



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 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

Environmental context

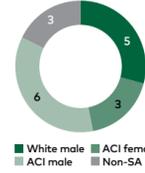
In line with much of the global and domestic banking industry Nedbank faces a challenging macroeconomic environment, an increasing regulatory agenda, strong competition and evolving technology landscape. SA's economy is forecast to grow by around 1,1% in 2017 off a low base. Inflation is expected to return to within the inflation target range of the South African Reserve Bank (SARB), resulting in our forecast of interest rates decreasing in the second

half of the year. Corporate credit demand should benefit from economic recovery, 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 credit demand should improve moderately from low levels. Conditions in Central and West Africa are expected to remain difficult in 2017, before improving in 2018 and beyond. Read more about these in our 2016 Integrated Report that will be published on 31 March 2017 and be available on nedbankgroup.co.za.

Ensuring and protecting value through good governance

- Managed Nedbank in accordance with the King Code of Corporate Practice and Conduct (King III and transitioning to King IV).
- Strengthened our board independence to 59% (independent members) as well as board diversity (53% black and 17,6% female members).
- Appointed Errol Kruger and Rob Leith as new directors. Paul Hanratty stepped down in 2016 and Tom Boardman and David Adomakoh will retire on 18 May 2017.
- Appointed Ciko Thomas as Managing Executive of Nedbank RBB following the retirement of Philip Wessels. With Sandile Shabalala's resignation from Group Executive Committee, no new appointment was made.
- Passed all resolutions at our 49th annual general meeting in 2016, with more than 90% votes of approval.
- Our 50th annual general meeting will be held on 18 May 2017.

Board demographics



Board independence



Inputs LEVERAGING OUR CAPITAL

- FINANCIAL CAPITAL**
R81,7bn capital
R761,5bn deposits
- HUMAN CAPITAL**
32 401 talented employees
Unique culture and high levels of staff morale
- MANUFACTURED CAPITAL**
145 core IT systems
786 staffed outlets
4 052 ATMs
Market-leading digital channels and products
- INTELLECTUAL CAPITAL**
Nedbank brand the eighth most valuable in SA
Market leadership in wholesale banking, commercial-property finance, vehicle finance and asset management
- SOCIAL AND RELATIONSHIP CAPITAL**
SA's most transformed bank
Leader in social responsibility
Strategic partnerships with Old Mutual, Ecobank, Bank of China and Canadian Imperial Bank of Commerce (CIBC)
- NATURAL CAPITAL**
Tilt of our lending in line with carbon emissions and water extraction limits
Operations that are carbon neutral

TO DELIVER ON OUR STRATEGY

- DELIVERING INNOVATIVE MARKET-LEADING CLIENT EXPERIENCES**
 - Launched exciting innovations such as MyPocket™, Masterpass™, GAP Access™ and Interactive Teller ATMs.
 - Converted 44% of outlets to innovative new-concept branches and plan to have converted 82% of all outlets by 2020.
 - Increased digitally enabled clients, driving up the value of Nedbank App Suite™ transactions up 60% to R25bn.
 - Launched exciting new digital innovations in 2017 and growing the number of digital clients.
- GROWING OUR TRANSACTIONAL BANKING FRANCHISE FASTER THAN THE MARKET**
 - Achieved 4,8% retail client growth, driving a 6,3% increase in middle-market retail main-banked clients and 8,7% retail transactional revenue growth.
 - Maintained a transactional focus, which enabled retail household and commercial deposit market shares to increase to 18,7% and 17,4% respectively.
 - Benefited from an integrated CIB franchise, evident in 14,5% NIR growth in the cluster and gaining 39 new primary clients.
- OUTLOOK** Medium-to-long-term target: NIR/expenses ratio > 85% from 82,9% in 2016 and growing our share of main-banked clients.
- PROVIDING OUR CLIENTS WITH ACCESS TO THE BEST FINANCIAL SERVICES NETWORK IN AFRICA**
 - Acquired control of Banco Único from 1 October 2016.
 - Continued to invest in our subsidiaries by implementing the Flexcube core banking system in Namibia, Swaziland and Lesotho, launching new products and rolling out new distribution channels.
 - Continued to work closely with Ecobank on joint pipeline deals and opportunities in trade and commodity finance.
- OUTLOOK** Improving ROE from Rest of Africa to above COE over the medium to long term.
- MANAGING SCARCE RESOURCES TO OPTIMIZE ECONOMIC OUTCOMES**
 - Proactively limited downside risk through selective origination of home loans, personal loans and commercial property, enabling a CLR of 68 basis points (bps).
 - Maintained focus on growing activities that generated economic profit (EP), such as current account balances and commission and fee income, up 9,3% and 6,8% respectively.
 - Well-capitalised balance sheet, with tier 1 capital adequacy ratio at 13,0%.
- OUTLOOK** Medium-to-long-term target: Return on equity (ROE) (excl goodwill) at cost of equity (COE) plus 5% (around 19%) from 16,5% in 2016. Maintaining strong balance sheet, with tier 1 ratio above our medium-to-long-term target of > 12%.
- OUR SIX STRATEGY ENABLERS**

In 2016 we introduced a series of strategic enablers to facilitate delivery in respect of our strategic focus areas and achievement of our targets by changing the way in which we operate. Many of these are closely related to the capitals defined by the International Integrated Reporting Council (IIRC) and include the following:

 - People 2020** – aimed at transforming our leadership, culture and talent capability to enable delivery on 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.
- We initiated an **operating-model review** in the latter part of 2016. This 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 enterprisewide capability with the client at the centre of all we do. Collectively, these activities will support our ability to meet our medium-to-long-term targeted cost-to-income ratio of 50% to 53%.

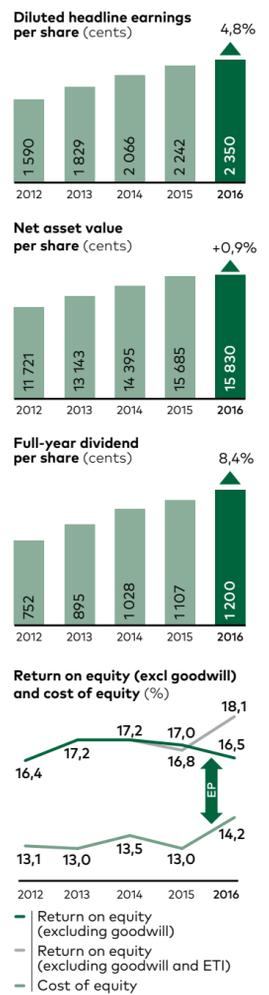
Outcomes CREATING SUSTAINABLE VALUE FOR OUR STAKEHOLDERS

- STAFF**
 - Paid **R15,5bn** in salaries and benefits to support our **32 401 staffmembers** and their families.
 - Created **1 089** new permanent jobs.
 - Invested **R413m** in staff training.
 - Improved staff transformation, with more than **78% black** staff representation.
 - Recognised at the 15th Annual Oliver Top Empowered Business Awards as Legend of Empowerment and Transformation.
- CLIENTS**
 - Paid out **R162bn** in new loans, of this R81bn to clients of RBB, including R26bn to small and medium enterprises (SMEs) and business banking clients, as well as R3,9bn for affordable housing.
 - Over **R50bn** of infrastructure financing drawn or committed.
 - Provided an additional **219** Intelligent Depositor and more than **6 000** new point-of-sale devices.
 - Kept fee increases well below inflation.**
 - Increased assets under management by **6,2%** to **R273bn** and placed as a top-three management company for the eighth consecutive year.
 - Maintained IT system stability at **99,89%** and processed a record **15bn transactions**, enabling clients to pay for goods and services.
- SHAREHOLDERS**
 - Increased net asset value (NAV) per share to **15 830 cents**.
 - Delivered a total shareholder return of **32,3%** and increased the total dividend 8,4%.
 - Engaged constructively with investors in over **350** meetings.
 - Acknowledged for transparent, relevant and timely reporting through **multiple awards**.
 - Realised **R8,2bn** in value for over 500 000 broad-based black economic empowerment (BBBEE) shareholders.
- REGULATORS**
 - Complied with prudential legislation and targets.
 - Invested more than **R100bn** in government and public sector bonds, supporting the funding needs of government.
 - As one of SA's largest tax contributors, paid **R8,7bn** in tax (direct, indirect, pay as you earn and other).
 - Performed **anti-money-laundering** remediation of high-risk clients as required by SARB.
 - Supported **responsible banking practices** through our actions and commitments.
- COMMUNITIES**
 - Established the **R100m** Mogale Empowerment Trust with an investment of **R100m** supporting bursaries for black students and enterprise development initiatives.
 - Contributed **R141m** to socioeconomic development, 50% of which was spent on education and **R11m** towards addressing issues around the **Fees Must Fall** campaign.
 - Achieved **75%** local procurement and won the Chartered Institute of Procurement and Supply Best Supplier and Enterprise Development award in recognition of our support for local SMEs.
 - Maintained our **level 2 BBBEE** contributor status for the eighth consecutive year and remained SA's most transformed bank.
 - Enabled more than **R2,3bn** lending through our Fair Share 2030 strategy to support student accommodation and embedded energy in the commercial and farming sectors.
 - As Africa's first carbon-neutral bank, committed **R35bn** towards renewable-energy deals, of which R13,3bn has been disbursed to date.

Highlights

- Diluted HEPS**
▲ 4,8%
2 350 cents
- Full-year dividend per share**
▲ 8,4%
1 200 cents
- ROE (excl goodwill)**
▼ 16,5%
- CLR**
▼ 68 bps
(2015: 77 bps)
- Good revenue growth**
9,4%
- Headline earnings**
▲ 5,9%
R11 465m
(excl ETI ▲ 16,2%)
- Tier 1 capital adequacy ratio**
▲ 13%
(2015: 12,0%)

Delivering value to shareholders



Review of results

Headline earnings of R11 465m increased 5,9% for the year ended 31 December 2016. The performance was underpinned by strong net interest income (NII) and non-interest revenue (NIR) growth, while historic loan origination practices and focused credit risk management enabled our credit loss ratio (CLR) to remain below the mid-point of our through-the-cycle target range. Excluding Ecobank Transactional Incorporated (ETI), headline earnings from our managed operations grew by 16,2% to R11 839m.

Strong NII growth of 10,6% to R26 426m was underpinned by growth in average interest-earning banking assets of 7,0% and net interest margin (NIM) expansion to 3,41%, benefiting from endowment income following the 102 bps increase in average interest rates in 2016. This was partially offset by asset pricing and mix changes, and compression due to Basel III funding. Impairments decreased 4,9% to R4 554m and the CLR improved to

0,68%, driven by lower impairments across all our clusters. The CLR reflects improvements in Corporate and Investment Banking (CIB) impairments, following increases in oil and other commodity prices and the settlement or successful restructuring of certain counters during the year. Retail and Business Banking (RBB) remained below the lower end of its target range due to reduced impairments in Personal Loans and Business Banking. Specific coverage and the portfolio coverage ratio on the performing book remained stable at 37,4% and 0,69% respectively. RBB held R654m of overlays and central portfolio provisions were maintained at R500m. NIR grew 8,1% to R23 503m, driven primarily by quality-client gains, an increased focus on client coverage leading to good main-banked client conversion, below-inflation annual fee increases in RBB and trading income benefiting from increased market volatility, good client flows and deeper client penetration in CIB. The strong growth was partially offset by higher weather-related claims and lower investment.

Expenses continued to be managed within expectations and increased 8,6% to R28 366m, which included the cost of compliance with increasing regulatory demands, costs associated with increased volumes of revenue-generating activities, the first-time consolidation of Banco Único and ongoing investment in information technology (IT) and integrated channels. The earnings in associates decreased to a loss of R105m. 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. Nedbank Group is well capitalised, with the Basel III tier 1 ratio at 13,0%, well above our internal target of > 12% and the SARB minimum requirement of 8,375%. Funding and liquidity levels remained sound and well positioned for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) compliance in future years.

Consolidated statement of comprehensive income

Year ended	% change	Dec 2016 (Rm)	Dec 2015 (Rm)
NII	10,6	26 426	23 885
Impairments	(4,9)	4 554	4 789
Income from lending activities	14,5	21 872	19 096
NIR	8,1	23 503	21 748
Total expenses	8,6	28 366	26 110
Indirect taxation	18,4	927	783
Associate income	> (100)	(105)	871
Headline profit before taxation	7,8	15 977	14 822
Direct taxation	12,3	3 985	3 550
Minorities and preference shareholders	19,5	527	441
Headline earnings	5,9	11 465	10 831

Consolidated statement of financial position

Year ended	% change	Dec 2016 (Rm)	Dec 2015 (Rm)
Cash and securities	14,6	180 811	157 746
Advances	3,7	707 077	681 632
Other	(9,5)	78 134	86 348
Total assets	4,4	966 022	925 726
Ordinary shareholders' equity	1,3	75 733	74 754
Minorities and preference shareholders	49,6	5 978	3 997
Deposits	4,9	761 542	725 851
Long-term debt instruments	15,8	52 076	44 982
Other	(7,2)	70 693	76 142
Total equity and liabilities	4,4	966 022	925 726

Business cluster headline earnings and return on equity

Year ended	% change	Headline earnings (Rm)		ROE (%)	
		Dec 2016	Dec 2015	Dec 2016	Dec 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	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)
Group	5,9	11 465	10 831	15,3	15,7
Group (excl goodwill)				16,5	17,0

Other indicators

Year ended	% change	Dec 2016	Dec 2015
NIM (bps)		341	330
CLR (bps)		68	77
NIR/expenses ratio (%)		82,9	83,3
Efficiency ratio¹ (%)		56,9	56,1
Headline earnings per share (cents)		2 400	2 284
Basic earnings per share (cents)	5,1	2 121	2 261
NAV per share (cents)	0,9	15 830	15 685

Final-dividend declaration

Final dividend of 630 cents per ordinary share.

Event	Date
Last day of 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 are inclusive.

For and on behalf of the board
Vassi Naidoo
Chairman
Mike Brown
Chief Executive
28 February 2017



These results and additional information are available at nedbankgroup.co.za.

For further information
This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement published on the Securities Exchange News Service (SENS) on Tuesday, 28 February 2017, and also available on our website at nedbankgroup.co.za. Copies of the full announcement may be requested by contacting Nedbank Group Investor Relations by email at NedbankGroupIR@Nedbank.co.za and are available for inspection at Nedbank Group's registered office at no charge on weekdays from 09:00 to 16:00.

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