMITED – Annual Results '16 42

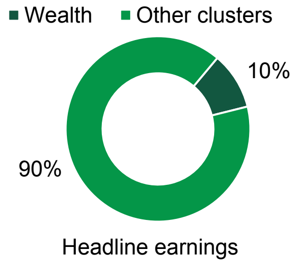
NOTES:

Nedbank Wealth – financial highlights

BOOKLET SLIDE

Year ended	% change	2016	2015
Headline earnings (Rm)	5.1	**1 192**	1 134
Operating income (Rm)	1.0	**4 362**	4 320
PPOP (Rm)	2.5	**1 572**	1 534
Net interest margin (%)		**2.15**	1.93
NIR-to-expense ratio (%)		**126.1**	131.6
Efficiency ratio (%)		**61.7**	62.6
Credit loss ratio (%)		**0.08**	0.15
Assets under management (Rbn)	6.2	**273 327**	257 295
Life embedded value (Rm)	3.1	**2 740**	2 657
Life value of new business (Rm)	61.5	**399**	247
Headline economic profit (Rm) [1]	(8.6)	**711**	778
Allocated capital (Rm)	23.9	**3 387**	2 734
ROE (%)		**35.2**	41.5

1 Cost of equity 2015: 13.0% | 2016: 14.2%



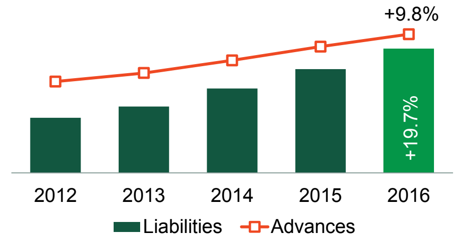
- Net inflows **R24.0bn**
- Life APE **+31.7%**
- Non-life GWP **+5.9%**

AR NEDBANK GROUP LIMITED – Annual Results '16 43

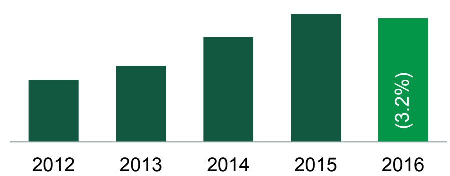
NOTES:

Wealth Management – continued growth momentum

Liabilities & advances (Rbn)



Stockbroking AUA (Rbn)



Key drivers

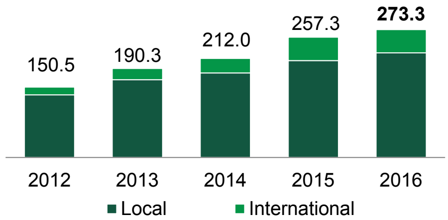
- Strong liability & advances growth locally & internationally
- Record low levels of impairments
- Stockbroking AUA impacted by subdued markets & investor sentiment
- Noteworthy local & international awards

AR NEDBANK GROUP LIMITED – Annual Results '16 44

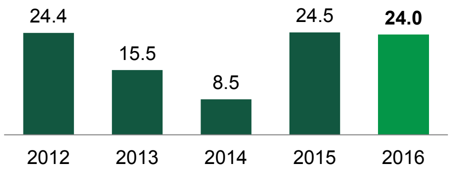
NOTES:

Asset Management – excellent investment performance

Assets under management (Rbn)



Net flows (Rbn)



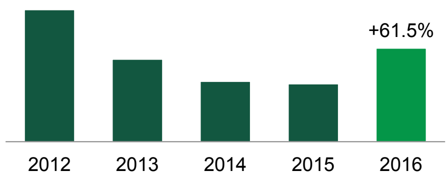
Key drivers

- Top offshore manager; among top 3 SA managers & one of the highest in net inflows of FSB-approved offshore funds in 2016
- Top SA equity manager over 5 & 10 years
- AUM growth of 6.2% despite flat markets & exchange rate impacts
- Net inflows driven predominantly by global, cash & passive solutions, resulting in market share growth
- Enhancements to mobile & digital through investment in technology

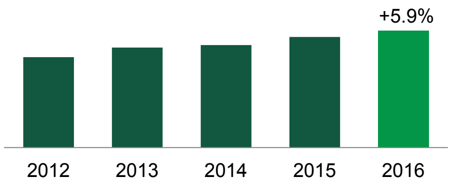
NOTES:

Insurance – positioning for future growth

Life value of new business (Rbn)



Non-life gross written premiums (Rbn)



Key drivers

- Insurance earnings impacted by abnormal weather-related claims & lower investment returns
- Life VNB driven by an increase in credit life & single-premium investments
- Non-life gross written premium growth impacted by lower homeowner's cover volumes

NOTES:

Prospects for Nedbank Wealth

Continued investment to unlock future revenue

- Ongoing investment in value propositions, brand positioning & systems
- Deliver seamless & integrated digital propositions
- Maintain investment performance & drive market share growth
- Deepen group collaboration & pursue new opportunities for growth

NOTES:

REST OF AFRICA

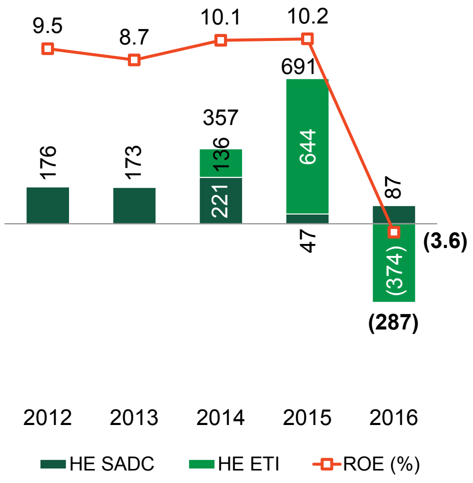
Investing for growth in our
Rest of Africa franchise

MFUNDO NKUHLU

NOTES:

Headline loss driven by ETI associate loss

Headline earnings, ROE



Key drivers

- Slowdown in economic activity across sub-Saharan Africa
- Headline earnings impacted by ETI loss
- SADC business performance weighed down by investment-related costs
- Good traction on strategic initiatives to reposition operations in SADC for future growth

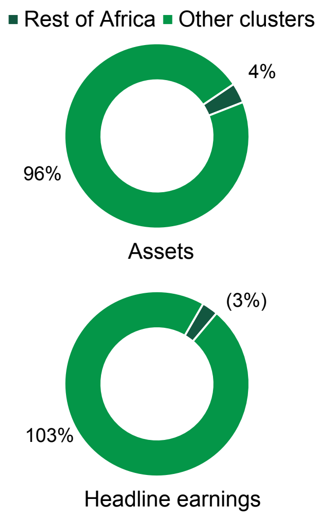
AR NEDBANK GROUP LIMITED – Annual Results '16 49

NOTES:

Rest of Africa – financial highlights

BOOKLET SLIDE

Year ended	% change	2016	2015
SADC			
Headline earnings (Rm)	85.1	**87**	47
Operating income (Rm)	23.4	**2 058**	1 668
PPOP (Rm)	6.3	**268**	252
Net interest margin (%)		**6.69**	6.26
NIR-to-expense ratio (%)		**46.5**	50.5
Efficiency ratio (%)		**82.9**	81.6
Credit loss ratio (%)		**0.98**	1.27
Average banking advances (Rm)	14.0	**17 724**	15 543
Average deposits (Rm)	16.9	**23 492**	20 100
Headline economic profit (Rm) [1]	(30.9)	**(491)**	(164)
Allocated capital (Rm)	25.6	**4 076**	3 245
ROE (%)		**2.1**	1.4
ETI investment Headline Earnings (Rm)	> (100)	**(374)**	644
Total headline earnings	> (100)	**(287)**	691



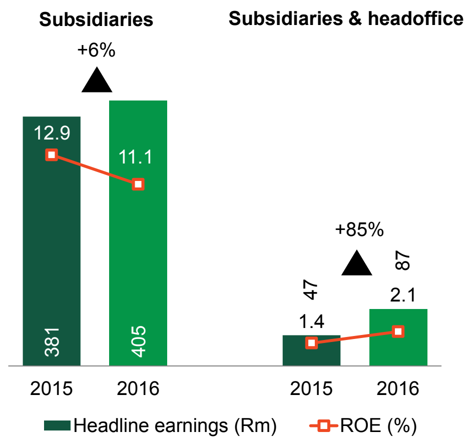
1 Cost of equity 2015: 13.0% | 2016: 14.2%

AR NEDBANK GROUP LIMITED – Annual Results '16 50

NOTES:

SADC – revenue growth offset by investment related costs

Headline earnings, ROE



Key drivers

Subsidiary operations, excluding headoffice costs

- Headline earnings growth driven by:
  - good revenue growth
  - the positive impact of consolidating Banco Único
- ROE declined from additional capital allocated to Banco Único on consolidation

Subsidiary operations, including headoffice costs

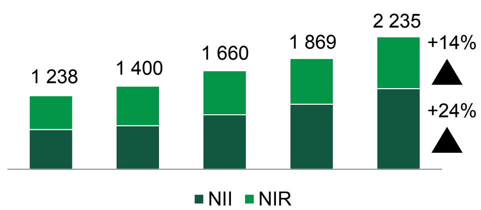
- Headline earnings growth reflects the impact of investment-related costs
- ROE well below group cost of equity

AR NEDBANK GROUP LIMITED – Annual Results '16 51

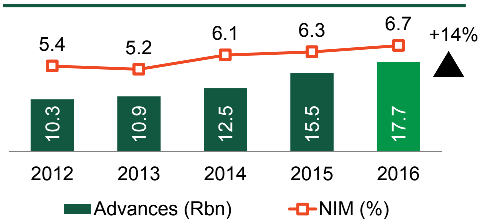
NOTES:

SADC – good revenue growth, NIM expansion & net client gains

Revenues (Rm)



Average advances, NIM



Key drivers

- Good revenue growth
- Strong advances growth underpinned by demand from wholesale banking clients
- NIM driven by growth in retail deposits, endowment benefit & better pricing for risk
- NIR benefited from net growth in retail clients
- Credit underwriting & collections improved
- Rate of cost growth higher than revenue growth

AR NEDBANK GROUP LIMITED – Annual Results '16 52

NOTES:

ETI investment – supporting strategic review for growth

- **Challenging environment**
  - Challenging economic conditions in West Africa with commodity exporters under pressure
  - Currency weakness & foreign currency liquidity constraints, particularly in Nigeria
  - Likelihood of ongoing pressure on quality of credit portfolios
- **ETI board-led strategic review underway**
  - Shifts in regulation, client expectations & competitor dynamics
  - Focus on client centricity in key business segments
  - Digitisation to drive client experience
  - Enhanced risk & compliance culture
- **Nedbank a supportive shareholder**
  - Working with other shareholders to support the ETI board & management to improve business performance & generate returns in excess of cost of equity

AR NEDBANK GROUP LIMITED – Annual Results '16 53

NOTES:

Prospects for Rest of Africa

SADC

- Drive business benefits from core banking system & new product rollout
- Integrate Banco Único into our one-bank operating model
- Review the operating model to drive value to clients, revenue growth & cost optimisation

ETI investment

- ETI is an important strategic investment for the long term
- Economic conditions in West Africa, especially in Nigeria, expected to remain challenging in 2017 before improving in 2018 & beyond

AR NEDBANK GROUP LIMITED – Annual Results '16 54

NOTES:

MIKE BROWN

STRATEGY & 2017 GUIDANCE

Delivering sustainable growth

AR NEDBANK GROUP LIMITED – Annual Results '16 55

NOTES:

Refined strategy to enhance & accelerate delivery

Purpose: TO USE OUR FINANCIAL EXPERTISE TO DO GOOD FOR INDIVIDUALS, FAMILIES, BUSINESSES & SOCIETY

Vision: TO BE THE MOST ADMIRED FINANCIAL SERVICES PROVIDER IN AFRICA BY OUR STAFF, CLIENTS, SHAREHOLDERS, REGULATORS & COMMUNITIES

Strategic focus areas:

- Delivering innovative market-leading client experiences
- Growing our transactional banking franchise faster than the market
- Being operationally excellent in all we do
- Managing scarce resources to optimise economic outcomes
- Providing our clients with access to the best financial services network in Africa

OPTIMISING THE WAY WE OPERATE

Strategic enablers:

- **PEOPLE 2020** – Transforming our leadership, culture & talent capability
- **BRAND 2020** – Developing a distinctive brand
- **MANAGED EVOLUTION & DIGITAL FAST LANE** – An innovative technology transformation creating an agile digital platform
- **GOVERNANCE & REGULATORY CHANGE** – Leveraging risk management to be a strategic & competitive differentiator
- **FAIR SHARE 2030** – Guiding the creation of financial solutions that deliver on Nedbank's purpose
- **LEADING TRANSFORMATION** – Actively promoting a globally competitive financial sector while creating a more equitable society

AR NEDBANK GROUP LIMITED – Annual Results '16 56

NOTES:

2017 guidance

NII	▪ Average interest-earning banking asset[1] growth to increase slightly ahead of nominal GDP growth ▪ NIM to be slightly above the rebased 2016 level of 3.54%
CLR	▪ To increase, but remaining below the mid-point of our target range of 60–100 bps
NIR	▪ Upper-single-digit growth (excluding fair-value adjustments)
Associate income	▪ ETI earnings likely to remain volatile & uncertain (reported a quarter in arrear)
Expenses	▪ Mid- to upper-single-digit growth

Growth in DHEPS for full-year 2017 greater than growth in nominal GDP

1 To align with industry practice from November 2016 average balances of R6bn in the CIB liquid-asset portfolio were included in our trading book and removed from average interest-earning banking assets used as the denominator in the NIM calculation. The 2016 AIEBA base needs to be adjusted for the remaining R28bn.

AR NEDBANK GROUP LIMITED – Annual Results '16 57

NOTES:

Medium-to-long-term targets

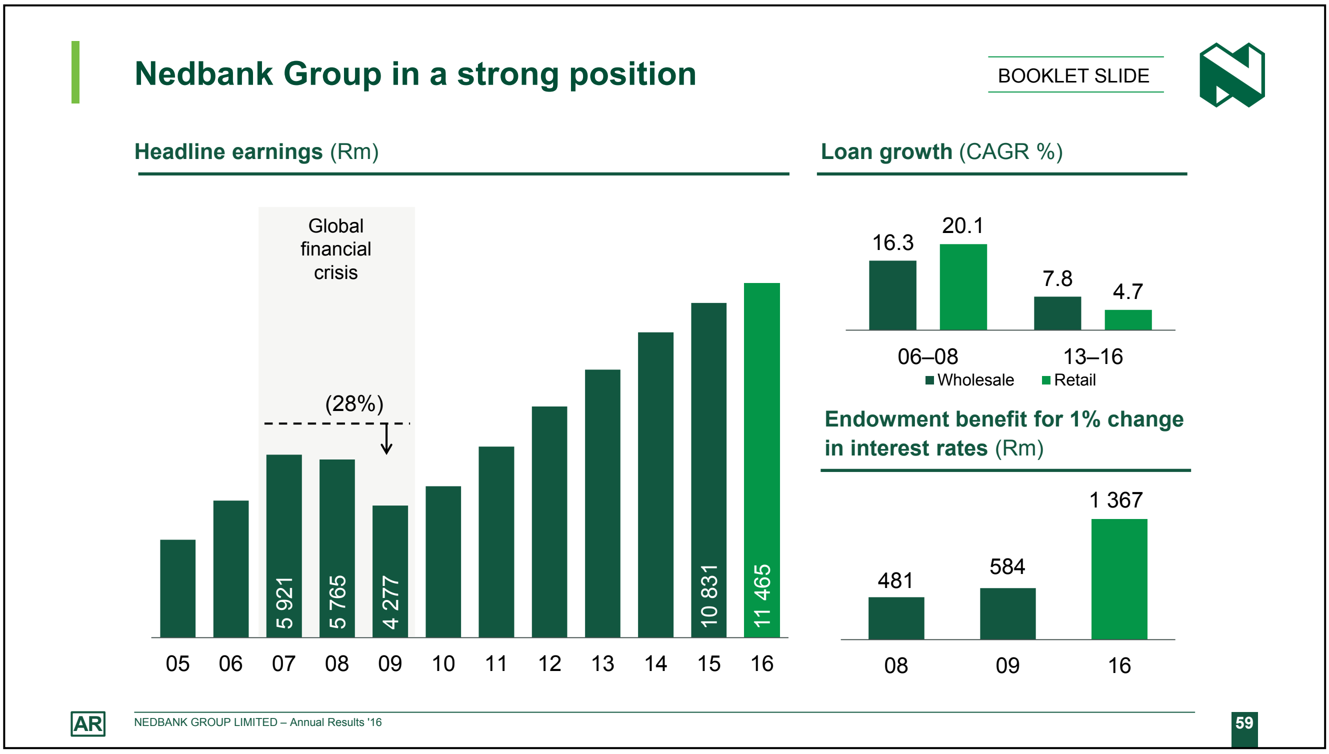
BOOKLET SLIDE

Metric	2016	vs MLT	Medium-to-long-term target	2017 outlook[1]
ROE (excl goodwill)	**16.5%**	▼	5% above COE	Below target
Diluted HEPS growth	**4.8%**	▼	≥ CPI + GDP growth + 5%	Below target
Credit loss ratio	**68 bps**	▶	60–100 bps	Increase, but below the mid-point of target range
NIR-to-expenses ratio	**82.9%**	▼	> 85%	Below target
Efficiency ratio[2]	**56.9%**	▲	50–53%	Above target
CET 1 CAR Tier 1 CAR Total CAR	**12.1%** **13.0%** **15.3%**	▶ ▲ ▲	Basel III basis[3]: 10.5–12.5% > 12% > 14%	Within target
Dividend cover	**2.00 x**	▶	1.75 to 2.25 times	Within target range

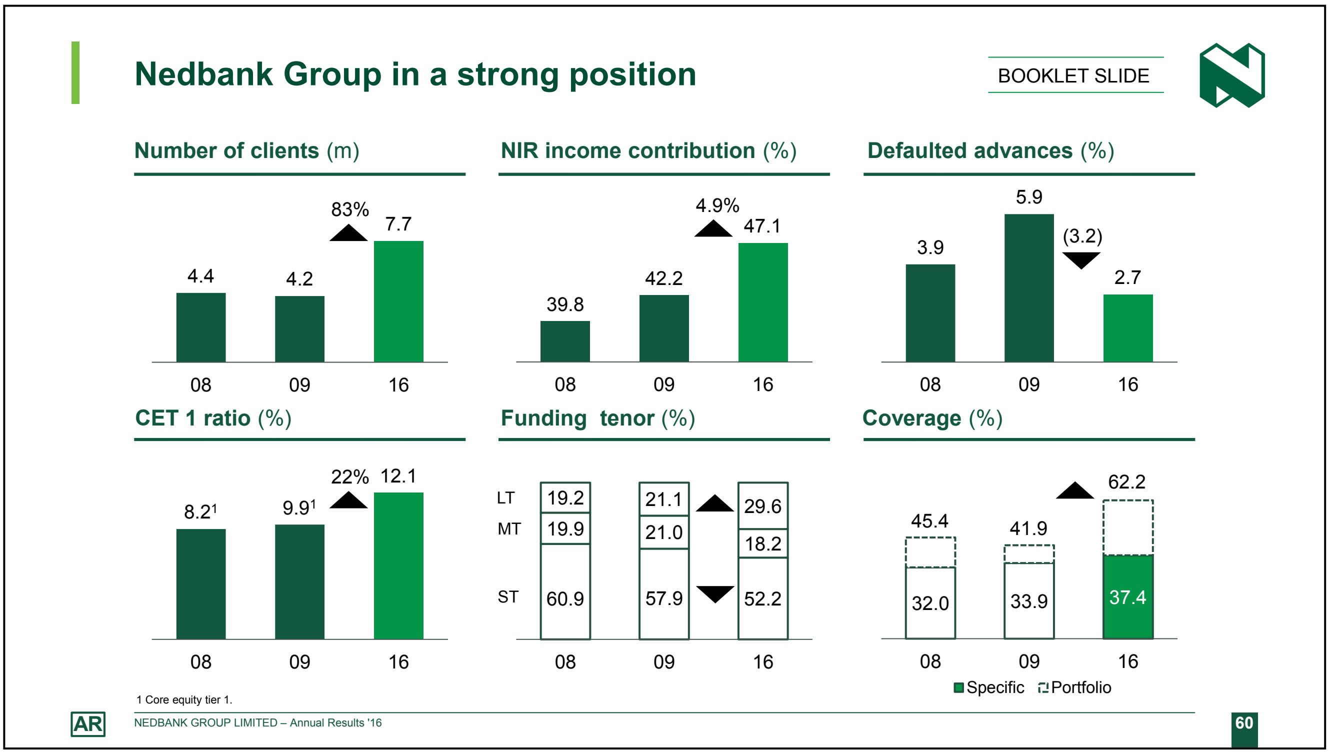
1 2017 outlook based on current economic forecasts. 2 Efficiency ratio includes associate income
3 Tier 1 & total CAR targets were revised in 2016 from 11.5–13.0% & 14.0–15.0% respectively

AR NEDBANK GROUP LIMITED – Annual Results '16 58

NOTES:


Nedbank Group in a strong position
BOOKLET SLIDE
Headline earnings (Rm)
Global financial crisis
(28%)
5 921
5 765
4 277
10 831
11 465
05 06 07 08 09 10 11 12 13 14 15 16
Loan growth (CAGR %)
16.3
20.1
7.8
4.7
06–08
13–16
Wholesale
Retail
Endowment benefit for 1% change in interest rates (Rm)
481
584
1 367
08 09 16
AR
NEDBANK GROUP LIMITED – Annual Results '16
59

NOTES:


Nedbank Group in a strong position
BOOKLET SLIDE
Number of clients (m)
4.4
4.2
83%
7.7
08 09 16
NIR income contribution (%)
39.8
42.2
4.9%
47.1
08 09 16
Defaulted advances (%)
3.9
5.9
(3.2)
2.7
08 09 16
CET 1 ratio (%)
8.2¹
9.9¹
22%
12.1
08 09 16
Funding tenor (%)
LT
MT
ST
19.2
19.9
60.9
21.1
21.0
57.9
29.6
18.2
52.2
08 09 16
Coverage (%)
45.4
32.0
41.9
33.9
62.2
37.4
08 09 16
Specific
Portfolio
1 Core equity tier 1.
AR
NEDBANK GROUP LIMITED – Annual Results '16
60

NOTES:

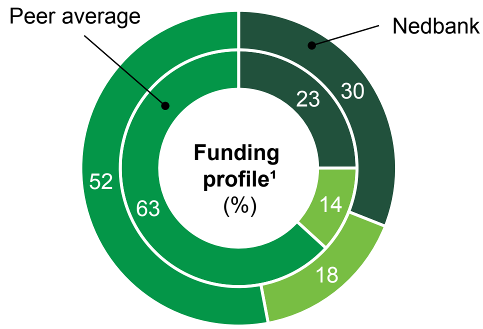
Improved funding profile in a competitive market

BOOKLET SLIDE

Funding mix & impact of possible sovereign downgrade

Funding sources	Funding base mix	
Households	19%	Limited impact - closed domestic market
Commercial	27%	Limited impact - closed domestic market
Wholesale	39%	Reprice marginally
Capital markets	7%	Reprice on new issuances
Foreign – asset matched	7%	Matched to US$ lending – no material impact
Foreign – general funding pool	1%	Reprice on contractual repricing date
Volume–weighted total	**100%**	

Funding duration longer than industry average (%)



Total funding (deposits + long-term debt) at 31 December 2016: R813.6bn.
FCTR: Foreign currency translation reserves. QC& R: Qualifying capital & reserves
1 Funding profile: Nedbank & peer fourth quarter 2016 average funding ratio. Peers at 31 December 2016.

AR NEDBANK GROUP LIMITED – Annual Results '16 61

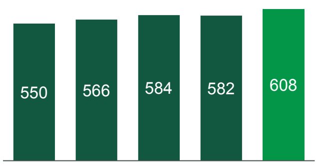
NOTES:

Nedbank Retail & Business Banking

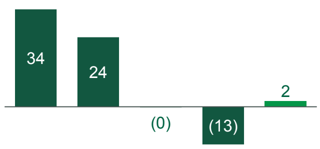
Net interest margin – driven by asset mix change & endowment over time with increasing impact from Basel III requirements

BOOKLET SLIDE

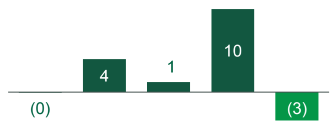
Net interest margin (bps)



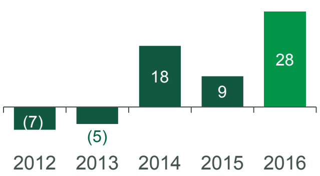
Mix change impact (bps)



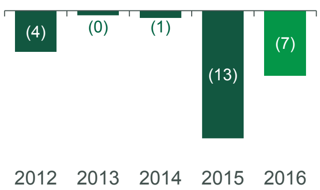
Asset pricing impact (bps)



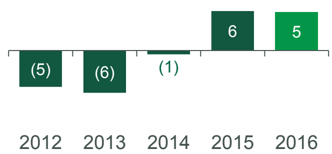
Endowment impact (bps)



Funding cost impact (bps)



Liability pricing & mix impact (bps)



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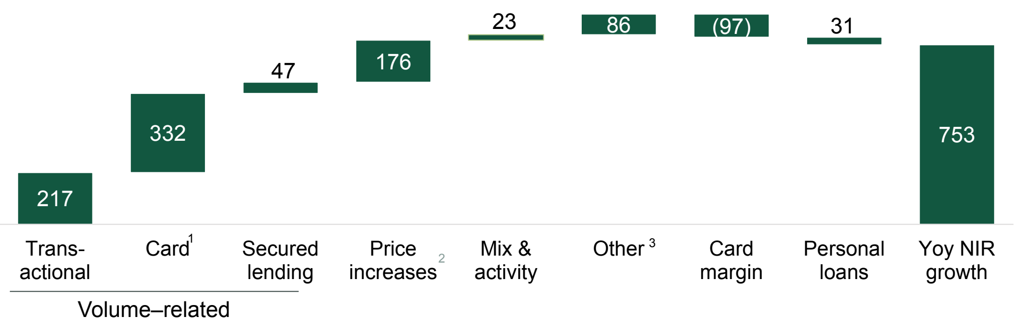
NOTES:

Nedbank Retail & Business Banking

NIR growth support by good volume growth, but muted by strategic choices & other factors

BOOKLET SLIDE

NIR growth (Rm)



2015 NIR growth (Rm)

+186	+321[1]	+58[4]	+242[5]	(98)	(34)	(73)[6]	(160)	+442

1 Includes interchange impact of R88m in 2016 and R261m in 2015.
2 Includes average price increase of 4.3% implemented on 1 January 2016.
3 Includes non-transactional banking in BB & fair–value swaps in MFC & BB.
4 Includes HOC & guarantees which was previously reported in 'Other'.
5 Includes average price increase of 5.6% implemented in January 2015 and repricing in RRB (R38m) implemented in H2 2014
6 Card – 2015 numbers were restated to illustrate the impact of acquiring margin pressure that was previously reported in 'Other'

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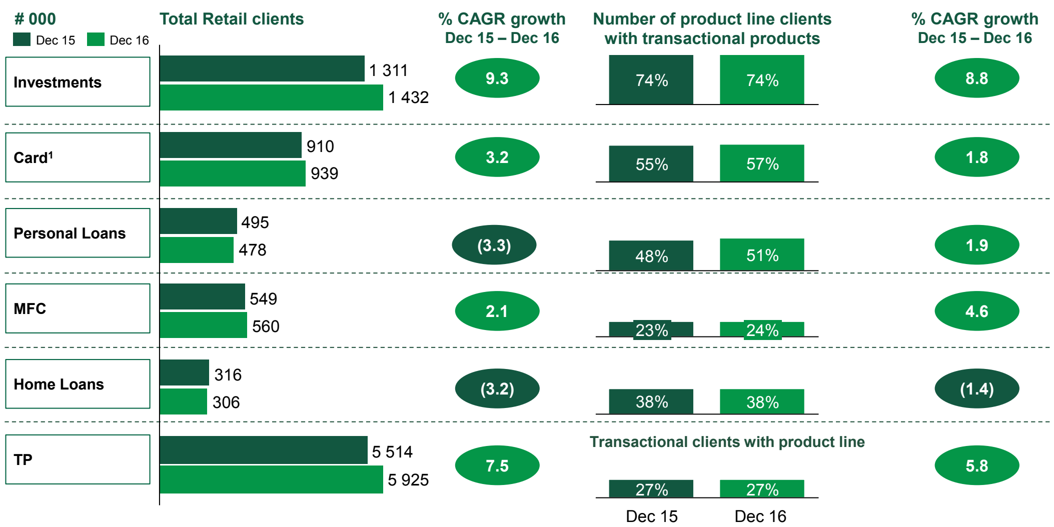
NOTES:

Nedbank Retail & Business Banking

Building more enduring client relationships through transactional product cross-sell

BOOKLET SLIDE



1 Prior–year card client numbers restated to align with a definition change implemented in 2016.

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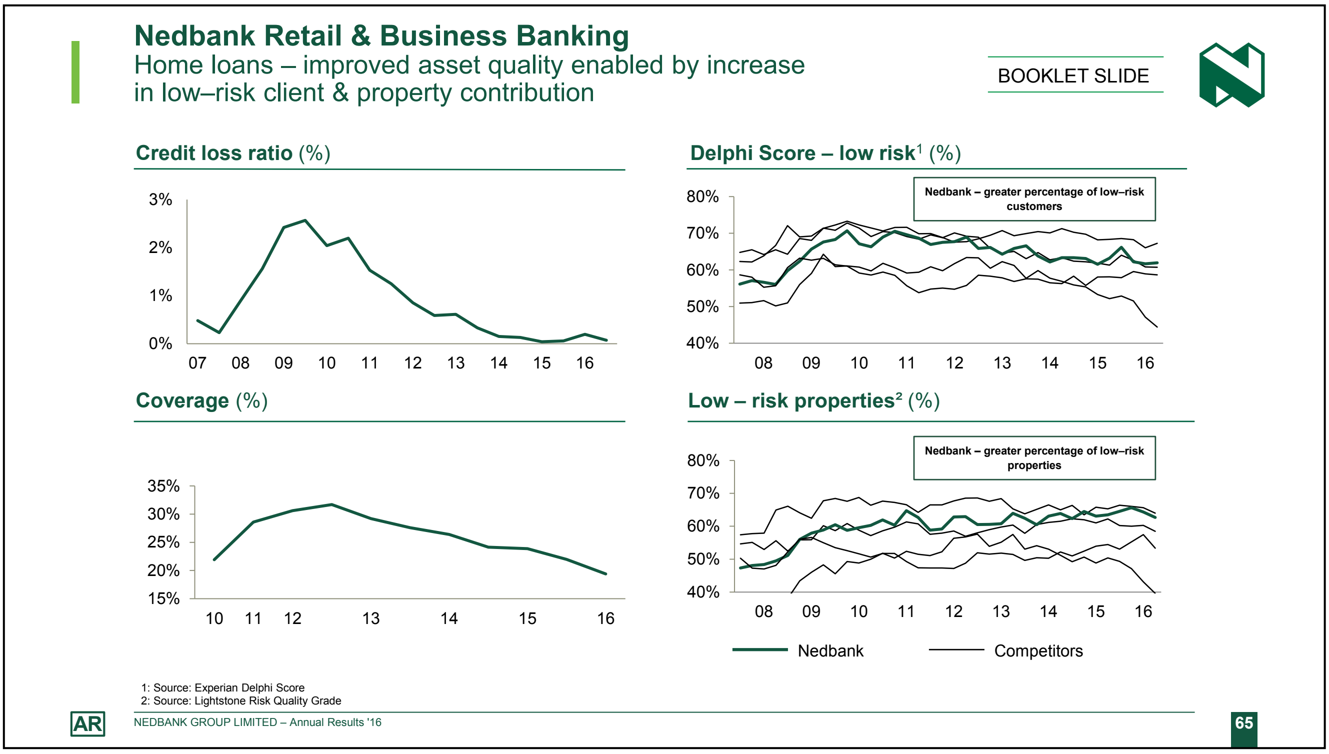
NOTES:

RESULTS PRESENTATION


Nedbank Retail & Business Banking
Home loans – improved asset quality enabled by increase in low–risk client & property contribution
BOOKLET SLIDE
Credit loss ratio (%)
3%
2%
1%
0%
07 08 09 10 11 12 13 14 15 16
Delphi Score – low risk[1] (%)
Nedbank – greater percentage of low–risk customers
80%
70%
60%
50%
40%
08 09 10 11 12 13 14 15 16
Coverage (%)
35%
30%
25%
20%
15%
10 11 12 13 14 15 16
Low – risk properties[2] (%)
Nedbank – greater percentage of low–risk properties
80%
70%
60%
50%
40%
08 09 10 11 12 13 14 15 16
Nedbank
Competitors
1: Source: Experian Delphi Score
2: Source: Lightstone Risk Quality Grade
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NEDBANK GROUP LIMITED – Annual Results '16
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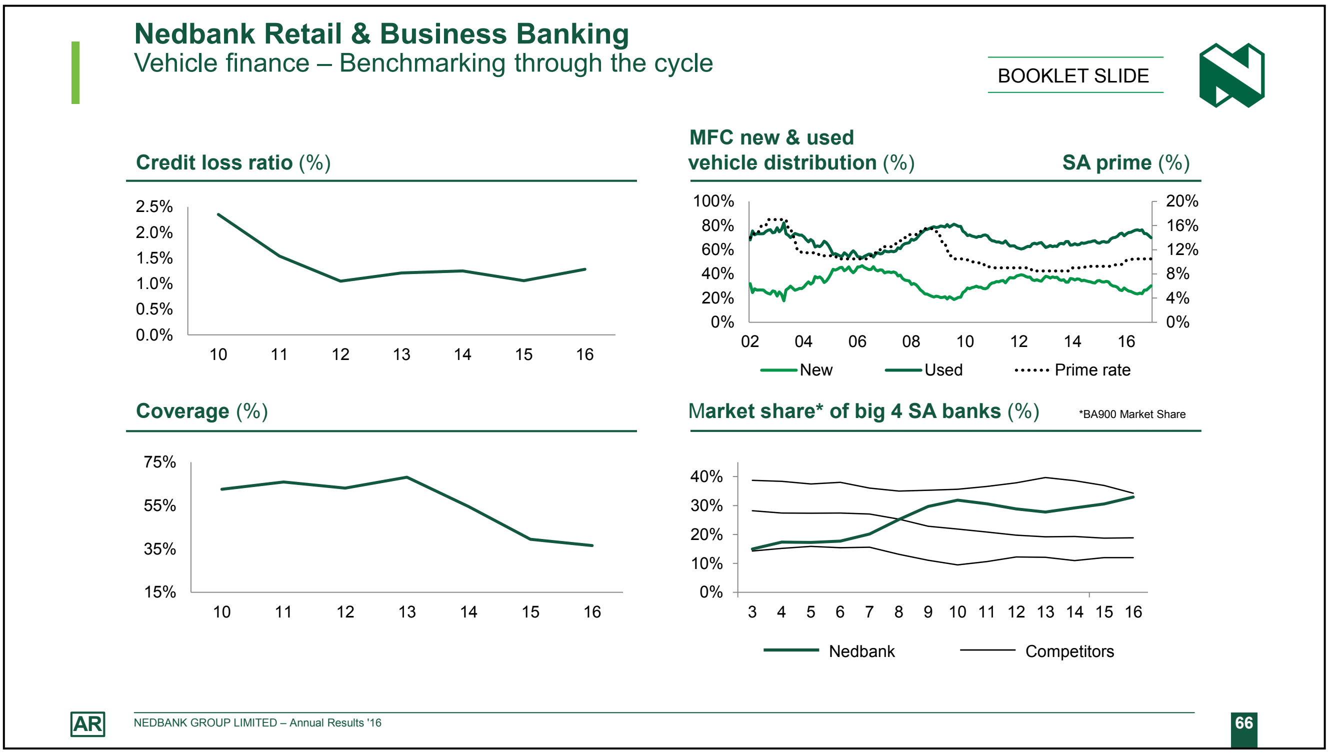
NOTES:


Nedbank Retail & Business Banking
Vehicle finance – Benchmarking through the cycle
BOOKLET SLIDE
Credit loss ratio (%)
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
10 11 12 13 14 15 16
MFC new & used vehicle distribution (%)
SA prime (%)
100%
80%
60%
40%
20%
0%
20%
16%
12%
8%
4%
0%
02 04 06 08 10 12 14 16
New
Used
Prime rate
Coverage (%)
75%
55%
35%
15%
10 11 12 13 14 15 16
Market share* of big 4 SA banks (%)
*BA900 Market Share
40%
30%
20%
10%
0%
3 4 5 6 7 8 9 10 11 12 13 14 15 16
Nedbank
Competitors
AR
NEDBANK GROUP LIMITED – Annual Results '16
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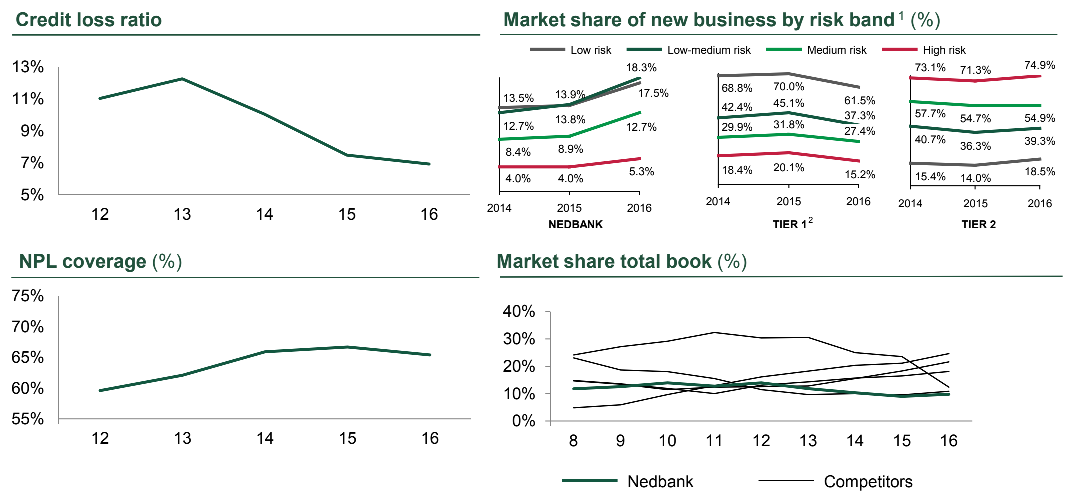
NOTES:

Nedbank Retail & Business Banking

Personal Loans – improved product offering, onboarding & client targeting has driven growth in desired lower–risk segments

BOOKLET SLIDE



1 Low risk (Bureau score >= 658); Low-medium risk (Bureau score 644-657); Medium risk (Bureau score 626-643); High risk (Bureau score <= 625)
2 Tier 1 refers to big 4 banks excluding Nedbank while Tier 2 refers to remaining material providers of unsecured personal loans

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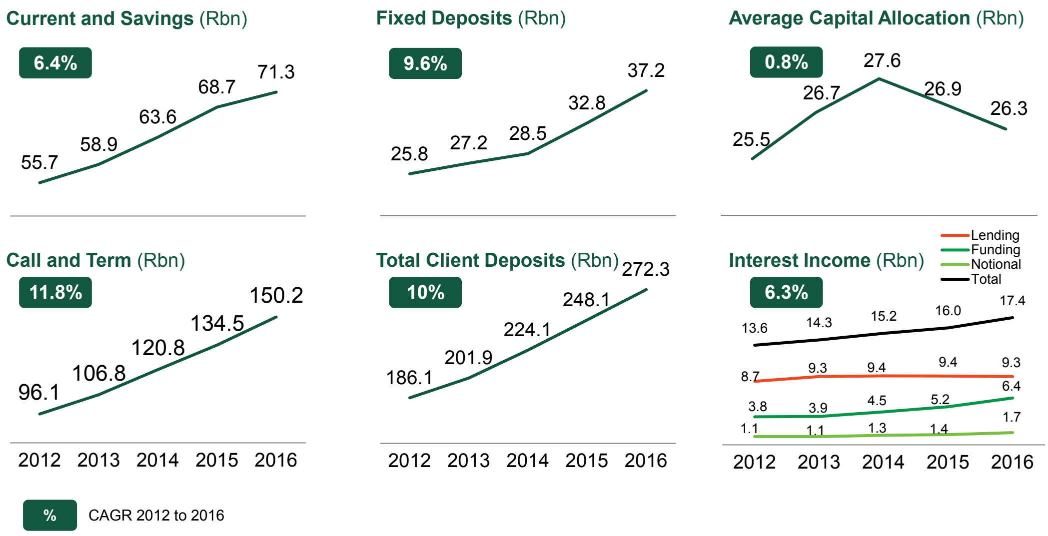
Nedbank Retail & Business Banking

Deposit growth driving increases in NII & market share

BOOKLET SLIDE



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NOTES:

RESULTS PRESENTATION

Disclaimer

Nedbank Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

Nedbank Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

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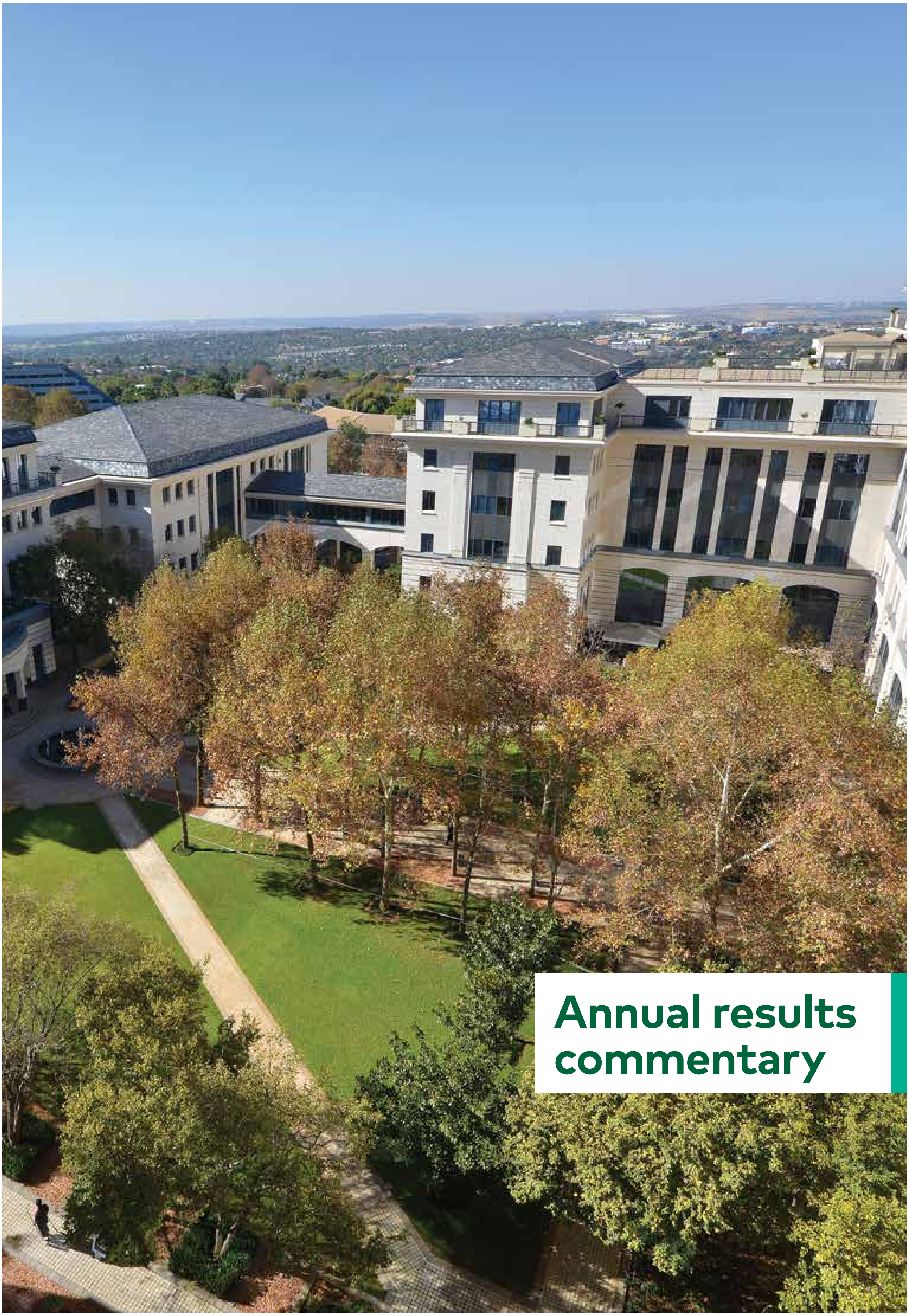
RESULTS PRESENTATION



Annual results commentary

2016 Annual results commentary

BANKING AND ECONOMIC ENVIRONMENT

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

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

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

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

REVIEW OF RESULTS

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

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

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

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

DELIVERING SUSTAINABLY TO ALL OUR STAKEHOLDERS IN 2016

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

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

For staff

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

For clients

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

For shareholders

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

For regulators

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

For communities

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

CLUSTER FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE

Net interest income

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

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

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

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

Impairments charge on loans and advances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* *Refer to the first paragraph under Audited Summary Consolidated Financial Statements – Independent Auditor's Opinion on page 46.*

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

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

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

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

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

STATEMENT OF FINANCIAL POSITION

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

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

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

(Ratios calculated include unappropriated profits.)

[1] *Common equity tier 1.*

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

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

Funding and liquidity

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

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

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

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

[3] *Average for the quarter.*

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

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

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

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

Loans and advances

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

Loans and advances by cluster are as follows:

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

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

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

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

Deposits

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

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

Group strategic focus

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

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

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

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

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

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

Old Mutual plc managed separation

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

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

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

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

Economic outlook

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

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

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

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

Prospects

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

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

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

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

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

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

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

Board and group executive changes during 2016

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

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

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

Accounting policies*

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

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

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

EVENTS AFTER THE REPORTING PERIOD*

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

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – INDEPENDENT AUDITORS' OPINION

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

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

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

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

Forward-looking statements

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

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

Final-dividend declaration

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

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

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

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

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

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

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

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

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

28 February 2017

Registered office

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

PO Box 1144, Johannesburg, 2000.

Transfer secretaries in SA

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

PO Box 61051, Marshalltown, 2107, SA.

Transfer secretaries in Namibia

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

PO Box 2401, Windhoek, Namibia.

Directors

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

** Executive ** Lead independent director*

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

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

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

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

Financial results

Financial highlights

for the year ended 31 December

		% change	2016	2015
Statistics				
Number of shares listed	m		**495,9**	494,4
Number of shares in issue excluding shares held by group entities	m		**478,4**	476,6
Weighted-average number of shares	m		**477,8**	474,2
Diluted weighted-average number of shares	m		**487,9**	483,1
Headline earnings	Rm	5,9	**11 465**	10 831
Profit attributable to equity holders of the parent	Rm	(5,5)	**10 132**	10 721
Total comprehensive income	Rm	(49,5)	**6 718**	13 311
Preprovisioning operating profit	Rm	4,4	**20 004**	19 170
Economic profit	Rm	(38,0)	**1 565**	2 525
Headline earnings per share	cents	5,1	**2 400**	2 284
Diluted headline earnings per share	cents	4,8	**2 350**	2 242
Basic earnings per share	cents	(6,2)	**2 121**	2 261
Diluted basic earnings per share	cents	(6,4)	**2 077**	2 219
Ordinary dividends declared per share	cents	(48,5)	**1 200**	1 107
Interim			**570**	537
Final			**630**	570
Ordinary dividends paid per share	cents	3,2	**1 140**	1 105
Dividend cover	times		**2,00**	2,06
Total assets administered by the group	Rm	4,8	**1 239 349**	1 183 021
Total assets	Rm	4,4	**966 022**	925 726
Assets under management	Rm	6,2	**273 327**	257 295
Life insurance embedded value	Rm	3,1	**2 740**	2 657
Life insurance value of new business	Rm	61,5	**399**	247
Net asset value per share	cents	0,9	**15 830**	15 685
Tangible net asset value per share	cents	(0,5)	**13 723**	13 794
Closing share price	cents	26,3	**23 813**	18 861
Price/earnings ratio	historical		**9,9**	8,3
Market capitalisation	Rbn	26,7	**118,1**	93,2
Number of employees (permanent staff)		3,5	**32 401**	31 312
Number of employees (permanent and temporary staff)		3,3	**32 746**	31 689
Key ratios (%)				
Return on ordinary shareholders' equity			**15,3**	15,7
Return on equity (excluding goodwill)			**16,5**	17,0
Return on tangible equity			**17,6**	18,1
Return on total assets			**1,23**	1,25
Return on average risk-weighted assets			**2,23**	2,30
Net interest income to average interest-earning banking assets			**3,41**	3,30
Non-interest revenue to total income			**47,1**	47,7
Non-interest revenue to total operating expenses			**82,9**	83,3
Credit loss ratio – banking advances			**0,68**	0,77
Efficiency ratio			**56,9**	56,1
Gross operating income growth less expense growth rate (jaws ratio)			**(1,5)**	0,6
Effective taxation rate			**24,9**	24,0
Group capital adequacy ratios (including unappropriated profits):				
– Common equity tier 1			**12,1**	11,3
– Tier 1			**13,0**	12,0
– Total			**15,3**	14,1

Consolidated statement of comprehensive income

for the year ended 31 December

Rm	Note	% change	2016	2015
Interest and similar income		21,7	**73 395**	60 289
Interest expense and similar charges		29,0	**46 969**	36 404
Net interest income	1	10,6	**26 426**	23 885
Impairments charge on loans and advances	2	(4,9)	**4 554**	4 789
Income from lending activities		14,5	**21 872**	19 096
Non-interest revenue	3	8,1	**23 503**	21 748
Operating income		11,1	**45 375**	40 844
Total operating expenses	4	8,6	**28 366**	26 110
Indirect taxation		18,4	**927**	783
Profit from operations before non-trading and capital items		15,3	**16 082**	13 951
Non-trading and capital items	5	> 100	**(1 363)**	(141)
Profit from operations		6,6	**14 719**	13 810
Share of profits of associate companies and joint arrangements		> (100)	**(105)**	871
Profit from operations before direct taxation		(0,5)	**14 614**	14 681
Total direct taxation	6	12,4	**3 955**	3 519
Direct taxation		12,3	**3 985**	3 550
Taxation on non-trading and capital items		(3,2)	**(30)**	(31)
Profit for the period		(4,5)	**10 659**	11 162
Other comprehensive income net of taxation		> (100)	**(3 941)**	2 149
Exchange differences on translating foreign operations			**(1 902)**	3 203
Fair-value adjustments on available-for-sale assets			**(73)**	(4)
Actuarial profit/(losses) on long-term employee benefit assets			**(297)**	298
Share of other comprehensive income of investments accounted for using the equity method			**(1 701)**	(1 515)
Gains on property revaluations			**32**	167
Total comprehensive income for the period		(49,5)	**6 718**	13 311
Profit attributable to:				
– Equity holders of the parent		(5,5)	**10 132**	10 721
– Non-controlling interest – ordinary shareholders		25,7	**88**	70
– Non-controlling interest – preference shareholders	7	(2,7)	**361**	371
– Non-controlling interest – additional tier 1 capital instrument note holders			**78**	
Profit for the period		(4,5)	**10 659**	11 162
Total comprehensive income attributable to:				
– Equity holders of the parent		(51,8)	**6 183**	12 820
– Non-controlling interest – ordinary shareholders		(20,0)	**96**	120
– Non-controlling interest – preference shareholders	7	(2,7)	**361**	371
– Non-controlling interest – additional tier 1 capital instrument note holders			**78**	
Total comprehensive income for the period		(49,5)	**6 718**	13 311
Headline earnings reconciliation				
Profit attributable to equity holders of the parent		(5,5)	**10 132**	10 721
Less: Non-headline earnings items			**(1 333)**	(110)
Non-trading and capital items			**(1 363)**	(141)
Taxation on non-trading and capital items			**30**	31
Headline earnings		5,9	**11 465**	10 831

Consolidated statement of financial position

at 31 December

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

Consolidated statement of changes in equity

for the year ended 31 December

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property revaluation reserve
Balance at 31 December 2014	465 642 918	466	16 781	1 615	1 741
Shares issued in terms of employee incentive schemes	3 332 101	3	843		
Shares delisted – BEE schemes	(8 916 159)	(9)	(327)		
Treasury shares no longer held by BEE schemes	8 916 159	9	327		
Shares (acquired)/no longer held by group entities and BEE schemes[3]	7 580 768	8	(55)		
Preference share dividend paid					
Dividends paid to shareholders					
Total comprehensive income for the year				1 723	167
Transfer to/(from) reserves				(20)	(23)
Share-based payments reserve movements					
Other movements					
Balance at 31 December 2015	**476 555 787**	**477**	**17 569**	**3 318**	**1 885**
Additional tier 1 capital instruments issued					
Shares issued in terms of employee incentive schemes	**1 453 765**	**1**	**275**		
Shares (acquired)/no longer held by group entities and BEE schemes[3]	**379 155**		**199**		
Preference shares sold by group entities					
Acquisition of shareholding in subsidiary company					
Buyout of non-controlling interests					
Transactions with non-controlling shareholders					
Preference share dividend paid					
Dividends paid to shareholders					
Total comprehensive income for the year				**(3 575)**	**32**
Transfer to/(from) reserves					**(54)**
Share-based payments reserve movements					
Additional tier 1 capital instruments interest paid					
Regulatory risk reserve provision[4]					
Other movements					
Balance at 31 December 2016	**478 388 707**	**478**	**18 043**	**(257)**	**1 863**

[1] *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with the Banks Act, 1990.*
[2] *Represents the accumulated profits after distributions to shareholders and appropriations of retained earnings to other non-distributable reserves.*
[3] *Shares acquired by group entities and BEE schemes R179m (Dec 2015: R751m) less shares that vested and are no longer held by group entities R378m (Dec 2015: R704m).*
[4] *Regulatory risk reserves for Africa subsidiaries.*

Share-based payment reserve	Other non-distributable reserves[1]	Available-for-sale reserve	Other distributable reserves[2]	Total equity attributable to equity holders of the parent	Non-controlling interest attributable to ordinary shareholders	Non-controlling interest attributable to preference shareholders	Non-controlling interest attributable to additional tier 1 capital instruments	Total shareholders' equity
1 654	167	178	44 422	67 024	326	3 561		70 911
				846				846
				(336)				(336)
				336				336
			(575)	(622)				(622)
				–		(371)		(371)
			(5 395)	(5 395)	(10)			(5 405)
		(144)	11 074	12 820	120	371		13 311
(424)	32	1	434	–				–
82				82				82
			(1)	(1)				(1)
1 312	**199**	**35**	**49 959**	**74 754**	**436**	**3 561**		**78 751**
							2 000	**2 000**
				276				**276**
				199				**199**
				–		**(339)**		**(339)**
	(223)			**(223)**				**(223)**
				–	**(6)**			**(6)**
				–	**239**			**239**
				–		**(361)**		**(361)**
			(5 587)	**(5 587)**	**(11)**			**(5 598)**
		(97)	**9 823**	**6 183**	**96**	**361**	**78**	**6 718**
(118)	**34**		**138**	**–**				**–**
136				**136**				**136**
				–			**(78)**	**(78)**
	(8)			**(8)**	**2**			**(6)**
		3		**3**				**3**
1 330	**2**	**(62)**	**54 336**	**75 733**	**756**	**3 222**	**2 000**	**81 711**

FINANCIAL RESULTS

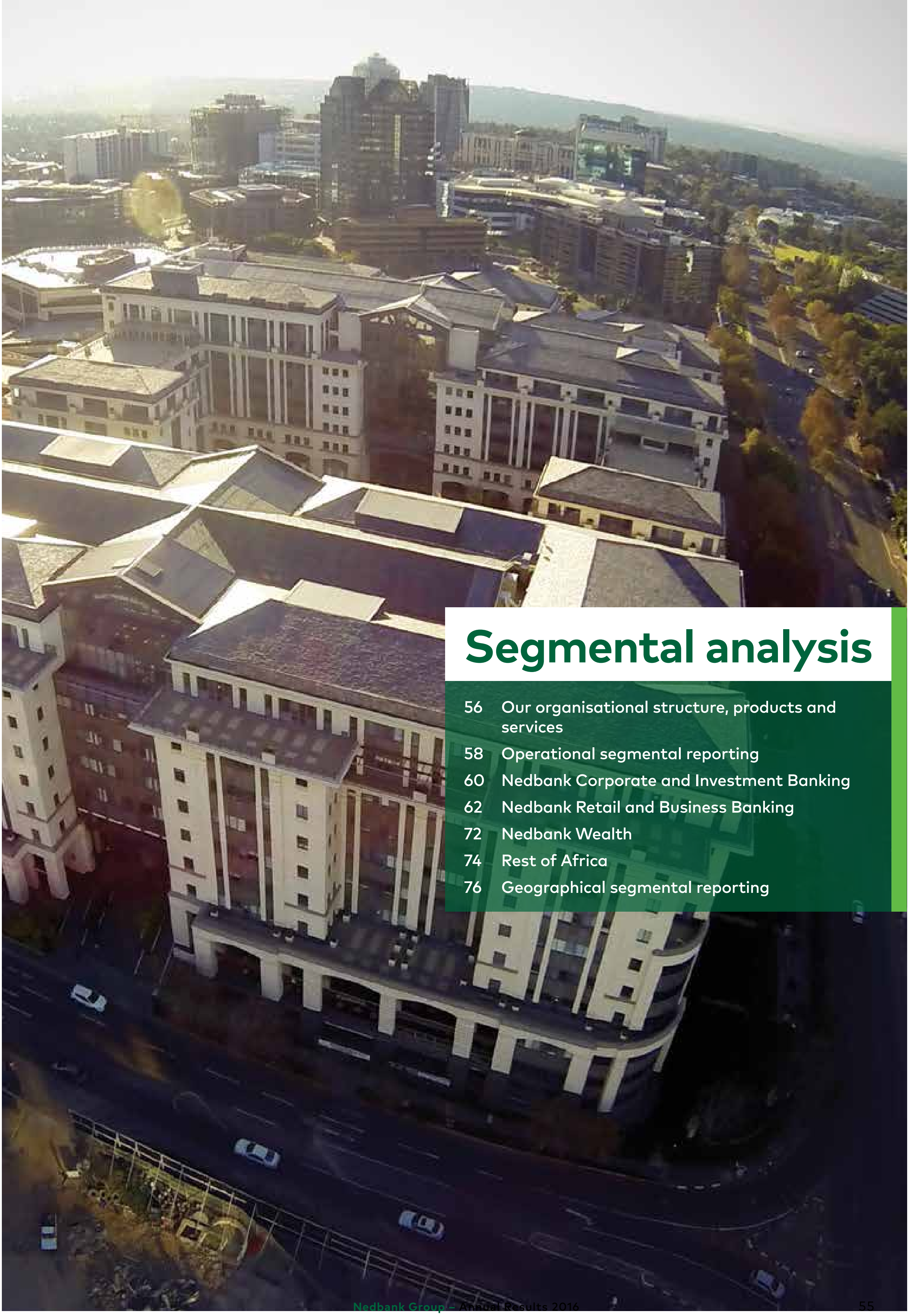
Return on equity drivers

for the year ended 31 December

	2016	2015
Net interest income	**26 426**	23 885
Impairment of loans and advances	**(4 554)**	(4 789)
Non-interest revenue	**23 503**	21 748
Income from normal operations	**45 375**	40 844
Total operating expenses	**(28 366)**	(26 110)
Share of profits of associate companies and joint arrangements	**(105)**	871
Net profit before taxation	**16 904**	15 605
Indirect taxation	**(927)**	(783)
Direct taxation	**(3 985)**	(3 550)
Net profit after taxation	**11 992**	11 272
Non-controlling interest	**(527)**	(441)
Headline earnings	**11 465**	10 831
Daily average interest-earning banking assets	**775 092**	724 080
Daily average total assets	**931 151**	863 381
Daily average shareholders' funds	**74 845**	69 076
Daily average shareholders' funds excluding goodwill	**69 666**	63 896

Note: Averages calculated on a 366/365-day basis.

	2016	2015
Net interest income/average interest-earning banking assets	**3,41%**	3,30%
	less	*less*
Impairments/average interest-earning banking assets	**0,59%**	0,66%
	add	*add*
Non-interest revenue/average interest-earning banking assets	**3,03%**	3,00%
	5,85%	5,64%
	less	*less*
Total expenses/average interest-earning banking assets	**3,66%**	3,61%
	add	*add*
Associate income/average interest-earning banking assets	**(0,01%)**	0,10%
	2,18%	2,13%
	multiply	*multiply*
1 – effective direct and indirect taxation rate	**0,71**	0,72
	multiply	*multiply*
Income attributable to minorities	**0,96**	0,96
Headline earnings	**1,49%**	1,47%
	multiply	*multiply*
Interest-earning banking assets/daily average total assets	**83,2%**	83,9%
	=	=
Return on total assets	**1,23%**	1,25%
	multiply	*multiply*
Gearing	**12,44**	12,50
	=	=
Return on ordinary shareholders' equity	**15,3%**	15,7%
Return on equity excluding goodwill	**16,5%**	17,0%



Segmental analysis

Our organisational structure, products and services

We deliver our products and services through four main business clusters.

	OUR CLIENTS
Nedbank Corporate and Investment Banking	Corporates, institutions and parastatals with a turnover of over R750m per annum. > 600 large corporate clients
Nedbank Retail and Business Banking	Individual clients, as well as businesses with an annual turnover of less than R750m per annum. > 7,4m retail and small-business clients > 22 000 business banking client groups
Nedbank Wealth	High-net-worth individuals as well as other retail, business and corporate clients. > 15 500 high-net-worth clients locally and internationally
Rest of Africa	Retail, small and medium enterprises (SMEs), and business and corporate clients across the countries we operate in. > 295 000 retail clients

OUR PRODUCTS AND SERVICES	OUR AREAS OF STRENGTH AND DIFFERENTIATION	KEY METRICS

Nedbank Corporate and Investment Banking

Full suite of wholesale banking solutions, including investment banking and lending; global markets and treasury; commercial property finance; deposit-taking; and transactional banking.

- Leading industry expertise in infrastructure, mining and resources, oil and gas, telecoms and energy.
- Market leadership in commercial property finance and renewable-energy financing.
- Strong corporate banking relationships.
- Ranked first in 2016 Spire awards in the following categories: Interest Rate Derivatives House, Market Making Team – Government Bonds, Sales Team – Bonds, Sales Team – Interest Rate Derivatives, and Research Team – Technical Analysis (FX, IRD, Bonds).

Assets	R491bn
HE	R6 014m
ROE	21,1%
Advances	HE contribution
52,4%	52,5%

Nedbank Retail and Business Banking

Full range of services, including transactional banking; card solutions; lending solutions; deposit-taking; risk management; investment products; and card-acquiring services for business.

- A leader in business banking, underpinned by an accountable, empowered, decentralised business service model.
- Leader in corporate saver deposits and debtor management.
- Strong positioning in household motor finance, household deposits and card acquiring.
- Received the 2015 Best African Retail Bank of the Year award at the 2016 Retail Banking Global Conference and Awards.
- Highly competitive relationship banking offering for affluent clients (professional banking)

Assets	R305bn
HE	R4 960m
ROE	18,9%
Advances	HE contribution
41,0%	43,3%

Nedbank Wealth

Wide range of financial services, including high-net-worth banking and wealth management solutions, as well as asset management and insurance offerings.

- Integrated international high-net-worth proposition.
- Nedbank Private Wealth – Best UK International Wealth Management Provider and Best non-UK International Banking Service, as well as ranked first in the entrepreneur category of the 2016 Intellidex Top Private Banks and Wealth Managers Survey. Euromoney Private Banking and Wealth Management Survey: First place for philanthropic advice.
- Unique Best of Breed™ asset management model. Nedgroup Investments won offshore Asset Management Company of the Year for the second consecutive year and achieved third place in the South African Management Company of the Year at the 21st Annual Raging Bull Awards. This is the eight consecutive year that Nedgroup Investments has been placed in the top three domestic management companies.

AUM	R273bn
HE	R1 192m
ROE	35,2%
Advances	HE contribution
4,0%	10,4%

Rest of Africa

Full range of banking services, including transactional, lending, deposit-taking and card products.

- The Ecobank–Nedbank Alliance: Footprint across 39 countries; the largest in Africa.
- Banco Único: Best Bank in Mozambique award by the Euromoney Awards for Excellence in 2016 and 2015; Best Consumer Digital Bank by Global Finance, 2015 and 2016. The Banker 2016 Bank of the year for Mozambique.
- Malawi: Best Customer Service Bank 2016 award by Global Banking and Finance.

Assets	R36bn
HE	R(287)m
ROE	(3,6)%
Advances	HE contribution
2,8%	(2,5)%

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

Operational segmental reporting

for the year ended 31 December

Rm	Nedbank Group		Nedbank Corporate and Investment Banking	
	2016	2015	**2016**	2015
Consolidated statement of financial position				
Assets				
Cash and cash equivalents	**45 084**	39 072	**15 306**	12 910
Other short-term securities	**84 679**	75 614	**46 625**	35 005
Derivative financial instruments	**17 633**	30 488	**17 582**	30 102
Government and other securities	**51 048**	43 060	**27 775**	24 950
Loans and advances	**707 077**	681 632	**370 199**	355 784
Other assets	**60 501**	55 860	**13 993**	11 816
Intergroup assets	**–**	–		
Total assets	**966 022**	925 726	**491 480**	470 567
Equity and liabilities				
Total equity	**81 711**	78 751	**28 462**	23 096
Average allocated capital	**75 561**	69 417	**28 462**	23 096
Non-controlling interest	**3 978**	3 997		
Other equity[1]	**2 172**	5 337		
Derivative financial instruments	**13 296**	33 628	**13 239**	32 987
Amounts owed to depositors	**761 542**	725 851	**343 153**	346 868
Provisions and other liabilities	**57 397**	42 514	**25 128**	18 176
Long-term debt instruments	**52 076**	44 982	**1 378**	1 563
Intergroup liabilities	**–**	–	**80 120**	47 877
Total equity and liabilities	**966 022**	925 726	**491 480**	470 567
Consolidated statement of comprehensive income				
Net interest income	**26 426**	23 885	**7 291**	6 781
Impairments charge on loans and advances	**4 554**	4 789	**1 095**	1 188
Income from lending activities	**21 872**	19 096	**6 196**	5 593
Non-interest revenue	**23 503**	21 748	**7 453**	6 508
Operating income	**45 375**	40 844	**13 649**	12 101
Total operating expenses	**28 366**	26 110	**5 751**	5 105
Indirect taxation	**927**	783	**96**	78
Profit/(Loss) from operations	**16 082**	13 951	**7 802**	6 918
Share of profits of associate companies and joint arrangements	**(105)**	871	**(20)**	(1)
Profit/(Loss) before direct taxation	**15 977**	14 822	**7 782**	6 917
Direct taxation	**3 985**	3 550	**1 769**	1 702
Profit/(Loss) after taxation	**11 992**	11 272	**6 013**	5 215
Profit attributable to non-controlling interest:				
– ordinary shareholders	**88**	70	**(1)**	7
– preference shareholders	**361**	371		
– additional tier 1 capital instruments	**78**	–		
Headline earnings	**11 465**	10 831	**6 014**	5 208
Selected ratios				
Average interest-earning banking assets[2]	**775 092**	724 080	**369 525**	342 898
Return on assets (%)	**1,23**	1,25	**1,28**	1,24
Return on equity (%)	**15,3**	15,7	**21,1**	22,6
Interest margin (%)[3]	**3,41**	3,30	**1,97**	1,98
Non-interest revenue to total income (%)	**47,1**	47,7	**50,5**	49,0
Non-interest revenue to total operating expenses (%)	**82,9**	83,3	**129,6**	127,5
Credit loss ratio – banking advances (%)	**0,68**	0,77	**0,34**	0,40
Efficiency ratio including associate income (%)	**56,9**	56,1	**39,0**	38,4
Effective taxation rate (%)	**24,9**	24,0	**22,7**	24,6
Contribution to group economic profit/(loss) (Rm)	**1 565**	2 525	**1 970**	2205
Number of employees (permanent staff)	**32 401**	31 312	**2 729**	2 728

1 *Other equity includes the variance between actual equity and average allocated capital.*
2 *During the 2015 the Nedbank Retail and Nedbank Business Banking clusters were merged to form the Nedbank Retail and Business Banking cluster. This had the consequential effect that average interest-earning banking assets for Nedbank Retial and Business Banking (previously R325 997m asset) and the Centre (previously R5 361m liability) and net interest income to average interest-earning banking assets for Nedbank Retail and Business Banking (previously 4,89%) have been restated.*
3 *Cluster margins include internal assets.*

	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
	2016	2015	2016	2015	2016	2015	2016	2015
	3 765	3 161	994	1 774	7 166	4 438	17 853	16 789
			15 604	15 161	2 580	1 801	19 870	23 647
			9	5	44	76	(2)	305
		3 839			488	327	22 785	13 944
	289 882	279 929	28 577	28 206	19 582	16 515	(1 163)	1 198
	6 530	5 631	16 858	16 176	5 795	9 784	17 325	12 453
	4 665				534		(5 199)	
	304 842	292 560	62 042	61 322	36 189	32 941	71 469	68 336
	26 254	26 924	3 387	2 734	7 942	6 799	15 666	19 198
	26 254	26 924	3 387	2 734	7 942	6 799	9 516	9 864
							3 978	3 997
							2 172	5 337
			4	10	16	172	37	459
	272 274	248 135	33 461	34 083	27 003	21 208	85 651	75 557
	3 796	3 686	20 931	16 884	1 214	808	6 328	2 960
	2 518	6 816			14	5	48 166	36 598
		6 999	4 259	7 611		3 949	(84 379)	(66 436)
	304 842	292 560	62 042	61 322	36 189	32 941	71 469	68 336
	17 347	15 955	974	766	1 013	740	(199)	(357)
	3 261	3 212	22	39	177	201	(1)	149
	14 086	12 743	952	727	836	539	(198)	(506)
	11 724	10 972	3 410	3 593	877	819	39	(144)
	25 810	23 715	4 362	4 320	1 713	1 358	(159)	(650)
	18 433	17 077	2 704	2 730	1 887	1 526	(409)	(328)
	359	302	108	95	32	29	332	279
	7 018	6 336	1 550	1 495	(206)	(197)	(82)	(601)
					(85)	872		
	7 018	6 336	1 550	1 495	(291)	675	(82)	(601)
	1 978	1 781	358	361	(93)	(79)	(27)	(215)
	5 040	4 555	1 192	1 134	(198)	754	(55)	(386)
					89	63		
	80	95					281	276
							78	
	4 960	4 460	1 192	1 134	(287)	691	(414)	(662)
	285 393	274 162	45 209	39 612	24 305	20 934	50 660	46 474
	1,68	1,57	1,93	1,84	(0,86)	2,31		
	18,9	16,6	35,2	41,5	(3,6)	10,2		
	6,08	5,82	2,15	1,93	4,17	3,53		
	40,3	40,7	77,8	82,4	46,4	52,5		
	63,6	64,3	126,1	131,6	46,5	53,7		
	1,12	1,14	0,08	0,15	0,98	1,25		
	63,4	63,4	61,7	62,6	104,5	62,8		
	28,2	28,1	23,1	24,1	32,0	(11,7)		
	1 230	960	711	778	(1 413)	(193)	(933)	(1 225)
	21 189	20 921	2 232	2 107	2 386	1 812	3 865	3 744

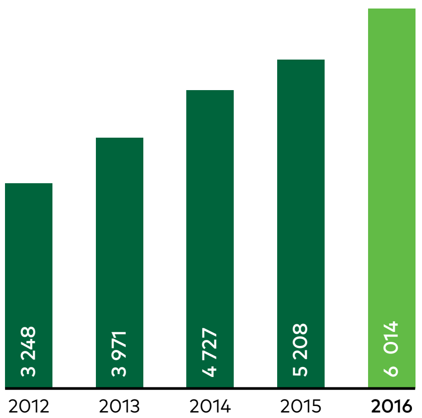
Nedbank Corporate and Investment Banking

CIB grew headline earnings 15,5% to R6 014m (2015: R5 208m), while economic profit decreased by 10,7% to R1 970m (2015: R2 205m). A healthy ROE of 21,1% (2015: 22,6%) was impacted by an increase in allocated capital of 23,2%. The strong growth in headline earnings is evidence of the benefits being derived from an integrated CIB franchise, particularly deeper client penetration.

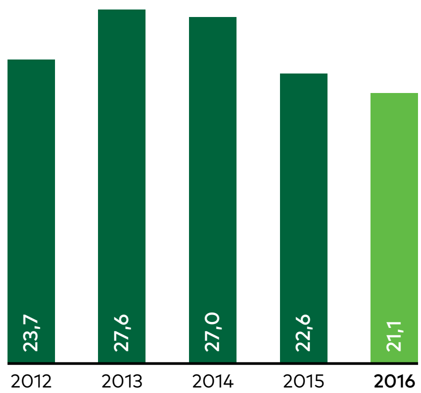
NII increased 7,5% to R7 291m (2015: R6 781m). Average banking advances grew by 10,0% to R325bn (2015: R296bn) due to good pipeline conversion rates across key selected sectors, strongly driven by our long-term investment banking activities and market-leading position in commercial-property finance. The NIM decreased to 1,97% (2015: 1,98%) as a result of the impact of the increased cost of funding due to Basel III regulations and increased levels of competition in the marketplace, particularly for high-quality assets, with average deposits growing 2,1% to R337bn.

Impairments decreased to R1 095m (2015: R1 188m) and the CLR improved to 0,34% (2015: 0,40%), remaining within our TTC target range of 0,15% to 0,45%. The Steel and Oil and Gas sectors have seen stress abating. The remedial action undertaken by most of the resource companies will take time

Headline earnings
(Rm)



Return on equity
(%)



FINANCIAL HIGHLIGHTS

for the year ended 31 December

	Nedbank Corporate and Investment Banking		Property Finance		Nedbank CIB excl Property Finance	
	2016	2015	**2016**	2015	**2016**	2015
NII (Rm)	**7 291**	6 781	**1 923**	2 005	**5 368**	4 776
Impairments charge on loans and advances (Rm)	**1 095**	1 188	**46**	97	**1 049**	1 091
NIR (Rm)	**7 453**	6 508	**1 112**	971	**6 341**	5 537
Gross operating income (Rm)	**14 744**	13 289	**3 035**	2 976	**11 709**	10 313
Operating expenses (Rm)	**5 751**	5 105	**968**	878	**4 783**	4 227
Headline earnings (Rm)	**6 014**	5 208	**1 540**	1 430	**4 474**	3 778
ROE (%)	**21,1**	22,6	**21,6**	21,2		
Return on assets (%)	**1,28**	1,24	**0,97**	0,97		
CLR (%)	**0,34**	0,40	**0,04**	0,08		
NIR to total expenses (%)	**129,6**	127,5	**114,9**	110,7		
Efficiency ratio (%)	**39,0**	38,4	**31,9**	29,5		
NIM (%)	**1,97**	1,98	**1,24**	1,39		
Total assets (Rm)	**491 480**	470 567	**169 633**	155 318	**321 847**	315 249
Average total assets (Rm)	**468 348**	418 919	**159 226**	146 921	**309 122**	271 998
Total advances (Rm)	**370 199**	355 784	**136 348**	122 118	**233 851**	233 666
Average total advances (Rm)	**356 309**	327 529	**127 140**	116 141	**229 169**	211 388
Total deposits (Rm)	**343 153**	346 868	**1 118**	1 561	**342 035**	345 307
Average total deposits (Rm)	**336 878**	329 881	**1 293**	1 718	**335 585**	328 163
Average allocated capital (Rm)	**28 462**	23 096	**7 124**	6 754	**21 338**	16 342

to flow through to their financial results, but an increase in share prices points to a more positive outlook. We expect some positive migration in 2017, provided commodity prices continue to trend upward.

NIR grew 14,5% to R7 453m (2015: R6 508m), increasing the NIR-to-expense ratio to 129,6% (2015: 127,5%). This growth was supported by strong growth in trading income and fee and commission income. A strong performance from the Markets business, coupled with deeper client penetration across CIB business units, continues to drive growth of 18,9% in trading income. Commission and fees grew 16,4% due to higher fees earned across all business units.

We continue to generate an industry-leading efficiency ratio of 39,0% (2015: 38,4%), supported by strong topline growth, which allowed continued investment in the franchise. Total expense growth of 12,6% to R5 751m (2015: R5 105m).

The Property Finance business grew average advances by 9,5% to R127 bn (2015: R116bn) due to growth in the commercial-mortgage book as a result of drawdowns of deals booked in 2015, as well as new transactions concluded in 2016. Gross operating income increased, with NIR positively driven by higher investment income from the property private-equity portfolio and an increase in fee income on the lending book. NII declined as a result of increased funding costs related to Basel III regulations, partially offset by increased endowment benefits. The business's CLR decreased to 4 basis points (bps) (2015: 8 bps) in line with the reduction of defaulted advances, to under 1% of total book which suggests a good resolution rate on defaulted advances. The business has continued to sustain its strong cost containment, which has resulted in an efficiency ratio of 31,9%.

Looking forward

Global economic prospects remain tough, given Brexit, and the global political and economic environment faces a lot of uncertainty. These factors combined will present a new set of challenges for SA and the rest of Africa. Strategically positioning the new CIB franchise model remains our key priority as we continue to execute on our integrated wholesale strategy.

We will continue to focus on achieving deeper client penetration through enhanced synergies across CIB to deliver impactful solutions. Driving business in selected sectors on the continent while growing our transactional banking and deposits remains essential to our business strategy. As a response to the changing economic environment, we aim to utilise digital disruption to enable strategic innovation in CIB.

We will continue to guide our business as we emphasise proactive risk management and ensure that we remain compliant with regulatory requirements.

We will apply our strategic and proactive approach to attract and retain top talent in our businesses, which is a key enabler for our strategies.

Favourable	Unfavourable
■ Decreased impairments and reduced CLR. ■ Maintaining our leading position in commercial-property finance. ■ Strong financial performance from Markets. ■ Continued efforts to drive deeper client penetration across products. ■ Good advances growth and a strong pipeline. ■ Efficient management of costs and systems to enhance efficiencies. ■ Continued investment in people and talent management. ■ Leading an integrated bespoke solution for MTN's R10bn BEE scheme.	■ Slower GDP growth and increasing interest rates. ■ Volatile market conditions in SA and the rest of the world as a result of Brexit and global political uncertainty. ■ Pricing pressure as a result of increased regulatory and compliance demands. ■ Increased competitive environment for high-quality assets.

Business unit descriptions

- The Investment Banking franchise of CIB is a lending and advisory business that provides services to corporate clients, offering debt and equity capital raising, investing activities and specialised financing solutions in all sectors (excluding property) where funding is required for longer than 12 months. Investment Banking's strategic focus is primarily on growth and economic development in SA (including the rest of Africa) and its people.
- The Property Finance franchise is focused exclusively on the commercial-property sector and undertakes lending and investing activities in this sector. In Lending the business provides finance for existing properties and development finance, as well as funding solutions for listed and unlisted property funds. The business also invests in minority stakes in the unlisted-property sector and owns and develops property.
- The Markets business undertakes trading activities and provides products to institutional and corporate clients, as well as treasury services to the broader Nedbank group to facilitate funding and liquidity. The business's trading and treasury activities are enabled by leading technology.
- Short-term and Transactional Services include all short-term loans and transactional products.

FINANCIAL HIGHLIGHTS

	Investment Banking		Property Finance		Markets		Short term and transactional services	
Rm	Dec 2016	Dec 2015	Dec 2016	Dec 2015	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Gross operating income	**4 012**	3 848	**3 035**	2 976	**4 584**	3 703	**3 110**	2 762
Average total advances	**160 169**	133 409	**127 140**	116 141	**36 144**	38 604	**26 813**	35 856

Nedbank Retail and Business Banking

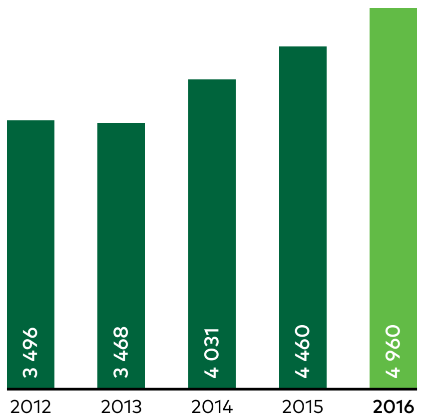
RBB's headline earnings grew 11,2% to R4 960m, generating ROE of 18,9%, well above the group's cost of equity of 14,2%.

Operating income increased 8,8% to R25 810m. The interest margin improved, benefiting from additional endowment income in a cycle of rising interest rates and good NIR growth on the back of an increase in main-banked clients.

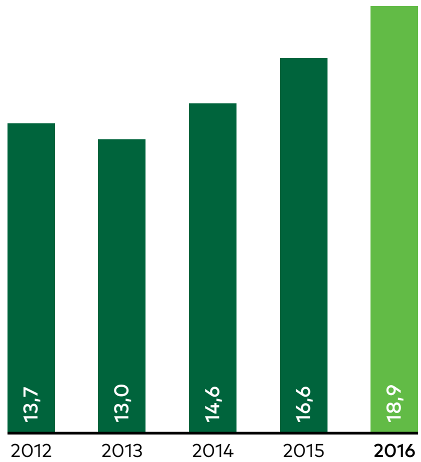
Our CLR reflects our strategy of quality selective origination across all asset classes, combined with proactive risk management, leaving RBB well positioned at the top of the interest rate cycle.

Advances and deposits reflect good growth despite the slow economic environment. Advances increased overall, with personal loans, credit cards, vehicle finance and home loans gaining market share, although affordability and economic uncertainty kept growth rates at below-inflation levels across all asset classes. Our household deposit balances have increased to 12,8% ahead of market which grew at 10,7%.

Headline earnings
(Rm)



Return on equity
(%)



FINANCIAL HIGHLIGHTS
for the year ended 31 December

	Total Nedbank Retail and Business Banking		Nedbank Business Banking		Nedbank Retail Banking[1]	
	2016	2015	**2016**	2015	**2016**	2015
NII (Rm)	**17 347**	15 955	**4 011**	3 714	**13 336**	12 241
Impairments charge on loans and advances (Rm)	**3 261**	3 212	**173**	320	**3 088**	2 892
NIR (Rm)	**11 724**	10 972	**1 709**	1 651	**10 015**	9 321
Operating expenses (Rm)[1]	**18 433**	17 077	**3 679**	3 416	**14 754**	13 661
Headline earnings (Rm)	**4 960**	4 460	**1 315**	1 147	**3 645**	3 313
ROE (%)	**18,9**	16,6	**23 ,8**	21,6	**17,6**	15,3
Return on assets (%)[2]	**1,68**	1,57	**1,05**	0,98	**1,60**	1,52
CLR (%)	**1,12**	1,14	**0,26**	0,48	**1,37**	1,34
Non-interest revenue to total expenses (%)	**63,6**	64,3	**46,5**	48,3	**67,9**	68,2
Efficiency ratio (%)	**63,4**	63,4	**64,3**	63,7	**63,2**	63,4
NIM (%)[2]	**6,08**	5,82	**3,22**	3,18	**6,09**	5,85
Total advances (Rm)	**289 882**	279 929	**63 914**	64 735	**225 968**	215 194
Average total advances (Rm)	**282 992**	273 517	**64 538**	65 023	**218 454**	208 494
Total deposits (Rm)	**272 274**	248 135	**122 245**	115 074	**150 029**	133 061
Average total deposits (Rm)	**257 968**	234 162	**118 799**	111 182	**139 169**	122 980
Average allocated capital (Rm)	**26 254**	26 924	**5 520**	5 321	**20 734**	21 603

[1] *Nedbank Retail Banking includes unallocated costs relating to channel and shared services that are not reflected separately.*
[2] *Return on assets (%) and interest margin (%) have been restated for prior periods due to movement of elimination entries into the cluster.*

Key drivers of the 2016 year-end financial performance

NII increased 8,7% to R17 347m (2015: R15 955m). Total margin increased by a net 26 basis points (bps) to 6,08%. This increase was driven primarily by endowment-related benefits from the interest rate increase of 28 bps in 2015, offset by higher funding costs, 7 bps mainly from diversification.

Average banking advances increased 3,5% to R283,0bn (2015: R273,5bn), with new-loan payouts remaining flat at R80,9bn (2015: R80,6bn) due to a slowdown in Business Banking, offset by higher Retail loan payouts of R61,3bn (2015: R57,5bn).

Average deposits increased 10,2% to R258,0bn from R234,2bn. The strength of our transactional banking franchise resulted in our market share of household current-account deposits increasing to 19,3%, from 18,4% in December 2015. Household deposits, for which we have grown market share to 18,7% (2015: 18,4%), remain a key focus area for Nedbank, specifically as we transition towards full liquidity requirements under Basel III.

Defaulted advances increased by R1,9m to R14,2bn from R12,3bn and represent 4,8% (2015: 4,2%) of the advances portfolio. This growth was due mainly to the reclassification of R1,1bn of performing loans as defaulted loans, due to the implementation of a new curing definition, whereby we now hold an account in default for six months from the date on which the account originally cures. Excluding the effect of the implementation of the new curing definition, defaulted advances increased by R864m (7%), which is a more accurate reflection of the underlying quality of the book. We continue to focus on our collections efforts and effective client rehabilitations (including restructures and rearrangements).

Balance sheet impairments decreased slightly to 2,98% of total advances (2015: 3,00%) due to lower coverage on performing advances of 0,70% (2015: 0,72%), in line with continued improvement of asset quality across all products.

The CLR of 1,12% (2015: 1,14%) remains well below our target range of 1,3% to 1,8%, driven by lower impairments in our unsecured lending, although the better-quality frontbook was partly offset by higher impairments in secured lending off a low base. Our strong collections focus further reduced the CLR in Personal Loans to 6,92% (2015: 7,48%) and Business Banking's CLR improved to 0,26% (2015: 0,48%).

NIR grew 6,9% to R11 724m (2015: R10 972m) as strong underlying growth in quality transactional commission and fee income of 8,7% was partly offset by the residual R88m gross impact due to revised interchange rates implemented on 17 March 2015. Average transactional product price increases of 4,3%, which were below inflation, were introduced with effect from 1 January 2016.

Good progress in quality-client acquisition and improved client retention was reflected in 7,4m individuals, 247 000 small and medium enterprises (SMEs) segment, and 22 292 business banking clients choosing to bank with Nedbank.

Relationship Banking		Personal Loans		Client engagement		Secured lending		Home loans		MFC		Card	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
1 953	1 632	**3 176**	3 003	**2 376**	1 986	**4 879**	4 557	**1 647**	1 462	**3 232**	3 095	**1 212**	1 228
29	34	**1 179**	1 244	**50**	53	**1 074**	838	**55**	48	**1 019**	790	**756**	723
1 067	982	**666**	697	**3 545**	3 275	**974**	848	**261**	251	**713**	597	**3 743**	3 518
2 176	2 047	**1 394**	1 274	**6 174**	5 688	**2 118**	1 970	**955**	906	**1 163**	1 064	**3 067**	2 770
581	381	**892**	842	**(236)**	(366)	**1 770**	1 719	**632**	540	**1 138**	1 179	**783**	879
23,6	16,4	**29,4**	28,0	**(12,2)**	(18,5)	**18,3**	15,9	**18,4**	14,0	**18,3**	17,0	**24,0**	28,2
1,06	0,79	**5,34**	5,24	**(0,25)**	(0,45)	**1,04**	1,06	**0,73**	0,64	**1,36**	1,53	**4,21**	4,97
0,09	0,12	**6,92**	7,48	**4,74**	5,16	**0,66**	0,54	**0,07**	0,06	**1,28**	1,06	**5,13**	5,12
49,1	48,0	**47,8**	54,7	**57,4**	57,6	**46,0**	43,0	**27,4**	27,7	**61,3**	56,1	**122,0**	127,0
72,0	78,3	**36,3**	34,4	**104,3**	108,1	**36,2**	36,5	**50,0**	52,9	**29,5**	28,8	**61,9**	58,4
3,56	3,39	**19,18**	18,88	**2,56**	2,43	**2,92**	2,87	**1,93**	1,75	**3,94**	4,10	**7,40**	7,86
31 449	30 284	**15 112**	14 036	**691**	762	**165 132**	157 266	**82 027**	80 097	**83 105**	77 169	**13 560**	12 810
30 836	28 082	**14 722**	14 330	**887**	877	**158 518**	152 130	**80 828**	79 525	**77 690**	72 605	**13 473**	13 048
52 332	46 315	**4**	10	**95 277**	85 259	**183**	42	**128**	2	**55**	40	**2 257**	1 522
48 035	42 146	**66**	75	**89 300**	78 992	**39**	42	**2**	2	**37**	40	**1 752**	1 747
2 461	2 320	**3 032**	3 005	**1 939**	1 984	**9 647**	10 801	**3 444**	3 847	**6 203**	6 954	**3 262**	3 120

Main-banked clients increased 3,0%, with middle-market clients increasing by 6,3%.

Expense growth of 7,9% (2015: 6,2%) includes investment in distribution of R175m as well as revenue-related costs of R215m, which was offset by R358m of additional cost savings achieved through active cost management. The growth of residual organic cost was tightly managed at 5,7%, with headcount increasing to 21 305 (2015: 21 122), due mainly to the employment of more staff in response to the increase in distribution network.

To meet our objective of creating convenient, cost-effective channels of choice for our clients we continued our investment in self-service devices, growing our base by 170 (net) from the end of 2015. This includes the expansion of 219 Intelligent Depositors. In excess of 900 000 transactions per month were migrated from teller counters to our network of 769 Intelligent Depositors. Automated cash-recycling capabilities across our Intelligent Depositor devices were also landed during the year. These have facilitated an improvement in cash and device availability to clients. Cash dispensed through ATMs increased by 8% to R104bn (2015: R96bn).

We have deployed 145 internet kiosks across our branch network. These kiosks allow clients to access a range of value-added services, such as the purchase of prepaid electricity and airtime.

During 2016 we launched the 'Interactive Teller', which provides clients with extended teller functionality through a video link. A new client relationship management (CRM) capability was introduced in 2016 further enhancing the contact centre experience as we strive to maintain the Top Contact Centre accolade awarded to our contact centre in 2015. Our contact centre volumes, including voice- and non-voice-based interactions, have increased by 8%, as clients' preference for alternative communication methods increases.

The above innovations are complementary to our inbranch network of 342 internet and 219 video banking stations. The video banking solution includes servicing options for clients in five official languages, as well as advice on global trade. We have a clearly articulated strategy to develop self-service banking enablement across our mobile and digital channels, which will create further capacity to manage our growing client base.

Investment in physical distribution focuses primarily on the reformatting of our branches and outlets to ensure a consistent client experience and to enable and educate clients to adopt and use our self-service devices. A total of 45 branches and outlets were reformatted in 2016, resulting in 44% of our physical footprint being in the new design at 31 December 2016. Investment in new distribution continues in high-growth micro markets, with an additional six branches and four inretailer outlets having been built in 2016. Smaller, cost-effective formats are being explored in remote towns through distribution agreements with Hinterland and Boxer. The distribution investment was offset by 22 branch closures and a reduction of 5 000 m^2, as we continue to optimise our distribution network through reduced floor space.

Looking forward

Consistency of strategic choices, increasing the size and quality of our client base, rapid acceleration of our digital transformation, active cost management and steadily improving market perception will contribute to driving improved returns and sustainable growth of RBB in the currently challenging economic and regulatory environment.

Some of the headwinds included changes to interest rate caps following the revision of the National Credit Act (NCA), promulgated by the Department of Trade and Industry (dti) in November 2015, as well as pressure on impairments as we are now firmly in an upward rate cycle. Our historically prudent credit granting policies should result in relative outperformance in the market. Growth will, however, continue to be supported through delivery on various cost-efficiency strategies, such as the reduction in the cost to acquire and serve clients.

RBB remains committed to delivering great client experiences, with friendly, efficient service, competitively priced products and delivering on its client-centred strategy. A total of R1,8bn (37% relates to self-service enablement) will be invested over four years (2017 to 2020) as we expose 82% of our retail clients to the enhanced branch format and self-service offerings. Quality-client acquisition, improved attrition and deeper product penetration are expected to result in value-lift and further growth in the transactional-banking franchise.

NEDBANK RETAIL AND BUSINESS BANKING SEGMENTAL REVIEW

Business Banking

Business Banking delivered a strong performance, with headline earnings increasing by 14,6% to R1 315m (2015: R1 147m) at an increased ROE of 23,8% (2015: 21,6%). These results have been delivered despite the slowdown of the economy, which has resulted in lower levels of business confidence, with business owners delaying key investment decisions and managing their cashflows more carefully. Average advances decreased by 0,7% [this has been normalised to 2,5%, after adjusting for the impact of client moves to both CIB and Retail Relationship Banking (RRB)], and liabilities grew by 6,9%, contributing to the 8,0% growth in NII to R4 011m (2015: R3 714m). This was further aided by higher endowment earnings of R270m, given the increase in the average prime interest rate since 2015. Business Banking remains a strong generator of funding, with R118,8bn in average total deposits (2015: R111,2bn) resulting in the generation of R66,1bn of net surplus funds (2015: R58,8bn).

The overall margin improved to 3,22% (2015: 3,18%) as the benefit of a 19 bps increase in endowment earnings was largely offset by a change in product mix as liabilities, at lower margins, grew faster than assets (net of client moves).

NIR increased by 3,5% (2015: 3,5% decrease) and was largely impacted by lower transactional volumes, given slower economic activity. Excluding the impact of client migrations to CIB, NIR would have increased by 5,0%.

The CLR at 0,26% (2015: 0,48%) remains below the TTC target range of 50 bps to 70 bps and continues to reflect proactive, effective and disciplined risk management practices that benefit from our decentralised model. The positive outcome of partnering with our clients to rehabilitate their financial position was evidenced by a higher level of specific-impairment reversals and recoveries during 2016.

Total expenses increased by 7,7%, after absorbing the costs of continued system enhancements, product innovation and development of self-service capability, as well as compliance with new regulatory requirements.

Key Business Banking initiatives that were landed in 2015 include:

- NetBank Business mobile enhancements were implemented, with Nedbank being the only local bank offering a business application on both tablet and smartphone devices. Further enhancements were made to simplify and improve the user experience, thereby facilitating client mobility and banking on the go. Changes were made to the look and feel, and additional functionality has also been added. For example, clients can now capture batches of up to 20 transactions compared with single payments previously.
- An online service enabling clients to perform eight high-volume functions through digital channels was launched. Clients and frontline staff are now able to perform these functions remotely, at their convenience, by making use of the web-based portal or mobile devices.
- The new Plug and Transact™ token has now been successfully rolled out to the entire Business Banking base, resulting in a significant improved client experience.
- Companies and Intellectual Property Commission (CIPC) online company registration (an integrated solution that enables the simultaneous registration of a company and the opening of a current account) was successfully launched.

Secured Lending

Headline earnings for Secured Lending increased 2,9% to R1 770m (2015: R1 720m) at an improved ROE of 18,3% (2015: 15,9%).

MFC delivered headline earnings of R1 138m (2015: R1 179m) at an ROE of 18,3% (2015: 17,0%). Average advances grew 7,0% to R77,7bn (2015: R72,6bn), with BA900 market share increasing countercyclically to interest rates to 33,0% (2015: 30,4%). New-business volumes were negatively impacted by the contracting vehicle sales market; however, this was offset by lower attrition on the existing book and MFC's leading position in the market for secondhand and more affordable vehicles. The business operating model, strong dealer relationships and service excellence, all enabled by a robust frontend system, remain strong differentiators that continue to set benchmark credit approval turnaround times. The results reflect a slightly lower margin of 3,94% (2015: 4,10%), attributable to the reduced endowment benefit. The business remains well positioned to take advantage of its competitive efficiency ratio of 29,5% (2015: 28,8%). The CLR increased to 1,28% (2015: 1,06%) due to an increase in early arrears as consumers came under pressure with the weakening economic climate, fragile household finances and higher borrowing costs. The defaulted-advances ratio increased to 3,1% (2015: 2,7%). The specific-coverage ratio on defaulted loans decreased to 36,6% (2015: 39,4%) mainly as a result of the implementation of the new curing definition. Excluding this impact, specific coverage would have been 40,9%.

MFC continued to invest in key initiatives to stay ahead of the ever-changing market, with the following having been delivered:

- A new self-service website through which clients can access statements, request border letters, eNaTIS copies and settlement figures.
- Continued strengthening of alliances with selected car brands and motor franchises to ensure sustainability in a contracting market.
- The launch of the MFC Auction House early in 2016, enabling MFC to manage its auction of repossessed vehicles from a single site in Gauteng.
- Point-of-sale value-added products (VAPs) that were launched in 2016 in collaboration with Nedbank Wealth.

Home Loans headline earnings increased strongly by 17,0% to R632m (2015: R540m) at an ROE of 18,4% (2015: 14,0%). This improved result was driven by an increase in margin to 1,93% (2015: 1,75%) due to higher new-business pricing and the continued runoff of lower-margin backbook advances. The CLR has remained stable at 0,07% (2015: 0,06%), reflective of the strategy of selective growth creating sustainable value. The post-2008 frontbook now generates an ROE of 23%, compared with 11% from the pre-2009 backbook.

The backbook of R32bn has declined to 39% of the overall book, and R11bn of these advances (2015:13bn) are loans that would meet the current credit policy requirements using current pricing. This book is still mispriced by 111 bps and, as advances run off, overall margin will improve. Loans and advances to clients increased 2,2%, while new business written declined 2,6% due to slower market activity.

Nedbank's award-winning home loan self-service channel continues to offer a simplified, convenient online application process that has seen over 48 000 applications submitted and over R4,3bn in granted business since its inception in September 2012. What started as a web-based Adobe application with a client-centred lens has evolved to also serve as a systems interface for all Nedbank sales channels to submit home loan applications. The application process allows clients and sales consultants to upload documents seamlessly, save online and apply anytime through any device. In 2016 the platform was enhanced to include building and development loans. The Instant Bond Indicator tool, which was launched in 2015, continues to give prospective homeowners a real-time credit and affordability indication before they complete a full online application. New business granted through the online channel contributes 11% of total registrations and has resulted in the saving of 1,8 million printed pages. A programme of affordable-housing loan subsidies has been successfully concluded and has resulted in over 1 500 clients having been granted loan subsidies ranging from R17 500 to R20 000.

The defaulted portfolio increased to 5,7% of home loan advances (2015: 4,6%) while early arrears decreased to 2,86% of advances (2015: 3,20%). Impairment coverage on the defaulted portfolio decreased to 19,4% (2015: 23,9%). The movement in both the defaulted and early-arrears portfolios and coverage levels have been negatively impacted by the implementation of the new curing definition. Excluding this impact, the defaulted portfolio increased from 4,1% to 4,5% and coverage declined from 25,9% to 23,1%, while early arrears increased from 3,46% to 3,50%.

Nedbank remains committed to helping clients facing financial hardship and provides a website to educate clients about their options should they fall behind on their home loan repayments. The website, Home Loans Payment Solutions, has been viewed over 106 000 times. In addition, over 28 600 families have been able to retain their homes as a result of loan restructures, offering an effective rehabilitation process, with the redefault rate on these loans being only 15,6%. In addition, over 3 975 financially distressed clients were given a fresh start through the Nedbank-assisted Sales programme. The programme gives clients the option to sell their house in the private market through an estate agent allocated by Nedbank, thereby avoiding the repossession and distressed sale of the house through a sheriff auction.

Card and payments
Nedbank Card and Payments delivered headline earnings of R783m (2015: R879m) at an ROE of 24,0% (2015: 28,2%).

The decline in headline earnings was due primarily to client acquisition being adversely impacted by the requirements of the NCA, the residual impact of the revised card interchange and the ongoing investment into our payment platform, including the replacement of our point-of-sale infrastructure and contactless-card issuance.

Nevertheless, NIR growth of 6,4% was underpinned by strong growth in card acquiring of 15% and card issuing of 11%. Growth in Nedbank card advances of 4,0% (market share, per December BA900, of 13,8% vs 12,9% in 2015) outpaced the industry average, which recorded negative book growth, with credit metrics remaining stable and within expectation at a CLR of 5,13% (2015: 5,12%). The Nedbank Greenbacks rewards programme continues to provide value for our clients, with membership having increased 20% and the value of redemptions 18%. The innovative Nedbank Greenbacks SHOP Card has significantly improved the ease of accessing rewards and increased the redemption options available. Continued enhancements to this programme will be delivered in 2017, with accelerated opportunities to gain value and additional relevant redemption offers.

Continued structural change is expected in the payments landscape, driven by innovation, regulation and the disintermediation by new entrants in the end-to-end payments value chain. Nedbank continues to accelerate our digital transformation in a fast-evolving omnichannel payments ecosystem, encompassing instore, online and mobile commerce. Following the launch of Nedbank's award-winning big-data payment innovation, Nedbank Market Edge™, Nedbank continues to increase value and relevance to merchants with Nedbank GAP Access. A steady increase in adoption and usage of Nedbank Masterpass, a mobile payment device, has been experienced and is expected to continue into 2017.

Consumer Banking
Consumer Banking headline earnings increased to R528m (2015: R337m) at an ROE of 10,1% (2015: 6,5%). The investment in distribution is allocated to Consumer Banking and this continued in line with the strategic direction set in previous years.

Revenue of R9,5bn was generated (2015: R8,8bn) from delivering the 'I know you' client experience, against which R1,2bn (2015: R1,3bn) was charged for impairments and a further R7,4bn for operating costs (2015: R6,9bn).

Digitally enabled clients, as per the new definition, have increased 59% and engaged users on all Nedbank social platforms have increased 26%, with Nedbank ranking first on Instagram, second on Facebook, Twitter, Google+ and You Tube, and third on LinkedIn.

Our retail franchise continued to strengthen, with main-banked clients increasing 3,0% to 2,8m and transactional penetration growing 2,0% to 80% of the Retail base of 7,4m clients. We further simplified our pay-as-you-use product offerings by launching the single price-competitive Nedbank Pay-as-you-use

Account, which is attractive across all client segments. Qualifying clients have access, at an additional fee, to an overdraft facility and a Gold cheque card, which allows clients to take advantage of the Greenbacks loyalty programme.

In addition, we landed MyPocket™, a savings pocket able to be linked to the client's transactional account, allowing clients to manage spending and saving activities more easily and giving immediate access to cash when needed. Clients can open up to 10 MyPockets at a branch and earn a great interest rate on credit balances. Forex offerings have been expanded to 47 new branches, in line with our strategy of increasing our distribution presence.

The evolution of the banking landscape and technology has resulted in the crafting of a new digital strategy. Initiatives are focused on innovative solutions and client education using leading user experience design. Our ongoing commitment to client-centred design means that now our clients do not need money to spend money when using the Nedbank App Suite™ – anyone can bank, buy airtime and much more, free of data costs. To ensure all Nedbankers are part of our digital journey we are testing free Wi-Fi (at 'AlwaysOn' sites) through the Nedbank App Suite™ with the intention to launch this service to clients soon. This test-and-learn approach will ensure that we are able to refine our value proposition quickly and take a compelling offer to market. We have also improved the client experience and functionality of Airtime without Airtime, landed Lotto Plus and standalone prepaids such as airtime, SMS bundles, data bundles and prepaid electricity (clients can access these services without a digital profile). These initiatives and others will pave the way for the launch of Nedbank's new lifestyle app experience in 2017.

Since their launch last year, the 32Day Notice Deposit and Tax-free Savings Account have shown impressive growth. The focus on these products, in addition to our fixed deposits with the Green Savings Bond, has been pivotal in our gains of retail deposit market share. Retail has stemmed the losses in household market share that we experienced over the past few years and saw a 34 bps increase in 2016.

No determinations were made against Nedbank by the FAIS Ombud for the period 2015/2016. Nedbank also won the 2016 Ombudsman for Banking Services annual award in Category A (Nedbank, Standard Bank, ABSA, FNB) for its commitment to fair client treatment and a client-centred approach to dispute resolution. A further external validation of client experience is the leading position that Nedbank has maintained among SA banks on the index of the social media platform hellopeter.com through timeous client engagement and query resolution.

Nedbank also received the 2015 Best African Retail Bank of the Year award at the 2016 Retail Banking Global Conference and Awards that was held in London in May.

In response to the impact on margin relating to the reduction in maximum interest rates as promulgated through the dti in the first half of 2016, mitigating management actions have contributed to a 5,9% increase in headline earnings from personal loans to R892m (2015: R842m) at an ROE of 29,4% (2015: 28,0%) as the CLR ratio declined to 6,92% (2015: 7,48%). The impact of the maximum rate reductions will, however, be felt in future years as higher-priced loans run off. Mitigating actions to offset this impact going forward are progressing well, with approximately 70% of the impact mitigated.

Including the economics reflected in Nedbank Wealth, Personal Loans has increased headline earnings 2,76% to R1 080m (2015: R1 051m) and generated an ROE of 34,4% (2015: 33,6%) on an allocated economic-capital ratio of 18,5%.

The personal-loan book margin increased by 31 bps to 19,18% (2015: 18,99%). Average advances increased 2,41%, while period-end advances were up 7,4% from R16,3bn (2015: R17,5bn), reflecting faster growth in 2016 due to more efficient processing while tight credit-scoring processes were kept in place. Growth on the takeup of the enhanced value proposition, improved sales effectiveness and productivity, increased marketing presence and a streamlined onboarding process have contributed to market share growth to approximately 18% from approximately 13% in new business for targeted low-risk segments. Further innovations in respect of product offerings, digital channels and client onboarding will continue throughout 2017 and beyond, enabling sustainable growth within current risk appetite while improving client experience and assisting in growing our main-banked transactional franchise. Client penetration and retention have improved over the period, with improved takeup rates for lower-risk clients.

The defaulted loan distribution of 13,9% (2015: 14,1%) includes the impact of the new curing definition. Excluding this, the defaulted loan distribution would be 13,3%. Specific risk management actions ensured that the impairments charge remained low, with management continuing to be vigilant around the dynamics of the unsecured-lending industry. Postwriteoff recoveries of R398m are stable, following reduced writeoff levels due to the improved book profile as well as increased collections costs, offsetting the improvement in gross recovery levels.

Given current levels of consumer health as well as ongoing industry concerns and regulatory change, credit risk optimisation and collections performance remain a priority. The specific coverage ratio has declined to 65,4% (2015: 66,7%), driven primarily by the impact of the new curing definition. Excluding this impact, specific coverage would have been 66,9%.

Retail Relationship Banking

RRB serves small businesses with a turnover of R10m and below. It is aimed at the owners of these business as well as salaried individuals seeking a professional, relationship-based banking experience. RBB enjoys a market share of 16% to 17% in both these markets.

The business generated 52% growth in headline earnings to R581m (2015: R381m) at an ROE of 23,6% (2015: 16,4%). Core growth, after adjusting for endowment benefits and other once-off items, is 12% and underpinned by a focus on new-client acquisition, double-digit liability growth, increased asset payouts and 8,7% core NIR growth. The CLR at 0,09% (2015: 0,12%) remained at exceptionally low levels for the third consecutive year, demonstrating RRB's entrenched risk management capabilities and the high quality of the portfolio.

The redefined Professional Banking proposition for the affluent market (including young professionals transitioning from university to business and a niche offering to the medical profession) is now well established and the focus remains on new-client acquisition, coupled with a proactive upsell strategy into the existing Nedbank base.

We continue to invest in the development of small business not only for Nedbank, but also for a stronger and more sustainable SA. The small-business sales force inbranch was increased by approximately 15% in the first quarter to ensure greater accessibility and more manageable portfolio sizes. Two new products tailored to the needs of small business were launched in 2016, namely GAP Access (cash advances against a merchant's point-of-sale device turnover) and CIPC online (an integrated business registration and account-opening service available through nedbank.co.za). Further product development is in the pipeline for deployment in 2017.

Given the importance of the role of the dedicated relationship banker in the overall client experience, emphasis has been placed on equipping and enabling our staff to deliver on this promise. A new CRM frontend tool, EPIC™, was deployed, which for the first time enables full recording and tracking of all client requests as well as a full view of the client's affairs in Nedbank, which should substantially improve turnaround times and service levels for the client.

RRB remains focused on streamlining the internal processes for an optimal client experience. This, combined with solid risk management practices and ongoing proposition improvements, provides significant opportunities for future growth.

Favourable	Unfavourable
■ Significant improvement in ROE to 18,9%. ■ Main-banked client growth of 3,0%, supported by middle-market growth of 6,3%. ■ Quality origination across all asset classes, at appropriate risk-based pricing, driving market share gains. ■ CLR well below our target range, driven by lower impairments in our unsecured lending and offset by higher impairments in secured lending. ■ Retail transactional NIR growth of 8,7%, driven by quality-client gains and improved cross-sell. ■ Consistent investment in client-centred innovation.	■ Muted credit growth. ■ Slowdown in the unsecured-lending market in the formal sector given the recent regulatory changes. ■ Expense growth driven by regulatory and revenue-related costs.

RETAIL AND BUSINESS BANKING: KEY BUSINESS STATISTICS

		2016	2015
Business Banking			
New client acquisitions – groups/clients[1]		**1 346**	5 030
Cross-sell product holding[2]		**93 946**	94 165
Home Loans			
Number of applications received	thousands	**149**	112
Average loan-to-value (LTV) of new business registered	%	**87**	90
Average balance-to-original-value (BTV) of portfolio	%	**77**	77
Proportion of new business written through own channels	%	**61**	70
Proportion of book written since 2009	%	**61**	55
Owned-properties book	Rm	**127**	167
MFC			
Number of applications received	thousands	**1 403**	1 394
Percentage of used vehicles financed	%	**74,2**	62,9
Personal Loans			
Number of applications received	thousands	**1 271**	1 096
Disbursal rate	%	**19,7**	21,3
Average loan size	thousands	**43,0**	36,8
Average term	months	**40**	39
Retail deposits			
Average value of deposits taken in	R000s	**130**	130
Volume of deposits written	thousands	**538**	486
Number of clients at period end			
Retail main-banked clients	thousands	**2 784**	2 703
Business Banking groups		**22 292**	22 244
Small Business Services segment	thousands	**247**	236
Home Loans	thousands	**306**	316
MFC	thousands	**560**	549
Personal loans	thousands	**478**	495
Card issuing[3]	thousands	**939**	910
Investment products	thousands	**1 432**	1 311
Transactional products	thousands	**5 925**	5 514
Impact of small-balance account closures	thousands		(359)
Distribution			
Number of Business Banking locations		**70**	70
Number of Retail outlets		**695**	708
Number of 'branch of the future'[4]		**304**	255
Number of ATMs[5]		**3 865**	3 695
Number of ATMs with cash-accepting capabilities[6]		**769**	550
Digitally enabled retail clients[7]	thousands	**5 344**	3 354
Digitally active retail clients[7]	thousands	**1 429**	823
POS Devices	thousands	**84**	78

[1] *Methodology change in 2016 to count of groups, whereas prior years counted clients of which more than one could belong to the same group.*
[2] *Year on year reduction mainly due to new methodology of treating the global forex product.*
[3] *Prior year Card client numbers restated to align with a definition change implemented in 2016.*
[4] *Included in the Retail outlet number – shown separately for additional disclosure.*
[5] *Includes 15 Corporate cash devices.*
[6] *Cash-accepting devices included in total number of ATMs.*
[7] *Digitally enabled and active clients have been restated to include all digital channels and to allow for only last 90 days of recent activity.*

BALANCE SHEET AVERAGE ADVANCES AND IMPAIRMENTS

	Daily gross average advances Rm		Current %		Impaired %		Defaulted %		% of total advances	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Home loans	**110 418**	106 676	**92,6**	93,2	**2,4**	2,8	**4,9**	4,0	**37,6**	37,9
Vehicle asset finance	**81 782**	76 604	**93,5**	94,0	**3,6**	3,2	**3,0**	2,8	**29,2**	28,1
Personal loans	**17 054**	16 656	**80,8**	79,6	**5,4**	6,3	**13,9**	14,1	**5,8**	5,7
Card	**14 611**	14 031	**87,8**	88,8	**3,2**	3,5	**9,0**	7,7	**4,9**	4,8
Overdrafts and other loans	**2 005**	2 041	**86,3**	86,1	**1,3**	1,4	**12,4**	12,5	**0,6**	0,6
Total Retail	**225 870**	216 008	**91,7**	92,2	**3,1**	3,2	**5,2**	4,6	**78,1**	77,1
Business Banking[2]	**66 021**	66 423	**92,5**	92,9	**4,3**	4,0	**3,3**	3,1	**21,9**	22,9
Total RBB	**291 891**	282 431	**91,9**	92,3	**3,4**	3,4	**4,8**	4,2	**100,0**	100,0

BALANCE SHEET IMPAIRMENT AS A % OF BOOK

	% of total		Current %		Impaired %		Defaulted			
							Performing[1] %		Non-performing %	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Home loans	**1,43**	1,56	**0,32**	0,40	**5,43**	6,46	**5,55**	7,23	**25,71**	28,28
Vehicle asset finance	**2,33**	2,31	**0,80**	0,85	**13,07**	12,80	**8,97**	10,35	**61,44**	65,08
Personal loans	**13,48**	13,88	**3,05**	2,68	**36,33**	37,30	**40,35**	42,93	**72,44**	71,28
Card	**8,77**	8,34	**0,53**	0,58	**12,54**	12,66	**5,29**		**95,61**	95,64
Overdrafts and other loans	**12,69**	12,86	**0,40**	0,46	**34,77**	35,83			**96,20**	95,80
Total Retail	**3,21**	3,25	**0,69**	0,72	**13,26**	13,70	**12,35**	15,37	**52,87**	54,45
Business Banking[2]	**2,15**	2,17	**0,73**	0,72	**5,83**	6,22			**37,57**	40,40
Total RBB	**2,98**	3,00	**0,70**	0,72	**11,20**	11,69	**12,35**	15,37	**49,87**	51,62

BALANCE SHEET ACTUAL ADVANCES

	Total advances Rm		Current Rm		Impaired Rm		Defaulted			
							Performing[1] Rm		Non-performing Rm	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Home loans	**112 210**	109 299	**103 948**	101 883	**2 718**	3 033	**1 494**	623	**4 050**	3 760
Vehicle asset finance	**87 377**	81 192	**81 660**	76 321	**3 128**	2 637	**1 172**	1 029	**1 417**	1 205
Personal loans	**17 474**	16 309	**14 110**	12 982	**941**	1 030	**534**	372	**1 889**	1 925
Card	**14 678**	13 885	**12 892**	12 327	**463**	486	**115**		**1 208**	1 072
Overdrafts and other loans	**1 729**	1 744	**1 492**	1 502	**23**	24			**214**	218
Total Retail	**233 468**	222 429	**214 102**	205 015	**7 273**	7 210	**3 315**	2 024	**8 778**	8 180
Business Banking[2]	**65 321**	66 172	**60 398**	61 456	**2 781**	2 657			**2 142**	2 059
Total RBB	**298 789**	288 601	**274 500**	266 471	**10 054**	9 867	**3 315**	2 024	**10 920**	10 239

BALANCE SHEET ACTUAL IMPAIRMENTS

	Total impairments Rm		Current Rm		Impaired Rm		Defaulted			
							Performing[1] Rm		Non-performing Rm	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Home loans	**1 603**	1 710	**331**	405	**148**	196	**83**	45	**1 041**	1 064
Vehicle asset finance	**2 035**	1 879	**651**	651	**409**	338	**104**	106	**871**	784
Personal loans	**2 355**	2 264	**430**	348	**342**	384	**215**	159	**1 368**	1 373
Card	**1 288**	1 158	**69**	71	**58**	62	**6**		**1 155**	1 025
Overdrafts and other loans	**219**	224	**6**	7	**8**	9			**205**	208
Total Retail	**7 500**	7 235	**1 486**	1 482	**964**	988	**410**	311	**4 640**	4 454
Business Banking[2]	**1 407**	1 437	**440**	440	**162**	165			**805**	832
Total RBB	**8 907**	8 672	**1 926**	1 922	**1 126**	1 153	**410**	311	**5 445**	5 286

INCOME STATEMENT IMPAIRMENT CHARGE

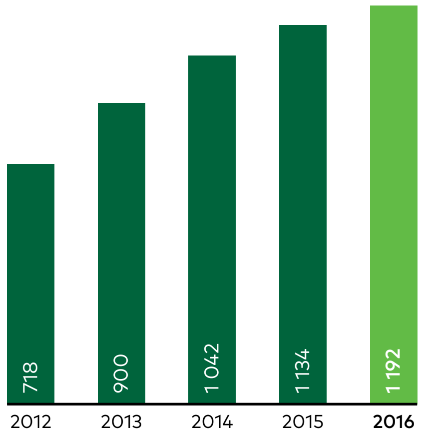
	Income statement impairments charge Rm		Portfolio impairment Rm		Specific impairment Rm		Postwriteoff recoveries Rm		Credit loss ratio %	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Home loans	**86**	50	**(123)**	(138)	**284**	260	**(75)**	(72)	**0,08**	0,05
Vehicle asset finance	**996**	804	**71**	7	**1 295**	1 077	**(370)**	(280)	**1,22**	1,05
Personal loans	**1 179**	1 244	**39**	5	**1 538**	1 637	**(398)**	(398)	**6,92**	7,47
Card	**756**	724	**(6)**	11	**987**	937	**(225)**	(224)	**5,17**	5,16
Overdrafts and other loans	**71**	70	**(1)**	1	**107**	110	**(35)**	(41)	**3,51**	3,41
Total Retail	**3 088**	2 892	**(20)**	(114)	**4 211**	4 021	**(1 103)**	(1 015)	**1,37**	1,34
Business Banking	**173**	320	**2**	95	**203**	263	**(32)**	(38)	**0,26**	0,48
Total RBB	**3 261**	3 212	**(18)**	(19)	**4 414**	4 284	**(1 135)**	(1 053)	**1,12**	1,14

[1] *Performing defaults relate to loans that are reflected as defaulted in terms of SARB directive 7/2015, which resulted in distressed restructures being held in default for six months rather than the previous three months, and in 2016 performing defaults include the reclassification of performing loans as defaulted due to the implementation of SARB approved new models including a new curing definition, where we now hold an account in default for a total of six months from the date on which the account originally cures.*

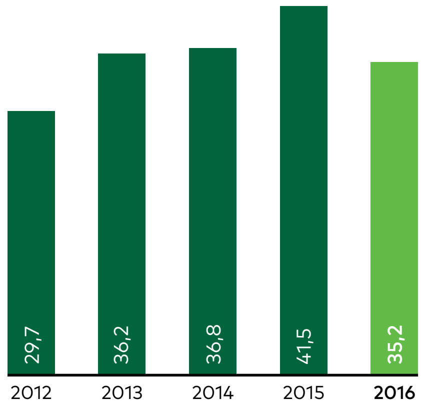
[2] *Business Banking classifies and manages its advances by NGR ratings (NGR1 – 25 and NP), while Retail classifies its advances by arrear status. Business Banking advances have been mapped in the analysis as follows: NGR 1 – 20 as current; NGR 21 – 25 as impaired; and non-performing as defaulted.*

Nedbank Wealth

Headline earnings
(Rm)



Return on equity
(%)



FINANCIAL HIGHLIGHTS

for the year ended 31 December

	2016	2015
NII (Rm)	**974**	766
Impairments charge on loans and advances (Rm)	**22**	39
NIR (Rm)	**3 410**	3 593
Operating expenses (Rm)	**2 704**	2 730
Headline earnings (Rm)	**1 192**	1 134
ROE (%)	**35,2**	41,5
Return on assets (%)	**1,93**	1,84
CLR (%)	**0,08**	0,15
NIR to total expenses (%)	**126,1**	131,6
Efficiency ratio (%)	**61,7**	62,6
NIM (%)	**2,15**	1,93
Assets under management (Rm)	**273 327**	257 295
Life assurance embedded value (Rm)	**2 740**	2 657
Life assurance value of new business (Rm)	**399**	247
Total assets (Rm)	**62 042**	61 322
Average total assets (Rm)	**61 731**	61 729
Total advances (Rm)	**28 577**	28 206
Average total advances (Rm)	**29 204**	26 588
Total deposits (Rm)	**33 461**	34 083
Average total deposits (Rm)	**34 850**	29 125
Average allocated capital (Rm)	**3 387**	2 734

Nedbank Wealth's headline earnings grew by 5,1% to R1 192m (2015: R1 134m), with economic profit declining by 8,6% to R711m (2015: R778m). ROE remains strong at 35,2% despite an increase in allocated capital. Strong performance reported in the first half of 2016 was offset by a significant increase in weather-related insurance claims and volatile markets negatively impacting investor sentiment and investment income.

NII growth of 27,2% was supported by strong balance sheet growth. The net interest margin widened to 2,15% (2015: 1,93%), driven by endowment benefits as a result of an increase in allocated capital. Declining impairments have driven the credit loss ratio to 0,08% (2015: 0,15%), which remains below our through-the-cycle target range of 0,20% to 0,40%.

The NIR-to-expenses ratio declined to 126,1% (2015: 131,6%) as a result of lower NIR growth, which was impacted by increased weather-related claims experienced in Insurance and muted markets. An ongoing focus on containing expense growth throughout the financial year supported an improvement in the efficiency ratio to 61,7% (2015: 62,6%).

Wealth Management continues to deliver good performance with strong growth in advances and liabilities, up 9,8% and 19,7% respectively. Results were further supported by record low levels of impairments in Nedbank Private Wealth. Subdued investor sentiment impacted portfolio management and brokerage fee income, while financial planning experienced an increase in lapse ratios – evidence of a tougher economic environment. An increase in the number of new clients and transactional activity contributed to good revenue growth in Wealth Management International. Results from our international operations also include once-off revenue of £2,5m in the first half of 2016 from proceeds received for the sale of a share held by Nedbank Private Wealth as a principal member of Visa Europe.

Nedbank Private Wealth International has consistently received accolades in the market for over a decade. This year's awards include Best UK International Wealth Management Provider and Best non-UK International Private Banking Service at the International Investment Fund and Product Awards. Locally Nedbank Private Wealth achieved first place in the entrepreneur category in the 2016 Intellidex Top Private Banks and Wealth Managers survey. In the annual Euromoney Private Banking and Wealth Management survey the business won first place for philanthropic advice for both South Africa and Africa. This is the third consecutive year that Nedbank Private Wealth has won the award.

Despite volatile markets, Asset Management maintained a solid performance, with an increase in assets under management of 6,2% to R273,3bn (2015: R257,3bn) and net inflows of R24,0bn. Nedgroup Investments won Offshore Management Company of the Year for the second consecutive year, and achieved third place in the South African Management Company of the Year at the 21st Annual Raging Bull Awards. It is the eighth consecutive year that Nedgroup Investments has been placed in the top three domestic management companies. The business also attracted one of the highest net inflows of Financial Services Board (FSB)-approved offshore funds in 2016. This is an exceptional achievement and testimony to the success of the Best of Breed™ model and the commitment of the business to delivering long-term performance for clients.

Overall Insurance earnings were affected by an increase in weather-related claims as a result of entropic weather conditions, as well as lower investment returns. Non-life insurance recorded marginal growth in gross written premiums of 5,9% to R1 118m (2015: R1 056m), impacted by lower-than-expected homeowner cover volumes. Life-embedded value was impacted by a large dividend payment and reported growth of 3,1% to R2 740m (2015: R2 657m). Life value of new business grew by 61,5% to R399m (2015: R247m) as a result of an increase in single-premium investment policies and credit life solutions, driven primarily by Personal Loans as well as a reporting change to reflect the value of life insurance earnings.

Looking forward

We expect further market volatility and increased consumer pressure during 2017.

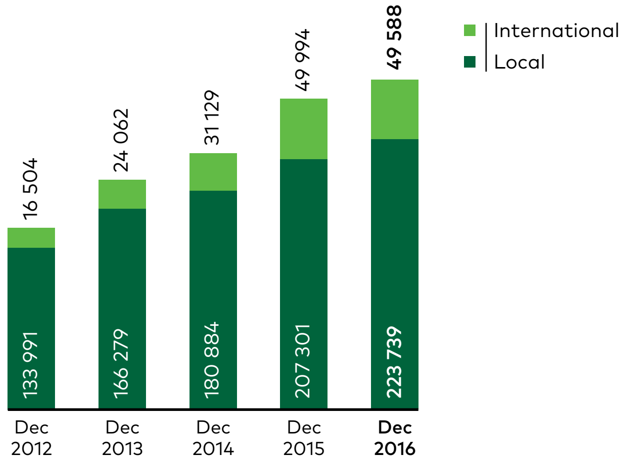
Wealth Management continues to invest in the Nedbank Private Wealth brand, while delivering significant improvements to digital presence and capabilities. Enhancing client value propositions and service models remains a key business priority.

Asset Management will focus on maintaining long-term fund performance and driving market growth across all offerings. Nedgroup Investments continues its investment in brand profiling while driving seamless and efficient client experiences through enhanced technology capability.

In Insurance redefining client value propositions and engagement models remains an important strategic enabler that, together with the implementation of the next phase of the single-policy administration system for both life and non-life insurance offerings, will enable future growth.

We continue our drive towards being client-centred and deepening collaboration across the group while investing for the future.

Assets under management
(Rm)



Favourable	Unfavourable
■ Strong return on equity. ■ Continued growth momentum in Wealth and Asset Management. ■ Strong balance sheet growth. ■ Declining impairments and reduced credit loss ratio. ■ Excellent investment performance. ■ Noteworthy awards both locally and internationally.	■ Increased weather-related claims. ■ Muted markets impacting investor sentiment. ■ Continued low interest rate environment in the UK. ■ Ongoing regulatory pressure and associated costs.

ASSETS UNDER MANAGEMENT

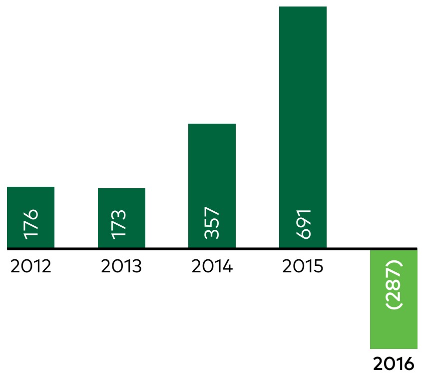
Rm	2016	2015
Fair value of funds under management – by type		
Unit trusts	**216 835**	197 308
Third parties	**476**	2 290
Private clients	**56 016**	57 697
	273 327	257 295
Fair value of funds under management – by geography		
South Africa	**223 739**	207 301
Rest of the world	**49 588**	49 994
	273 327	257 295

Rm	Unit trusts	Third parties	Private clients	Total
Reconciliation of movement in funds under management – by type				
Opening balance at 31 December 2015	**197 308**	**2 290**	**57 697**	**257 295**
Inflows	**324 419**	**153**	**11 856**	**336 428**
Outflows	**(299 091)**	**(1 622)**	**(11 715)**	**(312 428)**
Mark-to-market value adjustment	**383**	**77**	**(792)**	**(332)**
Foreign currency translation differences	**(6 184)**	**(422)**	**(1 030)**	**(7 636)**
Closing balance – 31 December 2016	**216 835**	**476**	**56 016**	**273 327**

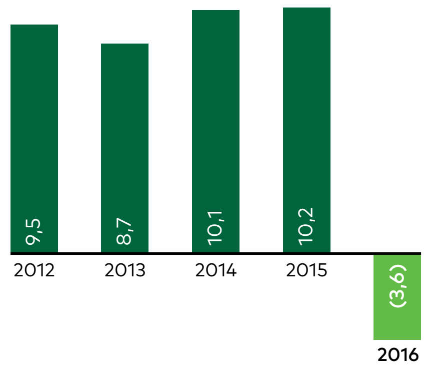
Rm	South Africa	Rest of the world	Total
Reconciliation of movement in funds under management – by geography			
Opening balance at 31 December 2015	**207 301**	**49 994**	**257 295**
Inflows	**322 225**	**14 203**	**336 428**
Outflows	**(303 254)**	**(9 174)**	**(312 428)**
Mark-to-market value adjustment	**(2 533)**	**2 201**	**(332)**
Foreign currency translation differences		**(7 636)**	**(7 636)**
Closing balance – 31 December 2016	**223 739**	**49 588**	**273 327**

Rest of Africa

Headline earnings
(Rm)



Return on equity
(%)



Our commitment to increasing our exposure to the higher-growth markets in Africa remains unchanged. In the long term real GDP growth rates for sub-Saharan Africa are forecast to be two to three times higher than growth in SA.

Our strategy remains to own, manage and control banking operations in the Southern African Development Community (SADC) region and East Africa, and to give our clients access to a banking network in West and Central Africa through our investment in and alliance with the pan-African banking group Ecobank, which operates in 36 countries. While our investment in Ecobank Transnational Incorporated (ETI) has been impacted by weaker economic conditions in West Africa, currency weakness and foreign currency liquidity challenges, particularly in Nigeria, it remains an important strategic investment for the long term given the growth prospects in sub-Saharan Africa.

Management changes at ETI have resulted in a strong focus on improving profitability and a renewed commitment to deepening its alliance with Nedbank.

Good progress was made with the implementation of our one-bank model in SADC operations, including:

- successfully implementing our Flexcube core banking system in Namibia, Swaziland and Lesotho;
- rolling out mobile banking in Namibia and Swaziland, and mobile value-added services in Namibia; and
- strengthening our risk and control environment.

We acquired control of Banco Único and the bank was consolidated with effect from 1 October 2016. Our postacquisition integration plan is advanced, with a focus on enhancing the control environment, financial and regulatory reporting, optimising technology-related costs and extending compelling value propositions to SA-banked corporates in Mozambique.

	Total Rest of Africa		SADC and East Africa		West and Central Africa	
	2016	2015	**2016**	2015	**2016**	2015
NII (Rm)	**1 013**	740	**1 358**	1 098	**(345)**	(358)
Impairments charge on loans and advances (Rm)	**177**	201	**177**	201		
NIR (Rm)	**877**	819	**877**	771		48
Operating expenses (Rm)	**1 887**	1 526	**1 887**	1 526		
Headline earnings (Rm)	**(287)**	691	**87**	47	**(374)**	644
ROE (%)	**(3,6)**	10,2	**2,1**	1,4	**(9,7)**	18,1
Return on assets (%)	**(0,86)**	2,31	**0,37**	0,23	**(3,72)**	6,65
CLR (%)	**0,98**	1,25	**0,98**	1,27		
NIR to total expenses (%)	**46,5**	53,7	**46,5**	50,5		
Efficiency ratio (%)	**104,5**	62,8	**82,9**	81,6		
NIM(%)	**4,17**	3,53	**6,69**	6,26	**(8,64)**	(10,57)
Total assets (Rm)	**36 189**	32 941	**26 253**	23 158	**9 936**	9 783
Average total assets (Rm)	**33 411**	29 879	**23 369**	20 196	**10 042**	9 683
Total advances (Rm)	**19 582**	16 515	**19 582**	16 515		
Average total advances (Rm)	**17 724**	15 828	**17 724**	15 543		285
Total deposits (Rm)	**27 003**	21 208	**27 003**	21 208		
Average total deposits (Rm)	**23 492**	20 100	**23 492**	20 100		
Average allocated capital (Rm)	**7 942**	6 799	**4 076**	3 245	**3 866**	3 554

Financial highlights

Rest of Africa reported a headline loss of R287m (2015: R691m profit). This is comprised of headline earnings of R87m from the subsidiaries, including headoffice costs, offset by the loss of R374m from our investment in ETI. Overall, excluding headoffice costs, headline earnings of our SADC banking subsidiaries increased by 6,2% to R405m (2015: R381m), while ROE declined to 11,1% (2015: 12,9%). The performance was below expectations, reflecting the difficult market conditions, cost growth from investments and the impact of a once-off large impairment, offset by the positive impact of consolidating Banco Único. The drop in ROE reflects the impact of additional capital allocated to Banco Único on consolidation.

ETI investment

The associate earnings loss from ETI of R125m (2015: R870m profit) comprises the equity-accounting of our 21,2% share of ETI's Q4 2015 loss of R676m, which was partly offset by our share of profits for the nine-month period ended 30 September 2016 of R551m, in line with our policy of accounting for ETI earnings a quarter in arrear. The total headline earnings impact of ETI for 2016 was a negative R374m, including the R249m impact of funding costs.

SADC operations

Net interest income increased by 23,7% to R1,3bn (2015: R1,1bn) on the back of strong average advances growth of 14,0%, underpinned by the embedding of our revised client-centred wholesale service model. Net interest margin widened to 6,7% (2015: 6,3%) from improved pricing, the endowment effect of rising interest rates and the tilt of the deposit book towards retail funding.

Non-interest revenue increased by 13,8% to R877m (2015: R771m), reflecting the impact of improved client acquisition from better value propositions.

The credit loss ratio (CLR) improved to 0,98% (2015: 1,27%) due to the base effect of a single large commodity-related impairment in 2015 and overall improvement in risk management, resulting in an impairments charge of R177m (2015: R201m). The CLR is now within the upper band of the TTC target range of 0,65% to 1,00%.

Expenses increased by 23,7% to R1 887m (2015: R1 525m), including amortisation of the recently implemented Flexcube system, mobile systems and continued investment in distribution and risk management.

Looking forward

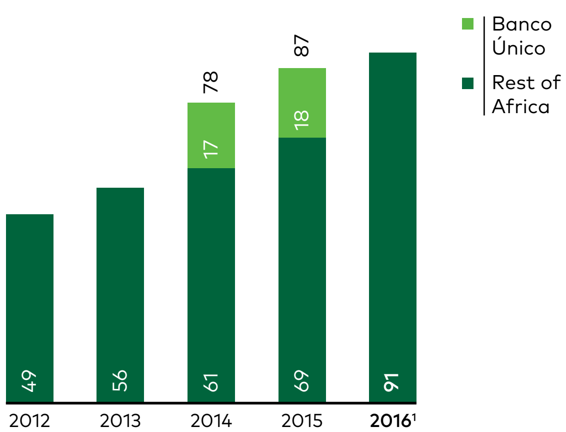
We continue to build our franchise in the SADC region and our focus remains to grow the business by:

- rolling out our new core banking system in Malawi and Zimbabwe;
- completing mobile banking with value-added services across all subsidiaries;
- deploying appropriate and competitive client value propositions in both wholesale and retail;
- reviewing the operating model to improve client value, increase revenue and drive cost optimisation; and
- integrating Banco Único fully.

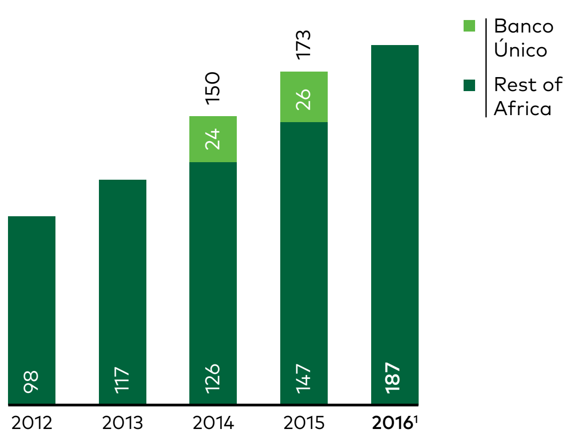
While ETI continues to be an important strategic investment for the long term, we expect conditions in West Africa to remain challenging in 2017, especially in Nigeria, before improving in 2018 and beyond, and our focus remains to work with other shareholders, the ETI board and management to improve business performance and generate returns above cost of equity.

Favourable	Unfavourable
■ Consistent investment in client-centred innovation. ■ Investing in our people and strengthening our leadership. ■ Improved asset, deposit, revenue and impairments performance from our subsidiaries.	■ Challenging economic conditions in West Africa and in our SADC markets. ■ Associate loss from ETI. ■ Increased regulatory requirements driving costs of compliance.

Branches



ATMs



[1] *Banco Único consolidated with effect from October 2016.*

Note: Rest of Africa figures include agencies.

Geographical segmental reporting

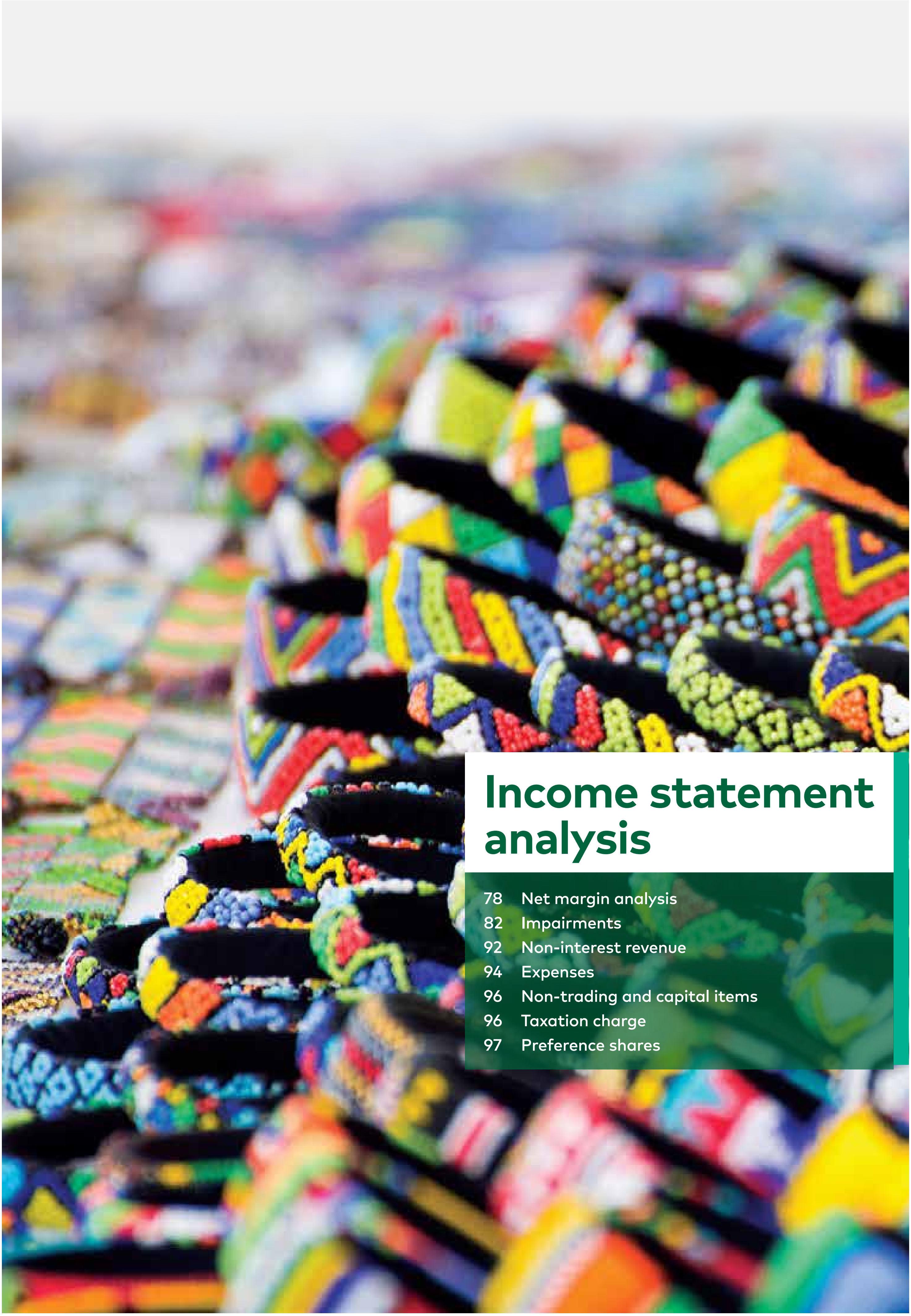
for the year ended 31 December

Rm	Nedbank Group		South Africa[1]		Rest of Africa[2]		Rest of world	
	2016	2015	**2016**	2015[3]	**2016**	2015	**2016**	2015[3]
Consolidated statement of financial position								
Assets								
Cash and cash equivalents	**45 084**	39 072	**36 991**	30 056	**7 166**	4 438	**927**	4 578
Other short-term securities	**84 679**	75 614	**68 559**	60 625	**2 580**	1 801	**13 540**	13 188
Derivative financial instruments	**17 633**	30 488	**17 248**	28 279	**44**	76	**341**	2 133
Government and other securities	**51 048**	43 060	**47 804**	35 822	**488**	327	**2 756**	6 911
Loans and advances	**707 077**	681 632	**653 630**	621 029	**19 582**	16 515	**33 865**	44 088
Other assets	**60 501**	55 860	**50 227**	40 615	**5 795**	9 784	**4 479**	5 461
Intragroup assets	**–**	–	**(805)**		**534**		**271**	
Total assets	**966 022**	925 726	**873 654**	816 426	**36 189**	32 941	**56 179**	76 359
Equity and liabilities								
Total equity	**81 711**	78 751	**73 106**	71 459	**7 942**	6 799	**663**	493
Derivative financial instruments	**13 296**	33 628	**13 095**	31 418	**16**	172	**185**	2 038
Amounts owed to depositors	**761 542**	725 851	**691 699**	653 874	**27 003**	21 208	**42 840**	50 769
Provisions and other liabilities	**57 397**	42 514	**55 567**	41 058	**1 214**	808	**616**	648
Long-term debt instruments	**52 076**	44 982	**52 062**	44 977	**14**	5		
Intragroup liabilities	**–**	–	**(11 875)**	(26 360)		3 949	**11 875**	22 411
Total equity and liabilities	**966 022**	925 726	**873 654**	816 426	**36 189**	32 941	**56 179**	76 359
Consolidated statement of comprehensive income								
Net interest income	**26 426**	23 885	**24 749**	22 439	**1 013**	740	**664**	706
Impairments charge on loans and advances	**4 554**	4 789	**4 059**	3 768	**177**	201	**318**	820
Income from lending activities	**21 872**	19 096	**20 690**	18 671	**836**	539	**346**	(114)
Non-interest revenue	**23 503**	21 748	**21 631**	20 140	**877**	819	**995**	789
Operating income	**45 375**	40 844	**42 321**	38 811	**1 713**	1 358	**1 341**	675
Operating expenses	**28 366**	26 110	**25 739**	23 825	**1 887**	1 526	**740**	759
Indirect taxation	**927**	783	**884**	743	**32**	29	**11**	11
Profit from operations	**16 082**	13 951	**15 698**	14 243	**(206)**	(197)	**590**	(95)
Share of profits of associate companies and joint arrangements	**(105)**	871	**(20)**	(1)	**(85)**	872		
Profit before direct taxation	**15 977**	14 822	**15 678**	14 242	**(291)**	675	**590**	(95)
Direct taxation	**3 985**	3 550	**4 040**	3 710	**(93)**	(79)	**38**	(81)
Profit after direct taxation	**11 992**	11 272	**11 638**	10 532	**(198)**	754	**552**	(14)
Profit attributable to non-controlling interest:								
– ordinary shareholders	**88**	70	**(1)**	7	**89**	63	**–**	
– preference shareholders	**361**	371	**361**	371			**–**	
– Additional tier 1 capital instrument	**78**		**78**				**–**	
Headline earnings	**11 465**	10 831	**11 200**	10 154	**(287)**	691	**552**	(14)

[1] *Includes all group eliminations.*

[2] *The Rest of Africa geographical segmental income statement and balance sheet consist of the SADC banking subsidiaries and the investment in ETI. These statements do not include transactions that concluded with clients resident in the rest of Africa nor transactional banking revenues. For example, CIB has a credit exposure to clients resident in the rest of Africa of R22,6bn (2015: R22,5bn); however the credit exposure is reported in the South Africa or Rest of world geographic segment, dependent on the balance sheet in which the credit exposure is recognised.*

[3] *The group changed its internal risk-adjusted performance measurement methodology, which resulted in certain balances being transferred between geographic segments. The balances at December 2015 have accordingly been restated to be comparable.*



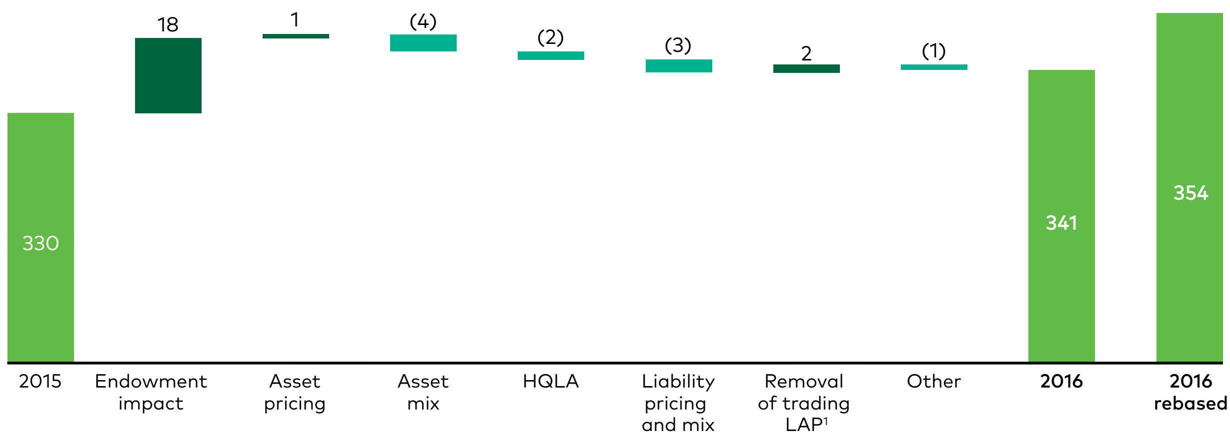
Income statement analysis

1 Net margin analysis

Nedbank Group	2016 Bps	2016 Rm	2015 Bps	2015 Rm
Average interest-earning banking assets		**775 092**		724 080
Opening net interest margin (NIM)/net interest income (NII)	**330**	**23 885**	352	22 961
Growth in banking assets		**1 814**		2 531
Asset margin pricing and mix	**(3)**	**(209)**	(9)	(655)
Impact due to pricing	**1**	**54**	3	244
Impact due to mix change	**(4)**	**(263)**	(12)	(899)
Endowment	**18**	**1 390**	5	346
Capital, net of working capital	**11**	**831**		2
Deposits	**7**	**559**	5	344
Liability margin pricing and mix	**(3)**	**(180)**	(10)	(720)
Change in marginal cost of wholesale funding	**(2)**	**(119)**	(3)	(255)
Prime/Johannesburg Interbank Agreed Rate (JIBAR) basis squeeze	**1**	**77**	(6)	(421)
Cost of enhancing funding profile	**(4)**	**(320)**	(2)	(151)
Other pricing and mix movements	**2**	**182**	1	107
Funding of investment in ETI		**(19)**	(4)	(291)
Increased levels of high-quality liquid assets (HQLA)	**(2)**	**(154)**	(5)	(378)
Removal of trading liquid asset portfolio (LAP)	**2**			
Other	**(1)**	**(101)**	1	91
Closing NIM/NII for the year ended	**341**	**26 426**	330	23 885

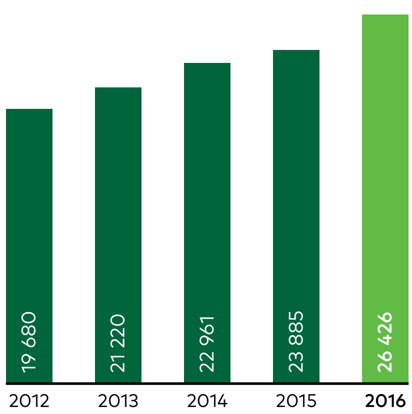
Bps = basis points.

Net interest margin (year on year)
(Bps)

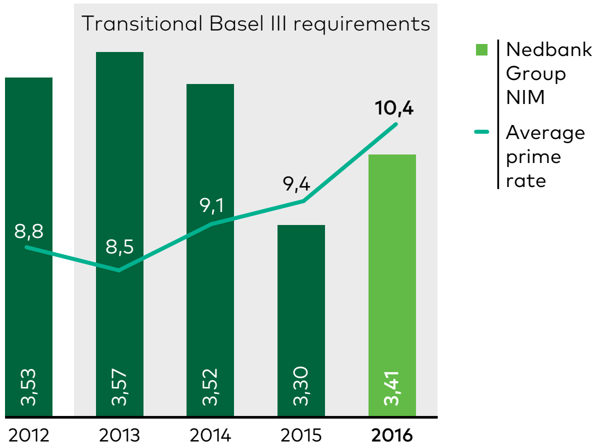


[1] *To align with industry practices from November 2016 average balances of R6bn in the CIB liquid asset portfolio, which forms part of the overall Nedbank HQLA portfolio, were included in our trading book and removed from average interest-earning banking assets used as the denominator in the NIM calculation.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

Net interest income
(Rm)



Interest margin trends versus prime rate of Nedbank Group
(%)



NET INTEREST INCOME

Favourable	Unfavourable
■ Endowment benefit from the full-year run rate impact of the 2015 interest rate increases and further increases of 50 bps and 25 bps on 29 January 2016 and 18 March 2016 respectively. ■ Improved risk-based pricing, with specific reference to home loans and personal loans.	■ Muted retail consumer demand, resulting in weak retail advances growth with higher growth in lower-yielding wholesale advances, albeit that the effect of this has slowed. ■ Pressure on funding costs as a result of increased competition for Basel III-friendly deposits and the increased cost associated with the transition to Basel III compliance, including the lengthening of the overall funding profile. ■ Higher levels of HQLA yielding a negative carry, in line with the liquidity coverage ratio (LCR) transitional requirements.

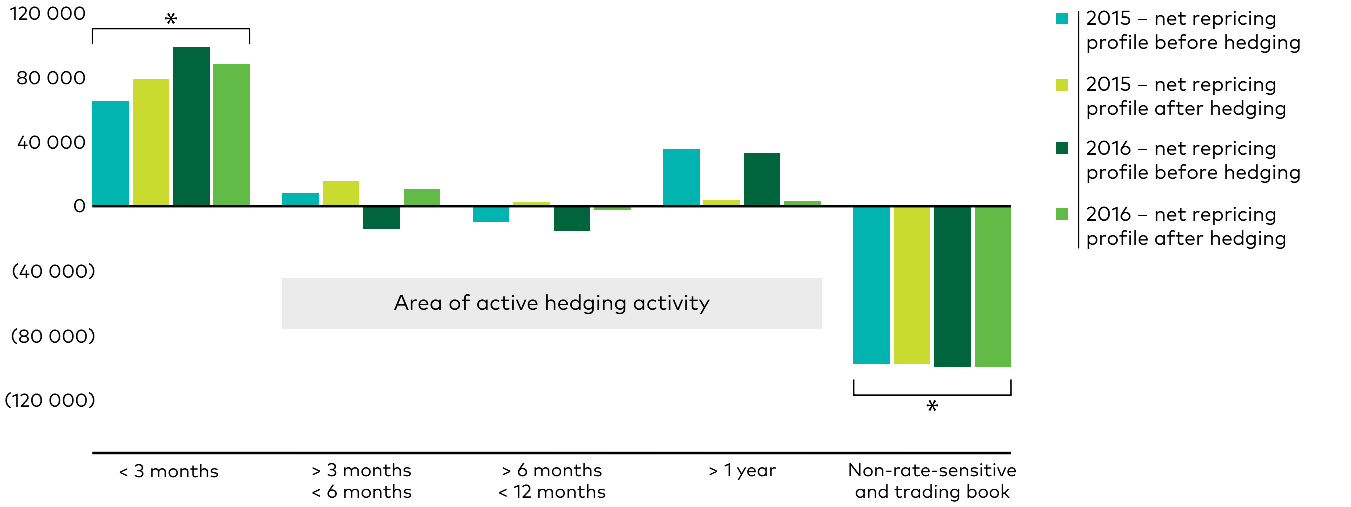
NII SENSITIVITY ANALYSIS

- At December 2016 the NII sensitivity of the group's banking book for a 1% parallel reduction in interest rates measured over 12 months is 1,81% of total group ordinary shareholders' equity (OSE) (2015: 1,61%), which is within the board's approved risk limit of < 2,25%.
- This exposes the group to a decrease in NII of approximately R1 367m before tax, should interest rates change by 1%, measured over a 12-month period.
  - The group's NII sensitivity exhibits very little convexity and will therefore also result in an increase in pretax NII of approximately similar amounts should interest rates increase by 1%.
- The group's NII sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity.

NEDBANK GROUP INTEREST RATE REPRICING GAP

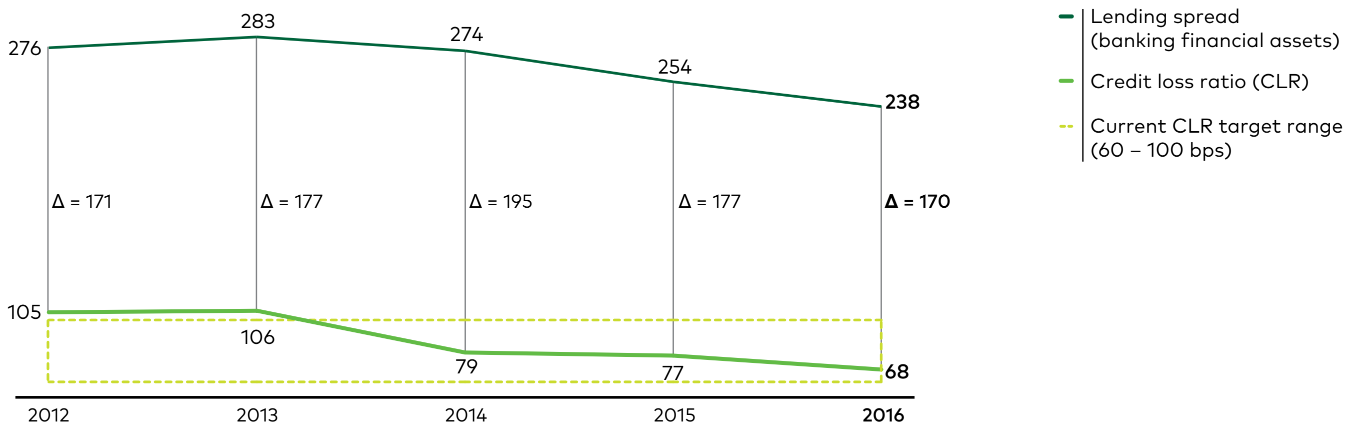
Rm	< 3 months	> 3 months < 6 months	> 6 months < 12 months	> 1 year	Non-rate-sensitive and trading book
2016					
Net repricing profile before hedging	**98 315**	**(14 825)**	**(15 684)**	**32 725**	**(100 531)**
Net repricing profile after hedging	**87 670**	**10 536**	**(261)**	**2 586**	**(100 531)**
Cumulative repricing profile after hedging	**87 670**	**98 206**	**97 945**	**100 531**	**–**
2015					
Net repricing profile before hedging	65 001	7 991	(9 867)	35 241	(98 366)
Net repricing profile after hedging	78 446	15 012	1 182	3 726	(98 366)
Cumulative repricing profile after hedging	78 446	93 458	94 640	98 366	–

Nedbank Group interest rate repricing profile
(Rm)



* *Non-rate-sensitive capital, working capital and transactional deposit accounts expose the balance sheet to sensitivity as the rest of the balance sheet is positioned to be repriced in < 3 months.*

Lending spread versus credit loss ratio (including target range) of Nedbank Group
(Bps)



- In spite of tough economic conditions, Nedbank has maintained a low CLR. This was mainly attributable to the proactive management of the portfolio and conservative provisioning within the group. All the cluster CLRs are below or within the through-the-cycle (TTC) target range, which resulted in an improvement of the Nedbank Group CLR to 68 bps (2015: 77 bps). This was mainly driven by the improved performance as well as the growth in the Nedbank CIB performing book relative to that of the rest of the group.
- Nedbank's lending spread decreased by 16 bps to 238 bps (2015: 254 bps), primarily due to an adverse advances mix where higher-yielding products such as personal-loan mix contribution decreased in RBB; coupled with strong growth in low-yielding wholesale loans in CIB, as well as increasing Basel III compliance costs.

Average banking statement of financial position and related interest

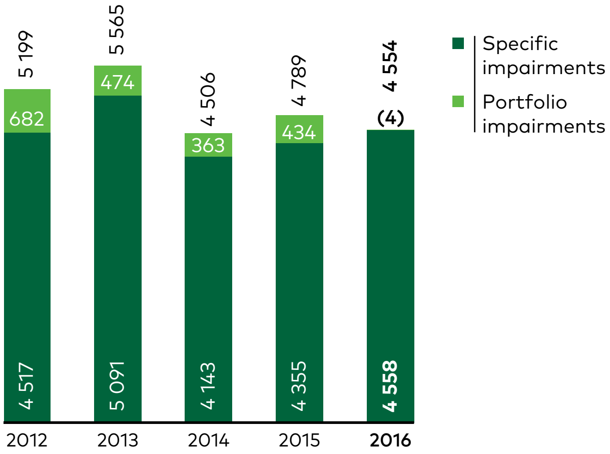
Rm	2016 Average balance Assets	2016 Margin statement interest Received	2016 %	2015 Average balance Assets	2015 Margin statement interest Received	2015 %
Average prime rate			**10,41**			9,39
Loans and advances:						
Home Loans (including properties in possession)	**143 794**	**13 552**	**9,42**	140 418	11 651	8,30
Commercial mortgages	**141 696**	**13 963**	**9,85**	129 866	11 576	8,91
Finance lease and instalment debtors	**99 812**	**11 448**	**11,47**	95 240	9 996	10,50
Credit card balances	**14 834**	**2 117**	**14,27**	14 251	1 949	13,68
Overdrafts	**17 475**	**1 837**	**10,51**	16 212	1 553	9,58
Term loans and other[1]	**227 849**	**17 665**	**7,75**	206 371	12 322	5,97
Personal loans	**18 673**	**4 512**	**24,16**	18 040	4 181	23,18
Impairment of loans and advances	**(11 546)**			(11 292)		
Government and public sector securities	**44 692**	**3 635**	**8,13**	42 697	3 441	8,06
Short-term funds and trading securities	**77 813**	**4 666**	**6,00**	72 277	3 620	5,01
Interest-earning banking assets[2]	**775 092**	**73 395**	**9,47**	724 080	60 289	8,33
Revaluation of FVTPL[3]-designated assets	**839**			768		
Other non-interest-bearing assets[4]	**74 939**			75 623		
Total assets	**850 870**	**73 395**	**8,63**	800 471	60 289	7,53

	2016 Liabilities	2016 Paid	2016 %	2015 Liabilities	2015 Paid	2015 %
Deposit and loan accounts	**394 587**	**26 153**	**6,63**	377 466	21 013	5,57
Current and savings accounts	**97 947**	**976**	**1,00**	88 998	707	0,79
Negotiable certificates of deposit	**96 884**	**7 692**	**7,94**	89 105	6 192	6,95
Other interest-bearing liabilities[5,6]	**102 088**	**7 648**	**7,49**	100 064	4 915	4,91
Long-term debt instruments	**49 157**	**4 500**	**9,15**	41 554	3 577	8,61
Interest-bearing banking liabilities	**740 663**	**46 969**	**6,34**	697 187	36 404	5,22
Revaluation of FVTPL[3]-designated liabilities	**839**			768		
Other non-interest-bearing banking liabilities[7]	**30 999**			30 961		
Ordinary and minority shareholders' equity	**78 369**			71 555		
Total shareholders' equity and liabilities	**850 870**	**46 969**	**5,52**	800 471	36 404	4,55
Interest margin on average interest-earning banking assets	**775 092**	**26 426**	**3,41**	724 080	23 885	3,30

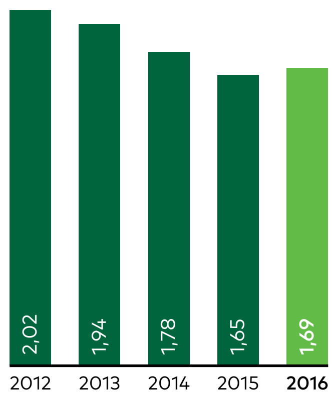
1 *Including term loans, preference shares, factoring debtors, other lending-related instruments and interest on derivatives.*
2 *To align with industry practices from November 2016 average balances of R6bn in the CIB liquid asset portfolio, which forms part of the overall Nedbank HQLA portfolio, were included in our trading book and removed from average interest-earning banking assets used as the denominator in the NIM calculation. This liquid-asset portfolio, together with the associated market risk, is managed as part of the trading book within the group's Market Risk Framework. The full-year 2016 NIM would have been 3,54% if the remaining R28bn of average balances had been moved from the beginning of the year. This change has no effect on NII.*
3 *Fair value through profit and loss.*
4 *Includes cash and banknotes, derivative financial instruments, insurance assets, associates and investments, property and equipment, mandatory reserve deposit with central banks, intangible assets and other assets.*
5 *'Net interdivisional assets – trading book', previously disclosed as other non-interest-bearing assets, now included in other interest-bearing liabilities.*
6 *Includes foreign currency liabilities and the fluctuation in the yield is attributable to a change in funding mix between banking and trading portfolios.*
7 *Includes derivative financial instruments, investment contract liabilities and other liabilities.*

2 Impairments

Nedbank Group impairment charge
(Rm)



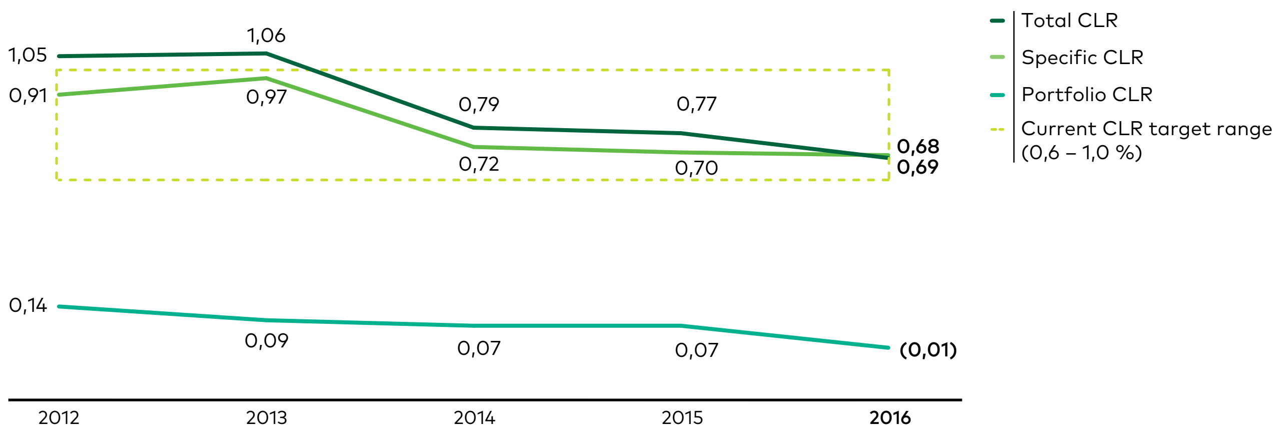
Total impairments to gross loans and advances
(%)



	2012	2013	2014	2015	2016
Total income statement impairments net of recoveries (Rm)	5 199	5 565	4 506	4 789	**4 554**
Specific impairments	4 517	5 091	4 143	4 355	**4 558**
Portfolio impairments	682	474	363	434	**(4)**
Total balance sheet impairments (Rm)	10 870	11 456	11 095	11 411	**12 149**
Specific impairments	7 443	7 543	6 832	6 664	**7 317**
Portfolio impairments	3 427	3 913	4 263	4 747	**4 832**
Total impairments to gross loans and advances (%)	2,02	1,94	1,78	1,65	**1,69**
Nedbank CIB	0,53	0,49	0,48	0,49	**0,58**
Nedbank RBB	3,52	3,56	3,22	3,00	**2,98**

- Total impairments as a percentage of gross loans and advances increased to 1,69% (2015: 1,65%) due to an increase in Nedbank CIB to 0,58% (2015: 0,49%), offset slightly by a Nedbank RBB decrease to 2,98% (2015: 3,00%) in line with the overall change in mix of secured and unsecured advances.
- The central provision remained stable at R500m (2015: R500m). Taking into account our assessment of the risks in some of the more stressed sectors of the economy and other risks that have bee incurred but have not yet emerged. The Nedbank RBB overlays decreased to R654m (2015: R699m) mainly due to a reduction in overlays held for the unsecured-debt portfolio.

Nedbank Group credit loss ratio trends
(%)



- The income statement impairments charge decreased to R4 554m (2015: R4 789m), indicative of good risk management in the portfolio.
  - The Nedbank CIB income statement impairment charge decreased to R1 095m (2015: R1 188m), driven by lower specific impairments raised as a result of lower losses experienced and an adequately collateralised defaulted portfolio.
  - The Nedbank RBB income statement impairments charge increased to R3 261m (2015: R3 212m) with an increase in Nedbank Retail to R3 088m (2015: R2 892m) driven mainly by specific impairment increases in MFC.
- Group writeoffs decreased to R4 973m (2015: R5 610m) mainly due to effective collection strategies in Nedbank Retail and proven risk management in Nedbank CIB.
- Total balance sheet impairments increased by 6,5% to R12 149m (2015: R11 411m) due to the increase in specific impairments as a result of higher defaulted advances in Home Loans and Card in Nedbank Retail.
  - This increase is attributable to the 9,8% increase in specific impairments to R7 317m (2015: R6 664m), while portfolio impairments increased by 1,79% to R4 832m (2015: R4 747m) in line with a 3,8% increase in gross loans and advances.
  - Nedbank RBB balance sheet impairments decreased slightly to 2,98% of total advances (2015: 3,00%) due to lower portfolio coverage of 1,07% (2015: 1,11%), in line with a continued improvement of asset quality across all products.

Impairments (continued)

Rm	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking
Opening balance	1 735	8 672
Specific impairment	696	5 598
Specific impairment, excluding discounts[1]	396	4 956
Specific impairment for discounted cashflow losses[2]	300	642
Portfolio impairment	1 039	3 074
Impairments charge	1 109	4 396
Statement of comprehensive income charge net of recoveries	1 095	3 261
Specific impairment	1 019	3 167
Net increase/(decrease) in impairment for discounted cashflow losses	41	112
Portfolio impairment	35	(18)
Recoveries	14	1 135
Amounts written off/Other transfers	(679)	(4 161)
Specific impairment	(674)	(4 157)
Portfolio impairment	(5)	(4)
Total impairments	2 165	8 907
Specific impairment	1 096	5 855
Specific impairment, excluding discounts	755	5 101
Specific impairment for discounted cashflow losses	341	754
Portfolio impairment	1 069	3 052
Total gross loans and advances	372 364	298 789

[1] *Specific impairments excluding discounts is the difference between the total balance sheet specific impairment and the specific impairments for discounted cashflow losses.*
[2] *Specific impairments for discounted cashflow losses is the component of the total specific impairment charge, which is calculated as the lesser of the projected nominal recovery amount and the amount owing on the loan and advances minus the present value of the nominal recovery amount, discounted at the original effective interest rate.*

RECONCILIATION OF SPECIFIC IMPAIRMENT FOR DISCOUNTED CASHFLOW LOSSES

Rm		
Opening balance	300	642
Net increase/(decrease) in impairment for discounted cashflow losses	41	112
Interest on specifically impaired loans and advances	(361)	(884)
Net specific impairments charge for discounted cash flow losses	402	996
Closing balance	341	754

	Nedbank Wealth	Rest of Africa	Centre	2016	2015
	155	368	481	**11 411**	11 095
	122	264	(16)	**6 664**	6 832
		105	(16)	**5 441**	5 673
	122	159		**1 223**	1 159
	33	104	497	**4 747**	4 263
	29	178	(1)	**5 711**	5 926
	22	177	(1)	**4 554**	4 789
	22	146	(1)	**4 353**	4 291
	(4)	56		**205**	64
	4	(25)		**(4)**	434
	7	1		**1 157**	1 137
	(30)	(123)	20	**(4 973)**	(5 610)
	(29)	(222)	20	**(5 062)**	(5 660)
	(1)	99		**89**	50
	154	423	500	**12 149**	11 411
	118	245	3	**7 317**	6 664
		30	3	**5 889**	5 441
	118	215		**1 428**	1 223
	36	178	497	**4 832**	4 747
	28 731	20 005	(663)	**719 226**	693 043

	122	159		**1 223**	1 159
	(4)	56	–	**205**	64
	(36)	(89)		**(1 370)**	(983)
	32	145		**1 575**	1 047
	118	215	–	**1 428**	1 223

INCOME STATEMENT ANALYSIS

Credit loss ratio

CREDIT LOSS RATIO PER BUSINESS CLUSTER

%	Nedbank CIB	Nedbank CIB excluding Property Finance	Property Finance	Nedbank RBB	Business Banking	Retail	Nedbank Wealth	Rest of Africa	Nedbank Group
TTC	**0,15 – 0,45**			**1,30 – 1,80**			**0,20 – 0,40**	**0,65 – 1,00**	**0,60 – 1,00**
2016									
Total CLR	**0,34**	**0,53**	**0,04**	**1,12**	**0,26**	**1,37**	**0,08**	**0,98**	**0,68**
Specific CLR	**0,33**	**0,52**	**0,02**	**1,12**	**0,26**	**1,38**	**0,06**	**1,12**	**0,69**
Portfolio CLR	**0,01**	**0,01**	**0,02**	**(0,00)**	**0,00**	**(0,01)**	**0,02**	**(0,14)**	**(0,01)**
2015									
Total CLR	0,40	0,61	0,08	1,14	0,48	1,34	0,15	1,25	0,77
Specific CLR	0,30	0,50	0,00	1,14	0,34	1,39	0,12	1,26	0,70
Portfolio CLR	0,10	0,11	0,08	(0,00)	0,14	(0,05)	0,03	(0,01)	0,07

SUMMARY OF THE CREDIT LOSS RATIO BY BUSINESS UNIT

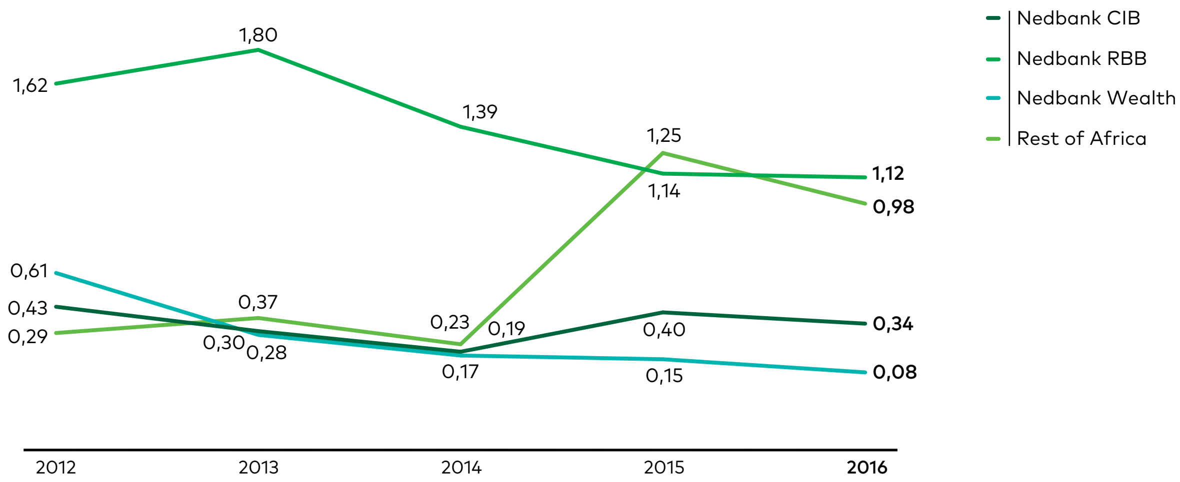
	Mix of average banking advances		Impairment charge				Credit loss ratio	
	2016	2015	2016		2015		2016	2015
	%	%	Rm	%	Rm	%	%	%
Nedbank Group	**100,0**	100,0	**4 554**	**100,0**	4 789	100	**0,68**	0,77
Nedbank CIB	**48,9**	47,6	**1 095**	**24,0**	1 188	24,8	**0,34**	0,40
Nedbank CIB, excluding Property Finance	**29,7**	14,1	**1 049**	**23,0**	1 091	22,8	**0,53**	0,61
Property Finance	**19,2**	18,8	**46**	**1,0**	97	2,0	**0,04**	0,08
Nedbank RBB	**43,9**	45,5	**3 261**	**71,6**	3 212	67,1	**1,12**	1,14
Business Banking	**9,9**	10,7	**173**	**3,8**	320	6,7	**0,26**	0,48
Retail[1]	**34,0**	34,8	**3 088**	**67,8**	2 892	60,4	**1,37**	1,34
Home Loans	**12,4**	13,1	**55**	**1,2**	48	1,0	**0,07**	0,06
MFC	**12,0**	12,0	**1 019**	**22,4**	790	16,5	**1,28**	1,06
Consumer Banking	**2,7**	2,8	**1 229**	**27,0**	1 297	27,1	**6,79**	7,34
Personal Loans	**2,6**	2,7	**1 179**	**25,9**	1 244	26,0	**6,92**	7,48
Client Engagement	**0,2**	0,1	**50**	**1,1**	53	1,1	**4,74**	5,16
Relationship Banking	**4,7**	4,6	**29**	**0,6**	33	0,7	**0,09**	0,12
Card	**2,2**	2,3	**756**	**16,6**	724	15,1	**5,13**	5,12
Nedbank Wealth	**4,4**	4,3	**22**	**0,5**	39	0,8	**0,08**	0,15
Rest of Africa	**2,7**	2,6	**177**	**3,9**	201	4,2	**0,98**	1,25

[1] *Retail numbers are based on the business units and not the products.*

- In spite of tough economic conditions, Nedbank has maintained a low CLR. This was mainly attributable to the proactive management of the portfolio and conservative provisioning within the group.
- All the cluster CLRs are below or within the TTC target range, which resulted in an improvement of the Nedbank Group CLR to 0,68% (2015: 0,77%).
- Nedbank CIB CLR decreased to 0,34% (2015: 0,40%) due to lower losses experienced in the resolution of defaulted advances and robust risk management of the portfolio.
  - Portfolio CLR decreased to 0,01% (2015: 0,10%) due to rating migrations within the book as well as the releases of portfolio impairments as a result of repayments from various clients.

- Nedbank RBB CLR improved to 1,12% (2015: 1,14%) due to the following:
  - Nedbank Business Banking CLR decreased to 0,26% (2015: 0,48%) and continued to reflect proactive and disciplined risk management practices with the higher level of recoveries and stable portfolio ratings in 2016.
  - Nedbank Retail CLR increased to 1,37% (2015: 1,34%) due to the higher provisions in secured lending off a low base offset by lower impairments in unsecured lending due to the better quality of the portfolio. The strong collection focus further reduced the CLR in Personal Loans to 6,92% (2015: 7,48%).

Nedbank Group credit loss ratio per cluster
(%)



Defaulted loans and advances

- Nedbank Group defaulted advances increased by 11,4% to R19 553m (2015: R17 559m), which was attributable to a combination of the new curing definition and continued adverse economic conditions. This resulted in the group defaulted advances as a percentage of group gross loans increasing to 2,72% (2015: 2,53%).
  - The implementation of the SARB driven new curing definition in our lending products impacted the classification of loans in Nedbank Retail, where we now hold an account in default for six months from the date on which the account originally cures. Although the new curing definition had a negative effect on defaulted advances, it provides a more conservative approach to risk management in the portfolio and does not impact the overall levels of impairments.
  - South African Reserve Bank (SARB) directive 7/2015 was included in the comparative figures and incorporated in the numbers as business as usual since 2015. This resulted in distressed cured defaulted accounts having been kept in defaulted status for six months after curing, instead of the previous three months.

	2016		2015
Group	**Actual**	**Excluding the new curing definition**	**Actual**
Defaulted advances	**19 553**	**18 445**	17 559
Defaulted advances as a % of gross loans and advances	**2,72**	**2,56**	2,53
Portfolio coverage	**0,69**	**0,69**	0,70
Specific coverage ratio	**37,4**	**39,3**	38,0
Total impairments as a % of gross loans and advances	**1,69**	**1,69**	1,65

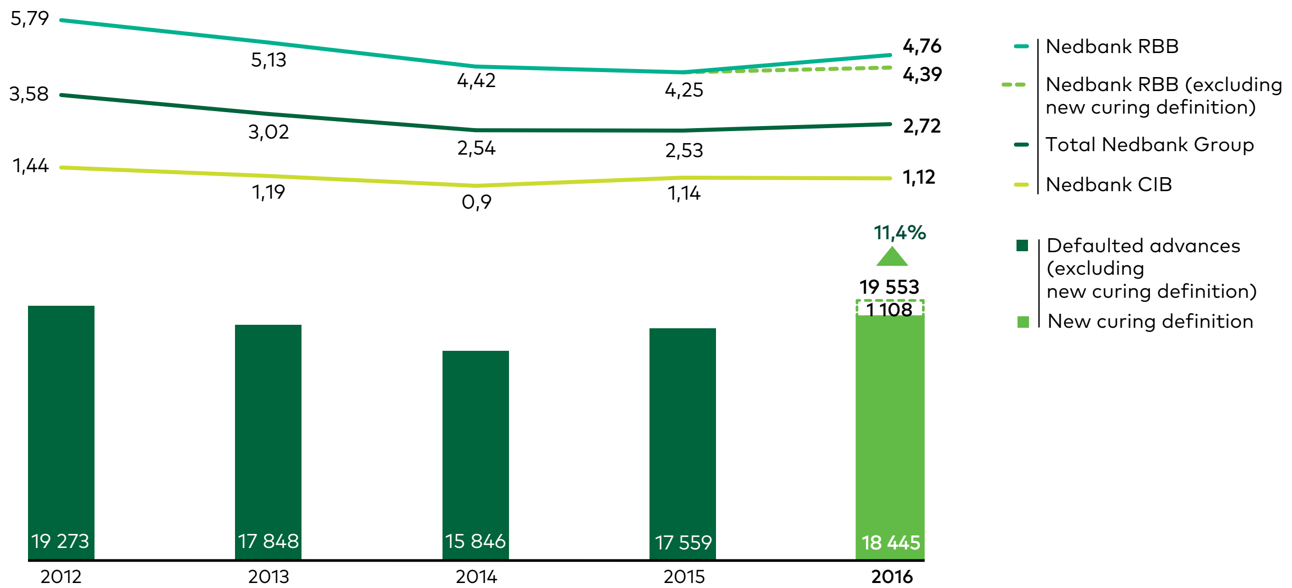
NEDBANK GROUP DEFAULTED LOANS AND ADVANCES BY BUSINESS UNITS

	2012		2013		2014		2015		2016	
	Rm	Mix %	Rm	Mix %	Rm	Mix %	Rm	Mix %	Rm	Mix %
Nedbank CIB	3 544	18,4	3 406	19,1	2 759	17,4	4 074	23,2	**4 176**	**21,4**
Nedbank CIB, excluding Property Finance	976	4,0	1 389	3,7	950	1,3	2 636	14,5	**2 815**	**14,4**
Property Finance	2 568	13,4	2 017	11,3	1 809	11,4	1 438	8,2	**1 361**	**7,0**
Nedbank RBB	15 046	78,1	13 736	77,0	12 266	77,4	12 263	69,8	**14 235**	**72,8**
Nedbank Business Banking	2 597	13,5	2 334	13,1	2 087	13,2	2 059	11,7	**2 142**	**11,0**
Nedbank Retail[1]	12 449	64,6	11 402	63,9	10 179	64,2	10 204	58,1	**12 093**	**61,8**
Home Loans	6 242	32,4	4 746	26,6	4 053	25,6	3 869	22,0	**4 880**	**25,0**
MFC	1 707	8,9	1 933	10,8	1 898	12,0	2 182	12,4	**2 539**	**13,0**
Personal Loans	2 607	13,5	2 828	15,8	2 502	15,8	2 297	13,1	**2 423**	**12,4**
Card	614	3,2	824	4,6	892	5,6	1 072	6,1	**1 323**	**6,8**
Nedbank Wealth	555	2,9	525	2,9	599	3,8	587	3,4	**608**	**3,1**
Rest of Africa	128	0,6	181	1,0	222	1,4	635	3,6	**534**	**2,7**
Nedbank Group	19 273	100,0	17 848	100,0	15 846	100,0	17 559	100,0	**19 553**	**100,0**

[1] *Retail numbers are based on the business units and not the products.*

- Nedbank CIB defaulted advances increased by 2,5% to R4 176m (2015: R4 074m). The slight increase in Nedbank CIB's defaulted advances reflects stress in new sectors following the settlement or successful restructuring of certain counters. Nedbank Property Finance defaulted advances decreased by 5,4% to R1 361m (2015: R1 438m) due to recoveries in the portfolio.
- Nedbank RBB total defaulted advances increased by 16,1% to R14 235m (2015: R12 263m) due to increased consumer pressure and the reclassification of R1 108m of performing loans as defaulted advances due to the implementation of the new curing definition. This resulted in an increase in defaulted advances as a percentage of gross loans to 4,76% (2015: 4,25%) and reduced specific coverage. Nedbank RBB continues to focus on improving collection efforts and strengthening effective client rehabilitation.
  - Excluding the impact of the new curing definition, Nedbank Retail total defaulted advances increased by 7,7% to R10 985m (2015: R10 204m), which is more reflective of the quality of the portfolio.

Defaulted advances as a percentage of gross loans and advances
(%)

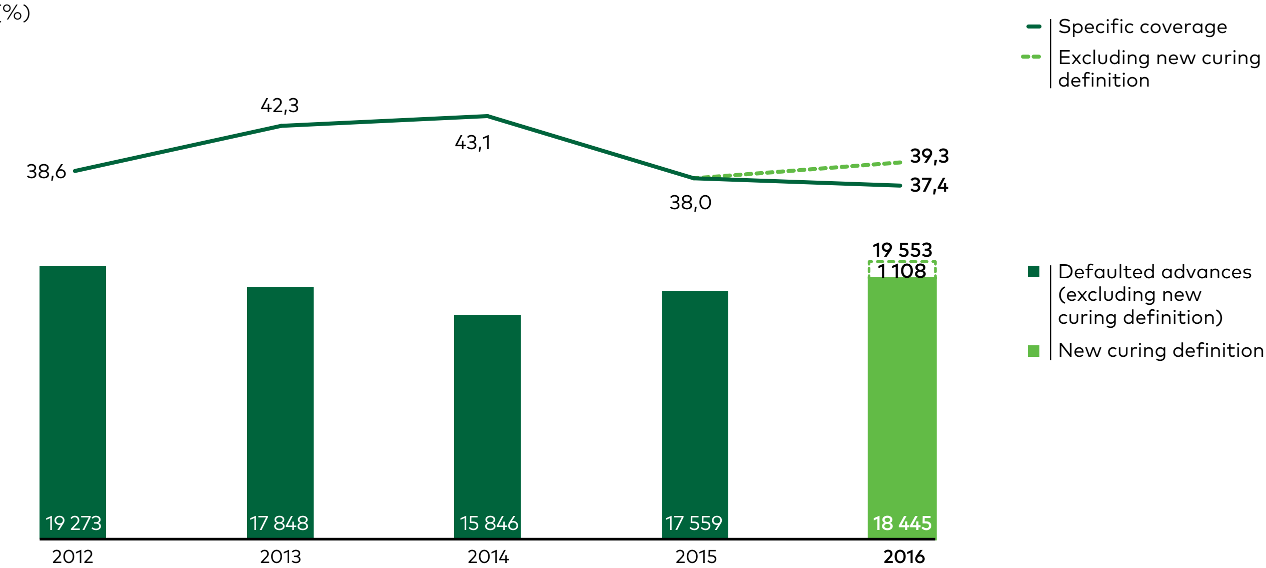


Balance sheet coverage ratio

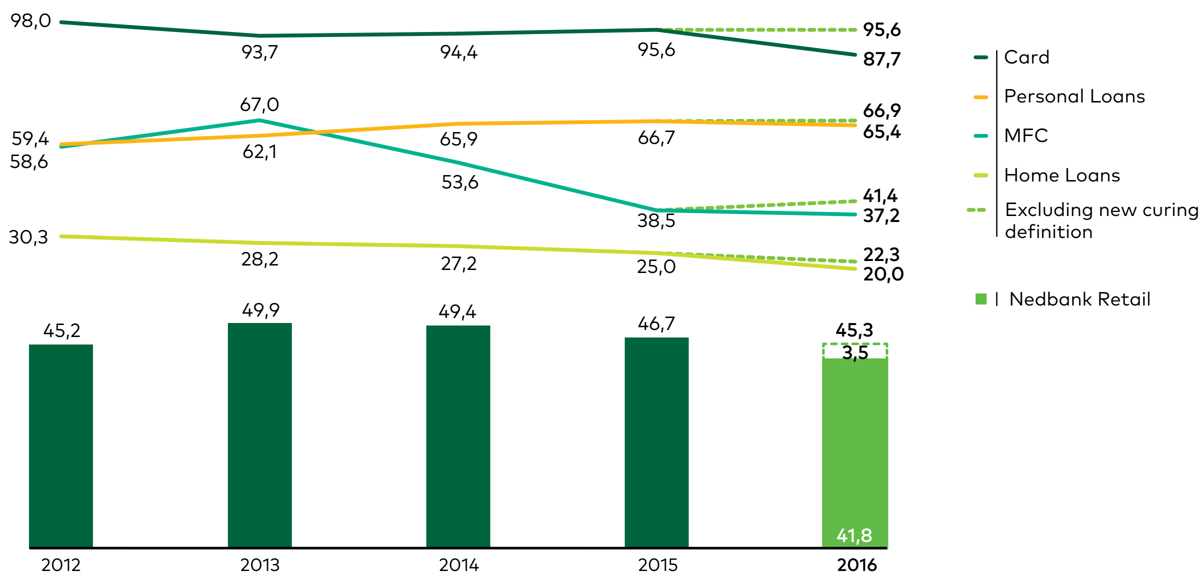
Loans and advances	Gross loans: Performing gross loans (Rm)[2]	Gross loans: Portfolio impairment (Rm)	Gross loans: Portfolio coverage ratio %	Defaulted loans and advances: Default loans and advances (Rm)	Defaulted loans and advances: Specific impairment (Rm)	Defaulted loans and advances: Specific coverage ratio %	Net total exposure (Rm)[2]
2016							
Nedbank CIB	**368 189**	**1 069**	**0,29**	**4 176**	**1 096**	**26,3**	**370 199**
Nedbank CIB, excluding Property Finance	**232 561**	**713**	**0,31**	**2 815**	**811**	**28,8**	**233 851**
Property Finance	**135 628**	**356**	**0,26**	**1 361**	**285**	**21,0**	**136 348**
Nedbank RBB	**284 555**	**3 052**	**1,07**	**14 235**	**5 855**	**41,1**	**289 882**
Nedbank Business Banking	**63 179**	**602**	**0,95**	**2 142**	**805**	**37,6**	**63 914**
Nedbank Retail[1]	**221 376**	**2 450**	**1,11**	**12 093**	**5 050**	**41,8**	**225 968**
Nedbank Wealth	**28 123**	**36**	**0,13**	**608**	**118**	**19,4**	**28 577**
Rest of Africa	**19 471**	**178**	**0,91**	**534**	**245**	**46,1**	**19 582**
Nedbank Group	**696 673**	**4 832**	**0,69**	**19 553**	**7 317**	**37,4**	**707 077**
2015							
Nedbank CIB	353 446	1 038	0,29	4 074	697	17,1	355 785
Nedbank CIB, excluding Property Finance	232 088	701	0,30	2 636	355	30,8	233 668
Property Finance	121 358	337	0,28	1 438	342	23,8	122 117
Nedbank RBB	276 339	3 075	1,11	12 263	5 597	45,6	279 929
Business Banking	64 114	605	0,94	2 059	832	40,5	64 735
Retail[1]	212 225	2 470	1,16	10 204	4 765	46,7	215 194
Nedbank Wealth	27 774	33	0,12	587	122	20,8	28 206
Rest of Africa	16 248	104	0,64	635	265	41,6	16 515
Nedbank Group	675 484	4 747	0,70	17 559	6 664	38,0	681 632

[1] *The numbers are based on the various business units within Nedbank RBB and not the individual products.*
[2] *Performing gross loans exclude Centre as it is immaterial.*

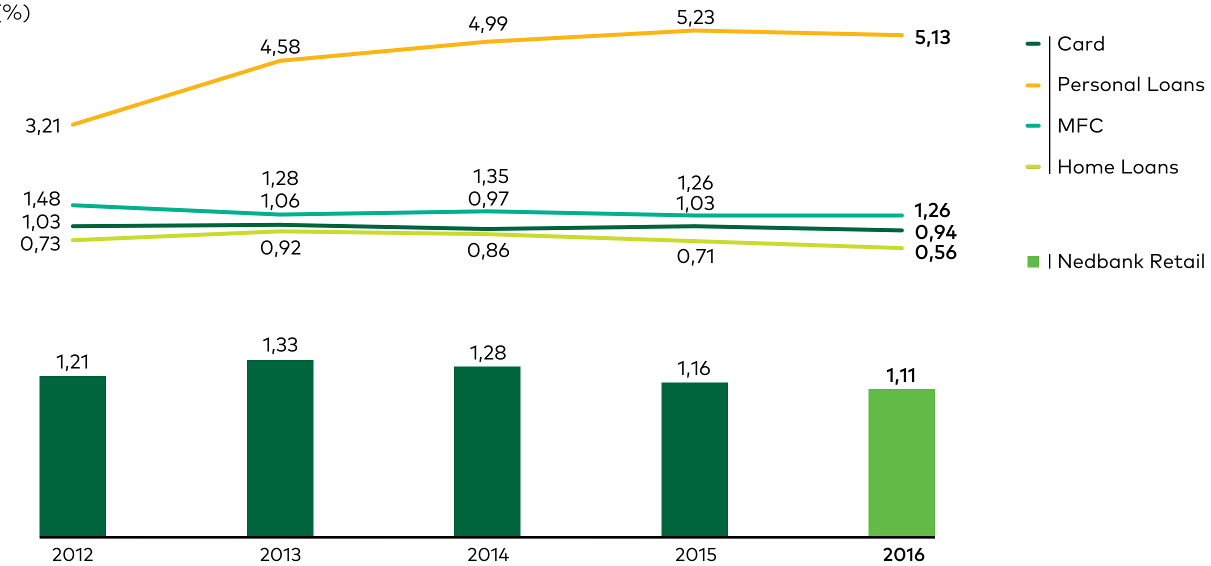
Nedbank Group's defaulted advances and specific coverage ratio
(%)



Nedbank Retail[1] specific coverage ratio
(%)



Nedbank Retail[1] portfolio coverage ratio
(%)



1 *The numbers are based on the various business units within Nedbank RBB and not the individual products.*

NEDBANK GROUP COVERAGE RATIOS BY BUSINESS CLUSTER

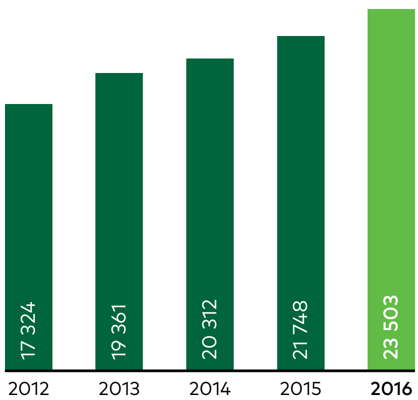
%	2012[1]	2013[1]	2014[1]	2015	2016
Specific coverage ratio	38,6	42,3	43,1	38,0	**37,4**
Nedbank CIB	22,3	23,6	27,7	17,1	**26,3**
Nedbank CIB excluding Property Finance	37,9	33,7	36,4	13,4	**28,8**
Property Finance	16,4	16,7	23,1	23,8	**21,0**
Nedbank RBB	43,4	47,5	47,6	45,6	**41,1**
Nedbank Business Banking	34,4	35,8	38,5	40,5	**37,6**
Nedbank Retail	45,2	49,9	49,4	46,7	**41,8**
Nedbank Wealth	15,9	26,9	23,9	20,8	**19,4**
Rest of Africa	43,8	47,0	47,3	41,6	**46,1**
Portfolio coverage ratio	0,66	0,68	0,70	0,70	**0,69**
Nedbank CIB	0,22	0,21	0,24	0,29	**0,29**
Nedbank CIB excluding Property Finance	0,22	0,21	0,24	0,30	**0,31**
Property Finance	0,20	0,22	0,22	0,28	**0,26**
Nedbank RBB	1,07	1,18	1,17	1,11	**1,07**
Nedbank Business Banking	0,62	0,72	0,82	0,94	**0,95**
Nedbank Retail	1,21	1,33	1,28	1,16	**1,11**
Nedbank Wealth	0,12	0,12	0,10	0,12	**0,13**
Rest of Africa	0,72	0,70	0,53	0,64	**0,91**

[1] *Property Finance specific coverage ratio was restated to correctly reflect the split within Nedbank CIB.*

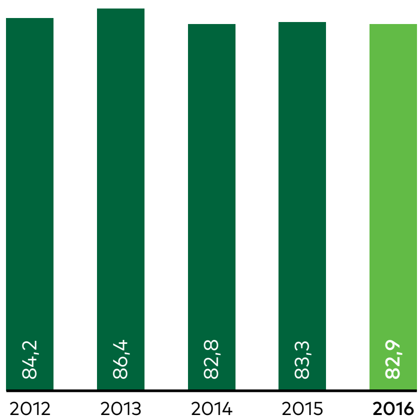
- The group specific coverage ratio decreased to 37,4% (2015: 38,0%) due to lower specific coverage as a result of the implementation of the new curing definition in Nedbank Retail and the collateralised nature of the Nedbank CIB defaulted portfolio. The group portfolio coverage ratio remains stable at 0,69% (2015: 0,70%).
- Nedbank CIB specific coverage increased to 26,3% (2015: 17,1%), in line with settlement and/or restructures of certain counter. Wholesale specific impairments are determined on a deal-by-deal basis and are mostly secured by collateral including deep security pools held against our commercial property portfolio.
  - Nedbank Property Finance loans and advances are highly collateralised with low LTVs ratios, relatively lower loss expectations in the event of default and therefore a low specific coverage of 21,0% (2015: 23,8%).
  - Nedbank CIB portfolio coverage remained stable at 0,29% (2015: 0,29%).
- While the new curing definition impacted portfolio and specific coverage ratios, provisions overall were strengthened, increasing the total impairments as a percentage of gross loans and advances to 1,69% (2015: 1,65%).
- Nedbank RBB accounts for 72,8% (2015: 69,8%) of total defaulted advances, with specific coverage of 41,1% (2015: 45,6%). Nedbank Retail specific coverage decreased to 41,8% (2015: 46,7%), driven by the implementation of the new curing definition. If we exclude the impact of the new curing definition, specific coverage would have been 45,3%, which is in line with the industry average and the change in mix of secured and unsecured advances.
- Nedbank RBB portfolio coverage decreased to 1,07% (2015: 1,11%) in line with improvement in asset quality in the portfolio and the effects of the new curing definition. The Business Banking portfolio coverage remained stable at 0,95% (2015: 0,94%).

3 Non-interest revenue

Non-interest revenue
(Rm)



Non-interest revenue to total operating expenses
(%)



	Nedbank Group		Nedbank Corporate and Investment Banking	
Rm	**2016**	2015	**2016**	2015
Commission and fee income	**16 686**	15 627	**2 829**	2 431
Administration fees	**1 085**	899	**8**	20
Cash-handling fees	**936**	883	**200**	170
Insurance commission	**582**	679		
Exchange commission	**532**	522	**152**	155
Other fees	**2 462**	2 587	**1 291**	1 154
Guarantees income	**189**	187	**132**	127
Card income	**3 485**	3 272		
Service charges	**4 043**	3 706	**46**	39
Other commission	**3 372**	2 892	**1 000**	766
Insurance income	**1 727**	1 830		
Fair-value adjustments	**–**	(9)	**(61)**	81
Fair-value adjustments	**(73)**	(99)	**(61)**	81
Fair-value adjustments – own long-term debt	**73**	90		
Trading income	**3 761**	3 167	**3 578**	3 009
Foreign exchange	**1 449**	1 306	**1 266**	1 148
Debt securities	**1 933**	1 545	**1 933**	1 545
Equities	**332**	296	**332**	296
Commodities	**47**	20	**47**	20
Private-equity income	**929**	886	**929**	909
Security dealing – realised[1]	**(41)**	394	**(41)**	417
Security dealing – unrealised[1]	**451**	(157)	**451**	(157)
Dividends received	**179**	384	**179**	384
Other income[2]	**138**	76	**138**	76
Interest and distribution	**202**	189	**202**	189
Investment income	**26**	58	**8**	28
Dividends received	**15**	43	**8**	28
Long-term-assets sales	**11**	15		
Sundry income	**374**	189	**170**	50
Total non-interest revenue	**23 503**	21 748	**7 453**	6 508

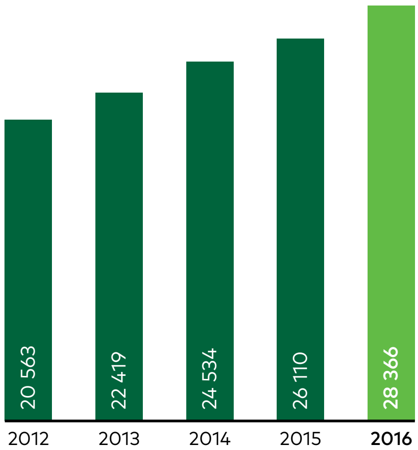
[1] *During the year R127m (Dec 2015: R277m) previously reported as unrealised income was realised, resulting in a reversal of unrealised income to realised income.*
[2] *Primarily made up of gains on sale of property development assets.*

Favourable	Unfavourable
■ Continued increase in main-banked client numbers, transactional wins and cross-sell across the group, driving commission and fee growth.	■ Impact of interchange effective 17 March 2015. ■ Run rate effect of bank fee reductions in Business Banking and RRB in the second half of 2014. ■ Increased weather-related claims.

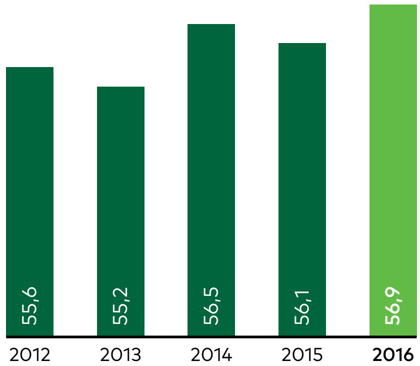
	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	11 325	10 574	**1 913**	2 047	**661**	622	**(42)**	(47)
	523	444	**478**	377	**60**	52	**16**	6
	698	623	**1**	2	**37**	88		
	427	433	**120**	216	**35**	30		
	219	226	**95**	82	**63**	57	**3**	2
	80	65	**1 161**	1 395	**5**	45	**(75)**	(72)
	47	48			**10**	12		
	3 447	3 243			**38**	28		1
	3 709	3 452	**31**	26	**257**	189		
	2 175	2 040	**27**	(51)	**156**	121	**14**	16
	262	319	**1 459**	1 527	**58**	56	**(52)**	(72)
	5	(74)			**(2)**	4	**58**	(20)
	5	(74)			**(2)**	4	**(15)**	(110)
							73	90
	78	75			**105**	83		
	78	75			**105**	83		
								(23)
								(23)
	12	11	**1**	9	**3**	2	**2**	8
	1	1	**1**	1	**3**	2	**2**	11
	11	10		8				(3)
	42	67	**37**	10	**52**	52	**73**	10
	11 724	10 972	**3 410**	3 593	**877**	819	**39**	(144)

4 Expenses

Total operating expenses
(Rm)



Efficiency ratio
(%)



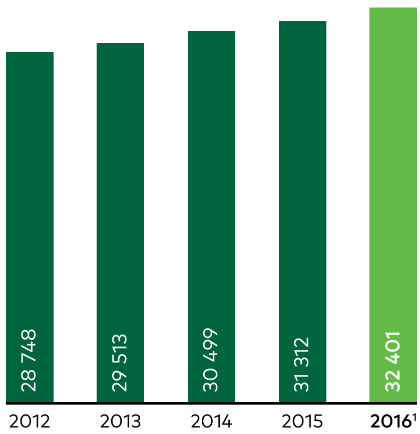
	Nedbank Group		Nedbank Corporate and Investment Banking	
Rm	**2016**	**2015**	**2016**	**2015**
Staff costs	**15 524**	14 296	**2 701**	2 433
Salaries and wages	**12 643**	11 700		
Short-term incentives	**2 391**	2 163		
Long-term employee benefits	**(58)**	21		
Share-based payment expenses - employees	**548**	412		
Computer processing	**4 047**	3 543	**512**	486
Depreciation for computer equipment	**617**	445		
Amortisation of computer software	**799**	718		
Operating lease charges for computer equipment	**394**	320		
Other computer processing expenses	**2 237**	2 060		
Communication and travel[1]	**830**	856	**243**	251
Occupation and accommodation[2]	**2 291**	2 041	**257**	228
Marketing and public relations	**1 685**	1 595	**91**	76
Fees and insurances	**3 040**	2 801	**760**	718
Office equipment and consumables[3]	**568**	579	**117**	90
Other sundries	**307**	334	**55**	60
Amortisation of intangible assets	**74**	65		
Activity-justified transfer pricing	**–**	–	**1 015**	763
Total operating expenses	**28 366**	26 110	**5 751**	5 105

Included in expenses are depreciation charges for:
[1] *Vehicles R6m (R5)*
[2] *Buildings R392 (R332)*
[3] *Furniture R230 (R245)*

Analysis of total information technology-related function spend included in total expenses	**2016**	**2015**
Depreciation and amortisation of computer equipment, software and intangibles	**1 415**	1 163
Other IT-costs (including licensing, development, maintenance and processing charges)	**2 612**	2 310
Total IT-related functional spend[1]	**4 027**	3 473

[1] *Group Technology staff costs not included.*

Total employees
(permanent staff)



[1] *Includes 509 Banco Único permanent staff following consolidation of Banco Único with effect from October 2016.*

Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
7 472	7 031	**1 428**	1 341	**889**	753	**3 034**	2 738
919	794	**145**	121	**83**	90	**2 388**	2 052
377	390	**69**	66	**51**	46	**90**	103
1 835	1 700	**125**	115	**168**	137	**(94)**	(139)
924	892	**106**	108	**48**	48	**516**	471
1 268	1 094	**140**	364	**207**	119	**665**	506
296	296	**17**	16	**40**	30	**98**	147
108	178	**27**	33	**21**	32	**96**	31
		64	64	**10**	1		
5 234	4 702	**583**	502	**370**	270	**(7 202)**	(6 237)
18 433	17 077	**2 704**	2 730	**1 887**	1 526	**(409)**	(328)

EXPENSES

Favourable	Unfavourable
■ Synergies and cost savings across the bank ■ Managing our costs wisely across discretionary spend items. ■ As part of '250 to 60' IT system rationalisation, a reduction of core systems by 106 to date.	■ Higher variable performance-related incentives largely driven by performance of our managed operations. ■ Continued cost of regulatory compliance. ■ Capitalisation of IT projects and branch reformatting costs. ■ Higher volumes of revenue-generating activities such as cash handling and card issuing and acquiring.

5 Non-trading and capital items

Rm	2016 Gross	2016 Net of taxation	2015 Gross	2015 Net of taxation
Profit attributable to ordinary equity holders of the parent		**10 132**		10 721
Non-trading and capital items	**1 363**	**1 333**	141	110
IFRS 3 – Fair value loss on remeasurement of previously held interest	**15**	**15**		
IAS 16 – Loss on disposal of property and equipment	**44**	**32**	35	35
IAS 21 – Recycled foreign currency translation loss – Banco Único	**203**	**203**		
IAS 28 – Loss on dilution of shareholding in ETI	**17**	**17**		
IAS 28 – Impairment provision for ETI	**1 000**	**1 000**		
IAS 36 – Impairment of property and equipment			8	7
IAS 38/IAS 39 – Impairment of intangible and available-for-sale assets	**141**	**105**	110	80
IAS 39 – Profit on sale of available-for-sale financial assets	**(63)**	**(45)**	(12)	(12)
IAS 40 – Loss on disposal of investment properties	**6**	**6**		
Headline earnings		**11 465**		10 831

6 Taxation charge

	2016	2015
Total tax charge for the year (Rm)	**3 955**	3 519
Taxation rate reconciliation (excluding non-trading and capital items) (%)		
Standard rate of SA normal taxation	**28,0**	28,0
Reduction of taxation rate:		
– Dividend income	**(2,1)**	(1,6)
– Capital items		0,1
– Foreign income and in terms of 9D	**(0,8)**	(0,1)
– Associate loss/(income)	**0,2**	(1,6)
– Other	**(0,4)**	(0,8)
Total taxation charge for the year as percentage of profit before taxation	**24,9**	24,0

7 Preference shares

Dividends declared	Number of shares	Cents per share	Amount Rm
2017			
Nedbank – Final (dividend no 28) declared for 2016 - payable April 2017[1]	**358 277 491**	**43,98905**	**157,6**
2016			
Nedbank – Final (dividend no 26) declared for 2015 – paid April 2016	**358 277 491**	**40,01711**	**143,4**
Nedbank – Interim (dividend no 27) declared for 2016 – paid September 2016	**358 277 491**	**42,75385**	**153,1**
Total of dividends declared			**296,5**
Nedbank (MFC) – participating preference shares			**80,0**
Less: Dividends in respect of shares held by group entities			**(15,9)**
			360,6
2015			
Nedbank – Final (dividend no 24) declared for 2014 – paid March 2015	358 277 491	38,76140	138,9
Nedbank – Interim (dividend no 25) declared for 2015 – paid September 2015	358 277 491	38,22487	136,9
Total of dividends declared			275,8
Nedbank (MFC) – participating preference shares			94,7
Profit attributable to preference shareholders			370,5

[1] *The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA), previously 15%, which will result in a net dividend of 35,19124 cents per share to those shareholders who are not exempt from paying dividend tax or not entitled to a reduced rate in terms of an applicable double-tax agreement.*

Statement of financial position analysis

8 Loans and advances

	Gross loans		Balance sheet impairments		Net		
	Rm	Change %	Rm	Mix %	Rm	Mix %	Change %
2016							
Nedbank CIB	**372 364**	**4,2**	**(2 165)**	**17,8**	**370 199**	**52,4**	**4,1**
Trading book	**35 086**	**2,9**			**35 086**	**5,0**	**2,9**
Banking book	**337 278**	**4,3**	**(2 165)**	**17,8**	**335 113**	**47,4**	**4,2**
Nedbank CIB excluding property finance	**235 375**	**0,3**	**(1 524)**	**12,5**	**233 851**	**26,6**	**0,0**
Property Finance	**136 989**	**11,6**	**(641)**	**5,3**	**136 348**	**19,3**	**11,7**
Nedbank RBB	**298 789**	**3,5**	**(8 907)**	**73,3**	**289 882**	**41,0**	**3,6**
Nedbank Business Banking	**65 320**	**(1,3)**	**(1 407)**	**11,6**	**63 914**	**9,0**	**(1,3)**
Nedbank Retail[1]	**233 469**	**5,0**	**(7 500)**	**61,7**	**225 968**	**32,0**	**5,0**
Home Loans	**83 441**	**2,2**	**(1 415)**	**11,6**	**82 027**	**11,6**	**2,4**
MFC	**85 090**	**7,7**	**(1 985)**	**16,3**	**83 105**	**11,8**	**7,7**
Consumer Banking	**18 326**	**6,4**	**(2 523)**	**20,8**	**15 803**	**2,2**	**6,7**
Personal Loans	**17 468**	**7,2**	**(2 355)**	**19,4**	**15 112**	**2,1**	**7,7**
Client Engagement	**858**	**(6,4)**	**(168)**	**1,4**	**691**	**< 0,1**	**(9,4)**
Relationship Banking	**31 738**	**3,6**	**(289)**	**2,4**	**31 449**	**4,4**	**3,8**
Card	**14 848**	**6,3**	**(1 288)**	**10,6**	**13 560**	**1,9**	**5,9**
Other[2]	**25**	**25,0**		**< 0,1**	**24**	**< 0,1**	**25,0**
Nedbank Wealth	**28 731**	**1,3**	**(154)**	**1,3**	**28 577**	**4,0**	**1,3**
Rest of Africa	**20 005**	**18,5**	**(423)**	**3,5**	**19 582**	**2,8**	**18,6**
Centre	**(663)**	**< (100,0)**	**(499)**	**4,1**	**(1 163)**	**< 0,1**	**< (100,0)**
Nedbank Group	**719 226**	**3,8**	**(12 149)**	**100,0**	**707 077**	**100,0**	**3,7**
Trading book	**35 086**	**2,9**			**35 086**	**5,0**	**2,9**
Banking book	**684 139**	**3,8**	**(12 149)**	**100,0**	**671 991**	**95,1**	**3,8**
2015							
Nedbank CIB	357 519	16,6	(1 735)	17,2	355 784	52,2	16,6
Trading book	34 085	26,2			34 085	5,0	26,2
Banking book	323 434	15,7	(1 735)	17,2	321 700	47,2	15,7
Nedbank CIB excluding Property Finance	234 723	19,2	(1 056)	9,3	233 666	19,2	18,3
Property Finance	122 796	11,8	(679)	6,0	122 118	17,9	11,9
Nedbank RBB	288 601	3,9	(8 672)	76,0	279 929	41,1	4,1
Nedbank Business Banking	66 172	(1,5)	(1 437)	12,6	64 735	9,5	(1,6)
Nedbank Retail[1]	222 429	5,6	(7 235)	63,4	215 194	31,6	6,0
Home Loans	81 613	0,9	(1 516)	13,3	80 097	11,8	1,2
MFC	78 975	7,2	(1 806)	15,8	77 169	11,3	7,6
Consumer Banking	17 216	(4,6)	(2 418)	21,2	14 798	2,2	(4,7)
Personal Loans	16 300	(4,5)	(2 264)	19,8	14 036	2,1	(4,5)
Client Engagement	916	(6,0)	(154)	1,3	762	0,1	(8,1)
Relationship Banking	30 621	24,2	(337)	3,0	30 284	4,4	24,7
Card	13 968	4,6	(1 158)	10,1	12 810	1,9	3,3
Other[2]	36	(37,2)			36	< 0,1	(37,2)
Nedbank Wealth	28 361	13,5	(155)	1,4	28 206	4,1	13,6
Rest of Africa	16 883	18,5	(368)	3,2	16 515	2,4	17,4
Centre	1 679	> 100,0	(481)	4,2	1 198	0,2	> 100,0
Nedbank Group	693 043	11,0	(11 411)	100,0	681 632	100,0	11,2
Trading book	34 085	26,2			34 085	5,0	26,2
Banking book	658 959	10,4	(11 411)	100,0	647 548	95,0	10,5

[1] *Retail numbers are based on the business units and not the products*
[2] *The other line item includes Retail Central Unit, Human Resources, Risk, Prospects and strategy, Finance Divisional Management*

8 Loans and advances (continued)

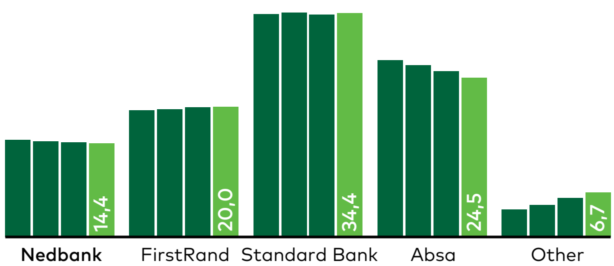
SEGMENTAL BREAKDOWN

Rm	Nedbank Group 2016	Nedbank Group 2015	Nedbank Corporate and Investment Banking 2016	Nedbank Corporate and Investment Banking 2015	Nedbank Retail and Business Banking 2016	Nedbank Retail and Business Banking 2015
Home loans	**145 276**	142 773	**8**	8	**124 771**	122 060
Commercial mortgages	**151 740**	136 793	**125 909**	112 281	**17 220**	16 648
Properties in possession	**250**	354	**94**	210	**92**	101
Credit cards	**14 870**	14 063			**14 812**	14 025
Overdrafts	**18 871**	15 833	**3 478**	1 766	**11 218**	11 161
Term loans	**122 085**	110 318	**98 225**	88 897	**19 247**	18 308
Personal loans	**19 252**	17 842			**17 475**	16 311
Other term loans	**102 833**	92 476	**98 225**	88 897	**1 772**	1 997
Overnight loans	**21 913**	27 527	**20 626**	26 509	**1 035**	584
Other loans to clients	**97 984**	99 313	**85 194**	83 736	**6 414**	7 053
Foreign client lending	**26 871**	22 772	**26 092**	21 221	**206**	491
Remittances in transit	**371**	201	**1**	2	**182**	101
Other loans[1]	**70 742**	76 340	**59 101**	62 513	**6 026**	6 461
Leases and instalment debtors	**105 481**	99 863	**3 127**	3 280	**98 970**	93 332
Preference shares and debentures	**20 078**	20 698	**20 049**	20 659		
Factoring accounts	**5 010**	5 329			**5 010**	5 329
Deposits placed under reverse repurchase agreements	**15 654**	20 173	**15 654**	20 173		
Trade, other bills and bankers' acceptances	**14**	6				
Loans and advances before impairments	**719 226**	693 043	**372 364**	357 519	**298 789**	288 601
Impairment of advances	**(12 149)**	(11 411)	**(2 165)**	(1 735)	**(8 907)**	(8 672)
Total loans and advances	**707 077**	681 632	**370 199**	355 784	**289 882**	279 929
Comprises:						
– Loans and advances to clients	**689 648**	663 314	**344 621**	329 576	**298 607**	288 500
– Loans and advances to banks	**29 578**	29 729	**27 743**	27 943	**182**	101
Loans and advances before impairments	**719 226**	693 043	**372 364**	357 519	**298 789**	288 601

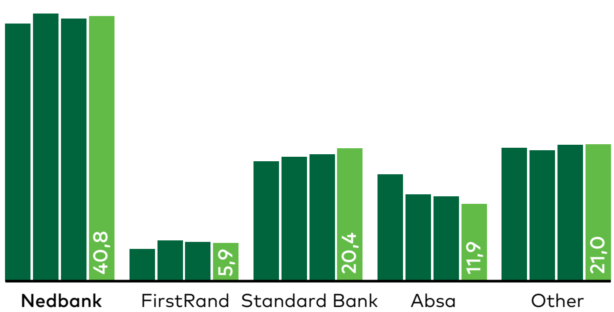
[1] *Represents mainly loans relating to Specialised Finance and Debt Capital Markets in Nedbank Corporate and Investment Banking.*

Market share as per BA900

Home loans (2013 – 2016)
(%)

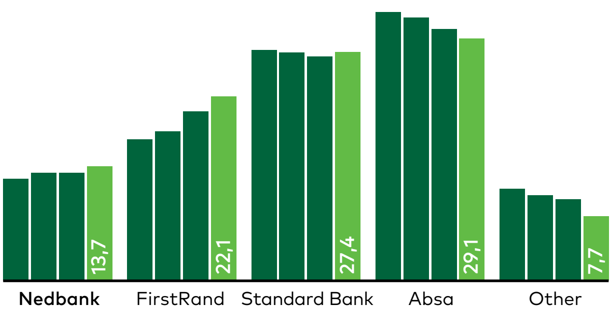


Commercial mortgage loans (2013 – 2016)
(%)

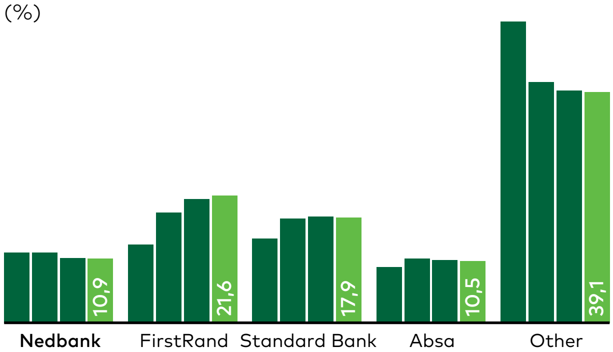


	Nedbank Wealth		Rest of Africa		Centre	
	2016	2015	**2016**	2015	**2016**	2015
	14 939	15 995	**5 784**	4 908	**(226)**	(198)
	8 172	6 892	**1 045**	1 244	**(606)**	(272)
	38	43	**26**			
			58	38		
	144	155	**4 031**	2 751		
	1 283	1 587	**3 333**	1 529	**(3)**	(3)
	27	26	**1 750**	1 505		
	1 256	1 561	**1 583**	24	**(3)**	(3)
			252	434		
	4 104	3 424	**2 127**	2 947	**145**	2 153
			573	1 060		
	(1)		**189**	77		21
	4 105	3 424	**1 365**	1 810	**145**	2 132
	50	264	**3 335**	3 026	**(1)**	(39)
	1	1			**28**	38
			14	6		
	28 731	28 361	**20 005**	16 883	**(663)**	1 679
	(154)	(155)	**(423)**	(368)	**(500)**	(481)
	28 577	28 206	**19 582**	16 515	**(1 163)**	1 198
	27 788	27 566	**19 295**	16 012	**(663)**	1 660
	943	795	**710**	871		19
	28 731	28 361	**20 005**	16 883	**(663)**	1 679

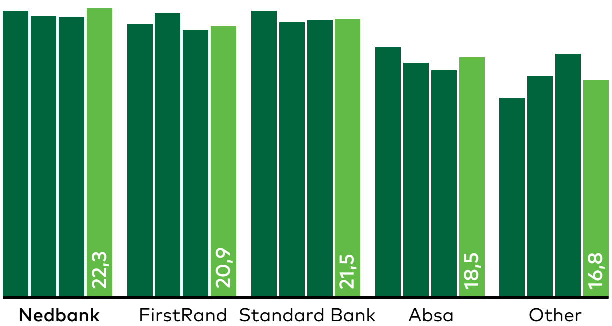
Credit cards (2013 – 2016)
(%)



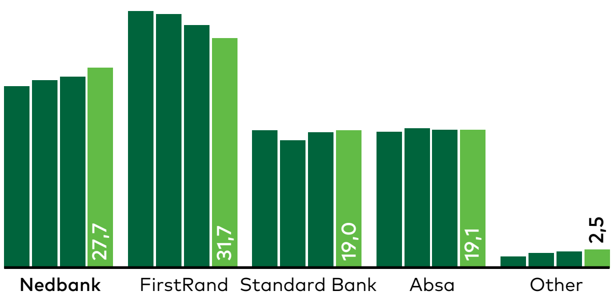
Personal loans (2013 – 2016)
(%)



Core corporate loans[1] (2013 – 2016)
(%)



Instalment credit (2013 – 2016)
(%)



[1] *Core corporate loans comprise commercial mortgages, corporate overdrafts, corporate credit cards, corporate instalment credit, foreign sector loans, public sector loans, preference shares, factoring accounts and other corporate loans.*

Gross loans and advances

- Despite the unfavourable economic environment, Nedbank Group's gross loans and advances grew by 3,8% to R719 226m (2015: R693 043m), driven by Nedbank CIB, Nedbank Retail and consolidation of our acquistion of Banco Único from October 2016.
- Nedbank CIB gross loans and advances increased by 4,2% to R372 364m (2015: R357 519m) comprising a 4,3% increase in the banking book and a 2,9% increase in the trading book to R35 086m (2015: R34 085m).
  - Gross banking book advances grew to R337 278m (2015: R323 434m) as a result of good pipeline conversion rates across sector-focused businesses driven by our long-term investment banking activities.
    - Nedbank Property Finance grew by 11,6% to R136 989m (2015: R122 796m) and maintained its dominant local market share position. The portfolio contains good-quality assets, high levels of collateral, a low average loan-to-value (LTV) and a highly experienced management team who are market leaders in property finance in SA.
- Nedbank RBB gross loans and advances grew by 3,5% to R298 789m (2015: R288 601m).
  - Nedbank Retail gross loans and advances grew by 5,0% to R233 469m (2015: R222 429m) due to continued selective origination strategies targeting low-risk economically profitable clients. Consequently MFC and Card gained market share within the current risk appetite. Further innovations were undertaken to enable sustainable growth within the current risk appetite, while improving client experience and assisting in growing our main-banked transactional franchise.
    - Despite the current slowdown in growth across the vehicle finance sector, MFC's gross loans and advances grew by 7,7% to R85 090m (2015: R78 975m) due to its leading position in the secondhand and affordable-vehicle markets.
    - Personal Loans gross loans and advances grew by 7,2% to R17 468m (2015: R16 300m) due to improving sales effectiveness and productivity, increased marketing presence as well as an improved onboarding process.
    - Card grew by 6,3% to R14 848m (2015: R13 968m), which is above the industry average.
    - Home Loans gross loans and advances grew by 2,2% to R83 441m (2015: R81 613m), with loans and advances to clients increasing by 1,8% due to the use of our easy-to-use online application process, which has been enhanced to include building and development loans.
  - Nedbank Business Banking gross loans and advances decreased by 1,3% to R65 320m (2015: R66 172m) due to a tough economic environment as evidenced by lower business confidence and the migration of clients to the Nedbank CIB and Relationship Banking businesses.
- Nedbank Rest of Africa grew by 18,5% to R20 005m (2015: R16 883m). This was due to growth in all subsidiaries, with the rollout of new products and focused growth strategies for all the countries, and the inclusion of Banco Único, which contributed R2bn to the portfolio. Excluding Banco Único, the growth in Nedbank Rest of Africa was 6,6%.

9 Investment securities

Rm	2016	2015
Listed investments	**35**	449
Unlisted investments	**3 564**	3 107
Taquanta Asset Managers portfolio	**430**	433
Strate Limited	**130**	57
Private-equity portfolio	**713**	706
Other	**2 291**	1 911
Total listed and unlisted investments	**3 599**	3 556
Listed policyholder investments at market value	**8 673**	8 212
Unlisted policyholder investments at directors' valuation	**2 055**	1 467
Net policyholder liabilities	**(102)**	(80)
Total policyholder investments	**10 626**	9 599
Total investment securities	**14 225**	13 155

Total private-equity investments

Rm	2016	2015
Summary of total private-equity investments		
Investment securities	**732**	772
Investment in associates	**2 357**	1 162
Unlisted property investments	**1 749**	668
Unlisted other investments[1]	**608**	494
Private-equity shareholder loans and mezzanine debt facilities	**2 622**	3 619
Total private-equity investments	**5 711**	5 553

[1] *The unlisted other investments has been restated to align with the investment in private equity associates reflected below. This was previously reported as R487m in 2015.*

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

Name of company and nature of business	Equity-accounted earnings Rm		Carrying amount Rm		Net indebtedness of loans to/(from) associates Rm	
	2016	2015	2016	2015	2016	2015
Private-equity associates and associate companies						
Listed						
ETI[1]	**(125)**	870	**3 978**	7 808	**500**	209
Unlisted						
Individually immaterial associates[2]:						
– Private-equity associates[3]			**608**	494	**191**	226
– Property investment associates[4]			**1 627**	576	**1 138**	1 757
Other	**(18)**	1	**232**	250		4
Joint arrangements						
Unlisted						
Banco Único, SA (Mozambique)[5]	**38**			359		
Individually immaterial joint arrangements			**122**	92	**127**	140
	(105)	871	**6 567**	9 579	**1 956**	2 336

[1] *Ecobank Transnational Incorporated is a pan-African bank and its shares are listed on the stock exchanges of Nigeria, Ghana and Ivory Coast. The percentage holding in ETI at December 2016 was 21,2% (2015: 21,8%).*
[2] *Represents various investments that are not individually material.*
[3] *Represents private-equity associates in manufacturing, industrial, leisure and other.*
[4] *Represents private-equity associates in the property sector.*
[5] *With effect from October 2016 the group's percentage holding in Banco Único increased to 50% plus one share, which resulted in Banco Único being classified as a subsidiary. The percentage holding in Banco Único at December 2015 was 38,3%.*

Equity risk in the banking book

		2016	2015
Total equity portfolio	(Rm)	**10 166**	13 136
Disclosed at fair value	(Rm)	**5 956**	4 719
Equity-accounted	(Rm)	**4 210**	8 417
% of total assets	(%)	**1,1**	1,4
% of group minimum economic capital requirement	(%)	**4,6**	5,2

- Equity investments in the banking book are primarily undertaken by Nedbank CIB. Any additional investments are undertaken as a result of operational or strategic requirements.
- The Nedbank board sets the overall risk appetite and strategy of the group for equity risk, and business compiles portfolio objectives and investment strategies for its investment activities. These address the types of investments, expected business returns, desired holding periods, diversification parameters and other elements of sound investment management oversight.
- The ETI strategic investment is accounted for under the equity method of accounting and is therefore not carried at fair-value. Equity investments that are accounted for under the equity method of accounting total R4 210m (2015: R8 417m). During the reporting period, Nedbank acquired control of Banco Único and accordingly this previously equity-accounted investment has been consolidated from 3 October 2016.

ACCOUNTING RECOGNITION OF ETI

Rm	2016	2015
Opening carrying value	**7 808**	6 344
Share of associate (loss)/earnings[1,2]	**(125)**	870
Share of other comprehensive income[1,2]	**(1 700)**	(229)
Foreign currency translation[3]	**(829)**	823
Dividends and other[4]	**(176)**	–
Subtotal	**4 978**	7 808
Impairment provision	**(1 000)**	–
Closing carrying value	**3 978**	7 808
Regulatory capital summary		
Closing carrying value	**3 978**	7 808
Amount above 10% threshold deduction	**324**	3 604
Amount within 10% threshold deduction, risk weighted at 250%*	**3 654**	4 204
*Amount included within risk-weighted assets	**9 135**	10 510

[1] *Applicable period: 1 October 2015 – 30 September 2016.*
[2] *Applicable average exchange rate: 1 January 2016 – 31 December 2016.*
[3] *Applicable period: 1 January 2016 – 31 December 2016; ie the cumulative difference at each quarter of the earnings and other comprehensive income converted at an average USD/ZAR rate compared to the related US dollar balances converted at the quarter-end spot rate.*
[4] *Applicable average exchange rate: Spot rate and date accrued.*

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

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

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

This calculation is required to be revisited at each reporting period where the indicators of impairment would be reconsidered and the VIU calculation would be reassessed taking into account any future changes in estimates and assumptions.

11 Intangible assets

Rm	2016	2015
Computer software and capitalised development costs	**4 581**	3 523
Goodwill	**5 199**	5 257
Client relationships, contractual rights and other	**303**	230
Total intangible assets	**10 083**	9 010

COMPUTER SOFTWARE AND CAPITALISED DEVELOPMENT COSTS – CARRYING AMOUNT

Rm	Amortisation periods	2016	2015
Computer software	2-10 years	**2 992**	2 343
Client product systems		**818**	644
Infrastructure and supporting systems		**1 246**	916
Risk management systems		**346**	291
Channel systems		**582**	492
Capitalised development costs	none[1]	**1 589**	1 180
Client product systems		**298**	260
Infrastructure and supporting systems		**756**	536
Risk management systems		**354**	254
Channel systems		**181**	130
Total computer software and capitalised development costs		**4 581**	3 523
Computer software			
Opening balance		**2 343**	2 317
Additions		**485**	165
Commissioned during period		**1 093**	621
Disposals and retirements		**(36)**	
Foreign exchange and other moves		**(5)**	
Amortisation charge for the period		**(799)**	(718)
Impairments		**(89)**	(42)
Closing balance		**2 992**	2 343
Capitalised development costs			
Opening balance		**1 180**	827
Additions		**1 559**	1 042
Commissioned during period		**(1 093)**	(621)
Foreign exchange and other moves		**(1)**	
Impairments		**(56)**	(68)
Closing balance		**1 589**	1 180

GOODWILL – CARRYING AMOUNT

Rm	2016	2015
Carrying amount at the beginning of the year	**5 257**	5 141
Acquisitions[2]	**19**	
Foreign currency translation	**(77)**	116
Carrying amount at the end of the year	**5 199**	5 257

[1] *Assets not yet commissioned. Amortisation only begins once the assets are transferred to computer software.*
[2] *With effect from October 2016 Banco Único was classified as a subsidiary.*

12 Amounts owed to depositors

SEGMENTAL BREAKDOWN

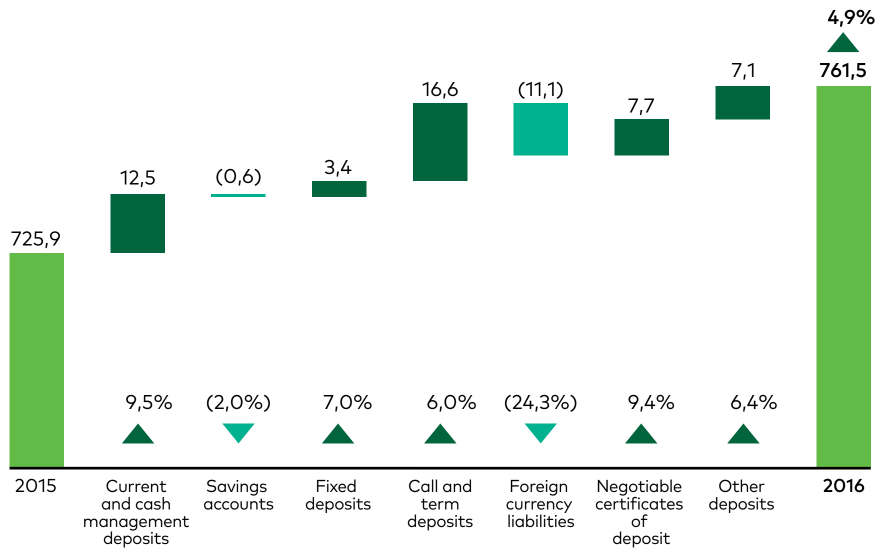
Rm	Nedbank Group		Nedbank Corporate and Investment Banking[1]	
	2016	2015	**2016**	2015
Current accounts	**77 330**	70 757	**6 528**	4 947
Savings accounts	**29 937**	30 542	**8**	5
Other deposits and loan accounts	**510 614**	481 402	**288 768**	285 932
Call and term deposits	**292 813**	276 200	**126 078**	126 425
Fixed deposits	**52 215**	48 806	**11 458**	13 089
Cash management deposits	**67 889**	61 908	**59 906**	53 820
Other deposits	**97 697**	94 488	**91 326**	92 598
Foreign currency liabilities	**34 407**	45 475	**28 722**	40 297
Negotiable certificates of deposit	**89 852**	82 144		156
Deposits received under repurchase agreements	**19 402**	15 531	**19 127**	15 531
Total amounts owed to depositors	**761 542**	725 851	**343 153**	346 868
Comprises:				
– Amounts owed to clients	**718 045**	672 122	**306 527**	296 517
– Amounts owed to banks	**43 497**	53 729	**36 626**	50 351
Total amounts owed to depositors	**761 542**	725 851	**343 153**	346 868

[1] *In 2015 this was an elimination of inter alia other short-term debt issued by Treasury reported under other deposits and held by Nedbank CIB as other short-term securities. This has now been incorporated in the Nedbank CIB results.*

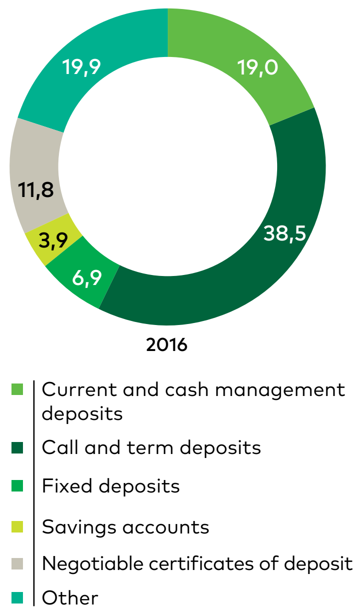
[2] *In 2016 this is an elimination of inter alia call and term deposits held by Nedbank CIB done in the Centre.*

Nedbank Group strong deposit growth and a well-diversified mix

Deposits
(Rbn)



Contribution
(%)



	Nedbank Retail and Business Banking		Nedbank Wealth		Rest of Africa		Centre[1,2]	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	61 714	59 328	**1 582**	1 572	**7 450**	4 770	**56**	140
	9 581	9 390	**19 277**	20 179	**1 071**	968		
	195 598	174 897	**12 602**	12 332	**14 531**	10 261	**(885)**	(2 020)
	150 157	134 469	**10 845**	10 720	**6 712**	4 848	**(979)**[2]	(262)
	37 209	32 766	**308**	258	**3 240**	2 693		
	5 530	5 495	**1 440**	1 364	**945**	1 157	**68**	72
	2 702	2 167	**9**	(10)	**3 634**	1 563	**26**	(1 830)[1]
	5 381	4 520			**304**	658		
					3 372	4 551	**86 480**	77 437
					275			
	272 274	248 135	**33 461**	34 083	**27 003**	21 208	**85 651**	75 557
	270 819	247 458	**33 461**	34 083	**24 234**	19 434	**83 004**	74 630
	1 455	677			**2 769**	1 774	**2 647**	927
	272 274	248 135	**33 461**	34 083	**27 003**	21 208	**85 651**	75 557

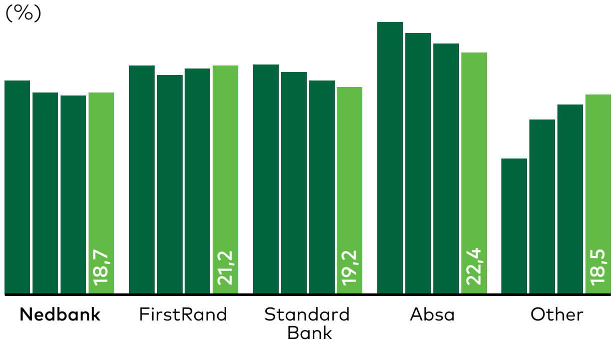
- Deposits grew 4,9% to R761,5bn from R725,9bn in 2015, while total funding-related liabilities grew 5,6% to R813,6bn from R770,8bn.
  - With 93,6% of all funding-related liabilities emanating from deposits, Nedbank continued to grow its retail and commercial banking franchise.
  - At 9,5% current and cash management deposits grew faster than the 4,9% average rate of deposit growth, which aligns with Nedbank's strategy to grow the transactional banking franchise to an optimal market share, with the associated benefits of growth in both NII and NIR.
  - Through fixed deposits, call and term deposits, negotiable certificates of deposit as well as other structured deposits Nedbank successfully reduced more expensive foreign currency funding. While foreign currency funding has decreased, predominantly as a result of lower nominal foreign currency values and partly as a result of a stronger rand, Nedbank remains focused on growing foreign currency deposits linked to its transactional retail and commercial deposit franchise, as part of diversifying its overall funding base.
  - Growth in Nedbank Retail Green Savings Bonds (included in fixed deposits) contributed positively to funding renewable-energy projects, lengthening and diversifying the funding profile.
  - Overall Nedbank continues to focus on providing competitive and innovative transactional and investment products with an ongoing emphasis on meeting client needs through product, pricing and innovation.

MARKET SHARE AS PER BA900

Grew Basel III-friendly household deposits

Household deposits[1] (2013 – 2016)

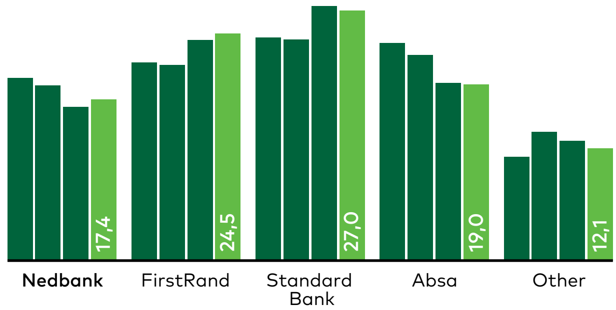
(%)



Grew Basel III-friendly commercial deposits

Commercial deposits[2] (2013 – 2016)

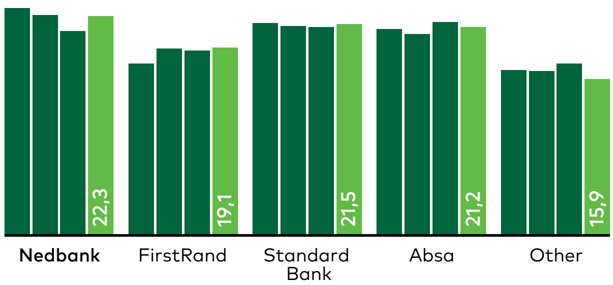
(%)



Utilised wholesale term deposits to reduce foreign currency deposits

Wholesale deposits[3] (2013 – 2016)

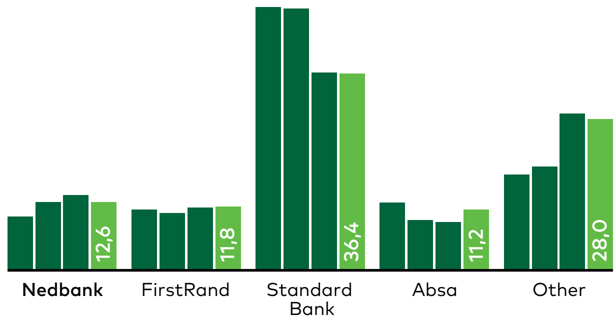
(%)



Reduced more expensive foreign currency deposits

Foreign currency liabilities[4] (2013 – 2016)

(%)

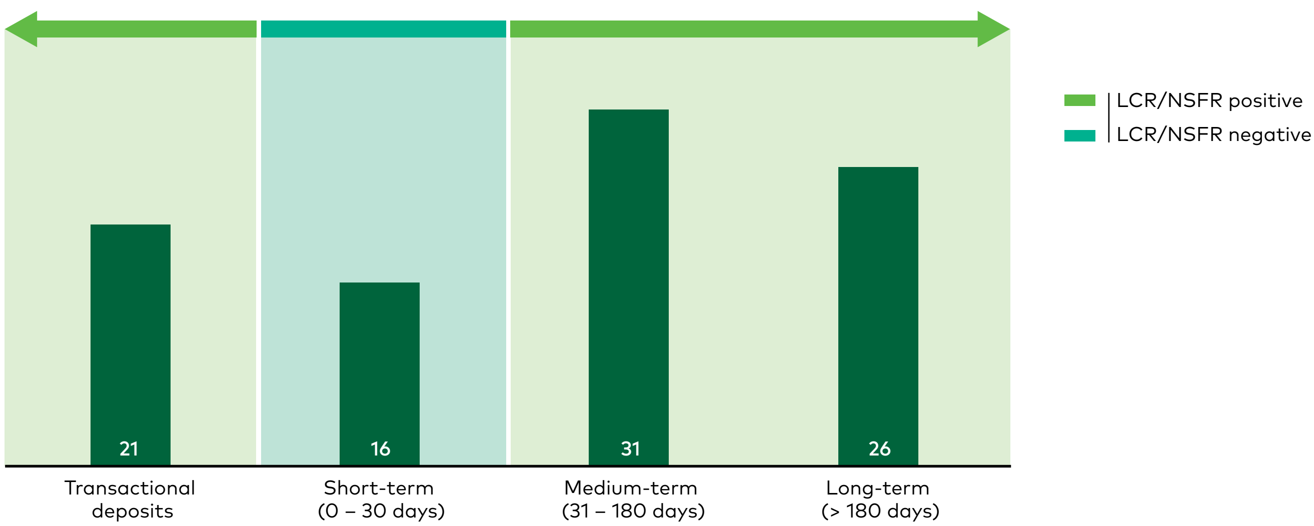


[1] *Includes 'households' as per the South African Reserve Bank (SARB) BA900 return.*
[2] *Includes 'public sector deposits', 'private non-financial corporate sector deposits', 'unincorporated businesses', 'non-profit and charities' and 'rand-denominated foreign sector deposits' as per the SARB BA900 return.*
[3] *Includes 'insurers', 'pension funds', 'private financial corporate sector deposits', 'collateralised borrowings' and 'repurchase deposits' as per the SARB BA900 return.*
[4] *Includes 'foreign currency deposits' and 'foreign currency funding' as per the SARB BA900 return.*

- In 2016 Nedbank grew market share across Basel III-friendly household and commercial deposits in line with its strategic objective. Domestic wholesale deposit market share increased, given the strategy to reduce foreign currency liabilities, which is typically a more expensive source of funding. The growth in wholesale deposits was predominantly through term deposits which receive more favourable treatment from a Basel III perspective as they create contractual funding tenor.
- Approximately 85% of wholesale deposits are made up of private institutional depositors, which include insurers, pension funds, fund managers and unit trusts. As per the private institutional depositor market share analysis below, Nedbank is predominantly concentrated in transactional deposits and medium-to-long-term deposits, all of which receive favourable Basel III LCR and NSFR treatment. Through Nedbank's focus on tilting private institutional depositor growth towards more stable transactional or operational deposits, while also dissipating term deposits in the medium-to-long-term bucket, less HQLA are required, thereby reducing the all-in marginal cost of these institutional deposits compared with those banks with greater market share concentration in the short-term maturity bucket.
- A sizeable portion of the remaining 15% of wholesale deposits is obtained through repurchase agreements, which also receives favourable Basel III LCR and NSFR treatment.

Nedbank market share of private institutional deposits

(%)



Liquidity risk and funding

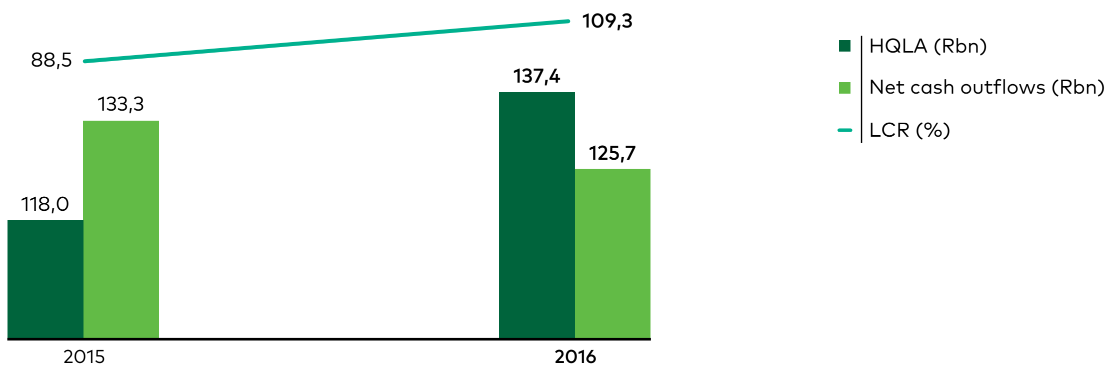
SUMMARY OF NEDBANK GROUP LIQUIDITY RISK AND FUNDING PROFILE

		2016	2015
Total sources of quick liquidity	(Rm)	**180 413**	160 666
Total HQLA	(Rm)	**137 350**	117 997
Other sources of quick liquidity	(Rm)	**43 063**	42 669
Total sources of quick liquidity as a % of total assets	(%)	**18,7**	17,4
Long-term funding ratio (three-month average)	(%)	**29,6**	28,7
Retail Savings Bond	(Rm)	**19 213**	14 476
Senior unsecured debt	(Rm)	**35 705**	30 797
Total capital market issuance (including senior unsecured debt, tier 2 capital and additional tier 1 capital)	(Rm)	**54 076**	44 982
Reliance on negotiable certificates of deposit (as a % of total deposits)	(%)	**11,8**	11,3
Reliance on foreign funding (as a % of total deposits)	(%)	**4,5**	6,3
Loan-to-deposit ratio	(%)	**92,8**	93,9
Basel III liquidity ratios			
Liquidity coverage ratio[1]	(%)	**109,3**	88,5
Minimum regulatory LCR requirement	(%)	**70**	60
Net stable funding ratio (NSFR)	(%)	**> 100**	–

[1] *Only banking and/or deposit-taking entities are included in the group LCR and the group ratio represents an aggregation of the relevant individual net cash outflows and the individual HQLA portfolios across all banking and/or deposit-taking entities, where surplus HQLA holdings in excess of the minimum requirement of 70% have been excluded from the aggregated HQLA number in the case of all non-SA banking entities. As per the Basel disclosure requirements, the LCR must be reported as the quarterly average at each reporting date.*

- Nedbank Group remains well funded with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign currency funding.
- The Basel Committee on Banking Supervision (BCBS) released its final version of the NSFR in October 2014. On 8 August 2016 SARB released a directive relating to the NSFR in which it confirmed that the available stable funding (ASF) factor applicable to wholesale deposits in the 0-to-6-month bucket will be increased from 0% to 35%, to better reflect the stability of these deposits within the SA context. Taking cognisance of the finalised BCBS NSFR standard and the directive issued by SARB, Nedbank is already compliant with the minimum regulatory requirement that becomes effective on 1 January 2018. The key focus areas relating to the NSFR now centre on finalising a number of small interpretational matters and ensuring that compliance is achieved within the context of ongoing balance sheet optimisation.
- Nedbank has successfully implemented the LCR, exceeding the minimum regulatory requirement of 70% for 2016, which then increased to 80% with effect from 1 January 2017. Having embedded this ratio into business-as-usual processes, Nedbank already exceeds the minimum requirements throughout the phase-in period, as the LCR requirement increases by 10% per annum to 100% by 1 January 2019.
  - The 2016 LCR, calculated using the simple average of the month-end values for October 2016, November 2016 and December 2016, was 109,3% compared with the December 2015 quarterly average of 88,5%.
    - The total HQLA portfolio increased from a quarterly average of R118,0bn at December 2015 to R137,4bn at December 2016, while the LCR net cash outflows decreased from R133,3bn to R125,7bn over the same period. The decrease in net cash outflows is the result of a positive tilt in the funding base towards more stable transactional deposits, which was further supported by an increase in Nedbank's long-term funding ratio.
    - Nedbank's higher LCR was also attributable to a strategy of positively prepositioning Nedbank for any adverse market conditions that could have arisen, had the rating agencies decided to downgrade SA's sovereign credit rating in December 2016. This was achieved by holding slightly larger liquidity buffers during the months leading up to December 2016.
    - Based on internal risk modelling, Nedbank targets an LCR operational level above the minimum regulatory requirement, designed to absorb normal seasonal and cyclical volatility inherent in the ratio. The actual LCR may therefore fluctuate above or below the operational target from time to time.
    - Nedbank will procure additional HQLAs to support balance sheet growth and the LCR phase-in, while continuing to maintain appropriately sized surplus liquid-asset buffers.

Nedbank Group LCR exceeds minimum requlatory requirements

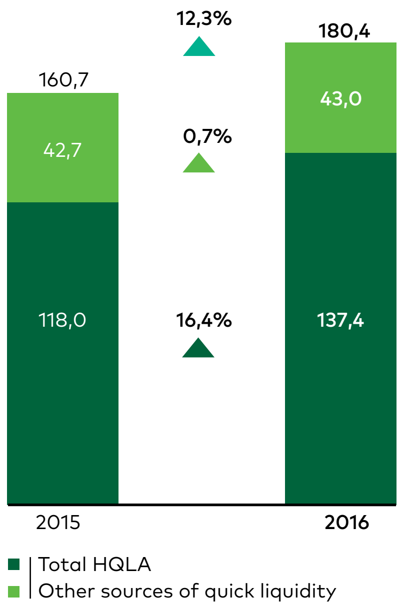


STATEMENT OF FINANCIAL POSITION ANALYSIS

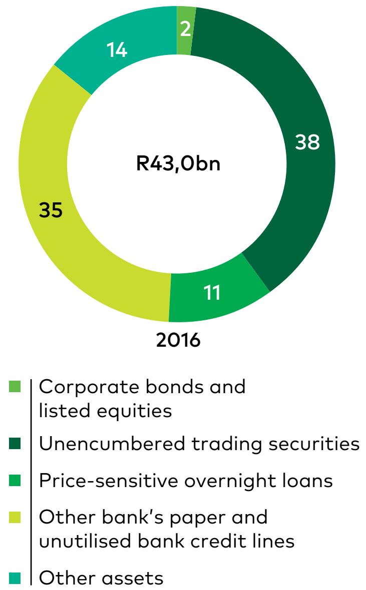
- In addition to the HQLA portfolio maintained for LCR purposes, Nedbank also identifies other sources of stress liquidity, which can be accessed in times of stress. Nedbank's combined portfolio of HQLA and other sources of quick liquidity amounted to R180,4bn at December 2016, representing 18,7% of total assets.

Nedbank Group significant sources of quick liquidity

Total sources of quick liquidity
(Rbn)



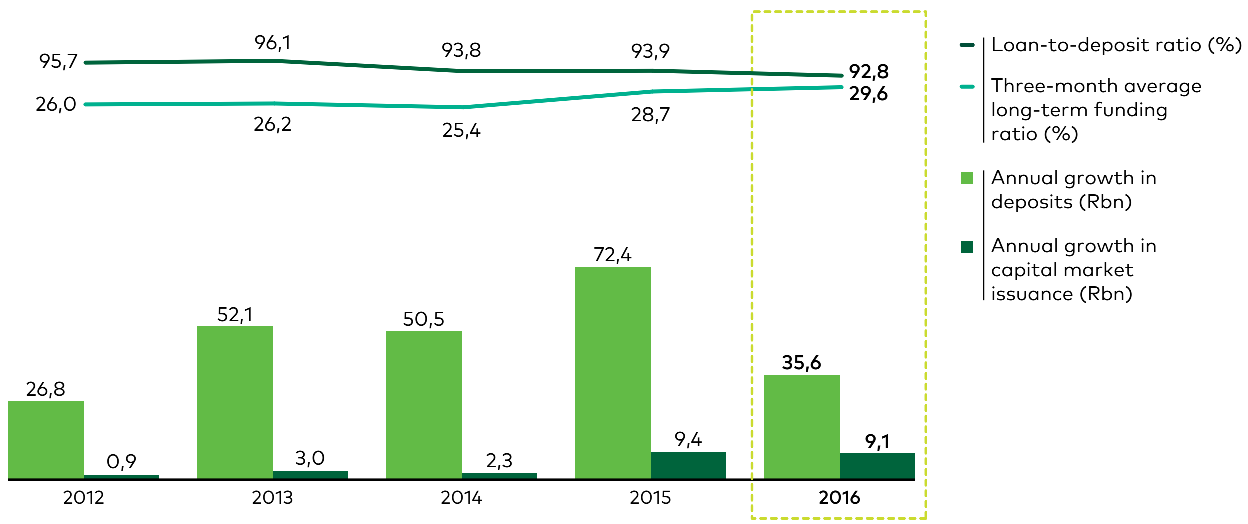
Other sources of quick liquidity contribution
(%)



- A strong funding profile has been maintained in 2016, with Nedbank recording a three-month average long-term funding ratio of 29,6% in the fourth quarter of 2016 (quarterly average 2015: 28,7%), in line with its strategy of strengthening the liquidity risk profile and prepositioning for a timeous transition to end state Basel III compliance.
  - Nedbank Retail Savings Bonds growth of R4,7bn contributed positively to the longer-term funding profile, as well as the strategy of diversifying Nedbank's funding base, bringing the total amount issued to R19,2bn.
  - In addition, Nedbank successfully issued R10,8bn in senior unsecured debt during 2016, while R5,7bn matured during the year.
  - Nedbank issued new-style additional tier 1 capital instruments of R2,0bn during the year and R2,0bn in new-style tier 2 capital instruments, in line with the group's capital plan.
- Nedbank's reliance on foreign currency funding as a percentage of total deposits remained small at 4,5% (2015: 6,3%), however increasing retail and commercial foreign currency deposits remains a key component of Nedbank's strategy to diversify its funding sources and to fund foreign advances growth.

- The group's annual board-approved Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and updated Recovery Plans included appropriate consideration of the managed separation with Old Mutual with no material impact expected.

Nedbank Group funding and liquidity profile, underpinned by competitive capital markets issuance



Equity analysis

ANALYSIS OF CHANGES IN NET ASSET VALUE

	% change	2016	2015
Balance in beginning of the year		**78 751**	70 911
Additional shareholders value	(50,2)	**6 183**	12 820
Profit attributable to equity holders of the parent		**10 132**	10 721
Currency translation movements		**(3 575)**	1 723
Exchange differences on translating foreign operations[1]		**(1 911)**	3 155
Share of other comprehensive income of investments accounted for using the equity method[2]		**(1 664)**	(1 432)
Net available-for-sale movements		**(97)**	(144)
Fair-value adjustments on available-for-sale assets		**(73)**	(4)
Share of other comprehensive income of investments accounted for using the equity method[2]		**(24)**	(140)
Defined-benefit fund adjustment		**(296)**	296
Share of other comprehensive income of investments accounted for using the equity method (included in other distributable reserves)[2]		**(13)**	57
Other direct reserve movements		**32**	167
Transactions with ordinary shareholders	2,2	**(5 199)**	(5 089)
Dividends paid		**(5 587)**	(5 395)
Equity-settled share-based payments		**136**	82
Gross put liability - Banco Único		**(223)**	
Net repurchase of share capital and premium and capitalisation of reserves		**475**	224
Transaction with non-controlling shareholders	> (100)	**(19)**	110
Exchange differences on translating foreign operations[1]		**9**	48
Other transaction with non-controlling shareholders		**(28)**	62
Additional tier 1 capital instruments		**2 000**	
Other movements		**(5)**	(1)
Balance at the end of the year	4,0	**81 711**	78 751

MOVEMENTS IN GROUP FOREIGN CURRENCY TRANSLATION RESERVE

	% change	2016	2015
Balance in beginning of the year		**3 318**	1 615
Foreign currency translation reserve (FCTR)	> (100)	**(3 575)**	1 723
ETI		**(2 492)**	461
Banco Único		**(44)**	
Other subsidiaries		**(1 039)**	1 262
Transfer of FCTR to other reserves			(20)
Balance at end of the year	> (100)	**(257)**	3 318

[1] *Exchange differences on translating foreign operations as shown in the statement of comprehensive income (R1 902m) (2015: R3 203m).*
[2] *Share of other comprehensive income of investments accounted for using the equity method as shown in the statement of comprehensive income (R1 701m) (2015: (R1 515m)).*

Foreign currency translation risk in the banking book

- Foreign currency translation (FCT) risk is the risk that the bank's capital will lose value as a result of shifts in the exchange rate.

NEDBANK GROUP OFFSHORE CAPITAL SPLIT BY FUNCTIONAL CURRENCY

$m (US dollar equivalent)	2016 Forex-sensitive	2016 Non-forex-sensitive	2016 Total	2015 Forex-sensitive	2015 Non-forex-sensitive	2015 Total
US dollar	**497**		**497**	651		651
Pound sterling	**138**		**138**	145		145
Malawi kwacha	**5**		**5**	5		5
Mozambican metical	**37**		**37**	23		23
Other		**563**	**563**		521	521
Total	**677**	**563**	**1 240**	824	521	1 345
Limit	**1 100**			1 000		

- Foreign-denominated equity in subsidiaries and associates has decreased by 17,8% to US$677m in 2016 (2015: US$824m), primarily due to a decrease in the value of the investment made in ETI (-US$175m) as a result of Nedbank's share of ETI's FCT losses (largely due to the weakness in the Nigerian naira and Ghanaian cedi against the US dollar) and an impairment of the investment of -R1,0bn (-US$72,6m).
- The total risk-weighted assets (RWA) for the group's foreign entities is R40,5bn, which is low at approximately 8,0% of total RWA, and as FCTR qualifies as regulatory capital, any foreign exchange rate (ZAR to foreign currencies) movement will have a minimal effect on Nedbank Group's capital adequacy, as a result of translation movements impacting both the supply and demand side of the capital components of the capital ratio.

EXCHANGE RATES

	Average			Closing		
	% change	2016	2015	% change	2016	2015
Rand to UK pound	(0,5)	**19,65**	19,74	(26,8)	**16,95**	23,16
Rand to US dollar	12,6	**14,57**	12,94	(11,8)	**13,77**	15,62
Naira to US dollar	32,0	**261,15**	197,87	57,8	**315,00**	199,56
Naira to rand	17,6	**18,19**	15,47	73,6	**22,13**	12,75

Capital management

REGULATORY CAPITAL ADEQUACY AND LEVERAGE

Strong capital ratios above regulatory minimum requirements and within internal target ranges[1]

		SARB minimum[2]	Internal targets[3]	2016	2015
Nedbank Group					
Including unappropriated profits					
Total	(%)		> 14	15,3	14,1
Total tier 1	(%)		> 12	13,0	12,0
Common-equity tier 1 (CET1)	(%)		10,5 – 12,5	12,1	11,3
Surplus total capital	(Rm)			24 868	20 400
Total risk-weighted assets	(Rm)			509 221	501 243
Total RWA/total assets	(%)		> 50	53	54
Leverage	(times)	< 25	< 20	15,3	16,3
Dividend cover	(times)		1,75 – 2,25	2,00	2,06
Cost of equity	(%)			14,2	13,0
Excluding unappropriated profits					
Total	(%)	10,375		14,4	13,4
Total tier 1	(%)	8,375		12,1	11,3
Common-equity tier 1	(%)	6,875		11,3	10,7
Nedbank Limited					
Including unappropriated profits					
Total	(%)		> 14	15,9	14,1
Total tier 1	(%)		> 12	12,9	11,5
Common-equity tier 1	(%)		10,5 – 12,5	11,7	10,6
Surplus total capital	(Rm)			23 676	16 938
Total RWA	(Rm)			425 406	416 543
Excluding unappropriated profits					
Total	(%)	10,375		15,6	13,8
Total tier 1	(%)	8,375		12,5	11,2
Common-equity tier 1	(%)	6,875		11,3	10,3

[1] *In line with regulation 38(10) of the Banks Act profits do not qualify as regulatory capital, unless formally appropriated by the board by way of a resolution. Accordingly, capital ratios are shown above, both including and excluding unappropriated profits.*
[2] *SARB minimum requirements for 2016 have increased in line with the transitional requirements and excludes bank-specific Pillar 2b and domestic systemically important bank (D-SIB) capital requirements.*
[3] *Nedbank's internal TTC targets are based on the 2019 end state minimum regulatory requirements.*

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

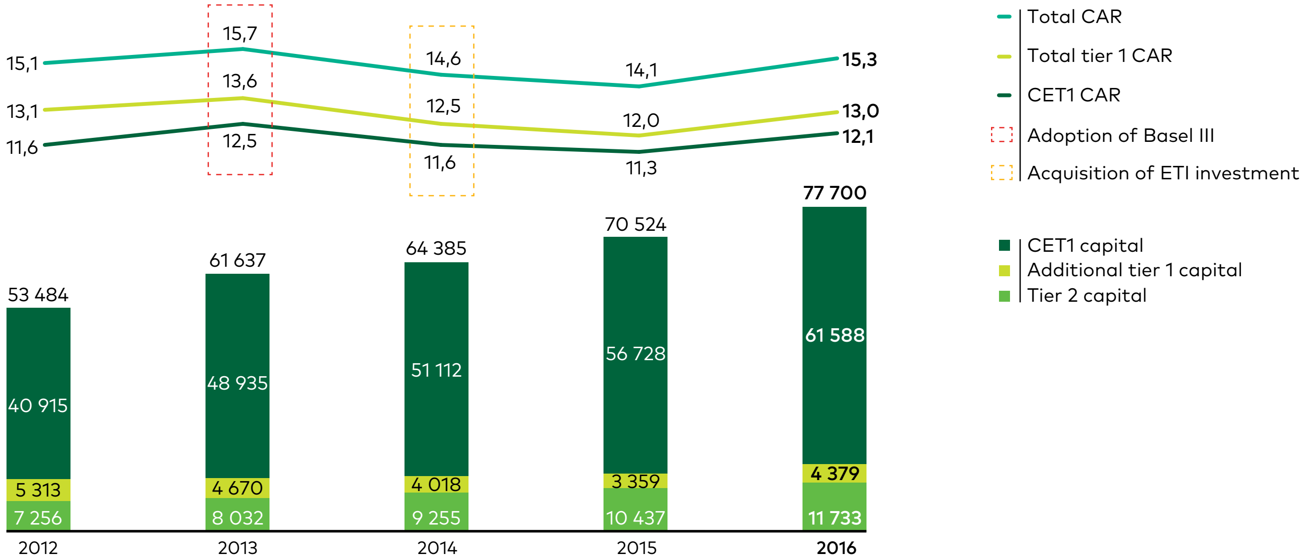
Nedbank Group subsidiaries are well capitalised for the environments in which they operate

	2016				2015		
	Total capital requirement (host country)	RWA	CET1 ratio	Total capital ratio	RWA	CET1 ratio	Total capital ratio
	%	Rm	%	%	Rm	%	%
Rest of Africa							
Banco Único[1]	8,0	2 772		12,4			
Nedbank Namibia Limited	10,0	11 573	12,1	14,0	9 678	12,7	14,8
Nedbank (Swaziland) Limited	8,0	3 262		21,0	2 859		20,7
Nedbank (Lesotho) Limited	8,0	1 611		25,0	1 619		21,8
Nedbank (Malawi) Limited	15,0	408		15,8	506		15,4
MBCA Bank Limited (Zimbabwe)	12,0	2 491		26,0	2 700		25,2
United Kingdom							
Nedbank Private Wealth (IOM) Limited	10,0	6 781	15,1	15,1	8 703	14,7	14,7

[1] *During the reporting period, Nedbank acquired control of Banco Único and accordingly this previously equity-accounted investment has been consolidated from 3 October 2016.*

- Nedbank Group strengthened its capital adequacy position in 2016. The group's strong capital profile is supported by:
  - A strong capital stack, with a focus on fully loss-absorbent capital, with Basel III fully-compliant capital now making up 94% of the group's total capital with the balance being old-style capital instruments subject to grandfathering.
  - A conservative RWA density of 53% (RWA/total assets), which compares favourably with local and international peers.
  - Total capital surplus of R24,9bn, well above the minimum regulatory requirements, indicative of substantial capital buffers for the group.

Nedbank Group's capital adequacy strengthened year on year



Includes unappropriated profits.

- Nedbank Group's CET1 ratio improved to 12,1% from 11,3% in 2015, due to:
  - An increase in qualifying capital and reserves as a result of organic earnings, offset by the payment of the 2015 final dividend of R5,7bn. This was offset to a degree by an R8,0bn increase in RWA, primarily as a result of:
    - Trading market RWA growth of R7,5bn due to an increase in market volatility and the capital requirements for XVA hedges.
    - Equity RWA growth of R5,1bn due to balance sheet growth.
    - Other assets RWA (excluding threshold deduction items) growth of R4,8bn due to balance sheet movements.
    - Operational RWA growth of R3,0bn due to an increase in the three-year average gross operating income parameters.
    - These RWA increases were offset by a decrease in credit RWA of R13,2bn. The decrease was mainly due to Basel III model refinements within the Nedbank Retail portfolio and the relative strengthening of the rand which impacted offshore lending activities in the London and Fairbairn portfolios. These were offset by increases driven by balance sheet growth particularly in the commercial mortgage book and the inclusion of Banco Único following it's consolidation.
- The issuance of new-style additional tier 1 (R2,0bn) and tier 2 (R2,0bn) capital instruments during 2016 further strengthened the group's tier 1 and total CAR respectively.
- Nedbank Group has performed extensive and comprehensive stress testing during this period and concluded that the group's capital levels and capital buffers remain appropriate and that Nedbank Group is strongly capitalised relative to its business activities, strategy, risk appetite, risk profile and the external environment in which the group operates.
- Nedbank Group's gearing (including unappropriated profits) under the 'Leverage Ratio Framework and disclosure requirements' has strengthened to 15,3 times (or 6,6%) from 16,3 times or 6,1% in 2015, essentially due to an increase in the capital measure, primarily driven by organic capital generation with relatively low balance sheet growth during the period, and due to the issuance of new-style additional tier 1 capital instruments of R2,0bn during 2016.

Summary of regulatory capital requirements and risk-weighted assets

Risk type (Rm)	Nedbank Group				Nedbank Limited[1]			
	2016		2015		2016		2015	
	RWA	MRC[2]	RWA	MRC[2]	RWA	MRC[2]	RWA	MRC[2]
Credit risk	**376 846**	**39 098**	390 004	39 000	**320 487**	**33 250**	332 583	33 258
Equity risk	**18 156**	**1 884**	13 011	1 301	**14 637**	**1 519**	9 910	991
Trading market risk	**17 542**	**1 820**	10 020	1 002	**16 140**	**1 675**	8 411	841
Operational risk	**61 345**	**6 364**	58 318	5 832	**54 278**	**5 631**	49 918	4 992
Other assets	**35 332**	**3 666**	29 890	2 989	**19 864**	**2 061**	15 721	1 572
100% risk weighting	**19 928**	**2 068**	15 132	1 513	**16 556**	**1 718**	12 565	1 256
Threshold deduction items: 250% risk weighting[3]	**15 404**	**1 598**	14 758	1 476	**3 308**	**343**	3 156	316
Total	**509 221**	**52 832**	501 243	50 124	**425 406**	**44 136**	416 543	41 654
Total MRC[2]		**52 832**		50 124		**44 136**		41 654
Pillar 1 MRC[4]		**40 738**		40 099		**34 032**		33 323
Pillar 2a MRC[5]		**8 911**		10 025		**7 445**		8 331
Capital conservation buffer MRC[6]		**3 183**				**2 659**		
Total surplus capital over MRC		**24 868**		20 400		**23 676**		16 938
Analysis of total surplus capital[7]								
Total		**24 868**		20 400		**23 676**		16 938
Total tier 1		**23 320**		19 988		**19 355**		14 438
CET1		**26 579**		24 147		**20 548**		17 125

1 *Nedbank Limited refers to the SA reporting entity in terms of regulation 38 (BA700) of the SA Banking Regulations.*
2 *Total minimum required capital (MRC) is measured at 10,375% (10% in 2015) in line with the transitional requirements and excludes bank-specific Pillar 2b and D-SIB capital requirements.*
3 *The threshold deduction includes the aggregate of 'investments in common stock of other financial entities' and other items that fall within the '10% of CET1 capital threshold' according to regulation 38(5)(i).*

Rm	2016	2015
Threshold deduction items: 250% risk weighting	**15 404**	14 758
ETI	**9 135**	10 510
Investments in other financial entities	**771**	861
Other	**5 498**	3 387

4 *Pillar 1 MRC is measured at 8% in line with the transitional requirements.*
5 *Pillar 2a MRC is measured at 1,75% (2% in 2015) in line with the transitional requirements.*
6 *Capital conservation buffer MRC is measured at 0,625% in line with the transitional requirements.*
7 *Includes unappropriated profits.*

Summary of regulatory qualifying capital and reserves[1]

Rm	Nedbank Group		Nedbank Limited	
	2016	2015	2016	2015
Including unappropriated profits				
Total tier 1 capital	**65 967**	60 087	**54 983**	47 761
Common-equity tier 1	**61 588**	56 728	**49 795**	44 200
Ordinary share capital and premium	**18 521**	18 046	**19 221**	18 571
Minority interest: ordinary shareholders'	**675**	365		
Reserves	**56 687**	56 164	**40 951**	35 552
Deductions[2]	**(14 295)**	(17 847)	**(10 377)**	(9 923)
Goodwill	**(5 199)**	(5 257)	**(1 410)**	(1 410)
Excess of downturn expected loss over provisions	**(1 502)**	(1 791)	**(1 537)**	(1 807)
Impairments	**(415)**	(325)	**(1 106)**	(1 467)
Investments in the common stock of financial entities (amount above 10% threshold)[3]	**(514)**	(5 017)		
Other deductions	**(6 665)**	(5 457)	**(6 324)**	(5 239)
Additional tier 1 capital	**4 379**	3 359	**5 188**	3 561
Tier 2 capital	**11 733**	10 437	**12 829**	10 831
Total qualifying capital and reserves[1]	**77 700**	70 524	**67 812**	58 592
Excluding unappropriated profits				
Total qualifying capital and reserves	**73 504**	67 304	**66 181**	57 324
Total tier 1 capital	**61 771**	56 867	**53 352**	46 493
Common-equity tier 1 capital	**57 392**	53 508	**48 164**	42 932

1 *For comprehensive 'composition of capital' and 'capital instruments main features' disclosure please refer to nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/capital-and-risk-management-reports.html.*
2 *In terms of regulation 43, disclosure is required for all exposures that are subject to TSA and are deducted from the bank's capital and reserves. None of the group's standardised exposures were deducted from the bank's capital and reserves.*
3 *Nedbank Group 'investments in the common stock of other financial entities' (amount above 10% threshold) is summarised as follows:*

Rm	2016	2015
Investments in the common stock of financial entities (amount above 10% threshold)[4]	**(514)**	(5 017)
ETI	**(324)**	(3 604)
Investments in other financial entities	**(28)**	(295)
Other	**(162)**	(1 118)

4 *The decrease from 2015 is as a result of associated losses from ETI during 2016, Nedbank's share of their own FCT losses (largely due to the weakness in the Nigerian naira and Ghanaian cedi against the US dollar) and the impairment of the investment in ETI of -R1,0bn in 2016.*

ECONOMIC CAPITAL ADEQUACY

Strong Nedbank Group economic capital adequacy and ICAAP maintained

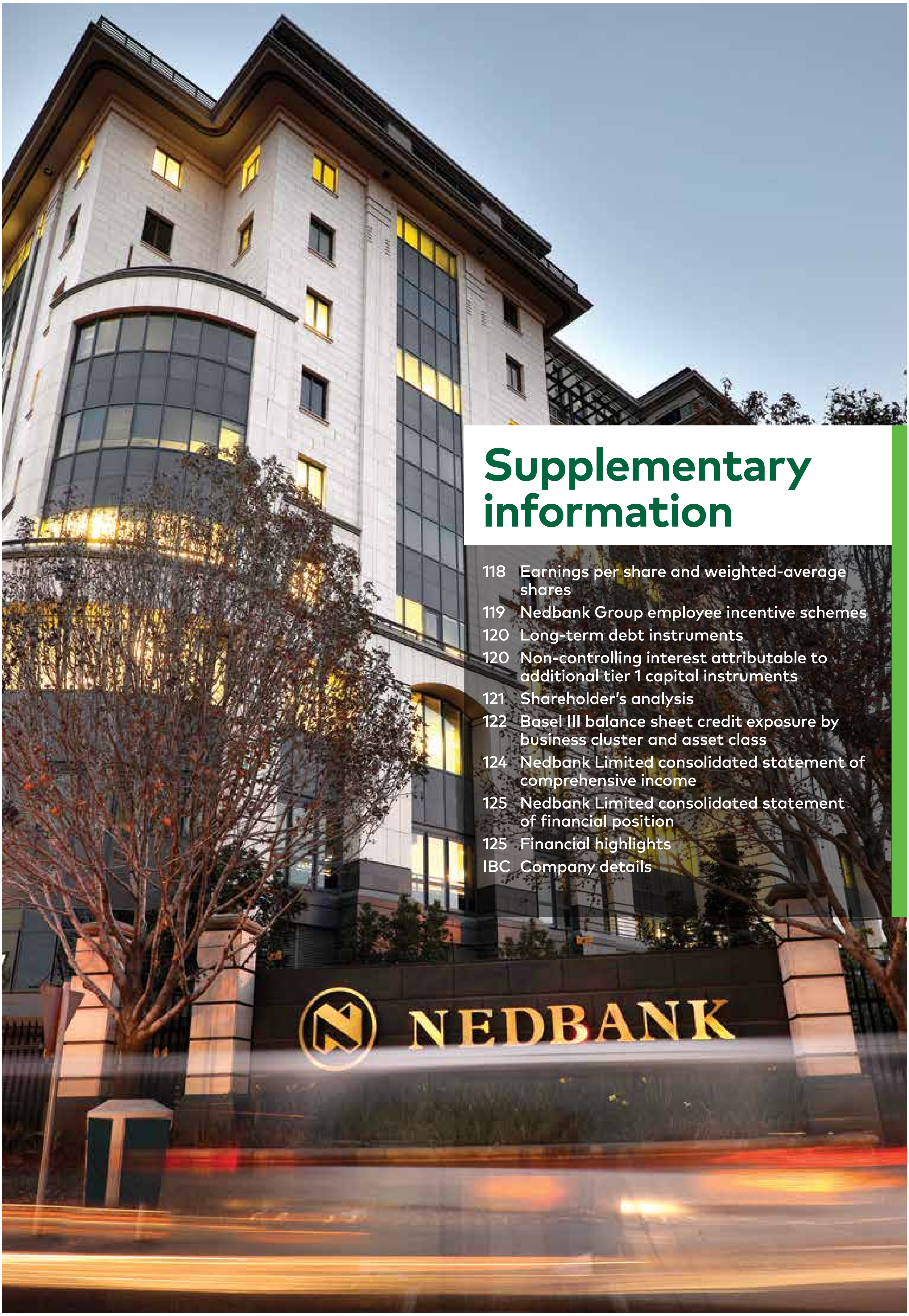
Nedbank Group economic capital requirement versus available financial resources

	2016		2015	
	Rm	Mix %	Rm	Mix %
Credit risk	**35 211**	**65**	35 015	66
Transfer risk	**83**	**< 1**	33	< 1
Market risk	**8 356**	**15**	7 829	15
Business risk	**6 375**	**12**	5 954	11
Operational risk	**2 907**	**5**	2 778	5
Insurance risk	**370**	**1**	341	< 1
Other assets risk	**1 053**	**2**	1 401	3
Minimum economic capital requirement	**54 355**	**100**	53 351	100
Add: stress-tested capital buffer (10%)	**5 436**		5 335	
Total economic capital requirement	**59 791**		58 686	
Available financial resources (AFR)	**78 557**	**100**	70 538	100
Tier A capital	**63 626**	**81**	59 234	84
Tier B capital	**14 931**	**19**	11 304	16
Total surplus AFR	**18 766**		11 852	
AFR/total economic capital requirement (%)	**131**		120	

- Economic capital is the group's comprehensive internal measurement of risk and related capital requirements, and forms the basis of the group's ICAAP.
- Nedbank's ICAAP confirms that both Nedbank Group and Nedbank Limited are well capitalised above their current 'A' or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology.
  - Nedbank Group's ICAAP reflects surplus AFR of R18,8bn (2015: R11,9bn), after a 10% capital buffer is added. This is determined in accordance with the group's comprehensive Stress and Scenario Testing Framework. The increase in surplus AFR during the period is primarily driven by organic earnings growth, low balance sheet growth as well as the issuance of new-style additional tier 1 (R2,0bn) and tier 2 (R2,0bn) capital instruments, in line with the group's capital plan.
- Nedbank Group's total economic capital requirement (including a 10% stress-tested buffer) increased by R1,1bn from 2015, largely as a result of:
  - A R527m increase in market risk, specifically interest rate risk in the banking book (IRRBB) economic capital, primarily due to organic balance sheet growth resulting in increased NII sensitivity largely driven by endowment.
  - A R421m increase in business risk economic capital, which was predominantly driven by parameter updates of the internal business risk model.
- Nedbank Group's total AFR increased by R8,0bn from 2015 due to:
  - A R4,4bn increase in tier A AFR, driven by organic earnings growth during the period.
  - A R3,6bn increase in tier B AFR, following the issuance of new-style additional tier 1 and tier 2 capital instruments which were partially offset by the grandfathering of old-style preference shares of R373m.

EXTERNAL CREDIT RATINGS

	Standard & Poor's		Moody' Investors Service	
	Nedbank Limited	Sovereign rating SA	Nedbank Limited	Sovereign rating SA
	Oct 2016	Dec 2016	Nov 2016	Nov 2016
Outlook	**Negative**	**Negative**	**Negative**	**Negative**
Foreign currency deposit ratings				
Long-term	**BBB-**	**BBB-**	**Baa2**	**Baa2**
Short-term	**A-3**	**A-3**	**P-2**	**P-2**
Local currency deposit ratings				
Long-term	**BBB-**	**BBB**	**Baa2**	**Baa2**
Short-term	**A-3**	**A-2**	**P-2**	**P-2**
National Scale Rating (NSR)				
Long-term deposits	**zaAA-**	**zaAAA**		
Short-term deposits	**zaA-1**	**zaA-1**		
Counterparty risk assessment				
Long-term			**Aa1.za**	
Short-term			**P-1.za**	



Supplementary information

Earnings per share and weighted-average shares

Earnings per share	Basic	Diluted basic	Headline	Diluted headline
Dec 2016				
Earnings for the year	**10 132**	**10 132**	**11 465**	**11 465**
Weighted-average number of ordinary shares	**477 755 134**	**487 894 673**	**477 755 134**	**487 894 673**
Earnings per share (cents)	**2 121**	**2 077**	**2 400**	**2 350**
Dec 2015				
Earnings for the year	10 721	10 721	10 831	10 831
Weighted-average number of ordinary shares	474 151 635	483 128 835	474 151 635	483 128 835
Earnings per share (cents)	2 261	2 219	2 284	2 242

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue.

Fully diluted basic earnings and fully diluted headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account

Number of weighted-average dilutive potential ordinary shares (000)

Potential shares are the total number of shares arising from historic grants, schemes or awards, available for distribution.

The number of potential shares, the strike price at issuance date, potential funding charges and imputed costs, the future share-based payments (SBP) charge, allocated compared with unallocated, and the date of issuance are taken into account to determined the weighted-average dilutive shares.

	2016		2015	
	Potential shares	Weighted-average dilutive shares	Potential shares	Weighted-average dilutive shares
Traditional schemes	**14 349**	**7 855**	11 930	6 075
Nedbank Group Restricted-share Scheme (2005)	**11 440**	**6 283**	9 507	4 709
Nedbank Group Matched-share Scheme (2005)	**2 909**	**1 572**	2 423	1 366
Total BEE schemes	**3 933**	**2 285**	4 840	2 902
BEE schemes – South Africa	**3 223**	**2 103**	4 163	2 635
BEE schemes – Namibia	**710**	**182**	677	267
Total	**18 282**	**10 140**	16 770	8 977

Nedbank Group employee incentive schemes

Nedbank Group employee incentive schemes	2016		2015	
Summary by scheme				
Nedbank Group Restricted-share Scheme (2005)	**9 630 296**		9 234 438	
Nedbank Group Matched-share Scheme (2005)	**2 213 243**		1 917 097	
Instruments outstanding at the end of the period	**11 843 539**		11 151 535	
Analysis				
Performance-based restricted shares	**5 236 979**	P	4 849 946	P
Non-performance-based restricted shares	**4 393 317**		4 384 492	
Performance-based matched shares (CBSS[1])	**1 459 090**	P	1 230 105	P
Non-performance-based matched shares (VBSS[2])	**754 153**		686 992	
Instruments outstanding at the end of the period	**11 843 539**		11 151 535	
Movements				
Instruments outstanding at the beginning of the period	**11 151 535**		11 518 340	
Granted	**4 982 033**		3 860 561	
Exercised	**(3 616 210)**		(3 680 138)	
Surrendered	**(673 819)**		(547 228)	
Instruments outstanding at the end of the period	**11 843 539**		11 151 535	

[1] *Compulsory Bonus Share Scheme.*
[2] *Voluntary Bonus Share Scheme.*

Nedbank Group (2005) Restricted and Matched-share Schemes

Restricted shares[1]

Details of instruments granted and not exercised at 31 December 2016 and the resulting dilutive effect:

Instrument expiry date	Number of shares	
07 Mar 17	**1 556 392**	P
08 Mar 17	**1 421 228**	
15 Aug 17	**9 340**	P
16 Aug 17	**9 340**	
14 Nov 17	**19 616**	P
14 Nov 17	**19 616**	
13 Mar 18	**1 488 355**	P
14 Mar 18	**1 179 442**	
13 Aug 18	**59 837**	P
14 Aug 18	**46 571**	
18 Mar 19	**2 061 871**	P
19 Mar 19	**1 680 274**	
12 Aug 19	**41 568**	P
13 Aug 19	**36 846**	
Restricted shares not exercised at 31 December 2016	**9 630 296**	
Unallocated shares	**649 292**	
Treasury shares	**10 279 588**	
Average shares exercised or forfeited during the period	**1 160 636**	
Total potential shares	**11 440 224**	
Weighted average dilutive shares applicable for the period	**6 282 635**	

[1] *Restricted shares are issued at a market price for no consideration to participants, and are held by the scheme until expiry date (subject to achievement of performance conditions). Participants have full rights and receive dividends.*
P *Performance-based instruments.*

SUPPLEMENTARY INFORMATION

Matched shares

Instrument expiry date	Number of shares
01 Apr 16	**605 539**
01 Apr 17	**677 217**
01 Apr 18	**930 487**
Matched shares outstanding not exercised at 31 December 2016	**2 213 243**
Movements due to shares exercised/forfeited during the period	**695 722**
Total potential shares	**2 908 965**
Weighted average dilutive shares applicable for the period	**1 572 020**

The obligation to deliver the matched shares issued under the voluntary and compulsory share scheme is subject to time and other performance criteria. This obligation exists over 31 December 2016 and therefore has a dilutive effect.

Matched shares are not issued and therefore not recognised as treasury shares. However, a potential dilutive effect remains for the matched shares until the shares are issued.

Long-term debt instruments

Instrument code	2016	2015
Subordinated debt	**13 349**	11 500
Callable notes (rand-denominated)	**11 965**	9 932
Long-term debenture (Namibian dollar-denominated)	**6**	5
Callable notes (US dollar-denominated)	**1 378**	1 563
Securitised liabilities – callable notes (rand-denominated)	**3 003**	2 679
Senior unsecured debt – senior unsecured notes (rand-denominated)	**35 702**	30 785
Unsecured debentures (rand-denominated)	**22**	18
Total long-term debt instruments in issue	**52 076**	44 982

Further information can be accessed on our group website:

nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/capital-and-risk-management-reports.html
nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/debt-investor/debt-investors-programme.html

Non-controlling interest attributable to additional tier 1 capital instruments

The group issued new style (Basel III compliant) additional tier 1 (AT 1) capital instrument as follows:

Instrument code	Instrument terms	2016	2015
Subordinated			
Callable notes (rand-denominated)			
NEDT1A	3-month JIBAR + 7,00% per annum	**1 500**	
NEDT1B	3-month JIBAR + 6,25% per annum	**500**	
Total non-controlling interest attributable to additional tier 1 capital instruments		**2 000**	

The AT 1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Ltd (Nedbank) from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, if certain conditions are reached the regulator may prohibit Nedbank from making interest payments. Accordingly the instruments are classified as equity instruments and disclosed as part of the non-controlling interest.

Shareholders' analysis

Register date: 31 December 2016
Authorised share capital: 600 000 000 shares
Issued share capital: 495 865 721 shares

	Number of shares	2016 % holding	2015 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (SA) Limited and associates (includes funds managed on behalf of other beneficial owners)	270 790 980	**54,61**	54,11
Nedbank Group treasury shares	17 477 014	**3,52**	3,61
BEE trusts	7 149 914		
Eyethu scheme — Nedbank SA	6 321 415	**1,27**	1,31
Omufima scheme — Nedbank Namibia	828 499	**0,17**	0,16
Nedbank Group (2005) Restricted- and Matched-share Schemes	10 279 588	**2,07**	2,13
Nedbank Namibia Limited	47 512	**0,01**	0,01
Public Investment Corporation (SA)	30 675 529	**6,19**	6,24
Coronation Fund Managers (SA)	29 448 206	**5,94**	7,57
Lazard Asset Management (US and UK)	15 307 808	**3,09**	2,64
BlackRock Inc (US and UK)	10 744 457	**2,17**	1,56
Allan Gray Investment Council	8 930 970	**1,80**	2,35
Dimensional Fund Advisors (US, UK and AU)	7 502 781	**1,51**	1,59
Investec Asset Management	7 217 177	**1,46**	0,14
The Vanguard Group Inc	6 979 289	**1,41**	1,26
Major beneficial shareholders			
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	268 687 129	**54,19**	53,66
Government Employees Pension Fund (SA)	29 971 707	**6,04**	6,65
Geographical distribution of shareholders			
Domestic	407 615 438	**82,20**	86,22
South Africa	397 953 670	**80,25**	83,30
Namibia	6 988 272	**1,41**	2,09
Swaziland	92 700	**0,02**	0,02
Unclassified	2 580 796	**0,52**	0,81
Foreign	88 250 283	**17,80**	13,78
United States of America	52 376 292	**10,56**	7,49
United Kingdom and Ireland	8 234 761	**1,66**	1,20
Europe	10 745 189	**2,17**	1,80
Other countries	16 894 041	**3,41**	3,29
Total shares listed	495 865 721	**100,00**	100,00
Less: Treasury shares held	17 477 014		
Net shares reported	478 388 707		

Basel III balance sheet credit exposure by business cluster and asset class

	Nedbank CIB Rm	Property Finance Rm	Nedbank RBB[3] Rm	Nedbank Wealth Rm	Rest of Africa Rm	Centre Rm
Advanced Internal Ratings-based Approach	429 034	136 139	292 217	18 656	111	52 148
Corporate	177 588	40 943	14 008	1	111	
Specialised lending – HVCRE[4]	6 524	6 524		37		
Specialised lending – IPRE[5]	82 635	82 635	1 365	4 451		
Specialised lending – project finance	23 571					
SME – corporate	6 419	5 500	17 941	2 595		
Public sector entities	22 280		281			
Local governments and municipalities	8 497		1 051			
Sovereign	47 721					52 143
Banks	53 220	48	1			5
Securities firms						
Retail mortgage			109 956	9 735		
Retail revolving credit			14 933	74		
Retail – other			99 434	268		
SME – retail	90		32 583	1 495		
Securitisation exposure	489	489	664			
The Standardised Approach[6]			2 463	22 185	29 056	
Corporate				9	6 185	
SME – corporate			670	1 072		
Public sector entities					645	
Local government and municipalities					37	
Sovereign				3 959	5 985	
Banks				11 474	3 293	
Retail mortgage			1 782	4 962	5 801	
Retail revolving credit					1 521	
Retail – other			6	709	3 460	
SME – retail			5		2 129	
Properties in Possession	94	94	92	38	26	
Non-regulated entities	34 831		2 832	2 410		263
Total Basel III balance sheet exposure[7]	463 959	136 233	297 604	43 289	29 193	52 411
Downturn expected loss (AIRB Approach)						
Expected loss performing book						
BEEL on defaulted advances						
IFRS impairment on AIRB loans and advances						
Excess of downturn expected loss over eligible provisions						

1 Risk weighting is shown as a percentage of exposure at default (EAD) for the AIRB Approach and as a percentage of total credit extended for TSA.
2 dEL is in relation to performing loans and advances.
3 Best estimate of expected loss (BEEL) is in relation to defaulted loans and advances.
4 HVCRE = High-volatility commercial real estate.
5 IPRE = Income-producing real estate.
6 A portion of the legacy Imperial Bank book in Nedbank RBB, Nedbank Private Wealth (UK) and the non-SA banking entities in Africa are covered by TSA.
7 Balance sheet credit exposure includes on-balance-sheet, repurchase and resale agreements and derivative exposure (refer to next page for details).

	Nedbank Group 2016						Nedbank Group 2015			
	Rm	Mix %	Change %	Risk Weighting[1] %	Downturn expected loss (dEL)[2] Rm	BEEL[3] Rm	Rm	Mix %	Downturn expected loss (dEL)[2] Rm	BEEL[3] Rm
	792 166	93,6	2,9	36,2	6 132	7 032	769 803	89,8	6 388	6 326
	191 708	22,6	(1,7)	40,6	820	795	195 067	22,8	805	313
	6 561	0,8	(10,1)	110,0	94	114	7 295	0,9	100	193
	88 451	10,5	15,2	39,5	330	173	76 782	9,0	315	151
	23 571	2,8	19,1	45,5	38	75	19 793	2,3	63	65
	26 955	3,2	(7,4)	39,6	150	92	29 102	3,4	205	204
	22 561	2,7	38,5	46,6	50		16 291	1,9	18	
	9 548	1,1	(10,3)	14,1	1	8	10 641	1,2	1	41
	99 864	11,8	18,1	3,2	5		84 581	9,9	14	
	53 226	6,3	(28,4)	30,1	135		74 306	8,7	79	
		0,0	(100,0)	23,6			164	< 0,1	3	
	119 691	14,2	3,8	30,4	796	1 254	115 266	13,4	953	1 224
	15 007	1,7	4,6	54,5	672	1 299	14 351	1,7	714	1 161
	99 702	11,8	7,2	52,6	2 582	2 513	93 026	10,9	2 683	2 378
	34 168	4,0	7,8	36,6	459	709	31 701	3,7	434	597
	1 153	0,1	(19,8)	60,0			1 437	0,1		
	53 704	6,4	6,8	51,6			50 266	5,9		
	6 194	0,7	50,4	98,1			4 119	0,5		
	1 742	0,2	(53,9)	52,2			3 778	0,4		
	645	0,1	65,8	47,9			389	< 0,1		
	37	0,0	(35,4)	70,4			58	< 0,1		
	9 944	1,1	45,8	72,3			6 818	0,8		
	14 767	1,7	(11,4)	19,8			16 667	1,9		
	12 545	1,4	(6,0)	50,7			13 348	1,6		
	1 521	0,2	>100,0	68,3			351	< 0,1		
	4 175	0,5	(11,6)	59,3			4 724	0,6		
	2 134	0,2	>100,0	67,5			14	< 0,1		
	250	<0,1	(29,4)				354	<0,1		
	40 337	4,6	2,6				39 949	4,3		
	886 457	100,0	(1,3)		6 132	7 032	857 372	100,0		
						13 164				12 714
						6 132				6 388
						7 032				6 326
						(11 662)				(10 923)
						1 502				1 791

SUPPLEMENTARY INFORMATION

Nedbank Limited consolidated statement of comprehensive income

for the year ended 31 December

Rm	2016	2015
Interest and similar income	**69 862**	55 128
Interest expense and similar charges	**45 344**	32 724
Net interest income	**24 518**	22 404
Impairments charge on loans and advances	**4 254**	4 608
Income from lending activities	**20 264**	17 796
Non-interest revenue	**19 361**	17 514
Operating income	**39 625**	35 310
Total operating expenses	**25 283**	23 459
Indirect taxation	**810**	668
Profit from operations before non-trading and capital items	**13 532**	11 183
Non-trading and capital items	**(289)**	(144)
Profit from operations	**13 243**	11 039
Share of profits of associate companies and joint arrangements	**(20)**	(1)
Profit before direct taxation	**13 223**	11 038
Total direct taxation	**3 286**	2 828
Direct taxation	**3 328**	2 860
Taxation on non-trading and capital items	**(42)**	(32)
Profit for the period	**9 937**	8 210
Other comprehensive income net of taxation	**(453)**	578
Exchange differences on translating foreign operations	**(231)**	190
Fair-value adjustments on available-for-sale assets	**(13)**	(9)
Actuarial losses on long-term employee benefit assets	**(233)**	279
Gains on property revaluations	**24**	118
Total comprehensive income for the period	**9 484**	8 788
Profit attributable to:		
– Ordinary and preference equity holders	**9 896**	8 163
– Non-controlling interest — ordinary shareholders	**41**	47
Profit for the period	**9 937**	8 210
Total comprehensive income attributable to:		
– Ordinary and preference equity holders	**9 443**	8 739
– Non-controlling interest — ordinary shareholders	**41**	49
Total comprehensive income for the period	**9 484**	8 788
Headline earnings reconciliation		
Profit attributable to ordinary and preference equity holders	**9 896**	8 163
Less: Non-headline earnings items net of taxation	**(247)**	(112)
Non-trading and capital items	**(289)**	(144)
Taxation on non-trading and capital items	**42**	32
Headline earnings attributable to ordinary and preference equity holders	**10 143**	8 275

Nedbank Limited consolidated statement of financial position

for the year ended 31 December

Rm	2016	2015
Assets		
Cash and cash equivalents	**20 241**	18 151
Other short-term securities	**68 218**	60 078
Derivative financial instruments	**18 044**	30 948
Government and other securities	**50 687**	42 733
Loans and advances	**691 925**	666 807
Other assets	**8 164**	3 925
Current taxation assets	**440**	904
Investment securities	**1 908**	1 648
Non-current assets held for sale	**287**	2
Investments in private-equity associates, associate companies and joint arrangements	**2 575**	1 400
Deferred taxation assets	**266**	67
Property and equipment	**8 197**	8 114
Long-term employee benefit assets	**5 042**	4 885
Mandatory reserve deposits with central banks	**18 139**	16 190
Intangible assets	**5 928**	4 881
Total assets	**900 061**	860 733
Total equity and liabilities		
Ordinary share capital	**28**	28
Ordinary share premium	**19 182**	18 532
Reserves	**42 698**	37 610
Total equity attributable to equity holders of the parent	**61 908**	56 170
Preference share capital and premium	**3 561**	3 561
Additional tier 1 capital instruments	**2 000**	
Minority shareholders' equity attributable to ordinary shareholders	**253**	223
Total equity	**67 722**	59 954
Derivative financial instruments	**13 469**	33 996
Amounts owed to depositors	**750 319**	708 036
Other liabilities	**12 717**	9 911
Current taxation liabilities	**53**	87
Deferred taxation liabilities	**391**	763
Long-term employee benefit liabilities	**3 328**	3 009
Long-term debt instruments	**52 062**	44 977
Total liabilities	**832 339**	800 779
Total equity and liabilities	**900 061**	860 733

Financial highlights

for the year ended 31 December

Rm	2016	2015
Return on ordinary shareholders' equity (ROE) (%)	**17,3**	15,4
Return on total assets (ROA) (%)	**1,20**	1,05
Net interest income to average interest-earning banking assets (%)	**3,40**	3,30
Credit loss ratio — banking advances (%)	**0,67**	0,78
Efficiency ratio	**57,7**	58,8

Company details

NEDBANK GROUP LIMITED

Incorporated in the Republic of SA
Registration number 1966/010630/06

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

PO Box 1144, Johannesburg, 2000

Transfer secretaries in SA
Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107

Namibia
Transfer Secretaries Proprietary Limited
Robert Mugabe Avenue No 4, Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

INSTRUMENT CODES

Nedbank Group ordinary shares

JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
ADR code:	NDBKY
ADR CUSIP:	63975K104

Nedbank Limited non-redeemable non-cumulative preference shares

JSE share code:	NBKP
ISIN:	ZAE000043667

FOR MORE INFORMATION CONTACT

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

- Financial results presentation to analysts.
- Link to a webcast of the presentation to analysts.

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

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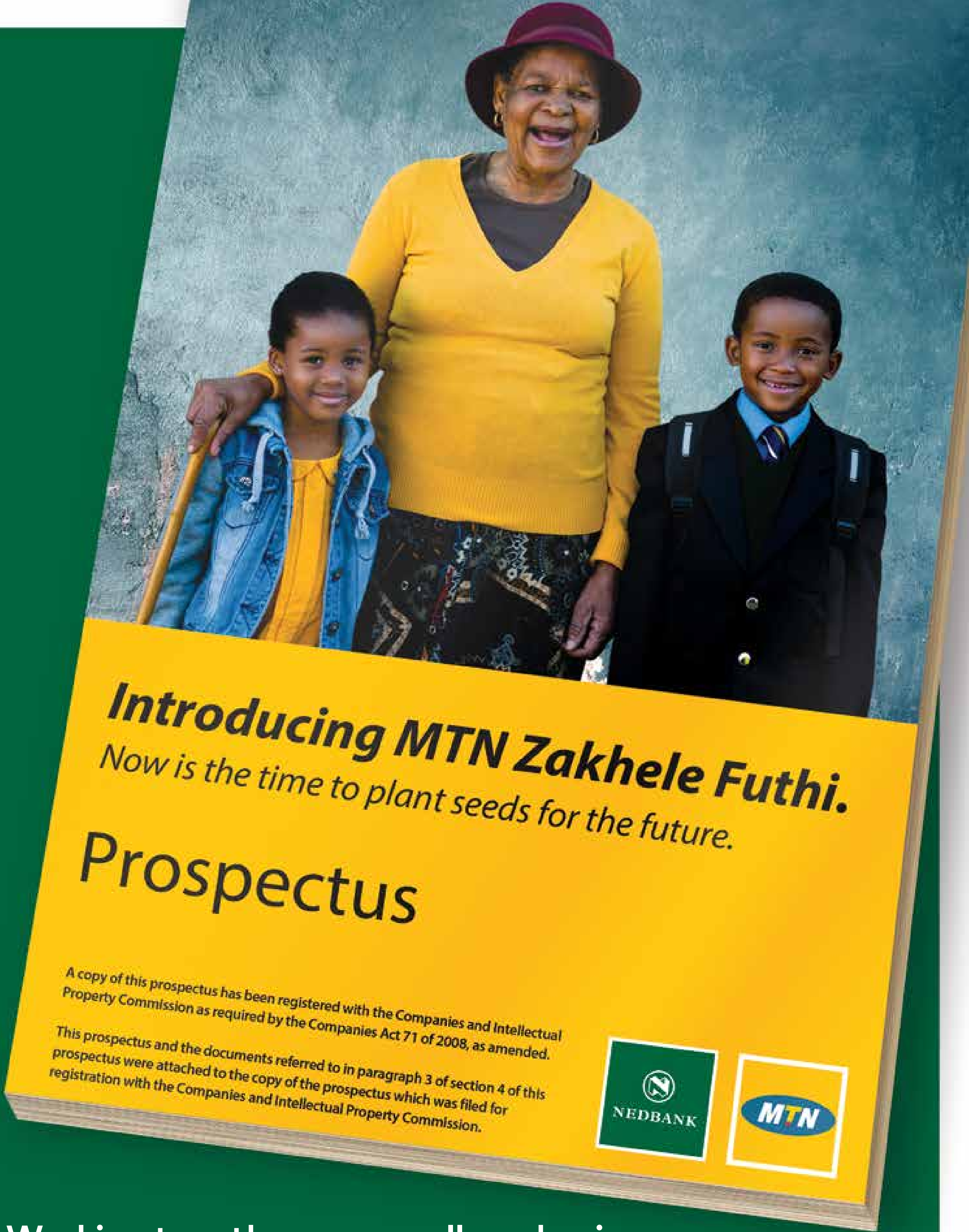

Working together across all our businesses to find innovative solutions for our clients

The MTN Zakhele Futhi BBBEE deal is a good example of how businesses from across the group work together when having a common strategic goal to deliver innovative solutions to our clients.

Nedbank has always aspired to be at the forefront of transformation, as is evident from our leadership in launching our own BBBEE deal in 2005. In line with this and building on our long-standing relationship with MTN Group, we were successful in leading an integrated, bespoke solution to facilitate the implementation of MTN's new R9,9bn BBBEE scheme, MTN Zakhele Futhi.

This integrated solution demonstrates our ability to advise on, structure, manage, fund and distribute highly complex solutions for our clients, and has further strengthened our partnership with MTN. Nedbank is proud to have been part of this landmark follow-on BBBEE transaction and will continue to act as a key enabler and supporter of BEE principles.