UNITED NATIONS GLOBAL COMPACT COMMUNICATION OF PROGRESS

FOR THE YEAR ENDED 31 DECEMBER 2017

see money differently

NEDBANK

A Member of the OLDMUTUAL Group

CONTENTS

LETTER FROM OUR CHIEF EXECUTIVE

Nedbank Group - continued commitment to the United Nations Global Compact

As Chief Executive of Nedbank Group, I reaffirm our commitment to the United Nations Global Compact and the 10 principles that underpin it. In addition, as a Group, we remain a signatory to the Equator Principles and the CEO Water Mandate and we continue to support the UNEP FI Positive Impact Working Group.

These commitments, along with deliberate focus on the Sustainable Development Goals (SDGs), form an important part of our overall strategy as we align our core business to deliver on our purpose – to use our financial expertise for the good of individuals, families, businesses and society.

The SDGs represent a powerful lens to identify opportunities for business innovation and growth, and they define the 'good' in our purpose. As such, in 2017 we began to reorient our approach to focus on the most material SDG targets through our

three main points of leverage – Products and Services: Sustainable Development Finance, Operations and Partnerships (including CSI).

We are proud to support the work undertaken by the UNGC, cognisant of the important role that the private sector plays in this.

Yours sincerely

Mike Brown

Chief Executive Officer
Nedbank Group

OVERVIEW OF NEDBANK GROUP

Nedbank Group is one of the largest financial services groups in Africa, offering wholesale and retail banking services as well as insurance, asset management and wealth management.
In SA we have a strong franchise, evidenced by a 19% deposits and advances market share.

Outside SA, we operate in six countries in the SADC, through subsidiaries and banks in Lesotho, Malawi, Mozambique, Namibia, Swaziland and Zimbabwe, and we have representative offices in Angola and Kenya.

Outside Africa, we have a presence in key global financial centres to provide international financial services for SA- and Africa-based multinational and high-net-worth clients in Guernsey, Isle of Man, Jersey and London, and we have a representative office in Dubai.

- Old Mutual ownership **53,4%** expected to decrease to 19,9% after managed separation[1]
- Market capitalisation **R128bn** as at 31 December 2017
- One of **SA's most transformed banks** – level 2 BBBEE rating (Amended FSC)
- Employees **31 887**
- CET1 capital ratio **12,6%**
- Headline earnings **R11,8bn** and dividend per share **1 285 cents**
- Only African-based bank to be included in the **Dow Jones World Sustainability Index**

Access to the **largest banking network in Africa** through our strategic alliance with ETI: 39 countries.

[1] *The decrease in OML's shareholding in Nedbank Group will be achieved through the unbundling of Nedbank Group ordinary shares to OML's shareholders. This will result in OML, immediately after the implementation of unbundling, having a 19,9% strategic minority shareholding in Nedbank Group. The unbundling will occur at an appropriate time and in an orderly manner, after the listing of OML and allowing suitable time for the transition of the OML shareholder register to an investor base with an SA and emerging-market focus and mandate.*

Assets **R983bn**

Deposits **R772bn**

Total clients **7,9m**

What differentiates Nedbank?

Unique corporate culture supporting a highly motivated workforce.

Experienced management teams.

Leadership positions in renewable-energy finance, corporate and commercial-property lending, retail vehicle finance, card acquiring, asset management and wealth management.

Selective origination and good risk management enabling the delivery of a **CLR that is the lowest in the industry**.

Managed Evolution and Digital Fast Lane (our IT strategies) position Nedbank to be **more digital, agile and competitive**.

Growth of main-banked client market share representing an opportunity for revenue growth.

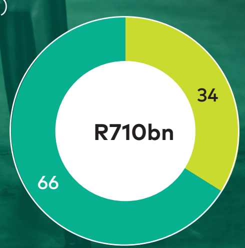
Prudent management of our expenses over time and an opportunity to continue to lower our efficiency ratio.

Strong legacy position as a bank that is committed to doing business in a manner that positively builds society at large.

- Investment in SA's water source areas to balance our operational water usage.
- **Constituent of the Dow Jones World Sustainability Index** for 12 years.
- On the **A-list for the Carbon Disclosure Project** – among the top 5% companies globally.
- **Carbon neutral** for seven years.
- **Acknowledgment as one of SA's most transformed banks.**
- Recognition for **excellence in governance, transparency and corporate reporting.**

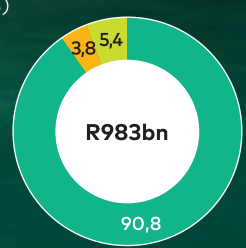
A **wholesale-biased business model** compared with those of peer banks

Retail vs wholesale advances
(%)



Wholesale advances
Retail advances

Assets by geographical area
(%)



SA | International
RoA

REFLECTIONS FROM OUR CHAIRMAN

This challenging and uncertain South African macroeconomic environment has made me think harder about the role Nedbank should play in building the country. We aspire to be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society. The banking system is critical to driving investment and economic growth, channelling capital from savers to those who can use it productively.

Vassi Naidoo
Chairman

2017 was difficult for SA, principally because business found itself at odds with some of our political leaders. Usually, I think, business people and politicians want the same thing: a thriving country that provides good lives for all its citizens. We may disagree about the best way to get there, but seldom is that objective in question. Last year, though, I lost that faith.

There were several issues that contributed to this. After the dismissal of Nhlanhla Nene as Finance Minister in late 2015 (subsequently reappointed in February 2018) there were significant concerns among business leaders about the impact on international and domestic confidence. I remember attending the World Economic Forum in Davos in February 2016, where the usual international interest shown by the world's leaders in SA had evaporated. We then decided to form the CEO Initiative in SA – with other business leaders and alongside organised labour – to support government with several interventions to address the most urgent problems in our economy, including unemployment and the dire fiscal position of several state-owned enterprises. Together we worked with National Treasury under then Finance Minister Pravin Gordhan (appointed as Public Enterprises Minister in February 2018) to create the right interventions. Those efforts were paying dividends, as evidenced by international rating agencies holding off on downgrading SA's debt to subinvestment grade.

One of the most important ingredients in a successful economy is trust. It is an invisible form of capital that runs throughout a country and ensures we can work together rather than waste energy by working at cross purposes. It enables us to rely on the bona fides of others. But when Minister Gordhan was recalled from an international roadshow and dismissed, a great deal of that social capital was obliterated. It was only one act, but it had a profound effect, wiping out trust that had been built between business, labour and government.

Since the election of Cyril Ramaphosa as the President of the ANC in December 2017 and subsequently as President of SA, the good news is that we have seen a remarkable turnaround in confidence and the willingness of key groups in our society to pull together. In his State of the Nation Address (SONA) to Parliament on 16 February 2018, President Ramaphosa emphasised partnerships and called on business to work with government, organised labour and civil society. He spoke of the CEO Initiative programmes and government's renewed commitment to them. This has galvanised us at Nedbank, and other business leaders I have engaged with, to redouble our efforts to find solutions to our employment and growth challenges. Prospects for SA have brightened as a result.

In 2017, however, we planned on the basis that downgrades of the country's debt were quite possible. As a result, we front-loaded our own debt issuance at the beginning of the year, so the downgrades we experienced last year did not affect us immediately. We also braced for a difficult economic environment, recognising that policy uncertainty as well as global economic factors was constraining economic growth in SA. It is a credit to the executive team that we produced a year of reasonable earnings growth in very difficult economic circumstances.

The economy was very weak, growing slower than the population, meaning that on average, South Africans were getting poorer. Every measure of confidence trended downwards through most of the year. The weak growth led to a deterioration in government's revenue collection, exacerbating government's budget deficit. Facing this stark reality, continued talk of an extremely expensive nuclear build programme, while several state-owned enterprises faced financial calamity requiring government bailouts, was reckless.

The parlous state of the government balance sheet had been made clear by then Finance Minister Malusi Gigaba in the Medium Term Budget Policy Statement in October 2017, but this did not seem to drive the needed response from our political leadership. The dire state of Eskom, particularly, has the potential to cause serious damage to the overall financial health of government, while weak economic growth will result in a revenue shortfall. Eskom is a critical institution in our economy, not only as a supplier of electricity to us all, but also as a major issuer of bonds and other debt held by financial institutions. As I write this, critical interventions have been made at Eskom, including the appointment of a capable board. But the confidence in our country has suffered due to the time it has taken to reach this point.

A darker hue was cast over this picture by the constant stories of corruption emerging through the media. Our vibrant media, alongside our judiciary, have been very important in holding the ground of our overall constitutional framework. While the hard facts of the country's worsening outlook, with growing unemployment, a widening budget deficit and near-zero economic growth, are clear indicators of things going wrong, the corruption has made this even more infuriating. There have been personal goals, scored brazenly by individuals in pursuit of narrow self-interest at the expense of the country, using the state for personal enrichment.

The centre has held, and we can rebuild institutions that have suffered during this period, including those of the criminal justice system that the country will rely on to pursue justice against those who have been involved in corruption.

President Ramaphosa's call in the SONA for business to work with other partners in society has been heard and received well at Nedbank. Now is the time for action. All South Africans need to pull together not only to repair the damage done to our institutions and levels of trust in our society, but also to build a new platform from which we can jointly work to realise the country's potential. That can be done, and I'm eager to engage with partners on how to do it. We can make ourselves proud to be South Africans again.

The role of the bank in society

This challenging and uncertain macroeconomic environment has made me think harder about the role Nedbank should play in building the country. We aspire to be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society. The banking system is critical to driving investment and economic growth, channelling capital from savers to those who can use it productively. But a bank such as ours is also a major employer, taxpayer, skills provider and facilitator of economic growth. As a business, we can help grow the economy in many ways, from providing investment opportunities to employment and skills. We can also indirectly support investor confidence and job creation more broadly, as well as the upliftment of people out of poverty. How we think about our purpose to do good can be narrow or wide. We are bankers, and our role in society is to manage risk, savings and investment, and protect the financial ecosystem of the country. But our expertise can lend itself to several other contributions to our society, engaging with partners to stimulate the development of small businesses and jobs, as we are doing with the CEO Initiative. We have also led the way on black economic empowerment, with Nedbank being rated the most transformed financial services company in SA in the Independent Top Empowerment Companies survey during the year.

Since the election of the new leadership of the African National Congress in December, a new sense of optimism has begun to unfold. There are encouraging signs that corruption is being tackled and the clearest threats to the government's financial wellbeing are being addressed, including the appointment of new leadership at state-owned enterprises Eskom and South African Airways. We are hopeful that the moves will be enough to convince those credit rating agencies that still consider our government's debt as investment grade to maintain their view. But we have much work to do in delivering robust economic growth and restoring the trust of investors.

A culture of ethics

Corporate behaviour is another issue that grabbed headlines during the year, contributing to weakening trust. The acts of corruption exposed by journalists included several private sector players, including suppliers to Nedbank. Towards the end of the year the withdrawal of Steinhoff's audited financial results revealed another dramatic failure of governance, further damaging trust in business.

Nedbank has zero tolerance for corruption. We actively promote our whistleblowing lines to staff and have acted decisively where we have identified wrongdoing. This ethos carries through to our client and supplier relationships. We spent significant resources on reviewing our client relationships and terminated more than 3 000 accounts where we deemed the risk to be too high.

Some of our suppliers that were implicated in cases of corruption against the state are systemically important to our business. One of our joint auditors, KPMG, faced several allegations regarding the work it undertook on behalf of its clients implicated in state capture. The chairman of the Group Audit Committee deals with this matter on page 92 of the 2017 Nedbank Integrated Report. In addition, SAP and McKinsey were accused of being associated with state capture while busy with several engagements in our business. I was disappointed that these firms were implicated and together with our management introduced several risk mitigation measures. We engaged with their leadership to obtain explanations about these activities and the steps taken to address them. We have ongoing engagements and I am working to ensure that we resolve the issues in the interest of the country as well as Nedbank.

Such governance failures weaken public trust in all companies. It is up to us as the leadership of businesses like Nedbank to earn that trust, and we are taking that seriously. Another change that I have seen during my chairmanship is the evolution of regulatory compliance to a risk-based culture that permeates the institution. Every employee shares a responsibility to ensure we behave ethically at all times, while we strive to ensure our related regulatory compliance systems are capable of detecting any misuse. That means being alert to potential wrongdoing and detecting not just clear instances of misuse, but situations that pose a risk that should be escalated. As a board we have ultimate responsibility to oversee the actions of management and we robustly engage in doing that. The trust of our stakeholders takes time to build, but it can be lost in an instant. We are all focused on demonstrating that we are a business that truly lives an ethical culture.

The global context

The International Monetary Fund expects global growth to be 3,9% in 2018. This is a strong recovery from the growth rate in the past few years and, although SA will lag because of our missteps, it provides a source of positive momentum for managing our own recovery. Yet, around the world, there are echoes of the same debates that SA engaged in. Despite the significant reduction in poverty worldwide in the past several decades, there has been an acceleration in inequality, driven by structural changes in the global economy, particularly in favour of highly skilled and capital-intensive forms of economic activity. In part that has contributed to debates over executive pay. We have participated in these debates and these, along with the views of our shareholders and several governance and regulatory codes, have affected our remuneration policy.

Technology is another major contributor to global change. It is sobering to remember that the iPhone turned 10 in 2017. Facebook and Twitter are a few years older. Social media and smartphones have been with us for only a decade, yet the impact has been dramatic. We are still only at the beginning of the consequences of these technologies for consumer behaviour and the kind of business we do. And, the pace of change is accelerating, driven by artificial intelligence and data analytics. Our bank has to embrace this change and use it to galvanise our business. Digital change is not just something we must adapt to; it is something we must lead as a key source of competitiveness. We are instilling a culture of digital innovation across the bank. This is starting to pay off. We've launched several new digital services for our clients, including award-winning apps and robotic processes that improve reliability and reduce costs, driving profitability. We've invested heavily in new systems to detect and act against financial crime. Many other initiatives are being developed. There is no end to the possibilities of how data analytics and other technology can be used to help our clients and the broader society. The global economy is navigating the fourth industrial revolution in which digital technology will integrate with our physical lives in unprecedented ways. Nedbank is on course to be at the forefront of this revolution.

Investing in Africa

Nedbank is also a distinctly African bank. Compared with the other big SA banks, we have lagged in expanding into the rest of Africa. That is changing. We have been investing significantly in the six markets where we own and manage banks in southern Africa, upgrading systems and improving their capacity to expand. In Central and West Africa we have partnered with ETI, through our

21,2% strategic shareholding. We have, along with other major shareholders, worked hard to develop ETI's strategy and governance. In 2017 ETI returned to profitability and I am confident it will be a good performer in the year ahead. Our relationship with ETI means we can offer our clients a seamless banking service in most of the major markets on the continent, while participating in their growth.

Managed separation

Our 53,4% controlling shareholder, Old Mutual, announced in March 2016 that it was unbundling its business to unlock value for its shareholders. During the course of 2017 Old Mutual plc announced that the strategic minority shareholding to be retained in Nedbank Group by Old Mutual Limited (OML) to underpin the ongoing commercial relationship between the companies has been agreed at 19,9% of the total Nedbank Group ordinary shares in issue, as held by shareholder funds. The 19,9% shareholding will be held by OML, which will have a primary listing on the JSE and a secondary listing on the London Stock Exchange. OML will be listed at the earliest opportunity in 2018, following the publication of Old Mutual plc's 2017 full-year results.

The decrease in OML's shareholding in Nedbank Group will be achieved through the unbundling of Nedbank Group ordinary shares to OML's shareholders. This will result in OML, immediately after the implementation of unbundling, having a 19,9% strategic minority shareholding in Nedbank Group. The unbundling will occur at an appropriate time and in an orderly manner, after the listing of OML and allowing suitable time for the transition of the OML shareholder register to an investor base with an SA and emerging-market focus and mandate.

Nedbank has always operated independently and has its own systems and governance, therefore the managed separation will have no impact on the day-to-day operations of Nedbank. Nedbank and Old Mutual have expressly recognised the benefits of the arm's-length commercial arrangements between them and undertake to continue to retain such commercial arrangements, which will be underpinned by a new agreement that will govern the terms of this relationship. The unbundling will result in a far more diverse and distinctly SA and emerging-market shareholding profile for Nedbank, resulting in a much larger free float, which will be good for Nedbank as well as its existing and potential new shareholders. Nedbank is a great business for our current and potential new shareholders to be invested in and we aim to continue to deliver value.

Appreciation

This bank exists because of the 31 887 employees who work every day to add value to our 7,9 million clients. I am grateful for their ongoing commitment to embracing change, ensuring Nedbank leads the competition while living a strongly ethical culture.

I would also like to express my gratitude to our Chief Executive, Mike Brown, and his executive team for their ongoing commitment to delivering on our strategy every day. I also thank my fellow boardmembers for their contributions to guiding the bank and wise counsel.

We have entered 2018 with a more positive outlook and I am excited by the opportunities we have to contribute to putting SA back onto a strong growth track and to help improve the lives of all our citizens. We look forward to working with our new political leadership in acting and behaving in a way that improves confidence in SA. That excitement extends to the rest of the African continent, where a positive momentum is also taking hold. I look forward to working alongside my colleagues to ensure Nedbank plays an important part in accelerating that momentum.

Vassi Naidoo
Chairman

This bank exists because of the 31 887 employees who work every day to add value to our 7,9 million clients.

REFLECTIONS FROM OUR CHIEF EXECUTIVE

We anticipated many of the challenges that presented themselves in 2017 and we were well prepared. We have to accept that the environment in which we operate is constantly evolving. To be both a successful and sustainable financial services provider we need to keep pace with economic, social, environmental, regulatory, technological and industry changes.

Mike Brown
Chief Executive

During 2017 Nedbank continued to create value for all our stakeholders in a challenging political and economic environment. Our headline earnings of R11,8bn, up 2,8%, reflect a good performance from our managed operations, with headline earnings growth of 7,8% and an attractive ROE (excluding goodwill) of 18,1%. Slower revenue growth was more than offset by reduced impairments and good cost management, and our share of the loss from our associate ETI, following its Q4 2016 results, decreased in the second half of the year as the ETI business returned to profitability.

Operating environment

2017 was challenging – two cabinet reshuffles, the downgrade of SA's local and foreign currency credit rating by two rating agencies, political changes and corporate surprises led to volatility in the equity, foreign exchange and debt markets. Nedbank navigated these well and demonstrated strong risk management skills.

Levels of growth in the financial services industry were also impacted by weaker business and consumer confidence following a prolonged period of political uncertainty combined with the lack of progress with resolving the structural challenges facing the SA economy, including infrastructure shortfalls, high levels of unemployment, policy deficits, a high government wage bill and fiscal pressures, the unsustainable debt position of some state-owned entities, tax pressures, as well as the erosion of the strength of key institutions, including the prosecutions authority. Consequently, asset growth and transactional activity slowed as clients delayed projects, awaiting more political and policy certainty after the ANC's elective conference in December. This was particularly evident in the wholesale and wealth businesses.

Almost daily we were confronted by news of the corruption in key state institutions, with attendant reputational challenges for all businesses. At Nedbank we have conducted detailed reviews of our business where these issues have touched on either supplier or client relationships. We have closed over 3 000 client accounts and reported over 12 000 suspicious transactions to the Financial Intelligence Centre. We implemented a robust supplier review mechanism and engaged suppliers that were implicated in wrongdoing, insisting that they take clear steps to deal with the issues and regularly report back to us on progress.

We anticipated many of the challenges that presented themselves in 2017 and we were well prepared. We have to accept that the environment in which we operate is constantly evolving. To be both a successful and sustainable financial services provider we need to keep pace with economic, social, regulatory, technological and industry changes.

Delivering on our strategy

The past few years have provided us with a solid base, and we continue to deliver on the capabilities that will enable us on our journey to become a more digital, a more competitive and a more agile bank. The best way to grow our business in a tough economic climate with increasing levels of competition is to provide excellent client experiences and service. This means listening more to our clients, accelerating our digital efforts, transforming the way we work and deliver to our clients, being more innovative and upping our game to provide the gold standard in client experiences, whatever the channel.

The new Nedbank Private Wealth™ app, rated among the best in the world, and the new Nedbank Money app, which has received excellent client feedback, are just two examples of how the foundations we have laid in our Managed Evolution technology journey are increasingly enabling us to lead in digital innovation. We are continuing our ongoing investment in technology, from mobile solutions, to automation and robotics, to artificial intelligence. We want to keep ahead of the curve and lead in responding to the changing needs of consumers using agile design and development methods, at the same time improving operational efficiencies. We are doing this through our Managed Evolution and Digital Fast Lane programmes and embracing New Ways of Work. The executive team and I experienced this new way of working in the last quarter of 2017 by participating in programming that simulated 'agile' in practice. This exercise was very useful and further highlighted the merits of working in 'squads' and 'tribes' to be more client-focused, more agile, more competitive and more digital. We currently have about 500 people across the bank working in this new fashion and we aim to increase this to over 4 000 during 2018.

In 2018 Nedbank will bring more exciting innovations to market to deliver market-leading client experiences, grow our share of revenue, respond to the threat of new entrants and lower our cost of serving our clients. Some of these innovations include a refreshed internet banking experience in line with our new mobile banking apps; an unsecured loan bundled with a transactional account; simplified client onboarding through convenient, FICA-compliant account opening from the comfort of your couch; a new and exciting loyalty and rewards solution; and further rollout of chatbots, robo-advisors and software robots (robotic process automation).

Growing our transactional banking franchise faster than the market continues to be a major focus for us. Nedbank's retail franchise grew its total client base 1,6% to 7,5 million, with 6,0 million having a transactional account and 2,8 million classified under our definition of main-banked clients, supporting good retail transactional NIR growth of 6,0%. Pleasingly, and using a similar methodology, the newly launched Consulta survey estimates Nedbank's share of main-banked clients at 12,7%, up from the previous 10,1% recorded through the 2015 AMPS survey (there was no 2016 survey), as we aim to reach a share of more than 15% by 2020. Our integrated model in CIB enabled deeper client penetration and increased cross-sell, resulting in 26 primary-bank client wins in 2017.

Cost discipline, through our strategic focus area of 'being operationally excellent in all we do', remains an imperative in an environment of slower revenue growth. We have ongoing initiatives such as reducing our core systems from 251 in 2010 to the current 129 – well on our way to reaching 60 by 2020 – as well as decreasing the floor space in RBB by more than 30 000 m² by 2020, 24 485 m² of which has been achieved to date. Good progress was also made with our Target Operating Model initiatives, aimed at generating R1,0bn pretax benefits for Nedbank by 2019 (and R1,2bn by 2020) and forming part of our corporate performance targets in our long-term incentive scheme. Most cost initiatives have been identified in RBB and, as part of this, we decreased our headcount by 859, closed 52 Pick n Pay kiosks and 32 personal-loan outlets (while maintaining our coverage of the bankable population at 84%), reduced duplication and simplified our backoffice processes. We have implemented 50 software robots (robotic process automation) to enhance efficiencies and reduce processing errors in administratively intense processes, with more than 200 robots planned for rollout in 2018.

We maintained our focus on growing activities that generate higher levels of economic profit, such as growing transactional deposits and transactional banking revenues. Our selective origination of personal loans, home loans and commercial-property finance has proactively limited downside credit risk in this challenging operating climate, enabling a CLR of 49 bps, below the bottom end of our TTC target range and leading the industry, and reflective of a high-quality advances book. At the same time our balance sheet metrics remain strong and we continue to deliver dividend growth above the rate of HEPS growth as our levels of capital have enabled us easily to offset the negative effects of our share of ETI's 2016 losses on our dividend trajectory.

In Central and West Africa ETI remains a strategic investment for Nedbank, providing our clients with access to a pan-African transactional banking network across 39 countries and Nedbank with access to dealflow in Central and West Africa. We have made good progress in working with ETI's board and other institutional shareholders to strengthen its board and management. Risk management practices are being enhanced and the release of ETI's final results for December 2017 including a fourth quarter profit of US $16,5 million, provides further comfort. Collaboration is increasing and we recently have integrated our payments solutions into Ecobank's market-leading remittance product that has been launched in more than 30 countries. This provides Nedbank with an opportunity to provide a low-cost, fast and convenient solution to 2,7 million African migrants and capture a share of the total remittance market estimated to be between R14bn and R19bn. We remain supportive of ETI's endeavours of delivering an ROE in excess of its COE over time and, while risk remains, economic conditions in Nigeria and other economies in West Africa are improving, and ETI should provide a strong underpin to Nedbank Group's earnings growth in 2018.

In SADC we continue to build scale and optimise costs. Our core banking system, Flexcube, has been successfully implemented in four countries to date and we plan to roll it out in Zimbabwe during 2018, alongside the rebranding of MBCA to Nedbank Zimbabwe. We also launched a number of new digital products and we continue to grow our distribution footprint. As a result, clients increased 14% and online digital activations were up 22%. The 2016 acquisition of a majority stake in Banco Único in Mozambique continued to deliver value and positions Nedbank well to leverage off expected higher economic growth in that country.

2018 the year of managed separation

The managed separation process will really gain momentum in 2018 and should be materially complete by the end of the year. I have communicated previously that Old Mutual Limited (OML) is planning to be listed on the JSE, with a secondary listing on the London Stock Exchange. This is likely to happen at the earliest opportunity in 2018, following the publication of Old Mutual plc's 2017 full-year results, and essentially means that Old Mutual is returning home from London. At an appropriate time after this listing, OML will decrease its shareholding in Nedbank Group through the unbundling of Nedbank Group shares to OML's shareholders. This will result in OML, immediately after implementation of the unbundling, holding a 19,9% shareholding in Nedbank Group.

We have been working with Old Mutual to ensure an effective outcome for all our stakeholders. Old Mutual will continue to be an important partner for Nedbank, and the managed separation will have no impact on our strategy, clients, staff or operations.

After the unbundling our free float should improve from approximately 45% to approximately 80%. This will result in higher index tracker weightings and be attractive for large institutional shareholders. We will also be getting many new shareholders who, for the first time, will hold Nedbank shares directly. This provides an opportunity to restate why the Nedbank share is a great investment opportunity.

Looking ahead

We started 2018 with positive changes to our political and socioeconomic landscape and renewed hope for higher levels of inclusive growth. Nedbank is acutely aware of the increased responsibility that we, and indeed all businesses in SA, have to ensure we play our part in improving the lives of all South Africans.

I am proud of the leading role Nedbank continues to play in supporting the economy and enhancing governance through bodies such as the CEO Initiative in SA. Through this initiative, we have worked with others in setting up the Youth Employment Scheme (YES Initiative) aimed at getting 1 million youths into internship programmes over three years and contributed to the R1,5bn SME fund to drive job creation. These are just some of the ways we can support our social partners in accelerating economic growth. But the country also needs clearer policies from government, structural reforms and renewed faith in the governance of state-owned companies to restore consumer and business confidence. In particular, we have been vocal on governance issues at Eskom, which – given its importance in the economy – is simply 'too big to fail', to use a term usually reserved for systemically important banks. We welcome the appointment of the new Minister of Public Enterprises and the new Eskom Board.

I am confident that Nedbank is well positioned to take advantage of the greater levels of consumer and business confidence that have emerged in early 2018. With the ETI Q4 2016 loss behind us and having exciting strategies and plans in place, we believe that earnings growth should be stronger in 2018 than in 2017, and DHEPS growth is expected to be in line with our medium-to-long-term target of greater than or equal to GDP plus the CPI plus 5%.

The year ahead will no doubt bring many more surprises and challenges, but it has started on a positive note with President Ramaphosa outlining a strong growth and transformation agenda in the State of the Nation Address. Importantly, the prosecution authorities have finally begun to act against the cancer of state capture.

As I look forward, I am encouraged by the prospects of Nedbank, particularly around digital innovations that will significantly improve our clients' experience and enhance cost-efficiencies as we progress on our plan to increase our ROE (excluding goodwill) to be equal to or greater than 18% and our efficiency ratio to be equal to or less than 53% by 2020.

Appreciation

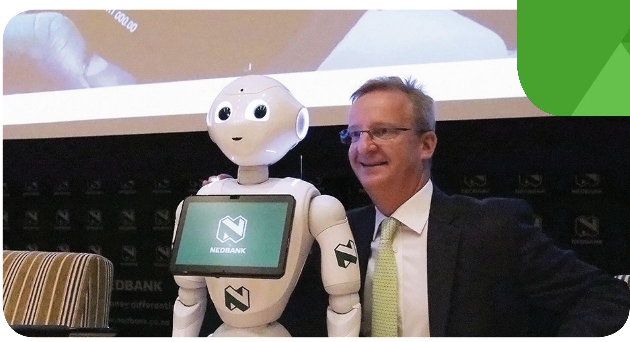
To the Chairman, the board and my fellow executive team, thank you for your guidance and support as we set out to achieve our 2020 targets.

To our 7,9 million clients who choose to bank with Nedbank and to our shareholders and other stakeholders, we thank you for your support in 2017.

None of our achievements would have been possible without the hard work, commitment and dedication of all Nedbankers – thank you for contributing to a successful and rewarding year in a difficult environment. I am proud that we, as Nedbank, remain a cornerstone of society and that we are real and relevant, and continue to fulfil our core purpose of using our financial expertise to do good for individuals, families, businesses and society.

Mike Brown
Chief Executive

We started 2018 with positive changes to our political and socioeconomic landscape and renewed hope for higher levels of inclusive growth. Nedbank is acutely aware of the increased responsibility that we, and indeed all businesses in SA, have to ensure we play our part in improving the lives of all South Africans.



TEN-YEAR REVIEW

STATISTICS AND RATIOS

for the year ended 31 December

	Nine-year CAGR[1] %		2017
Share statistics			
Earnings per share:			
– Headline	6,2	cents	**2 452**
– Diluted headline	6,2	cents	**2 406**
– Basic	4,8	cents	**2 417**
– Diluted basic	4,8	cents	**2 372**
Dividends/Distributions:			
– Declared per share	8,4	cents	**1 285**
– Paid/Capitalised per share	7,3	cents	**1 240**
– Dividend/Distribution cover	(2,0)	times	**1,91**
Net asset value per share	8,0	cents	**16 990**
Tangible net asset value per share	8,2	cents	**14 626**
Shares:			
– Gross number in issue		m	**498**
– Treasury shares		m	**(16)**
– Net number in issue		m	**482**
– Weighted-average number		m	**481**
– Fully diluted weighted average		m	**490**
Share price and related statistics			
Nedbank Group traded price:			
– Closing	11,6	cents	**25 610**
– High	7,5	cents	**26 797**
– Low	11,5	cents	**20 000**
JSE banks index – closing	13,6		**9 619**
JSE all-share index – closing	12,0		**59 505**
Market capitalisation	12,3	Rbn	**127,6**
Number of shares traded	0,1	m	**307,4**
Number traded to weighted-average number of shares		%	**63,9**
Value of shares traded	9,3	Rm	**69 462**
Value traded to market capitalisation		%	**54,4**
Price/earnings ratio		historical	**10,4**
Price to book		times	**1,5**
Dividend yield[2]		%	**5,0**
Earnings yield		%	**9.6**
Closing price/Tangible net asset value		times	**1,8**
Performance ratios			
Net interest income to interest-earning banking assets		%	**3,62**
Non-interest revenue to total income		%	**46,6**
Credit loss ratio – banking advances[3]		%	**0,49**
Non-interest revenue to total operating expenses		%	**80,7**
Efficiency ratio		%	**58,6**
Expenses to average assets		%	**3,06**
Effective taxation rate		%	**25,5**
Return on total assets[3]		%	**1,22**
Return on risk-weighted assets		%	**2,28**
Return on equity[3]		%	**15,3**
Return on equity (excluding goodwill)[3]		%	**16,4**

	2016	2015	2014	2013	2012	2011	2010	2009	2008
	2 400	2 284	2 127	1 884	1 640	1 365	1 104	1 010	1 422
	2 350	2 242	2 066	1 829	1 590	1 340	1 069	983	1 401
	2 121	2 261	2 109	1 877	1 632	1 367	1 084	1 140	1 581
	2 077	2 219	2 049	1 822	1 583	1 341	1 050	1 109	1 558
	1 200	1 107	1 028	895	752	605	480	440	620
	1 140	1 105	965	802	680	533	442	520	660
	2,00	2,06	2,07	2,11	2,18	2,26	2,30	2,30	2,29
	15 830	15 685	14 395	13 143	11 721	10 753	9 831	9 100	8 522
	13 723	13 794	12 553	11 346	9 989	9 044	8 160	7 398	7 179
	495	494	499	510	507	507	515	499	469
	(17)	(17)	(33)	(49)	(50)	(52)	(66)	(63)	(59)
	478	477	466	461	457	455	449	436	410
	478	474	464	460	456	453	444	423	405
	488	483	478	474	471	462	458	435	412
	23 813	18 861	24 900	21 000	18 800	14 500	13 035	12 405	9 550
	23 900	27 102	25 115	21 925	18 881	15 445	15 000	12 900	13 975
	16 575	16 900	19 087	16 540	18 501	12 360	11 725	6 492	7 498
	7 755	6 107	7 300	5 775	5 336	4 118	4 099	3 668	3 057
	50 654	50 694	49 771	46 256	39 250	31 985	32 119	27 666	21 509
	118,1	93,2	124,3	107,2	95,4	73,6	67,1	61,9	44,8
	294,7	195,8	213,5	220,5	149,8	206,1	265,2	272,7	305,4
	61,7	41,3	46,0	47,9	32,9	45,5	59,7	64,5	75,4
	58 800	45 545	47 670	41 690	32 527	28 578	35 379	27 512	31 237
	49,8	48,9	38,4	38,9	34,1	38,8	52,7	44,5	69,8
	9,9	8,3	11,7	11,1	11,5	10,6	11,8	12,3	6,7
	1,5	1,2	1,7	1,6	1,6	1,3	1,3	1,4	1,1
	5,0	5,9	4,1	4,3	4,0	4,2	3,7	3,5	6,5
	10,1	12,1	8,5	9,0	8,7	9,4	8,5	8,1	14,9
	1,7	1,4	2,0	1,9	1,9	1,6	1,6	1,7	1,3
	3,41	3,30	3,52	3,57	3,53	3,48	3,35	3,39	3,66
	47,1	47,7	46,9	47,7	46,8	46,1	44,3	42,2	39,9
	0,68	0,77	0,79	1,06	1,05	1,13	1,36	1,52	1,17
	82,9	83,3	82,8	86,4	84,2	81,5	79,6	78,8	78,1
	56,9	57,2	56,5	55,2	55,6	56,6	55,7	53,5	51,1
	3,00	3,01	3,15	3,13	3,09	3,01	2,81	2,65	2,60
	24,9	24,0	25,3	25,2	26,8	25,2	20,7	20,2	21,6
	1,23	1,25	1,27	1,23	1,13	0,99	0,82	0,76	1,09
	2,23	2,30	2,24	2,21	2,08	1,86	1,51	1,31	1,62
	15,3	15,7	15,8	15,6	14,8	13,6	11,8	11,8	17,7
	16,5	17,0	17,2	17,2	16,4	15,3	13,4	13,4	20,1

TEN-YEAR REVIEW: STATISTICS AND RATIOS

for the year ended 31 December (continued)

	Nine-year CAGR[1] %		2017
Assets and related ratios			
Advances:			
– Performing advances	5,6	Rm	**702 755**
– Defaulted/Impaired loans and advances	2,6	Rm	**19 576**
– Gross advances	5,5	Rm	**722 331**
– Impairment of advances	4,8	Rm	**(12 002)**
– Net advances	5,5	Rm	**710 329**
Non-performing advances to gross advances		%	**2,7**
Impairment of advances to gross advances		%	**1,7**
Assets:			
– Total assets on statement of financial position	6,3	Rm	**983 314**
– Assets under management	15,7	Rm	**312 313**
– Total assets administered by the group	7,9	Rm	**1 295 627**
Capital and related ratios			
Total equity attributable to equity holders of the parent	9,9	Rm	**81 823**
Regulatory capital:[4]			
– Tier 1	8,5	Rm	**70 715**
– Total qualifying capital	7,1	Rm	**81 909**
Risk-weighted assets[4]	4,5	Rm	**528 207**
Group capital adequacy ratios:[4]			
– Common equity tier 1		%	**12,6**
– Tier 1		%	**13,4**
– Total		%	**15,5**
Employee statistics and ratios			
Number of employees[5]	1,5		**31 531**
Operating income per employee	7,5	R000	**1 534**
Expenses per employee	7,4	R000	**945**
Headline earnings per employee	6,7	R000	**374**

[1] *Compound annual growth rate.*
[2] *Dividend yield is calculated as the pretax dividend declared per share divided by the closing share price.*
[3] *Figures for 2009 to 2017 were calculated using a daily average denominator. Figures for 2008 were calculated using a simple-average denominator.*
[4] *Ratios and balances for 2013 to 2017 were calculated according to Basel III principles, 2012 according to Basel II.5 principles and 2008 to 2011 according to Basel II principles.*
[5] *Excludes temporary staff and agency contractors.*

2016	2015	2014	2013	2012	2011	2010	2009	2008
699 673	675 484	608 270	572 980	518 763	487 310	461 687	435 085	427 815
19 553	17 559	15 846	17 848	19 273	23 210	26 765	27 045	17 301
719 226	693 043	624 116	590 828	538 036	510 520	488 452	462 130	445 116
(12 149)	(11 411)	(11 095)	(11 456)	(10 870)	(11 497)	(11 226)	(9 798)	(7 859)
707 077	681 632	613 021	579 372	527 166	499 023	477 226	452 332	437 257
2,7	2,5	2,5	3,0	3,6	4,5	5,5	5,9	3,9
1,7	1,6	1,8	1,9	2,0	2,3	2,3	2,1	1,8
966 022	925 726	809 313	749 594	682 958	648 127	608 718	570 703	567 023
273 327	257 295	212 013	190 341	150 495	112 231	102 570	87 204	84 381
1 239 349	1 183 021	1 021 326	939 935	833 453	760 358	711 288	657 907	651 404
75 733	74 754	67 024	60 617	53 601	48 946	44 101	39 649	34 913
65 987	60 085	55 131	53 605	46 227	41 707	36 861	36 627	33 967
77 719	70 522	64 385	61 637	53 483	50 884	47 372	47 538	44 120
509 268	501 243	440 696	392 926	359 658	331 980	323 437	326 466	355 235
12,1	11,3	11,6	12,5	11,4	11,0	10,1	9,9	8,2
13,0	12,0	12,5	13,6	12,9	12,6	11,7	11,5	9,6
15,3	14,1	14,6	15,7	14,9	15,3	15,0	14,9	12,4
32 401	31 312	30 499	29 513	28 748	28 494	27 525	27 037	27 570
1 400	1 304	1 271	1 186	1 106	987	859	798	801
875	834	804	760	715	664	603	558	498
354	346	324	294	260	217	158	158	209

OUR PURPOSE, VISION, VALUES, TARGETS AND BRAND

OUR PURPOSE

To use our financial expertise to do good for individuals, families, businesses and society.

OUR VISION

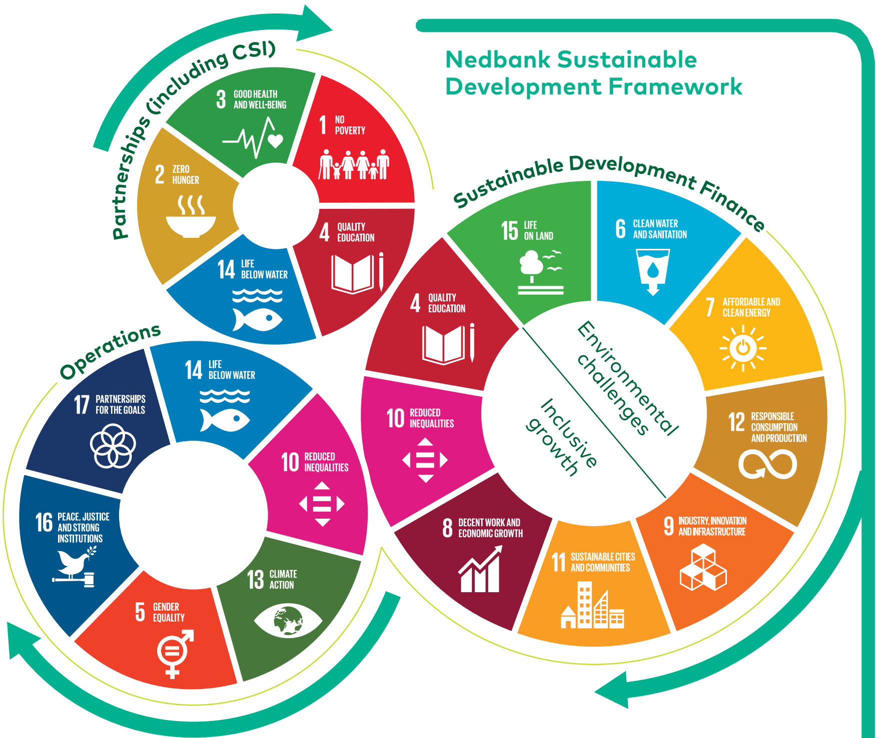
To be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society.

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

We understand that our success depends on the degree to which we deliver value to society. It is therefore important to understand our role in society and how society can be different because Nedbank is a part of it. Banks play a crucial role in facilitating economic activity and enabling sustainable growth and development by moving capital from where it is to where it is required. A deep understanding of one's purpose helps to guide strategy and decisionmaking in this regard and should result in an optimal balance between long-term value creation and short-term results.

Delivering on our purpose will require the considered development and delivery of products and services that satisfy unmet societal needs, enabling a thriving society, creating long-term value, maintaining trust and ensuring the success of our brand.

The United Nations (UN) Sustainable Development Goals (SDGs) provide for a universal agreement on economic, social and environmental priorities to be met by 2030. They represent a powerful lens to identify opportunities for business innovation and growth and they define the 'good' in our purpose. With this in mind, we have reoriented our approach to focus on the most material SDG targets through our three main points of leverage: Products and Services (Sustainable Development Finance), Operations, and Partnerships (including CSI).



OUR VALUES

INTEGRITY

Being honest, trustworthy, consistent and transparent in all our actions and decisions.

RESPECT

Recognising the inherent worth of every individual and treating everyone with dignity.

ACCOUNTABILITY

Being prepared to take ownership of and be held accountable for our commitments and actions.

PEOPLE-CENTRED

Investing in our people and creating an environment that empowers our people to perform distinctively and to excel.

CLIENT-DRIVEN

Creating value and delightful experiences for our clients that exceed their expectations.

IN ORDER TO ACHIEVE OUR VISION **WE AIM TO ...**

... attract, develop and retain a highly skilled and talented workforce ...

... exceed client expectations to become the financial partner of choice ...

... grow profit sustainably to create shareholder value ...

... effectively manage risk ...

... and create shared value.

2020 **TARGETS**

STAFF

Commercially focused, transformed and innovative staff who **collaborate to serve our clients**

CLIENTS

Top 2 brand value among SA banking peers

> 16,5% commercial transactional deposit market share

RBB

> 15% main-banked retail client market share

CIB

Top 2 in wholesale league tables

NIR-to-advances ratio **> 2,0%**

Wealth

Number 1 in Intellidex's Top Private Banks and Wealth Managers survey

Top 3 SA asset manager (annual Raging Bull Awards)

RoA

Grow profitability ahead of market in the subsidiary countries

Increased **dealflow from ETI** network and **appropriate returns on capital invested**

SHAREHOLDERS

Top 2 price-to-book ratio among SA peers

ROE (excluding goodwill): **≥ 18%** by 2020

Efficiency ratio: **≤ 53%** by 2020

REGULATORS

Effectively delivered **compliance** with **regulatory change**

SOCIETY

Recognised as a leader in the financing of our fair share of the SDGs, thereby **promoting socioeconomic transformation** through enabling economic inclusion, job creation and poverty alleviation.

OUR **BRAND PROMISE**

In 2017 we repositioned our brand and introduced a new purpose statement, 'see money differently', which now drives our behaviour as an organisation. The duality of financial expertise and doing good for our clients and society is true to who we are and what we do at Nedbank. Our value drivers are to deliver best-in-class financial expertise to demonstrate our serious approach to our clients' money. We also aim to cultivate meaningful and mutually beneficial partnerships that add value and inspire sustainable financial behaviours and practices. And, finally, to harness insights into client pain points and behaviours to discover relevant opportunities for potential future innovations.

RISK AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

Our material matters are evident in our key risks and opportunities and represent the issues that have the most impact on our ability to create value. These change over time as new trends and developments shape the macro environment and our stakeholders' needs evolve. We determine our material matters through the following process:

IDENTIFY

Identify all issues that have the potential to impact our earnings sustainability and the ability to create value for our stakeholders. The process of identifying potential material matters is a groupwide responsibility requiring input from all business units and divisions, and taking into account input and feedback from all our stakeholders. Areas of potential impact that are assessed, include financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including political and policy matters).

RANK

Rank the issues identified according to greatest relevance in the current operating context and highest potential to impact significantly on the viability of our business and relationships with stakeholders. While this is a collaborative effort, our Group Executive Committee assumes responsibility for approval of the material matters before their endorsement by the Group Transformation, Social and Ethics Committee, and finally, the Nedbank Group Limited board.

APPLY AND VALIDATE

Apply the material matters lens to inform our long-term business strategies and targets as well as short-to-medium-term business plans. This is done primarily through the execution of our strategy.

ASSESS

Assess the material matters continuously to ensure that our strategy remains relevant.

OUR MATERIAL MATTERS

Material matter

Volatile and uncertain socioeconomic environment characterised by slower growth and rising inequality

As a financial services provider, we are deeply connected to and interdependent on the macroeconomic environment. Our ability to create value is dependent on key economic drivers, our response to them and their impact on our stakeholders. Our current forecast is for SA, where we currently generate more than 90% of our earnings, to remain in a mild-stress environment although the outlook is more positive than for the previous year as a result of improved levels of consumer and business confidence.

POLITICAL AND POLICY DEVELOPMENTS

The African National Congress (ANC) has elected Mr Cyril Ramaphosa as its new leader and he has subsequently been elected as President of the Republic of SA. Business and investors will be looking for decisive action to improve political leadership and accountability, to tackle corruption, to improve governance at state-owned enterprises, to restore fiscal sustainability through the least growth-sapping combination of tax and expenditure measures, and finally, to address economic policy and legislative uncertainties. Greater clarity on government's current and future economic policies should enable private companies to price risk more accurately, thereby facilitating some recovery in fixed-investment activity. This normally leads to increased transactional activity and stronger corporate credit growth, which will benefit Nedbank in view of our wholesale-biased model. Business and consumer confidence should also improve from the very weak levels experienced in 2017.

GDP GROWTH

Our economic forecasts suggest that SA's recovery will be modest and gradual over the next three years. Faster growth is forecast for the rest of Africa, driving the development of financial markets in the medium to long term. Stronger economic growth is normally associated with employment gains and rising household incomes, which increase consumer spending and therefore grow retail banking. Sustained economic growth eventually exhausts existing capacity, prompting both the private and public sector to add new production capacity through increased investment, which results in increased bank lending activity.

Material matter

Volatile and uncertain socioeconomic environment characterised by slower growth and rising inequality (continued)

INTEREST RATES

We currently forecast that SA interest rates will reduce by 25 bps in the first half of 2018 and then remain flat over the next year and a half. Our NII and NIM guidance for 2018, provided at the time of our results, assumed flat interest rates, and although this has since changed, our NII and NIM guidance remains unchanged. Changes in interest rates affect bank margins and are positively correlated to endowment income. Lower interest rates result in lower endowment income, but higher demand for credit.

At Nedbank endowment is viewed as a natural economic hedge against movement in interest rates, whereby a reduction in endowment income is partially offset by the impact of higher credit demand and lower bad debts that occur later in the cycle. For a change of one percentage point in interest rates over a 12-month period NII at Nedbank changes by approximately R1,4bn.

CURRENCY

The rand was volatile throughout 2017, hurt by domestic politics and sovereign-credit-rating downgrades. Despite these fluctuations, the rand nonetheless managed to end the year 2,5% stronger against the trade-weighted basket of currencies. This was mainly due to a strong rally near year-end fuelled by hopes that the new ANC leadership will bring about meaningful improvements in the political, policy and economic environment. The impact of currency fluctuations for Nedbank is limited given the small size of our foreign operations.

EMPLOYMENT

Rising unemployment, along with interest rate hikes, is the key driver of bad debts. At this stage, economic growth is too slow to translate into meaningful growth in fixed investment and job creation.

INFLATION

Inflation is a key driver of costs and sets the base for wage inflation. Lower food inflation has brought inflation within the SARB target range of 3% to 6% in 2017, and inflation is forecast to remain below 6% over the next three years.

LOCAL CURRENCY DOWNGRADE

In November 2017, Fitch affirmed the country's BB+ rating with a stable outlook, Moody's placed SA's Baa3 foreign and local currency ratings on review for a downgrade, but S&P Global downgraded SA's local currency rating to BB+ (one notch below investment grade) and our foreign currency rating to BB (two notches below investment grade), while changing the rating outlook to stable. Moody's, the only major agency that currently rates SA's local currency debt at investment grade, has put SA on review for downgrade and should the agency follow through with a downgrade, our government bonds will be excluded from major international bond indices, potentially leading to significant selling. Universal subinvestment-grade status will increase the cost of funding for the entire economy, including government, companies and households. Government will therefore have to pay more to borrow, diverting funds from other priorities such as housing, education and social grants. However, Nedbank is well positioned to deal with a higher-stress environment, with a downgrade of SA bank credit ratings (banks can't be rated higher than the sovereign) having a limited direct impact. Our improved readiness to deal with any potential shocks, compared with our readiness during the 2007/08 global financial crisis (a prior high-risk event), is discussed on page 60 of the 2017 Nedbank Integrated Report.

ECONOMIC GROWTH*

	2017	2018	2019	2020
GDP SA (%)	**1,3**	1,6	1,8	2,4
GDP SSA (%)	**2,4**	3,2	3,5	3,5
Inflation (CPI %)	**5,3**	5,1	5,5	5,5
Industry credit growth (%)	**5,0**	6,5	7,9	10,1
Average prime rate (%)	**10,4**	10,3	10,3	10,7
Average rand: US $	**13,3**	13,3	14,0	14,5
Average naira: US $	**330**	363	369	373

Source: Nedbank and International Monetary Fund.
** Forecast at 15 February 2018.*

Economic growth in sub-Saharan Africa ahead of that in SA (2017–2020)

Opportunities The anticipated improvement in socioeconomic conditions supports banks. Opportunities include improved sentiment and confidence driving corporate and consumer spending and investment, targeted lending meeting the SDGs, pockets of growth in infrastructure and the rest of Africa, mergers and acquisitions activity, and a peak in the interest rate cycle delivering an endowment benefit and potentially less stress for consumers as interest rates remain stable.

- Growing our transactional banking franchise faster than the market
- Managing scarce resources to optimise economic outcomes
- Providing our clients with access to the best financial services network in Africa

Risks For banks an ongoing uncertain economic environment also has a negative impact on earnings growth potential. Key risks are ongoing weak advances growth, particularly muted retail lending and corporates not investing, slower transactional volumes that impact revenue growth and higher bad debts driven by job losses or large corporate defaults.

A sovereign-credit-rating downgrade could accelerate impairments and reduce revenue growth.

1 Business risk 4 Reputational risk 9 Market risk

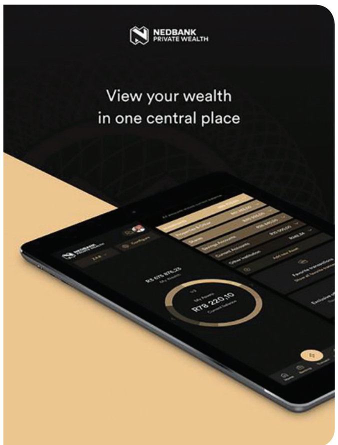
For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

OUR MATERIAL MATTERS
(continued)

Material matter

Disruptive technologies, disintermediation and increased competition



The fourth industrial revolution is driving an exponential advancement of technology – changing all aspects of financial institutions, from client expectations and new products and channels, to organisational structure and processes, as well as staffing and skills requirements. New digital technologies are reshaping the value proposition of existing financial products and services and how these are delivered to and consumed by clients. It is estimated that over 90% of retail transactions in sub-Saharan Africa are cash-based, creating a significant opportunity for growth in digital banking in years to come. Africa's relative underdevelopment in digital innovation enables the leveraging of technological development in banking.

The digitisation of banks means that technological developments take centre stage in banking. This includes embracing and leveraging mobile technology, fintech partnerships, cloud computing, big data, advanced analytics or machine learning, blockchain technology, artificial intelligence, robotics and biometrics. Banks (which have scale) are increasingly partnering with fintechs, enabling faster delivery of new innovations to market. In an 'always online' society cybersecurity is paramount. The dark side of the global technology revolution is that financial crime has increased dramatically and cybercriminals and hackers have become more sophisticated.

NEW ENTRANTS

Technological advances have enabled the entry of non-traditional players as they aim to cross-sell financial services to new or existing client bases. New and disruptive entrants include online banks and payment facilitators (eg TymeDigital), medical and insurance providers (eg Discovery, microloan providers (eg Capitec) and virtual-payment and mobile-telephony providers (eg MTN), all offering an increasing array of financial products and services to the consumer.

CHANGING CONSUMER BEHAVIOURS

Consumer behaviour is also changing. Clients are increasingly multibanked with technologically sophisticated banking requirements as a result of an increased awareness of the various bank offerings, quality of service and pricing.

CYBERRISKS

To offer protection against cyberrisks, which continue to increase due to ongoing sophistication of threat actors, cybersecurity capabilities must be enhanced continually, even though Nedbank has experienced no significant loss to date. The augmentation of our digital strategy will result in an increased inherent exposure to cyberrisk. The key to ensuring that we deliver securely is for cyberrisk to be integrally part of all new developments on this journey, while maintaining and enhancing current defences.

Opportunities Opportunities include gaining client revenue by responding to the digital challenge in an agile and client-centred manner, improving efficiency through technology (lower cost to serve) and bringing new digital offerings to market quicker.

- Growing our transactional banking franchise faster than the market
- Delivering innovative market-leading client experiences
- Being operationally excellent in all we do

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

Risks Risks include loss of market share and revenue should our digital offerings not remain competitive, digital banking increasingly becoming a commodity and not a differentiator, a higher-expense burden of investing in innovation and the franchise, and the risk of cyberattacks continuing to increase.

3 Cyberrisk 2 Strategic and execution risks
7 Operational risk

For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

Material matter

Demands on governance, regulation and risk management

Since the global financial crisis, and with increasing financial crime and terrorism globally, financial institutions have seen an increase in new regulations aiming to ensure the soundness of banks and to protect consumers. While we understand the need for this regulation to protect our stakeholders and support its intent, it has resulted in increased cost of banking, and slower loan growth, ultimately affecting fixed-capital investments and economic expansion. Globally, systemically important banks have reduced their capital commitments as well as exposure to emerging markets in response.

SA's implementation of the Twin Peaks Regulatory Framework (planned for 2018) and increased focus on consumer protection will continue to place new demands on financial services organisations. The caps on credit life pricing, lower caps on lending rates, limiting of interchange fees on card transactions, introduction of the LCR, evolving capital requirements and NSFR are examples of regulatory changes that have been implemented and continue to impact the business. In 2018 and beyond, Twin Peaks, deposit insurance, the Amended FSC and new Basel III requirements are some of the major new requirements that banks have to comply with.

TWIN PEAKS

The market conduct function is addressing gaps in the existing consumer protection framework and how financial institutions conduct their business. Nedbank plans to adopt leading practice, with execution starting Q1 2018.

The implementation date of the financial sector regulations is still to be determined.

DEPOSIT INSURANCE

A draft resolution framework was released, which includes the establishment of a Deposit Insurance Scheme in SA. No details are available and we await further clarification in 2018, but expect this to increase costs for large banks.

BASEL III REFORMS

Basel III reforms announced in December 2017 include placing a floor on certain model inputs for portfolios subject to the AIRB approach, introducing new credit RWA calculation rules for portfolios subject to The Standardised Approach, using a new standardised approach for the calculation of credit valuation adjustment and operational RWAs and setting a floor on the group RWAs equal to 72,5% of RWAs calculated on a revised standardised approach. All changes will be effective 1 January 2022, with a five-year gradual phasing-in of the 72,5% floor, beginning at 50% in 2022. As these Basel III reforms has yet to be converted into national law, there is still uncertainty regarding the interpretation of some of the rules such that reliable impact estimates in SA are not yet available.

AMENDED FSC

The release of the Amended FSC, which sets higher thresholds and targets when compared with the previous FSC, symbolises a new beginning in the reorientation of the transformation policy to address the issue of fronting and focuses more on productive BBBEE. The Amended FSC commits its participants to promoting a transformed, vibrant and globally competitive financial sector that reflects the demographics of SA, and continues to contribute to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy.

Opportunities Opportunities include implementing the regulatory requirements in a client-centred, integrated and synergistic manner to ensure these are important differentiators, having stronger bank balance sheets for weathering an economic downturn and being well positioned for growth as the economy improves.

Managing scarce resources to optimise economic outcomes

Being operationally excellent in all we do

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

Risks Risks include increasing regulatory demands impacting revenues, costs and capital, as well as the shape of bank balance sheets, additional compliance requirements and charges affecting clients, as banks attempt to recover some of the costs, a slowdown of loan growth across the industry due to pricing caps on personal loans, stricter credit scoring, resulting in certain clients no longer qualifying for loans, the implementation of new or amended governance, regulation and risk management adding to costs and employees' existing workloads and the Amended FSC placing increased and urgent pressure on the financial services sector to transform.

5 Regulatory and compliance risks **6 Conduct and culture risks**

For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

Material matter

Transformation of society within environmental constraints

Globally we are facing massive economic, social and environmental challenges. Following a year in which drought, heatwaves, wildfires and floods were commonplace, it is not surprising that environmental risks, such as extreme weather, biodiversity loss and ecosystem collapse, major natural disasters, man-made environmental disasters, and failure of climate-change mitigation and adaptation, were ranked highly in terms of likelihood and impact in the latest World Economic Forum (WEF) Risk Report. It is, of course, the deep interconnectedness of these risks with human wellbeing that sees them posing systemic challenges to citizens across the world.

Global trade has boosted growth and prosperity, but has also led to a concentration of wealth and degradation of the planet. The economy is a subset of the living world and we need to operate within planetary boundaries. Today we need 1,7 planets to meet human needs, and we have only one. The top 1% of individuals hold 50% of the world's wealth and the eight richest people have the same combined wealth as the poorest 50% in the world.

TRANSFORMATION

Given this, the transformation imperative and continued progress to a more equitable representation of the SA economy and workforce remain top of the agenda in line with the National Development Plan. To date, transformation has led to a broader and growing middle-market segment and increasing uptake of financial products and services. However, not everyone has benefited, with unemployment rates remaining stubbornly high and inequality gaps being highlighted in 2017 by continued 'service-delivery protests'.

The 2018 WEF Risk Report suggests that the prospect of stronger economic growth in 2018 presents world leaders with a golden opportunity to address signs of severe weakness in many of the complex systems that underpin our world. However, this will require courageous leadership with a focus on creating long-term value creation and cooperation rather than a narrow pursuit of short-term results and competitiveness.

SUSTAINABLE DEVELOPMENT GOALS

The UN SDGs represent an unprecedented roadmap for the transformation of society within environmental constraints. They set a common direction and ambition level for leaders with the objective of creating a thriving, more equitable society. The expectation is that business, alongside governments and civil society, will make a significant contribution towards achieving the goals. The SDGs also help to create a common platform for dialogue and cooperation between governments, business and other stakeholders.

For Nedbank the SDGs help to define the 'good' in our purpose, representing a crowd-sourced purchase order from the future, by which to orientate our strategy and identify how we can use our financial expertise to contribute positively to addressing the needs of individuals, businesses and society.

Opportunities It was estimated by the 2016 UN World Investment Report that the SDGs will offer new revenue streams and cost savings in excess of US $12 trillion annually by 2030. For developing countries this means investment opportunities of about US $2,5 trillion annually over and above the amount currently being invested as well as significant job creation. These opportunities largely exist within four critical subsystems: food and agriculture, cities, energy and materials, and health and wellbeing. Enlightened companies are putting the SDGs at the heart of their business growth strategies and using this to create an enduring competitive advantage.

Being operationally excellent in all we do

Managing scarce resources to optimise economic outcomes

Risks Risks encompass the impacts of climate change, which include more natural disasters and related costs to rebuild (or retrofit) infrastructures where required, increased energy costs, water shortage and quality issues, and increased food prices and shortages. Extreme weather events impact clients, and ultimately insurers, through higher claims. The imperative to protect essential ecosystem services provided by our environment will, amid growing social and political pressure, lead to certain industries becoming less viable, potentially resulting in job losses.

1 Business risk 4 Reputational risk

For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

Material matter

Managing growth opportunities vs risks in the rest of Africa

As GDP growth in SA remains muted, the rest of Africa provides a longer-term growth opportunity for Nedbank, albeit at a higher cost of capital and cost of risk, and requiring upfront investment. Our growing African client base and our SA clients entering the rest of Africa seek to benefit from one-stop financial services solutions.

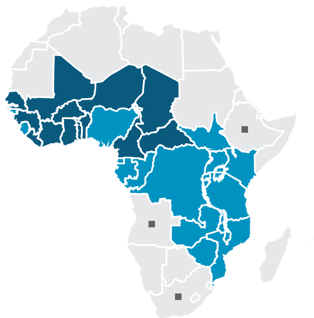
Shareholders, on the other hand, seek exposure to this higher-growth region through investment in well-managed SA banks that follow a risk-mitigated, capital-efficient approach.

With Nedbank having strong, specialised skills and our complementary strategic partnerships through Ecobank, Deutsche Bank, Bank of China and Old Mutual, we are in a strong position to play a key role in funding and structuring infrastructure and capital-intensive projects, as well as leveraging incountry and crossborder banking opportunities. However, we have to participate cautiously, as the environment remains uncertain in the short to medium term and is likely to be volatile over time.

In the short to medium term banks operating in West Africa remain exposed to fragile, though improving economic conditions, particularly in Nigeria. For Nedbank this was evident in the financial performance of ETI as we reported our share of their losses in our 2016 and 2017 financial results. Looking forward, economic growth in Africa should improve, particularly in the key markets in which ETI operates, such as Nigeria, Ghana and Côte d'Ivoire.

NEDBANK

- Nedbank existing presence
- Expansion opportunities
- Nedbank representative offices



ECOBANK

- Ecobank top three in country
- Ecobank other
- Ecobank representative offices

NEDBANK CIB

- Investment banking deals

Opportunities The ongoing opportunity for us is to support our SA clients who continue to expand into faster-growing markets in the rest of Africa, by leveraging SA's position as the gateway to Africa and using the unique expertise of our partners in operating in emerging markets. Much of the SA skills base in infrastructure, telecommunications, resources, retail, construction and renewable energy is transportable and can be applied to business opportunities, in the rest of Africa. Our investment in our own businesses in SADC will continue to provide an opportunity for client gains and as a result, new revenue growth opportunities, particularly those driven by digital solutions. For example, the integrated crossborder transfer solution recently launched through our Nedbank–Ecobank collaboration.

Managing scarce resources to optimise economic outcomes

Providing our clients with access to the best financial services network in Africa

Risks Risks include currency volatility, credit risk, market risk and economic challenges in some countries dampening the financial prospects of banks operating in Africa in the short to medium term, especially those in oil-exporting countries. Risks around our strategic partner, Ecobank, which is more directly exposed, remain top of mind, primarily as a result of the Nigerian economy just recovering from recession, although the outlook has improved.

1 Business risk 2 Strategic and execution risks
4 Reputational risk

For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

Material matter

Scarce- and evolving-skills requirements

Banks are large employers in the financial services sector and we require highly skilled employees to deliver the services our clients expect. With these employees becoming more expensive to recruit, banks are increasingly recruiting and training staff from a broader talent pool and retaining them in new ways. We therefore need to invest in attracting, retaining and developing the skills we need to grow our businesses.

We are also acutely aware of the importance of a well-educated labour force for the country's success. SA's economy is plagued by very high levels of unemployment and, with only a relatively small percentage of people successfully completing their tertiary studies, we continue to struggle to produce graduates from a high proportion of secondary-level students. The pressure on the higher-education sector is being compounded by affordability concerns, which have led to mass protests on campuses throughout 2016 and 2017. Nedbank is committed to playing a positive role in addressing these problems and a groupwide task team was created in 2016 with the aim of developing a strategy for funding tertiary education through combining external and internal funding with innovative products and processes, such as crowd funding, securitisation and blended lending.

SKILLS SHORTAGES

Skills shortages attributable to the poor outcomes of SA's educational system are a serious threat to economic progress. Skills retention and development are therefore crucial to improving our global competitiveness.

Playing our role in providing affordable financing, bursaries and education support through the Nedbank Foundation remains top of mind for us. We have a leadership position in transformation and we continue to place this high on our agenda, given our goal to stay at the forefront of transformation.

SKILL REQUIREMENTS

The emergence of fintechs, cryptocurrencies, digital interaction, artificial intelligence and agile work environments has prompted a shift in focus to understanding the key skills financial services will require in the future to transform business. The world is rapidly moving towards digitally enabled products and services, with the increasing prominence of robotics, artificial intelligence and process automation, and it is anticipated that a number of skills currently required will evolve, new skills will emerge and some skills will completely disappear. Key future skills identified for financial services include skills in robotics process automation, user interface design (UI), user-experience design (UX), social media client services, digital innovation, cyber- or digital security, data security, data mining, predictive risk analytics and client experience management.

Our staff and corporate culture are key competitive advantages and differentiators. We measure staff entropy to understand the level of engagement within the group, while seeking to create a closer fit between the existing and ideal culture.

Expectations for large corporates, such as Nedbank, to offer and bare the costs of internships to previously unemployed youth as part of the Youth Employment Scheme (YES Initiative), agreed between leading CEOs and the government, are increasing with incentives to encourage this participation.

Opportunities Opportunities include continuing to attract the best skills, providing ongoing training and development of staff and skills to cater for a changing world, and support for business initiatives such as the SME Fund and educational programmes such as Partners for Possibility, to help build communities and Nedbank's brand.

Managing scarce resources to optimise economic outcomes

Risks Risks include high costs and the increasing disparity between the levels of skills available and those required for employment in financial services, along with higher levels of unemployment, growing social inequality and political instability driving loss of skills as people with high-quality skills emigrate.

(2) Strategic and execution risks (7) Operational risk

For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

Material matter

Changing relationships between business, government, labour and civil society

Ongoing weak economic conditions, high levels of unemployment and events around the dismissal of Nhlanhla Nene late in 2015 spurred business, government, labour and civil society to work together to avert sovereign-credit-rating downgrades and increase levels of inclusive growth. Government, business and labour all understand the imperative to address these to ensure a better life for all.

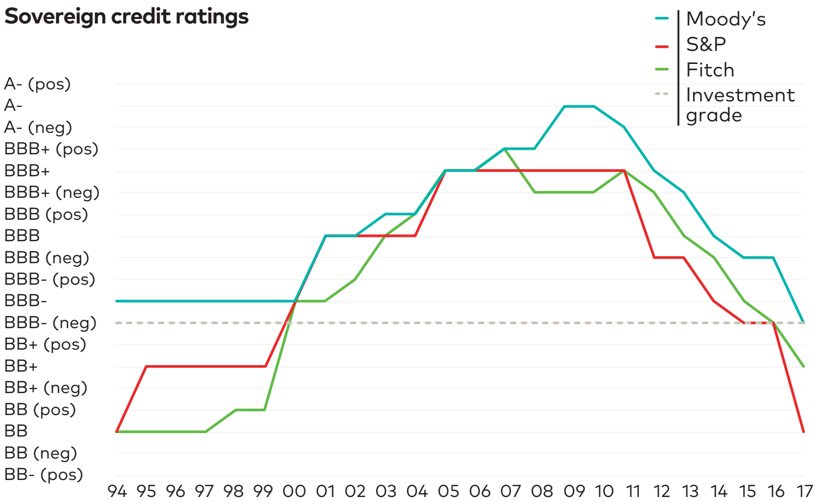
A knockon impact of further local sovereign-credit-rating downgrades will be felt most by the poor as inflation increases on the back of a weaker currency.

Working together towards a common goal, though, will assist the SA economy in reaching its full potential and reducing inequality and poverty.

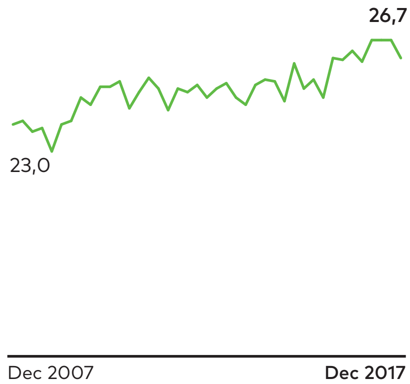
The value-adding outcomes to date include R1,5bn committed by the private sector for investment in small enterprises, a pledge by companies to offer internships to one million young work seekers, considerable investment in the Renewable Energy Independent Power Producer Procurement Programme that has led to 2 500 MW of energy generation, and the improvement of governance in some state-owned enterprises. Nedbank contributed R20m to the SA SME Fund and will participate in the youth employment scheme.

In addition, government has budgeted over R987bn for infrastructure development in terms of the medium-term expenditure framework.

Sovereign credit ratings



SA unemployment rate
(%)



Opportunities Opportunities include initiatives undertaken that drive inclusive and sustainable economic growth and should place SA in a stronger position over the medium to long term and create a supportive environment for banks to improve returns and growth.

Managing scarce resources to optimise economic outcomes

Risks Risks include positive momentum fading as political and policy uncertainty stifles collaboration efforts and possibly triggers another sovereign-credit-rating downgrade.

1 Business risk 2 Strategic and execution risks

4 Reputational risk 5 Regulatory and compliance risks

For more details on our top 10 risks refer to page 50 of the 2017 Nedbank Integrated Report.

For more details on our strategic focus areas and strategic enablers refer to pages 36 to 45 of the 2017 Nedbank Integrated Report.

OUR STRATEGIC FOCUS AREAS AND ENABLERS

In response to the rapidly changing operating environment and needs and expectations of our stakeholders, we developed five strategic focus areas that drive the activities in our value-creating business model and delivery on our 2020 targets. These strategic focus areas are underpinned by strategic enablers, which are catalysts for achieving our 2020 targets.

DELIVERING INNOVATIVE MARKET-LEADING CLIENT EXPERIENCES

MANAGING SCARCE RESOURCES TO OPTIMISE ECONOMIC OUTCOMES	PROVIDING OUR CLIENTS WITH ACCESS TO THE BEST FINANCIAL SERVICES NETWORK IN AFRICA	GROWING OUR TRANSACTIONAL BANKING FRANCHISE FASTER THAN THE MARKET	BEING OPERATIONALLY EXCELLENT IN ALL WE DO

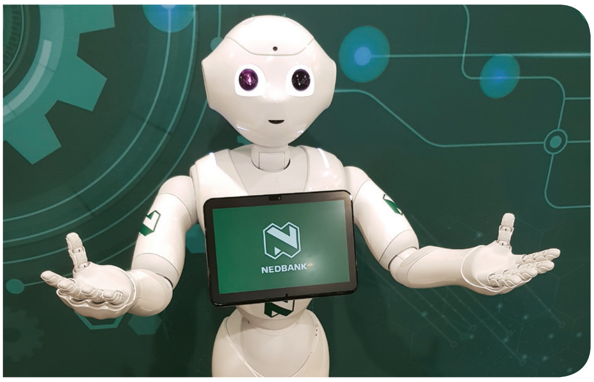
Our strategic enablers

- **Target Operating Model** – Creating a future-fit organisation by evolving our business model and capabilities, as well as delivering benefits of R1bn by 2019 and R1,2bn by 2020.
- **People 2020** – Transforming our leadership, culture and talent capability to become more commercially savvy, agile, productive and innovative.
- **Brand 2020** – Building a distinctive brand to support our strategic initiatives.
- **Managed Evolution and Digital Fast Lane** – Driving innovative technology transformation, thereby creating an agile digital platform to become more competitive.
- **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 Nedbank's purpose.
- **Leading transformation** – Actively promoting a globally competitive financial sector while creating a more equitable society.

Our strategy is primarily aimed at creating value for all our stakeholders and is defined by our five key strategic focus areas of:

Strategic focus area

Delivering innovative market-leading client experiences



Financial services providers that respond best to the digital challenge in a client-centred manner will continue to gain a disproportionate share of client revenues. In addition, technological developments provide opportunities for improving efficiency, bringing new digital offerings quicker to market, and lowering the cost to serve as well as the overall cost base by reducing branch sizes and ancillary costs.

Our strategy is to become a more digital, more competitive and more agile bank. In 2010 we embarked on what we termed a Managed Evolution approach to transform and digitise our core IT systems over time. This is core to delivering innovative, market-leading client experiences while ensuring we remain at the forefront of cyberresilience. We have studied many banks across the world and concluded that this is the most cost-effective and efficient approach to core systems replacement.

In this approach we select the applications best suited for a given purpose and connect them using service-oriented architecture, as we do not believe that any one vendor can provide worldclass solutions across all products and applications.

In addition to the foundations of Managed Evolution, we have launched a Digital Fast Lane (DFL) capability to accelerate the launch of innovative products.

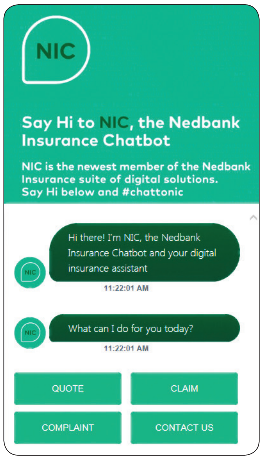
Reflecting on 2017 and looking ahead

- As part of our Managed Evolution journey, we continue to rationalise, standardise and simplify our large IT systems and have reduced our core systems from 251 in 2010 to 129 with the aim of having fewer than 60 by 2020. The emphasis in 2017 was on integrating the foundational capabilities built in 2015 and 2016 into our onboarding and servicing programmes, while continuing to meet the prevailing regulatory challenges through the enhancement of our payment, anti-money-laundering and data capabilities.
- The DFL is infusing innovation capability into our existing DNA by providing us with increased speed to market, high-velocity client feedback and improved commercialisation capability. Some of the innovations launched through this capability are discussed on the following page as well as on page 65 of the 2017 Nedbank Integrated Report. Looking forward, we will continue to focus on disruptive new-to-market innovations, embracing new technologies and new ways of working with new partners, and novel go-to-market strategies.
- We have proactively enabled 5,8 million clients to do their banking on our digital channels and are now focusing on increasing active use (currently 890 539 clients) as we enhance functionality and ease of use. Benefits of increasing self-service devices are illustrated in the increasing volumes of cash being handled by Intelligent Depositor devices, now at 48% from 23% in 2015.
- We remain focused on transforming our clients' digital experience and processes, and aim to have digitised the top 10 retail products by 2020. Our outlets are also becoming more digital, with 55% converted to the new format and an aim to have converted 73% by 2020. NZone, our first digital-only self-service outlet, was launched in Sandton during the second half of 2017.
- In early 2017 we relaunched our brand. Our 'see money differently' brand positioning has already reaped rewards and the road ahead promises to deliver more.

OUR STRATEGIC FOCUS AREAS AND ENABLERS
(continued)

Strategic focus area

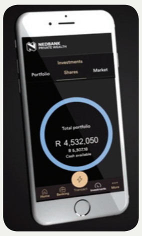
Delivering innovative market-leading client experiences (continued)



Recent value-enhancing innovations

Enhancing client access through digital offerings

NEDBANK PRIVATE WEALTH APP



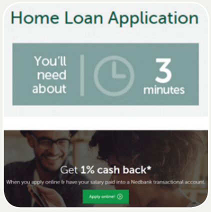
Rated one of the best high-net-worth apps globally

- Best-in-class client experience and full financial suite of digital services.
- Independently rated top SA high-net-worth banking app and sixth best globally.[1]
- Providing international and local consolidated view of assets and liabilities.

[1] *Rated sixth out of 34 apps globally in the Mobile Apps for Wealth Management 2017 survey.*

CHATBOTS

- NIC, a pioneering digital insurance assistant.
- EVA, asset management chatbot that allows simple transactions 24/7.



ONLINE HOME LOAN APPLICATION PROCESS

Unique in market

- End-to-end process at leading industry turnaround times.
- Quick quote in three minutes and bond quote in three hours.
- 12% of all new applications.
- Unique 1% cashback (up to R15 000).

Value for clients through unique CVPs

MARKET EDGE

Unique in market

- Leveraging big data for client benefit.
- Best Analytics Product in Africa award.
- Inclusion in MIT best-practice case study.

Nedbank MARKETEDGE™

SOLAR TURTLE BRANCHES

Unique in market

- Energy-efficient e-banking services.
- Rural-community access to cashless banking, personal loans and digital-payment solutions.
- Community upliftment by mobile service provider owned by the community.
- Economic upliftment through access to cash and banking services.

DIGITAL BRANCH

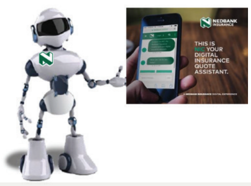
Leading in digital outlets

- Launch of first digital, entirely self-service branch at Gautrain station (September 2017).
- Offering Intelligent Depositor device, video banking, quick-chat banking, self-service kiosks, virtual reality, grab-and-learn wall and facial recognition.

UNLOCKED.ME

A banking first

- A platform allowing consumers to unlock their lifestyle, potential and money.
- Our first lifestyle marketplace, designed with our clients in mind, presenting unique experiences sure to thrill our youth target audience.



Improved decisionmaking and operational efficiencies

ROBOTICS AND ARTIFICIAL INTELLIGENCE

First implementations delivering benefits

- Implementation of 50 software robots to date, with error rates reduced by up to 96%.
- Implementation of more than 200 software robots by the end of 2018.
- Nedgroup Investments launched a market-leading robo-advisor.

EXECUTIVE EYSIGHT™

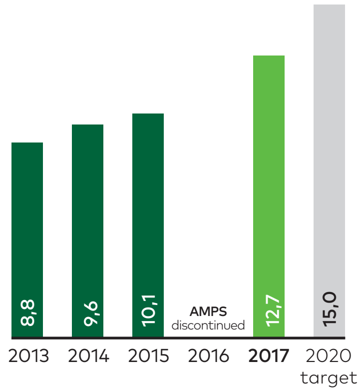
Cross-sell and client-servicing benefits

- Real-time CIB client and management information insight, including:
  - Client cross- and up-sell opportunities.
  - Client and business profitability.
  - Continuous enhancements lending to management insights and predictive analytics.
- Launch of similar capability in RBB through the Epic™ tool.

Strategic focus area

Growing our transactional banking franchise faster than the market

Nedbank retail main-banked market share
(%)



Growing our transactional banking franchise faster than the market improves our ROE, as deposits and transactional revenue consume less capital and add to our funding pool.

At the same time earnings volatility is reduced as more stable sources of income are increased and our brand value increases. Our strategy starts by growing and retaining our clients, and deepening our share of wallet by converting new and existing clients into main-banked and transactional banking clients. This is why creating market-leading client experiences is so important. Nedbank has built a track record of delivering on this strategic focus area, growing NIR at or above the SA industry average over an extended period. The exception was in 2014, when we deliberately kept our bank fees at 2013 levels and reduced fees for small and medium enterprises as well as business banking clients.

Reflecting on 2017 and looking ahead

- In our retail business growing our transactional banking franchise is a major focus. Over the past five years we have succeeded in consistently growing our client base despite increasing competition and new entrants. Looking forward, market research suggests that the number of banked consumers in SA will grow to 28 million by 2020, and we expect to increase our share of this.
- Of our 7,5 million retail clients in SA, 6,0 million have some form of transactional product with Nedbank. Of these only 27% have another product, which means there is still significant opportunity for cross-sell. In terms of our strict definition of main-banked clients we have 2,8 million clients who regularly bank with us. This is flat on 2016 as some clients fell out of our main-banked definition given lower transactional activity as a result of economic pressures. We believe that our market-leading client innovations will continue to support client growth. The new Consulta survey measuring main-banked clients, estimates our share of main-banked clients to be 12,7%, up from the previous 9% recorded in the 2013 AMPS survey. We are targeting an increase in our main-banked market share to more than 15% by 2020.
- While we remain a bank for all, we will continue to focus on the youth and entry-level banking (ELB) segments, which we aim to target leveraging digital while ensuring effective migration to a rising middle market, where we focus on retention and on deepening the relationship through cross-sell. The rising middle market has the highest economic potential, greater propensity to switch and the fastest growth rate among the retail segments.
- In CIB we have won major transactional accounts over the past few years, including major private sector and municipal transactional banking accounts. CIB has gained 26 new primary clients in 2017 – these provide a valuable underpin to ongoing NIR growth. We intend to grow our transactional banking share by improving client coverage and deeper client penetration, enabled by improved client data and business analytics, an integrated corporate and investment bank and our strategic partnerships with Ecobank, Deutsche Bank and the Bank of China. In 2017 we concluded a cooperation agreement with Deutsche Bank as our preferred partner in equity and debt capital markets. The cooperation is intended to combine Deutsche Bank's leading SA equities and global capital markets distribution platform with Nedbank CIB's leading local primary markets expertise and strong client franchise in both the corporate and public sectors in SA and, in time, select markets in sub-Saharan Africa. In CIB our NIR-to-advances ratio, a key indicator of cross-sell and ability to leverage our strong balance sheet to grow NIR, decreased from a high base in 2016 to 2,0%, due to macroeconomic headwinds which negatively impacted NIR, with a target of > 2,0%, which provides scope for further growth.

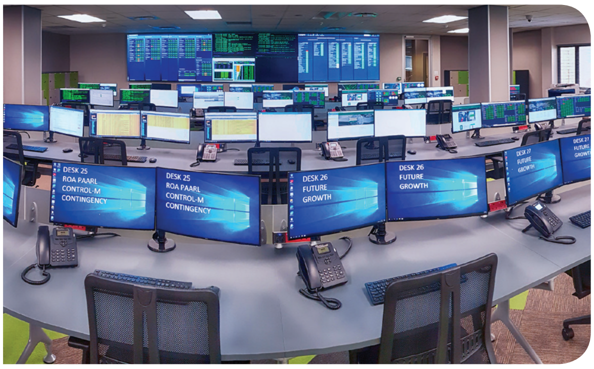
For more details on how Nedbank created value for clients refer to page 65 of the 2017 Nedbank Integrated Report.

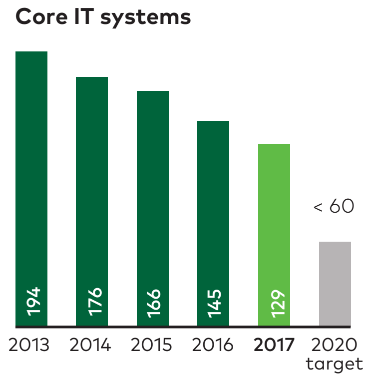
See our performance and targets on pages 44 and 45 of the 2017 Nedbank Integrated Report.

OUR STRATEGIC FOCUS AREAS AND ENABLERS
(continued)

Strategic focus area

Being operationally excellent in all we do





'Being operationally excellent in all we do' ensures that we invest sustainably in the franchise to unlock future growth potential while managing our cost base through the delivery of synergies and efficiencies.

Over the past few years we have invested significantly in the franchise to support long-term growth. However, through ongoing efficiencies we have been able to maintain expenses growth in line with that of our peers. Some of the investments we have made over the past five years include investment in our distribution channels, completing key foundation projects as part of the Managed Evolution strategy and investing in digital and core systems as well as in regulatory compliance.

We are evolving our physical distribution to become more technology and digitally focused, while we are optimising our footprint. Our number of physical points of presence compares well with those of our peers and we have reduced overlap in some geographic areas and where previous standalone outlets have been integrated into our branch network, such as personal-loan branches.

Reflecting on 2017 and looking ahead

- In an increasingly tough economic environment we focus on optimising cost savings and have identified key business areas for reducing our efficiency ratios, namely RBB and RoA (targets shown on pages 46 and 47 of the 2017 Nedbank Integrated Report), to assist the group in meeting its ≤ 53% target by 2020.
- Good progress has also been made with our Target Operating Model (TOM) initiatives, which aim to generate R1,0bn pretax benefits for Nedbank by 2019 (and R1,2bn by 2020) and are linked to our long-term incentive scheme. Most cost-scaling initiatives in 2017 were identified in RBB and we delivered savings of R621m, of which TOM-related run-rate savings were R238m. These initiatives are linked to the investment we are making on the RBB digital journey and include credit process optimisation and simplification, sales and service optimisation in our outlets, the use of more digital channels, optimisation of our middle office and self-service and video banking. Some highlights include:
  - We reduced headcount by 859 (mostly through natural attrition), optimised our staffed points of presence by closing 52 Pick n Pay kiosks and 32 personal-loan outlets (while maintaining our coverage of the bankable population at 84%) and achieved efficiencies by recycling cash through our increased footprint of Intelligent Depositor devices during the year.
  - Four client-servicing functions, previously accessible only through branches, were launched together with the new Nedbank Money app during Q4 2017 and a total of 33 are planned for deployment across our digital channels in the first half of 2018.
  - We implemented 50 software robots (robotic process automation) to enhance efficiencies and reduce processing errors in administrative-intense processes, with more than 200 planned to be rolled out in 2018.
  - We continued to roll out our new-format outlets and reduced floor space, with a targeted reduction of more than 30 000 m^2 by 2020, in addition to optimising processes that require less human intervention. To date we have reduced floor space by just over 24 000 m^2.
- We worked with our sister companies in the Old Mutual Group to deliver synergies just in excess of R1bn, of which R393m accrued to Nedbank.

For more details on how Nedbank created value for clients refer to page 65 of the 2017 Nedbank Integrated Report.

See our performance and targets on pages 44 and 45 of the 2017 Nedbank Integrated Report.

Strategic focus area

Managing scarce resources to optimise economic outcomes

Through managing scarce resources to optimise economic outcomes we leverage our areas of strength, while reducing downside risk in higher-risk products or businesses. Maintaining a strong balance sheet ensures that we remain resilient in tough times and are able to leverage new growth opportunities. This strategic focus area centres on managing scarce resources, such as capital, long-dated liquidity and costs, to optimise economic outcomes and thereby increase our economic profit, being the excess of ROE above COE and internally referred to as economic profit.

Reflecting on 2017 and looking ahead

- On the previous pages we illustrated our primary focus of growing our transactional revenues and how this has supported market share gains in key deposit categories. We expect this growth to continue.
- We have tilted our portfolio to grow selectively in key advances categories. After having derisked our home loan and personal-loan books, we are now growing in line with the market, while growing vehicle finance, where we have a competitive advantage, and card, which is closely linked to transactional client growth. Looking forward, we will continue to tilt our portfolio to grow in lower-risk segments of home loans and personal loans, while leveraging our unique positioning in vehicle finance, where we lead in the second-hand and lower-value vehicle segments.
- Corporate credit growth has slowed, given the external environment, but pipelines remain solid. As business confidence improves, we should see stronger growth in years to come.
- Notwithstanding our share of the Q4 2016 loss from ETI, our ROE (excluding goodwill) remained broadly flat and we should see continued ROE improvement towards 2020.

Market share of key lending and deposit-taking activities in SA*

(%, yoy trend)

	Nedbank	FirstRand	Barclays Africa	Standard Bank	Other
Home loans	**14,5** —	20,2 ↑	23,7 ↓	34,3 ↓	7,2
Vehicle finance	**34,7** ↑	33,4 ↓	18,7 ↓	11,6 ↓	1,6
Credit cards	**14,0** ↑	23,8 ↑	27,1 ↓	27,3 ↓	7,8
Personal loans	**10,3** —	21,7 ↓	10,7 ↑	17,7 ↓	39,6
Core corporate loans[1]	**21,0** ↓	21,4 ↑	19,6 ↑	20,7 ↓	17,3
Commercial mortgage loans	**40,5** ↓	6,1 ↑	12,6 ↑	18,7 ↓	22,2
Household deposits	**18,9** ↑	21,2 —	21,3 ↓	19,5 ↑	19,1
Non-financial corporate deposits[2]	**16,5** ↑	23,6 ↑	16,7 ↓	29,1 ↓	14,1

** Source: SARB BA900 at 31 December 2017.*

[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.

[2] Includes 'private non-financial corporate sector deposits', 'unincorporated businesses' and 'non-profit and charities' as per the SARB BA900 return.

↑ Increase in market share ↓ Decrease in market share — Flat

Portfolio tilt strategy

Advances

Retail	
Home loans	
Backbook	▼
Frontbook	▲
Vehicle finance	—
Personal loans	
< R5 000/month segment	▼
Entry-level banking segment	—
Middle market	▲
Wholesale	
Property finance	
Domestic lending	—
Property partners	—
Rest of Africa	—
Investment banking	—
Client coverage	▲
Global markets	▲
Wealth	—

NIR-related

Wholesale and retail transactional/primary clients	▲
Global markets (trading)	▲
Insurance	▲
Private-equity-related	—

Deposits

Household	▲
Non-financial corporate	▲
Capital market	—
Short-term wholesale funding	▼
Foreign currency liabilities	▲

▼ Slower than market growth

▲ Faster than market growth

— In line with market

For more details on how Nedbank created value for clients refer to page 65 of the 2017 Nedbank Integrated Report.

See our performance and targets on pages 44 and 45 of the 2017 Nedbank Integrated Report.

OUR STRATEGIC FOCUS AREAS AND ENABLERS

(continued)

Strategic focus area

Providing our clients with access to the best financial services network in Africa

'Providing our clients with access to the best financial services network in Africa' aims to drive greater earnings contribution from faster growth in the economies of the rest of Africa over the longer term, while providing geographic diversification benefits and enabling our clients to access the largest banking network in Africa.

Nedbank has a two-pronged strategy for growth in the rest of Africa.

- In the SADC and East Africa – countries more integrated with SA – we want to own, manage and control banks. We now have a presence in six countries after acquiring a controlling stake in Banco Único that operates in Mozambique.
- In Central and West Africa – countries further away from SA where we do not have a competitive advantage as Nedbank – we have an alliance with Ecobank, which provides our clients with access to markets in which we do not have a presence, particularly in Central and West Africa where Ecobank has a top-3 position in 14 countries. Our alliance is underpinned by a commercial relationship in terms of which we are actively working to unlock cross-border transactions and build a deal pipeline by leveraging our individual strengths.

Reflecting on 2017 and looking ahead

- In the SADC we continue to build scale and optimise costs. Our core banking system, Flexcube, was successfully rolled out in Namibia in 2016 and was also rolled out in Lesotho, Malawi and Swaziland in 2017, and we plan to implement in Zimbabwe during 2018. In addition, we have launched a number of new digital products whilst limiting growth in our physical footprint as we invest in our digital offering. As a result, clients increased 14% and online digital activations were up 22%. The acquisition of a majority stake in Banco Único in 2016 continued to deliver value and positioned Nedbank well to leverage off higher economic growth in Mozambique. In 2018 we will rebrand MBCA in Zimbabwe to Nedbank at the same time as we complete the last of our core banking system implementations in our subsidiaries.
- Ecobank has been through a challenging period over the past two years following depressed oil prices, the naira devaluation and the recession in Nigeria. Pleasingly, while risks remain, it does appear as if the worst is now behind the bank, and we note that its 2017 interim results have been audited, which should give investors comfort that the risk of another fourth-quarter loss has decreased. We are working very closely with ETI's management and board to improve returns. The share price of ETI was up 65% in 2017, albeit in thinly traded markets.
- Collaboration is increasing and we have recently integrated our payment solutions into Ecobank's market-leading remittance product that has been launched in over 30 countries. This enables Nedbank to provide a low-cost, fast and convenient solution to 2,7 million African migrants and capture a share of the R14bn–R19bn remittance market.
- We have also increased our representation on the ETI board with Mfundo Nkuhlu our Chief Operating Officer newly appointed as Chair of the Risk Committee, now complemented by Brian Kennedy, Managing Executive for CIB, who has joined the Audit and Remuneration Committees.
- After a disappointing start, we believe our investment in ETI will be a meaningful contributor to Nedbank's growth over the next few years.

Case in point

Collaborating with ETI

OPPORTUNITY → ACCESS AND DISTRIBUTION → DIFFERENTIATION[1]

OPPORTUNITY

2,7 million
African migrants

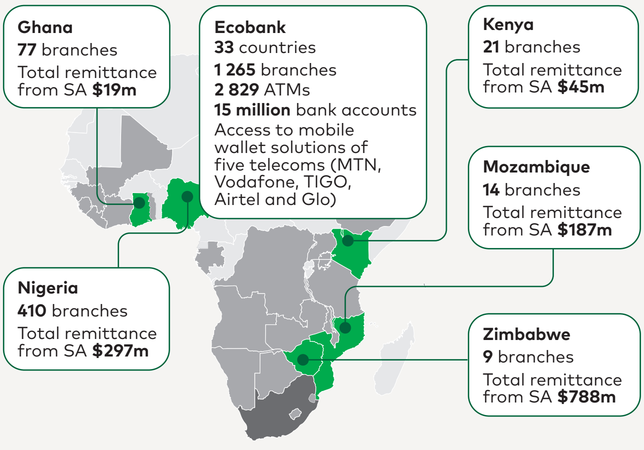
R14–19bn
Market size: Remittance value SA – RoA

25%
Mobile/Digital channels internationally

60%
International cash transfers

5%
Traditional banking channels internationally

ACCESS AND DISTRIBUTION



DIFFERENTIATION[1]

Cheap
Lowest cost to client in the industry (no third parties).

Quick
Instant cross-border transfer – subject to regulatory and compliance checks (other solutions 10 min to two days).

Easy
Usage across all channels – initially account to account, mobile app and website. Moving to wallet, USSD, ATM, branches, etc.

Available in 33 countries

24 hours – initially business operating hours, moving to 24/7.

[1] *Key competing products include Mukuru, hello (PAISA), Western Union (BGA), MoneyGram (FNB and Standard Bank).*

OUR STRATEGIC ENABLERS

Our strategic enablers, introduced as part of our strategic planning in 2016, are enterprise initiatives that enable us to deliver on our strategic focus areas, goals and targets by changing the way we operate. Many of these are closely related to the capitals defined by the International Integrated Reporting Council (IIRC). The following enterprise initiatives have become catalysts in achieving our stretch targets. During 2017 the following progress was made:

Target Operating Model

We are creating a future-fit organisation by evolving our business model and capabilities to be more competitive, agile and digital. Key achievements include landing our first innovations through the DFL and implementing New Ways of Work. We also made progress by achieving R238m of efficiencies in the first year of implementation as we target to unlock R1bn of benefits by 2019 and R1,2bn by 2020.

People 2020 has been set in motion to enable and empower Nedbank employees by facilitating culture, leadership and talent shifts. Through these efforts our employee experience and people practices are evolving. In 2017 we launched New Ways of Work. We currently have about 500 people across the bank working in this new fashion and aim to scale this to more than 4 000 during 2018.

Managed Evolution and Digital Fast Lane saw significant progress as we bedded down the core thrusts of the Managed Evolution and DFL technology strategies. We integrated the foundational capabilities built in 2015 and 2016 into our onboarding and servicing programmes which enabled the launch of the Nedbank Money app, robotics process automation going live across multiple divisions as well as the delivery and launch of the first deep-rural branch (Solar Turtle).

Leading transformation supports both our national strategic priorities and our own purpose of using financial expertise to do good for all stakeholders in SA. Our goal is to build a bank that contributes meaningfully to a better life for all South Africans. March 2017 marked an important milestone as the Standing Committee on Finance and the Portfolio Committee on Trade and Industry held joint public hearings on the transformation of the financial sector, with the focus on the deracialisation of the sector and progress with the implementation of the FSC. Nedbank welcomed the opportunity to engage on this matter of national importance. On 23 March 2017 Mike Brown, Group Chief Executive, led a Nedbank team to Parliament and presented the Nedbank transformation journey to these committees.

Brand 2020 saw the launch of Nedbank's new brand positioning, 'see money differently'. This paved the way for more innovative work as demonstrated by the award-winning campaign that was created to launch it. Our journey of reinvention and rediscovery was further brought to life by our thought-provoking CIB campaign that captured people's imaginations. We then upped the ante with our new retail repositioning campaign, which beautifully illustrated how people don't live for money, but know that it gets them the things that they love. Our 'see money differently' brand positioning has already reaped rewards and the road ahead promises to deliver more.

Governance and regulatory change adopts a business-led approach that creates a competitive advantage by placing the client at the heart of the extensive regulatory change and governance agenda. The client is made a strategic focus area through the introduction of new systems, processes, people and practices, as well as mind-set and culture changes. This ensures a streamlined delivery of regulatory programmes to achieve compliance with requirements and alignment with business and strategy.

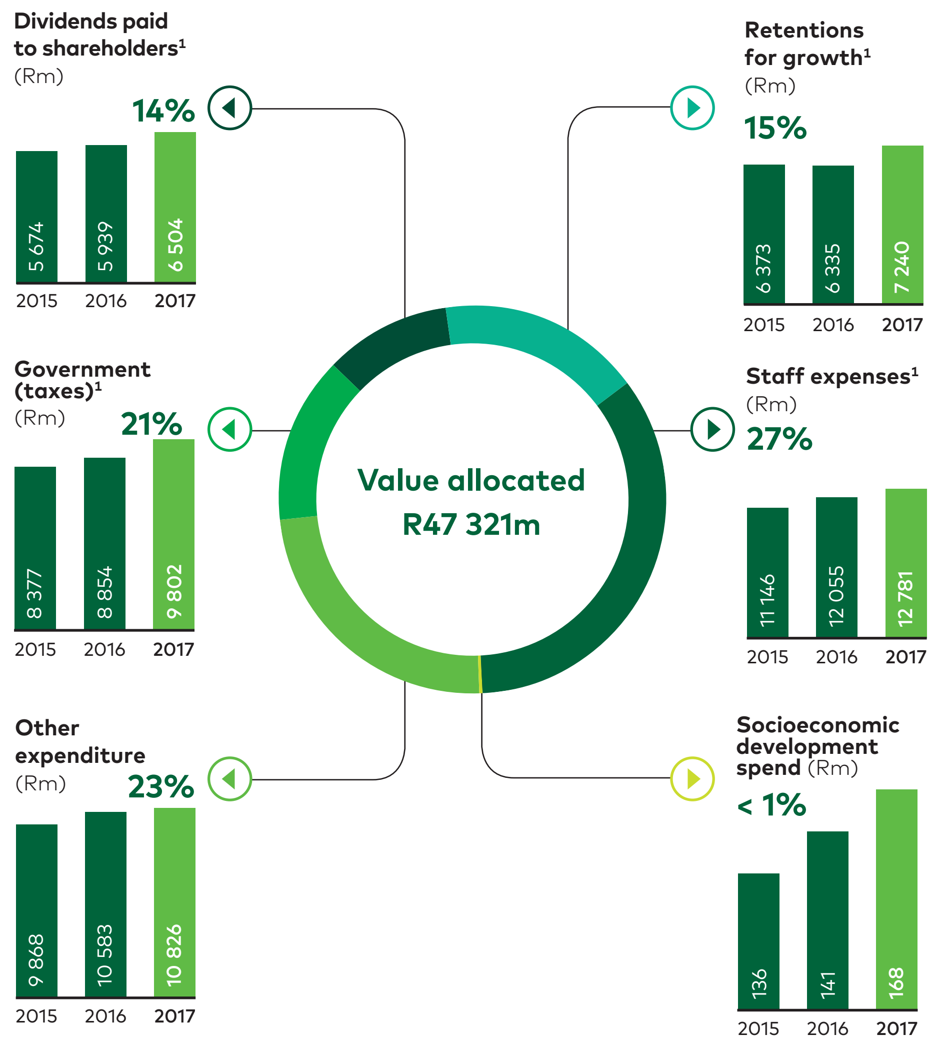
Fair Share 2030, launched in 2015 as a key enabler, has enjoyed initial success in guiding our product development and innovation, by ensuring that we focus on identifying and capitalising on finance opportunities that may have a positive and deliberate economic, social and environmental impact.

This success was evidenced by the R5,3bn of lending that was undertaken from 2015 to 2017, providing much-needed student accommodation across the country and supporting the rollout of additional embedded energy installations. Moving into 2018 our approach has shifted to focus on the most material SDGs and related targets to guide our sustainable development activities. To enable this shift a sustainable development baseline assessment was done that gives a comprehensive view of our business activities aligned with the SDGs. Going forward we will be setting ambitious new targets for Sustainable Development Finance. This will ensure that we leverage the experience gained through Fair Share 2030 to innovate and capture winning positions in new markets and drive sustainable business growth and value for all stakeholders by contributing our fair share to support the delivery of the SDGs and the fulfilment of our purpose.

VALUE FOR STAKEHOLDERS

Nedbank is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all other stakeholders. We appreciate the role played by all of our stakeholders and are committed to nurturing impactful relationships that deliver mutual benefits.

NII **R27 624m** - Impairment losses on loans and advances **R3 304m** + Other banking income **R23 001m** = Value added **R47 321m**



[1] *Value for government (taxes) includes direct taxes, dividend withholding tax and cash payments made to SARS in respect of value-added tax. As a result, the amount for the dividend paid to shareholders, staff expenses and retentions for growth may not agree with the amounts disclosed for the group's annual financial statements.*

Our stakeholder engagement framework

While the Nedbank Group Executive Committee (Group Exco) has ultimate responsibility for our group's stakeholder engagement efforts, the process of engaging with stakeholders is decentralised to form part of the operations of our various clusters and business areas.

Cluster-based stakeholder engagement is governed by a comprehensive group stakeholder engagement framework and policy, which include our corporate identity and communication guidelines. Each business area is required to report regularly on its stakeholder engagements through the Group Exco.

The following pages provide an overview of how we delivered value to our stakeholders in 2017 and prospects for future value creation.

Case in point

Aligning leadership development with our strategy

Executive education has been identified as a key driver in equipping Nedbank leadership with the capabilities required to align behind the group's strategy, brand and culture. The Executive Business Transformation Programme was designed in partnership with Duke, a worldclass, leading academic faculty, centred on the key development and learning themes of client centredness, innovation and digital astuteness, while transforming our business through our people to become more competitive and a commercial savvy organisation.

We exposed 50 delegates from across the group to global thought leaders, from top management at successful disruptive companies or leading academics, while being immersed in learning experiences in Silicon Cape (SA), Silicon Savannah (Kenya) and Silicon Valley (USA). As part of the eight-month programme the delegates were tasked by Chief Executive Mike Brown to solve specific organisational challenges and capitalise on opportunities, one such challenge being the implementation of an integrated enterprisewide change agenda focused on both clients and employees.

From the feedback to Group Exco it was clear this programme had significantly changed the mindsets of the participating executives and will certainly accelerate the way we lead change, solve problems and design solutions, ensuring that we are client-centred and catalysts for business transformation. The programme and shared experience have galvanised this group of executives and enabled them to collaborate and network extensively across the organisation, drive enhanced client experiences in agile ways, and balance risk and innovation practices, while optimising individual, team and organisational outcomes.

The programme will continue with a new intake of executive leaders in 2018.

Delivering value to our staff in 2017

- As a large employer we paid R12,8bn in remuneration and benefits, net of taxes, to our 31 887 employees. To reduce the wealth gap we deliberately provided for average salary increases at 8,0% and 5,0%, for our unionised staff and higher management respectively.
- Training spend declined in 2017 to R355m as we aligned our training programmes to our strategic intent. A new Duke programme was launched in alignment with the digital capabilities we require, underpinned and supported by a CEO challenge (refer to the case in point alongside for further details).
- Staff attrition increased to 10,6% as our staff numbers decreased by 859, but this still remains below the industry benchmark of 11–13%. We have not implemented any material retrenchment programmes over the past several years as we have honoured our staff practice of limiting redundancies by actively using a redeployment pool. During the year we developed a broader redeployment framework, which is a more proactive focused solution, where individuals can leverage opportunities to further their employability, both internally and externally, for the greater benefit of SA. A pilot is underway in partnership with one of our corporate clients in the franchise market who requires financial skills, which Nedbank can provide while our clients grow their business.
- Notwithstanding the headcount reductions, staff morale remained high. A new organisational diagnostic, Nedbank Compass, which focuses on the new behavioural and cultural requirements to make Nedbank more competitive, replaced the Nedbank Staff Survey. In 2017 approximately 20 000 employees completed the survey, identifying the areas for improvement and strength. There is a need to maintain the current level of staff engagement and to continue to drive alignment and high performance across the group, while increasing our focus on innovation and client needs.
- In response to the changing needs of business and the trends disrupting human resources, we adopted New Ways of Work (agile transformation, a key component of our TOM review). We are focusing on the following to the benefit of both Nedbank and staffmembers:
  - Multiskilled and mobile resources who are commercially and digitally savvy.
  - Leadership that inspires and enables individuals and teams to thrive in the Nedbank of the future.
  - Culture shifts towards a more client-driven and innovative workforce.
  - Working in squads and tribes to achieve the required cultural shifts and business outcomes. We currently have about 500 people across the bank working in this new fashion and aim to scale this to over 4 000 during 2018.
- A refreshed performance management approach was piloted with Group Exco and close to 150 senior leaders within the group. This new approach enables the organisation to have more frequent and robust conversations around running and changing the business, in alignment with us becoming more agile, competitive, innovative and client-centred. Our executive scorecards on pages 77 to 82 of the 2017 Nedbank Integrated Report embraced this new approach.
- Transformation remained a key focus for the group as we continued to increase our black staff component, now at 78,5%, to more closely reflect the demographics of society.

Looking ahead

- In 2018 we will continue to build new capabilities around client-centred innovation, design thinking and change leadership.
- Our new operating model will revitalise the way work is organised and how we work together to deliver on our strategic focus areas. We are bedding down the new people practices and revitalised out people brand, which will attract talent into the organisation.
- We are also looking to provide greater performance and reward differentiation for our employees, which will drive a high-performance culture.

2020 **TARGETS**

Commercially focused, transformed and innovative staff who collaborate to serve our clients.

VALUE FOR STAKEHOLDERS
(continued)

Clients
Exceeding the expectations of our clients

Case in point

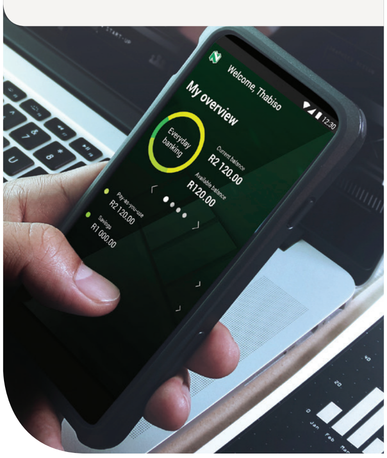
Nedbank Money app

Nedbank's focus on digital, emphasised by the 'Digital First, First in Digital' strategic intent, culminated in the launch of the new Nedbank Money app in November 2017. The new Nedbank Money app was built in just three months with the help of global design and development partners, and has already created a ripple in the market, with over 500 000 downloads by early March 2018. The above-the-line campaign supporting the launch made an immediate impact and has won awards in a short period, including:

- The TV ad was picked by France AdForum as one of the top two ads of the week globally.
- The campaign received an Orchid Award for 'Banking out of the ordinary' from the *Citizen*.

The Nedbank Money app has at its core a fresh design, centred on creating great client experiences, with new innovative features such as the first-to-market Quick Pay. It also supported Nedbank's move towards enabling self-service through new features such as setting your ATM limits, blocking and reordering cards and disputing debit orders.

The Nedbank Money app is on a positive trajectory, with fantastic new functionality to be launched in the first half of 2018, ranging from an additional 30 services, including forex and remittances to investments and mobile payments. The Nedbank Money app is set to become a leading app globally, with the web version going to market in the first half of 2018.



Delivering value to our clients in 2017

- We made new loan payouts of R153bn to enable clients to finance their homes, vehicles and education, and grow their businesses.
- We launched various innovative solutions to make banking more convenient and meet the needs of our clients. Below are a few examples:
  - The Nedbank Private Wealth app was one of the first products delivered through our DFL capability and ranked sixth in the global Mobile Apps for Wealth Management 2017 survey, was recognised at the 2017 MTN Business app of the Year Awards that evaluated over 600 entries, being awarded third place in the Best Enterprise Solution category.
  - The Nedbank Money app, our new retail app that makes banking more convenient for our clients, has seen more than 500 000 downloads by early March 2018.
  - We launched UNLOCKED.ME, an exclusive e-commerce marketplace for millennials.
  - Karri, our mobile payment app that allows users to make cash-free payments for school activities quickly, safely and hassle-free, has been rolled out to more than 100 schools across the country.
  - We piloted geyser telemetry, an innovative smart home solution that reduces electricity consumption.
  - From an integrated-channels perspective, to date 55% of our outlets have been converted to new-image branches and our investment in distribution channels over the next three years (to 2020) will result in 73% of our retail clients being exposed to the new-image branch format and self-service offerings.
  - We launched Africa's first solar-powered branch to enable banking in deep rural communities, as well as NZone, our digital self-service branch at the Sandton Gautrain Station.
  - The introduction of chatbots and robo-advisors enhanced client experiences through our contact centre and web-servicing capabilities and will continue to do so.
- System uptime continues to lead the market with the second-highest level achieved in 2017 when looking at the past 10 years, notwithstanding significant changes to IT systems and new digital applications.
- Locally Nedbank Private Wealth ranked third overall in the 2017 Intellidex Top Private Banks and Wealth Managers survey and achieved first place in both the Wealth Executive and Up-and-coming Professional categories.
- Nedgroup Investments for the third consecutive year maintained its first position in the offshore category at the 2018 Raging Bull Awards.

Looking ahead

- The foundations put in place through Managed Evolution (our core systems and technology platform transformation), digital enhancements and New Ways of Work will lead to incremental digital benefits and enhanced client service.
- In 2018 Nedbank will bring exciting digital innovations to market to enhance client experiences and drive efficiencies. Some of these include a refreshed internet banking experience in line with our mobile banking apps, the ability to sell an unsecured loan bundled with a transactional account, simplified client onboarding by way of convenient, FICA-compliant account opening from your couch, a new and exciting loyalty and rewards solution, and further rollout of chatbots, robo-advisors and software robots (robotic process automation).
- The client experience has therefore been enhanced as more time is spent on servicing them and less time is spent on administrative tasks.

2020 TARGETS

Top 2 brand value among SA banking peers

> 16,5% commercial transactional deposit market share

RBB
> 15% main-banked retail client market share

CIB
Top 2 in wholesale league tables
NIR-to-advances ratio **> 2,0%**

Wealth
Number 1 in Intellidex's top private banks and wealth managers survey

Top 3 SA asset manager (annual Raging Bull Awards)

RoA
Grow profitability ahead of market in the subsidiary countries

Increased **dealflow from ETI** network

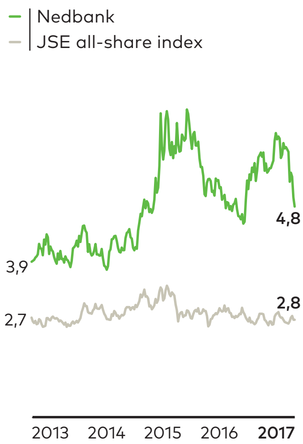
Shareholders

Delivering consistently to our shareholders

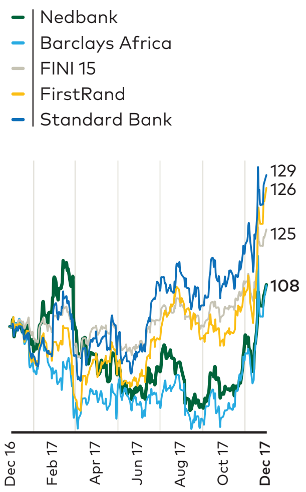
Delivering value to our shareholders in 2017

- Solid business and financial performance by our managed operations in a difficult environment offset by the associate loss from ETI.
- Share price up 7,5%.
- Total dividend per share up 7,1%, ahead of HEPS growth of 2,2%.
- Price to earnings: 10,4 times.
- Price to book: 1,5 times.
- Sound corporate governance and good relationships with the investment community, underpinned by regular engagements and transparent reporting, acknowledged through a number of industry awards.
- 2017 AGM resolutions passed – approvals all above 90%.
- Various engagements with our shareholders on environment, social and government (ESG) matters.

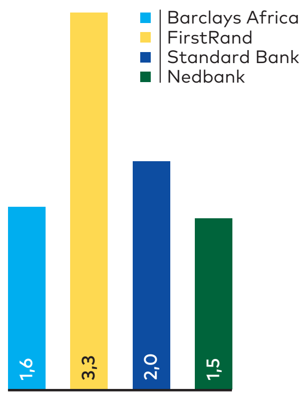
Dividend yield



Share price performance



Price-to-book ratios
at 31 December 2017



Our top shareholders

Ahead of managed separation, Old Mutual holds a 53,4% share in Nedbank Group, which it will decrease to 19,9% after unbundling. Many Nedbank shareholders who are underweight in terms of their Nedbank holding are also holders of Old Mutual shares and will become holders of a more equal weight after unbundling. In addition, a greater free float should increase index holdings from a current 9,6%, to a percentage closer to that of our peers who have index type holdings at 13–18%.

Major shareholders/Managers	Number of shares	% holding 2017	% holding 2016	Peer holdings %
Old Mutual Life Assurance Company (SA) Ltd and associates	**266 156 545**	**53,4**	54,6	
Nedbank Group	**16 540 026**	**3,3**	3,5	
Public Investment Corporation	**30 644 866**	**6,2**	6,2	
Coronation Fund Managers (SA)	**28 519 315**	**5,7**	5,9	
Lazard Asset Management (International)	**16 152 780**	**3,2**	3,3	
Allan Gray Investment Council (SA)	**11 753 787**	**2,4**	1,8	
BlackRock Inc (International)	**9 171 648**	**1,8**	2,2	
GIC Asset Management (Pty) Ltd	**8 382 090**	**1,7**	1,4	
The Vanguard Group Inc	**7 980 744**	**1,6**	1,4	
Dimensional Fund Advisors (US, UK and AU)	**7 422 012**	**1,5**	1,5	
Index classified shareholders	**47 569 401**	**9,6**	9,6	13–18
International shareholding	**90 157 713**	**18,1**	18,5	30–36

Looking ahead

- Given our strong capital position, we will continue to pay dividends around the mid-point of our board-approved target range of 1,75 to 2,25 times cover or 50% payout ratio.
- Our financial guidance on pages 55, 57 and 62 of the 2017 Nedbank Integrated Report and delivery on our targets point to improved financial performance.
- Unbundling of Nedbank shares to Old Mutual Limited shareholders as part of the managed separation would improve the free float of the Nedbank share (from 45% to approximately 80%), which will be attractive for shareholders.
- We aim to broaden our international shareholder base through sustained engagements in new geographic regions. In 2017 our number of engagements increased by 12% to 404 as a result of expanded geographic coverage and deepened investor targeting.

2020 TARGETS

Top 2 price-to-book ratio among SA peers

ROE (excluding goodwill): **≥ 18%** by 2020

Efficiency ratio: **≤ 53%** by 2020

Shareholders (continued)

Delivering consistently to our shareholders (continued)

Case in point

Topical discussions with the investment community

Our management meets regularly with the investment community. In addition, we provide shareholders with the opportunity to engage with our Chairman and Lead Independent Director on governance matters during our governance roadshow and other engagements. The following were the main topics discussed during the year:

Key topics discussed	Our response and action
Old Mutual managed separation – Investors continue to look for guidance on the impact, progress and timelines of our managed separation. Some investors are concerned about a potential share overhang after unbundling.	Nedbank is a separately listed entity with an independent board. Our business is not integrated into Old Mutual and the managed separation will therefore not have a material effect on our strategy, staff and clients, or our financial performance and prospects. We will continue to collaborate with Old Mutual on the managed separation and synergies from our arm's-length collaboration initiatives. On 1 November 2017 Old Mutual plc announced that the strategic minority shareholding to be retained in Nedbank Group by Old Mutual Limited (OML) to underpin the ongoing commercial relationship between the companies has been agreed at 19,9% of the total Nedbank Group ordinary shares in issue, as held by shareholder funds. The 19,9% shareholding will be held by OML, which will have a primary listing on the JSE and a secondary listing on the London Stock Exchange. OML will be listed at the earliest opportunity in 2018, following the publication of Old Mutual plc's 2017 full-year results. The decrease in OML's shareholding in Nedbank Group will be achieved through the unbundling of Nedbank Group ordinary shares to OML shareholders. This will result in OML, immediately after the implementation of unbundling, holding a 19,9% strategic minority shareholding in Nedbank Group. The unbundling will occur at an appropriate time and in an orderly manner after the listing of OML, allowing suitable time for the transition of the OML shareholder register to an investor base with an SA and emerging-market focus and mandate.
Positioning for a sovereign-credit-rating downgrade – Shareholders want to understand the impact of a credit-rating downgrade on the business (initially foreign currency and lately a local currency downgrade), as well as the trajectory of political and economic policy direction. As a result, as revenue growth slows, the focus on expense management increases.	We performed extensive stress-testing on our balance sheet and income statement to assess the potential impacts of high- and severe-stress events. Relative to the period before the global financial crisis as shown on page 60 of the 2017 Nedbank Integrated Report, we are in a much stronger financial and capital position today to weather any potential downturn. We have previously shown that a credit-rating downgrade will have an insignificant direct impact on the bank, although we remain concerned about the impact of a deteriorating macroeconomic environment and, therefore, have prepared well for this possibility.
Performance of the group and dividend outlook – Shareholders want to determine the extent to which the weak economic environment introduced forecast risk to our financial performance and dividend payout.	We have a strong balance sheet and capacity to generate organic earnings and capital. This, combined with lower credit RWA growth, enabled dividend growth ahead of HEPS growth. The lower 2017 earnings base due to ETI's loss supports stronger earnings growth in 2018 and our ability to maintain our dividend payout ratio around 2,0. Refer to page 55, 57 and 62 of the 2017 Nedbank Integrated Report for our 2018 financial guidance.
ETI's financial performance – Many shareholders were unpleasantly surprised by ETI's fourth-quarter 2016 loss. Investors are trying to get a sense of whether we are comfortable with the risk and outlook for ETI, and whether we have insight, influence and control with a shareholding of only 21,2%.	ETI is making good progress in an improving environment and has attractive medium-to-long term targets. Although these targets are a stretch from the current position, ETI will be a strong contributor to our expected growth in earnings, particularly in 2018 and beyond, if these are achieved. ETI's share price has increased 65% in 2017, in line with the rebound in the Nigerian banks' share prices on the back of signs of early improvement in that economy. As a result, the market value of our 21,2% share in ETI, as well as our share of ETI's NAV, is now ahead of our carrying value. As Nedbank we take some comfort from actions taken in ETI's turnaround and remain optimistic of the long-term prospects of this strategic investment. For more insight on the strategic progress with ETI refer to page 42 of the 2017 Nedbank Integrated Report.

Key topics discussed	Our response and action
Competitive landscape – Shareholders noted the increased levels of competition in the banking industry, particularly the threat from new entrants.	Our strategy in RBB is to grow transactional banking faster than the market through being first in digital, having disruptive CVPs, sales and service excellence, and robust loyalty and reward programme. We have increased the pace of digitisation through DFL and innovations are gaining traction. Innovations shown on pages 37 and 38 of the 2017 Nedbank Integrated Report position Nedbank well to meet these challenges head on.
Appointment of auditors – Shareholders asked whether we would retain KPMG as one of the auditors that jointly audits the group.	We indicated that the Group Audit Committee (GAC) had challenged, and engaged with, executives and boardmembers from KPMG regarding the allegations of corruption against the audit firm. Several engagements with the board and stakeholders have taken place to discuss the KPMG developments and assess the impact on Nedbank, considering, among others regulatory requirements, business continuity, and reputational and systemic risk. KPMG SA provided assurance regarding the integrity of its audit processes and further assurance was provided by KPMG International, which agreed, at the request of Nedbank, to provide additional comfort in respect of its support of KPMG SA. The results of the independent enquiries into KPMG SA to assess whether any further action or response is required are awaited.
Remuneration – Shareholders noted that although Nedbank had arguably the best remuneration schemes among banks, with good disclosure, some enhancements can be considered, including revising the use of the FINI 15 as a corporate performance target (CPT).	Nedbank engaged with shareholders on the proposals for our 2018 remuneration scheme as shown on page 76 of the 2017 Nedbank Integrated Report, and received strong support for all these changes. The key change relates to replacing the FINI 15 with DHEPS growth as a CPT.

Voting outcomes of the 50th annual general meeting

All Nedbank Group resolutions were passed, with more than 90% approval.

The following resolutions with respect to the election and reelection of directors were passed:

	For %
Ordinary resolutions 1.1 and 1.2: Election as a director of Mr EM Kruger and Mr RAG Leith, appointed as directors since the previous AGM of shareholders	99,75
Ordinary resolutions 2.1 to 2.4: Reelection as a director of Mr MWT Brown, Mr BA Dames, Dr MA Matooane and Mr JK Netshitenzhe, who are retiring by rotation	99,75

Other noteworthy resolutions include the following:

Resolution	For %	
Ordinary resolution 4: Placing of unissued ordinary shares under the control of the directors	99,13	Shareholders are reminded that shares granted under this authority are limited to 5% of the shares in issue and restricted to existing contractual obligations to issue the shares
Ordinary resolution 5: Placing of unissued preference shares under the control of the directors	95,87	Shareholders are reminded that shares granted under this authority will be limited to 5% of the shares in issue and restricted to existing contractual obligations to issue the shares
Advisory endorsement on a non-binding basis of our Remuneration Policy	90,21	Our Remuneration Policy remains a focus and we will continue to engage with our shareholders proactively. Refer to page 76 of the 2017 Nedbank Integrated Report for further information.
Special resolution 4: Amendment to clause 10 of the Memorandum of Incorporation in relation to the treatment of fractions	100	This resolution aligned the treatment of fractions with the latest amendments to the JSE Listings Requirements

Proxy forms for voting at the 51st AGM to be held on 10 May 2018 are available at nedbankgroup.co.za.

REGULATORS

Ensuring sustainable banking with our regulators

Delivering value to our regulators in 2017

In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections. Regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.

- We complied with all key aspects of Basel III requirements, with a CET1 ratio of 12,6%, above the SARB requirements of 7,25% and now above our target range of 10,5–12,5%.
- With regard to the LCR we have achieved 116,2%, above the 2017 SARB minimum target requirement of 80%, maintained the NSFR at above 100% on a pro forma basis, and we are compliant with the minimum regulatory requirement, effective from 1 January 2018.
- Our focus remained on compliance with the requirements of multiple regulators, and significant work continued on AML, CFT and Sanctions. Nedbank has met the deadline for the SA remediation plan in all material respects, following various successful transformations of our remediation strategy and approach, including, most recently, the implementation of a new risk-based approach to replace the old rules-based regulations. Some minor spillover into 2018 was expected and is being completed, including independent assurance by end Q1 2018. SARB has been extensively engaged, and is supportive and aligned with Nedbank.
- The complex IFRS 9 programme successfully met the Q1 2018 'go-live' deadline, within scope and budget.
- The EDP/RDARR (BCBS 239) programme progressed well on all streams as Nedbank continues leveraging off regulatory requirements to build a superior data universe and environment, under the slogan that 'Data is the fuel to winning in 2020 and beyond'.
- During 2017 we received one regulatory fine of R1m. However, we continue to strive for zero regulatory fines or penalties through enhanced and robust controls to mitigate the related risk.
- We paid R9,8bn in direct, indirect and staff taxes to support the governments and societies of the countries in which we operate. We are committed to maintaining our integrity with regard to all our tax obligations and strive to be a responsible corporate citizen by ensuring that we pay and or collect the appropriate amount of tax in all the jurisdictions in which we operate.
- We consider the fair treatment of clients at all stages of their relationship with us of critical importance. As such, we have fully embraced the Treating Customers Fairly (TCF) regulations and continue working towards ensuring that our clients benefit from consistent delivery on all six TCF outcomes. These TCF outcomes connect closely to our client-centred ethos and our Code of Conduct. TCF is an integral part of our culture, the way we design, market and promote our products, and the way in which we communicate with and service our clients. In 2018 we will continue to embark on operationalising TCF and focus on conduct requirements to ensure that industry guidelines and best practices are embedded in our business.
- We achieved a level 2 BBBEE contributor status for the ninth consecutive year, now measured under the new Amended FSC – a culmination of our ongoing commitment to sustainable transformation. This contributed to various wholesale client wins over the past few years and a favourable profile in the market.
- The international tax landscape has changed dramatically in recent years as a result of economic challenges, and new standards have been developed to enable countries to protect their revenue bases. Our guiding principle is that all intragroup transactions must be at arm's length, ie the transfer prices relating to that intragroup transaction must equal the transfer price that would have applied between unrelated parties, all other factors being equal.

Looking ahead

- The Basel III reforms announced in December 2017 include the placing of a floor on certain model inputs for portfolios subject to the AIRB approach, introducing credit risk RWA calculation rules for portfolios subject to The Standardised Approach, the use of a new standardised approach for the calculation of credit valuation adjustment and operational RWA, implementation of the Fundamental Review of the Trading Book and setting a floor on the group RWA equal to 72,5% of RWA calculated on a revised standardised approach. All changes will be effective 1 January 2022, with a five-year gradual phasing-in of the 72,5% floor, beginning at 50% in 2022. As Basel III still needs to be converted into national law, there is uncertainty regarding the interpretation of some of the rules, which means that reliable impact estimates are not yet available.
- A draft SARB resolution was released in January 2018, which includes the establishment of a deposit insurance scheme in SA. No details were provided and we await further clarification in 2018.
- We continue to monitor the impact of the Amended FSC.
- We will maintain our status as a responsible taxpayer in all the jurisdictions in which we operate.

2020 TARGETS

Effectively delivered on the **regulatory change programme**.

SOCIETY

Contributing to a thriving society while respecting environmental limits

Doing good for society

We understand that our success is contingent on the degree to which we deliver value to society. As such it is important to understand our role in society and how society can be different because Nedbank is a part of it. To this end we have defined our purpose as 'using our financial expertise to do good for individuals, families, businesses and society'. In 2017 we began the process of aligning our reporting with the United Nations (UN) SDGs as they define the 'good' that we strive for in our purpose and structured our reporting in line with our three key areas of leverage: products and services; sustainable development finance; and operations and partnerships, which include CSI.

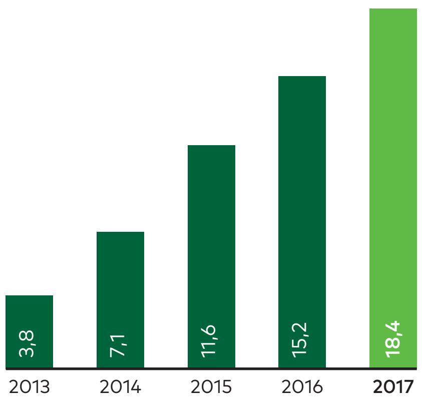
PRODUCTS AND SERVICES: SUSTAINABLE DEVELOPMENT FINANCE

The most effective way to deliver on our purpose is by using innovative products and services to help meet the SDG targets, thereby enabling our clients to achieve the positive outcomes they desire.

Progress in this regard includes:

- **Utility-scale renewable-energy finance** – In 2017 we disbursed more than R18,4bn for renewable deals with 28 projects reaching commercial operation date across rounds 1, 2 and 3 of the Renewable Energy Independent Power Procurement Programme. These projects add a further 2 100 MW to the national grid.

Renewable-energy disbursements
(Rbn)



- **Solar power for business and homes** – Our Smart Living Solutions is a product addressing clients' energy concerns by educating them and giving them access to NedRevolve or Readvance facilities for financing energy solutions for their homes.
- **Green buildings** – we provided a further R1,3bn funding for the construction of buildings that conform to green building standards. This brings our total investment in green buildings to R8,7bn and well over 400 000 m^2 of floor space.
- **Nedbank Green Savings Bond** – Since its inception, more than R25,2bn has been invested in the Nedbank Green Savings Bond, with R10,1bn having been invested in 2017.
- **Empowerment financing** – Nedbank embraces the role it plays in helping to create real economic opportunities for black businesses in SA, and partnering with them to ensure their success. In 2017 we invested a further of R3,8bn into empowerment financing.
- **Affordable housing** – We provided finance for the provision of more than 2 100 affordable housing units. We also provided R816m in loans to clients in the affordable-housing space.
- **Student accommodation** – Student accommodation construction loans with a total value of R1,1bn were finalised. This lending activity translated to approximately 5 700 beds.
- **Student Loans** – Over the past three years we have provided approximately 4 000 students with student loans to the value of R189m, R44m of which was lent in 2017. We have also been closely involved with the development of the Ikusasa Student Financial Aid Programme (ISFAP) that mobilises a range of funding sources to provide loans to students who do not qualify for government funding, but cannot access other forms of loans.

OUR OPERATIONS

While the direct impact of our operations is relatively small, we still strive to minimise the negative impacts of our operations on society while maximising the positive effect.

- **Responsible lending** – We manage the impact of our lending through a stringent governance process and a social and environmental management system. In the 2017 financial year all new applications and credit risk reviews of high-risk clients in Investment Banking and Client Coverage Divisions were included in the SEMS assessment process. In total 632 deals were assessed in 2017. A further 2 000 business banking clients involved in high-impact industries were assessed.
- **Carbon footprint** – Our 2017 carbon footprint was 205 569 tCO_2e. This equates to a GHG emission decrease of 1,16% from 2016 to 2017. The carbon emissions per FTE decreased by 2,5% year on year to 6,37 tCO_2e and emissions per square metre of office space decreased by 9,0% to 0,28 tCO_2e a year.
- **Reduction targets** – We continue to set reduction targets to limit the impact of our operations on the environment.
  - Water – Our consumption level of 15,05 kℓ per FTE, represents a good decrease from the 15,78 kℓ per FTE.
  - Paper – Our consumption of 1 306 tonnes in 2017 represents a 23,2% decrease year on year.
  - Waste to landfill – Decreased from 294 tonnes in 2016 to 220 tonnes in 2017, reflecting a 25,1% reduction.
  - Recycling – Increased from 620 tonnes to 689 tonnes or 11,09%.

Case in point

Contributing to the upskilling of early-childhood development practitioners

The communities in the Gauteng townships of Diepsloot and Rhenosterspruit have hundreds of small daycare centres or crèche facilities that provide much-needed early-childhood development (ECD) services and an income for residents. However, they are often run by people with little or no ECD qualification. In 2017 the Nedbank Foundation contributed R300 000 to the Heronbridge Training and Resource Centre (HTRC) to fund the national qualifications framework (NQF) level 5 training of 37 ECD practitioners from 25 preschools. Over 1 750 preschoolers are now benefiting from greatly improved standards of care and a far stronger foundation from which to enter the schooling system.

VALUE FOR STAKEHOLDERS
(continued)

PARTNERSHIPS

We place a priority on partnering with people, organisations and communities that share our passion for sustainable development.

- **Socioeconomic development** – The total value of CSI delivered across our group was R168m split across the group's key social investment focus areas of education, skills development, health and community development.
- **Nedbank Affinity programmes** – Since the inception of the programme in 1990, it has contributed more than R430m in support of more than 1 200 projects in the areas of child welfare, arts, sports and environmental protection. In 2017 donations equated to R43m.
- **Supporting quality education outcomes** – Support for education remains a priority. We increased the amount invested in quality education outcomes from R72m in 2016 to over R94m in 2017. This is in addition to the learnerships and graduate programmes that are run each year at Nedbank, benefiting almost 1 500 individuals and helping to address SA's skills shortages.
- **Partnering with our suppliers**
  Total procurement spend across Nedbank Group amounted to R12bn. Our total supplier base has a transformation status that counts towards Nedbank's BBBEE procurement spend scorecard and 75% of our procurement is local.
- **Working with WWF–SA**
  - The WWF–SA Water Balance Programme – As part of our water stewardship commitment, Nedbank has invested a total of R12m in support of the removal of alien invasive trees to release precious water back into the ecosystem and the creation of jobs for local communities. The programme also focuses on the maintenance and restoration of land already cleared.
  - The WWF–SA Sustainable Agriculture Programme – The programme promotes innovation to solve key natural-resource challenges, be it for water, energy or soil, and to maintain healthy natural ecosystems that farmlands depend on. Total investment in programme is in excess of R18m.
- **Using knowledge to unlock collective action** – We regularly invest in research for and publication of sustainability guides that are made freely available to individuals and businesses to encourage sustainable behaviour change. Guides include: *Carbon Footprinting Guide; Smart Living Guide;* and *Guide to Biodiversity in your Garden*.

Looking ahead

- We will set lending targets for SDF in 2018 that ensure more deliberate focus on our delivery in meeting the SDGs.
- We will enhance our three-year Enterprise Supplier Development Mentorship Programme to make an even stronger contribution to the sustainable business outcomes of attendees.
- As from 2018, excluding our existing commitments to Round 1 of SA's coal baseload programme*, the bank has undertaken not to provide project financing or other forms of asset-specific financing where the proceeds will be used to develop a new coal-fired power plant, regardless of country or technology.

** The fundamentals of these commitments are currently being assessed and must be in compliance with our Social and Environmental Management System, which aligns with all relevant legislation, regulation and best-practice principles.*

2020 **TARGETS**

Recognised as a leader in the financing of our fair share of the SDGs, thereby **promoting socioeconomic transformation** through enabling economic inclusion.

Case in point

Committed to good water stewardship

Nedbank takes its responsibility for good water stewardship seriously. Our strategy addresses water quality, quantity and access through our products and services, operations and partnerships with others. Activities in this regard are as follows:

PRODUCTS AND SERVICES

- We are working with public and private sector stakeholders on both the demand and supply side to develop funding solutions to alleviate water shortages across the country. Infrastructure investments in 2017 outside SA include financing a desalination plant in Ghana.
- We are proactively working with our drought-impacted clients to ensure their resilience during this difficult period. Assistance includes restructuring of debt and provision of working capital where required.
- We funded 630 low-income units at Belhar Gardens that are currently benefiting from the energy- and water-saving features in the development. The City of Cape Town identified the development as a new benchmark for social housing.

OUR OPERATIONS

- Our net operational water usage is zero, attained through investment in strategic water source areas as part of the WWF Water Balance Programme.
- Annual water usage per FTE continues to decrease, with a new target set for a further 15% reduction. The drought has required an additional focus on how we operate within severe water restrictions, particularly in Cape Town. Plans that address cooling, sanitation and general health and wellbeing of our staff and clients have been implemented to varying degrees across the country.

PARTNERSHIPS

- In addition to being a partner in the WWF-SA Water Balance Programme, we also assisted with the rollout of 50 grey water community gardens in Paarl.
- We sponsored the Interlact Dairy Water Stewardship Award showcasing dairy farmers leading the way in terms of maximising water efficiency on their farms, while minimising their impact on freshwater resources.
- Nedbank's investment in the Lifestraw Filtration Project enabled the distribution of 300 000 water filtration services in the Kakemega Province in Kenya in 2017.

GLOBAL REPORTING INITIATIVE STANDARDS INDEX

For the 2017 financial year we have used the Global Reporting Initiative (GRI) Standards for sustainability reporting, published in 2016, for the first time. We believe our report is in accordance with the core option requirements of such and meets some of the requirements of the comprehensive option where we believe that this matter is material to Nedbank. In addition we have chosen to report on certain environmental disclosures including, energy (302-1, 302-3 and 302-4) and emissions (305-1 to 305-6). While these do not form part of our material disclosures they are key to Nedbank's carbon-neutral status. We will continue to improve our reporting in accordance with the GRI Standards over time.

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Organisational profile				
102–1	Name of the organisation	Core	Nedbank Group Limited	
102–2	Activities, brands, products, and services	Core	Overview of Nedbank Group Our value-creating business model Delivering our strategy through our business clusters Products and Services: Sustainable Development Finance	1–10
102–3	Location of headquarters	Core	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, Gauteng, SA	
102–4	Location of operations	Core	Overview of Nedbank Group Company structure Reflections from our Chief Financial Officer	1–10
102–5	Ownership and legal form	Core	Overview of Nedbank Group Company structure	
102–6	Markets served	Core	Overview of Nedbank Group Our value-creating business model Delivering our strategy through our business clusters	1–10
102–7	Scale of the organisation	Core	Overview of Nedbank Group Our value-creating business model Delivering our strategy through our business clusters Reflections from our Chief Financial Officer Nedbank Group summarised Ten-year Review Products and Services: Sustainable Development Finance Workforce profile	1–10
102–8	Information on employees and other workers	Core	Workforce profile	1–2, 3–6
102–9	Supply chain	Core	Partnering with our suppliers Governance and Ethics Review	1–10
102–10	Significant changes to the organisation and its supply chain	Core	Old Mutual separation	1–10
102–11	Precautionary principle or approach	Core	Managing social and environmental risk Governance and Ethics Review	1–10
102–12	External initiatives	Core	Ratings and recognition Governance and Ethics Review	1–10
102–13	Membership of associations	Core	Alignment with industry best practice	1–10
Strategy				
102–14	Statement from senior decisionmaker	Core	Reflections from our Chairman Reflections from our Chief Executive	1–10
102–15	Key impacts, risks, and opportunities	Core	Risks and opportunities in our operating environment Our strategic focus areas and enablers Value for stakeholders Sustainability Governance Framework Managing social and environmental risk Pillar 3 Risk and Capital Management Report	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Ethics and integrity				
102–16	Values, principles, standards, and norms of behaviour	Core	Our purpose, vision and values Governance and Ethics Review	1–10
102–17	Mechanisms for advice and concerns about ethics	Core	Governance and Ethics Review Pillar 3 Risk and Capital Management Report	1, 2, 10
Governance				
102–18	Governance structure	Core	Reflections from our Chairman Report from the Group Transformation, Social and Ethics Committee Sustainability Governance Framework Governance and Ethics Review	1–10
102–19	Delegating authority		Sustainability Governance Framework Governance and Ethics Review	1–10
102–20	Executive-level responsibility for economic, environmental and social topics		Sustainability Governance Framework Governance and Ethics Review	1–10
102–21	Consulting stakeholders on economic, environmental and social topics		Reflections from our Chairman Report from the Group Transformation, Social and Ethics Committee Sustainability Governance Framework Our relationships Governance and Ethics Review	1–10
102–22	Composition of the highest governance body and its committees		Board of directors Governance and Ethics Review	1–10
102–23	Chair of the highest governance body		Board of directors Governance and Ethics Review	1–10
102–24	Nominating and selecting the highest governance body		Board of directors Governance and Ethics Review	1–10
102–25	Conflicts of interest		Governance and Ethics Review	1–10
102–26	Role of highest governance body in setting purpose, values, and strategy		Governance and Ethics Review	1–10
102–27	Collective knowledge of highest governance body		Report from the Group Transformation, Social and Ethics Committee Governance and Ethics Review	1–10
102–28	Evaluating the highest governance body's performance		Governance and Ethics Review	1–10
102–29	Identifying and managing economic, environmental and social impacts		Risks and opportunities in the operating environment Report from the Group Transformation, Social and Ethics Committee Sustainability Governance Framework Governance and Ethics Review	1–10
102–30	Effectiveness of risk management processes		Report from the Group Transformation, Social and Ethics Committee Risks and opportunities in the operating environment Sustainability Governance Framework Value for stakeholders Our relationships Governance and Ethics Review Pillar 3 Risk and Capital Management Report	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
102–31	Review of economic, environmental and social topics		Report from the Group Transformation, Social and Ethics Committee Risks and opportunities in the operating environment Sustainability Governance Framework Value for stakeholders Our relationships Governance and Ethics Review Pillar 3 Risk and Capital Management Report	1–10
102–32	Highest governance body's role in sustainability reporting		Group Transformation, Social and Ethics Committee	1–10
102–33	Communicating critical concerns		Governance and Ethics Review	1–10
102–34	Nature and total number of critical concerns		Pace of transformation, culture, employee wellbeing, procurement, ethics, environmental compliance, tax, audit, fees and findings, funding and liquidity, risk appetite, new products, regulatory change, succession planning, relationship with Old Mutual, expansion into Africa, macro economy, stress testing, state capture, investment status of the country. The number of issues is not disclosed	1–10
102–35	Remuneration policies		Remuneration Report	1, 2, 3–6
102–36	Process for determining remuneration		Remuneration Report	3–6
102–37	Stakeholders' involvement in remuneration		Remuneration Report Board Committee Feedback: Group Remuneration Committee Notice of Annual General Meeting Proxy form	3–6
102–38	Annual total compensation ratio		Tracked and monitored internally but not reported publicly Remuneration Report	3–6
102–39	Percentage increase in annual total compensation ratio		Tracked and monitored internally but not reported publicly Remuneration Report	3–6
Stakeholder engagement				
102–40	List of stakeholder groups	Core	Value for stakeholders Our relationships Governance and Ethics Review	1–10
102–41	Collective bargaining agreements	Core	Employee relations	3
102–42	Identifying and selecting stakeholders	Core	Value for stakeholders Our relationships Governance and Ethics Review	1–10
102–43	Approach to stakeholder engagement	Core	Value for stakeholders Our relationships Governance and Ethics Review	1–10
102–44	Key topics and concerns raised	Core	Value for stakeholders Our relationships Governance and Ethics Review	1–10
102–45	Entities included in the consolidated financial statements	Core	About our integrated report Company structure	
102–46	Defining report content and topic boundaries	Core	About our integrated report	

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
102–47 103–1 103–2 103–3	List of material topics	Core	These are determined from our materiality process and through our core function of being a bank Economic performance, compliance (environmental, social, product responsibility) employment, training and education, diversity and equal opportunity, human rights investment, non-discrimination, local communities, anti-corruption, product and service labelling, client privacy, product portfolio and active ownership. Stakeholder Engagement Policy Strategic focus area – key performance indicators Delivery in 2017: key performance indicators Nedbank Group summarised Ten-year Review	
102–48	Restatements of information	Core	No reclassifications and restatements were made to the group's statement of financial position and the statement of comprehensive income.	
102–49	Changes in reporting	Core	None	
102–50	Reporting period	Core	About our integrated report	
102–51	Date of most recent report	Core	About our integrated report	
102–52	Reporting cycle	Core	About our integrated report	
102–53	Contact point for questions regarding the report	Core	Contacts	
102–54, 102 55	Claims of reporting in accordance with the GRI Standards	Core	Our report is in accordance with the core requirements of the GRI Standards About our integrated report	
102–56	External assurance	Core	About our integrated report Validating our sustainability journey Report from the independent auditors	
Economic performance				
201	Management approach disclosures – Economic performance	Core	See 102–47	
201–1	Economic performance – Direct economic value generated and distributed	Core	Our value-creating business model Reflections from our Chief Financial Officer Nedbank Group summarised Ten-year Review Value for stakeholders Pillar 3 Risk and Capital Management Report	1–10
201–2	Economic performance – Financial implications and other risks and opportunities due to climate change		Risks and opportunities in the operation environment Making tradeoffs	7–9
201–3	Economic performance – Defined-benefit plan obligations and other retirement plans		Remuneration Report	3
201–4	Economic performance – Financial assistance received from government		No financial assistance received from government	
203–1	Indirect economic impacts – Infrastructure investments and services supported		Products and Services: Sustainable Development Finance Transformation Report	1, 2, 7–9
203–2	Indirect economic impacts – Significant indirect economic impacts		Transformation Report Sustainable Development Review Skills development and learning	1–10
204–1	Procurement practices – Proportion of spending on local suppliers		Partnering with our suppliers Governance and Ethics Review	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Energy				
302–1	Energy – Energy consumption within the organisation		Carbon footprint measurement	1, 2, 7–9
302–3	Energy – Energy intensity		Carbon footprint measurement	1, 2, 7–9
302–4	Energy – Reduction of energy consumption		Carbon footprint measurement	1, 2, 7–9
Emissions				
305–1	Emissions – Direct (scope 1) GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–2	Emissions – Energy indirect (scope 2) GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–3	Emissions – Other indirect (scope 3) GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–4	Emissions – GHG emissions intensity		Carbon footprint measurement	1, 2, 7–9
305–5	Emissions – Reduction of GHG emissions		Carbon footprint measurement	1, 2, 7–9
305–6	Emissions – Emissions of ozone-depleting substances (ODS)		Carbon footprint measurement	1, 2, 7–9
Compliance (environmental)				
307	Management approach disclosures – Environmental compliance	Core		
307–1	Environmental compliance – Non-compliance with environmental laws and regulations	Core	None for the period	1, 2, 7–9
FS1	Policies with specific environmental and social components applied to business lines	Core	Sustainability Governance Framework Managing social and environmental risk Approach to responsible lending in Retail and Business Banking Governance and Ethics Review	1, 2, 7–9
FS2	Procedures for assessing and screening environmental and social risks in business lines	Core	Sustainability Governance Framework Managing social and environmental risk Responsible investment Approach to responsible lending in Retail and Business Banking Governance and Ethics Review	1–10
FS3	Processes for monitoring clients' implementation of, and compliance with, environmental and social requirements included in agreements or transactions	Core	Sustainability Governance Framework Managing social and environmental risk Approach to responsible lending in Retail and Business Banking	1–9
FS4	Processes for improving staff competence to implement the environmental and social policies and procedures as applied to business lines	Core	Managing social and environmental risk Reduction targets Pillar 3 Risk and Capital Management Report Governance and Ethics Review	1–10
FS5	Interactions with clients/ investors/business partners regarding environmental and social risks and opportunities	Core	Value for stakeholders Leveraging carbon neutrality The power of partnerships to do good Our relationships	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Core	Assurance statement online: https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Nedbank%20Group%20Consolidated%20Annual%20Financial%20Statements.pdf	1–9
FS15	Policies for the fair design and sale of financial products and services	Core	Responsible investment Approach to responsible lending in Retail and Business Banking Delivering innovative market-leading client experiences Growing our transactional banking franchise faster than the market Pillar 3 Risk and Capital Management Report	1,2
Employment				
401	Management approach disclosures – Employment	Core	See 102–47	
401–1	Employment – New employee hires and employee turnover	Core	Nedbank Group workforce at a glance	1, 2, 3–6
401–2	Employment – Benefits provided to fulltime employees that are not provided to temporary or part-time employees		Remuneration Report	1, 2, 3–6
404	Management approach disclosures – Training and education	Core	See 102–47	
404–1	Training and education – Average hours of training per year per employee	Core	Skills development and learning	1–6
404–2	Training and education – Programmes for upgrading employee skills and transition assistance programmes		The wellbeing of our people Enabling and inspiring leadership	1–6
404–3	Training and education		Performance management	1–6
Diversity and equal opportunity				
405	Management approach disclosures – Diversity and equal opportunity	Core	See 102–47	
405–1	Diversity and equal opportunity – Diversity of governance bodies and employees	Core	Board of directors Nedbank Group workforce at a glance Governance and Ethics Review	1–6
Human rights investment				
412	Management approach disclosures – Human rights investments	Core	See 102–47	
412–3	Human rights assessment – Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		Applying the Equator Principles Governance and Ethics Review	1–10
412–2	Human rights assessment – Employee training on human rights policies or procedures human rights clauses or that underwent human rights screening	Core	Governance and Ethics Review	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Non-discrimination				
406	Management approach disclosures – Non-discrimination	Core	See 102–47	
406–1	Non-discrimination – Incidents of discrimination and corrective actions taken	Core	Governance and Ethics Review	1–6
Local communities				
413	Management approach disclosures – Local communities	Core	See 102–47	
413–1	Local communities – Operations with local community engagement, impact assessments, and development programmes	Core	Applying the Equator Principles Partnerships Our relationships Transformation Report	1–10
FS13	Access points in low-populated or economically disadvantaged areas by type	Core	Improving financial inclusion Transformation Report	1–10
FS14	Initiatives to improve access to financial services for disadvantaged people	Core	Improving financial inclusion Transformation Report	1, 2
Anti-corruption				
205	Management approach disclosures – Anti-corruption	Core		
205–1	Operations assessed for risks related to corruption	Core	Pillar 3 Risk and Capital Management Report Governance and Ethics Review	10
205–2	Communication and training about anti-corruption policies and procedures		Pillar 3 Risk and Capital Management Report Governance and Ethics Review	10
205–3	Confirmed incidents of corruption and actions taken		Pillar 3 Risk and Capital Management Report None for the period	10
415–1	Political contributions		Nedbank policy does not allow for contributions to political parties	10
Products, service and labelling				
417	Management approach disclosures – Products, service and labelling	Core		
417–1	Requirements for product and service information and labelling		Detailed product brochures that comply with all relevant legislation, such as the National Credit Act, are available for the group's clients. Relationship managers are also responsible for explaining the characteristics, benefits and implications of products to clients in accordance with the Financial Advisory and Intermediary Services Act. Product policies and procedures and product review committees are in place.	1, 2, 7–10
417–2	Incidents of non-compliance concerning product and service information and labelling	Core	A total of 99 incidents of non-compliance, the majority of which relate to anti-money-laundering with no fines or warnings.	10
102–43	Approach to stakeholder engagement		Value to stakeholders Our relationships	1–10
102–44	Key topics and concerns raised		Value to stakeholders Our relationships	1–10

Disclosure	GRI disclosure title	GRI option	Reference	UNGC Principles
Customer privacy				
418	Management approach disclosures – Customer privacy	Core	See 102–47	
418–1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Core	We have not received any substantiated complaints regarding breaches of client privacy from any outside party or from our regulators. Where assets in the form of computers and cellphones were lost or stolen, the majority had been encrypted and there were therefore no breaches of client privacy to which we were alerted. We are continuously enhancing our privacy data breach management and response processes with a view to further refining and identifying losses of such data in order to ensure that we stay abreast of advancements and regulatory developments in this regard. Complaints data is currently undergoing enhancement in terms of the reporting requirements.	1, 2, 10
Compliance (society, product and service)				
419	Management approach disclosures – Socioeconomic compliance	Core	See 102–47	
419–1	Non-compliance with laws and regulations in the social and economic area	Core	Pillar 3 Risk and Capital Management Report The Central Bank of Mozambique (CBM) issued a contravention notification letter dated 17 October 2017 to the Banco Único relating to the management and reporting of suspicious and unusual transactions. A fine of R6,4m has been made as a prepayment while the quantum is under appeal with the CBM.	1–10
Product portfolio				
FS6	Percentage of the portfolio for business lines by specific region, size (eg micro/SME/large) and by sector	Core	Overview of Nedbank Group Our value-creating business model Delivering our strategy through our business clusters Nedbank Group summarised Ten-year Review	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Core	Applying the Equator Principles Products and Services: Sustainable Development Finance Transformation Report	1, 2, 7–10
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Core	Applying the Equator Principles Products and Services: Sustainable Development Finance	7–9
Active ownership				
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	Core	During 2017 all new applications and credit risk reviews of high-risk clients in Investment Banking and Client Coverage were included in the SEMS assessment process. Where relevant, certain deals were also assessed using the Equator Principles. More than 2632 clients and/or deals were assessed in 2017 across both CIB and Business Banking.	1–10
FS11	Percentage of assets subject to positive and negative environmental or social screening	Core	Responsible investment Nedbank Group summarised Ten-year Review	1–10
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	Core	Nedgroup Investments voting policy – http://www.nedgroupinvestments.co.za/Content/Files/Documents/Nedgroup%20Investments%20Proxy%20Voting%20Guidelines.pdf	

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