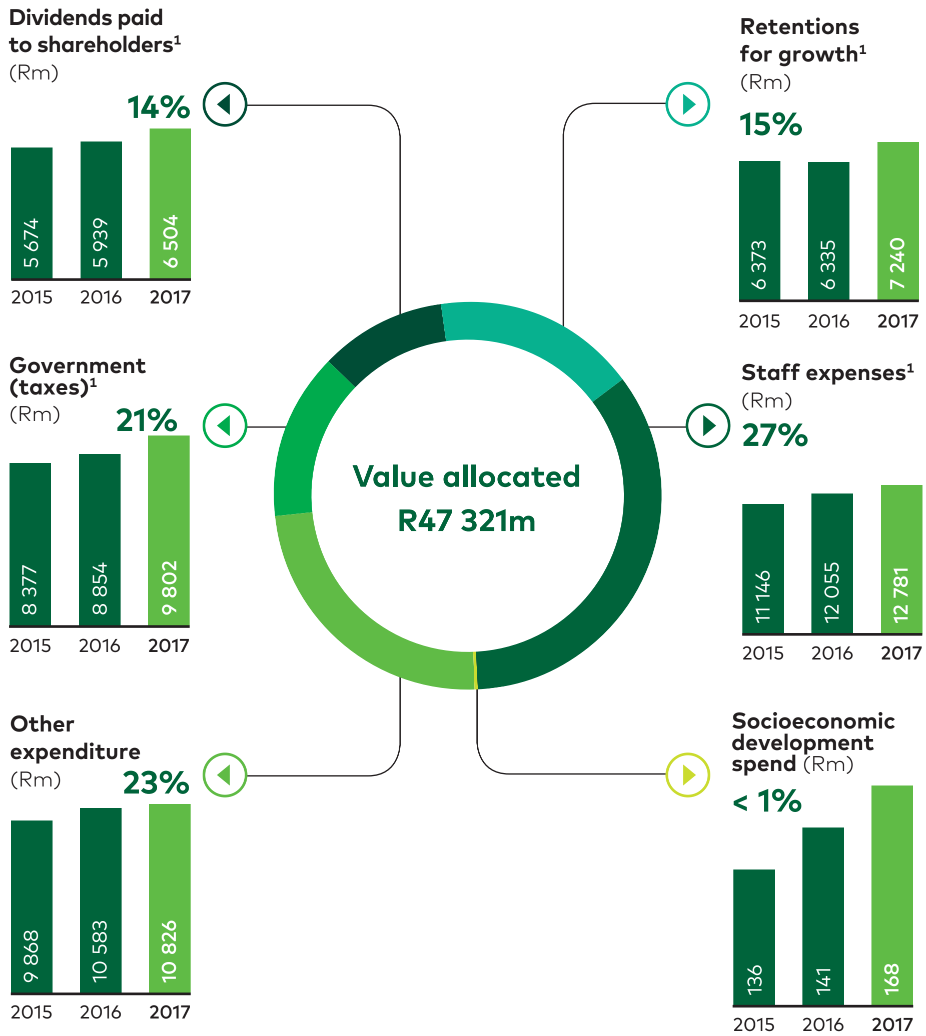
VALUE FOR STAKEHOLDERS

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.

STAFF

INVESTING IN OUR STAFF

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 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.

CLIENTS

EXCEEDING THE EXPECTATIONS OF OUR CLIENTS

Case in point

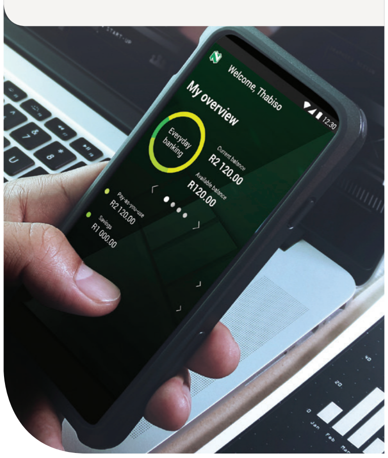
Nedbank Money app

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

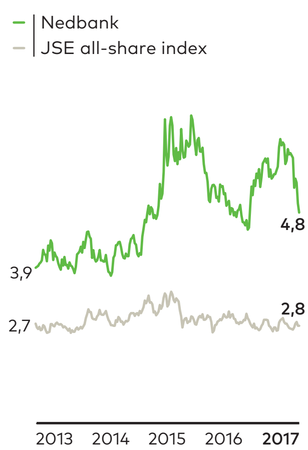
SHAREHOLDERS

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS

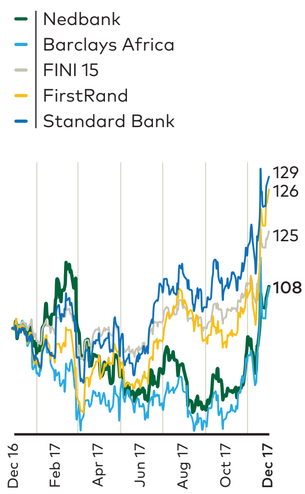
Delivering value to our shareholders in 2017

- 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.

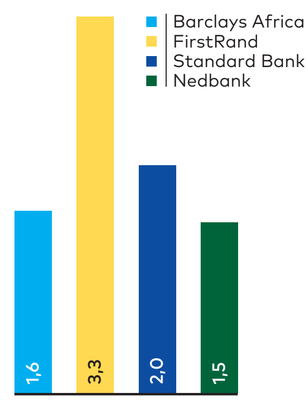
Dividend yield



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 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

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, 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 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.

SHAREHOLDERS (continued)

DELIVERING CONSISTENTLY TO OUR SHAREHOLDERS (continued)

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 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, 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 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.

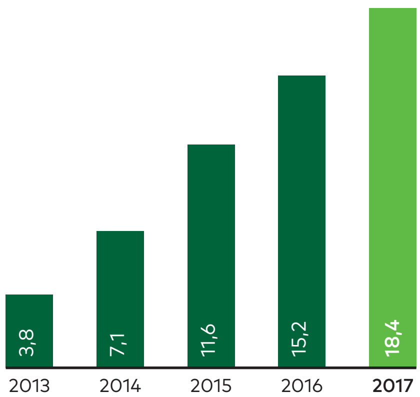
PRODUCTS AND SERVICES: SUSTAINABLE DEVELOPMENT FINANCE

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 m² 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.

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.

STAKEHOLDER VALUE CREATION – PROGRESS AND OUTLOOK

Key performance indicators	How does it link to value creation?	Year-on-year change
Staff costs	Remuneration and benefits to staff	▲
Annual unionised salary increase	Salary increases for bargaining unit	▶
Training spend	Investment in staff development	▼
Staff turnover	Ability to retain and rotate skills	▲
Staff engagement/morale (entropy score)	Reduction in entropy driving levels of staff morale higher	▶
Transformation – black staff	Transformation of Nedbank staff profile in line with demographics of society	▲
Transformation – female staff	Progressing female diversity	▼
Loan payouts	New loan payouts to clients	▼
Digital – App Suite transactions	Uptake of more convenient and affordable channels	▲
Consumer – NPS	Quality of service experience reflected in reputational NPS	▶
Service – Operational score for service (complaints handling)	Quality of service experience through effective complaints handling	▲
Service – Nedbank system availability	System uptime to enable uninterrupted financial processing	▶
Pricing – average annual price increase	Value-for-money banking	▶
Convenience – new-style staffed outlets converted	Technology-enabled outlets providing an improved client experience	▲
Service – high-net-worth ranking	Quality of service to high net individual clients based on Intellidex Survey ranking in the industry	▶
Investment performance in asset management business	Raging Bull awards illustrative of investment performance for clients	▶
Share price performance	Share price appreciation	
Full-year dividend per share (cents) and cover (times)	Dividends for shareholders	▲
Price-to-book ratio	Valuation indicator of the Nedbank share	▶
Basel III compliance – CET1 ratio	Strength of capital position	▲
Basel III compliance – LCR	Strength of liquidity position	▲
Basel III compliance – NSFR	Strength of stable funding	▶
Regulatory fines or penalties	Indicator of adherence to regulatory requirements	▶
Direct, indirect and staff taxes	Contribution to government coffers	▲
BBBEE level as per the Amended FSC	Reflection of corporate transformation	▶
Consumer finance education (no of participants)	Value through education	▲
Total socioeconomic spend	Contribution to society	▲
Local procurement spend as percentage of total	Supporting local suppliers	▶
Renewable-energy lending	Commitments to renewable-energy deals	▲
Annual Fair Share lending	Lending with deliberate social and environmental outcomes	▼
Carbon footprint offset to neutral	The impact of our business on the environment	▼
Carbon footprint per FTE	The impact of our business on the environment	▼

Assurance indicators

LA	*External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status. Related opinions are available at nedbankgroup.co.za.*
MO	*Management and board oversight through rigorous internal reporting governed by the group's ERMF.*
FS	*Financial information extracted from the 2017 Nedbank Group Limited Audited Annual Financial Statements.*
IN	*Information sourced from external sources, eg independent surveys.*
OV	*Independent oversight by regulatory bodies, including SARB, FSB and various financial sector ombudsman offices.*

	2017	2016	2015	Benchmark/Peer average[1]	Outlook/Target	Assurance
	R16 530bn	R15 524bn	R14 296bn	N/A	Maintain competitive remuneration	MO FS
	8,0%	8,0%	7,5%	N/A	Above the increase for management	MO
	R355m	R413m	R370m	N/A	Continue to invest in staff	LA
	10,6%	9,6%	9,9%	11–13% (*industry benchmark*)	Maintain despite organisational change	MO LA
	12% (survey conducted every two years)		13%	10% (*worldclass levels*)	Improve	IN (Source: Barrett Survey)
	78,5%	78,3%	76,9%	*Not publicly available*	Continue driving transformation	LA
	62,1%	62,7%	62,2%	*Not publicly available*	Continue driving transformation	LA
	R153bn	R162bn	R185bn	N/A	Continue to extend credit responsibly	MO
	R41bn	R25bn	R16bn	N/A	Continue to drive digital adoption over time	MO
	26	26	25	27 (*Industry average*)	Improve	IN LA (Source: Consulta)
	73	69	Not reported on	N/A	Continue to improve and exceed target of 75	LA
	99,99%	99,99%	99,94%	Nedbank: Top performer	No 1 in industry	LA
	Below inflation	Below inflation	Below inflation	N/A	Below inflationary increases	MO
	55%	44%	36%	N/A	82% of total outlets by 2020	MO
	3rd	3rd	3rd	No 1: Standard Bank Private Banking	No 1 in the industry 2020 TARGET	IN (Source: Intellindex's Top Private Banks and Wealth Managers Survey)
	Top offshore manager in SA	Top 3	Top 3	No 1: Allan Gray No 2: PSG No 3: Coronation	Rating among top 3 2020 TARGET	IN (Source: Raging Bull awards)
	7,5%	26,3%	(24,3%)	18,5% (FINI 15)	Perform above peers	IN (Source: the JSE)
	1 285c	1 200c	1 107c	N/A	Within our 1,75 times to 2,25 times target range	MO FS
	1,91 times	2,0 times	2,06 times			
	1,5 times	1,5 times	1,2 times	2,3 times (*peer average*)	No 2 bank by 2020 2020 TARGET	IN (Source: the JSE)
	12,6%	12,1%	11,3%	SARB: > 7,25%	10,5–12,5%	MO OV
	116,2%	109,3%	88,5%	SARB: > 80% for 2017	Continue to phase in to > 100% by 2019	MO OV
	Pro forma compliant	Pro forma compliant	Not disclosed	SARB: 100% for 2018	> 100% by 2018	MO OV
	R1m	R1m	0	N/A	Zero, although risk of fines has increased	MO OV
	R9,8bn	R8,7bn	R8,2bn	N/A	Responsible taxpayer	OV
	2	2	2	Nedbank: No 1 bank	Leading transformation	MO OV
	200 000	180 000	260 000	N/A	Maximum aligned impact with strategy	MO LA
	R168m	R141m	R136m	Nedbank top performer in Trialogue CSI handbook	Spend greater than R100m	MO LA
	> 75%	> 75%	> 75%	As per FSC	> 75%	MO LA
	R18,4bn	R15,2bn	R11,6bn	Nedbank: No 1 bank	R35bn committed, with drawdowns over next five years	MO
	R1,1bn	R2,3bn	R1,8bn	N/A	Sustainable development finance lending targets per SDG to be set during 2018	MO
	205 569 tCO_2e	207 975 tCO_2e	214 967 tCO_2e	Nedbank a leader, only carbon-neutral bank in Africa	Maintain carbon-neutrality	MO LA
	6,37 tCO_2e	6,54 tCO_2e	6,97 tCO_2e	Leader in performance on the Carbon Disclosure Project	Continue to reduce our impact on the environment through the resetting of reduction targets in 2017	MO LA

[1] *Peer average consists of the simple average of Barclays Africa, FirstRand and Standard Bank.*